



1H19 Financial Results

Presentation to investors and analysts

1

Profile

2

Progress update on our merger

3

1H19 SABB performance

Profile

Distinct competitive advantage through our long-term strategic partnership with HSBC

- We are the preferred choice bank for inbound and outbound multinational corporates and institutions, operating into or from the Kingdom
- We have internationally-tested best practices in core product groups
- We possess a focused Retail banking proposition with affluent Saudi nationals and expatriates
- We have a meaningful domestic franchise

The leading international bank in the Kingdom, through focus on:

- 1** Customer experience: best place to bank
- 2** People development: best place to work
- 3** Digital innovation: leading digital bank in the Kingdom
- 4** Maximizing our partnership with HSBC

#2
corporate bank
(by corporate assets)

#1 trade finance
c. 20% market share

#4
retail bank
(by retail assets)

#3
bank
(by total assets)

#3
bank
(by customer deposits)



Partnership of over 40 years

HSBC is a 29% founding shareholder

Technical Services Agreement extended to 2027

Co-owners of HSBC Saudi Arabia, the leading investment bank in KSA

KSA is one of HSBC's 'markets at scale' in its global strategy

Profile

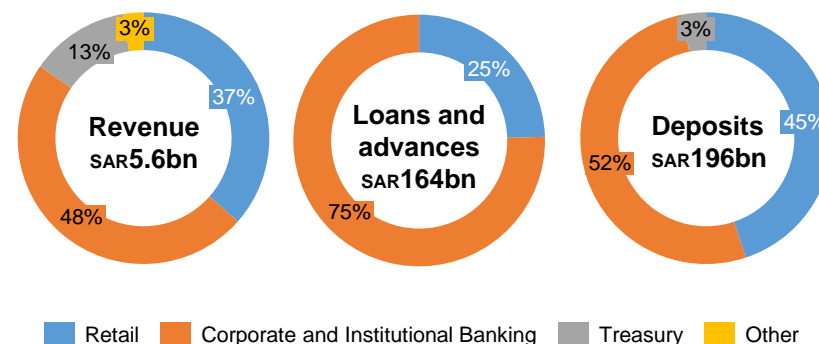
Our businesses

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.

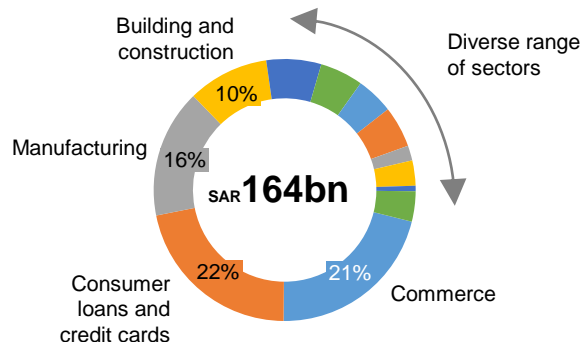
Corporate and Institutional Banking As one of the largest commercial banks in the Kingdom, we support a variety of clients from micro enterprises focused on the domestic market to large internationally focused enterprises.

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.

1H19 key financials by business (pro forma)



Diverse lending portfolio



Credit ratings

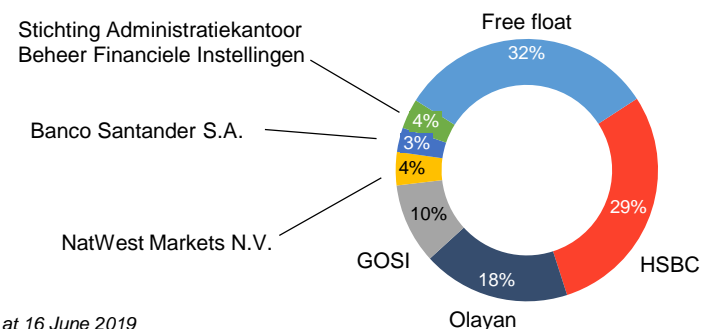
Moody's:

A1 / P-1 / Stable

Fitch:

A- / F2 / Stable

Post-merger shareholding structure



As at 16 June 2019

1

Profile

2

Progress update on our merger

3

1H19 SABB performance

Merger legally completed

Governance

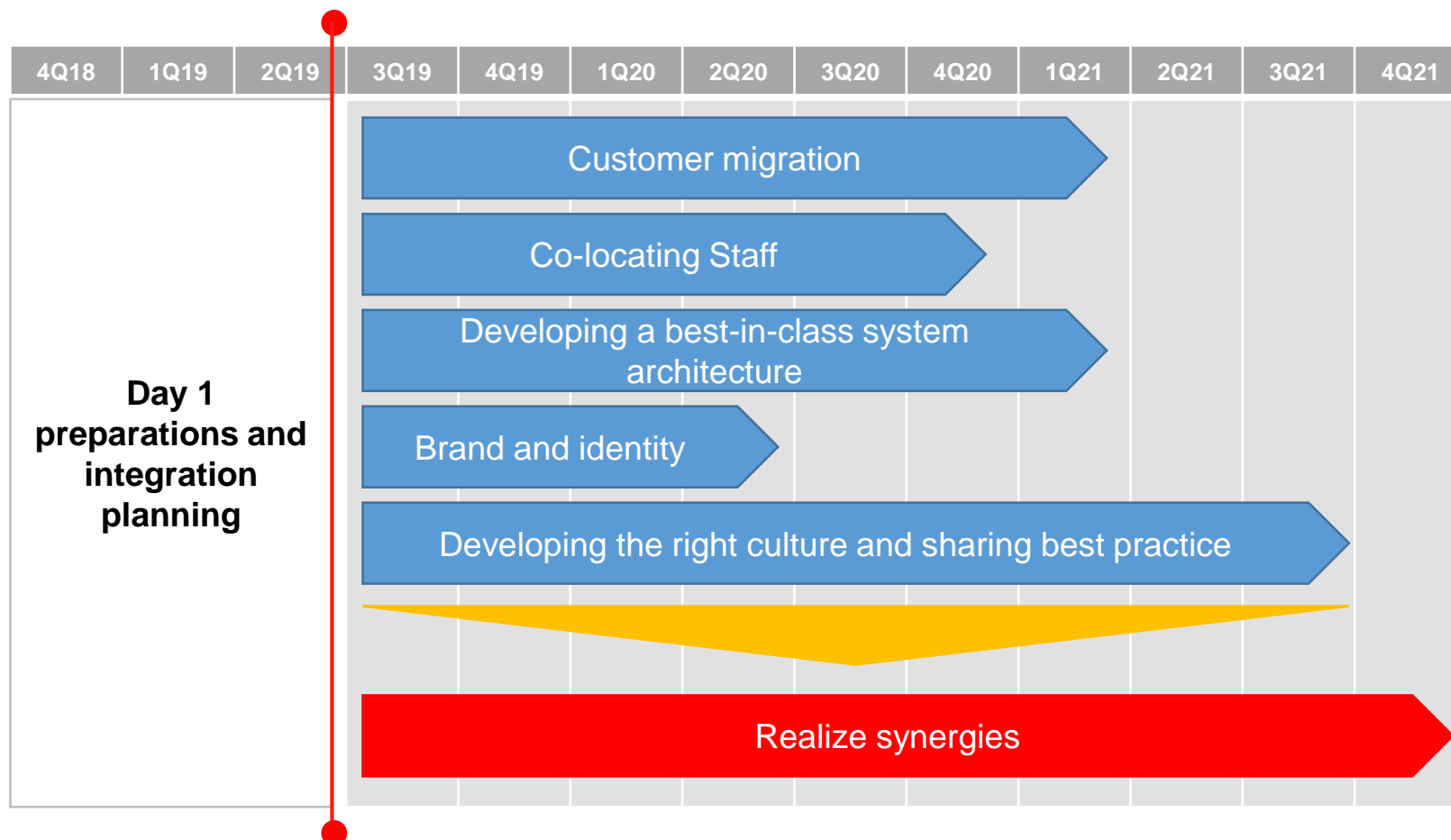
- The merger of Alawwal bank and SABB has been legally completed
- Appointed the Board members and executive leadership team
- Established integration governance and a dedicated project management office
- Appointed industry-leading external consultants to assist in the key areas of project management and synergy realization, Human Resources, technology, culture and branding

Integration

- 18 work streams operationalized
- Target IT architecture selected and integration planning underway
- Target operating models agreed across the bank
- Work ongoing to determine our future culture and branding
- Synergy opportunity being refined and supporting actions defined

Integration plan

Day1: 16 June 2019



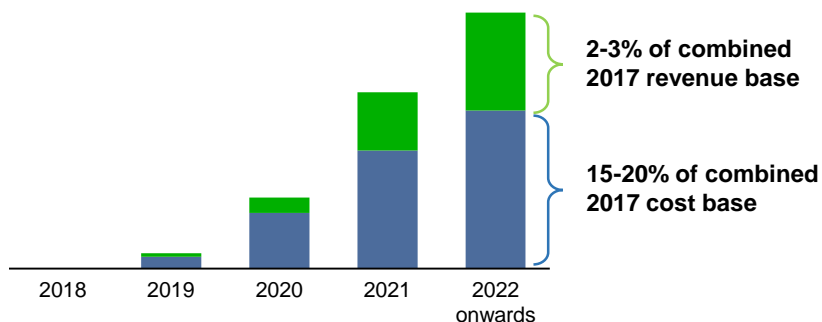
Synergies vs. integration costs

	Previous guidance	Current guidance
Cost synergies	10% - 15% of the combined cost base	15% - 20% of the combined cost base
Revenue synergies	No guidance provided	2-3% of the combined revenue base
Integration costs	1.5 – 2.0x the annual run-rate cost synergies	1.5 – 1.8x the annual run-rate cost synergies

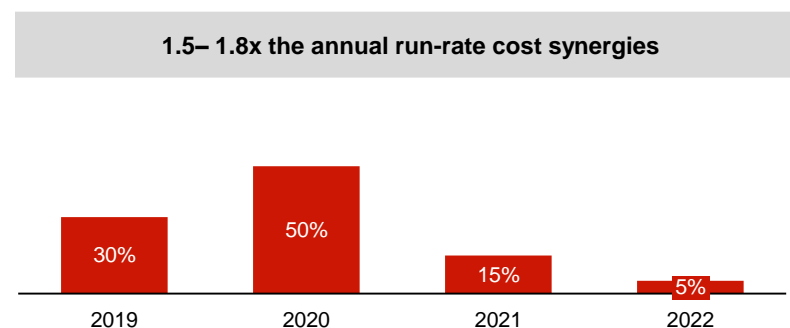
- Reduce overhead duplication through natural attrition
- Optimize systems, distribution, infrastructure and real estate
- Improve supplier negotiating positions
- Revenue cost synergies from cross-selling, deeper customer penetration and diversified fund-raising

Expected profile of synergies

■ Revenue ■ Cost



Expected profile of integration costs



Our board and governance

Chairman:
Ms. Lubna Suliman
Olayan



Ms. Olayan was a member of the board of Alawwal since 2004, and served as its Deputy Chairman. With wide-ranging experience in investments and operating companies, Ms. Olayan served as CEO of Olayan Financing Company for over 35 years, and presently chairs its ExCom, in addition to chairing the board of Olayan Saudi Holding Company. Ms. Olayan has been a member of the board of Schlumberger since 2011, and in 2016 she joined the board of Ma'aden. Ms. Olayan also sits on various domestic and international advisory boards.

Vice Chairman:
Mr. Khalid Bin
Abdullah Al-Mulhelm



Mr. Mohammed Bin
Omran Alomran



Mr. Suleiman Abdul
Qader Al-Muhaideb



Mr. Saad Bin A Muhsin
Al-Fadhli



Managing Director:
Mr. David Dew



Mr. Samir Assaf



Mr. Stephen Moss



Ms. Maria Ramos



Mr. Ahmed Farid Al-
Aulaqi



Mr. Martin Powell



Executive committee

Board Risk committee

Audit committee

**Nomination and
remuneration
committee**

Our executive management

Managing Director:
Mr. David Dew



Board member and Managing Director of SABB since 2010 representing HSBC Holdings. Mr. Dew holds a Masters in Economics from Cambridge University, UK. Mr. Dew has considerable management and financial experience gained during a career spanning 40 years with HSBC in a number of regions and countries.

Mr. Majed Najm

Deputy Managing Director
Corporate and Institutional
Banking:



Mr. Naif Alabdulkareem

Deputy Managing Director
Retail Banking and Wealth
Management



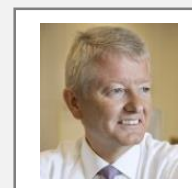
**Mr. Mohammed Abdullatif
Al-Shaikh**

Deputy Managing Director
Treasury



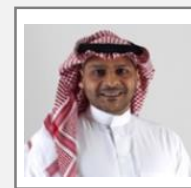
Mr. Soren Nikolajsen

Deputy Managing Director
Integration and
Transformation



Mr. Majed Al-Ghanemi

Chief Operating Officer



Mr. Mathew Pearce

Chief Financial Officer



Mr. Faisal Jadu

Chief Human Resources
Officer



Mrs. Maha Al-Sudairi

Chief Compliance Officer



Mr. Richard Hinchley

Chief Risk Officer



Mr. Sami Al Mehaid

Chief Risk Officer
Designate



1

Profile

2

Progress update on our merger

3

1H19 SABB performance

1H19 key messages

1H19 financial update

- 1H19 solid operating performance impacted by one-off credit losses in respect of the acquired loan portfolio through the merger with AAB, as well as an increase in impairment charges on certain originated troubled corporate loans
- Revenue growth driven by increase in net special commission income (NSCI) compared with 1H18
- Cost efficiency excluding merger-related expenses managed within our historic range
- Customer advances excluding those acquired from the AAB business were broadly unchanged and we are starting to see modest growth momentum
- Capital CET1 ratio of 17.6% in line with previous guidance
- The Board have declared an interim dividend for 2019 of SAR0.60 per share to Saudi shareholders net of Zakat (2018: SAR0.96 per share). Total amount to be paid to shareholders of SAR1,185m (2018: SAR1,266m).

Key financial metrics and pro forma results

Key ratios (Reported basis)

%	1H18	1H19	Δ 1H18
Net special commission margin	3.0	2.4*	(0.6)ppt
Return on Equity (ROE)	10.9	4.2*	(6.7)ppt
Cost efficiency ratio (CER)	29.2	33.7	(4.5)ppt
Common Equity Tier 1 ratio	20.1	17.6	(2.5)ppt

*1H19 diluted by merger

Reported Income Statement

SAR million	2Q19	Δ 2Q18	1H19	Δ 1H18
Total operating income ('Revenue')	1,983	6%	3,953	9%
Operating expenses ¹	(723)	(35)%	(1,331)	(26)%
Provision for expected credit losses, net	(1,628)	>(100)%	(1,719)	>(100)%
Share in earnings of a joint venture	49	>100%	66	>100%
Net income before Zakat and income tax	(318)	>(100)%	968	(61)%

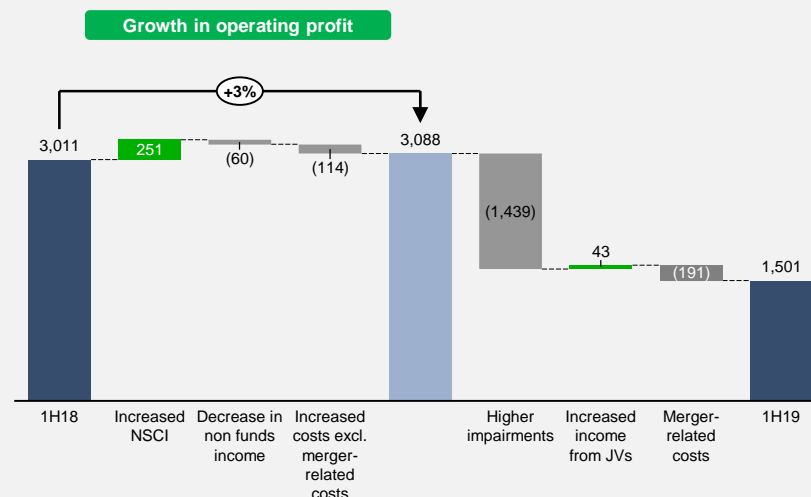
1. Excluding Provision for expected credit losses

1H19 vs. 1H18 pro forma net income before Zakat and income tax

Pro forma Income Statement

SAR million	1H18	1H19	Δ 1H18	Δ 1H18%
Total operating income ('Revenue')	5,367	5,559	192	4%
Operating expenses ¹	(1,689)	(1,994)	(305)	(18)%
Provision for expected credit losses, net	(691)	(2,130)	(1,439)	>(100)%
Share in earnings of a joint venture	23	66	43	>100%
Net income before Zakat and income tax	3,011	1,501	(1,510)	(50)%

1. Excluding Provision for expected credit losses

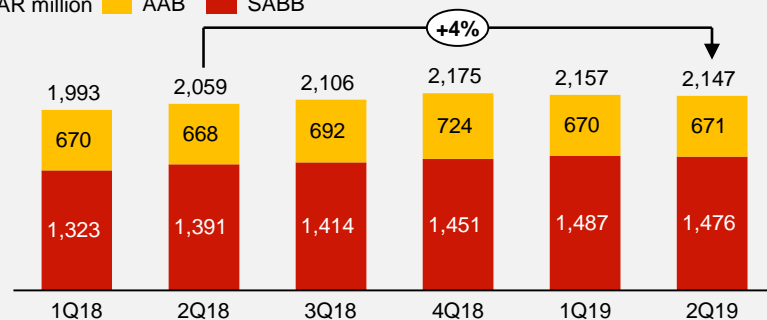


NSCI margin analysis

Pro forma

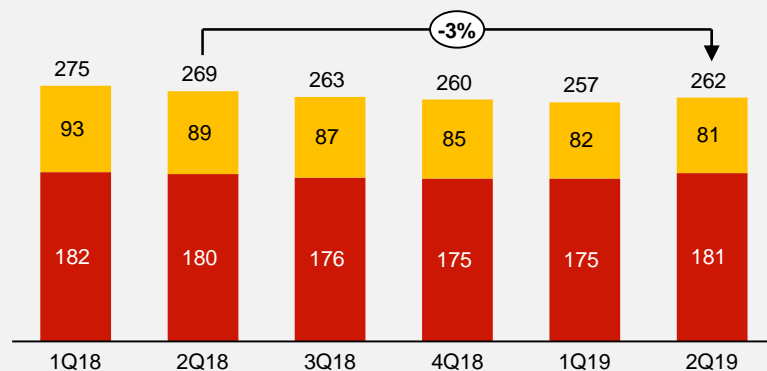
Net special commission income

SAR million AAB SABB



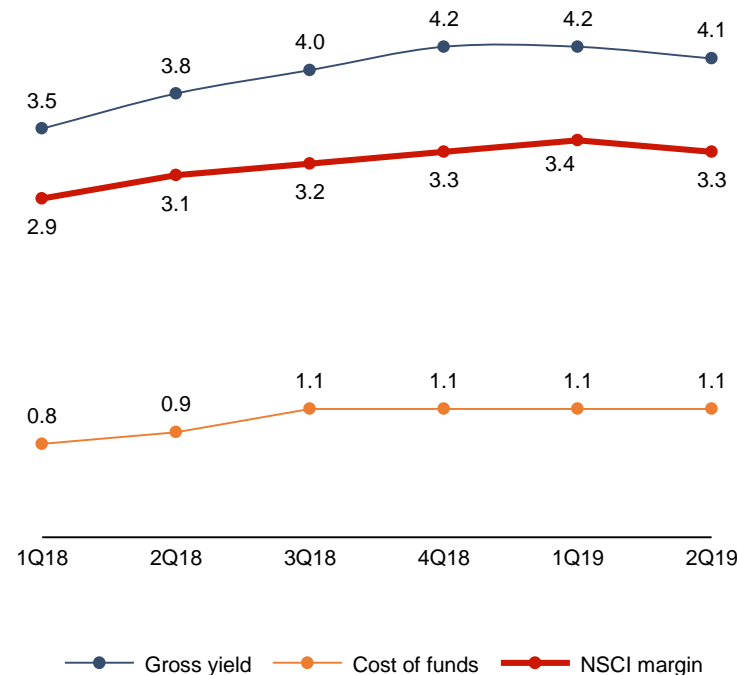
Average interest-earning assets

SAR billion AAB SABB



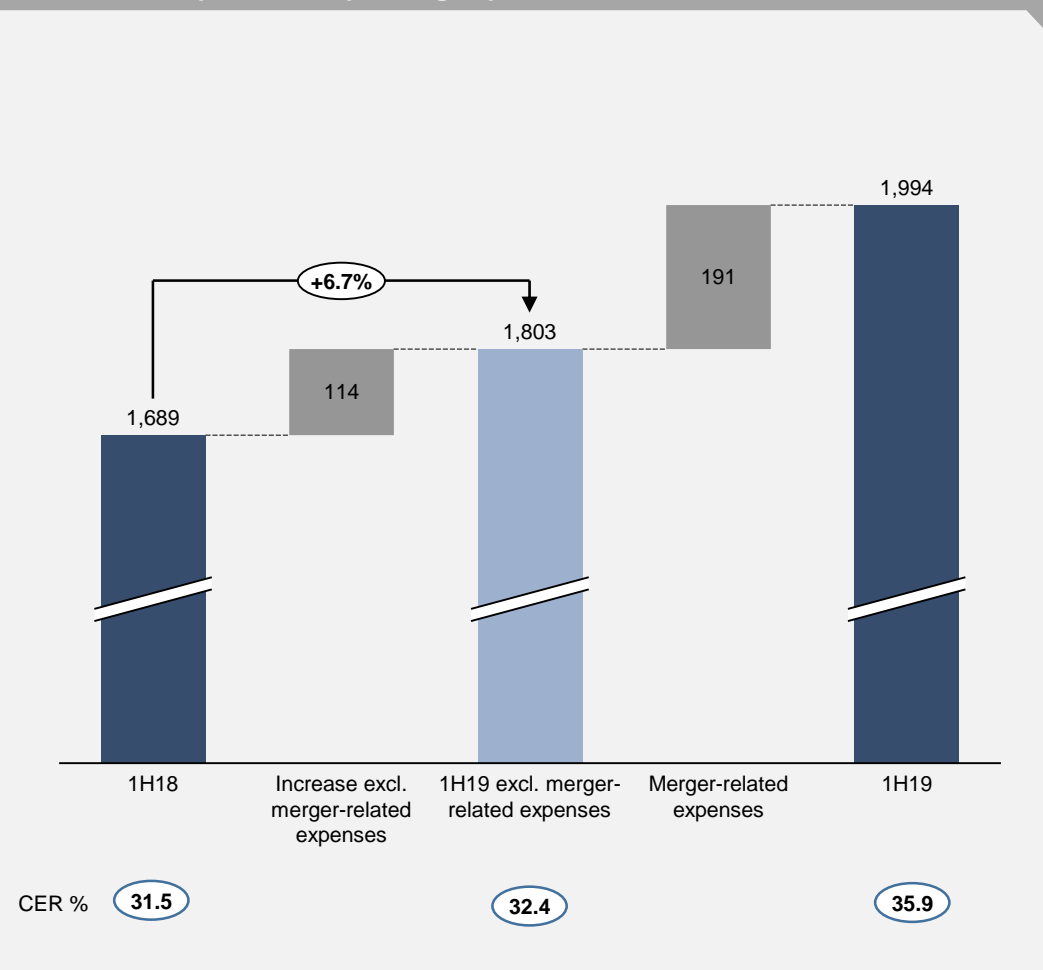
Yield, costs of funds and margin

%

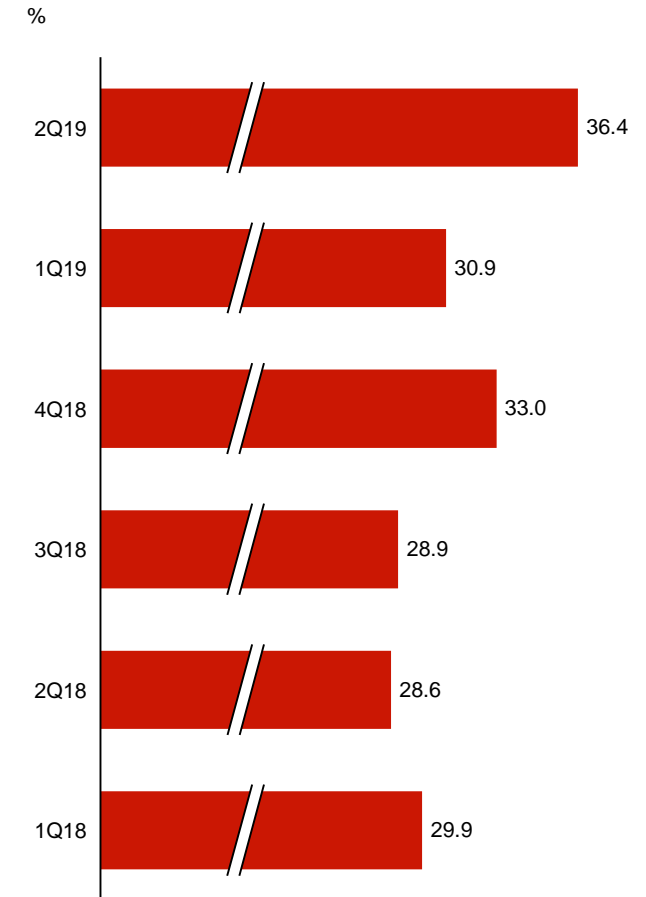


1H19 Operating expenses

1H19 vs. 1H18 pro forma operating expenses movement



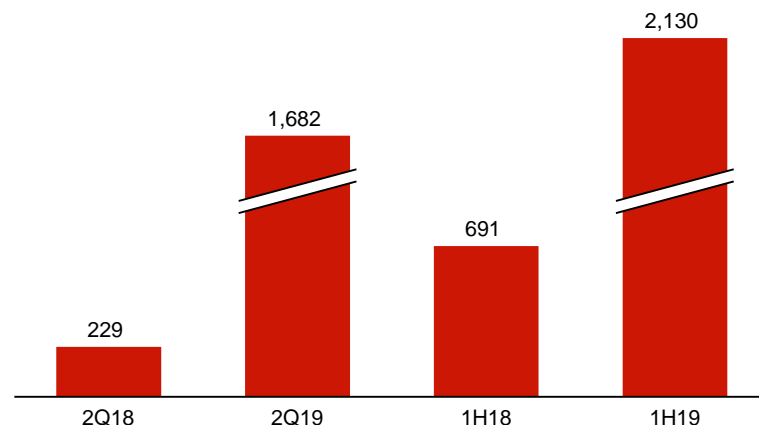
SABB reported cost efficiency ratio over time



1H19 Impairment analysis

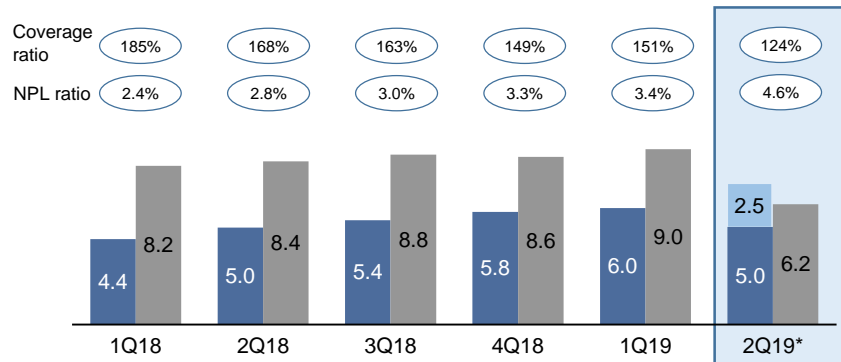
Pro forma impairment charge by quarter and half-year

SAR million



Pro forma NPLs / Provisions

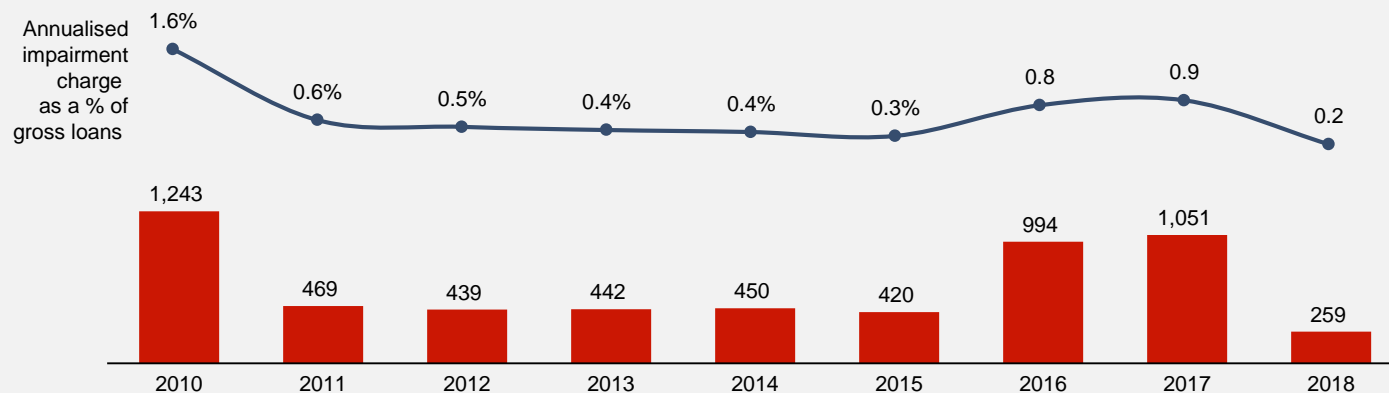
SAR billion ■ NPLs ■ Provisions ■ Purchased or originated credit impaired



*At 2Q19, gross customer advances included SAR5.0bn of *Lifetime ECL credit impaired* of which SAR4.6bn is non-performing and SAR0.4bn of exposures that are now performing but have yet to complete a period of 12 months of performance to be eligible to be upgraded to a not-impaired category.

The NPL ratio for 2Q19 includes the above and *Purchased or originated credit impaired* advances. Coverage ratio for 2Q19 is calculated as *Provisions* divided by *Lifetime ECL credit impaired*

SABB impairment charge trend (SAR million) and cost of risk trend, %



Purchase price allocation

Purchase price allocation

The core principles of IFRS 3 – Business combinations:

- the acquiring legal entity measures the cost of the acquisition at the fair value of the consideration paid
- the acquirer allocates that cost to the acquired identifiable assets and liabilities on the basis of their fair values
- allocates the rest of the cost to goodwill

12 months to complete the exercise

Fair value of acquired receivables

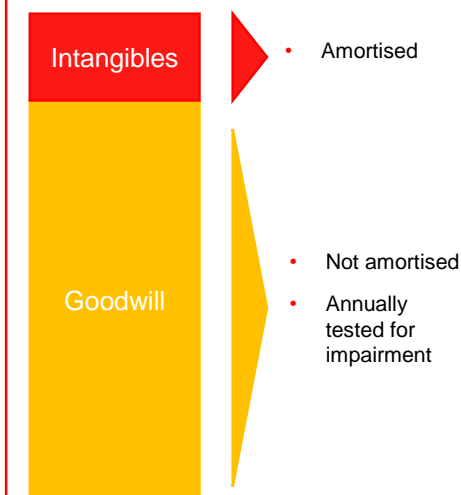
SAR million	Fair value of the acquired receivables	Gross contractual amount receivable	The contractual cash flows not expected to be collected
Due from banks and other financial institutions	966	966	-
Investments	15,470	15,598	128
Loans and advances	49,363	58,441	9,078
Other financial assets	89	54	-
Total	65,889	75,060	9,206

Our purchase price allocation is preliminary and subsequent adjustments will occur. A comprehensive exercise will be completed within 12 months and focus on:

- recognition of intangible assets including core deposits and other customer relationships
- loans and advances
- properties and equipment
- other recognized financial and non-financial assets and liabilities

Provisional goodwill arising from the acquisition of SAR14,926m

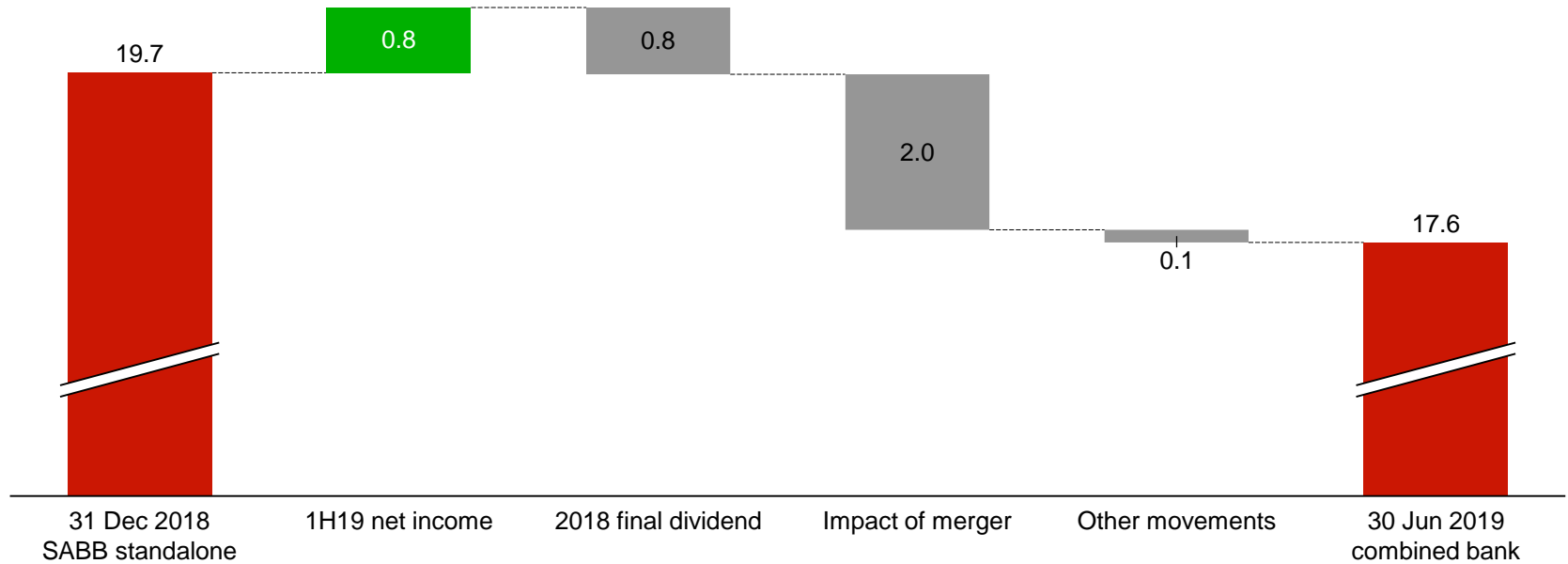
Goodwill and intangible treatment



Capital adequacy

Core Tier 1 ratio: 30 Jun 2019 vs 31 Dec 2018

%

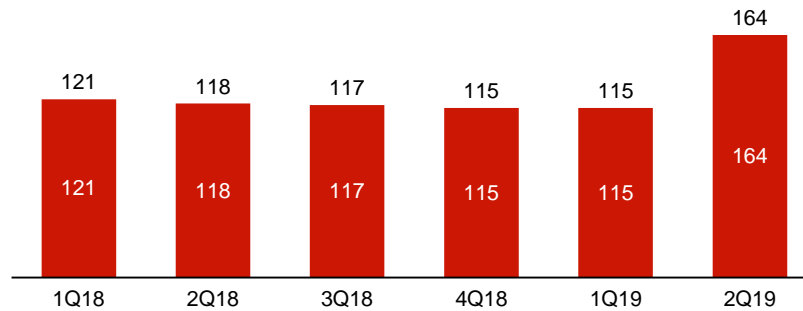


1H19 Balance sheet

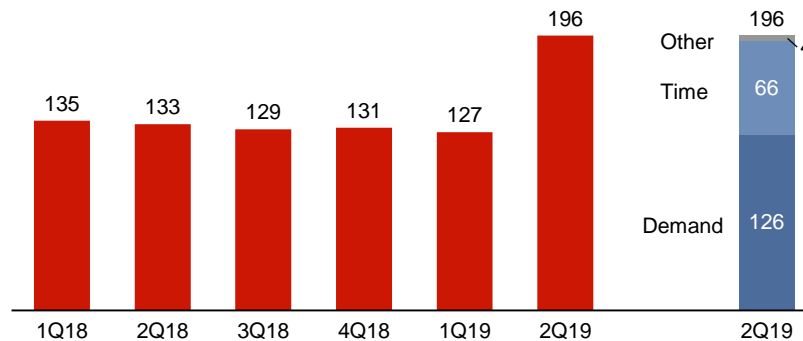
Reported gross balances

SAR billion

Gross customer advances

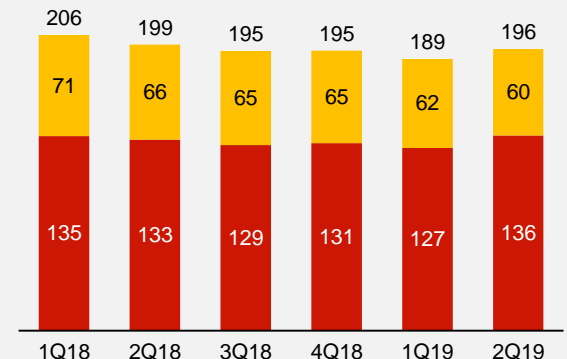
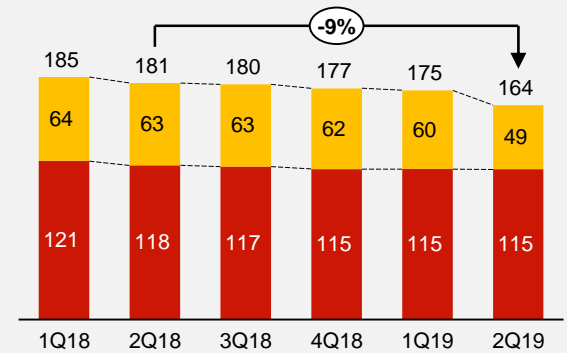


Customer deposits



Pro forma

AAB SABB



Closing remarks

- 1 Merger legally completed with Board members and executive leadership team appointed
- 2 Integration underway supported by a dedicated project management office
- 3 We have increased our expectation of the benefits from the merger
- 4 1H19 solid operating performance impacted by one-off credit losses in respect of the acquired loan portfolio through the merger with AAB, as well as an increase in impairments charges on certain originated troubled corporate loans
- 5 Our balance sheet and capital remain strong
- 6 Our interim dividend is an important signal of confidence
- 7 Customer advances excluding those acquired from the AAB business were broadly unchanged but we are starting to see modest growth momentum
- 8 Our greater scale and a more efficient operating platform, together with our ongoing partnership with HSBC, will reinforce our unique positioning as a leading financial institution

Disclaimer

Important notice

The information, statements and opinions set out in this presentation are for informational and reference purposes only and do not constitute a public offer for the purposes of any applicable law or an offer to sell or solicitation of any offer to purchase any securities or other financial instruments or any advice or recommendation in respect of such securities or other financial instruments. This presentation, which does not purport to be comprehensive nor render any form of legal, tax, investment, accounting, financial or other advice, has been provided by SABB and has not been independently verified by any person. You should consult your own advisers as to legal, tax investment, accounting, financial or other related matters concerning any investment in any securities. No responsibility, liability or obligation (whether in tort, contract or otherwise) is accepted by SABB or their affiliates or any of its or their officers, employees, agents or advisers (each an “Identified Person”) as to or in relation to this presentation (including the accuracy, completeness or sufficiency thereof) or any other written or oral information made available or any errors contained therein or omissions therefrom, and any such liability is expressly disclaimed. No representations or warranties, express or implied, are given by any Identified Person as to, and no reliance should be placed on, the accuracy or completeness of any information contained in this presentation, any other written or oral information provided in connection therewith or any data which such information generates. No Identified Person undertakes, or is under any obligation, to provide the recipient with access to any additional information, to update, revise or supplement this presentation or any additional information or to remedy any inaccuracies in or omissions from this presentation. Past performance is not necessarily indicative of future results. Differences between past performance and actual results may be material and adverse.

Forward-looking statements

This presentation may contain projections, estimates, forecasts, targets, opinions, prospects, results, returns and forward-looking statements with respect to the financial condition, results of operations, capital position, strategy and business of SABB which can be identified by the use of forward-looking terminology such as “may”, “will”, “should”, “expect”, “anticipate”, “project”, “estimate”, “seek”, “intend”, “target” or “believe” or the negatives thereof or other variations thereon or comparable terminology (together, “forward-looking statements”), including the strategic priorities and any financial, investment and capital targets described herein. Any such forward-looking statements are not a reliable indicator of future performance, as they may involve significant stated or implied assumptions and subjective judgements which may or may not prove to be correct. There can be no assurance that any of the matters set out in forward-looking statements are attainable, will actually occur or will be realised or are complete or accurate. Certain of the assumptions and judgements may prove to be incorrect and involve known and unknown risks, uncertainties, contingencies and other important factors, many of which are outside the control of SABB. Actual achievements, results, performance or other future events or conditions may differ materially from those stated, implied and/or reflected in any forward-looking statements due to a variety of risks, uncertainties and other factors (including without limitation those which are referable to general market conditions or regulatory changes). Any such forward-looking statements are based on the beliefs, expectations and opinions of SABB at the date the statements are made, and SABB does not assume, and hereby disclaims, any obligation or duty to update, revise or supplement them if circumstances or management’s beliefs, expectations or opinions should change. For these reasons, recipients should not place reliance on, and are cautioned about relying on, any forward-looking statements. No representations or warranties, expressed or implied, are given by or on behalf of SABB as to the achievement or reasonableness of any projections, estimates, forecasts, targets, prospects or returns contained herein.

