

A person wearing a white thobe and a ghutra is shaking hands with another person. The background shows a building with the SABB logo and the word 'ساب' (SAB) in Arabic. The text 'BANK PROFILE' is overlaid on the image.

BANK PROFILE

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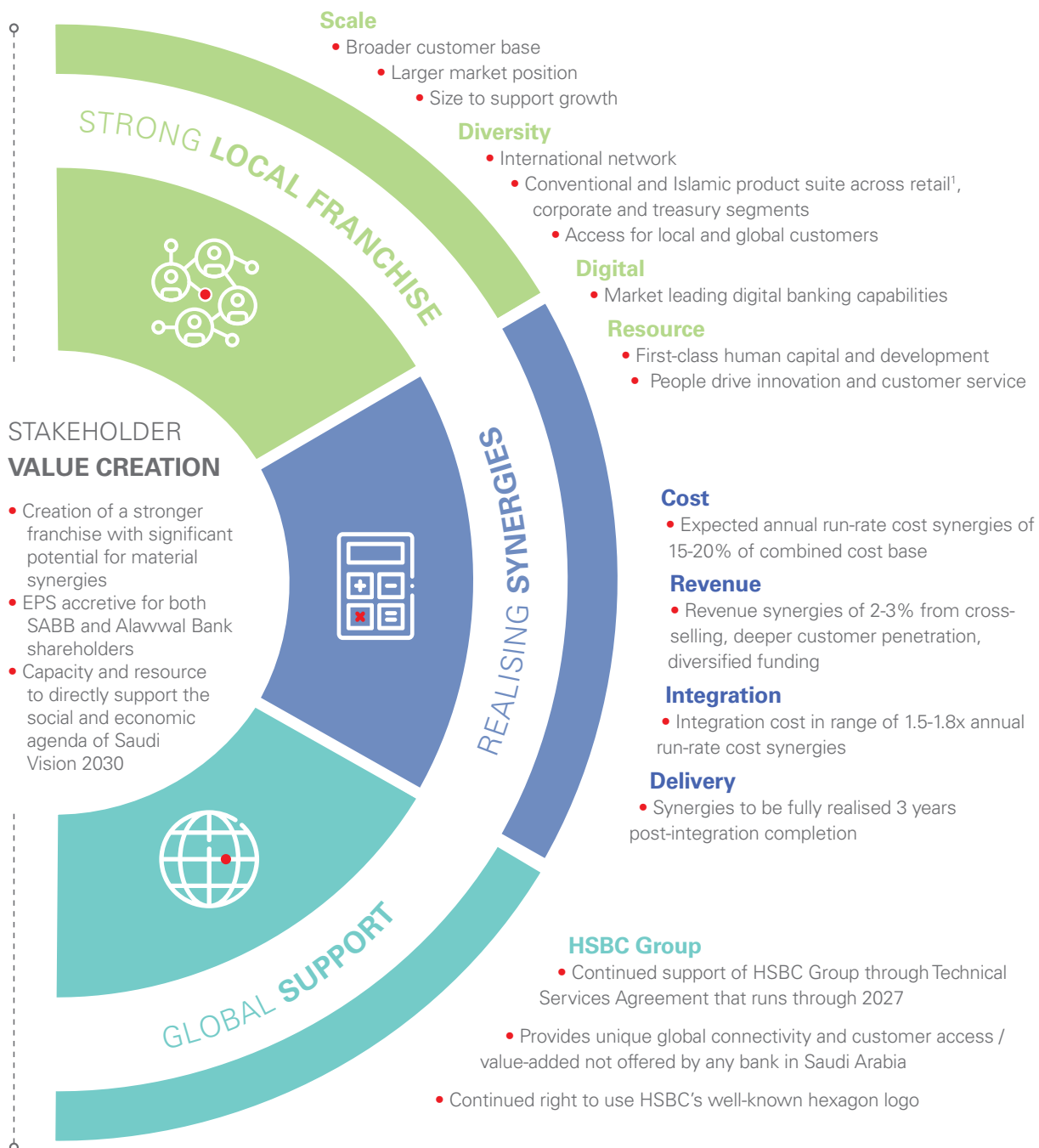


البنك الأول
Alawwal bank

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

JAN

Integration

Completed HR system integration

Commenced cultural evolution workshops

FEB

Integration

Consolidated cash centres for the Eastern province

MAR

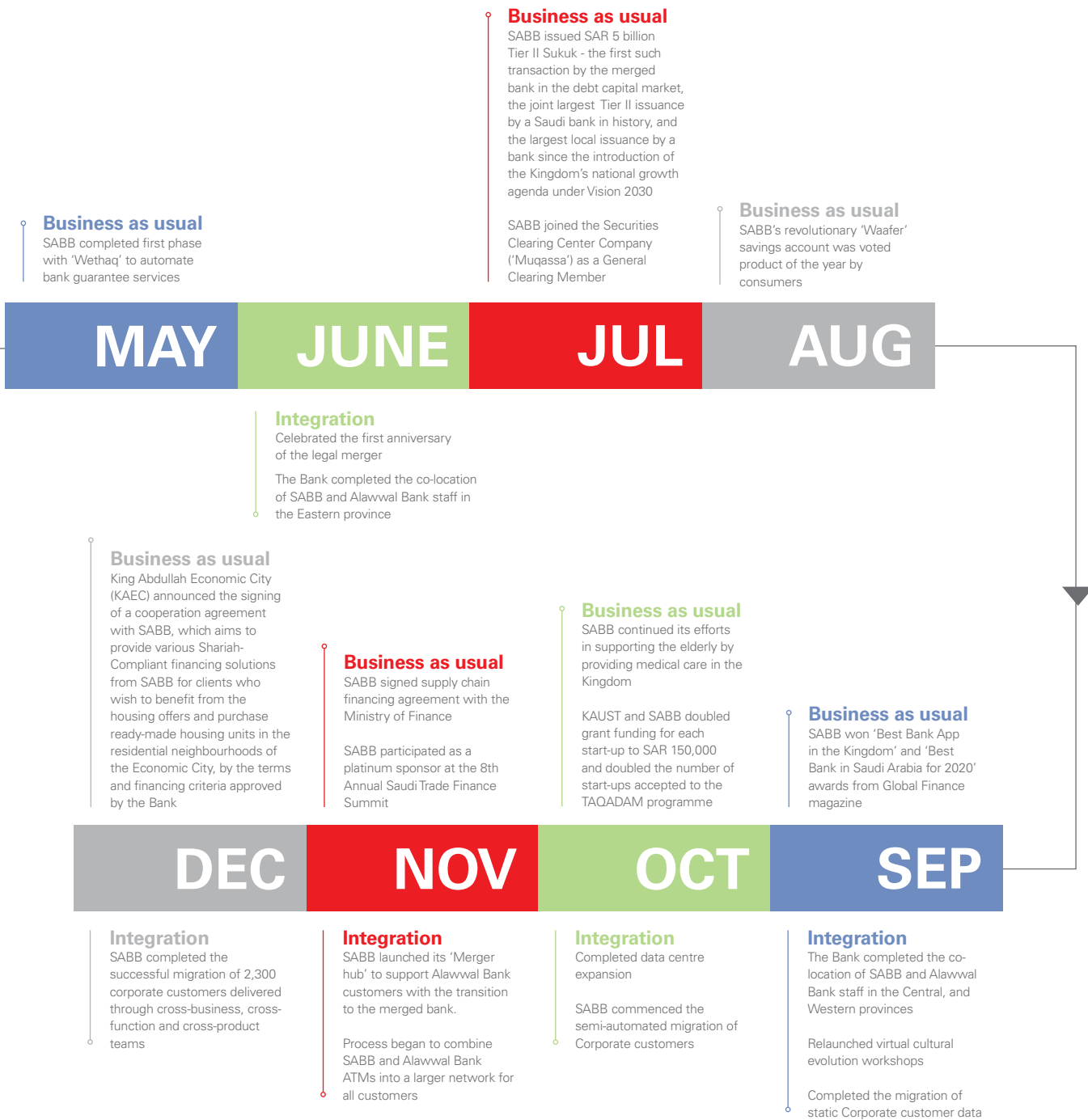
APR

Integration

Finalised the end-state organisation structure



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 SAMA's 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.