

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 Fadyly 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 Aulqi

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 SAMA's 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 Aulqi	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
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 Aulaji (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 Aulaji
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)

Mr. Khalid Saleh Al Subayel

AUCOM member

Current position

- NAS Holding - Audit Committee Member
- National Housing Company – Audit and Risk Committee member

Former position

- Saudi Central Bank Director of the Banking Inspection Department
- The Mediterranean & Gulf Insurance & Reinsurance - Audit Committee Member

Qualifications

- Bachelor's Degree in Literature from King Saud University in KSA
- Master's Degree in Accounting from University of Illinois at US, Chicago
- Banking Diploma from IPA, KSA
- Professional certificates CPA

Experience

- 26 years of experience in a number of leadership positions in the Saudi Central Bank (SAMA)

Mr. Saad Saleh Al Sabti

AUCOM member

Current position

- Protiviti – Executive Partner
- Member of Shura Council
- Partner in Alsabti ecovis company
- Board and Audit Committee member in Riyadh School
- Board and Audit Committee member in Riyadh Chamber of Commerce and Industry

Former position

- Al Sabti & Bannaga – RSM Managing Partner
- Al Faisaliah Group – Chief Internal Auditor
- Saudi Venture Capital - Audit Committee Member

Qualifications

- Bachelor's Degree in Accounting from King Saud University in KSA
- Master's Degree in Accounting from Welch University, USA
- Professional certificates including CPA, IIA, and SOCPA

Experience

- Experience in the financial and accounting sector, especially in the internal audit field at SAMA's SADAD Payment System

Mr. Andrew Jackson

AUCOM member

Current position

- Chief Executive Officer of Jackson Consultants Ltd

Former position

- KPMG Gulf Holdings (Saudi Arabia, Kuwait, Jordan) - CEO
- KPMG ELLP (Europe) - member of the Executive Committee and Remuneration Committee
- KPMG East Africa – Executive Committee (the highest body of the firm) and Chairman of the Governance Committee

Qualifications

- Bachelor's Degree in Computer Science and Accountancy from Manchester University, UK

Experience

- Specialised in emerging markets, and has worked in over 40 different countries

Ms. Christine Lynch

BRC Member

Current position**Board member of:**

- HSBC Bank Oman SAOG

Former position

- HSBC Trust Company AG
- Fondation de prevoyance des entites suisses du Groupe HSBC

Qualifications

- BA in Modern Languages & European Studies from University of Bath, UK
- Bachelor of Science in Financial Services from University of Manchester Institute of Science & Technology, UK

Experience

- Experience of over 20 years in leading positions in the Risk Management sector

Mr. Abdulhameed Almuheidib

BRC Member

Current position

- 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)

Former position

- Shuaa Energy 1 PSC – Board Member
- First National Operation & Maintenance Co. (NOMAC)
- Shuqaiq Arabian Water & Electricity Company – Internal Audit Committee Chairman
- International Bowarege Co. for Water Desalination Ltd – Board Member

Qualifications

- BBA Major in Finance from the University of Miami, USA
- Master of Business Administration (MBA), Pepperdine University Graziadio School of Business and Management from Malibu, California, USA

Experience

- Business leader with over a decade of progressive experience in projects and corporate management across different business sectors

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 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.
	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	<p data-bbox="309 506 1434 591">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:</p> <ul data-bbox="309 629 1394 775" style="list-style-type: none"><li data-bbox="309 629 1394 685">• Trading portfolios - comprise positions arising from market making and warehousing of customer-derived positions.<li data-bbox="309 689 1394 775">• 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'. <p data-bbox="309 813 1434 898">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).</p>
Liquidity risk	<p data-bbox="309 920 1409 1066">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.</p> <p data-bbox="309 1104 1401 1189">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.</p> <p data-bbox="309 1227 1434 1341">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.</p> <p data-bbox="309 1379 1422 1435">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.</p> <p data-bbox="309 1473 1434 1619">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.</p>

Risk type	Definition and management
Shariah risk	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>
Operational risk	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>

RISK

GOVERNANCE (continued)

Risk type	Definition and management
Reputational risk	<p>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.</p> <p>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.</p> <p>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.</p>
Regulatory Compliance and Financial Crime Compliance ('FCC') Risks	<p>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.</p> <p>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.</p> <p>All identified risks and breaches to local regulations are reported to the management and Board committees along with corrective actions.</p>

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 identification 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 Alawwal 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 Alawwal Bank, governance of integration process	Preparation for the integration of SABB and Alawwal 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. 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.
Annual operating plans	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.
Governance arrangements	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	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 Aulqi	✓	✓
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			
		Salaries	Allowances	In-kind benefits ²	Total
1	Total (SAR'000s)	8,169	3,656	1,466	13,291

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

Variable remunerations						End-of-service award	Total remunerations for Board executives, if any ⁴	Aggregate
Periodic remunerations ¹	Profits	Short-term incentive plans	Long-term incentive plans ³	Granted shares (insert the value)	Total			Amount
12,705	-	-	1,600	7,445	21,750	864	-	35,905

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	1,085,913	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	