

## 3Q22 Results Update

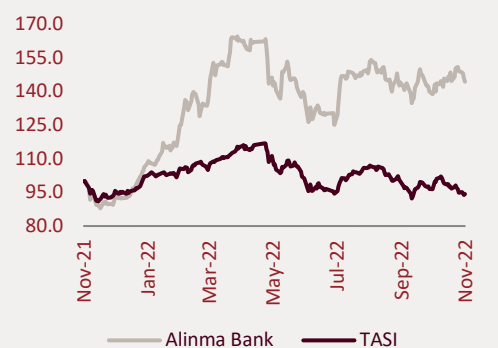
November 17, 2022

<b>Recommendation</b>	<b>Neutral</b>
Previous Recommendation	Neutral
Current Price (SAR)	37.0
Target Price (SAR)	38.8
Upside/Downside (%)	5.0%

As of November 16, 2022

<b>Key Data (Source: Bloomberg)</b>	
Market Cap (SAR bn)	73.9
52-wk High (SAR)	42.5
52-wk Low (SAR)	22.2
Total Outstanding shares (in bn)	2.0
Free Float (%)	89.9%

### Alinma Bank vs. TASI (Rebased)

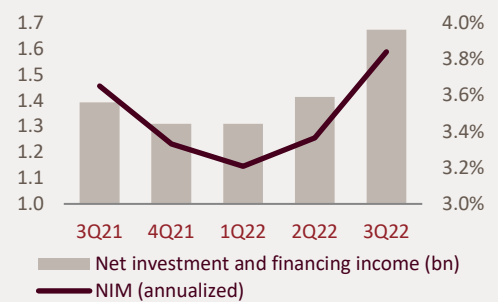


Price Performance (%)	Absolute	Relative
1m	4.1%	6.3%
6m	1.2%	14.9%
12m	44.3%	50.1%

### Major Shareholders (%)

Public Investment Fund.	10.00%
-------------------------	--------

### Net Investment and Financing Income (SAR bn) and NIM (annualized)



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

### Surge in financing on growth in retail and corporate lending

Alinma Bank (Alinma)'s net financing and investment income advanced 20.2% YoY to SAR 1.7bn in 3Q22, driven by a 35.6% YoY increase in gross financing and investment income to SAR 2.0bn. However, the growth was countervailed by a 216.2% YoY surge in cost of funds to SAR 375.7mn. Increase in fees from banking services, other operating income, exchange income, income from FVSI financial instruments, and dividend income led to a 20.5% YoY rise in operating income to SAR 2.1bn in 3Q22. Operating expense grew 15.2% YoY to SAR 709.5mn owing to rise in salaries and employee-related benefits, rent- and premises-related expense, depreciation and amortization, and general and administrative expenses. Consequently, the bank's cost-to-income ratio improved by 159bps YoY to 34.2% in 3Q22. The bank reported a 34.0% YoY growth in net income to SAR 989.0mn in 3Q22, driven by high share of profits from associates and low impairment charges. Alinma's net financing assets increased 15.4% YoY to SAR 140.0bn, and customer deposits rose 13.2% YoY to SAR 132.0bn in 3Q22. As a result, the loan-to-deposit ratio (LDR) expanded 201bps YoY to 106.0% in 3Q22.

Alinma reported a robust performance as its loan book grew 15.4% YoY to SAR 140.0bn in 3Q22. Corporate segment advanced 10.1% YoY to SAR 104.7bn, supported by growth in mid-corporate and SME financing. Retail segment climbed 34.7% YoY to SAR 35.3bn, owing to strong momentum in home financing and personal and other financing. NPL ratio dropped to 1.67% in 3Q22 from 2.27% in 3Q21, indicating an improvement in the asset quality of the bank. Subsequently, coverage ratio advanced to 155.5% in 3Q22 compared with 146.4% in 3Q21. Additionally, the bank's capital position improved, with risk-weighted assets accounting for 87.1% of the total assets in 3Q22. LDR expanded to 106.0% in 3Q22 from 104.0% in 3Q21, following a slow rise in deposits on YoY basis. Meanwhile, NIM rose by 19bps to 3.84%. The bank expects substantial growth in financing, supported by robust growth from mid-corp, SME and retail growth, and increase corporate financing. Additionally, rising interest rates and strong funding mix are expected to improve margins in FY22. Considering these factors, we maintain our "Neutral" rating on the stock.

- Gross financing and investment income climbed 35.6% YoY to SAR 2.0bn in 3Q22, whereas cost of funds soared 216.2% YoY to SAR 375.7mn. Consequently, net financing and investment income surged 20.2% YoY to SAR 1.7bn in 3Q22.
- Total operating income advanced 20.5% YoY to SAR 2.1bn, driven by rise in fees from banking services, other operating income, exchange income, dividend income, and income from FVSI financial instruments during the quarter.
- Increase in general and administrative expenses, salaries and employee benefits, rent and premises-related expense, and depreciation and amortization expenditure resulted in a 15.2% YoY rise in total operating expense to SAR 709.5mn. Subsequently, the cost-to-income ratio improved to 34.2% in 3Q22 from 35.8% in 3Q21.
- Decline in impairment charges and a high share of profit from associates and JV offset the rise in zakat expense as the bank recorded a 34.0% YoY surge in net income to SAR 989.0mn in 3Q22.
- Total assets grew 15.8% YoY to SAR 193.2bn, driven by a 15.4% YoY rise in net financing assets to SAR 140.0bn and 20.0% YoY growth in investment assets to SAR 38.3bn in 3Q22.
- Customer deposits advanced 13.2% YoY to SAR 132.0bn in 3Q22. The LDR rose to 106.0% during the quarter compared to 104.0% in 3Q21.
- Alinma's capital adequacy ratio dropped to 20.1% in 3Q22 from 22.4% in 3Q21. Additionally, its Tier I capital ratio narrowed to 18.9% from 21.3% in 3Q21.
- Alinma's NPL ratio stood at 1.67% in 3Q22 compared with 2.27% in 3Q21, whereas the coverage ratio increased to 155.5% in 3Q22 from 146.4% in 3Q21.

**Valuation:** We maintain our target price of a fair value of SAR 38.8 per share and our "Neutral" rating on the stock.

	3Q22	3Q21	% YoY	FY22E	FY21	%YoY
Net financing and investment income (SAR bn)	1.7	1.4	20.2%	6.0	5.1	17.4%
Operating income (SAR bn)	2.1	1.7	20.5%	7.9	6.7	18.9%
EPS (SAR) - Adjusted for bonus share	0.50	0.37	34.0%	1.83	1.36	34.3%
Net interest margin (%)	3.8%	3.7%	0.2%	3.6%	3.4%	0.2%
Cost to income (%)	34.2%	35.8%	(1.6%)	34.9%	35.5%	(0.5%)
RoE (%)	12.6%	10.7%	1.9%	11.5%	9.8%	1.7%
Total assets	193.2	166.8	15.8%	185.7	173.5	7.0%
Loan and advances portfolio	140.0	121.3	15.4%	136.3	126.3	8.0%

Source: Company Financials, Yaqeen Capital

## Yaqeen Capital Rating Methodology

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.

## Yaqeen Capital

Contact us on the below phone numbers:

Customer Services: 8004298888

Brokerage Services: 920004711

Fax or Email us at the below number:

Fax: +966 11 2032546

Email: [addingvalue@yaqeen.sa](mailto:addingvalue@yaqeen.sa)

Mail us at the following address:

P.O. Box 884

Riyadh 11421

Kingdom of Saudi Arabia

## Disclaimer and Risks Warning:

The information in this report was compiled from various public sources believed to be reliable and whilst all reasonable care has been taken to ensure that the facts stated in this report are accurate and that the forecasts, opinions, future prices and expectations contained herein are fair and reasonable, Yaqeen Capital makes no representations or warranties whatsoever as to the accuracy of the data and information provided and, in particular, Yaqeen Capital does not represent that the information or expected future prices in this report is complete or free from any error. This report is not, and is not to be construed as, an offer to sell or solicitation of an offer to buy any financial securities. Accordingly, no reliance should be placed on the accuracy, fairness or completeness of the information or the expected prices contained in this report. Yaqeen Capital accepts no liability whatsoever for any loss arising from any use of this report or its contents, and Yaqeen Capital shall not be in any way responsible for the contents hereof. Opinions, forecasts or price projections contained in this report represent Yaqeen Capital current opinions or judgment as at the date of this report only and are therefore subject to change without notice. There can be no assurance that future results, prices or events will match any such opinions, forecasts or prices projections which represent only one possible outcome and these price estimates may not occur in the future whatsoever. Further, such opinions, forecasts or price projections are subject to certain risks, uncertainties and assumptions that have not been verified and future actual results or events could differ materially. Any value or price, or income from, any investments referred to in this report may fluctuate and/or be affected by changes. Past performance is not necessarily an indicative of future performance. Accordingly, investors may receive back less than originally invested amount. This report provides information of a general nature and does not address the circumstances, objectives, and risk tolerance of any particular investor. Therefore, the person who obtain a copy of this report should understand that this report is not intended to provide personal investment advice and does not take into account his/her financial situation or any specific investment objectives or particular needs which he/she may have. Before making an investment decision the investors should seek advice from an independent financial, investment and/or other required advisers due to the investment in such kind of securities may not be suitable for all recipients. This research report might not be reproduced, nor distributed in whole or in part, and all information, opinions, forecasts and price estimates contained; are protected by the intellectual property laws, copyright and publishing rules and regulations applied in the Kingdom of Saudi Arabia.

All rights reserved.

Yaqeen Capital acquired the Saudi Capital Market Authority license number (37-06020) on 27/05/2006, and commenced providing its services to the investors in the Saudi Stock Exchange on 19/02/2007 with CR Number 1010226584 Issued on 04/12/1427H.