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Saudi Awwal Bank 3Q23 Results presentation

Presentation to investors and analysts

3Q23 Key messages

1	STRATEGY ON TRACK	◆ We continue to be a key player in supporting the Vision 2030 transformation programmes ◆ Strong customer lending momentum in the third quarter with 6% QTD growth; 15% YTD growth bringing the total portfolio to SAR217bn; pipeline remains positive as we head into 2024 ◆ Off balance sheet commitments (mainly guarantees and letters of credit) of SAR116bn
2	REVENUE GROWTH	◆ 9M23 revenue of SAR9.5bn is up 39% year-on-year; 3Q23 record revenue of SAR3.2bn is up 6% on 2Q23 ◆ 3Q23 QTD net interest margin ('NIM') remains at 3.0% ◆ 3Q23 QTD NSCI of SAR2.6bn is a new record ◆ 3Q23 non-funds income increased 24% compared with 2Q23 from higher fee and exchange income, reflecting an increase in loan origination and trade activity; exchange income also performed robustly
3	IMPROVING ASSET QUALITY	◆ 3Q23 cost-of-risk ('CoR') remained stable at 27bps and 9M23 cost of risk of 34bps, which is inline with expectations; underlying credit quality remains robust with no signs of deterioration ◆ Total NPL ratio falls to 3.6%; 1.8% excluding POCI balances – the lowest level since the merger
4	IMPROVING RETURNS	◆ Generated a return on tangible equity of 15.2% for 9M23 in line with plan, and 16.0% for 3Q23 QTD annualised
5	HEALTHY CAPITAL, LIQUIDITY AND FUNDING	◆ 16.3% CET 1 ratio, 188% LCR and a resilient 59.5% demand deposit ratio ◆ CET1 levels remain robust with dividend payment and deterioration in other reserves partly offset by 3Q23 record profits; AT1 issuance of SAR4bn completed through private placement

15% 9M23 YTD gross loan growth

3.0% 9M23 YTD NIM

15.2% 9M23 ROTE

1.8% NPL ratio excl. POCI balances

16.3% CET1

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SAB's strengths

SAB credentials[1]

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. 24% Trade market share

1.3m Retail customers

12% Corporate lending market share

Top 3 Corporate bank by revenue and assets

c. 21k Corporate and Institutional customers

16.3% CET1 ratio

59.5% 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 30 June 2023

Diversified businesses

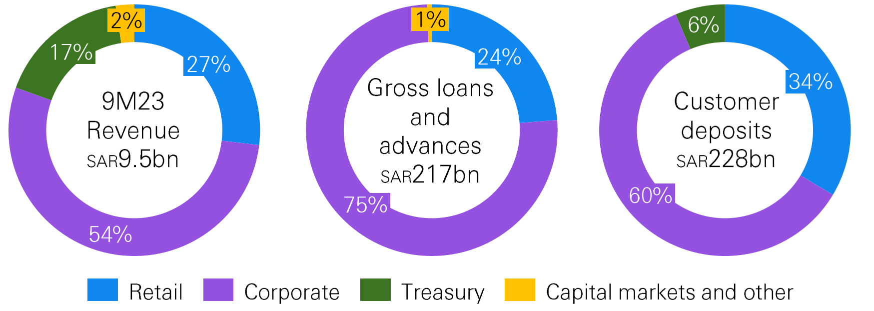
Wealth and Personal Banking Wealth and Personal Banking provides services and products to personal and private customers, through a range of market leading digital channels and a traditional branch network.

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 9M23



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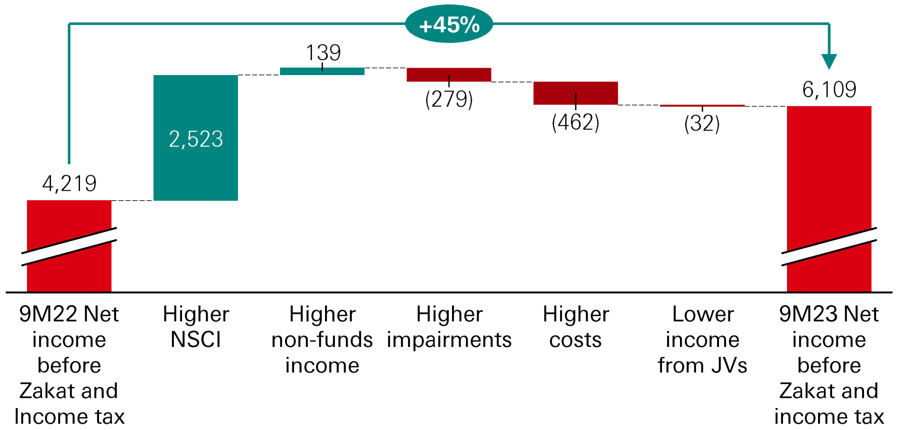
Financial summary

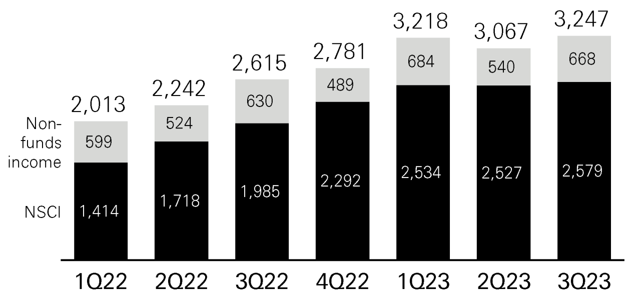
SAR6.1bn of net income generated in 9M23 pre Zakat and income tax up 45% YoY; quarterly revenue and net income are at record levels; strong quarterly loan growth continues with 15% growth YTD

- 9M23 revenue of SAR9.5bn up 39% YoY; 3Q23 QTD revenue up 24% YoY and up 6% QoQ; quarterly NSCI grew 2% to SAR2.6bn QoQ – a record for the bank
- 3Q23 QTD NIM contracted marginally; 9M23 YTD NIM of 3.0% compared with 2.3% for 9M22
- 9M23 non-funds income increased 8% YoY; 3Q23 non-funds income increased 24% QoQ reflecting robust trade activity and loan origination fees
- CoR stable in 3Q23 at 27bps bringing the YTD CoR to 34bps in line with plan
- 9M23 costs increased 18% YoY reflecting our investment cycle and inflationary pressures; 3Q23 costs increased 5% QoQ
- Customer lending origination momentum continues with 3Q23 growth of 6%, bringing YTD growth to 15%
- Demand deposit ratio of 59.5% remains resilient and ahead of the market

9M23 Net income before Zakat and income tax walk



Recent revenue trend



Key ratios, Income statement and Balance Sheet

% unless otherwise stated	9M23	Δ 9M22	3Q23	Δ 3Q22
Net special commission margin ('NIM')	3.0	0.7ppt ▲	3.0	0.5ppt ▲
Return on Tangible Equity	15.2	4.0ppt ▲	16.0	2.1ppt ▲
Cost Efficiency Ratio ('CER')	32.0	5.7ppt ▼	32.2	1.5ppt ▼
Cost of risk ('CoR')	34bps	17bps ▲	27bps	19bps ▲
Common Equity Tier 1 ratio ('CET 1')	16.3	1.6ppt ▼	16.3	1.6ppt ▼

SAR million	9M23	Δ 9M22	3Q23	Δ 3Q22
Total operating income ('Revenue')	9,532	39% ▲	3,247	24% ▲
Operating expenses	(3,047)	18% ▲	(1,045)	19% ▲
Provision for expected credit losses, net	(512)	>100% ▲	(144)	>100% ▲
Share in earnings of associates	136	19% ▼	59	27% ▲
Net income before Zakat and income tax	**6,109**	**45%** ▲	**2,118**	**22%** ▲
Zakat and income tax	(964)	61% ▲	(287)	24% ▲
Net loss from discontinued operations	-	100% ▼	-	100% ▼
Net income after Zakat and income tax	5,145	43% ▲	1,830	22% ▲

SAR billion	9M23	Δ 9M22	3Q23	Δ 3Q22
Gross loans	217.5	15% ▲	217.5	15% ▲
Customer deposits	228.1	12% ▲	228.1	12% ▲
Demand deposits	135.6	6% ▼	135.6	6% ▼

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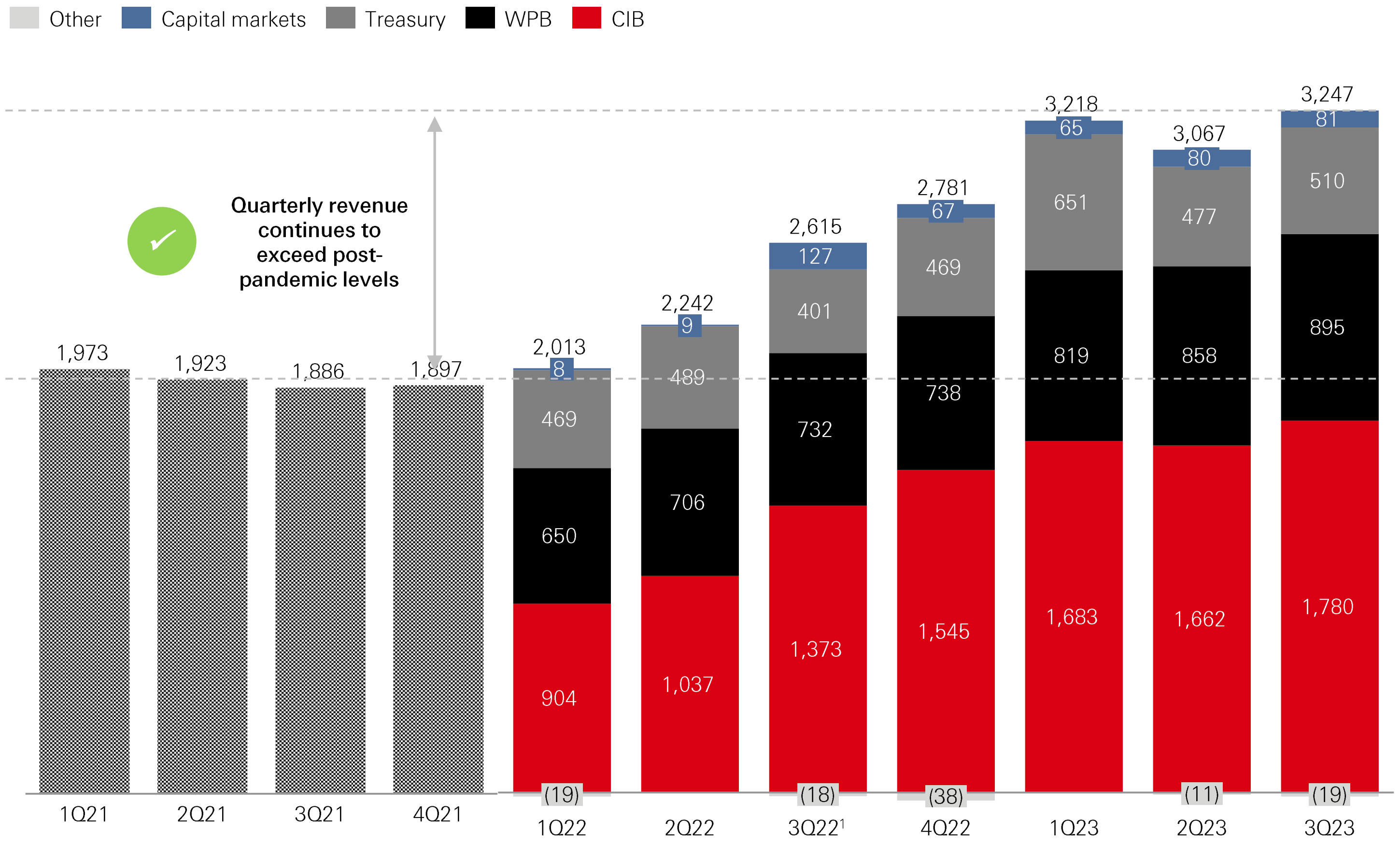
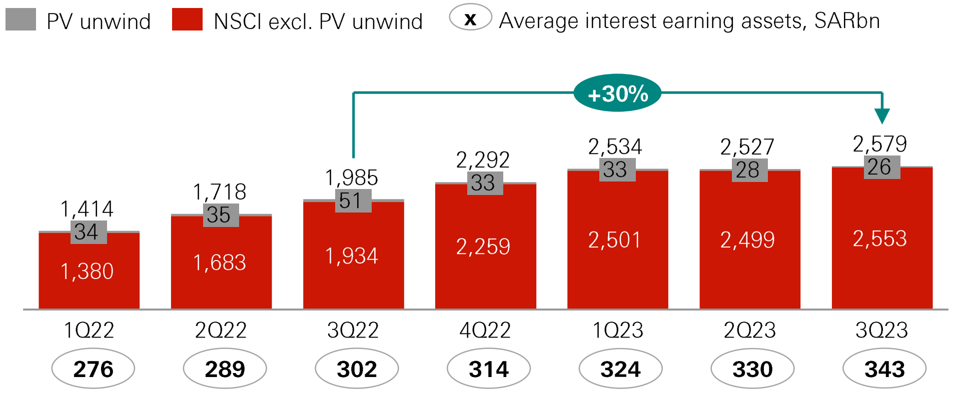
Revenue

Third quarter revenue and NSCI are records for the bank; 3Q23 NSCI up 30% YoY and up 2% on 2Q23; NIM remains steady at 3.0% during the third quarter

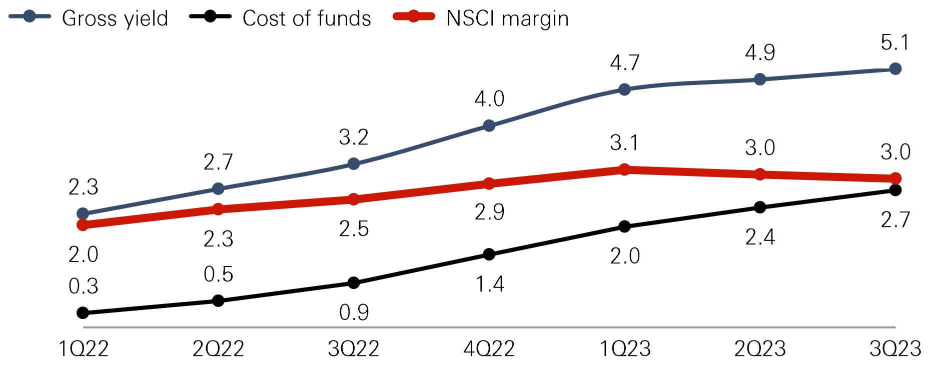
Revenue by business: Quarterly trend SARm



NSCI, SARm and Average interest earning assets, SARbn



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



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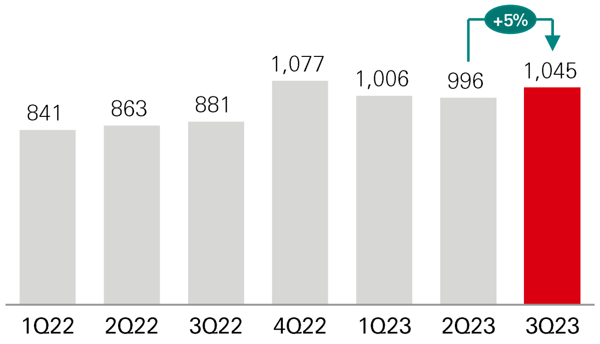
1. Following conclusion of the purchase price allocation exercise in 3Q23 for the sale and transfer of the asset management, margin lending and brokerage business lines from HSBC Saudi Arabia, 3Q22 Income statement was restated and SAR108.6m gain was included in 3Q22. The gain that was previously reported in 4Q22 has been removed and therefore the net restatement for 2022 for this transaction was a net SAR46.6m reduction; the gain reported in 2022 was originally SAR155.4m in 4Q22.

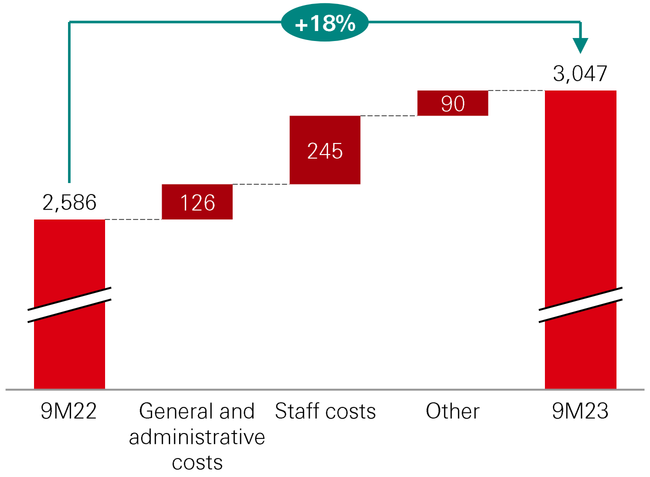
Costs

9M23 costs have increased 18% compared with 9M22, and up 5% QoQ; CER ratio of 32.0% remains ahead of guidance

Recent cost trend, SARm

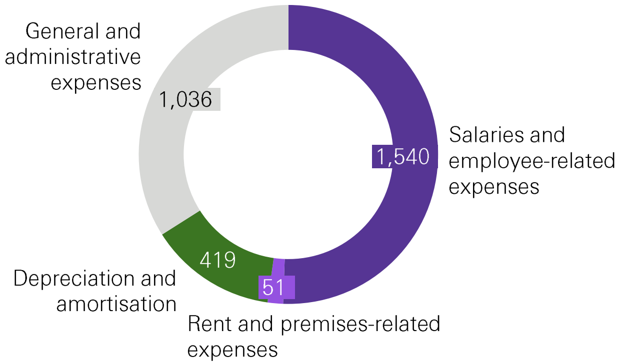


9M23 vs. 9M22 costs, SARm

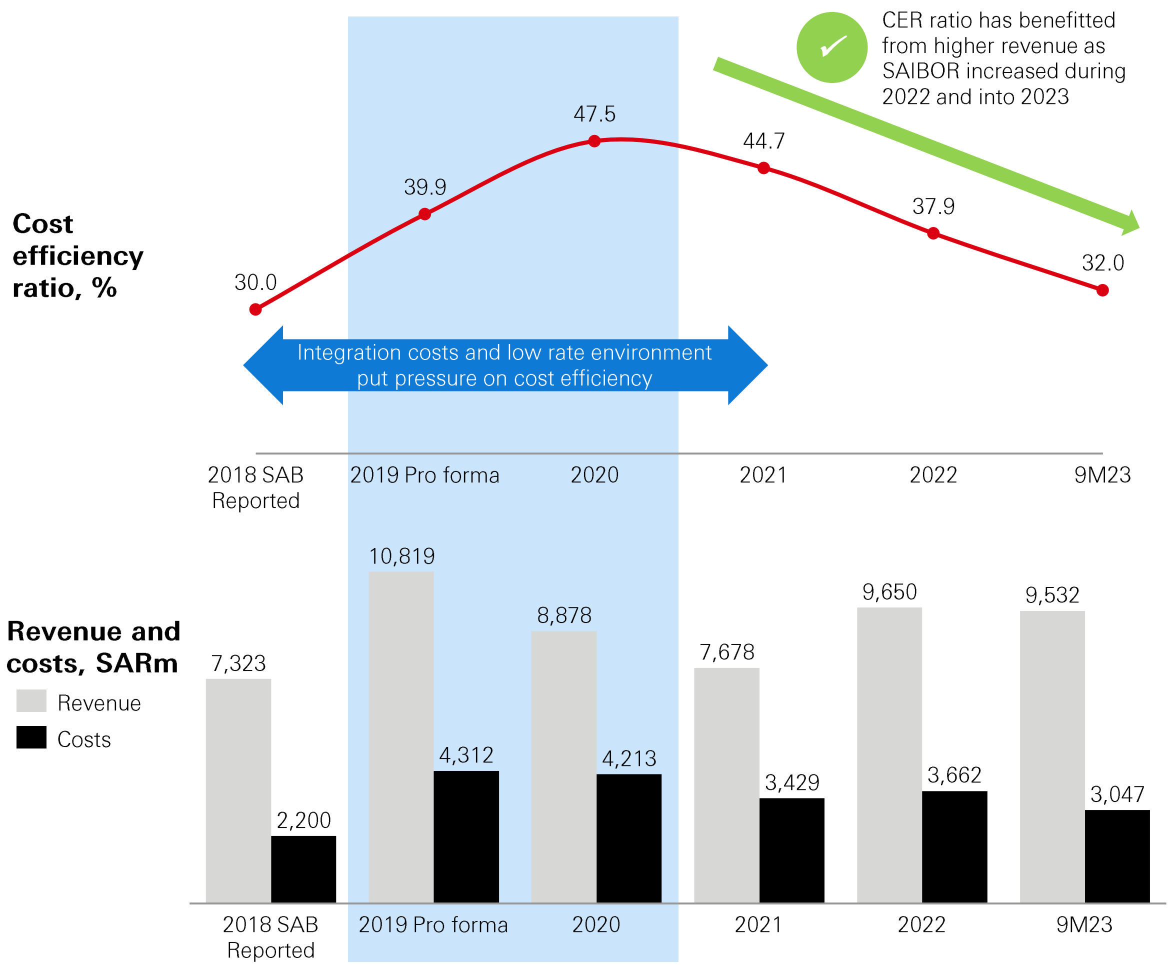


- Higher staff costs as we invest in our employees and as we move further through our investment cycle
- Higher general and admin costs from increased advertising spend, higher IT charges together with a catch up of prior year charges

9M23 costs by type, SARm



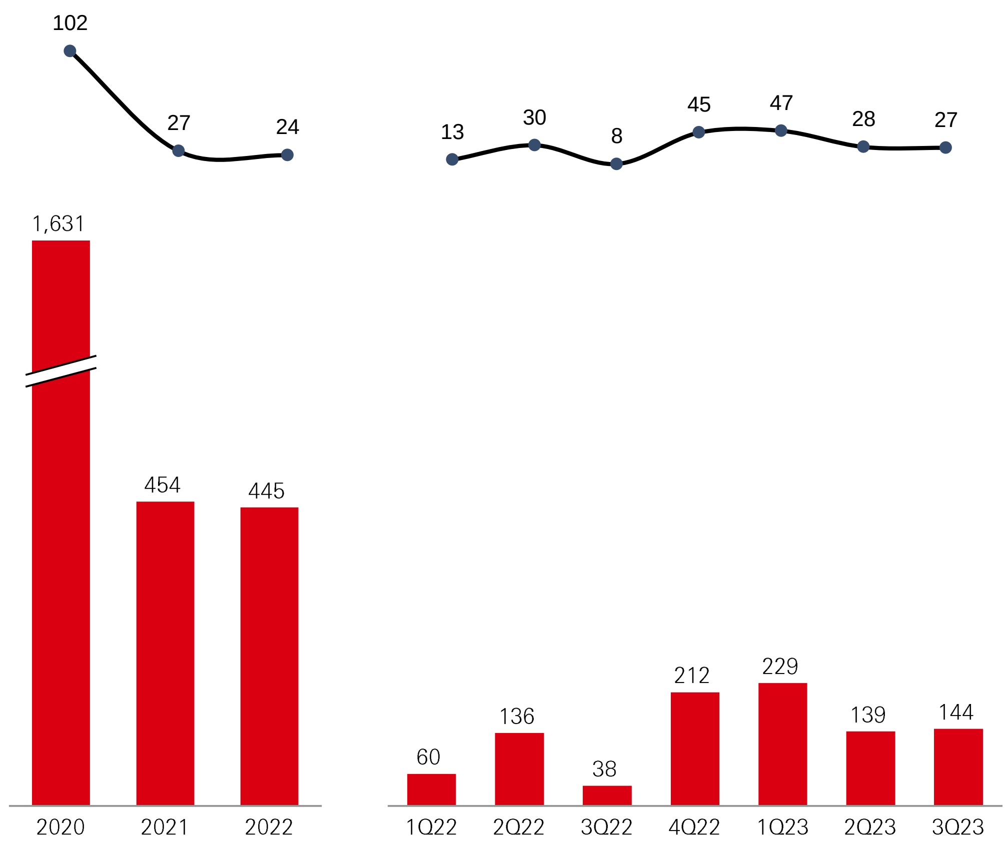
Cost efficiency ratio through the merger, %



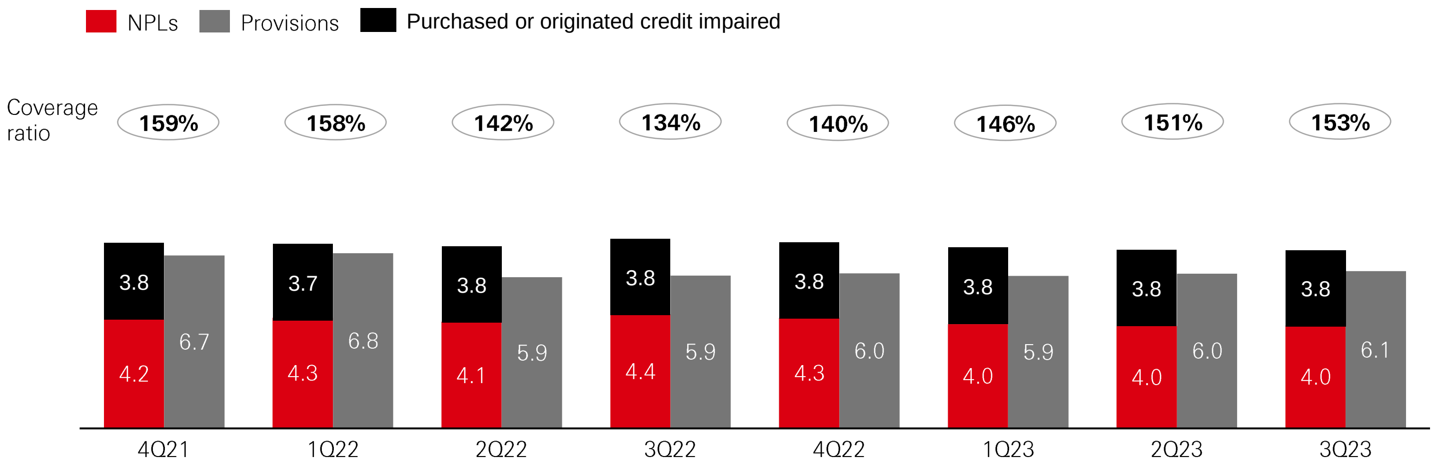
Impairment analysis and credit quality

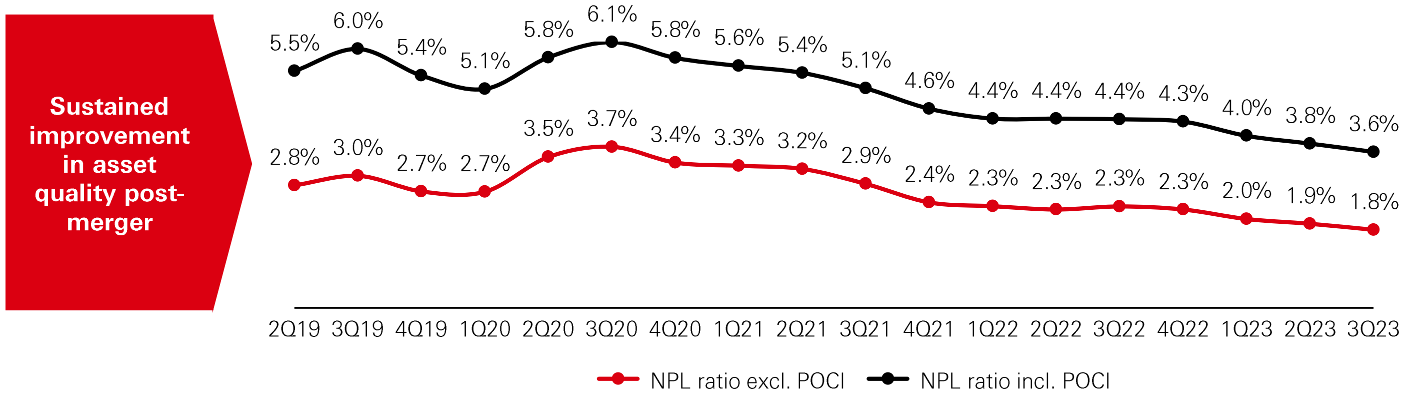
Cost of risk remains in line with plan; NPL ratio excluding POCI falls to 1.8%

ECL charge (SARm) and CoR (bps)



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





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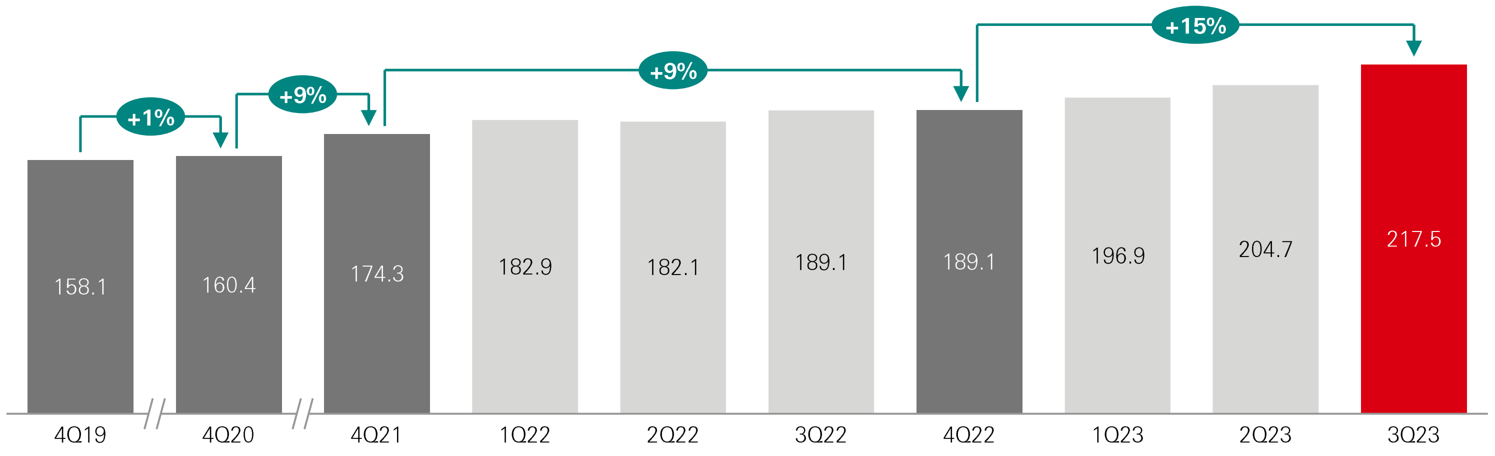
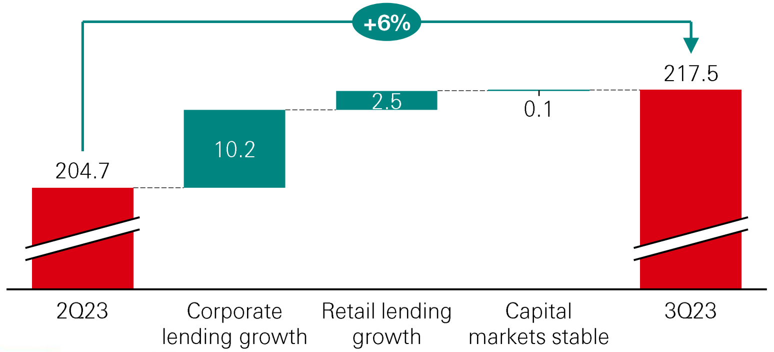
Customer lending and trade assets

15% lending growth YTD and growth accelerating 6% during 3Q23: corporate originations remain strong with a healthy pipeline; mortgage portfolio continues to grow; trade asset growth accelerates

Gross customer lending, SARbn

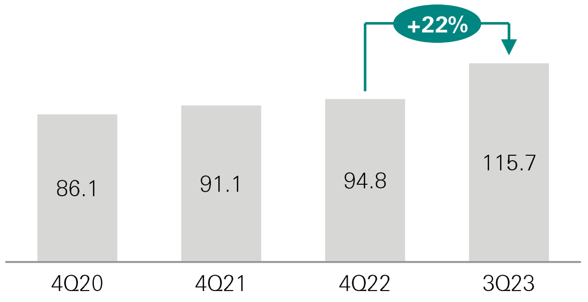


Gross customer lending 3Q23 vs. 2Q23, SARbn

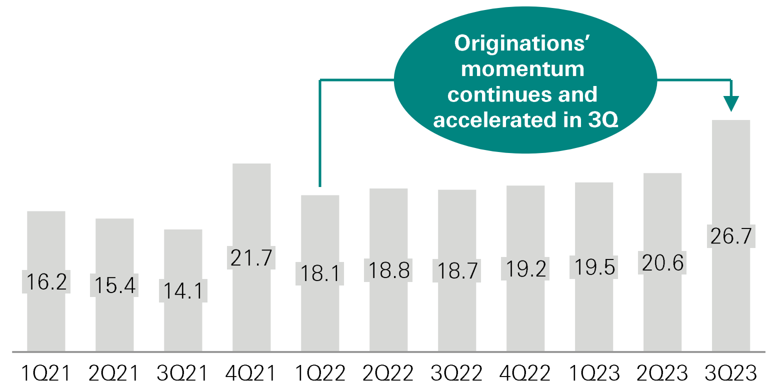


Trade Assets, SARbn

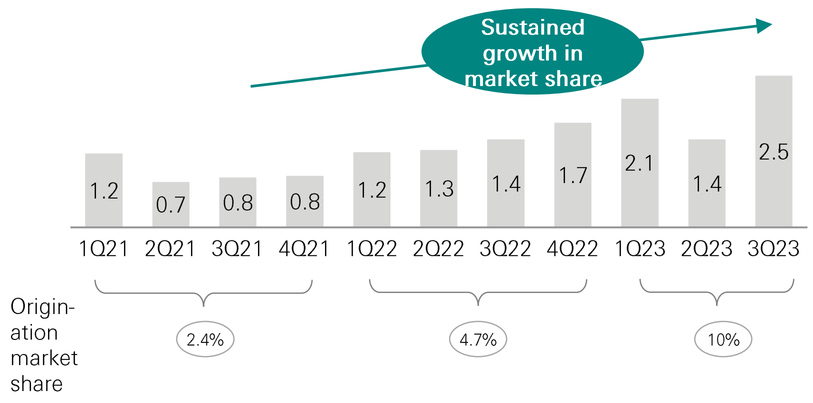
Letters of credit, guarantees and acceptances



Corporate quarterly originations trend, SARbn



Mortgage originations trend, SARbn

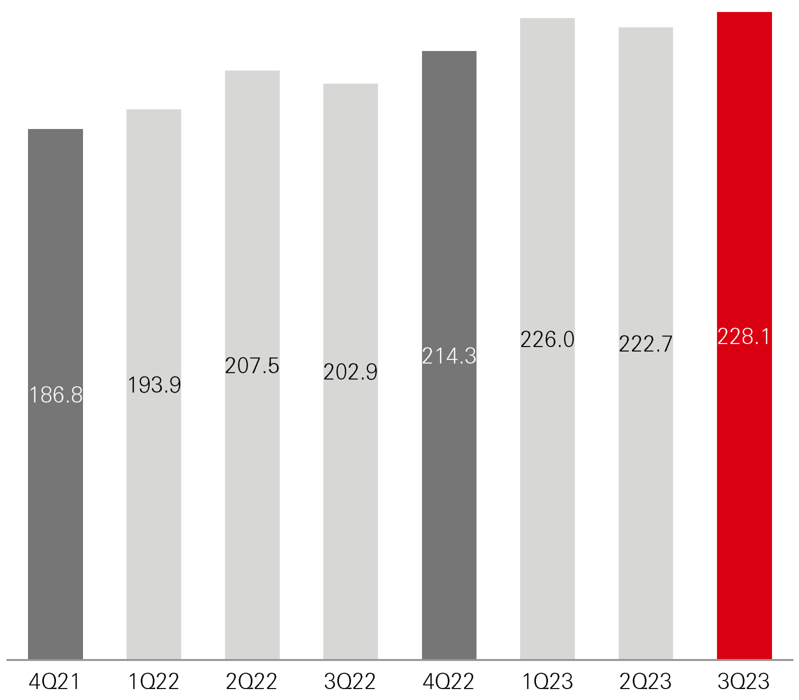


Customer deposits

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

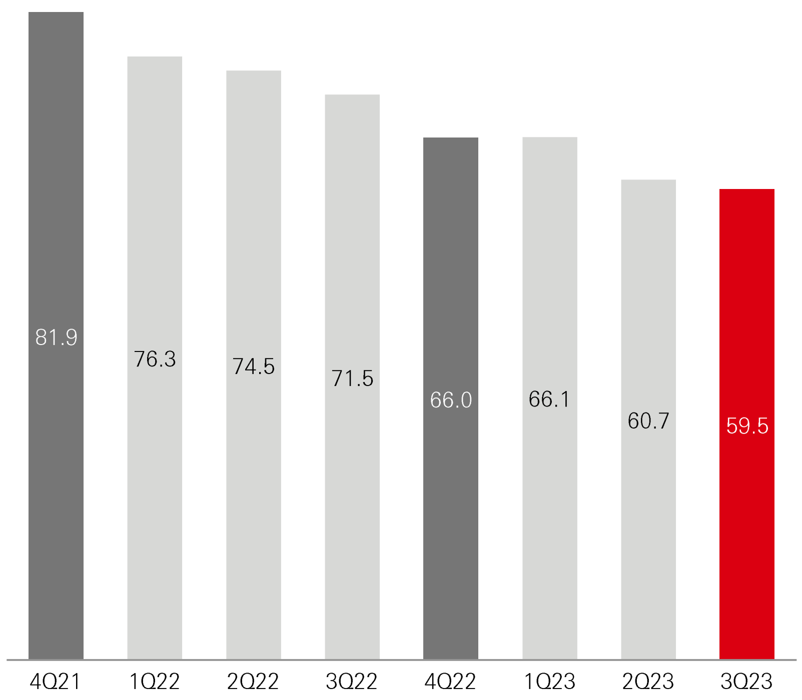
Customer deposits, SARbn

Stable funding base



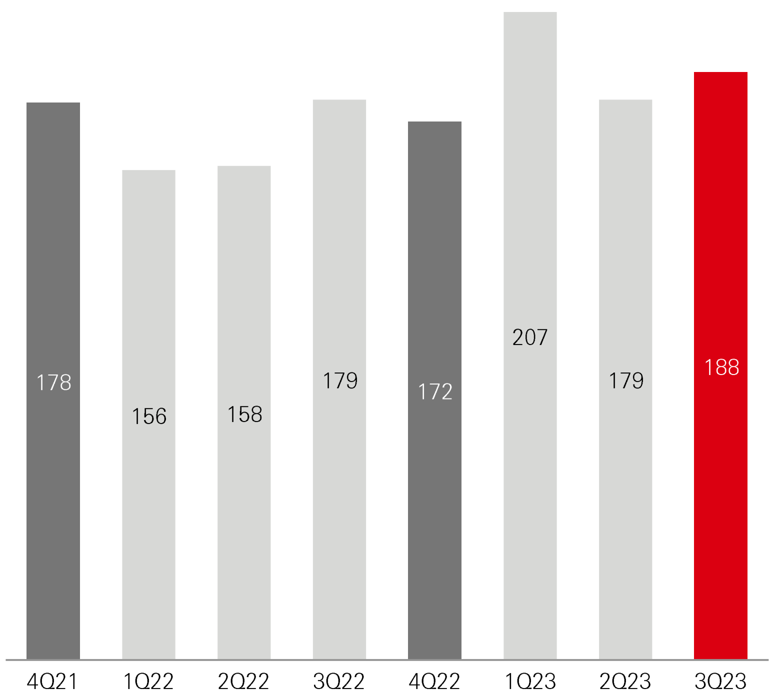
Demand deposit ratio, %

Robust non-interest bearing deposit ratio



Liquidity coverage ratio, %

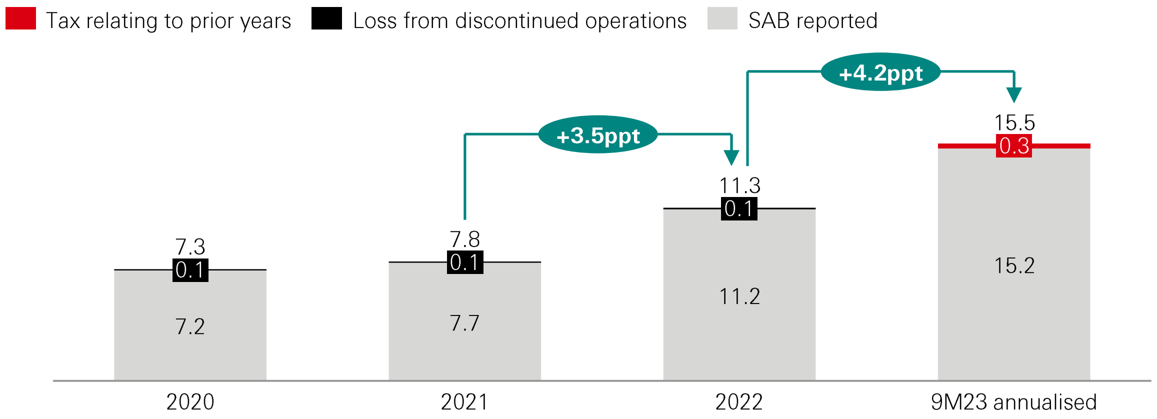
Highly liquid and well above regulatory requirements



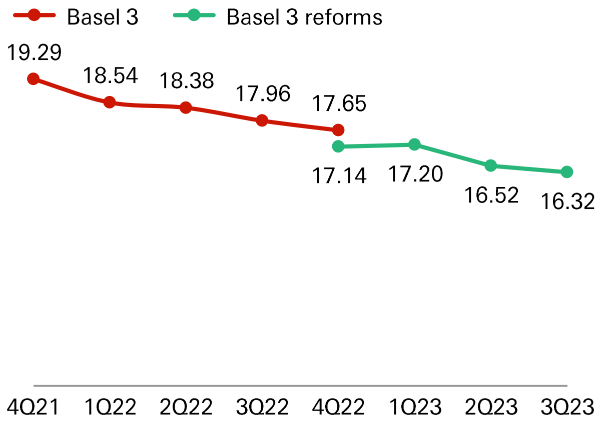
Capital and returns

Returns continue to build with 3Q23 QTD RoTE of 16% reflecting the record financial performance in the quarter; CET1 of 16.3% reflects the sustained growth in our loan portfolio

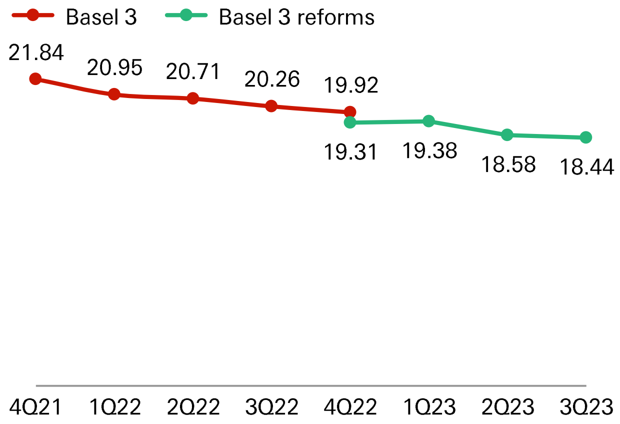
Return on tangible equity, %



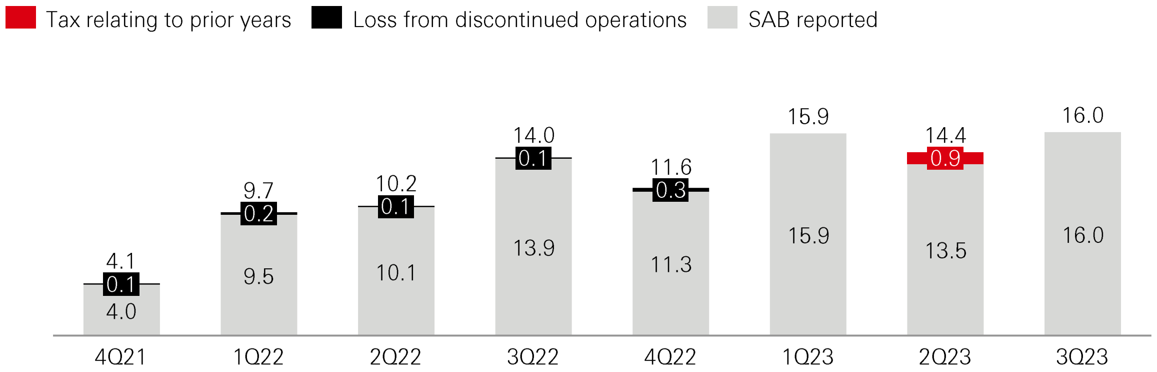
CET1 capital ratio, %



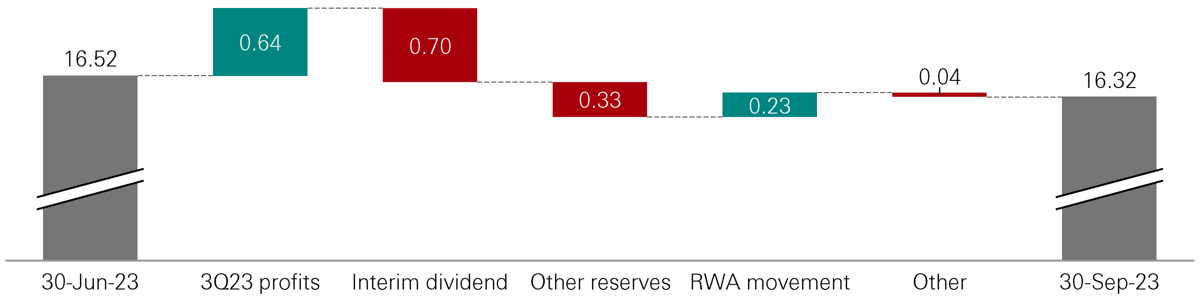
Total capital ratio, %



QTD Return on tangible equity, %



CET1 ratio movement 30 Sep 2023 vs. 30 June 2023, %



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Concluding remarks and 2023 guidance

1. Strategy on track, investment plan on track, growth on track
2. Progress year-to-date delivers 39% revenue growth and 43% net income growth YoY, resulting in an annualised RoTE of 15.2%
3. Strong quarterly loan growth of 6% QTD in line with our plan supported by strong deposit collection
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	9M23 actual	2023 original outlook	2Q23 update	3Q23 update
Loan YoY growth	+9%	+15%	Low double-digit growth	12-13%	Mid-teens
Annual net interest margin	2.46%	3.04%	>3.10%	>3.10%	2.95-3.05%
Cost efficiency ratio	37.9%	32%	33-35%	32-33%	32-33%
Cost of risk	24bps	34bps	30-45bps	30-45bps	30-45bps
RoTE	11.5%	15.2%	Low to mid-teens	Mid-teens	Mid-teens

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