

Saudi Arabia: The transformation continues

The country’s ongoing diversification from oil brings economic resilience



The annual Saudi National Day celebrations include dramatic firework displays around the country

Every September 23 the skies above Saudi Arabia light up with dazzling displays of fireworks to celebrate Saudi National Day. Marking the anniversary of the country’s naming in 1932, it’s an occasion when the population reflects on what has been achieved over the decades. This year, the commemoration may be a particularly proud affair, as the country looks back on the resilience it demonstrated during the pandemic and the huge transformation it has experienced since 2016.

That year, Crown Prince, Deputy Prime Minister and Minister of Defense Mohammed bin Salman bin Abdulaziz Al Saud launched the ambitious Vision 2030 development plan with the aim of, among other things, diversifying the economy away from oil, creating a more attractive environment for local and international investors, opening up new innovative sectors and promoting a vibrant Saudi society. Five years into its implementation and, despite the pandemic, the country is ahead of the vision’s targets. Between 2015 and the end of 2020, non-oil revenues grew 222 percent to reach \$98.4 billion, investment inflows increased by 331 percent to \$4.7 billion, foreign investor holdings on the Tadawul stock exchange were up 196 percent at \$55.5 billion and Saudi home ownership rose from 47 percent to 60 percent.

Like most nations, Saudi Arabia experienced economic contraction in 2020, but the efforts made over the last five years laid the foundation for a rapid return to form. After witnessing a 10.1 percent expansion of its non-oil sectors in the second quarter of 2021, independent research firm Capital Economics now predicts the country’s gross domestic product will grow by

4.8 percent this year and by 6.3 percent in 2022. A clear indication that the economy is firmly on the road to recovery is the recent performance of the Saudi financial sector, with its top banks recording a surge in year-on-year profits in both the first and second quarters of 2021.

At \$245 million, the highest growth in net profits over the latter period was recorded by Saudi British Bank (SABB). “Throughout the pandemic, the industry stayed quite strong, well capitalized and had lots of liquidity,” asserts SABB Managing Director Tony Cripps, who is looking forward to the future.

“Saudi Arabia has been going through a journey over the last five years and is becoming intensely outbound and open—it’s hugely exciting.”
Tony Cripps, Managing Director, SABB

“The recovering economy, plus the reflation of asset and commodity prices and resilience of the finance sector are positives. I think the next few years are going to be great: Saudi Arabia has been going through a journey over the last five years and is becoming intensely outbound and open—it’s hugely exciting.” Established in 1978 and 32-percent owned by the HSBC Group, this March SABB completed a historic merger with Alawwal Bank to form the country’s third-largest bank with total assets of about \$73 billion. It now



provides integrated services to 1.7 million retail and 27,000 corporate and institutional customers. Aiming to better support those customers and Saudi Arabia’s transformational ambitions, the merger has been a success, with SABB being named the best bank in the country by both Euromoney and Global Finance Magazine in 2021.

New national champion in banking

One of the benefits of the merger is a much larger branch network, which will enable SABB to increase the contribution retail banking makes to its overall business from 25 percent to 30 percent, says Cripps. “The merger gives us a bigger platform in the domestic market, both in terms of retail and small and medium-sized enterprises (SMEs). At the same time, we want to grow our institutional and corporate business. SABB has an advantage in the international affluent customer space: if you are a SABB customer, your account will be linked to all of your other HSBC accounts globally, you will be able to transfer money instantly and so on. There is no other bank in the country that can do that. Our focus is the internationalization of the Saudi market—given the government’s focus areas, a bank that can serve an international network is in a position to offer unique retail and corporate services.”

To maximize the effectiveness of its network, SABB is making substantial investments in technology. For instance, it has recently launched a tap-on-phone payment solution app with Saudi fintech firm Geidea, he reveals. “In the next three to five years we will spend \$400 million on digital technology,



Tony Cripps
Managing Director
SABB



Rayan Fayeze
Managing Director
and CEO
Banque Saudi Fransi

with the majority being spent in the next 18 months. That is twice as much as SABB has ever spent on technology. Leveraging fintech capabilities, like our partnership with Geidea to help strengthen our offering in the payment space, sums up our domestic strategy.”

Modern and innovative services

Another frontrunner in digitalized banking is Banque Saudi Fransi (BSF)—as you would expect from a bank that is missioned to be the Gulf region’s most modern and innovative. Established in 1977 and managing assets valued at around \$52 billion at the end of 2020, BSF has an extensive branch network and online presence, through which it provides a full range of commercial banking services to domestic and international customers, with whom it fosters loyal and personalized partnerships.

BSF’s Managing Director and CEO, Rayan Fayeze, confirms that the Saudi banking system showed resilience last year. “At BSF, we successfully hit several of our original key performance indicators and targets, and we entered 2021 with optimism.” One of those targets saw BSF becoming the first Saudi bank to launch an e-signature service. Another was the completion of the first phase of a three-year core banking system transformation program that is delivering enhanced customer-centric digitalization and efficiencies. “When it comes to digital, we think of it almost as a state of mind. Digitizing the customer journey is at the center of all the initiatives that we are currently implementing—we are starting to see the fruits of some of our



investments and will see a lot more in the next 12-18 months,” comments Fayeze.

The country’s digitalization as a whole has accelerated, with it ranking third globally for 5G deployment in 2020, for instance. That acceleration is mirrored in its banking system, Fayeze says. “The digital readiness of the banks, Saudi Central Bank (SAMA) and Saudi Payments, the owner and operator of electronic payment systems, is high. During the pandemic, we have seen contactless payments skyrocket and the adoption of online account opening is going very well—everything related to the targets of going into a cashless society has seen an unbelievable spike. It is a matter of convenience as well: the moment you get used to something like Apple Pay, there is no turning back. The digital shift may have been expedited by the pandemic, but it is something that we have benefited from in Saudi Arabia and will continue to utilize to our advantage.”

One way that shift is being facilitated is through the encouragement of innovative local fintech businesses by both SAMA and astute banks like BSF. “Fintech is an area that is very promising here as good talent and opportunities abound. What we are seeing is exciting and excellent ideas are coming into fruition. For BSF, we are looking at this both as competitive threat but also as an opportunity for collaboration and partnership,” he notes

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Rayan Fayeze, Managing Director and CEO, Banque Saudi Fransi

While BSF’s main focus is corporate banking, it has seen recent growth in its retail business, especially in relation to housing, which contributed to the bank’s net profits soaring by 76 percent in the second quarter of 2021. “Mortgages support the Vision 2030 objective of increasing home ownership. Realizing this objective entails collaboration with various stakeholders and the partnership between the public sector, the banks and the private sector works so well: more Saudis now own homes, more developers are building, banks are lending and the government continues to be supportive in pushing that objective,” Fayeze states.

Driving BSF’s corporate business are the Saudi giga projects that are taking shape, such as the Red Sea Project, one of the world’s most ambitious tourism developments. In April, the project was granted a \$3.77-billion green loan and revolving credit facility in a deal led by BSF and also in-



Maher A. El-Ajou
Vice Chairman
Abdul Ghani El-Ajou
and Sons Holding
Trading Co.



Hussain Hanbazazah
Director
Ithra

volving SABB, Riyadh Bank and Saudi National Bank. “We are financing the project, but also the construction of its airport and utilities. Each of these giga projects creates an entire ecosystem that drives activity and business,” explains Fayeze. He adds that a big factor in BSF’s decision to lead the financing was the project’s exceptional environmental standards. “It is in line with our efforts to keep ahead of the curve on environmental, social and governance (ESG) issues. ESG is good for the economy, for business, for shareholders and, obviously, it is good for our planet, and we can be at the forefront of that.”

A global beacon for tourism, heritage and culture

The Red Sea Project is an initiative of the state-backed Public Investment Fund, which is pumping \$40 billion a year into strategic investments to diversify the economy into areas such as tourism. A notable priority of Vision 2030, in 2019 Saudi Arabia boasted the world’s fastest growing tourism sector. As well as a rising amount of tourist facilities, visitors can enjoy hundreds of heritage sites, fabulous scenery, a wealth of traditions, great food and a thriving cultural scene.

The key enabler of that scene is the Eastern Province’s King Abdulaziz Center for World Culture (Ithra). Housed in an award-winning 90-meter-high architectural masterpiece, energy giant Saudi Aramco’s flagship citizenship initiative opened its doors in 2016. Since then, it has welcomed in excess of 1.7 million visitors in person, millions more to its innovative virtual platforms, been named one of Time Magazine’s top-100 global places to visit, and organized over 11,000 world-class programs and events that are centered around art, knowledge, creativity, culture and community.

“Our mission is to inspire hearts and enrich minds. The vision behind our programs is to allow people to grow in what they are passionate about, whether that is science, technology or the arts. It is important for us to have programs that are not only geared toward visitors but also to artists and the creative community,” says Hussain Hanbazazah, Ithra’s director.

In just a few years, the center has become a vital catalyst for local talent and content across a myriad of creative industries. It is, for example, already one of Saudi Arabia’s leading film producers. But Ithra is ambitious to go further, according to Hanbazazah. “I believe that Saudi Arabia can become a global cultural hub and Ithra is definitely in the middle of that as the leading cultural destination in the region.”

The private sector drives the economy forward

As well as prioritizing the development of the country’s cultural landscape, the government is encouraging greater private sector participation in the diversification of the Saudi economy. Since 2016, the number of manufacturing factories located in the country has increased by 38 percent to 9,984, for instance, while in 2020, it introduced a new Private Sector Participation Law to modernize the legislative framework for privatizations and public-private partnerships.



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Ayman Tamer
Chairman and Partner
Tamer Group

Backed by a supportive government encouraging local investment and development, Saudi Arabia’s most prominent enterprises are at the forefront of driving the country’s economy forward. A key example is Tamer Group, which marks a century of operations next year. Founded as Saudi Arabia’s first pharmacy, in 2020 it recorded revenues of \$2.12 billion from a diverse business portfolio that extends throughout the Middle East and North Africa (MENA).

It is the country’s top supplier of pharmaceuticals, but its experience and state-of-the-art resources also make it a partner of choice for third-party logistics and the regional distribution, sales and marketing of international medical devices and solutions, consumer goods, beauty, personal care and prestige brands. According to Chairman and Partner Ayman Tamer, “Our 100th anniversary is a testament to our purpose, which is to serve our community and make a brighter, healthier future.” Tamer Group is far from complacent about its success, he says. “It’s imperative to continue to diversify and innovate, to have a spirit of entrepreneurship and a zest for growth.”

This spirit is evident in an ambitious transformation strategy that is accelerating rapidly. Its initial focus was to ensure operational excellence by introducing cutting-edge digital internal processes and systems. Secondly, Tamer Group optimized its business-to-business e-commerce platforms to make them more customer centric. The third wave of Tamer Group’s transformation includes rolling out more digital sales channels, which began in June with the purchase of a majority stake in Mumzworld, the Middle East’s largest e-commerce site for mothers and babies that currently supplies over 250,000 products to a loyal community of 2.5 million women in 20 countries, Tamer states. “We are tapping into a completely new business-to-consumer market with the full potential to expand and diversify our products and services. Mumzworld is a market leader and has many years of further exponential growth ahead.”

“It’s imperative to continue to diversify and innovate, to have a spirit of entrepreneurship and a zest for growth.”

Ayman Tamer, Chairman and Partner, Tamer Group

Tamer Group will continue to grow its e-commerce activities organically and through acquisitions, and is bullish about the future of the Saudi economy, particularly in terms of healthcare, he reveals. “The economic and social trends all reinforce our positioning, and there is a growing demand from the healthcare market, which is the largest in MENA with an estimated size of \$45 billion. Digital health and telemedicine are among the highest growth opportunities, and we believe that other new verticals will emerge. We will continue our legacy with an eye on the future.”

Abdul Ghani El-Ajou and Sons Holding Trading Co. is another preeminent Saudi enterprise that is playing a substantial role in advancing the country’s economy. Established in 1958, the company is a leading national provider of, among other things, best-in-class office automation, digital imaging, printing, integrated business, space management, office furniture, information technology and medical equipment solutions.

In many of these areas, the company has partnerships with global frontrunners, such as Ricoh, General Electric Medical, 3M Medical and Dell, says Vice



Tamer Group has initiated an ambitious digital transformation

Chairman Maher A. El-Ajou. “They come to us because they need a better market share. We offer local know-how and added value, and we are always on the lookout for new ideas and opportunities.” The company reacted quickly to the pandemic to support its employees, customers and the country by, for instance, strengthening its online presence, digital services and product portfolio. “One important example is in healthcare, where we now offer COVID-19 testing machines, and we make testing kits and gloves,” El-Ajou comments.

Despite the crisis, it is business as usual in Saudi Arabia and Abdul Ghani El-Ajou & Sons Holding Trading Co. will maintain its focus on expanding and developing dynamic economic sectors, he asserts. “The country is stronger and more resilient than ever, and our economy will continue to grow significantly. We are very optimistic about what’s to come.”



**Transforming
Life for Millions
of Mothers**

Saudi healthcare, beauty, prestige and FMCG distribution and logistics expert Tamer, has now joined forces with Mumzworld, the Middle East’s largest Mother and Child e-commerce platform. Together they will continue to shape the region’s e-commerce ecosystem and support mothers and families across all MENA.

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Consolidation boosts strength of Saudi banks

Tony Cripps, Managing Director, SABB, believes an extensive international network is a unique advantage for customers



2020 tested the resilience of the Saudi banking sector. As managing director of Saudi British Bank (SABB), which is now the country's third-largest bank, how well did the sector respond to the challenges it faced?

COVID-19 created a shock across the world, but Saudi Arabia experienced a bit of a double shock because of the sensitivity of oil price to demand. Having said that, the resilience of the finance sector was better than expected. The quick rebound in oil price through global demand recovery helped, but also the government put policies in place to protect the industry, individuals and businesses against default. Thankfully, the industry stayed quite strong, well capitalized and had lots of liquidity, which is reflected in the recovery of the share price of most Saudi banks.

What is your outlook for the banking sector for the rest of this year?

We are generally optimistic: the resilience of the finance sector keeps a well-capitalized foundation for the recovering economy, and the reflation of asset and commodity prices are generally positives for Saudi, particularly as an exporter of energy. In addition, the Vision 2030 development plan focuses on particular areas that are also good for the banking system. For example, it set the ambition to get to 70 percent home ownership, which is in line with benchmarks like Australia and Canada.

"If you are a SABB customer and you are an HSBC customer, your SABB account will be linked to all of your other accounts globally and you'll be able to transfer money instantly."
Tony Cripps, Managing Director, SABB

Progress has been faster than expected, the government is really happy with that and will continue to support growth in the housing market. Its focus on housing is driving the retail banking sector and that has been predominantly captured by the largest domestic banks. SABB is seeing very strong growth in housing and it is a core part of our new five-year strategy, which includes a greater focus on domestic retail banking.

SABB has always been very strong in international and institutional corporate business and one of the reasons we have recently merged with Alawwal Bank was to give us a bigger branch network and platform in the domestic market—both for retail and small and medium-sized enterprises.

In March, SABB—which is 32-percent owned by the HSBC Group—completed that merger with Alawwal. What is your perspective on the consolidations that have been taking place in the Saudi banking sector.

When our merger took place, it was the largest the sector had seen, although it has since been eclipsed by the National Commercial Bank and Samba merger. These consolidations make for a stronger platform for the finance sector overall. I have come to the conclusion that financial systems with very strong core domestic banks are resilient by nature and it is not surprising that the government is encouraging these mergers to make way for strong national champions.

SABB recently signed an agreement with Saudi fintech company Geidea in order to combine the bank's digital services with Geidea's tap-on-phone app. How is SABB using technology to grow both its domestic and international businesses?

SABB's focus is to have the best apps and investment in our local digital strategy is key. In the next three to five years we will spend \$400 million on digital technology. That is twice as much as SABB has ever spent on technology. Leveraging fintech capabilities, like our partnership with Geidea to help strengthen our offering in the payment space, that sums up our domestic strategy.

Where SABB has an advantage over others is in the international affluent customer space. In the future, if you are a SABB customer and you are an HSBC customer, your SABB account will be linked to all of your other accounts globally and you'll be able to transfer money instantly, settle all of your bills and so on. There is no other bank in Saudi Arabia that can do that. Our ability to serve international customers is not limited to expats, it is also for Saudis who send their kids to schools overseas or own property abroad. We are able to service the international community in a way that most other banks can't. Technology is a key component of this, because the integration of our network has to use technology as its platform. Our focus is the internationalization of the Saudi market—given the government's focus areas, a bank that can serve an international network is in a position to offer unique retail and corporate services.

This year, SABB became involved in the groundbreaking \$3.77-billion green financing deal for the Saudi Red Sea Project, a huge new tourism development. What is SABB's standpoint toward environmental, social and governance initiatives?

We were a part of the deal with HSBC, which was the green coordinator for the transaction. It was the first corporate loan structure of its kind and SABB is one of the lenders. ESG is an area of personal engagement for me. I was chair of the industry advisory council for ESG to the Singapore government for three or four years and I became directly involved in how the industry was working with the government in looking at policy, taxonomy definition, risk advisory handbooks for transition, product development and so on. Most of that is quite nascent in Saudi Arabia, but SABB will play a role in helping the industry and the country develop the right structures and framework to make ESG central to what can be achieved.

If Saudi Arabia can develop an ESG framework that attracts foreign capital, it would be very important for how it funds infrastructure. SABB and HSBC can play key roles in this because of our international network; we can help bring best practices from Europe, the U.S. and Asia into the Middle East market and the kingdom.

There is a huge opportunity: I've spoken to the government here and in other jurisdictions and, if the framework can deliver green assets, we know the demand far outstrips the supply. If global investors can invest in Saudi Arabia through ESG initiatives, then it is going to become a popular investment destination for the international market. I'm very excited about giga projects like the creation of the new smart city, Neom, for instance—the first part of that is a green hydrogen plant, which requires \$5 billion in investment. That is just a perfect example of where international finance will look to go into that project, under the right conditions, of course.

You were appointed managing director of SABB in February. What are your priorities for the upcoming years?

One is digital—I think a digital focus is very important for the economy and the finance sector. There is momentum in that here. The



SABB is investing heavily in digitalized services

payments infrastructure in Saudi Arabia is quite good and the core focus on digital is excellent. The other is ESG. It is obviously such a huge opportunity for the country and the entire Middle East as an energy exporter and carbon-intensive region. I think it is going to be a great time in the kingdom over the next few years.

It is really interesting to look at the history of how people think about the Middle East, and the kind of opportunities that are now available here. There are pockets of internationalization that are happening throughout the world; Saudi has been going through this journey over the last five years and is becoming intensely outbound and open—it is hugely exciting.

There are also policies in place that are directed to help promote Saudi Arabia as a regional financial hub, like Singapore acts as a financial hub for Southeast Asia. These policies and the strength of the finance sector make it a very interesting, great market to work in. I am very happy to be here.

SABB introduces a new proposition in banking

SABB has merged with Alawwal Bank to form Saudi Arabia's 3rd-biggest bank

SABB has 1.7m retail customers, and 27,000 corporate and institutional customers

SABB is 32% owned by the HSBC Group

SABB has been providing banking services in Saudi Arabia since 1978

SABB is Euromoney's Best Bank in Saudi Arabia for 2021

Global Finance Magazine ranked SABB as Saudi Arabia's Best Bank 2021

At the end of June 2021, SABB was managing total assets of \$72,76bn, 2.2% up from June 2020

SABB will spend \$400m on digital technology within the next 5 years

Talent and opportunities abound in banking

Rayan Fayez, Managing Director and CEO, Banque Saudi Fransi, explains why the leading Saudi bank is optimistic for the future

Established in 1977 and one of the largest banks operating in Saudi Arabia today, Banque Saudi Fransi is highly regarded as an experienced, modern and innovative provider of world-class commercial banking services to its many loyal domestic and international customers.

In 2020, the economic environment in Saudi Arabia and the wider Gulf Cooperation Council region was marked by dual shocks: a decline in oil prices and the impact of the COVID-19 pandemic. In what ways did the pandemic in particular affect the performance of the Saudi Arabian banking system and Banque Saudi Fransi?

If you had told me a year ago that the Saudi banking system would be in the position it is right now, post pandemic, I would have been positively surprised. The country's overall economy, as well as its banking system have fared well and we are already seeing good signs of economic recovery this year.

The Saudi Central Bank (SAMA) has made quick interventions that helped support liquidity in the banking system and the Ministry of Finance has also taken decisive actions, such as introducing stimulus packages that were instrumental in keeping the economy going. These

“When it comes to our future corporate business, that will predominantly be driven by the big giga projects that are happening.”
Rayan Fayez, Managing Director and CEO
Banque Saudi Fransi

measures seem to have been effective, as we are at the point where it feels like we are slowly exiting the pandemic.

For us in Banque Saudi Fransi, 2020 was a year of cleaning up a lot of our bad debts while seizing unique opportunities in spite of the market being in a bit of an anxious state. If you take a look at our performance last year, you will see that we were able to successfully hit several of our original key performance indicators and targets. Although we also had to make way for significant provisions in 2020, we entered 2021 with optimism and we continue to be optimistic as we leave the pandemic.

In April this year, Banque Saudi Fransi announced it had become the lead arranger and key financier in a \$3.77-billion 15-year green loan and revolving credit facility for the developer of the Saudi Red



Sea Project, a flagship tourism development that is taking place on the country's west coast. What part do the government's planned giga projects play in your bank's business portfolio and what else is driving its growth?

Banque Saudi Fransi's portfolio is focused more on the corporate side of banking, which currently comprises around 80 percent of our balance sheet, although we are in the process of growing our retail business. When it comes to our future corporate business, that will predominantly be driven by the big giga projects that are happening, such as the Red Sea Project and other schemes that are in the pipeline.

Notably, when it comes to these projects we are not just financing the project itself. For instance, with the Red Sea Project, we are not only financing the tourism development but also the construction of its airport and its utilities. Each one of these giga projects creates an entire ecosystem that drives activity and business for the banks.

On the retail side of our operations, mortgages are the key driver—again, that sector has been a huge growth engine for us as well as the rest of the market—and we will continue to focus on this area.

The Red Sea Project financing deal is the first major green deal in a Saudi riyal-denominated loan facility. The loan will finance the project's first phase, which will see 14 hotels being built on islands in an archipelago, plus two more on the mainland, as well as the construction of an airport, housing, shops, leisure facilities and other businesses. Would you say the development was a good example of an initiative that is focused on environmental, social and governance (ESG) factors?

Indeed, the Red Sea Project is an excellent example. The management and the board of directors of scheme have focused a lot on it being a green and environmentally friendly project. The financing itself came as a natural extension, from an ESG point of view, to support a project that has carried the highest standards when it comes to environmental sustainability. It is a great initiative.

The development today is not physically accessible, simply because there is still nothing there. It's a group of islands and there's not even a single town close by. But myself and a few colleagues have had the privilege of taking a helicopter tour of the area—and it's unbelievable. The pictures alone don't do it justice.

How important is ESG for Banque Saudi Fransi and how is the bank



Digital services are core to Banque Saudi Fransi's offering

expanding its efforts in this arena?

ESG continues to gain traction as a global trend but, when it comes to the local Saudi market, it is something that has not been as strictly imposed on the industry when compared to the greater global banking sector. To date, there has not been any kind of requirement from regulators as to where banks need to invest or what percentage of our portfolio has to be in green projects. However, Banque Saudi Fransi recognizes the significance of ESG and, in line with our efforts to keep ahead of the curve, we have launched our own sustainability report that is related to disclosure in terms of ESG.

“ESG is something that is good for the economy, for business, for shareholders and, obviously, it is good for our planet.”
Rayan Fayez, Managing Director and CEO
Banque Saudi Fransi

We want to start giving more importance to ESG now instead of waiting for mandates. We have organized a large conference, the first edition of which took place in London in September 2019 and last year we had a virtual event in November.

The theme for that conference was “ESG: Opportunities where we all win.” We wanted to foster the idea of ESG as a win-win scenario and not just an imposition or a requirement to be fulfilled. ESG is something that is good for the economy, for business, for shareholders and, obviously, it is good for our planet in the long run—so thinking about it in this way is how we should approach it.

This is something that we are trying to do more of and build on within the bank. Having said that, I think the Saudi market overall is a little bit behind on its efforts in this area. We need to step up more, and we will. Ultimately, we can be at the forefront of these discussions.

Real estate lending has become an interesting segment for the country's banking sector since the government set the target of 70-per-



Banque Saudi Fransi has a cross-country network of 572 ATMs

cent home ownership among Saudi nationals as part of the Vision 2030 development plan. What potential does the mortgage segment have over the next few years, in your opinion?

I think mortgages have been one of the bright spots not only for banks but for the overall Saudi economy. Mortgages are the sole product that directly supports the objective of increasing home ownership for Saudis. Realizing this objective entails collaboration with various stakeholders, such as the Ministry of Housing and the country's Real Estate Development Fund—and I believe it is a prime example of having the right formula in motion.

This partnership between the public sector, the banks and the private sector works so well: more Saudis now own homes, more developers are building, banks are lending and the government continues to be supportive and push that objective. I think it is a great example of a successful private sector and public sector partnership.

With mortgages, we believe there are still a couple more years of excellent growth ahead but, naturally, at some point the growth will begin to taper off, given where we are now in terms of home ownership. At the moment, we are at about 60 percent for home ownership—the target was actually 60 percent by 2030, but it was increased given how well we have done as a country already. Again, this is testament to the successful partnership of the government and the private sector in seeing the objective met.

Sixty percent already appears to be quite a high proportion of householders to own their homes when you compare it to the levels in other countries. Why is home ownership so established in Saudi Arabia?

It is very high. I do not personally know how other countries are doing, but I know that part of the reason that we are successful in this endeavor is because home ownership plays a big role in Saudi culture. Maybe it is not the case in other places but, in Saudi Arabia, an individual's financial security is largely defined by a job and a house. That mentality is culturally engrained, so helping more of the population to achieve that kind of stability is good for them and for us.



The Red Sea Project includes a vast archipelago of more than 50 untouched islands, with direct access to thriving coral reefs

As digital channels continue to expand in the banking sector, traditional banks are increasing their efforts to grow their digital product and service offerings.

Banque Saudi Fransi is known for tailoring its digital portfolio to the needs of the local Saudi market and for being at the forefront of innovative services. For example, in 2020, it became the

“Everything related to the country’s targets of going into a cashless society have seen an unbelievable spike in the last year.”

Rayan Fayez, Managing Director and CEO
Banque Saudi Fransi

first bank in the country to launch an e-signature service. How does this approach to digital banking bring competitive advantages to your organization and do you plan to continue expanding the bank’s digital capabilities?

In my opinion, digital is at the core of what we do in banks these days. It is no longer a support function, it is a core function, and it is no longer something that you can outsource, it is something that you need to own. We invest heavily in IT infrastructure and are currently replacing our entire core banking system in a three-year program that will be completed by the end of 2022. We made our first release of our new system in December 2020 and there will be many more updates this year and next.

When it comes to digital, we think of it almost as a state of mind. Digitizing the customer journey is already at the center of all the initiatives that we are currently implementing, but our ambition is greater, we are never satisfied and we need to do more. We are starting to see the fruits of some of our investments and we will see a lot more in the next 12-18 months.

Has digital banking accelerated in Saudi Arabia in general as a result of the pandemic?

What we have seen over the last year is that the digital readiness of the banks is high, as is the digital readiness of SAMA and Saudi Payments, the owner and operator of electronic payment systems. During the pandemic, we have seen contactless payments skyrocket, we have seen the adoption of online account opening go very well and we have seen the successful market penetration of Apple Pay. Everything related to the country’s targets of going into a cashless society have seen an unbelievable spike in the last year.

To be frank, it really is a matter of convenience as well: the moment you get used to using something like Apple Pay, there is no turning back, you are not going to want to use something else. It is a global phenomenon. The digital shift may have been expedited by the pandemic, but it is something that we have benefited from in Saudi Arabia and will continue to utilize to our advantage moving forward.

In January this year, SAMA introduced new regulations to promote the Saudi fintech ecosystem, which included a licensing structure for debt-based crowdfunding activities that should benefit startups and a policy for open banking, which will allow customers to securely access more financial products across different platforms. How would you assess the potential in the Saudi Arabian fintech sector?

I think fintech is an area that is very promising in the country. Good talent and opportunities abound and, more importantly, the opportunities that arise are in market gaps that the banks have not been able to address. In particular, fintech is doing an outstanding job in financing or servicing small and medium-sized enterprises (SMEs) and micro-sized businesses.

Open banking regulations will assist the fintech sector a lot and the regulatory sandbox that SAMA has created also helps many fintech businesses to enter an experimental type of phase before they go live. What we are seeing now is exciting and a number of excellent ideas are coming into fruition.

For Banque Saudi Fransi, we are looking at this both as competitive threat but also as an opportunity for collaboration and partnership—we can provide our services to fintech companies for our mutual benefit and



E-commerce has become a vital part of Saudi life

growth. This is something that we have already done, and it continues to go well.

For example, we are an investor in the digital payments firm Hala, previously known as Halalah. Started by a group of young Saudi individuals, it is one of the leading peer-to-peer e-wallet payment systems in the country and it has done extremely well through the pandemic by successfully strategizing on how to pivot its business model toward becoming a digital bank for SMEs. Hopefully, we will see more of these kinds of partnerships in the future.

You have been CEO of Banque Saudi Fransi for three years now. If you eventually decide to step down from your position, what kind of legacy would you like to leave behind you?

I am fortunate and grateful to be the first Saudi national to run an international joint venture bank in Saudi, which puts a lot of weight on my shoulders. As such, I would like to leave a legacy behind of being known for developing good local talent and expertise. We have young, energetic local talent here that is at a par with, if not better than, some of our peers from around the world.

“We can provide our services to fintech companies for our mutual benefit and growth. This is something that we have already done.”

Rayan Fayez, Managing Director and CEO
Banque Saudi Fransi

The corporate banking business is one that we have developed great leadership in at Banque Saudi Fransi—that is something that I have inherited and will work hard to maintain.

Continuing to utilize top local talent to produce a standout retail business that people recognize in terms of customer experience, customer service, product offering and digital experience is another ambition that I have now. This is the legacy I would like to leave behind if I ever stood down from my position.

Banque Saudi Fransi: A frontrunner in digital banking services



BSF is a Saudi Arabian joint stock company established in 1977



BSF aims to be the region’s most modern, innovative and experienced bank



BSF provides its clients with 87 physical branches and 572 ATMs



BSF has a talented and skilled workforce of 2,693



BSF was managing assets valued at around \$52 billion at the end of 2020



BSF’s net profits rose by 76% in Q2 2021



BSF completed the 1st phase of a 3-year core banking system transformation in 2020



BSF launched the kingdom’s first e-signature service in 2020



BSF is the lead arranger of a pioneering green loan deal for Saudi Red Sea Project



BSF is a key partner and supporter of innovative Saudi fintech companies

A digital, customer-centric approach to the future

Ayman Tamer, Chairman and Partner, Tamer Group, reveals how the group is building on its legacy and tapping into new markets



Tamer Group is Saudi Arabia's top supplier and domestic manufacturer of pharmaceuticals, as well as being a leading regional player in the distribution, sales and marketing of healthcare, beauty, prestige, fast-moving consumer-goods and third-party logistics for international brands. Next year, Tamer Group will celebrate its 100th anniversary. What is the significance of this milestone?

It's a great honor to celebrate our 100 years with all our stakeholders. I recall when my father told me about my late grandfather Dr. Mohammed Said Tamer's commitment to the community and his dream of building a local industry in Saudi Arabia. Our 100th anniversary is a testament to our purpose, which is to serve our community and to touch everyone's lives, with the aim of making a brighter and healthier future. The anniversary is a celebration not only of our success but also of the resilience of the Saudi economy and its future prospects. We could not have achieved this milestone without support and endorsement from the government and regulations that encourage local investment and development, or without the support of our stakeholders, including our customers and the community we live in. Our journey has been one of growth, resilience and consistent service to the dynamic needs of our customers in the country and the region. We will continue to diversify, innovate and serve the region's future growth. It's imperative not to be complacent but to remain agile, to have a spirit of entrepreneurship and a zest for growth.

"Digital is now our primarily focus as a group, and we will grow this segment organically and by acquisitions."
Ayman Tamer, Chairman and Partner, Tamer Group

Tamer Group recently acquired a majority stake in Mumzworld, the Middle East's largest online marketplace for mothers and children. What is the strategic importance of this acquisition?

Mumzworld is a market leader. It owns the supply chain for mothers and children in the region and has recorded 10-times growth over the last five years, with many repeat and loyal customers. With all the compelling market drivers in its favor—such as a young population, strong birth rates, robust purchasing power, highly digitized consumers and increasing e-commerce adoption—we know Mumzworld has many years of exponential growth ahead and an inspiring, visionary management team.

The acquisition is part of our strategy to build our innovation platform to drive our digitization and transformation journey. We embarked on this

eight years ago and have reached three key transformation milestones. The first wave focused on internal processes and systems for operational excellence. This covered areas such as inbound and outbound logistics, optimization of transportation, last mile delivery, distribution management, supply planning, pharma manufacturing, quality management and third-party logistics services.

This laid the groundwork for the second wave, which focused on serving customers better using e-commerce platforms to secure our core business. This transformed the group's operations to become customer centric. We were then able to take more radical steps outside our traditional business-to-business activities by acquiring Mumzworld which is our third transformation milestone and tapping into a completely new business-to-consumer market with the full potential to expand and diversify our products and services. Digital is now our primarily focus as a group, and we will grow this segment organically and by acquisitions.

How has Saudi Arabia's pharmaceutical industry and Tamer Group been affected by the challenge of COVID-19?

Saudi Arabia has proven to be resilient against crisis of any magnitude and was recently ranked number-one for its response to the pandemic. The pharma industry was important to this success. In the early days, the supply chain was interrupted but the Saudi Food and Drug Authority embarked a bold strategy to ensure availability of essential supplies. It intervened when necessary at a government-to-government level to facilitate imports and maintain a sufficient inventory of COVID-related and chronic pharmaceutical products.

Tamer referred back to the original mission of our company, which was to introduce medicine in the Arabian peninsula. Therefore, we went back to basics to ensure an uninterrupted supply of essential food and medical products in the market. On the business side, we deferred a few projects, accelerated a new digital channel and, most importantly, we managed our cash flow. However, Tamer's first and foremost focus was our employees; their health, safety and security, which we never compromise.

The Saudi pharma industry is predicted to expand at an annual rate of 7.3 percent over the next six years. Which areas are likely to see the highest growth in your opinion?

Many areas will grow substantially. These include specialty products covering oncology, biological pharmaceuticals, biosimilars, vaccines and generics. In the foreseeable future, we expect to see a whole new array of pharmaceutical products, cell-based therapy and regenerative medicine that will alter the way medicine is received, with more personalization of treatment and the emer-



Tamer Group is expanding its e-commerce activities



Tamer Group is a key participant in the Saudi healthcare market

gence of gene therapy as well. The Saudi government is very serious about the localization of the pharmaceutical industry, bundled with superior quality products and exports to other Middle East and North Africa (MENA) countries. We are very bullish on the Saudi economy and healthcare in particular. The economic and social trends are all favorable and reinforce our positioning. There is also influx of foreign investment with more global players entering the market and a growing demand from the Saudi healthcare market, which is the largest in MENA with an estimated size of \$45 billion. The government has established many programs that support mega projects in healthcare, and our authorities offer incentives for manufacturing projects and export support.

The pandemic has also accelerated the pace of digitalization, so digital health and telemedicine are among the highest growth opportunities, although we believe that new verticals will also emerge in, for example, home healthcare, rehabilitation, behavioral medicine and specialty hospitals. Post-COVID, Tamer Group is refreshing its strategy to reflect the recent changes in the market landscape. In addition, public-private partnerships in healthcare are a

key component of the government's privatization plans. We will have to build our own capabilities in this space, tweak part of our business models to adapt for the new opportunities, and aim to partner with local and global players in that domain.

What are your current priorities as chairman of Tamer Group?
The first is ensuring we have a dynamic board that will drive the company to the future. The second is securing the right talent within the company, as they are our fundamental asset. We will focus on building new capabilities, acquiring new expertise, reskilling, up-skilling and, most importantly, retaining our team. Last but not least is environment, social, governance and data stewardship. Tamer Group should be part of global initiatives for a brighter future for the planet, people and prosperity for all. We need to adopt a sustainable lifestyle, change the way we operate, protect our environment and ensure that we develop society and nurture it to its full potential. It is time to act on our purpose to build a better future, a better environment and a better society.

Tamer Group: A regional leader that serves its communities



2022 marks TAMER Group's 100th anniversary



Diversified portfolio of pharma, medical devices/solutions, consumer goods, beauty, personal care and prestige



TAMER Group recorded revenues of **\$2.12 billion in 2020** with **CAGR of 11.3%**



Ranking **#1 pharma distributor** with **19.4% of the market**



Offers pharma **manufacturing capabilities in KSA and Egypt** bringing in latest **R&D from Japan** to serve **MENA region**



State-of-the-art 3rd-party logistics solutions to pharma, medical devices and consumer goods for **MNC partners**



Mumzworld, the largest online platform for mother and baby offering **over 250k products** and serving **more than 2.5m moms**



TAMER Group is employer of choice for more than **4,000 dedicated and motivated team members**

Local know-how brings added value for partners

Maher A. El-Ajou, Vice Chairman, Abdul Ghani El-Ajou & Sons Holding Trading Co., describes the potential within the Saudi market for international firms that collaborate with domestic experts



Established in 1958, Abdul Ghani El-Ajou & Sons Holding Trading Co. is one of the top 100 companies in Saudi Arabia. Among other things, it is a leading national provider of high-quality office automation, document imaging and printing, integrated business, office furniture, space management and storage solutions.

Over the years, Abdul Ghani El-Ajou & Sons has forged an extensive number of partnerships with leading international manufacturers in these areas. What added value do you bring to companies that are looking to expand into the Saudi Arabian market?

We have a presence across the whole country through our 18 branches and we try to maintain a certain level of market share—that is what our suppliers and partners look for. Leading international companies know how to enter a foreign market—it is something that they are used to doing. However, they opt for local partners where they can see that they will benefit from local know-how and added value.

“Our collaborations are always a good fit for both parties. Both established companies and new entries come to us because they feel that they need a better market share and partner.”

Maher A. El-Ajou, Vice Chairman
Abdul Ghani El-Ajou & Sons Holding Trading Co.

Our collaborations are always a good fit for both parties. Both established companies and new entries come to us because they feel that they need a better market share and partner, and we appreciate their trust and interest.

To give you a few examples of our partnerships, we have partnered with Ricoh, which is possibly the current world leader in office automation, and we have partnered with several prominent names in the medical sector as well, including General Electric Medical and 3M Medical.

What are some of the other sectors that Abdul Ghani El-Ajou & Sons is particularly active in at the moment?

We have a financial investments arm and we are also active in the medical sector. That is not just in terms of machinery, equipment,

furnishings and so on—the pandemic put the health sector under the spotlight and several new opportunities opened up in this industry as a result. One important example is in the testing field and we now offer a machine that does COVID-19 testing. We are also producing gloves and we make testing kits.

Your company is renowned for focusing its resources on relevant growth sectors of the Saudi Arabian economy and attaining leadership status in them by developing scalable and profitable businesses. How extensive do you think the opportunities are for you and your partners in the expanding Saudi education sector at the moment?

Education receives a big share of the government’s budget and the sector has substantial requirements, especially in terms of the new universities that are being built in Saudi Arabia. We have an excellent relationship with the Ministry of Education and a good market share with the existing universities.

Abdul Ghani El-Ajou & Sons’ mission is to excel in providing best-in-class solutions and services for its customers. How does that mission translate for customers in, for example, the Saudi financial sector?

We work with most of the banks. Of course, we provide them with office automation, printing and copying solutions, but there are also niche services that we offer that might surprise some people. For example, we supply fully integrated machines and systems that print and fold bank statements, and then inserts them into envelopes. We offer IT solutions that produce digital dynamic bank statements for our banking customers as well.

Abdul Ghani El-Ajou & Sons supports small and medium-sized Saudi enterprises and entrepreneurs through its unique FlyHigh program, which makes it easy for them to grow and adapt their IT solutions as their businesses develop. Why did you set up this initiative?

FlyHigh is a program under our office automation arm, El-Ajou Trading, which we launched two years ago in partnership with Dell Technologies. FlyHigh is not just a buzzword, it is a message—it says, “No matter the heights you want to reach, we are here for you so you can fly high.” We want to let our clients know that they can



Modern space management solutions are in high demand

depend on us when it comes to their business IT requirements; we are their partners.

Your workforce is highly rated for its professionalism and skills and you are known for attracting and retaining talented employees by offering them challenging career paths in a healthy work environment. How did the emergence of the COVID-19 pandemic impact your business operations?

I would like to start by saying that Saudi Arabia has come out of these challenges stronger and more resilient than ever. On our company’s level, we took several precautions. Live customer interaction went down, of course, but there has been an increase in the number of online customers we serve.

“Saudi Arabia represents 70 percent of the total Gulf region in terms of market size, it is a growing market and we are proud to be focused solely on it.”

Maher A. El-Ajou, Vice Chairman
Abdul Ghani El-Ajou & Sons Holding Trading Co.

We adopted a work-from-home culture: whatever could be done from home that would prevent our workforce from going out and putting themselves at risk was encouraged. This was implemented not only at a management level but down to the lower rungs of the ladder.

Did you observe any decline in sales performance or productivity with this shift in working culture?

Our performance remained above average. We had many requests from government and private-sector customers for our offerings that stayed on the market, and we increased our business in terms of our offerings. I would say it is business as usual for us in Saudi Arabia as, thankfully, we are one of the countries in the world that has been least affected economically, culturally and health-wise by the COVID-19 pandemic.

Would you agree that the digitalization of Saudi Arabia is accelerating rapidly and has Abdul Ghani El-Ajou & Sons also embraced new technologies?



Saudi Arabia’s healthcare sector is booming

Saudi Arabia is moving toward e-government—it is no longer a buzzword, it has become a reality. On the private-sector side, there are banking, retail and even food delivery apps now. What needed a week to be done in the past is done in five minutes today. I find this amazing. Banking and trading can now be done through your phone, but I think that it is e-government that is truly paving the way for this progress.

As far as Abdul Ghani El-Ajou & Sons is concerned, we have strengthened our web presence. Soon, you will be able to go into our system, order your consumer-end machines and just wait for them to be delivered to you in 48 hours.

Having performed so impressively over the last few years, does Abdul Ghani El-Ajou & Sons have any plans for further expansion either inside or outside of Saudi Arabia in the foreseeable future, and how optimistic are you about the future of the Saudi economy?

We are always on the lookout for new ideas and opportunities, but we have no plans to expand outside of the country. Saudi Arabia represents 70 percent of the total Gulf region in terms of market size, it is a growing market and we are proud to be focused solely on it.

Under Crown Prince, Deputy Prime Minister and Minister of Defense Mohammed bin Salman bin Abdulaziz Al Saud’s direction and vision, the Saudi Arabian economy is growing and will continue to grow significantly. We have started seeing and experiencing the amazing progress that has been and is being implemented on all fronts in the country, and we are very optimistic about what’s to come. That is another incentive for us to stay focused on Saudi Arabia.

When it comes to new sectors, we do have a real estate portfolio and arm, and we invest in lucrative opportunities. For example, we are buying shares in existing industrial products and factories. That is a way for us to enter sectors quickly and through businesses that are already successful. Our country has so many untapped treasures, not only for tourism, but also economic treasures.

We are also considering publicly listing our company. We don’t have a definite timeframe for that yet, but it is the direction we are headed in and we are making sure that the company is ready for an initial public offering as we speak.

Inspirational conduit for creativity

Hussain Hanbazazah, Director, Ithra, illustrates how the region's leading cultural destination acts as a catalyst for local talent



The King Abdulaziz Centre for World Culture (Ithra) is a landmark presence in Dhahran that has become the largest cultural contributor to Saudi Arabia since it opened in 2016. How did the COVID-related lockdowns we have all experienced impact its activities?

We looked back at our mission, which is to inspire hearts and enrich minds. So, while we physically closed our doors, we opened windows online through virtual and digital platforms with comprehensive programs and timely offerings. For example, we asked people to share their emotions during the pandemic, which you can see on the COVID-19 Journal on our website. While we thought people might be bored or scared, some were surprisingly optimistic: they spoke of being given an opportunity to get to know themselves again, being able to reconnect with themselves, family and loved ones, and exploring their strengths and interests. We have reached more than 1.7 million visitors through these platforms and were able to connect far beyond the borders of Saudi Arabia.

"It is important for us to have programs that are not only geared toward visitors but also to artists and the creative community as well."

Hussain Hanbazazah, Director, Ithra

We also collaborated with international agencies. Artists were greatly affected by the pandemic with the closing of cinema, theaters and other venues; there were limits to the showcasing of their art. With UNESCO, for instance, a movement called ResiliArt was established to discuss the impact on artists and how we could leverage COVID-19 as an opportunity for growth. It is important for us to have programs that are not only geared toward visitors but also to artists and the creative community as well. We want to act as a conduit for creativity in these trying times.

Could you describe a few of the activities that Ithra initiates?

We publish a full calendar of activities, programs, exhibitions and other events at the beginning of the year, which we update throughout the year. These integrate the pillars that we focus on: art, knowledge, creativity, culture and community. Ithra's vision is that our programs are a platform to allow people to mature and grow in what they are passionate about, whether that is science, technology or the arts. We offer more than 11,000 workshops a year, for example, which range from music, calligraphy, geometry and engineering to visual art. In October, we have the country's largest creativity festival: Tanween.

We believe that creativity is a powerful force and that everything we do in life needs an artistic touch in order for us to feel alive. With Tanween this season, we will be focusing on multidisciplinary creativity in areas such as design, communication and architecture. We hope to inspire the young people who will soon be engaged in these 21st-century jobs and one way of doing that is giving them access to recognized global leaders and celebrities in their field.

In April, Ithra was awarded the kingdom's 2021 Cultural Institutes Award at the National Culture Awards. How important is this recognition?

The very existence of the award is a testimony to how the government takes pride in and is prioritizing the development of the cultural landscape here. Ithra is not motivated just by visitor numbers, we are looking to increase participation as well, and it was amazing to see that some of the other winners at the ceremony had been participants in Ithra events at the start of their careers. Ithra has played a part in their development and growth, which is an achievement in itself.

The award motivates us to continue to be a catalyst and a platform for young people and local content. As an example, we are the country's largest film producer, with three or four films on Netflix at the moment.

I believe that Saudi Arabia can become a global cultural hub and Ithra is definitely in the middle of that as the leading cultural destination in the region that showcases a myriad of offerings. Saudi Arabia has thriving heritage, culture, art and a deep history. The country is one of a kind, and I believe the rest of the world simply has not discovered that yet. Through Ithra, we would like people to come and explore, enjoy but, more importantly, to connect with Saudi Arabia's stories.

Ithra in numbers: 2016-2021



**1.7m visitors and
11,000 programs**



**20 films produced
and 22 stage shows**



**Winner of
20 cultural awards**



**One of Time's top-100
world destinations**