

بنك الجزيرة
BANK ALJAZIRA 

Bank AlJazira
Earnings Presentation FY 2023



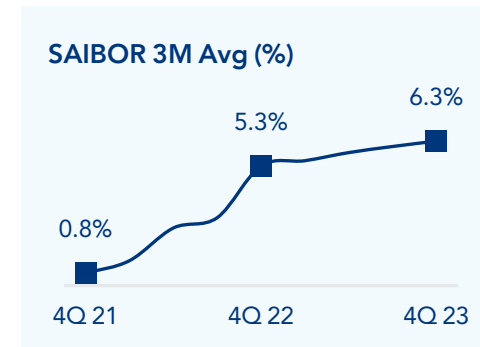
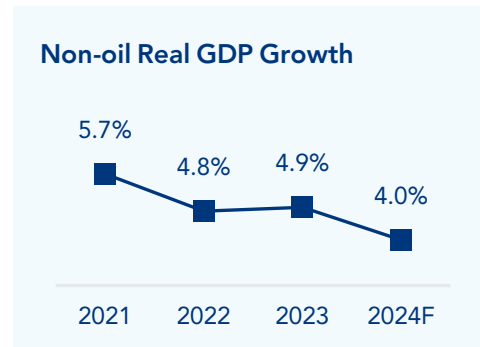
Solid growth momentum from corporate offset by compressed margin and one-offs

Macro Background

Saudi Arabia's favorable operating environment: robust non-oil GDP growth

Headwinds:
11 rate hikes since 2022

Saudi banking sector:
acceleration of corporate loan growth



Operational & Strategic Progress

Approved **Strategy Refresh** with 5 years plan

Embarked transformation of IT architecture and **digital journey**

Utilized **corporate growth momentum**, resulting in double-digit asset growth and enhanced diversity in our asset mix.



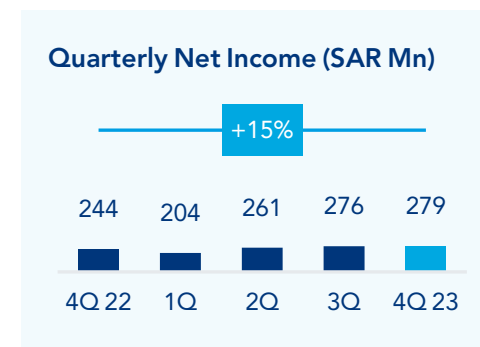
Financial Highlights

Moderated FY net income due to **compressed margins** in a high-rate environment

Consistent profit delivery throughout the quarters of the year

Robust portfolio quality metrics

Stable capitalization



Strategy Refresh



Our purpose remains to Enhance Lives Through Financial Wellbeing

Our values: We innovate for the Future... We succeed through Partnership

Creating distinctive value proposition

- "Bank of choice" for Affluent customers in KSA
- Segment and sector focused Corporate and Investment Banking
- One Bank Aljazira

Growing digitally

- Digital Transformation "TechMal"
- Ecosystems
- FinTech IP

Building a thriving organization

- Operating with Excellence
- Positively impacting our planet & community
- Being the preferred employer of top talents

We started our transformation in 2021 towards an ambitious vision...

Our strategic journey started in 2021...

Where we started?

Treasury heavy bank (63% net income contribution)

Low contribution of **corporate segment**

Old-fashioned retail franchise

Legacy Technology infrastructure

Primary dealer for government bonds

COVID challenged execution capability

What have we achieved by now?

Balanced portfolio mix in key business areas (treasury – 46% net income contribution)

Continued **Corporate** expansion – gaining market share

Evolved our retail franchise with **+30 digital releases** & growing

Revamped the management team and culture

Improved resilience through an enhanced control environment

Repositioned BAJ as a preferred **employer for top talent**

Where are we heading?

- A **boutique bank** with upside potential
- A **mobile first, digitally enabled bank** that blends the physical and digital worlds
- A **dynamic and resilient bank** in a transforming world, built on innovation & partnership

Long-term stability and profitability for our shareholders

...with a clear transformation agenda set for each business segment

	2021	2023	2028
Corporate	SAR 29bn business heavily concentrated in Large Corp	SAR 42bn with growing contributions from Mid-Market and SME , and new business areas	Growing assets at ~12% CAGR fueled by robust mid-tier corporate franchise with growing contribution from mid-corporate and SME segments
Retail	Old-fashioned, small mass-market player with peripheral businesses	Evolving franchise with a clearer mandate, and an increasingly digital feature set	Bank-of-choice for affluent customers and high net worth individuals with a comprehensive value proposition that is digitally enabled
Brokerage & Asset Mgmt	Isolated entity from the bank with predominantly brokerage income	Diversified revenue stream and new business lines contributing >12% of Group Revenues	Leading wealth management house in Saudi Arabia
Treasury	Classic function contributing 63% of the bank's Net income, heavily dependent upon investment book	Franchise model of Liquidity Management, Investments & Fee Income (evolving) business lines	Core partner for business growth and enablement

This strategy is underpinned by 42 strategic initiatives with defined execution timelines...



Segment	Number of Initiatives	Strategic Focus
Corporate	18	Segment and sector focused CIBG
Retail	14	"Bank of choice" for Affluent customers
Brokerage & Asset Mgmt	7	Leading wealth management house
Treasury	3	Core partner

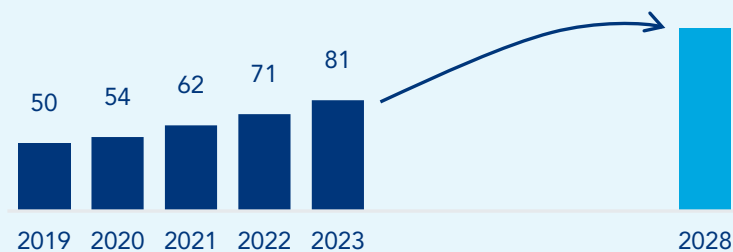
Key Strategic Objectives:

<ul style="list-style-type: none"> Selective growth in large and Medium Corporates Smart growth in SME Focus on trade finance Improve risk management 	<ul style="list-style-type: none"> Create premium brand positioning Improve cross-sell Increase penetration of digital sales Revamp Bank@Work Grow auto-lease business 	<ul style="list-style-type: none"> Maintain share of traded value Scale wealth & asset management Continue to grow in investment banking Diversify income by growing proprietary book 	<ul style="list-style-type: none"> Grow investment book at low single digits Contribution to assets in line with peers Improve return on assets
5 (Short-term) 8 (Medium-term) 5 (Long-term)	2 (Short-term) 6 (Medium-term) 6 (Long-term)	2 (Medium-term) 5 (Long-term)	1 (Medium-term) 2 (Long-term)

...to accelerate growth and boost profitability

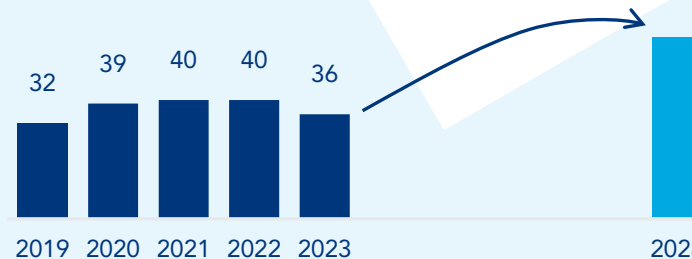
We are focused on growing our financing,

Financing (SAR Bn)



Funded with a better deposit mix,

NIB Deposits (SAR Bn)



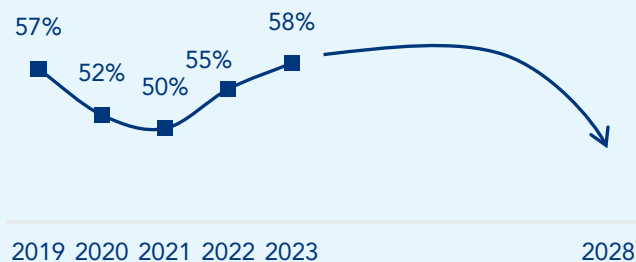
While controlling our Cost of Risk,

Cost of Risk (%)



Improving our efficiency

Cost to Income (%)



To drive higher ROAA

ROAA before zakat and tax (%)



and align ROAE with peers

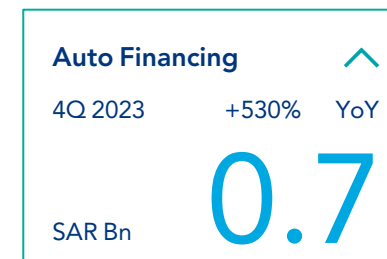
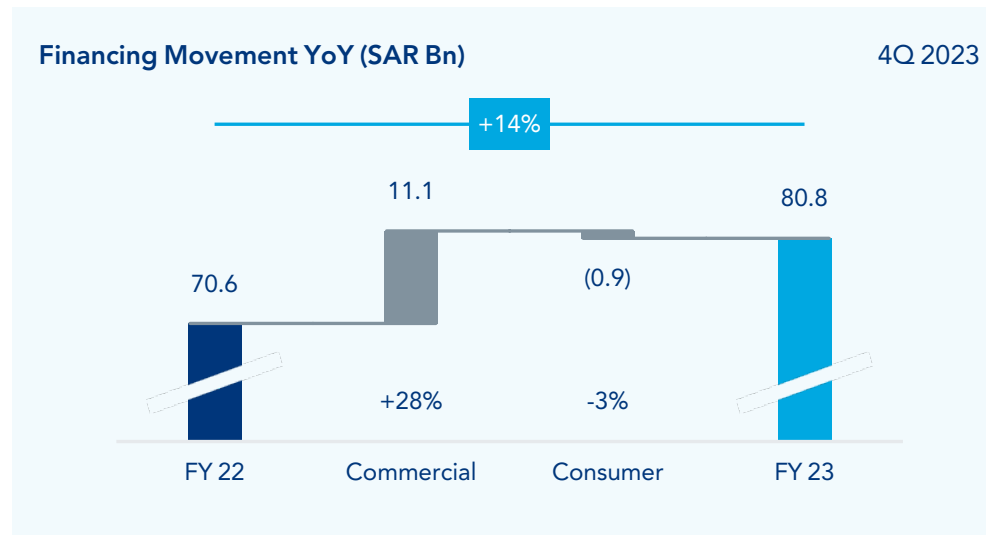
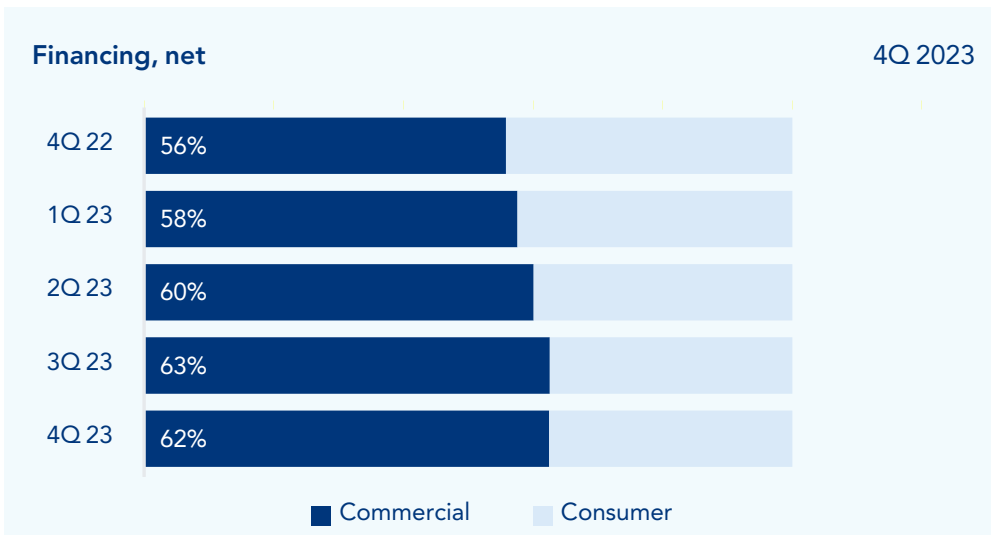
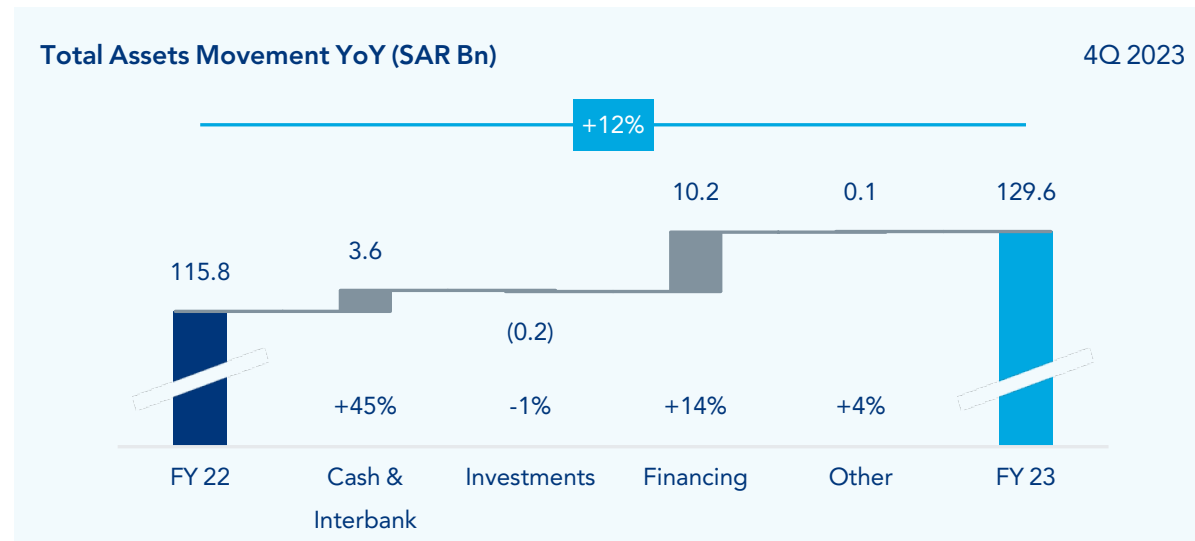
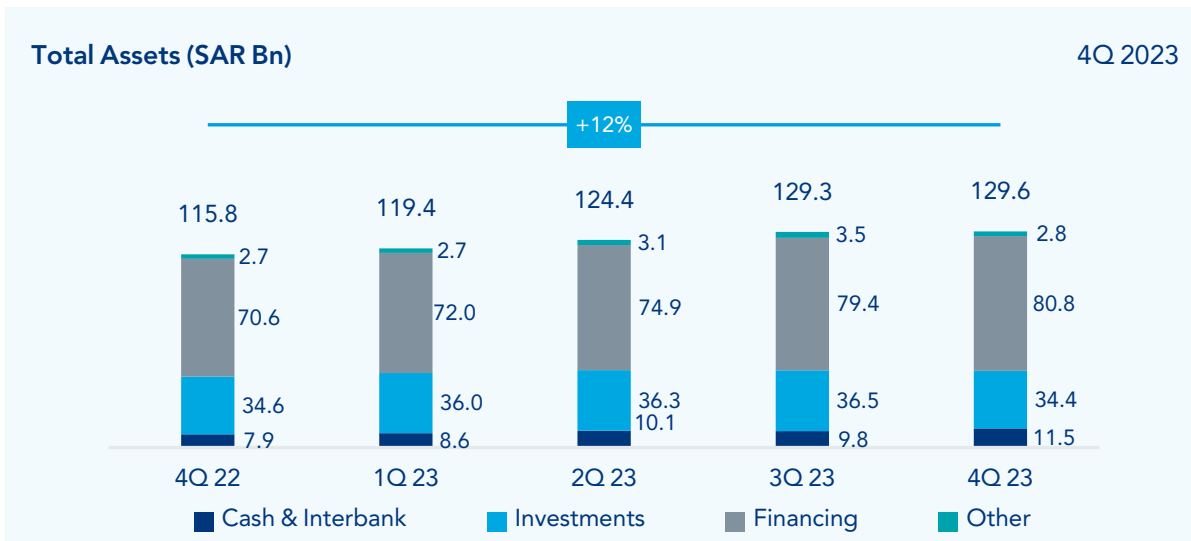
ROAE before zakat and tax (%)



Financial Performance



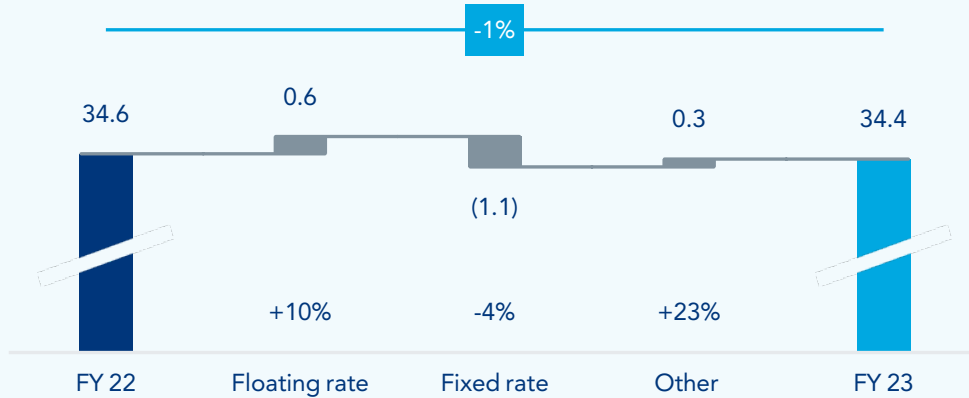
Balance sheet expanding by 12%, driven by a 28% rise in corporate financing



Maintaining a stable investment book to reduce its proportion of total assets

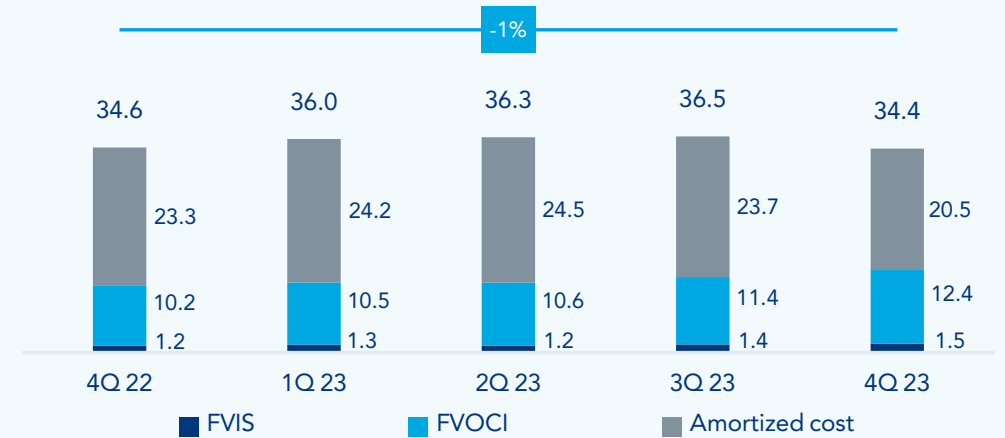
Investments Movement YoY (SAR Bn)

4Q 2023

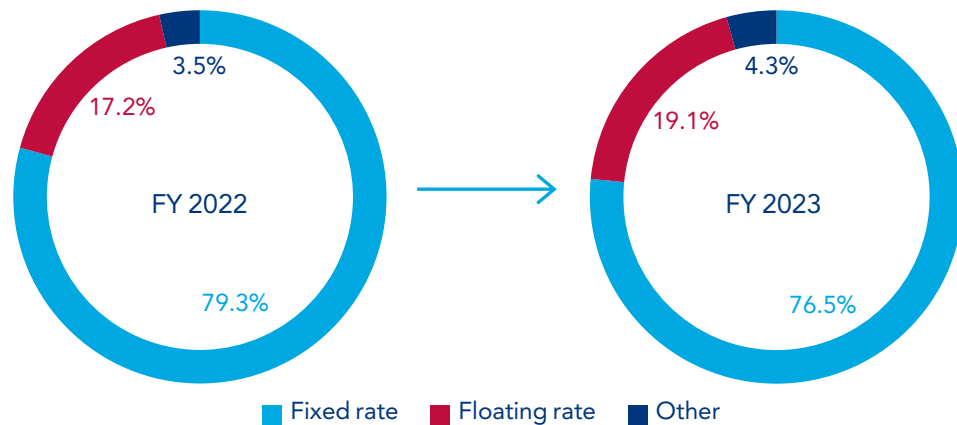


Investments (SAR Bn)

4Q 2023

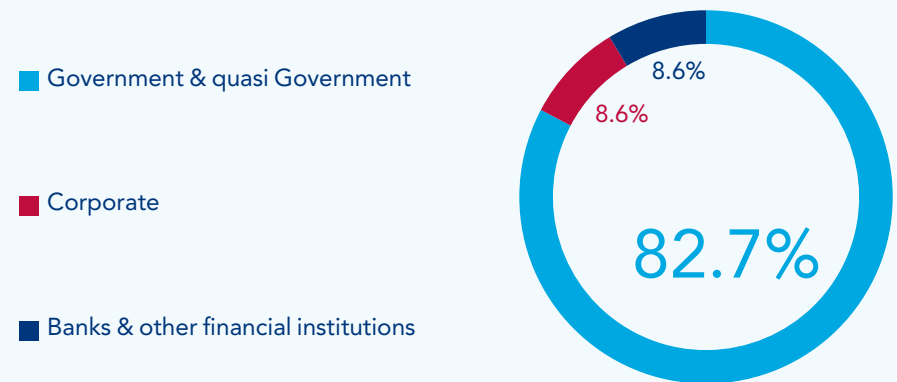


Investments Composition by Rate (%)



Investments Composition by Counterparty (%)

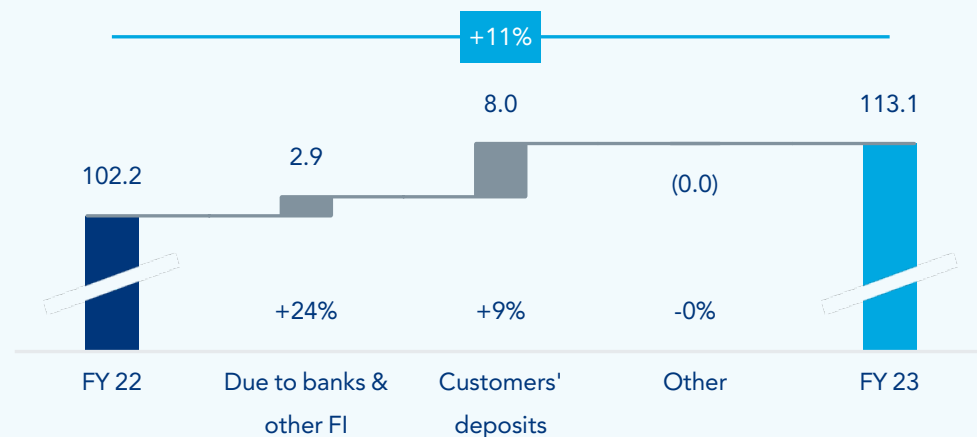
4Q 2023



Liquidity position provides substantial buffers to accommodate future growth

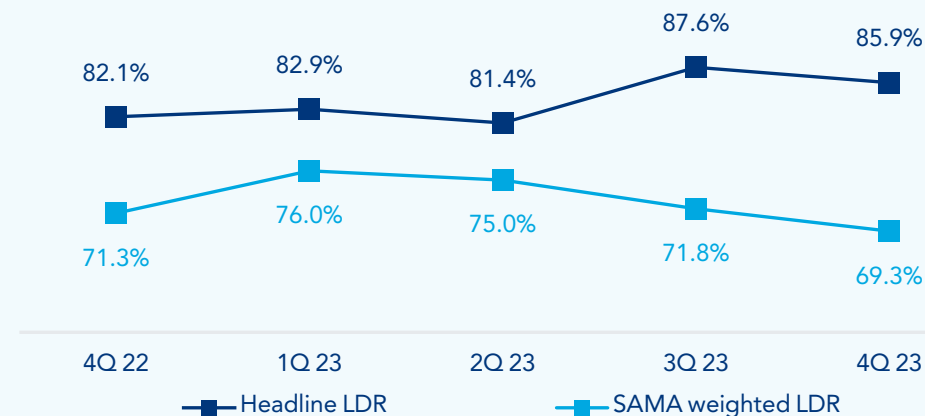
Total Liabilities Movement YoY (SAR Bn)

4Q 2023



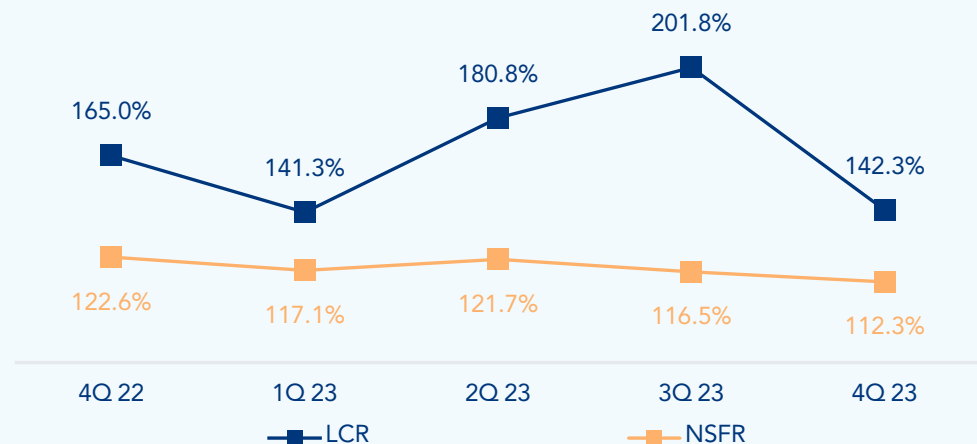
Loans to Customers' Deposit Ratios (%)

4Q 2023



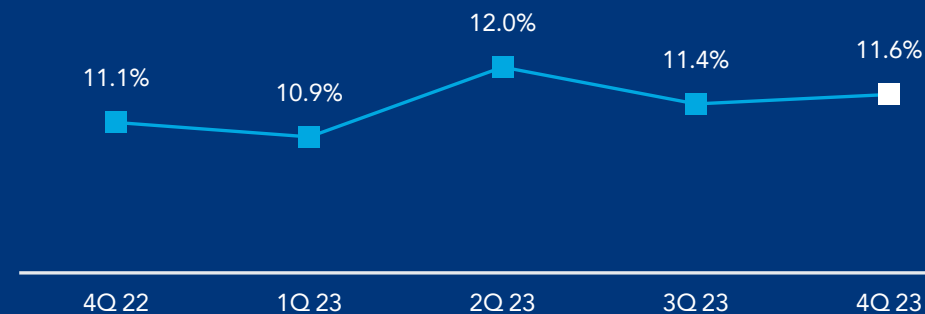
LCR, NSFR (%)

4Q 2023



Basel III Leverage Ratio (%)

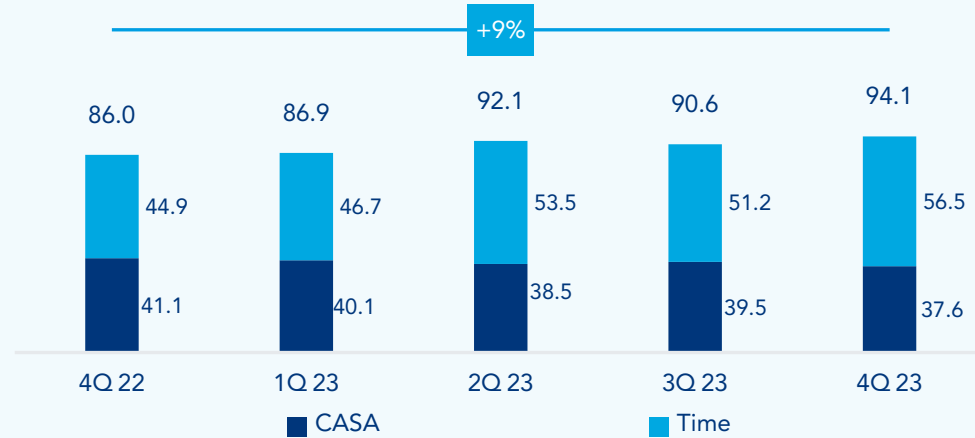
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Robust growth in deposits, fueled by time deposits in a high-interest-rate environment

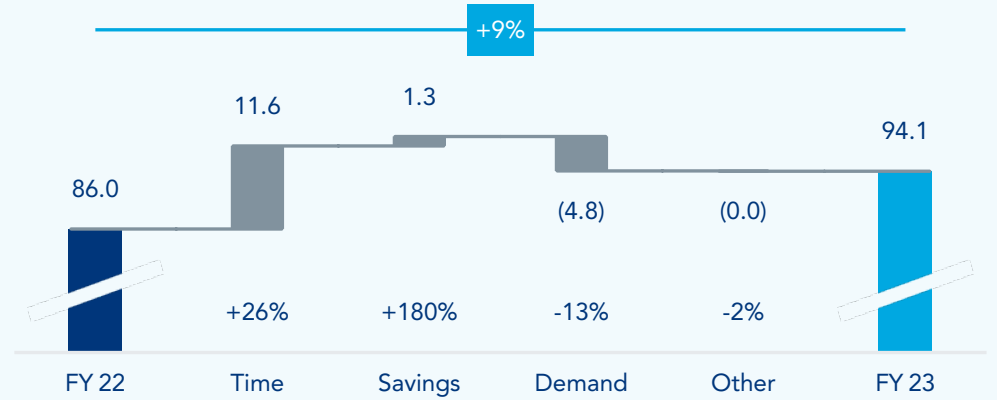
Customers' Deposits (SAR Bn)

4Q 2023



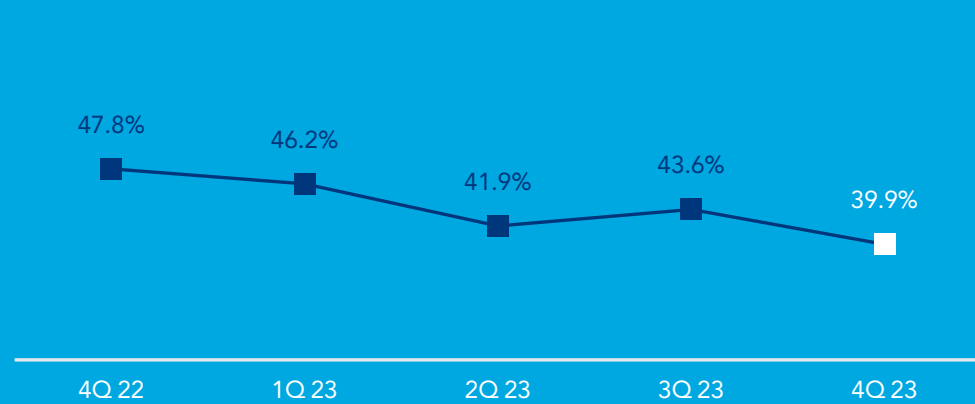
Customers' Deposits Movement YoY (SAR Bn)

4Q 2023



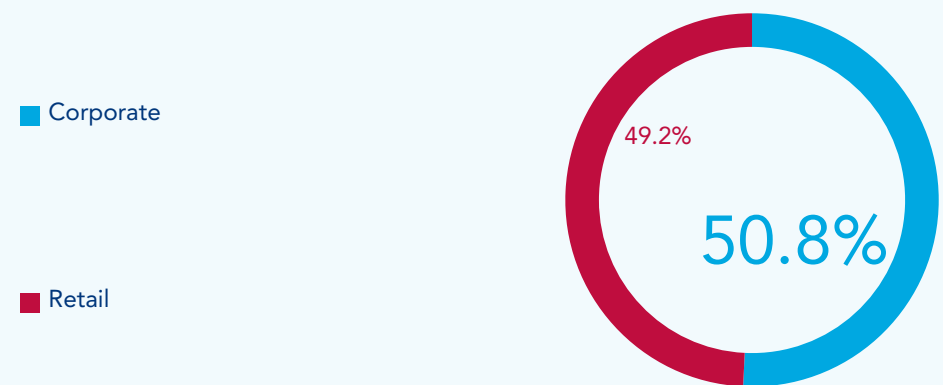
CASA % of Total (%)

4Q 2023

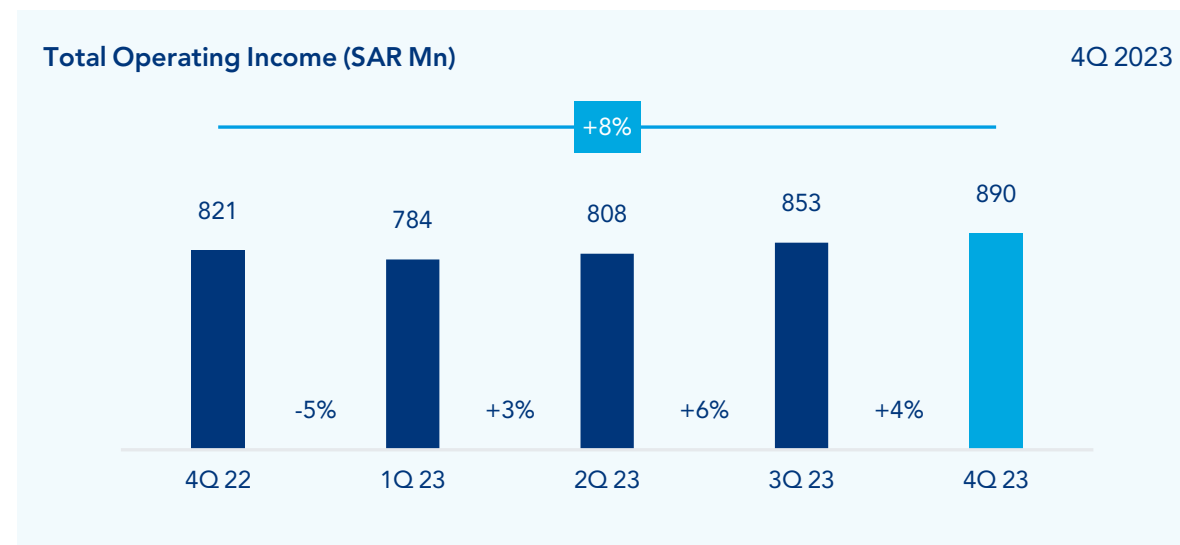
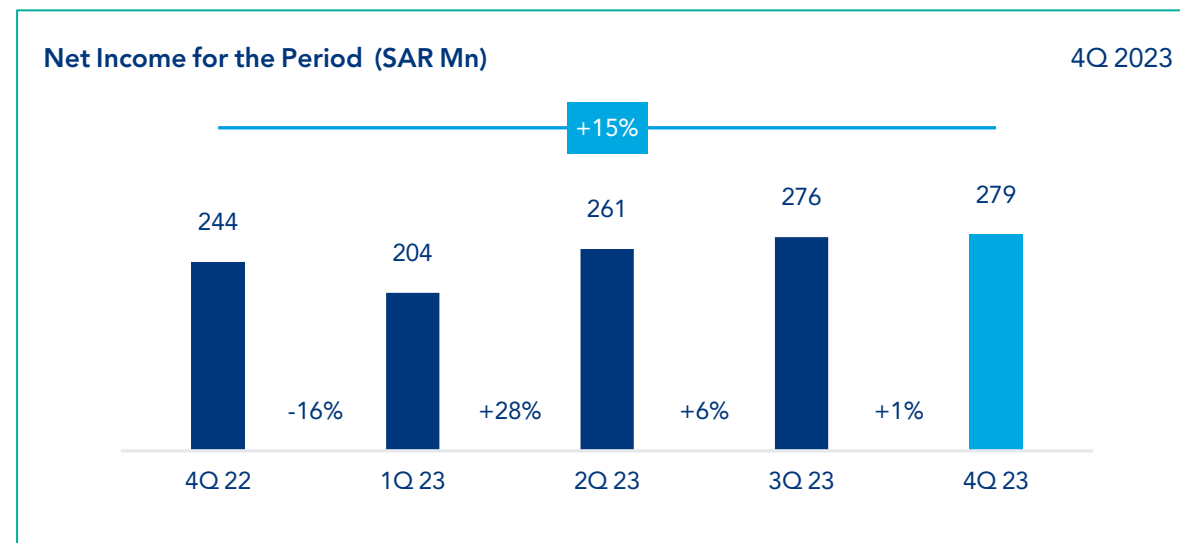
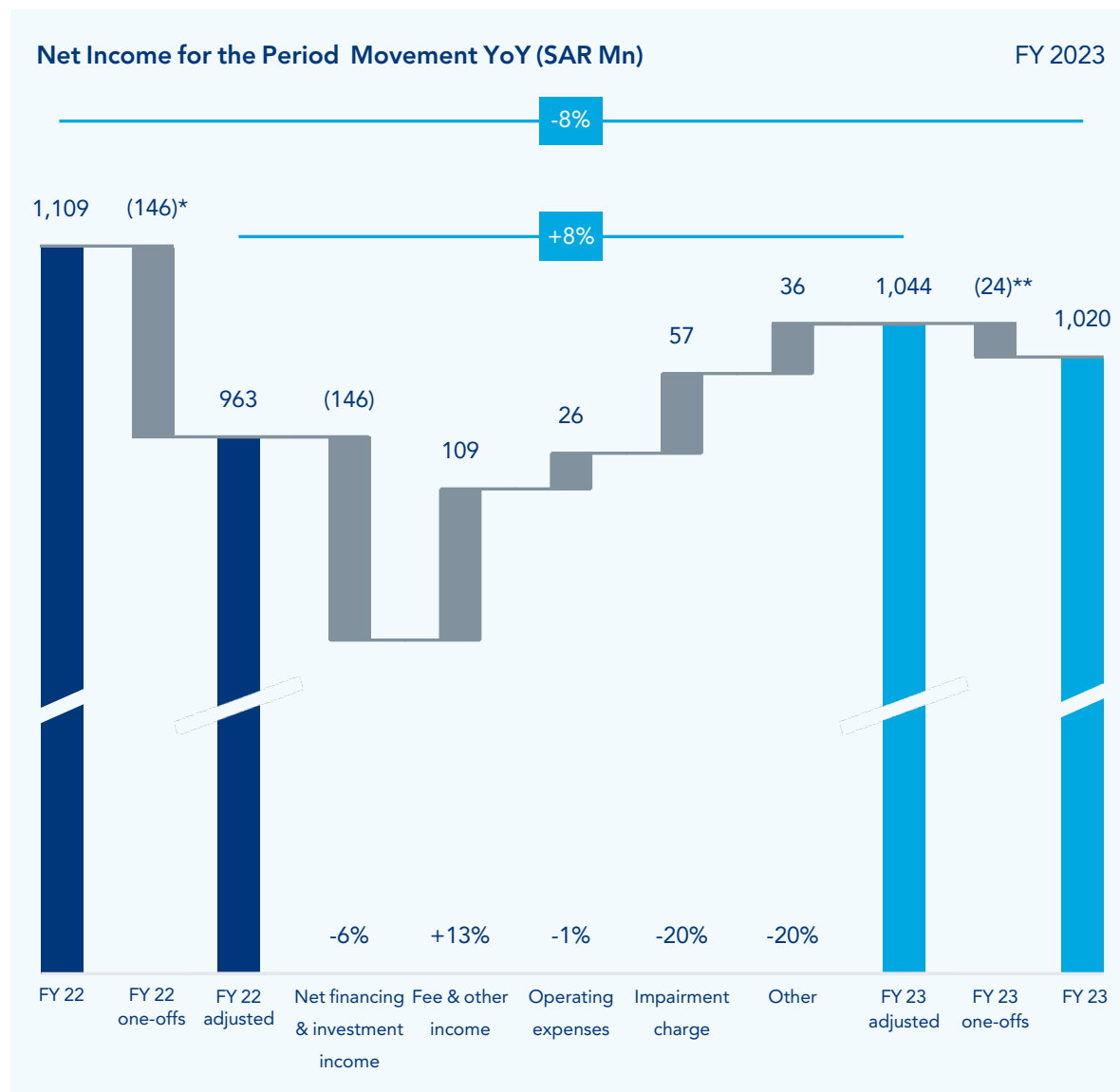


Customers' Deposits Composition (%)

4Q 2023



Navigating CoF increases and one-offs to reveal 8% normalized net income growth



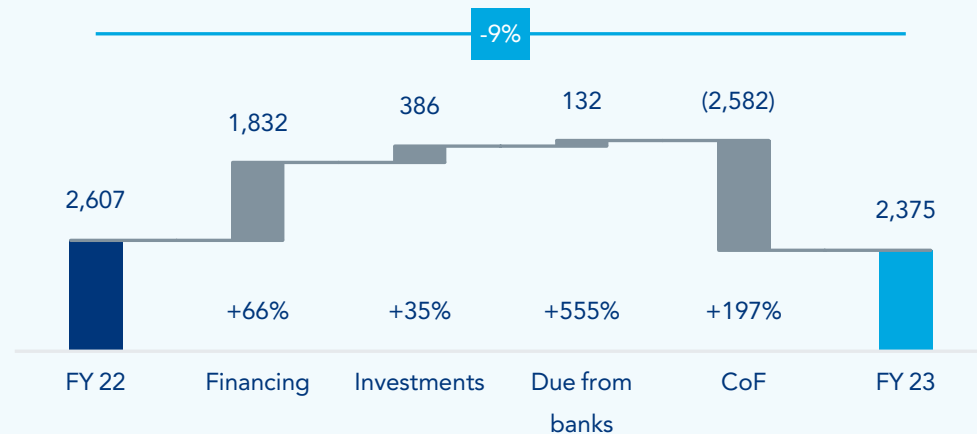
*FY 2022 one-offs of SAR 146mn include one-off gains booked in net financing in investment income, as well as fee & other income.

**FY 2023 one-offs of SAR (24)mn include one-off gains booked under fee & other income and operating expenses.

Compressed margin due to increased CoF has started to improve in 2H 2023

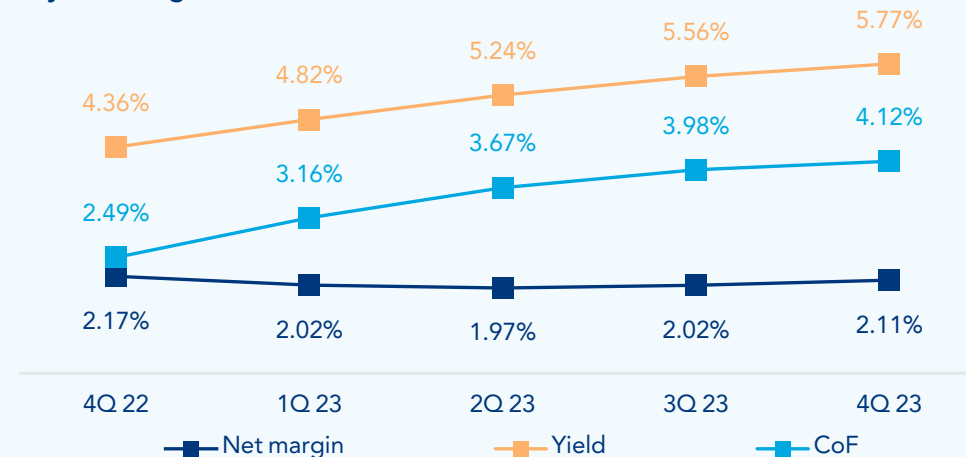
Net Financing & Investment Income Movement YoY (SAR Mn)

FY 2023



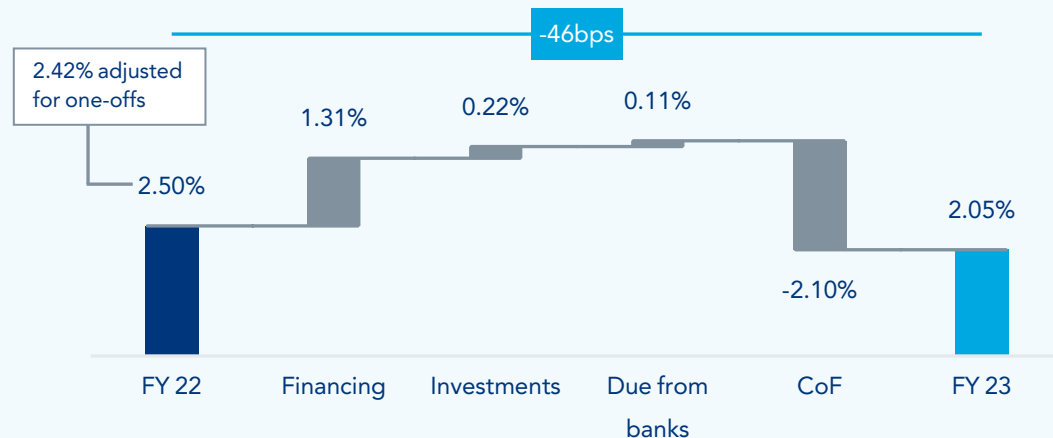
Quarterly Net Margin (%)

4Q 2023

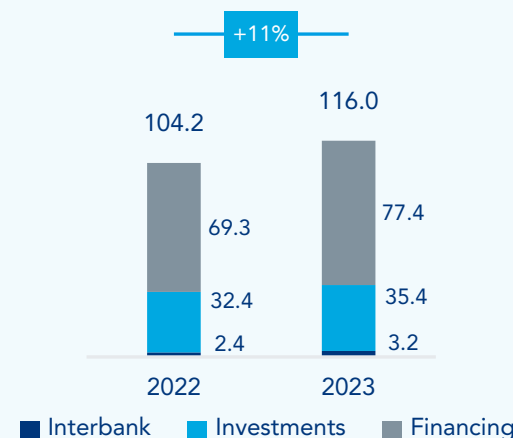


Net Margin Movement YoY (%)

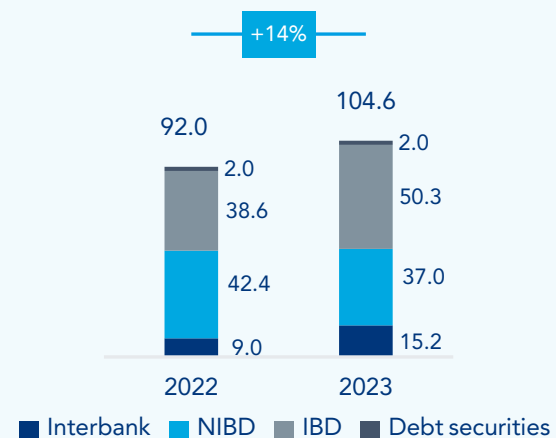
FY 2023



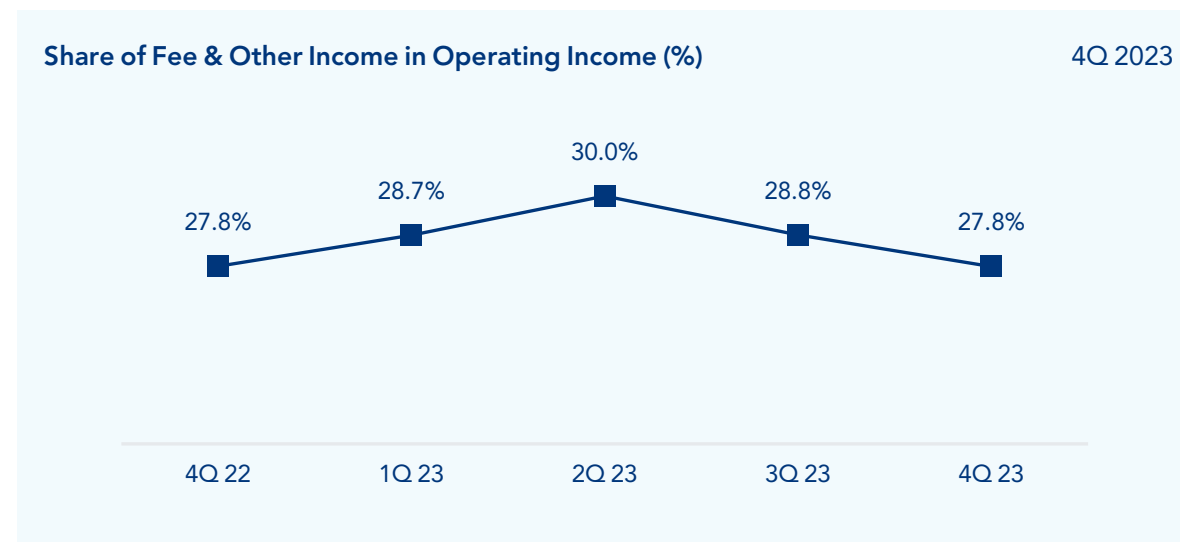
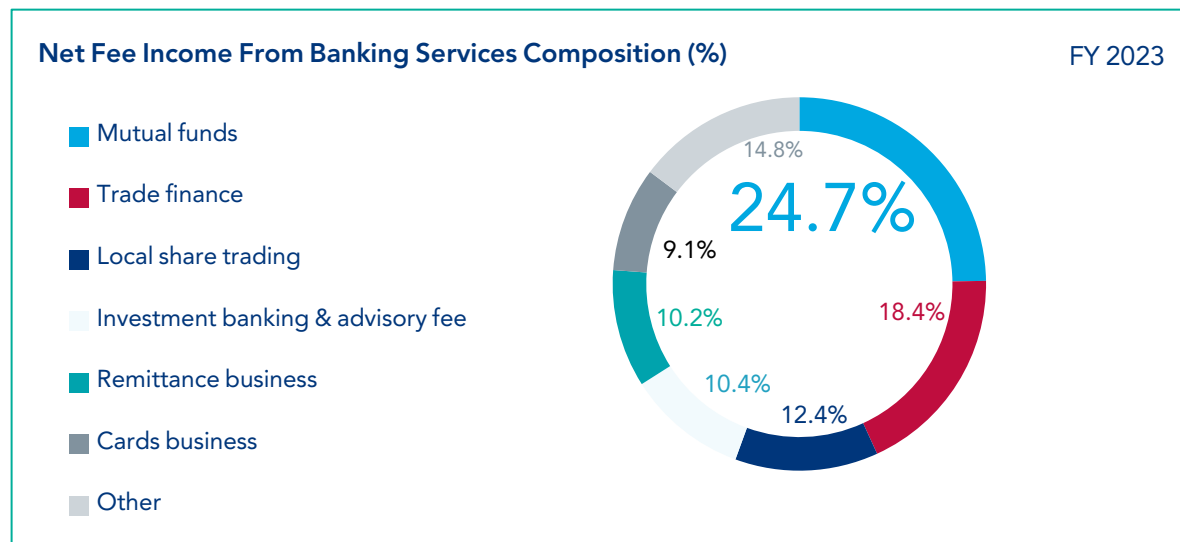
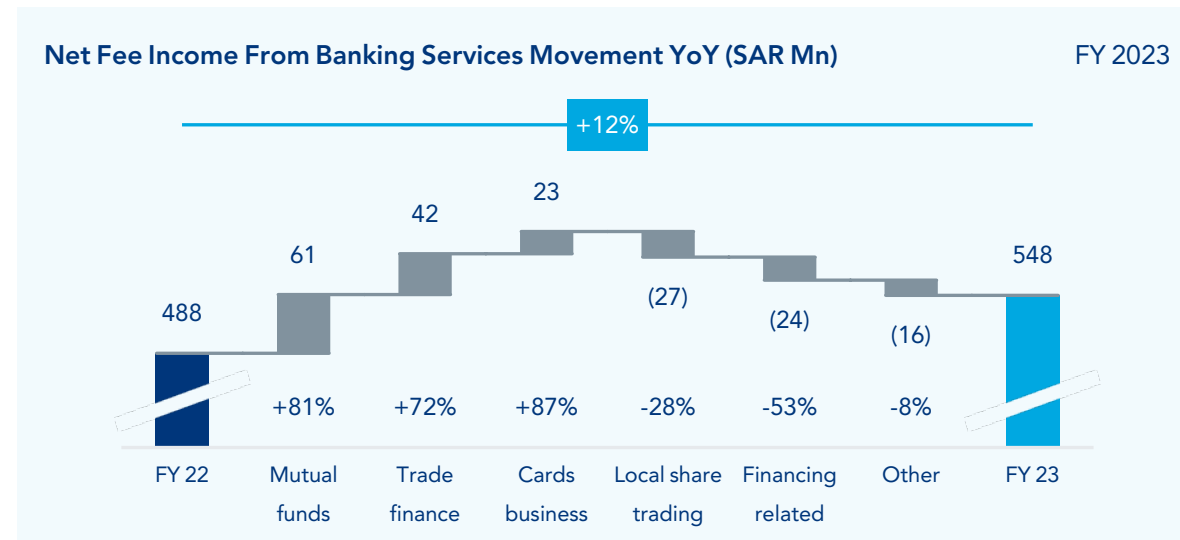
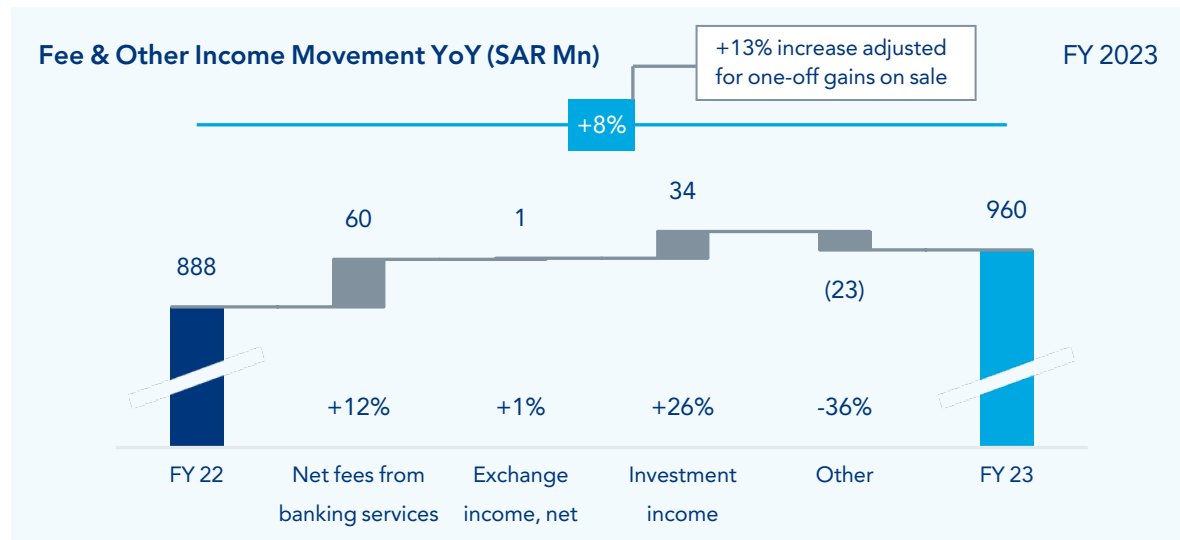
Total Average Earning Assets (SAR Bn)



Total Average Bearing Liabilities (SAR Bn)



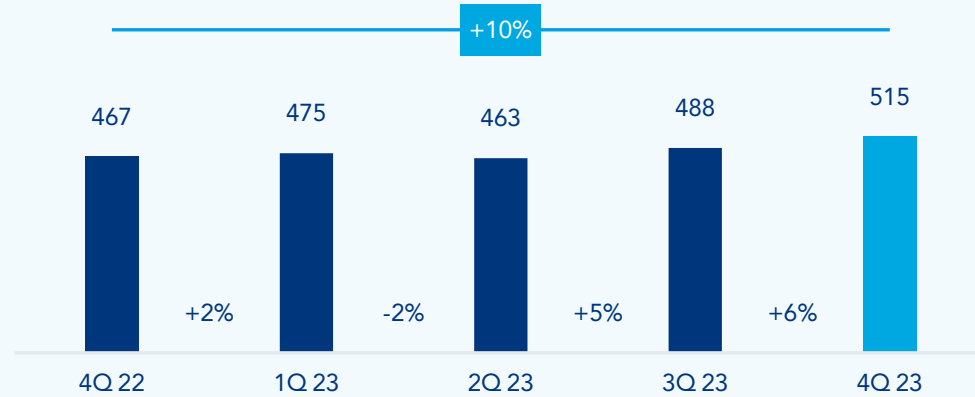
A quarter of the operating income is represented by well-diversified non-funded income



Modest opex growth as strategic investments are balanced with a focus on efficiency

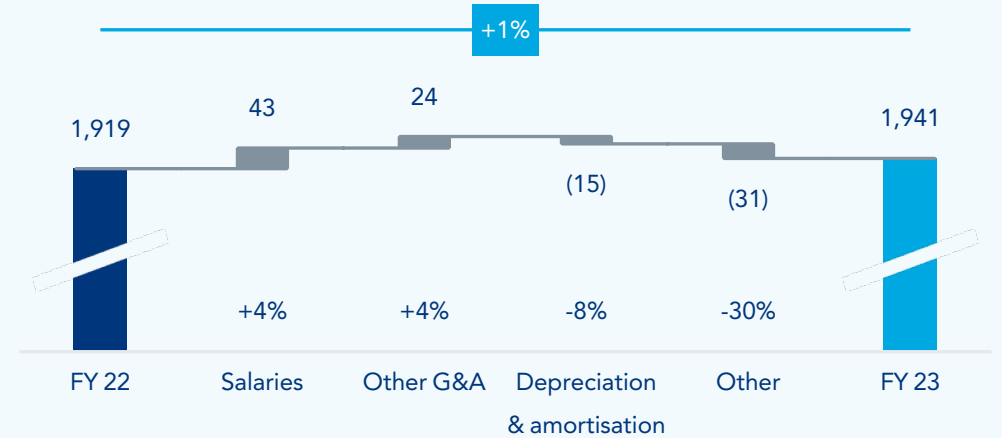
Operating Expenses (SAR Mn)

4Q 2023



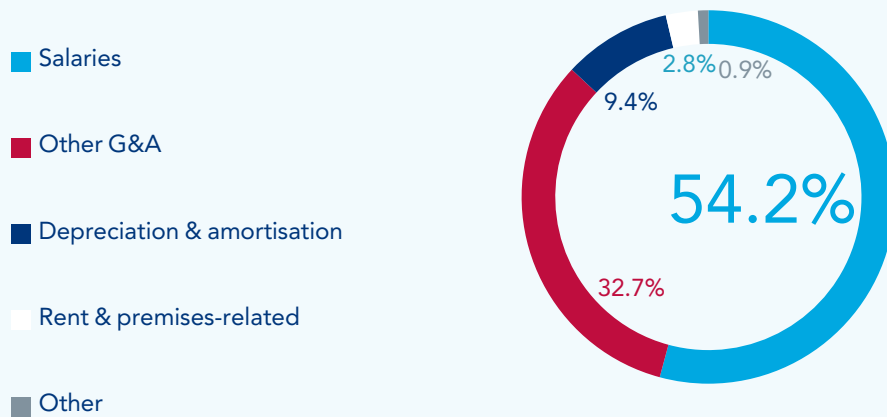
Operating Expenses Movement YoY (SAR Mn)

FY 2023



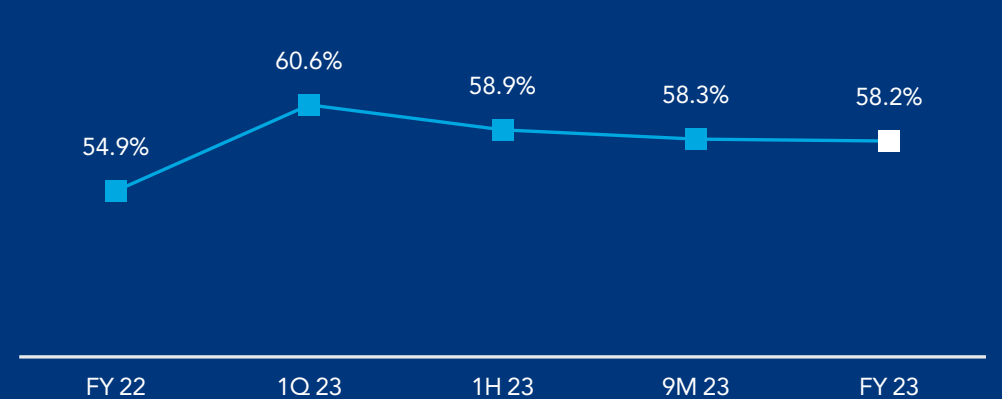
Operating Expenses Composition (%)

FY 2023

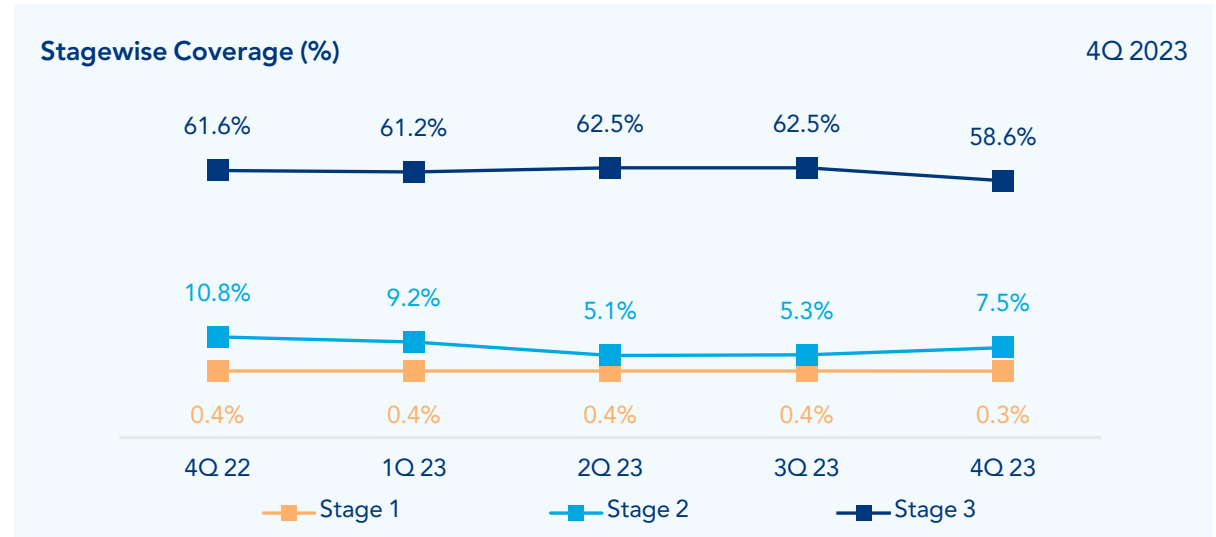
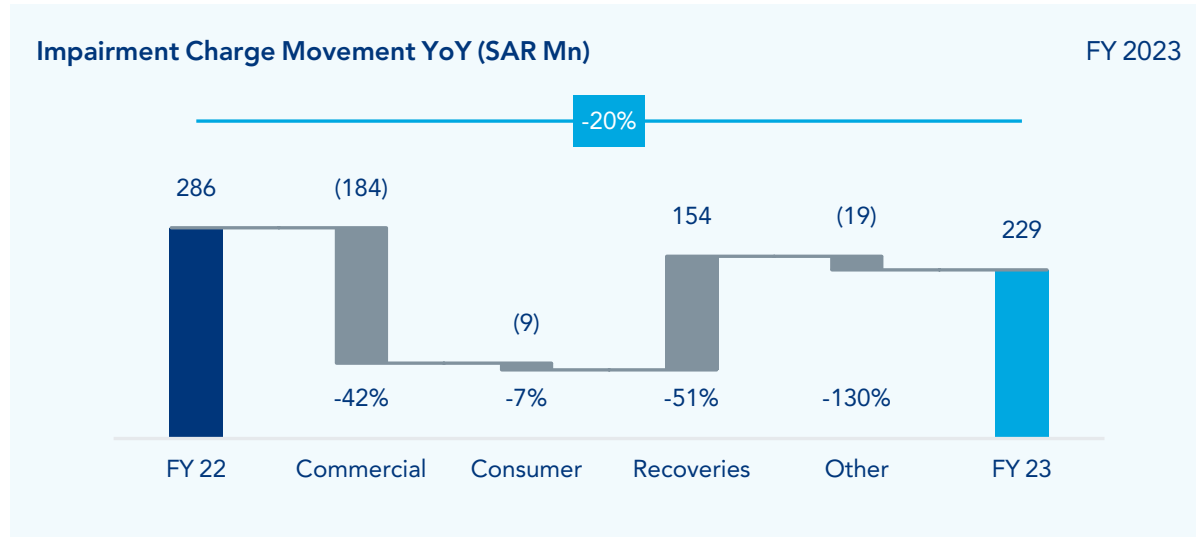
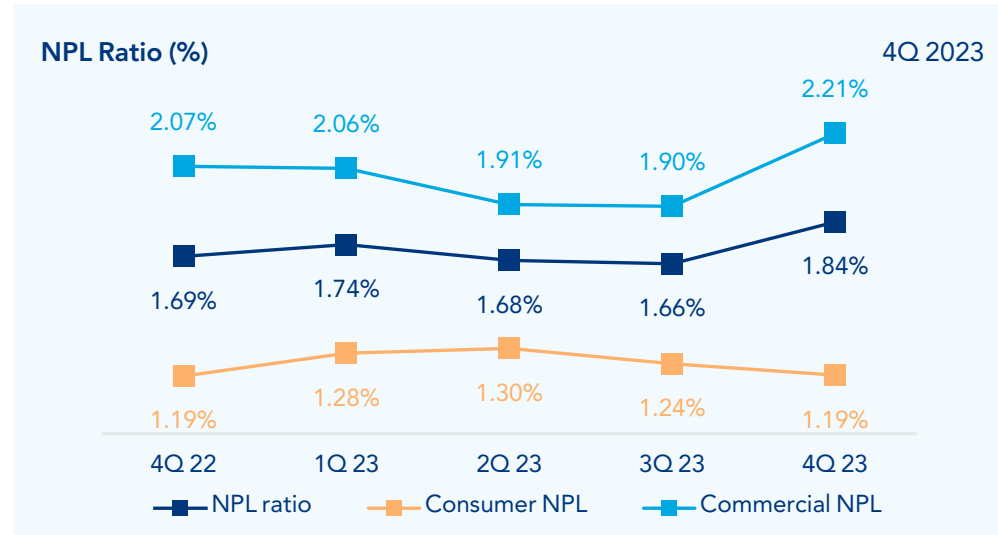


Cost to Income (%)

FY 2023



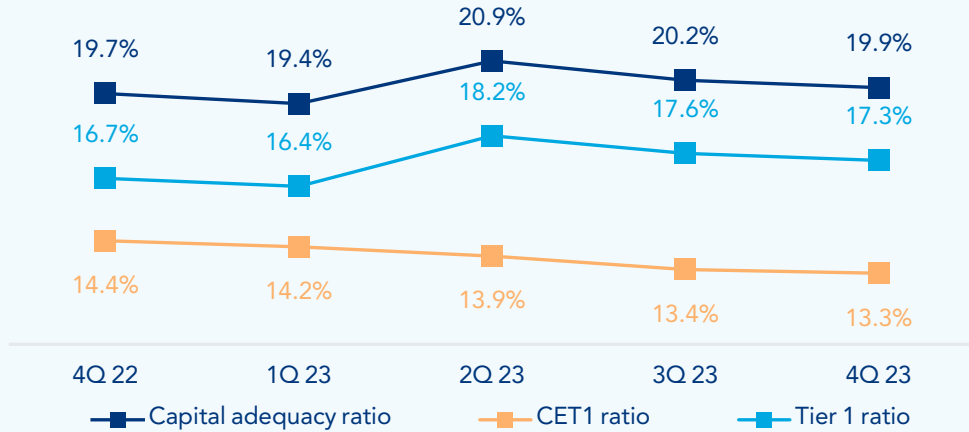
Credit quality remains strong with robust NPL coverage



Capitalization remains healthy and the sequential trend in returns is improving

Capital Adequacy Ratio (%)

4Q 2023



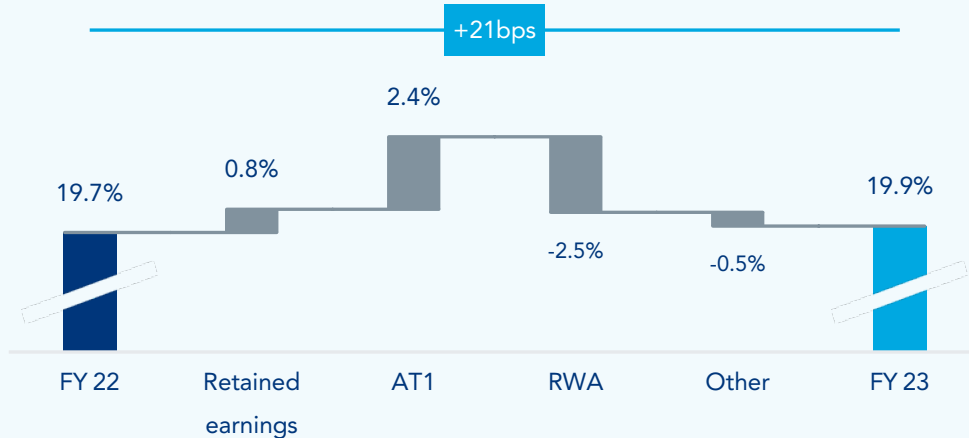
Risk Weighted Assets (SAR Bn)

4Q 2023



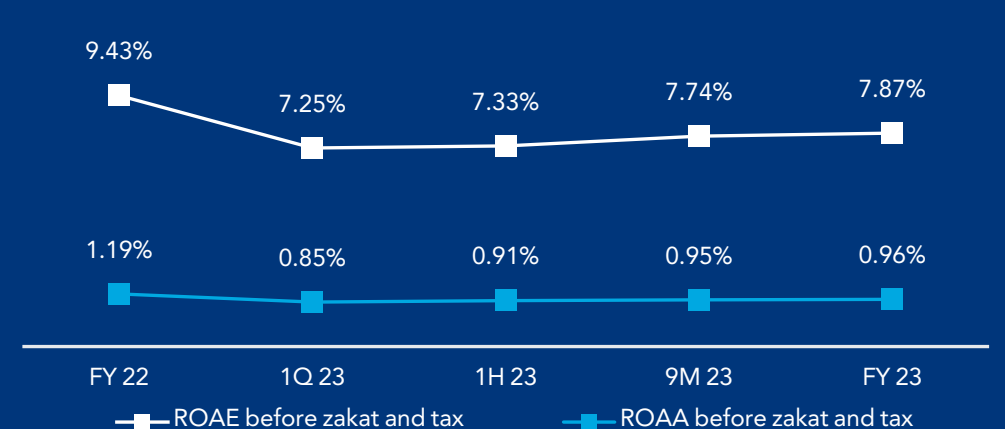
Capital Adequacy Ratio Movement YoY (%)

4Q 2023



ROAE & ROAA before Zakat and Tax (%)

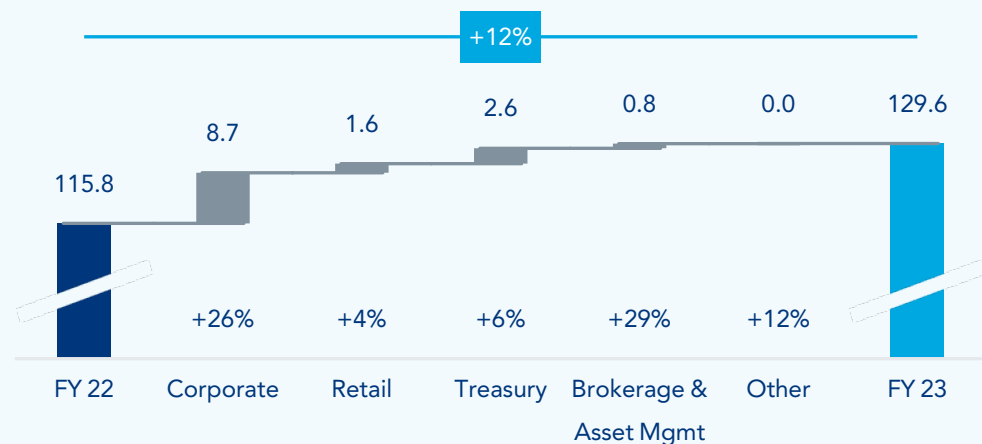
FY 2023



The business mix is well-diversified with a substantial contribution from corporate in 2023

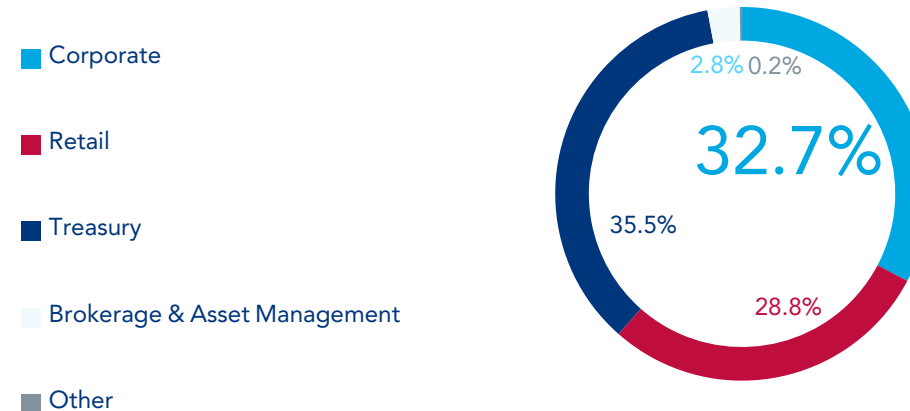
Total Assets Movement YoY (SAR Bn)

4Q 2023



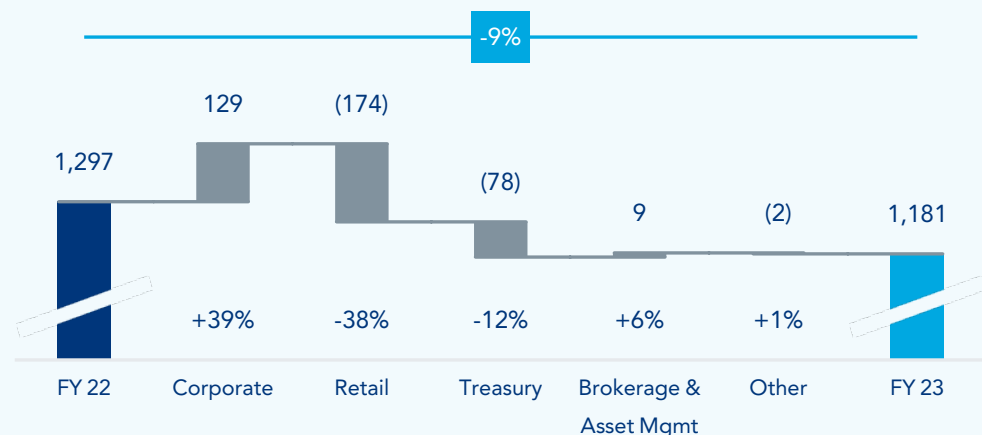
Total Assets Composition (%)

4Q 2023



Net Income Before Zakat & Income Tax Movement YoY (SAR Mn)

FY 2023



Net Income Before Zakat & Income Tax Composition (%)

FY 2023





Guidance



We are optimistic about 2024 with most key guidance metrics set to improve

Guidance Metric	FY 2023 Actual	FY 2024 Guidance	Drivers
Financing growth	+14%	Mid-teens	Anticipating sustained mid-teens growth predominantly fueled by corporate financing
Net Margin	2.05%	+5-10bps	Expecting a favorable uptick of 5-10 basis points, driven by continued replenishment of fixed rate assets, further supported by projected rate cuts during the 2 nd half of the year
Cost of Risk	0.30%	0.30-0.35%	Continued favorable economic conditions and disciplined risk management underpinning a controlled cost of risk
Cost to Income	58.2%	below 56%	Striving to reduce the ratio to below 56% through diligent cost optimization, balanced against investments in strategic initiatives
Tier 1	17.3%	16.5%-17%	Maintaining capitalization within the range of 16.5-17% supported by retained earnings generation
ROAE before zakat and tax	7.87%	>8%	Targeting a gradual improvement aligned with the refreshed strategy



Q&A





Appendix



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