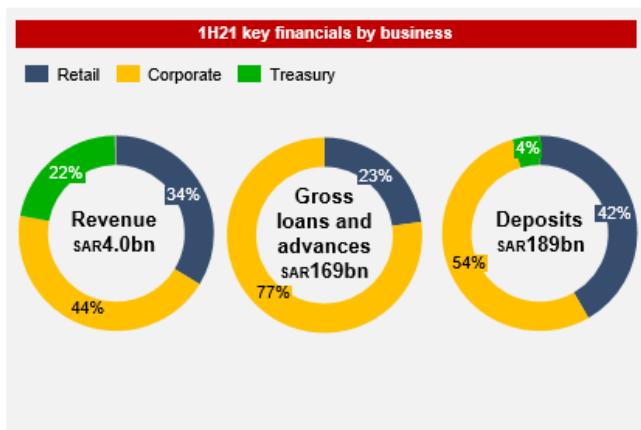


SAUDI BRITISH BANK
2Q21 Earnings Release

Key messages

- Our five-year strategic plan, focused on growth, has showed good traction across our businesses with a third consecutive quarter of lending growth; 3% growth in the quarter and 5% year-to-date
- 1H21 Net income before Zakat and income tax of SAR2.3 billion compared with a loss in 1H20 of SAR6.2 billion following the goodwill impairment in 2Q20; underlying net income increased 63% mainly from lower ECL and operating expenses, partly offset by lower revenue; revenue was impacted by increased competition; costs remain under control; annualised RoTE of 9.3%
- 2Q21 Net income before Zakat and income tax of SAR1.1 billion compared with a loss in 2Q20 of SAR7.4 billion; underlying net income increased SAR1.0 billion from lower ECL partly offset by lower revenue
- Business achievements in the quarter included:
 - acting as one of the lead arrangers on the SAR14bn financing to fund the Red Sea project, working closely with our partners HSBC – the transaction is the first SAR-denominated green loan in the Kingdom
 - agreed on the transfer of the asset management, retail brokerage and retail margin lending businesses from HSBC SA in line with our strategic goals in Wealth
 - gaining the award for ‘Saudi Arabia’s Best Bank’ by Global Finance Magazine
- Synergy generation remains on track with cumulative synergies of SAR0.8 billion achieved
- SABB closed the reporting period with robust levels of capital, liquidity and a strong funding base. CET1 ratio of 19.57%, a loan to deposit ratio of 86%¹, over SAR71 billion of high quality liquid assets and a strong demand deposit ratio of 75%



	CET 1 ratio, %	Loan to deposit ratio ¹ , %	Demand deposit ratio, %
2Q21	19.6	86.4	75.1
1Q21	19.6	85.3	71.2
2Q20	18.1	81.2	71.5

1. Loan to deposit ratio is calculated as 'Loans and advances, net' divided by 'Customers' deposits'
2. Customer numbers, Corporate revenue ranking and market shares are as at 31 March 2021

Board Chair's statement

SABB's performance in the second quarter of 2021 builds on the progress made in the first quarter of the year, as we continue the implementation of our five-year strategic plan. With integration successfully behind us, our focus turns to growth and continuing our support for the economic transformation goals of Vision 2030.

I was especially pleased to see Global Finance Magazine recognize SABB as 'Saudi Arabia's Best Bank 2021', further demonstrating a positive industry view of SABB's strength as a single integrated entity.

SABB today is a stronger bank – our core financial fundamentals remain strong as we posted a third consecutive quarter of loan growth and continued to build momentum with synergy realisation, robust cost management and lower cost of credit risk. In addition, capital levels remain healthy, and funding and liquidity levels strong.

We certainly appreciate the confidence our customers continue to have in us as their bank of choice. I would also like to express thanks and gratitude for the hard work and dedication of our staff, senior management and Board members, as they strive to ensure that we continue to deliver the very high level of service our customers expect from us, while strategically guiding us through these persistently challenging and uncertain times. We would not be where we are today without the dedication of our management and employees and the continued support and guidance of our regulators.

Lubna Suliman Olayan

Results for the six months ended 30 June 2021 (Not subject to audit review)

Year-to-date Income statement

	Six months ended		
	30 June 2021 SAR million	30 June 2020 SAR million	Change %
Total operating income ('Revenue')	3,984	4,687	(15)
Operating expenses	(1,750)	(1,971)	(11)
Provision for expected credit losses, net	(27)	(1,548)	(98)
Goodwill impairment	-	(7,418)	(100)
Share in earnings of associates	64	35	86
Net income before Zakat and tax	2,270	(6,215)	nm
Notable items:			
Merger-related expenses	(15)	(187)	(92)
One-off expenses	-	(14)	(100)
Goodwill impairment	-	(7,418)	(100)
Underlying income statement excluding notable items above:			
Total operating income ('Revenue')	3,984	4,687	(15)
Operating expenses	(1,735)	(1,770)	(2)
Provision for expected credit losses, net	(27)	(1,548)	(98)
Share in earnings of associates	64	35	86
Net income before Zakat and tax	2,285	1,404	63
Key ratios:			
	%	%	ppt.
Underlying Return on tangible equity ('ROTE')	9.3	6.7	2.6
Underlying Cost efficiency ratio ('CER')	43.6	37.8	(5.8)
Cost of Risk ('CoR')	0.03	1.94	1.91
Core Tier 1 ratio ('CET1')	19.57	18.06	1.51

The following commentary compares the performance for the six months ending 30 June 2021 to the six months ended 30 June 2020, unless otherwise stated.

- **SABB recorded a net income before Zakat and income tax of SAR2,270 million which compared with a loss before Zakat and income tax of SAR6,215 million for the prior period.** The prior period included the impairment of goodwill in the second quarter of 2020, relating to the goodwill created following the merger with Alawwal Bank. On an underlying basis, which mainly excludes merger-related costs and the goodwill impairment, net income before Zakat and income tax of SAR2,285 million was 63% higher than the prior period mainly from lower expected credit losses partly offset by reduced revenue.
- **Revenue of SAR3,984 million was SAR703 million or 15% lower** largely from reduced Net special commission income mainly from repricing as a result of the cuts in benchmark interest rates at the end of the first quarter of 2020. Net fee income fell from a reduction in trade fees together with lower loan origination fees and lower net fees from merchant acquiring, as a result of increased competition and the challenging economic activity. Exchange income increased marginally from improved customer flows. Other operating income grew from increased PV unwind from the early settlement of loans and due to the SAR76 million modification loss in 1Q20, relating to the deferral programmes for healthcare workers.
- **NIM of 2.1% was 0.1ppt higher than the 1Q21** mainly due to lower cost of funds as we continued to optimise our deposit base. Yields remained resilient despite continued competitive pricing pressures.
- **Operating expenses of SAR1,750 million were SAR220 million or 11% lower** and included SAR15 million of merger-related expenses (1H20: SAR187 million). Excluding this, underlying costs fell SAR34 million or 2% reflecting both the realisation of synergies and the ongoing robust management of the underlying cost base which continue to more than offset inflationary pressures.
- **Underlying cost efficiency ratio of 43.6% was 5.8ppts higher** despite robust cost management, and was more reflective of the challenging revenue environment.
- **Charges for provisions for expected credit losses of SAR27 million were SAR1,521 million lower.** The prior period included significant charges taken against SABB-originated customers that were classified as POCI in the merger accounting, an increase in retail provisioning from slower collections, and thirdly increased charges against certain corporate customers.
- **Gross customer advances of SAR168.6 billion increased SAR8.2bn or 5% compared with 2Q20 and SAR4.8bn or 3% compared with 1Q21.** Growth in the quarter was mainly from a SAR4.4 billion increase in our corporate portfolio together with SAR0.4bn in our retail portfolio. Mortgage originations continued their strong trajectory, with originations in the first half of 2021 more than trebling the same period from 2020, however growth was impacted by a higher pace of run-off given our seasoned portfolio.
- **Customer deposits of SAR186.8 billion fell SAR1.5 billion or 1% compared with 2Q20 and increased SAR3.1 billion or 2% compared with 1Q21.** The proportion of demand deposits to overall deposits grew to 75% and reflects the stability of our core funding deposit portfolio.
- **Capital levels remained strong with a CET1 ratio of 19.57% and total capital ratio of 22.25%.**

Results for the three months ended 30 June 2021 (Not subject to audit review)

Quarter-to-date Income statement

	Three months ended		
	30 June 2021 SAR million	31 March 2021 SAR million	30 June 2020 SAR million
Total operating income ('Revenue')	1,976	2,008	2,318
Operating expenses	(844)	(907)	(970)
Provision for expected credit losses, net	(26)	(2)	(1,309)
Goodwill impairment	-	-	(7,418)
Share in earnings of associates	25	39	11
Net income before Zakat and tax	1,132	1,138	(7,367)

Notable items:

Merger-related expenses	18	(33)	(92)
One-off expenses	-	-	(14)
Goodwill impairment	-	-	(7,418)

Underlying income statement excluding notable items above:

Total operating income ('Revenue')	1,976	2,008	2,318
Operating expenses	(862)	(874)	(864)
Provision for expected credit losses, net	(26)	(2)	(1,309)
Share in earnings of associates	25	39	11
Net income before Zakat and tax	1,113	1,172	156

Key ratios:

	%	%	%
Underlying Return on tangible equity ('ROTE')	8.7	9.9	2.1
Underlying Cost efficiency ratio ('CER')	43.6	43.5	37.3
Cost of Risk ('CoR')	0.06	0.00	3.26
Core Tier 1 ratio ('CET1')	19.57	19.59	18.06

Net special commission income margin (Not subject to audit review)

Net special commission income by quarter excluding the unwind of the fair value adjustment

	Quarter ended		
	30 June 2021 SAR million	31 March 2021 SAR million	30 June 2020 SAR million
Special commission income	1,582	1,554	1,942
Special commission expense	(174)	(191)	(216)
Net special commission income	1,408	1,363	1,726
Average special commission income earning assets ¹	271,026	271,064	259,748
	%	%	%
Gross Yield	2.3	2.3	3.0
Cost of funding ²	(0.3)	(0.4)	(0.4)
Net special commission income spread	2.0	1.9	2.6
Net special commission income margin	2.1	2.0	2.7

Notes

1. Average special commission income earning assets is calculated using daily average balances of Cash & balances with SAMA, Due from banks and other financial institutions, Loans and advances to customers (gross) and Investments excluding equity investments.
2. Cost of Funding is calculated using daily average balances of Due to banks and other financial institutions, Customer deposits, Debt securities in issue and borrowings.

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This Earnings release 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.