



## Strong NSCI growth and controlled debt provisions boost Q4-23 earnings.

Alinma Bank posted earnings of SAR 1.3bn in Q4-23, up 53.5% Y/Y and down 0.3% Q/Q. The increase in earnings comes on the back of 23.2% Y/Y increase in Net-Special Commission income (NSCI) due to higher floating rate corporate loans, and a 24.3% Y/Y reduction in debt provisioning. Net income for 2023 increased by 34.5% Y/Y owed to 26.2% Y/Y growth in NSCI, 7.2% Y/Y increase in non-funded income and 24.3% Y/Y decline in provision expenses. NIMs expanded by 18bps Y/Y in Q4-23, however they saw a 3bps attrition on a sequential basis. Loan book expanded by 18.5% Y/Y to SAR 173.6bn and investments grew by 12.2% Y/Y to SAR 43.2bn. Meanwhile, deposits grew by 29.4% Y/Y and 4.3% Q/Q to SAR 187.9bn. With declining interest rates Alinma is expected to see some contraction in NIMs, however, we expect limited impact on the bottom-line due to robust asset growth (strong project finance franchise) and better balance sheet mix (higher weight of time deposits and increase in fixed rate investments). We update our recommendation to “Neutral” with TP of SAR 41.7/share, after the 24% return from our Buy call.

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- Yield on earning assets came in at 6.9% in Q4-23 as compared to 6.69% in Q3-23 and 5.27% in Q4-22, however, NIM was lower at 3.79% in Q4-23 as compared to 3.82% in Q3-23 (3.61% in Q4-22).
- Loan book expanded by 18.5% Y/Y & 2.7% Q/Q to SAR 173.6bn, in line with our estimate of SAR 175.8bn. Meanwhile, deposits grew 29.4% Y/Y and 4.3% Q/Q to SAR 187.9bn, as compared to our estimate of SAR 184.5bn. The ADR ratio dropped to 92.4% in Q4-23 from 100.9% in Q4-22 (93.8% in Q3-23).
- The bank posted operating income of SAR 2.6bn (+19.6% Y/Y, +1.1% Q/Q), in line with our estimate of SAR 2.6bn. The Y/Y increase in operating profit can be attributed to the 23.2% expansion in NSCI and 7.2% Y/Y growth in non-funded income.
- Operating expense (excluding debt provisions) stood at SAR 774mn (+3.2% Y/Y, +1.1% Q/Q) was inline with our estimate of SAR 796mn. Alinma posted provisions of SAR 330.0mn (-24.3 Y/Y, +7.6% Q/Q), inline with our estimate of SAR 325mn. Consequently, cost of risk declined to 76bps in Q4-23, vs 119bps in Q4-22. Cost to income ratio stood at 30.1% in Q4-23 as compared to 34.9% in Q4-22 and 30.1% in Q3-23.

**AJC view and valuation:** With declining interest rates Alinma is expected to see some contraction in NIMs, however, we expect limited impact on the bottom-line due to robust asset growth (strong project finance franchise) and better balance sheet mix (higher weight of time deposits and increase in fixed rate investments). We update our recommendation to “Neutral” with TP of SAR 41.7/share.

### Results Summary

SARmn (unless specified)	Q4-22	Q3-23	Q4-23	Change Y/Y	Change Q/Q	Deviation from AJC Estimates
Net financing and investment income	1,668	2,006	2,054	23.2%	2.4%	-4.0%
Total Operating income	2,148	2,673	2,569	19.6%	1.1%	-3.9%
Net Profit	860	1,323	1,320	53.5%	-0.3%	-5.1%
EPS	0.43	0.66	0.66	53.5%	-0.3%	-5.1%

Source: Tadawul, Aljazira Capital Research

### Recommendation Neutral

Target Price (SAR) 41.7

Upside / (Downside)\* -1.7%

Source: Tadawul \*prices as of 4<sup>th</sup> February 2024

### Key Financials

SARmn (unless specified)	FY22	FY23	FY24E	FY25E
Net financing and investment income	6,066	7,655	8,466	9,176
Growth %	18.1%	26.2%	10.6%	8.4%
Net Income	3,599	4,839	5,216	5,634
Growth %	32.8%	34.5%	7.8%	8.0%
EPS	1.80	2.42	2.61	2.82

Source: Company reports, Aljazira Capital Research

### Key Ratios

	FY22	FY23	FY24E	FY25E
NIMs	3.52%	3.72%	3.6%	3.4%
P/E (x)	24.9	18.0	16.3	15.1
P/B (x)	3.2	2.9	2.7	2.5
DPS*	1.00	1.25	1.50	1.50
Dividend Yield	2.36%	2.95%	3.54%	3.54%
C/I	34.61%	31.30%	31.33%	30.85%
ROA	1.8%	2.1%	2.0%	1.9%
ROE	12.9%	16.8%	17.4%	17.5%

Source: Company reports, Argaam, AJC research \*FY23 DPS is expected

### Key Market Data

Market Cap(bn)	84.5
YTD%	9.3%
52 week (High)/(Low)	43.8/27.4
Share Outstanding (mn)	2,000.0

Source: Company reports, Bloomberg, Aljazira Capital Research

### Price Performance



Source: Bloomberg, AJC Research

Senior Equity Analyst  
Fahad Qureshi, CFA  
+966 11 2256315  
f.iran@aljaziracapital.com.sa





RESEARCH DIVISION

Head of Sell-Side Research - AGM  
Jassim Al-Jubran  
+966 11 2256248  
j.aljabran@aljaziracapital.com.sa

RESEARCH  
DIVISION

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RATING  
TERMINOLOGY

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2. **Underweight:** This rating implies that the stock is currently trading at a premium to its 12 months price target. Stocks rated "Underweight" would typically decline by over 10% from the current price levels over next twelve months.
3. **Neutral:** The rating implies that the stock is trading in the proximate range of its 12 months price target. Stocks rated "Neutral" is expected to stagnate within +/- 10% range from the current price levels over next twelve months.
4. **Suspension of rating or rating on hold (SR/RH):** This basically implies suspension of a rating pending further analysis of a material change in the fundamentals of the company.

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Head Office: King Fahad Road, P.O. Box: 20438, Riyadh 11455, Saudi Arabia, Tel: 011 2256000 - Fax: 011 2256068