

## ALINMA BANK

Rise in Both Funded & Non-Funded Income helps profit to advance

### 1Q21 Net profit higher than our estimate

Alinma Bank recorded an increase of 73.3% YOY in Net profit to SAR642 mm in 1Q21, from SAR370 mm in 1Q20, beating our estimate by 37.8%. This increase was primarily due to a significant rise in Non-funded income and a rise in Net Funded Income.

### P&L highlights

Operating income increased by 27.7% YOY in 1Q21 to SAR1,619 mm, beating our forecast by 4%. The increase in Operating Income is mainly due to the significant increase in the Total Non-funding income to SAR415 mm from SAR147 mm in 1Q20, led by a significant increase in the Other non-funding income to SAR64 mm in 1Q21, in addition to an increase by 35.7% YOY in Fees and Commissions to SAR301 mm in 1Q21 compared to SAR222 mm in 1Q20. At the same time, the Net Funded income increased by 7.4% YOY to SAR1,204 mm in 1Q21 from SAR1,121 mm in 1Q20. While Funded income has decreased by 3.3% YOY to SAR1,349 mm in 1Q21 from SAR1,395 mm in 1Q20, and Funded expenses, have also decreased by 47.3% YOY to SAR144 mm in 1Q21 from SAR274 mm in 1Q20. Operating expenses have increased by 8.5% YOY to SAR556 mm in 1Q21 from SAR512 mm in 1Q20, while the Cost/Income "C/I" decreased by 694 bps to 34.3% from 40.4% in 1Q20. Impairment charges slightly increased by 0.4% YOY to SAR344 mm in 1Q21 compared to SAR343 mm in 1Q20.

### Balance sheet highlights

Net advances increased by 19.8% YOY to SAR117.14 bn in 1Q21 from SAR97.78 bn in 1Q20. While, Customer deposits climbed by 16.2% YOY to SAR120.7 bn in 1Q21 from SAR103.87 bn in 1Q20. Total Assets increased by 15.9% YOY to SAR159.95 bn in 1Q21, and the Total Equity increased by 10.1% YOY to SAR25.08 bn in 1Q21 compared to SAR22.77 bn in 1Q20.

### Target price and rating

We assign a HOLD rating with a target price of SAR19.20. Alinma Bank is a Saudi joint-stock company that provides a comprehensive range of Shariah-compliant Retail and Corporate Banking and Investment services under the best work environment that helps in achieving sustainable growth. Alinma Bank has recorded a growth of 73.3% in Net Profit reaching SAR642 mm in 1Q21 compared to SAR370mm in 1Q20. This increase in Net Profit was due to the remarkable increase by 27.7% in Total operating income in 1Q21, among a rise in net Financing and Investment income held at fair value, Fee Income and Other operating income. Despite the COVID-19 outbreak and an overall impact on the global and local economy, Alinma Bank has posted strong operational performances across 2020, with a number of key financial

**Rating : HOLD**

### First Look Note – 1Q21

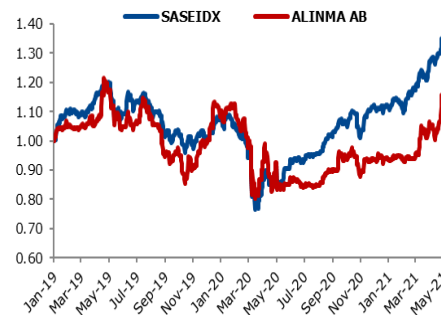
Sector: Banking

#### Recommendation

|                       |        |
|-----------------------|--------|
| Current Price (9-May) | 19.18  |
| Target Price (SAR)    | 19.20  |
| Upside (%)            | +0.10% |

#### Stock Information

|                           |             |
|---------------------------|-------------|
| Market Cap (SAR/mm)       | 39,000.00   |
| Paid Up Capital (mm)      | 20,000.00   |
| 52 Week High              | 20.18       |
| 52 Week Low               | 14.24       |
| 3M Avg. daily value (SAR) | 275,505,700 |



#### Financial Ratios

|                          |       |
|--------------------------|-------|
| Dividend Yield (12month) | 1.54  |
| Dividend Pay out         | 0.00  |
| Price-Earning Ratio      | 17.28 |
| Price-to-Book Ratio      | 1.55  |
| Book Value               | 12.54 |
| Return-on Equity         | 9.35  |
| Earning Per Share        | 1.13  |
| Beta                     | 1.07  |

#### Stock Performance

|                        |        |
|------------------------|--------|
| 5 Days                 | 0.10%  |
| 1 Months               | 10.05% |
| 3 Months               | 19.49% |
| 6 Months               | 20.52% |
| 1 Year                 | 34.30% |
| Month to Date (MTD%)   | -1.71% |
| Quarter to Date (QTD%) | 5.98%  |
| Year to Date (YTD%)    | 20.52% |

indicators showing double-digit percentage growth. Therefore, ADR ratio has increased by 20 bps to reach 97.1% in 1Q21 from 94.1% in 1Q20 amid an increase in Deposits by 16.2% reaching SAR120.71 mm in 1Q21 from SAR103.84 mm in 1Q20 representing 75.46% of Total Assets accompanied with an increase in Advances by 19.8% reaching SAR 117.15 mm in 1Q21 as compared to SAR 97.78 mm same period last year. It is worth noting that Non-Performing Loans decreased by 4.94% as at 1Q21 compared to same period last year. The annualized NIM and NIS have both decreased to 3.5% and 3.4% in 1Q21 from 3.9% and 3.8% in 1Q20, respectively. Cost to income ratio decreased in first quarter 2021 to 34.3% from 40.4% same period 2020. The Bank's Common Tier 1 Capital ratio stood at 18% as at the end of 1Q21, same as last year's percentage and the CAR ratio maintained its level at 19% same as same first quarter 2020. The stock is trading at a P/B multiple of 1.54x and therefore, we maintain our HOLD rating on the stock.

**Alinma Bank -Relative Valuation**

|                    | 2017 | 2018 | 2019 | 2020 | 2021F |
|--------------------|------|------|------|------|-------|
| P/E (x)            | 19.2 | 13.5 | 20.2 | 19.6 | 15.8  |
| P/B (x)            | 1.9  | 1.8  | 1.7  | 1.6  | 1.5   |
| Dividend yield (%) | 4.1% | 5.1% | 0.0% | 1.5% | 3.6%  |

*FABS estimate & Co data*
**Alinma Bank-P&L**

| SAR mm                         | 1Q20         | 4Q20         | 1Q21         | 1Q21F        | Var.         | YOY ch       | QOQ ch       | 2020         | 2021F        | YOY ch       |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Funded income                  | 1,395        | 1,400        | 1,349        | 1,424        | -5.3%        | -3.3%        | -3.7%        | 5,470        | 5,832        | 6.6%         |
| Funded expense                 | -274         | -163         | -144         | -199         | -27.6%       | -47.3%       | -11.5%       | -822         | -861         | 4.7%         |
| <b>Net funded income</b>       | <b>1,121</b> | <b>1,237</b> | <b>1,204</b> | <b>1,225</b> | <b>-1.6%</b> | <b>7.4%</b>  | <b>-2.6%</b> | <b>4,648</b> | <b>4,972</b> | <b>7.0%</b>  |
| Fees and commissions           | 222          | 368          | 301          | 280          | 7.6%         | 35.7%        | -18.1%       | 989          | 1,180        | 19.4%        |
| Trading gain/(loss)            | 59           | 46           | 50           | 49           | 1.6%         | -15.1%       | 9.1%         | 220          | 218          | -1.1%        |
| Other non-funded income        | -134         | -19          | 64           | 4            | NM           | NM           | NM           | -122         | 15           | NM           |
| <b>Non-funded income</b>       | <b>147</b>   | <b>394</b>   | <b>415</b>   | <b>333</b>   | <b>24.6%</b> | <b>NM</b>    | <b>5.3%</b>  | <b>1,086</b> | <b>1,413</b> | <b>30.1%</b> |
| <b>Operating income</b>        | <b>1,268</b> | <b>1,631</b> | <b>1,619</b> | <b>1,557</b> | <b>4.0%</b>  | <b>27.7%</b> | <b>-0.7%</b> | <b>5,734</b> | <b>6,385</b> | <b>11.3%</b> |
| Operating expenses             | -512         | -544         | -556         | -521         | 6.7%         | 8.5%         | 2.1%         | -2,119       | -2,143       | 1.2%         |
| <b>Pre-provision profit</b>    | <b>756</b>   | <b>1,086</b> | <b>1,064</b> | <b>1,036</b> | <b>2.6%</b>  | <b>40.7%</b> | <b>-2.1%</b> | <b>3,616</b> | <b>4,241</b> | <b>17.3%</b> |
| Impairment                     | -343         | -650         | -344         | -525         | -34.5%       | 0.4%         | -47.1%       | -1,418       | -1,570       | 10.7%        |
| Share of profit of associates  | -2           | 3            | -4           | 3            | NM           | NM           | NM           | 5            | 4            | -22.5%       |
| <b>Net profit before zakat</b> | <b>411</b>   | <b>439</b>   | <b>716</b>   | <b>514</b>   | <b>39.1%</b> | <b>73.9%</b> | <b>62.9%</b> | <b>2,202</b> | <b>2,675</b> | <b>21.5%</b> |
| Zakat                          | -41          | -45          | -74          | -48          | 52.2%        | 79.3%        | 62.9%        | -236         | -215         | -8.9%        |
| <b>Net profit attributable</b> | <b>370</b>   | <b>394</b>   | <b>642</b>   | <b>466</b>   | <b>37.8%</b> | <b>73.3%</b> | <b>62.9%</b> | <b>1,966</b> | <b>2,460</b> | <b>25.1%</b> |

*FABS estimate & Co Data*
**Alinma Bank P&L KPI**

| SAR mm          | 1Q20  | 4Q20  | 1Q21  | YOY Bps | QOQ Bps | 2020  | 2021F | Ch (Bps) |
|-----------------|-------|-------|-------|---------|---------|-------|-------|----------|
| Net FI/OI       | 88.4% | 75.9% | 74.4% | -979    | -1403   | 81.1% | 77.9% | -318     |
| NIM             | 0.91% | 0.9%  | 0.84% | -6      | -7      | 3.6%  | 3.3%  | -29      |
| NIS             | 0.9%  | 0.9%  | 0.8%  | -5      | -5      | 3.5%  | 3.2%  | -26      |
| Fees & comms/OI | 17.5% | 22.5% | 18.6% | 47      | 109     | 17.2% | 18.5% | 124      |
| Trading/OI      | 4.6%  | 2.8%  | 3.1%  | -148    | -155    | 3.8%  | 3.4%  | -43      |
| Cost to income  | 40.4% | 33.4% | 34.3% | -694    | -608    | 36.9% | 33.6% | -338     |
| Impairment/PPP  | 45.3% | 59.8% | 32.3% | 533     | -1298   | 39.2% | 37.0% | -221     |
| NP/OI           | 29.2% | 24.2% | 39.6% | 72      | 1044    | 34.3% | 38.5% | 424      |
| ROAE            | 1.7%  | 1.7%  | 2.7%  | 25      | 97      | 8.4%  | 9.8%  | 145      |
| ROAA            | 0.3%  | 0.3%  | 0.4%  | 3       | 15      | 1.4%  | 1.5%  | 10       |

*FABS estimate & Co Data*

**Alinma Bank - Key B/S items**

| SAR mm            | 1Q20    | 2Q20    | 3Q20    | 4Q20    | 1Q21    | YOY ch |
|-------------------|---------|---------|---------|---------|---------|--------|
| Net advances      | 97,784  | 103,178 | 105,325 | 111,196 | 117,149 | 19.8%  |
| QOQ change        | 3.1%    | 5.5%    | 2.1%    | 5.6%    | 5.4%    |        |
| Total assets      | 138,021 | 142,196 | 147,850 | 156,877 | 159,951 | 15.9%  |
| QOQ change        | 4.7%    | 3.0%    | 4.0%    | 6.1%    | 2.0%    |        |
| Customer deposits | 103,874 | 107,417 | 111,365 | 119,454 | 120,707 | 16.2%  |
| QOQ change        | 1.8%    | 3.4%    | 3.7%    | 7.3%    | 1.0%    |        |
| Total equity      | 22,779  | 23,386  | 24,039  | 24,429  | 25,081  | 10.1%  |
| QOQ change        | 1.5%    | 2.7%    | 2.8%    | 1.6%    | 2.7%    |        |

FABS estimate & Co Data

**Research Rating Methodology:**

| Rating     | Upside/Downside potential |
|------------|---------------------------|
| BUY        | Higher than +15%          |
| ACCUMULATE | Above +10% to +15%        |
| HOLD       | Between +10% to -5%       |
| REDUCE     | Below -5% to -15%         |
| SELL       | Lower than -15%           |

**FAB Securities Contacts:**
**Research Analysts**

|                |                |  |
|----------------|----------------|--|
| Ahmad Banihani | +971-2-6161629 | <a href="mailto:ahmad.banihani@Bankfab.com">ahmad.banihani@Bankfab.com</a> |
| Shiv Prakash   | +971-2-6161628 | <a href="mailto:shiv.prakash@Bankfab.com">shiv.prakash@Bankfab.com</a>     |

**Sales & Execution**

|                       |                                    |                                     |
|-----------------------|------------------------------------|-------------------------------------|
| Abu Dhabi Head Office |                                    |                                     |
| Trading Desk          | +971-2-6161700/1<br>+971-2-6161777 | <a href="#">Online Trading Link</a> |
| Institutional Desk    | +971-4-4245765                     |                                     |
| Sales and Marketing   | +971-2-6161703                     |                                     |

**DISCLAIMER**

This report has been prepared by FAB Securities (FABS), which is authorised by the UAE Securities and Commodities Authority, licensing registration number 604002, and is a member of the Abu Dhabi Securities Exchange and Dubai Financial Market. The information, opinions and materials contained in this report are provided for information purposes only and are not to be used, construed, or considered as an offer or the solicitation of an offer or recommendation to sell or to buy or to subscribe for any investment security or other financial instrument. The information, opinions and material in this report have been obtained and derived from publicly available information and other sources considered reliable without being independently verified for their accuracy or completeness. FABS gives no representation or warranty, express or implied, as to the accuracy and completeness of information and opinions expressed in this report. Opinions expressed are current as of the original publication date appearing on the report only and the information, including the opinions contained herein, are subject to change without notice. FABS is under no obligation to update this report. The investments referred to in this report might not be suitable for all recipients. Recipients should not base their investment decisions on this report and should make their own investigations, and obtain independent advice, as appropriate. Any loss or other consequences arising from the uses of material contained in this report shall be the sole and exclusive responsibility of the recipient and FABS accepts no liability for any such loss or consequence. The value of any investment could fall as well as rise and the investor may receive less than the original amount invested. Some investments mentioned in this report might not be liquid investments, which could be difficult to realise in cash. Some investments discussed in this report could be characterised by high level of volatility, which might result in loss. FABS owns the intellectual property rights and any other material contained in this report. No part of this report may be reproduced, utilised or modified in any form either in whole or in part or by any electronic, mechanical or other means, now known or hereafter invented, including photocopying and recording, or stored in any retrieval system without the prior consent of FABS in writing. While utmost care has been taken to ensure that the information provided is accurate and correct, neither FABS, nor its employees shall, in any way, be responsible for the contents. By accepting this document, the recipient agrees he/she has read the above disclaimer and to be bound by the foregoing limitations/restrictions.

**FAB Securities Awards**



Best Brokerage House  
in UAE 2016 & 2017  
by "Banker Middle East"



Best Brokerage House in UAE  
2016, 2017, 2019 and 2020  
by "IFA"



Best Brokerage in the UAE  
2016 By "Global Investor/  
ISF ME Awards"



Best Research House  
in UAE 2016 and 2020  
by "IFA"



Best New Mobile Application  
in UAE 2016  
by "IFA"



Best Equity Finance Company  
in UAE 2016  
by "IFA"