Chief Financial Officer's Review

We provided a medium-term outlook at the start of 2024, which was to advance our successful strategy with a more updated set of macroeconomic assumptions. The strategy is clearly working as we continue to recapture lending market share, grow revenues sequentially despite lower benchmark rates, and ultimately, we continue to grow returns. We achieve this with organisational efficiency at the heart of everything we do. Since we launched the strategy in 2021, every year we have set more demanding expectations and 2024 was no different. We remained nimble, as the macro shifted and outlooks changed, and we delivered on our key financial metrics. Headwinds have been present, but we have navigated these challenges well which gives us confidence as we head into 2025: we are a bank transformed and remain very optimistic for the future.

Sequential revenue growth despite lower rates

We delivered ⃁ 14.0 bln of revenue in 2024 which was a 10% increase on 2023, but what was particularly pleasing with our revenue growth in 2024 was how we delivered it. Our sequential quarterly revenue grew each quarter of 2024, despite benchmark rates falling in the second half of the year – which justifies the reason for the shift in our balance sheet structure, where we built up the fixed proportion of our total asset base in order to reduce our sensitivity to benchmark rates. Quarterly revenue now stands at ⃁ 3.5 bln, which is 75% higher than when we started the strategy, with all the businesses contributing to this growth.

Organisational efficiency at our core

During 2024, we delivered growth in our key business lines and much of this was driven by the significant investment we made across the Bank, which started in 2021. This has allowed the Bank to strive for growth, while maintaining our discipline on positive jaws, i.e. ensuring revenue grows faster than operating expenses and bringing down our cost efficiency metric. A good example of this is how we have significantly grown our mortgage originations – over 10x – but using the same number of staff to support this area, through an improved digital journey and improved back office processing. Having reduced cost efficiency down from a percentage that was in the high 40s following the merger to 30.6% for 2024 is a fantastic achievement, and we expect this downward trend to continue.

Asset quality remains strong

Expected credit losses of ⃁ 0.6 bln were broadly unchanged compared with 2023 with a cost-of-risk reducing down to 23 bps. The net charge can be broken down into a charge of ⃁ 0.7 bln partly offset by write-offs net of recoveries of ⃁ 0.1 bln. With a well-diversified loan portfolio and an off-balance sheet trade-related portfolio, mainly consisting of guarantees, our asset quality remains very strong, with no signs of stress within any of the portfolios.

We continue to extract value from our Purchased or Originated Credit Impaired (POCI) portfolio – the acquired portfolio from our merger which was written down to its net recoverable value. A proportion of this portfolio has cured and continues to perform well, which results in some of the recoveries we see. At a bank level, our total NPL ratio including POCI fell to 2.8% and 1.4% when excluding the POCI portfolio.

Strong funding discipline enables continued faster-than-market growth

Our ability to recapture market share rests on the rigour in our funding discipline and our approach to ensuring we are well-capitalised for all points in the cycle. Having built up an envious funding capacity at the start of our strategic journey, we were able to deploy this in faster-than-market loan growth, and the acceleration in our investment portfolio, in order to reduce our interest rate sensitivity. Despite this acceleration in asset growth, our regulatory LDR ratio remains very comfortable at 84% at the end of 2024, in line with the sector. On a simple basis, our LDR ratio of 97% remained well below sector levels of 106%. This competitive advantage has meant we can grow our loan book faster than market and still maintain one of the lowest funding costs in the banking sector in the Kingdom.

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Chief Financial Officer's Review (continued)

Delivering on our financial aspirations

We reported net income after Zakat and income tax of ⃁ 8.1 bln for 2024. This was ⃁ 1.1 bln or 15% higher than 2023 and delivered through solid revenue growth as mentioned earlier. Cost growth was limited to 4% in 2024, resulting in a total cost base of ⃁ 4.3 bln and a cost efficiency ratio of 30.6%. Expected credit losses remained stable, and cost-of-risk fell to 23 bps.

We grew our loan book significantly faster than the market at 20% compared with market's growth of 14%. In fact, we grew faster than the market in both corporate and retail, and importantly grew sustainably throughout the year. Gross loans grew to ⃁ 266 bln, with a corporate portfolio of ⃁ 199 bln, and a retail portfolio of ⃁ 65 bln, which includes a mortgage portfolio that has grown 26% during 2024 to ⃁ 35 bln. Higher balances throughout the year have supported growing revenues.

This translates to a return-on-tangible-equity of 16.0%, 0.7 ppts higher than 2023 and more than double the levels achieved in 2021. Capital levels were strong with a CET1 capital ratio of 15.4%, tier 1 ratio of 17.9%, and a total capital ratio of 19.7%. As we did in 2023, we have utilised more leverage during 2024 as we aim to be more efficient with our capital usage. To further bolster our capital levels for the next phase of our strategy we added a further ⃁ 4 bln of additional tier 1 at the end of 2024.

In summary

We have completed year four of our five-year strategy! It was another successful year where we pushed forward, found efficiencies, and drove higher returns. As we continuously challenge ourselves, we updated our strategy with a medium-term outlook at the start of 2024 that takes us to 2026, and we are on track to deliver on the range of targets we set. With every passing month, the financial results prove that the strategy was the right course, and we remain well positioned to capture future opportunities.

Ms. Lama Ghazzaoui
Chief Financial Officer

97%
Simple LDR ratio (well below against sector levels of 106%)

84%
Regulatory LDR ratio

20%
Loan book growth

16%
Return-on-tangible-equity