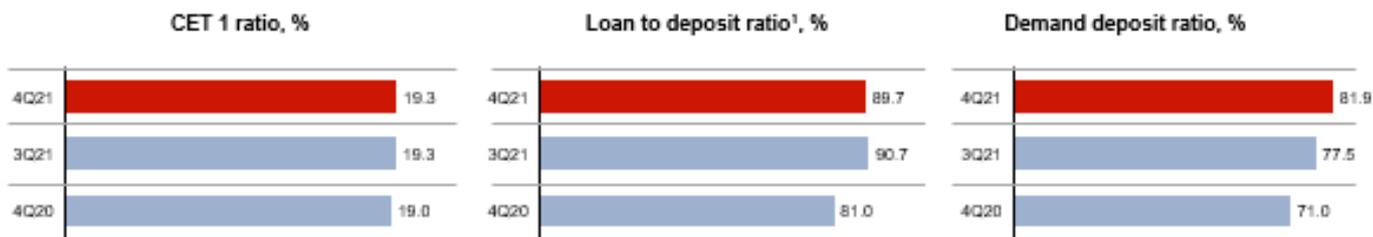
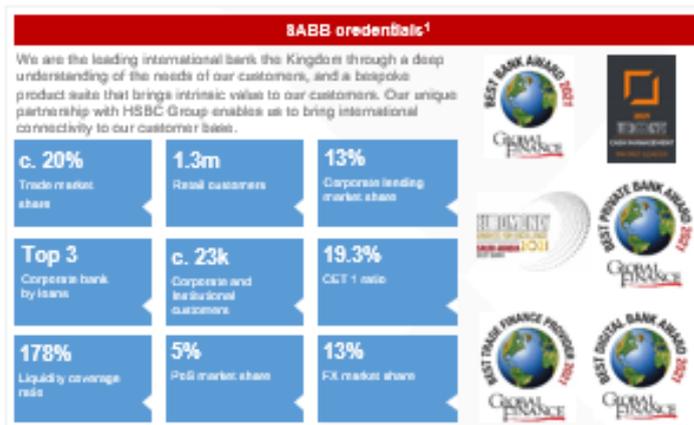
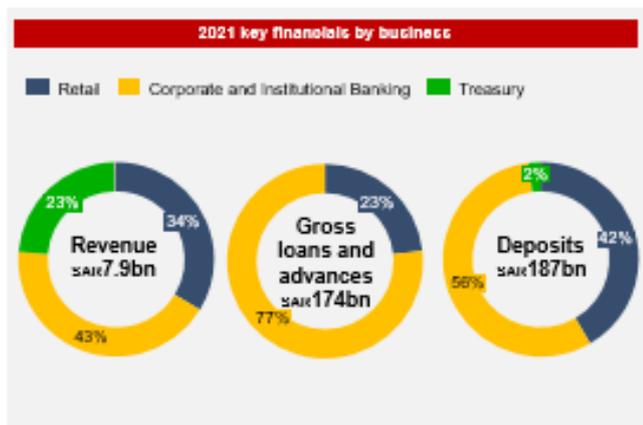


**SAUDI BRITISH BANK**  
**4Q21 Earnings Release**

**Key messages**

- We are in the first year of our 5-year strategic plan – a pivotal year which lays the foundation for our growth-oriented long-term aims; our businesses continue to show traction with a fifth consecutive quarter of lending growth: 9% year-on-year and 2% during the fourth quarter
- 2021 Net income before Zakat and income tax of SAR3.9 billion; underlying net income increased 11% mainly from lower ECL partly offset by lower revenue; revenue was impacted by increased competition and the impact of lower benchmark interest rates at the start of 2020; costs remain under control; annualised underlying RoTE of 8.0% year-to-date
- 4Q21 Net income before Zakat and income tax of SAR0.6 billion was 43% lower than 3Q21 largely driven by an increased ECL charge relating to a small number of corporate customers and higher costs as we brought forward some infrastructure investment costs
- Achieved SAR0.7bn of cost synergies and SAR0.2bn of revenue synergies. Cost synergies exceeds our initial guidance and represents c.20% of the combined banks 2017 cost base
- Non-performing loans continued their gradual decline with an NPL ratio on SABB-originated loans now 2.4%; total NPL ratio including POCI balances of 4.6%
- ESG remains front and centre of our plans; we are the first Saudi institution to make a green deposit, we established an ESG-compliant fund through HSBC Saudi Arabia, and were awarded 'The Leading Bank in Financing Sustainable Projects in the Middle East' from Global Finance Magazine
- SABB closed the reporting period with robust levels of capital, liquidity and a strong funding base. CET1 ratio of 19.3%, a loan to deposit ratio of 90%<sup>1</sup>, over SAR71 billion of high quality liquid assets and a strong demand deposit ratio of 82%



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 30 September 2021

## **Board Chair's statement**

### **Market context**

During 2021, we have had to deal with the additional challenges and uncertainties posed by the global COVID pandemic and the related starts and stops of the global economy. However, the Saudi economy, and in particular the banking sector, has demonstrated resilience in dealing with these hurdles, and SABB took on those challenges from a position of financial and strategic strength, and has now pivoted back to growth mode.

### **Integration complete**

Early in 2021, we concluded the final elements of the integration of SABB and Alawwal banks. The importance of the transaction – the first banking merger transaction in the Kingdom – was the culmination of over three years of hard work and effort from dedicated individuals across the organisation and beyond, and has resulted in SABB being a stronger entity with a single shared culture and a stronger balance sheet, better enabling us to meet the growing needs of our customers and demands of the Kingdom's Vision 2030 transformation programme.

### **Strategy execution on track**

During the year, we also committed to our long-term strategic goals and the steps we will take to achieve them. 2021 marked the start of the investment phase and it was pleasing to see solid progress in developing some of the key enablers for our longer term goals, from setting up an in-house digital office to making more operational and tactical enhancements, such as expanding our mortgage offering. While doing that, we also seized the opportunity to participate in some key landmark transactions, including acting as one of the lead arrangers on the SAR14bn financing to fund the Red Sea Development project.

### **Financial performance**

SABB's financial performance during 2021 includes a return to profitability, continued loan growth, stabilizing revenue trends and improvements in asset quality. We generated SAR3.9bn of net income before Zakat and income tax for the year, SAR7.9bn of revenue, and grew our customer lending portfolio by 9% to SAR174bn. Our financial results are robust proof-points of our resilience and progress made in 2021.

### **ESG front and centre of our agenda**

With ESG woven into both our strategy and the long-term transformation goals of Vision 2030, during the year we focused on formulating our ESG strategy. This initiative marks a critical transition for SABB and our customers, because we believe that a firm commitment to ESG is absolutely necessary to achieve sustainable growth.

### **Our thanks**

I am especially grateful for the diligence and professionalism of my board colleagues and our senior management committee, and I would also like to extend a sincere note of gratitude to our staff at all levels, who are the driving force behind the accomplishments of the bank during 2021. And, finally, I extend our gratitude for the guidance and support of the Saudi government, especially our regulators at the Saudi Central Bank and the CMA.

**Lubna Suliman Olayan**

Results for the year ended 31 December 2021 (Not subject to audit review)

Year-to-date Income statement

	Year ended		
	31 December 2021 SAR million	31 December 2020 SAR million	Change %
Total operating income ('Revenue')	7,938	8,878	(11)
Operating expenses	(3,713)	(4,213)	(12)
Provision for expected credit losses, net	(454)	(1,631)	(72)
Goodwill impairment	-	(7,418)	(100)
Share in earnings of associates	131	82	60
Net income before Zakat and tax	3,903	(4,302)	Nm
<b>Notable items:</b>			
<i>Merger-related expenses</i>	(106)	(500)	(79)
<i>Goodwill impairment</i>	-	(7,418)	(100)
<b>Underlying income statement excluding notable items above:</b>			
Total operating income ('Revenue')	7,938	8,878	(11)
Operating expenses	(3,607)	(3,713)	(3)
Provision for expected credit losses, net	(454)	(1,631)	(72)
Share in earnings of associates	131	82	60
Net income before Zakat and tax	4,009	3,616	11
<b>Key ratios:</b>			
	%	%	ppt.
Underlying Return on tangible equity ('ROTE')	8.0	8.6	(0.6)
Underlying Cost efficiency ratio ('CER')	45.4	41.8	(3.6)
Cost of Risk ('CoR')	0.27	1.02	(0.75)
Core Tier 1 ratio ('CET1')	19.29	18.96	0.33

The following commentary compares the performance for the year ended 31 December 2021 to the year ended 31 December 2020, unless otherwise stated.

- **SABB recorded net income before Zakat and income tax of SAR3,903 million which compared with a loss before Zakat and income tax of SAR4,302 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 SAR4,009 million was 11% higher than the prior period mainly from lower expected credit losses and a reduction in costs partly offset by reduced revenue.
- **Revenue of SAR7,938 million was SAR940 million or 11% lower** largely from reduced Net special commission income which reflected the repricing as a result of the cuts in benchmark interest rates at the end of the first quarter of 2020. Net fee income fell partly from a reduction in trade fees together with lower loan origination fees, as a result of increased competition and the challenging economic activity. Fee income was also impacted by a remapping of revenue-related expenses from the operating expenses line. These factors were partly offset by an increase in card issuance fees in line with our strategic focus. Exchange income increased SAR83m or 16% from improved customer flows. Other operating income grew from increased PV unwind from the early settlement of loans and gains on disposals in our investment portfolio.
- **4Q21 NIM of 2.0% was broadly unchanged compared with 3Q21** and continues the stabilisation trend seen year-to-date. The loan portfolio is well positioned for a change in benchmark rates.
- **Operating expenses of SAR3,713 million were SAR500 million or 12% lower** and included SAR106 million of merger-related expenses (2020: SAR500 million). Excluding this, underlying costs decreased SAR106 million or 3% reflecting the ongoing robust cost management and continued realisation of synergies partly offset by inflationary pressures and earlier than originally planned investment in both people and processes.
- **Underlying cost efficiency ratio of 45.4% was 3.6ppts higher** despite robust cost management, and was more reflective of the challenging revenue environment.
- **Charges for provisions for expected credit losses of SAR454 million were SAR1,177 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 SAR174.3 billion increased SAR13.8bn or 9% compared with 4Q20 and SAR3.8bn or 2% compared with 3Q21.** Growth in the quarter was mainly from a SAR2.3 billion increase in our corporate portfolio together with SAR1.4bn in our retail portfolio. Mortgage originations continued their strong trajectory, with originations increasing over 80% compared with 2020, however net growth was impacted by a higher pace of run-off given our seasoned portfolio.
- **Customer deposits of SAR186.8 billion were marginally lower by SAR2.3 billion or 1% compared with 4Q20 and increased SAR6.5 billion or 4% compared with 3Q21.** The proportion of demand deposits to overall deposits grew to 82% and reflects the stability of our core funding deposit portfolio.
- **Capital levels remained strong with a CET1 ratio of 19.29% and total capital ratio of 21.84%.**

**Results for the three months ended 31 December 2021 (Not subject to audit review)**

**Quarter-to-date Income statement**

	Three months ended		
	31 December 2021 SAR million	30 September 2021 SAR million	31 December 2020 SAR million
Total operating income ('Revenue')	1,987	1,968	2,050
Operating expenses	(1,026)	(937)	(1,241)
Provision for expected credit losses, net	(414)	(13)	(32)
Share in earnings of associates	47	20	24
Net income before Zakat and tax	595	1,038	801
<b>Notable items:</b>			
Merger-related expenses	(30)	(61)	(198)
<b>Underlying income statement excluding notable items above:</b>			
Total operating income ('Revenue')	1,987	1,968	2,050
Operating expenses	(996)	(876)	(1,042)
Provision for expected credit losses, net	(414)	(13)	(32)
Share in earnings of associates	47	20	24
Net income before Zakat and tax	625	1,099	999
<b>Key ratios:</b>			
	%	%	%
Underlying Return on tangible equity ('ROTE')	4.3	9.0	8.9
Underlying Cost efficiency ratio ('CER')	50.1	44.5	50.9
Cost of Risk ('CoR')	0.96	0.03	0.08
Core Tier 1 ratio ('CET1')	19.29	19.26	18.96

**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		
	31 December 2021 SAR million	30 September 2021 SAR million	31 December 2020 SAR million
Special commission income	1,529	1,490	1,667
Special commission expense	(147)	(150)	(188)
<b>Net special commission income</b>	<b>1,382</b>	<b>1,340</b>	<b>1,479</b>
Average special commission income earning assets <sup>1</sup>	271,722	266,941	268,881
	%	%	%
Gross Yield	2.3	2.2	2.5
Cost of funding <sup>2</sup>	(0.3)	(0.3)	(0.4)
Net special commission income spread	2.0	1.9	2.1
Net special commission income margin	2.0	2.0	2.2

**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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**Forward-looking statements**

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.