

Alinma Bank (HOLD, TP: SAR 25.1, 1150.SE) 1Q26 Results Review

Volume aids NSCI growth, diluted by fall in NIM; AB raises downside probability by 10ppts, CoR impact offset by one-off recovery; seasonal staff cost impacts CIR

Alinma Bank (AB)'s net income in 1Q26 was up 11% Y/Y at SAR 1.68bn (1Q26 EPS: SAR 0.56) as total income rose 7% to SAR 3.01bn driven by NSCI and NII to a lesser extent. Operating expenses, ex provisions, rose 9% Y/Y taking the reported cost-to-income ratio (CIR) to 32.6% (+48bps Y/Y). Provisions fell 31% to SAR 156mn. Loans grew faster than deposits, leading to a 376bps widening of the headline LDR to 99.5%. Balance sheet leveraging stood at 6.5x vs. 6.7x in 1Q25. Reported RoAE rose 41bps to 18.44%, while RoAA fell 3bps to 2.11%. The BoD proposed a dividend of SAR 0.25 per share for 1Q26, at a payout ratio of 44.7%.

- NSCI was up 8% Y/Y and 1% Q/Q to SAR 2.48bn in 1Q26, driven by an increase of 8% Y/Y (flat Q/Q) in net financing income, and 11% Y/Y (+6% Q/Q) in net investment income. Reported NIM fell 16bps Y/Y but was flat Q/Q at 3.47% in 1Q26.
- NII was up 1% Y/Y to SAR 535mn led by higher trading income and lower loss on non-trading investments, partly offset by decrease in fee, other operating, dividend, and exchange income. Q/Q, NII fell 26% led by lower fee and dividend income and higher loss on non-trading investments, partially offset by increase in trading, exchange, and other operating income.
- Consequently, total operating income was 7% higher Y/Y but down 5% Q/Q to SAR 3.01bn, in line with estimates.
- Operating expenses, ex provisions, were higher by 9% Y/Y to SAR 983mn in 1Q26 led by D&A and employee expenses, partly offset by lower premises, G&A, and other operating expenses. They were up 2% Q/Q on an increase in employee and D&A expenses, partly offset by lower premises, G&A, and other operating expenses. The reported CIR, ex impairments, was up 48bps Y/Y and 246bps Q/Q to 32.64%.
- Total provisions fell 31% Y/Y and 47% Q/Q to SAR 156mn reflecting good asset quality of originations and collection of recoveries from previously written-off accounts. The cost of risk (CoR) came in at 0.26% vs. 0.49% in 4Q25, and 0.43% in 1Q25.
- NPL balances fell 17% Y/Y but were up 5% Q/Q to SAR 2.25bn. Calculated NPL formation in 1Q26 stood at 0.3% of average gross loans, vs 1.3% in FY25. NPL ratio came in at 0.93% vs. 0.92% in 4Q25, and 1.27% in 1Q25. The NPL coverage stood at 166.5% up 10ppts Y/Y and 16.2ppts Q/Q.
- Net income rose 11% Y/Y but fell 3% Q/Q at SAR 1.68bn in 1Q26, in line with consensus estimates. For the year, it registered a growth of 5% to SAR 8.45bn.
- Total assets were up 13% Y/Y (+4% Q/Q) to SAR 324.29bn, mainly attributed to the growth in financing (+14% Y/Y, +4% Q/Q) and investment (+16% Y/Y, +2% Q/Q) assets.
- Estimated interest-earning assets (IEA) rose 12% Y/Y and 5% Q/Q to SAR 294.27bn, accounting for 90.7% of assets in 1Q26, down 102bps Y/Y and 122bps Q/Q. Balance sheet leveraging stood at 6.5x in 1Q26 vs. 6.4x in 4Q25 and 6.7x in 1Q25.

SAR mln	1Q26	4Q25	1Q25	Q/Q %	Y/Y %
Net income from Financing	2,125	2,128	1,969	0%	8%
Net income from Investments	350	329	314	6%	11%
Net Interest Income	2,475	2,457	2,283	1%	8%
Non-Interest Income	535	723	531	-26%	1%
Total Income	3,010	3,180	2,814	-5%	7%
Operating Expenses	983	960	905	2%	9%
Total provisions	156	296	226	-47%	-31%
Income before Zakat	1,872	1,922	1,681	-3%	11%
Net Income	1,679	1,724	1,508	-3%	11%
EPS	0.56	0.57	0.50	-3%	11%
Assets	324,291	311,067	287,222	4%	13%
Investments	57,604	56,623	49,457	2%	16%
Loans & Advances	238,325	229,747	209,435	4%	14%
Deposits	239,605	227,374	218,839	5%	9%
Shareholders' Equity	49,603	48,241	42,952	3%	15%
Reported RoAE (%)	18.44	19.50	18.03	-106 bps	41 bps
Reported RoAA (%)	2.11	2.23	2.14	-12 bps	-03 bps
Simple LDR (%)	99.5	101.0	95.7	-158 bps	376 bps
Assets to Equity (x)	6.5	6.4	6.7	1%	-2%
Cost of Risk (%)	0.26	0.49	0.43	-23 bps	-17 bps

Rating Summary and Forecasts

Rating Summary

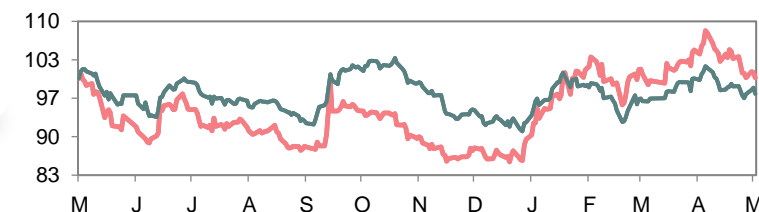
Rating	Hold
Market Price	23.5
12-month Target Price	25.1
Upside / Downside	7%
Mkt Cap (SAR mn)	65,000
52-week High/Low	31.30/23.94

Forecasts

	12/25 A	12/26 E	12/27 E	12/28 E
Net Income (SAR mn)	6,397	7,078	7,605	8,247
PER (x)	11.0	10.0	9.3	8.6
PBV (x)	2.0	2.0	1.8	1.6
EPS (SAR)	2.13	2.36	2.54	2.75
DPS (SAR)	0.75	1.00	1.20	1.30
RoE (%)	18.3	19.9	19.2	18.8
Dividend Yield (%)	3.2	4.3	5.1	5.5

Price Chart

● AB ● TASI



Alinma Bank (HOLD, TP: SAR 25.1, 1150.SE) 1Q26 Results Review

- Gross financing growth of 4% YTD to SAR 242.1bn in 1Q26 was driven by 10% increase in retail and 2% in corporate financing. Growth in retail was driven by 10% growth in home financing alongside expansion in auto and personal financing. Corporate financing increased 2% YTD, supported by mid-corporate and SME growth. Gross financing mix stood at 73% corporate and 27% retail. Within corporates, large corporates and project financing make up 62% of the total book.
- Deposits rose 5% YTD in 1Q26 to SAR 239.6, driven by CASA deposits increasing 8% and time deposits rising 3%. CASA share came in at 49.5% vs. 48.3% in 4Q25 and 53.9% in 1Q25.
- Regulatory LDR declined 3.1ppts Y/Y to 80.1%. NSFR and LCR came in at 111.7% and 132% respectively.

Investment thesis

- *AB recorded among the sector's highest loan growth in 1Q26 at 4% YTD, aided mainly by retail (+10%), which was the big surprise this quarter. AB has outdone retail banks such as RJHI and SNB handsomely on this front. Corporate growth was more selective, coming in at 2%, aided by mid corporates and SMEs (+6% YTD). Y/Y volume was also among the highest, coming in at 14%, which helped the NSCI post an 8% increase Y/Y despite NIM falling 16bps Y/Y. With stable NIM expected sequentially, we foresee AB closing the year with an NSCI growth of 9%, from low teens loan growth. In 1Q26, non-yield income was up 1% Y/Y, which too was aided by FVIS investment income, ex of which, it would have fallen 5% Y/Y. We expect it to remain sluggish given the impact of geopolitics on foreign spending and trade finance. We are factoring for core fee income to rebound from 2027, anticipating a better geopolitical environment. The bank raised its risk probability by 10ppts to 30%, driven by geopolitical implications. However, the impact on the P&L was more than offset by a SAR 400mn one-off corporate recovery. The bank sees FY26 CoR to fall within its guidance as rest of the quarter will see normalized CoR. While 1Q26 operating expenses came in 9% higher Y/Y, this was a seasonal impact from employee expenses. CIR will improve in the rest of the year with opex growth expected in mid single-digit in 2026.*
- *With loan growth expected to be strong for AB, outperforming the sector, with a low teens guidance for 2026, revenue driver for the near term is going to come from margins. Liquidity is going to be key factor to watch out for. In 1H26, where loan growth is expected to stay below recent trend, we might see some more pick up in CASA share, however, it would be interesting to see the impact from 2H26, when loan growth is expected to pick up. We believe this could be a factor that drove AB to maintain its NIM guidance to remain stable from 1Q26 levels despite positives such as loan repricing and selective growth in higher margin businesses.*

AB trades at 1.9x PBV (on shareholders equity) with a 5-year forward RoAE (post-AT1 cost) of 17.9%. The stock trades at a 10% discount to its 2-year average of 2.1x. Compared to the sector, it is trading with a 30% premium to the sector average of 1.5x (vs. a 2-year average sector premium of 28%). Maintain Buy.

Rating and Risks

We are BUY rated on AB and our 12-month price target is SAR 25.1. Upside risks include material pick up in credit demand, robust recoveries, and easing of liquidity. Leading downside risk is geopolitical; prolonged US-Israel-Iran conflict and damage to energy infrastructure. Operational risks include CASA dilution, material dip in system credit quality, and slowdown in economic activity. Given its exposure to projects exposure, reprioritization or slowdown in project spending will impact AB.

Rating Framework

Buy

Shares of the companies under coverage in this report are expected to outperform relative to the sector or the broader market.

Hold

Shares of the companies under coverage in this report are expected to perform in line with the sector or the broader market.

Sell

Shares of the companies under coverage in this report are expected to underperform relative to the sector or the broader market.

BSF Capital

(Closed Joint Stock Company Owned by BSF)

Authorized and regulated under Capital Market Authority license 11153-37. The company is operating under commercial registration 1010231217 with a paid up capital of SAR 500,000,000.

Head Office

8092 King Fahd Road | Riyadh 12313-3735 | Kingdom of Saudi Arabia

Mailing Address

P.O. Box 23454 Riyadh 11426 | Kingdom of Saudi Arabia

Tel: +966 11 282 6828 | 800 125 9999

www.bsfcapital.sa

Important Disclaimer

This report is prepared by BSF Capital, a fully-fledged investment firm providing investment banking, asset management, securities brokerage, research, and custody services. BSF Capital, and its affiliate, might conduct business relationships with the company that is subject of this report and/ or own its security.

This report is based on current public information that we consider reliable, but we do not represent it is accurate or complete, and it should not be relied on as such. Accordingly, no representation or warranty, express or implied, is made as to, and no reliance should be placed on the fairness, accuracy, completeness or correctness of the information and opinions contained in this report.

This report is intended for general information purposes only, and may not be reproduced or redistributed to any other person. This report is not intended as an offer or solicitation with respect to the purchase or sale of any security. This report is not intended to take into account any investment suitability needs of the recipient. In particular, this report is not customized to the specific investment objectives, financial situation, risk appetite or other needs of any person who may receive this report. BSF Capital strongly advises every potential investor to seek professional legal, accounting and financial guidance when determining whether an investment in a security is appropriate to his or her needs.

To the maximum extent permitted by applicable law and regulation, BSF Capital shall not be liable for any loss that may arise from the use of this report or its contents or otherwise arising in connection therewith. Any financial projections, fair value estimates and statements regarding future prospects contained in this report may not be realized. All opinions and estimates included in this report constitute BSF Capital's judgment as of the date of production of this report, and are subject to change without notice. Past performance of any investment is not indicative of future results. The value of securities, the income from them, the prices and currencies of securities, can go down as well as up. An investor may get back less than what he or she originally invested. Additionally, fees may apply on investments in securities. Changes in currency rates may have an adverse effect on the value, price or income of a security. No part of this report may be reproduced without the written permission of BSF Capital. Neither this report nor any copy hereof may be distributed in any jurisdiction outside the Kingdom of Saudi Arabia where its distribution may be restricted by law. Persons who receive this report should make themselves aware of, and adhere to, any such restrictions. By accepting this report, the recipient agrees to be bound by the foregoing limitations.