Saudi Awwal Bank
2Q24 Results

Presentation to investors and analysts

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CEO's key 2Q24 messages

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2Q24 Key messages

Performance against strategic objectives continues and despite cost-of-funding pressures, we've flexed our businesses to ensure revenue growth continues

Strategy on track

- A key player in the Vision 2030 giga-programmes
- Delivered strong loan growth of 21% YoY and a further 6% QoQ in 2Q24 in addition to 6% achieved in 1Q24
- 32% growth in our mortgage portfolio YoY and 4% QoQ
- Leading market position in off-balance sheet trade assets with 24% market share

21% YoY Gross loan growth

24% Trade market share

Continued sequential revenue growth

- Quarterly revenue increases to SAR3.5bn – a new record; with asset growth more than compensating for cost-of-fund pressures
- 8% fee income growth QoQ supported by our trade business, capital markets and faster-than-market loan origination

SAR 3.5bn 2Q24 revenue

8% QoQ fee income growth

Underlying asset quality remains strong

- 2nd quarter cost-of-risk increases marginally and remains below market levels
- Underlying portfolio quality remains strong

1.5% NPL ratio (excl. POCI)

19bps Cost-of-risk

Improving returns

- YTD RoTE of 16.4% from strong loan growth, fee capture, controlled costs and low impairments

16.4% RoTE (after AT1 coupon payment)

23% 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

53% NIBs ratio

1-3bps NIM sensitivity for every 25bps shift in policy rates

2Q24 financials

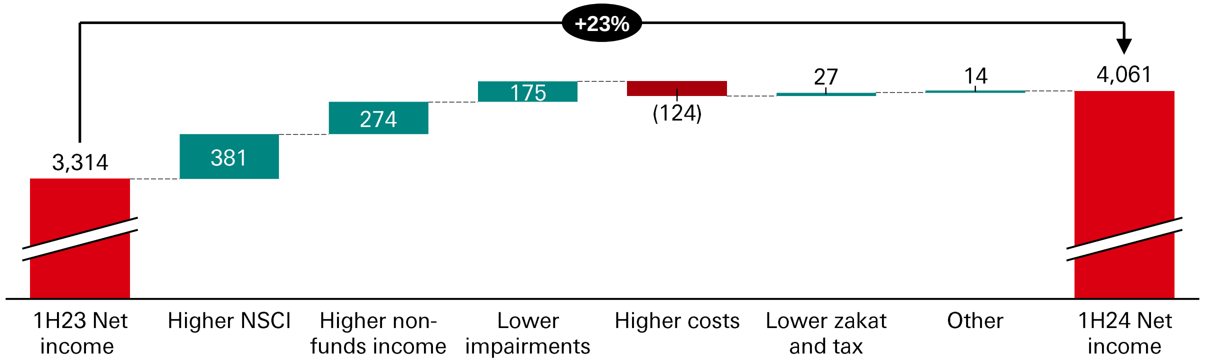
Financial summary

Over SAR4.1bn of net income generated in 1H24 up 23% YoY, revenue of SAR6.9bn up 10% and gross loans up 12% YTD.

Income statement and Balance Sheet

SAR million	YTD 1H24	YTD Δ 1H23		Quarterly 2Q24	Quarterly Δ 2Q23		Quarterly Δ 1Q24	
Total operating income ('Revenue')	6,939	10%	▲	3,492	14%	▲	1%	▲
Operating expenses	(2,126)	6%	▲	(1,075)	8%	▲	2%	▲
- Memo: Pre-provision profits	*4,813*	*12%*	▲	*2,417*	*17%*	▲	*1%*	▲
Provision for expected credit losses, net	(193)	48%	▼	(112)	19%	▼	39%	▲
Share in earnings of associates	91	19%	▲	55	19%	▲	57%	▲
Net income before Zakat and income tax	**4,711**	**18%**	▲	**2,360**	**19%**	▲	**0%**	▲
Zakat and income tax	(650)	4%	▼	(342)	20%	▼	11%	▲
Net income after Zakat and income tax	**4,061**	**23%**	▲	**2,018**	**30%**	▲	**1%**	▼

1H24 Net income after Zakat and income tax walk



Key ratios, Income statement and Balance Sheet

% unless otherwise stated	YTD 1H24	YTD Δ 1H23		Quarterly 2Q24	Quarterly Δ 2Q23		Quarterly Δ 1Q24	
Net special commission margin ('NIM')	2.90	0.2ppt	▼	2.86	0.2ppt	▼	0.1ppt	▼
Return on Tangible Equity	17.0	2.3ppt	▲	16.8	3.3ppt	▲	0.3ppt	▼
Return on Tangible Equity (after AT1 coupon)	16.4	1.7ppt	▲	16.2	2.7ppt	▲	0.3ppt	▼
Cost Efficiency Ratio ('CER')	30.6	1.2ppt	▼	30.8	1.7ppt	▼	0.3ppt	▲
Cost of risk ('CoR')	16bps	21bps	▼	19bps	9bps	▼	0.05bps	▲
Common Equity Tier 1 ratio ('CET 1')	16.3	0.3ppt	▼	16.3	0.3ppt	▼	0.3ppt	▼

Balance Sheet

SAR billion	YTD 1H24	YTD Δ 1H23		Quarterly 2Q24	Quarterly Δ 2Q23		Quarterly Δ 1Q24	
Gross loans	247.9	21%	▲	247.9	21%	▲	6%	▲
Net loans	241.6	22%	▲	241.6	22%	▲	6%	▲
Investments	91.8	2%	▼	91.8	2%	▼	0%	▼
Customer deposits	264.4	19%	▲	264.4	19%	▲	5%	▲
Demand deposits	141.3	5%	▲	141.3	5%	▲	3%	▲
Tangible Equity	48.1	5%	▲	48.1	5%	▲	1%	▼

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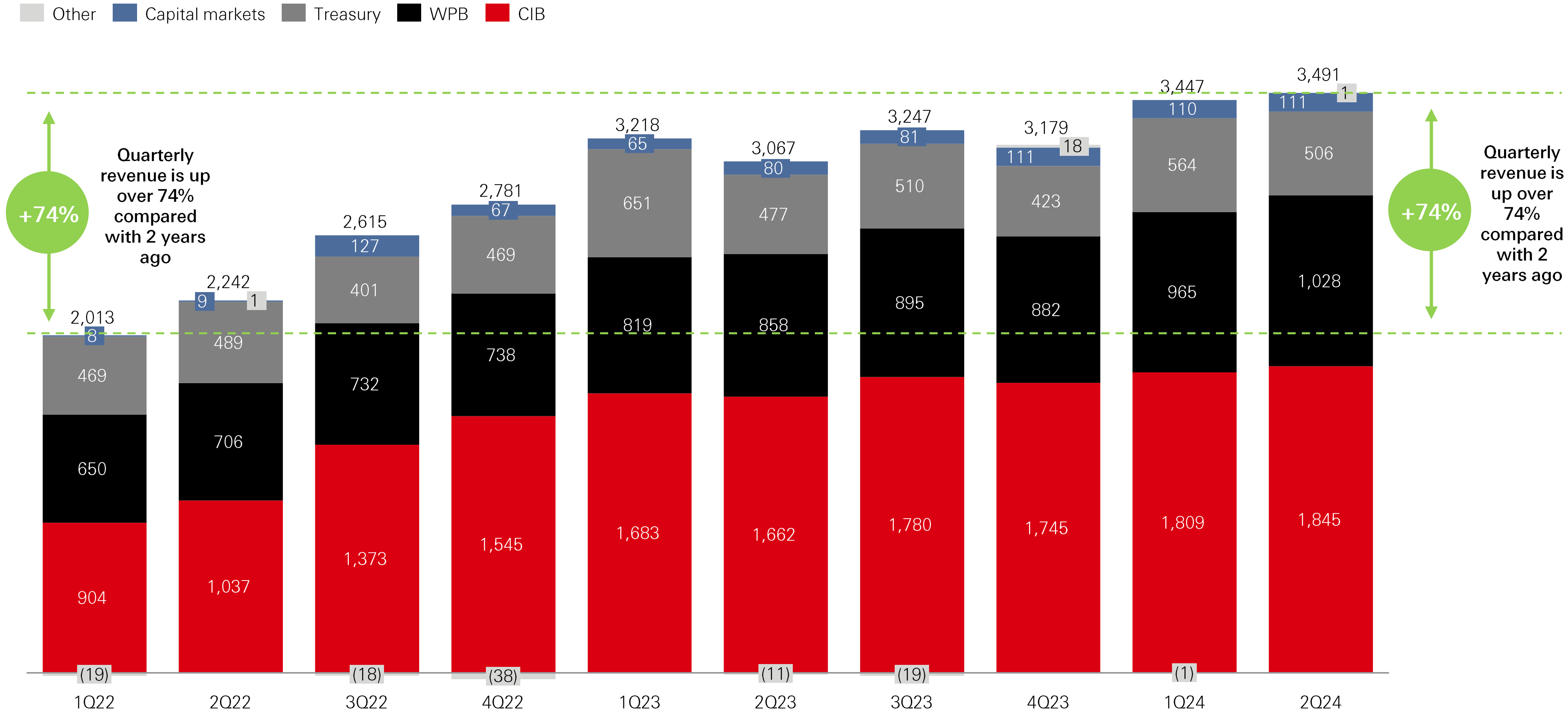
Revenue

We delivered record revenue of SAR3.5bn in 2Q24, growth of 1% QoQ as quarterly NIM fell but offset by strong loan growth and supported by robust fee generation

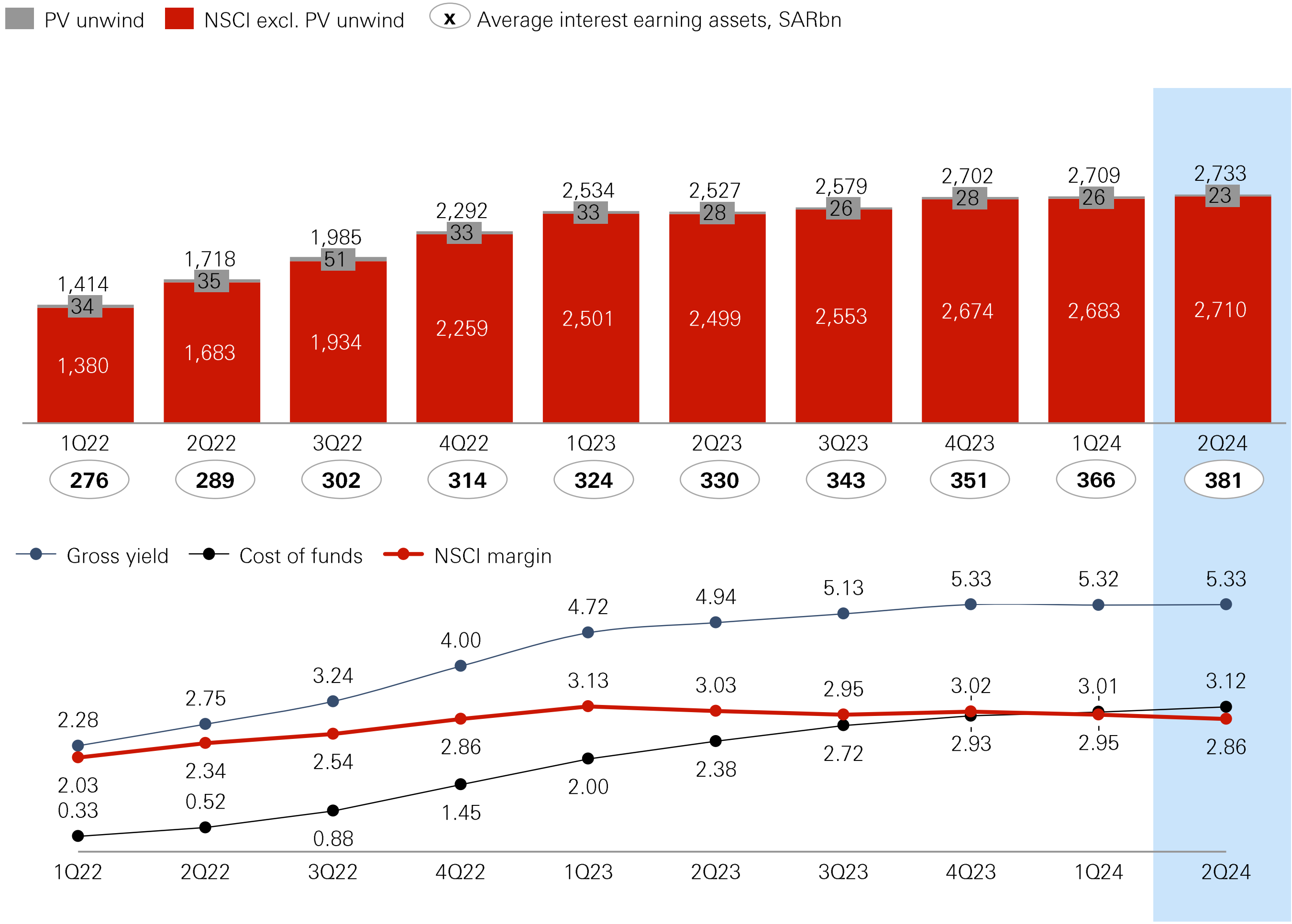
Revenue by business: Quarterly trend SARm



- Strong volume growth has been instrumental in growing revenues 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
- NIM has seen a marginal fall as time deposits have been the primary source of funding for loan growth
- 1H22 non-funds income grew 22% YoY mainly from trade business, capital markets and faster than market loan origination

NSCI and non-funds revenue

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



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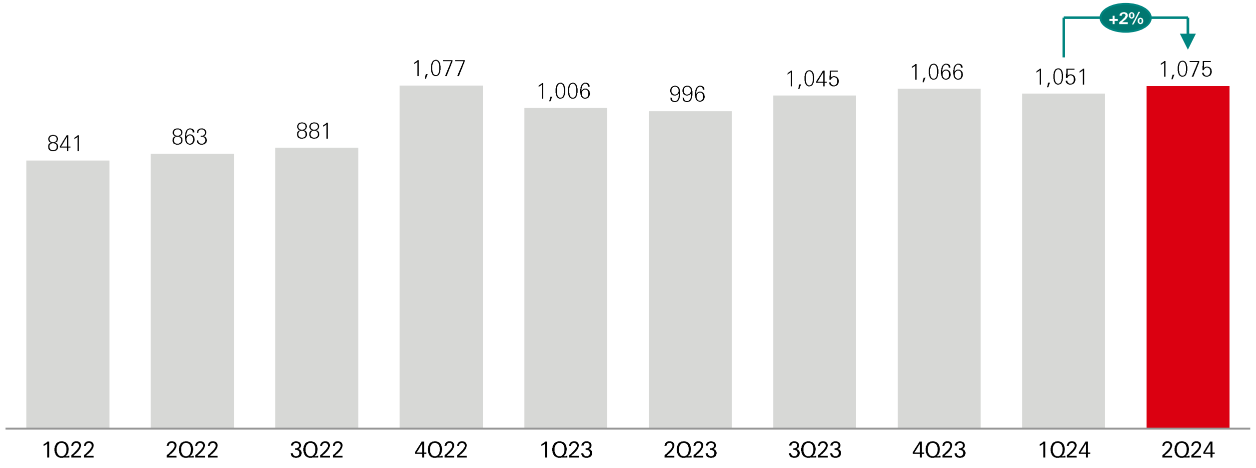
Costs

2Q24 costs have increased 8% compared with 2Q23, and up 2% QoQ; 1H24 CER ratio of 30.6% remains within the guidance range

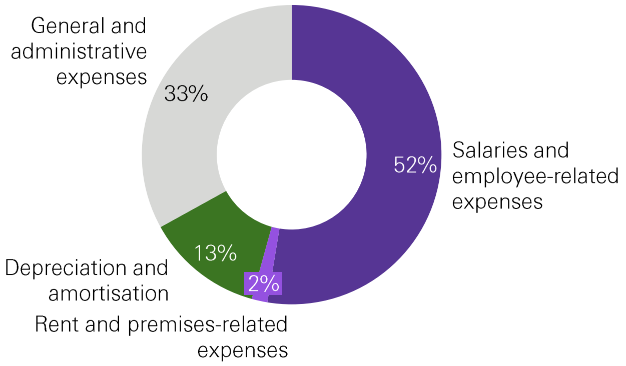
Recent cost trend, SARm



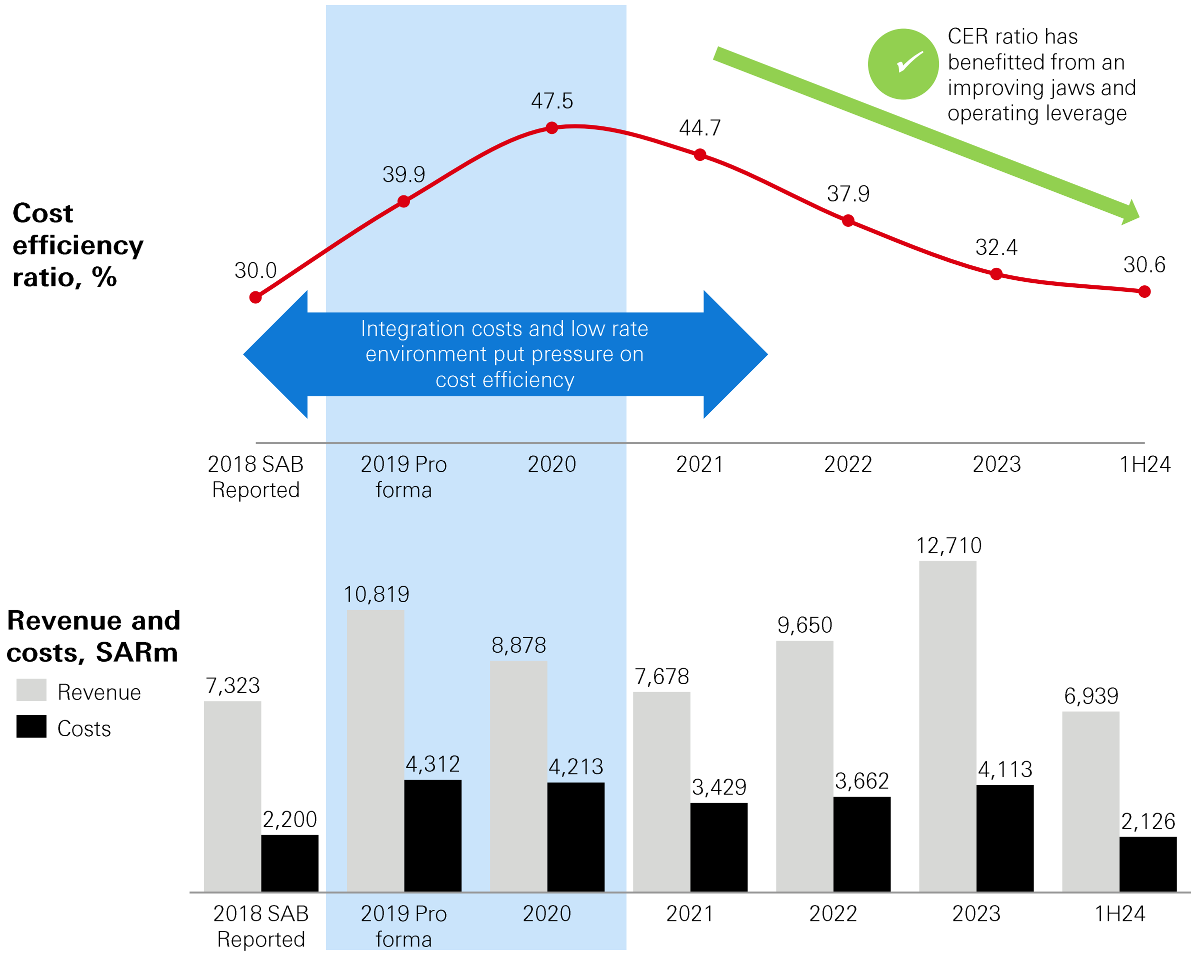
Costs were higher marginally by 2% due to:

- Higher staff cost
- Higher General and administrative expenses along with higher depreciation and amortization costs in the second quarter

2Q24 costs by type, SARm



Cost efficiency ratio through the merger, %



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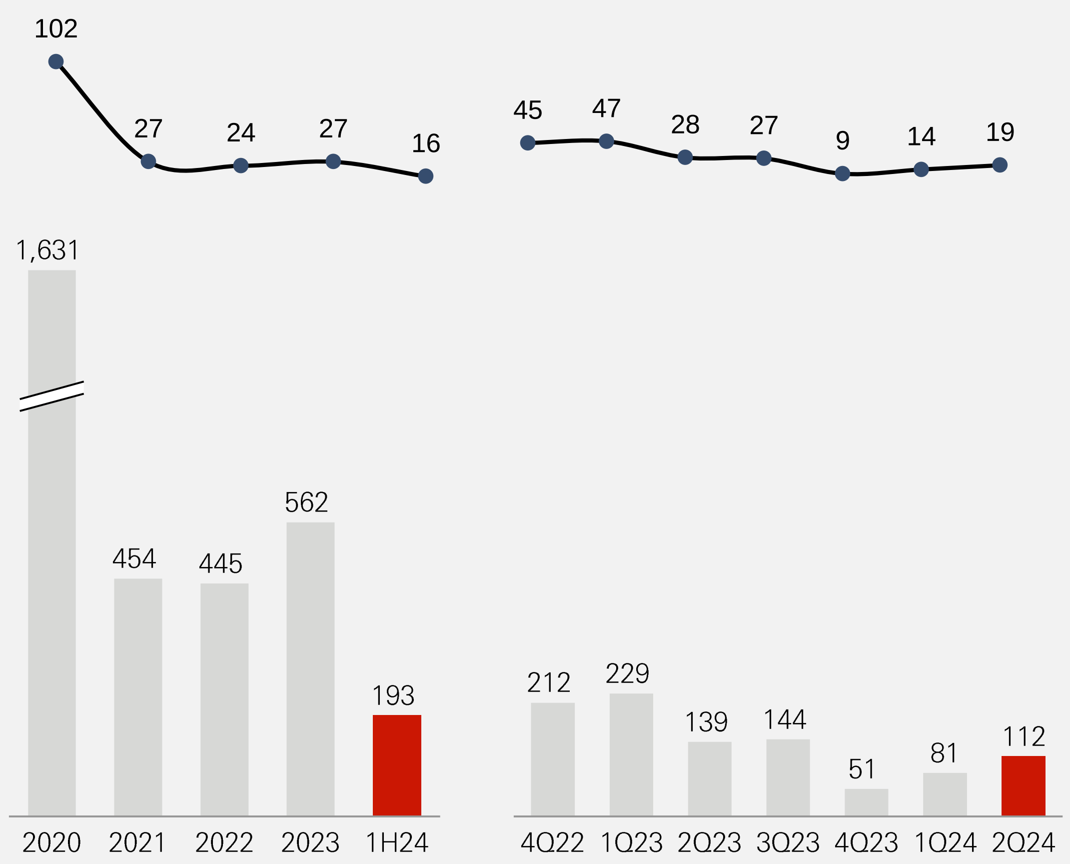
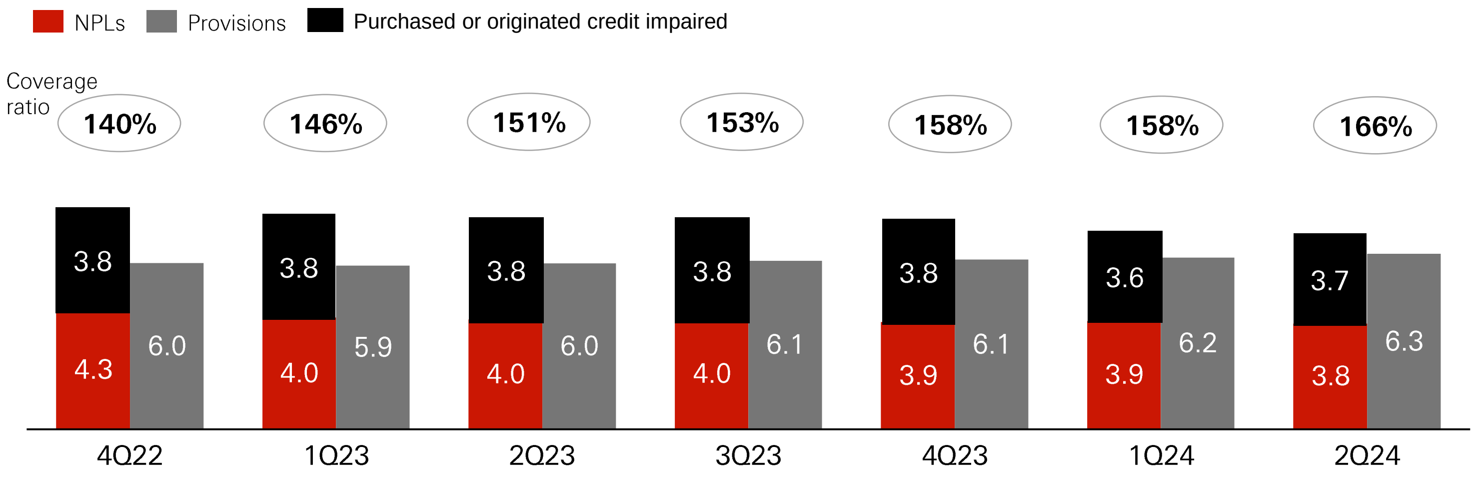
Impairment analysis and credit quality

2Q24 cost-of-risk increases marginally and is better than expectations; underlying portfolio quality remains strong

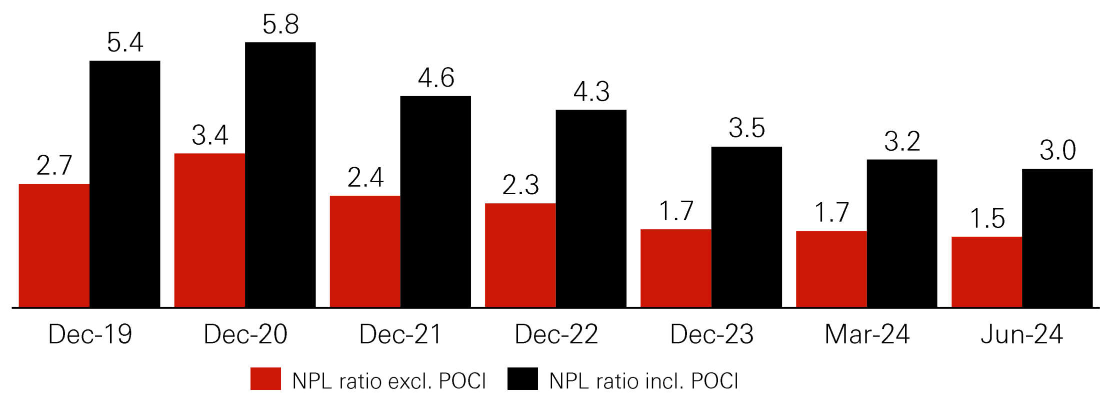
ECL charge (SARm) and CoR (bps)



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



Sustained improvement in asset quality post-merger



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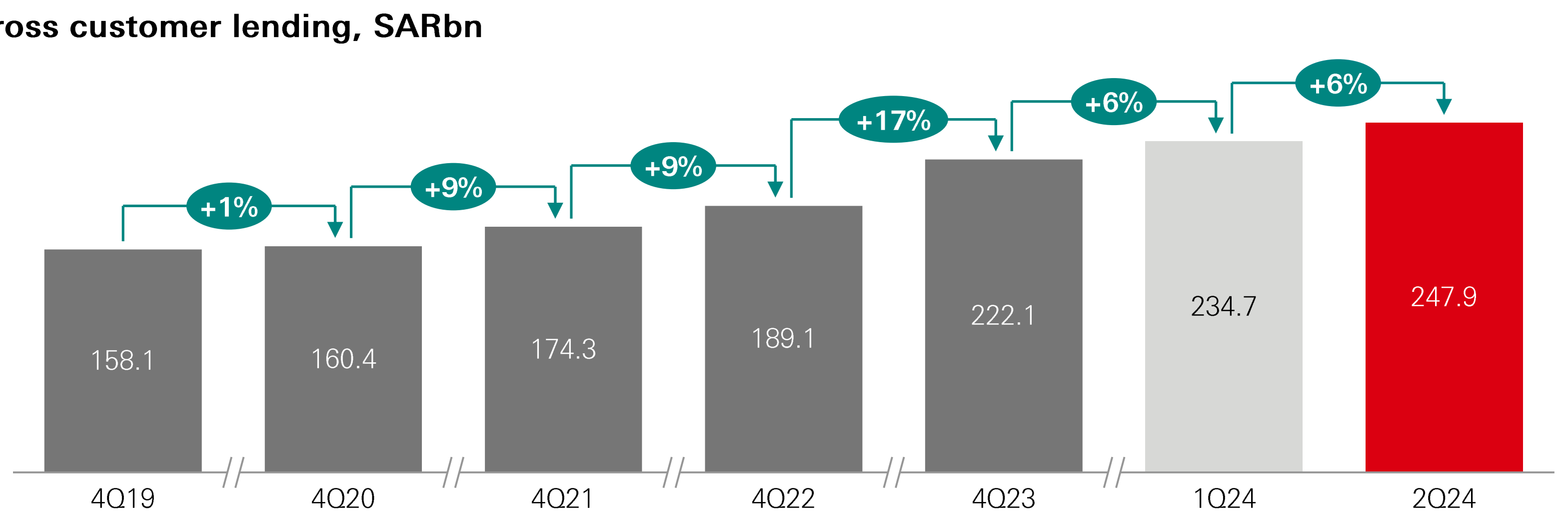
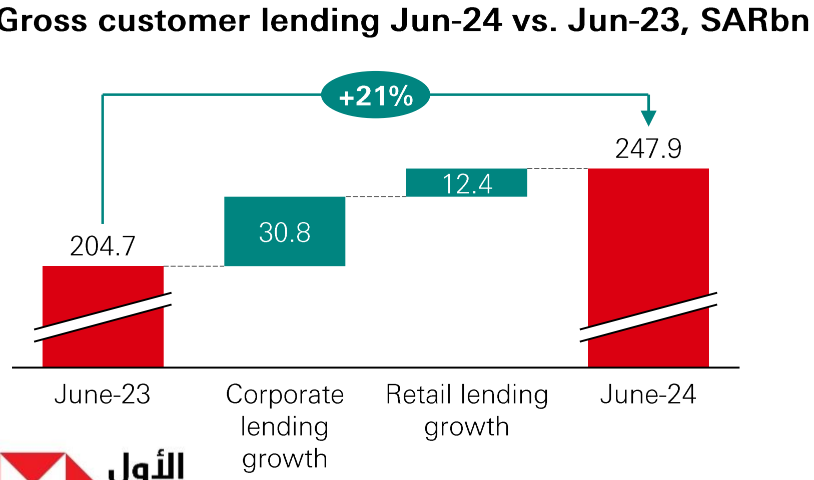
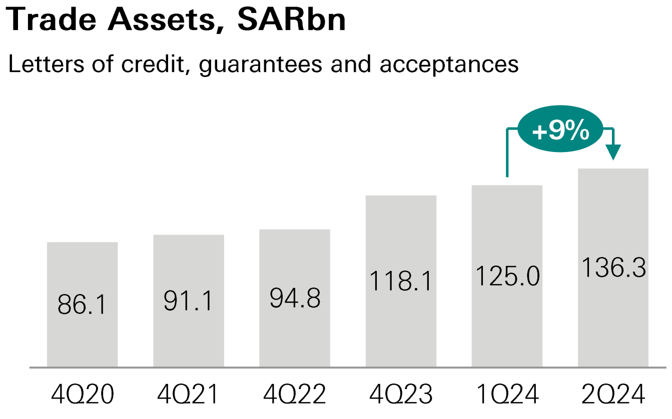
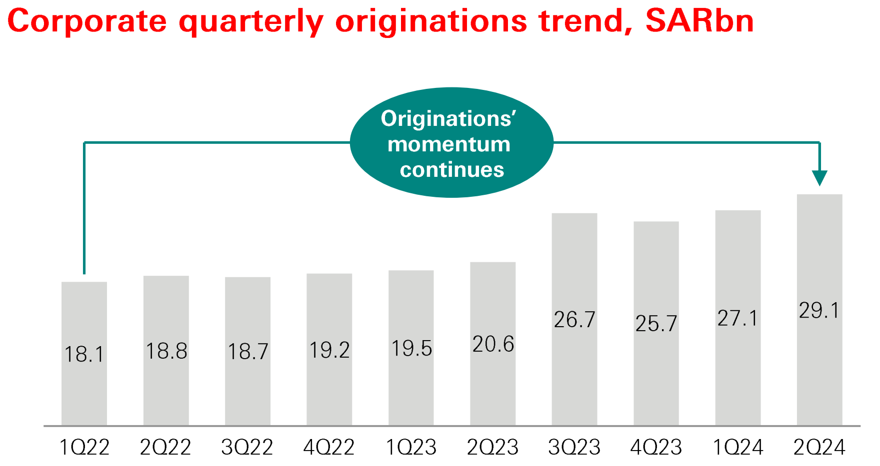
Customer lending and trade assets

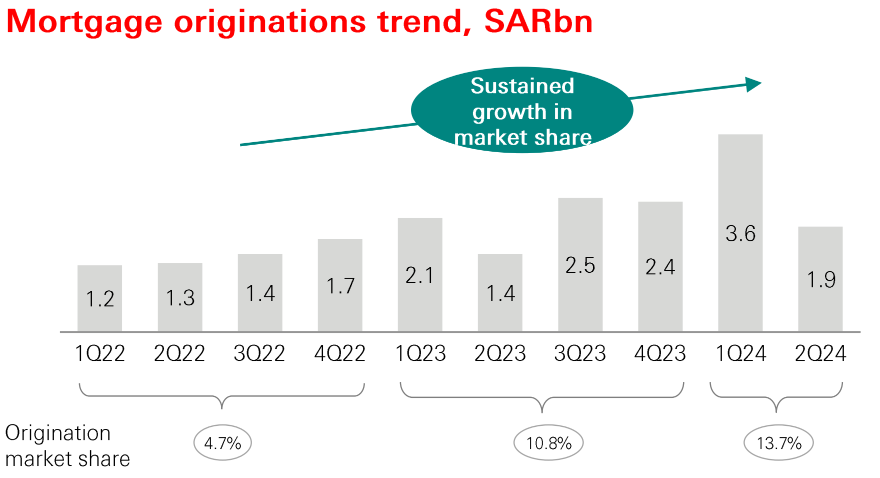
21% YoY lending growth – the fastest growing bank in the KSA; trade assets continue to show strong growth reflecting our no.1 position in the KSA market











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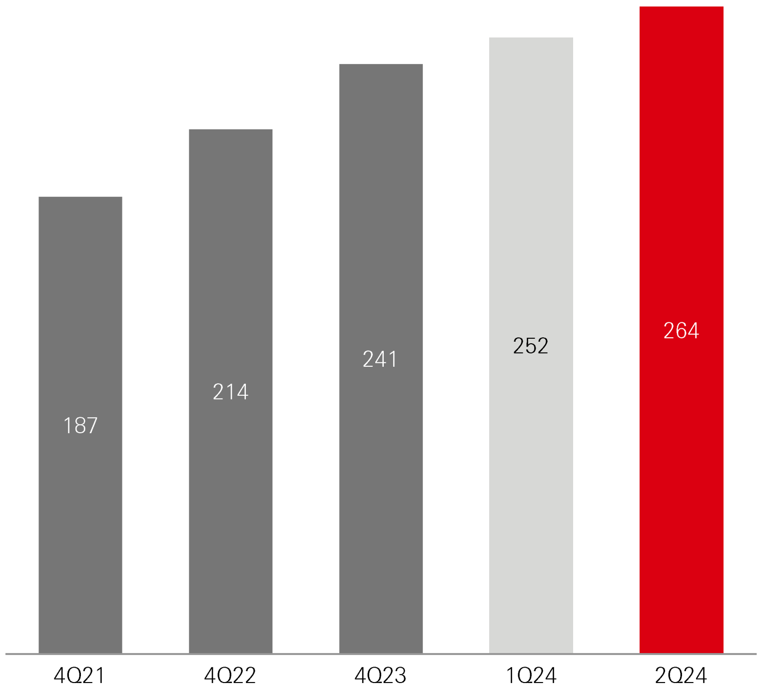
Customer deposits

Funding and liquidity remain robust as we continue to capture deposits; NIBs balances continue to stabilize with SAR3bn growth in 2Q24

Customer deposits, SARbn

Strong funding base

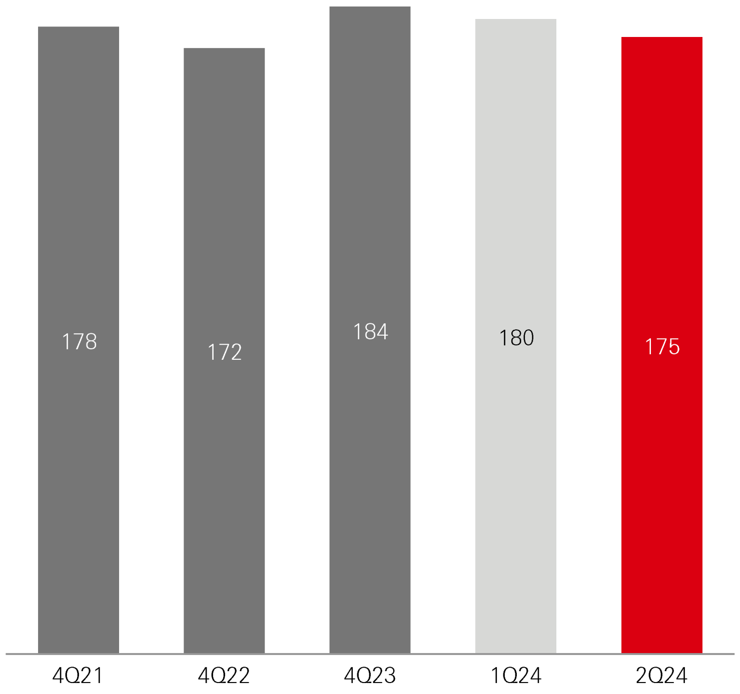


Demand deposit balances and ratio

Non-interest bearing deposit ratio balances stabilising since 2Q23

Liquidity coverage ratio, %

Highly liquid and well above regulatory requirements



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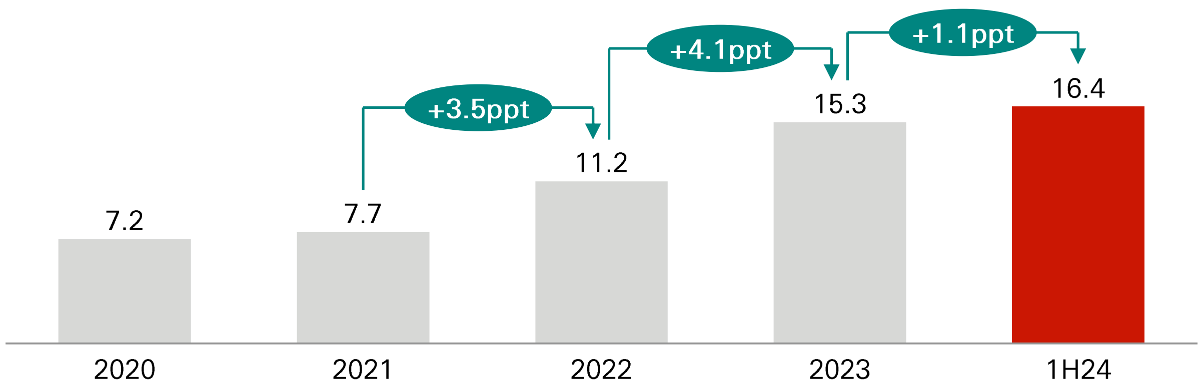
Capital and returns

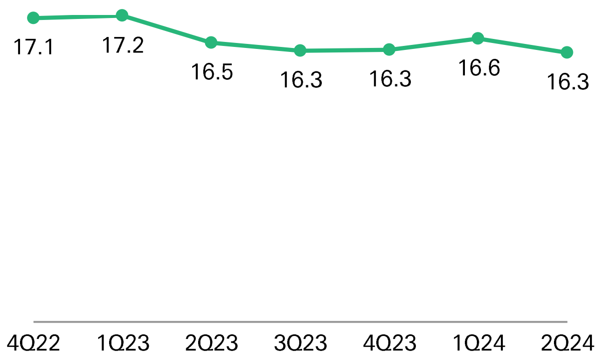
Improvement in RoTE from sustained loan growth, strong cost control and supported by lower ECL

Return on tangible equity, %



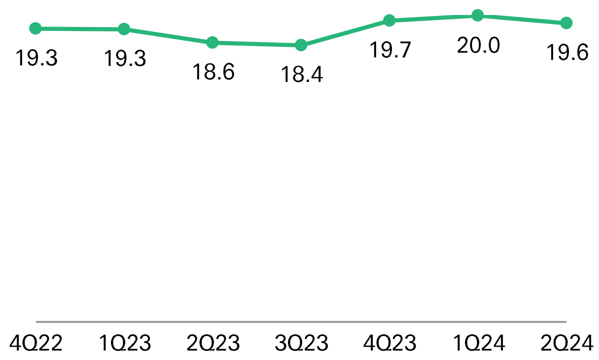
CET1 capital ratio, %

Basel 3 reforms basis

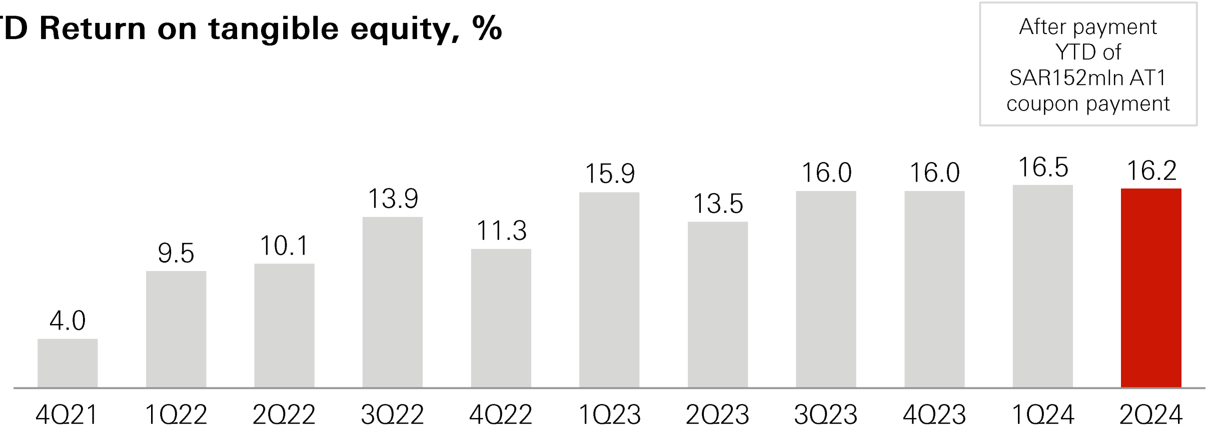


Total capital ratio, %

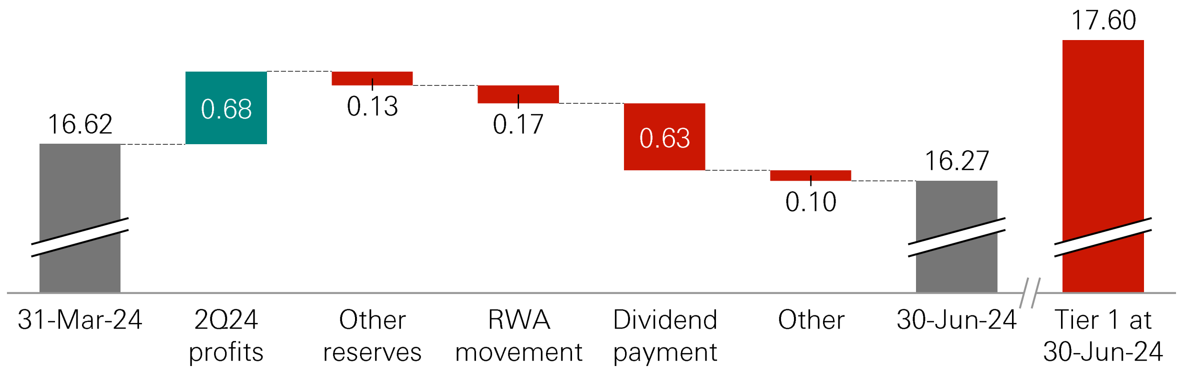
Basel 3 reforms basis



QTD Return on tangible equity, %



CET1 ratio movement 30 Jun 2024 vs. 31 Mar 2024, %



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2024 guidance

1H24 overall performance continues to be supported by faster-than-market growth in lending where we upgrade 2024 guidance; we also upgrade CoR guidance

		2021	2022	2023	1H24	2024 Original Guidance	Updated Guidance at 1H24	
Balance Sheet	Loan YoY growth	+9%	+9%	+17%	+12% YTD	Ahead of the market	Mid to high teen %	• Continue to out-grow the market notably in areas of strength
Profitability	Annual net interest margin	2.03%	2.46%	3.04%	2.90%	2.85-2.95%	No change	• Expect to be at the lower end of the range given YTD CoF pressures; but expect pace of NIM decline to lessen in the second half
	Cost efficiency ratio	44.7%	37.9%	32.4%	30.6%	< 32%	No change	• Continued cost optimisation and we will operate with positive jaws
	RoTE	7.7%	11.2%	15.3%	16.4%	15-16%	No change	• Sustain current levels of RoTE in a changing rate environment
Asset Quality	Cost of risk	27bps	24bps	27bps	16bps	30-45bps	25-40bps	• Expect to be at the lower end of the guidance

Appendix

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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.

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.

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

Key facts and figures[1]

Type of establishment	Retail presence	Employees	Credit ratings
Associate of HSBC Holdings BV	102 branches	4.0k employees	Moody's: A2/P-1/Positive Fitch: A-/F2/Stable

SAR248bn	SAR264bn	16.4%	16.3%
Loan portfolio	Customer deposits	Return on tangible equity	Tier 1 ratio

1. As at 30 June 2024

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.

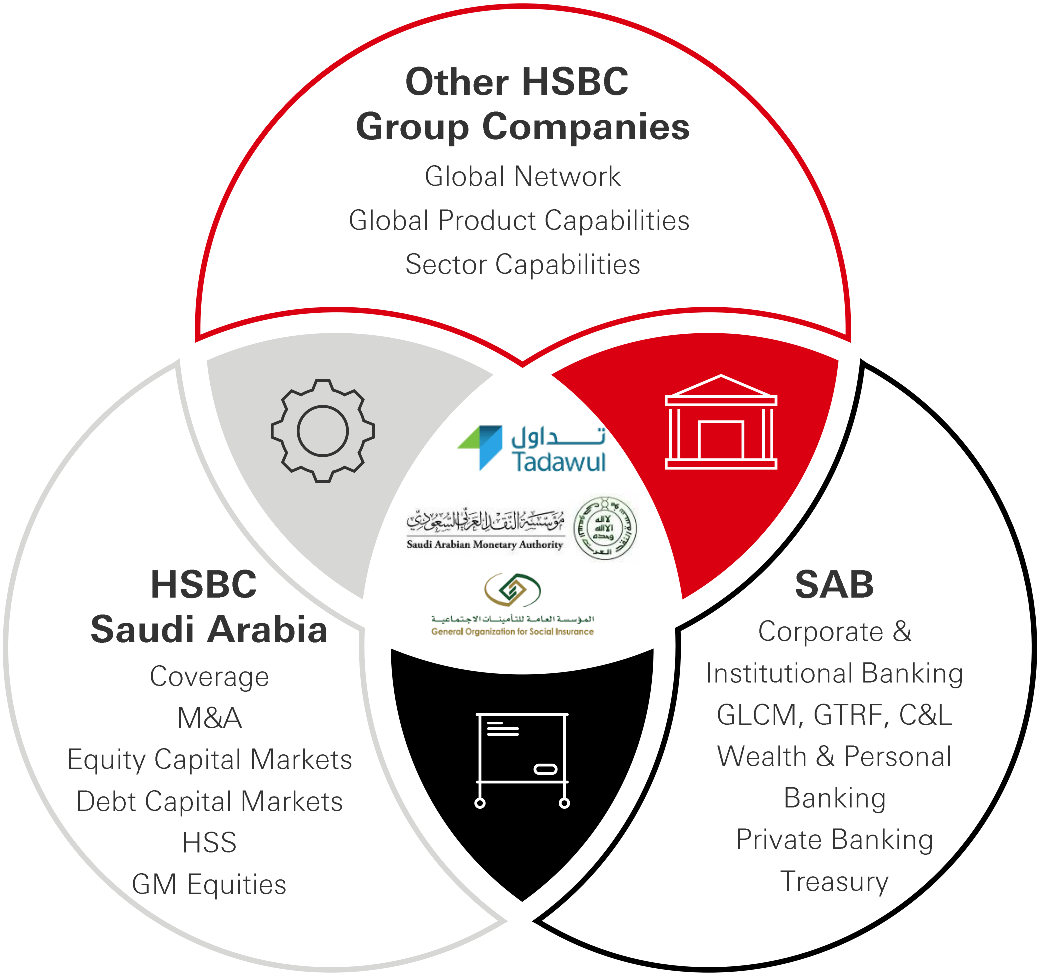
We conduct our business using a responsible and sustainable approach in line with our values, and our business decisions are made in the interests of all concerned Stakeholders, including our customers, employees, Shareholders and our wider community.

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 hsbcnet
- 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