

Earnings Presentation

4Q 2022

Earnings Call

09 February 2023

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Alinma Overview

4Q 2022

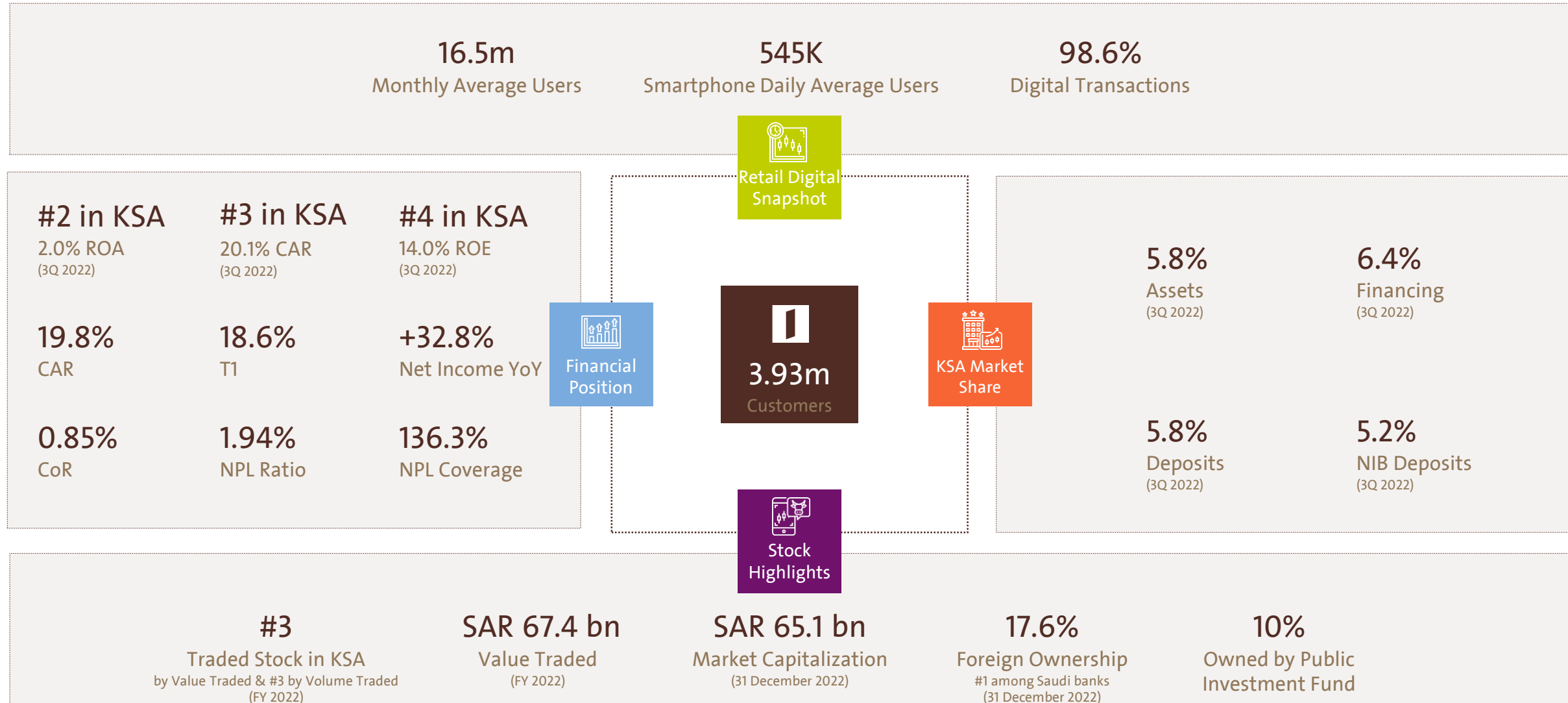
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Alinma Overview

Alinma is the youngest bank in KSA



Financial Performance Highlights

4Q 2022

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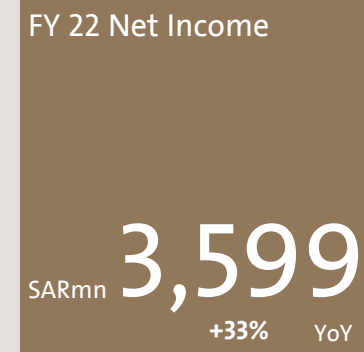
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Financial Performance Highlights

Solid operating income growth translated into 33% growth of net income in FY 2022 and 13.7% ROE

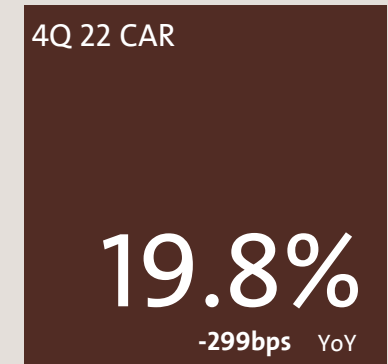
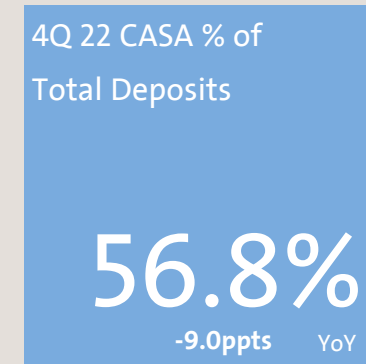
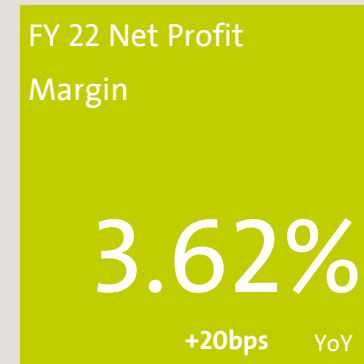
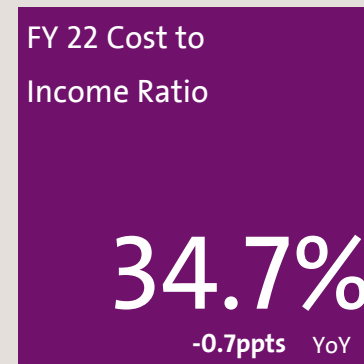
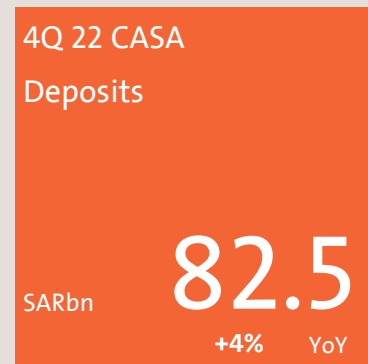
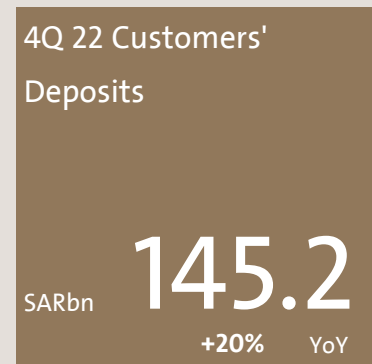
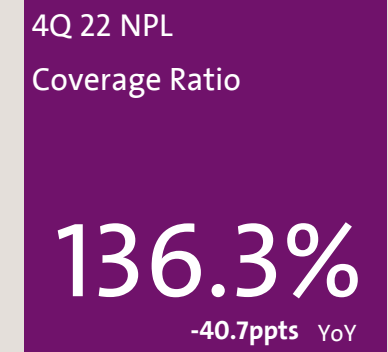
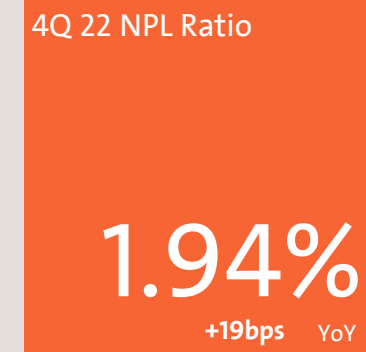
Balance Sheet

- Increase in financing of 16% YoY from growth in retail lending and a pickup in corporate lending.
- Strong growth of 20% in customers' deposits YoY driven by growth of CASA and Time deposits by 4% and 51% respectively.



Credit Quality, Capital and Liquidity

- NPL and NPL coverage ratios remain comfortable at 1.94% and 136.3% respectively while cost of risk improved by 17bps YoY to 0.85%.
- Capitalization and liquidity positions remained healthy and within regulatory limits.



Strategy Update

4Q 2022

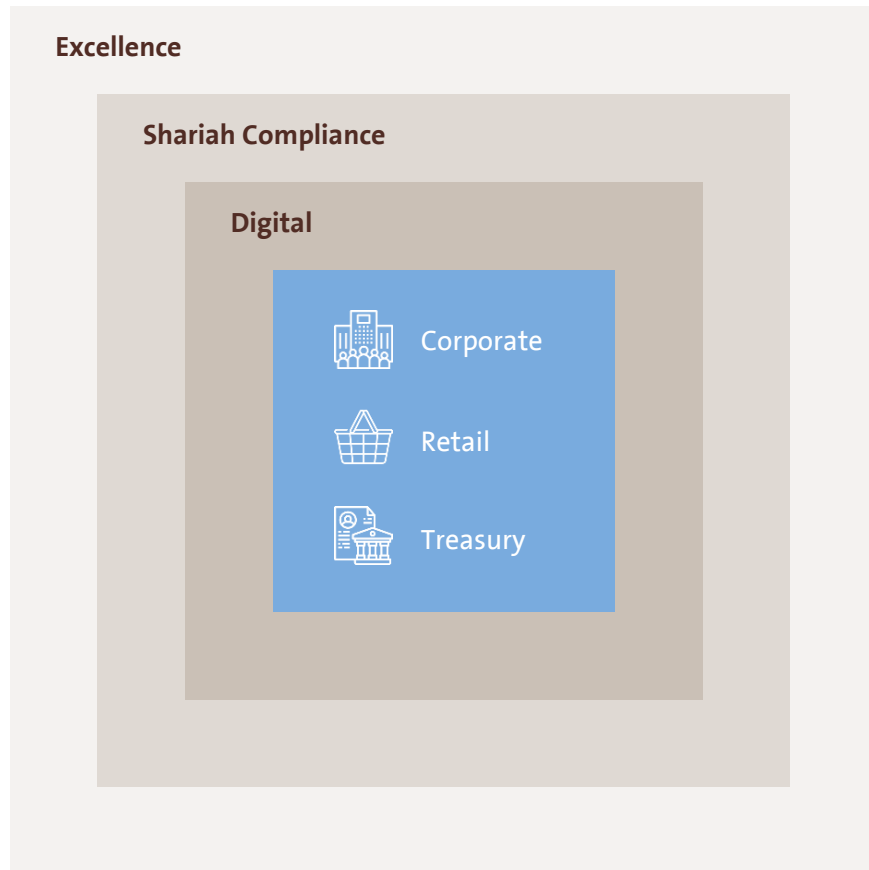
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Strategic Positioning

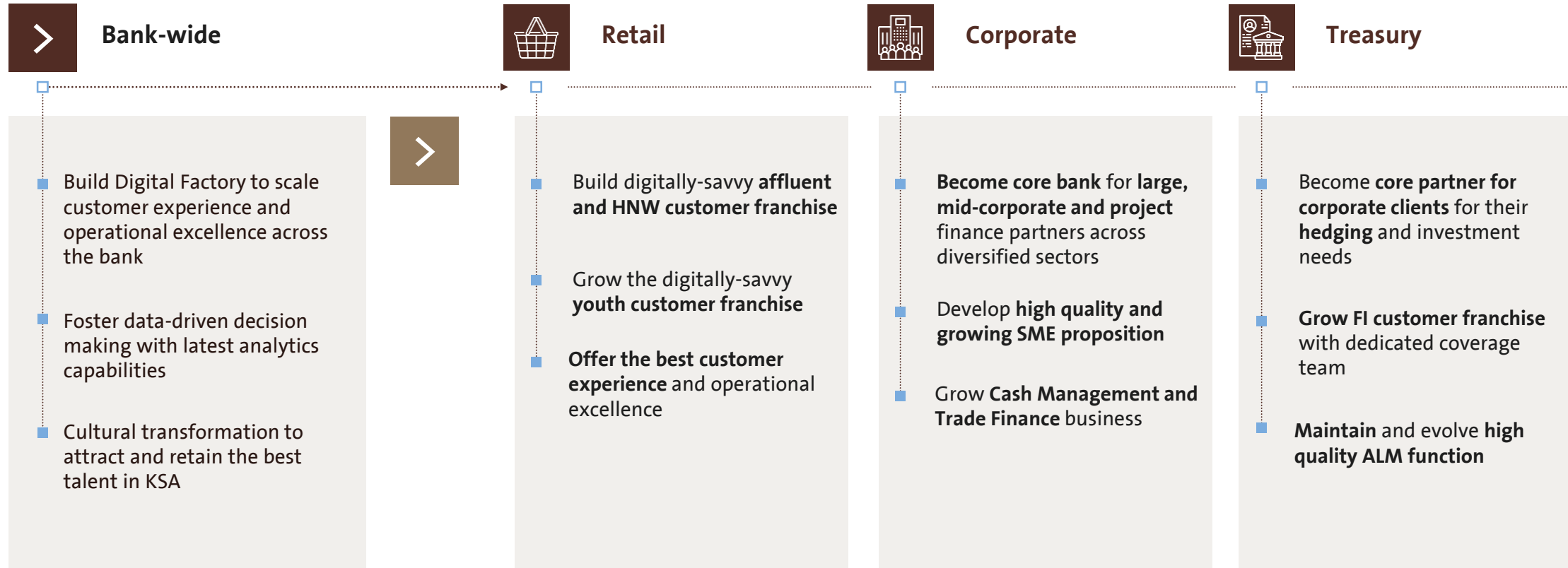
Alinma Bank's strategic positioning cascades down into each business strategy



- 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

4Q 2022 Initiatives Completed to Date



Bank-wide

21/27



Retail

12/18



Corporate

9/19



Treasury

12/12

Implemented DevOps and completed QA testing framework within digital factory

Established digital transformation office

Completed digital factory processes for product, design, and technology

+45% agile IT projects delivered and +60% agile digital projects delivered

+3 Employee activities to increase employee engagement

95.2% Saudization; 19.22% female of total workforce

Introduced Real Estate re-finance product

Launched Auto Lease product to customers

Fully launched POS financing product

Reduced POS financing documentation requirements

100% of branches with digital zones and +17 ATM sites

Completed youth educational program on financial management

Product bundling designed and introduced for SME customers

+270% growth in booked assets under Mid-Corporate banking segment (YoY)

+467% growth in non-funded assets (LG & LC) under Mid-Corporate banking segment (YoY)

+108% POS financing; +46% Kafalah financing (YoY)

Introduced additional new SME program-based lending products

Expanded derivatives customer base

Increased total investment by 5.4bn (YoY)

Achieved FX business volumes of SAR +32bn

Expanded network of correspondent banks (+11) globally

Achieved PRS volumes of SAR +340m

Introduced Shariah compliant products in alignment with international players



Progress to date

54/76*



71%

* 1 new initiative added in 4Q 2022

Strategy Update

2023 Initiatives In-Progress



Expanding the digital factory for the transformation

Progressing on robotic process automation

Drive employee engagement /organizational health initiatives across various functions

Improve the retail app with additional best in class features

Targeting for new hires; 35% women and 95% Saudization

Designing exclusive private banking experience program

Enhancing family account ecosystem

Digitalize mortgage journey

Improving turn-around time by digitalizing processes

Strengthen marketing effectiveness and efficiency

Enhancing service & customer experience

Implementation of Corporate Loan Origination System

New products and offerings being created to drive liabilities growth

Enhancing structuring and Originate-to-Distribute offering within Project Finance

Building of integrated portal for Corporate segments

Introducing corporate middle-office

Enhance offering of structured deposit products

Deepening collaboration with business units to improve cross-selling

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



Initiatives In-Progress

22/76



71% Complete

In-Progress

29%

FY 2022 Financial Performance

4Q 2022

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Balance Sheet Trends

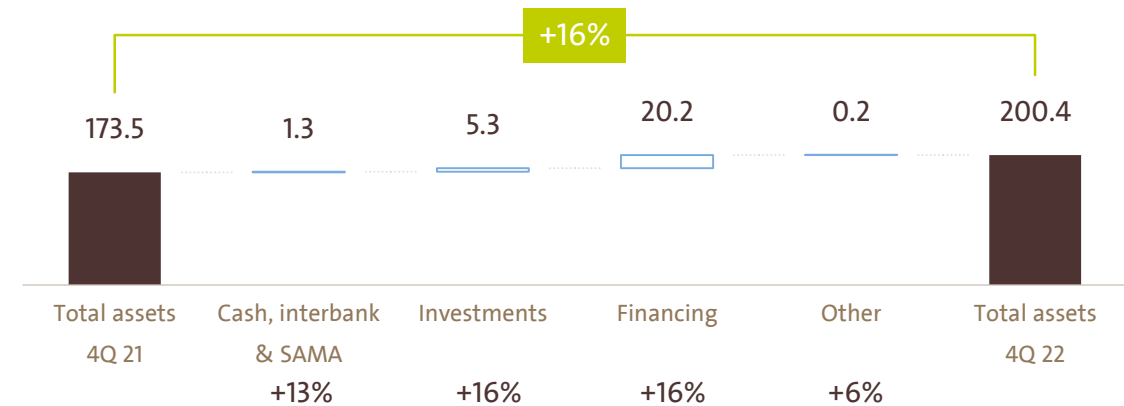
Balance sheet growth of 16% from increase in financing and investments

Management Commentary

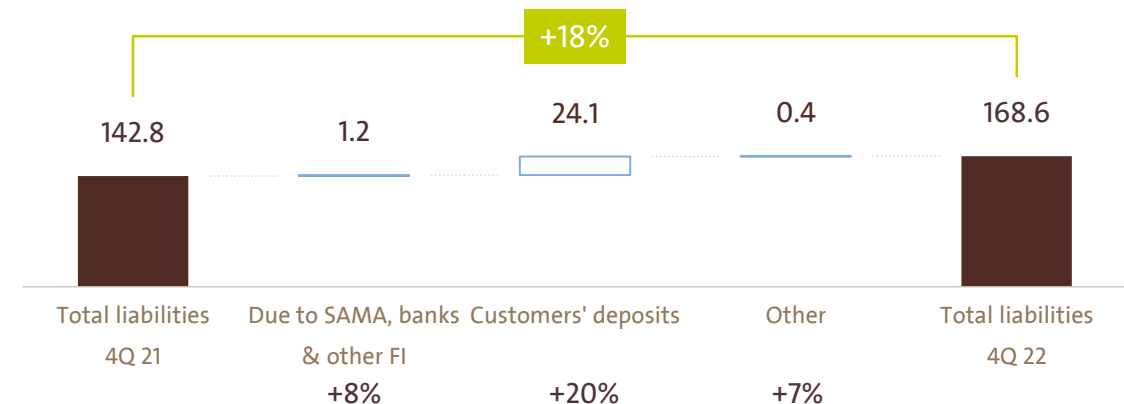
- Growth in total assets of 16% YoY mainly driven by 16% financing growth and 16% growth in investments.
- Total liabilities grew by 18% during FY 2022 mainly from a 20% rise in customers' deposits and an 8% increase in SAMA & Interbank deposits.

SAR (mn)	4Q 2022	4Q 2021	Δ%	3Q 2022	Δ%
Cash, interbank & SAMA balances	11,178	9,915	+13%	10,935	+2%
Investments	38,529	33,278	+16%	38,268	+1%
Financing	146,492	126,271	+16%	139,987	+5%
Other assets	4,238	4,012	+6%	4,039	+5%
Total assets	200,436	173,476	+16%	193,229	+4%
Due to SAMA, banks & other FI	16,483	15,240	+8%	23,225	-29%
Customers' deposits	145,168	121,061	+20%	132,048	+10%
Other liabilities	6,908	6,465	+7%	6,654	+4%
Total liabilities	168,560	142,765	+18%	161,927	+4%
Share capital	20,000	20,000	+0%	20,000	+0%
Retained earnings	4,285	3,619	+18%	5,373	-20%
Other reserves	2,591	2,092	+24%	929	+179%
Tier 1 sukuk	5,000	5,000	+0%	5,000	+0%
Total equity	31,876	30,711	+4%	31,302	+2%

Total Assets Movement YoY (SARbn)



Total Liabilities Movement YoY (SARbn)



P&L Trends

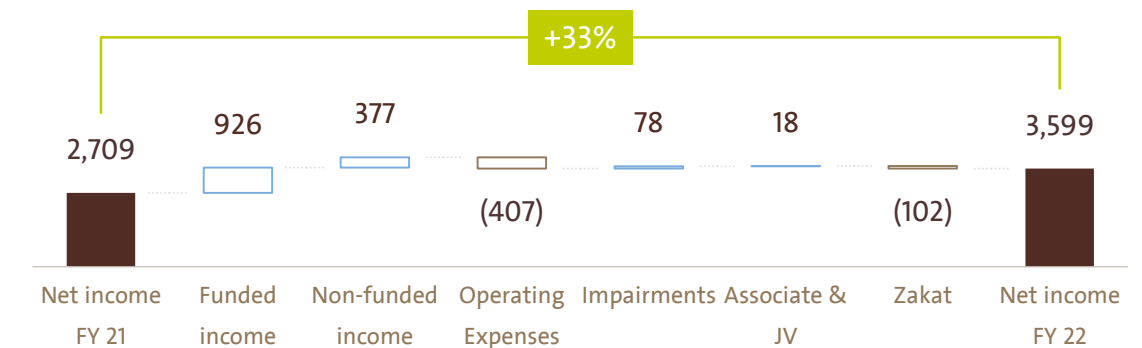
Net income for FY 2022 grew by 33% YoY due to 20% income growth and slightly lower impairment charges

Management Commentary

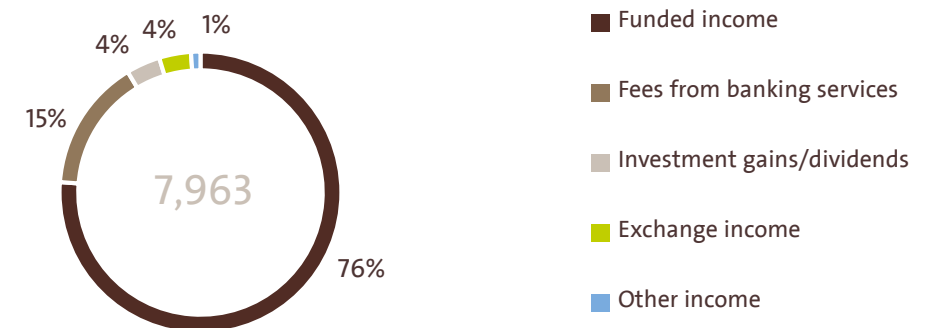
- Net income for FY 2022 grew 33% YoY to SAR 3,599mn from 20% income growth and a 6% decrease in impairments despite 17% higher operating expenses YoY.
- 4Q 2022 net income improved 39% YoY driven by 28% increase in income.

SAR (mn)	FY 2022	FY 2021	Δ%	4Q 2022	4Q 2021	Δ%
Funded income	6,066	5,140	+18%	1,668	1,309	+27%
Non-Funded income	1,897	1,519	+25%	480	371	+29%
Total operating income	7,963	6,660	+20%	2,148	1,680	+28%
Operating Expenses	2,765	2,358	+17%	750	682	+10%
Net operating income before impairment charge	5,198	4,302	+21%	1,398	998	+40%
Impairments	1,189	1,266	-6%	441	301	+46%
Net operating income	4,009	3,036	+32%	957	697	+37%
Income before zakat	4,013	3,022	+33%	959	691	+39%
Zakat	414	312	+33%	99	72	+38%
Net income	3,599	2,709	+33%	860	619	+39%

Net Income Movement YoY (SARmn)



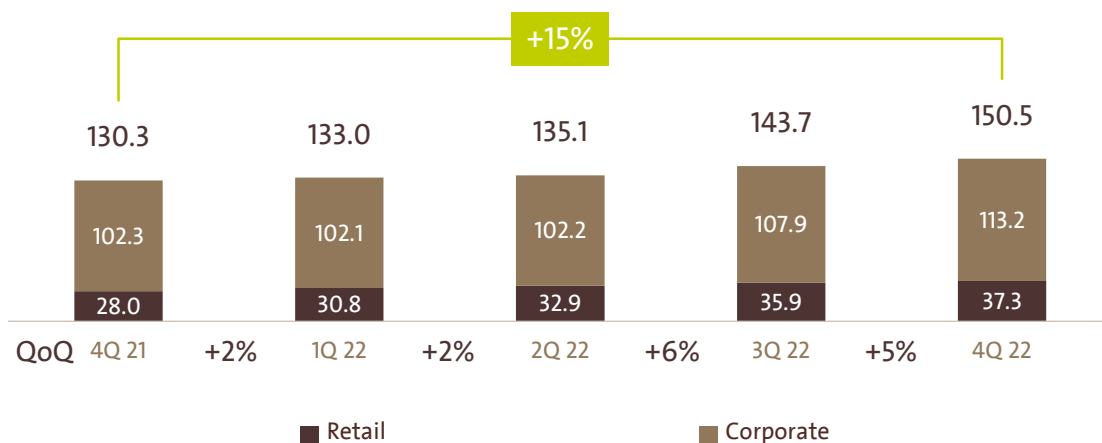
Operating Income Composition (SARmn)



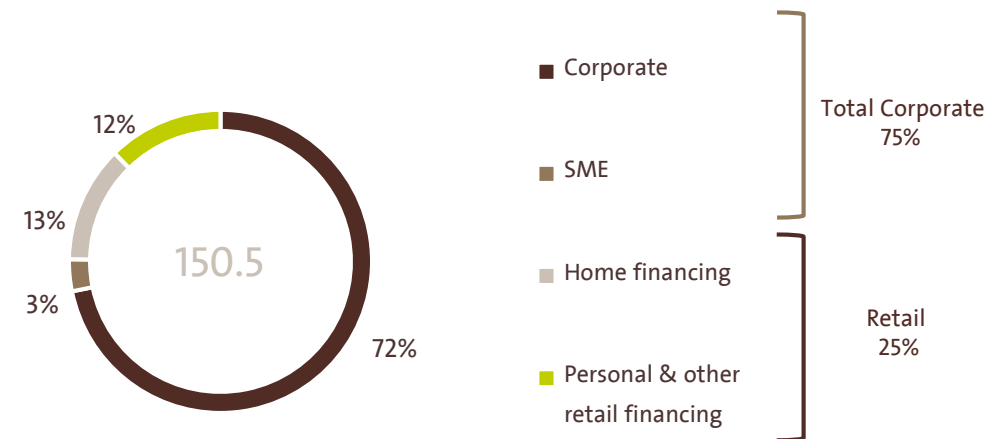
Financing

Increase in gross financing during FY 2022 from 33% growth in retail financing, and 11% in corporate financing

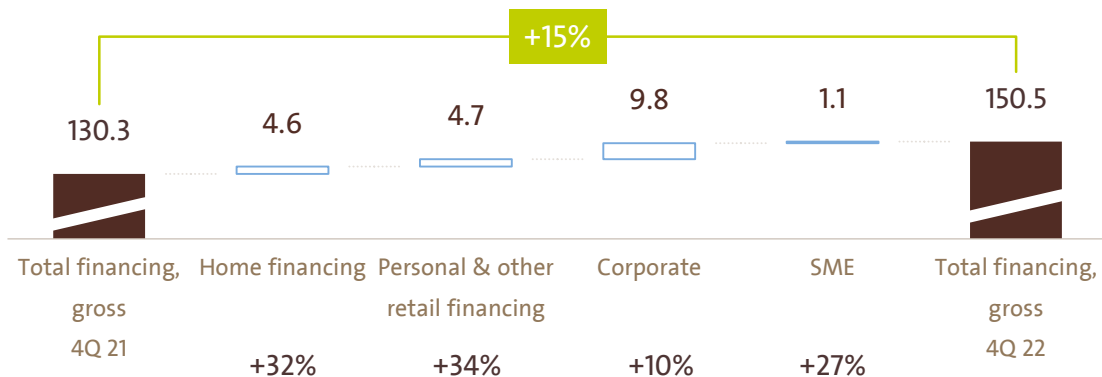
Financing, Gross (SARbn)



Financing, Gross Composition (SARbn)



Financing, Gross Movement YTD (SARbn)



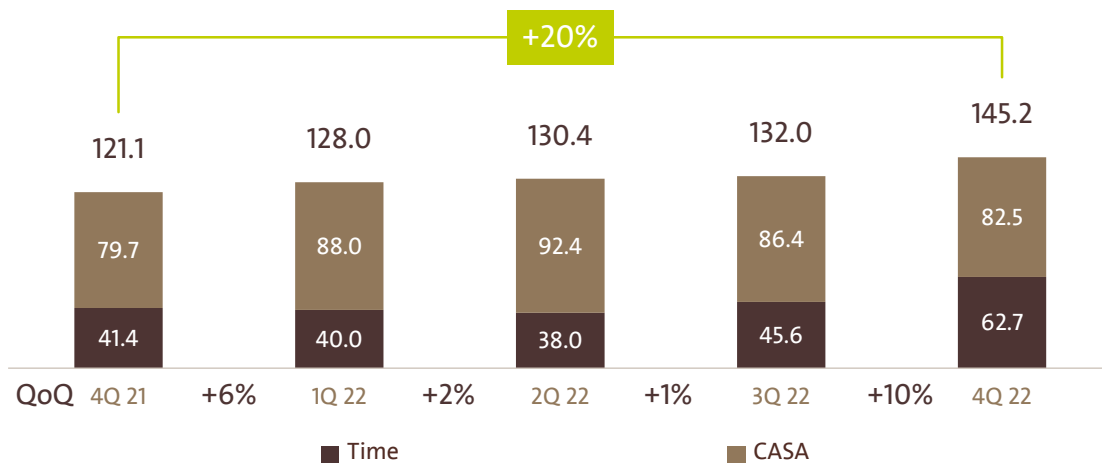
Management Commentary

- Gross financing grew 15% during FY 2022.
- Retail financing grew 33% YoY from strong momentum in home financing (+32%) and personal & other financing (+34%).
- Total corporate financing grew 11% YoY, where mid-corporate rose 270%, and SME financing increased 27%.
- Gross financing comprises of 75% corporate and 25% retail as at 31 December 2022.

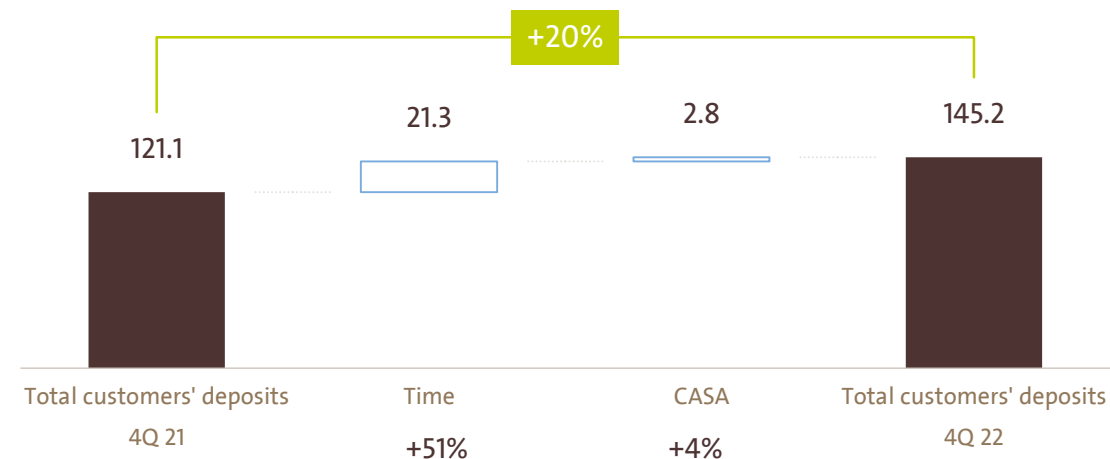
Deposits

Deposit growth of 20% driven by 4% CASA growth and 51% time deposits growth

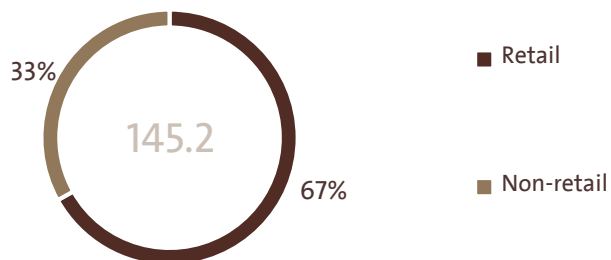
Customers' Deposits (SARbn)



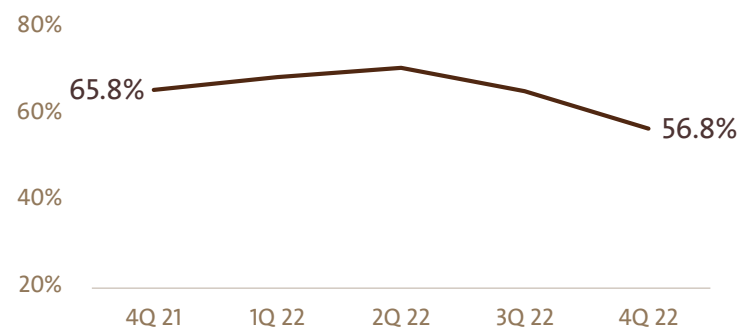
Customers' Deposits Movement YoY (SARbn)



Customers' Deposits Composition (SARbn)



CASA % of Total Deposits (%)



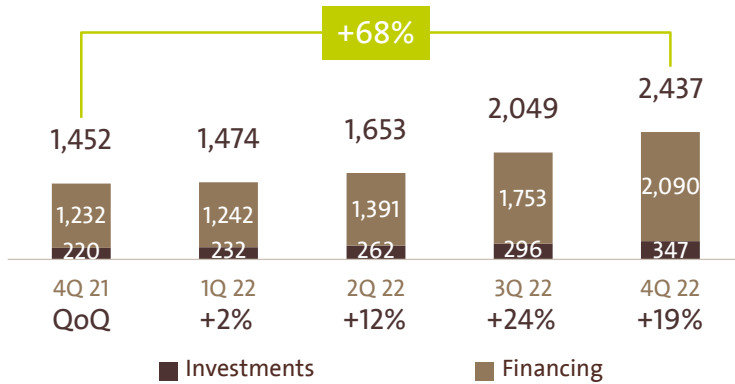
Management Commentary

- Deposits rose by 20% during FY 2022 from growth in CASA and Time deposits of 4% and 51% respectively.
- CASA deposits account for 57% of total deposits as at 4Q 2022, with the QoQ decline reflective of time deposits increasing by 37%.
- Total deposits comprise of 67% retail and 33% non-retail deposits as at 31 December 2022.

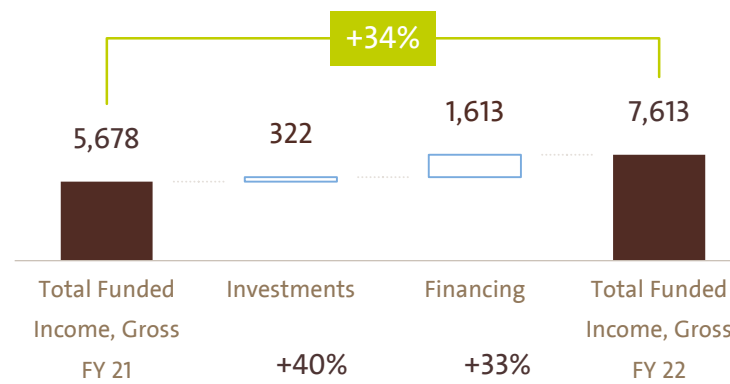
Income from Financing & Investments

Gross funded income grew 34% from 40% growth in investment income and 33% growth in financing income

Funded Income, Gross (SARmn)



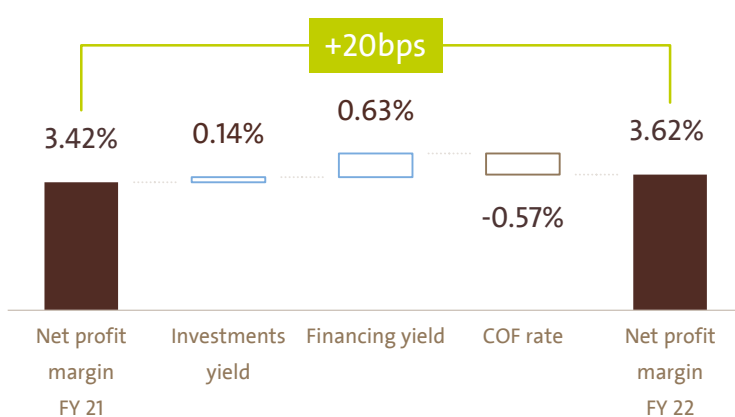
Total Funded Income, Gross Movement YoY (SARmn)



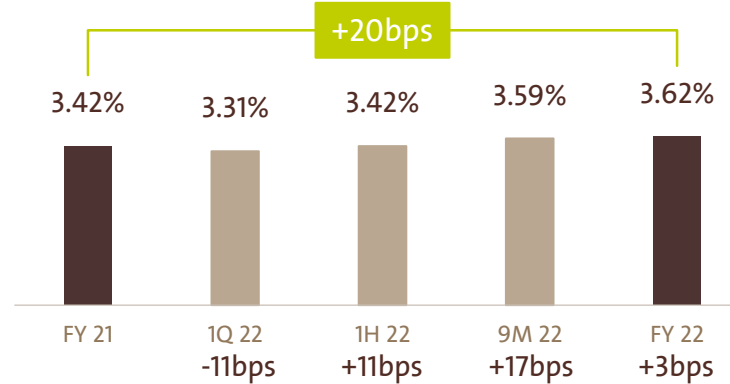
Management Commentary

- Gross funded income for FY 2022 increased by 34% YoY to SAR 7,613mn from a 40% increase in funded investment income and a 33% rise in financing income.
- The net profit margin increased by 20bps YoY to 3.62% in FY 2022.
- The expansion in gross funded income and net profit margin is largely reflective of the rising benchmark rates.

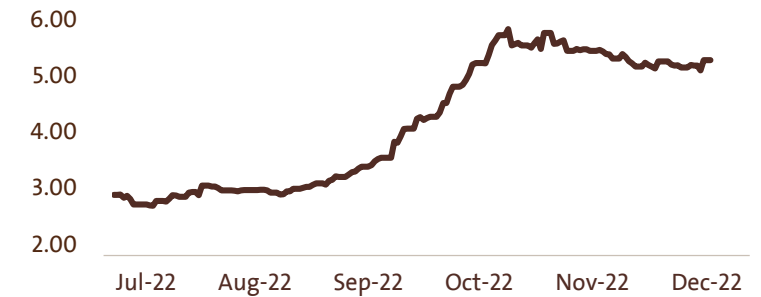
Net Profit Margin Movement YoY (%)



Net Profit Margin YTD (%)



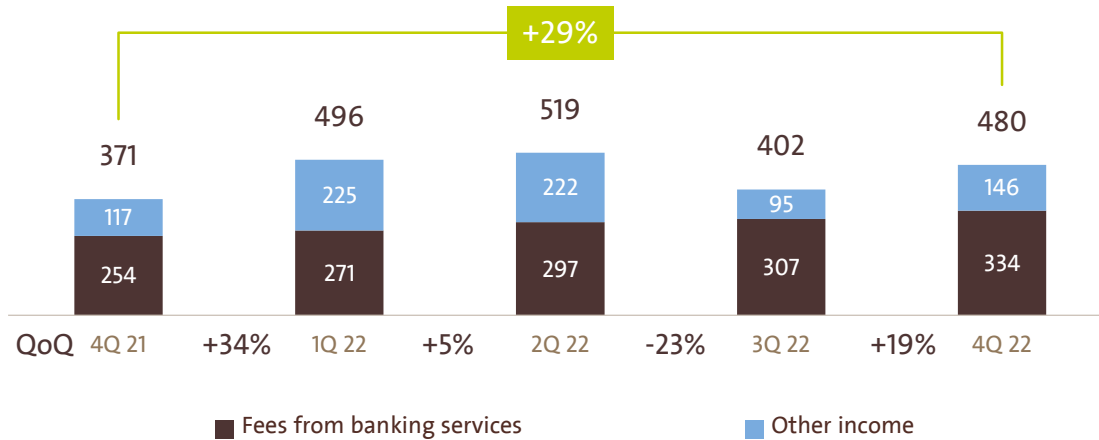
SAIBOR: 3M Spot (%)



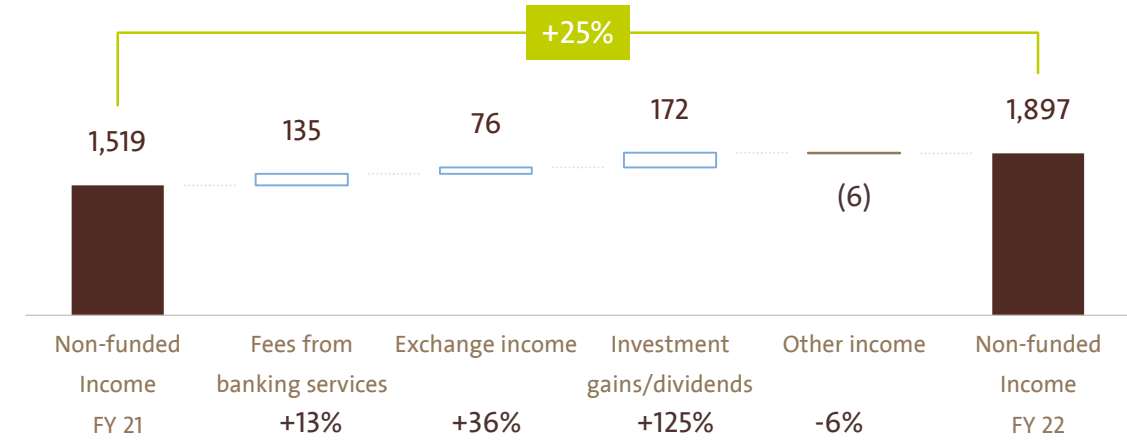
Fee and Other Income

Non-funded income for FY 2022 increased by 25% YoY

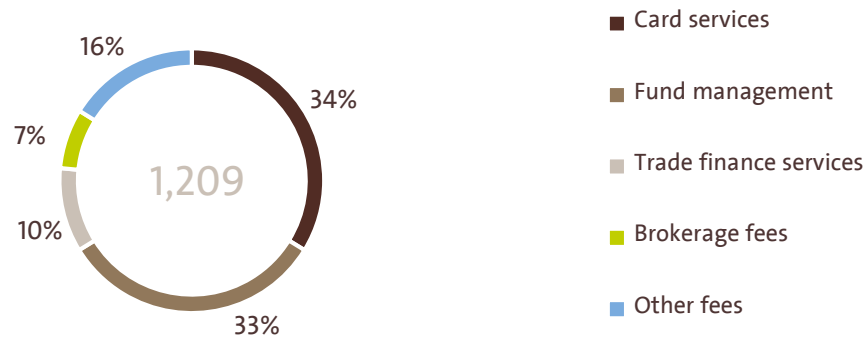
Non-Funded Income (SARmn)



Non-Funded Income Movement YoY (SARmn)



Fees from Banking Services Composition (SARmn)



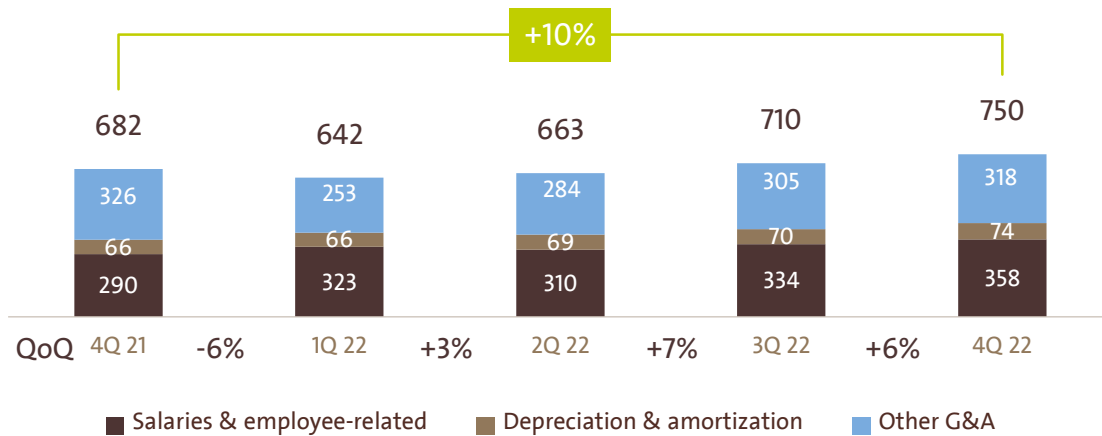
Management Commentary

- Non-funded income for FY 2022 increased 25% YoY to SAR 1,897mn from improved fees from banking services, exchange income, and investment gains/dividends.
- Card services fees comprise the majority of fees from banking services at 34%, while fund management fees account for 33%, other fees for 16% and brokerage and trade finance services fees represent 10% and 7% respectively.
- The 19% QoQ growth in non-funded income is due to growth in most key fee income sources.

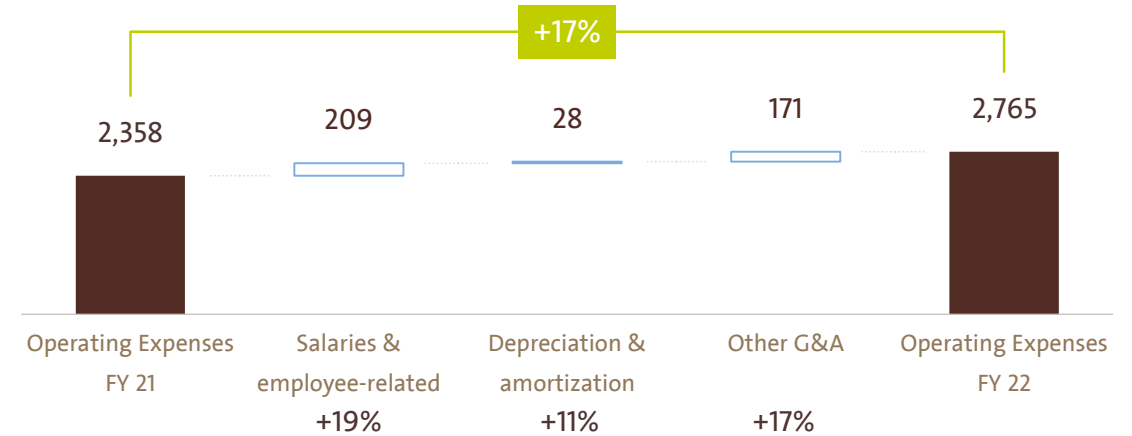
Operating Expenses

FY 2022 saw 17% growth in operating expenses YoY mainly from higher employee and G&A costs

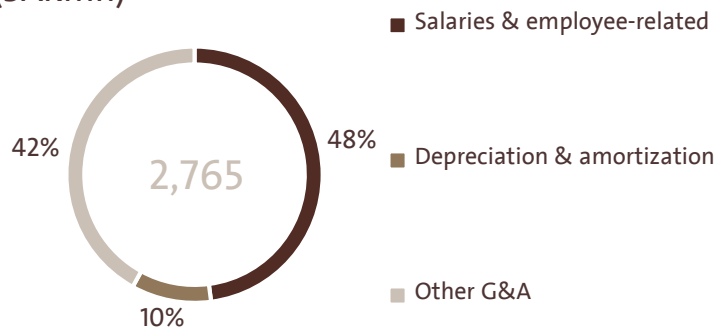
Operating Expenses (SARmn)



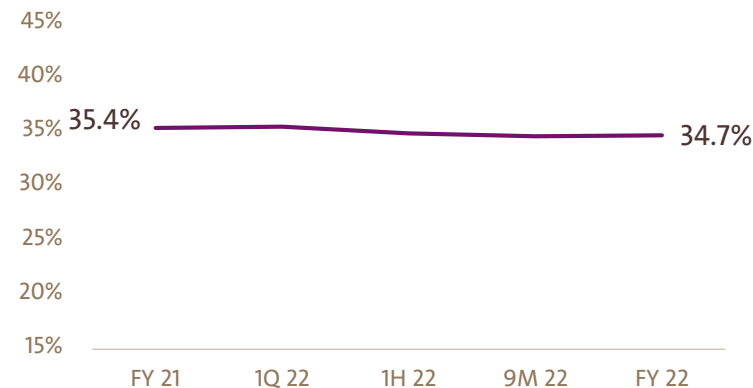
Operating Expenses Movement YoY (SARmn)



Operating Expenses Composition (SARmn)



Cost to Income Ratio (%)



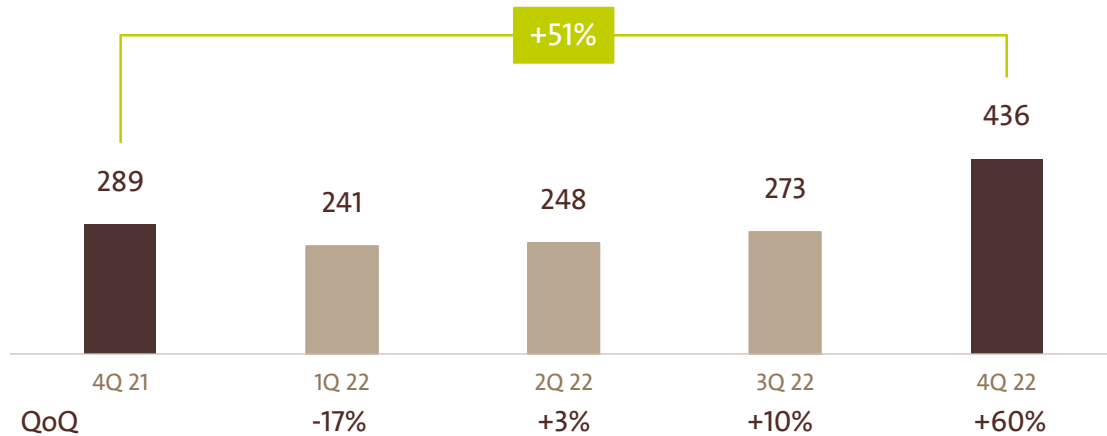
Management Commentary

- Operating expenses increased 17% YoY to SAR 2,765mn for FY 2022 mainly due to higher salaries, increased commercial expenses from POS terminal deployments, higher SMS communication, and marketing costs.
- +230bps positive Jaws contributed to a 0.7ppt decrease in the cost to income ratio from 35.4% to 34.7%.

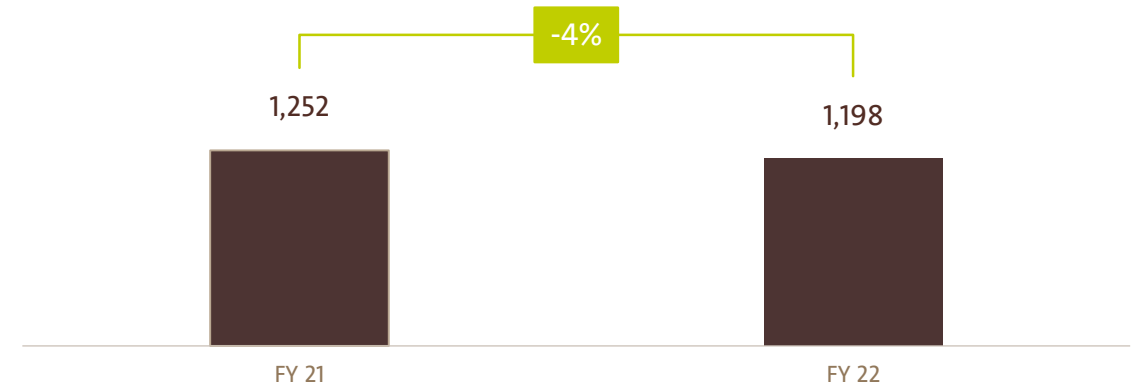
Impairments for Financing

Cost of risk for FY 2022 declined by 17bps from 4% lower credit impairment charges YoY

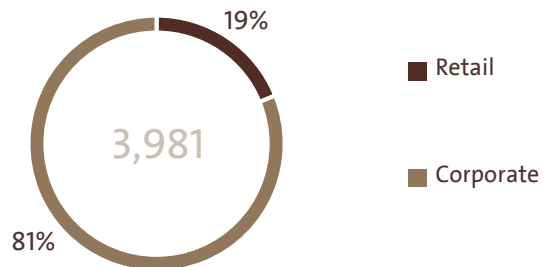
Impairments for Financing (SARmn)



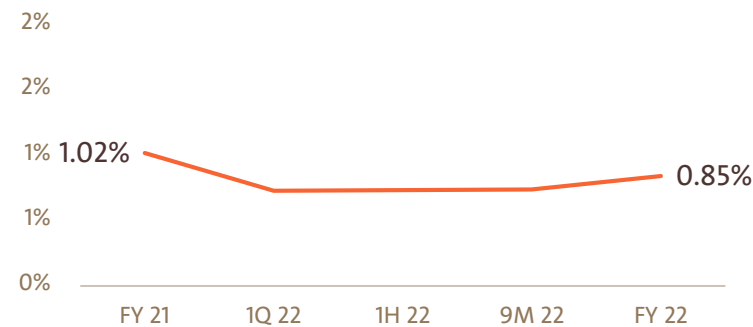
Impairments for Financing (SARmn)



Impairments Allowance Composition (SARmn)



Cost of Risk (%)



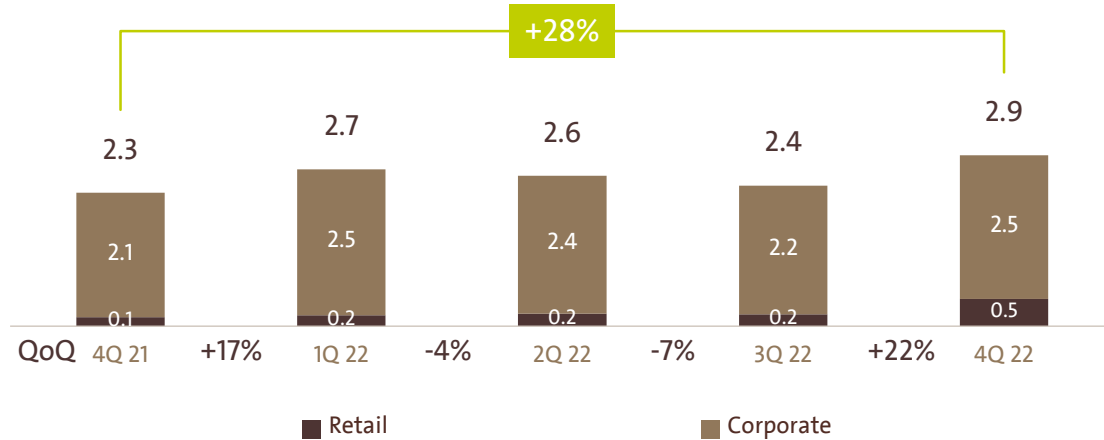
Management Commentary

- FY 2022 impairment charge for financing decreased by 4% YoY to SAR 1,198mn.
- Cost of risk for FY 2022 improved by 17bps YoY to 0.85%.
- The 4Q 2022 impairment charge for financing increased by 60% QoQ due to stage movement for some corporate accounts and increase in retail impairment charges.

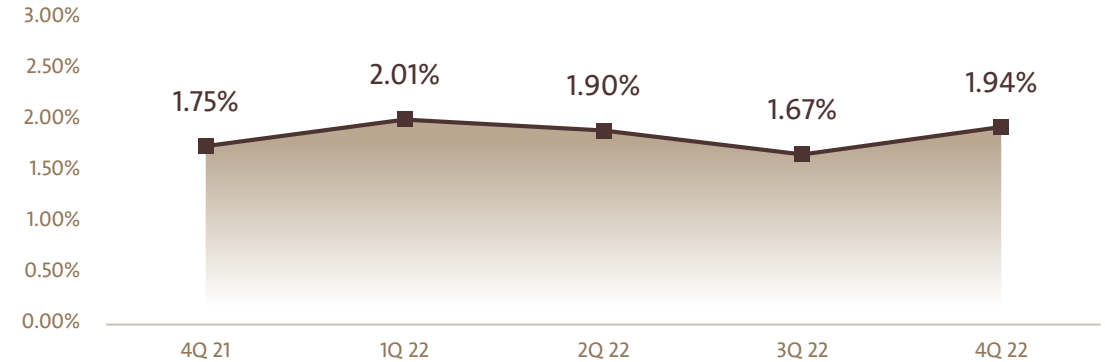
NPL & NPL Coverage

The NPL ratio increased while NPL coverage decreased YoY

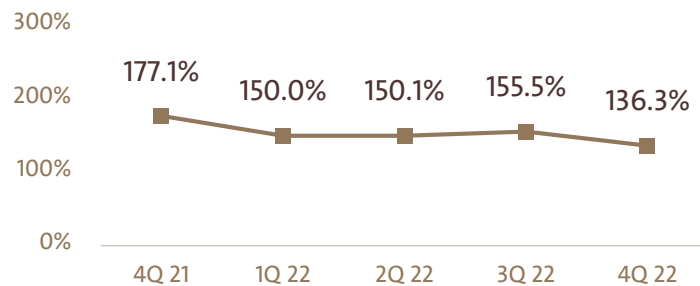
Non-Performing Loans, Gross (SARbn)



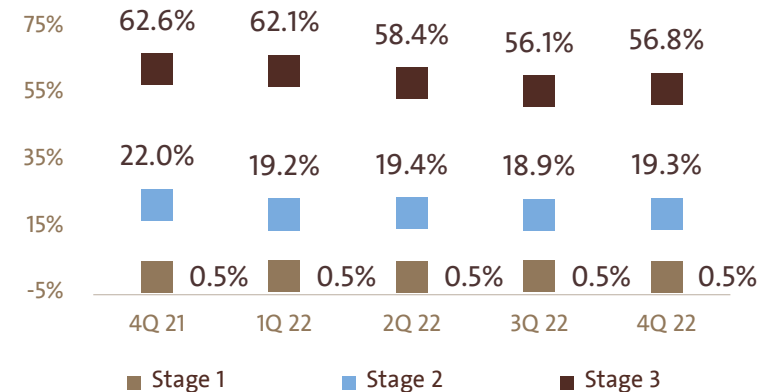
NPL Ratio (%)



NPL Coverage Ratio (%)



Stage-Wise Coverage (%)



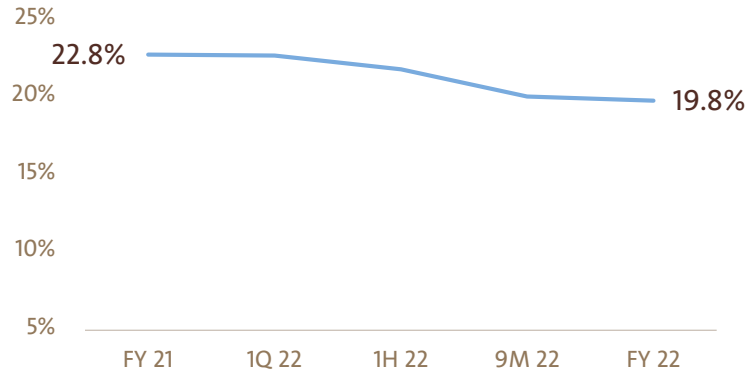
Management Commentary

- The NPL ratio increased by 19bps YoY and 27bps QoQ to 1.94% in 4Q 2022.
- NPL coverage decreased by 40.7ppts YoY to 136.3%.
- Stage 1 coverage remained stable YoY at 0.5%. Stage 2 coverage declined due to migration of highly-provisioned accounts to stage 3, while the stage 3 coverage trend was impacted by write-offs during FY 2022.

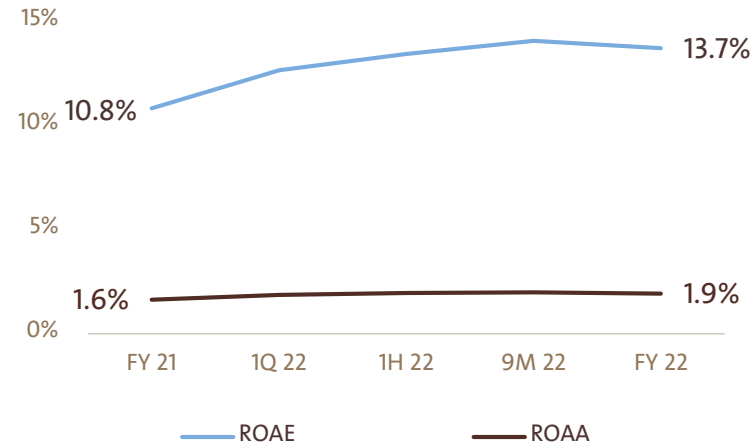
Capitalization & Liquidity

Capital and liquidity ratios remained healthy while ROE saw an increase of 2.9ppts YoY

CAR (%)



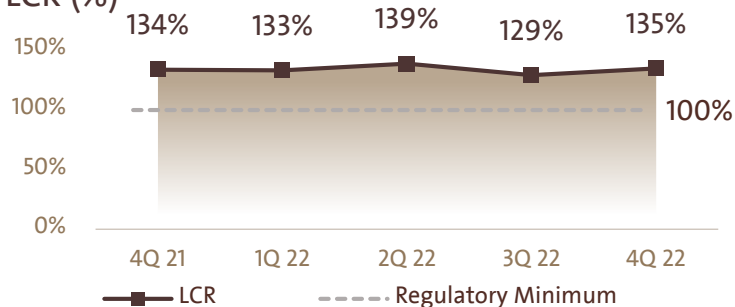
Profitability (%)



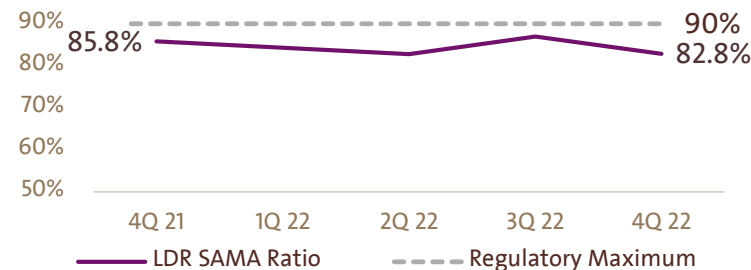
Management Commentary

- CAR has declined 3ppts YoY to 19.8% due to 20.6% increase in credit risk weighted assets due to the growth in the Bank's total assets.
- NSFR has decreased 5.6ppts YoY to 106.1% due to increase in corporate financing with long maturity followed with an increase in short term time deposits, and interbank placements.
- The LDR SAMA ratio decreased 3.0ppts YoY to 82.8%.
- 4Q 2022 LCR increased 1ppts YoY to 135%.

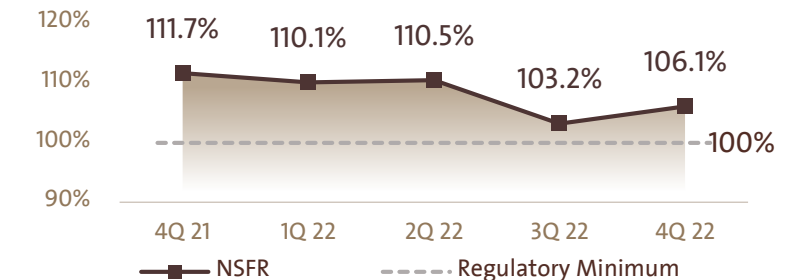
LCR (%)



LDR SAMA Ratio (%)



NSFR (%)



Outlook & Guidance

4Q 2022

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Guidance

Acceleration of strategic execution drives a promising outlook for 2023

		FY 2022A	2022G	2023G	Drivers
Balance Sheet	Financing Growth	+16% YoY	High teens	Mid teens	Strong Mid-Corp, SME & Retail growth from strategic initiatives; pick up in corporate financing
	Net Profit Margin	3.62% +20bps YoY	+20bps to +25bps	+35bps to +45bps	Rising rates and funding mix supportive of improving margin
Profitability	Cost to Income Ratio	34.7%	Below 35%	Below 32%	Growth in income, digitization & process optimization driving efficiencies, partly offset by strategic investments
	Return on Equity	13.7%	Above 13%	Above 17%	Improving NPM, efficiency and COR driving improving ROE
Asset Quality	Cost of Risk	0.85%	65-75bps	60-70bps	Cautiously expecting stable credit quality and NPL coverage, leading to COR moderation
Capital	CAR Pillar 1	19.8%	-	17%-18%	Increasing RWAs from strong expected financing growth
Return on Equity Target for 2025 above 18%					

Q&A

4Q 2022

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Appendix

4Q 2022

ESG in Action

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

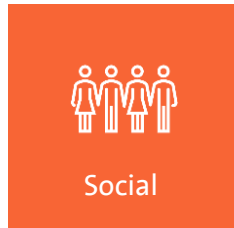


Deployment of **digital channels and digital signatures** to reduce paper; digital zones are available in all branches

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

Air conditioning timers installed in 20 branches; 10% reduction in electricity usage

Renewable (solar) energy sources piloted across regions, and has been installed on 12 branches



+88,476 **employee training hours** and +4 **employee townhalls** conducted YoY

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

1st KSA bank to sign the **Women's Empowerment Principles (WEPs)**; 36% **new women hires** in 4Q 22

Community focus with growth YoY in **SME financing** from Kafalah (+46%) and PoS (+108%) programs



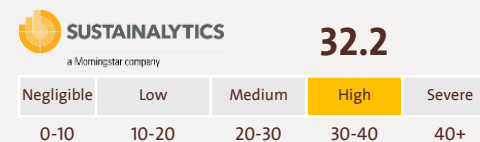
Shariah compliance through regular internal audits and committee oversight

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

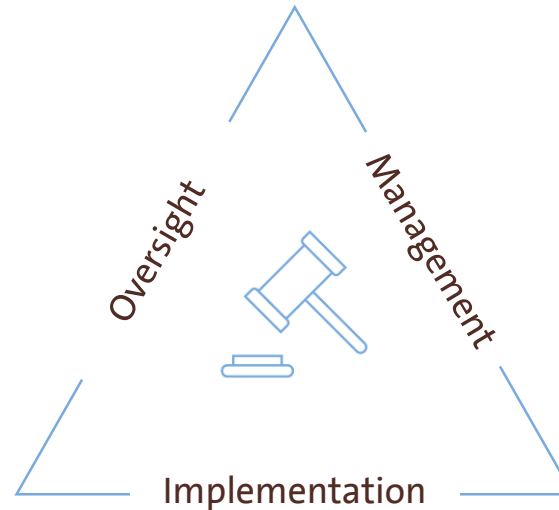
Latest ESG Ratings



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



Members



Saad Al Kroud
Chairman



Ahmed Al Alsheikh
Member



Saud Al Nemer
Member



Dina Al Nahdy
Member
**Appointed in Jan, 2023.*

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