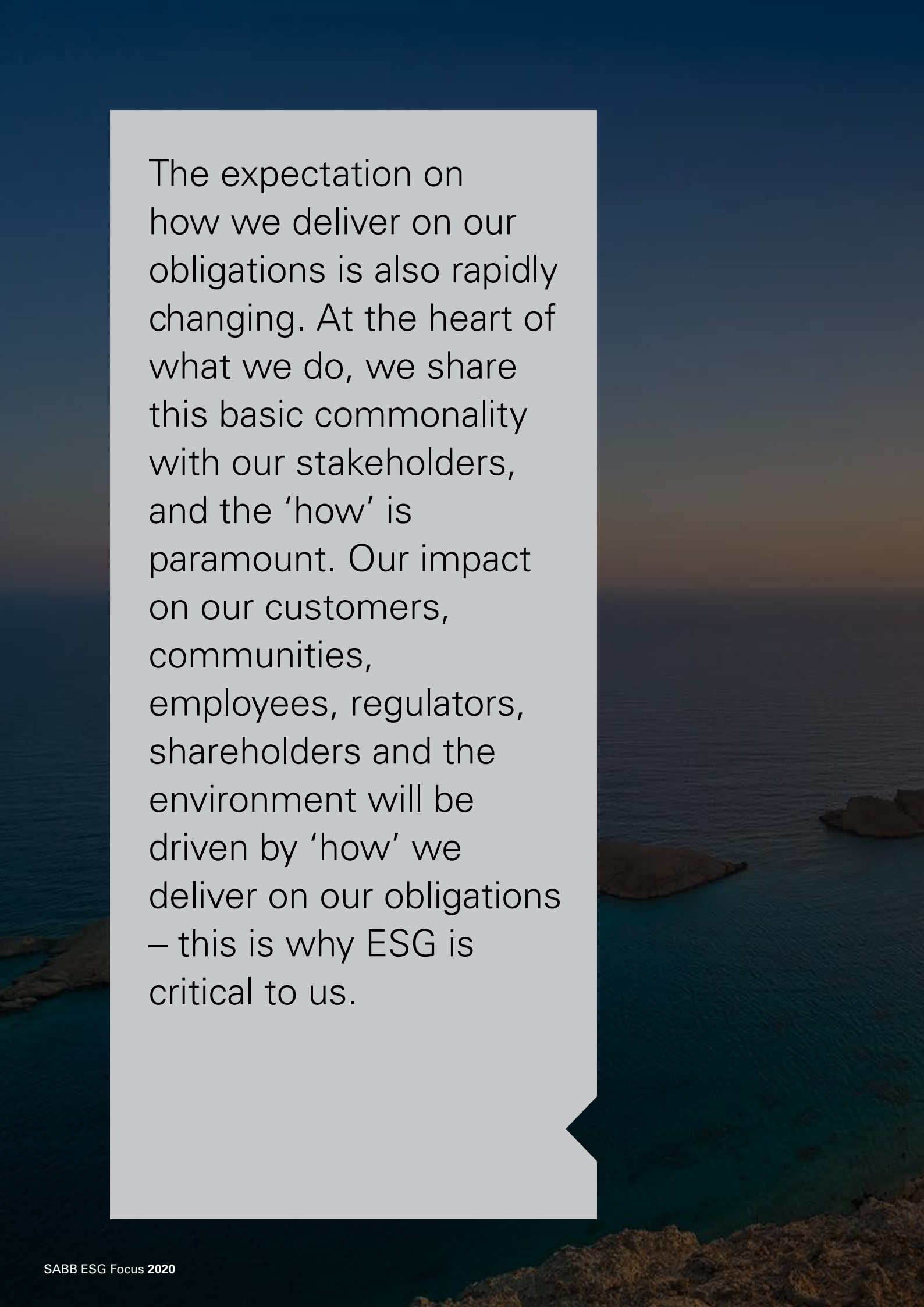




Environmental, Social and Governance Focus

December 2020



The expectation on how we deliver on our obligations is also rapidly changing. At the heart of what we do, we share this basic commonality with our stakeholders, and the 'how' is paramount. Our impact on our customers, communities, employees, regulators, shareholders and the environment will be driven by 'how' we deliver on our obligations – this is why ESG is critical to us.



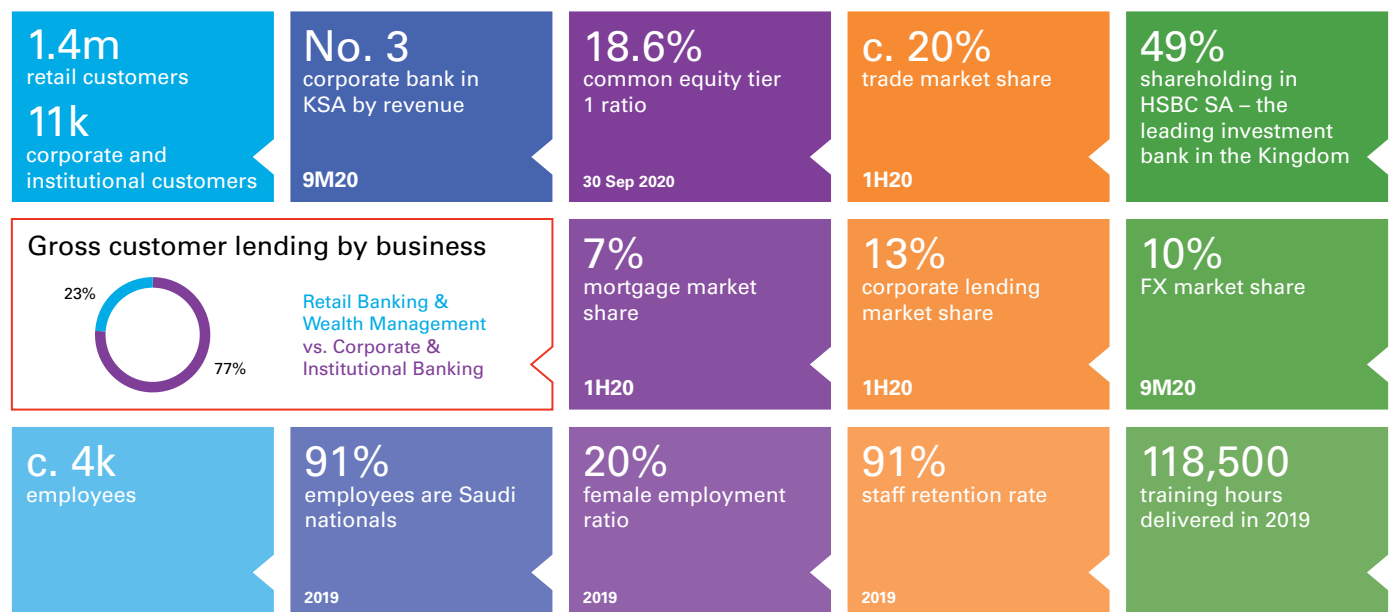
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WE BRING A WORLD OF FINANCIAL OPPORTUNITIES TO AN AMBITIOUS KINGDOM

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 a digital and personalised service driven by customer preference. Our strategic partnership with the HSBC Banking Group, one of the world's leading financial institutions, has positioned us as a preferred banking partner. As a leader in key segments of the Saudi financial sector, we are positioned to be where growth occurs in the Kingdom.

KEY HIGHLIGHTS



SABB – Alawwal bank merger

In June 2019, the merger of SABB and Alawwal Bank was legally completed, combining to form the Kingdom's third largest bank by assets as at the merger date. Following regulatory and shareholder approvals, the banks became a single listed company with SAR 54.9 billion of shareholders' equity. For the remainder of 2019, the two banks continued to operate a normal service, with the full integration of products and services expected to be completed within two years of the legal completion date.

Post integration, SABB will:

- Deliver a best-in-class universal banking business, serving all customer groups in the Kingdom, from individuals to small, mid-market, large and multinational corporations, financial institutions and public sector entities.
- Be the most international bank in the Kingdom, accessing an unrivalled global network through HSBC, offering international opportunities to Saudi corporates and individuals and providing local banking services to international customers active in Saudi Arabia.
- Offer a leading online and mobile digital banking experience.
- Provide the best career and training opportunities for staff in the banking sector.



Our strategy

Our priorities

1.

Offer best-in-class universal banking serving all customers groups in the Kingdom

3.

Offer a leading online and mobile digital banking experience

2.

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

4.

Be the best place to work

HOW DO WE DO IT?

Four enablers

Scaled and positioned for growth

Loan portfolio and services shaped and scaled where the growth is



Leverage the HSBC partnership

A unique partnership that connects our customers to a global network



Digital excellence

Innovation and partnership at the heart of our digital offering



Our people

Provide the best career and training opportunities for staff in the banking sector



Returns

1.

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

2.

Improve cost efficiency ratio (CER)

3.

Maintain strong capital and liquidity

4.

Maintain dividend payout





Our ESG Focus

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.

All organisations need to consider what ESG means to them, which will no doubt result in a broad spectrum of interpretation. While many organisations may pay lip-service to ESG, at SABB we aim for it to be part of the DNA of our organisation, our priorities, our relationships and our goals – it is part of who we are.

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 provided us with success over our proud history. Going forward, we intend to build on these foundations by ensuring that Environmental, Social and Governance factors are fundamental to our business.

This is our first update on ESG and it aims to articulate why these issues are so important to us. While this is our first focused foray on the topic, throughout our history we have executed our business with sustainability at the heart of what we do, aiming always to achieve the best possible outcomes for our customers.

However, we want to be balanced, open and honest about our progress and transparent when it comes to the areas we need to develop.

Stakeholder interests at the core of our strategy

ESG is critical for us and for all successful organisations of the future. The number of stakeholders we possess

is increasing and their objectives, expectations and interests, although congruent with our overall strategy, can differ. Our decision making across all levels at the Bank is carefully tuned to ensure that we consider the interests of all stakeholders, from our customers to our regulators.

The expectation on how we deliver on our obligations is also rapidly changing. At the heart of what we do, we share this basic commonality with our stakeholders, and the 'how' is paramount. Our impact on our customers, communities, employees, regulators, shareholders and the environment will be driven by 'how' we deliver on our obligations – this is why ESG is so important to us.

Strong governance

We already have a track record of strengths and achievements. 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. Diversity is an important strand, and our Board is a mixture of local and international expertise from a wide spectrum of industry experience.

Our Executive Management team currently includes three females, and as an organisation 20% of our employees are female, which puts SABB in the upper quartiles of organisations in the region.

Managing risk is equally important for driving value for our stakeholders

and SABB has a consistently strong risk culture across the organisation, embedded throughout business units, enablement and control functions. We continuously refine our risk management framework and will look to be more transparent in how we manage and report our ESG risks.

Our decision making across all levels at the Bank is carefully tuned to ensure that we consider the interests of all stakeholders, from our customers to our regulators

Vision 2030

The Bank'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's three main themes of a vibrant society, a thriving economy and an ambitious nation have sustainability at their core, which will lead to a virtuous circle of transformation.

Our people and communities

Leaving a positive social and environmental imprint on Saudi life and society is front and centre of our approach. This has been increasingly important during the Covid-19 pandemic,



which has created uncertainty and disruption to our colleagues and customers. Throughout these challenging times, we have remained operationally resilient, maintaining all services, whilst ensuring the safety of our customers and employees. We have supported our customers through these challenging times with the waiving of certain fees and supporting eligible customers with payment deferrals.

Our environment

The Bank is fully committed to supporting and protecting the environment. Operationally, we have implemented a range of measures to make a tangible and positive impact.

Looking ahead

Having made progress with our merger integration in line with our plan, the Board has undertaken a strategic review which is close to concluding. This will define the Bank's direction of travel but also incorporate the vision for ESG and how it fuses together with the rest of the business and operations. With the Bank's strategic review occurring in these volatile times, and given due thought to our increasing number of stakeholders, we feel that now is the appropriate time to celebrate some of our ESG achievements whilst challenging ourselves with a future ESG plan we look forward to updating you on in 2021.

We are excited and optimistic about the future.



Our ESG journey

SABB has a culture of sustainable finance that has been a platform for its successes to date. However, in our balanced view, there are always improvements to be made and we set out some of our longer-term objectives below.

Merger with Alawwal Bank

2019 was the merger year for SABB and Alawwal Bank, creating a leading institution that will play a vital role in supporting the Vision 2030 economic development programme.

2019

Integration has gathered pace and the Bank is currently undertaking a Board-led strategic exercise

The strategic exercise will define the Bank's direction of travel, and conclude with the goals we will target, alongside key performance indicators to measure our performance. Our ESG strategy will complement this plan, and 2020 marks the first ESG update by SABB.

2020

Laying out our ESG strategy

In 2021, we aim to formalise and communicate our ESG commitments, defining the goals and targets of the organisation and the corresponding key performance indicators.

2021

ESG plan for 2022

We aim to start reporting on our progress against the targets we will set for ourselves.

2022



Stakeholder interests at the core of our strategy

Our stakeholders exist across a wide range of groups, individuals and institutions. From the customers that we provide our services to and the society we operate in, to the regulators with whose principles we comply, and participants of the regional and international financial ecosystem.

Our stakeholders will have a variety of interests and our relationships with them will be characterised by varying levels of complexity – with many stakeholders belonging to more than one group.

At SABB, we aim to provide value to all stakeholders and ensure that their material interests are considered throughout our business.





Vision 2030

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

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 that provides a safe and secure environment for families, and access to world class healthcare and education.

A THRIVING ECONOMY

A thriving economy provides opportunities for all by building an education system aligned with market needs to equip youth with 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

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.

Sustainability is at the heart of the Vision 2030 transformation programme

Key themes for SABB:

- 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.
- Increasing the rate of savings and savings options for Saudi citizens.
- Significant growth in home ownership and related financing.
- Improve the financial literacy of the population.
- Build a digital economy moving to a cashless society, increasing FinTech

presence and alternative banking opportunities.

- 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 the 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.

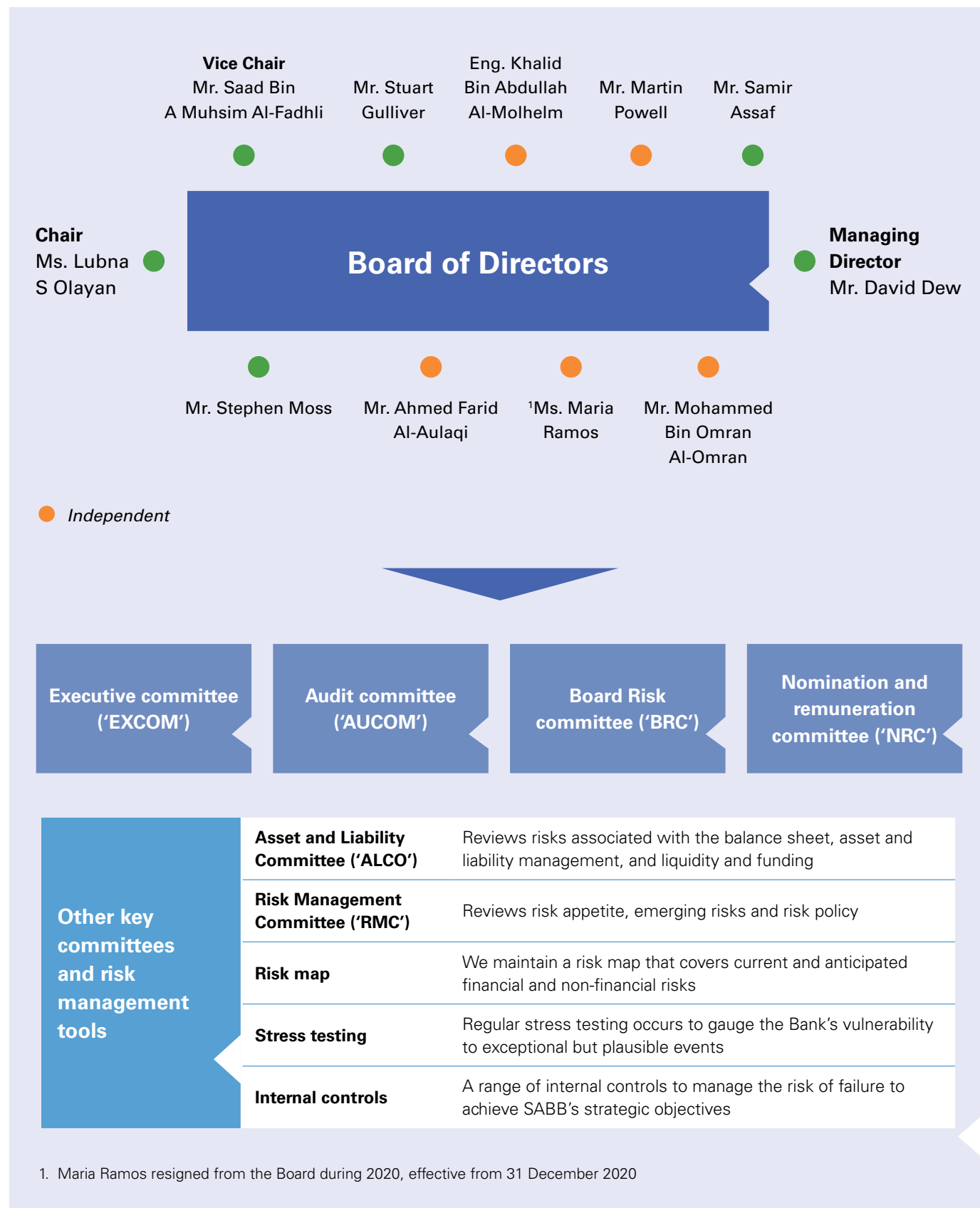






Governance

SABB Governance framework



A robust approach to corporate governance is a key strength for any organisation and SABB ensures it adopts best practices in this field, applying a transparent approach to create value for all the Bank's stakeholders.

Governance structure

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 the Executive Management ('MANCOM').

Our Board is comprised of 11 individuals of which 5 are non-independent directors. Led by Lubna S. Olayan, 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, and the construction of which is in line with all regulatory requirements issued by the relevant authorities. Detailed roles and responsibilities can be found in the 2019 Annual Report. The diversity in experience of the Board is further complemented by gender diversity including the first female Board Chair of a listed company. SABB's gender diversity is prevalent across the organisation.

Risk management

SABB has a 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 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 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.

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.

Enterprise-wide risk management tools

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. 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.

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.

SABB has a strong risk culture across the organisation, which is embedded throughout business units, enablement and control functions.

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.

Internal controls

Ultimate responsibility for the system of internal controls resides with the Board, and the Internal Control System is designed to manage the risk of failure

to achieve SABB's strategic objectives. SABB's Management is responsible for establishing and maintaining an adequate and effective framework of internal control in support of the policies

approved by the Board. A list of key internal controls can be found in the 2019 Annual Report.





Culture is the key to SABB's success

The right culture will drive appropriate decision making and ultimately ensure the right outcomes for all our stakeholders.

Following the legal merger in 2019, identifying the target culture of the organisation was one of the first steps the merged Bank took, driven by the Board, emphasising the importance of culture to SABB.

In 2019, the Bank conducted a culture perception survey. This was a starting point in understanding the cultural strengths and weaknesses of the combined organisation, and has identified the behaviours, common goals, norms and cultural aspirations of the future institution. This, together with fostering 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 our customers.

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

SABB's values

1. Think customer
2. Work together
3. Do the right thing
4. 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.

A communication campaign for employees and a series of 'culture

change' workshops led by Management began at the start of 2020. These will be sustained throughout the year, embedding the new culture and values across our workforce.

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 both SAMA's rules on compensation and Financial Stability Board guidelines.

SABB's reward strategy recognises **sustainable performance**

A responsible business culture

We have set ourselves challenging strategic objectives and we will deliver on these through a principled, responsible business culture underpinned by our four core values. Our aim is to protect our customers, our communities and other stakeholders connected to the Bank and the wider financial ecosystem.

Risk management

We use a range of tools to manage our financial and non-financial risks. During 2019 we strengthened our approach to risk management, and remain vigilant as we navigate our way through the merger integration journey.

Cyber security

Cyber security remains a focus for SABB

and is a key component of our risk management framework. SABB ensures that it has the right level of governance and scrutiny at both senior management and Board level. 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 for all employees.

Whistleblowing

We believe it is essential to have a culture where our people feel able to speak up and 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 our employees can raise concerns with confidence and without fear of reprisal.

Our aim is to **protect our customers, our communities and other stakeholders** connected to the Bank and the wider financial ecosystem



Social and environmental responsibility

Our social responsibility encompasses our obligations to all our 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 develop our communications with the investor community. As our stakeholders evolve, so will our approach.

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 offering. SABB was awarded a Customer Recommendation Index ('CRI') score of 94 at the end of 2019, ranking the Bank as no.1 in its peer group in the Kingdom.

Innovation and the use of technology is of increasing relevance. During 2019, SABB launched a new and improved mobile banking app, which saw upgrades to both the interface and the supporting infrastructure and allows customers to bank at their convenience. The new mobile app has enjoyed considerable success, having been downloaded over 240,000 times in the first half of 2020 and achieved top two ratings. Within the Corporate business, 2019 included notable achievements such as becoming the first bank in the Kingdom to facilitate a trade payment using blockchain technology. Providing innovative product sets creates value for our customers and paves the way for a sustainable long-term relationship.

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, women and developing the new generation – people truly are at the heart of our business. At the end of 2019 we achieved a 91% Saudisation ratio and 20% of employees were female. This together with the fact that we have three female members in the Executive Management committee and a female Board Chair places us at the top end of diversity regionally.

SABB was awarded
a Customer
Recommendation Index
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94
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Kingdom

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 was 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, with a focus on talent retention, learning and succession. SABB has utilised its unique partnership with HSBC Banking Group, providing

employees with access to a suite of development courses offered by the Group. International training opportunities and secondments available to SABB employees cover a wealth of areas including leadership, communication skills, anti-money laundering, IT skills, digital excellence and management essentials, among others.

Society

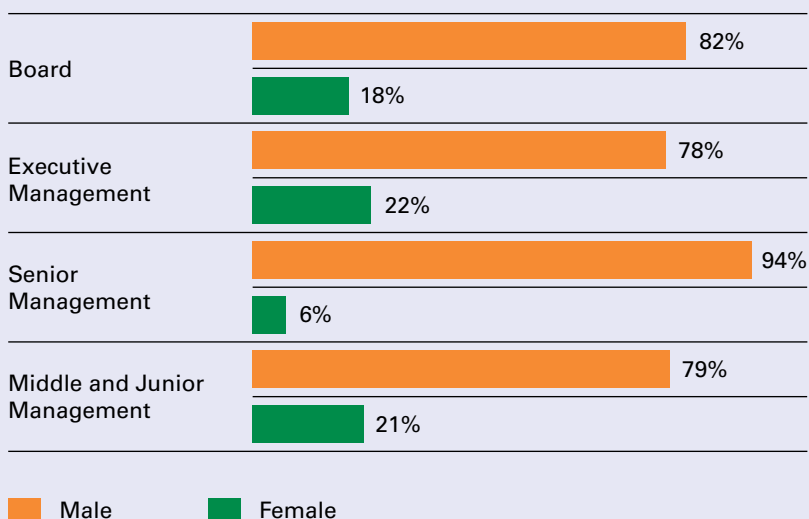
SABB has developed long-standing partnerships with government agencies and charities and participates in an extensive range of social programmes to improve quality of life for Saudi citizens and communities.

During 2019, the Bank opened an Obstetrics and Gynaecology Clinic in association with the Enayah Patient Care charity, maintained our support for the Sanad Children's Cancer Support Association and was honoured by the Governor of Riyadh, HRH Prince Faisal bin Bandar bin Abdulaziz Al Saud, as a leading supporter of Ensan, the Charity Committee for Orphans Care in Riyadh.

For the tenth year running, SABB renewed its sponsorship of employment programmes for those with special needs in collaboration with the Disabled Children's Association, and received a silver Mowaamah certificate from the Ministry of Labour and Social Development for providing a working environment suitable for individuals with disabilities.

Our focus on ‘Youth Ambition’ through our sponsorship of the Riyali financial literacy programme has benefitted more than 560,000 people. The SABB Academy provides a combination of technical knowledge and ‘soft skills’ training to graduate trainees. 2019 also concluded the third year of the Taqadam incubator programme for entrepreneurs and start-ups in Saudi Arabia.

Gender diversity statistics¹



1. 31 December 2019

560,000

individuals benefited from
the Riyali financial literacy
scheme in 2019

SAR 3m

awarded to the winners
of the Taqadam incubator
program

Examples of our strengths using key performance indicators¹

94

customer
recommendation index

118,500

training hours delivered

91%

Saudisation

20%

female employment
ratio

91%

staff retention rate

215

interactions with the
investor community
(excluding quarterly
earnings calls)

1. 2019

Covid-19 pandemic

2020 has been a challenging and unprecedented year for the Kingdom, its banking sector and the global economy. We experienced periods of lockdown, global benchmark interest rates fell, the price of oil turned negative for the first time ever, and the global macro-economic outlook worsened. SABB's approach has been simple, swift and robust to maintain critical services and support to customers, and to keep customers and staff safe.

Together with the Ministry of Health and guidance from SAMA, we flexed our branch network to avoid unnecessary branch visits and to reduce the risk of Covid-19 spreading. We provided those staff working in branches with the necessary protective equipment as guided by the Ministry of Health. Non-branch staff have been equally protected, provided with the tools to work from home where processes allow. SABB regularly reviews its business continuity plans and has successfully navigated its way through this challenging period.

We implemented SAMA's various initiatives to support the financial sector and in particular the MSME segment. Following the launch of SAMA's Private Sector Financing Support Program ('PSFSP'), which provides support to Micro, Small and Medium Enterprises ('MSME'), SABB has provided eligible customers with a 9-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 that we aim for the best outcomes for our customers.

SABB contributed SAR 27 million to the Ministry of Health's Covid-19 fund and provided food baskets to over 9,000 families across 14 charitable organisations. SABB also partnered with transport apps including Careem and Uber to deliver groceries free of charge with an additional discount when using SABB payment cards.

Shareholders and investors

During 2019, we began a more structured Investor Relations programme, through regular interaction with the investor community via quarterly earnings calls and our attendance at key investor conferences – both regional and international. Regular dialogue and deeper relationships with these stakeholders gives us a better understanding of the capital markets and the expectations of their participants, and benefits the investor and analyst community in helping them to improve their understanding of the drivers for the sector's performance.

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 this 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.

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.

The Bank actively supports several annual international initiatives including the WWF's 'Earth Hour' in March, and World Environment Day.

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

وزارة الموارد البشرية
والتنمية الاجتماعية
المملكة العربية السعودية



جامعة الملك عبد الله
للعلوم والتقنية
King Abdullah University of
Science and Technology



مدينة سلطان بن عبد العزيز للخدمات الإنسانية
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