



Banque Saudi Fransi

3Q 2022 Earnings Presentation

9 November 2022



EARNINGS PRESENTATION 3Q 2022

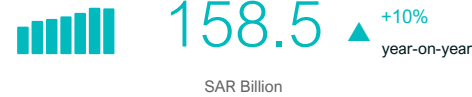
Highlights

Balanced asset and liability growth, coupled with improved profitability

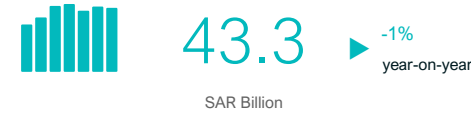
BALANCE SHEET

- High quality loan growth of 10% YoY driven by 10% commercial and 9% consumer lending growth.
- Deposit growth of 10% YoY.

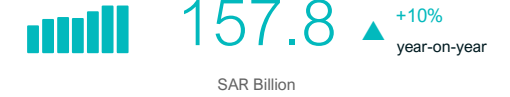
Loans & Advances



Investments



Customers' Deposits



INCOME STATEMENT

- 8% top-line growth from 10% NII growth, despite 5bps margin contraction.
- Net income grew 9% driven by income growth.

Operating Income



NIM



Net Income



ASSET QUALITY

- 19bps YoY rise in NPL ratio.
- Moderating NPL coverage ratio YoY.
- Trends impacted by isolated pockets of migration in the Commercial book; healthy underlying quality.

NPL Ratio



NPL Coverage Ratio



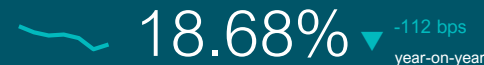
Cost of risk



CAPITAL & LIQUIDITY

- Capital & liquidity remain strong and comfortably within regulatory limits.
- Decline in T1 Ratio from RWA growth and MTM on investment securities.

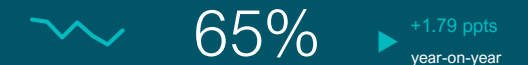
T1 Ratio



LCR



NIBD % of Total Deposits





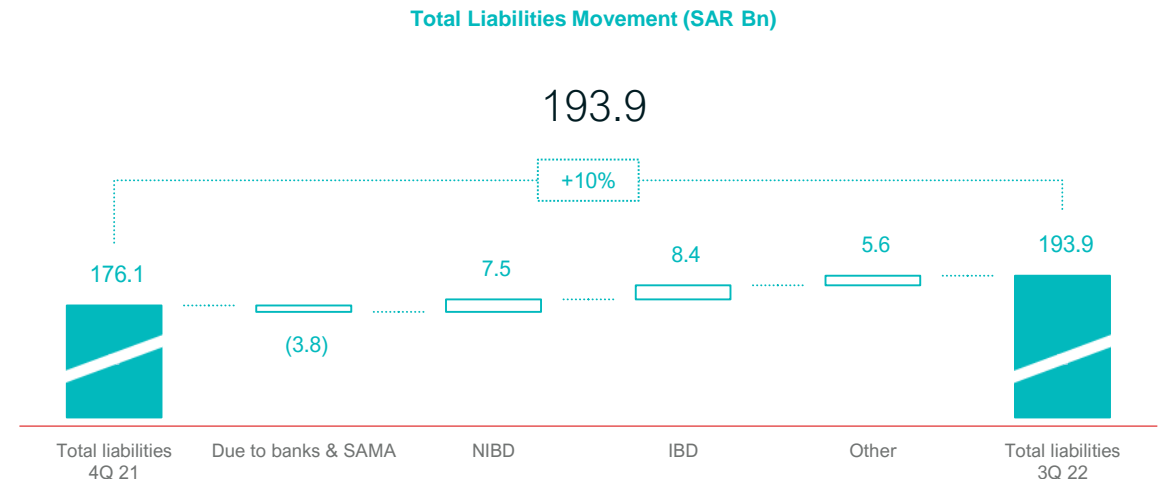
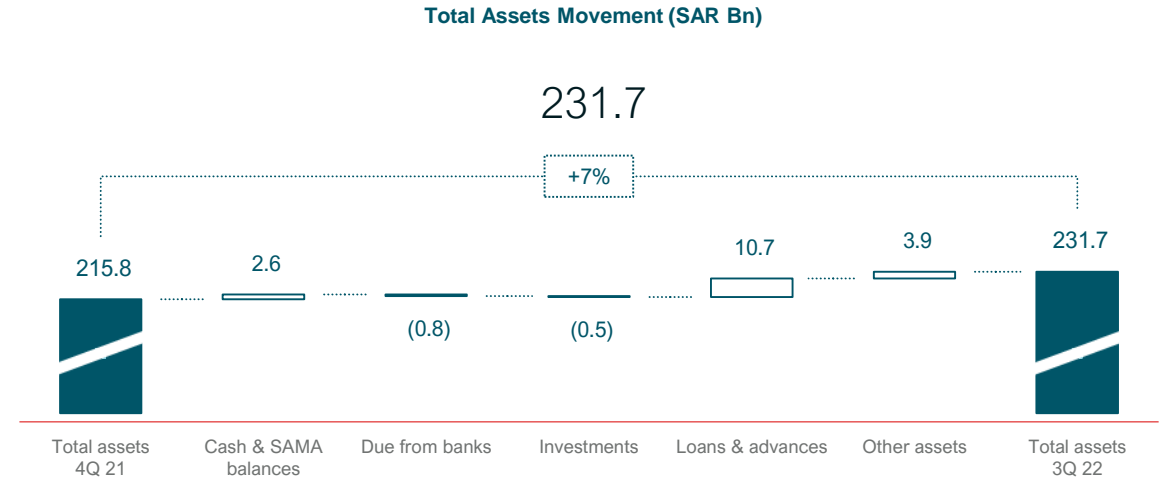
EARNINGS PRESENTATION 3Q 2022

Financial Performance

Balance sheet growth driven by lending, with commensurate deposit growth

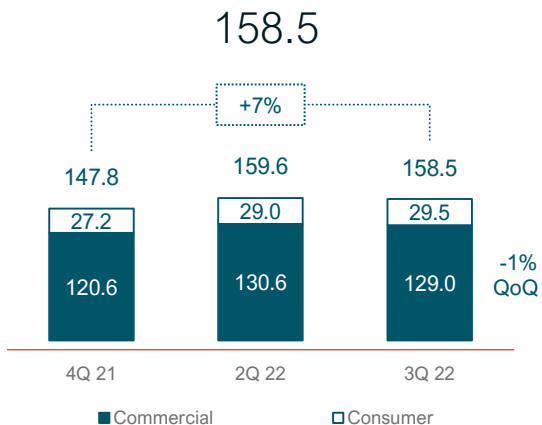
- Growth in total assets of 7% YTD, mainly driven by healthy 7% loan growth.
- Liabilities grew by 10% during 9M 2022 from 11% deposit growth.
- Total equity declined 5% YTD due to MTM on debt securities and cash flow hedges; this impact will gradually fade and be recycled to the income statement until maturity.
- Other assets and liabilities increased from changes in fair values of derivatives.

SAR (Mn)	3Q 2022	4Q 2021	Δ%	3Q 2021	Δ%
Cash & SAMA balances	12,428	9,795	+27%	9,635	+29%
Due from banks	4,507	5,324	-15%	5,389	-16%
Investments	43,341	43,858	-1%	43,587	-1%
Loans & advances	158,481	147,813	+7%	144,393	+10%
Other assets	12,901	9,012	+43%	10,331	+25%
Total assets	231,659	215,802	+7%	213,335	+9%
Due to banks & SAMA	20,094	23,854	-16%	20,043	+0%
Customers' deposits	157,821	141,950	+11%	143,322	+10%
Other liabilities	15,939	10,312	+55%	10,728	+49%
Total liabilities	193,854	176,116	+10%	174,093	+11%
Share capital	12,054	12,054	+0%	12,054	+0%
Retained earnings	10,001	8,399	+19%	8,482	+18%
Other	10,750	14,233	-24%	13,707	-22%
Tier 1 Sukuk	5,000	5,000	+0%	5,000	+0%
Total equity	37,805	39,686	-5%	39,242	-4%

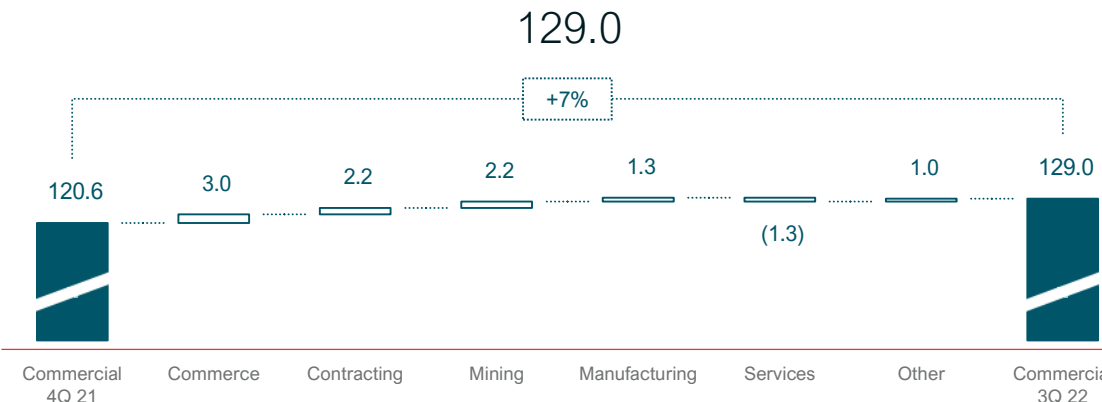


Healthy loan growth for 9M 2022; 3Q 2022 impacted by repayments

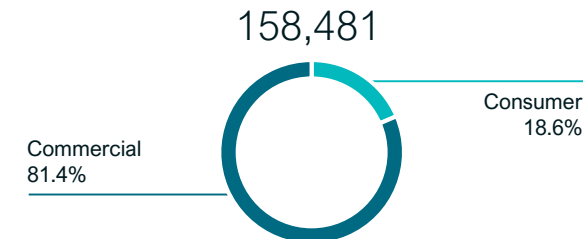
Total Loans & Advances (SAR Bn)



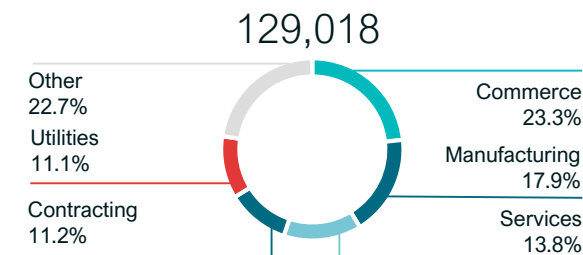
Commercial Loans Movement YTD (SAR Bn)



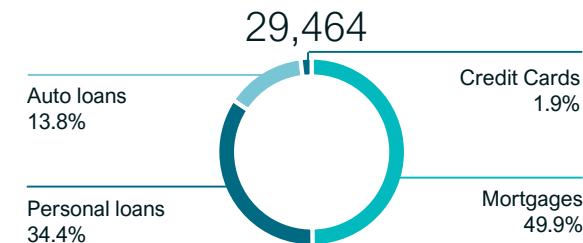
Loans & Advances Composition (SAR Mn)



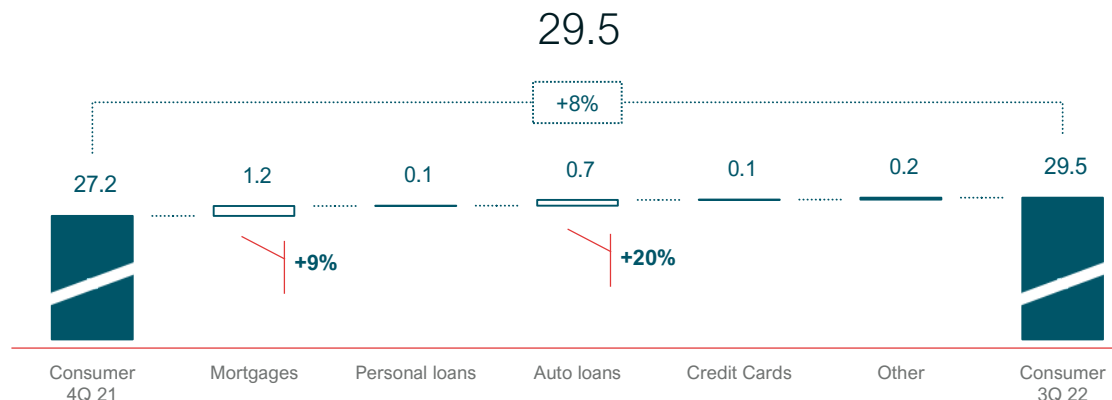
Commercial Loans Composition (SAR Mn)



Consumer Loans Composition (SAR Mn)



Consumer Loans Movement YTD (SAR Bn)

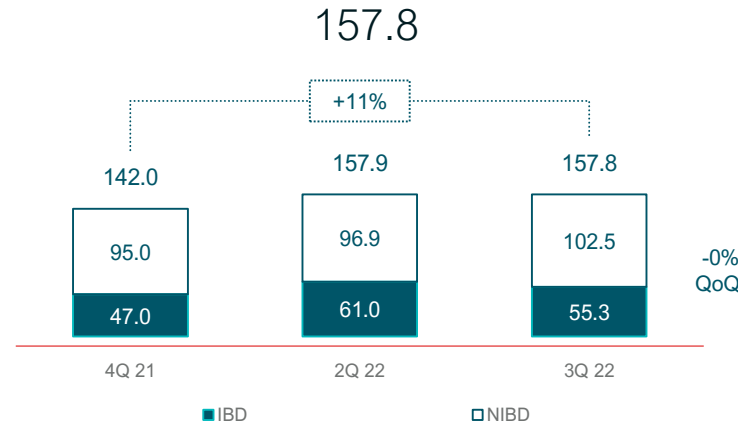


- Total loans & advances grew 7% during 9M 2022 from both consumer and commercial lending growth.
- Consumer loans grew 8% mainly from 9% growth in mortgages and 20% growth in auto loans.
- Commercial loans grew 7% during 9M 2022, which was broad-based across sectors, while the QoQ trend was impacted by repayments.

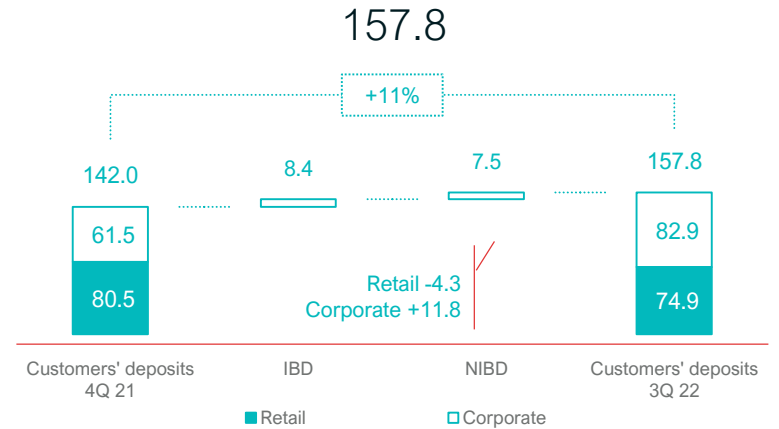
Strong 11% growth in deposits YTD

- Deposits grew 11% during 9M 2022, from growth in both IBD and NIBD.
- IBD increased 18% YTD from 34% growth in high-quality Corporate deposits.
- NIBD's grew 8% YTD from 35% growth in Corporate deposits.
- Retail deposits declined 7% YTD.
- As at 30 September 2022, 64.9% of deposits were non-interest bearing.

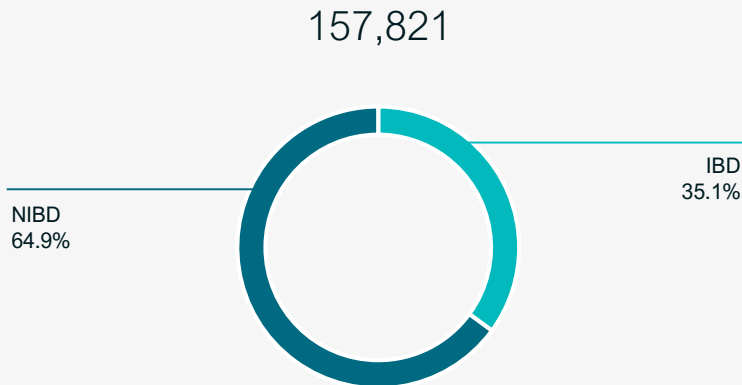
Customers' Deposits (SAR Bn)



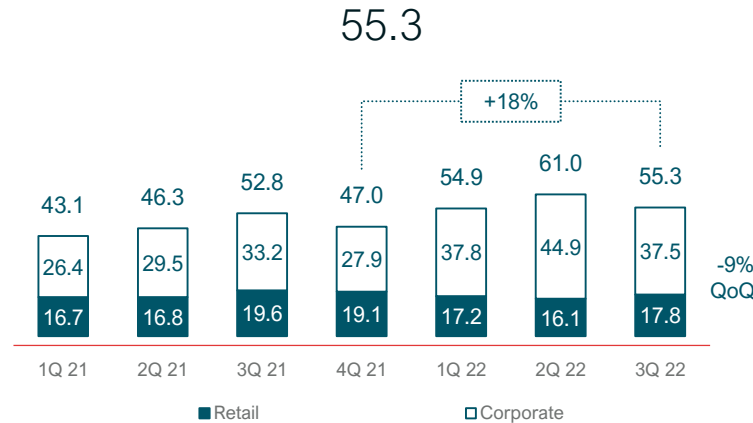
Customers' Deposits Movement (SAR Bn)



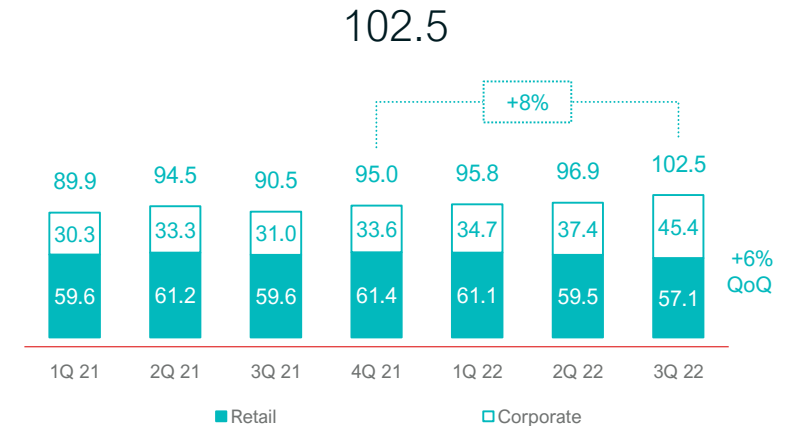
Customers' Deposits Composition (SAR Mn)



Interest Bearing Deposits (SAR Bn)



Non Interest Bearing Deposits (SAR Bn)



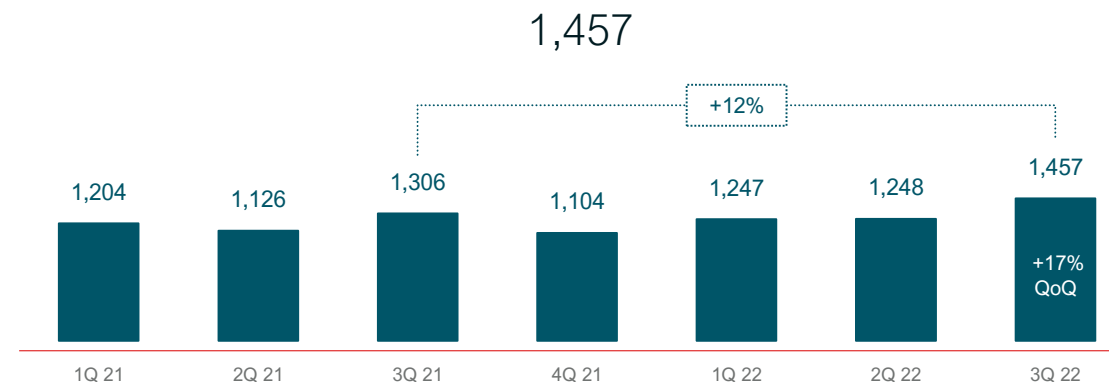
Note: Non-interest-bearing deposits are taken as the sum of Demand and Other deposits. Factually, some of these deposits are in fact interest-bearing, though their average cost is generally nominal.

Net income grew 10% year-on-year from income growth

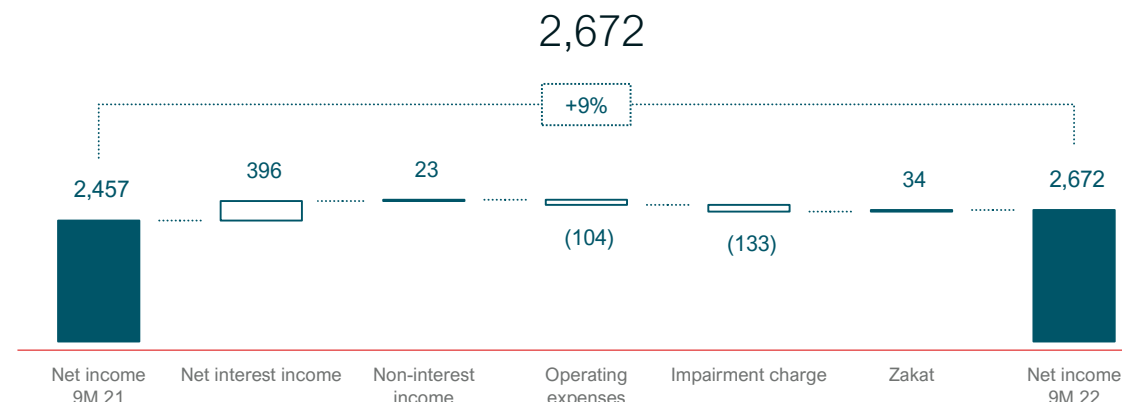
- Net income for 9M 2022 grew 9% YoY to SAR 2,672mn from 8% growth in operating income.
- Pre-impairment operating income for 3Q 2022 increased 12% YoY to a record SAR 1,457 million.
- Net income for 3Q 2022 grew by 6% YoY to SAR 961mn from 12% income growth and improved 15% QoQ on 13% income growth.

SAR (Mn)	9M 2022	9M 2021	Δ%	3Q 2022	3Q 2021	Δ%
Net interest income	4,437	4,041	+10%	1,646	1,424	+16%
Non-interest income	1,445	1,422	+2%	489	490	-0%
Operating income	5,882	5,463	+8%	2,135	1,914	+12%
Operating expenses	(1,930)	(1,827)	+6%	(678)	(608)	+11%
Net operating income before impairments	3,952	3,636	+9%	1,457	1,306	+12%
Impairment charge	(992)	(858)	+16%	(400)	(289)	+38%
Net income before zakat	2,960	2,778	+7%	1,057	1,017	+4%
Zakat	(288)	(322)	-11%	(96)	(110)	-12%
Net income	2,672	2,457	+9%	961	907	+6%
NIM	2.85%	2.90%	-5bps	3.03%	2.91%	+11bps
Cost to income ratio	32.8%	33.4%	-0.6ppts	31.8%	31.8%	-0.0ppts
Cost of risk	0.83%	0.80%	+3bps	0.98%	0.80%	+18bps
EPS	2.08	1.92	+9%	0.75	0.71	+7%
ROAE	9.2%	8.4%	+84bps	10.2%	9.2%	+93bps
ROAA	1.58%	1.60%	-1bps	1.66%	1.71%	-5bps

Net Operating Income Before Impairment Charge (SAR Mn)

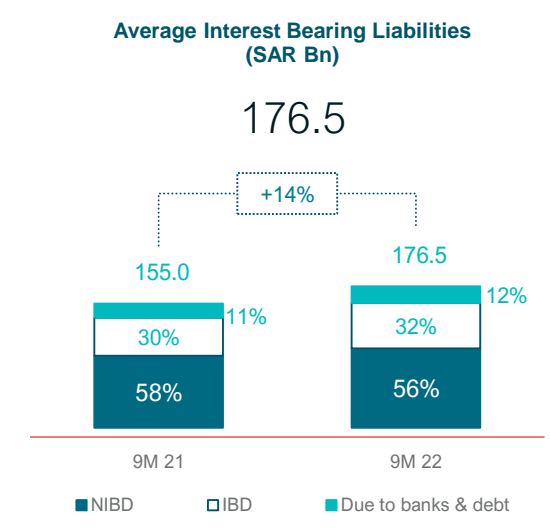
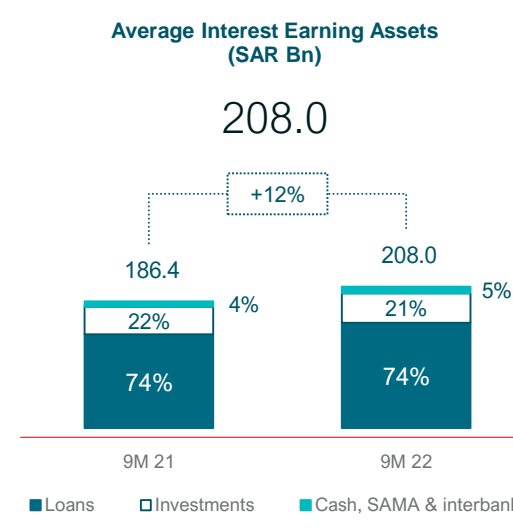
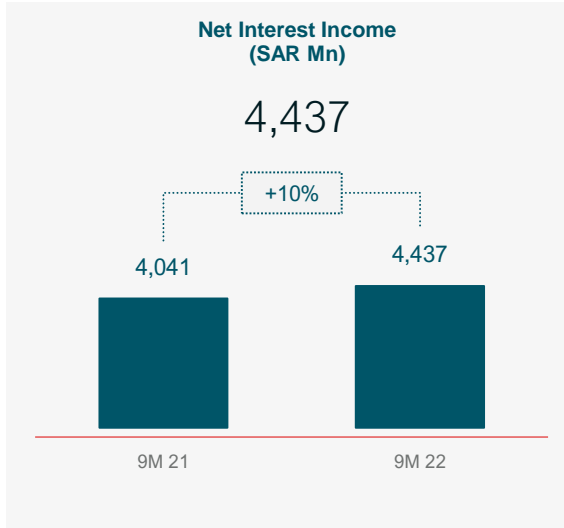


Net Income Movement (SAR Mn)

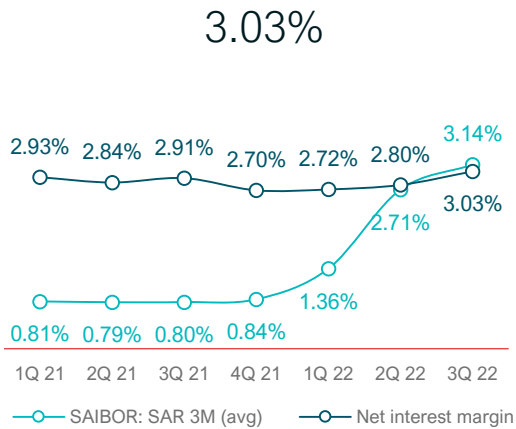


NII growth of 10% as earning assets growth partly offset by modest margin contraction

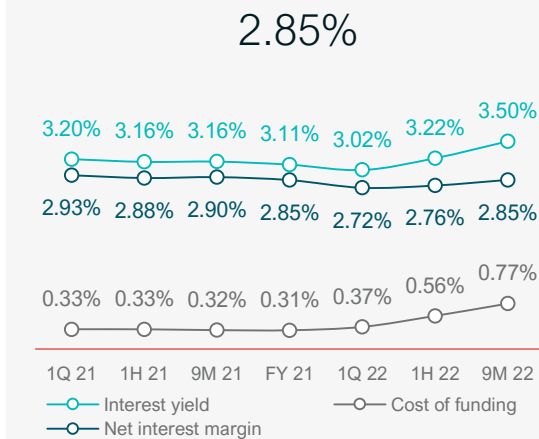
- NII for 9M 2022 grew 10% YoY to SAR 4,437mn on 12% growth in (simple) average earning assets, partly offset by a 5bps margin contraction.
- The YTD NIM declined 5bps YoY as the cash flow hedging impact and higher funding costs more than offset improved loan yields.
- Nevertheless, the quarterly NIM improved from 270bps in 4Q 2021 to 303bps in 3Q 2022.



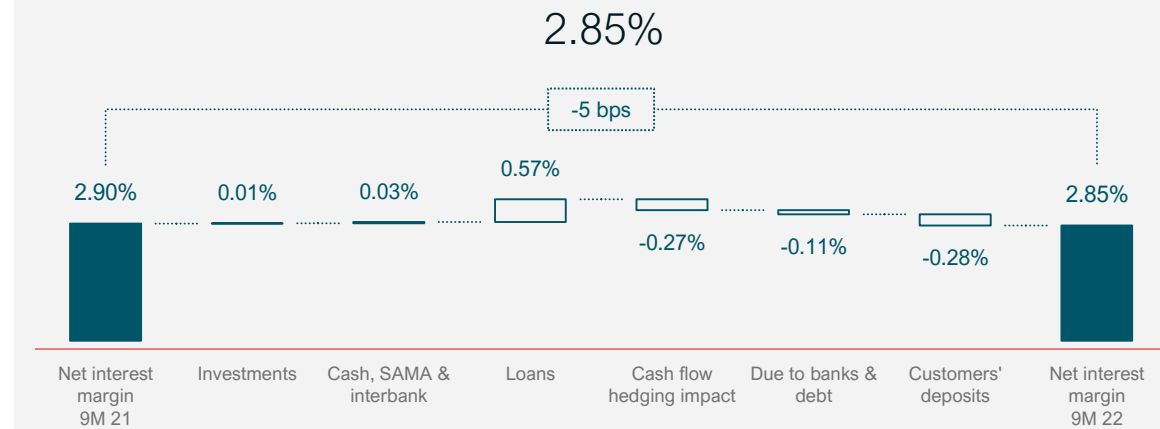
Quarterly Net Interest Margin Trend (%)



YTD Net Interest Margin Trend (%)



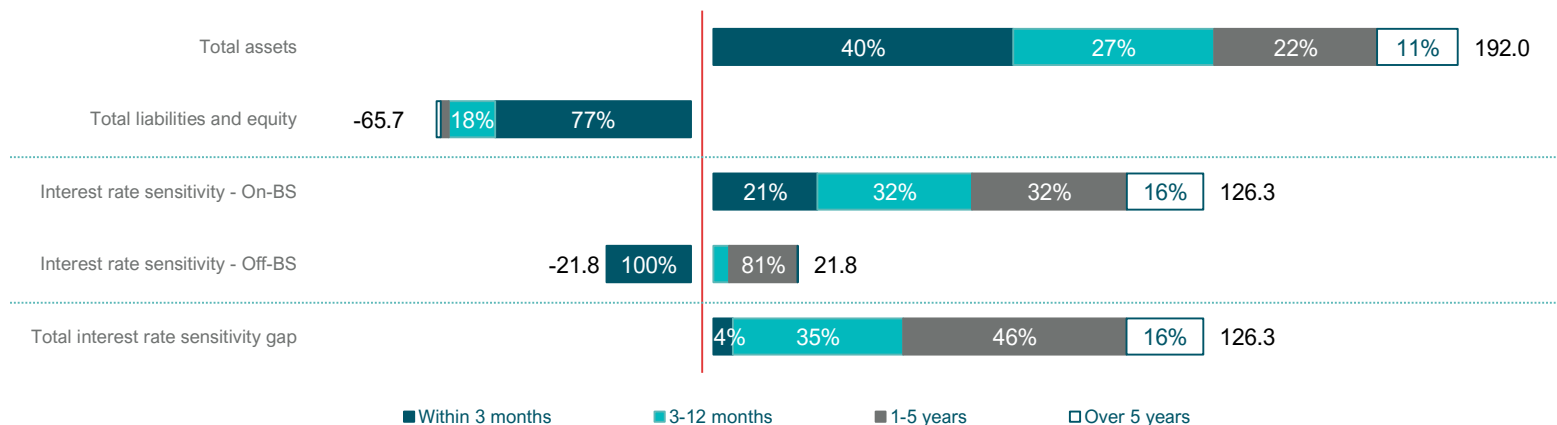
Net Interest Margin Movement (%)



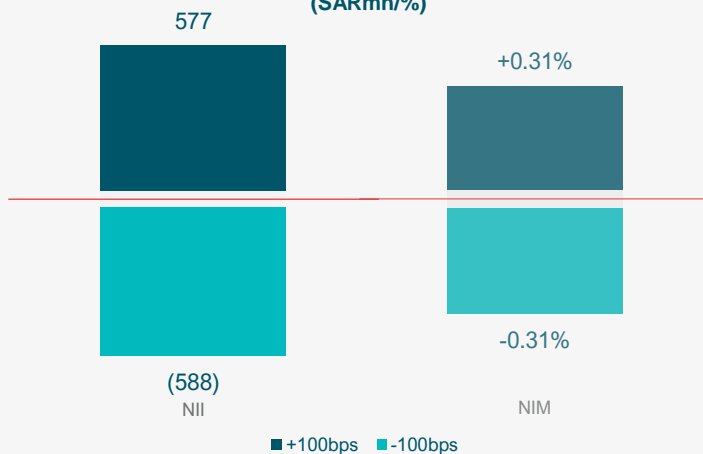
BSF is positively positioned for a rising rate environment

- At the start of the year, BSF estimated a 1-year NIM sensitivity of a 100bps rates rise at 31bps; at a stable balance sheet structure this would translate into SAR 577m higher NII.
- This reflects the net long position in variable rate assets, reflecting lending concentration towards corporate.
- Of the 275bps rate hikes in 9M 2022, the first 4 of 200bps (Mar, May, Jun, Jul) have partly repriced to date.
- Traditionally BSF mitigated its interest rate risk exposure through cash-flow hedges; the size of the CFH portfolio is driven by the development of BSF's balance sheet structure, IRR appetite & structural market trends.

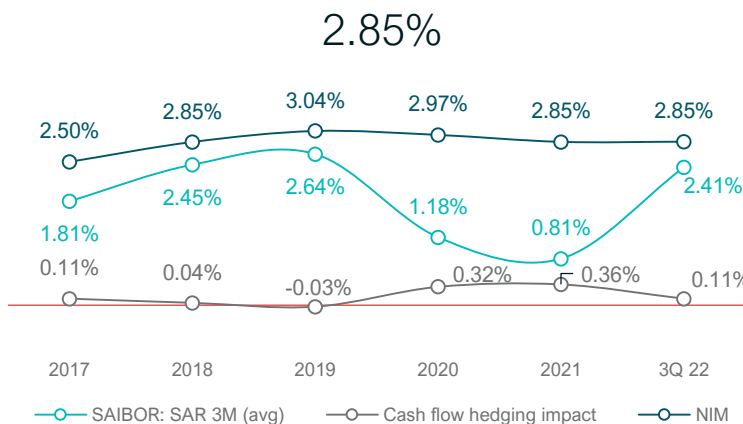
Exposure to Interest Rate Risk as at 31 December 2021 (SAR Bn)



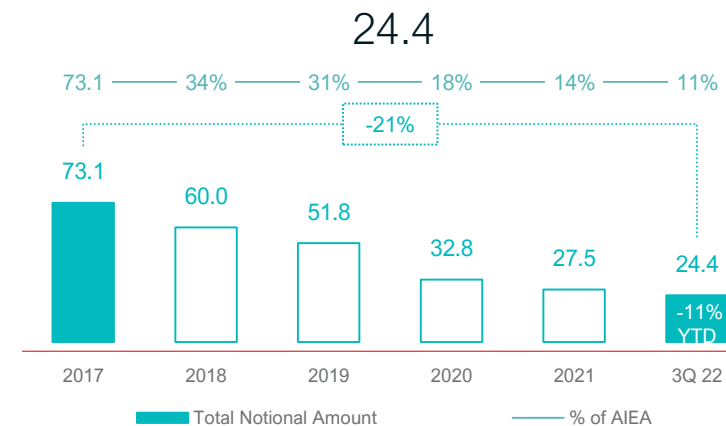
Impact of 100bps Rate Change as at 31 December 2021 (SARmn/%)



NIM, Rates and CFH Impact Trends (%)



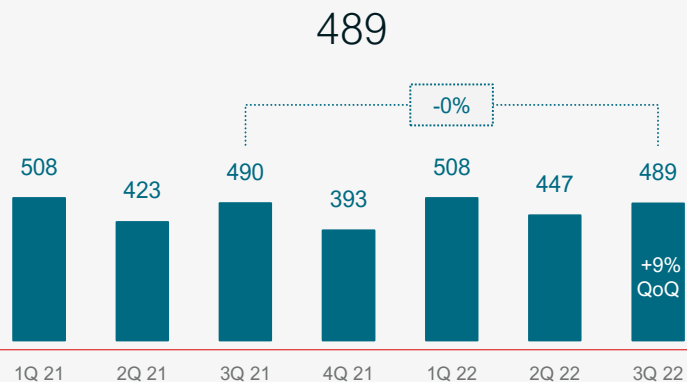
Cash Flow Hedges Swaps (SAR Bn)



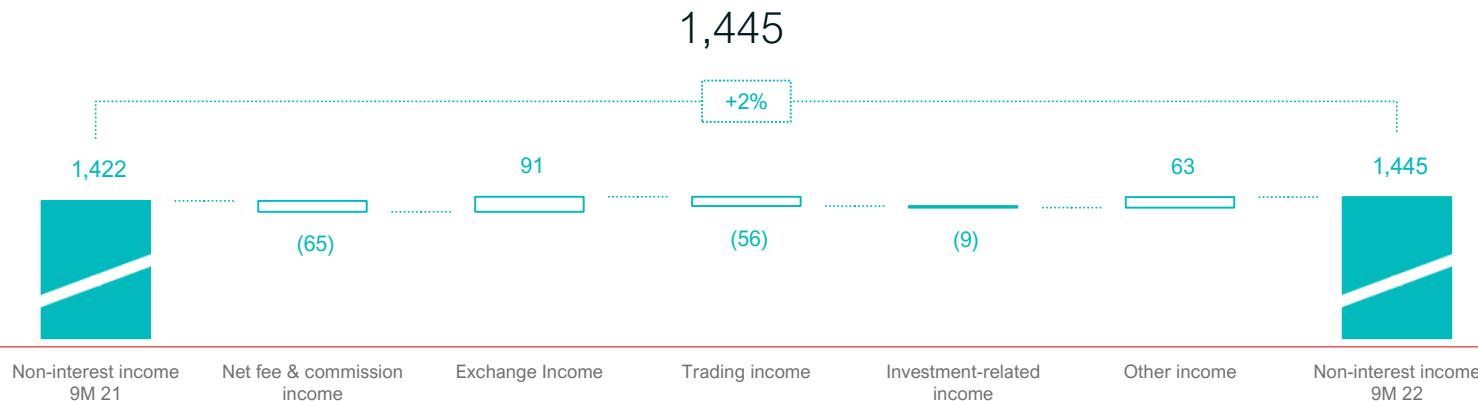
Note: Exposure to interest rate risk is shown in time buckets based on the earliest of first re-pricing date and contractual maturity; Interest rate sensitivity assumes 100bps parallel change in both SAR and USD rates.

Non-interest income grew 2% YoY from higher exchange and other income

Non-Interest Income (SAR Mn)

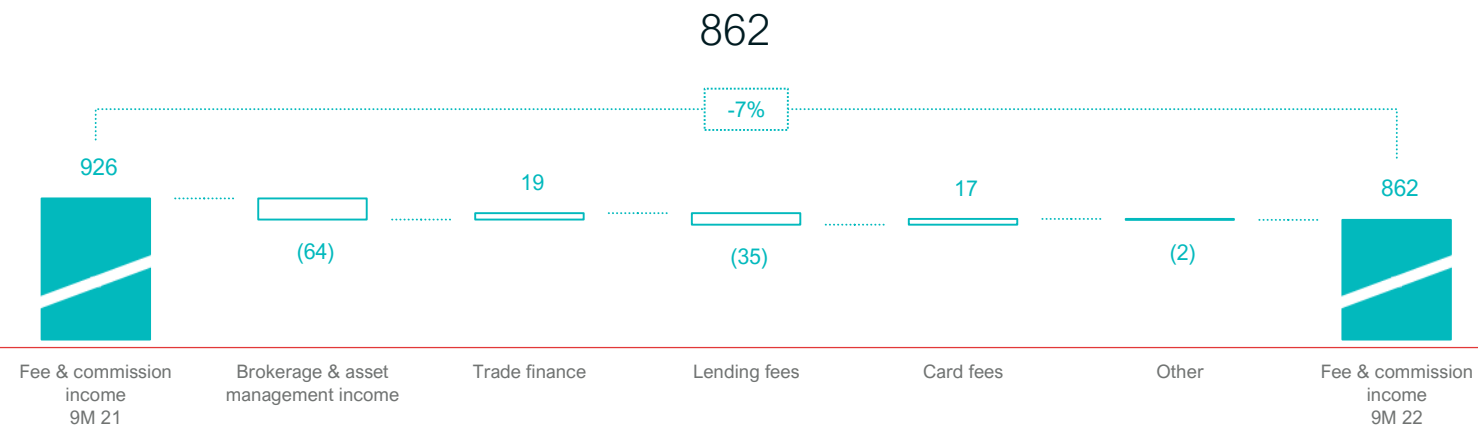


Non-Interest Income Movement (SAR Mn)



- Non-interest income for 9M 2022 grew 2% YoY to SAR 1,445mn as improved exchange and other income was partly offset by lower net fee & commission and trading income.
- Net fee & commission income dropped 7% YoY to SAR 862mn in 9M 2022 from lower market-driven brokerage and lending fee income, partly offset by higher trade finance and cards income.
- 3Q 2022 Non-interest income was stable YoY as improved exchange and other income was offset by lower net fee & commission and trading income.

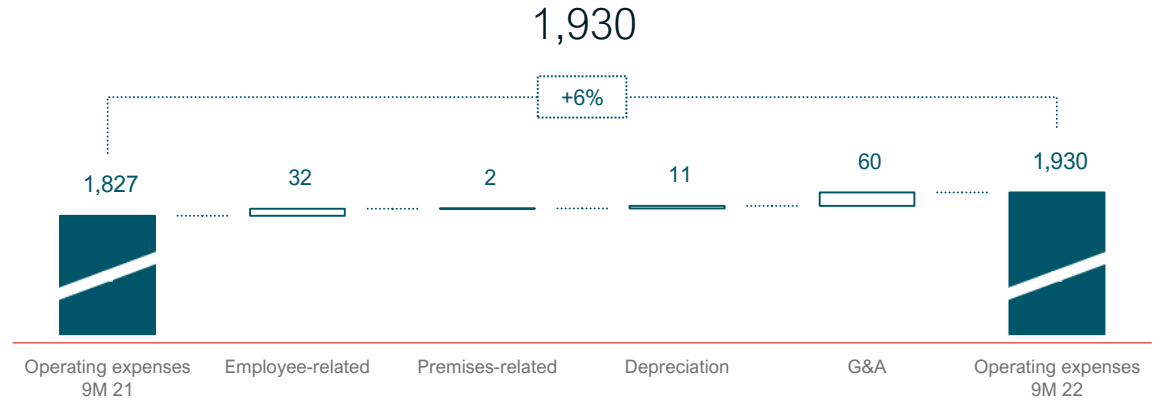
Fee & Commission Income Movement (SAR Mn)



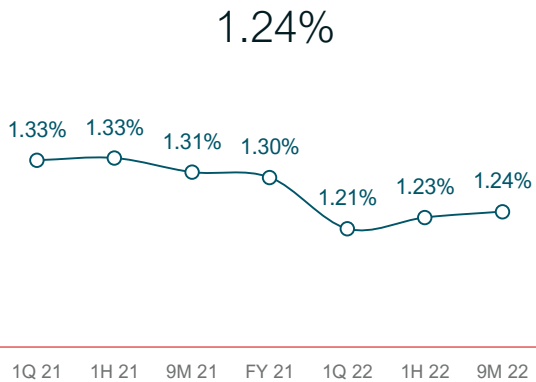
Operating expenses growth of 6% from higher employee-related and G&A expenses

- Operating expenses increased 6% YoY to SAR 1,930mn in 9M 2022 due to:
 - higher general and administrative expenses from increased business activity, non-regular and seasonal expenses, and
 - increased employee-related costs from higher utilization of FTE budgets.
- The YTD cost to income ratio improved by 0.6ppts YoY to 32.8% in 9M 2022 from 33.4% in 9M 2021.
- Operating expenses as a percentage of average interest-earning assets (AIEA) improved 7bps YoY to 1.24% for 9M 2022.
- Operating expenses for 3Q 2022 increased 11% YoY from higher G&A and employee-related expenses.

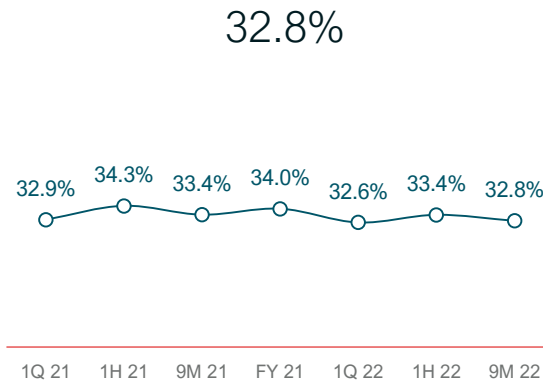
Operating Expenses Movement (SAR Mn)



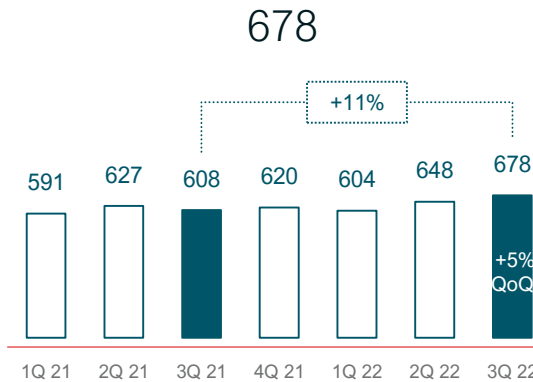
Cost To AIEA Ratio (%)



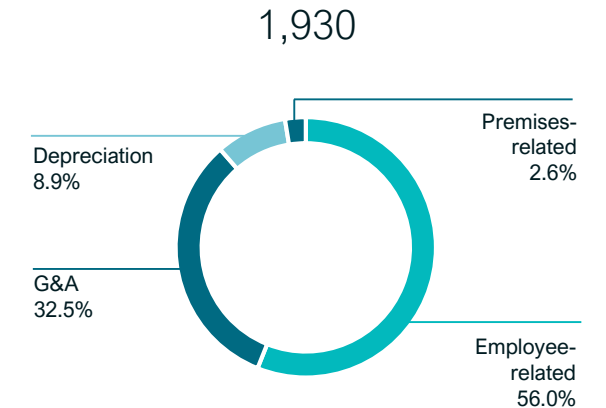
Cost To Income Ratio (%)



Operating Expenses (SAR Mn)

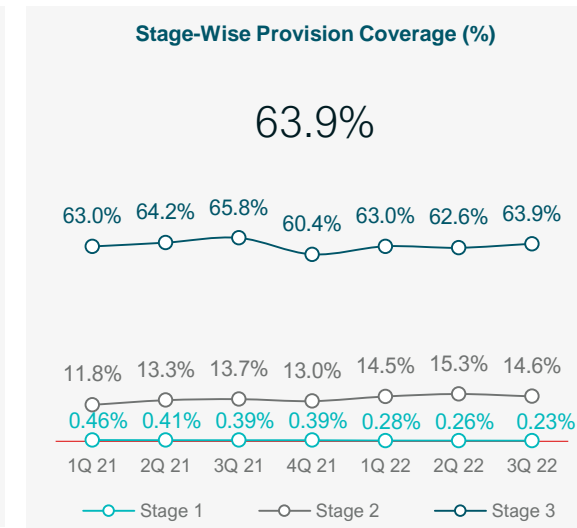
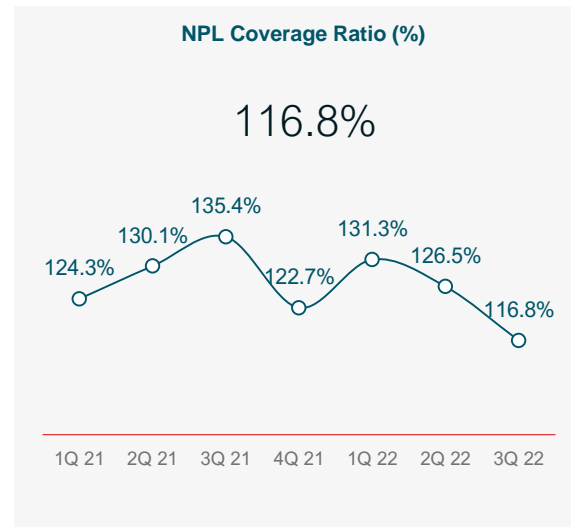
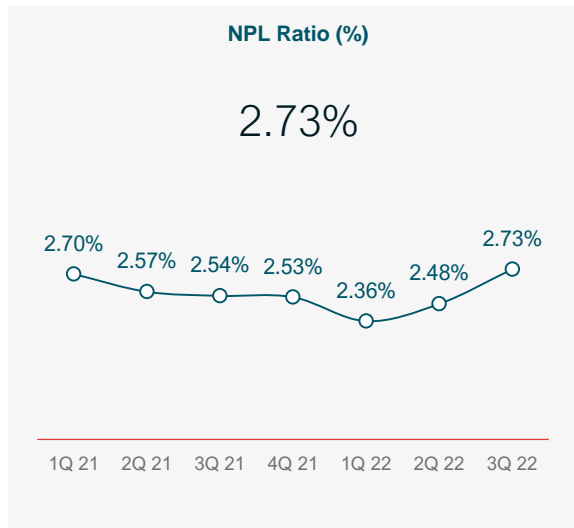
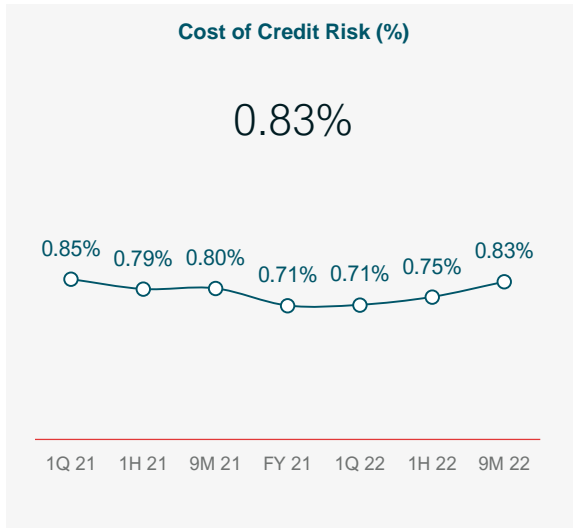
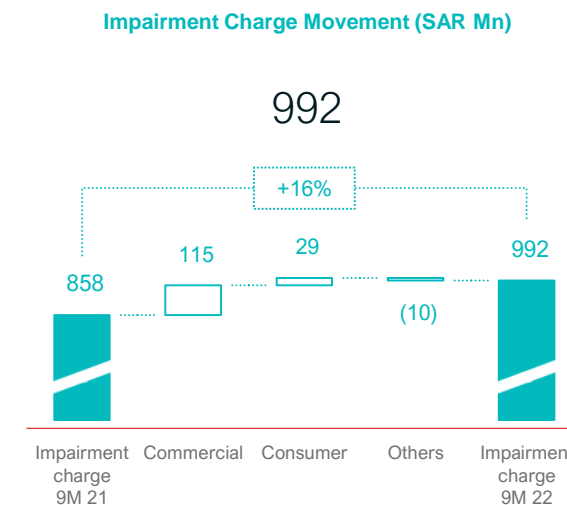
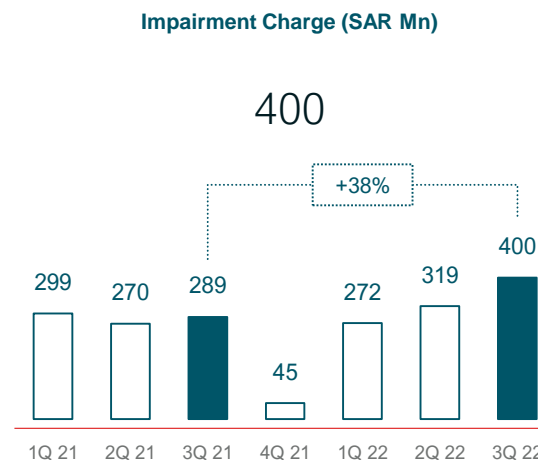
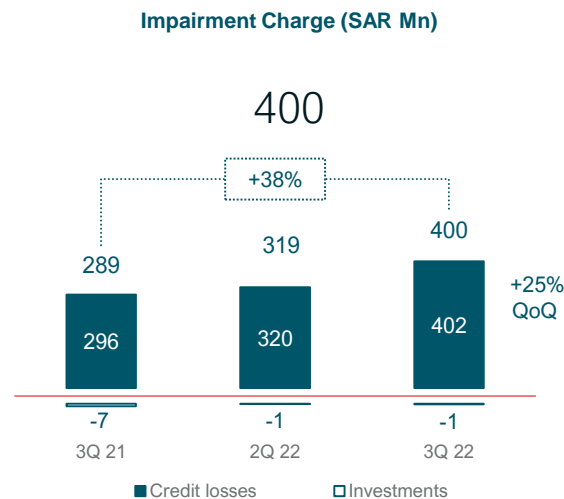


9M 22 Operating Expenses Composition (SAR Mn)



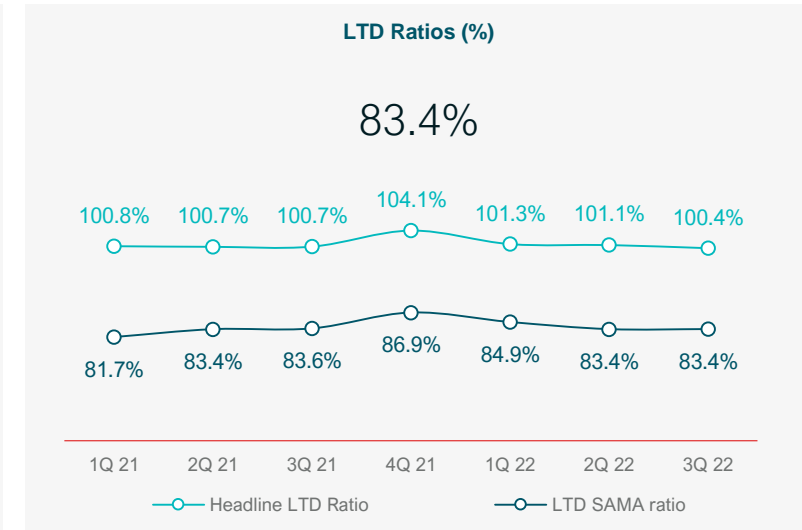
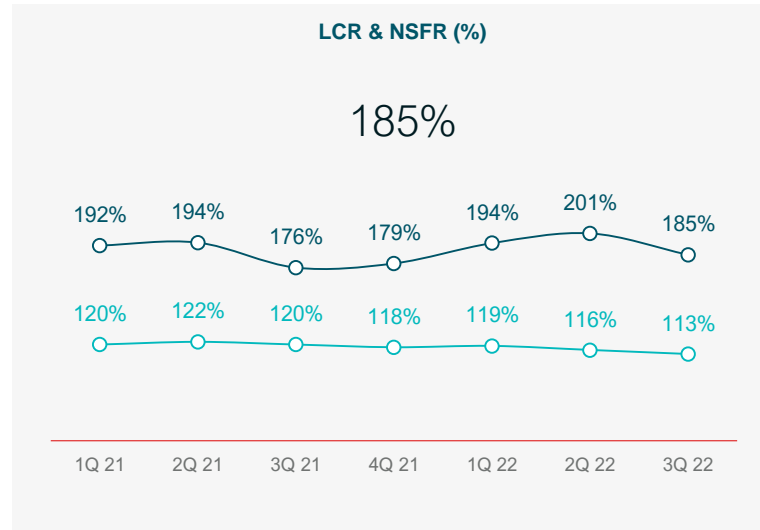
Credit quality trends impacted by isolated pockets of migration in the Commercial book, excluding which credit quality was healthy

- The total impairment charge for 9M 2022 increased 16% YoY to SAR 992mn, mainly from higher Commercial impairments.
- The NPL ratio rose by 20bps during 9M 2022 due to a 16% rise in NPLs on 7% loan growth.
- The YTD trend in credit metrics was impacted by isolated pockets of migration in the Commercial book, excluding which credit quality was healthy.

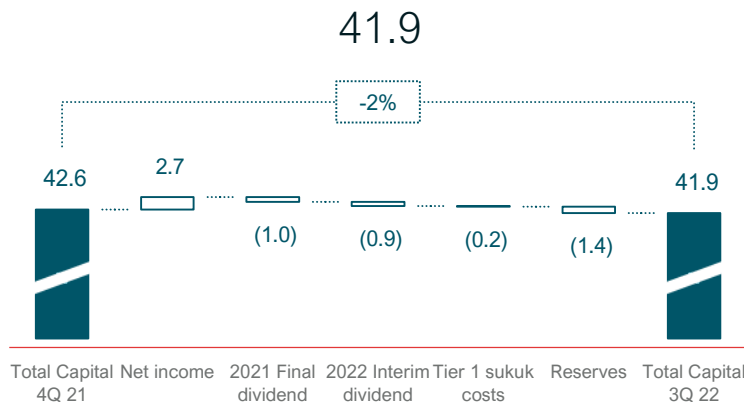


Liquidity comfortable | Capital ratios declined during 9M 2022 from RWA growth, dividends and negative MTM

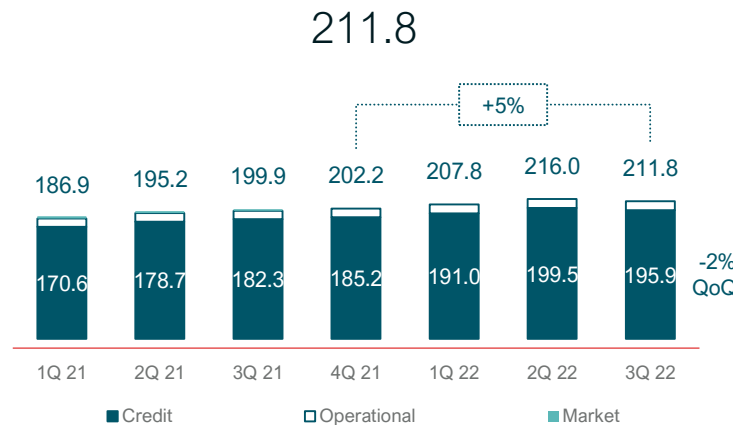
- LCR improved by 6.3ppts during 9M 2022 to 185%.
- NSFR was 113% as at 30 September 2022.
- The SAMA regulatory LTD ratio was within required levels at 83.4% as at 30 September 2022.
- Total capital declined 2% to SAR 41.9bn during 9M 2022 as net income generation was more than offset by dividends and negative MTM on investment securities.
- RWAs increased 5% during 9M 2022 to SAR 211.8bn.
- CAR was 19.76% and the Tier 1 ratio was 18.68% as at 30 September 2022.



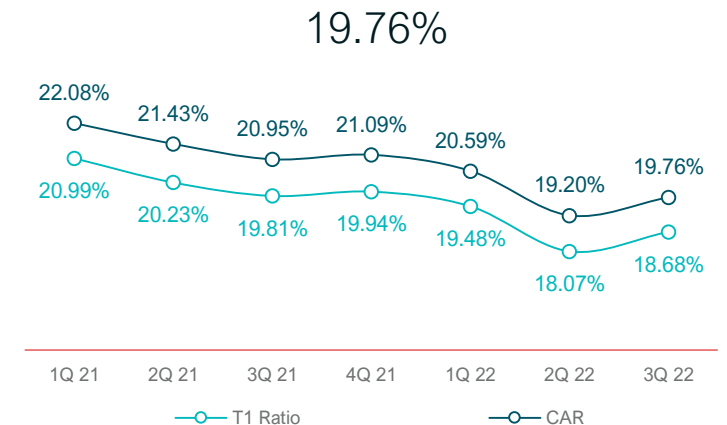
Total Capital Movement (SAR Bn)



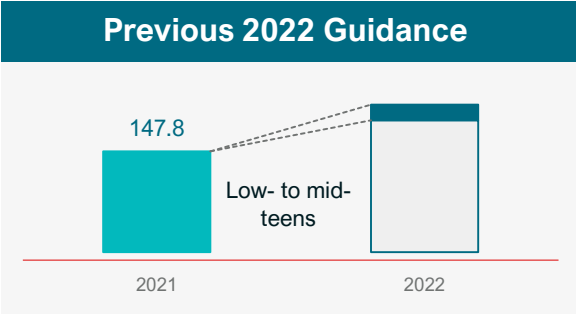
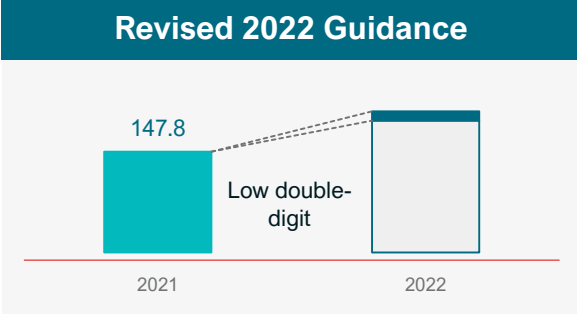
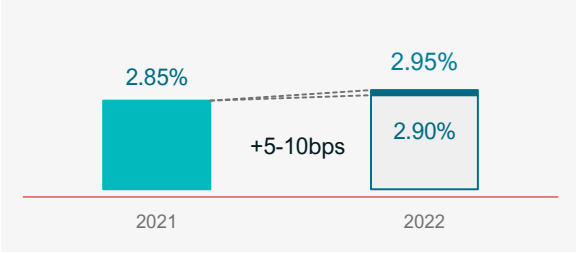
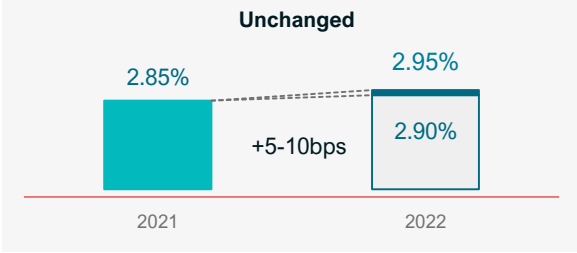
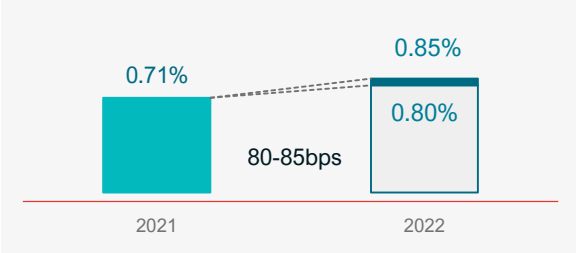
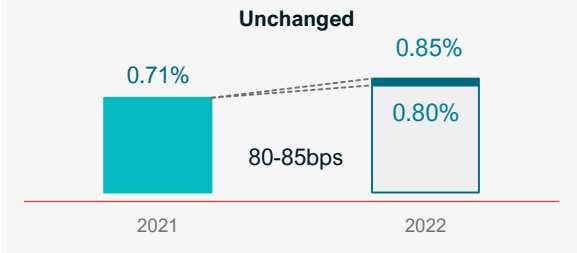
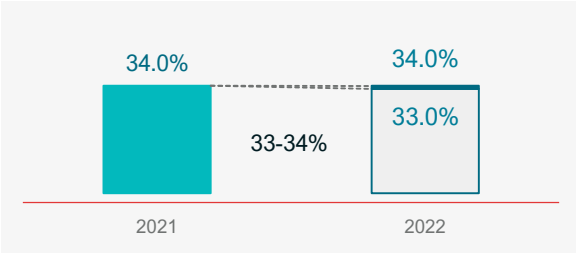
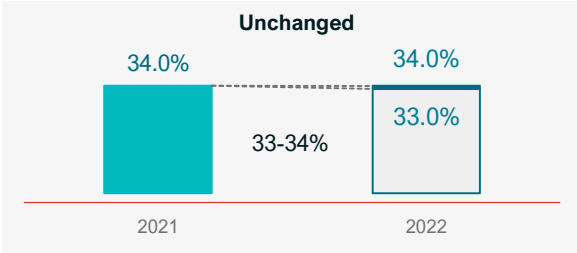
RWA (SAR Bn)



CAR (%)



Healthy outlook for 2022 on expected solid loan growth and NIM expansion

	Previous 2022 Guidance	9M 2022 Outcome	Revised 2022 Guidance
LOANS & ADVANCES, NET <ul style="list-style-type: none"> 3Q 2022 growth of 10% YoY. Balanced growth of consumer and commercial lending expected in 2022. 	 <p>2021: 147.8 2022: Low- to mid-teens</p>	<p>Loans & Advances SAR Billion</p> <p>158.5</p> <p>+9.8% year-on-year</p>	 <p>2021: 147.8 2022: Low double-digit</p>
NET INTEREST MARGIN <ul style="list-style-type: none"> NIM was stable YTD. 2022 NIM expected to rise +5-10bps 	 <p>2021: 2.85% 2022: 2.90% to 2.95% (+5-10bps)</p>	<p>NIM (%)</p> <p>2.85%</p> <p>+0 bps year-to-date</p>	<p>Unchanged</p>  <p>2021: 2.85% 2022: 2.90% to 2.95% (+5-10bps)</p>
COST OF RISK <ul style="list-style-type: none"> Cost of risk of 83bps in 9M 2022. Cost of risk for 2022 expected be in 80-85bps range. 	 <p>2021: 0.71% 2022: 0.80% to 0.85% (80-85bps)</p>	<p>Cost of risk (%)</p> <p>0.83%</p> <p>+13 bps year-to-date</p>	<p>Unchanged</p>  <p>2021: 0.71% 2022: 0.80% to 0.85% (80-85bps)</p>
COST TO INCOME RATIO <ul style="list-style-type: none"> 9M 2022 CI-ratio was 32.8%. Expect CI-ratio between 33-34% for 2022. 	 <p>2021: 34.0% 2022: 33.0% to 34.0% (33-34%)</p>	<p>Cost to income ratio (%)</p> <p>32.8%</p> <p>-122 bps year-to-date</p>	<p>Unchanged</p>  <p>2021: 34.0% 2022: 33.0% to 34.0% (33-34%)</p>



EARNINGS PRESENTATION 3Q 2022

Questions & Answers

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