

Saudi Awwal Bank

FY24 Earnings call presentation

Presentation to investors and
analysts



CEO's key 4Q24 messages



Medium term outlook: 2024 review

A strong first year performance vs. MTO

Some 2024 business highlights



Grow sustainable returns in a changing environment



Sustainably gain market share in lending over the next 3 years



Be future-ready by leading in digital and ESG

2024 Revenue

SAR **14**_{bn}  10%

- ◆ Significantly reduced NIM sensitivity
- ◆ A revived strength in home finance
- ◆ Diverse lending portfolio
- ◆ Capturing the international flow into the KSA
- ◆ >80% higher than 2021

2024 Corporate mkt. share¹

13%  60bps over the last 2 years

2024 Trade mkt. share¹

24%  Maintained leading position

2024 Mortgage origination mkt. share

11%  2x our natural market share

Sustainable financing

SAR **19**_{bn}

Digital account opening

8,500
New customers since launch

Appstore rating

4.7
Apple appstore 2024

Financial performance

ROTE²

16.0%

Loans growth

20%

Annual OPI growth

10%

Cost-Income ratio

30.6%

Financial targets by 2026

ROTE

15.0% to 16.0%
on a post AT1 coupon basis

Loans growth CAGR

Low double-digit to low-teens

Annual OPI growth

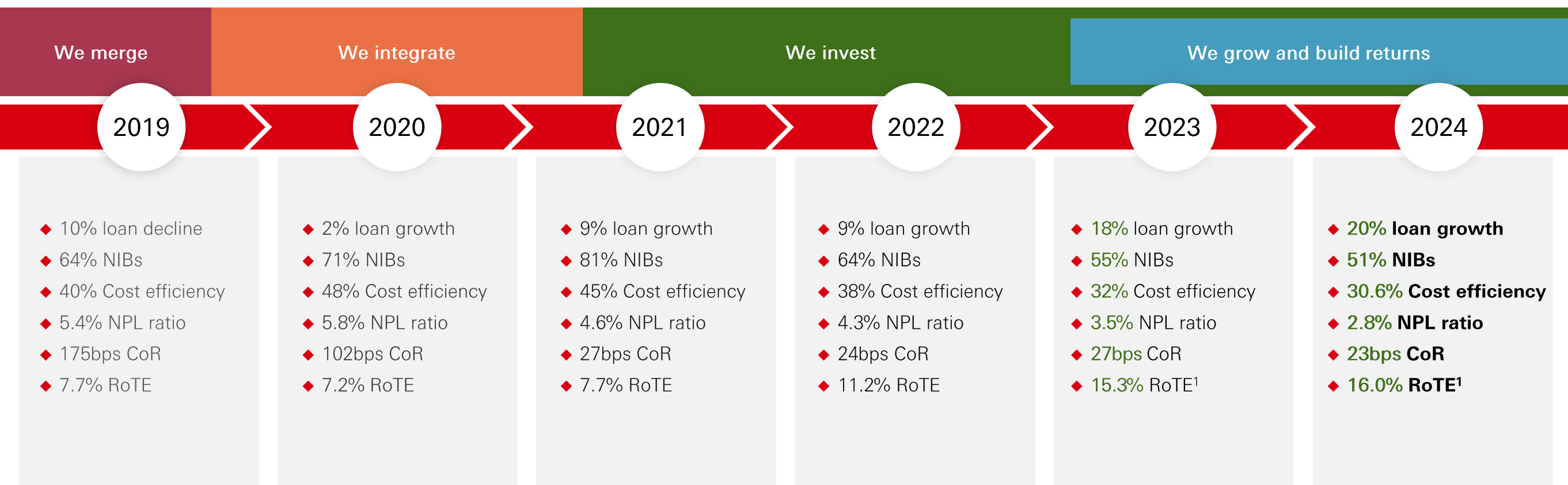
6-10%

Cost-Income ratio

30-32%

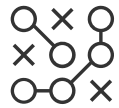
Recap on our delivery of the strategic aims we set out in 2021

The first phase of the strategy has been successfully delivered with a transformation of the bank back to growth and backed by strong financial results



4Q24 Key messages

Strong performance against strategic objectives; NSCI, revenues and profits growing sustainably whilst we continue to capture market share



Strategy on track

- ◆ A key player in the Vision 2030 giga-programmes
- ◆ Delivered strong loan growth of 20% YTD and a further 3% QoQ in 4Q24
- ◆ 26% growth in our mortgage portfolio YoY and strong 5% QoQ
- ◆ Leading market position in off-balance sheet trade assets with 24% market share

20%

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
- ◆ SAR0.7bn QTD non-funds income
- ◆ SAR0.3bn fee income in 4Q24 supported by our trade business, capital markets and faster-than-market loan origination

SAR 2.8_{bn}

4Q24 QTD
NSCI

SAR 0.7_{bn}

4Q24 QTD
non-funds
income



Underlying asset quality remains strong

- ◆ 4th quarter cost-of-risk reflects a significant recovery offset by increased coverage
- ◆ FY2024 CoR beats expectations and guidance
- ◆ Underlying portfolio quality remains incredibly robust

1.4%

NPL ratio
(excl. POCl)

23bps

Cost-of-risk
YTD



Improving returns

- ◆ 2024 RoTE of 16.0% from strong loan growth, fee capture, controlled costs and low impairments

16%

RoTE (after AT1
coupon payment)

15%

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

51%

NIBs ratio

1-3bps

NIM
sensitivity for
every 25bps
shift in policy rates

4Q24 financials



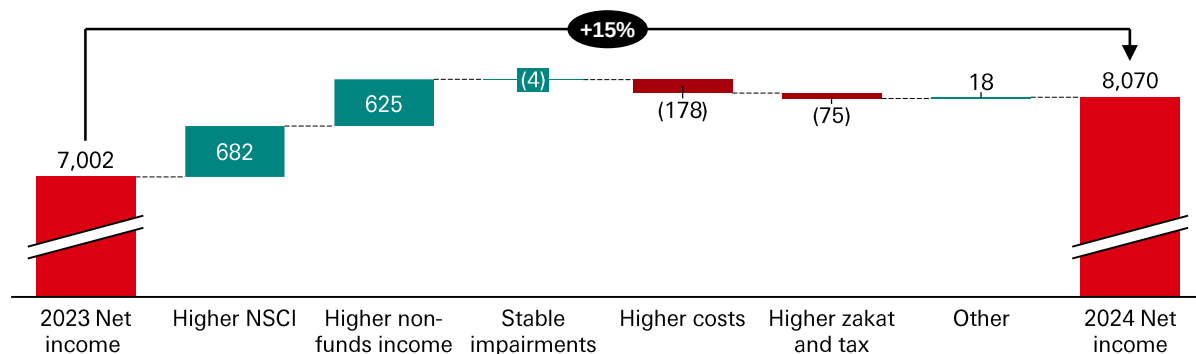
Financial summary

SAR8.1bn of net income generated in 2024 up 15% YoY, revenue of SAR14.0bn up 10%; gross loans up 20% YTD

Income statement and Balance Sheet

SAR million	YTD		Quarterly			
	2024	Δ 2023	4Q24	Δ 4Q23	Δ 3Q24	
Total operating income ('Revenue')	14,018	10% ▲	3,551	12% ▲	1% ▲	
Operating expenses	(4,291)	4% ▲	(1,091)	2% ▲	2% ▲	
- Memo: Pre-provision profits	9,727	13% ▲	2,460	16% ▲	0% ▲	
Provision for expected credit losses, net	(566)	1% ▲	(64)	27% ▲	79% ▼	
Share in earnings of associates	205	9% ▲	42	20% ▼	42% ▼	
Net income before Zakat and income tax	9,366	14% ▲	2,438	15% ▲	10% ▲	
Zakat and income tax	(1,296)	6% ▲	(312)	22% ▲	6% ▼	
Net income after Zakat and income tax	8,070	15% ▲	2,126	14% ▲	13% ▲	

2024 Net income after Zakat and income tax walk



Key ratios, Income statement and Balance Sheet

% unless otherwise stated	YTD		Quarterly			
	2024	Δ 2023	4Q24	Δ 4Q23	Δ 3Q24	
Net special commission margin ('NIM')	2.85	0.2ppt ▼	2.80	0.2ppt ▼	0.0ppt ▼	
Return on Tangible Equity	16.6	1.3ppt ▲	17.0	1.0ppt ▲	1.7ppt ▲	
Return on Tangible Equity (after AT1 coupon)	16.0	0.7ppt ▲	16.4	0.4ppt ▲	1.7ppt ▲	
Cost Efficiency Ratio ('CER')	30.6	1.7ppt ▼	30.7	2.8ppt ▼	0.3ppt ▲	
Cost of risk ('CoR')	23bps	4bps ▼	10bps	1bps ▲	39bps ▼	
Common Equity Tier 1 ratio ('CET 1')	15.4	0.9ppt ▼	15.4	0.9ppt ▼	0.2ppt ▼	
Tier 1 ratio	17.9%	0.2ppt ▲	17.9%	0.2ppt ▲	1.0ppt ▲	

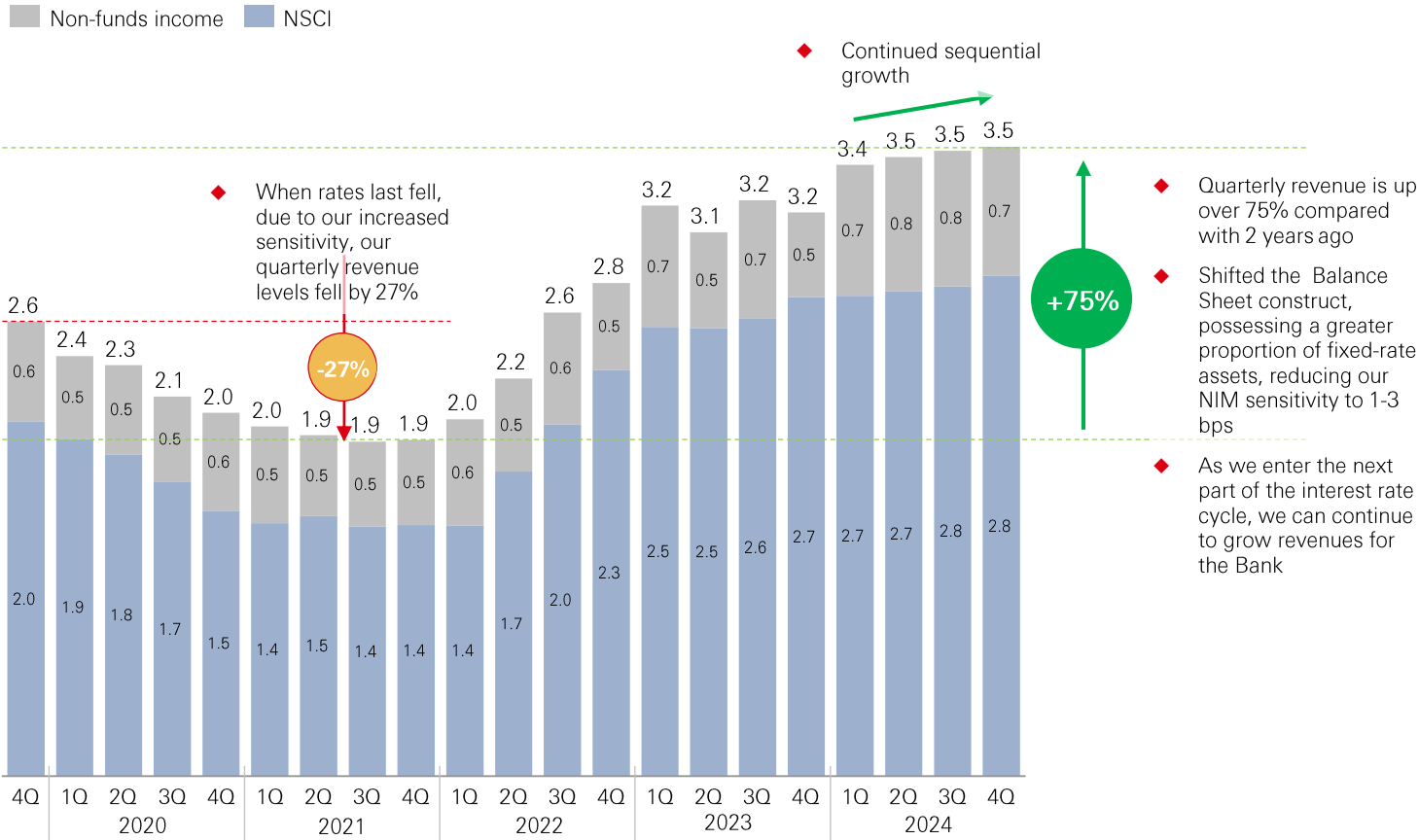
Balance Sheet

SAR billion	YTD		Quarterly			
	2024	Δ 2023	4Q24	Δ 4Q23	Δ 3Q24	
Gross loans	265.6	20% ▲	265.6	20% ▲	3% ▲	
Net loans	259.3	20% ▲	259.3	20% ▲	3% ▲	
Investments	98.4	2% ▲	98.4	2% ▲	1% ▲	
Customer deposits	267.0	5% ▲	267.0	5% ▲	3% ▼	
Demand deposits	137.1	1% ▼	137.1	1% ▼	5% ▲	
Tangible Equity	49.7	5% ▲	49.6	5% ▲	0% ▲	

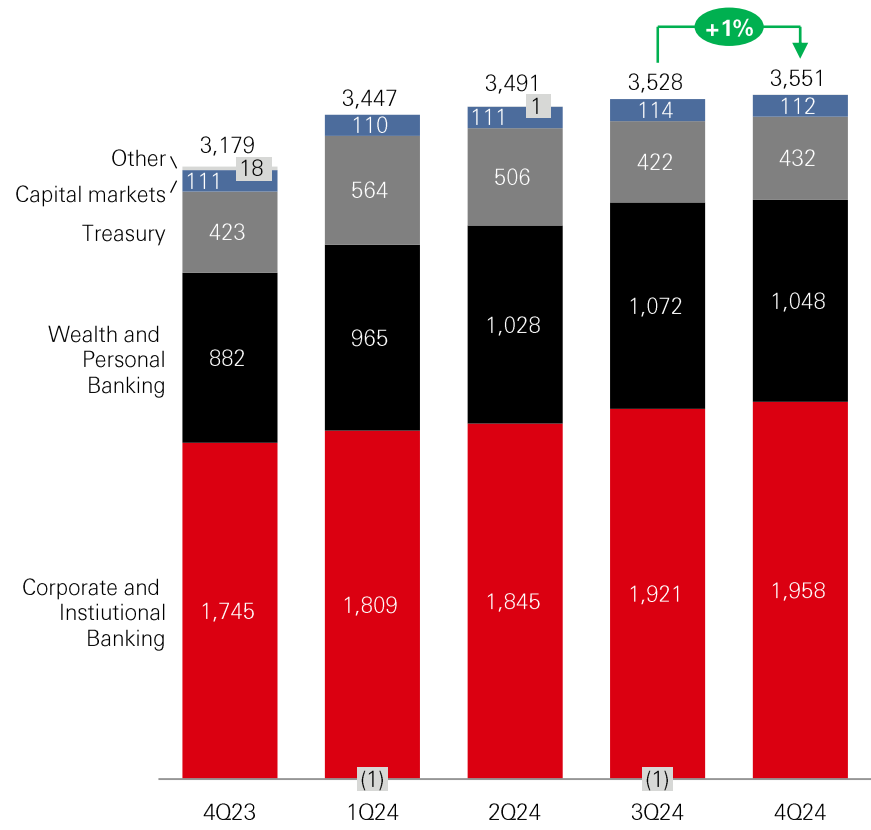
Revenue

Sequential revenues continue to grow together with 2% growth in NSCI QoQ; revenues are significantly higher than pre-rate rise levels and the balance sheet structure will allow revenues to continue to grow hereon in

Quarterly revenue trend from 2019, SARbn



Revenue by business: Recent quarterly trend SARm

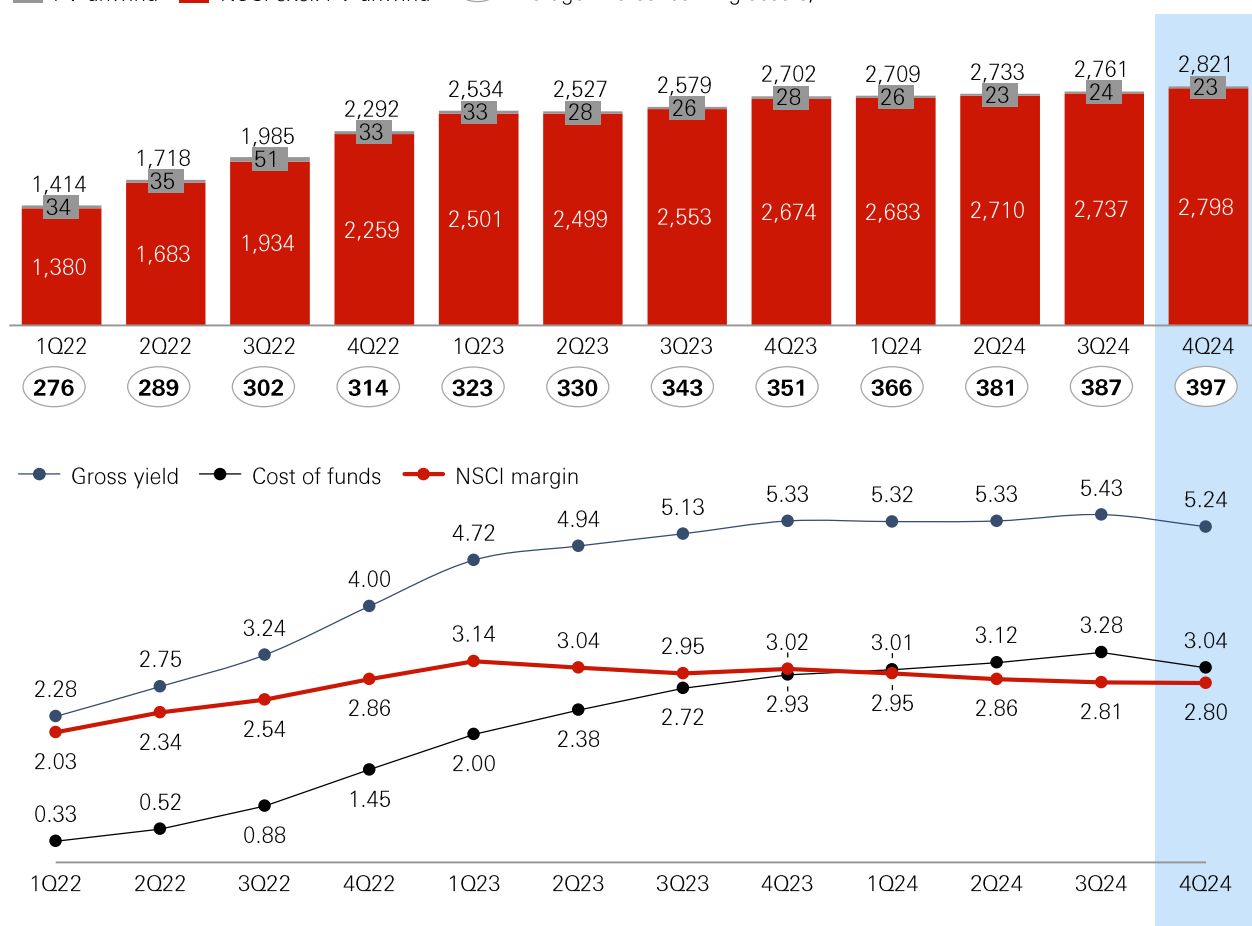


NSCI and non-funds revenue

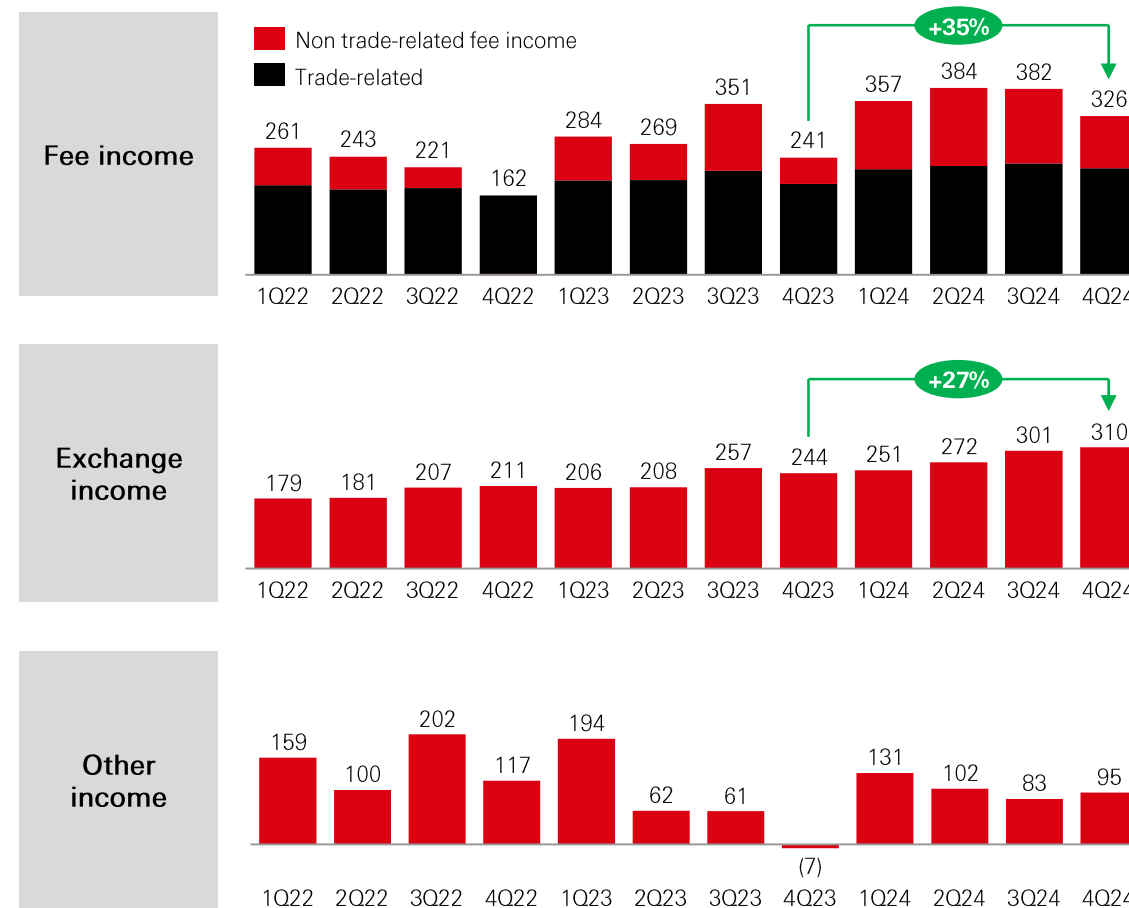
NIM stabilisation in the fourth quarter together with the faster-than-market loan growth has resulted in 2% sequential growth in NSCI

NSCI, SARm and Average interest earning assets, SARbn

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



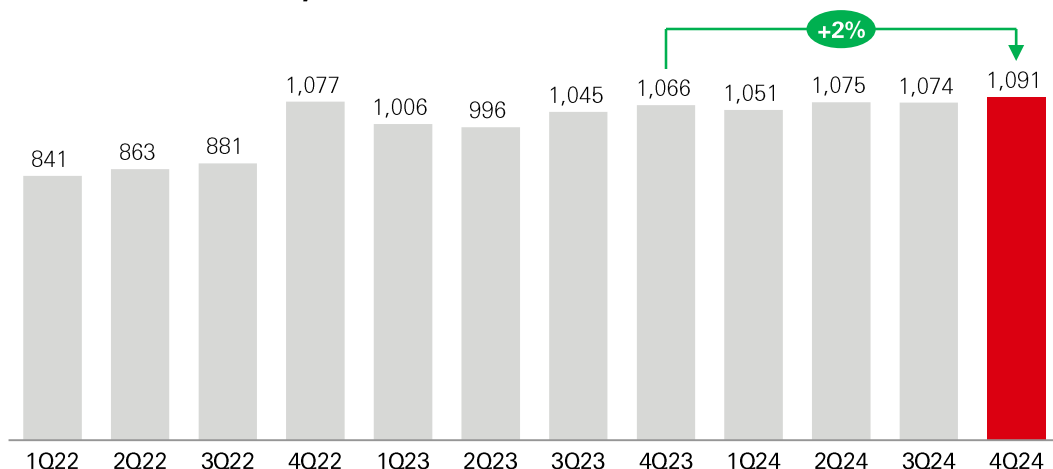
Non-funds income, SARm



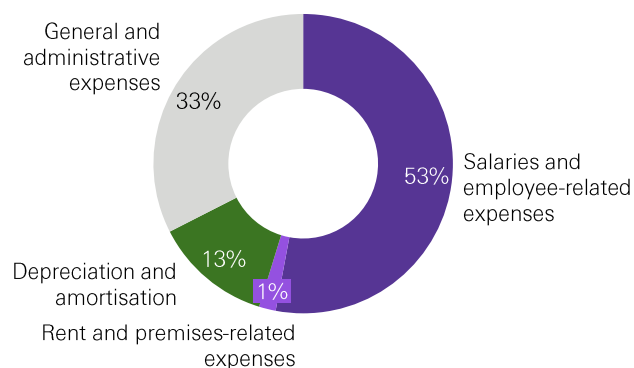
Costs

4Q24 costs remain stable QoQ; FY24 CER ratio of 30.6% comfortably ahead of guidance and close to pre-merger levels

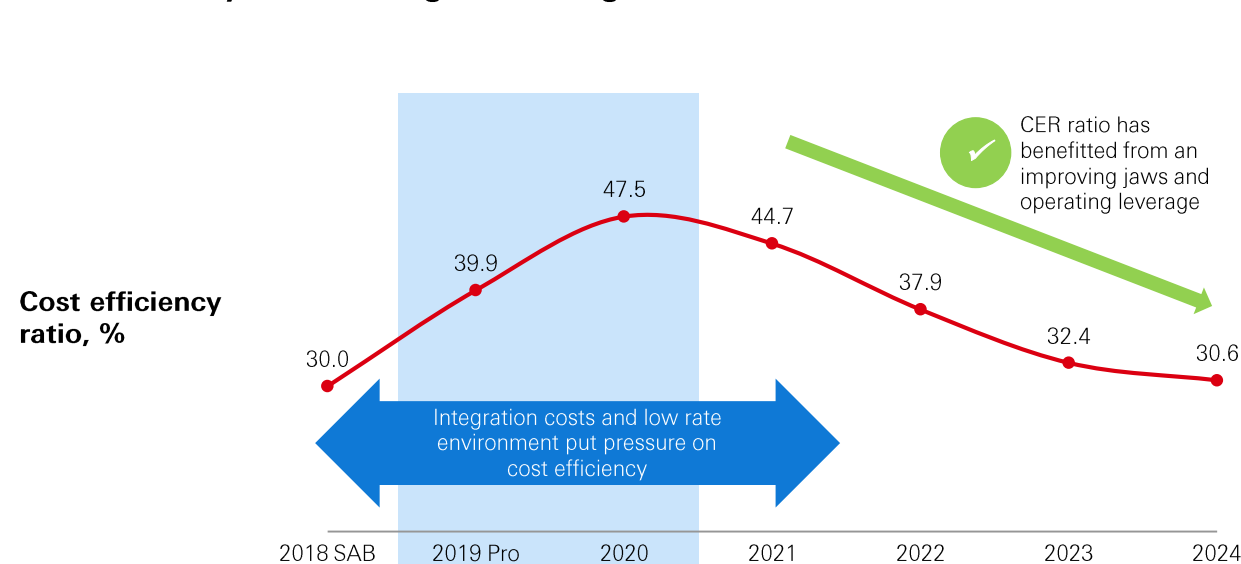
Recent cost trend, SARm



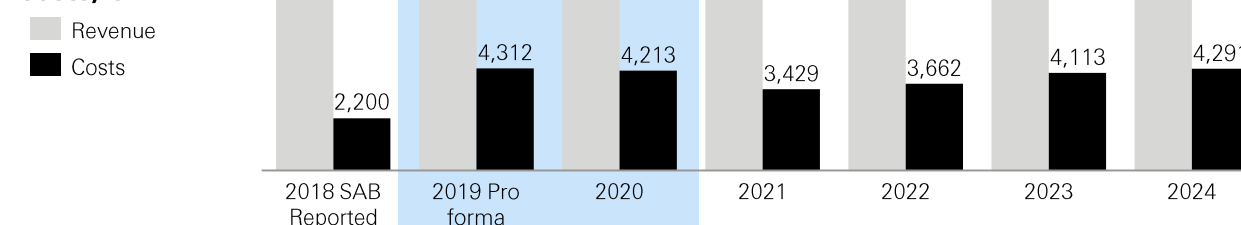
2024 costs by type, SARm



Cost efficiency ratio through the merger, %



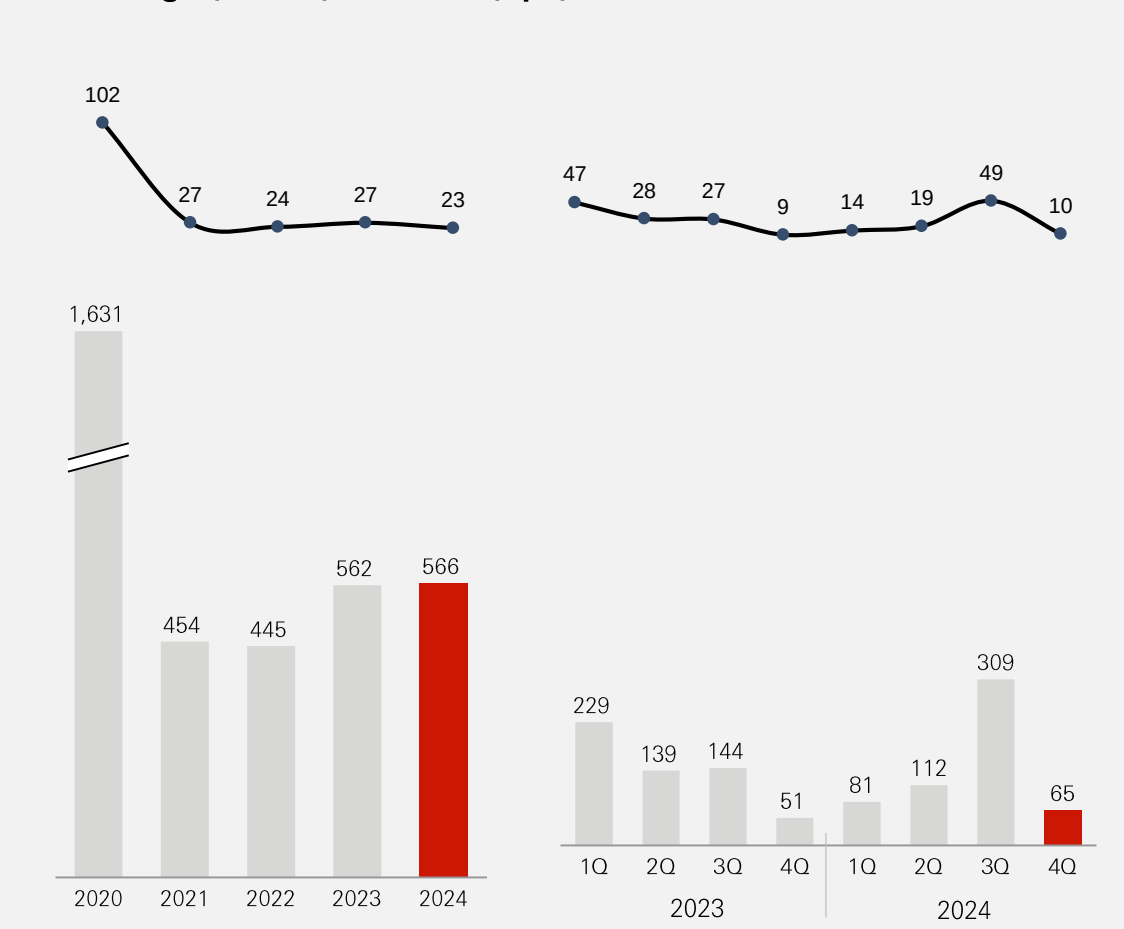
Revenue and costs, SARm



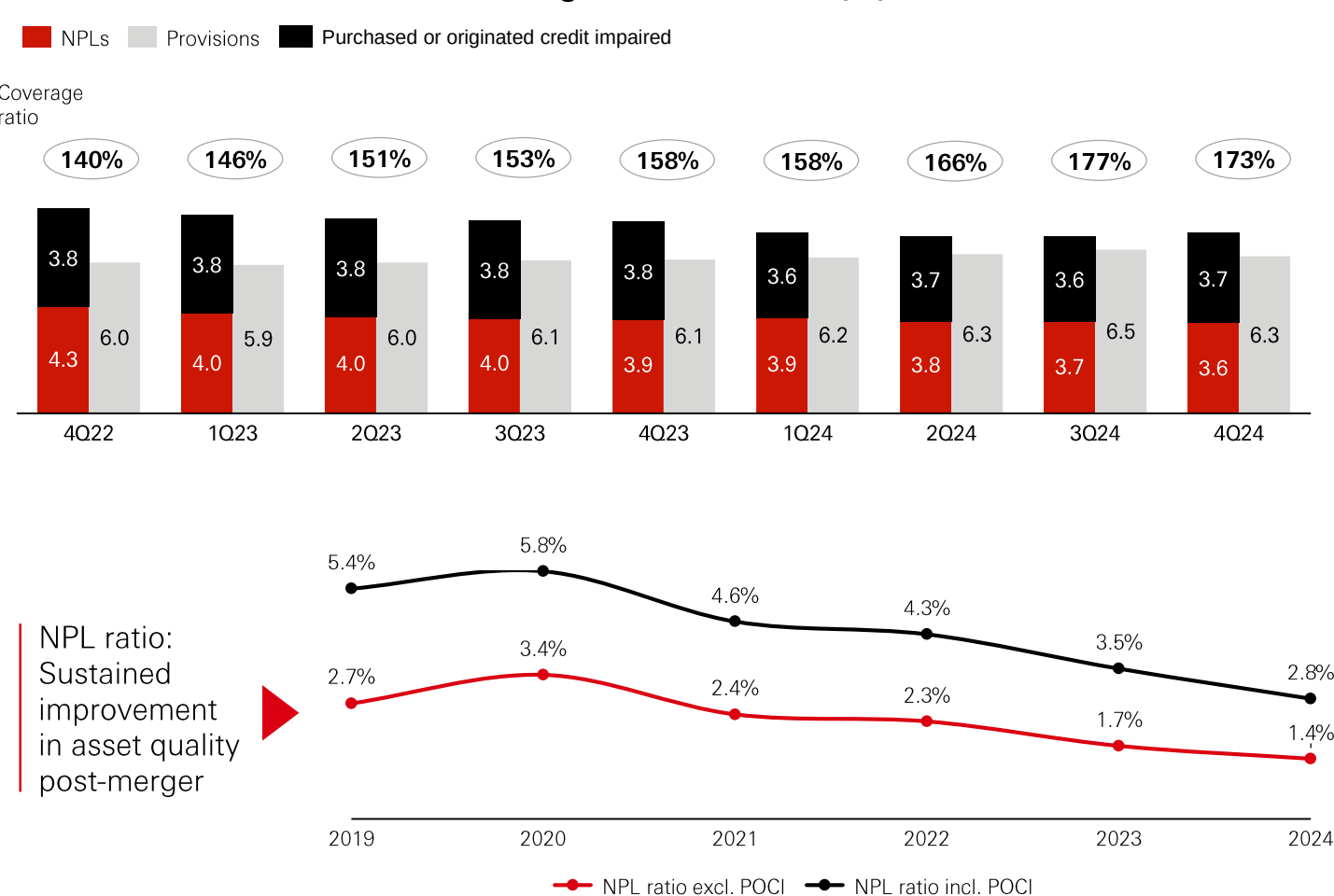
Impairment analysis and credit quality

Underlying portfolio quality remains strong with NPL ratio of 1.4% with no increase in underlying delinquencies; 2024 cost-of-risk of 23bps remains low and beats guidance

ECL charge (SARm) and CoR (bps)



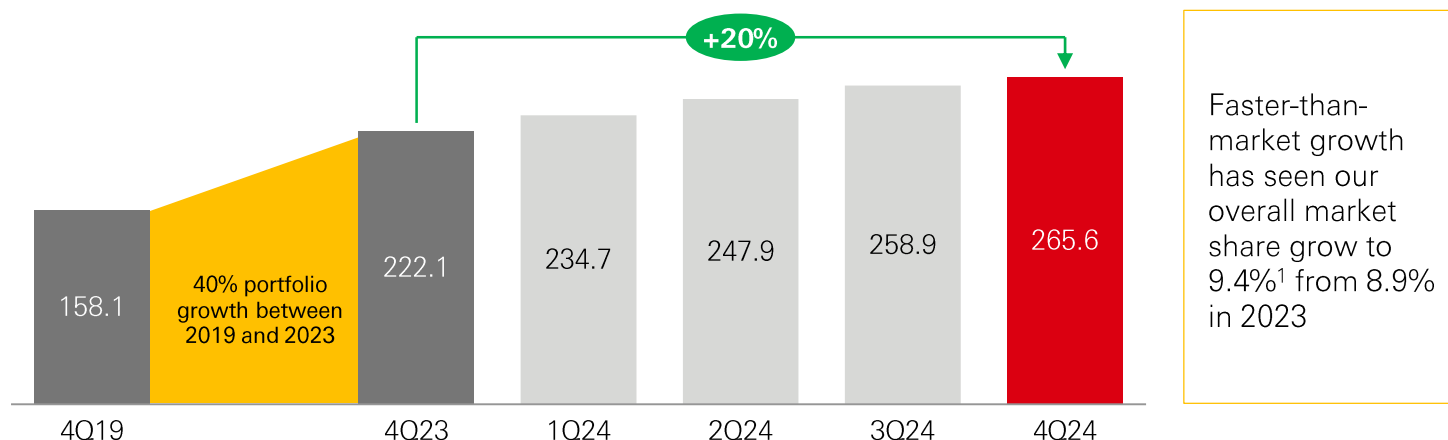
NPLs, Provisions SARbn and coverage and NPL ratios (%)



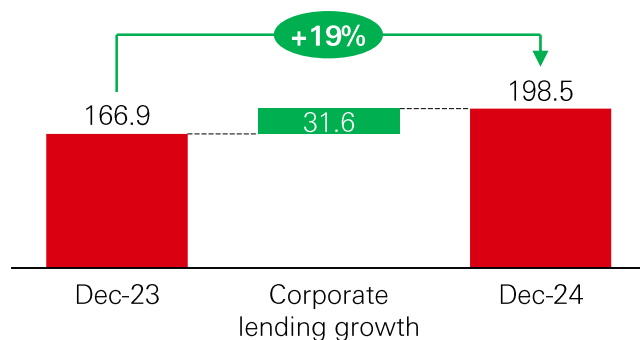
Customer lending

Strong lending growth of 20% YTD; continue to gain market share; we possess a diversified lending portfolio

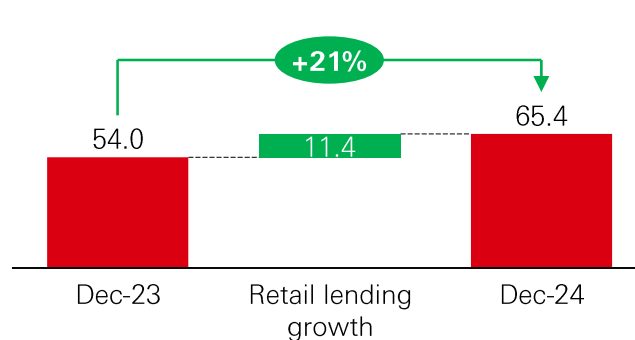
Gross customer lending, SARbn



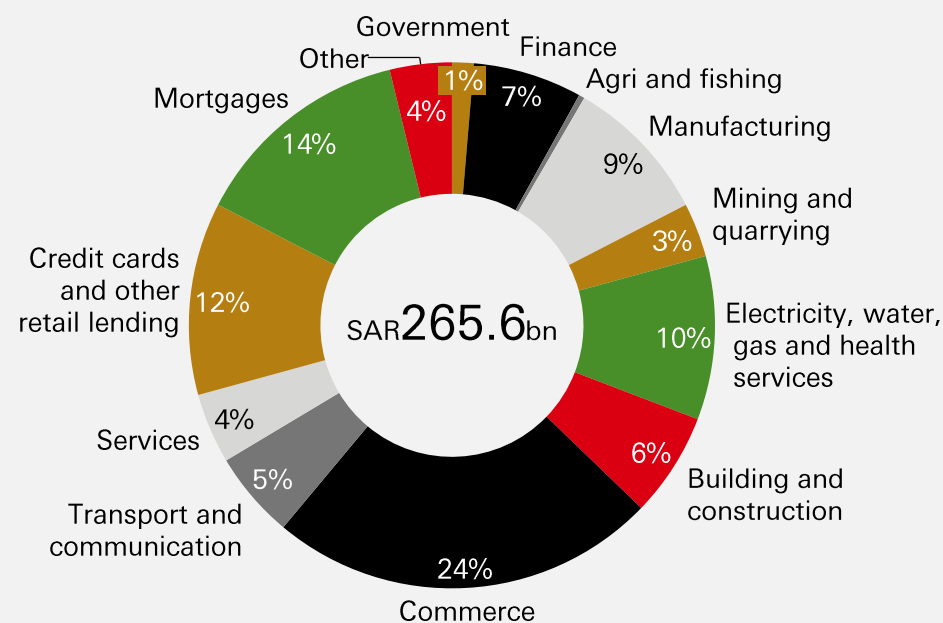
CIB lending growth during 2024



WPB lending growth during 2024



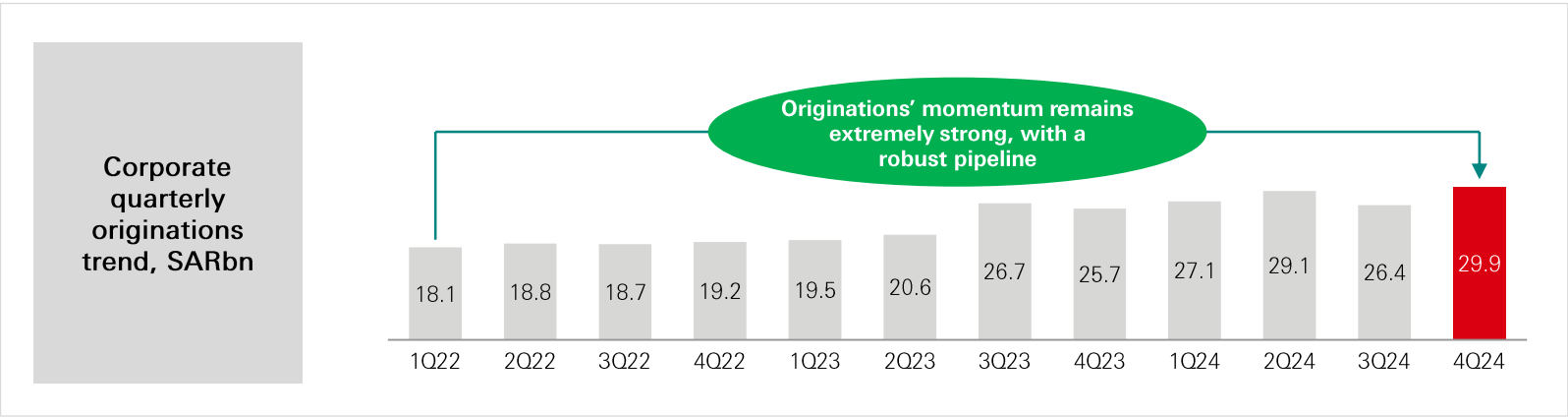
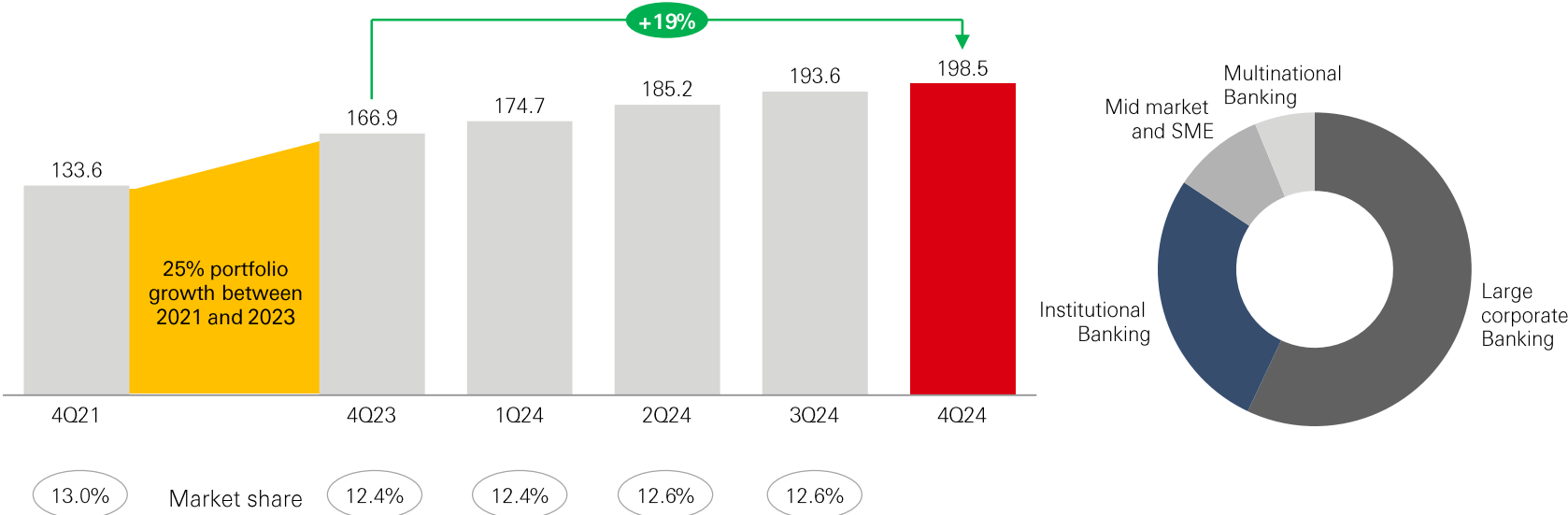
Gross customer lending, by sector



Corporate and institutional business

We continue to capture corporate loan market share with 19% year-to-date growth

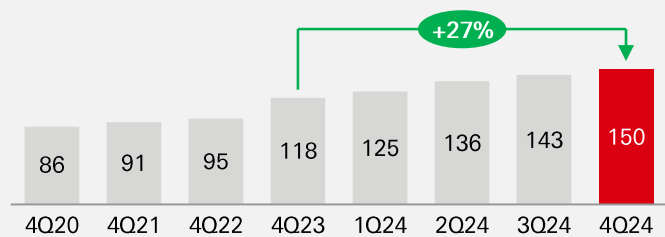
Gross customer lending, SARbn



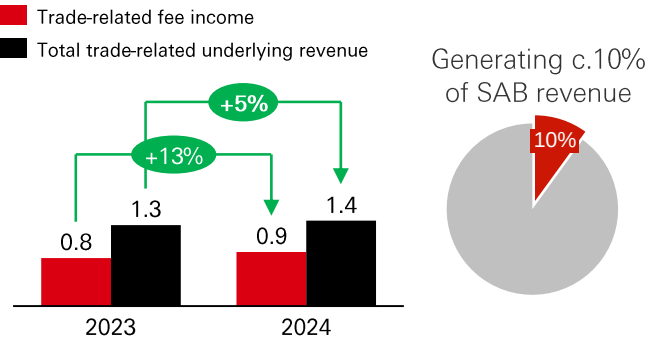
Our trade and off-balance sheet business is the number 1 in the Kingdom with 24% market share, generating c. 10% of the Bank's revenue and over half of the Bank's fee income

Trade balances, SARbn

Letters of credit, guarantees and acceptances



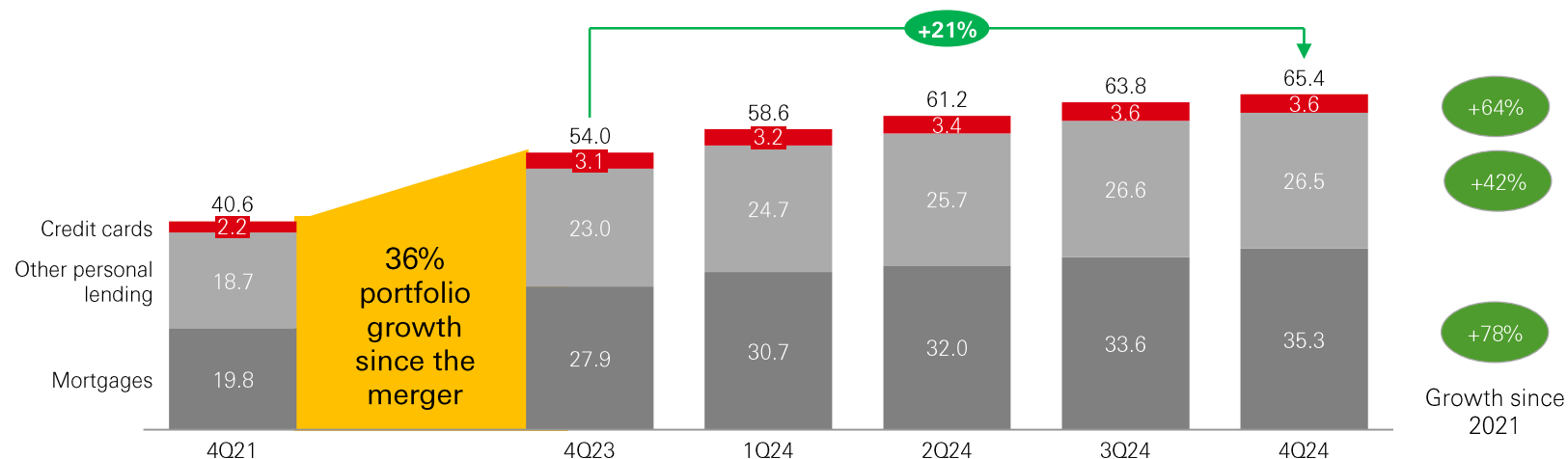
Total Trade-related 2024 Revenue, SARbn



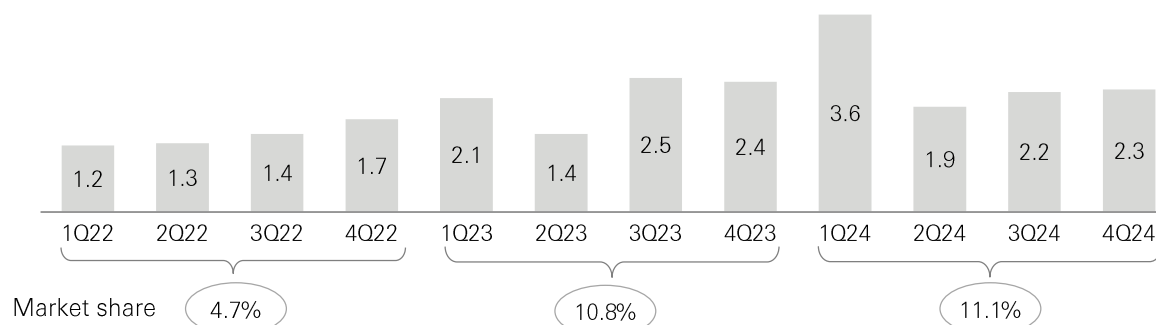
Wealth and personal lending business

Strong lending growth of 21% YTD, supported by robust mortgage growth

Gross customer lending, SARbn

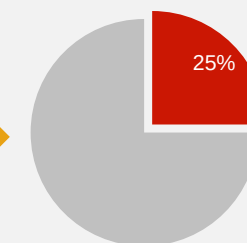


Mortgage quarterly originations trend, SARbn

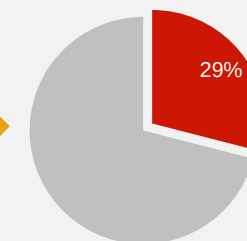


A core contribution to the Bank's financial performance

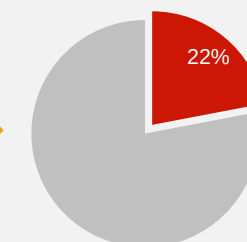
25% of the Bank's loan portfolio



29% of the Bank's revenue



22% of the Bank's net income



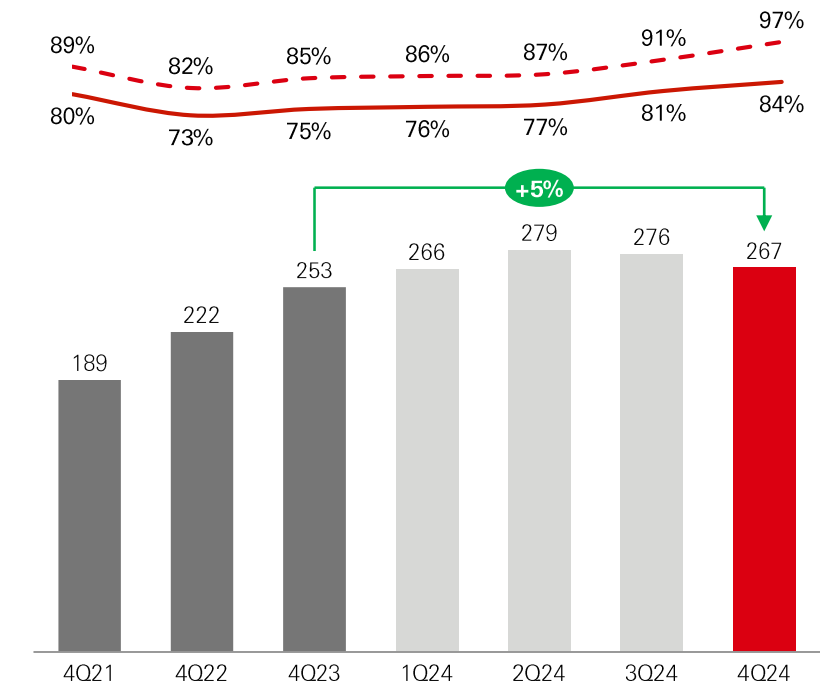
Customer deposits and liquidity

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

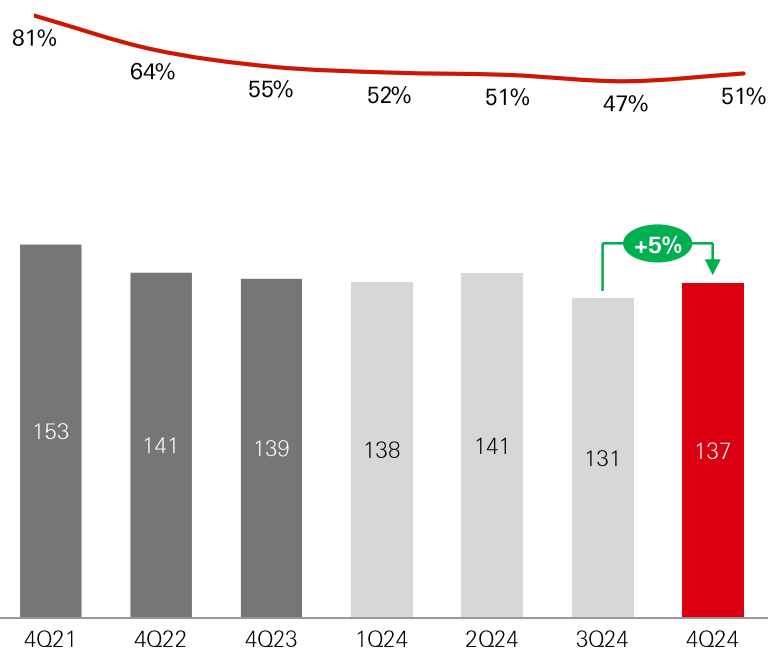
■ Deposits — Reg LDR - - Simple LDR



Demand deposit balances and ratio

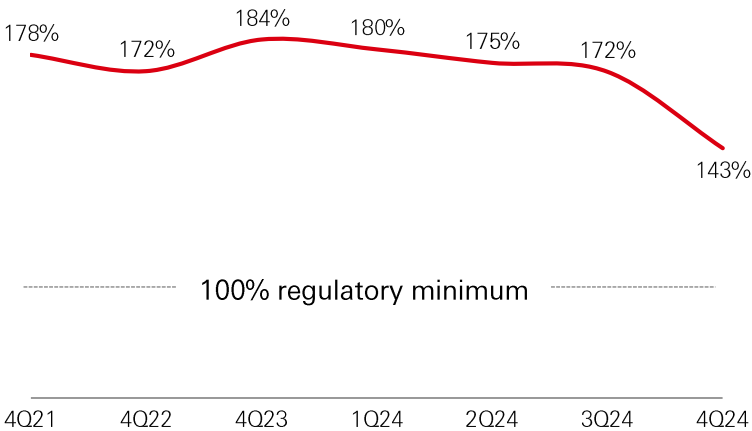
Stabilising NIBs ratio

— Demand deposit ratio



Liquidity coverage ratio, %

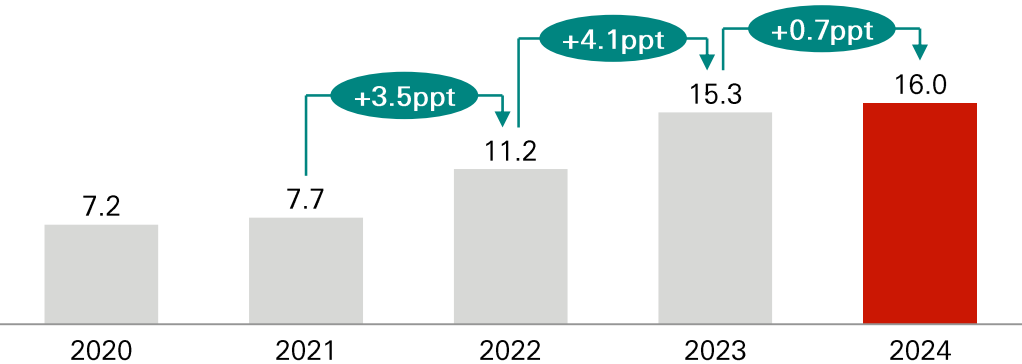
Highly liquid and well above regulatory requirements



Capital and returns

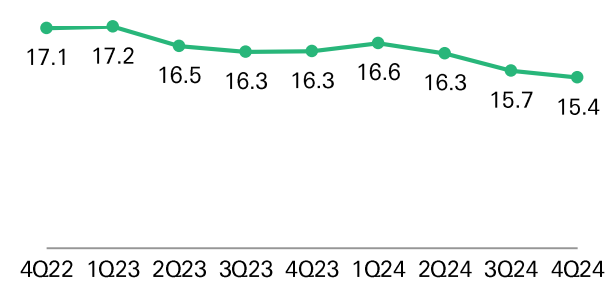
Improvement in RoTE from sustained loan growth, strong cost control and supported by lower ECL

Return on tangible equity, %



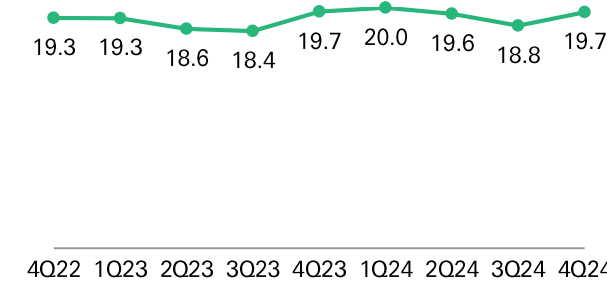
CET1 capital ratio, %

Basel 3 reforms basis

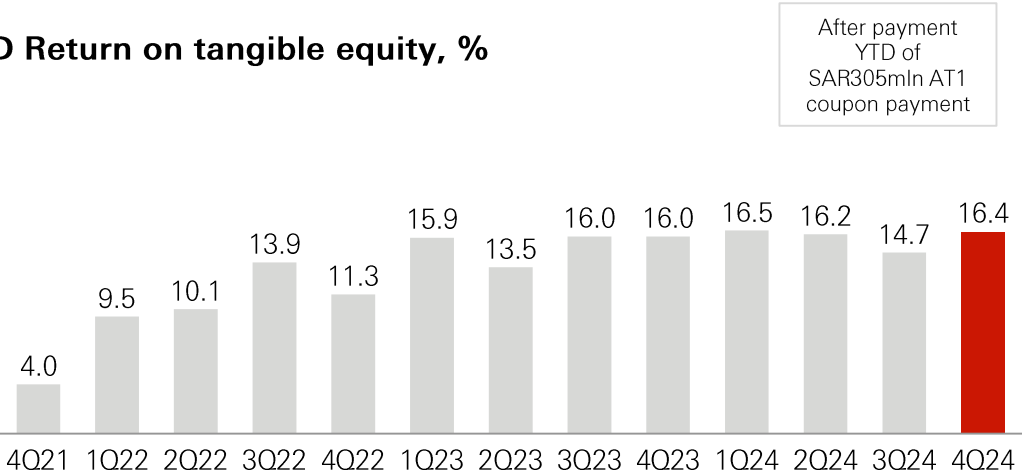


Total capital ratio, %

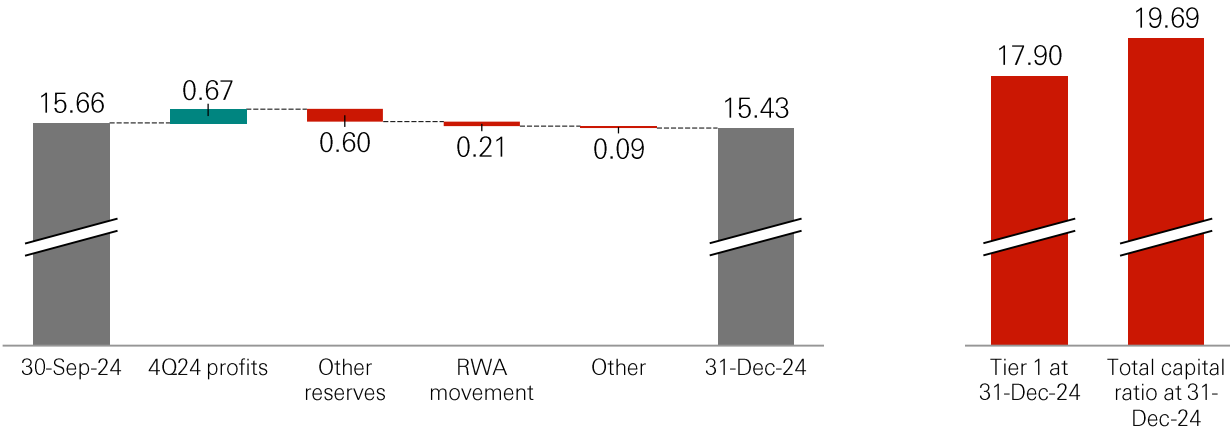
Basel 3 reforms basis



QTD Return on tangible equity, %



CET1 ratio movement 31 Dec 2024 vs. 30 Sep 2024, %



2024 performance vs. guidance

Delivery of targets since the start of the strategy has grown with our growth strategy translating to sustained growth in returns

		2021	2022	2023	2024		Updated Guidance at 3Q24	2024 Original Guidance
Balance Sheet	Loan YoY growth	+9%	+9%	+18%	+20%	◆ Exceeded guidance with strong growth across both corporate (19%) and retail (21%)	Mid to high teen %	Ahead of the market
Profitability	Annual net interest margin	2.03%	2.46%	3.04%	2.85%	◆ Delivered in the original guidance range despite added CoF pressures	2.85-2.95%	2.85-2.95%
	Cost efficiency ratio	44.7%	37.9%	32.4%	30.6%	◆ Exceeded original and updated guidance through strong cost management and improved revenue	< 31%	< 32%
	RoTE ¹	7.7%	11.2%	15.3%	16.0%	◆ Delivered at the top end of guidance and another consecutive step up in returns	15-16%	15-16%
Asset Quality	Cost of risk	27bps	24bps	27bps	23bps	◆ Exceeded guidance; underlying asset quality remains robust	Lower end of range: 25-40bps	30-45bps

2025 guidance

Delivery of targets since the start of the strategy has grown with our growth strategy translating to sustained growth in returns; we also remain firmly on track for delivery of our medium-term targets

		2021	2022	2023	2024	2025 guidance
Balance Sheet	Loan YoY growth	+9%	+9%	+18%	+20%	Mid-teens % growth
Profitability	Annual net interest margin	2.03%	2.46%	3.04%	2.85%	2.70-2.80%
	Cost efficiency ratio	44.7%	37.9%	32.4%	30.6%	< 30.5%
	RoTE ¹	7.7%	11.2%	15.3%	16.0%	15-16%
Asset Quality	Cost of risk	27bps	24bps	27bps	23bps	25-35bps

Financial targets by 2026

ROTE 15.0% to 16.0% on a post AT1 coupon basis	Loans growth CAGR Low double-digit to low-teens
Annual OPI growth 6-10%	Cost-Income Ratio 30-32%

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
103 branches



Employees
4.0k employees



Credit ratings
Moody's: A1/P-1/Stable
Fitch: A-/F2/Stable

SAR266bn
Gross Loan portfolio

SAR267bn
Customer deposits

16.0%
Return on tangible equity

15.4%
Tier 1 ratio

1. As at 31 December 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.



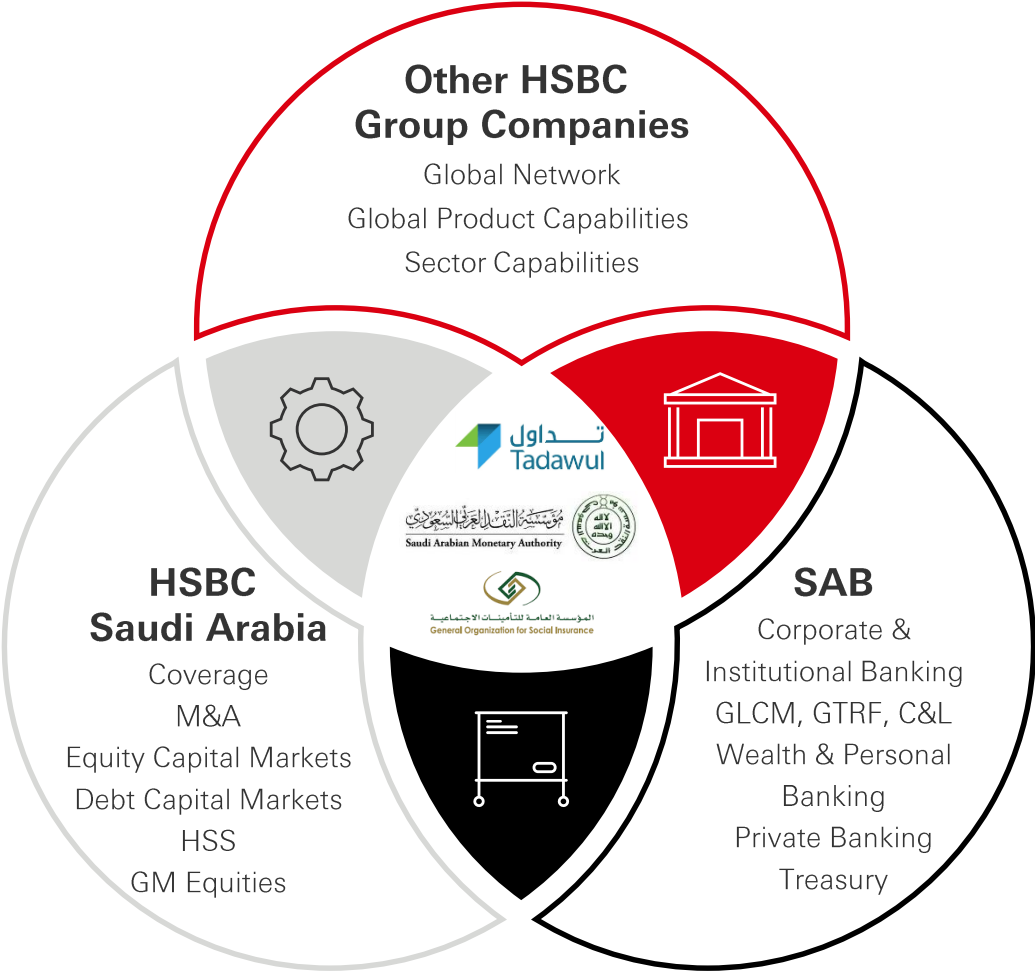


SAB's differentiation - connectivity with HSBC

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 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

Medium term outlook: 2024 to 2026

1



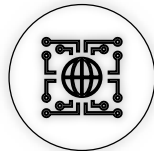
Grow sustainable returns in a changing environment

2



Sustainably gain market share in lending over the next 3 years

3



Be future-ready by leading in digital and ESG



The **leading international bank** in the Kingdom

A **Scale player** in Corporate Banking and Treasury

Focus : Core/Giga projects, trade, cash management and SME

The **Bank of Choice**, for Wealth and Internationally-Minded Customers

Focus: Wealth, mortgage, cards and payments

Alawwal (the best) in customer experience

Alawwal (the best) in Employee experience

Alawwal (the best) in Organizational Efficiency

Primary strategic targets by 2026

ROTE

15.0% to 16.0%

on a post AT1 coupon basis

Other key financial metrics

Loans growth CAGR

Low double-digit to low-teens

Annual OPI growth

6-10%

Cost-Income Ratio

30-32%

