



2023 Results presentation

Presentation to investors and analysts



2Q23 Key messages

1	STRATEGY ON TRACK	<ul style="list-style-type: none"> Strategy execution is on track with more than two-thirds of our SAR1.5bn fund committed; continued digital enhancements improving customer experience We continue to be a key player in supporting the Vision 2030 transformation programmes Momentum on customer lending continues with 4% QTD growth, 8% YTD growth and a portfolio now exceeding SAR200bn; pipeline remains positive for the remainder of the year Off balance sheet commitments (mainly guarantees and letters of credit) exceed SAR100bn 	8% 1H23 YTD gross loan growth
2	REVENUE GROWTH	<ul style="list-style-type: none"> 1H23 revenue of SAR6.3bn is up 48% year-on-year; 2Q23 revenue of SAR3.1bn is down 5% on 1Q23 but remains robust 2Q23 QTD net interest margin ('NIM') contracted 9bps to 3.0% from 3.1% in 1Q23, reflecting a lower average NIBs ratio during the quarter as we supported our customers on deposit pricing; together with a falling sensitivity in part from the increased investment portfolio 2Q23 non-funds income fell to SAR0.5bn from SAR0.7bn in 1Q23, in line with expectations as 1Q23 included higher than usual gains on our investment portfolio that did not repeat 	3.1% 1H23 YTD NIM
3	IMPROVING ASSET QUALITY	<ul style="list-style-type: none"> 2Q23 cost-of-risk ('CoR') fell to 28bps and 1H23 cost of risk of 37bps, which is inline with expectations; underlying credit quality remains robust with no signs of deterioration Total NPL ratio falls to 3.8%; 1.9% excluding POCl balances – the lowest level since the merger 	15.2% 1H23 ROTE ¹
4	IMPROVING RETURNS	<ul style="list-style-type: none"> Generated an annualised underlying return on tangible equity of 15.2%¹ for 1H23, compared with 9.8% in 1H22 	1.9% NPL ratio excl. POCl balances
5	HEALTHY CAPITAL, LIQUIDITY AND FUNDING	<ul style="list-style-type: none"> 16.5% CET 1 ratio, 179% LCR and 61% demand deposit ratio CET1 levels fell from sustained loan growth and payment of the final 2022 dividend Demand deposit ratio decreased reflecting the increasing moves towards time deposits 	16.5% CET1

SAB's strengths

SAB credentials¹

We are the leading international bank in the Kingdom with 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

12%

Corporate lending market share



Top 3

Corporate bank by revenue

c. 21k

Corporate and Institutional customers

16.5%

CET1 ratio

61%

Demand deposit ratio

13%

FX market share

49%

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

1. Market share and positioning as at 31 March 2023

Diversified businesses

Wealth and Personal Banking

Wealth and Personal Banking 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.

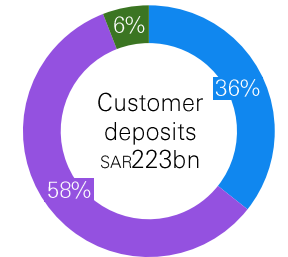
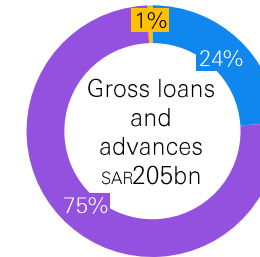
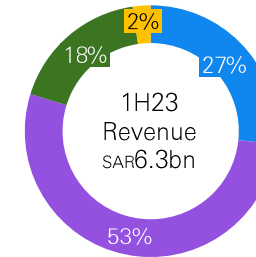
Treasury

We provide corporate, institutional, retail and private banking customers with access to treasury and 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.

Capital Markets

Includes activities of SAB's investment in its subsidiary for investment banking and brokerage, SAB Invest.

Key financials by business for 1H23



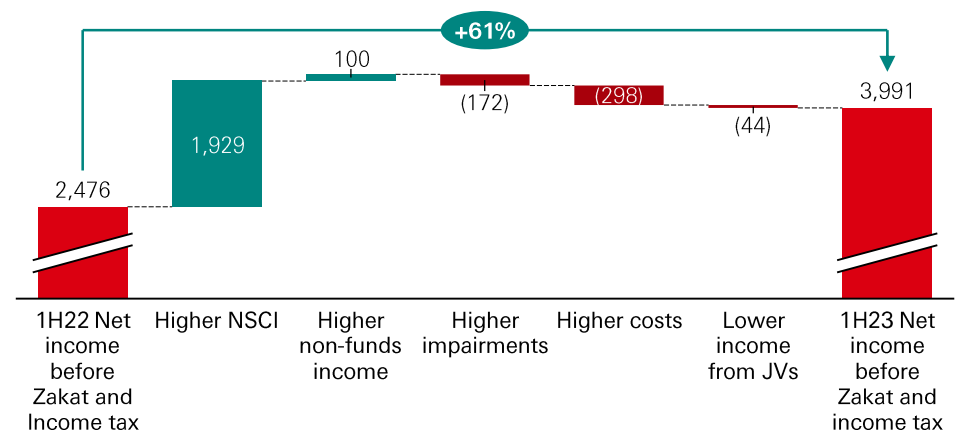
■ Retail ■ Corporate ■ Treasury ■ Capital markets

Financial summary

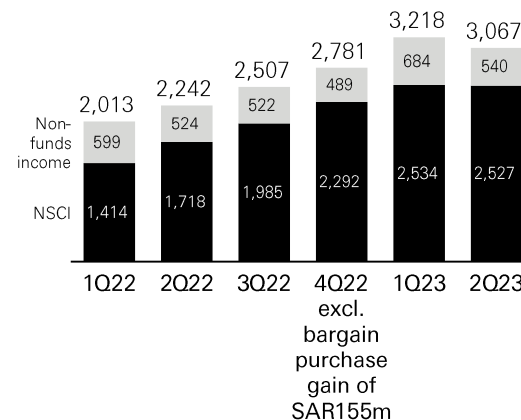
SAR4.0bn of net income generated in 1H23 pre Zakat and income tax up 61% YoY; strong quarterly loan growth continues with 8% growth YTD and balances now exceeding SAR200bn

- 1H23 revenue up 48% YoY; 2Q23 revenue up 37% YoY but down 5% QoQ mainly from lower non-funds income; quarterly NSCI remains stable at SAR2.5bn
- 2Q23 QTD NIM contracted by 9bps but 1H23 YTD remains at 3.1%
- 1H23 non-funds income increased 9% YoY; 2Q23 non-funds income fell 21% QoQ but in line with expectations and reflects seasonality
- CoR fell in 2Q23 to 28bps, bringing the YTD increase to 37bps in line with plan
- 1H23 costs increased 18% YoY reflecting our investment cycle and inflationary pressures; 2Q23 costs fell 1% QoQ
- Customer lending origination momentum continues with 2Q23 growth of 4%, bringing YTD growth to 8%
- Demand deposit ratio of 61% has fallen as we look to support our customer base, but remains ahead of the market

1H23 Net income before Zakat and income tax walk



Recent revenue trend



Key ratios, Income statement and Balance Sheet

% unless otherwise stated	1H23	Δ 1H22	2023	Δ 2022
Net special commission margin ('NIM')	3.1	0.9ppt ▲	3.0	0.7ppt ▲
Return on Tangible Equity	14.7	4.9ppt ▲	13.5	1.3ppt ▲
Cost Efficiency Ratio ('CER')	31.9	0.8ppt ▼	32.5	10.5ppt ▼
Cost of risk ('CoR')	37bps	16bps ▲	28bps	2bps ▼
Common Equity Tier 1 ratio ('CET 1')	16.5	1.9ppt ▼	16.5	1.9ppt ▼

SAR million	1H23	Δ 1H22	2023	Δ 2022
Total operating income ('Revenue')	6,284	48% ▲	3,067	37% ▲
Operating expenses	(2,002)	18% ▲	(996)	15% ▲
Provision for expected credit losses, net	(367)	88% ▲	(139)	2% ▲
Share in earnings of associates	76	37% ▼	47	12% ▼
Net income before Zakat and income tax	3,991	61% ▲	1,979	53% ▲
Zakat and income tax	(677)	85% ▲	(429)	>100% ▲
Net loss from discontinued operations	-	100% ▼	-	100% ▼
Net income after Zakat and income tax	3,314	59% ▲	1,550	43% ▲

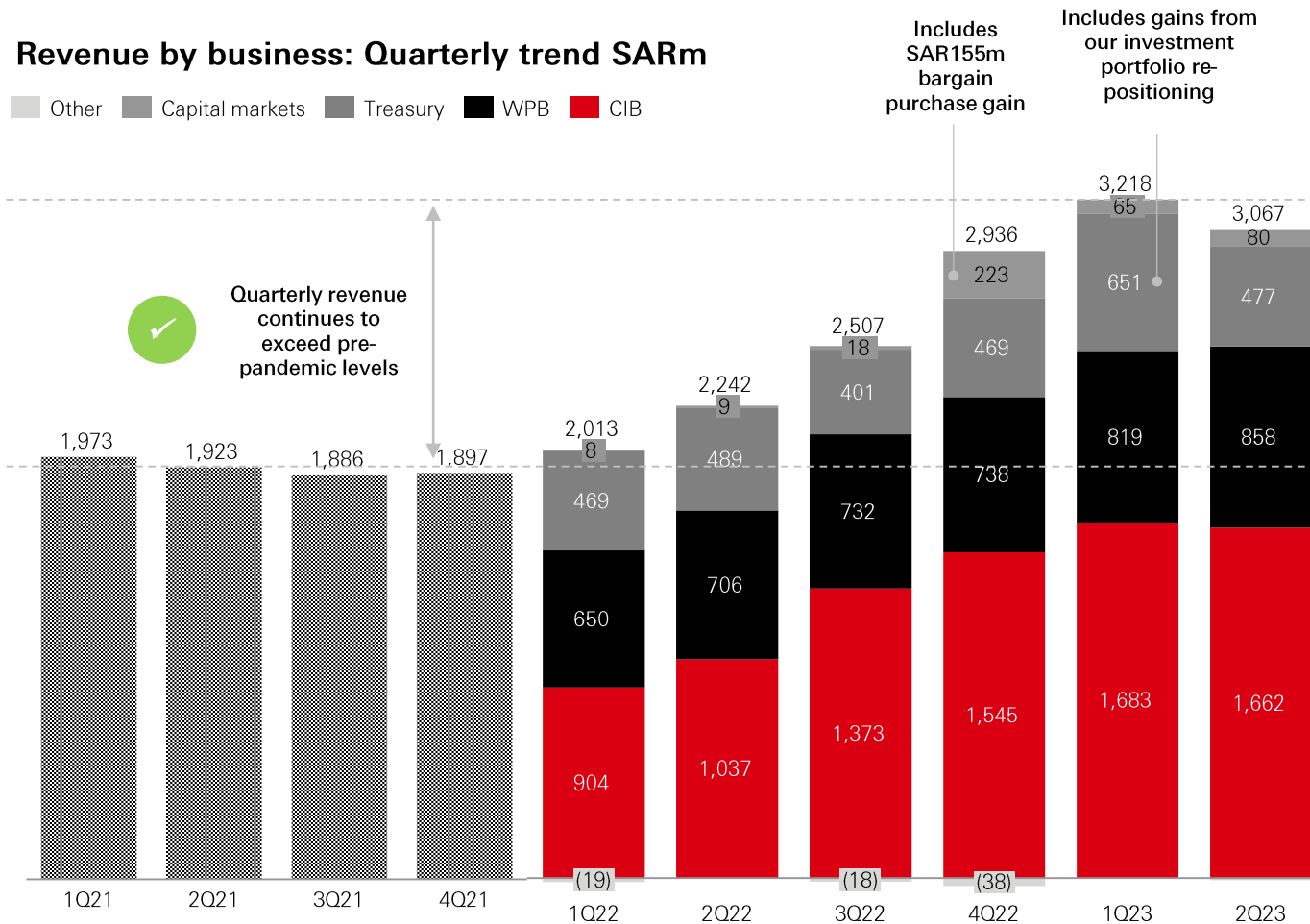
SAR billion	1H23	Δ 1H22	2023	Δ 4Q22
Gross loans	204.7	12% ▲	204.7	8% ▲
Customer deposits	222.7	7% ▲	222.7	4% ▲
Demand deposits	135.1	13% ▼	135.1	4% ▼

Revenue

2Q23 NSCI up 47% YoY; 2Q23 remains stable vs. 1Q23 with increase in NSCI-earning assets offsetting a 9bps fall in NIM; quarterly drop in NIM reflects a fall in NIBs ratio

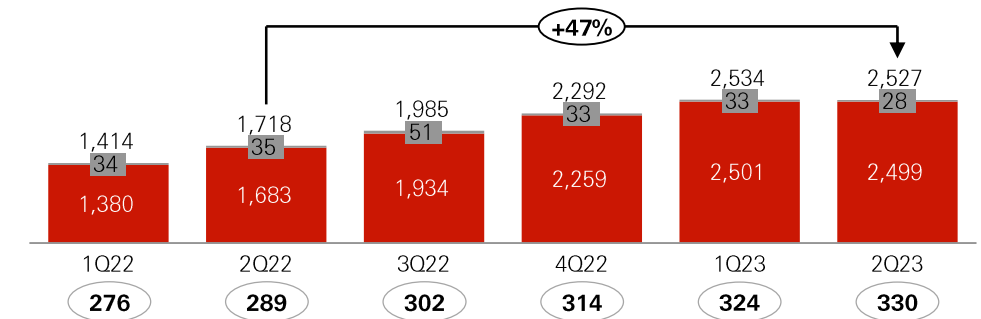
Revenue by business: Quarterly trend SARm

Other Capital markets Treasury WPB CIB

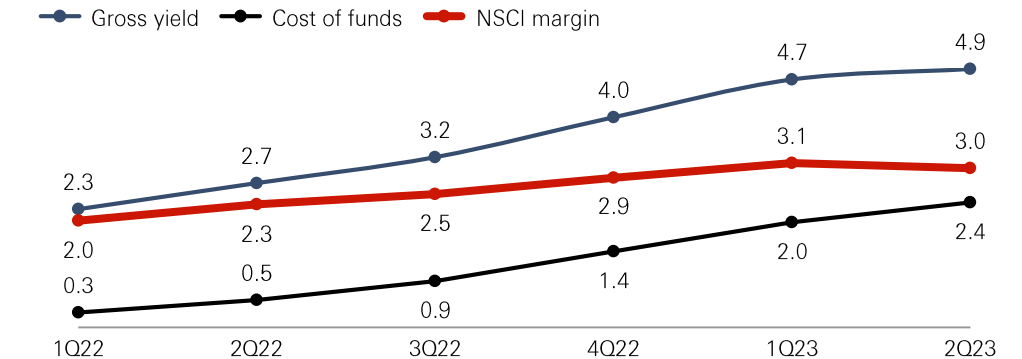


NSCI, SARm and Average interest earning assets, SARbn

PV unwind NSCI excl. PV unwind Average interest earning assets, SARbn



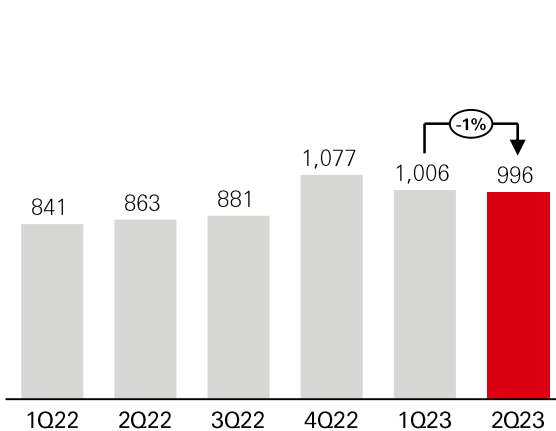
Yield, costs of funds and margin (excl. PV unwind), %



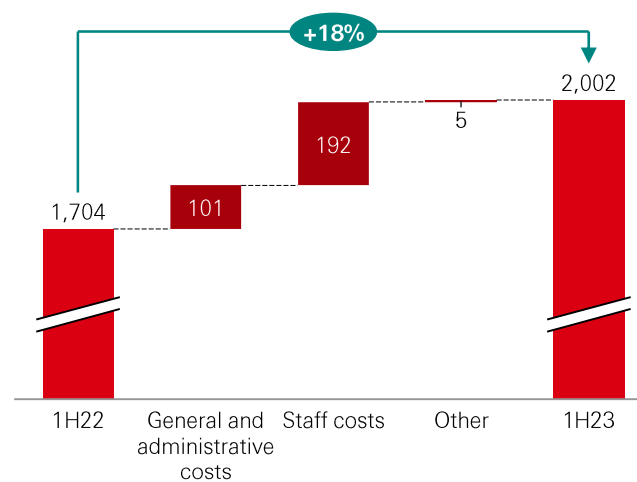
Costs

1H23 costs have increased 18% compared with 1H22 but stable QoQ; CER ratio of 31.9% remains ahead of guidance

Recent cost trend, SARm

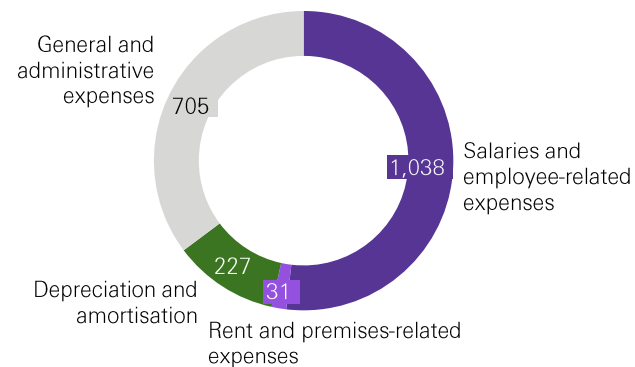


1H23 vs. 1H22 costs, SARm

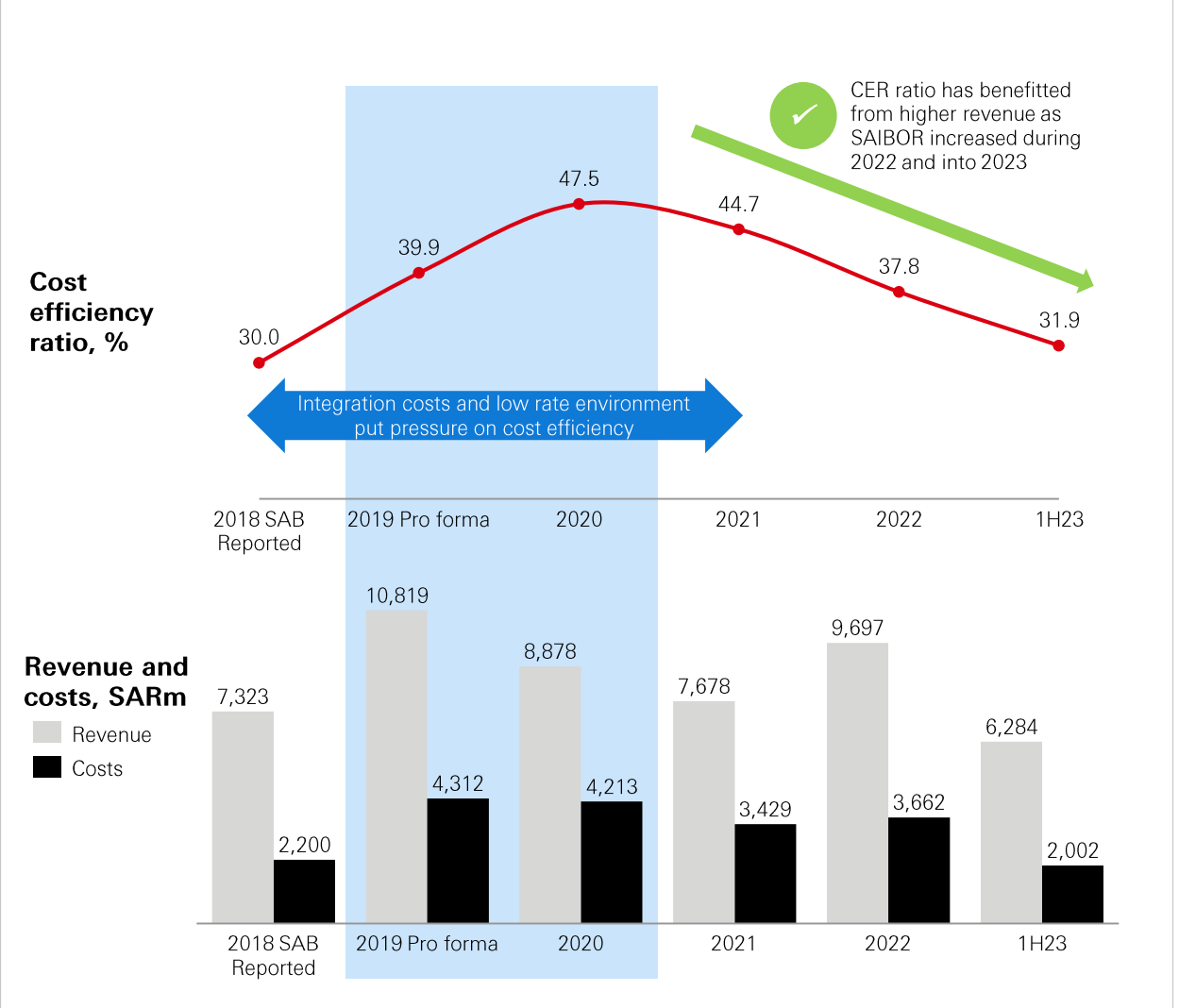


- Higher staff costs as we invest in our employees and as we move further through our investment cycle
- Higher general and admin costs from increased advertising spend, higher IT charges together with a catch up of prior year charges

1H23 costs by type, SARm



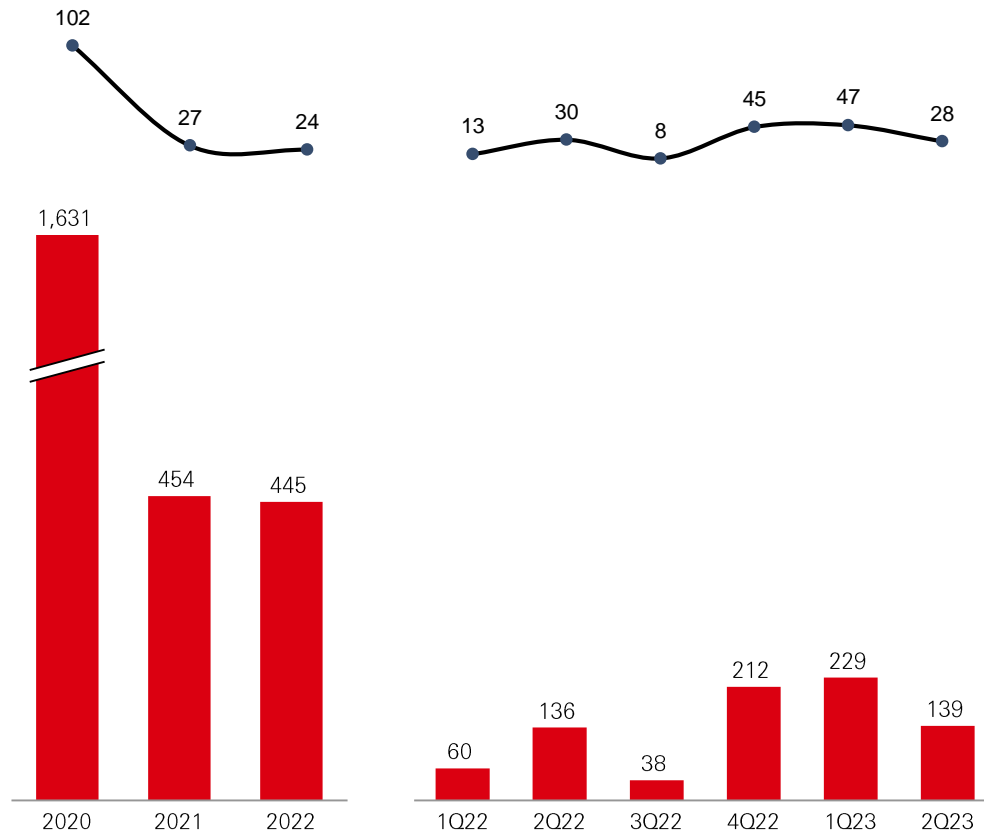
Cost efficiency ratio through the merger, %



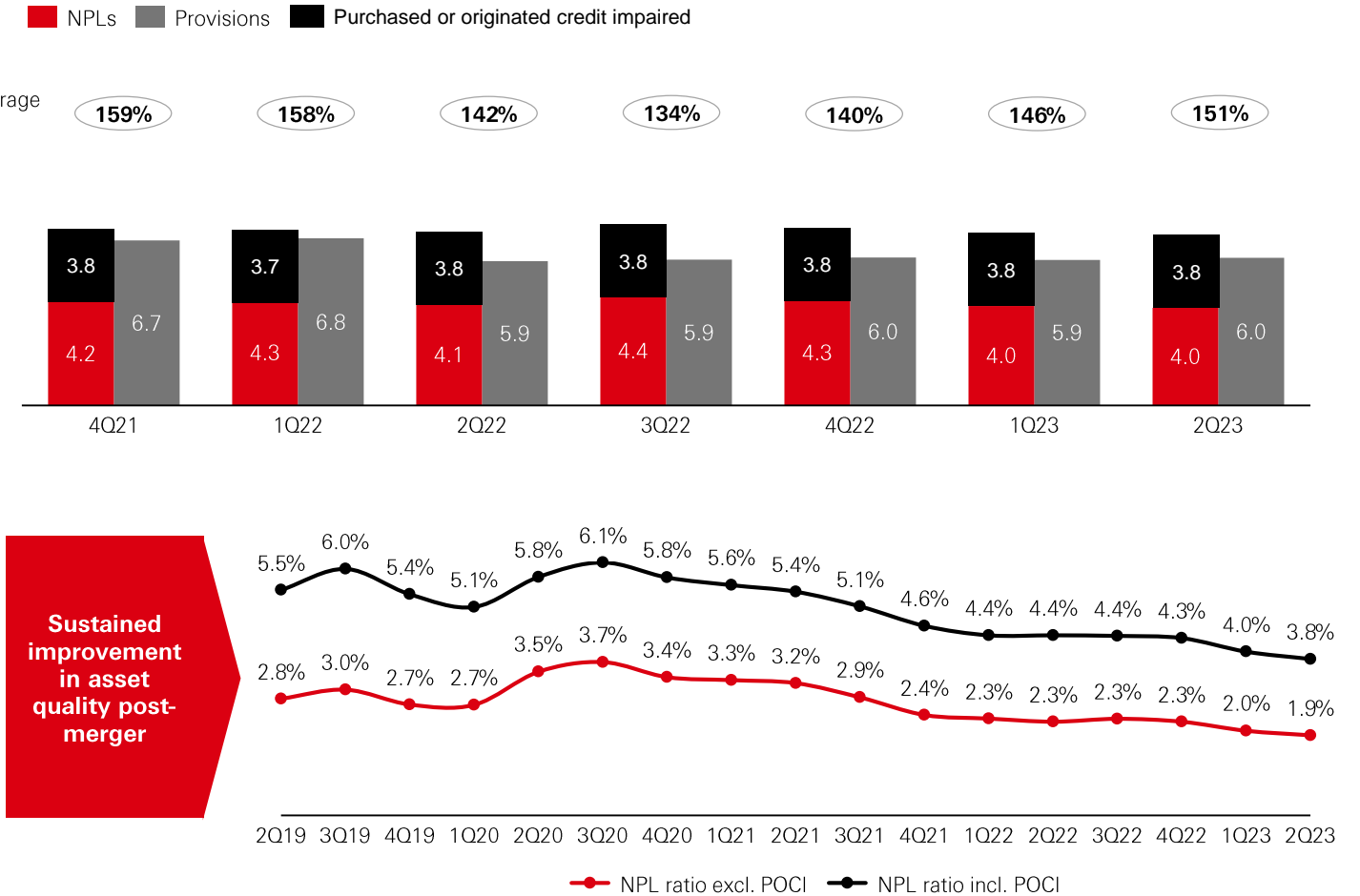
Impairment analysis and credit quality

Cost of risk remains in line with plan; NPL ratio excluding POCI falls to 1.9%

ECL charge (SARm) and CoR (bps)



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

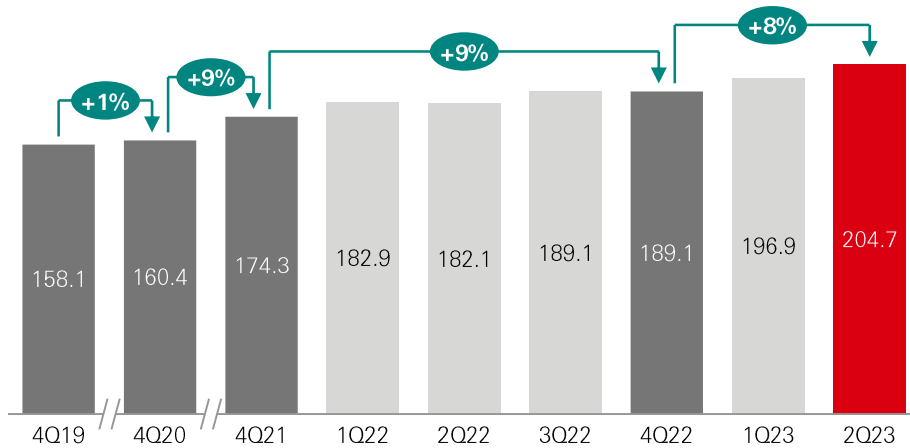


Sustained improvement in asset quality post-merger

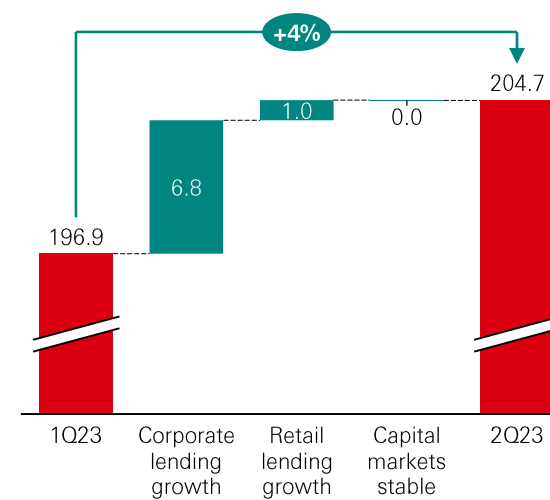
Customer lending

8% lending growth YTD and 4% during 2Q23: corporate originations remain strong with a healthy pipeline; mortgage portfolio continues to grow but originations fall in the quarter reflective of the overall market

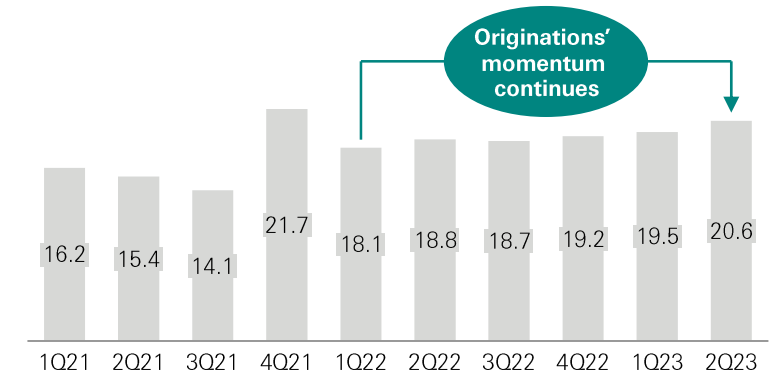
Gross customer lending, SARbn



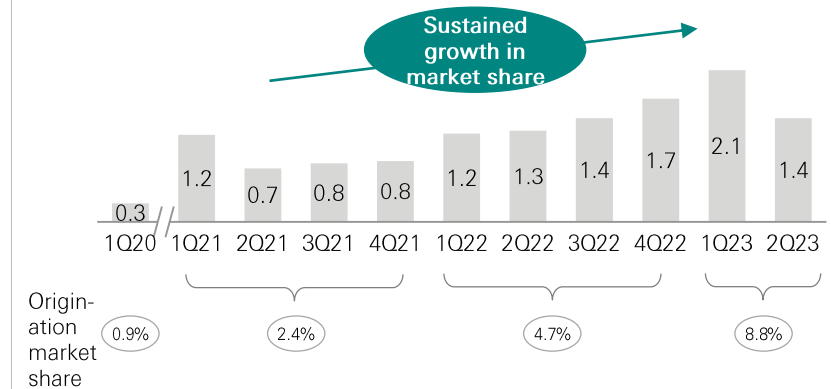
Gross customer lending 2Q23 vs. 1Q23, SARbn



Corporate quarterly originations trend, SARbn



Mortgage originations trend, SARbn



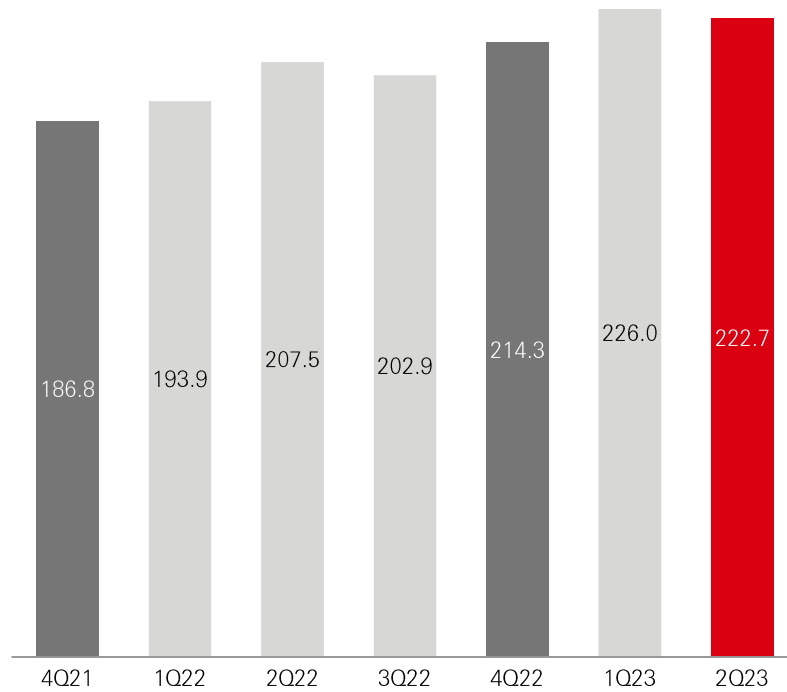
- ♦ SAR12.8bn or 9% corporate and institutional lending growth during 1H23 mainly from our Global & Large Corporate segments together with growth in the MSME segment; we are active on a range of key V2030 programmes including a number of giga projects
- ♦ SAR2.6bn or 6% retail lending growth during 1H23 with continued growth in mortgage origination where in 1H23 we took over 8.8% origination market share; 2nd quarter growth was affected by seasonality and the overall market was impacted by the changes in the mortgage subsidy programme; despite this our 2nd quarter market share was 8.5%

Customer deposits

Funding and liquidity remain robust, non-interest bearing deposit ratio fell reflecting the trend in the market

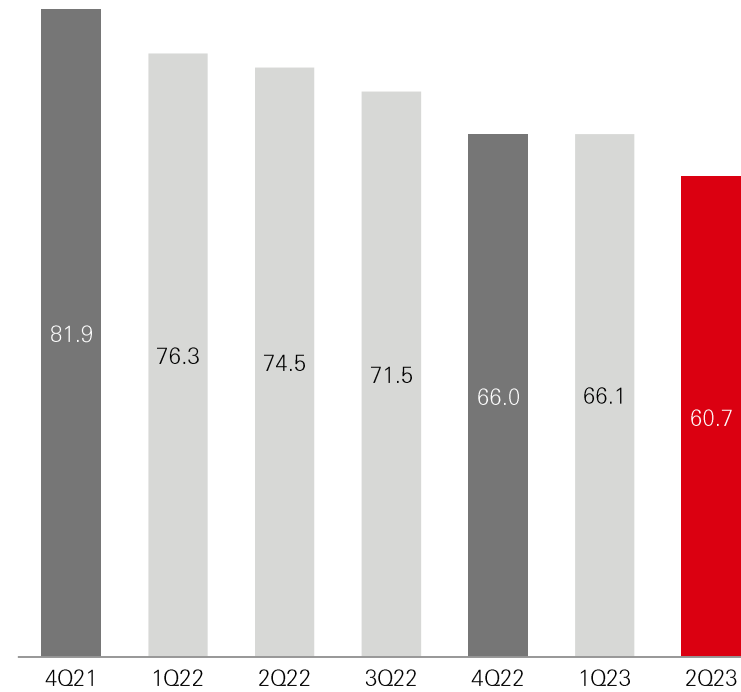
Customer deposits, SARbn

Stable funding base



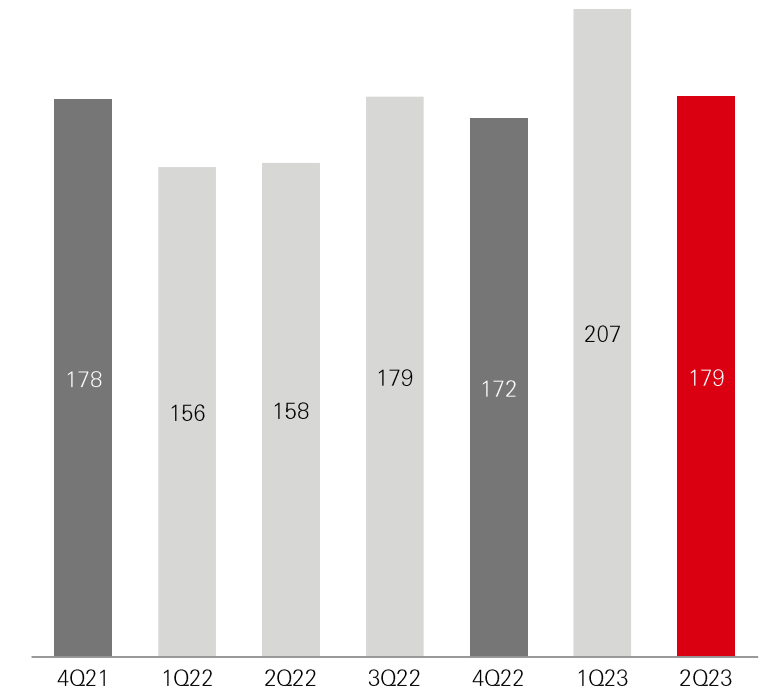
Demand deposit ratio, %

Robust non-interest bearing deposit ratio



Liquidity coverage ratio, %

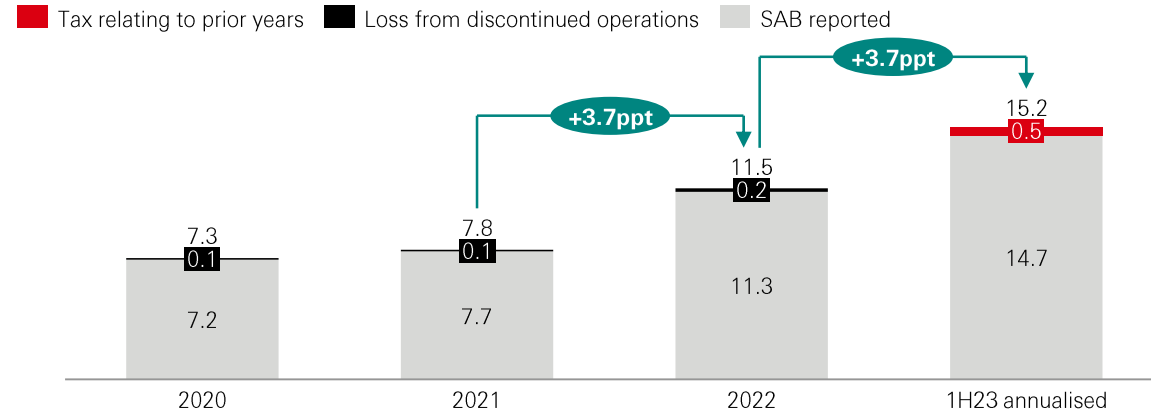
Highly liquid and well above regulatory requirements



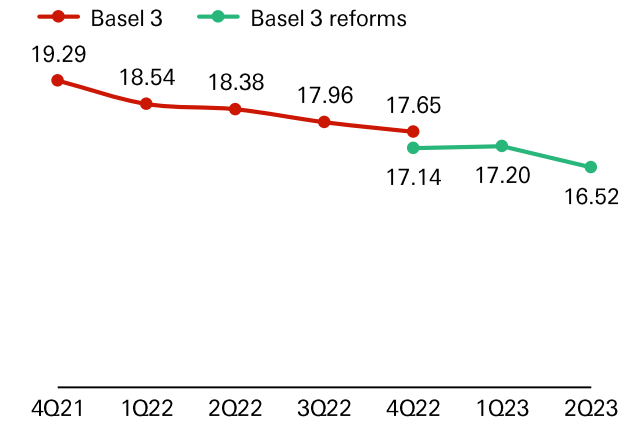
Capital and returns

Returns continue to build although 2023 impacted by zakat and tax provision relating to prior years; CET1 of 16.5% reflects the sustained growth in our loan portfolio

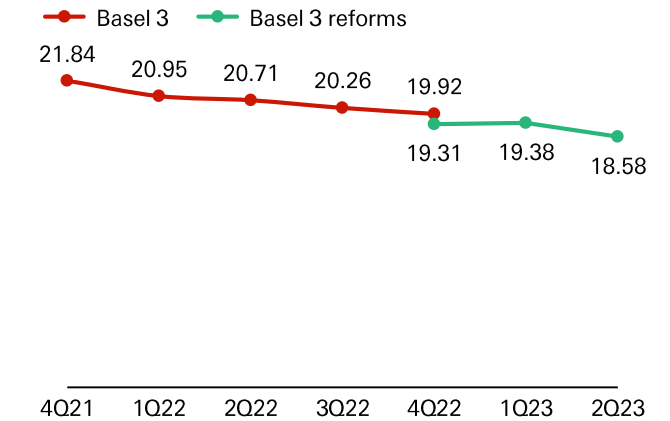
Return on tangible equity, %



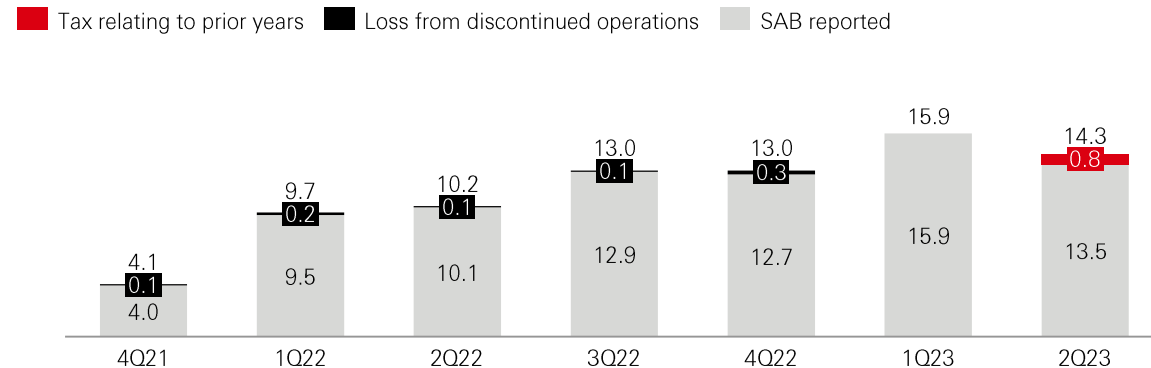
CET1 capital ratio, %



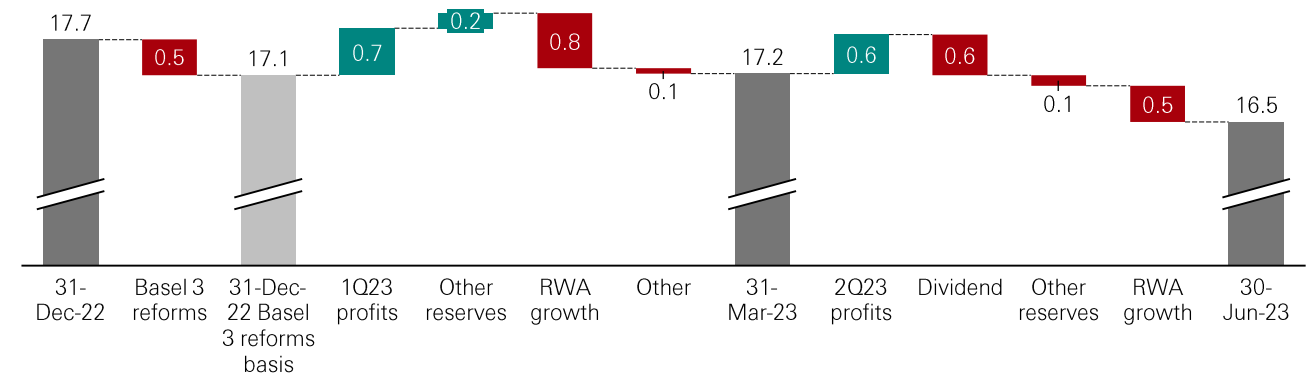
Total capital ratio, %



QTD Return on tangible equity, %



CET1 ratio movement 30 Jun 2023 vs. 31 December 2022, %



Concluding remarks and 2023 guidance

- 1 Strategy on track, investment plan on track, growth on track
- 2 Progress for the first half delivers 48% revenue growth and 61% net income growth YoY, resulting in an annualised underlying RoTE of 15.2%¹; 2Q23 QTD NIM contracts temporarily to 3.0%
- 3 Sustained loan growth of 4% QTD in line with our plan supported by strong deposit collection although NIBs have fallen in the quarter as we support our customer base in the continued higher rate environment
- 4 Macro-environment which has rapidly changed, and continues to change, but we remain extremely optimistic on the growth potential of the Kingdom
- 5 We possess robust levels of capital, liquidity and funding and the scale to support the national growth agenda

2023 guidance

	2022 actual	1H23 actual	2023 original outlook	2023 update
Loan YoY growth	+9%	+8%	Low double-digit growth	12-13%
Annual net interest margin	2.5%	3.1%	>3.1%	>3.1%
Cost efficiency ratio	37.8%	32%	33-35%	32-33%
Cost of risk	24bps	37bps	30-45bps	30-45bps
RoTE¹	11.5%	15.2%	Low to mid-teens	Mid-teens

1. Excluding tax provision relating to prior years

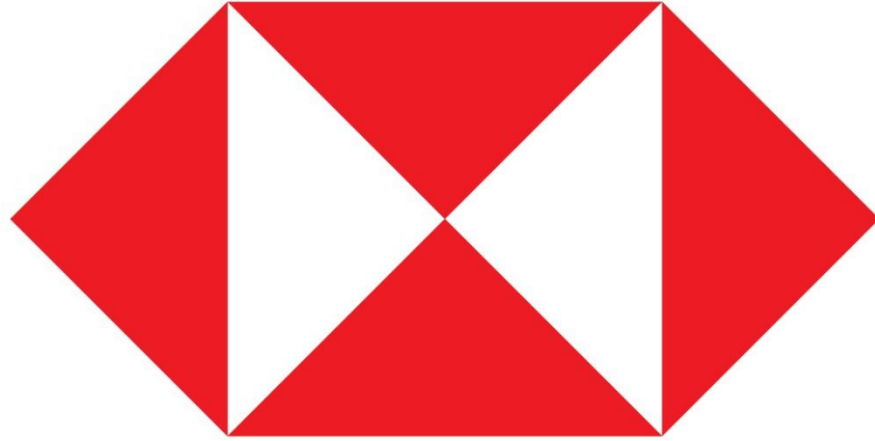
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