



In a rapidly changing environment, we focus on constant innovation to deliver to our customers the products and services that will delight them. To face this challenge, we need to develop our human resources so that they will measure up to the demands placed on them. As a socially conscious financial institution we do not single mindedly focus on the bottom line – preserving the environment and giving a helping hand to the community are also among our strategies.

Message from the Chief Executive Officer

It is with pleasure that I invite you to review the Integrated Report of the Saudi Investment Bank for the year 2017. In this Report we have made a concise presentation of the Bank's financial and non-financial results for the year.

Our focus on sustainability

The culture of SAIB is founded on the underlying philosophy of building an organisation that will last and continue to deliver value in the long term to all our stakeholders. This is the bedrock which underpins our sustainability pillars which in turn underpins all our policies, systems and procedures. Our sustainability pillars are closely interconnected and reinforce each other. In the evolving economic, social and regulatory environment we need to look at sustainability as a broad canvas, including not only financial but also social and environmental considerations. To be effective, sustainability considerations need to be incorporated into all our activities and their importance needs to be instilled into our employees as well.

Our performance

It is heartening to be able to report that in 2017 the Bank was able to achieve an increase in its net income of 34% over the previous year. While assets, loans and advances, and investments remained almost constant, we were able to achieve a satisfactory reduction in non-performing loans and advances. The Bank repaid a five-year loan facility of SAR 1 billion on schedule during the year, which demonstrates our prudent financial management. This gave us the credibility to secure a new loan facility for the same amount which will be repayable in 2022. To strengthen our regulatory capital base, the Bank also issued SAR 285 million under a Tier I Sukuk programme which was initiated in 2016. We were also able to achieve a significant improvement in our net efficiency ratio, reflecting effectiveness in control of resources. Our capital adequacy ratio at end 2017 also improved over that of 2016.

The International Financial Reporting Standards (IFRS 9) – “Financial Instruments: Recognition and Measurement” has been implemented with effect from January 1, 2018. The Bank is fully in compliance with SAMA guidelines in this regard as well as in respect of applicable Basel III standards with respect to capital requirements. The Internal Capital Adequacy Assessment Process (ICAAP) for 2018, Stress Testing Report as of December 31, 2017 and Internal Liquidity Adequacy Assessment Process (ILAAP) for 2018 were prepared in accordance with the SAMA guidelines.

Nurturing our human resources

Providing the best possible service to our customers and innovating the products and services they need in a rapidly changing environment, place demands on human talents, skills, aptitudes and attitudes. We strive to build our human

resource strategies around building diversity and promoting inclusiveness. In line with the aspirations of Saudi Arabia's Vision 2030, we are seeking to increase our young workforce and our women employees; we are also promoting Saudization. At the end of 2017, 88.6% of SAIB's workforce were Saudis, 19.0% were female and 38.0% were below 31 years of age. Through our recruitment procedures we aim at the cream of the talent available in the Kingdom, giving special attention to women. We are careful to place our new recruits in the roles they are most suited for according to their talents and aptitudes. SAIB has reserved hiring for office and administrative levels to Saudis.

The performance management process at SAIB has been crafted to align individuals' performance targets, appraisals and training with the goals of the Organisation, both short term and long term. Our training plans are drawn up to ensure that our employees can meet the evolving needs of the banking industry, conform to new regulatory requirements and meet customer expectations. A judicious mix of all possible methods is used in our training programmes.

Customer relations

Our customers are our lifeblood and the banking industry is a highly competitive one. Keeping in mind the changing tastes and preferences of our customers we make the best use of digital and mobile platforms to optimise our service delivery. We strive to keep our banking products and services as user-friendly and accessible as possible which is vital to draw new customers as well as to retain existing customers. A large number of initiatives were rolled out during the year to build our retail banking franchise; consumer lending and core deposits were aggressively promoted.

Developing the SME sector is also a priority for us, which once again is aligned with the Vision 2030 strategy. The added value we delivered to the sector during the year included escrow accounts, payroll services and streamlining credit processes. Affluent banking customers were also identified as a lucrative segment to promote and special provision has been made for such customers at branches. We have put in place specialised teams catering to different customer segments, such as ladies, youth, and affluent customers to give more focus to product and service development and delivery. To retain our customers, it is necessary that we be close to them and be aware of customer sentiments. To this end a customer satisfaction survey was conducted to feel the pulse of the customer. The survey gave us very useful feedback, particularly regarding branch service. We also promptly investigate and respond to any customer complaints and give appropriate redress when this is deemed necessary.

Leveraging information technology

Being at the forefront of Information Technology developments is essential for our competitive edge, as most of our product and service innovations are built on IT platforms. A striking innovation that was introduced during the year was the automated appointment system at branches to cut waiting and service times. Improving our efficiency brings demands for re-engineering our processes – achieving an increased output with fewer resources – and cutting turnaround times. SAIB also uses all possible channels, including website, email and social media to market its products and services. Social media is an especially effective tool as customers can share their experiences with one another.

The environment and society

Protecting the environment is one of our sustainability pillars. Although as a financial institution our direct impact is limited, we make our contribution by carefully tracking our consumption of energy, fuel, water and paper and striving to minimise them. Beyond this, we endeavour to make a broader impact by reducing our impact across our value chain. Making a contribution to the community, especially to the less fortunate in society, is another of our key strategic objectives. Our initiatives in this direction include financial education, community development, health and helping the differently abled. We build links with community organisations, with which we partner in delivering our social programmes.

Preparing for a cashless world

The world is moving towards a cashless society which has widespread implications – on business processes, trade and especially on banking and finance. The wider impacts on economic systems and society may be difficult to foresee at this point. Although much of banking is already cashless, the entire concept of money could change which will bring with it a profound psychological shift. There could be legitimate fears arising from the fact that every transaction a person makes is in principle, traceable. This would bring with it increased demands from banks, especially regarding IT security. With this background it is important that we proactively hone our systems and processes to be aligned with this dramatic change in the economic and financial landscape.

We look forward to working productively with our employees to ensure the sustainability of the Bank in the years ahead. We are confident that with the strengths of the Bank we can find opportunity even in adversity, and continue to grow, prosper and deliver value to our stakeholders.

In conclusion, I wish to thank the Board of Directors for their guidance and support, our employees for their dedication and commitment and our customers for their continued patronage. I also wish to express my gratitude to our shareholders and investors for the confidence they have reposed in us, and without whose support the continuance of the Bank would not be possible.

Musaed Mohammad Al-Mineefi
Chief Executive Officer