

# Saudi British Bank 3Q22 Results presentation

Presentation to investors  
and analysts



## 3Q22 Key messages

1	<b>PIPELINE REMAINS PROMISING</b>	<ul style="list-style-type: none"> <li>Continued to be a key player in supporting the Vision 2030 transformation programmes</li> <li>Grew our customer lending portfolio by 9% YTD and 11% YoY</li> <li>QTD growth driven by our corporate business, and in line with our expectations</li> </ul>	9% 9M22 YTD loan growth
2	<b>REVENUE GROWTH</b>	<ul style="list-style-type: none"> <li>Grew 9M22 revenue by 19% year-on-year; grew 3Q22 revenue by 11% compared with 2Q22</li> <li>3Q22 QTD NIM improved 0.2ppt to 2.5%, as re-pricing continued, following the increases to SAIBOR</li> <li>Non-funds income grew 18% YoY but fell 2% QoQ</li> </ul>	2.5% 3Q22 QTD NIM
3	<b>IMPROVING ASSET QUALITY</b>	<ul style="list-style-type: none"> <li>Annualised cost-of-risk of 8bps during the third quarter and total NPL ratio remains at 4.4%, and 2.3% excluding POCI balances</li> </ul>	11.0% 9M22 ROTE
4	<b>IMPROVING RETURNS</b>	<ul style="list-style-type: none"> <li>Generated a return on tangible equity of 11.0% for 9M22, compared with a FY21 return of 7.8%</li> <li>3Q22 QTD annualised return on tangible equity of 13.0%</li> </ul>	2.3% NPL ratio excl. POCI balances
5	<b>HEALTHY CAPITAL, LIQUIDITY AND FUNDING</b>	<ul style="list-style-type: none"> <li>18.0% CET 1 ratio, 179% LCR and 71% demand deposit ratio</li> <li>CET1 levels fell reflecting payment of the interim dividend, growth in RWAs and a drop in the fair value of debt instruments through Other Comprehensive Income</li> <li>Demand deposit ratio decreased reflecting the increasing moves towards time deposits</li> </ul>	18.0% CET1
6	<b>STRATEGY</b>	<ul style="list-style-type: none"> <li>Strategy execution is on track</li> </ul>	

# SABB's strengths

## SABB credentials<sup>1</sup>

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

**12%**  
Corporate lending market share



**Top 3**  
Corporate bank by loans

**c. 23k**  
Corporate and Institutional customers

**18.0%**  
CET1 ratio



**71%**  
Demand deposit ratio

**13%**  
FX market share

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



1. Market share as at 30 June 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.

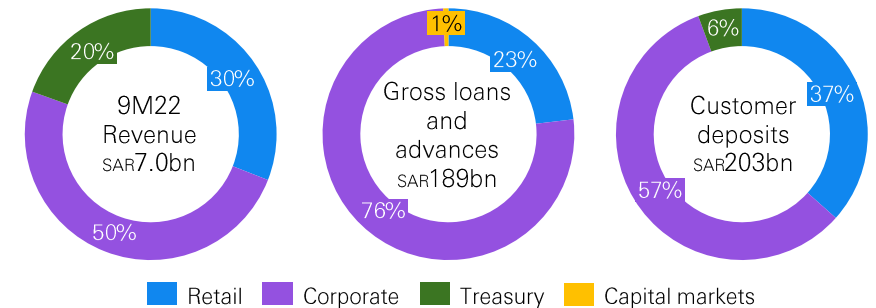
### Treasury

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.

### Capital Markets

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

### Key financials by business for 9M22



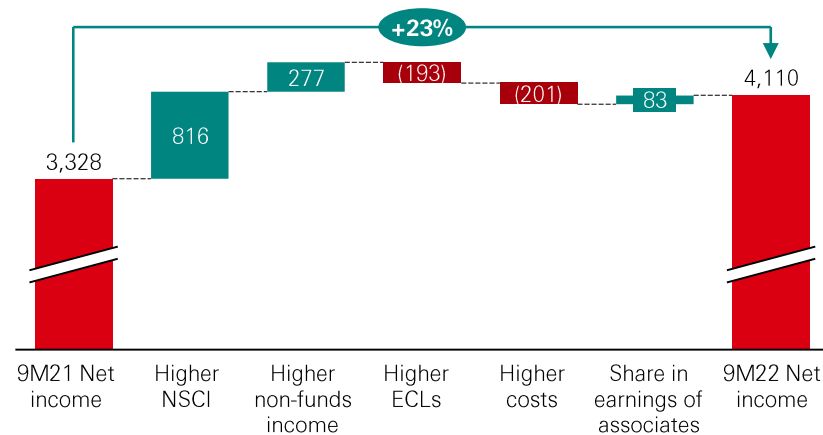


## Financial summary

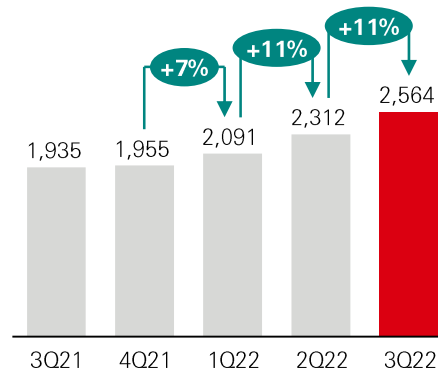
SAR4.1bn of net income generated in 9M22 pre Zakat and income tax, strong loans origination with net growth of 9% YTD, 19% revenue growth and 71% NIBs ratio

- 9M22 reported net income before Zakat and income tax of SAR4.1bn up 23% YoY; 3Q22 net income of SAR1.6bn up 57% on 3Q21
- 3Q22 QTD NIM increased to 2.5% with NSCI the key driver of revenue
- Cost of risk of 17bps YTD remains below our through-the-cycle guidance
- 9M22 costs increased 8% YoY as our investment activity picks up pace, and from inflationary pressures
- Underlying customer lending origination momentum continues with YTD net growth of 9%, and a 4% increase in the third quarter
- Demand deposit ratio of 71%, despite a fall, remains a position of strength

### 9M22 Net income before Zakat and income tax walk



### Recent revenue trend



### Key ratios, Income statement and Balance Sheet

% unless otherwise stated	9M22	Δ 9M21	3Q22	Δ 3Q21
Net special commission margin ('NIM')	2.3	0.3ppt ▲	2.5	0.5ppt ▲
Return on Tangible Equity	11.0	2.0ppt ▲	13.0	4.6ppt ▲
Cost Efficiency Ratio ('CER')	40.1	(4.1)ppt ▼	36.6	(10.0)ppt ▼
Cost of risk ('CoR')	17bps	14bps ▲	8bps	5bps ▲
Common Equity Tier 1 ratio ('CET 1')	18.0	(1.3)ppt ▼	18.0	(1.3)ppt ▼

SAR million	9M22	Δ 9M21	3Q22	Δ 3Q21
Total operating income ('Revenue')	6,966	19% ▲	2,564	32% ▲
Operating expenses	(2,790)	8% ▲	(938)	4% ▲
Provision for expected credit losses, net	(233)	>100% ▲	(38)	>100% ▲
Share in earnings of associates	168	99% ▲	47	>100% ▲
<b>Net income before Zakat and income tax</b>	<b>4,110</b>	<b>23% ▲</b>	<b>1,635</b>	<b>57% ▲</b>
Zakat and income tax	(597)	13% ▲	(231)	54% ▲
Net loss from discontinued operations	(30)	21% ▲	(6)	29% ▲
<b>Net income after Zakat and income tax</b>	<b>3,483</b>	<b>26% ▲</b>	<b>1,398</b>	<b>58% ▲</b>

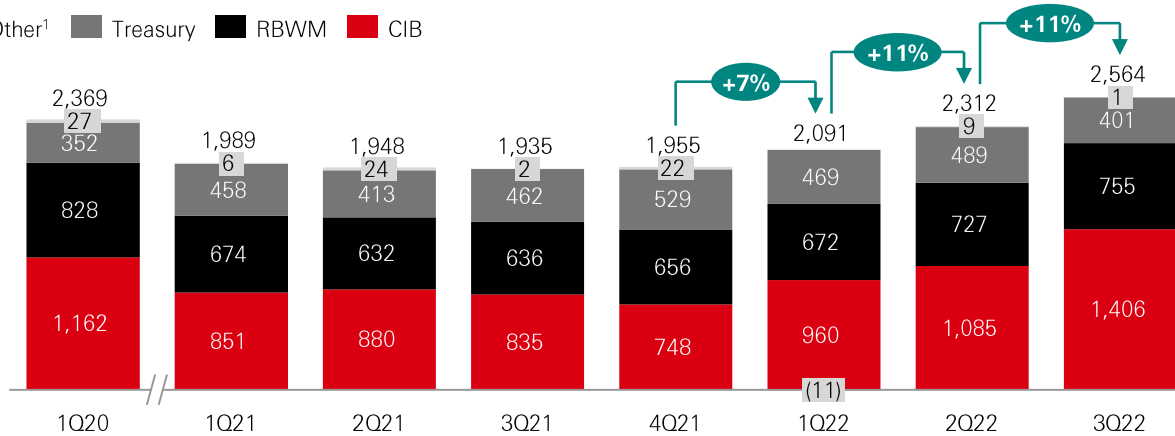
SAR billion	9M22	Δ 9M21	3Q22	Δ 3Q21
Gross loans	189.1	11% ▲	189.1	11% ▲
Customer deposits	202.9	13% ▲	202.9	13% ▲
Demand deposits	145.0	4% ▲	145.0	4% ▲

## Revenue

NIM continued to expand into the third quarter to 2.5% reflecting the increases in benchmark rates; 3Q22 non-funds income fell 2% compared with 2Q22

### Revenue by business, SARm

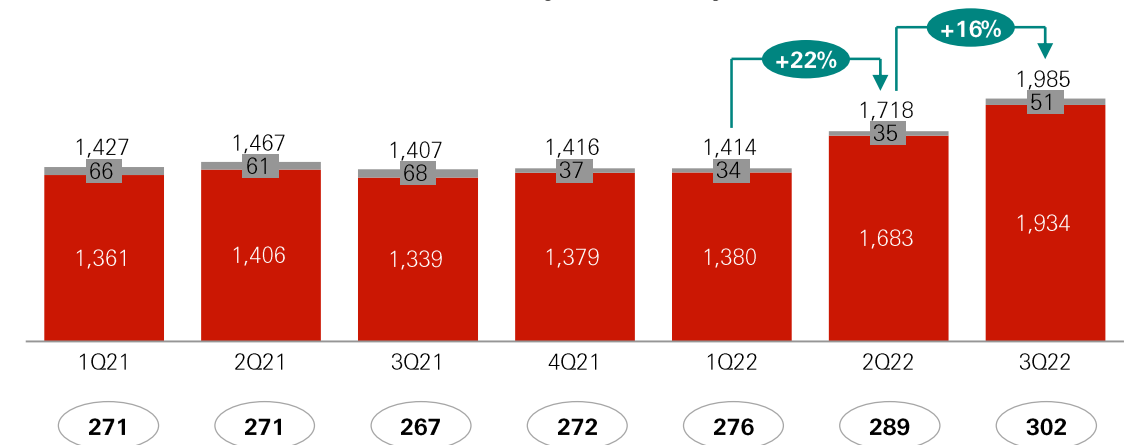
Other<sup>1</sup> Treasury RBWM CIB



1. Includes the revenue associated with Capital Markets

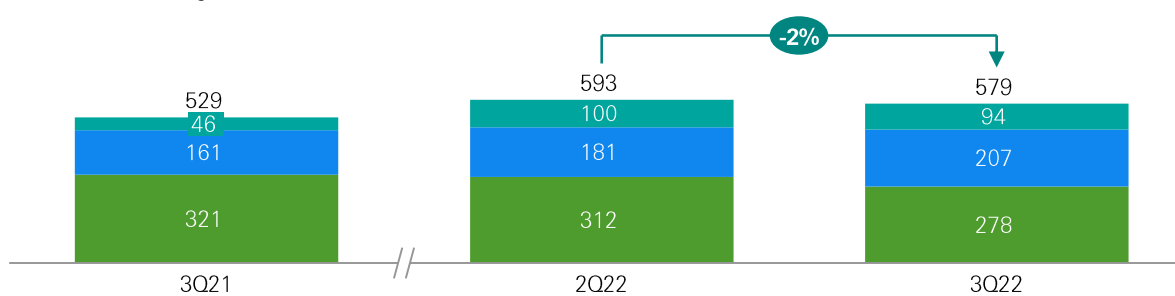
### NSCI, SARm and Average interest earning assets, SARbn

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



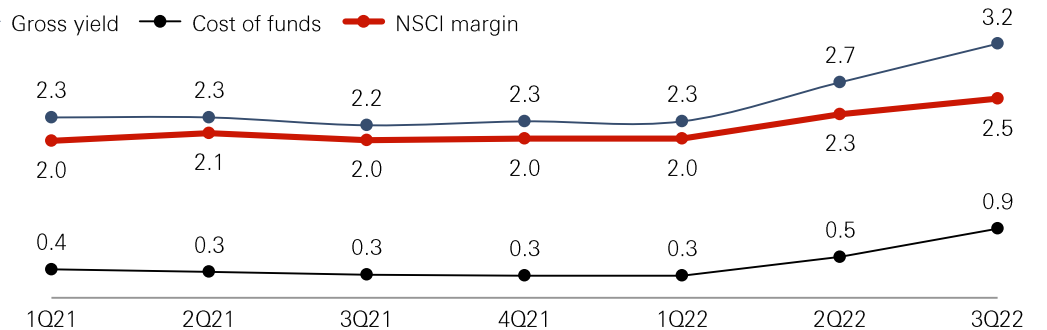
### Non-funds income analysis, SARm

Other Exchange income Fee income



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

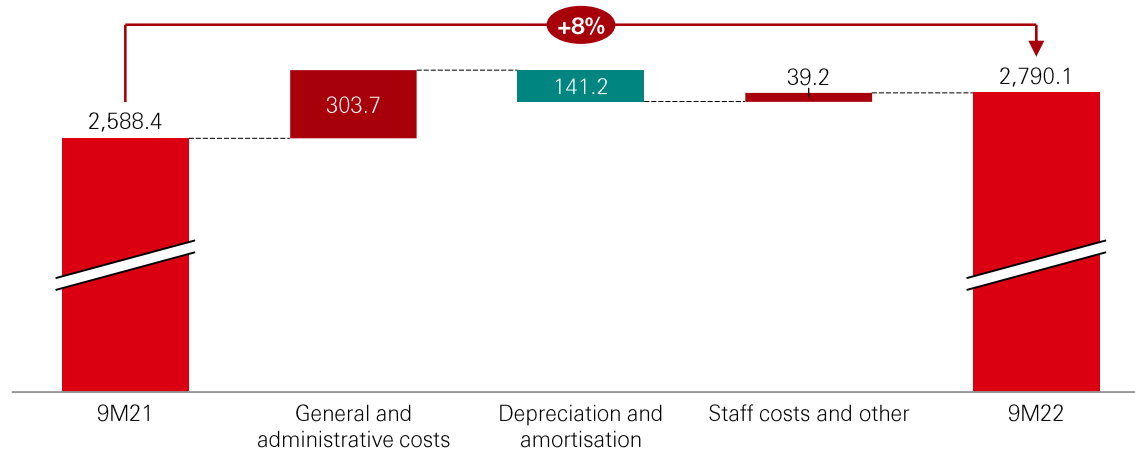
Gross yield Cost of funds NSCI margin



## Costs

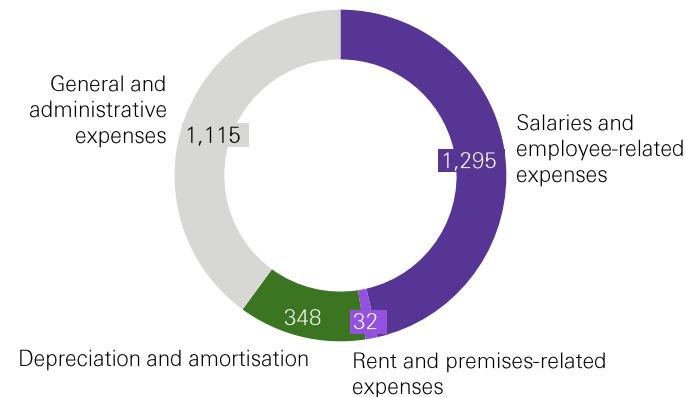
Costs increased 8% in 9M22 compared with 9M21 as we move into the investment phase and inflationary pressures

9M22 vs. 9M21 costs, SARm



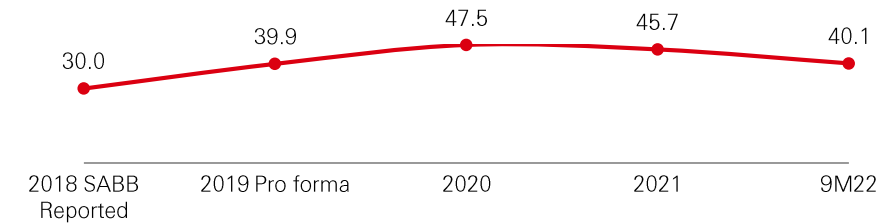
- 8% increase in underlying expenses as we move into the investment phase of our strategic plan
- Higher general and admin costs from increased VAT, but also include the impact of a handful of one-off costs in both periods
- Depreciation and amortisation was lower mainly due to a change in internal policies

9M22 costs by type, SARm



Cost efficiency ratio through the merger, %

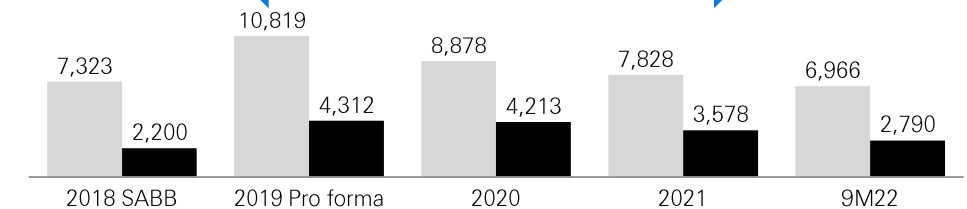
Cost efficiency ratio, %



Integration costs and low rate environment put pressure on cost efficiency

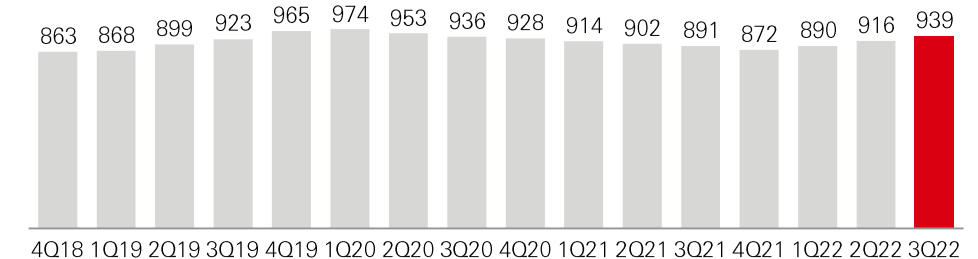
Revenue and costs, SARm

Revenue  
Costs



Well-managed underlying cost base; inflexion point as we invest further

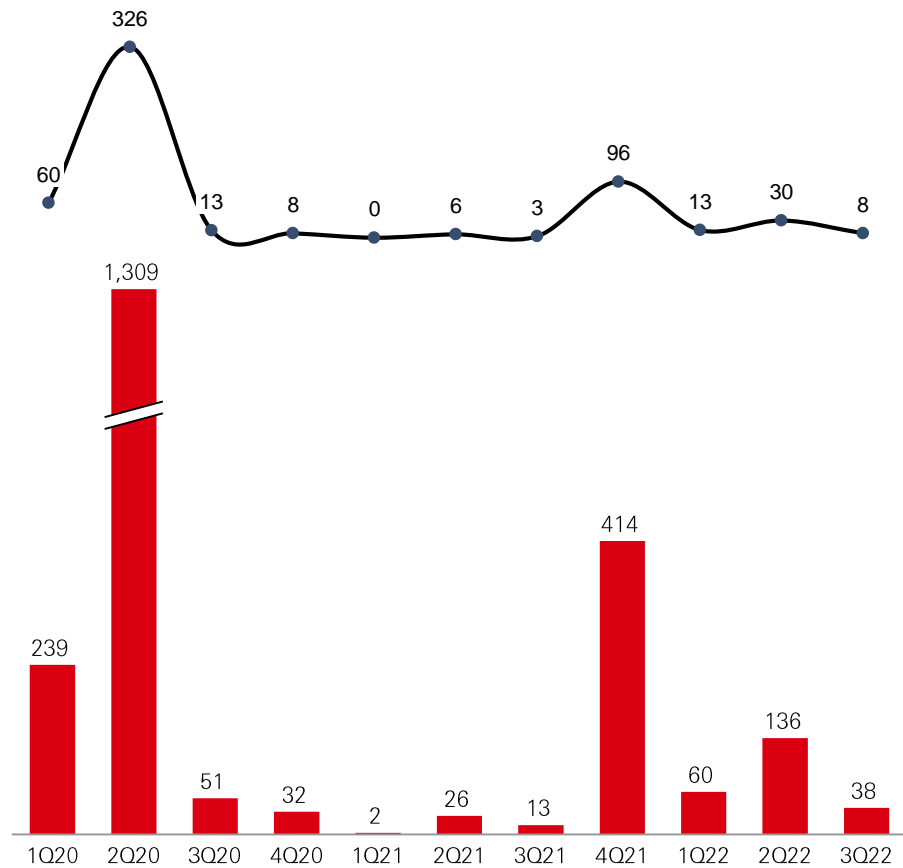
4-quarter rolling average excluding merger-related costs, SARm



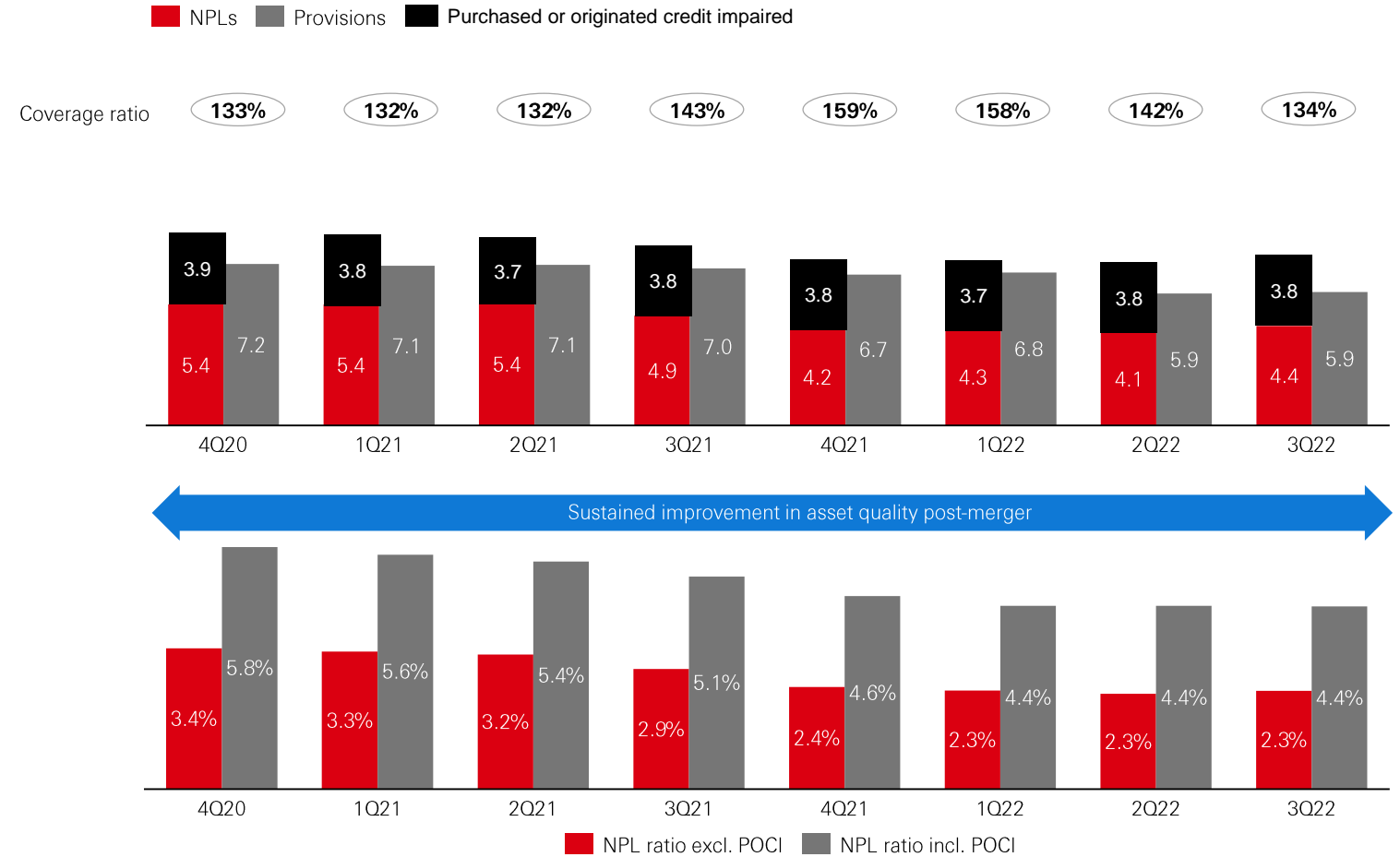
## Impairment analysis and credit quality

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

Quarterly ECL charge (SARm) and CoR (bps)



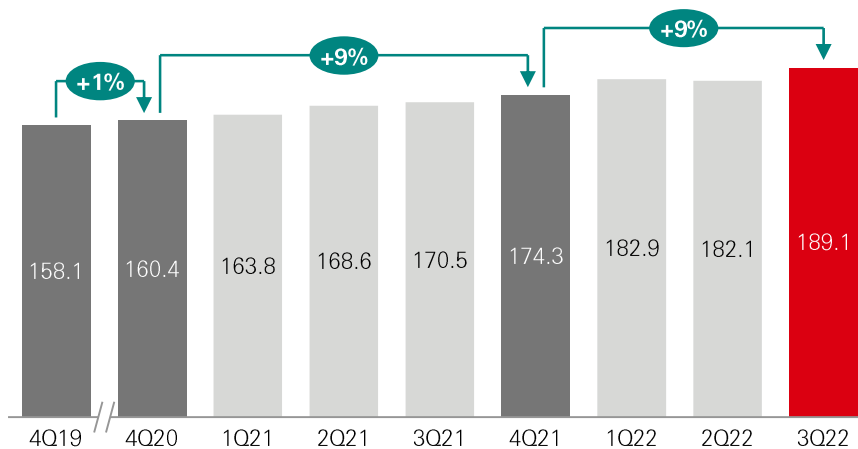
NPLs, Provisions SARbn and coverage and NPL ratios (%)



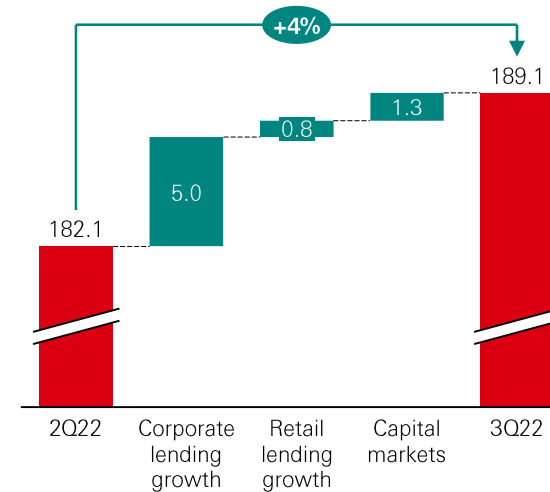
## Customer lending

9% lending growth during 9M22, and 4% during 3Q22 as originations remains strong; mortgage growth continues and the inclusion of SAR1.3bn of balances from the margin lending business transferred from HSBC SA.

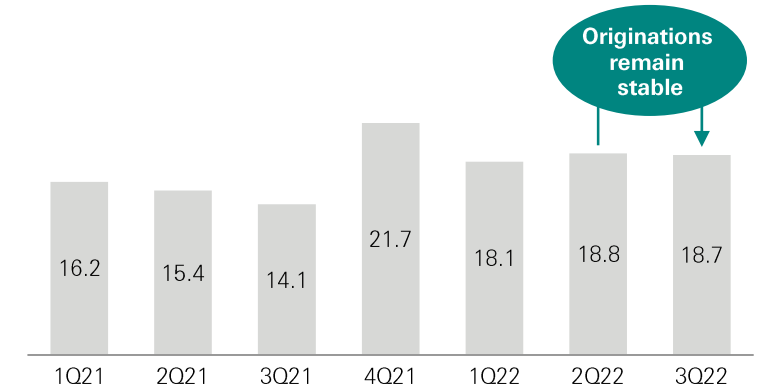
Gross customer lending, SARbn



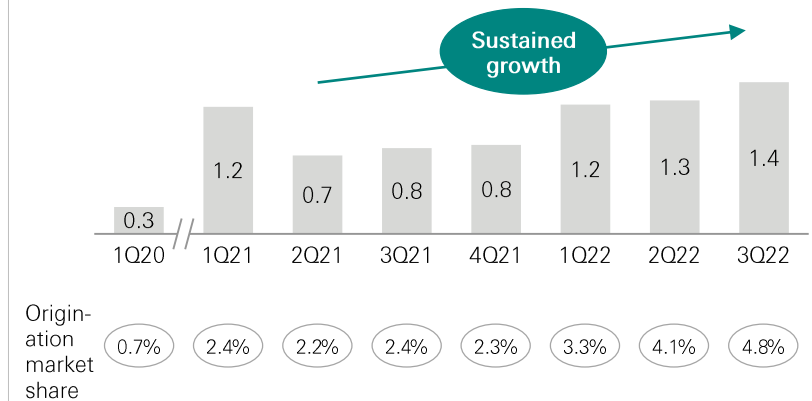
Gross customer lending 3Q22 vs. 2Q22, SARbn



Corporate quarterly originations trend, SARbn



Mortgage originations trend, SARbn



- ◆ 3Q22 growth in line with plans, with originations remaining strong; future pipeline remains robust
- ◆ SAR9.0bn or 7% corporate lending YTD includes initial drawdowns on some key V2030 programs and the YTD quarterly profile of growth reflects the skew of our portfolio to Large Corporates and Multinationals, and therefore the larger ticket sizes
- ◆ SAR4.6bn retail lending growth YTD with continued growth in mortgage origination, personal lending and Wealth-related lending
- ◆ Gross loans also included growth in our margin lending balances within our Capital markets business and reached SAR1.3bn; these balances were transferred from HSBC SA

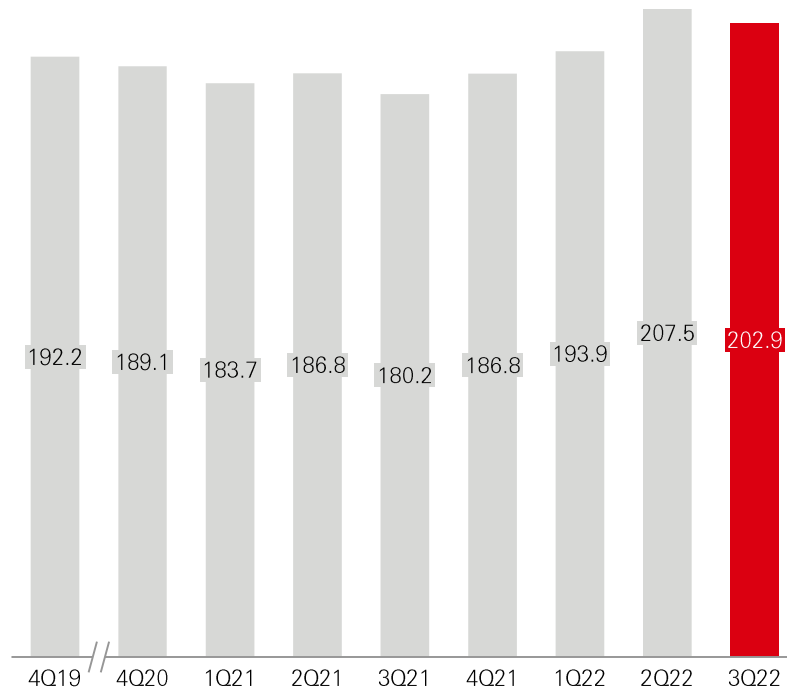


## Customer deposits

Funding and liquidity remain robust, although pressure on deposits is building

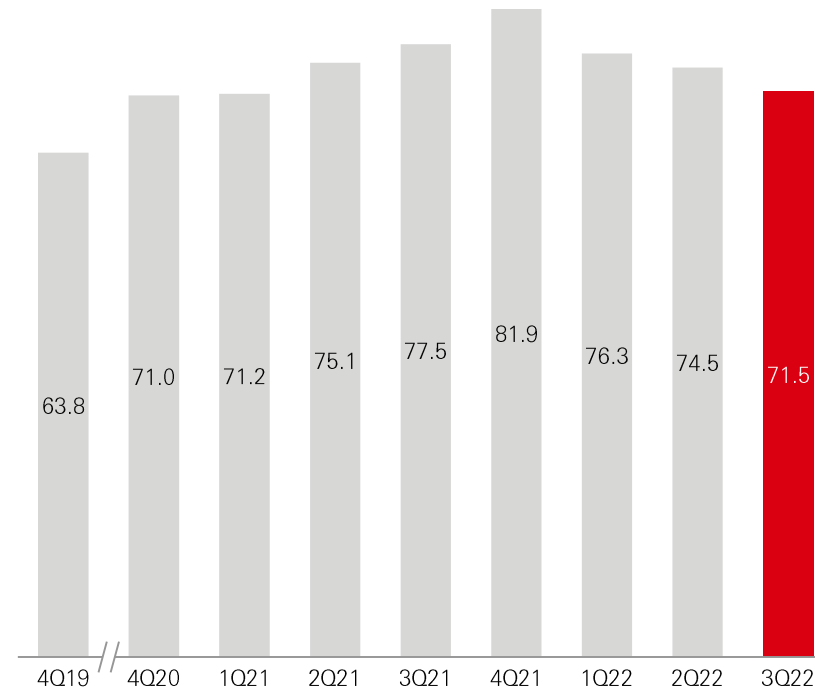
### Customer deposits, SARbn

Stable funding base



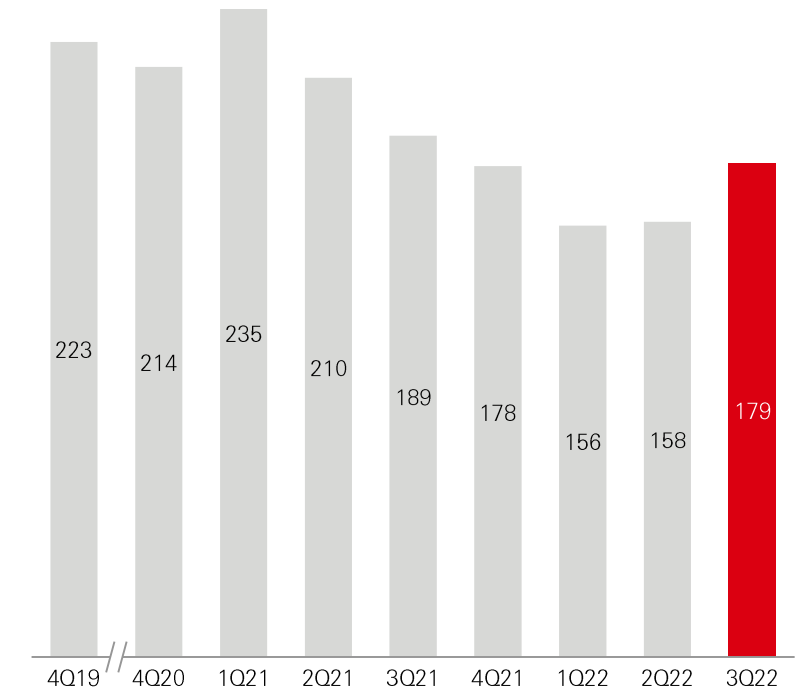
### Demand deposit ratio, %

Market leading non-interest bearing ratio



### Liquidity coverage ratio, %

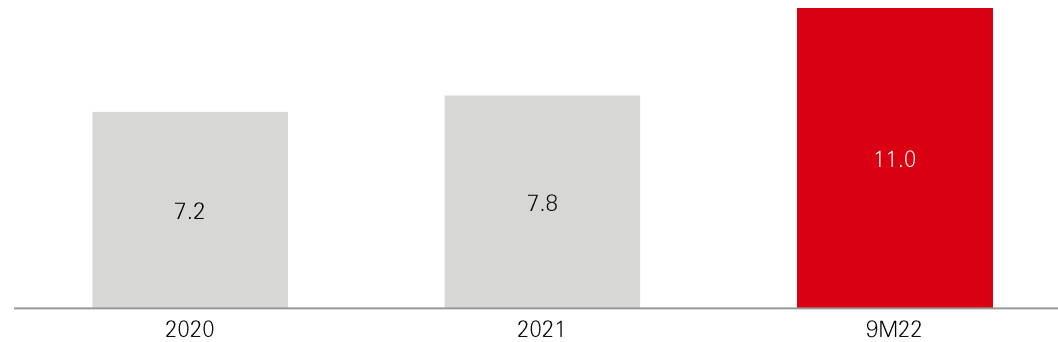
Highly liquid and well above regulatory requirements



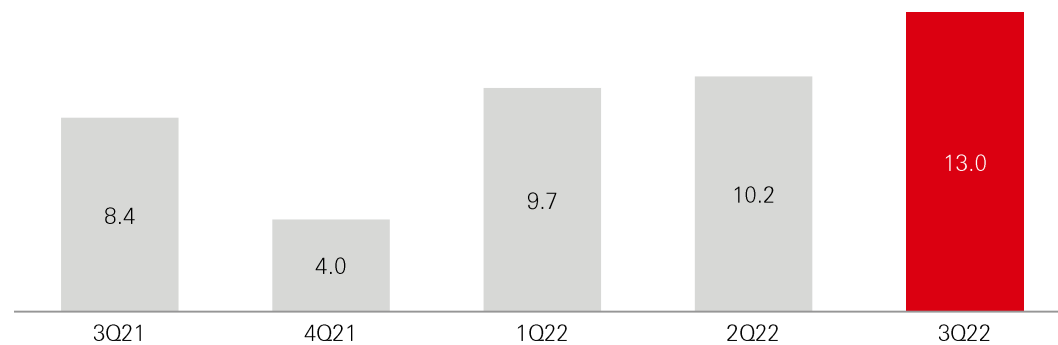
## Capital and returns

Returns continue to build whilst CET1 ratio decreased in the quarter reflecting the growth in the balance sheet and the payment of the first half dividend

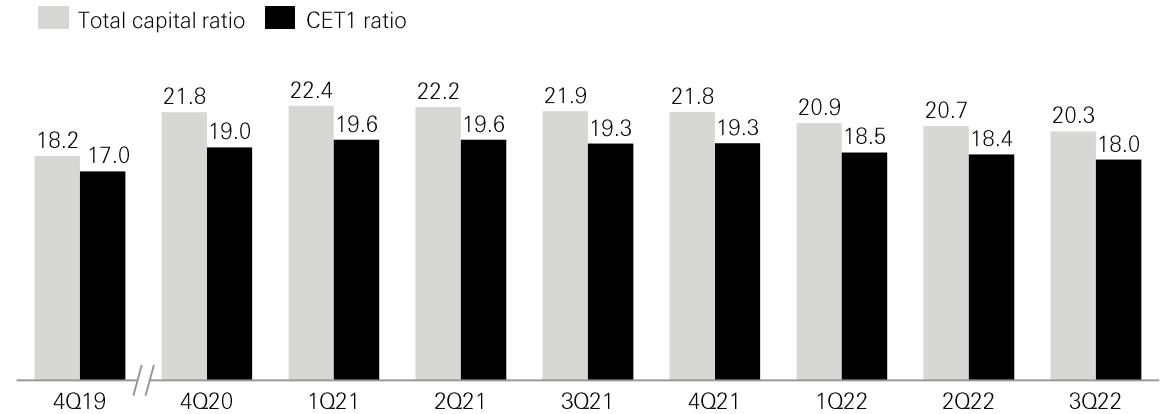
### Return on tangible equity, %



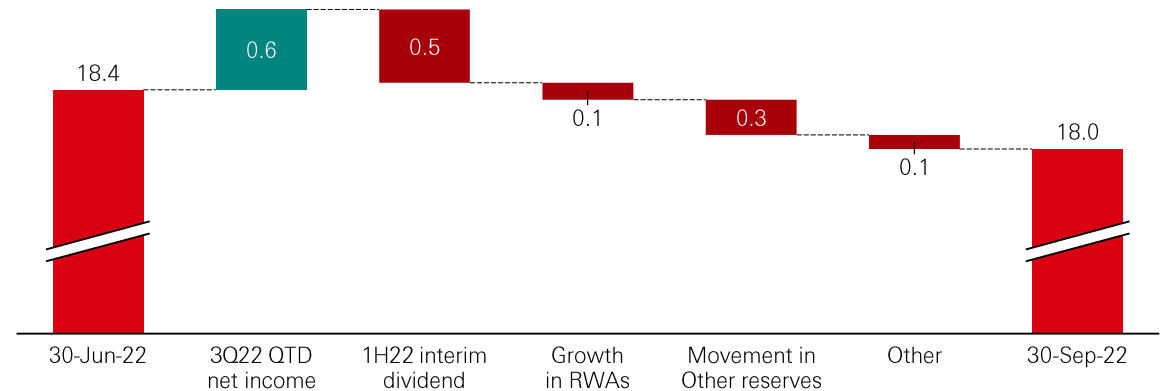
### QTD Return on tangible equity, %



### Total capital ratio, %



### CET1 ratio movement 30 Sep 2022 vs. 30 Jun 2022, %



## Concluding remarks

- 1 Continued delivery of robust financials with 19% revenue growth and 26% net income growth YTD, and a third quarter double-digit RoTE of 13.0% QTD
- 2 Momentum on loan origination with 9% YTD lending growth in line with our plan; expect the profile of lending to continue
- 3 Macro-environment which has rapidly changed, and continues to change, but we remain extremely optimistic on the growth potential of the Kingdom
- 4 We continue on our investment journey in both our corporate and retail businesses and improving digital capabilities
- 5 We possess robust levels of capital, liquidity and funding and the scale to support the national growth agenda

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