

# Alinma Bank

Q4 2016

## Recommendation

**Neutral**

## Fair Value (SAR)

**15.38**

Price as of January 19, 2017

14.68

Expected Return

4.75%

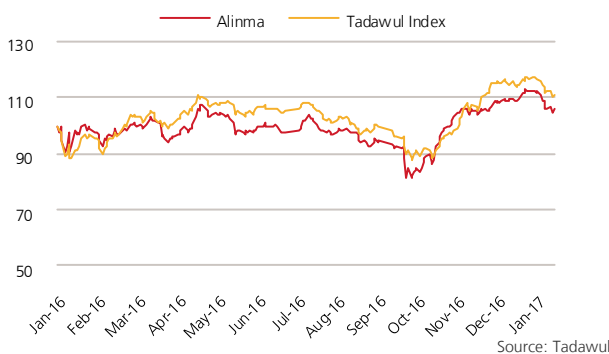
## Company Data

Tadawul Symbol	1150.SE
52 Week High (SAR)	15.50
52 Week Low (SAR)	10.75
YTD Change	-2.4%
3-Month Average Volume (Thousand Shares)	25,757
Market Cap. (SAR Million)	22,020
Market Cap. (USD Million)	5,872
Outstanding Shares (Million Shares)	1,500

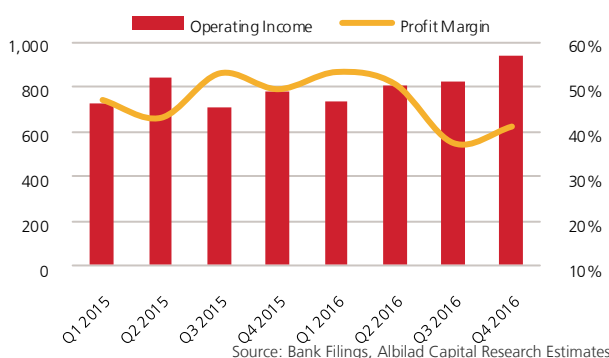
## Major Shareholders (> 5%)

General Pension Agency	10.71%
Public Investment Fund	10.00%
General Organization for Social Insurance	5.10%

## 52-week Stock Price Movement



## Quarterly Operating Income (SAR mn) and Profit Margin



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Alinma Bank reported its interim financial results of Q4 2016, wherein net profits increased 1.04% YoY and 25% QoQ to SAR 390 million, below our estimate of SAR 409 million.

The bank posted the full-year net profit of SAR 1,502 million, up 2.2% from 2015. The growth in profits in Q4 2016 was mainly driven by an increase in operating income by 21.2% as a result of an increase in the special commission income, in addition to gain from investments, exchange income and dividends income. While, the improvement in profit for the full-year was mainly driven by an increase in operating income by 9% on the back of an increase in special commission income and the exchange income as well.

Net special commission income jumped 21.5% YoY to reach SAR 694 million, while on an annual level culminated at SAR 2,551 million, soaring 11.9% from 2015, partly due to an increase in interest rates during the fourth quarter compared to last-year same period as Alinma Bank possessed 5% of the Saudi market deposits as at the end of September 2016, 51% of which represents low cost current accounts.

Total operating income inched up 21.2% YoY, recording SAR 945 million in Q4, however, on an annual level increased 8.6% to SAR 3,328 million compared to SAR 3,063 million in 2015.

During the FY2016, loans climbed sharply by 23.3% YoY reaching SAR 70.3 billion versus SAR 57.0 billion in 2015. Investments decreased 4.9% recording SAR 6.2 billion compared to SAR 6.5 billion in 2015. Total assets surged 18.0% YoY to reach SAR 104.7 billion. Moreover, customer deposits jumped 22.7% YoY to reach SAR 80.6 billion versus SAR 65.7 billion in 2015. As a result, loans-to-deposits ratio rose slightly to 87.2% in Q4 2016 from 86.8% in Q4 2015. Growth of loans and deposits in 2016 were accelerated by 23% each compared to a growth of 5.5% and 10% respectively in 2015. However, the acceleration in loans growth without an increase in NPL led to an improvement in asset quality, with coverage ratio of 170% at the end of the year.

By reviewing the future performance of Alinma Bank, thus, our fair value is SAR 15.38 per share and assigning a "Neutral" recommendation.

FY - Ending December	2015A	2016A	2017F	2018F
Total Assets (SAR million)	88,725	104,730	123,489	140,709
Total Deposit (SAR million)	65,542	80,612	96,734	111,245
Net Loans (SAR million)	56,570	70,312	84,248	96,569
Investment (SAR million)	6,468	6,157	8,620	10,516
Net Interest Margin	%3.08	%2.99	%3.01	%3.03
Net Loans/Deposits	%86.8	%87.2	%87.1	%86.8
Coverage Ratio	2.10	2.08	2.18	2.30
NPL / Total Loans	%0.8	%0.9	%1.0	%1.1
PE	14.88	14.56	12.66	10.50
Dividend Yield	%3.6	%3.4	%5.1	%5.1
P / BV	1.19	1.10	1.00	0.91
Net Special Commission Growth	%10	%12	%18	%22

Source: Bank Filings, Albilad Capital Research Estimates

Income Statement (SAR mn)	2014A	2015A	2016E*	2017F	2018F
Special commission income	2,286	2,547	3,339	4,030	4,765
Special commission expense	211	268	788	990	1,181
<b>Net special commission income</b>	<b>2,075</b>	<b>2,279</b>	<b>2,551</b>	<b>3,040</b>	<b>3,583</b>
Fees and commission income, net	396	620	667	701	736
Foreign exchange income, net	57	94	116	104	94
Other	91	70	(6)	(9)	(12)
<b>Operating income</b>	<b>2,620</b>	<b>3,063</b>	<b>3,328</b>	<b>3,835</b>	<b>4,401</b>
Salaries and employee-related expenses	637	670	725	769	807
Rent and premises-related expenses	108	128	143	156	183
Depreciation	154	161	168	175	184
Other general and administrative expenses	286	316	403	464	510
<b>Net Income before Impairment</b>	<b>1,435</b>	<b>1,789</b>	<b>1,888</b>	<b>2,271</b>	<b>2,717</b>
Impairment charge for credit losses, net	162	308	376	534	625
<b>Net Income After Impairment</b>	<b>1,273</b>	<b>1,481</b>	<b>1,512</b>	<b>1,737</b>	<b>2,092</b>
Share of Gain (Loss) of an associate	(9)	(11)	(10)	(10)	(10)
<b>NAI</b>	<b>1,264</b>	<b>1,470</b>	<b>1,502</b>	<b>1,727</b>	<b>2,082</b>
Balance Sheet (SAR mn)	2014A	2015A	2016E	2017F	2018F
Cash & balances with SAMA & other financial institutions	16,384	22,147	24,795	26,795	29,494
Investments	8,036	6,468	6,157	8,620	10,516
Loans and advances, net	53,637	56,570	70,312	84,248	96,569
Property and equipment, net	1,544	1,629	1,795	1,988	2,200
Other Assets	1,261	1,910	1,671	1,838	1,930
<b>Total Assets</b>	<b>80,862</b>	<b>88,725</b>	<b>104,730</b>	<b>123,489</b>	<b>140,709</b>
Due to banks & other financial institutions	33	2,264	2,580	2,902	3,337
Customer deposits	59,428	65,542	80,612	96,734	111,245
Other liabilities	3,462	2,567	1,726	1,933	2,127
<b>Total Liabilities</b>	<b>62,923</b>	<b>70,372</b>	<b>84,918</b>	<b>101,570</b>	<b>116,709</b>
Total equity	17,939	18,352	19,812	21,919	24,001
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>80,862</b>	<b>88,725</b>	<b>104,730</b>	<b>123,489</b>	<b>140,710</b>

Source: Bank Filings, Albilad Capital Research Estimates

Presentation of financial statements may differ from the company's presentation. However, there is no impact on the final results.

\*Estimated numbers except for Net special commission income, Operating Income and Net income.

## Albilad Capital Rating Methodology

Al-Bilad 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: waiting for more analysis, waiting for detailed financials, waiting for more data to be updated, major change in company's performance, change in market conditions or any other reason from Albilad Capital Research.

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