

Earnings Presentation

4Q 2021

Earnings Call

16 February 2022

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Alinma Overview

4Q 2021

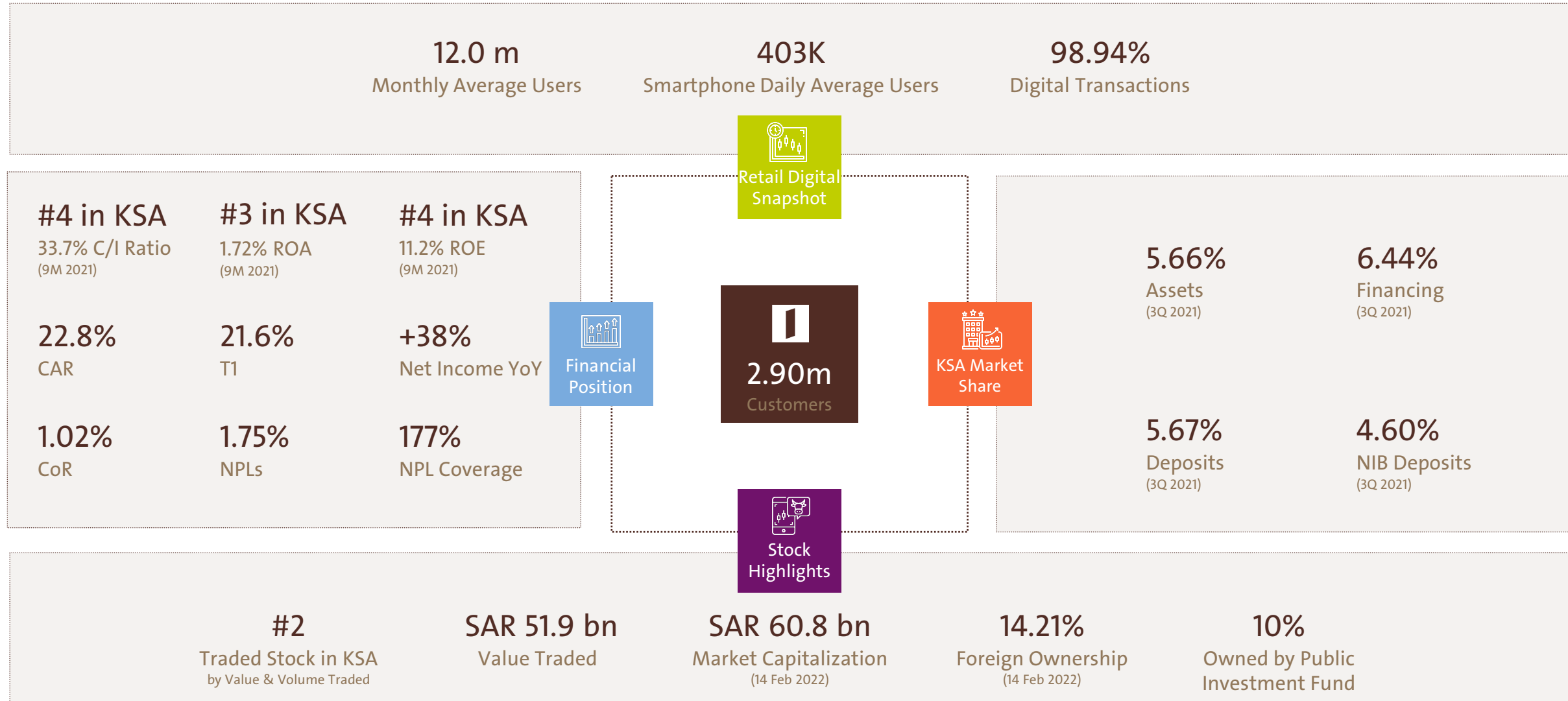
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Alinma Overview

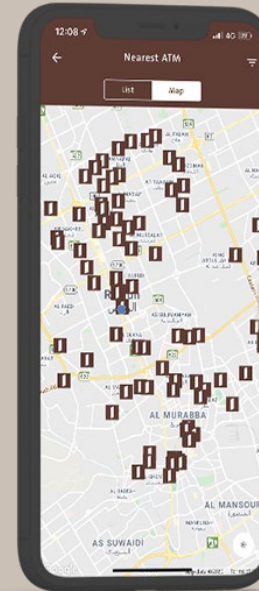
Alinma is the youngest bank in KSA



Financial Performance Highlights

4Q 2021

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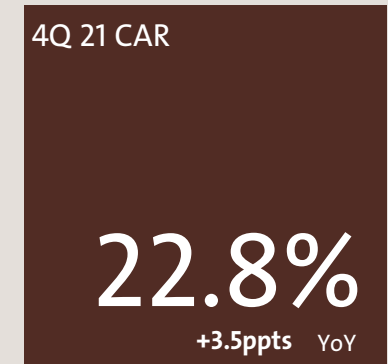
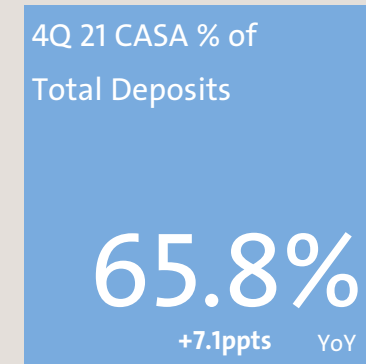
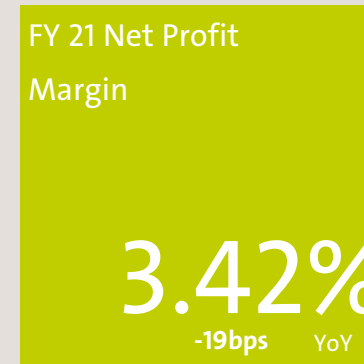
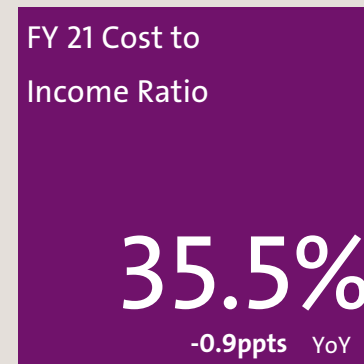
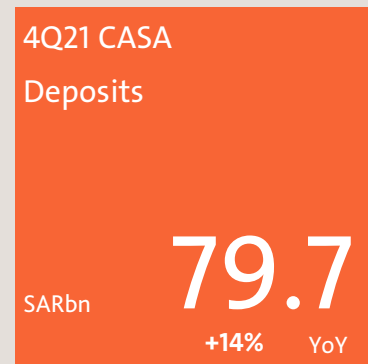
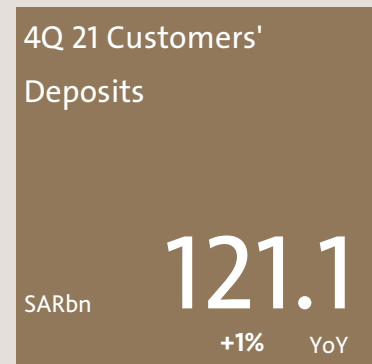
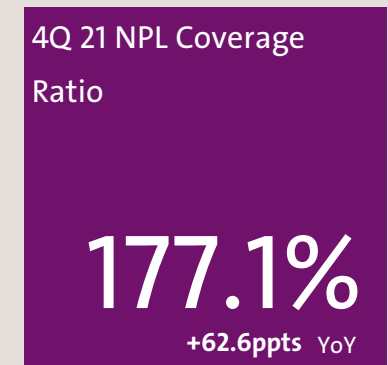
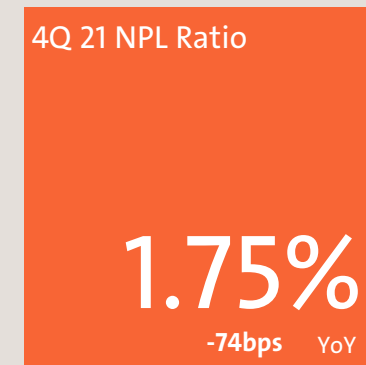
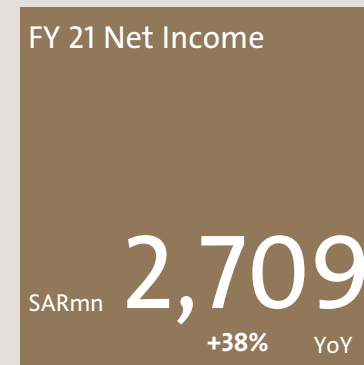
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Financial Performance Highlights

Solid balance sheet growth translating into 38% growth of net income in 2021 and 10.8% ROE

Balance Sheet

- Solid 14% increase in financing from growth in both retail and corporate lending YoY.
- Growth of 1% in customers' deposits YoY driven by strong growth of CASA deposits by 14% YoY which now account for 65.8% of total deposits



Income Statement

- Operating income growth of 17% (+11% funded and +48% non-funded income growth) led to a 38% improvement in net income YoY.
- Lower profit rates contributed to a 19bps lower net profit margin YoY.

Credit Quality, Capital and Liquidity

- Credit quality has been evidenced by NPL and NPL coverage ratios improvements YoY
- Capitalization improved on T1 Sukuk issuance and liquidity position remained comfortably within regulatory limits.

Strategy Update

4Q 2021



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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**



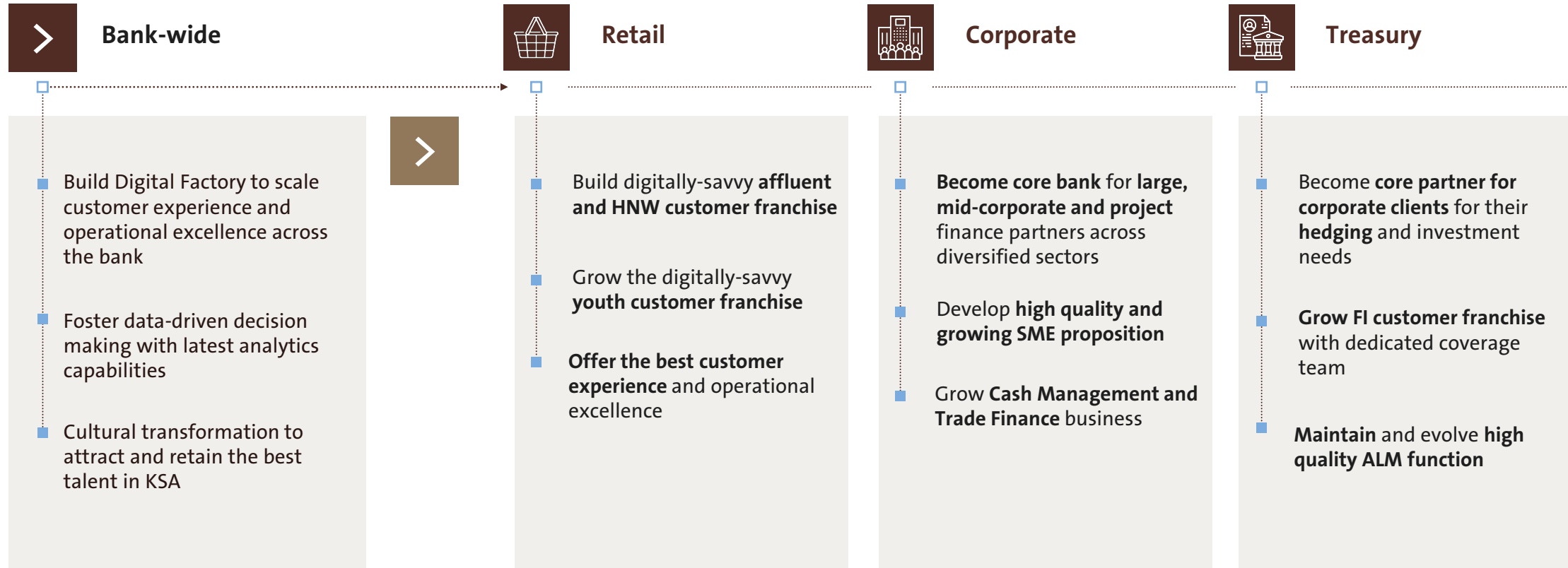
Be the **Corporate bank** with the **best customer experience** (increasingly integrated) and offer the **fastest turnaround time in KSA**



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

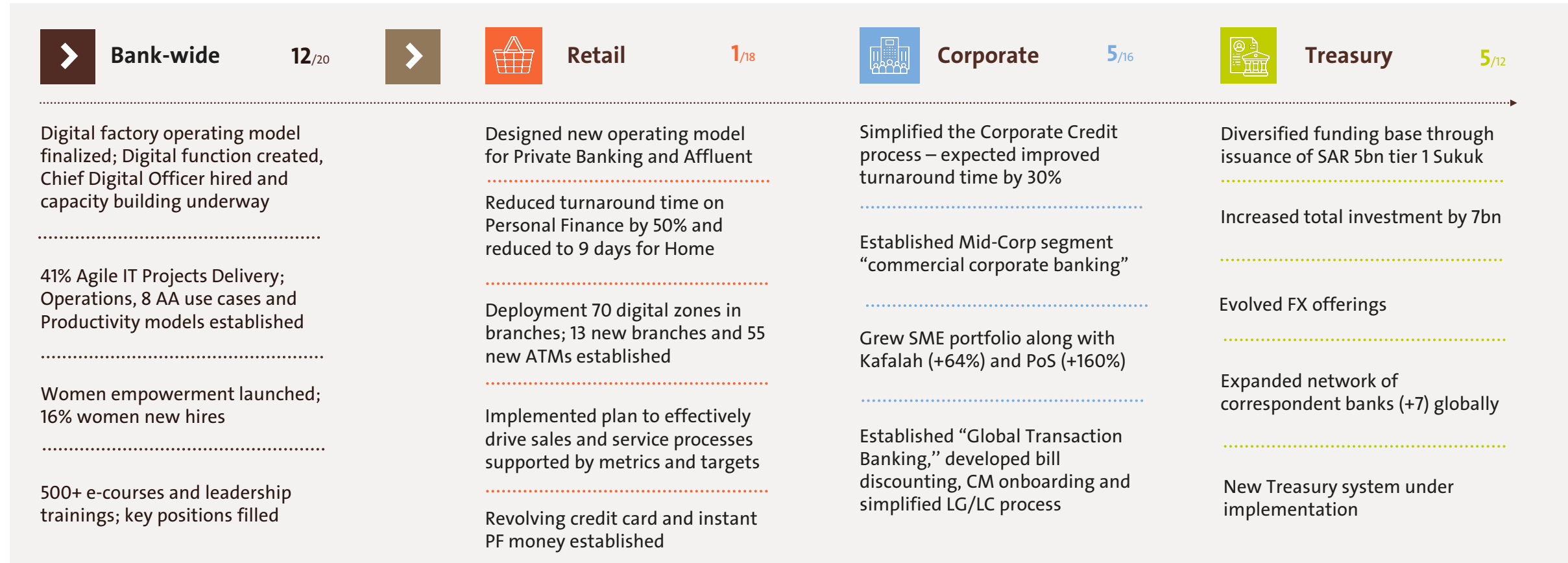
Strategic Ambitions

Driving changes across the businesses and bank-wide




Strategy Update

2021 Achievements



Strategy Update

2022 Initiatives In-Progress

 Bank-wide 8/20	 Retail 17/18	 Corporate 7/16	 Treasury 7/12
Empower Digital Enablement team to accelerate digitalization	Design exclusive Affluent experience program	Expand Mid-Corporate presence and increase capabilities	Deepen collaboration with business units to improve cross-selling
Progress on AA efforts while establishing AA Centre of Excellence	Enhance family account ecosystem	Revamp customer acquisition	Upgrade systems support for new Treasury processes
Measure and improve employee engagement/organizational health	Expand digital investment and savings products and cross-sell Investment products	Enhance structuring and Originate-to-Distribute offering within Project Finance	Internally incentivize CASA growth
Target for new hires; 16% women and 95% Saudization	Strengthen customer acquisition partnerships	Drive SME growth along corporates supply chain	Enhance savings & investments products
	Continue enhancement of digital journeys and app functionality, and increase cross-sell	Build tech-enabled sales tools	



FY 2021 Financial Performance

4Q 2021

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Balance Sheet Trends

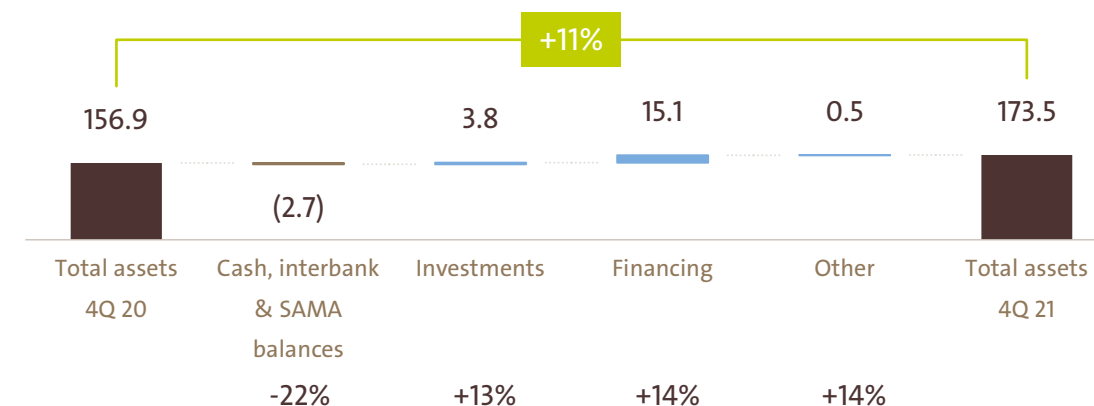
Solid balance sheet growth from growth in financing and investments

Management Commentary

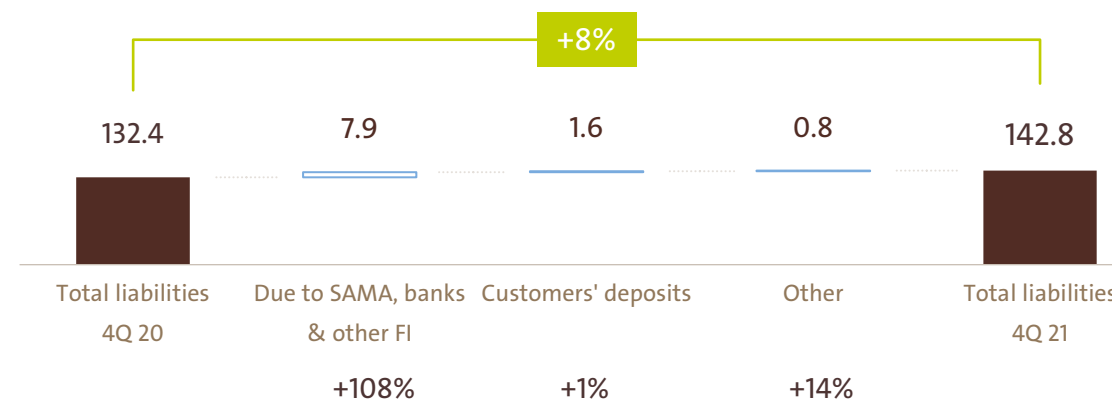
- Growth in total assets of 11% YoY driven by 14% financing growth and 13% growth in investments.
- Total liabilities grew by 8% during 2021 YoY mainly from 108% growth in balances due to SAMA, banks & other FI and a 1% rise in customers' deposits.

SAR (mn)	4Q 2021	4Q 2020	Δ%	3Q 2021	Δ%
Cash and Balances with SAMA, banks & other FI	9,915	12,651	-22%	10,019	-1%
Investments	33,278	29,526	+13%	31,886	+4%
Financing	126,271	111,196	+14%	121,318	+4%
Other assets	4,012	3,505	+14%	3,586	+12%
Total assets	173,476	156,877	+11%	166,808	+4%
Due to SAMA, banks & other FI	15,240	7,312	+108%	14,401	+6%
Customers' deposits	121,061	119,454	+1%	116,652	+4%
Other liabilities	6,465	5,682	+14%	5,591	+16%
Total liabilities	142,765	132,448	+8%	136,644	+4%
Share capital	20,000	20,000	+0%	20,000	+0%
Retained earnings	3,586	3,760	-5%	4,528	-21%
Other reserves	2,125	669	+218%	636	+234%
Tier 1 sukuk	5,000	-	-	5,000	+0%
Total equity	30,711	24,429	+26%	30,164	+2%

Total Assets Movement YoY (SARbn)



Total Liabilities Movement YoY (SARbn)



P&L Trends

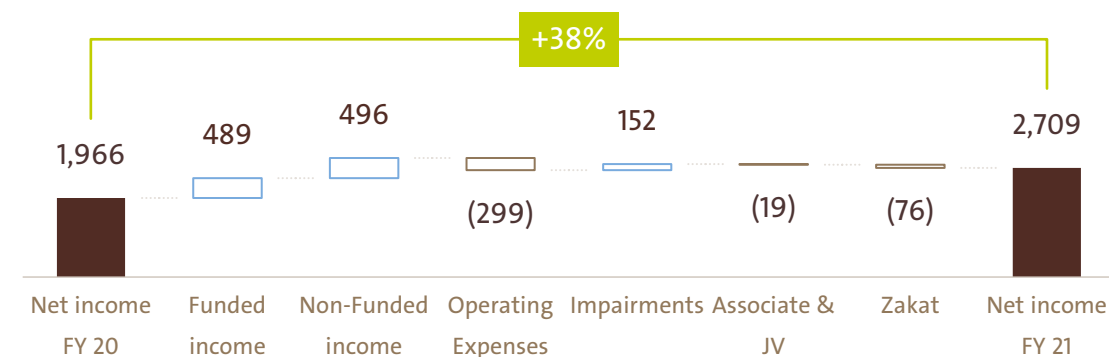
Net income for 2021 grew by 38% YoY due to 17% income growth

Management Commentary

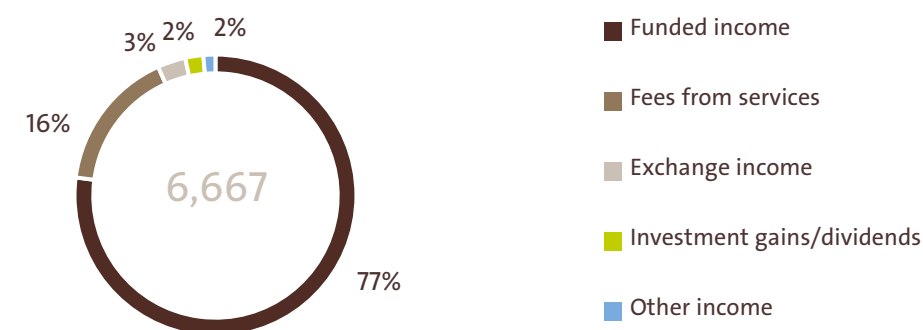
- Net income for 2021 grew 38% YoY to SAR 2,709mn from 17% income growth and an 11% decrease in impairments despite 14% higher operating expenses YoY.
- 4Q 2021 net income improved 57% YoY to SAR 619mn driven by 4% increase in income and a 54% decrease in impairments.

SAR (mn)	FY 2021	FY 2020	Δ%	4Q 2021	4Q 2020	Δ%
Funded income	5,137	4,648	+11%	1,309	1,214	+8%
Non-Funded income	1,530	1,034	+48%	373	396	-6%
Total operating income	6,667	5,682	+17%	1,682	1,610	+4%
Operating Expenses	2,365	2,066	+14%	684	524	+31%
Net operating income before impairment charge	4,302	3,616	+19%	998	1,086	-8%
Impairments	1,266	1,418	-11%	301	650	-54%
Net operating income	3,036	2,197	+38%	697	436	+60%
Income before zakat & income tax	3,022	2,202	+37%	691	439	+57%
Zakat	312	236	+32%	72	45	+59%
Net income	2,709	1,966	+38%	619	394	+57%

Net Income Movement YoY (SARmn)



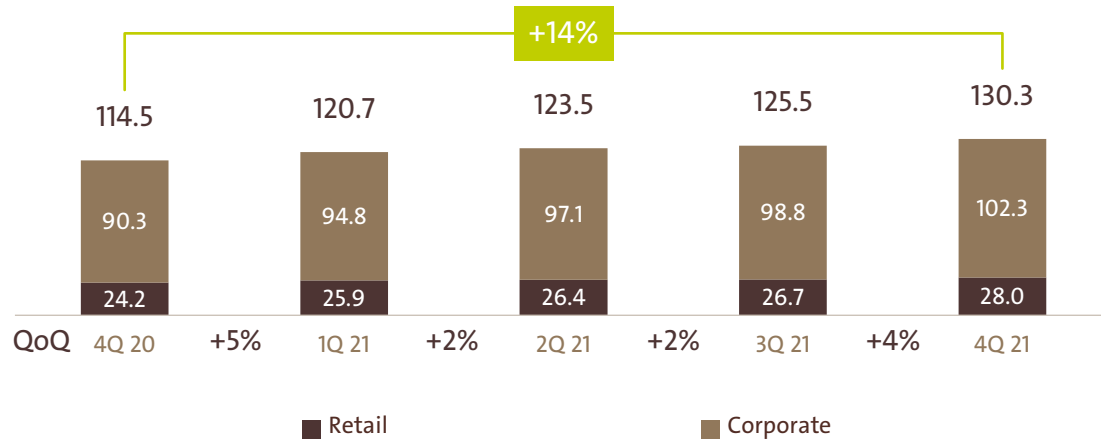
Operating Income Composition (SARmn)



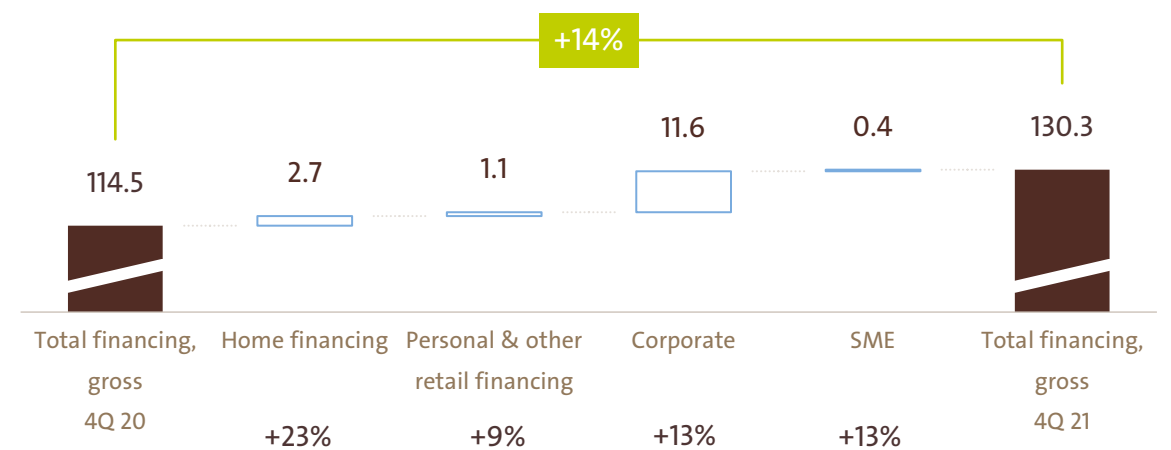
Financing

Solid 14% increase in gross financing from strong growth in both corporate and retail financing

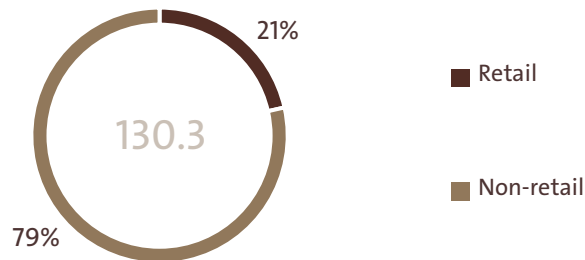
Financing, Gross (SARbn)



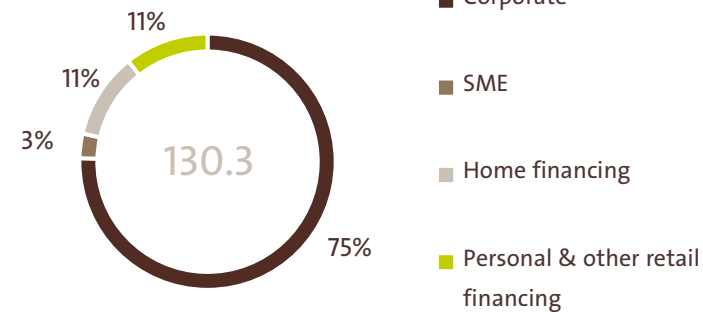
Financing, Gross Movement YoY (SARbn)



Financing, Gross Composition (SARbn)



Financing, Gross Composition (SARbn)



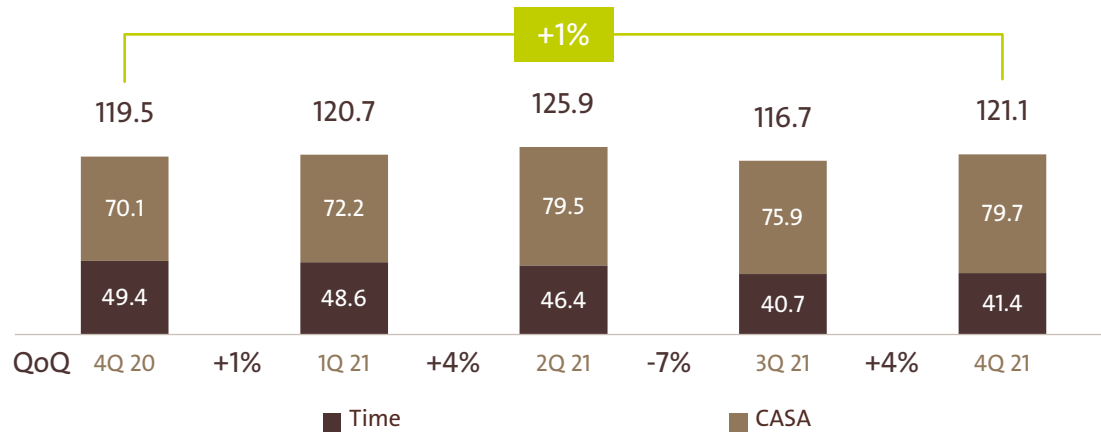
Management Commentary

- Gross financing grew 14% during 2021.
- Retail financing grew 16% from strong momentum in home financing (+23%) and personal & other financing growth (+9%).
- Corporate financing grew 13% across both large corporate (+13%) and SME financing (+13%) in 2021.

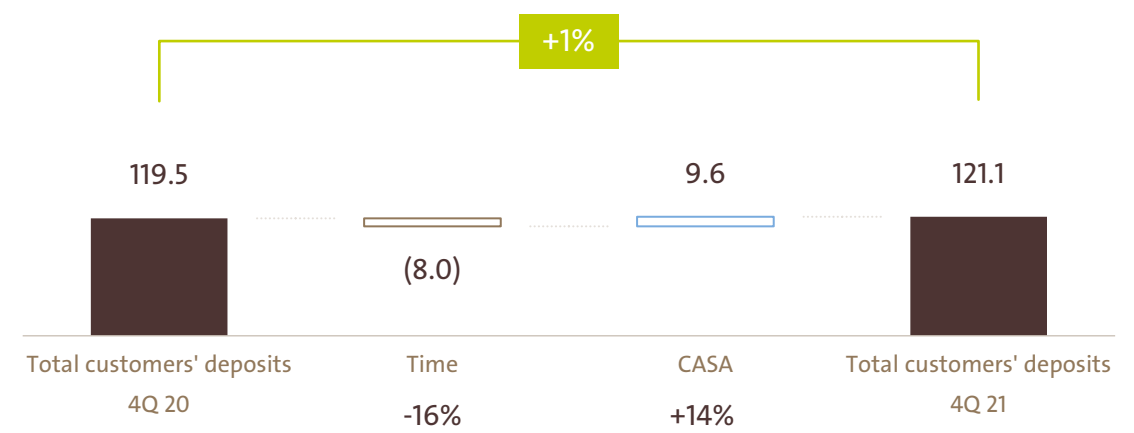
Deposits

Strong 14% CASA growth supported funding mix optimization

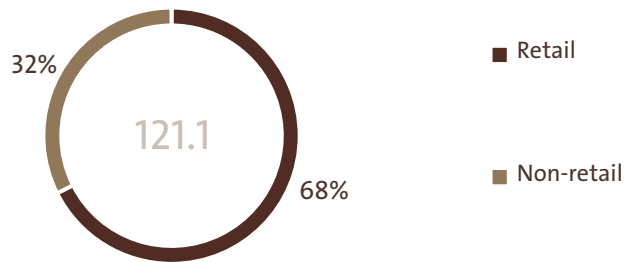
Customers' Deposits (SARbn)



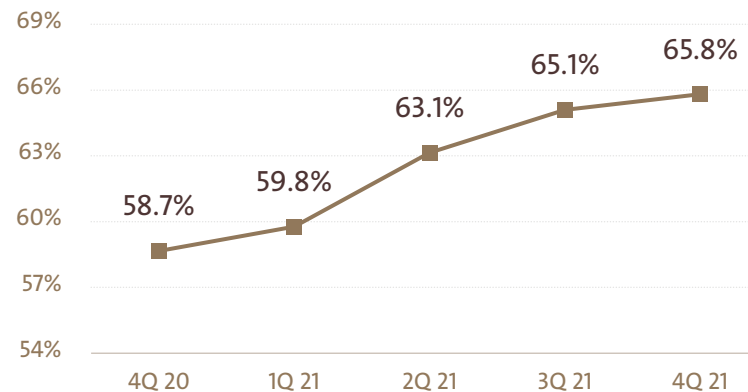
Customers' Deposits Movement YoY (SARbn)



Customers' Deposits Composition (SARbn)



CASA % of Total Deposits (%)



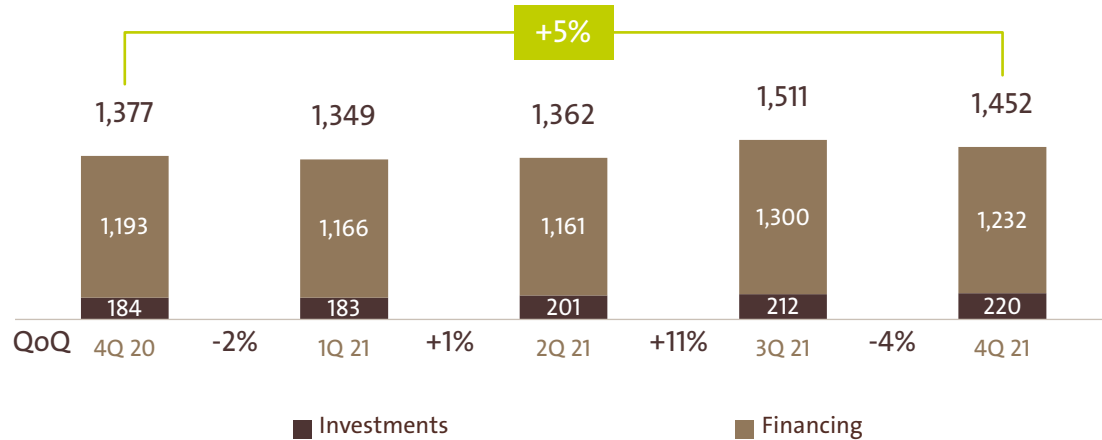
Management Commentary

- Deposits rose slightly by 1% during 2021 as growth in CASA deposits of 14% was partly offset by a 16% decline in time deposits.
- CASA deposits account for 65.8% of total deposits.
- Total deposits comprise of 68% retail and 32% non-retail deposits as at 31 December 2021.

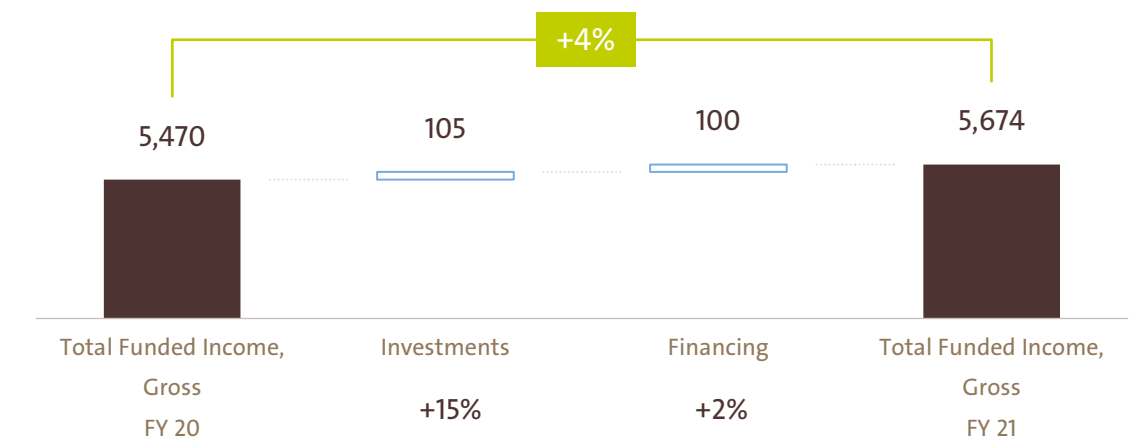
Income from Financing & Investments

Gross funded income grew 5% from 17% growth in average profit-earning assets, partly offset by a 19bps lower profit margin YoY

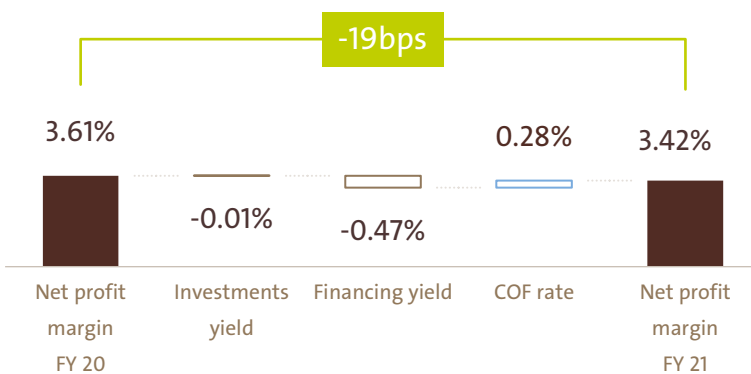
Funded Income, Gross (SARmn)



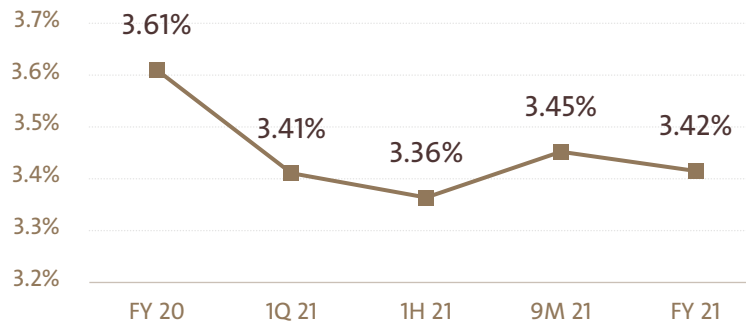
Funded Income, Gross Movement YoY (SARmn)



Net Profit Margin Movement YoY (%)



Net Profit Margin (%)



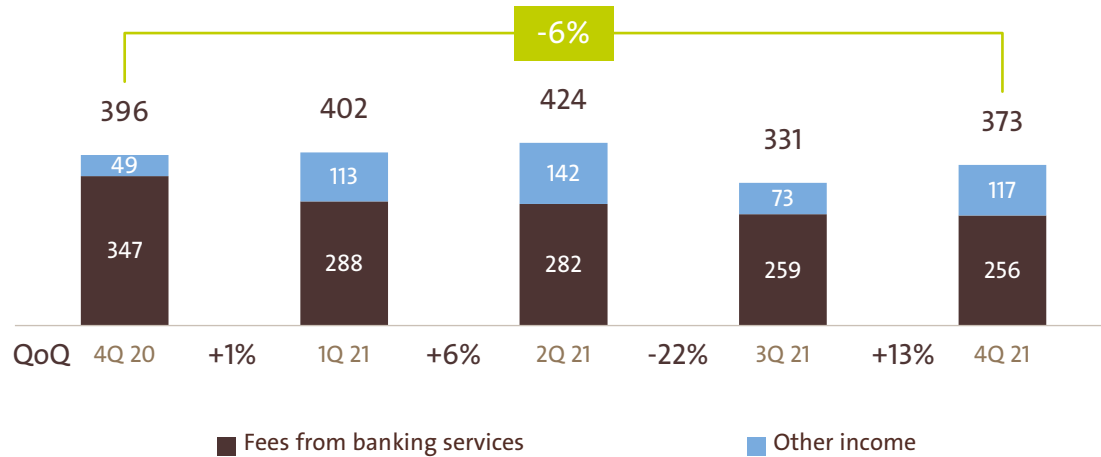
Management Commentary

- Gross funded income for 2021 increased by 4% to SAR 5,674mn with a 15% increase in investment income and a 2% rise in financing income.
- The net profit margin decreased by 19bps YoY to 3.42% in 2021 due to lower profit rates, partly offset by a 28bps reduction in funding costs.

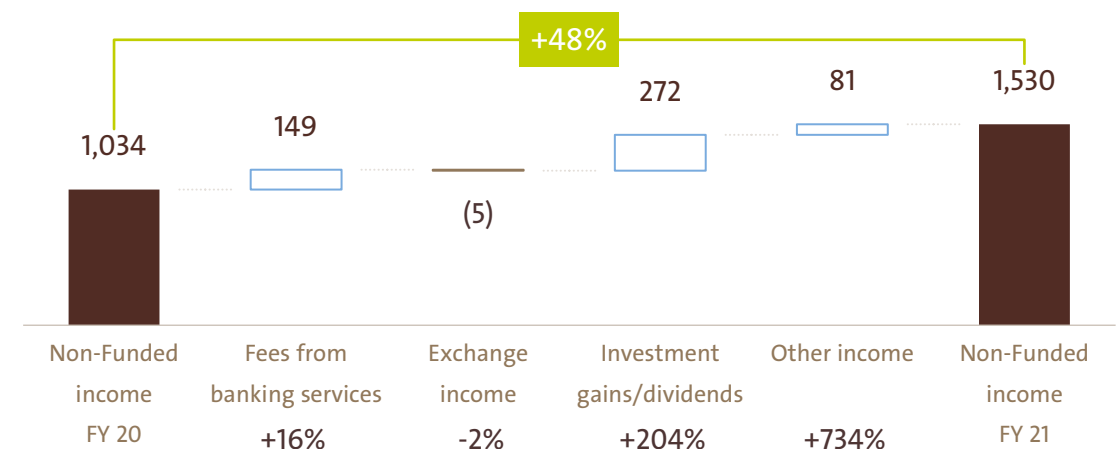
Fee and Other Income

Non-funded income for 2021 increased by 48% YoY

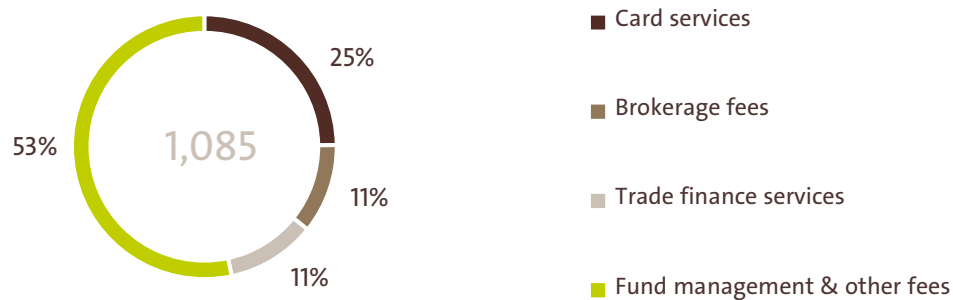
Non-Funded Income (SARmn)



Non-Funded Income Movement YoY (SARmn)



Fees from Banking Services Composition (SARmn)



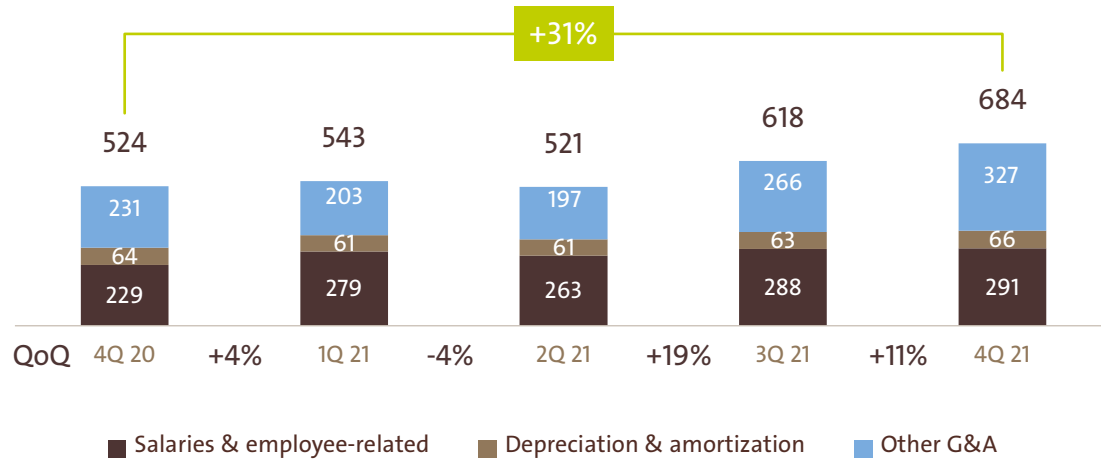
Management Commentary

- Non-funded income for 4Q 2021 decreased 6% YoY to SAR 373mn from a fall in fees from banking services and other income driven by higher investment gains/dividends.
- Non-funded income for 2021 increased 48% YoY to SAR 1,530mn from growth in fees from banking services (+16%) and higher investment gains/dividends (+204%).
- Fund management & other fees make up the majority of fee income at 53%, while 25% comprises of card service fees, 8% brokerage fees and 8% trade finance service fees.

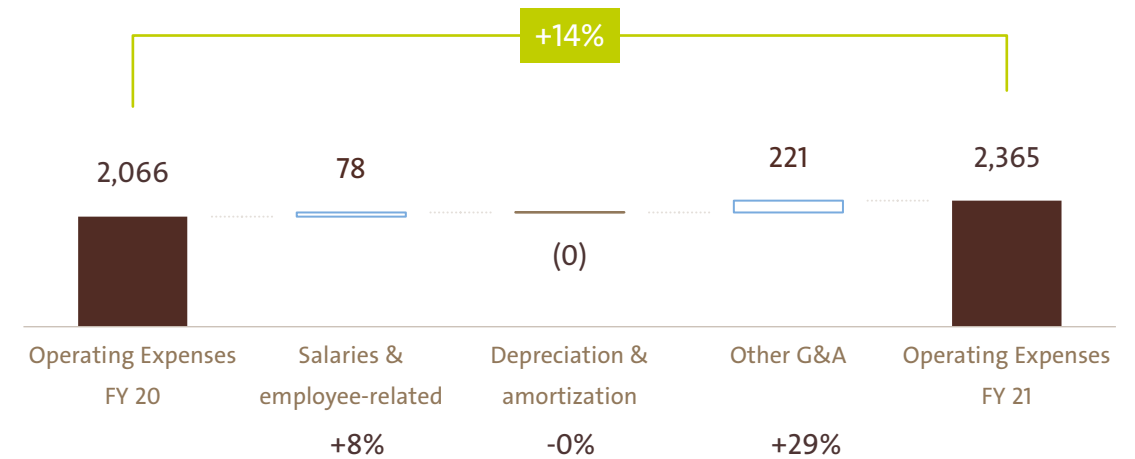
Operating Expenses

2021 saw 14% growth in operating expenses YoY mainly from a 29% increase in G&A mostly from VAT

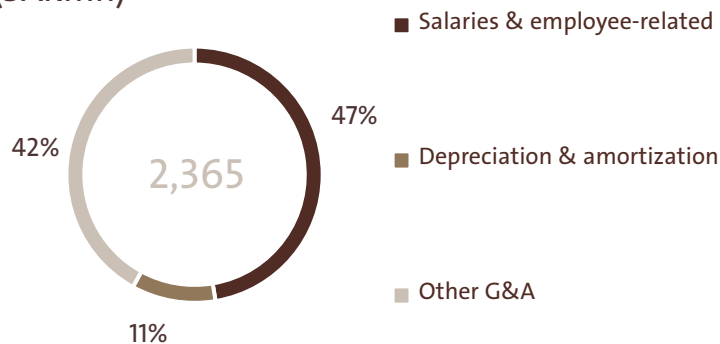
Operating Expenses (SARmn)



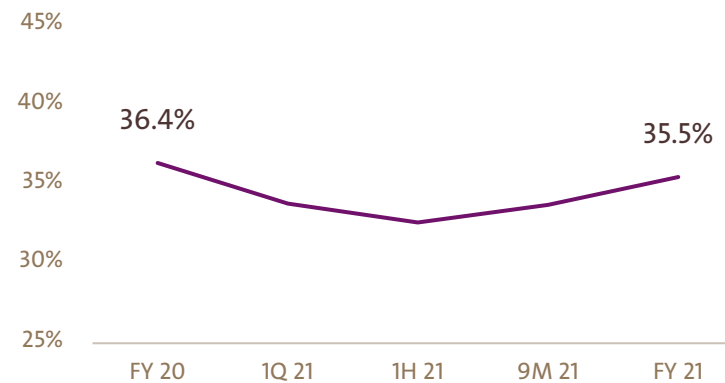
Operating Expenses Movement YoY (SARmn)



Operating Expenses Composition (SARmn)



Cost to Income Ratio (%)



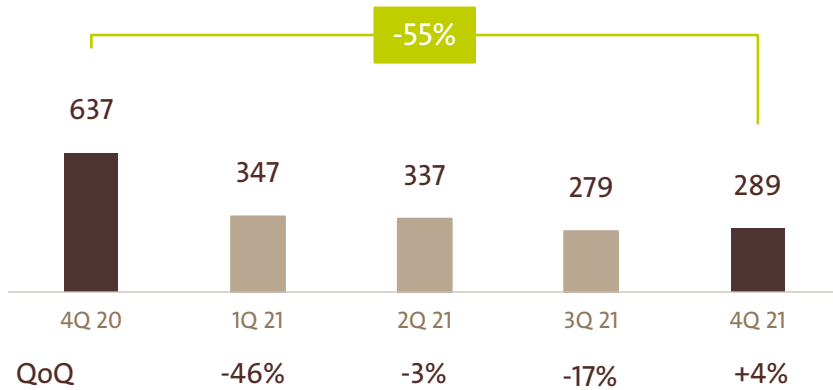
Management Commentary

- Operating expenses increased 14% YoY to SAR 2,365mn for 2021 mainly due to the increased rate of VAT in KSA from 5% to 15% from 1 July 2020 as well as higher communication expenses, POS terminal costs, software maintenance and subscriptions.
- Despite this increase in operating expenses, higher income growth resulted in an 90bps YoY improvement in the cost to income ratio to 35.5%.

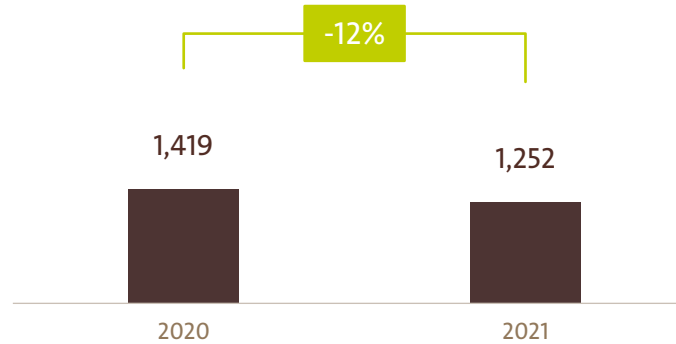
Impairments from Financing

The cost of risk has declined by 32bps mainly from 12% lower impairment charges YoY

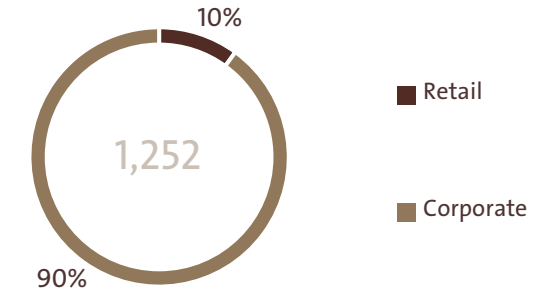
Impairments for Financing (SARmn)



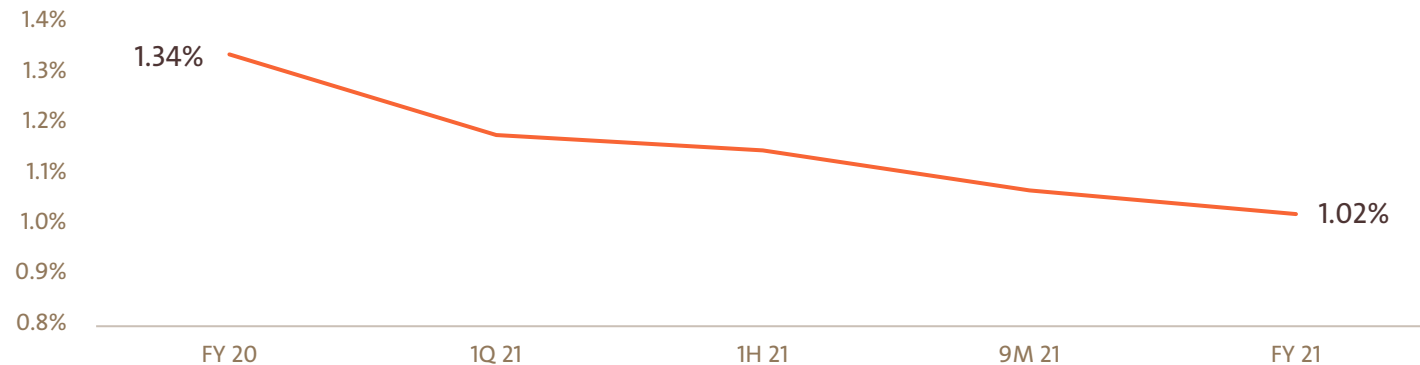
Impairments for Financing (SARmn)



Impairments Composition (SARmn)



Cost of Risk (%)



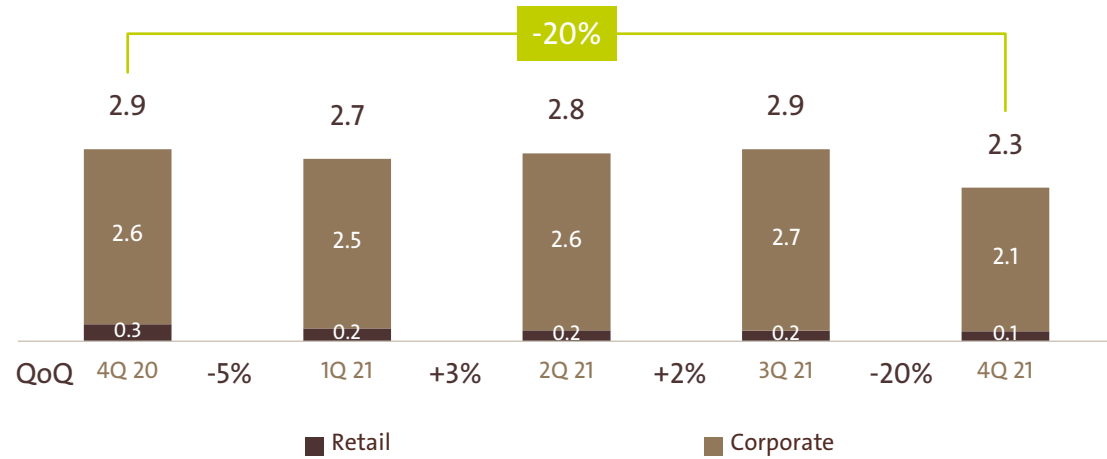
Management Commentary

- The impairment charge for financing for 2021 decreased by 12% YoY to SAR 1,252mn.
- 4Q 2021 impairments declined 55% YoY mainly because of migration in 4Q 2020 for selected corporate accounts.
- Cost of risk for 2021 declined by 32bps YoY to 1.02%.

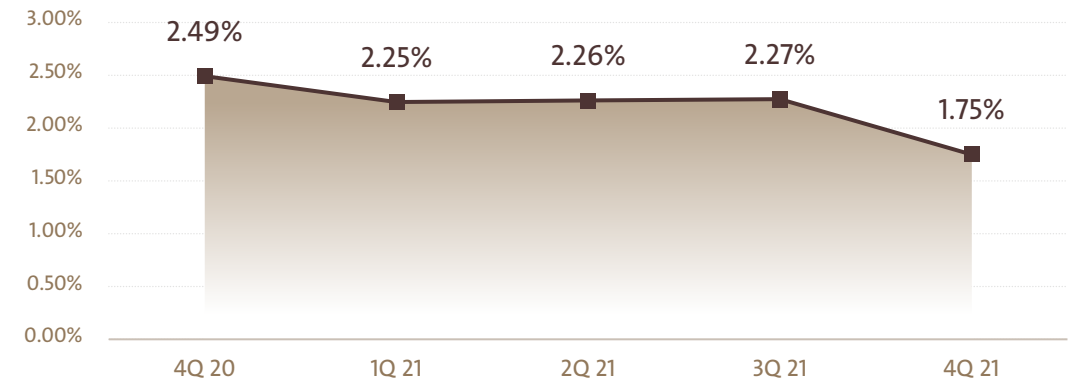
NPL & NPL Coverage

Credit quality has improved evidenced by an overall improvement in both NPL and NPL coverage ratios YoY

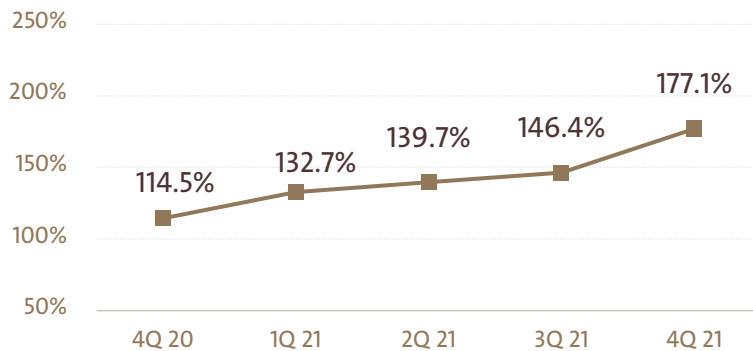
Non-Performing Loans, Gross (SARbn)



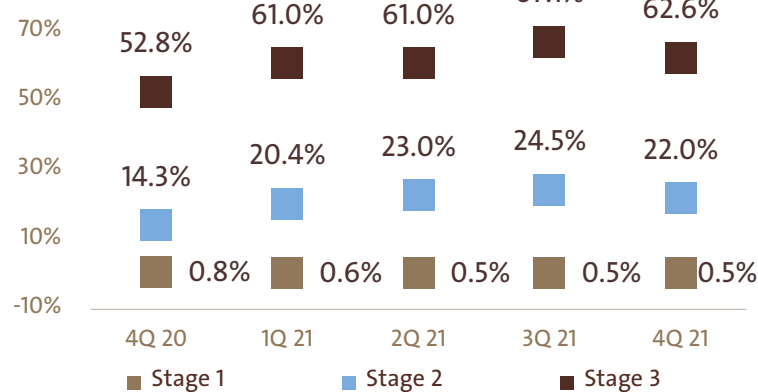
NPL Ratio (%)



NPL Coverage Ratio (%)



Stage-Wise Coverage (%)



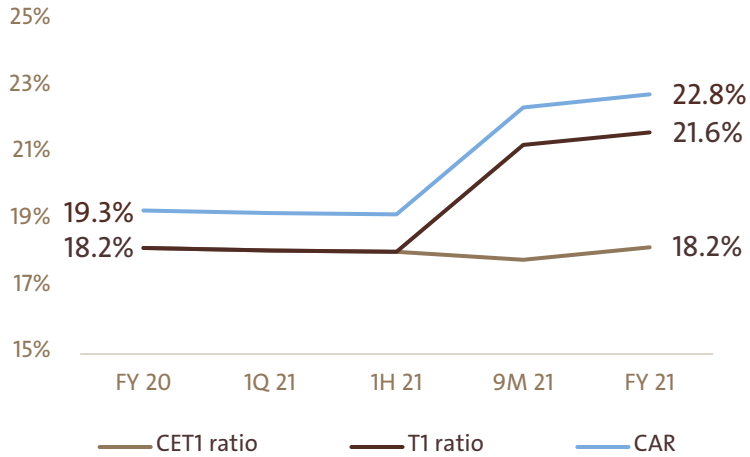
Management Commentary

- The NPL ratio declined by 74bps YoY to 1.75% at 4Q 2021.
- NPL coverage improved by 63ppts YoY to 177.1%.
- Stage-wise coverage has improved during the year with Stage 1 at 0.5%, Stage 2 at 22.0% and Stage 3 at 62.6%.

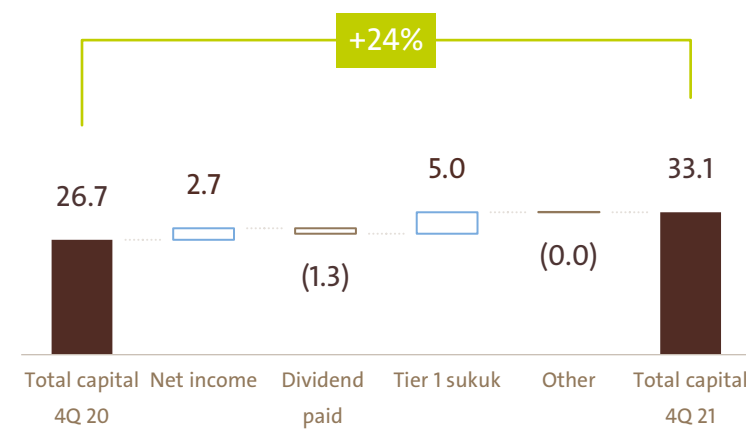
Capitalization & Liquidity

Capital and capital ratios increased due to T1 sukuk issuance and retained earnings generation

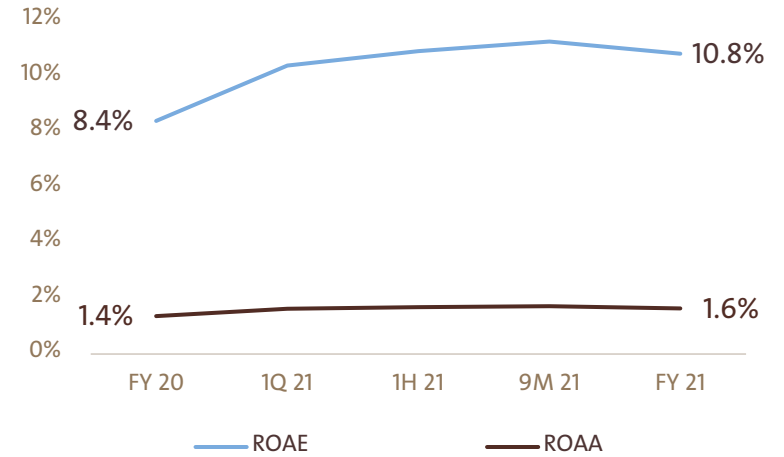
Capitalization (%)



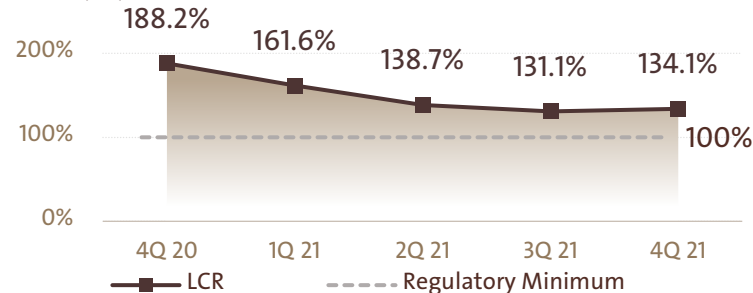
Total Capital Movement YoY (SARbn)



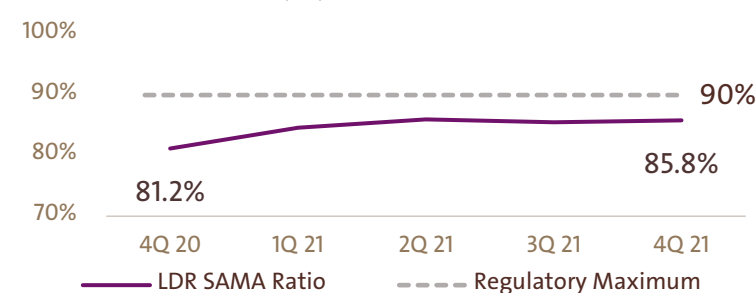
Profitability (%)



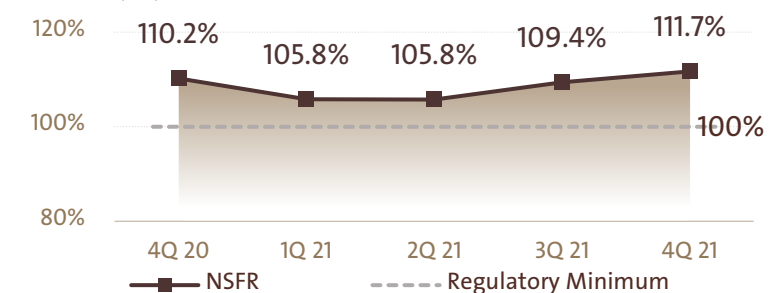
LCR (%)



LDR SAMA Ratio (%)



NSFR (%)



Outlook & Guidance

4Q 2021



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Guidance

Improving economic outlook and acceleration of strategic execution drive a promising outlook for 2022

		2021A	Drivers	2022G
Balance Sheet	Financing Growth	+14%	Strong Mid-Corp, SME & Retail growth from strategic initiatives; solid corporate growth from expected credit demand	Mid-teens
Profitability	Net Profit Margin	3.42%	Rising rates and strong funding mix supportive of improving margin	+10bps to +15bps
	Cost to Income Ratio	35.5%	Growth in income, digitization & process optimization driving efficiencies, partly offset by strategic investments	Below 35%
	Return on Equity	10.8%	Improving NPM, efficiency and COR driving improving ROE	Above 13%
Asset Quality	Cost of Risk	1.02%	Cautiously expecting stable credit quality and NPL coverage, leading to COR moderation	65-75bps
Capital	CET1	18.2%	Increasing RWAs from strong expected financing growth	16%-17%

Q&A

4Q 2021

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Appendix

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