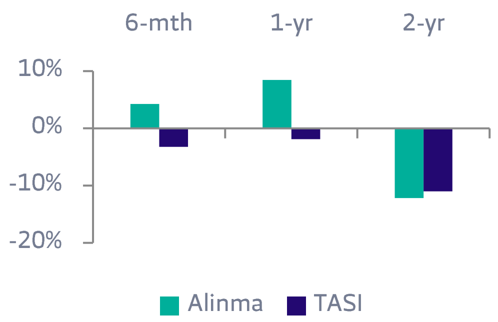
Provisioning Spike Drives Earnings Miss

July 23, 2026

Upside to Target Price	7.5%	Rating	Neutral
Expected Dividend Yield	3.8%	Last Price	SAR 23.72
Expected Total Return	11.3%	12-mth target	SAR 25.50

Market Data	
52-week high/low	SAR 25.53/19.95
Market Cap	SAR 59,300 mln
Shares Outstanding	3,000 mln
Free-float	89.87%
12-month ADTV	5,536,689
Bloomberg Code	ALINMA AB



Alinma	2Q2026	2Q2025	Y/Y	1Q2026	Q/Q	RC Estimate
Net Fin. & Invest. Income	2,550	2,272	12%	2,475	3%	2,537
Total Operating Income	3,128	2,947	6%	3,010	4%	3,105
Net Income	1,595	1,573	1%	1,679	(5%)	1,686
Net Financing	243,911	218,596	12%	238,325	2%	244,566
Deposits	245,254	229,944	7%	239,605	2%	244,397

(All figures are in SAR mln)

- Alinma's loans expanded by SAR 244 bln (+12% Y/Y, +2% Q/Q), in-line with our forecast of SAR 245 bln. Deposits grew to SAR 245 bln (+7% Y/Y, +2% Q/Q), in-line with our forecast, primarily supported by IBDs which increased +10% and continuous growth in CASA by +6%. The regulatory LDR decreased to 79.6% in 2Q26 compared to 82.5% in 2Q25.
- Net Financing and Investment Income increased to SAR 2.55 bln (+12% Y/Y, +3% Q/Q), in line with our estimate of SAR 2.54 bln, Accordingly, NIMs remained stable at 3.44% in 2Q26 (vs. 3.42% 2Q25), compared with our estimate of 3.45%.
- Total Operating Income grew to SAR 3.13 bln (+6% Y/Y, +4% Q/Q), in-line with our forecast of SAR 3.11 bln. Sequential growth was mainly driven by stronger NSCI and higher non-funded income (primarily supported by higher FVIS income, exchange income, and other operating income). Operating expenses (ex-provisioning) rose to SAR 950 mln, slightly below our estimates of SAR 1.0 bln. Consequently, Cost-to Income ratio improved to 30.4% (from 32.6% % in 1Q26), compared with our estimate of 32.3%. Impairment charges increased sharply to SAR 400 mln (+42% Y/Y, +157 % Q/Q), significantly above our estimate of SAR 230 mln. The higher-than-expected impairment charges may reflect the bank's continued efforts to strengthen Stage 3 coverage toward peer levels, following management's comments in 1Q26, in addition to the absence of the sizeable recoveries recorded in the previous quarter.
- The bank reported a bottom-line of SAR 1.60 bln (up by +1% Y/Y, but down -5% Q/Q), below our estimate and consensus estimate of SAR 1.69 bln and SAR 1.70 bln, respectively. The earning miss was primarily attributable to the higher-than-expected impairment charges. The bank declared a DPS of SAR 0.25 for 2Q26.
- Given its relatively tighter CET1 buffer compared with peers, we expect the bank to adopt a more conservative capital deployment strategy, which may constrain near-term balance sheet growth. Nevertheless, we believe its disciplined dividend policy should support capital retention, enabling a gradual rebuild of capital buffers and underpinning longer-term growth. Accordingly, we lower our target price to SAR 25.5 (from SAR 26.7) while maintaining our Neutral rating.

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Stock Rating

Buy	Neutral	Sell	Not Rated
Expected Total Return Greater than +15%	Expected Total Return between -15% and +15%	Expected Total Return less than -15%	Under Review/ Restricted

The expected percentage returns are indicative, stock recommendations also incorporate relevant qualitative factors

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