



Earnings in line with our forecast; NIMs to contract as rates come down. Maintain Neutral.

Alinma bank posted net income of SAR 1,315mn in Q1-24, up 35.6% Y/Y (-0.4% Q/Q). Earnings were in line with our expectation of SAR 1,347mn. The Y/Y growth in earnings is owed to the 16.0% Y/Y improvement in net income from investments & financing, and 24.3% Y/Y growth in Fee & other income. Operating expenses (excluding debt provisions) totaled at SAR 834mn up 10.0% Y/Y (+7.7% Q/Q). Provision expenses declined by 21.6% Y/Y to SAR 264mn, 18.6% below our estimate of SAR 325mn. Cost to income ratio dropped to 32.5% in Q1-24, as compared to 34.8% witnessed in Q1-23. With declining interest rates, bank is expected to see some contraction in NIMs, however, we expect limited net 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 maintain our "Neutral" recommendation with TP of SAR 33.4 per share.

- Alinma bank posted net income of SAR 1,315mn in Q1-24, up 35.6% Y/Y (-0.4% on a sequential basis). The Q1-24 net income was in line with our expectation of SAR 1,347mn (-2.4% deviation). The Y/Y growth in earnings is primarily owed the 16.0% Y/Y improvement in net income from investments & financing, and 24.3% Y/Y growth in Fee and other income. Overall, operating income grew by 17.7% Y/Y (-0.2% Q/Q) in Q1-24 (-1.6% deviation to estimate).
- Net financing and investment income grew by 16.0% Y/Y in Q1-24 to SAR 2,012mn, due to 36.5% Y/Y growth in gross financing and investment income, despite a 70.5% Y/Y expansion in cost of funds. The improvement in net financing income is owed to increase in interest rates and 14.6% Y/Y growth in total assets.
- Operating expenses (excluding debt provisions) totaled at SAR 834mn up 10.0% Y/Y (+7.7% on Q/Q basis), 6.8% above our estimates. Provision expenses declined by 21.6% Y/Y to SAR 264mn (-18.5% on a sequential basis), 18.6% below our estimate of SAR 325mn. Cost to income ratio dropped to 32.5% in Q1-24, as compared to 34.8% witnessed in Q1-23.
- Loan book expanded by 18.0% Y/Y & 4.1% Q/Q to SAR 180.7bn in Q1-24, 1.7% higher than our estimate of SAR 177.7bn. Meanwhile, deposits grew 18.2% Y/Y and 0.6% Q/Q to SAR 188.9bn, as compared to our estimate of SAR 187.9bn.
- As loan growth outpaced deposits growth sequentially, the ADR ratio increased to 95.6% in Q1-24 from 92.4% in Q4-23 (95.8% in Q1-23). Moreover, the bank has grown its investments by 13.7% Y/Y (4.9% on a Q/Q basis) to SAR 45.3bn.

AJC view and valuation: Alinma bank posted net income of SAR 1,315mn in Q1-24, up 35.6% Y/Y (-0.4% on a sequential basis). The Q1-24 net income was in line with our expectation of SAR 1,347mn (-2.4% deviation). With declining interest rates Alinma is expected to see some contraction in NIMs, however, we expect limited net 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). Trading at 2024E PE/PB of 16.0/2.7x, we maintain our "Neutral" recommendation with TP of SAR 33.4/ share.

Results Summary

SARmn (unless specified)	Q1-23	Q4-23	Q1-24	Change Y/Y	Change Q/Q	Deviation from AJC Estimates
Net financing and investment income	1,735	2,054	2,012	16.0%	-2.1%	-4.5%
Total Operating income	2,179	2,569	2,565	17.7%	-0.2%	-1.6%
Net Profit	970	1,320	1,315	35.6%	-0.4%	-2.4%
EPS	0.39	0.53	0.53			

Source: Tadawul, Aljazira Capital Research

Recommendation	Neutral
Target Price (SAR)	33.4
Upside / (Downside)*	0.1%

Source: Tadawul *prices as of 30th April 2024

Key Financials

SARmn (unless specified)	FY21	FY22	FY23	FY24E
Net financing and investment income	5,137	6,066	7,655	8,466
Growth %	10.5%	18.1%	26.2%	10.6%
Net Income	2,709	3,599	4,829	5,216
Growth %	37.8%	32.8%	34.2%	7.8%
EPS	1.08	1.44	1.93	2.09
DPS*	0.60	0.76	0.95	1.20

Source: Company reports, Aljazira Capital

Key Ratios

	FY21	FY22	FY23	FY24E
NIMs	3.4%	3.5%	3.8%	3.6%
P/E (x)	17.7	18.1	16.0	16.0
P/B (x)	1.9	2.4	2.9	2.7
Dividend Yield*	3.1%	2.9%	2.7%	3.6%
C/I	35.7%	34.6%	31.3%	30.6%
ROA	1.6%	1.8%	2.1%	1.9%
ROE	10.4%	12.9%	16.5%	17.5%

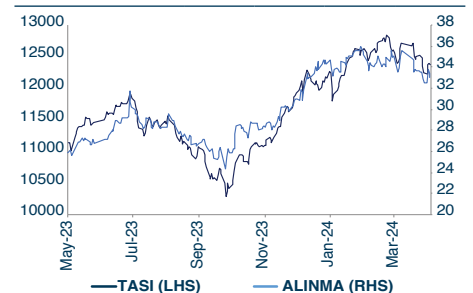
Source: Company reports, Argam, AJC research, *FY23E

Key Market Data

Market Cap(bn)	83.4
YTD%	7.9%
52 week (High)/(Low)	36/24.2
Share Outstanding (mn)	2500

Source: Company reports, Bloomberg, Aljazira Capital

Price Performance



Source: Bloomberg, AJC Research

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RESEARCH DIVISION

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1. **Overweight:** This rating implies that the stock is currently trading at a discount to its 12 months price target. Stocks rated "Overweight" will typically provide an upside potential of over 10% from the current price levels over next twelve months.
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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