

POSITIONING FOR GROWTH

ANNUAL REPORT
2020



The Custodian of the Two Holy Mosques
King Salman Bin Abdulaziz Al Saud

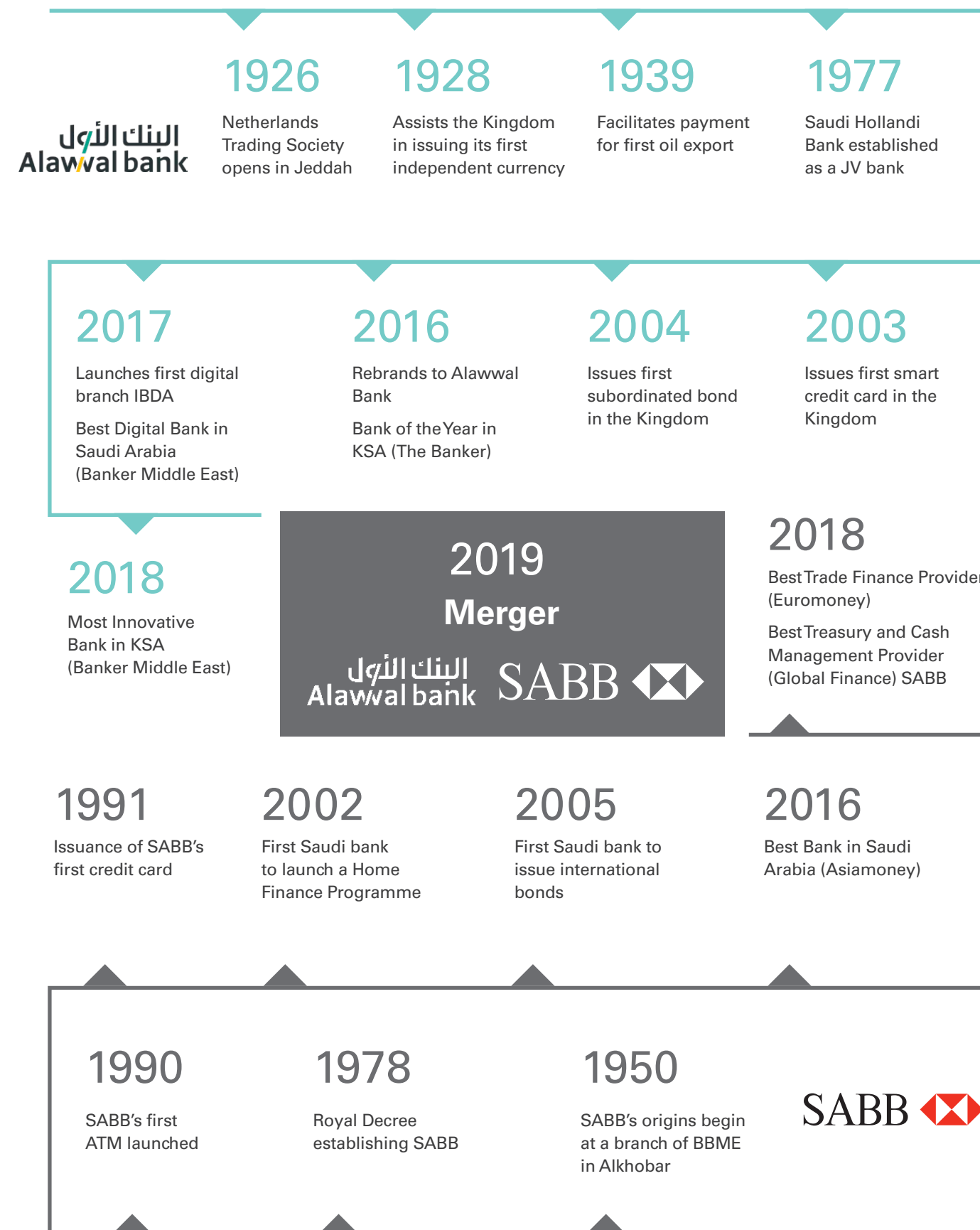


His Royal Highness Crown Prince
Mohammad Bin Salman Bin Abdulaziz Al Saud

In a year when the world faced unprecedented challenges, we maintained our progress in the **integration** of SABB and Alawwal Bank. With the merger of our institutions approaching completion, and the conclusion of the Strategy 2025 we have positioned ourselves for **growth**.

Ms. Lubna S. Olayan
Board Chair

A JOINT HISTORY OF OVER 160 YEARS



AT A GLANCE

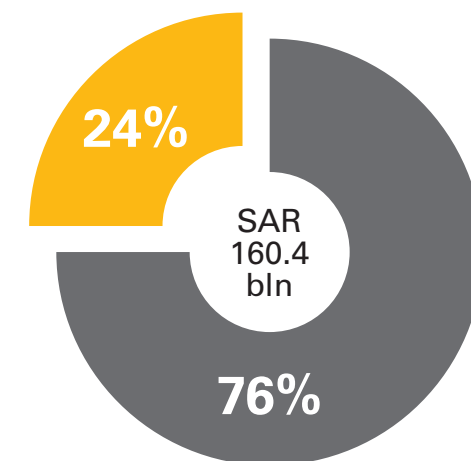
CUSTOMER LENDING BY BUSINESS

GROSS LOANS

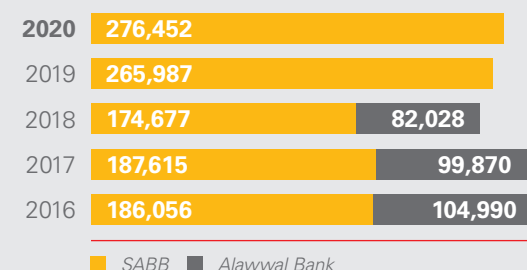
RBWM VS. CIB

Retail Banking and
Wealth Management

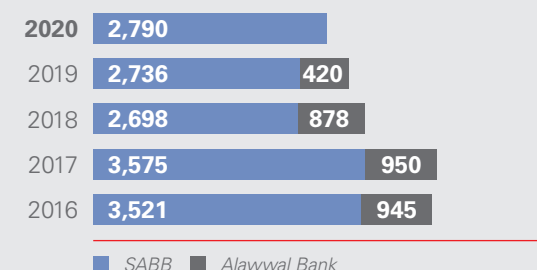
Corporate and
Institutional Banking



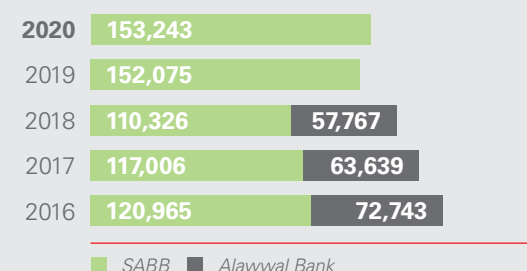
TOTAL ASSETS (SAR mln)



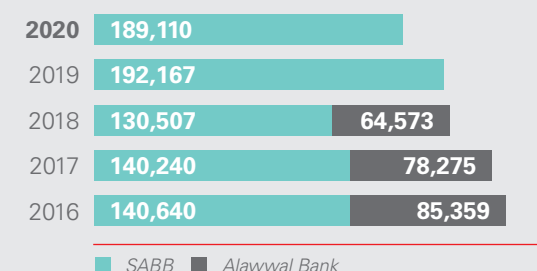
NET INCOME AFTER ZAKAT AND INCOME TAX ¹ (SAR mln)



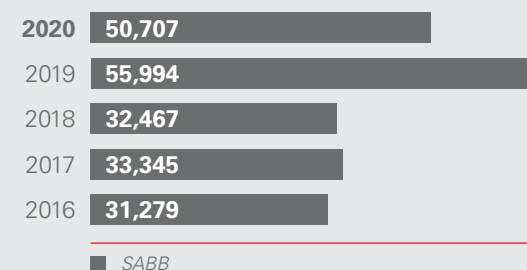
LOANS AND ADVANCES, NET (SAR mln)



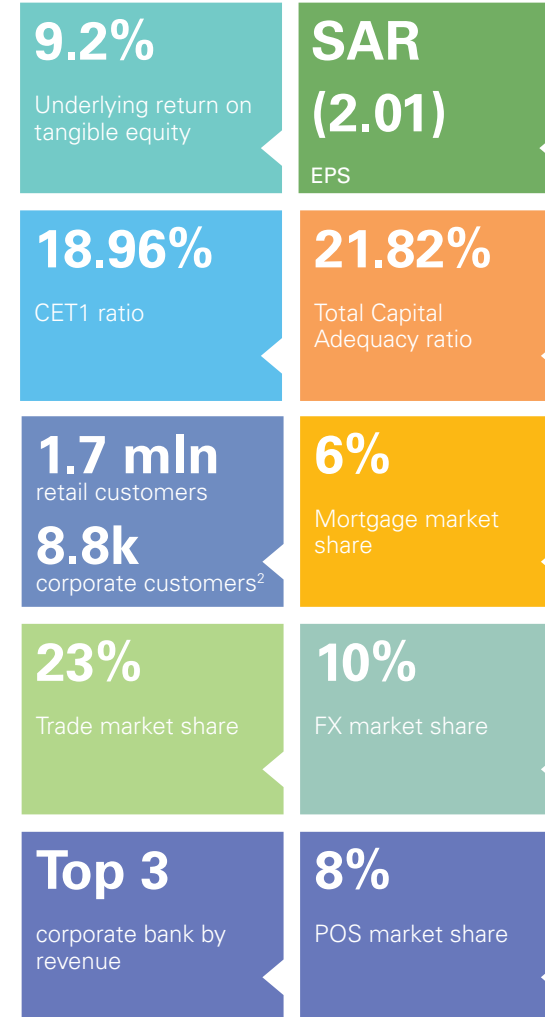
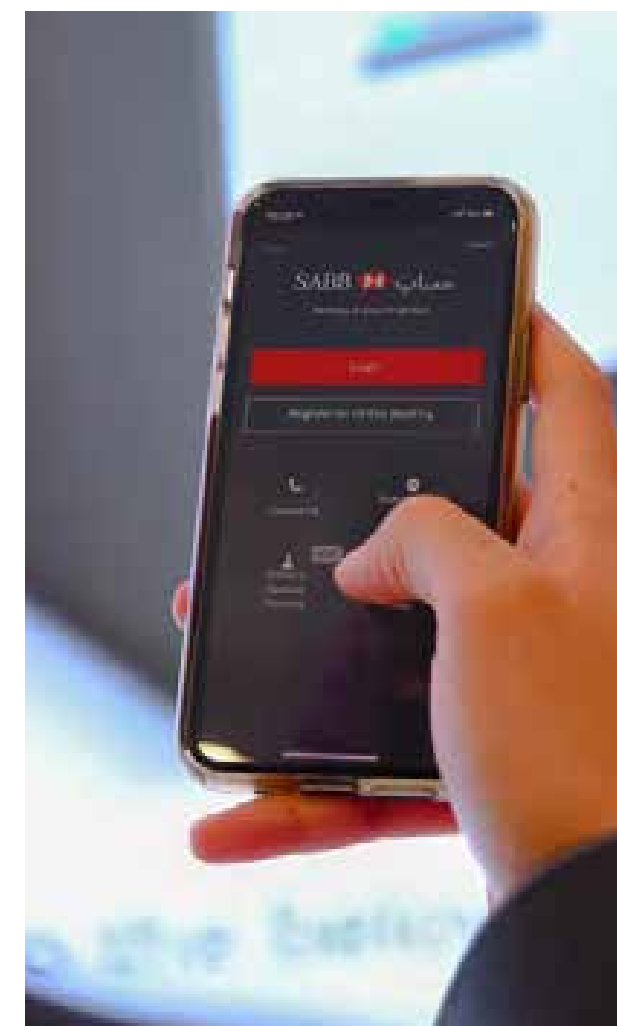
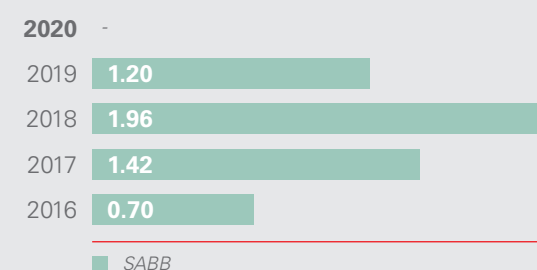
CUSTOMER DEPOSITS (SAR mln)



SHAREHOLDERS' EQUITY (SAR mln)



DIVIDEND PER SHARE (SAR)



¹Excludes goodwill impairment and associated tax impact

²Excludes Micro, Small and Medium-sized Enterprises ('MSME')

MORE AWARDS FROM 2020

Global Finance

Best Foreign Exchange Provider
Best Private Bank
Best Trade Finance Provider
Best Treasury and Cash Management Provider
Best Bank in KSA
Best Consumer Digital Bank
Best Mobile Banking App
Safest Bank in KSA

Euromoney

No 1 Bank in KSA for Mega High Net Worth Clients
No 1 Bank in KSA for Philanthropic Advice
No.1 Rank for Market Leader
No. 1 Rank for Best Service
Market Leader Best Service

Saudi Trade Finance

Best Trade Finance Bank
Best Supply Chain Finance Bank

GTR Leader in Trade MENA
Product of the Year MENA – SABB Waafer Account
Best Domestic Bank in KSA
Best Bank for Customer Experience in KSA



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ABOUT SABB

Our vision

To bring a world of financial opportunities to an ambitious Kingdom

We enjoy a unique position as the leading international bank in the Kingdom of Saudi Arabia. We give our customers the highest quality service and an unmatched breadth and depth of experience and know-how from local and international best practice, delivered through digital and personalised service driven by customer preference. Our strategic partnership with HSBC Group, one of the world's leading financial institutions, positions us as a preferred banking partner. As a leader in key segments of the financial sector, we will be where the growth is in Saudi Arabia. Our staff will see SABB as the best place to work in Saudi Arabia, offering the best training and development, unparalleled access to international best practices and the most progressive working standards in tune with the evolution of the Kingdom.

Our business

Saudi British Bank ('SABB' or the 'Bank') was established in 1978 as a Saudi Joint Stock Company. Today the Bank has in issue SAR 38.1 billion of share capital and share premium, equating to 2,055 million shares with a nominal value of SAR 10. SABB provides a comprehensive range of banking services to retail, corporate and institutional customers throughout the Kingdom.

Since its foundation, SABB has maintained its strategic partnership with HSBC Group, one of the world's largest and most geographically diverse financial services corporations. The partnership has provided SABB with a vital competitive advantage, affording customers access to the best international services available in the Saudi market. HSBC Group currently retains a 31% stake in SABB.

Our merger with Alawwal Bank

The merger between SABB and Alawwal Bank, completed in June 2019, brought together two of Saudi Arabia's best established and most trusted financial institutions, and was a milestone moment for the Saudi capital market.

The merger was a compelling opportunity to create an institution with enhanced scale and balance sheet strength to support and play an instrumental role in the Vision 2030 economic transformation programme, supporting the financing of infrastructure projects, the development of the capital market, the prioritisation of public services and assets, and the creation and build out of new sectors of the economy.

The merged Bank has cemented its position as a top-tier Saudi financial institution, with total revenue in 2020 amounting to SAR 8.9 billion, more than 1.7 million retail customers and over 8.8k corporate and institutional customers. The combination of the two banks has created a substantial retail and wealth management business, with increased resource to innovate and connect with a young and tech-savvy customer base. SABB continues to be one of the leading corporate banks in the Kingdom and the bank of choice for international customers.

SABB has SAR 276.5 billion of total assets, SAR 160.4 billion of gross customer loans and SAR 189.1 billion of customer deposits. As at 31 December 2020, the market capitalisation of the Bank was SAR 50.8 billion.



BANK PROFILE

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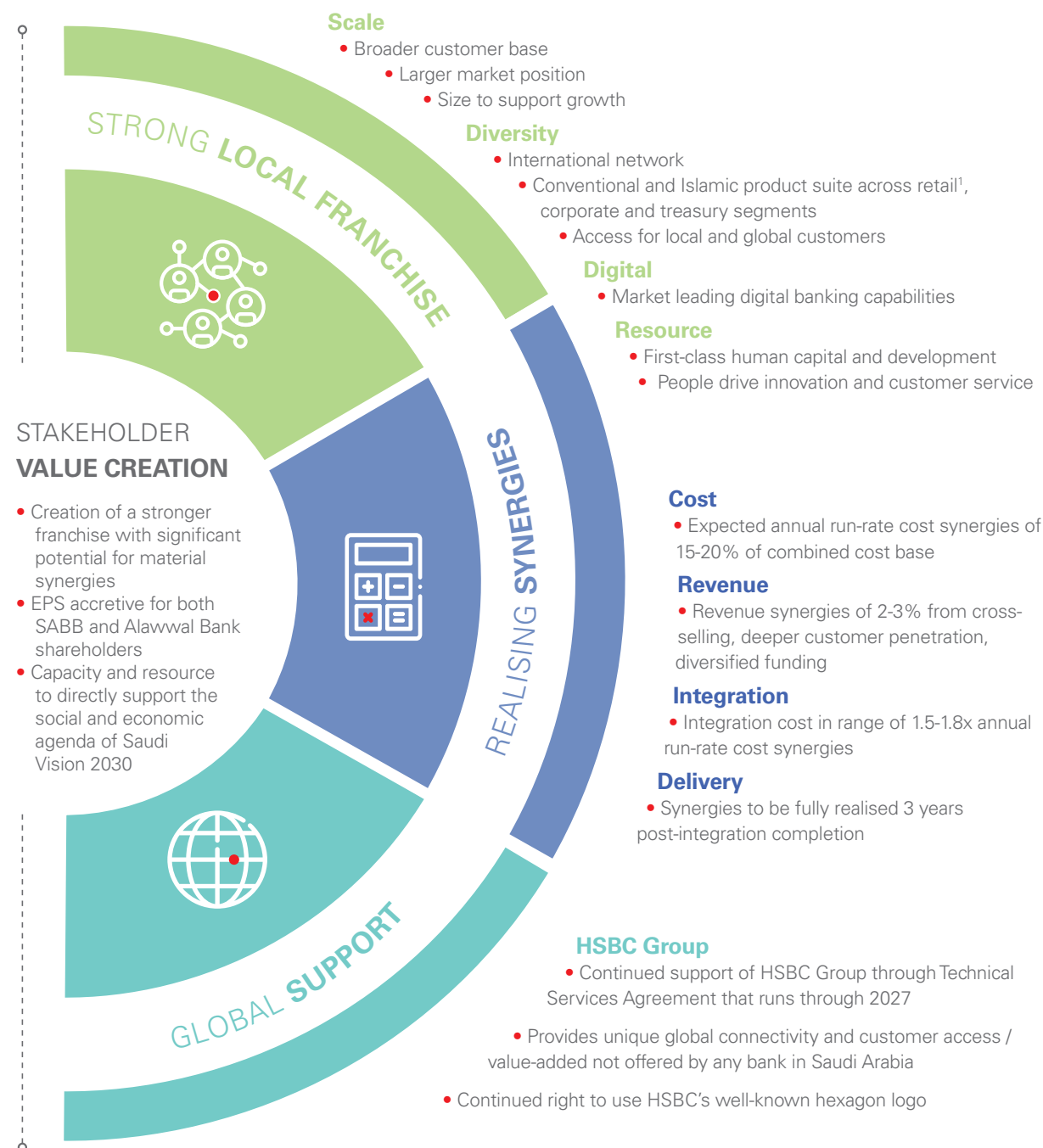
SABB ساب

البنك الأهلي
Alawwal bank

BUSINESS MODEL

Following the SABB-Alawwal merger, the business model of our unified institution has been designed to ensure the Bank delivers value to customers, employees and shareholders, while delivering on our strategic priorities for supporting Saudi Arabia's Vision 2030 development programme. The business model serves to build and deepen sustainable relationships between the Bank and its stakeholders, taking advantage of the opportunities that have been created by the union of the two institutions.

Creating stakeholder value



¹SABB offers only Shariah-compliant products to its retail customers.

CASE STUDY

Client

Founded in 1977, Almarai Company ('Almarai' or the 'Company') is the world's largest vertically integrated dairy company and the region's largest food and beverage manufacturing and distribution company. Headquartered in the Kingdom of Saudi Arabia, Almarai is ranked as the number one FMCG brand in the MENA region and a market leader in all its categories across the GCC.

In addition to its high quality dairy products, the Company has diversified its product portfolio to include juices, bakery, poultry and others. Almarai also has successful joint ventures with Chipita and PepsiCo.

With more than 40 years of sustainable growth, Almarai continues to provide nutritious and healthy products to consumers of all ages with growth stemming from its bedrock principle, 'Quality you can trust'.

The challenge

Almarai ran a decentralised treasury operation across multiple markets in the MENA region, using multiple banking relationships, currencies and numerous payable and receivable accounts. This resulted in higher operating costs and reduced ability to optimally manage working capital across these markets.

How SABB collaborated

Almarai embarked on a major treasury transformation project where SABB provided a strategic advisory role in collaboration with the HSBC Group. The Company looked to revamp their entire treasury operations from a decentralised to a more centralised environment, leveraging the significant investment Almarai had made over the years in deploying their market-leading resource planning, treasury and supply chain management systems. Working closely with Almarai's treasury team, SABB shared best practices from established multinational clients across the consumer brands and retail sector, taking a holistic view of Almarai's business across the region. In conjunction with Almarai, we devised a range of solutions using our Global Liquidity and Cash Management (GLCM) product suite that best served to further optimise their treasury and cash management efficiency goals in the region.

Almarai settled on a Shared Service Centre approach using a range of digital tools that improved straight-through processing (STP) of payments, enhanced back-office processes to significantly reduce the number of accounts, and improved efficiency and reconciliation. On the payments front, based on the variety of digital payment methods on offer, Almarai rolled out a cheque outsourcing solution in the region, reduced cash as they expanded the handheld point-of-sale devices to wider teams for improved collections efficiency and also scaled out the payroll card programme.

The GLCM suite of digital collections and payments delivered improved payments, collections, liquidity management and reporting, thereby further improving Almarai's overall treasury management and working capital efficiency.

The successes

1. Significant reduction in the number of accounts, simplified reconciliation activity, and bank account / relationship management.
2. Consolidated accounts into a single bank agnostic delivery platform.
3. Improved liquidity management and visibility across the region for better forecasting.
4. Standardisation of processes and functions through the Shared Service Centre, reducing costs and minimising the risk of manual errors.
5. Improved digitisation of receivables and payables reducing float across key regional sites.
6. Reduction in cash transactions on the back of expanded handheld point-of-sale device network across collection team.
7. Received 'Best in class Treasury Solution in MENA, 2020' award from Adam Smith Treasury Management awards.

YEAR IN REVIEW

Business as usual

SABB was recognised by Euromoney as 'Best Service Trade Finance' in Saudi Arabia and as 'Market Leader Trade Finance' for 2020

Ministry of Labor and Social Development honoured SABB for its contributions to support orphans in the Kingdom

Business as usual

KAUST and SABB launched the fourth TAQADAM Accelerator Programme for Young Entrepreneurs

Business as usual

SABB completed first phase with 'Wethaq' to automate bank guarantee services

Business as usual

SABB issued SAR 5 billion Tier II Sukuk - the first such transaction by the merged bank in the debt capital market, the joint largest Tier II issuance by a Saudi bank in history, and the largest local issuance by a bank since the introduction of the Kingdom's national growth agenda under Vision 2030

SABB joined the Securities Clearing Center Company ('Muqassa') as a General Clearing Member

Business as usual

SABB's revolutionary 'Waafer' savings account was voted product of the year by consumers

MAY

JUNE

JUL

AUG

JAN

FEB

MAR

APR

Integration

Completed HR system integration

Commenced cultural evolution workshops

Integration

Consolidated cash centres for the Eastern province

Integration

Finalised the end-state organisation structure

Integration

Celebrated the first anniversary of the legal merger

The Bank completed the co-location of SABB and Alawwal Bank staff in the Eastern province

Business as usual

King Abdullah Economic City (KAEC) announced the signing of a cooperation agreement with SABB, which aims to provide various Shariah-Compliant financing solutions from SABB for clients who wish to benefit from the housing offers and purchase ready-made housing units in the residential neighbourhoods of the Economic City, by the terms and financing criteria approved by the Bank

Business as usual

SABB signed supply chain financing agreement with the Ministry of Finance

SABB participated as a platinum sponsor at the 8th Annual Saudi Trade Finance Summit

Business as usual

SABB continued its efforts in supporting the elderly by providing medical care in the Kingdom

KAUST and SABB doubled grant funding for each start-up to SAR 150,000 and doubled the number of start-ups accepted to the TAQADAM programme

Business as usual

SABB won 'Best Bank App in the Kingdom' and 'Best Bank in Saudi Arabia for 2020' awards from Global Finance magazine

DEC

NOV

OCT

SEP

Integration

SABB completed the successful migration of 2,300 corporate customers delivered through cross-business, cross-function and cross-product teams

Integration

SABB launched its 'Merger hub' to support Alawwal Bank customers with the transition to the merged bank.

Process began to combine SABB and Alawwal Bank ATMs into a larger network for all customers

Integration

Completed data centre expansion

SABB commenced the semi-automated migration of Corporate customers

Integration

The Bank completed the co-location of SABB and Alawwal Bank staff in the Central, and Western provinces

Relaunched virtual cultural evolution workshops

Completed the migration of static Corporate customer data



Responding to COVID-19

As a result of the COVID-19 pandemic, 2020 was a profoundly challenging year for the Kingdom, its banking sector and economy. We experienced periods of lockdown, global benchmark interest rates fell, and the price of oil turned negative as the global economic outlook worsened.

SABB's response was direct and swift, to maintain critical services and support stakeholders while keeping customers and staff safe. We implemented stringent health and safety policies in line with regulations set by the local authorities, and at the same time significantly upgraded stress testing activity to position the Bank to navigate worst-case-scenario conditions. Operational resilience was crucial, and our business continuity protocols proved their value throughout the crisis – particularly as staff transitioned to remote working.

Together with the Ministry of Health and guidance from SAMA, we flexed our branch network to avoid unnecessary visits and reduce the risk of spreading the virus. We provided staff working in branches with the necessary protective equipment, and non-branch staff were provided with the tools to work from home where processes allowed. SABB regularly reviews its business continuity plans and continues to deliver operational excellence throughout this challenging time.

OUR MARKET

Saudi Arabia: macro narrative

COVID-19 and lower oil production levels and prices have heavily impacted the Saudi economy and the Kingdom's fiscal position, despite its hard-hitting countermeasures. Medium-term recovery is dependent on global economic recovery and on the successful containment of the pandemic. The public debt trajectory is also expected to steepen due to medium-term fiscal deficits. The likelihood of successful diversification is complementary to a steady fiscal framework that is targeted towards the private sector. Non-oil sector growth is expected to decrease due to substantial capital spending cutbacks, the impact of social restriction measures, and household adjustments to the hike in VAT (from 5% to 15%).

The gradual lifting of strict public health measures in the second half of the year allowed for an increase in economic activity. Another spike in new cases would likely lead to further implementation of containment measures, although some optimism is returning to the market in light of the roll-out of approved vaccines.

Oil prices have seen some improvement since April due mainly to the resurgence in global demand, while supply remains constrained through the OPEC+ agreement.

The Saudi banking sector

As highlighted in SAMAs 2020 Financial Stability Report, it was foreseen that the pandemic would result in a negative impact on the Kingdom's economy. This was mitigated by a range of protective measures taken by various Saudi authorities. Overall, Saudi Arabia's macro financial position remained stable, supported by a resilient banking sector that demonstrated its durability and capacity to cope with economic shocks.

Economic uncertainty remains across the Kingdom, and despite the lower for longer expected interest rate environment, the banking sector remains a well-capitalised sector.

Budget 2021: looking ahead

The Kingdom's 2021 budget continues to support the implementation of the 2030 Vision Realisation Programmes, achieving sustainable economic growth with a focus on increasing non-oil GDP and enhancing the role of the private sector, stimulating investment in promising industries such as manufacturing, mining, financial services, IT, tourism, entertainment and sports.

Considering the negative impact of COVID-19 on global economic growth, public finances and oil prices, the Kingdom has helped lead efforts with OPEC+ countries towards restoring the stability of oil markets. It has also encouraged international coordination in the adoption of policies to support global economic growth and reduce negative effects of the crisis on developing countries.

The budget deficit for 2021 is estimated to reach SAR 141 billion, or 4.9% of GDP, with revenues expected at SAR 849 billion before increasing to SAR 864 billion by 2022. Non-oil revenues are expected to improve in the medium-term, due to increased economic activity. Total expenditure in 2021 is expected to reach SAR 990 billion.



**Largest MENA
economy: GDP¹**
USD 793
billion

**World's
largest
oil exporter**

**Government debt
to GDP ratio of²**
c. 34%

Tadawul market cap³
USD 2.4
trillion

FX reserves⁴
USD 445
billion

Unemployment⁵
8.5%

¹2019 ²2020 estimate from MoF Pre-budget statement ³31 Dec 2020 ⁴30 Nov 2020 ⁵30 Sep 2020

SABB

AND VISION 2030

SABB  ساب



SABB's strategic positioning and competitive strengths ensure that it will both contribute to and benefit from the national economic growth agenda that is embodied in the government's Vision 2030 programme. The Vision is built on three themes:

A VIBRANT SOCIETY

is vital to achieving the Vision and establishing a strong foundation for economic prosperity. The goal is to create a society in which every citizen enjoys a happy, fulfilling lifestyle complemented by a standard of living which provides a safe and secure environment for families, and access to world class healthcare and education



A THRIVING ECONOMY

provides opportunities for all by building an education system aligned with market needs to equip youth with the skills for the jobs of the future, creating economic opportunities for the entrepreneur and the small enterprise, as well as the large corporation



AN AMBITIOUS NATION

applies efficiency and responsibility at all levels in order to deliver the Vision, including building an effective, transparent, accountable, enabling and high performing government



Spotlight on: Financial Sector Development Programme

The Financial Sector Development Programme aims to create a diversified and effective financial sector to support the development of the national economy, diversify its sources of income, and stimulate savings and investment. The Programme intends to achieve this ambition by enabling financial institutions to support private sector growth, ensuring the formation of an advanced capital market, and promoting and enabling financial planning, while maintaining the stability and solidity of the sector.

Ensure the formation of an advanced capital market

Enable financial institutions to support private sector growth

Promote and enable financial planning

Key themes for SABB

- Support development of new sectors (e.g. entertainment, tourism, technology) and development of major government projects.
- Support the privatisation programme to transfer a significant portion of government assets to the private sector, to improve economic efficiency.
- Develop key industries by localising manufacturing, developing adjacent oil and gas sectors, expanding mining, using renewable energy, and improving logistics infrastructure.
- Expanding contribution of SMEs to the economy, with the expectation of growth in bank lending to the sector.
- Increasing inflows of foreign direct investment and improving the flow of capital by advancing capital markets.
- Increasing the rate of savings and savings options for Saudi citizens.
- Improve the financial literacy of the population.
- Significant growth in home ownership and related financing.
- Build a digital economy moving to a cashless society, increasing FinTech presence and alternative banking opportunities.
- A clear focus on labour participation to improve employment opportunities for local citizens, women, those with disabilities, and improve the readiness of youth to enter the workplace.

INVESTMENT CASE

FIVE REASONS TO INVEST IN SABB:

1. Leading international bank in the Kingdom

Our institution has developed into the leading international bank in the Kingdom through a deep understanding of the needs of our customers and a bespoke product suite that delivers intrinsic value. Our unique partnership with HSBC Group enables us to bring international connectivity to our customer base and aligns our approach with global best practice. We are the 'go-to' bank for inbound and outbound multinational corporates and institutions operating into or from Saudi Arabia, and the number one bank in the Kingdom for trade.

2. Increased scale to support Vision 2030 growth aspirations

The Kingdom is navigating its path through undoubtedly its biggest economic transformation programme, bringing a wealth of opportunity to every family and enterprise domestically, but also playing to international opportunities. SABB, following its merger with Alawwal Bank, created a top tier banking institution. Through its robust balance sheet and market-leading suite of products, the Bank possesses the scale and capability to support such an ambitious programme.

3. Financial strength

Historically, we have delivered top tier financial performance from a strong balance sheet, robust funding and liquidity dynamics, and a solid capital position. Following the merger with Alawwal Bank, we have taken the necessary steps to protect our balance sheet and conservatively manage the provisioning of our portfolio. We are in a position of strength to meet the demands of our customers.

4. Positioned for growth

Integration has been a key focus for the Bank in 2020, following the landmark merger in 2019 between SABB and Alawwal Bank. Integration continues at pace and extracting the synergies for the combined organisation remains on track. We are suitably positioned for growth and ready to begin the journey of 'Strategy 2025' – our ambitious growth plan – which we will provide further details on during 2021.

5. We are safe, sustainable and dependable

A robust approach to corporate governance is a key strength for any organisation and SABB ensures it adopts best practices in this field to create value for all the Bank's stakeholders. The Board sets the Bank's strategy and risk appetite with the aim of achieving sustainable value and promoting a culture of openness and debate.

Our Board brings a successful balance of international banking best practices, together with local, commercial and institutional insight and experience. Our business decisions are made in the interests of all concerned stakeholders and we will always act responsibly and in a sustainable manner.

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BOARD CHAIR'S STATEMENT



In 2020, we completed the integration of our Corporate & Institutional Banking and Treasury businesses. Our Retail & Wealth Management business will complete its customer integration, referred to as 'Customer Day 1', in the first quarter of 2021. Following Customer Day 1, we will be one bank, with one branch network, one IT system, one website and one shared culture.

It is my pleasure to introduce the SABB Annual Report for the year ended 31 December 2020. It would be an understatement to say that 2020 was an eventful year, both regionally and globally. It was a truly extraordinary year that will certainly remain in our memories for some time to come. The COVID-19 pandemic has created, and continues to create, challenges and uncertainty for the Kingdom, the global economy and the banking sector. We experienced periods of lockdown and curfews, travel to and from the Kingdom was impacted, the price of oil turned negative for the first time ever, and we transitioned to operating remotely, an entirely new way of working.

I am proud of how our Bank dealt with the challenges and navigated the uncertainty, while continuing to pursue our 2020 priorities. Much of our effort focused on advancing our integration efforts in the midst of one of the most globally challenging crises and on supporting our staff, who had to adjust to working remotely while continuing to put our customers first, supporting and serving their needs. Our management and staff stayed focused and often sacrificed, brilliantly exploiting the investments in our technological know-how to shift much of our business to a digital platform seamlessly and efficiently. And the board and management completed the

task of finalising our new strategic plan: 'Strategy 2025'.

As a result, SABB entered 2021 well positioned for the many opportunities that lie ahead as we anticipate emerging from the shadow of the pandemic over the course of the year.

Positioning for growth

In 2020, we completed the integration of our Corporate & Institutional Banking and Treasury businesses. Our Retail & Wealth Management business will complete its customer integration, referred to as 'Customer Day 1', in the first quarter of 2021.

Following Customer Day 1, we will be one bank, with one branch network, one IT system, one website and one shared culture.

As we transition to life as truly one bank, our Strategy 2025 provides a roadmap to deliver on our Vision of 'bringing a world of financial opportunities to an ambitious Kingdom.' We are especially eager to continue supporting the ambitious growth plans of the Kingdom's Vision 2030 transformation plan.

Our operating environment

The onset of COVID-19 and the measures taken around the world to contain the virus led to a sharp fall in the global price of oil. As a result, GDP growth in the Kingdom decelerated. While showing remarkable leadership throughout its 2020 Presidency of the G20, culminating in a very successful first ever virtual G20 Summit, the Saudi government also implemented wide-ranging countermeasures to protect the economy and mitigate the negative impact of the COVID pandemic, with significant fiscal support for the private sector and monetary support for the financial sector. These measures have proven very effective by global standards.

Although progress against Vision 2030 came under pressure in light of difficult macroeconomic conditions, its fundamental soundness was further evidenced by its close alignment with the G20's core objectives of macroeconomic stability, sustainable development, empowerment of women, enhanced human capital and increased flow of trade and investment. Our country's commitment to reform and growth clearly remains undimmed, and so does that of SABB.

Financial performance

Against the backdrop of a challenging year, SABB once again has proved resilient. However, headline financial results for the year were disappointing, with a loss before Zakat and income tax of SAR 4.3 bln, which included our non-cash impairment of goodwill of SAR 7.4 bln during the second quarter.

Excluding this impairment, net income before Zakat and income tax for 2020 was SAR 3.1 bln.

While disappointing that we were required to take the impairment charge, it is worth noting that this was a one-off accounting event under unprecedented circumstances. It does not affect the Bank's capital, liquidity, or funding; nor does it affect our strategic strengths and competitive advantages, our ability to lend to customers, or our customer service standards. In light of the reported loss for the period due to the impairment, the Board has not recommended a dividend for 2020.

Sustainability

In December, SABB published its first ever 'Environmental, Social and Governance Focus', which is available on our website, to highlight the importance of sustainability to our Bank and our accomplishments to date in that area. ESG will be an important focus of our Strategy 2025, and we look forward to reporting more on it in the future.

Board governance

Following best governance practices, our Board brings together considerable local and international expertise and included four independent members at the end of 2020. In a year that necessitated many more meetings and discussions than in previous years, I am especially grateful for the diligence and professionalism of my board colleagues. They each devoted much time and effort to ensuring we met regularly to discuss key matters, such as integration, strategy, risk management, culture, talent, and customer experience, while dealing with the challenges and demands of the unprecedented pandemic crisis we faced in 2020.

I would like to thank Maria Ramos who joined our new Board at its inception in June 2019, and who stepped down as a member of our Board at year end. In addition to her Board position, Maria chaired our Nomination and Remuneration Committee. As we grappled with integration and other issues in the midst of the pandemic's

challenges, she provided the Board with wise counsel and insightful advice.

Some additional notes of gratitude

I would like to express my sincere gratitude and appreciation to our customers, shareholders, management, staff, and our longstanding global partner, HSBC Group, for their continued support. We are equally grateful to Saudi regulators and government agencies for the support they have shown during these difficult times, and to the government of Saudi Arabia for implementing measures that prioritise our safety and mitigate the headwinds faced by our economy.

Finally, we announced in February that, after leading SABB for 11 years as Managing Director, David Dew has decided to retire, effective from May 2021. We are pleased, though, that David has agreed to remain as an advisor to the Board until May of 2022. The Board has approved the appointment of Tony Cripps as David's successor; Tony has enjoyed a long and successful career with HSBC, joining us from his most recent position as CEO of HSBC, Singapore. I would like to pay tribute to David's invaluable contributions to SABB's growth and success over his long career and to welcome and congratulate Tony on his appointment.

With SABB on a solid footing and with its strategic direction clear, we approach 2021 with confidence, and with the same heightened level of commitment and determined perseverance that SABB, its management and all its staff have consistently shown in meeting the many challenges of the past year and serving our clients' needs.

Ms. Lubna S. Olayan
Board Chair

STRATEGY AND KPIs


Strategy 2025

During 2020, the Board embarked on a detailed review of the go-forward strategy and the steps that need to be taken. The new strategy will enable SABB to build on our market share, improve financial performance and see a return to top tier performance on key ratios while supporting and benefitting from the Kingdom’s Vision 2030 economic transformation programme. The strategy gained Board support at the end of 2020 and we look forward to sharing our detailed vision and targets for the medium-term in 2021.

The strategy looks to build further on our traditional focuses and areas of strength but also looks to expand in those target areas which complement the Vision 2030 plan.

VISION


We bring a world of financial opportunities to an ambitious Kingdom




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



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



Offer a leading online and mobile digital banking experience




The best place to work

THE STEPS WE WILL TAKE




Build on our core strengths

- Bank of choice for Large Corporates
- Reinforce leadership in Trade and Payments
- Maintain leadership in Wealth
- Reinforce our position in Cards



Maximise our participation in key growth areas


- Fastest growing Mid-Corporate business
- Digital SME focus
- Mortgage expansion through REDF




Transform the organisation

- Lead in digital innovation and evolve the IT architecture
- Transforming HR and developing the right talent
- Revamp operating model through automation and digitisation


RETURNS




Increase Return on Tangible Equity (RoTE) and Earnings per Share (EPS)



Improve Cost to Income ratio (CER)



Maintain strong Capital and Liquidity



Maintain Dividend payout

Our people

Digital excellence

Leverage our HSBC partnership

Be where the growth is

KEY PERFORMANCE INDICATORS (KPIs)

To ensure the delivery of the Bank’s strategic priorities, SABB uses a set of key performance indicators (KPIs) that enable Management and the Board to track progress.

The KPIs measure:

KPI	DESCRIPTION	FY20	FY19 ¹
Underlying Return on tangible equity (RoTE) ²	Measures how effectively management are using the tangible equity in the Bank to generate profits	9.2%	10.4%
Earnings per share (EPS)	Measures how much profit the Bank makes for each share of its stock	SAR (2.01)	SAR 1.53
Underlying Cost Efficiency ratio ²	Measures how well the Bank is managing its cost base in relation to revenue. It is calculated by dividing costs or operating expenses by revenue	39.4%	33.6%
Common Equity tier 1 (CET1) ratio	Measures the Bank’s capital strength. Calculated as CET1 capital divided by risk-weighted assets	18.96%	17.00%
Liquidity coverage ratio (LCR)	Measures the sufficiency of a bank’s unencumbered high-quality liquid assets ('HQLAs') to meet its liquidity needs in a 30-calendar-day liquidity stress scenario	299%	223%
Dividend per share (DPS)	Dividend paid for each share of the Bank’s stock	-	1.20
Corporate lending market share	The Bank’s corporate lending as a proportion of the market	13%	15%
Retail lending market share	The Bank’s retail lending as a proportion of the market	5%	7%
FX market share	The Bank’s FX income as a proportion of the market	10%	12%
Trade market share	The Bank’s trade activities as a proportion of the market	c. 23%	c.20%

FINANCIAL RETURNS, RESILIENCE AND EFFICIENCY

These KPIs are used to measure and evaluate how effectively Management are using a company’s assets to create profits and make returns to Shareholders

BUSINESS STRENGTHS AND COMPETITIVENESS

The Bank regularly measures its competitive positioning in a dynamic and rapidly evolving market and given the muted credit appetite for the last few years, key market share KPIs remain pivotal to tracking performance. Market shares are tracked across all our different business units

¹Pro forma basis where relevant


²Underlying measure excludes i) goodwill impairment, ii) merger-related expenses and iii) non-recurring expenses

SABB also monitors the value generated by its strategic partnership with HSBC. Our sustainable competitive strengths are enabled by our digital excellence and our people. We aim to be not only the best place to bank with a leading digital offering, but to provide the best career and training opportunities for our people. We use a number of KPIs to track this performance, including:


Over 692k mobile app downloads




Top 2 app store ratings (Apple and Android)



91% Saudisation ratio



20% Female employment ratio

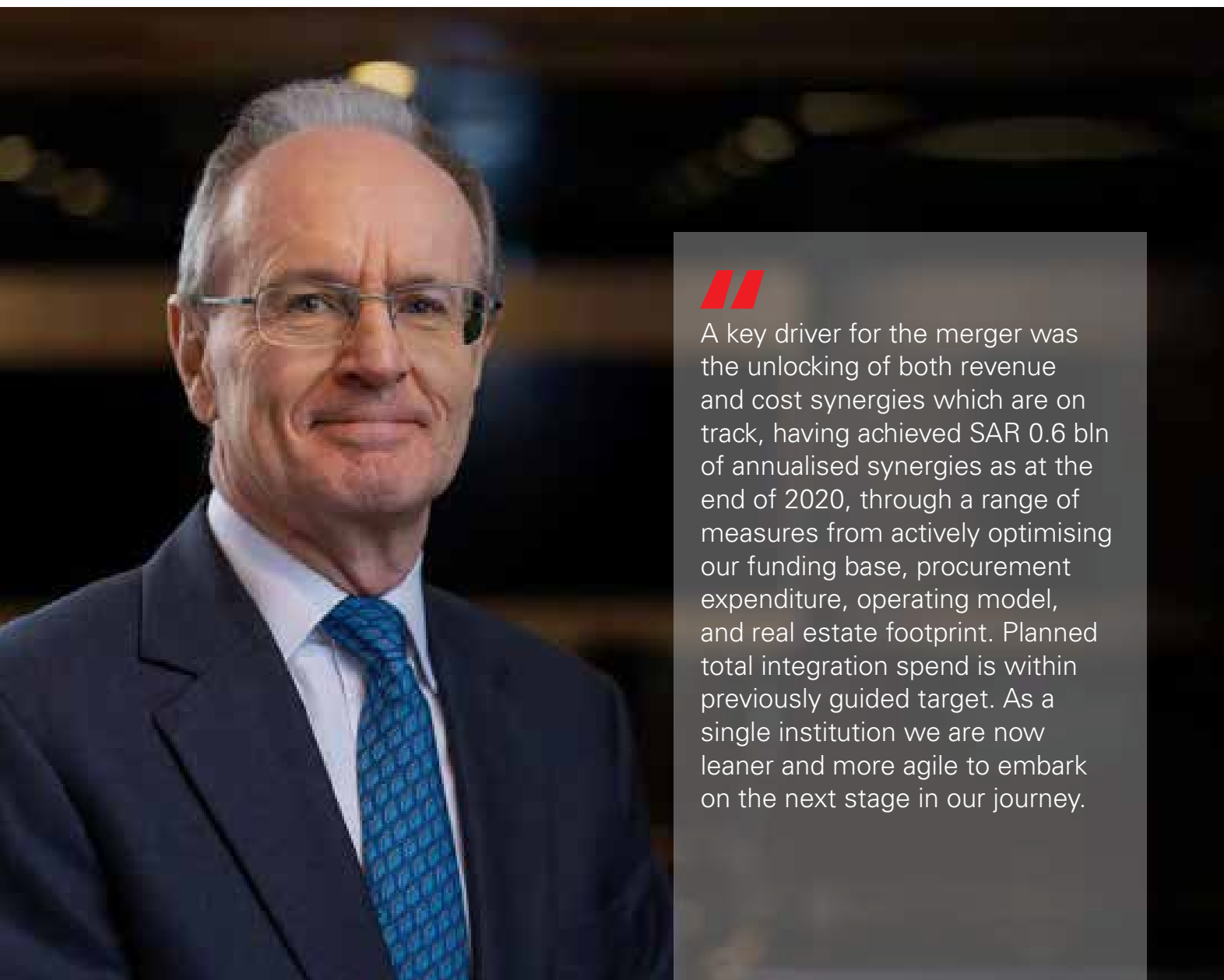


SABB | ANNUAL REPORT 2020

POSITIONING FOR GROWTH

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MANAGING DIRECTOR'S MESSAGE



A key driver for the merger was the unlocking of both revenue and cost synergies which are on track, having achieved SAR 0.6 bln of annualised synergies as at the end of 2020, through a range of measures from actively optimising our funding base, procurement expenditure, operating model, and real estate footprint. Planned total integration spend is within previously guided target. As a single institution we are now leaner and more agile to embark on the next stage in our journey.

We concluded the legal merger of SABB and Alawwal Bank in 2019. The merger rationale included the creation of a wealth of opportunities for the Bank, its customers and staff. The increased scale, balance sheet and capital improves our competitiveness and our positioning to benefit from and contribute to the economic opportunities of Vision 2030. This year

was equally notable, as we made significant progress towards the integration of the two banks into one institution, one suite of IT systems, one website, one branch network and one culture. We will have completed this within two years since legally merging, which included a year of unprecedented uncertainty created by the COVID-19 pandemic, with the

final and important milestone in the first quarter of 2021 when our retail bank will integrate its technology infrastructure.

Performance overview

Our underlying financial performance during 2020 was resilient, but headline profits were disappointing as they included a one-off, non-cash impairment of our goodwill in the second quarter. Balance sheet growth at the start of 2020 was encouraging, however the global pandemic put the brakes on much of the anticipated corporate credit growth of 2020 and the pressure of lower benchmark interest rates was reflected in our decreasing margins in the second half of the year.

Total assets as at 31 December 2020 stood at SAR 276.5 bln with SAR 160.4 bln of gross loans and we held SAR 189.1 bln of customer deposits. We recorded a net loss before Zakat and income tax of SAR 4.3 bln for the year including the aforementioned impairment in goodwill of SAR 7.4 bln. Total operating income was SAR 8.9 bln with contributions from our businesses in Corporate and Institutional Banking at 44%, Retail Banking and Wealth Management at 37% and Treasury at 19%.

Positioned for growth

In 2020, a core focus for SABB has been to make significant progress with our merger integration plan, which has been no small feat given the difficulties caused by the COVID-19 pandemic. During 2020, we completed the co-location of all staff, agreed and implemented the IT systems architecture and migrated the vast majority of the Alawwal Bank corporate portfolio onto the SABB system. Having agreed on our target culture in 2019, we rolled out culture workshops in 2020. We continued to support our customers by creating a number of hybrid branches allowing customers of both the SABB and Alawwal Bank portfolios to access services at common locations.

A key driver for the merger was the unlocking of both revenue and cost synergies which are on track, having achieved SAR 0.6 bln of annualised synergies as at the end of 2020, through a range of measures from actively optimising our funding base, procurement expenditure, operating model, and real estate footprint.

Planned total integration spend is within previously guided target. As a single institution we are now leaner and more agile to embark on the next stage in our journey.

The Board has agreed on 'Strategy 2025', which provides the roadmap for ambitious growth and top tier returns. Our strategy will build on the positions of strength that we have built over time while expanding into new areas that are congruent with the opportunities of Vision 2030.

With integration nearing completion, a strong balance sheet, and Strategy 2025 ready, we are in a strong position for the future.

Operational resilience

The challenges faced this year both regionally and globally have been unprecedented. During this time, we supported our customers with a range of measures from the deferral of payments to the waiving of fees. What is particularly notable is the excellent operational resilience we demonstrated despite all the obstacles. We remained open for business, maintaining all services, whilst keeping our customers and staff safe. This focus to 'get the job done' provides good reason for optimism for the future, and I am excited to see what we can achieve.

Our digital engagement has increased with both customers and staff, and operational resilience has remained strong throughout the year. The Bank quickly deployed over 2,500 laptops, increased remote connectivity by 300% which involved expansion of our Virtual Private Network ('VPN') capacity by 12x. This allowed the Bank to continue operations throughout. Digital penetration of our customer

base has increased to 73% with close to a 2.5x increase in SABB mobile app downloads during 2020. Our ongoing investment has also translated into recognition for excellence, with SABB recently being awarded Best Mobile Banking App and Best Consumer Digital Bank by Global Finance magazine.

With thanks

Our task is now to maximise the benefit of the strategic advantages we have created and to make good on our promise to 'bring a world of financial opportunities to an ambitious Kingdom'. Management and staff deserve enormous praise for their efforts in arguably the most challenging year of recent times. On behalf of all the Bank staff, I would like to thank the Board of Directors for their wise counsel, and our customers and shareholders for the trust that they have placed in us. I would also wish to thank our regulators and government agencies for their strong support throughout. We will continue to earn that trust in 2021, as we transition to a new chapter in our journey.

And on that final note, it is approaching the time for me to bid my farewell as Managing Director of SABB as I will retire later this year. It has been an enormous privilege for me to lead the bank over the past 11 years, the longest-serving MD in the history of the bank, but it has only been possible with the unstinting support of my colleagues and every member of the SABB team for which I am truly grateful. I leave the bank in good hands and I have no doubt that it will continue to prosper under the capable leadership of Tony Cripps.

Mr. David Dew
Managing Director

**With integration
nearing completion, a strong
balance sheet, and Strategy
2025 ready, we are in a
strong position for the future.**

POSITIONING FOR GROWTH

SABB and Alawwal Bank merged in 2019, and the compelling rationale for the merger created many opportunities for the Bank, its customers and staff. The merger created a broader institution, with greater scale, and an increased balance sheet and levels of capital to position us well for the economic opportunities of Vision 2030.

Since the legal merger and notably during 2020, we have made significant progress with our integration plan. The Corporate and Institutional business enters 2021 operating as a single bank, having substantially completed its integration. The Retail business will soon complete its customer data integration, referred to as Customer Day 1, in the first quarter of 2021. Following

this, we will be one harmonised bank, with one branch network, one IT system, one website and a shared culture. We have achieved this by working collaboratively across the Bank and with a range of industry experts. With the onset of the COVID-19 crisis, we adapted to achieve much of this work remotely.

As we approach Customer Day 1 and transition to a fully integrated organisation, the Board approved 'Strategy 2025' in the fourth quarter, which provides our new institution with the roadmap to deliver on the growth aspirations of Vision 2030.

Head office
integration
achieved



800+
staff co-located – co-
location complete



97%
attendance at culture
workshops – culture
harmonised



CIB
customer migration
substantially complete



SAR 0.6 bln
annualised synergies
achieved up to the end
of 2020



Merger-related
expenses – in line with
guidance



4,000 tasks
since Legal Day 1



26 hybrid branches
opened



Online merger hub
launched



As at 31 December 2020

Preparations and integration planning

CD1

Customer migration

Co-locating staff

Developing a best-in-class system architecture

Brand and identity

Developing the right culture and sharing
best practice

Realise synergies

4Q18 1Q19 2Q19 3Q19 4Q19 1Q20 2Q20 3Q20 4Q20 1Q21 2021 3Q21 4Q21

OUR INTEGRATION PLAN IS ON TRACK.

1. Customer migration

Having completed final preparations, our retail customers are ready to be migrated in the first quarter of 2021. We launched our online merger hub to support Alawwal Bank customers with the transition to the merged bank. The hub is an online one-stop-shop for customers to learn about the changes ahead and the benefits of their new, improved banking proposition.

Corporate customer migration is substantially complete with over 98% of Alawwal Bank corporate assets migrated.

2. Co-locating staff

Staff co-location is complete, with the exception of contingency sites for COVID-19. The head office has been fully integrated, with all SABB and Alawwal Bank staff members harmonised into their key business areas and functional teams.

3. Developing a best-in-class system architecture

We have amalgamated the SABB and Alawwal systems by selecting the best technology from both organisations and making it available to all our customers. Early in the integration journey, we had selected the SABB architecture due to its compatibility to connect with other systems. In 2021, we will move the Alawwal system data to the SABB system and decommission Alawwal data centres.

4. Brand and identity

The future brand identity will be confirmed post-Customer Day 1.

5. Developing the right culture

We have completed our culture framework, having reached over 97% of employees through our staff culture workshops. Following the onset of COVID-19, we swiftly moved the workshops to a remote delivery. We are one bank with one shared culture.

6. Realising synergies

We have made strides unlocking both funding and cost synergies. We have achieved SAR 0.6 billion of annualised synergies as at the end of 2020, through a range of measures, by actively optimising our funding base, procurement spend, operating model and real estate footprint.

CUSTOMER EXPERIENCE AND DIGITAL BANKING

Customer experience

Customer experience is at the heart of SABB's vision and is critical to delivering our goal of being the best place to bank in the Kingdom. We have a solid record for excellent service and best-in-class customer experience.

As the Bank embarked on its integration journey in 2020, the Customer Experience team continued to align best practice processes, policies and procedures of SABB and Alawwal Bank with the aim of creating a harmonised experience. With the onset of the COVID-19 pandemic, our priorities shifted towards ensuring customer wellbeing and safety, and minimising the disruption of services and operations. This included an accelerated shift towards digital activities whilst flexing branch availability.

94 Customer Recommendation Index ('CRI') Score as at 31 December 2020

Voice of customer

Listening to the market is vital to the success of SABB's customer experience strategy. We continue to develop our VOC programme which covers a broad range of customer surveys and opinions, including specific transactions to specific complaints. With respect to the latter, detailed analysis allows us to identify the relevant stakeholders, the triggers for the relevant issue and suggested solutions. It is a critical part of the feedback loop to ultimately improve our products and services, and provide the action plans for businesses and support functions to deliver on improvements and capture a holistic view of performance.

Staff training

Staff training plays an important role in delivering best-in-class customer experience. We require our staff at all levels to undertake regular training that develops a wide range of abilities, from the soft skills necessary for customer-facing staff, to understanding our risk management framework and anti-money laundering (AML) guidelines.

SABB offers a comprehensive range of training. With the onset of COVID-19, subject matters such as *Treating customers fairly*, *Improved customer communication* and *Customer consideration* were valuable for ensuring that we interacted with our customer base with empathy, and with their interests at the centre of our decision-making process.

Performance

In 2020, SABB was ranked as the number one bank in the Kingdom based on 94 customers' recommendation index.

Other key performance indicators reflected the Bank's strengths:

- Branch customer satisfaction, measured using customer surveys, improved to 92% in 2020 (90% in 2019)
- Average branch waiting time improved to under six minutes in 2020
- Average ATM availability was among the highest in the market at over 98%
- Average number of complaints decreased by 16% in 2020 and our registered complaints are lower than the industry average (2.9 vs. 3.2)
- Branch tracker on overall experience returned scores of 90 for Mass, 93 for Advance, 93 for Premier and an overall score of 91 out of 100. This maintained a trend of strong performance from 2019 and compared favourably with the market.

As SABB and Alawwal Bank have progressed their integration journey, it has been extremely important to unify and harmonise customer experience for all retail and corporate customers. Over 90% of corporate customers were migrated in 2020, with the retail customer base to be migrated in early 2021. We launched an online merger hub in late 2020 to assist Alawwal Bank customers with the switch to the merged bank. The merger hub acts as a one-stop shop for customers to learn about potential changes to their services and the benefits of their new, improved banking proposition. While the switch to SABB will be mostly automated for our customers, the hub provides each customer with a unique journey and guidance on when they will need to activate services such as digital banking and re-carding.

Using data for insight

A significant amount of thought and analysis goes into providing leading levels of customer experience. At SABB, we have developed a range of analyses, insight tools and reporting methods that allow us to drill down into the detail of customer interactions to learn and improve our capabilities. Via a Survey Live Dashboard, staff members are able to monitor survey scores, ratings and overall experience, with the ability to delve into specific events, branches, customer journeys, products and even related staff members.

Access to this rich information creates insight that provides options to improve service quality.

The financial services industry is transforming rapidly with the adoption of new technology, and our priority is to accelerate our digital transformation plan to offer a growing number of banking services through online and mobile channels.

Digitalisation of banking services is one of SABB's four strategic enablers and is vital to its competitive advantage. With the aim of being a digital leader in the Kingdom's banking sector, our approach is driven by customer-centricity and innovation. At the front-end, the Bank is investing to deliver best-in-class customer journeys across channels, and at the back-end to build a highly efficient, streamlined and secure core banking infrastructure. The strategy is designed to enable SABB to reach a level of digital maturity that will place it among the best of its peers.

The digital shift continues

SABB's retail mobile banking application continued to gather momentum and won 'Best Mobile Banking App' from Global Finance Magazine. The app was downloaded over 692k times during 2020, an increase of 245%, and was the top rated app on both the Android and Apple app stores. Downloads increased significantly following the onset of COVID-19, as customers swiftly moved to more digital channels, in part due to a targeted campaign to reduce branch visits. We launched 'Live chat' functionality, initially for our Premier segment, to encourage further online interaction and reduce branch visits. During 2020, we also enhanced our interactive voice response (IVR) services, and online 'Digital account opening' and 'Know Your Customer' (KYC) processes driving an increase in online transactions and interactions. Global Finance Magazine also awarded SABB the much coveted 'Best Consumer Digital Bank' award in recognition of our leading digital offering.

Our Global Liquidity and Cash Management (GLCM) and Global Trade and Receivables Finance (GTRF) propositions are digitally led, making the transition to digital for our corporate customers easy. During 2020, CIB launched an online banking platform focused on MSME customers, given the importance of the segment to the Bank and the wider aspirations of Vision 2030. We also delivered the first Saudi-hosted, cloud-based supply chain solution that helps our clients improve working capital efficiency.

Committed to customers' security

Cyber security remains a focus for SABB and is a key component of our risk management process. The Bank ensures that it has the right level of governance and scrutiny at senior management and Board levels. SABB and other banks operate in an environment with a continuously evolving cyber threat, and we constantly review and invest in capabilities to mitigate risk.

Cyber security is not just a technical issue, but a business priority at the heart of the risk management architecture. All new systems, changes and upgrades are designed and implemented with a focus on cyber security, and we continuously monitor for live threats and cyber-attacks. We have in place response and recovery plans that have been developed according to international best practice and use independent parties to periodically test technology for weaknesses. We maintain dialogue with national authorities to share best practice and use domestic and international incidents to improve cyber security in Saudi Arabia.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE FOCUS

In December 2020, we released our first-ever Environmental, Social and Governance Focus. We understand that the global environment is changing at a fast pace, and all organisations will need to adapt in order to succeed. We all have a duty of care to act responsibly and in a sustainable manner. Doing the right thing is a core value of our Bank and something that has supported our success during a proud history.

Going forward, we intend to build on these foundations by ensuring that Environmental, Social and Governance (ESG) factors are fundamental to our business. We want to be balanced, open and honest about our progress and

transparent when it comes to the areas we need to develop. In 2021, we will be making further efforts to improve our ESG reporting framework.

Sustainable approach to the environment

Operationally, the Bank has implemented a range of programmes and initiatives that make a tangible and positive impact. Eco-friendly features and smart recycling techniques are designed and built into our facilities. Recycling aims to reduce our wastage and includes the use of recycled building materials and recycling stations in all our offices and branches. The Bank has an ongoing programme for reducing paper, plastic, water and power usage, and actively supports international initiatives including the WWF's 'Earth Hour' and World Environment Day.

Business travel is kept to a minimum, with video conferencing used for meetings wherever feasible. Our use of video conferencing technology accelerated as a direct impact of COVID-19 and a positive to be taken from this is our ability to deliver business-as-usual seamlessly, especially in relation to our integration work.

Notwithstanding our achievements, we will always look to continuously improve and better understand our impact on the environment, and develop a better understanding of our customers' supply chains. We will look at alternative ways of supporting our customers with new products which, at their heart, encourage a positive impact on the environment.

A socially responsible bank

Our social responsibility encompasses our obligations to all stakeholders, both external and internal. Our focus historically has been towards our customers and employees and to wider society. More recently, we have started to improve our communications with the investment community. As our stakeholders evolve, so will our approach.

Ensuring we have the right culture will drive appropriate decision making and ultimately ensure the right outcomes for stakeholders. One of the first steps the Bank took following the 2019 legal merger was identifying the target culture of the organisation, emphasising the importance of culture to the Bank and its staff.

We foster an environment that allows our people to feel valued and empowered to share their views, enables us to fulfil our collective potential and guarantee the right outcomes for customers.

We have developed a set of values to enable us to fulfil our strategic priorities:

- Think customer
- Work together
- Do the right thing
- Be innovative

These values are at the heart of everything we do. From helping a customer make their first home purchase to making senior leadership appointments; from choosing the right vendor for a future IT system to appraising the performance of an employee – we will employ these values in all our decision making. Ultimately all these decisions, and the active demonstration of our values, is what ensures the delivery of our promises to stakeholders.

94
customer
recommendation index

91%
Saudisation

20%
female employment
ratio

90%
staff retention rate

Customers

Our aim is to grow in a sustainable, yet responsible fashion where the customer is at the heart of what we do. By creating value for our customers, we build sustainability into the relationship. We continue to listen to our customer base through our improved Voice of the Customer programme and we use the output from these sessions to hone and improve our product offer. SABB was awarded a Customer Recommendation Index (CRI) score of 94 at the end of 2020, ranking the Bank as no.1 in its peer group in the Kingdom.

Our people

An important part of SABB's vision is to be the best place to work in Saudi Arabia, and we are proud to offer a leading standard of development and career opportunity with a focus on nurturing the talent of Saudi nationals and women. We have two female members in the Executive Management Committee and a female Board Chair, which places us at the top end of diversity regionally.

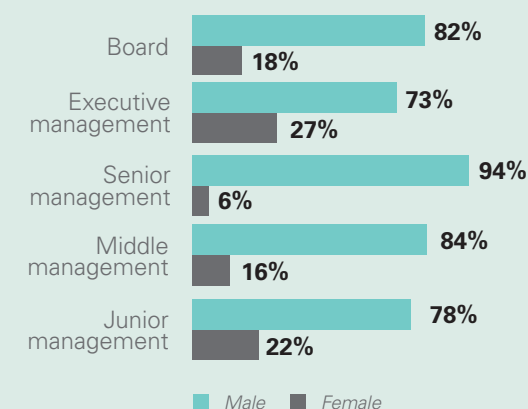
A core facet of the integration following the legal merger with Alawwal Bank was to align the culture of the go-forward organisation and a successful communication campaign for employees through a series of 'culture change' workshops led by Management in 2020. Fostering an environment with regular dialogue provides a culture of empowerment and ultimately enables us to fulfil our collective potential and guarantee the right outcomes for our customers.

We have introduced a series of development programmes designed to support every business segment and function. SABB has used its partnership with HSBC Banking Group to provide employees with access to a suite of development courses. International training opportunities and secondments available to SABB employees cover areas including leadership, communication skills, anti-money laundering, IT skills, digital excellence and management essentials, among others.

Rewards and recognition

SABB's reward strategy recognises sustainable performance. Total compensation is a key component of recruitment and retention activities. Our reward proposition is continually enhanced to reflect qualitative parameters with a focus on enhancing customer experience and management of risk. Incentive and bonus structures have been improved to better align individual rewards with a focus on best outcomes for our customers, and are in line with SAMAs rules on compensation and Financial Stability Board guidelines.

GENDER DIVERSITY STATISTICS



SABB in the community

SABB has developed long-standing partnerships with government agencies and charities and participates in an extensive range of social programmes to improve quality of life for Saudi citizens and communities.

During 2020, together with the King Abdullah University of Science and Technology (KAUST), we launched the fourth phase of the incubator programme ‘TAQADAM’, which supports, trains and challenges young entrepreneurs. In the past four years, approximately 150 teams have benefited from this programme, and a number have been successfully short-listed at international tech and entrepreneurship competitions. TAQADAM is an example of SABB’s support for this burgeoning area of development, which looks to build the SMEs of the future, and is a vital ingredient in the Kingdom’s Vision 2030 aspirations to support the SME sector in Saudi Arabia.

As part of its commitment to the community, SABB is keen to raise the level of financial literacy among Saudi nationals. The Riyali programme is one of the Bank’s initiatives in this area, to educate the community and motivate them to take educational courses that qualify them with skills and knowledge of the basics of financial planning and savings. Our focus on ‘Youth Ambition’ through our sponsorship of the Riyali programme has benefitted more than 90,000 people during 2020. This took place despite school closures following lockdown measures introduced by the government to curb the spread of COVID-19. The SABB Academy provides a combination of technical knowledge and ‘soft skills’ training to graduate trainees. The Bank also teamed up with Alnahda Society for the second year to support women as part of a Kingdom-wide strategy to improve financial literacy.

Support during COVID-19

This year, in response to the pandemic, we implemented SAMAs various initiatives to support the private sector and in particular the MSME segment. Following the launch of SAMAs Private Sector Financing Support Programme (PSFSP), which provides support to Micro, Small and Medium Enterprises (MSME), SABB has provided eligible customers with a 12-month payment deferral. In addition, the Bank has waived fees associated with digital payments and transfers for corporate customers for six months. For retail customers working in the healthcare sector, we provided a 3-month payment deferral that has benefited over 27,000 customers.

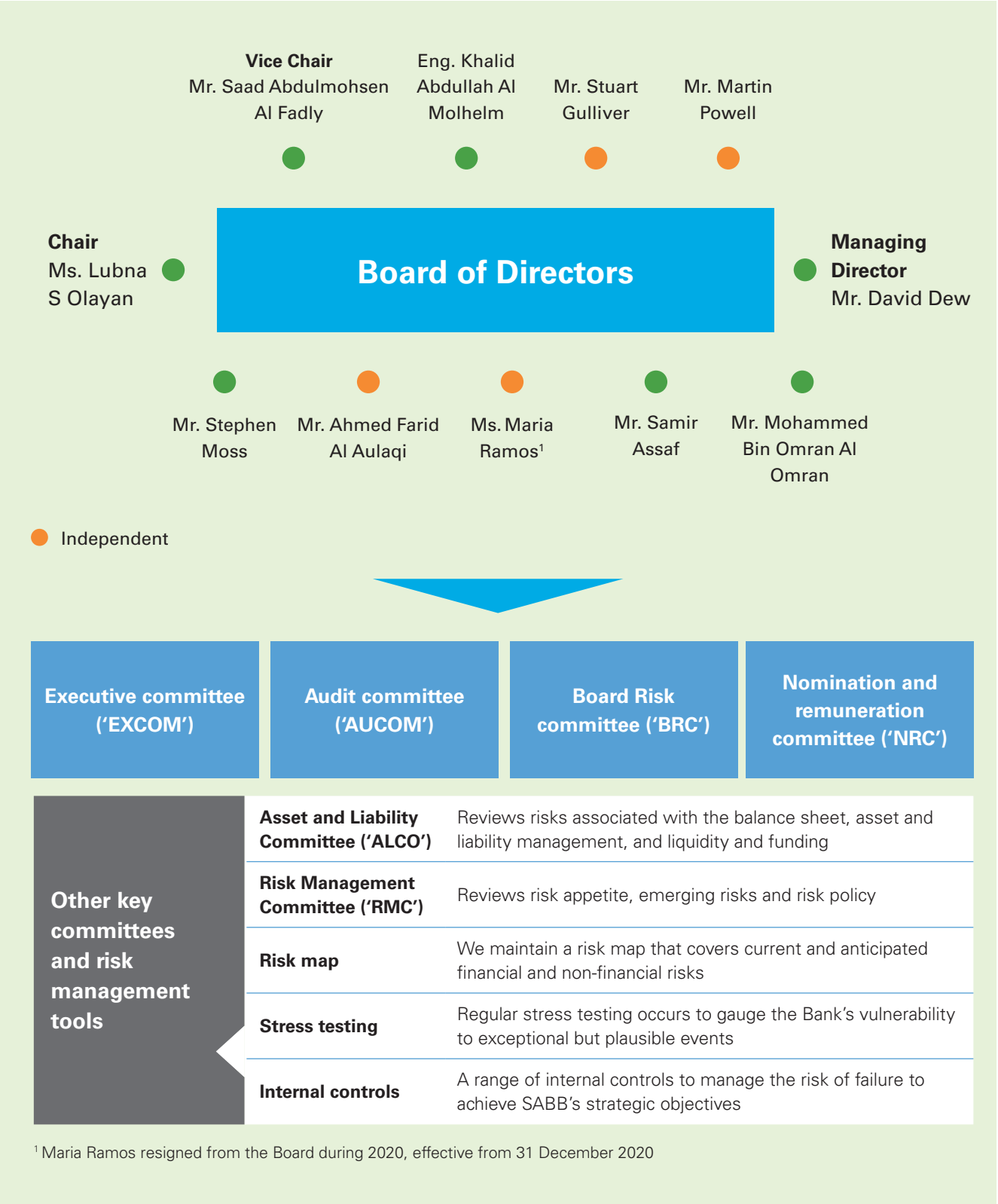


Across the Bank we have waived fees and charges, notably for digital payments, again demonstrating our aims to create the best outcomes for our customers. SABB contributed SAR 27 million across the Ministry of Health’s COVID-19 fund and the Ministry of Human Resources Development Fund. We also provided food baskets to over 9,000 families through 14 charitable organisations. We also partnered with transport apps including Careem and Uber to deliver groceries free of charge, with an additional discount when using SABB payment cards.

High standards of governance

A rigorous approach to corporate governance is a key strength for any organisation. SABB ensures it adopts best practice in applying a transparent approach that creates value for stakeholders. Led by the Chair, the Board sets the Bank’s strategy and risk appetite with the aim of achieving sustainable value for shareholders and promoting a culture of openness and debate. The Board also approves the capital and operating plans for achieving the Bank’s strategic direction, on the recommendation of Executive Management (MANCOM).

Our Board at the end of 2020, was comprised of 11 members. Led by the Chair, the Board enjoys a broad mix of local and international expertise from a wide spectrum of industry experience. The Board has established four sub-committees, the construction of which is in line with all regulatory requirements issued by the relevant authorities. The diversity in experience of the Board is further complemented by gender diversity including the first female Board Chair of a listed company in Saudi Arabia. Gender diversity is prevalent across the organisation.



Risk management

SABB has a strong risk culture, which is embedded throughout business units, enablement and control functions. Clear communication and a structured risk training programme is provided to all employees. The Bank operates to the principle that all staff are responsible for identifying and managing risk within the scope of their role, whilst providing effective oversight by control functions and internal audit, as

defined by the “three lines of defence” model. Adherence to risk management is a key performance indicator applied in the performance management of all Executive Management and staff. A strict policy of consequence management is applied where failures occur.



A well-established risk governance and ownership structure ensures oversight of, and accountability for, the effective management of risk. The Board approves the Bank’s risk framework, plans and performance targets, which include the establishment of management-level risk governance committees, bank-wide and business risk appetite statements, the delegation of authorities for acceptance of credit and other risks and the establishment of effective control procedures.

The Risk Management Committee (RMC) and the Asset and Liability Committee (ALCO) are two critical risk governance committees that support the BRC and EXCOM respectively in setting the Bank’s overall risk appetite. The RMC review risk appetite, emerging risks and risk policy and is chaired by the Chief Risk Officer. ALCO reviews the risks associated

with the Bank’s balance sheet including asset and liability management, and liquidity and funding, and is chaired by the Chief Financial Officer.

Enterprise-wide risk management

SABB’s risk appetite is documented and defines our desired risk profile and tolerances within which risk should be managed. The risk appetite covers risks which we actively accept and engage in, such as credit, market, operational, liquidity and funding, and regulatory risks. SABB maintains a risk map, covering an assessment of current and anticipated levels of risk across all major financial and non-financial risk types.

SABB’s stress testing programme is performed at an enterprise-wide level and focuses on the key risk types to which the Bank is exposed. Stress testing refers to various quantitative and qualitative techniques used to gauge the Bank’s vulnerability to exceptional but plausible events. The Bank’s stress testing programme incorporates the guidelines set out by SAMA, the principles set out by the Basel Committee and is a key component of the Bank’s risk management approach.

Cyber security

Cyber security remains a focus for SABB and is a key component of our risk management framework. We continue to invest in this rapidly evolving area, and our approach is in line with global best practice.

Financial crime compliance

In order to protect the integrity of the Saudi and global financial system, we continue to invest in our ability to detect, deter and prevent financial crime in what is an increasingly digital landscape.

Anti-bribery and corruption

SABB is committed to high standards of ethical behaviour and operates a zero-tolerance approach to bribery and corruption, in line with Saudi Anti-Bribery and Corruption Law. We continue to invest in technology to detect and deter such activities, and provide mandatory e-learning courses to all employees.

Whistleblowing

We believe it is essential to have a culture where people feel able to raise concerns about potential wrongdoing or unethical practices. Regular reporting channels exist, but if an employee feels unable to use these then their issues can be raised in a more discreet manner. SABB has a whistleblowing policy ensuring that concerns are captured, assessed and investigated thoroughly and that employees can raise concerns without fear of reprisal.



CHIEF FINANCIAL OFFICER'S REVIEW



We ended the year with a strong capital position reporting a common equity tier 1 ratio of 18.96% and a total capital ratio of 21.82%, with the latter bolstered by the issuance of a SAR 5.0 billion Tier II Sukuk. This was the first such transaction by the merged Bank in the debt capital market, the joint-largest Tier II issuance by a Saudi bank in history, and the largest local issuance by a bank since the introduction of the Kingdom's national growth agenda under Vision 2030.

It has been a challenging year for the banking sector. Despite minimal disruption to operations during the pandemic, and strong progress made towards integration and planned synergies, our bottom-line performance in 2020 was less positive. It was impacted by a significant accounting charge as we impaired the goodwill created following the legal merger in 2019.

2020 marks the first full year of combined results since the legal merger in June 2019, although this is far from representative of a typical year. For the year ended 31 December 2020, SABB recorded a net loss before Zakat and income taxes of SAR 4.3 billion, which included a SAR 7.4 billion goodwill impairment in the second quarter, relating to the goodwill created following the merger with Alawwal Bank. The need to impair was driven by a temporary inflation in the Bank's share price, which was used as the basis for the valuation at the time of the legal merger. The unexpected emergence of the COVID-19 pandemic and its impact on the economy also contributed to the impairment assessment. The accounting charge was a one-off, non-cash impairment, that has no effect on our capital, liquidity or funding. A full description of this charge can be found on page 46. Excluding the goodwill impairment, SABB recorded a net income before Zakat and income tax of SAR 3.1 billion.

Underlying net income of SAR 3.8 billion which strips out non-recurring

items that may potentially distort period-on-period comparisons, was SAR 0.6 billion lower than 2019 mainly from lower revenue partly offset by lower expected credit losses and reduced operating expenses.

Revenue was largely affected by the cuts in benchmark rates in response to the global pandemic, and the weak economic conditions caused by the latter led to reduced customer flows. Given the uncertainty caused by COVID-19, the Bank adjusted its risk management accordingly, resulting in modest loan growth. Expected credit losses of SAR 1.6 billion were 44% lower than 2019 pro forma, but still reflective of a weak macroeconomic environment. Underlying costs, which remove integration-related costs and other costs that are one-off in nature were 4% lower, continuing the strong trajectory on cost management. Integration costs have peaked in 2020 and will come to an end fully in early 2021.

We ended the year with a strong capital position reporting a common equity tier 1 ratio of 18.96% and a total capital ratio of 21.82%, with the latter bolstered by the issuance of a SAR 5.0 billion Tier II Sukuk. This was the first such transaction by the merged Bank in the debt capital market, the joint-largest Tier II issuance by a Saudi bank in history, and the largest local issuance by a bank since the introduction of the Kingdom's national growth agenda under Vision 2030.

SAR 5.0 BILLION TIER II SUKUK

Our balance sheet remains healthy, with gross lending balances of SAR 160.4 billion and deposit balances of SAR 189.1 billion at the end of the year. Loan growth was modest in 2020 with early optimism at the start of the year curtailed by the Bank's risk management approach during the emergence of COVID-19. The Bank has a stable and low cost funding base, with 71% of our deposit base in the form of demand deposits.

With this strong funding base, a conservatively provisioned portfolio, and one that is well-positioned across key sectors that will benefit from the Vision 2030 economic transformation programme, we are well positioned for growth. We remain optimistic as we embark on our new strategic path in 2021.



**2020 marks
the first full year of
combined results since the
legal merger in June 2019**

OPERATING REVIEW

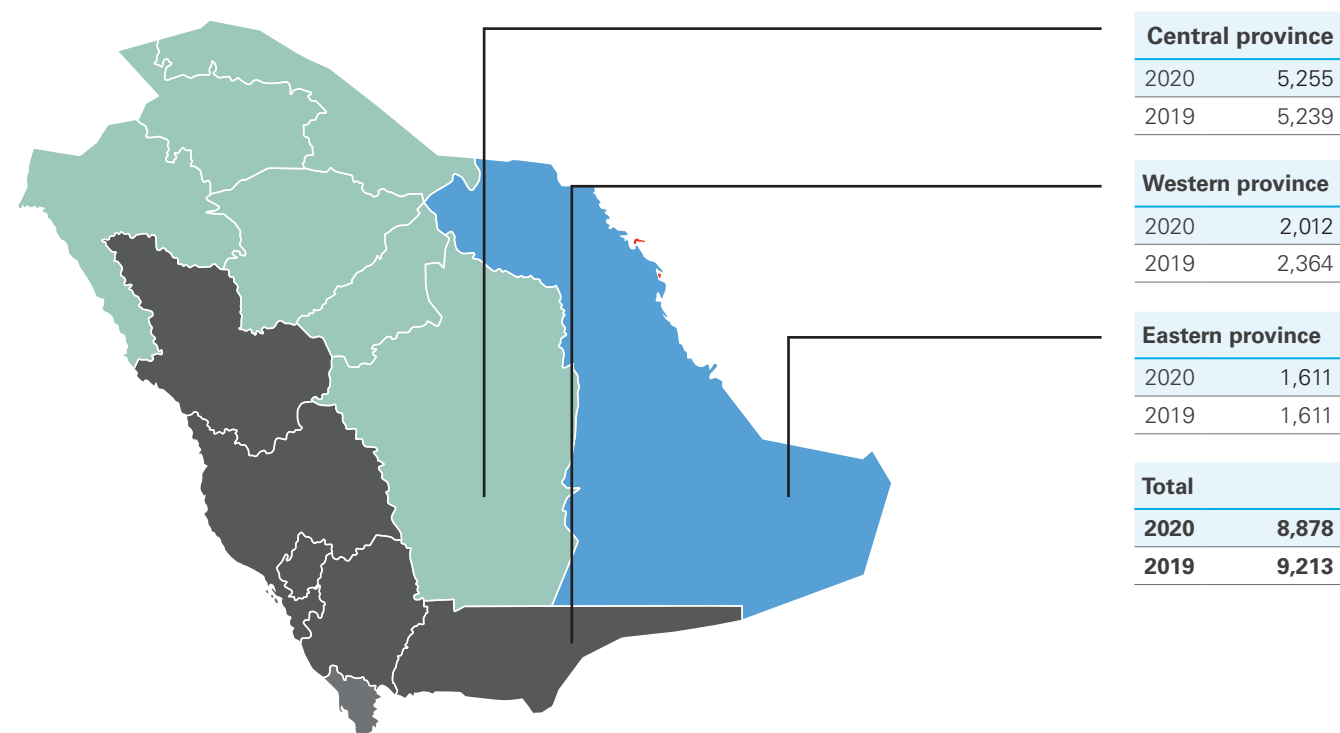
Reported historical financial results

(SAR mln)	2020	2019 ¹	2018	2017	2016
Investments, net	60,831	60,484	34,570	26,977	29,273
Loans and advances, net	153,243	152,075	110,326	117,006	120,965
Customer deposits	189,110	192,167	130,507	140,240	140,640
Total assets	276,452	265,987	174,677	187,615	186,056
Total liabilities	225,690	209,903	142,101	154,145	154,777
Shareholders' equity	50,707	55,994	32,467	33,345	31,279
Net (loss) / income before Zakat and income tax	(4,302)	3,195	4,929	3,955	3,895

¹ On 16 June 2019, SABB merged with Alawwal Bank. Financial results reported before this date are based on the pre-merger SABB entity and as such are not directly comparable to the results reported after that date.

Total operating income ('revenue') by geography

The Bank generates its operating income from activities in the Kingdom of Saudi Arabia and has no branches, material subsidiaries or associates established or operating outside of the Kingdom. The following table shows the distribution of operating income in accordance with the geographical classification of the Kingdom's regions.



SABB legally merged with Alawwal Bank on 16 June 2019. Results for the 12 months ended 31 December 2020 reflect the results of the combined entity, whereas the results for the 12 months ended 31 December 2019 reflect the results of SABB up to the merger date and the results of the combined entity for the remaining period. A clearer understanding of the underlying trends compared to history is best achieved through a review of our pro forma results as set out in the section titled 'Pro forma results' on page 47.

Reported performance

SABB recorded a loss before Zakat and income tax of SAR 4,302 million for 2020 and this included a goodwill impairment of SAR 7,418 million, recorded in the second quarter, relating to the goodwill created following the merger with Alawwal Bank. The goodwill impairment charge is a non-cash item and a one-time accounting charge. Further information on this is provided on page 46. Excluding this charge, net income before Zakat and income tax was SAR 3,116 million which was 2% lower than 2019 from higher operating expenses and reduced revenue partly offset by lower expected credit losses.

- Revenue of SAR 8,878 million was SAR 335 million or 4% lower than 2019 largely from reduced Net special commission income reflecting lower lending balances and repricing as a result of the cuts in benchmark interest rates.

- Operating expenses of SAR 4,213 million were SAR 563 million or 15% higher than 2019 and included SAR 500 million in merger-related expenses (2019: SAR 417 million). The merger-related expenses are temporary and will cease once the integration has completed.
- Expected credit losses of SAR 1,631 million were SAR 870 million or 35% lower than 2019 mainly from lower charges in our corporate business, and because 2019 included a number of one-off expected credit losses in respect of the acquired loan portfolio through the merger with Alawwal Bank.

Income statement highlights (SAR mln)	2020	2019
Total operating income ('revenue')	8,878	9,213
Provision for expected credit losses, net	(1,631)	(2,501)
Goodwill impairment	(7,418)	-
Total operating expenses	(4,213)	(3,649)
Share in earnings of associates and a joint venture	82	133
Net (loss) / income before Zakat and income tax	(4,302)	3,195
Net income before Zakat and income tax excl. goodwill impairment	3,116	3,195



Reported results by business segment

(SAR mln)	Retail banking and wealth management	Corporate and institutional banking	Treasury	Other	Total
2020					
Total operating income ('revenue')	3,318	3,878	1,674	9	8,878
Provision for expected credit losses, net	(239)	(1,376)	(16)	-	(1,631)
Goodwill impairment	-	(7,418)	-	-	(7,418)
Total operating expenses	(2,127)	(1,221)	(179)	(686)	(4,213)
Share in earnings of associates and a joint venture	-	-	-	82	82
Net income before Zakat and income tax	952	(6,137)	1,478	(595)	(4,302)
2019					
Total operating income ('revenue')	3,469	4,446	1,155	143	9,213
Provision for expected credit losses, net	(444)	(2,049)	(9)	-	(2,501)
Goodwill impairment	-	-	-	-	-
Total operating expenses	(1,731)	(1,080)	(195)	(644)	(3,649)
Share in earnings of associates and a joint venture	-	-	-	133	133
Net income before Zakat and income tax	1,295	1,318	951	(369)	3,195

Completion of Purchase Price Allocation (PPA) exercise

The Bank completed the accounting for the merger in the second quarter of 2020. As per IFRS 3 Business Combinations, SABB had up to 12 months from the date of the merger to complete the exercise and assign a fair value to the assets and liabilities acquired through the merger. The purchase consideration transferred to Alawwal Bank shareholders was based on the closing market SABB share price on the Tadawul All Share Index on the last trading day before 16 June 2019. SABB shares were valued at SAR 41.70 per share at this date which resulted in a consideration of SAR 23.1 billion. The PPA exercise resulted in a fair value of net assets of SAR 4.8 billion with goodwill of SAR 16.2 billion (before goodwill impairment), and other intangibles of SAR 2.0 billion.

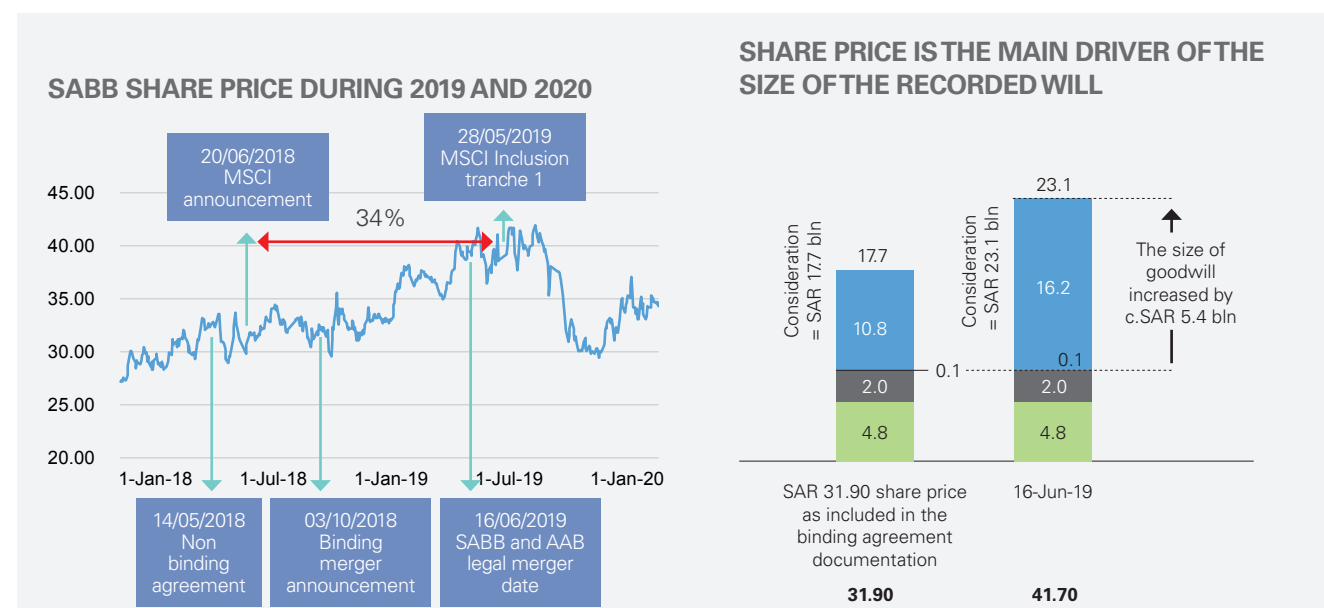
Goodwill impairment

SABB recorded a goodwill impairment of SAR 7,418 million in

the second quarter relating to the goodwill created following the merger with Alawwal Bank. The need to impair was driven by two factors:

- The temporary inflation of the Bank's share price at the time of the merger caused by Saudi Arabia's inclusion in the MSCI Emerging Market Index
- The unprecedented and unexpected emergence of the COVID-19 pandemic and its impact on the economy has contributed to the outcome of the impairment assessment's expectation of future returns

The impairment charge was a non-cash item and is expected to be a one-time accounting charge. It did not affect the Bank's capital, liquidity or funding; or strategic strengths and competitive advantages. Our ability to lend to and support our customers, our products and services and our focus on our people all remain unaffected by this accounting charge. Further information can be found in our 1H20 Interim Report.



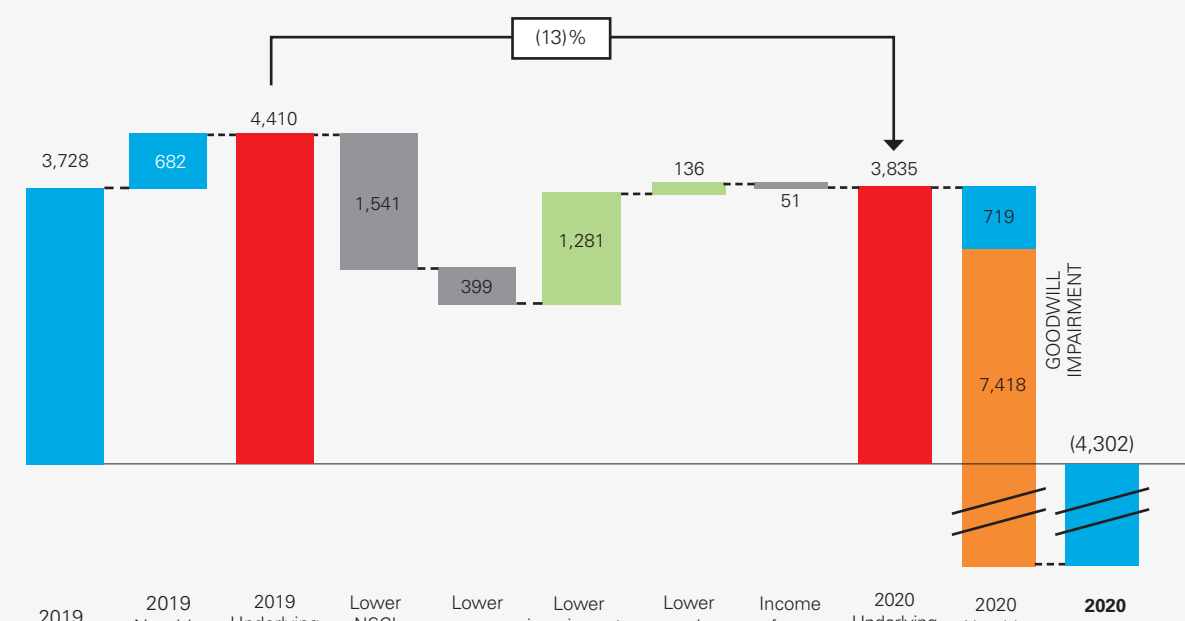
Pro forma performance

Pro forma financial results have been calculated for illustrative purposes only for 2019, to enable an understanding of the period-on-period performance of the combined entity. It

assumes SABB and Alawwal Bank merged on 1 January 2018. Because of its nature, the pro forma financial information addresses a hypothetical situation and therefore does not represent SABB's actual financial results.

Pro forma income statement highlights (SAR mln)	2020	2019
Total operating income ('revenue')	8,878	10,819
Special commission income, net	6,873	8,414
Fee and commission income, net	1,283	1,530
Exchange income, net	519	566
Other income	203	309
Provision for expected credit losses, net	(1,631)	(2,912)
Goodwill impairment	(7,418)	-
Operating expenses	(4,213)	(4,312)
Share in earnings of associates and a joint venture	82	133
Net (loss) / income before Zakat and income tax	(4,302)	3,728

Net income before Zakat and income tax: 2020 vs. 2019



SABB recorded a net loss before Zakat and income tax of SAR 4,302 million for 2020 and this included the SAR 7,418 million goodwill impairment mentioned earlier. Excluding this impairment, SABB had net income before Zakat and income tax of SAR 3,116 million. Underlying net income before Zakat

and income tax of SAR 3,835 million, which strips out non-recurring items that may potentially distort period-on-period comparisons, was SAR 575 million lower than 2019. A list of notable items is below:

Notable items ¹ (SAR mln)	2020	2019 (Pro forma)
Goodwill impairment	(7,418)	-
Merger-related expense	(500)	(450)
One-off expenses	(219)	(232)
Total	(8,137)	(682)

¹During previous reporting periods in 2020, SABB included the unwind of the fair value adjustment and intangible amortisation. Given these will be ongoing in the medium-term, we will include these items in our underlying performance. However, details are provided in the following commentary.

Revenue of SAR 8,878 million was SAR 1,941 million or 18% lower than 2019 largely from reduced net special commission income reflecting lower average lending balances and repricing as a result of the cuts in benchmark interest rates. Net fee income also fell from a reduction in trade fees

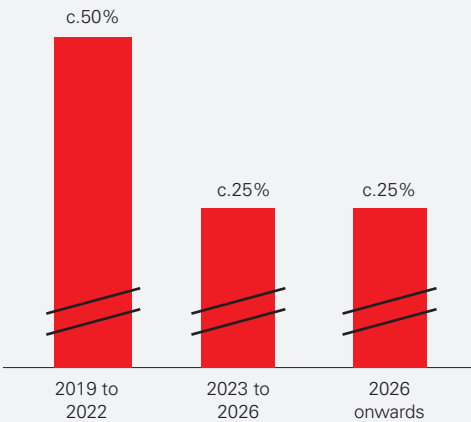
together with lower loan origination fees and lower net fees from credit cards and merchant acquiring, as a result of increased competition and challenging economic activity. Exchange income fell 8% from reduced customer flows.

Unwind of the fair value adjustment

Revenue included the impact of the unwind of the fair value adjustment (2020: SAR 403 million; 2019: SAR 347 million). The need for this accounting approach is explained below:

- Alawwal Bank loan portfolio recognised at fair value on merger date
- The fair value is a discounted amount to the contractual amounts due of the underlying loans
- The discount applied will be unwound over time to the contractual maturity date of the loans
- The unwind will be recognised mainly in NSCI using the effective interest rate (EIR) method
- The amount recognised in the future will be on a declining basis, in line with the EIR method
- Expect this to total c. SAR 2.3 billion across the life of the loans

Approximate timelines of the unwind



Operating expenses of SAR 4,213 million were SAR 99 million or 2% lower than 2019 and included SAR 500 million in merger-related expenses (2019: SAR 450 million) and SAR 219 million in expenses that are one-off in nature (2019: SAR 232 million). Underlying costs fell 4% as SABB started to see the synergy benefits to the cost base from the initial actions taken to integrate the banks. This benefit was partly offset by higher intangible amortisation (2020: SAR 156 million; 2019: SAR 78 million), the increase in the rate of value-added tax and inflationary pressures. Despite a promising trajectory on underlying costs, underlying cost efficiency ratio for the year was 39.4% which was more reflective of the challenging revenue environment.

Charges for provisions for expected credit losses of SAR 1,631 million were SAR 1,281 million lower than 2019 mainly from lower charges in our corporate business, and because 2019 included a number of one-off expected credit losses in respect of the acquired loan portfolio through the merger with Alawwal Bank

Balance sheet

Total assets of SAR 276.5 billion increased by SAR 10.5 bln mainly from an increase in cash and balances held with SAMA. Gross customer advances of SAR 160.4 billion increased SAR 2.3 billion or 1% compared with 2019. Customer lending increased in our corporate portfolio by

SAR 3.4 billion but fell SAR 1.1 billion in our retail portfolio. Customer deposits of SAR 189.1 billion fell SAR 3.1 billion or 2%. Overall funding remains strong and we continued to optimise our funding base as expensive surplus deposits matured. SABB’s demand deposit ratio improved to 71% (2019: 64%).

Balance sheet highlights (SAR bln)	2020	2019
Total assets	276.5	266.0
Gross customer advances	160.4	158.1
Customer deposits	189.1	192.2
Demand deposits	134.2	122.5

The integration journey

The integration of the two banks is progressing well, with Board and senior management focused on delivering a successful integration while continuing to create value by helping customers achieve their financial goals. The Integration Management Office (IMO) continues to drive forward the integration, in collaboration with partnerships built with top-tier consultants for project management, IT, HR and other critical areas.

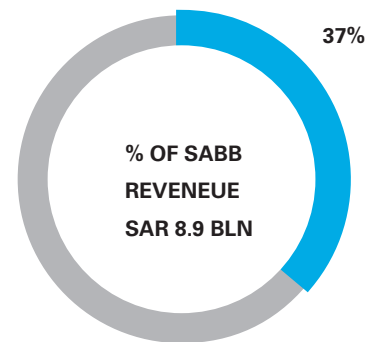
During 2020, SABB substantially completed the integration of the Corporate & Institutional Banking and Treasury businesses, which enter 2021 operating as a single bank. The Retail & Wealth Management business will also soon complete its customer data integration of the SABB and Alawwal Bank infrastructure, referred to as ‘Customer Day 1’ in the first quarter of 2021.

The progress made during 2020 has been no small feat given the onset of the COVID-19 pandemic, which resulted in a swift move to remote delivery by the execution team. Notwithstanding these challenges, during 2020, we completed the co-location of all staff, agreed and implemented the IT systems architecture and migrated the vast majority of the Alawwal Bank corporate portfolio onto the SABB system. Having agreed on our target culture in 2019,

we rolled out culture workshops in early 2020. We continued to support our customers by creating a number of hybrid branches allowing customers of both SABB and Alawwal Bank to access services at common locations. We launched an online merger hub in late 2020 to assist Alawwal Bank customers with the switch to the merged bank. The merger hub acts as a one-stop shop for customers to learn about potential changes to their services and the benefits of their new, improved banking proposition. While the switch to SABB will be mostly automated for our customers, the hub provides each customer with a unique journey and guidance on when they will need to activate services such as digital banking and new cards.

Reported merger-related integration and transaction costs were SAR 500 million during 2020. Achieving cost and revenue synergies is currently on track and as at the end of 2020, we had achieved SAR 0.6 billion of annualised synergies from optimising our funding base, procurement expenditure, operating model, and real estate footprint.

Retail Banking and Wealth Management (RBWM)



Performance highlights (SAR mln)	2020	2019 (pro forma)
Total operating income ('revenue')	3,318	4,133
Provision for expected credit losses, net	(239)	(521)
Operating expenses	(2,127)	(2,098)
Net income before Zakat and income tax	952	1,514

Operating highlights

SABB's retail bank has 5% market share of customer lending, 8% share in deposits, and our branch network makes up 5% of total branches in the Kingdom. The retail business is due to complete its customer migration integration in the first quarter of 2021. From this point in time, we will be one retail bank, with one branch network, one IT system, one website and one culture. As part of these plans during 2020, we created a number of hybrid branches allowing SABB and Alawwal Bank customers access to services at common locations. In the second half of the year, we launched an online merger hub to help Alawwal Bank customers with the switch to the merged bank. The merger hub acts as a one-stop shop for customers to learn about potential changes to their services and the benefits of their new, improved banking proposition.

With the onset of COVID-19 early in the year, the Bank swiftly flexed the size of its branch network, and incorporated social distancing measures and the use of protective equipment for those branches that remained open. Our goal was simple: to maintain critical services whilst keeping staff and customers safe. The Bank supported its customers with a variety of measures including the waiving of certain fees and a 3-month deferral of payments for over 27,000 customers who work in the Healthcare sector. Through a targeted campaign to encourage customers to avoid unnecessary branch visits, we increased online and mobile interactions with our overall digital penetration of active retail customers reaching 73% during the year.

Over 692k mobile app downloads

The retail bank's mobile app gathered momentum in 2020 having been downloaded over 692k times, achieving top rankings in both the Apple and Android app stores, and won 'Best Mobile Banking App' in Saudi Arabia and MENA from Global Finance Magazine. During 2020, we enhanced our interactive voice response (IVR) services, and continued to see the benefits of our fully online 'Digital account opening' and 'Know Your Customer' (KYC) processes. SABB was the first bank in the Kingdom to launch an online KYC

service, which helped migrate 39% of eligible transactions from branch to digital. Our digital capability has helped customers open accounts remotely via digital channels, with 80% of new accounts opened through a digital channel by the end of 2020.

Growth in credit appetite continues to be dominated by mortgage demand with the market growing rapidly year-on-year. SABB's mortgage market share fell, given the well-seasoned nature of the portfolio, the Bank's customer segmentation and risk appetite, despite a healthy level of new sales volume particularly in the second half of the year. During the year, SABB launched a two-in-one mortgage-focused product called 'Flexi', which provides customers with both a personal finance and mortgage finance advance in order to purchase a home. SABB also offers a complete range of Real Estate Development Finance (REDF) products and features, to support our customers' ambitions of home ownership – a key strand in the Vision 2030 economic transformation plan. From a savings perspective, our Shariah-compliant Waafer product has increased in popularity and was recognised as 'Product of the Year – 2020' by POTY.

Financial performance

Net income of SAR 952 million before Zakat and income tax was SAR 561 million or 37% lower than the previous year, mainly driven by lower revenue partly offset by an improvement in expected credit losses.

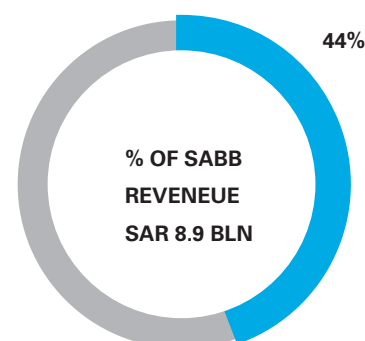
Revenue of SAR 3,318 million was 20% lower from the cuts in benchmark interest rates at the start of 2020 together with increased competition and lower average lending balances. In addition, revenue also fell from reduced fee income mainly relating to credit cards, loan origination and other service charges.

Gross customer lending of SAR 37.8 billion fell by SAR 1.1 billion or 3%, mainly due to a reduction in personal lending balances; mortgage balances also fell marginally compared with December 2019, despite growth in originations in the second half of 2020. Customer deposits of SAR 87.9 billion increased 3%, with the proportion of demand deposits at 83%, a notable strength of the retail franchise.

Snapshot: best-in-class e-remittances

SABB continues to enhance its cross-border e-remittance technology with new functionality including instant notification and digital tracking. New payment corridors were launched in the year including to South Africa and Bangladesh, alongside the Philippines and Pakistan which were launched the previous year. In order to do this, we have partnered with some of the largest and leading wallet providers in each country.

Corporate and Institutional Banking (CIB)



Performance highlights (SAR mln)	2020	2019 (pro forma)
Total operating income ('revenue')	3,878	5,208
Provision for expected credit losses, net	(1,376)	(2,364)
Goodwill impairment	(7,418)	-
Operating expenses	(1,221)	(1,329)
Net (loss) / income before Zakat and income tax	(6,137)	1,516
Net income before Zakat and income tax excl. goodwill impairment	1,281	1,516

Operating highlights

The SABB-Alawwal Bank merger has created one of the largest corporate banks in the Kingdom with c.13% of corporate lending market share. Its unique position as the leading international bank in Saudi Arabia, bolstered by a strong partnership with HSBC Group, enables SABB's customers to access services and opportunities globally, and allows global corporates to access the Kingdom.

During 2020, integration was a top priority and SABB substantially completed the integration of the Corporate & Institutional Banking business having migrated the vast majority of the Alawwal Bank corporate portfolio onto the SABB system, and the business enters 2021 operating as a single bank.

Top 3 Corporate Bank by revenue

2020 started with signs of promising growth in corporate credit, however this was constrained by the onset of the COVID-19 pandemic, which then largely remained muted for the remainder of the year. To support our customers in these challenging times, the business worked diligently to implement SAMAs various initiatives to support the financial sector and in particular the Micro, Small and Medium Enterprises (MSME) segment. Following the launch of SAMAs Private Sector Financing Support Program (PSFSP) which provides support to MSMEs, SABB provided eligible customers with a payment deferral that has continued into 2021. In addition, the Bank waived fees associated with digital payments and transfers for corporate customers.

Our Global Liquidity and Cash Management (GLCM) business offers a range of cash management, payments and liquidity solutions to our customers. 'HSBCnet', the online tool used by our corporate customers, developed in collaboration with HSBC, has benefitted from a number of improvements during 2020. These include an improved interface, helping customers fulfill payments with ease and improved analytics for liquidity tracking, together with enhanced authentication processes including biometric access for mobile users. In 2020, SABB also launched an online banking platform focused for MSME

customers, given the importance of the segment to the Bank and the wider aspirations of Vision 2030. In recognition of our leadership position in payments and cash management, SABB was recognised as 'Market Leader' and 'Best Service Provider' in the 2020 Euromoney Cash Management Survey.

Our Global Trade and Receivables Finance (GTRF) business remains the primary trade finance provider of choice for the market, in both conventional and Shariah-compliant financing. During 2020, we continued developing our digital capabilities. Building on our track-record of delivering 'firsts', we delivered the first Saudi-hosted cloud-based supply chain solution that helps our clients improve working capital efficiency. Despite a challenging global macro-environment, we remain the leading provider of 'letters of credit' and have also become the largest provider of guarantees in Saudi Arabia. SABB was awarded 'Best Service Trade Finance' in Saudi Arabia and 'Market Leader Trade Finance' for 2020 in the Euromoney awards, and 'Best Trade Finance Provider' for 2020 at the MEA Awards.

Both businesses, which form the cornerstone of our corporate offering have digital capability at their core, which was and continues to be of increasing importance during the pandemic.

Towards the end of the year, the Bank signed an agreement with the Ministry of Finance to support the Ministry's supply chain in collaboration with the National Debt Management Centre. Together with two other leading banks, this agreement will speed up transactions between buyers and suppliers to boost economic growth.

Financial performance

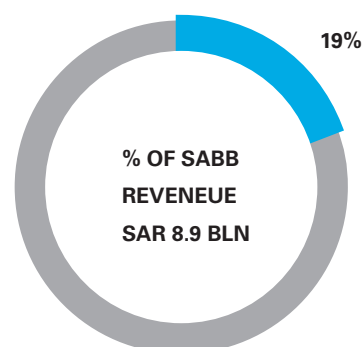
The CIB business recorded a net loss before Zakat and income tax of SAR 6,137 million which included the impairment of goodwill of SAR 7,418 million in the second quarter. Further information on the goodwill impairment can be found on page 46. Excluding this, the CIB business recorded net income of SAR 1,280 million which was 16% lower than 2019 from lower revenue partly offset by lower expected credit losses and reduced costs.



Revenue of SAR 3,878 million was 26% lower than 2019, mainly due to cuts to benchmark interest rates in the first quarter of 2020 and the second half of 2019, and from lower average lending balances. Non-funds income also reduced, mainly from lower fee income from reduced trade activity and lower loan origination fees. Margins were affected by increased competition. Revenue from the GLCM business was more resilient and showed a marginal increase in 2020 compared with the previous year.

Gross customer lending balances as at 31 December 2020 of SAR 122.6 billion were SAR 3.4 billion higher than the previous year. Much of this growth occurred in the first quarter before being curtailed by COVID-19, and our market share has been adversely affected by increased competition, although the fourth quarter has seen a return to growth for the CIB business. Customer deposits of SAR 92.9 billion fell 8% as we continued the optimisation of the funding base.

Treasury



Operating highlights

The integration process is being delivered successfully, and by the end of 2020, we had substantially integrated the Treasury businesses from SABB and Alawwal Bank into a harmonised unit. Treasury enjoys a breadth of products and services, from simple foreign exchange trading to derivatives across asset classes – including Islamic; as well as an innovative digital platform for customers to execute their own trades.

At the heart of Treasury's strategy is its support for SABB's role in the development of the Saudi capital market, as per the Vision 2030 agenda. This is achieved by SABB's role as a Primary Dealer, and the development of a repo market, while at the same time partnering with the Bank's business segments to develop a focused and attractive proposition for customers. In July, SABB was granted approval by Muqassa to act as a General Clearing Member. Muqassa was established as the central counterparty clearer in the Saudi financial markets, in line with international standards, which illustrates our leadership position in the local capital market.

SAR 5 billion Tier II Sukuk

One of the three general clearing members of Muqassa

Performance highlights (SAR mln)	2020	2019 (pro forma)
Total operating income ('revenue')	1,674	1,281
Provision for expected credit losses, net	(16)	(27)
Operating expenses	(179)	(231)
Net income before Zakat and income tax	1,478	1,023

In volatile markets caused by the COVID-19 pandemic, our business has continued to support customers with their foreign exchange and interest rate hedging needs. Despite unprecedented uncertainty, we delivered on our landmark SAR 5 billion Tier II Sukuk. This was the first such transaction by the merged bank in the debt capital markets, the joint largest Tier II issuance by a Saudi bank in history, and the largest local issuance by a local bank since the introduction of Vision 2030. Both achievements demonstrate our role in the Financial Sector Development Programme to develop a more diversified and effective financial sector in the Kingdom.

The Bank has maintained its leadership position with foreign exchange and trading income, ranking in the top 3 of all local banks, and was awarded 'Best Foreign Exchange Provider' by Global Finance.

Financial performance

Net income before Zakat and income tax of SAR 1,478 million was 45% higher than the previous year, mainly from increased revenue and, to a lesser extent, lower costs. Revenue of SAR 1,674 million was 31% higher than 2019 primarily from increased NSCI in part from the optimising of our funding base following the merger.

Other

Performance highlights (SAR mln)	2020	2019 (pro forma)
Total operating income ('revenue')	9	197
Provision for expected credit losses, net	-	-
Operating expenses	(686)	(654)
Share in earnings of associates and a joint venture	82	133
Net income before Zakat and income tax	(595)	(324)

The 'Other' segment includes the activities of the Bank's insurance subsidiary and associate, SABB Takaful and Wataniya, a subsidiary and joint venture for investment banking and brokerage, Alawwal Invest and HSBC Saudi Arabia, and equity investments. In addition, merger-related expenses are reported in 'Other'. It also includes elimination of inter-group income and expense items.

HSBC Saudi Arabia (HSBC SA)

HSBC SA provides a full range of securities business services including investment banking advisory, debt capital market and syndicated finance advisory, project and export finance advisory, and custody and funds securities services. It also

manages mutual funds and discretionary portfolios and provides brokerage services. The Company serves a wide range of clients including but not limited to corporates, financial institutions, non-bank financial institutions and individuals.

SABB Takaful

Takaful means 'guaranteeing each other' in Arabic. It is an Islamic system of mutual insurance built on the concept of 'tabarru' or donation or gift. SABB Takaful offers a wide range of Shariah-compliant family and general insurance products to meet the needs of customers, both individuals and corporates.



Our response to COVID-19

Clear priorities during challenging times

- Maintain critical services
- Keep our staff and customers safe

Operational resilience has been strong

1. Our staff

- Flexed the size of the branch network
- Deployed over 2,500 laptops, increased remote connectivity by 300% and expanded our Virtual Private Network ('VPN') capacity by 12x, allowing the Bank to continue operations seamlessly
- Over 2 million Zoom meeting minutes and 45,000 virtual meetings
- Held over 50 webinars on mental health, productivity and mindfulness
- Preventative social distancing initiatives, protective equipment rollout and deep cleaning across branches and offices

2. Retail customers

- Drive to mobile and online with a targeted campaign to encourage customers to avoid unnecessary branch visits, resulting in increased app downloads and improved digital penetration; also waived digital fees
- Waived certain fees and charges
- 3-month payment deferral for workers in the health sector, benefiting over 27k customers
- Deferrals for Saudi workers covered by SANED programme
- Reimbursed all FX fees charged on credit, Mada or prepaid cards for customers wishing to cancel travel reservations

3. Corporate and Institutional customers

- Following the launch of SAMAs Private Sector Financing Support Programme ('PSFSP') which provides support to Micro, Small and Medium Enterprises ('MSME'), we have provided eligible customers with a 12-month payment deferral
- Waived certain fees and other charges
- Exempted certain MSME customers from the cost of the 'Funding Guarantee' programme - Kzafalah
- Encouraging customers to move certain transactions online with our Global Liquidity and Cash Management ('GLCM') and Global Trade and Receivables Finance ('GTRF') propositions

4. Treasury

- In notably volatile markets, Treasury continued to support our customers with their foreign exchange and interest rate hedging needs
- Completed the issuance of a SAR 5 bln Tier II Sukuk, enhancing our Capital position. This is the first such transaction by the merged bank in the debt capital market, the largest joint Tier II issuance by a Saudi bank in history, and the largest local issuance by a bank since the introduction of the Kingdom's national growth agenda under Vision 2030.
- Primary Dealers are playing a proactive role in the issuance of government debt by actively participating in the primary debt market and also supporting the secondary market

5. Society

- SABB has contributed SAR 17 mln to the Ministry of Health's COVID-19 fund and donated over SAR10 mln for the social welfare fund to support pandemic relief
- Provided food baskets to over 9,000 families through various charities
- Partnered with transport apps including Careem and Uber to deliver groceries free of charge with an additional discount when using SABB payment cards



CAPITAL OVERVIEW

Capital management is critical for the longevity of the Bank. SABB ensures that it possesses an appropriate level of regulatory capital to meet minimum levels required by its regulator and to support business growth and dividend distribution, even under stressed scenarios. The Bank's policy on capital management is underpinned by a capital management framework and our internal capital adequacy assessment process (ICAAP). Capital adequacy and

utilisation of regulatory capital are monitored regularly by the Bank's senior management.

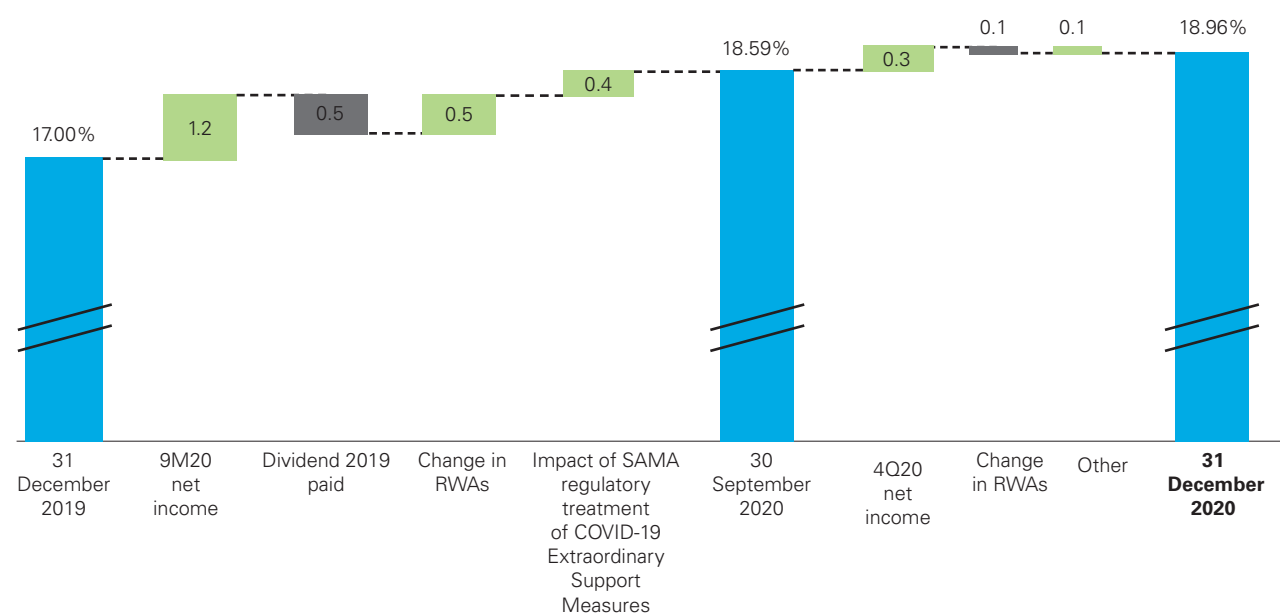
SABB's assessment of capital adequacy is aligned to its assessment of risks, including credit, liquidity, Shariah and other operational risks as detailed on page 82 within the Risk overview.

	31 Dec 2020 %	31 Dec 2019 %
Capital ratio		
Common equity tier 1 ratio	18.96%	17.00%
Tier 1 ratio	18.96%	17.00%
Total capital ratio	21.82%	18.24%

	31 Dec 2020	31 Dec 2019
Capital (SAR mln)		
Common equity tier 1 capital	41,775	38,450
Additional tier 1 capital	-	-
Tier 2 capital	6,303	2,819
Total regulatory capital	48,078	41,269

	31 Dec 2020	31 Dec 2019
RWA (SAR mln)		
Credit risk	199,268	205,119
Market risk	19,065	19,266
Operational risk	1,988	1,830
Total RWAs	220,321	226,214

Core Tier 1 ratio: 31 December 2020 vs. 30 September 2020 vs. 31 December 2019



SUPPORTING MICRO SMALL AND MEDIUM ENTERPRISES

The Kingdom's Vision 2030 strategy sets out a target to increase the contribution of Micro, Small and Medium Enterprises (MSME) to the economy. In support of the Kingdom's strategy, SABB is proud to support over 20,000 active MSME customers throughout the Kingdom.

MSME segment definitions

SABB defines its MSME segments as follows:

Corporate Segments	Annual Sales Turnover
Business Banking Mass-Micro	Below SAR 3 mln
Business Banking Mass-Small	Between SAR 3 mln to 40 mln
Business Banking Upper (Medium)	Between SAR 40 mln to 200 mln

SABB has eight Business Banking Centres to serve MSME clients, including presence in Riyadh, Jeddah, Alkhobar and Dammam, and to provide a wide range of solutions, including shariah-compliant products. A dedicated relationship manager ('RM') is assigned to each customer to assess their banking needs and provide solutions to meet their requirements. SABB possesses a bespoke

team of 55 focussed relationship managers focussed on assisting its MSME customers, as well as the larger SABB infrastructure. During 2020, SABB has continued to develop its MSME provision through regular training, with each RM undertaking over 4 days bespoke MSME training alongside the standardised training provided to all SABB employees.

Monsha'at

Established in 2016, Monsha'at, the General Authority for Small and Medium Enterprises, works on supporting, developing and nurturing the SME sector. SABB continued to support a number of Monsha'at initiatives and signed an agreement during the Biban event in 2020, to help develop a new financing gateway that enables MSME customers to gain access to financing opportunities. We also signed a memorandum of understanding to further improve our collaboration.

The Kafalah programme, which is now included under the Monsha'at series of initiatives, aims to provide financing to MSMEs that is secured with a guarantee from Monsha'at. All Kafalah programme financing applications are handled by dedicated RMs within specialised teams, and detailed reporting provides weekly progress updates to RMs and the business on our progress. An agreement signed with Monsha'at during 2020 will further accelerate our involvement.

2020 initiatives

SABB offers a comprehensive Shariah-compliant receivables finance product, and supply chain finance solutions to larger companies to help MSMEs manage their cash flows efficiently, and reduce funding costs.

Our market leading corporate service enables SABB to bring best-in-class digital solutions to its MSME customer base. During 2020, SABB has improved customer experience by migrating over-the-counter transactions towards digital channels, including online banking, interactive teller machines, cash deposit machines, and point-of-sale (POS)

terminals. Sadad and other national payment gateway solutions are also used. In addition, we are working in collaboration with the Tamwelk platform which provides new customer referrals to our RMs, an innovative solution to access the growing number of Fin-Tech organisations.

On customer experience for the MSME sector, SABB is developing a new platform for SMEs that will be faster and easier to use, as well as developing a digital on-boarding tool for account opening, targeting a completely end-to-end online customer journey.

SABB recently signed an agreement with S&P to use their MSME scorecard model which is an off-the-shelf product that leverages their expertise in credit assessment, ratings, sector specific knowledge and ongoing research and development. The Microsoft Excel-based tool, which is used globally, was also selected due to its ease of implementation.

SAMA programmes to support customers affected by COVID-19:

Following the onset of the COVID-19 pandemic, the Bank worked diligently to implement SAMA's various initiatives to support the financial sector and the MSME segment.

1- Deferred payment programme

Following the launch of SAMA's Private Sector Financing Support Programme (PSFSP), SABB provided eligible customers, (Stage 1 and Stage 2 as per IFRS9: Financial Instruments standard), with a payment deferral for all outstanding installments and accrued special commission income. The deferrals occurred in the following three phases:

- Phase one: Loans due from 14 March 2020 to 14 September 2020 will be deferred for 6 months.
- Phase two: Loans due from 15 September 2020 to 14 December 2020 will be deferred for 3 months.
- Phase three: Loans due from 15 December 2020 to 31 March 2021 will be deferred for 3.5 months.

2- Secured lending programme

The programme aims at granting subsidised loans to SMEs for a maximum period of 36 months. This programme, which was effective from 14 March 2020, is valid initially for a single year, but can be extended.

3- Loan guarantee programme

This programme supports our Kafalah customers and was available between 14 March 2020 and the end of the year. Beneficiaries of the programme may forgo payment of fees associated with issuance, renewal, extending and rescheduling of facilities. Beneficiaries' applications are submitted to the Kafalah programme and an official relief notice must be provided to the beneficiary. The financing entity must provide SAMA with a statement with the total fees paid for the Kafalah programme on a monthly basis.

4- Supporting fees of POS & e-commerce

With SAMA's support, SABB waived a number of digital fees relating to POS terminals and e-commerce for a period of three months, to reduce unnecessary travel during the national lockdown and to encourage more online transactions.

Loans and off-balance positions to MSME customers

December 2020 (SAR'000s)	Micro	Small	Medium	Total
Loans to MSMEs	992,135	1,930,640	5,265,884	8,188,658
Off Balance Sheet positions to MSMEs	779,003	1,301,718	6,366,148	8,446,868
Loans to MSMEs as a % of total SABB Loans	0.6%	1.2%	3.3%	5.1%
Off Balance Sheet positions to MSMEs as a % of total SABB off balance sheet positions	0.9%	1.4%	7.1%	9.4%
Number of credit facilities	1,127	2,377	7,735	11,239
Number of customers with credit facilities	303	519	761	1,583
Number of credit facilities guaranteed by Kafalah programme	3	599	1,122	1,724
Amount of credit facilities guaranteed by Kafalah programme	1,832	445,718	851,776	1,299,326

December 2019 (SAR'000s)	Micro	Small	Medium	Total
Loans to MSMEs	38,451	884,472	4,697,471	5,620,393
Off Balance Sheet positions to MSMEs	59,042	671,698	3,981,371	4,712,112
Loans to MSMEs as a % of total SABB Loans	0.0%	0.6%	3.0%	3.6%
Off Balance Sheet positions to MSMEs as a % of total SABB off balance sheet positions	0.1%	0.6%	3.5%	4.2%
Number of credit facilities	260	2,112	7,083	9,455
Number of customers with credit facilities	141	515	615	1,271
Number of credit facilities guaranteed by Kafalah programme	60	404	340	804
Amount of credit facilities guaranteed by Kafalah programme	18,771	133,483	212,033	364,286

GOVERNANCE

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THE BOARD OF DIRECTORS

(THE ‘BOARD’)

Led by the Chair, the Board sets the Bank’s strategy and risk appetite with the aim of achieving sustainable value to shareholders and promote a culture of openness and debate. The Board also approves the capital and operating plans for achieving the strategic direction on the recommendation of the Executive Management (‘MANCOM’).

The Board, as at 31 December 2020, consisted of 11 members who bring together a wealth of local and international experience across a spectrum of industries.

On 18 December 2019, The General Assembly of the Bank convened and elected the Directors of the Board, eight (8) of whom were elected by the shareholders and three (3) of whom were appointed by HSBC Holding B.V through the Ordinary General Meeting (OGM) for a term of 3 years which commenced from 01 January 2020 to 31 December 2022. The General Assembly approved the election and appointment of directors by way of accumulative voting. All Directors may be reappointed for new terms.

Chair

As of 01 January 2020, Ms. Lubna S. Olayan was appointed the Chair of SABB as a non-executive Chair.

Vice Chair

As of 01 January 2020, Mr. Saad A. Al Fadly was appointed the Vice Chair of SABB as non-executive Vice Chair.

Executive Directors

SABB’s Managing Director (MGD), Mr. David Dew is a representative of HSBC Holdings B.V.

Non-Executive Directors and Independent Non-Executive Directors

Excluding the Chair and the MGD, the Board as at 31 December 2020 consisted of 4 Non-Executive Directors who are not deemed to be independent. The remaining 4 Directors are all Independent Non-Executive Directors. The Board is responsible for the Bank’s strategy and risk appetite. The Board reviews the performance of management in meeting the Bank’s strategic targets and monitors the Bank’s risk appetite and profile.

All the Independent Directors are considered to be independent of SABB and there are no relationships or circumstances that are likely to affect their decisions. The Bank possesses a written policy, which is regularly updated, on potential conflicts of interest that could arise for the Board together with a policy that handles the disclosure mechanism.

Board responsibilities

The roles of the Chair and the MGD are separate, with a clear division of responsibilities between the Chair managing the Board and developing the strategy, and the MGD responsible for running SABB. The Board is responsible for supervising the senior management.

The following items are reserved for the Board: the review and approval of strategy, annual operating plans, risk appetite and limits, performance targets, M&A activity, significant capital expenditure, specified senior appointments and any substantial changes in asset and liability management.

Ms. Lubna Suliman Olayan ¹	Non-Executive Chair
Mr. Saad Abdulmohsen Al Fadly ²	Non-Executive Vice-Chair
Eng. Khalid Abdullah Al Molhelm	Non-Executive
Eng. Mohammed Omran Al Omran	Non-Executive
Mr. Samir Assaf	Non-Executive
Mr. David Dew	Executive
Mr. Stephen Moss	Non-Executive
Mr. Ahmed Farid Al Aulaqi	Independent
Ms. Maria Ramos ³	Independent
Mr. Martin Edward Powell	Independent
Mr. Stuart Gulliver	Independent

1. Ms. Lubna S. Olayan was appointed as Chair of the Board of Directors commencing 1 January 2020 for a 3-year term.
2. Mr. Saad Al Fadly was appointed as Vice Chair of the Board of Directors commencing 1 January 2020 for a 3-year term.
3. Ms. Maria Ramos resigned from the position as an independent Board Member as of 31 December 2020

Corporate governance best practice

A robust approach to corporate governance is a key strength for any organisation and the Bank ensures it adopts best practices in this field in order to ultimately create value for all the Bank’s stakeholders.

The Bank regularly conducts internal reviews to assess compliance with all regulatory requirements issued by the Capital Market Authority (CMA) and the Saudi Central Bank (SAMA), as well as local and international best practice. SABB’s corporate governance policies include statements on the following areas:

- Disclosure
- Conflicts of interest
- Criteria for the selection of Directors
- Relationship with stakeholders
- Related parties’ transaction
- Remuneration and compensation for Directors and Board sub-committees and Executive Management
- Corporate Governance Document.
- Code of Conduct principles for Board of Directors and Committee Members

Diversity

Diversity is another key strand to both local and international governance best practice. SABB is particularly proud of the diversity within its Board. The Board includes 2 females, one of which is the Chair, which is a strong signal of the Bank’s vision. In addition, the Board is a mixture of local and international expertise from a wide spectrum of industry experience, both within the financial services sector and broader non-financial services experience.

Training and development

Training and development is provided for each Board Director, with the support of the Group Company Secretary. Non-Executive Directors develop and refresh their skills through periodic interaction with senior management across the Bank. SABB maintains a bespoke training programme that covers all aspects of the banking industry and corporate governance best practice. In addition, the Board also undertakes mandatory training on a wide range of subjects, including: anti-money laundering; anti-bribery and corruption; conduct; cyber security and sanctions.

BIOGRAPHIES OF BOARD MEMBERS

AS AT 31 DECEMBER 2020



Ms. Lubna Suliman Olayan
Non-Executive Chair

Current position

Board member of:

- Olayan Financing Company (Saudi Arabia)
- Schlumberger Company (Saudi Arabia)
- Olayan Holding Company (Saudi Arabia)
- Health Water Bottling Company (Saudi Arabia)
- The Coca-Cola Company (Saudi Arabia)

Former position

Senior position:

- Chief Executive Officer of Olayan Financing Company (Saudi Arabia)

Board member of:

- Saudi Arabian Mining Company (Listed / Saudi Arabia)
- Alawwal Bank (Saudi Arabia)

Qualifications

- Honorary PhD in Law from Trinity College, Dublin, Ireland
- Master of Business Administration (MBA) from Indiana University, USA
- Bachelor of Science from Cornell University, USA

Experience

- Over 35 years of experience in investment, banking and business management



Mr. Saad Abdulmohsen Al Fadly
Non-Executive Vice-Chair

Current position

Senior position:

- Chief Executive Officer of Hassanah Investment Company (Saudi Arabia)

Board member of:

- National Medical Care Company (Listed / Saudi Arabia)
- Almarai Company (Listed / Saudi Arabia)
- GEMS Company (Saudi Arabia)
- Ma'arif Education and Training Company (Saudi Arabia)

Former position

Senior position:

- Chief of Staff and Senior Officer Central & Eastern Regions of the NCB Capital Company (Saudi Arabia)
- Vice President in Morgan Stanley (Saudi Arabia)

Qualifications

- Bachelor of Science in Accounting, King Saud University, KSA
- Master's Degree in Financial Economics, Boston University, USA

Experience

- Experience in investment management and banking services at a number of financial and regulatory institutions, for more than 20 years



Eng. Khalid Abdullah Al Molhem
Non-Executive Director

Current position

Board member of:

- Saudi White Cement Company (Listed / Saudi Arabia)
- Ittefaq Steel Company (Saudi Arabia)

Former position

Senior position:

- General Director of Saudi Airlines (Saudi Arabia)
- Chief Executive Officer of the Saudi Telecom Company (STC) (Listed / Saudi Arabia)
- Chief Executive Officer of Almarai Company (Listed / Saudi Arabia)

Board member of:

- United Electronics Company (Extra) (Listed / Saudi Arabia)
- Knowledge Economic City Company (Listed / Saudi Arabia)
- King Abdullah Port Rabigh (Saudi Arabia)
- HSBC Middle East Ltd (United Arab Emirates)
- King Abdullah Economic City Company (Emaar) (Listed / Saudi Arabia)
- Aseer Trading, Tourism and Manufacturing Company (Listed / Saudi Arabia)

Qualifications

- Bachelor of Science in Electrical Engineering from the University of Evansville, USA
- Bachelor of Engineering Management from the University of Evansville, USA

Experience

- Experience in the business of banks and companies and has taken the lead in the privatisation of a number of major Saudi companies



Eng. Mohammed Omran Al Omran
Non-Executive Director

Current position

Senior position:

- General Manager of Omran Muhammad Al Omran and Partners Company (Saudi Arabia)

Board member of:

- Saudi Orix Leasing Company (Saudi Arabia)
- Tarabot Investment and Development Company (Saudi Arabia)
- Tourism Development Fund (Saudi Arabia)

Former position

Board member of:

- Al-Rajhi Company for Cooperative Insurance (Alrajhi Takaful) (Listed / Saudi Arabia)
- Saudi Arabia Credit Suisse (Saudi Arabia)
- Saudi Telecom Company (STC) (Listed / Saudi Arabia)

Qualifications

- Bachelor of Science in Civil Engineering from King Saud University, KSA
- Master's Degree in Construction Management from the University of South California, USA

Experience

- Experience in the business and investment sectors



Mr. Samir Assaf
Non-Executive Director
(Representing HSBC Holdings B.V.)

Current position

Senior position:

- Chairman Corporate and Institutional Banking (Listed / United Kingdom)

Board member of:

- HSBC France (Listed / France)
- Montaigne London (United Kingdom)
- Alfanar Charity Arm (United Kingdom)

Former position

Senior position:

- Group Managing Director, member of the Group Management Board, and Chief Executive of Global Banking and Markets, HSBC (Listed / United Kingdom)

Board member of:

- HSBC Egypt (Egypt)
- HSBC Asset Management Limited (United Kingdom)
- Global Financial Markets Association (United States of America)
- HSBC Trinkhaus and Burkhardt AG (Listed / Germany)

Qualifications

- Master's Degree in Economics from USJ, Lebanon
- Master's Degree in Economics and International Finance from La Sorbonne University, France
- An Honorary Master's Degree in Finance from Sc. PO(IEP), France
- Bachelor's Degree in Finance from L'Institut d'Etudes Politiques, France

Experience

- Experience in the banking and global financial markets field acquired from working at HSBC Group, where he held several leading roles



Mr. David Dew
Executive Director
(Representing HSBC Holdings B.V.)

Current position

Senior position:

- Managing Director of SABB (Listed / Saudi Arabia)

Board member of:

- HSBC Bank Middle East Limited (United Arab Emirates)
- HSBC Saudi Arabia Limited (Saudi Arabia)

Former position

Senior position:

- Deputy Managing Director and Chief Operating Officer of SABB (Listed / Saudi Arabia)
- Deputy Chief Executive of HSBC Amanah and Chief of Administration, Global Banking and Markets, Middle East HSBC (MENA)

Qualifications

- Master's Degree in Economics from Cambridge University, UK
- Associate of the Institute of Bankers

Experience

- Management and financial experience gained during his over 40-year career with HSBC in a number of regions and roles

BIOGRAPHIES OF BOARD MEMBERS

AS AT 31 DECEMBER 2020 (continued)



Mr. Stephen Moss
Non-Executive Director
(Representing HSBC Holdings B.V.)

Current position

Senior position:

- Group Managing Director, Regional Chief Executive for Europe, MENAT, LATAM and HSBC (Listed / United Kingdom)

Board member of:

- HSBC Middle East Holdings (Netherlands) B.V
- HSBC Latin America Holdings Limited (United Kingdom)
- HSBC Bank plc
- HSBC Bank Middle East Limited
- HSBC Bank Canada (Canada)

Former position

Senior position:

- Group Managing Director, Group Chief of Staff, HSBC (Listed / United Kingdom)

Board member of:

- HSBC Asia Holdings B.V (United Kingdom)
- Serai Limited (United Kingdom)
- HSBC Asset Management Limited (United Kingdom)

Qualifications

- Qualified Chartered Accountant and Member of the Institute of Chartered Accountants in England and Wales

Experience

- Management and financial experience gained during his over 27 years career with HSBC Chief of Staff to the Group Chief Executive. Leads Group Strategy and Planning, Group Mergers and Acquisitions, Global Communications, Global Events, Group Public Affairs and Group Corporate Sustainability



Mr. Ahmed Farid Al Aulaqi
Independent Director

Current position

- Co-founder and President of Aspect Investment Partners Limited (United Arab Emirates)

Former position

Senior position:

- President of Safanad International Company (United Arab Emirates)
- Held various positions in the National Commercial Bank in Saudi Arabia and the United Kingdom, the latest of which was the Chief Executive Officer of NCB Capital Company (Listed / Saudi Arabia)

Board member of:

- Alawwal Bank (Saudi Arabia)
- Safanad Investment Company (United Arab Emirates)
- The Company for Cooperative Insurance (Tawuniya) (Listed / Saudi Arabia)
- Tunisian Saudi Bank (Tunisia)

Qualifications

- Master of Business Administration (MBA) from the University of Stirling, UK
- Bachelor's Degree in Business Administration from King Abdulaziz University (KAU)

Experience

- Over 30 years of experience in business management, banking, treasury, capital markets, investment services and brokerage



Ms. Maria Ramos
Independent Director

Current position

Board member of:

- Compagnie Financier Richemont SA (Listed / Switzerland)
- AngloGold Ashanti Limited (Listed / South Africa)
- Public Investment Corporation (South Africa)

Former position

Senior position:

- Chief Executive Officer of ABSA Group Limited (Listed / South Africa)
- Chief Executive Officer of Transnet Limited (South Africa)
- Director General of National Treasury (South Africa)

Board member of:

- Transnet Limited (South Africa)
- Sanlam Limited (Listed / South Africa)
- Remgro Limited (Listed / South Africa)
- SABMiller (Listed / United Kingdom)

Qualifications

- Master's Degree in Economics, University of London (SAOS)
- Bachelor of Commerce (Honours) in Economics, University of Witwatersrand
- Diploma, Institute of Bankers (CAIB)

Experience

- Experience in executive positions in public finance and Government Treasury, infrastructure and logistics, and banking with listed companies and has taken the lead in the privatisation of a number of major international companies



Mr. Martin Edward Powell
Independent Director

Former position

Senior position:

- Senior executive role in Royal Bank of Scotland PLC (RBS) since 1973, the latest of which was the Chief Risk Officer Capital Resolution Group (Listed / United Kingdom)

Board member of:

- Alawwal Bank (Saudi Arabia)

Qualifications

- ACIB - The Chartered Institute of Bankers

Experience

- Over 40 years of senior management expertise in banking, financial services and risk management



Mr. Stuart Gulliver
Non-Executive Director

Current position

Board member of:

- Hong Kong Airport Authority (Hong Kong)
- Jardine Matheson Holdings Limited (Hong Kong)

Former position

Senior position:

- Executive Director and Group Chief Executive of HSBC Holdings plc (Listed / United Kingdom)
- Chairman of The Hong Kong and Shanghai Banking Corporation Limited

Qualifications

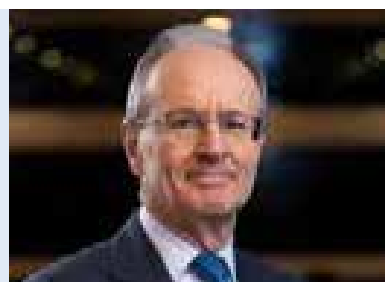
- Master's Degree in Law from Oxford University, UK

Experience

- More than 37 Years experience in international banking in a variety of executive roles including Group Chief Officer of HSBC Holdings plc

BIOGRAPHIES OF EXECUTIVE MANAGEMENT

AS AT 31 DECEMBER 2020



Mr. David Dew
Executive Director

Current position

- Executive Director and Managing Director of SABB

Board member of:

- HSBC Bank Middle East Limited (United Arab Emirates)
- HSBC Saudi Arabia Limited (Saudi Arabia)

Former position

Senior position:

- Deputy Managing Director and Chief Operating Officer of SABB (Listed / Saudi Arabia)
- Deputy Chief Executive of HSBC Amanah and Chief of Administration, Global Banking and Markets, Middle East HSBC (MENA)

Qualifications

- Master's Degree in Economics from Cambridge University, UK
- Associate of the Institute of Bankers

Experience

- Management and financial experience gained during his over 40 year career with HSBC in a number of regions and roles



Mr. Majed Najm

Current position

- Deputy Managing Director Corporate and Institutional Banking

Former position

- Chief Executive Officer and Board member of HSBC Saudi Arabia

Qualifications

- Bachelor of Science in Management

Experience

- Joined SABB and HSBC Group in 1992. He has held leadership positions as General Manager of Retail Banking and Wealth Management at SABB, Head of International at HSBC Middle East (Dubai) and the Chief Executive Officer of HSBC Bahrain



Mr. Bashaar Al Qunaibet

Current position

- Deputy Managing Director Retail Banking & Wealth Management

Former position

- Chief Human Resources Officer, SABB
- General Manager Branches and Sales, SABB

Qualifications

- Bachelor's Degree in Business Administration

Experience

- Over 21 years' management and financial experience gained working in the Saudi banking sector, including roles at SABB, Alawwal Bank and NCB, and also as Business Development Director at SAMAs SADAD Payment System



Mr. Mohammed Abdullatif Al Shaikh

Current position

- Deputy Managing Director for Treasury

Former position

- General Manager Treasury, Alawwal Bank

Qualifications

- Bachelor of Science in Finance

Experience

- Joined Alawwal Bank in 2012 as the General Manager of Treasury. Prior to joining Alawwal, he held various treasury roles at Samba from 1994, with extensive experience across functions and was a member of the Group's Executive Management Committee



Ms. Maha Al Sudairi

Current position

- Chief Compliance Officer

Former position

- Chief Compliance and Governance Officer, Alawwal Bank

Qualifications

- Master of Science in International Finance (Honours) from Kingston University, United Kingdom
- BA in English Translation from King Saud University, Saudi Arabia

Experience

- Over 10 years of experience in the Saudi banking system, compliance and corporate governance, acquired through formal training locally and abroad



Dr. Nawaf Alhusseini

Current position

- Chief Human Resources Officer

Former position

- General Manager Human Resources, The Saudi Investment Bank
- Head of Human Resources, Arab National Bank
- General Manager Human Resources, Alawwal Bank

Qualifications

- PhD Business Administration – Human Resources Management from Temple University – Fox School of Business and Management
- Master of Business Administration (MBA) from San Francisco State University
- Bachelor of Business Administration from King Saud University

Experience

- Seasoned Human Resources professional with rich leadership experience spanning several Saudi banks and the International Monetary Fund (IMF), with consulting and academic experience

BIOGRAPHIES OF EXECUTIVE MANAGEMENT

AS AT 31 DECEMBER 2020 (continued)



Mr. Richard Hinchley

Current position

- Chief Risk Officer

Former position

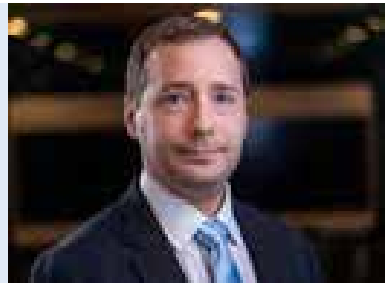
- Chief Risk Officer, HSBC Saudi Arabia

Qualifications

- Bachelor of Science in Business from University of Bradford Management Centre, UK

Experience

- A seasoned and experienced Risk professional with 27 years of executive experience in HSBC, including 15 years at Senior Management levels, across the UK, USA, South America, Asia and Middle East



Mr. Mathew Pearce

Current position

- Chief Financial Officer

Former position

- Chief Financial Officer, HSBC Japan

Qualifications

- Chartered Accountant with Institute of Chartered Accountants in England and Wales
- Bachelor of Science (Honours) in Business Studies and Japanese, Cardiff University, UK

Experience

- 20 years of experience in Banking and Finance, with PricewaterhouseCoopers and HSBC in a number of senior roles in Europe, Asia and the Middle East



Ms. Ghada Al Jarbou

Current position

- Chief Operating Officer

Former position

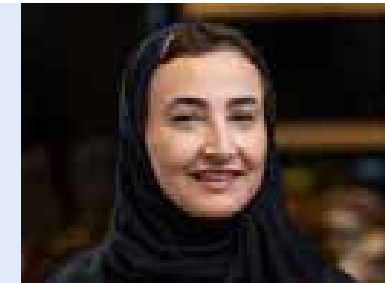
- General Manager of Global Liquidity and Cash Management, SABB Bank

Qualifications

- Master of Business Administration (MBA) from University of Bath
- Bachelor's Degree in Computer Science from Kind Saud University

Experience

- Over 22 years of experience in banking. Joined SABB in 1998 and worked in different departments; IT, HR, Retail Banking, and Corporate Banking



Ms. Faten Abalkhail

Current position

- Company Secretary

Former position

- Integration Management Office / Head of Planning & Control, Strategy Department & Finance Department, Alawwal Bank

Qualifications

- Bachelor's Degree in Home Economics and Nutrition
- Diploma in Computer Sciences / Programming & Information Systems

Experience

- Over 21 years of banking experience with in-depth knowledge in planning, governance of strategic initiatives, execution and process. Held various posts in Business, Operations and Control functions including; Treasury, Retail, Strategy and Finance groups



Mr. Musaifer Alosaimi

Current position

- Chief Information Officer

Former position

- Head of information Technology Development, SABB Bank

Qualifications

- Diploma In Computer Engineering

Experience

- Over 26 years of experience in the fields of Banking and Technology. Started his career with Saudi Arabian Monitoring Authority and was there for more than 10 years. In 2005, he joined SABB and progressed through different roles in the Information Technology department

CHANGES TO THE BOARD DURING 2020

Appointment, retirement and re-election of Directors

Appointments to the Board are made on merit and a rigorous selection process is followed in order to appoint a Director. The process also ensures that SABB maintains diversity across its Board.

Non-Executive Directors are appointed for an initial 3-year term and may be reappointed for new terms.

The Ordinary General Assembly meeting on 18 December 2019 approved election of the Board of Directors for a term of 3 years, started from 1 January 2020 until 31 December 2022.

Board meetings

During 2020, the Board held 10 meetings. The following table shows details of those meetings and the respected attendance.

	Meeting dates									
	02 Apr 2020	22 Apr 2020	11 Jun 2020	14 Jul 2020	16 Jul 2020	16 Jul 2020	13 Aug 2020	21 Sep 2020	10 Dec 2020	16 Dec 2020
Ms. Lubna S. Olayan	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Saad A. Al Fadly	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Eng. Mohammed Omran Al Omran	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ms. Maria Ramos ¹	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Martin E. Powell	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Stuart Gulliver	✓	✓	✓	-	✓	✓	✓	✓	✓	✓
Eng. Khalid A. Al Molhem	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Ahmed F. Al Aulaqi	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Stephen Moss	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Samir Assaf	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. David Dew	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

1. Ms. Maria Ramos resigned from her position and the effective date was 31 December 2020

BOARD SUB-COMMITTEES

The Board has established 4 sub-committees:

- Executive Committee ('EXCOM')
- Audit Committee ('AUCOM')
- Nomination and Remuneration Committee ('NRC')
- Board Risk Committee ('BRC')

The Bank's approach with the construct of its Board sub-committees is in line with all regulatory requirements issued by the various supervisory authorities, the Bank's by-laws and governance documents.

The Chair of each sub-committee will report matters of significance to the Board and minutes of all meetings are shared with all Board members.

Detailed roles and responsibilities for each committee are produced.

Terms of reference

During the past few years, the Bank has prepared the terms of reference of all Board sub-committees in line with the principles of governance, membership criteria, Banking Control law, corporate governance rules and the Companies - Law. SABB's Board has endorsed the terms of reference of all Board sub-committees, while the meeting of the General Assembly has approved terms of reference of the Audit Committee ('AUCOM') and the Nomination and Remuneration Committee ('NRC') as per regulatory directives.

As per their terms of reference, all the Board sub-committees must review their performance, status and terms of reference on an annual basis to ensure that the Committee is operating effectively including compliance with regulatory requirements, and to recommend any changes deemed appropriate for the Board's approval, and subsequently, the General Assembly Meeting's approval, where applicable.

Assessment of the effectiveness of the Board, Directors and Board Sub-Committees

In line with the regulatory requirements of the Governance Principles and Corporate Governance Rules and SABB Corporate Governance Document, SABB Board of Directors annually conducts a self-assessment of its performance as well as of the performance of its members and sub-committees.

BOARD

SUB-COMMITTEES (continued)

Board and sub-committee attendance during 2020

	Independent	Board	EXCOM	AUCOM	NRC	BRC
Number of meetings held		10	10	8	4	6
Chair						
Ms. Lubna S. Olayan	-	10/10	10/10	-	-	-
Vice-Chair						
Mr. Saad A. Al Fadly	-	10/10	-	-	4/4	-
Executive Director						
Mr. David Dew	-	10/10	10/10	-	-	-
Non-Executive Directors						
Eng. Khalid A. Al Molhelm	-	10/10	10/10	-	-	-
Mr. Ahmed F. Al Aulaqi	✓	10/10	10/10	-	4/4	-
Ms. Maria Ramos ¹	✓	10/10	-	-	4/4	-
Mr. Martin E. Powell ²	✓	10/10	-	8/8	-	5/6
Eng. Mohammed Omran Al Omran	-	10/10	9/10	-	-	-
Mr. Stephen Moss	-	10/10	-	-	-	5/6
Mr. Samir Assaf	-	10/10	-	-	4/4	-
Mr. Stuart Gulliver ³	✓	10/10	-	6/8	-	6/6
Other Board sub-committee members						
Mr. Andrew Jackson ³	-	-	-	6/8	-	-
Mr. Khalid S. Al Subayel ²	-	-	-	8/8	-	-
Mr. Saad Saleh Al Sabti ²	-	-	-	8/8	-	-
Mr. Abdulhameed Almuheidib	-	-	-	-	-	6/6
Ms. Christine Lynch	-	-	-	-	-	6/6

1. Ms. Maria Ramos resigned from her position during 2020 with an effective date of 31 December 2020
2. Mr. Khalid S. Al Subayel, Mr. Saad Saleh Al Sabti and Mr. Martin E. Powell were appointed to AUCOM on 28 January 2020
3. Mr. Stuart Gulliver and Mr. Andrew Jackson were appointed to AUCOM on 22 April 2020

Executive Committee ('EXCOM')

Members

- Mr. David Dew (Chair– Executive Director)
- Ms. Lubna S. Olayan (Non-Executive Chair)
- Eng. Khalid A. Al Molhelm (Non-Executive Director)
- Mr. Mohammed O. Al Omran (Non-Executive Director)
- Mr. Ahmed F. Al Aulaqi (Independent Director)

Roles and responsibilities

The principal objective of the committee is to assist the MGD, within the scope determined by the Board to deal with matters referred by the MGD or by the Board. In addition, EXCOM reviews and considers all monthly reports submitted by different functional heads and business segments of the Bank, and meets at least 6 times during the year.

In line with the corporate governance requirements and best practice, the terms of reference of the Committee were revised and approved by the Board on 15 December 2016.

The committee consists of 3 to 5 members with MGD as the Chair and at least 2 of the other members selected from the Board.

In 2020, the Committee held 10 meetings. The table below shows details of those meetings and the record of attendance of members during the year.

EXCOM meetings during 2020					
	Mr. David Dew	Ms. Lubna Olayan	Eng. Khalid Al Molhelm	Mr. Mohammed Al Omran	Mr. Ahmed Al Aulaqi
28-Jan	✓	✓	✓	✓	✓
25-Feb	✓	✓	✓	✓	✓
24-Mar	✓	✓	✓	-	✓
21-Apr	✓	✓	✓	✓	✓
23-Jun	✓	✓	✓	✓	✓
14-Jul	✓	✓	✓	✓	✓
20-Sep	✓	✓	✓	✓	✓
29-Oct	✓	✓	✓	✓	✓
25-Nov	✓	✓	✓	✓	✓
13-Dec	✓	✓	✓	✓	✓

Audit Committee ('AUCOM')

Members

- Mr. Martin E. Powell (Chair - Independent Director)
- Mr. Stuart Gulliver (Independent Director)
- Mr. Andrew Jackson (Non-Board member)
- Mr. Saad Saleh Al Sabti (Non-Board member)
- Mr. Khalid S. Al Sebayel (Non-Board member)

Roles and responsibilities

The AUCOM monitors the Bank's internal audit function, supervises external auditors, reviews control weaknesses and system deficiencies, supervises the Compliance Function and monitors its effectiveness. It is also responsible for the review of interim and annual financial statements including compliance with accounting policies, and provides the Board with its comments and feedback. The Committee reviews all audit reports and provides its recommendations and actions. AUCOM also makes recommendations to the Board on the appointment of the Bank's auditors and their respective fees, the review of the audit plan, follow-up on the auditors' work and the review of the auditors' comments, whilst also approving any work beyond normal audit business. The Chief Internal Auditor reports to AUCOM.

On 28 January 2020 the Ordinary General Assembly of the Bank convened and approved the formation of the Audit Committee (AUCOM) for a term of 3 years which commenced on 28 January 2020 to 31 December 2022, and the shareholders approved the appointment of Mr. Martin Powell as Chair, Mr. Saad Al Sabti and Mr. Khalid Al Sebayel as Audit Committee members starting from 28 January 2020. The General Assembly of the Bank convened on 22 April 2020 and appointed Mr. Stuart Gulliver and Mr. Andrew Jackson as additional members of the Audit Committee starting from 22 April 2020 until the end of the current committee term, being 31 December 2022.

In line with the Bank's plan to comply with corporate governance requirements, the terms of reference of the Committee were revised and approved by the AGM on 28 March 2018.

BOARD

SUB-COMMITTEES (continued)

AUCOM meets at least 4 times a year and in 2020, held 8 meetings. The following table shows details of those meetings and the record of attendance of members during the year.

AUCOM meetings during 2020					
	Mr. Martin Powell ¹	Mr. Stuart Gulliver ²	Mr. Andrew Jackson ²	Mr. Saad Al Sabti ¹	Mr. Khalid Al Sebayel ¹
23-Feb	✓	-	-	✓	✓
19-Apr	✓	-	-	✓	✓
15-Jul	✓	✓	✓	✓	✓
17-Aug	✓	✓	✓	✓	✓
19-Aug	✓	✓	✓	✓	✓
22-Sep	✓	✓	✓	✓	✓
27-Oct	✓	✓	✓	✓	✓
15-Dec	✓	✓	✓	✓	✓

1. The noted members were appointed to the Audit Committee from 28 January 2020

2. The noted members were appointed to the Audit Committee from 22 April 2020

Nomination and Remuneration Committee ('NRC')

Members

- Ms. Maria Ramos (Chair - Independent Director) resigned during 2020 with an effective date of 31 December 2020
- Mr. Saad Al Fadly (Non-Executive Vice Chair)
- Mr. Samir Assaf (Non-Executive Director)
- Mr. Ahmed Al Aulaqi (Independent Director)

Roles and responsibilities

The NRC recommends the nominations for Board membership in line with SABB Board membership policies and criteria and, annually reviews the skills and capabilities required of those suitable for Board membership, including the time needed by a Board member for Board business. The sub-committee also evaluates the effectiveness of the members, sub-committees and the Board holistically and reviews the structure of the Board. An equally critical element of responsibility is to ensure the independence of those members that are considered independent and evaluate potential conflicts of interest that might arise. It also reviews the scope and limits of SABB's governance in addition to drawing-up and approving the compensation and remuneration policies and schemes.

In line with the corporate governance requirements and best practice, the terms of reference of the Committee were revised and approved by the AGM on 22 April 2020.

NRC meets at least twice a year and in 2020, the committee held 4 meetings. The following table shows details of those meetings and the record of attendance of members during the year.

NRC meetings during 2020				
	Ms. Maria Ramos ¹	Mr. Saad Al Fadly	Mr. Samir Assaf	Mr. Ahmed Al Aulaqi
27-Mar	✓	✓	✓	✓
21-Apr	✓	✓	✓	✓
16-Sep	✓	✓	✓	✓
16-Dec	✓	✓	✓	✓

1. Ms. Maria Ramos resigned from her position during 2020 with an effective date of 31 December 2020

Board Risk Committee ('BRC')

Members

- Mr. Stuart Gulliver (Chair)
- Mr. Martin Powell (Independent Director)
- Mr. Stephen Moss (Non-Executive Director)
- Ms. Christine Lynch (Non-Board member)
- Mr. Abdulhameed Almuhaideb (Non-Board member)

Roles and responsibilities

The BRC has the responsibility for the oversight of enterprise risk management, risk governance and internal control systems. It provides advice to the Board on all key and emerging risks to the Bank and sets the risk appetite and risk strategy.

In line with the corporate governance requirements and best practice, the terms of reference of the Committee were revised and approved by the Board on 01 April 2019.

The Committee consists of 3 to 5 Non-Executive Directors or non-Director members and reports directly to the Board. It meets at least 4 times a year.

In 2020, the Committee held 6 meetings. The following table shows details of those meetings and the record of attendance of members during the year.

BRC meetings during 2020					
	Mr. Stuart Gulliver	Mr. Martin Powell	Ms. Christine Lynch	Mr. Stephen Moss	Mr. Abdulhameed Almuhaideb
23-Feb	✓	✓	✓	✓	✓
2-Jun	✓	✓	✓	✓	✓
15-Jul	✓	✓	✓	✓	✓
22-Sep	✓	✓	✓	✓	✓
9-Dec	✓	✓	-	-	✓
15-Dec	✓	-	✓	✓	✓

BOARD

SUB-COMMITTEES (continued)

Profile of Board sub-committee members (non-Director members)

<p>Mr. Khalid Saleh Al Subayel AUCOM member</p> <p>Current position</p> <ul style="list-style-type: none">NAS Holding - Audit Committee MemberNational Housing Company – Audit and Risk Committee member <p>Former position</p> <ul style="list-style-type: none">Saudi Central Bank Director of the Banking Inspection DepartmentThe Mediterranean & Gulf Insurance & Reinsurance - Audit Committee Member <p>Qualifications</p> <ul style="list-style-type: none">Bachelor’s Degree in Literature from King Saud University in KSAMaster’s Degree in Accounting from University of Illinois at US, ChicagoBanking Diploma from IPA, KSAProfessional certificates CPA <p>Experience</p> <ul style="list-style-type: none">26 years of experience in a number of leadership positions in the Saudi Central Bank (SAMA)	<p>Mr. Saad Saleh Al Sabti AUCOM member</p> <p>Current position</p> <ul style="list-style-type: none">Protiviti – Executive PartnerMember of Shura CouncilPartner in Alsabti ecovis companyBoard and Audit Committee member in Riyadh SchoolBoard and Audit Committee member in Riyadh Chamber of Commerce and Industry <p>Former position</p> <ul style="list-style-type: none">Al Sabti & Bannaga – RSM Managing PartnerAl Faisaliah Group – Chief Internal AuditorSaudi Venture Capital - Audit Committee Member <p>Qualifications</p> <ul style="list-style-type: none">Bachelor’s Degree in Accounting from King Saud University in KSAMaster’s Degree in Accounting from Welch University, USAProfessional certificates including CPA, IIA, and SOCPA <p>Experience</p> <ul style="list-style-type: none">Experience in the financial and accounting sector, especially in the internal audit field at SAMA’s SADAD Payment System	<p>Mr. Andrew Jackson AUCOM member</p> <p>Current position</p> <ul style="list-style-type: none">Chief Executive Officer of Jackson Consultants Ltd <p>Former position</p> <ul style="list-style-type: none">KPMG Gulf Holdings (Saudi Arabia, Kuwait, Jordan) - CEOKPMG ELLP (Europe) - member of the Executive Committee and Remuneration CommitteeKPMG East Africa – Executive Committee (the highest body of the firm) and Chairman of the Governance Committee <p>Qualifications</p> <ul style="list-style-type: none">Bachelor’s Degree in Computer Science and Accountancy from Manchester University, UK <p>Experience</p> <ul style="list-style-type: none">Specialised in emerging markets, and has worked in over 40 different countries	<p>Ms. Christine Lynch BRC Member</p> <p>Current position</p> <p>Board member of:</p> <ul style="list-style-type: none">HSBC Bank Oman SAOG <p>Former position</p> <ul style="list-style-type: none">HSBC Trust Company AGFondation de prevoyance des entites suisses du Groupe HSBC <p>Qualifications</p> <ul style="list-style-type: none">BA in Modern Languages & European Studies from University of Bath, UKBachelor of Science in Financial Services from University of Manchester Institute of Science & Technology, UK <p>Experience</p> <ul style="list-style-type: none">Experience of over 20 years in leading positions in the Risk Management sector	<p>Mr. Abdulhameed Almuheidib BRC Member</p> <p>Current position</p> <ul style="list-style-type: none">Executive Managing Director Noor Energy (UAE)Foremost developer of privately owned power and water project (Saudi Arabia and United Arab of Emiratis)Board member in HSBC Saudi Arabia (Saudi Arabia) <p>Former position</p> <ul style="list-style-type: none">Shuaa Energy 1 PSC – Board MemberFirst National Operation & Maintenance Co. (NOMAC)ShuqaiqArabian Water & Electricity Company – Internal Audit Committee ChairmanInternational Bowarege Co. for Water Desalination Ltd – Board Member <p>Qualifications</p> <ul style="list-style-type: none">BBA Major in Finance from the University of Miami, USAMaster of Business Administration (MBA), Pepperdine University Graziadio School of Business and Management from Malibu, California, USA <p>Experience</p> <ul style="list-style-type: none">Business leader with over a decade of progressive experience in projects and corporate management across different business sectors
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RISK GOVERNANCE

SABB has a consistently strong risk culture across the organisation, which is embedded throughout business units, enablement and control functions. Ultimate accountability belongs to the Board which exercises active governance through its Board sub-committees. Clear communication, guidance and online risk training is provided to all employees. The Bank operates to the principle that all staff are responsible for identifying and managing risk within the scope of their role, whilst providing effective oversight by control functions and internal audit, as defined by the three lines of defense model. Adherence to risk management is a key performance indicator applied in the performance management of all Executive Management and staff across the organisations. A strict policy of consequence management is applied where failures occur.

A well-established risk governance and ownership structure ensures oversight of, and accountability for, the effective management of risk. The Board approves the Bank’s risk framework, plans and performance targets, which include the establishment of management-level risk governance committees, bank-wide and business risk appetite statements, the delegation of authorities for acceptance of credit and other risks and the establishment of effective control procedures.

Three lines of defence

1st line of defence	The first line consists of risk and control owners. Risk owners are responsible for the end to end management of risks that they own. They are supported by control owners who are responsible for carrying out control activities with the object of ensuring risks are managed within policy and appetite. Typically, this applies to all units of the Bank with the exception of Internal Audit.
2nd line of defence	The second line of defence is comprised of the Bank’s operational risk management function and risk stewards within the Bank’s Risk Management, Finance, Compliance, Legal and other functions that own policy and provide guidance and oversight to ensure proper management of the risks that they steward.
3rd line of defence	The third line of defence consists of an independent internal audit function which provides assurance with regard to the design and implementation of the Bank’s controls and risk management practices. The Internal Audit function reports directly to the Board’s Audit Committee.

The Risk Management Committee (‘RMC’) and the Asset and Liability Committee (‘ALCO’) are two critical risk governance committees that support the BRC in setting the Bank’s overall risk appetite and managing the Bank’s activities within it. The RMC review risk appetite, emerging risks and risk policy and is chaired by the Chief Risk Officer. ALCO reviews the risks associated with the Bank’s balance sheet including asset and liability management, and liquidity and funding. Both RMC and ALCO meet at least 10 times a year and the BRC and EXCOM respectively provides oversight of these committees, reviewing key performance metrics against risk appetite statements, discussing emerging risk matters, and incorporating learnings from international best practice.

Enterprise-wide risk management tools

Risk appetite

SABB’s risk appetite is documented and defines our desired risk profile and tolerances within which risk should be managed. The risk appetite covers both risks which we actively accept and engage in as well as risks that are an inevitable function of doing business. Risks covered include, credit, market, operational, interest rate, liquidity and funding, and regulatory risks.

Risk appetite statements (‘RAS’) are deployed at the Bank level for all key risk categories and at the business level to document appropriate risk appetite and limits for major lines of business.

SABB’s risk appetite is reviewed and approved by the Board at least annually. The risk appetite is central to an integrated approach to risk, capital and business management and supports the Bank in achieving its strategy, as well as being a key element in meeting the Bank’s obligations under Pillar 2 of the Basel Accord.

Risk Map

SABB maintains a risk map, covering an assessment of current and anticipated levels of risk across all major financial and non-financial risk types. The risk map is reviewed by the Bank’s Risk Management Committee and any risk identified as being at an “amber” or “red” level is investigated further and actions to mitigate the elevated level of risk are determined.

Stress testing

SABB’s stress testing programme is performed at an enterprise-wide level and focuses on the key risk types to which the Bank is exposed. Stress testing refers to various quantitative and qualitative techniques used to gauge the Bank’s vulnerability to exceptional but plausible events.

The Bank’s stress testing programme incorporates the guidelines set out by SAMA, the principles set out by the Basel Committee and is a key component of the Bank’s risk management approach.

A major objective of stress testing is to provide assurance that the Bank is adequately capitalised and sufficiently liquid to withstand a stress event and, in particular, would be able to restore its financial standing and operations to normal levels without undue reliance on external parties. Sensitivities that are identified during the stress testing process are followed up with management actions with the intention of mitigating their potential impact in the event of an actual stress event.

During the year the Bank has conducted multiple regulatory and internally initiated stress tests to evaluate potential outcomes of the COVID-19 pandemic on key economic indicators and consequently to the Bank’s risk profile. This stress testing informed management actions through the year. The Bank’s stress testing shows the Bank is adequately capitalised and sufficiently liquid to weather severe but plausible stress events.

Principal Risk types

Risk type	Definition and management
Credit risk	Credit Risk is the risk of loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations to the Bank. Credit Risk arises from the Bank’s direct lending operations, its issuance of guarantees, bonds and like instruments, trade finance activities and its investment and trading activities.
	The granting of credit to customers is a core business of the Bank and accounts for a major portion of the Bank’s balance sheet and profitability. The quality of the credit portfolio has a direct and important impact on the Bank’s performance and strength. The Bank maintains credit policies, manuals and procedures specify lending guidelines to manage credit risk across the Bank’s portfolios, within approved risk appetite.
	The Bank operates an independent credit risk function which provides high-level oversight and management of credit risk for SABB, aligned with SAMA Rules on Credit Risk Management in Banks. Its primary responsibilities include: independent risk assessment to ensure applications conform with SABB’s credit policy and local applicable regulations; guiding business segments on the Bank’s appetite for credit exposure to specified industry sectors, activities and banking products; and controlling exposures to sovereign entities, banks and other financial institutions.
Credit risk	Credit risk is monitored using a variety of credit risk management techniques such as assigning credit ratings, setting limits, monitoring credit exposures, limiting transactions with specific counterparties, continually assessing the creditworthiness of counterparties and through the appropriate structuring of transactions including the use of collateral Specific reviews engaging all these techniques were initiated, as the potential economic effects of the COVID-19 pandemic became apparent, to identify and mitigate unfolding risks.
	The Bank manages credit exposure relating to its treasury trading activities by entering into master netting agreements and collateral arrangements with counterparties in appropriate circumstances, and by limiting the duration of exposure. The Bank’s credit risk exposure through derivatives represents the potential cost of replacing the derivative contracts if counterparties fail to fulfill their obligations. To control the level of credit risk taken, management assesses counterparties using the same techniques as for lending activities.
Credit risk	Concentrations of credit risk arise when a number of obligors are engaged in similar business activities or have similar attributes that would cause their ability to meet contractual obligations to be similarly affected by a particular change in economic, political or other conditions. Concentration Risk can also arise from large exposures to a single borrower or group of related borrowers. Management seeks to manage concentration of Credit Risk through the diversification of lending activities and through the use of internal and regulatory limits and capital models.

RISK

GOVERNANCE (continued)

Risk type	Definition and management
Market risk	Market Risk is the risk that movements in market factors, including foreign exchange rates, special commission rates, credit spreads and equity prices, will reduce our income or the value of our portfolios. Exposure to market risk is separated into two portfolios:
	<ul style="list-style-type: none">Trading portfolios - comprise positions arising from market making and warehousing of customer-derived positions.Non-trading portfolios - comprise positions that primarily arise from the special commission rate management of our retail and commercial banking assets and liabilities and financial investments designated as 'Held to collect and sell' and 'Held to collect'.
	Market risk is monitored and measured using limits and metrics approved by the BRC. The exposure and limits are monitored by an independent risk function. SABB uses a range of control measures to manage market risk ranging from specific stop loss control limits, sensitivity analysis, stress testing and Value at risk (VaR).
Liquidity risk	Liquidity risk is the risk that SABB does not have sufficient financial resources to meet its obligations as they fall due or that it can only do so at an excessive cost. Liquidity risk arises from mismatches in the timing of cash flows. Funding risk is the risk that funding considered to be sustainable, and therefore used to fund assets, is not sustainable over time. Funding risk arises when illiquid asset positions cannot be funded at the expected terms and when required.
	To support adherence to the RAS on an ongoing basis, SABB has established a range of key monitoring metrics, including but not limited to the Liquidity Coverage Ratio and the Net Stable Funds Ratio. All metrics are closely monitored against RAS limits in the ALCO and RMC and reported to the BRC.
	SABB conducts cash flow stress testing for liquidity and funding risk. The stress test takes into consideration a number of market wide and idiosyncratic scenarios and time periods, to assess the Bank's ability to continue to operate effectively in support of its customers throughout the stress period and beyond. The stress tests are conducted semi-annually.
	The Bank has established a mechanism for charging the cost of liquidity within the organisation to support the management of the balance sheet structure for liquidity and funding risk purposes.
	SABB maintains a Liquidity Contingency Funding Plan (CFP) to provide guidance for the senior management who constitute its Liquidity Crisis Management Team (LCMT) during a period of liquidity stress. The CFP establishes early warning monitoring metrics to forewarn management of an impending stress, sets out responsibilities, and describes the approach management may take during various stages of severity of a crisis. The CFP is updated and subject to scenario testing at least annually.

Risk type	Definition and management
Shariah risk	Shariah risk is the risk of financial loss, regulatory sanction and/or reputational damage to SABB as a result of either a failure to comply with the pronouncements, guidelines and resolutions issued by SABB's Shariah Committees in respect of the development, execution, delivery and marketing of Islamic Products, or of an opinion of the Shariah Committee being disputed by another body.
	Shariah rules are open to different interpretations; hence, there are potential risks that a SABB product can be interpreted as non-compliant by another Shariah body. To mitigate this, SABB has ensured that its Shariah Committee members are of high standing. Further, SABB has a dedicated Shariah Affairs team specialising in advisory, risk management and review training and awareness seminars are undertaken on Islamic banking principles, product and specific processing requirements. Finally, SABB has a Technology platform that facilitates compliance with Shariah requirements to further reduce the risk of operational error or oversight.
	Shariah risk is identified as a distinct risk in the Bank's risk heat map, both at business and the dedicated Islamic Financial level. Status is monitored through the appropriate governance committees.
	The Head of Islamic Financial Services reports directly to the Chief Risk Officer to oversee the development and independent control of Shariah products and services. IFS maintains a strong interaction with the Shariah Committee with respect to all Shariah related affairs which impact business and risk management. The Shariah Committee reports directly to the Bank's Board.
Operational risk	Operational risk is the risk to achieving the Bank's strategy or objectives as a result of inadequate or failed internal processes, people and systems, or from external events.
	The Risk Appetite for Operational Risk is established annually and approved by the Board. This is reviewed at the Operational Risk Committee and the RMC with quarterly updates to the BRC.
	In order to ensure continuous assessment of adequacy of control over operational risks, risk and control assessments are made and the controls identified are tested periodically by Control Owners and Business Risk Control Managers. Issues identified are entered in the Risk Repository System and the resolution of issues is monitored and followed up by management and the status communicated to and monitored by governance committees.
	In addition, issues identified in other reviews including those conducted by internal audit, external audit and regulatory authorities are also communicated and followed up by the governance committees.
	Amongst a number of types of operational risk, the protection of the Bank's technology infrastructure and our customers' data is a key focus as more and more banking is digitalised.
	As part of its core business processes, SABB handles various types of customer information and data relating to its customers. Handling of information and data includes its storage, processing and transmission. The Bank has established an Information Security Risk unit reporting to the Chief Risk Officer. This unit provides assurance that the Bank's network is secure and is in compliance with Information Security Policies by undertaking monitoring of information flows, data risk management and access management over SABB's core systems.
	Cybersecurity risk is the probability of exposure or loss resulting from a cyber-attack or data breach on SABB. We continue to strengthen our cyber-control framework and improve our resilience and cybersecurity capabilities, including threat detection and analysis, access control, payment systems controls, data protection, network controls and back-up and recovery. Cyber risk is a priority area for the Bank and is routinely reported at both the RMC and BRC to ensure appropriate visibility, governance and executive support for our ongoing cybersecurity programme.
	As a result of measures taken to contain the COVID-19 pandemic, the Bank moved to remote working arrangements at an unprecedented scale and with unprecedented speed in the first half. The bank took measures to mitigate the inevitable operational risks arising from this change in working practices and operational risks have been managed to an acceptable level during the year.

RISK

GOVERNANCE (continued)

Risk type	Definition and management
Reputational risk	Reputational risk relates to stakeholders’ perceptions, whether based on fact or otherwise. As stakeholders’ expectations are constantly changing, reputational risk is dynamic. Therefore, SABB’s approach to reputational risk management must be upheld at all times and across all businesses and functions. SABB has built a strong image and reputation within the Saudi market, and maintains an unwavering commitment to operate, and be seen to be operating, to the highest standards set for itself.
	The reputation of SABB is critical to its success. Any financial services organisation stands or falls by its reputation and the customers’ confidence in it, and the reputation can be severely damaged by non-compliance with relevant regulations or by inappropriate actions or comments to the media or in the public domain. The maintenance of customer confidence is a prime objective of management and can be achieved through a strong and healthy financial position and by exhibiting successful risk management.
	SABB has zero tolerance for knowingly engaging in any business or activity where foreseeable reputational risk and/or damage has not been considered and/or mitigated. SABB tolerates a limited degree of reputational risk arising from activities where the risk has been carefully considered and/or mitigated and determined to fall below the risk threshold.
Regulatory Compliance and Financial Crime Compliance (‘FCC’) Risks	Compliance Risk is the risk leading to statutory, legal sanctions, material financial loss, or damage to the reputation of SABB that may be suffered as a result of failure to comply with all applicable laws, rules and regulations. The aim of compliance is to protect the reputation and credibility of SABB and protect the interest of shareholders and depositors, and safeguard the institution against legal and regulatory consequences.
	Compliance is a specialised activity with a great degree of complexity managing the risks of financial crime and regulatory compliance capturing sanctions, money laundering, terrorist financing, fraud, and anti-bribery and corruption. SABB has continued to make significant investments in people and compliance infrastructure including monitoring systems, internal reporting tools and training in order to better control the compliance risks across the organisation.
	All identified risks and breaches to local regulations are reported to the management and Board committees along with corrective actions.

INTERNAL

CONTROLS

The ultimate responsibility for the system of internal controls resides with the Board. SABB’s Internal Control System is designed to manage the risk of failure to achieve the Bank’s strategic objectives. SABB’s management have established and maintain an adequate and effective framework of internal control in support of the policies approved by the Board. The Internal Control System ensures quality of external and internal reporting, maintenance of proper records, design and operational effectiveness of processes, compliance with applicable laws and regulations, and internal policies with respect to the conduct of business.

Regulatory compliance

The Internal Control System is compliant with the Guidelines on Internal Controls issued by SAMA. This includes ensuring there is an ongoing process for the identification, evaluation and management of significant risks faced by the Bank. Observations made by external and internal auditors, and SAMA’s inspection team are promptly reviewed and addressed by management and subject to oversight by the Board and its Audit Committee. SABB’s assessment is that the Internal Control System in place provides reasonable assurance as to the integrity and reliability of the controls established and the management information produced.

AUCOM assessment of the adequacy of the Bank’s internal control system

During 2020, AUCOM reviewed various reports on the adequacy of internal controls and systems including the financial statements and risk reports. AUCOM reviews the minutes of the various management committees, for example, Risk Management Committee, and Compliance Committee. The AUCOM discussions and decisions are documented in the meetings’ minutes and matters requiring attention are escalated to the Board.

During this year, the AUCOM members met with the Chief Internal Auditor, Chief Operations Officer, Chief Risk Officer, Chief Compliance Officer, Chief Finance Officer, and External Auditors; and have obtained updates on matters that require AUCOM’s attention. AUCOM also received internal audit reports, regulatory reports and external auditors’ management letters issued during the year and reviewed the management action plans for the issues raised.

AUCOM also reviewed the effectiveness of the system of internal control and procedures for compliance with SABB’s internal policies, relevant regulatory and legal requirements in the Kingdom of Saudi Arabia and whether management has fulfilled its duty in having an effective internal control system, seeking independent assurance from internal audit to assess the adequacy and effectiveness of such internal controls.

AUCOM assures the Board and shareholders that to the best of its knowledge and in all material aspects that SABB’s internal control system is adequately designed and operating effectively; and its recommendation pertaining to the appointment, dismissal, assessment or determining the remuneration of the external auditors or appointing Chief Internal Auditor were adopted by the Board.

Annual review of the effectiveness of internal control procedures

The Board is responsible for maintaining and reviewing the effectiveness of risk management. The framework of standards, policies and key procedures that the Directors have established is designed to provide effective internal control within SABB for managing risks within the accepted risk appetite of the Bank; for safeguarding assets against unauthorised use or disposal; for maintaining proper accounting records; and for the reliability and usefulness of financial information used within the business or for publication. Such procedures are designed to manage and mitigate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement, errors, losses or fraud. Such procedures for the ongoing identification, evaluation and management of the significant risks faced by SABB have been in place throughout the year.

SABB’s management is responsible for implementing and reviewing the effectiveness of the Bank’s internal control framework as approved by the Board. All employees are responsible for identifying and managing risk within the scope of their role as part of the Three Lines of Defense model, which is an activity-based model to delineate management accountabilities and responsibilities for risk management and the control environment. The second line of defence sets the policy and guidelines for managing specific risk areas, provides advice and guidance in relation to the risk, and challenges the first line of defence (the risk owners) on effective risk management.

INTERNAL CONTROLS (continued)

The Risk function, under the Chief Risk Officer, is responsible for maintaining oversight of the management of various risks across the Bank. The Compliance function maintains oversight of business operations and management action to ensure conformity with regulatory requirements. The risk management process is fully integrated with strategic planning, the annual operating plan and the capital planning cycle. Results are communicated for the information of the directors by means of periodic reports provided to the AUCOM and BRC members.

Summary of key internal controls

Control	Description
SABB standards	SABB has established clear standards that should be met by employees, departments and the Bank as a whole. Functional, operating and financial reporting standards are established for application across the whole of SABB.
Policies & Procedure framework	SABB has a strong policies and procedures framework governed by the “Procedures of SABB Manuals.” SABB Standards Manuals set out the core principles within which SABB must operate. Functional Instructions Manuals (FIMs) articulate the key policies related to all major activities of the Bank besides standalone policies on the key regulations. All policies are approved by the Board and are subject to periodic review to ensure they adequately cover the Bank and its operating environment including alignment with regulation and the international best practices.
Delegation of authority within limits set by the Board	Authority to carry out various activities and responsibilities for financial performance against plan are delegated to SABB management within limits set by the Board. Delegation of authority from the Board to individuals requires those individuals to maintain a clear and appropriate apportionment of significant responsibilities and to oversee the establishment and maintenance of a system of controls appropriate to the business. Authorities to enter into credit and market risk exposures are delegated with limits to line management. Outside of these limits, including for credit proposals with specified higher risk characteristics, the concurrence of the Executive Committee is required. Credit and market risks are measured and aggregated for review and management of risk concentrations. The appointment of executives to the most senior positions within SABB requires the approval of the Board and concurrence from SAMA.
Risk identifica- tion and monitoring	Systems and procedures are in place in SABB to identify, monitor, control and report on the major risks including credit, market, liquidity, capital, financial management, model, reputational, strategic, sustainability, compliance, other operational risks and any emerging risks. Exposure to these risks is monitored by various management Governance Committees. These include: the Asset and Liability Committee, the Risk Management Committee, the Compliance Committee, the Fraud High Committee, the IT Steering Committee, the Customer Experience Steering Committee, the Audit Tracker Committee and their various sub-committees.
Governance Committees	The effectiveness, membership and terms of reference are reviewed annually and minutes of meetings are submitted to the Board sub-committees, and through these sub-committees to the Board.
Risk & Control Assessment (‘RCA’)	All significant operational risks, together with the associated controls are identified through a RCA process conducted by risk owners with input from subject matter experts in the second line of defence. The design and operating effectiveness of controls is tested at several levels including by dedicated Business Risk & Control Managers (within the first line of defence), the relevant risk stewards (second line of defence) and by Internal Audit (the third line of defence) to provide reasonable assurance to the management about the adequacy of the controls.
Financial reporting	SABB’s financial reporting process for preparing the consolidated Annual Report and Accounts 2020 is controlled using documented accounting policies and reporting formats. The submission of financial information is subject to certification by the Chief Financial Officer.

Control	Description
Changes in operations, market conditions and practices	Processes are in place to identify new risks arising from changes in market conditions and practices and customer behaviour. During 2020, attention was naturally focused on the merger with Alawwval Bank and the integration process. In addition, due to the COVID-19 pandemic the Bank operated under contingency plans, with staff working from home and the office – this was effective and enabled the Bank to continue to operate and serve customers effectively.
Merger with Alawwval Bank, governance of integration process	Preparation for the integration of SABB and Alawwval Bank entities commenced in October 2018 with the creation of a dedicated Integration Management Office (IMO) and 18 distinct business/functional work streams spanning the two organisations. Such work streams were jointly resourced and initially tasked with creating integration plans for actions prior to and at the legal completion date which occurred on 16 June 2019. Subsequently, plans for integration from the legal completion date were prepared to ensure that full integration takes place. An important milestone still to be achieved is the integration of all technology systems when all customers will have a common experience engaging with the merged bank. This is due to take place within 2 years of the legal completion date.
Annual operating plans	Integration risks exist in many forms, e.g., the disruption to normal operations as a consequence of conflicting priorities, execution risk in terms of changes to policy and process, technology risk in terms of system migration, information security risk in the form of data migration, etc. SABB manages these risks through a formal governance process which extends from the Board, through the Executive Management to dedicated working groups. For all critical work-streams, SABB has engaged experienced consultant firms to ensure delivery is of high quality, with best practices learnt from similar integrations. The Board and Management also get comfort from a quality assurance process at each key step. Constant monitoring, communication, and action-oriented responses to help ensure risks are well managed and in a timely manner. Recognising the importance of this objective and the need to ensure it is delivered to a high standard, the Board has allocated a dedicated budget for integration which is subject to ongoing monitoring. The realisation of economic synergies from the merger is a key component of the strategic rationale behind the merger decision. The Board has set synergy targets to Executive Management and the delivery to target is supported by an independent and experienced consultant firm.
Governance arrangements	Annual operating plans, informed by detailed analysis of risk appetite describing the types and quantum of risk that SABB is prepared to take in executing its strategy, are prepared at business and functional levels and set out the key business initiatives and the likely financial effects of those initiatives.
Internal Audit	Governance arrangements are in place to provide oversight of, and advice to the Board on, material risk related matters. These are effected through the Board sub-committees as well as management sub-committees which oversee the effectiveness of risk management and report to the Board sub-committees.
	Internal Audit (INA) represents the Third Line of Defence and monitors the effectiveness of the internal control framework across the whole of SABB focusing on the areas of greatest risk to the Bank as determined by a risk-based audit approach. INA accomplishes this by independently reviewing the design and operating effectiveness of internal control systems and policies established by first and second line functions to ensure that the Bank is operating within its stated risk appetite and in compliance with the regulatory framework. The Chief Internal Auditor (CIA) reports to AUCOM on all audit related matters. The SABB Internal Audit Activity Charter sets out the accountability, independence, responsibility and authority of the INA function, while the SABB Audit Instruction Manual (AIM) prescribes the standards and procedures adhered to by the INA function. Both documents are reviewed and approved by AUCOM, acting on behalf of the Board on an annual basis. Executive management is responsible for ensuring that Management Action Plans agreed by the INA function are implemented within an appropriate and agreed timetable. Confirmation to this effect must be provided to INA.
	During 2020, INA reviewed a number of activities and processes of SABB following a risk-based approach. Reports of these audits have been submitted to the AUCOM highlighting areas where the effectiveness of controls or management’s effectiveness in addressing control deficiencies was found to be less than satisfactory. On an overall basis, audits of the effectiveness of the internal control environment conducted during 2020 confirmed that systems and procedures for the ongoing identification, evaluation and management of significant risks faced by SABB were in place throughout the year. These procedures enabled SABB to discharge its obligations under the rules and regulations issued by SAMA and the standards established by the Board.

BOARD ASSURANCE

The Board assures shareholders and other interested parties that to the best of its knowledge and in all material aspects:

- Proper books of account have been maintained.
- The system of internal controls is sound in design and has been effectively implemented.
- It has no evidence that suggested the Bank is unable to continue as a going concern.

The Board has reached this view and is able to make this assurance based on its ongoing oversight of and involvement in the Bank’s control framework directly and through its sub-committees. The Board further mandates management to conduct an annual review of effectiveness of internal control procedure.

Related parties

Transactions with related parties and the information relating to any business or contract to which the Bank is a party and in which there were substantial interests for one of the Board Members, Managing Director, Chief Financial Officer or any person who has a relationship with them, are disclosed below and in note 36 of the 2020 audited consolidated financial statements.

No.	Related party	Name of the party with direct or indirect interest or major shareholding	(SAR)	Duration of the business	Nature of the business
1.	Al-Bustan Company Limited	Ms. Lubna S. Olayan (Chair)	1,594,393	Annual	Staff housing
2.	Schindler Olayan Elevator Company	Ms. Lubna S. Olayan (Chair)	126,776	Annual	Elevator maintenance
3.	Arabian Business Machines Company	Ms. Lubna S. Olayan (Chair)	1,253,446	Annual	X-Ray machine maintenance
4.	Saudi Xerox Agencies Company	Ms. Lubna S. Olayan (Chair)	4,884,498	Annual	Printer services and maintenance
5.	Olayan Real Estate Company	Ms. Lubna S. Olayan (Chair)	792,000	Annual	Branches site rental
6.	HSBC Saudi Arabia (HBSA SA)	Mr. David Dew Mr. Stephen Moss Mr. Samir Assaf	17,250,000	One Time	SAR 5B Local Sukuk programme
7.	Alawwal Invest	Eng. Khalid A. Al Molhem Mr. Bashar Al Qunaibit Ms. Maha M. Al Sudairi	271,827	Annual	Professional service
8.	SABB Takaful	Mr. Mohammad Al Shayea Mr. Bashar Al Quinabit Ms. Maha M. Al Sudairi Mr. Faris F. Al Shareef Mr. Yasir Al Barrak	9,719,135	Annual	Professional service
9.	SIMAH	Mr. Naif Alabdulkareem	6,048,320	Annual	Professional service

Note: The above contracts were entered into as business-as-usual activity, without any preferential conditions or benefits.

Arrangements for shareholders’ waiver of rights to dividends

The Bank is not aware of any information on any arrangements or agreements for the waiver by any shareholder of the Bank of any of their rights to dividends.

Notification relating to substantial shareholdings

During the year, the Bank did not receive any notification from shareholders or relevant persons with regard to the change in their ownership of the Bank’s shares in accordance with the disclosure requirements of the Listing Rules issued by the Capital Market Authority. Below are schedules of share ownership of major shareholders, Directors of the Board and Senior Executives or their spouses and minor children in shares or equity.

Description of any interest, option rights and subscription rights of major shareholders

Name of Stakeholder	No. of shares		Change	
	1 Jan 2020	31 Dec 2020	Shares	%
HSBC Holdings B.V	600,000,000	636,986,300	36,986,300	6.2
Olayan Saudi Investment Company Ltd.	374,936,698	418,026,857	43,090,159	11.5
General Organisation for Social Insurance (GOSI)	109,012,330	109,012,330	-	-

Rights of the shareholders

In line with the relevant regulations, and as a general rule, the Bank ensures that the shareholders have the ability to exercise their rights completely, including their right to give feedback about the Bank and its performance through General meetings and the Share Registry unit.

Bank requests for shareholders’ register

The Bank regularly requests information on the constituents of the shareholder base from the Tadawul Stock Exchange. The requests are detailed below:

	Date	Reason
1	01-Jan-20	Update of Shareholder Records
2	30-Jan-20	Update of Shareholder Records
3	27-Febr-20	Update of Shareholder Records
4	31-Mar-20	Update of Shareholder Records
5	22-Apr-20	AGM
6	26-Apr-20	Dividend Entitlement
7	30-Apr-20	Update of Shareholder Records
8	30-Jun-20	Update of Shareholder Records
9	30-Jul-20	Update of Shareholder Records
10	24-Aug-20	Update of Shareholder Records
11	31-Aug-20	Update of Shareholder Records
12	30-Sep-20	Update of Shareholder Records
13	29-Oct-20	Update of Shareholder Records
14	30-Nov-20	Update of Shareholder Records
15	03-Dec-20	Update of Shareholder Records
16	31-Dec-20	End Year Shareholder Records

BOARD

ASSURANCE (continued)

SABB complies in form and content with all corporate governance guidelines included in the Corporate Governance Regulations issued by the CMA with the exception of Article 95 (more details can be found below). This commitment has resulted in the inclusion of the compulsory requirements in the Bank’s bylaws and the Terms of Reference of Board Committees as well as in internal policies and guidelines. These include establishment of the rights of shareholders to purchase and own shares and to participate in General Meetings; the provision of all information that ensures shareholders can exercise their rights; the disclosure of financial and non-financial information and the complete observance of transparency requirements in line with the regulatory requirements; and the definition of the liabilities of the Board of Directors and formation of its various committees under Terms of Reference that are in line with the regulatory guidelines.

Article	Requirement	Reason for non-compliance by the Bank
95	Formation of a Corporate Governance Committee (Guiding Article)	The Nomination and Remuneration Committee, in line with its terms of reference, is entrusted with the periodical revisions to ensure consistency of the applications and structures of governance adopted by the Bank and to present their recommendations to the Board on such matters.

SABB GENERAL

MEETINGS

During 2020, SABB held two General meetings as follows:

Ordinary General meeting 28 January 2020 (Formation of Audit Committee)

In line with the regulatory guidelines, SABB held an Ordinary General Meeting on 28 January 2020 at SABB Head Office with the required quorum and attendance of 66.78 % of shareholders were present.

Ordinary General Meeting 22 April 2020 (Annual General Meeting)

In line with the regulatory guidelines, SABB held an Ordinary General Meeting on 22 April 2020 at SABB Head Office with the required quorum and attendance of 72.45% of shareholders.

The resolutions of all the meetings are publicly available on the Tadawul stock exchange website (www.tadawul.com.sa).

General meeting Board attendance

The following table shows the details of meetings and the attendance of directors during the year:

	28 Jan 2020	22 Apr 2020
Ms. Lubna S. Olayan	-	✓
Mr. Saad A. Al Fadly	✓	✓
Eng. Khalid A. Al Molhem	✓	✓
Mr. Mohammed O. Al Omran	-	✓
Mr. Ahmed F. Al Aulaqi	✓	✓
Ms. Maria Ramos	-	-
Mr. Martin E. Powell	-	-
Mr. David Dew	✓	✓
Mr. Samir Assaf	-	✓
Mr. Stephen Moss	-	-
Mr. Stuart Gulliver	-	-

DIRECTORS’ AND SENIOR EXECUTIVES’ INTERESTS

Directors’ interests (including relatives)

Name of Stakeholder	No. of shares		Change	
	1 Jan 2020	31 Dec 2020	Shares	%
Ms. Lubna S. Olayan	29,563	43,087	13,524	0.46
Eng. Khaled A. Al Molhem	53,119	53,119	-	-
Mr. Mohammed O. Al Omran	14,060,540	14,060,540	-	-
Mr. Saad A. Al Fadly	-	-	-	-
Mr. David Dew	-	-	-	-
Mr. Samir Assaf	-	-	-	-
Ms. Maria Ramos ¹	-	-	-	-
Mr. Ahmed F. Al Aulaqi	1,677	1,677	-	-
Mr. Martin E. Powell	-	-	-	-
Mr. Stephen Moss	-	-	-	-
Mr. Stuart Gulliver	-	-	-	-

1. Ms. Maria Ramos resigned from her position during 2020 with an effective date of 31 December 2020.

Senior executives’ interests (including relatives)

Name of Stakeholder	No. of shares		Change	
	1 Jan 2020	31 Dec 2020	Shares	%
Mr. David Dew	-	-	-	-
Mr. Mathew Pearce	-	-	-	-
Mr. Faten A. Abalkhail	4,440	-	(4,440)	-100.0
Mr. Majed Najm	124,236	124,236	-	-
Mr. Mohammed Al Shaikh	161,657	208,705	47,048	29.1
Mr. Naif Alabdulkareem ¹	90,349	157,354	67,005	74.2
Mr. Bashaar Y. Al Qunaibit ²	11,797	48,927	37,130	314.7

1. Mr. Naif Alabdulkareem resigned on 31 October 2020.
2. Mr. Bashaar Y. Al Qunaibit was appointed on 01 November 2020.

REMUNERATION

SABB policy to determine the compensation paid to members of the Board of Directors of the Bank or members from outside the Board is determined in accordance with the frameworks issued by the supervisory authorities and governed by prime principles of governance of banks operating in the Kingdom and the compensation regulations issued by SAMA including SAMA Circular that sets the maximum amount of remuneration and compensation and in-kind benefits paid to the Directors and the Board sub-committee members annually including attendance fees. Also, the Corporate Governance Regulation issued by the Capital Market Authority of Saudi Arabia (CMA) the provisions of the Companies Law, SABB’s bylaws; the SABB Corporate Governance Document and SABB’s Compensation Policy.

Directors’ fees for their membership of the Board and participation in the Banks’ operations, during 2020 amounted to SAR 4,131,011 including SAR 960,000 in attendance fees at Board meetings and Board sub-committees and special committees, namely: Executive Committee, Audit Committee, Nomination and Remuneration Committee, Board Risk Committee, Strategy Committee and Integration Committee respectively. The compensation is paid towards the end of the year.

During 2020, none of the Board or sub-committee members have assumed any work of technical or advisory role, and therefore they did not obtain any consideration or special benefits in this respect.

The table below shows details of remuneration paid to Board and sub-committee members and senior executives of the Bank during the year.

Remuneration

	Non-Executive Board members	Independent Board members	Senior executive appointments where SAMA ‘no objection’ is required
Salaries and remuneration	2,955	2,136	25,501
Allowances	-	-	11,587
Annual and periodic bonuses ¹	-	-	34,485
Incentive schemes	-	-	4,097
Other remuneration or benefits in kind paid monthly or annually ²	-	-	5,325

1. Includes both cash and deferred bonus
2. Includes end of service benefit for resigned senior executives, education benefit and accommodation

REMUNERATION (continued)

Top Five Senior Executive Remunerations (Including CEO⁴ and CFO)

	Senior Executives	Fixed remunerations					Variable remunerations						End-of-service award	Total remunerations for Board executives, if any ⁴	Aggregate
		Salaries	Allowances	In-kind benefits ²	Total		Periodic remunerations ¹	Profits	Short-term incentive plans	Long-term incentive plans ³	Granted shares (insert the value)	Total			Amount
1	Total (SAR'000s)	8,169	3,656	1,466	13,291		12,705	-	-	1,600	7,445	21,750	864	-	35,905

1. Includes both cash and deferred bonus
2. Includes end of service benefit for resigned Senior Executives, education benefit and accommodation rent
3. Long Term incentive Plans include the Talent Retention Schemes
4. The CEO is also an Executive Director

Committee remuneration

The following amounts are received by all Board sub-committee members

	Fixed remuneration	Allowance for attending Board meetings	Total
EXCOM members	200	195	395
AUCOM members	463	180	643
NRC members	200	80	280
BRC members	450	140	590
Special committee for Strategic plan	-	75	75
Special committee for Integration	-	95	95

REMUNERATION (continued)

Arrangements for directors’ or senior executives’ waiver of salaries or remuneration

The Bank is not aware of information on any arrangements or agreements for the waiver by any director of the Board or any senior executive of any salaries, awards or remuneration.

Staff benefits and schemes

An annual independent review of SABB’s compensation structure is conducted by an external consultant and submitted to the Nomination and Remuneration Committee and subsequently to SAMA along with management reports. This is in line with the guidance issued by SAMA and the Financial Stability Board.

According to the Labour Law of the Kingdom of Saudi Arabia and SABB’s internal policies, employee end of service benefits become due for payment at the end of an employee’s period of service. The end of service benefits outstanding at the end of 2020 amount to SAR 399 million.

SABB also operates three share based schemes for certain employees. These schemes reflect the number of committed shares for performance years 2017, 2018 and 2019 as of 31 December 2020 with a total market value of SAR 26.8 million.

Under the terms of these schemes, eligible employees of the Bank are offered shares at a predetermined price for a fixed period of time. At the vesting dates determined under the terms of the plan, the Bank delivers the underlying allotted shares to the employees, subject to the satisfactory completion of the vesting conditions. The cost of the plan is recognised over the period in which the service condition is fulfilled, ending on the date on which the relevant employees become fully entitled to the shares (‘the vesting date’). The cumulative expense recognised for these plans at each reporting date until the vesting date, reflects the extent to which the vesting period has expired and the Bank’s best estimate of the number of equity instruments that will ultimately vest.

Movement in the number of shares under the Share based equity settled bonus payment plans

	2020	2019
1 January	1,462,631	1,063,521
Addition through business combination	-	837,934
Forfeited	(294,099)	-
Exercised or expired	(819,241)	(796,850)
Granted during the year	736,532	358,026
31 December	1,085,823	1,462,631

The weighted average price of shares granted during the year was SAR 25.3 (2019: SAR 36.1)

Disclosure of details of the treasury stocks held by the Bank and details of uses of these stocks

No. of treasury stocks	Market value (SAR)	Date of holding	Detail of uses
1,850,154	45,735,807	31 Dec 2020	The Bank acquires its own shares in connection with the actual grant of shares to the key management in future. Until such time as the beneficial ownership of such shares in the Bank passes to the employees, the unallocated / non-vested shares are treated as treasury shares to be used to fund future employee long-term incentive plans.

LEGAL ENTITY STRUCTURE

Company name	Relationship	Ownership interest	Business activity	Share capital	Country of incorporation
SABB Insurance Agency	Subsidiary	100%	Insurance agency	SAR 500,000	Saudi Arabia
Arabian Real Estate Company Limited	Subsidiary	100%	Engaged in the purchase, sale and lease of land and real estate for investment purposes	SAR 1,000,000	Saudi Arabia
SABB Real Estate Company Limited ¹	Subsidiary	100%	Registration of real estate	SAR 500,000	Saudi Arabia
SABB Markets Limited	Subsidiary	100%	Engaged in derivatives trading and repo activities	USD 50,000	Cayman Island
SABB Takaful	Subsidiary	65%	Engaged in Shariah compliant insurance activities and to offer family and general Takaful products	SAR 340,000,000	Saudi Arabia
Alawwal Invest	Subsidiary	100%	Engaged in investment services and asset management activities	SAR 400,000,000	Saudi Arabia
Alawwal Real Estate Company	Subsidiary	100%	Registration of real estate assets under its name on behalf of SABB	SAR 500,000	Saudi Arabia
Alawwal Insurance Agency Company ¹	Subsidiary	100%	Insurance agency	SAR 500,000	Saudi Arabia
Alawwal Financial Markets Limited ¹	Subsidiary	100%	Engaged in derivatives trading and repo activities	USD 50,000	Cayman Island
Wataniya Insurance Company	Associate	20%	Engaged in Shariah compliant insurance activities and to offer family and general Takaful products	SAR 200,000,000	Saudi Arabia
HSBC Saudi Arabia	Associate	49%	Engaged in investment banking, advisory services and asset management activities	SAR 500,000,000	Saudi Arabia
Saudi Kayan Assets Leasing Company	Special purpose vehicle	50%	SABB has participated in the three structured entities for the purpose of effecting syndicated loan transactions in the Kingdom of Saudi Arabia and securing collateral rights over specific assets of the borrowers of those facilities under Islamic financing structures	SAR 500,000	Saudi Arabia
Rabigh Asset Leasing Company	Special purpose vehicle	50%		SAR 500,000	Saudi Arabia
Yanbu Asset Leasing Company	Special purpose vehicle	100%		SAR 500,000	Saudi Arabia
SIMAH	Associate	22%	Credit information industry	SAR 200,000,000	Saudi Arabia
Saudi Finance Lease Contract Registration Company (Sijil)	Associate	5%	Provide services and solutions for financial lease registrations.	SAR 38,392,850	Saudi Arabia
Saudi Financial Support Services Co. (SANID)	Associate	20%	Transfer of cash, precious metals and valuable documents, management and operation of cash centres, provision of payment services for PoS and smart and secure e-outlets, ATMs, CDMs, wholesale of banking and cash machinery and equipment, installation and maintenance of bank and cash equipment, provide financial and travelers cheque services, payment systems, financial settlements and related services	SAR 25,000,000	Saudi Arabia

Note: The Bank assures there is no debt securities in issue for any of these subsidiaries.
1. The Companies under process for closure.

APPOINTMENT OF EXTERNAL AUDITORS

The Extraordinary General Meeting of the Bank held on 22 April 2020, endorsed the selection of both KPMG Al Fozan & Partners and Ernst & Young as external auditors to audit the Bank's annual financial statements and review quarterly interim condensed financial statements for the year ended 31 December 2020, in line with recommendations of AUCOM.

Accounting standards

The consolidated financial statements have been prepared in accordance with the applicable accounting standards and other requirements as disclosed in the basis of preparation in note 1.1 of the 2020 audited consolidated financial statements.

DEBT SECURITIES IN ISSUE AND OTHER BORROWINGS

In line with the Bank's continued efforts to enhance its capital adequacy position, diversification of sources of funds and reducing its asset-liability maturity mismatch, the Bank has issued the following debt securities:

SAR 000	31 Dec 2020	31 Dec 2019	Change
5,000 million 10 year subordinated Sukuk - 2020	5,000,000	1,500,000	3,500,000

The Sukuk was issued by SABB on 22 July 2020 and matures in July 2030. This is a Basel III compliant issuance and SABB has an option to repay the Sukuk after 5 years, subject to prior approval of SAMA and terms and conditions of the agreement.

The Sukuk carries effective special commission income rate at 6M SAIBOR plus 195 bps payable semi-annually. The Sukuk is unsecured and is registered on the Tadawul Stock Exchange.

Syndicated loan

There are no outstanding Syndicated Loans and no new Syndicated Loans were issued during the year.

STATUTORY PAYMENTS

Statutory payments payable by the Bank during 2020 consist of Zakat payable by Saudi shareholders, tax payable by foreign partners, and the amounts payable to the General Organisation for Social Insurance (GOSI).

	SAR 000
Zakat attributable to the Saudi shareholders for the year 2020	126,952
Zakat paid to GAZT to settle Zakat claims pertaining to previous fiscal years and up to the fiscal year 2020	320,407
Income tax attributable to the shares of the non-Saudi shareholders for the year 2020	95,374
GOSI payments	150,082
Withholding tax	32,890
Other payments	20,914

PENALTIES

The table below includes penalties imposed by SAMA on SABB during 2020 and 2019:

Subject of violation	2020		2019	
	Number of penalties	Fine (SAR)	Number of penalties	Fine (SAR)
Violation of SAMA's supervisory instructions	19	1,858,000	16	520,500
Violation of SAMA's instructions for customer protection	3	10,890,400	2	15,000
Violation of SAMA's instructions regarding the level of performance of ATMs and POS	-	-	-	-
Violation of SAMA's instructions for due diligence in AML & CTF	-	-	1	135,000
Total	22	12,748,400	19	670,500

Various corrective and preventative measures have been taken with respect to changes in processes, policies and procedures to avoid such violations and ensure compliance with the SAMA regulations.

Penalties Imposed by Other Regulatory Authorities

Reason for penalty	Authority	Amount (SAR)	Measures undertaken to remedy and avoid the penalties imposed
Delay in GOSI payments	GOSI	441,251.96	Various corrective and preventative measures have been taken with respect to changes in processes, policies and procedures to avoid such violations and ensure compliance with GOSI requirements.
Delay in providing information to GAZT	GAZT	10,000.00	Various corrective and preventative measures have been taken with respect to changes in processes, policies and procedures to avoid such violations and ensure compliance with the pertinent regulations.
Non-compliance with municipality instructions	Different Municipalities	714,000.00	Various corrective and preventative measures have been taken with respect to changes in processes, policies and procedures to avoid such violations and ensure compliance with the pertinent regulations.
Total		1,165,251.96	