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CFO's Message

2024 saw sustained and solid growth across both the balance sheet and the income statement for Bank AlJazira.

CFO's Message

Net income rose to ⃁ 1.2 billion

Assets increased by 15% to ⃁ 148.9 billion, driven in large part by a strong 20% increase in financing to ⃁ 96.9billion. Customer deposits grew by 15% to ⃁ 108.1 billion, ensuring healthy loan to deposit ratio that fell well within our regulatory and risk parameters. This topline growth translated into a healthy 21% increase in net income to ⃁ 1.2 billion, a milestone record for the bank.

Financing to our commercial customers grew by 22% in the year, a strong performance that reflects the buoyancy and vibrancy of the Saudi economy, as well as being testament to the bank's growing status as a preferred lender to the nation's corporates, while our more mature consumer book saw financing grow by a healthy 17% over the year.

Two areas are worthy of special mention: on-balance sheet trade finance grew by 96% year-on-year, while off-balance sheet trade finance increased by 28%, a sign of Bank AlJazira's growing heft when considered by internationally minded corporates; and residential financing outpaced the market with growth of over 22% in 2024, a sign of the increasing attractiveness of our products and services to our focus affluent retail segment.

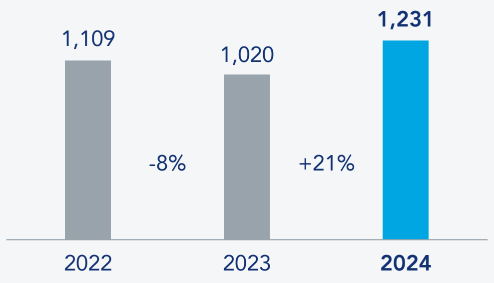
Profitability was further enhanced through the careful management of our investment book, which saw the active replacement of floating with fixed rate investments, a critical performance enhancement in an elevated rates environment. Some 78% of the bank's investment portfolio was in fixed rate assets at the year end.

Of course, if growth is not sustainable, it is not meaningful. It is critical that the bank adopts a prudent and shareholder-centric approach to growth. For this reason, the bank has worked hard to maintain a robust liquidity level, with the loan to deposit ratio standing at 89.6% at the year end, a level that is comfortably above the regulatory minimum.

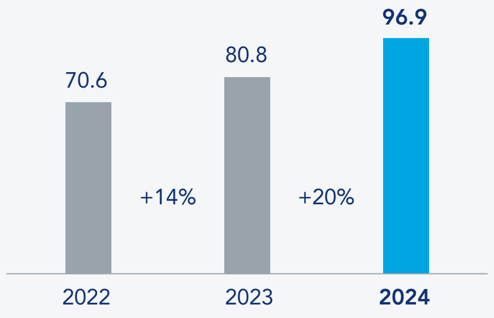
These factors resulted in net income growth of 21% in the year, driven by higher operating income, partly offset by rising expenses. Net financing and investment income increased 11%, supported by asset growth on broadly stable margins. Fee and other income rose by 19%, mainly from trade finance and investment-related fees. Operating expenses rose 9%, due to higher employee, general and administration costs. This performance resulted in the "positive jaws" of income outpacing costs, a performance we fully expect to see continue into 2025. This also enabled the bank to realise an improved cost to income ratio of 56.0% at the year end, and this is an area we will continue to focus on in 2025 and beyond as we drive further efficiencies.

Our topline growth translated into a healthy 21% increase in income. A milestone record for the bank.

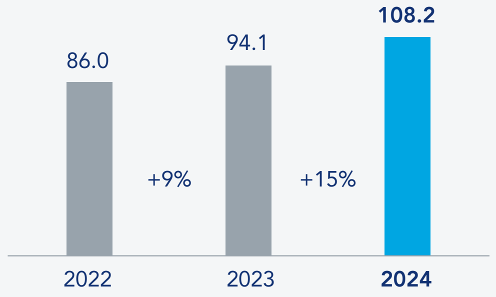
a. Net Income for the Year (⃁ Mn)



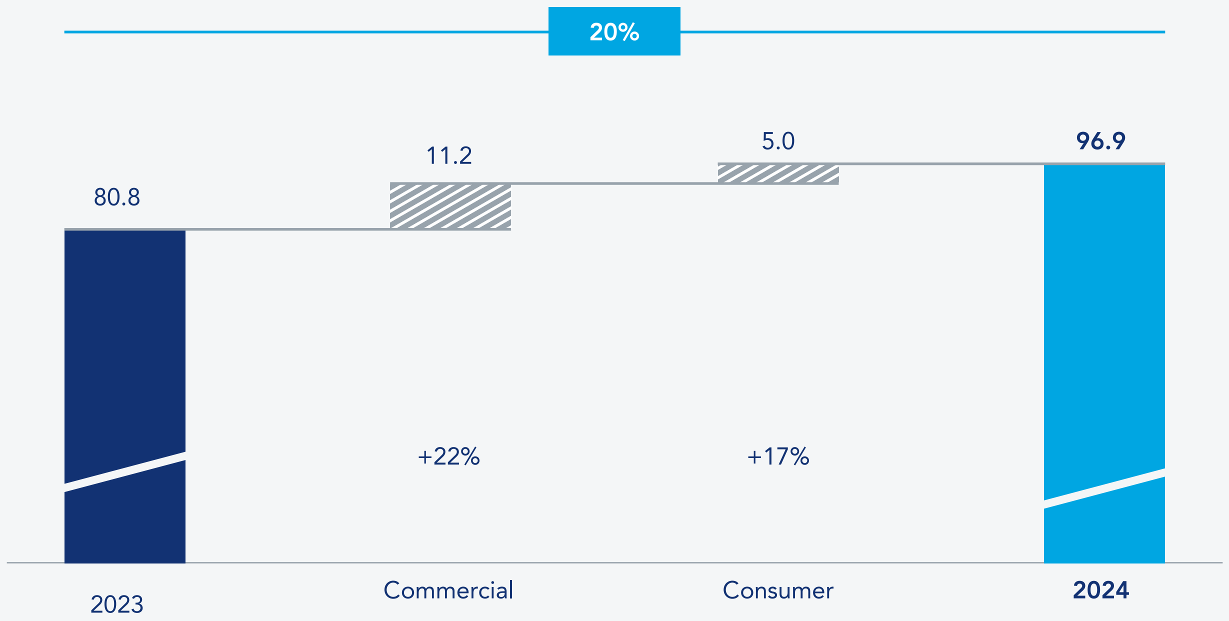
b. Net Financing (⃁ Bn)



c. Customer Deposits (⃁ Bn)



d. Financing Movement YoY (⃁ Bn)



Residential financing

2024: +22% YoY (⃁)

21.8 Bn

Trade finance

On-balance sheet: +96% YoY (⃁)

3.8 Bn

Off-balance sheet: +28% YoY (⃁)

16.2 Bn

Sustainable growth was also demonstrated by the solid performance delivered in margin protection. In an uncertain rates environment, coupled with intense competitive pressures, Bank AlJazira maintained its net margin at 1.99% over the year, with only a slight decline of 5bps compared to 2023.

Credit quality remained healthy in 2024, with enhancements to our collections processes delivering material upside. As a result, the non-performing loan ratio declined by 63 basis points to 1.21%. This in turn helped to maintain the bank's cost of risk at 32 basis points.

Taken together, this strong performance delivered a return on equity of 7.3% in 2024, a level that is below industry average, but which is moving in the right direction and which, with the foundations outlined above in place and delivering, we are confident will continue to grow in 2025 and beyond.

A further supporting evidence point for this confidence is in the consistency of performance that Bank AlJazira has delivered over the past eight quarters, where assets, financing and investment income, fee income and cost management have all moved in the right direction on a consistent basis.

Mr. Hani S. Noori
Senior Vice President and Chief Financial Officer

Credit quality remained healthy, with cost of risk at 32 basis points