

# Managing Director's message

2022 marks the first full year under my tenure and is a good point to reflect on our performance since we launched our strategy in 2021. My remit was straight forward: grow and enable the Bank to regain its positions of strength, while ensuring we remain relevant for our customers and clients far into the future. We set ourselves a range of targets for 2025 and it's really pleasing to see a range of solid achievements highlighting the progress we have made in the first 18 months since launching the strategy, ultimately leading to higher returns.

2022 has remained a challenging year globally, with growing economic and geo-political pressures. Despite this, the local economy has performed well, the price of oil strengthened during 2022 and benchmark policy rates increased, leading to an increase in SAIBOR, which benefitted SABB given our sensitivity to rates from our largely corporate-focused portfolio. The Kingdom's transformation continues at pace despite the global pressures and has emerged stronger from 2020 and 2021 which were unprecedented times due to the global COVID-19 pandemic.

Looking back, our theme of 'Accelerating our investments...delivering on our promises...' remains a fitting conclusion for 2022, but as always there is more to be done.

## Investing strategically in our businesses

We announced a series of strategic targets for 2025: regain lost market share and a range of financial targets, and these together would be proof points of delivering value to our shareholders and other stakeholders. And in order to do this, we would be investing SAR 1.5 bln into digital transformation, enhancing our products in focused growth areas and developing our people.

One of the initial focus areas was to invest in our mortgage proposition and to develop a suite of products that would make us more relevant and competitive. We completed this phase at the start of 2022, and during the year we have grown our mortgage originations market share to three times what we had achieved in 2020. Digital investments were not limited to just the mortgage business, with digital transformation being a key theme across the retail business. Developing more digital journeys, services such as SABB360 and SABBbot and a leading mobile banking app, have enabled our digital penetration to increase to 85% and mobile active customers to increase to 91%.

Wealth has also been a strategic focus and towards the end of the year we launched Global View Global Transfer ('GVGT') which allows our customers who also have HSBC accounts globally, to connect these accounts seamlessly. This was a pleasing accomplishment, especially given the digital investment, but also the collaboration with HSBC, and provides us with a unique differentiation in the wealth-space that no other Saudi bank can replicate.

During the year we transferred the retail brokerage, asset management and margin lending businesses from our associate, HSBC Saudi Arabia (of which we own 49%), to our wholly owned subsidiary, Alawwal Invest, concluding the integration towards the end of 2022. Having full control of this business will allow us to develop a more holistic wealth service for our higher net worth customers, a customer segment which will be a key strategic focus for 2023.

In our corporate business, a tremendous focus was given to our MSME business given the sector's importance to Vision 2030. We developed a bespoke banking app called 'SABBcorp Mobile' which successfully launched in 2022 and has already attracted over 16k downloads in the first six months of

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being live. The app will allow users to authorise and make a range of transactions using the Sarie 24-hour instant payment system including a wide range of payments, authorising salary payments, generating passwords, and viewing and accessing real time account statements. We also successfully integrated the Monsha'at platform with our own customer relationship management system, enabling easier access to funding and more efficient transacting for our MSME customers.

Our business-as-usual support of the large transformational projects, or giga-projects, continues with focus on key growth sectors including tourism, entertainment, hospitality, real estate, health and education. We are proud to be working on a number of NEOM-related projects.

We have also continued to invest in our Treasury business with the piloted launch of our Digital FX platform which enables our customers to gain access to improved foreign exchange rates with a speedier transacting process.

## Delivering on the promises we made

The examples detailed above allow us to be more relevant and competitive, but we expect the real value of these investments to bear fruit in the medium-term. But it has been really pleasing to see success in a range of metrics during 2022.

If I go back to the statements I made earlier with respect to regaining market share and hitting the targets we set ourselves for 2025, we have delivered tangible progress, including two consecutive years of high single digit loan growth after a number of years of deleveraging. There is still more to be done, but having slowed the pace of market share losses and invested during 2022, we strongly believe that our market share is now at an inflexion point.

From a financial perspective during 2022, we have delivered 26% revenue growth, 6.9ppt decrease in cost income ratio, 3.7ppt expansion in return on tangible equity, whilst maintaining a strong capital position of 17.7% CET1. Given our portfolios' sensitivity to movements in SAIBOR, and where we exited the year on net special commission income margin or 'NIM', we

expect further expansion in returns into 2023, bolstered by the range of strategic investments mentioned above. So it's very pleasing to reiterate that we're delivering on the promises we made.

## Leading on sustainability

In September, I had the pleasure of announcing our Environmental, Social and Governance strategy, which we have spent much of 2022 planning. Our strategy is detailed further in this report, but the transition opportunity that exists in the Kingdom is unparalleled, and the banking sector will play a pivotal role in the country in helping customers transition to more sustainable modes of operating.

I have previously served as the Chair for the Green Finance Working Group on behalf of the Monetary Authority of Singapore (MAS), and I hope to bring my experience in this field to the banking sector in KSA, where we truly believe that we can provide leadership on the topic. During 2022, we have set up the internal governance framework and have hired several full-time employees to drive forward the strategy at SABB. One of the first areas was internal education, so we developed a training programme built in conjunction with a leading international university that has been delivered to over 70% of the workforce. We have also started to build in more ESG-related factors into our lending decision-making, enabling us to capture more information that will in turn allow us to support our customers' transition journeys. We have started to, and will continue to expand our product portfolio to include more sustainable finance products. Being awarded Global Finance's 'Best Bank for Sustainable Finance in Saudi Arabia' is testament to the progress we have made in 2022.

Lastly we have also made a range of commitments in our strategy, which are summarised later in this report. These include achieving Net-Zero emissions in our operations by 2035, scaling up our sustainable financing products and investments to SAR 34 bln by 2025, and planting one million trees, as part of the Saudi Green Initiative. Declaring our commitments on ESG is incredibly important and allows for SABB to be held to account going forward.

## Accelerating our investments... Delivering on our promises...

To conclude, 2022 has been a year where we have driven forward our medium-term growth agenda by investing strategically and with discipline. And despite being in a transformative stage in our current lifecycle, we have also delivered firm financial results, some of which are ahead of where we expected them to be at the start of this strategic plan. This has also translated into a more optimistic outlook from our investor community, with the Bank's market capitalisation ending 2022 at SAR 80 bln, an 18% increase in the year.

And we have delivered this in a challenging environment, where competition remains heightened locally, and uncertainty and volatility remain in global economies and financial markets.

This would not be possible without the extreme hard work and dedication of our employees, and my fellow senior management and Board members. My gratitude also extends to the Saudi Central Bank, the Capital Markets Authority and the various government agencies and ministries, who have shown robust support for the banking sector. Lastly, I would like to thank our customers and clients for the faith they hold in our great banking franchise.

## Mr. Tony Cripps

Managing Director

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