



3Q19 Financial Results

Presentation to investors and analysts

SABB  ساب

3rd quarter key messages

3Q19 QTD update

(comparison on pro forma basis with 3Q18)

- Reported net income before zakat and income taxes of SAR1.3bn and revenue of SAR2.6bn
 - Revenue down SAR171m or 6% from lower net special commission income and fee income
 - Costs increased SAR191m or 22% and included SAR137m of merger-related costs
 - Impairment charges of SAR236m or 58bps of average gross loans (annualized basis) – within our guidance range
- Customer lending into the third quarter remains muted reflecting a challenging environment with limited net corporate activity
- NIM fell c.10bps to 3.2% from the second quarter, in line with previous guidance as global benchmark interest rates began to fall, partly offset by an improvement in cost of funds from a reduction in time deposits

9M19 YTD

(pro forma basis)

- 9M19 net income before zakat and income taxes of SAR2.8bn and revenue of SAR8.1bn; performance was impacted by one-off credit losses in the second quarter in respect of the acquired loan portfolio through the merger with Alawwal bank, and an increase in impairment charges on certain troubled corporate loans

Merger update

Integration continues at pace...

- Integration continues at pace, supported by a dedicated project management office:
 - Completed an analysis to understand any gaps in functionality between the legacy Alawwal systems and SABB systems, and the process for developing solutions is underway
 - Defined the target culture for the organization
 - Commenced manual migration of corporate clients from the legacy Alawwal systems to the SABB systems

...whilst maintaining our business focus

- As the primary settlement bank and custodian in Saudi Arabia, supported the inflow of foreign investment through the latest tranches of MSCI and FTSE-Russell EM Index investments
- CIB implemented SWIFT gpi for Corporates, to provide customers with transparency in making and tracking payments across multiple banks - the first bank in the MENA region to offer this service
- Partnered with two global leaders in payments technology to implement cutting-edge mobile and browser enabled remittance technology, providing fast, safe and low cost international remittances to two key payments corridors

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Progress update on our merger

2

3Q19 SABB performance

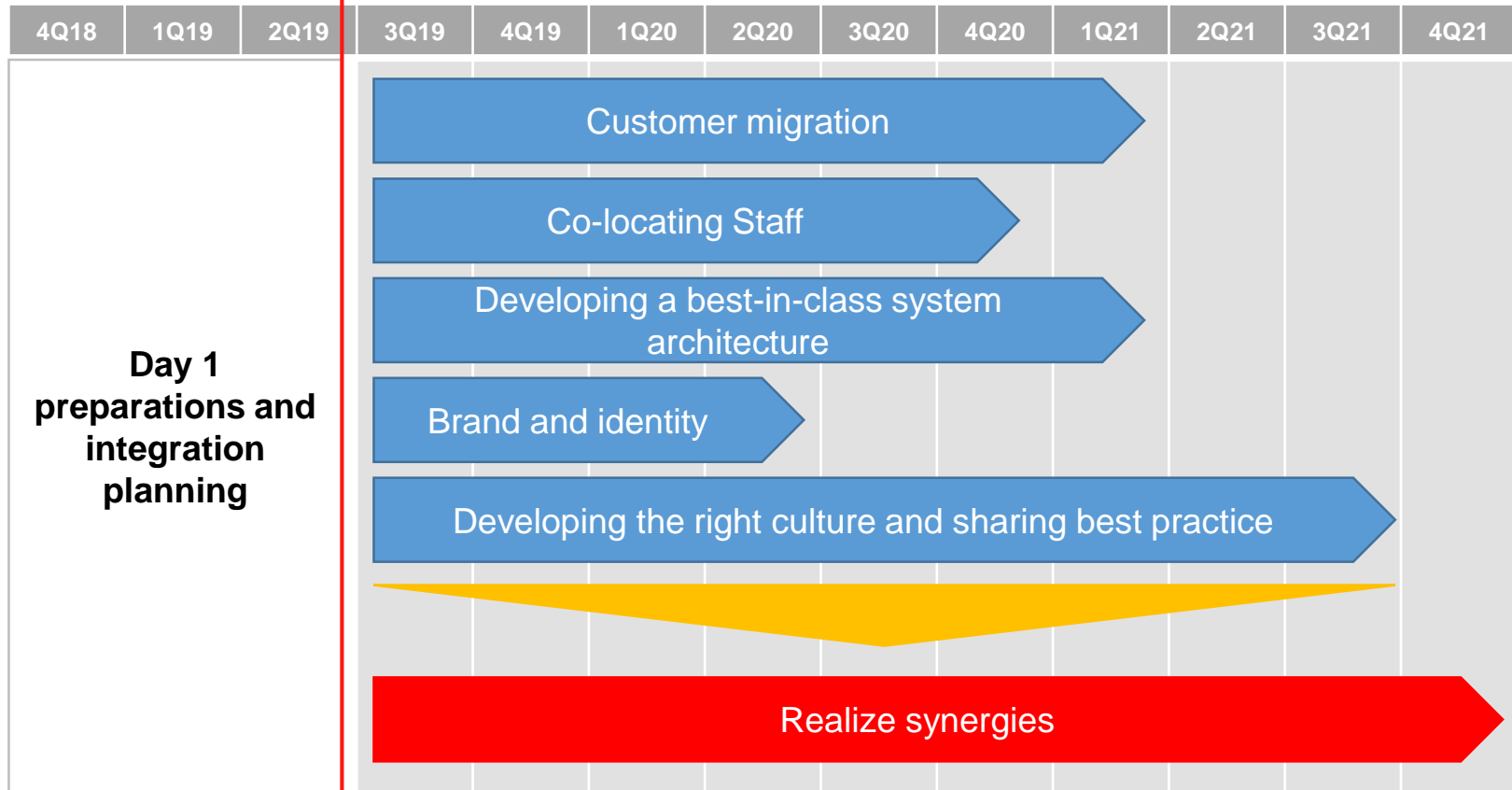
Integration update

Integration

- Completed an analysis to understand any gaps in functionality between the legacy Alawwal systems and SABB systems, and the process for developing solutions is underway
- Completed a review of the culture of our organizations – defined the target culture for the organization and prepared the plan to roll this out to all staff
- Commenced manual migration of corporate clients from the legacy Alawwal systems to the SABB systems
- Completed the allocation of relationship managers for our corporate clients

Integration plan

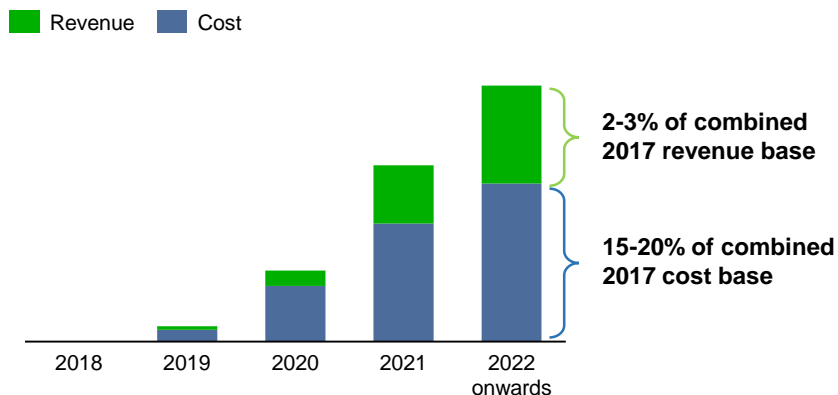
Day1: 16 June 2019



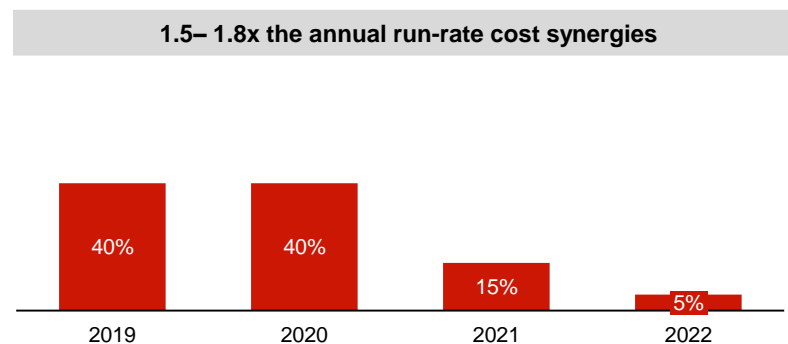
Synergies vs. integration costs

	Previous guidance (communicated Oct 2018)	Current guidance (communicated Aug 2019)	
Cost synergies	10% - 15% of the combined cost base	15% - 20% of the combined cost base	<ul style="list-style-type: none"> - 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
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	

Expected profile of synergies



Expected profile of integration costs



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Progress update on our merger

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3Q19 SABB performance

Key financial metrics and pro forma results

Key ratios (Reported basis)

%	9M18	9M19	Δ 9M18
Net special commission margin	3.1	2.7*	(0.4)ppt
Return on Equity (ROE)	11.6	5.8*	(5.8)ppt
Return on Tangible Equity (ROTE)	11.6	6.8*	(4.8)ppt
Cost efficiency ratio (CER)	29.1	36.6	(7.5)ppt
Common Equity Tier 1 ratio	19.9	18.0*	(1.9)ppt

*9M19 diluted by merger

Reported Income Statement

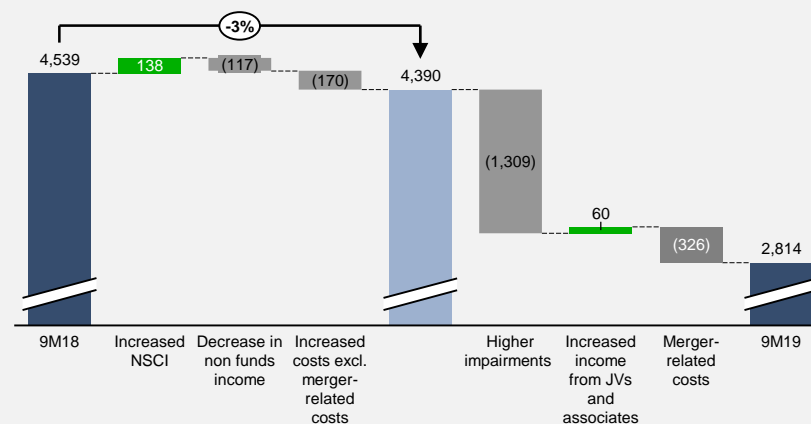
SAR million	3Q19	Δ 3Q18	9M19	Δ 9M18
Total operating income ('Revenue')	2,577	38%	6,530	19%
Operating expenses	(1,057)	(97)%	(2,389)	(50)%
Provision for expected credit losses, net	(236)	>(100)%	(1,955)	>(100)%
Share in earnings of a joint venture	29	>100%	95	>100%
Net income before Zakat and income tax	1,313	5%	2,281	(39)%
Zakat and income tax	(252)	(36)%	(369)	57%
Net income after Zakat and income tax	1,061	-%	1,913	(33)%

3Q19 vs. 3Q18 and 9M19 vs. 9M18 pro forma net income

Pro forma Income Statement

SAR million	3Q19	Δ 3Q18	9M19	Δ 9M18
Total operating income ('Revenue')	2,577	(6)%	8,135	0%
Operating expenses	(1,057)	(22)%	(3,051)	(19)%
Provision for expected credit losses, net	(236)	35%	(2,365)	>(100)%
Share in earnings of a joint venture	29	>100%	95	>100%
Net income before Zakat and income tax	1,313	(14)%	2,814	(38)%
Zakat and income tax	(252)	(36)%	(481)	49%
Net income after Zakat and income tax	1,061	(19)%	2,333	(35)%

Net income before Zakat and income tax: 9M19 vs. 9M18

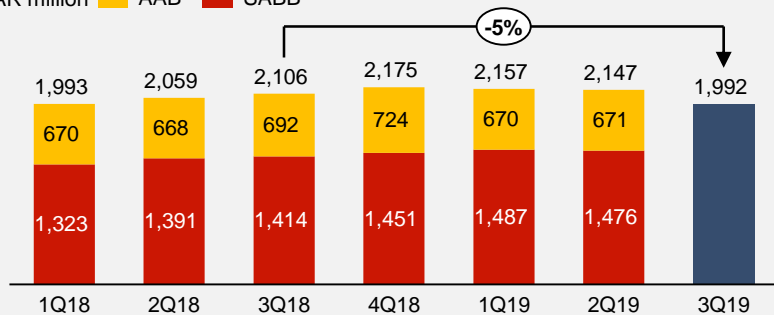


NSCI margin analysis

Pro forma

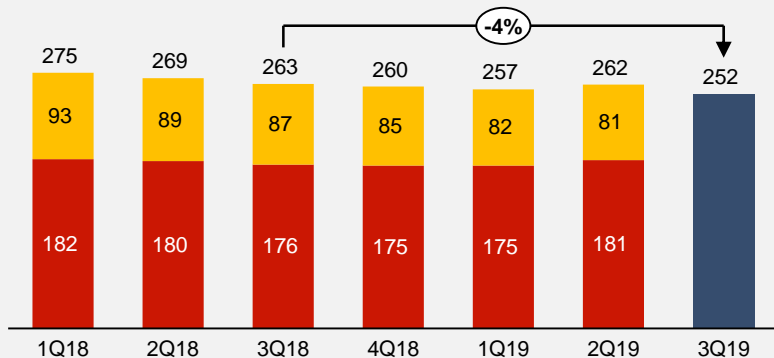
Net special commission income

SAR million AAB SABB



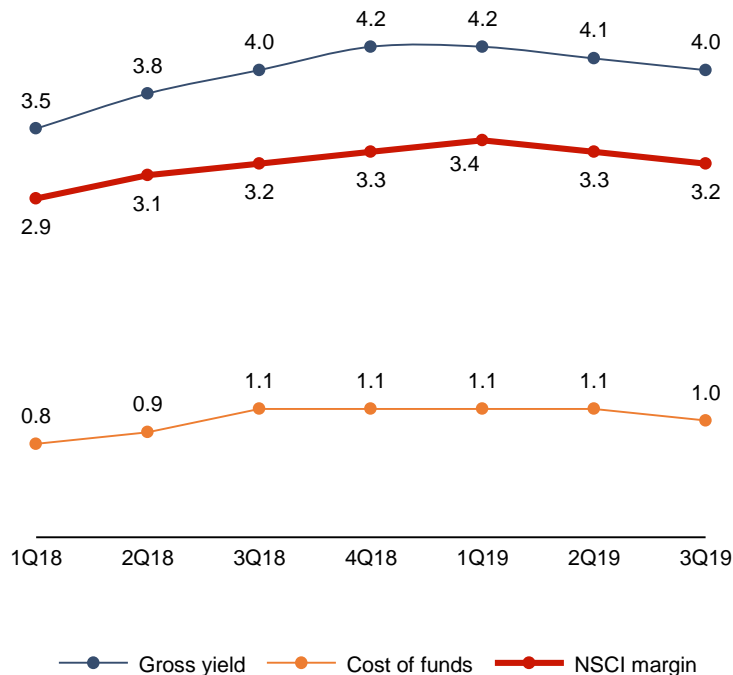
Average interest-earning assets

SAR billion AAB SABB



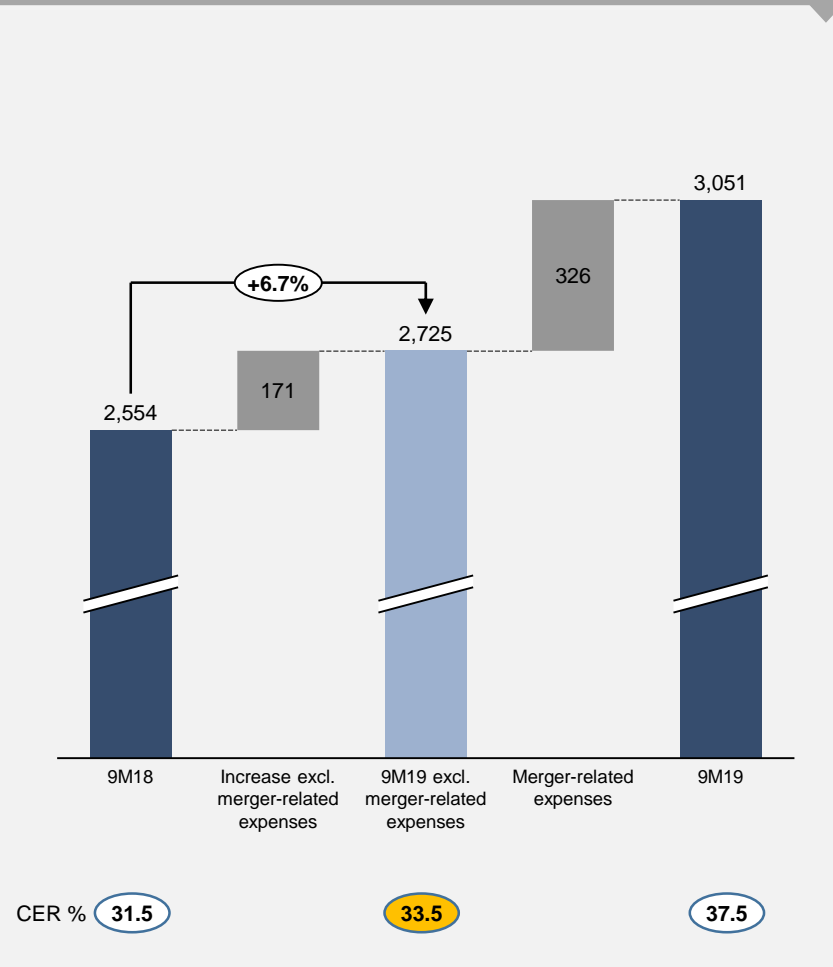
Yield, costs of funds and margin

%

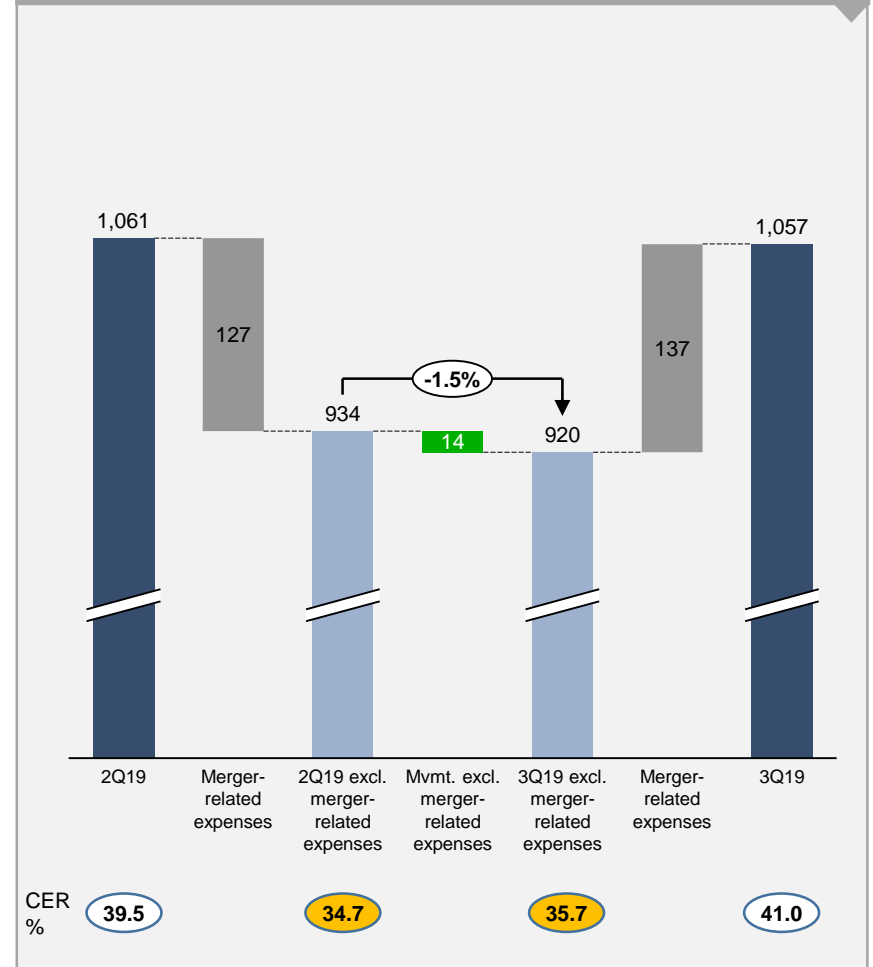


Operating expenses

9M19 vs. 9M18 pro forma operating expenses movement



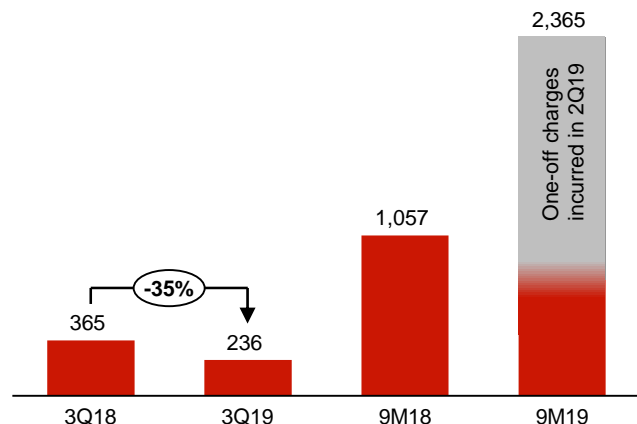
3Q19 vs. 2Q19 pro forma operating expenses movement



Impairment analysis

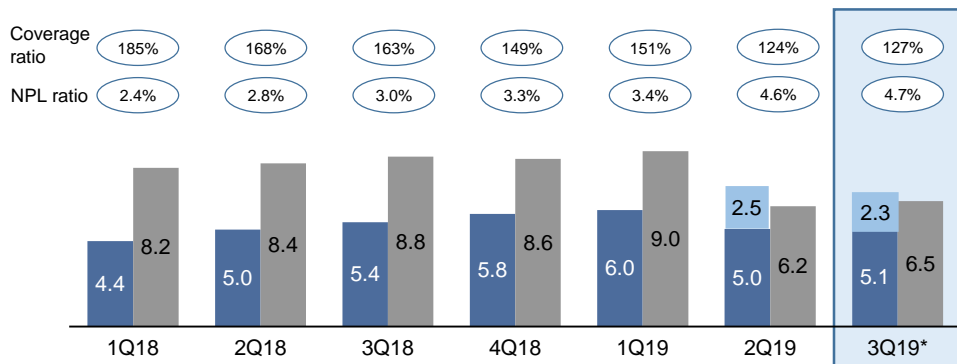
Pro forma impairment charge by quarter and YTD

SAR million



Pro forma NPLs / Provisions

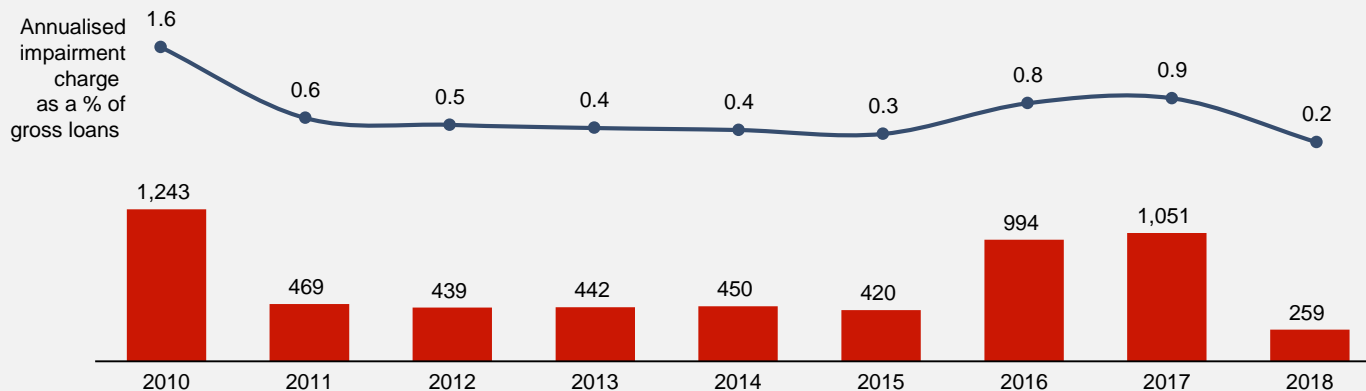
SAR billion ■ NPLs ■ Provisions ■ Purchased or originated credit impaired



*At 3Q19, gross customer advances included SAR5.1bn of *Lifetime ECL credit impaired* of which SAR4.7bn is non-performing and SAR0.3bn 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 3Q19 includes the above and *Purchased or originated credit impaired* advances. Coverage ratio for 3Q19 is calculated as *Provisions* divided by *Lifetime ECL credit impaired*

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



Purchase price allocation

Q3 Update

- During the quarter we have provisionally identified SAR2.0bn of intangible assets resulting in a reported goodwill of SAR12.9bn
- Purchase price allocation will be finalized within 12 months of the legal merger date
- As required by IAS36, we will commence our annual testing of impairment of goodwill in the fourth quarter

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

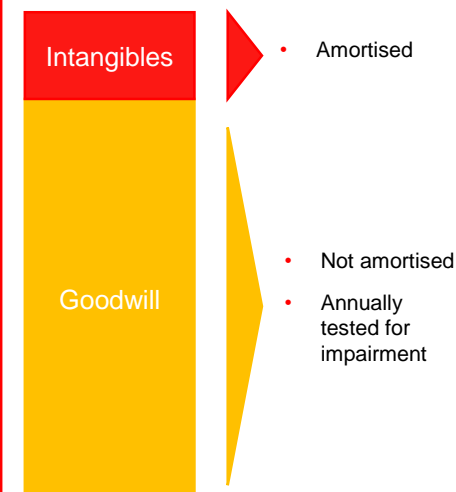
Fair value of acquired receivables as at 16 June 2019

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 may 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

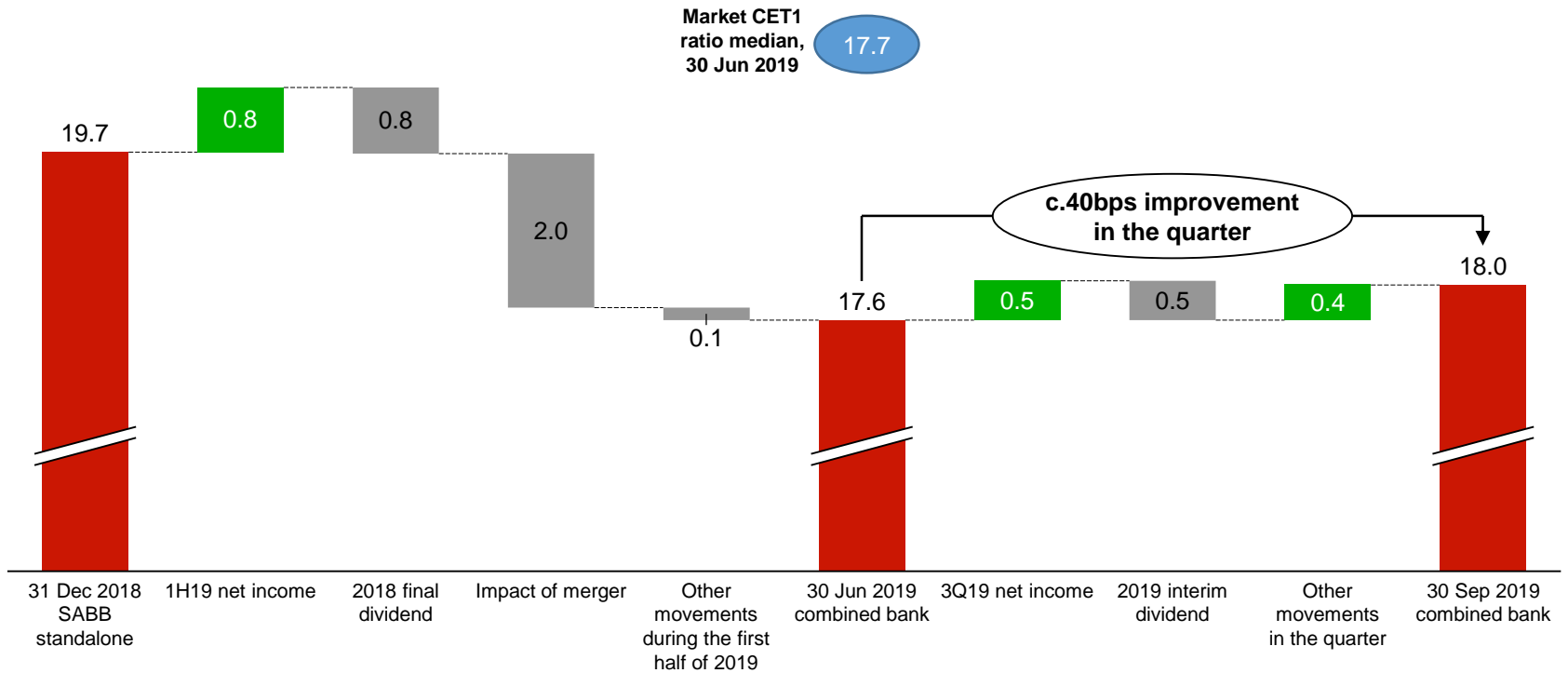
Goodwill and intangible treatment



Capital adequacy

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

%

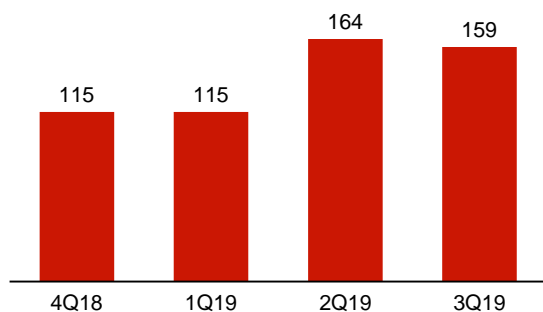


Balance sheet trends

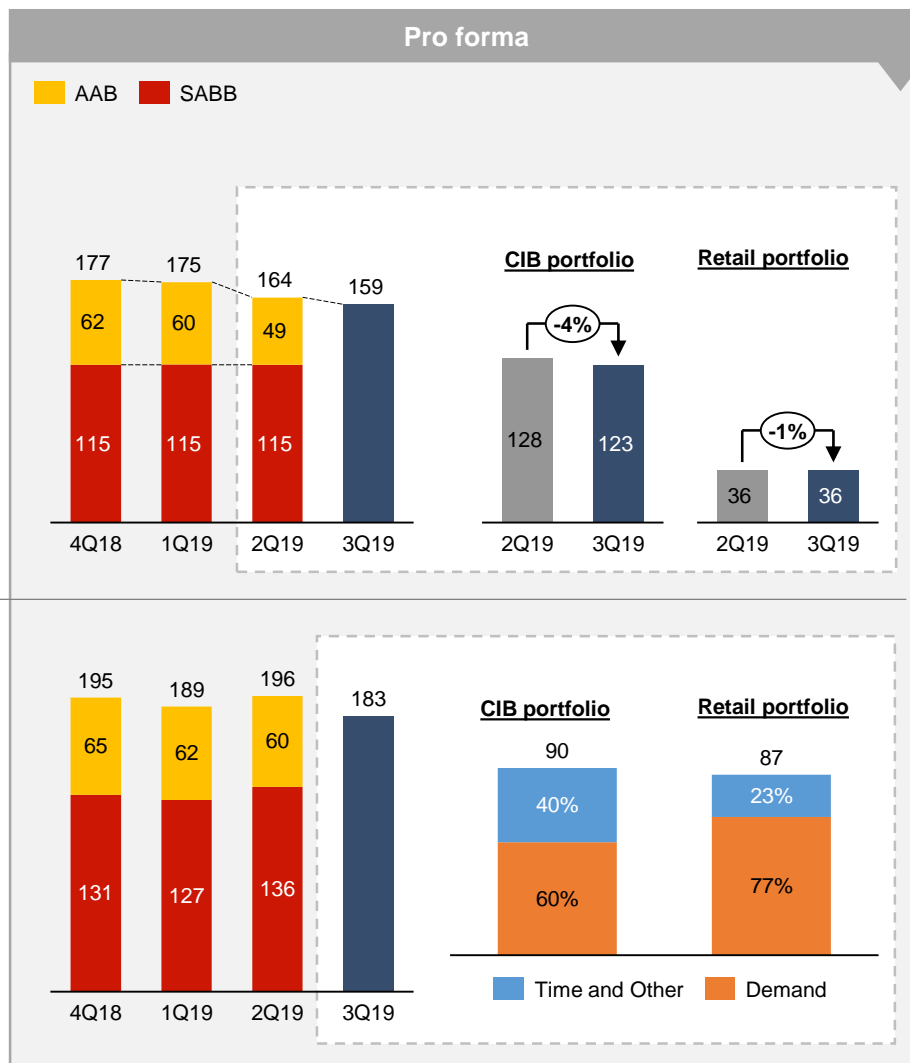
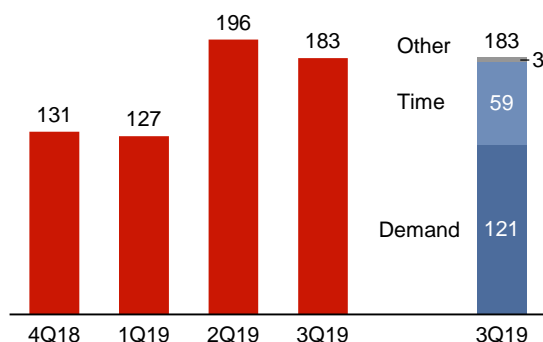
Reported gross balances

SAR billion

Gross customer advances



Customer deposits



Closing remarks

- 1 Integration gathers pace with progress made across all the major workstreams
- 2 9M19 operating performance continues to be resilient but impacted in 2Q19 by one-off credit losses in respect of the acquired loan portfolio through the merger with AAB, and an increase in impairments charges on certain originated troubled corporate loans
- 3 3Q19 performance provides a more normalised set of results generating SAR1.3bn of net income before Zakat and income taxes
- 4 Margin outlook remains challenging given the sequential cuts to benchmark rates and current US rate outlook
- 5 Muted corporate lending growth in the market, however we are well positioned, and have the capacity to support our customers' lending requirements
- 6 Our balance sheet, capital and funding remain strong and our continued resilient results support our future dividend distribution capacity

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