

# Saudi Hollandi Bank

## Investor Presentation Financial Update – Year 2014



# Important notice



## Disclaimer:

The information in this presentation is prepared by Saudi Hollandi Bank. The information is solely intended to provide financial and general information about Saudi Hollandi Bank's activities at the date of the presentation. The information in the Presentation is strictly proprietary and being supplied to you solely for your information. This information may not be reproduced, distributed or passed to a third party or used for any other purposes than stated above.

The information in this presentation is given in a summary form and does not purport to be complete. The information contained herein has been obtained from the sources believed to be reliable but does not guarantee its accuracy, reasonableness or completeness. Whilst all reasonable care has been taken to ensure that the facts stated herein are accurate and that the opinions and expectations contained herein are fair and reasonable, no reliance may be placed for any purposes whatsoever on the information, opinion, forecast and assumptions contained in the Presentation or on its completeness, accuracy or fairness. No representation or warranty, express or implied, is given/made by the company or its affiliates as to the accuracy, fairness and completeness of the information contained herein and no liability is accepted for any loss, arising, directly or indirectly, from any use of such information.

## Forward looking Statements:

The information in this presentation could or may contain forward-looking statements with respect to financial conditions and results of operations. These forward-looking statements are not historical facts and represent only SHB's beliefs regarding future events and, many of which by their nature are inherently uncertain and beyond the bank's control which could cause actual results, performance or events to differ materially from those expressed or implied in such statement.

There are several factors that could cause actual results to differ materially from those anticipated by forward-looking statements contained in this presentation include, but not limited to: changes in economic, business, competitive, global, market, regulatory, interest rates, tax rates etc.

1 | Group Overview

2 | Strategy

3 | Financial and Operating Performance

4 | Segment Performance

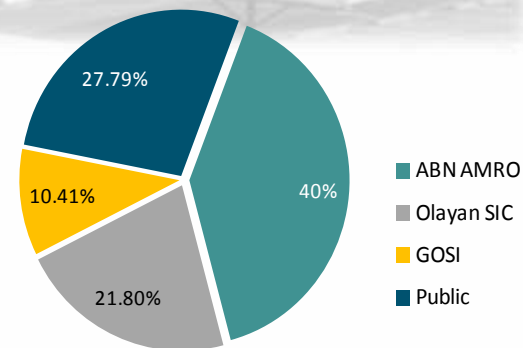
5 | Awards

## 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 55 branches and a network of 382 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 :

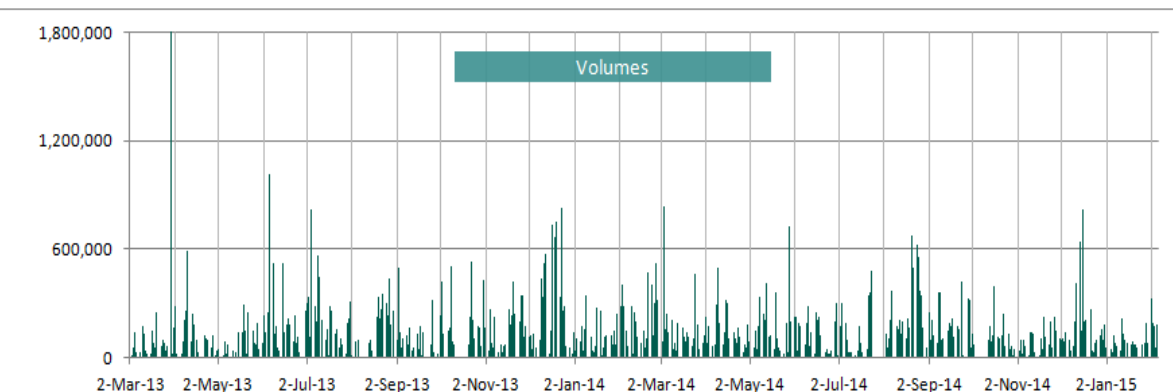
- **Saudi Hollandi Capital:** Manage the Group's Investment services , Asset management and Brokerage activities.
- **Saudi Hollandi Real Estate Company:** Registration of real estate title deeds in support of the bank's home financing products.
- **Saudi Hollandi Insurance Company :**The company act 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
<b>MOODY'S</b>	A1	P-1	Stable
<b>Fitch Ratings</b>	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

2 | Strategy

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.

1 | Group Overview

2 | Strategy

3 | Financial and Operating Performance

4 | Segment Performance

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

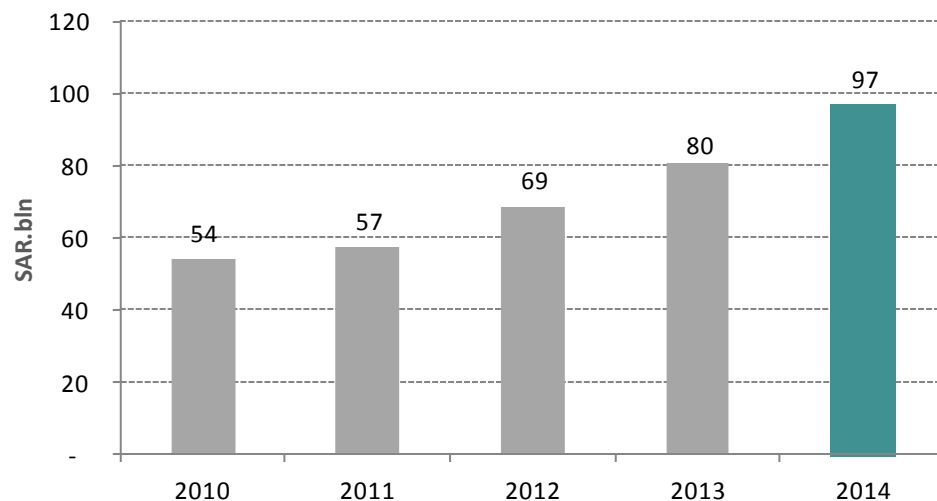
<i>in SAR mln</i>	<b>FY-2014</b>	<b>FY-2013</b>	<i>Growth YOY</i>
Net Interest Income	1,966	1,624	21%
Non Interest Income	1,216	992	23%
<b>Operating Income</b>	<b>3,182</b>	<b>2,616</b>	22%
Operating cost	1,011	895	13%
<b>Operating Profit</b>	<b>2,171</b>	<b>1,721</b>	26%
Impairment & Provisions	(346)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

<i>in SAR mln</i>	<b>FY-2014</b>	<b>FY-2013</b>	<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

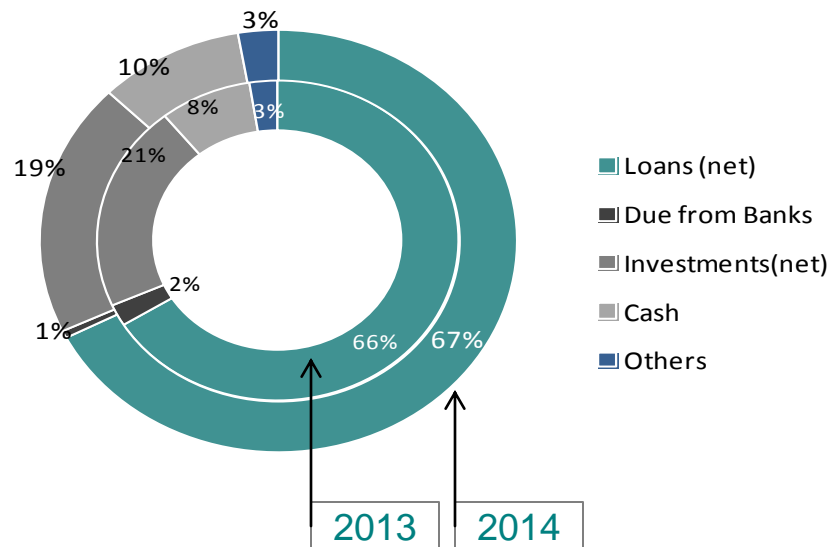
## Increase balance sheet primarily due to loan growth

- 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

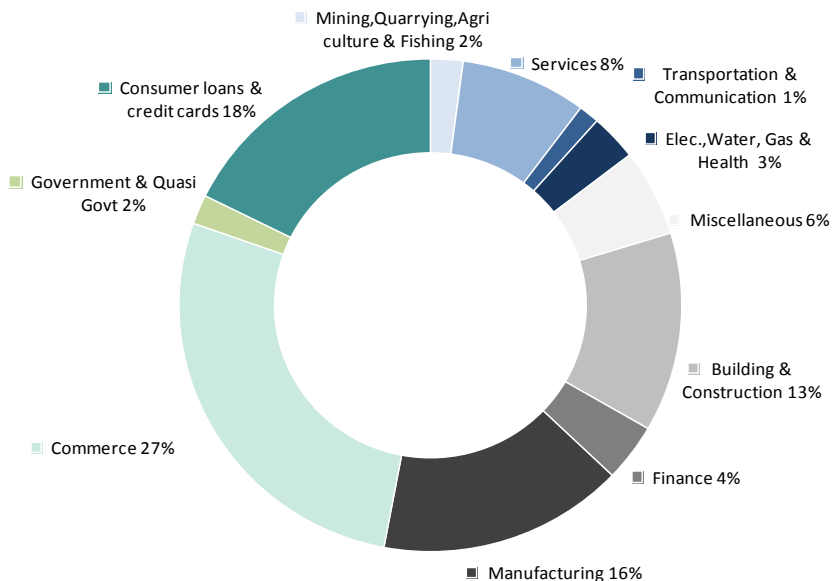


### Asset mix



# Loan Portfolio - growing at a steady rate...

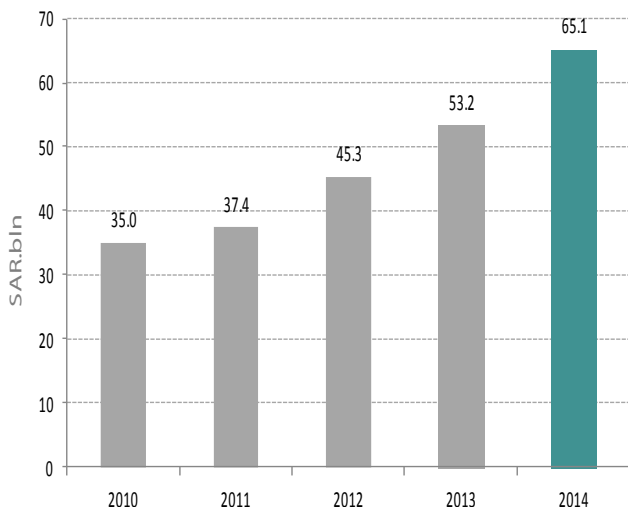
## Loan Portfolio Breakdown



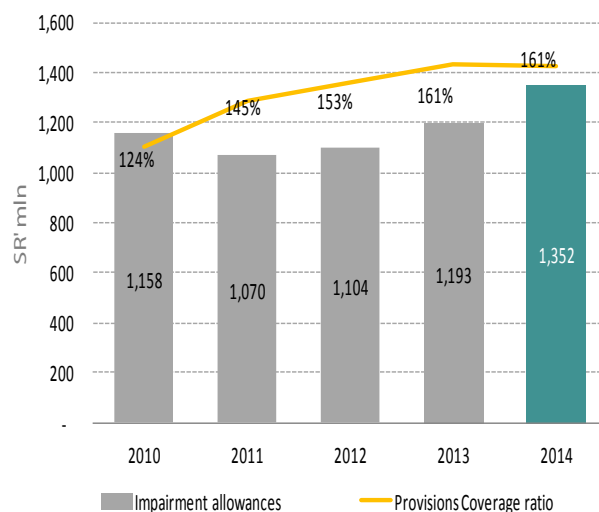
## Key Highlights...

- 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.

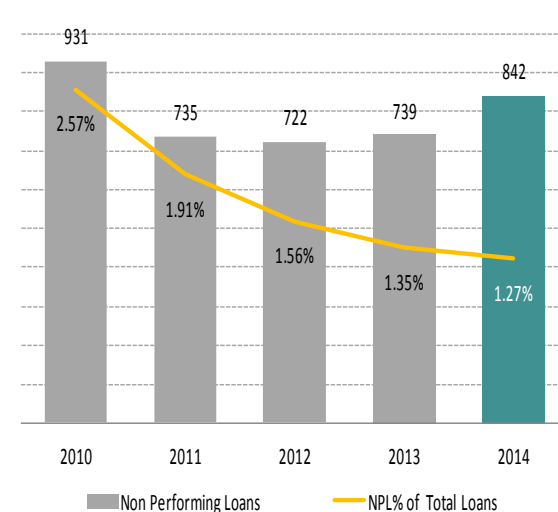
## Increase in Loan Portfolio



## Highly Conservative Coverage

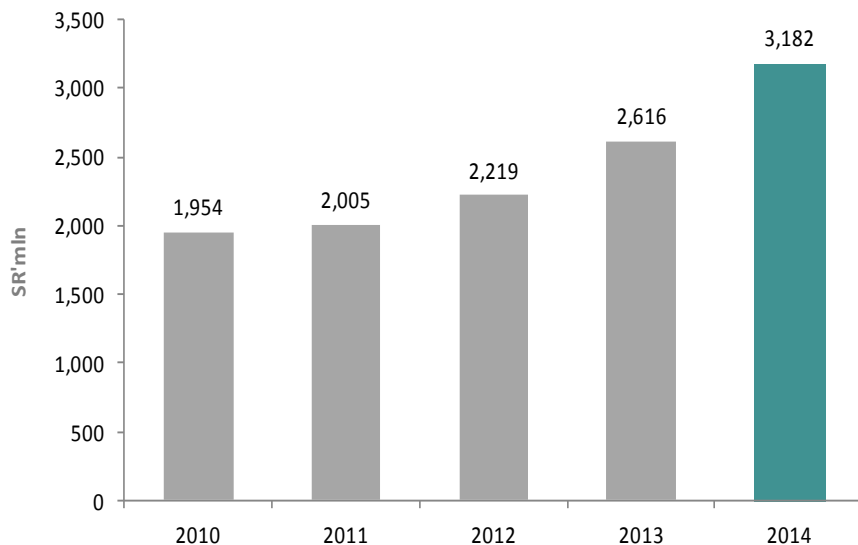


## Non Performing Loans and NPL %

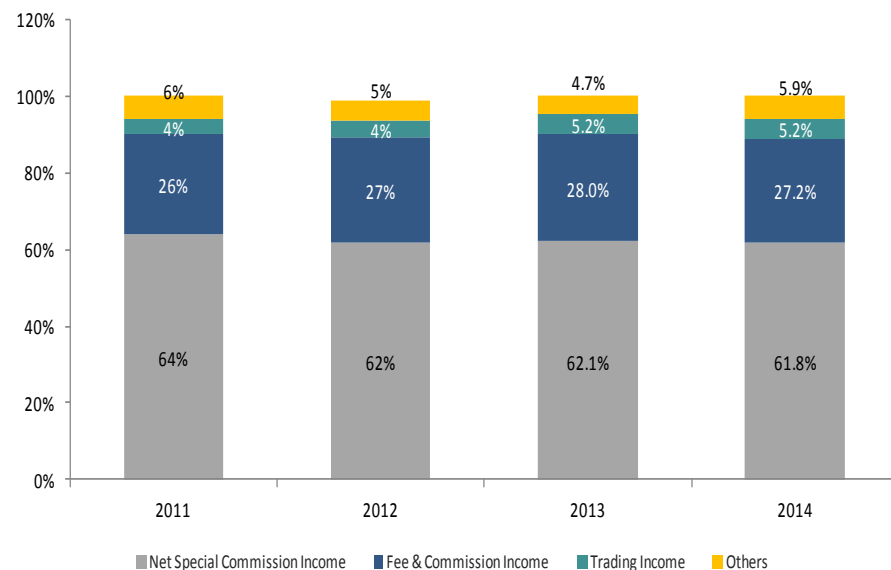


# Revenue breakup

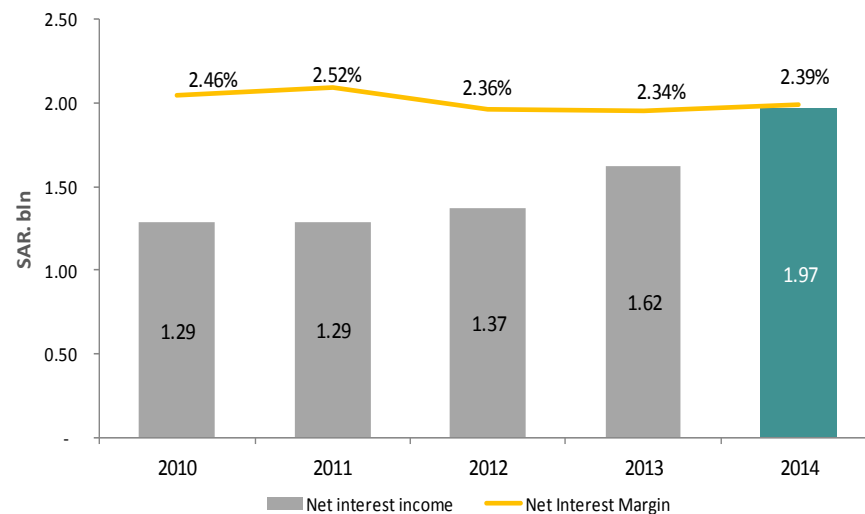
## Operating Income



## Operating Income breakup



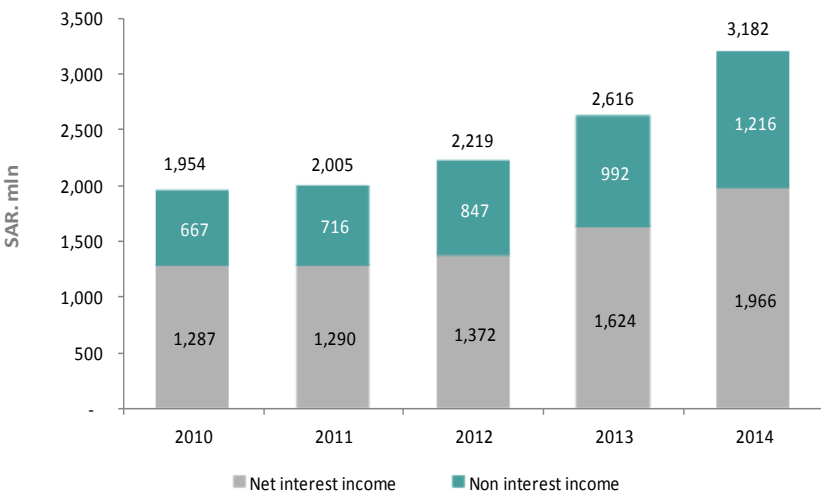
## Evolution of Net Interest Margin



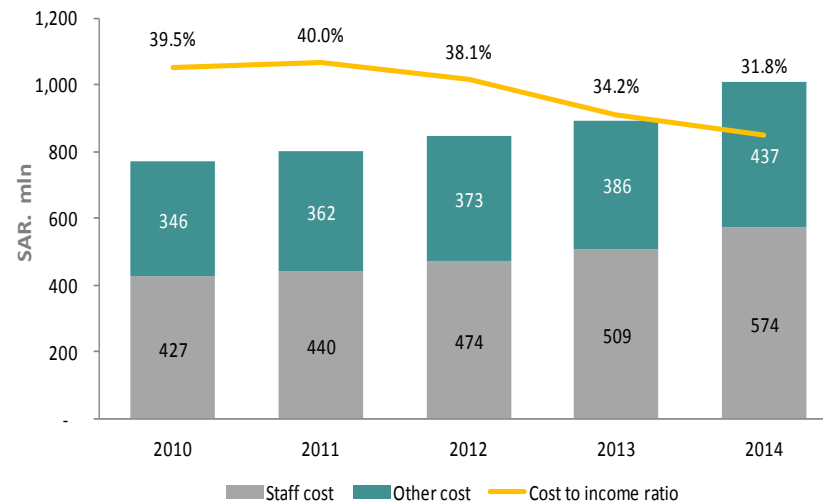
- Operating Income increase by 26% yoy during Year 2014.
- Net special Commission Income increased by 21% compared to Year-2013.
- Non funded Income increased by 23% compare to Year-2013.
- Contribution of Non-funded Income towards the total revenue at 38.2% represent improved cross-sell and customer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

# Financial Summary Trends

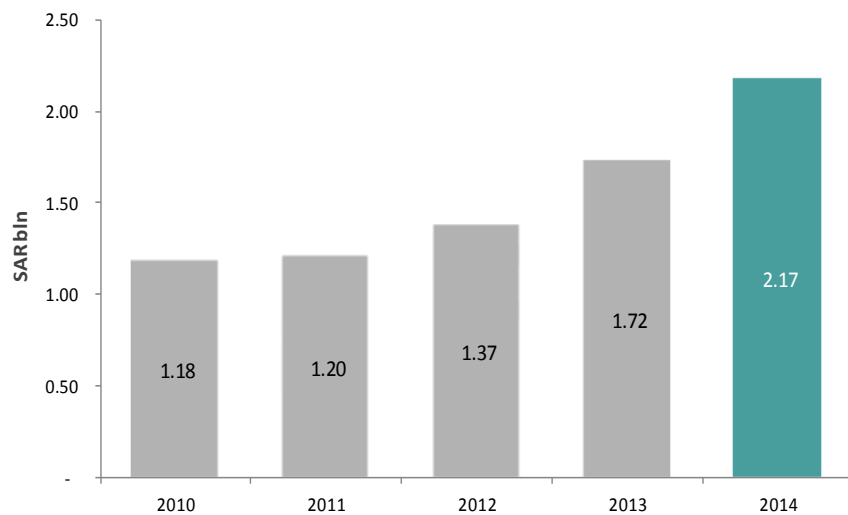
## Operating Income breakup



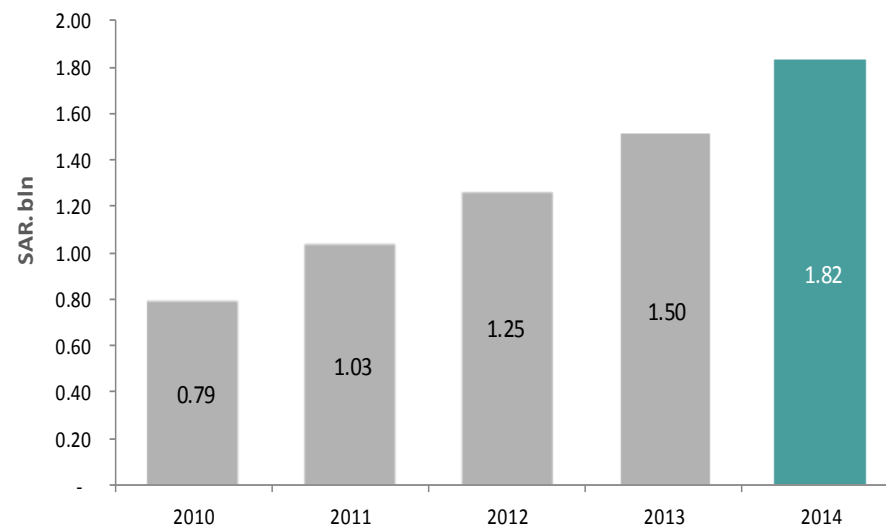
## Operating expenses / Cost to Income ratio



## Operating Profit



## Net Profit

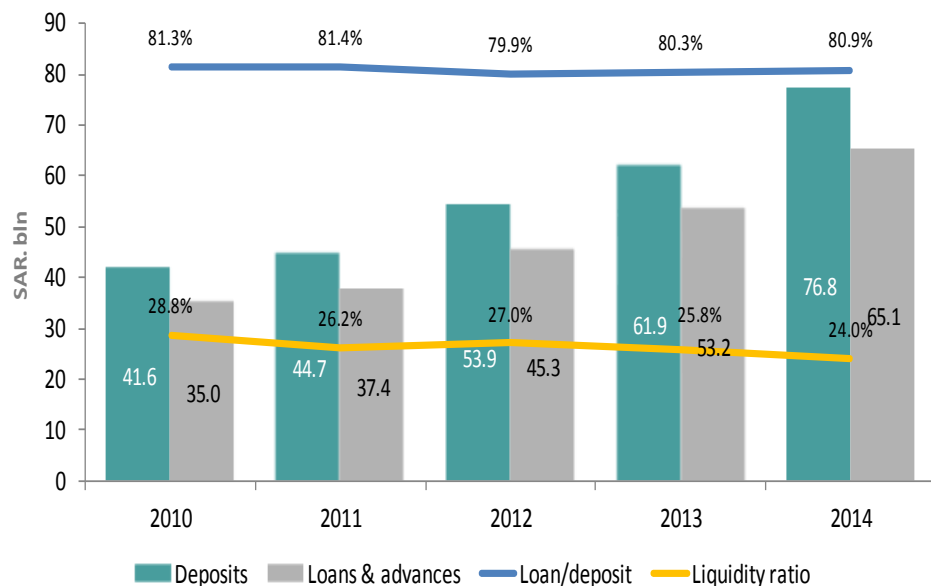




# Capital, funding & liquidity

- 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



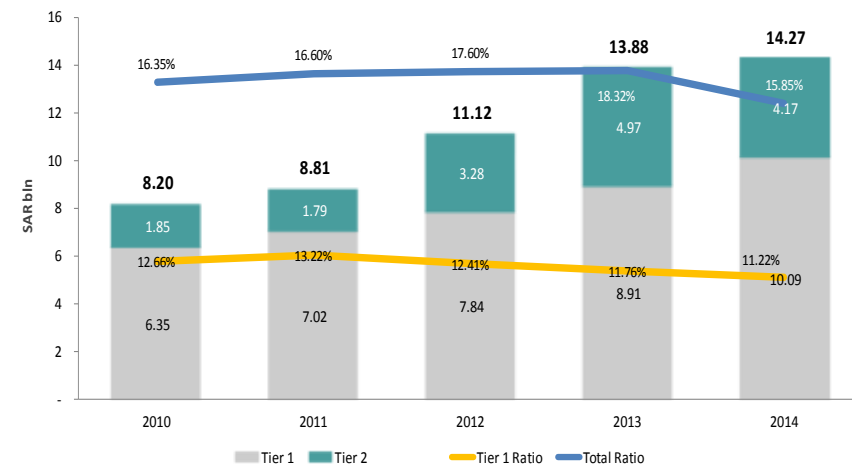
## Regulatory capital (Basel III)

in SAR mln	FY-2014	FY-2013
Paid up share Capital	4,763	3,969
Retained earning <sup>[1]</sup>	1,662	1,709
Eligible reserves	3,666	3,211
Other additions /reserves	4	22
<b>Common Equity Tier 1 Total</b>	<b>10,095</b>	<b>8,911</b>
Subordinated loan capital <sup>[2]</sup>	3,620	4,485
Provisions	523	463
Other Tier 2 ( staff share plan)	28	22
<b>Total Tier 2</b>	<b>4,171</b>	<b>4,970</b>
<b>Total Capital</b>	<b>14,266</b>	<b>13,881</b>
<b>RWA Basel III</b>	<b>89,999</b>	<b>75,790</b>
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.

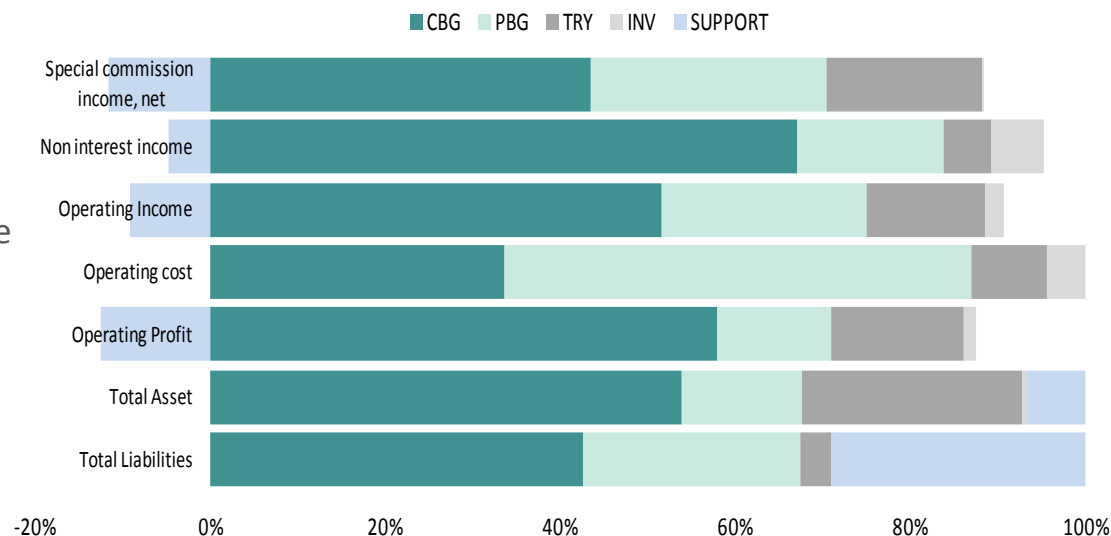
### Underlying results by segment

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)
<b>3,182</b>	<b>2,616</b>	<b>22%</b>	<b>Operating Income</b>	<b>2,017</b>	<b>918</b>	<b>528</b>	<b>83</b>	<b>(363)</b>
1,011	895	13%	Operating cost	340	539	87	45	-
<b>2,171</b>	<b>1,721</b>	<b>26%</b>	<b>Operating Profit <sup>[1]</sup></b>	<b>1,676</b>	<b>378</b>	<b>441</b>	<b>38</b>	<b>(363)</b>
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]

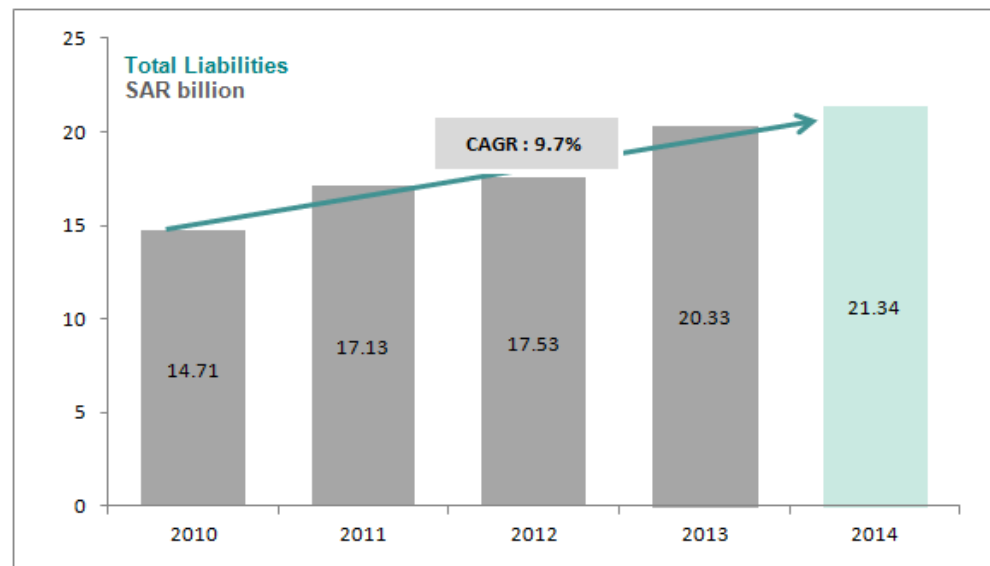
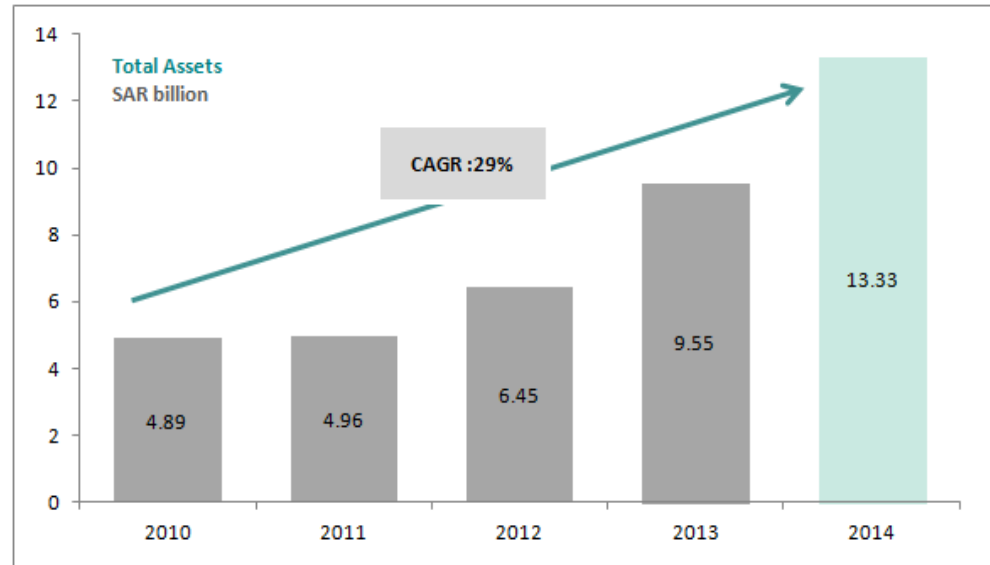
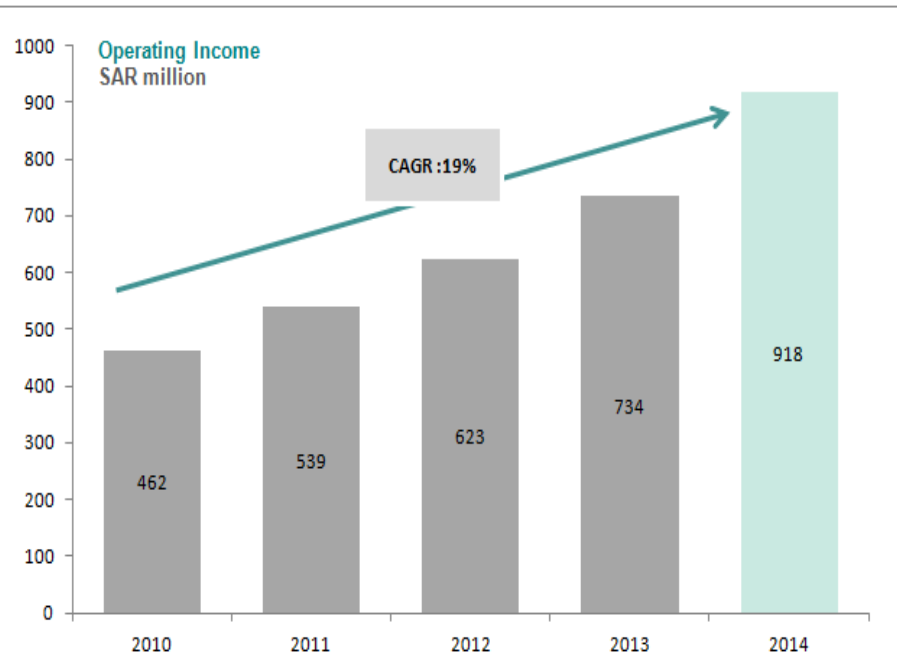
[1] Operating profit is exclusive of Impairment & Provisions

### Relative contribution per segment



# Personal Banking , putting clients first

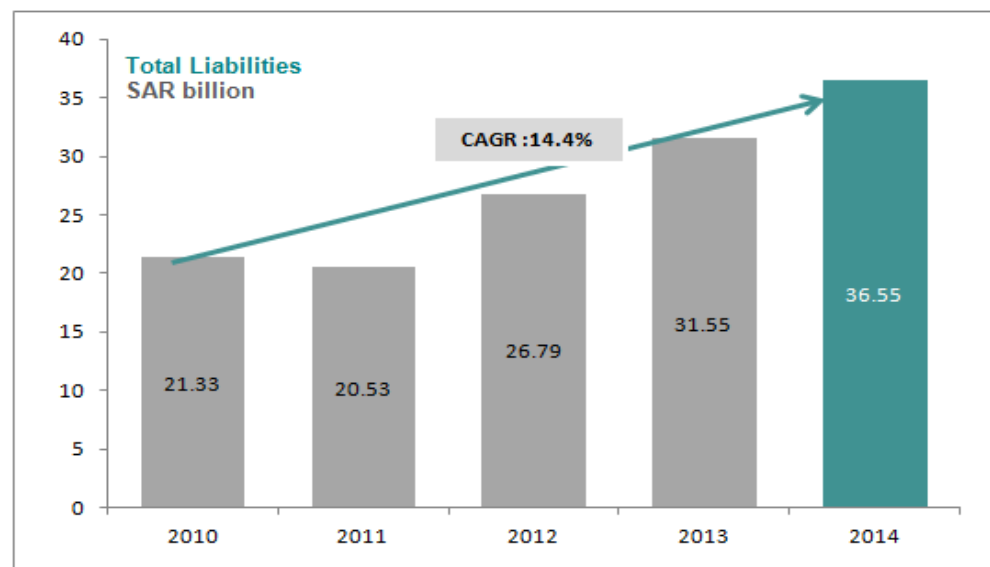
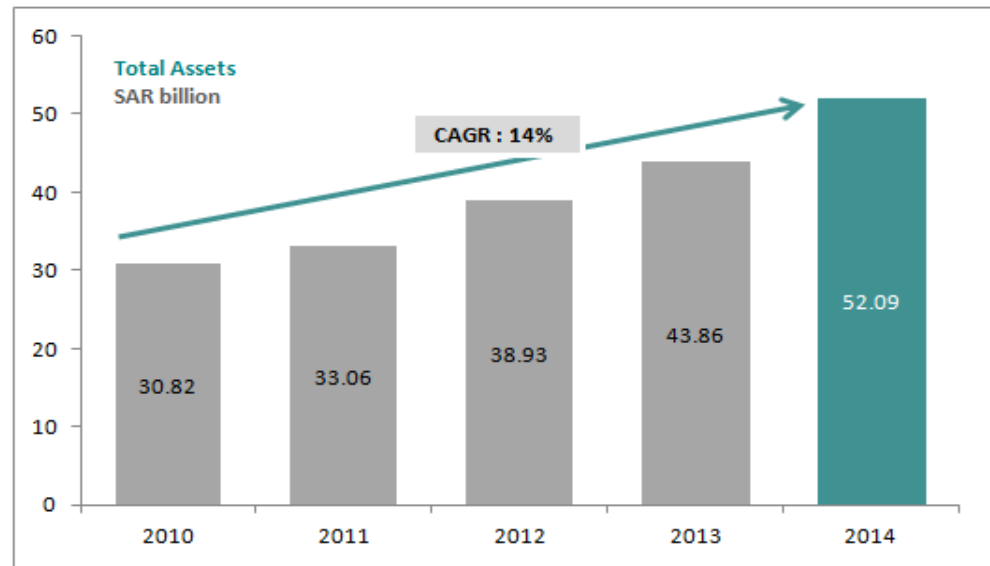
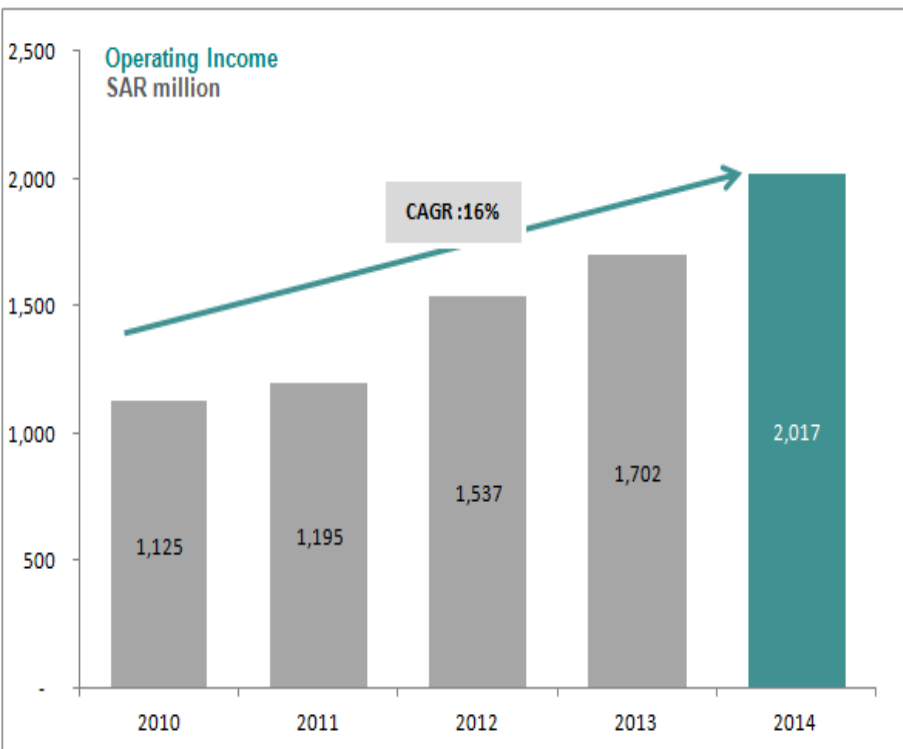
Sustained revenue growth and improvement in profitability



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