

# Board Chair's statement

It is my pleasure to introduce the SABB Annual Report for the year ended 31 December 2021. It is difficult to summarise the past year, a year during which we had to deal with the additional challenges and uncertainties posed by the global COVID-19 pandemic and the related starts and stops of the global economy. However, the tests of dealing with the challenges and uncertainties of 2021 demonstrated the resilience of the Saudi economy, and in particular the banking sector, including SABB. SABB took on those challenges and dealt with the uncertainties from a position of financial and strategic strength, and has now pivoted back to growth mode.



## Demonstrating resilience. Delivering growth.

Two key events during 2021 laid the foundation and charted the path to achieving our strategic goals:

Firstly, during March we concluded the final elements of the integration of SABB and Alawwal banks. The importance of the transaction – the first banking merger transaction in the Kingdom – had an impact beyond SABB's borders. Therefore, our energies and efforts were heavily focused on ensuring the right outcome, which was the culmination of over three years of hard work and effort from dedicated individuals across the organisation and beyond. SABB emerged a stronger entity with a single IT system, a single shared culture and a stronger balance sheet, better enabling us to meet the growing needs of our customers and demands of the Kingdom's Vision 2030 transformation programme.

Secondly, we committed to our long-term strategic goals and the steps we will take to achieve them. Our strategic plan was put in motion, with an underlying strategy at its core that paves the way to capitalise on the positions of strength we have enjoyed in our rich history.

2021 marked the start of the investment phase of our strategic plan, focused on developing the key enablers across the bank to help accelerate performance, creating a sustainable banking organisation, and supporting the aims of the Kingdom's Vision 2030 plan. And we have already begun to reap the benefits of that investment, as evidenced by a resilient performance that grew our loan portfolio for the fifth consecutive quarter, improved our asset quality and generated growth in capital.

## Our operating environment

The COVID-19 pandemic continued to impact our customers and stakeholders throughout 2021, although the Kingdom's thoughtful and measured programme of support has helped us to weather much of the uncertainty, including the successful vaccination programme and the monetary and fiscal help provided to businesses and individuals. Throughout 2021 demand for mortgage lending remained strong and the sentiment for corporate credit became increasingly more confident.

With energy prices strengthening in the second half of the year and the consensus for increases in benchmark interest rates being



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brought forward, in part to remedy growing inflation, challenges remain but the outlook for the banking sector looks robust.

The Saudi government's budget for 2022 was endorsed by the Council of Ministers in December. The budget expects GDP growth of 7%, compared with 3% in 2021, supported by increases in oil revenues. Programmes such as the newly announced National Investment Strategy which will be driven by Shareek, a programme that looks to build partnerships between the public sector and private listed entities, will be key catalysts for the next stage in the evolution of the Saudi economy.

The Kingdom's commitments to sustainability also culminated in setting a target of net zero emissions by 2060. The desire of the Kingdom to be at the forefront of transitioning to a more sustainable existence is perfectly congruent with SABB's ambitions and it is exciting to participate in and support this journey.

### Performance against our strategic objectives

Our long-term strategic goals aim to reinforce SABB's position as a leading bank in the Kingdom, and as a provider of great services to customers and attractive returns to our investors.

As noted above, 2021 marked the start of the investment phase and it was pleasing to see solid progress in developing some of the key enablers for our longer-term goals, from setting up an in-house digital office to developing a fuller suite of mortgage products and enhancing our online mortgage offering. While doing that, we also seized the opportunity to participate in some key landmark transactions, including acting as one of the lead arrangers on the SAR 14 bln financing to fund the Red Sea Development project. It was also pleasing to see strong loan origination across all our key product areas, some of which were driven by the investments made

although we expect more to come from these investments during 2022.

As you can see, if one word were to sum up our strategy, it is 'growth.' And while we are very pleased to have seen the early signs of growth in 2021 resulting from our investments, we expect even greater growth in 2022.

### Sustainable financial performance

Delivering sustainable financial performance is a key feature of our strategy. SABB's financial performance during 2021 includes a return to profitability, continued loan growth with improvements in efficiency and asset quality. We generated SAR 3.9 bln of net income before zakat and income tax for the year and SAR 7.9 bln of revenue. Our financial results are robust proof-points of our resilience and progress made in 2021.

SABB has proposed a final dividend of SAR 0.36 per share for the second half of the year, bringing the total dividend relating to 2021 to SAR 1.8 bln in total.

### Importance of ESG

With ESG woven into both our strategy and the long-term transformation goals of Vision 2030, during the year we focused on formulating our ESG strategy. This initiative marks a critical transition for SABB and our customers, because we believe that a firm commitment to ESG, in both word and action, is absolutely necessary to achieve sustainable growth.

Operationally during 2021, SABB made positive contributions to this area by making the first ever 'green' deposit and working with our HSBC partners to provide our customers with the opportunity to invest in ESG-compliant funds. The genuineness of our commitment and success of our efforts were recognized when we were deemed to be 'The Leading Bank in Financing Sustainable Projects in the Middle East' by Global Finance Magazine, the award demonstrating SABB's growing strengths in this area.

### Right-sizing our governance and management structure

We are proud of the calibre and broad experience of both our board and senior management team. In February, our previous Managing Director David Dew took the decision to retire after 11 years as Managing Director. The Board is extremely grateful to David for his contribution and commitment to SABB's journey. Tony Cripps joined the Board and succeeded David as Managing Director, and I am extremely excited about the future of the bank under Tony's leadership. Tony brings a wealth of experience, having worked in a number of growth-oriented geographies during his time at HSBC. Mathew Pearce also ended his tenure as Chief Financial Officer, and we welcomed Lama Ghazzaoui, a much seasoned Saudi CFO, to SABB.

I am especially grateful for the diligence and professionalism of my Board colleagues. They each devoted much time and effort to meeting regularly and discussing key matters, such as integration, strategy, risk management, culture, talent and customer experience, all while dealing with the continued challenges brought by the pandemic.

I also extend a sincere note of gratitude to our staff at all levels, who are the driving force behind the accomplishments of the bank during 2021. Both the Board and senior management are very proud of, and grateful for, their devotion, empathy, resilience, expertise and professionalism in these continued challenging and unprecedented times.

And, finally, I extend our gratitude for the guidance and support of the Saudi government, especially our regulators at SAMA and the CMA.

**Mrs. Lubna S Olayan**  
Board Chair