

Offer Document

This document is issued by the Saudi British Bank (“SABB”) and addressed to Alawwal bank’s Shareholders in respect of the Offer to Merge made by SABB to Alawwal bank Shareholders in consideration for new shares in SABB pursuant to Articles 191-193 of the Companies Law and Article 49 (a) (1) of the Merger and Acquisitions Regulations (the “Offer Document”)

THIS OFFER DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. This Offer Document should be read in full before you make a decision in relation to the Merger Resolutions and the Additional Resolutions. If you are in any doubt as to the action you should take, it is recommended that you seek your own independent financial advice from an independent financial advisor authorised by the Saudi Arabian Capital Market Authority.

SABB has entered into a merger agreement with Alawwal bank on 23/1/1440H (corresponding to 3 October 2018G) (the “**Merger Agreement**”) for the purpose of merging the two entities by way of a merger by absorption and all of the assets and liabilities of Alawwal bank will be transferred to SABB (the “**Merger**”), in consideration for SABB issuing 554,794,522 ordinary shares with a nominal value of SAR 10 per share in SABB in favour of Alawwal bank Shareholders (the “**Consideration Shares**”) by way of increasing the paid-up capital of SABB from 15,000,000,000 to SAR 20,547,945,220 which represents an increase in the number of shares of SABB from 1,500,000,000 shares to 2,054,794,522 fully paid shares, which represents an increase of 37% of SABB current capital subject to satisfying the conditions to the Merger as specified in the Merger Agreement which are summarized in Section 2.3.1 (“**Merger Agreement**”) of this Offer Document (noting that such conditions may not be amended or waived). SABB made an announcement on 4/7/1440H (corresponding to 11/3/2019G) confirming its firm intention to proceed with making an Offer to Merge to Alawwal bank Shareholders in consideration for the Consideration Shares.

SABB has only one class of shares and no shareholder benefits from any preferential voting rights. All Consideration Shares will be of the same class and will have the same rights as the existing SABB shares. On the Effective Date, the assets and liabilities of Alawwal bank will be transferred to SABB in consideration for the issue of the Consideration Shares to Alawwal bank Shareholders who are registered in the shareholders’ register of Alawwal bank at the end of the second trading period following the Effective Date. For every Alawwal bank Share held, SABB will issue 0.48535396 SABB shares as consideration (the “**Exchange Ratio**”). Upon Completion, all Alawwal bank Shares will be delisted from Tadawul and Alawwal bank will cease to exist pursuant to the provisions of Articles 191-193 of the Companies Law and Article 49 (a) (1) of the Merger and Acquisition Regulations (the “**MARs**”). Reference to the “**Combined Bank**” in this Offer Document means SABB following Completion (for further information, see Section 2.5 (“**PROCEDURES REQUIRED TO EFFECT THE MERGER**”).

The total value of the Merger is determined on the basis of the value of the Consideration Shares. The total nominal value of the Consideration Shares is SAR 5,547,945,220. The total market value of the Consideration Shares as determined on the basis of the Exchange Ratio and the closing price of SAR 33.51 per SABB share on 14 May 2018 (which is the last trading day prior to the parties’ initial agreement on the Exchange Ratio) is SAR 18,591,164,424. The total market value of the Consideration Shares as determined on the basis of the Exchange Ratio and the closing price of SAR 32.25 per SABB share on 3 October 2018 (which is the last trading day prior to the execution of the Merger Agreement) is SAR 17,892,123,327. The total value of the Consideration Shares (as will be recorded on the financial accounts of SABB) will be determined at a later stage on the basis of the closing price of SABB share on the last trading day prior to the Effective Date of the Merger.

Implementation of the Merger is conditional upon, amongst other things, obtaining the approval of the SABB EGM and Alawwal EGM. For more details of the conditions to, and process for, implementing the Merger, see Section 2.3.1 (“**Merger Agreement**”) and Section 2.5 (“**PROCEDURES REQUIRED TO EFFECT THE MERGER**”) of this Offer Document. For the avoidance of doubt, and subject to satisfying all of the other Merger conditions (including the condition related to the Creditor Objection Period), if the Merger Resolution is approved by the requisite number of Alawwal bank Shares (at least three-fourths of the shares represented

at the meeting) at the Alawwal bank EGM, Alawwal bank will dissolve and the assets and liabilities of Alawwal bank will be transferred to SABB. Upon Completion, all of Alawwal bank Shareholders (including those who voted against or did not vote on the Merger Resolutions) will receive the Consideration Shares in the Combined Bank in accordance with the Exchange Ratio.

If the Offer is approved (in full) by Alawwal bank Shareholders and all other conditions of the Merger are satisfied, Al Alawwal bank Shareholders will own 27% of the Combined Bank's capital, and the Consideration Shares will entitle its holders to receive dividends declared by the Combined Bank following Completion. In addition, this will result in a number of changes in the composition of the Combined Bank's Board from the Effective Date of the Merger (for further information, see Section 2.3.1 ("*Merger Agreement*"). SABB was established by Royal Decree No. M/4 dated 12/2/1398H (corresponding to 21/1/1978G) as a Joint Stock Company in Saudi Arabia with commercial registration number 1010025779 dated 22/11/1399H (corresponding to 13/10/1979G) issued from Riyadh and has a share capital of SAR 15,000,000,000, consisting of 1,500,000,000 shares with a nominal value of SAR 10 per share, all of which are fully paid. The number of the shares currently listed on Tadawul is 1,500,000,000 shares. SABB has one class of shares and no shareholder benefits from any preferential voting rights. All Consideration Shares will be of the same class and will have the same rights as the existing SABB shares.

The Substantial Shareholders of SABB are HSBC Holdings B.V., Olayan Saudi Investment Company ("**Olayan**"), General Organisation for Social Insurance ("**GOSI**") and Abdulkader Al-Muhaidib and Sons Company, owning 40%, 16.96%, 9.74% and 5% respectively. The Substantial Shareholders of Alawwal bank are NWM N.V., Olayan and GOSI, owning 40%, 21.73% and 10.51% respectively.

The Merger is deemed to be a Related Party transaction Olayan is a Substantial Shareholder in, and has representation on the boards of, both SABB and Alawwal bank and GOSI is a Substantial Shareholder in both SABB and Alawwal bank, and has representation on the board of SABB. Pursuant to Article 191(4) of the Companies Law, a shareholder that holds shares in both SABB and Alawwal bank can only vote on the Merger Resolutions in the EGM of one of the companies. (for further information, see Section 2.6 ("*RELATED PARTIES AND CONFLICTED DIRECTORS*").

A number of SABB's directors have a conflict of interest in the Merger, Khaled Suliman Olayan, the representative of Olayan, and Saad Abdulmuhsn Al-Fadly, the representative of GOSI, have declared their conflict of interest to the SABB Board and did not vote on the SABB Board decision to approve entry into the Merger Agreement. A number of Alawwal bank's directors have conflict of interest in the Merger, Lubna Sulaiman Olayan, the representative of Olayan, and Sulaiman Abdullah Al-Kadi who is currently a board member of Alawwal bank and holds shares in SABB, have declared their conflict of interest to the Alawwal bank Board and did not vote on the Alawwal bank Board decision to approve entry into the Merger Agreement. For further information see Section 2.6 ("*RELATED PARTIES AND CONFLICTED DIRECTORS*") of this Offer Document.

In the event that the Exchange Ratio calculation produces a fractional share, the resulting figure will be rounded down to the nearest share. For example, if an Alawwal bank Shareholder holds 100 Alawwal bank Shares, he or she will receive 48 Consideration Shares on the Effective Date (and not 49 Consideration Shares). SABB shall aggregate all fractional entitlements and sell the corresponding SABB shares on behalf of all Alawwal bank Shareholders who would otherwise have been entitled to receive a fractional SABB share in the market for cash, and subsequently distribute the net cash proceeds to such Alawwal bank Shareholders proportionate to their respective fractional entitlements. Any expenses in relation to the sale of fractional shares, will be paid from the proceeds of such sale.

Following the issue of Consideration Shares, the ownership of SABB's existing shareholders will constitute 73.00% of the issued share capital of the Combined Bank's capital whereas the ownership of Alawwal bank Shareholders will constitute 27.00% of the total issued share capital of the Combined Bank on a fully diluted basis. The Consideration Shares will entitle their holders to receive dividends declared by the Combined Bank following Completion. SABB announced on Tadawul website on 20/4/1440H (corresponding to 27/12/2018G) the recommendation of the Board of Directors to distribute interim cash dividends to its shareholders for the second half of the financial year ending on 31 December 2018G with a total amount of

SAR 1,500,000,000 at a SAR 1 per share (after the deduction of Zakat) with a distribution rate of 10% of the share nominal value. The general assembly of SABB has approved the recommendation of the board at its meeting convened on 25/7/1440H (corresponding to 1/4/2019G). Pursuant to its undertakings under the Merger Agreement, Alawwal bank will not pay dividends for the year 2018G. Alawwal bank announced on Tadawul website on 24/1/1440H (corresponding to 4/10/2018G) the recommendation of its Board of Directors not to distribute dividends for the financial year ending on 31 December 2018G in compliance with the provisions of the Merger Agreement. Such recommendation has been approved by the general assembly of Alawwal bank, which is due to be convened on 12/8/1440H (corresponding to 17/4/2019G).

An application has been made to the CMA for the Consideration Shares to be registered and offered and to the Saudi Stock Exchange (Tadawul) for the Consideration Shares to be listed on Tadawul. This Offer Document has been submitted to and approved by the CMA for publication, and all requirements of the CMA have been supplied and, subject to the EGM resolutions being passed at SABB EGM and Alawwal bank EGM, all relevant regulatory approvals pertaining to the Merger and the Capital Increase have been granted (for further information, see Section 2.5.1 ("*Government Approvals*") of this Offer Document.

This Offer Document has been issued by SABB to Alawwal bank Shareholders pursuant to article (38) of the MARs without accepting any liability in relation to Alawwal bank information contained in this Offer Document. All information contained in this Offer Document in relation to Alawwal bank and its subsidiaries has been included on the basis of the information provided by Alawwal bank and information obtained during the due diligence exercise conducted by SABB and its advisers on Alawwal bank. Alawwal bank has an obligation under the Merger Agreement to provide SABB with all information required to prepare this Offer Document. Alawwal bank has also provided a customary warranty in favour of SABB, under the Merger Agreement, that all information provided to SABB during the course of the due diligence process was as at the date as to which it speaks true and accurate in all material respects and not misleading in a material respect. Alawwal bank also warranted that, save for information which it has redacted from the due diligence materials during the due diligence investigation, due to its commercial sensitivity or contractual or regulatory restrictions, it has not knowingly withheld any material information from SABB.

This Offer Document (in particular the "*Important Notice*" and Section 1 ("*RISK FACTORS*") and Alawwal bank Board Circular should be read in full and to be considered carefully prior to making a decision whether to vote in favour of the Merger Resolutions to be considered at Alawwal bank EGM.

SABB has appointed GSSA as its financial advisor in connection with the Merger.

Financial Advisor



The CMA and the Saudi Stock Exchange (Tadawul) do not assume any responsibility for the contents of this Offer Document and make no assurances as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from this Offer Document or reliance on any part thereof.

This Offer Document was published on 20/8/1440H (corresponding to 25/4/2019G).

This is an unofficial English translation of the official Arabic language of the Offer Document. No reliance should be placed on this English translation, which may not entirely reflect the official Arabic language Offer Document. In case of any differences between the two, the Arabic version shall prevail.

IMPORTANT NOTICE

This Offer Document contains detailed information relating to the Merger and relevant information thereto. The purpose of this Offer Document is to provide the shareholders of Alawwal bank with information on the Merger in order to assist them in deciding whether or not to vote in favour of the Merger at Alawwal bank EGM, which is a necessary step to complete the Merger. The vote of the shareholders of Alawwal bank will be deemed to have been made solely on the basis of the information contained in this Offer Document and the Alawwal bank Board Circular.

The CMA and the Saudi Stock Exchange (Tadawul) do not assume any responsibility for the contents of this Offer Document and make no assurances as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from this Offer Document or reliance on any part thereof. Statements and information contained in this Offer Document are made as at the date of this Offer Document, unless some other time is specified in relation to them, and the publication of this Offer Document (or any action taken pursuant to it) shall not give rise to any implication that there has been no change in the facts or affairs of SABB, Alawwal bank or any members of their respective groups as set out in this Offer Document since such date. Nothing contained in this Offer Document is intended to be or shall be deemed to be a forecast, projection or estimate of the future financial performance of the Combined Bank or any members of its group and no statement in this Offer Document should be interpreted to mean that earnings per share for current or future financial periods of the Combined Bank post the Merger will necessarily match or exceed historical published earnings per share of SABB shares (for further information, see Section 1 (“RISK FACTORS”) of this Offer Document).

No person has been authorised to give any information or to make any representations on behalf of the SABB board of directors other than those contained in this Offer Document and, if given or made, such information or representations must not be relied on as having been authorised by SABB, GSSA or any of the other advisers in connection with the Merger.

Copies of this Offer Document can be obtained (without charge) from the offices of SABB or through SABB’s website at: www.sabb.com, from the CMA’s website at: www.cma.org.sa, or from the website of the Saudi Stock Exchange (Tadawul) at: www.tadawul.com.sa. Except in respect of the foregoing, neither the content of any website of SABB nor the content of any website accessible from hyperlinks on any of such websites is incorporated into, or forms part of, this Offer Document and no person accepts any responsibility for the contents of such websites.

GSSA is acting exclusively as financial adviser to SABB and for no one else in connection with the Merger and will not be responsible to anyone other than SABB for providing the protections afforded to clients of GSSA or for providing advice in relation to the Merger, the content of this Offer Document or matters referred to in this Offer Document. GSSA is licensed and regulated in Saudi Arabia by the CMA.

GSSA has not verified the information contained in this Offer Document. Accordingly, no representation or warranty is made or implied by GSSA or any of its respective affiliates and neither GSSA or any of its respective affiliates make any representation or warranty or accept any responsibility as to the accuracy or completeness of the information contained in this Offer Document.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Offer Document contains certain forward-looking statements with respect to SABB. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as “anticipate”, “target”, “expect”, “estimate”, “intend”, “plan”, “will”, “goal”, “believe”, “aim”, “may”, “would”, “could” or “should” or other words of similar meaning or the negative thereof. Forward-looking statements in this Offer Document include, without limitation, statements relating to the following: (i) preliminary synergy estimates, future capital expenditures, expenses, revenues, economic performance, financial conditions, dividend policy, losses and future prospects; (ii) business and management strategies and the expansion and growth of the operations of the Combined Bank; and (iii) the Merger and the dates on which events are expected to occur. The advisors of SABB, those whose names appear in the “*Corporate Directory*” Section of this Offer Document, or any of

their managers or employees shall not be liable for any direct or indirect loss or damage that any person may incur due to their reliance on any information included in the Offer Document, or the omission of any information not included in this Offer Document.

These forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of any such person, industry results, strategies or events, to be materially different from any results, performance, achievements or other events or factors expressed or implied by such forward-looking statements. Many of the risks and uncertainties relating to forward-looking statements are beyond the Banks' abilities to control or estimate precisely, such as future market conditions and the behaviours of other market participants, and therefore undue reliance should not be placed on such statements. Forward-looking statements are not guarantees of future performance. They have not, unless otherwise indicated, been reviewed by the auditors of SABB. Forward-looking statements are based on numerous assumptions, including assumptions regarding the present and future business strategies of SABB and the environment in which each will operate in the future. All subsequent oral or written forward-looking statements made by or attributable to SABB or Alawwal bank or any persons acting on their behalf are expressly qualified in their entirety by the cautionary statement above.

The risks and uncertainties include, but are not limited to:

- any synergy estimates included in this Offer Document, which are highly preliminary estimates of the board of directors of SABB, which have not been subject to an independent verification process and may be revised following more detailed integration planning of the businesses of SABB and Alawwal bank;
- the economic and financial markets conditions in KSA generally;
- the performance of the banking sector in KSA and the wider region;
- SABB's relationship with the Government generally, including its ability to obtain requisite governmental or regulatory approvals and permits to undertake banking activities;
- SABB's ability to achieve and manage the growth of its businesses;
- SABB's ability to obtain financing or maintain sufficient capital to fund its existing and future operations;
- changes in political, social, legal or economic conditions in the markets in which SABB and its customers operate;
- changes in the competitive environment in which SABB operates;
- failure to comply with regulations applicable to SABB's business; and
- removal or adjustment of the fixed exchange rate between the US dollar and the KSA Riyal.

For further details about these risks and uncertainties, see Section 1 (“*RISK FACTORS*”) of this Offer Document.

SABB assumes no obligation to, and does not intend to, update any forward-looking statements, except as required pursuant to applicable law and regulation.

No person should construe the contents of this Offer Document as legal, financial or tax advice. If you are in any doubt as to the action you should take at the Alawwal bank EGM, it is recommended that you seek your own independent financial advice from an independent financial adviser authorised by the CMA.

PUBLICATION AND DISTRIBUTION RESTRICTIONS

This Offer Document is addressed to all Alawwal bank Shareholders, subject to any restriction in the rules of any Restricted Jurisdiction.

NOTICE TO ALAWWAL BANK SHAREHOLDER RESIDING OUTSIDE OF SAUDI ARABIA

Please note that, although all shareholders have the right to vote on the resolutions proposed at the Alawwal bank EGM to approve the Merger (unless they are restricted due to a conflict of interest or any other restriction imposed by the relevant Saudi laws and regulations), shareholders residing outside of Saudi Arabia are hereby made aware that this Offer Document was not filed, notified or registered with any regulatory authority outside Saudi Arabia. Therefore, if a shareholder is based in a jurisdiction where voting on the Merger based on this Offer Document requires any steps to be taken by SABB to lawfully enable such shareholder to vote on the Merger Resolutions then that shareholder should not vote on the resolutions to be proposed at the Alawwal bank EGM. If such shareholder has nevertheless voted on the Merger Resolutions then SABB reserves the right, after it agrees the same with Alawwal bank, to not proceed with the Merger unless the relevant resolutions are approved by the requisite majorities without counting the vote of that shareholder.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

SABB's financial statements for the financial years ended 31 December 2016G and 31 December 2017G and 31 December 2018G are prepared in accordance with IFRS as adopted in KSA and other mandatory reporting requirements applicable in KSA. Save where expressly stated otherwise, financial information contained in this Offer Document is based on management estimates and has not been independently verified by auditors or otherwise. Save as disclosed otherwise, all financial information is set out in SAR.

This Offer Document has been prepared for the purpose of complying with applicable laws and regulations of KSA and the information disclosed may not be the same as that which would have been disclosed if this Offer Document had been prepared in accordance with the laws and/or regulations of jurisdictions outside KSA. The Consideration Shares constitute securities of a Saudi Arabian company and you should be aware that this Offer Document and any other documents relating to the Merger and the Consideration Shares have been or will be prepared in accordance with Saudi Arabian disclosure requirements, format and style, all of which may differ from those applicable in other jurisdictions.

CORPORATE DIRECTORY

<p>Saudi British Bank</p> <p>SABB Head Office, Head Quarter P.O. Box 9084, Riyadh 11413</p> <p>Prince Abdul Aziz bin Mousaed bin Jalawi Street Kingdom of Saudi Arabia Telephone: +966 (0) 11 2764141 +966 (0) 11 2764140 Fax: +966 (0) 11 2763414 Email address: reg.hor@sabb.com Website: www.sabb.com</p>	 <p>SABB  ساب</p>
<p>FINANCIAL ADVISER TO SABB</p> <p>Goldman Sachs Saudi Arabia 25th Floor. Kingdom Tower. P.O. Box 52969, Riyadh 11573 Kingdom of Saudi Arabia Telephone: +966 11 2794800 Fax: +966 11 2794807 Email address: gssainfo@gs.com Website: www.goldmansachs.com/worldwide/saudi-arabia</p>	
<p>LEGAL ADVISER TO SABB</p> <p>Abuhimed Alsheikh Alhagbani Law Firm Building 15, The Business Gate, King Khaled International Airport Road, PO Box 090239, Riyadh 11613, Riyadh, Kingdom of Saudi Arabia Telephone: +966 11 4819700 Fax: +966 11 4819700 Email address: info.ash@ashlawksa.com Website: www.ashlawksa.com</p>	 <p>AS&H أبو حيمد والشيخ والحقباني ABUHIMED ALSHEIKH ALHAGBANI</p>
<p>EXTERNAL AUDITORS TO SABB</p> <p>Ernst & Young & Co (public Accountants) Olaya, Faisaliah Tower, Floor 14 PO Box 2732, Riyadh, 11461 Kingdom of Saudi Arabia Telephone: +966 11 273 4740 Fax: +966 11 273 4730 Email: riyadh@sa.ey.com Website: www.ey.com</p>	

<p>EXTERNAL AUDITORS TO SABB</p> <p>KPMG Al Fozan & Partners Certified Public Accountants</p> <p>KPMG Tower Salahudeen Al Ayoubi Road P. O. Box 92876 Riyadh 11663 Kingdom of Saudi Arabia Telephone +966 11 874 8500 Fax +966 11 874 8600 Email: apquinton@Kpmg.com Website: www.kpmg.com/sa</p>	 <p>The logo for KPMG Al Fozan & Partners Certified Public Accountants. It features the KPMG logo on the left, which consists of the letters 'KPMG' in a blue, outlined font. To the right of the logo, the text 'Al Fozan & Partners' is written in a smaller blue font, with 'Certified Public Accountants' written below it in a similar font.</p>
<p>FINANCIAL DUE DILIGENCE ADVISER TO SABB</p> <p>PricewaterhouseCoopers Kingdom Tower P.O. Box 8282, Riyadh 11482 Kingdom of Saudi Arabia T: +966 (11) 465-4240 F: +966 (11) 465-1663 Email: SA_project_aegean@pwc.com Website: www.pwc.com/me</p>	 <p>The logo for PricewaterhouseCoopers (pwc). It features a stylized graphic of three overlapping squares in shades of orange, red, and yellow, positioned above the lowercase letters 'pwc' in a bold, black, sans-serif font.</p>
<p>Note: The above advisors have given and, as at the date of this Offer Document, have not withdrawn their written consent to the publication of their names, addresses, logos and the statements attributed to each of them in the context in which they appear in this Offer Document. The above advisors do not have any shareholding or interest of any kind in SABB or of their subsidiaries.</p>	

KEY DATES AND MILESTONES

The following dates are indicative only and will depend, among other things, on whether (and the dates on which) the conditions of the Merger (including, without limitation, SABB Shareholders and Alawwal bank Shareholders approving the Merger at SABB EGM and Alawwal bank EGM, respectively) are satisfied. The conditions to the Merger are summarised in Section 2.3.1 (“Merger Agreement”) of this Offer Document. SABB will announce any changes to the timeframe and expected dates set out in the table below on Tadawul website.

Event	Timeline/Date
(1) Actions required in relation to EGM	
Submission of the final Offer Document to the CMA to approve its publication	16/8/1440H (corresponding with 21/4/2019G)
CMA approval of the Capital Increase and the publication of this Offer Document	17/8/1440H (corresponding with 22/4/2019G)
Publication of the SABB Shareholders Circular, this Offer Document and Alawwal bank Board Circular.....	20/8/1440H (corresponding with 25/4/2019G)
Documentation available for inspection	20/8/1440H (corresponding with 25/4/2019G) until the expiry of the Offer Period (Sunday to Thursday between 9 a.m. and 5 p.m. (excluding public holidays in Saudi Arabia))
CMA approval to convene SABB EGM and Alawwal bank EGM	18/8/1440H (corresponding with 23/4/2019G)
Publish the invitation to SABB EGM on Tadawul website (to refer to the possibility of holding a second meeting within an hour after the end of the first meeting if the first meeting was not quorate)	19/8/1440H (corresponding with 24/4/2019G)
Publish the invitation to Alawwal bank EGM on Tadawul website (to refer to the possibility of holding a second meeting within an hour after the end of the first meeting if the first meeting was not quorate)	19/8/1440H (corresponding with 24/4/2019G)
Electronic voting period for SABB EGM	7/9/1440H (corresponding with 12/5/2019G)
Electronic voting period for Alawwal bank EGM.....	7/9/1440H (corresponding with 12/5/2019G)
SABB EGM (first meeting) – quorum required is shareholders representing at least 50% of the share capital	10/9/1440H (corresponding with 15/5/2019G)
SABB EGM (second meeting) (if quorum for first meeting is not attained) – quorum required for the second meeting is shareholders representing at least 25% of the share capital.....	Within one hour after the end of the first inquorate SABB EGM meeting
Alawwal bank EGM (first meeting) – quorum required is at least two-third of the share capital.....	10/9/1440H (corresponding with 15/5/2019G)
Alawwal bank EGM (second meeting) if quorum for first meeting is not attained) – quorum required for the second meeting is shareholders representing at least 25% of the share capital.....	Within one hour after the end of the first inquorate Alawwal bank EGM meeting
Announcement on Tadawul website of the Merger Resolutions and other resolutions passed at SABB EGM (first or second	11/9/1440H (corresponding with 16/5/2019G)

Event	Timeline/Date
meeting) (or, if the EGM was not quorate, the announcement of such fact)	
Announcement on Tadawul website of Merger Resolutions other resolutions passed at Alawwal bank EGM (first or second meeting) (or, if the EGM was not quorate, the announcement of such fact)	11/9/1440H (corresponding with 16/5/2019G)
(2) Actions Required in the event that the first and second EGM is not quorate	
CMA approval to convene a third SABB EGM and/or Alawwal bank EGM.....	14/9/1440H (corresponding with 19/5/2019G)
Publish the invitation to SABB EGM (third meeting) and/or Alawwal bank EGM on Tadawul website (third meeting)	15/9/1440H (corresponding with 20/5/2019G)
Electronic voting period for SABB EGM (third meeting) and/or Alawwal bank EGM (third meeting)	6/10/1440H (corresponding with 9/6/2019G)
Third SABB EGM and/or Alawwal bank EGM (if quorum for the second meeting is not attained) – the third meeting will be valid irrespective of the number of shares represented in the meeting.....	9/10/1440H (corresponding with 12/6/2019G)
Publication and Announcement on Tadawul website by SABB and/or Alawwal bank of the Merger Resolutions and other resolutions passed at the third EGM (as applicable)	10/10/1440H (corresponding with 13/6/2019G)
(3) Creditor Objection Period	
Commencement of creditor objection period.....	11/9/1440H (corresponding with 16/5/2019G) (if approval is obtained in the first or second meeting of SABB EGM and Alawwal bank EGM)
	10/10/1440H (corresponding with 13/6/2019G) (if approval is obtained in the third meeting of SABB EGM and Alawwal bank EGM)
	The creditor objection period shall continue for a thirty (30) days
Alawwal bank to publish a reminder announcement on the end of the creditor objection period	9/10/1440H (corresponding with 12/6/2019G) (if approval is obtained in the first or second meeting of SABB EGM and Alawwal bank EGM)
	7/11/1440H (corresponding with 10/7/2019G) (if approval is obtained in the third meeting of SABB EGM and Alawwal bank EGM)
Expiry of creditor objection period	End of 12/10/1440H (corresponding with 15/6/2019G) (if approval is obtained in the first or second

Event	Timeline/Date
	<p>meeting of SABB EGM and Alawwal bank EGM)</p> <p>End of 10/11/1440H (corresponding with 13/7/2019G) (if approval is obtained in the third meeting of SABB EGM and Alawwal bank EGM)</p>
<p>Alawwal bank to announce that no unsatisfied creditor objections are still outstanding or the details of any unsatisfied outstanding objections.</p>	<p>13/10/1440H (corresponding with 16/6/2019G) (if approval is obtained in the first or second meeting of SABB EGM and Alawwal bank EGM)</p> <p>11/11/1440H (corresponding with 14/7/2019G) (if approval is obtained in the third meeting of SABB EGM and Alawwal bank EGM)</p>
(4) Effectiveness of the Merger	
<p>Effective Date of the Merger</p>	<p>The later of (i) the expiry of the creditor objection period; or (ii) the resolution of all objections that have been raised during the creditor objection period in accordance with the applicable process, and the Effective Date is expected to occur on:</p> <p>13/10/1440H (corresponding with 16/6/2019G) (if approval is obtained in the first or second meeting of SABB EGM and Alawwal bank EGM)</p> <p>11/11/1440H (corresponding with 14/7/2019G) (if approval is obtained in the third meeting of SABB EGM and Alawwal bank EGM)</p>
<p>Alawwal bank shares Suspension Date</p>	<p>The same first trading period following the Effective Date which is expected to occur on:</p> <p>13/10/1440H (corresponding with 16/6/2019G) (if approval is obtained in the first or second meeting of SABB EGM and Alawwal bank EGM)</p> <p>11/11/1440H (corresponding with 14/7/2019G) (if approval is obtained in the third meeting of SABB EGM and Alawwal bank EGM)</p>

Event	Timeline/Date
SABB and Alawwal bank to announce the Effective Date	13/10/1440H (corresponding with 16/6/2019G) (if approval is obtained in the first or second meeting of SABB EGM and Alawwal bank EGM)
Cancellation of listing of Alawwal bank's shares on Tadawul	11/11/1440H (corresponding with 14/7/2019G) (if approval is obtained in the third meeting of SABB EGM and Alawwal bank EGM)
Listing of the Consideration Shares and deposit of the same in the accounts of Alawwal bank Shareholders who appear in the shareholder register of Alawwal bank by the end of the 2nd trading period after the Effective Date	Within a period of not less than the third trading period and not exceeding the sixth trading period after the Effective Date.
Amendment of SABB's commercial registration certificate and SAGIA license.....	Within a period of not less than the third trading period and not exceeding the sixth trading period after the Effective Date.
Cancellation of Alawwal bank's commercial registration certificate and SAGIA license	17/10/1440H (corresponding with 20/6/2019G) (if approval is obtained in the first or second meeting of SABB EGM and Alawwal bank EGM)
Deadline for distribution of proceeds of fractional shares which have been sold	15/11/1440H (corresponding with 18/7/2019G) (if approval is obtained in the third meeting of SABB EGM and Alawwal bank EGM)
Cancellation of Alawwal bank's commercial registration certificate and SAGIA license	Within a period not exceeding thirty (30) days from the Effective Date. This is expected to occur on:
Deadline for distribution of proceeds of fractional shares which have been sold	12/11/1440H (corresponding with 15/7/2019G) (if approval is obtained in the first or second meeting of SABB EGM and Alawwal bank EGM)
Deadline for distribution of proceeds of fractional shares which have been sold	12/12/1440H (corresponding with 13/8/2019G) (if approval is obtained in the third meeting of SABB EGM and Alawwal bank EGM)
Deadline for distribution of proceeds of fractional shares which have been sold	Within thirty (30) days from Completion which is expected to occur on:
Deadline for distribution of proceeds of fractional shares which have been sold	15/11/1440H (corresponding with 18/7/2019G) (if approval is obtained in the first or second meeting of SABB EGM and Alawwal bank EGM)

Event	Timeline/Date
	17/12/1440H (corresponding with 18/8/2019G) (if approval is obtained in the third meeting of SABB EGM and Alawwal bank EGM)

TABLE OF CONTENTS

IMPORTANT NOTICE	4
CORPORATE DIRECTORY	7
KEY DATES AND MILESTONES.....	9
TERMS AND DEFINITIONS	15
Annex 1 SABB NOTICE OF GENERAL ASSEMBLY MEETING	70
Annex 2 ALAWWAL BANK NOTICE OF GENERAL ASSEMBLY MEETING	83

TERMS AND DEFINITIONS

The following definitions apply throughout this Offer Document unless the context requires otherwise:

Acting in Concert	means, at the sole discretion of the CMA, actively cooperating, pursuant to an agreement (whether binding or non-binding) or an understanding (whether formal or informal) between persons, to be controllers (whether directly or indirectly, excluding indirect ownership of shares through swap agreements or through an investment fund whose unit owner have no discretion in its investment decisions) of a company, through the acquisition by any of them (through direct or indirect ownership) of voting shares in that company. Without prejudice to the general application of this definition, the following persons, shall be presumed to be acting in concert with other persons of the same class unless the contrary is established, including but not be limited to: (i) members of the same group; (ii) a person's relatives; (iii) person(s) who provided financial assistance to SABB or Alawwal bank or members of their respective groups (other than a bank in the ordinary course of business) in order to purchase shares that carry voting rights or convertible debt instruments
Affiliate	a person who Controls another person or is Controlled by that other person, or who is under common Control with that person by a third person. In any of the preceding, Control could be direct or indirect
Alawwal bank	a Saudi listed company, established by Royal Decree No. M/85 dated 29/12/1396H (corresponding to 21/12/1976G) with commercial registration number 1010064925 dated 6/6/1407H (corresponding to 6/2/1987G)
Alawwal bank Board Circular	The circular prepared by Alawwal bank in response to this Offer Document relating to the Merger which provides the views of the Alawwal bank board of directors on the offer to Alawwal bank Shareholders and SABB's plans for Alawwal bank and its employees
Alawwal bank EGM	the extraordinary general assembly meeting of Alawwal bank convened for the purpose of, amongst other things, voting on the Merger Resolutions and a number of other resolutions as shown in item (1) of Alawwal bank EGM invitation form (included in Annex (2) of this Offer Document
Alawwal bank Shares	shares with a nominal value of SAR 10 each in the capital of Alawwal bank
Alawwal bank Shareholders	the Shareholders of Alawwal bank
Alawwal bank Sukuk	sukuk issued by Alawwal bank in the amount of SAR 2,500,000,000 and which will fall due in 2023
Alawwal bank Sukuk Holders	the holders of Alawwal bank Sukuk at the relevant time
Auditors	Ernst & Young & Co and KPMG Al Fozan & Partners
Banks	SABB and Alawwal bank
Banking Control Law	the Banking Control Law issued pursuant to Royal Decree No. M/5 dated 22/2/1386H (corresponding to 12 June 1966G)

Business Day	any day, other than a Friday, Saturday or a public holiday in KSA
Capital Increase	the proposed increase in SABB's share capital by issuing 554,794,522 Consideration Shares in favour of Alawwal bank Shareholders
Claims	means certain alleged claims dealt with under the Current Settlement Agreement which either Alawwal bank or NWM N.V. have or may have against the other, the Consortium Members or any of their affiliates, or any of the directors, officers, employees or agents of such parties (for more information, see Section (2-3-2) (" <i>Termination Agreement and New Settlement Agreements</i> “) of this Offer Document
CMA	the Capital Market Authority of Saudi Arabia
Combined Bank	the enlarged SABB following the completion of the Merger
Companies Law	the Saudi Arabian Companies Law issued pursuant to Royal Decree No. M/3 dated 28/01/1437 Hijri (corresponding to 10 November 2015G) as amended pursuant to the Royal Decree No. M/79 dated 25/07/1439H.
Consideration Shares	the new SABB shares to be issued, credited as fully paid, to Alawwal bank Shareholders pursuant to the Merger. The Consideration Shares will be ordinary shares with a nominal value of ten (10) riyals per share, with a total number of five hundred and fifty-four million seven hundred and ninety-four thousand five hundred and twenty-two shares (554,794,522) shares
Consortium Members	RBSG (or NWM plc, in case the ownership of RBSG in the Combined Bank is transferred to NWM plc) NLFI, and Santander, who have an indirect interest of (40%) of Alawwal bank share capital through NWM N.V. Following Completion, it is expected that the Consortium Members will have an indirect interest of (10.8%) in the Combined Bank
Control	the ability to influence the actions or decisions of another person through, whether directly or indirectly, alone or with a Relative or Affiliate (a) holding 30% or more of the voting rights in a company, or (b) having the right to appoint 30% or more of the members of the governing body.
Current Settlement Agreement	the agreement between NWM N.V. and Alawwal bank relating to the Claims dated 22 July 2016
Completion	date of listing the Consideration Shares in Tadawul according to terms and conditions of the Merger Agreement. For more details on the procedures required to effect the Merger, see Section 2-5 (" <i>Procedures required to effect the Merger</i> ") of this Offer Document)
Effective Date	after the expiry of the Creditor Objection Period or the resolution of all objections that have been raised during the creditor objection period (whichever occurs later) according to provisions of the Company Law. (for more details on the terms of the Merger, see

Section 2-5-3 (“*Creditor Objection Period*”) of this Offer Document

Merger Resolutions

Resolutions in relation to the Merger, which will be presented to SABB and Alawwal bank shareholders, as follows:

With respect to SABB: the approval of the Merger of SABB and Alawwal bank to be effected by way of a merger pursuant to Articles 190 to 193 of the Companies Law, through the issuance of 0.48535396 new SABB shares for every share in Alawwal bank subject to the terms and conditions of the Merger Agreement including the approval of the following matters relating to the Merger:

- a) The approval of the terms of the Merger Agreement entered into between SABB and Alawwal bank on 3 October 2018G.
- b) Approval of the increase in the share capital of SABB from SAR15,000,000,000 to SAR20,547,945,220, subject to the terms and conditions of the Merger Agreement and with effect from the Effective Date in accordance with the Companies Law and the Merger Agreement.
- c) Approval of the amendments to the SABB’s bylaws in the form set out in schedule 2 of Annex (1) with effect from Completion.
- d) The authorisation of SABB Board of Directors, or any person so authorised by the Board of Directors, to adopt any resolution or take any action as may be necessary to implement any of the above resolutions.

With respect to Alawwal bank: the approval of SABB’s Offer to merge Alawwal bank in SABB to be effected pursuant to Articles 190 to 193 of the Companies Law, through the issuance of 0.48535396 new SABB shares for every share in Alawwal bank and the dissolution of Alawwal bank accordingly, subject to the relevant regulatory requirements and the terms and conditions of the Merger Agreement. In addition, the approval of the following matters relating to the Merger:

- a) Approval of the terms of the Merger Agreement entered into between SABB and Alawwal bank on 3 October 2018G.
- b) The authorisation of Alawwal Board of Directors, or any person so authorised by the Board of Directors, to adopt any resolution or take any action as may be necessary to implement any of the above resolutions.

Additional Resolutions

With respect to SABB:

- a) Approval of the TSA Amendment Agreement.
- b) Approval of the amendments to the SABB’s bylaws in the form set out in schedule 1 of Annex (1) of this Offer Document with provided that such amendments shall have immediate effect.

With respect to Alawwal bank:

- a) Approval of the Termination Agreement.
- b) Approval of the New Settlement Agreements.

<i>EGM</i>	extraordinary general assembly meeting of the shareholders of the relevant Bank convened in accordance with the provisions of the Companies Law and the bylaws of the relevant Bank
<i>Exchange Ratio</i>	0.48535396 SABB shares for every Alawwal bank Share
<i>GAC</i>	the General Authority of Competition in Saudi Arabia
<i>GCC</i>	the Gulf Co-operation Council
<i>GOSI</i>	General Organisation for Social Insurance
<i>Government</i>	the Government of Saudi Arabia
<i>GSSA</i>	Goldman Sachs Saudi Arabia
<i>IFRS</i>	International Financial Reporting Standards
<i>KSA / the Kingdom/ Saudi Arabia</i> ...	the Kingdom of Saudi Arabia
<i>Labour Law</i>	the Labour Law issued pursuant to Royal Decree No. M/51 dated 23/08/1426H (corresponding to 26 September 2009G) as amended pursuant to the Royal Decree No. M/46 dated 05/06/1436H (corresponding to 25 March 2015G)
<i>Listing</i>	the listing of the Consideration Shares on Tadawul
<i>MARs</i>	the Merger and Acquisition Regulations issued by the board of the CMA pursuant to its resolution no. 1-50-2007, dated 21/9/1428H (corresponding to 3/10/2007G), amended by resolution no. 3-45-2018, dated 7/8/1439H (corresponding to 23/4/2018G)
<i>Merger</i>	the proposed merger of SABB and Alawwal bank pursuant to Article 191- 193 of the Companies Law and Article 49 (a) (1) of the MARs, which will be affected by way of a merger by absorption pursuant to which all of the assets and liabilities of Alawwal bank will be transferred to SABB, in consideration for SABB issuing the Considerations Shares to Alawwal bank Shareholders by way of increasing the paid-up capital of SABB from 15,000,000,000 to SAR 20,547,945,220.
<i>Merger Agreement</i>	the agreement dated 3 October 2018G between SABB and Alawwal bank setting out the terms and conditions of, and the parties' rights and obligations in connection with, the implementation of the Merger
<i>MOCI</i>	the Ministry of Commerce and Investment of Saudi Arabia
<i>NWM N.V.</i>	NatWest Markets N.V. (formerly The Royal Bank of Scotland N.V.) which owns 40% of Alawwal bank share capital as of the date of this Offer Document. NWM N.V. is the legal entity representing the Consortium Members' interest in Alawwal bank share capital
<i>NWM plc</i>	NatWest Markets plc an affiliate of RBSG that is expected, subject to obtaining the relevant regulatory and internal approvals, to hold

RBSG's stake in the Combined Bank (which will represent around 4.1% of the Combined Bank's share capital following Completion

NLFI	Stichting Administratiekantoor Beheer Financiële Instellingen which has an indirect interest of 13.52% in Alawwal bank's share capital as of the date of this Offer Document through NWM N.V. Following Completion, it is expected that NLFI will have an indirect interest of (3.7%) in the Combined Bank's share capital
Olayan	Olayan Saudi Investment Company
OSCO	the Rules on the Offer of Securities and Continuing Obligations issued by the board of the CMA pursuant to its resolution no. 3-123-2017, dated 9/4/1439H (corresponding to 27/12/2017G) as amended by the board of the CMA pursuant to its resolution no. 3-45-2018, dated 7/8/1439H (corresponding to 23/04/2018G)
Regulatory Rules and Procedures	the Regulatory Rules and Procedures issued pursuant to the Companies Law relating to Listed Joint Stock Companies issued pursuant to the CMA board resolution number 8-127-2016 dated 16/1/1438H corresponding to 17/10/2016G, as amended by CMA board resolution number 5-33-2017 dated 24/6/1438H (corresponding to 23/3/2017G)
Related Party	<p>a person (whether or not Acting in Concert with SABB, Alawwal bank, or with any of their respective Subsidiaries) who directly or indirectly owns, or deals in, the shares of the Alawwal bank or SABB in an acquisition (whether through a private sale and purchase transaction or an offer) or any person who have (in addition to their normal interests as shareholders) an interest or potential interest, whether commercial, financial or personal, in the outcome of the acquisition or the merger or a person who is a Related Party with in respect of both the Alawwal bank and SABB. Without prejudice to the general application of this definition, the term "Related Party" includes - but shall not be limited to - the following:</p> <ol style="list-style-type: none">(1) any person who has provided financial assistance (other than a bank in the ordinary course of business) to SABB or Alawwal bank;(2) the board members of the SABB or the Alawwal bank or any of their respective Affiliates;(3) a person owning 20 % or more of SABB or Alawwal bank (whether individually or by Acting in Concert with other(s)); and(4) a Substantial Shareholder of SABB who at the same time is a board member of Alawwal bank, or vice versa.
Relative	a husband, wife, children and parents
Restricted Jurisdiction	any jurisdiction where the offer of the Consideration Shares would or may violate the law of, or regulation applicable to, that jurisdiction

RBSG	the Royal Bank of Scotland Group plc, which has an indirect interest of 15.31% in Alawwal bank's share capital as of the date of this Offer Document through NWM N.V. Following Completion, it is expected that RBSG will transfer its ownership interest of (%4.1) in the Combined Bank to NWM plc after obtaining the relevant regulatory and internal approvals
SABB	the Saudi British Bank, a Saudi listed company, established by Royal Decree No. M/4 dated 12//2/1398H (corresponding to 21/1/1978G) with commercial registration number 1010025779 dated 22/11/1399H (corresponding to 13/10/1979G)
SABB EGM	the extraordinary general assembly meeting of SABB convened for the purpose of, amongst other things, voting on the Merger Resolutions and a number of other resolutions as shown in items (1) and (2) of SABB EGM invitation form (included in Annex (2) of this Offer Document).
SABB Shareholders	the Shareholders of SABB
SAGIA	the Saudi Arabian General Investment Authority
SAMA	the Saudi Arabian Monetary Authority
Santander	Banco Santander, S.A. which has an indirect interest of 11.16% in Alawwal bank's share capital as of the date of this Offer Document through NWM N.V. Following Completion, it is expected that Santander will have an indirect interest of (3%) in the Combined Bank's share capital
SAR	Saudi Arabian Riyals, the legal currency of KSA
New Settlement Agreements	means the conditional three successor settlement agreements between Alawwal bank, NWM N.V. and each of NWM plc and RBSG, NLF1 and Santander in each case dated 3 October 2018G which will replace Current Settlement Agreement
Settlement Amount	Means the amount of SR656,250,000 and USD116,920,195 plus the interest accrued on each of these amounts which NWM N.V. agreed to pay to Alawwal bank under the Current Settlement Agreement and the New Settlement Agreements for the purpose of settling the Claims, (for more details, see Section 2.5.3 ("The "Termination Agreement and New Settlement Agreements") of this Offer Document
New Settlement Agreements Long Stop Date	means the date falling thirty-six calendar months from the Effective Date
Subsidiary	in relation to a company, another company which it Controls
Substantial Shareholder	a shareholder owning five per cent. or more of the shares in SABB or in Alawwal bank (as applicable)
Suspension Date	the date on which trading in Alawwal bank Shares on Tadawul shall be suspended to enable a list of Alawwal bank Shareholders entitled to receive Consideration Shares to be drawn up, as set out by the CMA, Tadawul and / or the Securities Depository Centre in Saudi Arabia

<i>Tadawul</i>	the Saudi Stock Exchange (Tadawul)
<i>Termination Agreement</i>	the conditional termination and settlement agreement dated 3 October 2018G between Alawwal bank and NWM N.V. (for further details, see Section 2-3-2 (“ <i>Termination Agreement and New Settlement Agreements</i> ”))
<i>TSA</i>	the technical services agreement entered into between SABB and HSBC Holdings plc on 30 September 1987G (as amended from time to time)
<i>TSA Amendment Agreement</i>	the agreement dated 3 October 2018G making certain changes to the TSA
<i>US or USA</i>	the United States of America
<i>Offer to Merge</i>	the offer from SABB to Alawwal bank Shareholders to effect the Merger in consideration for the Consideration Shares pursuant to Articles 191-193 of the Companies Law and Article 49 (a) (1) of the Merger and Acquisition Regulations
<i>Creditor Objection Period</i>	the period during which Alawwal bank creditors may submit their objections on the Merger, pursuant to article (193) of the Companies Law, which will commence from publishing the approval by the SABB EGM and Alawwal bank EGM of the Merger Resolutions and continue for (30) days
<i>Offer Document</i>	this document, which is prepared by SABB pursuant to article (38) of the Merger and Acquisition regulation in relation to the Offer to Merge made by SABB to Alawwal bank Shareholders
<i>Conflict of Interests</i>	<p>a conflict of interest situation arises when any of the following occurs:</p> <ol style="list-style-type: none">1. the director has a direct or an indirect interest in the offer2. the director is a shareholder in Alawwal bank and at the same time a director of SABB board, or vice versa3. the director is a director of SABB board and at the same time he/she is a board member of or a manager in the Alawwal bank, or vice versa4. The director is a representative of a shareholder owning shares at SABB and Alawwal bank at the same time <p>An interest of a person who is a Relative or an Affiliate of a director shall be treated as an interest of that director</p>
<i>MoL</i>	The Ministry of Labour and Social Development in Saudi Arabia
<i>Closing Price</i>	Last trading price for the shares, according to the mechanism set by Tadawul
<i>Offer Period</i>	The period from SABB’s firm intention announcement to make an Offer to Merge to Alawwal bank Shareholders until the date of issuing SABB and Alawwal bank EGM resolution or until the Merger Agreement is terminated in accordance with its provisions (whichever comes first). For more details on the termination of the

Merger Agreement, see Section 2-3-1 (“*Merger Agreement*”) of this Offer Document

- Lock-up Agreement*** Lock-up Agreement entered into by NWM N.V., NWM plc, Santander and NLFI whereby the parties agreed that they will not transfer any of their shares in Alawwal bank and the Combined Bank for a specific period of time and in accordance with the terms and conditions in the agreement. For more details in relation to Lock-Up Agreement, see Section 2-3-3 (“*Lock-Up Agreement*”) of this Offer Document
- Integration*** Integrating Alawwal bank and SABB businesses (Including the integration of administrative functions, organizational structure, IT systems, and others aspects of the business) to ensure that smooth and robust operation of the Combined Bank following Completion
- Shareholders Circular*** The shareholders circular issued by SABB pursuant to the provisions of Article (58) of OSCO

1. RISK FACTORS

In deciding whether to vote in favour of the resolutions to be proposed at Alawwal bank EGM, Alawwal bank Shareholders should carefully read this Offer Document and consider the risk factors set out in this section, in addition to all the other Sections of this Offer Document and the information set out herein as of the date of this Offer Document. Additional risks, other than those provided herein, and uncertainties not presently known to SABB Board, or which SABB Board currently consider to be immaterial, may also have an adverse effect on the Combined Bank.

The Combined Bank's activity, financial position, results of operations, cash flows, future prospects and profitability, will be adversely affected should any of the risks referred to herein materialize. Further if any risk materializes (other than the risks described below) (which have not been provided herein either because SABB Board is not aware of such risks, or because SABB Board did not classify them as material risks but otherwise turned to be the case) then such risk will negatively impact the Combined Bank's activities, financial position, results of operations, cash flows, future prospects and profitability.

Any Alawwal bank Shareholder in doubt of the content of this Offer Document or voting in favour of or against the Merger Resolutions should consult an independent financial adviser authorised by the CMA to provide consultations in this regard.

The order in which the risks are listed under this Section below is not intended to reflect their significance or likely eventuality.

1.1 RISKS RELATING TO THE MERGER AND THE COMBINED BANK'S BUSINESS FOLLOWING COMPLETION OF THE MERGER

1.1.1 Risks relating to any potential disruption to the businesses of SABB and Alawwal bank as a result of the announcement of the proposed Merger

Whether or not the Merger takes place, the announcement of the proposed Merger could cause disruption in the respective businesses of SABB and Alawwal bank, specifically:

- the attention of the respective management teams of SABB and Alawwal bank may be diverted from the operations of the businesses as both banks work towards finalising the Merger;
- current and prospective employees may experience uncertainty about their future roles in the Combined Bank, following the Merger, which may adversely affect SABB's or Alawwal bank's ability to retain or recruit key managers and other employees; and
- existing and prospective clients and customers may experience a change in service levels and so may choose not to do business with SABB and Alawwal bank until such time as the Merger is implemented.

If SABB or Alawwal bank fail to manage these risks effectively, their respective businesses and financial results could be adversely affected.

1.1.2 Risks relating to integrating the existing businesses carried on by SABB and Alawwal bank after the Merger

The Merger involves the integration of the businesses of SABB and Alawwal bank which may give rise to certain main difficulties in combining the respective businesses, which may include but shall not be limited to:

- the necessity of co-ordinating and consolidating management functions, optimising organisational structures, combining IT systems and distribution networks and consolidation of all facilities and infrastructure;

- the task of integrating the management teams and personnel of SABB and Alawwal bank, maintaining employee morale including but not limited to the retention and incentivisation of employees;
- accurately evaluating the contractual, financial, regulatory, environmental and other obligations and liabilities associated with both SABB's and Alawwal bank's investments, including the appropriate implementation of financial oversight and internal controls and the timely preparation of financial statements that are in conformity with SABB's accounting policies;
- the necessity of accurately judging market dynamics, demographics, growth potential and competitive environment; and
- maintaining and obtaining all necessary licences and approvals from relevant governmental and regulatory authorities such as CMA, SAMA, SAGIA, and other authorities.

The process of integrating operations may present financial, managerial, legal and operational risks, including an interruption of, or loss of momentum in, the activities of one or more of SABB's and/or Alawwal bank's businesses and the loss of key personnel.

Any delays or difficulties encountered in connection with the Merger and the integration of the operations of the businesses will have an adverse effect on the business, financial results, financial condition or prospects of the Combined Bank.

If SABB, Alawwal bank and/or the Combined Bank fail to manage the integration of the businesses of SABB and Alawwal bank effectively, the growth strategy and future profitability of the Combined Bank will be negatively affected, the anticipated benefits of the Merger may not be achieved, in particular those benefits set out in Section 2.2 (*"RATIONALE AND IMPLICATIONS OF THE MERGER"*) of this Offer Document and the reputation of the Combined Bank will be harmed, which (in each case) will result in loss of customers, employees or 'brand equity' and impact the Combined Bank's financial position, results of operations and cash flows.

1.1.3 Risks related to Satisfying the Merger Conditions

The Merger is conditional on a number of conditions as summarised in Section 2 (*"OVERVIEW OF THE MERGER"*) of this Offer Document, none of which may be amended or waived. Failure to satisfy the unsatisfied conditions or the delay in satisfying such conditions will result in the Merger being not completed or delayed. The most important conditions which have not yet been satisfied are: (1) the expiry of the of the Creditor Objection Period (for further information on the risks relating to the Creditor Objection Period, see Section 1.1.4 (*"Risks related to the delaying or not completing the Merger as a result of the Creditors objection process"*) of this Offer Document) (2) the terms and conditions of the Merger Agreement the parties must comply with up until the Effective Date, including not breaching any of the warranties provided or the Conduct of Business Requirements. The terms of Merger Agreement are summarized in Section 2.3.1 (*"Merger Agreement"*).

Any delay to the Completion of the Merger due to failure of satisfying the Merger conditions may diminish or delay the anticipated benefits or may result in additional transaction costs, loss of revenue or other unquantifiable effects associated with the delay of the Merger.

1.1.4 Risks related to the delaying or not completing the Merger as a result of the Creditors objection process

The Merger is subject to a creditor objection period in respect of Alawwal bank's creditors, and the settlement of any objections submitted during such period, pursuant to Article 193 of the Companies Law. The duration of the creditor objection period is 30 days after the publication of Alawwal bank and SABB's Merger Resolutions. If any creditor, such as Depositors, suppliers, or hedging and loan counterparties, objects to the Merger, the Merger shall be suspended until the objecting creditor waives its objection or until Alawwal bank has paid the debt if such debt was payable or Alawwal

bank or SABB submit adequate collateral for the repayment of such debt if the debt is deferred. For more information on the creditor objection process, see Section 2.5.3 (“*Creditors objection period*”) of this Offer Document. For more details on the implications associated with the delays due to objections made on the Creditors Objection Period on the Exchange Ratio, see Section 1.1.6 (“*Risks relating to the Exchange Ratio for the Merger*”) of this Offer Document.

Any delay to the Completion of the Merger due to the Creditor Objection Period may diminish or delay anticipated benefits or may result in additional transaction costs, loss of revenue or other unquantifiable effects associated with the delay of the Merger.

1.1.5 Risks relating to realising the anticipated cost savings, growth opportunities, synergies and other benefits anticipated from the Merger

The Combined Bank may fail to achieve the synergies that it anticipates will arise from the Merger. The success of the Merger will largely depend on the Combined Bank’s ability to realise anticipated cost savings, revenue synergies and growth opportunities from integrating the businesses of SABB and Alawwal bank. For more details on the anticipated benefits of the Merger, see Section 2.2 (“*RATIONALE AND IMPLICATIONS OF THE MERGER*”) of this Offer Document. In particular, the Combined Bank’s ability to realise anticipated synergies, after the incurring of any associated integration costs, and the timing of this realisation may be affected by a variety of factors, including but not limited to:

- the resulting potential complexity of integrating SABB’s and Alawwal bank’s combined functional and business operations across the entirety of the KSA, including regional offices;
- the difficulty of implementing any cost efficiency plans, fully or partially, including the optimisation of the combined branch network, IT, front and back-office infrastructure in a timely and effective manner;
- the challenges associated with the combination of SABB’s and Alawwal bank’s businesses and operations, and, in particular, its ability to integrate new operations with existing operations in a timely and effective manner and to manage an increasingly larger business;
- difficulties or delays in achieving any revenue synergies via enhanced cross-selling of products and services across the combined client base and any savings in consolidating the funding base of the Combined Bank;
- difficulties or delays in obtaining any approvals that may be required to implement certain actions that aim to realize any of the synergies; and
- unforeseeable events, including major changes in the markets and operating environment in which both SABB and Alawwal bank operate.

The projected cost savings from integrating the businesses of SABB and Alawwal bank are based on highly preliminary estimates compiled by the board of directors of SABB and may be revised following more detailed integration planning. For more details on the projected cost savings, see Section 2.2.2.4 (“*Earnings and value accretion*”) of this Offer Document. Therefore, there is a risk that the estimated savings will not be realised due to unforeseen inaccuracies in such estimates. No responsibility for the outcome in respect of such preliminary estimates has been assumed by SABB Board or any other person in this regard and there is no intention to update the synergy statements or other such forward-looking statements in this Offer Document except as required pursuant to applicable law and regulation.

There is a risk that these cost savings expected from the Merger are not realised in the time, manner or amounts currently expected, if at all, as a result of various external and internal factors.

The Combined Bank may incur higher than expected non-recurring integration, transaction and Merger-related costs, including the costs of the employees and personnel, IT, re-branding and consultants fee, which will reduce the net benefits of the Merger and impact the Combined Bank’s financial condition and results of operations. It is expected that the non-recurring integration costs

will be in the range of 1.5 to 2.0 times expected annual run-rate cost synergies in order to deliver the anticipated operating synergies. In addition, SABB and Alawwal bank will incur transaction fees and other costs related to the Merger. Some of these costs are payable irrespective of whether the Merger is completed.

If the Combined Bank is unable to successfully complete the integration within the expected timeframe (within 24 to 36 months from the date of the Merger Agreement (04 October 2018)), some or all of the anticipated benefits of the Merger will not be realised fully, if at all, or may take longer to realise than expected.

1.1.6 Risks relating to the Exchange Ratio for the Merger

If the Merger is implemented, Alawwal bank Shareholders will receive SABB shares on the basis of a fixed ratio of 0.48535396 shares in SABB for each share in Alawwal bank (for further details about the Exchange Ratio, see Section 2.1 (“*VALUATION OF ALAWWAL BANK*”) of this Offer Document).

The Exchange Ratio has been calculated on the basis of, amongst other things, the share price of the Banks, certain internal financial information and other data relating to the business and financial prospects of the Banks, including estimates and financial forecasts prepared by the respective management of the Banks, together with certain pro forma effects of the Merger on the Banks’ respective financial statements and certain estimates of synergies prepared by the respective management of the Banks.

In determining the Exchange Ratio, it has been assumed that such financial forecasts, estimates, pro forma effects and calculations of synergies have been reasonably prepared on a basis reflecting the best currently available estimates and judgments of the respective management of the Banks and assuming that they will be realised in the amounts and time periods contemplated thereby. For further details about the Exchange Ratio, see Section 2.1 (“*VALUATION OF ALAWWAL BANK*”) of this Offer Document.

If all or any of these assumptions prove to be materially incorrect, or the share price of the Banks materially change after the Exchange Ratio has been agreed upon the completion of the Merger, as a result of the operations of the Banks, or due to delays in completing the Merger for any reason (including any delays due to the extension of the expiration of the Creditors Objection Period) or due to any political or economic changes or any reasons that may affect the share price) this would materially affect the valuations of the Banks and the Exchange Ratio would not accurately reflect the fair values of the banks.

1.1.7 Risks relating to the reduction in Alawwal bank Shareholders voting powers and their share in the total net profit in the Combined Bank

Upon the Merger becoming effective, the Consideration Shares will be issued to Alawwal bank Shareholders in accordance with the Exchange Ratio (a fixed ratio of 0.48535396 shares in SABB for each share in Alawwal bank (for further details about the Exchange Ratio, see Section 2.1 (“*VALUATION OF ALAWWAL BANK*”) of this Offer Document), Alawwal bank Shareholders will own 27.00% and SABB Shareholders will own 73.00% of the share capital of the Combined Bank. As a result, the ownership percentage and the number of shares that will be owned by each Alawwal bank Shareholder in the Combined Bank (save for those shareholders who own shares in

SABB) will be reduced compared to the ownership percentage and the number of shares currently owned by Alawwal bank Shareholders in Alawwal bank).

The reduction in the ownership percentage and the number of shares owned by Alawwal bank Shareholders in the Combined Bank will result in them having less voting power and will reduce their share in the total net profit of the Combined Bank.

1.1.8 Risk appetite of the Combined Bank

The Combined Bank may have a different risk appetite than either SABB or Alawwal bank possessed on a stand-alone basis prior to the Merger. This may result in the Combined Bank taking a different approach to the targeting of specific customer segments and overall strategy within any customer segment, including a reduction in product and service delivery and reduced credit risk appetite on a consolidated basis. As a consequence, it is possible that the Combined Bank may, if overall tolerance for risk is reduced, exit or place less emphasis on customer relationships in certain segments which no longer fit the Combined Bank's risk appetite for whatever reason. This may have an impact on the Combined Bank's business, revenues, costs, net income, asset and liability profile or future prospects.

1.1.9 Risks relating to credit deterioration

Risks arising from adverse changes and recoverability of loans, securities and amounts due from counterparties are inherent across a wide range of the Combined Bank 's activities principally in its lending and investment activities. Adverse changes in global economic conditions and increased systemic risks in the financial systems, could affect the recovery and value of the Combined Bank's assets and require an increase in the Combined Bank's provisioning levels. Credit risks could arise from a deterioration in the credit quality of specific borrowers, issuers and counterparties of the Combined Bank, or from a general deterioration in local or global economic conditions which could affect the recoverability and value of the Combined Bank 's assets and require an increase in the Combined Bank 's provisions for the impairment of loans, securities and other credit exposures.

There can be no guarantee that the various hedging strategies that will be employed by the Combined Bank to minimise credit risk and reduce it to a level within the Combined Bank respective strategy and risk appetite, including securities, collateral and insurance will eliminate or reduce such risks of the Combined Bank.

1.1.10 Risks relating to liquidity

The Combined Bank is exposed to liquidity risk due to the maturity mismatches between its assets and liabilities. This risk is inherent in banking operations and the consequences of such risk can increase due to number of factors, including over-reliance on a particular source of funding (including, for example, short-term and overnight funding), changes in credit ratings or market-wide phenomena such as market dislocation and major disasters. If the Combined Bank's liquidity risk management policies do not have the desired effect or fail, and such failure leads to the Combined Bank becoming unable to fund its asset base, it would have an adverse effect, that may be material, on the Combined Bank's business, financial condition, results or prospects.

1.1.11 Risks relating to cost and availability of funding

Funding risk could arise from the inability of the Combined Bank to raise short and/or long-term funding at a commercially acceptable cost in the retail and wholesale markets to support ongoing operations, strategic plans and objectives. Funding risk could also arise from the inability of the Combined Bank to access domestic and global capital markets to help fund its businesses. Any dislocation in these funding markets or a reduction in depositor confidence for holding their

securities or other credit exposures in the Combined Bank may jeopardise the Combined Bank's ability to access funds or require them to access funds at a higher cost, or on unfavourable terms.

1.1.12 Risks relating to lending and borrowing rates

The special commission rates (which is the income from loans interests and other income) SABB or Alawwal bank will earn on their assets and the special commission rates they pay for their liabilities could be affected differently by changes in market interest rates. This difference could result in an increase in special commission expense relative to special commission income, which would reduce SABB's or Alawwal bank's current net special commission income. Furthermore, an increase in lending rates may reduce the demand for loans from the Combined Bank and its ability to originate loans.

A decrease in the general level of special commission rates could affect the Combined Bank through, amongst other things, increased pre-payments on its loan portfolio and increased competition for deposits. Special commission rates are highly sensitive to many factors beyond the Combined Bank's control, including monetary policies and domestic and international economic and political conditions.

If the Combined Bank is unable for any reasons to re-price or adjust its deposit rates in an expedited or an effective manner or if special commission rates rise as a result of economic or other reasons, Combined Bank's net special commission income margins may be affected, which could have a material adverse effect on its business, financial condition and results of operations.

1.1.13 Risks relating to Zakat disputes

SABB has entered into an agreement with GAZT for the settlement of Zakat claims pertaining to previous fiscal years up to the fiscal year 2017G, pursuant to which SABB will pay an amount of (SAR 1,628,069,719) to GAZT.

Alawwal bank has also entered into an agreement with GAZT for the settlement of Zakat claims pertaining to previous fiscal years up to the fiscal year 2017G, pursuant to which Alawwal bank will pay an amount of (SAR 374,475,908) to GAZT. Furthermore, given that the board of Alawwal bank decided not to distribute dividends for the financial year 2018G pursuant to its undertakings under the Merger Agreement, the Zakat liability of Alawwal bank for the year 2018G amounting to (SAR 58,298,798) was not deducted.

Upon the Merger becoming effective, the Zakat liability of Alawwal bank will be transferred to the Combined Bank which will create a combined Zakat liability of SAR 2,060,844,425 (the "Combined Zakat liability"), and the Combined Zakat Liability will be deducted from the share of the Saudi shareholders of the Combined Bank in the dividend paid by the Combined Bank to its shareholders, in accordance with applicable laws and regulations and the provisions of SABB's bylaws. For this purpose, the reference to "Saudi shareholders" include Saudi and non-Saudi shareholders who are subject to Zakat in accordance with the relevant laws and regulations (for further information, see Section 10 ("*Zakat and Taxation*") of this Offer Document.

Furthermore, the Rules for Calculating Zakat for Financing Activities has been recently issued, pursuant to the Ministerial Resolution No. 2215 dated 7/7/1440H. As such, the application of these rules is still not clear. Therefore, the application of these rules may negatively affect the total dividend that will be distributed to the Saudi shareholders of the Combined Bank.

1.1.14 Risks relating to the Combined Bank's income and dividend paying capacity

The businesses and revenues of the Combined Bank are subject to change and may be impacted by a number of operational, financial, economic and general market-based factors, some of which may be outside of the control of the Combined Bank. This may affect the profitability of the Combined

Bank, its distributable reserves and consequently any dividends payable to shareholders. In addition, the capacity of the Combined Bank to pay dividends may also be constrained by prevailing regulatory capital requirements and rules imposed on the Combined Bank from time to time by SAMA or other regulators, together with any relevant rating agency considerations taken into account by the management team of the Combined Bank.

1.1.15 Risks relating to potential impact on capital adequacy of the Combined Bank

The merger will be subject to customary accounting adjustments related to business combinations under International Financial Reporting Standard 3 (“IFRS 3”) that establishes principles and requirements for how an acquirer in a business combination recognises and measures acquired assets, liabilities and goodwill, and determines the necessary disclosures. An evaluation of these accounting adjustments is being undertaken and the Combined Bank will have a 12-month period post-completion of the merger to finalise these adjustments. At this point, based on the information currently available, it is expected that these adjustments may have a dilutive impact in the order of 200 basis points on the Combined Bank’s tier 1 capital ratio.

1.1.16 Risks relating to employees

The Combined Bank’s future success depends, in large part, upon its ability to attract and retain highly qualified professional personnel. Competition for employees across the various localities and business segments in which the Combined Bank will operate is intense. The Combined Bank’s ability to attract and retain key personnel, in particular senior officers, will be dependent on a number of factors, including prevailing market conditions and compensation packages offered by companies competing for the same talent. There is no guarantee that the Combined Bank will have the continued service of key employees currently employed by SABB or Alawwal bank who will be relied upon to execute its business strategy and identify and pursue strategic opportunities and initiatives. In particular, the Combined Bank may have to incur costs to replace senior executive officers or other key employees who leave, and the Combined Bank’s ability to execute its business strategy could be impaired if it is unable to replace such persons in a timely manner, which will adversely affect the Combined Bank’s results of operations, and future prospects.

If the Combined Bank’s employees decide to resign from the Combined Bank as a result of the Merger and the Combined Bank fails to retain such employees, the Combined Bank may have to make substantial end of service and other payments to those employees, which may adversely affect the Bank and the results of its operations and future prospects.

Additionally, if the Combined Bank fails to comply with the Labor Law, the Combined Bank will be exposed to subsequent legal implications and lawsuits which may result in judgements being made against the Combined Bank requiring it to make significant payments in compensation, which will adversely affect the Combined Bank and the results of its operations and future prospects.

1.1.17 Risks relating to employee misconduct and the detection of the same

Misconduct by employees of the Combined Bank could result in binding the Combined Bank to transactions that exceed authorised limits or present unacceptable risks or concealing from the Combined Bank unauthorised or unsuccessful activities which, in each case, may result in unknown and unmanaged risks or losses. Employee misconduct could also involve the improper use or disclosure of confidential information which could result in regulatory and legal sanctions and significant reputational and/or financial harm which will have a material adverse effect on the Combined Bank’s results, operations or financial condition. It is not always possible to deter

employee misconduct, and the precautions the Combined Bank will take to prevent and deter any such activity may not be effective in all cases.

1.1.18 Risks relating to the Combined Bank's information and technology systems

Cyber-security has become an increasingly important consideration for financial institutions. The quantity of sensitive information stored by financial institutions makes them potential targets of cyber-attacks. Risks to technology and cyber-security change rapidly and require continued focus and investment and the Combined Bank will need to act accordingly and take appropriate steps on an on-going basis to combat such threats and minimise such risks. Given the increasing sophistication and scope of potential cyber-attacks, it is possible that future attacks may lead to significant breaches of security. Failure to adequately manage cyber-security risk and continually review and update current processes in response to new threats could adversely affect the Combined Bank's reputation, business, results of operations, financial condition and prospects.

1.1.19 Risks relating to taxation

Alawwal bank Shareholders and SABB Shareholders may have Zakat and tax obligations in KSA and/or the jurisdictions in which the shareholders are resident for tax purposes with respect to the Merger, the disposal of interests in SABB or Alawwal bank, or other matters, subject to any available exemptions or reliefs (Including the obligation to disclose the Merger to the relevant tax and zakat authorities inside or outside the Kingdom or to pay any tax or zakat obligations that may arise in connection with the Merger).

The issue of Consideration Shares to Alawwal bank Shareholders should not give rise to stamp duty or similar taxes or duties in the Kingdom (this refers to certain fees collected from the relevant authorities in some states upon the issuance of new shares).

KSA Zakat and tax rules do not contain provisions providing roll-over relief or deferment of taxation for mergers. While we understand that the GAZT has, in certain circumstances, previously accepted that mergers could be effected on a Zakat/tax neutral basis, there is no guarantee that they will take this position for the Merger. There is therefore a risk that the GAZT may consider the transfer of Alawwal bank assets to SABB as a taxable transfer of assets and liabilities from Alawwal bank to SABB at the market value of those assets and liabilities at the date of the Merger for Zakat/tax purposes. Any liability would arise on Alawwal bank, will be assumed by the Combined Bank, because Alawwal bank will have dissolved upon Completion.

As tax laws are dynamic and change from time to time, the Combined Bank Shareholders may be exposed to higher taxation which could arise due to: (a) the introduction of new tax laws; (b) any change to existing tax laws and regulations; (c) a result of the disclosed or undisclosed practice of, or interpretation by, the relevant authorities in the relevant taxing jurisdiction of domestic taxing provisions and/or bilateral and multilateral agreements; and (d) case law determined by the courts which apply to the relevant taxing jurisdiction.

Moreover, if, upon or following the Merger, a foreign shareholder in Alawwal bank or SABB fails to pay any Saudi capital gains tax in respect of its shareholding in Alawwal bank or SABB, GAZT may seek to recover the tax due from the Combined Bank, which will in turn adversely affect the Combined Bank's reputation, business, results of operations, financial condition and prospects.

If Alawwal bank Shareholders are in any doubt as to their own tax position they should consult their own tax advisers.

1.1.20 The Combined Bank's business will entail operational risks

The Combined Bank will be exposed to operational risks, which is the risk of loss resulting from inadequacy or failure of internal processes or systems or from external events. The Combined Bank

will be susceptible to, amongst other things, fraud by employees or outsiders including unauthorised transactions, operational errors and clerical and record keeping errors resulting from faulty computer or telecommunications systems. There is no guarantee that the Combined Bank will not suffer losses from any failure of its system of controls to detect or contain operational risk in the future. Consequently, any inadequacy of the Combined Bank's internal processes or systems in detecting or containing such risks could result in unauthorised transactions and errors, which may have a material adverse effect on the Combined Bank's business, financial condition and results of operations.

1.1.21 Risks relating to interpreting Shariah rules

Shariah rules are open to different interpretations; hence, there are potential risks that the Combined Bank products can be interpreted as Shariah non-compliant by a Shariah body. This could also give rise to a risk of financial loss, regulatory sanction and/or reputational damage to the Combined Bank as a result of failure to comply with the directions, guidelines and conditions issued by the Combined Bank's Shariah Committees in respect of the development, execution, delivery and marketing of Islamic products. Should a Sharia body conclude that the Combined Bank's services, fully or partially, are non-Sharia compliant, this will have a material adverse effect on the Combined Bank's reputation, business, financial condition and results of operations.

1.1.22 Risks Related to financing projects

The Combined Bank's financing portfolio includes financing of long-term projects, such as infrastructure and industrial projects. This type of financing is subject to a range of risks that are slightly different from those of general financing. Such risks are related to funded projects, and the repayment depends on the success of the project in achieving expected returns. These risks include delays in obtaining necessary regulatory approvals, environmental and social issues related to funded projects, and project completion risks, which may affect the project's ability to generate returns. There is no assurance that the performance of the funded project will be achieved as expected. Any losses in future project financing or high levels of financing restructuring will have an adverse effect on the Combined Bank's business, financial position, results of operations, and future prospects.

1.1.23 Risks Related to Real Estate Financing

As part of the Alawwal bank's financing activities, Alawwal bank provides real estate financing services to its individual and corporate clients. For the purpose of obtaining financing, customers will pledge the property to be purchased in favor of Alawwal bank as collateral for the financing granted to them. The value of such mortgaged properties (which will be transferred to the Combined Bank upon Completion as part of Alawwal bank's assets pursuant to Articles 191-193 of the Companies Law) is affected by economic fluctuations or regulatory changes that may result in a decline in the value of those mortgaged properties. If the value of the properties mortgaged as collateral is reduced, it may result in the Combined Bank being unable to recover the value of the real estate financing if the customer fails to pay, which may adversely affect the Combined Bank's business, financial position, results of operations and future prospects.

1.1.24 Risks Related to Credit Ratings

Credit rating agencies will assess the Combined Bank's creditworthiness to evaluate the Combined Bank's ability to fulfill its financial obligations when they fall due. The Combined Bank's credit rating is an important factor in determining the cost of financing for the Combined Bank. Interest rates resulting from financing obtained by the Combined Bank are affected by the Combined Bank's credit rating. Credit rating is reviewed by the relevant rating agency from time to time. Accordingly, credit rating may change either downward or upward, or may be fully withdrawn. In case the Combined Bank's credit rating is reviewed downward, this will lead to an increase in the Combined

Bank's financing costs, which will adversely affect the Combined Bank's liquidity, business, financial position, results of operations, and future prospects.

1.1.25 Risks Related to the Combined Bank's Reputation

The Combined Bank's reputation is critical for attracting and retaining new customers and establishing strong relationships with counterparts. The Combined Bank's reputation could be damaged in the future by various factors, including, but not limited to, a decline, restatement, or other corrections to its financial results, legal or regulatory actions against the Combined Bank or employee misconduct which caused the Combined Bank to breach applicable legal requirements. The damage to the Combined Bank's reputation will have a negative effect on its business, financial position, results of operations, and future prospects.

1.1.26 Risks relating to the termination of material agreements

Some of the agreements that Alawwal bank is party to provide the counterparties with the right to terminate such agreements or claim monetary amounts as a result of a merger (including agreements related to IT systems, electronic payments and other agreements entered into by the Alawwal bank). If the termination of any material agreement occurs which affected the Combined Bank's business or resulted in the Combined Bank incurring unexpected costs, this will have a negative effect on the Combined Bank's business, financial position, results of operations, and future prospects.

1.2 RISKS RELATING TO THE SHARES OF BOTH BANKS AND THE COMBINED BANK

1.2.1 Risks related to the volatility of Alawwal bank share price until completion of the Merger

The announcement of the Merger in the market, the management of the two banks or their business, the delay in the completing the Merger for any reason (including for the extension of the expiration of the Creditor Objection Period) or any other political economic or any other reason may impact the market price of Alawwal shares by increased volatility until the Merger is finalised. The market price of Alawwal shares at the time the Merger takes place may vary significantly from their value as set out in, and at the date of, this Offer Document (as a result of, amongst other things, the operation of the businesses of SABB and Alawwal bank or any political or economic changes which may impact the share prices) which, will impact the market value of Alawwal bank's share price and the value of the investment of Alawwal bank's investors in Alawwal bank.

1.2.2 Risks relating to the decline of the market price of the Combined Bank shares as a result of the Merger

The market price of the Combined Bank shares (including the Consideration Shares) may decline if:

- the integration of SABB and Alawwal bank businesses is unsuccessful or delayed beyond management's initial expectations (24 to 36 months from the date of the Merger Agreement (04 October 2018));
- the Combined bank does not achieve the expected benefits of the Merger as rapidly or to the extent anticipated by financial analysts or investors or SABB Board; or
- the effect of the Merger on financial results is not consistent with the expectations of financial analysts or investors or the Combined Bank's Board.

1.2.3 Risks relating to the general volatility of Combined Bank's share price and realisation of investment as a result of the Merger

The trading price of the Combined Bank shares may be subject to fluctuation in response to a number of factors, specific to the Combined Bank or otherwise, such as variations in financial results, changes in financial estimates, changes in credit ratings, recommendations by securities analysts, and any market speculation relating to trends in the Combined Bank's customer markets. These factors may adversely affect the trading price of the Combined Bank shares regardless of the Combined Bank's operating performance. Alawwal bank Shareholders should be aware that the value of the Combined Bank shares (including the Consideration Shares) and the income from them can increase or decrease as is the case with any other investment in listed securities.

1.2.4 Risks relating to the trading patterns relative to historic trends and future sales by Substantial Shareholders of the Combined Bank

The shareholders of SABB should be aware that the historic trading patterns of SABB shares are independent of, and may bear no resemblance whatsoever to, the trading patterns of the Combined Bank shares following implementation of the Merger.

Sales, or the possibility of sales, of substantial numbers of the Combined Bank shares owned by Substantial Shareholders in the Combined Bank could have an adverse effect on the market price of the Combined Bank shares.

1.3 RISKS RELATING TO THE MARKET AND THE SECTOR, AND THE REGULATORY FRAMEWORK IN GENERAL

1.3.1 Risks relating to competition in the corporate and retail banking business

The banking business is highly competitive. The Combined Bank will face competition from various local and multinational banks and financial institutions operating in the Kingdom or the region. Some of the competitors possess larger capital resources than those of the Combined Bank. The number of banks in the Kingdom is 28 licensed commercial banks, of which 12 are Saudi commercial banks established in the Kingdom. The other 16 banks are branches of international banks. Further local or foreign banks may be licensed in the future, which will increase competition.

The Combined Bank will compete with other banks and financial institutions to attract and retain customers, whether private customers or public sector customers, for the provision of banking services in general and for geographical expansion. Therefore, if the Combined Bank is unable to keep pace with its competitors in terms of price and quality of its products and services, this will affect the Combined Bank's business and operating results, reduce its profit margin, reduce the chances of expanding its business, increase the cost of its employees and increase its spending on advertising or loss to customers.

1.3.2 Risks relating to KSA and global economy

Each of SABB and Alawwal bank currently has a significant proportion of their operations and interests in KSA (the geographic concentration of SABB assets in Saudi Arabia is 92% and 97% for Alawwal bank as at end of 2018G), Accordingly their businesses, operations and financial

performance will continue to be generally affected by the financial, political and general economic conditions prevailing from time to time in the KSA and/or the Middle East generally.

These markets are subject to risks similar to other developed and developing markets, including in some cases significant legal, economic and political risks.

Whilst the KSA aims to diversify its economy away from depending on the natural resources by attracting foreign investment, reducing spending and gradually lifting the government subsidies, the oil and gas industry continues to dominate the KSA's economy.

Declines in international prices for hydrocarbon products, such as those seen since mid-2014, could therefore adversely affect KSA's economy which, in turn, will have an adverse effect on the Combined Bank's business, financial condition and results of operations.

1.3.3 Risks relating to prudential regulations

Each of SABB and Alawwal bank are subject to a number of prudential and regulatory controls imposed by SAMA and CMA (including but not limited to large exposure limits, reserves, provisions, impairment allowances and other applicable ratios) designed to maintain the safety and the soundness of each bank, ensure its compliance with economic, social and other objectives and limit their exposure to risk. Such regulations, or any amendments thereto, may, following the Merger, limit the Combined Bank's ability to lend to a single borrower or group of related borrowers, increase its loan/financing receivable portfolios or raise capital or may increase its cost of doing business.

Any changes in such laws and regulations and/or the manner in which they are interpreted or enforced could have a material adverse effect on the Combined Bank's businesses, results of operations, financial condition and prospects. In particular, changes in SAMA regulations or policy could affect the Combined Banks' large exposure limits, reserves, provisions, impairment allowances and other applicable ratios.

1.3.4 Risks relating to the interpretations and application of the laws and regulations applicable to the Merger

The Merger is subject to several laws and regulations issued by, or implemented by, different regulators in KSA. Many of these laws and regulations (including the Companies Law and its implementing regulations, the Capital Market Law and its implementing regulations, including MARs and OSCO) are recent and no statutory merger between two public companies has ever taken place pursuant to them. SABB and Alawwal bank have applied and interpreted those laws and regulations based on their best judgement having consulted with their respective advisers

If any regulator or judicial body in KSA decided to apply and interpret the laws and regulations applicable to the Merger in a way that is different from the way SABB and Alawwal bank have interpreted and applied such laws and regulations, this could have a material adverse effect on SABB, Alawwal bank and/or the Combined Bank, and could also result in unanticipated delays to, or prevention of, the Merger.

1.3.5 Risks relating to regulatory compliance

The Combined Bank will be subject to several legal requirements imposed by SAMA, CMA, MOCI, and other authorities, that may be changed from time to time.

The Combined Bank will fall under the supervision of SAMA, which regulates the banking and financing sector in the Kingdom. The Combined Bank operates in accordance with SAMA's rules, regulations and requirements issued under the relevant laws. When formulating such legal requirements, SAMA takes into consideration the relevant international standards, including the

Basel Committee requirements. The Combined Bank's business may be directly affected by any change in the imposed legal requirements, particularly in the event of imposing requirements restricting the Combined Bank from conducting specific business or activities, or imposing conditions that cannot be fulfilled by the Combined Bank. Therefore, any future changes in the legal requirements may have a negative effect on the Combined Bank's businesses, financial condition or financial results.

The Combined Bank, as a listed company, is also subject to CMA's legal requirements, which are imposed on companies listed in Tadawul, including disclosure and governance requirements and other continuing obligations. Therefore, the Combined Bank's operations may be affected by any change in these requirements.

The Companies Law and the Regulatory Rules and Procedures and the new Corporate Governance Regulations included a number of additional requirements for listed companies, particularly with respect to disclosure and governance. The Combined Bank may not be able to monitor its compliance with the new requirements effectively. Any violation of the applicable laws and regulations will expose the Combined Bank to procedures and sanctions that may be taken against it by the concerned bodies, including fines and other sanctions in specific cases, such as the suspension or withdrawal of a its general banking license, or suspension of the Combined Bank from exercising its business.

Therefore, the Combined Bank's non-compliance with the legal requirements would have an adverse effect on the Combined Bank's business, financial position, results of operations, and future prospects.

It should be noted that the Combined Bank's subsidiaries and associates will also be subject to various strict legal requirements, the violation of which will have an adverse effect on the Combined Bank's business results.

1.3.6 Risks relating to licenses

In order to implement and expand the Combined Bank's business, the Combined Bank (along with its subsidiaries and associates) needs to keep and obtain a diversified set of licenses, permits and approvals from regulatory, administrative and tax bodies and other authorities in the KSA or any other country in which the Combined Bank would like to operate business, including any licenses or approvals necessary to transfer any of Alawwal bank's subsidiaries to the Combined Bank, such as licenses and approvals to be obtained from SAMA or CMA. The process for obtaining these permits and approvals may take time. If the Combined Bank is unable to maintain or obtain the relevant permits, its ability to achieve its strategic objectives could be impaired, with a consequent negative effect on the Combined Bank's businesses, financial position, results of operations, or future prospects. In particular, if any of the major licenses or permits granted to the Combined Bank (or its subsidiaries or associates) are withdrawn or revoked, this would have an adverse effect on the Combined Bank's businesses, financial position, results of operations, or future prospects.

1.3.7 Risks relating to Saudization and labour laws and regulations

The Ministry of Labour and SAMA will require the Combined Bank to recruit a specific percentage of Saudi nationals and to 'saudize' certain positions. The Combined Bank may face, from time to time, difficulties in relation to recruitment and retention of qualified Saudi nationals. If the Combined Bank fails to recruit a sufficient number of Saudi nationals, or if the Saudization rate decreases due to the transfer of Alawwal bank's employees to the Combined Bank upon Completion, the Combined Bank may be accountable to the Ministry of Labour or SAMA for failures to comply

with such requirements, which will have an adverse effect on the Combined Bank's businesses, financial position, results of operations and future prospects.

If the Combined Bank fails to comply with the Saudization rates, a restriction will be imposed on its recruitment of non-Saudi employees, which may impact the Combined Bank's ability to engage in business as usual.

Furthermore, the Kingdom has recently tightened labour restrictions on foreigners working in the country and made some amendments to the Labour Law and residency related charges have been imposed on expatriates and their companions recently. Such changes will impact the Combined Bank's foreign employees and there can be no assurance that such changes will not have an effect on the Combined Bank's business.

There can also be no assurance that such changes will not have a significant effect on the Combined Bank's customers, or a particular industry segment thereof (such as contracting companies, which rely on a significant number of expatriate workforce to sustain their operations). If the changes in the labour laws adversely affect one or more of the Combined Bank's major borrowers, this will in turn affect such borrowers' ability to meet their respective payment obligations to the Combined Bank under those borrowings which will have an adverse effect on the Combined Bank's business, financial position, results of operations, and future prospects.

1.3.8 Risks Relating to sanctions, Anti-Money Laundering and Anti-Terrorism Regulations

The Combined Bank must comply with the Anti-money Laundering and Anti-terrorism Laws and other related regulations. These laws and regulations require the Combined Bank, inter alia, to adopt and implement certain know-your-customer ("KYC") policies and procedures and to report suspicious transactions to the relevant authorities. The Combined Bank cannot guarantee that its systems and policies to detect and prevent the use of its banking network for money laundering activities by terrorists and terrorism-related organizations will be adequate to ensure that the Combined Bank is always in absolute compliance with all such laws and regulations in every relevant jurisdiction, especially after transferring Alawwal bank's assets and liabilities and employees to the Combined Bank after the Effective Date. Future litigation in connection with breaches of such laws or regulations may result in the imposition of fines and other sanctions. Similarly, breaches or even allegations thereof will negatively impact the Combined Bank's reputation. Any of these factors will have a material adverse effect on the Combined Bank's business, financial position, results of operations and future prospects. In addition, the Combined Bank's operations may be restricted due to limitations, bans on transactions or other sanctions imposed by the United Nations, the United States, the European Union and other states and international organisations. The Combined Bank may be subject to liability burdens under such sanctions and limitations.

The Combined Bank cannot give any assurance that its compliance, audit and reporting systems and procedures that it maintains in order to comply with SAMA regulations and legal requirements (which are subject to extensive oversight by regulatory authorities, including periodic examination) will at all times be fully effective. Compliance with these laws depends on the Combined Bank's ability to attract and retain qualified personnel to manage and monitor such systems and procedures and the Combined Bank cannot give any assurance that it will attract and retain such qualified personnel for that purpose. In case of actual or alleged non-compliance with regulations, the Combined Bank may be subject to investigations and judicial or administrative proceedings that may result in substantial penalties or civil lawsuits, including, but not limited to, claims by customers for damages and/or even the loss of the Combined Bank's general banking license. Any of these factors will have an adverse effect on the Combined Bank's business, financial position, results of operations and future prospects.

1.3.9 Foreign exchange movements may adversely affect the Combined Bank's profitability

The Combined Bank will maintain its accounts, and report its results, in SAR. The SAR is pegged at a fixed exchange rate to the US dollar, however, there can be no assurance that the SAR will not be de-pegged in the future or that the existing peg will not be adjusted in a manner that adversely affects the Combined Bank's results of operations and financial condition. The Combined Bank will have among its portfolio US dollar-denominated assets and liabilities and any alteration to, or abolition of, this foreign exchange peg, particularly if the SAR weakens against the US dollar, will expose the Combined Bank to US dollar foreign exchange movements against the SAR and may result in capital outflow from KSA which could have an adverse effect on the Combined Bank's businesses, results of operations, financial condition and prospects, and thereby affect the Combined Bank's ability to perform its obligations.

2. OVERVIEW OF THE MERGER

On 25 April 2017G, SABB and Alawwal bank announced that their respective Boards had resolved to start the initial discussions to study the possibility of merging the two Banks. Each Bank formed a working group made up of senior executive management to review the commercial, financial and legal aspects of the proposed structure of the Merger.

On May 16, 2018G, SABB and Alawwal bank announced that they have reached a preliminary, non-binding agreement on the share exchange ratio of a 0.485 (the banks subsequently agreed on an Exchange ratio of 0.48535396) share in the Combined Bank for each Alawwal bank Share. Based on this exchange ratio and the closing price of SAR 33.5 per SABB Share on 14 May 2018G, the merger would value each Alawwal bank Share at SAR 16.3 and Alawwal bank existing issued ordinary share capital at approximately SAR 18.6 billion.

On 4 October 2018G, SABB and Alawwal bank announced that they entered into a binding Merger Agreement on 3 October 2018G under which the two Banks agreed to take the necessary steps to implement a merger by way of a statutory merger pursuant to Articles 191-193 of the Companies Law and Article 49(a)(1) of the MARs.

Further, on 4/7/1440H (corresponding to 11/3/2019G)2018G, SABB made a firm intention announcement to make an Offer to Merge to Alawwal bank Shareholders in consideration for the Consideration Shares.

SABB and Alawwal bank have received non-binding statements of support for the Merger from HSBC Holdings plc (which is the parent company of HSBC Holdings B.V.) and NWM N.V. (which owns a total of 40% of SABB's share capital), respectively. On 3 October 2018G, HSBC Holdings plc confirmed its current intention to support the Merger in a letter to the Board of SABB, which sets out the basis of its support, including with respect to the satisfaction of the conditions summarized in Section 1.3.2 "Merger Agreement" in this Offer Document. NWM N.V. also confirmed its current support of the Merger (pursuant to a letter dated 3 October 2018G to the Board of Alawwal bank), subject to the final internal approvals of the Consortium Members and any regulatory approvals.

The Merger will be effected by way of a statutory merger pursuant to Articles 191-193 of the Companies Law and Article 49(a)(1) of the MARs. Upon the Effective Date the assets and liabilities of Alawwal bank will be transferred to SABB, and SABB will continue to exist and Alawwal bank will cease to exist as a legal entity and its shares will be cancelled and the Consideration Shares will be issued to Alawwal bank Shareholders that appear on the share register of Alawwal bank immediately after close of trading on the second trading period following the Effective Date.

Alawwal bank Shareholders will receive 0.48535396 new SABB shares for each Alawwal bank Share. The new shares will be issued by way of a capital increase, which will increase SABB fully paid-up capital by 37.0% from SAR 15,000,000,000 to 20,547,945,220 and the number of its issued shares will increase from 1,500,000,000 to 2,054,794,522 fully paid-up. The Consideration Shares will number 554,794,522 with a nominal value of SAR (10) per share and the total nominal value of the issue shall be SAR 5,547,945,220. On completion of the merger, SABB's existing shareholders would own 73.00% and Alawwal bank's existing shareholders would own 27.00% of the Combined Bank.

The total value of the Merger is determined on the basis of the value of the Consideration Shares. The total nominal value of the Consideration Shares is SAR 5,547,945,220. The total market value of the Consideration Shares as determined on the basis of the Exchange Ratio and the closing price of SAR 33.51 per SABB share on 14 May 2018 (which is the last trading day prior to the parties' initial agreement on the Exchange Ratio) is SAR 18,591,164,424. The total market value of the Consideration Shares as determined on the basis of the Exchange Ratio and the closing price of SAR 32.25 per SABB share on 3 October 2018 (which is the last trading day prior to the execution of the Merger Agreement) is SAR 17,892,123,327. The total value of the Consideration Shares (as will be recorded on the financial accounts of SABB) will be determined at a later stage on the basis of the closing price of SABB share on the last trading day prior to Completion.

In the event that the Exchange Ratio calculation produces a fractional share, the resulting figure will be rounded down to the nearest share. For example, if a Alawwal bank Shareholder holds 100 Alawwal bank shares, he or she will receive 48 Consideration Shares on the Effective Date (and not 49 Consideration Shares). SABB shall aggregate all fractional entitlements and sell, based on the shares market price at the time, the corresponding SABB shares on behalf of all Alawwal bank Shareholders who would otherwise have been entitled to receive a fractional SABB share in the market for cash, and subsequently distribute the net cash proceeds to such Alawwal bank Shareholders proportionate to their respective fractional entitlements within a period not exceeding thirty (30) days from Completion. Any expenses in relation to the sale of fractional shares, will be paid from the proceeds of such sale.

Both Banks will retain their existing names and logos while the merger process is underway. A branding review will be undertaken by an independent market research company. According to the terms of current contractual arrangements between SABB and HSBC Holdings plc, the Combined Bank will continue to retain the right to utilise the HSBC logo.

The Combined Bank will set new standards in training and talent development and offer exciting career opportunities in a much larger organisation. No involuntary staff redundancies are expected as a result of the Merger.

SABB has appointed GSSA as its financial advisor in connection with the Merger.

The following table shows details of ownership in SABB of each of the public and the Substantial Shareholders of SABB and Alawwal bank prior to and following the Merger:

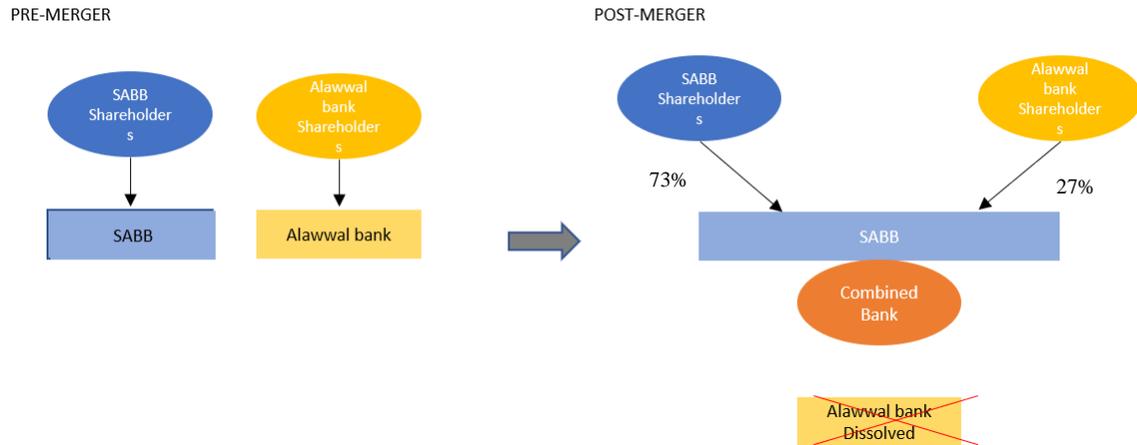
Shareholder	Pre- Merger		Post- Merger	
	No. of Shares	Shareholding %	No. of Shares	Shareholding %
HSBC Holdings B.V.	600,000,000	40.00%	600,000,000	29.20%
NWM N.V.	0	0%	221,917,809	10.80%
Olayan	254,352,582	16.95%	374,936,698	18.25%
GOSI	146,125,438	9.74%	204,424,659	9.95%
Abdulkader Al-Muhaidib and Sons Company	75,013,539	5.00%	75,013,539	3.65%*
The Public	424,508,441	28.30%	578,501,818	28.15%
Total	1,500,000,000	100 %	2,054,794,522	100 %

*Please note that the ownership of Abdulkader Al-Muhaidib and Sons Company following the Merger will be counted towards the ownership of the public, given that such ownership will be less than 5% of the total share capital of the Combined Bank. Therefore, the total ownership of the public in the Combined Bank will be 31.8% of the total share capital of the Combined Bank.

It should be noted that, subject to internal, regulatory and other governmental approvals, NWM N.V. intends to transfer the shares it will hold in the Combined Bank after completion of the Merger such that NWM plc, Santander and NLF I will become direct shareholders in the Combined Bank.

The purpose of this Offer Document is to describe the background and the rationale behind the Merger and to provide Alawwal bank Shareholders with details of the Merger in order to assist them in deciding whether or not to vote in favour of the Merger Resolutions and the Additional Resolutions in Alawwal bank EGM which is one of the conditions for Completion.

The below diagram is a simplified description of the structure of the Merger.



2.1 VALUATION OF ALAWWAL BANK

The Exchange Ratio (which determines the number of shares that will be issued to Alawwal bank shareholders in the Combined Bank as a result of the Merger) was agreed between SABB and Alawwal bank following detailed commercial negotiations between the two Banks. The following table summarises the results of the agreed valuation:

Agreed Exchange Ratio	<ul style="list-style-type: none"> • 0.48535396 Consideration Shares for each Alawwal bank share <ul style="list-style-type: none"> ○ Representing a premium of 12.8% to the implied exchange ratio of 0.430 based on 6-month volume weighted average price (VWAP) of SABB and Alawwal bank shares on 14 May 2018G (which is the last trading day prior to the parties initial agreement on the Exchange Ratio) ○ Representing a premium of 12.0% to the implied exchange ratio of 0.433 based on 6-month VWAP of SABB and Alawwal bank shares on 3 October 2018G (which is the last trading day prior to the execution of the Merger Agreement)
Total Number of the Consideration Shares	<ul style="list-style-type: none"> • 554,794,522 Consideration Shares, fully paid-up
Total Nominal Value of the Consideration Shares	<ul style="list-style-type: none"> • SAR 5,547,945,220
Total Market Value of the Consideration Shares	<ul style="list-style-type: none"> • SAR 18,591,164,424 based on SABB share price as of 14 May 2018 of SAR 33.51 (the day prior to cautionary Exchange Ratio announcement), implying per share value of SAR 16.26 <ul style="list-style-type: none"> ○ Representing a premium of 28.5% to the closing share price of Alawwal bank of SAR 12.66 on 14 May 2018

	<ul style="list-style-type: none">○ Representing a premium of 14.5% to the closing share price of Alawwal bank of SAR 14.20 on 3 October 2018● SAR 17,892,123,327 based on SABB share price as of 3 October 2018 of SAR 32.25 (the day prior to the proposed merger announcement), implying per share value of SAR 15.65○ Representing a premium of 23.6% to the closing share price of Alawwal bank of SAR 12.66 on 14 May 2018○ Representing a premium of 10.2% to the closing share price of Alawwal bank of SAR 14.20 on 3 October 2018
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2.2 RATIONALE AND IMPLICATIONS OF THE MERGER

2.2.1 Important Notice

This sub-section contains the views of SABB on the benefits that it currently anticipates will result from the Merger becoming effective.

You should note, in particular, that this sub-section contains forward-looking statements, which are subject to risks and uncertainties, and that undue reliance should not be placed on such statements. For more information on forward-looking statements, see Section “*Important Notice*” from this Offer Document, and for more information on risks and uncertainties in relation to the Merger, see Section 1 “*Risk Factors*” of this Offer Document.

You should also note that the synergy estimates included in this sub-section are highly preliminary estimates of SABB, which may be revised following more detailed integration planning. SABB does not intend to update the synergy statements or any other forward-looking statements, except as required pursuant to applicable laws and regulations.

Nothing contained in this sub-section is intended to be or shall be deemed to be a forecast, projection or estimate of the current or future financial performance of the Combined Bank and no statement in this Offer Document should be interpreted to mean that earnings per share for current or future financial periods of the Combined Bank would necessarily match or exceed historical published earnings per share of SABB shares.

2.2.2 Overview

If completed, the Merger will create the Kingdom’s third-largest bank, a top tier retail and corporate bank, and provide leading access to a global banking network through diversifying the customers and shareholders base to facilitate the flow of investment capital into Saudi Arabia and the growth of international trade. In addition, the Combined Bank will be well positioned to support the Saudi economy and will play a pro-active role in promoting Saudi Vision 2030 as well as supporting the Kingdom’s aspirations arising from the National Transformation Program 2020. Set out below the main motives and benefits of the Merger:

2.2.2.1 Creating the third largest bank in the Kingdom and a top tier retail and corporate bank

The Combined Bank will be the third largest bank in Saudi Arabia with total assets of SAR 259 billion (as of 30 September 2018G). The market cap of the Combined Bank will be SAR 80,9 billion (as of 24 April 2019G), which has been determined on the basis of the market cap of both Banks. The Combined Bank will have enhanced scale and will be more diversified to serve its customer base, composed of corporate clients, SME clients and retail clients. The Combined Bank will have a number of Substantial Shareholders

with a wide experience in the banking sector, which will support the stability and growth of the Combined Bank. On completion of the Merger, the Substantial Shareholders of the Combined Bank will be HSBC Holdings B.V. (29.2%), Olayan (18.2%), NWM N.V. (%10.8) and the GOSI (9.9%) (noting that Subject to internal, regulatory and other governmental approvals, NWM N.V. intends to transfer the shares it will hold in the Combined Bank after completion of the Merger such that NWM plc, Santander and NLFII will become direct shareholders in the Combined Bank).

2.2.2.2 Supporting the Saudi economy

The Combined Bank will play a leading role in supporting the Kingdom's aspirations. It will be well positioned to support the Saudi economy through its services and financial support to Saudi companies in Saudi Arabia and internationally, international companies operating in Saudi Arabia and the residents living in Saudi Arabia. It will aim, inter alia, at enhancing the efficiency of the financial sector and support the growth of the private sector in line with the goals of the Realisation Programs of Vision 2030.

As a larger retail and corporate bank, the Combined Bank will be positioned to support objectives for home finance, long-term savings and SME. With higher capital base, the Combined Bank will possess enlarged underwriting and balance-sheet capacity, thereby enhancing its ability to support growth opportunities across the economy and the development of the local capital markets.

2.2.2.3 Increased and diversified opportunities

The Combined Bank will be the second largest corporate bank with 15% market share (based on corporate performing loan balances including overdrafts and excluding loans under the heading "International segment" in the respective financial statements of SABB and Alawwal bank) and a leader in trade finance in Saudi Arabia with specialised product offerings for existing and new clients. The Merger will strengthen the Combined Bank's position in retail and SME banking providing further opportunity for growth in this segment. The Combined Bank will be positioned to capture the significant opportunities arising from existing relationships across both Banks. These relationships can be strengthened with increased cross-selling and an enhanced product offering across an expanded platform. The Combined Bank will have access to a global banking network by diversifying its shareholders and customers base to support its banking activities and will leverage international connectivity to the benefit of all domestic clients across the KSA together with institutional and multinational clients abroad.

2.2.2.4 Earnings and value accretion

The Merger is expected to be accretive to earnings per the Combined Bank share for SABB and Alawwal bank Shareholders as a result of anticipated annual cost synergies in the range of 10-15% of the FY 2017G combined cost base realised over three years post-completion. This statement should not be interpreted to mean that earnings per share of the Combined Bank will necessarily be greater than earnings per share of SABB shares in the financial periods prior to Completion.

The Combined Bank is expected to benefit from a more efficient platform, optimising infrastructure from both banks, greater scale and negotiating positions with suppliers. It is also expected that, in common with all large organisations, the Combined Bank will be able to optimise its team over time. Revenue synergies are primarily expected from cross-selling, increased customer penetration, and fund-raising diversification.

2.3 MERGER AGREEMENT AND OTHER RELATED AGREEMENTS

2.3.1 Merger Agreement

On 3 October 2018, SABB and Alawwal bank entered into the Merger Agreement. This Merger Agreement sets out the terms and conditions of the Merger (and SABB's and Alawwal bank's obligations regarding implementation of the Merger).

The Merger Agreement contains limited warranties given by SABB and Alawwal bank on a reciprocal basis, restrictions on the conduct of business and restrictions in relation to seeking competing proposals from third parties, which are customary for agreements of this nature.

The Merger Agreement is subject to the approvals of SABB Shareholders and Alawwal bank shareholders. According to Article 191(4) of the Companies Law, a shareholder that holds shares in both SABB and Alawwal bank can only vote on the Merger Resolutions in the EGM of one of the companies. For further details about voting and the banks EGM, see Section 2.5.2 “GM Approval” of this Offer Document.

- Material Terms and Conditions of the Merger Agreement;

There is a number of conditions in the Merger Agreement which are required to be satisfied for the purpose of effecting the Merger, as follows:

- (i) the obtaining of SAMA’s non-objection with respect to the Merger (noting that this has already been satisfied);
- (ii) the obtaining of all required approvals of the CMA with respect to the application for the Capital increase and publishing this Offer Document (noting that this has already been satisfied);
- (iii) obtaining the approval of Tadawul in relation to the listing of the Consideration Shares on Tadawul (noting that this has already been satisfied);
- (iv) obtaining GAC’s non-objection for economic concentration with respect to the Merger (noting that this has already been satisfied);
- (v) obtaining the approval of the MOCI in respect of the proposed amendments to SABB bylaws as set out in Schedules 1 and 2 of Annex 1 of this Offer Document (noting that this has already been satisfied);
- (vi) there having been no amendment to the TSA Amendment Agreement (other than any amendment approved by Alawwal bank in writing);
- (vii) there having been no amendment to the Termination Agreement or any of the New Settlement Agreements (other than any amendment approved by SABB in writing);
- (viii) the issuance of a resolution from Alawwal bank Sukuk Holders (either in a written resolution or at a meeting of Alawwal bank Sukuk Holders) to approve dissolving Alawwal bank due to the Merger and waive any event of default arising under the terms of Alawwal bank Sukuk as a result of the Merger or Alawwal bank repaying Alawwal bank Sukuk in full. It should be noted that Alawwal bank Sukuk have already been redeemed;
- (ix) each of the resolutions as set out in the notice of SABB EGM (set out in Annex 1 to this Offer Document) receiving a vote in favour by holders of the requisite majority of SABB shares represented at SABB EGM, which include approving (i) the Merger Resolutions; (ii) the TSA Amendment Agreement; and (iii) the proposed amendments to SABB’s bylaws;
- (x) each of the resolutions as set out in the notice of Alawwal bank EGM (set out in Annex 2 to this Offer Document) receiving a vote in favour by holders of the requisite majority of Alawwal bank shares represented at Alawwal bank EGM, which include approving (i) the Merger Resolutions; and (ii) the Termination Agreement and the New Settlement Agreements;

- (xi) no breach of the following warranties provided by either bank as at the date of the Merger Agreement, unless such breach is capable of remedy, where the breach has been remedied to the reasonable satisfaction of the non-breaching party:
- a) each bank has the authority to enter into the Merger Agreement and execute all obligations arising thereof;
 - b) all obligations arising out of the Merger Agreements are binding on both banks;
 - c) the execution of the Merger Agreement and all arising obligations thereof will not result in:
 - a material breach on the bylaws of either bank; or
 - a material breach to any material agreement or arrangement entered into by either bank with third parties, unless such agreement has been disclosed.
- (xii) no breach of the following warranties provided by either Alawwal bank or SABB as at the date of the Merger Agreement which has a material adverse effect on either bank, unless such breach is capable of remedy, where the breach has been remedied to the reasonable satisfaction of the non-breaching party:
- a) the information provided during the due diligence period was as at the date as to which it speaks true and accurate in all material respects and not misleading in a material respect; and
 - b) save for information which it has redacted from the due diligence materials provided to the other party during the due diligence investigation, it has not knowingly withheld any material information from the other party.
- (xiii) no breach to the Conduct of Business Requirements set out below which has material adverse effect on either bank, unless such breach is capable of remedy, where the breach has been remedied to the reasonable satisfaction of the non-breaching party;
- (xiv) no changes in the circumstances which gives, or may give, a rise to a material adverse effect on the business, assets, obligations, financial position, profits, or the forecast of either bank, noting that any economic or financial sanctions or embargos imposed by certain countries is considered a material adverse effect; and
- (xv) no government body of competent jurisdiction having enacted, issued, promulgated, enforced or entered any order, injunction, judgment, decree or other action which is in effect and which prohibits or makes illegal the consummation of the Merger in accordance with the terms of the Merger Agreement.

Each party is obligated to use its reasonable endeavours to procure that the merger conditions are fulfilled as soon as reasonably practicable, noting that none of the conditions summarised above may be waived or amended.

- Conduct of Business Requirements:

One of the merger conditions is for the parties not to breach any of the conduct of business requirements set out in the Merger Agreement in a manner which has a material adverse effect on either SABB or Alawwal bank. The conduct of business requirements apply from the date of entering into the Merger Agreement until the earlier of: (i) the Effective Date of the Merger; or (ii) the date on which the Merger Agreement is terminated in accordance with its terms. We set out below a summary of the conduct of business requirements:

- a) not to carry on business other than in the ordinary course and in all material respects consistent with the past practice;
- b) not to make any material amendments or revisions to the budget;
- c) not to alter the general nature or scope of its businesses in any material way or enter
- d) not to incur any new capital expenditure with any third parties (which is not in the respective budgets of SABB or Alawwal bank) in excess of SAR 10,000,000 per item or SAR100,000,000 in aggregate;
- e) not to borrow any amounts that is not in the budget which is in excess of SAR 500,000,000 for a period of five years or more;
- f) not to borrow any amounts that is not in the budget which is in excess of SAR 1,000,000,000 for a period exceeding one year and less than five years (this does not include any deposit taking activities in the normal course of business of the banks);
- g) not to amend any financing document, pay any financial interest or make early payments for any amount before it is due;
- h) not to acquire or agree to acquire one or more loan portfolios with an aggregate value in excess of three per cent. of total gross customer loans. Further, not to dispose of or agree to dispose of one or more loan portfolios with an aggregate value in excess of two per cent. of total gross customer loans;
- i) save for (h) above, not acquire or dispose of, or agree to acquire or dispose of any material asset or enter into or amend any agreement or incur any commitment to do so, in each case involving consideration, expenditure or liabilities in excess of SAR 20,000,000 (or equivalent) per item or SAR100,000,000 (or equivalent) in aggregate, other than in the ordinary course of business;
- j) not to breach any of the previously approved limits on the financial transactions, including conditions in relation to: (i) granting loans in a value that exceeds the agreed upon financial limits (ii) amending these limits for certain customers who have certain credit rating, or (iii) increasing the exposure or granting financing to certain types of customers;
- k) not to own or agree to own any financing that could lead to a breach pursuant to (j) above;
- l) not to declare, make or pay any dividend or other distributions other than in the ordinary course of business, noting that Alawwal bank may not declare, make or pay any dividend for the financial year 2018;
- m) not to increase the number of employees in excess of the number contemplated in the relevant budget;
- n) not to increase employees' salary other than what has been previously prescribed for in the salary and compensation policies and is consistent with the past practice;
- o) not to introduce or amend any existing compensation policy for the purpose of keeping employees including any bonuses in relation to the Merger;
- p) not to renew any lease agreement or enter into new lease agreements for a term exceeding two year;

- q) not to appoint any consultants or a consulting firm other than in the ordinary course of business;
- r) not to amend the share capital;
- s) not to amend the constitutional documents other than as necessary or desirable to comply with applicable law;
- t) not to deviate from its policies and procedures with respect to financial crime in such a way that would or might reasonably be expected to have a material adverse effect on either; and
- u) Not to agree to do any of the foregoing.

- Corporate Governance of the Combined Bank

Subject to receipt of relevant regulatory and shareholder approvals at the SABB EGM, the parties agreed as part of the Merger that the necessary steps will be taken so that upon completion of the Merger, the board of directors of the Combined Bank will be increased from 10 to 11 members with the following composition:

- a) seven of the current directors of SABB, three of whom will be from the persons currently appointed by HSBC Holdings B.V.; and
- b) four persons to be proposed by the current board of Alawwal bank.

On completion of the Merger, it has also been agreed that the necessary steps will be taken to implement the following:

- a) Lubna Sulaiman Olayan, who will be one of the directors proposed by Alawwal bank, will become Chairman of the board of the Combined Bank;
- b) David Dew will become the Managing Director of the Combined Bank.

Also, based on the Tadawul announcement made by SABB and Alawwal bank on 4 October 2018G, both banks agreed to have the Vice-Chairman of the board of the Combined Bank nominated for appointment from amongst the SABB directors.

The new board and executive management appointees will assume their roles when the Merger completes. In the interim, David Dew and Soren Nikolajsen will continue to lead the two banks independently as Managing Directors of SABB and Alawwal bank, respectively.

- Termination of the Merger Agreement

The Merger Agreement will be terminated (and the rights and obligations of the parties under the Merger Agreement will cease) if:

- (i) SABB or Alawwal bank makes an announcement through Tadawul that its board has decided not to give its recommendation to SABB Shareholders or Alawwal bank Shareholders (as applicable) to approve the Merger and each of the resolutions to be approved at SABB EGM or Alawwal bank EGM (as applicable) (or to amend, withdraw or adversely modify its recommendation);
- (ii) written notice to terminate is given by one party to the other party following breach by the other party of the Merger Agreement where such breach has a material adverse effect on the other party, the Merger or its implementation;

- (iii) written notice to terminate is given by SABB to Alawwal bank following the declaration, making, setting aside or payment by Alawwal bank of any dividend or other distribution in respect of the financial year 2018;
- (iv) the Effective Date does not occur on or before 3 October 2019 (or such later date as SABB and Alawwal bank may agree in writing); or
- (v) SABB and Alawwal bank agree to do so in writing.

2.3.2 Termination Agreement and New Settlement Agreements

On 3 October 2018G, Alawwal bank has entered into the New Settlement Agreements with NWM N.V., and each of the Consortium Members which will replace Current Settlement Agreement dated 22 July 2016G and entered into between NWM N.V. and Alawwal bank for the purposes of settling certain alleged claims which have arose or might arise between Alawwal bank and NWM N.V., the Consortium Members or any related entity including their managers and employees. Alawwal bank Shareholders authorised Alawwal bank board to enter into the Current Settlement Agreement at the EGM held on 2 May 2016.

Pursuant to the Current Settlement Agreement and the New Settlement Agreements (which will replace the Current Settlement Agreement), NWM N.V. will pay to Alawwal bank an amount equivalent to SAR 656,250,000 and USD 116,920,195 in addition to all accrued interests.

Pursuant to the New Settlement Agreements (the key operative provisions of which will become effective on and from the Effective Date), each Consortium Member has severally contracted to pay to the Combined Bank its pro rata share of the Settlement Amount on the terms set out below:

- On any disposal of NWM N.V.'s shareholding in the Combined Bank or, in the event that the Consortium Member directly holds a shareholding in the Combined Bank, on any disposal of the Consortium Member's shareholding in the Combined Bank, NWM N.V. or the Consortium Member who makes the disposal (as applicable) is required to pay to the Combined Bank the lesser of (i) the relevant Consortium Member's pro-rata share of the outstanding balance of the Settlement Amount; and (ii) the consideration received for the share disposal.
- In the event that a Consortium Member has not paid all or any part of its pro-rata share of the Settlement Amount to the Combined Bank within three years of the Effective Date, the outstanding amount shall become payable to the Combined Bank on the New Settlement Agreements Long Stop Date.
- Until the New Settlement Agreements Long Stop Date, the Combined Bank shall be entitled to retain any cash dividends due and payable to NWM N.V. or the Consortium Members (as applicable) and apply such cash dividends towards the repayment of, in the case of NWM N.V., the Settlement Amount, and in the case of the Consortium Members in the event they directly hold a shareholding in the Combined Bank, each of their pro-rata share of the outstanding balance of the Settlement Amount.
- NWM N.V. and the Consortium Members are not permitted to transfer their shareholding in the Combined Bank unless it is:
 - a disposal of shares to a third party for cash (subject to the restrictions in the Lock-Up Agreement, which do not apply to NLF1 following completion of the Merger);
 - a transfer to a subsidiary, the parent company or a subsidiary of the parent company. For the purposes of this agreement, a subsidiary means a company in which another person i) directly or indirectly holds or controls a majority of the voting rights or ii) has the right to appoint or remove the majority of the directors or iii) has the right to exercise a dominate influence by virtue of the company's constitution or a contract, or does in fact exercise a dominant influence; or
 - in the case of NWM N.V., a transfer of the shares in the Combined Bank to each of the Consortium Members,

each in accordance with the terms of the New Settlement Agreements and the Lock-Up Agreement.

As of the date of publishing this Offer Document, each of RBSG, NLFI and Santander is currently an indirect shareholder of NWM N.V. with the following economic interest in the shareholding in Alawwal bank: 15.31%, 13.52% and 11.16%, respectively.

Subject to internal, regulatory and other governmental approvals, NWM N.V. intends to transfer the shares it will hold in the Combined Bank after completion of the Merger such that NWM plc (an affiliate of RBSG that is expected, subject to regulatory and internal approvals, to hold RBSG's share in the Combined Bank following completion of the Merger), NLFI and Santander will become direct shareholders in the Combined Bank.

Alawwal bank has also entered into the Termination Agreement on 3 October 2018, and pursuant to such agreement NWM N.V. and Alawwal bank have agreed to, with effect on and from the Effective Date, the following:

- the termination of the Current Settlement Agreement and its replacement with the New Settlement Agreements; and
- the full and final settlement and release of the Claims which either Alawwal bank or NWM N.V. may have against each other, the Consortium Members or any of their affiliates, or any of the directors, officers, employees and agents of any such parties.

The key operative provisions of the Termination Agreement and the New Settlement Agreements are conditional on the approval of the Alawwal bank Shareholders at the Alawwal bank EGM and on completion of the Merger.

NWM N.V. will not be entitled to vote at the Alawwal EGM on the resolutions relating to approving the Termination Agreement and the New Settlement Agreements, given that NWM N.V. has an interest in such agreements and has representatives in the board of Alawwal bank.

The Termination Agreement and the New Settlement Agreements shall automatically terminate if any of the following events occur:

- the Merger Agreement terminates prior to the Effective Date;
- Alawwal bank Shareholders not approving the Merger, the Termination Agreement and the New Settlement Agreements at the Alawwal bank EGM;
- SABB Shareholders not passing the resolutions for the purpose of, amongst other things, approving the Merger at the SABB EGM; or
- the Effective Date has not occurred by
 - i. without prejudice to item (ii) below, the first anniversary of the date of the Merger Agreement;
 - ii. such date up to three months after the first anniversary of the date of the Merger Agreement if such extension is agreed between Alawwal bank and SABB in accordance with the terms of the Merger Agreement and Alawwal bank has explained to the Consortium Members the rationale for agreeing such additional period and confirms that in its view the Merger shall be completed within the additional period; or
 - iii. such later date as may be agreed between NWM N.V., Alawwal bank and each of the Consortium Members,

and as such, the Current Settlement Agreement shall remain in full force and effect.

2.3.3 Lock-up Agreement

Lock-up arrangements have been agreed with NWM N.V., NWM plc (an affiliate of RBSG that is expected, subject to regulatory and internal approvals, to hold RBSG's stake in the combined bank following the completion of the merger), NLFI and Santander. NWM N.V., NWM plc, NLFI and Santander have agreed that they will not transfer any of their shares in Alawwal bank pending completion of the Merger (subject to customary exceptions provided below) and NWM N.V., NWM plc and Santander have further agreed that they will not transfer any of their shares in the Combined Bank until six months following completion of the Merger (subject to customary exceptions provided below). The post-completion lock-up will not apply to NLFI.

The agreement not to dispose of any shares is subject to a number of exceptions, including the following:

- a) the disposal of shares occurs upon a written approval from Alawwal bank (in the event of disposing shares prior to the Effective Date of the Merger) or the Combined Bank (in the event of disposing the shares post the Effective Date of the Merger);
- b) the disposal of shares through the transfer of such shares to an affiliate provided that such company remains an affiliate and is subject to the lock-up agreement. If such a company ceases to be an affiliate, the shares shall be returned to the original owner of the shares or to one of its affiliates that is bound by the Lock-up Agreement;
- c) the disposal of shares through accepting a general offer made to all shareholders of issued and allotted shares;
- d) the disposal of shares pursuant to accepting an offer from Alawwal bank (in the event of disposing shares prior to the Effective Date of the Merger) or the Combined Bank (in the event of disposing shares post the Effective Date of the Merger) to all the shareholders provided that such offer is made on identical terms to all holders of shares;
- e) the disposal of any rights pursuant to a right issue;
- f) the disposal of shares pursuant to a court order;
- g) the disposal of shares due to the winding-up in connection with a solvent reconstruction or amalgamation which has the consent of Alawwal bank's approval (in the event of disposing shares prior to the Effective Date of the Merger) or the Combined Bank (in the event of disposing shares post the Effective Date of the Merger), such consent not to be unreasonably withheld or delayed;
- h) the disposal of shares due to a conversion or re-designation of any Shares or change in the shares class;
- i) the disposal of shares pursuant to a regulatory obligation;
- j) the disposal of shares pursuant to the Merger; or
- k) the direct or indirect transfer (which may involve intermediary transfers by way of in specie distributions) of the shares in the Combined Bank owned by NWM N.V. following the completion of the Merger to NWM plc, NLFI and Santander, pursuant to the terms of the New Settlement Agreements.

2.3.4 Tax Undertaking

On 3 October 2018G, SABB obtained an undertaking from HSBC Holdings B.V. that HSBC Holdings B.V. will pay all applicable corporate income tax in respect of capital gains in the Kingdom that is finally determined to be payable by it as a result of any disposal or deemed disposal of HSBC Holdings B.V.'s shareholdings in SABB, subject to certain limitations and financial caps.

On 3 October 2018G, SABB and Alawwal bank obtained an undertaking from NatWest Markets N.V., NatWest Markets plc, NLFI and Santander that they will pay all applicable corporate income tax in respect of capital gains in the Kingdom that is finally determined to be payable by them as a result of any disposal or deemed disposal of their shareholdings in Alawwal bank or SABB, subject to certain limitations and financial caps.

2.4 OTHER AGREEMENTS

2.4.1. TSA Amendment Agreement

On 3 October 2018G, SABB has entered into the TSA Amendment Agreement making certain changes to the TSA between SABB and HSBC Holdings plc. Under the terms of the technical services agreement, HSBC Holdings plc provides managerial and specialised expertise to SABB. At the SABB EGM, a resolution will be proposed to approve the TSA Amendment Agreement. The amendments proposed under the TSA Amendment Agreement will include: (i) extending the term of the technical services agreement to 30 September 2027G; (ii) confirming that the services will be provided by HSBC Holdings plc upon request by SABB's authorised representative in writing to HSBC Holdings plc; (iii) removing from the scope of the technical services agreement certain services which are no longer required or used by SABB; (iv) removing an indemnity provision; and (v) certain amendments to the termination provisions of the technical services agreement.

The non-objection of SAMA has been sought and was obtained on 12/07/2018G on the proposed amendments and the TSA Amendment Agreement.

The TSA Amendment Agreement contains provisions whereby each of SABB and HSBC Holdings plc waives and releases the other (and in the case of the HSBC Holdings plc, each of its affiliates) from certain claims whether arising directly or indirectly under or in connection with the technical services agreement. The waived claims include i) all claims and obligations arising directly or indirectly out of the TSA prior to the date of signing the TSA Amendment Agreement and ii) all amounts arising out of the services provided by HSBC Holding plc or any of its subsidiaries, directors, officers or consultants to SABB in connection with the Merger whether such services were provided prior to or post the date of the TSA Amendment Agreement, in each case save for any outstanding payments due but unpaid from SABB to HSBC Holding plc excepted under the TSA Amendment Agreement..

It should be noted that HSBC Holdings B.V. will not be entitled to vote at the SABB EGM on the proposed resolution to approve the amendment of the TSA, given that HSBC Holdings B.V. (being a subsidiary of HSBC Holdings plc) has an interest in the TSA Amendment Agreement and has representatives on the board of SABB.

2.5 PROCEDURES REQUIRED TO EFFECT THE MERGER

Subject to satisfying all of the conditions set out in the Merger Agreement, there are certain procedures required to be completed for the purpose of effecting the Merger, which are as follow:

2.5.1 Government Approvals

A number of regulatory approvals must be obtained for the purposes of the Capital Increase and the implementation of the Merger as follows:

- (a) SAMA non-objection on the Capital Increase and the implementation of the Merger, which was obtained on 14/06/1440H (corresponding to 19/02/2019G).
- (b) GAC non-objection on the economic concentration with respect to the Merger, which was obtained on 14/07/1440H (corresponding to 21/03/2019G).
- (c) CMA approval for the Capital Increase request and publication of this Offer Document, which was obtained on 17/8/1440H (corresponding to 22/4/2019G).
- (d) Tadawul approval for the listing of the Consideration Shares on Tadawul, which was obtained on 15/04/2019G.
- (e) MOCI approval for the proposed amendments to SABB bylaws (as set out in Schedules 1 and 2 of Annex 1 of this Offer Document), which was obtained on 16/06/1440H (corresponding to 21/02/2019G)

- (f) CMA approval to publish the invitation for the SABB EGM and Alawwal bank EGM. The EGM date will be announced on the Tadawul website. GM approval

2.5.2 EGM Approval

The Merger is also conditional upon obtaining separate approvals at EGMs by SABB Shareholders and Alawwal bank Shareholders as follows:

- a. each of the resolutions relating to the Merger as set out in the notice of SABB EGM (set out in Annex 1 to this Offer Document) receiving a vote in favour by holders of the requisite majority of SABB shares represented at SABB EGM; and
- b. each of the resolutions relating to the Merger as set out in the notice of Alawwal bank EGM (set out in Annex 2 to this Offer Document) receiving a vote in favour by holders of the requisite majority of Alawwal bank Shares represented at Alawwal bank EGM.

SABB and Alawwal bank will submit an application to the CMA to obtain its approval to convene the SABB EGM and Alawwal bank EGM shortly after the publication of this Offer Document. Following the CMA approval, SABB and Alawwal bank will publish the invitation for the respective EGMs, which shall be convened within at least 21 days from the date of publishing the invitation.

All shareholders who appear in the shareholders register of SABB or Alawwal bank (as applicable) by the end of trading on the same day of the relevant EGM will be eligible to vote (whether in person or proxy or via remote/electronic voting).

It should be noted that Olayan is a Substantial Shareholder in, and has representation on the boards of both SABB and Alawwal bank, and that GOSI is a Substantial Shareholder in both SABB and Alawwal bank, and has representation on the board of SABB.

Furthermore, according to Article 191(4) of the Companies Law, a shareholder that holds shares in both SABB and Alawwal bank can only vote on resolutions relating to the Merger in the EGM of one of the companies.

It should be noted that HSBC Holdings B.V. will not be entitled to vote at the SABB EGM on the proposed resolution to approve the amendment of the TSA, given that HSBC Holdings B.V. (being a subsidiary of HSBC Holdings plc) has an interest in the TSA Amendment Agreement and has representatives on the board of SABB.

It should be further noted that NatWest Markets N.V will not be entitled to vote at the Alawwal bank EGM on the proposed resolution to approve the Termination Agreement and the New Settlement Agreements, given that NWM N.V. has an interest in such agreements and has representatives on the board of Alawwal bank.

Whilst all shareholders have the right to vote on the resolutions proposed at the Alawwal bank EGM to approve the Merger (unless they are restricted due to a conflict of interest or any other restriction imposed by the relevant Saudi laws and regulations), shareholders residing outside of Saudi Arabia are hereby made aware that this Offer Document was not filed, notified or registered with any regulatory authority outside Saudi Arabia. Therefore, if a shareholder is based in a jurisdiction where voting on the Merger based on this Offer Document requires any steps to be taken by SABB to lawfully enable such shareholder to vote on the Merger then that shareholder should not vote on the resolutions to be proposed at the Alawwal bank EGM. If such shareholder has nevertheless voted on the Merger resolutions, then SABB reserves the right, after agreeing with Alawwal bank, to not proceed with the Merger unless the relevant resolutions are approved by the requisite majorities without counting the vote of that shareholder.

For the avoidance of doubt, if the Merger is approved by the requisite number, which is three-fourths of the shares present, of Alawwal bank Shares at the Alawwal bank EGM, the Alawwal bank Shareholders (including those who voted against or did not vote on the Merger Resolutions) will cease to own shares in Alawwal bank as it will dissolve and will instead receive the Consideration Shares in the Combined Bank in accordance with the terms of the Merger.

2.5.3 Creditors objection period

Following the EGM approval, SABB and Alawwal bank will publish the EGM resolutions. The publication shall stipulate the right of any creditors of Alawwal bank who are objecting to the Merger to notify Alawwal bank by registered letter to Alawwal bank's main office, provided that such notification shall be given within 30 days of the date of publication.

In accordance with the Companies Law, the Merger Resolutions take effect 30 days after they are published, to allow for the creditor objection period to expire (assuming there are no unresolved creditor objections).

If any objections are received within the 30-day period, the Companies Law provides that the Merger shall be suspended. The Merger shall remain suspended if the objector does not withdraw its objection or Alawwal bank pays the relevant debt (if it is mature) or either Alawwal bank or SABB submits a sufficient guarantee or collateral to pay the debt (if it is not mature). The objectors may include depositors, suppliers or loan and hedging counterparts or any other potential creditor.

Pursuant to the Merger Agreement, the parties agreed that if an objection is raised by a creditor to the Alawwal bank during the Creditor Objection Period, the Merger will be suspended unless:

- the relevant creditor waives the objection to the Merger;
- either Alawwal bank pays any such creditor the amount due if such amount is payable prior to the end of the Creditor Objection Period or either Alawwal bank or SABB provides sufficient guarantee or collateral for the settlement of the amount due if such amount is payable after the end of the Creditor Objection Period, provided that such guarantee or collateral shall only become legally binding after the Effective Date; or
- a court of competent jurisdiction determines in a final judgment to reject an application of the creditor to suspend the Merger.

After the end of the Creditor Objection Period, Alawwal bank shall announce on Tadawul the following:

- confirmation that no creditor objections have been received by Alawwal bank (or that such objections were received but were since waived by the creditor(s), satisfied by Alawwal bank or, to the extent applicable, that the court has rejected the application of the creditor(s) to suspend the Merger; or
- setting out the details of the creditor objections received and not satisfied in full as may be agreed between Alawwal bank and SABB.

2.5.4 Effective Date of the Merger

Following the later of (i) the expiry of the creditors objection period or (ii) the resolution of the creditors objections (as explained above), the Merger Resolutions will become effective and the assets and liabilities of Alawwal bank will be transferred to SABB, and SABB will continue to exist and Alawwal bank will cease to exist as a legal entity and its shares will be cancelled and the Consideration Shares will be issued to the shareholders of Alawwal bank that appear on the share register of Alawwal bank immediately after close of trading on the second trading period following the Effective Date. SABB shall issue an announcement in Tadawul confirming that the Merger has become effective.

2.6 RELATED PARTIES AND CONFLICTED DIRECTORS

The Merger is deemed to be a Related Party transaction as Olayan is a Substantial Shareholder in, and has representation on the boards of both SABB and Alawwal bank. In addition, GOSI is a Substantial Shareholder in both SABB and Alawwal bank, and has representation on the board of SABB.

As an exception to Articles 3(o) and 48 of the Merger and Acquisition Regulations, the shareholders who own shares in SABB and Alawwal bank and have representation in the board of SABB and/or Alawwal, will be entitled to vote on the Merger Resolutions in the in the EGM of one of the banks, subject to the voting restrictions applicable to their representatives in board and committee meetings. Therefore, Shareholders that are Related Parties, who are Olayan and GOSI, will be permitted to vote in the EGM of one of the banks and as such, they will not be subject to the voting restrictions referred to in SABB Tadawul announcement published on 24/1/1440H (corresponding to 4/10/2018G) relating to the entry into a binding Merger Agreement with Alawwal bank. A number of SABB's directors have an interest in the Merger. Therefore, Khaled Suliman Olayan, the representative of Olayan, and Saad Abdulmuhsn Al-Fadly, the representative of GOSI, have declared their interest to SABB Board and did not vote on SABB Board resolution to approve the entry into the Merger Agreement.

Lubna Sulaiman Olayan, the representative of Olayan, and Sulaiman Abdullah Al-Kadi who is currently a board member of Alawwal bank and holds shares in SABB, have declared their Conflict of Interest to the Alawwal bank Board and did not vote on the Alawwal bank Board decision to approve entry into the Merger Agreement

Furthermore, according to Article 191(4) of the Companies Law, a shareholder that holds shares in both SABB and Alawwal bank can only vote in the EGM of one of the banks.

It should be noted that HSBC Holdings B.V. will not be entitled to vote at the SABB EGM on the proposed resolution to approve the amendment of the TSA, given that HSBC Holdings B.V. (being a subsidiary of HSBC Holdings plc) has an interest in the TSA Amendment Agreement and has representatives on the board of SABB.

Also, NatWest Markets N.V will not be entitled to vote at the Alawwal bank EGM on the proposed resolution to approve the Termination Agreement and the New Settlement Agreements., given that NWM N.V. has an interest in such agreements and has representatives on the board of Alawwal bank.

The following table sets out the names and shareholdings of the Related Parties and Conflicted Directors in relation to the Merger as of 5/8/1440H (corresponding to 10/4/2019G).

Name	Nature of Related Party /conflict	Direct Ownership in SABB		Direct Ownership in Alawwal bank	
		Number of Shares	Percentage (%)	Number of Shares	Percentage (%)
Olayan	Substantial Shareholder in both SABB and Alawwal bank and have a representative on the board of both banks	254,352,582	16.95%	248,445,723	21.73%
GOSI	Substantial Shareholder in both SABB and Alawwal bank and has a representative on the board of SABB	146,125,438	9.74%	120,116,916	10.51%
Khaled Suleiman Olayan	Represents Olayan in the board of SABB and owns shares in Alawwal bank	7,500	0,0005%	-	-

	indirectly through his ownership in Olayan				
Saad Al-Fadly	Represents GOSI in the board of SABB	-	-	-	-
Lubna Sulaiman Olayan	Represents Olayan in the board of Alawwal bank and owns shares in SABB indirectly through her ownership in Olayan	-	-	60,912	0.0053287 %
Sulaiman Abdullah Al-Kadi	board member of Alawwal bank and holds shares in SABB	116,580	0.007772 %	18,910	0.0016543 %

3. SHAREHOLDINGS AND DEALINGS

- 1) SABB does not hold any shareholding in Alawwal bank.
- 2) The table below sets out the details of the shareholding and the size of any controlling shareholding in SABB and Alawwal bank in which the directors of SABB have an interest as of 5/8/1440H (corresponding to 10/4/2019G):

Name	Nationality	Age	Position	Status	Representation	Date of Appointment	Ownership and indirect interest in SABB				Ownership and indirect interest in Alawwal bank			
							Direct	Indirect interest*	Total	Percentage	Direct	Indirect interest*	Total	Percentage
Khaled Suliman Olayan	Saudi	75	Chairman	Non-Executive Director	Olayan	1 January 2017G	7,500	254,352,582	254,360,082	16.96%	-	248,445,723	248,445,723	21.73%
Khalid Abdullah Al-Molhem	Saudi	61	Vice-chairman	Independent Director	N/A	1 January 2017G	53,119	-	53,119	0.0035 %	-	-	-	-
Mohamed Omran Al-Omran	Saudi	53	Member	Independent Director	N/A	1 January 2017G	60,540	52,000,000	52,060,540	3.47%	-	150,336	150,336	0.0132%
Suleiman Abdul Qader Al-Muhaidib	Saudi	65	Member	Non-Executive Director	N/A	1 January 2017G	7,500	75,129,778	75,137,278	5.01%	-	-	-	-
Saad Abdulmuhsn Al-Fadly	Saudi	46	Member	Non-Executive Director	GOSI	1 January 2017G	-	-**	-	-	-	131,201,986	131,201,986	11.48%

Samir Assaf	French	58	Member	Non-Executive Director	HSBC Holdings B.V.	1 January 2017G	-	-***	-	-	-	-	-	-
David Robert Dew	UK	63	Member	Executive Director	HSBC Holdings B.V.	1 January 2017G	-	-***	-	-	-	-	-	-
Georges Elhedery	French	44	Member	Non-Executive Director	HSBC Holdings B.V.	1 January 2017G	-	-***	-	-	-	-	-	-
Stephen Moss	UK	51	Member	Non-Executive Director	HSBC Holdings B.V.	1 January 2017G	-	-***	-	-	-	-	-	-
Vacant	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Source: SABB and Alawwal bank

* Indirect interest includes any shares owned by the directors through their ownership in other companies or any of the following:

- Relatives of the relevant director;
- any company controlled by the relevant director; and
- any person acting in concert with the relevant director.

**Board representative of GOSI, which owns 9.74% of SABB.

*** Board representatives of HSBC Holdings B.V., which owns 40% of SABB.

- 3) The directors have not dealt in any of their shares in SABB or Alawwal bank (as applicable) set out in the above table during the 12-month period preceding the publication of this Offer Document.
- 4) There is no shareholding in SABB and Alawwal bank which is owned or controlled by persons acting in concert with SABB.
- 5) On 22 March 2018G, SABB bought back 451,156 of its shares for the total value of SAR 14,030,770 for the purpose of distributing such shares to its employees or former employees as a part of SABB bonus deferral program.

On 17 December 2018G, SABB has redeemed its sukuk issued on 17 December 2013 for the value of SAR 1,500,000,000.

Other than what has been disclosed above, SABB has not bought or redeemed any securities during the 12-month period preceding the Offer Period up until the day preceding the publication of this Offer Document.

4. SPECIAL ARRANGEMENTS OR CONDITIONS

There is no agreement, arrangement or understanding (including any arrangement for compensation) between SABB (or any person acting in concert with it) and any members of the Alawwal bank Board, Alawwal bank

Shareholders or any person who was an Alawwal bank Shareholder or a member of Alawwal bank Board within twelve (12) months prior to the date of publication of this Offer Document.

5. CASH SUFFICIENCY AND BANK GUARANTEE

The consideration payable by SABB for all Alawwal bank Shares does not include any cash payment. Therefore, there is no need for SABB to include a bank guarantee in respect of the offer. For further information on the Merger, see Section 2.1 (“*Alawwal bank Valuation*”) of this Offer Document.

6. THE ULTIMATE OWNERS OF ALAWWAL BANK SHARES AND THE CONTROLLING SHAREHOLDERS IN SABB AND THE COMBINED BANK

The Substantial Shareholders of SABB are HSBC Holdings B.V., Olayan, GOSI and Abdulkader Al-Muhaidib and Sons Company, owning 40.00%, 16.95%, 9.74% and 5.00% respectively.

The Substantial Shareholders of Alawwal bank are NWM N.V., Olayan and GOSI, owning 40%, 21.73% and 10.51% respectively.

On completion of the Merger, the Substantial Shareholders of the Combined Bank will be HSBC Holdings B.V. (29.2%), Olayan (18.2%), NWM N.V. (10.8%) and the GOSI (9.9%) (noting that Subject to internal, regulatory and other governmental approvals, NWM N.V. intends to transfer the shares it will hold in the Combined Bank after completion of the Merger such that NWM plc, Santander and NLFII will become direct shareholders in the Combined Bank). All of NWM plc, Santander and NLFII currently have no direct shareholding ownership in SABB or Alawwal bank.

There will be no controlling shareholders in the Combined Bank on completion of the Merger (who owns or have control over 30% or more of the Combined bank or is able to direct and manage its decision).

7. FINANCIAL INFORMATION

7.1 Closing price of SABB's shares

The table below show the closing price of SABB's shares on the first day of each month for the six months prior to the date of publishing this Offer Document, until the last day prior the beginning of the offer period and the last available date before the publication of the Offer Document:

Date	Closing price
<i>01-Nov-18</i>	<i>33.05</i>
<i>02-Dec-18</i>	<i>33.10</i>
<i>01-Jan-19</i>	<i>32.65</i>
<i>03-Feb-19</i>	<i>36.15</i>
<i>03-March-19</i>	<i>36.75</i>
<i>01-April-19</i>	<i>39.45</i>
The last day prior to beginning of the offer period	
10-March-19	35.55
The last available date before the publishing of the Offer Document	
24-April-19	39.90

Source: Tadawul

7.2 Closing price of Alawwal bank's shares

The table below shows the closing price of Alawwal bank's shares on the first day of each month for the six months prior to the date of publishing this Offer Document, until the last day prior to the beginning of the offer period and the last available date before the publication of the Offer Document:

Date	Closing price
<i>01-Nov-18</i>	<i>14.96</i>
<i>02-Dec-18</i>	<i>14.82</i>
<i>01-Jan-19</i>	<i>15.00</i>
<i>03-Feb-19</i>	<i>16.24</i>
<i>03-Mar-19</i>	<i>16.64</i>
<i>01-April-19</i>	<i>17.64</i>
The last day prior to beginning of the offer period	
10-March-2019	16.38
The last available date before the publishing of the Offer Document	

24-April-19	18.44
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Source: Tadawul

7.3 Distribution and Dividend policy

On 20/04/1440H (corresponding to 27/12/2018G), SABB announced on Tadawul its Board of Directors recommendation to distribute cash dividends to its shareholders for the second half of the fiscal year ending on 31 December 2018G with a total amount of SAR 1,500,000,000 based on a value of SAR 1 for each share (after the deduction of Zakat) with a distribution percentage of 10% of the par value. The general assembly of SABB approved the Board's recommendation at its meeting convened on 25/07/1440H (corresponding to 01/04/2019G)

Alawwal bank will not pay any dividends for 2018 pursuant to the Merger Agreement. Accordingly, Alawwal bank has announced on Tadawul on 24/01/1440H (corresponding to 04/10/2018G) the issuance of Alawwal bank Board of Directors' recommendation not to distribute any dividends to the Alawwal bank Shareholders for the fiscal year ending on 31/12/2018 G in compliance with the provisions of the Merger Agreement. Such recommendation has been approved in the general assembly of Alawwal bank held on 12/8/1440H (corresponding to 17/4/2018G).

The table below sets out details of SABB's dividend per share for the years ending on, 31 December 2016 G, 31 December 2017 G, and 31 December 2018 G:

	2016			2017			2018		
	Interim	Final	Total	Interim	Final	Total	Interim	Final	Total
Distributed profit per share for the financial year (in SAR)- post zakat	0.35	0.35	0.70	0.71	0.71	1.42	0.96	1.00	1.96
Growth in dividends (%)	-	-	(6.67 %)	-	-	102.9 %	-	-	38.03%
Entitlement date	18 August 2016G	25 April 2017G	-	03 August 2017G	28 March 2018G	-	02 August 2018G	1 April 2019G	-
Share price on the entitlement date	18.5	22.0	-	25.9	31.9	-	33.9	39.5	-
Distributed profit return (Distributed profit per share \ Share price on the entitlement date)	1.89%	1.59%	3.18%	2.74%	2.23%	4.45%	2.83%	2.53%	4.96%

*Source: SABB

The Combined Bank expects to pay dividends bi-annually in the form of an interim and a final dividend following the completion of the Merger. The Consideration Shares will entitle their holders to receive dividends declared after the Effective Date. All shares will have equal nominal par value of ten Saudi Riyals (SAR 10) each, all of which will be ordinary shares, and all of which shall rank pari passu as

one class in all respects. The issuance of the Consideration Shares will increase the paid-up capital of SABB from 15,000,000,000 to SAR 20,547,945,220, with an increase in SABB's issued shares from 1,500,000,000 shares to 2,054,794,522 shares. Upon Completion of the Merger, SABB's existing shareholders will own 73% of the Combined Bank's capital whereas Alawwal bank's shareholders will own 27% of the Combined Bank's capital. The Merger is expected to be accretive to earnings per the Combined Bank share for SABB and Alawwal bank Shareholders as a result of anticipated annual cost synergies in the range of 10-15% of the FY 2017G combined cost base realised over three years post-completion. This statement should not be interpreted to mean that earnings per share for current or future financial periods of the Combined Bank following the Merger will necessarily match or exceed historical published earnings per share of SABB shares (for further information, see Section 1 ("*RISK FACTORS*") of this Offer Document).

7.3.1 Dividend Policy

7.3.1.1 The current policy:

1. The Board shall prepare at the end of each fiscal year SABB's financial statements, a report on its activities and its financial position for the preceding year and its recommendation for the manner for net profit distribution.
2. The annual or interim net profit arrived at after deducting all general expenditures and other expenses and after the constituting of such provisions for bad debts and for losses on investments and for contingent liabilities as the board shall think fit in conformity with the Banking Control Law, and the directives issued by SAMA shall be allocated as follows:
 - i. After obtaining SAMA's non-objection.
 - ii. The calculation of sums required for the payment of the Zakat due from Saudi shareholders and the tax due from non-Saudi shareholders will be as prescribed by the applicable laws in force in the Kingdom of Saudi Arabia. Such sums shall be paid by SABB to the authorities concerned. Zakat paid for the Saudi shareholders shall be deducted from their share of the net profit and the tax paid for the non-Saudi shareholders shall be deducted from their share of the net profit.
 - iii. A sum of at least 25% of the remainder of the net profit, after deducting Zakat and tax according to paragraph (ii) hereto, shall be allocated for constituting the statutory reserve until the total of such reserve equals at least the paid-up share capital.
 - iv. Out of the remainder of the net profit, after the deduction of Zakat and tax and the allocation for the statutory reserve, a sum of not less than 5% of the paid-up share capital shall be allocated for paying a dividend to shareholders in proportion to their respective shareholding and as specified by the board and approved by the general assembly. In the event that the remaining percentage of the net profit is not sufficient for paying such dividend to eligible shareholders in any one year, shareholders shall not be entitled to claim it in the following years. No larger dividend shall be declared by the general assembly than is recommended by the board.
 - v. The remainder after allocations made as set forth in paragraphs (i), (ii), (iii) above, shall be disposed of in the manner recommended by the board and approved by the general assembly.
 - vi. The respective percentages of the shareholdings of each of the Saudi shareholders and the non-Saudi shareholders shall always be maintained when calculating the sums to be allocated as statutory reserve and other reserves out of the net profit (after deducting Zakat and tax). Each of the Saudi shareholders and the non-Saudi shareholders shall contribute to such allocations on a pro-rata basis depending on their respective shareholdings, and such contribution shall be deducted from their respective shares of the net profits.

- vii. The shareholders shall be entitled to their share of profits pursuant to the general assembly resolution adopted in the manner described above. Such resolution shall specify the entitlement date and the distribution date. Shareholders registered in the shareholders register at the end of the payment due date, shall be entitled to such profits. SABB may retain any dividends payable to any shareholder and may apply the same in or towards satisfaction of his debts or liabilities to SABB.

7.3.1.2 The Post-Merger policy:

The following are the recommended amendments of SABB's distribution of profit policy which will be presented to the SABB's shareholders during SABB EGM that will be convened in relation to the Merger for voting. MOCI's approval of the same has been obtained on 16/06/1440H.

1. The Board shall prepare at the end of each fiscal year the Combined Banks's financial statements, a report on its activities and its financial position for the preceding year and its recommendation for the manner for net profit distribution.
2. The annual or interim net profit arrived at after deducting all general expenditures and other expenses and after the constituting of such provisions for bad debts and for losses on investments and for contingent liabilities as the Board shall think fit in conformity with the Banking Control Law, and the directives issued by SAMA shall be allocated as follows:
 - i. After obtaining SAMA's non-objection.
 - ii. The calculation of sums required for the payment of the Zakat due on Saudi shareholders and the tax due on non-Saudi shareholders will be as prescribed by the laws in force in the Kingdom of Saudi Arabia. Such sums shall be remitted by the Combined Bank to the authorities concerned. Zakat paid for the Saudi shareholders shall be deducted from their share in the net profit and the tax paid for the non-Saudi shareholders shall be deducted from their share in the net profit.
 - iii. A sum of at least 25% of the net profit of the Combined Bank shall be allocated for constituting the statutory reserve until the total of such reserve equals at least the paid-up share capital.
 - iv. Out of the remainder of the respective share of each of the shareholders in the net profit after the deduction of Zakat and tax and the allocation for the statutory reserve, a sum of not less than zero point five per cent. (0.5%) of the paid-up share capital shall be allocated for paying a dividend to shareholders reflecting the applicable deductions from Saudi and non-Saudi shareholders under paragraph (2), but otherwise in proportion to their respective shareholding and as specified by the Board and approved by the General Meeting. In case the remaining percentage of the net profit accruing to any of the shareholders is not sufficient for paying the said dividend to eligible shareholders in any one year, shareholders shall not be entitled to claim it in the following year or years. No larger dividend shall be declared by the general assembly than is recommended by the Board of the Combined Bank.
 - v. The remainder after allocations made as set forth in paragraphs (ii) and (iii) above, shall be disposed of in the manner recommended by the board and approved by the general assembly.
 - vi. The respective percentage of shareholdings of each shareholder shall always be observed when calculating the sums to be allocated as statutory reserve and other reserves out of the net profit. Each of the shareholders shall participate in such allocations on a pro-rata basis and out of their respective share in the net profit.
 - vii. Shareholders shall be entitled to their share of profits pursuant to the general assembly resolution adopted in this regard. Such resolution shall specify the entitlement date and distribution date. Shareholders registered in the shareholders register at the end of the payment due date, shall be entitled to profits. The Combined Banks may retain any dividends payable

to any shareholder and may apply the same in or towards satisfaction of his debts or liabilities to the Combined Bank.

8. FINANCING THE MERGER

The value for the Merger will be paid for through the issuance of compensation shares for Alawwal bank's shareholders. Therefore, there will be no debt or any other financing obtained to complete the Merger.

9. THE RESULT OF TERMINATING THE OFFER TO MERGE

The Offer to Merger will terminate in the event of terminating the Merger Agreement pursuant to its terms prior to convening Alawwal bank EGM. In such case, Alawwal bank's Shareholders will no longer have the right to accept this offer. SABB and its shareholders will therefore not be bound by any prior acceptance of Alawwal bank Shareholders to the Offer to Merge. For more information on the termination of the Merger Agreement, see Section 2.3.1 (*"the Merger Agreement"*) of this Offer Document.

10. ZAKAT AND TAXATION

On 13/04/1440H (corresponding to 20/12/2018G), SABB has announced that it has entered into an agreement with the General Authority of Zakat and Tax ("**GAZIT**") for the settlement of Zakat claims pertaining to previous fiscal years up to the fiscal year 2017G, pursuant to which SABB will pay an amount of (SAR 1,628,069,719) (the "**SABB Zakat Settlement Amount**").

It is expected that the SABB Zakat Settlement Amount will be deducted from the share of the Saudi shareholders in the net profit of SABB, in accordance with applicable laws and regulations and the provisions of SABB's bylaws. It should be noted that for these purposes the term "Saudi shareholders" includes Saudi and non-Saudi shareholders who are subject to Zakat pursuant to applicable laws and regulations. SABB will announce on Tadawul the mechanism for deducting the SABB Zakat Settlement Amount including the targeted period, once the final details of such mechanism has been determined.

On 13/04/1440H (corresponding to 20/12/2018G), Alawwal bank also announced that it has entered into an agreement with GAZT for the settlement of Zakat claims pertaining to previous fiscal years up to the fiscal year 2017G, pursuant to which Alawwal bank will pay an amount of (SAR 374,475,908) ("**Alawwal Zakat Settlement Amount**")

Furthermore, given that the board of Alawwal bank decided not to distribute dividends for the financial year 2018G pursuant to its undertakings under the Merger Agreement, the Zakat liability of Alawwal bank for the year 2018G amounting to approximately (SAR 58,298,798) was not deducted.

Upon Completion of the Merger, the Zakat liability of Alawwal bank pertaining to Alawwal Zakat Settlement Amount as well as the Zakat liability of Alawwal bank for the fiscal year 2018G, with a total amount of (SAR 432,774,706), will be transferred to the Combined Bank.

As such, the total settlement amount of the Combined Bank will be (SAR 2,060,844,425), which will be deducted from the share of the Saudi shareholders of the Combined Bank in the dividend paid by the Combined Bank to its shareholders in accordance with the mechanism that will be announced by SABB at a later date. (for further details about the risks related to Zakat, see Section 1-1-13 (*"Risks relating to Zakat disputes"*)).

11. DESCRIPTION OF SABB

11.1 Overview

SABB is a Saudi Joint Stock Company, established by Royal Decree No. M/4 dated 12 Safar 1398H (21 January 1978G). SABB's capital is SAR)15 billion divided into 1.5 billion shares with a nominal value of SAR 10.

The main objectives of SABB are to provide a complete range of integrated banking products and services to both retail and corporate sectors throughout its departments, business segments and its branch network across the Kingdom.

SABB provides Shariah approved products, which are approved and supervised by an independent Shariah Board. SABB also provides to its customers a complete set of conventional banking products and services which include current accounts, savings, time deposits, corporate credit facilities, consumer and mortgage loans, trade receivable and supply chain finance solutions, cash and payments management, treasury and credit cards. SABB maintains a valuable strategic partnership with the HSBC Group, one of the largest and most geographically diverse banking groups in the world. This strategic partnership provides SABB with a competitive advantage to provide its customers with access to the best local and international service offering in the market. HSBC owns 40% of SABB shares. SABB is organised into the following main business segments:

11.1.1 Corporate Banking

In terms of both operating income and balance sheet, SABB is one of the largest commercial banks in the Kingdom. SABB serves its corporate customers through teams of relationship managers based in the Kingdom's main commercial hubs. Through long term relationships the relationship managers build a detailed understanding of an individual client's financial needs to deliver tailored solutions from SABB's full suite of corporate banking products and services, both conventional and Islamic. To serve their clients the relationship managers can draw on specialist teams in treasury, liquidity and cash management, trade and receivables finance, investment banking and insurance. In addition to this comprehensive range of local products and services, SABB is also in a position to provide to its customers access to global financial markets and services through SABB's partnership with the HSBC Group, Corporate Banking is divided into two segments: Global Banking (GB) and Commercial Banking (CMB).

GB, through a team of relationship managers, serves the needs of leading Saudi companies that are globally managed by SABB; multinational companies operating in the Kingdom but headquartered overseas; and institutional clients such as ministries, government agencies and departments, banks and other financial institutions. Through SABB's strong ties to the HSBC Group, HSBC Saudi Arabia, the GB team is in a unique position to deliver tailored solutions to its clients, both domestically and internationally. Through this combination of expertise and resources, GB has been able to support major infrastructure projects in the Kingdom, support and advise Saudi clients with their international expansion and to tap into liquidity through non-Saudi financial institutions by way of export credit agency finance and international bonds and sukuks.

CMB services and supports small, medium and large enterprises both domestic and international in the Kingdom. CMB maintains its commitment to small business customers in Saudi Arabia and actively participates in the Kafalah Programme, a government guarantee programme that encourages banks to lend to small businesses.

Corporate Banking includes two product groups of particular note: Global Liquidity & Cash Management (GLCM); and Global Trade & Receivables Finance (GTRF). SABB maintains a leadership

position in the market in these two product offerings that lie at the core of corporate customers' treasury activities.

GLCM offers a wide range of integrated digital and electronic business solutions to customers to cater to their payment, receivables and liquidity management needs. GTRF offers a comprehensive range of core trade products (Imports, Exports & Guarantees) and structured solutions such as Receivable Finance and Supply Chain Finance solutions. GTRF provides efficient and optimal financing structures (both Conventional & Islamic) to clients in support of their trade and working capital optimisation while minimising market risk.

11.1.2 Retail Banking and Wealth Management

Retail Banking and Wealth Management provides services and products to personal and private banking customers including time deposits, current and savings accounts, home finance, consumer loans, and credit cards where it maintains a market leading position in the Kingdom. Retail Banking provides a range of digital solutions so customers can access their finances anytime and anywhere, as well as access to a traditional branch network.

The branch network is spread across the Kingdom with approximately 95 retail outlets. The branches are tiered so as to provide a balanced service and sales experience, reflective of the local environment and matching the expectations of customers.

Retail customers are segmented into Premier, Advance and Mass supported by a tiered service approach. Premier and Advance customers are serviced by Relationship Managers who are able to offer individual customers financial management solutions. SABB's focus on higher net worth customers is now represented by the number of dedicated Premier Centres within the Kingdom. These exclusive centres provide Premier customers with tailored products and services, as well as addressing their international needs through HSBC's global network.

11.1.3 Treasury

Treasury undertakes two functions in SABB. Principally it provides corporate, institutional and private banking customers with access to capital markets, foreign currency and derivative solutions. In addition, it manages the liquidity and market risk of SABB, including the deployment of SABB's commercial surplus through its investment portfolio.

11.2 Other Segments

The Other segments primarily includes activities of SABB's investment in, SABB Takaful, HSBC Saudi Arabia, and equity investments. HSBC Saudi Arabia (HSBC SA) is a leading investment bank in the Kingdom and consistently tops key league tables, leveraging upon the strength of the SABB franchise in the Kingdom and the international capability of HSBC globally.

11.3 Digital banking

SABB aims to be a leading digital bank in the Kingdom. SABB continues to invest in developing an efficient and flexible technology architecture, and competitive customer-centric solutions. With enhanced technology SABB can extend customers' choices through multiple channels, and has succeeded in migrating existing customers progressively to digital channels and attracting new

customers through its digital offering. SABB's approach is centred on speed of innovation, flexibility, partnership, and responsiveness to emerging customer preferences.

11.4 Best in Class Recognition

In 2018G, SABB was recognised for its progress in delivering upon its strategy through prestigious industry awards including:

- Best Trade Finance Bank - 2018" in Saudi Arabia' for the 10th time in a row by Global Finance Magazine.
- Best Trade Finance Provider in KSA - 2018" by Euromoney
- Best Treasury and Cash Management – 2018" by Global Finance Magazine
- Best Private Bank – 2018" by Global Finance Magazine

11.5 SABB Ownership in Other Companies

As at the date of this Offer Document, SABB owns (directly or indirectly) the entities listed in the table below. If the Merger takes place, it is anticipated that SABB will also own (directly or indirectly) the Alawwal bank Subsidiaries (although the Combined Bank will consider how best to deal with its different subsidiaries to realize synergies and achieve efficient integration).

The following table sets out the SABB Subsidiaries:

<u>Name of entity</u>	<u>Ownership interest</u>	<u>Country of incorporation</u>	<u>Principal activity</u>
SABB Real Estate Company Limited	99,8%	KSA	The registration of real estate.
The Arabian Real Estate Company Limited	99%	KSA	The purchase, sale and lease of land and real estate for investment purposes.
SABB Insurance Agency Limited	98%	KSA	The company acts as sole insurance agent for SABB Takaful Company in KSA.
HSBC Saudi Arabia	50,994%*	KSA	Investment banking services.
SABB Takaful	65%	KSA	Shariah compliant insurance activities.
Saudi Finance Lease Contracts Registration Company	2.38%	KSA	Registration of finance lease contracts
Saudi Credit Bureau Company (SIMAH)	11%	KSA	Collect and analyse credit information
Saudi Financial Support Services Co. (SAND)	20%	KSA	Transport cash, ATMs replenishment and the

Name of entity	Ownership interest	Country of incorporation	Principal activity
			provision of additional related services.
Saudi Kayan Assets leasing Company (* note that this entity is an SPV and is not incorporated into the accounts of SABB)	50%	KSA	Securing collateral rights under Islamic financing structures.
Rabigh Assets Leasing Company (* note that this entity is an SPV and is not incorporated into the accounts of SABB)	50%	KSA	Securing collateral rights under Islamic financing structures.
Yanbu Assets Leasing Company (* note that this entity is an SPV and is not incorporated into the accounts of SABB)	50%	KSA	Securing collateral rights under Islamic financing structures.
SABB Markets Limited (* note that this entity is an SPV and is not incorporated into the accounts of SABB)	100%	Cayman Islands	Derivatives trading and REPO activities.

*On 16/8/1440H (corresponding to 21/4/2019G), SABB announced on Tadawul that it has entered into a binding agreement with HSBC Holdings B.V. for the sale of 1,000,000 shares in the share capital of HSBC Saudi Arabia to HSBC Holdings B.V., representing 2% of the issued share capital of HSBC Saudi Arabia, for a total value of SAR 36,000,000. The completion of the transaction is subject to certain agreed contractual conditions including obtaining the shareholder and regulatory approvals, including the approval of the CMA.

12. AMENDMENTS TO THE BYLAWS OF SABB

General amendments and Merger specific amendments to the Bylaws of SABB will be proposed at SABB EGM. The general amendments to the bylaws will become effective after obtaining the approval of the SABB EGM regardless of the effectiveness of the Merger while the Merger specific amendments to the bylaws will take effect at the Effective Date.

The general amendments are set out in Schedule 1 of Annex 1 of this Offer Document. The Merger specific amendments are set out in Schedule 2 of Annex 1 of this Offer Document.

13. WAIVERS

The following waivers have been obtained from the CMA:

1. SABB has been granted an exemption with respect to paragraph (e) of Article 3 (preventing an Offeror, the Offeree Company, or any of their respective advisors from furnishing information to some shareholders which is not readily made available to all shareholders.) and paragraph (a) of Article 35 (which requires the information about an offer to be made equally available to all shareholders as nearly as possible at the same time and in same manner) of the Merger and Acquisition Regulations. This was to allow SABB to disclose to HSBC Holdings B.V. certain information relating to the findings of the legal, commercial and financial due diligence conducted by SABB on Alawwal bank and SABB's views on such findings, in addition to certain information relating to key transaction terms, provided that such disclosure did not result in any breach of the relevant laws and regulations in KSA and the relevant "insiders" rules set out in the Market Conduct Regulations (Issued by the Board of the Capital Market Authority Pursuant to its Resolution Number 1-11-2004 Dated 20/8/1425H Corresponding to 4/10/2004G, amended by Resolution of the Board of the Capital Market Authority Number 1-7-2018 Dated 1/5/1439H Corresponding to 18/1/2018G).
2. SABB and Alawwal bank have been granted an exemption with respect to subparagraph (3) of paragraph (a) of Article 3 (making documents available for inspection) of the Merger and Acquisition Regulations with respect to the (i) Termination Agreement (ii) New Settlement Agreements (iii) Lock-up Agreement and (iv) Tax Undertaking (as defined in this Offer Document, the Shareholders Circular and Alawwal bank Board Circular).
3. Exempting the Shareholders who own shares in SABB and Alawwal bank and have representation in the board of SABB and/or Alawwal from the requirements of Articles 3(o) and 48 of the Merger and Acquisition Regulations, where they will be entitled to vote on the Merger Resolutions in the in the EGM of one of the banks, subject to the voting restrictions applicable to their representatives in board and committee meetings. Therefore, Shareholders that are Related Parties, who are Olayan and GOSI, will be permitted to vote in the EGM of one of the banks and as such, they will not be subject to the voting restrictions referred to in SABB Tadawul announcement published on 24/1/1440H (corresponding to 4/10/2018G) relating to the entry into a binding Merger Agreement with Alawwal bank.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the head office of SABB during normal business hours on any Business Day from the date of publishing this Offer Document up until the expiry of the Offer Period:

- a. the bylaws of SABB and Alawwal bank;
- b. the audited financial statements of SABB and Alawwal bank for the financial years ended 31 December 2016G, 31 December 2017G and 31 December 2018G;
- c. Merger Agreement;
- d. the TSA and the TSA Amendment Agreement;
- e. Advisors letters to use their names and logos.

ANNEX 1
SABB NOTICE OF GENERAL ASSEMBLY MEETING

The Board of Directors of SABB (the "**Company**") is pleased to invite the shareholders of the Company (the "**Shareholders**") to attend the Extraordinary General Assembly Meeting ("**EGM**") to be held on [day] [date] at [time] [am/pm] at [location] in Riyadh, to consider the following resolution¹:

- (1) to vote on the proposed amendments to the technical services agreement between the Company and HSBC Holdings plc, originally dated 30 September 1987 (as amended from time to time), as set out in the Shareholders Circular issued by the Company on [*].
- (2) to vote on the amendments to the Company's bylaws in the form set out in schedule 1 with immediate effect.
- (3) to vote on the proposed merger (the "**Merger**") of the Company and Alawwal bank ("**Alawwal bank**") to be effected by way of a merger pursuant to Articles 190 to 193 of the Companies Law issued under Royal Decree No. M3 dated 28/1/1437H (corresponding to 10/11/2015G) (the "**Law**"), through the issuance of 0.48535396 new Company shares for every share in Alawwal bank subject to the terms and conditions of the merger agreement between the Company and Alawwal bank dated 3 October 2018G (the "**Merger Agreement**") including the approval of the following matters relating to the Merger:
 - (a) The approval of the terms and conditions of the Merger Agreement entered into between SABB and Alawwal bank on 3 October 2018G.
 - (b) The increase of the share capital of the Company from SAR15,000,000,000 to SAR20,547,945,220, subject to the terms and conditions of the Merger Agreement and with effect from the Effective Date of the, pursuant to the Companies Law and the Merger Agreement.
 - (c) Subject to the Merger becoming effective, the approval of the changes to the Company's bylaws set out in schedule 2.
 - (d) The authorisation of the Board of Directors of the Company, or any person so authorised by the Board of Directors, to adopt any resolution or take any action as may be necessary to implement any of the above resolutions.

It should be noted that the above EGM items are part of the Merger conditions. For further information about the Merger and its terms and conditions as well as other matters related to it including the relevant risks, the shareholders should refer to the Shareholders Circular issued by the Company on [*], which is available on the following website [*]. The Board of Directors of the Company emphasizes the importance for all shareholders to read the Shareholders Circular in full and to consider it carefully prior to making a decision on the resolutions set out above.

¹ Additional agenda items may be included, therefore, the final agenda items of the EGM invitation will be the ones published in Tadawul website.

Schedule 1

GENERAL AMENDMENTS TO THE BYLAWS OF THE COMPANY

Article 2 of the Bylaws shall be deleted and replaced by the following text as the new Article 2:

The name of the Company shall be "The Saudi British Bank", a Saudi joint stock company (hereinafter referred to as the "Company").

Part (v) of Article 3 of the Bylaws shall be deleted and replaced by the following text as the new part (v) of Article 3:

- (a) To individually establish limited liability or joint stock companies, to own interests or shares in existing companies, or merge with such companies, or participate with others in establishing limited liability or joint stock companies in accordance with the applicable laws and regulations in the Kingdom of Saudi Arabia.

Article 5 of the Bylaws shall be deleted and replaced by the following text as the new Article 5:

The duration of the Company shall be (99) ninety-nine Gregorian calendar years, commencing from the date of the decision made by the Minister of Commerce announcing the incorporation of the Company, pursuant to Article 65 of the Companies Law, which life may be extended thereafter by a resolution passed by an Extraordinary General Meeting at least one year before the end of the said term.

Article 16 of the Bylaws shall be deleted and replaced by the following text as the new Article 16:

The Company may, in accordance with the Capital Market Law, taking into consideration the provisions of Banking Control Law, issue debt instruments, bonds of equal value or financing Sukuk, transferrable and indivisible for the loans whether denominated in Saudi Riyals or other currencies.

In addition, the Company may, by a resolution of the Extraordinary General Meeting, issue debt instruments or Sukuk that are convertible to shares, in accordance with the Capital Market Law taking into consideration the provisions of the Banking Control Law, after the Extraordinary General Meeting passes a resolution determining the maximum limit of shares to be issued against such debt instruments or Sukuk, whether such debt instruments or Sukuk have been issued at the same time or through a series of issuances or through one or more programs to issue debt instruments or Sukuk.

The Board shall, without a new approval of the General Meeting, issue new shares against the debt instruments or Sukuk for which the holders thereof request their conversion, upon the completion period specified for the holder of such instruments or Sukuk. The Board shall take the necessary steps to amend the Bylaws of the Company in regards to the number of shares issued and the capital. The Board must announce the completion of the procedures of each capital increase in accordance with the mechanism set in the Regulation for the publication of General Meeting resolutions.

Article 17 of the Bylaws shall be deleted and replaced by the following text as the new Article 17:

The Company shall be managed by a board of directors composed of ten (10) directors, six (6) of whom shall be appointed by the Ordinary General Meeting for three year terms by way of election pursuant to the accumulative voting method (the "**Elected Directors**"), and four (4) of whom shall be appointed by the shareholder HSBC Holdings B.V. (the "**Appointed Directors**"), by mean of election and appointment after having obtained a confirmation of no-objection from SAMA before any appointment. All Directors may be reappointed for new terms.

So long as HSBC Holdings B.V. holds at least forty per cent (40%) of the Company's shares it shall have the right to appoint the four (4) Appointed Directors for the Board, and to replace all or any of them. Such appointment or replacement shall be made by the board of directors of HSBC Holdings B.V. and communicated by a letter addressed to the Company's Board.

Article 18 of the Bylaws shall be deleted and replaced by the following text as the new Article 18:

Without prejudice to Article seventeen (17) above regarding HSBC Holdings B.V.'s right to appoint the Appointed Directors for the Board, each shareholder is entitled to nominate one or more including himself or others for membership of the Board in accordance with such shareholder's ownership percentage in the Company's capital.

Article 19 of the Bylaws shall be deleted and replaced by the following text as the new Article 19:

The Ordinary General Meeting may, at any time, remove all or any of the Directors without prejudice to their rights to compensation in case the termination was unjustified or at an inappropriate time. A Director may resign, provided that such resignation is made at a proper time, otherwise he shall be responsible vis-à-vis the Company for any damages resulting from his / her resignation.

The office of a Director shall be vacated:

- at the end of its term;
- upon the resignation of the Director;
- if the Director becomes disqualified from holding office under any law in force in the Kingdom of Saudi Arabia;
- if the Director is removed from his office by a resolution passed through the General Meeting by a majority of two thirds in case such removal is not requested by the Board and of a simple majority in case the removal is requested by the Board;
- if the Director is found to be of unsound mind;
- if the Director is convicted of an offence involving dishonesty, fraud or moral turpitude; or
- if the Director becomes bankrupt or makes any arrangement or settlement with his creditors.

If the position of a Director (other than the Directors appointed by HSBC Holdings B.V.) became vacant and as a result the number of Directors fell below six (6) the Ordinary General Meeting should be convened within sixty (60) days to appoint the necessary number of Directors. Otherwise, the Board may, without prejudice to Article seventeen (17) of this Bylaws, temporarily appoint an experienced and competent member and, within five (5) working days of such appointment, satisfy all regulatory appointment and disclosure requirements associated with such appointment and to present such appointment to the next Ordinary General Meeting. The so appointed Director shall complete the term of his predecessor. If the position of a Director appointed by HSBC Holdings B.V. became vacant, HSBC Holdings B.V. shall promptly appoint a replacement.

Article 20 of the Bylaws shall be deleted and replaced by the following text as the new Article 20:

Subject to the provisions of the Banking Control Law, and without prejudice to the powers conferred on the General Meetings, the Board shall be vested with full powers to manage the business of the Company and supervise its affairs to achieve its objectives. The Board will be empowered to appoint from among its members or others Board subcommittees, fix their powers as deemed appropriate and approve their terms of reference. The Board will liaise among such subcommittees in order to facilitate the deciding on the matters presented before them.

The Board shall, in the discharge of its duties, exercise all such powers and do all such acts and things as the Company is, by these Bylaws, by its Articles of Association or otherwise, authorised to exercise and do, provided that such acts are not specifically directed or required by these Bylaws to be done by way of the General Meeting. Specifically, the Board has full powers to enter into, amend, terminate and / or renew a Technical Services Agreement between the Company and HSBC Holdings plc.

The Board is empowered to make loans for terms exceeding 3 years, to buy, sell and mortgage real estate and assets, to release the Company's debtors from their obligations, to compromise and to accept arbitration.

The Board may delegate any of its powers to the Managing Director, another Director or to any of the Company's officers or employees. The Board may also from time to time delegate any specific power or powers to any other persons for such period as the Board may think fit. However, the Board may not donate any of the Company's monies except within the limits provided for in the Laws in force in the Kingdom of Saudi Arabia.

Article 22 of the Bylaws shall be deleted and replaced by the following text as the new Article 22:

The Board after having obtained a No Objection from SAMA shall designate from amongst its members a Chairman, a Vice-Chairman and a Managing Director. The Chairman shall be Saudi National and the Managing Director shall be selected from amongst the Directors appointed by HSBC Holdings B.V. It is prohibited to conjoin the position of the Chairman or Vice-Chairman with any other executive position in the Company.

The Chairman shall have the powers to convene the Board to meet, to preside over its meetings and the General Meetings, to represent the Company before all authorities concerned, the judiciary, arbitration committees and vis-a-vis any third parties. Such powers include but are not limited to:

- **Courts and Security Authorities**

filing claims, institute actions/plead and defend / hear claims and reply thereto/ acknowledge/ deny/reconcile/ waive/ discharge/ request oath, refute and refrain to give oath/ present witnesses, statements and appeal against the same/ answer, contest and amend/ claim forgery/reject scripts, seals & signatures /request travel ban and uplift ban/ request blockage and enforcement of judgment/ request arbitration/ appoint experts and arbitrators/ appeal against experts' and arbitrators' reports/ Appeal against the reports of experts and arbitrators , reply thereto and replace them / request application of Article 230 of the Shari'a Procedure Law / request execution of judgments / accept or deny judgments / submit objection to judgments and appeal against them/ request reconsideration / apply for rehabilitation / apply for rejection of insolvency / request pre-emption / complete the necessary procedures to attend court' sessions in respect of all cases at all types of courts/ receive funds in cash or by cheques and encash the same / receive judgment deeds/ request step down of judges / request inclusion and interference regarding all claims filed by the bank against third parties and all lawsuits filed by third parties against the bank / right to request the announcement / declare and dissolve agencies / obtain trial documents / object against trial documents/ release real estate mortgage / waive damages/ acknowledge indebtedness/complete all the necessary procedures with all relevant parties and sign thereof whether at :- Shari'a courts / administrative courts (the Board of Grievances) / the Shari'a Medical Committees/ labour committees/ committees for financial disputes settlement / committee for settlement of banking disputes / offices of the settlement of commercial paper disputes / committees for resolving commercial disputes / customs committees /commercial fraud committees/ control and investigation authority / the investigation and prosecution department / the public prosecution /security authorities / Emara & the department of enforcement of rights judgments / Police Stations/ Road Safety Command /General Presidency of the National Guard and its sectors /General Directorate of Mujahedeen /General Investigation Department / Administrative Investigation /Criminal Investigation Dept./General Directorate of Narcotics/General Directorate of Prisons /General Directorate of Civil Defence/ General Directorate of Border Guard/ All security branches and subsidiary divisions / takeover & handover/all relevant departments to complete the necessary procedures and sign thereof/ . The Chairman of the Board of Directors shall carryout all the other functions provided for in the AoA which are entrusted to him by the Board and shall have the power to empower others to perform certain task(s), and the appointed agent may delegate the powers conferred to him to a third party.

In case the Chairman is absent or unable to carry out his duties, the Vice-Chairman shall carry out the Chairman's duties. In case both the Chairman and the Vice Chairman are absent, the Board shall designate a temporary ad hoc chairman from among its other members.

The Board shall appoint a Secretary from among its members or others, who possess the appropriate experience and qualifications. The Board shall determine the Secretary's duties, authorities and remuneration.

The Secretary shall be entrusted with the writing of the proceedings and resolutions of the Board in minutes and recording them in the Special Register as well as maintaining and keeping such Register.

The terms of service of each of the Chairman, the Vice-Chairman, the Managing Director, the members of Board subcommittees and the Secretary, if he is a Director, shall in no way exceed their term of service as Directors. They may always be reappointed.

Article 23 of the Bylaws shall be deleted and replaced by the following text as the new Article 23:

Taking into consideration the provisions of Banking Control Law, the Managing Director shall be the Chief Executive Officer and shall conduct, subject to the provisions of Article twenty (20) hereof, the Company's day to day business, including but not limited to the following acts and deeds:

- (1) To conclude all transactions which are within the scope of the Company's business and to execute, do and perform all such documents, contracts and other acts and things as may be deemed necessary therefore or incidental thereto. He is also entitled to execute articles of association of subsidiary companies, companies in which it is participating, joint stock companies and other types of companies, and to execute resolutions, amendments to articles of associations, contracts of shareholding, participating or merger in companies or institutions as well as the purchase contracts thereof.
- (2) To lease any premises for the purposes of the business of the Company.
- (3) To assign assistants, clerks, cashiers and other staff on such terms as he shall deem appropriate and to determine their powers and duties and to suspend or dismiss any such persons as he considers appropriate.
- (4) To sign cheques in respect of any amounts standing to the credit of the Company at any other banks and to open accounts in the Company's name with other banks and to operate on such accounts.
- (5) To sign all letters, contracts, and formal engagements on behalf of the Company; to sign all letters of credit, payment orders, Sukuk and guarantees issued to or by the Company; and to sign all receipts for money deposits with the Company.
- (6) To manage and conduct all banking, exchange and arbitrage operations on behalf of the Company.
- (7) To give cash loans, or facilities, with or without security, in Saudi or other currencies, to any natural or legal individual(s), in the Kingdom of Saudi Arabia or elsewhere with or without a guarantee, within the limits, if any, laid down by the Board.
- (8) To issue, discount, accept and deal in bills of exchange, promissory notes, drafts and other commercial papers, and to deal in bank notes, coins and all types of currencies.
- (9) To purchase, pledge, hypothecate and sell goods, wares and merchandise of every description in accordance with the applicable laws and regulations in the Kingdom of Saudi Arabia.
- (10) To arrange insurances on ships, goods, freights or other interests.
- (11) To draw, accept, and make and pay and collect and endorse, pledge, or otherwise negotiate all or any foreign or inland bills of exchange or promissory notes and other negotiable instruments and to sign, seal, execute, deliver, endorse, accept, assign or transfer all government bonds, bills of lading, delivery orders, air-way bills, consignment notes, trust receipts or documents of title of any other description whatsoever, insurance policies, insurance certificates and to receive the proceeds thereof.
- (12) To accept, assign or transfer bonds of any government, municipality or local authority wherever situated or other Sukuk, shares, debentures, mortgages, obligations or other bonds of any company or corporation whether commercial, municipal or otherwise carrying on business or established at any place and all and every other public or other bonds or shares and to receive the proceeds thereof respectively.
- (13) To purchase, sell, pledge or otherwise deal with shares or bonds in any company wherever situated within the limits laid down by the Laws in force in the Kingdom and the Board resolutions thereto.

- (14) To acquire by purchase, exchange or otherwise any movable property and to sell, lease, exchange or otherwise transfer such property, and while the same is in the ownership or under the control of the Company, to do all things necessary for preservation and efficient management thereof. The Board may prescribe an overall limit for such transactions.
- (15) To execute all instruments of transfer of immovable property within the limits laid down by Board resolutions.
- (16) To ask, demand, recover and receive of, and from, all and every natural or legal individual(s), wherever and whatsoever, all sums of money and other movable or immovable property of whatsoever nature and description, which now are, or which at any time, or times, hereafter shall or may become due, or owing, or payable to, or recoverable, or receivable, to the Company on any account whatsoever.
- (17) To settle any accounts, disputes or reckonings whatsoever where in the Company at any time hereafter shall or may be interested or concerned with any natural or legal person or persons whomsoever or whatsoever and to pay and receive the balances thereof as the case may require.
- (18) To make any declaration or affidavit in proof of any debt due or claimed to be due to the Company in any proceeding taken or hereafter to be taken by or against any natural or legal person or persons or the estate of any deceased person under any act for the time being in force for the relief or otherwise of insolvent debtors or the winding up of companies and to attend any meetings of creditors under any such proceedings and to propose, second, and vote for or against any resolution at any such meetings and generally to act for the Company in all proceedings whether in case of insolvency, bankruptcy, liquidation, arrangement or composition which may be taken against, or for the relief of, any debtor of the Company as he shall think fit.
- (19) To use and take all such lawful ways and means for recovering, receiving, maintaining or getting in any sum of money or other thing whatsoever which he may think to be due owing or belonging to the Company by any natural or legal person or persons whomsoever or whatsoever and upon receipt or delivery thereof or of any part thereof to make, give, sign, seal, execute and deliver good and effectual acquittances, releases and discharges, transfer reconveyances and reassignments as the nature of the case may require or as he shall think fit or expedient.
- (20) To pay or satisfy or to compromise or compound upon any terms which he may deem expedient any debt or money owing to or claimed by or from the Company or for which the Company may be or may be alleged to be liable.
- (21) To borrow money and enter into contracts for the loan to the Company of any monies required by the Company and to pledge or mortgage assets of the Company or furnish other security for the repayment or performance of obligations of the Company in connection with any such loans in the Kingdom of Saudi Arabia or elsewhere.
- (22) For the better and more effective control and supervision over the business, affairs and personnel of the Bank, the Managing Director may delegate any or all of the powers conferred upon him by the Board to his subordinates and may withdraw such delegation at his discretion and the appointed agent may pass the powers conferred to him to a third party.

• **With respect to Properties, the Managing Director shall have the following authorities:**

Sell and transfer ownership to the buyer/ purchase , accept transfer of ownership and pay the price /giveaway& accept transfer of ownership /accept gifts and transfer of ownership /Mortgage/ release mortgage/join title deeds/split & sort out/ receive Title Deeds/update TDs and include them in the universal system/ waive the decrease of land area / convert agricultural land to residential land/ amend the name & number of the civil registration & Id /amend land lengths, boarders, area, piece numbers, land plans, Title Deeds, their dates and the name of districts/ Leasing / signing of contracts for rent / receipt of funds in cash or cheques and encash the same for all properties within and outside the Kingdom/ sell and transfer ownership to heirs/ sell share /waive the share/waive in favour of the state property/ waive leased land/ obtain replacement of Title Deeds/ annex the excess areas adjacent to the land/convert arm's length to meters in the

Title deed/ convert feet's to meters in the TD/ Convert agricultural land to residential or industrial / modify / proof of building / receipt of TDs / own properties for the purpose of real estate financing in accordance with Real Estate Finance Law / deliver and receipt / follow up with all relevant parties / complete all the necessary procedures and sign thereof as required.

- **With respect to Subsidiaries and Bank's Associates, the Managing Director shall have the following authorities:**

Incorporate companies/ sign incorporation contracts, the amendment annexes, partners' decisions, appointment and dismissal of directors, introduction and exit of partners, participate in existing companies, increase & decrease capital, determine the capital , receive surplus of capital allocations, purchase shares & stocks, payment of price, the sale of shares and stocks, receive the value, merge company's branches, amend the nationality of the company, amend the nationality of a partner in the contract, waive stocks & shares of capital, amend the company's objectives and its name, register the company , trademarks , agencies, waive trademarks or cancel them, open company's files , establish branches of the company , dissolve the company, convert the status of the company from joint stock to a closed company , a limited liability or partnership company and vice versa, cancel the company's AoA, amendment annexes, sign AoA and amendment annexes at the Notary Public, follow up with and sign before the General Authority for Investment , follow up with Capital Market Authority to publish AoA, amendment annexes, publish summary of AoA in the official Gazette, change the legal status of the company , follow up with Commercial Registration office / produce new C.Rs / transfer C.Rs / book trade names/ establish subscription with the Commercial Chamber/ renew the subscription with the chamber of commerce/ Sign all documents at the Chamber of Commerce / commercial registration Management / certify signatures at the Chamber of Commerce / amend commercial registration certificates / adding new activities to C.Rs/ open CRs branches/Cancel CRs / delete CRs / follow up with Social Insurance Org./ follow up with Zakat &Income Tax Dept./ produce licenses / renew licenses / cancel licenses/transfer licenses/ produce building and renovation permissions / obtain building completion certificates / obtain health cards / receive & deliver/ follow up with all relevant authorities and complete all the necessary procedures and sign thereof as required.

- **With respect to Security Authorities, the Managing Director shall have the following authorities:**

Follow up with all security authorities, Emara & the department of enforcement of rights judgments / Police Stations/ Road Safety Command /General Presidency of the National Guard and its sectors /General Directorate of Mujahedeen /General/ Investigation Department/Administrative Investigation /Criminal Investigation Dept./General Directorate of Narcotics/General Directorate of Prisons /General Directorate of Civil Defence/ General Directorate of Border Guard/ All security branches and subsidiary divisions / takeover & handover/all relevant departments to complete the necessary procedures and sign thereof.

- **With respect to banks and Money Exchange Offices, the Managing Director shall have the following authorities:**

Follow up with all banks and money exchange offices / open accounts based on Shariah principles and certify signature/ withdraw, deposit and transfer to and from Accounts / obtain ATM Cards & Credit Cards / apply for and obtain Account Statements / request and obtain cheque books / receive & encash remittances/ subscribe in mutual funds investment / renew subscription in mutual funds / redeem investment units of mutual funds / receive redemption proceeds /apply for loans/ pledge shares, units of investment funds and release the pledge / subscribe in joint stock companies / purchase shares /sell shares / receive share sale proceeds/ receive dividends /split shares and transfer them to portfolios/ establish investment portfolios ,issue and cancel respective orders/receive & deliver/ follow up with all related parties ,complete the necessary procedures and sign thereof as required/follow up with all Ministries , Government & semi – Government institutions , joint-stock companies, establishments and individuals/ attend General Meetings / bid for tenders/ sign contracts and agreements/ carryout all required procedures and measures required in favour of the bank.

Article 24 of the Bylaws shall be deleted and replaced by the following text as the new Article 24:

An Audit Committee shall be formed by a resolution of the Ordinary General Meeting. The Audit Committee shall consist of not less than three (3) and not more than five (5) members from among the non-executive Directors, shareholders or others, to be appointed after obtaining confirmation of no objection from SAMA. The resolution of the Ordinary General Meeting shall specify tasks, operation guidelines and member remuneration of the Audit Committee. The members of the Audit Committee should have relevant professional and practical experience and financial, banking, compliance and risk management knowhow. In addition, the Audit Committee must include members specialized in financial and accounting affairs.

The Audit Committee shall convene at least four (4) times during each fiscal year or whenever necessary. A meeting of the Audit Committee shall only be valid if attended by the majority of its members. The Committee's resolutions will be taken by the majority of members present, and the chairman of the Audit Committee shall have a casting vote in the event of a tie.

Article 26 of the Bylaws shall be deleted and replaced by the following text as the new Article 26:

The Audit Committee shall review the Company's financial statements, reports and notes provided by its Auditor, and prepare an annual report regarding the sufficiency of the internal audit policies and controls, and any other work conducted within its scope. The Board shall make available for shareholders a sufficient number of copies in the Company's head office at least twenty-one (21) days before the General Meeting. Such report shall be read during the General Meeting.

Article 28 of the Bylaws shall be deleted and replaced by the following text as the new Article 28:

The Board shall meet upon the request of the Chairman, which request shall be accompanied by the agenda of the meeting. The Chairman shall convene the Board for meeting whenever such meeting is requested by two Directors. The Board must meet at least four times a year. Notice of such Board meetings shall be sent to each Director either by mail or other communication means at least five (5) days before the date fixed for the meeting (provided that such notice requirement may be waived by the Board of Directors).

Article 29 of the Bylaws shall be deleted and replaced by the following text as the new Article 29:

No Board Meeting shall be valid unless attended by at least seven Directors either in person or by way of proxy provided that four (4) Directors shall at least be present personally. A Director may delegate another Director as his proxy to attend and vote at the Board meetings.

Board resolutions shall be made by at least two thirds of those present or represented. The Chairman shall have a casting vote in the event of a tie.

The Board may pass Resolutions on urgent matters by way of adopting them severally by the Directors, unless a Director requests in writing that the Board be convened to deliberate on such Resolutions, in which case they shall be laid before the Board at its first following meeting.

Meetings of the Board of Directors may be held by telephone or modern electronic means of communication provided that it permits all Directors present to actively participate, discuss, vote on resolutions and be heard by all others present.

Subject to the provisions of the Banking Control Law, the Directors are prohibited from having any personal interest, whether direct or indirect, in any business or contracts made for the account of the Company, unless authorized by the Ordinary General Meeting. A Director must declare to the Board the nature of his interest in the matter presented which must be recorded in the minutes of the Board meeting. Such Director shall not participate in the voting on such matter at the Board or General Meeting.

The Chairman shall inform the General Meeting of the business or contracts in which a Director has a direct or indirect interest accompanied by a special report prepared by the Company's Auditor.

In case an interested Director fails to disclose his/her interest, the Company or any interested party may claim the revocation of such contract before the judicial authority.

Article 31 of the Bylaws shall be deleted and replaced by the following text as the new Article 31:

A valid General Meeting represents all the shareholders. It shall be held in the town where the Head Office of the Company is located. To facilitate participation by shareholders, General Meetings may be convened and shareholders may participate in its deliberations and vote through technological means.

HSBC Holdings B.V. may be represented at any General Meeting by any Appointed Director who shall be entitled to exercise the votes in respect of the shares held by it.

Article 36 of the Bylaws shall be deleted and replaced by the following text as the new Article 36:

General Meetings shall be convened at the instance of the Board. The Board shall convene the Ordinary General Meeting if requested to do so by SAMA, the Auditors, the Audit Committee or by a number of shareholders representing at least 5% (five per cent.) of the share capital. The Auditor may convene the General Meeting if the Board fails to do so within thirty (30) days from the date of the Auditor's request.

The notice of General Meeting shall be published in a daily newspaper circulating in the locality of the Company's Head Office at least twenty-one (21) days prior to the date fixed for the meeting.

Such notice may be sent to the shareholders by electronic means. The notice shall contain the Agenda of the Meeting. Copies of the invitation and the Agenda shall be sent to SAMA, MOCI and CMA during the period as fixed for publication

Article 40 of the Bylaws shall be deleted and replaced by the following text as the new Article 40:

Votes in an Ordinary and an Extraordinary General Meeting shall be calculated on the basis of one (1) vote for each share, taking into consideration the provisions stated in Article (17) above regarding the right of HSBC Holdings B.V. to appoint the Appointed Directors in the Board. The cumulative voting shall be used in the election of Elected Directors. However, members of the Board may not participate in voting on resolutions of the Ordinary and Extraordinary General Meeting pertaining to their relief from liability for their management of the Company or to the direct or indirect interests of executed dealings and contracts, in which a Director has a direct or indirect interest herein, or in respect to authorizing a Director to participate in any activity which competes with the business of the Company.

Article 44 of the Bylaws shall be deleted and replaced by the following text as the new Article 44:

The shareholders shall exercise control over the Company's accounts in accordance with the relevant rules and regulations and these Bylaws.

The Company shall have two Auditors to be appointed annually by the General Meeting, based on a recommendation by the Audit Committee, from amongst the approved Chartered Accountants licensed to operate in the Kingdom. The said General Meeting shall fix their term and remuneration and may reappoint or change them provided that the term of the Auditors' appointment shall not exceed five (5) consecutive years.

Article 45 of the Bylaws shall be deleted and replaced by the following text as the new Article 45:

The Auditors shall have access at all times to the Company's books, records and any other documents that relate to their scope of work, to examine the Company's assets and liabilities and other matters within their scope of work. The Chairman shall enable the Auditors to undertake their duties. The Auditors shall record any difficulties they face in such regard in their report to the Board. If the Board does not facilitate the Auditors' work, the Auditors shall notify SAMA and request the Board to convene the Ordinary General Meeting to look into the matter.

Article 46 of the Bylaws shall be deleted and replaced by the following text as the new Article 46:

The Auditors shall submit and read to the annual General Meeting a report in which they shall set forth the attitude of the Company's management towards enabling them to get the information and explanations they

required, any violations of the provisions of the Companies Law, the Banking Control Law or these Bylaws and their opinion as to the fairness of the Company's accounts.

Article 48 of the Bylaws shall be deleted and replaced by the following text as the new Article 48:

The Board shall prepare at the end of each fiscal year the Company's financial statements, a report on its activities and its financial position for the preceding year and its recommendation for the manner for net profit distribution. The Board shall place such documents at the disposal of the Auditors at least forty five (45) before the date fixed for the General Meeting.

The Chairman, Managing Director and Chief Financial Officer shall sign the said documents and copies thereof shall be placed at the disposal of the shareholders in the Company's Head Office at least twenty-one (21) days before the date fixed for the General Meeting.

The Chairman shall publish through electronic applications and in at least one newspaper circulating in the city where the Head Office of the Company is located, the Company's financial statements, the Board' report and the Auditors' report with a copy sent to SAMA, and the Capital Market Authority at least fifteen (15) days prior to the date fixed for the General Meeting.

Article 49 of the Bylaws shall be deleted and replaced by the following text as the new Article 49:

The annual or interim net profit arrived at after deducting all general expenditures and other expenses and after the constituting of such provisions for bad debts and for losses on investments and for contingent liabilities as the Board shall think fit in conformity with the Banking Control Law, and the directives issued by SAMA shall be allocated as follows:

- (1) After obtaining SAMA's no objection.
- (2) The calculation of sums required for the payment of the Zakat due on Saudi shareholders and the tax due on non-Saudi shareholders will be as prescribed by the laws in force in the Kingdom of Saudi Arabia. Such sums shall be remitted by the Company to the authorities concerned. Zakat paid for the Saudi shareholders shall be deducted from their share in the net profit and the tax paid for the non-Saudi shareholders shall be deducted from their share in the net profit.
- (3) A sum of at least 25% of the net profit shall be allocated for constituting of the statutory reserve until the total of such reserve equals at least the paid-up share capital.
- (4) Out of the remainder of the respective share of each of the shareholders in the net profit after the deduction of Zakat and tax and the allocation for the statutory reserve, a sum of not less than zero point five per cent. (0.5%) of the paid up share capital shall be allocated for paying a dividend to shareholders reflecting the applicable deductions from Saudi and non-Saudi shareholders under paragraph (2), but otherwise in proportion to their respective shareholding and as specified by the Board and approved by the General Meeting. In case the remaining percentage of the net profit accruing to any of the shareholders is not sufficient for paying the said dividend to eligible shareholders in any one year, shareholders shall not be entitled to claim it in the following year or years. No larger dividend shall be declared by the General Meeting than is recommended by the Board.
- (5) The remainder after allocations made as set forth in paragraphs (2) and (3) herein, shall be disposed of in the manner recommended by the Board and approved by the General Meeting.
- (6) The respective percentage of shareholdings of each shareholder shall always be observed when calculating the sums to be allocated as statutory reserve and other reserves out of the net profit. Each of the shareholders shall participate in such allocations on a pro-rata basis and out of their respective share in the net profit.

Article 52 of the Bylaws shall be deleted and replaced by the following text as the new Article 52:

If all the Company's shares are transferred to a single shareholder who does not comply with the provisions of the Companies Law, such shareholder shall ensure that the Company is in compliance with the Companies Law and the Banking Control Law.

If the losses of the Company amount to half of the paid up capital, at any time during the fiscal year, any Company official or auditor shall, once it comes to his knowledge, immediately notify the Chairman of the Board of Directors. The Chairman of the Board of Directors shall then immediately inform the Board members. The Board of Directors shall then, within fifteen days from notice, call for the Extraordinary General Meeting within forty-five days from the date of their notice of the losses, to resolve whether to increase the capital of the Company or to reduce it to the extent that the loss ratio falls below half of the paid capital or dissolve the Company prior to the expiration of its duration, as set out in these Bylaws. The Company shall be deemed dissolved by operation of law if the Extraordinary General Meeting is not held during the period specified above, or if the Extraordinary General Meeting was held but failed to reach a decision on the matter, or if the Extraordinary General Meeting resolves to increase the capital in accordance with the conditions prescribed in this Article and the increase was not fully subscribed for within 90 days from such resolution.

The Company shall enter into liquidation upon dissolution and it shall retain its legal personality to the extent required for liquidation. The resolution for the voluntarily liquidation shall be issued by the Extraordinary General Meeting which shall include the appointment of the liquidator, determine the liquidator's authorities, any restrictions on such authorities and the required period for liquidation which shall not exceed five years and shall not be extended further without a judicial order. The powers of the Board of Directors of the Company shall cease once the Company is dissolved, however, they shall continue to manage the Company and shall be deemed, vis-à-vis third parties, as liquidators until a liquidator is appointed. The shareholders' meetings shall continue during the period of liquidation, and their role shall be limited to exercising their authorities which do not conflict with the authorities of the liquidator. The Company shall notify SAMA upon the occurrence of the event stated in this Article.

Schedule 2

FURTHER AMENDMENTS TO THE BYLAWS OF THE COMPANY

Article 6 of the Bylaws shall be deleted and replaced by the following text as the new Article 6:

The share capital of the Company shall be SAR 20,547,945,220 divided into 2,054,794,522 fully paid shares of equal nominal value of ten Saudi Riyals (SAR 10) each, all of which will be ordinary shares, and all of which shall rank pari passu as one class in all respects.

The Company shall have power to alter its share capital by way of increase or decrease subject to the provisions of this Bylaws, the Companies Law, the Banking Control Law, and any other applicable laws and regulations.

Article 17 of the Bylaws shall be deleted and replaced by the following text as the new Article 17:

The Company shall be managed by a board of directors, which shall be composed of eleven (11) directors, eight (8) of whom shall be appointed by the Ordinary General Meeting for three year terms by way of election pursuant to the accumulative voting method (the “**Elected Directors**”), and three (3) of whom shall be appointed by the shareholder HSBC Holdings B.V. (the “**Appointed Directors**”), after having obtained confirmation of no objection from SAMA before any appointment. All Directors may be reappointed for new terms.

So long as HSBC Holdings B.V. holds at least twenty-nine per cent (29%) of the Company’s shares it shall have the right to appoint the three (3) Appointed Directors only, and to replace all or any of them and it shall not be entitled to nominate, elect and/or appoint any other directors. Such appointment or replacement shall be made by the board of directors of HSBC Holdings B.V. and communicated by a letter addressed to the Company’s Board.

Article 18 of the Bylaws shall be deleted and replaced by the following text as the new Article 18:

Without prejudice to Article seventeen (17) above regarding HSBC Holdings B.V.’s right to appoint the Appointed Directors for the Board, each shareholder, other than HSBC Holdings B.V., is entitled to nominate one or more including himself or others for membership of the Board in accordance with such shareholder’s ownership percentage in the Company’s capital.

Article 27 of the Bylaws shall be deleted and replaced by the following text as the new Article 27:

The Board shall form an Executive Committee that shall consist of three (3) to five (5) members, at the discretion of the Board from time to time. The Managing Director shall be the Chairman of the Executive Committee. In the event that the Executive Committee is comprised of three (3) members, the remaining two members shall be selected from the Directors (other than the Directors appointed by HSBC Holdings B.V.). In the event that the Board decides to appoint one (1) or two (2) additional members to the Executive Committee such additional members may be selected by the Board either from amongst the remaining Directors or such other individuals with qualifications or expertise which the Board deems as advantageous for the proper operation of the Executive Committee.

The Executive Committee shall assist the Managing Director within the powers determined for it by the Board, deal with matters referred to it by him or by the Board, provided that the Executive Committee shall not have the power to alter any resolution, rules or regulations taken or laid down by the Board.

No Executive Committee meeting shall be valid unless attended by at least three (3) members who are also Directors either in person or by way of proxy provided that two (2) such members shall at least be present personally. Subject to the foregoing sentence, a member of the Executive Committee may delegate another member to attend and vote at the meetings of the Executive Committee. Any Executive Committee member may participate in any of the Executive Committee’s meetings through the medium of conference telephone or any similar form of communication equipment provided all persons participating in the meeting are able to hear and speak to each other clearly during the meeting. However, the outcome of the meeting shall not be valid unless all participating members have signed the respective minutes of meeting in accordance with the Company’s Bylaws. The member so participating shall be deemed to be present in person at the meeting and therefore shall be counted in a quorum and entitled to vote.

This is an unofficial English translation of the official Arabic language of the Offer Document

The resolutions of the Executive Committee shall be passed unanimously and, in case of any differences, by a majority of those present or represented.

The Executive Committee shall meet at least six (6) times a year or whenever it is convened by its Chairman

The proceedings and resolutions of the Executive Committee shall be written in minutes to be circulated among all Directors and signed by the chairman of the Executive Committee. Such minutes shall be recorded in a special register and signed by the chairman of the Executive Committee and the Secretary.

ANNEX 2
ALAWWAL BANK NOTICE OF GENERAL ASSEMBLY MEETING

The Board of Directors of Alawwal bank (the "**Company**") is pleased to invite the shareholders of the Company (the "**Shareholders**") to attend the Extraordinary General Assembly Meeting ("**GAM**") to be held on [day] [date] at [time] [am/pm] at [location] in Riyadh, to vote on:

1. The execution by the Company of:
 - 1.1 the termination and settlement agreement between the Company and Natwest Markets N.V.; and
 - 1.2 the three successor settlement agreements between the Company, Natwest Markets N.V. and each of NWM plc and The Royal Bank of Scotland Group plc, Stichting Administratiekantoor Beheer Financiële Instellingen and Banco Santander, S.A.,

in each case in the form presented to the EGM, in accordance with the terms of the Merger Agreement (as defined below), noting that approving the above agreements is one of the Merger conditions.
2. the proposed merger (the "**Merger**") of the Company and SABB, to be effected by way of a merger pursuant to Articles 190 to 193 of the Companies Law issued under Royal Decree No. M3 dated 28/1/1437H (corresponding 10/11/2015G), as amended (the "**Law**") through the issuance of 0.48535396 new SABB shares for every share in the Company and the dissolution of the Company accordingly, subject to the relevant regulatory requirements and the terms and conditions of the merger agreement between the Company and SABB dated 3 October 2018 (the "**Merger Agreement**") including the approval of the following matters relating to the Merger:
 - a) The approval of the terms and conditions of the Merger Agreement entered into between SABB and Alawwal bank on 3 October 2018G.
 - b) The authorisation of the Board of Directors, or any person so authorised by the Board of Directors, to adopt any resolution or take any action as may be necessary to implement any of the above resolutions.

Chairman of the Board