

Earnings Presentation

2Q 2023

Earnings Call

27 July 2023

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Alinma Overview

2Q 2023

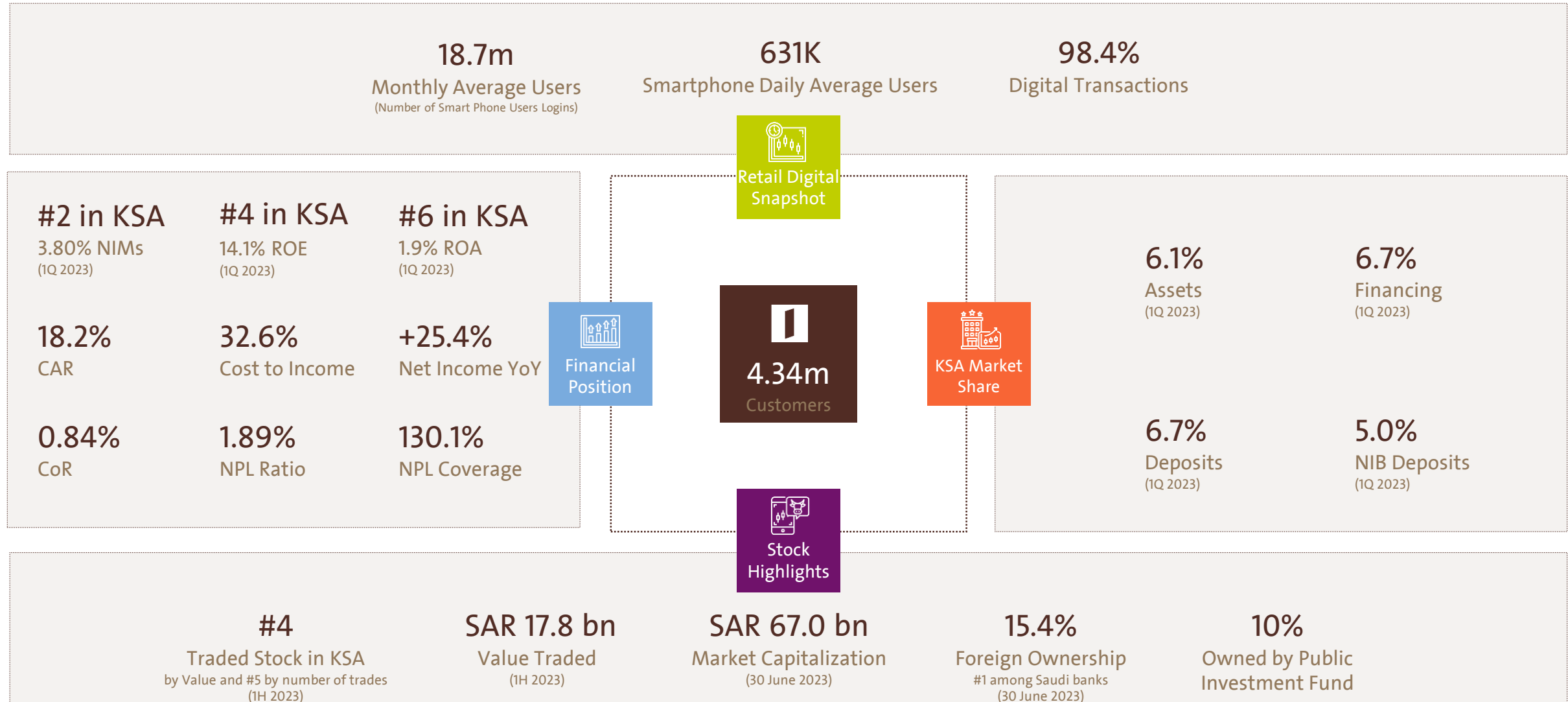
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Alinma Overview

Alinma is the youngest bank in KSA



Financial Performance Highlights

2Q 2023

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Financial Performance Highlights

Solid operating income growth translated into 25% growth of net income in 1H 2023 and 16.0% ROE

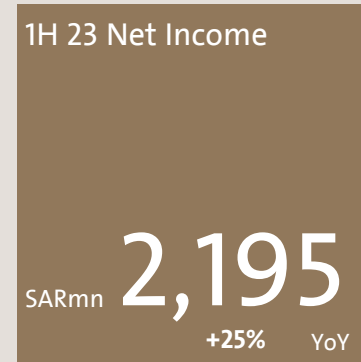
Balance Sheet

- Increase in financing of 10% YTD from growth in retail lending and a pickup in corporate lending.
- Strong growth of 23% in customers' deposits YTD driven by growth of CASA and Time deposits by 6% and 45% respectively.



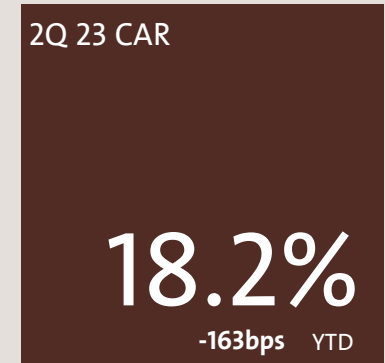
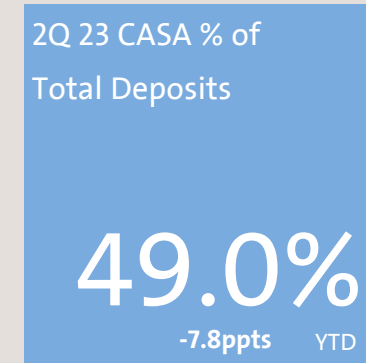
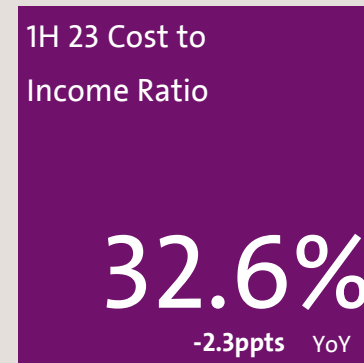
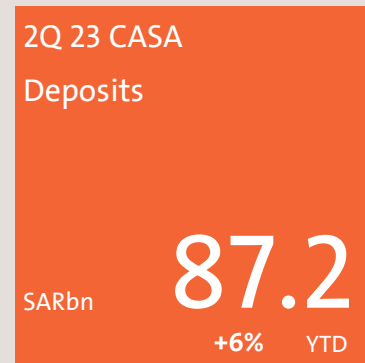
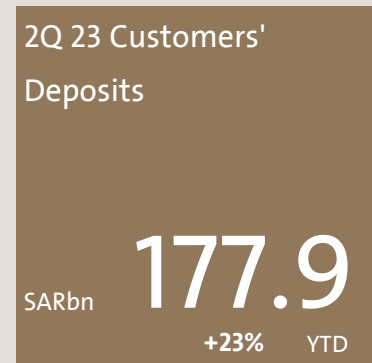
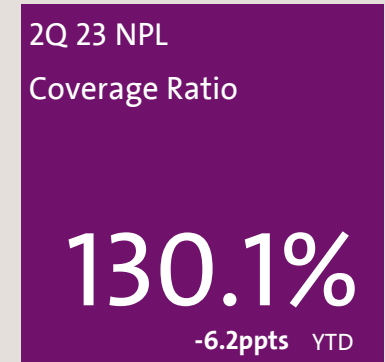
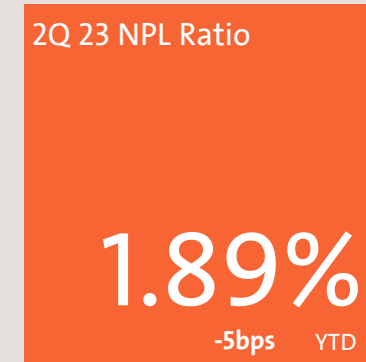
Income Statement

- Operating income growth of 23% mainly from +32% funded income growth.
- Net income for 1H 2023 grew 25% YoY to SAR 2,195mn from 23% income growth.



Credit Quality, Capital and Liquidity

- NPL and NPL coverage ratios at 1.89% and 130.1% respectively. Cost of risk stands at 0.84%.
- Capitalization and liquidity positions remained healthy and within regulatory limits.



Strategy Update

2Q 2023

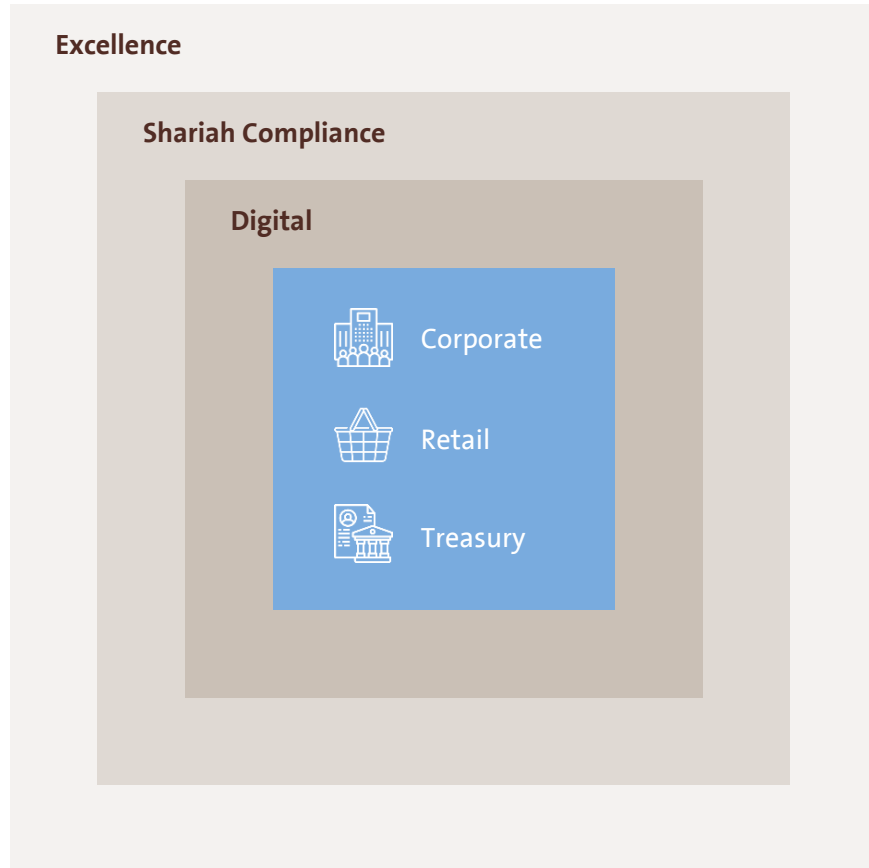
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Strategic Positioning

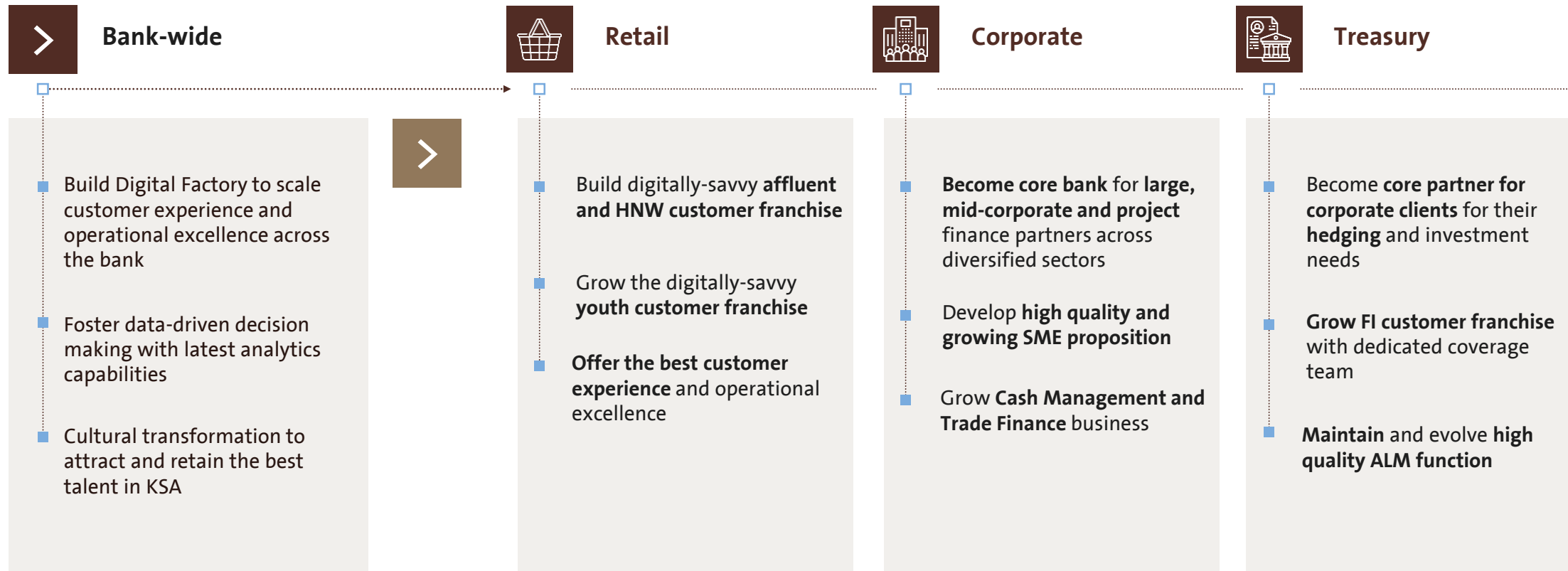
Alinma Bank's strategic positioning cascades down into each business strategy



- 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 2023 Initiatives Completed to Date



- Launched Youth App for friends and family
- Launched Alinma Marketplace via Alinma App
- Implemented Open Banking infrastructure and capabilities
- Implemented Anti-Fraud system
- Developed the first AI cross-sell model for the Youth App
- 95.53% Saudization; 20.50% female of total workforce
- THATI UX/UI revamped

- Implemented digital execution for credit cards (33%) and personal loans (24%)
- Launched Alfursan miles Credit Card
- Added new Corresponding banks to Alinma Express
- 29 TCR machines Implemented in Q2
- Launched real estate finance without title deeds for selective Real Estate developers

- Lunched bundle with Saudi Fintech Technology Company to promote products with focus on ClickPay as 1st choice of eCommerce
- +72% growth in booked assets under Mid-Corporate banking segment
- +73% growth in non-funded assets (LG & LC) under Mid-Corporate banking segment
- +20% Kafalah financing
- +70% growth in Program Based Lending

- Expanded derivatives customer base
- Continue to enhance investment portfolio yield
- Achieved FX business volumes of SAR +20bn
- Expanded network of correspondent banks (+3) globally
- Achieved PRS volumes of SAR +7.9bn
- Introduced Shariah compliant products in alignment with international players such as Repos to Maturity and developed new derivatives products such as Collared PRS



Progress to date

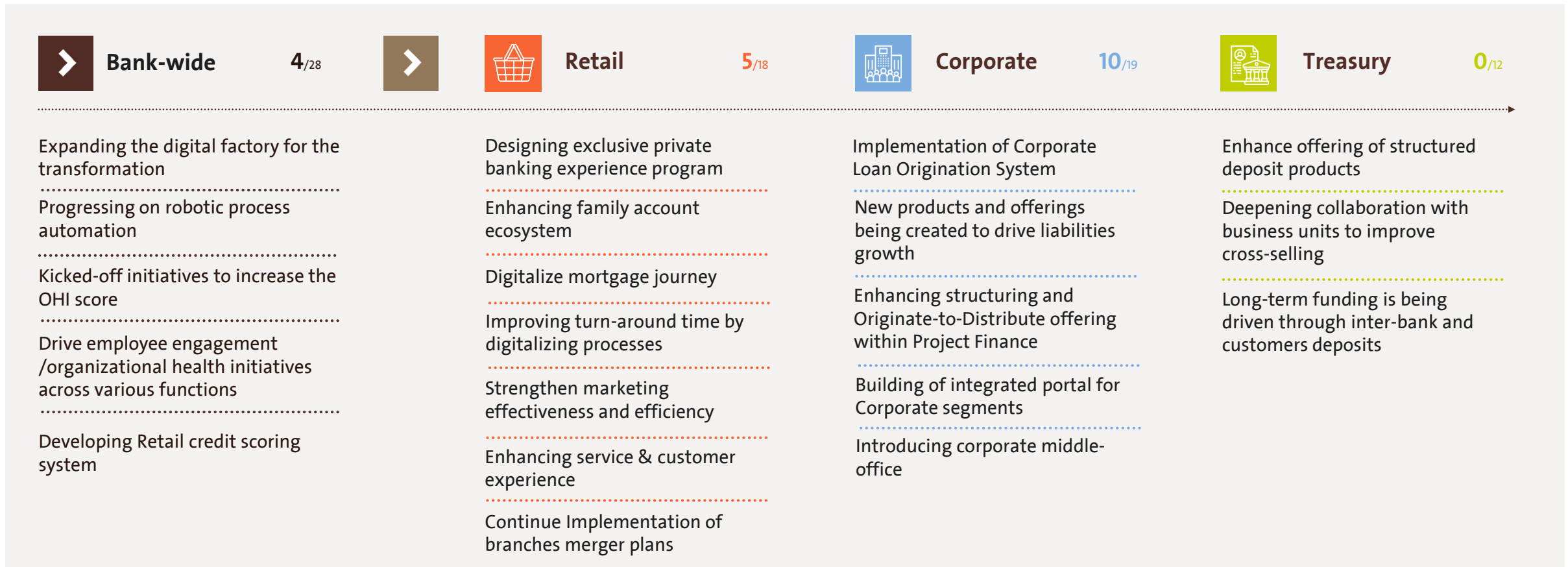
58/77



75%

Strategy Update

2023 Initiatives In-Progress



1H 2023 Financial Performance

2Q 2023

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Balance Sheet Trends

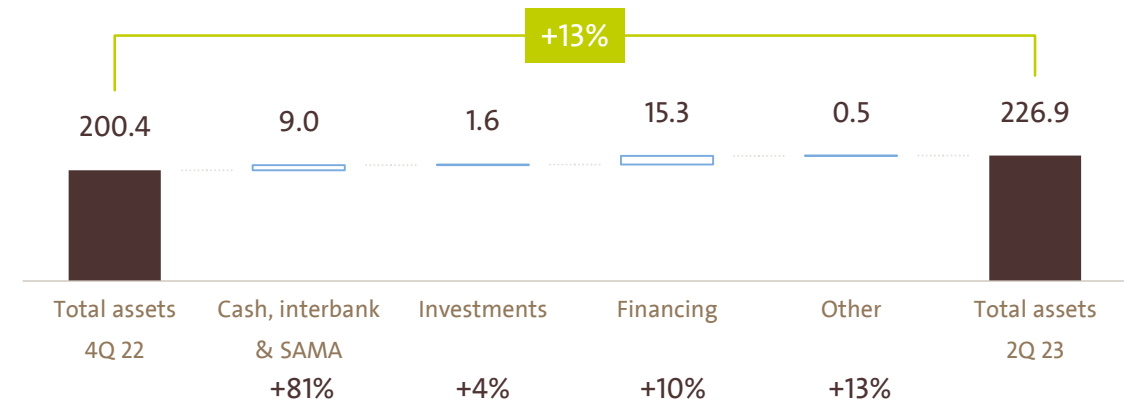
Balance sheet growth of 13% from increase in financing and investments

Management Commentary

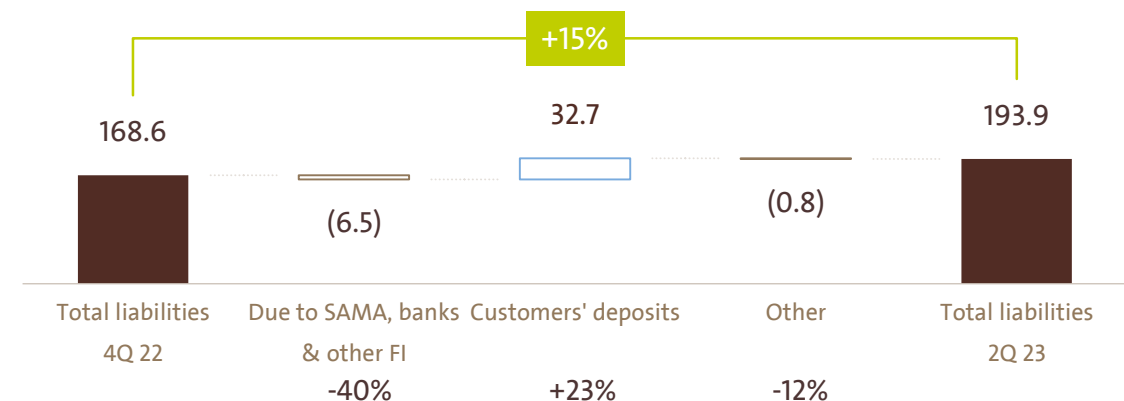
- Growth in total assets of 13% YTD mainly driven by 10% financing growth and 4% growth in investments and 81% growth in balances with SAMA and interbank.
- Total liabilities grew by 15% during 1H 2023 mainly from a 23% rise in customers' deposits.

SAR (mn)	2Q 2023	4Q 2022	Δ%	2Q 2022	Δ%
Cash, interbank & SAMA balances	20,219	11,178	+81%	11,803	+71%
Investments	40,117	38,518	+4%	37,720	+6%
Financing	161,773	146,492	+10%	131,193	+23%
Other assets	4,792	4,249	+13%	3,906	+23%
Total assets	226,900	200,436	+13%	184,622	+23%
Due to SAMA, banks & other FI	9,959	16,483	-40%	15,452	-36%
Customers' deposits	177,874	145,168	+23%	130,376	+36%
Other liabilities	6,091	6,908	-12%	7,327	-17%
Total liabilities	193,924	168,560	+15%	153,155	+27%
Share capital	20,000	20,000	+0%	20,000	+0%
Retained earnings	5,975	4,285	+39%	5,362	+11%
Other reserves	2,001	2,591	-23%	1,105	+81%
Tier 1 sukuk	5,000	5,000	+0%	5,000	+0%
Total equity	32,977	31,876	+3%	31,467	+5%

Total Assets Movement YTD (SARbn)



Total Liabilities Movement YTD (SARbn)



P&L Trends

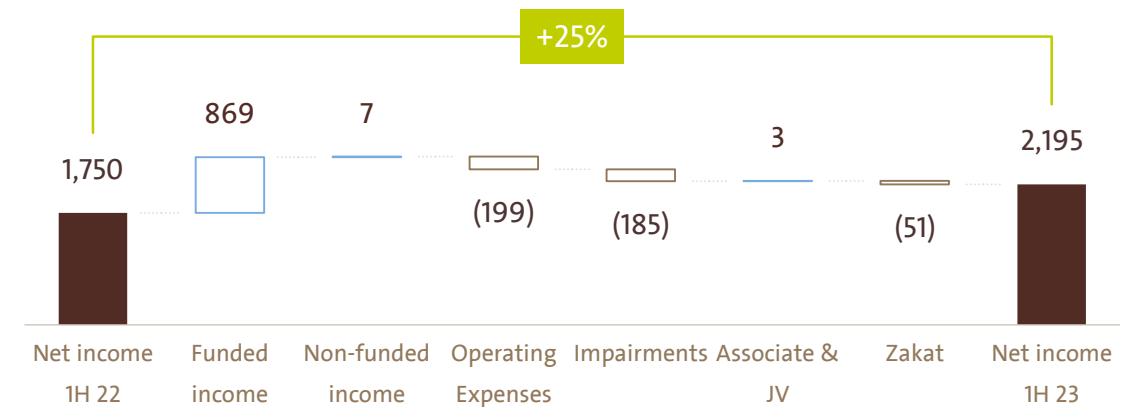
Net income for 1H 2023 grew by 25% YoY due to 23% income growth

Management Commentary

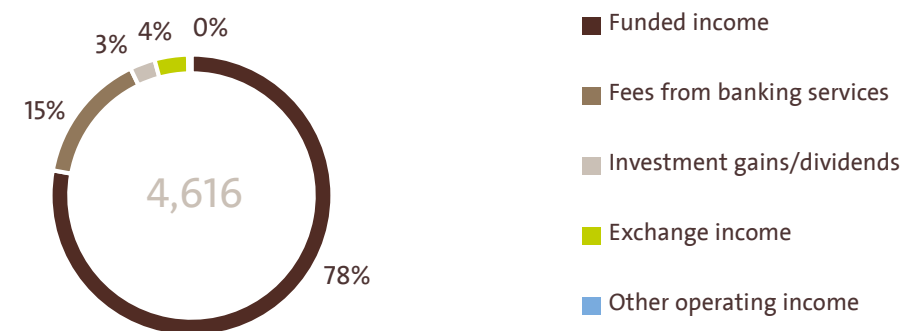
- Net income for 1H 2023 grew 25% YoY to SAR 2,195mn from 23% income growth. 15% higher operating expenses YoY.
- 2Q 2023 net income improved 32% YoY driven by 26% increase in income.

SAR (mn)	1H 2023	1H 2022	Δ%	2Q 2023	2Q 2022	Δ%
Funded income	3,594	2,725	+32%	1,860	1,413	+32%
Non-Funded income	1,022	1,015	+1%	577	519	+11%
Total operating income	4,616	3,740	+23%	2,437	1,932	+26%
Operating Expenses	1,504	1,306	+15%	747	663	+13%
Net operating income before impairment charge	3,112	2,434	+28%	1,690	1,269	+33%
Impairments	668	483	+38%	325	240	+36%
Net operating income	2,444	1,951	+25%	1,365	1,029	+33%
Income before zakat & income tax	2,447	1,951	+25%	1,366	1,031	+32%
Zakat	252	201	+25%	141	106	+32%
Net income	2,195	1,750	+25%	1,225	925	+32%

Net Income Movement YoY (SARmn)



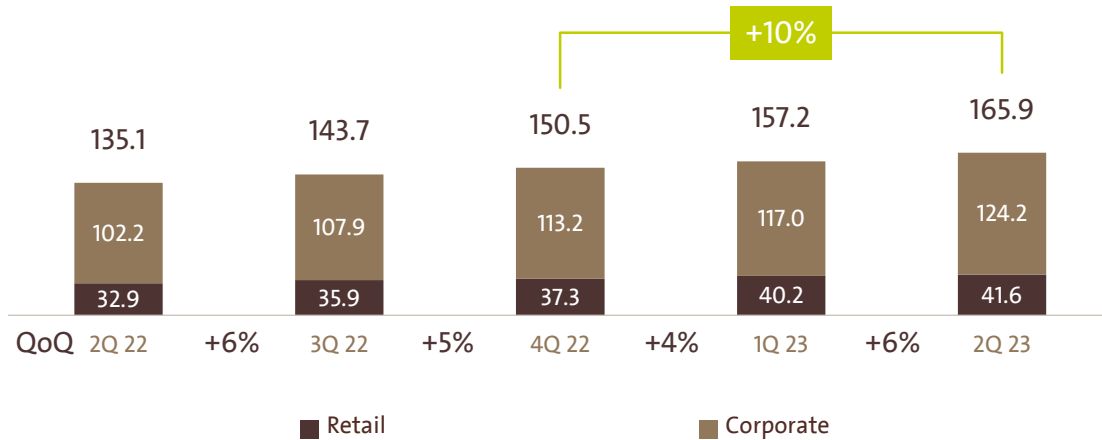
Operating Income Composition (SARmn)



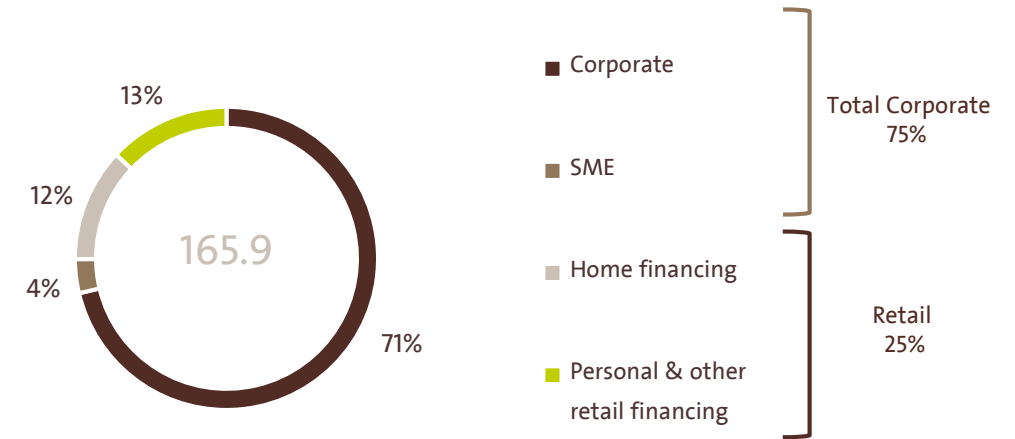
Financing

Increase in gross financing during 1H 2023 from 12% growth in retail financing, and 10% in corporate financing

Financing, Gross (SARbn)



Financing, Gross Composition (SARbn)



Financing, Gross Movement YTD (SARbn)



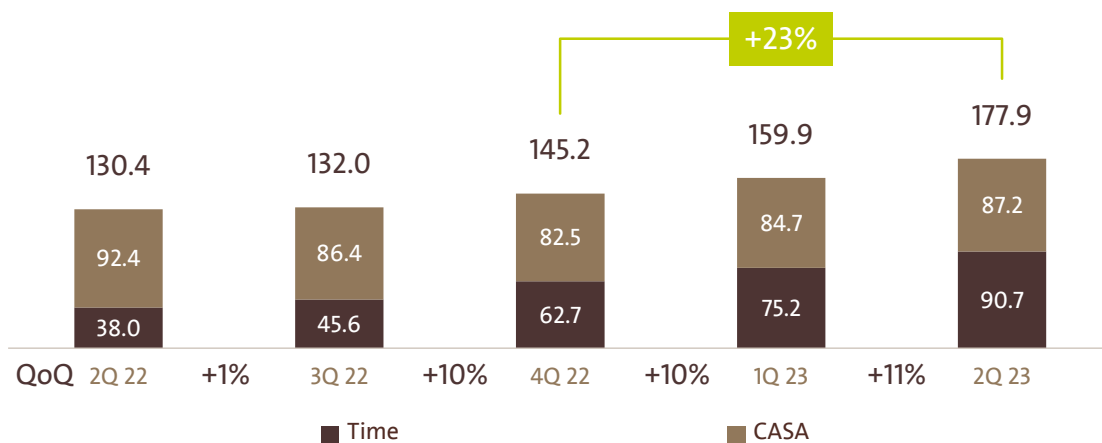
Management Commentary

- Gross financing grew 10% during 1H 2023.
- Retail financing grew 12% YTD from strong momentum in personal & other financing +16%.
- Total corporate financing grew 10% YTD, where mid-corporate rose 72%, and SME financing increased 17%.
- Gross financing comprises of 75% corporate and 25% retail as at 30 June 2023.

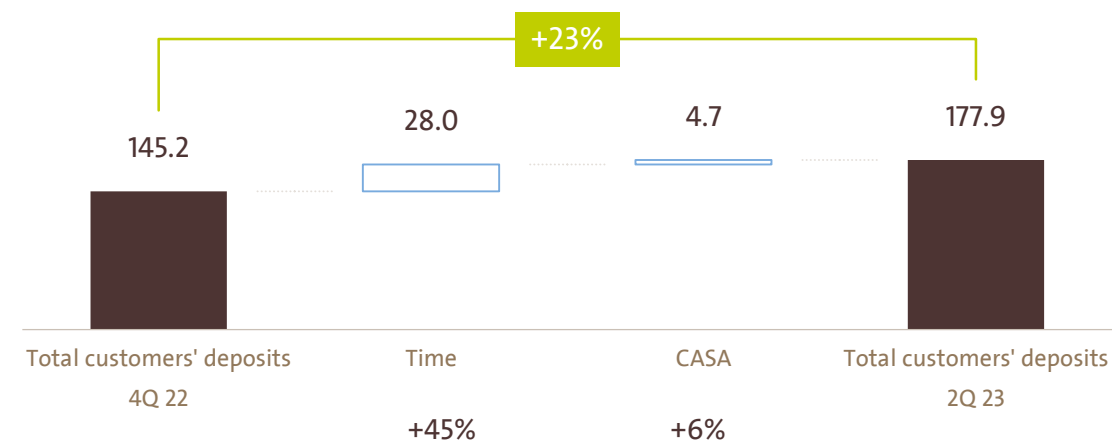
Deposits

Deposit growth of 23% driven by 6% CASA growth and 45% time deposits growth

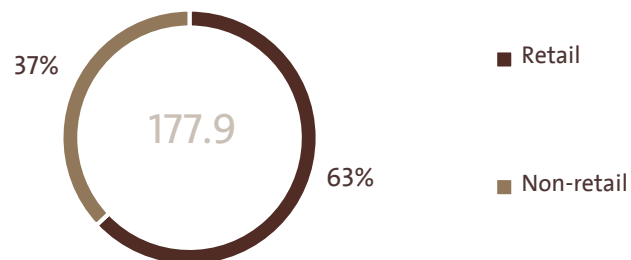
Customers' Deposits (SARbn)



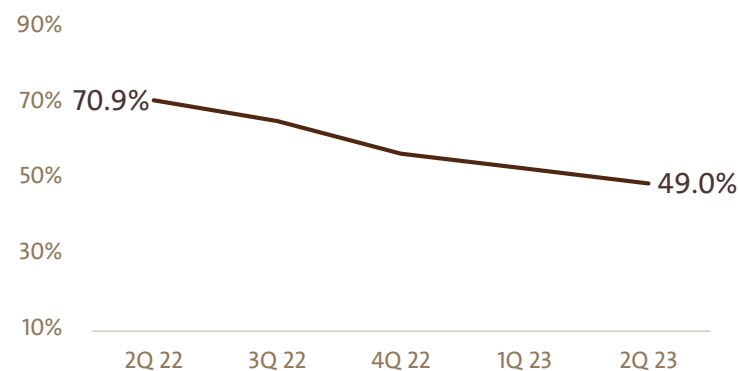
Customers' Deposits Movement YTD (SARbn)



Customers' Deposits Composition (SARbn)



CASA % of Total Deposits (%)



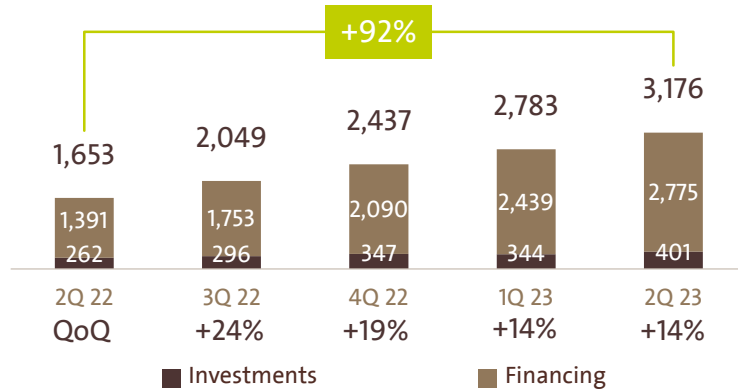
Management Commentary

- Deposits rose by 23% during 1H 2023 from growth in CASA and Time deposits of 6% and 45% respectively.
- CASA deposits account for 49% of total deposits as at 2Q 2023.
- Total deposits comprise of 63% retail and 37% non-retail deposits as at 30 June 2023.

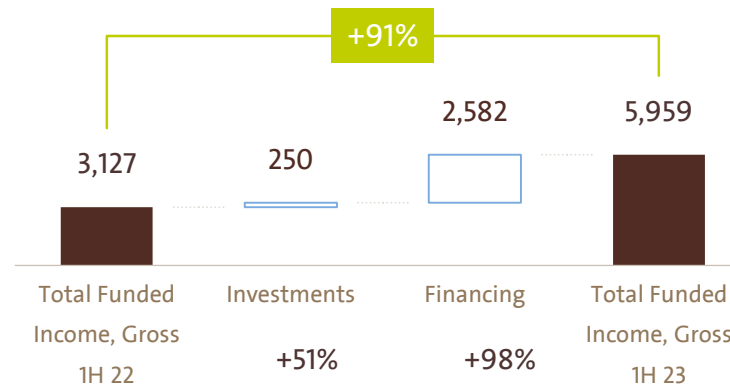
Income from Financing & Investments

Gross funded income grew 91% from 51% growth in investment income and 98% growth in financing income

Funded Income, Gross (SARmn)



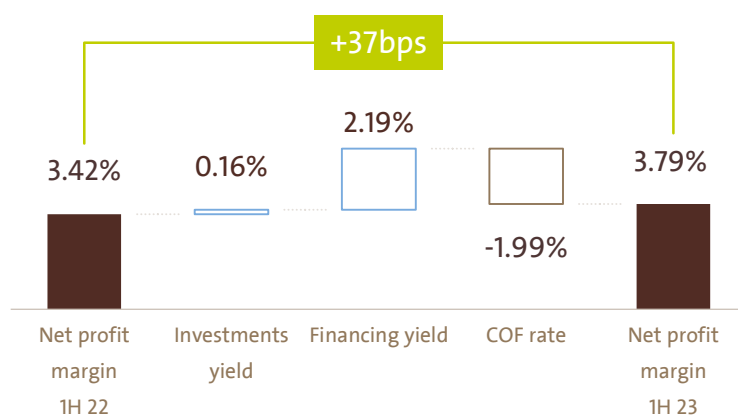
Total Funded Income, Gross Movement YoY (SARmn)



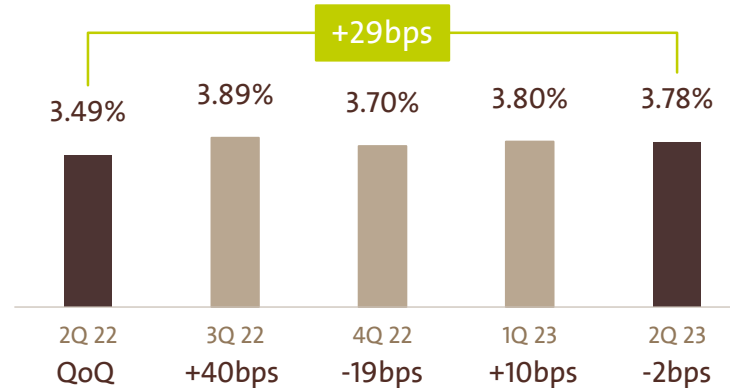
Management Commentary

- Gross funded income for 1H 2023 increased by 91% YoY to SAR 5,959mn from a 51% increase in funded investment income and a 98% rise in financing income.
- Net profit margin increased by 37bps YoY to 3.79% in 1H 2023.
- The expansion in gross funded income and net profit margin is largely reflective of the rising benchmark rates.

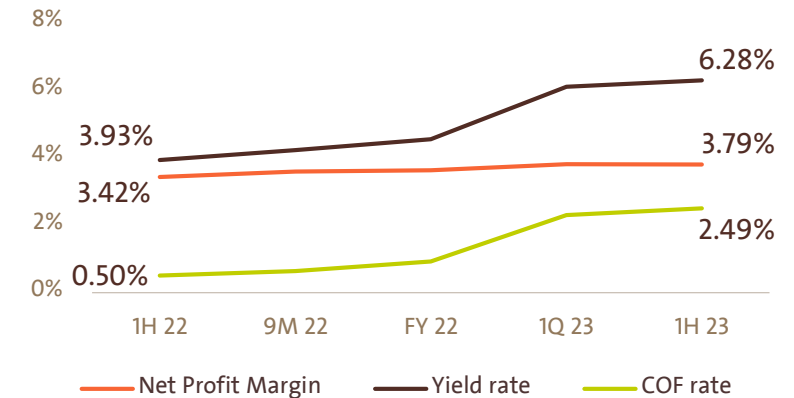
Net Profit Margin Movement YoY (%)



Net Profit Margin QTR (%)



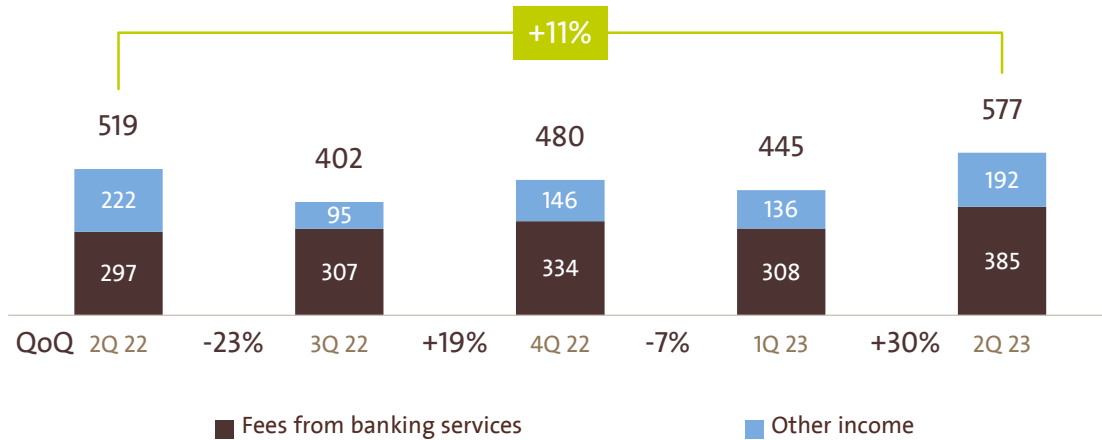
Net Profit Margin YTD (%)



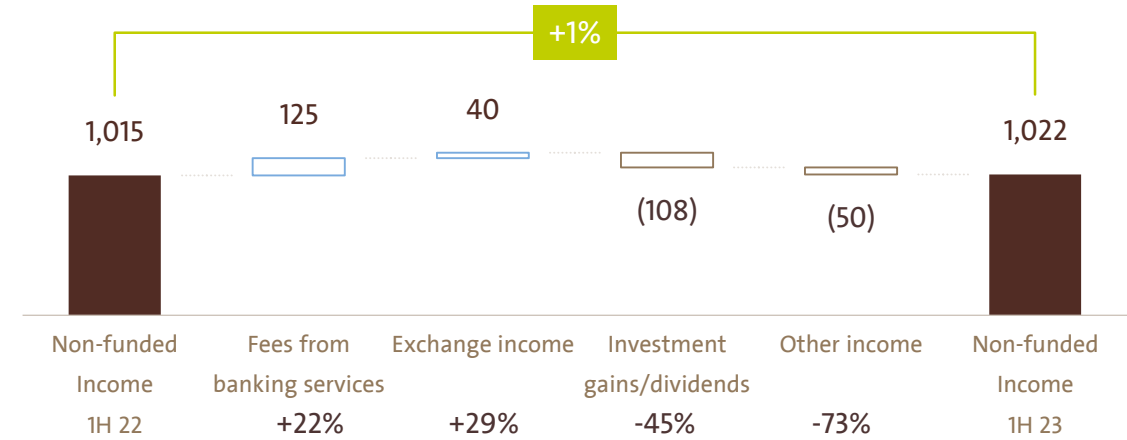
Fee and Other Income

Non-funded income for 1H 2023 increased by 1% YoY

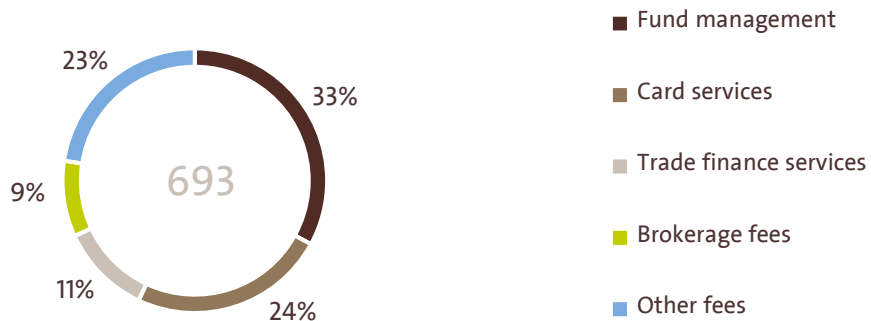
Non-Funded Income (SARmn)



Non-Funded Income Movement YoY (SARmn)



Fees from Banking Services Composition (SARmn)



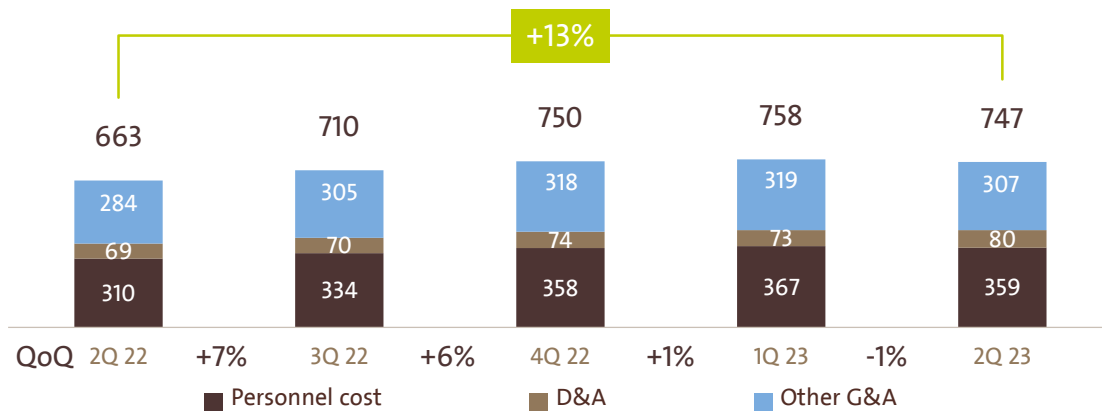
Management Commentary

- Non-funded income for 1H 2023 increased 1% YoY to SAR 1,022mn from improved fees from banking services and exchange income.
- Fund management fees comprise the majority of fees from banking services at 33%, while card services fees account for 24%, other fees for 23% and trade finance services and brokerage fees represent 11% and 9% respectively.

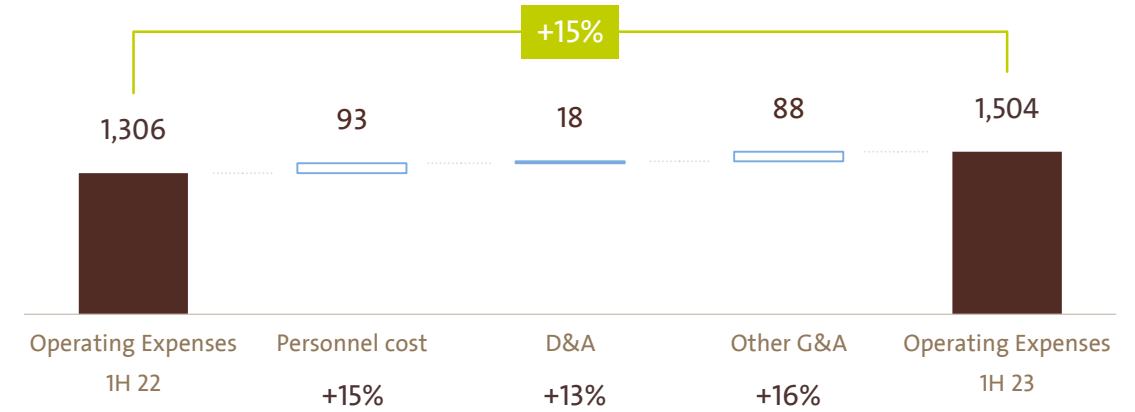
Operating Expenses

1H 2023 saw 15% growth in operating expenses YoY mainly from higher employee and G&A costs

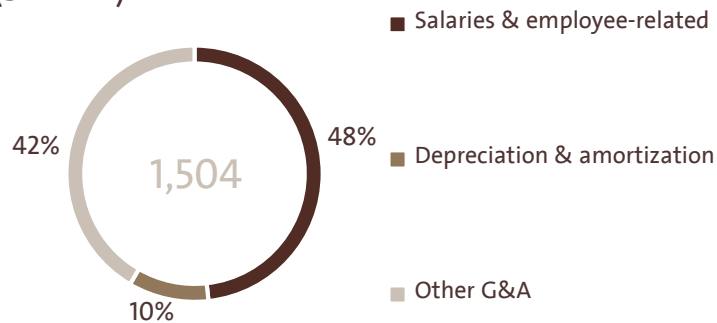
Operating Expenses (SARmn)



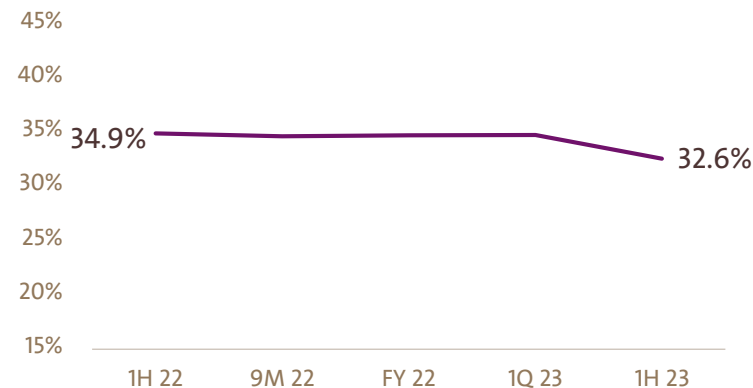
Operating Expenses Movement YoY (SARmn)



Operating Expenses Composition (SARmn)



Cost to Income Ratio (%)



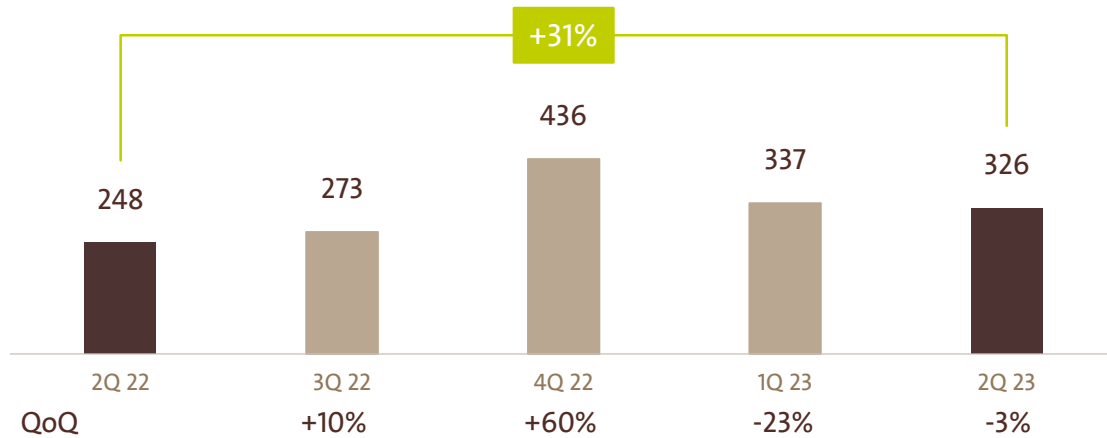
Management Commentary

- Operating expenses increased 15% YoY to SAR 1,504mn for 1H 2023 mainly due to higher salaries, software maintenance expenses, POS terminal deployments, higher SMS communication, and marketing costs.
- +820bps positive Jaws contributed to a 2.3ppts decrease in the cost to income ratio from 34.9% to 32.6%.

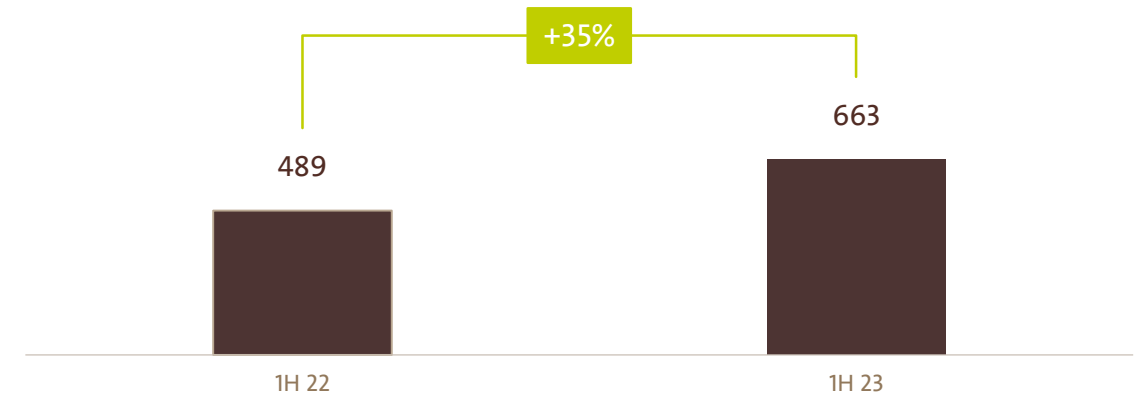
Impairments for Financing

Cost of risk for 1H 2023 increased by 10bps from 35% higher credit impairment charges YoY

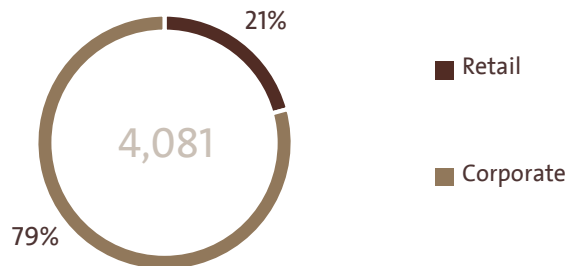
Impairments for Financing (SARmn)



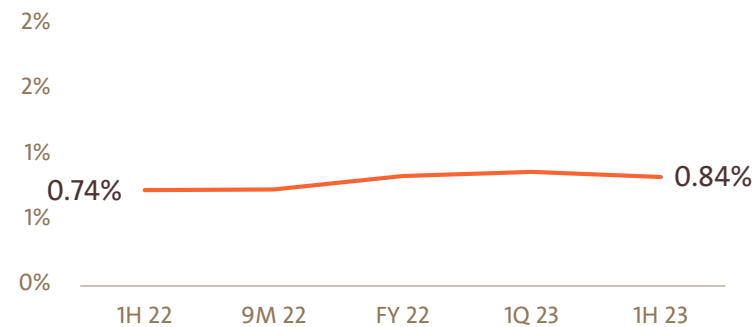
Impairments for Financing (SARmn)



Impairments Allowance Composition (SARmn)



Cost of Risk (%)



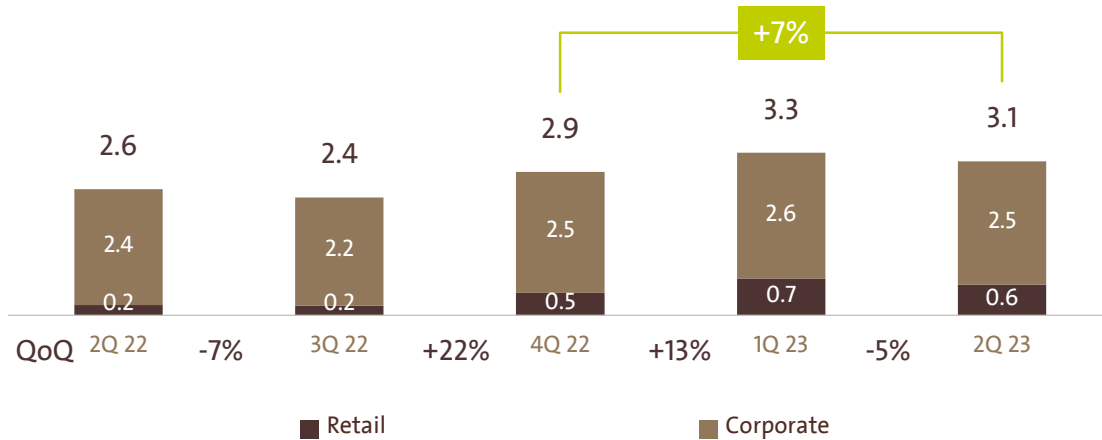
Management Commentary

- 1H 2023 impairment charge for financing increased by 35% YoY to SAR 663mn.
- Cost of risk for 1H 2023 increased by 10bps YoY to 0.84%.
- 79% of impairment allowance in 1H 2023 pertains to corporate and 21% is for retail financing.

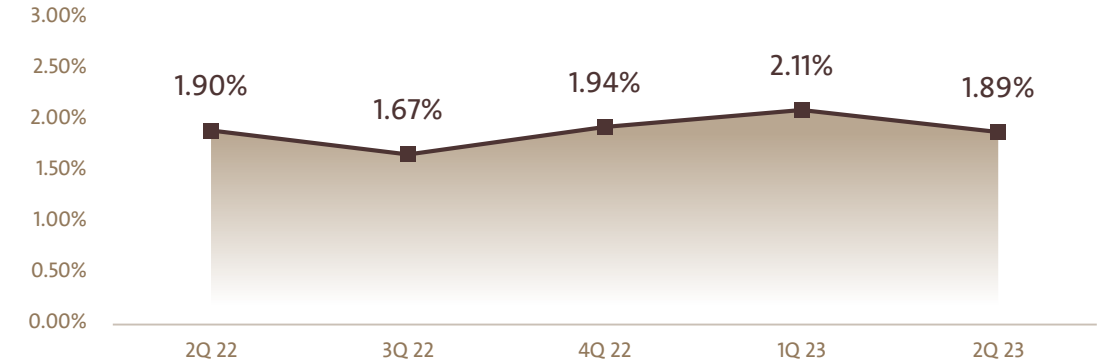
NPL & NPL Coverage

NPL ratio and NPL coverage decreased YoY

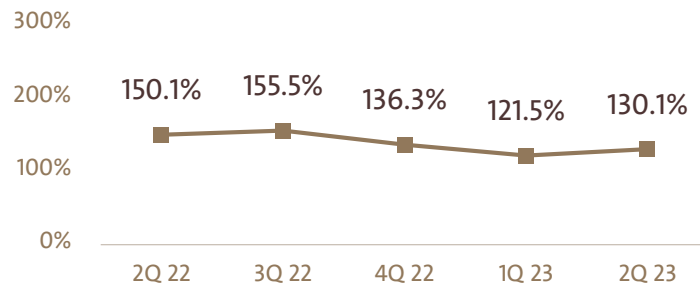
Non-Performing Loans, Gross (SARbn)



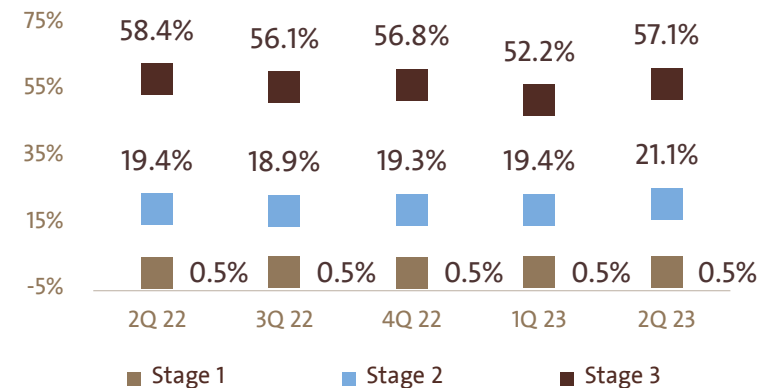
NPL Ratio (%)



NPL Coverage Ratio (%)



Stage-Wise Coverage (%)



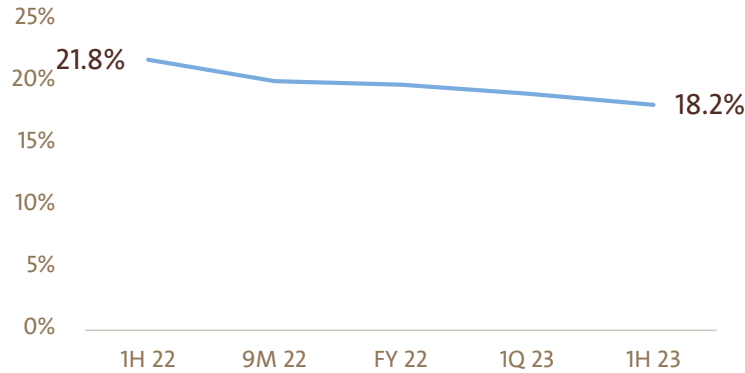
Management Commentary

- NPL ratio decreased by 1bps YoY and 22bps QoQ to 1.89% in 2Q 2023.
- NPL coverage decreased by 20ppts YoY to 130.1%.
- Stage 1 coverage remained stable YoY at 0.5%. Stage 2 coverage increased, while the stage 3 coverage was impacted by write-offs during 1H 2023.

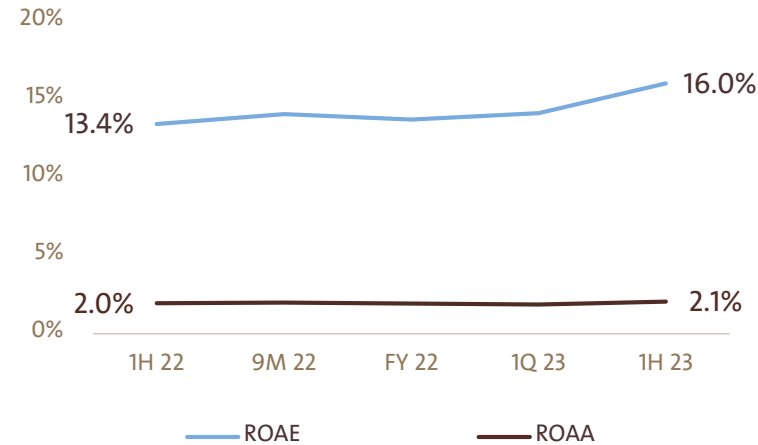
Capitalization & Liquidity

Capital and liquidity ratios remained healthy while ROE saw an increase of 2.6ppts YoY

Capitalization (%)



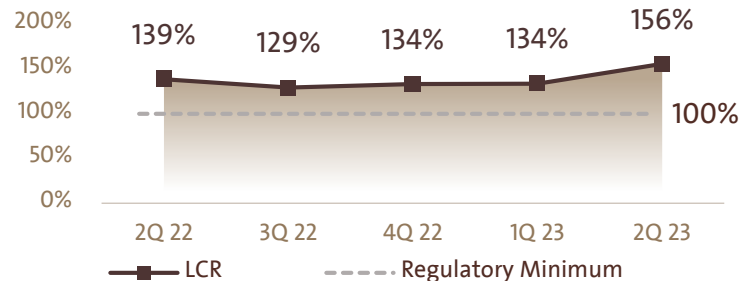
Profitability (%)



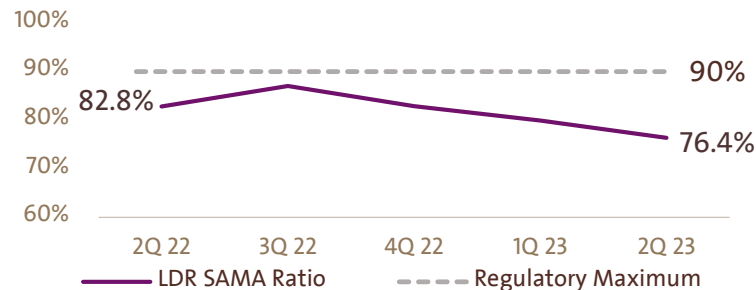
Management Commentary

- CAR has declined 3.6ppts YoY to 18.2% due to increase in credit risk weighted assets.
- NSFR improved 5.1ppts QoQ to reach 112.1%.
- LDR ratio decreased 6.4ppts YoY to 76.4%.
- 2Q 2023 LCR increased 17ppts YoY to 156%.

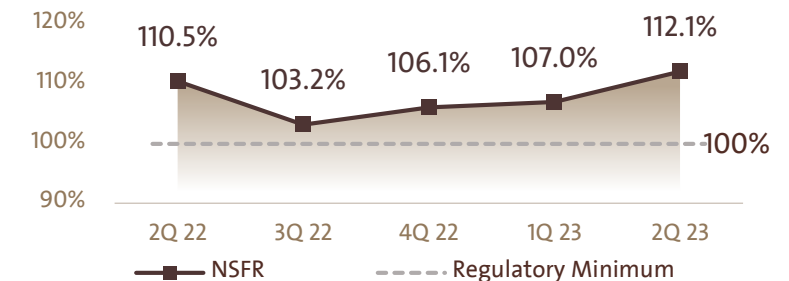
LCR (%)



LDR SAMA Ratio (%)



NSFR (%)



Outlook & Guidance

2Q 2023



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Guidance

Acceleration of strategic execution drives a promising outlook for 2023. Revised guidance for financing growth, NPM and CoR

		2Q 2023A	Drivers	2023G	
Balance Sheet	Financing Growth	+10% YTD	Strong Mid-Corp, SME & Retail growth from strategic initiatives; pick up in corporate financing	High teens <i>(Revised from Mid teens)</i>	↑
	Net Profit Margin	3.79% +37bps YoY	Rising rates and funding mix supportive of improving margin	+30bps to +40bps <i>(Revised from +35bps to +45bps)</i>	↓
Profitability	Cost to Income Ratio	32.6%	Growth in income, digitization & process optimization driving efficiencies, partly offset by strategic investments	Below 32%	-
	Return on Equity	16.0%	Improving NPM, efficiency and COR driving improving ROE	Above 17%	-
Asset Quality	Cost of Risk	0.84%	Cautiously expecting stable credit quality and NPL coverage, leading to COR moderation	65-75bps <i>(Revised from 60-70bps)</i>	↑
Capital	CAR Pillar 1	18.2%	Increasing RWAs from strong expected financing growth	17%-18%	-
Return on Equity Target for 2025 above 18%					

Q&A

2Q 2023

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Appendix

2Q 2023

Sustainability

Alinma Bank released its 2022 Sustainability Report



The first step for the Alinma journey to complete disclosure and reporting for all material factors to give investors and other stakeholders the complete picture on sustainability credentials and progress.

It has been prepared using a Materiality Matrix methodology which identifies the Environmental, Social and Governance elements of our business that carry the most importance for both the bank and for its stakeholders.

To view the report, please visit: ir.alinma.com

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