

Earnings Presentation

2Q 2022

Earnings Call

08 August 2022

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Alinma Overview

2Q 2022

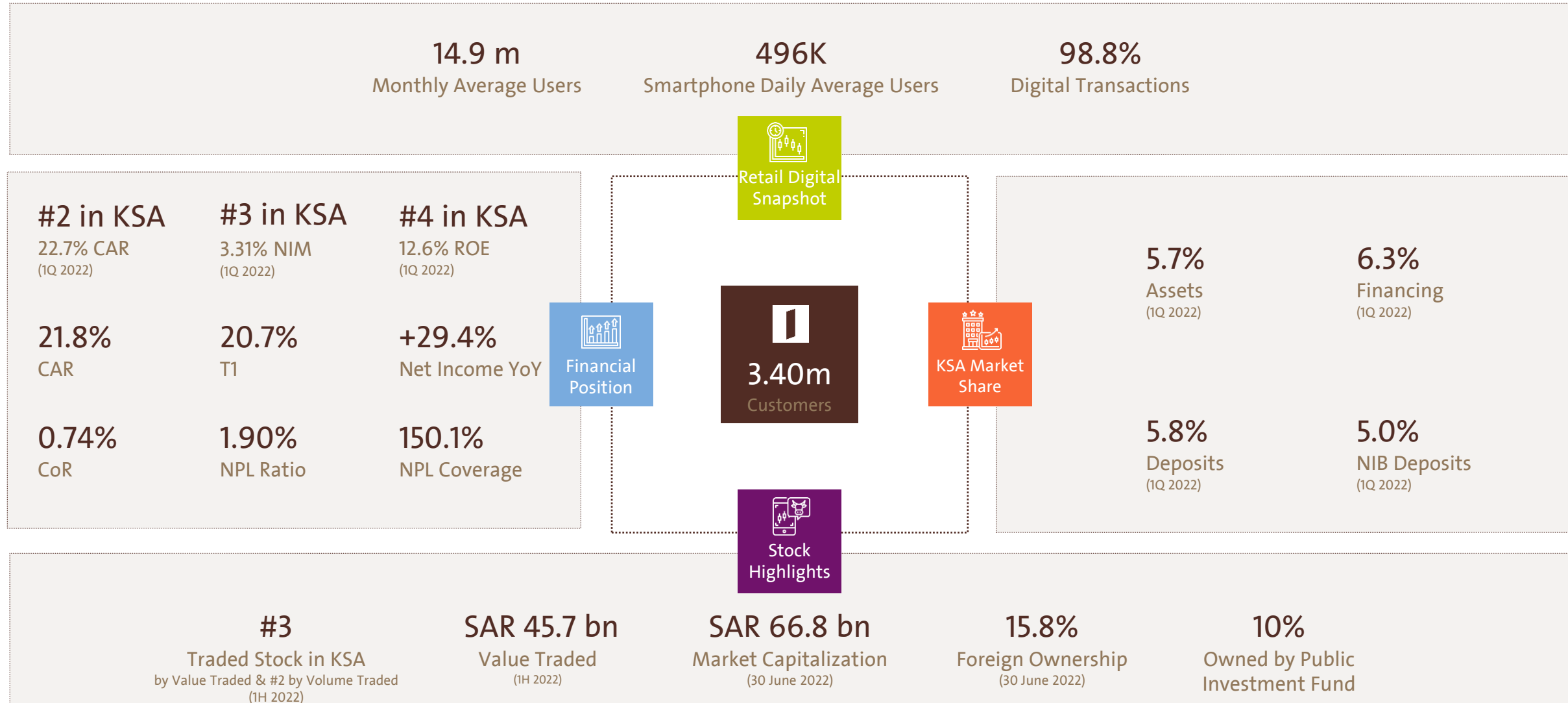
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Alinma Overview

Alinma is the youngest bank in KSA



Financial Performance Highlights

2Q 2022

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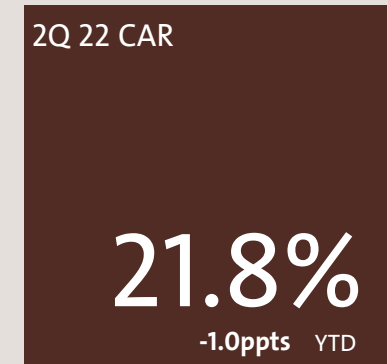
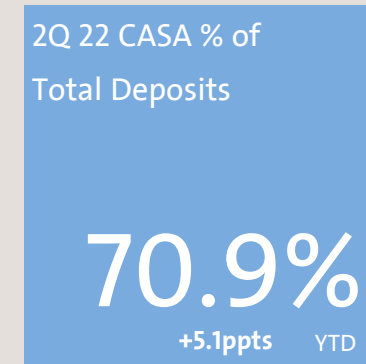
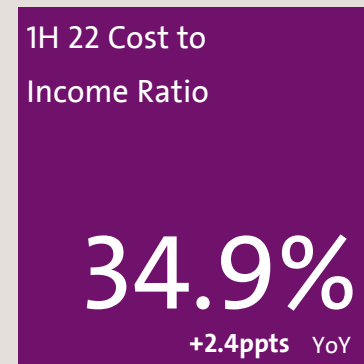
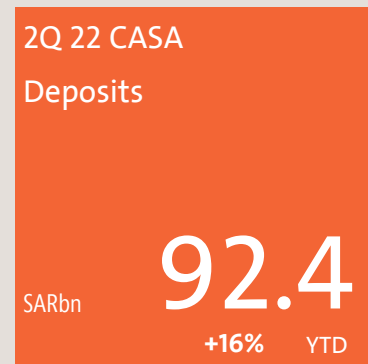
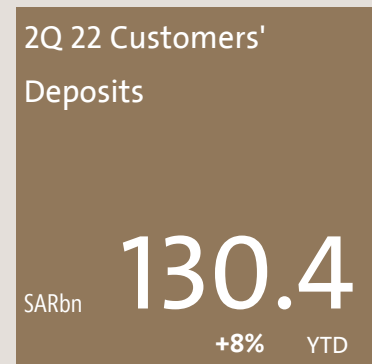
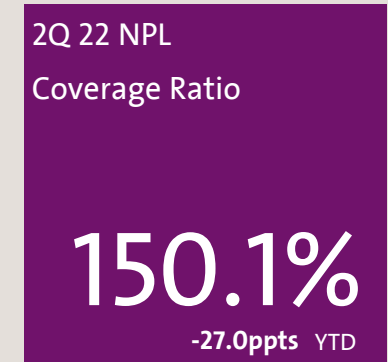
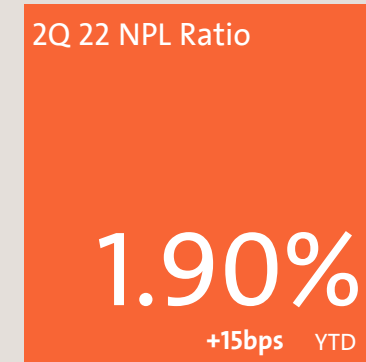
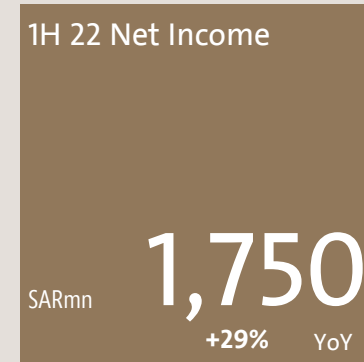
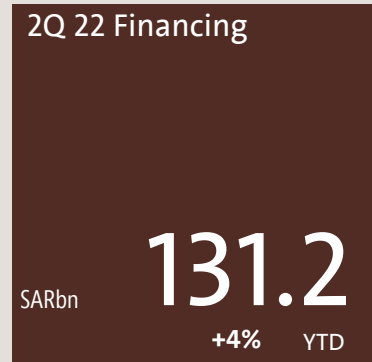
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Financial Performance Highlights

Solid income growth and lower risk cost translated into 29% growth of net income in 1H 2022 and 13.4% ROE

Balance Sheet

- Increase in financing of 4% YTD from growth in retail lending.
- Growth of 8% in customers' deposits YTD driven by strong growth of CASA deposits of 16% which now account for 70.9% of total deposits.



Strategy Update

2Q 2022

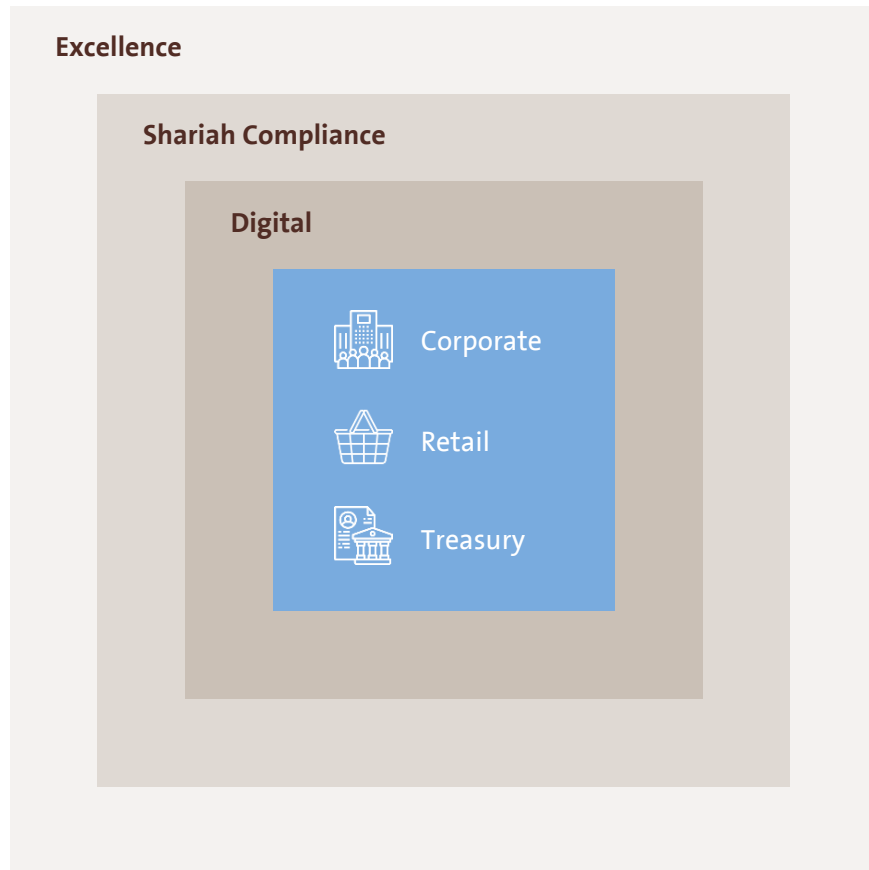
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Strategic Positioning

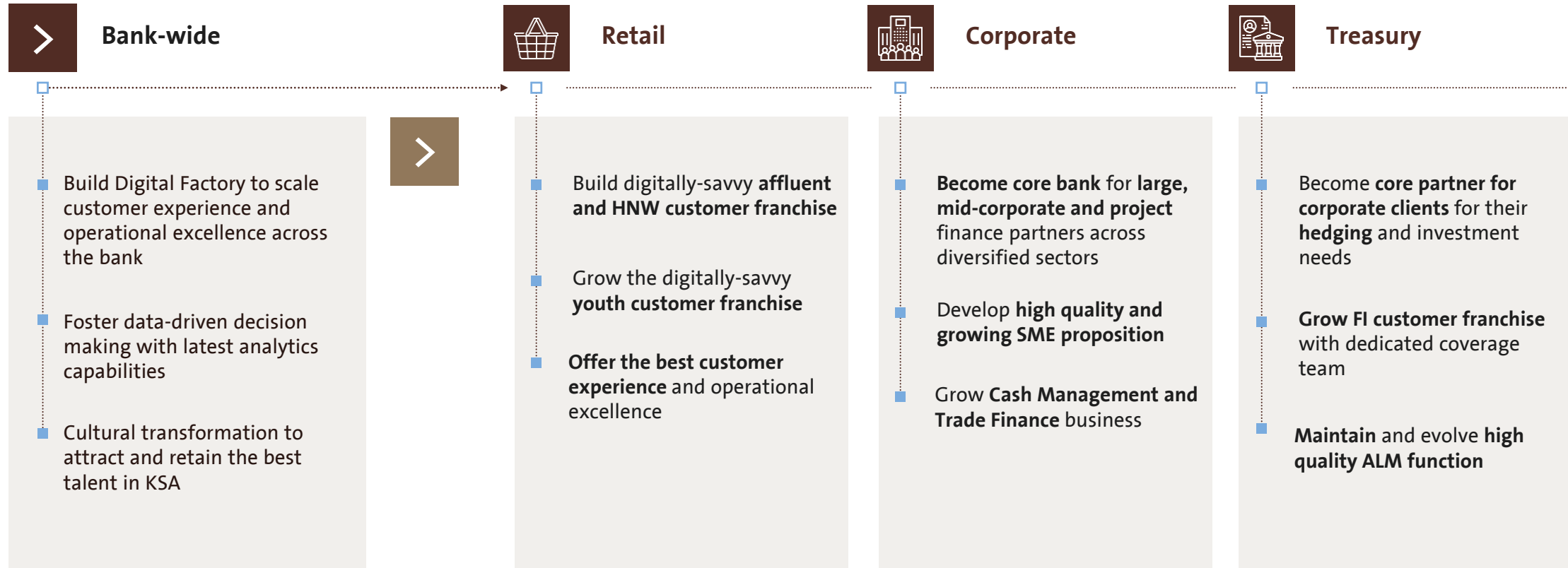
Alinma Bank's strategic positioning cascades down into each business strategy



- Bank wide**
- Be recognized and celebrated as the **fastest and most convenient bank in KSA**
 - Be the **#1 in Net Promoter Score (NPS)** across KSA Banks
 - Be the **#1 Employer of choice** across KSA Banks
-
- Segment wise**
- Be the **most digitally advanced, fastest, and most convenient Retail bank in KSA**
 - Be the **Corporate bank with the best customer experience** (increasingly integrated) and offer the **fastest turnaround time in KSA**
 - Be the **most innovative Shariah compliant Treasury partner** across KSA

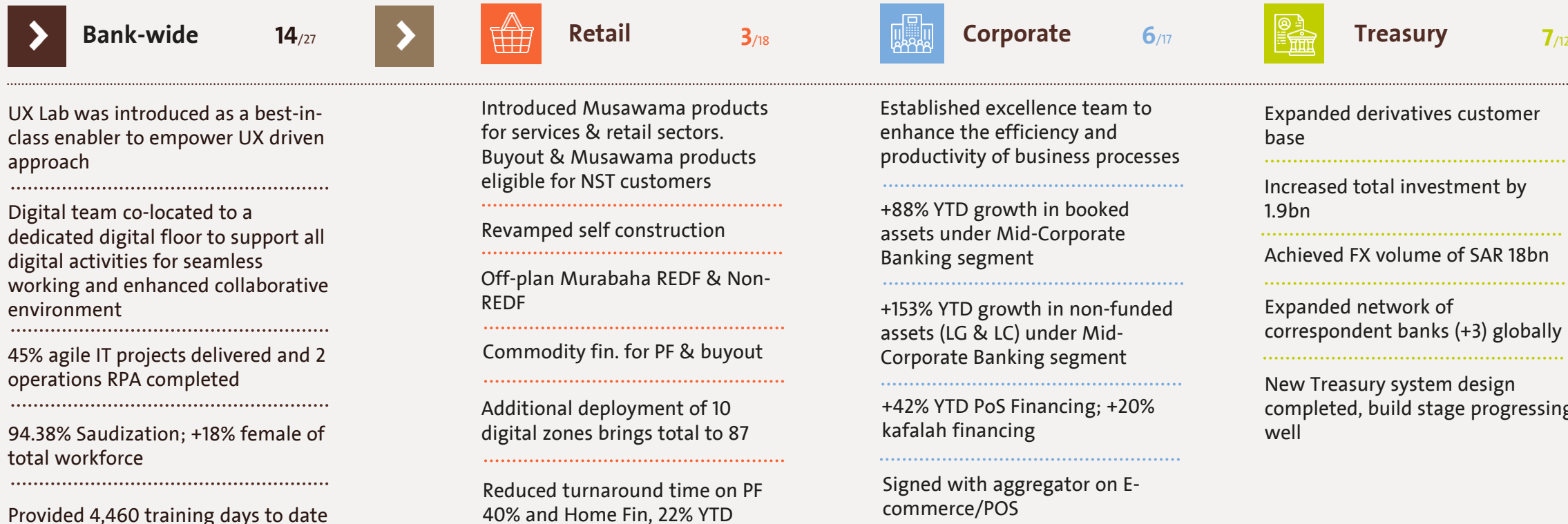
Strategic Ambitions

Driving changes across the businesses and bank-wide



Strategy Update

2Q 2022 Initiatives Completed to Date



Progress to date

30/74*

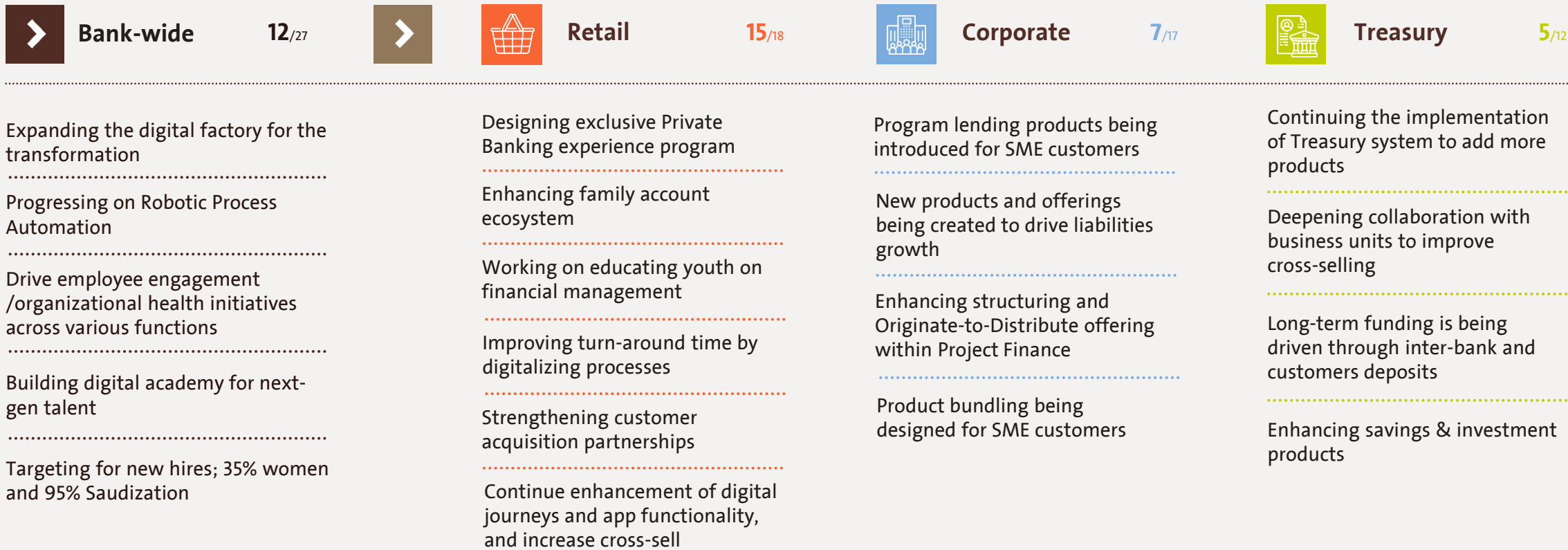


41%

* 1 new initiative added in 2Q 2022

Strategy Update

2022 Initiatives In-Progress



1H 2022 Financial Performance

2Q 2022

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Balance Sheet Trends

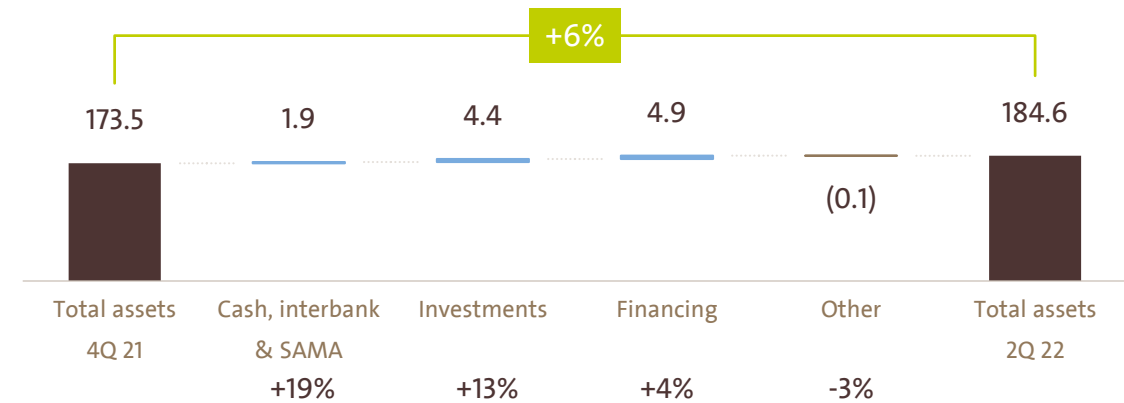
Balance sheet growth of 6% from increase in financing and investments

Management Commentary

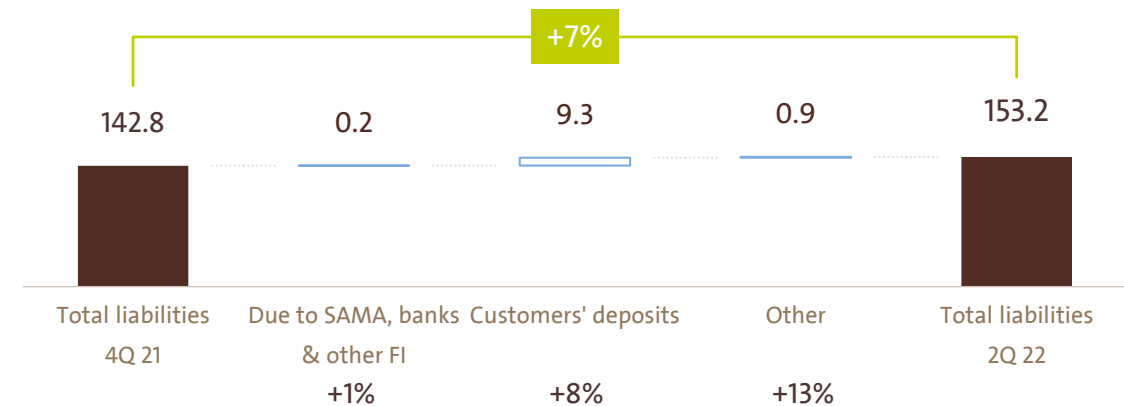
- Growth in total assets of 6% YTD mainly driven by 4% financing growth and 13% growth in investments.
- Total liabilities grew by 7% during 1H 2022 mainly from a 8% rise in customers' deposits.

SAR (mn)	2Q 2022	4Q 2021	Δ%	2Q 2021	Δ%
Cash, interbank & SAMA balances	11,803	9,915	+19%	10,318	+14%
Investments	37,723	33,278	+13%	30,699	+23%
Financing	131,193	126,271	+4%	119,623	+10%
Other assets	3,903	4,012	-3%	3,417	+14%
Total assets	184,622	173,476	+6%	164,057	+13%
Due to SAMA, banks & other FI	15,452	15,240	+1%	7,625	+103%
Customers' deposits	130,376	121,061	+8%	125,878	+4%
Other liabilities	7,327	6,465	+13%	5,355	+37%
Total liabilities	153,155	142,765	+7%	138,858	+10%
Share capital	20,000	20,000	+0%	20,000	+0%
Retained earnings	5,329	3,586	+49%	4,536	+17%
Other reserves	1,138	2,125	-46%	663	+72%
Tier 1 sukuk	5,000	5,000	+0%	-	-
Total equity	31,467	30,711	+2%	25,199	+25%

Total Assets Movement YTD (SARbn)



Total Liabilities Movement YTD (SARbn)



P&L Trends

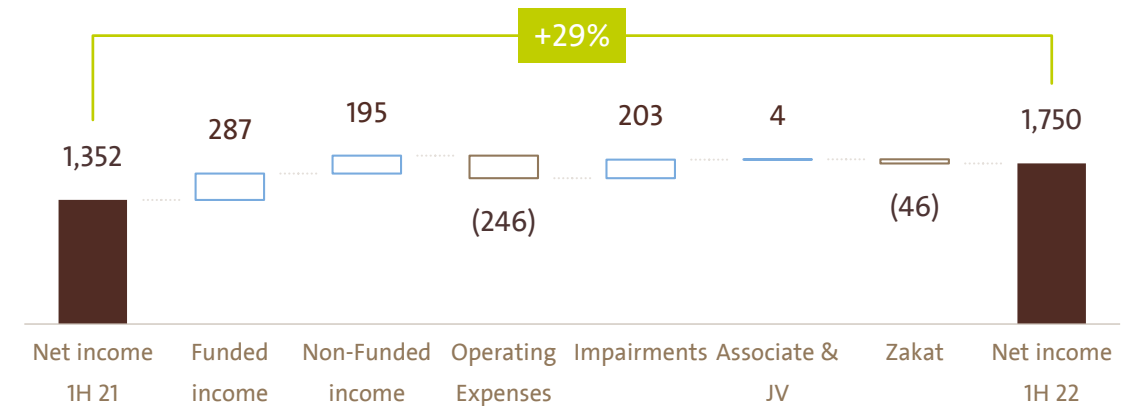
Net income for 1H 2022 grew by 29% YoY due to 15% income growth and lower impairment charges

Management Commentary

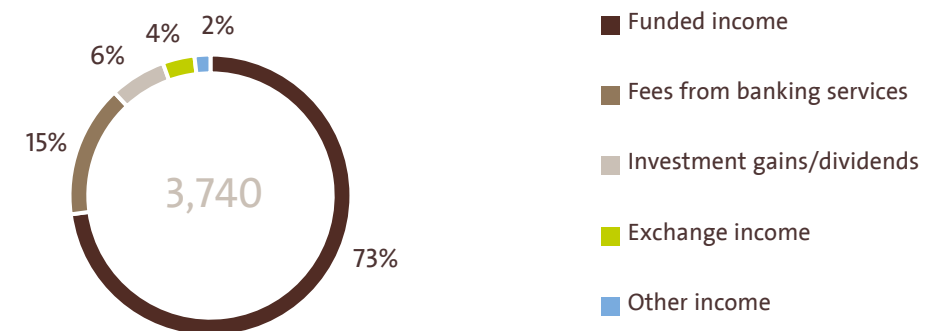
- Net income for 1H 2022 grew 29% YoY to SAR 1,750mn from 15% income growth and a 30% decrease in impairments despite 23% higher operating expenses YoY.
- 2Q 2022 net income improved 30% YoY driven by 17% increase in income and a 30% decrease in impairments.

SAR (mn)	1H 2022	1H 2021	Δ%	2Q 2022	2Q 2021	Δ%
Funded income	2,725	2,438	+12%	1,413	1,231	+15%
Non-Funded income	1,015	819	+24%	519	422	+23%
Total operating income	3,740	3,257	+15%	1,932	1,653	+17%
Operating Expenses	1,306	1,060	+23%	663	519	+28%
Net operating income before impairment charge	2,434	2,198	+11%	1,269	1,134	+12%
Impairments	483	686	-30%	240	342	-30%
Net operating income	1,951	1,512	+29%	1,029	792	+30%
Income before zakat & income tax	1,951	1,508	+29%	1,031	792	+30%
Zakat	201	155	+29%	106	82	+30%
Net income	1,750	1,352	+29%	925	710	+30%

Net Income Movement YoY (SARmn)



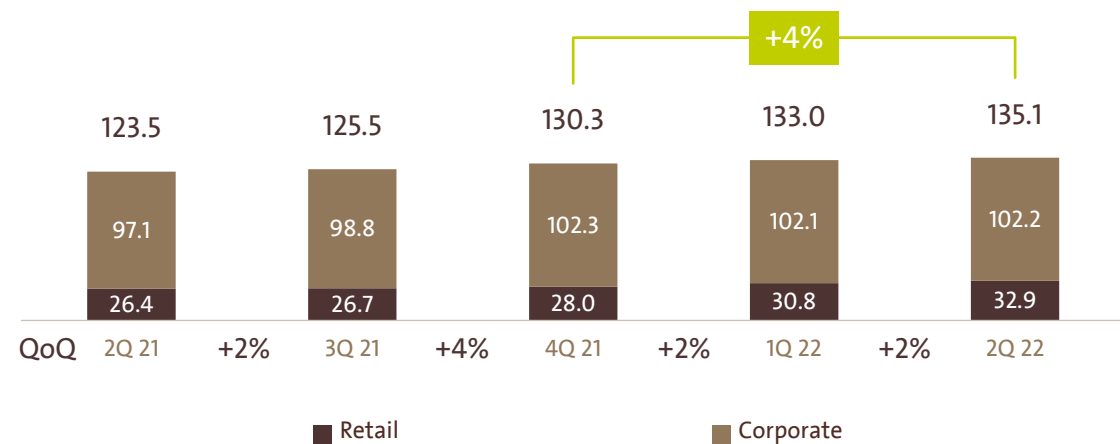
Operating Income Composition (SARmn)



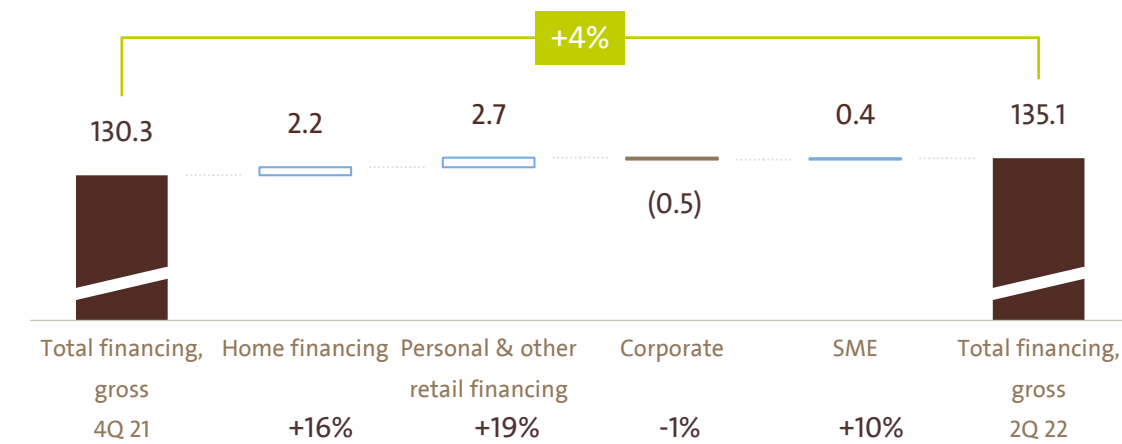
Financing

Increase in gross financing of 4% during 1H 2022 from 17% growth in retail financing

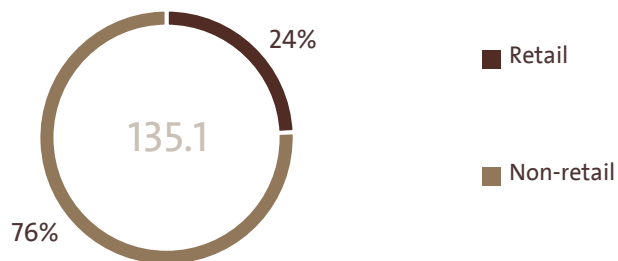
Financing, Gross (SARbn)



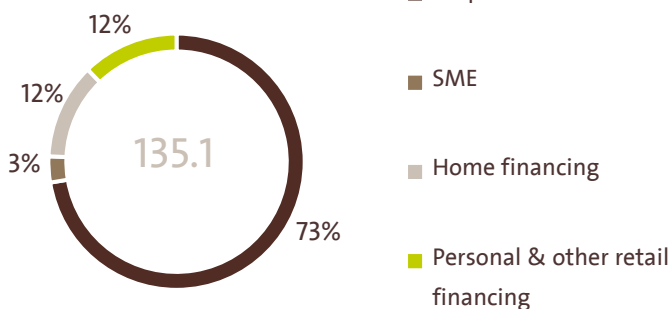
Financing, Gross Movement YTD (SARbn)



Financing, Gross Composition (SARbn)



Financing, Gross Composition (SARbn)



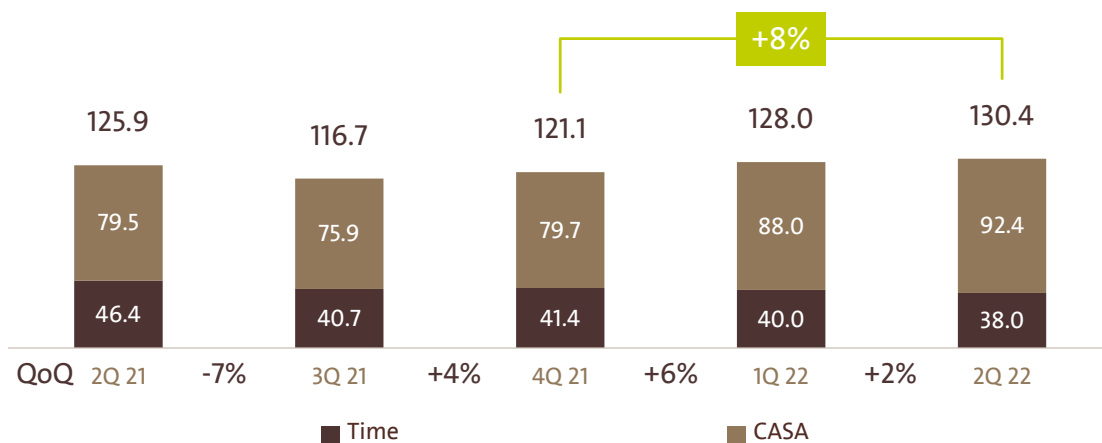
Management Commentary

- Gross financing grew 4% during 1H 2022.
- Retail financing grew 17% YTD from strong momentum in home financing (+16%) and personal & other financing growth (+19%).
- Corporate financing was stable YTD as a 1% decline in large corporate financing was offset by an 88% rise in mid-corporate and a 10% increase in SME financing.

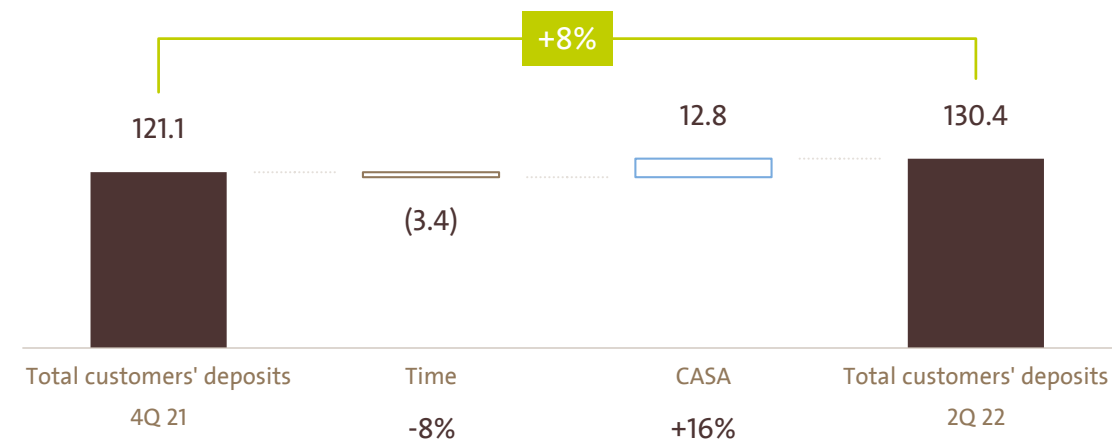
Deposits

Deposit growth of 8% driven by 16% CASA growth

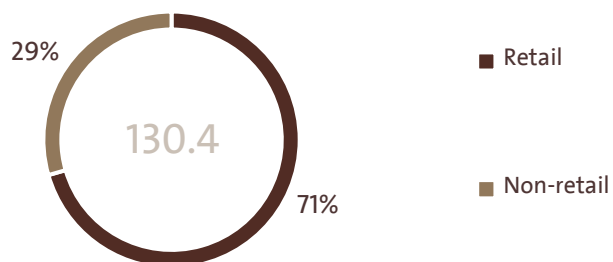
Customers' Deposits (SARbn)



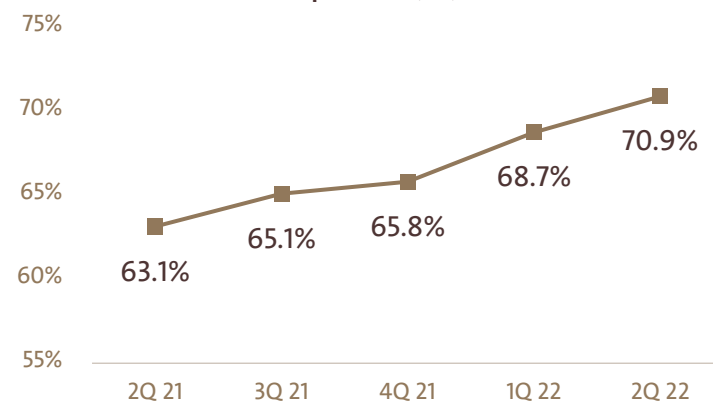
Customers' Deposits Movement YTD (SARbn)



Customers' Deposits Composition (SARbn)



CASA % of Total Deposits (%)



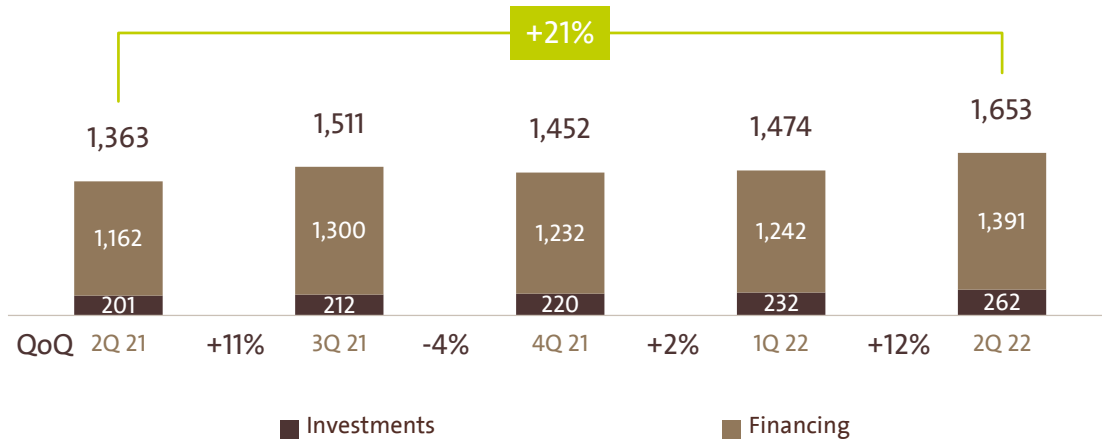
Management Commentary

- Deposits rose by 8% during 1H 2022 as growth in CASA deposits of 16% was partly offset by an 8% decline in time deposits.
- CASA deposits account for 70.9% of total deposits.
- Total deposits comprise of 71% retail and 29% non-retail deposits as at 30 June 2022.

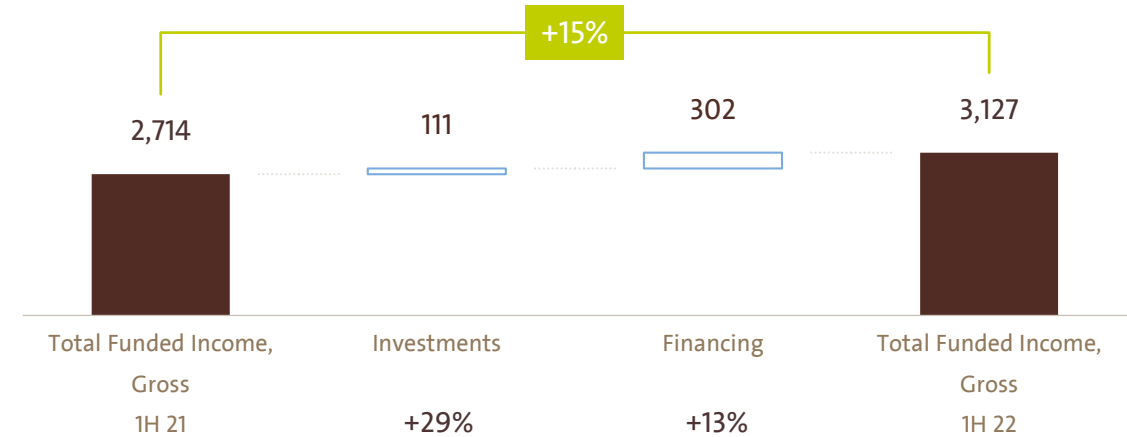
Income from Financing & Investments

Gross funded income grew 15% from 29% growth in investment income and 13% growth in financing income

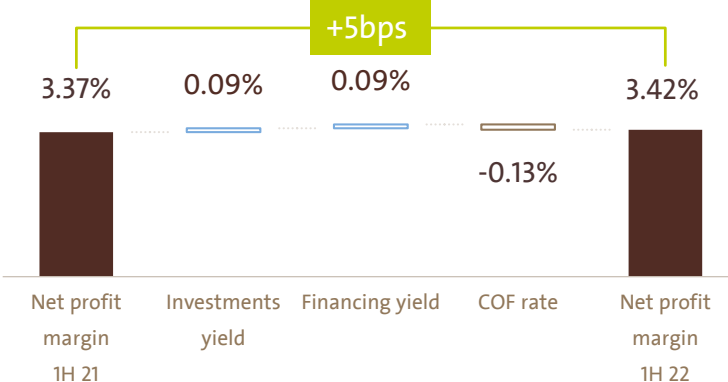
Funded Income, Gross (SARmn)



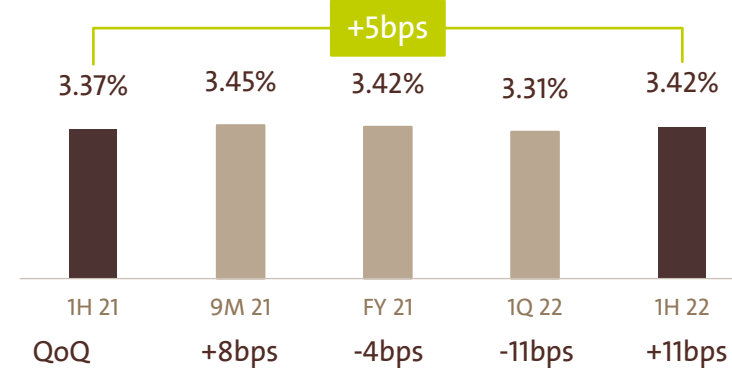
Total Funded Income, Gross Movement YoY (SARmn)



Net Profit Margin Movement YoY (%)



Net Profit Margin (%)



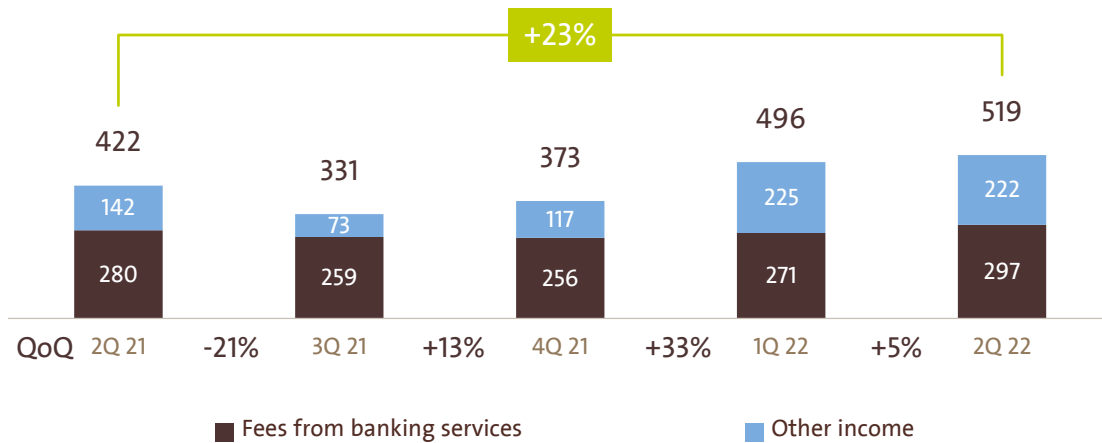
Management Commentary

- Gross funded income for 1H 2022 increased by 15% YoY to SAR 3,127mn from a 29% increase in funded investment income and a 13% rise in financing income.
- The net profit margin increased by 5bps YoY to 3.42% in 1H 2022.

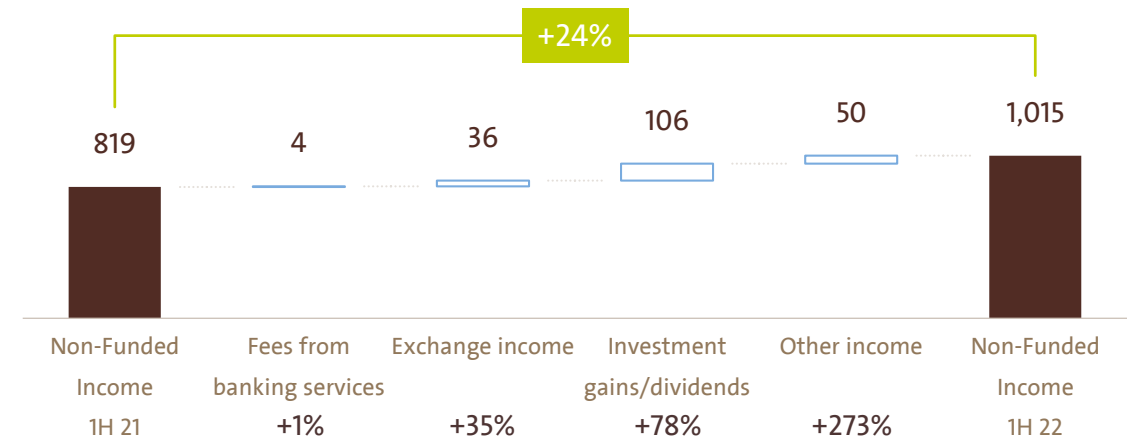
Fee and Other Income

Non-funded income for 1H 2022 increased by 24% YoY

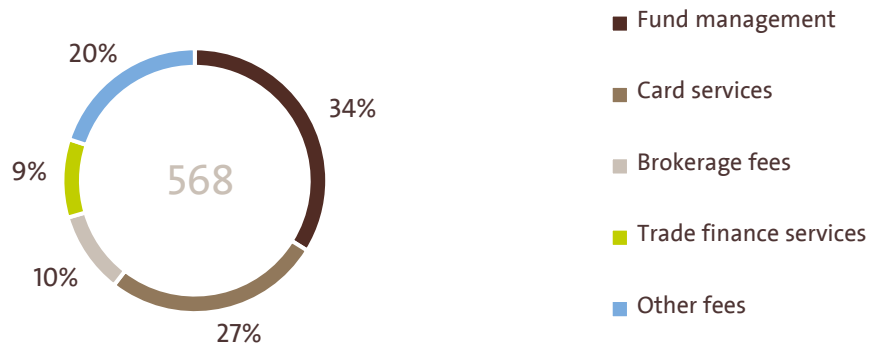
Non-Funded Income (SARmn)



Non-Funded Income Movement YoY (SARmn)



Fees from Banking Services Composition (SARmn)



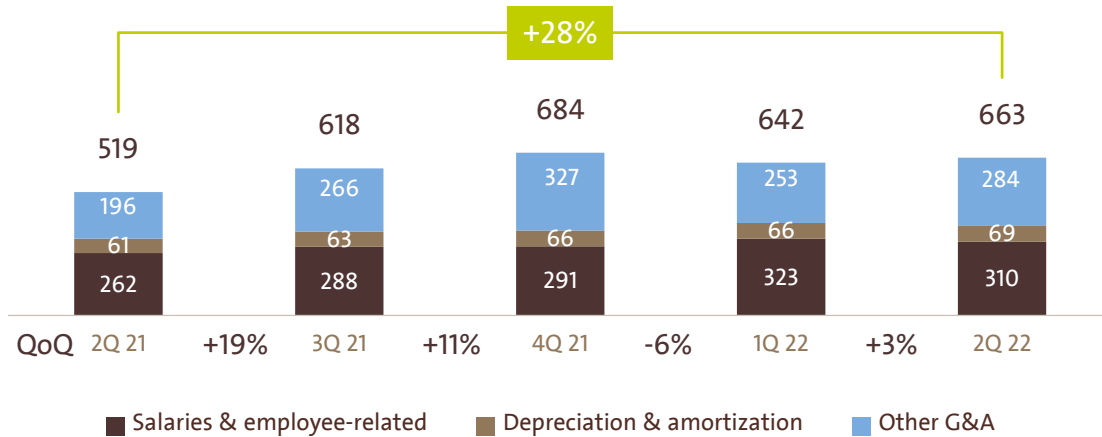
Management Commentary

- Non-funded income for 1H 2022 increased 24% YoY to SAR 1,015mn from improved exchange income, investment gains/dividends and other income.
- Fund management fees comprise the majority of fee from banking services at 34%, while card service fees account for 27%, other fees for 20% and brokerage and trade finance services fees represent 10% and 9% respectively.

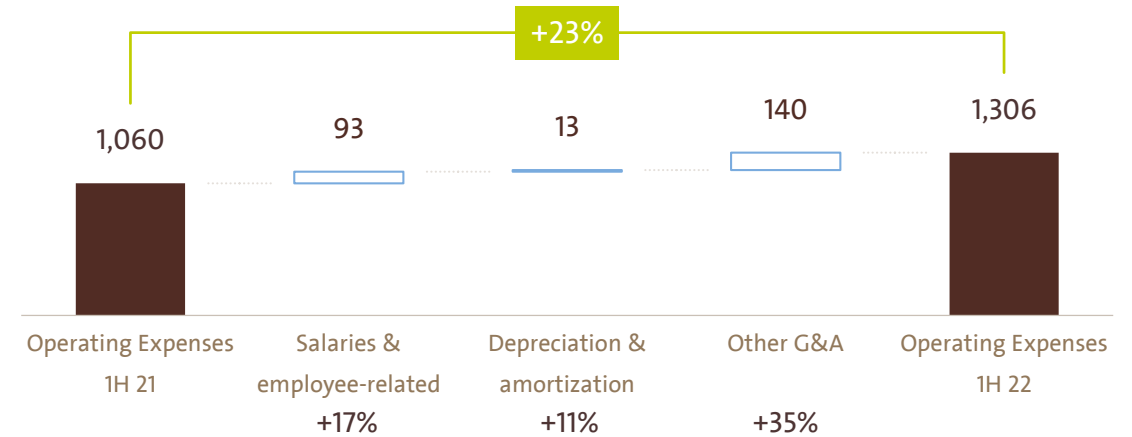
Operating Expenses

1H 2022 saw 23% growth in operating expenses YoY mainly from higher employee and G&A costs

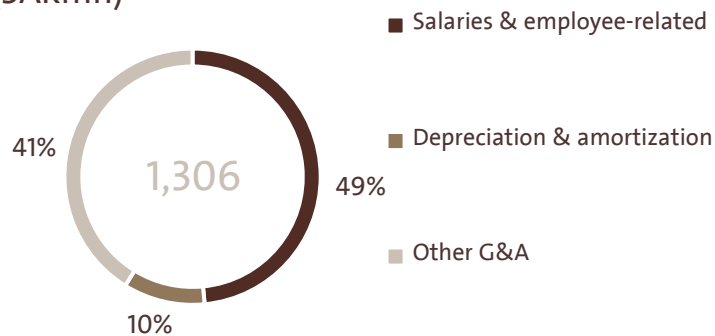
Operating Expenses (SARmn)



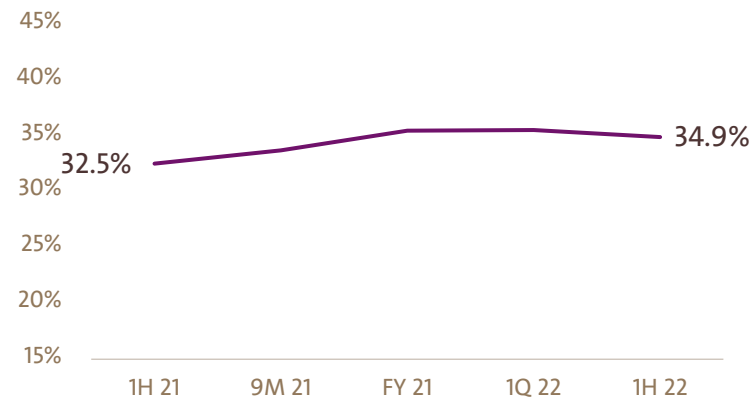
Operating Expenses Movement YoY (SARmn)



Operating Expenses Composition (SARmn)



Cost to Income Ratio (%)



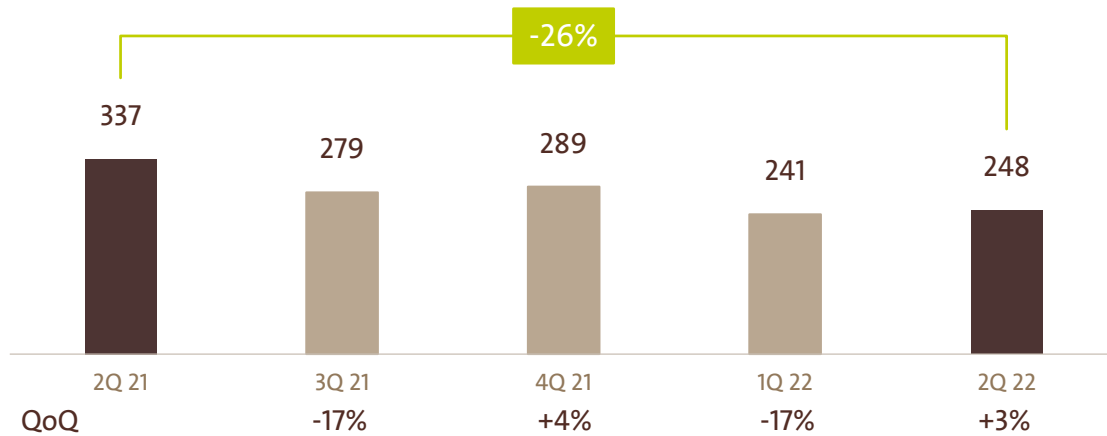
Management Commentary

- Operating expenses increased 23% YoY to SAR 1,306mn for 1H 2022 mainly due to higher salaries, increased commercial expenses from POS terminal deployments, higher SMS communication costs and a decrease in the input VAT recoverability rate.
- Higher operating expenses YoY contributed to a 2.4ppt increase in the cost to income ratio from 32.5% to 34.9%.

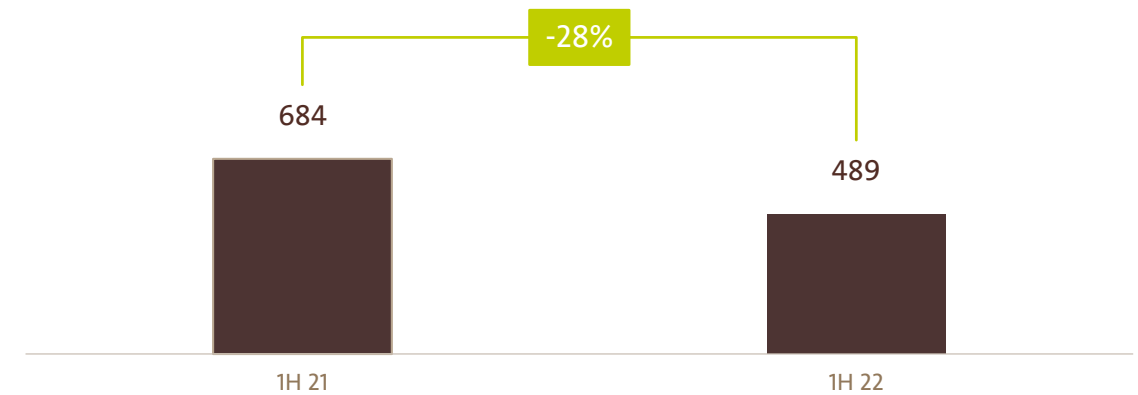
Impairments for Financing

Cost of risk for 1H 2022 declined by 41bps from 28% lower credit impairment charges YoY

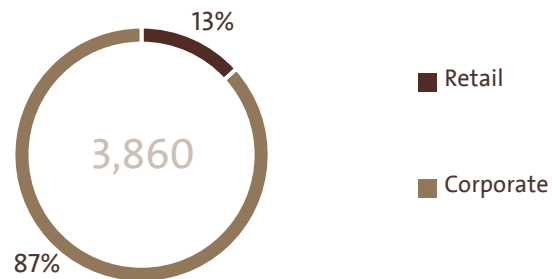
Impairments for Financing (SARmn)



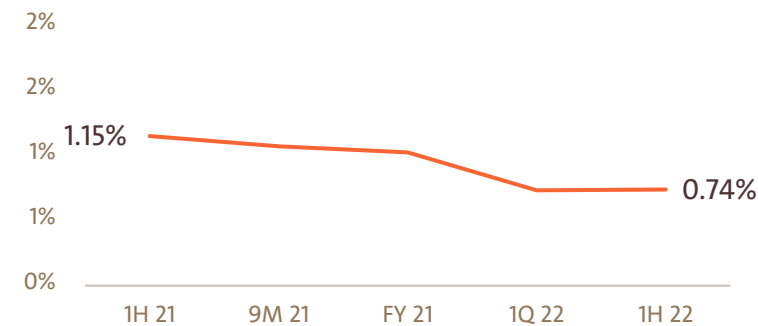
Impairments for Financing (SARmn)



Impairments Allowance Composition (SARmn)



Cost of Risk (%)



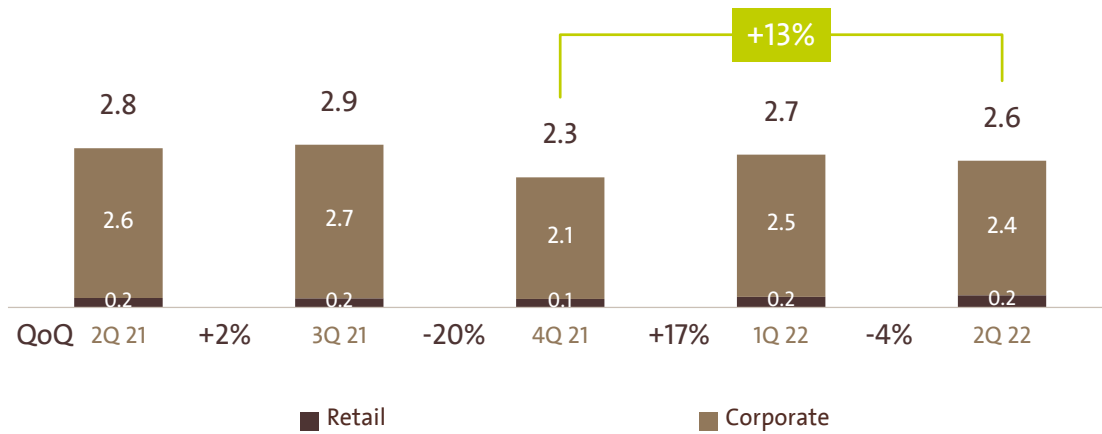
Management Commentary

- 1H 2022 impairment charge for financing decreased by 28% YoY to SAR 489mn.
- Cost of risk for 1H 2022 improved by 41bps YoY to 0.74%.

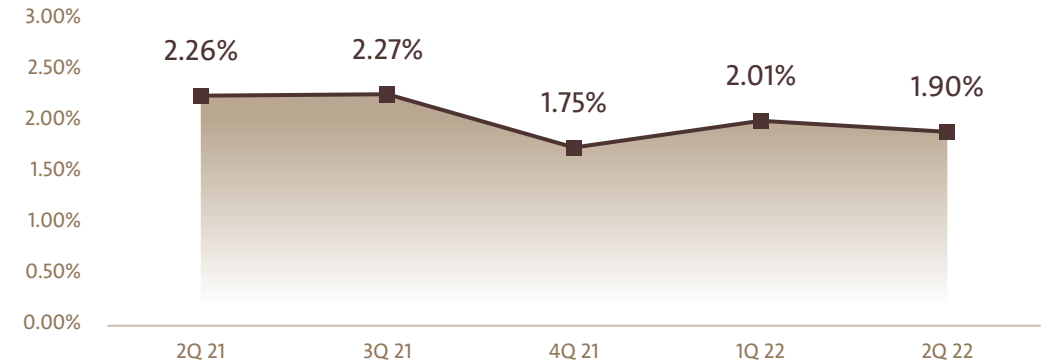
NPL & NPL Coverage

NPL and NPL coverage ratios improved YoY

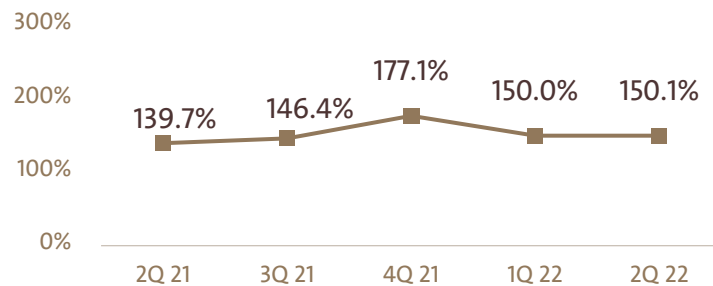
Non-Performing Loans, Gross (SARbn)



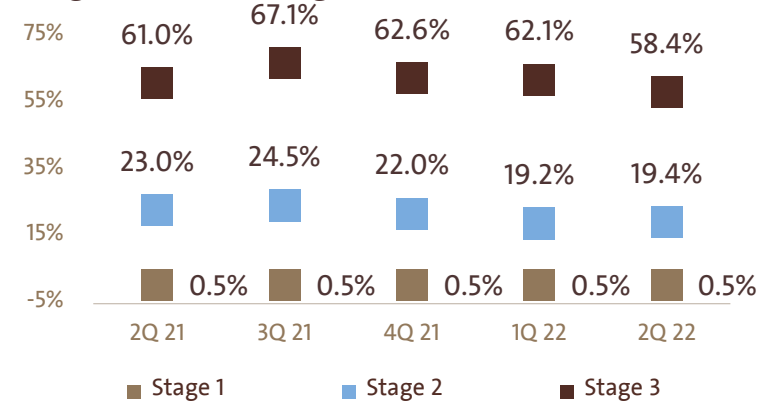
NPL Ratio (%)



NPL Coverage Ratio (%)



Stage-Wise Coverage (%)



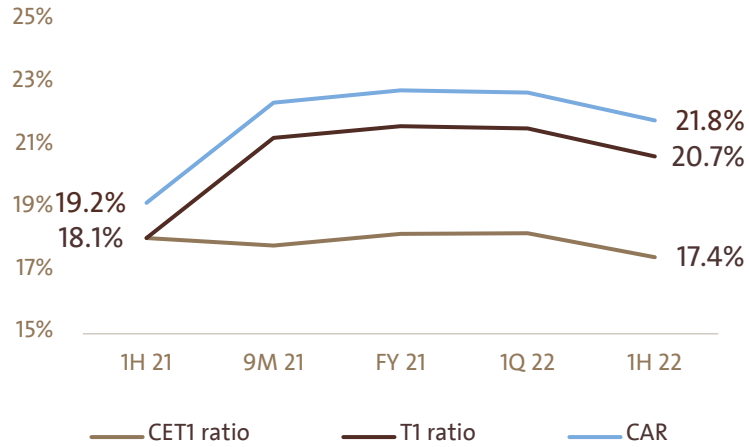
Management Commentary

- NPL ratio increased by 15bps during 1H 2022 to 1.90%, but improved 36bps YoY.
- NPL coverage improved 10.4ppts YoY but declined 27.0ppts YTD to 150.1%.
- Stage 1 coverage remained stable YTD at 0.5%. Stage 3 coverage decreased due to recent movement of some accounts from stage 2 with lower coverage.

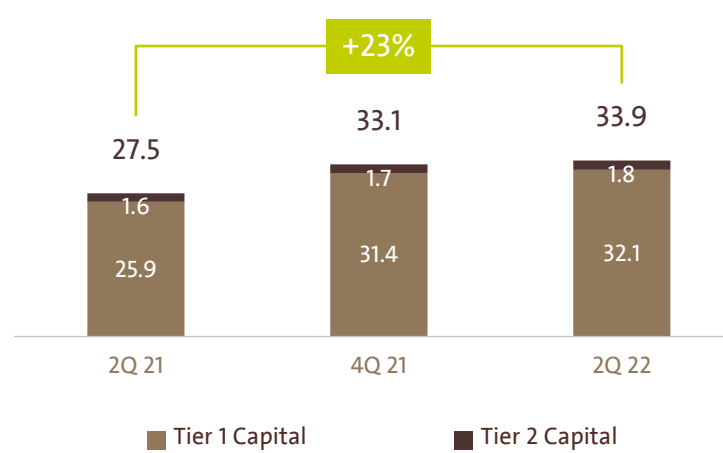
Capitalization & Liquidity

Capital and liquidity ratios remained healthy while ROE saw an increase of 2.5ppts YoY

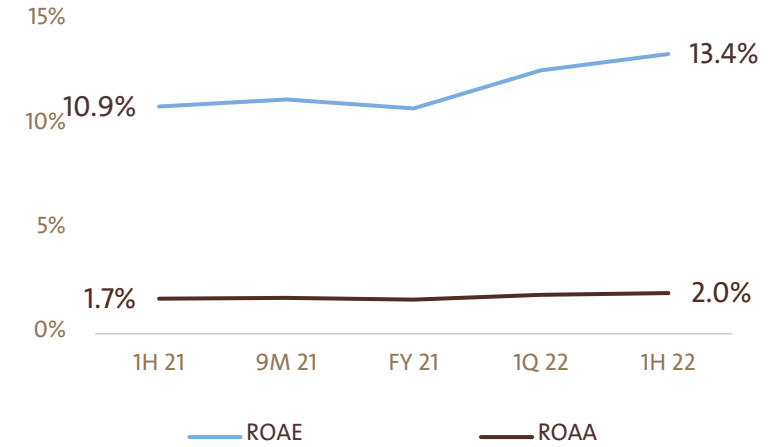
Capitalization (%)



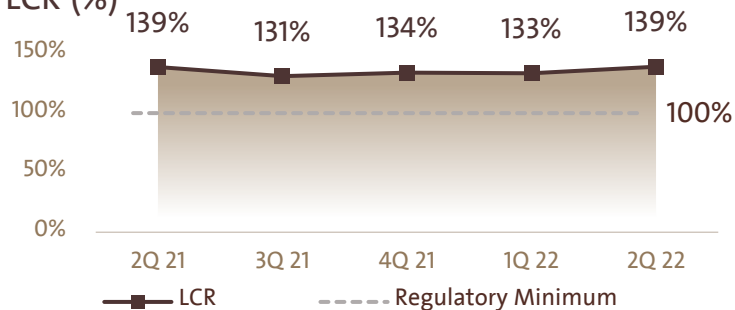
Total Capital (SARbn)



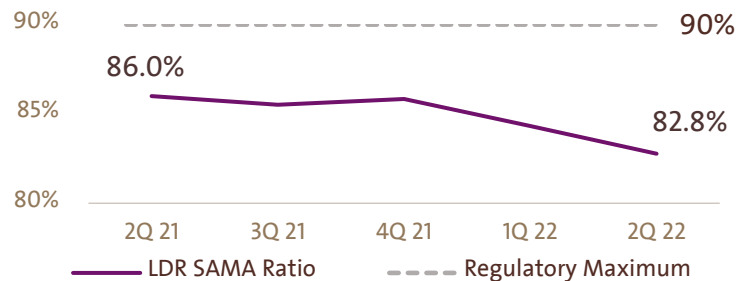
Profitability (%)



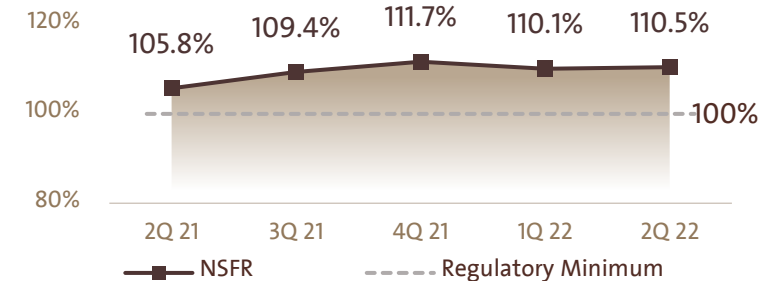
LCR (%)



LDR SAMA Ratio (%)



NSFR (%)



Outlook & Guidance

2Q 2022

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Guidance

2022 outlook remains promising. Revised guidance for NPM and financing growth

		1H 2022A	Drivers	2022G	
Balance Sheet	Financing Growth	+10% YoY	Strong Mid-Corp, SME & Retail growth from strategic initiatives; modest growth on large corporate given expected pricing competition	Low teens	↓
	Net Profit Margin	3.42% +5bps YoY	Rising rates and strong funding mix supportive of improving margin	+20bps to +25bps	↑
Profitability	Cost to Income Ratio	34.9%	Growth in income, digitization & process optimization driving efficiencies, partly offset by strategic investments	Below 35%	-
	Return on Equity	13.4%	Improving NPM, efficiency and COR driving improving ROE	Above 13%	-
Asset Quality	Cost of Risk	0.74%	Cautiously expecting stable credit quality and NPL coverage, leading to COR moderation	65-75bps	-
Capital	CET1	17.4%	Increasing RWAs from strong expected financing growth	16%-17%	-

Q&A

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Appendix

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ESG in Action

Alinma is progressing on key initiatives to drive the ESG agenda and enhance its ratings

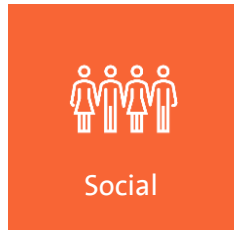


Environment
Deployment of **digital channels and digital signatures** to reduce paper; 87 new digital zones

Energy efficient lighting are now in all branches. Planning to extend to Head Office

Air conditioning timers installed in few branches; 20% reduction in electricity usage

Renewable (solar) energy sources piloted across regions



Social
+38,000 **employee training hours** and +4 **employee townhalls** conducted YTD

1% of annual profit allocated to **CSR activities**

1st KSA bank to sign the **Women's Empowerment Principles (WEPs)**; 39% **new women hires** in 2Q 22

Community focus with growth YoY in **SME financing** from Kafalah (+37%) and PoS (+148%) programs



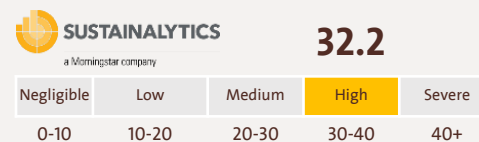
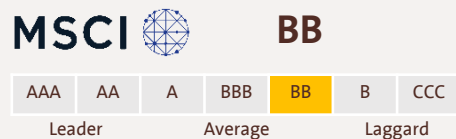
Governance
Shariah compliance through regular internal audits and committee oversight

SAMA and CMA compliance in regulatory & financial disclosures and adoption of internal controls

Institutionalization of the **investor relations function** with enhanced transparency & investor communication

Cybersecurity monitoring and initiatives which cover data governance and protection

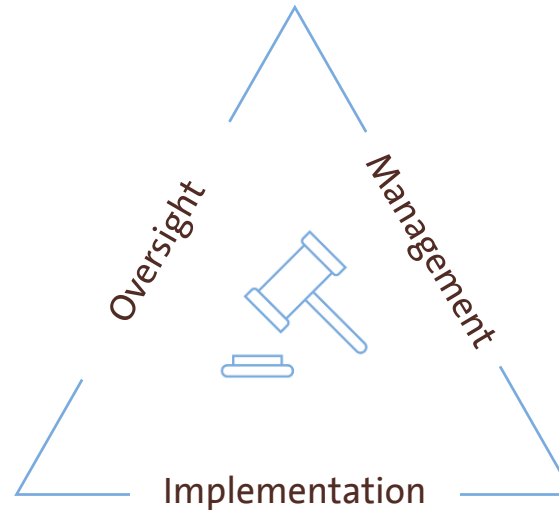
Latest ESG Ratings



In 2Q 2022 Alinma BoD formed a Governance and Sustainability committee to oversee the ESG framework and progress

Governance and Sustainability Committee Objectives

The committee members are to be actively engaged in ESG initiatives and oversee progress with the management team on all ESG matters including strategy, framework, risks & opportunities, stakeholder engagement, programs & sustainability



Alinma's management team manages the implementation of the overall ESG strategy and integration into the bank's 2025 long-term strategy

Alinma's investor relations team is engaged in the ESG and sustainability framework, initiatives and external reporting



Committee Members



Saad Abdulaziz Al Kroud
Committee Chairman



Ahmed Abdullah Al Alsheikh
Committee Member



Saud bin Mohammad Al Nemer
Committee Member

IR Contacts

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