



STRATEGIC REPORT

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BOARD CHAIR'S STATEMENT



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

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

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

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

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

Positioning for growth

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

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

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

Our operating environment

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

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

Financial performance

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

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

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

In light of the reported loss for the period due to the impairment, the Board has not recommended a dividend for 2020.

Sustainability

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

Board governance

Following best governance practices, our Board brings together considerable local and international expertise and included four independent members at the end of 2020.

In a year that necessitated many more meetings and discussions than in previous years, I am especially grateful for the diligence and professionalism of my board colleagues. They each devoted much time and effort to ensuring we met regularly to discuss key matters, such as integration, strategy, risk management, culture, talent, and customer experience, while dealing with the challenges and demands of the unprecedented pandemic crisis we faced in 2020.

I would like to thank Maria Ramos who joined our new Board at its inception in June 2019, and who stepped down as a member of our Board at year end. In addition to her Board position, Maria chaired our Nomination and Remuneration Committee. As we

grappled with integration and other issues in the midst of the pandemic's challenges, she provided the Board with wise counsel and insightful advice.

Some additional notes of gratitude

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

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

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

Ms. Lubna S. Olayan
Board Chair


STRATEGY AND KPIs

Strategy 2025


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

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


VISION We bring a world of financial opportunities to an ambitious Kingdom




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



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



Offer a leading online and mobile digital banking experience



The best place to work

THE STEPS WE WILL TAKE

Build on our core strengths

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


Maximise our participation in key growth areas

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


Transform the organisation

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


RETURNS




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



Improve Cost to Income ratio (CER)



Maintain strong Capital and Liquidity



Maintain Dividend payout

Our people

Digital excellence

Leverage our HSBC partnership

Be where the growth is

KEY PERFORMANCE INDICATORS (KPIs)

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

The KPIs measure:

FINANCIAL RETURNS, RESILIENCE AND EFFICIENCY

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

KPI	DESCRIPTION	FY20	FY19 ¹
Underlying Return on tangible equity (RoTE) ²	Measures how effectively management are using the tangible equity in the Bank to generate profits	9.2%	10.4%
Earnings per share (EPS)	Measures how much profit the Bank makes for each share of its stock	SAR (2.01)	SAR 1.53
Underlying Cost Efficiency ratio ²	Measures how well the Bank is managing its cost base in relation to revenue. It is calculated by dividing costs or operating expenses by revenue	39.4%	33.6%
Common Equity tier 1 (CET1) ratio	Measures the Bank's capital strength. Calculated as CET1 capital divided by risk-weighted assets	18.96%	1700%
Liquidity coverage ratio (LCR)	Measures the sufficiency of a bank's unencumbered high-quality liquid assets ('HQLAs') to meet its liquidity needs in a 30-calendar-day liquidity stress scenario	299%	223%
Dividend per share (DPS)	Dividend paid for each share of the Bank's stock	-	1.20
Corporate lending market share	The Bank's corporate lending as a proportion of the market	13%	15%
Retail lending market share	The Bank's retail lending as a proportion of the market	5%	7%
FX market share	The Bank's FX income as a proportion of the market	10%	12%
Trade market share	The Bank's trade activities as a proportion of the market	c. 23%	c.20%

BUSINESS STRENGTHS AND COMPETITIVENESS

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

¹Pro forma basis where relevant

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

SABB also monitors the value generated by its strategic partnership with HSBC.

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

Over
692k

mobile app
downloads



Top
2

app store ratings
(Apple and Android)



91%

Saudisation
ratio



20%

Female
employment ratio



MANAGING DIRECTOR'S MESSAGE



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

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

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

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

Performance overview

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

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

Positioned for growth

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

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

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

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

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

Operational resilience

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

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

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

With thanks

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

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

Mr. David Dew
Managing Director

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

POSITIONING FOR GROWTH

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

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

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

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

Head office
integration
achieved



800+
staff co-located – co-
location complete



97%
attendance at culture
workshops – culture
harmonised



CIB
customer migration
substantially complete



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



Merger-related
expenses – in line with
guidance



4,000 tasks
since Legal Day 1



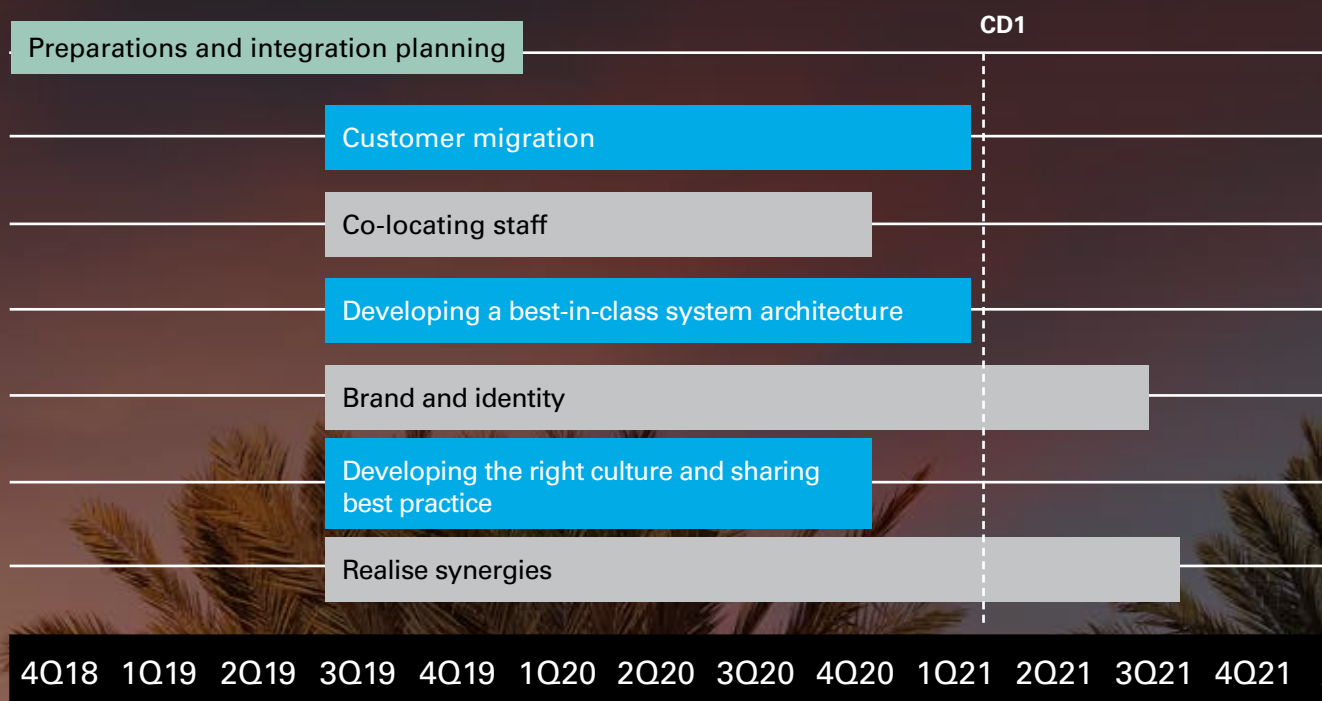
26 hybrid branches
opened



Online merger hub
launched



As at 31 December 2020



OUR INTEGRATION PLAN IS ON TRACK.

1. Customer migration

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

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

2. Co-locating staff

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

3. Developing a best-in-class system architecture

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

4. Brand and identity

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

5. Developing the right culture

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

6. Realising synergies

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

CUSTOMER EXPERIENCE AND DIGITAL BANKING

Customer experience

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

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

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

Voice of customer

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

Staff training

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

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

Performance

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

Other key performance indicators reflected the Bank's strengths:

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

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

Using data for insight

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

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

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

The digital shift continues

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

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

Committed to customers' security

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

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



ENVIRONMENTAL, SOCIAL AND GOVERNANCE FOCUS

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

Going forward, we intend to build on these foundations by ensuring that Environmental, Social and Governance (ESG) factors are fundamental to our business. We want to be balanced, open and honest about our progress and transparent when it comes to the areas we need to develop. In 2021, we will be making further efforts to improve our ESG reporting framework.

Sustainable approach to the environment

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

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

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

A socially responsible bank

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

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

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

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

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

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

94
customer
recommendation index

20%
female employment
ratio

91%
Saudisation

90%
staff retention rate

Customers

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

Our people

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

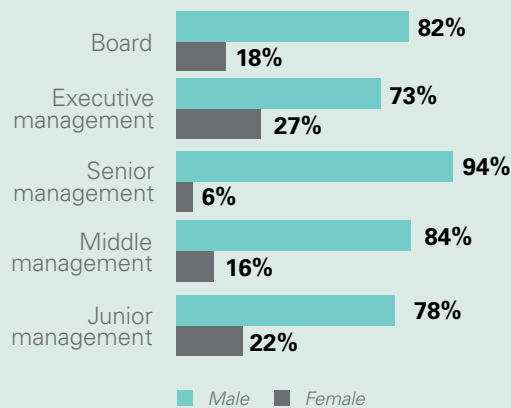
A core facet of the integration following the legal merger with Alawwal Bank was to align the culture of the go-forward organisation and a successful communication campaign for employees through a series of ‘culture change’ workshops led by Management in 2020. Fostering an environment with regular dialogue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

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

Rewards and recognition

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

GENDER DIVERSITY STATISTICS



SABB in the community

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

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

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

Support during COVID-19

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

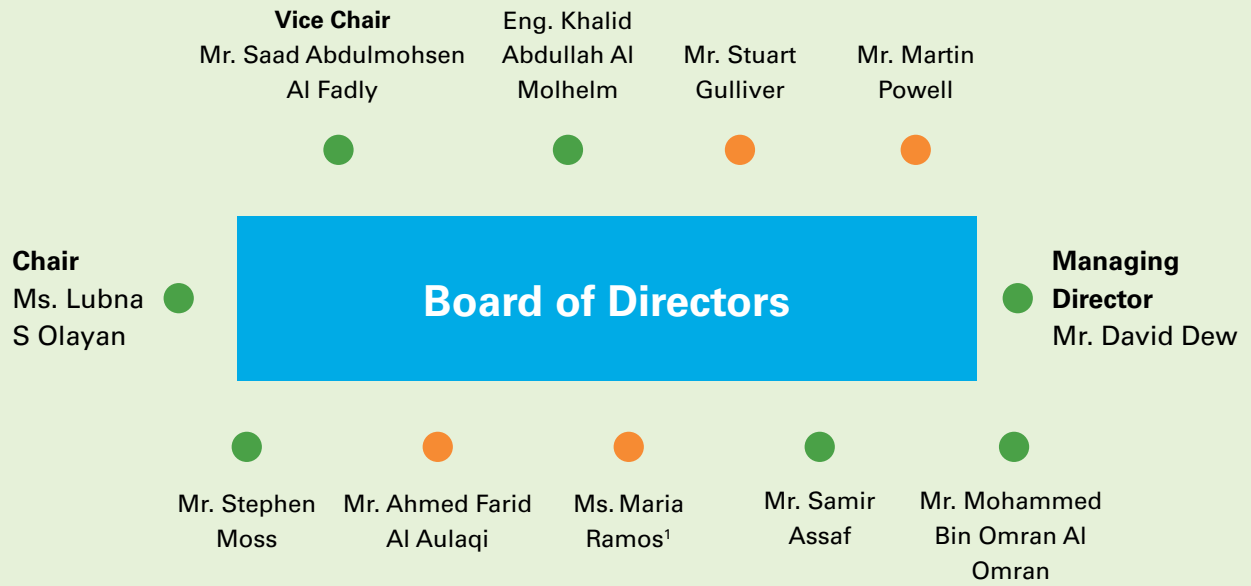
Across the Bank we have waived fees and charges, notably for digital payments, again demonstrating our aims to create the best outcomes for our customers. SABB contributed SAR 27 million across the Ministry of Health's COVID-19 fund and the Ministry of Human Resources Development Fund. We also provided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

High standards of governance

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

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





Other key committees and risk management tools	Asset and Liability Committee ('ALCO')	Reviews risks associated with the balance sheet, asset and liability management, and liquidity and funding
	Risk Management Committee ('RMC')	Reviews risk appetite, emerging risks and risk policy
	Risk map	We maintain a risk map that covers current and anticipated financial and non-financial risks
	Stress testing	Regular stress testing occurs to gauge the Bank's vulnerability to exceptional but plausible events
	Internal controls	A range of internal controls to manage the risk of failure to achieve SABB's strategic objectives

¹ Maria Ramos resigned from the Board during 2020, effective from 31 December 2020

Risk management

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

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

Risks

Management of risk



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

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

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

Enterprise-wide risk management

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

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

Cyber security

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

Financial crime compliance

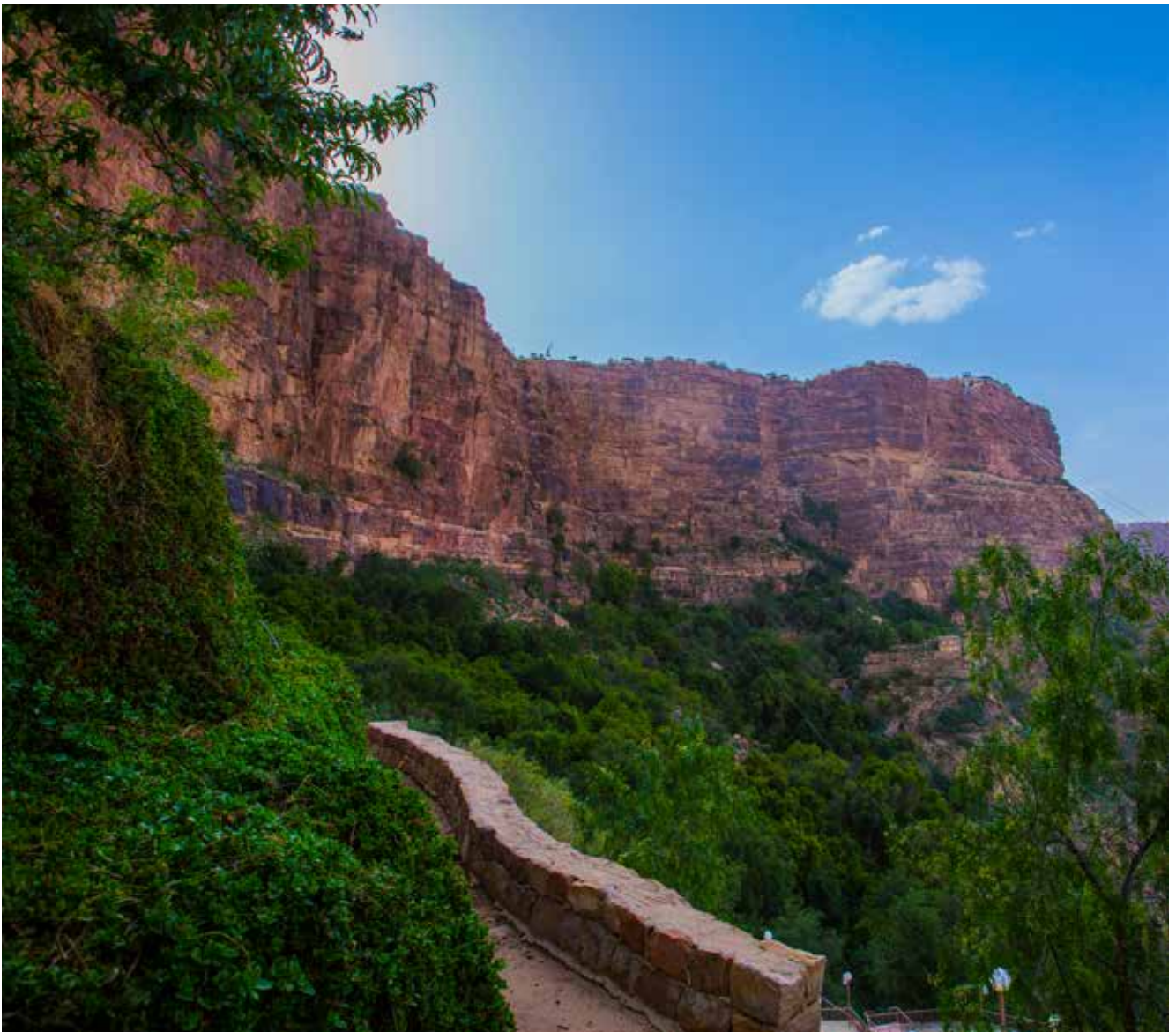
In order to protect the integrity of the Saudi and global financial system, we continue to invest in our ability to detect, deter and prevent financial crime in what is an increasingly digital landscape.

Anti-bribery and corruption

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

Whistleblowing

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



CHIEF FINANCIAL OFFICER'S REVIEW



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

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

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

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

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

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

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

SAR 5.0 BILLION TIER II SUKUK

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

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

Mr. Mathew Pearce
Chief Financial Officer



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

OPERATING REVIEW

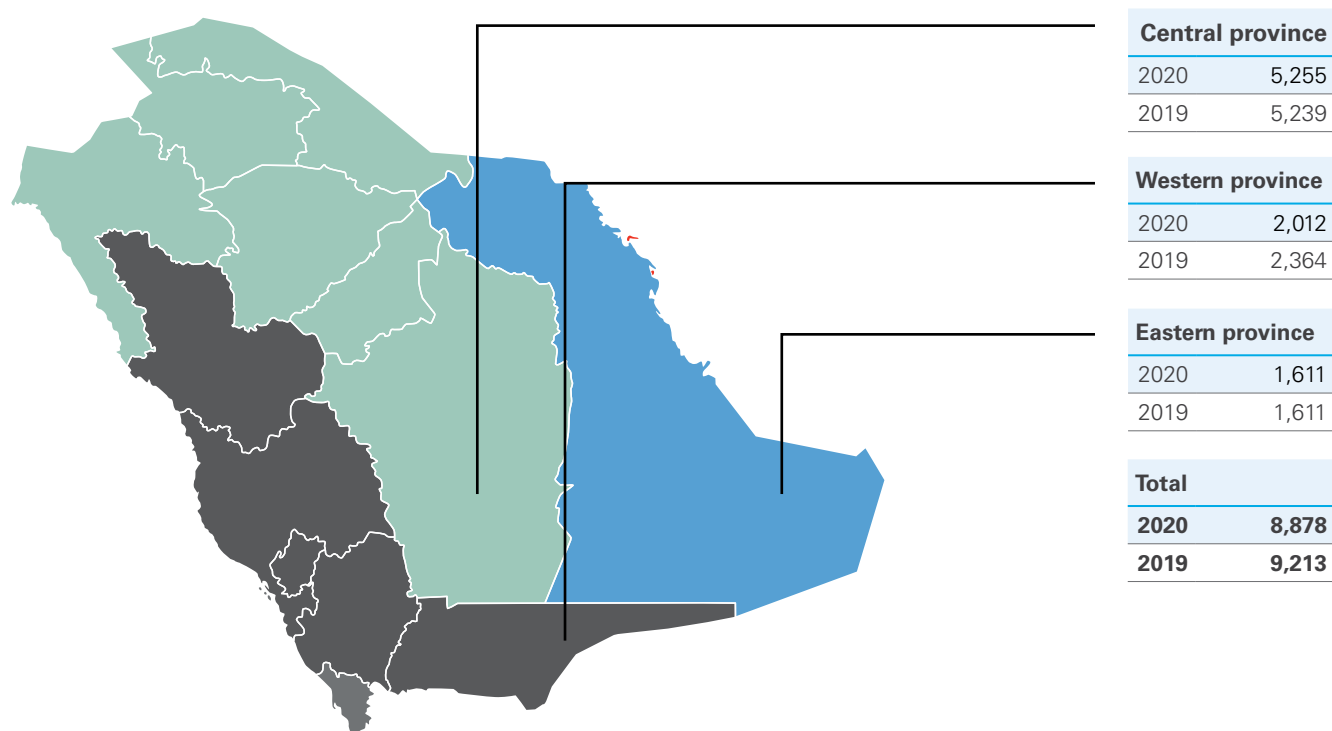
Reported historical financial results

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

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

Total operating income ('revenue') by geography

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



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

Reported performance

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

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

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

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



Reported results by business segment

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

Completion of Purchase Price Allocation (PPA) exercise

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

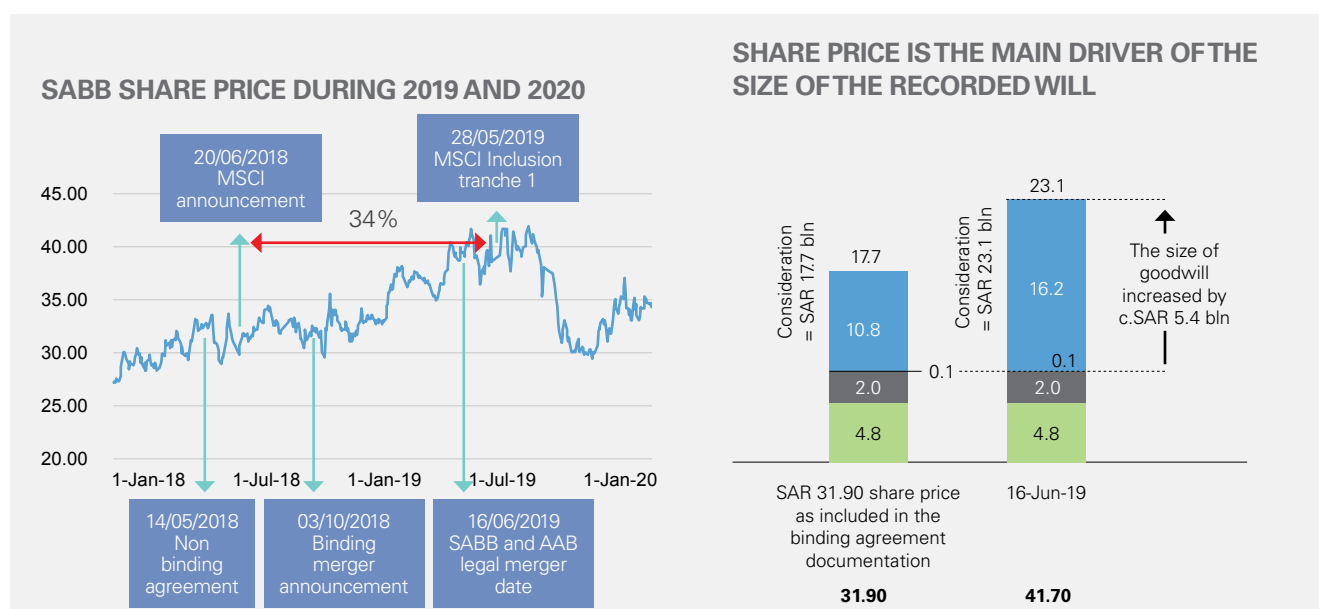
Goodwill impairment

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

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

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

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



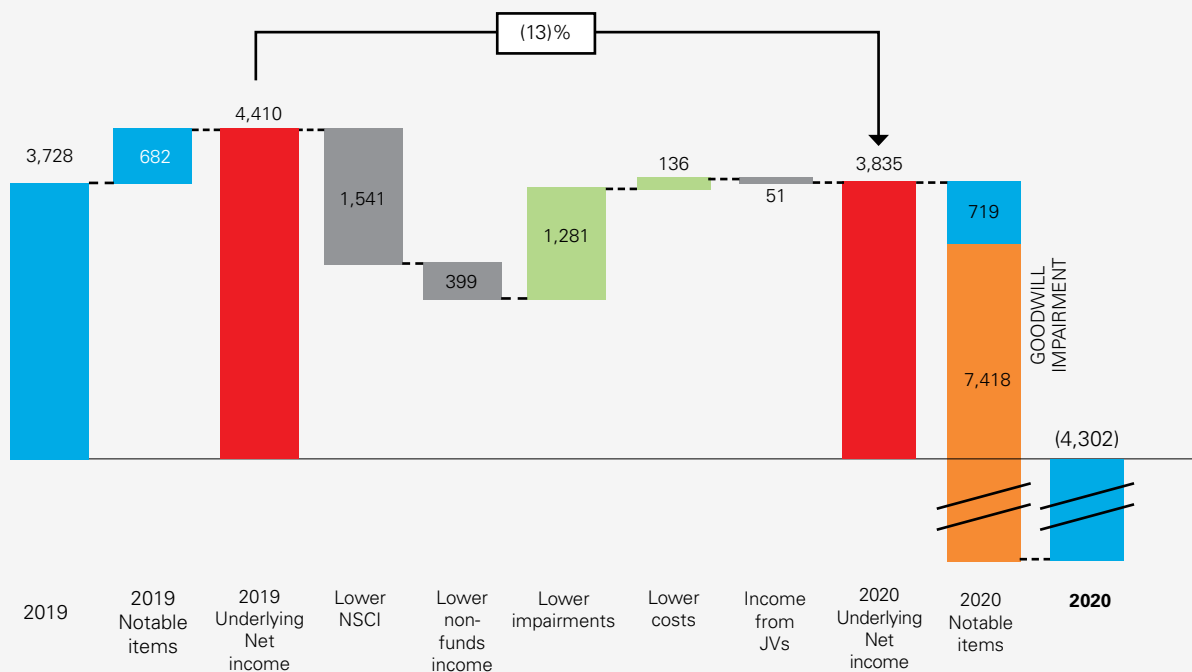
Pro forma performance

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

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

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

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



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

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

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

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

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

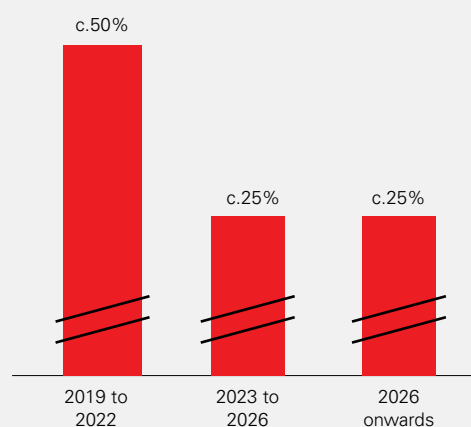
together with lower loan origination fees and lower net fees from credit cards and merchant acquiring, as a result of increased competition and challenging economic activity. Exchange income fell 8% from reduced customer flows.

Unwind of the fair value adjustment

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

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

Approximate timelines of the unwind



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

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

Balance sheet

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

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

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

The integration journey

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

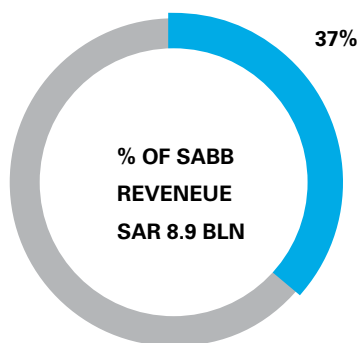
During 2020, SABB substantially completed the integration of the Corporate & Institutional Banking and Treasury businesses, which enter 2021 operating as a single bank. The Retail & Wealth Management business will also soon complete its customer data integration of the SABB and Alawwal Bank infrastructure,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

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

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

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

Retail Banking and Wealth Management (RBWM)



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

Operating highlights

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

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

Over 692k mobile app downloads

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

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

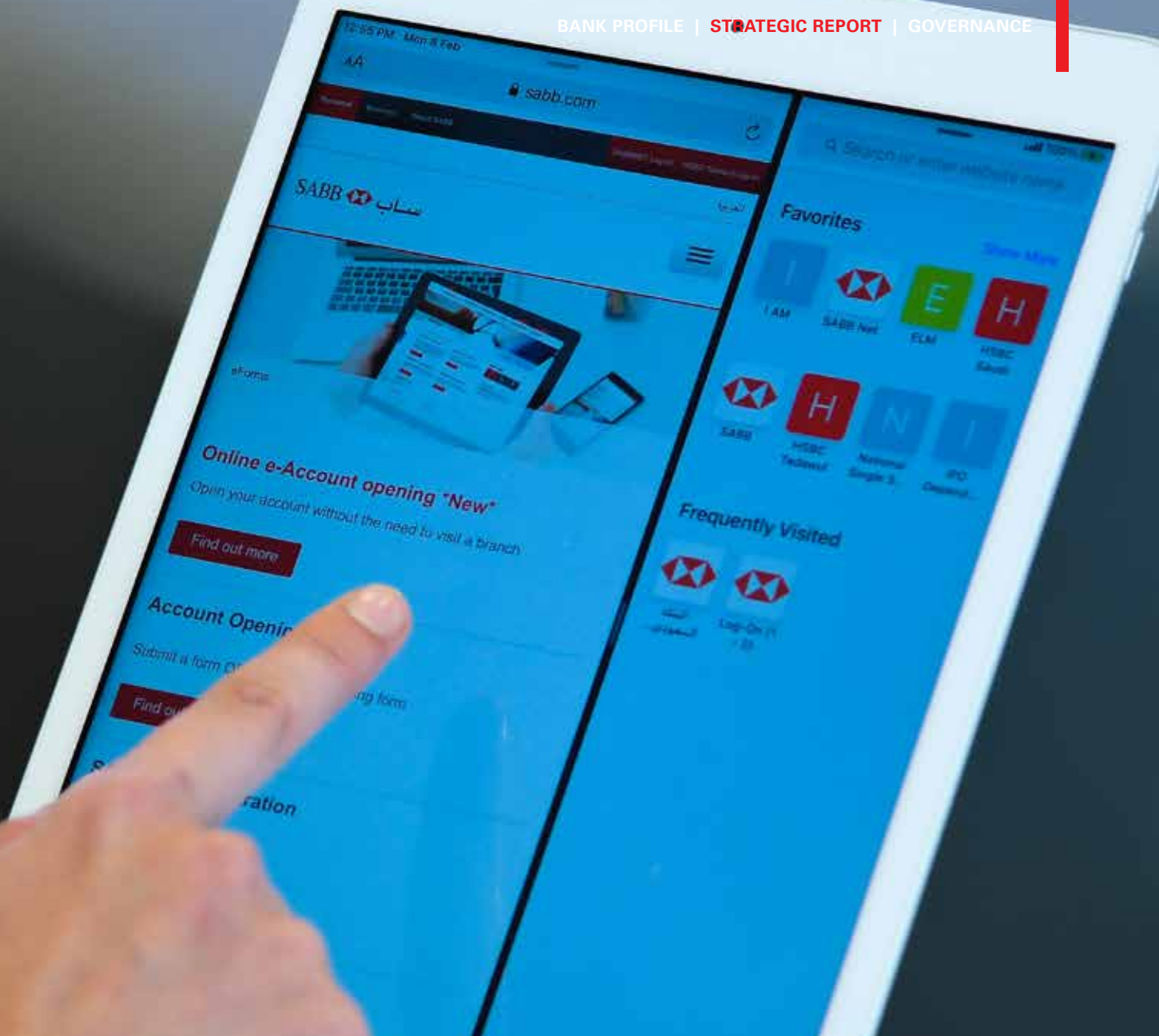
Growth in credit appetite continues to be dominated by mortgage demand with the market growing rapidly year-on-year. SABB's mortgage market share fell, given the well-seasoned nature of the portfolio, the Bank's customer segmentation and risk appetite, despite a healthy level of new sales volume particularly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

Financial performance

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

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

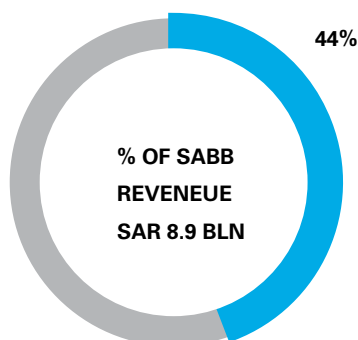
Gross customer lending of SAR 37.8 billion fell by SAR 1.1 billion or 3%, mainly due to a reduction in personal lending balances; mortgage balances also fell marginally compared with December 2019, despite growth in originations in the second half of 2020. Customer deposits of SAR 87.9 billion increased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



Snapshot: best-in-class e-remittances

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

Corporate and Institutional Banking (CIB)



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

Operating highlights

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

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

Top 3 Corporate Bank by revenue

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

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

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

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

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

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

Financial performance

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

SABB ساب

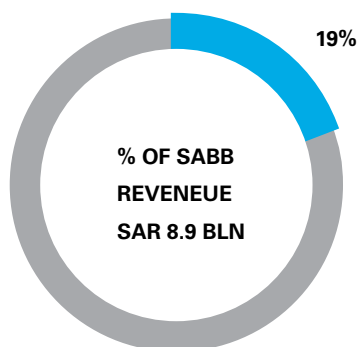
البنك الأول
Alawal bank



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

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

Treasury



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

Operating highlights

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

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

SAR 5 billion Tier II Sukuk

One of the three general clearing members of Muqassa

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

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

Financial performance

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

Other

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

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

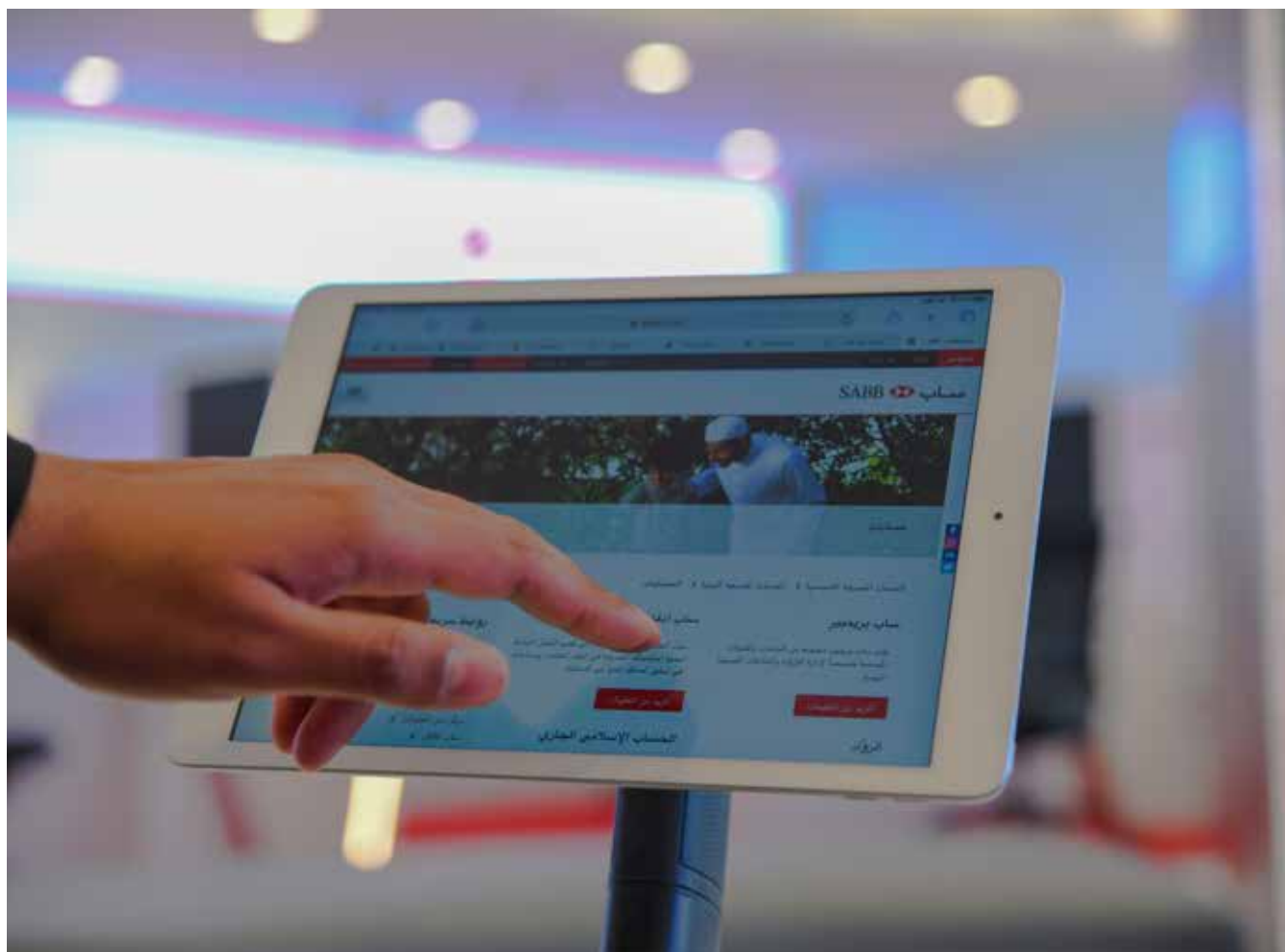
HSBC Saudi Arabia (HSBC SA)

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

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

SABB Takaful

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



Our response to COVID-19

Clear priorities during challenging times

- Maintain critical services
- Keep our staff and customers safe

Operational resilience has been strong

1. Our staff

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

2. Retail customers

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

3. Corporate and Institutional customers

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

4. Treasury

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

5. Society

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



CAPITAL OVERVIEW

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

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

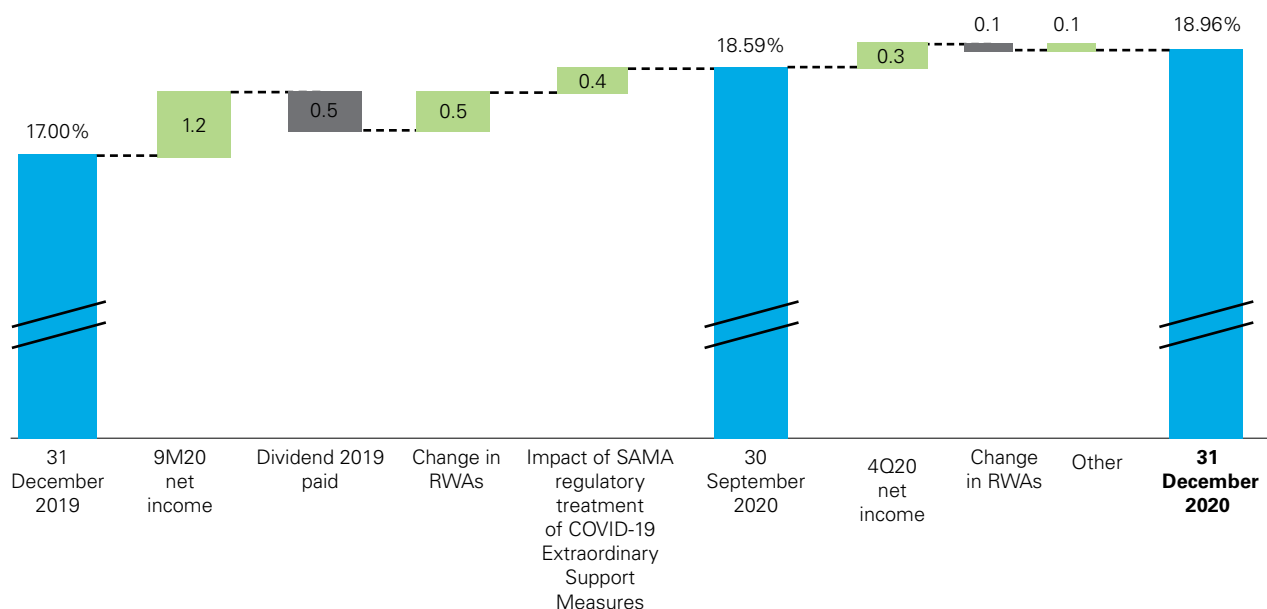
SABB's assessment of capital adequacy is aligned to its assessment of risks, including credit, liquidity, Shariah and other operational risks as detailed on page 82 within the Risk overview.

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

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

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

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





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SUPPORTING MICRO SMALL AND MEDIUM ENTERPRISES

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

MSME segment definitions

SABB defines its MSME segments as follows:

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

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

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

Monsha'at

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

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

2020 initiatives

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

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

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

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

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

SAMA programmes to support customers affected by COVID-19:

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

1- Deferred payment programme

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

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

2- Secured lending programme

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

3- Loan guarantee programme

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

4- Supporting fees of POS & e-commerce

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

Loans and off-balance positions to MSME customers

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

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