

Earnings Presentation

3Q 2022

Earnings Call

02 November 2022

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Alinma Overview

3Q 2022

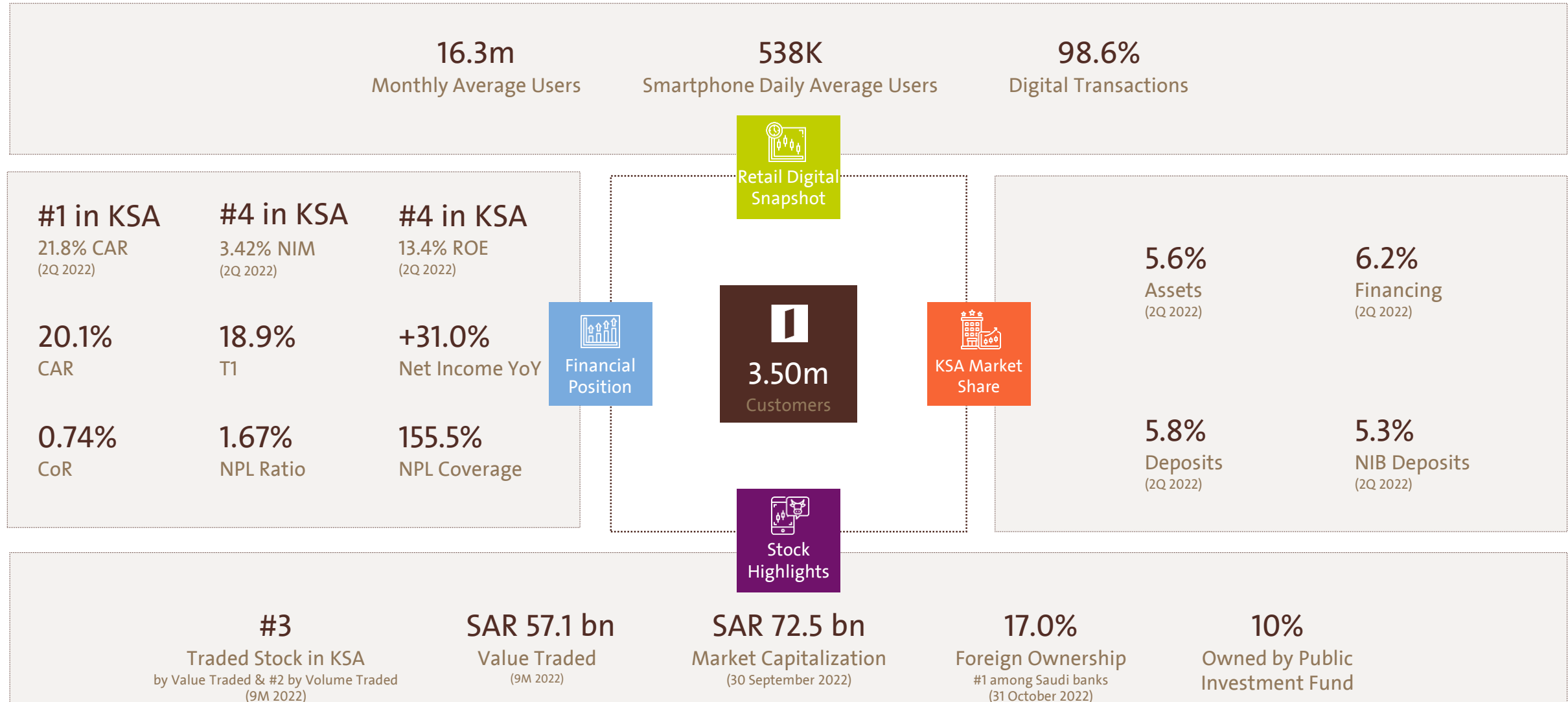
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Alinma Overview

Alinma is the youngest bank in KSA



Financial Performance Highlights

3Q 2022

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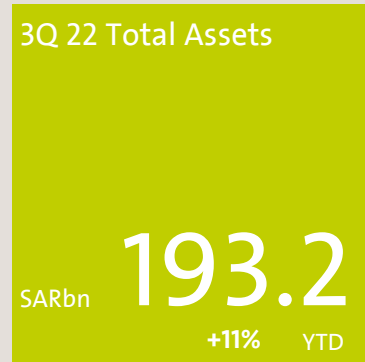
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Financial Performance Highlights

Solid income growth and lower risk cost translated into 31% growth of net income in 9M 2022 and 14.0% ROE

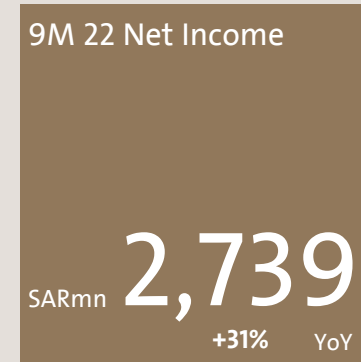
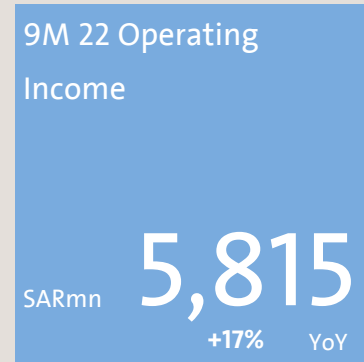
Balance Sheet

- Increase in financing of 11% YTD from growth in retail lending and a pickup in corporate lending.
- Growth of 9% in customers' deposits YTD driven by strong growth of CASA and Time deposits by 9% and 10% respectively.



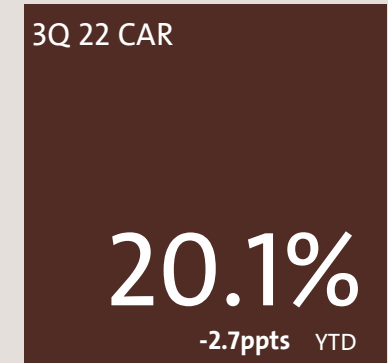
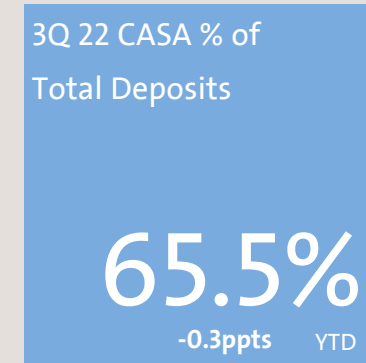
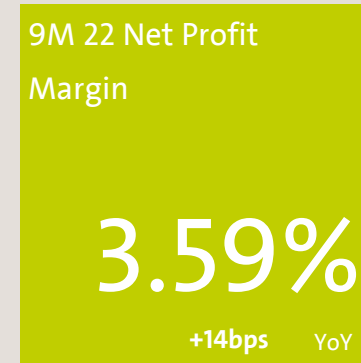
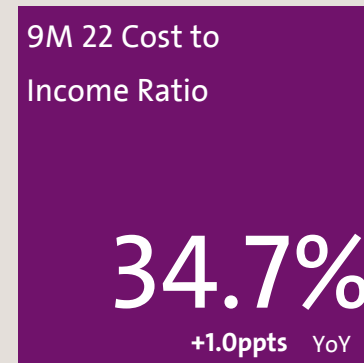
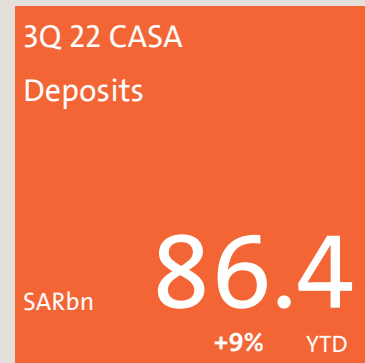
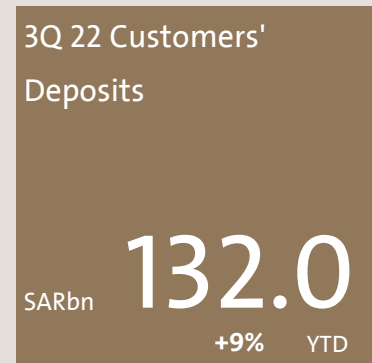
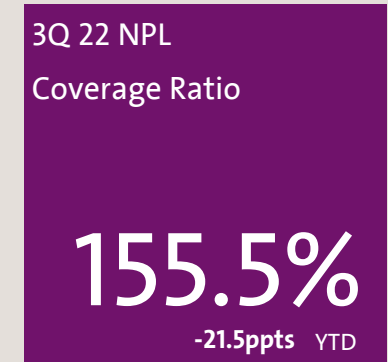
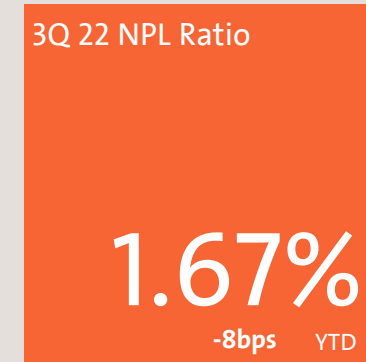
Income Statement

- Operating income growth of 17% (+15% funded and +23% non-funded).
- Net income for 9M 2022 grew 31% YoY to SAR 2,739mn from 17% income growth and a 23% decrease in impairments.



Credit Quality, Capital and Liquidity

- NPL and NPL coverage ratios remain comfortable at 1.67% and 155.5% respectively while cost of risk improved by 33bps YoY to 0.74%.
- Capitalization and liquidity positions remained within regulatory limits.



Strategy Update

3Q 2022

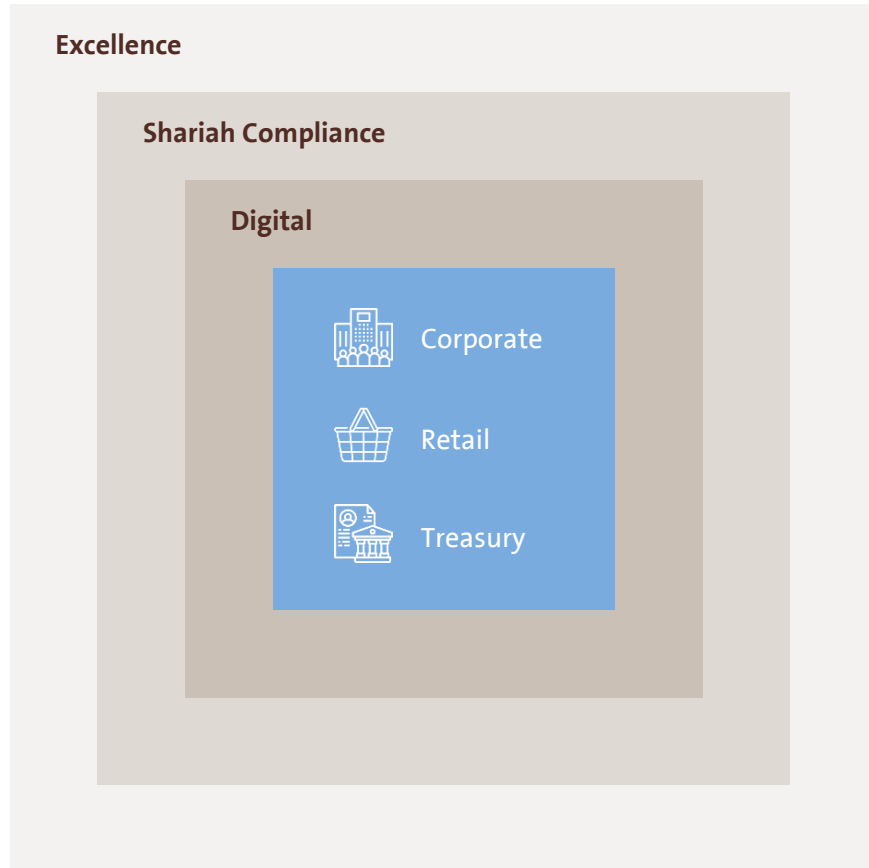
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Strategic Positioning

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**



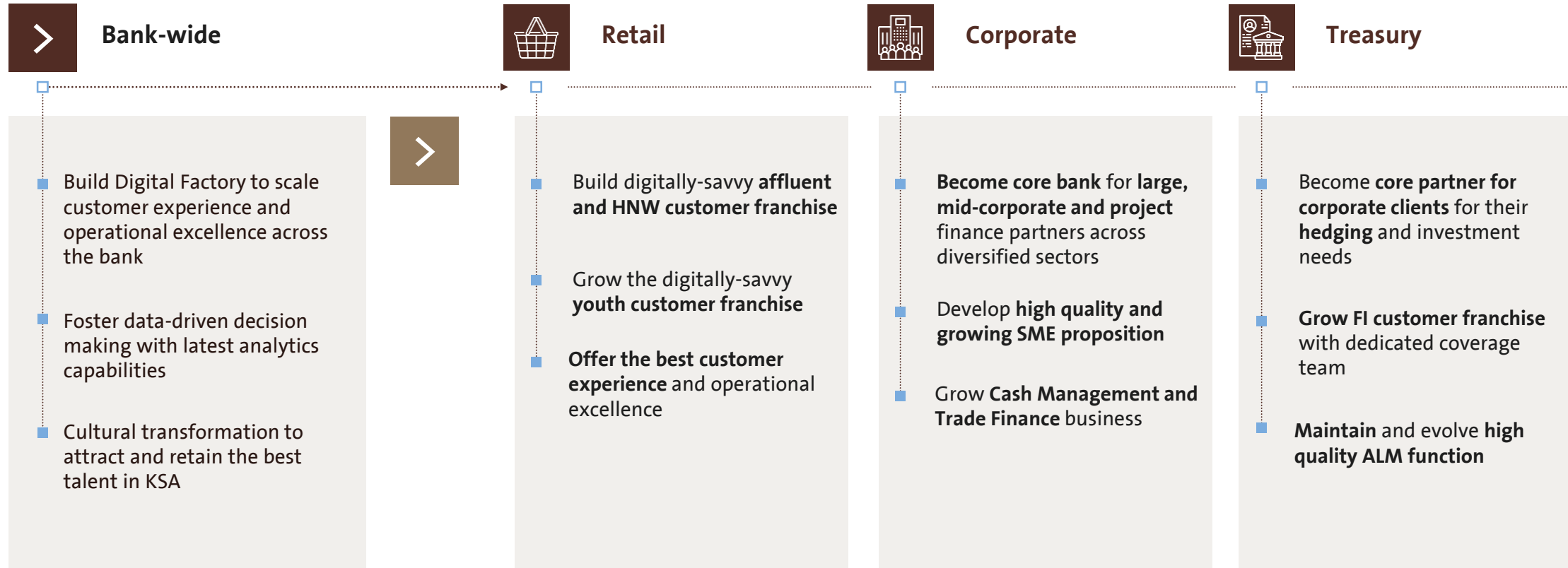
Be the **Corporate bank with the best customer experience** (increasingly integrated) and offer the **fastest turnaround time in KSA**



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

Strategic Ambitions

Driving changes across the businesses and bank-wide



Strategy Update

3Q 2022 Initiatives Completed to Date



* 1 new initiative added in 3Q 2022

Strategy Update

2022 Initiatives In-Progress



9M 2022 Financial Performance

3Q 2022

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Balance Sheet Trends

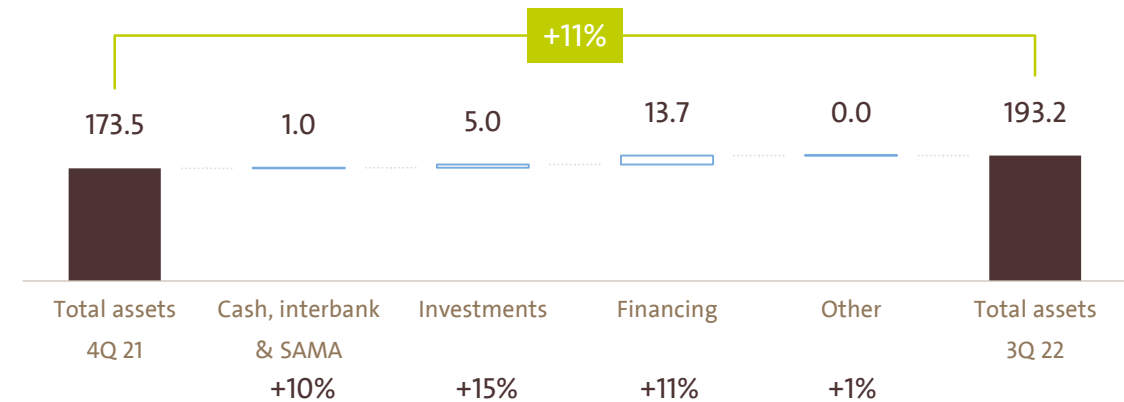
Balance sheet growth of 11% from increase in financing and investments

Management Commentary

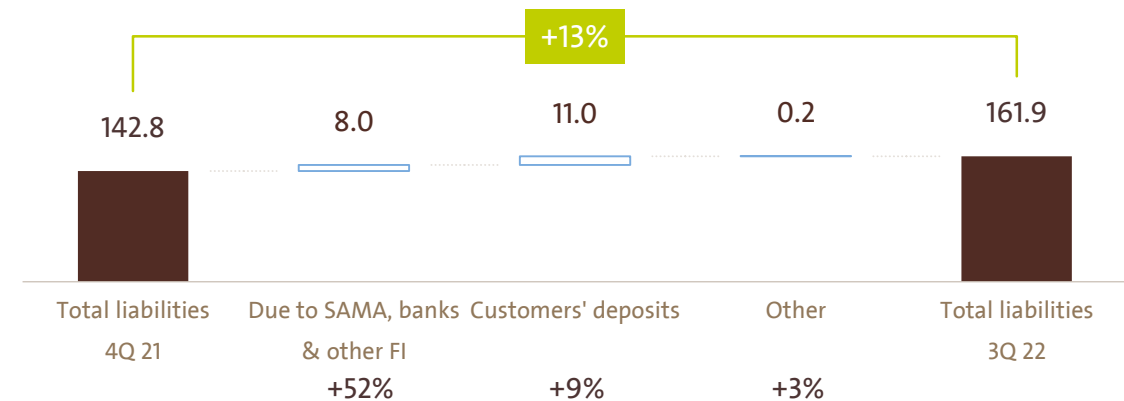
- Growth in total assets of 11% YTD mainly driven by 11% financing growth and 15% growth in investments.
- Total liabilities grew by 13% during 9M 2022 mainly from a 9% rise in customers' deposits and a 52% increase in SAMA & Interbank deposits.

SAR (mn)	3Q 2022	4Q 2021	Δ%	3Q 2021	Δ%
Cash, interbank & SAMA balances	10,935	9,915	+10%	10,019	+9%
Investments	38,268	33,278	+15%	31,886	+20%
Financing	139,987	126,271	+11%	121,318	+15%
Other assets	4,039	4,012	+1%	3,586	+13%
Total assets	193,229	173,476	+11%	166,808	+16%
Due to SAMA, banks & other FI	23,225	15,240	+52%	14,401	+61%
Customers' deposits	132,048	121,061	+9%	116,652	+13%
Other liabilities	6,654	6,465	+3%	5,591	+19%
Total liabilities	161,927	142,765	+13%	136,644	+19%
Share capital	20,000	20,000	+0%	20,000	+0%
Retained earnings	5,373	3,586	+50%	4,528	+19%
Other reserves	929	2,125	-56%	636	+46%
Tier 1 sukuk	5,000	5,000	+0%	5,000	+0%
Total equity	31,302	30,711	+2%	30,164	+4%

Total Assets Movement YTD (SARbn)



Total Liabilities Movement YTD (SARbn)



P&L Trends

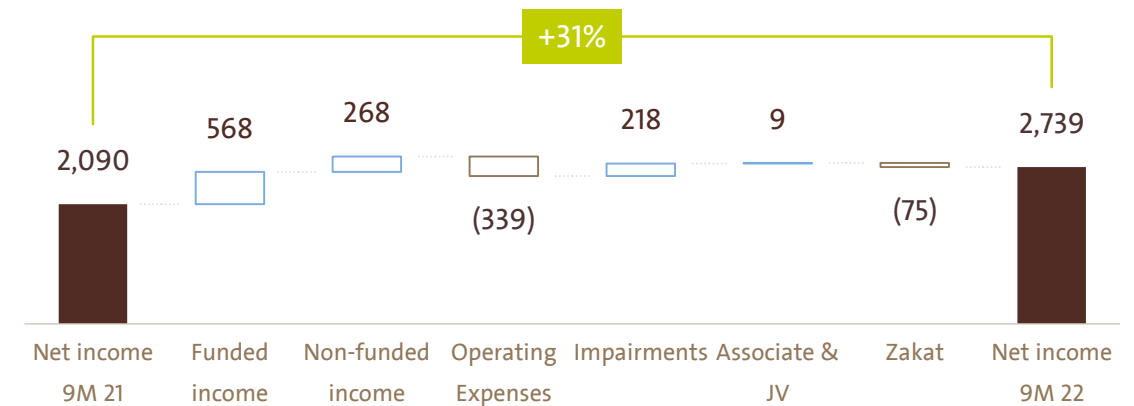
Net income for 9M 2022 grew by 31% YoY due to 17% income growth and lower impairment charges

Management Commentary

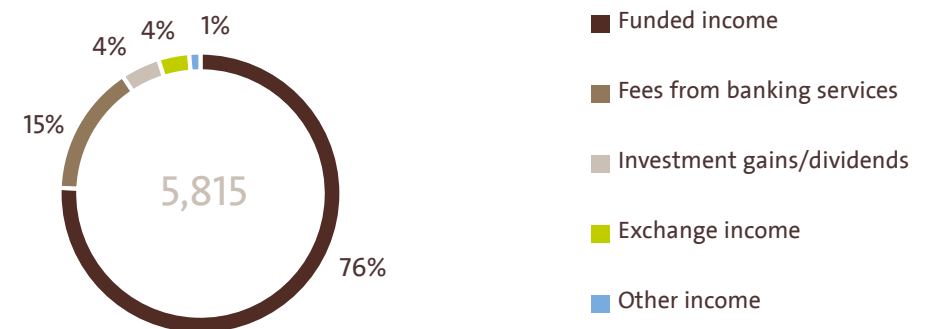
- Net income for 9M 2022 grew 31% YoY to SAR 2,739mn from 17% income growth and a 23% decrease in impairments despite 20% higher operating expenses YoY.
- 3Q 2022 net income improved 34% YoY driven by 21% increase in income and a 5% decrease in impairments.

SAR (mn)	9M 2022	9M 2021	Δ%	3Q 2022	3Q 2021	Δ%
Funded income	4,399	3,831	+15%	1,674	1,393	+20%
Non-funded income	1,417	1,148	+23%	402	329	+22%
Total operating income	5,815	4,979	+17%	2,075	1,722	+21%
Operating expenses	2,015	1,676	+20%	710	616	+15%
Net operating income before impairment charge	3,800	3,304	+15%	1,366	1,106	+24%
Impairments	748	965	-23%	264	279	-5%
Net operating income	3,053	2,339	+31%	1,102	827	+33%
Income before zakat & income tax	3,054	2,331	+31%	1,103	823	+34%
Zakat	315	240	+31%	114	85	+34%
Net income	2,739	2,090	+31%	989	738	+34%

Net Income Movement YoY (SARmn)



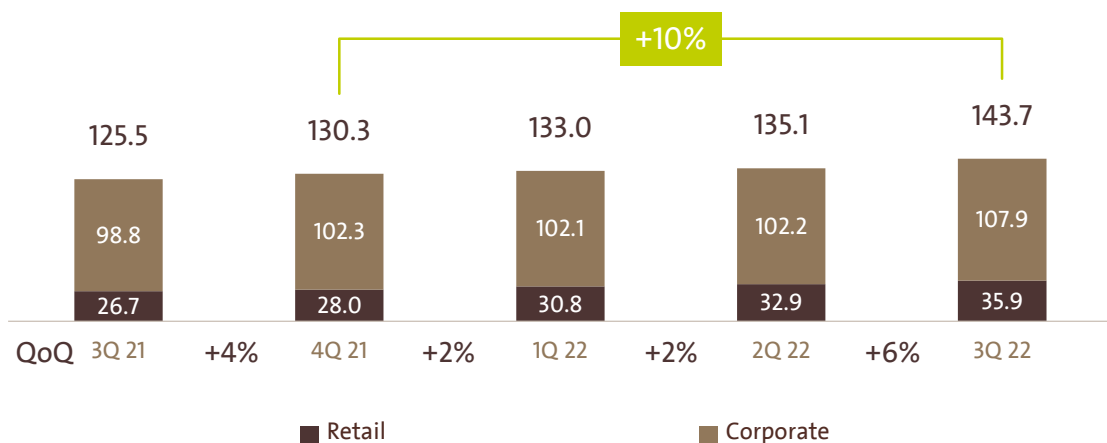
Operating Income Composition (SARmn)



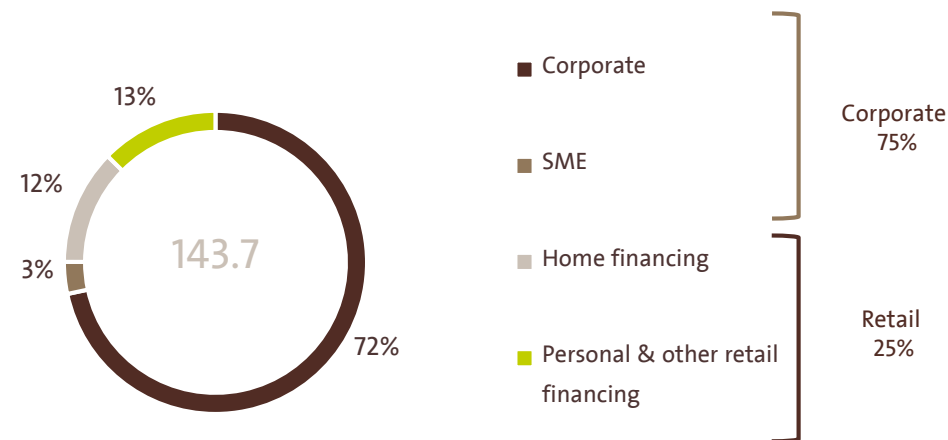
Financing

Increase in gross financing of 10% during 9M 2022 from 28% growth in retail financing, and 5% in corporate financing

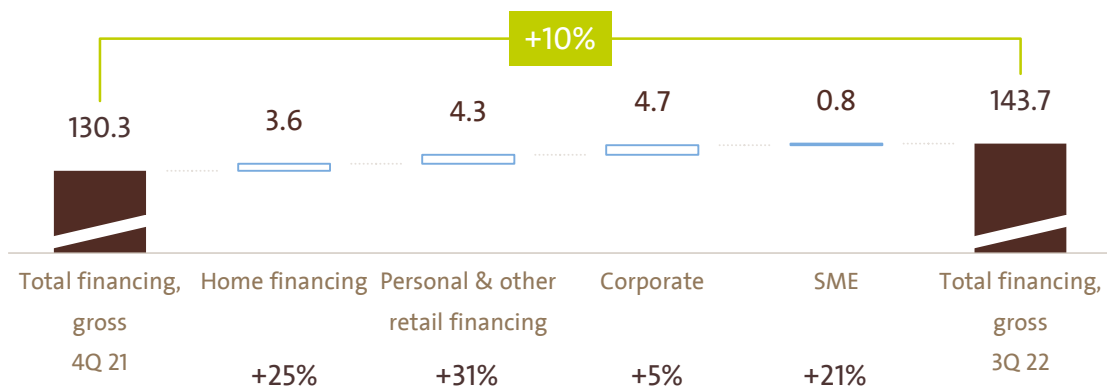
Financing, Gross (SARbn)



Financing, Gross Composition (SARbn)



Financing, Gross Movement YTD (SARbn)



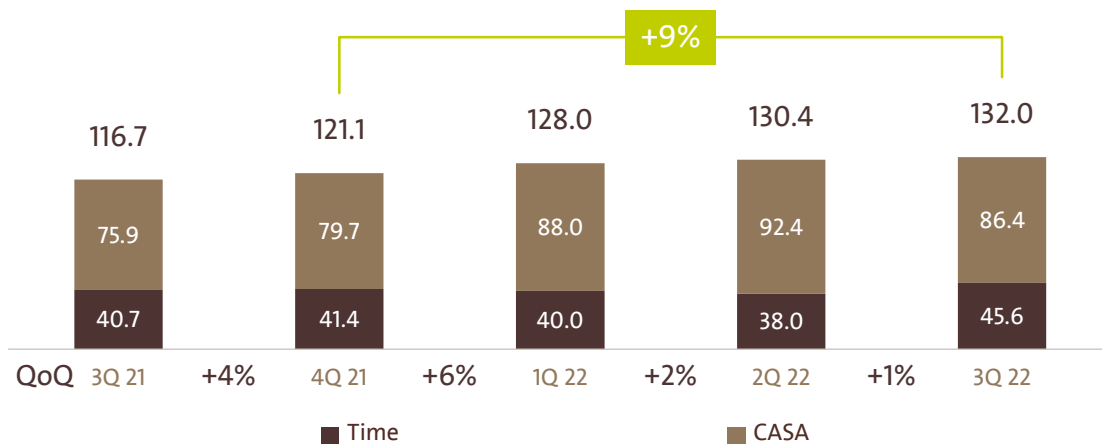
Management Commentary

- Gross financing grew 10% during 9M 2022.
- Retail financing grew 28% YTD from strong momentum in home financing (+25%) and personal & other financing (+31%).
- Corporate financing grew 5% YTD, of it 194% rise in mid-corporate, and a 21% increase in SME financing.
- Gross financing comprises of 75% corporate and 25% retail as at 30 September 2022.

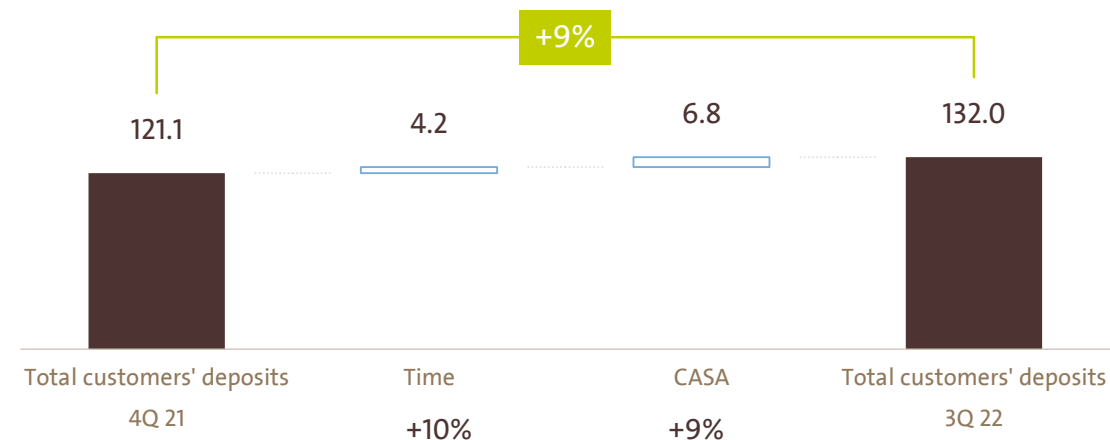
Deposits

Deposit growth of 9% driven by 9% CASA growth and 10% time deposits growth

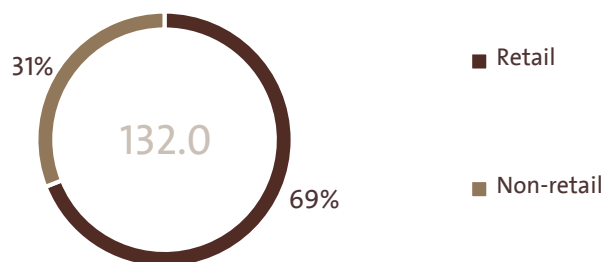
Customers' Deposits (SARbn)



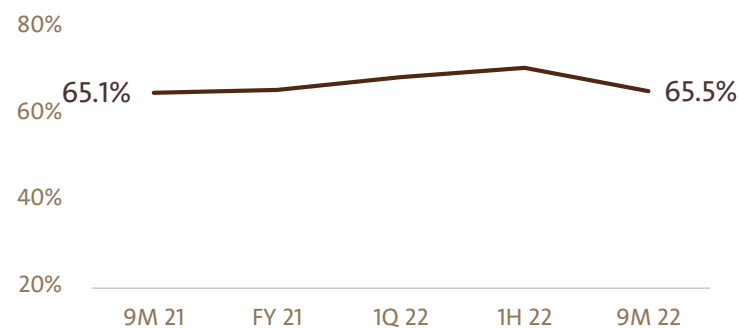
Customers' Deposits Movement YTD (SARbn)



Customers' Deposits Composition (SARbn)



CASA % of Total Deposits (%)



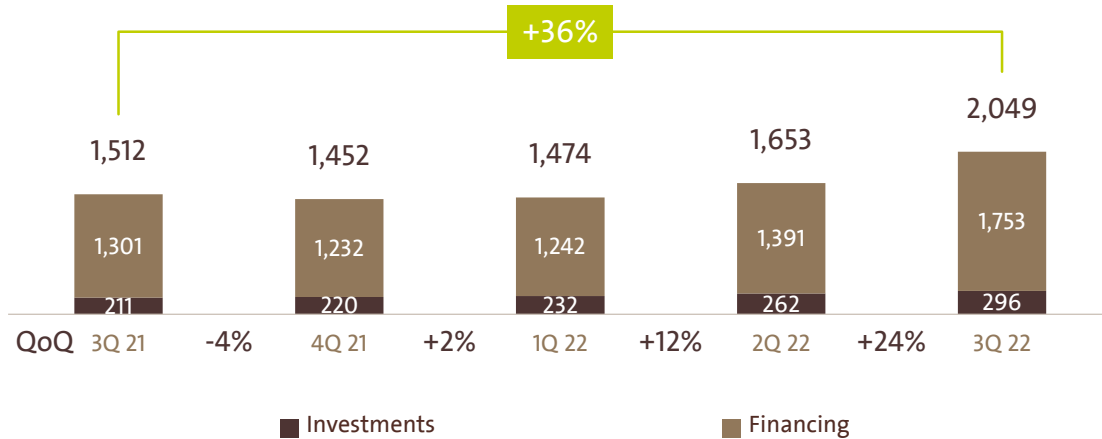
Management Commentary

- Deposits rose by 9% during 9M 2022 from growth in CASA and Time deposits of 9% and 10% respectively.
- CASA deposits account for 65.5% of total deposits as at 3Q 2022, with the QoQ decline reflective of time deposits increase by 20%.
- Total deposits comprise of 69% retail and 31% non-retail deposits as at 30 September 2022.

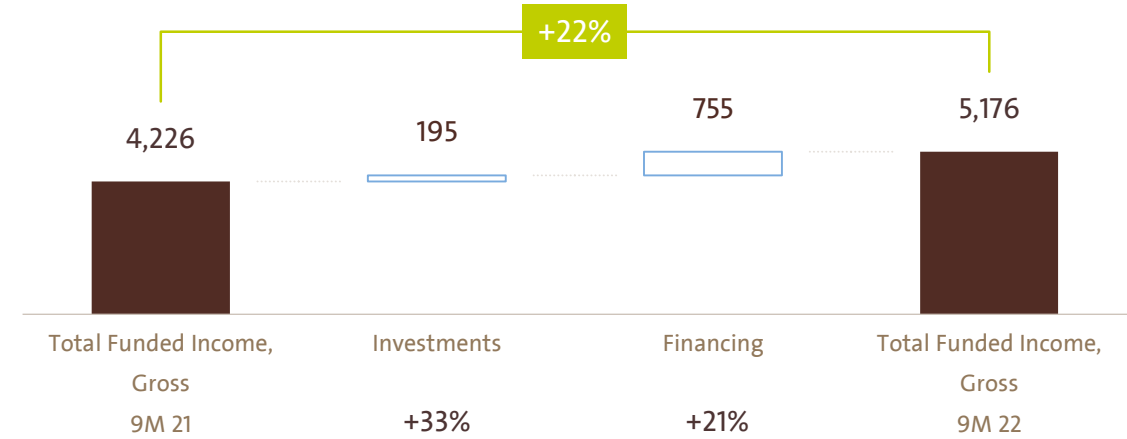
Income from Financing & Investments

Gross funded income grew 22% from 33% growth in investment income and 21% growth in financing income

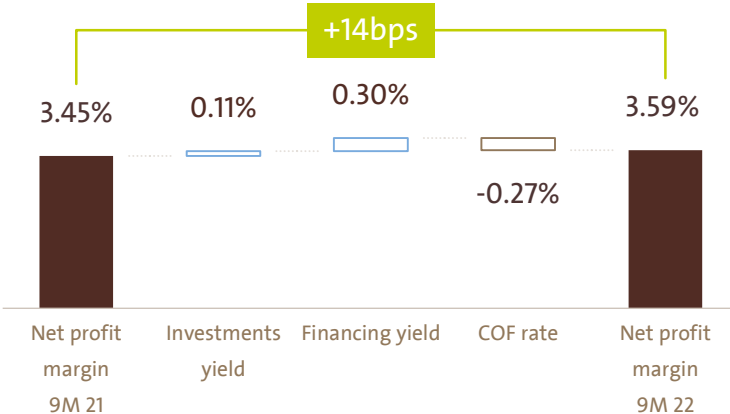
Funded Income, Gross (SARmn)



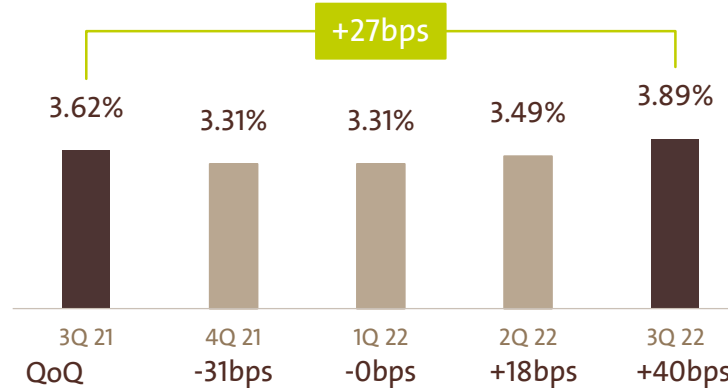
Total Funded Income, Gross Movement YoY (SARmn)



Net Profit Margin Movement YoY (%)



Net Profit Margin QTR (%)



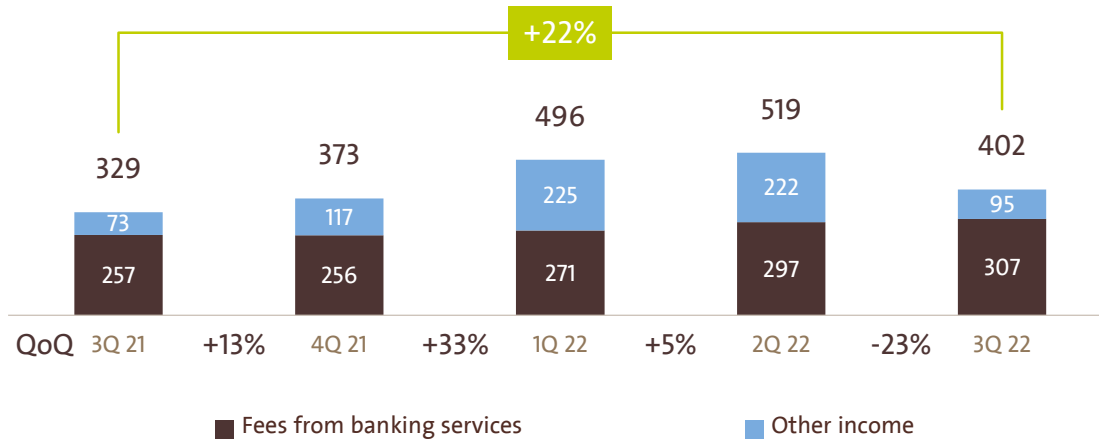
Management Commentary

- Gross funded income for 9M 2022 increased by 22% YoY to SAR 5,176mn from a 33% increase in funded investment income and a 21% rise in financing income.
- The net profit margin increased by 14bps YoY to 3.59% in 9M 2022.
- The expansion in gross funded income and net profit margin is largely reflective of the rising benchmark rates.

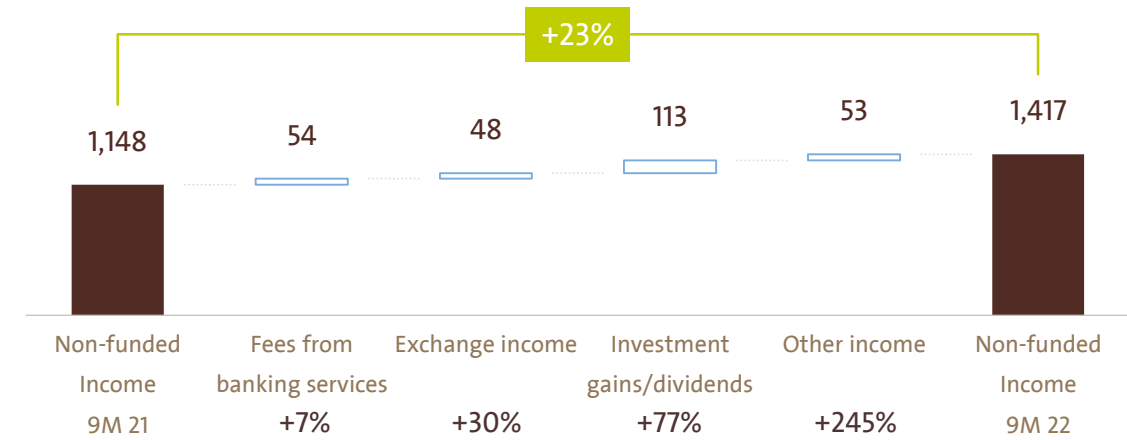
Fee and Other Income

Non-funded income for 9M 2022 increased by 23% YoY

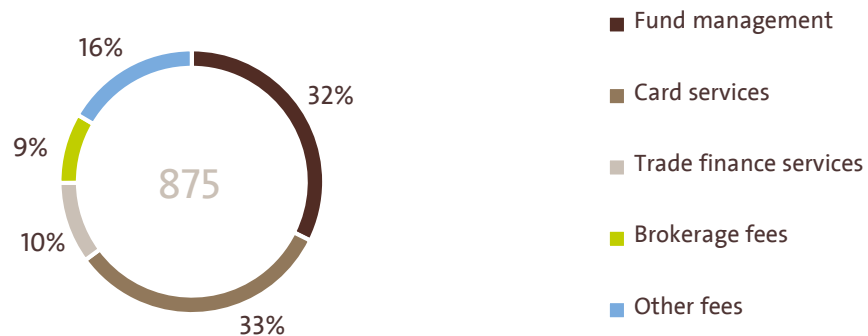
Non-Funded Income (SARmn)



Non-Funded Income Movement YoY (SARmn)



Fees from Banking Services Composition (SARmn)



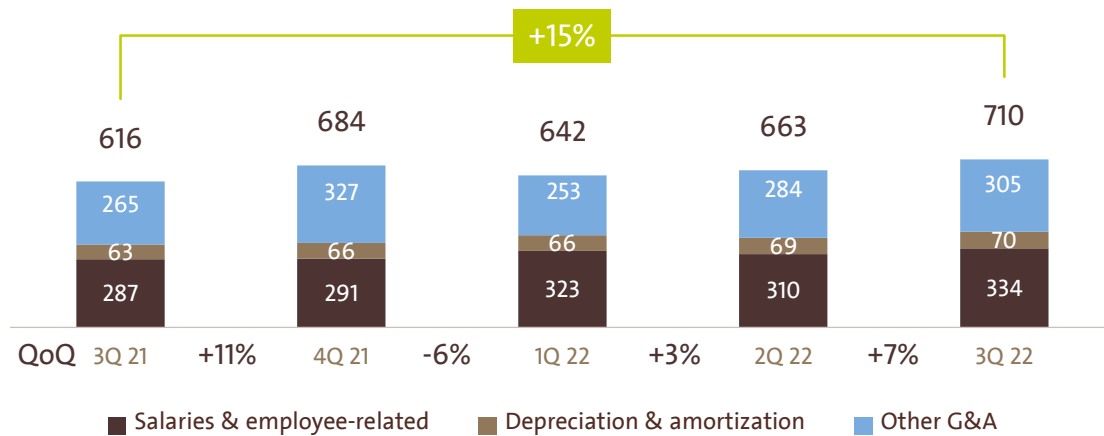
Management Commentary

- Non-funded income for 9M 2022 increased 23% YoY to SAR 1,417mn from improved fees from banking services, exchange income, investment gains/dividends, and other income.
- Card service fees comprise the majority of fee from banking services at 33%, while fund management fees account for 32%, other fees for 16% and brokerage and trade finance services fees represent 9% and 10% respectively.
- The 23% QoQ decline in non-funded income is due to lower investment income & other operating income.

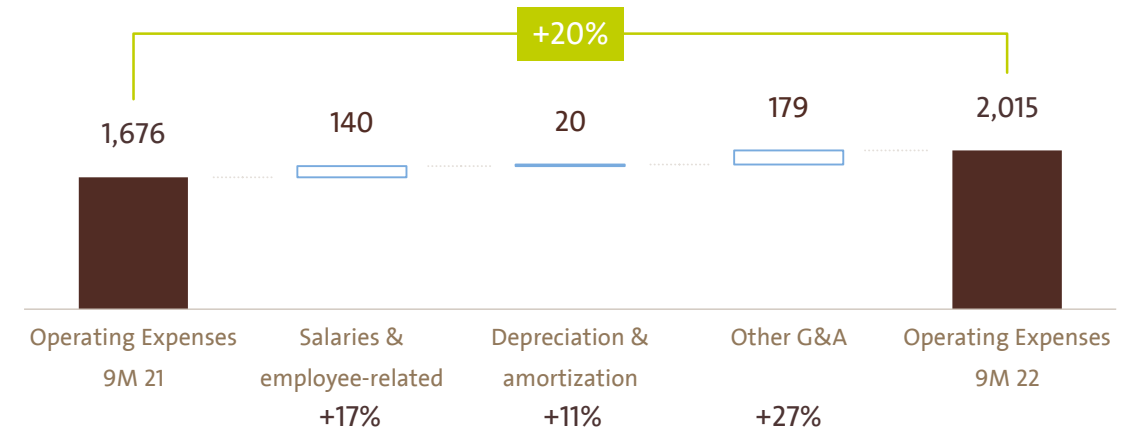
Operating Expenses

9M 2022 saw 20% growth in operating expenses YoY mainly from higher employee and G&A costs

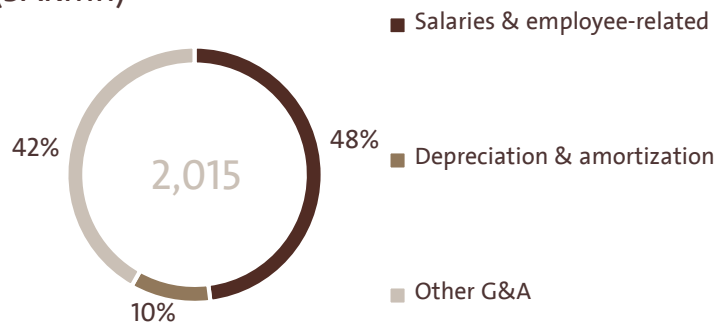
Operating Expenses (SARmn)



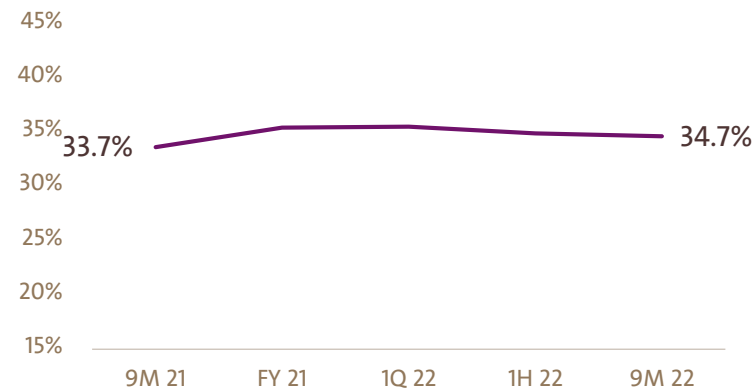
Operating Expenses Movement YoY (SARmn)



Operating Expenses Composition (SARmn)



Cost to Income Ratio (%)



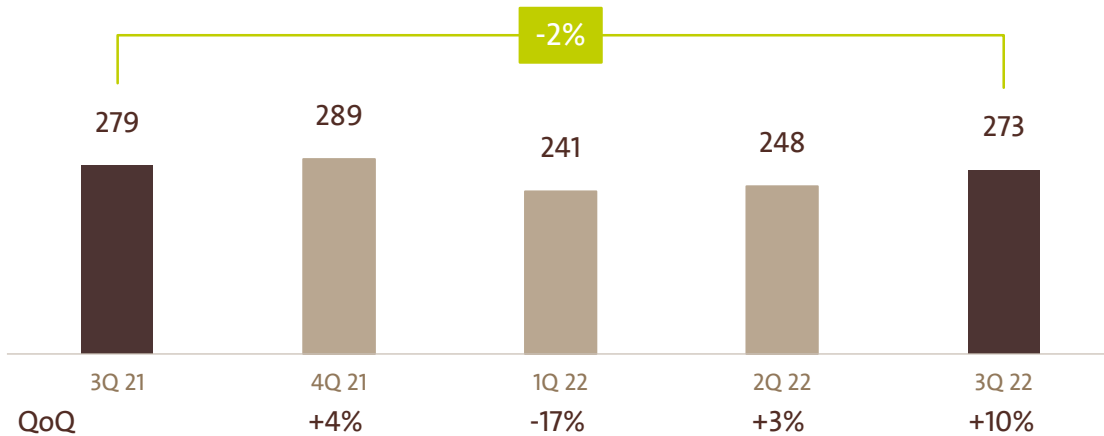
Management Commentary

- Operating expenses increased 20% YoY to SAR 2,015mn for 9M 2022 mainly due to higher salaries, increased commercial expenses from POS terminal deployments, higher SMS communication and marketing costs.
- Higher operating expenses YoY contributed to a 1.0ppt increase in the cost to income ratio from 33.7% to 34.7%.

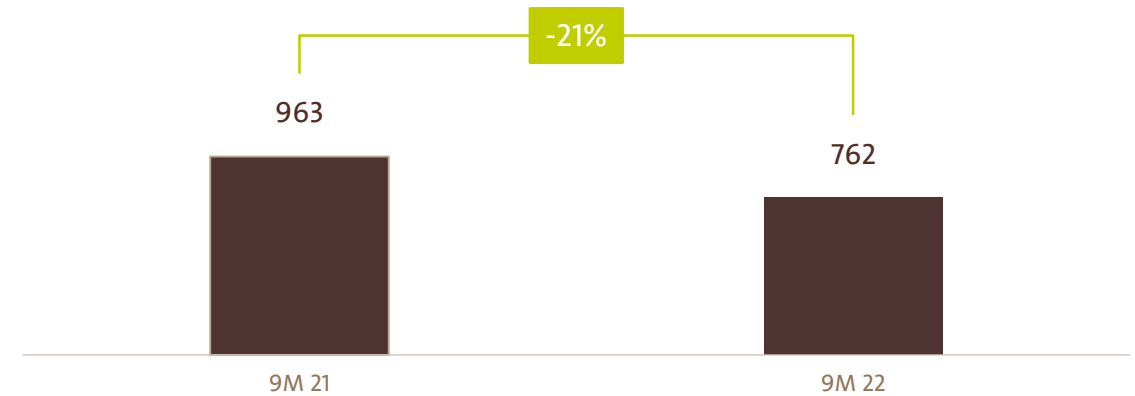
Impairments for Financing

Cost of risk for 9M 2022 declined by 33bps from 21% lower credit impairment charges YoY

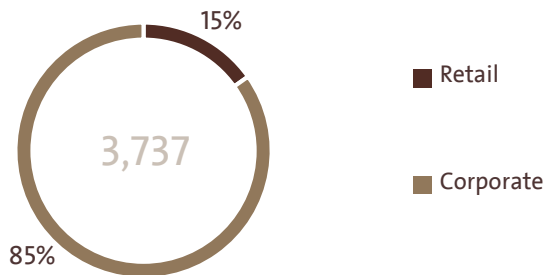
Impairments for Financing (SARmn)



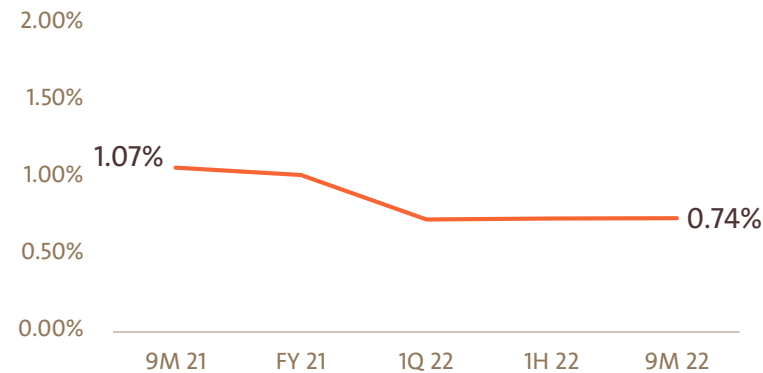
Impairments for Financing (SARmn)



Impairments Allowance Composition (SARmn)



Cost of Risk (%)



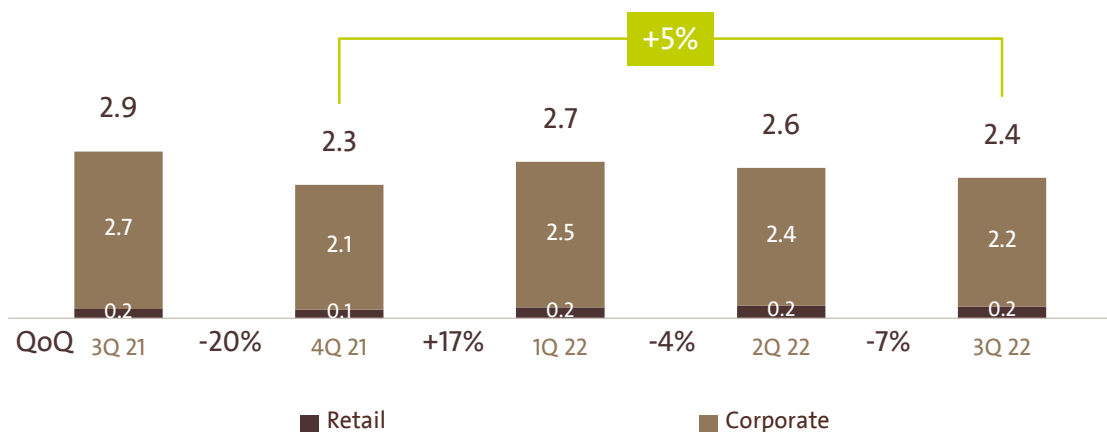
Management Commentary

- 9M 2022 impairment charge for financing decreased by 21% YoY to SAR 762mn.
- Cost of risk for 9M 2022 improved by 33bps YoY to 0.74%.

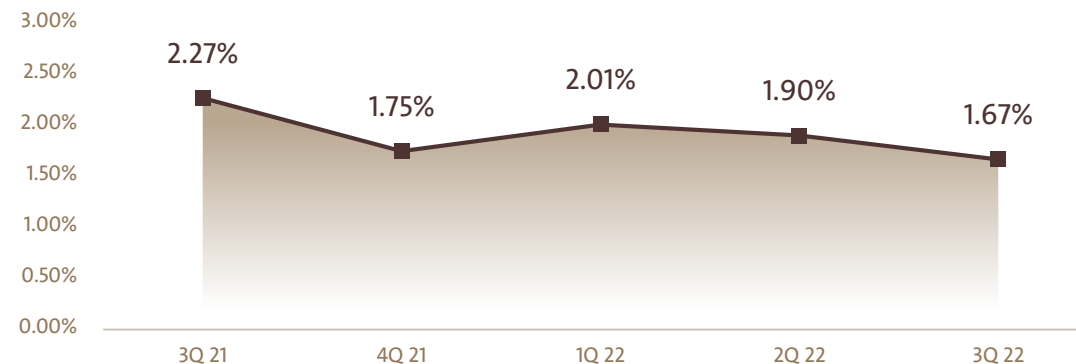
NPL & NPL Coverage

NPL and NPL coverage ratios improved YoY

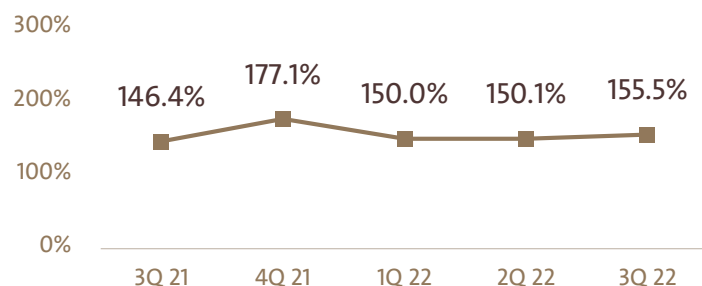
Non-Performing Loans, Gross (SARbn)



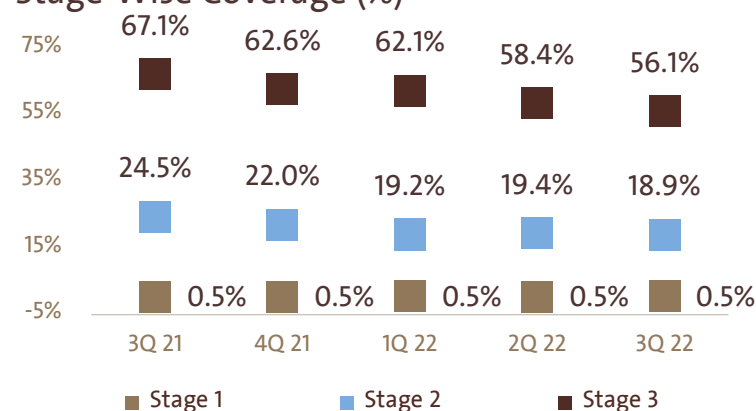
NPL Ratio (%)



NPL Coverage Ratio (%)



Stage-Wise Coverage (%)



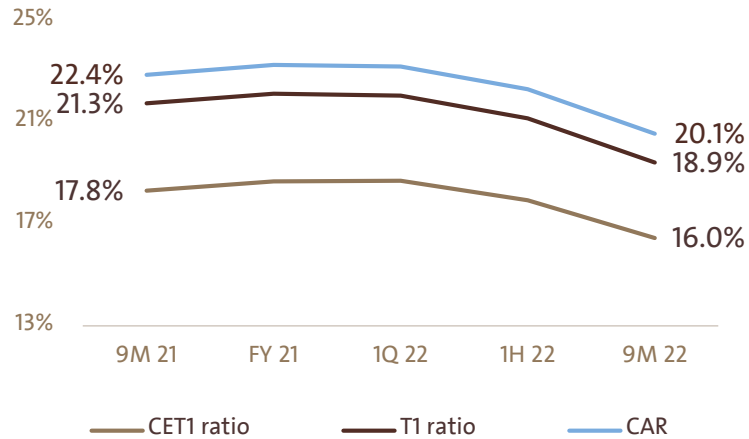
Management Commentary

- NPL ratio decreased by 8bps during 9M 2022 to 1.67%, and improved 60bps YoY.
- NPL coverage increased by 9.1ppts YoY, but declined 21.6ppts YTD to 155.5%.
- Stage 1 coverage remained stable YTD 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 9M 2022.

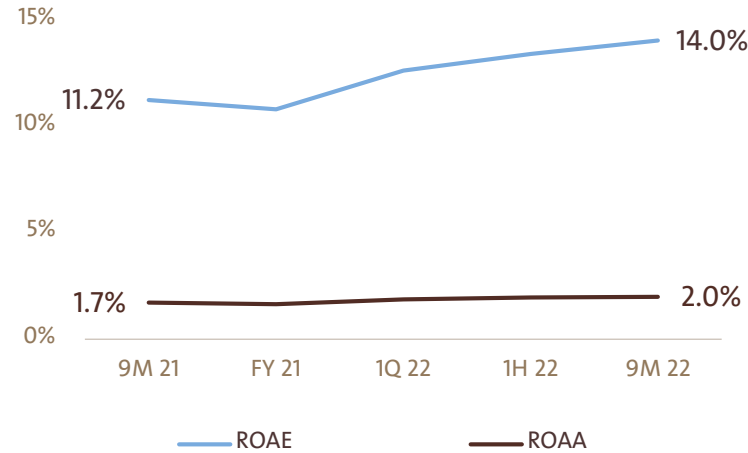
Capitalization & Liquidity

Capital and liquidity ratios remained healthy while ROE saw an increase of 2.8ppts YoY

Capitalization (%)



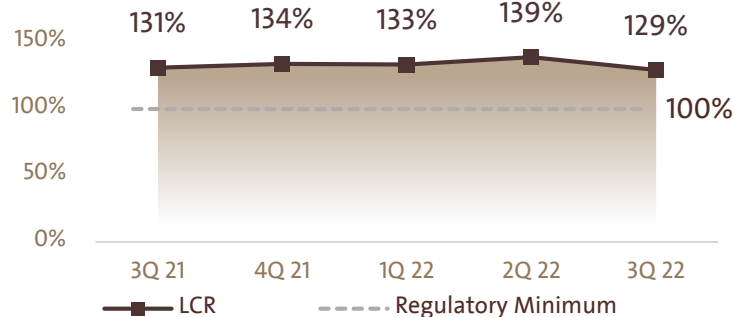
Profitability (%)



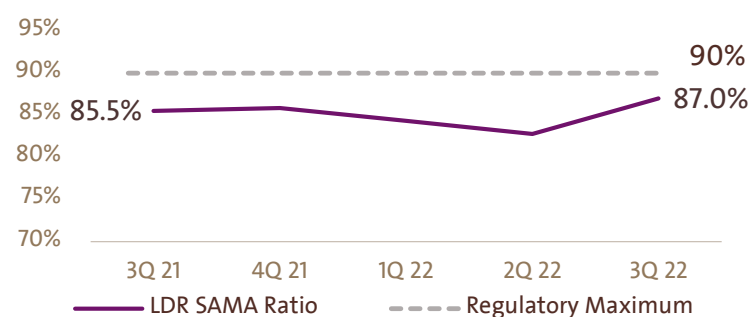
Management Commentary

- CAR has declined 2.3ppts YoY to 20.1 due to 17.3% increase in credit risk weighted assets due to the growth in the Bank's total assets.
- NSFR has decreased 6.2ppts YoY to 103.2% 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 increased 1.5ppts YoY to 87.0%.
- 3Q 2022 LCR declined 2ppts YoY due to the increase in short term time deposits, and interbank placements.

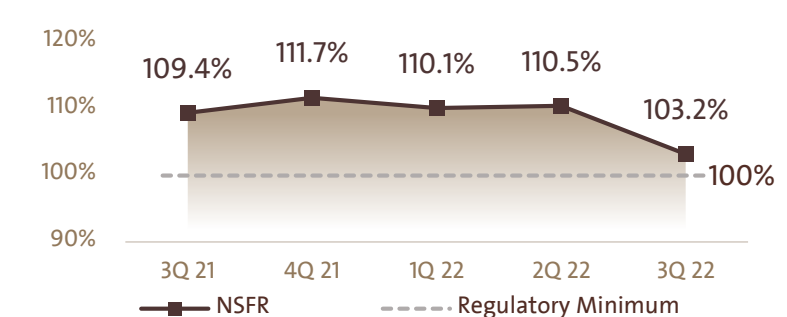
LCR (%)



LDR SAMA Ratio (%)



NSFR (%)



Outlook & Guidance

3Q 2022



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Guidance

2022 outlook remains promising. Revised guidance for financing growth

		9M 2022A	Drivers	2022G	
Balance Sheet	Financing Growth	+15% YoY	Strong Mid-Corp, SME & Retail growth from strategic initiatives; pick up in corporate financing	High teens (Revised from low teens)	↑
	Net Profit Margin	3.59% +14bps YoY	Rising rates and funding mix supportive of improving margin	+20bps to +25bps	-
Profitability	Cost to Income Ratio	34.7%	Growth in income, digitization & process optimization driving efficiencies, partly offset by strategic investments	Below 35%	-
	Return on Equity	14.0%	Improving NPM, efficiency and COR driving improving ROE	Above 13%	-
Asset Quality	Cost of Risk	0.74%	Cautiously expecting stable credit quality and NPL coverage, leading to COR moderation	65-75bps	-
Capital	CET1	16.0%	Increasing RWAs from strong expected financing growth	16%-17%	-

Q&A

3Q 2022

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Appendix

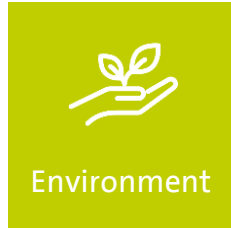
3Q 2022

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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; 108 new digital zones



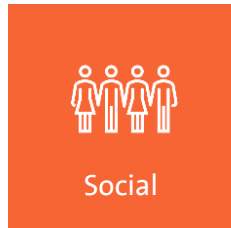
Energy efficient lighting are now in all branches. Planning to extend to Head Office



Air conditioning timers installed in 16 branches; 20% reduction in electricity usage



Renewable (solar) energy sources piloted across regions



Social



+57,303 **employee training hours** and +4 **employee townhalls** conducted YTD



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



1st KSA bank to sign the **Women's Empowerment Principles (WEPs)**; 37% **new women hires** in 3Q 22



Community focus with growth YoY in **SME financing** from Kafalah (+43%) and PoS (+104%) programs



Governance



Shariah compliance through regular internal audits and committee oversight



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

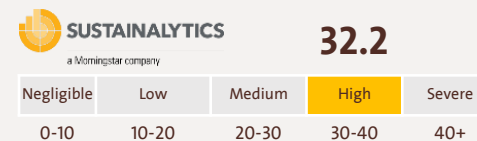
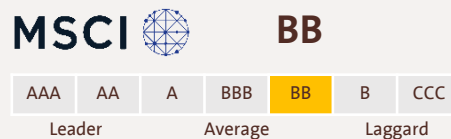


Institutionalization of the **investor relations function** with enhanced transparency & investor communication



Cybersecurity monitoring and initiatives which cover data governance and protection

Latest ESG Ratings



Alinma ESG Material

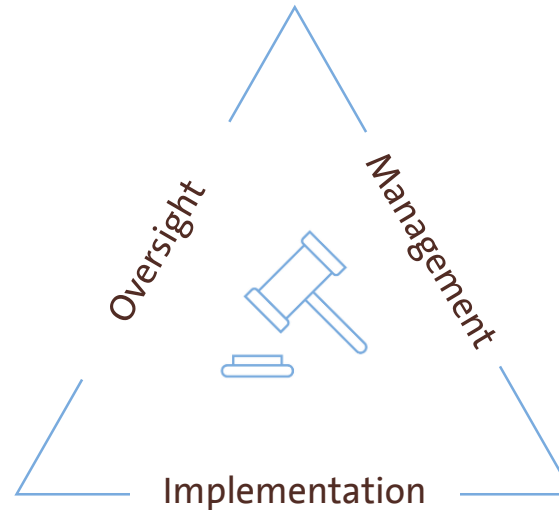
Material issues were ranked based on their importance for the bank and our stakeholders



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



Committee Members



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Committee Chairman



Ahmed Abdullah Al Alsheikh
Committee Member



Saud bin Mohammad Al Nemer
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