



SABB  ساب

Saudi British Bank

4Q21 Results presentation

Presentation to investors and analysts

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2021: a positive and pivotal year of turning SABB back to growth

Key messages for 2021



TURNING TO THE GROWTH AGENDA

Following a period of deleveraging, our businesses have turned around and are showing consistent quarterly growth throughout 2021



INCOME GENERATION STABILISING

Despite the impact of lower rates and continued competition, our margins have been stabilizing during 2021 and non-NSCI income is up on the prior year



DIGITAL ENABLERS ON TRACK

Launched our digital strategy with over 100 strategic projects to be delivered across 2021 and 2022

c. 40 top priority projects identified including enhancing the mortgage product availability, digitizing customer journeys and developing a digital SME proposition



SYNERGIES AHEAD

Achieved SAR0.7bn of cost synergies and SAR0.2bn of revenue synergies. Cost synergies exceeds our initial guidance and represents c.20% of the combined banks 2017 cost base



STRONG RISK MANAGEMENT

CoR of 27bps for 2021 remains at the lower end of our guidance; NPLs continue their sustained reduction with SABB-originated NPLs of 2.4%



HEALTHY CAPITAL, LIQUIDITY AND FUNDING

Strong capital position with abundant liquidity and a solid funding base

9%

2021 loan growth

2.0%

2021 stabilizing NIM

SAR 0.7 bn

Annualised cost synergies

27 bps

2021 cost of risk

19.3%

2021 CET1 ratio

SABB's strengths

Diversified businesses

Retail Banking and Wealth Management

Retail Banking and Wealth Management provides services and products to personal and private customers, through a range of market leading digital channels and a traditional branch network.

Corporate and Institutional Banking

As one of the largest commercial banks in the Kingdom, we support a variety of clients from micro enterprises focused on the domestic market to large internationally focused enterprises.

Treasury

We provide corporate, institutional, retail and private banking customers with access to capital markets, foreign currency and rates management solutions. In addition, we manage the liquidity and market risk of the bank, including the deployment of the bank's commercial surplus through its investment portfolio.

SABB credentials¹

We are the leading international bank the Kingdom through a deep understanding of the needs of our customers, and a bespoke product suite that brings intrinsic value to our customers. Our unique partnership with HSBC Group enables us to bring international connectivity to our customer base.

c. 20%

Trade market share

1.3m

Retail customers

13%

Corporate lending market share

Top 3

Corporate bank by loans

c. 23k

Corporate and Institutional customers

19.3%

CET 1 ratio

178%

Liquidity coverage ratio

5%

PoS market share

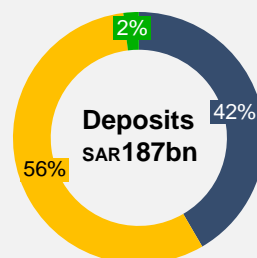
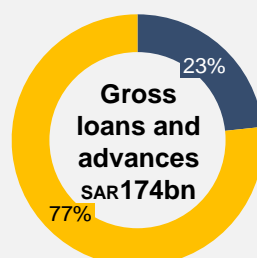
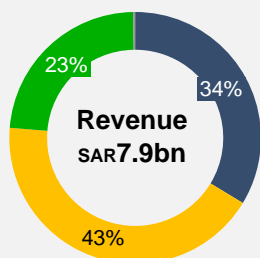
13%

FX market share

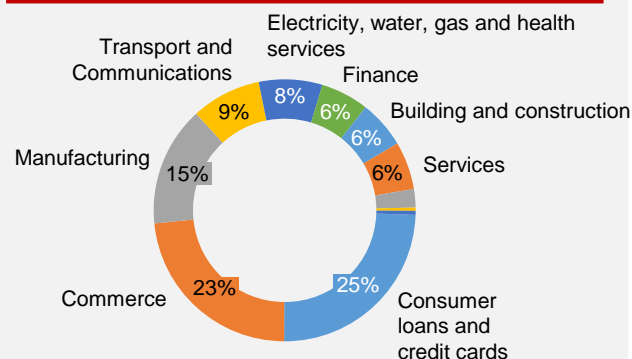


2021 key financials by business

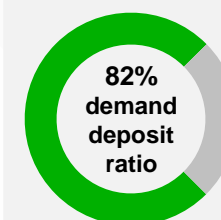
■ Retail ■ Corporate and Institutional Banking ■ Treasury



Diverse lending portfolio



Solid deposit base



Strategy 2025 objectives

VISION We bring a world of financial opportunity to an ambitious Kingdom



Best in class universal banking serving all customer groups in the Kingdom



Be the leading international bank in the Kingdom, accessing an unrivalled global network through HSBC



Offer a leading online and mobile digital banking experience



The best place to work

OUR ACTIONS TO OUTGROW THE MARKET



Build on our core strengths

1. Bank of choice for Large Corporates
2. Reinforce leadership in Trade and Payments
3. Maintain leadership in Wealth
4. Reinforce our position in Cards



Maximise our participation in key growth areas

1. Fast growing Mid-Corporate business
2. Digital SME focus
3. Mortgage expansion



Transform the organisation

1. Lead in digital innovation and evolve the IT architecture
2. Transforming HR and developing the right talent
3. Revamp operating model through improved data management, automation and digitisation

2025 TARGETS

1 Top 3 bank for Loans

Current expectation: Mid-single digit loan growth per year

2 Top 3 bank for Revenue

Current expectation: Mid to high single digit revenue growth per year

3 Top 3 bank for cost efficiency

Current expectation: <32% CER

4 Top 3 bank for capital

Current expectation: 18 to 19% CET1 ratio

5 Top 3 bank for RoTE

Current expectation: >13% RoTE

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Financial Summary

2021 underlying net income before Zakat and income tax of SAR4.0bn up SAR0.4bn or 11%

Highlights

- 2021 reported net income before Zakat and income tax of SAR3.9bn
- Underlying net income of SAR4.0bn up 11% driven by lower impairment charges and lower costs, partly offset by lower revenue
- 4Q21 NIM continues to stabilize at 2.0% for the fourth quarter
- FY cost of risk of 27bps with an increase in 4Q21 relating to a small number of clients
- Underlying costs fell 3% from continued strong cost management
- Robust capital position, with CET1 of 19.3%

Key ratios, Income statement and Balance Sheet

% or bps	2021	Δ 2020	4Q21	Δ 4Q20
Net special commission margin ('NIM')	2.0	(0.5)pt	2.0	(0.2)pt
Underlying ¹ Return on Tangible Equity	8.0	(0.6)ppt	4.3	(4.6)ppt
Underlying ¹ Cost Efficiency Ratio ('CER')	45.4	(3.6)ppt	50.1	0.7ppt
Cost of risk ('CoR')	27bps	(75)bps	96bps	88bps
Common Equity Tier 1 ratio ('CET 1')	19.3	0.3ppt	19.3	0.3ppt

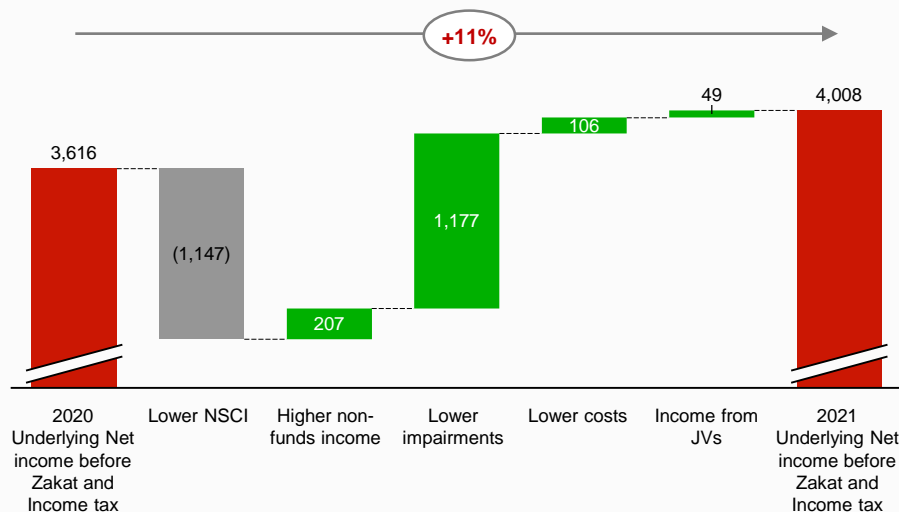
SAR million

Total operating income ('Revenue')	7,938	(11)%	1,987	(3)%
Operating expenses	(3,713)	(12)%	(1,026)	(17)%
Provision for expected credit losses, net	(454)	(72)%	(414)	>100%
Goodwill impairment	-	(100)%	-	(100)%
Share in earnings of associates	131	60%	47	97%
Net income before Zakat and income tax	3,903	>100%	595	(26)%
Zakat and income tax	(701)	>(100)%	(168)	38%
Net income after Zakat and income tax	3,202	>100%	427	(37)%
Underlying net income before Zakat and income tax	4,008	11%	625	(37)%

SAR billion

Gross loans	174.3	9%	174.3	9%
Non-interest bearing deposits	153.0	14%	153.0	14%

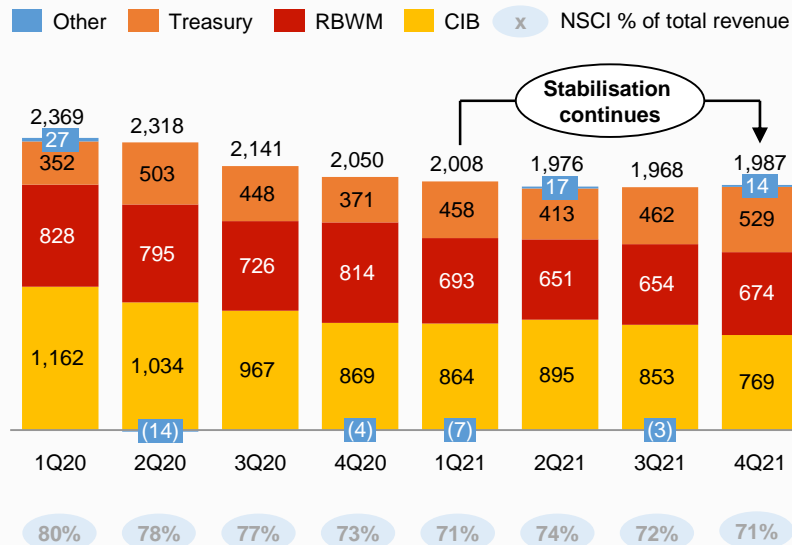
Underlying net income walk, 2021 vs. 2020



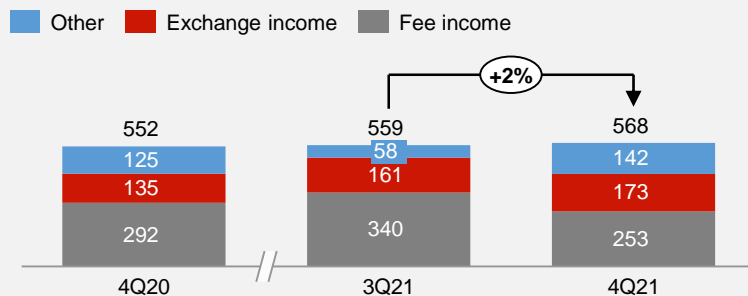
Revenue analysis

NIM continues to stabilize; non-funds income grew 2% compared with 3Q21

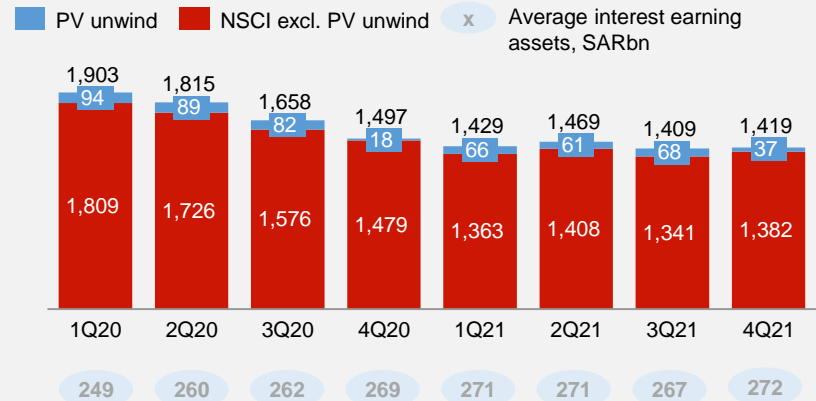
Revenue by business, SARm



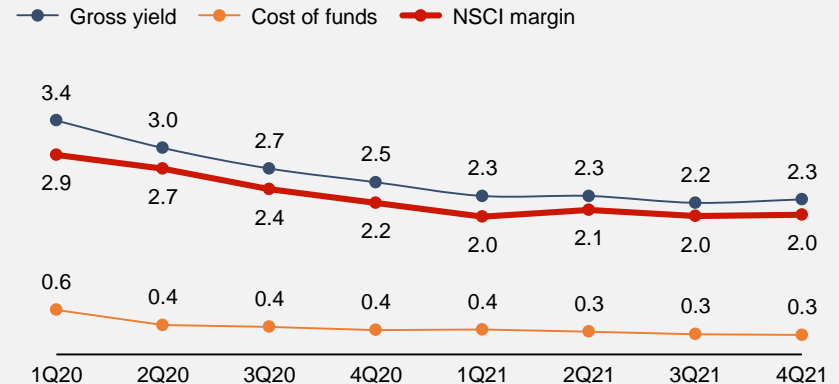
Non-funds income analysis, %



NSCI, SARm and Average interest earning assets, SARbn



Yield, costs of funds and margin (excl. PV unwind), %



Operating expenses

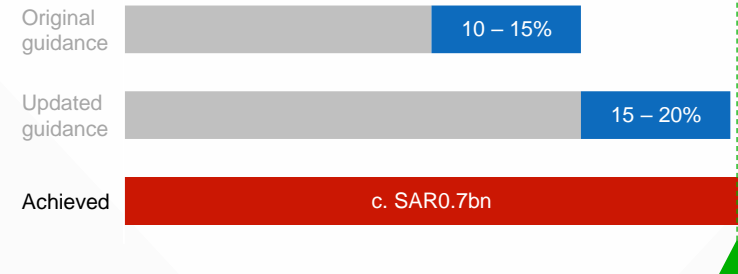
2021 underlying costs fell 3% from continued cost management; SAR0.7bn of annualised synergies

Highlights

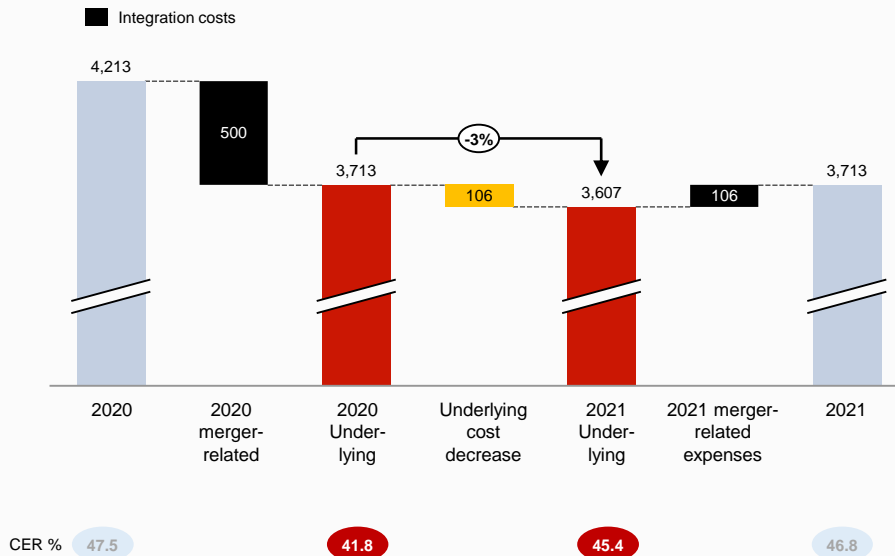
- 2021 underlying costs of SAR3,607m fell SAR106m or 3%
- Underlying 2021 cost efficiency ratio of 45.4% is reflective of the challenging revenue environment
- 4Q21 underlying costs increased SAR120m vs. 3Q21 mainly due to earlier than planned investment in both people and processes
- Achieved c. SAR0.7bn of annualised cost synergies

Cost synergy and merger-related expenses update

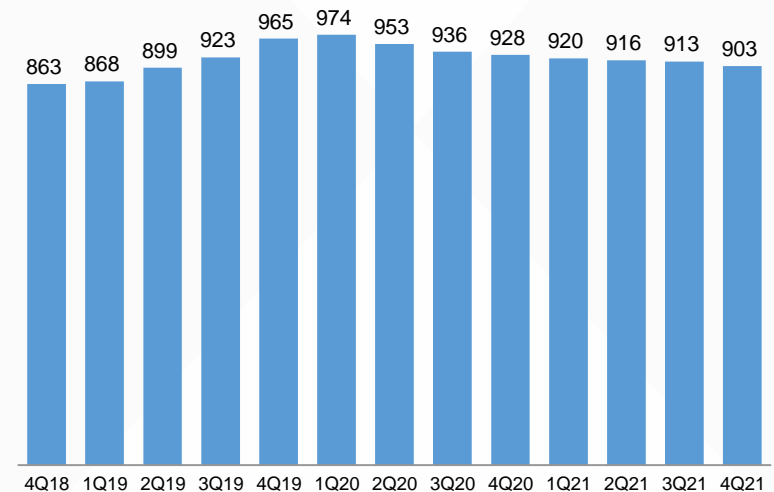
%s are baselined against the 2017 combined cost base of SAR3.5bn



2021 vs. 2020 operating expenses movement



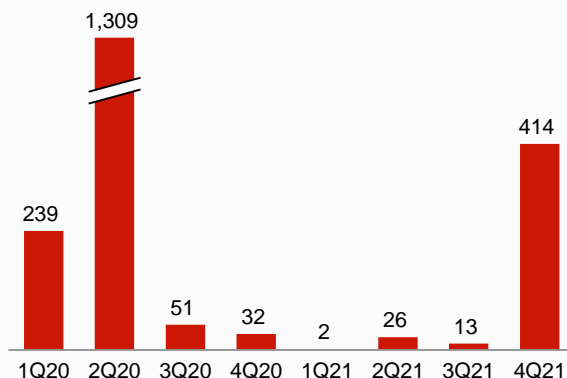
4-quarter rolling average excluding merger-related costs



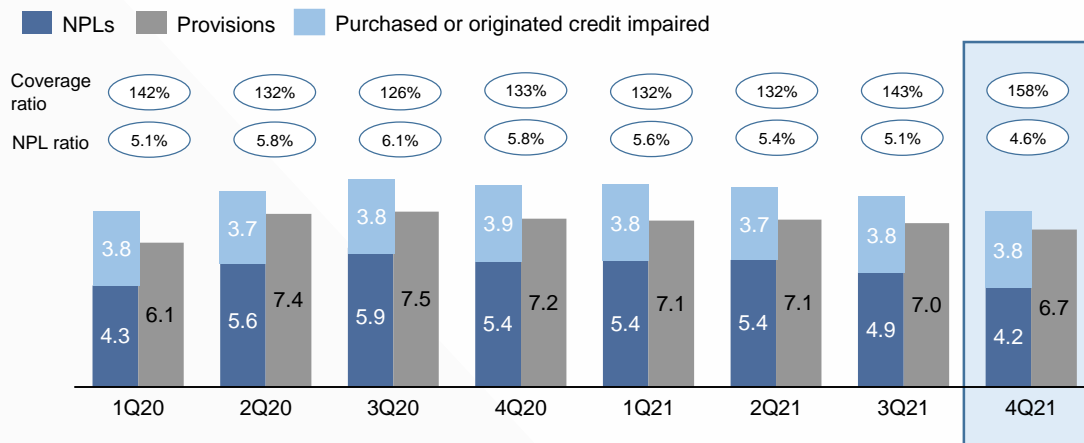
Impairment analysis and credit quality

Expected credit losses were significantly lower than 2020 but increased in the fourth quarter

Quarterly ECL charge, SARm

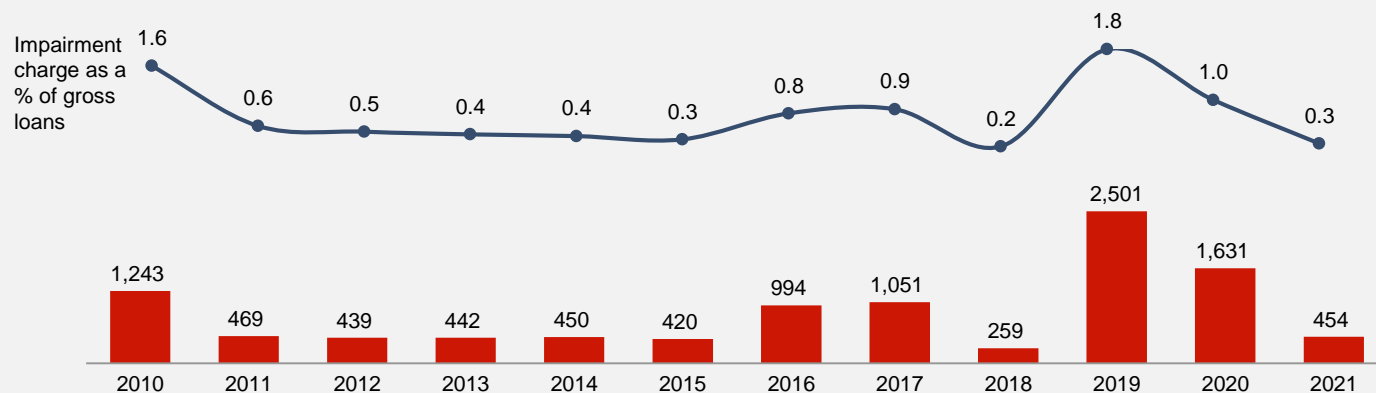


NPLs / Provisions, SARbn



*At 4Q21, gross customer advances included SAR4.9bn of *Lifetime ECL credit impaired* of which SAR4.2bn is non-performing. It also includes exposures that are performing but have yet to complete a period of 12 months of performance to be eligible to be upgraded to a not-impaired category.

Reported SABB impairment charge trend (SAR million) and cost of risk trend, %



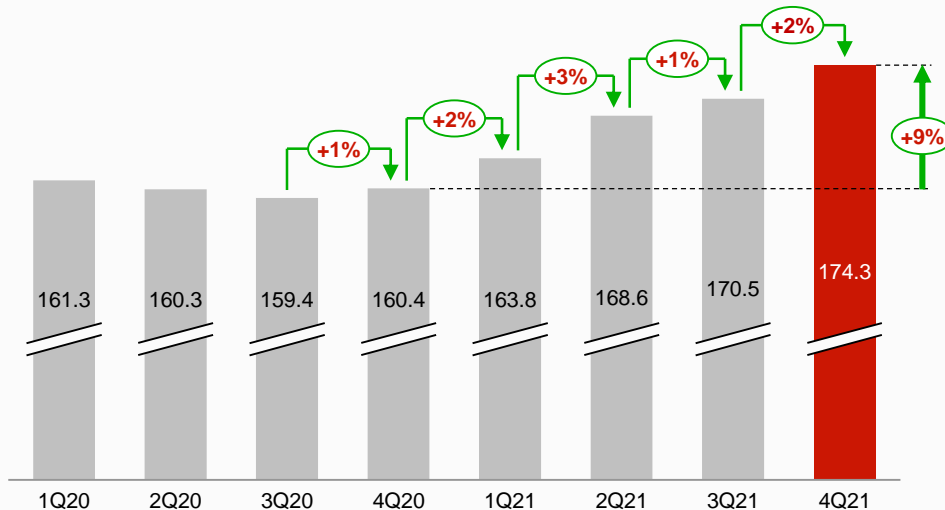
Gross customer advances

5th consecutive quarter of lending growth with year-on-year growth of 9%

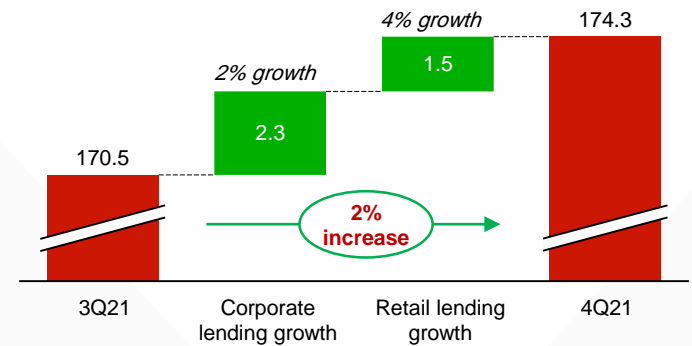
Highlights

- Gross customer advances increased by 2% in the quarter and 9% year-on-year
- Net growth in 4Q21 was across both our businesses with 2% growth in corporate and 4% growth in retail
- Continued strong mortgage originations although partly offset by repayments

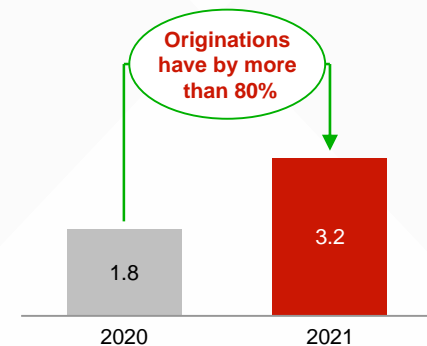
Gross customer advances trend, SARbn



Gross customer advances, 4Q21 vs. 3Q21



Mortgage originations, SARbn



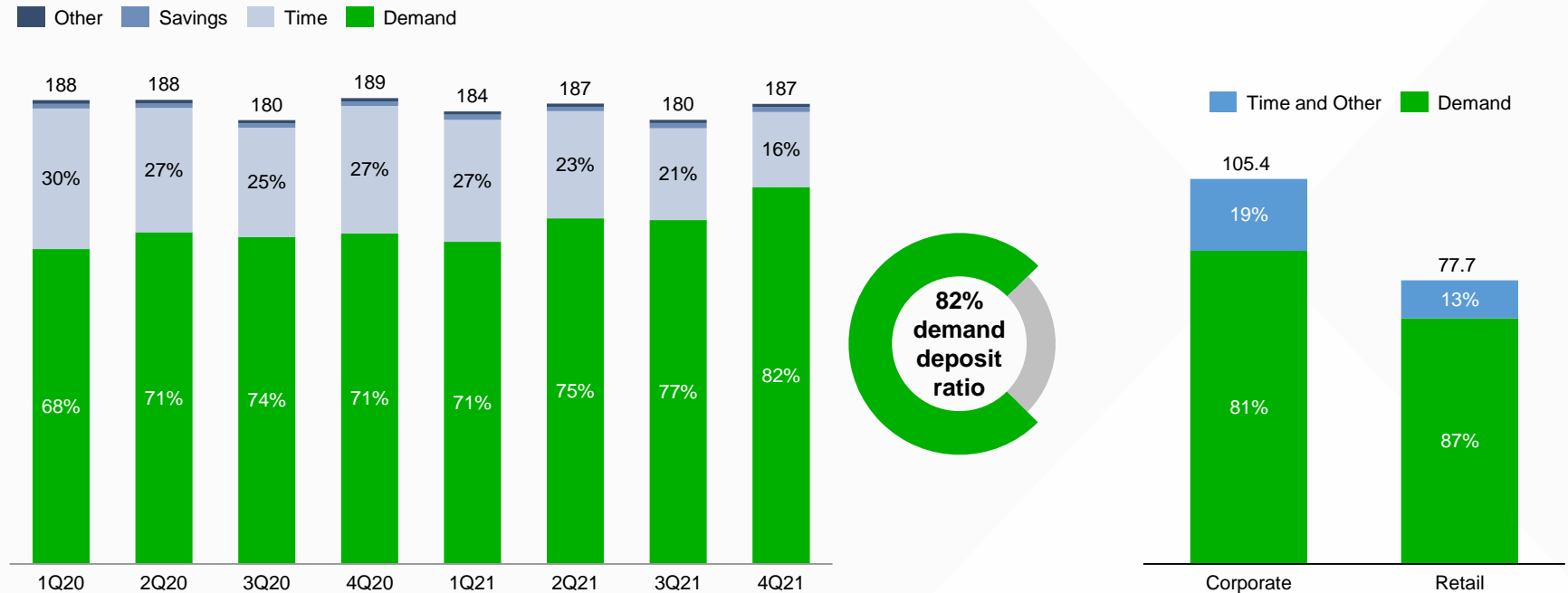
Customer deposits, liquidity and funding

Liquidity and funding remain strong

Highlights

- Customer deposit base remains strong with a closing balance of SAR187bn and growth of SAR7bn in the quarter mainly from increased demand deposits
- 82% demand deposit, with both CIB and Retail businesses contributing to this strong position
- Robust levels of liquidity and a strong funding base

Customer deposits trend, SARbn



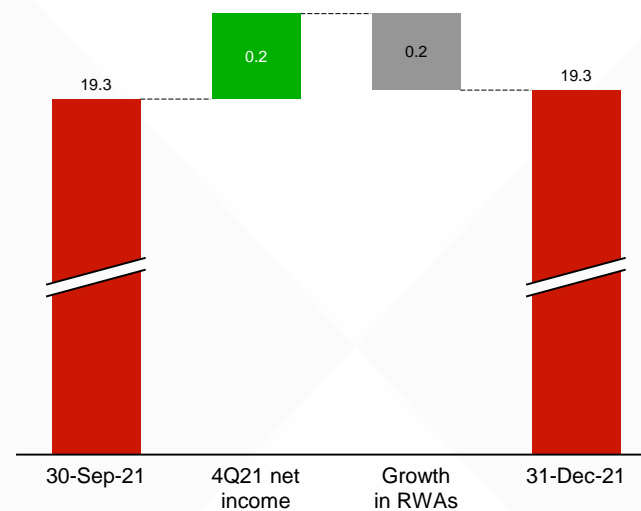
Capital adequacy

Robust levels of capital with CET1 ratio of 19.3%

Core Tier 1 ratio: 31 Dec 2021 vs. 31 Dec 2020, %



Core Tier 1 ratio: 31 Dec 2021 vs. 30 Sep 2021, %



Closing remarks

- 1 Resilient financial performance with continued lending growth, a continued fall in non-performing loans, net income generation and further cost-synergy realisation
- 2 Our five-year strategy is underway with both corporate and retail businesses gaining traction.
- 3 We possess robust levels of capital, liquidity and funding and the scale to support the national growth agenda.

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