

Alinma Bank (ALINMA)

Recommendation	Buy
Current Market Price (SAR)	31.4
52wk High / Low (SAR)	36.0/24.2
Mkt. Cap. (USD/SAR Mn)	20,754/77,875
Shares Outstanding (mn)	2,500
Free Float (%)	90.0%
3m Average Vol. (000)	4,933.2
3m Avg Daily Turnover (SAR'000)	156,811
Dividend Yield '24e (%)	3.6%
P/E'24e (x)	14.8
P/B'24e (x)	2.0
Source: Bloomberg	

Earnings boosted by higher financing and investment growth

- ALINMA's net income increased by 15.6% YoY and 7.7% QoQ, reaching SAR 1,416mn in 2Q2024, primarily driven by higher operating income. The net income margin declined by 2.8ppts YoY but improved by 1.1ppts QoQ to 35.7%.
- Net income from investments and financing rose by 15.7% YoY and 6.9% QoQ to SAR 2,151mn in 2Q2024, driven mainly by growth in financing and investments volume, as well as an increase in profit rates.
- Operating income for 2Q2024 grew by 12.7% YoY to SAR 2,745mn, supported by an increase in net income from financing and investment, fee income, and exchange income. This was partially offset by lower FVSI income and other operating income. On a QoQ basis, operating income increased by 7.0% due to higher net income from financing and investment, fee income, FVSI income, and exchange income, though slightly offset by lower other operating income.
- Total operating expenses increased by 8.3% YoY to SAR 1,161mn in 2Q2024, primarily due to higher salaries and employee expenses, along with increased general and administrative costs. QoQ, expenses rose by 5.7% due to a higher impairment charge on financing.
- The gross financing portfolio expanded by 16.7% YoY (+8.7% QoQ) to SAR 194bn in 2Q2024, driven by growth in the corporate segment (~77% of the loan book, +19.5% YoY) and the retail segment (~23%, +8.4% YoY).
- Customer deposits surged by 15.5% YoY (+9.3% QoQ) to SAR 205bn in 2Q2024, mainly due to significant increases in time deposits (+11.9% YoY) and demand deposits (+19.4% YoY).
- For 1H2024, net income increased by 24.4% YoY to SAR 2,731mn, driven by higher income from financing, investment, fees, FVSI, and exchange, though partially offset by lower other operating income. The net income margin decreased by 1.6ppts YoY to 35.2%.
- In 1H2024, net income from investments and financing increased by 15.8% YoY to SAR 4,163mn, mainly due to higher financing and investment volumes and increased profit rates.

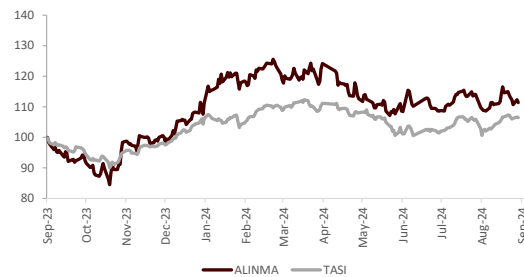
Outlook & Valuation: The domestic banking sector is well positioned to benefit from strong credit expansion, driven by rising government spending, potential private sector investments, and a gradual decline in interest rates. With strong asset quality, robust capitalization, and healthy net interest margins, the sector, including banks like ALINMA, is poised for growth and resilience, reflecting a positive outlook. The stock is currently trading at a P/B of 2.0x (based on FY2024 BVPS). Based on equal weighted valuation using Residual Income and P/B methodologies, we arrive at a fair value of SAR 35.8/share (+14.1% upside from current level), implying Buy recommendation on the stock.

Financial Summary

SAR (mn)	2Q2024	2Q2023	YoY	1Q2024	QoQ
Net yield income	2,151	1,860	16%	2,012	7%
Non yield income	594	577	3%	553	8%
Operating income	2,745	2,437	13%	2,565	7%
Impairment charge	320	326	-2%	266	20%
Net income	1,416	1,225	16%	1,315	8%
Cost to income (%)	30%	31%		33%	
EPS (SAR)	0.57	0.49	16%	0.53	8%
Adjusted EPS (SAR)	0.55	0.47	16%	0.51	8%

Source: Company Reports, Yaqeen Capital

Relative Price Performance



Key Indicators

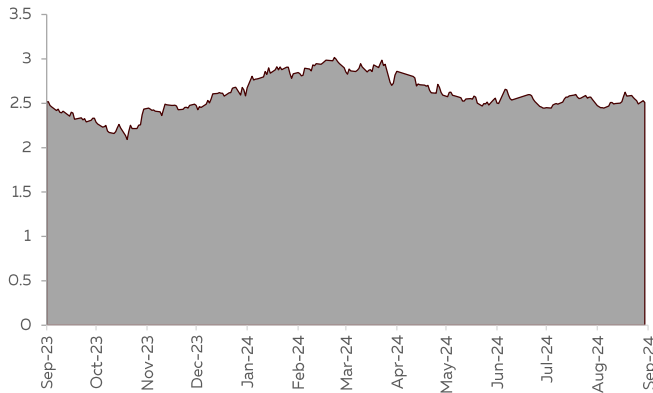
SAR (mn)	2022	2023	2024e	2025e
Net yield income	6,066	7,655	8,136	9,250
Non yield income	1,897	2,071	2,282	2,343
Operating income	7,963	9,726	10,418	11,593
Impairment charge	1,198	1,272	1,369	1,501
Net income	3,599	4,839	5,279	6,132
Cost to income (%)	35%	31%	31%	28%
EPS (SAR)	1.45	1.95	2.12	2.47
Adjusted EPS (SAR)	1.39	1.87	2.04	2.39
RoE (%)	13%	17%	16%	16%
Financing	146,492	173,624	191,681	210,201
Customers' deposits	145,168	187,901	195,259	210,004

Source: Company Reports, Yaqeen Capital

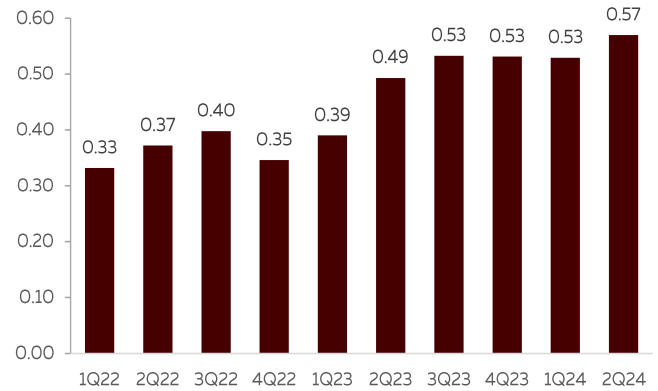
Major Shareholders (%)

Public Investment Fund	10.00%
Source: Bloomberg, Yaqeen Capital	

Price to Book Ratio Trend



EPS (SAR) Trend



Rating Methodology

Buy: The Target share price exceeds the current share price by $\geq 10\%$

Hold: The Target share price is either more or less than the current share price by 10%

Sell: The Target share price is less than the current share price by $\geq 10\%$

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