



1Q23 Results presentation

Presentation to investors and analysts



1Q23 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 ◆ Quarterly profile reflects the larger ticket sizes; pipeline remains positive for the remainder of the year 	4.1 % 1Q23 QTD gross loan growth
2	REVENUE GROWTH	<ul style="list-style-type: none"> ◆ 1Q23 revenue of SAR 3.2bn is a record quarter and up 60% year-on-year and 10% quarter-on-quarter ◆ 1Q23 QTD NIM expanded to 3.1% from 2.9% in 4Q22 ◆ 1Q23 non-funds income of SAR0.7bn up 14% year-on-year and 6% quarter-on-quarter 	3.1 % 1Q23 QTD NIM
3	IMPROVING ASSET QUALITY	<ul style="list-style-type: none"> ◆ Cost-of-risk of 47bps during 1Q23 reflects continued updates to modelling assumptions; underlying credit quality remains robust with no signs of deterioration ◆ Total NPL ratio falls to 4.0%; 2.0% excluding POCI balances 	15.9 % 1Q23 ROTE ¹
4	IMPROVING RETURNS	<ul style="list-style-type: none"> ◆ Generated an annualised return on tangible equity of 15.9% for 1Q23, compared with 13.0% in 4Q22 	2.0 % NPL ratio excl. POCI balances
5	HEALTHY CAPITAL, LIQUIDITY AND FUNDING	<ul style="list-style-type: none"> ◆ 17.2% CET 1 ratio, 207% LCR and 66% demand deposit ratio ◆ CET1 levels remain robust and impacted by c.50bps reduction following the adoption of Basel 3 reforms ◆ Demand deposit ratio decreased reflecting the increasing moves towards time deposits 	17.2 % CET1

1. Annualised

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

17.2%

CET1 ratio

66%

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 December 2022

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.

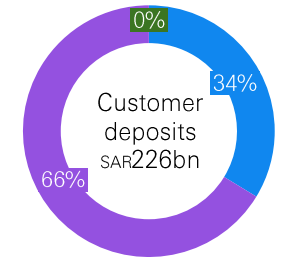
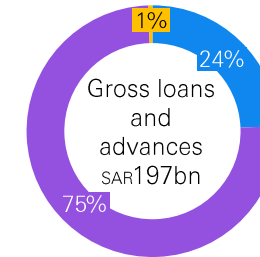
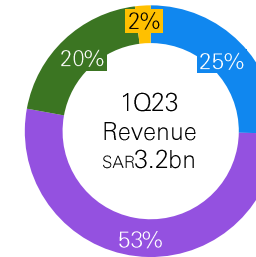
Treasury

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, Alawwal Invest.

Key financials by business for 1Q23



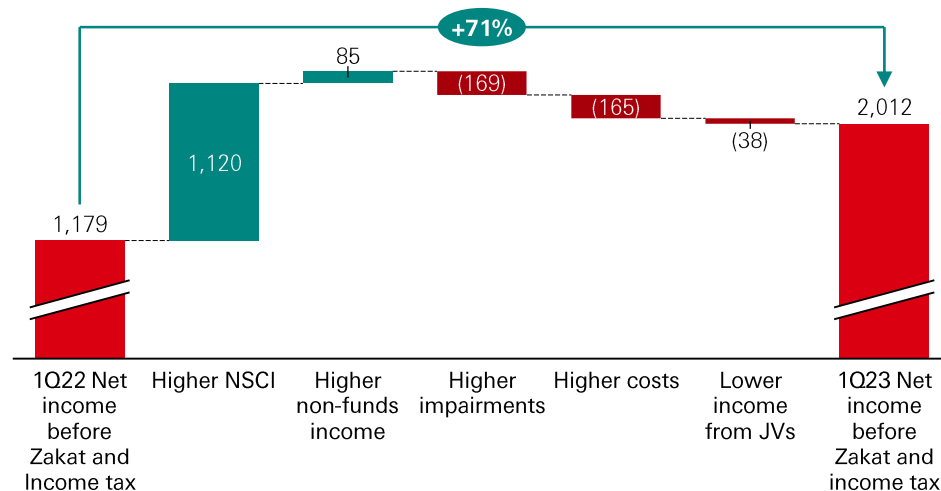
■ Retail ■ Corporate ■ Treasury ■ Capital markets

Financial summary

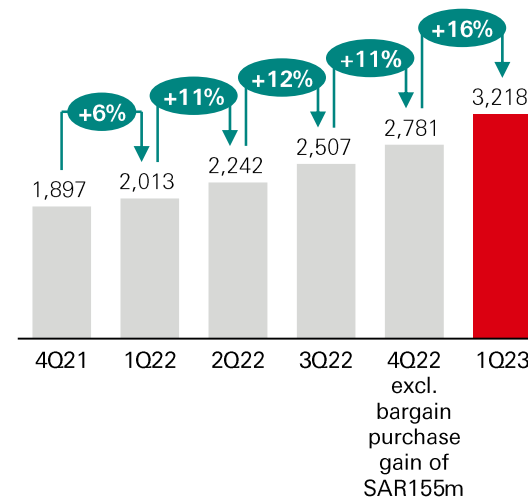
SAR2.0bn of net income generated in 1Q23 pre Zakat and income tax up 71% YoY and 22% QoQ; with strong loan growth of 4%, and a stable NIBs ratio of 66% during the first quarter

- ◆ 1Q23 revenue up 60% YoY and 10% QoQ; (16% QoQ growth excluding the SAR155m bargain purchase gain in 4Q22)
- ◆ 1Q23 QTD NIM expanded to 3.1%
- ◆ Non-funds income increased SAR85m or 14% YoY
- ◆ Cost of risk increased to 47bps for 1Q23 but driven by a small number of customers and in line with plan
- ◆ 1Q23 costs increased 20% YoY reflecting our investment cycle and inflationary pressures
- ◆ Customer lending origination momentum continues with 1Q23 growth of 4%
- ◆ Demand deposit ratio of 66%, remains a resilient and ahead of the sector

1Q23 Net income before Zakat and income tax walk



Recent revenue trend



Key ratios, Income statement and Balance Sheet

% unless otherwise stated	1Q23	Δ 1Q22	Δ 4Q22
Net special commission margin ('NIM')	3.1	1.1ppt ▲	0.2ppt ▲
Return on Tangible Equity ¹	15.9	6.2ppt ▲	2.9ppt ▲
Cost Efficiency Ratio ('CER')	31.3	10.5ppt ▼	5.4ppt ▼
Cost of risk ('CoR')	47bps	34bps ▲	2bps ▲
Common Equity Tier 1 ratio ('CET 1')	17.2	1.3ppt ▼	0.5ppt ▼

SAR million	1Q23	Δ 1Q22	Δ 4Q22
Total operating income ('Revenue')	3,218	60% ▲	10% ▲
Operating expenses	(1,006)	20% ▲	7% ▼
Provision for expected credit losses, net	(229)	>100% ▲	8% ▲
Share in earnings of associates	30	56% ▼	>100% ▲
Net income before Zakat and income tax	2,012	71% ▲	22% ▲
Zakat and income tax	(248)	52% ▲	4% ▲
Net loss from discontinued operations	(-)	100% ▼	100% ▼
Net income after Zakat and income tax	1,765	76% ▲	27% ▲

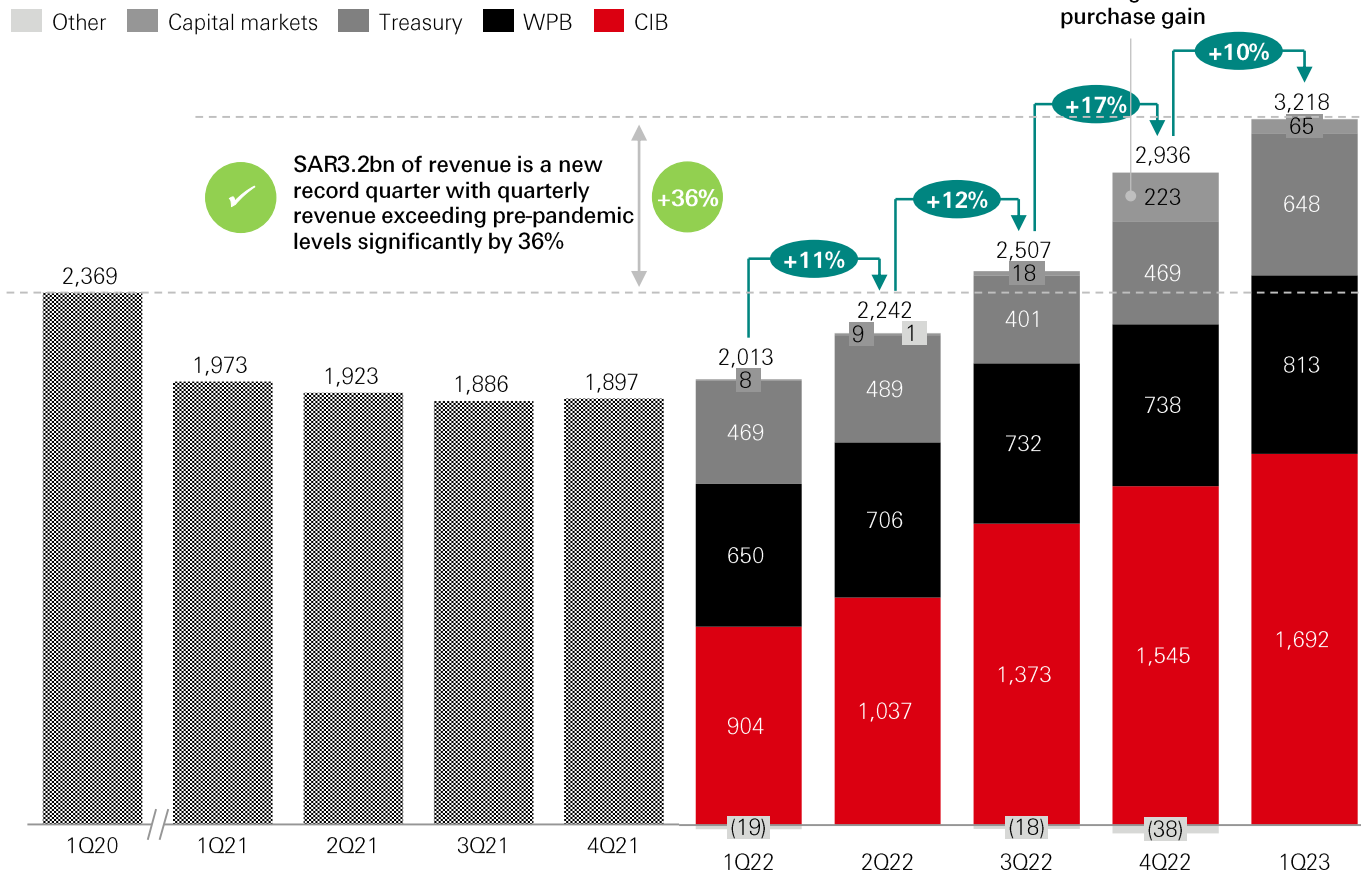
SAR billion	1Q23	Δ 1Q22	Δ 4Q22
Gross loans	196.9	8% ▲	4% ▲
Customer deposits	226.0	17% ▲	5% ▲
Demand deposits	149.3	1% ▲	6% ▲

1. Excluding losses from discontinued operations

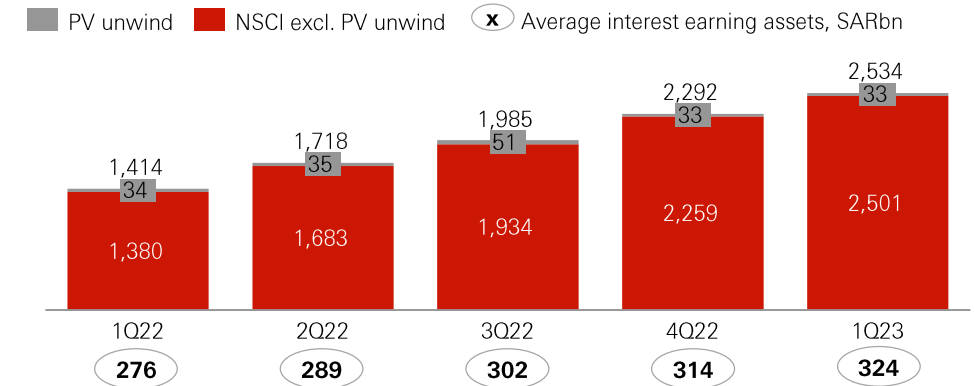
Revenue

We delivered SAR3.2bn of revenue in 1Q23 – a new record, with all businesses driving the strong performance; NIM continued to expand to 3.1%

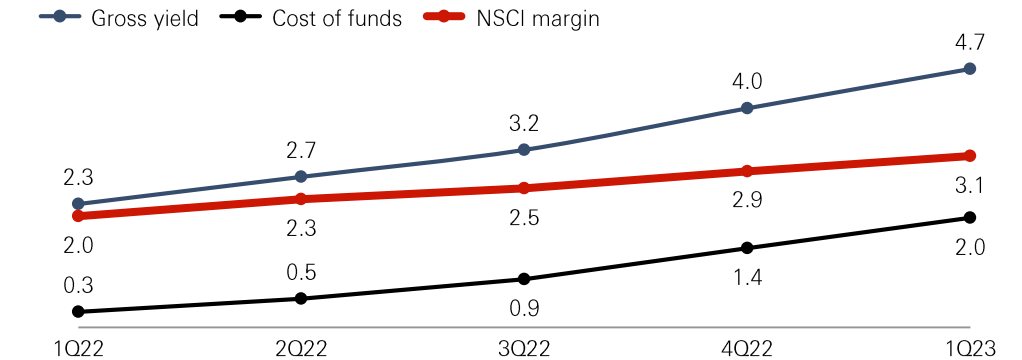
Revenue by business: Quarterly trend SARm



NSCI, SARm and Average interest earning assets, SARbn



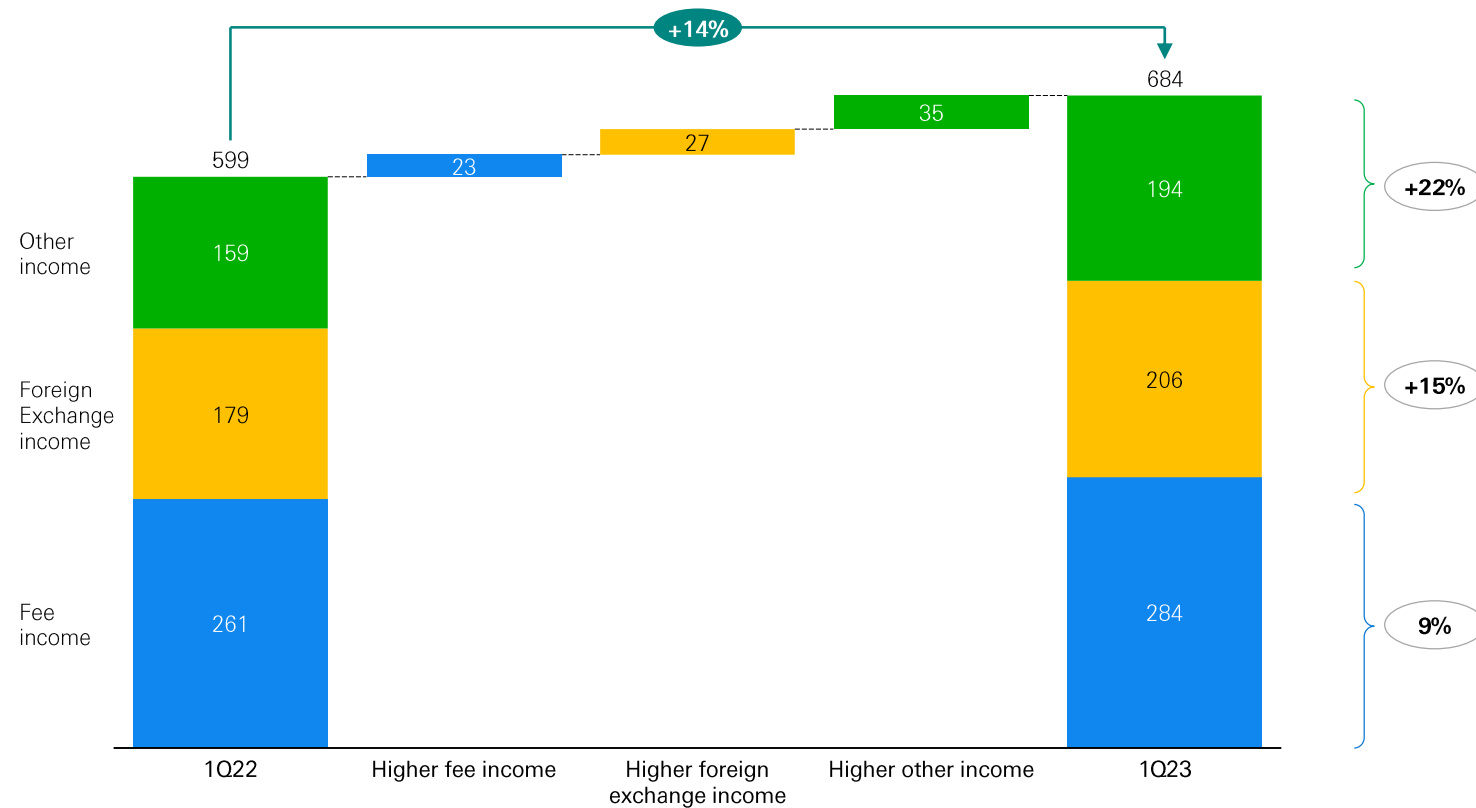
Yield, costs of funds and margin (excl. PV unwind), %



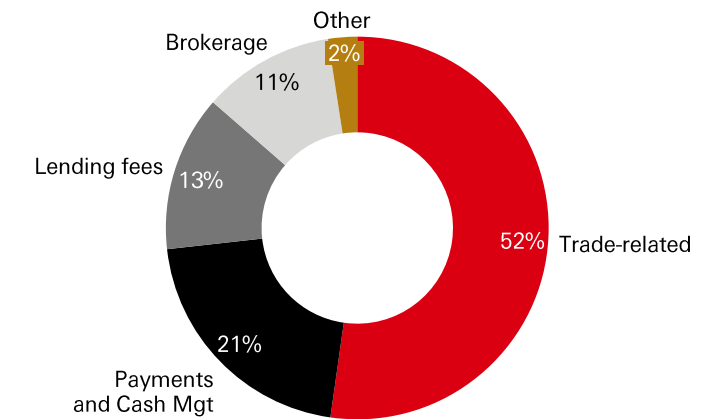
Non-funds income

Non funds income up 14% compared with 1Q22; all key businesses driving an improved fee performance

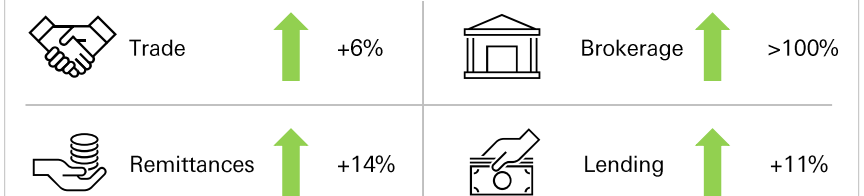
Underlying non-funds income growth: 1Q23 vs. 1Q22



Underlying fee income analysis, SARm



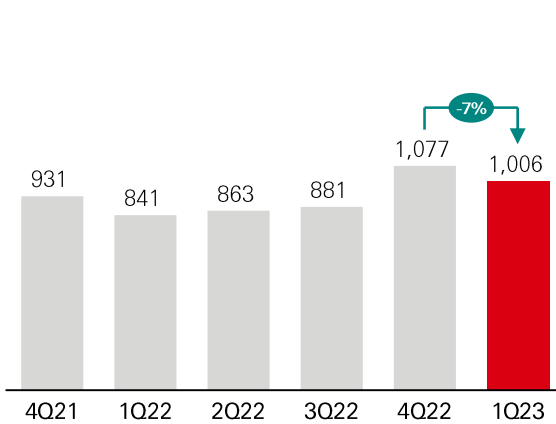
1Q23 vs. 1Q22, SARm



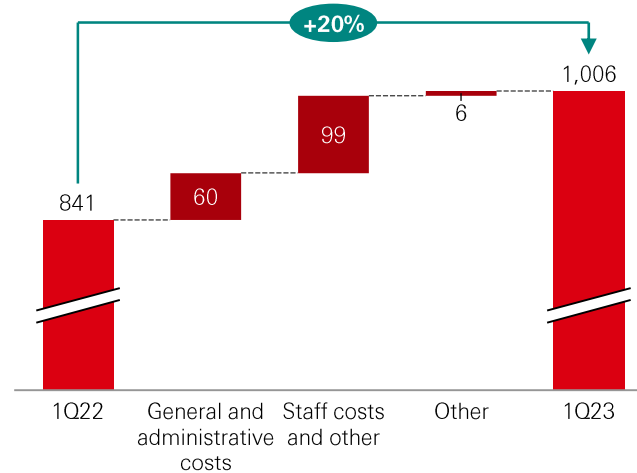
Costs

1Q23 costs have increased 20% compared with 1Q22 but down 7% compared with 4Q22; quarterly CER ratio improves to 31.3%

Recent cost trend, SARm

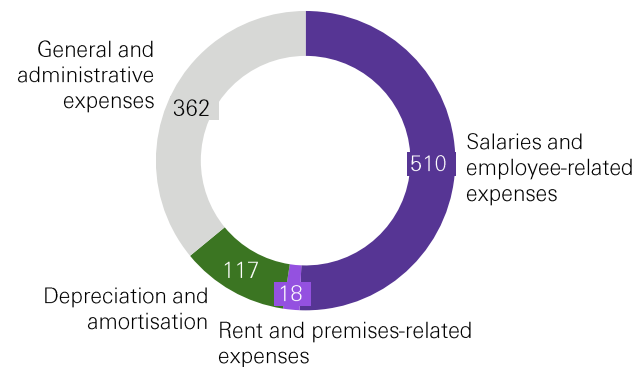


1Q23 vs. 1Q22 costs, SARm

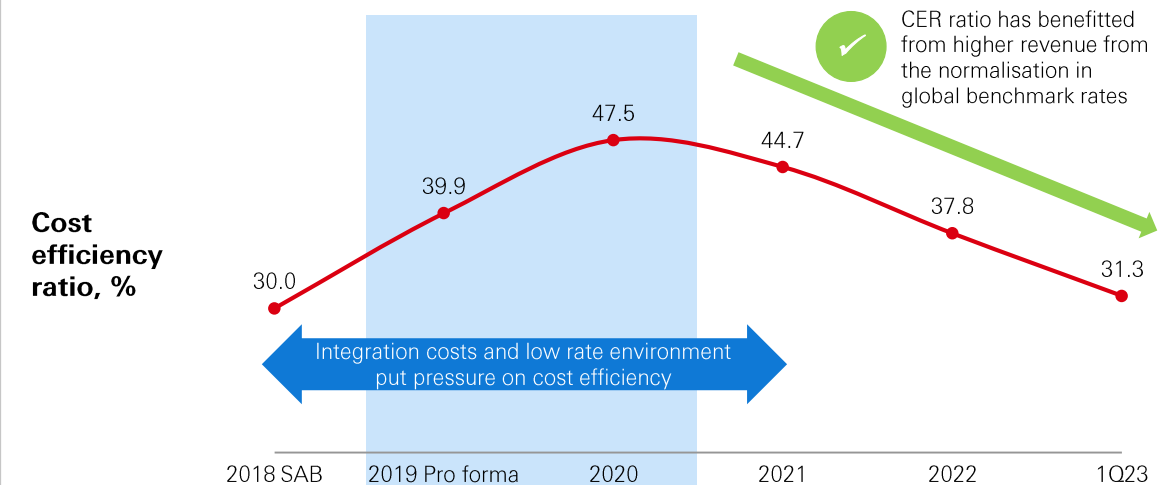


- Higher staff costs as we increased our headcount as we move further through our investment cycle and from higher training-related expenditure
- Higher general and admin costs from increased advertising spend, higher IT charges together with a catch up of prior year charges

1Q23 costs by type, SARm

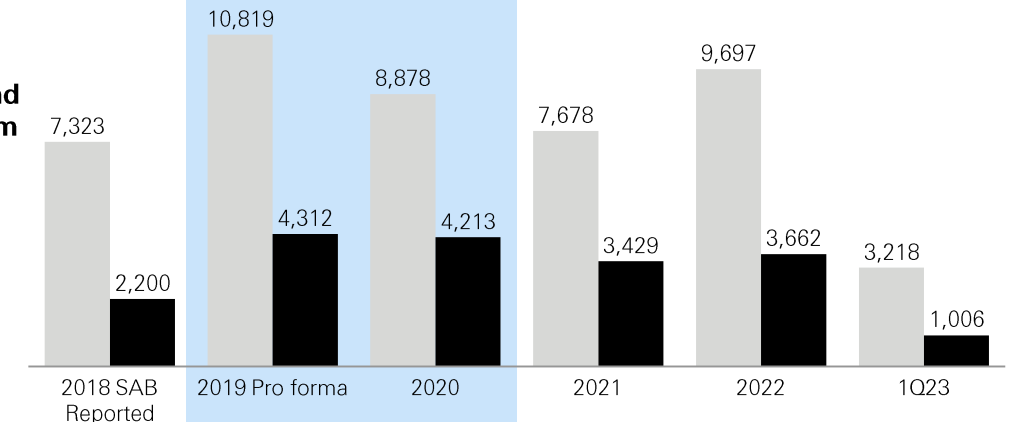


Cost efficiency ratio through the merger, %



Revenue and costs, SARm

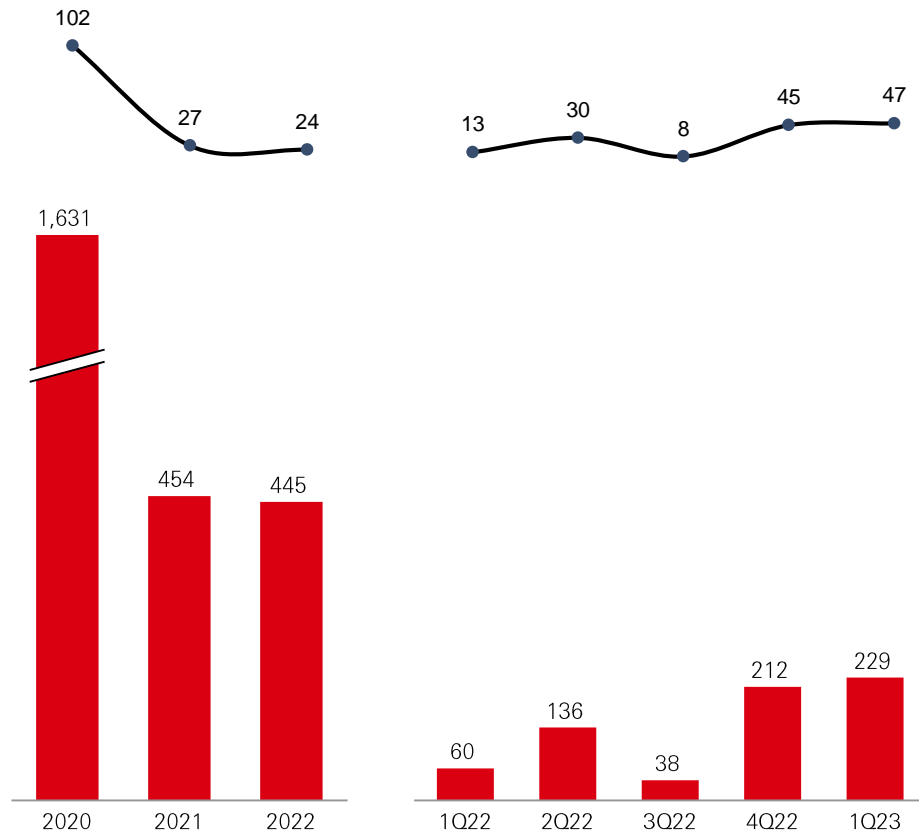
Revenue
Costs



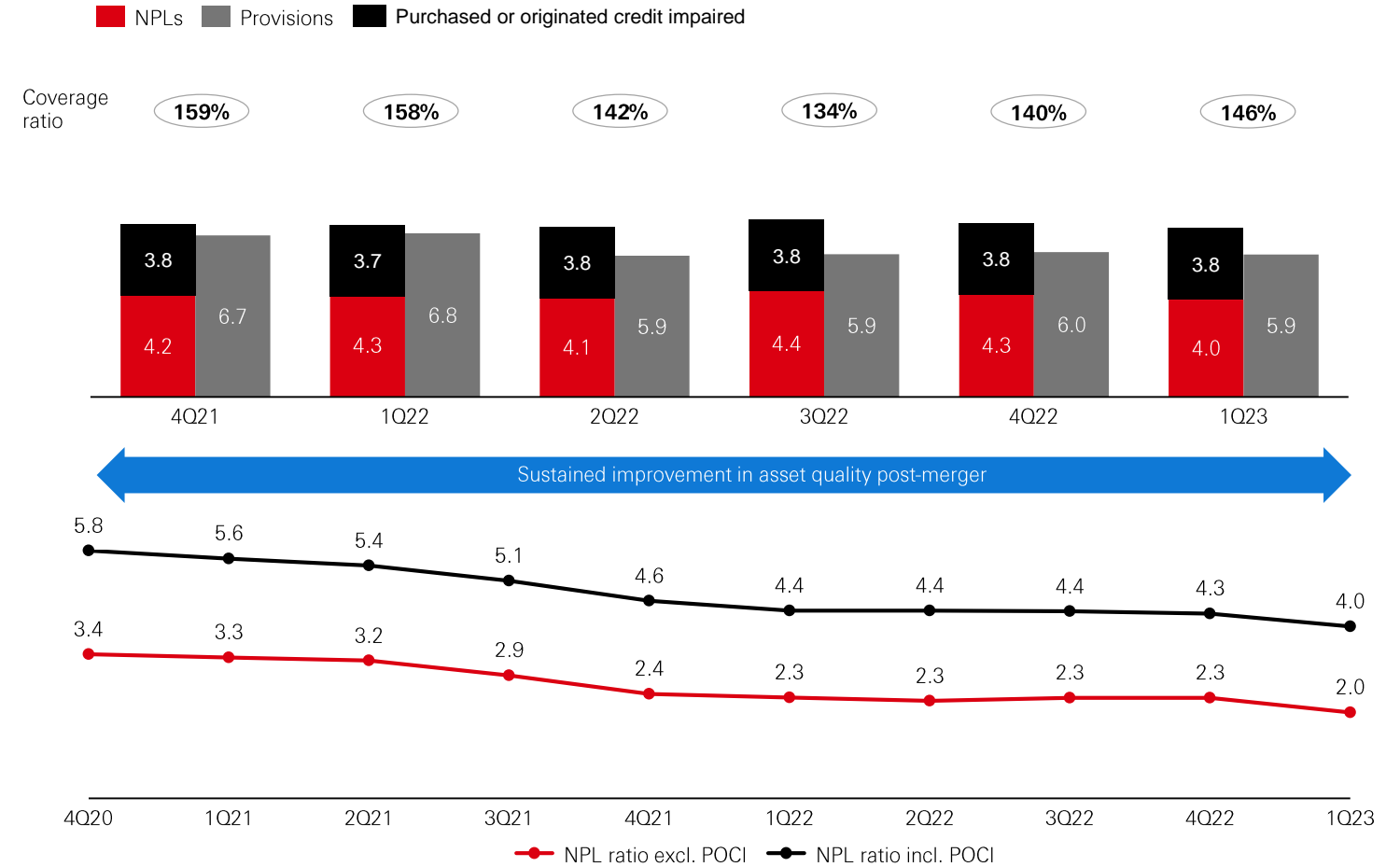
Impairment analysis and credit quality

Cost of risk remains in line with plan; NPL ratio on SAB-originated loans falls to 2%

ECL charge (SARm) and CoR (bps)



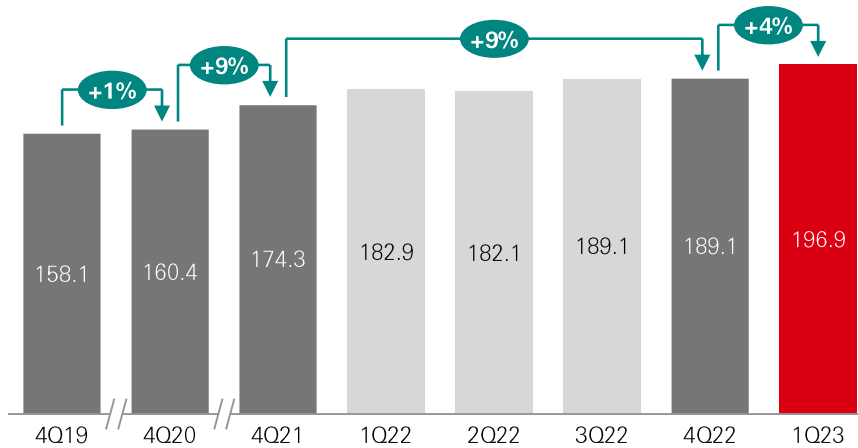
NPLs, Provisions SARbn and coverage and NPL ratios (%)



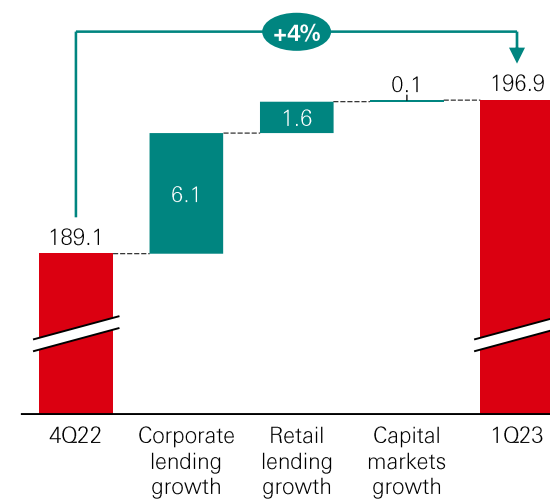
Customer lending

4% lending growth during 1Q23: a strong start to 2023; corporate originations remain strong with a healthy pipeline; mortgage growth continues

Gross customer lending, SARbn

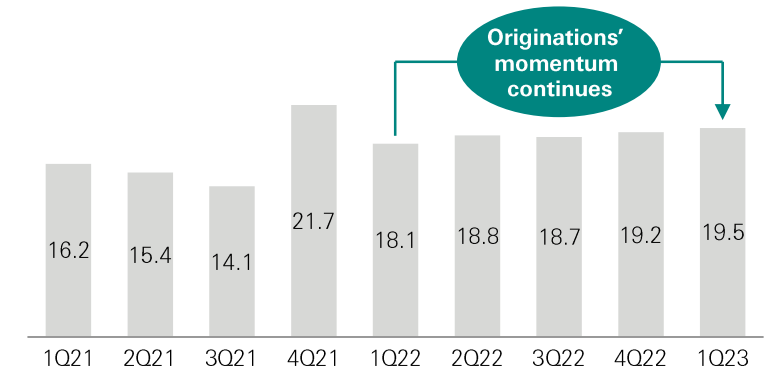


Gross customer lending 1Q23 vs. 4Q22, SARbn

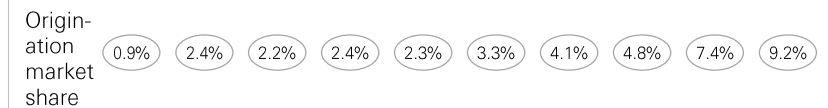
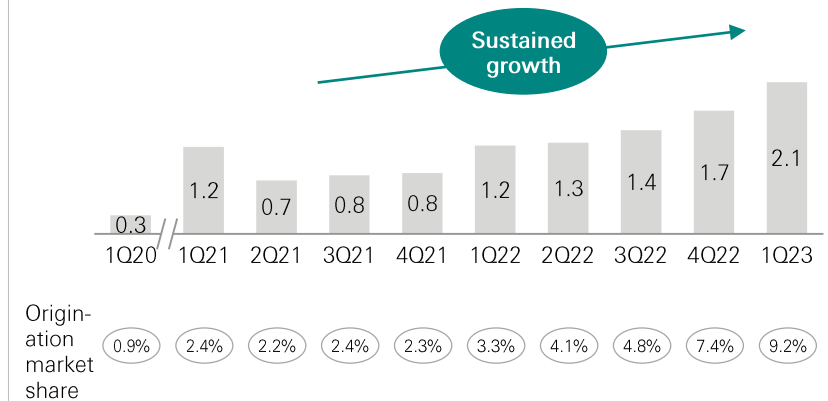


- ◆ SAR6.1bn or 4% corporate lending growth during 1Q23 from our Global & Institutional Banking and Large Corporate segments together with growth in the MSME segment; we are active on a range of key V2030 programmes including the Red Sea Development and NEOM-related activities; we will look to continue our support of all the V2030 giga projects
- ◆ SAR1.6bn or 3% retail lending growth during 1Q23 with continued growth in mortgage origination where in 1Q23 we took over 9% origination market share; 1st quarter growth also reflects the typical first quarter seasonality in the retail market

Corporate quarterly originations trend, SARbn



Mortgage originations trend, SARbn

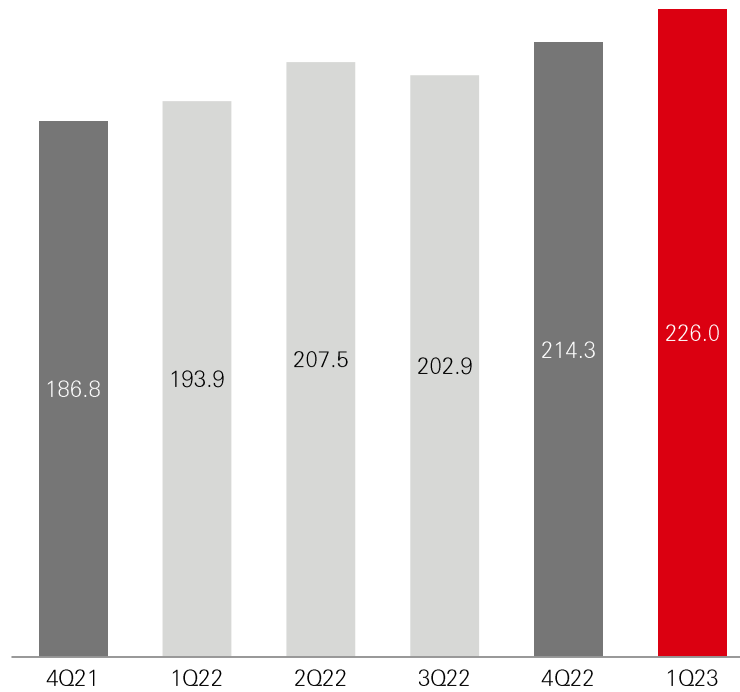


Customer deposits

Funding and liquidity remain robust, non-interest bearing deposit ratio remains stable despite continued pressures

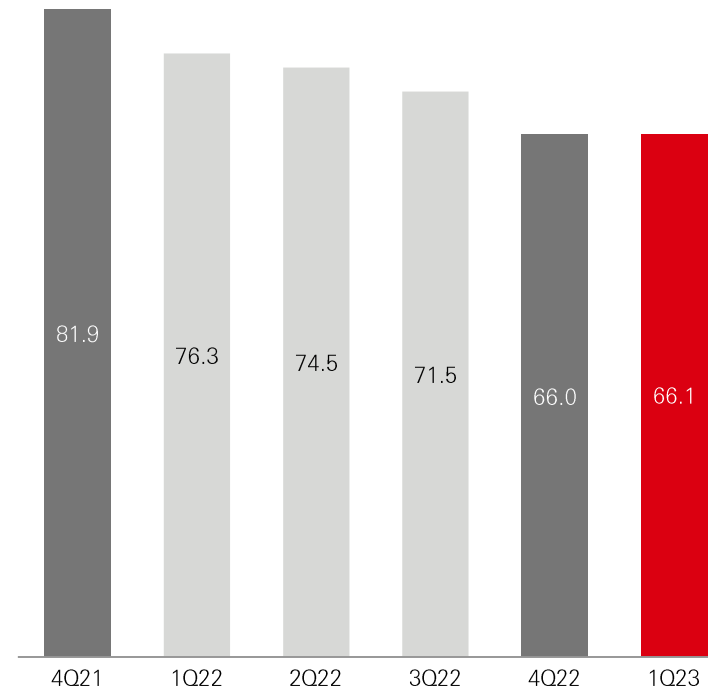
Customer deposits, SARbn

Stable funding base



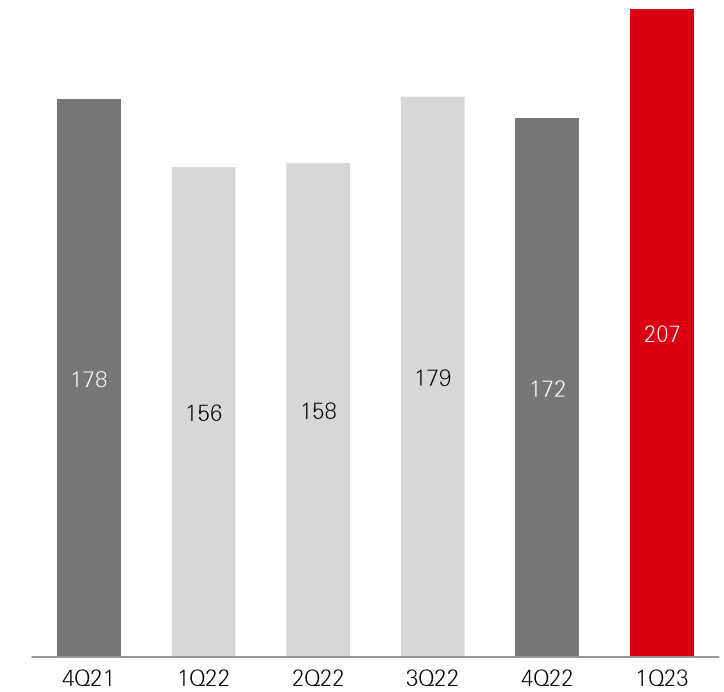
Demand deposit ratio, %

Market leading non-interest bearing deposit ratio



Liquidity coverage ratio, %

Highly liquid and well above regulatory requirements

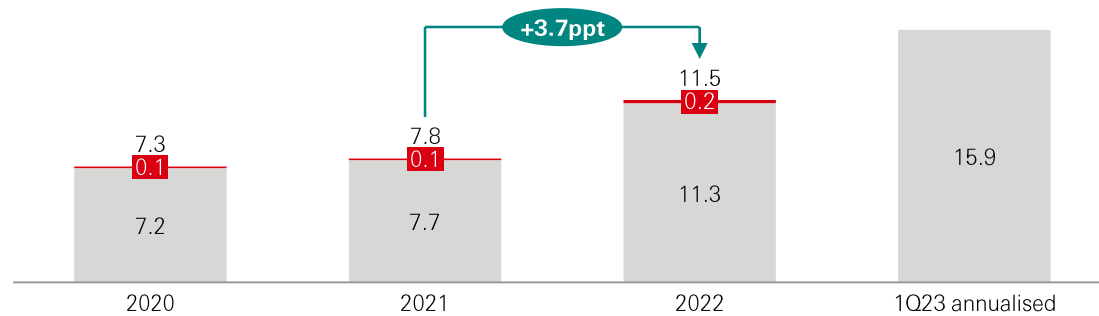


Capital and returns

Returns continue to build whilst CET1 ratio decreased in the quarter mainly as a result of adopting Basel 3 reforms

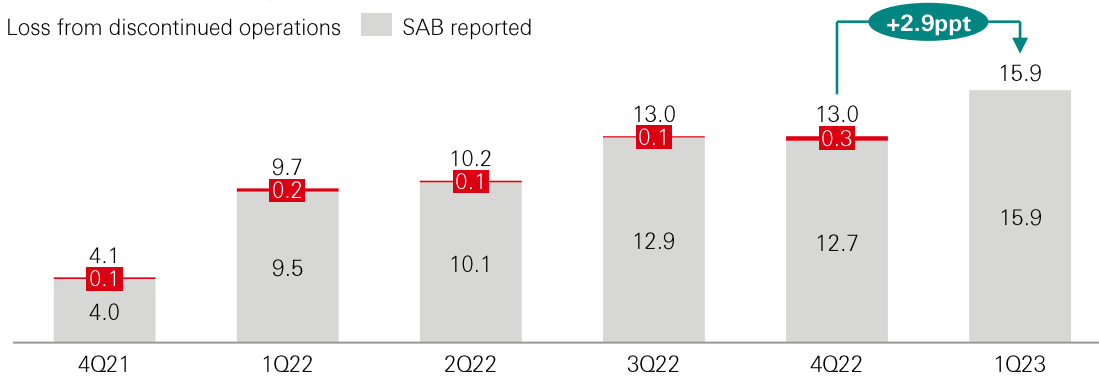
Return on tangible equity, %

■ Loss from discontinued operations ■ SAB reported



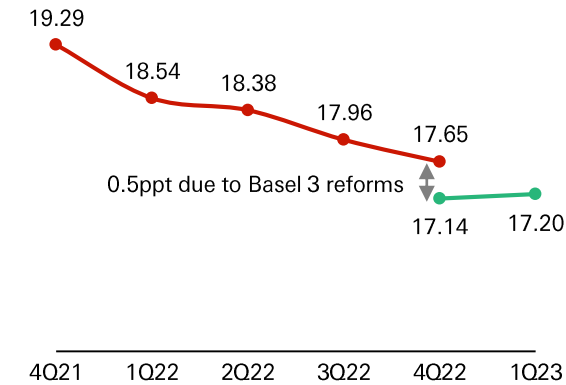
QTD Return on tangible equity, %

■ Loss from discontinued operations ■ SAB reported



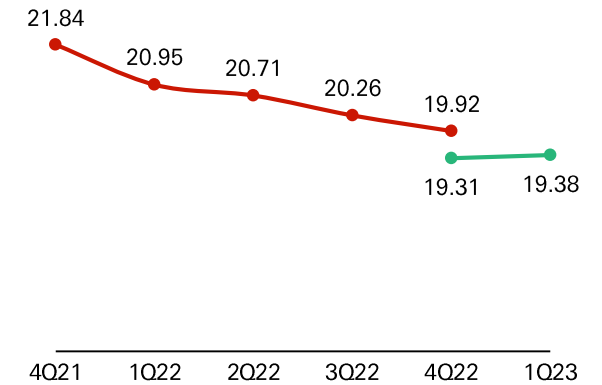
CET1 capital ratio, %

● Basel 3 ● Basel 3 reforms

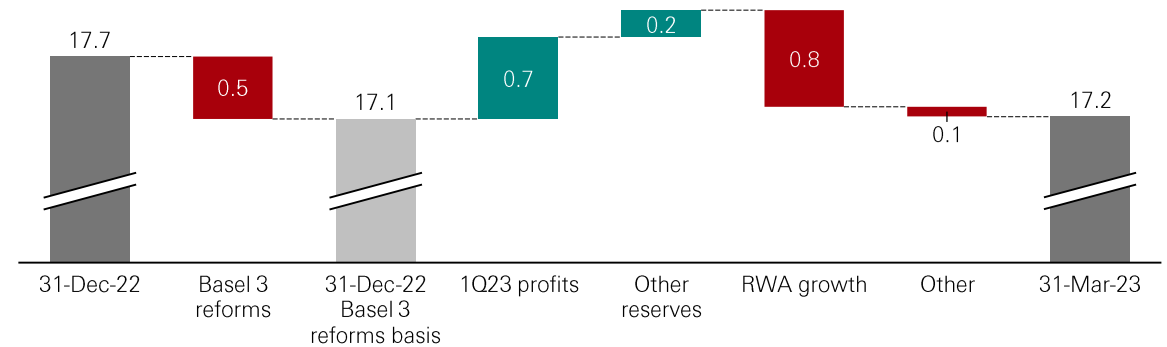


Total capital ratio, %

● Basel 3 ● Basel 3 reforms



CET1 ratio movement 31 Mar 2023 vs. 31 Dec 2022, %



Concluding remarks and 2023 guidance

- 1 Strategy on track, investment plan on track, growth on track
- 2 Progress in 1Q23 delivers 60% revenue growth and 76% net income growth YoY, resulting in an annualised RoTE of 15.9%¹; 1Q23 QTD NIM expansion to 3.1%
- 3 Loan growth of 4% QTD in line with our plan supported by strong deposit collection and stable NIBs base
- 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	1Q23 actual	2023 outlook
Loan YoY growth	+9%	+4%	Low double-digit growth
Annual net interest margin	2.5%	3.1%	>3.1%
Cost efficiency ratio	37.8%	31%	33-35%
Cost of risk	24bps	47bps	30-45bps
RoTE ¹	11.5%	15.9%	Low to mid-teens

1. Excluding losses from discontinued operations

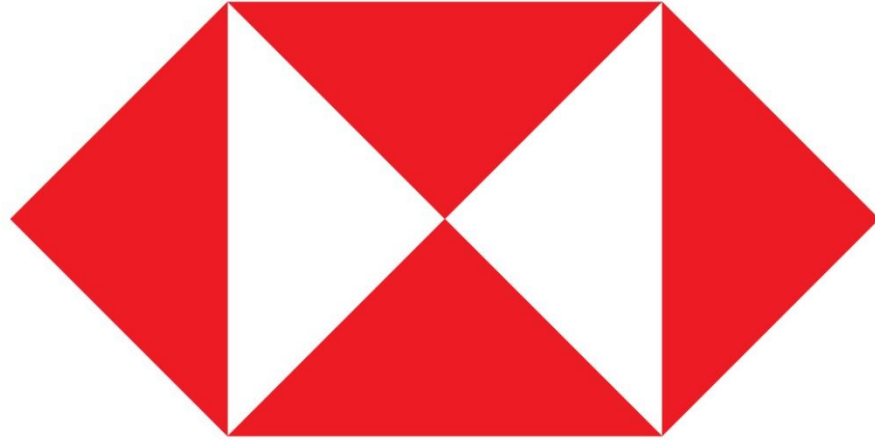
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