

Managing Director's Message

2024 has been a fantastic year where the execution of the Bank has been excellent. We have pushed further with many of the leadership positions that we have built up since the launch of the strategy, and in a year where challenges remained, and following 2023 — where we certainly raised the bar with our performance — the range of deliverables has been astonishing.

The Bank's experience, particularly since the launch of the strategy, has influenced the Senior Management teams' focus in 2024. At the start of the strategic plan, the focus was to make a range of significant investments in the Bank to build up a platform that can weather the medium-term outlook and grow returns. Now in 2024, consistent with these principles, the Bank's focus has been to continue the strong execution, but at the same time harvest an innovation culture that sets the Bank up for the longer-term.

I am very pleased with our performance this year, but that comes down to the hard work and rigour from the last few years; how the Bank has innovated means success for the Bank in the future.

Macro economic backdrop

The Saudi economy has moved through 2024 with a level of smoothness and resilience, and was largely unaffected by regional geo-political pressures and the frequently changing outlook on global interest rates. The Kingdom has a strong investment case, and 2024 has seen 4% growth in the non-oil sector, which now contributes more than half of the Kingdom's economic output. This is an important data point for Saudi Arabia, and shows that diversification has already begun, and that the economy's reliance on the oil price is reducing.

The Saudi investment case is also strengthened by the future demand for credit, which remains very positive given the sheer scale of infrastructure projects in the pipeline for the Kingdom. During 2024, demand for credit has grown to 14% at a total sector level, with an acceleration in corporate demand which reached 18% by the end of 2024. We are now a much more diversified bank, but corporate remains approximately 75% of our portfolio, so we are very optimistic for 2025.

Sustaining our leadership positions

Given the growth and financial performance we delivered in 2023, this would naturally make 2024 an even greater challenge, in order to further expand returns, whilst continuing to substantially outgrow the market. However, this is precisely what SAB delivered during 2024.

We outgrew across corporate and retail segments with 20% growth in our corporate portfolio and 21% growth in our retail book, driven by 26% growth in our mortgage assets. Corporate growth came across a variety of sectors including construction, energy, aviation, and real estate, and completely aligned with many of the key priorities of the Vision. Our corporate portfolio ended the year at ₪ 199 bln but successfully crossed the ₪ 200 bln mark in late December, and it is pleasing to see that we are well ahead of that level currently. Our mortgage book ended the year at ₪ 35.3 bln, and what has been particularly pleasing is that we are now originating nearly 9x the levels we were when we started the rebuild of the mortgage business, and the level of resource dedicated to the business is largely the same. This is a proof point in how our focus on efficiency has provided results, which will become a vital strength as we head into 2025.

We maintained our leadership position in trade with 27% growth in off-balance sheet commitments resulting in 24% market share in the Kingdom. This strength is derived from our unique partnership with HSBC, where we capture the inflow of a number of global corridors where HSBC exists. In addition, we have taken the steps to overhaul our trade platform, investing to transform and digitise the business. Our payments, liquidity, and cash management services remain unrivalled in the sector.

Innovation is key for the Bank-of-the-future

How SAB maintains these leadership positions and further expands its financial performance has been a key focus area for us during 2024 and we believe that innovation will be at the heart of this. The importance of this cannot be overstated, and therefore we shifted our digital team into an innovation team headed up by a Chief Innovation Officer who reports directly to me. The shift takes the strategy from a digital advisory approach to a research and experimentation approach that then leads to commercialisation of the ideas.

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Managing Director's Message (continued)

We launched and inaugurated our Innovation Centre which comprises an entire floor of the headquarters. This shift is already producing results, with strong engagement of staff through targeted training programmes. These engagements turn into valuable ideas, and the ideas that we operationalise ultimately improve the Bank's profits. Our Innovation Centre is a place where we can invite fintechs and collaborators to co-create solutions, and slick and sophisticated tools that ultimately will help customers, improve their experience, and further loyalty. Ultimately, our aim for innovation banking is to drive material revenue growth and significant cost efficiencies.

We intend to be at the forefront of meeting the needs of the 'new economy'. We will do this organically, through partnerships and collaboration, and by investing directly into new ventures and technology. Our fintech focus areas include Open Banking, ESG, Virtual Assets, and Embedded Finance and this journey takes us beyond our domestic borders, where we are collaborating internationally, to bring the solutions of the future to the Saudi market.

During 2024, we established the X-Tech fund (in partnership with our Capital Markets subsidiary, SAB Invest), to further support early stage, fast growth companies in KSA and the wider Middle East region.

We are driving forward the agenda and supporting the Saudi Central Bank (SAMA) with its Financial Innovation agenda. SAB was selected by SAMA as a core member bank engaged in their Virtual Assets Programme, and we continue to support Open Banking development. Innovation is the responsibility of the entire sector and banking ecosystem, but at SAB, we are very proud to be leading the charge.

Achieving our financial targets whilst protecting future revenues

As I mentioned earlier, 2023 was a fantastic year when it came to hitting financial targets, almost making 2024 an even greater challenge. However, delivering 15% net income growth to deliver ₪ 8.1 bln of net income – another record for SAB – is a particularly proud moment. We are now delivering over ₪ 3.5 bln of revenue per quarter, which is over 75% higher than when we launched the strategy when we generated ₪ 2.0 bln per quarter. And with the steps we've taken over the last two years to reduce our sensitivity to rates, by fixing up more of our balance sheet, we have created a new baseline for the Bank with respect to revenue generation.

Altogether we met the guidance we provided to the market for 2024, exceeding the vast majority, and it was very pleasing to see our returns hit 16%, which are more than double the levels of when we commenced the strategy. This has been driven by a number of ingredients: strong risk management, rigour with cost control, and leveraging our funding capacity to capture market share in our loan portfolios. We have achieved this in all of our key focus areas, with 21% retail growth and 20% corporate growth as mentioned earlier, and consistently and sustainably captured market share.

15%

Net income growth

21%

Retail growth

Championing the vision for sustainable change

We continue to lead the charge for sustainable banking through our commitment to empowering partners and communities, fostering innovation and capability that is aligned to the Kingdom's Vision. The Saudi Green Initiative aims to address climate change while fostering land conservation, afforestation, and a greener future for all. Our commitments, from planting one million trees to driving ₪ 34 bln of sustainable financing, highlight the importance we as a bank place on this drive. This is not just limited to environmental factors; diversity and inclusion are pivotal. Our commitment to the UN Women Empowerment Principles is underpinned by our newly launched Balance Programme, designed to empower women within our workforce. This initiative provides targeted support, mentorship, and development opportunities, ensuring that women have the resources and encouragement needed to thrive in their careers at SAB. By championing diversity, we enhance our organisational culture and drive innovation, which are essential for navigating the complexities of the modern financial landscape.

The financial sector has a unique opportunity to drive the transition to a low-carbon economy, and we are determined to lead by example. Our commitment to decarbonisation remains a top priority. We are dedicated to achieving net zero operations by 2035 and net zero emissions in our financed portfolio by 2060 or earlier.

In conclusion

2024 raises the bar once again for SAB. We've navigated a changeable year with consistency in leadership positions growing financial returns, driven forward innovation setting the standard for the industry, continued to provide financing and banking opportunities to both our long-serving customers and new-to-bank customers alike. The Bank is able to deliver these outcomes because of the strength of our employees, Senior Management team, and Board. Investment in our employees – our core assets – will always grow, and it has been extremely pleasing to see higher employee satisfaction over the course of 2024.

As always, we remain extremely grateful to SAMA and the Capital Market Authority, and to other government agencies and ministries, who spur the banking sector to bigger and better positions.

As I said last year, our differentiation in the Saudi banking space is clear – we are the leading international bank in the Kingdom.

Our connectivity to the HSBC Group means our customers have access to a wider global network, and we provide a familiar banking partner for international companies coming into the Kingdom. We are in the perfect position to capture cross-border flows, and as the Kingdom continues on its transformation journey, we are positioned extremely favourably to take advantage of the opportunities ahead of us.

Tony Cripps

CEO and Managing Director

20%

Corporate growth

Net zero operations

2035

