



Recommended Merger Between Saudi British Bank and Alawwal bank

Building a new bank to support an ambitious Kingdom

4 October 2018

SABB  ساب

البنك الأول
Alawwal bank

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Today's Presenters



David Dew
Managing Director
Saudi British Bank



Soren Nikolajsen
Managing Director
Alawwal bank

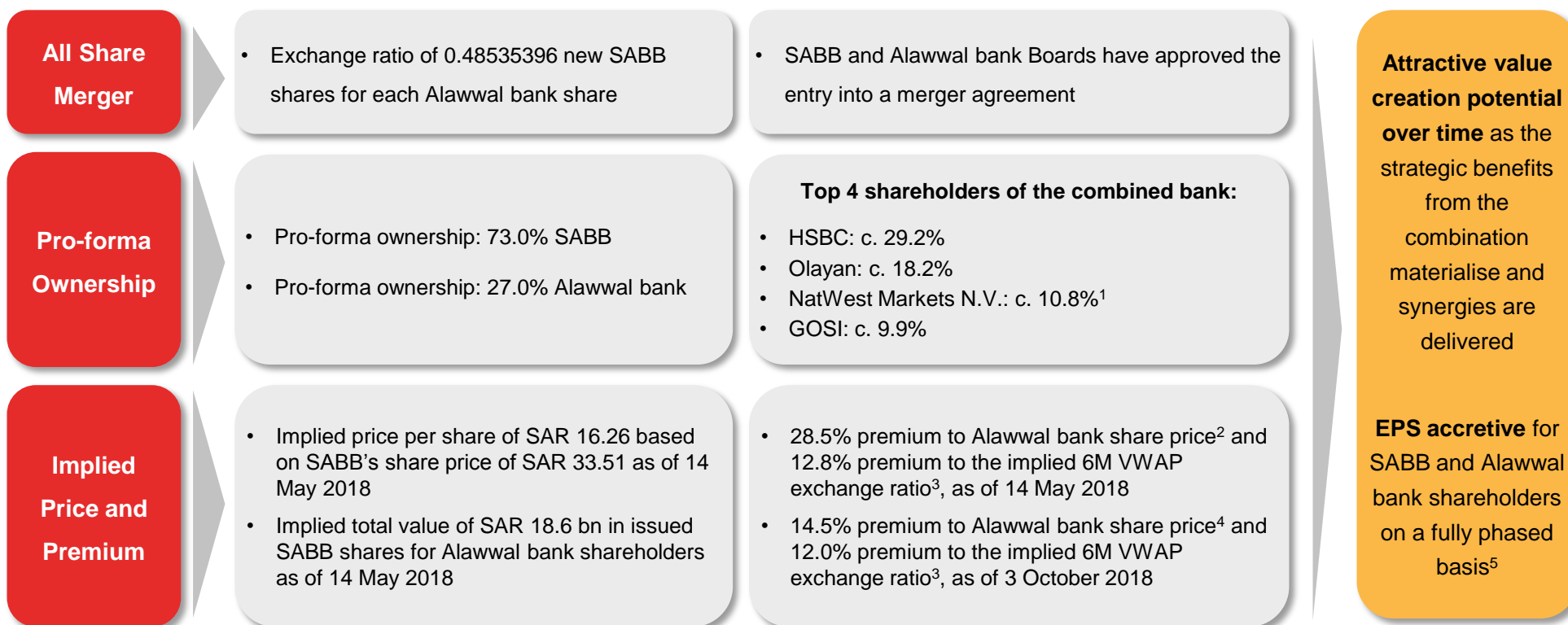
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- 2 Shareholder Value Creation
- 3 Compelling Strategic Rationale
- 4 Corporate Governance and Leadership
- 5 Transaction Structure
- 6 Integration Plan, Milestones and Timeline
- A Appendix: Key Metrics of the Combined Bank



1 | Key Transaction Highlights and Terms

Key Transaction Highlights and Terms



- Completion expected during the first half of 2019
- Subject to shareholder approvals, regulatory approvals and other conditions
- Continued support of HSBC through a Technical Services Agreement with the combined bank that runs through 2027⁶ and other contractual arrangements
- Pre-completion and six months post-completion lock up applies to RBS and Santander. NLFI is subject to a pre-completion lock-up only
- HSBC and NatWest Markets N.V. confirmed their current support for the merger in letters to the Boards of SABB and Alawwal bank, respectively⁷
- No involuntary redundancies expected

¹ NatWest Markets N.V. (formerly The Royal Bank of Scotland N.V.) is the legal entity representing The Royal Bank of Scotland Group plc (4.1%), Banco Santander, S.A. (3.0%) and Stichting Administratiekantoor Beheer Financiële Instellingen ("NLFI") (3.7%). Subject to regulatory approvals, NatWest Markets N.V. intends to split the shares it will hold in the combined bank after the transaction and NatWest Markets plc, Santander and NLFI will become direct shareholders in the combined bank.; ² Alawwal bank share price of SAR 12.66 (latest price before cautionary exchange ratio announcement); ³ Implied exchange ratio of 0.430 at 14 May 2018 and 0.433 at 3 October 2018 based on 6M VWAP of SABB and Alawwal bank; ⁴ Alawwal bank share price of SAR 14.20 as of 3 October 2018 (latest price before the announcement on 4 October 2018); ⁵ Based on 2017 financials; ⁶ Subject to the revised agreement being approved by shareholders at the EGM; ⁷ The letter from HSBC sets out the basis of its current support, including with respect to the satisfaction of the conditions summarised in the transaction 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 Royal Bank of Scotland Group plc, Banco Santander, S.A. and NLFI and any regulatory approvals.



2 | Shareholder Value Creation

Shareholder Value Creation

Creating a Stronger Banking Franchise

- Broader customer base, stronger market position provides scale to support more growth opportunities
- International network, diverse product offering more accessible to customers locally and globally
- Market leading online capabilities for the digital age

Significant Synergy Potential

- Expected annual run-rate cost synergies in the range of 10-15% of 2017 combined cost base expected from:
 - Reduced overhead duplication
 - Optimisation of systems, distribution, infrastructure and real estate
 - Improved supplier negotiating positions
- Revenue synergies from cross-selling, deeper customer penetration, and diversified fundraising
- Integration cost in the range of 1.5-2.0x expected annual run-rate cost synergies
- Expected to be fully realised 3 years post completion

Continued support of HSBC through a Technical Services Agreement with the combined bank that runs through 2027¹



Compelling Shareholder Value Creation

- Driven by the creation of a stronger franchise with significant synergy potential
- EPS accretive for SABB and Alawwal bank shareholders on a fully phased basis²

¹ Subject to the revised agreement being approved by shareholders at the EGM; ² Based on reported 2017 company financials.



3 | Compelling Strategic Rationale

Compelling Strategic Rationale

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Alawal bank

Building a new bank to support an ambitious Kingdom

A larger franchise creates more opportunities

- #2 bank by corporate loans with 15% market share¹
- Top-tier bank by total assets and customer deposits
- Larger retail distribution network

Combining to be a driving force for growth

- Enabling growth of private sector companies in the KSA
- Leading provider of corporate banking, foreign exchange, cash management and trade finance

Positioned to support the potential of Vision 2030

- Unrivalled access to a global banking network to facilitate FDI and international trade
- Enlarged balance sheet capacity to support transformational infrastructure and privatisation projects
- Promoting savings products, insurance and capital markets

An exciting bank for the future

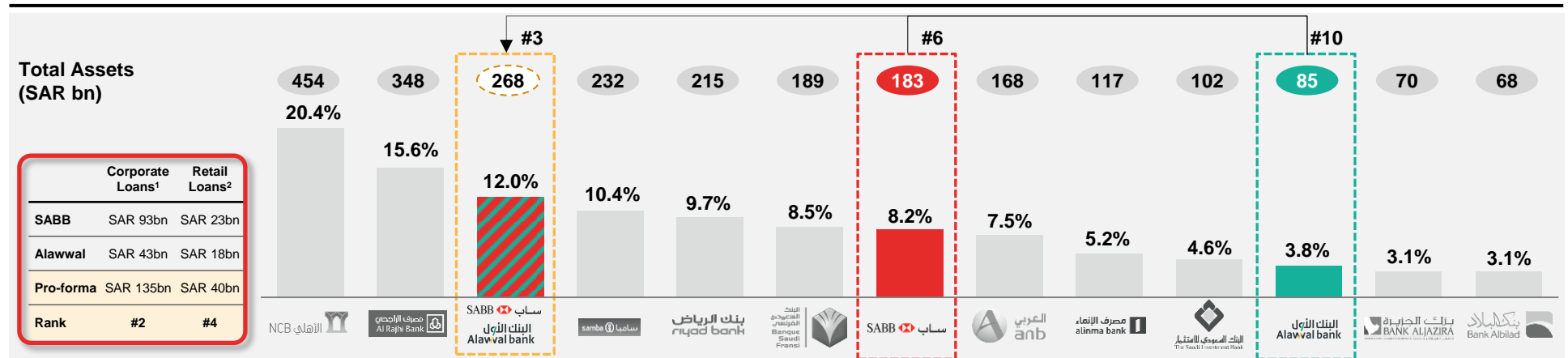
- Shared heritage of innovation and ground-breaking firsts
- Pooling talents and experience to set new standards for customers
- Creating the best place to bank and the best place to work in Saudi Arabia

¹ As of Q2 2018. Corporate performing loan balances including overdrafts and excluding loans under "International" segment

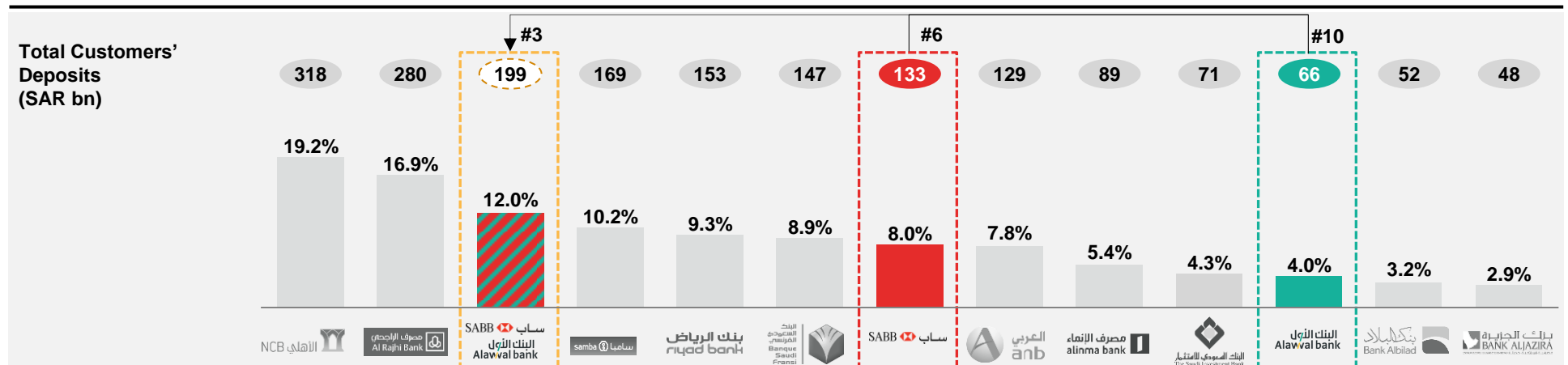
A Larger Franchise Creates More Opportunities

Creating the second-largest corporate bank¹, a top-tier retail bank² and the third-largest bank in the Kingdom

Total Assets Market Share (Q2 2018, %)



Saudi Banks Customer Deposits Market Share (Q2 2018, %)



Source: Q2 2018 company financials

¹ As of Q2 2018. Corporate performing loan balances including overdrafts and excluding loans under "International" segment; ² As of Q2 2018. Retail performing loan balances including credit cards and instalment sales.

A Larger Franchise Creates More Opportunities

Joining forces to support growth in the Kingdom

Corporate Banking

- ✓ #2 Corporate bank with 15%¹ share of KSA corporate lending
- ✓ Larger balance sheet to support transformational projects, with SAR 268bn² in assets
- ✓ Leadership in foreign exchange, cash management and trade finance
- ✓ Unrivalled access to a global banking network

Outstanding Value for Guarantees²

SAR71bn

Outstanding Value for Letter of Credit²

SAR14bn

Market Share / Rank for Import and Export³

24% / #1

FX Income Market Share²

12%

Retail Banking

- ✓ Robust retail franchise with a wider distribution network
- ✓ Market leading digital platform
- ✓ Home finance market share of 16%²
- ✓ Credit card issuer by balance market share of 19%²
- ✓ Ability to leverage international experiences in consumer banking in Saudi Arabia

Number of Retail Banking Clients²

1.47m

Number of Branches / ATMs²

143 / 1,539

Number of Online Banking Users⁴

525k

Number of Mobile Banking Users⁴

253k

Additional resources to provide SME clients with the financial tools they need to grow and create jobs

¹ As of Q2 2018. Based on corporate performing loan balances including overdrafts and excluding loans under "International" segment; ² As of Q2 2018. Branches and ATM figures retrieved from SAMA; ³ Import and Export defined as Letter of Credit balance as of Q2 2018; ⁴ As of Q2 2018. Based on the number of customers registered for online and mobile banking.

Combining to be a Driving Force for Growth

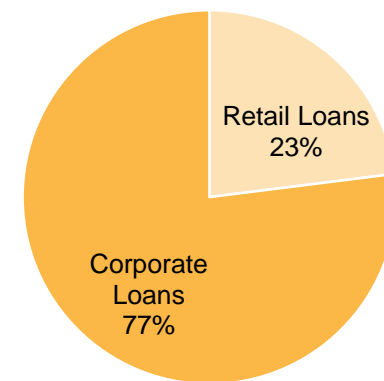
A powerful partner for the private sector

Loans and Advances¹ (Q2 2018)

Pro Forma (Q2 2018)

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**Private Sector
Concentration²: 94%**

**Private Sector
Concentration²: 98%**

**Private Sector
Concentration²: 95%**

We will enable growth in the private sector, with the expertise to help businesses from SMEs to large corporates that compete nationally and internationally

¹ Corporate performing loans include overdraft. Retail loans include performing credit cards and consumer loans; ² As of 2017 year end. Calculated as gross loans excluding loans for the government sector.

Positioned to Support the Potential of Vision 2030



Capturing the opportunities of a more diverse, accessible and investible economy

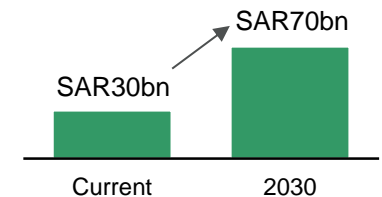
The combined bank is positioned to leverage and support opportunities from Vision 2030

Vision 2030 targets¹

**The Best
International
Connections in
the Kingdom**

Unrivalled access to a global banking network to support international trade and investment

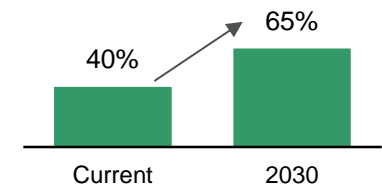
Increase Foreign Direct Investment



**Robust Capital
Base**

Enhanced capability to underwrite large-scale transactions, transformational infrastructure and privatisation projects

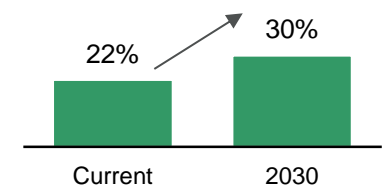
Private sector contribution to GDP



**Supporting the
Growth of the
Economy**

Supplying financial tools to help SMEs and entrepreneurs create jobs and grow

Increase SMEs contribution to GDP



¹ Saudi Arabia's Vision 2030 and National Transformation Program 2020.

Positioned to Support the Potential of Vision 2030



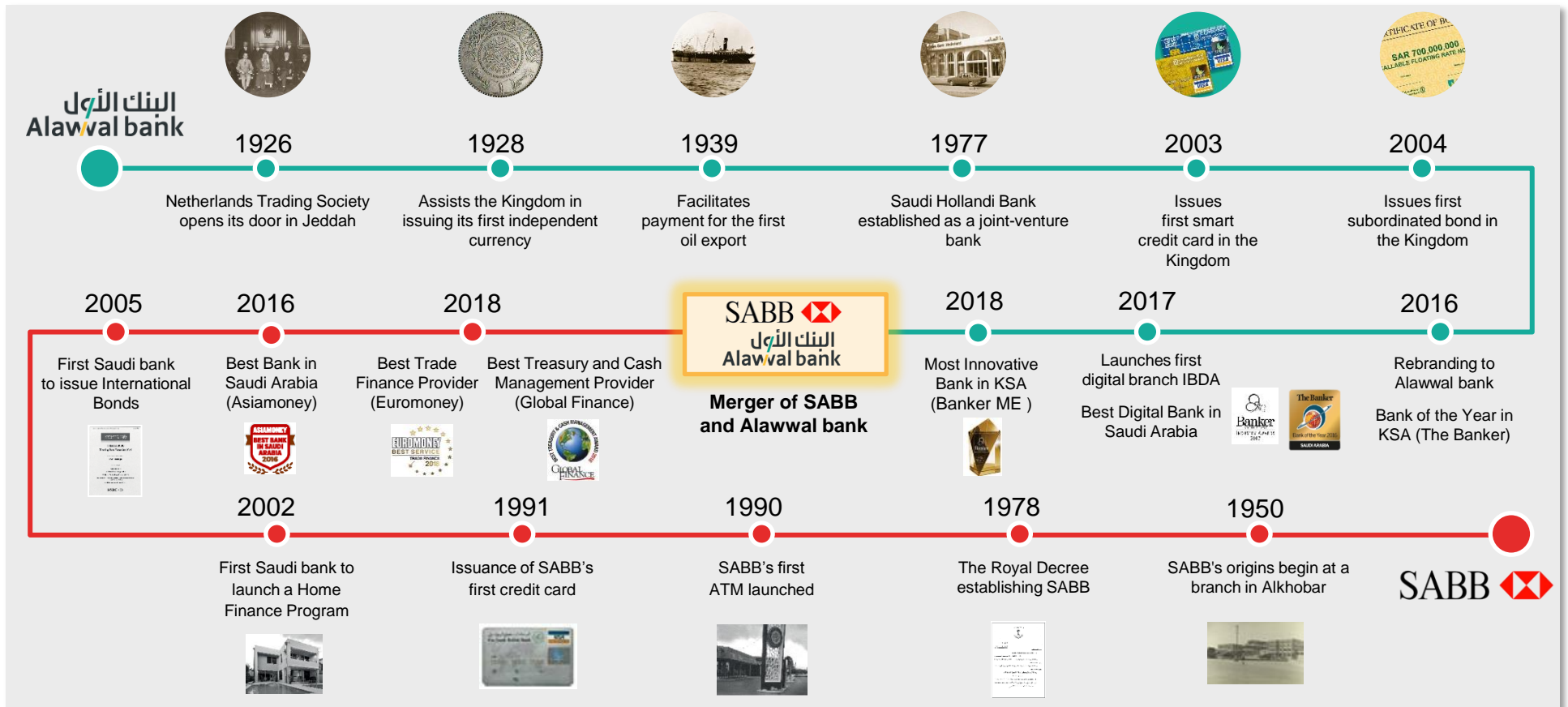
Supporting Saudi citizens, the Saudi economy and Saudi companies at home and abroad

Vision Realisation Programs and Key Alignment Priorities for the combined bank

Privatisation	<ul style="list-style-type: none"> ✓ Lead participation in privatisation mandates ✓ Streamline account opening for newly privatised entities ✓ Provide advisory and financing services to bidders and government 	Enriching the Hajj and Umrah	<ul style="list-style-type: none"> ✓ Provide payments and cash management solutions for the tourist ecosystem ✓ Support tourist development initiatives with structured finance solutions
National Transformation Program	<ul style="list-style-type: none"> ✓ Expand TAQADAM skills development scheme ✓ Launch dedicated proposition package for SMEs ✓ Partner with government initiatives and facilities to expand SME lending capacity 	National Companies Promotion	<ul style="list-style-type: none"> ✓ Facilitate, advise and fund national companies to expand internationally ✓ Support local companies investing in flagship economic diversification initiatives
Financial Sector Development	<ul style="list-style-type: none"> ✓ Promote financial literacy and awareness programs ✓ Launch long-term savings solutions ✓ Expand digital solutions to reduce cash transactions ✓ Grow capital markets and broaden international investor base ✓ Expand market participation as a Primary Dealer and develop a secondary market 	Industrial Development and Logistics	<ul style="list-style-type: none"> ✓ Expand financing available for non-oil exports ✓ Increase lending limits to develop key trade corridors ✓ Facilitate access to long-term financing through debt capital markets solutions
Housing	<ul style="list-style-type: none"> ✓ Expand Home Finance Lending portfolio ✓ Increase home loan offerings, including fixed rate and special products ✓ Partner with government institutions for securitisation, bridge finance and focused lending solutions 	PIF	<ul style="list-style-type: none"> ✓ Align service offering to focus areas of PIF development ✓ Provide investment advisory, innovative financing solutions, and custodian services to PIF ✓ Provide financing and payments services in program focus areas such as entertainment and technology

An Exciting Bank for the Future

Building on a heritage of innovation



Setting new standards for customers by pooling the talents and experience of two of the Kingdom's longest-established banks

An Exciting Bank for the Future

Best place to work in Saudi Arabia



~4,800+ employees¹

No involuntary redundancies expected as a result of the merger

91% Saudization¹

20% female participation¹

vs. 14% for the banking sector²

9.2% 5-year headcount growth³

Setting new standards in training and career development

¹ Full-time employees as of Q2 2018; ² Pulse survey - Interbank Comp&Ben Forum; ³ Headcount growth between 2012 and 2017 year end.

An Exciting Bank for the Future

Best place to bank in Saudi Arabia

Delivering on Digital Demand

- 75% of customers in the GCC will switch bank for a better digital experience¹
- 43% of retail customers in KSA use mobile banking²
- 63% of retail customers in KSA prefer to complete tasks digitally²

Combined Bank Key Stats

- # of online users: 525k³
- # of online transactions: 22.5m⁴
- # of mobile users : 253k³
- # of mobile transactions: 5.4m⁴

Committed to Innovation

- A customer-centric culture designed to shape the future of banking
- A focus on delivering faster, more convenient digital services
- Enabling transaction capabilities on wearable devices (Apple Watch)

First Class Customer Service



Best Digital Bank in KSA 2016
(Banker Middle East)



Best Internet Bank and Mobile Banking in KSA 2015
(International Finance Magazine)



Best Digital Consumer Bank 2015
(Global Finance)



Most Innovative Bank in KSA 2018
(Banker Middle East)



Best Digital Bank in KSA 2017
(Banker Middle East)



Best Mobile App in KSA 2016
(International Finance Magazine)



¹ Based on EY GCC Digital Banking Report 2015; ² Based on global social media agency report "We Are Social Digital Report 2018"; ³ As of Q2 2018; ⁴ For full year 2017.



4 | Corporate Governance and Leadership

Corporate Governance and Leadership

Chairman



*Lubna
Sulaiman
Olayan*

Managing
Director
(CEO)



*David
Dew*

Proposed Governance

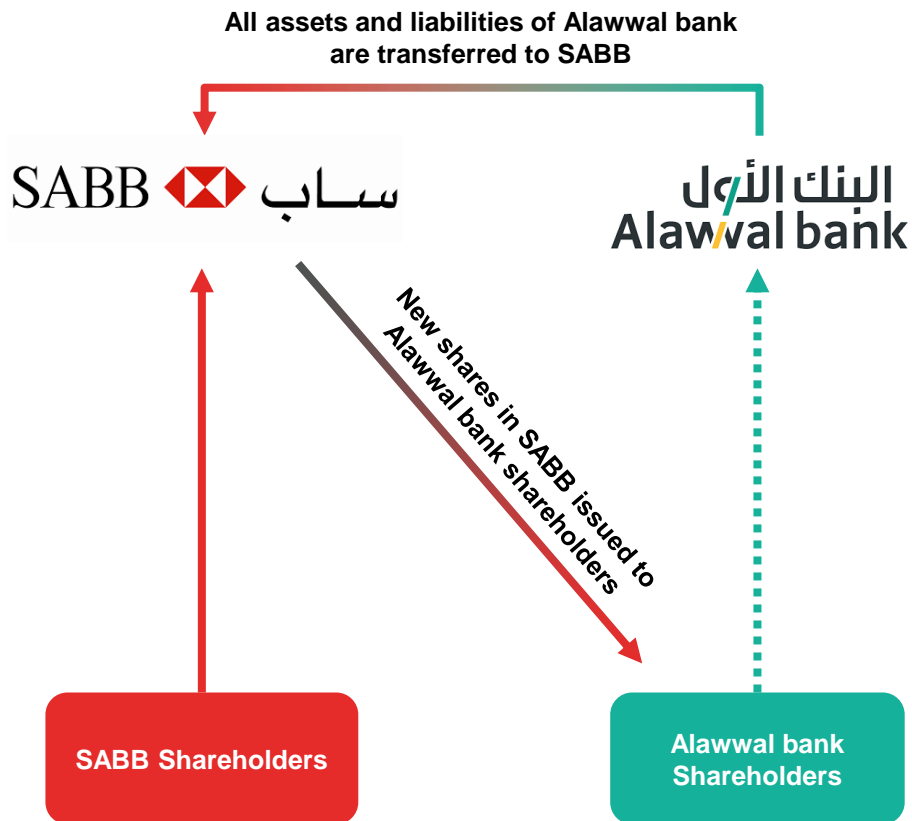
- **Board of the combined bank will be increased from 10 to 11 members with the following composition:**
 - **7 of the current directors of SABB**, 3 of whom will be from the persons currently appointed by HSBC Holdings B.V.
 - **4 persons to be proposed by the current board of Alawwal bank**
- **The Vice-Chairman of the Board of the combined group will be nominated for appointment from amongst the directors of the combined bank who are current directors of SABB**



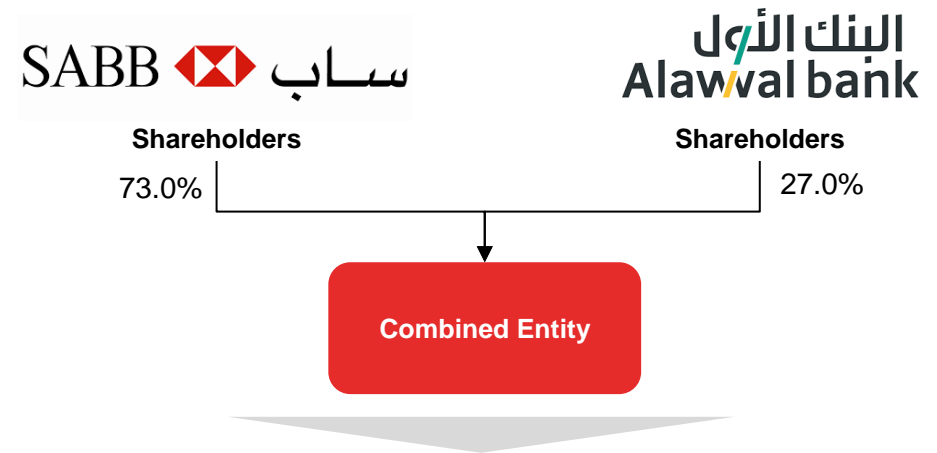
5 | Transaction Structure

Transaction Structure

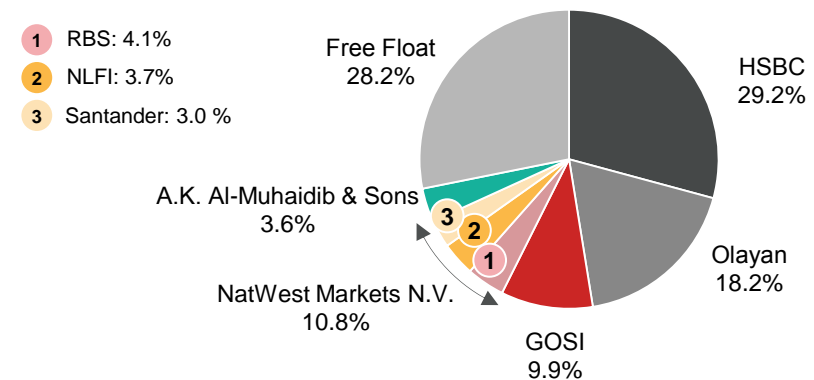
Statutory Merger Process



Post-Merger Shareholding Structure



Illustrative Pro-forma Shareholding Structure

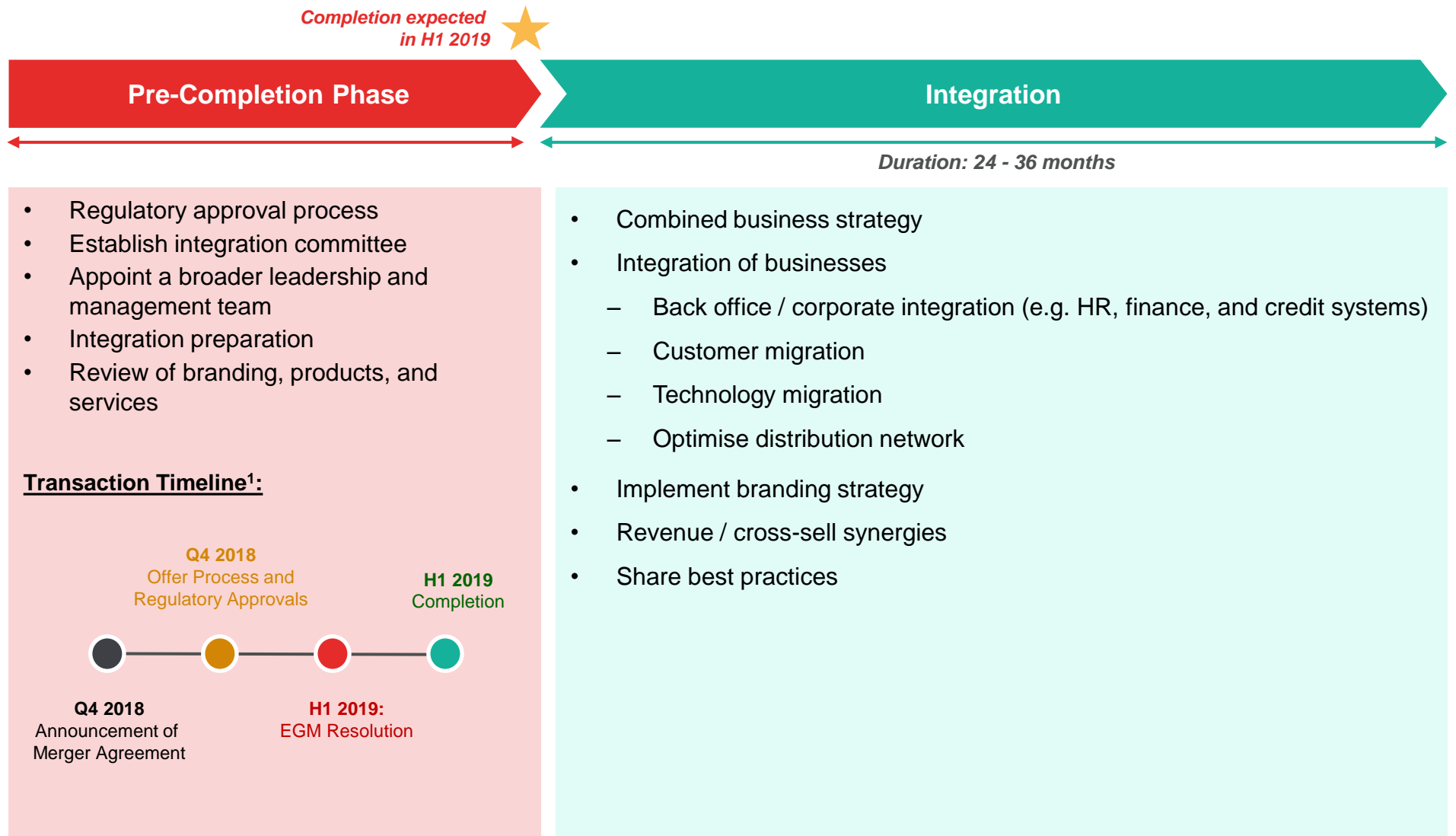


Note: NatWest Markets N.V. (formerly The Royal Bank of Scotland N.V.) is the legal entity representing The Royal Bank of Scotland Group plc (4.1%), Banco Santander, S.A. (3.0%) and Stichting Administratiekantoor Beheer Financiële Instellingen ("NLFI") (3.7%). Subject to regulatory approvals, NatWest Markets N.V. intends to split the shares it will hold in the combined bank after the transaction and NatWest Markets plc, Santander and NLFI will become direct shareholders in the combined bank



6 | Integration Plan, Milestones and Timeline

Integration Plan, Milestones and Timeline



¹ The indicative timeline is not an exhaustive list of the steps required to achieve completion.



| Summary, Conclusion and Q&A

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¹ As of Q2 2018. Corporate performing loan balances including overdrafts and excluding loans under "International" segment



A | Appendix: Key Metrics of the Combined Bank

Financial and Operational Metrics as of Q2 2018

	SABB  ساب	البنك الأول Alawal bank	Pro Forma
Total Assets	SAR 183bn	SAR 85bn	SAR 268bn
Net Loans	SAR 113bn	SAR 59bn	SAR 172bn
Total Deposits	SAR 133bn	SAR 66bn	SAR 199bn
Net Loans / Deposits	85.3%	89.3%	86.6%
Non-performing Loan Ratio ¹	2.2%	3.9%	2.8%
Tier 1 Ratio	20.1%	18.0%	19.4%
Net Special Commission Income Margin ^{2 3}	2.8%	2.8%	2.8%
Cost / Income Ratio ²	30.7%	34.1%	31.9%
Return on Average Equity ²	12.2%	10.2%	11.6%
Branches / ATMs	76 / 930	67 / 609	143 / 1,539
Staff	3,100+	1,700+	4,800+
Liquidity Coverage Ratio	165%	287%	193.3%
Net Stable Funding Ratio	145%	131%	140.4%

Source: Company financials.

¹ Non-performing loans divided by total gross loans; ² Based on 2017 full year financials; ³ Net special commission income divided by average "Cash and balances with SAMA", "Due from banks and other financial institutions", "Investments, net" and "Loans and advances, net".