



## 1Q20 Financial Results

Presentation to investors and analysts

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**1Q20 Key messages and SABB profile**

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1Q20 SABB performance

# Our response to Covid-19

During these challenging times our priorities are simple

- **Maintain critical services**
- **Keep our staff and customers safe**

1	2	3	4	5
Our staff	Retail customers	Corporate and Institutional customers	Treasury	Society
<ul style="list-style-type: none"> <li>• Flexed the size of the branch network to reduce the transmission risk of Coronavirus, in line with guidance from our regulator</li> <li>• Preventative social distancing initiatives and protective equipment rollout across branches and offices</li> <li>• We have provided access to remote working to the majority of non-branch staff and reduced the amount of employees on site</li> <li>• Explored innovative virtual solutions for Contact Centre and Collections' staff</li> </ul>	<ul style="list-style-type: none"> <li>• Drive to mobile and online with a targeted campaign to encourage customers to avoid unnecessary branch visits, resulting in a 27% increase in app downloads and 33% increase in digital customer registration; also waived digital fees</li> <li>• Waived certain fees and other charges</li> <li>• 3 month payment deferral for workers in the Health sector, benefiting over 23k customers</li> <li>• Introduced social distancing measures across our branch network</li> </ul>	<ul style="list-style-type: none"> <li>• Following the launch of SAMA's Private Sector Financing Support Program ('PSFSP') which provides support to Micro Small and Medium Enterprises ('MSME'), we have provided eligible customers with a 6-month payment deferral</li> <li>• Waived certain fees and other charges</li> <li>• Encouraging customers to move certain transactions online with our Global Liquidity and Cash Management ('GLCM') and Global Trade and Receivables Finance ('GTRF') propositions</li> </ul>	<ul style="list-style-type: none"> <li>• In notably volatile markets, Treasury has continued to support our customers with their foreign exchange and interest rate hedging needs</li> <li>• Continued to manage and monitor the funding and liquidity of the Bank ensuring that key liquidity ratios are well within the Banks targeted appetite and within regulatory thresholds</li> <li>• SABB as one of only five official Primary Dealers is playing a proactive role in the issuance of government debt by actively participating in the primary debt market and also supporting the secondary market</li> </ul>	<ul style="list-style-type: none"> <li>• SABB has also contributed SAR17 million to the Ministry of Health's Covid-19 fund</li> <li>• Provided food baskets to over 9,000 families through various charities</li> <li>• Partnered with transport apps including Careem and Uber to deliver groceries free of charge with an additional discount when using SABB payment cards</li> </ul>

# Leading, together – key messages for 1Q20

## 1Q20 Key messages

- Solid start to the year, with the second quarter of consecutive loan growth underpinning robust operating income in challenging circumstances
- Integration has made steady progress in line with plan; no changes to Integration guidance
- Covid-19 global pandemic poses several challenges for the economy; SABB has acted to maintain critical banking services whilst ensuring our customers and staff remain safe
- SABB is well positioned as the global economy enters this challenging period with a strong balance sheet, robust capital, stable funding base and abundant liquidity

## 1Q20 Financial update

- Reported and pro forma Net income before zakat and income taxes of SAR1.2bn and Total operating income ('revenue') of SAR2.4bn
- Comparing to 1Q19 on a pro forma basis
  - Revenue of SAR2,435m decreased SAR434m or 15% from lower net special commission income ('NSCI') and fee income; NSCI also included SAR106m from the benefit of the 'PV unwind' and Other operating income included a charge of SAR76m representing the net impact in 1Q20 from the SAMA deferred payment programmes
  - Costs of SAR1,001m increased SAR68m or 7% mainly driven by an increase in merger-related costs of SAR33m (1Q20: SAR95m; 1Q19: SAR62m) and a charge for intangible amortisation of SAR39m, underlying costs fell 1%
  - Impairment charges of SAR254m decreased SAR194m or 43% from mainly from the corporate business
- Customer lending increased for the second consecutive quarter and by 2%, mainly in the corporate sector
- NIM, excluding the benefit of the PV unwind, of 3.0% was broadly unchanged from 4Q19, in line with previous guidance
- CET1 ratio increased to 18.4% during the quarter

# SABB profile

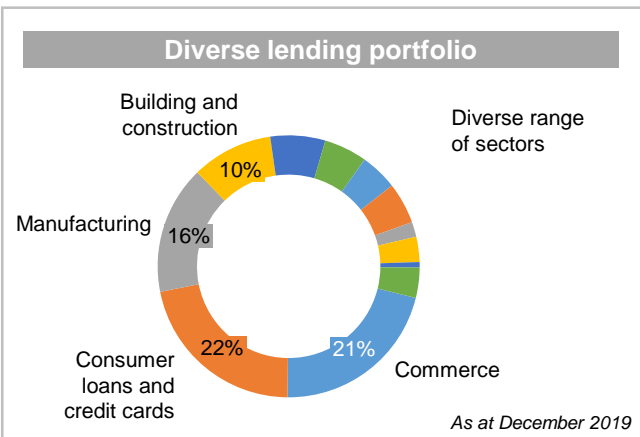
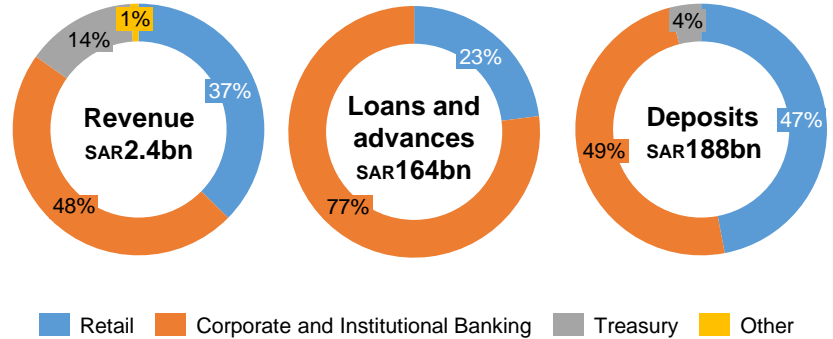
## Our businesses

**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.

## 1Q20 key financials by business

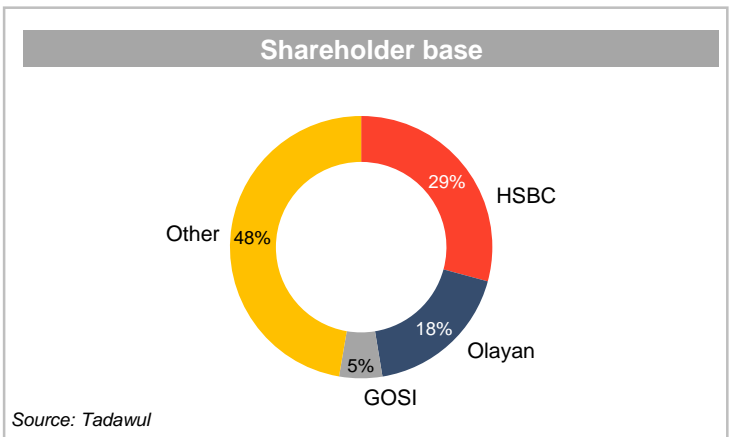


### Credit ratings

**Moody's:**  
A1 / P-1 / Negative

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**Fitch:**  
A- / F2 / Stable



# Board



Chair:  
**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.

'Our Board comprises a group of individuals who bring together a wealth of local and international expertise across a spectrum of industries'



Vice Chair:  
**Mr. Saad Bin A  
Muhsin Al-Fadhli**



**Mr. Mohammed Bin  
Omran Alomran**



**Mr. Khalid Bin  
Abdullah Al-Mulhelm**



**Mr. Ahmed Farid Al-  
Aulaqi**



**Mr. Stuart Gulliver**



**Mr. Samir Assaf**



**Mr. Stephen Moss**



**Ms. Maria Ramos**



**Mr. Martin Powell**



Managing Director:  
**Mr. David Dew**

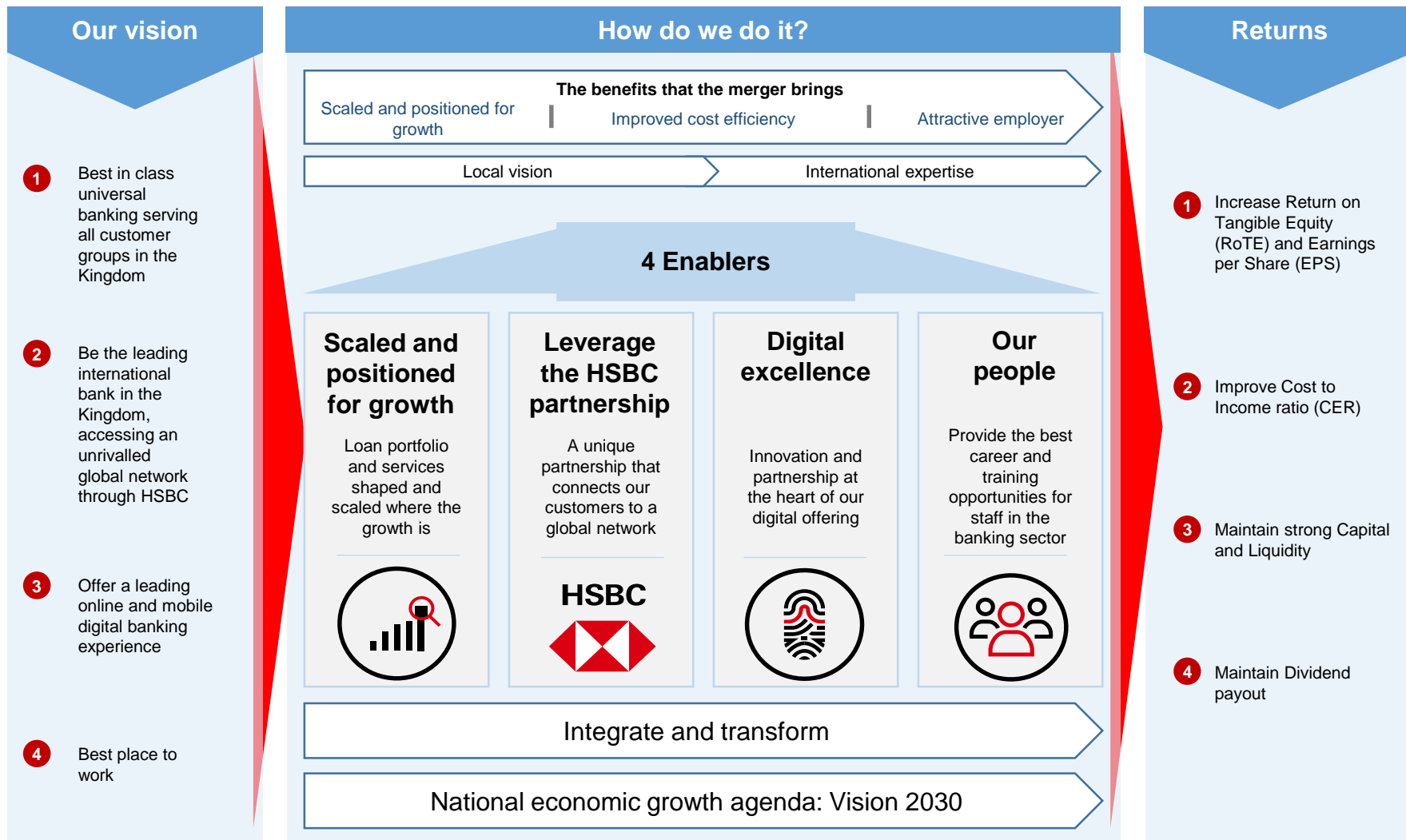
**Executive committee**

**Board Risk committee**

**Audit committee**

**Nomination and  
remuneration committee**

# Vision and strategy



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# Key financial metrics and pro forma results

## Key ratios (Reported basis)

%	1Q19	1Q20	Δ 1Q19
Net special commission margin	3.4	3.0	(0.4)
Return on Tangible Equity (ROTE)	13.4	10.1	(3.3)
Cost efficiency ratio (CER)	30.9	41.1	(10.2)
Common Equity Tier 1 ratio	20.1	18.4	(1.7)

## Reported Income Statement

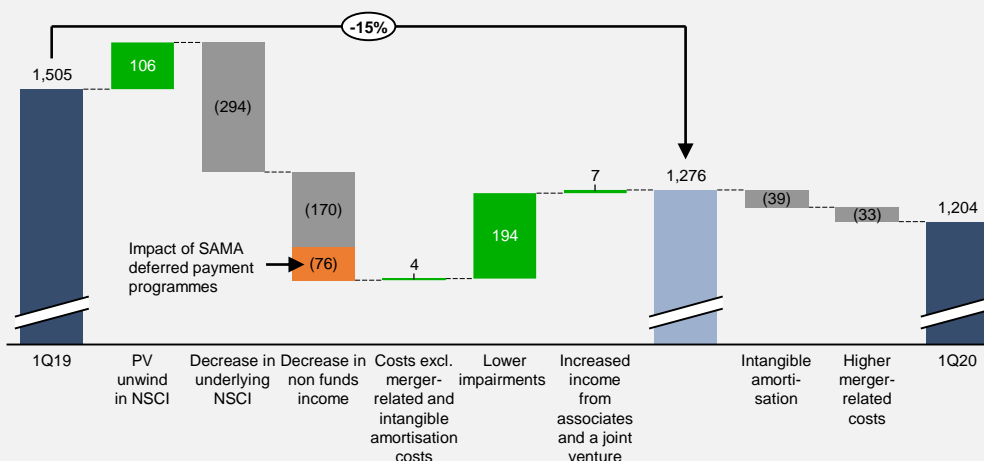
SAR million	1Q19	1Q20	Δ 1Q19	Δ 1Q19
Total operating income ('Revenue')	1,970	2,435	465	24%
Operating expenses	(609)	(1,001)	(392)	(64)%
Provision for expected credit losses, net	(91)	(254)	(163)	>(100)%
Share in earnings of an associate and a joint venture	16	23	7	45%
Net income before Zakat and income tax	1,286	1,204	(82)	(6)%
Zakat and income tax	(181)	(182)	(1)	-%
Net income after Zakat and income tax	1,105	1,022	(83)	(8)%

## 1Q20 vs. 1Q19 pro forma net income

### Pro forma Income Statement

SAR million	1Q19	1Q20	Δ 1Q19	Δ 1Q19
Total operating income ('Revenue')	2,870	2,435	(434)	(15)%
Operating expenses	(933)	(1,001)	(68)	(7)%
Provision for expected credit losses, net	(448)	(254)	194	43%
Share in earnings of an associate and a joint venture	16	23	7	43%
Net income before Zakat and income tax	1,505	1,204	(302)	(20)%
Zakat and income tax	(225)	(182)	43	20%
Net income after Zakat and income tax	1,281	1,022	(258)	(20)%

## Net income before Zakat and income tax: 1Q20 vs. 1Q19

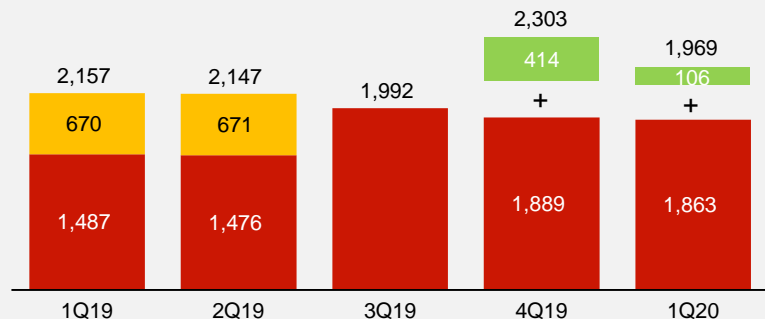


# NSCI margin analysis

Pro forma

## Net special commission income

SAR million ■ AAB ■ SABB



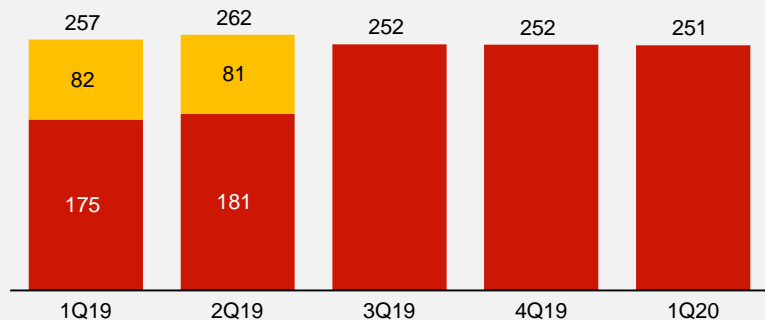
PV unwind

### Unwind of the fair value adjustment – SAR106 million in 1Q20

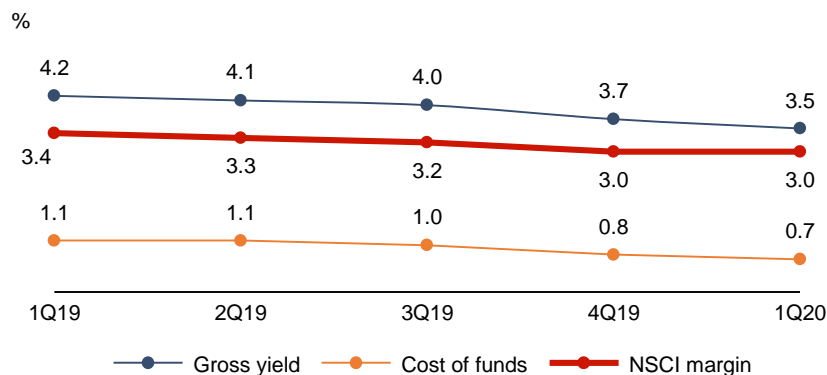
- AAB loan portfolio recognised at fair value on merger date
- The fair value is a discounted amount to the contractual amounts due of the underlying loans
- The discount applied will be unwound over time to the contractual maturity date of the loans
- The unwind will be recognised in NSCI using the effective interest rate ('EIR') method
- The amount recognised in the future will be on a declining basis, in line with the EIR method

## Average interest-earning assets

SAR billion ■ AAB ■ SABB

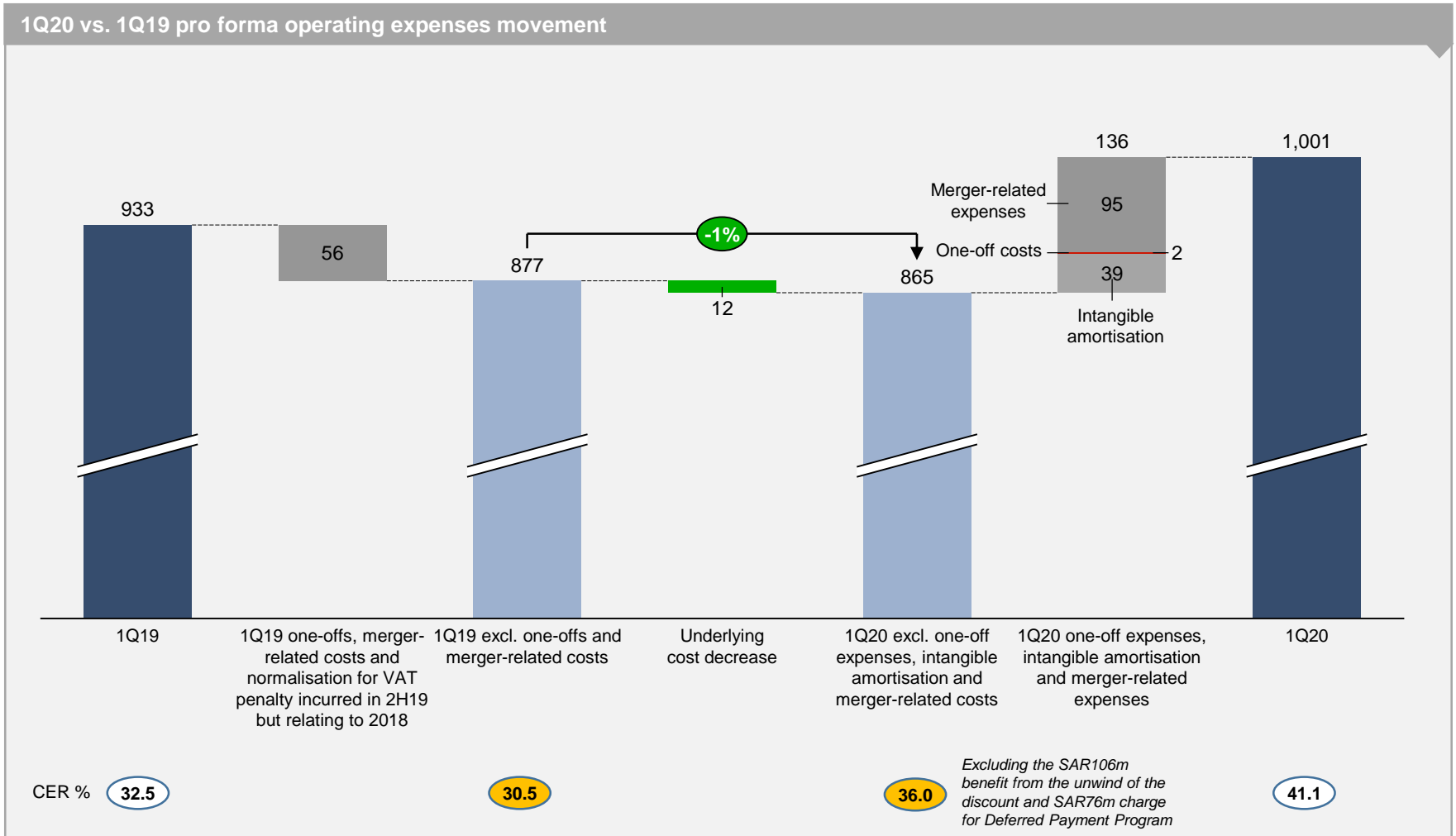


## Yield, costs of funds and margin (excl. PV unwind)

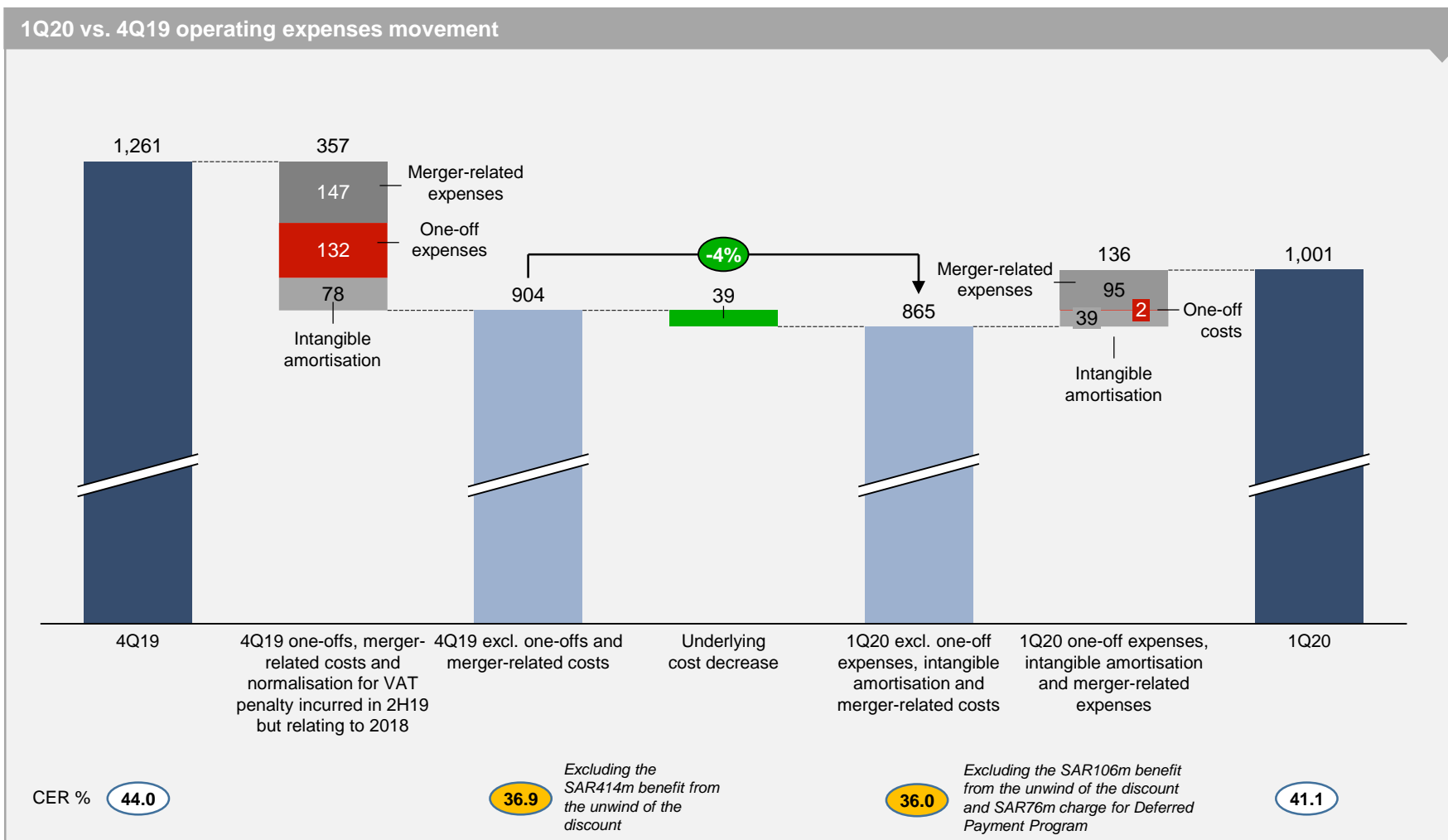


# Operating expenses: 1Q20 vs. 1Q19

1Q20 vs. 1Q19 pro forma operating expenses movement

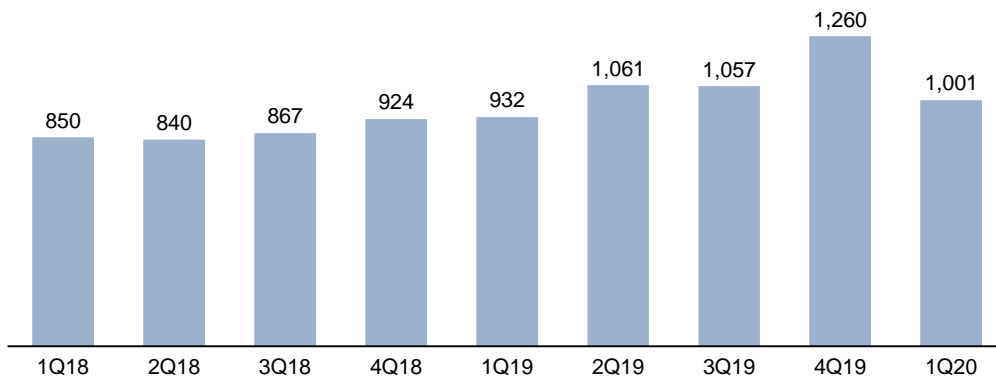


# Operating expenses: 1Q20 vs. 4Q19

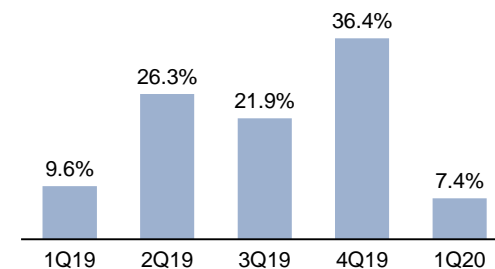


# Pro forma cost analysis

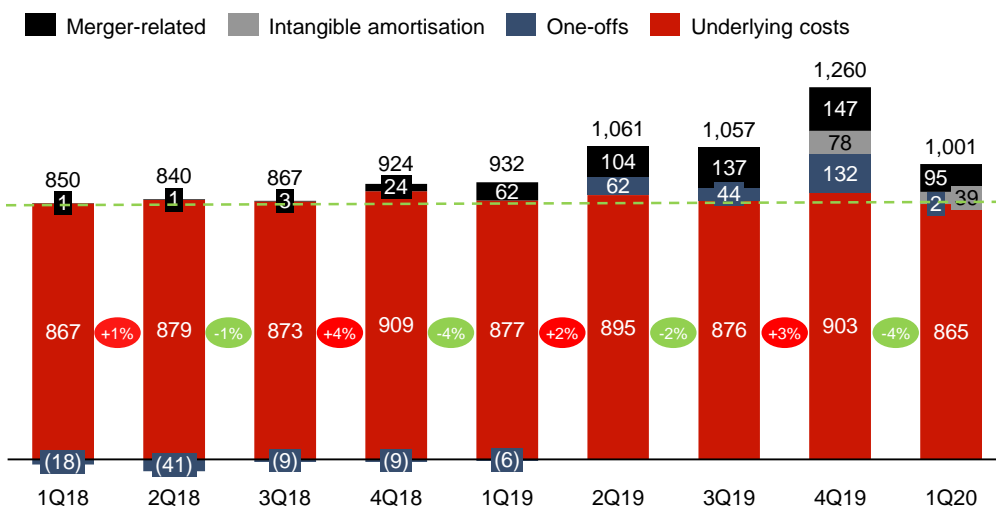
Reported costs



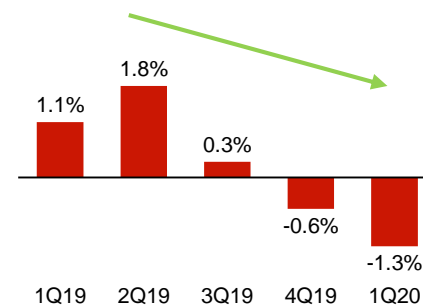
YoY percentage increase



Underlying costs



YoY percentage increase/decrease in underlying costs

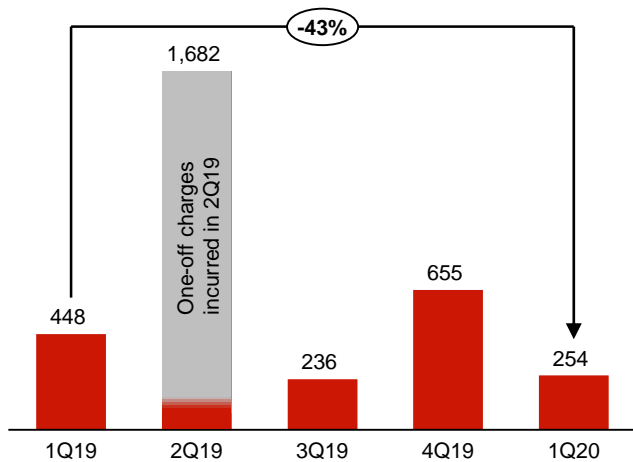


Underlying costs broadly unchanged compared with 1Q18

# Impairment analysis

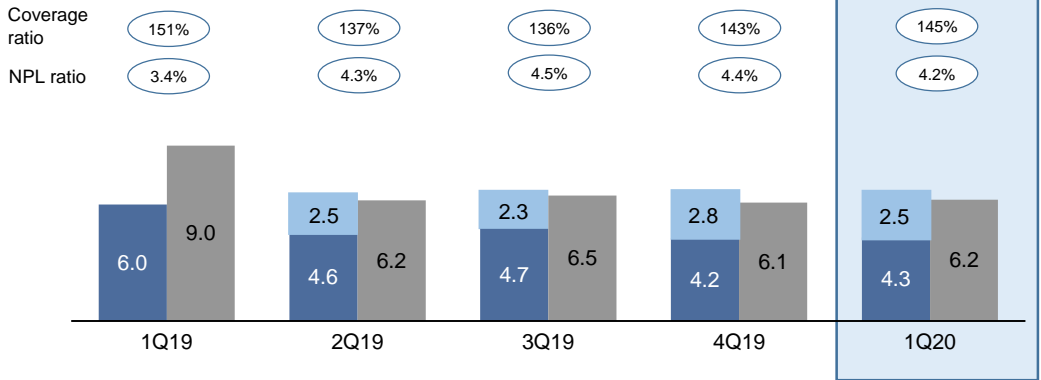
## Pro forma impairment charge by quarter and YTD

SAR million



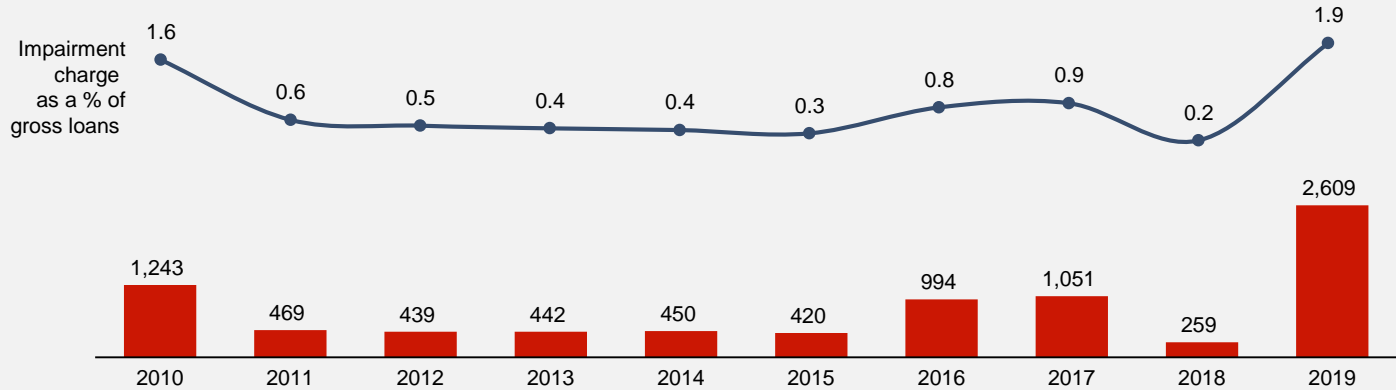
## Pro forma NPLs / Provisions

SAR billion



\*At 1Q20, gross customer advances included SAR4.7bn of *Lifetime ECL credit impaired* of which SAR4.3bn is non-performing. It also includes exposures that are performing but have yet to complete a period of 12 months of performance to be eligible to be upgraded to a not-impaired category.

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

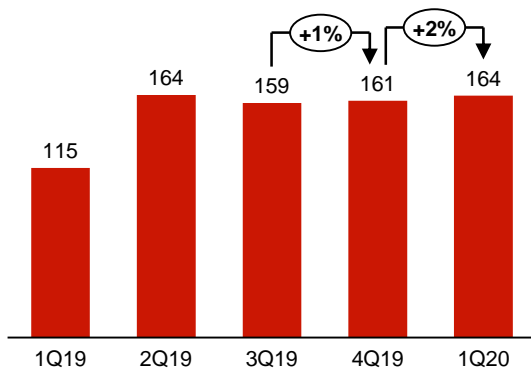


# Balance sheet trends

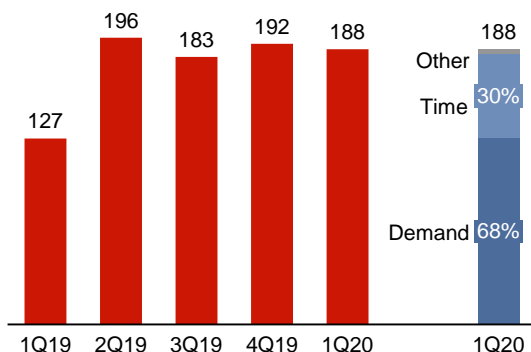
## Reported gross balances

SAR billion

Gross customer advances

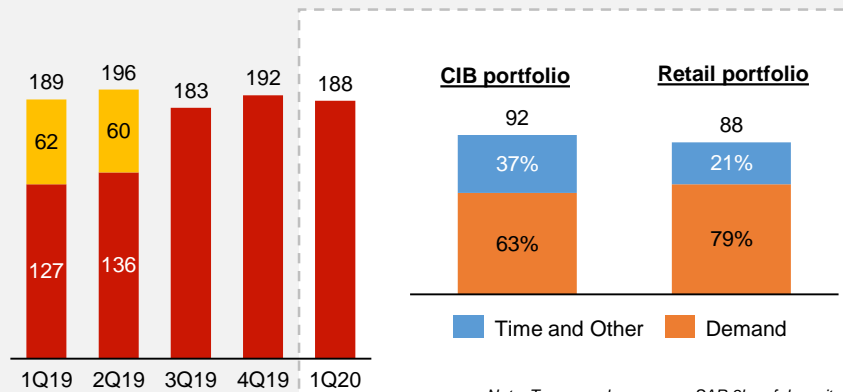
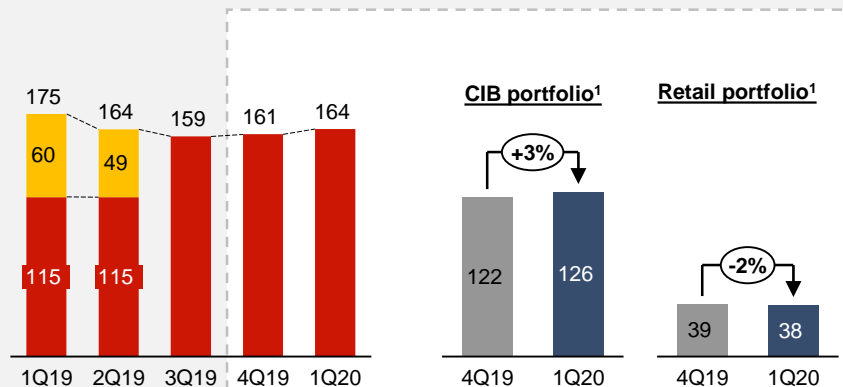


Customer deposits



## Pro forma

AAB SABB



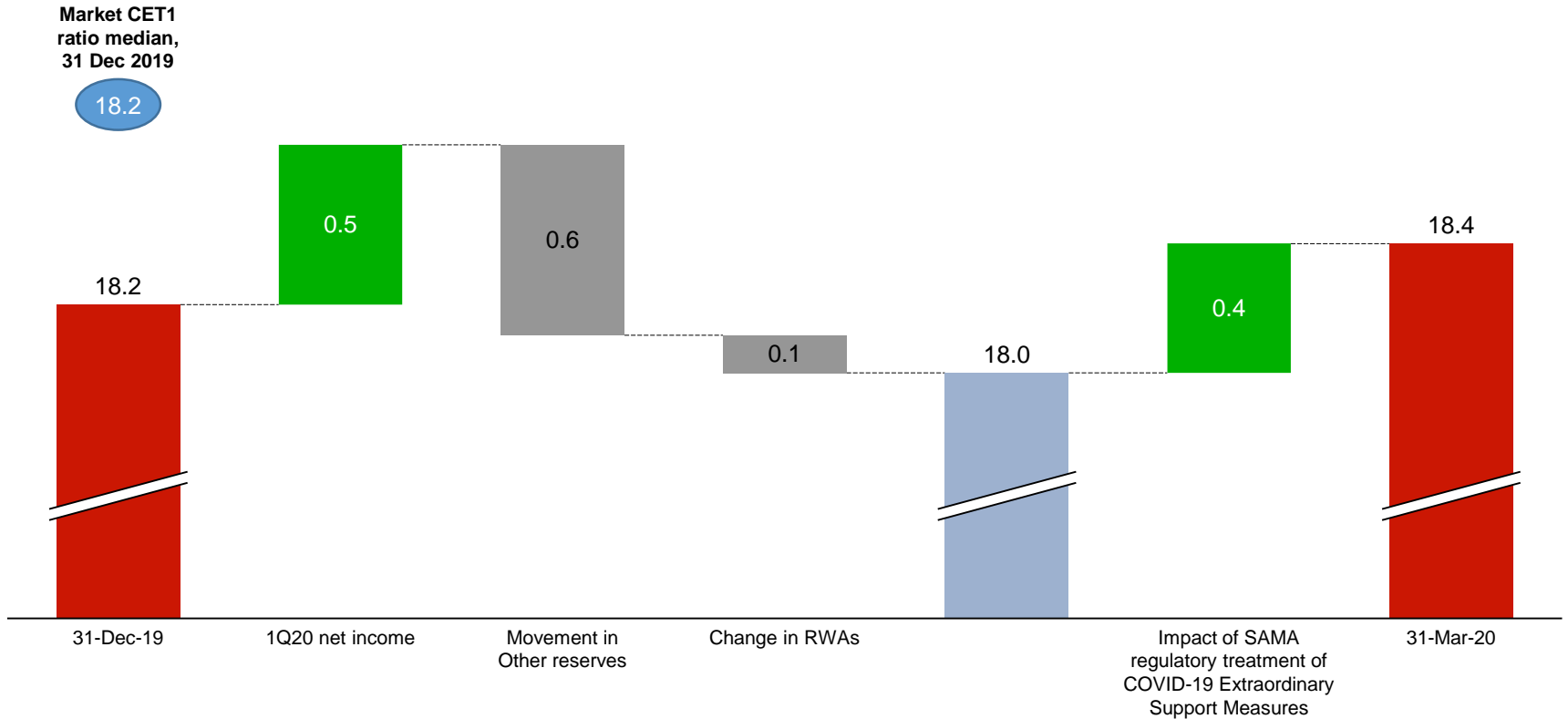
Note: Treasury also possess SAR 8bn of deposits

1. Certain historic business segment data has been re-stated to ensure comparability to current period data, as a result of ongoing alignment of businesses and products post-merger.

# CET1 ratio 18.4%

Core Tier 1 ratio: 31 Mar 2020 vs. 31 Dec 2019

%





# Accounting for the merger

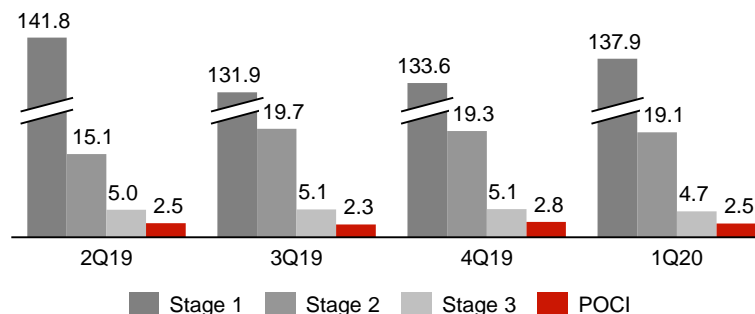
## Core principles of IFRS 3 – Business combinations

- 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

## Gross lending balances by stage

SAR billion



POCI balances fell SAR0.3bn to SAR2.5bn in 1Q20 mainly from customer settlements.

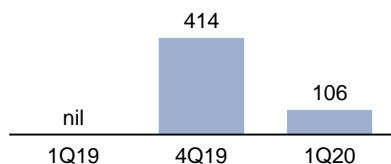
### Recap on the POCI portfolio:

- POCI or Purchased or originated credit impaired largely represent the balances from the non-performing AAB lending portfolio
- These balances have already been written down (as at June 19) to their net recoverable amount

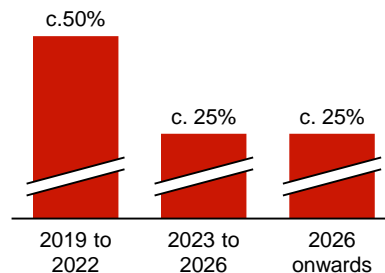
## PV unwind recorded in NSCI

SAR million

The PV unwind recorded in 4Q19 represented the cumulative unwind since the legal merger



Approximate timeline of the unwind

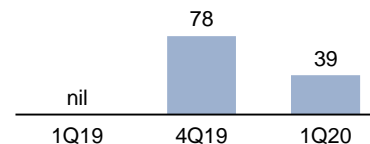


- The PV unwind represents the discount between the fair value of the AAB loan portfolio vs. the contractual amounts.
- The discount applied will be unwound over time to the contractual maturity date of the loans
- Further information on slide 10

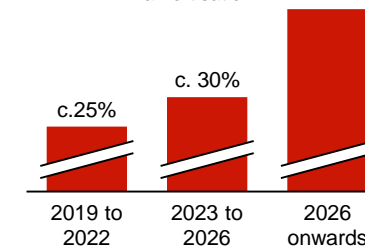
## Intangible amortisation recorded in Costs

SAR million

4Q19 charge represented the cumulative charge since the legal merger



Approximate timeline for the intangible amortisation



- Following the merger, several intangible assets were created which mainly represent the future benefit of core deposits
- As at 1Q20, SAR1.9bn was reported and amortisation of these intangibles commenced in 4Q19

# Closing remarks

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- 1 First quarter 2020 financial results show a solid start to the year generating SAR2.4bn of revenue and a fall in quarterly underlying costs, together with a second consecutive quarter of loan growth
- 2 Integration has continued in line with plan in the first quarter, although the current situation with the Covid-19 pandemic will curtail the pace with which integration was progressing in the short-term – we are still committed to delivering CD1 within the originally planned window of 18 to 24 months after Legal Day 1
- 3 Covid-19 poses significant challenges: our response and approach is to ensure we maintain critical banking services and we keep our customers and staff safe
- 4 Margin outlook remains challenging given the cuts to benchmark rates together with a reduced oil price may potentially result in a realignment of growth plans
- 5 However, we are well positioned, and have the capacity to support our customers' lending requirements with a strong balance sheet, robust capital, stable funding base and abundant liquidity

# Disclaimer

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