

Saudi Hollandi Bank

Investor Presentation Financial Update – Year 2014



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1 | Group Overview

2 | Strategy

3 | Financial and Operating Performance

4 | Segment Performance

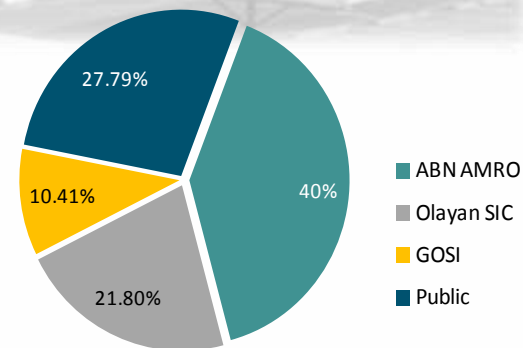
5 | Awards

Group Overview - at a glance

- > Founded in 1926 as the Netherlands Trading Society – the first bank to be established in the Kingdom.
- > Consistently profitable with clearly defined business model.
- > Well positioned to grow and deliver great values to its customers, shareholders, and employees.
- > Fully fledged and diversified financial services offering.
- > Moderate risk profile with clean balance sheet, low exposure to peripherals and sound capital and liquidity management.
- > Domestic network of 63 branches and a network of 393 ATMs.
- > Over 1,600 staff with Saudization ratio greater than 85%.
- > State of the art Multi Channel capabilities to its growing customer base in commercial, corporate and investment sectors.
- > Strong focus on improving service to customer, lowering cost base and achieving integration synergies.

> Subsidiaries and Associates :

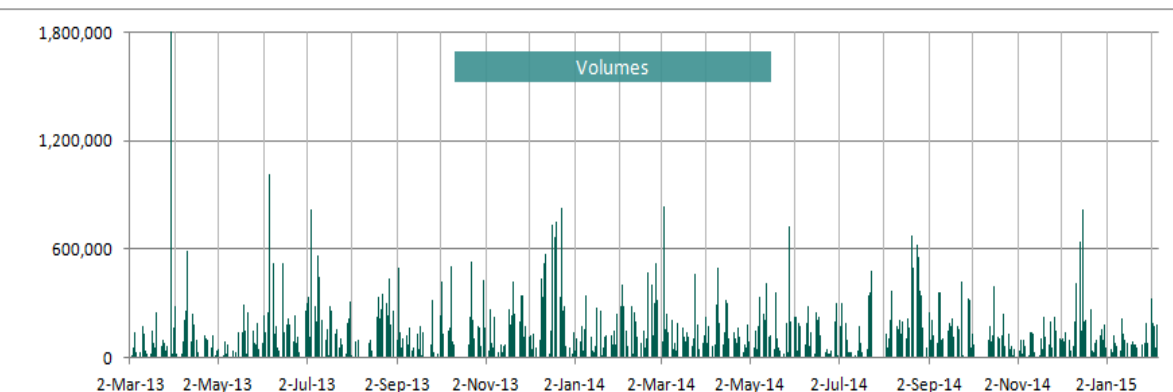
- **Saudi Hollandi Capital:** Manage the Group's Investment services , Asset management and Brokerage activities.
- **Saudi Hollandi Real Estate Company:** Registration of real estate title deeds in support of the bank's home financing products.
- **Saudi Hollandi Insurance Company :**The company act as agent for Wataniya Insurance Company, an associate, selling insurance products.
- **Wataniya Insurance :** The bank has 20% shares in Wataniya.



Shareholder structure

Saudi Hollandi Bank – Group Overview

Key Highlights - Market data (Share price and Volumes)



Current P/E Ratio	11.87
Earning Per Share, annualized (SAR)	3.82
Market Cap (M SAR)	21,599
Shares Outstanding (M)	476.28
30 day average volume	112,076
Price/Book (mrq)	2.01
Dividend indicated Gross Yield	2.21%
Cash Dividend (SAR,mry)	1.00
52 weeks high	56.00
52 weeks low	37.30
52 weeks change	19.63%

[mrq : most recent quarter , mry : most recent year]
 Market data as of Feb 05, 2015 opening price at 45.5

Credit ratings

Rating agency	Long term	Short term	Outlook
MOODY'S	A1	P-1	Stable
Fitch Ratings	A-	F2	Stable

Bank's Operating Segments



Personal Banking Group

The Personal Banking operates through a network of branches and ATMs as well as state of the art e-banking services. It provides clients with full range of Shariah compliant products catering for their deposit, financing, mortgage and payment needs. It also provides Brokerage and Wealth Management services through Saudi Hollandi Bank's subsidiary, Saudi Hollandi Capital. Insurance services are also provided through Saudi Hollandi Insurance Agency. Personal Banking tailored "affluent Banking" services for its qualified customers through relationship managers in dedicated centers. Ladies Banking services are also provided through a network of ladies branches. SME banking is offered through well trained relationship managers in dedicated Business Banking centers.



Institutional & Corporate Banking Groups

The Institutional & Corporate Banking Groups provide their clients with a wide range of products and services including Term Loans, Trade Finance, Guarantees and Corporate Finance and Advisory. It offers both conventional and Sharia-compliant financial solutions across the full spectrum of corporate banking. The products and services offered include: Working Capital and Trade Financing, Asset Financing, Structured Financing Solutions, Clean Overdraft Line, Short Term Financing for LC retirement, Letters of Guarantee issued on behalf of our clients for a third party, Acquisition financing, equity bridge financing and SIDF bridge financing.



Treasury

Saudi Hollandi Bank's Treasury provides hedging and investment solutions to the Bank's clients. Already a leading provider of foreign exchange cash products, the Treasury department has been growing its (structured) derivatives businesses in foreign exchange and special commission rates. Treasury is an active interbank market maker in Saudi Riyal-denominated foreign exchange and interest rate products. Treasury offer Foreign exchange spot, Forwards, Options, Deposits and Loans, Special commission rate swaps, Forward rate agreements, Structured commission rate derivative solution and Structured Foreign Exchange solutions in conventional and Sharia-complaint variants.



Investment Banking

Saudi Hollandi Capital was established as an independent Investment subsidiary of Saudi Hollandi Bank with a vision to become a leading provider of innovative Investment banking and Wealth management solution for private and institutional clients. Saudi Hollandi Capital's Investment team provides a broad range of Investment banking products to corporate and financial intuitions. Services that SHC offer include Public offering and Convertibles, Sukuk and Bonds issuance, Mergers and Acquisitions Advisory Private placements and Privatization.

1 | Group Overview

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3 | Financial and Operating Performance

4 | Segment Performance

5 | Awards

Strategy - Highlights

1

Strengthen SHB as a fully integrated, client-centric bank, by emphasizing customer intimacy as the bank's main value discipline and positioning SHB Treasury and SH Capital as product units in support of the Personal Banking Group, the SME Business, the Corporate Banking Group and the Institutional Banking Group.

2

Increase profitability of the Personal Banking business by having well-trained staff providing the best service to two chosen segments, i.e. professionals and mass affluent customers, making optimal use of a differentiated value proposition across the different channels.

3

Establish the Small and Medium-Size client segment (turnover below 100 million Riyal) by having a dedicated relationship management team and dedicated business centers.

4

Grow the Corporate Banking client segment (turnover between 100 and 500 million Riyal) in terms of assets, whilst building and maintaining an average yield of 3.5%.

5

Increase the profitability of the Institutional Banking segment (turnover above 500 million Riyal) by increasing cross-sell of all the bank's products, adherence to RARORC hurdle rates, and aggressive asset turnover in case RARORC hurdle rates are not met.

Strategy – Highlights contd...

6

Continue to aggressively grow fee income across the bank in Trade Finance, Cash Management and Treasury.

7

Further develop the service & sales culture across the branch network, shifting the focus from operational processes to relationship management.

8

Nourish the cultural change in awareness and responsibility for risk management throughout the businesses – from `order takers' focused only on returns to active portfolio managers considering risk-adjusted returns on capital.

9

Use technology as a business enabler to achieve strategic objectives.

10

Create a high-performance culture in which managers lead by example, performance is monitored, measured and acted upon, accountability is key, and where there is zero tolerance to any Compliance or Controls breaches.

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5 | Awards

Key messages

- Past 30 months have seen SHB record strong income generation on the back of pick-up in corporate and consumer lending.
- Ahead of the pack in addressing asset quality and concentration issues allowing it to re-focus on balance sheet growth.
- Established profile, strong sponsors, and historical links with Saudi have enabled SHB to establish itself as a top tier lender.
- Net Profit of SAR1.8bln during Year 2014 is the highest in the bank's history.
- Net profit increased by 21% yoy during Year-2014.
- Improvement driven by both solid increase in total income and cost controls.
- Operating profit increased 26% yoy.
- Total Asset up 20% to SAR96.7bln (Year-2013 : SAR80.5bln).
- Underlying cost/income ratio improved to 31.8% from 34.2% compared to year 2013.
- All business segments showed good performance despite challenging market conditions.
- Successful performance resulted in all key performance indicators being in line with or ahead of budget and prior year.
- Maintained stable credit rating.
- Invested in people & technology to strengthen the platform.

Key figures

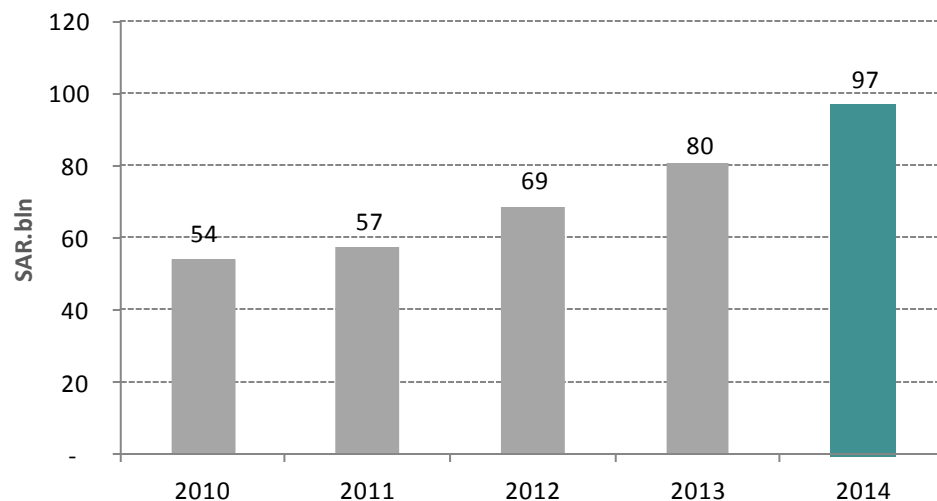
<i>in SAR mln</i>	FY-2014	FY-2013	<i>Growth YOY</i>
Net Interest Income	1,966	1,624	21%
Non Interest Income	1,216	992	23%
Operating Income	3,182	2,616	22%
Operating cost	1,011	895	13%
Operating Profit	2,171	1,721	26%
Impairment & Provisions	(346)	(218)	na
Other Income/Expense	(4)	(1)	na
Net Profit	1,821	1,502	21%

<i>in SAR mln</i>	FY-2014	FY-2013	<i>Growth YOY</i>
Total Assets	96,619	80,468	20%
Loans & Advances (net)	65,148	53,211	22%
Investments, net	18,784	16,849	11%
Customers' deposits	76,814	61,875	24%
Equity	10,742	9,401	14%
RWA Basel III	89,999	75,790	19%
Tier I ratio	11.22%	11.76%	na
Tier I & II ratio	15.85%	18.32%	na
EPS - SAR	3.82	3.15	na
Return on average Assets	2.06%	2.02%	na
Return on average Equity	18.08%	16.96%	na
Loan to deposit ratio	80.9%	80.3%	na
Cost to Income	31.8%	34.2%	na
FTEs (#)	1,637	1,534	na

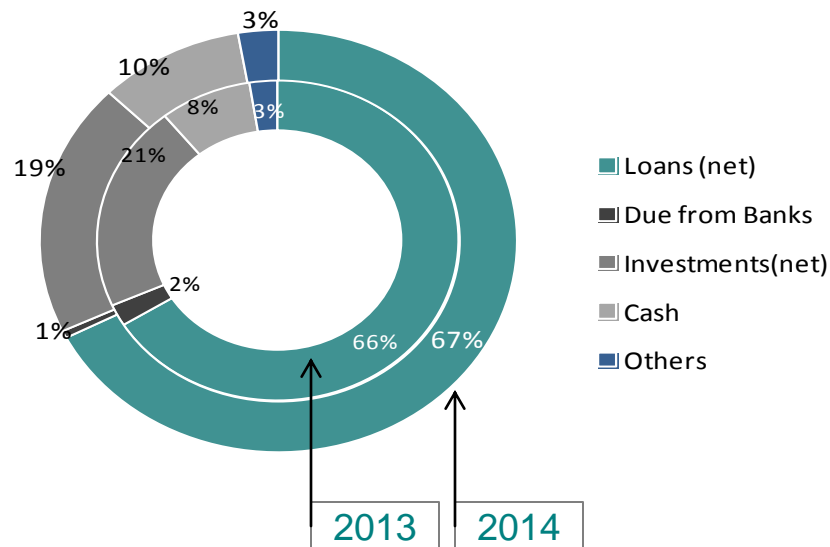
Increase balance sheet primarily due to loan growth

- Asset base has increased by 20% yoy.
- Assets growth driven by 22% increase in total loans yoy.
- Lending book has grown by 86% over 2010-2014.
- Loans and investments represents more c.85% of the total asset base.
- SHB growth in assets of 20% during Year 2014 is one of the best in industry.
- Maintain a moderate risk profile.
- Investment activities part of liquidity management.
- Active management of funding surplus.
- Significant success in mortgage finance growth.

Strong Asset Base

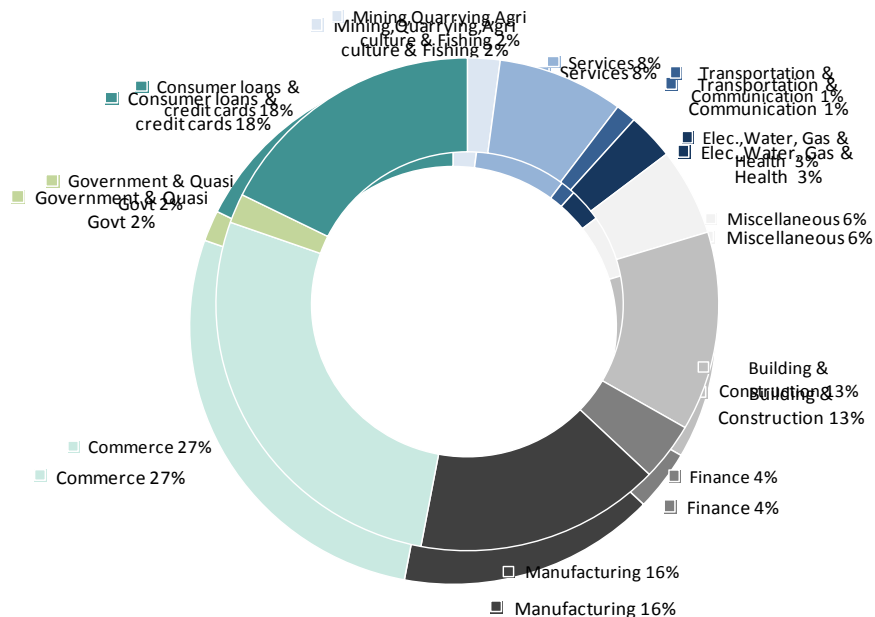


Asset mix



Loan Portfolio - growing at a steady rate...

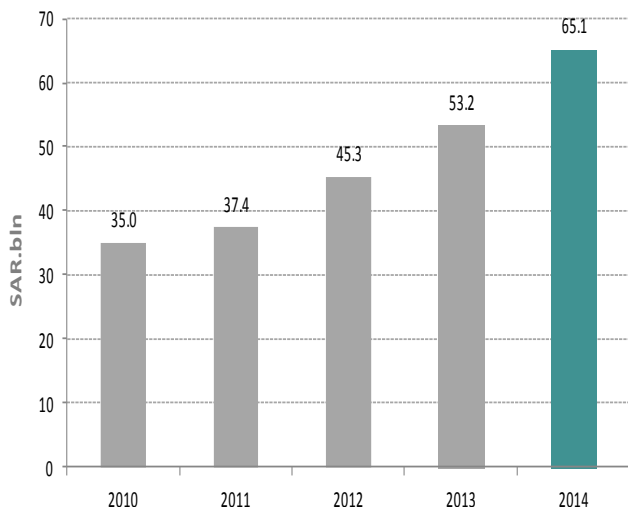
Loan Portfolio Breakdown



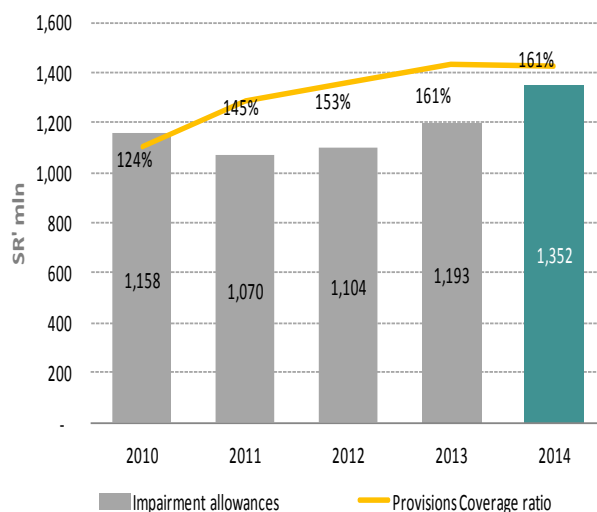
Key Highlights...

- The main contributors to this increase in loans are from the robust consumer and public spending growth being experienced in the kingdom, SHB is actively participating and supporting this growth phase.
- Significant growth in mortgage from 1.3bln in Year 2012 to 6.4bln in Year 2014 , approx 392% increase .
- Strong focus on credit quality - NPLs % have reduced to 1.27% in Year 2014 vs. 1.35% in Year 2013.
- Improved coverage ratio .
- Client diversification reflection of client focus.

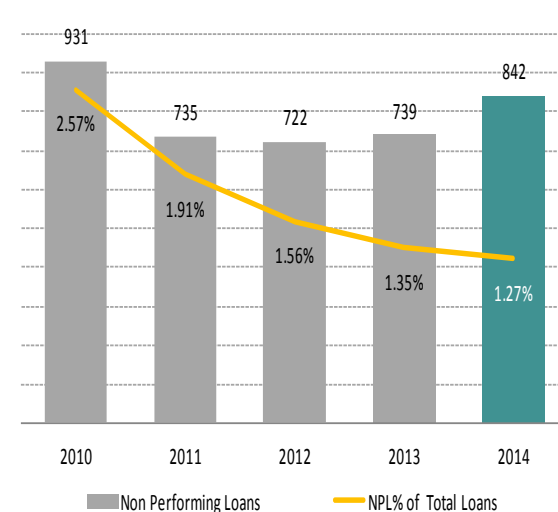
Increase in Loan Portfolio



Highly Conservative Coverage

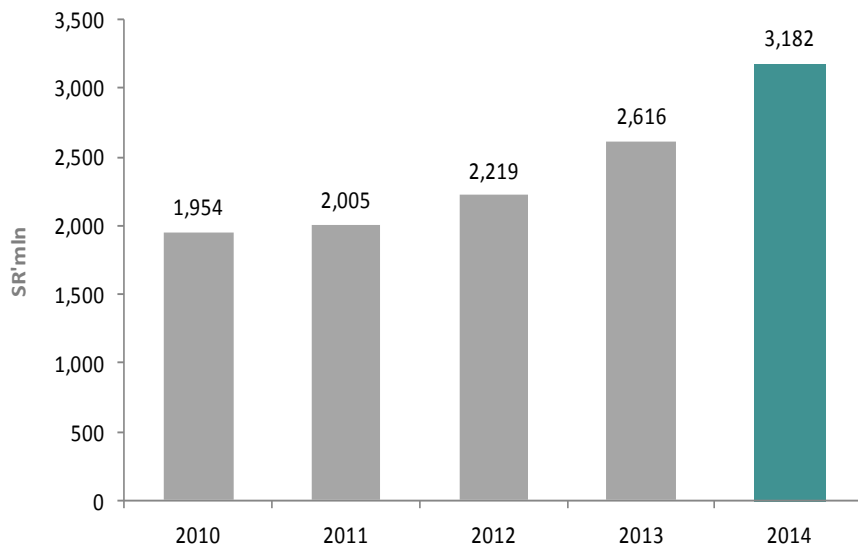


Non Performing Loans and NPL %

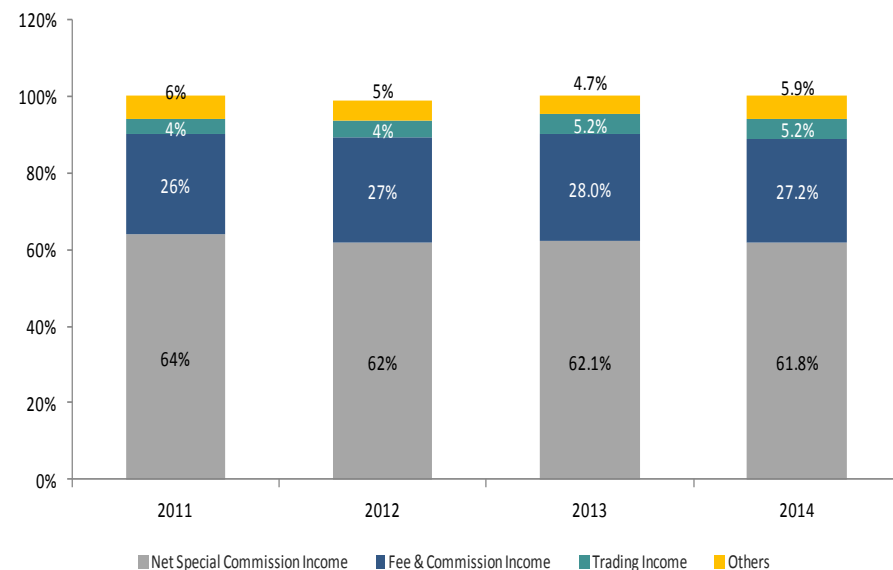


Revenue breakup

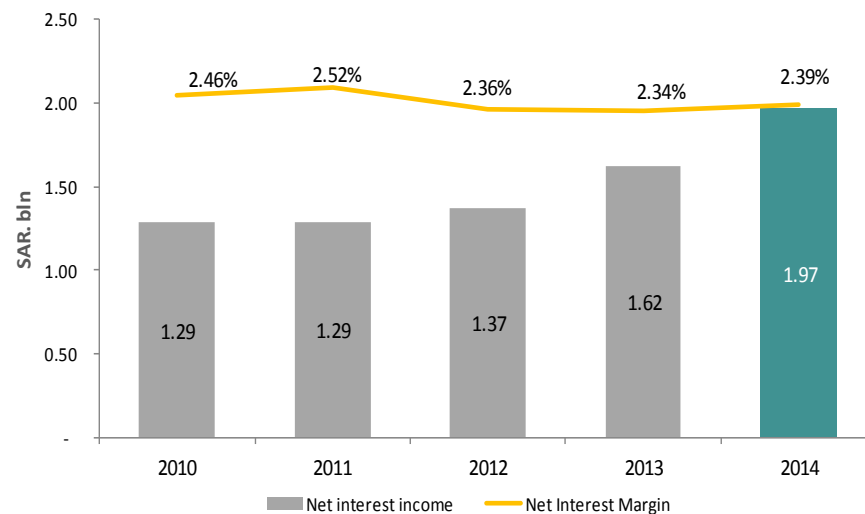
Operating Income



Operating Income breakup



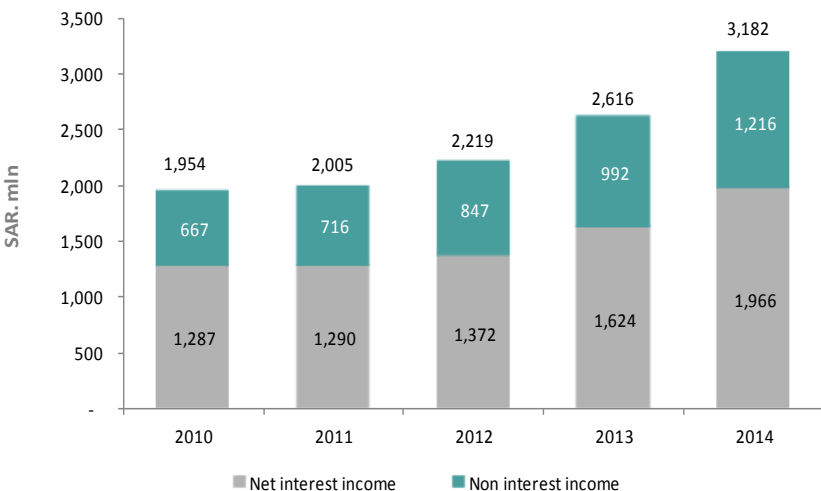
Evolution of Net Interest Margin



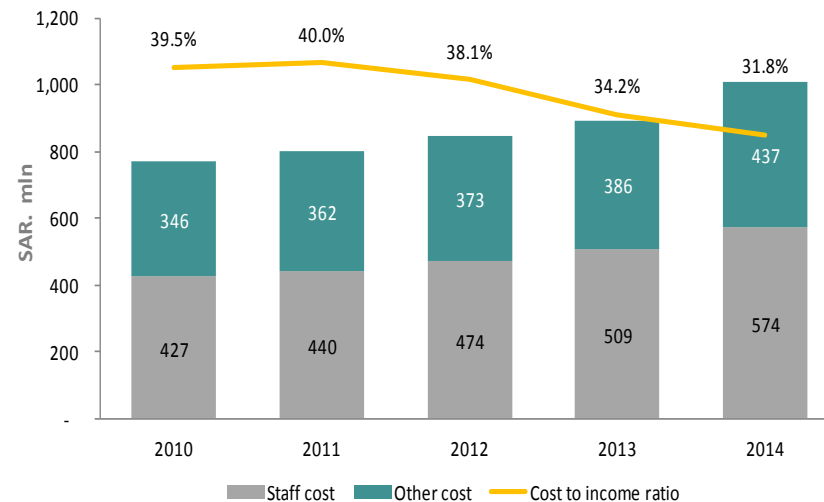
- Operating Income increase by 26% yoy during Year 2014.
- Net special Commission Income increased by 21% compared to Year-2013.
- Non funded Income increased by 23% compare to Year-2013.
- Contribution of Non-funded Income towards the total revenue at 38.2% represent improved cross-sell and customer centricity.

Financial Summary Trends

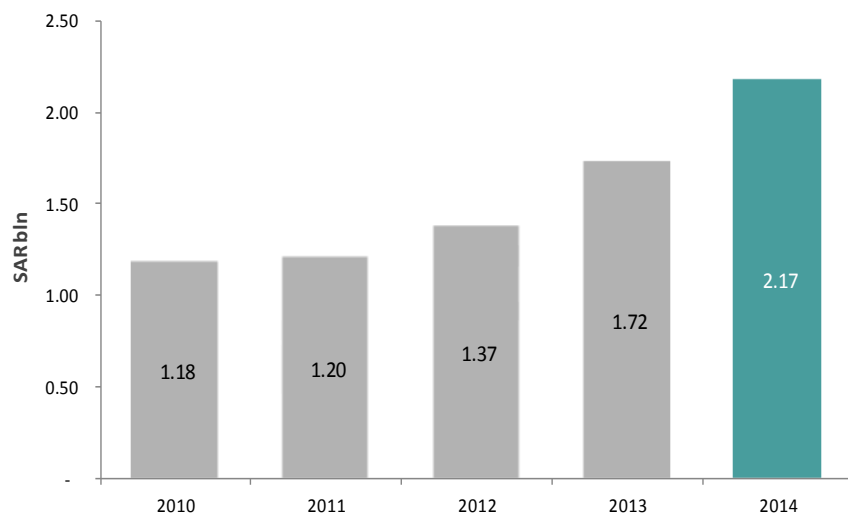
Operating Income breakup



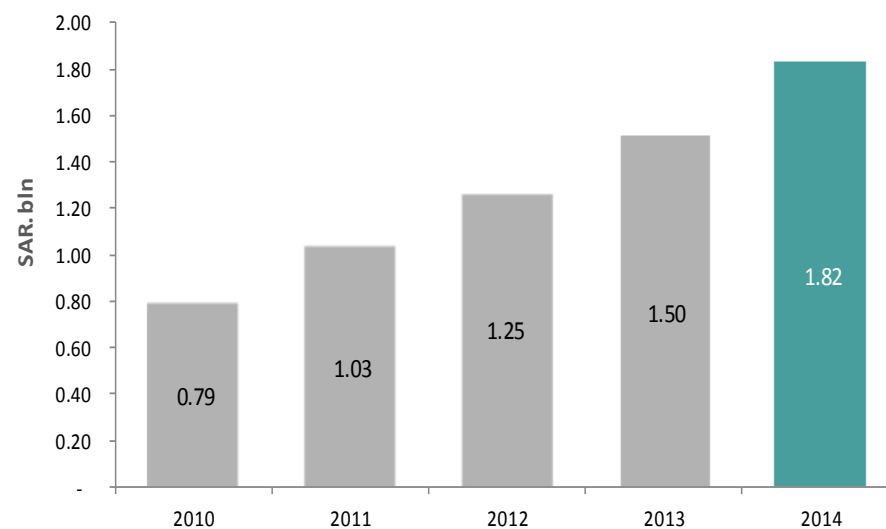
Operating expenses / Cost to Income ratio



Operating Profit



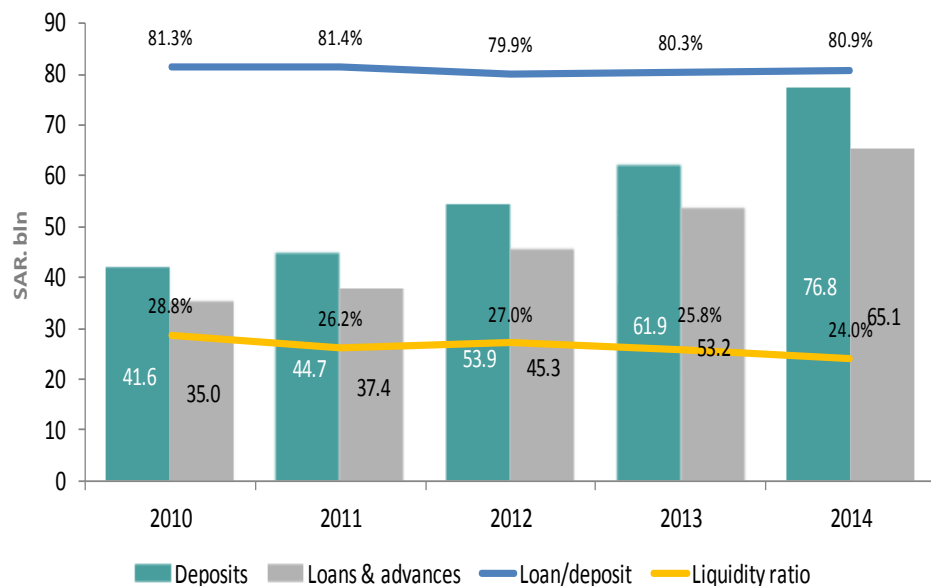
Net Profit



Capital, funding & liquidity

- Core Tier 1 capital increase as a result of increase in Share capital.
- Core Tier 1 capital include 16.5% of reported net profit as retained earnings.
- The credit risk is around 95% of total RWA, while operational and market risk are low at 4.5% & and 0.6% respectively.
- Increase in credit RWA caused by business growth.
- Actively managed liquidity.

Loan to deposit and liquidity



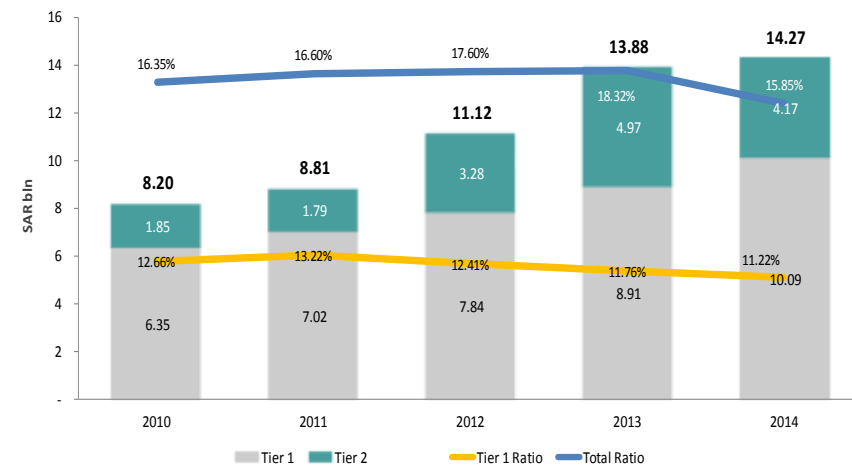
Regulatory capital (Basel III)

in SAR mln	FY-2014	FY-2013
Paid up share Capital	4,763	3,969
Retained earning ^[1]	1,662	1,709
Eligible reserves	3,666	3,211
Other additions /reserves	4	22
Common Equity Tier 1 Total	10,095	8,911
Subordinated loan capital ^[2]	3,620	4,485
Provisions	523	463
Other Tier 2 (staff share plan)	28	22
Total Tier 2	4,171	4,970
Total Capital	14,266	13,881
RWA Basel III	89,999	75,790
Credit risk (RWA)	85,399	71,696
Operational risk (RWA)	4,041	3,654
Market risk (RWA)	558	441

[1] Retained earning include Reserve for bonus shares

[2] Subordinated debts are net of amortization per Basel guideline

Regulatory Capital



- 1 | Group Overview
- 2 | Strategy
- 3 | Financial and Operating Performance
- 4 | Segment Performance
- 5 | Awards

Underlying results by segment

- Personal banking (PBG) achieved breakthrough results for 2014 with year-on-year growth of 18% in personal loans, 67% in home finance and 20% in NIBs.
- The bank is upgrading its Trade & Cash portal and Trade back office to provide state of the art electronic platform for its institutional, corporate & SME customer base.
- State of the art banking platform with Multi Channel capabilities for its growing retail base and to service commercial banking needs as well as customer investment needs through advanced brokerage capabilities.
- SUPPORT function consists of units which support the business segments. Cost of SUPPORT units are allocated to the relevant business segments.

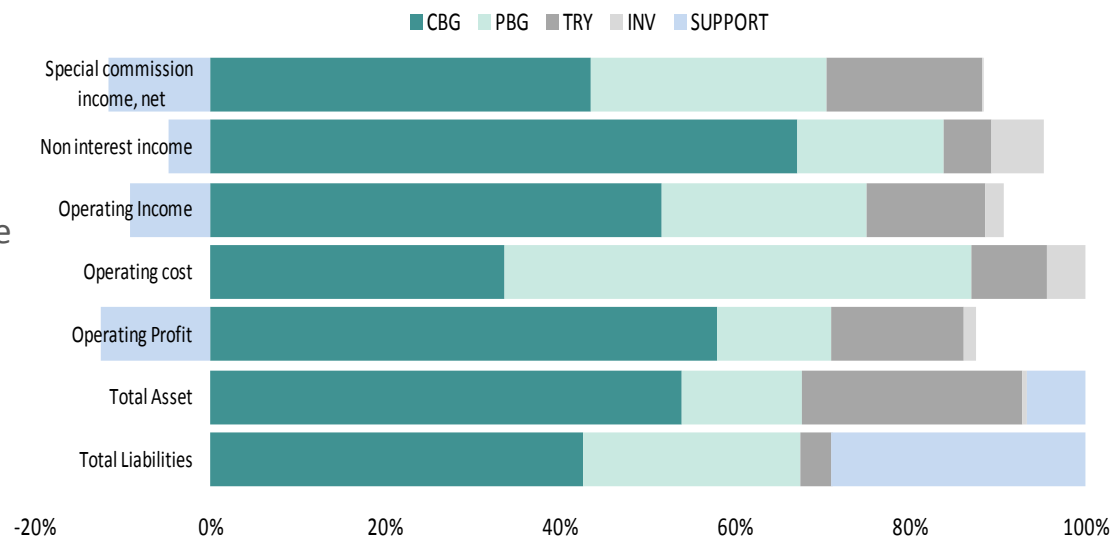
Underlying results by segment

FY-2014	FY-2013	Growth		CBG	PBG	TRY	INV	SUPPORT
		YOY	in SAR mln					
1,966	1,624	21%	Special commission income, net	1,113	693	454	4	(299)
1,216	992	23%	Non Interest Income	903	225	74	79	(64)
3,182	2,616	22%	Operating Income	2,017	918	528	83	(363)
1,011	895	13%	Operating cost	340	539	87	45	-
2,171	1,721	26%	Operating Profit ^[1]	1,676	378	441	38	(363)
96,619	80,468	20%	Total Assets	52,094	13,330	24,290	536	6,370
85,877	71,067	21%	Total Liabilities	36,546	21,341	3,055	28	24,907

[Small differences in total can be due to the roundings]

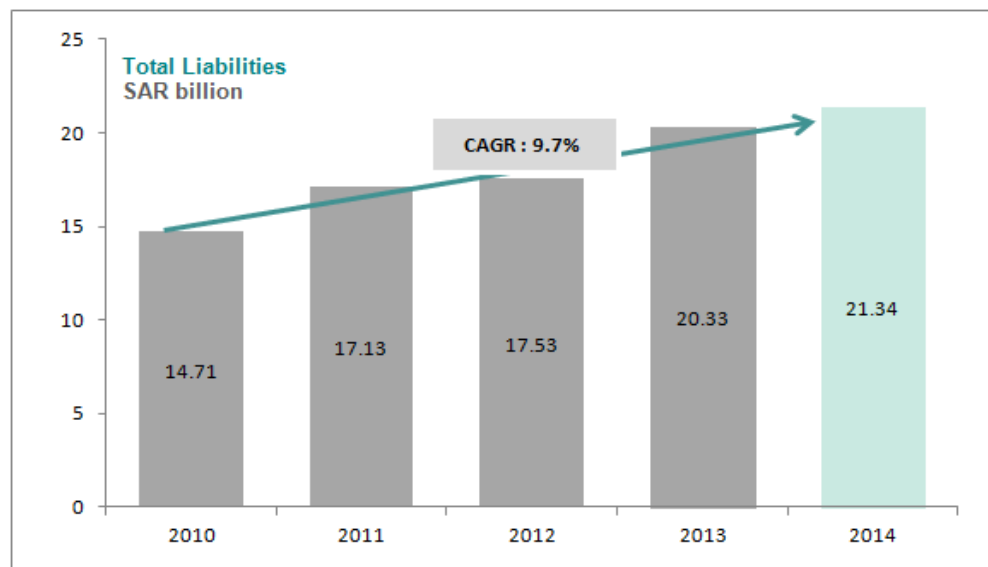
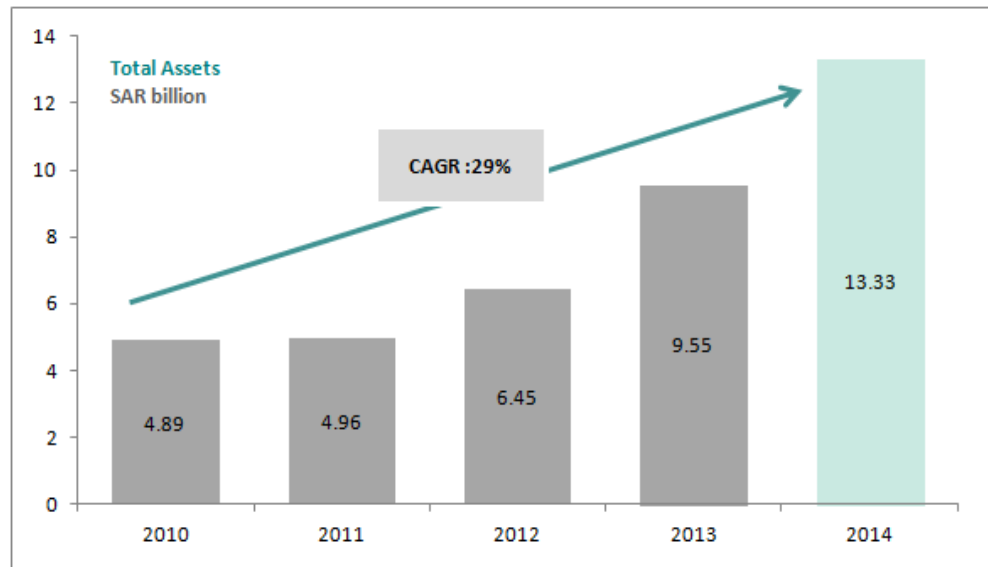
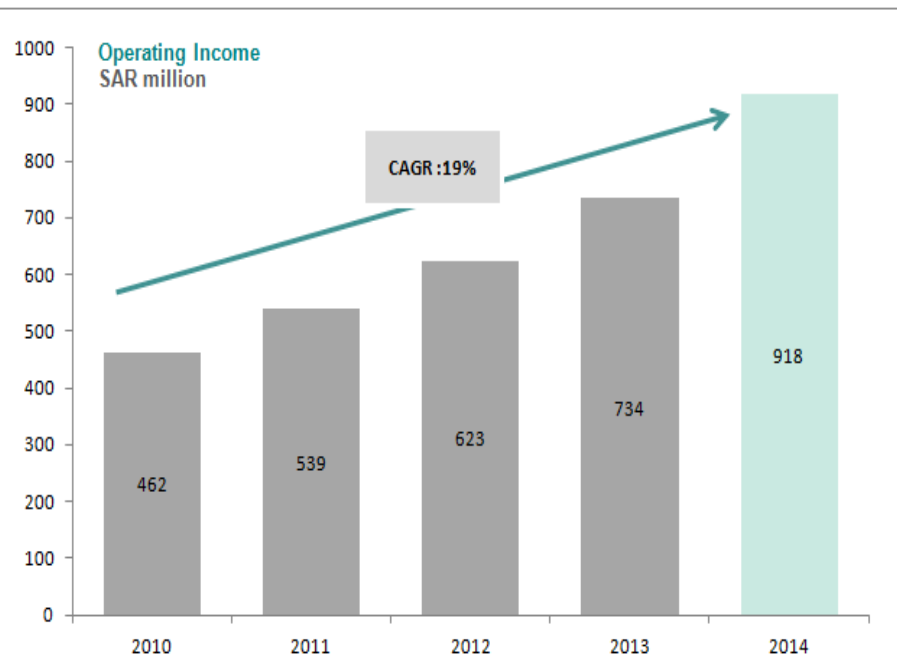
[1] Operating profit is exclusive of Impairment & Provisions

Relative contribution per segment



Personal Banking , putting clients first

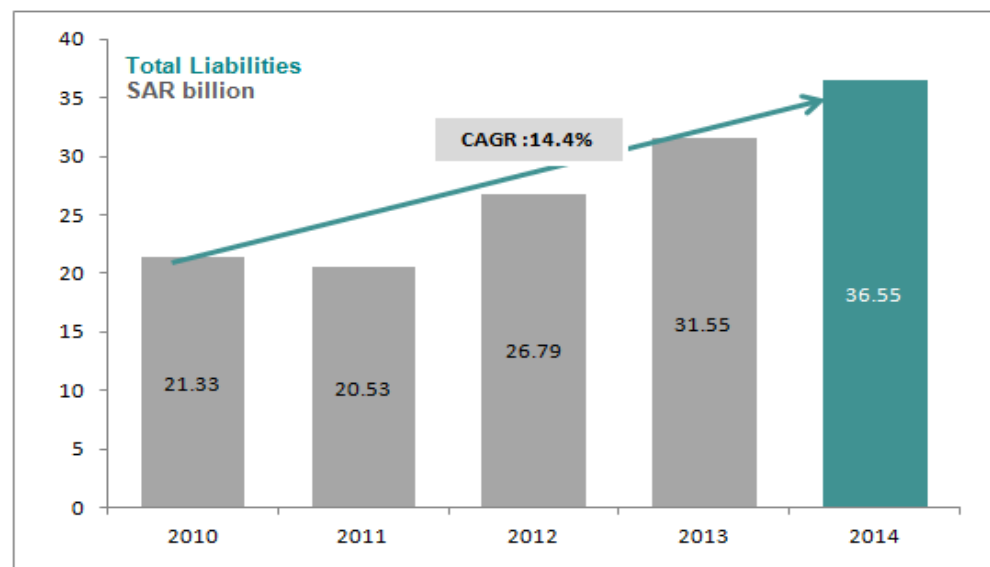
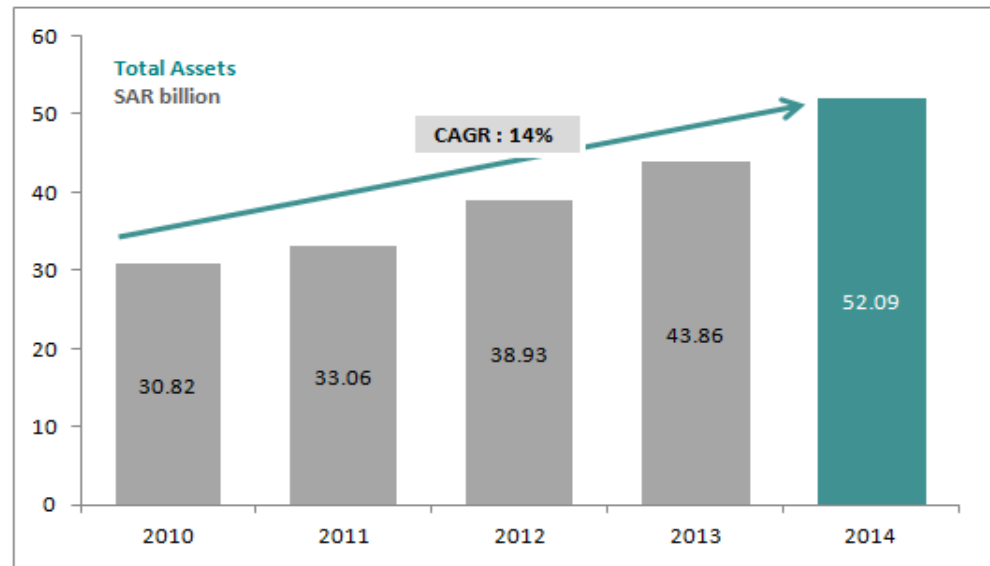
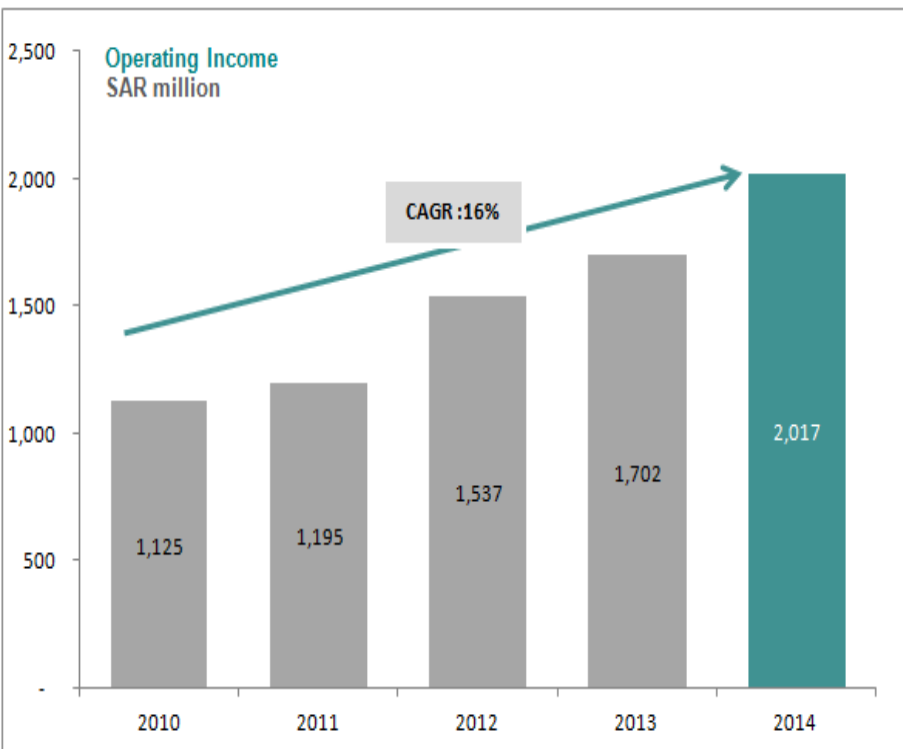
Sustained revenue growth and improvement in profitability



- Focus on Product enhancement.
- Introduced new acquisition channels.
- Moved away from plain vanilla products
- Stable business with resilient income generation, sticky deposit flow providing stable funding base for the bank.

Corporate Banking , a leading franchise

Maintained a strong presence in the market



- Focus on growth in mid-corporate segments
- Successful cross selling Trade and Treasury products.
- Tailored service model to the size of the client with dedicated client teams.

1 | Group Overview

2 | Strategy

3 | Financial and Operating Performance

4 | Segment Performance

5 | Awards

Awards

2014	Excellence in Corporate Banking in the Middle East		2014	The Best Home Finance	
2014	Best Internet Bank in Saudi Arabia		2014	Best Internet Bank in Saudi Arabia	
2014	Best Sustainable Bank in Saudi Arabia		2013	Best SME Bank Saudi Arabia	
2014	Best Personal Finance Program in Saudi Arabia		2013	Excellence in Corporate Banking Middle East	
2014	Best Banking Group in Saudi Arabia		2013	Best Banking Group in Saudi Arabia	
2014	Best SME Bank in Saudi Arabia		2013	Banker Middle East magazine awards	
2014	Banker Middle East Magazine Awards		2013	Best Home Finance	