

Saudi Awwal Bank 1Q24 Results

Presentation to investors and
analysts



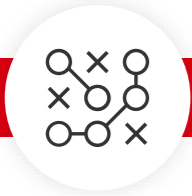
CEO's key 1Q24 messages



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1Q24 Key messages



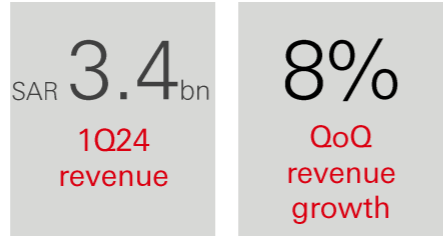
Strategy on track

- ◆ A key player in the Vision 2030 giga-programmes
- ◆ Delivered strong loan growth of 19% YoY and 6% QoQ
- ◆ 32% growth in our mortgage portfolio YoY and 10% QoQ
- ◆ Leading market position in off-balance sheet trade assets with 24% market share



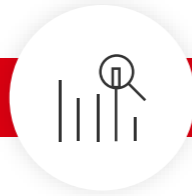
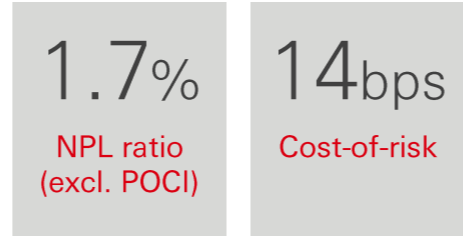
Continued sequential revenue growth

- ◆ Generated the highest quarterly revenue for SAB in 1Q24 of SAR 3.4bn up 8% QoQ
- ◆ 1Q24 quarterly NIM remains at the upper end of full year guidance; time deposits continue to be the main source for incremental growth



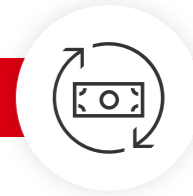
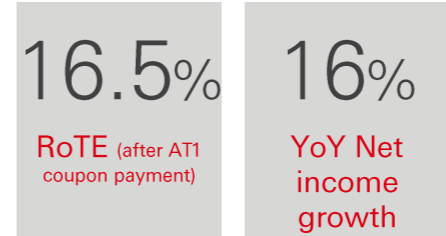
Underlying asset quality remains strong

- ◆ 1st quarter asset quality metrics continue to improve



Improving returns

- ◆ Delivered a RoTE of [16.5%] from strong loan growth, fee capture, controlled costs and low impairments



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



1Q24 financials



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Financial summary

Over SAR2.0bn of net income generated in 1Q24 up 16% YoY and 10% QoQ; quarterly revenue levels at a record SAR3.4bn; Strong start to 2024 with 6% QoQ loan growth – fastest in the market

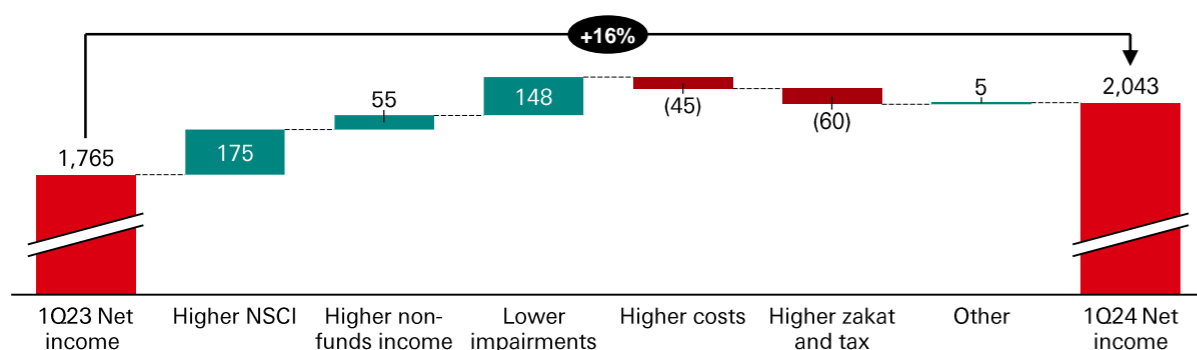
Income statement and Balance Sheet

SAR million	1Q24	Δ 1Q23	Δ 4Q23
Total operating income ('Revenue')	3,447	7% ▲	8% ▲
Operating expenses	(1,051)	4% ▲	1% ▼
Provision for expected credit losses, net	(81)	65% ▼	59% ▲
Share in earnings of associates	35	19% ▲	33% ▼
Net income before Zakat and income tax	2,351	17% ▲	11% ▲
Zakat and income tax	(308)	24% ▲	20% ▲
Net income after Zakat and income tax	2,043	16% ▲	10% ▲

Key ratios, Income statement and Balance Sheet

% unless otherwise stated	1Q24	Δ 1Q23	Δ 4Q23
Net special commission margin ('NIM')	2.95	0.2ppt ▼	0.1ppt ▼
Return on Tangible Equity	17.1	1.2ppt ▲	1.1ppt ▲
Return on Tangible Equity (after AT1 coupon)	16.5	0.6ppt ▲	0.5ppt ▲
Cost Efficiency Ratio ('CER')	30.5	0.8ppt ▼	3.1ppt ▼
Cost of risk ('CoR')	14bps	33bps ▼	5bps ▲
Common Equity Tier 1 ratio ('CET 1')	16.6	0.6ppt ▼	0.3ppt ▲

1Q24 Net income after Zakat and income tax walk



Balance Sheet

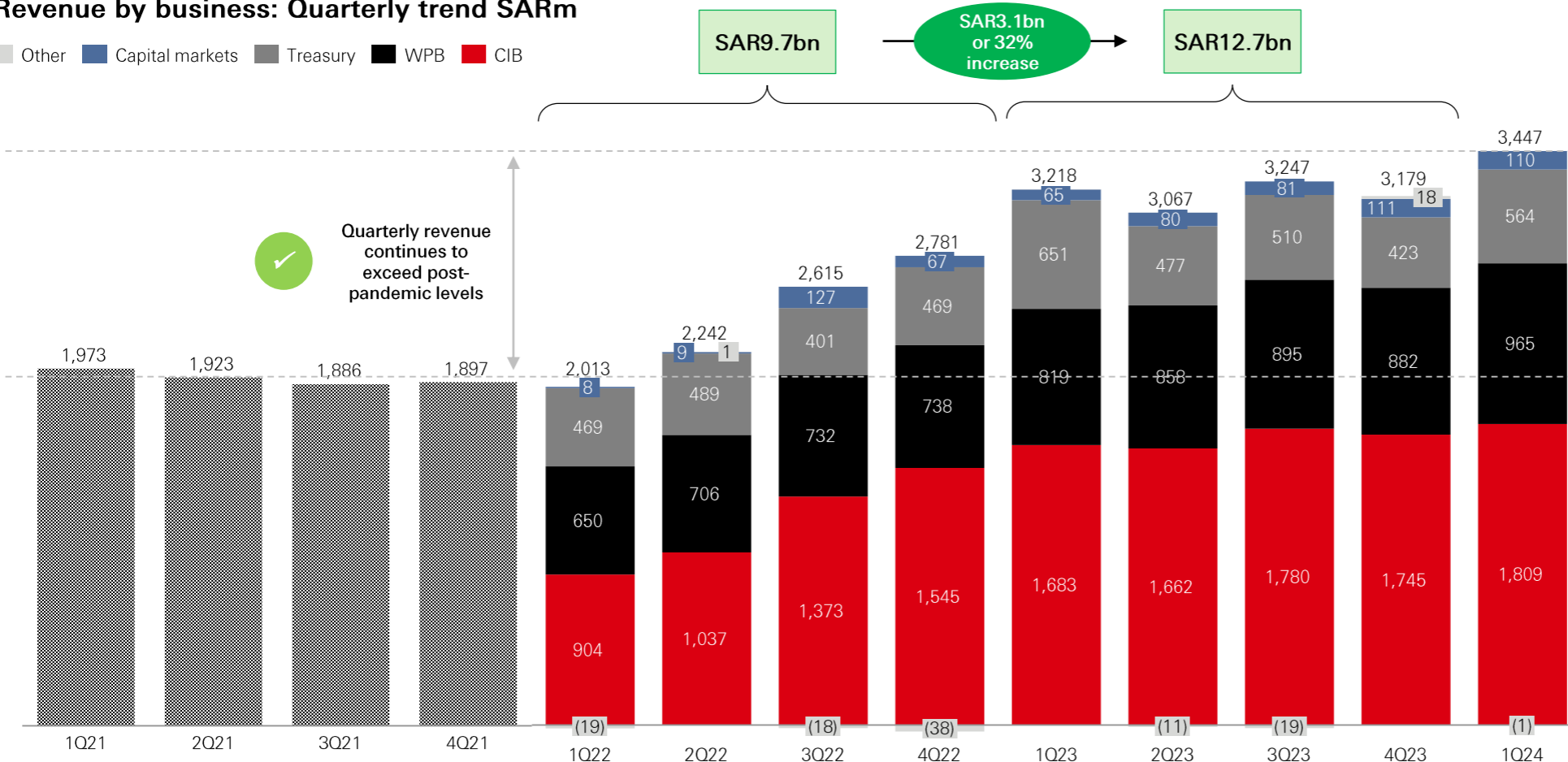
SAR billion	1Q24	Δ 1Q23	Δ 4Q23
Gross loans	234.7	19% ▲	6% ▲
Net loans	228.5	20% ▲	6% ▲
Investments	92.0	1% ▲	5% ▼
Customer deposits	251.8	11% ▲	4% ▲
Demand deposits	137.7	8% ▼	1% ▼
Tangible Equity	48.5	5% ▲	2% ▲

Revenue

We delivered a record SAR3.4bn of revenue in 1Q24, growth of 7%; quarterly NIM fell but offset by strong loan growth and supported by robust fee generation

Revenue by business: Quarterly trend SARm

Other Capital markets Treasury WPB CIB



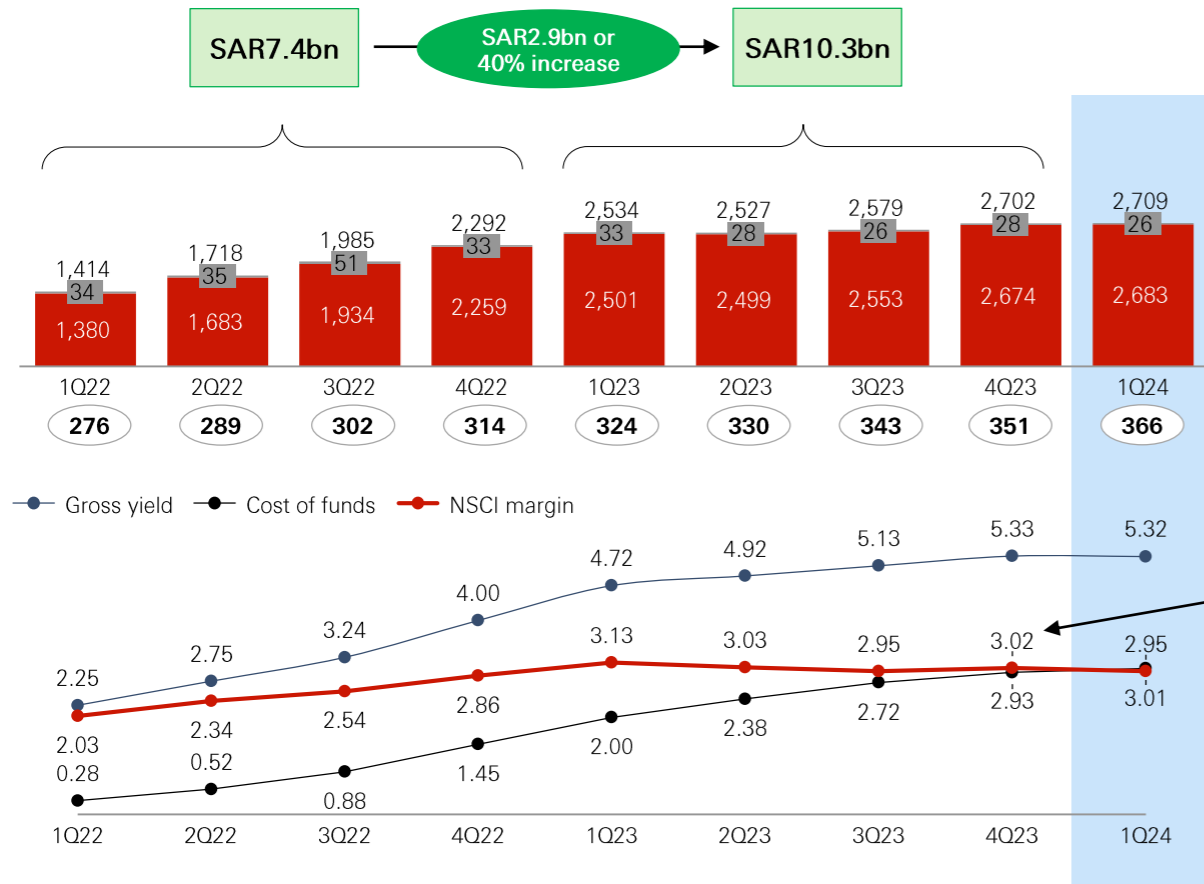
- ◆ Strong volume growth has been instrumental in growing revenues
- ◆ Malleable Balance Sheet that has allowed SAB to benefit from higher rates, but also allowed the Bank to shift its BS construct to one that will be less sensitive when rates fall
- ◆ Underlying NIM has seen a marginal fall as time deposits have been the primary source of funding for loan growth
- ◆ Non-funds income grew 55% QoQ mainly from higher trading income where the trailing quarter had minimal trading activity

NSCI and non-funds revenue

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

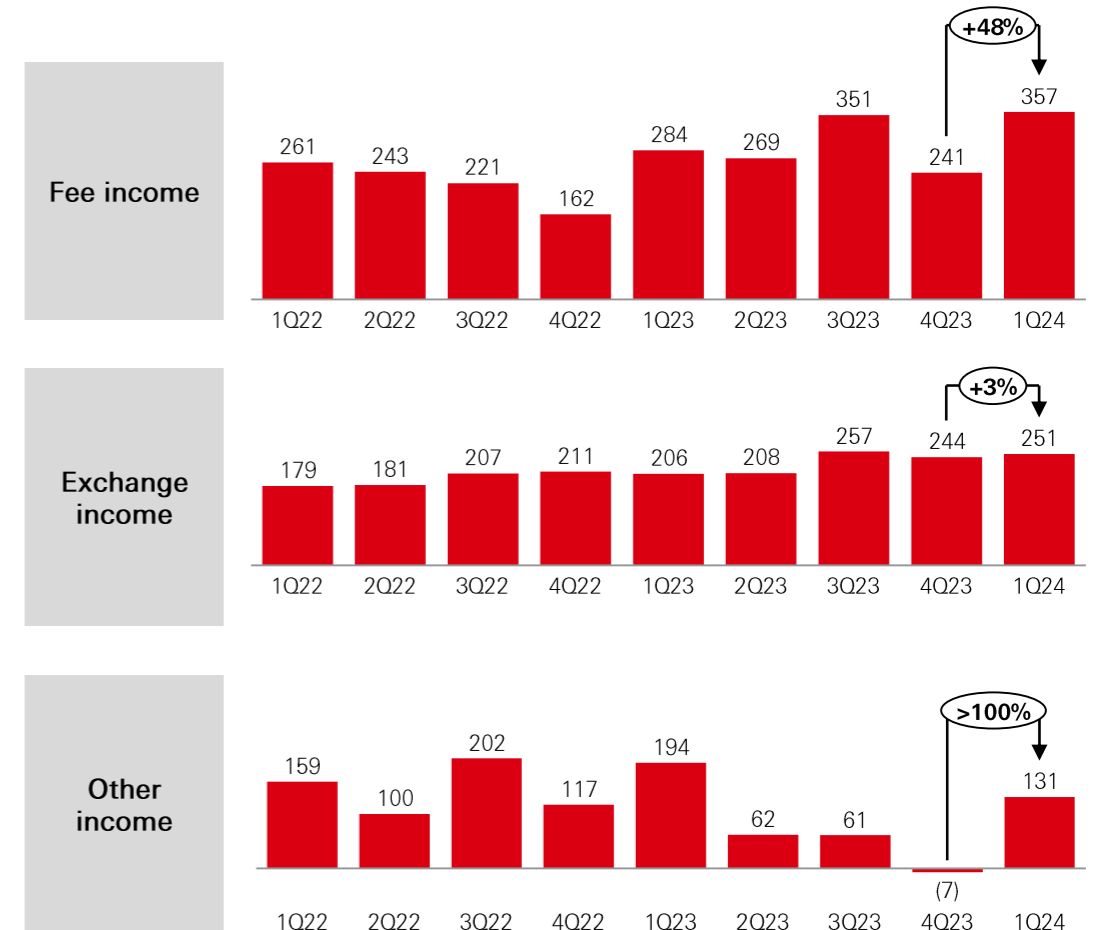
NSCI, SARm and Average interest earning assets, SARbn

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



4Q23 included c. SAR50m of suspended SCI; underlying NIM of 2.97%

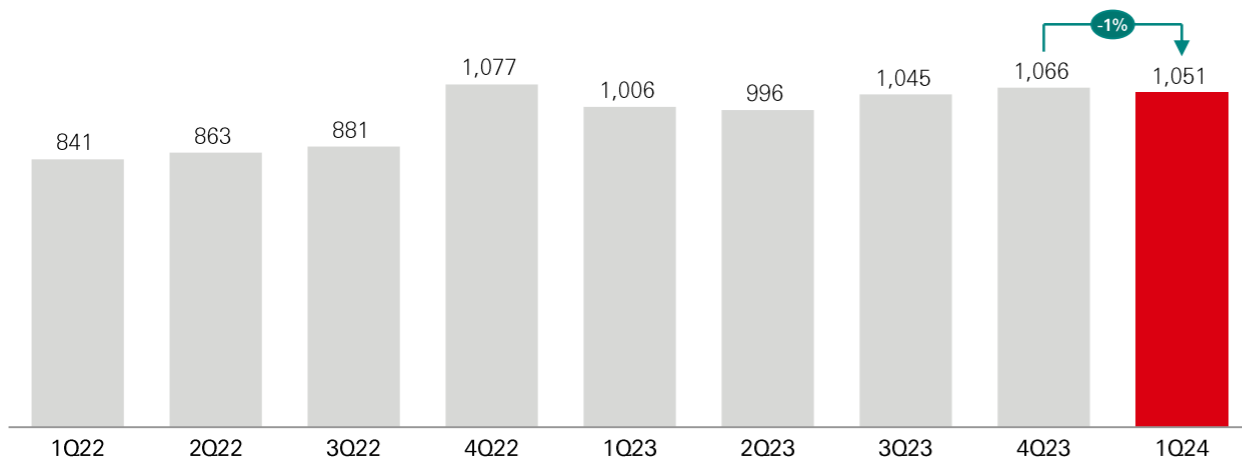
Non-funds income, SARbn



Costs

1Q24 costs have increased 4% compared with 1Q23, and down 1% QoQ; CER ratio of 30.5% remains within the improved guidance range

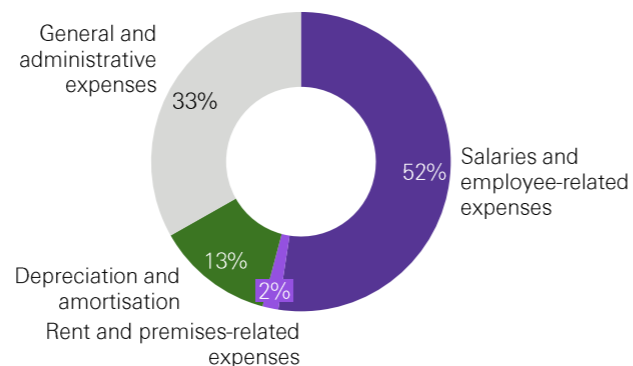
Recent cost trend, SARm



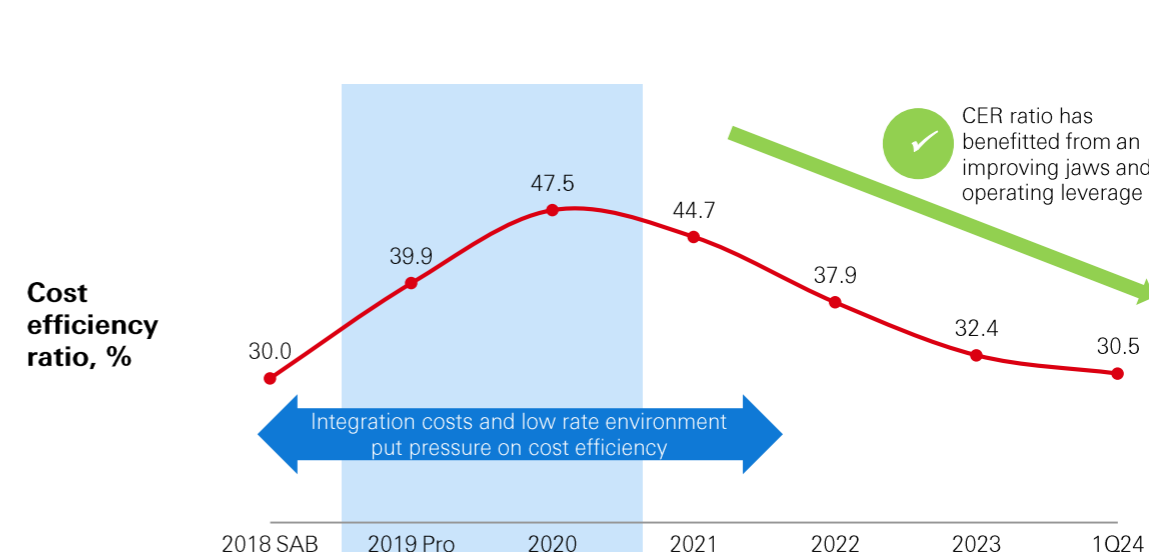
Costs were lower marginally by 1% due to:

- reduced depreciation and amortization costs in the first quarter
- staff costs were stable

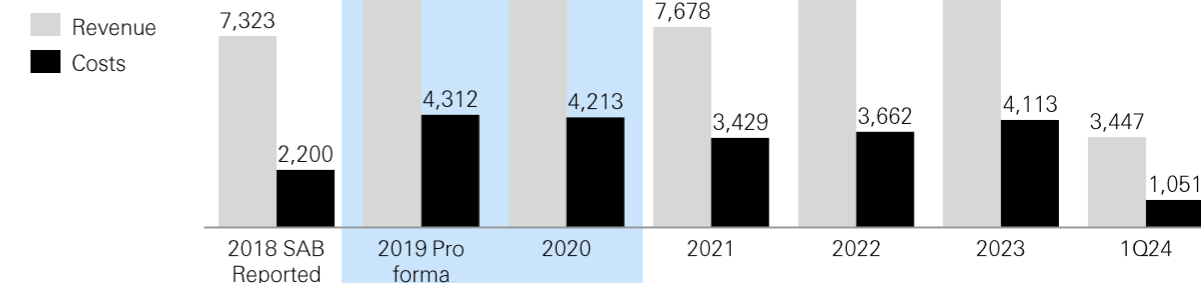
1Q24 costs by type, SARm



Cost efficiency ratio through the merger, %



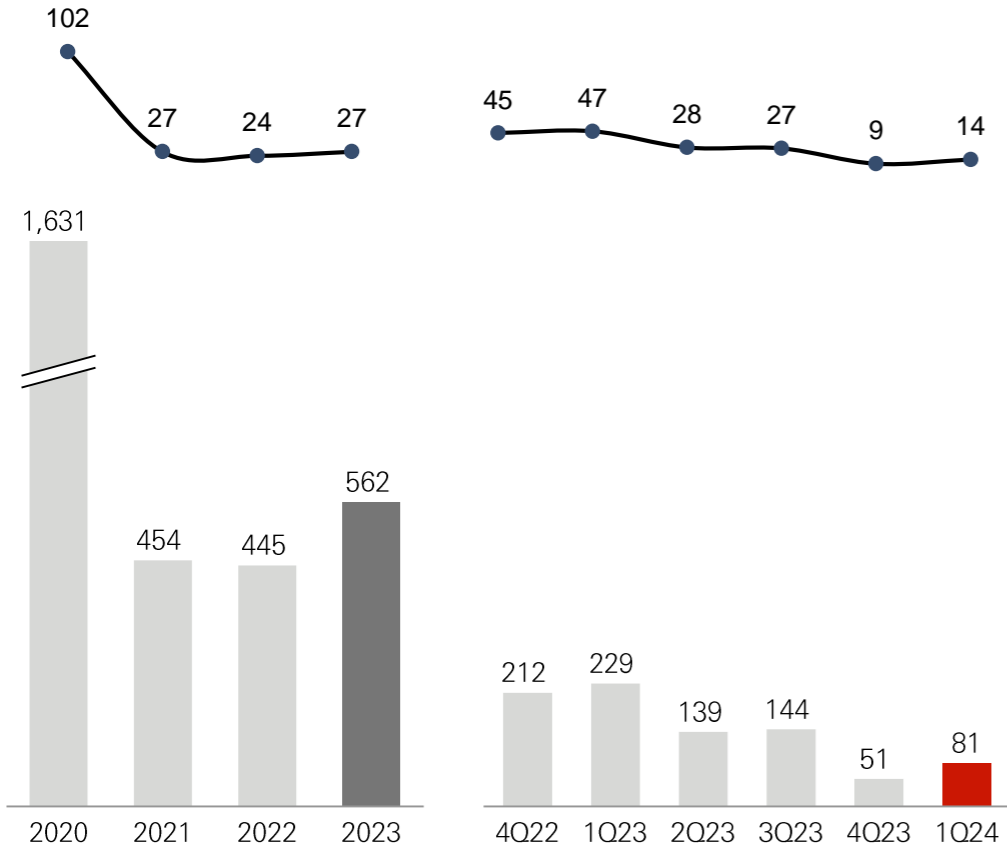
Revenue and costs, SARm



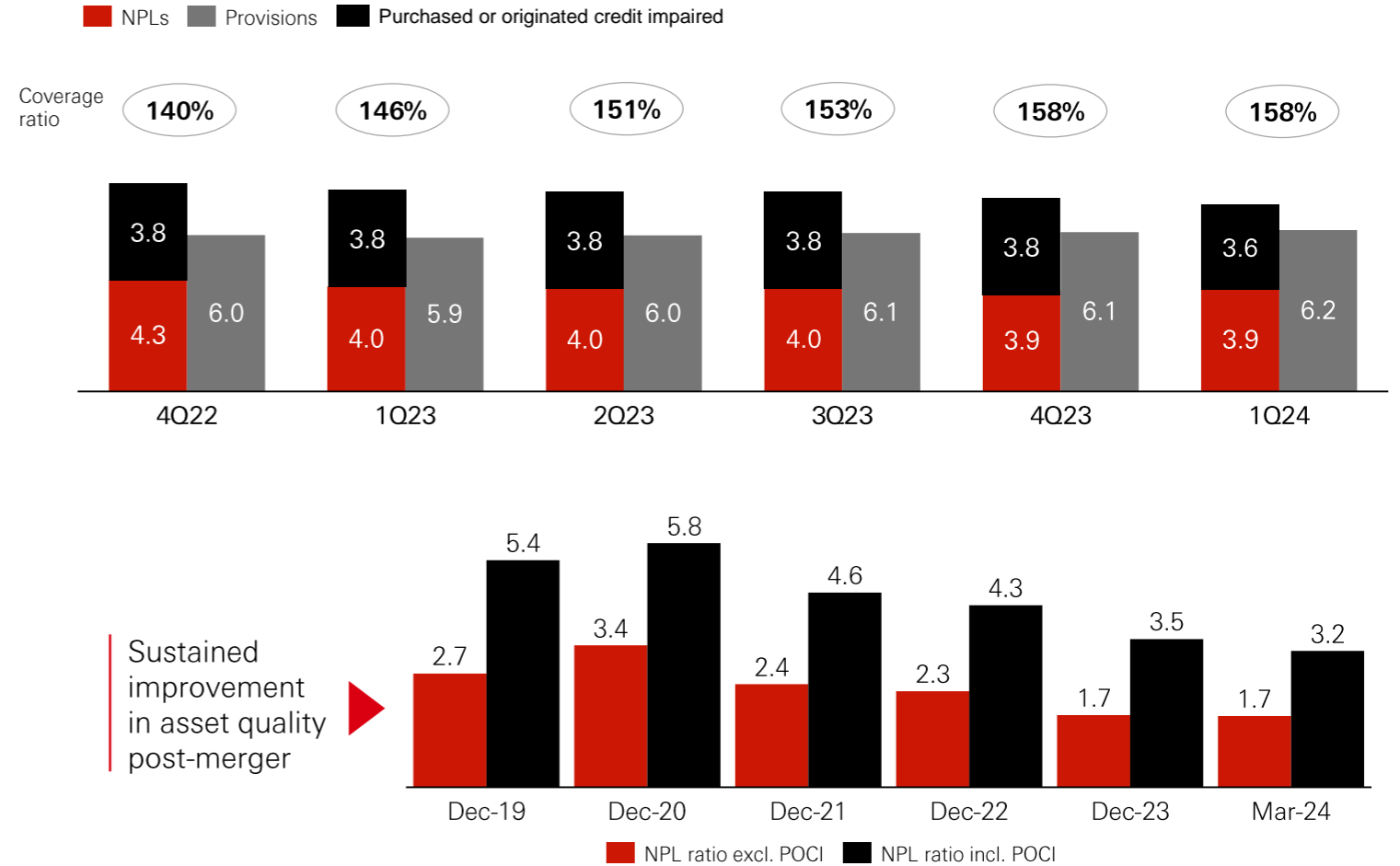
Impairment analysis and credit quality

Cost of risk remains low; NPL ratio excluding POCl remains at 1.7%; asset quality remains strong

ECL charge (SARm) and CoR (bps)



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

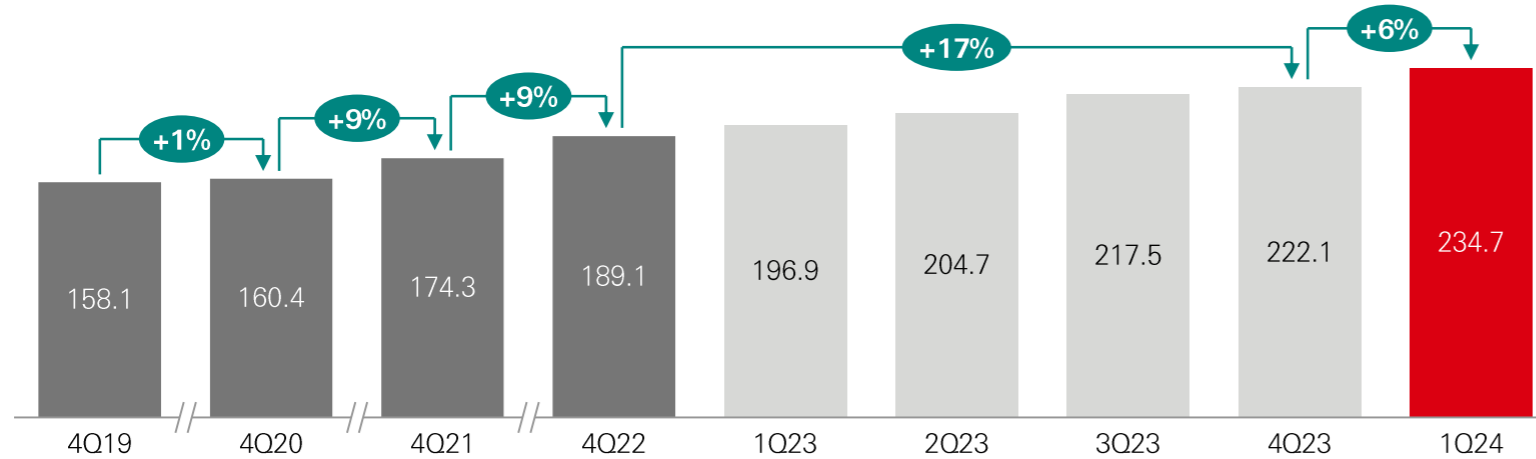


Sustained improvement in asset quality post-merger

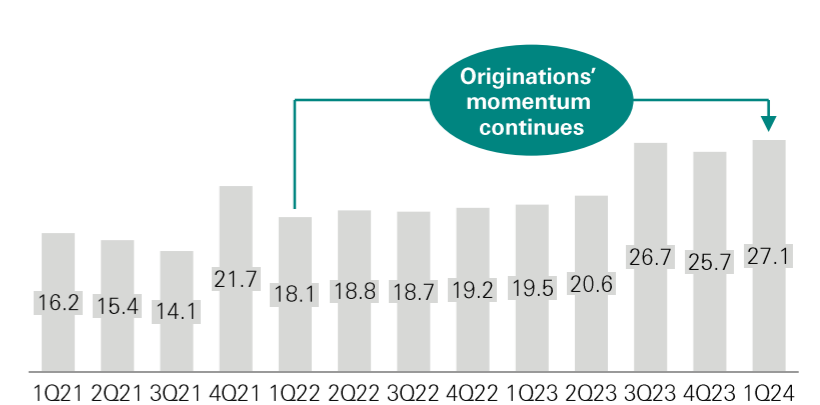
Customer lending and trade assets

19% YoY lending growth – the fastest growing bank in the KSA; trade assets continue to show strong growth reflecting our no.1 position in the KSA market

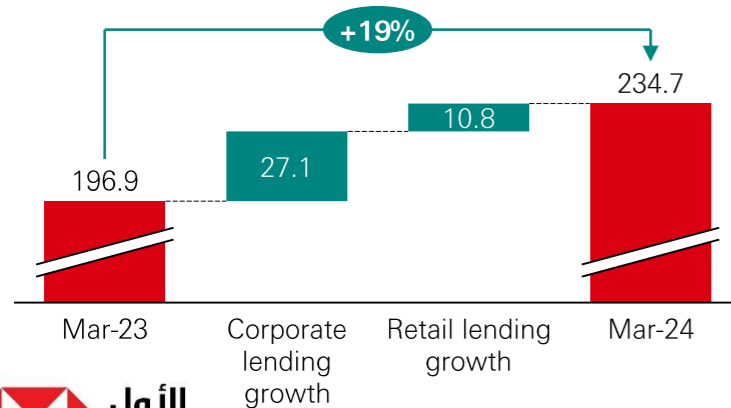
Gross customer lending, SARbn



Corporate quarterly originations trend, SARbn

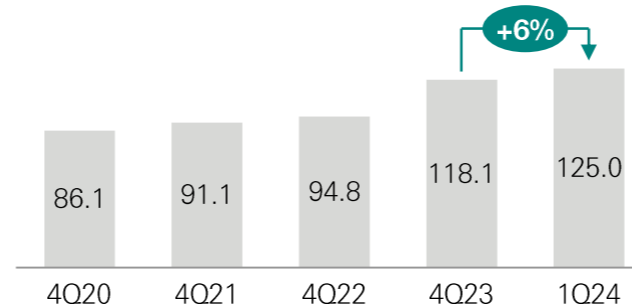


Gross customer lending Mar-24 vs. Mar-23, SARbn

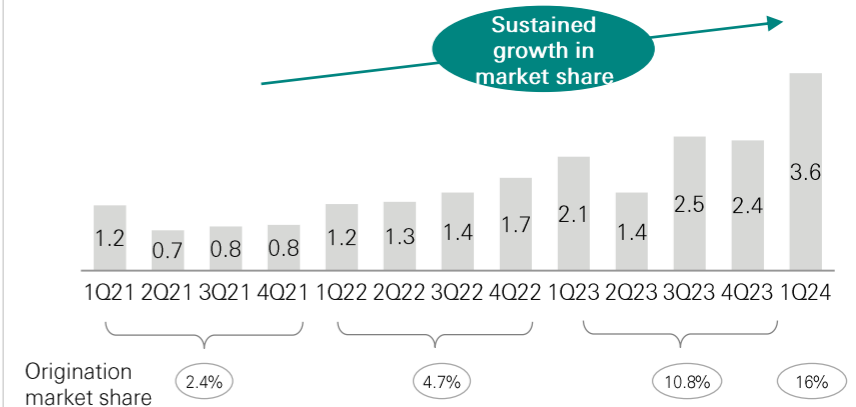


Trade Assets, SARbn

Letters of credit, guarantees and acceptances



Mortgage originations trend, SARbn

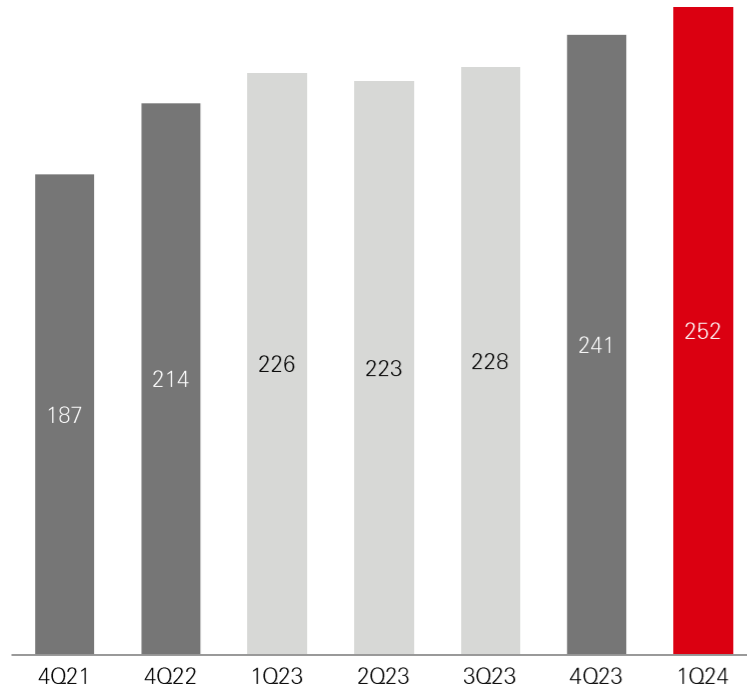


Customer deposits

Funding and liquidity remain robust; NIBs balances continue to stabilize

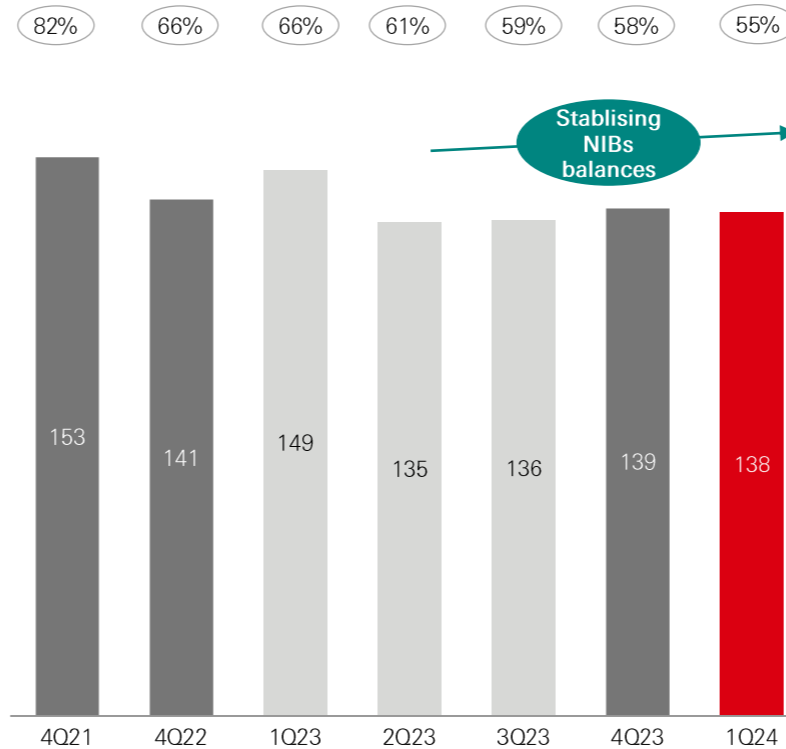
Customer deposits, SARbn

Stable funding base



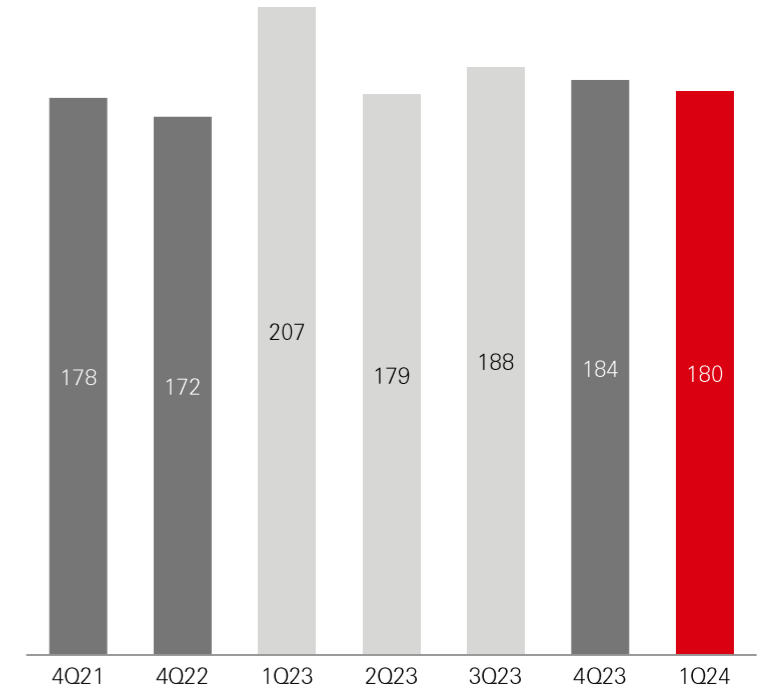
Demand deposit balances and ratio

Non-interest bearing deposit ratio remains ahead of the market with balances stabilising since 2Q23



Liquidity coverage ratio, %

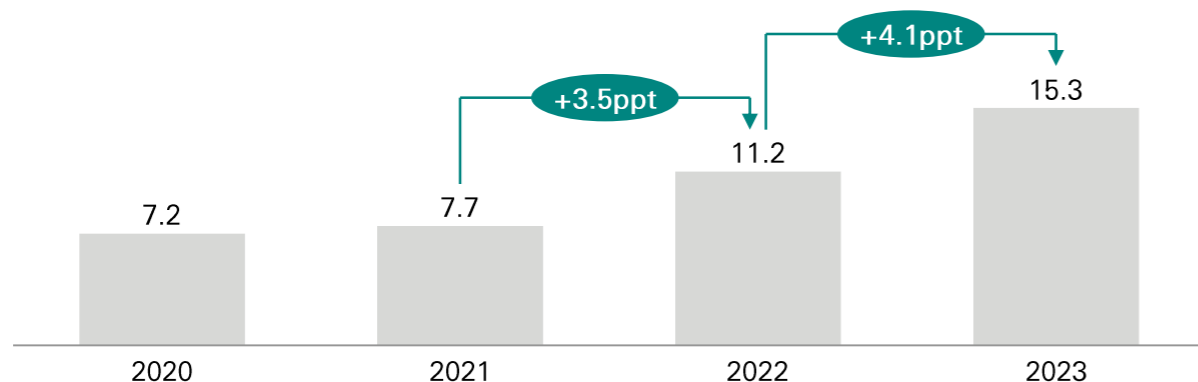
Highly liquid and well above regulatory requirements



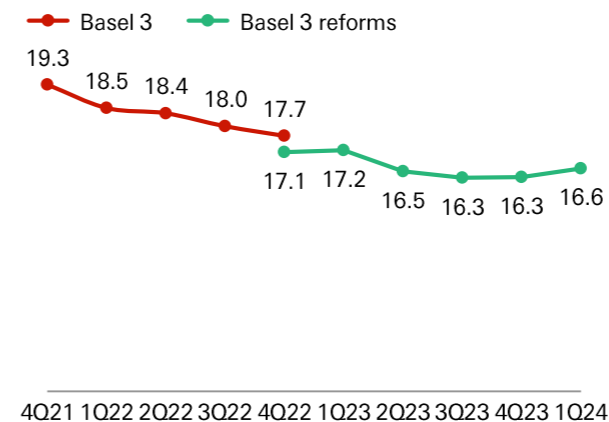
Capital and returns

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

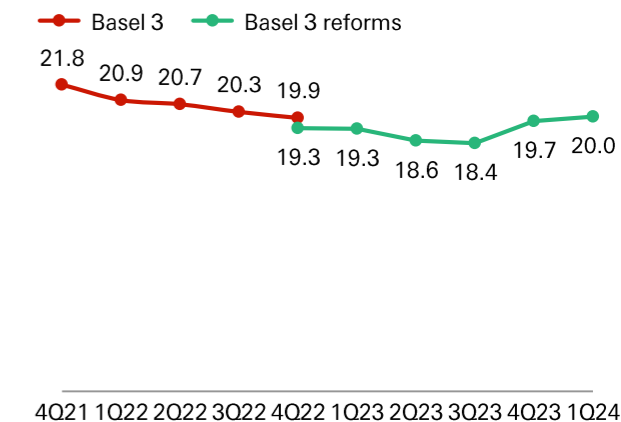
Return on tangible equity, %



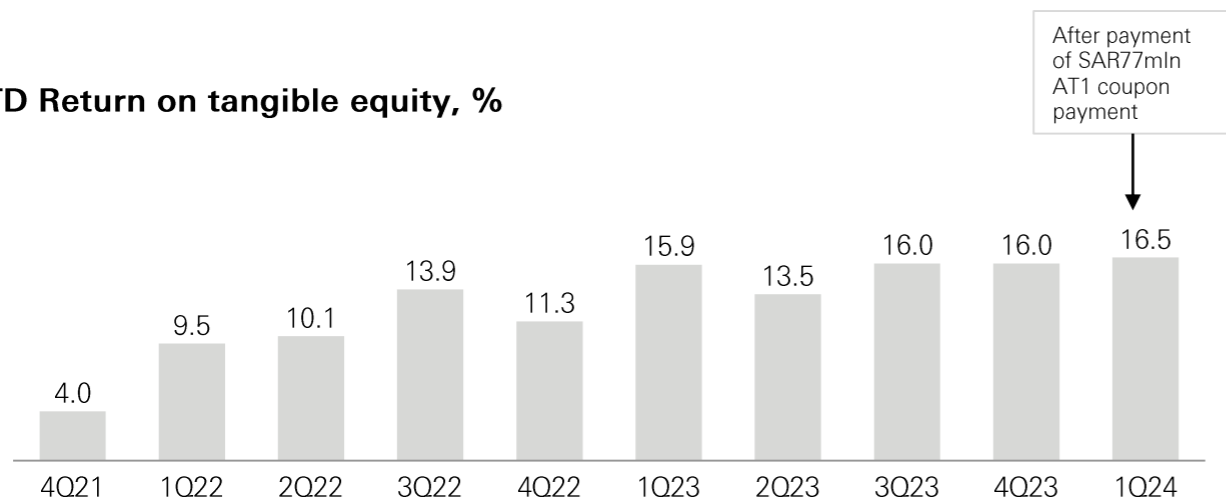
CET1 capital ratio, %



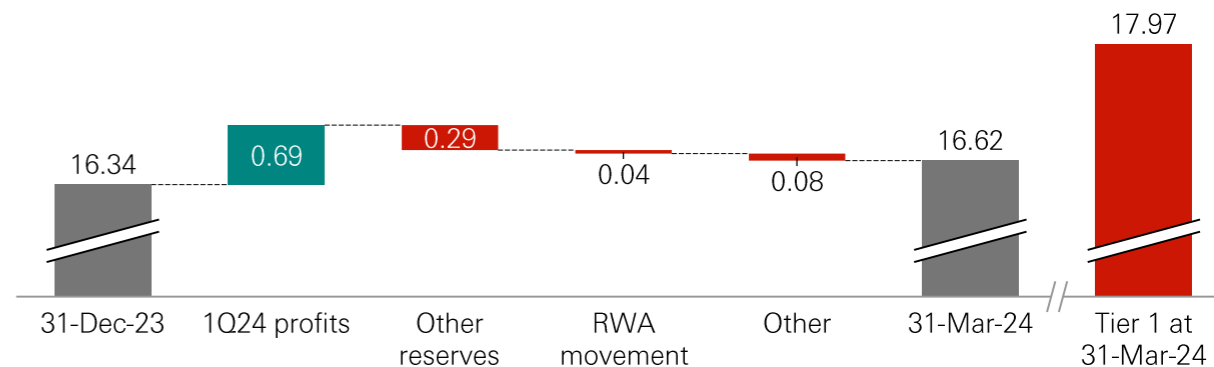
Total capital ratio, %







QTD Return on tangible equity, %



CET1 ratio movement 31 Mar 2024 vs. 31 Dec 2023, %



1Q24 overall performance and 2024 guidance

	2023 actual	2024 guidance		1Q24 actual	
Loan YoY growth	+18%	Ahead of the market	Continue to out-grow the market notably in areas of strength	+6% QoQ	
Annual net interest margin	3.04%	2.85-2.95%	Minor shifts in the BS construct, together with rate reductions results in a slow fall in NIM in 2024	2.95%	
Cost efficiency ratio	32.4%	<32%	Continued cost optimisation and we will operate with positive jaws	30.5%	
Cost of risk	27bps	30-45bps	No material shift in CoR expected	14bps	
RoTE	15.3%	15-16%	Sustain current levels of RoTE in a changing rate environment	16.5%	

Appendix



SAB الأول

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%**

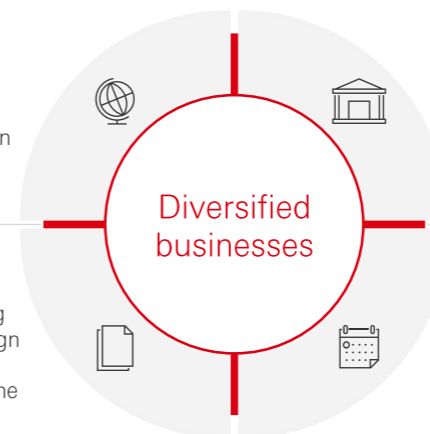
A diversified international banking offering locked into a global banking network through HSBC

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 figures



Type of establishment
Associate of HSBC Holdings BV



Retail presence
104 branches




Employees
4.1k employees



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

SAR222bn 
Loan portfolio

SAR241bn 
Customer deposits

15.3% 
Return on tangible equity

17.7% 
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.



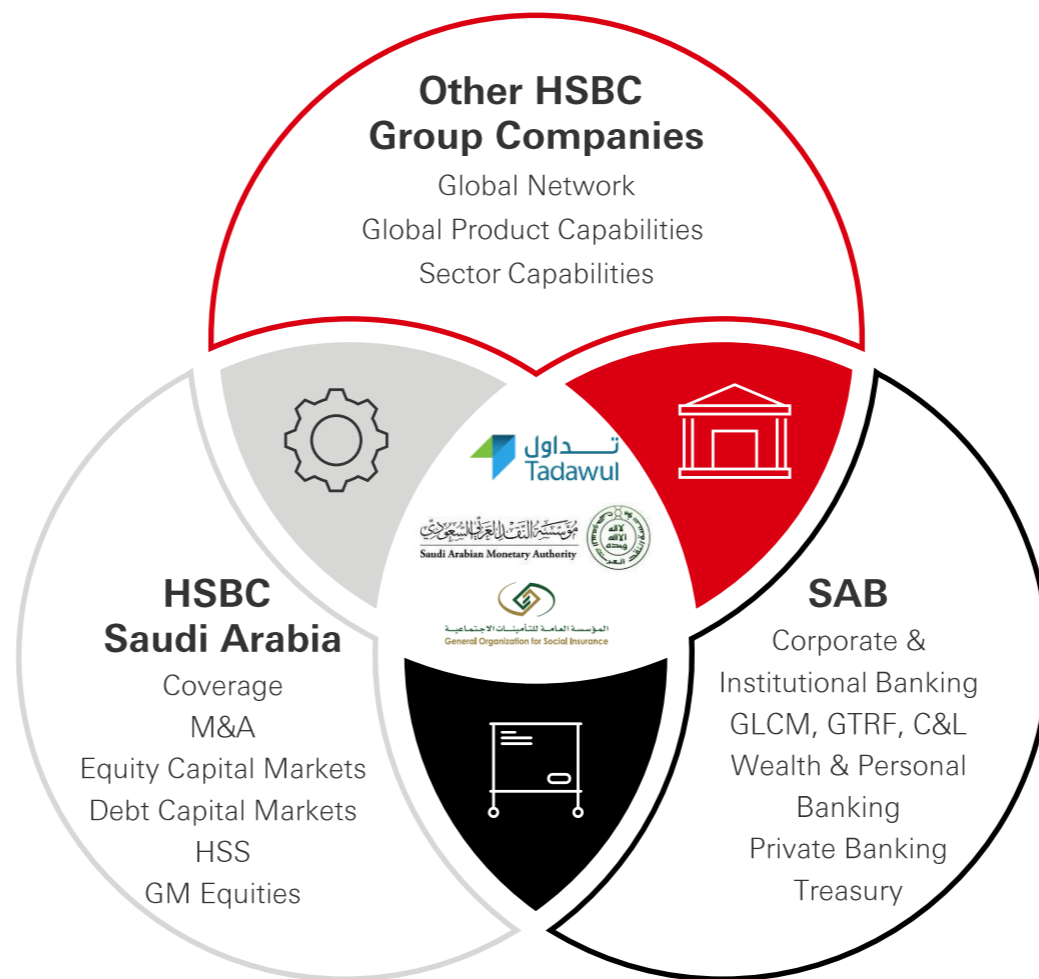


SAB's differentiation - connectivity with HSBC

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