

Earnings Presentation

3Q 2023

Earnings Call

1 November 2023

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Alinma Overview

3Q 2023

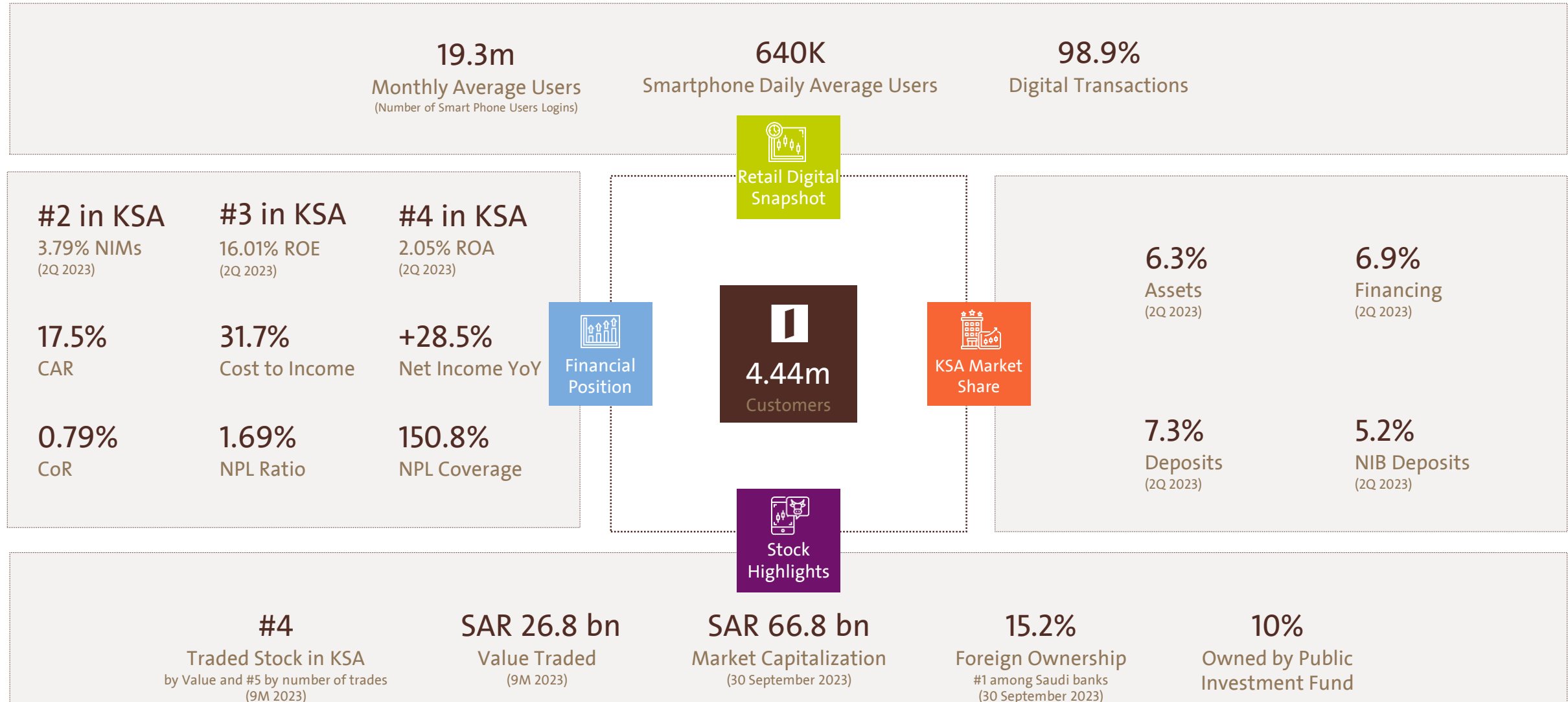
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Alinma Overview

Alinma is the youngest bank in KSA



Financial Performance Highlights

3Q 2023

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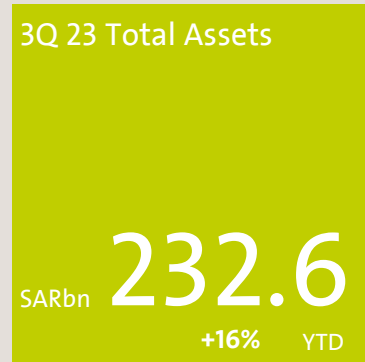
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Financial Performance Highlights

Solid operating income growth translated into 28% growth of net income in 9M 2023 and 17.0% ROE

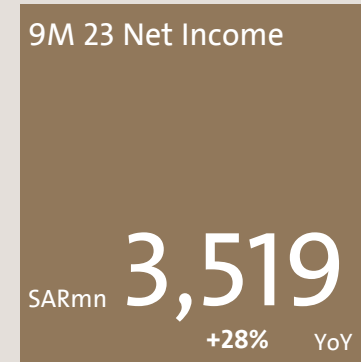
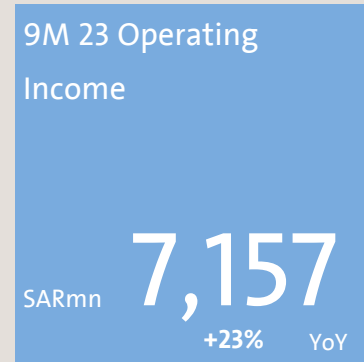
Balance Sheet

- Increase in financing of 15% YTD from growth both in retail and corporate lending.
- Strong growth of 24% in customers' deposits YTD driven by growth of CASA and Time deposits by 9% and 44% respectively.



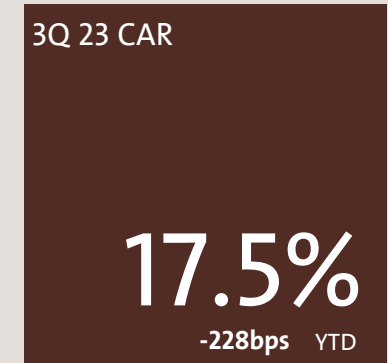
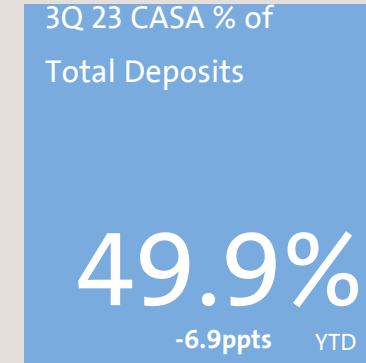
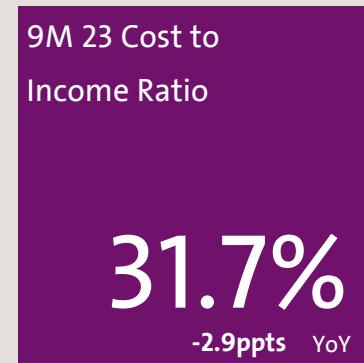
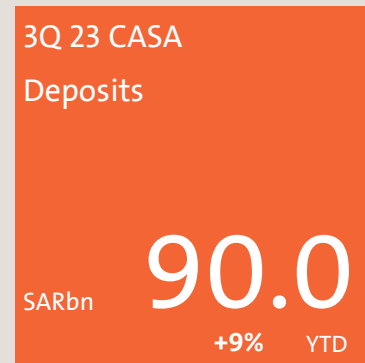
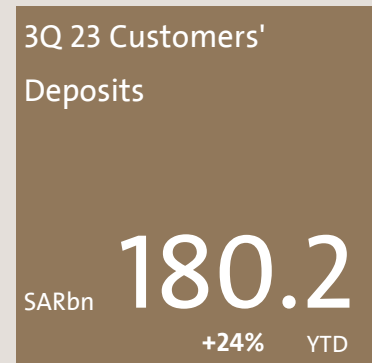
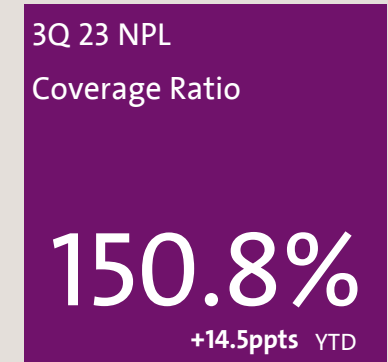
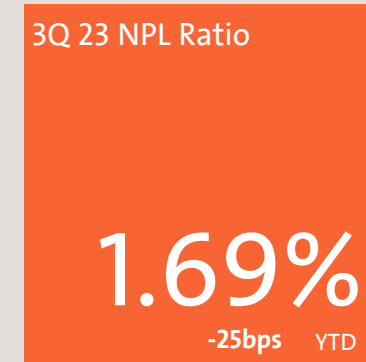
Income Statement

- Operating income growth of 23% mainly from +27% funded income growth.
- Net income for 9M 2023 grew 28% YoY to SAR 3,519mn from 23% income growth.



Credit Quality, Capital and Liquidity

- NPL and NPL coverage ratios at 1.69% and 150.8% respectively. Cost of risk stands at 0.79%.
- Capitalization and liquidity positions remained healthy and within regulatory limits.



Strategy Update

3Q 2023

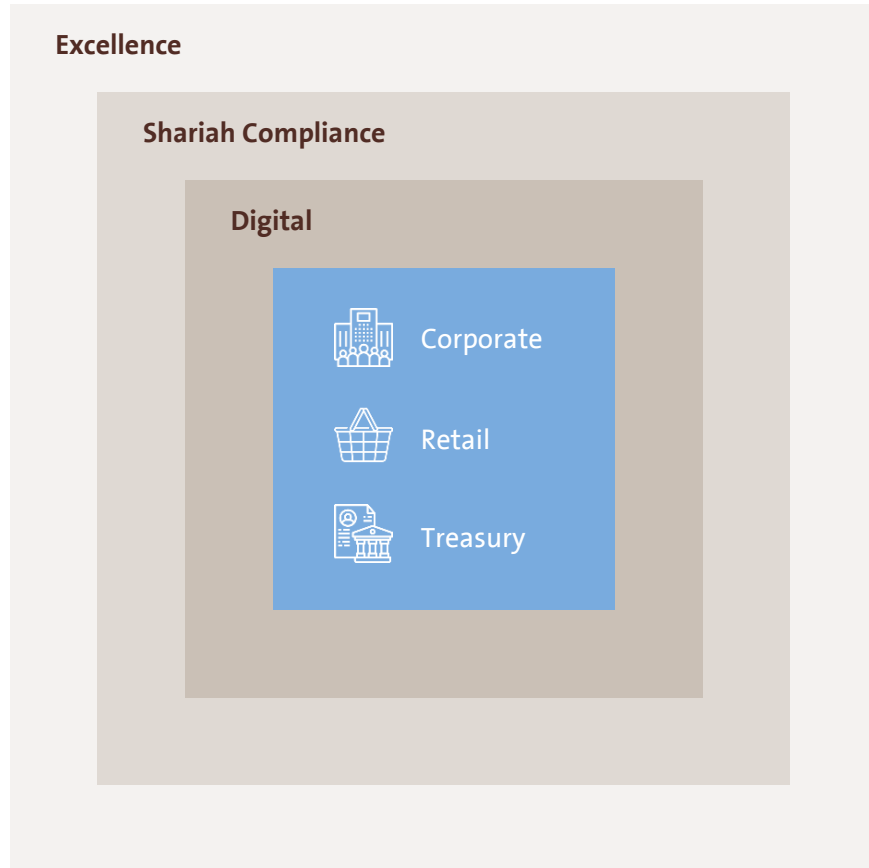
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Strategic Positioning

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**



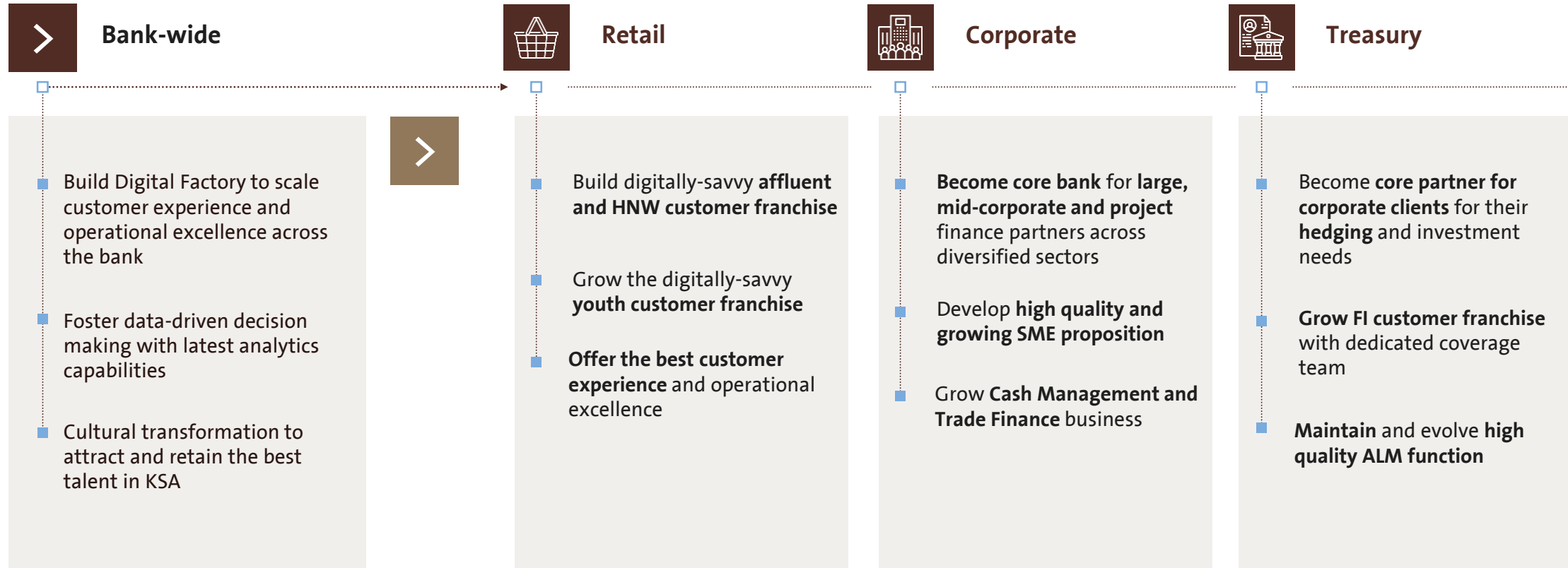
Be the **Corporate bank with the best customer experience** (increasingly integrated) and offer the **fastest turnaround time in KSA**



Be the **most innovative Shariah compliant Treasury partner** across KSA

Strategic Ambitions

Driving changes across the businesses and bank-wide



Strategy Update

3Q 2023 Initiatives Completed to Date



Bank-wide

24/28



Retail

15/18



Corporate

9/19



Treasury

12/12

Youth app is launched to limited number of customers

Launched Alinma Marketplace via Alinma App

Launched Open Banking Services and obtained full KSA standard certification

Implemented Anti-Fraud system

95.5% Saudization; 21% female of total workforce

THATI UX/UI revamped

Implemented digital execution for credit cards (40%) and personal loans (35%)

Launched expats lending without End of Service benefit guarantee

Introduced automated solution for branch transaction limits

18 TCR machines Implemented in Q3 reaching total of 84

Price subsidization for off-Plan product (REDF initiative)

Launched 1st phase of Corporate Loan Origination System

+101% growth in booked assets under Mid-Corporate banking segment

+110% growth in non-funded assets (LG & LC) under Mid-Corporate banking segment

+20% Kafalah financing

+85% growth in Program Based Lending

Developed RFR solutions for Treasury products

Continue to enhance investment portfolio yield

Achieved FX business volumes of SAR +28bn

Expanded network of correspondent banks (+5) globally

Achieved PRS volumes of SAR +13.3bn

Introduced Repos to Maturity product

Developed new derivatives products such as Collared PRS



Progress to date

60/77



78%

Strategy Update

2023 Initiatives In-Progress



Expanding the digital factory for the transformation

Progressing on robotic process automation

Initiatives to increase the OHI score

Drive employee engagement /organizational health initiatives across various functions

Developing Retail credit scoring system

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

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

17/77

78% Complete

In-Progress

22%

9M 2023 Financial Performance

3Q 2023

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Balance Sheet Trends

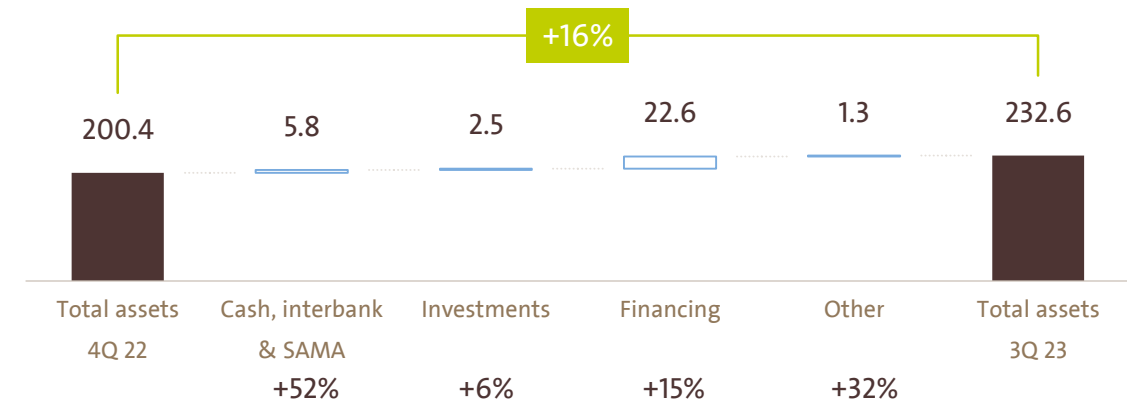
Balance sheet growth of 16% from increase in financing and investments

Management Commentary

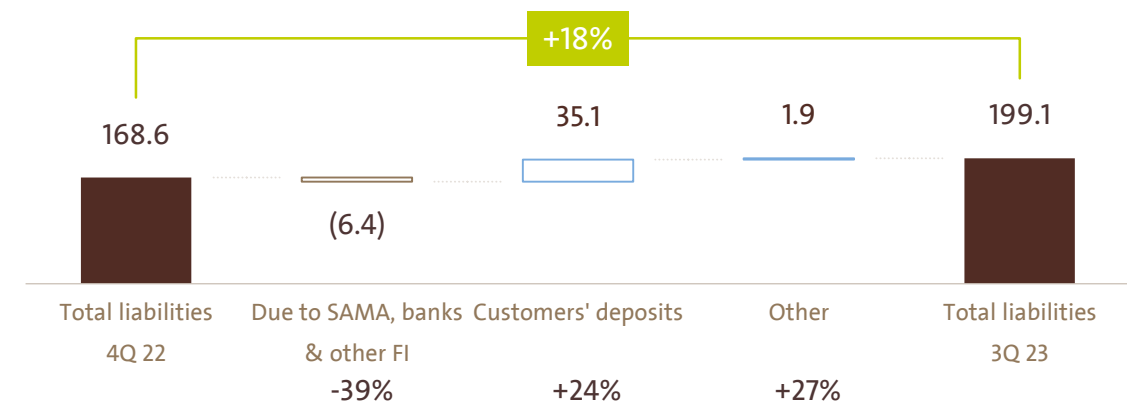
- Growth in total assets of 16% YTD mainly driven by 15% financing growth and 6% growth in investments and 52% growth in balances with SAMA and interbank.
- Total liabilities grew by 18% during 9M 2023 mainly from a 24% rise in customers' deposits.

SAR (mn)	3Q 2023	4Q 2022	Δ%	3Q 2022	Δ%
Cash, interbank & SAMA balances	16,957	11,178	+52%	10,935	+55%
Investments	40,970	38,518	+6%	38,266	+7%
Financing	169,063	146,492	+15%	139,987	+21%
Other assets	5,595	4,249	+32%	4,041	+38%
Total assets	232,585	200,436	+16%	193,229	+20%
Due to SAMA, banks & other FI	10,123	16,483	-39%	23,225	-56%
Customers' deposits	180,233	145,168	+24%	132,048	+36%
Other liabilities	8,769	6,908	+27%	6,654	+32%
Total liabilities	199,125	168,560	+18%	161,927	+23%
Share capital	20,000	20,000	+0%	20,000	+0%
Retained earnings	6,675	4,285	+56%	5,406	+23%
Other reserves	1,785	2,591	-31%	897	+99%
Tier 1 sukuk	5,000	5,000	+0%	5,000	+0%
Total equity	33,460	31,876	+5%	31,302	+7%

Total Assets Movement YTD (SARbn)



Total Liabilities Movement YTD (SARbn)



P&L Trends

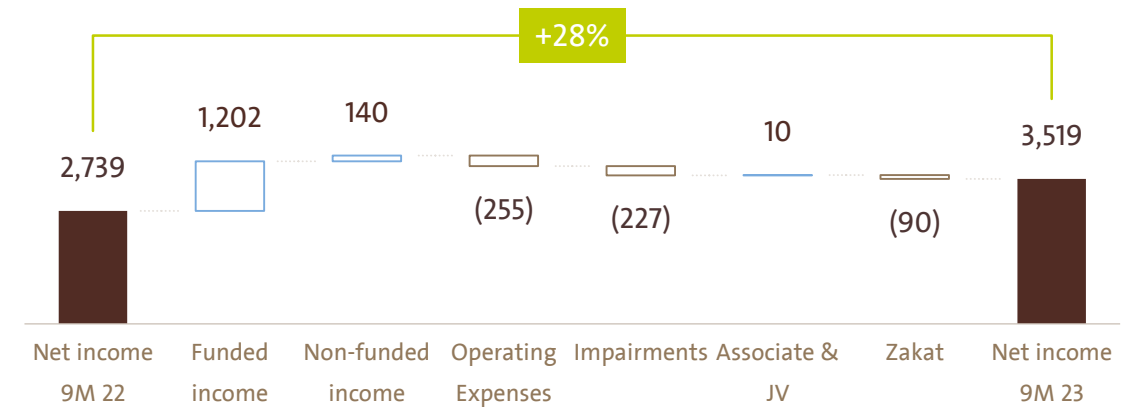
Net income for 9M 2023 grew by 28% YoY due to 23% income growth

Management Commentary

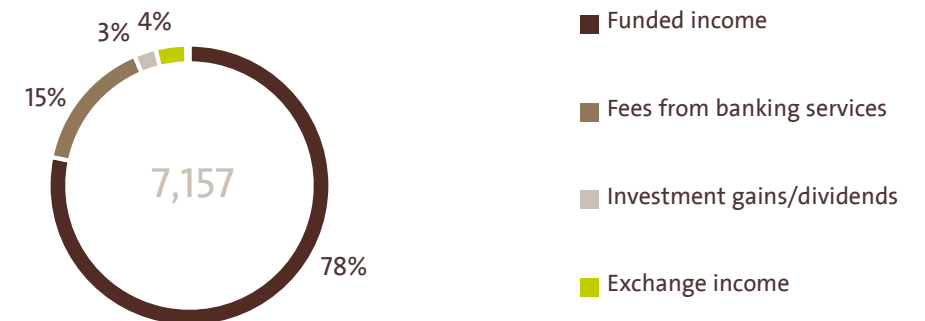
- Net income for 9M 2023 grew 28% YoY to SAR 3,519mn from 23% income growth. 12.6% higher operating expenses YoY.
- 3Q 2023 net income improved 34% YoY driven by 22% increase in income.

SAR (mn)	9M 2023	9M 2022	Δ%	3Q 2023	3Q 2022	Δ%
Funded income	5,600	4,399	+27%	2,006	1,674	+20%
Non-Funded income	1,557	1,417	+10%	535	402	+33%
Total operating income	7,157	5,815	+23%	2,541	2,075	+22%
Operating Expenses	2,270	2,015	+13%	766	710	+8%
Net operating income before impairment charge	4,887	3,800	+29%	1,775	1,366	+30%
Impairments	974	748	+30%	306	264	+16%
Net operating income	3,913	3,053	+28%	1,469	1,102	+33%
Income before zakat & income tax	3,923	3,054	+28%	1,476	1,103	+34%
Zakat	405	315	+28%	152	114	+34%
Net income	3,519	2,739	+28%	1,324	989	+34%

Net Income Movement YoY (SARmn)



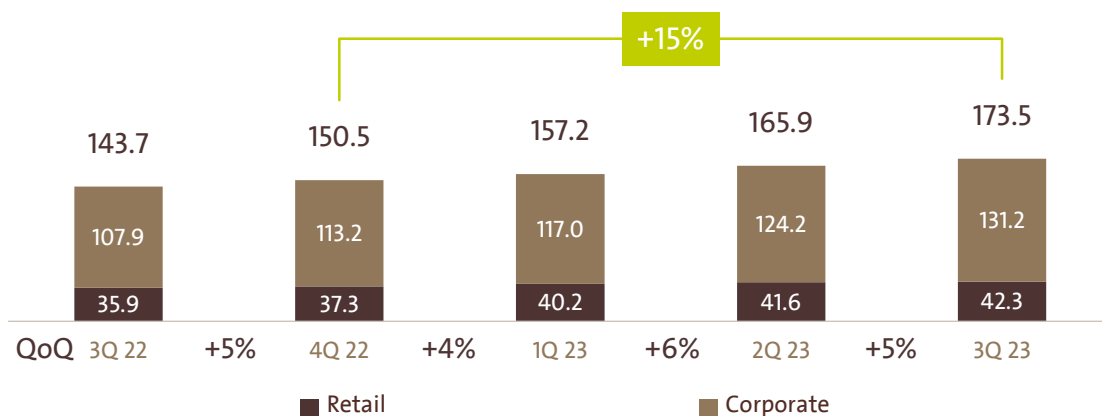
Operating Income Composition (SARmn)



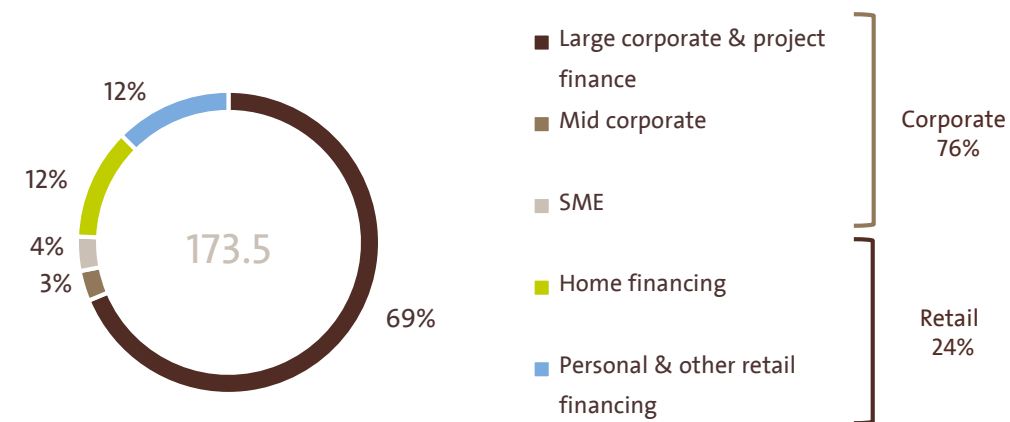
Financing

Increase in gross financing during 9M 2023 from 13% growth in retail financing, and 16% in corporate financing

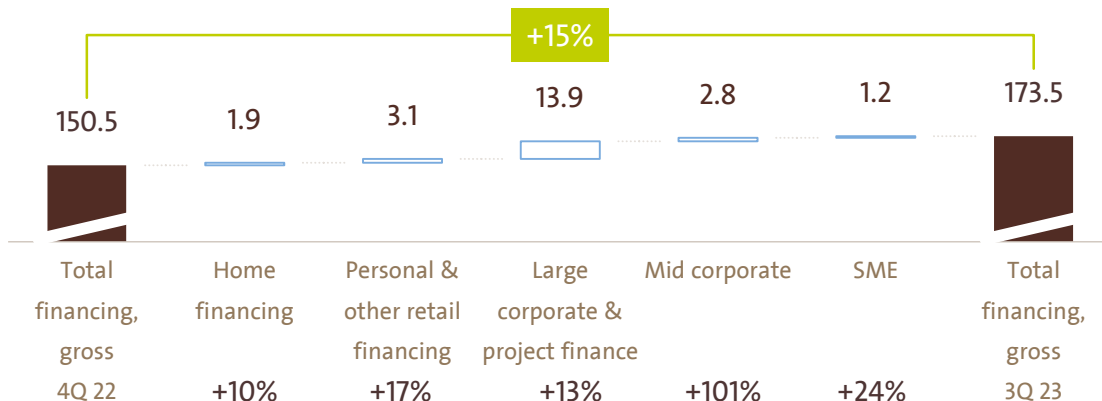
Financing, Gross (SARbn)



Financing, Gross Composition (SARbn)



Financing, Gross Movement YTD (SARbn)



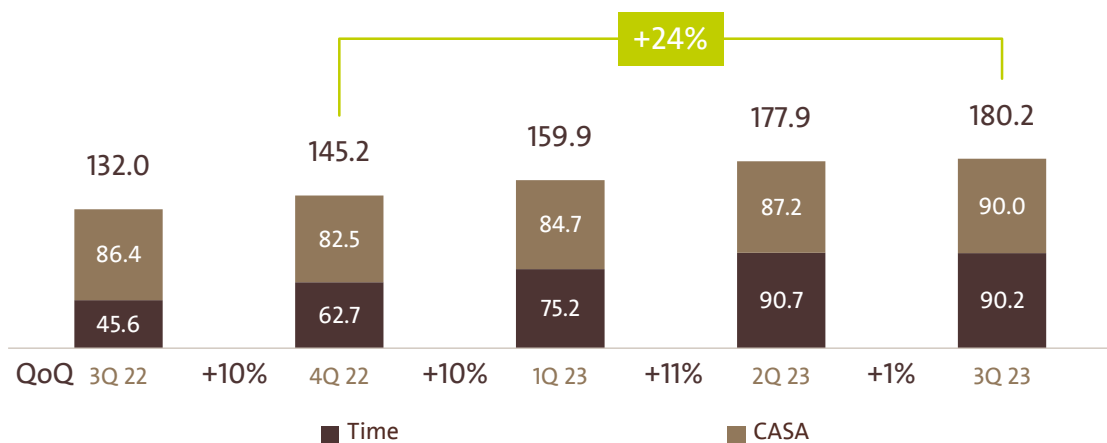
Management Commentary

- Gross financing grew 15% during 9M 2023.
- Retail financing grew 13% YTD from strong momentum in personal & other financing +17%.
- Total corporate financing grew 16% YTD, where mid-corporate rose 101%, and SME financing increased 24%.
- Gross financing comprises of 76% corporate and 24% retail as at 30 September 2023.

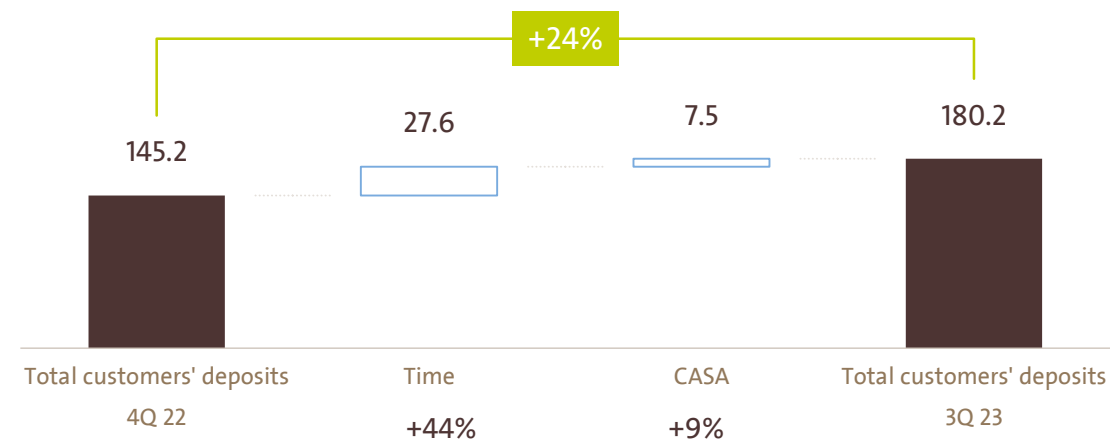
Deposits

Deposit growth of 24% driven by 9% CASA growth and 44% time deposits growth

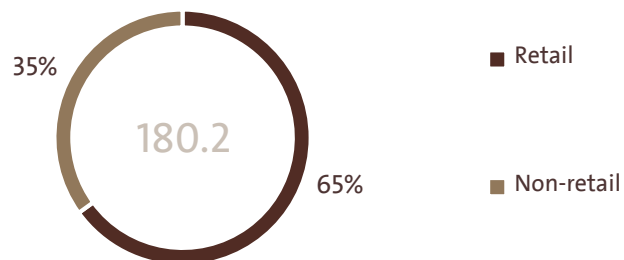
Customers' Deposits (SARbn)



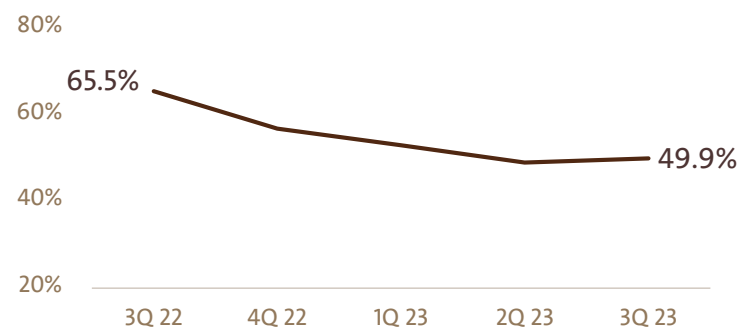
Customers' Deposits Movement YTD (SARbn)



Customers' Deposits Composition (SARbn)



CASA % of Total Deposits (%)



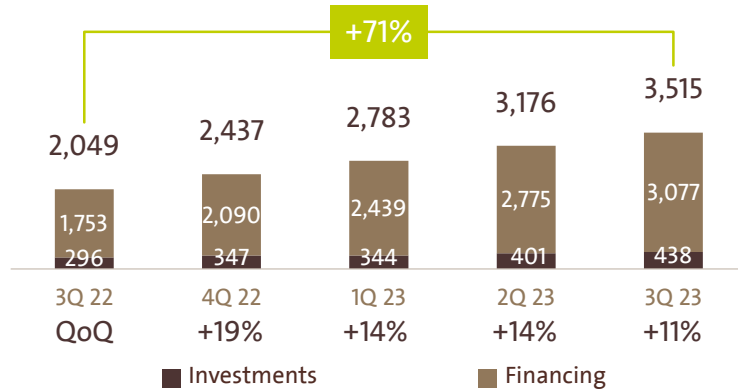
Management Commentary

- Deposits rose by 24% during 9M 2023 from growth in CASA and Time deposits of 9% and 44% respectively.
- CASA deposits account for 49.9% of total deposits as at 3Q 2023.
- Total deposits comprise of 65% retail and 35% non-retail deposits as at 30 September 2023.

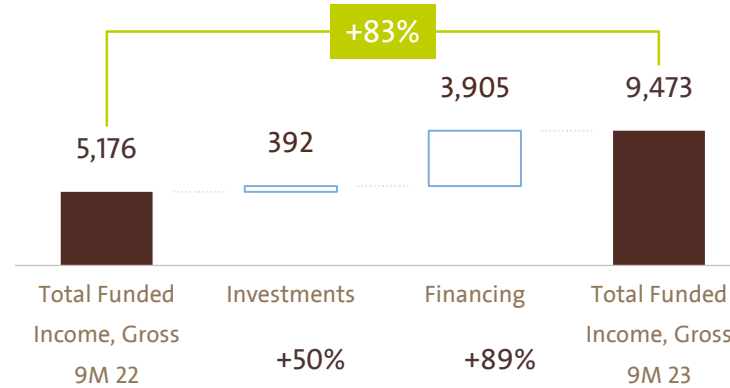
Income from Financing & Investments

Gross funded income grew 83% from 50% growth in investment income and 89% growth in financing income

Funded Income, Gross (SARmn)



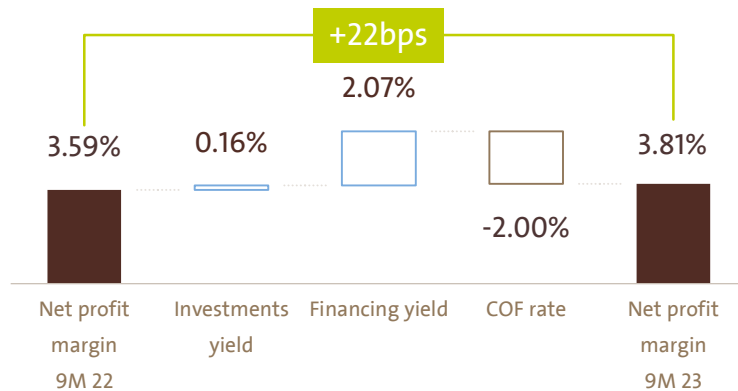
Total Funded Income, Gross Movement YoY (SARmn)



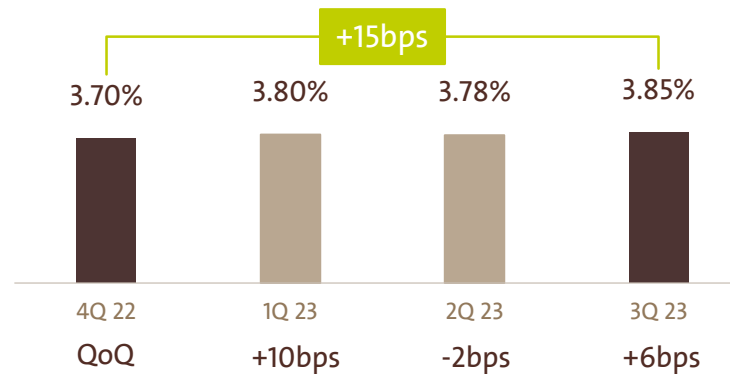
Management Commentary

- Gross funded income for 9M 2023 increased by 83% YoY to SAR 9,473mn from a 50% increase in funded investment income and a 89% rise in financing income.
- Net profit margin increased by 22bps YoY to 3.81% in 9M 2023.
- The expansion in gross funded income and net profit margin is largely reflective of the rising benchmark rates.

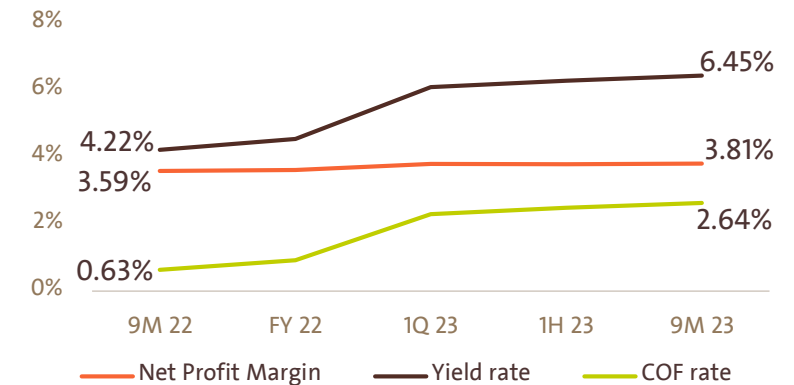
Net Profit Margin Movement YoY (%)



Net Profit Margin QTR (%)



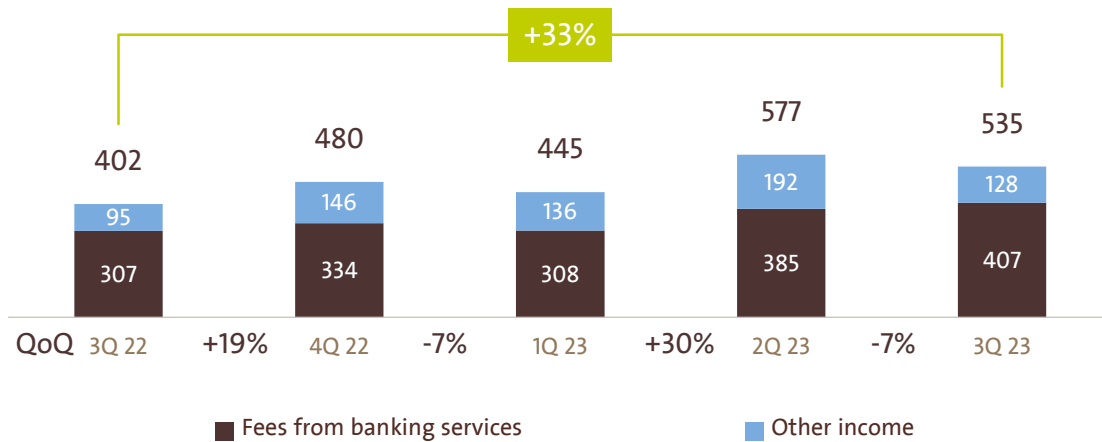
Net Profit Margin YTD (%)



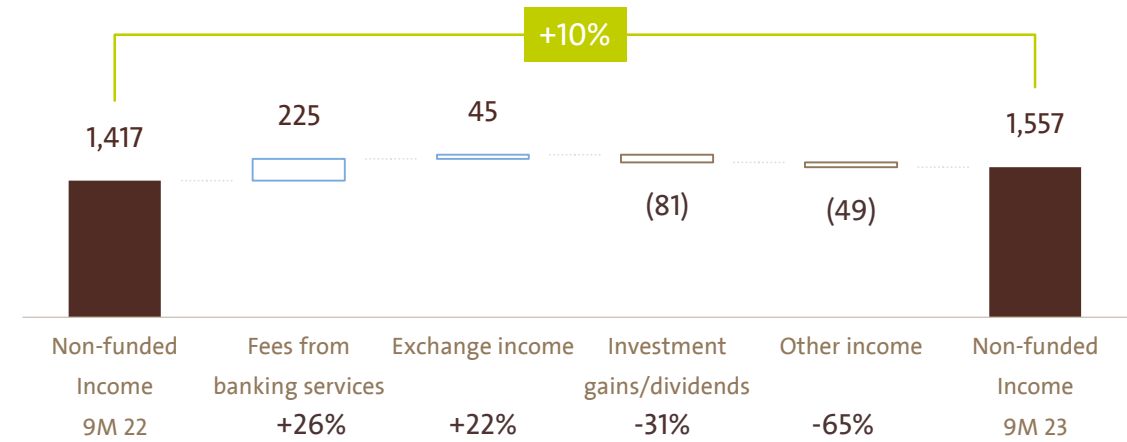
Fee and Other Income

Non-funded income for 9M 2023 increased by 10% YoY

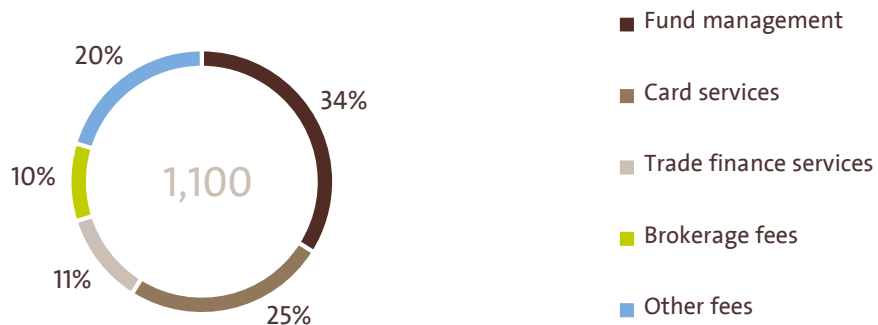
Non-Funded Income (SARmn)



Non-Funded Income Movement YoY (SARmn)



Fees from Banking Services Composition (SARmn)



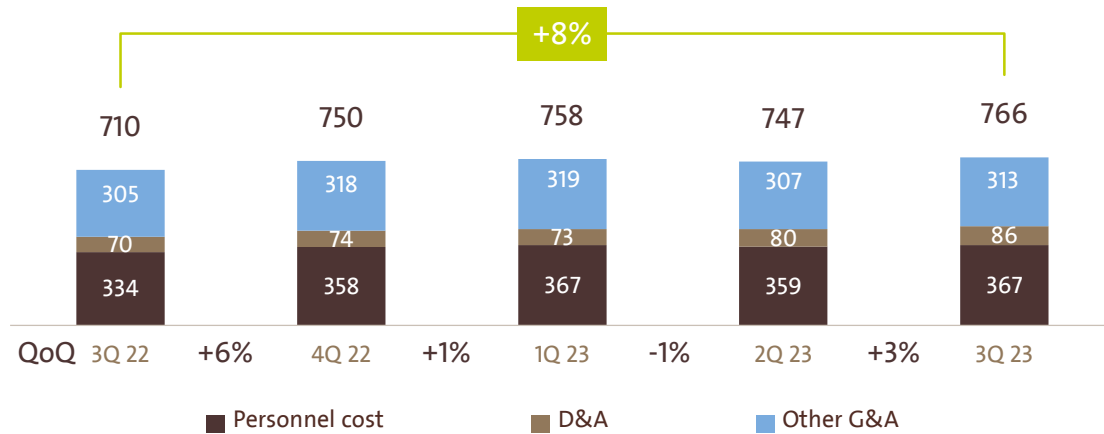
Management Commentary

- Non-funded income for 9M 2023 increased 10% YoY to SAR 1,557mn from improved fees from banking services and exchange income.
- Fund management fees comprise the majority of fees from banking services at 34%, while card services fees account for 25%, other fees for 20% and trade finance services and brokerage fees represent 11% and 10% respectively.

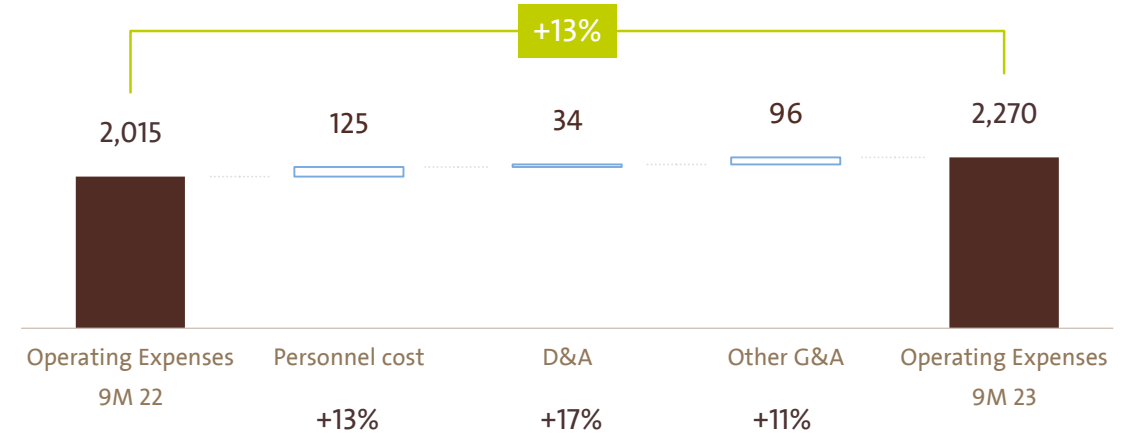
Operating Expenses

9M 2023 saw 13% growth in operating expenses YoY mainly from higher employee and G&A costs

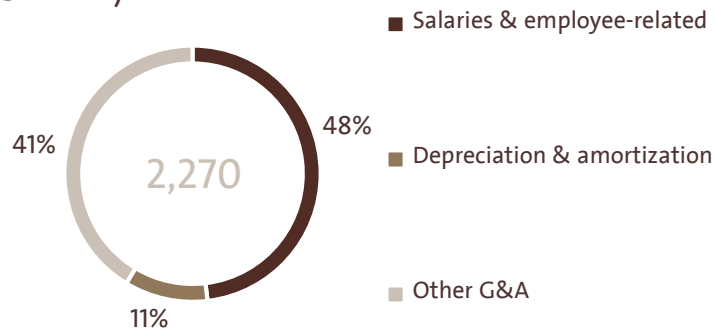
Operating Expenses (SARmn)



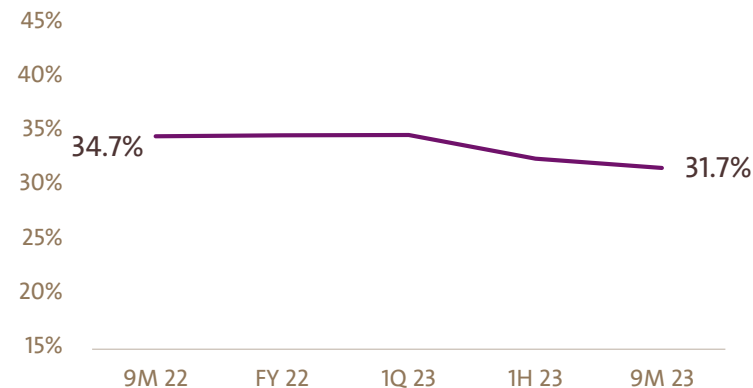
Operating Expenses Movement YoY (SARmn)



Operating Expenses Composition (SARmn)



Cost to Income Ratio (%)



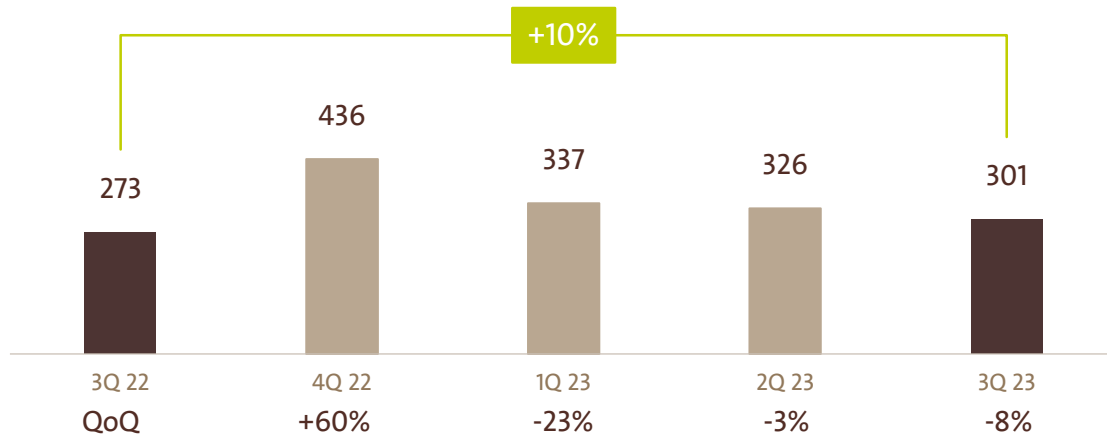
Management Commentary

- Operating expenses increased 13% YoY to SAR 2,270mn for 9M 2023 mainly due to higher salaries, software maintenance expenses, POS terminal deployments, higher SMS communication, and marketing costs.
- +10.4ppts positive Jaws contributed to a 3ppts decrease in the cost to income ratio from 34.7% to 31.7%.

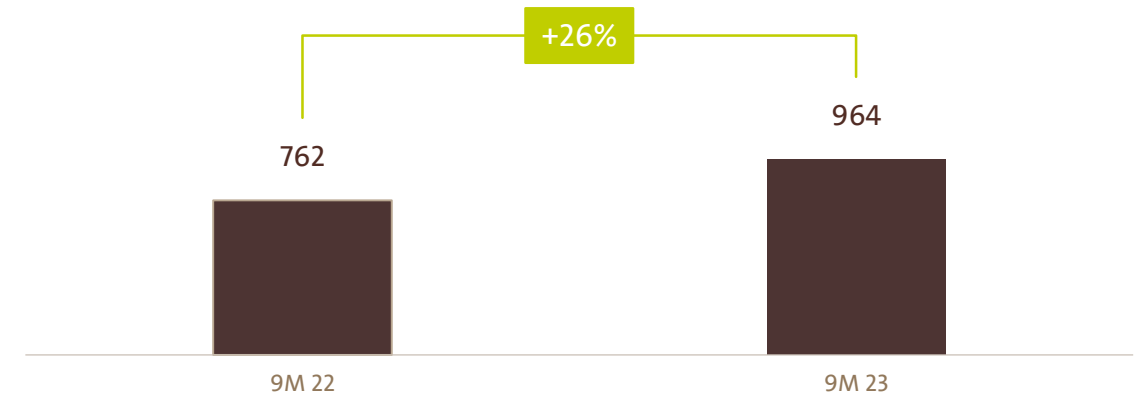
Impairments for Financing

Cost of risk for 9M 2023 increased by 5bps from 26% higher credit impairment charges YoY

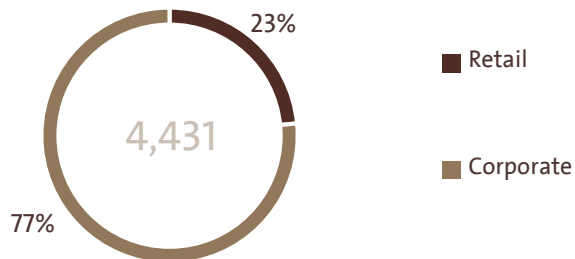
Impairments for Financing (SARmn)



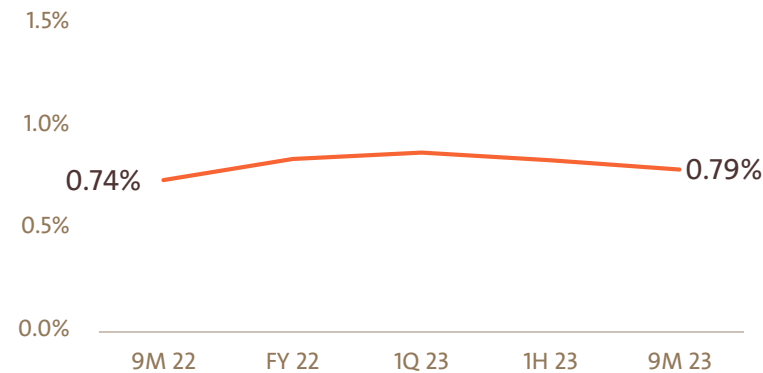
Impairments for Financing (SARmn)



Impairments Allowance Composition (SARmn)



Cost of Risk (%)



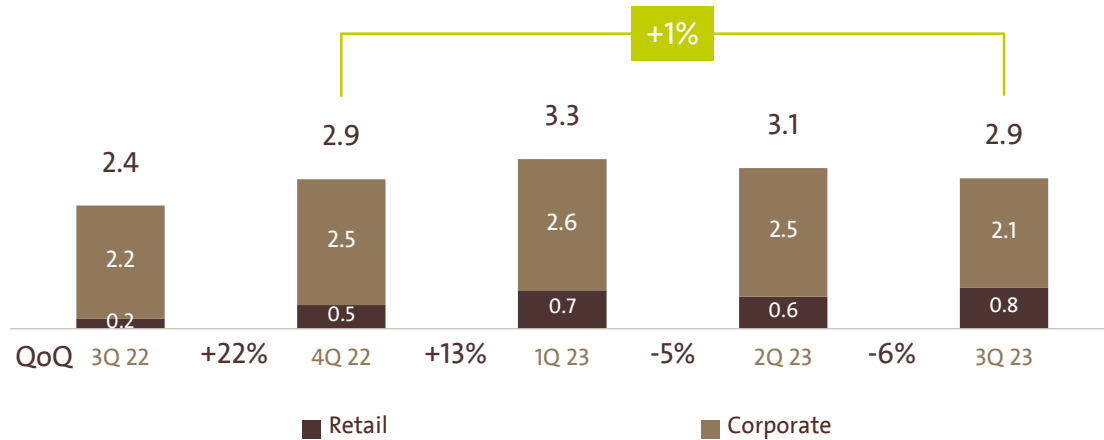
Management Commentary

- 9M 2023 impairment charge for financing increased by 26% YoY to SAR 964mn.
- Cost of risk for 9M 2023 increased by 5bps YoY to 0.79%.
- 77% of impairment allowance in 9M 2023 pertains to corporate and 23% is for retail financing.

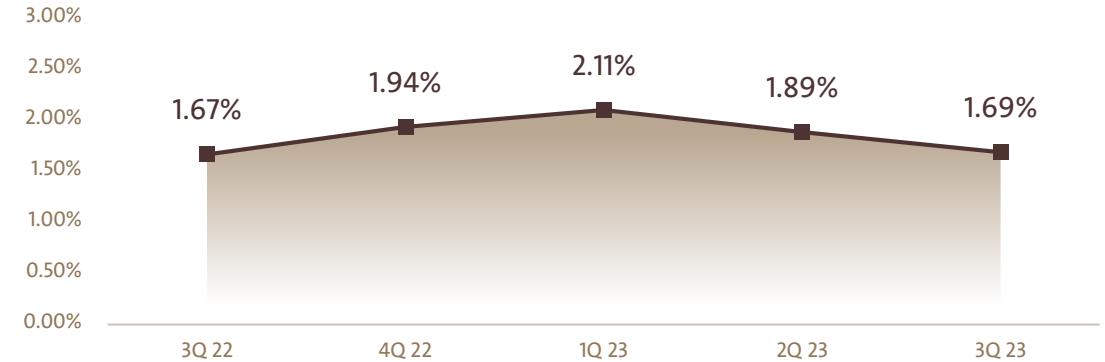
NPL & NPL Coverage

NPL ratio increased and NPL coverage decreased YoY

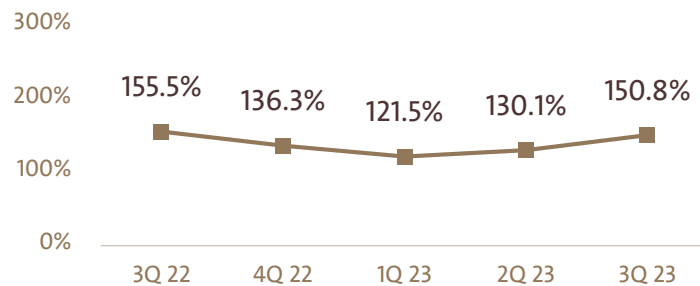
Non-Performing Loans, Gross (SARbn)



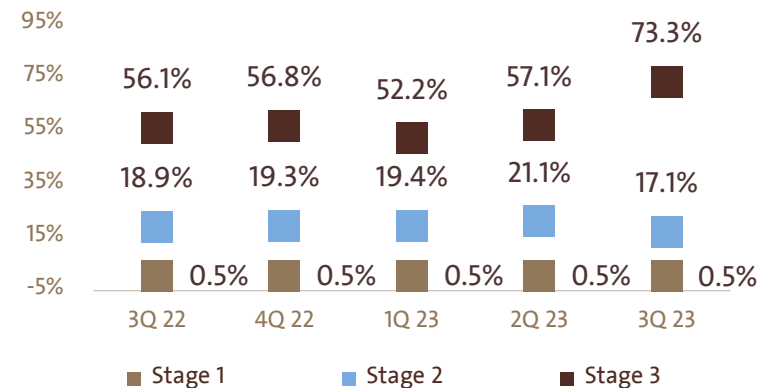
NPL Ratio (%)



NPL Coverage Ratio (%)



Stage-Wise Coverage (%)



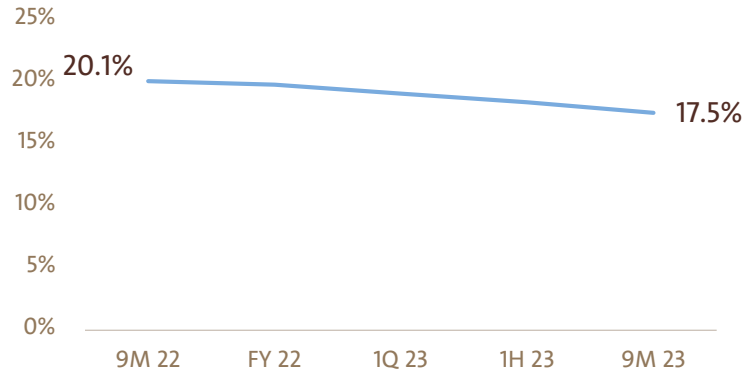
Management Commentary

- NPL ratio increased by 2bps YoY and decreased 20bps QoQ to 1.69% in 3Q 2023.
- NPL coverage decreased by 4.7ppts YoY to 150.8%.
- Stage 1 coverage remained stable YoY at 0.5%. Stage 2 coverage decreased, while the stage 3 coverage increased due to movement of stage 2 accounts with higher coverage to stage 3.

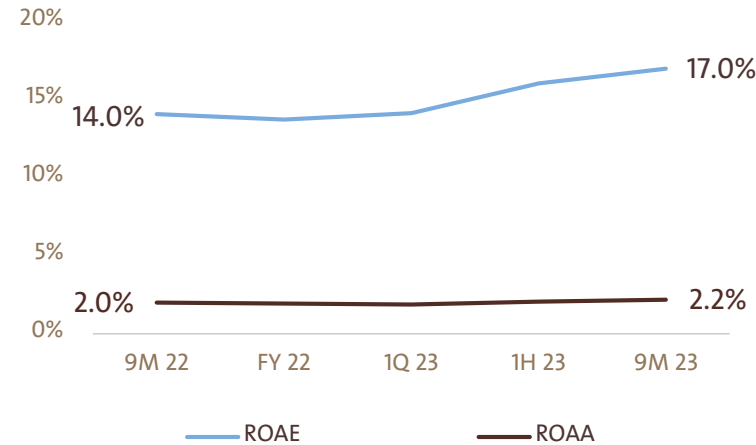
Capitalization & Liquidity

Capital and liquidity ratios remained healthy while ROE saw an increase of 3ppts YoY

Capitalization (%)



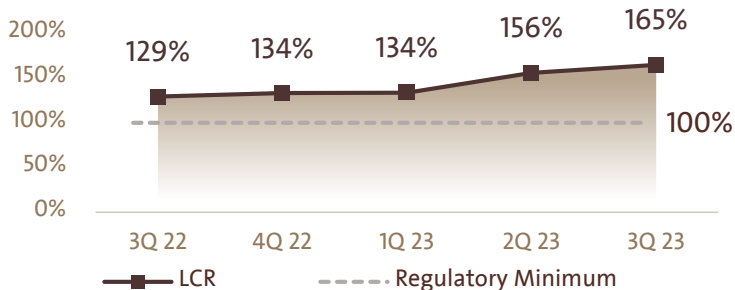
Profitability (%)



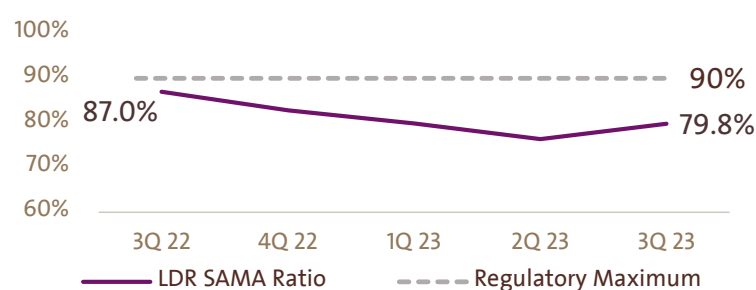
Management Commentary

- CAR has declined 2.6ppts YoY to 17.5% due to increase in credit risk weighted assets.
- NSFR improved 4.1ppts YoY to reach 107.3%.
- LDR ratio decreased 7.2ppts YoY to 79.8%.
- 3Q 2023 LCR increased 36ppts YoY to 165%.

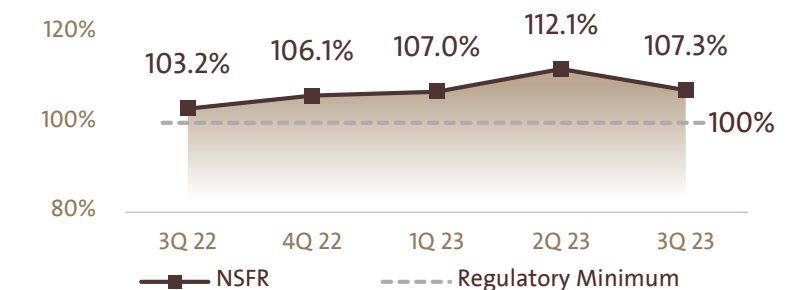
LCR (%)



LDR SAMA Ratio (%)



NSFR (%)



Outlook & Guidance

3Q 2023



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Guidance

Acceleration of strategic execution drives a promising outlook for 2023.

		3Q 2023A	Drivers	2023G
Balance Sheet	Financing Growth	+15% YTD	Strong Mid-Corp, SME & Retail growth from strategic initiatives; pick up in corporate financing	High teens
	Net Profit Margin	3.81% +22bps YoY	Rising rates and funding mix supportive of improving margin	+30bps to +40bps
Profitability	Cost to Income Ratio	31.7%	Growth in income, digitization & process optimization driving efficiencies, partly offset by strategic investments	Below 32%
	Return on Equity	17.0%	Improving NPM, efficiency and COR driving improving ROE	Above 17%
Asset Quality	Cost of Risk	0.79%	Cautiously expecting stable credit quality and NPL coverage, leading to COR moderation	65-75bps
Capital	CAR Pillar 1	17.5%	Increasing RWAs from strong expected financing growth	17%-18%
Return on Equity Target for 2025 above 18%				

Q&A

3Q 2023

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Appendix

3Q 2023

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Alinma Bank released its 2022 ESG Investor Presentation



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 Presentation, please visit: ir.alinma.com

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