

ALINMA BANK CP: 13.0 FV: 15.6 Rating: Accumulate

Net income in line with our estimates and 9% above consensus. Lower provisioning costs offset by lower non-interest income.

- **Net income comes as expected:** Q3-12 net income of SAR 196mn came in line with our expectations of SAR 192mn. Q-o-Q, the bank registered lower non-interest income as well as lower provisioning costs.
- **Non- interest income less then expected:** Lower than expected commissions on corporate finance and advisory could explain this miss.
- **Strong loan growth as expected:** The strong lending momentum continues with loan growth of 45% Y-o-Y and 17% Q-o-Q, which was in line with our expectations. Alinma has been active in the corporate segment (i.e. such as Jabal Omar Development Co. and the Sadara Chemical Co).
- **Provisions below estimate:** Q2-12 net provisions are estimated at SAR 32mn, below our estimate of SAR 37mn. The bank's existing portfolio remains almost free of NPLs, with a NPL ratio of 0.04% as of Q2-12, justifying the low provisioning cost compared to the sector.
- **NIM improves:** we estimate NIM to have increased by 7bps Q-o-Q, suggesting that the bank was able to increase its deposit base at a lower cost compared to previous sectors.
- **Premium valuation:** Alinma trades at a PB 2012E of 1.19x, and a PE 2013E of 21.0x due to the high growth phase. With a fair value of SAR15.6 and 20% upside potential, we keep our Accumulate rating on Alinma.

	Q3-11 A	Q2-12A	Q3-12 A	Q3-12 E	QoQ	YoY	Vs ASIB Est
Income Statement							
Net Interest Income	308	346	407	397	18%	32%	3%
Non-Interest Income	24	138	52	63	-62%	116%	-17%
Total Banking Income	332	484	459	460	-5%	38%	0%
Operating Expenses	(204)	(228)	(231)	(231)	1%	13%	0%
Pre-Provisions Profits	128	256	228	229	-11%	78%	0%
Provisions	(6)	(67)	(32)	(37)	-53%	468%	-14%
Minority		(9)	-	-			NA
Net Profit	122	179	196	192	9%	60%	2%
Balance Sheet							
Loans	24,063	30,034	34,999	33,850	17%	45%	3%
Investments	2,391	2,423	2,545	2,570	5%	6%	-1%
Total Assets	33,999	44,192	49,853	48,600	13%	47%	3%
Total Deposits	15,850	25,964	28,569	28,200	10%	80%	1%

Wael Chalak, CFA
Wael.Chalak@asib.com

Ghida Barbari
Ghida.Barbari@asib.com

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