



## 2020 BOARD OF DIRECTORS' REPORT

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The Board of Directors of The Saudi Investment Bank ("the Bank") are pleased to present its Annual Report for the year ended December 31, 2020. In addition to the financial results, the Annual Report includes information about the Bank's activities, achievements, strategies, the composition and oversight of the Board of Directors and its subcommittees, in addition to other complementary data to inform the reader.

### **Overview**

The Bank is a Saudi joint stock company formed pursuant to a Royal Decree M/31 issued in 1976, with its Head Office in Riyadh. The Bank operates 52 branches located throughout the Kingdom of Saudi Arabia. The Bank's major shareholders include:

- |   |        |
|---|--------|
| • General Organization for Social Insurance | 16.56% |
| • Public Pension Agency                     | 13.99% |

The Bank's website address is [www.saib.com.sa](http://www.saib.com.sa).

### **Main banking activities**

The Bank offers conventional and Shariah compliant products and services for large corporate clients, individuals, and commercial businesses comprising small and medium size enterprises through the Bank's head office and a network of retail branches located throughout the Kingdom. The Bank also provides financial products and services to corporate, government, and public sector entities through its three regional offices located in Riyadh, Jeddah, and Al-Khobar. The Bank, through its wholly-owned subsidiary Alistithmar for Financial Securities and Brokerage Company (Alistithmar Capital), also provides brokerage services in the Saudi and international markets, as well as offering asset management products and services.

The Bank is subject to the laws and regulations of the Kingdom of Saudi Arabia and is regulated by the Saudi Central Bank ("SAMA"). The Bank also follows the regulations issued by the Ministry of Commerce ("MOC") and the Capital Market Authority ("CMA").

### **COVID-19 Pandemic**

The Coronavirus ("COVID-19") Pandemic (the Pandemic) continues to disrupt global markets as many geographies are still battling the virus despite having previously controlled the outbreak through aggressive precautionary measures such as imposing restrictions on travel, lockdowns, and strict social distancing rules. The Government of KSA ("the Government") however has managed to successfully control the outbreak, owing primarily to the swift and effective measures taken by the Government. At the time of writing, the Government has ended the lockdowns with a view to allowing economic activity to resume has begun taking phased measures to normalize international travel and resume Umrah pilgrimages.

The Bank continues to be cognizant of both the micro and macroeconomic challenges that COVID-19 poses, the effects of which may be felt for some time.

In response to the Pandemic, SAMA launched the Private Sector Financing Support Program ("PSFSP") in March 2020 to provide the necessary support to Micro Small and Medium Enterprises ("MSME"). As part of the PSFSP, the Bank was required to defer the repayments of eligible MSME borrowing customers, initially for six months but subject to further extension as circumstances dictate. The payment reliefs were considered as short-term liquidity support to address the borrower's potential cash flow issues. The Bank implemented the PSFSP by deferring the instalments falling due within the period from March 14, 2020 to September 14, 2020 for a period of six months without increasing the facility tenor.

On September 1, 2020, SAMA extended the deferred payments program by requiring an additional three month payment deferrals for eligible MSMEs until December 14, 2020. The Bank has effected the payment reliefs by deferring the instalments falling due within the period from September 15, 2020 to December 14, 2020 for an additional three month period without increasing the facility tenure.



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During the three month period ended December 31, 2020, SAMA further extended the deferred payments program until March 31, 2021. The Bank has effected the payment reliefs by deferring the instalments falling due within the period from December 15, 2020 to March 31, 2021 without increasing the facility tenure. The Bank observed that this timely action to provide liquidity to the MSME sector has saved businesses and jobs, and hence has served its purpose well in unprecedented times.

In order to compensate for the related costs that the Bank is expected to incur under the SAMA and other public authority programs during the year ended December 31, 2020, the Bank received commission free deposits from SAMA amounting to SAR 3.8 billion with varying maturities.

In line with its monetary and financial stability mandate, SAMA injected fifty billion riyals in the financial sector in order to:

- enhance the liquidity in the banking sector and enable it to continue its role in providing credit facilities to private sector companies;
- restructure current credit facilities without any additional fees;
- support plans to maintain employment levels in the private sector; and
- provide relief for a number of banking fees that have been waived for customers.

In this regard, during Q2 2020, the Bank received a SAR 2.32 billion commission free deposit with a one-year maturity.

In recognition of the significant efforts that the healthcare workers are putting in to safeguard the health of our citizens and residents in response to the pandemic, the Bank also voluntarily postponed loan payments for three months for all public and private health care workers who have credit facilities with the Group.

### **Significant highlights**

Work continued on the implementation of the Bank's Three-year Strategy, continued progress in several core business areas, increasing our customer base, improving service quality, and further automating the retail banking business. As part of our ongoing retail activities, the Bank continued to enhance the ALASALAH Islamic Banking brand. Under this brand, The Bank operates 49 Shariah compliant branches within the Kingdom.

The Bank also continued its credit rating review process with Standard & Poor's (S&P), Fitch, and Moody's Ratings the details of which are included later in this report.

During 2020, the Bank received a number of awards including:

- "Best Digital Transformation Bank – 2020 Saudi Arabia" awarded by Global Business Outlook, and
- "Best International Travel Card – 2020 Saudi Arabia" awarded by Global Business Outlook.

### **Basis of preparation of the Bank's consolidated financial statements**

The consolidated financial statements as of and for the year ended December 31, 2020 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed in KSA and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA"); and are in compliance with the provisions of the Banking Control Law, the Regulations for Companies in KSA, and the Bank's Articles of Association.

### **Financial position**

A summary of the Bank's statement of financial position as of December 31, 2020 compared to December 31, 2019 follows.



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### Total assets

Total assets were SAR 99.9 billion as of December 31, 2020 which were lower by SAR 0.9 billion or 0.89% compared to the December 31, 2019 amount of SAR 100.8 billion. The key balance sheet movements are discussed below.

### Cash and balances with SAMA

The Banks cash and balance with SAMA totaled SAR 8.3 billion as of December 31, 2020 compared to SAR 10.2 billion as of December 31, 2019.

### Investments

The Bank's investment portfolio totaled SAR 30.5 billion as of December 31, 2020 compared to SAR 26.2 billion on December 31, 2019, representing an increase of SAR 4.3 billion or 16.41%.

Investments classified by major rating agencies as investment grade represented 88.26% of the Bank's investment portfolio as of December 31, 2020, compared to 86.25% as of December 31, 2019.

### Loans and Advances, net

Loans and advances, net as of December 31, 2020 totaled SAR 55.1 billion compared to SAR 57.1 billion as of December 31, 2019, representing a decrease of SAR 2.0 billion or 3.50%. Total performing loans decreased to SAR 55.7 billion as of December 31, 2020 compared to SAR 57.1 billion as of December 31, 2019, which was primarily due to lower consumer loans.

Non- performing loans decreased to SAR 1.2 billion as of December 31, 2020 compared to SAR 2.4 billion as of December 31, 2019. Non-performing loans as a percent of total loans and advances was 2.04% as of December 31, 2020, compared to 3.99% as of December 31, 2019.

The allowance for credit losses totaled SAR 1.8 billion as of December 31, 2020 which was 3.09% of total loans, and 151.45% of non-performing loans. This compared to SAR 2.4 billion as of December 31, 2019 which was 4.04% of total loans, and 101.32% of non-performing loans.

Loans and advances as of December 31, 2020 include non-interest based banking products including Murabaha agreements, Tawarruq, Istisna'a and Ijarah totaling SAR 41.2 billion, compared to SAR 39.0 billion as of December 31, 2019.

The Bank in the ordinary course of lending activities holds collateral as security to mitigate credit risk on its loans and advances. The collateral includes primarily time, demand, and other cash deposits, financial guarantees, local and international equities, real estate, and other assets. The estimated fair value of collateral held by the Bank as security for total loans and advances is approximately SAR 50.5 billion as of December 31, 2020, compared to SAR 47.3 billion as of December 31, 2019.

### Customer Deposits

Customer deposits totaled SAR 60.1 billion as of December 31, 2020 compared to SAR 69.1 billion as of December 31, 2019, representing a decrease of SAR 9.0 billion or 13.02%. Demand and other deposits totaled SAR 34.6 billion as of December 31, 2020 compared to SAR 27.4 billion as of December 31, 2019, representing an increase of SAR 7.2 billion, or 26.28%. Demand and other deposits represent 57.45% of total deposits in 2020 compared to 39.66% of total deposits in 2019. Special commission bearing deposits decreased by SAR 16.1 billion during the year ended December 31, 2020, or 38.59%.

### Term Loans

On June 19, 2016, the Bank entered into a five year medium term loan facility agreement for an amount of SAR 1.0 billion for general corporate purposes. The facility has been fully utilized and is repayable on June 19, 2021. On September 26, 2017, the Bank entered into another five year medium term loan facility agreement for an amount of SAR 1.0 billion for general corporate purposes. The facility was fully utilized on October 4, 2017 and was originally repayable on September 26, 2022 (later amended to be May 26, 2021).



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The term loans bear commission at market based variable rates. The Bank has an option to effect early repayment of the term loans subject to the terms and conditions of the related facility agreements. The facility agreements above include covenants which require maintenance of certain financial ratios and other requirements, with which the Bank is in compliance. The Bank also has not had any defaults of principal or commission on the term loans.

### Total equity

During the year ended December 31, 2020, the Bank's total equity increased to SAR 15.3 billion compared to SAR 14.0 billion as of December 31, 2019.

The percentage of total equity to total assets as of December 31, 2020 was 15.35%, compared to 13.89% as of December 31, 2019. The Bank's shareholders' equity leverage ratio was 7.49 on December 31, 2020 compared to 8.40 as of December 31, 2019.

### Treasury Shares

On June 14, 2018, the Bank entered into a Share Purchase Agreement with J.P. Morgan International Finance Limited (JP Morgan), to purchase 56,245,350 shares of the Bank owned by JP Morgan for SAR 13.50 per share equal to SAR 759.3 million, exclusive of transaction costs and estimated Income tax. The Bank subsequently received all required regulatory approvals and the agreement to purchase the shares was approved in an Extraordinary General Assembly meeting held on 16 Muharram 1440H, corresponding to September 26, 2018. On September 27, 2018, the Bank completed the purchase. The Treasury shares purchased include transaction costs and estimated income tax for a total cost of SAR 787.5 million.

On November 29, 2018, the Bank entered into a Share Purchase Agreement with Mizuho Bank Ltd (Mizuho), to purchase another 18,749,860 shares of the Bank owned by Mizuho for SAR 13.50 per share equal to SAR 253.1 million, exclusive of transaction costs and estimated Income tax. The Bank received all regulatory approvals for the purchase, and the agreement to purchase the shares was approved in an Extraordinary General Assembly Meeting held on 21 Rajab 1440H, corresponding to March 28, 2019. On May 28, 2019, the Bank completed the purchase. The Treasury shares purchased include transaction costs for a total cost of SAR 253.5 million.

The share capital of the Bank has not been reduced as a result of these transactions with the cost of the shares purchased totalling SAR 1,041.1 million presented as a reduction of shareholders' equity.

The total number of shares outstanding as of December 31, 2020 was approximately 675 million shares after reflecting the Treasury shares held by the Bank.

### Tier I Sukuk Program

The Bank completed the establishment of a Shariah compliant Tier I Sukuk Program (the Program) in 2016. The Program was approved by the Bank's regulatory authorities and shareholders. The Bank has issued the following Tier I Sukuk securities under the program on the dates indicated as of December 31, 2020 and 2019:

	2020 SAR '000	2019 SAR '000
November 16, 2016	500,000	500,000
June 6, 2017	285,000	285,000
March 21, 2018	1,000,000	1,000,000
April 15, 2019	215,000	215,000
Total	<u>2,000,000</u>	<u>2,000,000</u>

The Tier I Sukuk securities are perpetual with no fixed redemption dates and represent an undivided ownership interest in the Sukuk assets, constituting an unsecured conditional and subordinated obligation of the Bank classified under equity. However, the Bank has the exclusive right to redeem or call the Tier I Sukuk debt securities in a specific period of time, subject to the terms and conditions stipulated in the Program.



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### Capital Adequacy

The Bank's objectives when managing capital are to comply with the capital requirements set by SAMA to safeguard the Bank's ability to continue as a going concern, and to maintain a strong capital base.

Capital adequacy and the use of Regulatory capital are regularly monitored by the Bank's management. SAMA requires the Bank to hold a minimum level of regulatory capital and maintain a ratio of total Regulatory capital to Risk Weighted Assets (RWA) at or above the requirement of 10.5%, which includes additional buffers as required by the Basel Committee on Banking Supervision.

The Bank monitors the adequacy of its capital using ratios established by SAMA. These ratios measure capital adequacy by comparing the Bank's eligible capital with its consolidated statement of financial position assets, commitments, and notional amounts of derivatives, at a weighted amount to reflect their relative risk.

As of December 31, 2020, the Bank's Tier I plus Tier II capital adequacy ratio stood at 21.21% compared to 18.26% as of December 31, 2019.

### Summary results of operations

A summary of the Bank's results of operations for the year ended December 31, 2020 compared to December 31, 2019 follows.

### Operating Income

Total operating income reached SAR 2,846 million in 2020, compared to SAR 2,818 million in 2019, an increase of SAR 28 million, or 0.99%. A summary of the 2020 operating income compared to 2019 follows:

- Net special commission income, which includes special commission income from placements, investments, and loans, less special commission expense from deposits and other borrowings, reached SAR 2,322 million in 2020 compared to SAR 2,278 million in 2019, an increase of SAR 44 million, or 1.93%.
- Fees from banking services reached SAR 303 million in 2020, compared to SAR 299 million in 2019, an increase of SAR 4 million, or 1.34%. The increase was due to higher fees from the brokerage business and corporate and retail finance.
- Exchange income reached SAR 177 million in 2020, compared to SAR 156 million in 2019, an increase of SAR 21 million, or 13.46%. This reflects increased volumes in customer FX transactions reflecting the Bank's cross-sell coordination between Treasury, and its Retail and Corporate clients.
- Dividend income was SAR 0.014 million in 2020, compared to nil in 2019.
- Other investment related gains earned from income recognized through profit and loss and sales of debt securities totaled SAR108 million in 2020 compared to SAR 47 million in 2019.
- Unrealized fair value through profit and loss statement was a net loss of SAR 82 million in 2020 compared to a gain of SAR 7 million in 2019.
- All other operating income totaled SAR 18 million in 2020, compared to SAR 31 million in 2019.

### Geographical distribution of operating Income

The Bank's total operating income is entirely generated from its operations in the Kingdom of Saudi Arabia and is summarized below in SAR million.

	Central Region	Western Region	Eastern Region	Total
2020	2,365	281	200	2,846
2019	2,235	394	189	2,818



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### Operating expenses before provisions for credit and other losses

Operating expenses before provisions for credit and other losses totaled SAR 1,214 million in 2020 compared to SAR 1,234 million in 2019, a decrease of SAR 20 million or 1.63%. A summary of these operating expenses follows:

- Salaries and employee related expenses in 2020 totaled SAR 672 million compared to SAR 626 million in 2019. The head count as of December 31, 2020 was 1,429 compared to 1,437 as of December 31, 2019.
- Rent and premises related expenses in 2020 totaled SAR 128 million compared to SAR 144 million in 2019.
- Depreciation and amortization in 2020 totaled SAR 145 million compared to 144 million in 2019.
- Other general and administrative expenses totaled SAR 269 million in 2020 compared to SAR 320 million in 2019, a decrease of SAR 51 million or 16.03%.

The level of operating expenses in 2020 resulted in a net efficiency ratio of 43.04% compared to 41.60% in 2019.

### Provisions for credit and other losses

The provisions for credit and other losses incurred in 2020 compared to 2019 is summarized as follows:

	2020 SAR '000	2019 SAR '000
Provisions for credit losses:		
Due from banks and other financial institutions	1,114	(615)
Investments	1,726	(45,821)
Loans and advances	453,527	1,270,770
Financial guarantee contracts	(6,843)	52,077
Other assets	(111)	(180)
Provisions for credit losses	449,413	1,276,231
Provisions for real estate losses	-	66,406
Provisions for credit and other losses	449,413	1,342,637

The provisions for credit losses include SAR 246.3 million provided due to the expected impact of the COVID-19 Pandemic. The details are given below.

The Bank has revised certain inputs and assumptions used for the determination of the Expected Credit Loss (ECL) allowance. The revisions mainly revolved around:

- adjusting macroeconomic factors used by the Bank in its ECL model including observed default rates;
- revising the scenario probabilities; and
- refining staging criteria in light of the SAMA support measures and to effectively identify exposures where lifetime ECL losses may have been triggered despite repayment holidays.

The adjustments to macroeconomic factors and scenario weightages resulted in an additional ECL provision of SAR 47.8 million for the year ended December 31, 2020. The Bank's ECL model continues to be sensitive to the above assumptions and is continually reassessed as part of its business as usual model refinement exercise. As with any forecasts, the projections and likelihoods of occurrence are underpinned by significant judgement and uncertainty and therefore, the actual outcomes may be different to those projected.

As the situation continues to be fluid, management considers certain effects cannot be fully incorporated into the ECL calculations at this point in time. Accordingly, management's ECL assessment includes a sector-based assessment and staging analysis depending on the impacted portfolios and macroeconomic analysis. The Bank has therefore recognized post-model overlays of SAR 177.7 million and SAR 20.8 million for the year ended December 31, 2020 for its corporate and retail loan and advances portfolio respectively. The Group will continue to reassess the need for additional overlays as more reliable data becomes available and accordingly determine if any adjustment to the ECL allowance is required in subsequent reporting periods.





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### Share in earnings of associates

The Bank's share in earnings of associates totaled SAR 46 million in 2020, compared to SAR 88 million in 2019, a decrease of SAR 42 million.

### Provisions for Zakat and Income Tax

The provisions for Zakat and Income Tax totaling SAR 249 million in 2020 was higher than the SAR 90 million in 2019 primarily due to the higher net income in 2020 compared to 2019. A summary of the provisions for Zakat and Income in 2020 compared to 2019 is summarized as follows:

	2020 SAR'000	2019 SAR'000
Provisions for Zakat		
- For current period	246,201	76,809
- For subsidiaries, prior periods	2,745	3,300
Provisions for Income tax		
- For current period	-	1,800
- For prior periods	-	8,131
Provisions for Zakat and Income tax	<u>248,946</u>	<u>90,040</u>

### Net income

The Bank reported net income for the year ended December 31, 2020 of SAR 980 million, an increase of SAR 741 million, or 310%, compared to the 2019 net income of SAR 239 million. The return on average assets was 0.98% in 2020 compared to 0.24% in 2019, and the return on average shareholders' equity was 7.73% in 2020 compared to 2.03% in 2019.

### Profit distribution

In accordance with Saudi Arabian Banking Control Law and the Articles of Association of the Bank, a minimum of 25% of the annual net income is required to be transferred to a statutory reserve until this reserve equals the paid up capital of the Bank. Accordingly, SAR 245 million has been transferred from 2020 net income. The statutory reserve is not currently available for distribution.

The Board of Directors proposed a cash dividend for the year 2020 of SAR 270 million equal to SAR 0.40 per share, net of Zakat. The proposed cash dividend will be presented for approval in an extraordinary general assembly meeting expected to convene in 2021.

### Net income by operating segment

The income of the Bank's reportable operating segments for the years ended December 31, 2020 and 2019 is summarized as follows:

	2020 SAR'000	2019 SAR'000
Retail Banking	313,227	(622,959)
Corporate Banking	462,389	601,148
Treasury and Investments	651,011	559,557
Asset Management and Brokerage	80,571	33,832
Others*	<u>(278,691)</u>	<u>(242,077)</u>
Income before provisions for Zakat and Income Tax	1,228,507	329,501
Provisions for Zakat and Income tax	<u>(248,946)</u>	<u>(90,040)</u>
Net income	<u>979,561</u>	<u>239,461</u>

\*Others include the net results related to Information Technology, Operations, Risk, and other support units.



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### **Five-year financial highlights**

A summary of the Bank's operations, financial position, and key ratios follows.

	SAR in millions				
	2020	2019	2018	2017	2016
<b>Operations</b>					
Total income (1)	2,892	2,906	2,824	2,792	2,557
Total expense (2)	1,214	1,234	1,133	1,059	1,051
Operating profit before provisions	1,678	1,672	1,691	1,733	1,506
Provisions for credit and other losses	449	1,343	247	322	453
Provisions for Zakat and Income Tax (3)	249	90	868	-	-
Net income	980	239	576	1,411	1,053
<b>Financial position</b>					
Total assets	99,885	100,815	96,070	93,796	93,047
Loans and advances, net	55,074	57,112	59,413	59,588	60,249
Investments	30,514	26,175	24,638	21,714	21,448
Investments in associates	846	994	1,012	1,020	1,000
Term loans	2,006	2,012	2,030	2,015	2,032
Subordinated debt	-	-	2,006	2,003	2,002
Customer deposits	60,144	69,058	63,690	66,943	65,640
Shareholders' equity	13,331	12,007	11,621	13,494	12,834
Tier I Sukuk	2,000	2,000	1,785	785	500
Total equity	15,331	14,007	13,406	14,279	13,334
<b>Key ratios</b>					
Return on average Shareholders' equity (%)	7.73	2.03	4.73	10.72	8.54
Return on average assets (%)	0.98	0.24	0.61	1.51	1.13
Capital adequacy (%)	21.21	18.26	19.31	20.38	18.93
Equity to total assets (%)	15.35	13.89	13.95	15.22	14.33

(1) Total income includes total operating income plus share in earnings of associates.

(2) Total expense includes total operating expenses before impairment charges.

(3) The years prior to 2018 have not been adjusted for provisions for Zakat and Income Tax.

### **Regulatory payments**

The Bank in the ordinary course of its business, makes regulatory payments including Zakat, Income Tax, withholding tax, Value Added Tax, and other regulatory payments.





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A summary of the payments made during 2020 follows, which also includes regulatory fines incurred during the year.

### Zakat Settlement

In December 2018, the Bank agreed with the GAZT to a settlement of Zakat assessments for the years 2006 to 2017 for SAR 775.5 million. The discounted Zakat liability of SAR 711.8 million was fully provided for through a charge to the consolidated statement of income with the corresponding liability included in other liabilities as of December 31, 2018. The Bank has paid SAR 155 million, SAR 124 million and SAR 124 million on January 1, 2019, December 1, 2019 and December 1, 2020 respectively, as per the settlement agreement. The undiscounted Zakat settlement liability remaining to be paid and the net discounted Zakat liability is as follows:

	SAR'000
December 1, 2021	124,072
December 1, 2022	124,072
December 1, 2023	124,072
Undiscounted Zakat settlement liability	372,216
Less: Discount	(25,579)
Net discounted Zakat liability	346,637

The Zakat settlement also included provisions for the Bank to calculate the Zakat liability for the year ended December 31, 2018 using the same methodology as was agreed in the settlement for the prior years. The 2018 Zakat was calculated based on this method and was also charged to the consolidated statement of income in 2018 and was settled by April 30, 2019.

The Zakat settlement also did not include the year 2005. However, the Bank provided for an additional Zakat liability for 2005 amounting to SAR 38.6 million which was charged to the consolidated statement of income in 2018 and was settled in 2019.

On March 14, 2019, the GAZT published rules (the "Rules") for the computation of Zakat for companies engaged in financing activities and licensed by SAMA. The Rules are issued pursuant to the Zakat Implementing Regulations and are applicable for the periods beginning January 1, 2019. In addition to providing a new basis for calculation of the Zakat base, the Rules have also introduced a minimum floor and maximum cap at 4 times and 8 times respectively of net income. The Zakat liability for the Saudi shareholders will continue to be calculated at 2.5% of the Zakat base but it should not fall below the minimum floor nor should exceed the maximum cap as prescribed by the Rules.

The Bank has provided for Zakat for the year ended December 31, 2020 and 2019 on the basis of the Bank's understanding of these rules.

### Withholding tax

The Bank paid SAR 53.7 million to the GAZT for Withholding tax for the year ended December 31, 2020.

### Value Added Tax (VAT)

The Bank paid SAR 48.2 million to the GAZT for VAT for the year ended December 31, 2020.

### Other Regulatory Payments

The Bank paid SAR 50.4 million to the General Organization for Social Insurance for its employees, including the employee share of SAR 22.6 million during the year ended December 31, 2020. The Bank also paid SAR 1.5 million for visa and other related governmental fees during the year ended December 31, 2020.

### Regulatory penalties and fines

During 2020, the Bank paid SAR 1,920,000 to SAMA as a result of (5) regulatory fines and penalties.



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Below is a breakdown of regulatory fines borne by the Bank during 2020.

Fines Amount In SAR	Description of the fine	No. of fines
205,000	Violating SAMA's instructions	3
1,680,000	Violating SAMA's Instructions for Consumer Protection	1
35,000	Violating SAMA's instructions of Self-Supervisory Guidelines	1

### **Our Strategy**

The Bank's Three-year Strategy 2020-2022 was approved in 2019, and stresses on the positive impact of agility. It enables and promotes close collaboration to increase efficiency/productivity and reduces product launch cycle times.

The new strategy aspires to record continuous growth focusing on a number of key areas, such as long term shareholder returns and profitability, above market ROE, and outstanding performance against the Bank's competitors.

### **Key Elements of the Three-year Strategy**

The main dimensions adapted for the successful implementation of the strategy includes:

#### **Digitization**

Digitization strategy is a conversion of data into a digital format by improving internal capability. The Bank has invested heavily in digitization to support business needs to build advanced data analytics, and to streamline processes either internal or while dealing with the Bank's customers.

#### **Agility**

One of the greatest benefits of an agile framework is it enables and promotes close collaboration between the business and support functions. Adapting agility helps achieve very short product launch cycle times. An agile organization helps attract and retain superior talent, and enhances efficiency and productivity.

#### **Innovation**

The Bank has promoted an innovative culture by establishing an Innovation Lab to govern and promote innovative ideas and launch innovative products. The lab is one of the first in the market, and focuses on gathering innovative ideas from across the organization and staff, with a direction of monitoring customer needs and brings these ideas to life.

#### **Speed**

The Bank relies on automation to deepen efficiency gains by increasing speed, making customer experience fast and easy and market leading in facility issuance, on-boarding, maintenance, and transaction turnaround times.

#### **Focus**

The Bank's strategy is customer centric, creating an exceptional customer experience with a focus on value for money to ensure that the business is efficient, effective, and economical.

### **Key enablers to support achieving the strategic direction**

#### **Transform Human Capital**

- Efficient performance management to have clear accountability
- Leading training programs focusing on Products & Operations, Required skills, Talent program and innovation
- Effective recruiting & headcount management
- Promote supportive and open culture



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### Build an efficient organization

- Institutionalize fast and effective decision making
- Support client focus
- Create clear accountability
- Support digital transformation
- Effective governance and compliance with rules and regulations

### Strengthen IT capabilities

- Support business needs
- Improve internal capabilities, and strengthen Information security
- Institutionalize Agile ways of working

### Strengthen the Bank's Affiliates

- Strengthen cooperation by cross selling, referrals, and incentives

### Grow innovation capabilities

- Build innovation lab
- Build a dedicated team focused on realizing innovative ideas
- Support the development of value propositions to target customers
- Enhance product development

### Alignment with Vision 2030

The Bank's strategy is designed to support the Financial Sector Development program in Vision 2030, with a focus to improve banking services and digital transformation for greater efficiency and customer experience. Our new strategy promotes cashless transactions, a savings culture and financial literacy, and supports the housing market by offering customized mortgage finance products.

### Micro, Small, and Medium Enterprises (MSME)

#### MSME unit summary and staffing

The Bank's staff who serve MSME clients are spread throughout Corporate Banking, with the majority of the staff in the SME Banking and Commercial Banking Departments, with total staff of 25 employees at the end of 2020.

#### Quantitative Disclosures

The following tables summarizes the key financial information for the Bank's MSME operations during 2020 and 2019.

	2020 SAR'000			
	Micro	Small	Medium	Total
Loans to MSMEs-on Balance Sheet (B/S)	55,695	716,976	4,842,193	5,614,864
Loans to MSMEs-off Balance Sheet (Notional amount)	56,343	232,954	1,065,203	1,354,500
On B/S MSMEs Loans as a % of total on B/S loans	0.10%	1.26%	8.52%	9.88%
Off B/S MSMEs position as a % of total off B/S position	0.47%	1.94%	8.87%	11.28%
Number of loans (on and off B/S)	33	207	723	963
Number of customers for loans (with Credit Facility Limit)	18	82	222	322
Number of loans guaranteed by Kafalah program (on and off B/S)	5	58	78	141
Amount of loans guaranteed by Kafalah program (on and off B/S)	12,342	82,814	227,868	323,024

Note: the growth in MSME portfolio's financial figures was mainly recorded after the completion of the corporate customers' classification project that was completed in 2020.



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	2019 SAR'000			
	Micro	Small	Medium	Total
Loans to MSMEs-on Balance Sheet (B/S)	49,298	426,760	1,511,487	1,987,545
Loans to MSMEs-off Balance Sheet (Notional amount)	13,793	178,450	697,755	889,998
On B/S MSMEs Loans as a % of total on B/S loans	0.08%	0.72%	2.54%	3.34%
Off B/S MSMEs position as a % of total off B/S position	0.11%	1.44%	5.62%	7.17%
Number of loans (on and off B/S)	22	205	460	687
Number of customers for loans (with Credit Facility Limit)	15	88	153	256
Number of loans guaranteed by Kafalah program (on and off B/S)	7	43	41	91
Amount of loans guaranteed by Kafalah program (on and off B/S)	13,944	32,438	156,357	202,739

### **Risk management**

The complexity of today's financial services sector in a globalized economy requires the identification, measurement, aggregation, and effective management of risks, including an efficient allocation of regulatory capital to support the balance sheet and derive an optimal risk and return ratio. The Bank endeavors to:

- Ensure that significant and measurable risks are identified, quantified and managed proactively; and
- Enhance risk adjusted returns and provide financial comfort and stability to our many customers and other stakeholders.

The Bank's stakeholders including regulators and rating agencies also expect the Bank to have a clear and well-documented risk management framework in place that addresses the various dimensions of the Bank's business.

The Bank has a comprehensive set of policies dealing with all aspects of risk management. The Board Approved Risk Management Policy Guide is the overarching policy document prepared in conformity with SAMA guidelines which covers in depth the risks the Bank is exposed to in the pursuit of its business. It also describes the risk governance structures and risk management policies in place for the management, monitoring, and control of the risks through the Board Approved Risk Appetite Framework, Credit Policy Guide, and Treasury Policy Guide.

The Bank manages its risks in a structured, systematic, and transparent manner through a broad-based Risk Appetite Framework (RAF) approved by the Board of Directors that incorporates comprehensive risk management into the Bank's organizational structure, risk measurement, and monitoring processes. The Bank's RAF is aligned with the Bank's strategy, business planning, capital planning, and policies and documents approved by the Bank's Board of Directors. The Bank's RAF is in compliance with the Financial Stability Board's "Principles for an effective Risk Appetite Framework" dated November 18, 2013, as adopted by SAMA.

The Bank's RAF includes the following key characteristics:

- The nature of risks to be assumed as a result of the Bank's strategy;
- The maximum level of risk at which the Bank can operate (Risk Capacity) and the maximum level of risk it should take (Risk Appetite);
- The maximum level of other quantifiable risks that should be considered (Other Risk Limits);
- The desired balance of risks versus returns by Business Line (Business Unit Risk Appetite measurements); and
- The desired risk culture, compensation programs, business continuity management, information technology and cybersecurity risk, and the overall compliance environment of the Bank for a successful implementation of the RAF (Qualitative Reporting).



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The Bank's Board of Directors is responsible for establishing Corporate Governance processes and approving the Risk Appetite and related risk management framework. It is also responsible for approving and implementing policies to ensure compliance with SAMA guidelines, accounting and reporting standards, and best industry practices including Basel guidelines. The Board of Directors has approved the Group's Risk Management Guide Policy as an overarching Risk Policy Guide under which the Group has a suite of policies including a Risk Appetite Framework Policy, Credit Policy Guide, Treasury Policy Guide, Stress Test Policy, Internal Capital Adequacy Assessment Plan Policy, Operational Risk Management Framework & Policy, Fraud Risk Policies, Information Security Policies, among others.

The Bank's Board approved IFRS 9 Governance Framework Policy addresses the Group's IFRS 9 Approach and Methodology Policy, which is supplemented with additional management level policies including an IFRS 9 Data Management and Control Framework Policy, and the IFRS 9 Governance Framework along with related accounting and operating procedures.

The Board of Directors is supported by the Board Risk Committee, a sub-committee of the Board, responsible for recommending policies and other documents for Board approval and for monitoring risks within the Bank. At the management level, the Bank operates various committees including an Enterprise Risk Management Committee, a Credit Committee, and an Asset Liability Committee, which are responsible for various areas of risk management. A management level Expected Credit Loss Committee linked to the Bank's IFRS 9 Governance and Framework Policy also operates which is responsible for all aspects of IFRS 9 including expected credit losses.

Other management level committees include the Operational Risk Management Committee, Stress Testing Committee, Financial Fraud Control Committee, Business Continuity Management Committee, Information Security Steering Committee, and the Structured Solution Approval Committee.

At the departmental level, the Bank has a Risk Management Group headed by a Chief Risk Officer who is supported by Assistant General Managers in charge of Risk Management, Credit Risk Review, Credit Administration, and Collections.

In addition to the above, the Bank's Internal Audit Function Reports to the Audit Committee of the Board of Directors and provides an independent validation of business and support units' compliance with risk policies and procedures and the adequacy and effectiveness of the risk management framework on a Bank-wide basis.

The following provides a description of the Bank's significant risks including how the Bank manages these risks:

### **Credit risk**

Credit Risk arises from the potential that a borrower or counterparty will fail to perform on its financial obligations to the Bank. The exposure to credit risk arises primarily from loans and advances, investments, and due from banks and other financial institutions. Credit risk is also present in off-balance sheet financial instruments such as Letters of Credit, Acceptances, Guarantees, Derivatives, and Commitments to extend credit.

The Bank has a comprehensive framework for managing credit risk which includes an independent credit risk review function and credit risk monitoring process. The Bank assesses the probability of default of counterparties using internal rating tools. This is supplemented by external ratings of major rating agencies, where available.

In addition, the Bank is improving the overall credit risk control function by further investment in a post sanction review process to mitigate potential credit losses that may arise.

### **Market risk**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as commission rates, foreign exchange rates, and equity prices.



## 2020 BOARD OF DIRECTORS' REPORT

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Commission rate risk arises from the possibility that changes in commission rates will affect either the fair values or the future cash flows of financial instruments. The Board of Directors has established commission rate gap limits for stipulated time periods. The Bank also routinely monitors its positions and uses hedging strategies to ensure maintenance of positions within established gap limits.

Currency risk is the risk of fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are independently monitored.

Equity price risk is the risk of a decrease in fair values of equities in the Bank's investment portfolio as a result of possible changes in levels of equity indices and the value of individual shares. The Board of Directors sets limits on the level of exposure to each industry, and overall portfolio limit, which are independently monitored.

### **Liquidity risk**

Liquidity risk is the risk that the Bank will be unable to meet its net funding requirements when needed and at an acceptable cost. Liquidity risk can be caused by market disruptions or credit rating downgrades for the Bank, which may cause certain sources of funding to dry-up unexpectedly.

The Bank's management carefully monitors the maturity profile of its assets and liabilities to ensure that adequate liquidity is maintained on a daily basis. In addition, the Daily Liquidity Coverage Ratio, Net Stable Funding Ratio, and the Loans to Deposit Ratio are monitored regularly and independently to ensure compliance with SAMA guidelines. The Bank also conducts regular liquidity stress testing under a variety of scenarios which covers both normal and more severely stressed market conditions. All liquidity policies and procedures are subject to review and approval by the Bank's Asset and Liability Committee.

### **Operational risk**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems, or from external events.

The Bank's Operational Risk Management Framework & Policy provides a Bank-wide definition of operational risk and lays down tools and processes by which operational risks are identified, assessed, monitored, and controlled. The key components of this framework include the Risk and Control Self-Assessment (RCSA), Key Risk Indicators (KRIs), Scenario Analysis, and Incident Management, which are comprehensively documented in the Bank's operational risk procedures.

The continuous assessment of operational risks and their controls in all business and support units of the Bank are monitored through RCSA exercises, close monitoring of agreed action plans as a result of the RCSA exercises, and establishing an Operational Risk Appetite for the Bank as a whole. This includes monitoring the operational risk losses incurred on an ongoing basis and taking corrective actions to eliminate or minimize such losses in the future. Global major loss incidents across the banking industry are also duly analyzed to assess their impact if these are incurred in the Bank. The Bank's KRIs cover all the business and support units to facilitate proactive monitoring and management of operational risks.

### **Financial crime risk**

Financial crimes are considered a significant risk for financial institutions and all stakeholders (including customers, staff, shareholders, counterparties etc.). Occurrence of such crimes can have a significant negative impact on the Bank and its reputation.

The Bank continually enhances its fraud management framework where the Fraud Prevention and Detection Department (FPDD) operates within. The Fraud Risk Management Framework defines principles of identification, assessment, escalation, investigation, resolution, reporting and corrective action on fraud related issues. It lays down an approach for procedures related to tools and methods engaged by FPDD to protect the Bank from exposure to financial crime. FPDD presents their findings and recommended actions to the Financial Fraud Control Committee (FFCC) on a regular basis.





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### **Cyber information security risk**

The Cyber and Information Security Risk landscape continues to be dynamic and challenging. The Bank proactively addresses on-going Cyber Security challenges and deploys dynamic defenses using multiple countermeasures for prevention, detection, and response. The Bank has also deployed various security measures using the defense in-depth and multilayer security principle to ensure the effectiveness of the overall security posture of the Bank.

The Bank has also strengthened its existing governance structure by implementing industrial security best practices that ensures confidentiality, integrity, privacy, and availability, which are treated as an integral part of all business and technical processes. The Bank also continually ensures the alignment of the information security and business objectives through the implementation of the Cyber and Information Security Strategy, which is supervised and monitored by the Information Security Steering Committee. Also, the Bank is continuously enhancing the security culture through various awareness and training programs targeting staff and customers.

The Bank also constantly performs security assurance assessments on the Bank's systems and applications to ensure that the Bank's business services are secure and reliable. Furthermore, the Bank conducts independent internal and external audits by reputable vendors to ensure the effectiveness of implemented security controls and compliance with regulatory and international standards such as the SAMA cyber security framework (CSF), National cybersecurity authority (NCA), SARIE, SWIFT and Payment Card Industry and Data Security Standard (PCI DSS). The result of the audit exercises proves that the Bank complies with regulations and security standards and shows that the Bank's security posture is up to industrial standards and is satisfactory.

The Bank has a 24/7/365 Security Operation Center (SOC) which continuously monitors and responds to cyber security threats and attacks in a timely manner. As a result of implemented security measures, the Bank has been resilient to numerous cyber-attacks targeting the Middle East and Saudi Arabia with no cyber and information security related downtime or operational losses incurred during 2020.

### **Business Continuity Management**

The Bank recognizes the importance of planning for Business Continuity. An effective Business Continuity Plan ('BCP') facilitates in mitigating a serious disruptive incident in a controlled, timely, and structured manner.

Since February 2020, the Bank, like all other organizations around the world, faced the impact of the COVID-19 Pandemic, and this was managed successfully due to the Bank's strong business continuity infrastructure. Through the Corona Virus Response Committee which acted as a command center for the Pandemic impact, the Bank was able to comply with all government regulations on time, manage work from home procedures smoothly, and maintain all premises with required precautionary procedures.

During 2020, the Bank further strengthened the testing of its BCPs and procedures. Detailed tests were completed on different occasions. In September 2020, the Bank successfully conducted a continuous five day disaster recovery test of all critical IT systems by switching and operating them from the Bank's Disaster Recovery Center (DRC) at once. No dependency on the Bank's Main Data Center (MDC) was noted, knowing that the test considered a cyber-security scenario that required the Bank to simulate the need for all backup environments (IT Systems and buildings).

The Bank was able to accomplish ISO 22301 requirements and obtained a certificate from the International Organization for Standardization - 22301 (ISO 22301) which mainly related to Resilience and Business Continuity. ISO released the latest version of the standard in 2019. SAIB is one of the first Saudi banks certified with this new version. Being an ISO 22301 Certified organization provides more assurance to our customers, shareholders, stakeholders, regulators, management and staff, vendors, suppliers, and partners that the Bank is a resilient organization with a strong business continuity program that provides a safe environment against disruptions, disasters, or crises.



## 2020 BOARD OF DIRECTORS' REPORT

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The Bank will continue to enhance its capabilities to respond to major disruptive incidents that may require the activation of its continuity and emergency environments in the DRC for IT systems or its Business Continuity Sites by applying multiple testing scenarios in the coming year.

### **Information technology transformation strategy**

In 2020, the Information Technology Group (ITG) continued its focus on the projects and initiatives for the Bank's three year strategy and the Bank's transformation programs. ITG's focus was mainly on enabling flexible infrastructure and innovative business solutions to meet increasing business demands, rising cost of capital, compliance with more stringent local and international regulatory requirements, and the Board of Directors mandate to support long term sustainability and effective governance. ITG also started the execution of the three year IT strategy which aims to define the digital and strategic moves for better enablement and alignment with the business strategy of the Bank.

ITG has completed the following during 2020:

- Implemented new API management solutions to serve agent banking and all other FinTech initiatives.
- Strengthened IT capabilities in digital experience and acquisition thorough Digital Wallets, AI and Data analytics.
- Launched a full Integration with MOJ for electronic promissory note (e-SANAD). SAIB was the first bank to implement this service.
- Enabled all SAIB credit cards (VISA/MASTER) to ApplePay & MadaPay.
- Implemented Collaboration tools to support remote working environments and communication with external parties (response to COVID-19).
- Completed SAMA mandated DR testing with an excellent record for recovery time.
- Completed SAMA mandated critical projects for 2020 including but not limited to (COVID-19 requirements, Tanfeeth phase 2, SADAD ESAL, Cards schemas, SATR reporting).
- Enhanced integration capabilities to allow smooth integration with all e-government services, REDF, Bayan, GOSI, Tabadul, MOJ and other third-party service providers.
- Implemented enhancements for the Trade Finance System.
- Completed the Private banking 360 Module for private customers.
- Improved travel card services via the internet banking channel which now allows customers to add up to 100 currencies, and manage their wallets online.
- Enhanced the WOOW loyalty program by integrating many e-voucher providers to allow for smooth and easy customer redemption & rewards.
- Introduced the electronic customer update (e-KYC) for individual customers on digital channels (mobile and Internet).
- Adopted for the 1st time Virtual Desktop Infrastructure(VDI), which will accelerate the services deployment.
- Enhanced monitoring capabilities for cards and payment related systems.
- Launched the new home equity loan.
- Introduced a new SMS gateway with maximum availability to support all digital services with no interruption.
- Improved critical systems performance processing time.
- Implemented many new business solutions for Treasury, Personal Banking, Corporate Banking, Finance, HR, Risk, Information Security, Business Continuity, and Marketing.

During 2020, ITG continued to provide more collaboration tools in response to the COVID-19 Pandemic to enable remote working for the Bank employees, ITG also provided the technical support to facilitate the employee's allocation to different business continuity centers by upgrading the Bank network and providing extra bandwidth, ITG at same time completed other major enhancements to existing systems as part of the Bank's continuous improvement initiatives.

### **Business segments**

In 2020, the Bank achieved a number of key milestones. The Bank continued developing products and services for it's different segments in pursuit of fulfilling our customers' needs and expectations.



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The Bank is managed on a line-of-business basis. Transactions between business segments are conducted on normal commercial terms and conditions through the use of funds transfer pricing and cost allocation methodologies. A detailed summary of the business segment results for 2020 and 2019 is presented in note 26 to the consolidated financial statements.

The Bank has three significant business segments, each of which is described below.

### **Retail Banking**

Retail Banking offers conventional and Shariah compliant products and services for individuals, through the Head Office and a network of branches throughout Saudi Arabia. A full suite of products and services are offered which include accounts, fixed deposits, personal finance, home finance, credit cards, travel cards, shopping cards and prepaid cards. Services to customers are offered both digitally and through branches. Digital channels include internet banking, mobile banking, network of ATMs, ITMs, and call center.

### **Corporate Banking Group**

The Corporate Banking Group serves the financial needs of a range of business establishments from micro, small, and medium enterprises (MSMEs) to large corporate entities. The Group operates from three regional headquarters based in Riyadh, Jeddah, and Al-Khobar along with separate Business Segments covering Syndications, Project, and Structured Financing to provide tailor-made financial solutions and customized structures to an array of economic sectors.

Offerings span both conventional and Shariah compliant products and services and include facilities related to working capital, contract, project, real estate, and capital expenditure financing, while supporting businesses with trade finance, cash management, and treasury services requirements. It continually strives to increase the range and quality of the Bank's product and service offerings to meet customers' evolving needs and expectations.

The Corporate Banking Group also provides ancillary business products and solutions to its customers, constantly liaising with cross-functional stakeholders and continues its focus and robust pursuit of enhancing the customer journeys by achieving higher levels of digitalization.

The Group has also undertaken strategic initiatives to align the business model to support the Saudi Government's Vision 2030 goals as it looks forward to continuing business growth and maximizing opportunities in the post-pandemic era.

### **Treasury and Investment Group**

Treasury and Investment Group is responsible for the Bank's Asset-Liability management including interest rate, Liquidity and market risks as well as liquidity funding management. It also manages foreign exchange trading, structured products, as well as managing the Bank's Investment portfolio and derivative products.

Treasury and Investment Group also manages the Bank's Business Partner Companies, Financial Institutions, Public Institutions, and the Asset Liability Management unit.

### **Customer programs and services**

The Bank offers a range of programs and services to its customers as follows:

#### **Silver, Gold and Platinum customer programs**

The Bank provides its valued customers three customer programs, which are designed to meet its customers banking needs through a package of products and services that suit their different lifestyles. "Gold" and "Platinum" customer programs provide a high class banking relationship and exclusive services tailored for our elite customers; where we serve them in total privacy and luxurious comfort.



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### Private Banking services

The Bank provides its valued customers a unique combination of exclusive products and services through its Private Banking proposition offering elite benefits and advantages tailored to its private banking customers. It is backed by a highly skilled team of relationship managers who come with rich experience and provide valuable advice to our private clients.

### Digital Services

The Bank has been in the forefront of introducing various innovative services and products to its customers in order to provide a friendly digital banking experience that aligns with the Bank's strategy in digitalization. Accordingly, the Bank has introduced new technologies, channels, and services to meet the increasing business demands, which have positively impacted overall customer experience.

The Bank's personal digital banking services have multiple distribution channels, including online banking (Website & Mobile Applications), ATM, Interactive Teller Machines (ITM), and Interactive Voice Response (IVR) in addition to self-service kiosk machines. Our corporate digital banking services currently have multiple distribution channels including corporate online banking, eTrade, ePayroll, Cash Management, and B2B services.

In addition, there have been several services and enhancements introduced to customers during 2020 including:

- Launched the new mortgage portal for the first time in KSA.
- Introduced for the 1st time a New mobile application for corporate customers
- Enhanced the customer experience during the Online Account Opening with full KYC, and immediate registration to electronic channel without the dependency on the card.
- Implemented an online application process for new and supplementary credit cards through the mobile and internet banking channels without the need to visit the branch.
- Implemented new online services to manage credit cards directly from the mobile and internet channels without the need to call agents.
- Enhanced the Corporate Currency Card mobile application to offer more services and features.
- Enhanced personal loan applications in mobile banking with an additional feature for early payment.
- Extended the robotics usage across multiple processes in the Bank.
- Launched for the first time the remittance kiosk, which will serve as hot spot locations for easy pay customers.
- Added Esal services as part of the online banking services for retail and corporate banking.
- Automated the certificates and letter issuance for individual and corporate customers digitally through retail and corporate internet banking.
- Implemented new services and enhancements to internet banking, ATM, and SAIB IVR channels, and upgraded Internet and mobile banking to international standards to enhance the quality of service to customers.
- Enhanced the capacity for the digital services network.

As digital business development grows in Saudi Arabia, the Bank continues to work on new and innovative FinTech-based initiatives to enable digital payment services.

### Branch network and related services

As of December 31, 2020, the number of branches operating under the Bank was 52. The Bank currently operates a network of 368 ATMs & Interactive Teller Machines throughout Saudi Arabia. The Bank also operates more than 9,800 Point of Sale (POS) terminals.



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### **Alasalah Islamic Banking services**

Due to the increase in the importance of Islamic banking and its strategic direction, the Bank has continued its focus on the Alasalah program, which includes many Shariah compliant banking services and products approved by the Bank's Shariah Board. These services are offered through 49 branches in most major cities in the Kingdom.

During 2020, the Bank was able to raise the volume of financing and deposits compliant with Shariah controls, with the volume of financing increasing to SAR 41.2 billion, and deposits increasing to SAR 54.4 billion as of December 31, 2020.

### **Strategic partnerships**

The Bank has Three wholly-owned subsidiaries as follows:

- Alistithmar for Financial Securities and Brokerage Company, which offers brokerage, asset management, investment banking and other services in the Kingdom of Saudi Arabia. The total capital of the Company is SAR 250 million with 25 million shares outstanding. The Company does not have any debt instruments issued. The Company was established in July 2007 as a limited liability company, and in 2015 the Company was converted into a closed joint stock company. The Company provides brokerage services, investment management services in the form of mutual funds and portfolios, custody services and investment banking advisory services. Assets under management totaled SAR 20,800 million as of December 31, 2020, of which SAR 5,766 million is considered Shariah approved.
- The Saudi Investment Real Estate Company. The total capital of the Company is SAR 500 thousand. The Company does not have any debt instruments issued. The primary objective of the Company is to hold title deeds as collateral on behalf of the Bank for real estate related lending transactions.
- SAIB Markets Limited Company, was registered as a limited liability company in the Cayman Islands in July 2017. The total capital of the Company is SAR 187.5 thousand, and this Cayman Islands limited liability Company does not have any debt instruments issued. The objective of this Company is trading in derivatives and Repo activities on behalf of the Bank.

During 2020, Saudi Investment First Company Ltd. completed the formalities for deregistration with regulatory authorities and has been liquidated.

The Bank also has investments in three associate companies in Saudi Arabia as follows:

- American Express (Saudi Arabia) - ("AMEX"), is a Saudi closed joint stock company. The total capital is SAR 100 million with 10 million shares outstanding and the Bank holds a 50% interest, or 5 million shares. The principal activities of AMEX are to issue credit cards and offer other American Express products and services in Saudi Arabia.
- Saudi Orix Leasing Company ("Orix"). Orix is a Saudi closed joint stock company in Saudi Arabia. The total capital is SAR 550 million. Orix has 55 million outstanding shares and the Bank holds 20.90 million shares representing 38% of the outstanding shares. The primary business activities of Orix include lease financing services in Saudi Arabia. Subsequent to December 31, 2020, the company was renamed to YANAL Finance ("YANAL").
- Amlak International for Finance and Real Estate Development Co. ("Amlak"). Amlak is a Saudi joint stock company in Saudi Arabia. The total capital is SAR 906 million. Amlak has 90.6 million outstanding shares and the Bank holds 20.3 million shares representing 22.41% of the outstanding shares. Amlak offers real estate finance products and services in Saudi Arabia. During 2020, the Bank sold 30% of its shares in Amlak as part of Amlak's Initial Public Offering.



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### **Credit Ratings**

Credit ratings are an integral component for participation in the international financial markets. As the global economy becomes more integrated, credit ratings are necessary not only to ensure funding and obtain access to capital markets, but also to demonstrate a commitment to meeting a high level of internationally recognized credit and risk management standards.

During the year, the Bank continued its program of rating reviews with Standard & Poor's Ratings Services (S&P), Moody's and Fitch Ratings. A summary of the Bank's current ratings follows:

	<u>Long-term</u>	<u>Short-term</u>	<u>Outlook</u>
Moody's	A3	P-2	Negative
S&P	BBB	A-2	Stable
Fitch	BBB+	F2	Negative

The Bank's ratings are the result of our financial performance, asset quality and capitalization levels, supported by a stable strategy and adequate liquidity profile. Our ratings take into consideration the fact that the Bank operates in one of the strongest banking sectors and best regulated markets in the Middle East. The ratings also reflect Saudi Arabia's sovereign credit ratings from Moody's, Fitch, and S&P, in addition to the country's economic fundamentals, adherence to BIS norms, and G20 alignment.

### **Compliance Group**

The Compliance Group is an independent group that ensures the Bank's compliance with applicable laws, regulations, and rules, and therefore plays an essential role to preserve the integrity and reputation of the Bank.

Compliance is a culture and it is every one's responsibility starting with the Board of Directors and Executive Management and reaching out to all staff members within the Bank. It is also an integral part of the Bank's day-to-day business and operational activities.

The Responsibilities of Compliance include:

- **Advisory:** Compliance identifies regulatory risks that the Bank faces and provides advice to help mitigate such risks. It also resolves compliance related issues as they arise and advises business units to overcome these issues.
- **Assessment:** The Compliance function designs and helps in implementing controls to protect the Bank from regulatory risks that might expose the Bank to administrative and legal penalties, financial losses, or damage to the Bank's reputation. Compliance is one of the Bank's key success factors due to the significant role it plays in protecting the Bank's reputation and credibility as well as safeguarding shareholders' and depositors' interests by:
  - Managing regulatory risks and avoiding financial penalties due to violations and/or unmanaged changes to rules and regulations;
  - Reviewing the standard operating and accounting procedures, products, services, forms, contracts and agreements to ensure they are in line with latest laws and regulations governing related business segments;
  - Assessing new laws and regulations and providing guidance on their implementation and advising lines of business on regulatory matters;
  - Ensuring effective controls are in place to protect the Bank from violating applicable rules and regulations; and
  - Adding Compliance Committee Meetings as planned to assess all challenges and issues encountered in order to rectify these shortcomings and be in line with regulatory mandates.





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- **Monitoring:** Compliance conducts periodical reviews of business areas to ensure that the effectiveness of controls is adequate. The Compliance monitoring function also generates necessary reporting that highlights all identified gaps and assesses the level of Compliance across the Bank.
- **Correspondence:** The Compliance function handles incoming and outgoing communications with regulatory bodies, ensures the Bank is presented in the best manner, and assists in obtaining regulatory approvals for products, services, campaigns, and all other requests that are subject to regulatory no-objections.

### **Anti-Money Laundering & Counter Terrorist Financing Department**

The Anti-Money Laundering (AML) & Counter Terrorist Financing (CTF) department is an independent department that reduces the risk of money laundering and terrorist financing by setting the Bank's AML programs, and policies and procedures to comply with local and international standards.

The responsibilities of the AML & CTF department include:

- Monitoring and identifying suspicious transactions, performing investigations, classifying suspicious activities, and reporting them to the General Administration of Financial Investigation;
- Reviewing products and services from a regulatory view point and on a risk approached basis;
- Ensuring that enhanced due diligence is applied in all cases warranted to mitigate AML exposure;
- Monitoring and managing high risk accounts and related activities;
- Maintaining a sanction system and related controls;
- Identifying hits which require additional research;
- Ensuring hits/alerts are handled in accordance with defined procedures and meet the standards for both quality and timeliness;
- Monitoring and assisting in the resolution of complex issues;
- Implementing SAMA directives related to deduction and blocking and unblocking of bank accounts; and
- Preparing necessary technical reports in a timely manner and providing all required documents to SAMA.

### **Anti-Fraud, Anti-Bribery and Corruption Department**

Financial crimes are considered a significant risk for financial institutions and related stakeholders (which include customers, staff, shareholders, vendors, counterparties etc.). Occurrence of such crimes can have significant negative financial and reputational impacts.

Measures against financial crimes (including frauds, bribery and corruption) are managed by the Anti-Fraud, The Anti-Bribery and Corruption Department that operates within the Compliance Group. The Anti-Fraud, Anti-Bribery and Corruption Department continuously enhances the Bank's fraud risk policies and procedures in response to emerging trends and regulations for financial crimes against financial services businesses. Relevant and contemporary measures have been put in place to ensure detection, prevention, monitoring and reporting of financial crimes against the Bank and its stakeholders.

The Anti-Fraud, Anti-Bribery and Corruption Department presents its findings and recommended action to Audit Committee quarterly.

### **Transformation Group**

The Transformation Group's objective is shift the function, structure and operational model of the Bank's departments in order to align with the Bank's strategy and goals. This is done by optimizing processes through applying Agile & Six Sigma practices, capacity planning to define ideal manpower requirements, creating analytic modules based on data science & artificial intelligence logic, and launching value added partnerships with key market players.



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During 2020, the Transformation group has undertaken a variety of initiatives to transform various departments and functions to enable the successful implementation of the Bank's strategy and directives. Some of the key initiatives were:

- Launched & implemented numerous transformation projects aimed at department, process and product enhancements by utilizing the latest digitization and automation methods;
- Established value added partnership with key market players and Fintech partners to enrich the Bank's overall offering to our most sought after segments; and
- Supported various functions through Artificial intelligence and Data science initiatives with the objective of improving business intelligence and to build on improvements in big data.

### **Human Resources Group**

The Bank has always invested in people and their engagement as a key strategic driver. This is evident by "working environment" awards granted by several recognizing bodies. Building on this success, and further inspired by Vision 2030's quality of life, the Bank has adapted "Happiness" as an approach to doing business.

### **Saudization and employee development**

The Bank continues to invest in the employment and development of Saudi talent. As of December 31, 2020, the Saudization ratio was 89% with female staff representing 20% of the workforce. Around 35% of staff have received formal training and the Bank has offered more than 149 different eLearning modules to its staff.

### **Employee Benefits**

Benefits payable to employees at the end of their services are accrued in accordance with guidelines set by the Saudi Labor Regulations and as per the Bank's accounting policies. The amount of provision made during the year ended December 31, 2020 for employees' end of service benefits was SAR 38.7 million. The balance of the accrued benefits outstanding is approximately SAR 202.4 million as of December 31, 2020.

In addition, the Bank grants to its eligible employees other types of security and savings plans that are based on mutual contributions by the Bank and the employees. These contributions are paid to the participating employees at the respective maturity date of each Plan. The amount of provision made during the year ended December 31, 2020 for these plans was approximately SAR 48.7 million.

### **Related party balances and transactions**

In the ordinary course of its activities, the Bank transacts business with related parties. Related parties, balances, and transactions are governed by the Banking Control Law and other regulations issued by SAMA. During 2014, SAMA issued an update to its Principles of Corporate Governance for Banks operating in Saudi Arabia and during 2020, SAMA issued rules on Banks exposures to Related Parties. These updates specify the definitions of related parties, the need to process the related transactions fairly and without preference, addresses the potential conflicts of interests involved in such transactions, and mandates transaction disclosure requirements pertaining to the related parties.

The Bank's related party identification and disclosure of transactions policy complies with the guidelines issued by SAMA, and has been approved by the Bank's Board of Directors. These guidelines include the following definitions of related parties:

- Management of the Bank, their relatives and/or their affiliated entities;
- Principal shareholders of the Bank and/or their relatives;
- Affiliates of the Bank, entities for which the investment is accounted for using the equity method of accounting, their management and relatives;
- Trusts for the benefit of the Bank's employees such as pension or other benefit plans that are managed by the Bank; and



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- Any other parties whose management and operating policies can be directly or indirectly significantly influenced by the Bank.

Management of the Bank includes those persons who are responsible for achieving the objectives of the Bank and who have the authority to establish policies and make decisions by which those objectives are pursued. Management therefore includes the members of the Bank's Board of Directors, and members of the Bank's management that require a no objection approval from SAMA.

Principal shareholders include those owners of record of more than five percent of the Bank's voting ownership and/or voting interest of the Bank.

Relatives include spouses, children, parents, grandparents, brothers and sisters, grandchildren and offspring and whom either a principal shareholder or a member of management, of the Bank or any of the associate, might control or influence or by whom they might be controlled or influenced because of the family relationship.

### Related party balances

The balances as of December 31, 2020, resulting from such transactions included in the consolidated statement of financial position are as follows:

	<u>SAR'000</u>
Management of the Bank, their relatives and/or their affiliated entities:	
Loans and advances	804,821
Customers' deposits	469,228
Tier 1 Sukuk	7,000
Commitments and contingencies	306,912
Investments	429,675
Principal shareholders of the Bank and/or their relatives:	
Customers' deposits	760,091
Tier 1 Sukuk	30,000
Affiliates of the Bank, entities for which the investment is accounted for using the equity method of accounting, their management and relatives:	
Loans and advances	732,527
Customers' deposits	381,956
Tier 1 Sukuk	5,000
Commitments and contingencies	102,050
Trusts for the benefit of the Bank's employees such as pension or other benefits plans that are managed by the Bank:	
Customers' deposits and other liabilities	264,141

### Related party transactions

Income and expense for the year ended December 31, 2020, pertaining to transactions with related parties included in the consolidated statement of income are as follows:

	<u>SAR'000</u>
Management of the Bank and/or members of their immediate family:	
Special commission income	29,195
Special commission expense	5,595
Fee income from banking services	25
Principal shareholders of the Bank and/or members of their immediate family:	
Special commission expense	293
Rent and premises-related expenses (Building rental)	7,758
Other expenses	100



## 2020 BOARD OF DIRECTORS' REPORT

Affiliates of the Bank and entities for which the investment is accounted for by the Equity method of accounting:

Special commission income	31,863
Special commission expense	6,284
Fee income from banking services	3,113
Other income	5,394
Other expenses	2,659
Board of Directors and other Board Committee member remuneration	6,545

### **The Board of Directors and Board Committees**

In the General Assembly meeting held on February 10, 2019, the Bank's board members were elected for a three year term starting from February 14, 2019.

#### **Board members**

The names of the members of the Board of Directors, Board Committees, and their classification, qualifications, and experience follows:

#### **Mr. Abdallah Saleh Jum'ah**

Classification: Non-Executive Member (Chairman)

Current job: Retired

Previous jobs:

1. President and Chief Executive Officer - Saudi Aramco
2. Executive Vice President for International Affairs - Saudi Aramco
3. Senior Vice President for Human Resources - Saudi Aramco
4. Senior Vice President for Industrial Relations - Saudi Aramco

Qualifications:

1. Bachelor of Political Science, American University, Beirut and Cairo
2. Business Management Program, Harvard University, Cambridge, USA

Current Memberships:

1. The Chairman - The Saudi Investment Bank
2. Board member - Hasana Investment Company
3. Vice Chairman - Zamil Industrial
4. Board member - Ma'aden

Previous Memberships:

In Kingdom

1. Board member - Saudi Aramco
2. Board member and CEO - Saudi Consolidated Electric Company (SCECO)
3. Board member - Saudi Aramco Mobil Refinery Co. Ltd. (SAMREF)
4. Board member - Saudi Airlines Corporation

OOK (overseas)

1. Board member - S-Oil, South Korea
2. Board member - Petron Corporate, Philippines
3. Board member - Motor Oil Hellas, Greece
4. Board Member - Saudi Petroleum International, United States
5. Chairman of the Board - Motiva Enterprise, United States
6. Board member - Aramco Overseas Company, Holland
7. Board member - Halliburton Company, United States



## 2020 BOARD OF DIRECTORS' REPORT

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8. Member - JP Morgan Chase & Co. Int. Advisory Council, United States
9. Advisory Board member - Schlumberger Business Consulting, France
10. Advisory Board member - Reliance Int., India

### **Mr. Abdulaziz Al-Khamis**

Classification: Non-Executive Member (Vice Chairman)

Current job: Investment Advisor, Alra'idah Investment Co

Previous jobs:

1. Vice governor for investment - Public Pension Agency
2. Director General for Financial Investment - Public Pension Agency
3. Fixed Income Chief Dealer, Investment Management Department - Saudi Central Bank
4. Assistant Chief Dealer, Investment Management Department - Saudi Central Bank
5. Senior Fixed Income Dealer, Investment Management Department - Saudi Central Bank

Qualifications: Bachelor of Economics, North-eastern University, Boston, USA

Current Memberships:

1. Vice Chairman - The Saudi Investment Bank
2. Vice Chairman - Tawuniya Insurance Company
3. Vice Chairman - Tabuk Cement Co
4. Board member - The United Insurance Company, Bahrain

Previous Memberships:

1. Board member - Petrochem
2. Board member - Sipchem
3. Board member - Saudi Polymer Company
4. Board member - Gulf Polymers Distribution Company, UAE

### **Mr. Abdul Rahman Al-Rawaf**

Classification: Non-executive Member

Current job: General Manager of Deposit and Bond Management - Hasana Investment Company

Previous jobs:

1. General Manager of International Markets - Hasana Investment Company
2. Director of Investment Portfolio Management - General Organization for Social Insurance
3. Financial Analyst in the General Administration of Investment - General Organization for Social Insurance

Qualifications:

1. Bachelor of Science, Arkansas State University
2. Master of Public Administration, University of Southern California

Current Memberships:

1. Board Member - The Saudi Investment Bank

Previous Memberships:



## 2020 BOARD OF DIRECTORS' REPORT

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1. Board Member - The Industrialization and Energy Services Company.
2. Board Member - Sahara Petrochemical Company.
3. Board Member - Samba Financial.
4. Board Member - Bank Aljazira
5. Member of several committees (Audit, Executive Committee, Nominations and Rewards) in several other companies and banks
6. Board Member - Jabal Omar Development Company

### **Dr. Fouad Al-Saleh**

Classification: Independent Member

Current job:

1. Chairman - Project & Construction Company (Saudi Projacs)
2. Chairman - Fouad Saud Al-Saleh & Associates

Previous jobs:

1. Chief of Contract Administration and Construction - Ministry of Defence
2. Assistant Director of Contract Administration and Construction - Ministry of Defence
3. Assistant Director of Construction and Maintenance Department - Ministry of Defence
4. Director of Project Management Department - Ministry of Defence
5. Director General of Construction Management Department - Ministry of Defence
6. Military Services with the Rank of Engineer Colonel

Qualifications:

1. Bachelor of Civil Engineering (Civil Engineer) St. Martin College, Olympia, Washington
2. Masters of Civil Engineering (Construction Management), University of Washington, Seattle
3. PhD of Civil Engineering (Construction Management), University of Washington, Seattle

Current Memberships:

1. Board member - The Saudi Investment Bank.

Previous Memberships:

1. Member of American Association of Construction Managers
2. Member of American Society of Civil Engineers
3. Member of the Society of American Value Engineers
4. Member of British Arbitration Association
5. Member of Project Management Institute
6. Member of American Arbitration Association
7. Board member - The Saudi Electric Industries Company Limited (SEICO)
8. Board member - Saudi Manufacturing Company

### **Mr. Saleh Al-Athel**

Classification: Independent Member

Current job: Retired

Previous job: Assistant General manager, Saudi industrial development fund (SIDF)

Qualifications:

1. Bachelor of Philosophy and sociology, University of Damascus, Syria
2. Management Higher Diploma, University of Hartford, USA





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### Current Memberships:

1. Board Member - The Saudi Investment Bank
2. Board Member - Saudi Specialized Laboratories Company - Motabaqah

### Previous Memberships:

1. Board Member - Saudi House for consultation
2. Board Member - Saudi Electrical Industries Company
3. Board Member - Saudi Laboratory company
4. Board Member - Saudi Telecommunication Company

### Mr. Mohammad Al-Ali

Classification: Independent Member

Current job: Retired

### Previous jobs:

1. Senior Vice President of Finance - Saudi Aramco
2. Financial Controller - Saudi Aramco
3. Chief Internal Auditor - Saudi Aramco
4. Director of International Accounting and Financial Reports - Saudi Aramco
5. Petroleum sales coordinator and financial accountant - Saudi Aramco

### Qualifications:

1. Bachelor of Accounting, University of Texas Arlington
2. Master of Business Administration, University of Denver
3. Education program for executives, Carnegie Mellon University and Oxford University Creative Placement Center

### Current Memberships:

1. Board Member - The Saudi Investment Bank
2. Board Member - Saudi Energy Efficiency Services Company
3. Board Member – Saudi Energy Efficiency Center

### Previous Memberships:

1. Member of several executive committees of Saudi Aramco
2. Chairman of Saudi Aramco Investment Company
3. Chairman of Aramco International Overseas Company
4. Chairman of Saudi Aramco Trading
5. Board member of Arabic pipes
6. Chairman of the Board of Governors of the GCC-BDI "Board of Directors Institute"

### Mr. Mohammed Algrenees

Classification : Non-executive Member

Current job : Head of Local Equity and Fixed income -Alraidah Investment Co.

### Previous jobs:

1. Investment Portfolio Manager - HSBC, Saudi Arabia.
2. Head of Local Shares division - AlAhli capital company
3. Investment Portfolio Manager - Jadwa investment company

Qualifications: Bachelor of Chemical Engineering, Kuwait University, Kuwait

### Current Memberships:

1. Board Member - The Saudi Investment Bank
2. Board Member - Taiba Investment Company



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### Mr. Yasser Aljarallah

Classification: Independent Member

Current job

1. Chief Executive Officer & Co-Founder -Rawafed Investment Company, KSA
2. Chief Executive Officer & Co-Founder –Tharwaa Investment Company, UAE

Previous jobs:

1. Co-Founder, PI Capital –USA.
2. Chief Executive Officer & Co-Founder - Tharwaa Alkhaleej General Trading LCC- UAE.
3. Co-Founder & Chief Executive Officer – Hadaf Aljazeera General Trading LLC-UAE.

Qualifications:

1. Bachelor of Economics, University of Southern California. USA
2. Master of Economics University of Southern California. USA

Current Memberships:

1. Board Member - The Saudi Investment Bank
2. Board Member - Inma medical services LLC –KSA
3. Co-Founder & Board Member- Tharwa Escan Investments LCC UAE

Previous Memberships:

1. Founder & Board Member - Methaq Takaful Insurance Company, UAE
2. Board Member - Advanced Emerging Capital, UK
3. Board Member - VC Bank, Bahrain

### Mr. Mohammed Bamaga

Classification: Independent Member

Current job: Chief Executive Officer, Information technology - Saudi Airlines

Previous jobs

1. Regional General Manager of Information Technology–SABIC.
2. Managing Director - Accenture Middle East
3. Director of Information Technology – Sadara Co

Qualifications: Bachelor of Management Information Systems from King Fahad University for Petroleum and Minerals, Saudi Arabia.

Current Memberships:

1. Board Member - The Saudi Investment Bank
2. Board Member - The Saudi Federation for Cybersecurity, Programming and Drones

Previous Memberships:

1. Member of the Advisory Board, Computer Sciences College, King Fahad University for Petroleum and Minerals
2. Board Member and Chief of Audit and Risk - Dammam Airports Company



## 2020 BOARD OF DIRECTORS' REPORT

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### Audit Committee non Board Members

#### Mr. Monahy Al-Moreikhy

Classification: Independent Audit Committee Member

Current job: Retired

Previous Jobs:

1. Head of Internal Audit - Bank Albilad
2. Department Manager of automated audit - Al Rajhi Bank
3. Department Manager of IS Operation & Control - Al Rajhi Bank
4. Department Manager of IS Audit & Security - AlRajhi Bank.
5. Manager of Programming Systems - Ministry of Defense.

Qualifications: Bachelor of Computer Science and Mathematics, University of East Washington

Current Memberships: Independent Audit Committee member - The Saudi Investment Bank

#### Mr. Abdullah Al-Anizi

Classification: Independent Audit Committee Member

Current Job: Group Chief Audit Executive - Saudi Telecom Group

Previous Jobs:

1. General Manager of Information Systems and Network Audit - Saudi Telecom Group
2. General Manager investment and operational audit - Saudi Telecom Group
3. Senior Manager - SAMBA Financial Group

Qualifications:

1. Bachelor of Information Systems from the Faculty of Computer Science, King Saud University.
2. Executive Master of Business Administration, King Fahd University of Petroleum and Minerals
3. Certified Internal Auditor.
4. Certified Information System Auditor.
5. Certification in Risk Management (IIA).
6. Certified Fraud Examiner

Current Memberships:

1. Independent Audit Committee member - The Saudi Investment Bank
2. Independent Audit Committee member - Alahli Capital
3. Independent Audit Committee Member - Al-Tayyar Travel Group
4. Independent Audit Committee Member - The National Agricultural Development Company NADEC

#### Mr. Fayez Belal

Classification: Independent Audit Committee Member

Current Job: Retired

Previous Jobs:

1. Chief Financial Officer - Saudi Aramco Trading Company
2. Chief Financial Officer - Sasref
3. Chief Financial Officer- Petrolube Co
4. Manager Treasury Services - Saudi Aramco
5. Manager Finance & Accounting - Petro Rabigh



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Qualifications: Bachelor of Accounting, King Abdulaziz University KSA

Current Membership: Independent Audit Committee member - The Saudi Investment Bank

### Shariah Committee non Board Members

#### Dr. Mohamed Elgari

Classification: Independent Member of the Shariah Committee

Current Job: Chairman of the Shariah Committee - The Saudi Investment Bank

Previous Jobs:

1. Professor of Islamic Economics, King Abdulaziz University
2. Director of Islamic Economics Research Center, King Abdulaziz University
3. Expert in Islamic Fiqh Academy, Organization of the Islamic Conference (Jeddah Complex)

Qualifications:

1. Bachelor from King Abdulaziz University in Jeddah
2. Master's degree from University of California
3. PhD degree University of California

Current Memberships:

1. Chairman of the Shariah Committee Saudi Investment Bank
2. Member of the Islamic Classification Board of the Islamic Rating Agency (Bahrain).
3. Member of the Advisory Board of the Harvard Series in Islamic Law, Harvard Law School
4. Founding member of the National Society for Human Rights in Saudi Arabia
5. Member of the Shariah Board of The International Shariah Research Academy for Islamic Finance (ISRA), Malaysia

Previous Memberships:

1. Member of the Shariah Council, AAOIFI (Bahrain).
2. Member of the Scientific Committee of the Islamic Institute for Research and Training, Islamic Development Bank in Jeddah.

#### Dr. Abdulaziz Almezeini

Classification: Independent Member of the Shariah Committee

Current Job: Shariah Committee Member - The Saudi Investment Bank

Previous Job: Legal associate at Al-Gasim law firm in association with Allen & Overy LLP in Riyadh

Qualifications:

1. PhD degree in law and exact specialization in Islamic finance from Georgetown University in Washington, D.C. The thesis was entitled "Selling debt in Islamic jurisprudence, comparative analytical comparative study."
2. Master's degree in law and exact specialization Financial regulations and regulations of Georgetown University in the American capital Washington.
3. Master of Systems from the Higher Institute of Judiciary at Imam Muhammad bin Saud Islamic University in Riyadh. The research was entitled: "Internal Crimes of Information in Financial Markets, A Comparative Juristic Study".
4. Bachelor in Islamic Law, Faculty of Shariah, Imam Muhammad bin Saud Islamic University, Riyadh



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### Current Memberships:

1. Shariah Committee Member - The Saudi Investment Bank
2. Member of the faculty of the Higher Judicial Institute at Imam Muhammad bin Saud Islamic University in Riyadh.

Previous Memberships: Chairman of The Preparatory Committee at The Saudi Investment Bank

### **Dr. Ibrahim Al-Lahim**

Classification: Independent Member of the Shariah Committee

Current Job: 

1. Shariah Committee Member - The Saudi Investment Bank
2. Member of the teaching staff of the College of Fundamentals of Religion and Sharia at Qassim University

Previous Job: Professor of the hadiths of judgments and Faculty member at the College of Shariah and Fundamentals of Religion, the Qassim University

### Qualifications:

1. Bachelor degree in Islamic law (Shariah), College of Islamic law (Shariah), Al-Imam Muhammad Ibn Saud University, Riyadh, KSA
2. Master's degree in the Sunnah of the Prophet, Faculty of the fundamentals of religion in Riyadh
3. PhD in the Sunnah of the Prophet on the subject of the hadiths of judgments

Current Memberships: Shariah Committee Member - The Saudi Investment Bank

Previous Memberships: Chairman of the Shariah Committee at MedGulf

### **Senior Management**

The names of the Senior Management of the Bank with their qualifications and experience follows:

#### **Mr. Faisal Al-Omran** **Chief Executive Officer**

Mr. Al-Omran joined the Bank in 2007. Prior to his current position as CEO, Mr. Al-Omran was the Deputy CEO and prior to that was the Bank Treasurer and Chief Investment Officer. Mr. Al-Omran holds a Bachelor's Degree with honors in Finance and Accounting from Northeastern University, and throughout his career he has attended various executive management courses at reputable institutions and universities including the London Business School and INSEAD.

#### **Mr. Salman Al-Fughom** **Deputy Chief Executive Officer**

Mr. Al-Fughom joined the Bank in 2006 in treasury investments. Prior to joining the Bank, he was an investment analyst at the Saudi Central Bank (SAMA), where he worked for almost three years. Mr. Al-Fughom also held the position of Treasurer and Chief Investment Officer in 2017 before being promoted to Deputy Chief Executive Officer in 2020. Mr. Al-Fughom holds a bachelor's degree in engineering and business management from the University of Greenwich and a master of science in investment management from Cass Business School, UK.

#### **Mr. David Johnson** **Chief Financial Officer**

Mr. Johnson joined the Bank in 2009. Prior to joining the Bank, he spent approximately thirty years with KPMG and PricewaterhouseCoopers (PwC) serving primarily in the banking and financial services industries. In 1999, he relocated to Riyadh where he continued specializing in financial services and related industries. Mr. Johnson holds a Bachelor of Science degree in Accounting from Iowa State University, with minor degrees in economics and finance.



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**Mr. Ramzi Al-Nassar**  
**General Manager of Retail Banking**

Mr. Al-Nassar joined the Bank in 1990. Earlier in his career he served as an Officer in the International Banking Division at Riyadh Bank and in several managerial roles ranging from Project Engineer to Head, Contract Accounts Department for the General Petroleum & Mineral Organization (Petromin). He earned a Bachelor's Degree in Petroleum Engineering from King Saud University in Riyadh.

**Mr. Majed A. Fakeeh**  
**General Manager of Corporate Banking**

Mr. Fakeeh joined the Bank in his current position in 2012. Prior to joining the Bank, he was Chief Corporate Banker and Senior Credit Officer at NCB, where he worked for twelve years. Mr. Fakeeh also held the positions of Team Leader and Relationship Officer on Corporate Banking. Mr. Fakeeh also worked at the Bank as a Relationship Officer from 1995 to 2000. Mr. Fakeeh holds a Bachelor's Degree in Business Administration majoring in Finance from King Saud University.

**Mr. Naif Al-Hammad**  
**Treasurer and Chief Investment Officer**

Mr. Al-Hammad joined SAIB in April 2015 as Portfolio Manager – Investments. He was promoted to the Head of Investments in March 2018, Deputy Treasurer & Chief Investment Officer in March 2019 and Treasurer & Chief Investment Officer in September 2020. Prior to joining the Bank, he was a Senior Credit Manager (Treasury) at Bank Aljazira, and worked with SAMA from 2006 to 2013 in various positions, the last one being the Head of the Risk Control Division. He holds a Bachelor Degree in Accounting from King Saud University and a Master of Arts in Economics with a minor in Finance from the University of Arkansas, USA. He has completed a number of professional trainings and certifications from leading international institutions.

**Mr. Mohammed A. Al Fraih**  
**Chief Operating Officer**

Mr. Al-Fraih joined the bank in 2016 as Chief Information Officer (CIO), and then he was appointed to his current position as Chief Operating Officer (COO). He has a distinguished track record of more than 23 years with extensive experience in multiple verticals including financial, telecommunications, and retail Industries. Mr. Al-Fraih holds a Bachelor Degree in Computer and Information Science from King Saud University, Riyadh, Saudi Arabia. He also has many Professional Certifications and had attended several Executive Programs in reputed business schools and institutions.

**Mr. Mansour Al-Obaikan**  
**Chief Risk Officer**

Mr. Al-Obaikan joined the Bank in 2018, and was appointed as Chief Risk Officer in Dec 2019. Prior to joining the Bank, he worked in SABB from 2007 onwards in various positions in Corporate Banking and Global Banking & Markets. He holds a Bachelor's of Honor's degree in Finance from Prince Sultan University, in addition to attending several management courses and professional programs at reputable institutions including HSBC U.K, HSBC India, HSBC Middle East, the International Institute for Management Development, INSEAD, IMD Business School, and Euromoney.

**Ms. Monirah Al-Swaydani**  
**General Manager of Corporate Governance & Board Secretary**

Ms. Al-Swaydani joined the Bank in 2017. She has held Senior positions in leading Banks where she accumulated experience in the banking sector over the past 15 years with demonstrated history in Retail banking, Credit risk & control, legal and operational procedures & Governance, Syndication, and Structured Finance. She holds a Bachelor's degree in English from King Saud University.

**Ms. Nasreen Al-Dossary**  
**General Manager of Human Resources**

Ms. Al-Dossary joined the Bank in 2018. Prior to joining the Bank, she has had around 23 years of varied work experience across various industries. She was the first Vice President of the National Committee for Women and also a Board member for many companies. She holds a Master's Degree in Business Administration from the University of Hull, and has published a number of papers related to Human Resource management at many international conferences and symposiums.





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### **Mr. Badr Allaf** **General Manager of Compliance Group**

Mr. Allaf joined the Bank in 2017. Prior to joining the Bank, he was an executive team member & Chief AML and CTF Compliance Group at Bank AlJazira, where he worked for ten years. Mr. Allaf also held the position of western and southern regions Chief Compliance Officer at SAMBA Financial Group. Mr. Allaf holds a bachelor's degree in mechanical power engineering from King Abdulaziz University.

### **Mr. Waleed Almaqawshi** **Acting Chief Internal Auditor**

Mr. Al-Maqawshi joined the bank as an Audit Manager of Risk and Finance at the beginning of the year 2020 and was appointed as Acting Chief Internal Auditor in September. Prior to joining the Bank, he worked at the Saudi Central Bank in banking supervision and policies since 2008 where he supervised several local and foreign banks in the Kingdom. He also represented the Saudi Central Bank in the Basel committees for liquidity, capital risks and risk reporting at the Bank for International Settlements. In addition, he attended various international workshops and conferences. He holds a Master's degree in Financial Management from the University of Hull, UK.

### **Board Committees and their composition**

The Board has the ultimate responsibility for the success, soundness and solvency of the Bank and is accountable for protecting depositors' and shareholders' funds. The main responsibilities of the Board members include challenging, contributing, approving and monitoring the business strategy of the Bank, approving and overseeing the implementation of the Bank's overall risk management strategies, monitoring and overseeing the Bank's performance and risks through laid down limits for management, including those for its subsidiaries. The Board operates through six Committees as given below:

1. The **Executive Committee** is comprised of five Board members. The Committee supervises the credit and financial policies of the Bank, and oversee the Bank's business strategy and its execution. The Committee's responsibilities also include reviewing, monitoring and approving key financial and non-financial business, and investment and operational decisions of the Bank within the authority defined by the Bank.
2. The **Audit Committee** is comprised of five members, two Board members and three non-Board members. The Committee's activities include ensuring the quality and accuracy of financial accounting and financial statements including review of quarterly and annual financial statements and recommendation to the Board for approval, supervising and reviewing the effectiveness and independence of Internal Audit and External Auditors, reviewing the Compliance and Anti-money laundering processes including code of conduct and whistleblowing cases, reviewing and evaluating the nature and effectiveness of the Bank's Internal Control system including IT systems controls, their security and their vulnerabilities, and recommending the appointment of the External Auditors.
3. The **Nomination and Remuneration Committee** is comprised of four Board members. The Committee is responsible for recommending to the Board of Directors appointments to membership of the Board in accordance with the approved policies and standards, reviewing on an annual basis the requirements for the suitable skills for membership of the Board of Directors, reviewing the structure of the Board of Directors, and recommending changes thereto. It is also responsible to recommend to the Board the approval of the Bank's compensation policy and amendments thereto, and other activities related to the Bank's compensation policies and guidelines. It is also responsible for approving the appointment and remuneration of senior executives of the Bank, reviewing and supervising the implementation of succession planning and training of the Bank's Board members, the CEO, and the direct reports of the CEO.
4. The **Governance Committee** is composed of three board members. The Committee is responsible for promoting and implementing best practices of governance by acting on behalf of the Board to ensure the implementation of these practices in all activities of the Bank. The Committee also monitors the Bank's compliance with relevant local and international regulations. The Committee also monitors and guides the Governance function in the Bank, including its ownership of corporate governance policies, processes and procedures.



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5. The **Risk Committee** is comprised of four Board members. The Committee supervises the risk management activities of the Bank including market, credit, operational, and other risks. The Committee's activities also include setting the Bank's Risk Management Strategy, setting the Bank's Risk Appetite framework, periodically reviewing the actual risk profile against the approved risk capacity and risk appetite, reviewing the Internal Capital Adequacy Assessment Plan and the Internal Liquidity Adequacy Assessment Plan, reviewing stress test results and review of the risks relating to the Bank's subsidiaries and their potential impact.
6. The **Shariah Committee** is comprised of three members. The Committee is responsible for providing Shariah opinions on submitted applications and related contracts and forms. The Committee is also responsible for ensuring the Bank's compliance with Shariah principles and decisions through the Shariah control function. In addition, the Committee answers Shariah related enquiries for the Bank and its customers.

The composition of the six Board Committees is presented below:

Executive Committee	Audit Committee	Nomination and Remuneration Committee	Governance Committee	Risk Committee	Shariah Committee
Mr. Abdulaziz Al-Khamis, (Chairman)	Mr. Mohammad Al-Ali (Chairman)	Dr. Fouad Al-Saleh (Chairman)	Mr. Yasser Aljarallah (Chairman)	Mr. Mohammed Algrenees (Chairman)	Dr. Mohamed Elgari (Chairman)
Mr. Abdul Rahman Al-Rawaf	Mr. Mohammed Bamaga	Mr. Abdulaziz Al-Khamis	Mr. Mohammad Al-Ali	Mr. Mohammad Al-Ali	Dr. Ibrahim Al-Lahim
Dr. Fouad Al-Saleh	Mr. Abdullah Al-Anizi (non-board)	Mr. Saleh Al-Athel	Mr. Saleh Al-Athel	Mr. Yasser Aljarallah	Dr. Abdulaziz Almezeini
Mr. Saleh Al-Athel	Mr. Monahy Al-Moreikhy (non-board)	Mr. Abdul Rahman Al-Rawaf	-	Mr. Mohammed Bamaga	-
Mr. Mohammed Algrenees	Mr. Fayez Belal (non-board)	-	-	-	-

### Directors' attendance

The details of the attendance of the Board and non-Board members in the Bank's Board and Board committee meetings held during the year follows.

### **Board meetings**

Five Board of Directors meetings were held during 2020 as follows:

Board member	Board of Directors meetings attended				
	April 9, 2020	July 9, 2020	July 28, 2020	October 14, 2020	December 20, 2020
Mr. Abdallah Saleh Jum'ah	x	x	x	x	x
Mr. Abdulaziz Al-Khamis	x	x	x	x	x
Mr. Abdul Rahman Al-Rawaf	x	x	x	x	x
Dr. Fouad Al-Saleh	x	x	x	x	x
Mr. Saleh Al-Athel	x	x	x	x	x
Mr. Mohammad Al-Ali	x	x	x	x	x
Mr. Mohammed Algrenees	x	x	x	x	x
Mr. Mohammed Bamaga	x	x	x	x	x
Mr. Yasser Aljarallah	x	x	x	x	x



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### Executive Committee meetings

Thirteen Executive Committee meetings were held during 2020 as follows:

Committee member	Executive Committee meetings attended												
	Jan 27, 2020	Feb 24, 2020	Mar 30, 2020	Apr 27, 2020	May 17, 2020	Jun 29, 2020	Jul 27, 2020	Aug 31, 2020	Sep 28, 2020	Oct 26, 2020	Nov 30, 2020	Dec 2, 2020	Dec 28, 2020
Mr. Abdulaziz Al-Khamis	x	x	x	x	x	x	x	x	x	x	x	x	x
Mr. Abdul Rahman Al-Rawaf	x	x	x	x	x	x	x	x	x	x	x	x	x
Dr. Fouad Al-Saleh	x	x	x	x	x	x	x	x	x	x	x		x
Mr. Saleh Al-Athel	x		x	x	x	x	x	x	x	x	x	x	x
Mr. Mohammed Algrenees	x	x	x	x	x	x	x	x	x	x	x	x	x

### Audit Committee meetings

Five Audit Committee meetings were held during 2020 as follows:

Committee member	Audit Committee meetings attended				
	January 29, 2020	April 8, 2020	July 8, 2020	October 13, 2020	December 13, 2020
Mr. Mohammad Al-Ali	x	x	x	x	x
Mr. Mohammed Bamaga	x	x	x	x	x
Mr. Abdullah Al-Anizi	x	x	x	x	x
Mr. Monahy Al-Moreikhy	x	x	x	x	x
Mr. Fayez Belal	x	x	x	x	x

### Nomination and Remuneration Committee meetings

Five Nomination and Remuneration Committee meetings were held during 2020 as follows:

Committee member	Nomination and Remuneration Committee meetings attended				
	January 27, 2020	February 24, 2020	May 17, 2020	August 31, 2020	December 13, 2020
Dr. Fouad Al-Saleh	x	x	x	x	x
Mr. Abdulaziz Al-Khamis	x	x	x	x	x
Mr. Abdul Rahman Al-Rawaf	x	x	x	x	x
Mr. Saleh Al-Athel	x		x	x	x

### Governance Committee meetings

Two Governance Committee meetings were held during 2020 as follows:

Committee member	Governance Committee meetings attended	
	April 8, 2020	December 27, 2020
Mr. Yasser Aljarallah	x	x
Mr. Mohammad Al-Ali	x	x
Mr. Saleh Al-Athel	x	x



## 2020 BOARD OF DIRECTORS' REPORT

### Risk Committee meetings

Four Risk Committee meetings were held during 2020 as follows:

Committee member	Risk Committee meetings attended			
	March 15, 2020	June 14, 2020	September 16, 2020	November 23, 2020
Mr. Mohammed Algrenees	x	x	x	x
Mr. Mohammad Al-Ali	x	x	x	x
Mr. Yasser Aljarallah	x	x	x	x
Mr. Mohammed Bamaga	x	x	x	x

### Shariah Committee meetings

Four Shariah Committee meetings were held during 2020 as follows:

Committee member	Shariah Committee meetings attended			
	February 27, 2020	July 14, 2020	September 3, 2020	December 16, 2020
Dr. Mohamed Elgari	x	x	x	x
Dr. Abdulaziz Almezeini	x	x	x	x
Dr. Ibrahim Al-Lahim	x	x		x

The details of the attendance of Board members in shareholders meetings held during the year follows:

### Ordinary General Assembly Committee meeting

One Ordinary General Assembly meeting was held during 2020 as follows:

Date of meeting	Members Attended
April 21, 2020	Mr. Abdallah Saleh Jum'ah Mr. Abdulaziz Al Khamis Mr. Abdul Rahman Al-Rawaf Dr. Fouad Al-Saleh Mr. Saleh Al-Athel Mr. Mohammad Al-Ali Mr. Yasser Aljarallah Mr. Mohammed Bamaga

### Extraordinary General Assembly Committee meetings

Two Extraordinary General Assembly meetings were held during 2020 as follows:

Date of meeting	Members Attended
March 23, 2020	Mr. Abdulaziz Al-Khamis Mr. Abdul Rahman Al-Rawaf Dr. Fouad Al-Saleh Mr. Saleh Al-Athel Mr. Mohammad Al-Ali Mr. Mohammed Algrenees Mr. Yasser Aljarallah Mr. Mohammed Bamaga
November 29, 2020	Mr. Abdulaziz Al-Khamis Mr. Abdul Rahman Al-Rawaf Dr. Fouad Al-Saleh Mr. Saleh Al-Athel Mr. Mohammad Al-Ali Mr. Mohammed Algrenees Mr. Yasser Aljarallah Mr. Mohammed Bamaga



## 2020 BOARD OF DIRECTORS' REPORT

### **Performance of the Board of directors**

Corporate Governance continues to be an important aspect of the business world where the Board of Directors are entrusted among other duties to oversee the Bank, implementation of the Bank's strategic objectives, approving risk strategy, approving corporate governance rules and principles of professional conduct, and supervision of senior management.

In the aim of reviewing the Board's effectiveness including its own controls and work procedures, the Board of Directors carries out an annual internal assessment of the Board as whole, its members, its Committees and Board Committees' members. The assessment is carried out by an external specialized consultant every three years.

### **Changes in the Bank's ownership (Board of Directors and Senior Executives)**

The Board of Directors is composed of natural persons represented on the Board in their personal capacities. Below is the list of the overall ownership of Bank's shares by the Board of Directors and senior executives and their immediate relatives who have an interest in such ownership.

#### **Directors**

No	Name	Shares at the beginning of the year	Shares at the end of the year	Net Change	Percentage of Change
1	Mr. Abdallah Saleh Jum'ah	283,170	283,220	50	0.02%
2	Mr. Abdulaziz Al-Khamis	1,666	1,666	-	0%
3	Mr. Abdul Rahman Al-Rawaf	1,666	1,666	-	0%
4	Dr. Fouad Al-Saleh	369,301	619,303	250,002	67.70%
5	Mr. Saleh Al-Athel	253,153	253,153	-	0%
6	Mr. Mohammad Al-Ali	2,498	2,498	-	0%
7	Mr. Mohammed Algrenees	100	100	-	0%
8	Mr. Mohammed Bamaga	1,015	1,015	-	0%
9	Mr. Yasser Aljarallah	101,583,123	101,593,098	9,975	0.01%

#### **Senior Executives**

No	Name	Shares at the beginning of the year	Shares at the end of the year	Net Change	Percentage of Change
1	Mr. Faisal Al-Omran	18,209	18,209	-	0%
2	Mr. Salman Al-Fughom	80,000	35,000	(45,000)	-56.25%
3	Mr. Ramzi Al-Nassar	250,000	250,000	-	0%
4	Mr. David Johnson	255,785	136,880	(118,905)	-46.49%
5	Mr. Mansour Al-Obaikan	7,794	7,794	-	0%

There were no debt instruments held by Board members or Senior executives during 2020.

### **Number of orders related to the register of company shareholders and the dates and causes of such applications**

The Bank ordered the following 11 end of month registers on the dates indicated during 2020:

- |                      |                       |
|----------------------|-----------------------|
| 1. January 02, 2020  | 7. July 02, 2020      |
| 2. February 03, 2020 | 8. September 02, 2020 |
| 3. March 03, 2020    | 9. October 04, 2020   |
| 4. April 02, 2020    | 10. November 02, 2020 |
| 5. May 02, 2020      | 11. December 02, 2020 |
| 6. June 02, 2020     |                       |



## 2020 BOARD OF DIRECTORS' REPORT

### Directors' and Senior Executives' Remuneration

The Bank's policy regarding remuneration of the Chairman and members of the Board of Directors is based on the limits set out in the Companies Regulations and the instructions of the Saudi Central Bank, as stated in the Bank's Governance Manual, which is available on the Bank's website.

The remuneration paid to directors and executives during the year ended December 31, 2020 was as follows:

Board Remuneration (SAR '000)														
	Fixed remunerations					Variable remunerations						End-of-service award	Aggregate Amount	Expenses Allowance
	Specific amount	Allowance for attending Board Meeting	Total Allowance for attending Committee Meetings	Remunerations of the chairman, Managing Director or Secretary, if a member	Total	Percentage of the profits	Periodic remunerations	Short-term incentive plans	Long-term incentive plans	Granted shares	Total			
First : Independent Directors														
Fouad Al-Saleh	390	25	85	-	500	-	-	-	-	-	-	-	500	-
Saleh Al-Athel	385	25	90	-	500	-	-	-	-	-	-	-	500	-
Mohammad Al-Ali	420	25	55	-	500	-	-	-	-	-	-	-	500	23
Yasser Aljarallah	445	25	30	-	500	-	-	-	-	-	-	-	500	-
Mohammed Bamaga	430	25	45	-	500	-	-	-	-	-	-	-	500	14
Total	2,070	125	305	-	2,500	-	-	-	-	-	-	-	2,500	37
Second : Non-Executive Directors														
Abdallah Saleh Jum'ah	1,200	-	-	-	1,200	-	-	-	-	-	-	-	1,200	-
Abdulaziz Al-Khamis	385	25	90	-	500	-	-	-	-	-	-	-	500	-
Abdul Rahman Al-Rawaf	385	25	90	-	500	-	-	-	-	-	-	-	500	-
Mohammed Algrenees	390	25	85	-	500	-	-	-	-	-	-	-	500	-
Total	2,360	75	265	-	2,700	-	-	-	-	-	-	-	2,700	-

Non-Board Committee member remuneration	(SAR '000)	
	Audit Committee Members	Shariah Committee Members
Fixed Remuneration	750	450
Allowances for attending committee meetings	80	74
<b>Total</b>	<b>830</b>	<b>524</b>

There was no variable remuneration paid to the other non-Board committee members during 2020.

### **Senior Executive remuneration**

#### ***Fixed remuneration***

	(SAR '000)
	Senior Executives
Salaries	14,516
Allowances	6,335
<b>Sub total</b>	<b>20,851</b>

#### ***Variable remuneration***

Deferred Amount	1,669
Short-term incentive plans	10,113
<b>Sub total</b>	<b>11,782</b>
End-of service award	6,001
<b>Total</b>	<b>38,634</b>





## 2020 BOARD OF DIRECTORS' REPORT

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### **Board of Directors' declaration**

The Board of Directors hereby declares that to the best of its knowledge and belief and in all material respects:

1. Proper books of account have been maintained;
2. The system of internal control is sound in design and has been effectively implemented; and
3. There are no significant doubts concerning the Bank's ability to continue as a going concern.

Based on the information and data provided, there are no significant doubts concerning any contracts or activities where the Bank is a party thereof, or where the Banks Board of Directors, CEO, Chief Financial Officer, or any other related person has an interest in.

The Bank has worked in enhancing effective communication and transparency with all shareholders to ensure consistency and transparency of disclosures at all times. To this end the Bank has established procedures to ensure that shareholders' suggestions and feedback relating to the Bank and its performance are well reported to the Board.

### **Auditors**

The Ordinary General Assembly meeting held on April 21, 2020 appointed KPMG Al Fozan and Partners and Ernst & Young & Co. as the Bank's auditors for the financial year 2020.

### **Auditors' Unmodified opinion on the annual financial statements**

The 2020 auditor's report indicates that "the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards ("IFRSs") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in the Kingdom of Saudi Arabia")".

The auditor's report also indicates that "nothing has come to our attention that causes us to believe that the Bank was not in compliance, in all material respects, with the applicable requirements of the Regulations for Companies, the Banking Control Law in the Kingdom of Saudi Arabia and the Bank's Articles of Association in so far as they affect the preparation and presentation of the consolidated financial statements for the year ended December 31, 2020".

### **The Board of Directors' recommendation and reason to replace the auditors**

The Board of Directors has not recommended to replace the auditors before the end of their assignment period.

### **Corporate governance, community service and sustainability**

The Bank's governance substantially complies with the Principles of Corporate Governance for Banks Operating in Saudi Arabia issued by SAMA in March 2014.

The Bank also complies with the Corporate Governance guidelines included in the Rules Governing the Companies in the Kingdom of Saudi Arabia issued by the Capital Market Authority on May 20, 2019.

### **Bank's code of conduct and ethical standards**

The Bank's ethical standards and Code of Conduct represent a standard and a Guide for high ethical principles and professional business dealings practices. Through its Code of Conduct, the Bank is committed to instill and maintain a culture of professionalism where the utmost ethical standards prevail. The Bank's Code of Conduct is based on fundamental principles of integrity, confidentiality, and professionalism. It applies to all Directors, employees, consultants, affiliates, and any other person that may represent the Bank. The Bank operates under the governing authority of its Board of Directors, which oversees the implementation and effectiveness of the Bank's ethical standards and Code of Conduct.



## 2020 BOARD OF DIRECTORS' REPORT

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### **Annual Review of the Effectiveness of Internal Control**

Management is responsible for establishing and maintaining an adequate and effective internal control system across the Bank. An Internal control system includes the policies, procedures, and processes, which are designed under supervision of the Board of Directors to achieve the strategic objectives of the Bank.

The scope of the Bank's internal control system validation includes the assessment of the adequacy and effectiveness of the internal control system across the Bank. All significant and material findings related to internal controls are reported to the Audit Committee of the Bank. The Audit Committee actively monitors the adequacy and effectiveness of the internal control system to ensure that identified risks are mitigated to safeguard the interests of the Bank.

Concerted and integrated efforts are made by all functions of the Bank to strengthen the control environment at a grass root level through a continuous process of reviewing and streamlining procedures to prevent and rectify any control deficiencies. Each function, under the supervision of senior management, is entrusted with the responsibility to oversee the rectification of control deficiencies identified by internal and external auditors, and various control units across the Bank.

The Management of the Bank has adopted the Internal Controls Integrated Framework as recommended by the Saudi Central Bank through its Guidelines on Internal Controls issued in 2013.

In addition, the Internal Control System of the Bank has been designed to provide a reasonable assurance to the Board, on management of risks and to achieve the Bank's strategic objectives. Internal control systems, no matter how well designed, have inherent limitations, and may not prevent or detect all control deficiencies. The projection of current evaluations of the effectiveness to future periods is subject to a limitation that controls may become inadequate due to changes in conditions or compliance with policies or procedures.

Based on the results through ongoing testing and assessment of controls carried out during the year, Management considers that the Bank's existing internal control system is adequate and operating effectively. For further enhancing of controls, Management continuously evaluates the internal control system of the Bank.

Based on the above, the Board has duly endorsed Management's evaluation of the Bank's internal control system.

### **Community service and sustainability**

Governed by the Bank's Sustainability Program, the Bank actively worked to maximize its corporate strategy, contribute to the community, and ensure alignment with Saudi Arabia's Vision 2030 and The United Nations Sustainable Development Goals.

The Bank recognizes its important role in helping the Kingdom and the community grow and in developing a sustainable economy. Our sustainability strategy is to influence all stakeholders and to be aligned to practices that benefit society, the economy, and the nation as whole. The Bank has a responsibility to its communities – from providing support to employees, to increasing awareness on important local issues and striving to make a positive impact within society.

The Bank's WooW Alkhair program continues to grow with over 48 Charities participating in the program, creating a qualitative integration between the Bank and its customers, and resulting in donations of over SAR 1,113,500 in 2020. The Bank has also contributed to social charity events such as SANAD Children's Cancer Support Association where the Bank's employees visited and greeted the children at the children cancer hospital and shared gifts with them.

SAIB recognizes the importance of sustainability, and continuously assesses new sustainable business opportunities. The Bank proactively supports sustainable initiatives through the financing of environmentally friendly projects that center around renewable energy, recycling, water treatment, wastewater treatment, hazardous waste disposal, and other environmental services.



## 2020 BOARD OF DIRECTORS' REPORT

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Our Building Management System reduces electricity consumption from our various buildings and shows reductions of over 23% in usage and resulting positive impact on the environment. Active campaigns to recycle clothing, paper, plastics and electronic items continued with year on year recyclable metrics.

The Bank also continues to implement programs to attract and employ young Saudi graduates, and promote gender equality with corresponding increases in our female workforce.

The Bank continues to retain its Global Reporting Initiative (GRI) Gold Community Membership.

### **Conclusion**

It is a pleasure, once again, for the Board of Directors to express its gratitude to the Government of the Custodian of the Two Holy Mosques, and in particular to the Ministry of Finance, as well as to the Saudi Central Bank, the Ministry of Commerce, and the Capital Market Authority, for their continued and constructive support. The Board of Directors would also like to thank its shareholders and customers for their support and trust which encourages us to achieve more. The Board of Directors acknowledges with appreciation the dedication and loyalty of the Bank's officers and staff to improve the performance of the Bank in order to achieve its strategic objectives.