

Strategy

At the start of the strategic plan in 2021, the first focus was to establish a range of significant investments in the Bank to build up a platform that can weather the medium-term outlook and grow returns. 2023 and 2024 are undeniable proof points of the strategic direction where execution translated into higher returns and faster-than-market growth. 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.

Our strategic delivery

2024 was another year of growth following a period of high investment into our products and services, as well as our IT architecture and infrastructure. Execution took the form of balance sheet growth, whilst flexing our investment portfolio given the changing outlook rate that 2024 presented. Despite certain uncertainties, the Bank delivered a solid performance across all key financial metrics including growth in return on tangible equity to 16.0%, improved cost efficiency of 30.6%, and enviable liquidity metrics, such as a regulatory loan-to-deposit ratio of 84%. To support future growth aspirations, the Bank issued a further 4 bln of AT1 sukuk and maintained an extremely competitive dividend pay-out ratio of 53%.



Vision

We bring a world of financial opportunities to an ambitious Kingdom

Offer a leading online and mobile digital banking experience

Best-in-class universal banking, serving all customer groups in the Kingdom

Be the leading international bank in the Kingdom, accessing an unrivalled global network through HSBC

Embed ESG at the heart of the organisation, making SAB the most attractive organization for all stakeholders

The steps we will take

Build on our core strengths

- > Bank of choice for large corporates
- > Reinforce leadership in trade and payments
- > Maintain leadership in wealth
- > Reinforce our position in cards

Maximise our participation in key growth areas

- > Fastest-growing mid-corporate business
- > Digital SME focus
- > Mortgage expansion through REDF
- > Growth in sustainable finance and investment assets, deposits, and revenue

Transform the organisation

- > Lead in digital innovation and evolve the IT architecture
- > Transform HR and develop the right talent
- > Revamp operating model through automation and digitisation
- > Align the Bank with KSA's green initiative, supporting a sustainable future for the Kingdom

Returns

Increase return on tangible equity (RoTE) and earnings per share (EPS)

Improve cost-to-income ratio (CER)

Maintain strong capital and liquidity

Maintain dividend pay-out

16.0%	﷼ 3.78	30.6%	17.9%	84%	﷼ 2.00
RoTE	EPS	CER	Tier 1 ratio	Regulatory LDR ratio	Dividends per share during 2024
↑ 0.7 ppt	↑ ﷼ 0.37		↑ (improved with the ﷼ 4 bln AT1 issuance)		

Strategy (continued)

Performance review

2019	2020	2021	2022	2023	2024
<div><div>> 10% loan decline</div><div>> 64% NIBs</div><div>> 40% cost efficiency</div><div>> 5.4% NPL ratio</div><div>> 175bps CoR</div><div>> 7.7% RoTE</div></div>	<div><div>> 2% loan growth</div><div>> 71% NIBs</div><div>> 48% cost efficiency</div><div>> 5.8% NPL ratio</div><div>> 102bps CoR</div><div>> 7.2% RoTE</div></div>	<div><div>> 9% loan growth</div><div>> 81% NIBs</div><div>> 45% cost efficiency</div><div>> 4.6% NPL ratio</div><div>> 27bps CoR</div><div>> 7.7% RoTE</div></div>	<div><div>> 9% loan growth</div><div>> 64% NIBs</div><div>> 38% cost efficiency</div><div>> 4.3% NPL ratio</div><div>> 24bps CoR</div><div>> 11.2% RoTE</div></div>	<div><div>> 18% loan growth</div><div>> 55% NIBs</div><div>> 32% cost efficiency</div><div>> 3.5% NPL ratio</div><div>> 27bps CoR</div><div>> 15.3% RoTE</div></div>	<div><div>> 20% loan growth</div><div>> 51% NIBs</div><div>> 30.6% cost efficiency</div><div>> 2.8% NPL ratio</div><div>> 23bps CoR</div><div>> 16.0% RoTE</div></div>
We merge	We integrate	We invest	We grow and build returns		

2024 in focus

Loan growth during 2024 was significantly ahead of the market across both our corporate and retail franchises. Corporate growth was aligned with our strategic strengths in our institutional, multinational, and large corporate business segments. This was complemented by increased activity in our SME portfolio, which, although relatively smaller, has benefited from focused investment. Our retail segment went from strength to strength, with our mortgage portfolio taking considerable origination market share of 11% during 2024, allowing the Bank to build its mortgage portfolio to 35 bln, a 26% increase on 2023.

A key tenet of the strategy – as policy interest rates peaked globally – was to shift the makeup of the balance sheet to be more attuned to a falling rate environment. SAB has been a key beneficiary of increasing global policy rates, which have, in turn, increased the Saudi Arabian interbank offer rate (SAIBOR), but we have taken proactive steps to protect current levels of revenue in anticipation of falling rates. Our Treasury segment invested capital into the local bond market, increasing our investment portfolio to 98 bln, with a greater proportion of the portfolio being fixed. This, with a larger mortgage portfolio, translates to a less sensitive balance sheet for the Bank as we approach the next phase of the rate cycle. The start of the cutting cycle began in the second half of 2024; the outlook remains fairly changeable, but our balance sheet is structured in such a way to negate the uncertainty.

Innovation

How we maintain our various leadership positions and further expand our financial performance has been a key focus area during 2024 and we believe that innovation will be at the heart of this. We shifted the digital team into an innovation team headed up by a Chief Innovation Officer and we shifted the strategy from a digital advisory approach to a research and experimentation approach.

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, engagement turning into valuable ideas, and ideas that we operationalize ultimately improving the Bank's profits.

