

# Earnings Presentation

2Q 2024

13 Aug 2024

مصرف الإنماء  
alinma bank



digital. fast. convenient.

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# Alinma Overview

Q2 2024

The youngest bank in KSA

## Financial Position

<b>Net Profit Margin</b> <b>#3 in KSA</b> 3.69% (1Q 2024)	<b>ROE</b> <b>#2 in KSA</b> 17.55% (1Q 2024)	<b>ROA</b> <b>#2 in KSA</b> 2.18% (1Q 2024)
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## Rating Strength

<b>Fitch</b> <b>A-</b> Stable	<b>Moody's</b> <b>A3</b> Positive	<b>S&amp;P Global</b> <b>A-</b> Stable
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## Retail Digital Snapshot

<b>22.7m</b> Monthly Average Users (Smart Phone Users Logins)
<b>747K</b> Daily Average Users (Smart Phone Users Logins)
<b>98.6%</b> Digital Transactions

## KSA Market Share

<b>6.4%</b> Assets (1Q 2024)	<b>7.1%</b> Financing (1Q 2024)
<b>7.2%</b> Deposits (1Q 2024)	<b>5.4%</b> NIB Deposits (1Q 2024)

5.19m

Customers

## Stock Highlights

<b>611mn</b> Volume Traded (1H 2024)	<b>SAR 20bn</b> Value Traded (1H 2024)	<b>SAR 77.8bn</b> Market Capitalization (30 June 2024)	<b>15.2%</b> Foreign Ownership #1 among Saudi banks (30 June 2024)	<b>10%</b> Owned by Public Investment Fund
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SOURCE: Bank Financial Statements, Tadawul

# Financial Performance Highlights

Q2 2024

# Financial Performance Highlights



Solid operating income growth translated into 24% growth of net income in 1H 2024 and 18% ROE

## Balance Sheet

- 9% increase in financing YTD mainly from growth in corporate financing.
- 9% growth in customers' deposits YTD driven by increase in CASA by 15%.

## Income Statement

- Operating income growth of 15% YoY driven by increase of 16% in funded income and 12% in non-funded income.
- Growth in operating income of 15% translated into increase of 24% in net income to reach SAR 2,731mn.

## Credit Quality, Capital and Liquidity

- NPL and NPL coverage ratios at 0.78% and 240.1% respectively while cost of risk decreased by 21bps YoY to 0.63%.
- Capitalization and liquidity positions remained healthy and within regulatory limits.

2Q 24 Financing

SARbn **189.9**  
+9% YTD

2Q 24 Total Assets

SARbn **260.1**  
+10% YTD

1H 24 Operating  
Income

SARmn **5,310**  
+15% YoY

1H 24 Net Income

SARmn **2,731**  
+24% YoY

2Q 24 NPL Ratio

**0.78%**  
-82bps YTD

2Q 24 NPL  
Coverage Ratio

**240.1%**  
+85.3ppts YTD

2Q 24 Customers'  
Deposits

SARbn **205.4**  
+9% YTD

2Q 24 CASA  
Deposits

SARbn **103.9**  
+15% YTD

2Q 24 CASA % of  
Total Deposits

**50.6%**  
+2.4ppts YTD

1H 24 Cost to  
Income Ratio

**31.4%**  
-1.2ppts YoY

1H 24 Net Profit  
Margin

**3.74%**  
-5bps YoY

1H 24 ROE

**18.0%**  
+202bps YoY

# Strategy Update

Q2 2024

# 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** across KSA





# Strategic Ambitions

Driving changes across the businesses and bank-wide



## Bank-wide

- 1 Build Digital Factory to scale customer experience and operational excellence across the bank
- 1 Foster data-driven decision making with latest analytics capabilities
- 1 Cultural transformation to attract and retain the best talent in KSA



## Retail

- 1 Build digitally-savvy **affluent and HNW customer franchise**
- 1 Grow the digitally-savvy **youth customer franchise**
- 1 Offer the **best customer experience** and operational excellence



## Corporate

- 1 Become **core bank** for large, mid-corporate and project finance partners across diversified sectors
- 1 Develop **high quality and growing SME proposition**
- 1 Grow **Cash Management and Trade Finance** business



## Treasury

- 1 Become **core partner** for corporate clients for their **hedging** and investment needs
- 1 Grow **FI customer franchise** with dedicated coverage team
- 1 **Maintain** and evolve **high quality ALM function**

# Strategy Update

## 2Q 2024 Initiatives Completed to Date



**Bank-wide** 27/31



**Retail** 16/22



**Corporate** 13/21



**Treasury** 12/12

Launched Youth App (iz) to public and grand reveal activities and campaigns executed

Built and deployed the integrated portal (CIB) for Corporate/SMEs segments. Customers migration started

Launched new credit scoring module to reduce TAT, and improve credit score quality

Launched 2 new credit cards tailored for youth segment & implemented 6 Mortgage new features to improve customer experience, and product offering

Implemented OMNI Channel for personal financing & credit Cards applications in branches for better customer journey & documents safe keeping

36 TCR machines implemented in Q2 reaching total of 199

23 Merged branches

Launched eCLO phase 2 covering all corporate segments

+19% (YoY) growth in Corporate booked assets

+25% (YoY) growth in non-funded assets (LG & LC) under all Corporate segments

+112% (YoY) growth in booked assets under Mid-Corporate banking segment

+42.6% (YoY) growth in financing for SMEs

Successfully completed the first three years bilateral deal of USD 200 Mn

+5.8 Bn growth in Profit Rate Swap (PRS)

+USD 156 Mn growth in double Waad product (Repo)

Expanded network of correspondent banks (+3) globally

Multiple cash flow hedge transactions totaling 2.5 Bn



**Progress to date**

68/86



79%

# Strategy Update

## 2024 Initiatives In-Progress



**Bank-wide** 4/31



**Retail** 6/22



**Corporate** 8/21



**Treasury** 0/12

Expanding the digital factory for the transformation

Progressing on robotic process automation

Drive employee engagement /organizational health initiatives across various functions

Digitalize mortgage journey

Enhancing family account ecosystem

Enhancing service & customer experience

Continue implementation of branches merger plan

Continue installation of TCR machines

New products and offerings being created to drive liabilities growth

Completing Loans Origination System (LOS) phase 2

Build E-Trade Finance

Enhance offering of structured deposit products

Long-term funding is being driven through inter-bank and customers deposits

Deepening collaboration with business units to improve cross-selling



**Initiatives In-Progress**

18/86

79% Complete

In-Progress

21%

# 1H 2024 Financial Performance

# Balance Sheet Trends



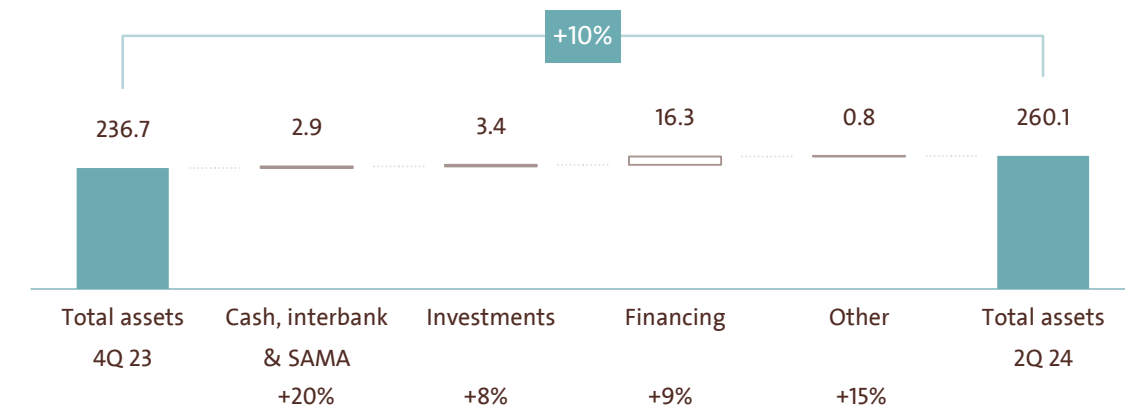
Balance sheet growth of 10% YTD driven by financing and investments

## Management Commentary

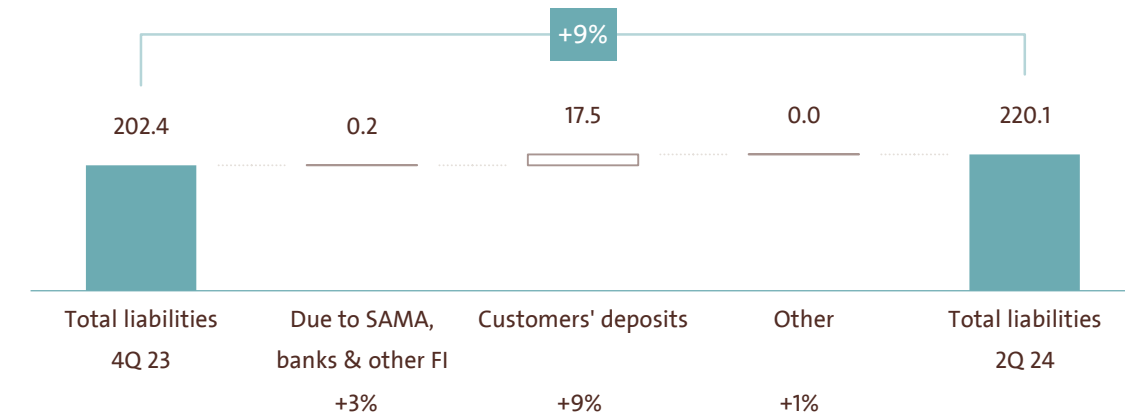
- Growth in total assets of 10% YTD mainly driven by 9% financing growth and 8% growth in investments.
- Total liabilities grew by 9% YTD mainly from a 9% increase in customers' deposits.
- Alinma Bank increased its capital in Q2 2024 by SARbn 5 through bonus share issuing.

SAR (mn)	2Q 2024	4Q 2023	Δ%	2Q 2023	Δ%
Cash, interbank & SAMA balances	17,199	14,299	+20%	20,219	-15%
Investments	46,631	43,236	+8%	40,117	+16%
Financing	189,912	173,624	+9%	161,773	+17%
Other assets	6,397	5,555	+15%	4,792	+33%
<b>Total assets</b>	<b>260,138</b>	<b>236,715</b>	<b>+10%</b>	<b>226,900</b>	<b>+15%</b>
Due to SAMA, banks & other FI	7,651	7,431	+3%	9,959	-23%
Customers' deposits	205,357	187,901	+9%	177,874	+15%
Other liabilities	7,094	7,050	+1%	6,091	+16%
<b>Total liabilities</b>	<b>220,101</b>	<b>202,381</b>	<b>+9%</b>	<b>193,924</b>	<b>+13%</b>
Share capital	25,000	20,000	+25%	20,000	+25%
Retained earnings	3,207	1,118	+187%	5,975	-46%
Other reserves	3,079	8,215	-63%	2,001	+54%
Tier 1 sukuk	8,752	5,000	+75%	5,000	+75%
<b>Total equity</b>	<b>40,037</b>	<b>34,334</b>	<b>+17%</b>	<b>32,977</b>	<b>+21%</b>

## Total Assets Movement YTD (SARbn)



## Total Liabilities Movement YTD (SARbn)



# P&L Trends



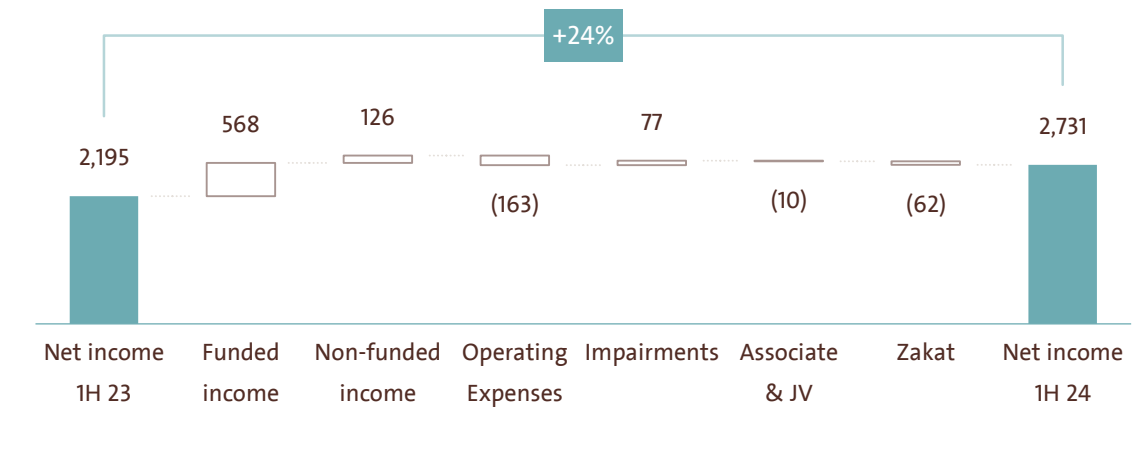
Net income for 1H 2024 grew by 24% YoY supported by growth in operating income.

## Management Commentary

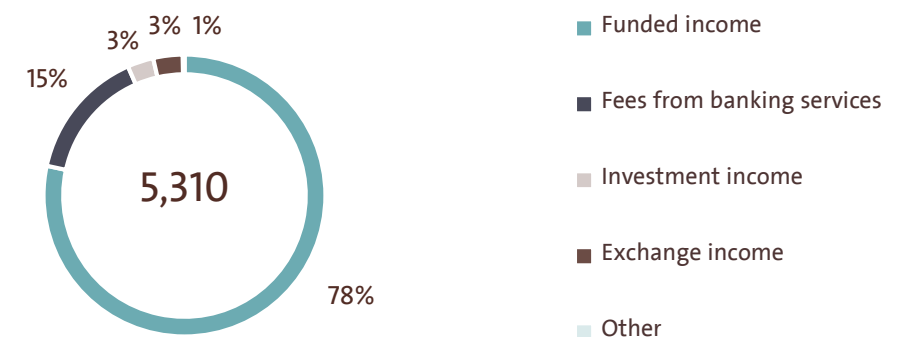
- Net income for 1H 2024 grew 24% YoY to SAR 2,731mn from 15% operating income growth.
- 1H 2024 funded income increased by 16% YoY, and the non-funded income increased by 12% YoY.

SAR (mn)	1H 2024	1H 2023	Δ%	2Q 2024	2Q 2023	Δ%
Funded income	4,163	3,594	+16%	2,151	1,860	+16%
Non-Funded income	1,148	1,022	+12%	595	577	+3%
<b>Total operating income</b>	<b>5,310</b>	<b>4,616</b>	<b>+15%</b>	<b>2,746</b>	<b>2,437</b>	<b>+13%</b>
Operating Expenses	1,668	1,504	+11%	834	747	+12%
<b>Net operating income before impairment charge</b>	<b>3,643</b>	<b>3,112</b>	<b>+17%</b>	<b>1,912</b>	<b>1,690</b>	<b>+13%</b>
Impairments	591	668	-12%	327	325	+0%
<b>Net operating income</b>	<b>3,052</b>	<b>2,444</b>	<b>+25%</b>	<b>1,585</b>	<b>1,365</b>	<b>+16%</b>
<b>Income before zakat &amp; income tax</b>	<b>3,045</b>	<b>2,447</b>	<b>+24%</b>	<b>1,579</b>	<b>1,366</b>	<b>+16%</b>
Zakat	314	252	+24%	163	141	+16%
<b>Net income</b>	<b>2,731</b>	<b>2,195</b>	<b>+24%</b>	<b>1,417</b>	<b>1,225</b>	<b>+16%</b>

## Net Income Movement YoY (SARmn)



## Operating Income Composition (SARmn)

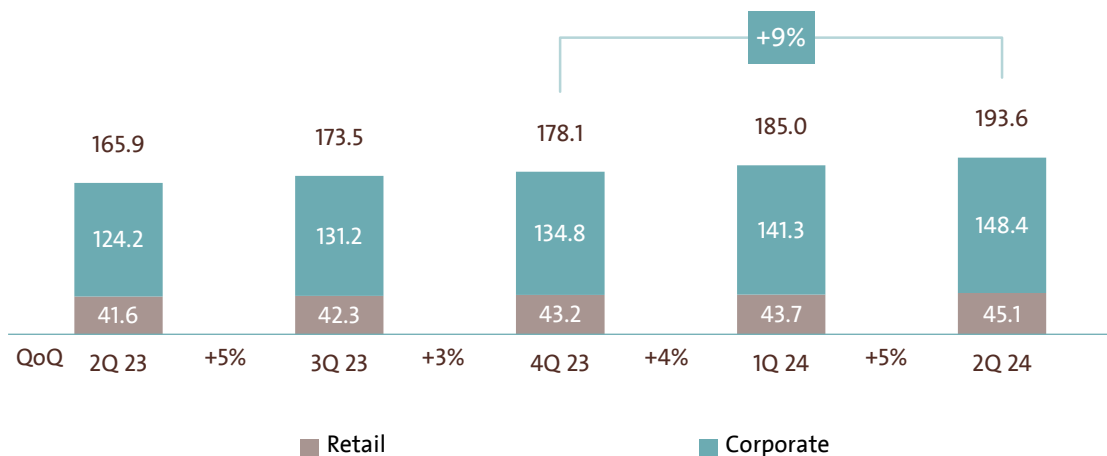


# Financing

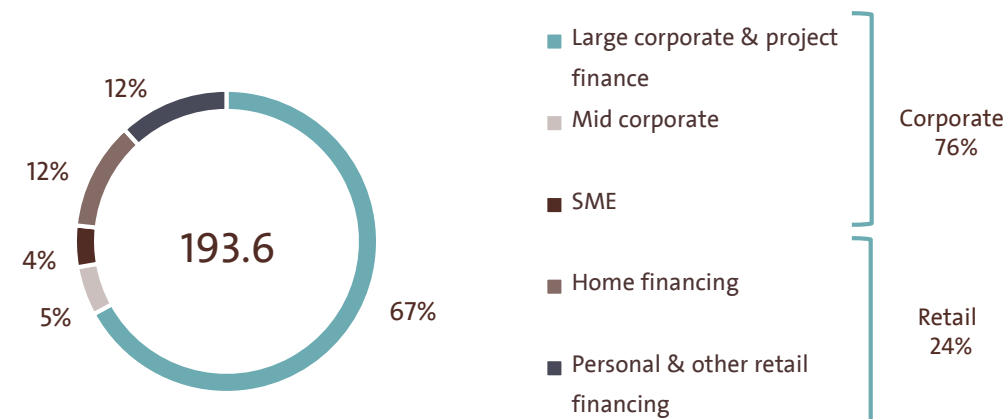


Gross financing growth of 9% during 1H 2024 is driven by 4% increase in retail financing, and 10% in corporate financing.

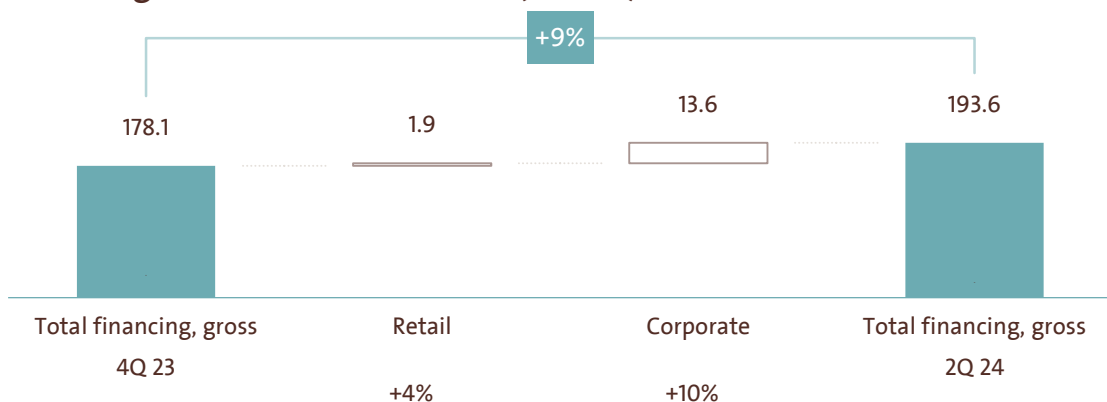
Financing, Gross (SARbn)



Financing, Gross Composition (SARbn)



Financing, Gross Movement YTD (SARbn)



## Management Commentary

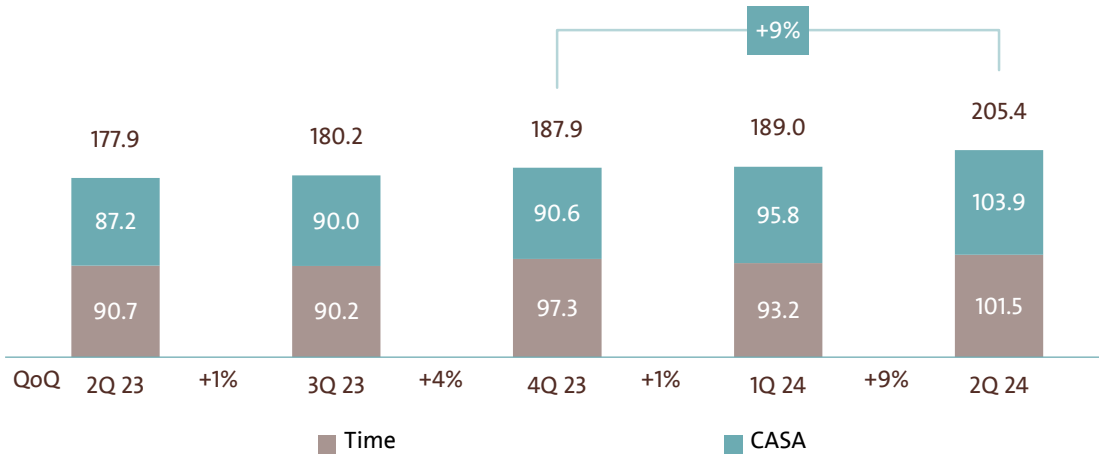
- Gross financing grew 9% during 1H 2024.
- Retail financing grew 4% mainly from home financing and auto financing.
- Total corporate financing grew 10% YTD, with notable growth in mid-corporate financing of 51%, and SME financing of 27%.
- Gross financing comprises of 76% corporate and 24% retail as of June 30<sup>th</sup> 2024.

# Deposits

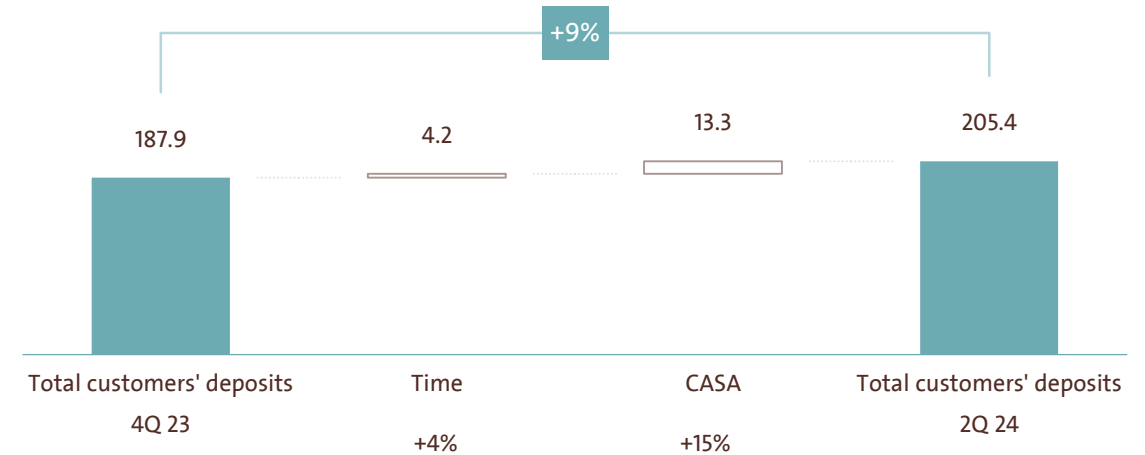


## Deposit growth of 9% driven by 15% CASA growth

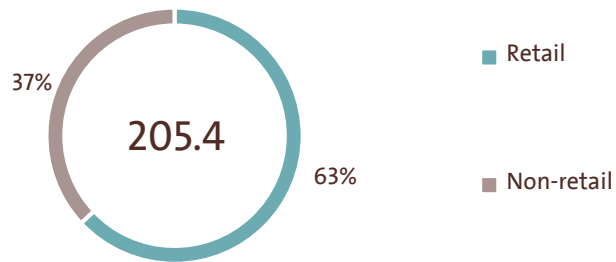
Customers' Deposits (SARbn)



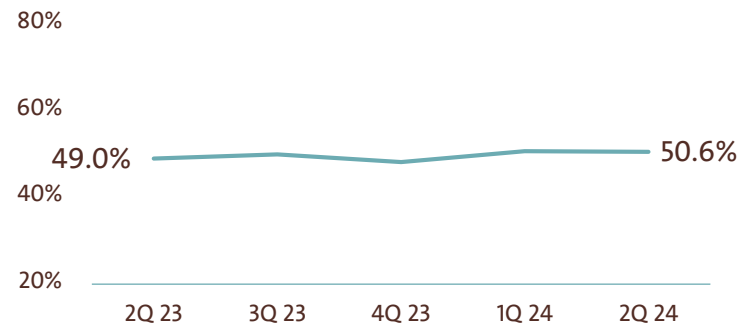
Customers' Deposits Movement YTD (SARbn)



Customers' Deposits Composition (SARbn)



CASA % of Total Deposits (%)



### Management Commentary

- Deposits increased by 9% during 1H 2024 driven by solid growth in CASA by 15%.
- CASA deposits account for 50.6% of total deposits as of 2Q 2024.
- Total deposits comprise of 63% retail and 37% non-retail deposits as of June 30<sup>th</sup> 2024.

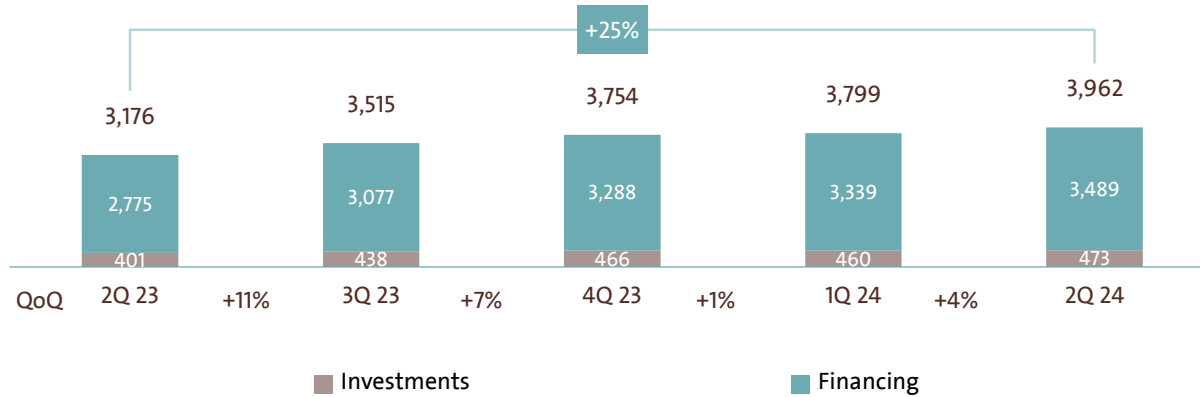


# Income from Financing & Investments

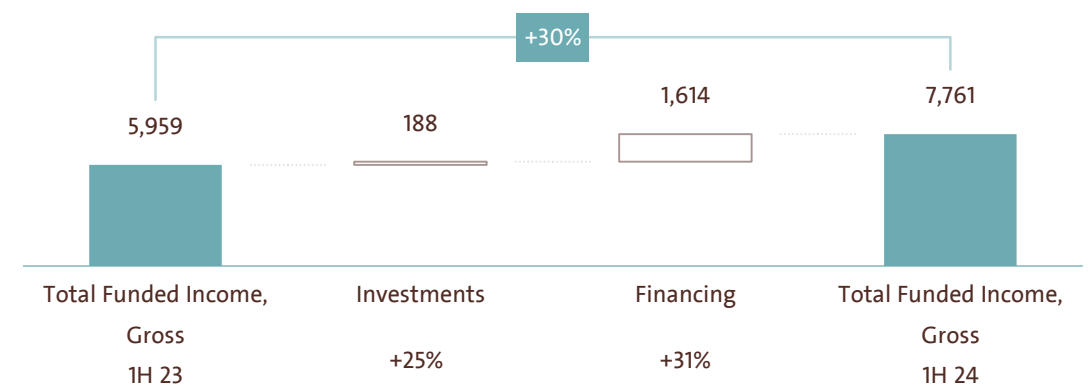


Gross funded income continues a strong growth driven by 25% growth in investment income and 31% growth in financing income

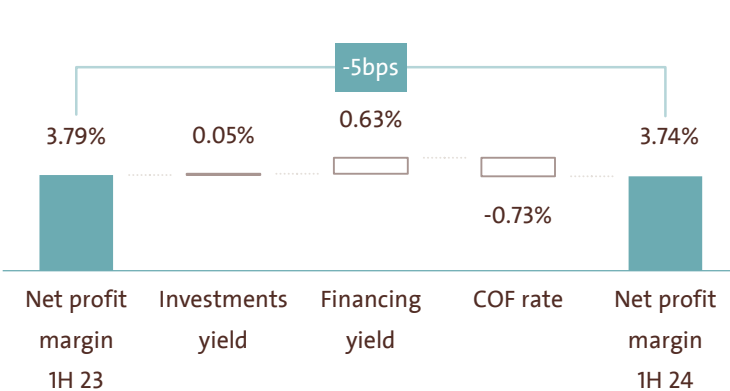
Funded Income, Gross (SARmn)



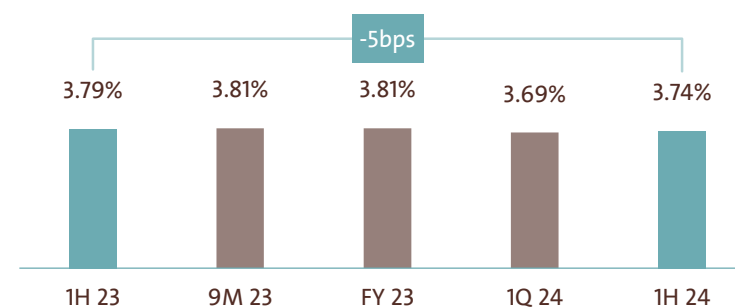
Total Funded Income, Gross Movement YoY (SARmn)



Net Profit Margin Movement YoY (%)



Net Profit Margin YTD (%)



## Management Commentary

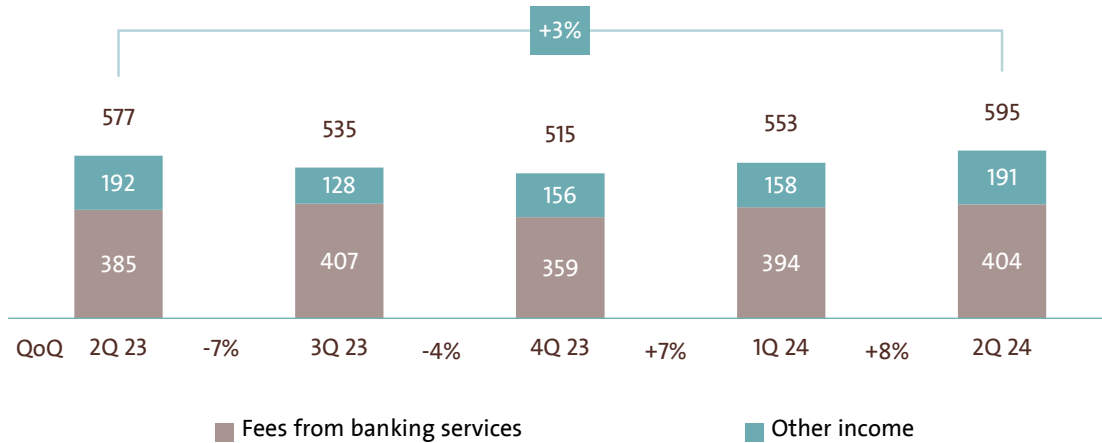
- Gross funded income for 1H 2024 increased by 30% YoY to SAR 7,761mn from a 25% increase in investment income and a 31% rise in financing income.
- Net profit margin decreased by 5bps YoY to 3.74% in 1H 2024.

# Fee and Other Income

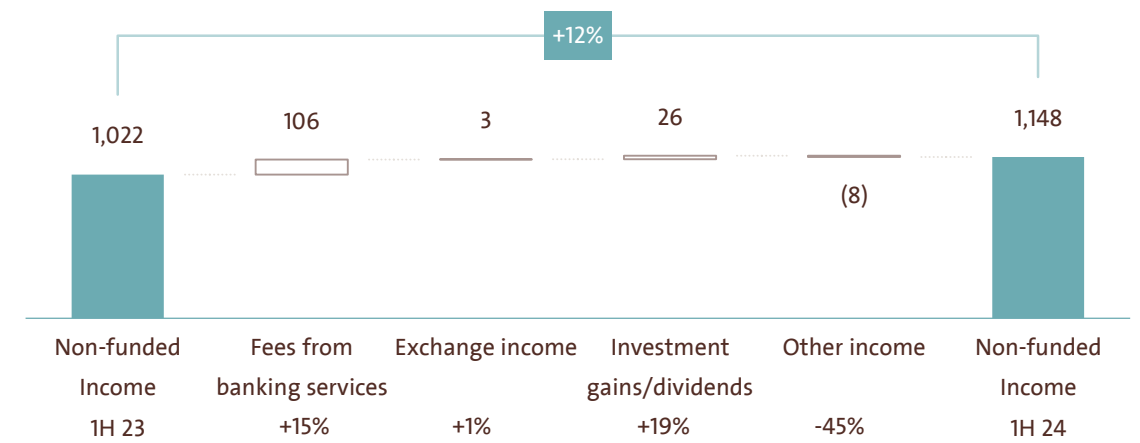


Non-funded income for 1H 2024 increased by 12% YoY

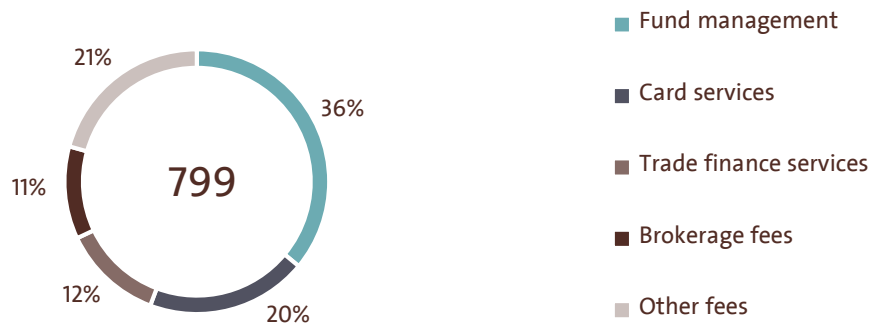
Non-Funded Income (SARmn)



Non-Funded Income Movement YoY (SARmn)



Fees from Banking Services Composition (SARmn)



## Management Commentary

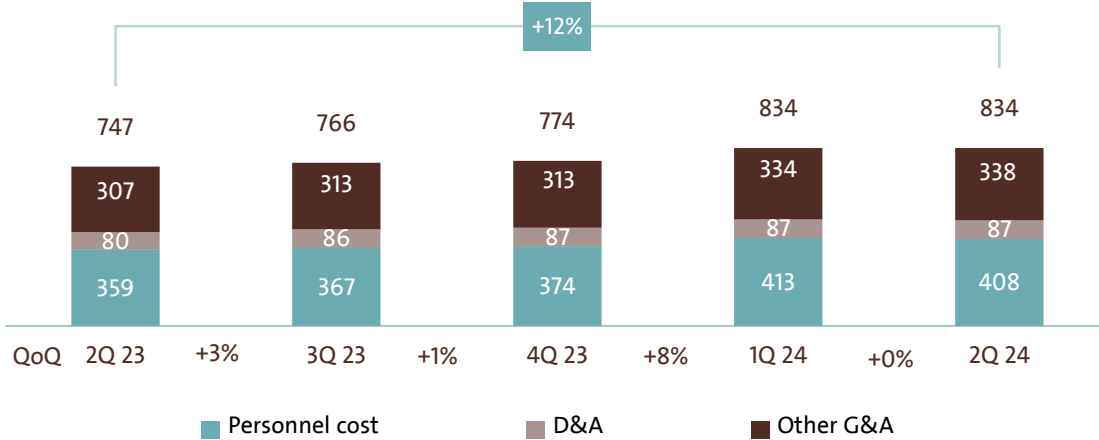
- Non-funded income for 1H 2024 increased 12% YoY to SAR 1,148mn from improved fees from banking services and investment gains/dividends.
- Fund management fees comprise the majority of fees from banking services at 36%, while card services fees account for 20%, other fees for 21% and trade finance services and brokerage fees represent 12% and 11% respectively.

# Operating Expenses

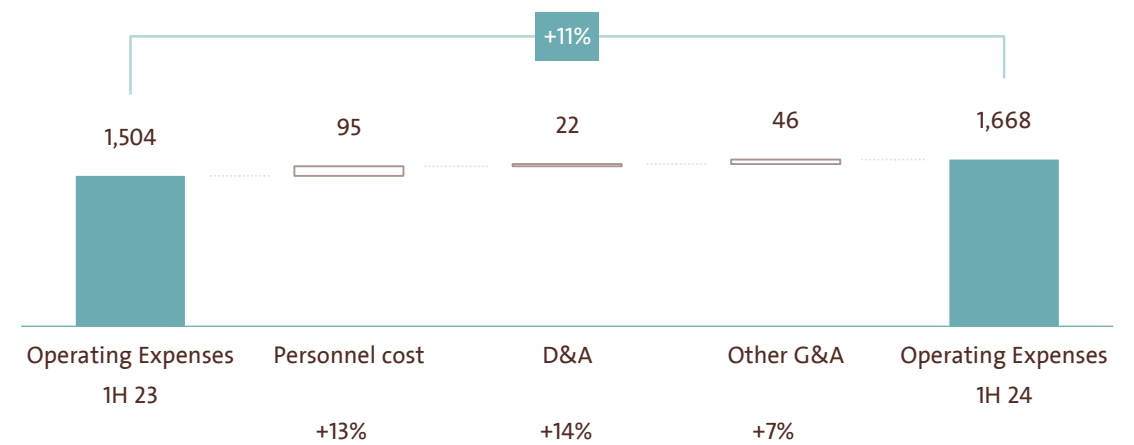


1H 2024 saw 11% growth in operating expenses YoY mainly from higher employee and G&A costs

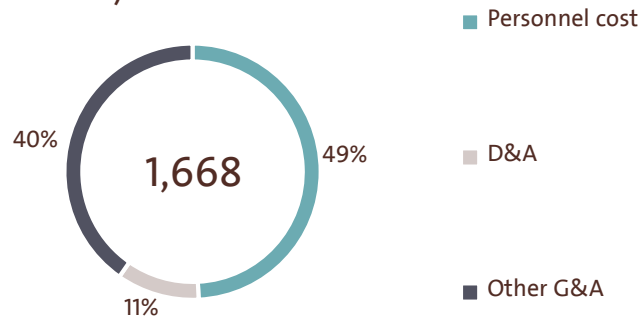
Operating Expenses (SARmn)



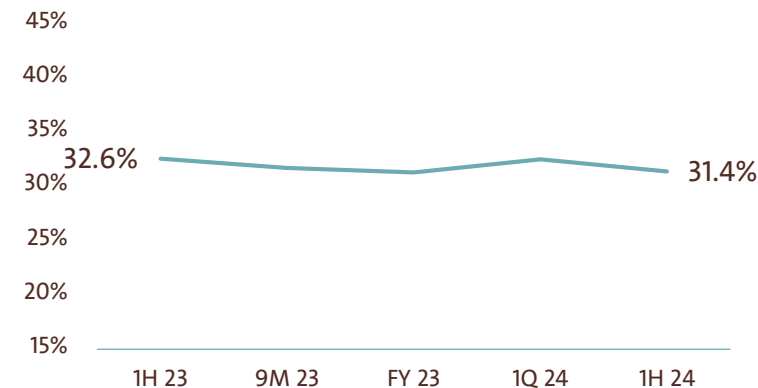
Operating Expenses Movement YoY (SARmn)



Operating Expenses Composition (SARmn)



Cost to Income Ratio (%)



## Management Commentary

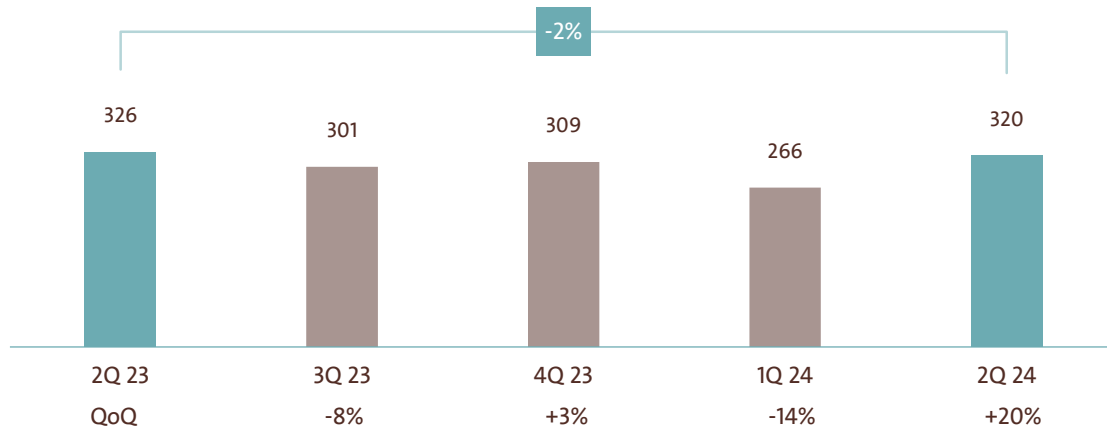
- Operating expenses increased 11% YoY to SAR 1,668mn for 1H 2024.
- Personnel cost comprise the majority of operating expenses at 49%, while other G&A account for 40%, and D&A represent 11%.
- +4.2ppts positive Jaws contributed to a 1.2ppts decrease in the cost to income ratio from 32.6% to 31.4%.

# Impairments for Financing

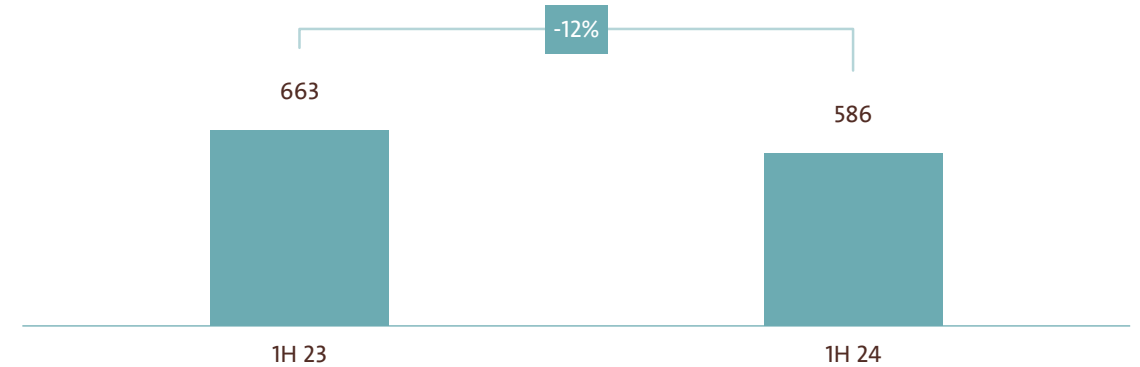


Cost of risk for 1H 2024 declined by 21bps

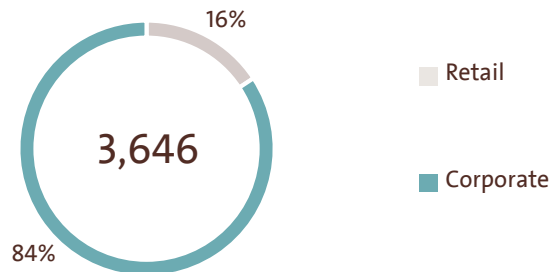
Impairments for Financing (SARmn)



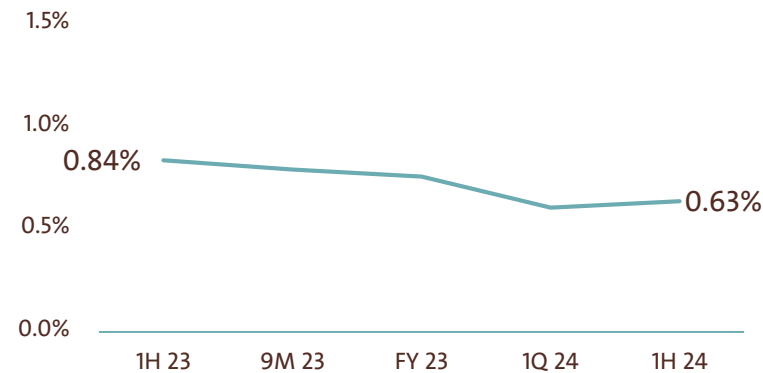
Impairments for Financing (SARmn)



Impairments Allowance Composition (SARmn)



Cost of Risk (%)



## Management Commentary

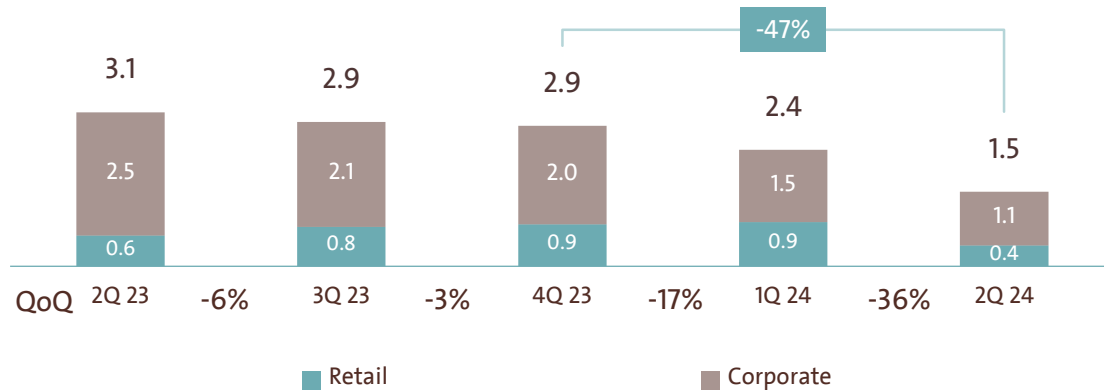
- 1H 2024 impairment charge for financing decreased by 12% YoY to SAR 586mn.
- Cost of risk for 1H 2024 decreased by 21bps YoY to 0.63%.
- 84% of impairment allowance in 1H 2024 pertains to corporate and 16% is for retail financing.

# NPL & NPL Coverage

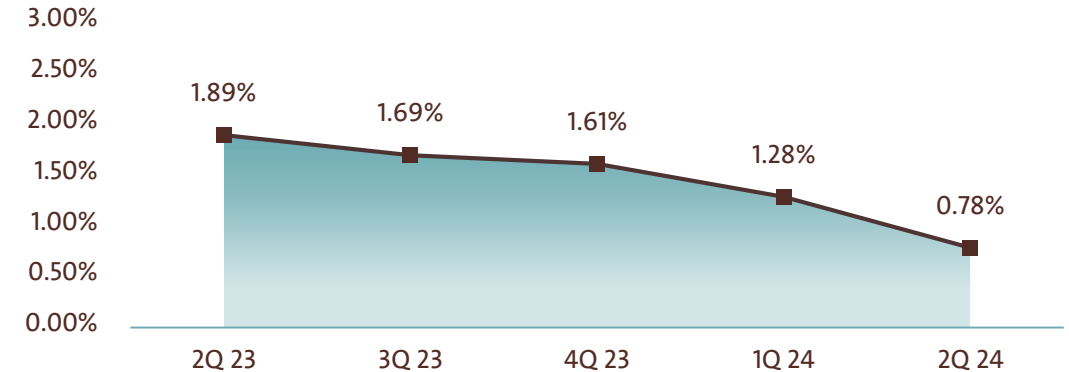


NPL ratio decreased and NPL coverage increased YoY

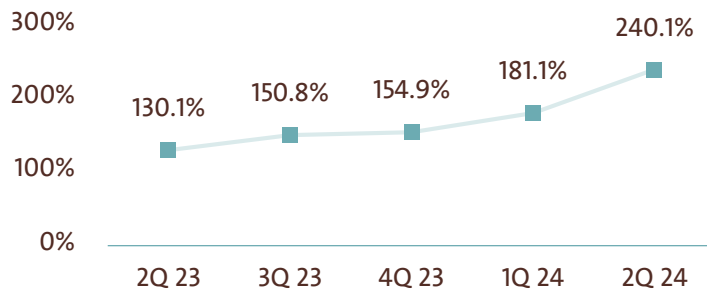
Non-Performing Loans, Gross (SARbn)



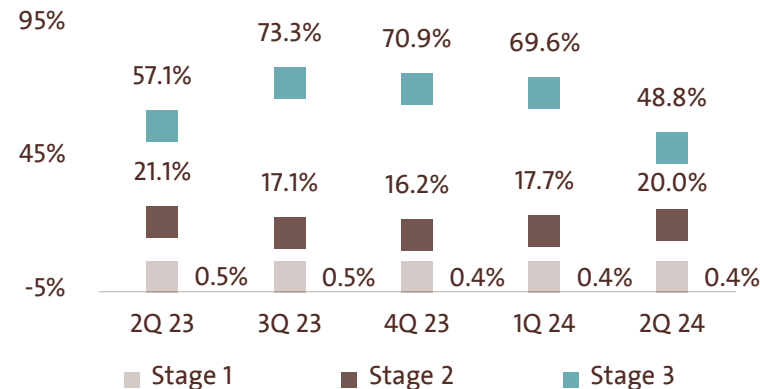
NPL Ratio (%)



NPL Coverage Ratio (%)



Stage-Wise Coverage (%)



## Management Commentary

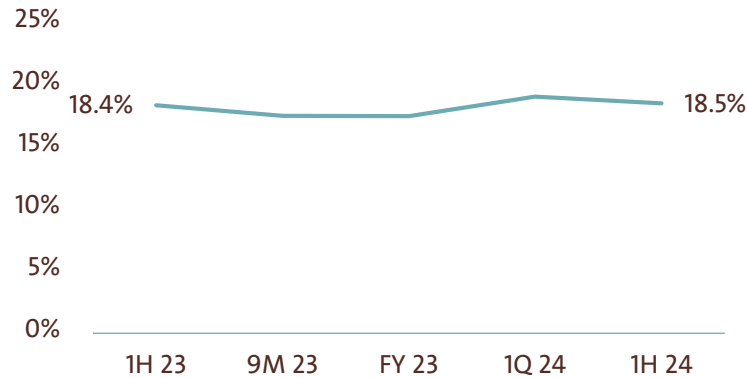
- NPL ratio decreased by 1.1ppts YoY to 0.78% in 2Q 2024.
- NPL coverage increased by 110ppts YoY to 240.1%.
- Stage 1 coverage slightly declined YoY due to the acquisition of higher-quality credit. Stage 2 coverage declined YoY due to migration of highly provisioned accounts to stage 3.

# Capitalization & Liquidity

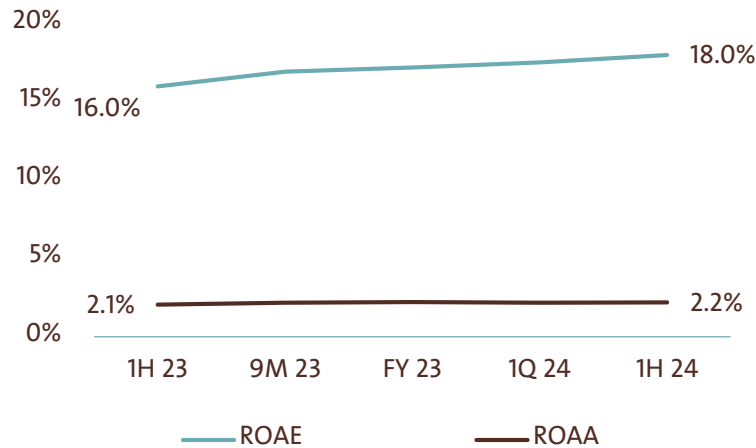


Capital and liquidity ratios remained healthy. ROE increased 202bps YoY

### Capitalization (%)



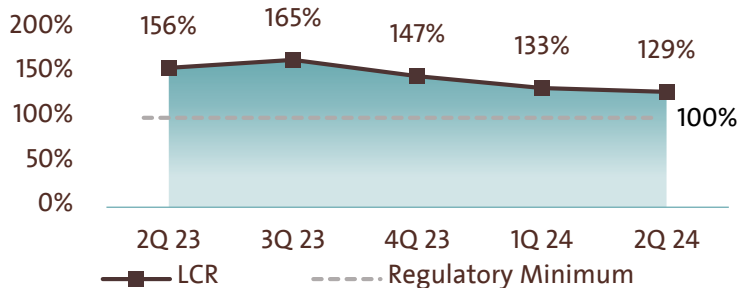
### Profitability (%)



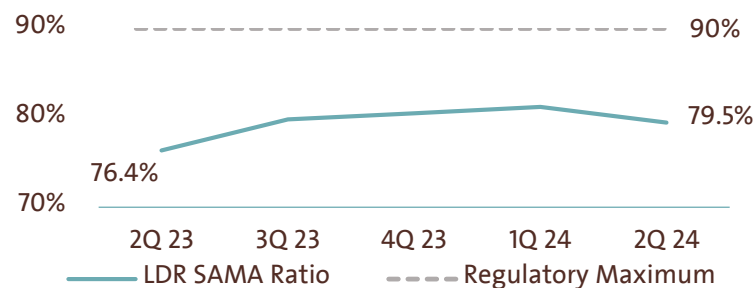
### Management Commentary

- CAR increased by 10bps YoY to 18.5%.
- NSFR decreased 2.7ppts YoY to 109.4%.
- LDR ratio increased 3.1ppts YoY to 79.5%.
- 2Q 2024 LCR decreased 27ppts YoY to 129%.

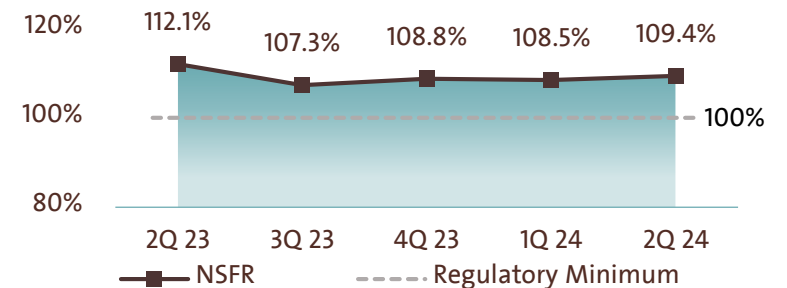
### LCR (%)



### LDR SAMA Ratio (%)



### NSFR (%)



# Outlook & Guidance

Q2 2024

# Guidance



Acceleration of strategic execution drives a promising outlook for 2024.

	2Q 2024A	Drivers	2024G
Balance Sheet	Financing Growth <b>+9%</b> YTD	Strong Mid-Corp, SME & Retail growth from strategic initiatives; continuing the growth in corporate financing	High teens (Revised from mid teens)
Profitability	Net Profit Margin <b>3.74%</b> -5bps YoY	Declining rates mixed with improving margins guide for flat Net Profit Margin.	-5bps to +5bps
	Cost to Income Ratio <b>31.4%</b>	Growth in income, digitization & process optimization driving efficiencies, partly offset by strategic investments	Below 31% (Revised from ≈ 30%)
	Return on Equity <b>18%</b>	Improving top line and efficiency driving improving ROE	Above 18%
Asset Quality	Cost of Risk <b>0.63%</b>	Cautiously expecting stable credit quality and NPL coverage, leading to COR moderation	60-70bps (Revised from 65-75bps)
Capital	CAR Pillar 1 <b>18.5%</b>	Improving top line with efficiencies in equity management	18%-19% (Revised from 19%-20%)

**Return on Equity Target for 2025 above 18%**



# Q&A

Q2 2024

# Appendix

Q2 2024

# Sustainability



Alinma Bank released its 2023 sustainability report



In the second annual sustainability report, we feature our sustainability commitments, strategy, and journey as part of our ongoing commitment to transparently communicating our sustainability credentials, performance, and progress.

To view the Report, please visit: [ir.alinma.com](https://ir.alinma.com)



## Investor Relations team

Email: [IR@alinma.com](mailto:IR@alinma.com)

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Earnings call transcripts

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