

ALINMA BANK

RESULT ANALYSIS

Q3 2022

Strong loan growth – a key positive of results

Alinma reported an in-line set of results, with net income of SAR989mn, up 34.0% yoy (+6.9% qoq). This is in-line with the SNB Capital and consensus estimate of SAR988mn and SAR952mn, respectively. The yoy improvement is largely due to strong growth in revenue (+20.5% yoy, +7.4% qoq), supported by growth in both NSCI and, Fee and other income. Key positive of the result was strong +6.7% qoq growth in the loan book the 2nd highest in sector after AIRajhi. Net income adjusted for Tier 1 Sukuk was at SAR956mn (up 37.4% yoy, 9.3% qoq).

- Revenues grew by 20.5% yoy (+7.4% qoq) to SAR2.08bn and was in-line with our estimate of SAR2.04bn. NSCI increased by 20.2% yoy (+18.4% qoq) to SAR1.67bn and was higher than our estimate of SAR1.49bn. Fees and other income, increased 21.3% yoy (-22.5% qoq) to SAR402mn and was lower than our estimate of SAR545mn.
- NIMs expanded c18bps yoy to 3.5%, higher than our estimates. Yield on earning assets increased by c74bps yoy to 4.7% in Q3 22 and was ahead of our estimate of 4.3%. The cost of funding increased by c75 bps due to higher interest rates of 1.1%, in-line with our estimates.
- Operating expenses (ex-provisions) grew by 15.2% yoy (+7.0% qoq) to SAR710mn. Cost-to-income ratio declined to 34.2% in Q3 22 vs 35.8% in Q3 21 but was marginally lower than 34.2% in previous quarter.
- Provisioning expenses continued to decline yoy to SAR264mn, but was in-line with our estimate of SAR256mn. The yoy decline in provisions is a common theme across the sector.
- Alinma's loan book grew by 15.4% yoy (+6.7% qoq) to SAR140bn and higher than our estimate of SAR134bn. We believe this is a key positive of the results and is the 2nd highest loan growth on quarterly basis in the sector. Deposits grew 13.2% yoy (+1.3% qoq) to SAR132bn, in line with our estimates. Consequently, the bank's liquidity position tightened significantly from 104.0% in Q3 21 to 106% in Q3 22, which might lead to a further increase in cost of funds.

Outlook

We are Neutral on Alinma with a PT of SAR38.2mn. Currently, Alinma trades at 2023f P/B of 2.3x, higher than the peer average of 2.0x. We believe that the current interest rate environment bodes well for the bank.

Q3 22 Results Summary (SAR mn)

	Q3 22	Q3 21	%yoy	Q3 22f	%Var [^]	Q2 22	% qoq
Net Special Commission Income	1,674	1,393	20.2%	1,492	12.2%	1,414	18.4%
Fee and other Income	402	331	21.3%	545	(26.3)%	519	(22.5)%
Operating Income	2,075	1,722	20.5%	2,036	1.9%	1,932	7.4%
Net Income	989	738	34.0%	979	1.0%	925	6.9%
Net income (after Tier 1 sukuk)	956	696	37.4%	946	1.1%	875	9.3%
Loans (bn)	140	121	15.4%	134	4.6%	131	6.7%
Deposits (bn)	132	117	13.2%	133	(0.7)%	130	1.3%
Investments (bn)	38	32	20.0%	38	(0.5)%	38	1.4%
Assets (bn)	193	167	15.8%	186	3.7%	185	4.7%
EPS (SAR)	0.48	0.35	37.4%	0.48	1.1%	0.44	9.3%

Source: Company, SNB Capital Research, %Var[^] indicates variance from SNB Capital forecasts

REVENUE



Last 4 Quarters vs Q3 22. SAR

NEUTRAL

Price target (SAR)	38.2
Current price (SAR)	37.0

PT last updated in October 2022

VALUATION MULTIPLES

	21	22f	23f
P/E (x)	27.3	19.9	14.3
P/B (x)	2.9	2.6	2.3
Div Yield (%)	1.1	2.4	3.4
ROE (%)	10.8	13.7	17.2

Source: SNB Capital Research estimates

STOCK DETAILS

M52-week range H/L (SAR)	43/22
Market cap (US\$ mn)	19,694
Shares outstanding (mn)	2,000
Listed on exchanges	Saudi Exchange

Price perform (%)	1M	3M	12M
Absolute	4.1	(2.9)	46.2
Rel. to market	(4.1)	(3.1)	44.7

Avg daily turnover (mn)	SAR	US\$
3M	187.0	49.8
12M	279.5	74.4

Reuters code	1150.SE
Bloomberg code	ALINMA AB

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