

Earnings Presentation

1Q 2024

9 May 2024

مصرف الإنماء
alinma bank



digital. fast. convenient.

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Alinma Overview

Q1 2024

Alinma Overview



The youngest bank in KSA

Financial Position

Net Profit Margin
#3 in KSA
3.81%
(4Q 2023)

ROE
#2 in KSA
17.22%
(4Q 2023)

ROA
#1 in KSA
2.21%
(4Q 2023)

Retail Digital Snapshot

21m
Monthly
Average Users
(Smart Phone Users Logins)

693K
Daily Average
Users
(Smart Phone Users Logins)

98.5%
Digital
Transactions

KSA Market Share

6.4%
Assets
(4Q 2023)



7.1%
Financing
(4Q 2023)



7.6%
Deposits
(4Q 2023)



5.5%
NIB Deposits
(4Q 2023)



4.97m
Customers

Rating Strength

Fitch
A-
Stable

Moody's
A3
Positive

Stock Highlights

266mn
Volume Traded
(1Q 2024)

SAR 11bn
Value
Traded
(1Q 2024)

SAR 85.1bn
Market
Capitalization
(31 March 2024)

16.1%
Foreign Ownership
#1 among Saudi banks
(31 March 2024)

10%
Owned by
Public Investment
Fund

SOURCE: Bank Financial Statements, Tadawul

Financial Performance Highlights

Q1 2024

Financial Performance Highlights



Solid operating income growth translated into 36% growth of net income in 1Q 2024 and 17.5% ROE

Balance Sheet

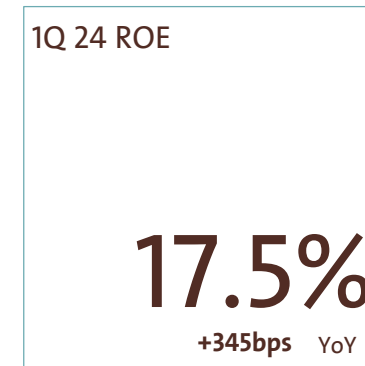
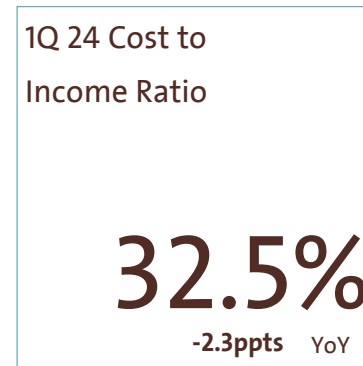
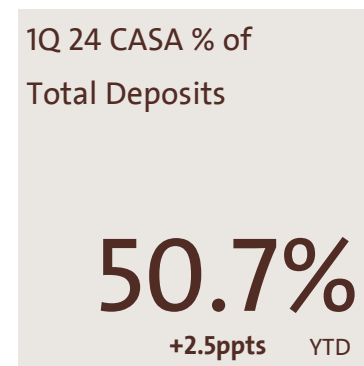
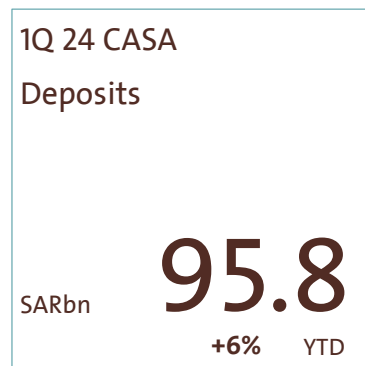
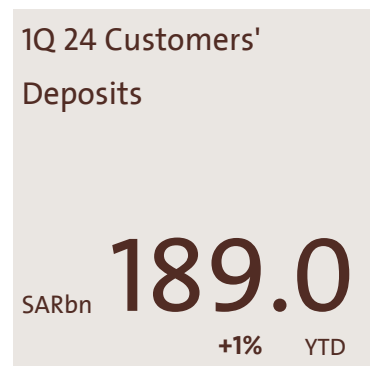
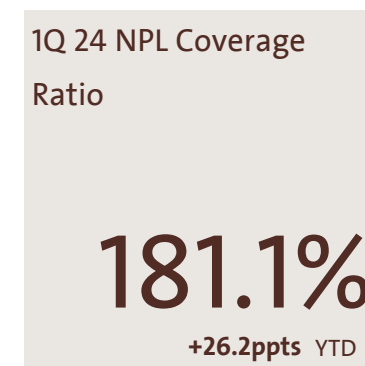
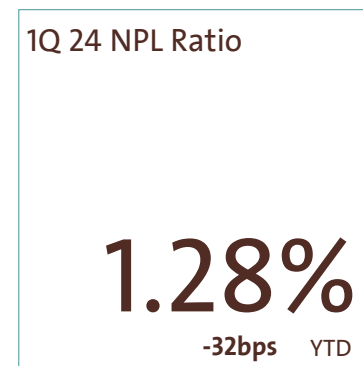
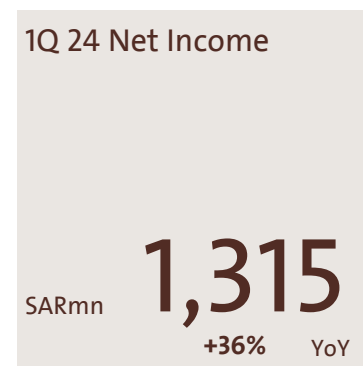
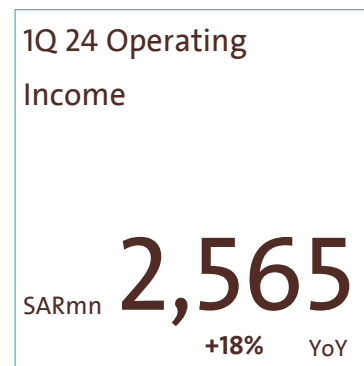
- 4% increase in financing YTD mainly from growth in corporate financing.
- 1% growth in customers' deposits YTD driven by increase in CASA by 6%.

Income Statement

- Operating income growth of 18% YoY mainly from +16% funded income and +24% non-funded income growth.
- Net income for 1Q 2024 grew 36% YoY to SAR 1,315mn from 18% operating income growth.

Credit Quality, Capital and Liquidity

- NPL and NPL coverage ratios at 1.28% and 181.1% respectively while cost of risk improved by 29bps YoY to 0.59%.
- Capitalization and liquidity positions remained healthy and within regulatory limits.



Strategy Update

Q1 2024

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

1Q 2024 Initiatives Completed to Date



Bank-wide 25/28



Retail 16/18



Corporate 9/19



Treasury 12/12

Implemented donations to charities using “Akthr” points

45 top talent trainees acquired for 2024 future banker program

3 Leadership programs targeting executive roles

96% Saudization; 23% female of total workforce

5 Townhalls conducted in 5 different regions

Launched Mortgage Re-finance product tailored to our customer’s needs and complementing mortgage eco-system products suite

Implemented Phase 2 of OTP service to replace paper forms for branch customers

54 TCR machines implemented in Q1 reaching total of 162

9 Merged branches

Completed the RM tech enabled sales tools

+21% (YoY) growth in Corporate booked assets

+129% (YoY) growth in non-funded assets (LG & LC) under all Corporate segments

+33% (YTD) growth in booked assets under Mid-Corporate banking segment

+51% (YoY) growth in Program-Based lending in SME portfolio

Successfully completed Tier 1 Sukuk issuance of USD 1 bn

+5 bn growth in Profit Rate Swap (PRS)

+127 Mn growth in Double Waad product (Repo)

Expanded network of correspondent banks (+3) globally



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

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

15/17

81% Complete

In-Progress

19%

Q1 2024 Financial Performance

Balance Sheet Trends



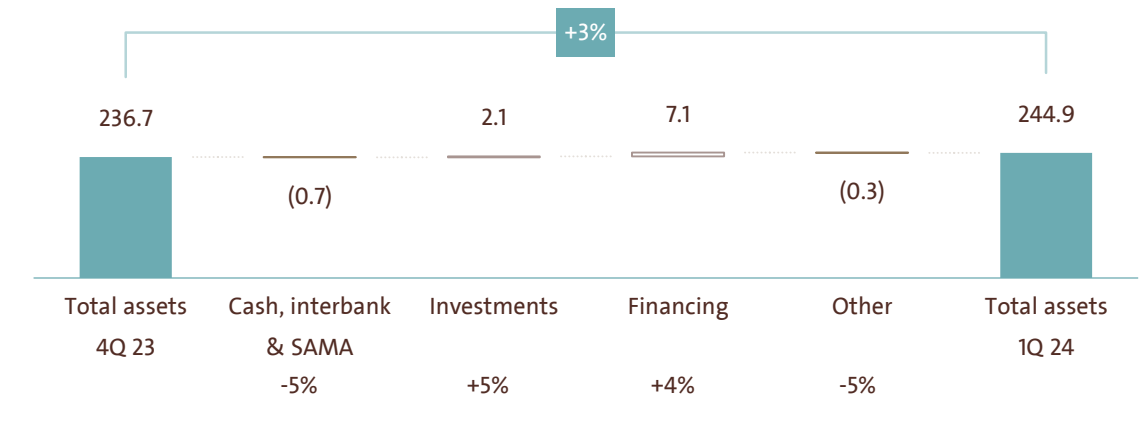
Balance sheet growth of 3% from increase in financing and investments

Management Commentary

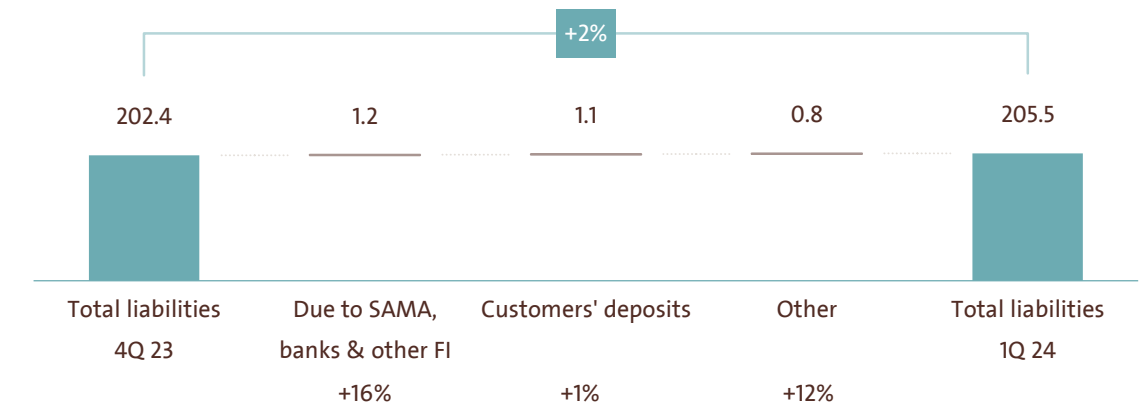
- ▮ Growth in total assets of 3% YTD mainly driven by 4% financing growth and 5% growth in investments.
- ▮ Total liabilities grew by 2% YTD mainly from a 1% rise in customers' deposits, 16% increase in balances due to SAMA, banks & other FI, and 12% increase in other liabilities.
- ▮ Total equity increased 15% mainly due to Tier 1 Sukuk issuance of 1bn USD.

SAR (mn)	1Q 2024	4Q 2023	Δ%	1Q 2023	Δ%
Cash, interbank & SAMA balances	13,563	14,299	-5%	16,475	-18%
Investments	45,338	43,236	+5%	39,800	+14%
Financing	180,702	173,624	+4%	153,153	+18%
Other assets	5,256	5,555	-5%	4,321	+22%
Total assets	244,859	236,715	+3%	213,749	+15%
Due to SAMA, banks & other FI	8,638	7,431	+16%	13,805	-37%
Customers' deposits	188,988	187,901	+1%	159,948	+18%
Other liabilities	7,885	7,050	+12%	6,832	+15%
Total liabilities	205,511	202,381	+2%	180,586	+14%
Share capital	20,000	20,000	+0%	20,000	+0%
Retained earnings	2,469	1,118	+121%	5,215	-53%
Other reserves	8,128	8,215	-1%	2,949	+176%
Tier 1 sukuk	8,751	5,000	+75%	5,000	+75%
Total equity	39,348	34,334	+15%	33,164	+19%

Total Assets Movement YTD (SARbn)



Total Liabilities Movement YTD (SARbn)



P&L Trends



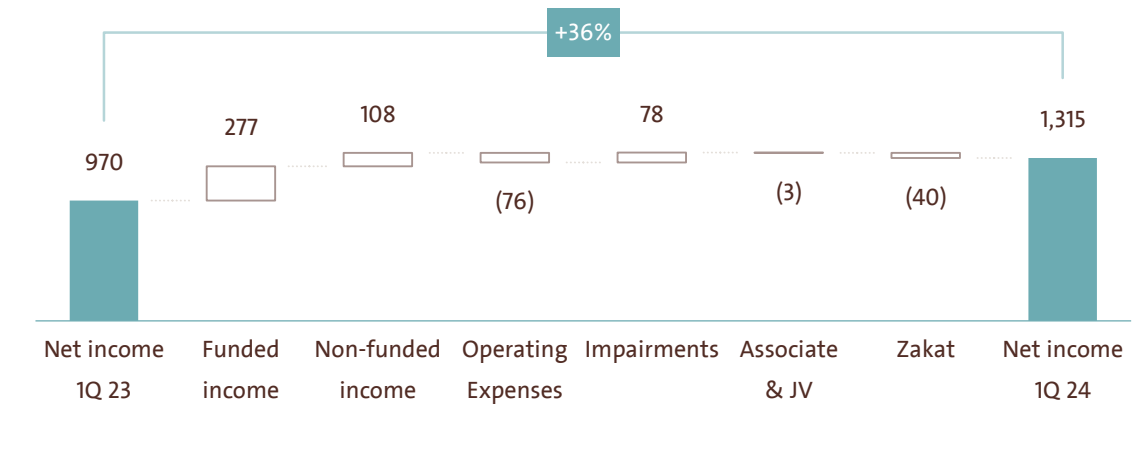
Net income for 1Q 2024 grew by 36% YoY mainly from 18% operating income growth

Management Commentary

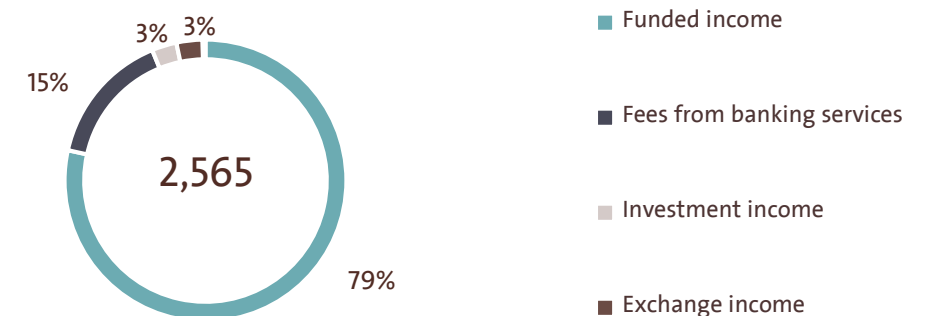
- Net income for 1Q 2024 grew 36% YoY to SAR 1,315mn from 18% operating income growth despite 10% higher operating expenses YoY.
- 1Q 2024 funded income increased by 16% YoY, and the non-funded income increased by 24% YoY.

SAR (mn)	1Q 2024	4Q 2023	Δ%	1Q 2023	Δ%
Funded income	2,012	2,054	-2%	1,735	+16%
Non-Funded income	553	515	+7%	445	+24%
Total operating income	2,565	2,569	-0%	2,179	+18%
Operating Expenses	834	774	+8%	758	+10%
Net operating income before impairment charge	1,731	1,795	-4%	1,422	+22%
Impairments	264	324	-18%	343	-23%
Net operating income	1,467	1,471	-0%	1,079	+36%
Income before zakat & income tax	1,466	1,472	-0%	1,081	+36%
Zakat	151	152	-0%	111	+36%
Net income	1,315	1,320	-0%	970	+36%

Net Income Movement YoY (SARmn)



Operating Income Composition (SARmn)

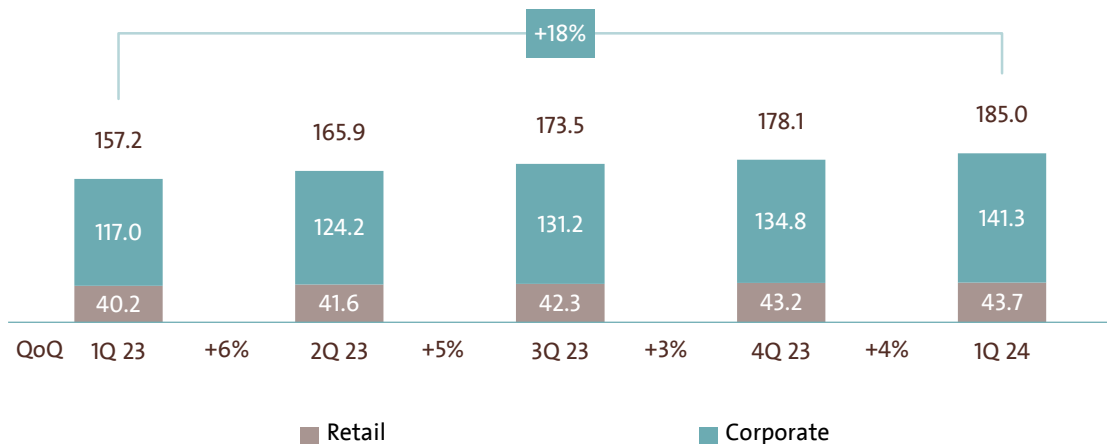


Financing

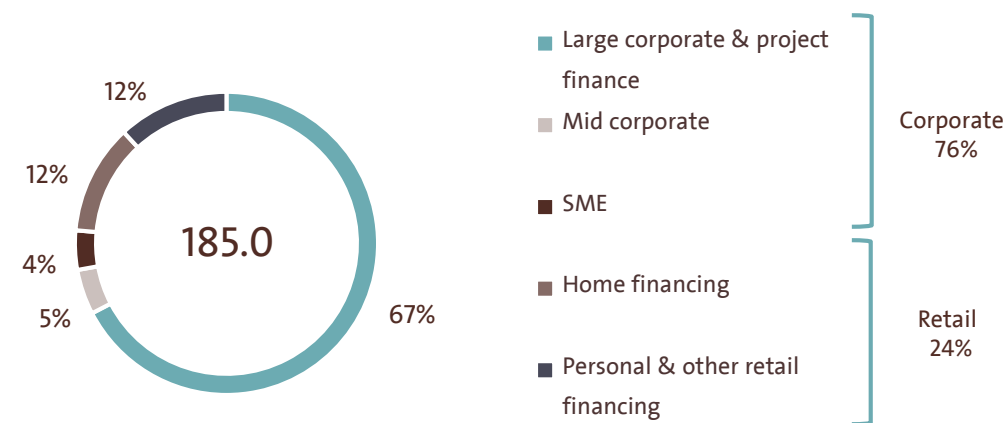


4% increase in gross financing during 1Q 2024 from 1% growth in retail financing, and 5% in corporate financing

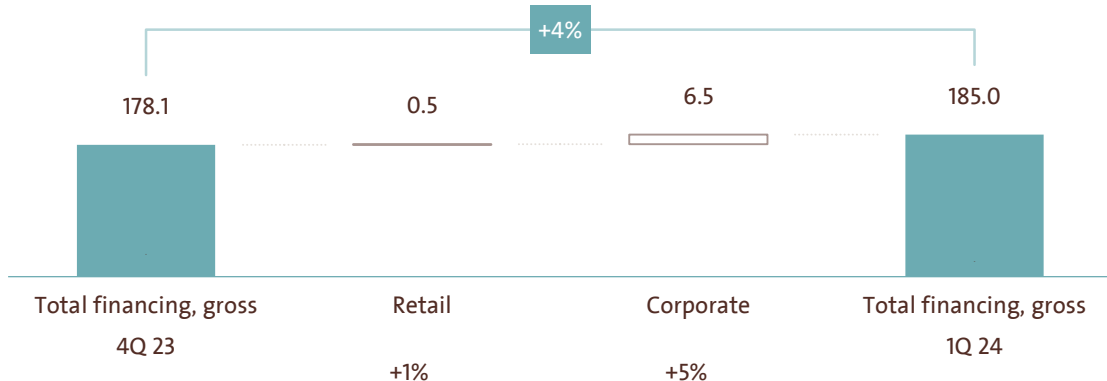
Financing, Gross (SARbn)



Financing, Gross Composition (SARbn)



Financing, Gross Movement YTD (SARbn)



Management Commentary

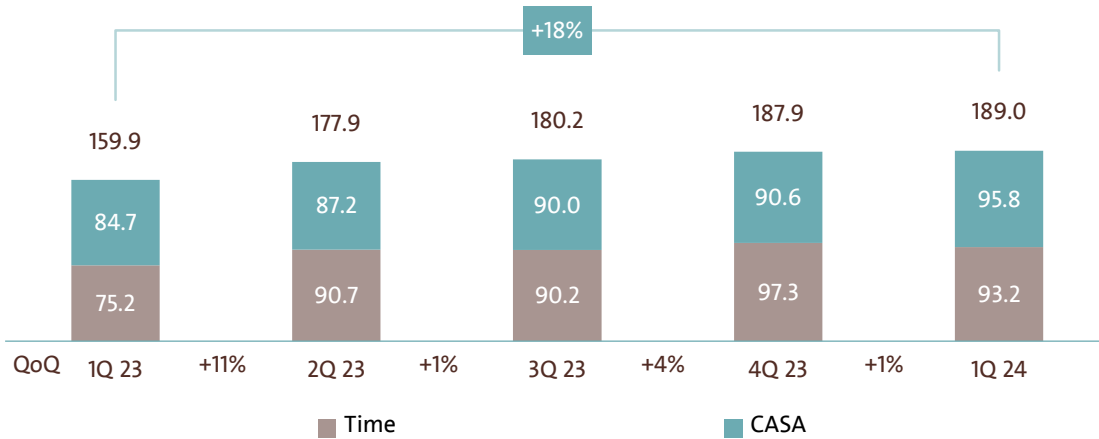
- Gross financing grew 4% during 1Q 2024.
- Retail financing grew 1% YTD from 2% rise in home financing.
- Total corporate financing grew 5% YTD, where mid-corporate rose 33%, and SME financing increased 15%.
- Gross financing comprises of 76% corporate and 24% retail as at 31 March 2024.

Deposits

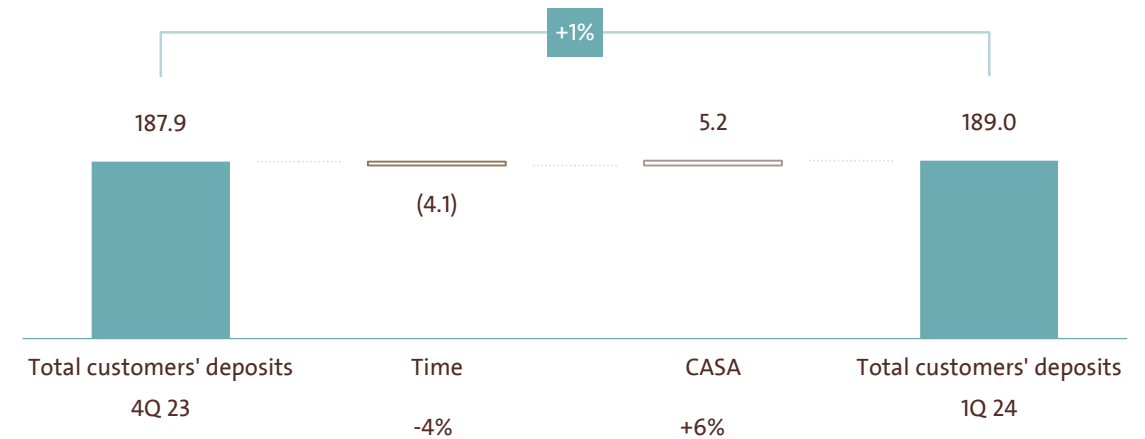


Deposit growth of 1% driven by 6% CASA growth

Customers' Deposits (SARbn)



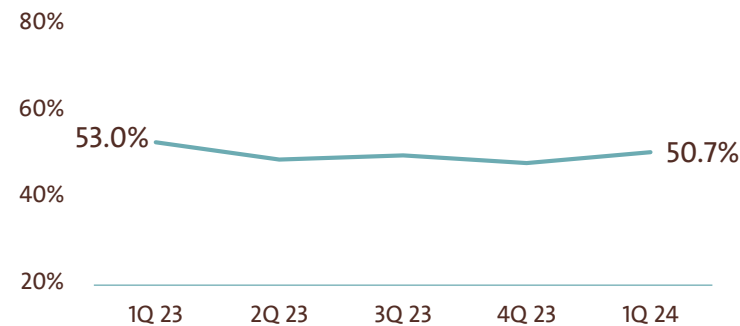
Customers' Deposits Movement YTD (SARbn)



Customers' Deposits Composition (SARbn)



CASA % of Total Deposits (%)



Management Commentary

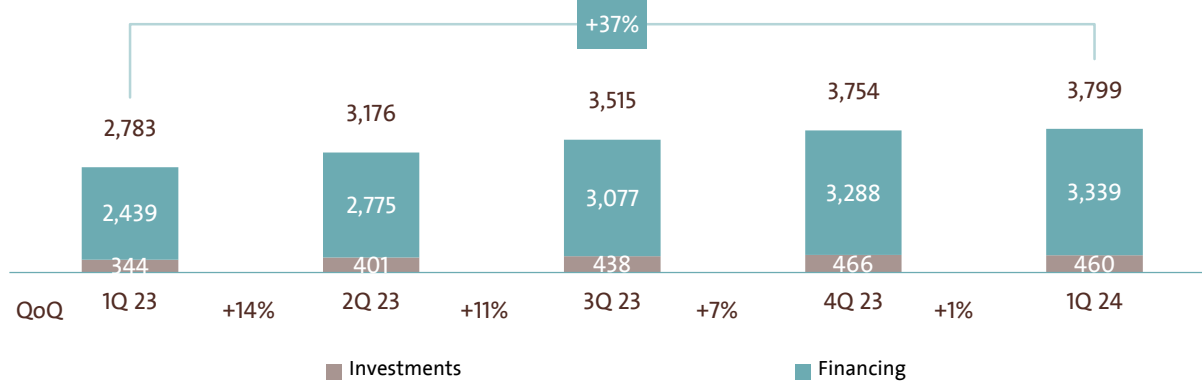
- Deposits increased by 1% during 1Q 2024 from growth in CASA by 6%.
- CASA deposits account for 50.7% of total deposits as at 1Q 2024.
- Total deposits comprise of 63% retail and 37% non-retail deposits as at 31 March 2024.

Income from Financing & Investments

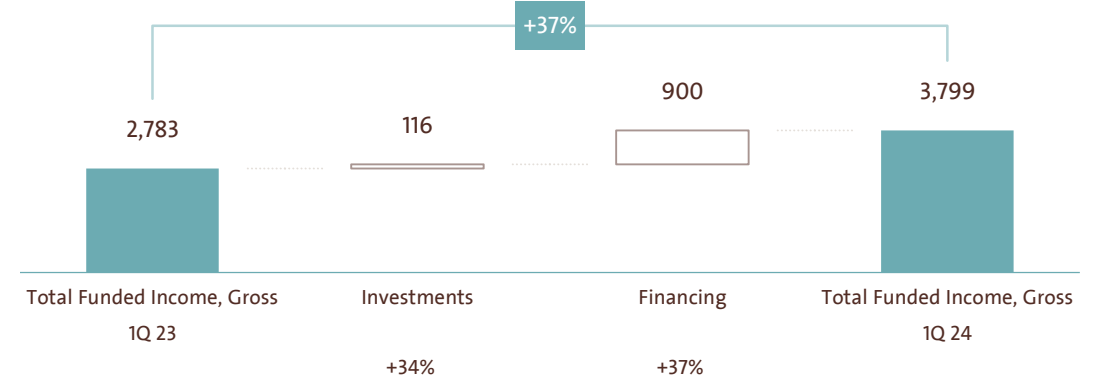


Gross funded income grew 37% from 34% growth in investment income and 37% growth in financing income

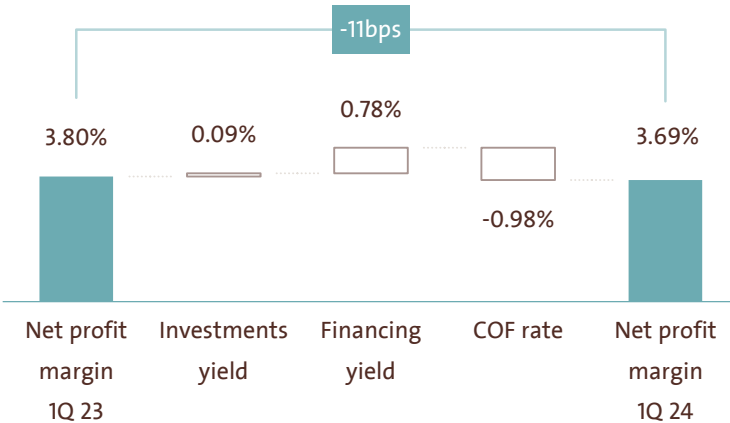
Funded Income, Gross (SARmn)



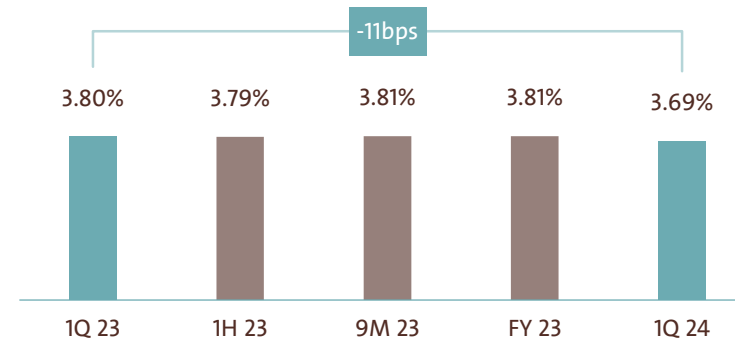
Total Funded Income, Gross Movement YoY (SARmn)



Net Profit Margin Movement YoY (%)



Net Profit Margin YTD (%)



Management Commentary

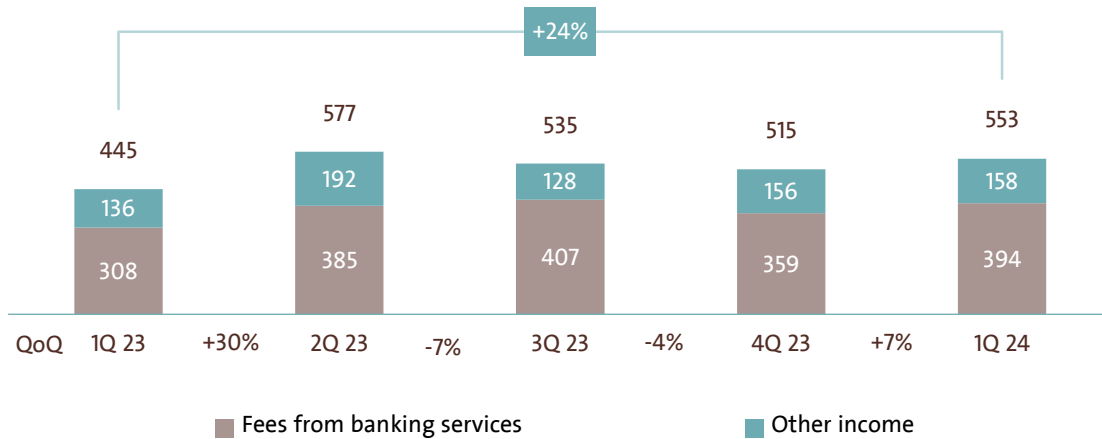
- Gross funded income for 1Q 2024 increased by 37% YoY to SAR 3,799mn from a 34% increase in investment income and a 37% rise in financing income.
- Net profit margin decreased by 11bps YoY to 3.69% in 1Q 2024.

Fee and Other Income

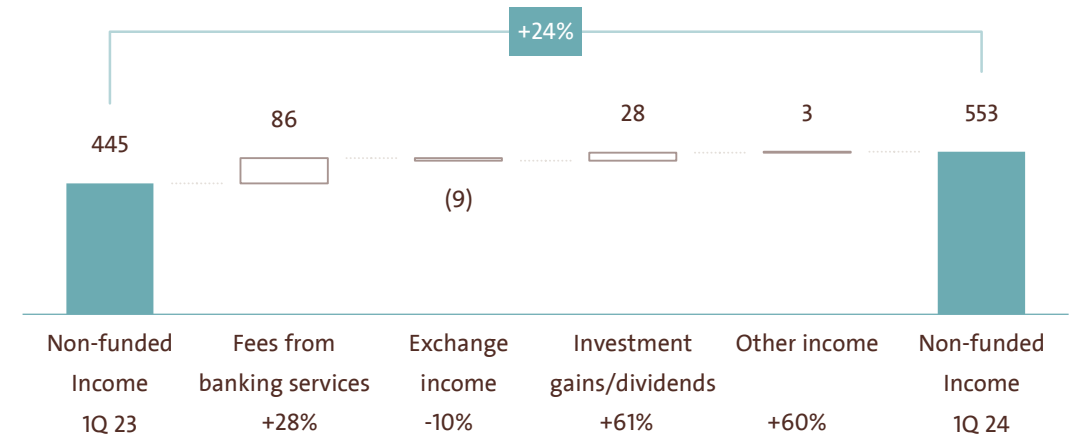


Non-funded income for 1Q 2024 increased by 24% YoY

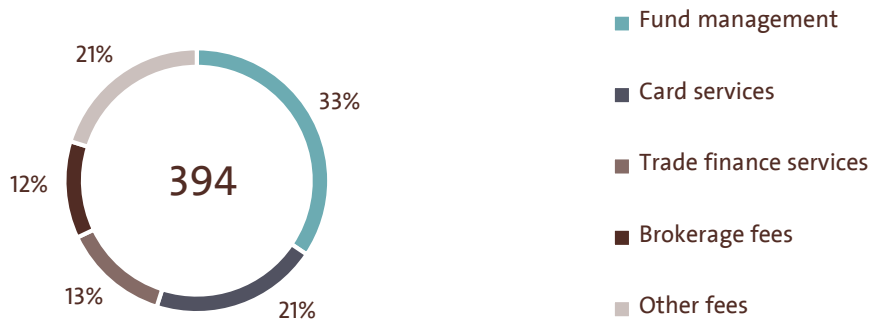
Non-Funded Income (SARmn)



Non-Funded Income Movement YoY (SARmn)



Fees from Banking Services Composition (SARmn)



Management Commentary

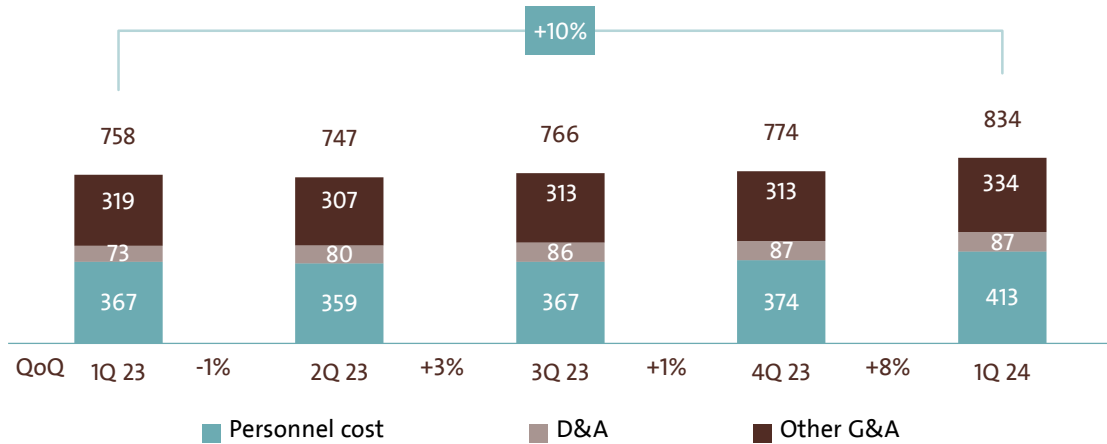
- Non-funded income for 1Q 2024 increased 24% YoY to SAR 553mn from improved fees from banking services and investment gains/dividends.
- Fund management fees comprise the majority of fees from banking services at 33%, while card services fees account for 21%, other fees for 21% and trade finance services and brokerage fees represent 13% and 12% respectively.

Operating Expenses

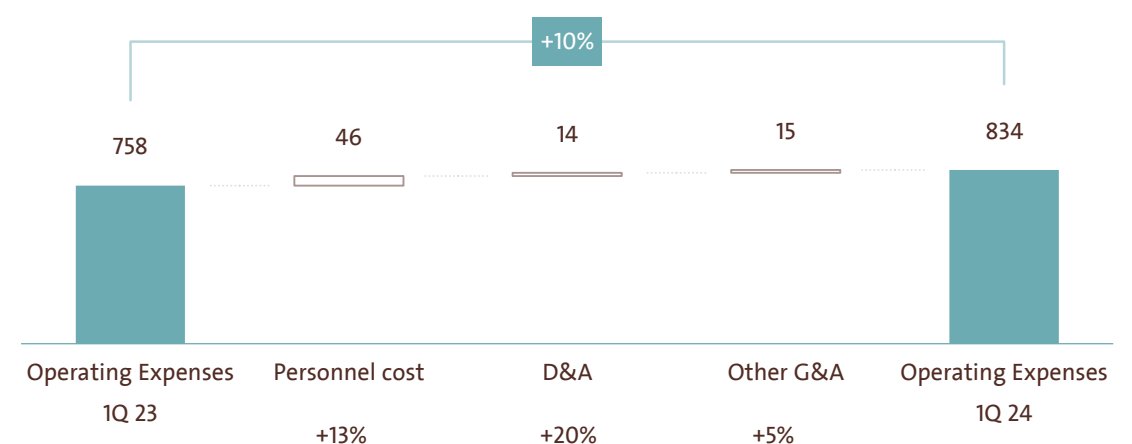


1Q 2024 saw 10% growth in operating expenses YoY mainly from higher employee and G&A costs

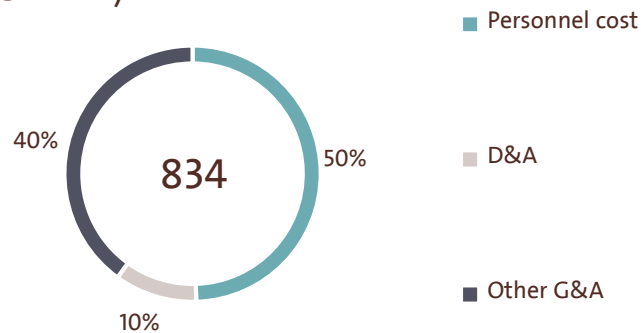
Operating Expenses (SARmn)



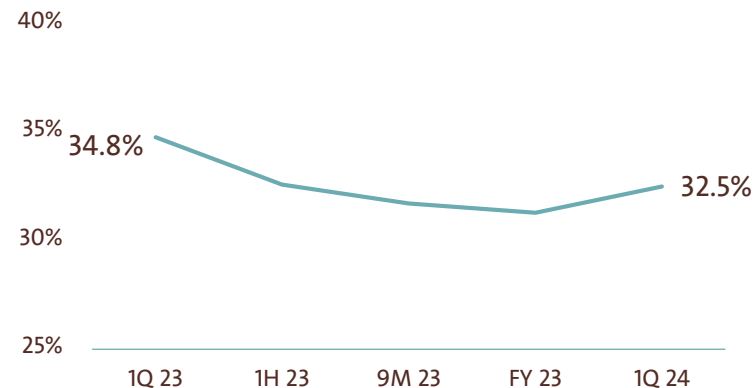
Operating Expenses Movement YoY (SARmn)



Operating Expenses Composition (SARmn)



Cost to Income Ratio (%)



Management Commentary

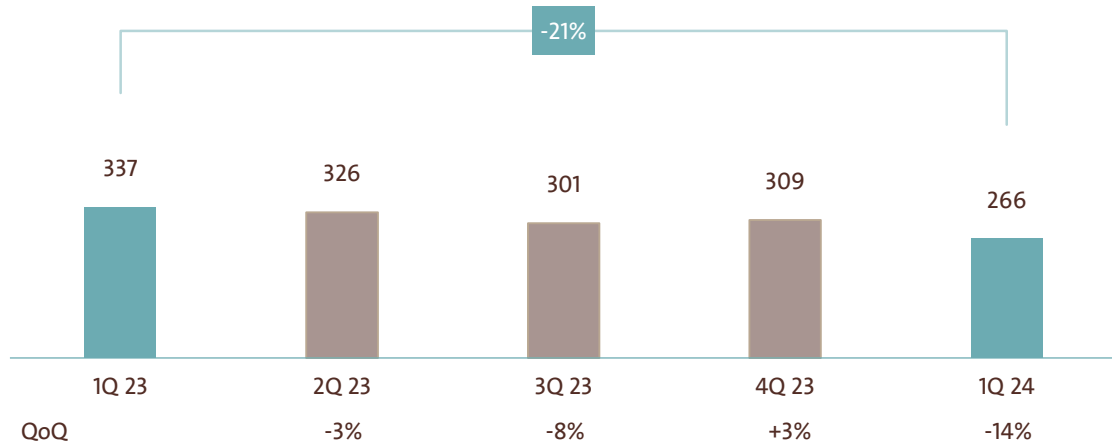
- Operating expenses increased 10% YoY to SAR 834mn for 1Q 2024.
- Personnel cost comprise the majority of operating expenses at 50%, while other G&A account for 40%, and D&A represent 10%.
- +7.7ppts positive Jaws contributed to a 2.3ppts decrease in the cost to income ratio from 34.8% to 32.5%.

Impairments for Financing

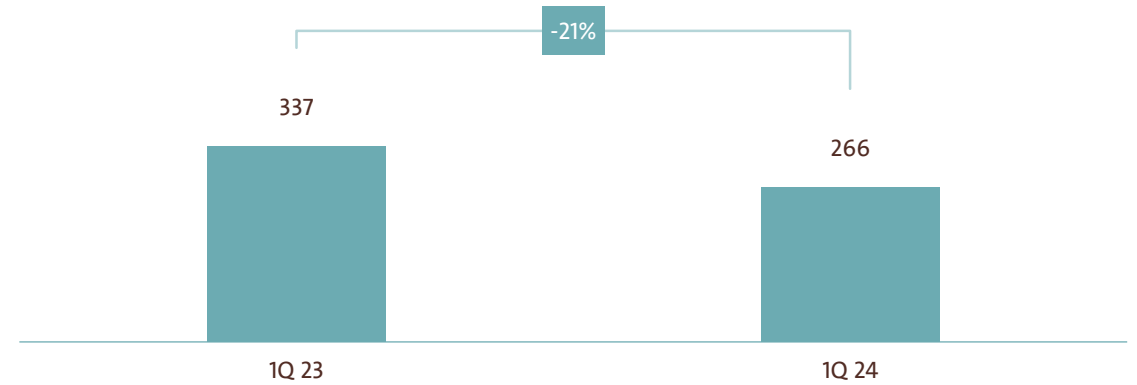


Cost of risk for 1Q 2024 declined by 29bps

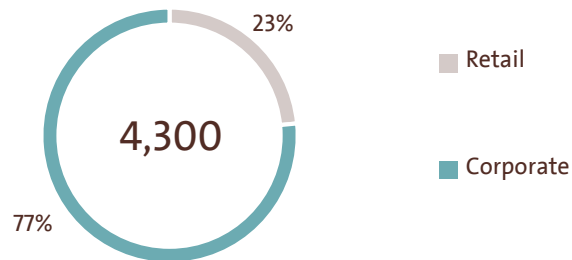
Impairments for Financing (SARmn)



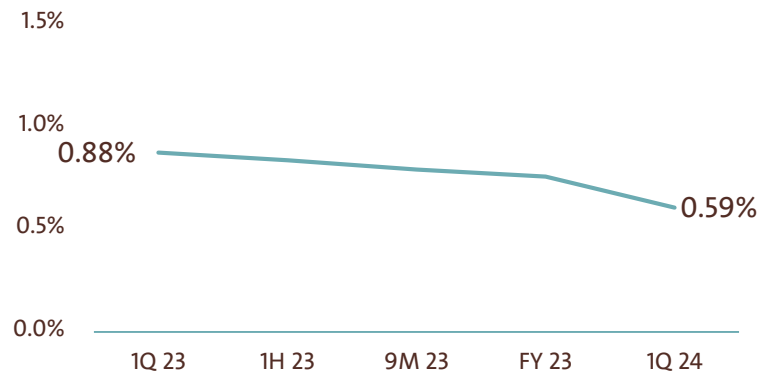
Impairments for Financing (SARmn)



Impairments Allowance Composition (SARmn)



Cost of Risk (%)



Management Commentary

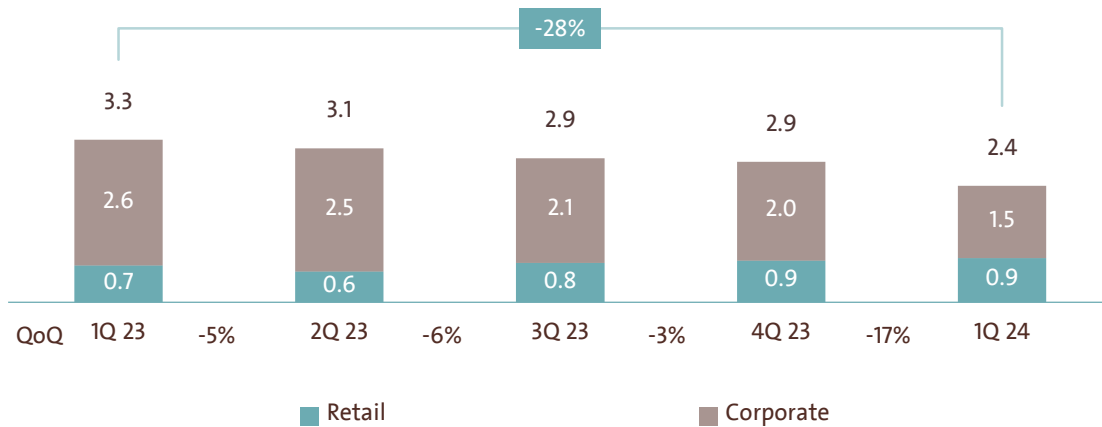
- 1Q 2024 impairment charge for financing decreased by 21% YoY to SAR 266mn.
- Cost of risk for 1Q 2024 decreased by 29bps YoY to 0.59%.
- 77% of impairment allowance in 1Q 2024 pertains to corporate and 23% is for retail financing.

NPL & NPL Coverage

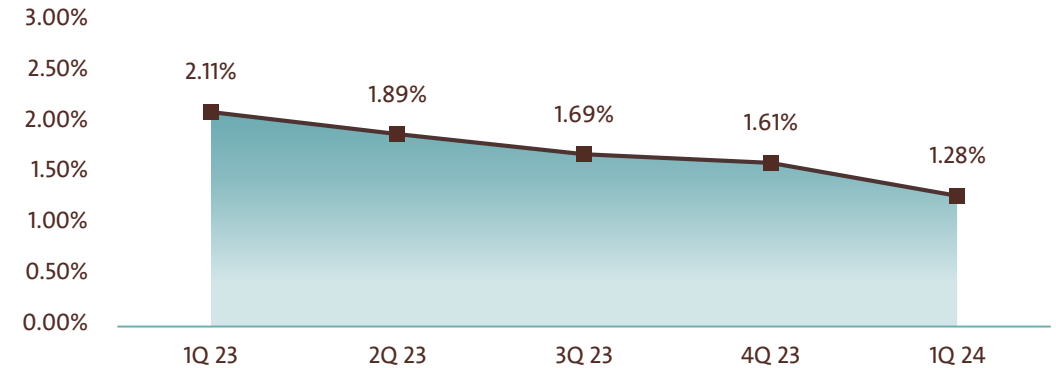


NPL ratio decreased and NPL coverage increased YoY

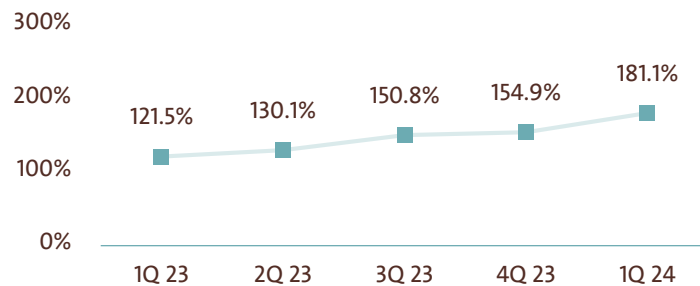
Non-Performing Loans, Gross (SARbn)



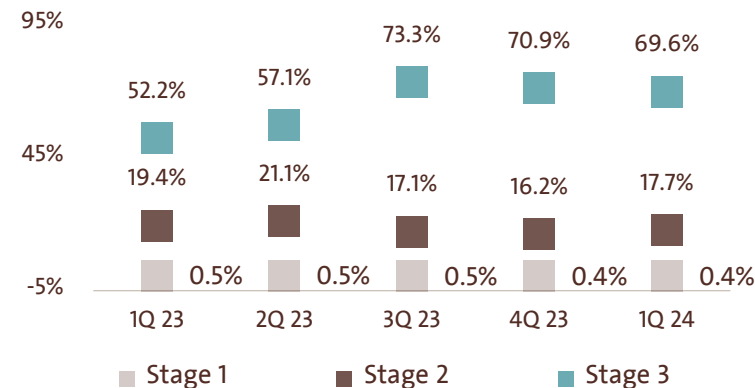
NPL Ratio (%)



NPL Coverage Ratio (%)



Stage-Wise Coverage (%)



Management Commentary

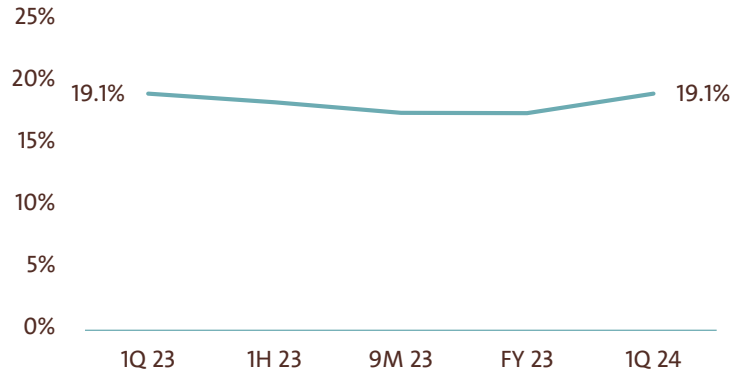
- NPL ratio decreased by 83bps YoY and 33bps QoQ to 1.28% in 1Q 2024.
- NPL coverage increased by 59.6ppts YoY to 181.1%.
- Stage 1 coverage slightly declined due to the acquisition of higher-quality credit. Stage 2 coverage fell as certain accounts moved to Stage 2 with lower coverage.

Capitalization & Liquidity

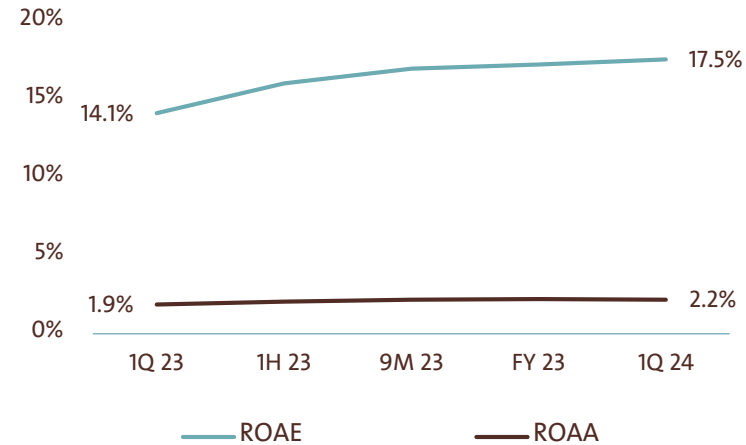


Capital and liquidity ratios remained healthy while ROE saw an increase of 345bps YoY

Capitalization (%)



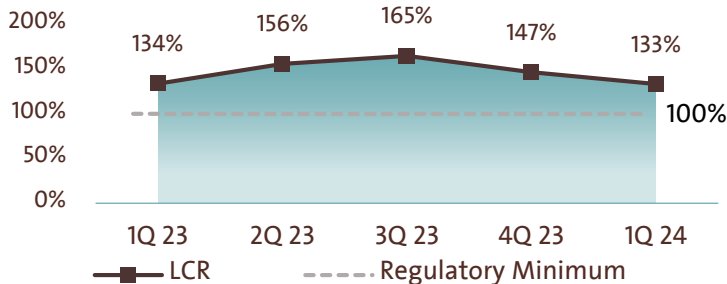
Profitability (%)



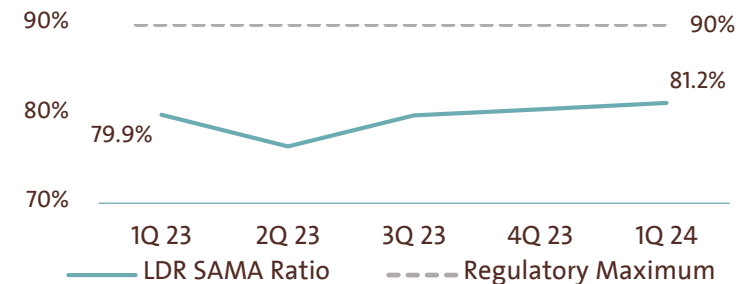
Management Commentary

- CAR remained stable YoY at 19.1%.
- NSFR improved 1.5ppts YoY to reach 108.5%.
- LDR ratio increased 1.3ppts YoY to 81.2%.
- 1Q 2024 LCR decreased 1ppts YoY to 133%.

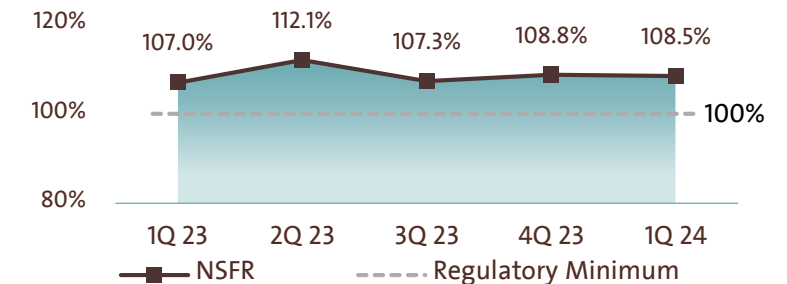
LCR (%)



LDR SAMA Ratio (%)



NSFR (%)



Outlook & Guidance

Q1 2024

Guidance



Acceleration of strategic execution drives a promising outlook for 2024.

		1Q 2024A	Drivers	2024G
Balance Sheet	Financing Growth	+18% YoY	Strong Mid-Corp, SME & Retail growth from strategic initiatives; continuing the growth in corporate financing	Mid teens
Profitability	Net Profit Margin	3.69% -11bps YoY	Declining rates mixed with improving margins guide for flat Net Profit Margin.	-5bps to +5bps
	Cost to Income Ratio	32.5%	Growth in income, digitization & process optimization driving efficiencies, partly offset by strategic investments	≈ 30%
	Return on Equity	17.5%	Improving top line and efficiency driving improving ROE	Above 18%
Asset Quality	Cost of Risk	0.59%	Cautiously expecting stable credit quality and NPL coverage, leading to COR moderation	65-75bps
Capital	CAR Pillar 1	19.1%	Improving top line with efficiencies in equity management	19%-20%

Return on Equity Target for 2025 above 18%

Q&A

Q1 2024

Appendix

Q1 2024

Sustainability



Alinma Bank released its 2022 sustainability report



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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