

FY21 Results Update

March 16, 2022

Recommendation	Neutral
Previous Recommendation	Neutral
Current Price (SAR)	36.0
Target Price (SAR)	32.5
Upside/Downside (%)	(9.7%)
As of March 16, 2022	

Key Data (Source: Bloomberg)

Market Cap (SAR bn)	72.0
52-wk High (SAR)	36.3
52-wk Low (SAR)	17.3
Total Outstanding shares (in bn)	2.0
Free Float (%)	99.9%

Alinma Bank vs. TASI (Rebased)

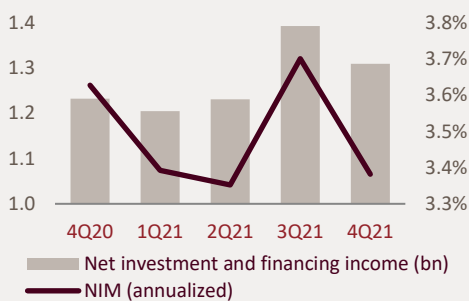


Price Performance (%)	Absolute	Relative
1m	12.7%	11.4%
6m	49.8%	38.9%
12m	100.7%	69.5%

Major Shareholders (%)

Public Investment Fund.	10.00%
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Net Investment and Financing Income (SAR bn) and NIM (annualized)



Source: Bloomberg, Company Financials, Yaqeen Capital; Data as of March 16, 2022

Higher operating income boosts bottom line in FY21

Alinma Bank (Alinma)'s net financing and investment income surged 10.5% YoY to SAR 5.1bn in FY21. The rise was supported by a 3.7% YoY rise in gross financing and investment income to SAR 5.7bn, in addition to 34.6% YoY decline in cost of funds to SAR 537.4mn during the year. Operating income during the year increased by 17.3% YoY to SAR 6.7bn, driven by higher fee from banking service, gain from FVSI instruments and other operating income during the year. Total operating expense surged 14.5% YoY to SAR 2.4bn, due to a rise in salaries and employee-related benefits, rent and premises-related expenses, and general and administrative expenses. This marginally improved the bank's cost-to-income ratio by 89 bps YoY to 35.5% in FY21. Higher net interest income and operating income led the bank to report a 37.8% YoY surge in net income to SAR 2.7bn in FY21. Alinma's net financing assets increased by 13.6% YoY to SAR 126.3bn, while customer deposits rose 1.3% YoY to SAR 121.1bn in FY21. As a result, the loan-to-deposit ratio (LDR) increased 1,122 bps YoY to 104.3% in FY21.

Alinma's loan book continued its upward trend, with a 13.6% YoY rise to SAR 126.3bn, driven by strong performance in its Corporate (up 12.7% YoY to SAR 98.8bn) and Retail (up 16.9% YoY to SAR 27.5bn) segments. Asset quality of the bank improved during the year, with NPL ratio standing at 1.75% in 4Q21 as against 2.49% in 4Q20. Subsequently, the coverage ratio increased to 177.1% in 4Q21 vis-à-vis 114.5% in 4Q20. Moreover, the bank's capital position improved, with risk-weighted assets accounting for 83.7% of the total assets in FY21 as against 88.2% in FY20. The bank enhanced its lending capacity, following Tier 1 Sukuk issuance. The LDR jumped to 104.3% in FY21 from 93.1% in FY20, following a slower rise in deposits on a YoY basis. Meanwhile, NIM reduced by 19 bps to 3.42% during the year due to a low interest rate environment. However, the bank expects margins to rise by 10 to 15 bps in FY22, driven by potential rate hikes during the year, which could boost profitability. Considering these factors, we maintain our "Neutral" rating on the stock.

- Net financing and investment income increased 10.5% YoY to SAR 5.1bn, supported by a 34.6% YoY decline in cost of funds to SAR 537.4mn in FY21.
- Total operating income soared 17.3% YoY to SAR 6.7bn during the year, largely driven by increase in fee from banking services, other operating income, and gain from FVSI financial instruments.
- Total operating expense increased 14.5% YoY to SAR 2.4bn due to higher general and administrative expense, salaries and employee benefits, rent and premises-related expenses. Subsequently, the cost-to-income ratio improved marginally to 35.5% in FY21 from 36.4% in FY20.
- Lower impairment charges offset the share of loss from associates and JV as the bank recorded a 37.8% YoY surge in net income to SAR 2.7bn in FY21.
- Total assets rose 10.6% YoY to SAR 173.5bn, driven by 13.6% YoY increase in net financing assets to SAR 126.3bn and 12.7% YoY rise in investment assets to SAR 33.3bn in FY21.
- Customer deposits rose by 1.3% YoY to SAR 121.1bn in FY21, resulting in an increase in LDR to 104.3% during the year compared to 93.1% in FY20.
- Alinma's capital adequacy ratio rose to 22.8% in FY21 from 19.3% in FY20. Additionally, its Tier I capital ratio expanded to 21.6% from 18.2% in FY20.
- Alinma's NPL ratio stood at 1.75% in 4Q21 as against 2.49% in 4Q20, whereas the coverage ratio increased to 177.1% in 4Q21 compared to 114.5% in 4Q20.

Valuation: We revise our target price upward to a fair value of SAR 32.5 per share and maintain a "Neutral" rating on the stock.

	4Q21	4Q20	% YoY	FY22E	FY21	%YoY
Net financing and investment income (SAR bn)	1.3	1.2	7.8%	5.8	5.1	13.3%
Operating income (SAR bn)	1.7	1.6	4.2%	7.6	6.7	13.3%
EPS (SAR)- Adjusted for bonus share	0.31	0.20	57.1%	1.76	1.36	29.1%
Net Interest Margin (%)	3.3%	3.5%	(0.2%)	3.6%	3.4%	0.1%
Cost to income (%)	40.2%	32.2%	8.0%	36.5%	35.5%	1.0%
RoE (%)	8.1%	6.5%	1.6%	12.0%	9.8%	2.2%
Total Assets	173.5	156.9	10.6%	182.7	173.5	5.3%
Loan and Advances portfolio	126.3	111.2	13.6%	131.2	126.3	3.9%

Source: Company Financials, Yaqeen Capital

FY21 Results Update Yaqeen Capital Rating Methodology

March 16, 2022

Yaqeen 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: (1) waiting for more analysis, (2) waiting for detailed financials, (3) waiting for more data to be updated, (4) major change in company's performance, (5) change in market conditions or (6) any other reason from Yaqeen Capital.

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