

Earnings Presentation

1Q 2022

Earnings Call

10 May 2022

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Table of Contents

1	Alinma Overview
2	Financial Performance Highlights
3	Strategy Update
4	1Q 2022 Financial Performance
5	Outlook & Guidance

Alinma Overview

1Q 2022

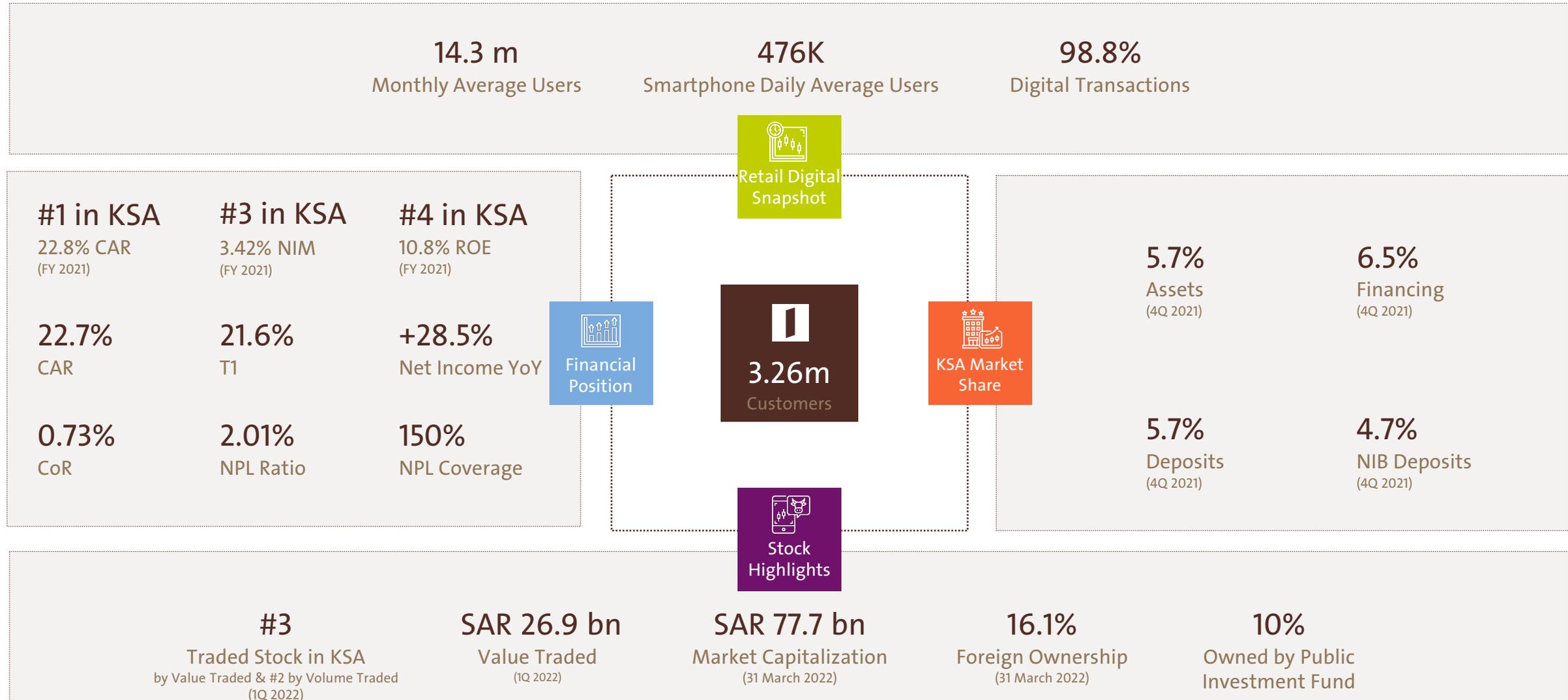
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Alinma Overview

Alinma is the youngest bank in KSA



Financial Performance Highlights

1Q 2022

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Financial Performance Highlights

Solid income growth and lower risk cost translated into 28.5% growth of net income in 1Q 2022 and 12.6% ROE

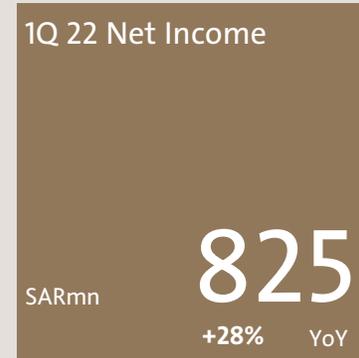
Balance Sheet

- Increase in financing of 2% YTD from growth in retail lending.
- Growth of 6% in customers' deposits YTD driven by strong growth of CASA deposits by 10% which now account for 68.7% of total deposits.



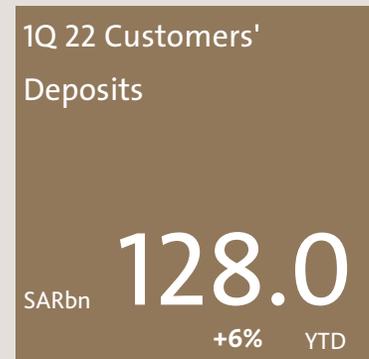
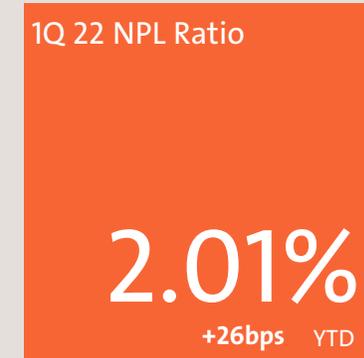
Income Statement

- Operating income growth of 13% (+9% funded and +24% non-funded).
- Net income for 1Q 2022 grew 28% YoY to SAR 825mn from 13% income growth and a 29% decrease in impairments



Credit Quality, Capital and Liquidity

- NPL and NPL coverage ratios remain comfortable at 2.01% and 150.0% respectively while cost of risk improved by 45bps YoY to 0.73%.
- Capitalization and liquidity position has remained stable and within regulatory limits.



Strategy Update

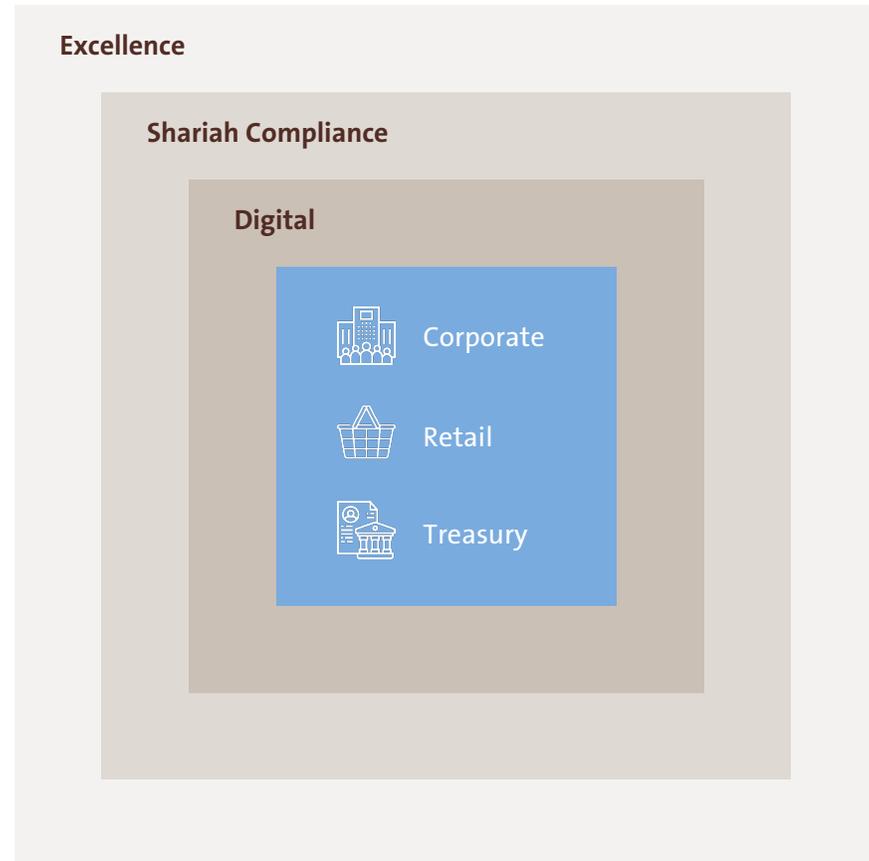
1Q 2022



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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**



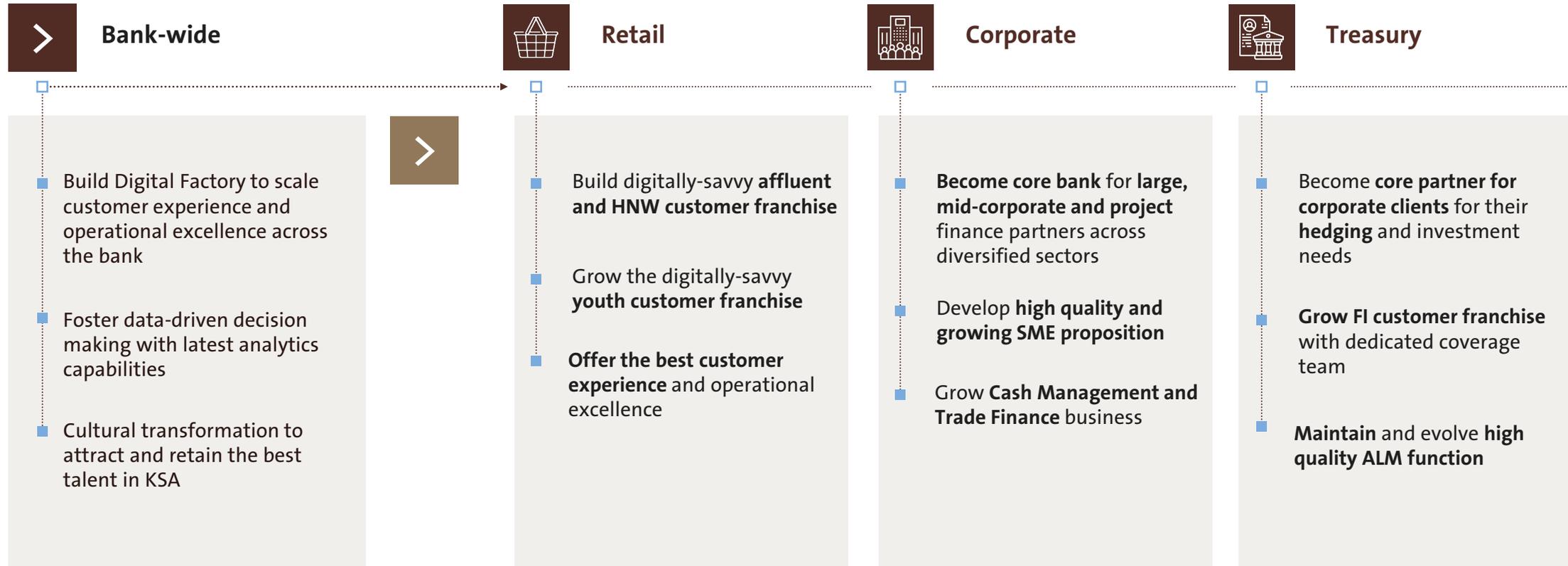
Be the **Corporate bank** with the **best customer experience** (increasingly integrated) and offer the **fastest turnaround time in KSA**



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

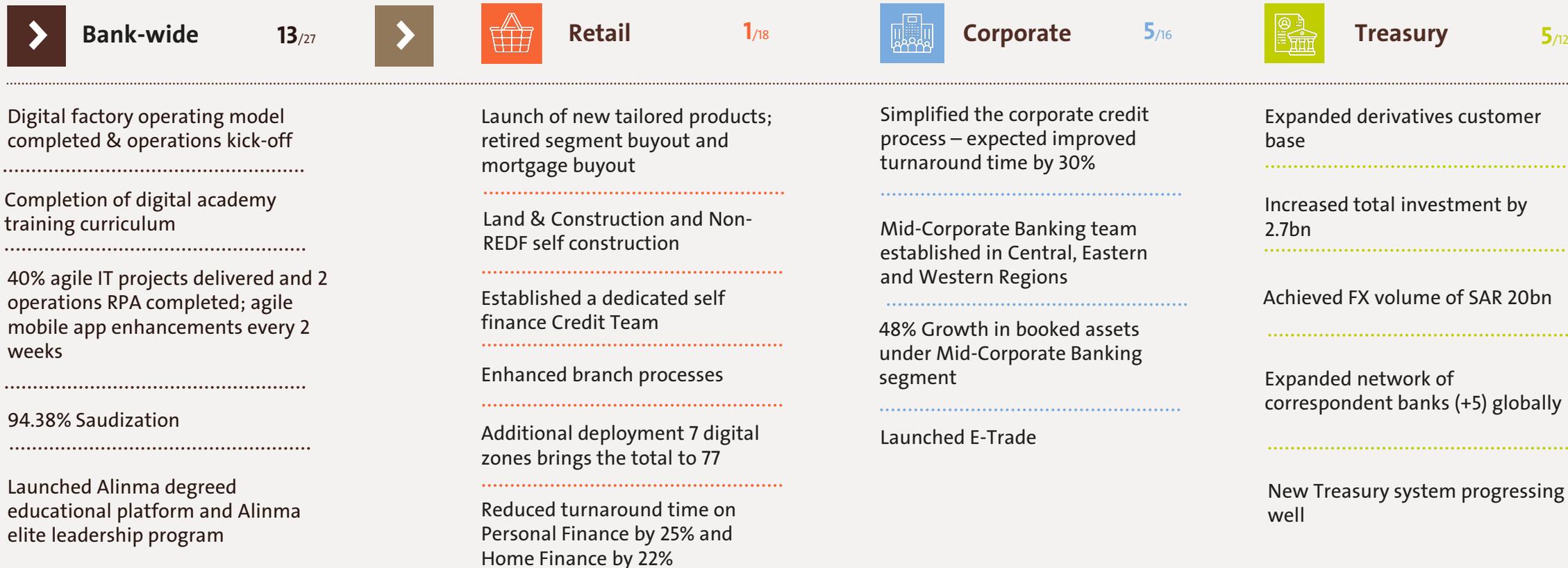
Strategic Ambitions

Driving changes across the businesses and bank-wide



Strategy Update

1Q 2022 Initiatives Completed to Date



Progress to date

24/73*



33%

*additional 7 initiatives added in 1Q 2022

Strategy Update

2022 Initiatives In-Progress

 Bank-wide 13/27	 Retail 17/18	 Corporate 7/16	 Treasury 7/12
Expand the digital factory for the transformation	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 Treasury system to add more products
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; 35% women and 95% Saudization	Strengthen customer acquisition partnerships	Drive SME growth along corporate suppliers & grow Program Based Lending	Diversify investments to improve yield on investment portfolio
	Continue enhancement of digital journeys and app functionality, and increase cross-sell	Increase Corporate operating accounts to drive liabilities	Grow long term funding Enhance savings & investment products

 **Initiatives In-Progress** 44/73
 33% Complete 60%

ESG in Action

Alinma is progressing on key initiatives to drive the ESG agenda and enhance its ratings



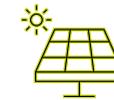
Deployment of **digital channels and digital signatures** to reduce paper; 77 new digital zones



Energy efficient lighting are now in all branches



Air conditioning timers installed in few branches; 13% reduction in electricity usage



Renewable (solar) energy sources piloted across regions



+55,000 **employee training hours** and 6 **employee townhalls** conducted



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



Women's empowerment program launched; 32% **new women hires** in 1Q 2022



Community focus with growth in **SME financing** from Kafalah (+48%) and PoS (+100%) programs



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



1Q 2022 Financial Performance

1Q 2022

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Balance Sheet Trends

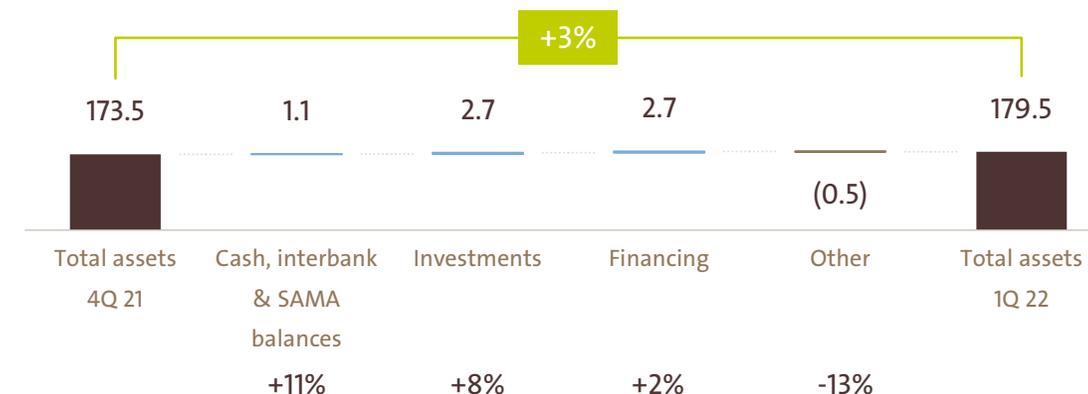
Balance sheet growth of 3% from increase in financing and investments

Management Commentary

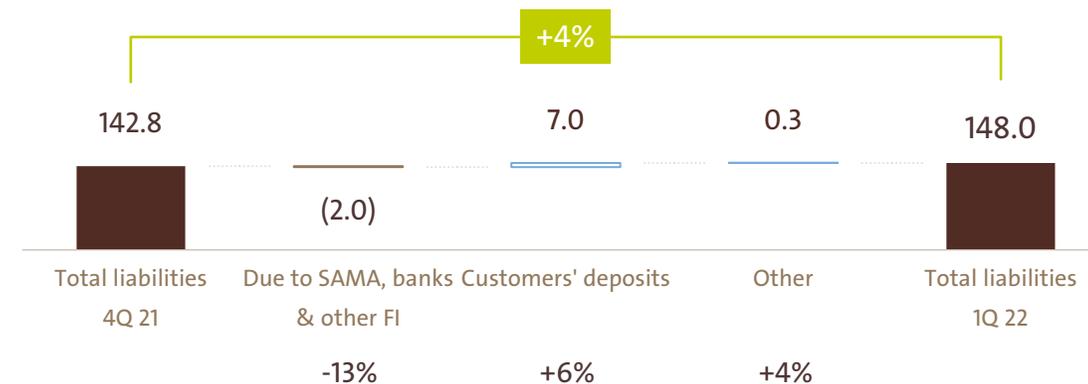
- Growth in total assets of 3% YTD driven by 2% financing growth and 8% growth in investments.
- Total liabilities grew by 4% during 1Q 2022 mainly from a 6% rise in customers' deposits.

SAR (mn)	1Q 2022	4Q 2021	Δ%	1Q 2021	Δ%
Cash, interbank & SAMA balances	11,051	9,915	+11%	10,545	+5%
Investments	36,026	33,278	+8%	28,819	+25%
Financing	128,965	126,271	+2%	117,149	+10%
Other assets	3,477	4,012	-13%	3,438	+1%
Total assets	179,519	173,476	+3%	159,951	+12%
Due to SAMA, banks & other FI	13,245	15,240	-13%	8,863	+49%
Customers' deposits	128,035	121,061	+6%	120,707	+6%
Other liabilities	6,720	6,465	+4%	5,300	+27%
Total liabilities	148,001	142,765	+4%	134,870	+10%
Share capital	20,000	20,000	+0%	20,000	+0%
Retained earnings	4,416	3,586	+23%	3,819	+16%
Other reserves	2,102	2,125	-1%	1,262	+67%
Tier 1 sukuk	5,000	5,000	+0%	-	-
Total equity	31,518	30,711	+3%	25,081	+26%

Total Assets Movement YTD (SARbn)



Total Liabilities Movement YTD (SARbn)



P&L Trends

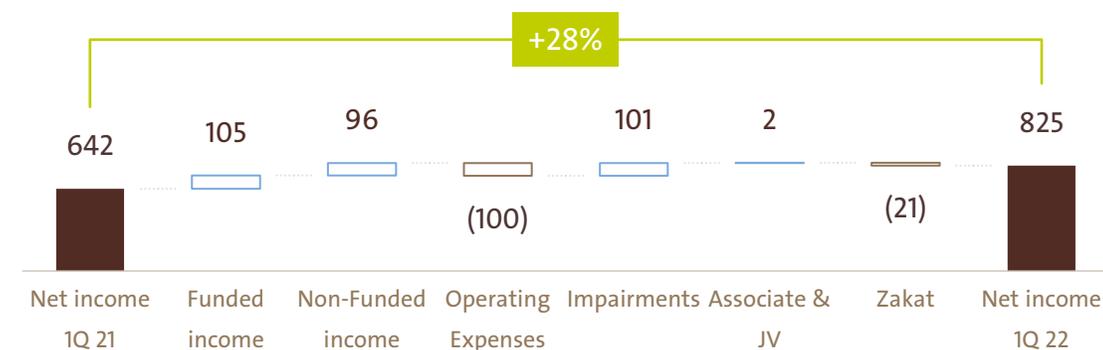
Net income for 1Q 2022 grew by 28% YoY due to 13% income growth and lower impairment charges

Management Commentary

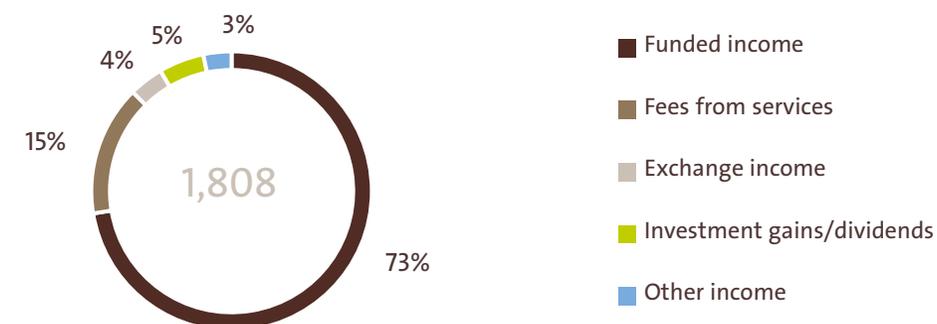
- Net income for 1Q 2022 grew 28% YoY to SAR 825mn from 13% income growth and a 29% decrease in impairments despite 18% higher operating expenses YoY.
- 1Q 2022 net income improved 33% QoQ driven by 7% increase in income and a 19% decrease in impairments.

SAR (mn)	1Q 2022	4Q 2021	Δ%	1Q 2021	Δ%
Funded income	1,310	1,309	+0%	1,204	+9%
Non-Funded income	498	373	+34%	402	+24%
Total operating income	1,808	1,682	+7%	1,606	+13%
Operating Expenses	642	684	-6%	543	+18%
Net operating income before impairment charge	1,165	998	+17%	1,064	+10%
Impairments	243	301	-19%	344	-29%
Net operating income	922	697	+32%	720	+28%
Income before zakat & income tax	920	691	+33%	716	+28%
Zakat	95	72	+32%	74	+29%
Net income	825	619	+33%	642	+28%

Net Income Movement YoY (SARmn)



Operating Income Composition (SARmn)



Financing

Increase in gross financing of 2% during 1Q 2022 from 10% growth in retail financing

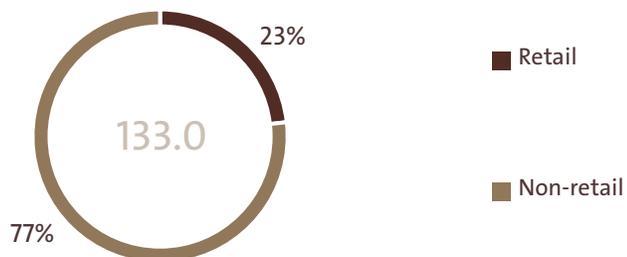
Financing, Gross (SARbn)



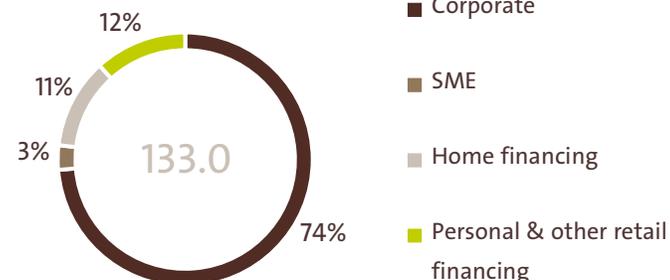
Financing, Gross Movement YTD (SARbn)



Financing, Gross Composition (SARbn)



Financing, Gross Composition (SARbn)



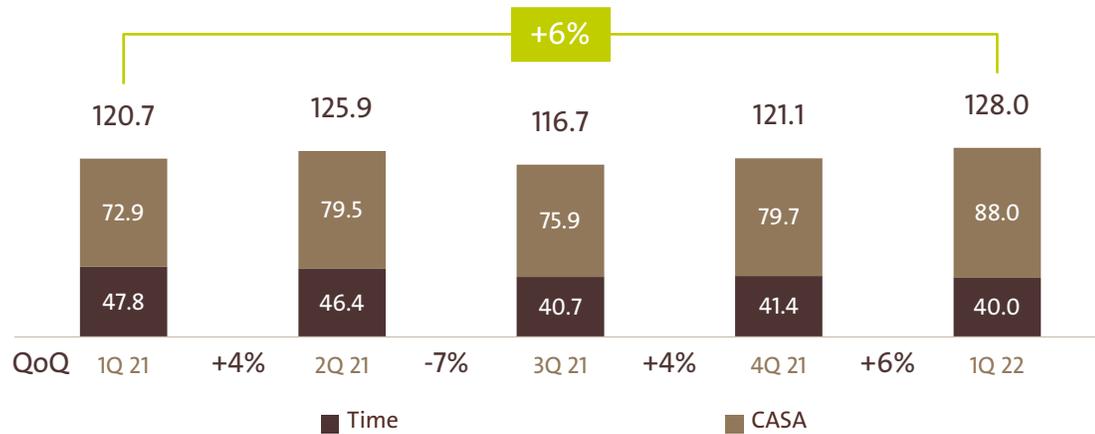
Management Commentary

- Gross financing grew 2% during 1Q 2022.
- Retail financing grew 10% from strong momentum in home financing (+8%) and personal & other financing growth (+13%).
- Corporate financing fell 0.2% due to a fall in large corporate financing (0.3%), partly offset by a rise in Mid-Corporate (+48%) and SME financing (+2%) during 1Q 2022.

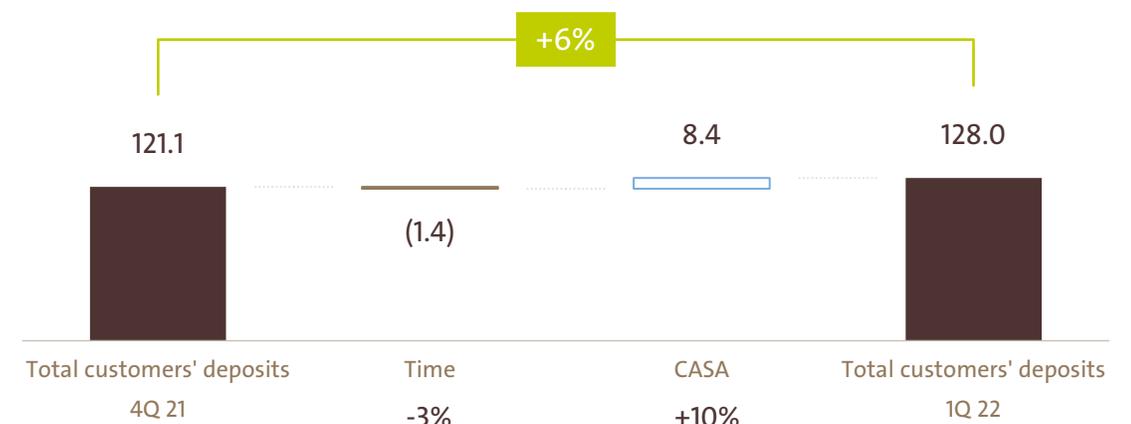
Deposits

Deposit growth of 6% driven by 10% CASA growth

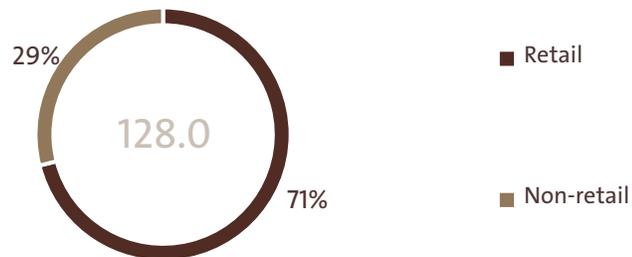
Customers' Deposits (SARbn)



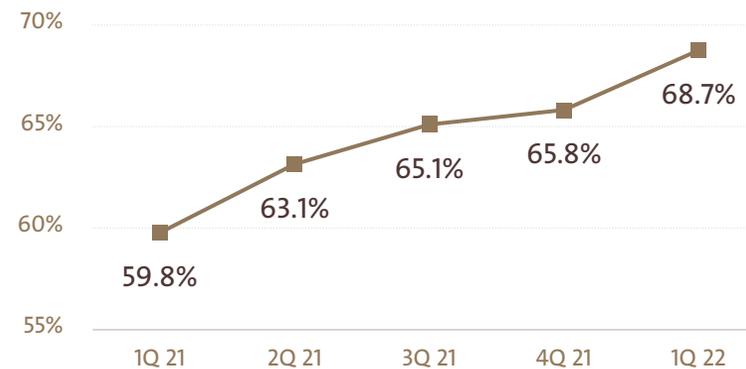
Customers' Deposits Movement YTD (SARbn)



Customers' Deposits Composition (SARbn)



CASA % of Total Deposits (%)



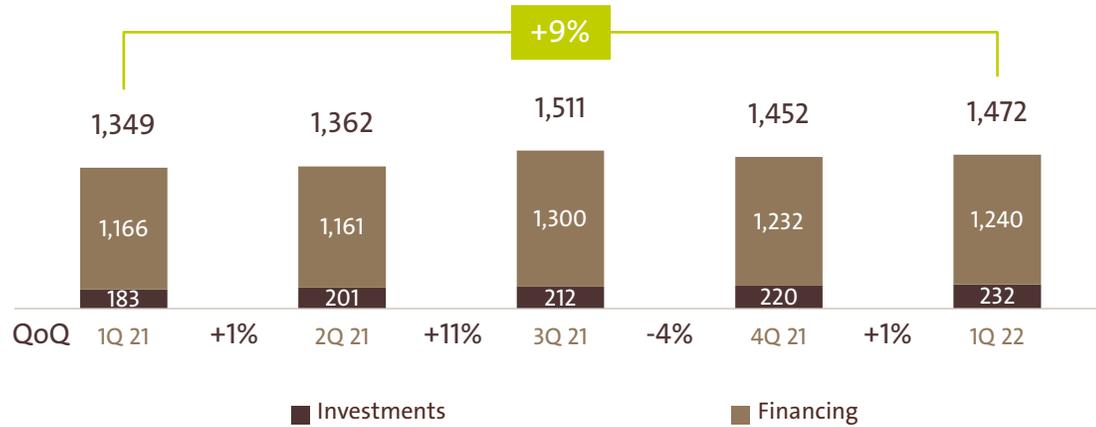
Management Commentary

- Deposits rose by 6% during 1Q 2022 as growth in CASA deposits of 10% was partly offset by a 3% decline in time deposits.
- CASA deposits account for 68.7% of total deposits.
- Total deposits comprise of 71% retail and 29% non-retail deposits as at 31 March 2022.

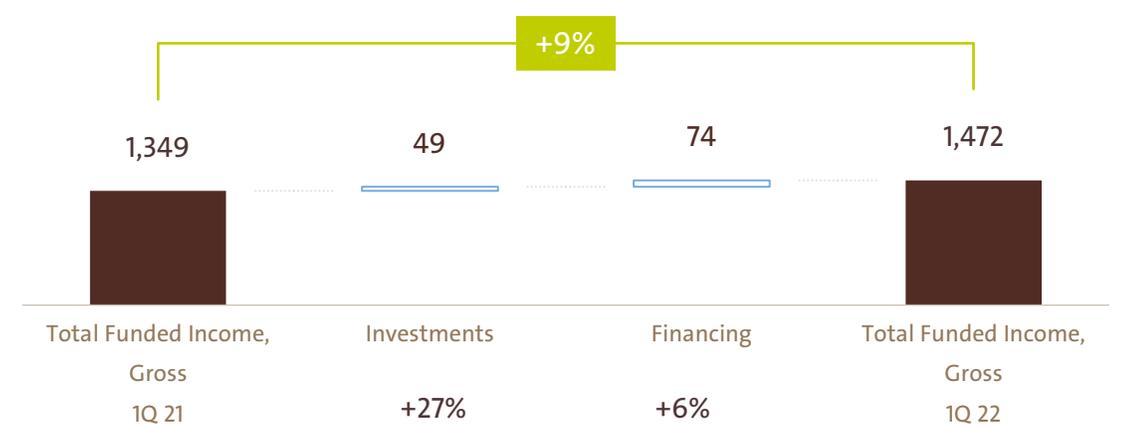
Income from Financing & Investments

Gross funded income grew 9% from 27% growth in investment income and 6% growth in financing income

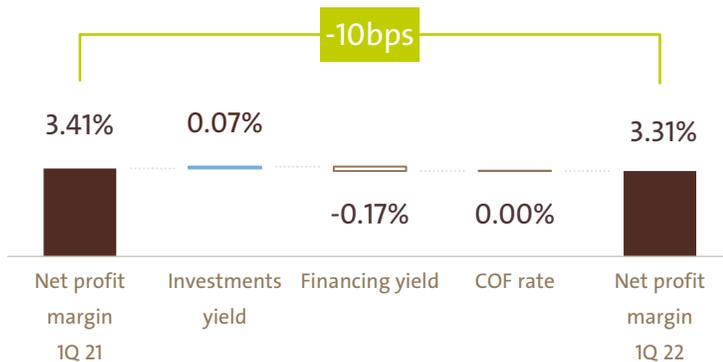
Funded Income, Gross (SARmn)



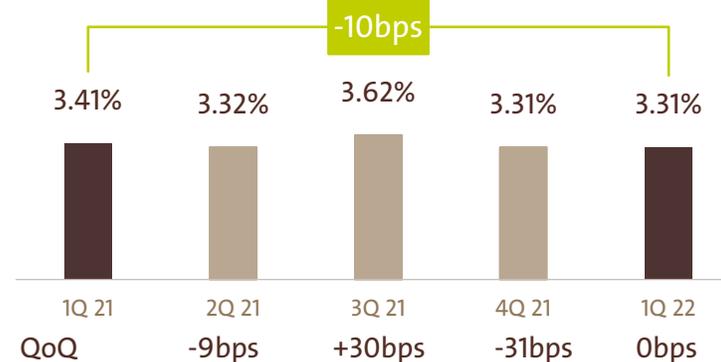
Total Funded Income, Gross Movement YoY (SARmn)



Net Profit Margin Movement YoY (%)



Net Profit Margin (%)



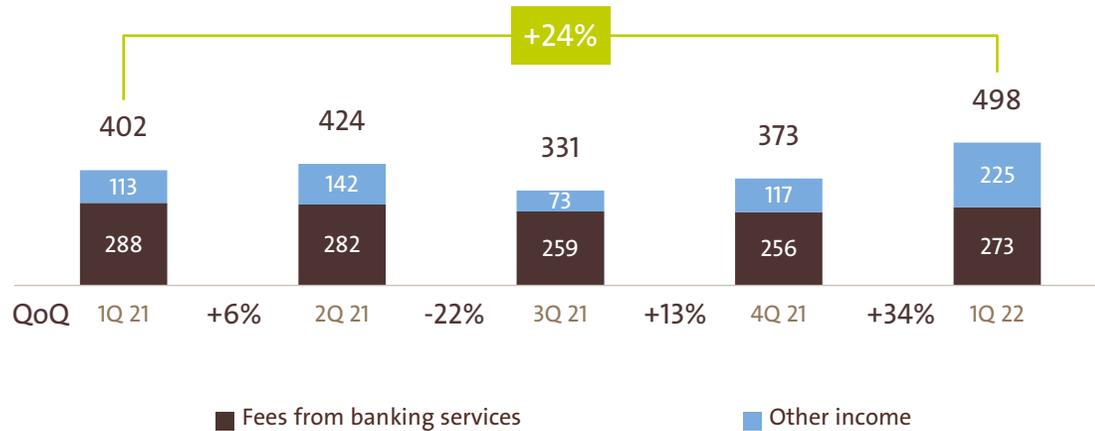
Management Commentary

- Gross funded income for 1Q 2022 increased by 9% YoY to SAR 1,472mn from a 27% increase in funded investment income and a 6% rise in financing income.
- The net profit margin decreased by 10bps YoY to 3.31% in 1Q 2022.

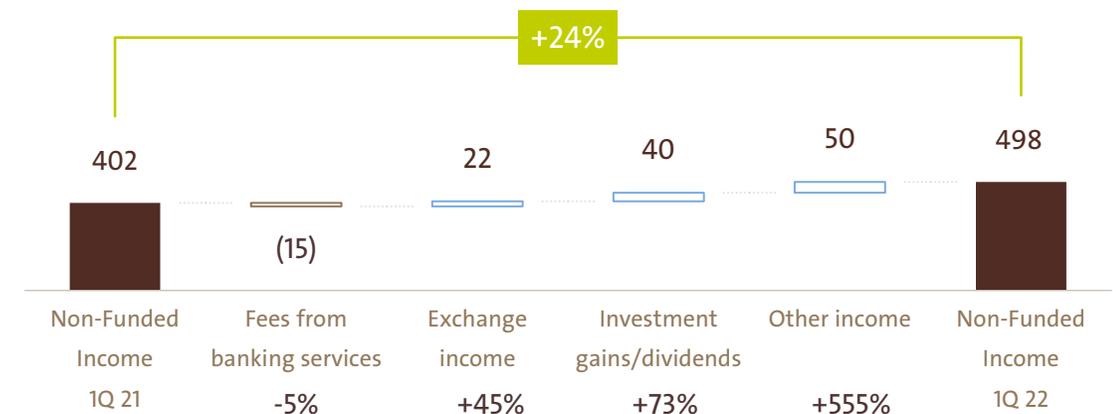
Fee and Other Income

Non-funded income for 1Q 2022 increased by 24% YoY

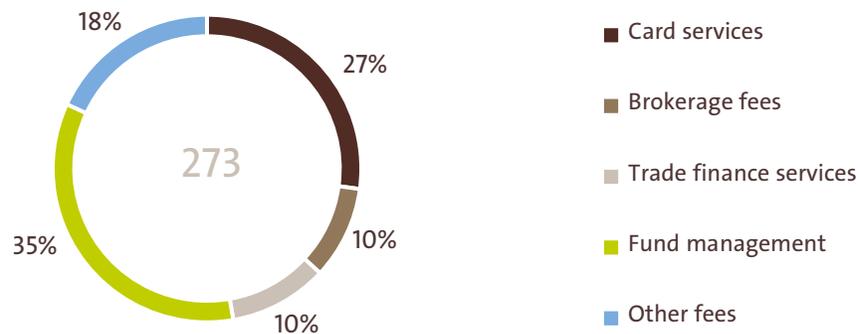
Non-Funded Income (SARmn)



Non-Funded Income Movement YoY (SARmn)



Fees from Banking Services Composition (SARmn)



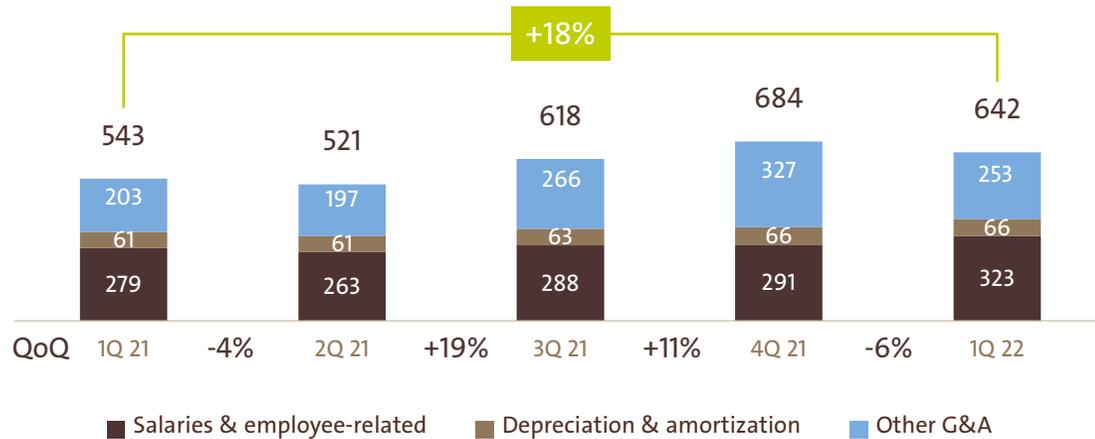
Management Commentary

- Non-funded income for 1Q 2022 increased 24% YoY to SAR 498mn from improved exchange income, investment gains/dividends and other income, partly offset by 5% lower banking services fees.
- Fund management fees comprise the majority of fee from banking services at 35%, while card service fees account for 27%, other fees represent 18% and brokerage and trade finance services fees both represent 10%.

Operating Expenses

1Q 2022 saw 18% growth in operating expenses YoY mainly from higher employee and G&A costs

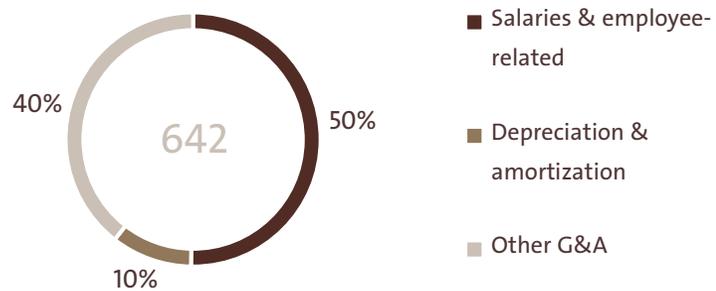
Operating Expenses (SARmn)



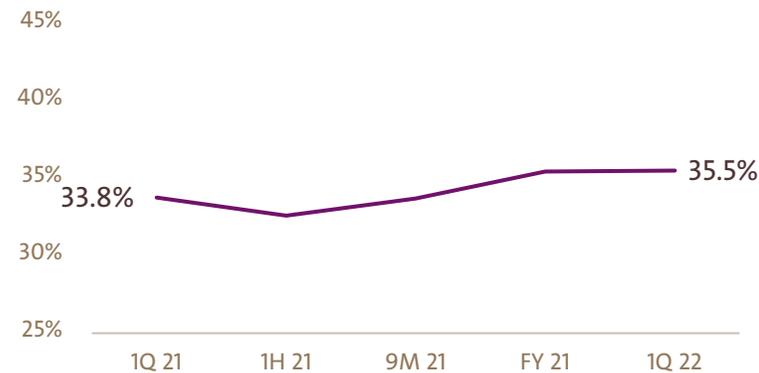
Operating Expenses Movement YoY (SARmn)



Operating Expenses Composition (SARmn)



Cost to Income Ratio (%)



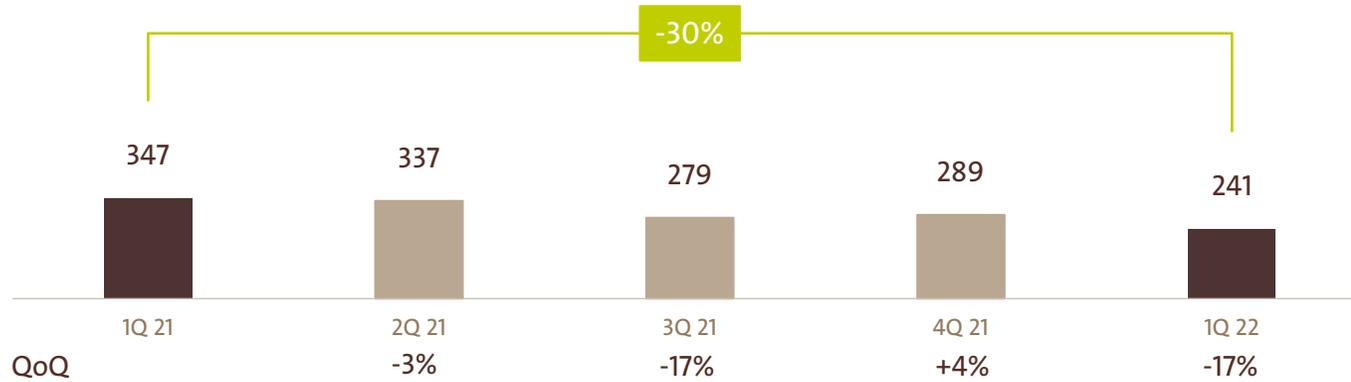
Management Commentary

- Operating expenses increased 18% YoY to SAR 642mn for 1Q 2022 mainly due to higher salaries, increased commercial expenses from POS terminal deployments, higher SMS communication costs and a decrease in the input VAT recoverability rate.
- Higher operating expenses YoY contributed to a 1.7ppt increase in the cost to income ratio from 33.8% to 35.5%.

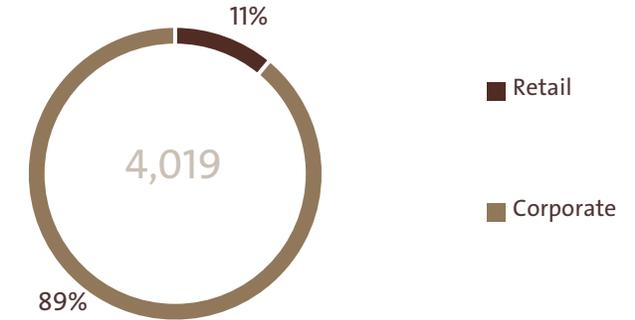
Impairments for Financing

Cost of risk declined by 45bps from 30% lower impairment charges YoY

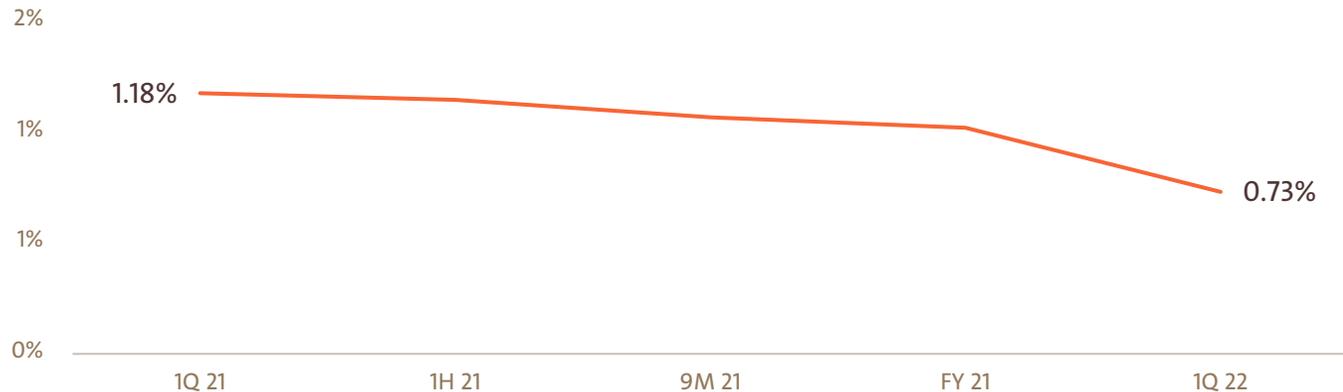
Impairments for Financing (SARmn)



Impairments Allowance Composition (SARmn)



Cost of Risk (%)



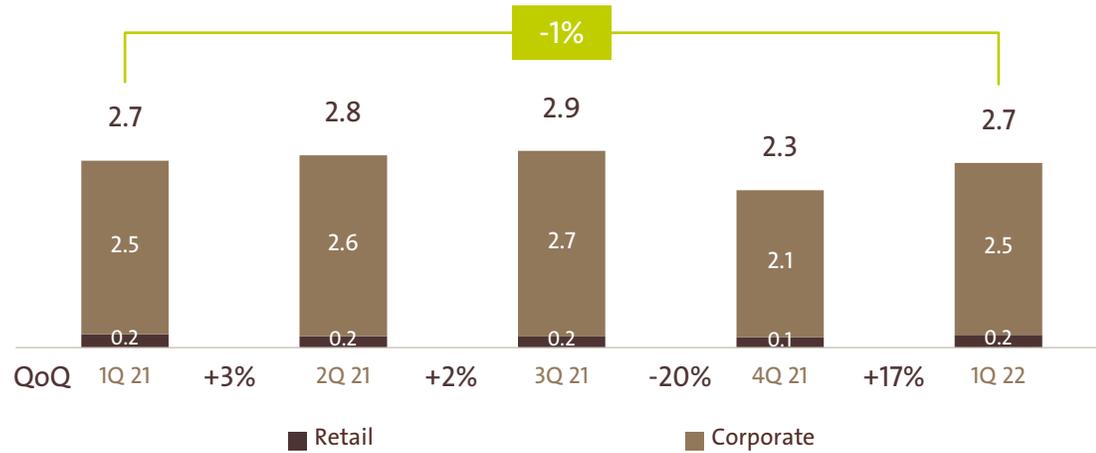
Management Commentary

- 1Q 2022 impairment charge for financing decreased by 30% YoY to SAR 241mn.
- Cost of risk for 1Q 2022 improved by 45bps YoY to 0.73%.

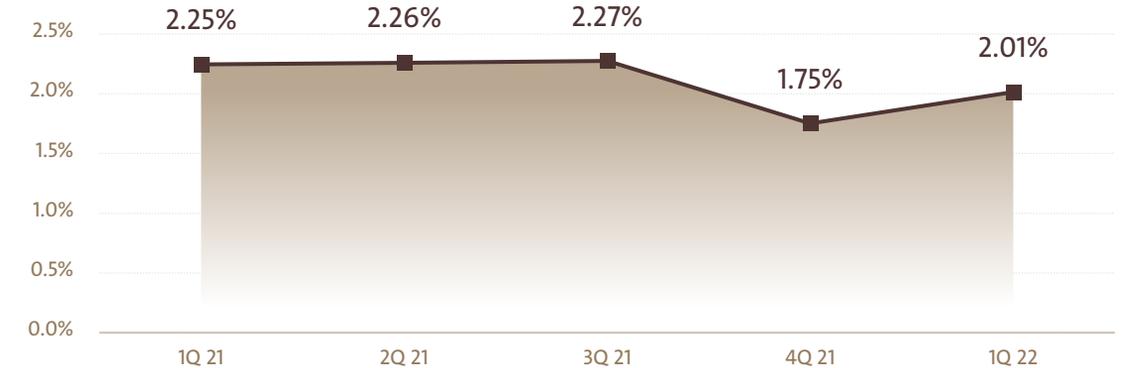
NPL & NPL Coverage

NPL and NPL coverage ratios improved YoY

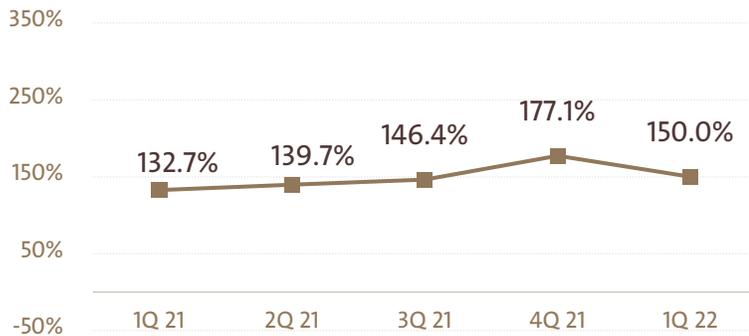
Non-Performing Loans, Gross (SARbn)



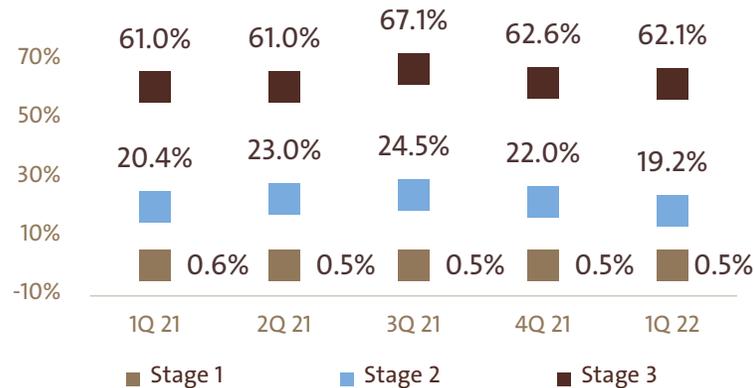
NPL Ratio (%)



NPL Coverage Ratio (%)



Stage-Wise Coverage (%)



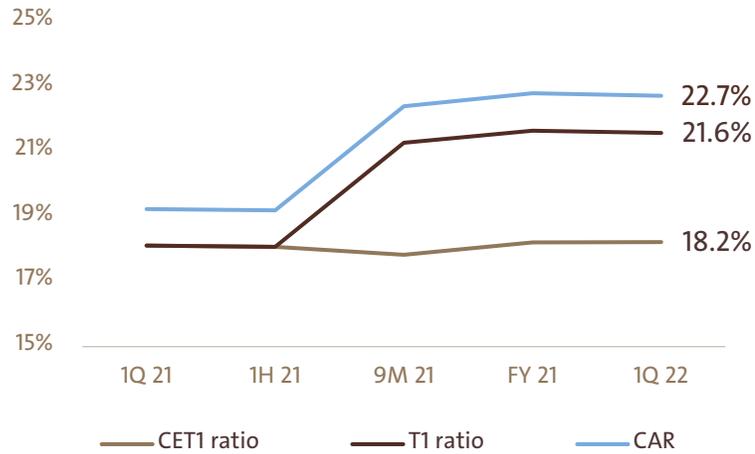
Management Commentary

- NPL ratio increased by 26bps during 1Q 2022 to 2.01%, but improved 24bps YoY.
- NPL coverage improved 17.3ppts YoY but declined 27.1ppts QoQ to 150.0%.
- Stage 1 and 3 coverage improved YTD to 0.5% and 62.1% respectively, while stage 2 coverage decreased to 19.2% due to movement of heavily provisioned obligors to Stage 3 during 1Q 2022.

Capitalization & Liquidity

Capital and liquidity ratios remained stable while ROE saw an increase of 220bps YoY

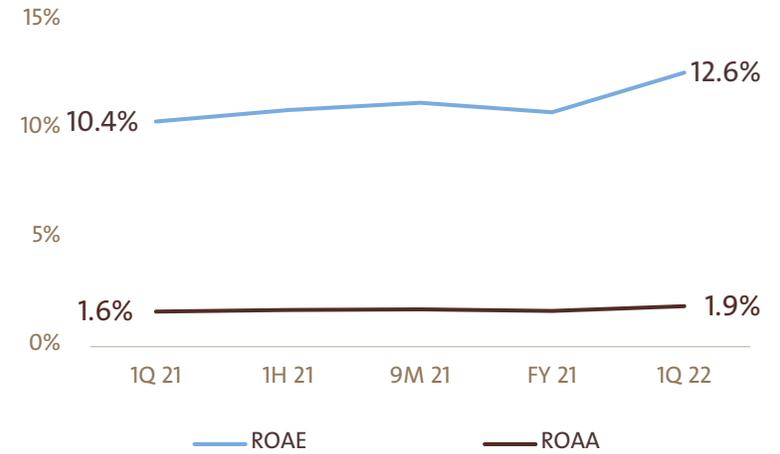
Capitalization (%)



Total Capital Movement YTD* (SARbn)

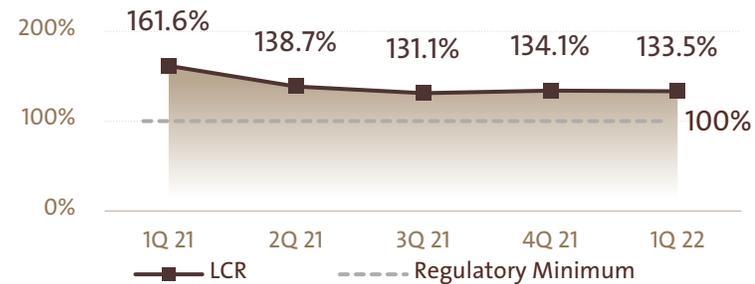


Profitability (%)

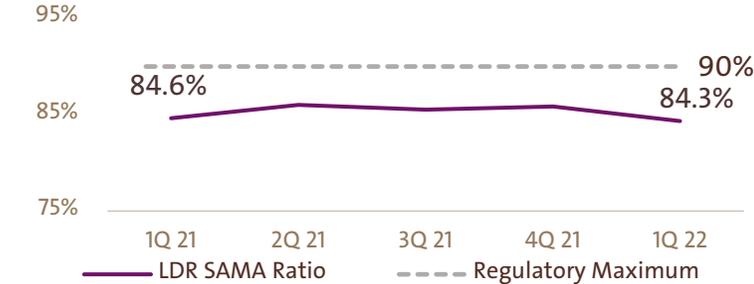


*Net of treasury shares and other reserves movement

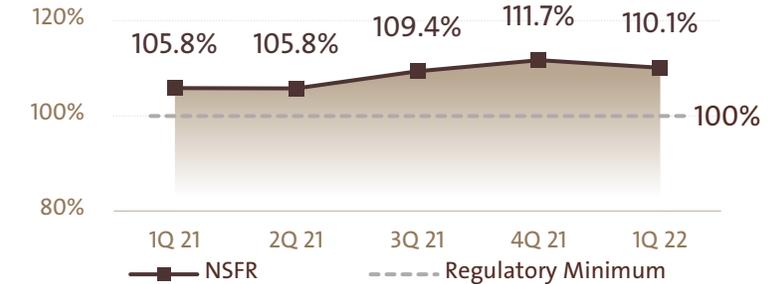
LCR (%)



LDR SAMA Ratio (%)



NSFR (%)



Outlook & Guidance

1Q 2022



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Guidance

Guidance is unchanged and the 2022 outlook remains promising

		1Q 2022A	Drivers	2022G	Unchanged
Balance Sheet	Financing Growth	+10% YoY	Strong Mid-Corp, SME & Retail growth from strategic initiatives; solid corporate growth from expected credit demand	Mid-teens	✓
	Net Profit Margin	3.31% -10bps YoY	Rising rates and strong funding mix supportive of improving margin	+10bps to +15bps	✓
Profitability	Cost to Income Ratio	35.5%	Growth in income, digitization & process optimization driving efficiencies, partly offset by strategic investments	Below 35%	✓
	Return on Equity	12.6%	Improving NPM, efficiency and COR driving improving ROE	Above 13%	✓
Asset Quality	Cost of Risk	0.73%	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

1Q 2022

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IR Contacts

Ahmed Sager

Investor Relations Manager

Mobile: +966-53-775-3352

Direct: +966-11-218-86364

Email: aosager@alinma.com

Ibrahim Al Khudair

Investor Relations Assistant Manager

Mobile: +966-55-788-5520

Direct: +966-11-218-6181

Email: iaalkhudair@alinma.com

Al Anoud Tower, King Fahad Road

P.O. Box 66674, Riyadh 11586

Kingdom of Saudi Arabia

Tel.: +966-11-218-5555

Fax: +966-11-218-5000

Website: www.alinma.com

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