



بنك الجزيرة
BANK ALJAZIRA

Bank AlJazira

Earnings Presentation 1H 2024

Continued growth of assets with gradually improving profitability and efficiency

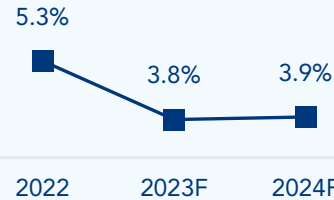
Macro Background

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

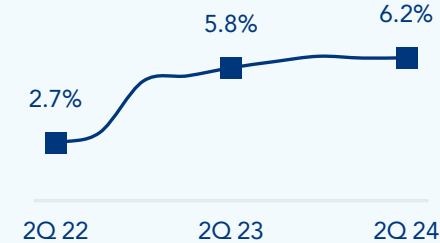
Rates: delay in expected rate cuts

Saudi banking sector:
acceleration of corporate loan growth

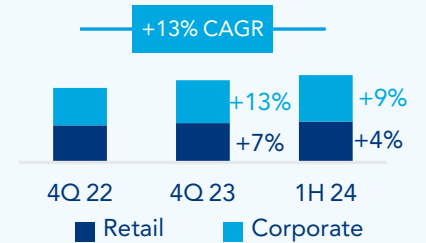
Non-oil Real GDP Growth



SAIBOR 3M Avg (%)



Banking Sector Loan Growth



Operational & Strategic Progress

Progressing on a 5-year plan in line with **Refreshed Strategy**

Increased the share in associate **AlJazira Takaful Taawuni** by 7.05%

Continue utilizing **corporate growth momentum**

Total Assets

2Q 2024

+7% YTD

SAR Bn **138.0**

Financing

2Q 2024

+8% YTD

SAR Bn **87.2**

Customers' Deposits

2Q 2024

+5% YTD

SAR Bn **98.6**

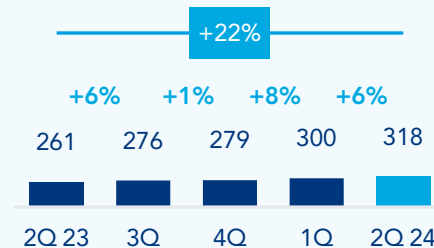
Financial Highlights

Increase in net income YoY from **top-line growth**

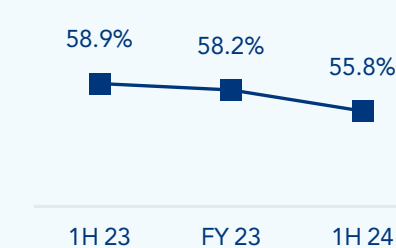
Consistent profit delivery throughout the quarters

Improving **efficiency, profitability and asset quality**

Quarterly Net Income (SAR Mn)



Cost To Income (%)



NPL Ratio

1.52%

CoR

0.28%

CASA share of total deposits

41.3%

ROAE before zakat

8.53%



Strategic Progress



We refreshed our strategy with a clear transformation agenda for each business segment

The Refreshed Strategy

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

Business Lines Vision

Corporate

Segment and sector focused CIBG:
Growing assets at ~12% CAGR fueled by robust mid-tier corporate franchise with growing contribution from mid-corporate and SME segments

Retail

Bank-of-choice for affluent customers and high net worth individuals with a comprehensive value proposition that is digitally enabled

Brokerage & Asset Management

Leading wealth management house in Saudi Arabia

Treasury

Core partner for business growth and enablement

Time Span for Transformation Initiatives



Notable progress and accomplishments in the refreshed strategy were realized in 1H 2024

Corporate	
Initiatives	Outcomes
Focusing on SMEs: 5 new products launched	Enhanced value proposition and significant improvements to turnaround time (TAT)
Growing unfunded assets: 2 new trade finance and cash management products launched	Expansion of the product suite for income diversification

Retail	
Initiatives	Outcomes
Growing assets profitably: Non-REDF* off-plan product launched, enhanced TAT for real estate processes	Improved offerings and profitability
Building core digital capabilities: Achieved end-to-end digitalization of Personal Finance and Credit Card journeys	Improved customer fulfillment and faster turnaround times

Brokerage & Asset Management	
Initiatives	Outcomes
Digital propositions: New digital investment platform with enhanced brokerage features launched	Enhanced digital investment options and user experience
Growing proprietary book: Launched CLO fund in Q1 2024 and two RE funds in Q2 2024.	Expansion of the proprietary book for revenue diversification

Treasury	
Initiatives	Outcomes
Optimize Balance Sheet: Maintaining investment book size within targeted growth levels	Balanced growth of investment portfolio and optimized returns
Fostering growth: Successful participation in several corporate sukuk transactions	Enhanced market presence and diversification of the investment book





ESG Highlights



BAJ is delivering impactful ESG initiatives across its operations

Environmental

Paper Usage

Reduced by digitalization

1.5 - 2

tons recycled in 2023

Water Consumption

Reduced by

✓ **22.2%**

YoY in 2023

Energy Consumption

Reduced by

✓ **10.1%**

YoY in 2023

CSR Projects

Participated in KSA's National Parks Program

Awards 2023

'Best Customer Service Practices for the Next Generation'

by Genesys



'Best Social Responsibility Program among Islamic Banks'

by the Global Islamic Finance Awards (GIFA)



Social

Employees

- **80%** of culture transformation agenda is completed: **55** sessions, **2,700** participants
- Trained **220** managers to implement the Culture Blueprint
- Launched cloud-based HR system & new Employee Handbook

Customers

- Launched techMAL garage (fintech lab) to foster innovations
- **140+** digital banking services
- Expanded MSME offerings

Communities

- Launched 'AlJazira Tadawul' (digital investment platform)
- **122** community projects, benefiting **20,000+** people

Governance

Shariah Compliance

- **0%** exposure to tobacco, alcohol, gambling
- Enhanced Shariah Governance Framework (as per SAMA directives)

Policy Enhancements

- Amended Shariah Committee Charter & Policies to separate Shariah Audit from Shariah Compliance
- Developed **2** policies for data governance & privacy
- Annual review of internal controls by BOD and Audit Committee



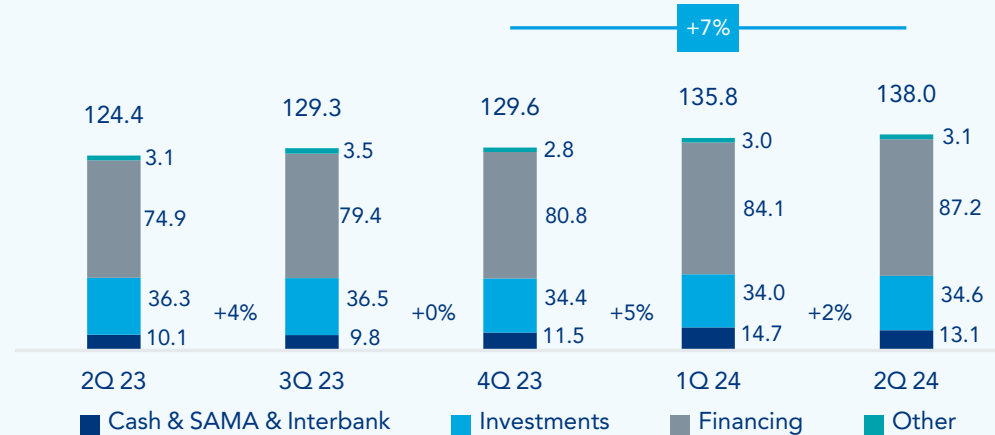
Financial Performance



Balance sheet continues expanding by 7% YTD, driven by financing portfolio

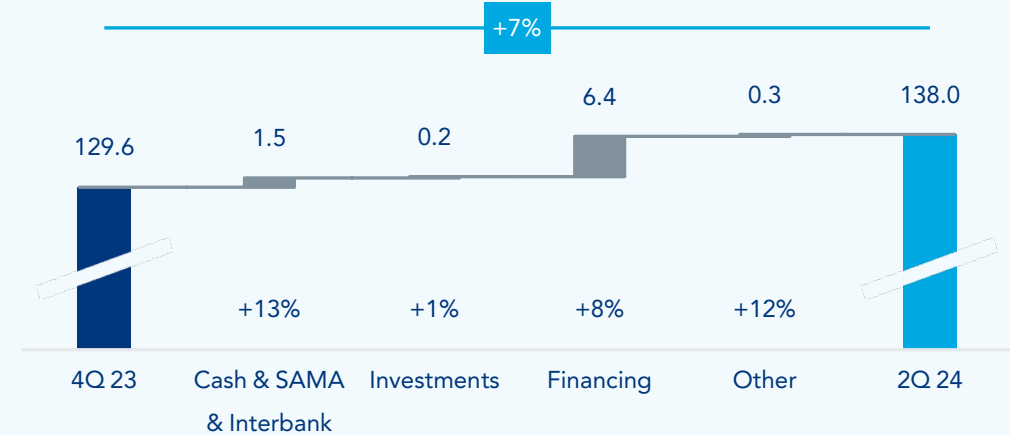
Total Assets (SAR Bn)

2Q 2024



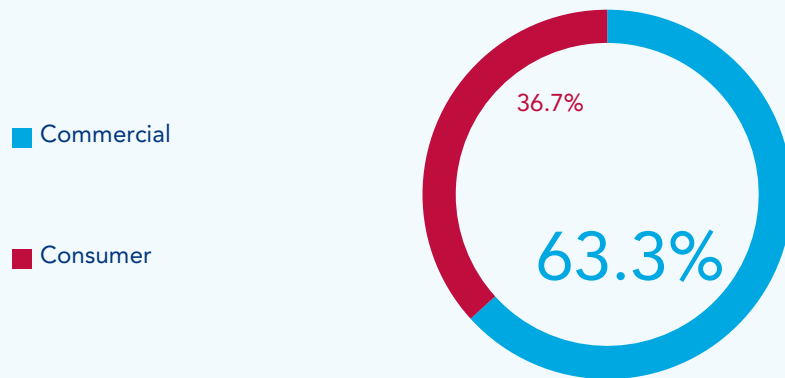
Total Assets Movement YTD (SAR Bn)

2Q 2024



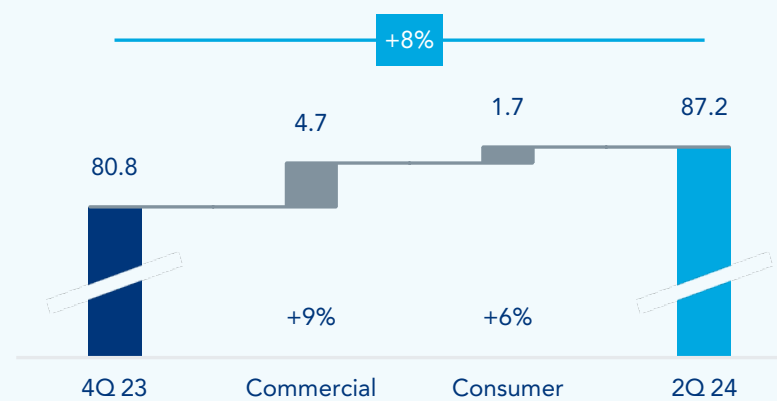
Financing Composition (SAR Bn)

2Q 2024



Financing Movement YTD (SAR Bn)

2Q 2024

Trade Finance
SAR Bn

On-BS +26% YTD 2.4

Off-BS +25% YTD 15.8

Residential Financing

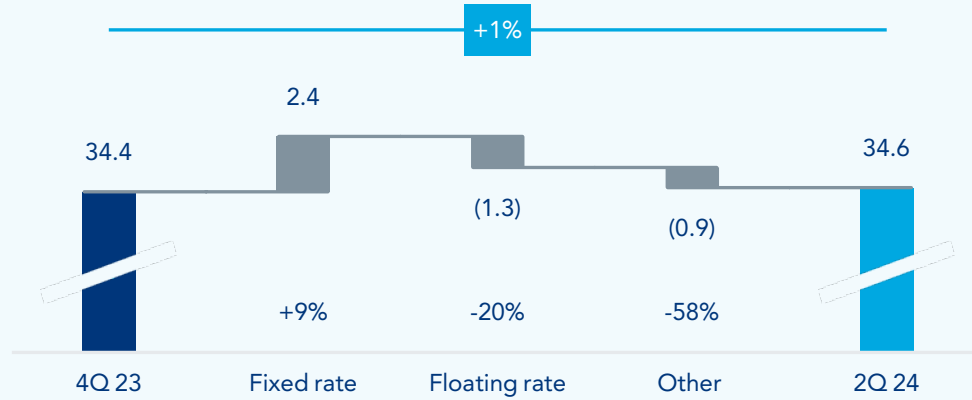
2Q 2024 +8% YTD

SAR Bn 19.3

Optimizing investments by replacing maturities with fixed assets at favorable rates

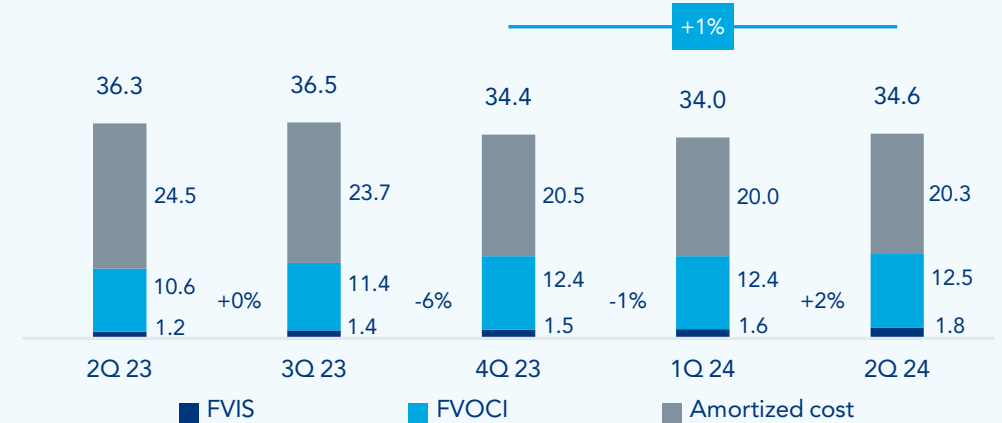
Investments Movement YTD (SAR Bn)

2Q 2024



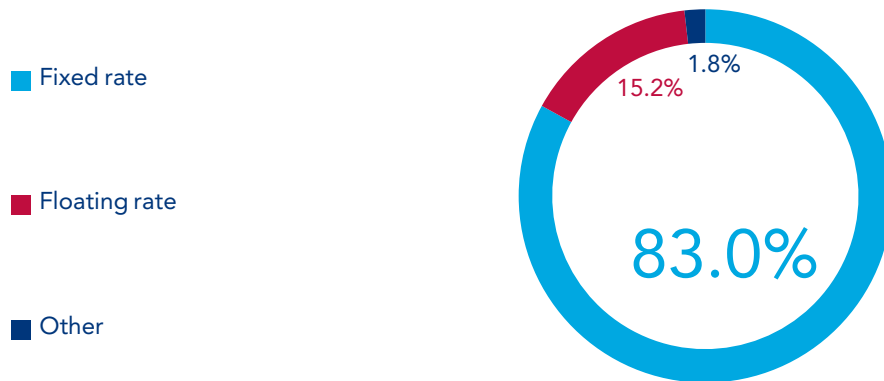
Investments (SAR Bn)

2Q 2024



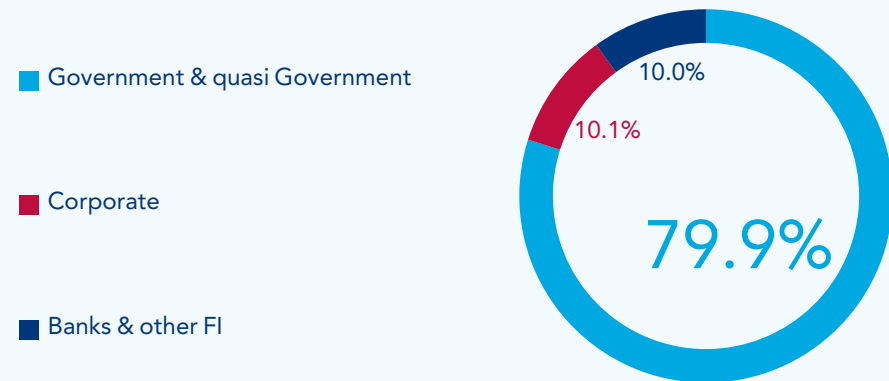
Investments Composition by Rate (%)

2Q 2024



Investments Composition by Counterparty (%)

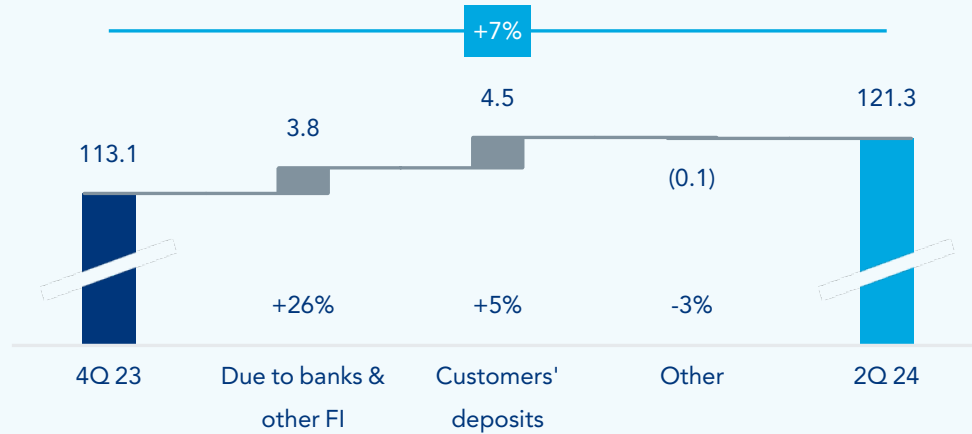
2Q 2024



Liquidity position provides substantial buffers to accommodate future growth

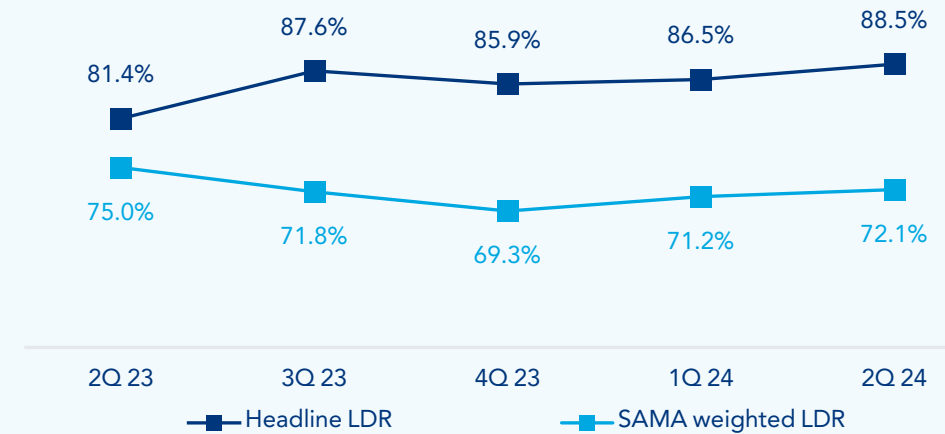
Total Liabilities Movement YTD (SAR Bn)

2Q 2024



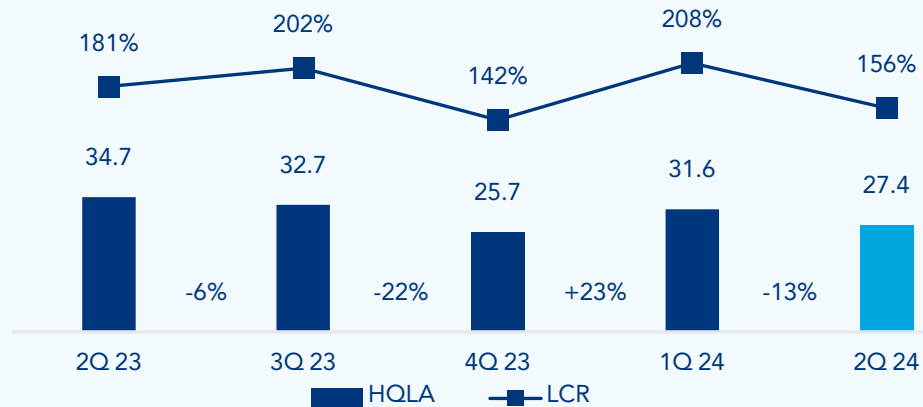
Loans to Customers' Deposit Ratios (%)

2Q 2024



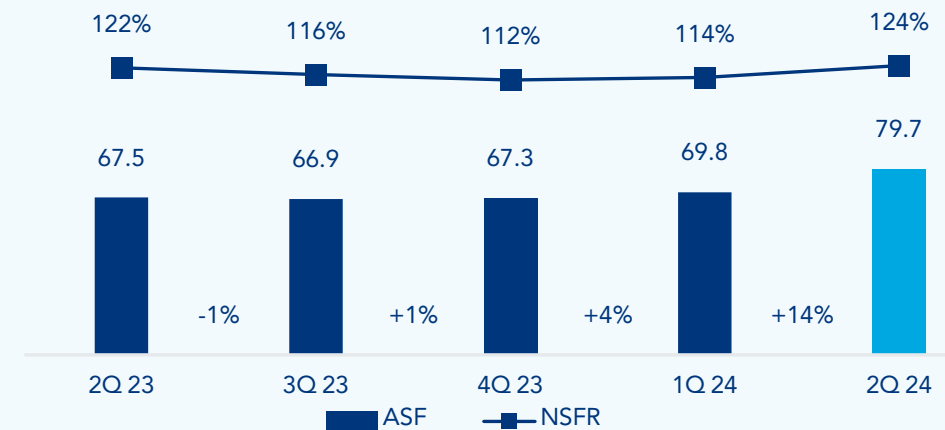
HQLA (SAR Bn)

2Q 2024



Total Available Stable Funding* (SAR Bn)

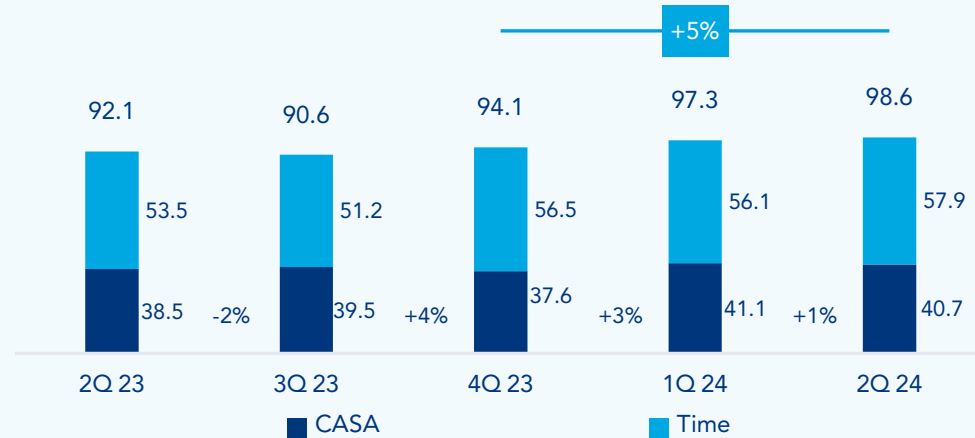
2Q 2024



CASA share remains above 40% supported by the growth in savings accounts

Customers' Deposits (SAR Bn)

2Q 2024



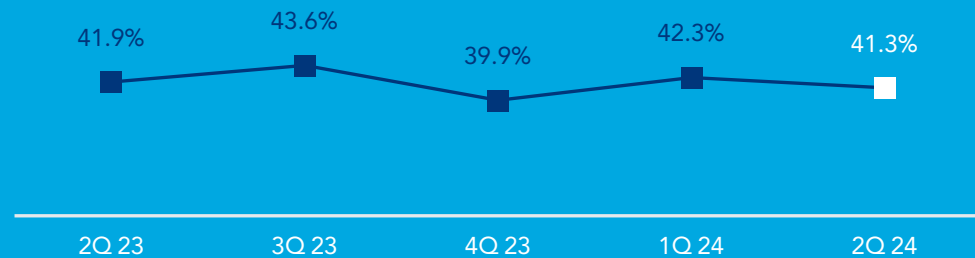
Customers' Deposits Movement YTD (SAR Bn)

2Q 2024



CASA % of Total (%)

2Q 2024



Customers' Deposits Composition (%)

2Q 2024

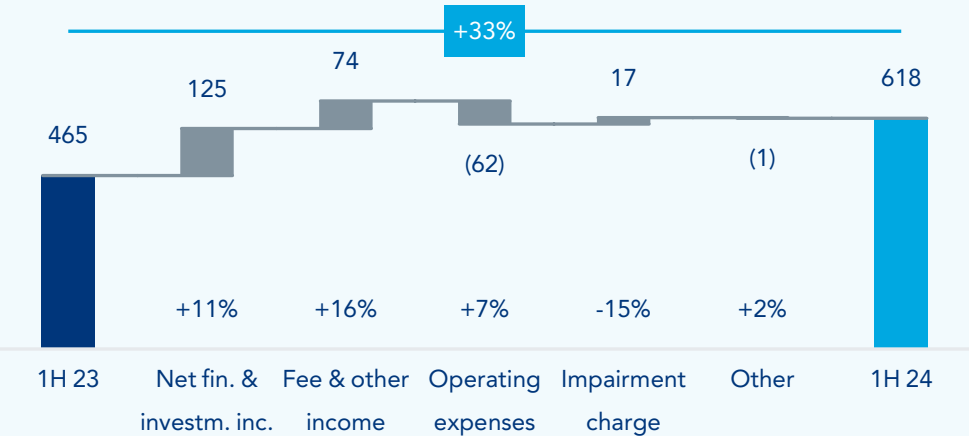


Boosted net income through top-line expansion

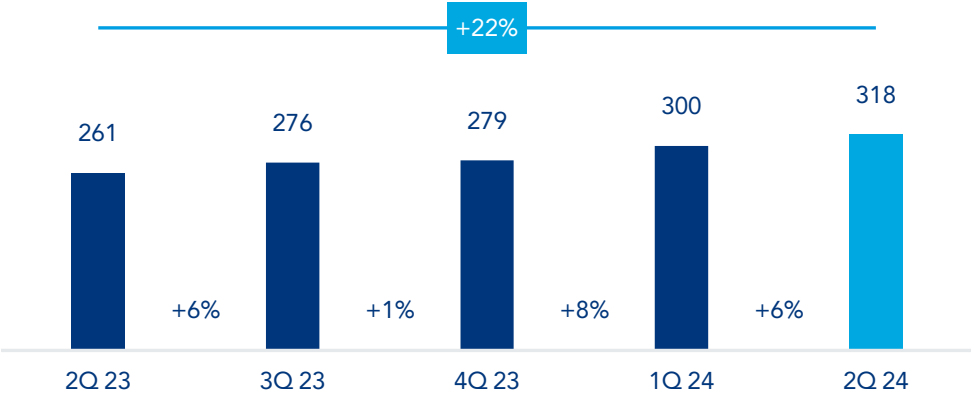
Net Income for the Period Movement YoY (SAR Mn) 1H 2024

Management commentary

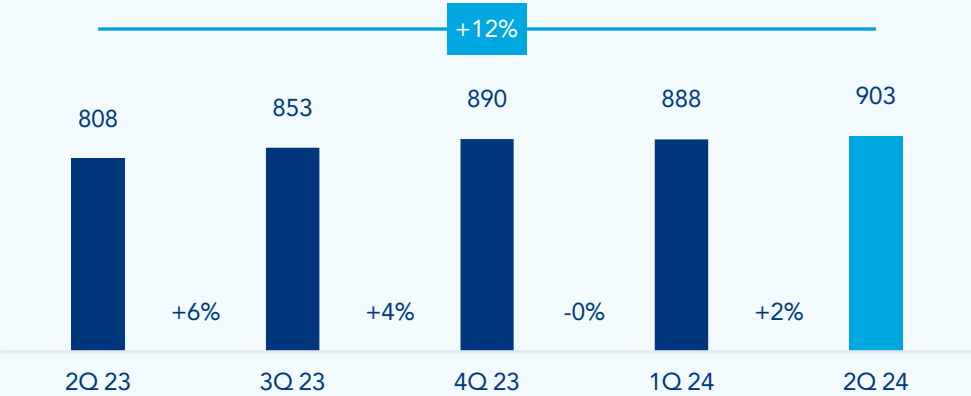
- Net income up 33% YoY, from higher operating income, partly offset by rising expenses.
- Net financing & investment income increased 11% YoY, supported by asset growth and broadly stable margins.
- Fee & other income up 16% YoY, mainly from trade finance and investment-related fees.
- Operating expenses rose 7% YoY, due to higher employee and G&A costs.



Quarterly Net Income (SAR Mn) 2Q 2024



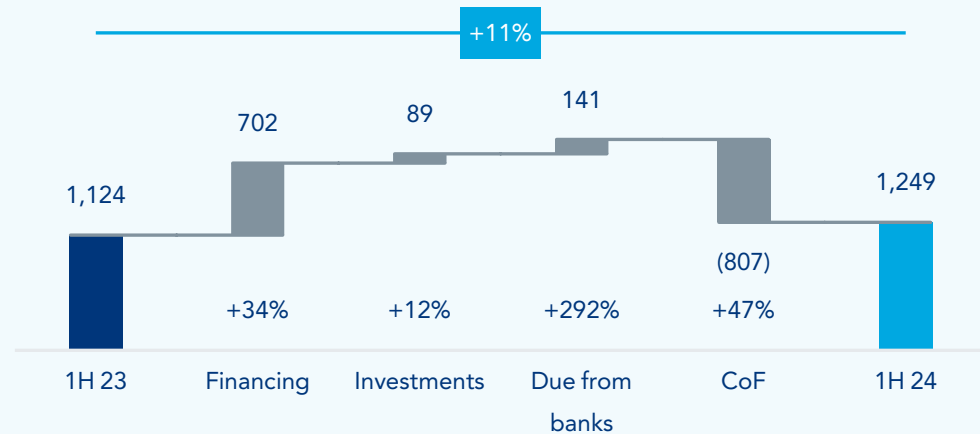
Quarterly Total Operating Income (SAR Mn) 2Q 2024



Net F&I income growing 11% from earning assets expansion on broadly stable net margin

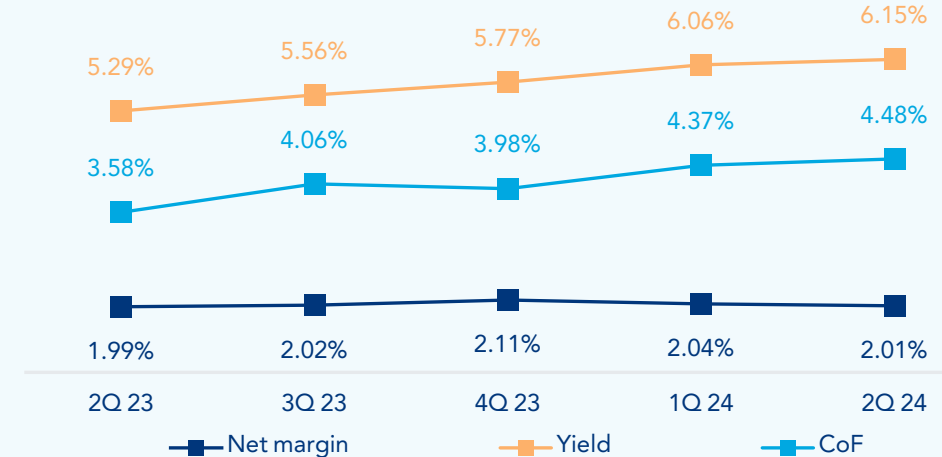
Net Financing & Investment Income Movement YoY (SAR Mn)

1H 2024



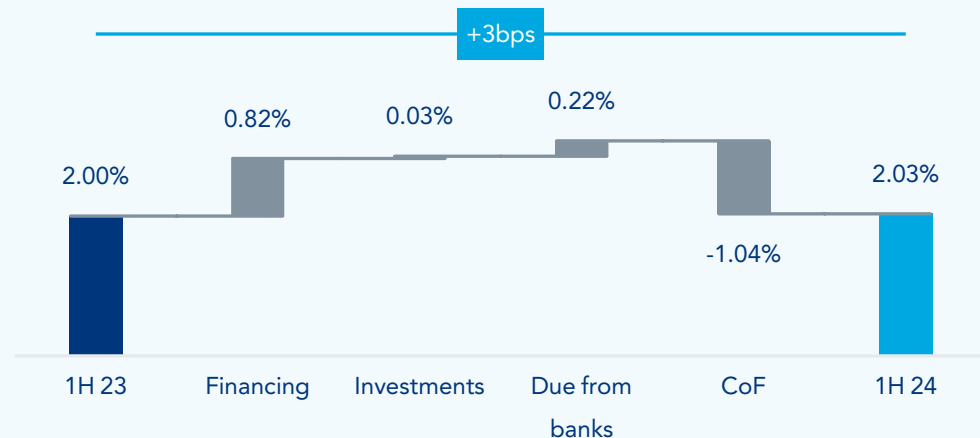
Quarterly Net Margin (%)

2Q 2024

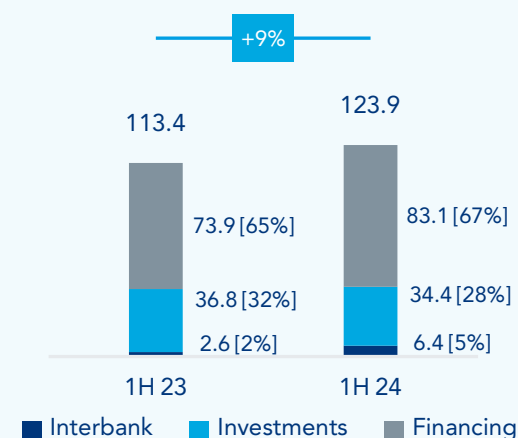


Net Margin Movement YoY (%)

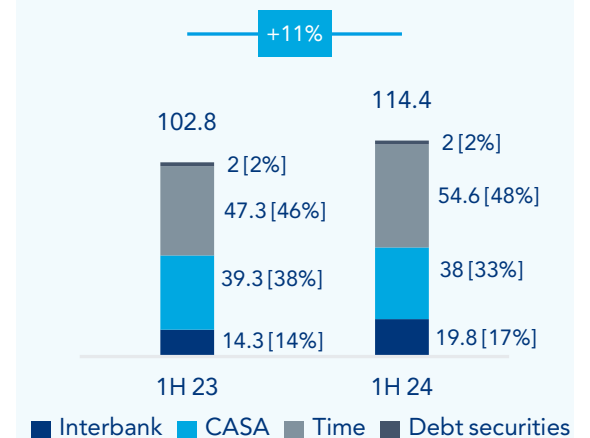
1H 2024



Total Average Earning Assets (SAR Bn)



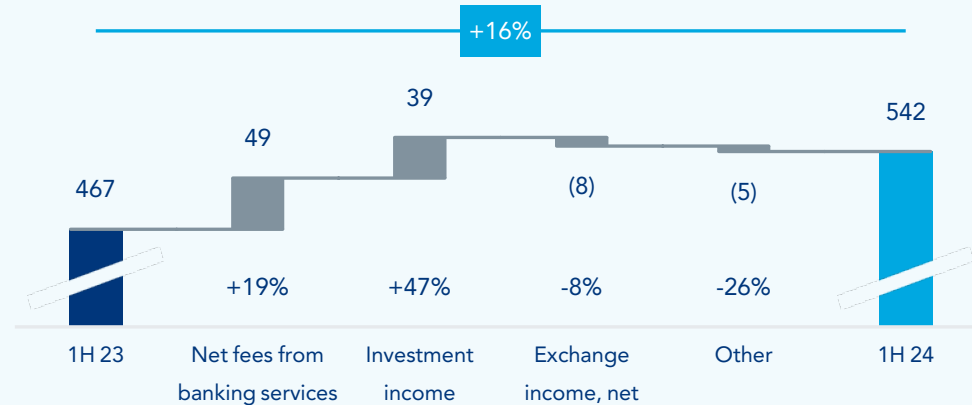
Total Average Bearing Liabilities (SAR Bn)



Over 30% of operating income is represented by well-diversified non-funded income

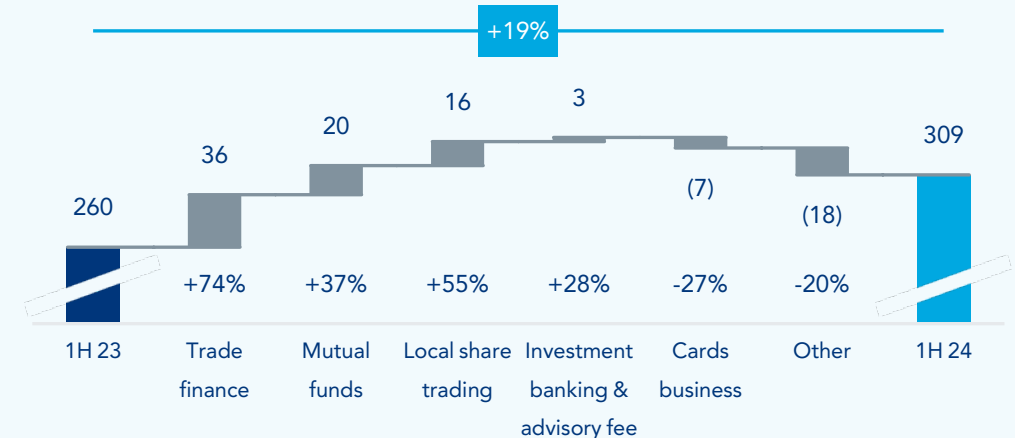
Fee & Other Income Movement YoY (SAR Mn)

1H 2024



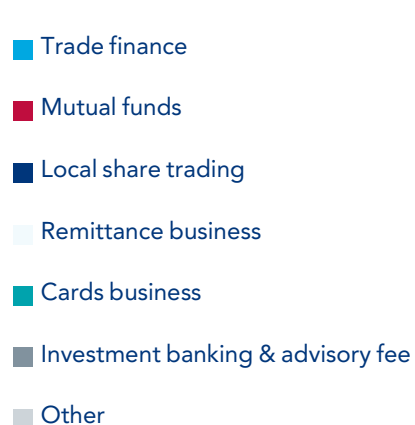
Net Fee Income From Banking Services Movement YoY (SAR Mn)

1H 2024



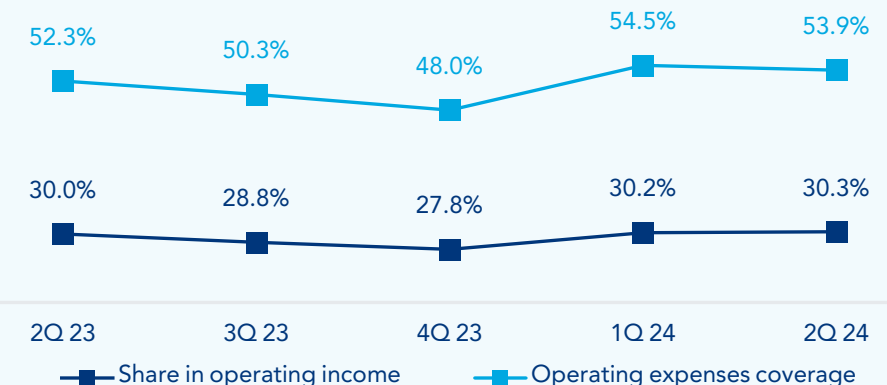
Net Fee Income From Banking Services Composition (%)

1H 2024



Fee & Other Income Share and Coverage (%)

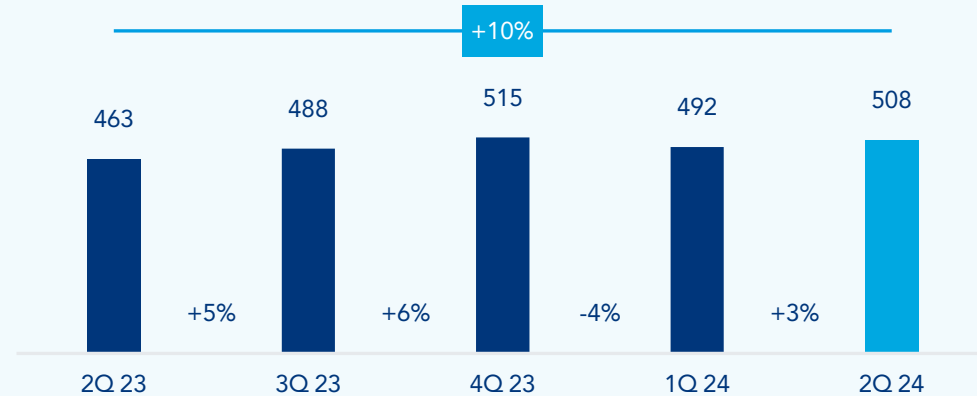
2Q 2024



Cost-to-income ratio improving YoY from positive jaws

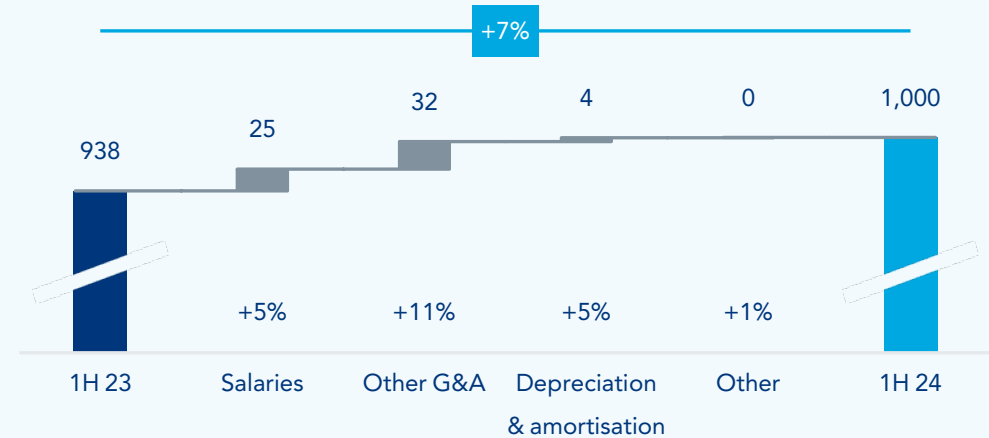
Operating Expenses (SAR Mn)

2Q 2024



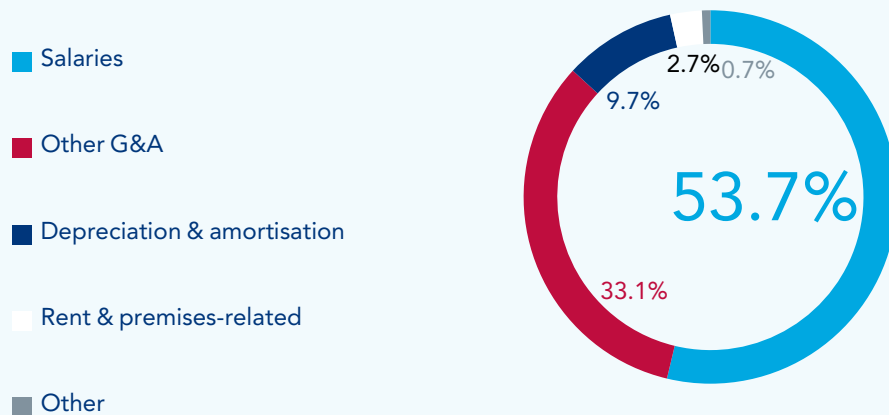
Operating Expenses Movement YoY (SAR Mn)

1H 2024



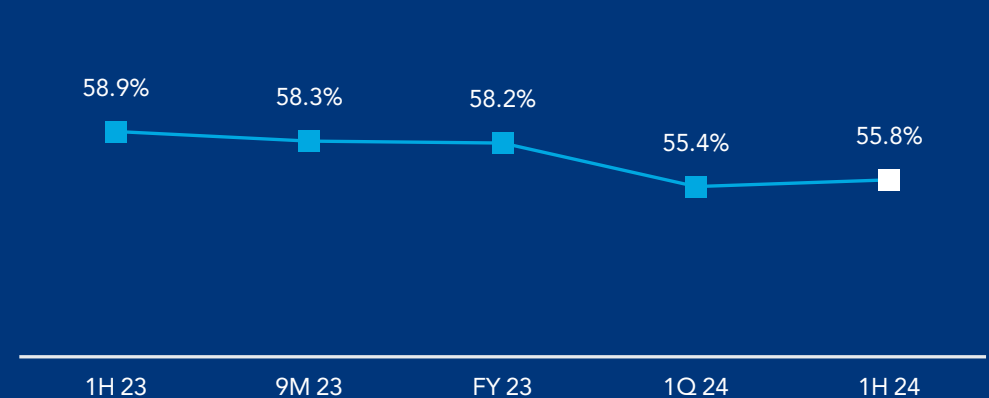
Operating Expenses Composition (%)

1H 2024



Cost to Income (%)

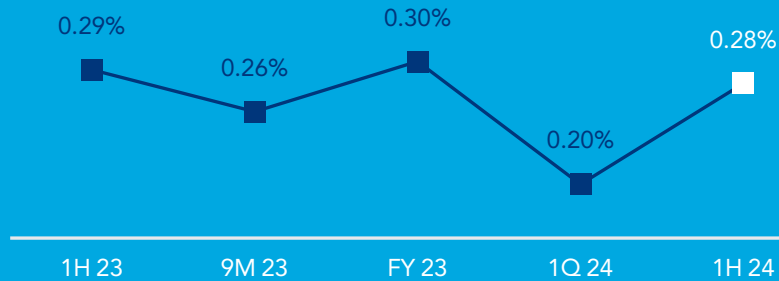
1H 2024



Credit quality remains healthy with improving NPL ratio

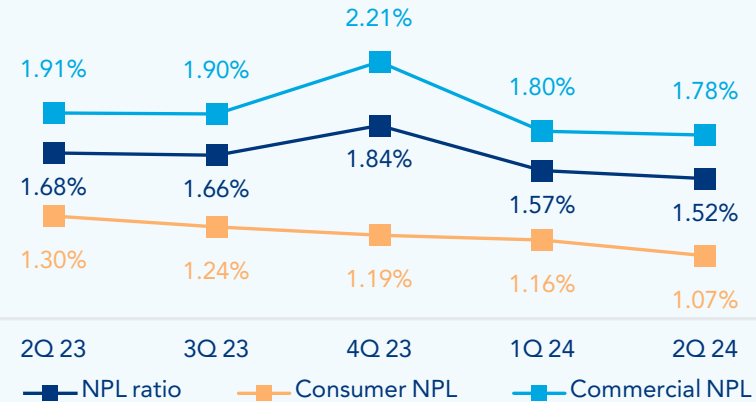
Cost of Risk* (%)

1H 2024



NPL Ratio (%)

2Q 2024

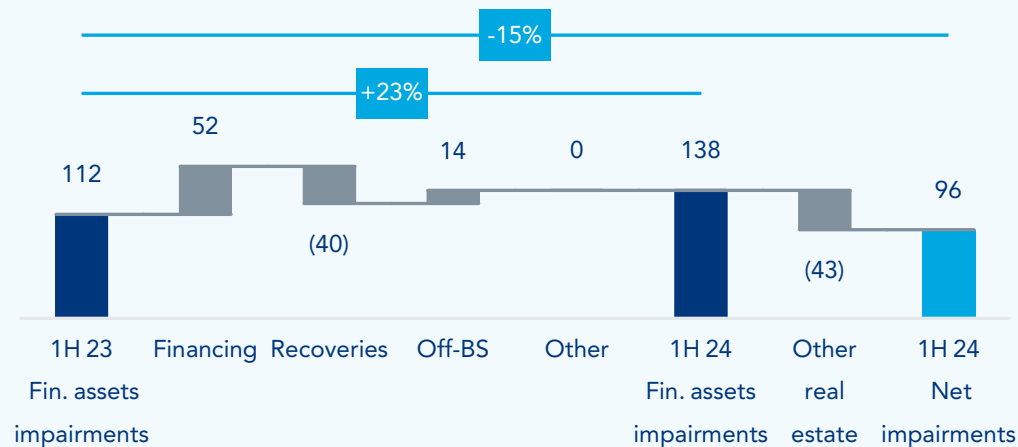
NPL Coverage Ratio
2Q 2024

-9ppts YTD

173%

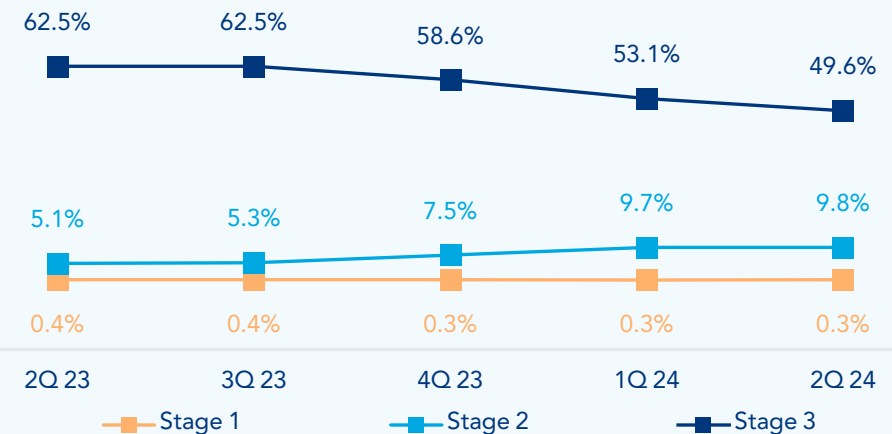
Impairment Charge Movement YoY (SAR Mn)

1H 2024



Stagewise Coverage (%)

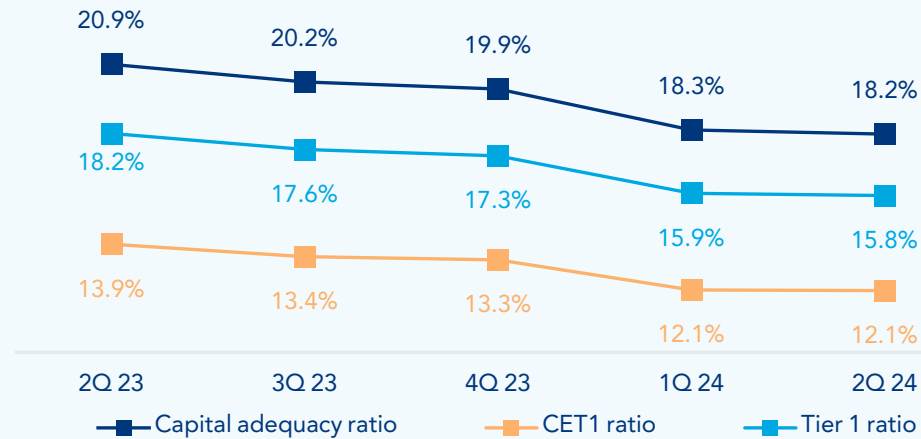
2Q 2024



Returns are gradually improving, with capitalization stabilizing in 2Q 2024

Capital Adequacy Ratio (%)

2Q 2024



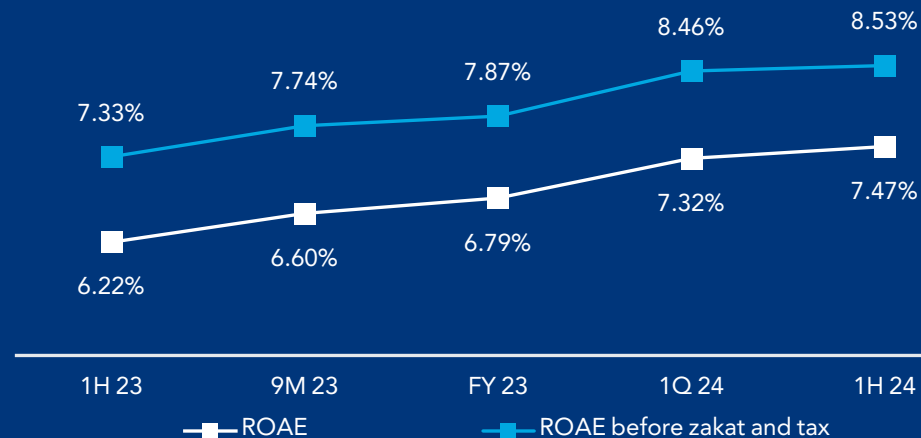
Risk Weighted Assets (SAR Bn)

2Q 2024



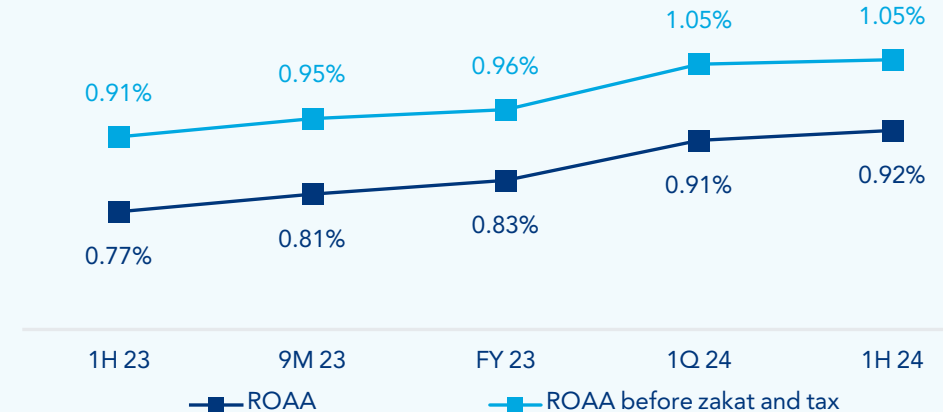
ROAE (%)

1H 2024



ROAA (%)

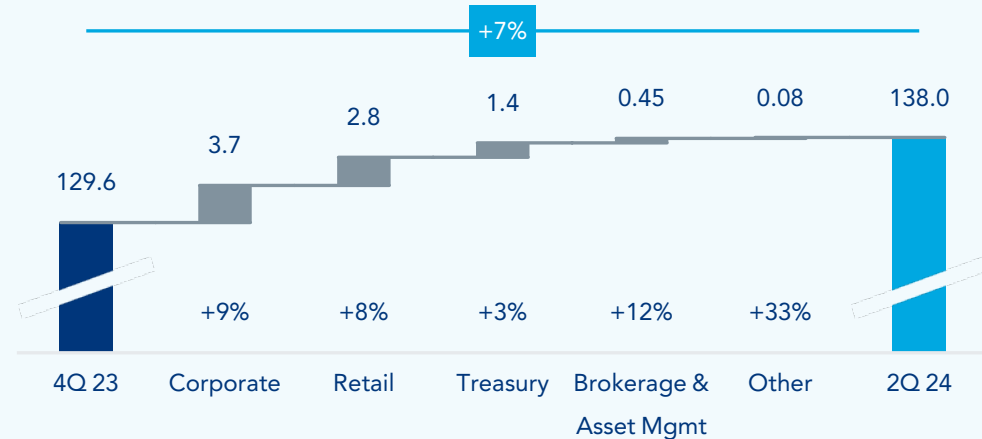
1H 2024



Diverse segment mix, with strong contributions from corporate and brokerage in 1H 2024

Total Assets Movement YTD (SAR Bn)

2Q 2024



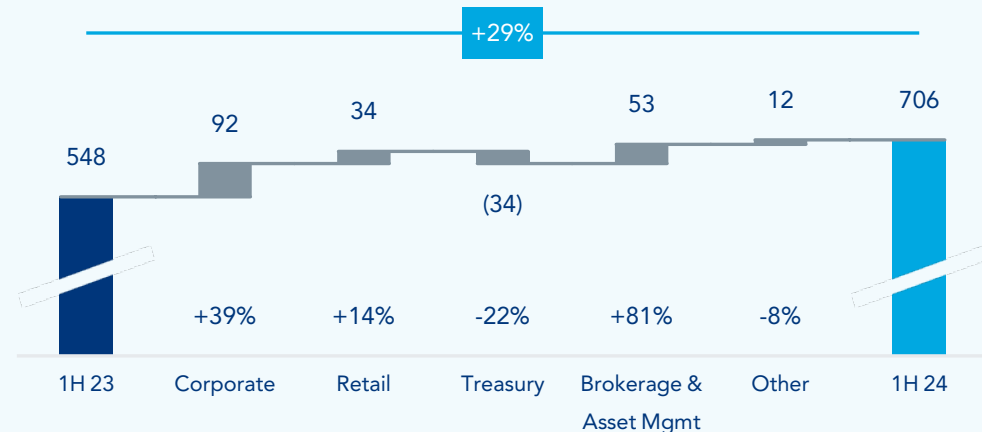
Total Assets Composition (%)

2Q 2024



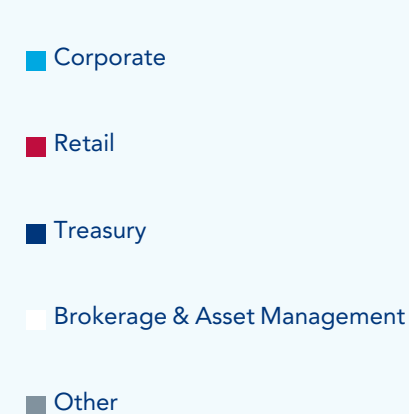
Net Income Before Zakat & Income Tax Movement YoY (SAR Mn)

1H 2024



Net Income Before Zakat & Income Tax Composition* (%)

1H 2024





Guidance



The updated guidance for NIM and T1 is influenced by the rate environment

Guidance Metric	FY 2023 Actual	1H 2024 Actual	FY 2024 Guidance	Drivers
Financing growth	+14%	+8% YTD	Mid-teens unchanged	Anticipating sustained mid-teens growth predominantly fueled by corporate financing
Net Margin	2.05%	2.03%	Maintain revised from +5-10bps	We are revising the guidance to "maintain" the FY 2023 NIM due to delays in rate cuts. Future changes will, however, depend on evolving economic decisions.
Cost of Risk	0.30%	0.28%	0.30-0.35% unchanged	Continued favorable economic conditions and disciplined risk management underpinning a controlled cost of risk
Cost to Income	58.2%	55.8%	below 56% unchanged	Reducing the ratio to below 56% through diligent cost optimization, balanced against investments in strategic initiatives
Tier 1	17.3%	15.8%	16.0-16.5% revised from 16.5-17%	We are revising the Tier 1 guidance to 16%-16.5%, supported by retained earnings generation. However, it will also depend on the projected rate cuts.
ROAE before zakat and tax	7.87%	8.53%	>8% unchanged	Targeting a gradual improvement aligned with the refreshed strategy



Q&A





Appendix



Connect with us

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