



This report marks another milestone in our reporting process; moving from sustainability to integrated reporting. It therefore focuses on all aspects of value creation and the interconnections between them. Through our integrated strategies we have been able to forge ahead towards achieving the targets laid down in our Strategic Plan for 2015-2019, despite economic headwinds.

Dear Shareholders,

On behalf of the Board of Directors, it is with pleasure that I present to you the Integrated Report of The Saudi Investment Bank for the year 2017.

During the year under review, The Saudi Investment Bank faced both challenges and opportunities. There was the economic slowdown in the Kingdom brought about by reduced oil prices and curtailing of government expenditure. However, the Saudi Government is forging ahead with the Vision 2030 strategy, which it unveiled in 2016, opening up new vistas. The banking industry globally is still grappling with the repercussions of the crisis at the end of the last decade. The new regulatory frameworks and standards are making capital and liquidity requirements and credit impairment provisions more stringent, threatening to lower the profitability of financial institutions.

Banks, as financial intermediaries are custodians of depositors' funds. In the present environment where there have been major concerns with prudent fund management, governance is the foundation on which we can build confidence. While we have had strong governance practices in place we are continuously striving to improve them. In recognition of our strong governance environment, the Bank was ranked first amongst all Saudi listed companies at the First Annual Corporate Governance Conference hosted by Alfaisal University 2017. Our robust policies, systems and processes are a firm foundation for us to build trust in the financial marketplace.

Compliance with the new statutory and regulatory requirements brings a need for improved mechanisms to ensure all internal processes comply with local and international best practices. Up-to-date information is needed on a real-time basis so that corrective action can be taken swiftly when necessary. We have developed cutting edge IT solutions to support our compliance procedures. Much of the information that the Bank stores is highly sensitive and confidential and today cybercrime poses the threats of unauthorised access, theft or corruption of data. Our IT security systems need to be robust enough to measure up to these threats. The Bank takes countermeasures on an ongoing basis to identify, prevent and correct any vulnerabilities. Promotion of customer awareness and staff training also mitigates these threats. SAIB also leverages the potential of Information Technology to provide the best possible service to attract and retain customers. Several digital-based initiatives were mounted during the year to add value to our products and services.

The nature of banking operations makes prudent management and monitoring of risk imperative. SAIB has a sophisticated risk management framework in place with well-defined policies, systems and processes. At the operational level, these translate into the risk appetite framework, which lays down the level of the risk the Bank could prudently take. The actual degree of risk taken is rigorously monitored against the risk appetite.

SAIB's strategies are built on the ethos of sustainability which is reflected in our five sustainability pillars: Nummow (growth), Takleef (responsibility), Re'aya (workforce), Hifth (environmental protection) and Awn (helping others). The pillars underpin our commitment to ethical conduct, the care with which we nurture our human resources, our concern for preserving a liveable planet for future generations and helping the less fortunate in society. All of these will bring us commercial success and growth. While we seek to grow, we do not have a narrow focus on the bottom line. As with governance we need the systems and data to support our sustainability initiatives. Our Sustainability Dashboard Management System has been developed to ensure timely availability of accurate data for decision-making to achieve short and long-term sustainability objectives. Despite the headwinds we have been faced with in the economic environment, we have continued with the implementation of our Strategic Plan for the period 2015-2019 and its attendant strategic initiatives.

This Report marks a major milestone in our reporting process. After moving to sustainability reporting in 2011, this is our first integrated report. Whereas formerly sustainability was presented separately from our financial reporting, in this report we integrate the economic, social, and environmental aspects. We seek to bring out how we create value for all our stakeholders including shareholders, customers, business partners, the environment and the community, and the interconnections between the different aspects of value creation.

The Bank makes dividend payouts balancing the need to give a satisfactory return to shareholders whilst maintaining sufficient retained earnings for future growth. A dividend of SAR 350 million equal to SAR 0.5 per share for the year 2016 was approved by the Board of Directors and paid in April 2017. A bonus share issue of 50 million shares with a par value of SAR 10 per share, or 1 share for each 14 shares outstanding was also made.

With the rapid changes in banking procedures and environment we recognise the importance of keeping the staff abreast of the changes and being able to cope with any resulting challenges. We do not stint when it comes to providing our employees with the training necessary to excel in their tasks. In line with the goals of Vision 2030 we continue to enhance Saudization of our workforce and also strive to increase the percentage of women.

I look forward to 2018 with confidence that we can continue to overcome any challenges and continue to generate value for our stakeholders as well as for the Bank. In doing so, we will continue to help realise the aspirations of the Kingdom and the Saudi people for economic growth and well-being in a conducive environment.

Abdallah Saleh Jum'ah
Chairman