



1H20 Financial Results

Presentation to investors and analysts

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1H20 Key messages and SABB profile

2

1H20 SABB performance

Key messages for 1H20

- 1** **The first half of 2020 has been challenging and unprecedented as a result of the global COVID-19 pandemic.** The Bank transitioned swiftly, flexing its branch network, moving to new, remote working practices to ensure we maintained critical services and the safety of our customers and staff. The Bank extended financial support to our customers, notably offering deferrals to small business enterprises and to customers in the healthcare sector, as well as waiving certain transaction fees.
- 2** During the half, **we completed the first anniversary of the merger - the integration of the merged bank continues to be a top priority and is on track. Synergy realisation remains on track** and within our expectations. **The strategic rationale for the merger remains intact.**
- 3** An equal focus on business-as-usual and advancement of digital and mobile solutions for our customers. **SABB was recently awarded 2020 Best Mobile Banking App and Best Consumer Digital Bank by Global Finance magazine, in addition to Best Bank in KSA overall.**
- 4** **Underlying profit before tax of SAR1,373 million was SAR378 million or 22% down** (on a pro forma basis) from a fall in revenue partly offset by lower expected credit losses. Costs in 1H20 of SAR1,971 million included merger-related expenses of SAR187 million and excluding these, costs continued their downward trajectory reflecting the achievement of ongoing synergies. 2Q20 quarter to date underlying costs were 5% down compared with 2Q19 and 8% down compared with 1Q20.
- 5** **Reported Net loss before Zakat and income tax of SAR6,215 million includes a goodwill impairment of SAR7,418 million relating to the goodwill created following the merger with Alawwal bank. This is a non-cash item and expected to be a one-time accounting charge that does not affect the Bank's Capital, liquidity or funding; nor our strategic strengths and competitive advantages. Our ability to lend to and support our customers, our products and services and our focus on our people all remain entirely unaffected by this accounting charge.** Goodwill was recognised following the merger of SABB-AAB in June 2019. The need to impair is driven by two factors:
 - the temporary inflation of the Bank's share price at the time of the merger caused by Saudi Arabia's inclusion into the MSCI EM Index
 - the unprecedented and unexpected emergence of the COVID-19 pandemic and its impact on the economy
- 6** The Bank **completed Purchase Price Allocation exercise in 2Q20.** The exercise resulted in a final fair value of AAB net assets of SAR4.8 billion and a commensurate recognition of goodwill totalling SAR16.2 billion before goodwill impairment.
- 7** **SABB completed the issuance of a SAR5 billion Tier II Sukuk during July,** which enhanced our Capital position further. This is the first such transaction by the merged bank in the debt capital market, the joint largest Tier II issuance by a Saudi bank in history, and the largest local issuance by a bank since the introduction of the Kingdom's national growth agenda under Vision 2030.
- 8** **SABB closed the reporting period with robust levels of capital, liquidity and a strong funding base – we are positioned well:** Common equity tier 1 ratio ('CET1') of 18.1%, an asset to deposit ratio of 81%, over SAR60 billion of high quality liquid assets and strong demand deposit ratio of 71%.

Our response to Covid-19

During these challenging times our priorities are simple

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

Operational resilience has been incredibly strong

1 Our staff	2 Retail customers	3 Corporate and Institutional customers	4 Treasury	5 Society
<ul style="list-style-type: none"> • Flexed the size of the branch network • Deployed over 2,500 laptops, increased remote connectivity by 300% and expanded our Virtual Private Network ('VPN') capacity by 12x allowing the bank to continue operations seamlessly • Over 2 million Zoom meeting minutes and 45,000 virtual meetings • Held over 50 webinars on mental health, productivity and mindfulness • Preventative social distancing initiatives, protective equipment rollout and deep cleaning across branches and offices 	<ul style="list-style-type: none"> • Drive to mobile and online with a targeted campaign to encourage customers to avoid unnecessary branch visits, resulting in a 37% increase in app downloads and improving digital penetration to 69%; also waived digital fees • Waived certain fees and other charges • 3 month payment deferral for workers in the Health sector, benefiting over 27k customers • Deferrals for Saudi workers covered by SANED programme • Reimbursed all FX fees charged on credit, Mada or prepaid cards for customers wishing to cancel travel reservations 	<ul style="list-style-type: none"> • 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 • Waived certain fees and other charges • Exempted certain MSME customers from the cost of the 'Funding Guarantee' programme - Kzafalah • Encouraging customers to move certain transactions online with our Global Liquidity and Cash Management ('GLCM') and Global Trade and Receivables Finance ('GTRF') propositions 	<ul style="list-style-type: none"> • In notably volatile markets, Treasury has continued to support our customers with their foreign exchange and interest rate hedging needs • Completed the issuance of a SAR5 billion Tier II Sukuk, enhancing our Capital position. This is the first such transaction by the merged bank in the debt capital market, the joint largest Tier II issuance by a Saudi bank in history, and the largest local issuance by a bank since the introduction of the Kingdom's national growth agenda under Vision 2030. • 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 	<ul style="list-style-type: none"> • SABB has also contributed SAR17 million to the Ministry of Health's Covid-19 fund and donated over SAR10 million for the social welfare fund to support pandemic relief • Provided food baskets to over 9,000 families through various charities • Partnered with transport apps including Careem and Uber to deliver groceries free of charge with an additional discount when using SABB payment cards

SABB profile

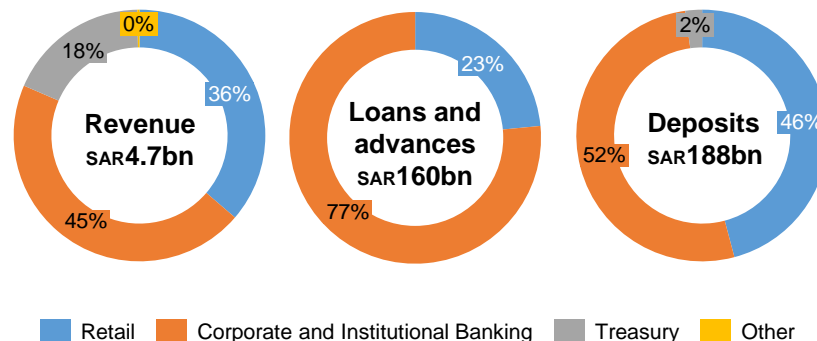
Our businesses

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.

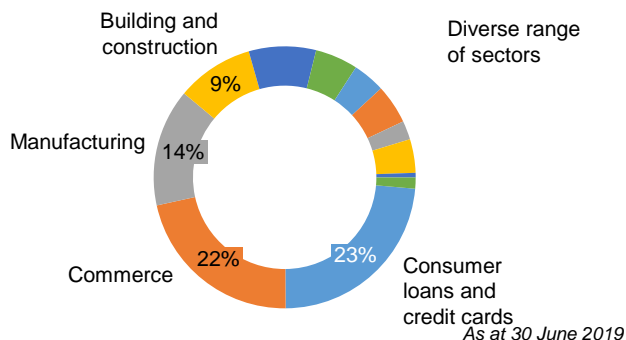
Corporate and Institutional Banking As one of the largest commercial banks in the Kingdom, we support a variety of clients from micro enterprises focused on the domestic market to large internationally focused enterprises.

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.

1H20 key financials by business



Diverse lending portfolio

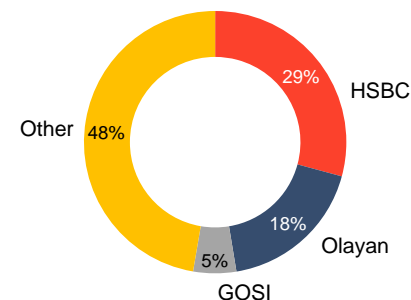


Credit ratings

Moody's:
A1 / P-1 / Negative

Fitch:
BBB+ / F2 / Stable

Shareholder base



Source: Tadawul

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

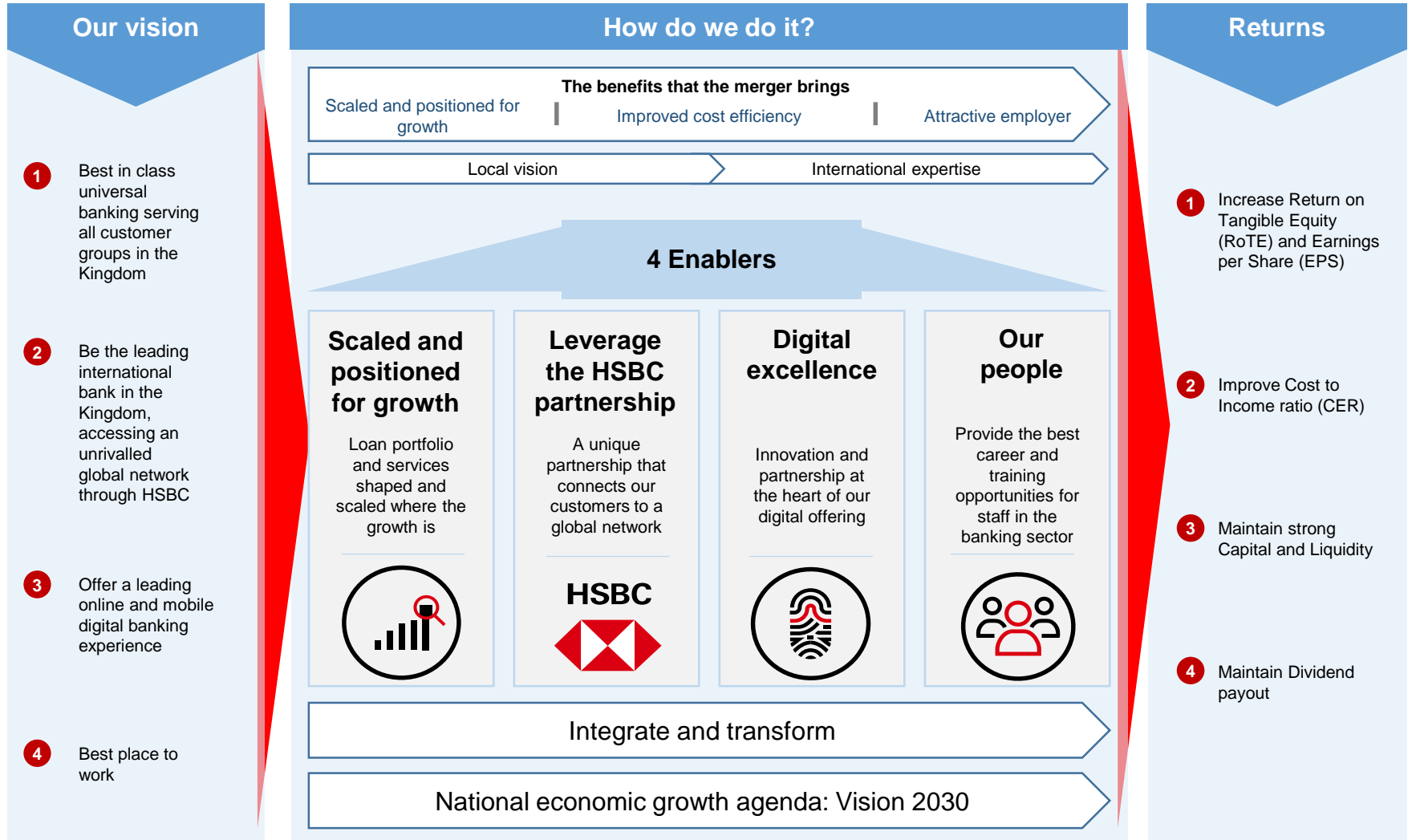
Executive committee

Board Risk committee

Audit committee

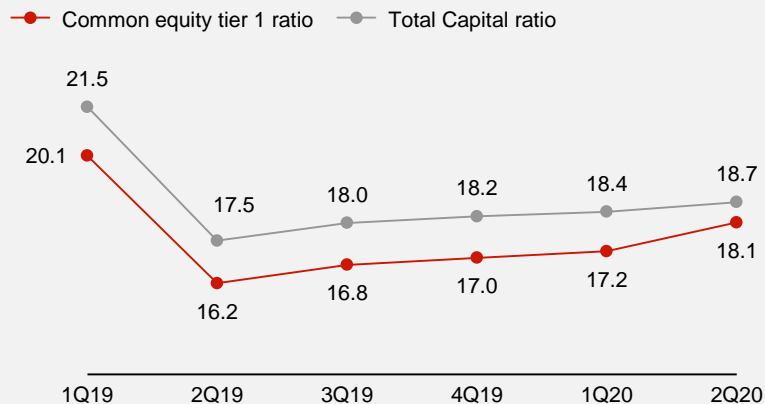
**Nomination and
remuneration committee**

We bring a world of financial opportunities to an ambitious Kingdom

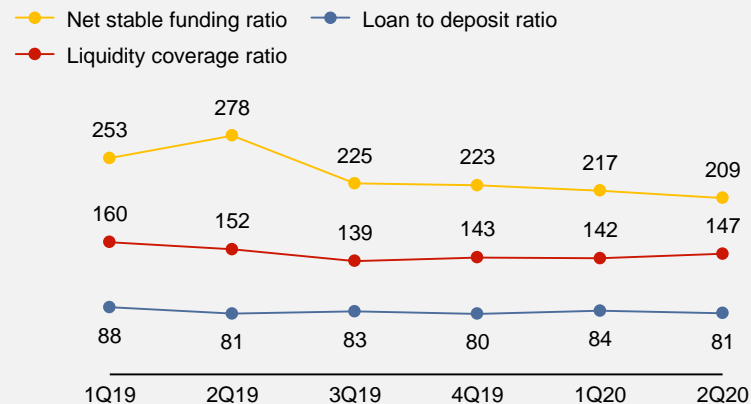


Capital and liquidity

Capital ratios, %

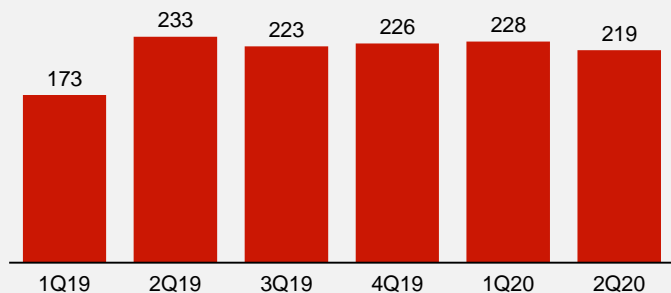


Liquidity ratios, %



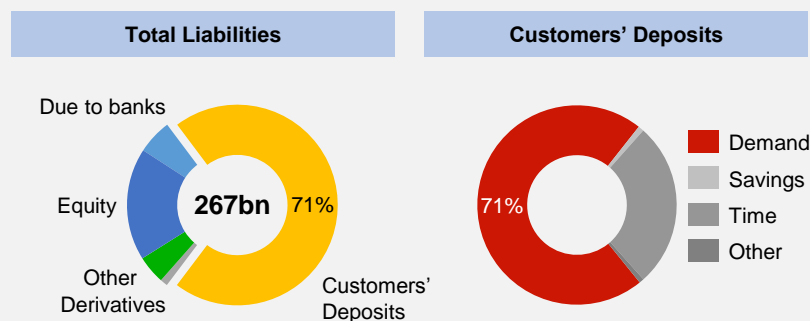
Risk-weighted assets

SAR billion



Funding metrics

SAR billion



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Key reported financial metrics

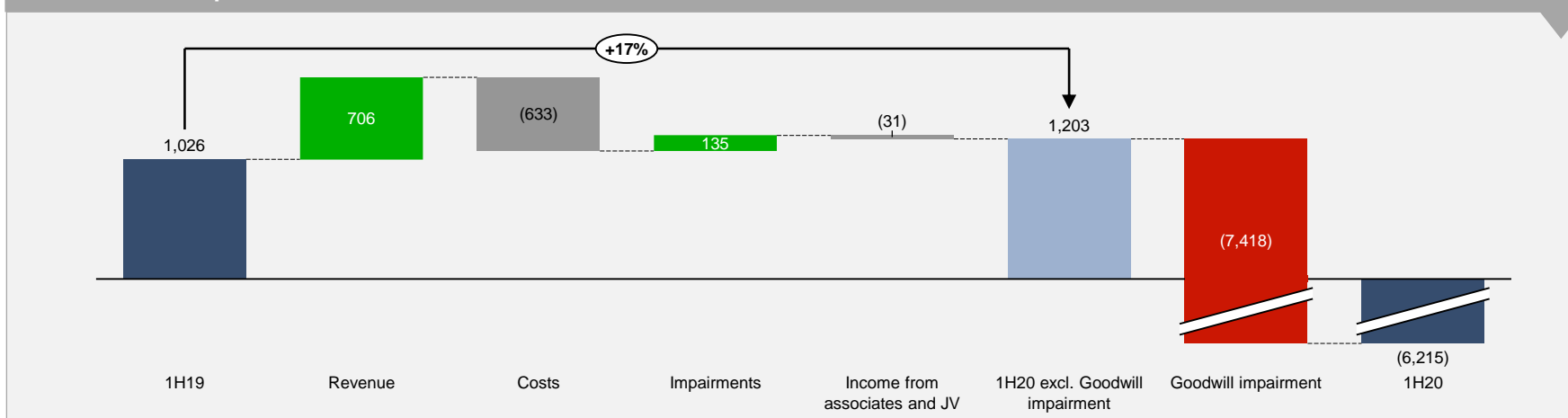
Key ratios (Reported basis)

%	1H19	1H20	Δ 1H19
Net special commission margin	3.3	2.8	(0.5)
Return on Tangible Equity (ROTE)	5.3	5.7	0.4
Cost efficiency ratio (CER)	33.6	42.0	(8.4)
Common Equity Tier 1 ratio	16.2	18.1	1.9

Reported Income Statement

SAR million	1H20	Δ 1H19	2Q20	Δ 2Q19
Total operating income ('Revenue')	4,687	18%	2,318	15%
Operating expenses	(1,971)	(47)%	(970)	(33)%
Provision for expected credit losses, net	(1,548)	8%	(1,309)	18%
Goodwill impairment	(7,418)	-	(7,418)	-
Share in earnings of associates and a JV	35	(47)%	11	(77)%
Net loss before Zakat and income tax	(6,215)	>(100)%	(7,367)	>(100)%
Zakat and income tax	318	>100%	500	>100%
Net loss after Zakat and income tax	(5,896)	>(100)%	(6,867)	>(100)%

1H20 vs 1H19 Reported PBT walk



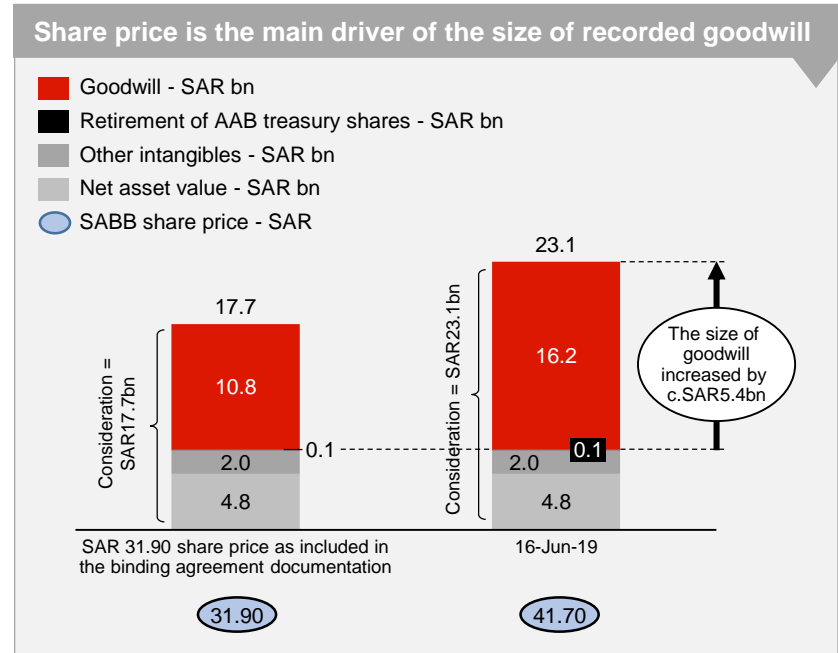
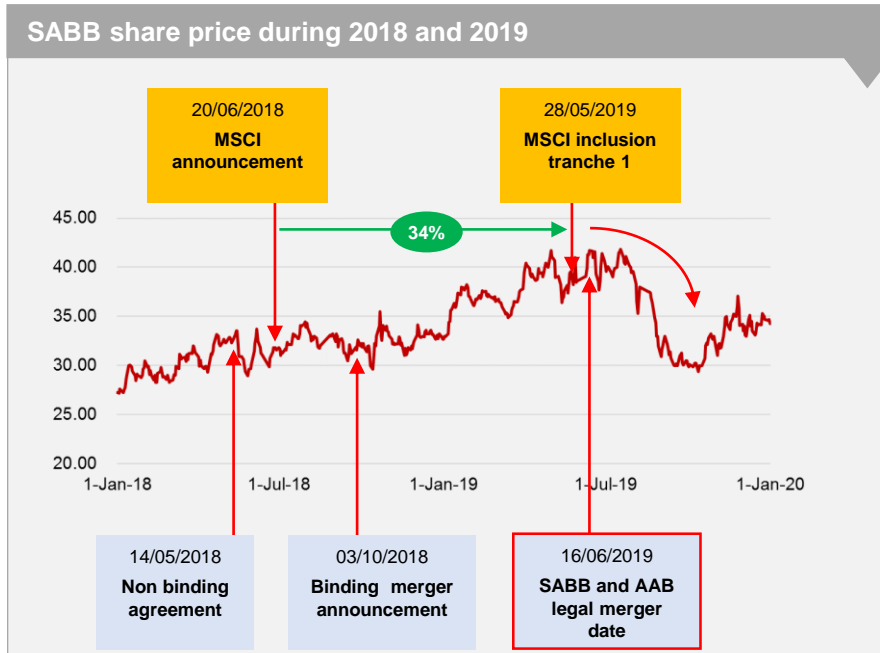
Goodwill impairment

We recorded a goodwill impairment of SAR7,418 million relating to the goodwill created following the merger with Alawwal bank.

The need to impair is driven by two factors:

- the temporary inflation of the Bank's share price at the time of the merger caused by Saudi Arabia's inclusion into the MSCI EM Index
- the unprecedented and unexpected emergence of the COVID-19 pandemic and its impact on the economy has also contributed to outcome of the impairment assessment's expectation of future returns

- Non-cash item and expected to be a one-time accounting charge
- Does not affect the Bank's Capital, liquidity or funding; or strategic strengths and competitive advantages
- Our ability to lend to and support our customers, our products and services and our focus on our people all remain entirely unaffected by this accounting charge



Pro forma financial summary

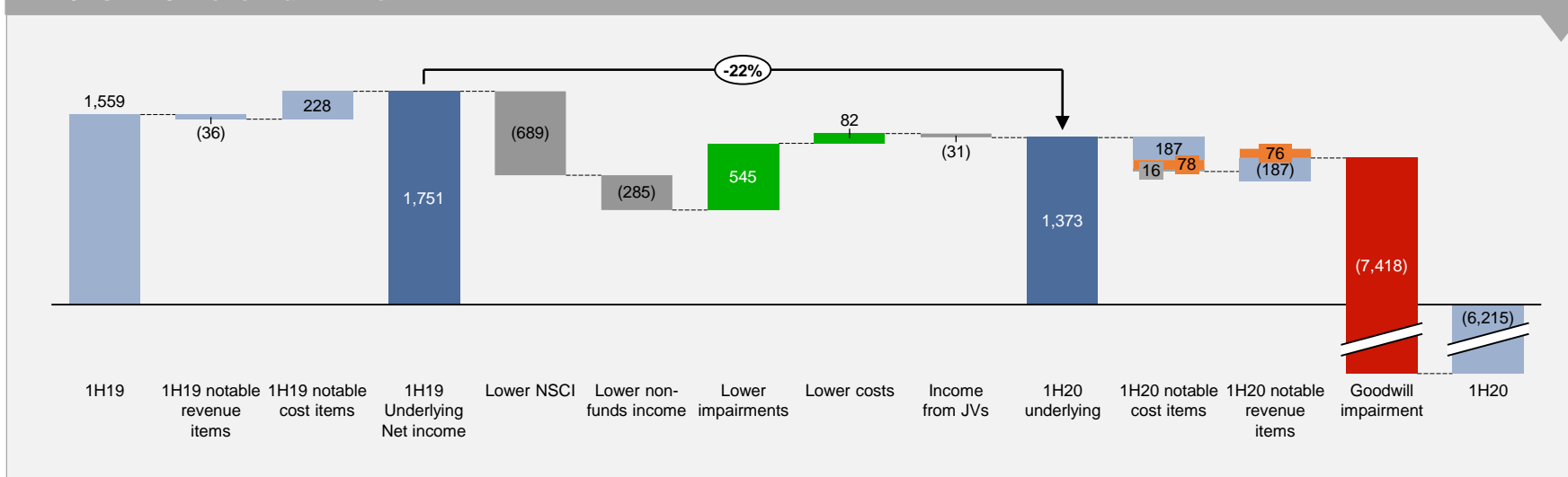
Key ratios

%	1H19	1H20	Δ 1H19
Net special commission margin	3.3	2.8	(0.5)
Return on Tangible Equity (ROTE)	6.1	5.7	(0.4)
Cost efficiency ratio (CER)	35.8	42.0	(6.2)

Income Statement

SAR million	1H20	Δ 1H19	2Q20	Δ 2Q19
Total operating income ('Revenue')	4,687	(16)%	2,318	(15)%
Operating expenses	(1,971)	1%	(970)	9%
Provision for expected credit losses, net	(1,548)	26%	(1,309)	20%
Goodwill impairment	(7,418)	-	(7,418)	-
Share in earnings of associates and a JV	35	(47)%	11	(77)%
Net loss before Zakat and income tax	(6,215)	>(100)%	(7,367)	>(100)%
Underlying Net income before Zakat and income tax	1,373	(22)%	114	(45)%
Zakat and income tax	318	>100%	500	>100%
Net loss after Zakat and income tax	(5,896)	>(100)%	(6,867)	>(100)%

1H20 vs 1H19 Pro forma PBT walk

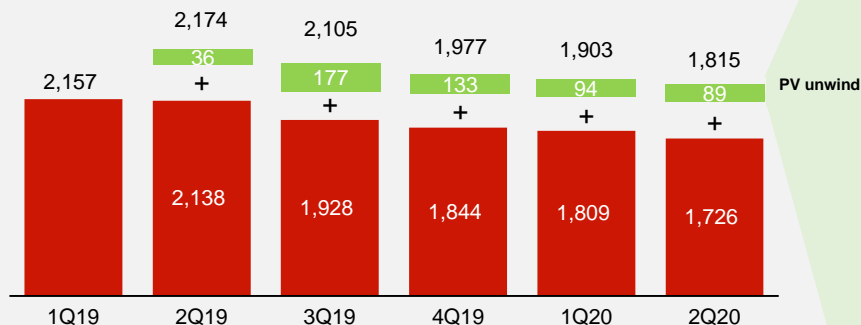


NSCI margin analysis

Pro forma

Net special commission income

SAR million ■ SABB

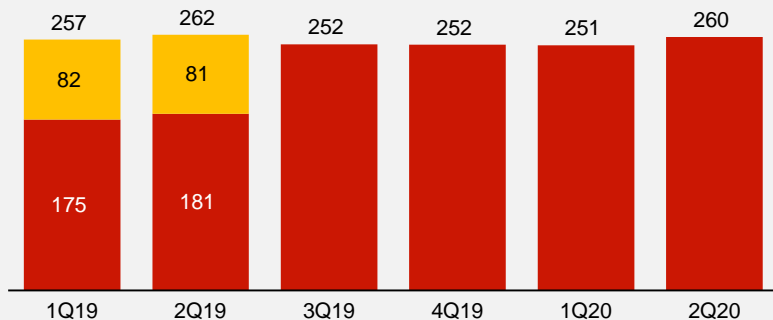


Unwind of the fair value adjustment – SAR179 million in 1H20

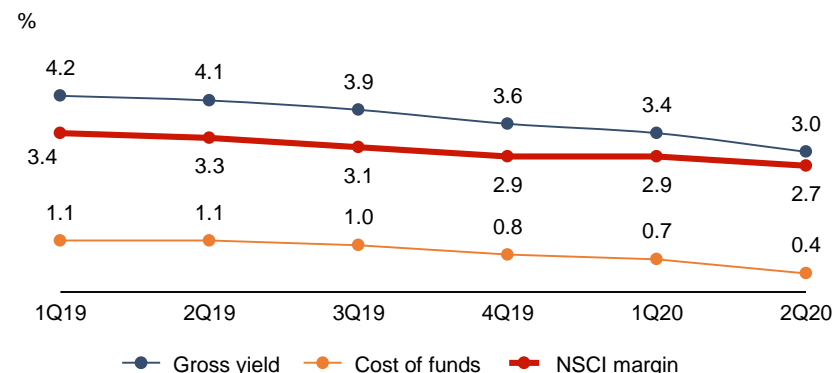
- AAB loan portfolio recognised at fair value on merger date
- The fair value is a discounted amount to the contractual amounts due of the underlying loans
- The discount applied will be unwound over time to the contractual maturity date of the loans
- The unwind will be recognised in NSCI using the 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

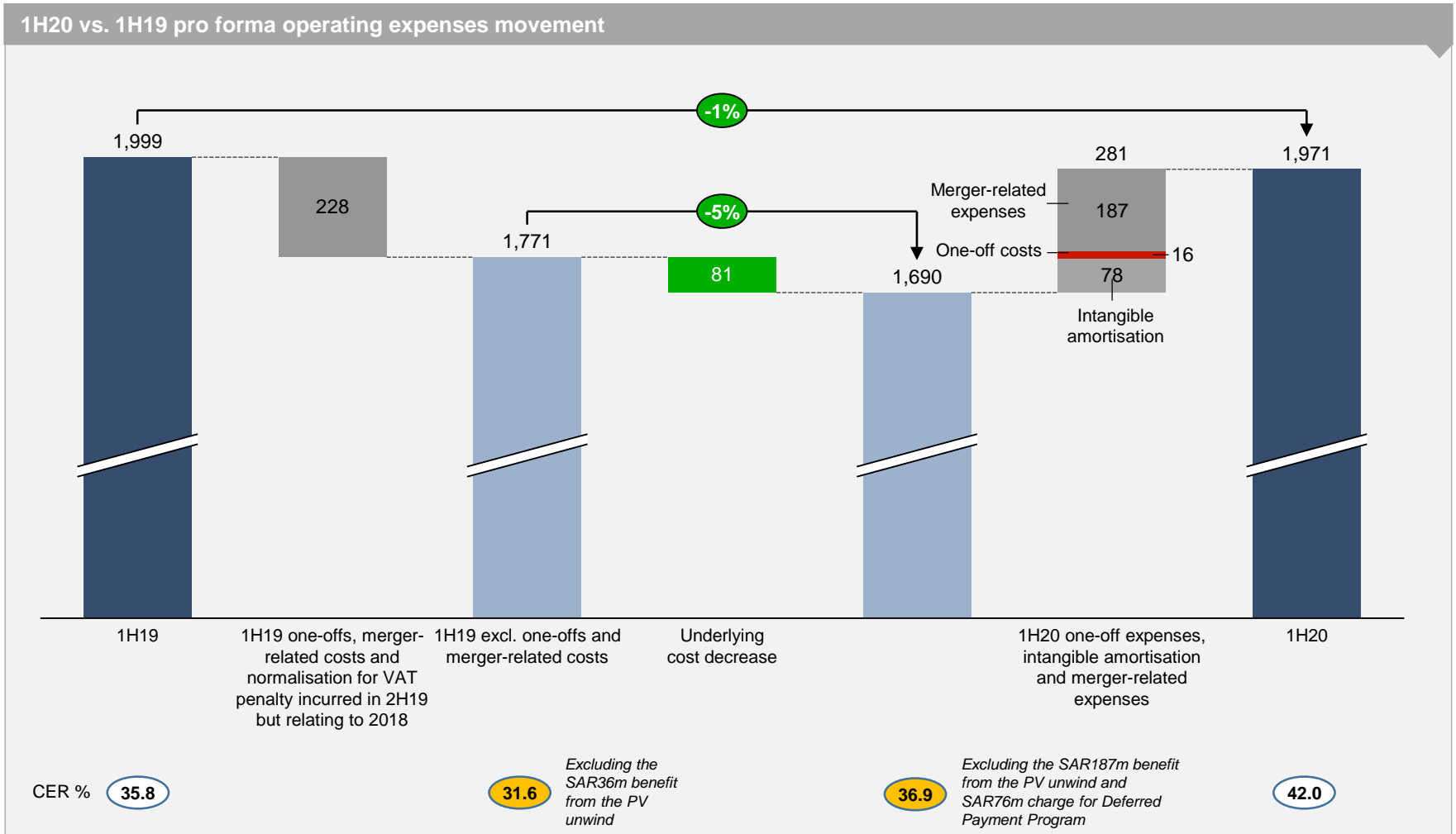
SAR billion ■ AAB ■ SABB



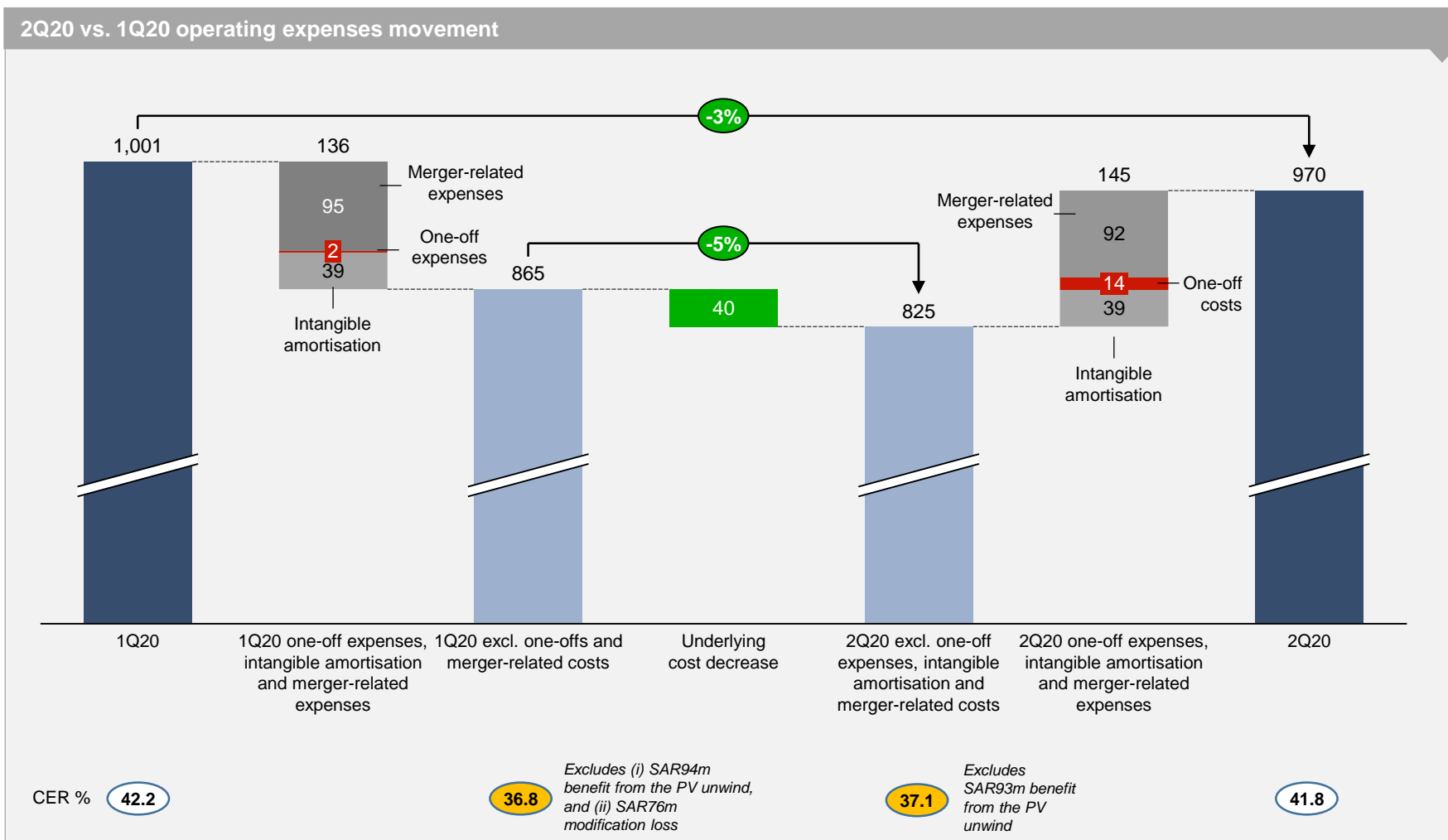
Yield, costs of funds and margin (excl. PV unwind)



Operating expenses: 1H20 vs. 1H19

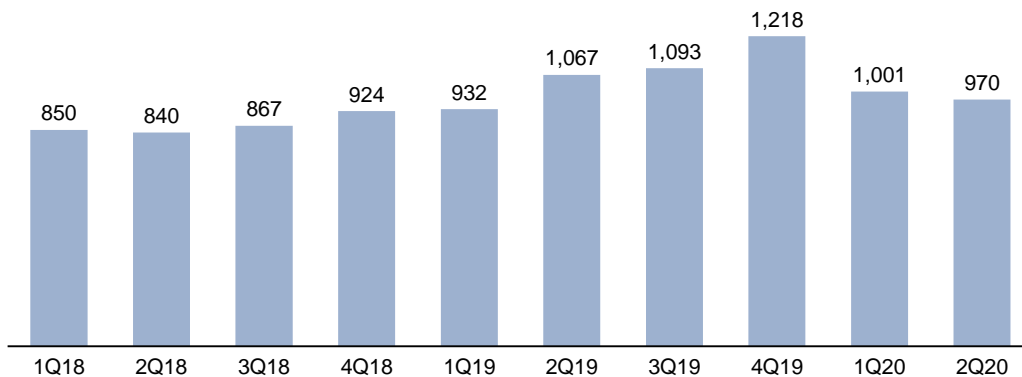


Operating expenses: Quarterly trends

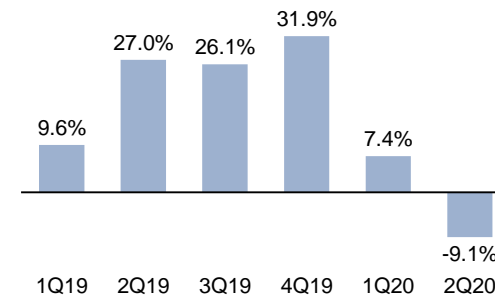


Pro forma cost analysis

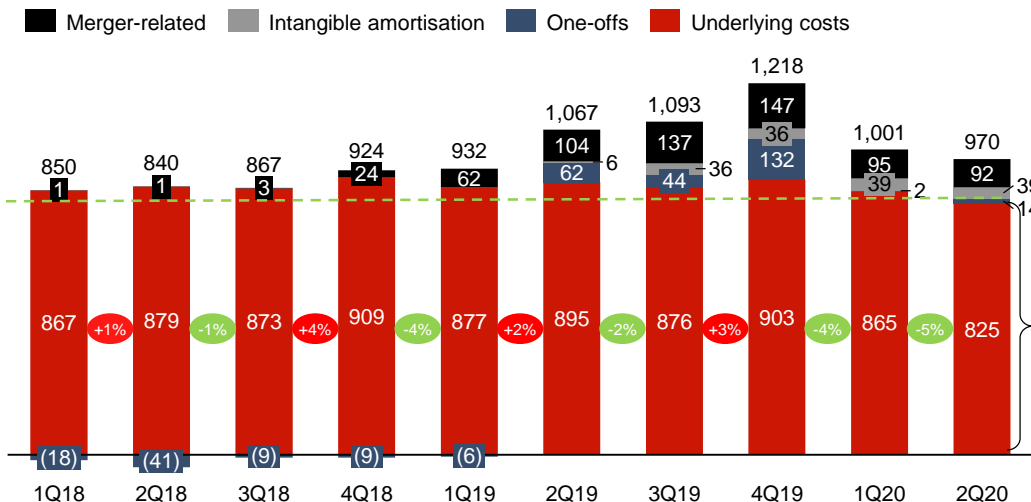
Reported costs



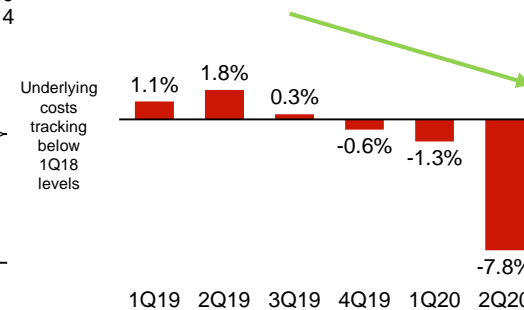
YoY percentage increase



Underlying costs



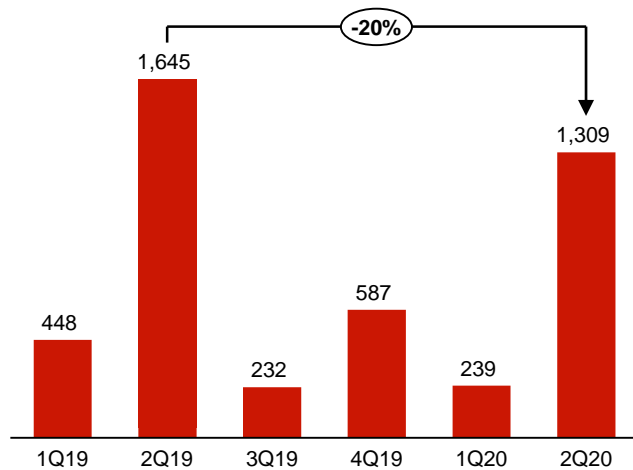
YoY percentage increase/decrease in underlying costs



Impairment analysis

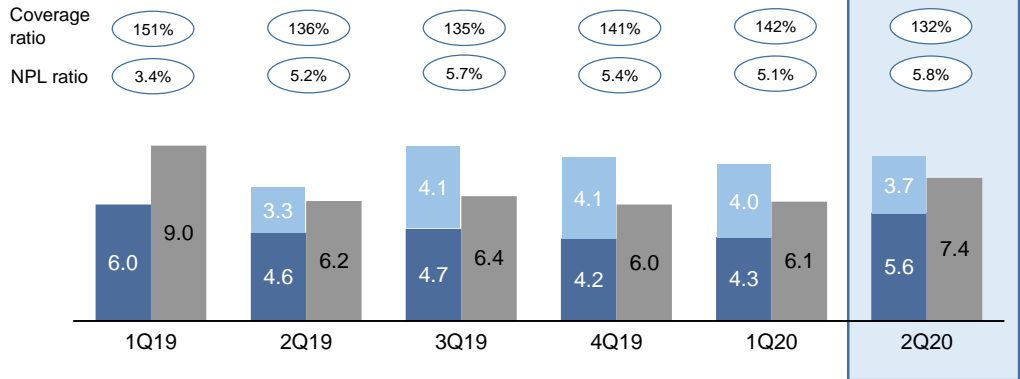
Pro forma impairment charge by quarter

SAR million



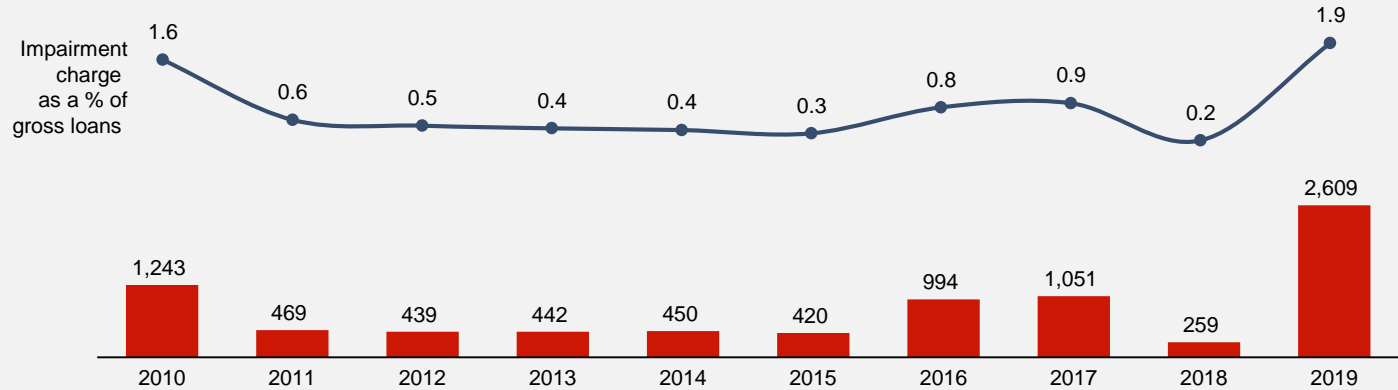
Pro forma NPLs / Provisions

SAR billion



*At 2Q20, gross customer advances included SAR6.0bn of *Lifetime ECL credit impaired* of which SAR5.6bn 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.

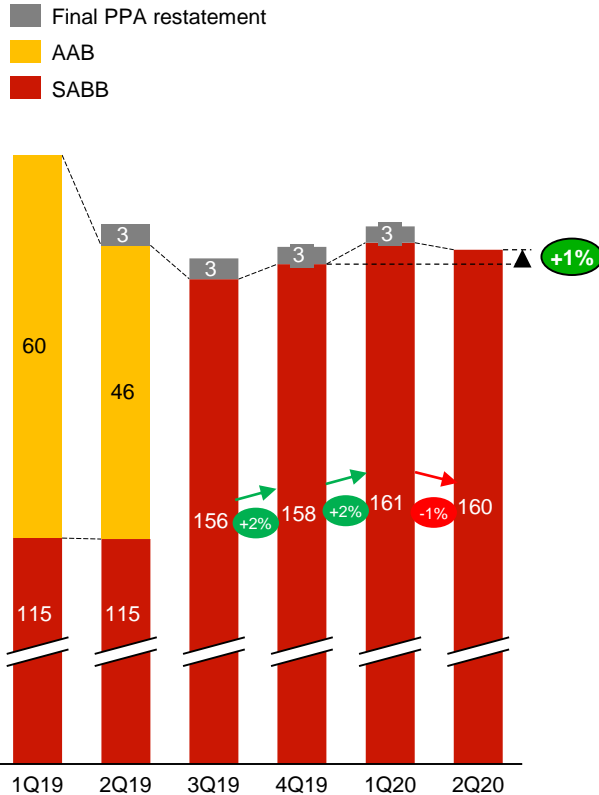
Reported SABB impairment charge trend (SAR million) and cost of risk trend, %



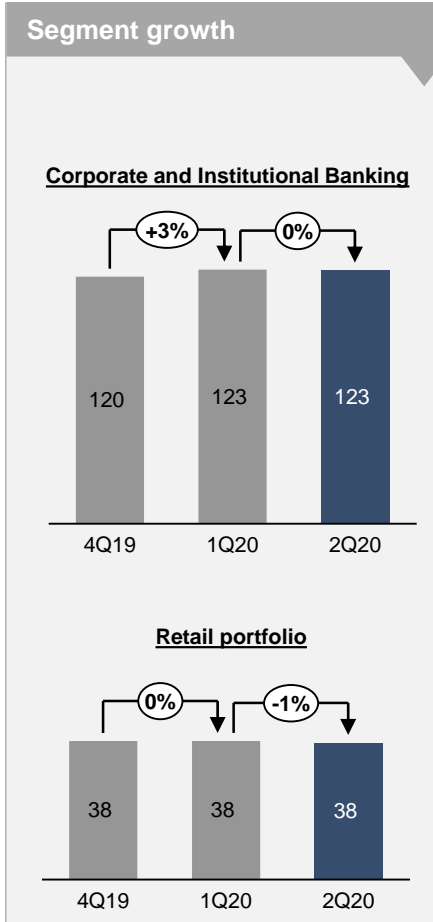
Balance sheet trends

Pro forma gross customer advances trend

SAR billion

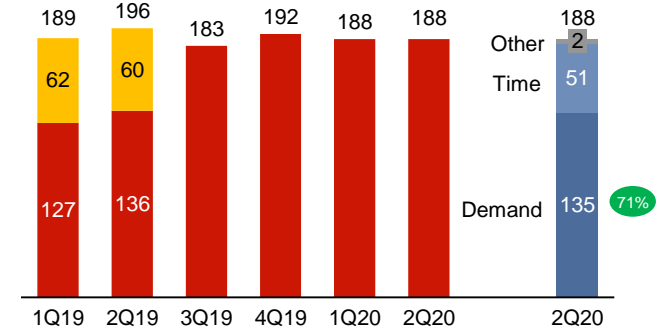


• A further SAR3bn of gross balances have been written off following completion of the PPA exercise

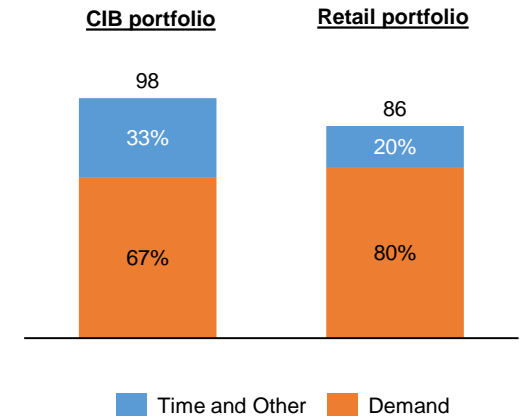


Pro forma customer deposits

SAR billion



2Q20 Customer deposits by segment



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

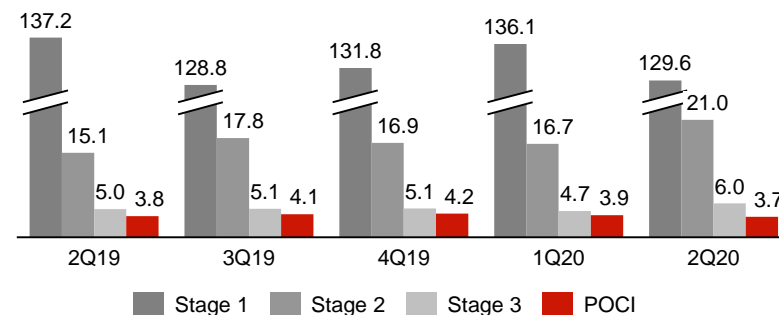
12 months to complete the exercise

Completed the PPA exercise resulting in:

- Final fair value of Alawwal net assets of SAR4.8bn
- a commensurate recognition of goodwill of SAR16.2bn before goodwill impairment

Gross lending balances by stage

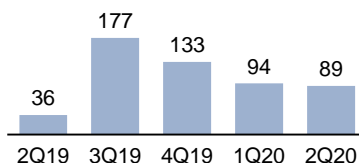
SAR billion



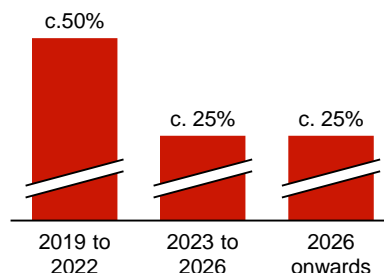
PV unwind recorded in NSCI

SAR million

The PV unwind has been restated following the completion of the PPA exercise



Approximate timeline of the unwind

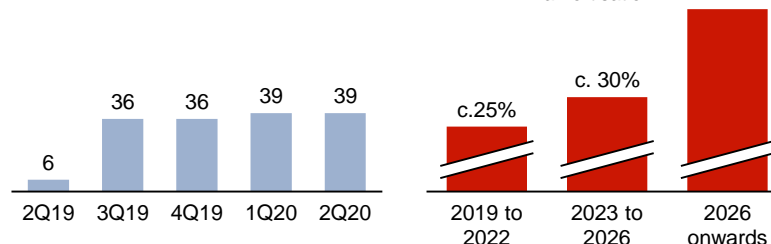


- The PV unwind represents the discount between the fair value of the AAB loan portfolio vs. the contractual amounts.
- The discount applied will be unwound over time to the contractual maturity date of the loans
- Expect this to be SAR2.3bn across the life of the loans

Intangible amortisation recorded in Costs

SAR million

Approximate timeline for the intangible amortisation

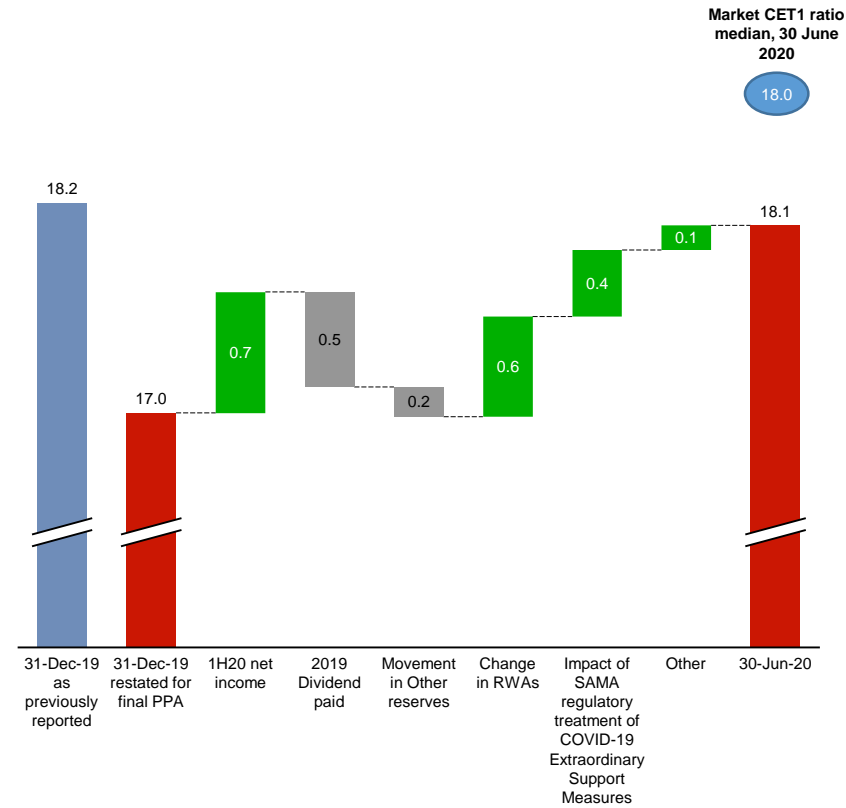


- Following the merger, several intangible assets were created which mainly represent the future benefit of core deposits
- As at 2Q20, we had recorded SAR1.9bn of intangibles relating to AAB

CET1 ratio 18.1%

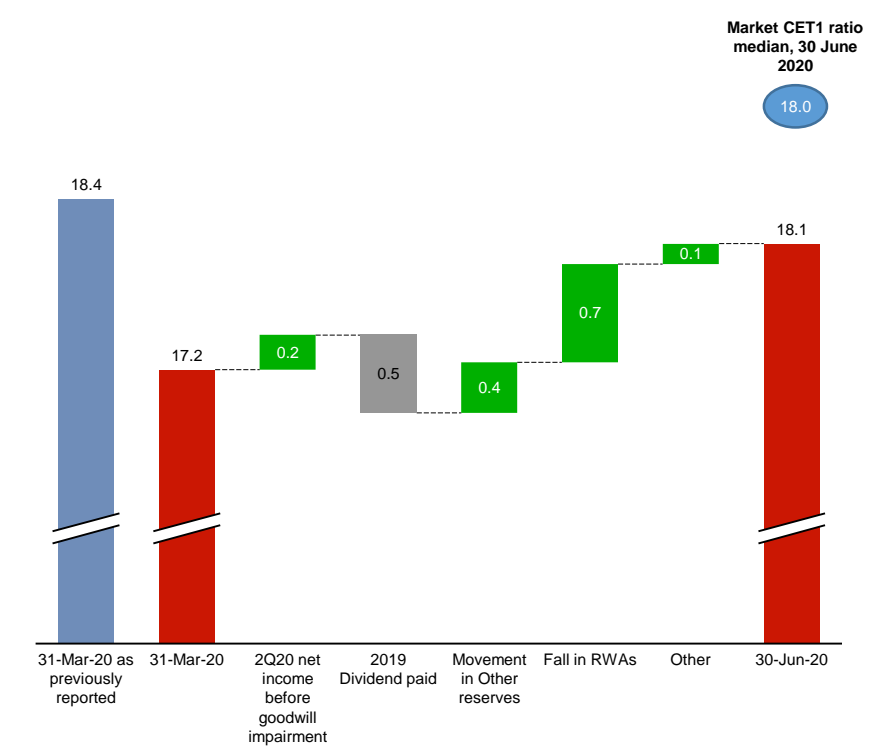
Core Tier 1 ratio: 30 Jun 2020 vs. 31 Dec 2019

%



Core Tier 1 ratio: 30 Jun 2020 vs. 31 Mar 2020

%



Closing remarks

- 1 The financial results for 1H20 include a significant impairment of goodwill although it is a non-cash item and in our view a one-off accounting charge. It has no impact on capital, funding or liquidity or on our ability to support our customers
- 2 Underlying results were resilient
- 3 The COVID-19 pandemic has created many challenges but we have demonstrated considerable operational resilience while maintaining the safety of our customers and staff
- 4 Our focus remains on our strategic priorities including the completion of the integration which is on track and extracting the scale and efficiencies from the merger in line with the strategic plan
- 5 SABB is positioned well for when the global and regional economy returns to growth – we are the leading international bank in the Kingdom with robust levels of capital, liquidity and funding and the scale to support the national growth agenda

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Important notice

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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.

