

Saudi Awwal Bank 3Q24 Results

Presentation to investors and
analysts



CEO's key 3Q24 messages

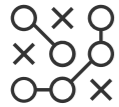


الأول
SAB



3Q24 Key messages

Strong performance against strategic objectives; strong loan growth and sequential revenue growth despite cost-of-funding pressures, as we flex our strategic levers



Strategy on track

- ◆ A key player in the Vision 2030 giga-programmes
- ◆ Delivered strong loan growth of 19% YoY and a further 4% QoQ in 3Q24
- ◆ 29% growth in our mortgage portfolio YoY and strong 5% QoQ
- ◆ Leading market position in off-balance sheet trade assets with 24% market share

19%

YoY Gross loan growth

24%

Trade market share



Continued sequential revenue growth

- ◆ Sequential revenue growth; with asset growth and non-funds income more than compensating for cost-of-fund pressures
- ◆ SAR0.8bn QTD non-funds income
- ◆ SAR0.4bn fee income in 3Q24 supported by our trade business, capital markets and faster-than-market loan origination

SAR 3.5_{bn}

3Q24 QTD revenue

SAR 0.8_{bn}

3Q24 QTD non-funds income



Underlying asset quality remains strong

- ◆ 3rd quarter cost-of-risk increases QoQ, reflecting the timing of recoveries and a small number of specific charges in our corporate portfolio
- ◆ YTD CoR remains in line with expectations and guidance
- ◆ Underlying portfolio quality remains strong

1.4%

NPL ratio (excl. POCl)

28bps

Cost-of-risk YTD



Improving returns

- ◆ YTD RoTE of 15.8% from strong loan growth, fee capture, controlled costs and low impairments

15.8%

RoTE (after AT1 coupon payment)

16%

YoY Net income growth



Healthy capital, liquidity and funding + Future proofed balance sheet

- ◆ Strong capital, liquidity and funding metrics
- ◆ Reduced tactical sensitivity to rates as we approach the cutting part of the cycle

50%

NIBs ratio

1-3bps

NIM sensitivity for every 25bps shift in policy rates

3Q24 financials



Financial summary

Over SAR5.9bn of net income generated in 9M24 up 16% YoY, revenue of SAR10.5bn up 10%; gross loans up 4% QoQ, 17% YTD and 19% YoY

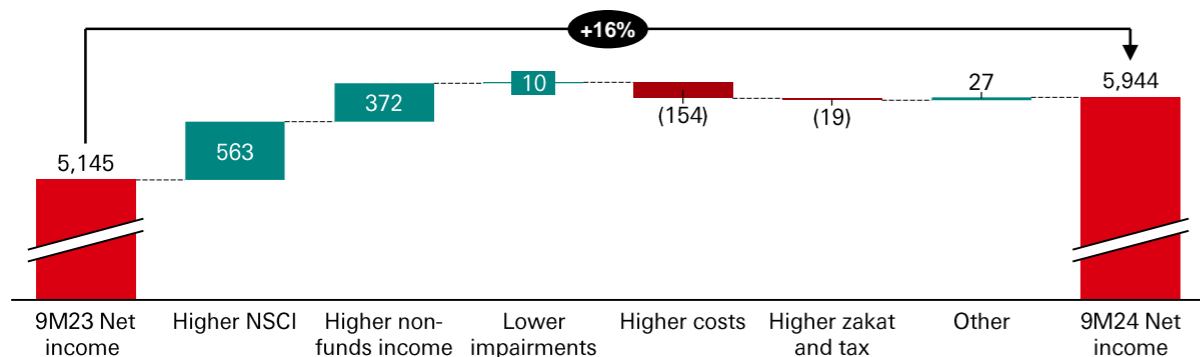
Income statement and Balance Sheet

SAR million	YTD		Quarterly		
	9M24	Δ 9M23	3Q24	Δ 3Q23	Δ 2Q24
Total operating income ('Revenue')	10,467	10% ▲	3,528	9% ▲	1% ▲
Operating expenses	(3,200)	5% ▲	(1,074)	3% ▲	0% ▲
- Memo: Pre-provision profits	7,430	12% ▲	2,526	11% ▲	2% ▲
Provision for expected credit losses, net	(502)	2% ▼	(309)	114% ▲	176% ▲
Share in earnings of associates	163	20% ▲	72	22% ▲	30% ▲
Net income before Zakat and income tax	6,928	13% ▲	2,217	5% ▲	6% ▼
Zakat and income tax	(983)	2% ▲	(334)	16% ▲	2% ▼
Net income after Zakat and income tax	5,944	16% ▲	1,883	3% ▲	7% ▼

Key ratios, Income statement and Balance Sheet

% unless otherwise stated	YTD		Quarterly		
	9M24	Δ 9M23	3Q24	Δ 3Q23	Δ 2Q24
Net special commission margin ('NIM')	2.87	0.2ppt ▼	2.81	0.1ppt ▼	0.0ppt ▼
Return on Tangible Equity	16.4	1.2ppt ▲	15.3	0.6ppt ▼	1.6ppt ▼
Return on Tangible Equity (after AT1 coupon)	15.8	0.6ppt ▲	14.7	1.3ppt ▼	1.6ppt ▼
Cost Efficiency Ratio ('CER')	30.6	1.4ppt ▼	30.4	1.7ppt ▼	0.3ppt ▼
Cost of risk ('CoR')	28bps	6bps ▼	49bps	22bps ▲	30bps ▲
Common Equity Tier 1 ratio ('CET 1')	15.7	0.7ppt ▼	15.7	0.7ppt ▼	0.6ppt ▼

9M24 Net income after Zakat and income tax walk



Balance Sheet

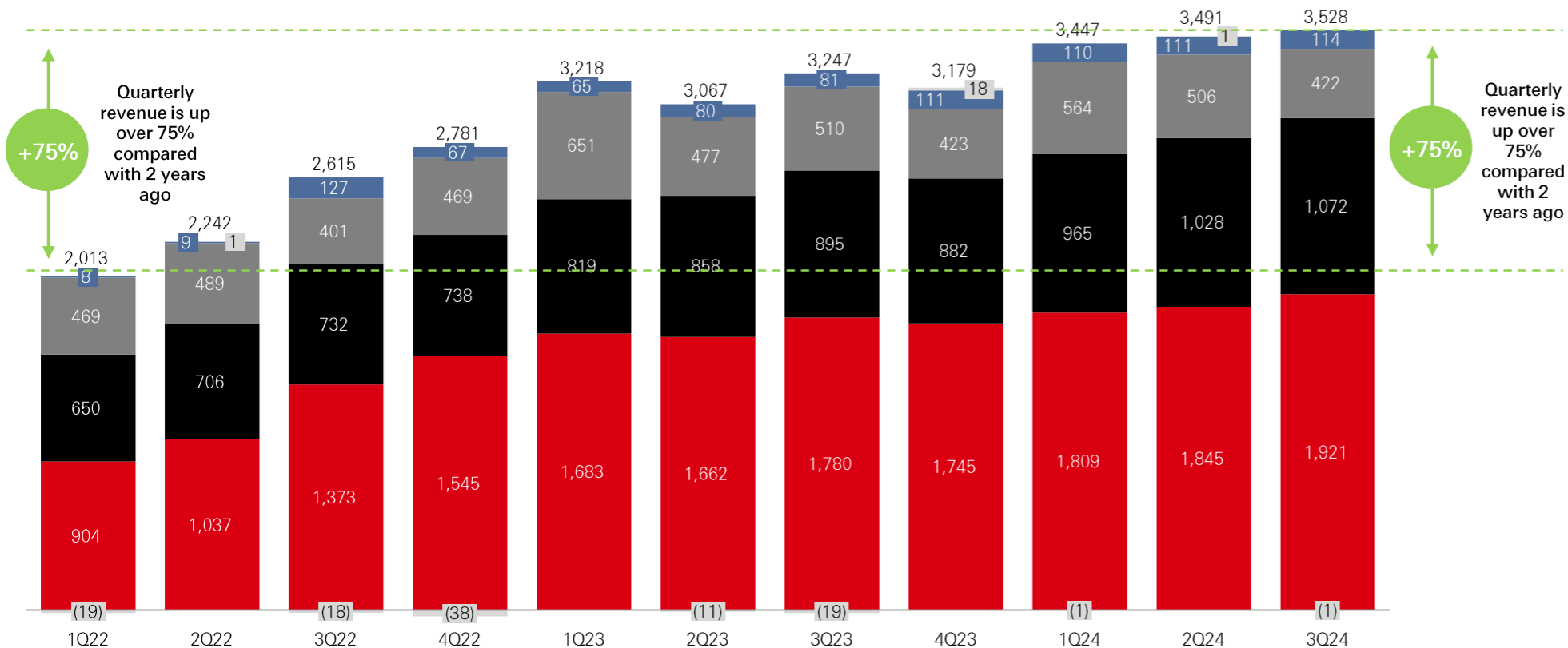
SAR billion	YTD		Quarterly		
	9M24	Δ 4Q23	3Q24	Δ 3Q23	Δ 2Q24
Gross loans	258.9	17% ▲	258.9	19% ▲	4% ▲
Net loans	252.4	17% ▲	252.4	19% ▲	4% ▲
Investments	97.7	10% ▲	97.7	10% ▲	6% ▲
Customer deposits	260.7	8% ▲	260.7	14% ▲	1% ▼
Demand deposits	130.9	6% ▼	130.9	4% ▼	7% ▼
Tangible Equity	49.6	5% ▲	49.6	10% ▲	3% ▲

Revenue

We delivered revenue of SAR3.5bn in 3Q24, growth of 1% QoQ as quarterly NIM fell but offset by strong loan growth and supported by robust fee generation, and growth in exchange income

Revenue by business: Quarterly trend SARm

Other Capital markets Treasury WPB CIB



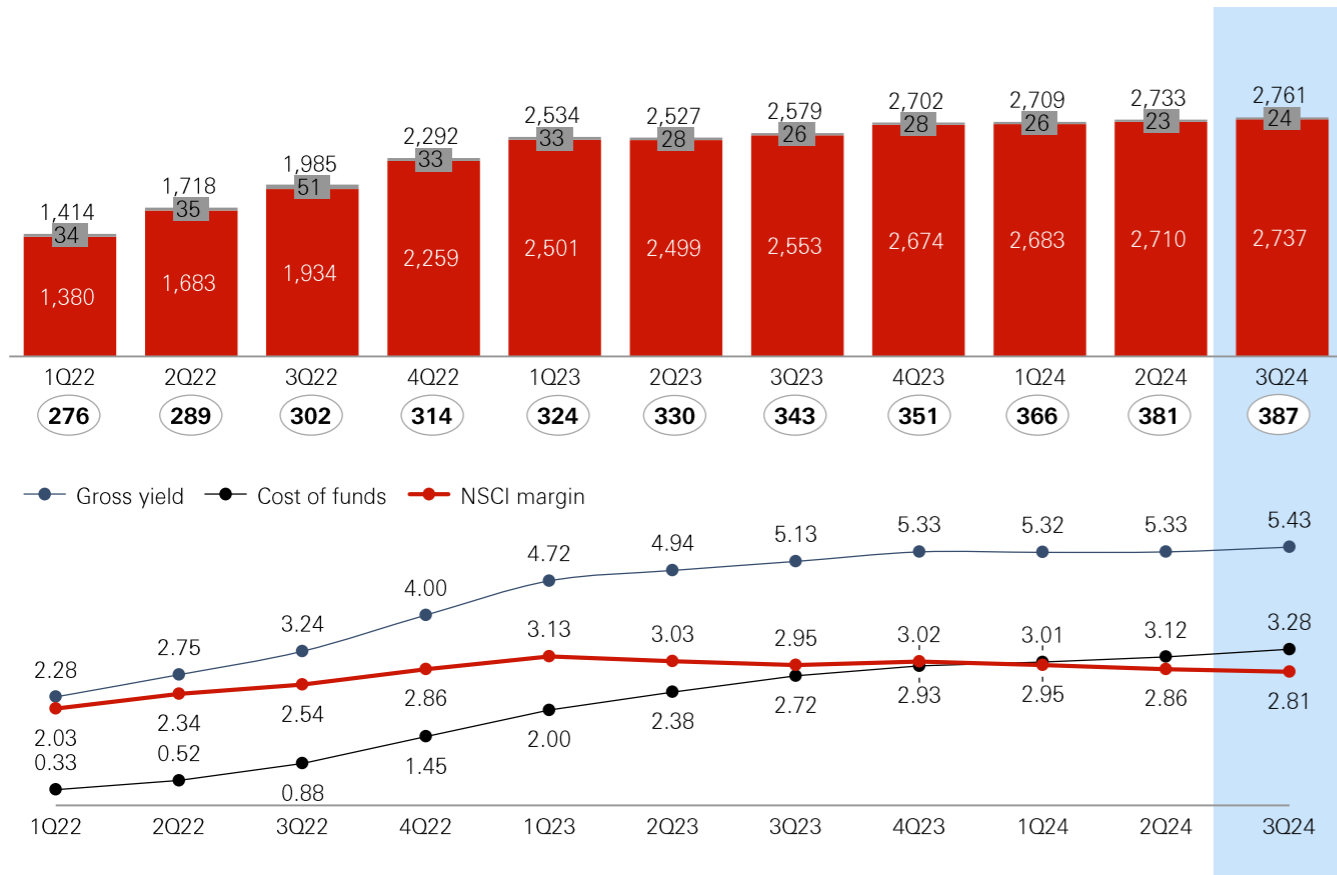
- ◆ Strong volume growth has been instrumental in growing revenues together with non-funds income levers, and more than offsetting the impact of higher funding costs
- ◆ Malleable Balance Sheet that has allowed SAB to benefit from higher rates, but also allowed the Bank to shift its BS construct to one that will be less sensitive when rates fall
- ◆ 9M24 non-funds income grew 20% YoY mainly from trade business, capital markets and faster than market loan origination

NSCI and non-funds revenue

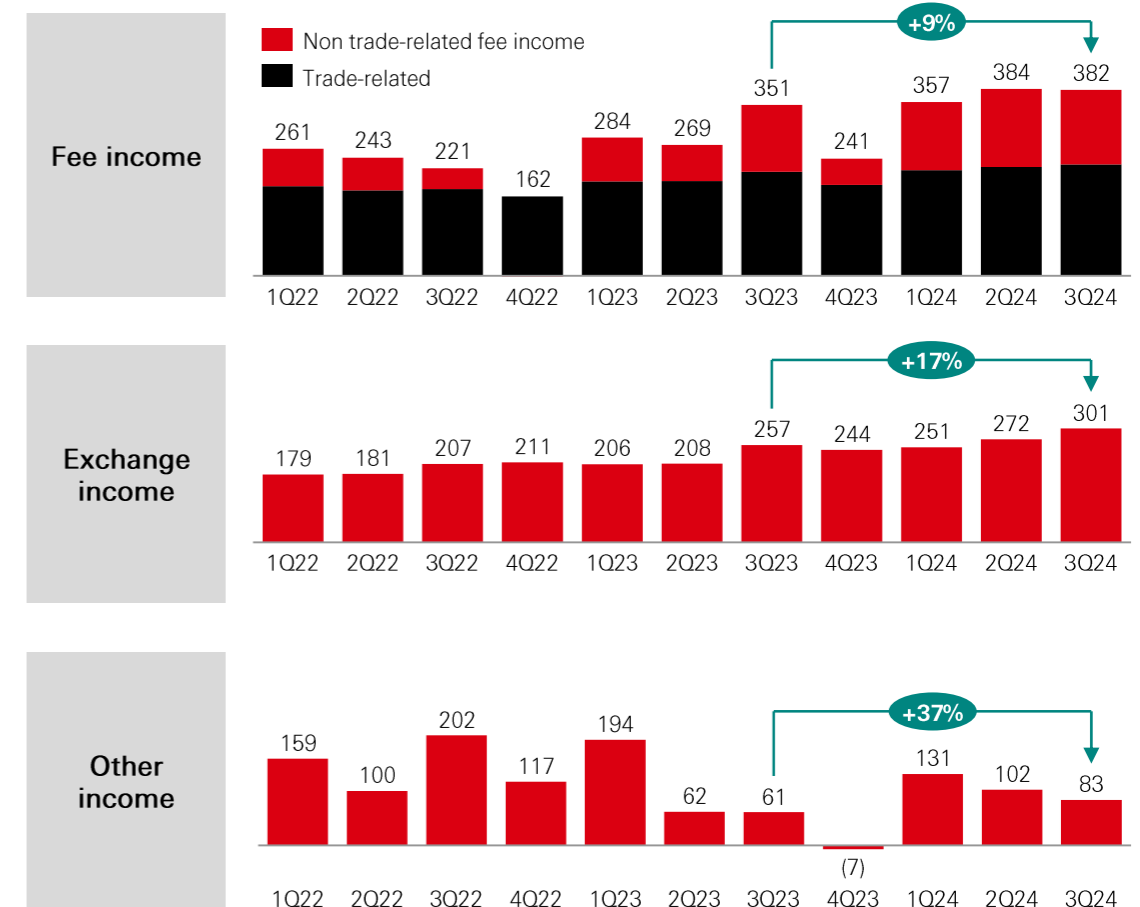
Quarterly NSCI continues to expand as volume growth more than offsets the decline in NIMs; cost-of-funds continue to be pressured by falling NIBs ratio

NSCI, SARm and Average interest earning assets, SARbn

■ PV unwind ■ NSCI excl. PV unwind ○ Average interest earning assets, SARbn



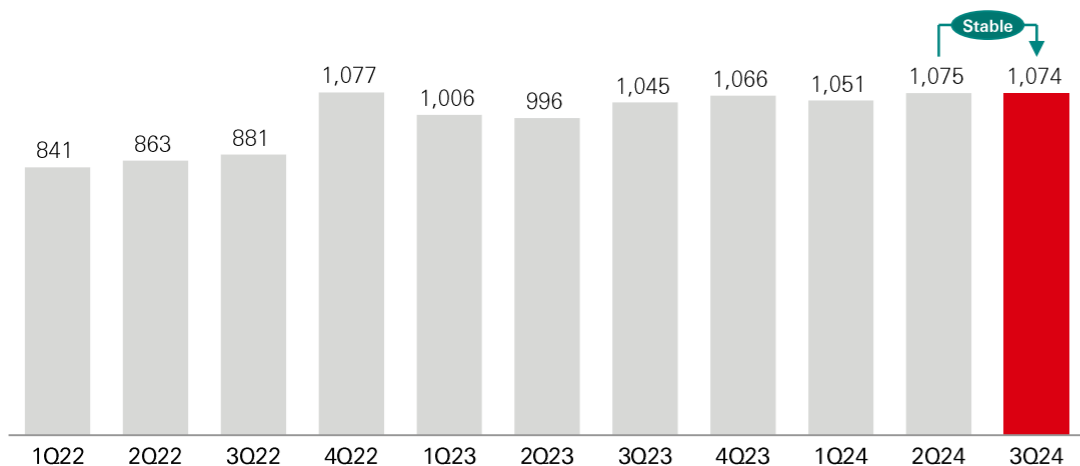
Non-funds income, SARbn



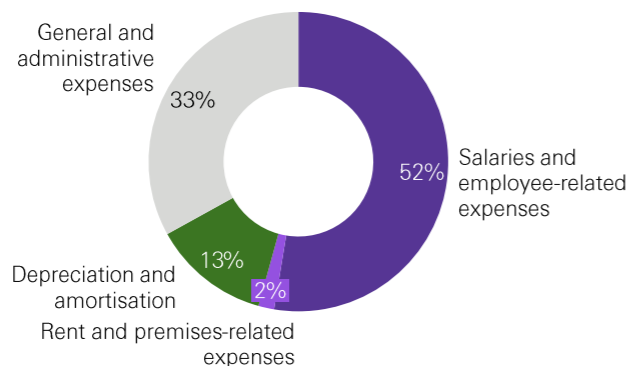
Costs

3Q24 costs remain stable QoQ; 9M24 CER ratio of 30.6% comfortably ahead of guidance

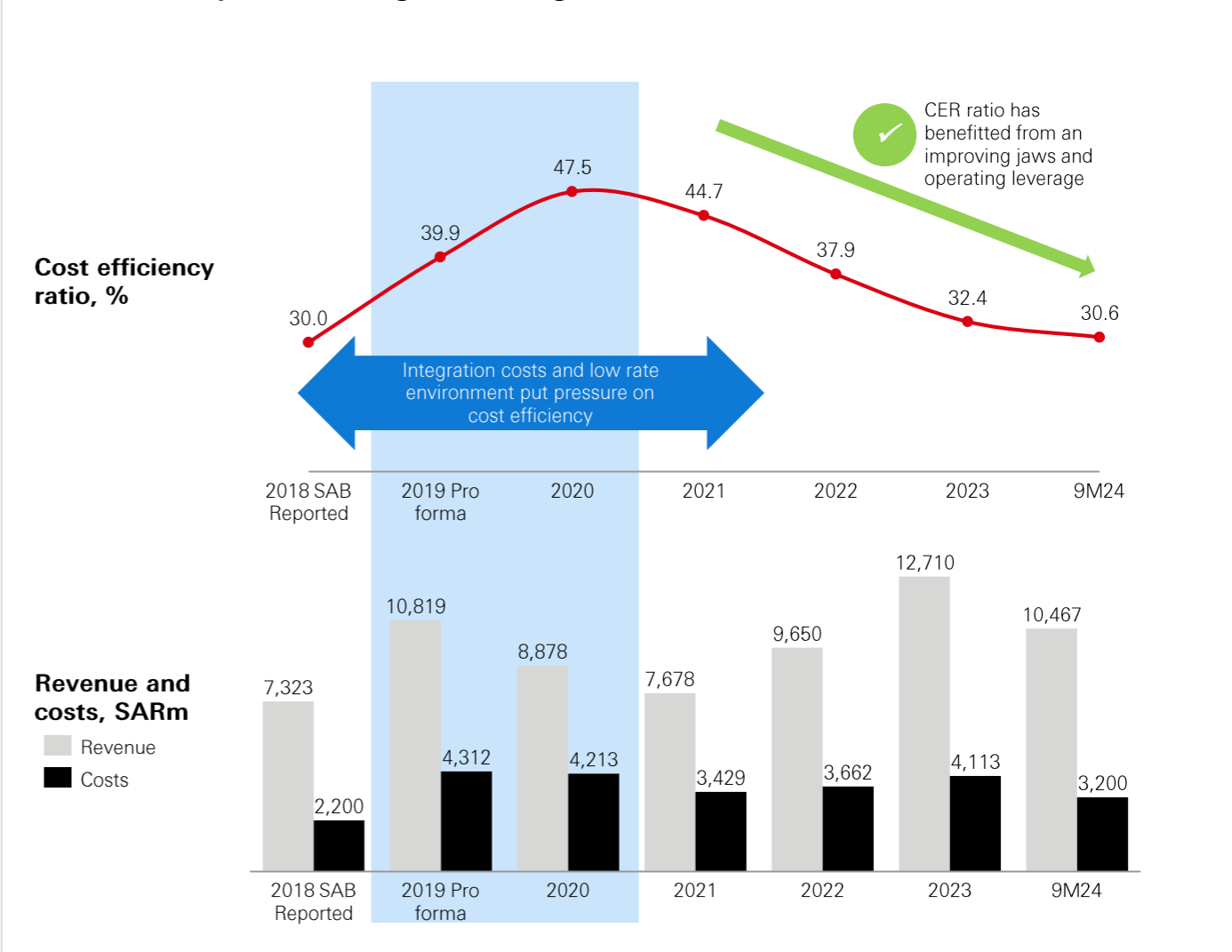
Recent cost trend, SARm



3Q24 costs by type, SARm



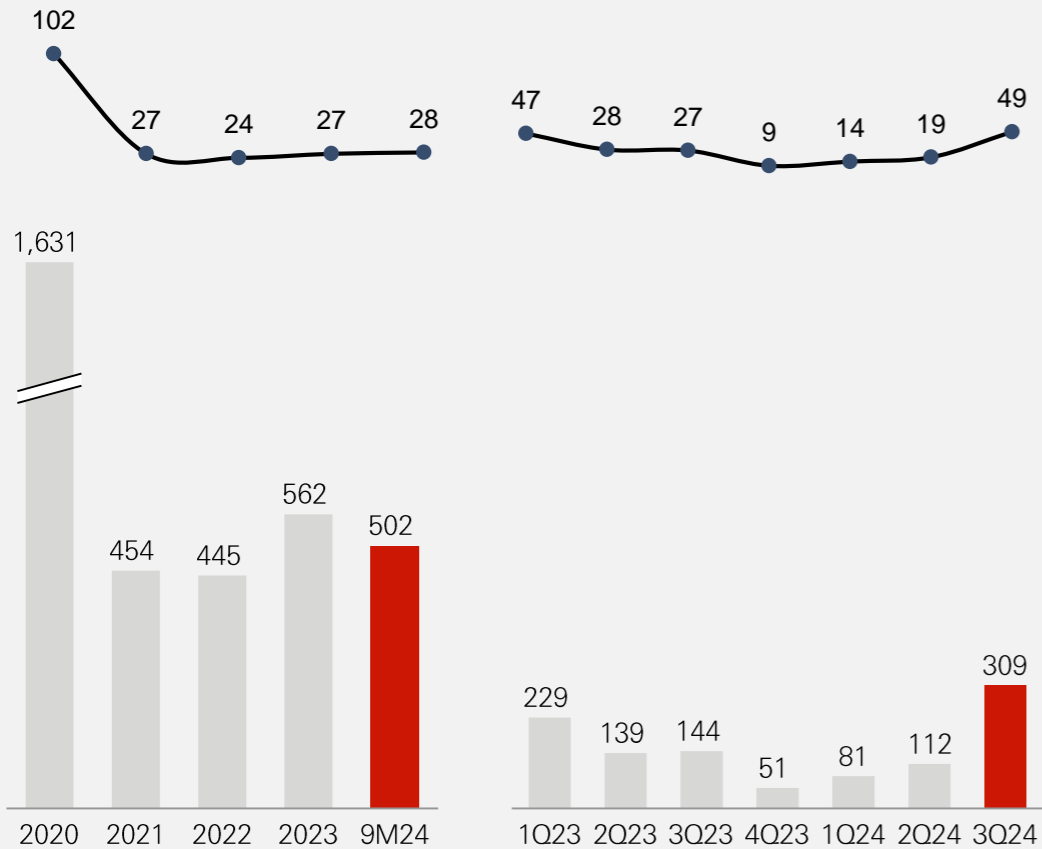
Cost efficiency ratio through the merger, %



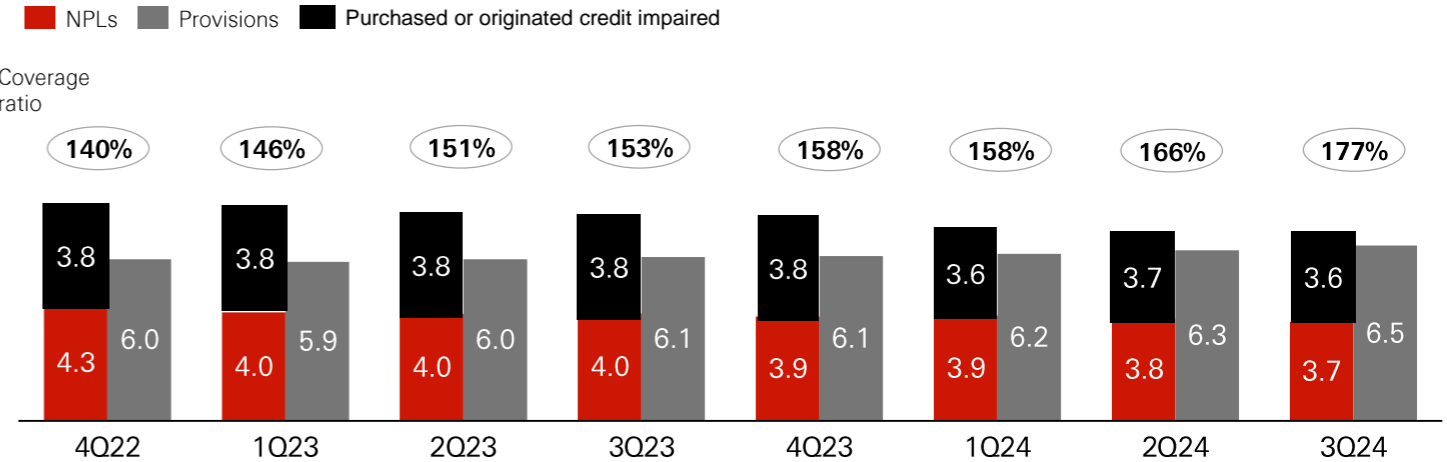
Impairment analysis and credit quality

3Q24 cost-of-risk increases reflecting the timing of recoveries and a small number of specific charges; underlying portfolio quality remains strong with NPL ratio of 1.4%

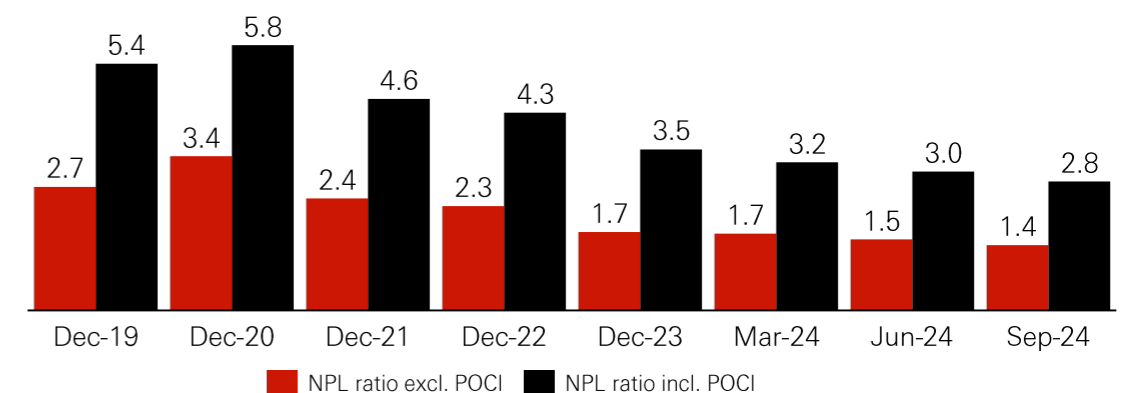
ECL charge (SARm) and CoR (bps)



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



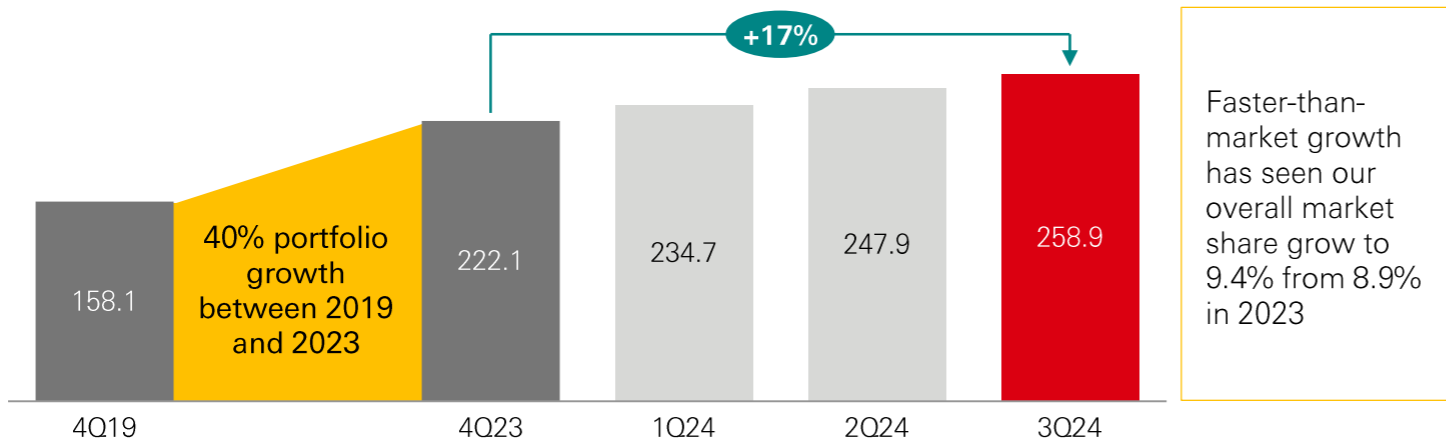
Sustained improvement in asset quality post-merger



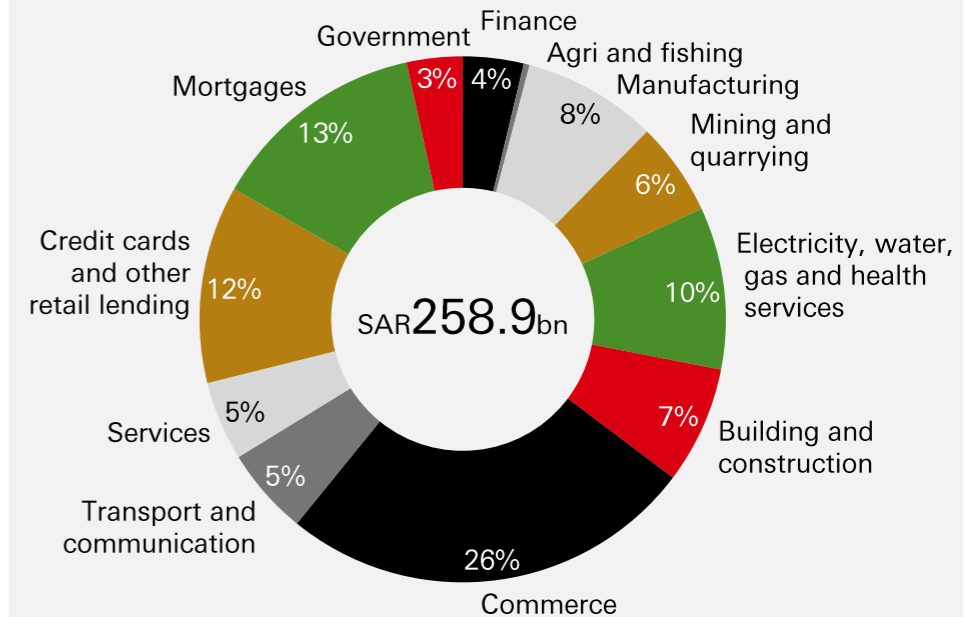
Customer lending and trade assets

Strong lending growth of 17% YTD and 19% YoY; continue to gain market share; possess a diversified lending portfolio

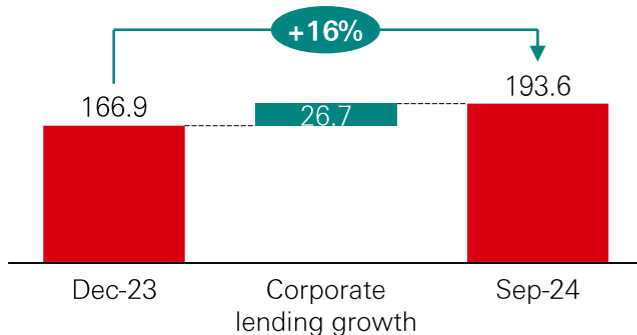
Gross customer lending, SARbn



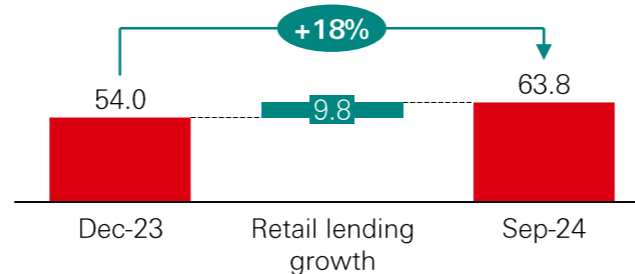
Gross customer lending, by sector



CIB lending growth during 2024



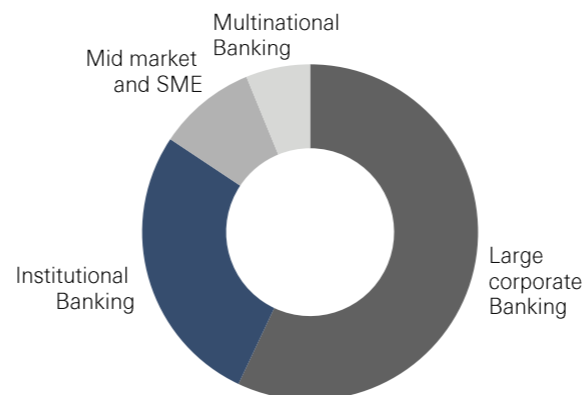
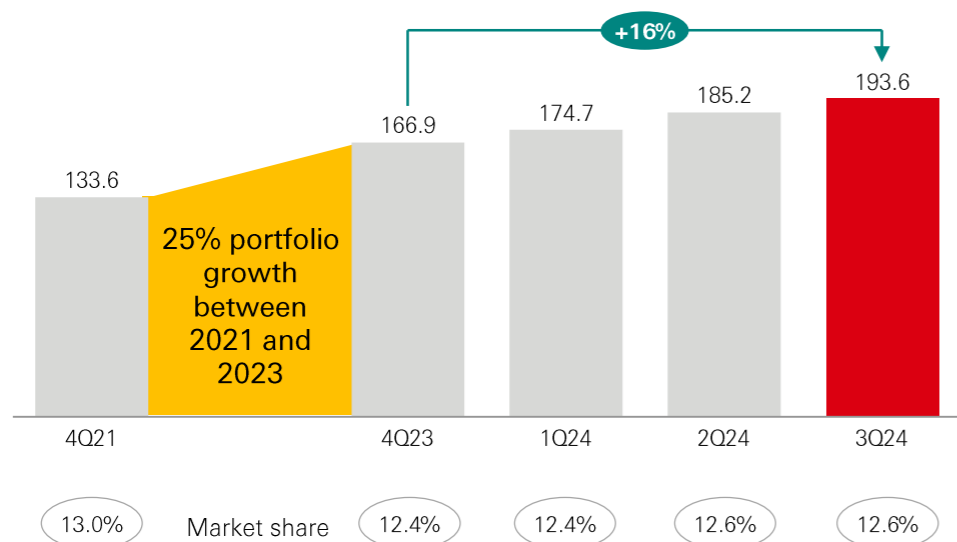
WPB lending growth during 2024



Corporate and institutional business

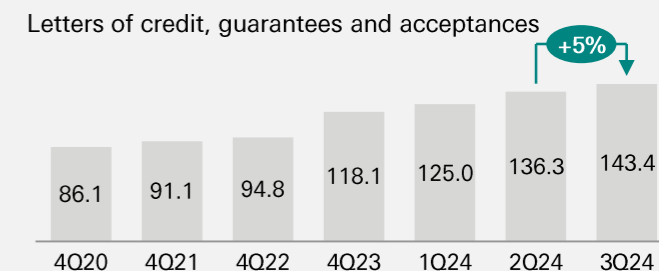
We continue to capture corporate loan market share with 16% year-to-date growth in the portfolio

Gross customer lending, SARbn

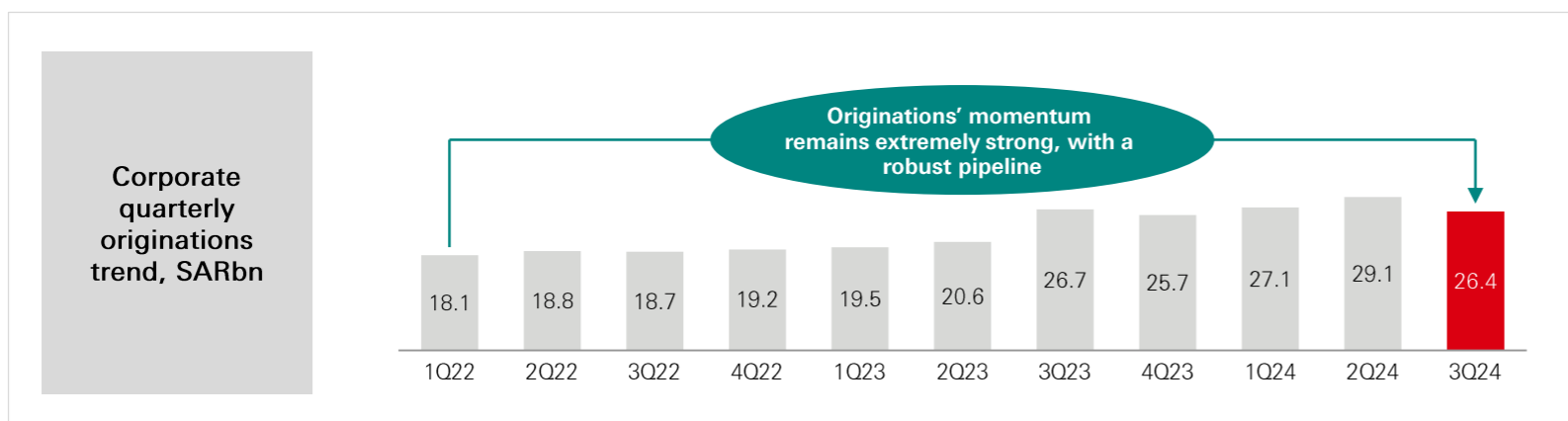
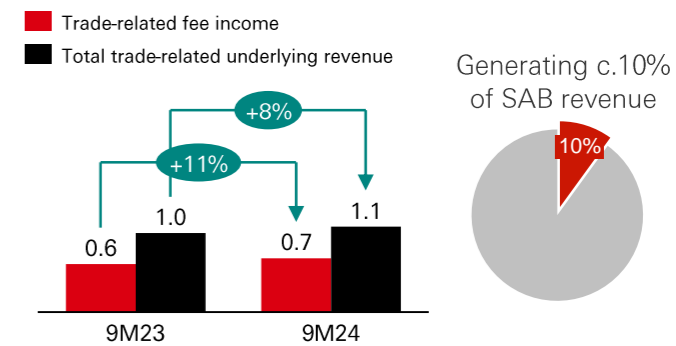


Our trade and off-balance sheet business is the number 1 in the Kingdom with 24% market share and generating c. 10% of the bank's revenue

Trade balances, SARbn



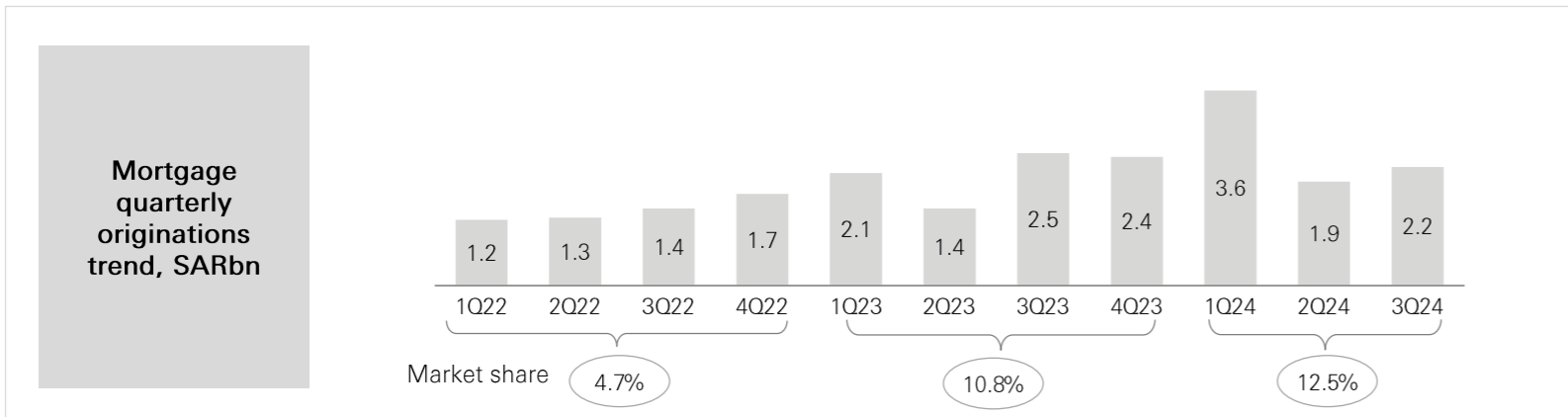
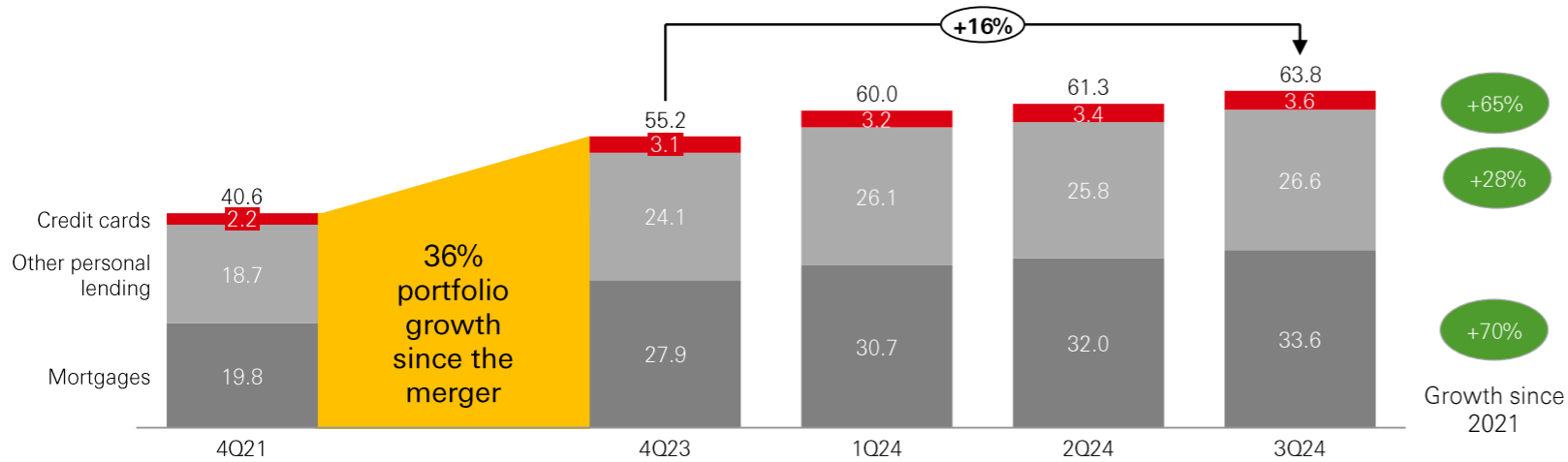
Total Trade-related 9M24 Revenue, SARbn



Wealth and personal lending business

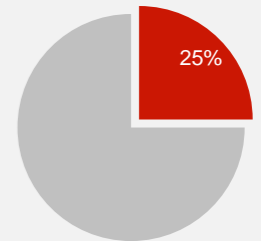
Strong lending growth of 16% YTD and 24% YoY, supported by robust mortgage growth

Gross customer lending, SARbn

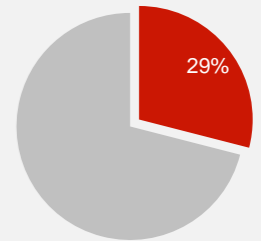


A core contribution to the Bank's financial performance

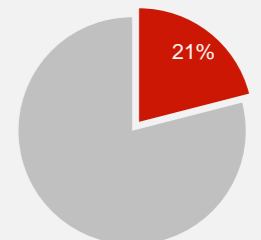
25% of the Bank's loan portfolio



29% of the Bank's revenue



21% of the Bank's net income



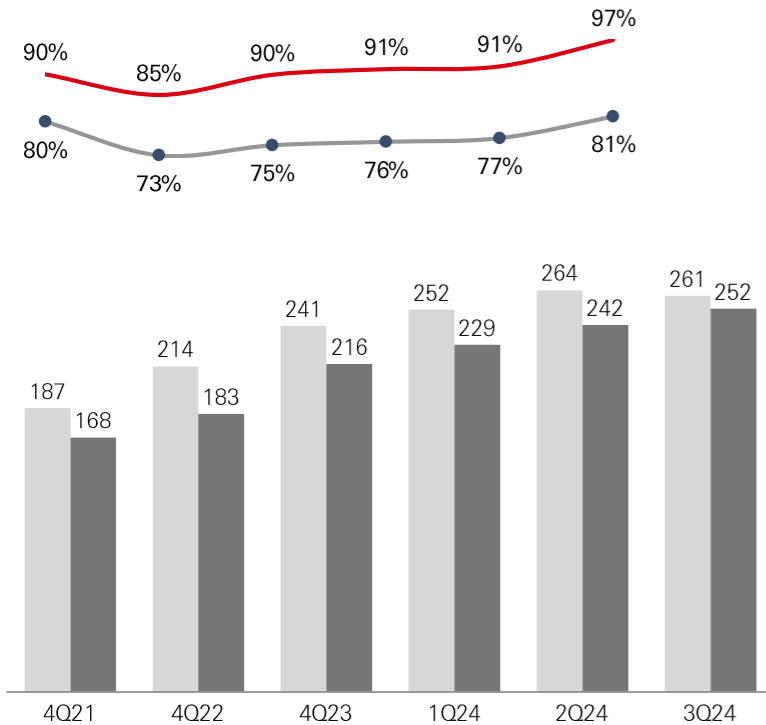
Customer deposits and liquidity

Funding and liquidity remain robust as we continue to capture deposits; challenges remain in capturing NIBs in the continued high rate environment

Customer deposits, SARbn

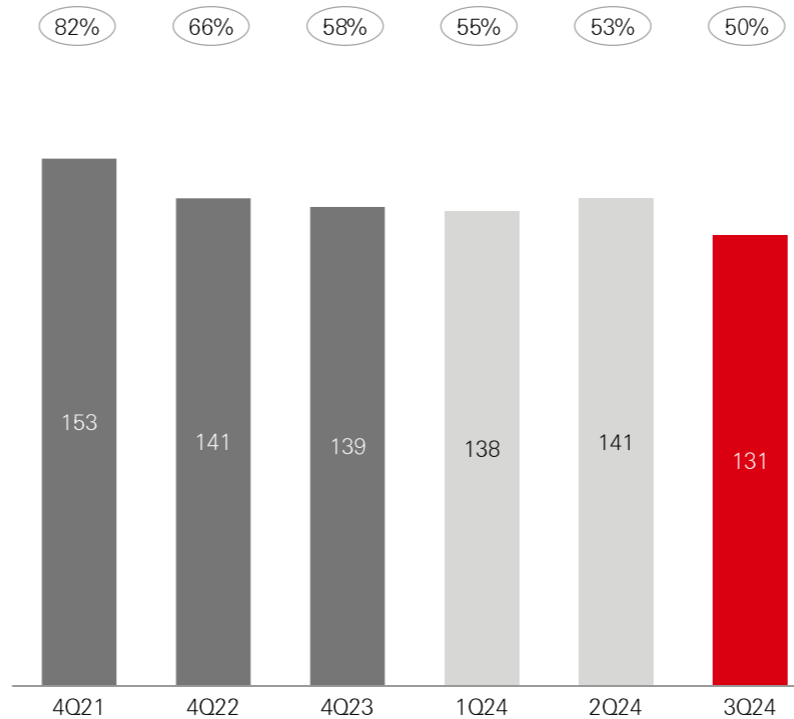
Strong funding base

█ Deposits █ Loans ● Reg LDR ● Simple LDR



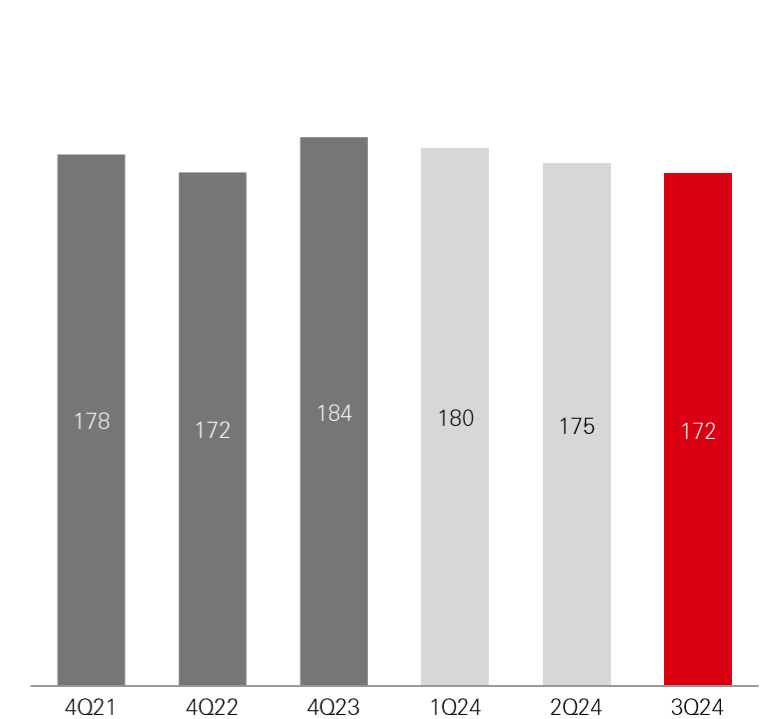
Demand deposit balances and ratio

Challenges remain in capturing NIBs in high rate environment



Liquidity coverage ratio, %

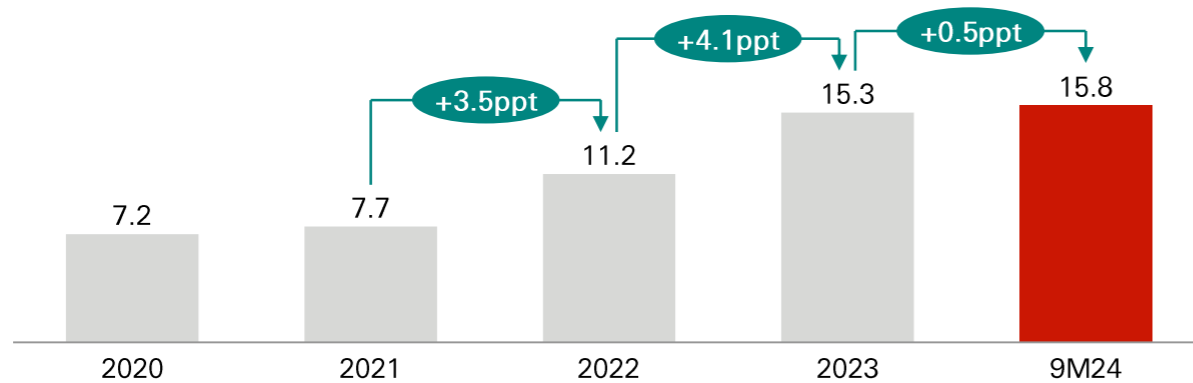
Highly liquid and well above regulatory requirements



Capital and returns

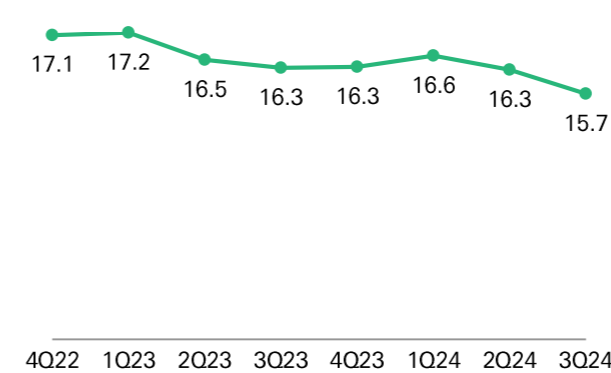
Improvement in RoTE from sustained loan growth, strong cost control and supported by lower ECL

Return on tangible equity, %



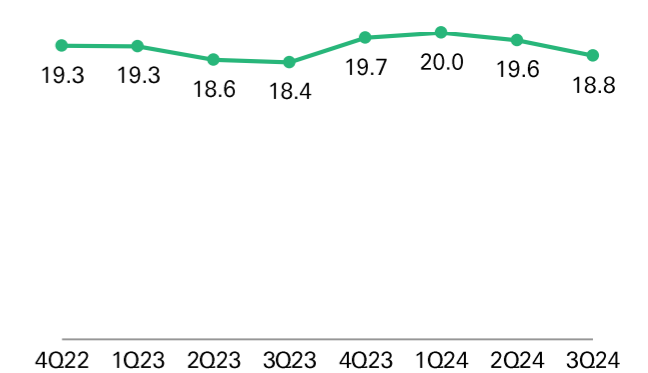
CET1 capital ratio, %

Basel 3 reforms basis

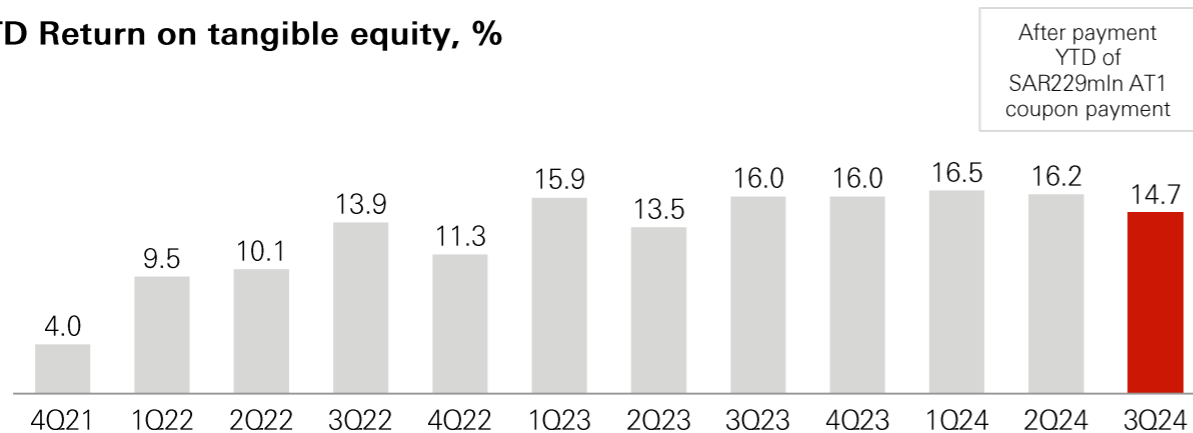


Total capital ratio, %

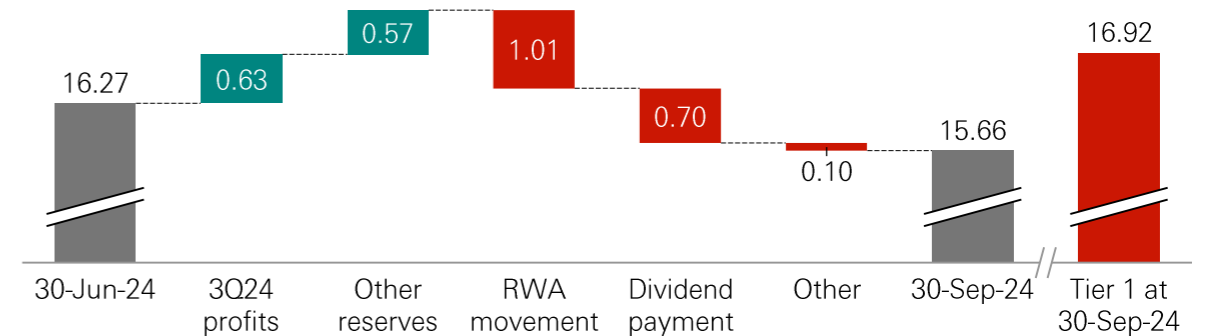
Basel 3 reforms basis



QTD Return on tangible equity, %



CET1 ratio movement 30 Sep 2024 vs. 30 Jun 2024, %



2024 guidance

We upgrade guidance on cost efficiency for the full year and expect to be at the lower end of the CoR guidance

		2021	2022	2023	9M24	2024 Original Guidance	Updated Guidance at 2024	Updated Guidance at 3Q24
Balance Sheet	Loan YoY growth	+9%	+9%	+17%	+17% YTD	Ahead of the market	Mid to high teen %	Mid to high teen %
Profitability	Annual net interest margin	2.03%	2.46%	3.04%	2.87%	2.85-2.95%	2.85-2.95%	2.85-2.95%
	Cost efficiency ratio	44.7%	37.9%	32.4%	30.6%	< 32%	< 32%	< 31%
	RoTE	7.7%	11.2%	15.3%	15.8%	15-16%	15-16%	15-16%
Asset Quality	Cost of risk	27bps	24bps	27bps	28bps	30-45bps	25-40bps	Lower end of range: 25-40bps

Appendix



History and background

1926 Netherlands Trading Society opens its office in Jeddah and becomes the first bank to operate in KSA

1978 Saudi British Bank (SABB) was incorporated as joint stock company

2021 SABB merges with Bank Alawwal to create **SAB** and become one of the largest commercial banks in KSA



SAB الأول and its subsidiaries and associated companies provide comprehensive banking services



Offers both **Islamic** and **conventional** solutions



SAB الأول holds **49%** of HSBC Saudi Arabia, the investment banking arm of HSBC in Saudi Arabia, where HSBC maintains majority stake of **51%**

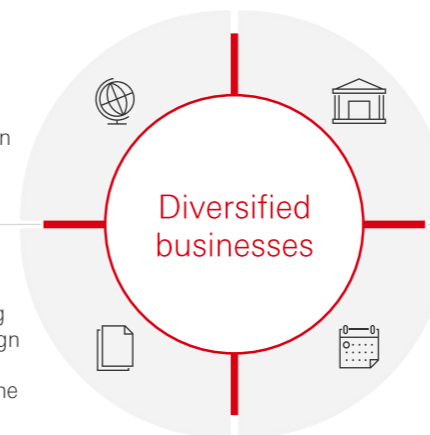
A diversified international banking offering locked into a global banking network through HSBC

Corporate 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.



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.

Capital Markets

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

Key facts and figures¹



Type of establishment
Associate of HSBC Holdings BV



Retail presence
102 branches




Employees
4.0k employees



Credit ratings
**Moody's: A2/P-1/Positive
Fitch: A-/F2/Stable**

SAR259bn 
Loan portfolio

SAR261bn 
Customer deposits

15.8% 
Return on tangible equity

15.7% 
Tier 1 ratio

Investment case

Five reasons to invest in SAB

1. Leading international bank in the Kingdom

Our institution has developed into the leading international bank in the Kingdom through a deep understanding of the needs of our customers and a bespoke product suite that delivers intrinsic value. Our unique partnership with HSBC Group enables us to bring international connectivity to our customer base and aligns our approach with global best practice. We are the 'go-to' Bank for inbound and outbound multinational corporates and institutions operating into or from Saudi Arabia, and the number one bank in the Kingdom for trade.

2. Increased scale to support Vision 2030 growth aspirations

The Kingdom is navigating its path through undoubtedly its biggest economic transformation programme, bringing a wealth of opportunity to every family and enterprise domestically, but also playing to international opportunities. Through our robust balance sheet and market-leading suite of products, we possess the scale and capability to support such an ambitious programme.

3. Financial strength

Historically, we have delivered top tier financial performance from a strong balance sheet, robust funding and liquidity dynamics, and a solid capital position. Following the merger with Alawwal Bank, we have taken the necessary steps to protect our balance sheet and conservatively manage the provisioning of our portfolio. We are still in a position of strength to meet the demands of our customers.

4. Positioned for growth

We have successfully completed the integration of our two banks, following the merger of SABB with Alawwal Bank, and we have moved swiftly into investment and growth mode. Our Strategy 2025 is growth focused and supported by a drive to digitise the banking platform and customer experience. Our growth agenda aims to build on our strengths in our corporate franchise and provide a more enhanced retail provision to support the growing needs of our retail customers. Our long-term strategy coupled with a core set of finance fundamentals and a robust economy positions us well for growth.

5. We are safe, sustainable and dependable

A robust approach to corporate governance is a key strength for any organisation and we ensure we adopt best practices in this field to create value for all of our Stakeholders. The Board sets the Bank's strategy and risk appetite with the aim of achieving sustainable value and promoting a culture of openness and debate. Our Board brings a successful balance of international banking best practices, together with local, commercial and institutional insight and experience.

We conduct our business using a responsible and sustainable approach in line with our values, and our business decisions are made in the interests of all concerned Stakeholders, including our customers, employees, Shareholders and our wider community.



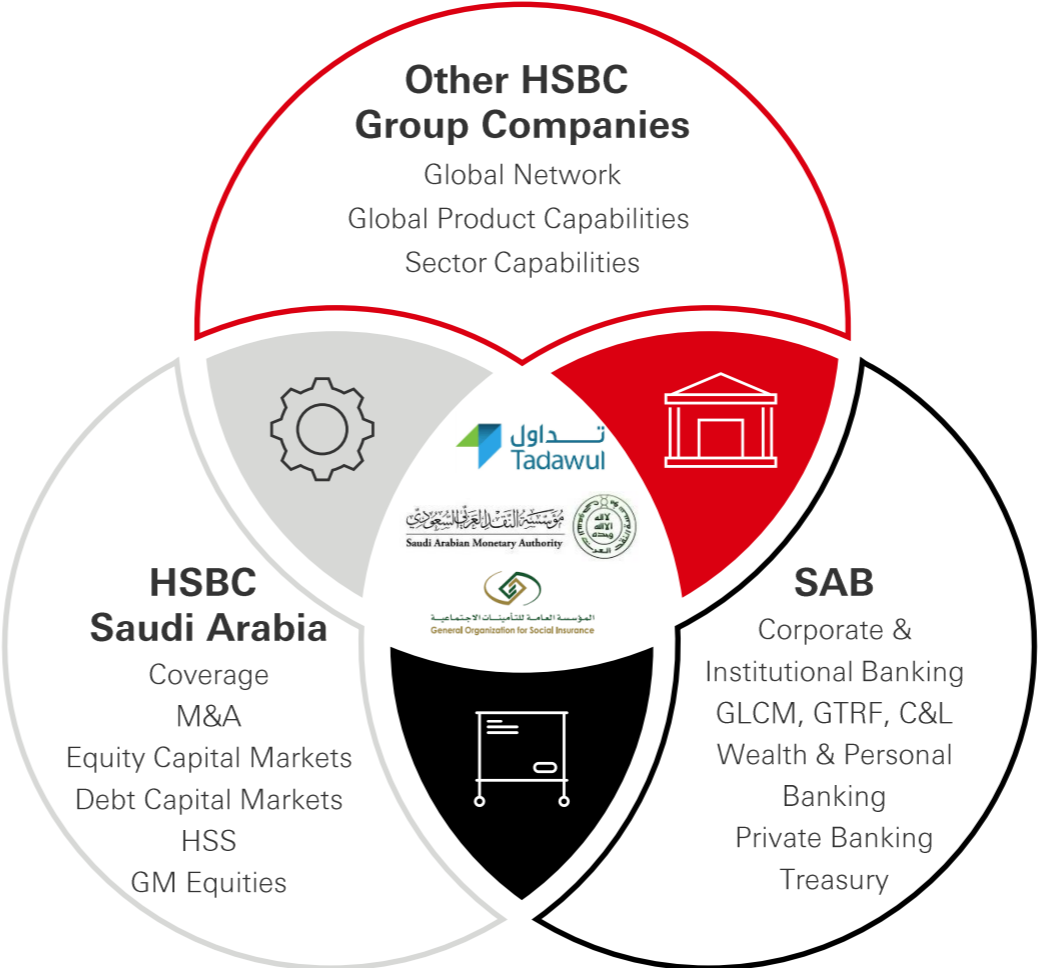


SAB's differentiation - connectivity with HSBC

Our contribution to bringing the world to Saudi, and Saudi to the world

Engagement model enablers

- ◆ **SAB** is the first bank in KSA with dedicated desks for all key business corridors
- ◆ SAB maintains **full operational connectivity with HSBC** providing full product and services slate, with the same 'look and feel' as in any other country where the group has presence
- ◆ Product alignment: sharing of info/content/leveraging of best practices on both corporate through SAB and investment banking through HSBC Saudi Arabia, which is majority owned by HSBC



- ### Product Capabilities
- ◆ Saudi extension to Global Network
 - ◆ Only international bank of scale in KSA
 - ◆ Unrivalled integrated product offering

- ### Shared Technologies and Processing
- ◆ Business models and product offering reinforced via Technical Service Agreement between the parties
 - ◆ Leverage Group Systems, including hsbnet
 - ◆ SAB is the first international bank to provide free instantaneous international transfers using HSBC's Global View Global Transfer functionality

- ### People Capabilities
- ◆ HSBC Resources in Saudi entities
 - ◆ 3 Dedicated Asia Desks in KSA, operating through Wholesale concept