UNITED SECURITIES LLC. المتحدة للأوراق المالية ش.م.م

Banking

Alinma Bank – Fully Valued

Neutral: 12M TP @ 40

Valuation Summary (TTM)	
Price (SAR)	44.25
Upside/downside from TP	-9.6%
PER TTM (x)	18.4
P/Book (x)	3.0
Dividend Yield (%)	2.7
Free Float (%)	86%
Shares O/S (mn)	2,000
YTD Return (%)	14%
Beta	1.2

(mn)	SAR	USD
Market Cap	88,500	23,598
Total Assets	236,715	63,119

Price performance (%)	1M	3M	12M
Alinma Bank	5%	24%	52%
Tadawul All Share Index	5%	13%	22%

Trading liquidity (,000)	1M	3M	6M
Avg daily turnover (SAR ,000)	176,548	172,850	157,982
Avg Daily Volume (,000)	4,537	4,306	4,254

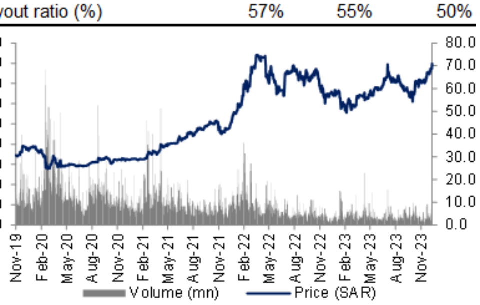
52 week	High	Low	CTL*
Price (SAR)	44.40	27.40	61.5

* CTL is % change in CMP to 52wk low

Major shareholders	
Public Investment Fu	10.0%
Vanguard Group Inc/T	2.0%
FMR LLC	1.8%
Others	86.2%

Other details	
Exchange	Saudi Arabia
Sector	Banks
Index weight (%)	3.4%

Key ratios	2021	2022	2023
EPS (SAR)	1.31	1.73	2.33
BVPS (SAR)	12.86	13.50	14.67
DPS (SAR)	0.75	0.95	1.16
Payout ratio (%)	57%	55%	50%



Alinma Bank is the sixth largest bank in Saudi with a market share of 10% in commercial loans and 6% in terms of total assets. The bank has a moderate presence in a highly concentrated industry in which the top two players account for 50% of total assets and more than 55% of demand deposits. The bank's loan book is tilted towards commercial lending, which accounts for c.75% of total lending. Of the total commercial lending c.90% is accounted for by large corporates, with the balance being accounted for by mid-corporates and SMEs. The retail loan composition on the other hand is split almost evenly between mortgage loans and other personal loans. We view the loan composition of commercial lending to be fairly conservative, while the retail mix appears to be aggressive, given the relatively lower exposure to mortgage loans, vis-à-vis its peers. The loan book of Alinma has grown at a CAGR of 16% between 2018-23 and was driven by strong performance from both commercial (14% CAGR) and consumer (22%) segments. Strong macroeconomic cues at the back of investments in infrastructure based on Saudi Vision 2030 and an overall improvement in corporate activity aided by favorable oil prices are likely to have aided the growth in the loan book. Going forward, we expect this trend to continue and will be supported by an acceleration in investments in various infrastructure projects due to the approaching deadlines of Vision 2030. Apart from this, the country will be hosting two important international events, Expo 2030 and FIFA World Cup 2034, in the coming years, which will also require an acceleration in investments. Given this we expect the loan book of the bank to grow at a CAGR of 12% between 2023-28e. The asset quality of Alinma Bank is under control with NPL levels of 1.6% (1.5% peer average) and a more than adequate coverage of 155% (peer average of 140%). Going forward, we expect the asset quality to remain stable in the medium term.

Aided by its composition of assets, focused largely towards commercial loans and with more than 75% of the loans having a duration of less than one year, the bank has been able to maintain stable net margins from finance and investments (NFIM) in the past. NFIM has averaged c.3.2% in the past five years. This witnessed an improvement to 3.3% in 2023, compared to 3.1% in 2022. However, we expect it to moderate and trend towards historical levels in the coming years.

The liquidity profile of Alinma is strong with one of the best loans to deposit ratio in the industry (92% vis-à-vis peer average of 98%), along with a more than adequate statutory ratios (LCR of 147% and NSFR of 109%). However, the composition of deposits was weak, with CASA accounting for 48% of total deposits, compared to the industry average of 58%. With a core tier 1 ratio of 14% and tier 1 ratio of 16%, the capitalization of the bank was adequate, though it lags behind industry averages of 16% and 18%, respectively.

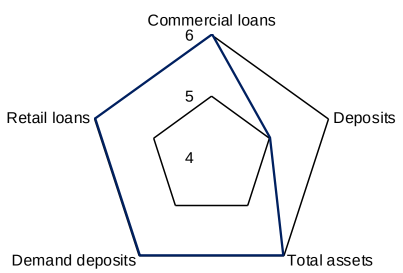
Valuations: We view positively the asset composition of Alinma Bank, along with its strong asset quality, aided by moderate levels of NPL and a better than industry average NPL coverage. We also foresee strong loan growth to continue, as we forecast growth to average at low double digits in the medium term. Though NFIM levels are likely to moderate from 2023 levels, the same will be more than made up by the loan growth. However, the deposit composition of the bank is relatively weak, with CASA ratios trailing the industry average, due to the dominance of larger banks in this segment. The bank is currently quoting at 2.8x its 2024e book value, compared to the peer average of c.2.0x, which offers limited upside from the current levels. Given this, we initiate coverage on Alinma Bank with a ***Neutral*** rating at a target price of ***SAR40/share.***

Sixth largest bank in Saudi with a dominant presence in corporate banking

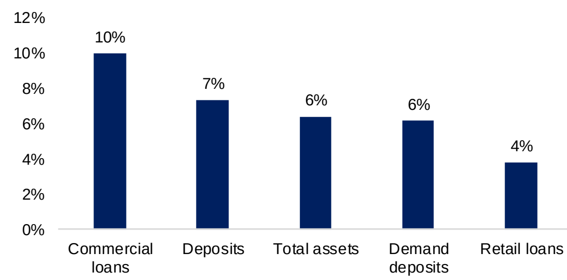
6th largest bank in the Saudi Arabia

Alinma is one of the leading Islamic banks in Saudi offering services that are fully compliant with the Sharia. The bank operates through 108 branches, 1,500+ ATMs, and c.134k PoS terminals in Saudi. It is the sixth largest bank in the country in terms of total assets, with a market share of 6% as of Sep-23, and had a relatively stronger presence in the corporate loan vertical with a market share of 10%. Its position in retail was slightly weak with a market share of 4%. The Saudi banking industry is highly concentrated with the top 2 players accounting for 50% of the total assets and close to 60% of the demand deposits of the industry. In this scenario, Alinma Bank has a relatively moderate presence in the industry, with access to deposits (7% market share in deposits and 6% in demand deposits) that commensurate with its size. Its advances portfolio is commercial loan heavy, with the same accounting for c.75% of its total loan and it has created a niche for itself in this segment, by offering products that are compliant with the Islamic banking laws. It had a favorable credit rating (A3 from Moody's and A- from Fitch), which makes it possible for the bank to raise funds from the international markets.

Sixth largest bank in Saudi across various verticals



Moderate presence in a competitive industry



Source: Company filings and US Research

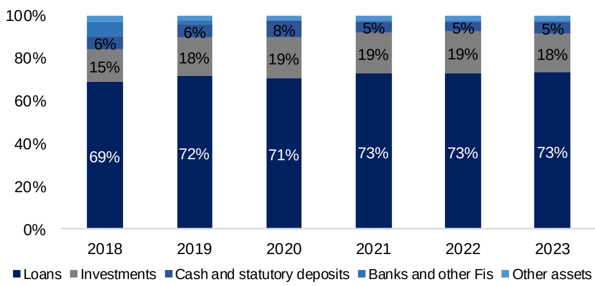
Loan growth to remain strong and will remain biased toward commercial loans

The asset composition of Alinma Bank has been consistently strong with loans contributing to more than 70% of total assets in the past five years. Investments on the other hand have been contributing to 18-19% during this period.

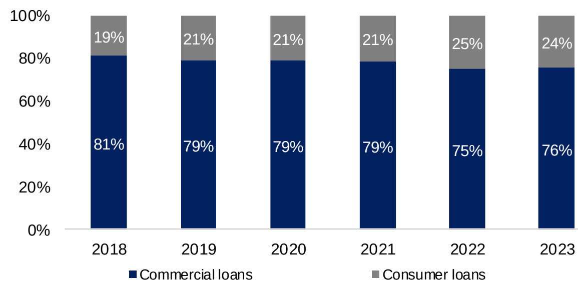
Asset composition strong and made up predominantly of loans

The loan book of Alinma Bank is biased towards commercial loans, which has accounted for more than 75% consistently. Despite the share of consumer loans increasing from 19% in 2018 to 24% in 2023, its overall contribution to total loans has been limited. The loan portfolio of Alinma Bank increased at a CAGR of 16% between 2018-23 and was driven by an improvement in both consumer loans (22% CAGR between 2018-23) and commercial loans (14% CAGR between 2018-23).

Asset composition strong



Commercial loans dominates financing

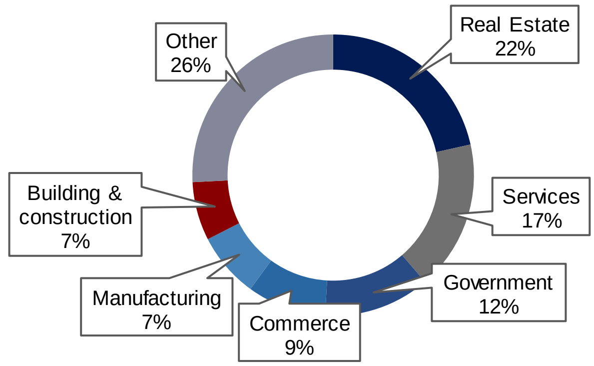


Source: Company filings and US Research

Alinma loan book will continue to grow at double digits in the medium term

Commercial loans accounted for 76% of total loans in 2023 and are largely made up of large corporate and project finance, which accounted for more than 90% of financing in this segment. SMEs and mid-corporate segments on the other hand made up the balance. We view this favorably, as it balances the impact on asset quality due to the dominance of commercial loans. The growth in commercial loans has been driven by an improvement in the overall activity in the economy at the back of the government's focus towards investment in infrastructure activities in the economy under its Vision 2030 and an overall improvement in the corporate activity at the back of favorable oil prices. Going forward we expect this trend to continue, as we forecast commercial loan growth to increase at a CAGR of 13% between 2023-28e.

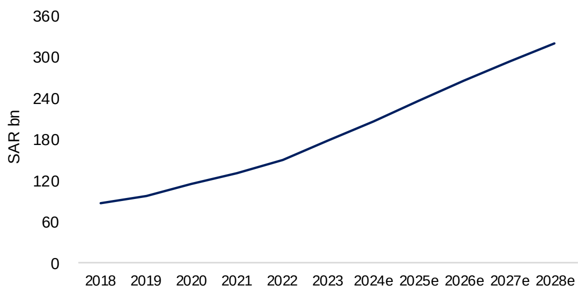
Commercial loans well diversified



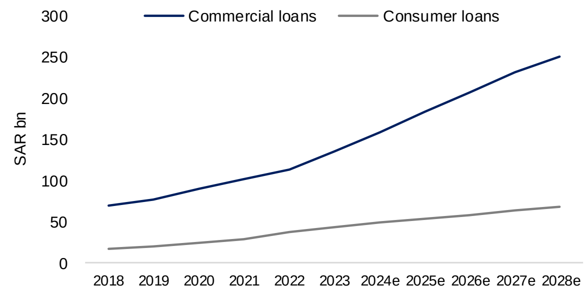
Source: Company filings and US Research

Consumer loans accounted for 24% of total loans in 2023 and its proportion to total loans has increased from 19% in 2018 to the current levels and has been aided by strong double-digit growth during the period. Nearly 50% of the loans from this vertical are from mortgages and have been driven by favorable industry growth in this segment. Mortgage loan has grown at a CAGR of 22% during 2021-23. The growth of consumer loans in general and mortgages, in particular, has been at the back of a scenario of low-interest rates during 2018 and 2022 (3M-SIBOR averaging c.2%). However, the interest rates witnessed an increase in 2023 (3M-SIBOR at 6%), which in turn has impacted the growth rates of mortgage and consumer loans industry wide. Despite this Alinma has been able to outperform the industry average due to its lower base. Going forward, we expect the rates to soften in the coming years (expect 3M-SIBOR to gradually fall to 3.4% by 2026e), which will aid in keeping the growth in consumer loans for Alinma intact, though the momentum is likely to be slower than historical levels. Overall, we forecast consumer loans to grow at low double digits in the medium term.

Loan book growth remain robust



Commercial and retail loans to report strong growth

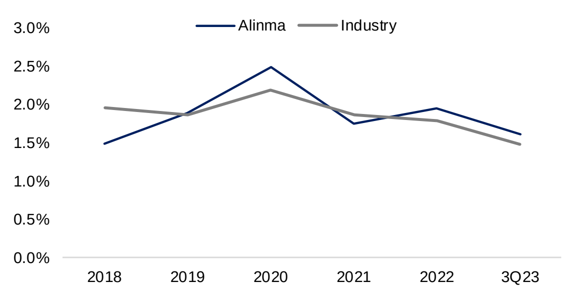


Source: Company filings and US Research

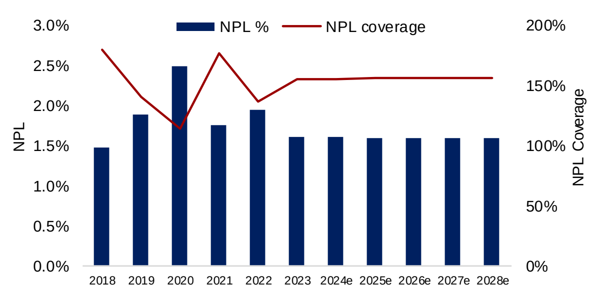
NPL levels under control even as coverage remains strong

Asset quality of the bank was moderate with an NPL to gross loan of 1.6% for 2023, compared to the industry average of c.1.5%. Higher NPLs from its retail loan portfolio (2.0%), relative to its corporate loan portfolio (1.5%), was the main reason for this. The consumer loan portfolio was made up of c.50% of personal and other non-mortgage consumer loans, which is likely to have impacted the asset quality of the bank. This in turn was more than made up by the conservative loan mix of its corporate loan. However, NPL coverage of Alinma at 155% was higher than the industry average of 140%.

Alinma NPL slightly higher than industry average



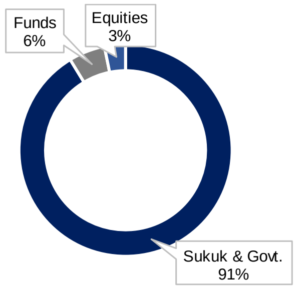
NPL to remain stable, while coverage to remain high



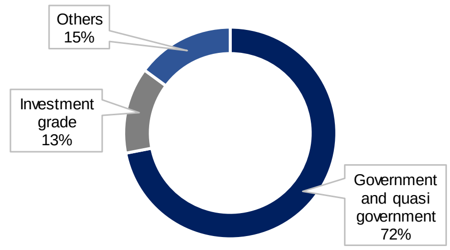
Source: Company filings and US Research

The investment portfolio of Alinma Bank is fairly conservative, with more than 90% of it being made up by Sukuk and government lending, with the balance being made up of funds and equities. In terms of asset quality, 85% of its investments were in entities that were related to the government or were rated investment grade. Overall, we feel that the composition of the investment portfolio is relatively conservative.

Sukuks account for a major portion of investments



Investments dominated by Govt and IG securities



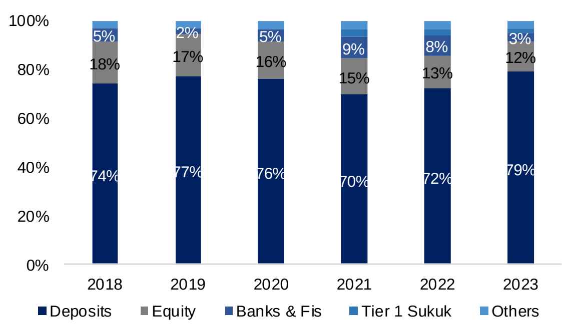
Source: Company filings and US Research

Deposits dominate funding, though CASA proportion falls

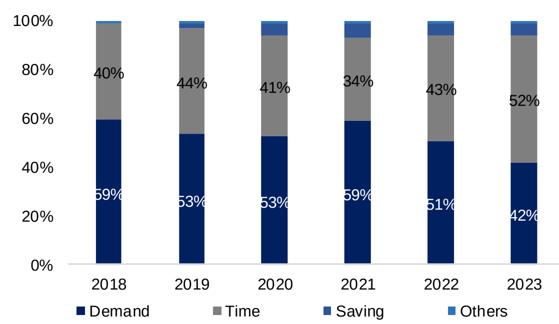
Funding profile impacted by composition of deposits

The funding structure of Alinma has overall remained strong, with deposits accounting for c.80% of total funding in 2023, compared to 74% in 2018. The ability of the bank to maintain its market share in deposits was the main reason for this. However, the proportion of demand and savings deposits to total deposits have fallen from 59% in 2018 to 47% in 2023 and was lower than the industry average of 58%. The domination of the bigger banks in the CASA deposits and an overall scenario of increasing interest rates were the main reasons for this. This is to a large extent mitigated by the loan portfolio of Alinma, focused towards commercial, which provides pricing flexibility.

Deposit's proportion to total funding comfortable



Proportion of CASA has fallen

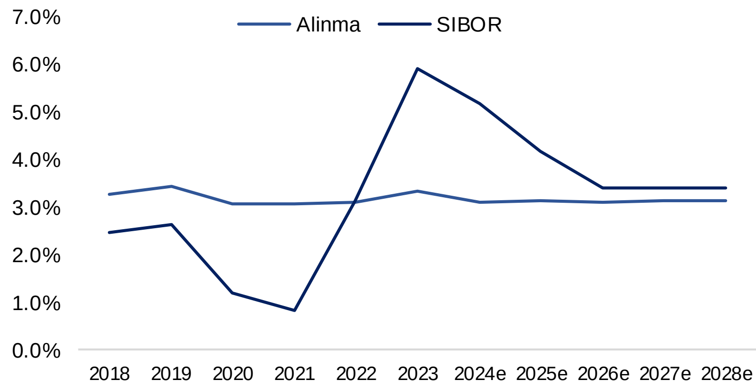


Source: Company filings and US Research

The bank's dependence on market funding has remained stable in the past five years, and accounted for a mere 3% of total funding in 2023. We view this positively given that the credit rating of the bank is favorable (A3 Moody's and A- from Fitch) providing flexibility to its funding position.

NFIM remains stable aided by loan portfolio

NFIM to remain stable

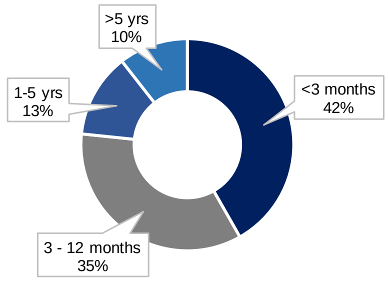


Source: Company filings and US Research

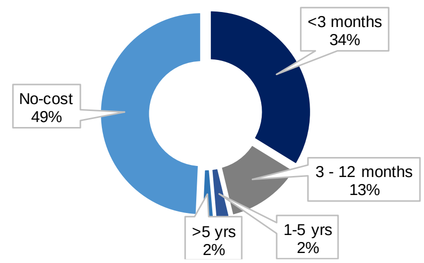
NFIM remains stable aided by a favorable asset composition

Net margins from finance and investments (NFIM) (based on our calculation) have been stable for Alinma, with the same averaging at c.3.1% in the past three years (2020 to 2022), despite fluctuations in SIBOR. The nature of the bank's loan portfolio, which is dominated by commercial loans (75% of total loans), with more than 75% of its loans having a maturity of less than one year has aided the bank in repricing its loan at a faster pace. The NFIM for 2023 improved to 3.3% in 2023 (3.1% in 2022), in line with the average 3M SIBOR increasing to 6% for 2023, from 3.1% a year back. Going forward, we expect SIBOR to fall to 3.4% by 2026e, from the current levels, as we see a moderation in the interest rates. At the back of this we expect NFIM levels to moderate and fall to historical average in the next few years.

>75% of loans have a maturity of <1 yrs



c.95% of funding non-cost bearing and <1 year



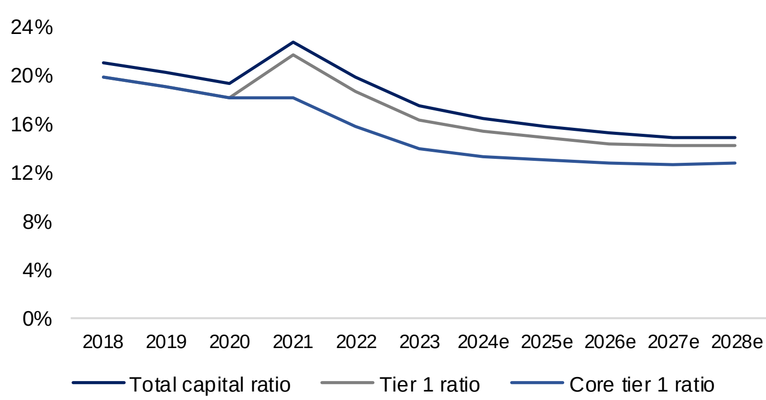
Source: Company filings and US Research

Capitalization lags industry average

Capitalization lags the industry average

With equity to total asset of c.12% and a core tier 1 ratio of c.14% in 2023, the capitalization of Alinma were adequate, though the same is lower than the industry average (13.3% and 16.0% respectively). Since 2021, the bank supplemented its tier 1 capital through issues of tier 1 Sukuks totaling to c.SAR5.0bn. The issue was Shariah compliant and perpetual, with the bank having the right to redeem it at specific periods.

Capitalization adequate



Source: Company filings and US Research

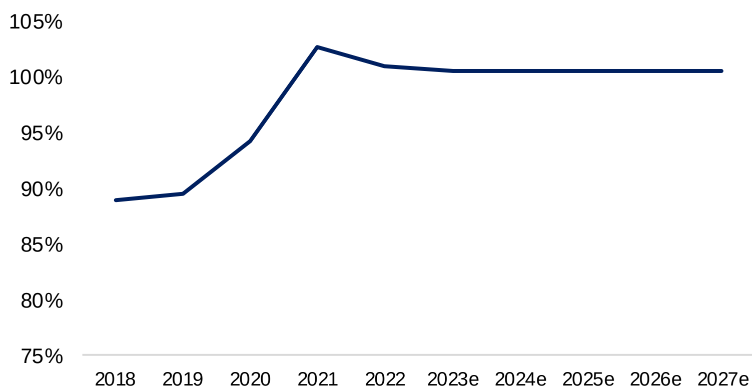
Post this issue, c.85% of the tier 1 capital was made up of equity, which in turn offers limited flexibility to Alinma to supplement its capital in case of need.

L/D ratio improves and remains comfortable

Liquidity remains strong even as loans to deposits improve

The loan-to-deposit (L/D) ratio of Alinma has improved in 2023, after coming under pressure in the past two years, as it fell from 101% in 2022 to 92% in 2023 and was also better than the industry average of 98%. Strong growth in time deposits was the main reason for this improvement. The statutory liquidity ratios were also strong and sufficiently above the minimum requirement (liquidity coverage ratio of 147%).

L/D ratio improves



Source: Company filings and US Research

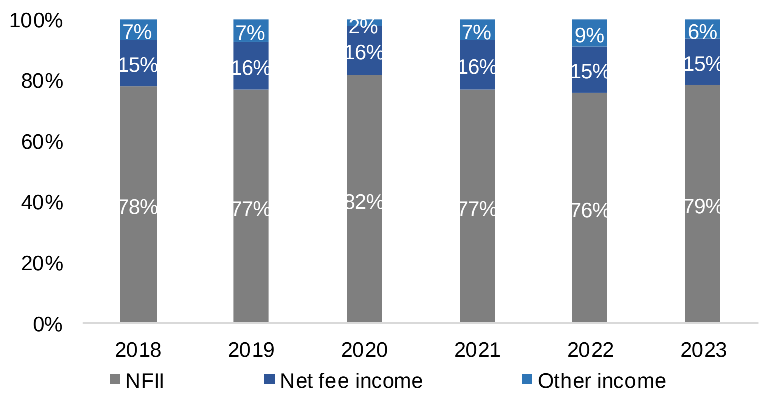
Income stream well diversified

Financial performance growth to remain robust

The total income of Alinma increased by a CAGR of 15.0% between 2018 and 2023 and was aided by a similar growth in net income from financing and investment (NFII) and net fee income, while other income grew by 14.1% for the same period. Growth in NFII was aided by a 15.7% CAGR improvement in loans, even as NFIM was stable at 3.3%.

Total income is fairly diversified, with the net fee income accounting for c.15-16% in the past six years and was also better than the industry average of c.13%. The proportion of other income to total income on the other hand was limited to c.6% (average) in the past six years and has remained broadly under control.

Total income is well diversified



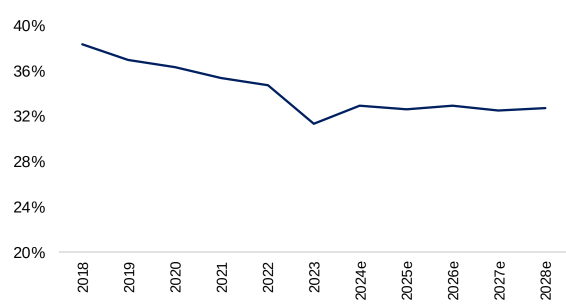
Source: Company filings and US Research

Alinma's performance in 2023 has continued to remain strong, as total income for 2023 increased by 22.1% YoY, at the back of a robust 26.2% YoY growth in NFII. Loan growth continued to remain strong at 18.5% YoY in 2023, while the NFIM improved to 3.3% for 2023 from 3.1% a year back, aided by a favorable interest rate scenario.

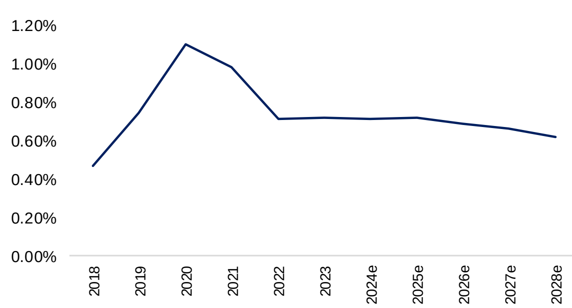
Loan growth will remain strong, though NFIM to moderate

Going forward, we expect total income growth will continue to be aided by growth in the loan book, even as NFIMs will start moderating at the back of the softening of interest rates. Overall, we expect total income to grow by 11% CAGR between 2023-28e.

Cost to income ratio under control



Cost to risk remains elevated



Source: Company filings and US Research

Operating expenses increased by a CAGR of 10% between 2018-23, with the growth lagging loan movement. Aided by this the cost-to-income ratio has fallen from the levels of 38.3% in 2018 to 31.3% in 2023.

Impairments have trended up and has been higher than its peers

Impairments increased by 22.7% CAGR between 2018-23, with the cost of risk increasing to 0.7% in 2023 from 0.5% in 2018. It was also higher than the peer average of 0.3% in 2023. Relatively high exposure to personal loans in its retail portfolio and strong growth in loan book are likely to be the main reasons for the same. Going forward we expect the cost of risk to average 0.7% for the next five years.

The overall net income of Alinma grew by 10% CAGR between 2018-23, driven by an increase in total income, though the growth was moderated to a certain extent by higher impairments. Going forward, we expect the net income to grow at a CAGR of c.11% broadly in line with the growth in total income.

Key risks

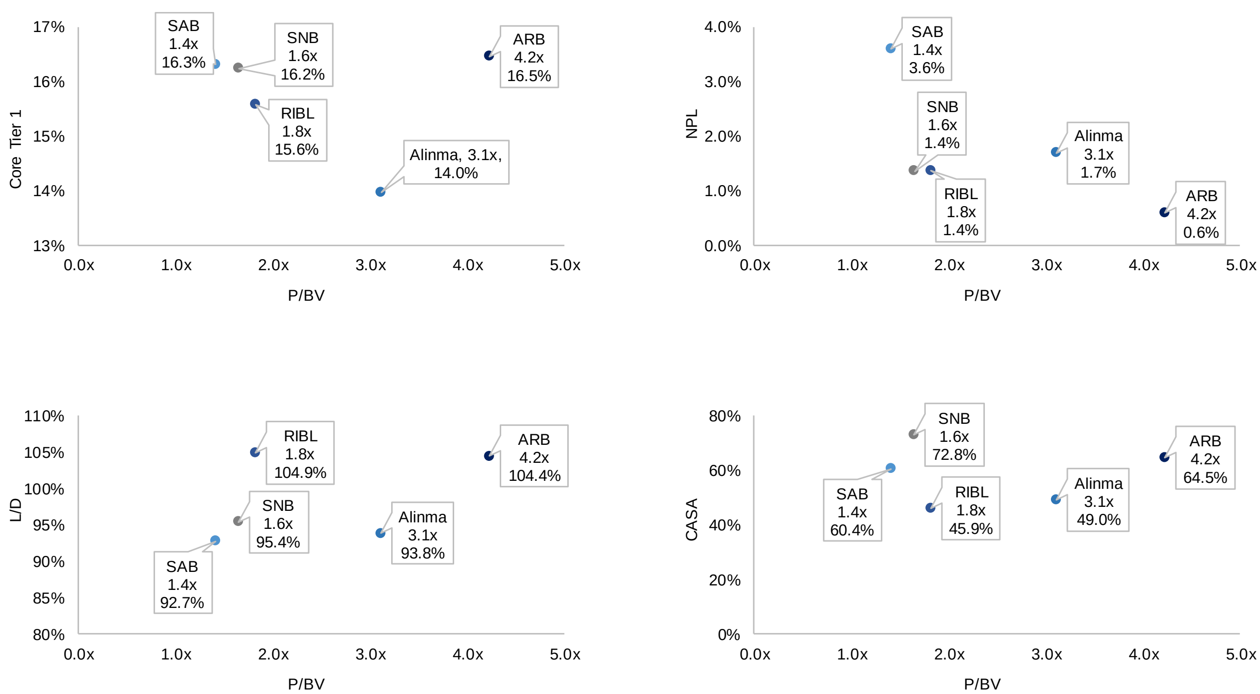
- Deterioration in the retail loan book of the bank, resulting in an increase in the NPL levels.
- Lower oil prices, resulting in lower infrastructure investment, could have an adverse impact on loan growth.
- Underutilization of the real estate being created could cause an systematic asset bubble and result in the deterioration of the asset quality of the bank.

Valuation:

Blended target price at SAR40/share

Investment in Alinma Bank is driven by strong growth in the loan book, the ability of the bank to maintain its NFIM despite the fluctuation in external interest rate, and strong liquidity, with one of the best loans to deposit ratio in the industry. However, our positive outlook on the bank is moderated to a certain extent by a relatively higher level of cost of risk, vis-à-vis its peers. The capitalization levels too are relatively lower, given the lower-than-industry average statutory ratios, including tier 1, core tier 1, and total capital ratios. Further, the bank is currently quoting at 2.8x its 2024e book value, which we feel fully discounts any upside to the bank's financial performance. Given this, we initiate coverage on Alinma with a ***Neutral*** rating at a target price of ***SAR40/share***.

Alinma's valuation trading richer than peers



We arrive at the target price using an equal-weighted combination of residual valuation and relative valuation (P/BV). The residual valuation is based on a risk-free rate of 4.1%, a market risk premium of 4.7%, and a beta of 1.2x, giving us a cost of equity of 9.7%. Based on these inputs we arrive at a fair value price of SAR40/share, using the residual valuation methodology.

Residual Valuation (SAR mn)	2023	2024E	2025E	2026E	2027E	2028E
Equity	29,334	31,736	34,493	37,541	41,035	44,859
Net income		4,804	5,514	6,097	6,987	7,649
Less Cost of equity		(2,835)	(3,067)	(3,333)	(3,628)	(3,966)
Residual value		1,970	2,447	2,763	3,359	3,684
Discounted residual value		**1,819**	**2,061**	**2,122**	**2,352**	**2,353**
Current equity value						**10,708**
Terminal value						**39,936**
Equity value						**79,977**
Fair value per share (SAR)						**40**

Cost of Capital	
Risk free rate	4.1%
Adjusted beta	1.2x
Equity risk premium	4.7%
Cost of equity	9.7%
Terminal growth	2.0%

Relative valuation	SAR/sh
BV (2024e)	16
3 year average P/BV	2.5x
Fair Value	***40***

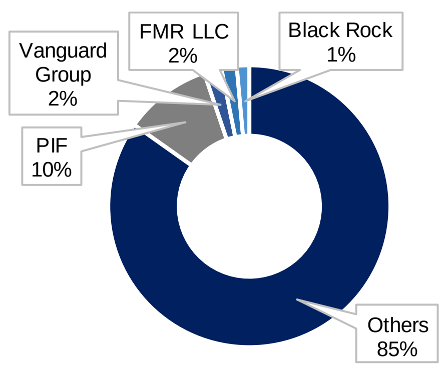
Methodology	Tp/Sh SAR	Wt	Avg./Sh SAR
Residual valuation	40	50%	20
Relative valuation	40	50%	20
Value per share			**40**

For relative valuations, we have used P/BV. We use a P/BV multiple of 2.5x, based on the average of the last three years' historical P/BV, and arrive at a fair value of SAR40/share. Using an equally weighted average, we arrive at a target price of ***SAR40/share*** and a ***Neutral*** rating on Alinma.

About the Company

Alinma Bank was established in 2006 as a full-fledged Islamic banking services provider by a Royal Decree. Following this in 2007 it began providing Shariah-compliant banking services, asset management, and brokerage services. It is currently the 6th largest bank in terms of asset size and loan book, while it was the 5th largest in terms of the size of its deposits. The bank has a strong digital presence catering to 19mn monthly average users, and 631k daily average users, with digital transactions accounting for 98% of the total transactions. The bank has a strong physical presence operating 108 branches, 1,500+ ATMs, and c.134k PoS terminals in Saudi. Alinma Bank has a favorable credit rating of A3 from Moody's and A- from Fitch. PIF currently owns 10% of the stake in the bank, while nearly 16% is accounted for by foreign owners.

Share Holding Pattern



Board of Directors		
S.no	**Name**	**Position**
1	Dr. Abdulmalek bin Abdullah Al-Hogail	Chairman
2	Mr. Saad Abdulaziz Alkroud	Vice-Chairman
3	Mr. Anees Ahmed Moumina	Director
4	Mr. Mohammad Abdulrahman Bin Day	Director
5	Mr. Ahmed Abdullah Al Alsheikh	Director
6	Mr. Abdullah Abdulaziz Al Romaizan	Director
7	Mr. Abdulrahman Mohammed Addas	Director
8	Dr. Saud bin Mohammad Alnimir	Director
9	Mr. Haitham Rashid Al Shaikhmubarak	Director

Source: Bloomberg, Company filings and US Research

Income Statement (SAR mn)	2020	2021	2022	2023	2024e	2025e	2026e	2027e	2028e
Net income from loans and investment	4,648	5,140	6,066	7,655	8,189	9,339	10,266	11,532	12,439
Net fee income	936	1,074	1,209	1,459	1,668	1,875	2,093	2,313	2,508
Other income	98	445	688	612	665	747	834	922	1,000
Total income	**5,682**	**6,660**	**7,963**	**9,726**	**10,522**	**11,962**	**13,194**	**14,766**	**15,946**
Operating expenses	(2,066)	(2,358)	(2,765)	(3,044)	(3,466)	(3,896)	(4,348)	(4,804)	(5,210)
Profit before impairments	**3,616**	**4,302**	**5,198**	**6,682**	**7,056**	**8,066**	**8,846**	**9,962**	**10,736**
Impairments	(1,418)	(1,266)	(1,189)	(1,299)	(1,482)	(1,700)	(1,831)	(1,955)	(1,990)
Other income/expenses	5	(14)	4	12	6	6	6	6	6
Profit before tax	**2,202**	**3,022**	**4,013**	**5,396**	**5,580**	**6,372**	**7,021**	**8,013**	**8,752**
Tax	(236)	(312)	(414)	(556)	(576)	(657)	(724)	(827)	(903)
Profit after tax before Sukuk cost	**1,966**	**2,709**	**3,599**	**4,839**	**5,004**	**5,714**	**6,297**	**7,187**	**7,849**
Tier 1 Sukuk cost	0	(107)	(150)	(200)	(200)	(200)	(200)	(200)	(200)
Net profit after tax	**1,966**	**2,603**	**3,449**	**4,639**	**4,804**	**5,514**	**6,097**	**6,987**	**7,649**

Balance Sheet (SAR mn)	2020	2021	2022	2023	2024e	2025e	2026e	2027e	2028e
Cash and statutory deposits	12,208	9,177	9,723	12,598	12,177	12,117	12,159	12,692	13,934
Due fom financial institutions	443	738	1,454	1,701	1,978	2,261	2,541	2,816	3,056
Investments - Net	29,526	33,278	38,518	43,236	47,798	51,809	58,217	64,532	70,020
Financing - Net	111,196	126,271	146,492	173,624	201,896	230,813	259,347	287,463	311,897
PP&E and right to use assets	2,365	2,383	2,633	2,888	3,022	3,151	3,276	3,396	3,514
Other assets	1,139	1,629	1,616	2,667	2,694	2,721	2,748	2,775	2,803
Total Assets	**156,877**	**173,476**	**200,436**	**236,715**	**269,565**	**302,873**	**338,289**	**373,675**	**405,224**
Liabilities and Equity									
Liabilities									
Due to banks and other FI	7,312	15,240	16,483	7,431	9,316	11,208	13,212	15,186	16,902
Customer deposits	119,454	121,061	145,168	187,901	216,393	244,981	275,272	305,119	331,054
Other liabilities	5,682	6,465	6,908	7,050	7,120	7,191	7,263	7,336	7,409
Total liabilities	**132,448**	**142,765**	**168,560**	**202,381**	**232,829**	**263,379**	**295,747**	**327,641**	**355,365**
Equity									
Share capital	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Reserves	4,429	5,711	6,876	9,334	11,736	14,493	17,541	21,035	24,859
Total shareholders' equity	**24,429**	**25,711**	**26,876**	**29,334**	**31,736**	**34,493**	**37,541**	**41,035**	**44,859**
Tier 1 Sukuk	0	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Total Equity	**24,429**	**30,711**	**31,876**	**34,334**	**36,736**	**39,493**	**42,541**	**46,035**	**49,859**
Total liabilities and equity	**156,877**	**173,476**	**200,436**	**236,715**	**269,565**	**302,873**	**338,289**	**373,675**	**405,224**

Cash Flows (SAR mn)	2020	2021	2022	2023	2024e	2025e	2026e	2027e	2028e
Cash from operations	7,924	(2,839)	8,203	8,360	7,449	7,123	10,029	10,303	9,815
Cash from investments	(6,208)	(3,783)	(5,859)	(3,614)	(5,030)	(4,489)	(6,896)	(6,812)	(5,995)
Cash from financing	(71)	3,564	(1,982)	(3,147)	(2,402)	(2,757)	(3,048)	(3,493)	(3,825)
Net changes in cash	1,645	(3,058)	362	1,600	17	(123)	84	(2)	(5)
Cash balance	**6,269**	**3,211**	**3,573**	**5,173**	**5,190**	**5,067**	**5,151**	**5,149**	**5,144**

Ratios	2020	2021	2022	2023	2024e	2025e	2026e	2027e	2028e
Per Share (SAR)									
EPS	1.0	1.3	1.7	2.3	2.4	2.8	3.0	3.5	3.8
BVPS	12.3	12.9	13.5	14.7	15.9	17.2	18.8	20.5	22.4
DPS	0.3	0.7	0.9	1.2	1.2	1.4	1.5	1.7	1.9
Total income/share	2.9	3.4	4.0	4.9	5.3	6.0	6.6	7.4	8.0
Valuations									
M.Cap (SAR mn)	31,843	41,285	70,360	66,569	88,500	88,500	88,500	88,500	88,500
P/E	16.2	15.9	20.4	14.3	18.4	16.0	14.5	12.7	11.6
P/BV	1.3	1.6	2.6	2.3	2.8	2.6	2.4	2.2	2.0
Div. yield	1.9%	3.6%	2.6%	3.5%	2.7%	3.1%	3.4%	3.9%	4.3%
Capital Quality									
Equity to total assets	15.6%	14.8%	13.4%	12.4%	11.8%	11.4%	11.1%	11.0%	11.1%
Core Tier 1	18.2%	18.2%	15.8%	14.0%	13.3%	13.0%	12.7%	12.6%	12.8%
Tier 1	18.2%	21.6%	18.6%	16.3%	15.4%	14.8%	14.4%	14.2%	14.2%
Total capital	19.3%	22.8%	19.8%	17.5%	16.4%	15.7%	15.2%	14.9%	14.9%
Earning Quality									
NFIM	3.1%	3.1%	3.1%	3.3%	3.1%	3.1%	3.1%	3.1%	3.1%
NFIM to total income	81.8%	77.2%	76.2%	78.7%	77.8%	78.1%	77.8%	78.1%	78.0%
Fee income to total income	16.5%	16.1%	15.2%	15.0%	15.9%	15.7%	15.9%	15.7%	15.7%
Other income to total income	1.7%	6.7%	8.6%	6.3%	6.3%	6.2%	6.3%	6.2%	6.3%
Cost to income ratio	36.4%	35.4%	34.7%	31.3%	32.9%	32.6%	33.0%	32.5%	32.7%
Impairment coverage	2.5	3.4	4.4	5.1	4.8	4.7	4.8	5.1	5.4
ROA	1.3%	1.5%	1.7%	2.0%	1.8%	1.8%	1.8%	1.9%	1.9%
ROE	8.0%	10.1%	12.8%	15.8%	15.1%	16.0%	16.2%	17.0%	17.1%
Return on RWA	1.4%	1.8%	2.0%	2.2%	2.0%	2.1%	2.1%	2.1%	2.2%
Asset Quality									
Cost of risk	1.1%	1.0%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.6%
NPL	2.5%	1.8%	1.9%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%
NPL coverage	114.5%	177.1%	136.3%	154.9%	155.4%	155.9%	156.4%	156.7%	156.7%
Stage 1 ratio	91.6%	91.2%	92.4%	92.5%	92.4%	92.4%	92.4%	92.3%	92.3%
Stage 2 ratio	5.9%	7.0%	5.6%	5.9%	6.0%	6.0%	6.1%	6.1%	6.1%
Stage 3 ratio	2.5%	1.8%	1.9%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%
Stage 1 coverage	0.8%	0.5%	0.5%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
Stage 2 coverage	14.3%	22.0%	19.3%	16.2%	16.3%	16.3%	16.3%	16.3%	16.3%
Stage 3 coverage	52.8%	62.6%	56.8%	70.9%	70.9%	70.8%	70.8%	70.7%	70.7%
Provisions to gross loans	2.9%	3.1%	2.6%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Funding									
Deposits to total funding	76.1%	69.8%	72.4%	79.4%	80.3%	80.9%	81.4%	81.7%	81.7%
Market funds to total funding	4.7%	8.8%	8.2%	3.1%	3.5%	3.7%	3.9%	4.1%	4.2%
Liquidity									
Loans to deposits	93.1%	104.3%	100.9%	92.4%	93.3%	94.2%	94.2%	94.2%	94.2%
Investments and cash to total assets	26.6%	24.5%	24.1%	23.6%	22.2%	21.1%	20.8%	20.7%	20.7%

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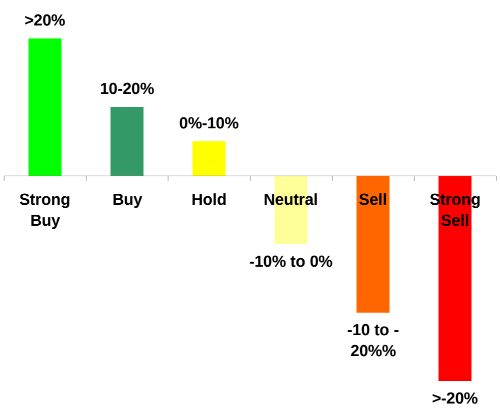
Rating Criteria and Definitions

Rating



Rating Definitions

Strong Buy	This recommendation is used for stocks whose current market price offers a deep discount to our 12-Month target price and has an upside potential in excess of 20%
Buy	This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 10% to 20%
Hold	This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 0% to 10%
Neutral	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between 0% to -10%
Sell	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between -10% to -20%
Strong Sell	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential in excess of 20%
Not rated	This recommendation used for stocks which does not form part of Coverage Universe

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