

# Saudi British Bank 4Q22 Results presentation

Presentation to investors  
and analysts



## 2022 Key messages

1	<b>PIPELINE REMAINS PROMISING</b>	<ul style="list-style-type: none"> <li>Continued to be a key player in supporting the Vision 2030 transformation programmes</li> <li>Sustained customer lending growth: 9% during 2022</li> <li>Quarterly profile reflects the larger ticket sizes; pipeline remains positive for 2023</li> </ul>	9% 2022 YTD loan growth
2	<b>REVENUE GROWTH</b>	<ul style="list-style-type: none"> <li>Grew 2022 revenue by 26% year-on-year; grew 4Q22 revenue by 17% compared with 3Q22</li> <li>4Q22 QTD NIM improved 0.4ppt to 2.9%, as re-pricing continued, following the increases to SAIBOR</li> <li>Non-funds income of SAR2.3bn grew SAR328m or 17% YoY but included a one-off bargain purchase gain of SAR155m related to the acquisition of the margin lending, brokerage and asset management businesses from HSBC SA; fee income impacted by prior year catch up of fee expenses</li> </ul>	2.9% 4Q22 QTD NIM
3	<b>IMPROVING ASSET QUALITY</b>	<ul style="list-style-type: none"> <li>Cost-of-risk of 24bps during 2022; 4Q22 annualised cost-of risk of 45bps which includes an overlay relating to the potential challenges posed by the higher rate environment</li> <li>Total NPL ratio falls to 4.3%; 2.3% excluding POCI balances</li> </ul>	11.5% 2022 ROTE <sup>1</sup>
4	<b>IMPROVING RETURNS</b>	<ul style="list-style-type: none"> <li>Generated a return on tangible equity<sup>1</sup> of 11.5% for 2022, compared with a FY21 return of 7.8%</li> <li>4Q22 QTD annualised return on tangible equity of 13.0%</li> </ul>	2.3% NPL ratio excl. POCI balances
5	<b>HEALTHY CAPITAL, LIQUIDITY AND FUNDING</b>	<ul style="list-style-type: none"> <li>17.7% CET 1 ratio, 172% LCR and 66% demand deposit ratio</li> <li>CET1 levels remain robust and down on 2021 reflecting growth in lending and investments</li> <li>Demand deposit ratio decreased reflecting the increasing moves towards time deposits</li> </ul>	17.7% CET1
6	<b>STRATEGY</b>	<ul style="list-style-type: none"> <li>Strategy execution is on track</li> </ul>	

# SABB's strengths

## SABB credentials<sup>1</sup>

We are the leading international bank in the Kingdom with a deep understanding of the needs of our customers, and a bespoke product suite that brings intrinsic value to our customers. Our unique partnership with HSBC Group enables us to bring international connectivity to our customer base.

**c. 20%**

Trade market share

**1.3m**

Retail customers

**12%**

Corporate lending market share

**Top 3**

Corporate bank by loans

**c. 23k**

Corporate and Institutional customers

**17.7%**

CET1 ratio

**66%**

Demand deposit ratio

**13%**

FX market share

**49%**

Shareholding in HSBC SA – the leading investment bank in the Kingdom



## Diversified businesses

### Wealth and Personal Banking

Wealth and Personal Banking 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.

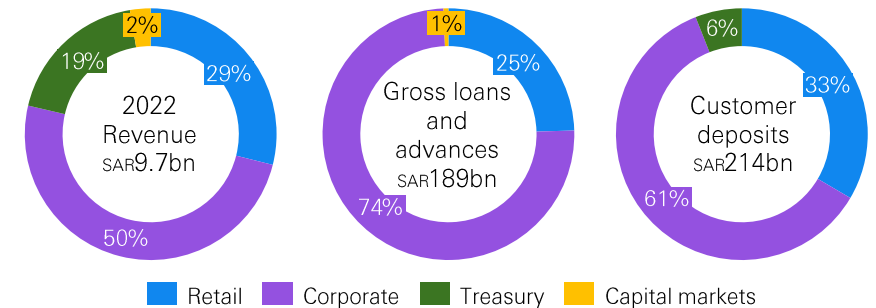
### Treasury

We provide corporate, institutional, retail and private banking customers with access to treasury and 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.

### Capital Markets

Includes activities of SABB's investment in its subsidiary for investment banking and brokerage, Alawwal Invest.

### Key financials by business for 2022



1. Market share and positioning as at 30 September 2022

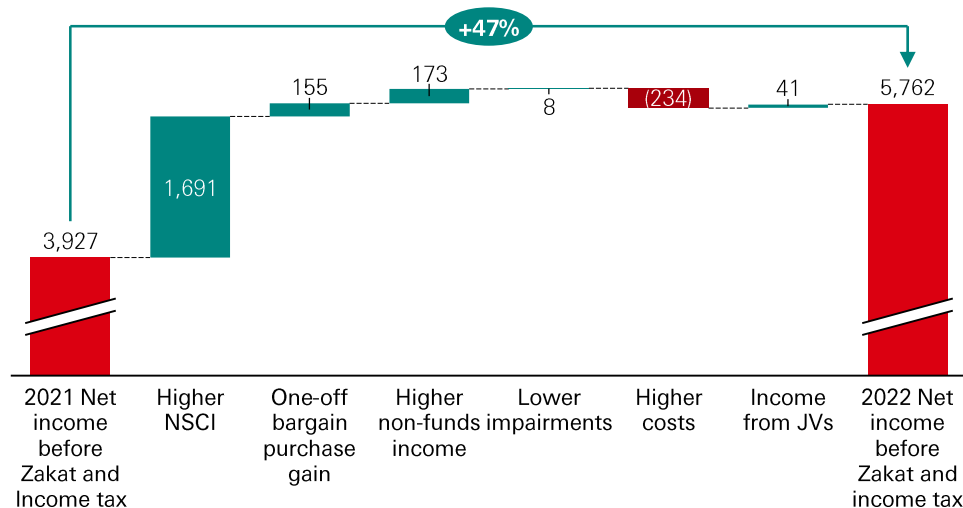


## Financial summary

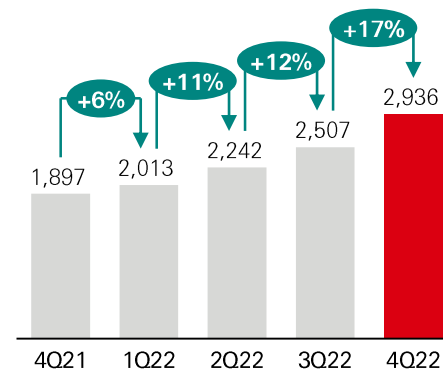
SAR5.8bn of net income generated in 2022 pre Zakat and income tax up 47%, strong loans origination with net growth of 9%, 26% revenue growth and 66% NIBs ratio

- 2022 reported net income before Zakat and income tax of SAR5.8bn up 47% YoY; 4Q22 net income of SAR1.7bn up 176% on 4Q21 and up 1% on 3Q22
- 4Q22 QTD NIM increased to 2.9% with NSCI the key driver of revenue
- Non-funds income included a SAR155m bargain purchase gain and fee expenses related to prior years
- Cost of risk of 24bps for 2022 remains below our through-the-cycle guidance
- 2022 costs increased 7% YoY as our investment activity picks up pace, and from inflationary pressures
- Customer lending origination momentum continues with 2022 net growth of 9%
- Demand deposit ratio of 66%, despite a fall, remains a position of strength and ahead of the sector

### 2022 Net income before Zakat and income tax walk



### Recent revenue trend



### Key ratios, Income statement and Balance Sheet

% unless otherwise stated	2022	Δ 2021	4Q22	Δ 4Q21
Net special commission margin ('NIM')	2.5	0.5ppt ▲	2.9	0.9ppt ▲
Return on Tangible Equity <sup>1</sup>	11.5	3.7ppt ▲	13.0	8.9ppt ▲
Cost Efficiency Ratio ('CER')	37.8	(6.9)ppt ▼	36.7	(12.4)ppt ▼
Cost of risk ('CoR')	24bps	(3)bps ▼	45bps	(51)bps ▼
Common Equity Tier 1 ratio ('CET 1')	17.7	(1.6)ppt ▼	17.7	(1.6)ppt ▼

SAR million	2022	Δ 2021	4Q22	Δ 4Q21
Total operating income ('Revenue')	9,697	26% ▲	2,936	55% ▲
Operating expenses	(3,662)	7% ▲	(1,077)	16% ▲
Provision for expected credit losses, net	(445)	2% ▼	(212)	49% ▼
Share in earnings of associates	172	31% ▲	5	90% ▼
<b>Net income before Zakat and income tax</b>	<b>5,762</b>	<b>47% ▲</b>	<b>1,652</b>	<b>&gt;100% ▲</b>
Zakat and income tax	(836)	20% ▲	(239)	43% ▲
Net loss from discontinued operations	(54)	79% ▲	(24)	>100% ▲
<b>Net income after Zakat and income tax</b>	<b>4,872</b>	<b>52% ▲</b>	<b>1,389</b>	<b>&gt;100% ▲</b>

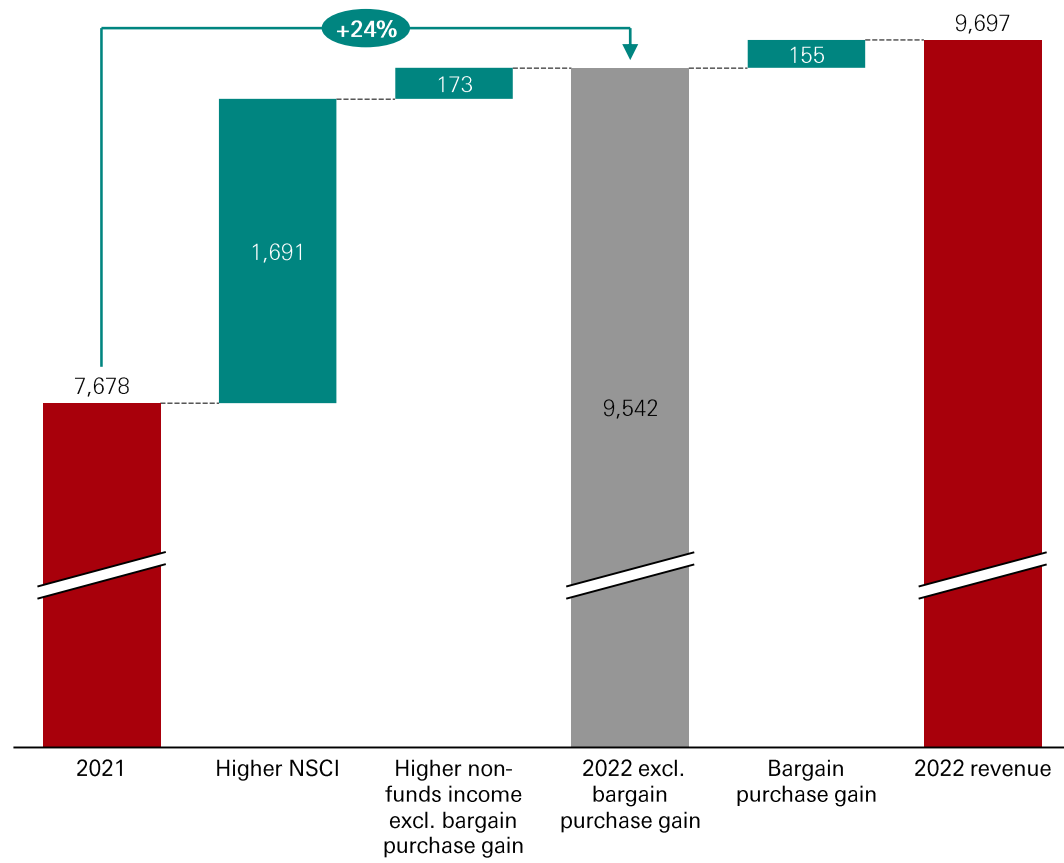
SAR billion	2022	Δ 2021	4Q22	Δ 3Q22
Gross loans	189.1	9% ▲	189.1	-% ▲
Customer deposits	214.3	15% ▲	214.3	6% ▲
Demand deposits	141.4	8% ▼	141.4	2% ▼

1. Excluding losses from discontinued operations

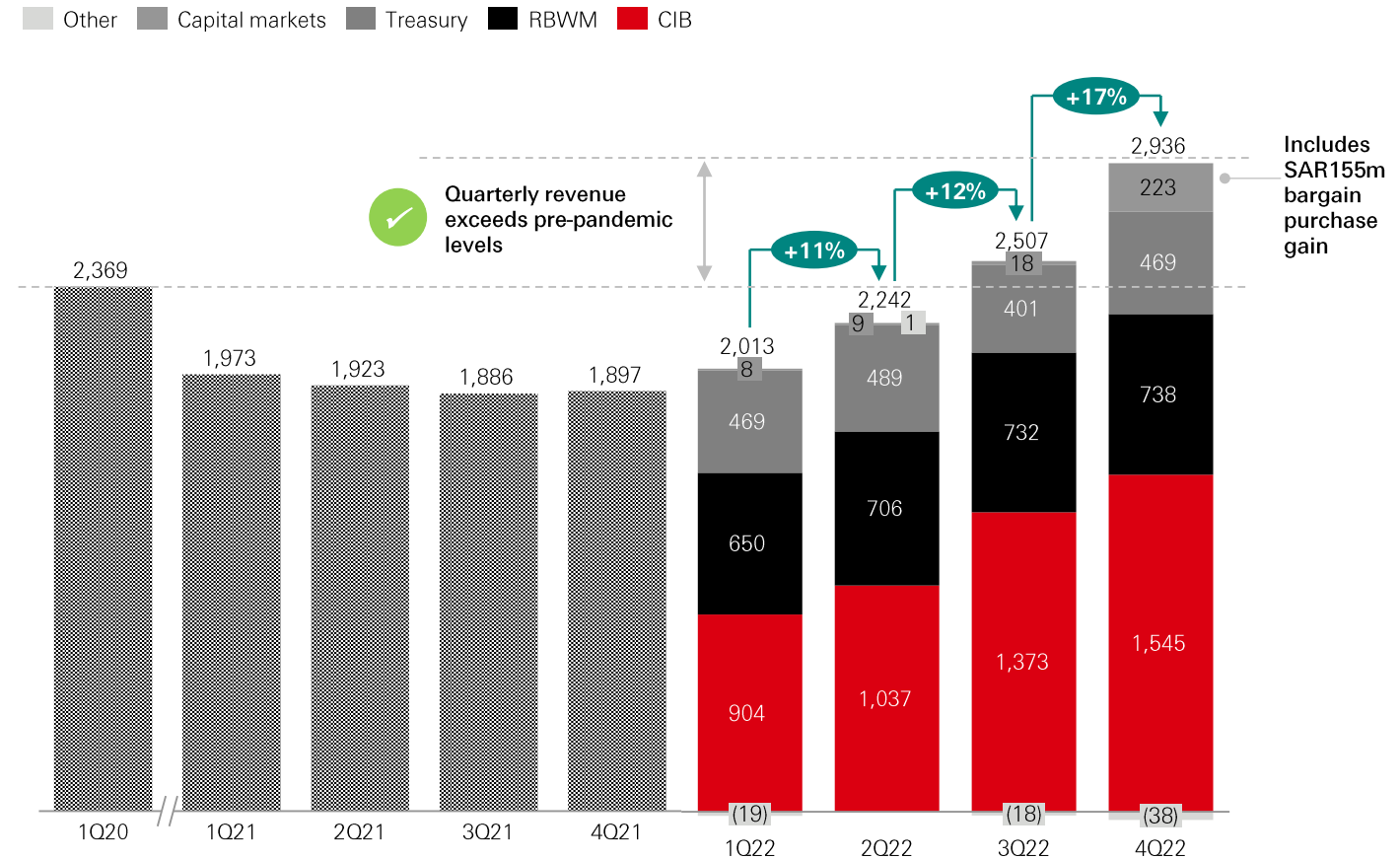
## Revenue

Revenue increased SAR2.0bn mainly from increased NSCI; 4Q22 quarterly revenue now exceeds pre-pandemic levels and is the highest quarterly revenue on record

### Underlying revenue growth: 2022 vs. 2021



### Revenue by business: Quarterly trend SARm

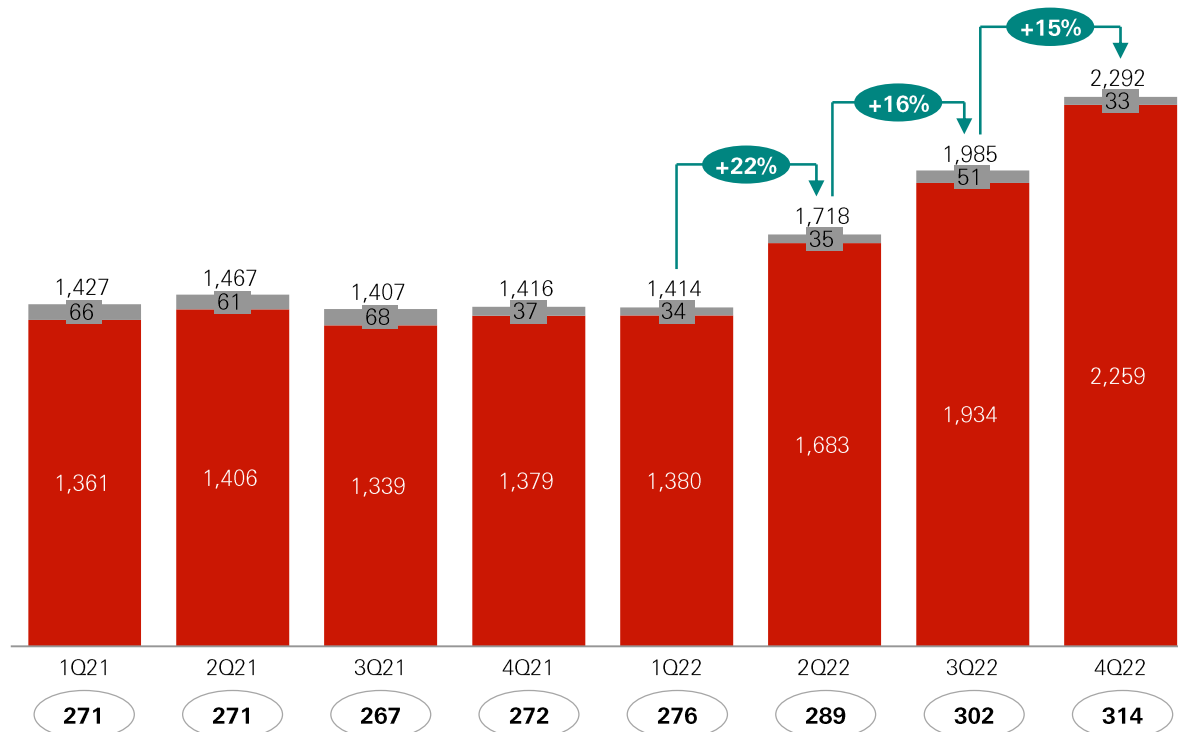


## Net special commission income and NIM

Quarterly trend of NSCI continues in a healthy direction with mid-teens growth QoQ; NIM continues to expand although CoF has increased significantly

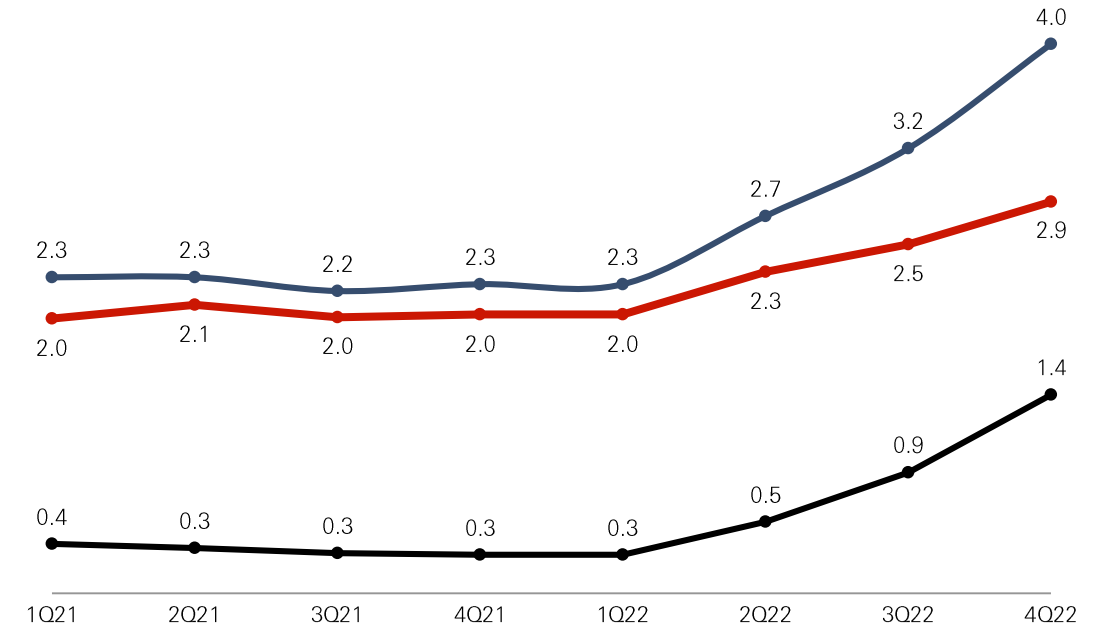
### NSCI, SARm and Average interest earning assets, SARbn

■ PV unwind ■ NSCI excl. PV unwind (x) Average interest earning assets, SARbn



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

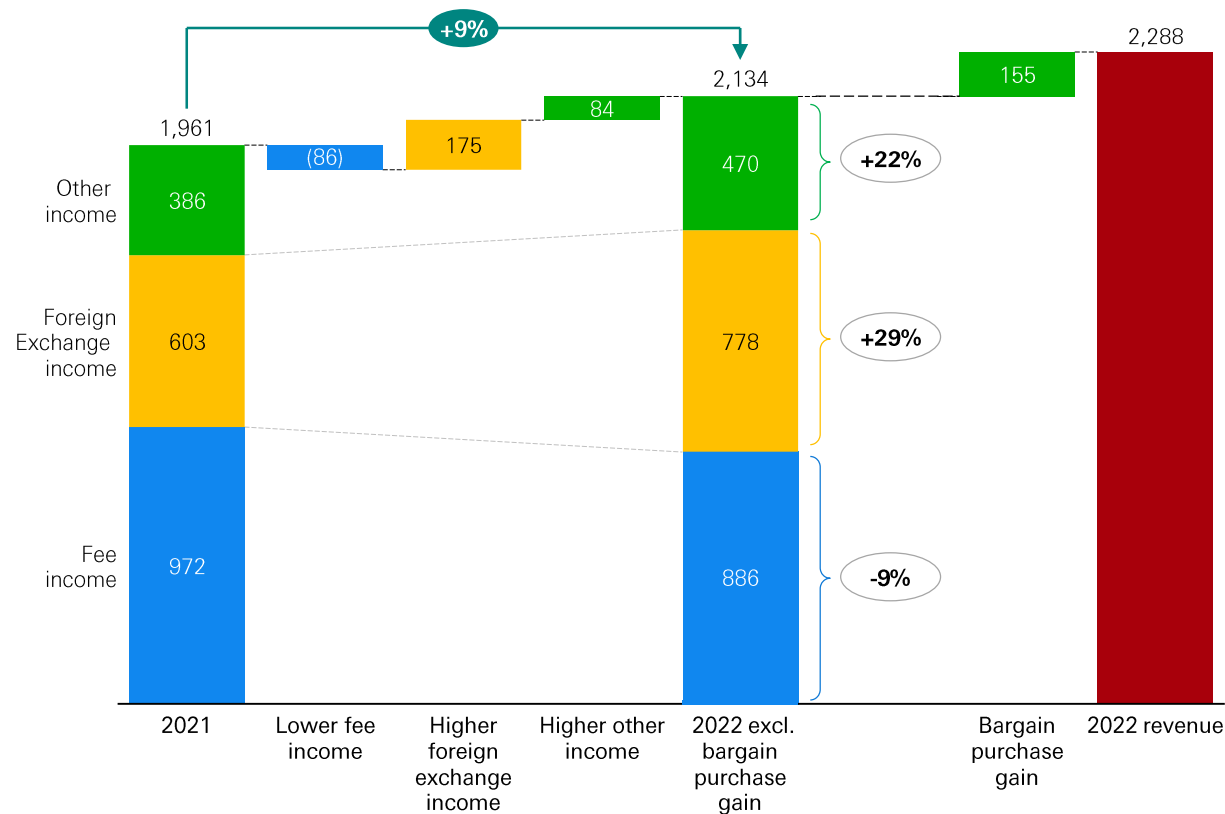
— Gross yield — Cost of funds — NSCI margin



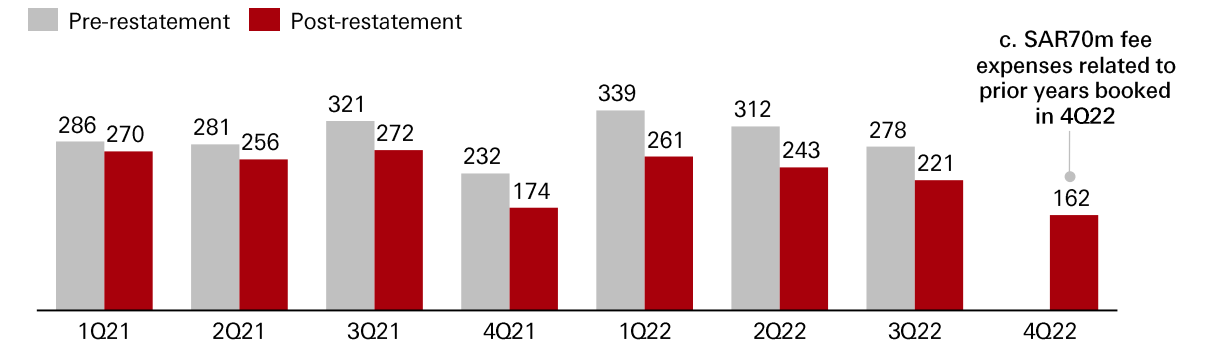
## Non-funds income

4Q22 included a 'bargain purchase gain' from the acquisition of the asset management businesses from HSBC SA; Exchange income up 29% although headline fee income fell 9% and included additional fee expenses relating to prior years – normalised fee income remains stable

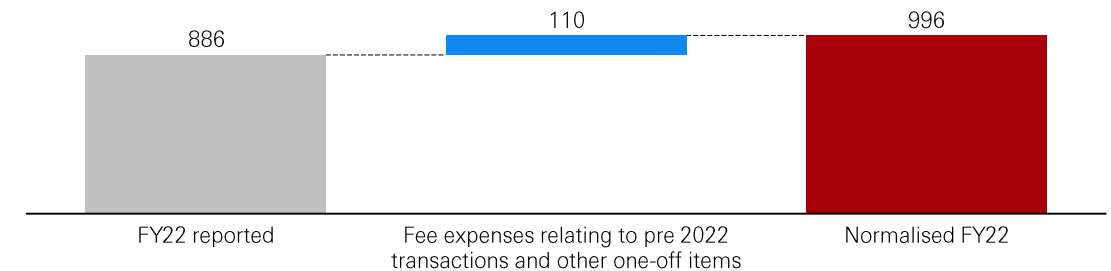
### Underlying non-funds income growth: 2022 vs. 2021



### Fee income restatement as fee-related expenses moved to income



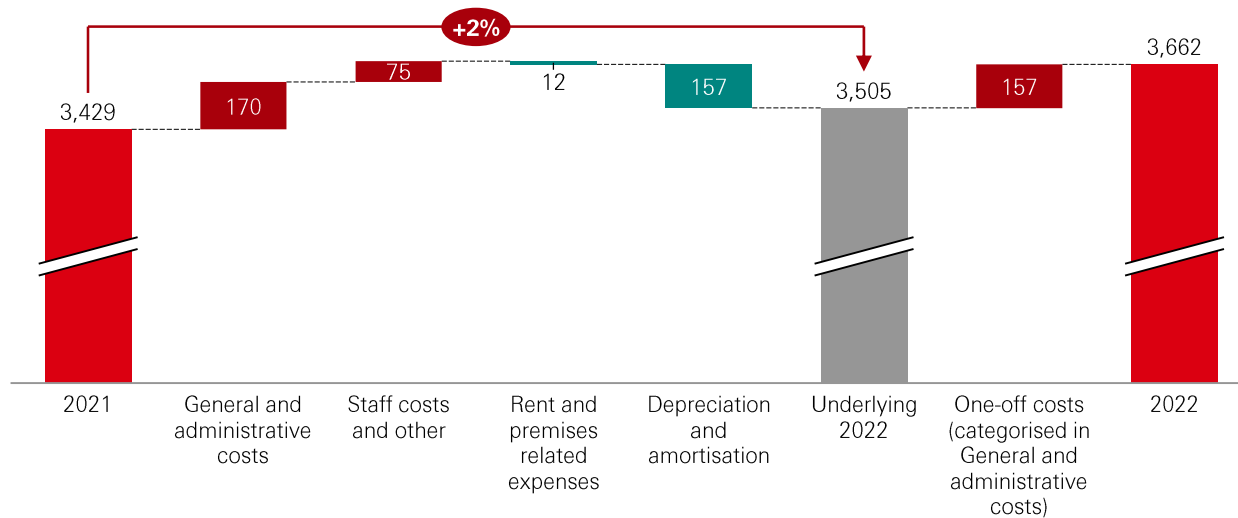
### Normalising fee income for prior year fee expenses



## Costs

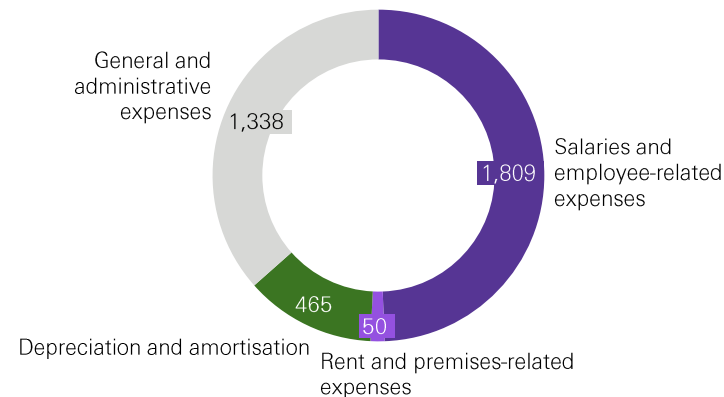
Costs increased 7% in 2022 at a headline level, but included SAR0.2bn of one-off investment-related costs and some prior year charges; underlying costs increased 2% and headline CER fell to 37.8%

2022 vs. 2021 costs, SARm



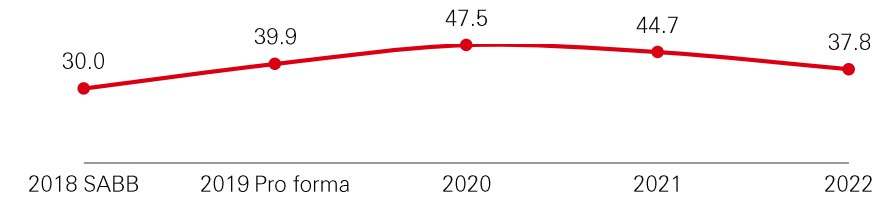
- 2% increase in underlying expenses as we move into the investment phase of our strategic plan
- Higher general and admin costs from increased VAT, but also include the impact of a handful of one-off costs in both periods
- Depreciation and amortisation was lower mainly due to a change in internal policies

2022 costs by type, SARm



Cost efficiency ratio through the merger<sup>1</sup>, %

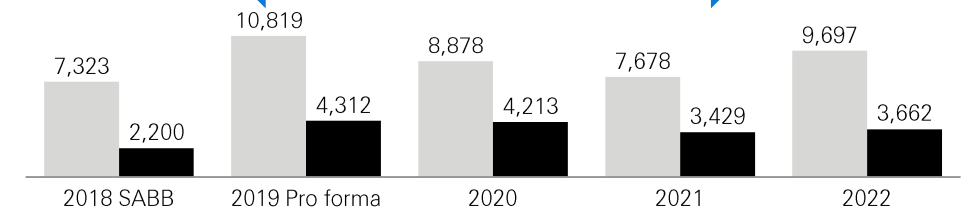
Cost efficiency ratio, %



Integration costs and low rate environment put pressure on cost efficiency

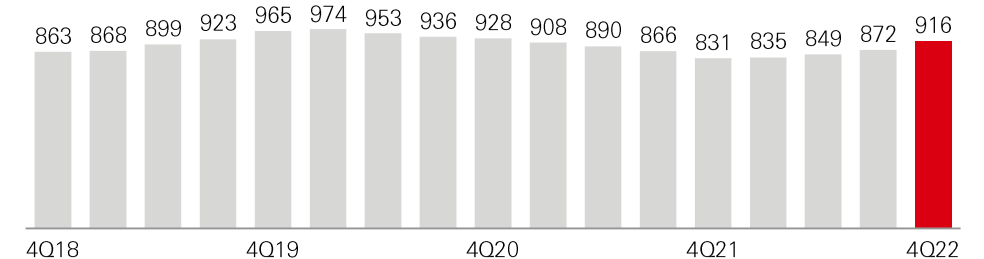
Revenue and costs, SARm

Revenue  
Costs



Well-managed underlying cost base; inflexion point as we invest further

4-quarter rolling average excluding merger-related costs, SARm



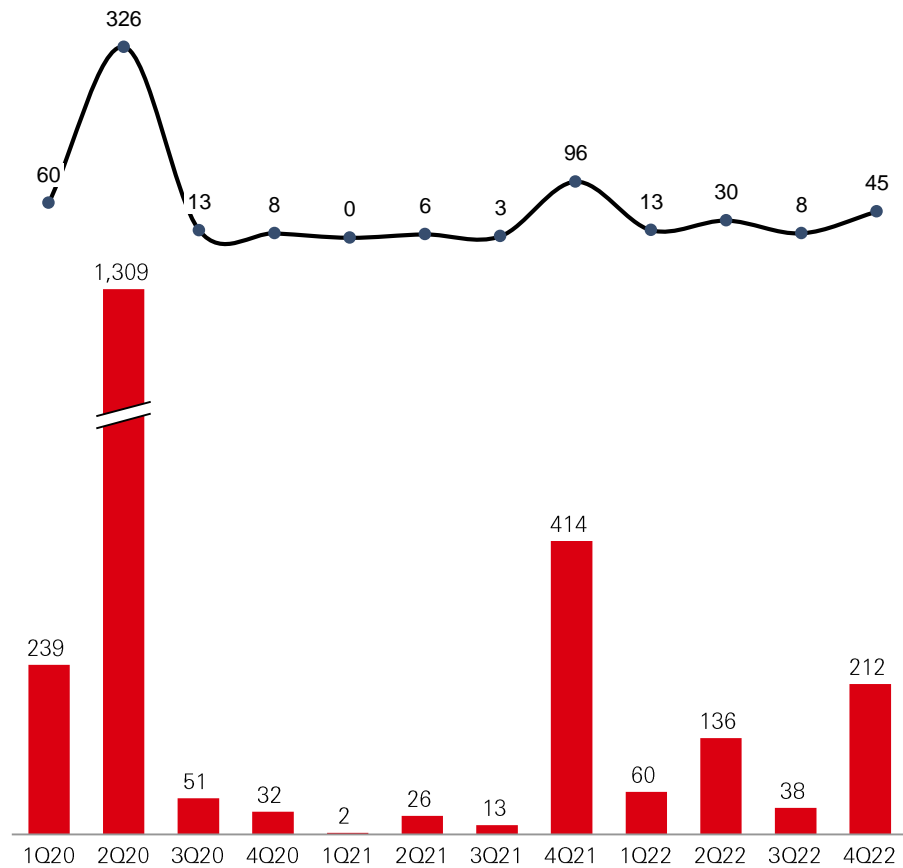
1. We have restated 2022 and 2021 for a number of items that were previously recorded in operating expenses, mainly relating to our Cards and Merchant acquiring business



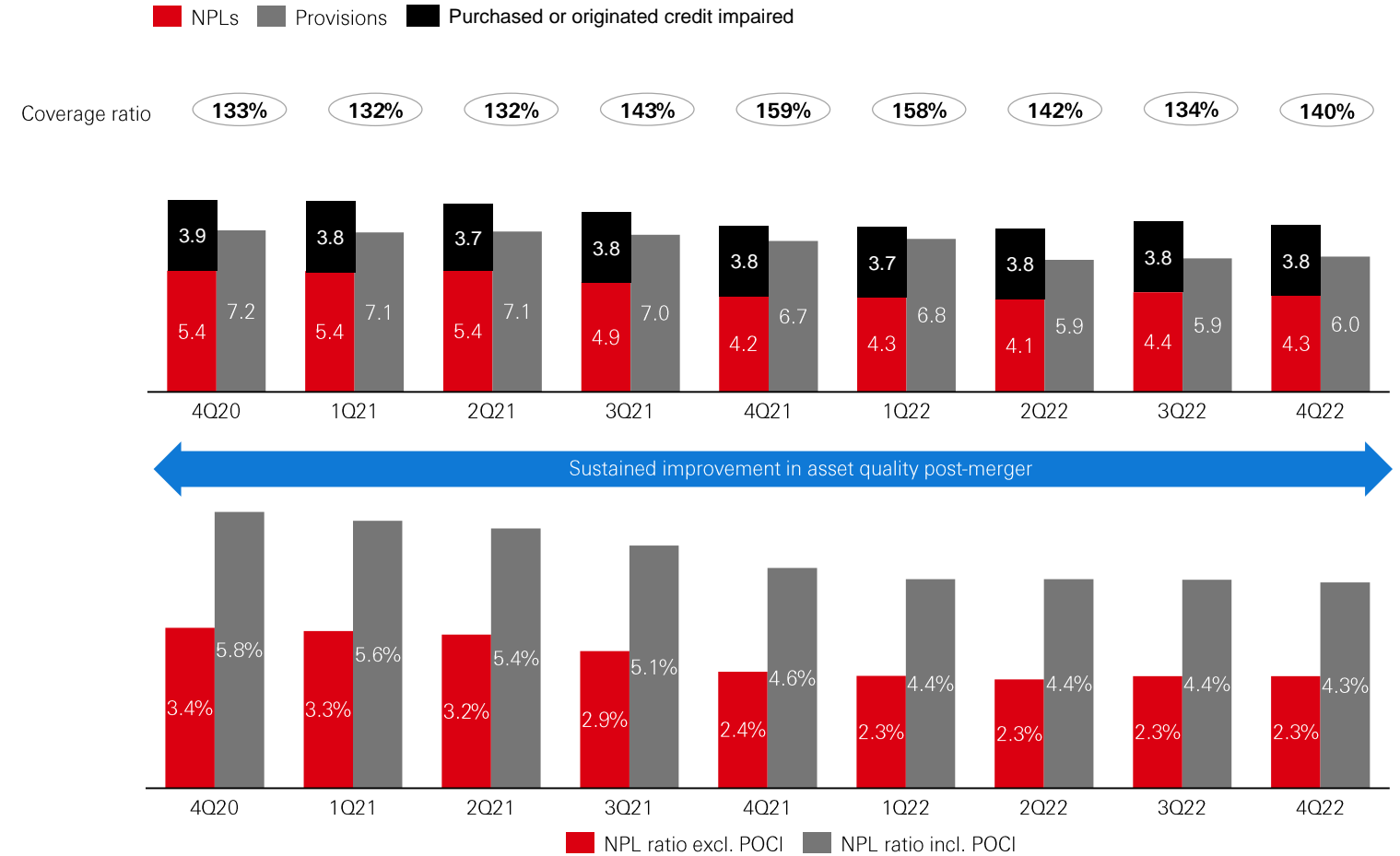
## Impairment analysis and credit quality

Cost of risk remains low; NPL ratio on SABB-originated loans stable at 2.3%

Quarterly ECL charge (SARm) and CoR (bps)



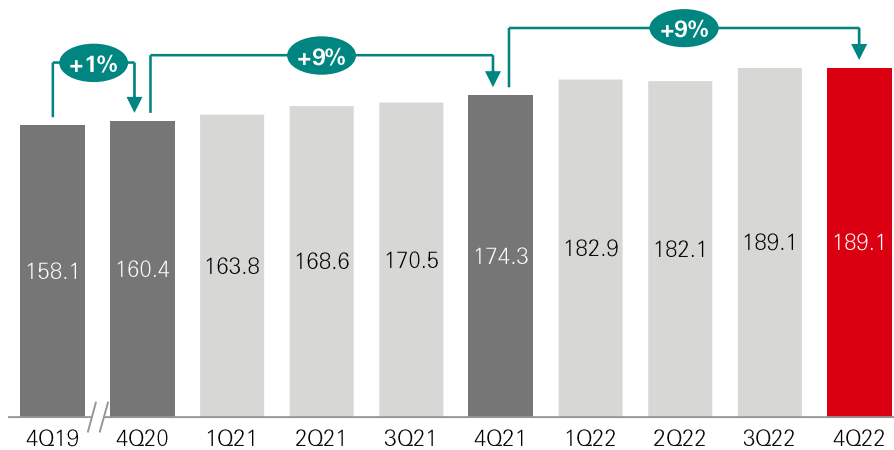
NPLs, Provisions SARbn and coverage and NPL ratios (%)



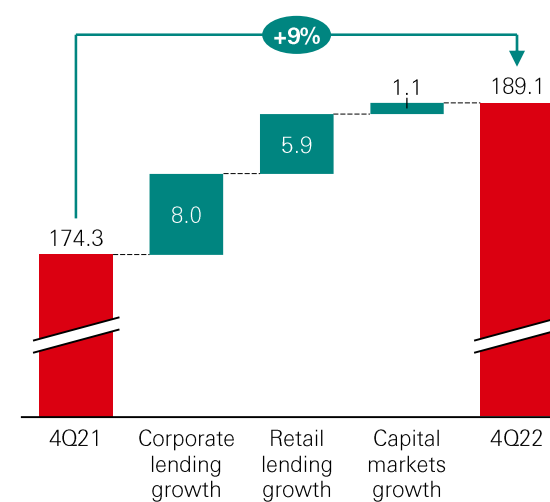
## Customer lending

9% lending growth during 2022, corporate originations remain strong with a healthy pipeline; mortgage growth continues

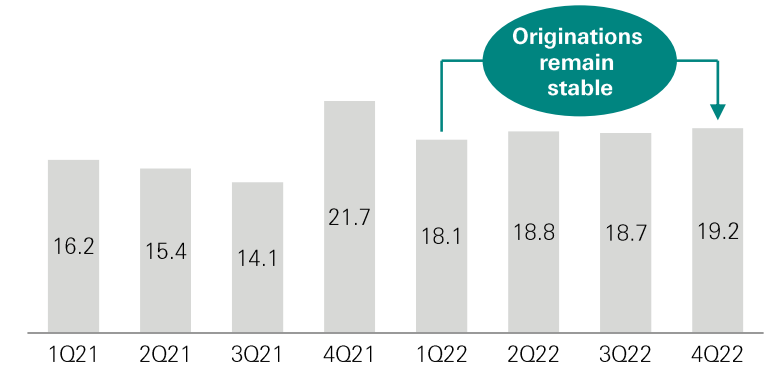
Gross customer lending, SARbn



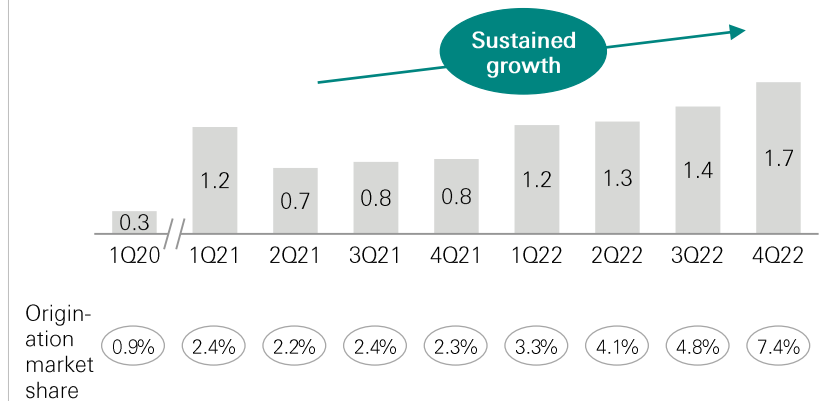
Gross customer lending 4Q22 vs. 4Q21, SARbn



Corporate quarterly originations trend, SARbn



Mortgage originations trend, SARbn



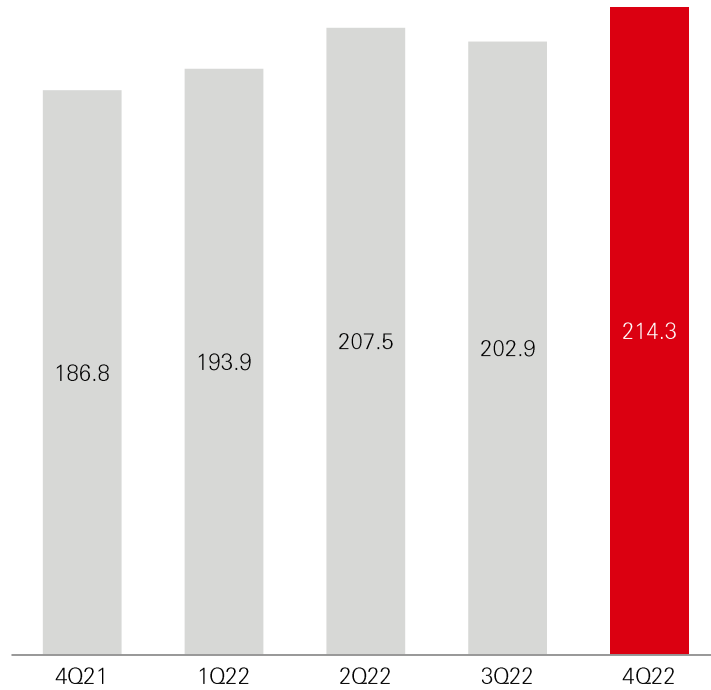
- ♦ SAR8.0bn or 6% corporate lending growth during 2022 from our Large Corporate and Global Corporate & Institutional Banking segments and also growth in the MSME segment; we are active on a range of key V2030 programmes including the Red Sea Development, NEOM, Dirriyah Gate and will look to continue our support of all the V2030 giga projects
- ♦ SAR5.9bn or 14% retail lending growth during 2022 with continued growth in mortgage origination, personal lending and Wealth-related lending
- ♦ Gross loans also included growth in our margin lending balances within our Capital markets business and reached SAR1.1bn; these balances were transferred from HSBC SA

## Customer deposits

Funding and liquidity remain robust, although pressure on non-interest bearing deposits continues

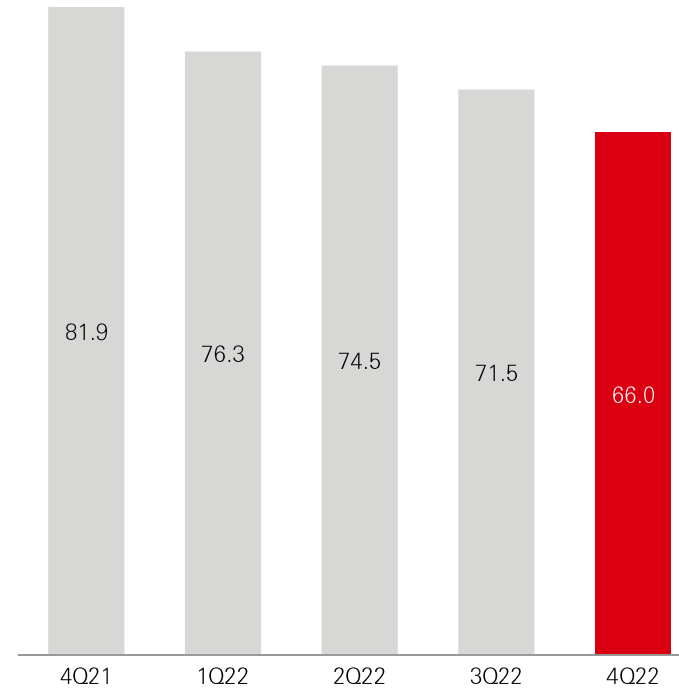
### Customer deposits, SARbn

Stable funding base



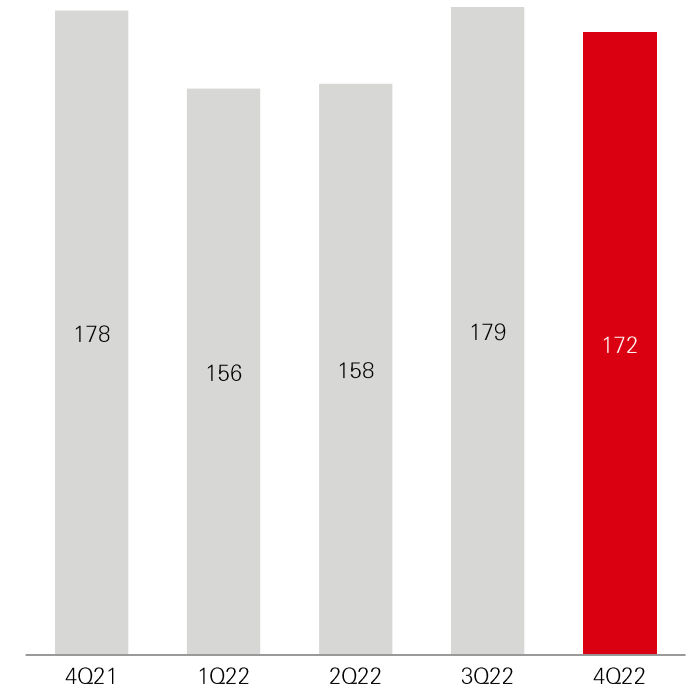
### Demand deposit ratio, %

Market leading non-interest bearing ratio



### Liquidity coverage ratio, %

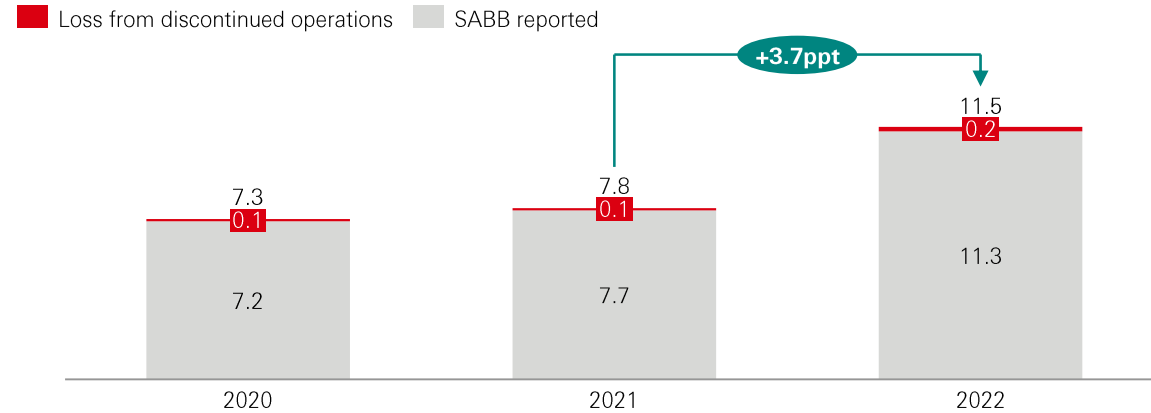
Highly liquid and well above regulatory requirements



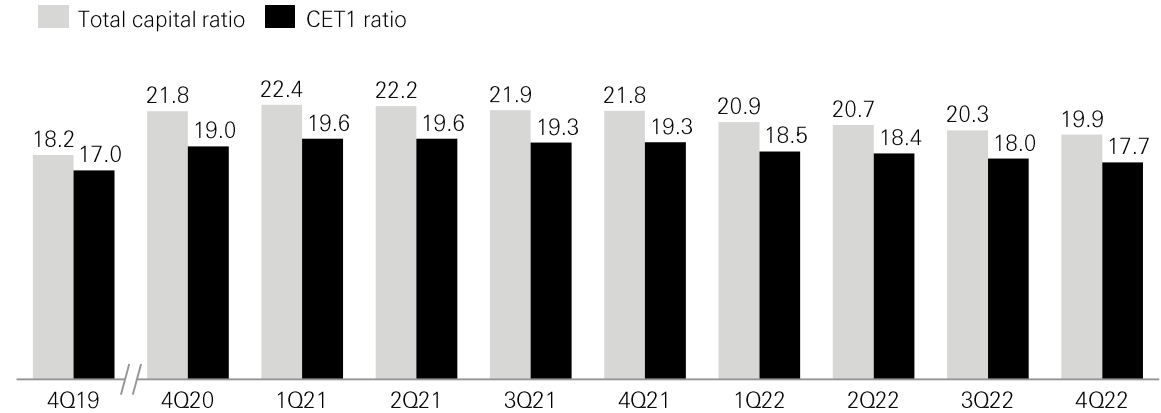
## Capital and returns

Returns continue to build whilst CET1 ratio decreased in the quarter reflecting the growth in the balance sheet and the payment of the first half dividend

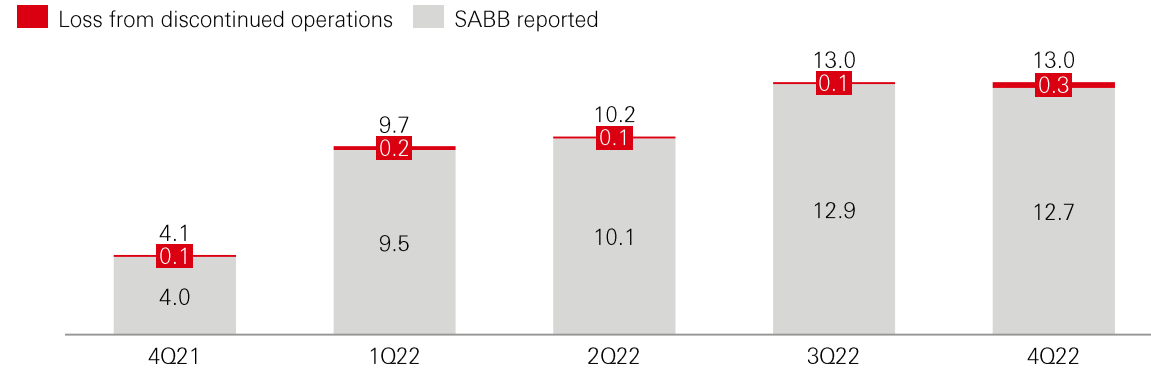
### Return on tangible equity, %



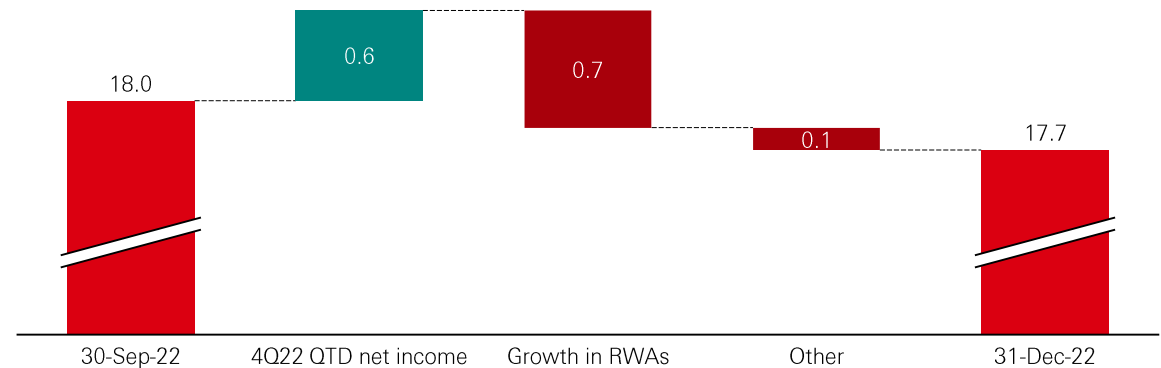
### Total capital ratio, %



### QTD Return on tangible equity, %



### CET1 ratio movement 31 Dec 2022 vs. 30 Sep 2022, %



## Concluding remarks and 2023 guidance

- 1 We have made firm progress on our investment programme which has already started to deliver tangible benefits in both our corporate and retail businesses and improving digital capabilities
- 2 2022 delivers 26% revenue growth and 47% net income growth YoY resulting in a full year RoTE of 11.5%<sup>1</sup> which was up 3.7ppt on 2021; we exit 2022 with a 4Q22 QTD NIM of 2.9%
- 3 Momentum on loan origination with 9% YoY lending growth in line with our plan and we expect the profile of lending to continue
- 4 Macro-environment which has rapidly changed, and continues to change, but we remain extremely optimistic on the growth potential of the Kingdom
- 5 We possess robust levels of capital, liquidity and funding and the scale to support the national growth agenda

### 2023 guidance

	2022 actual	2023 outlook
<b>Loan YoY growth</b>	+9%	Low double-digit growth
<b>Annual net interest margin</b>	2.5%	>3.1%
<b>Cost efficiency ratio</b>	37.8%	33-35%
<b>Cost of risk</b>	24bps	30-45bps
<b>RoTE</b>	11.5% <sup>1</sup>	Low to mid-teens




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