



Shareholder Questions

1. What am I getting as a shareholder of SABB?

As a shareholder of SABB, you will benefit from the significant upside from the merger. The transaction is expected to be earnings accretive for SABB shareholders. This will support the dividend policy of the enlarged bank. As a larger franchise, we will create more opportunity, delivering new growth and long-term shareholder value.

2. What am I getting as a shareholder of Alawwal bank?

As a shareholder of Alawwal bank, you will benefit from the significant upside in the combination. The transaction represents a 28.5% premium to the share price as at 14-May (before the cautionary announcement) and a 12.8% premium to the implied exchange ratio between SABB and Alawwal shares based on 6 month VWAP as of 14-May. The transaction is expected to be earnings accretive for Alawwal bank shareholders. This will support dividend policy. As a larger franchise, we will create more opportunity, delivering new growth and long-term shareholder value.

3. Why should shareholders vote for the merger?

The boards of the two banks have approved the entry into a merger agreement based on their view that a bigger franchise will create more opportunity, delivering new growth and attractive long-term shareholder value. The largest shareholders on both the sides, HSBC Holdings B.V. and NatWest Markets N.V., have confirmed their support for the merger.

On 3 October 2018, 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 summarised in 4 October 2018 Tadawul announcement. NatWest Markets N.V. is also currently supportive of the merger (as confirmed in a letter dated 3 October 2018 to the Board of Alawwal bank), subject to the final approvals of the Consortium Members and any regulatory approvals.

4. Why is SABB the surviving entity?

The merger of the two Tadawul listed banks will be effected by means of a merger by absorption, whereby the assets and liabilities of Alawwal bank will be transferred to SABB and new shares in SABB will be issued to shareholders of Alawwal bank. This is the most efficient way of combining the two banks.

5. Do I need to take any action as a shareholder?

As a shareholder, you will be invited to vote on the proposed merger at an Extraordinary General Meeting (EGM).

6. The deal is expected to be EPS accretive on a run-rate basis, what is the expected EPS dilution for 2019 and 2020?

The transaction is still expected to be EPS accretive in 2019 and 2020 for both entities including fully loaded synergies, and excluding restructuring costs, which are by nature one-off elements.

7. What does this mean if I am a shareholder of SABB or Alawwal bank?

As a shareholder, you will be invited to vote on the proposed merger at an Extraordinary General Meeting (EGM).

The two banks will continue to operate as independent businesses and will continue to trade on Tadawul as separate entities until the merger is completed.

8. How should SABB and Alawwal bank shareholders think about 2018 dividends?

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. SABB's ordinary course final dividend for 2018 will be paid to SABB shareholders prior to completion of the merger, subject to approval by its Board of Directors and regulators. Pursuant to its undertakings under the Merger Agreement, Alawwal bank will not pay a dividend for 2018. The resolution not to pay dividends will be put forward to Alawwal bank shareholders in due course.

9. Why will Alawwal bank undertake to pay no dividends for 2018?

The undertaking for Alawwal bank to pay no dividends for 2018 were considered as part of the broader commercial terms that were negotiated as part of the transaction. All of the commercial terms should be viewed as a whole, that collectively reflect the position that both Boards are comfortable recommending to shareholders.

10. What is the envisaged dividend policy of the combined bank?

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. While dividends will be subject the determination

of the Board, the combined bank will have a strong capital position and capital generation over time to support dividend payments over time.

- 11. While the exchange ratio has not changed since the announcement of the preliminary deal terms in May 2018, the deal economics appear to have been adjusted as a result of the payment by SABB of a final dividend to SABB's shareholders only and the retention of full 2018 net income by Alawwal bank. Could you please provide us with some background?**

All of the commercial terms should be viewed as a whole. They reflect the agreement between the two banks following very detailed discussions and are viewed as fair for shareholders of both banks.

- 12. The deal terms include retention of full 2018 net income by Alawwal bank. Should this be interpreted that 2018 net income of Alawwal bank will be significantly below expectations of the two parties when the exchange ratio was established in May 2018?**

All of the commercial terms should be viewed as a whole. They reflect the agreement between the two banks following very detailed discussions and are viewed as fair for shareholders of both banks.

- 13. What are the tax implications of transaction, if any?**

The shareholders of SABB and Alawwal bank will be subject to taxation obligations both in KSA and potentially other jurisdictions. Taxation obligations could apply to shareholders of both banks with respect to income received from the banks, the disposal of interests in the banks or other matters. If shareholders of the banks are in any doubt as to their own tax position they should consult their own tax advisors.