

Saudi British Bank 2022 Results presentation

Presentation to investors
and analysts



2Q22 Key messages

1	PIPELINE REMAINS PROMISING	<ul style="list-style-type: none"> ◆ Grew our customer lending portfolio by 4.5% YTD and 8% YoY ◆ Continued to be a key player in supporting the Vision 2030 transformation programmes and continued traction of our mortgage business; 1H22 mortgage originations are 5x their 1H20 levels ◆ Sentiment on corporate loan growth remains positive 	4.5% 1H22 loan growth
2	REVENUE GROWTH	<ul style="list-style-type: none"> ◆ Grew 1H22 revenue by 12% year-on-year; grew 2Q22 revenue by 11% quarter-on-quarter ◆ NIM improved 31bps in the second quarter to 2.3%, as re-pricing during the quarter started to take effect, following the increases to SAIBOR ◆ Non-funds income fell mainly from lower gains on disposal of investments 	2.3% 2Q22 QTD NIM
3	IMPROVING ASSET QUALITY	<ul style="list-style-type: none"> ◆ Annualised cost-of-risk of 30bps during the second quarter and total NPL ratio has fallen to 4.4%, and 2.3% excluding POCI balances 	10.2% 2Q22 ROTE
4	IMPROVING RETURNS	<ul style="list-style-type: none"> ◆ Generated a return on tangible equity of 10.2% in the second quarter, compared with a FY21 return of 7.8% 	
5	HEALTHY CAPITAL, LIQUIDITY AND FUNDING	<ul style="list-style-type: none"> ◆ 18.4% CET 1 ratio, 158% LCR and 75% demand deposit ratio 	2.3% NPL ratio excl. POCI balances
6	STRATEGY	<ul style="list-style-type: none"> ◆ Strategy execution is on track 	18.4% CET1

SABB's strengths

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

18.4%
CET1 ratio



75%
Demand deposit ratio

13.1%
FX market share

49%
Shareholding in HSBC SA – the leading investment bank in the Kingdom



1. Market share as at 31 March 2022

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.

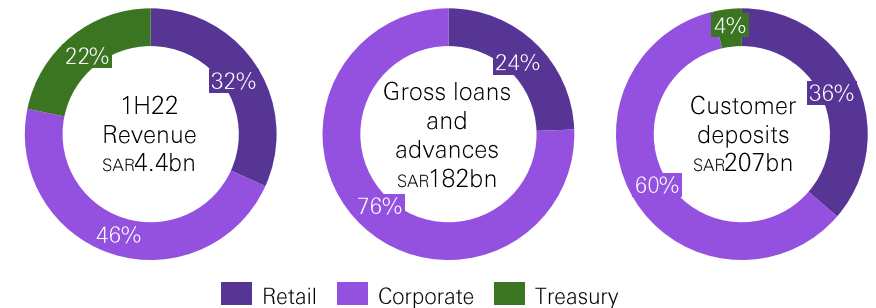
Corporate and Institutional Banking

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.

Key financials by business for 1H22

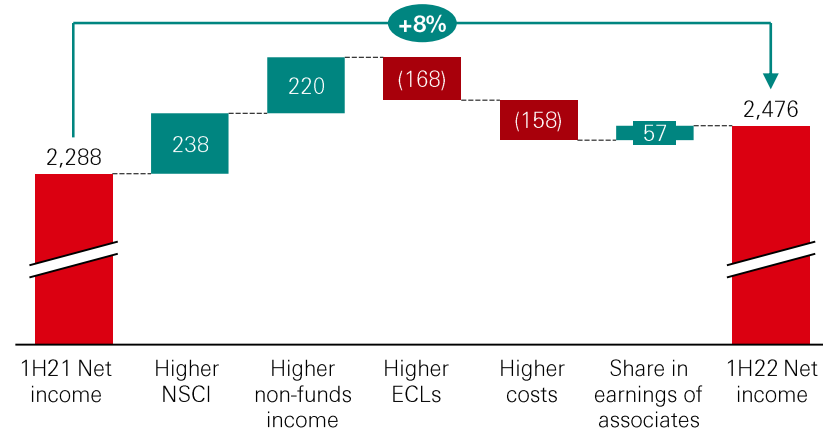


Financial summary

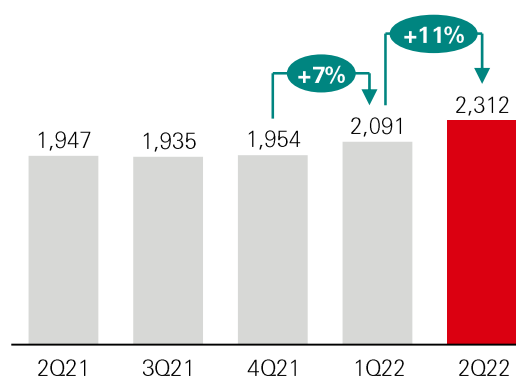
SAR2.5bn of net income generated in 1H22, robust loans origination, 12% revenue growth and 75% NIBs ratio

- 1H22 reported net income before Zakat and income tax of SAR2.5bn up 8% compared with 1H21; 2Q22 net income of SAR1.3bn up 14% on 2Q21
- 2Q22 QTD NIM increased to 2.3% with NSCI the key driver of revenue
- Cost of risk of 22bps for the half remain below our through-the-cycle guidance
- Costs increased 9% on 1H21 from an increase in staff-related costs as we invest, and inflationary pressures
- Underlying customer lending origination momentum continues and YoY growth of 8%, although closing balances were lower than 1Q22 due to one-off re-classification to held-for-sale
- Demand deposit ratio of 75%

1H22 Net income before Zakat and income tax walk



Recent revenue trend



Key ratios, Income statement and Balance Sheet

% unless otherwise stated	1H22	Δ 1H21	2022	Δ 2021
Net special commission margin ('NIM')	2.2	0.2ppt ▲	2.3	0.3ppt ▲
Return on Tangible Equity	9.9	0.6ppt ▲	10.2	1.3ppt ▲
Cost Efficiency Ratio ('CER')	42.1	(0.8)ppt ▼	40.3	(3.6)ppt ▼
Cost of risk ('CoR')	22bps	18bps ▲	30bps	16bps ▲
Common Equity Tier 1 ratio ('CET 1')	18.4	(1.2)ppt ▼	18.4	(1.2)ppt ▼

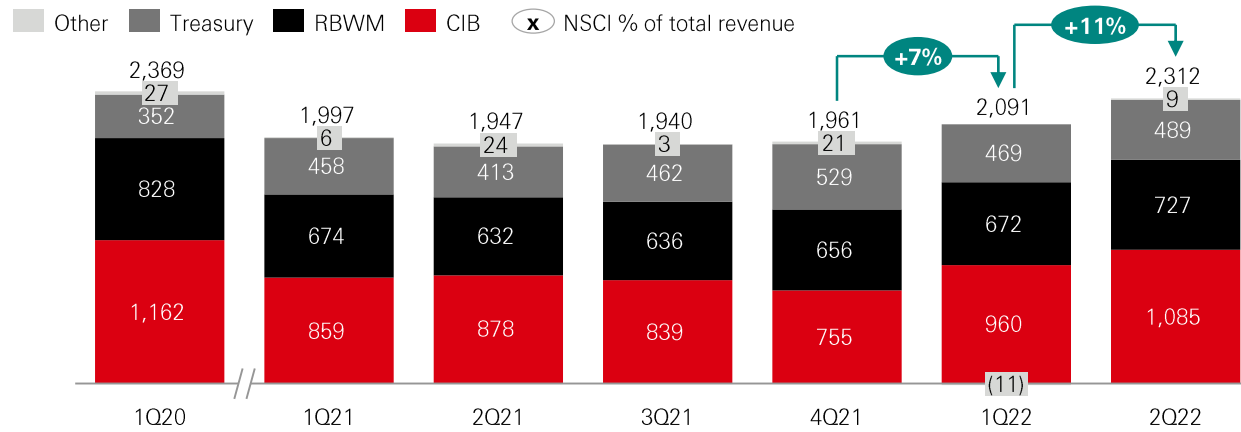
SAR million	1H22	Δ 1H21	2022	Δ 2021
Total operating income ('Revenue')	4,402	12% ▲	2,312	19% ▲
Operating expenses	(1,852)	9% ▲	(932)	15% ▲
Provision for expected credit losses, net	(196)	>100% ▲	(136)	>100% ▲
Share in earnings of associates	121	89% ▲	53	>100% ▲
Net income before Zakat and income tax	2,476	8% ▲	1,297	14% ▲
Zakat and income tax	(366)	(3)% ▼	(203)	(4)% ▼
Net loss from discontinued operations	(24)	19% ▲	(12)	>100% ▲
Net income after Zakat and income tax	2,086	10% ▲	1,082	18% ▲

SAR billion	1H22	Δ 1H21	2022	Δ 2021
Gross loans	182.1	8% ▲	182.1	8% ▲
Customer deposits	207.5	11% ▲	207.5	11% ▲
Demand deposits	154.6	10% ▲	154.6	10% ▲

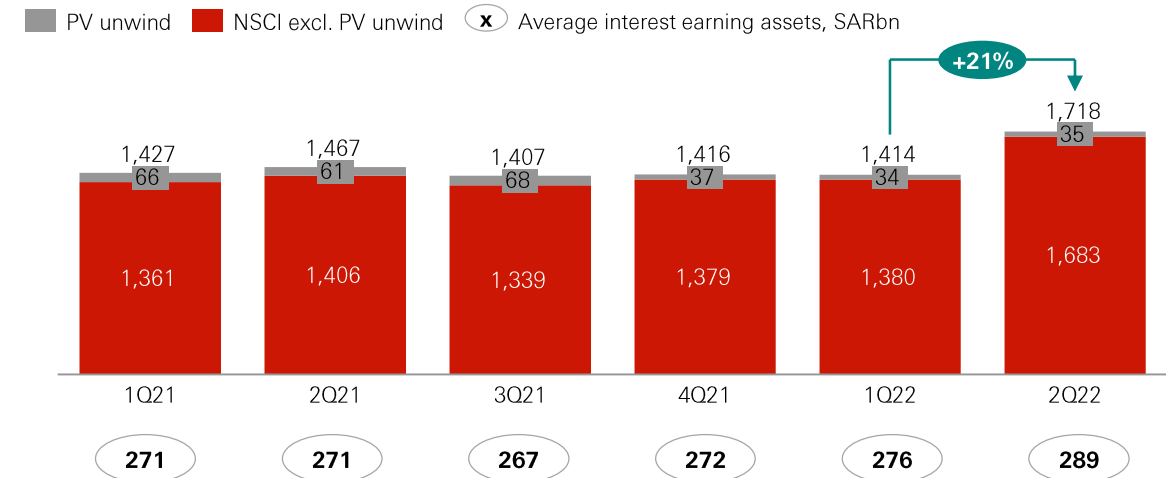
Revenue

NIM increases significantly in the second quarter to 2.3%; non-funds income fell 12% compared with 1Q22 from lower gains on disposal of investments

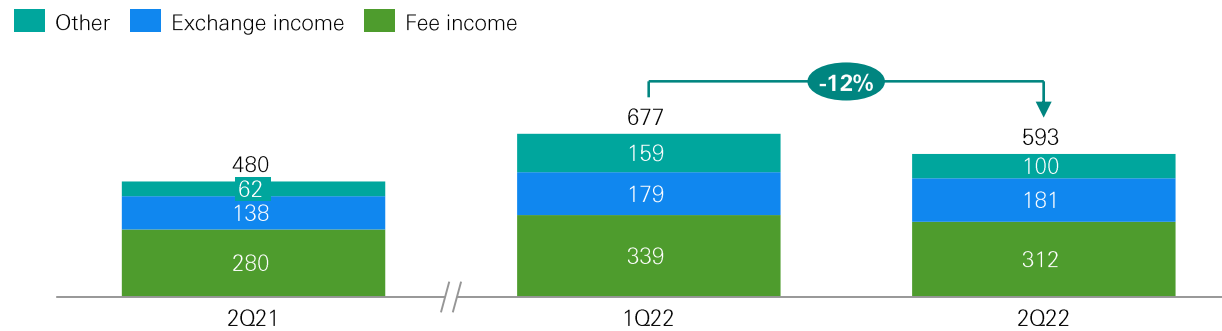
Revenue by business, SARm



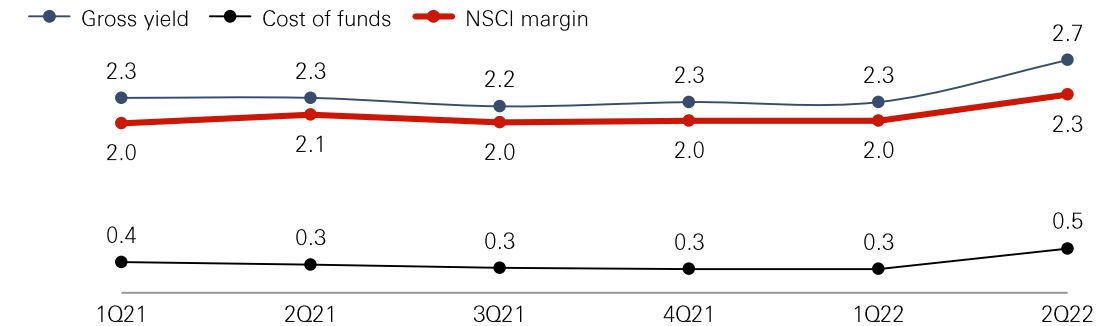
NSCI, SARm and Average interest earning assets, SARbn



Non-funds income analysis, SARm



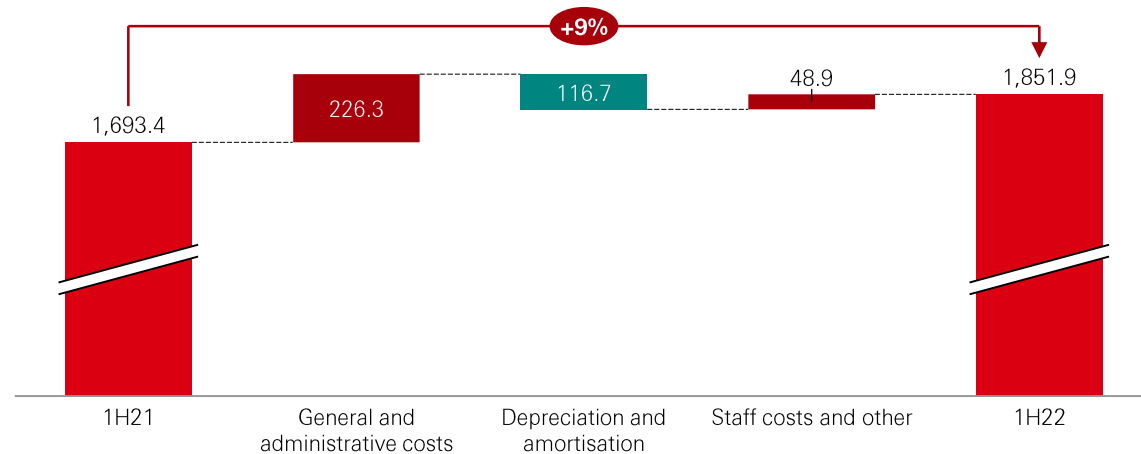
Yield, costs of funds and margin (excl. PV unwind), %



Costs

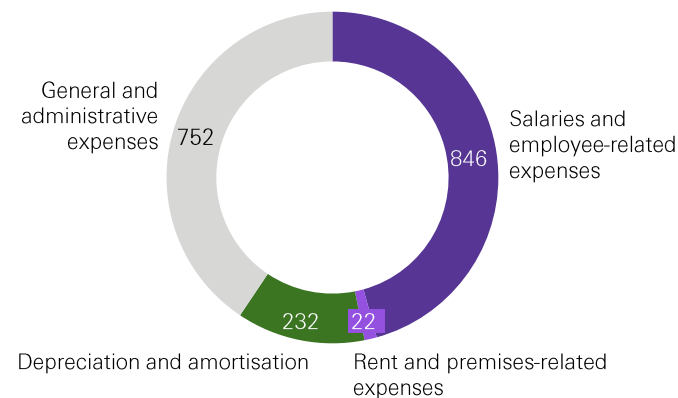
Costs increased in 1H22 compared with 1H21 as we move into the investment phase and inflationary pressures

1H22 vs. 1H21 costs, SARm

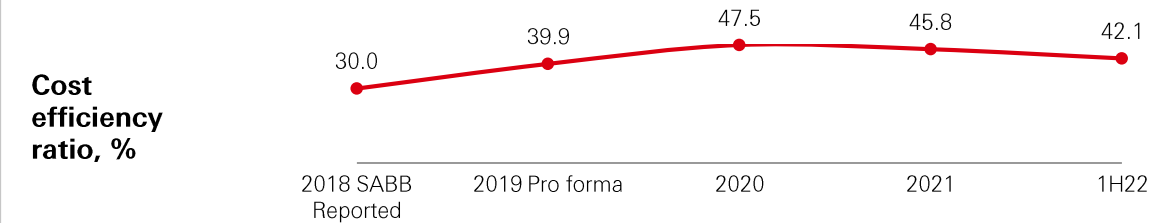


- 9% increase in underlying expenses as we move into the investment phase of our strategic plan
- Higher general and admin costs from increased VAT, but also include the impact of a handful of one-off costs in both periods
- Depreciation and amortisation was lower mainly due to a change in internal policies

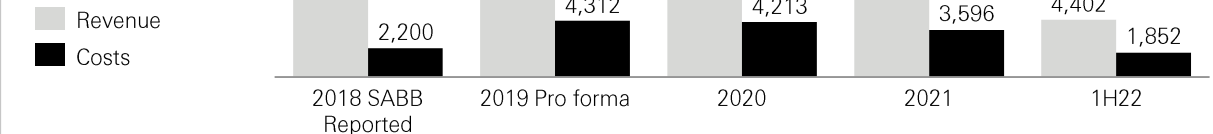
1H22 costs by type, SARm



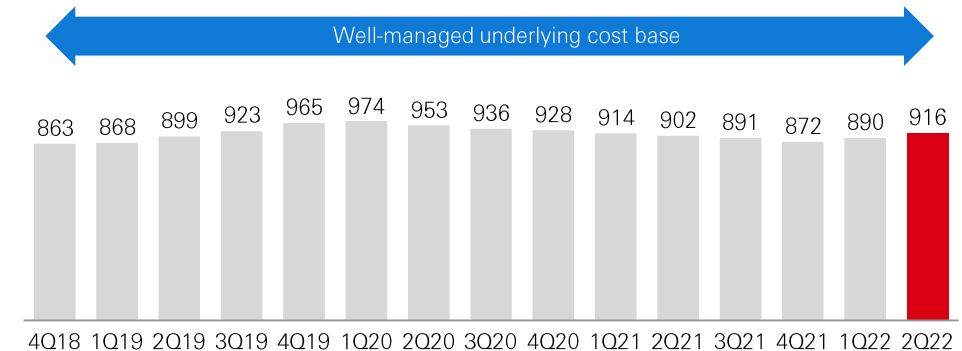
Cost efficiency ratio through the merger, %



Revenue and costs, SARm



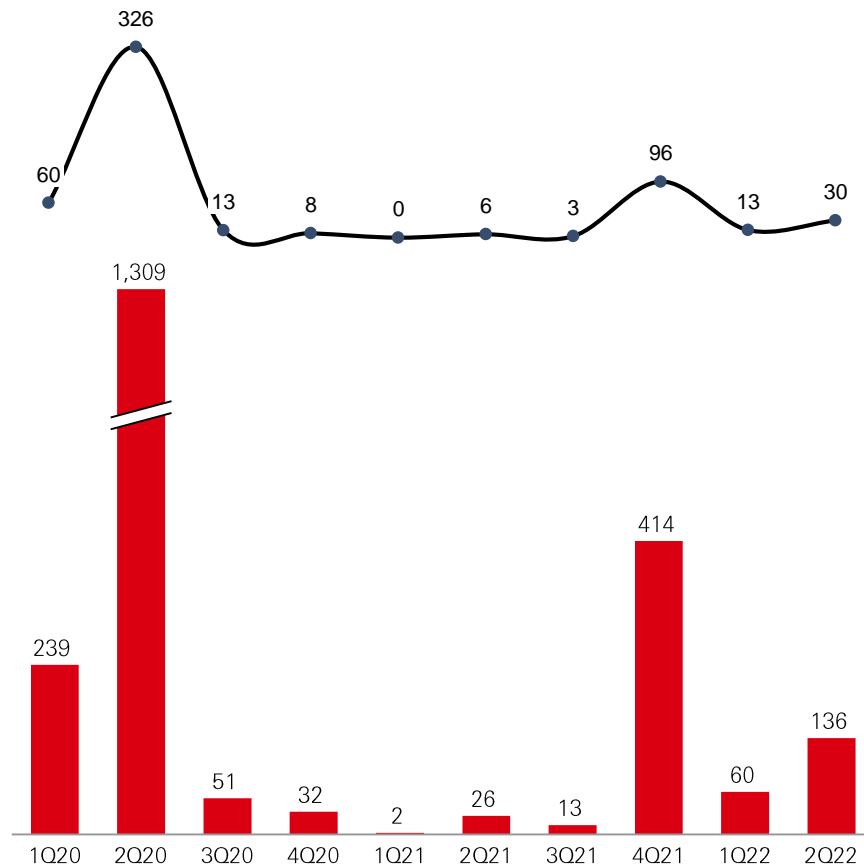
4-quarter rolling average excluding merger-related costs, SARm



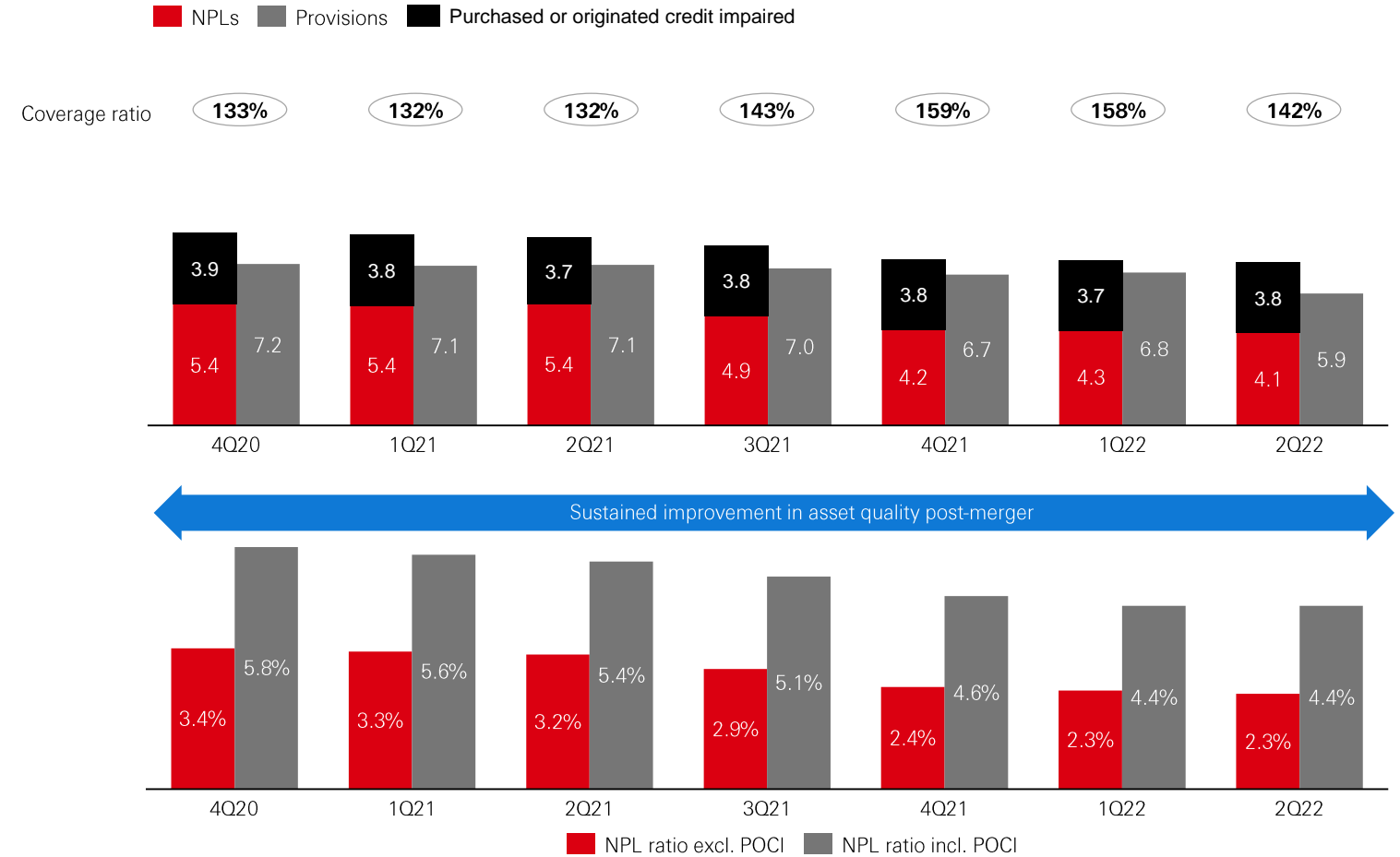
Impairment analysis and credit quality

Cost of risk remains low; NPL ratio on SABB-originated loans stable at 2.3%

Quarterly ECL charge (SARm) and CoR (bps)



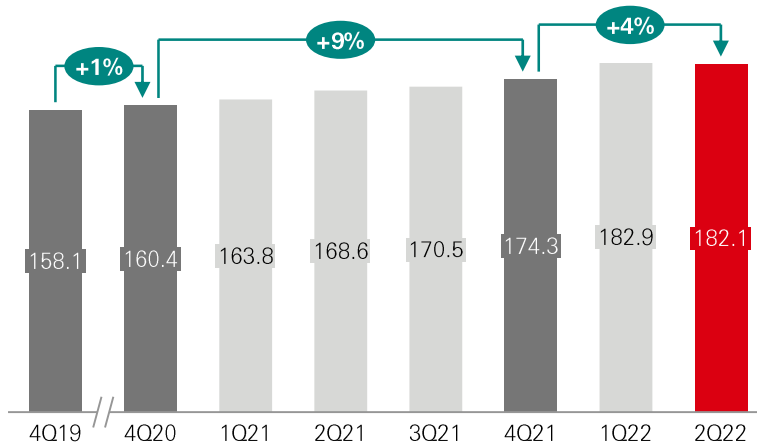
NPLs, Provisions SARbn and coverage and NPL ratios (%)



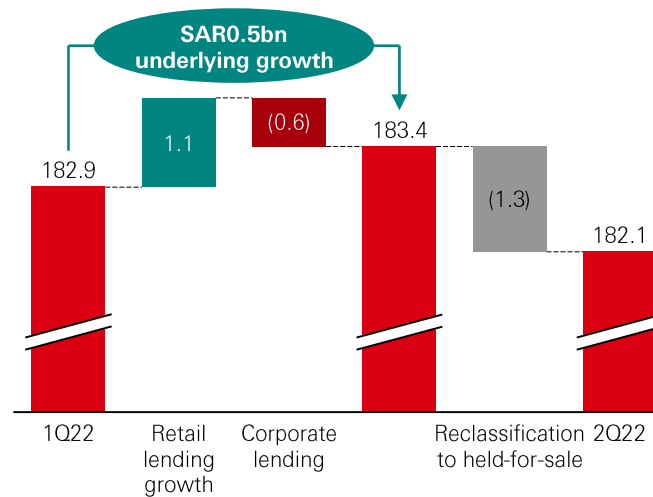
Customer lending

4.5% lending growth during 1H22, originations remains strong with underlying lending growth in 2Q22 excluding a SAR1.3bn transfer to held-for-sale

Gross customer lending, SARbn

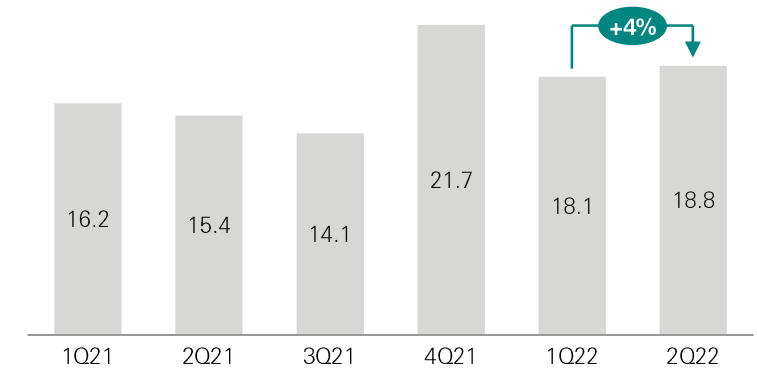


Gross customer lending 2Q22 vs. 1Q22, SARbn

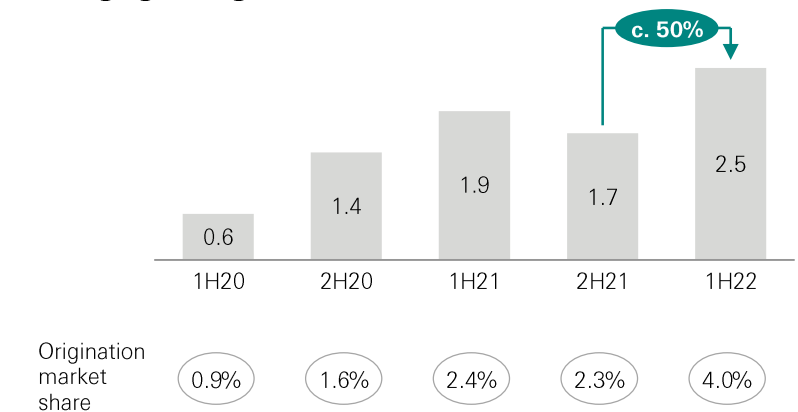


- ◆ 4.5% growth in 1H22 and 9% growth during 2021; 8% YoY growth
- ◆ SAR4.0bn corporate lending growth YTD includes drawdowns on some of the key V2030 programs but also sector-wide lending across our Large Corporate business segment
- ◆ SAR3.8bn retail lending growth YTD mainly driven by growth in personal lending, mortgage growth, and also included an increase in Wealth-related lending
- ◆ Mortgage originations continued to outgrow repayments and churn, with 1H22 originations nearly 5x the level of originations in 1H20; closing home loan portfolio of SAR20.6bn up 5% YoY
- ◆ QTD growth was affected by a one-off transfer of a portfolio to held-for-sale; excluding this gross customer loans grew SAR0.5bn

Corporate quarterly originations trend, SARbn



Mortgage originations trend, SARbn

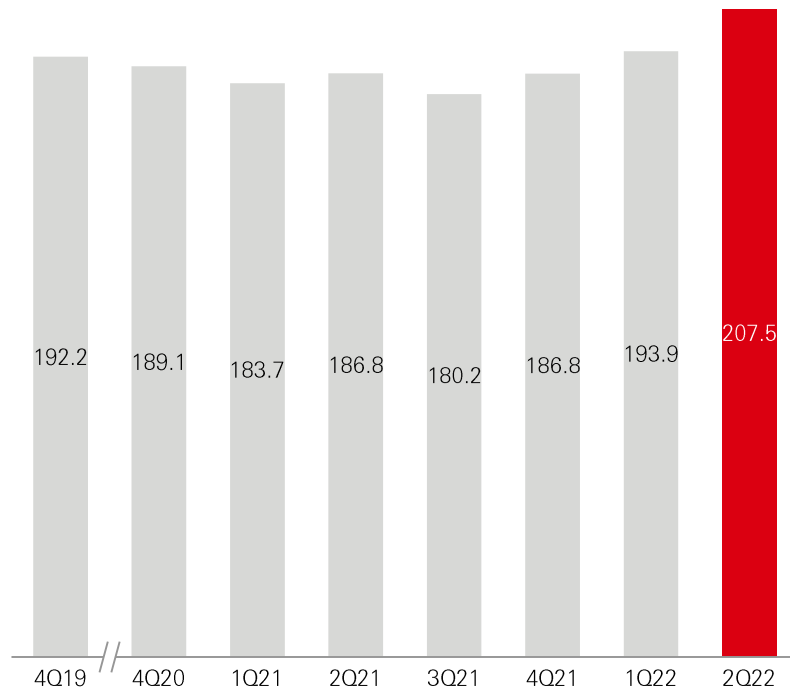


Customer deposits

Robust deposit growth, strong demand deposit ratio of 75% and ample liquidity

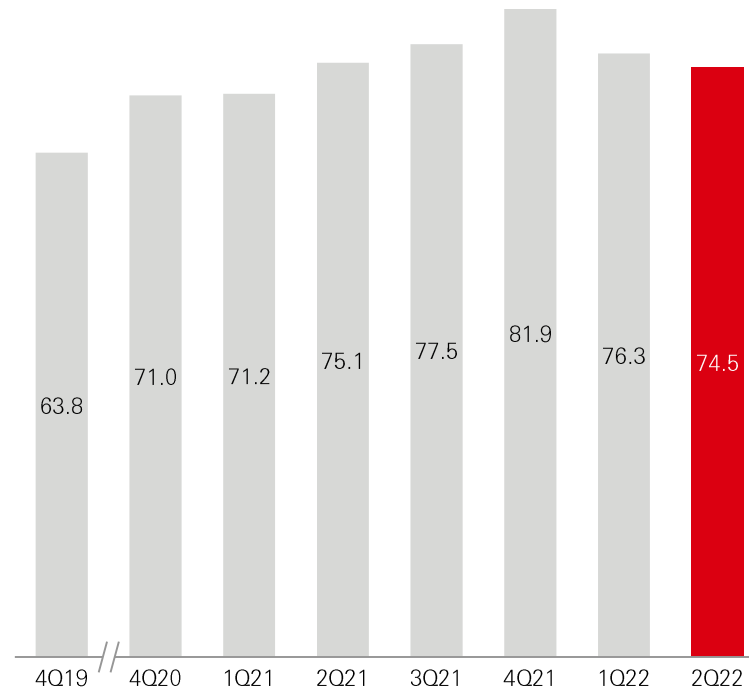
Customer deposits, SARbn

Stable funding base



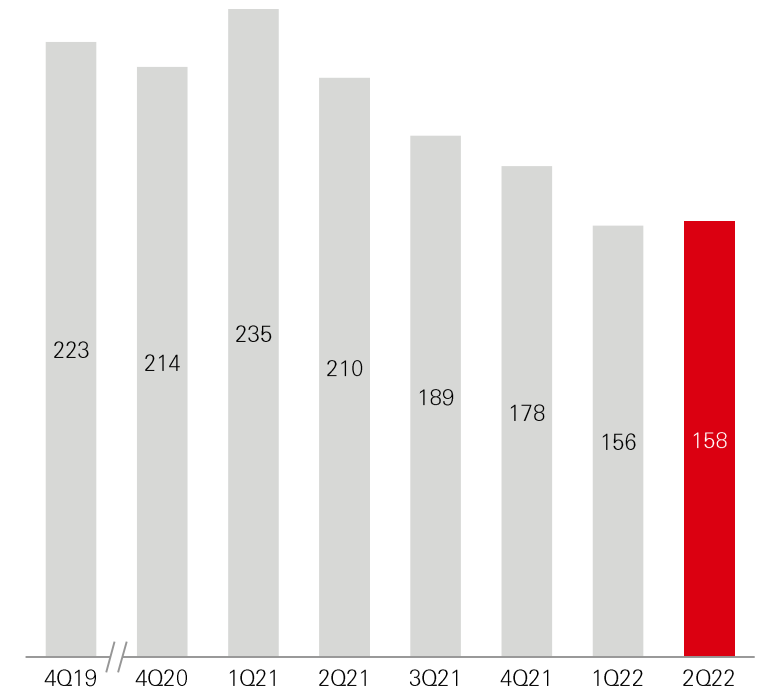
Demand deposit ratio, %

Market leading non-interest bearing ratio



Liquidity coverage ratio, %

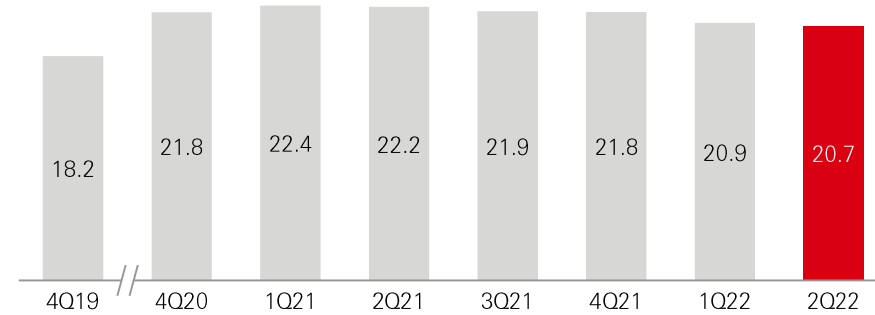
Highly liquid and well above regulatory requirements



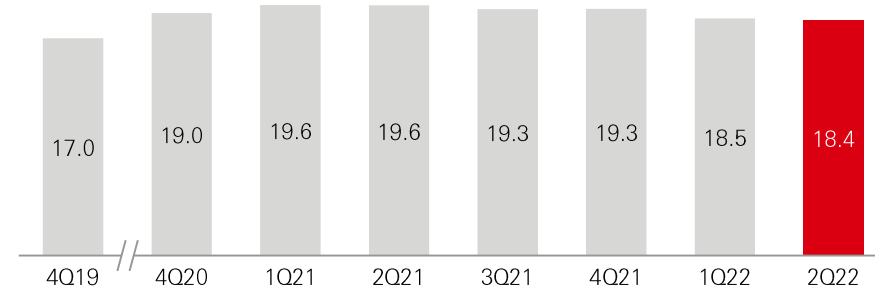
Capital adequacy

CET1 ratio remains stable

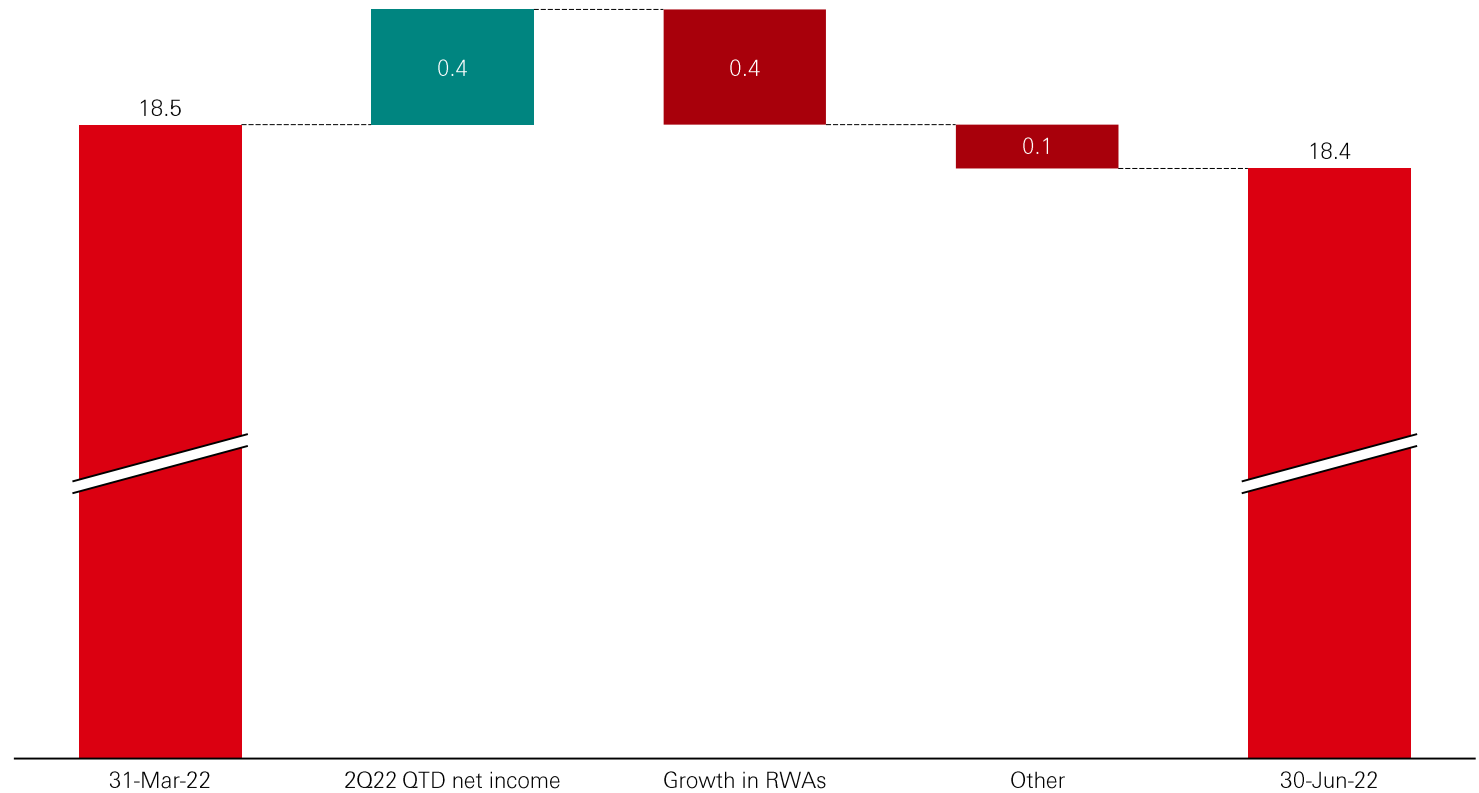
Total capital ratio, %



CET1 ratio, %




CET1 ratio movement 30 Jun 2022 vs. 31 Mar 2022, %



Concluding remarks

- 1 Continued delivery of robust financials with 12% revenue growth and 10% net income growth YTD, leading to a double-digit RoTE of 10.2% in the second quarter
- 2 Momentum on loan origination with 8% YoY lending growth and total assets exceeding SAR300bn; asset quality remains strong
- 3 We continue on our investment journey with strong performance in both corporate and retail businesses and improving digital capabilities
- 4 We possess robust levels of capital, liquidity and funding and the scale to support the national growth agenda

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