

# Earnings Presentation

4Q 2023

7 February 2024

مصرف الإنماء  
alinma bank



digital. fast. convenient.

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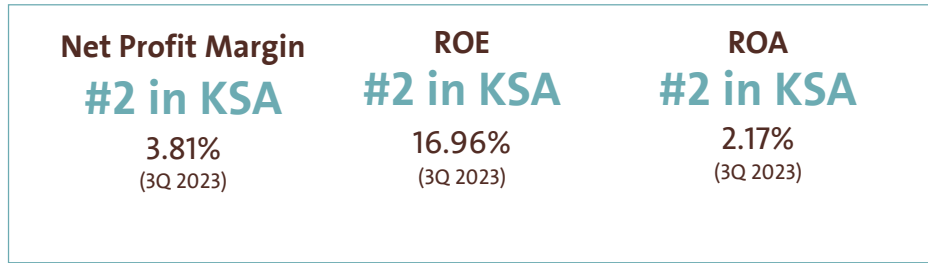


# Alinma Overview

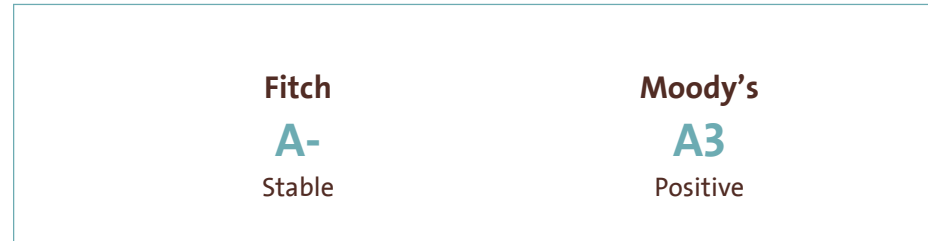
Q4 2023

The youngest bank in KSA

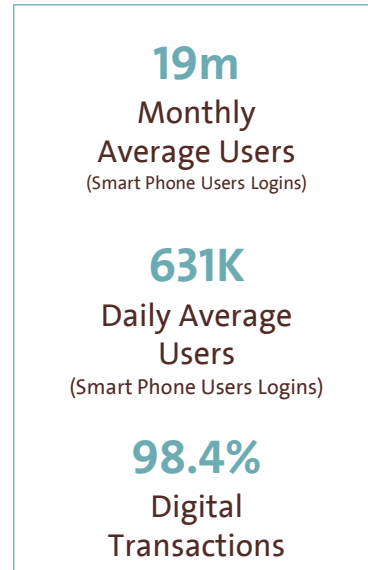
## Financial Position



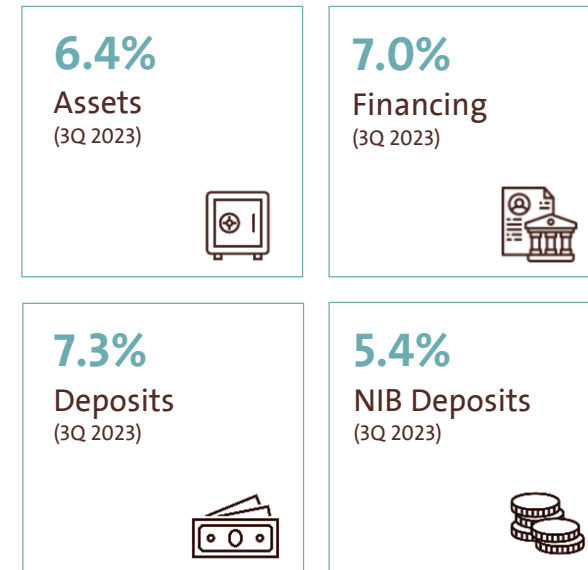
## Rating Strength



## Retail Digital Snapshot



## KSA Market Share



## Stock Highlights



SOURCE: Bank Financial Statements, Tadawul

# Financial Performance Highlights

Q4 2023

# Financial Performance Highlights



Solid operating income growth translated into 34% growth of net income in FY 2023 and 17.2% ROE

## Balance Sheet

- 1 Solid 18.5% YoY increase in financing from growth in both retail and corporate.
- 1 Strong growth of 29% in customers' deposits YoY driven by growth of CASA and Time deposits by 10% and 55% respectively.

## Income Statement

- 1 Operating income growth of 22% mainly from +26% funded income growth.
- 1 Net income for FY 2023 grew 34% YoY to SAR 4,839mn from 22% operating income growth.

## Credit Quality, Capital and Liquidity

- 1 NPL and NPL coverage ratios at 1.61% and 154.9% respectively while cost of risk improved by 8bps YoY to 0.77%.
- 1 Capitalization and liquidity positions remained healthy and within regulatory limits.

### 4Q 23 Financing

SARbn **173.6**  
+18.5% YoY

### 4Q 23 Total Assets

SARbn **236.7**  
+18% YoY

### FY 23 Operating Income

SARmn **9,726**  
+22% YoY

### FY 23 Net Income

SARmn **4,839**  
+34% YoY

### 4Q 23 NPL Ratio

**1.61%**  
-33bps YoY

### 4Q 23 NPL Coverage Ratio

**154.9%**  
+18.5ppts YoY

### 4Q 23 Customers' Deposits

SARbn **187.9**  
+29% YoY

### 4Q 23 CASA Deposits

SARbn **90.6**  
+10% YoY

### 4Q 23 CASA % of Total Deposits

**48.2%**  
-8.6ppts YoY

### FY 23 Cost to Income Ratio

**31.3%**  
-3.4ppts YoY

### FY 23 Net Profit Margin

**3.81%**  
+19bps YoY

### FY 23 ROE

**17.2%**  
+353bps YoY

# Strategy Update

Q4 2023

# 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** across KSA





# Strategic Ambitions

Driving changes across the businesses and bank-wide



## Bank-wide

- 1 Build Digital Factory to scale customer experience and operational excellence across the bank
- 1 Foster data-driven decision making with latest analytics capabilities
- 1 Cultural transformation to attract and retain the best talent in KSA



## Retail

- 1 Build digitally-savvy **affluent and HNW customer franchise**
- 1 Grow the digitally-savvy **youth customer franchise**
- 1 Offer the **best customer experience** and operational excellence



## Corporate

- 1 Become **core bank** for large, mid-corporate and project finance partners across diversified sectors
- 1 Develop **high quality and growing SME proposition**
- 1 Grow **Cash Management and Trade Finance** business



## Treasury

- 1 Become **core partner** for corporate clients for their **hedging** and investment needs
- 1 Grow **FI customer franchise** with dedicated coverage team
- 1 **Maintain** and evolve **high quality ALM function**

# Strategy Update

## 4Q 2023 Initiatives Completed to Date



Bank-wide 25/28



Retail 16/18



Corporate 9/19



Treasury 12/12

Implemented advanced analytics and smart targeting to enhance cross-selling capabilities

Launched digital subscription for payroll management

Launched digital refinance for personal financing

Online eligibility for POS financing

96% Saudization; 22% female of total workforce

Integrated with the Chamber of Commerce to fully automate the process of Auto lease registration documents

Implemented Phase 1 of OTP service to replace paper forms for branch customers

24 TCR machines implemented in Q4 reaching total of 108

Launched personal finance top-up

Launched IZ credit card for youth

Launched first phase of the RM tech enabled sales tools

+140% (YoY) growth in booked assets under Mid-Corporate banking segment

+135% (YoY) growth in non-funded assets (LG & LC) under Mid-Corporate banking segment

+20% Kafalah financing

+100% (YoY) growth in Program Based Lending

Continue to enhance investment portfolio yield

Achieved FX business volumes of SAR +28bn

Expanded network of correspondent banks (+2) globally

Developed new derivatives products such as Repo to Maturity



Progress to date

62/77



81%

# Strategy Update

## 2024 Initiatives In-Progress



**Bank-wide** 3/28



**Retail** 2/18



**Corporate** 10/19



**Treasury** 0/12

Expanding the digital factory for the transformation

Progressing on robotic process automation

Drive employee engagement /organizational health initiatives across various functions

Developing Retail credit scoring system

Digitalize mortgage journey

Enhancing family account ecosystem

Enhancing service & customer experience

Continue implementation of branches merger plan

Continue installation of TCR machines

Building of integrated portal for Corporate segments

New products and offerings being created to drive liabilities growth

Completing Loans Origination System (LOS) for all corporate segments

Introducing corporate middle-office

Enhance offering of structured deposit products

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

Deepening collaboration with business units to improve cross-selling



**Initiatives In-Progress**

15/77

81% Complete

In-Progress

19%

# FY 2023 Financial Performance

Q4 2023

# Balance Sheet Trends



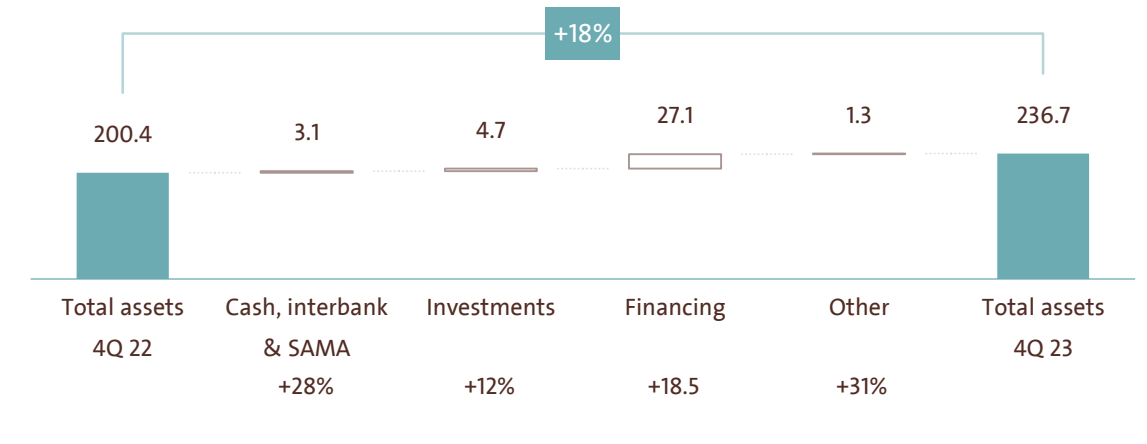
Balance sheet growth of 18% from increase in financing and investments

## Management Commentary

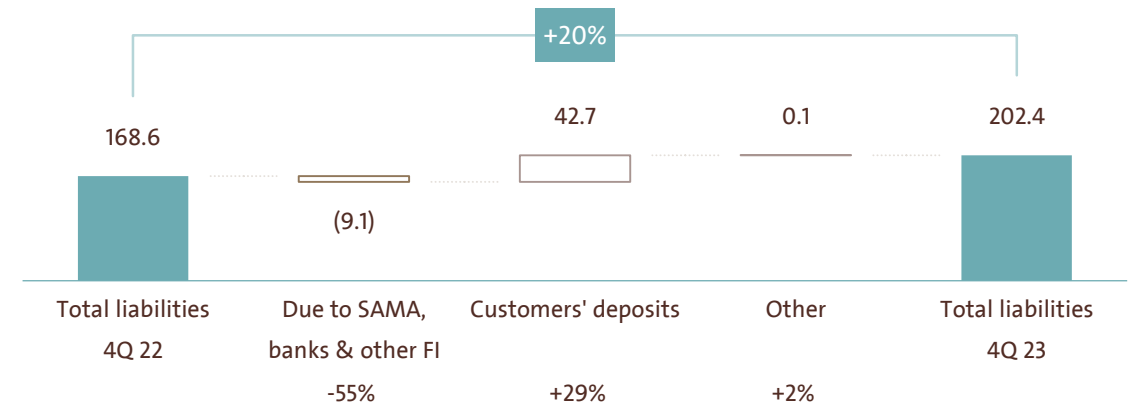
- Growth in total assets of 18% YoY mainly driven by 18.5% financing growth and 12% growth in investments and 28% growth in balances with SAMA and interbank.
- Total liabilities grew by 20% YoY mainly from a 29% rise in customers' deposits.

SAR (mn)	4Q 2023	4Q 2022	Δ%	3Q 2023	Δ%
Cash, interbank & SAMA balances	14,299	11,178	+28%	16,957	-16%
Investments	43,236	38,518	+12%	40,970	+6%
Financing	173,624	146,492	+18.5%	169,063	+3%
Other assets	5,555	4,249	+31%	5,595	-1%
<b>Total assets</b>	<b>236,715</b>	<b>200,436</b>	<b>+18%</b>	<b>232,585</b>	<b>+2%</b>
Due to SAMA, banks & other FI	7,431	16,483	-55%	10,123	-27%
Customers' deposits	187,901	145,168	+29%	180,233	+4%
Other liabilities	7,050	6,908	+2%	8,769	-20%
<b>Total liabilities</b>	<b>202,381</b>	<b>168,560</b>	<b>+20%</b>	<b>199,125</b>	<b>+2%</b>
Share capital	20,000	20,000	+0%	20,000	+0%
Retained earnings	1,118	4,285	-74%	6,675	-83%
Other reserves	8,215	2,591	+217%	1,785	+360%
Tier 1 sukuk	5,000	5,000	+0%	5,000	+0%
<b>Total equity</b>	<b>34,334</b>	<b>31,876</b>	<b>+8%</b>	<b>33,460</b>	<b>+3%</b>

## Total Assets Movement YoY (SARbn)



## Total Liabilities Movement YoY (SARbn)



# P&L Trends



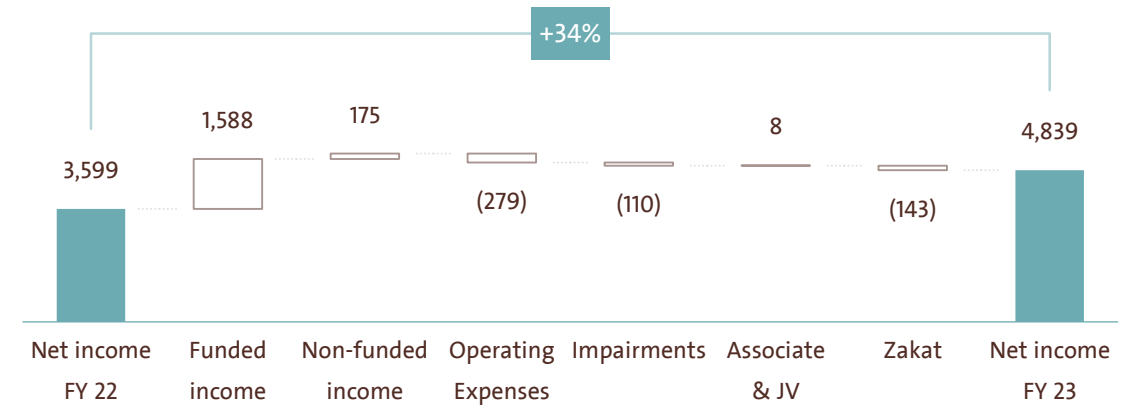
Net income for FY 2023 grew by 34% YoY mainly from 22% operating income growth

## Management Commentary

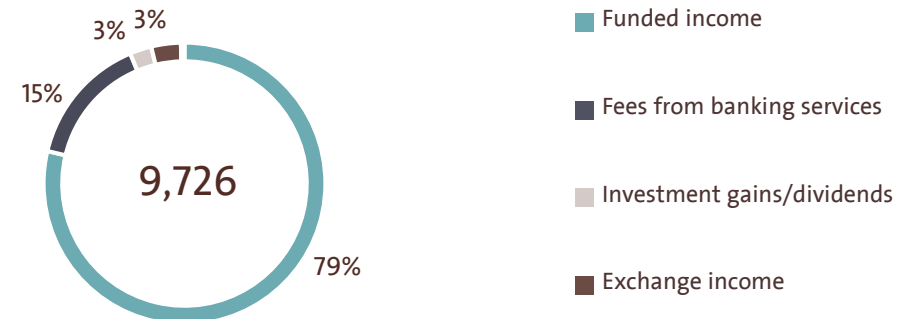
- Net income for FY 2023 grew 34% YoY to SAR 4,839mn from 22% operating income growth despite 10% higher operating expenses YoY.
- 4Q 2023 net income improved 53% YoY driven by 20% increase in operating income.

SAR (mn)	FY 2023	FY 2022	Δ%	4Q 2023	4Q 2022	Δ%
Funded income	7,655	6,066	+26%	2,054	1,668	+23%
Non-Funded income	2,071	1,897	+9%	515	480	+7%
<b>Total operating income</b>	<b>9,726</b>	<b>7,963</b>	<b>+22%</b>	<b>2,569</b>	<b>2,148</b>	<b>+20%</b>
Operating Expenses	3,044	2,765	+10%	774	750	+3%
<b>Net operating income before impairment charge</b>	<b>6,682</b>	<b>5,198</b>	<b>+29%</b>	<b>1,795</b>	<b>1,398</b>	<b>+28%</b>
Impairments	1,299	1,189	+9%	324	441	-26%
<b>Net operating income</b>	<b>5,384</b>	<b>4,009</b>	<b>+34%</b>	<b>1,471</b>	<b>957</b>	<b>+54%</b>
<b>Income before zakat &amp; income tax</b>	<b>5,396</b>	<b>4,013</b>	<b>+34%</b>	<b>1,472</b>	<b>959</b>	<b>+53%</b>
Zakat	556	414	+34%	152	99	+53%
<b>Net income</b>	<b>4,839</b>	<b>3,599</b>	<b>+34%</b>	<b>1,320</b>	<b>860</b>	<b>+53%</b>

## Net Income Movement YoY (SARmn)



## Operating Income Composition (SARmn)

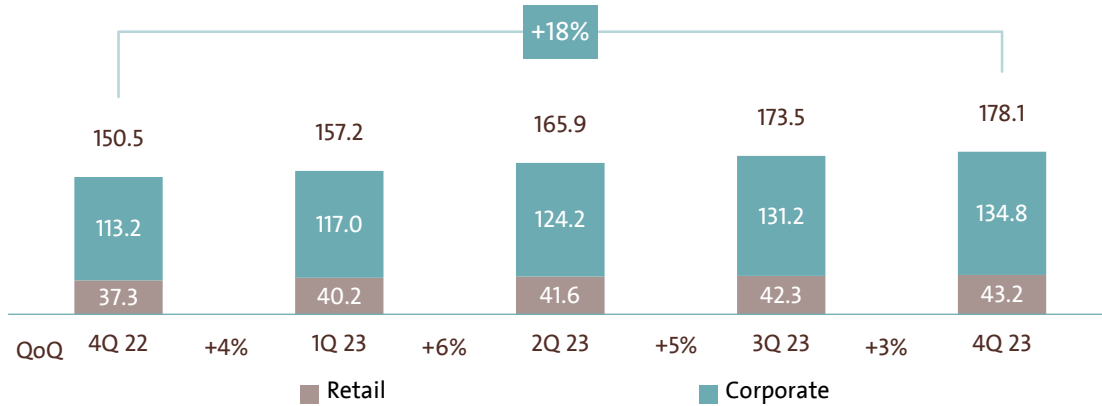


# Financing

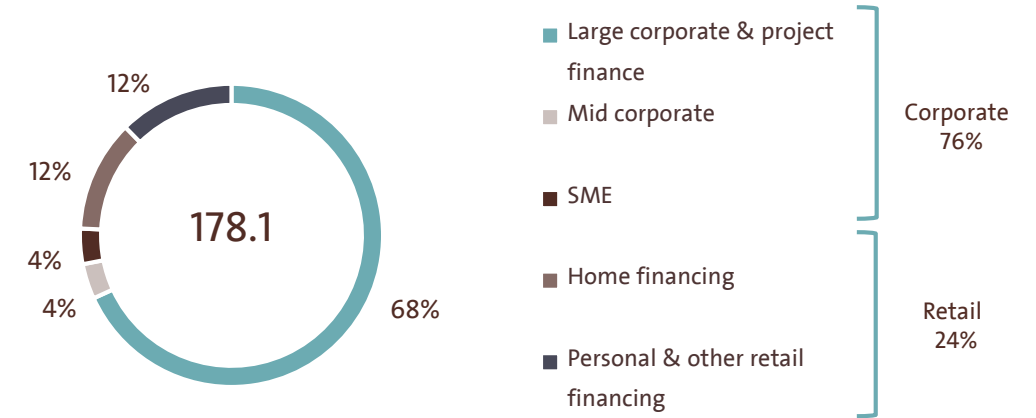


Solid increase in gross financing during FY 2023 from 16% growth in retail financing, and 19% in corporate financing

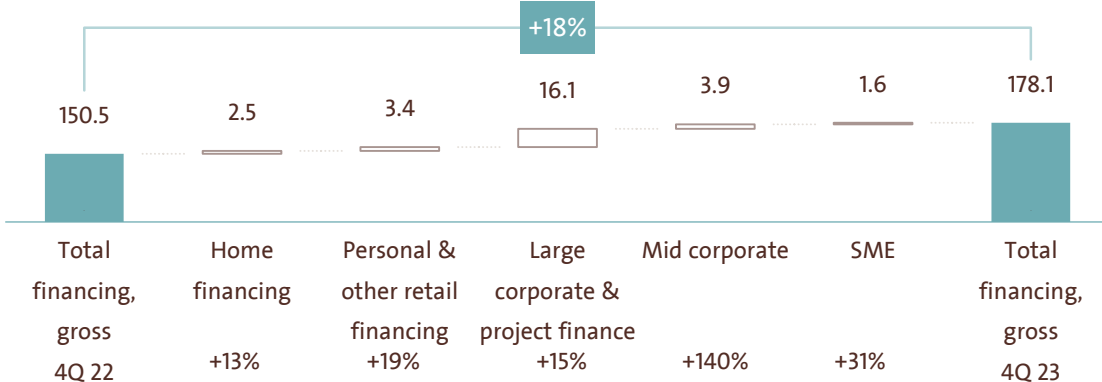
Financing, Gross (SARbn)



Financing, Gross Composition (SARbn)



Financing, Gross Movement YoY (SARbn)



## Management Commentary

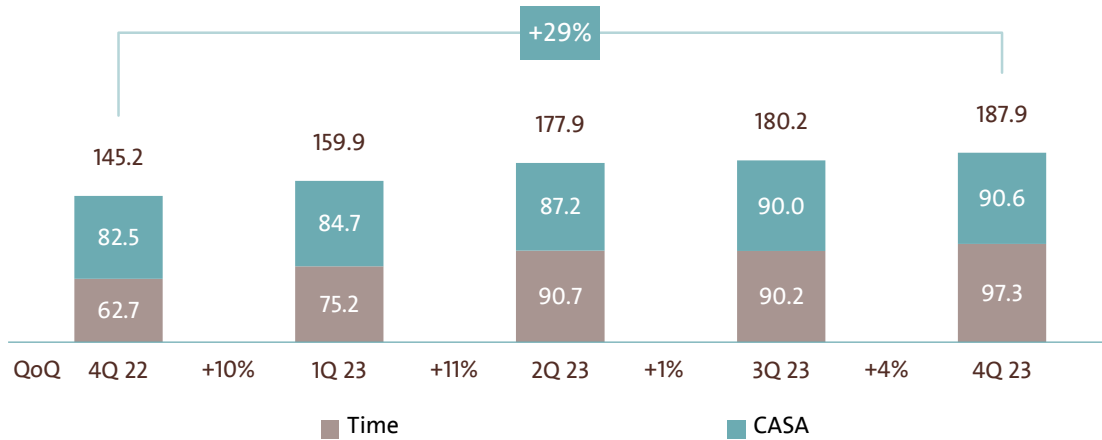
- Gross financing grew 18% during FY 2023.
- Retail financing grew 16% YoY from strong momentum from strong momentum in home financing +13% and personal & other financing +19%.
- Total corporate financing grew 19% YoY, where mid-corporate rose 140%, and SME financing increased 31%.
- Gross financing comprises of 76% corporate and 24% retail as at 31 December 2023.

# Deposits

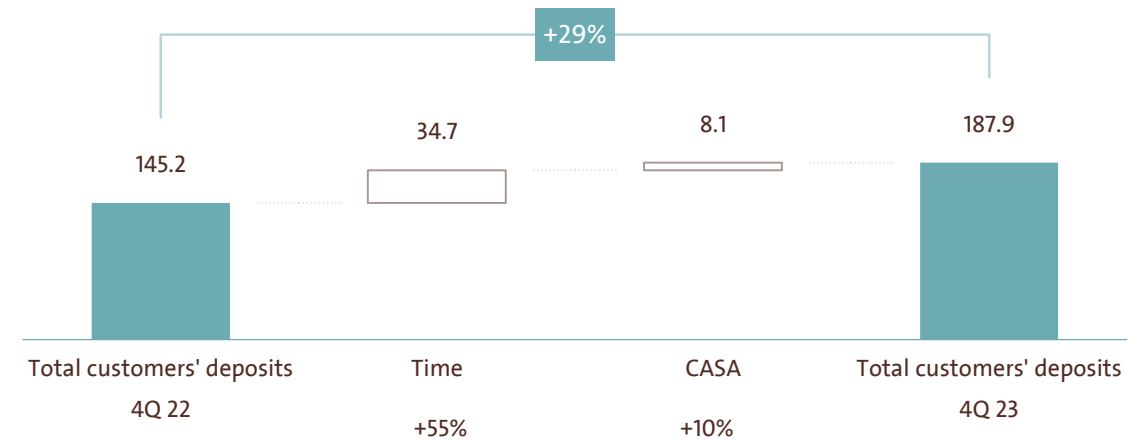


Deposit growth of 29% driven by 10% CASA growth and 55% time deposits growth

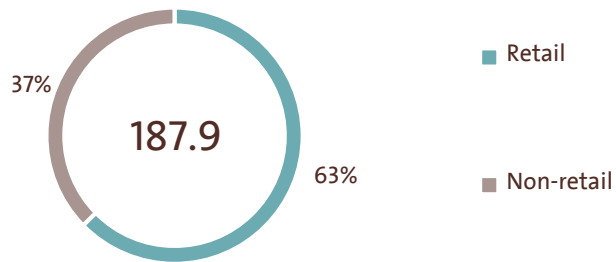
Customers' Deposits (SARbn)



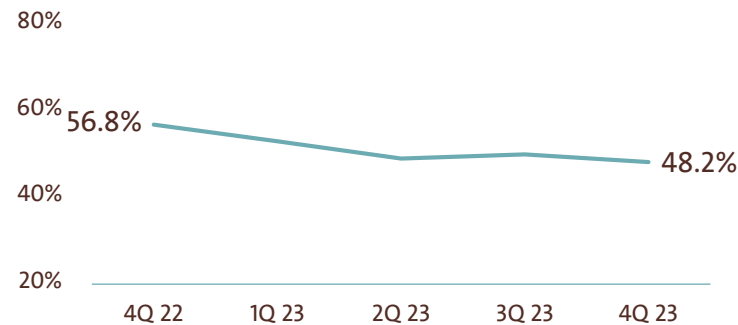
Customers' Deposits Movement YoY (SARbn)



Customers' Deposits Composition (SARbn)



CASA % of Total Deposits (%)



### Management Commentary

- Deposits rose by 29% during FY 2023 from growth in CASA and Time deposits of 10% and 55% respectively.
- CASA deposits account for 48.2% of total deposits as at 4Q 2023.
- Total deposits comprise of 63% retail and 37% non-retail deposits as at 31 December 2023.

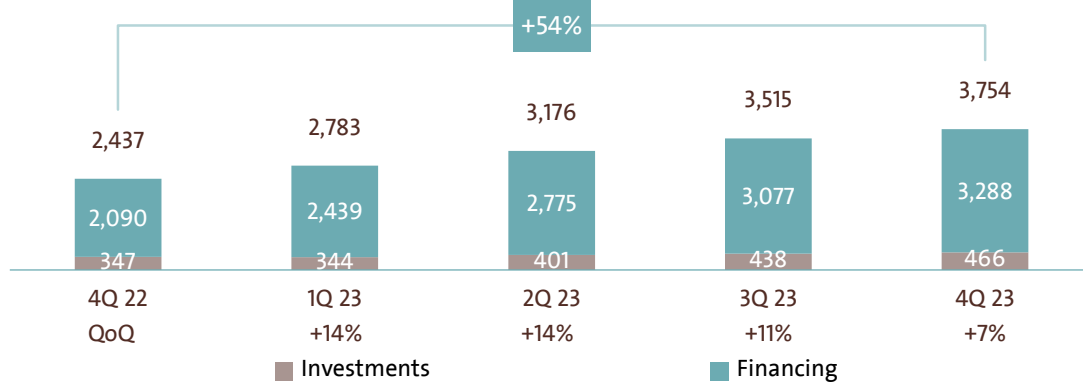


# Income from Financing & Investments

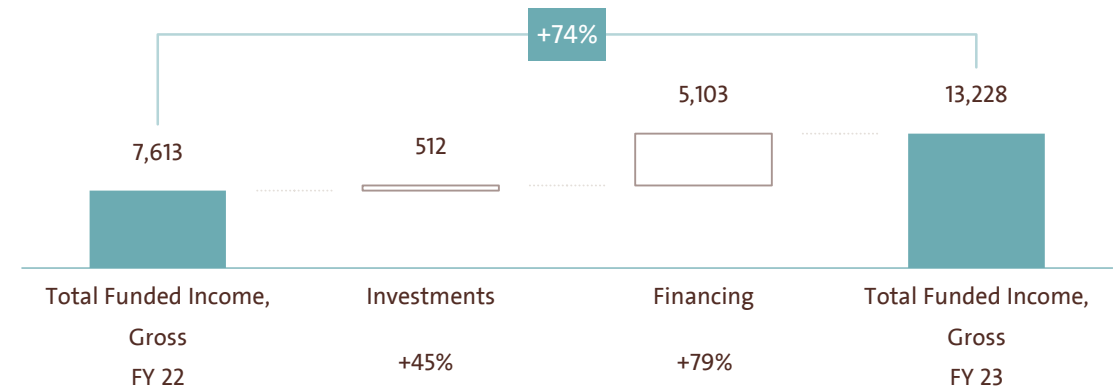


Gross funded income grew 74% from 45% growth in investment income and 79% growth in financing income

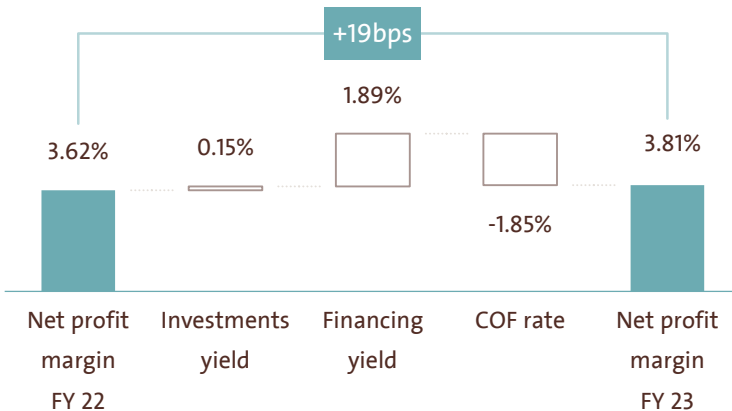
Funded Income, Gross (SARmn)



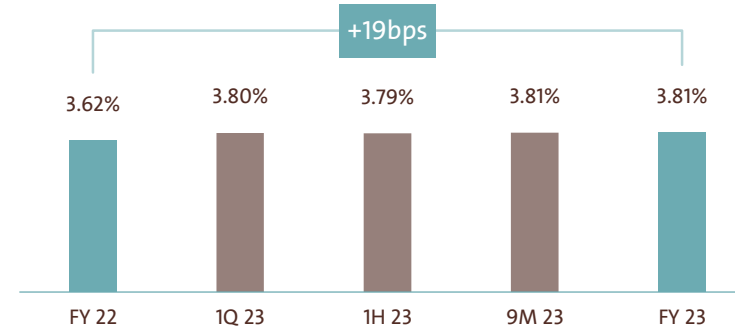
Total Funded Income, Gross Movement YoY (SARmn)



Net Profit Margin Movement YoY (%)



Net Profit Margin YTD (%)



## Management Commentary

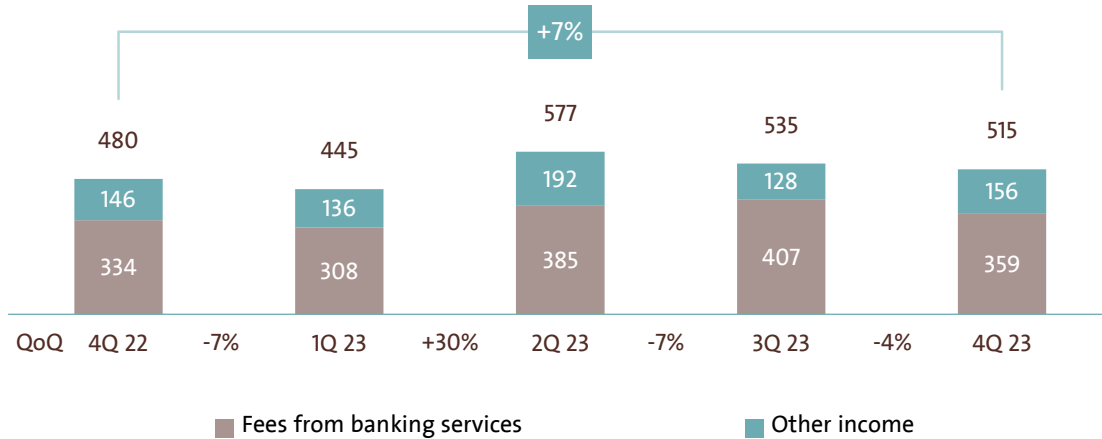
- Gross funded income for FY 2023 increased by 74% YoY to SAR 13,228mn from a 45% increase in investment income and a 79% rise in financing income.
- Net profit margin increased by 19bps YoY to 3.81% in FY 2023.
- The expansion in gross funded income and net profit margin is reflective of the rising benchmark rates and increase in avg. balances.

# Fee and Other Income

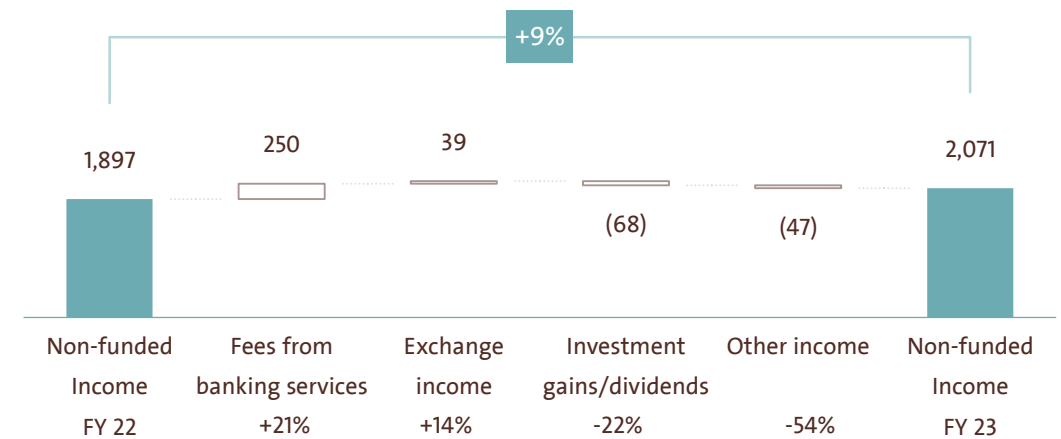


Non-funded income for FY 2023 increased by 9% YoY

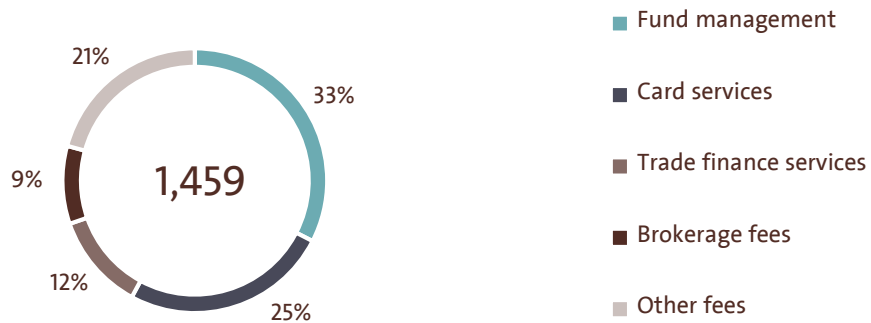
Non-Funded Income (SARmn)



Non-Funded Income Movement YoY (SARmn)



Fees from Banking Services Composition (SARmn)



## Management Commentary

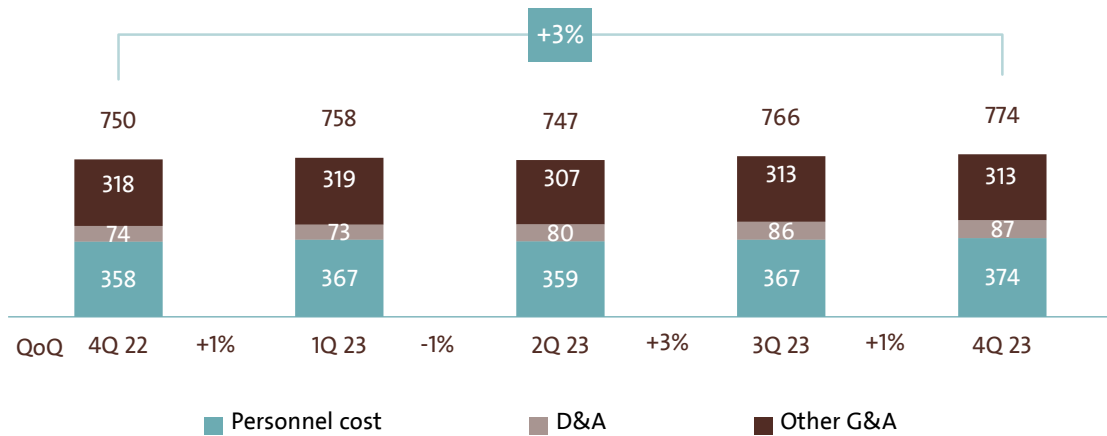
- Non-funded income for FY 2023 increased 9% YoY to SAR 2,071mn from improved fees from banking services and exchange income.
- Fund management fees comprise the majority of fees from banking services at 33%, while card services fees account for 25%, other fees for 21% and trade finance services and brokerage fees represent 12% and 9% respectively.

# Operating Expenses

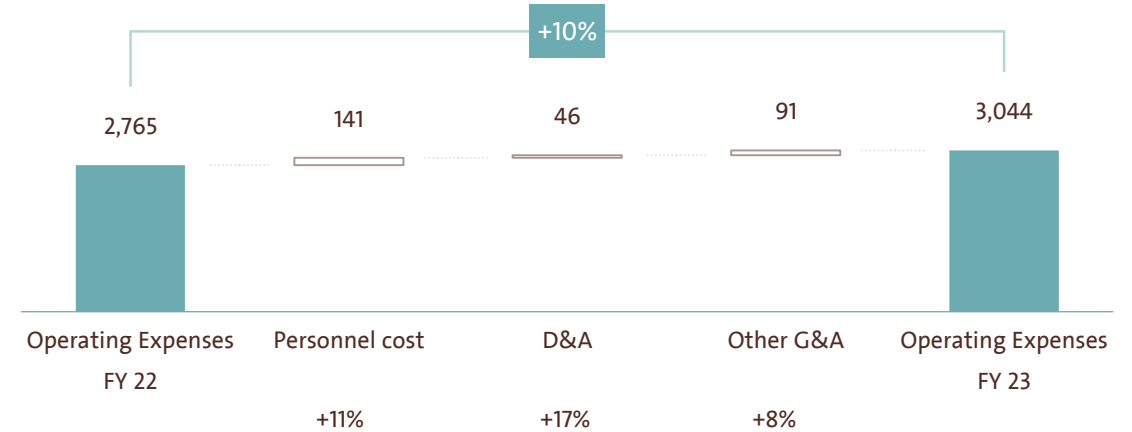


FY 2023 saw 10% growth in operating expenses YoY mainly from higher employee and G&A costs

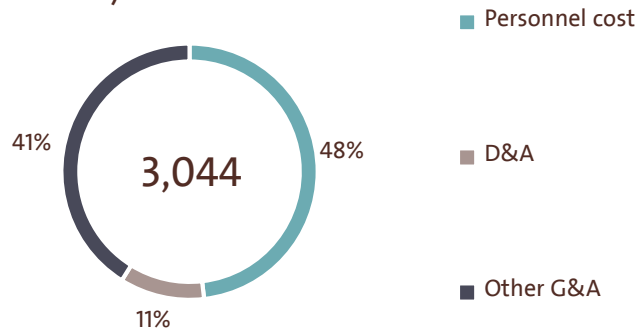
Operating Expenses (SARmn)



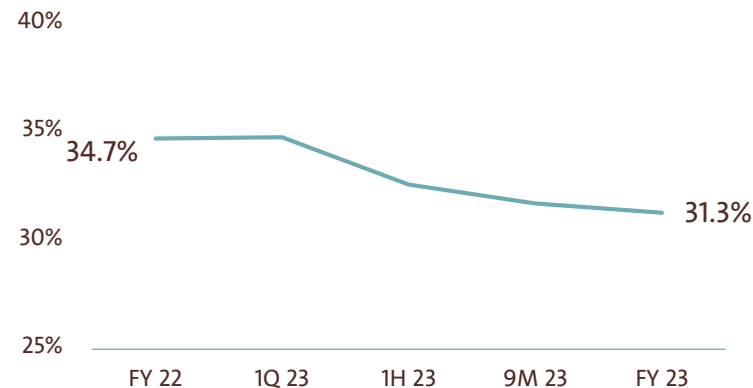
Operating Expenses Movement YoY (SARmn)



Operating Expenses Composition (SARmn)



Cost to Income Ratio (%)



## Management Commentary

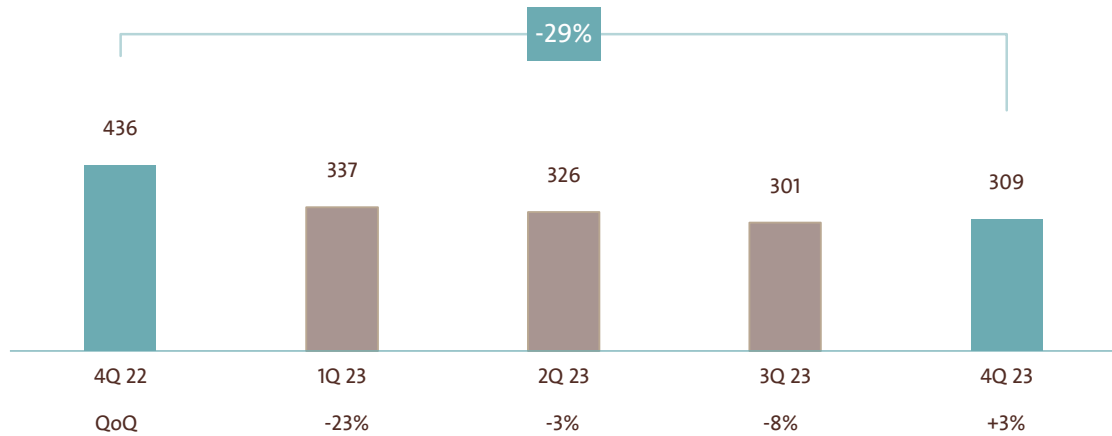
- Operating expenses increased 10% YoY to SAR 3,044mn for FY 2023
- Personnel cost comprise the majority of operating expenses at 48%, while other G&A account for 41%, and D&A represent 11%.
- +12.1ppts positive Jaws contributed to a 3.4ppts decrease in the cost to income ratio from 34.7% to 31.3%.

# Impairments for Financing

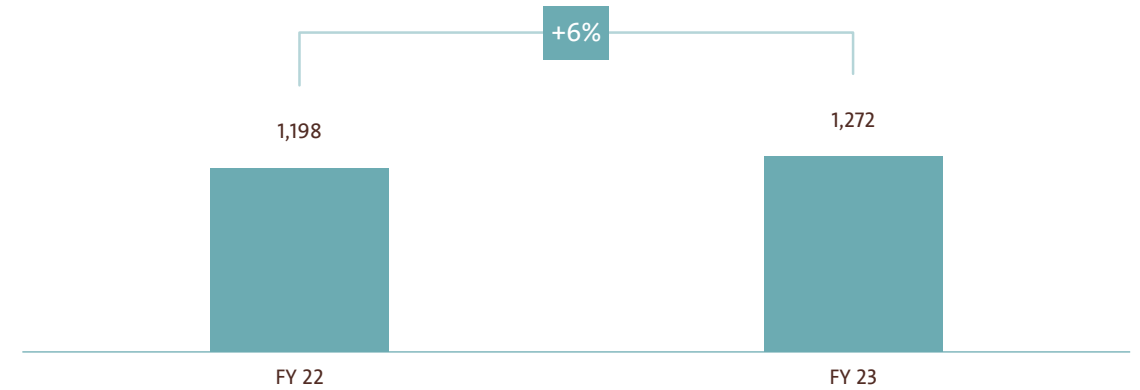


Cost of risk for FY 2023 declined by 8bps

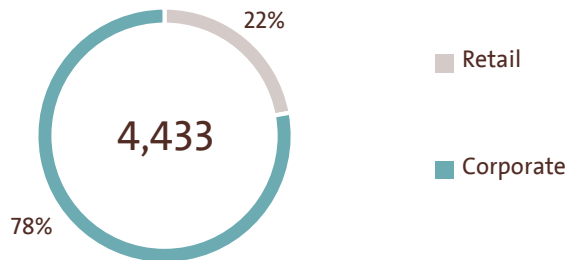
Impairments for Financing (SARmn)



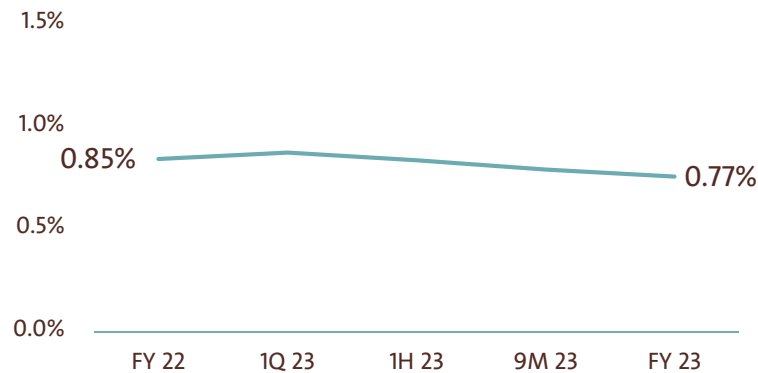
Impairments for Financing (SARmn)



Impairments Allowance Composition (SARmn)



Cost of Risk (%)



Management Commentary

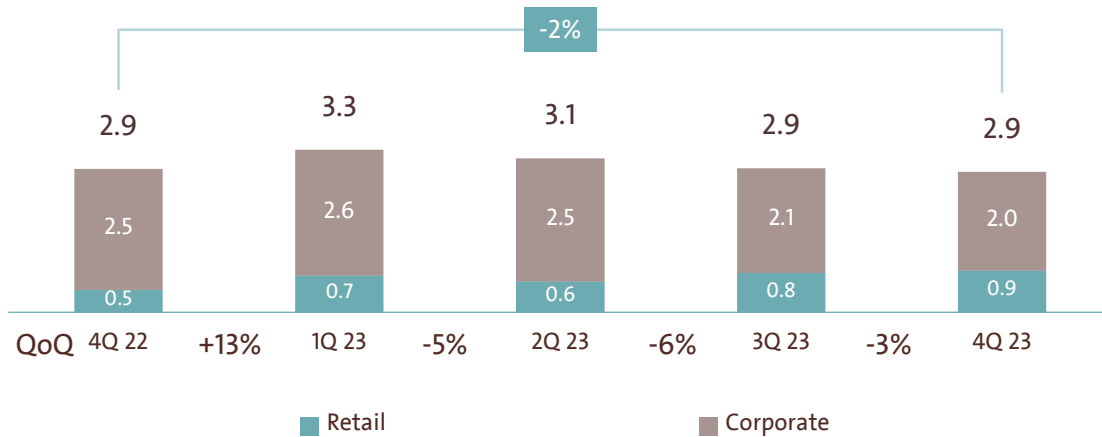
- FY 2023 impairment charge for financing increased by 6% YoY to SAR 1,272mn.
- Cost of risk for FY 2023 decreased by 8bps YoY to 0.77%.
- 78% of impairment allowance in FY 2023 pertains to corporate and 22% is for retail financing.

# NPL & NPL Coverage

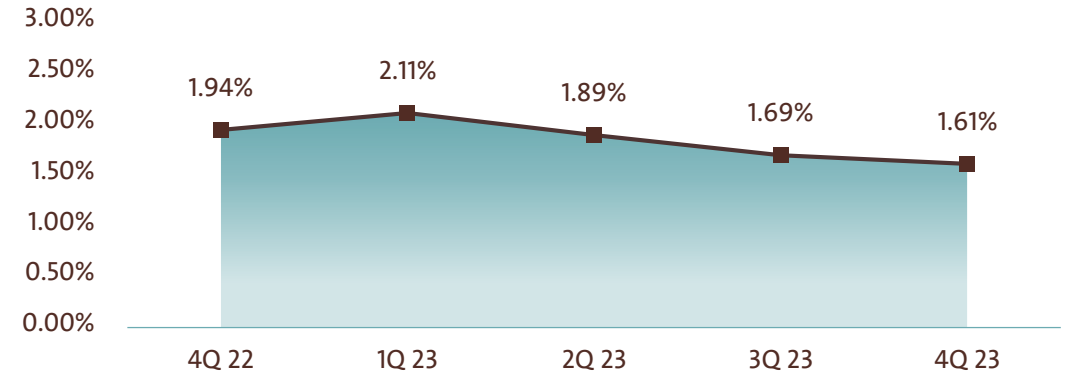


NPL ratio decreased and NPL coverage increased YoY

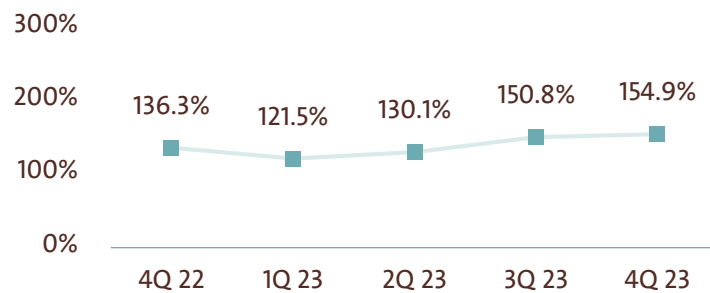
Non-Performing Loans, Gross (SARbn)



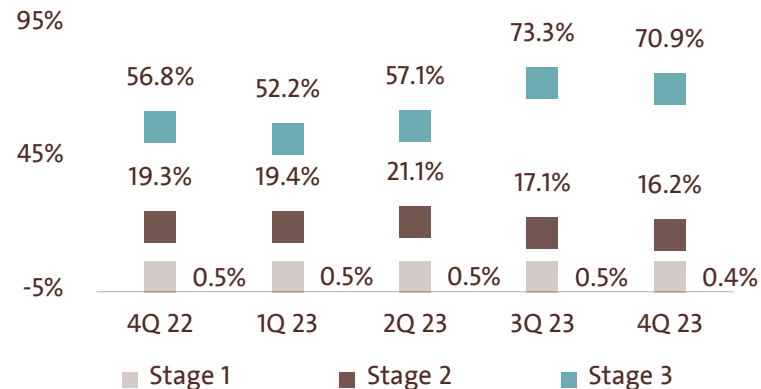
NPL Ratio (%)



NPL Coverage Ratio (%)



Stage-Wise Coverage (%)



## Management Commentary

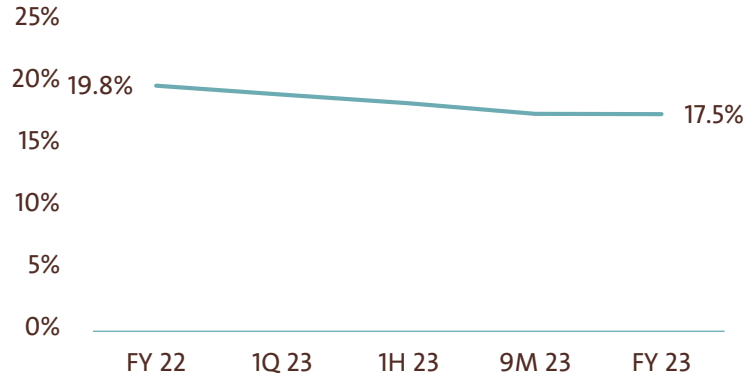
- NPL ratio decreased by 33bps YoY and 8bps QoQ to 1.61% in 4Q 2023.
- NPL coverage increased by 18.5ppts YoY to 154.9%.
- Stage 1 coverage slightly declined due to the acquisition of higher-quality credit and the movement of some accounts to Stage 2. Stage 2 coverage fell as certain accounts moved to Stage 2 with lower coverage.

# Capitalization & Liquidity

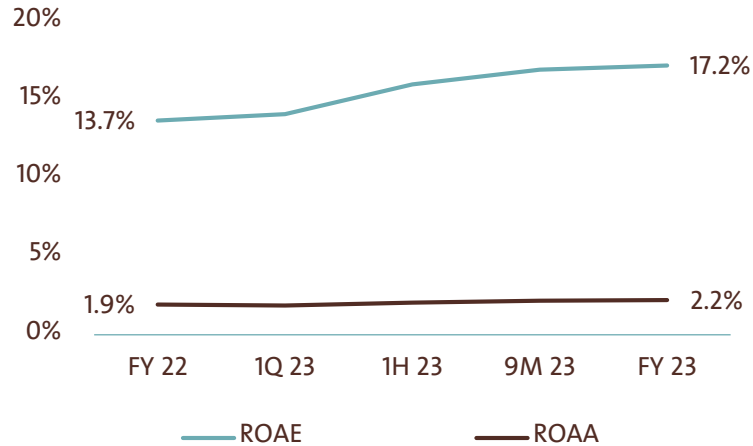


Capital and liquidity ratios remained healthy while ROE saw an increase of 3.5ppts YoY

### Capitalization (%)



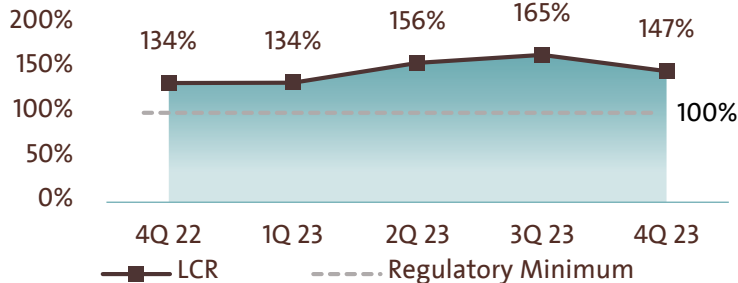
### Profitability (%)



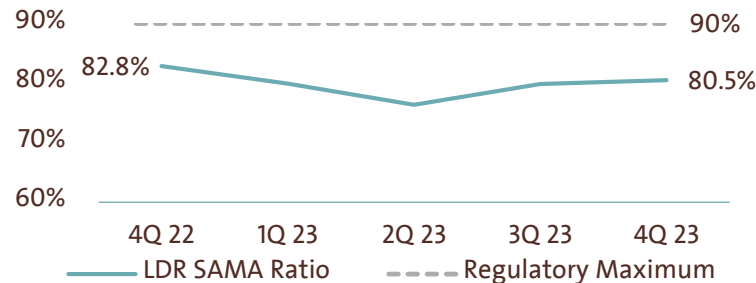
### Management Commentary

- CAR has declined 2.3ppts YoY to 17.5% mainly due to increase in credit risk weighted assets.
- NSFR improved 2.7ppts YoY to reach 108.8%.
- LDR ratio decreased 2.3ppts YoY to 80.5%.
- 4Q 2023 LCR increased 13ppts YoY to 147%.

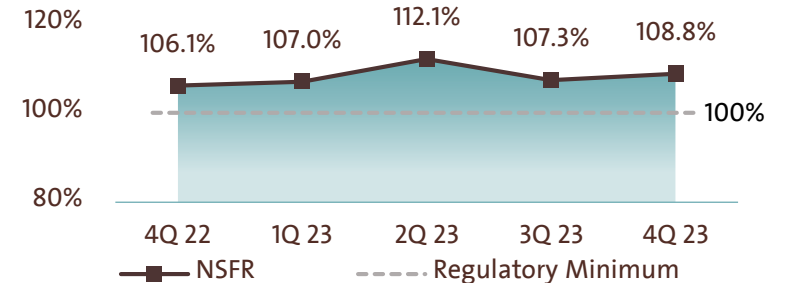
### LCR (%)



### LDR SAMA Ratio (%)



### NSFR (%)



# Outlook & Guidance

Q4 2023

# Guidance



Acceleration of strategic execution drives a promising outlook for 2024.

		FY 2023A	2023G	2024G	Drivers
Balance Sheet	Financing Growth	<b>+18.5%</b> YoY	High teens	Mid teens	Strong Mid-Corp, SME & Retail growth from strategic initiatives; continuing the growth in corporate financing
	Net Profit Margin	<b>3.81%</b> +19bps YoY	+20bps to +30bps	-5bps to +5bps	Declining rates mixed with improving margins guide for flat Net Profit Margin.
Profitability	Cost to Income Ratio	<b>31.3%</b>	Below 32%	≈ 30%	Growth in income, digitization & process optimization driving efficiencies, partly offset by strategic investments
	Return on Equity	<b>17.2%</b>	Above 17%	Above 18%	Improving top line and efficiency driving improving ROE
Asset Quality	Cost of Risk	<b>0.77%</b>	65-75bps	65-75bps	Cautiously expecting stable credit quality and NPL coverage, leading to COR moderation
Capital	CAR Pillar 1	<b>17.5%</b>	17%-18%	19%-20%	Improving top line with efficiencies in equity management

**Return on Equity Target for 2025 above 18%**



# Q&A

Q4 2023

# Appendix

Q4 2023

# Sustainability



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](https://ir.alinma.com)



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