Alinma Bank

Strong operating income and lower provisioning drive net profit growth

Rating: Overweight | 12M Target Price: SR 33

February 3, 2025

Market Data	
Last Price (SR)*	29.7
Target Price (SR)	33
Upside / Downside (%)	11%
Market Cap (bn) (SR/USD)	74/20
52 week High / Low (SR)	36.0/27.4
12-month ADTV (mn) (SR/USD)	163/43
YTD Return (%)	3%
Bloomberg Code	ALINMA AB

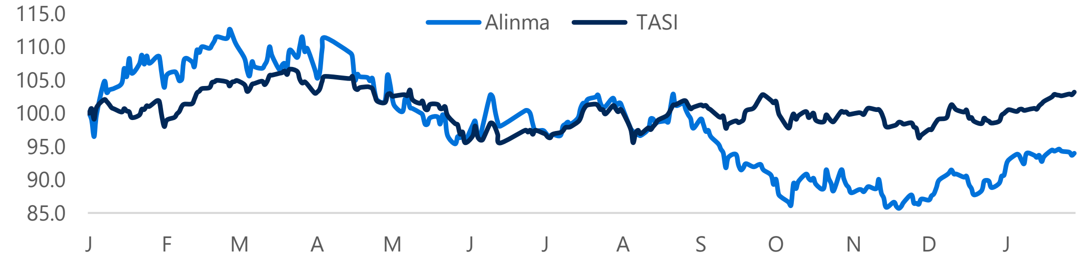
**last price as of 2 February 2025*

Valuations	2024A	2025F	2026F	2027F
Net Income (SRbn)	5.8	6.1	6.7	7.2
Adj. EPS (SR)	2.2	2.2	2.5	2.7
PER (x)	13.4	13.2	11.9	11.1
P/BV (x)	2.3	2.1	1.9	1.8
DPS (SR)	1.1	1.1	1.2	1.3
Div. Yield (%)	3.7	3.8	4.2	4.5
RoAE (%)	15.9	16.6	17.0	16.9
RoAA (%)	2.1	1.9	1.9	1.8

Financials (SRmn)	4Q24A	4Q24E*	Var (%)	4Q23A	YoY (%)	3Q24A	QoQ (%)
Net Interest Income	2,266	2,263	0	2,054	10	2,220	2
Non-Interest Income	549	543	1	515	7	595	-8
Total Income	2,815	2,805	0	2,569	10	2,815	0
Operating expenses	(860)	(868)	-1	(772)	11	(854)	1
Impairment provisions	(250)	(409)	-39	(324)	-23	(209)	20
Net Income	1,529	1,370	12	1,320	16	1,571	-3
Adj. EPS	0.60	0.53	14	0.52	15	0.56	7
Assets	276,828	272,086	2	236,715	17	266,983	4
Investments	48,625	47,560	2	43,236	12	46,709	4
Loans & Advances	202,308	201,687	0	173,624	17	195,895	3
Deposits	210,545	214,057	-2	187,901	12	209,140	1
Total Equity	41,442	40,928	1	34,334	21	41,158	1
NIM (%) - annualized	3.6	3.6	-02 bps	3.8	-18 bps	3.7	-05 bps
Oper. cost to income (%)	30.6	31.0	-39 bps	30.1	50 bps	30.3	22 bps
Provisions/Loans (bps)	12	20	-08 bps	19	-06 bps	11	02 bps
Simple LDR (%)	96	94	187 bps	92	369 bps	94	242 bps
Assets to Equity (x)	6.7	6.6	0	6.9	-3	6.5	3

**anbc estimates*

Price Performance



Source: Tadawul, Bloomberg and anbc research

Alinma Bank (ALINMA AB) reported a net profit of SR1.5bn (Adj. EPS: SR0.6) in 4Q24, up 16% YoY. Profitability growth was driven by higher operating income and a decline in impairment provisioning costs. Sequentially, profitability declined by 3% QoQ. The adjusted earnings for the quarter were 14% higher than our estimates, primarily on lower-than-expected provisioning costs. The BoD recommended a dividend payout of SR0.3/share for 4Q24, taking full-year payout to SR1.1/share in 2024 (50% of adjusted EPS).

- Net interest income expanded by 10% YoY/2% QoQ in 4Q24, primarily driven by a 16% YoY/3% QoQ growth in the interest earnings assets amidst lower margins. We estimate annualized NIM declined by 18bps YoY and 5bps QoQ. For 2024, net interest income grew by 13% YoY.
- Non-interest income increased by 7% YoY, though sequentially, it declined by 8% QoQ in 4Q24. However, total operating income growth was recorded at 10% YoY and was sequentially nearly flat. For 2024. total operating income grew by 12% YoY, while non-interest income was also up 11% YoY.
- Operating expenses increased by 11% YoY/1% QoQ, resulting in a 50bps YoY/22bps QoQ expansion in the operating cost-to-income ratio to 30.6% in 4Q24. For the full-year, operating cost-to-income ratio slightly declined by 20bps to 31%.
- Impairment provisioning cost surprisingly declined by 23% YoY to SR250mn in 4Q24, though sequentially, it was 20% higher QoQ. For 2024, provisioning costs fell 19% YoY, which, according to the announcement, resulted from lower NPLs due to the settlement of impaired accounts coupled with improved asset quality. Provisioning to net loans declined to 52bps in 2024 from 75bps in 2023.
- Total assets increased by 17% YoY/4% QoQ, driven by a 17% YoY/3% QoQ increase in the lending portfolio and a 12% YoY/4% QoQ increase in the investment portfolio. However, deposit growth slightly lagged at 12% YoY/1% QoQ, increasing non-regulatory LDR to 96% in 4Q24. Meanwhile, asset-to-equity declined by 3% to 6.7x YoY.
- *Despite the pressures on margins from rate cuts and elevated cost structure as the bank pursues an aggressive growth strategy, profitability growth has remained robust in 2024; adjusted earnings were up 19% YoY. Bank balance sheet expansion (17% YoY growth in assets) has been impressive, supported by a strong macroeconomic backdrop. However, pressures on margins are likely to remain from rate declines coupled with liquidity pressures. Moreover, its aggressive growth would require elevated opex spending as well, leaving with relatively constrained RoAE expansion, which we estimate around 17%. The stock is currently trading at 2025e PER 13.2x and PBV of 2.1x.* We maintain our rating for now and wait for full year financials to be available before updating our model.

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Disclaimer

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OVERWEIGHT	NEUTRAL	UNDERWEIGHT
Expected return is more than +15%	Expected return is between +15% & -10%	Expected return is lower than -10%

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