

# Alinma Bank

Q4 2017

## Recommendation Neutral

Fair Value (SAR) 19.95

Price as of February 5, 2018 20.57  
Expected Return -3.01%

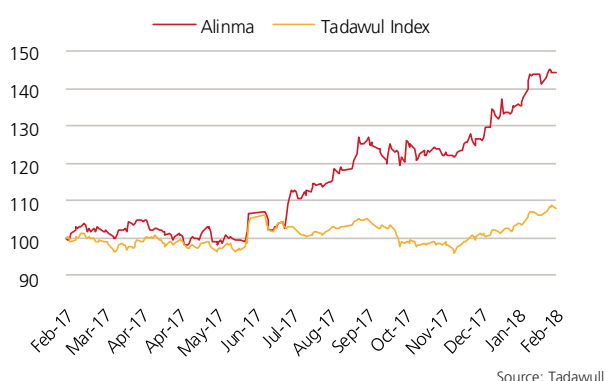
### Company Data

Tadawul Symbol	1150.SE
52 Week High (SAR)	20.86
52 Week Low (SAR)	14.00
YTD Change	7.92%
3-Month Average Volume (Thousand Shares)	25,573
Market Cap. (SAR Million)	30,855
Market Cap. (USD Million)	8,236
Outstanding Shares (Million Shares)	1,500

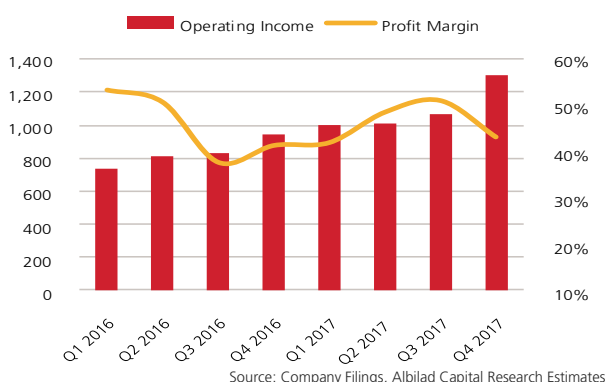
### Major Shareholders (> 5%)

Public Pension Agency	10.7%
Public Investment Fund of Saudi Arabia	10.0%
General Organization for Social Insurance	5.1%

52-week Stock Price Movement



Quarterly Operating Income (SAR mn) and Profit Margin



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Alinma Bank reported its interim financial results for Q4 2017 disclosing net profit of SAR 560 million skyrocketing 43.5% from SAR 390 million in Q4 2016 and 3.3% from SAR 542 million in Q3 2017. The bottom-line exactly matched our estimate and slightly exceeded the analysts' consensus of SAR 553 million. Consequently, the annual bottom-line hit SAR 2,011 million, surging 33.9% compared to SAR 1,502 million in 2016.

The strong growth was driven by significant improvement in all core banking activities. The bank achieved high growth in total operating income on higher financing and investment income and fee income from banking services, despite the increase in total operating expenses due to increased credit provisions, and higher expenses and salaries, and growth in S&GA. The fourth quarter was also affected by the decline in investment gains compared to Q3 2017 and Q4 2016.

Net special commission income leaped 33% in Q4 2017 to reach SAR 967 million compared to SAR 727 million in Q3 2017, while on an annual level, the figure hit SAR 3,493 million, soaring 31.7% compared to SAR 2,652 million in 2016.

Total operating income edged up 37.4% YoY, recording SAR 1,299 million in Q4 2016 and also rose 22% from SAR 1,063 million in Q3 2017. Therefore, on an annual level it spiked 31% to reach SAR 4,373 million compared to SAR 3,063 million in 2016.

During 2017, loans climbed 12.4% YoY reaching SAR 79 billion versus SAR 70.3 billion in 2016. Investments skyrocketed 148% from SAR 6.1 billion in 2016 compared to SAR 15.3 billion where sukuk represented SAR 10 billion, as government bond accounted for SAR 9 billion. Total assets surged 9.8% YoY to SAR 115 billion. Furthermore, customer deposits rose 10.4% YoY to SAR 89 billion versus SAR 80 billion in 2016. As a result, the loans-to-deposits ratio rose slightly to 88.7% in Q4 2017 from 87.2% in Q4 2016. The growth of loans and deposits in 2017 slew down to 12.4% and 10.4%, respectively, compared to 23% for each in 2016. It is worth noting that in 2016, the prices of SAIBOR rose to high levels fuelled by lack of liquidity. The Kingdom issued consecutive international bonds in 2017 and injected that enhanced liquidity in the Saudi economy and eased the pressure on banks, then SAIBOR started to decline sharply in 2017, which boosted credit margins in 2017.

Alinma bank booked more than SAR 500 million in credit provisions in 2017, thus the total provisions hit SAR 1.5 billion in an attempt to improve the asset quality. The coverage ratio exceeded 170% in 2017 versus 165.5% by the end of Q3 2017. As for the expansion plans of the bank in 2017, 14 new branches have been opened in 2017 and new branches will be opened in 2018 to strengthen the network of branches in key cities. We maintain our fair value of the bank at SAR 19.95 per share.

FY - Ending December	2015A	2016A	2017E	2018F
Net Interest Margin	3.07%	2.99%	3.61%	3.68%
Return on Assets	1.73%	1.55%	1.83%	1.97%
Return on Equity	8.10%	8.01%	9.86%	10.39%
Net Special Commission Growth	9.8%	12.0%	36.9%	12.0%
Expenses to Income	51.6%	54.5%	53.8%	51.0%
Net Loans / Deposits	86.8%	87.2%	88.8%	89.6%
NPL / Total Loans	0.74%	0.77%	1.06%	1.10%
Coverage Ratio	175.1%	173.3%	170.7%	190.4%
PE	21.01	20.56	15.36	13.05
P / BV	1.72	1.68	1.61	1.43
EPS (SAR)	0.98	1.00	1.34	1.58

Source: Company Filings, Albilad Capital Research Estimates

ALINMA AB - 1150.SE

### Summary of Financial Statements & Forecasts

Income Statement (SAR mn)	2014A	2015A	2016A	2017E	2018F
Special Commission Income	2,286	2,547	3,385	4,246	4,772
Special Commission Expense	211	268	834	753	861
<b>Net Special Commission Income</b>	<b>2,075</b>	<b>2,279</b>	<b>2,551</b>	<b>3,493</b>	<b>3,911</b>
Fees & Commission Income, net	396	620	615	689	758
Foreign Exchange Income, net	57	94	121	150	135
Other Income	91	70	41	40	43
<b>Total Operating Income</b>	<b>2,620</b>	<b>3,063</b>	<b>3,328</b>	<b>4,373</b>	<b>4,847</b>
Salaries & Employee-related Expense	637	670	755	825	915
Rent & Premises-related Expense	108	128	145	156	183
Depreciation and amortization	154	161	164	203	233
Other expenses	286	316	436	523	602
<b>Total Operating Expenses</b>	<b>1,435</b>	<b>1,789</b>	<b>1,828</b>	<b>2,666</b>	<b>2,915</b>
Impairment Charge for Credit Losses & Other Assets	145	196	195	511	387
Provision for impairment of assets, net	17	112	118	137	150
<b>Net Income</b>	<b>1,264</b>	<b>1,470</b>	<b>1,502</b>	<b>2,011</b>	<b>2,368</b>

Balance Sheet (SAR mn)	2014A	2015A	2016A	2017E	2018F
Cash & Balances with SAMA & Other Fin. Institutions	16,384	22,225	24,747	16,967	17,906
Investments, net	8,036	6,473	6,157	15,320	17,618
Loans & Advances, net	53,637	57,005	70,312	79,063	86,179
Property & Equipment, net	1,544	1,629	1,738	1,703	1,654
Other Assets	1,261	1,392	1,775	1,953	2,050
<b>Total Assets</b>	<b>80,862</b>	<b>88,725</b>	<b>104,730</b>	<b>115,005</b>	<b>125,407</b>
Due to Banks & Other Financial Institutions	33	2,264	2,432	2,138	2,886
Customer Deposits	59,428	65,695	80,612	89,065	96,190
Other Liabilities	3,462	2,415	2,507	2,200	2,420
<b>Total Liabilities</b>	<b>62,923</b>	<b>70,373</b>	<b>85,551</b>	<b>93,403</b>	<b>101,496</b>
Total Equity	17,939	18,352	19,178	21,602	23,911
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>80,862</b>	<b>88,725</b>	<b>104,730</b>	<b>115,005</b>	<b>125,407</b>

Source: Company Filings, Albilad Capital Research Estimates

A: Actual. E: Albilad Capital Research Estimates. F: Albilad Capital Research Forecasts.

## Albilad Capital Rating Methodology

Al-Bilad Capital uses its own evaluation structure, and its recommendations are based on quantitative and qualitative data collected by the analysts. Moreover, the evaluation system places covered shares under one of the next recommendation areas based on the closing price of the market, the fair value that we set and the possibility of ascent/descent.

<b>Overweight:</b>	The Target share price exceeds the current share price by $\geq 10\%$ .
<b>Neutral:</b>	The Target share price is either more or less than the current share price by $< 10\%$ .
<b>Underweight:</b>	The Target share price is less than the current share price by $\geq 10\%$ .
<b>To be Revised:</b>	No target price had been set for one or more of the following reasons: waiting for more analysis, waiting for detailed financials, waiting for more data to be updated, major change in company's performance, change in market conditions or any other reason from Albilad Capital Research.

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