



Banque Saudi Fransi

1Q 2022 Earnings Presentation

16 May 2022



EARNINGS PRESENTATION 1Q 2022

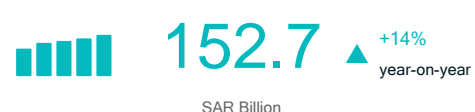
Highlights

Solid balance sheet growth and strong recovery in net income

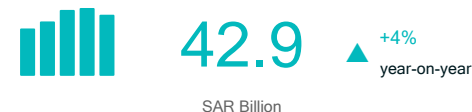
BALANCE SHEET

- High quality loan growth of 14% YoY driven by 14% commercial and 15% consumer lending growth.
- Deposit growth of 13% YoY, maintaining stable headline LTD ratio of 101%.

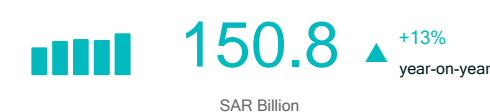
Loans & Advances



Investments



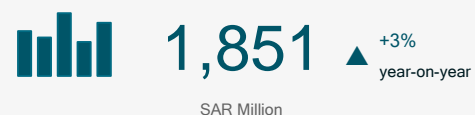
Customers' Deposits



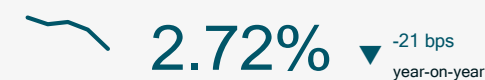
INCOME STATEMENT

- 3% top-line growth from 4% NII growth, despite 21bps margin contraction.
- Net income grew 12% from income growth and lower provisions.

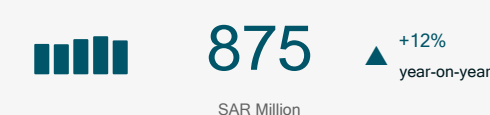
Operating Income



NIM



Net Income



ASSET QUALITY

- Moderating NPL ratio.
- Improving NPL coverage ratio QoQ.
- Lower cost of risk as Covid-19 impact stabilized.

NPL Ratio



NPL Coverage Ratio



Cost of risk



CAPITAL & LIQUIDITY

- Capital & liquidity remain strong and comfortably within regulatory limits.
- Small decline in T1 Ratio from RWA growth and MTM on debt securities and cash flow hedges.

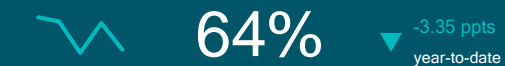
T1 Ratio



LCR



NIBD % of Total Deposits





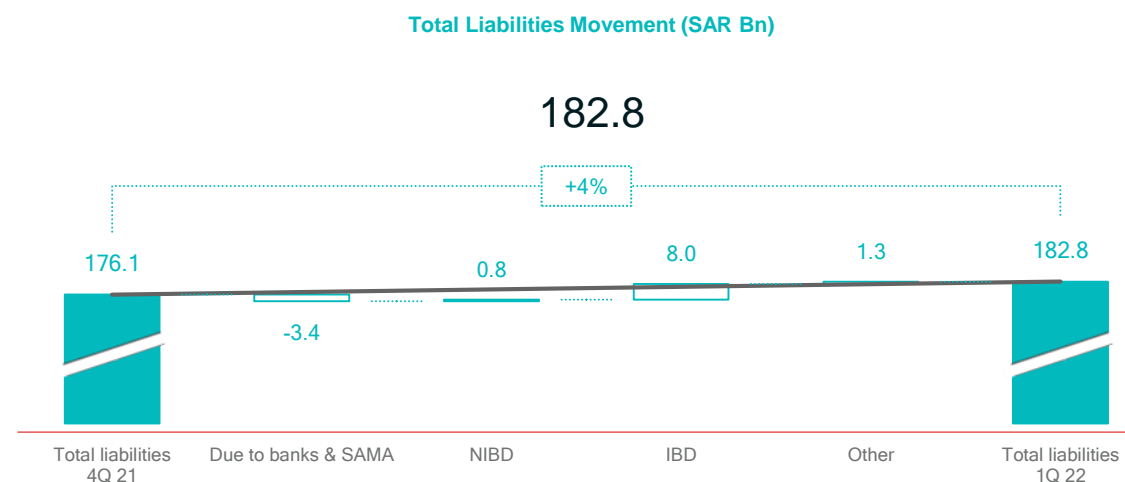
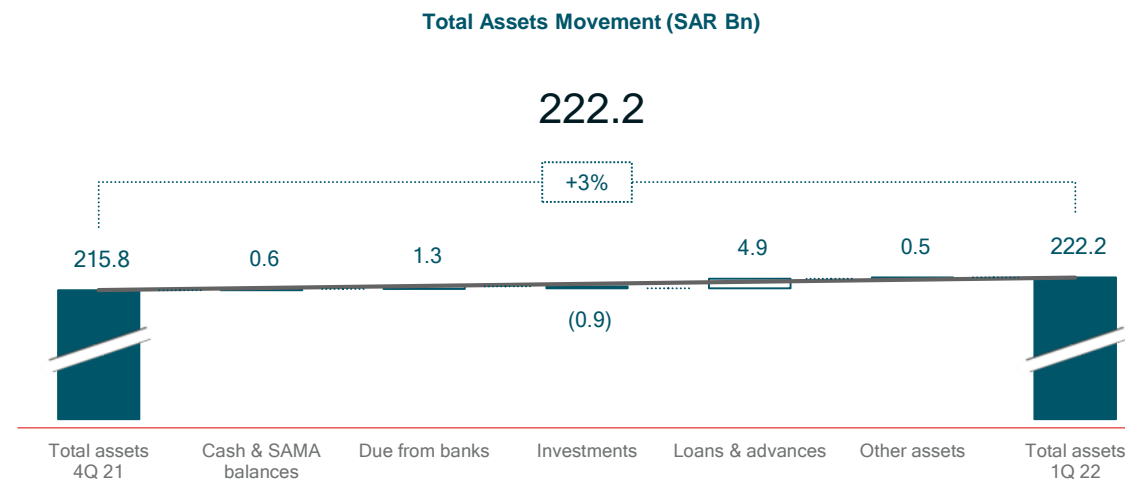
EARNINGS PRESENTATION 1Q 2022

Financial Performance

Solid balance sheet growth from lending

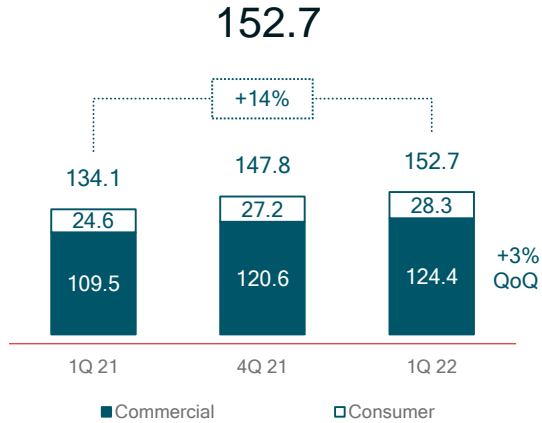
- Growth in total assets of 3% QoQ driven by healthy 3% loan growth.
- Liabilities grew by 4% during 1Q 2022 from 6% deposit growth.

SAR (Mn)	1Q 2022	4Q 2021	Δ%	1Q 2021	Δ%
Cash & SAMA balances	10,373	9,795	+6%	10,678	-3%
Due from banks	6,659	5,324	+25%	5,143	+29%
Investments	42,942	43,858	-2%	41,114	+4%
Loans & advances	152,690	147,813	+3%	134,105	+14%
Other assets	9,547	9,012	+6%	11,194	-15%
Total assets	222,211	215,802	+3%	202,233	+10%
Due to banks & SAMA	20,458	23,854	-14%	18,045	+13%
Customers' deposits	150,759	141,950	+6%	132,987	+13%
Other liabilities	11,566	10,312	+12%	12,003	-4%
Total liabilities	182,783	176,116	+4%	163,035	+12%
Share capital	12,054	12,054	+0%	12,054	+0%
Retained earnings	9,217	8,399	+10%	7,698	+20%
Other	13,157	14,233	-8%	14,447	-9%
Tier 1 Sukuk	5,000	5,000	+0%	5,000	+0%
Total equity	39,428	39,686	-1%	39,198	+1%

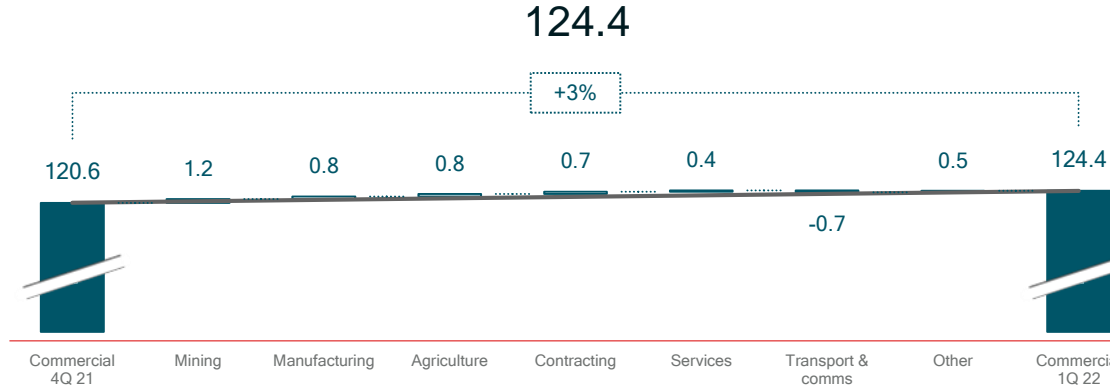


Healthy loan growth in 1Q 2022

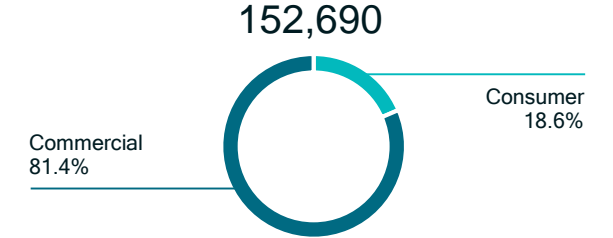
Total Loans & Advances (SAR Bn)



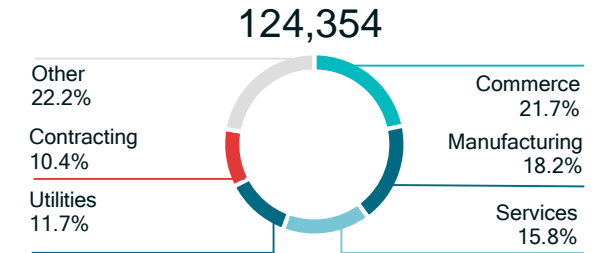
Commercial Loans Movement (SAR Bn)



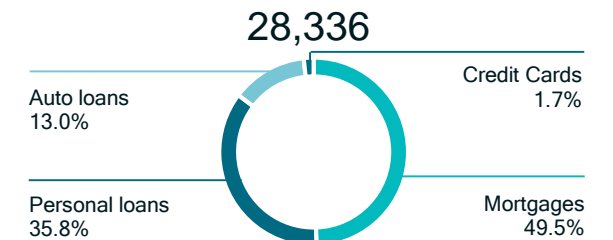
Loans & Advances Composition (SAR Mn)



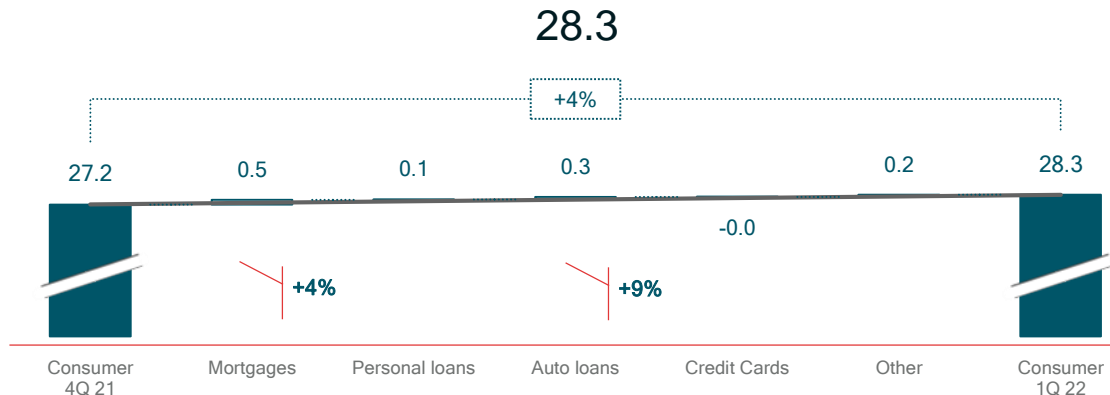
Commercial Loans Composition (SAR Mn)



Consumer Composition (SAR Mn)



Consumer Loans Movement (SAR Bn)

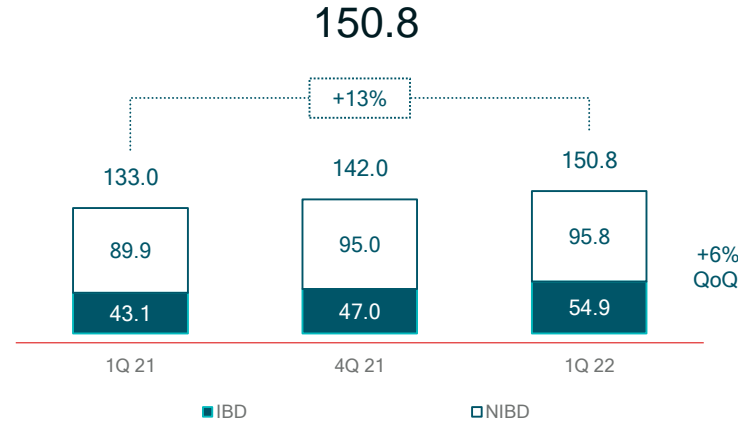


- Total loans & advances grew 3% during 1Q 2022 from both consumer and commercial lending growth.
- Consumer loans grew 4% mainly from 4% QoQ growth in mortgages and 9% growth in auto loans.
- Commercial loans grew 3% during the quarter, which was broad-based across sectors.

Solid 6% growth in deposits QoQ, mainly from IBDs

- Deposits grew 6% during 1Q 2022 from higher NIBDs and IBDs.
- NIBD's grew 1% QoQ from 3% growth in Corporate deposits.
- IBD's increased 17% QoQ from 35% growth in high-quality Corporate deposits.
- As at 31 March 2022, 64% of deposits were non-interest bearing.

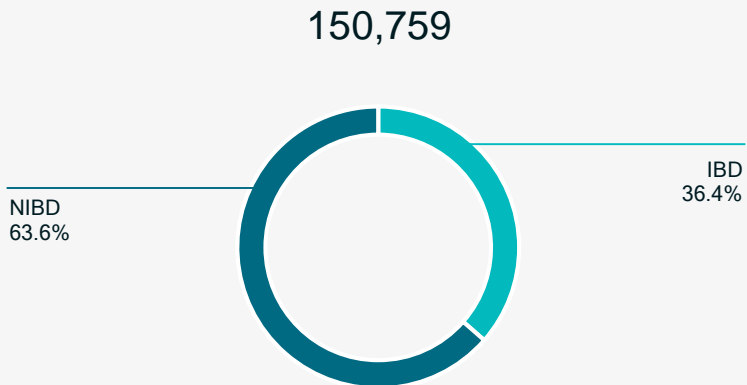
Customers' Deposits (SAR Bn)



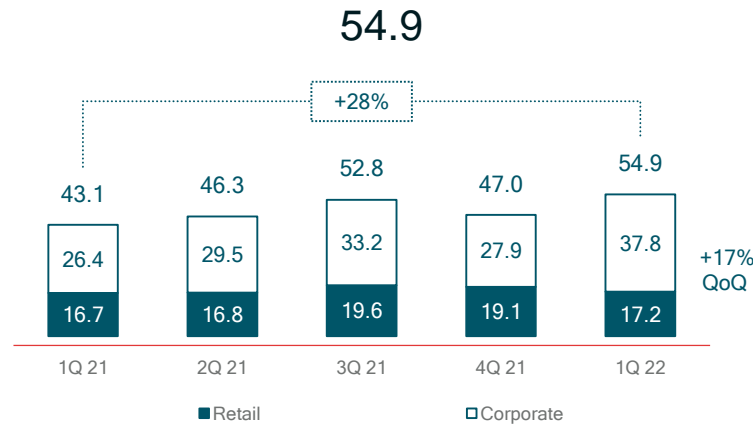
Customers' Deposits Movement (SAR Bn)



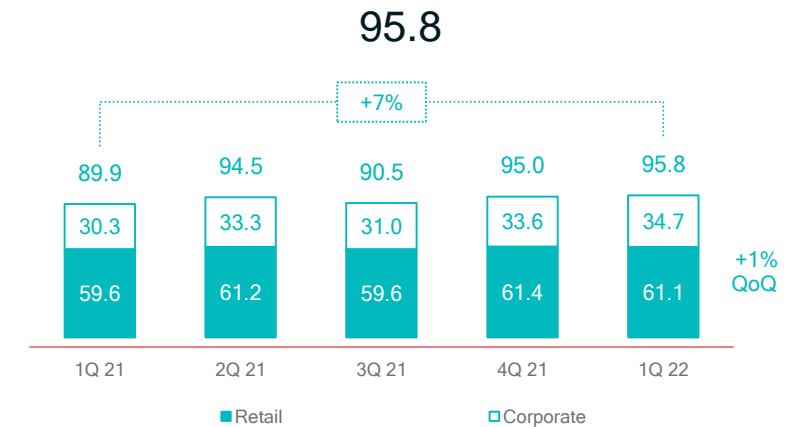
Customers' Deposits Composition (SAR Mn)



Interest Bearing Deposits (SAR Bn)



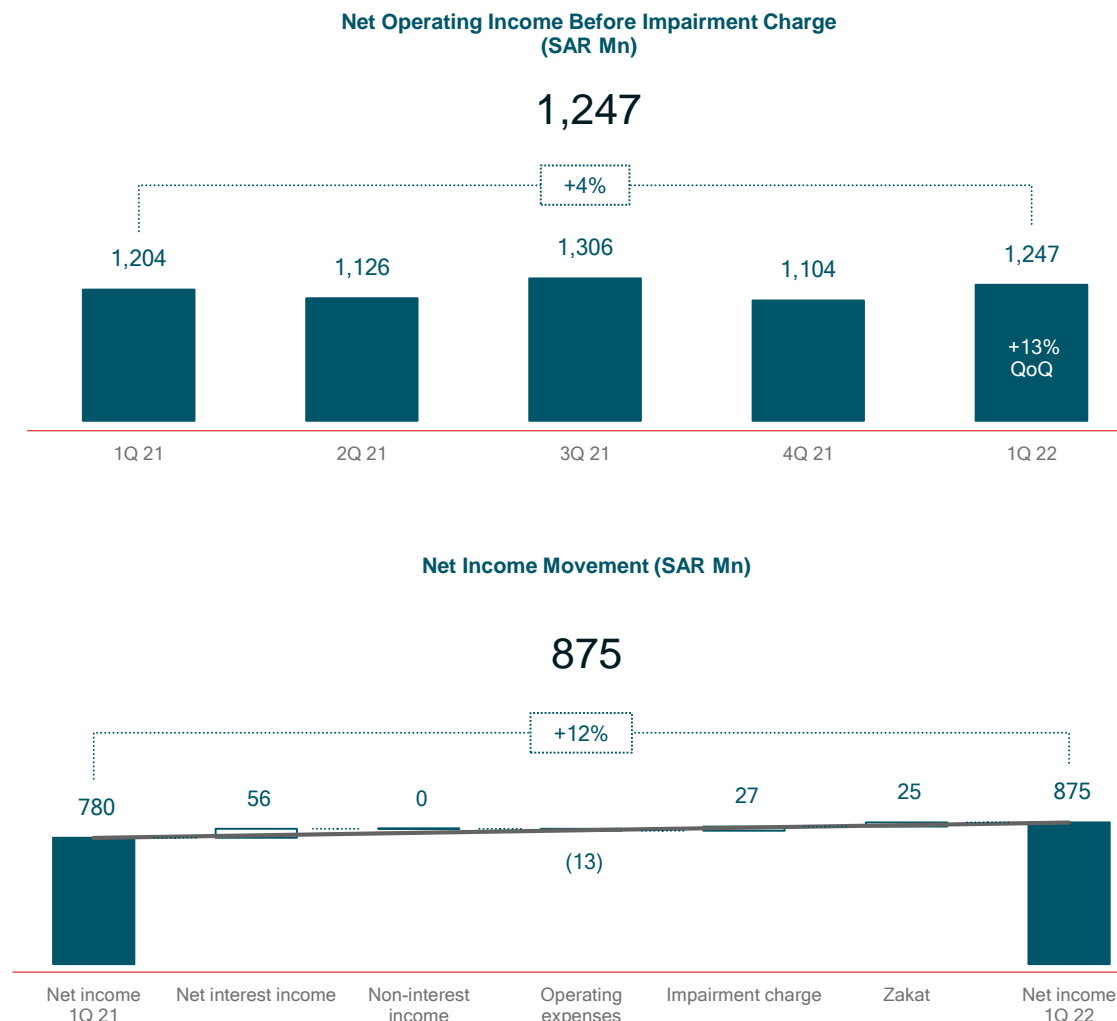
Non Interest Bearing Deposits (SAR Bn)



Net income grew 12% year-on-year from income growth and lower provisions

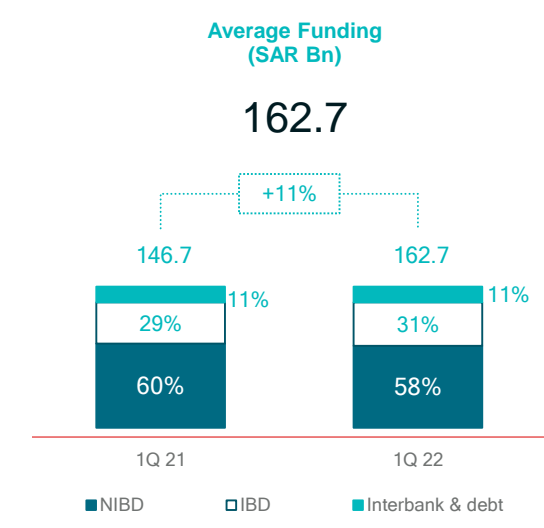
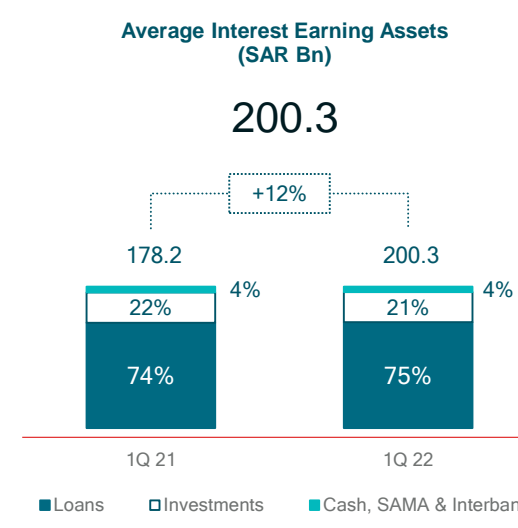
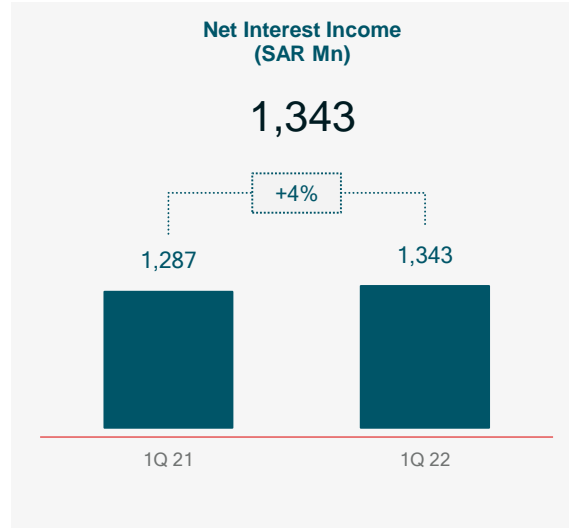
- Net income for 1Q 2022 grew 12% YoY to SAR 875mn from 3% income growth, a 9% decline in impairments, and a 20% drop in zakat, partly offset by a 2% increase in operating expenses.
- Net income declined by 12% QoQ despite 7% income growth as the previous quarter's impairment charge benefited from recoveries mainly related to one exposure.

SAR (Mn)	1Q 2022	4Q 2021	Δ%	1Q 2021	Δ%
Net interest income	1,343	1,332	+1%	1,287	+4%
Non-interest income	508	393	+30%	508	+0%
Operating income	1,851	1,725	+7%	1,796	+3%
Operating expenses	(604)	(620)	-3%	(591)	+2%
Net operating income before impairments	1,247	1,104	+13%	1,204	+4%
Impairment charge	(272)	(45)	+497%	(299)	-9%
Net income before zakat	975	1,059	-8%	905	+8%
Zakat	(101)	(66)	+53%	(126)	-20%
Net income	875	993	-12%	780	+12%
NIM	2.72%	2.70%	+2bps	2.93%	-21bps
Cost to income ratio	32.6%	36.0%	-3.3ppts	32.9%	-0.3ppts
Cost of risk	0.71%	0.44%	+27bps	0.85%	-14bps
EPS	0.68	0.79	-14%	0.62	+10%
ROAE	8.8%	10.1%	-122bps	8.0%	+83bps
ROAA	1.60%	1.85%	-25bps	1.57%	+2bps



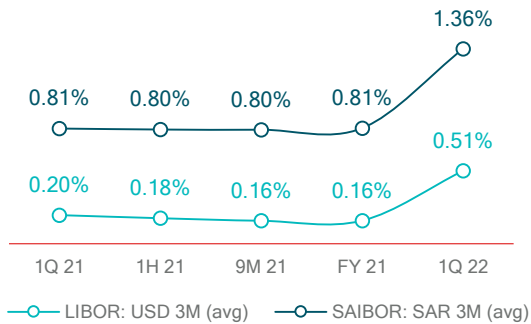
NII growth of 4% as earning assets growth partly offset by 21bps margin contraction

- NII for 1Q 2022 grew 4% YoY to SAR 1,343mn on 12% growth in (simple) average earning assets.
- While the YTD NIM gradually declined over the past 4 quarters, the quarterly NIM has stabilized in 1Q 2022 at 272bps, 2bps above 4Q 2021.
- Monthly NIM shows a positive trend since the start of the year, driven by rising rates in combination with BSF's short-term balance sheet structure and repricing efforts.



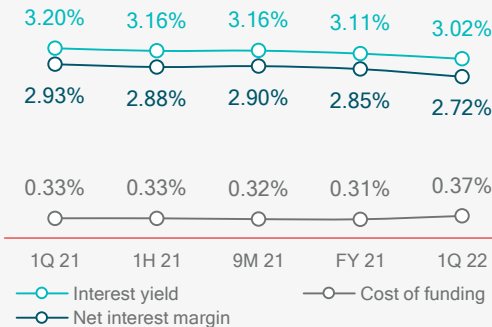
SAIBOR Trend (%)

1.36%



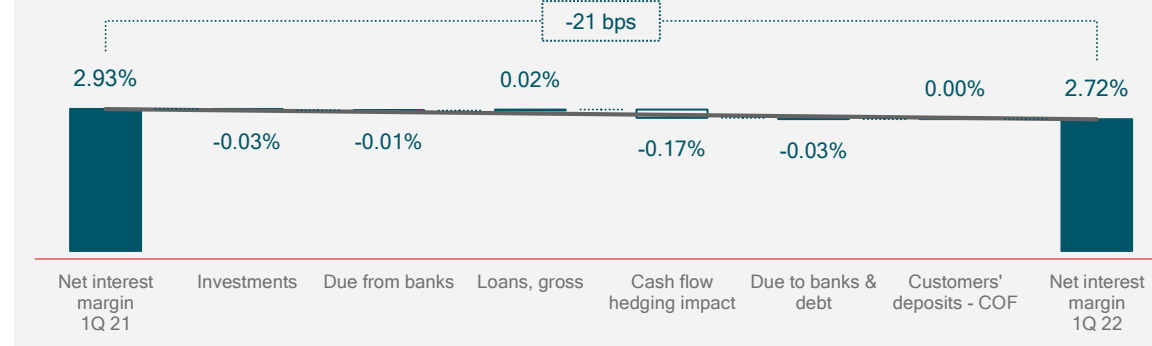
Net Interest Margin Trend (%)

2.72%



Net Interest Margin Movement (%)

2.72%

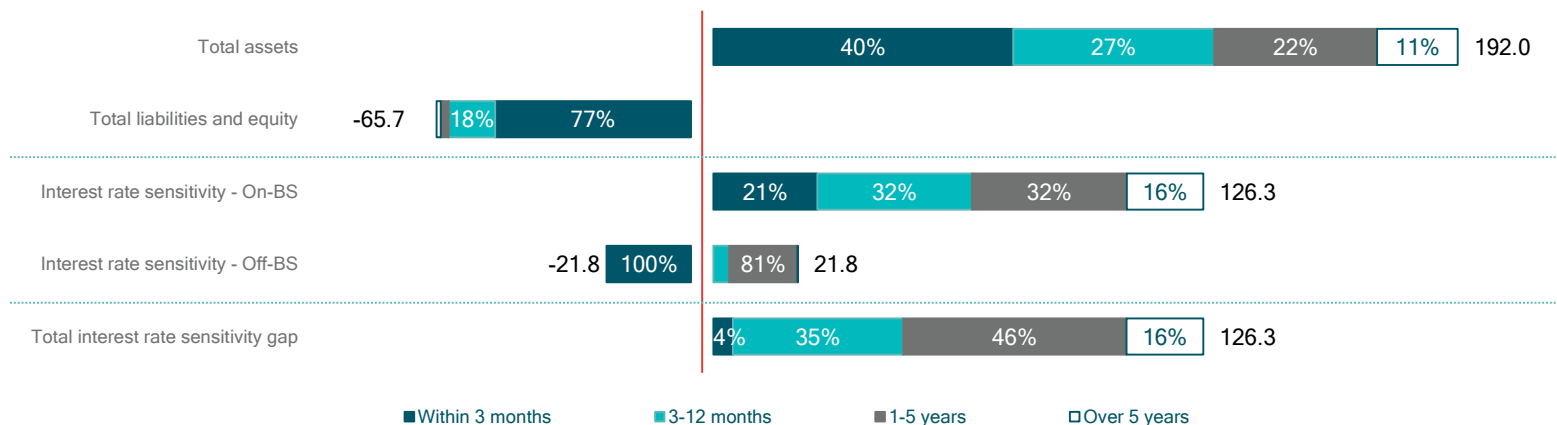


Note: The calculation basis for NIM was amended during the quarter for: (1) annualization factors based on actual number of days per quarter (rather than number of months per quarter) and (2) average balances calculated based on monthly spot balances (rather than quarterly spot balances); comparative periods have been restated accordingly.

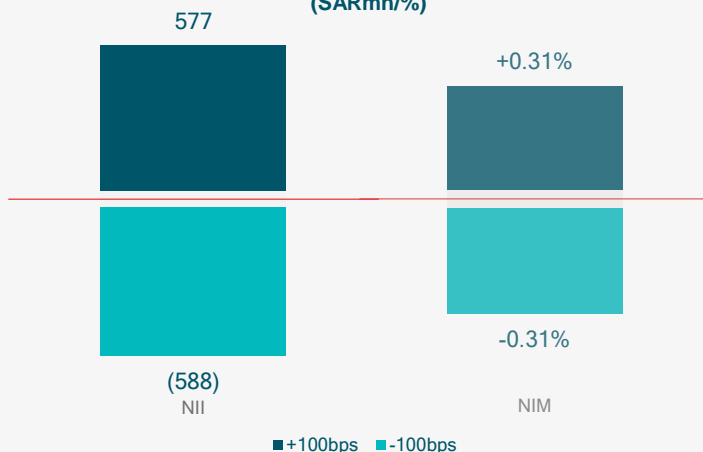
BSF is positively positioned for a rising rate environment

- BSF estimates one-year NIM sensitivity of 100bps rate rise at +31bps or +SAR 577mn in net interest income.
- This reflects the positive total interest rate sensitivity gap of SAR 48.9bn as at 31 December 2021 (i.e. 38.7% of SAR 126.3bn maturing or re-pricing within 12 months).
- Historically, the impact of the cash flow hedge swaps was greater when rates declined compared to when rates rose.
- The notional value of cash flow hedge swaps has declined over time to 13% of AIEA in 1Q 2022.

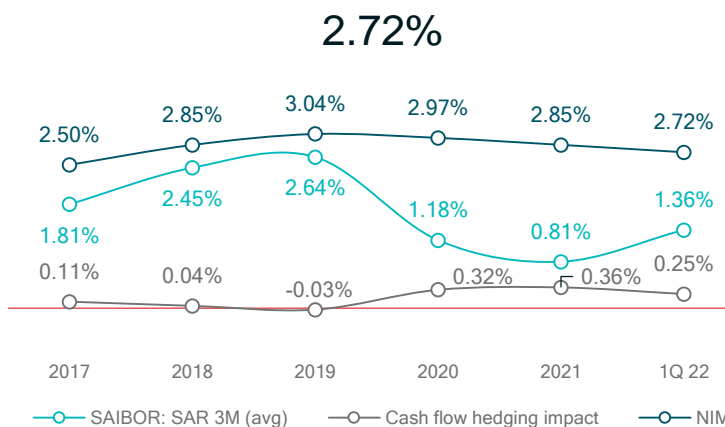
Exposure to Interest Rate Risk as at 31 December 2021 (SAR Bn)



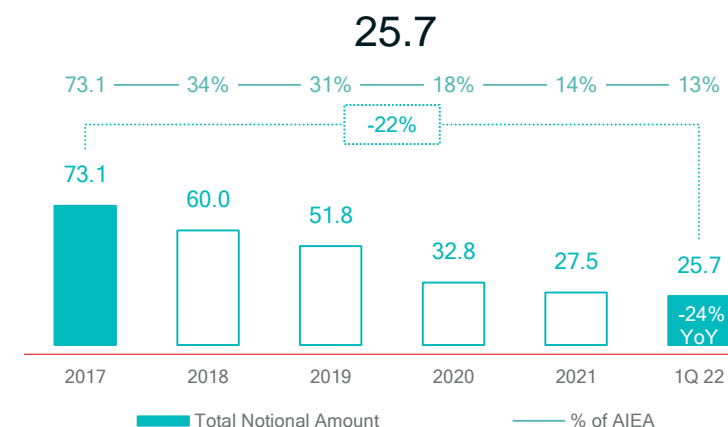
Impact of 100bps Rate Change as at 31 December 2021 (SARmn/%)



NIM, Rates and CFH Impact Trends (%)

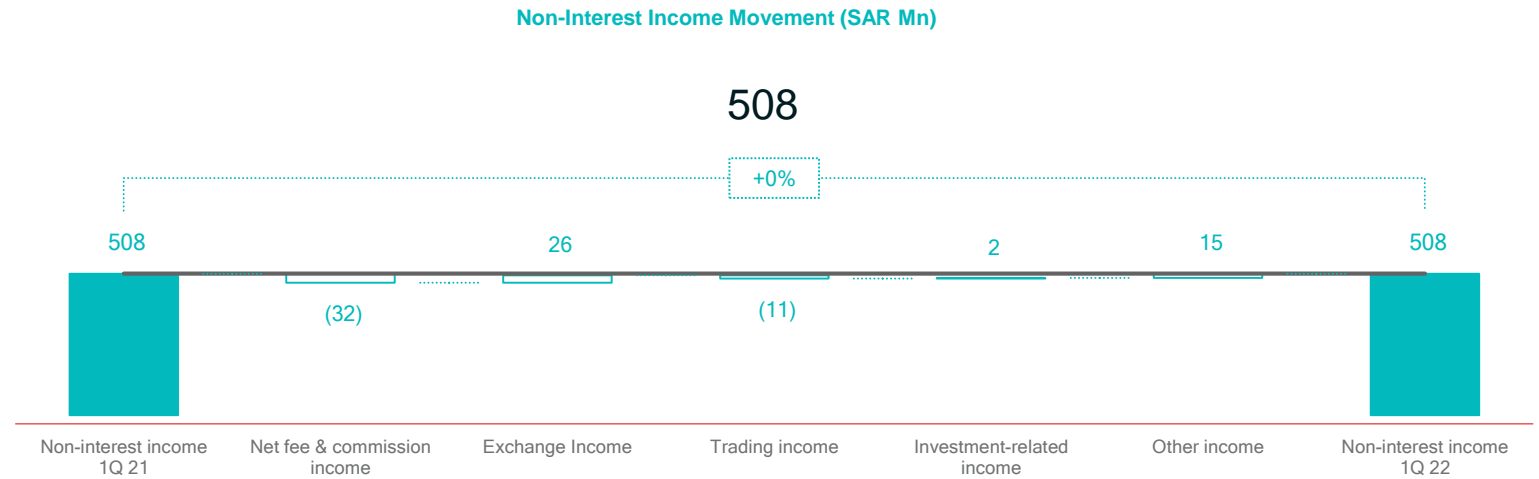
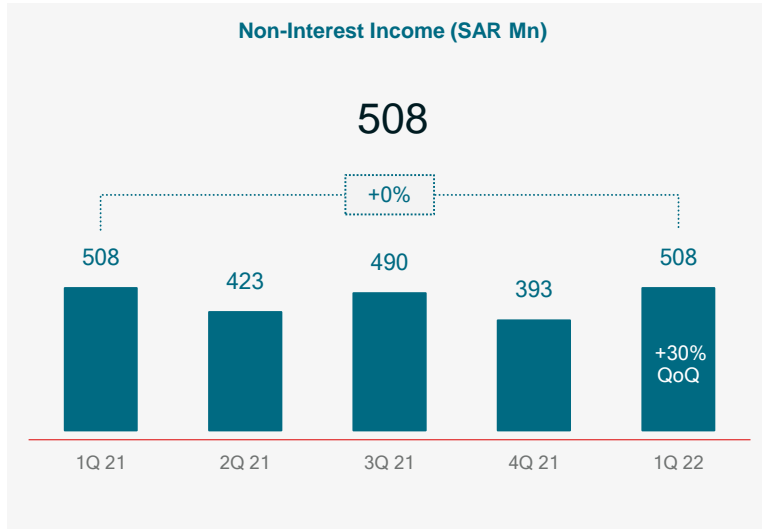


Cash Flow Hedges Swaps (SAR Bn)

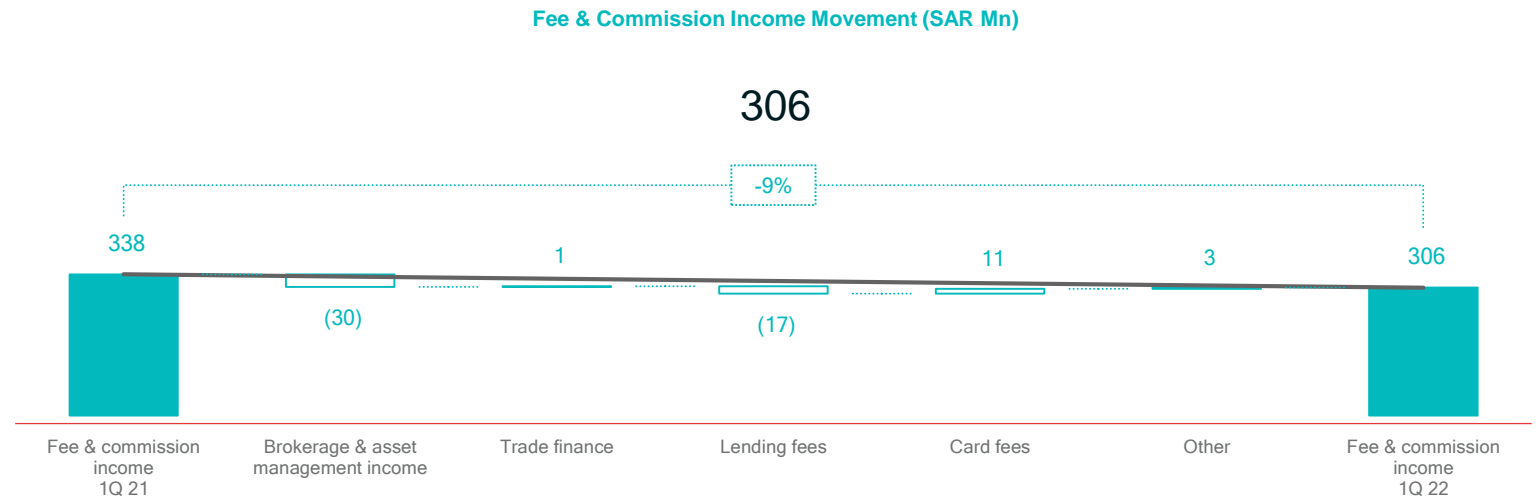


Note: Exposure to interest rate risk is shown in time buckets based on the earliest of first re-pricing date and contractual maturity; Interest rate sensitivity assumes 100bps parallel change in both SAR and USD rates.

Non-interest income was stable YoY



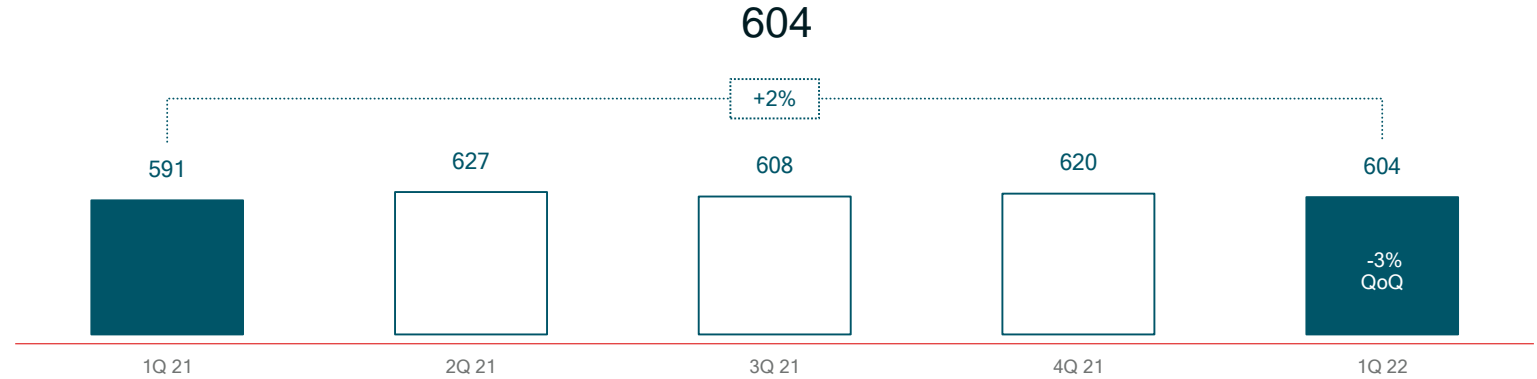
- Non-interest income for 1Q 2022 was stable YoY at SAR 508mn as improved exchange and other income was offset by lower net fee & commission income and a 14% reduction in trading income.
- Net fee & commission income dropped 9% YoY to SAR 306mn in 1Q 2022 from lower market-driven brokerage and lending fee income, partly offset by higher net card fees.
- Non-interest income increased 30% QoQ from higher trading and fee & commission income.



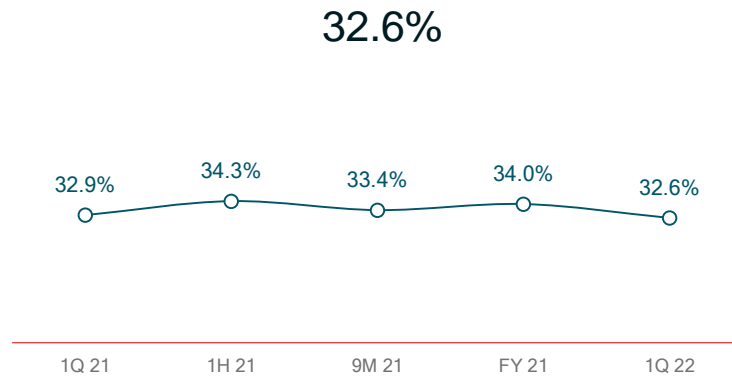
Disciplined cost control limiting operating expenses growth to 2%

- Operating expenses increased 2% YoY to SAR 604mn in 1Q 2022 as higher G&A expenses were partly offset by employee-related cost savings.
- The cost to income ratio improved to 32.6% in 1Q 2022 from 34.0% in 4Q 2021.
- Relative to the previous quarter, operating expenses declined 3%.

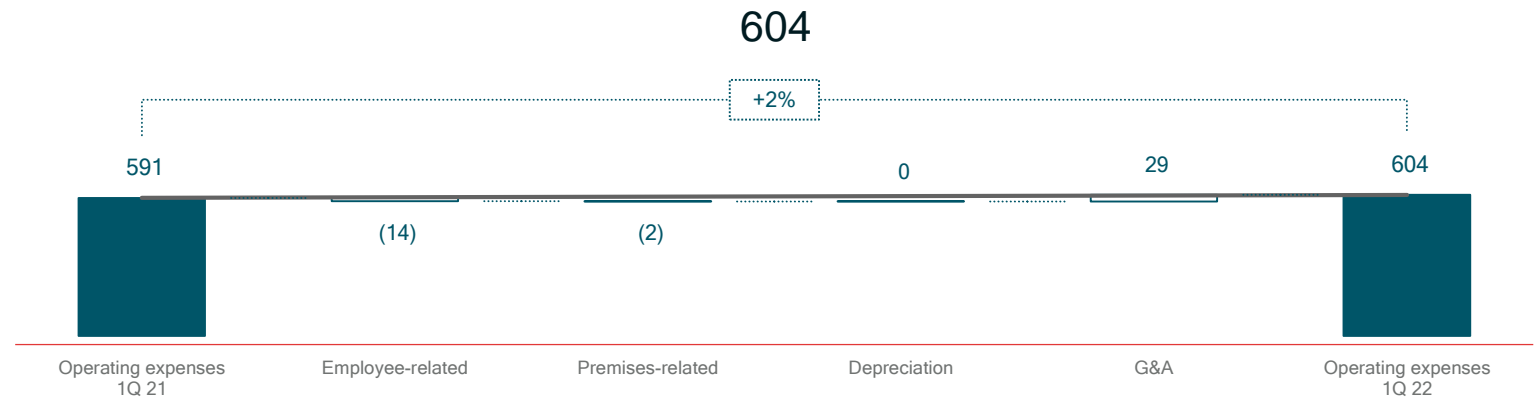
Operating Expenses (SAR Mn)



Cost To Income Ratio (%)

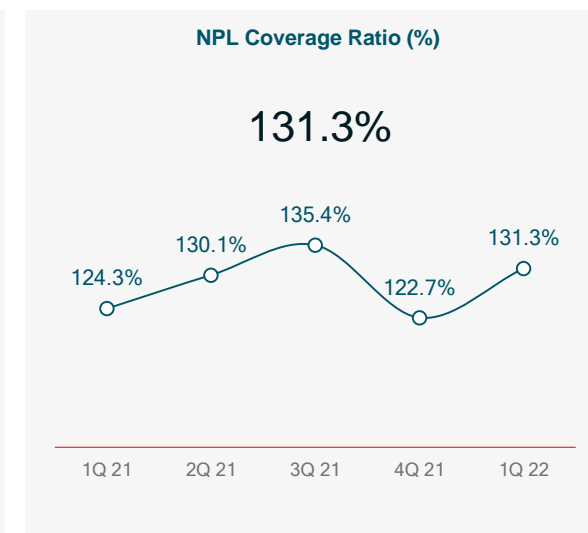
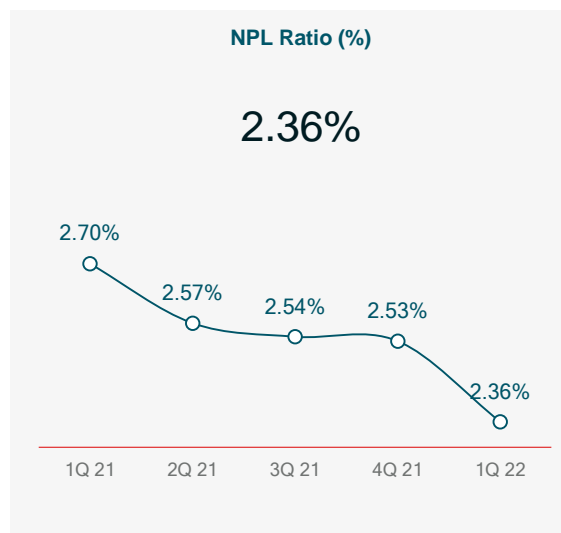
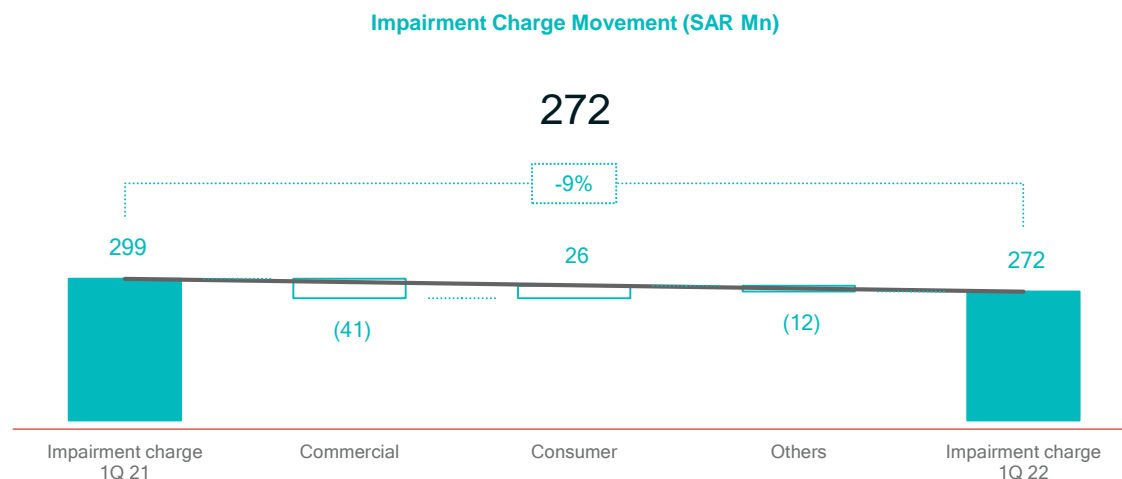
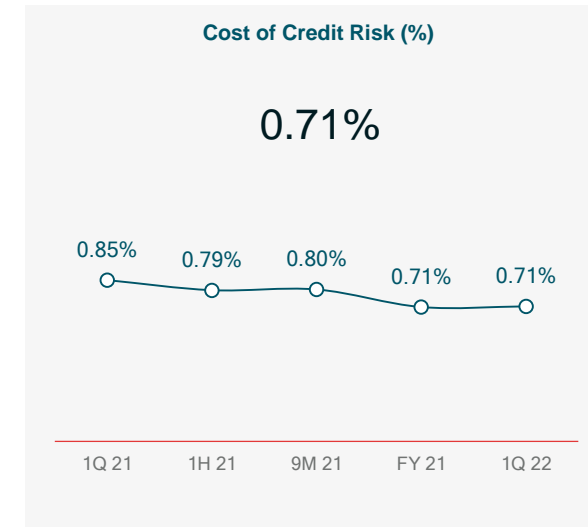
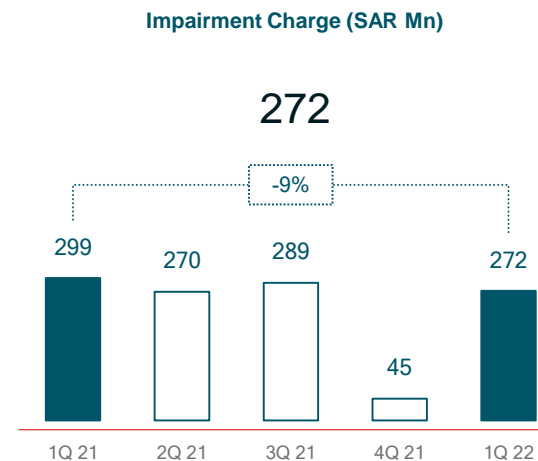
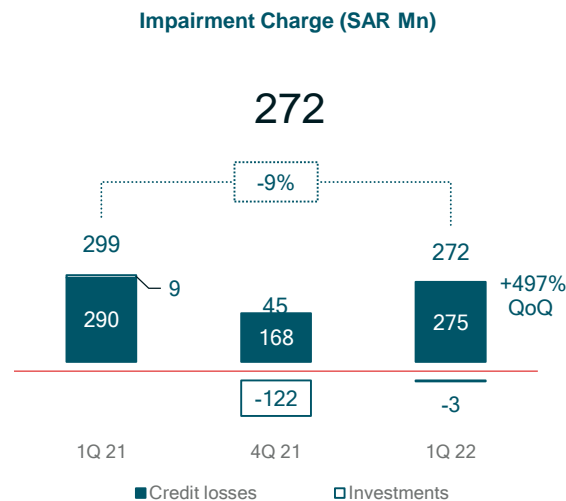


Operating Expenses Movement (SAR Mn)



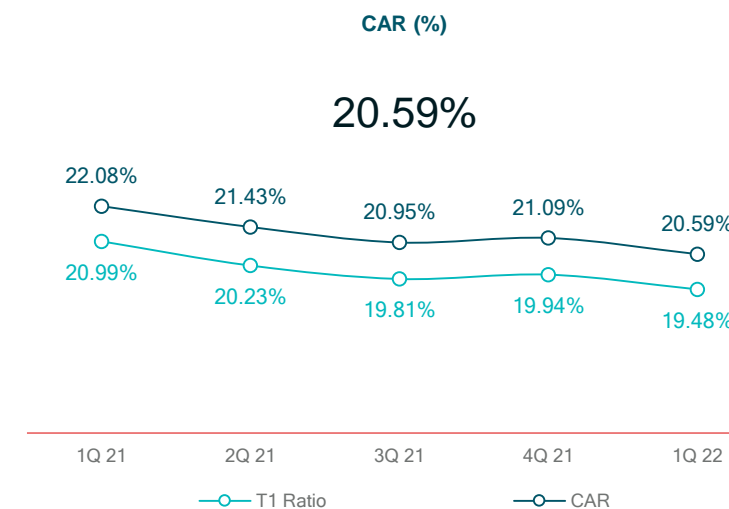
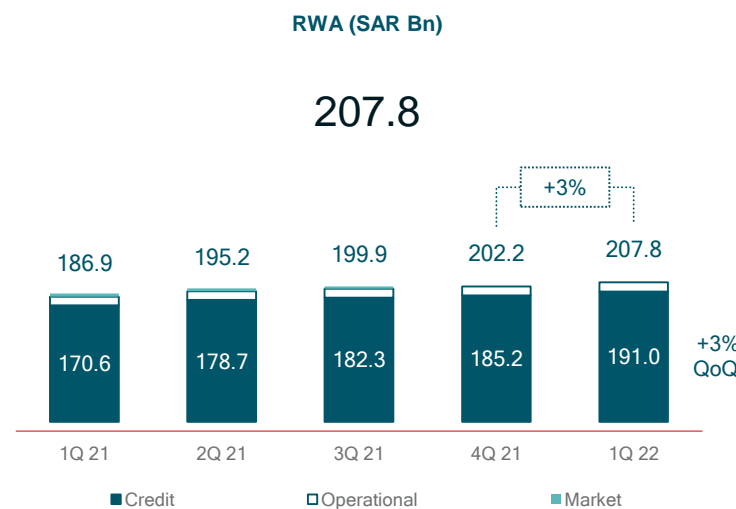
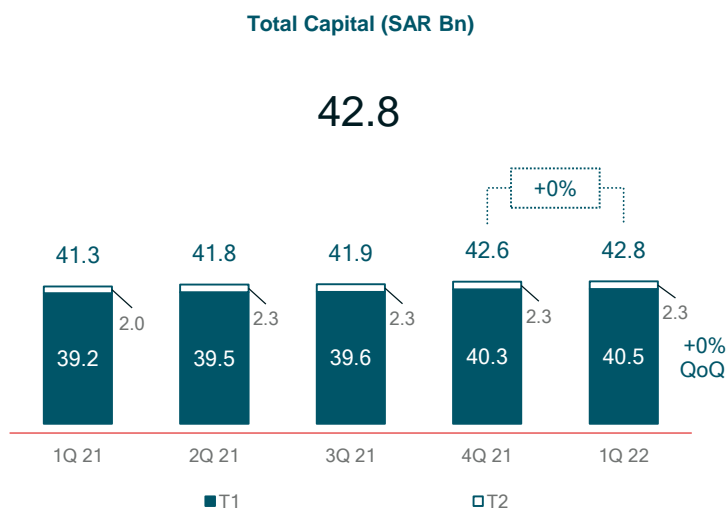
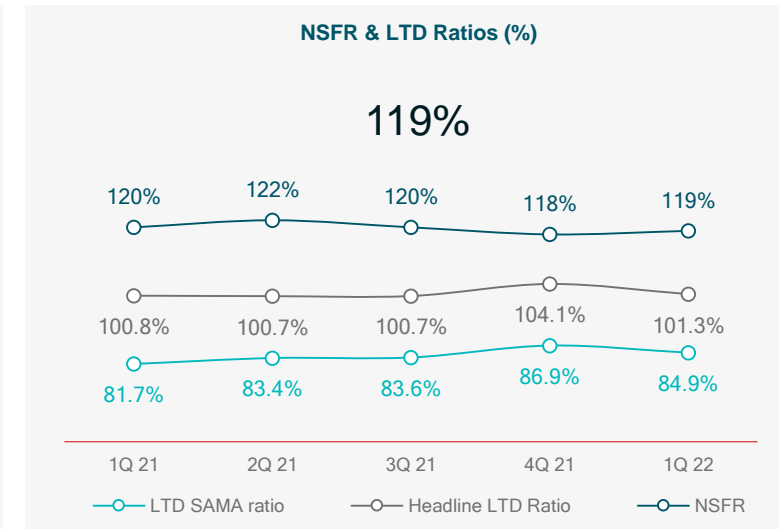
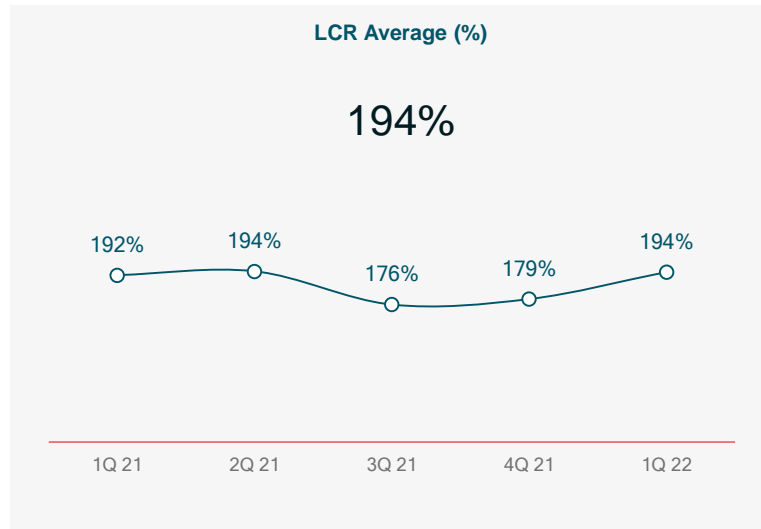
Moderation in impairment charge, stable cost of risk and improving NPL and coverage ratios

- The total impairment charge for 1Q 2022 moderated 9% YoY to SAR 272mn, but increased QoQ as the previous quarter's impairment charge benefited from recoveries mainly related to one exposure.
- The NPL ratio improved by 17bps during 1Q 2022 due to a 4% decline in NPLs and 3% loan growth.
- NPL coverage improved by 8.6ppts during 1Q 2022.

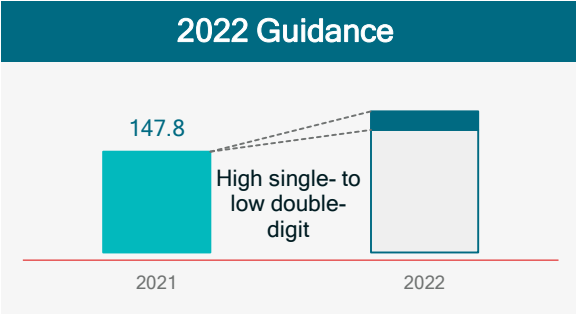
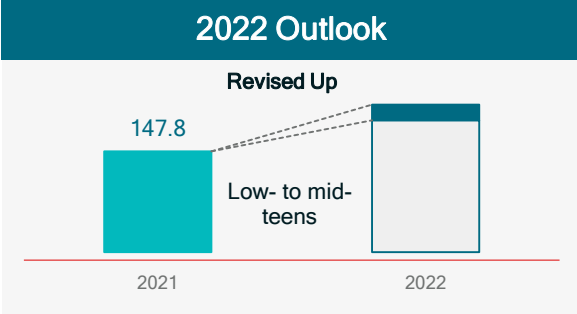
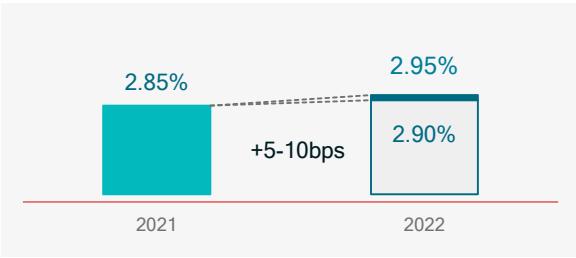
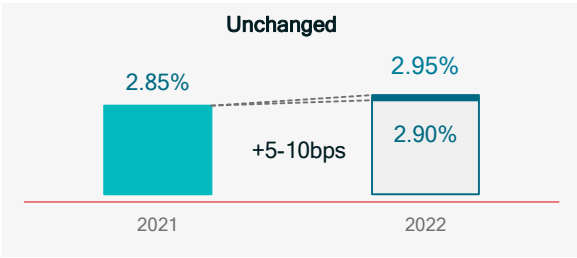
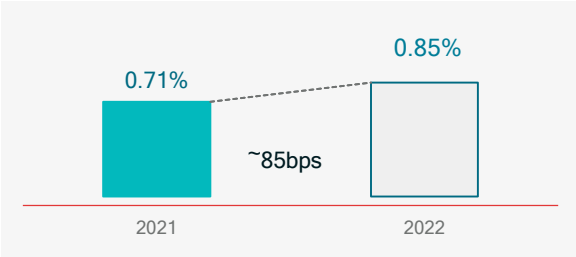
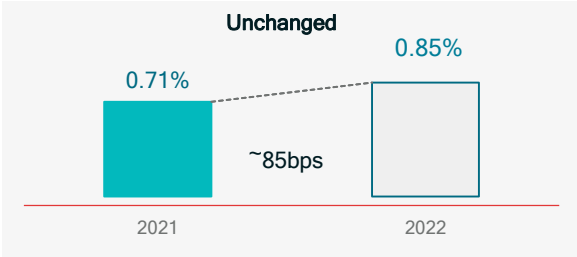
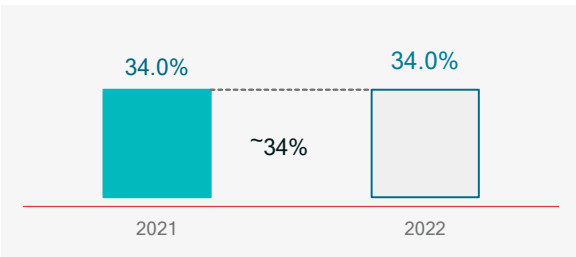
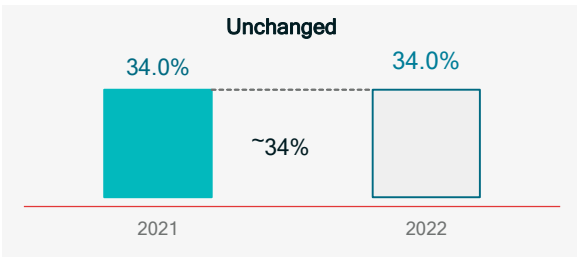


Capital ratios modestly declined during 1Q 2022 from negative MTM on debt securities and cash flow hedges, and growth in RWAs

- NSFR and the SAMA LTD ratio were 119% and 84.9% respectively as at 31 March 2022.
- LCR improved by 15ppts during 1Q 2022 to a comfortable level of 194%.
- Total capital was stable at SAR 42.8bn during 1Q 2022 as net income generation was offset by negative MTM on debt securities and cash flow hedges in comprehensive income.
- RWAs increased 3% during 1Q 2022 to SAR 207.8bn.
- CAR was 20.59% and the Tier 1 ratio was 19.48% as at 31 March 2022.



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

	2022 Guidance	1Q 2022 Outcome	2022 Outlook
LOANS & ADVANCES, NET <ul style="list-style-type: none"> 1Q 2022 growth of 14% YoY. Balanced growth of consumer and commercial lending expected in 2022. 	 <p>147.8 2021</p> <p>High single- to low double-digit 2022</p>	<p>Loans & Advances SAR Billion</p> <p>152.7</p> <p>▲ +13.9% year-on-year</p>	<p>Revised Up</p>  <p>147.8 2021</p> <p>Low- to mid-teens 2022</p>
NET INTEREST MARGIN <ul style="list-style-type: none"> NIM declined 13bps YTD. 2022 NIM expected to rise +5-10bps subject to timing of rate rises and end of Government support measures. 	 <p>2.85% 2021</p> <p>+5-10bps 2.90% 2.95% 2022</p>	<p>NIM (%)</p> <p>2.72%</p> <p>▼ -13 bps year-to-date</p>	<p>Unchanged</p>  <p>2.85% 2021</p> <p>+5-10bps 2.90% 2.95% 2022</p>
COST OF RISK <ul style="list-style-type: none"> Cost of risk of 71bps in 1Q 2022. Cost of risk for 2022 expected be around 85bps. 	 <p>0.71% 2021</p> <p>~85bps 0.85% 2022</p>	<p>Cost of risk (%)</p> <p>0.71%</p> <p>► +0 bps year-to-date</p>	<p>Unchanged</p>  <p>0.71% 2021</p> <p>~85bps 0.85% 2022</p>
COST TO INCOME RATIO <ul style="list-style-type: none"> 1Q 2022 CI-ratio was 32.6%. Expect CI-ratio of circa 34% for 2022. 	 <p>34.0% 2021</p> <p>~34% 34.0% 2022</p>	<p>Cost to income ratio (%)</p> <p>32.6%</p> <p>▼ -139 bps year-to-date</p>	<p>Unchanged</p>  <p>34.0% 2021</p> <p>~34% 34.0% 2022</p>



EARNINGS PRESENTATION 1Q 2022

Questions & Answers

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