



Double-digit asset growth limits the impact of NIM contraction

Alinma Bank posted earnings of SAR 1.5bn in Q1-25, up 14.7% Y/Y (down 1.4% sequentially). The Q1-25 net income was in line with our estimates (-3.0% deviation). The Y/Y improvement in earnings is owed to 13.5% Y/Y growth in Net Special Commission Income (NSCI) and 14.4% Y/Y decline in debt provisions. Net financing and investment margins declined by 11bps Y/Y. Operating expenses (excluding debt provisions) totaled at SAR 905mn, up 8.6% Y/Y (+4.8% Q/Q), +2.5% deviation to AJC estimate. Cost to income ratio improved by 34bps Y/Y to 32.2% in Q1-25. Provision expenses declined by 14.4% Y/Y to SAR 226mn (-9.3% Q/Q), 9.5% below our estimate of SAR 250mn. Cost of risk stood at 43bps in Q1-25, down 15bps Y/Y. With declining interest rates the bank is expected to see compression in NIMs, however, we expect limited impact on the bottom-line due to robust asset growth. At 2025E PB of 2.1x and ROE of 17.5%, we believe the bank has good re-rating potential. We maintain our **“Overweight”** recommendation with TP of **SAR 35.5/share**.

- Alinma Bank posted earnings of SAR 1.5bn in Q1-25, up 14.7% Y/Y (down 1.4% sequentially). The Q1-25 net income was in line with our estimates (-3.0% deviation). The slight deviation is mainly owed to higher operating expenses. The Y/Y improvement in earnings is owed to 13.5% Y/Y growth in Net Special Commission Income (NSCI) and 14.4% Y/Y decline in debt provisions. Overall, operating income grew by 9.7% Y/Y (largely unchanged Q/Q) in Q1-25 (-1.7% deviation).
- Net financing and investment margins declined by 11bps Y/Y, gross financing and investment income grew by 8.4% Y/Y (-2.1% Q/Q), whereas funding costs increased by 2.7% Y/Y (-5.5% Q/Q). We reiterate that Alinma is adversely affected by declining rates due to large floating rate exposure, hence margin contraction is likely to continue.
- Operating expenses (excluding debt provisions) totaled at SAR 905mn up 8.6% Y/Y (+4.8% Q/Q), +2.5% deviation to AJC estimate. Cost to income ratio improved to 32.2% in Q1-25, as compared to 32.5% witnessed in Q1-24.
- Provision expenses declined by 14.4% Y/Y to SAR 226mn (-9.3% Q/Q), 9.5% below our estimate of SAR 250mn. Cost of risk stood at 43bps in Q1-25, down 15bps Y/Y as compared to 59bps in Q1-24 (down 7bps Q/Q and 5bps lower than our estimate).
- Loan book expanded by 15.9% Y/Y & 3.5% Q/Q to SAR 209.4bn in Q1-25, 1.5% higher than our estimate of SAR 206.3bn. Meanwhile, deposits grew 15.8% Y/Y and 3.9% Q/Q to SAR 218.8bn, as compared to our estimate of SAR 214.7bn. The ADR ratio increased to 95.7% in Q1-25 (+9bps Y/Y -39bps Q/Q). Moreover, the bank has grown its investments by 9.1% Y/Y (1.7% on a Q/Q basis) to SAR 49.4bn.

AJC view and valuation: With declining interest rates Alinma is expected to see compression in NIMs, however, we expect limited impact on the bottom-line due to robust asset growth (bank's strong project finance franchise places it well to benefit from uptick in credit demand from Vision 2030 investments) and better balance sheet mix (higher weight of term deposits and increase in fixed rate investments). We maintain our **“Overweight”** recommendation with TP of **SAR 35.5/share**.

Results Summary

SAR mn	Q1-24	Q4-24	Q1-25	Change Y/Y	Change Q/Q	Deviation from AJC Estimates
Net financing and investment income	2,012	2,265	2,282	13.5%	0.8%	-0.3%
Total Operating income	2,565	2,815	2,814	9.7%	0.0%	-1.7%
Net Profit	1,315	1,529	1,508	14.7%	-1.4%	-3.0%
EPS	0.53	0.61	0.60			

Source: Tadawul, Aljazira Capital Research

Recommendation **Overweight**

Target Price (SAR) **35.5**

Upside / (Downside)* **18.9%**

Source: Tadawul *prices as of 28th of April 2025

Key Financials

SARmn (unless specified)	FY23	FY24	FY25E	FY26E
Net financing & investment income	7,655	8,649	9,452	10,175
Growth %	26.2%	13.0%	9.3%	7.6%
Net Income (post sukuk)	4,639	5,632	6,064	6,721
Growth %	34.4%	21.4%	7.7%	10.8%
EPS	1.86	2.25	2.43	2.69
DPS	0.75	1.09	1.10	1.20

Source: Company reports, Aljazira Capital Research

Key Ratios

	FY23	FY24	FY25E	FY26E
NIMs	3.8%	3.6%	3.4%	3.2%
P/E (x)	15.5	12.9	12.3	11.1
P/B (x)	2.6	2.2	2.1	1.9
Dividend Yield	2.6%	3.8%	3.7%	4.0%
ROA	2.1%	2.2%	2.1%	2.1%
ROE	16.5%	18.2%	17.5%	17.6%
Loans growth	18.5%	16.5%	15.7%	13.5%
Deposit growth	29.4%	12.1%	13.9%	13.1%

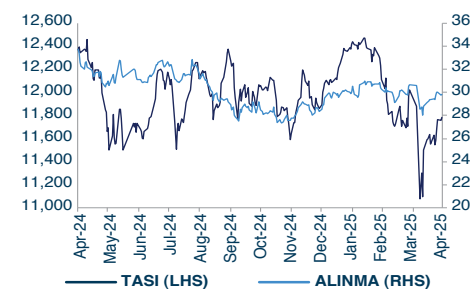
Source: Company reports, Aljazira Capital Research

Key Market Data

Market Cap(bn)	74.1
YTD%	+2.9%
52 week (High)/(Low)	33.9/27.4
Share Outstanding (mn)	2,500.0

Source: Company reports, Aljazira Capital Research

Price Performance



Source: Bloomberg, Aljazira Capital Research

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RATING
TERMINOLOGY

1. **Overweight:** This rating implies that the stock is currently trading at a discount to its 12 months price target. Stocks rated "Overweight" will typically provide an upside potential of over 10% from the current price levels over next twelve months.
2. **Underweight:** This rating implies that the stock is currently trading at a premium to its 12 months price target. Stocks rated "Underweight" would typically decline by over 10% from the current price levels over next twelve months.
3. **Neutral:** The rating implies that the stock is trading in the proximate range of its 12 months price target. Stocks rated "Neutral" is expected to stagnate within +/- 10% range from the current price levels over next twelve months.
4. **Suspension of rating or rating on hold (SR/RH):** This basically implies suspension of a rating pending further analysis of a material change in the fundamentals of the company.

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