

Alinma Bank CP: 13.8 FV: 15.6 Rating: Accumulate

Net income in line with our estimates and consensus at SAR 208mn. Lower non-interest income was offset by a solid NIM.

- **Net income comes as expected:** Q4-12 net income of SAR 208mn came in line with our expectations of SAR 204mn. Q-o-Q, the bank registered a 7% rise in profits due to a better top line.
- **Flat NIM:** we estimate NIM to have remained flat Q-o-Q, this is positive in our view given that deposits increased by 13% while loans increased by 6% Q-o-Q.
- **Non- interest income less than expected:** Lower than expected commissions on corporate finance and advisory could explain the miss from our estimate but numbers remain on an uptrend.
- **Loan growth slows down:** Lending momentum decelerated in Q4-12 but remains above peers (6% Q-o-Q and 47% Y-o-Y). Previously, Alinma benefited from a pickup in project finance activity, filling some of the gap that was left by the deleveraging of global banks in KSA.
- **Provisions as expected:** Q4-12 net provisions are estimated at SAR 54mn, in line with our estimate. Despite the Q-o-Q increase, provisions expense translates into an annualized cost of risk of approximately 50bps. Given the relatively new banking license, Alinma's asset quality has exceeded peers, with a NPL ratio of 0.3% as of Q3-12, justifying the low provisioning cost compared to the sector.
- **Premium valuation:** Alinma trades at a PB 2013E of 1.22x, and a PE 2013E of 22.3x due to the high growth phase. With a fair value of SAR15.6 and 20% upside potential, we keep our Accumulate rating on Alinma.

	Q4-11 A	Q3-12A	Q4-12 A	Q4-12 E	Q-o-Q	Y-o-Y	Vs ASIB Est
Income Statement							
Net Interest Income	281	407	433	425	6%	54%	2%
Non-Interest Income	206	52	57	62	10%	-72%	-8%
Total Banking Income	487	459	490	487	7%	1%	1%
Operating Expenses	239	221	228	228	3%	-4%	0%
Pre-Provisions Profits	248	238	262	259	10%	6%	1%
Provisions	112	44	54	55	23%	-52%	-2%
Net Profit	136	194	208	204	7%	53%	2%
Balance Sheet							
Loans	25,258	34,999	37,187	37,099	6%	47%	0%
Investments	3,428	2,544	1,960	2,600	-23%	-43%	-25%
Total Assets	36,783	49,852	54,014	53,342	8%	47%	1%
Total Deposits	17,776	28,568	32,214	30,853	13%	81%	4%

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