

Alinma Bank

Q1 2018

Recommendation Neutral

Fair Value (SAR) 19.95

Price as of May 2, 2018 20.84
Expected Return -4.4%

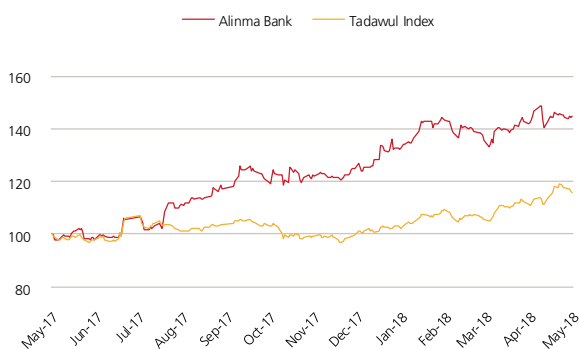
Company Data

Tadawul Symbol	1150.SE
52 Week High (SAR)	21.58
52 Week Low (SAR)	14.00
YTD Change	9.33%
3-Month Average Volume (Thousand Shares)	25,562
Market Cap. (SAR Million)	31,260
Market Cap. (USD Million)	8,336
Outstanding Shares (Million Shares)	1,500

Major Shareholders (> 5%)

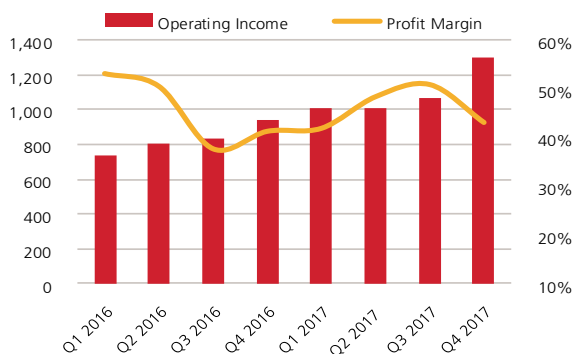
Public Pension Agency	10.7%
Public Investment Fund of Saudi Arabia	10.0%
General Organization for Social Insurance	5.1%

52-week Stock Price Movement



Source: Tadawul

Quarterly Operating Income (SAR mn) and Profit Margin



Source: Company Filings, Albilad Capital Research Estimates

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Alinma Bank reported its interim financial results for Q1 2018 disclosing a net profit of SAR 582 million leaping 38.2% from SAR 421 million in Q1 2017 and 3.93% from SAR 560 million in Q4 2017. The actual result came close to our estimate with deviation of 3% and slightly exceeded the analysts' consensus of SAR 554 million.

The strong growth was driven by significant improvement in all core banking activities. The bank achieved growth of 10% in total operating income YoY due to higher financing and investment income and fee income from banking services. In addition, the decrease in total operating expenses by 8% was due to decrease credit provisions, and depreciation, despite the an increase in general and administrative expenses.

Total operating income rose 10%, posting SAR 1,110 million in Q1 2018 compared to SAR 1,005 million in Q1 2017, while in the previous quarter the bank recorded SAR 1,299 million, therefore, total operating income tumbled 14.55% QoQ.

On the balance sheet side, total assets edged up by 8.25% YoY hitting SAR 113.74 billion, while investment portfolio skyrocketed 159% reaching SAR 15.94 billion. The loan portfolio increased by 7% YoY, to SAR 78.8 billion. In addition, customer deposits expanded by 9.7%, recording SAR 89.34 billion. As a result, the loans-to-deposits ratio fell to 88.2% versus 90.3% in Q1 2017.

It is worth noting that in Q1 2018, LIBOR declined to levels lower than SAIBOR for the first in the last 10 years. Therefore, SAMA rose the reverse repo rate and the repo rate to drive up SAIBOR to normal levels

The expected hikes in interest rates and the availability of liquidity in the market, will improve profit margins going forward; therefore we expect that the bank will continue to post robust results during the year. Accordingly, we maintain our valuation at SAR 19.95 per share with assigning a "Neutral" recommendation.

FY - Ending December	2015A	2016A	2017A	2018E
Net Interest Margin	%3.07	%2.99	%3.60	%3.67
Return on Assets	%1.73	%1.55	%1.83	%1.93
Return on Equity	%8.10	%8.01	%10.11	%10.68
Net Special Commission Growth	%9.8	%12.0	%36.9	%11.9
Expenses to Income	%51.6	%54.5	%53.9	%51.8
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	%176.1	%204.5
PE	21.01	20.56	15.35	13.29
P / BV	1.72	1.68	1.61	1.50
EPS (SAR)	0.98	1.00	1.34	1.55

Source: Company Filings, Albilad Capital Research Estimates

Summary of Financial Statements & Forecasts

Income Statement (SAR mn)

	2014A	2015A	2016A	2017A	2018E
Special Commission Income	2,286	2,547	3,385	4,246	4,772
Special Commission Expense	211	268	834	753	861
Net Special Commission Income	2,075	2,279	2,551	3,493	3,911
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
Total Operating Income	2,620	3,063	3,328	4,373	4,847
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
Total Operating Expenses	1,435	1,789	1,828	2,666	2,915
Impairment Charge for Credit Losses & Other Assets	145	196	195	511	387
Provision for Impairment of Assets, net	17	112	118	137	150
Net Income	1,264	1,470	1,502	2,011	2,368

Balance Sheet (SAR mn)

	2014A	2015A	2016A	2017A	2018E
Cash & Balances with SAMA & Other Fin. Institutions	16,384	22,225	24,747	16,967	17,965
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
Total Assets	80,862	88,725	104,730	115,005	125,466
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
Total Liabilities	62,923	70,373	85,551	93,403	101,496
Total Equity	17,939	18,352	19,178	21,602	23,970
Total Liabilities & Shareholders' Equity	80,862	88,725	104,730	115,005	125,466

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.

Overweight:	The Target share price exceeds the current share price by $\geq 10\%$.
Neutral:	The Target share price is either more or less than the current share price by $< 10\%$.
Underweight:	The Target share price is less than the current share price by $\geq 10\%$.
To be Revised:	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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