

06

Business Review





6.1 Operating environment

Global Economic Indicators

In 2024, the global economy experienced moderate growth as the world emerged from the lingering effects of the COVID-19 pandemic, albeit geopolitical tensions remained high. Inflation rates stabilized in many regions, allowing central banks to adopt a more cautious approach to monetary policy. The supply chain disruptions of 2022-23 improved, facilitating trade and production.

However, the economic landscape remains uneven, with developed economies showing robust recovery while some developing nations face obstacles such as debt burdens and high unemployment. Technological advancements continue to drive productivity, particularly in sectors like green energy and digital services.

Oil traded in a range between \$66 and \$86 in the year, driven by several factors including geopolitical unrest, slacking demand from China, OPEC+ quotas and strong production from North America. By the end of 2024, oil prices stabilized somewhat, averaging around \$85 to \$90 per barrel, reflecting a balance between demand recovery and persistent supply challenges.

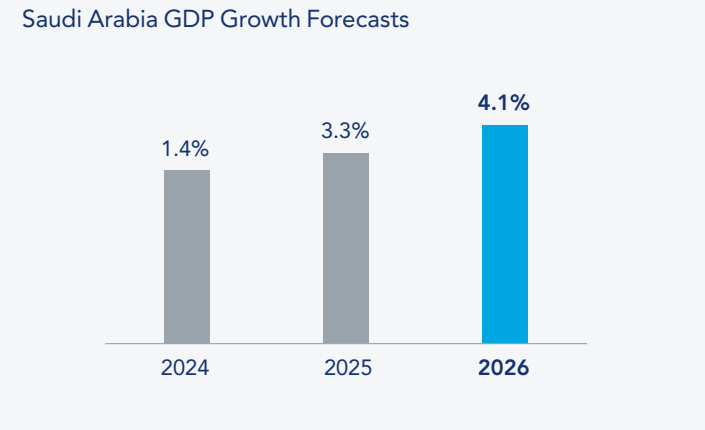
GCC and Saudi Economic Indicators

The GCC’s economies showed strong resilience to the relatively weak oil price, an indication of the successful diversification of their economies and of ongoing government support to the private sector.

Saudi Arabia’s economic and fiscal situation remained conducive to a positive performance from the banking sector in 2024. Growth was steady in the year, with real GDP increasing by 1.4% in 2024, led by the non-oil sector’s robust 3.7% growth.

The number of international corporates setting up their regional headquarters in Saudi Arabia reached 571 in 2024, according to figures from the Ministry of Investment, ahead of government targets.

These and other positive developments drove Standard and Poor to confirm the Saudi sovereign rating at A/A-1 and to raise its outlook to “Positive” in September 2024.



Source: IMF , World Economic Outlook Update, January 2025



Saudi Banking Sector

The banking sector in Saudi Arabia delivered a year of strong and resilient growth, despite elevated SAIBOR rates. Bank loans grew by 14.4% year-on-year to ₪ 2.96 trillion at the year end. Corporate loans were the main driver, rising 18.6% to ₪ 1.59 trillion. The residential finance market also continued to grow in 2024, while Saudi banks’ personal finance loans increased in the year by 9.9% to reach ₪ 1.59 trillion.

Credit growth moderated but remained double digit owing to corporate loan growth and mortgage lending supported by the Saudi Housing Program. Saudi saw a surge in construction spending totaling USD105bn in 2024, a 45% y-o-y increase. According to MEED, USD319 billion worth of new projects have been awarded during 2021-24.

Saudi Banking Indicators 2022-2024

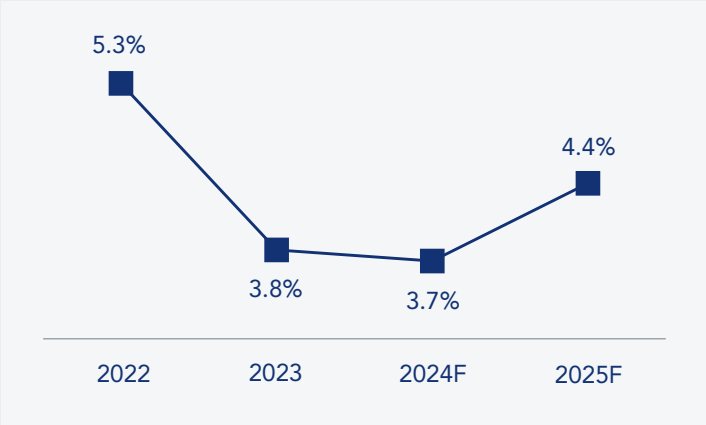
	2022	2023	2024
ROE	13.7%	14.7%	15.0%
ROA	2.02%	2.17%	2.22%
CIR	33.4%	33.0%	32.3%

Source: SAMA

	2022	2023	2024
Avg. 3M SAIBOR	3.1%	5.9%	6.0%
Repo Rate	5.0%	6.0%	5.0%
Reverse Repo Rate	4.5%	5.5%	4.5%

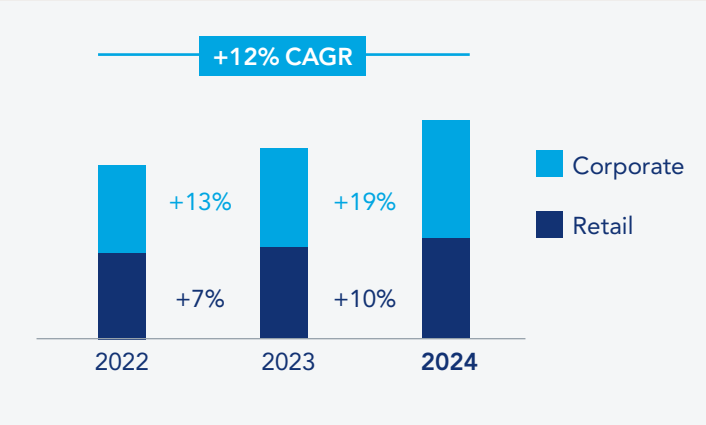
Source: SAMA

Non-oil Real GDP Growth



Source: IMF, Regional Economic Outlook – Middle East and Central Asia, October 2024

Banking Sector Loan Growth



Source: SAMA

Saudi banking sector outlook

The macro-economic context for the banking sector in Saudi Arabia remains positive, supported by government actions and policy. For the banking sector, future growth is likely as the rapid development of the economy continues, as global interest rates continue to moderate, and as the Kingdom becomes ever more internationally connected.

While there were three rate cuts in 2024, the trajectory of rates was not as expected at the end of 2023, and global circumstances are combining to add further headwinds to any rate cutting impetus. We now expect a further 50bps of cuts to SAIBOR in 2025.

Saudi Arabia’s banking sector is set to maintain profitability this year, with lending projected to grow by 10 percent, driven by corporate loans linked to Vision 2030 projects. With an estimated USD1.3trn earmarked for Saudi capex/giga-projects to 2030, the outlook is highly positive.

The awards of Expo 2030 and the FIFA World Cup in 2034 are important catalysts to this growth and these, along with other Vision 2030 projects, will continue to be the flagship drivers of infrastructure development over the medium term. The tourism sector achieved a notable milestone in 2024, achieving the 2030 goal of 100 million inbound and domestic visitors.

The macro-economic context for the banking sector in Saudi Arabia remains positive

6.2 Strategy

In 2023, the bank reviewed and refreshed its strategy with a clear transformation agenda for each business line.

2024 was the year that saw material achievements and developments delivered from this strategic focus, resulting in the strong financial performance delivered in the year.

Our overall strategy is built on three pillars:

1

Create a distinctive value proposition

Focus on affluent retail customers and mid-sized corporates

2

Grow digitally

Digitise and automate processes, adopt AI implementation, launch best in class apps, drive innovation via techMAL

3

Build a thriving organization

Bank of choice for Saudi talent

These pillars are driven by:

Revenue Lines

Our strategy goals were designed to align with and to support the objectives of our three main business groups: Retail Banking Group (RBG), Corporate, and Treasury Banking Group (TBG). These business groups serve as the primary interface with our clients, so our strategic focus aims to empower them in meeting client needs and achieving their business objectives.

Financial Model

Refers to the financial targets projected for our strategy.

Interlinkages with the AlJazira family

The strategy aims to capitalize on the benefits and cooperation between the AlJazira family (the Bank, Takaful, and AlJazira Capital).

Economics

The organization adapts to changing market trends, regulations, and economic conditions to ensure long-term sustainability and competitiveness. This proactive approach allows them to refine strategies, maintain resilience, and contribute positively to the broader economy while ensuring their own growth and success.



Our Business Line Strategic Ambitions:

Corporate

- Broaden exposure within segmented and sector-focused corporate segments while maintaining momentum in other sectors.
 - Become the bank of choice for SMEs
 - Develop standardized SME journeys.
 - Grow unfunded assets ambitiously
 - Improve ORR of overall corporate portfolio.
- Delivery against strategy:**

 - In the large and mid-sized corporate segments, Bank AlJazira expanded its participation in syndicated loans, boosting engagement and coverage of the high-quality corporate book. The bank also successfully participated in several corporate sukuk transactions, led by our Treasury colleagues, enhancing market presence and diversifying the bank’s investment book.
 - In the small business segment, the bank increased payment volumes and SME customer acquisition through increased PoS financing.
 - Integrated B2B services: Launched eight B2B products, enhancing business operations.
 - Corporate App: Launch of AlJazira Business banking app for corporate and SME clients.
 - Upcoming iPad version: An enhanced app tailored for large corporate clients to launch in Q2 2025.
 - These initiatives have contributed to strong growth in MSME assets and customer numbers:

	FY 2022	FY 2023	FY 2024
Micro Business Customer Assets	954,950	803,072	880,974
Small Business Customer Assets	2,501,802	1,485,382	2,470,538
Medium Business Customer Assets	2,754,178	4,521,259	5,280,092
Number of MSME customers	896	1,066	1,258

Retail

- Bank of choice for affluent customers and HNWI with a comprehensive value proposition that is digitally enabled.
- Delivery against strategy:**

 - The HNWI asset portfolio grew by 42% to ₪ 8.9 billion
 - Improved and enhanced residential finance offerings, with new products focused on mortgages for homes under self-construction, ready units and off plan properties. The residential portfolio reached ₪ 21,767 million in 2024, a growth of 21% compared to 2023.
- Improved mortgage turnaround time from 21 to 15 days
 - Retail was a launch bank for Samsung Pay in the Kingdom
 - Auto finance delivered particularly strong growth, with the portfolio increasing by 127% in 2024 to ₪ 1.6 billion.

AlJazira Capital

- The leading wealth management house in Saudi Arabia
- Delivery against strategy:**

 - Launched new digital platform with access to new products and services
- Offered number of real estate and alternative funds to clients, significantly expanding the investment options available to affluent clients.
 - Grew Wealth and Asset Management AUMs to ₪ 23.7 billion, representing 2.6% market share.

Treasury

- Core partner for business growth and enablement
- Delivery against strategy:**

 - Treasury successfully optimized the bank’s balance sheet through shaping its investment book size and growth within targeted levels.
 - Successful participation in several corporate sukuk transactions to enhance the overall portfolio yield
- Demonstrated its pivotal role in driving the bank’s financial performance and growth through focused efforts across its key desks during extremely volatile conditions – amid sticky inflation, peaking rates, and delayed rate cuts, intensified by liquidity constraints in the local market
 - These and other actions combined to enhance Bank AlJazira’s market presence while diversifying the investment book and maintaining balance sheet quality.

6.3 Business Model

Bank AlJazira is an Islamic bank operating in the Kingdom of Saudi Arabia serving the following customer groups with the **full suite of financial services products**

Mass retail

Products and services to enable Saudi citizens to manage their finances and plan for their futures in a Shariah-compliant manner. Typical mass elements include current accounts, savings accounts, payments and remittance services, and salary receipt services.

Affluent and high net worth individuals

AlJazira's strategic focus retail segment. As the wealth of the nation grows, the number of individuals with material investible assets is set to increase exponentially. By providing a complete range of savings, investment, residential finance, brokerage, securities and international products, Bank AlJazira will drive loyalty and multi-product relationships with this segment. Underpinned by world-leading technology, our ambition is to be the preferred bank for affluent individuals.

Micro, small and medium sized enterprises

As the Kingdom continues its successful economic diversification strategy, the Saudi spirit of entrepreneurialism has been unleashed. From sole traders and tech start-ups to growth businesses and the successes of the future, Bank AlJazira is a partner to the country's MSME sector with products and services such as business lending, business bank accounts, payroll, payments, cash management, Point of Sale finance, and cashflow management.

Large corporates and multinationals

As the largest economy in the region, Saudi Arabia is not only home to many successful domestic large corporates, but is also increasingly the destination of choice for multinationals. Bank AlJazira serves this sophisticated segment with world-class products and solutions including corporate finance and lending, payments, cash management and global transaction banking, M&A advisory and trade services.

Financial sector

Bank AlJazira is a major participant in the financial institution sector. It provides Vostro account services, clearing, foreign exchange transactions, letters of credit, letters of guarantee, and remittances, bilateral financing, direct financing facilities, and risk participation transactions for large transactions requiring collaboration among multiple banks, with risk shared among them.

Public sector

Public Sector provides tailored financial solutions that empower public sector entities to achieve their strategic goals. This includes offering "the whole bank" and its related services to the client, being Retail, Treasury, GTS, Private Banking and BAJ Capital. This includes Project Financing, Sukuk Issuance, Treasury and Cash Management solutions, Investment Advisory and Public-Private Partnerships (PPP).

Corporate enjoyed a **strong year**, achieving its strategic targets and objectives.

6.4 Review of Business and Operations

Corporate Banking

- Strong progress in digital transformation
- Dedicated public sector unit launched
- Strategic focus on trade finance
- Financial Institutions enjoyed strong growth
- Positive Future Outlook

Corporate enjoyed a strong year in 2024, achieving its strategic targets and objectives across all segments and activities. The non-funded proportion of the portfolio reached 24% of the total in 2024, while financing to financial institutions reached ₪ 6 billion in the year, an increase of 100% over 2023. Moreover, FI delivered ₪ 67 million as fee income.

Corporate Banking faced several challenges in terms of interest rates, pricing sensitivity and fierce competition from other Saudi banks. Despite this, the Corporate book grew by 19% during 2024 and has increased by as much as 80% in the post-pandemic era since 2021.

Corporate made several strategic and tactical changes during this period related to target segments and sectors, with a special focus on the trade book, as well as enhancing our digital transformation activities to reach a broader customer base.

Total approved facilities reached ₪ 104 billion while utilization reached ₪ 68 billion.

As a result of this strong performance, net income before zakat and income tax improved by 33% over 2023, marking a record 50% of total bank net income before zakat and income tax, a significant milestone.

In 2024, Corporate launched a dedicated public sector unit focusing on government and quasi-government entities and to support Vision 2030 realization programmes as well as maximising cross sell and deposits from these entities. The public sector deposit base reached ₪ 45 billion in 2024, representing 87% of total Corporate deposit base. Public sector opened call accounts with an average balance totaling approximately ₪ 8 billion, showcasing strong client engagement and trust. The unit also established escrow accounts with expected average balances totaling ₪ 3 billion, contributing to the bank's growing presence in the escrow management space.



Some ₪ 190 million in Point-of-Sale finance was achieved in the year. 2024 also saw the development of an end-to-end digital channel to serve SMEs, along with upgrades to eCorp and mCorp to enhance service and relationships with the MSME sectors.

Vision 2030 projects also played a large part in the positive year enjoyed by Corporate, including a ₪ 300 million loan to New Village Real Estate Development Company, to finance construction worker housing for NEOM city, and a deal to finance the design, build, operation, and maintenance of a fibre-optic subsea cable system linking Europe with Asia through Saudi Arabia and other territories.

In the field of tourism development, the bank participated in the financing of the construction of the Ritz Carlton Resort and Residential in Eastern Area with the Tourism Development Fund, along with financing for the construction of AMALA project, part of Red Sea Global.

The strategic positioning of trade finance delivered 46% growth in fee income compared to the previous year, with market share increasing to 3%, an increase of 28%, (excluding other contingent assets). The bank successfully launched two new trade products in the year, developed system requirements for discounting and refinancing products ensuring a smooth rollout, and created significant new business opportunities by facilitating cross-selling for Letter of Credit confirmation business, substantially increasing both fee and net financing and investment income.

In terms of productivity, Corporate increased operational efficiency by 25%, reducing transaction processing time. This was displayed in employee productivity metrics improvement, with a 30% increase in throughput.

Cross-selling was another area of progress and delivery in 2024. Initiatives included targeted campaigns and marketing efforts for Global Transaction Services products to existing and new customers; Sales Training, which enhanced team skills to identify cross-sell opportunities; POS, which achieved an increase of 10.3% in new business from existing customers; and strong growth in new current account openings.

Customer experience was enhanced through the application of new technologies. These included the eCorp channels, which saw a new release of eCorp and mCorp platforms, and the successful launch of B2B channels aiming to provide our large corporate clients with a seamless financial channel that integrates with their ERP systems to facilitate all their financial needs.

The bank maintains a positive outlook for the Corporate business. Our focus in 2025 and beyond will continue to drive growth from syndications, financial institutions, trade finance, and SME finance. This will be enabled by ongoing investment in technology, in people and in productivity.

+19%

Corporate Banking assets
+19% to ₪ 50.6 billion

+20%

Retail assets +20%
to ₪ 44.7 billion

+7%

Treasury and Investment
assets +7% to
₪ 49.4 billion

+9%

Brokerage and Asset
Management assets
+9% to ₪ 3.9 billion

Retail Banking

Retail made strong progress towards its strategic aim of being the bank of choice for affluent customers, increasing assets within the segment by 20%. This performance indicates the increasing attractions of Bank AlJazira to this important segment, reflecting our investments in technology, service, and product

options. More broadly, the total number of Retail customers approached one million in 2024, an increase of around 19% over two years, showing the increased competitiveness and attractiveness of the AlJazira retail proposition.

	FY 2022	FY 2023	FY 2024
Mass Retail	718,179	772,960	868,051
Affluent	82,051	83,645	80,900
HNWI	2,063	2,281	2,917
Total number of Retail customers	802,293	858,886	951,868

Retail increased assets by 20%

In an indication of this progress, the bank launched a new mobile app, developed entirely in-house by its team of digital experts at the techMAL digital garage. Available on both iOS and Android devices, the bank’s commitment to innovation and customer-centric solutions is strongly illustrated by this development, a meaningful advance in our customer relationship infrastructure.

The app incorporates advanced features such as:

- Proactive Application Monitoring: Utilising tools like Dynatrace, the bank ensures seamless app performance and proactively identifies and resolves any issues.
- Enhanced Issue Resolution: the bank can easily investigate issues by accessing an environment that simulates their specific scenarios. This is a unique feature in the KSA banking sector, providing personalized support.
- User-Friendly Interface: The app boasts a highly intuitive interface with user-friendly search options and the ability to apply dynamic themes based on current events, enhancing user engagement and providing a more personalized experience.
- The app also incorporates advanced segmentation capabilities, tailoring the user experience for different customer segments. This personalized approach ensures that each user receives the most relevant and valuable features, enhancing overall customer satisfaction.

As well as launching the app, Retail also enabled Samsung Pay, one of the first banks in the Kingdom to deliver payment functionality to Samsung device owners.

In addition to these digital enhancements, the physical network also received investment and upgrades in 2024. ATM card printing machines have begun to be installed, removing the need to courier cards to customers, and average waiting times in branch were reduced by a third through greater efficiency.

Branch staff enjoyed training and recognition initiatives in 2024, including a Transformation Leadership Training, ensuring AlJazira retains the best banking talent in the Kingdom.

The residential financing portfolio reached ₪ 21,767 million by end of 2024, a growth of 21% compared to 2023. The personal finance portfolio reached ₪ 10,995 million by the year end, 1% higher than in 2023, while cards reached ₪ 838 million, an increase of 2%. Auto finance showed a standout performance, registering 127% growth over the year to ₪ 1.6 billion.

Liabilities remained broadly stable, decreasing by 1% over the year to ₪ 45.1 billion. However, this included a sharp increase in Call Accounts of 116% to ₪ 2.4 billion.



AlJazira Capital provides a full range of products and services to help individuals, companies and institutions to achieve their goals.

AlJazira Capital

AlJazira Capital provides the full range of asset management and investment banking products and services to help individuals, corporates and institutions to achieve their goals. AJC offers:

- Securities services including dealing, underwriting, managing, arranging, advisory, and custody
- Asset and Wealth management services including public and private investment, and discretionary portfolio management, offering access to global assets in a Shariah compliant manner
- Investment Banking services, including IPO advisory, M&A advisory, DCM capabilities, rights issues and private placements.

AlJazira Capital has its own Shariah Board, Board of Directors and is regulated by the Saudi Capital Markets Authority. AJC is strategically integrated into the wider Group, which means that the bank's client base can benefit from the world class and global capabilities of AJC, a compelling and powerful wealth management and investment banking proposition.

During 2024, AlJazira Capital enhanced its digital trading platform and mobile app to provide an improved user experience and to enable access to new products to engage retail traders. The upgrade enhanced customer experience and facilitated additional sales related to account management, IPO subscriptions, as well as

integrating Wealth and Asset Management services into a one stop shop.

AJC scaled its Wealth and Asset Management business by offering new Real Estate funds, Alternative funds and by acquiring private equity portfolios.

New products launched in 2024 included:

- Two alternative investment funds with a total AUM of ₪ 450 million to bring this asset class to a Total to AUM of ₪ 2.4 billion.
- Five new real estate funds with AUMs of ₪ 1.57 billion, bringing the total real estate portfolio to ₪ 5.1 billion
- Discretionary portfolios grew substantially in 2024, with AJC attracting ₪1.7 billion of AUMs in 2024, helping the total discretionary portfolio to reach ₪ 7 billion including international market access DPMs by the end of 2024.

AlJazira Capital remains one of the top providers of margin finance products to its clients. 2024 also saw a substantial growth in institutional trading volumes. Institutional brokerage traded value amounted to 44% of the total market traded values (compared with 38% in 2023). Qualified Financial Institutions constituted 54% of the total institutional traded value in 2024.

Assets under management increased to total ₪ 23.7 billion in 2024, an increase of 41%.



Details of new funds launched by AlJazira Capital in 2024

Fund name	Fund Type	Fund AUM (Closing Dec. 31 2024)	Fund Description
AlJazira CLO Equity Fund	Alternative Investment Fund	₹ 230 Mn	The Fund invests indirectly in a well-diversified portfolio of U.S. super-majority CLO Equity.
AlJazira Evergreen Private Equity Fund	Alternative Investment Fund	₹ 263 Mn	The Fund invests indirectly in primary and secondary investments in private equity funds, direct investments and co-investments.
AlJazira Target Alsharq Real Estate Fund	Real Estate Fund	₹ 514 Mn	The Fund invests in real estate infrastructure projects by acquiring land, planning, and developing it for optimal use, with the objective of selling it to potential buyers.
AlJazira Infinity Real Estate Fund	Real Estate Fund	₹ 197 Mn	The Fund invests in real estate development projects, including residential and commercial developments, by developing the land for these projects for the purpose of selling it to potential buyers.
AlJazira Ajdan Real Estate Fund	Real Estate Fund	₹ 469 Mn	The Fund invests in real estate development projects for various objectives, including residential, commercial, hotel, and office spaces. It then leases these properties for future sale or sells them directly to potential buyers.
AlJazira Rafen Real Estate Fund	Real Estate Fund	₹ 167 Mn	The Fund invests in real estate development projects for office spaces by developing the land and then leasing the properties for future sale or sells them directly to potential buyers.
AlJazira Riyamarche Real Estate Fund	Real Estate Fund	₹ 224 Mn	The Fund invests in real estate development projects for multi-use commercial complexes by developing the land and then leasing it for the ultimate purpose of sale and/or selling it to potential buyers.



Treasury performed well in 2024 amid challenging market circumstance.

Treasury

Treasury performed well in 2024 amid challenging market circumstances, maintaining and managing the bank's liquidity and balance sheet and growing the business through targeted and strategic activities.

The rates environment did not develop as expected in 2024, with only minor movement in base rates over the year. Nevertheless, the Treasury team responded with major growth in deposits, in interbank lending and in the repo market, delivering strong growth, profitability and stability.

Of particular note was the successful creation and offering of client products by Treasury, including yield enhancement, funding and hedging solutions to our Corporate client book. And in a development that reflects Bank AlJazira's increasingly "digital first" approach, Treasury enhanced its market position with Fintech and digital banks by onboarding and executing deals with many digital banks.

The Investments desk, despite significant sukuk maturities, successfully grew the investment book, maintaining its proportion relative to the overall balance sheet by tilting more towards non-government investments. Furthermore, the Investments desk also launched and established the equity side of the business, deploying capital in both primary and secondary markets. This initiative not only enhanced the investment book yield but also optimized returns by capturing high profit rates and mitigating the impact of redemptions during the year.

The Primary Dealers desk executed successful Liquidity Enhancement initiatives, leveraging high UST rates to meet and exceed strategic objectives. These efforts strengthened the portfolio, improved book yield through higher primary market allocations, and delivered robust financial outcomes.

The Trading desk achieved exceptional results, surpassing interbank FX targets in line with the bank's strategy to enhance its FX market share, solidifying its market position, and driving financial growth. Treasury also succeeded in re-balancing interbank placements to a longer maturity profile, thereby ensuring a healthy liquidity profile and a strong future outlook.

Treasury actively supports Vision 2030 and contributes to the Financial Sector Development Programme's goals. As one of the primary dealers appointed by the National Debt Management Center (NDMC), Treasury broadened its client base this year by collaborating with AlJazira Capital, running targeted marketing campaigns, and upgrading its Online Subscription system, leading to a notable increase in primary market share.

Enhanced market-making capabilities and deeper relationships with brokers and institutional investors also boosted liquidity in the secondary market and further developed the repo market.