

# Earnings Presentation

1Q 2023

Earnings Call

10 May 2023

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# Alinma Overview

1Q 2023

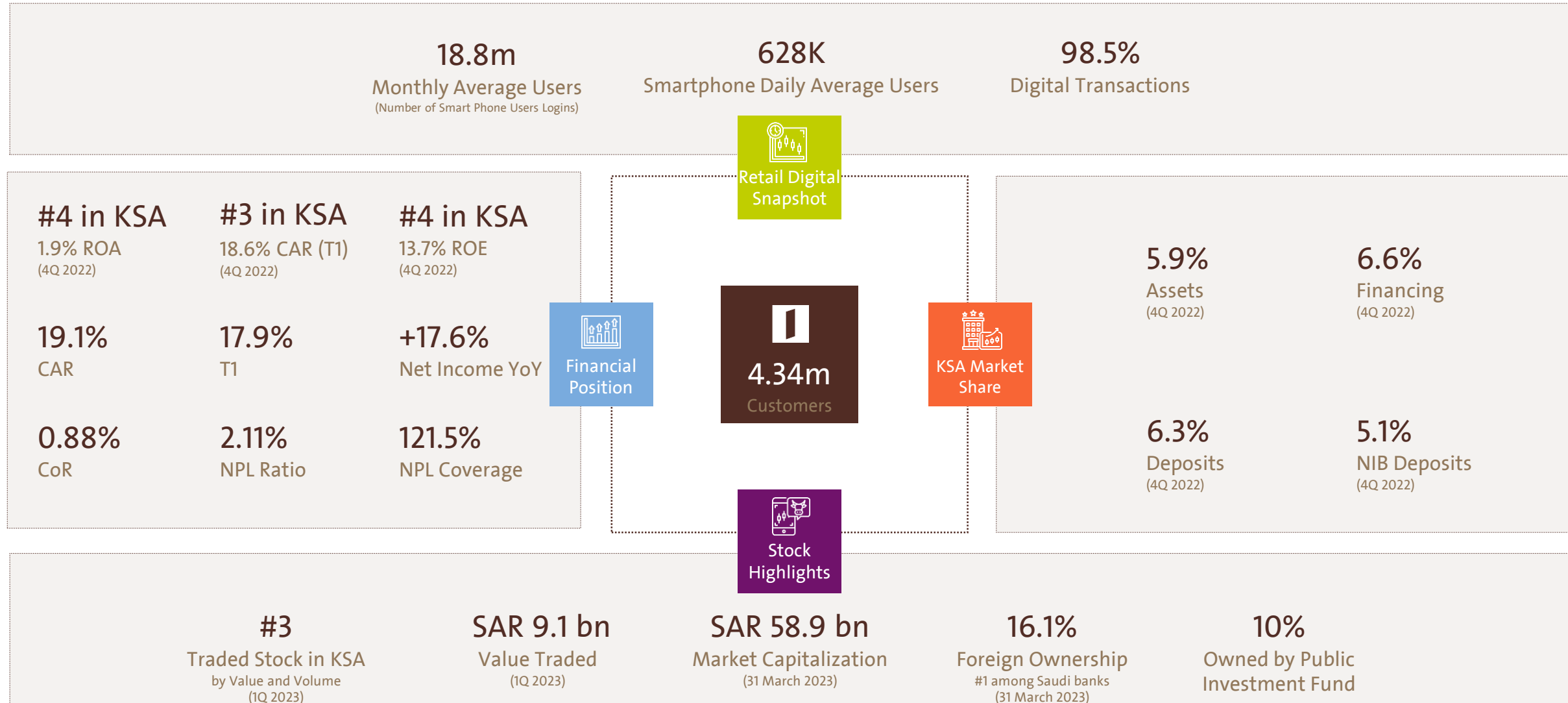
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# Alinma Overview

Alinma is the youngest bank in KSA



# Financial Performance Highlights

1Q 2023

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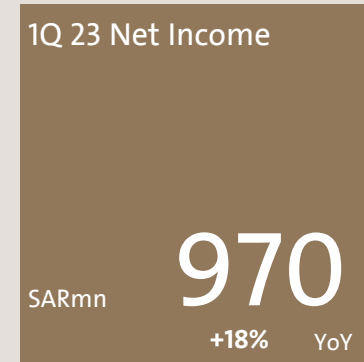
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# Financial Performance Highlights

Solid operating income growth translated into 18% growth of net income in 1Q 2023 and 14.1% ROE

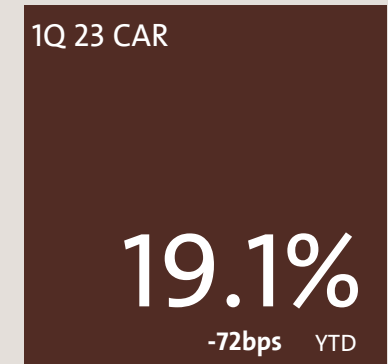
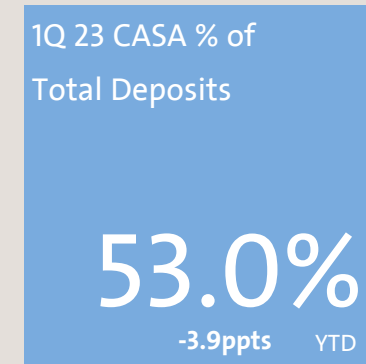
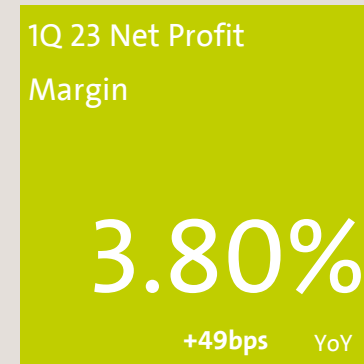
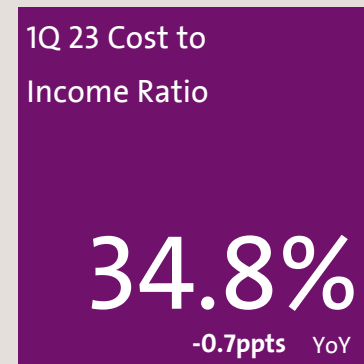
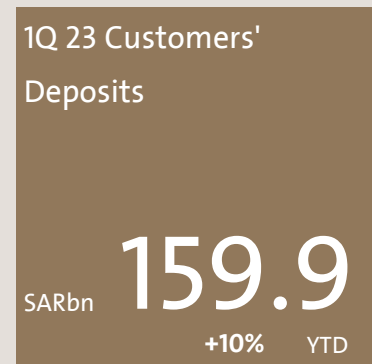
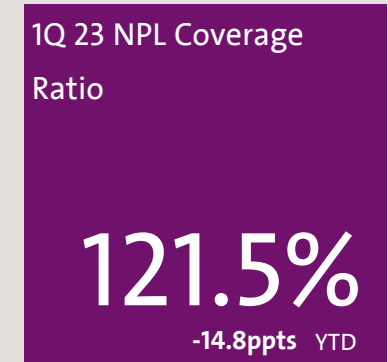
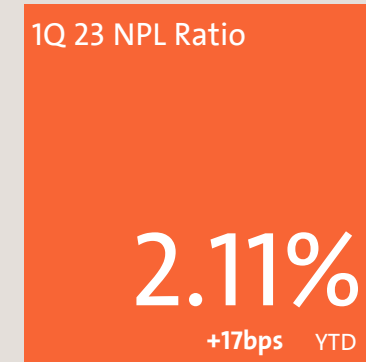
## Balance Sheet

- Increase in financing of 5% YTD from growth in retail lending and a pickup in corporate lending.
- Strong growth of 10% in customers' deposits YTD driven by growth of CASA and Time deposits by 3% and 20% respectively.



## Credit Quality, Capital and Liquidity

- NPL and NPL coverage ratios at 2.11% and 121.5% respectively. Cost of risk increased by 15bps YoY to 0.88%.
- Capitalization and liquidity positions remained healthy and within regulatory limits.



# Strategy Update

1Q 2023

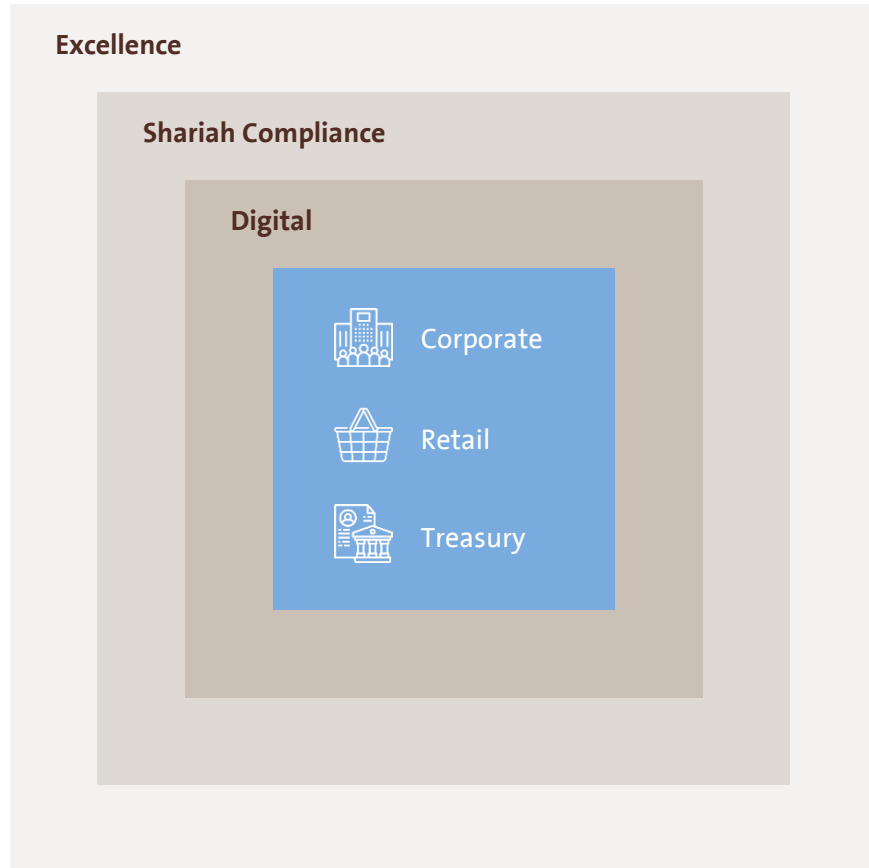
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# Strategic Positioning

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

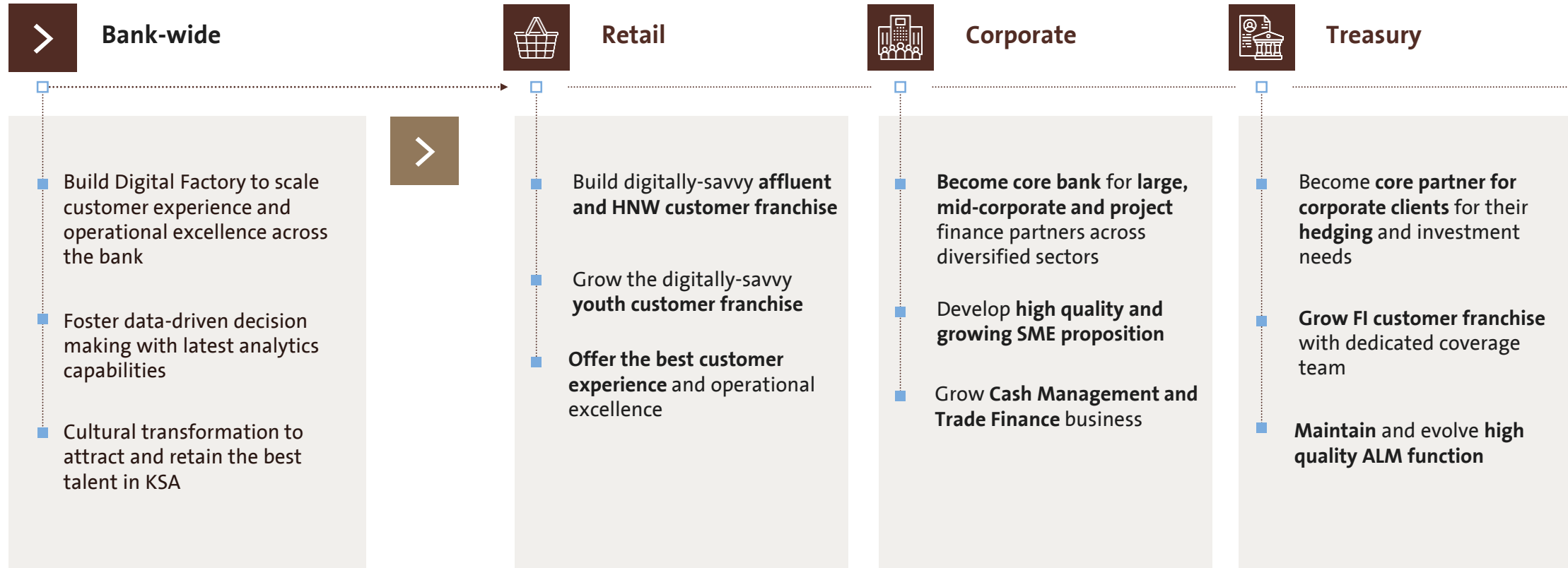


- Bank wide**
- Be recognized and celebrated as the **fastest and most convenient bank in KSA**
  - Be the **#1 in Net Promoter Score (NPS)** across KSA Banks
  - Be the **#1 Employer of choice** across KSA Banks
- 
- Segment wise**
- Be the **most digitally advanced, fastest, and most convenient Retail 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

## 1Q 2023 Initiatives Completed to Date



### Bank-wide

22/28



### Retail

12/18



### Corporate

9/19



### Treasury

12/12

- Introduced Chat-bot service
- Launched new Alinma mobile app
- Health check automation script for testing environments
- 95.15% Saudization; 19.52% female of total workforce
- Completed 2 Advanced Analytics (AA) use cases
- Implemented AI Anti-Fraud

- Launched Off-plan commodity product
- Launched new Personal Finance Product “Against Portfolio”
- Launched commodity based “Equity Release”
- Merged 10 branches
- Implemented a revamped loyalty program “Akthar” with many enhanced features & new redemption options

- Product bundling designed and introduced for SME customers
- +49% growth in booked assets under Mid-Corporate banking segment
- +44% growth in non-funded assets (LG & LC) under Mid-Corporate banking segment
- +13% Kafalah financing; +53% Program Based Lending
- Developed Murabaha Overdraft product
- Built Corporate Support Services team to organize and enhance corporate operational work

- Expanded derivatives customer base
- Increased total investment by +1.1bn
- Achieved FX business volumes of SAR +24bn
- Expanded network of correspondent banks (+6) globally
- Achieved PRS volumes of SAR +7.8bn
- Introduced Shariah compliant products in alignment with international players such as evergreen Repo and Profit Rate Cap and floor products



### Progress to date

55/77\*



71%

\* 1 new initiative added in 1Q 2023

# Strategy Update

## 2023 Initiatives In-Progress



Expanding the digital factory for the transformation

Progressing on robotic process automation

Kicked-off initiatives to increase the OHI score

Drive employee engagement /organizational health initiatives across various functions

Developing Retail credit scoring system

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

Continue Implementation of branches merger plans

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

22/77

71% Complete

In-Progress

29%

# 1Q 2023 Financial Performance

1Q 2023

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# Balance Sheet Trends

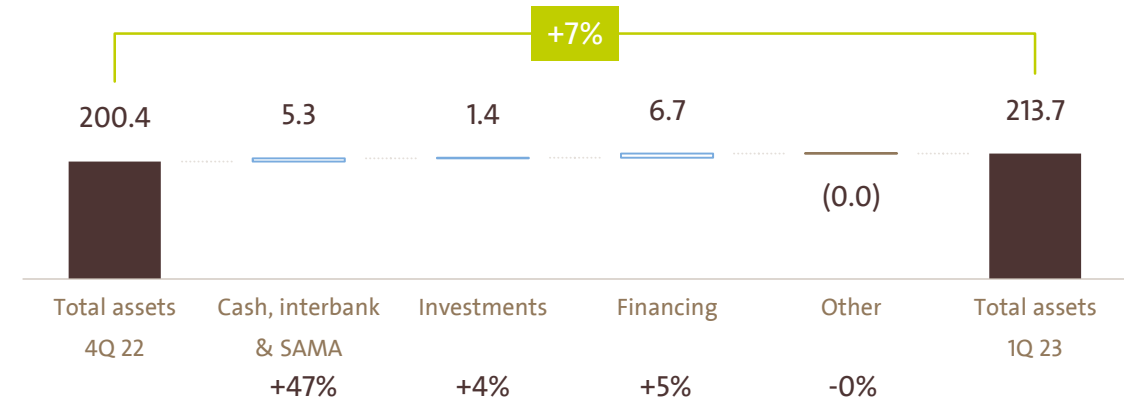
Balance sheet growth of 7% from increase in financing and investments

## Management Commentary

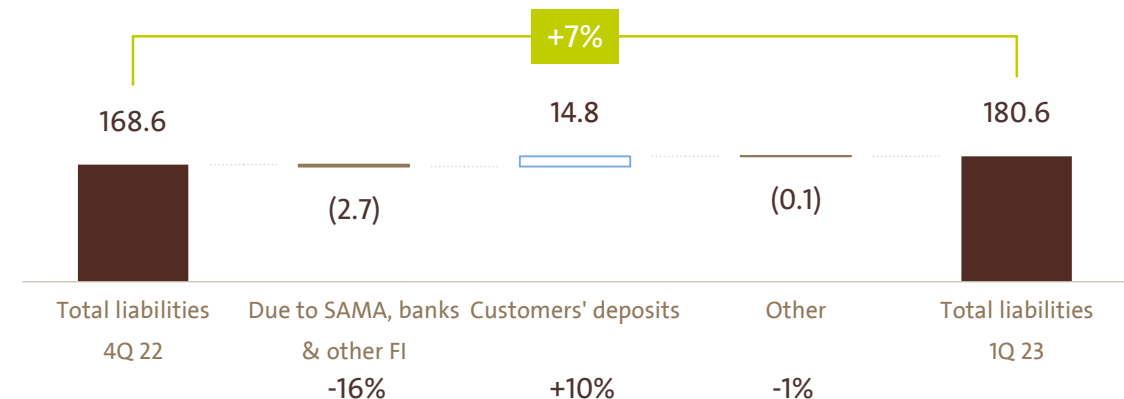
- Growth in total assets of 7% YTD mainly driven by 5% financing growth and 4% growth in investments and 47% growth in balances with SAMA.
- Total liabilities grew by 7% during 1Q 2023 mainly from a 10% rise in customers' deposits.

SAR (mn)	1Q 2023	4Q 2022	Δ%	1Q 2022	Δ%
Cash, interbank & SAMA balances	16,475	11,178	+47%	11,051	+49%
Investments	39,884	38,529	+4%	36,026	+11%
Financing	153,153	146,492	+5%	128,965	+19%
Other assets	4,237	4,238	-0%	3,477	+22%
<b>Total assets</b>	<b>213,749</b>	<b>200,436</b>	<b>+7%</b>	<b>179,519</b>	<b>+19%</b>
Due to SAMA, banks & other FI	13,805	16,483	-16%	13,245	+4%
Customers' deposits	159,948	145,168	+10%	128,035	+25%
Other liabilities	6,832	6,908	-1%	6,720	+2%
<b>Total liabilities</b>	<b>180,586</b>	<b>168,560</b>	<b>+7%</b>	<b>148,001</b>	<b>+22%</b>
Share capital	20,000	20,000	+0%	20,000	+0%
Retained earnings	5,215	4,285	+22%	4,449	+17%
Other reserves	2,949	2,591	+14%	2,069	+42%
Tier 1 sukuk	5,000	5,000	+0%	5,000	+0%
<b>Total equity</b>	<b>33,164</b>	<b>31,876</b>	<b>+4%</b>	<b>31,518</b>	<b>+5%</b>

## Total Assets Movement YTD (SARbn)



## Total Liabilities Movement YTD (SARbn)



# P&L Trends

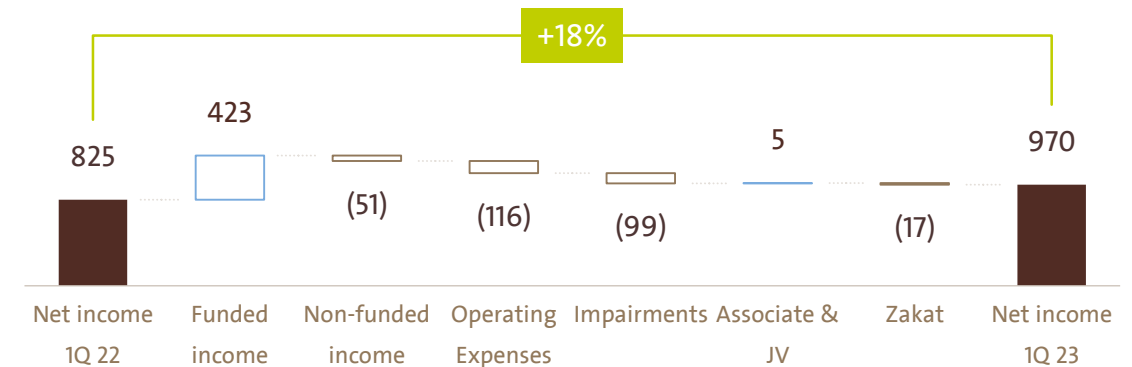
Net income for 1Q 2023 grew by 18% YoY due to 21% income growth

## Management Commentary

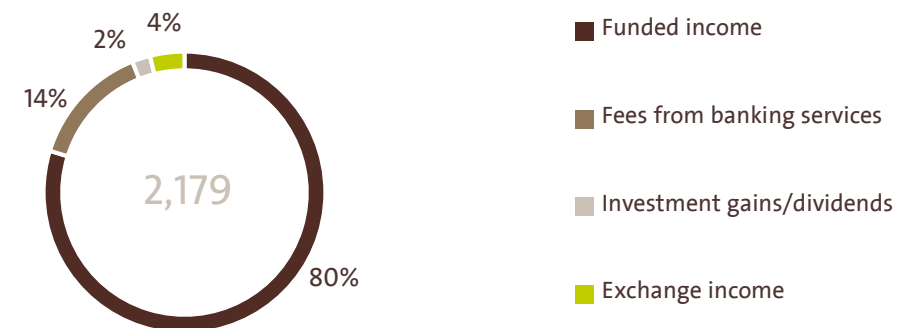
- Net income for 1Q 2023 grew 18% YoY to SAR 970mn from 21% income growth even with 18% higher operating expenses YoY.
- 1Q 2023 net income improved 13% QoQ driven by 1% increase in income and a 22% decrease in impairments.

SAR (mn)	1Q 2023	4Q 2022	Δ%	1Q 2022	Δ%
Funded income	1,735	1,668	+4%	1,312	+32%
Non-Funded income	445	480	-7%	496	-10%
<b>Total operating income</b>	<b>2,179</b>	<b>2,148</b>	<b>+1%</b>	<b>1,808</b>	<b>+21%</b>
Operating Expenses	758	750	+1%	642	+18%
<b>Net operating income before impairment charge</b>	<b>1,422</b>	<b>1,398</b>	<b>+2%</b>	<b>1,165</b>	<b>+22%</b>
Impairments	343	441	-22%	243	+41%
<b>Net operating income</b>	<b>1,079</b>	<b>957</b>	<b>+13%</b>	<b>922</b>	<b>+17%</b>
<b>Income before zakat &amp; income tax</b>	<b>1,081</b>	<b>959</b>	<b>+13%</b>	<b>920</b>	<b>+18%</b>
Zakat	111	99	+13%	95	+18%
<b>Net income</b>	<b>970</b>	<b>860</b>	<b>+13%</b>	<b>825</b>	<b>+18%</b>

## Net Income Movement YoY (SARmn)



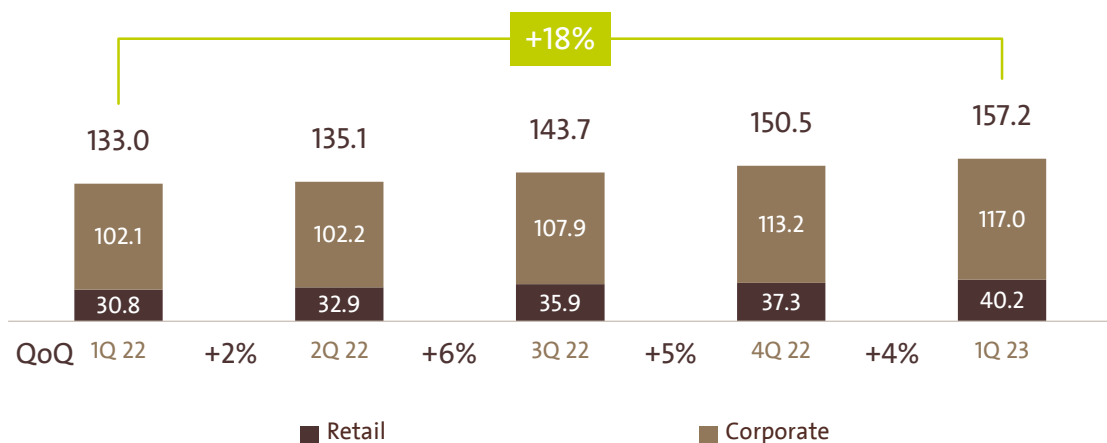
## Operating Income Composition (SARmn)



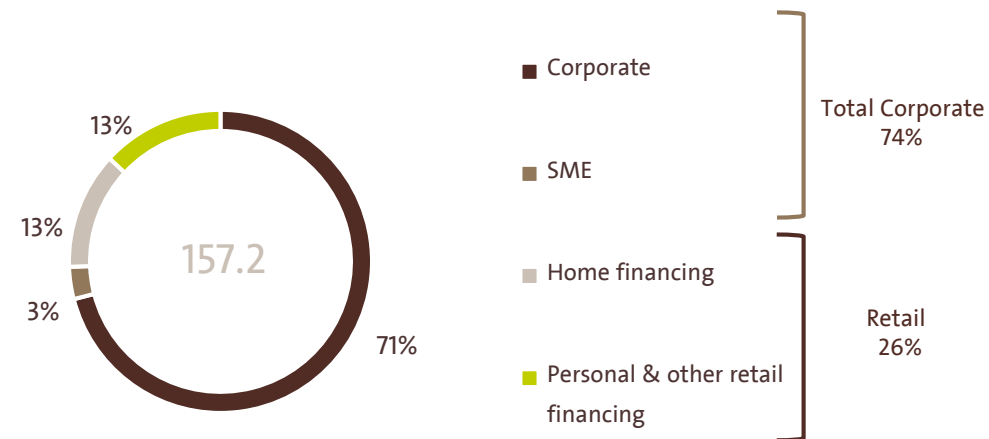
# Financing

Increase in gross financing during 1Q 2023 from 8% growth in retail financing, and 3% in corporate financing

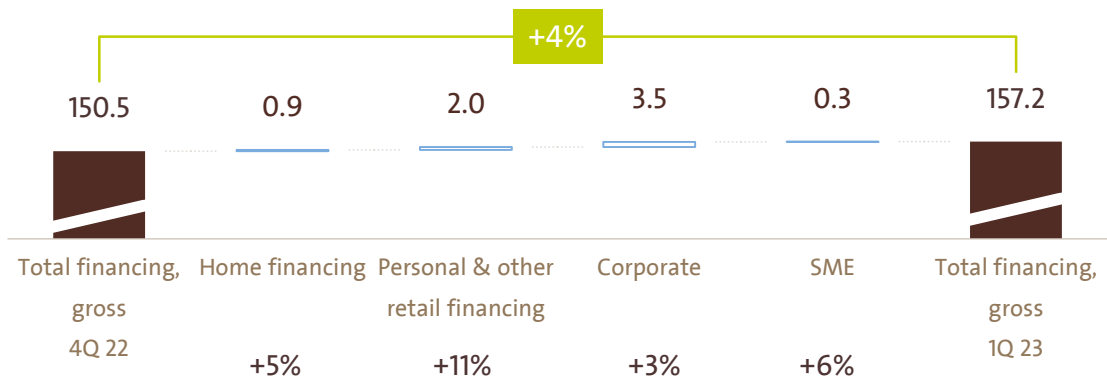
Financing, Gross (SARbn)



Financing, Gross Composition (SARbn)



Financing, Gross Movement YTD (SARbn)



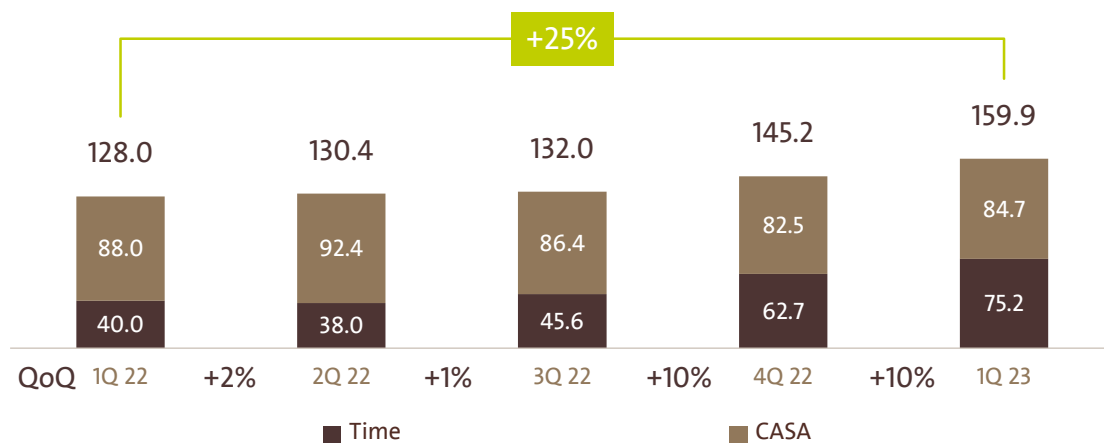
## Management Commentary

- Gross financing grew 4% during 1Q 2023.
- Retail financing grew 8% YTD from strong momentum in personal & other financing (+11%).
- Total corporate financing grew 3% YTD, where mid-corporate rose 49%, and SME financing increased 6%.
- Gross financing comprises of 74% corporate and 26% retail as at 31 March 2022.

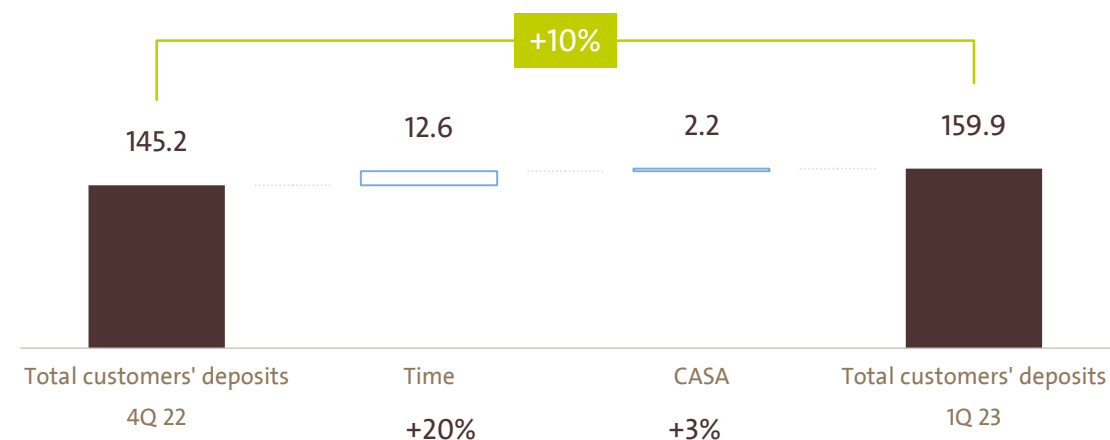
# Deposits

Deposit growth of 10% driven by 3% CASA growth and 20% time deposits growth

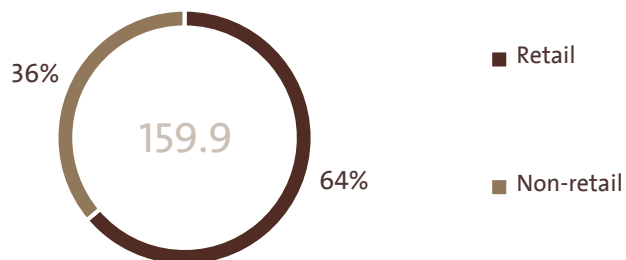
Customers' Deposits (SARbn)



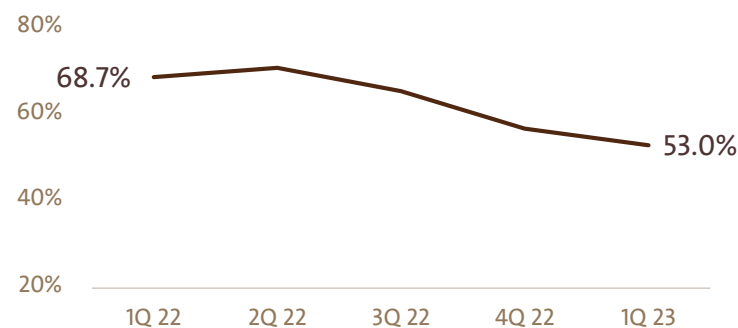
Customers' Deposits Movement YTD (SARbn)



Customers' Deposits Composition (SARbn)



CASA % of Total Deposits (%)



## Management Commentary

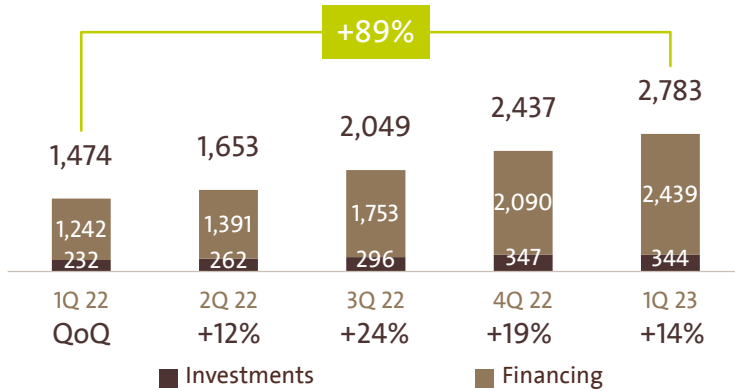
- Deposits rose by 10% during 1Q 2023 from growth in CASA and Time deposits of 3% and 20% respectively.
- CASA deposits account for 53% of total deposits as at 1Q 2023.
- Total deposits comprise of 64% retail and 36% non-retail deposits as at 31 March 2023.



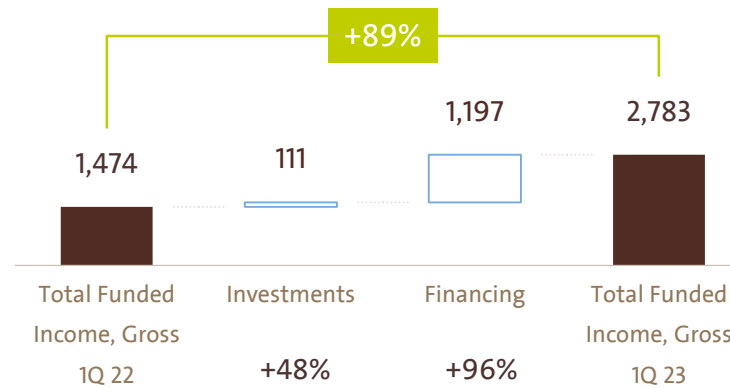
# Income from Financing & Investments

Gross funded income grew 89% from 48% growth in investment income and 96% growth in financing income

Funded Income, Gross (SARmn)



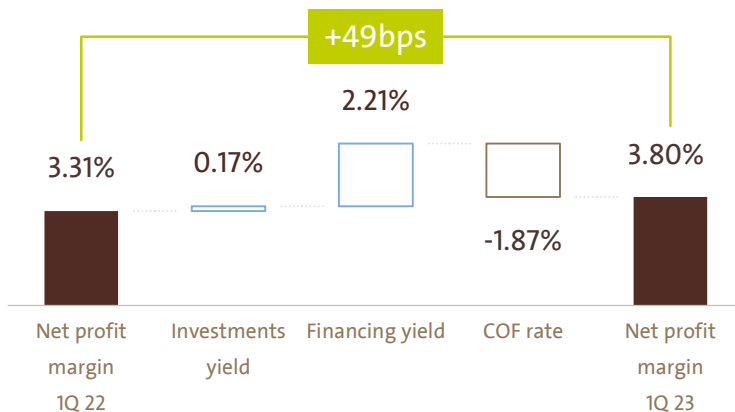
Total Funded Income, Gross Movement YoY (SARmn)



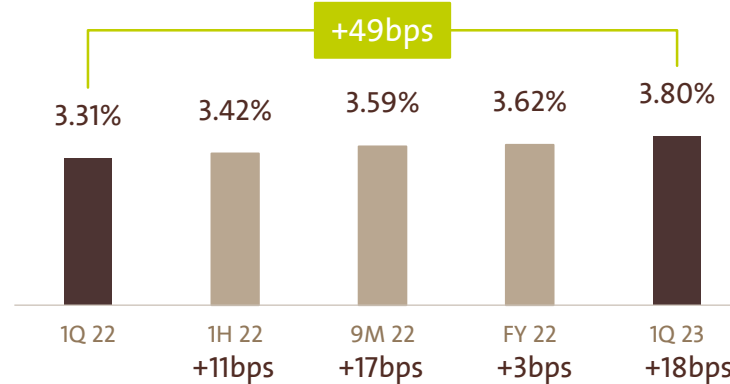
Management Commentary

- Gross funded income for 1Q 2023 increased by 89% YoY to SAR 2,783mn from a 48% increase in funded investment income and a 96% rise in financing income.
- The net profit margin increased by 49bps YoY to 3.80% in 1Q 2023.
- The expansion in gross funded income and net profit margin is largely reflective of the rising benchmark rates.

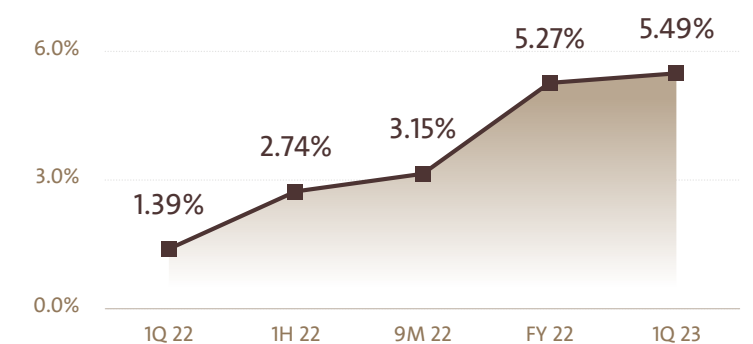
Net Profit Margin Movement YoY (%)



Net Profit Margin YTD (%)



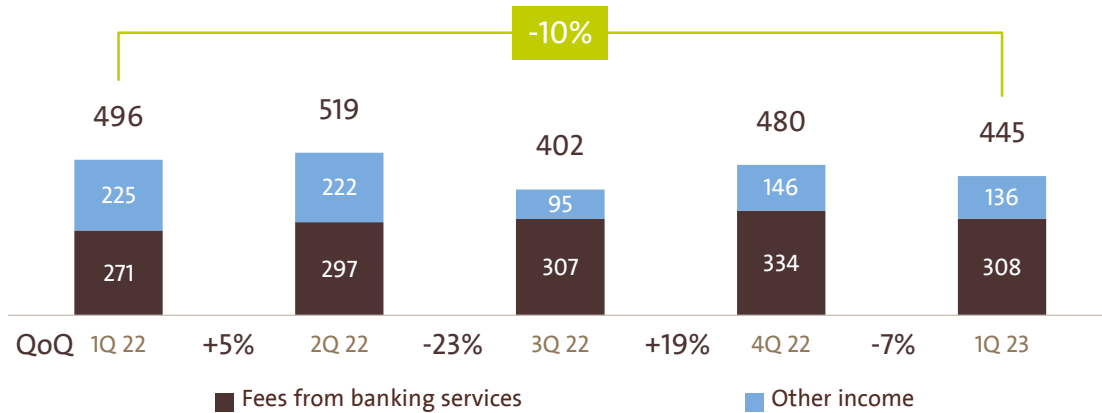
SAIBOR: 3M Average Trend (%)



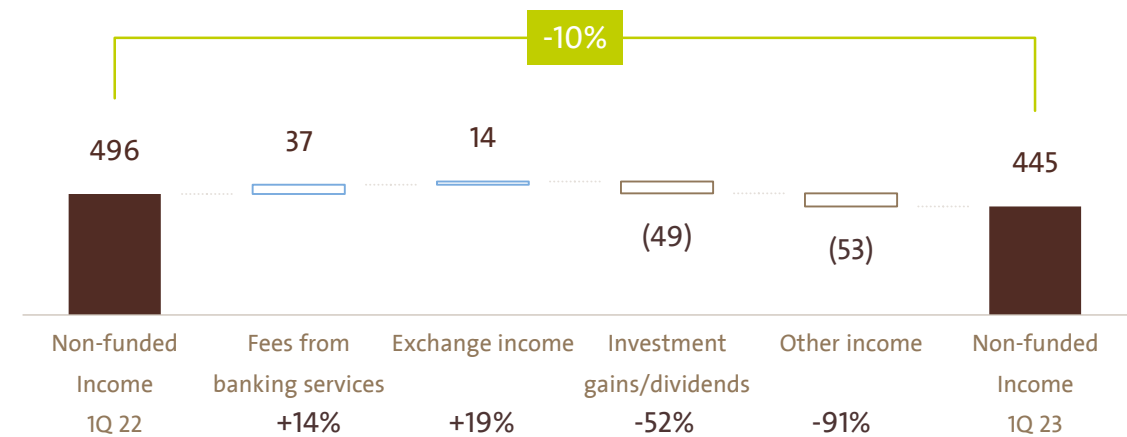
# Fee and Other Income

Non-funded income for 1Q 2023 decreased by 10% YoY

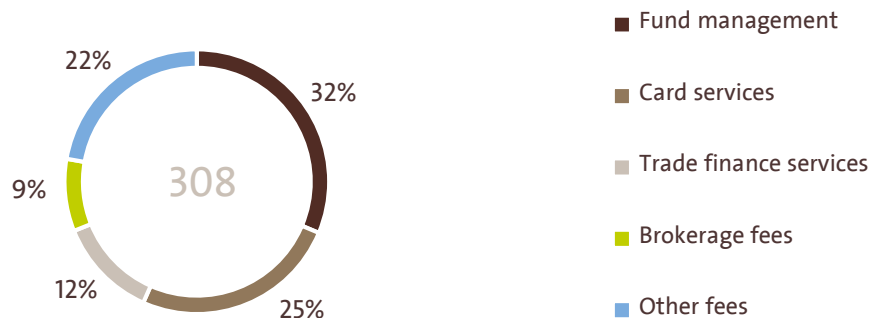
Non-Funded Income (SARmn)



Non-Funded Income Movement YoY (SARmn)



Fees from Banking Services Composition (SARmn)



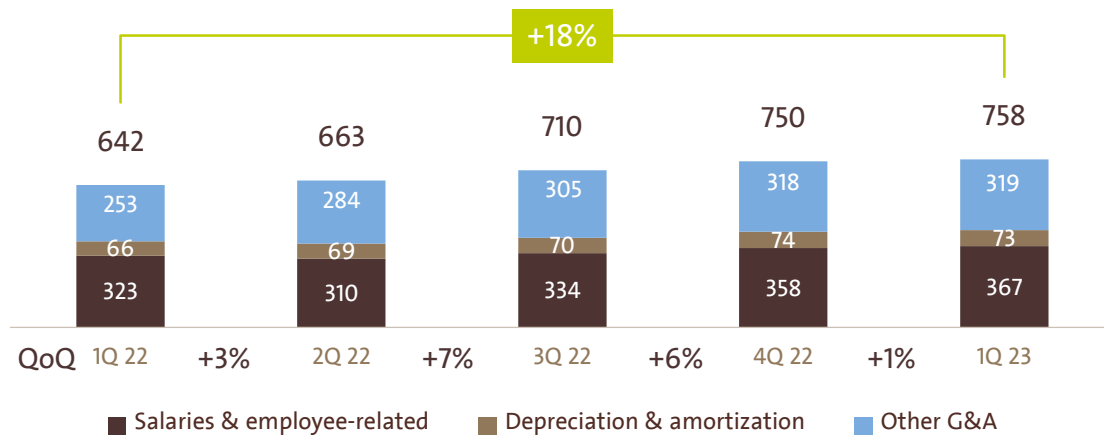
## Management Commentary

- Non-funded income for 1Q 2023 decreased 10% YoY to SAR 445mn from decline in investment gains and other income, despite improved fees from banking services, and exchange income.
- Fund management fees comprise the majority of fees from banking services at 32%, while card services fees account for 25%, other fees for 22% and trade finance services and brokerage fees represent 12% and 9% respectively.

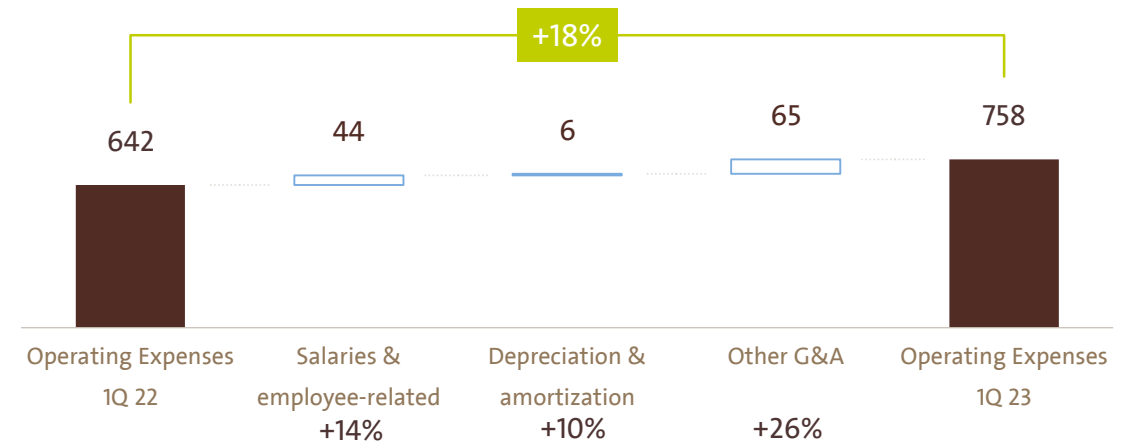
# Operating Expenses

1Q 2023 saw 18% growth in operating expenses YoY mainly from higher employee and G&A costs

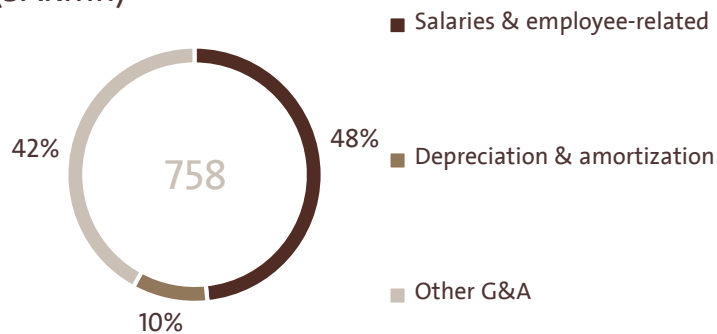
Operating Expenses (SARmn)



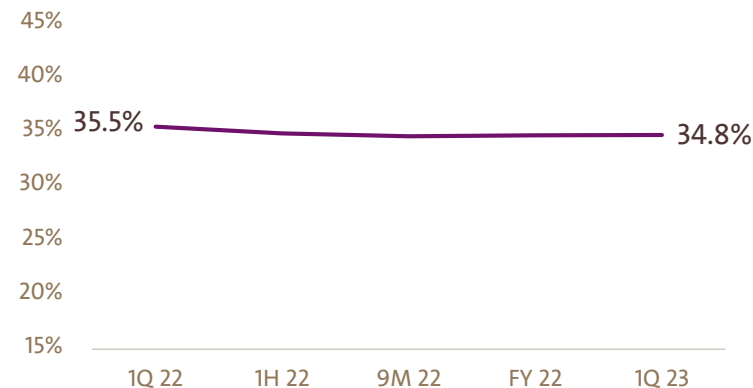
Operating Expenses Movement YoY (SARmn)



Operating Expenses Composition (SARmn)



Cost to Income Ratio (%)



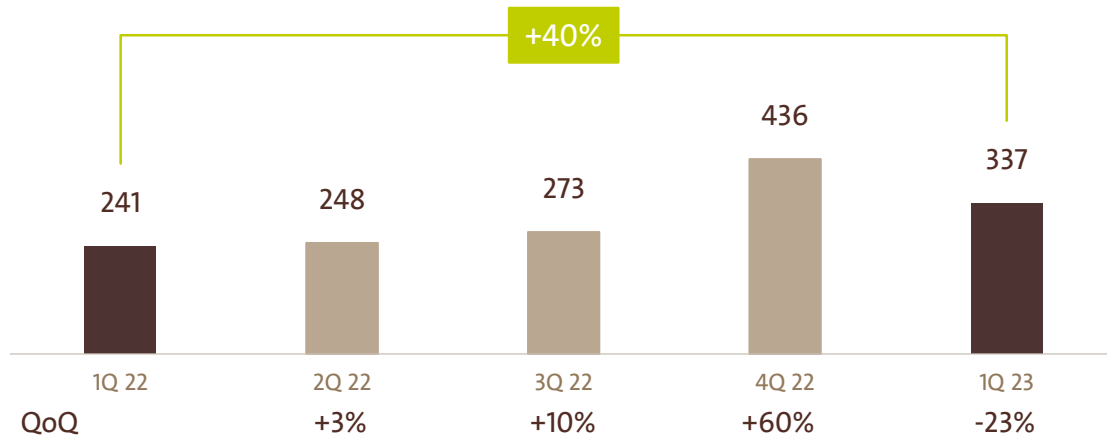
Management Commentary

- Operating expenses increased 18% YoY to SAR 758mn for 1Q 2023 mainly due to higher salaries, software maintenance expenses, POS terminal deployments, higher SMS communication, and marketing costs.
- +258bps positive Jaws contributed to a 0.7ppts decrease in the cost to income ratio from 35.5% to 34.8%.

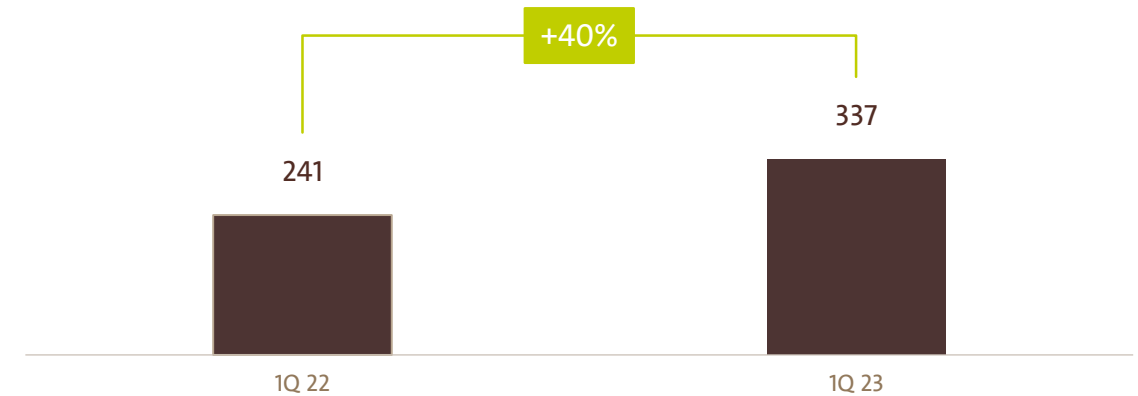
# Impairments for Financing

Cost of risk for 1Q 2023 increased by 15bps from 40% higher credit impairment charges YoY

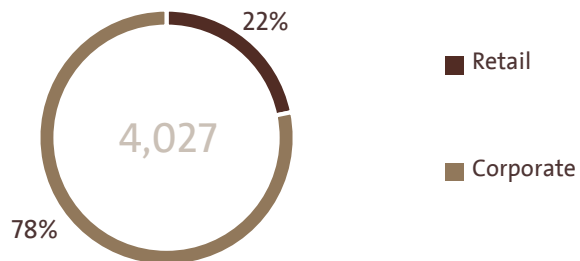
Impairments for Financing (SARmn)



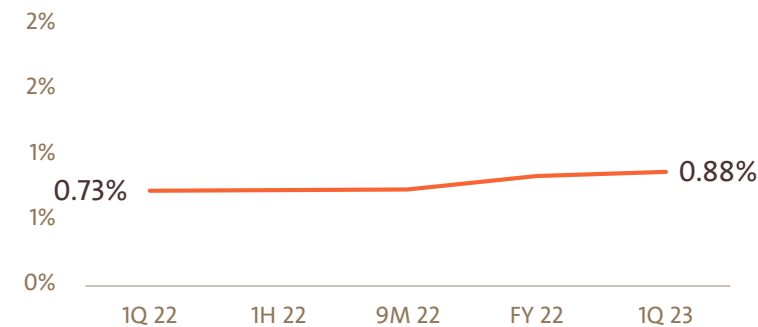
Impairments for Financing (SARmn)



Impairments Allowance Composition (SARmn)



Cost of Risk (%)



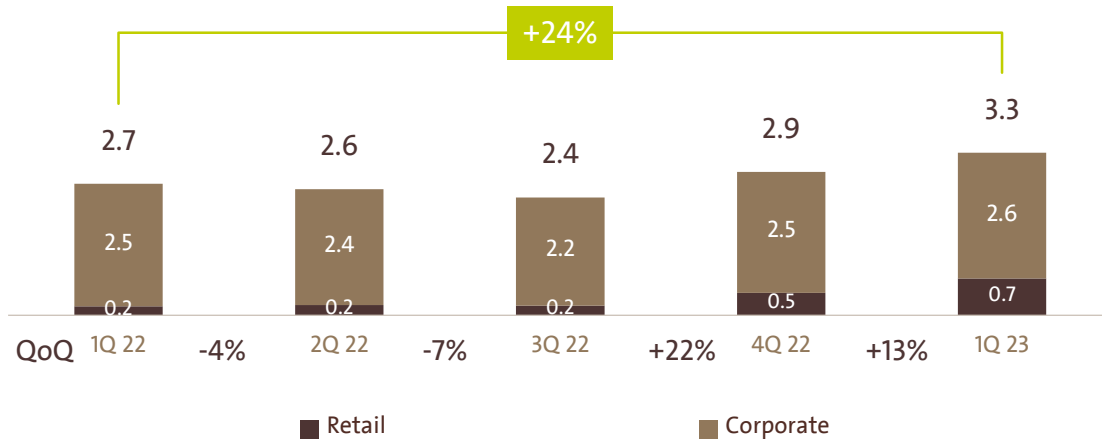
Management Commentary

- 1Q 2023 impairment charge for financing increased by 40% YoY to SAR 337mn.
- Cost of risk for 1Q 2023 increased by 15bps YoY to 0.88%.
- 78% of impairment allowance in 1Q 2023 pertains to corporate and 22% is for retail financing.

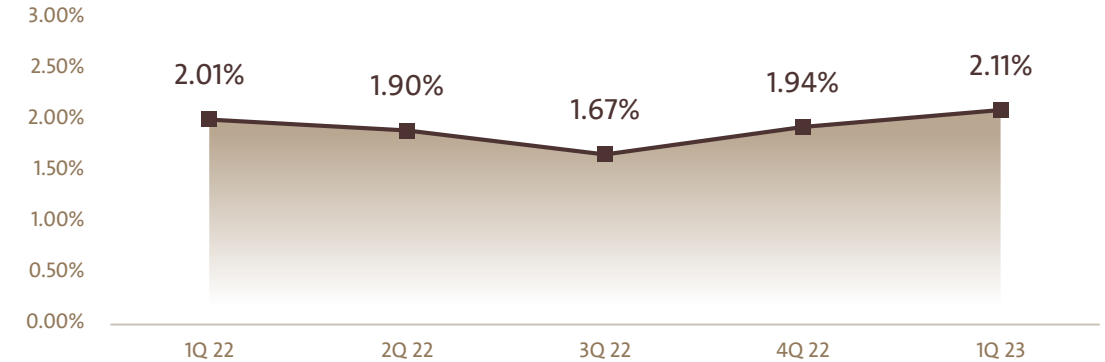
# NPL & NPL Coverage

NPL ratio increased and NPL coverage decreased YoY

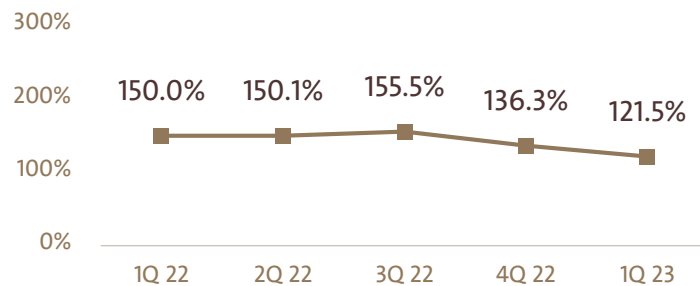
Non-Performing Loans, Gross (SARbn)



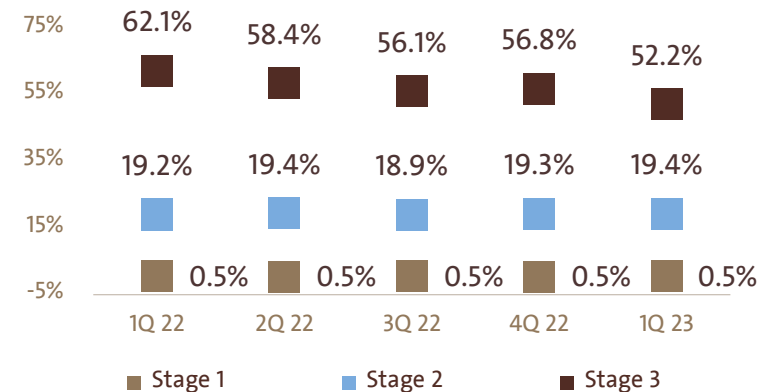
NPL Ratio (%)



NPL Coverage Ratio (%)



Stage-Wise Coverage (%)



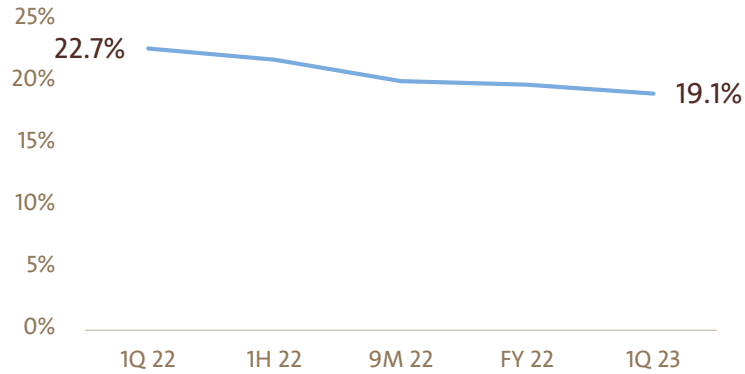
Management Commentary

- NPL ratio increased by 10bps YoY and 17bps QoQ to 2.11% in 1Q 2023.
- NPL coverage decreased by 28.5ppts YoY to 121.5%.
- Stage 1 coverage remained stable YoY at 0.5%. Stage 2 coverage slightly increased, while the stage 3 coverage trend was impacted by write-offs during 1Q 2023.

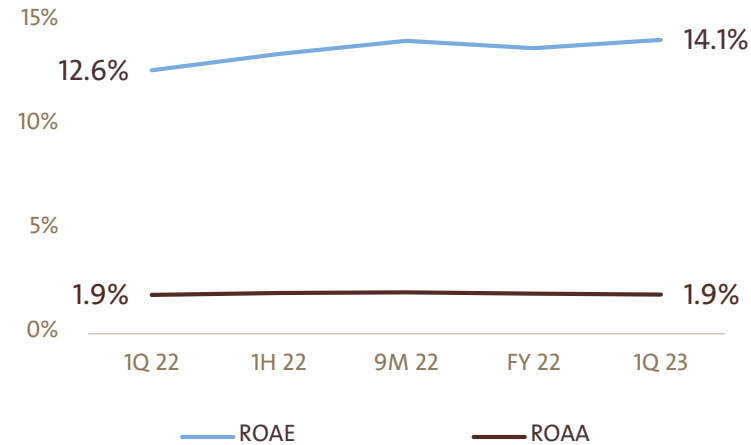
# Capitalization & Liquidity

Capital and liquidity ratios remained healthy while ROE saw an increase of 1.5ppts YoY

CAR (%)



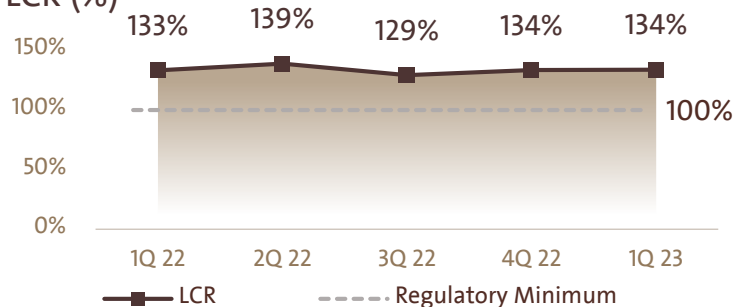
Profitability (%)



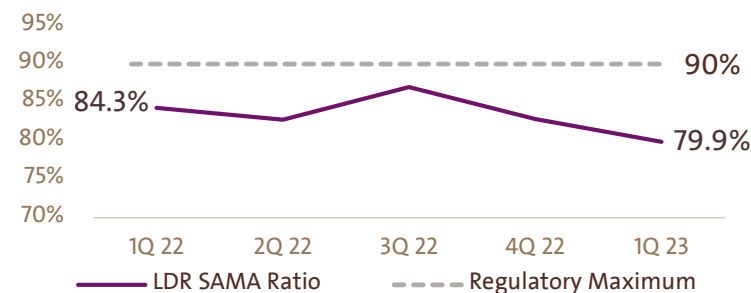
## Management Commentary

- CAR has declined 3.6ppts YoY to 19.1% due to increase in credit risk weighted assets and market risk weighted assets .
- NSFR improved 0.9ppts QoQ to reach 107%.
- LDR ratio decreased 4.4ppts YoY to 79.9%.
- 1Q 2023 LCR increased 1ppts YoY to 134%.

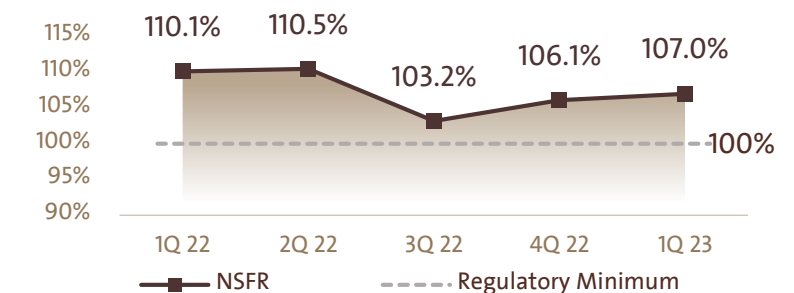
LCR (%)



LDR SAMA Ratio (%)



NSFR (%)



# Outlook & Guidance

1Q 2023



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# Guidance

Acceleration of strategic execution drives a promising outlook for 2023

		1Q 2023A	Drivers	2023G
Balance Sheet	Financing Growth	<b>+19%</b> YoY	Strong Mid-Corp, SME & Retail growth from strategic initiatives; pick up in corporate financing	Mid teens
	Net Profit Margin	<b>3.80%</b> +49bps YoY	Rising rates and funding mix supportive of improving margin	+35bps to +45bps
Profitability	Cost to Income Ratio	<b>34.8%</b>	Growth in income, digitization & process optimization driving efficiencies, partly offset by strategic investments	Below 32%
	Return on Equity	<b>14.1%</b>	Improving NPM, efficiency and COR driving improving ROE	Above 17%
Asset Quality	Cost of Risk	<b>0.88%</b>	Cautiously expecting stable credit quality and NPL coverage, leading to COR moderation	60-70bps
Capital	CAR Pillar 1	<b>19.1%</b>	Increasing RWAs from strong expected financing growth	17%-18%
<b>Return on Equity Target for 2025 above 18%</b>				



# Q&A

1Q 2023

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# Appendix

1Q 2023

# 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; digital zones are available in all branches



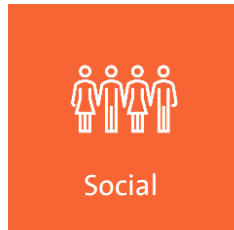
**Energy efficient lighting** are now in all branches. Planning to extend to Head Office



**Air conditioning timers** installed in 40 branches; 20% reduction in electricity usage



**Renewable (solar) energy sources** are now installed on 28 branches



Social



+26,745 **employee training hours** and +6 **employee townhalls**



1% of annual profit allocated to **CSR activities**; **Bank AGM approved new CSR policy** with more focus on **sustainable CSR**



1<sup>st</sup> KSA bank to sign the **Women's Empowerment Principles (WEPs)**; 31% **new women hires** in 1Q 23



**Community focus** with growth YoY in **SME financing** from Kafalah (+48%) and PoS (+131%) programs



Governance



**Shariah compliance** through regular internal audits and committee oversight



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

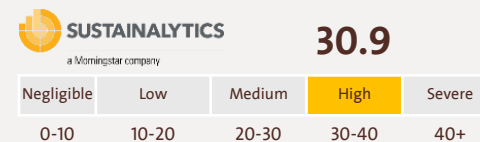
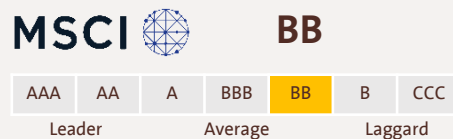


Institutionalization of the **investor relations function** with enhanced transparency & investor communication



**Cybersecurity** monitoring and initiatives which cover data governance and protection

## Latest ESG Ratings



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