



Banque Saudi Fransi

2Q 2021 Earnings Presentation

11 August 2021



EARNINGS PRESENTATION 2Q 2021

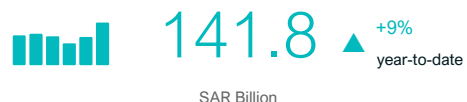
Highlights

Solid balance sheet growth and strong recovery in net income

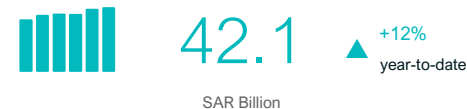
BALANCE SHEET

- High quality loan growth of 9% driven by 19% YTD growth in mortgages.
- Strong growth in investments (12%) and solid NIB deposit growth (10%).

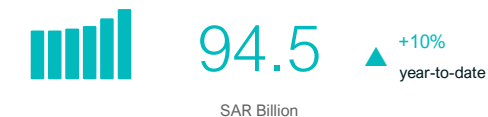
Loans & Advances



Investments



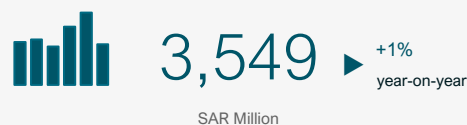
Non Interest Bearing Deposits



INCOME STATEMENT

- 1% top-line growth with moderate margin contraction and stable NIR growth.
- Net income recovered due to lower provisions.

Operating Income



NIM



Net Income After Zakat & Tax



ASSET QUALITY

- Moderating NPL ratio.
- Improvement in NPL coverage ratio YoY and YTD.
- Lower cost of risk as Covid-19 impact stabilized.

NPL Ratio



NPL Coverage Ratio



Cost of risk



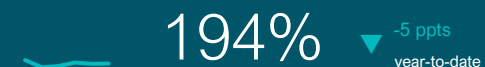
CAPITAL & LIQUIDITY

- Capital & liquidity remain strong and comfortably within regulatory limits.
- LCR stable YTD.

T1 Ratio



LCR



NIBD % of Total Deposits



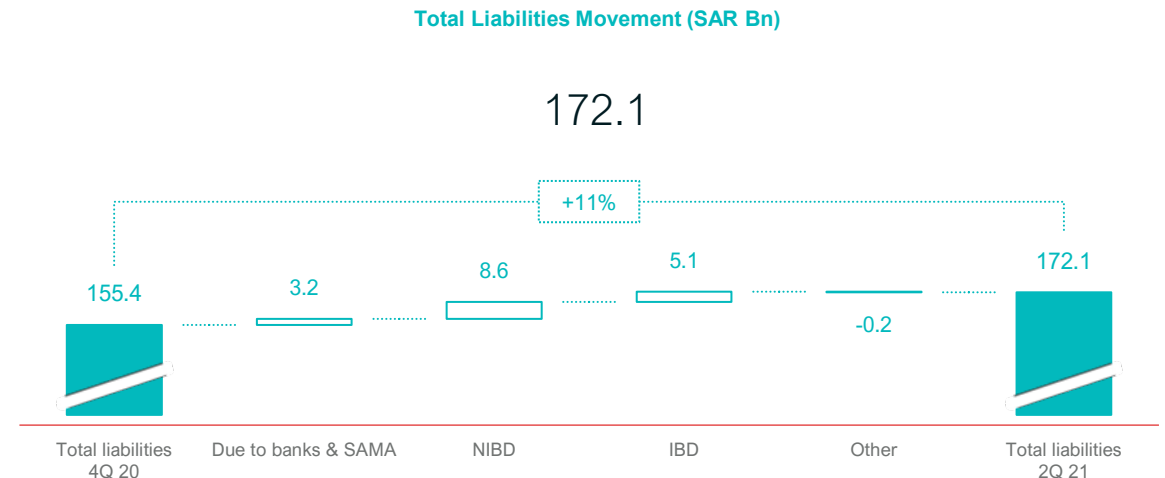
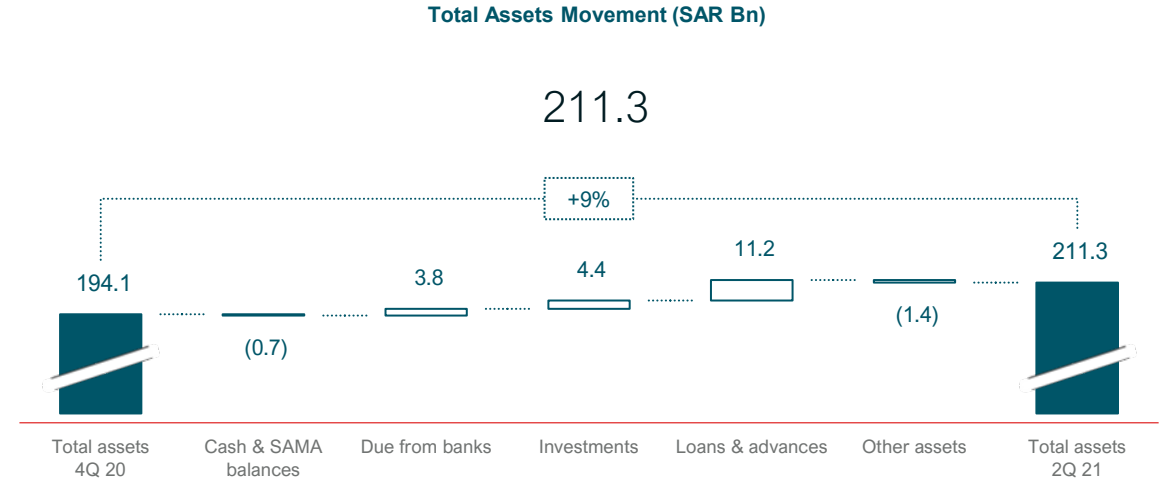
EARNINGS PRESENTATION 2Q 2021

Financial Performance

Solid balance sheet growth from lending and investments

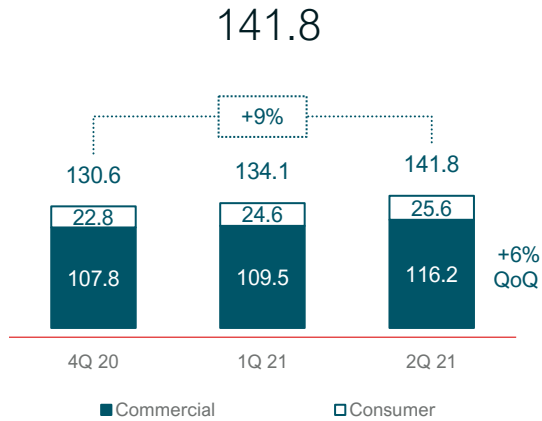
- Growth in total assets of 9% YTD driven by healthy 9% loan growth and strong growth of 12% in investments.
- Liabilities grew by 11% during 2021 YTD from 11% deposit growth.

SAR (Mn)	2Q 2021	4Q 2020	Δ%	2Q 2020	Δ%
Cash & SAMA balances	9,808	10,548	-7%	9,519	+3%
Due from banks	7,781	4,027	+93%	7,176	+8%
Investments	42,060	37,679	+12%	36,916	+14%
Loans & advances	141,807	130,565	+9%	135,749	+4%
Other assets	9,855	11,255	-12%	12,592	-22%
Total assets	211,310	194,074	+9%	201,953	+5%
Due to banks	19,944	16,792	+19%	17,422	+14%
Customers' deposits	140,805	127,112	+11%	138,046	+2%
Other liabilities	11,302	11,534	-2%	12,809	-12%
Total liabilities	172,051	155,438	+11%	168,276	+2%
Share capital	12,054	12,054	+0%	12,054	+0%
Retained earnings	8,411	7,433	+13%	7,065	+19%
Other	13,795	14,149	-3%	14,558	-5%
Tier 1 sukuk	5,000	5,000	+0%	0	
Total equity	39,259	38,636	+2%	33,677	+17%

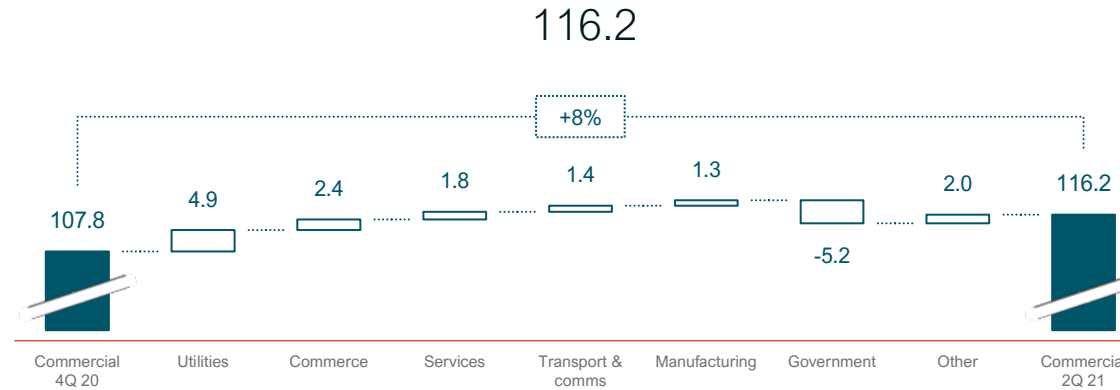


Healthy loan growth in 1H 2021

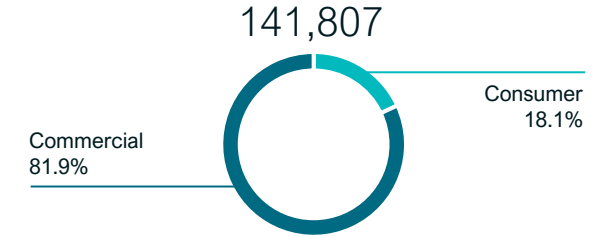
Total Loans & Advances (SAR Bn)



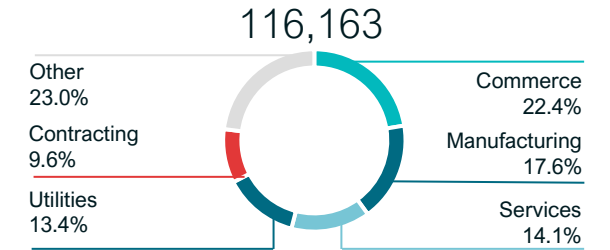
Commercial Loans Movement (SAR Bn)



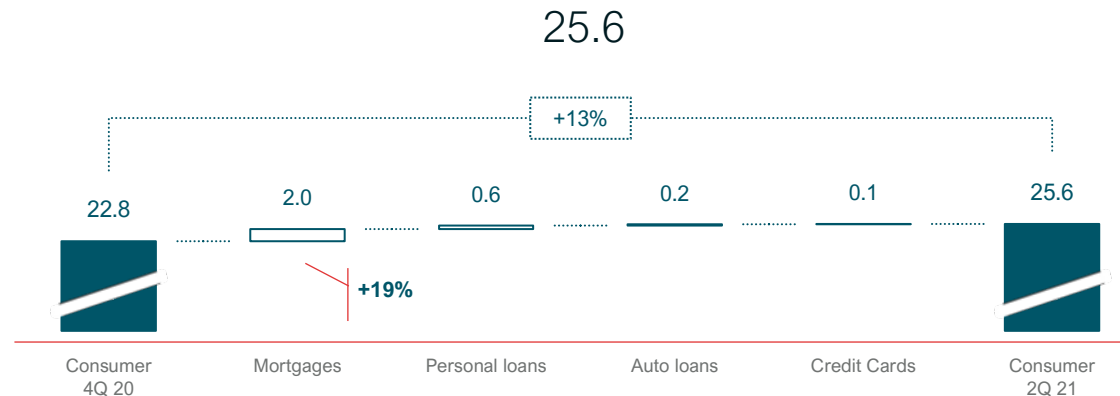
Loans & Advances Composition (SAR Mn)



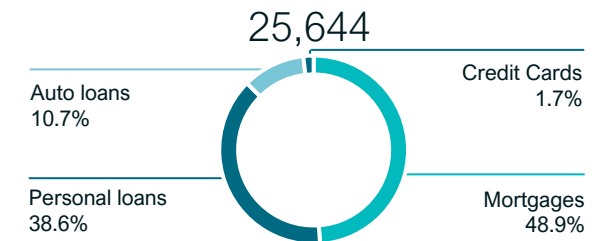
Commercial Loans Composition (SAR Mn)



Consumer Loans Movement (SAR Bn)



Consumer Composition (SAR Mn)

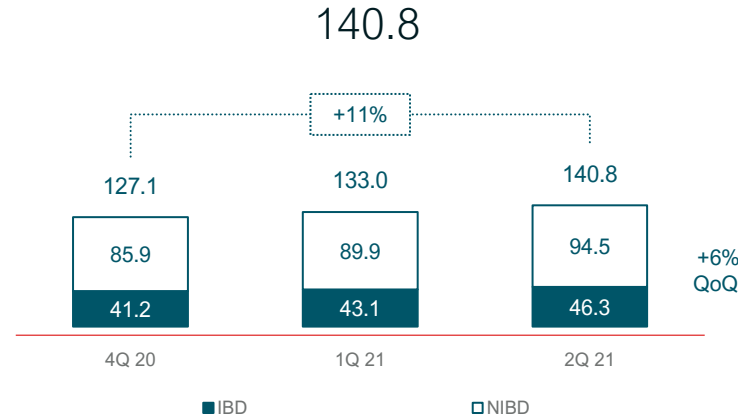


- Total loans & advances grew 9% during 1H 2021 from 13% consumer loan growth.
- Consumer loans grew mainly from 19% YTD growth in mortgages.
- Commercial loans grew 8% during 1H 2021.

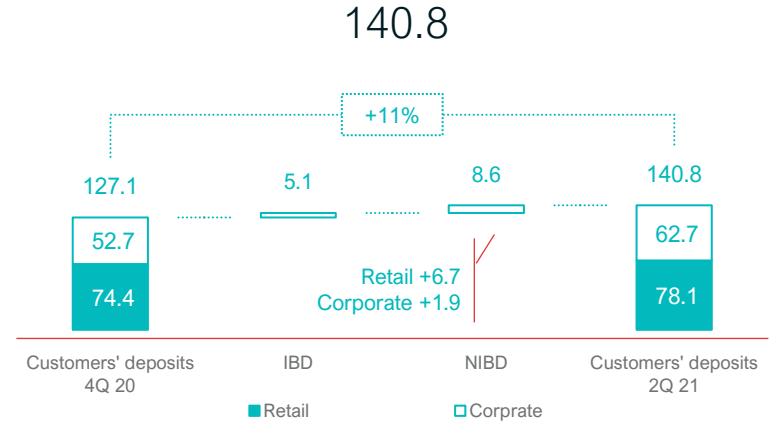
Continued growth in NIBD deposits

- Deposits grew 11% during 1H 2021 from higher NIBDs (+10%) and IBDs (+12%).
- NIBD's account for 67% of total deposits (stable relative to 68% in 4Q 2020).
- The deposit mix improved over the last year, with an increase in NIBDs of SAR 11bn YoY and SAR 9bn YTD.

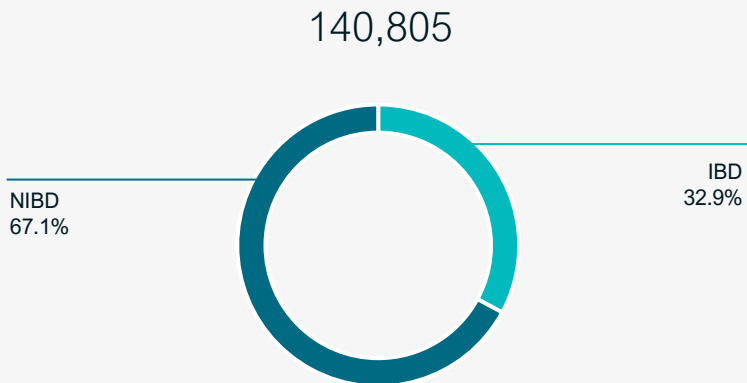
Customers' Deposits (SAR Bn)



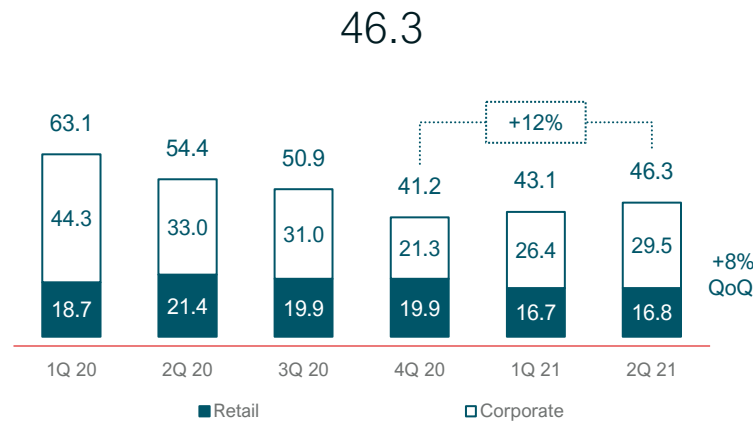
Customers' Deposits Movement (SAR Bn)



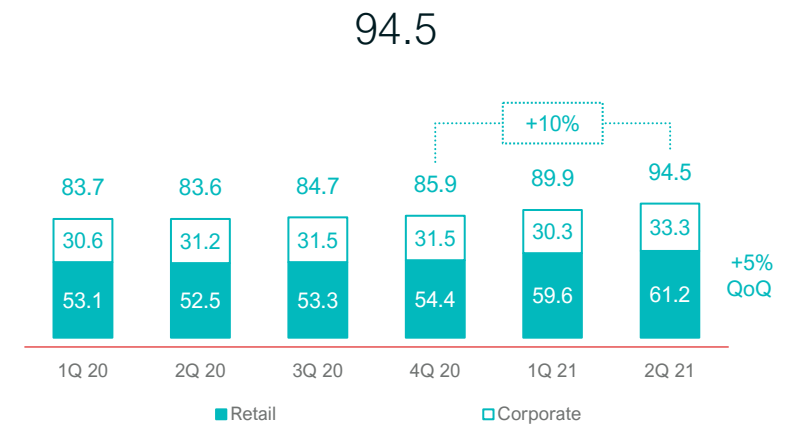
Customers' Deposits Composition (SAR Mn)



Interest Bearing Deposits (SAR Bn)



Non Interest Bearing Deposits (SAR Bn)

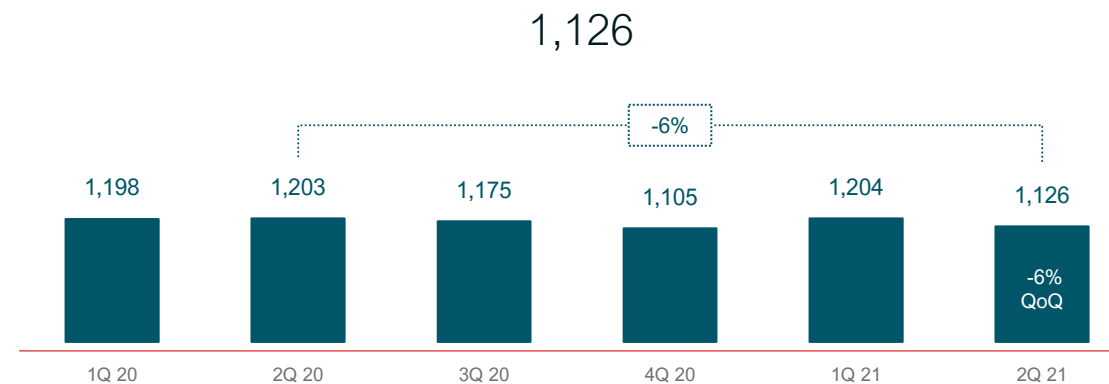


Net income improved 38% year-on-year due to lower provisions

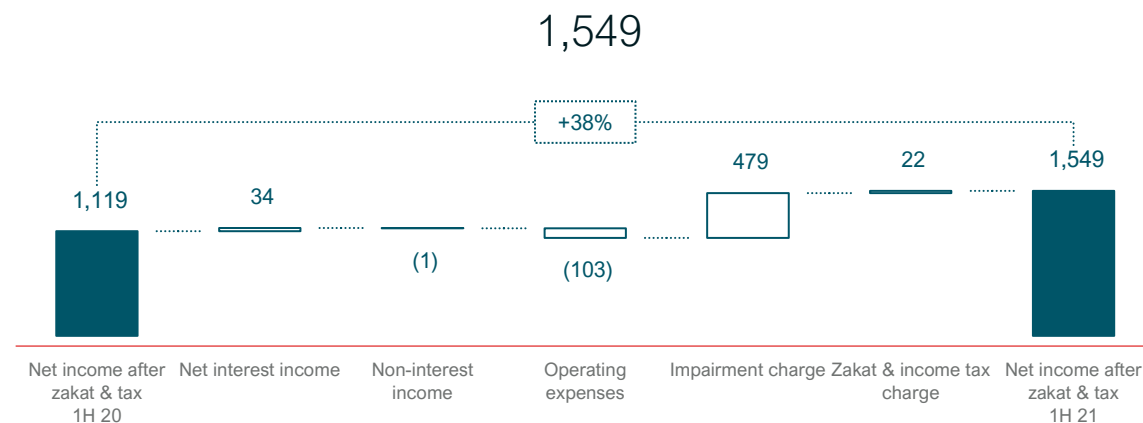
- Net income for 1H 2021 grew 38% YoY to SAR 1,549mn from 1% income growth and a 46% decline in impairments, partly offset by a 9% increase in operating expenses.
- Similarly, 2Q 2021 net income improved 76% YoY to SAR 770mn due to a 58% drop in impairments.

SAR (Mn)	2Q 2021	2Q 2020	Δ%	1H 2021	1H 2020	Δ%
Net interest income	1,330	1,297	+3%	2,618	2,584	+1%
Non-interest income	423	463	-9%	931	933	-0%
Operating income	1,754	1,760	-0%	3,549	3,517	+1%
Operating expenses	(627)	(557)	+13%	(1,219)	(1,116)	+9%
Impairment charge	(270)	(650)	-58%	(569)	(1,048)	-46%
Total operating expenses	897	1,207	-26%	1,788	2,164	-17%
Net income before zakat & tax	856	553	+55%	1,762	1,353	+30%
Zakat & income tax charge	(86)	(116)	-25%	(212)	(234)	-9%
Net income after zakat & tax	770	437	+76%	1,549	1,119	+38%
NIM	2.83%	2.88%	-2%	2.85%	2.97%	-4%
Cost to income ratio	35.8%	31.7%	+13%	34.3%	31.7%	+8%
Cost of risk	0.75%	1.82%	-59%	0.79%	1.52%	-48%
EPS	0.59	0.36	+63%	1.21	0.93	+30%
ROAE	7.8%	5.2%	+52%	7.9%	6.7%	+19%
ROAA	1.49%	0.87%	+71%	1.53%	1.16%	+32%

Net Operating Income Before Impairment Charge (SAR Mn)

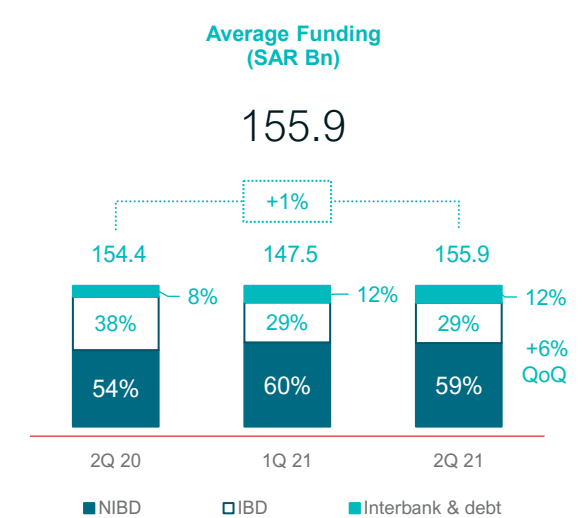
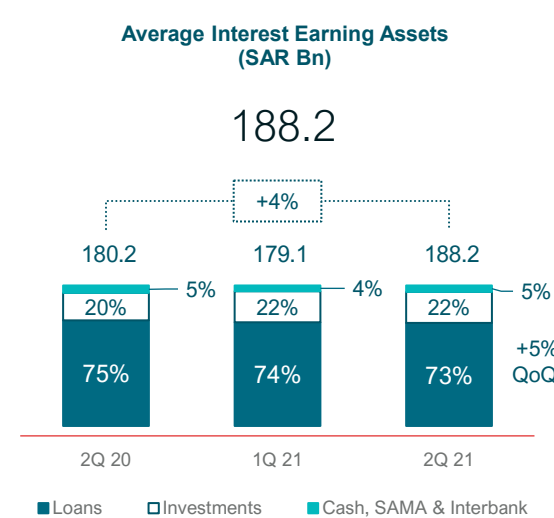
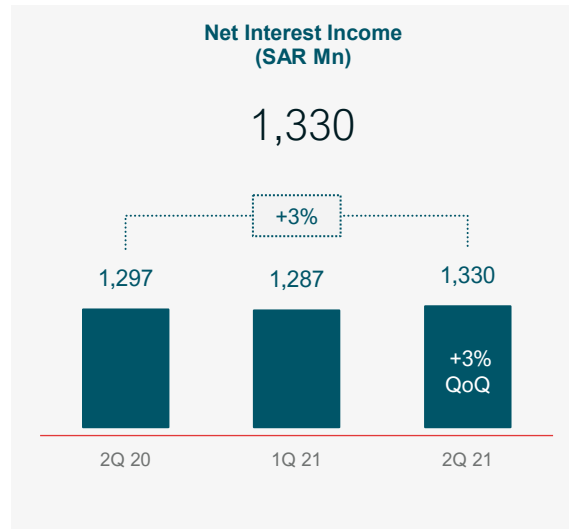


Net Income After Zakat & Tax Movement (SAR Mn)

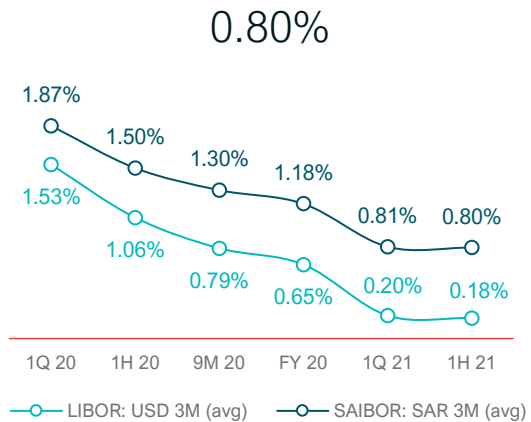


Stable NII as improved funding costs and benefit of hedging offset lower loan yields

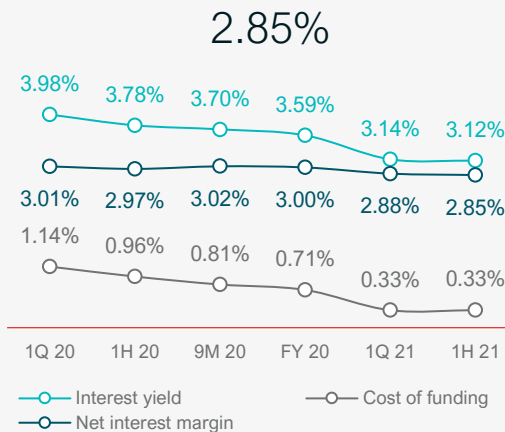
- NII for 1H 2021 grew 1% YoY to SAR 2,618mn in 1H 2021 as a 13% decline in interest income was offset by a 65% improvement in funding costs.
- The NIM decreased by 12bps YoY to 2.85% in 1H 2021.
- The margin was supported by improved balance sheet mix and funding costs, partly offsetting lower asset yields from the lower rate environment.



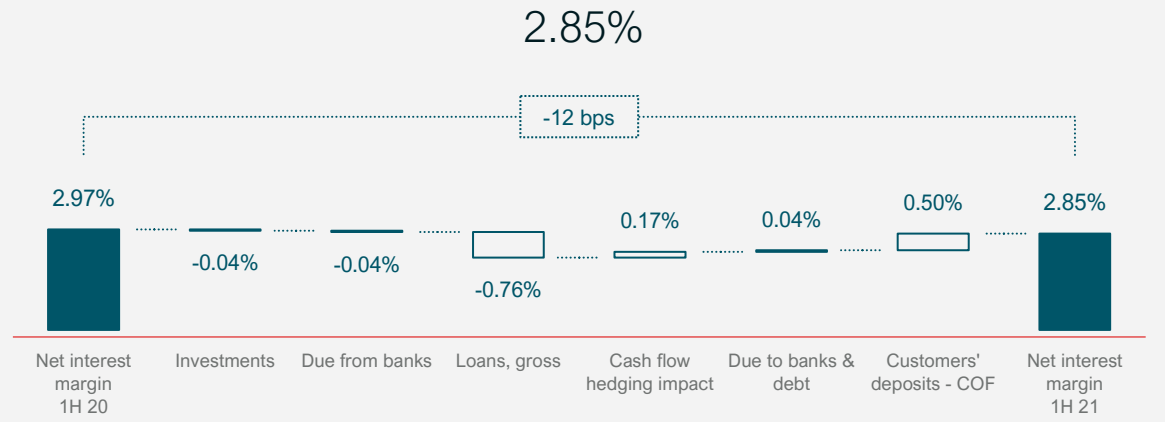
SAIBOR Trend (%)



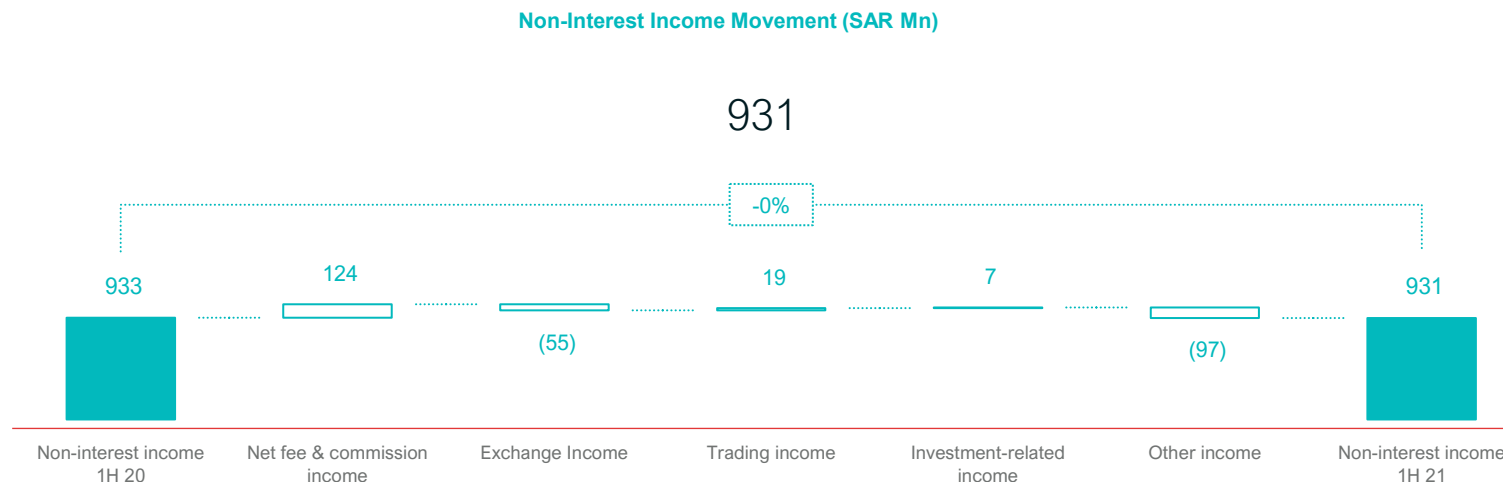
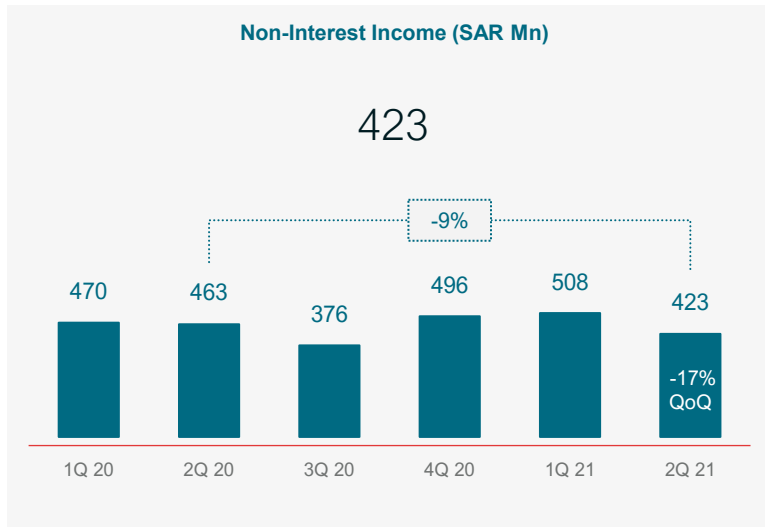
Net Interest Margin Trend (%)



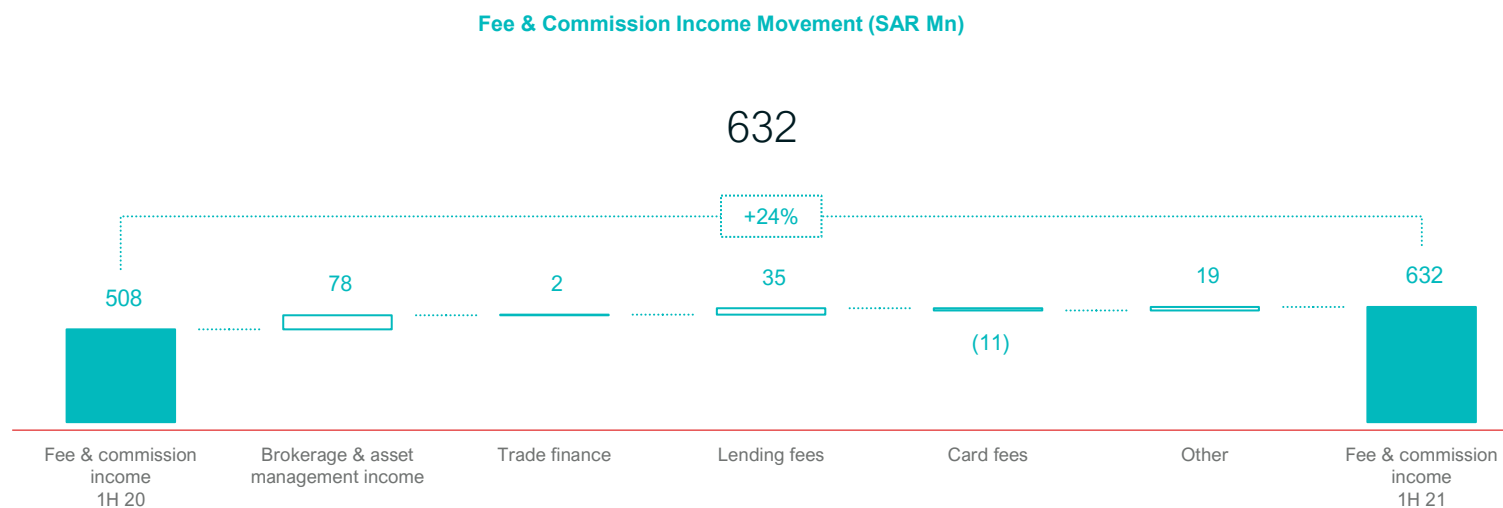
Net Interest Margin Movement (%)



Non-interest income stable YoY as improved brokerage and trading income was offset by lower exchange and other income



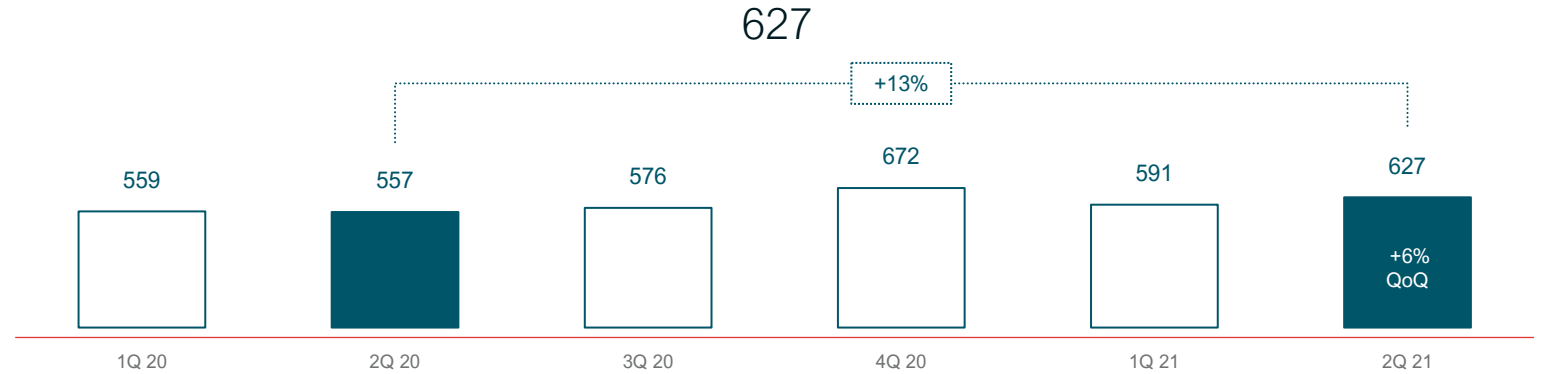
- Non-interest income for 1H 2021 was stable YoY at SAR 931mn as improved net fee & commission and trading income was offset by lower exchange and other income, the latter benefitting from one-off income of SAR 72mn in 1H 2020.
- Net fee & commission income improved 24% YoY to SAR 632mn in 1H 2021 from strong growth in brokerage income and higher lending fees, partly offset by net card fees.



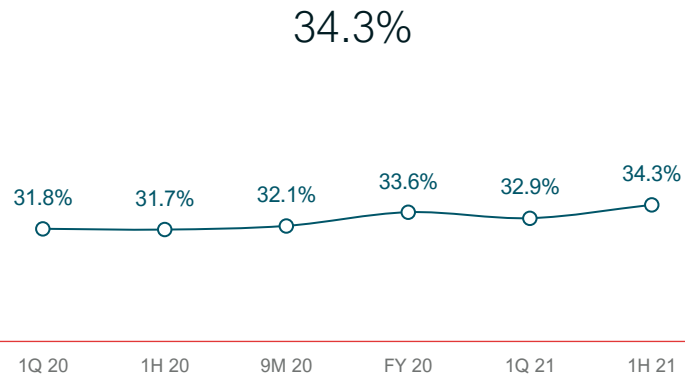
Higher operating expenses due increase in VAT rate

- Operating expenses increased 9% YoY to SAR 1,219mn in 1H 2021 due to increased rate of VAT in Saudi Arabia from 5% to 15%.
- The cost to income ratio increased modestly to 34.3% in 1H 2021 from 31.7% in 1H 2020.
- Relative to the previous quarter, operating expenses increased 6% due to VAT input expenses.

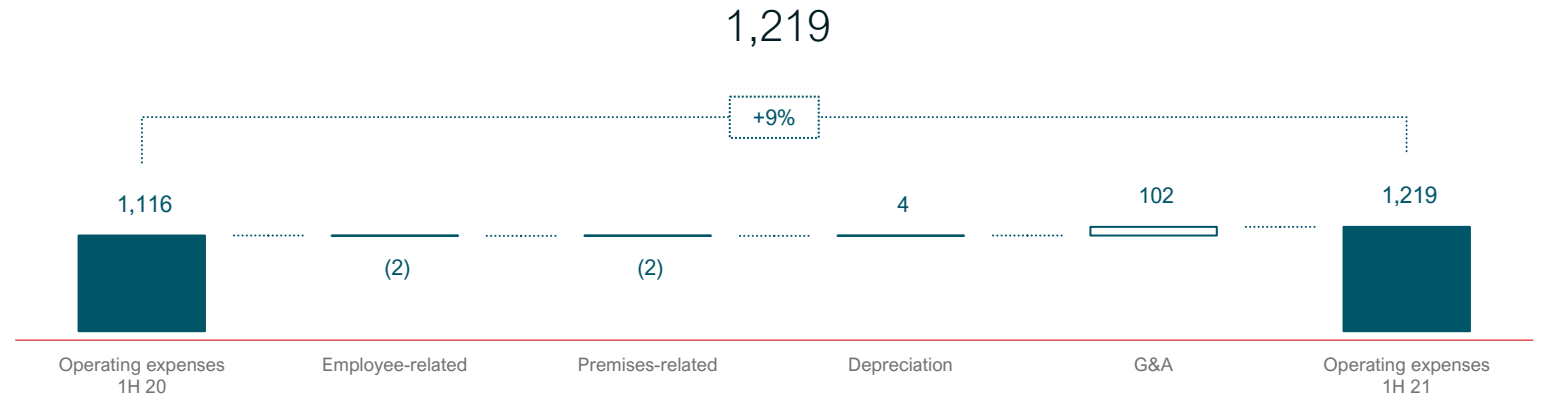
Operating Expenses (SAR Mn)



Cost To Income Ratio (%)

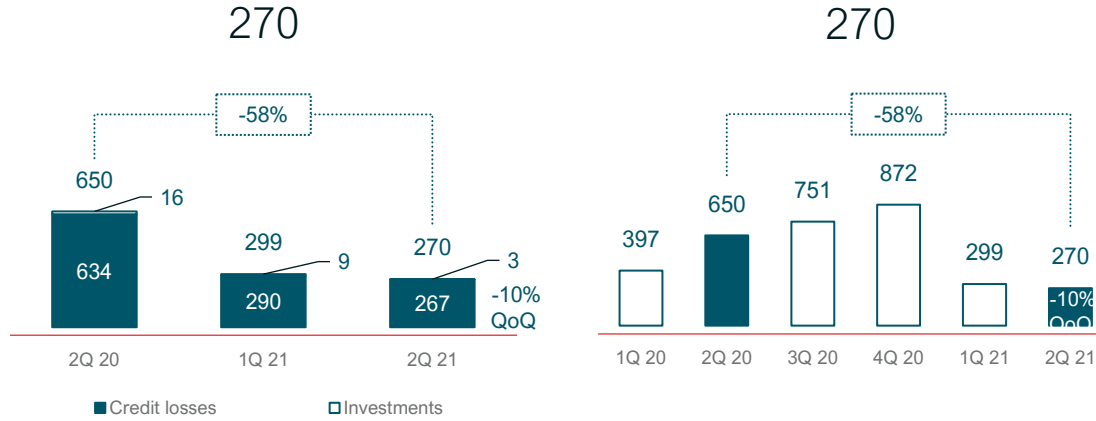


Operating Expenses Movement (SAR Mn)

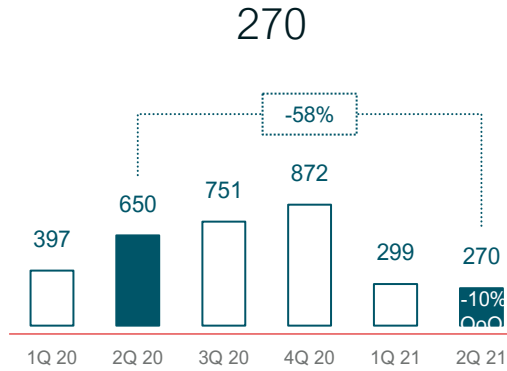


Moderation in impairment charge and cost of risk from peak in 4Q 2020, while NPL coverage improved 28.5ppts YoY

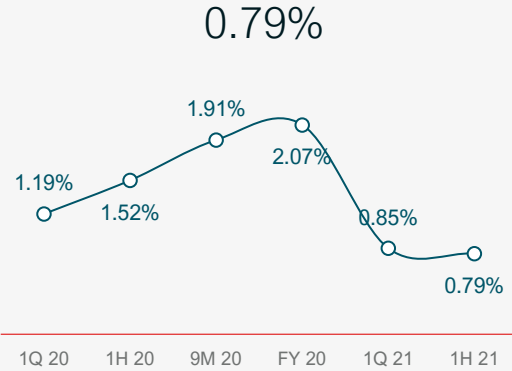
Impairment Charge (SAR Mn)



Impairment Charge (SAR Mn)

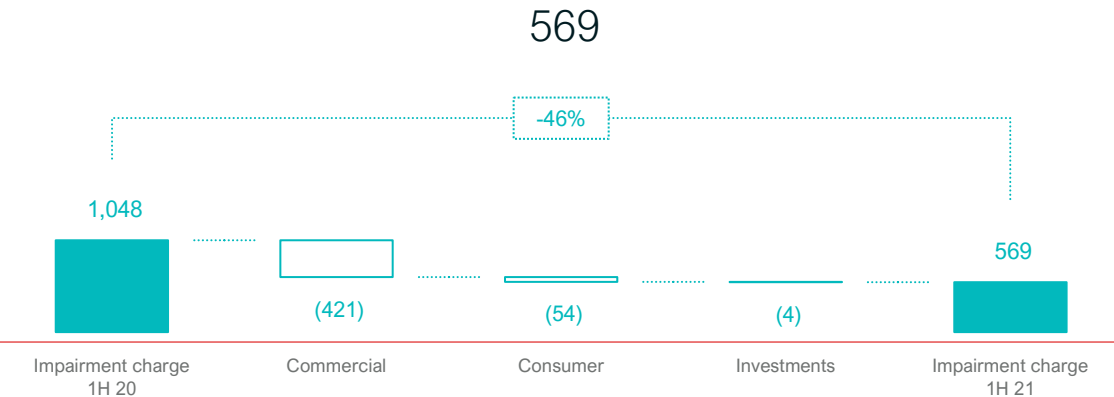


Cost of Credit Risk (%)

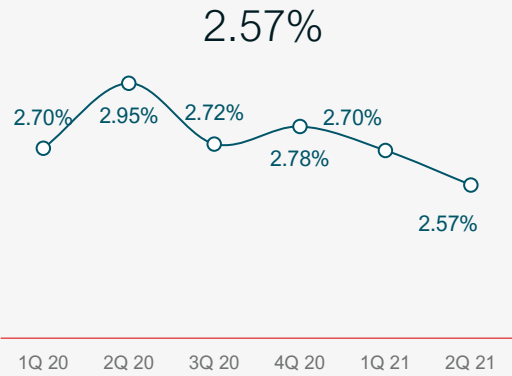


- The total impairment charge for 1H 2021 moderated to SAR 569mn from SAR 1,048mn in 1H 2020.
- The impairment charge in 2020 was elevated due to a reassessment of macroeconomic scenarios (based on more pessimistic forecasts owing to Covid-19), a conservative review of borrower risk ratings resulting in IFRS 9 Stage transitions, additional sector-based overlays and efforts made to improve NPL coverage.
- As at 30 June 2021, total sector-based overlays included in ECL allowances totaled SAR 462mn.

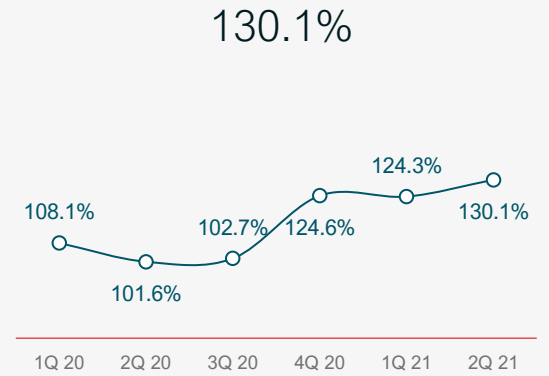
Impairment Charge Movement (SAR Mn)



NPL Ratio (%)

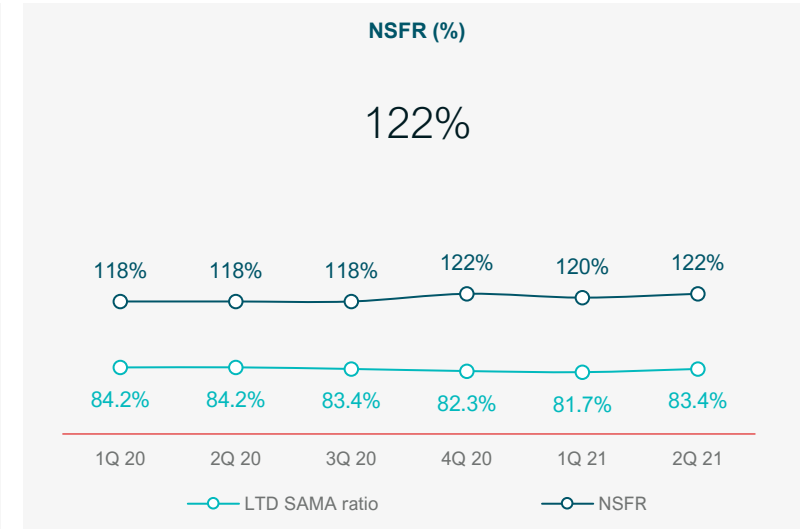
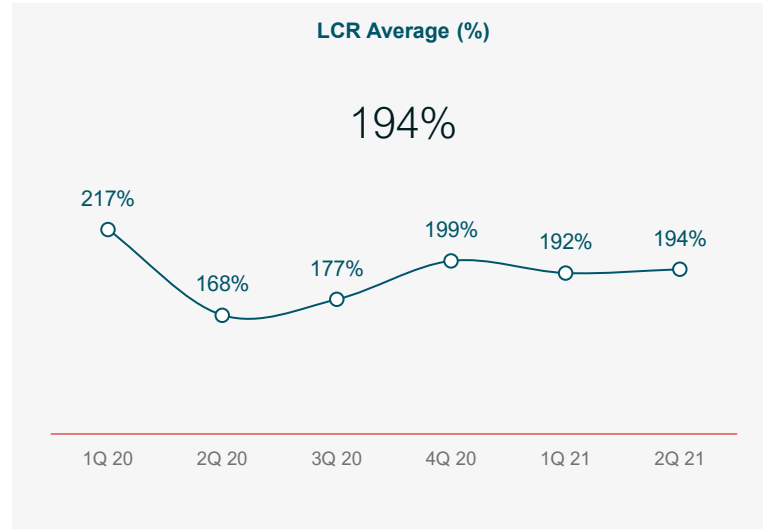


NPL Coverage Ratio (%)

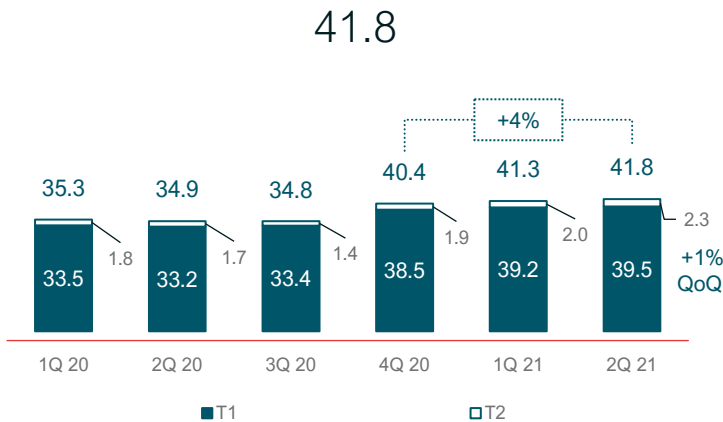


Liquidity and capitalization remain strong

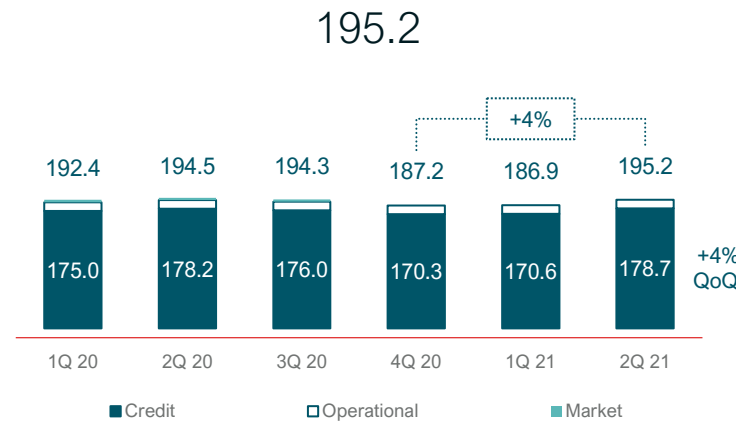
- LCR declined by a modest 5ppts during 1H 2021 to a comfortable level of 194%.
- NSFR and the SAMA LTD ratio were stable YTD at 122% and 83.4% respectively.
- Total capital increased by SAR 1.4bn (+4% YTD) during 1H 2021 from net income generation.
- RWAs increased 4% during 1H 2021 to SAR 195bn.
- CAR was 21.43% and the Tier 1 ratio was 20.23% as at 30 June 2021, broadly stable from 4Q 2020 levels as capital growth was set off against growth in RWAs during the period.



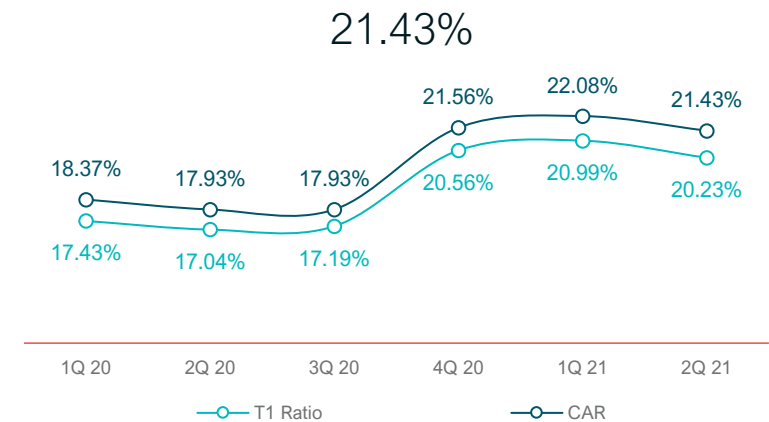
Total Capital (SAR Bn)



RWA (SAR Bn)



CAR (%)



Trends mostly in line with guidance and outlook for 2021 is largely unchanged

		2021 Outlook as at 2Q	2Q 2021 Outcome	Current 2021 Outlook		
LOANS & ADVANCES, NET	<ul style="list-style-type: none"> 1H 2021 growth of 9%. Continued mortgage growth and corporate repayments expected in 2H 2021. 	<p>2020: 130.6 2021: Mid to high single-digit</p>	<p>Loans & Advances SAR Billion</p> <p>141.8</p> <p>+8.6% year-to-date</p>	<p>Unchanged</p> <p>2020: 130.6 2021: Mid to high single-digit</p>		
	NET INTEREST MARGIN	<ul style="list-style-type: none"> NIM declined 15bps YTD. Broadly stable NIM expected in 2021 at ~2.9% +5bps. 	<p>2020: 3.00% 2021: 2.90% to 3.10% (~3.00% +/-10bps)</p>	<p>NIM (%)</p> <p>2.85%</p> <p>-15 bps year-to-date</p>	<p>2020: 3.00% 2021: 2.85% to 2.95% (~2.90% +/-5bps)</p>	
		COST OF RISK	<ul style="list-style-type: none"> Cost of risk moderated to 79bps in 1H 2021. Cost of risk expected to remain at or below 100bps for 2021. 	<p>2020: 2.07% 2021: 1.00% (At or below 100bps)</p>	<p>Cost of risk (%)</p> <p>0.79%</p> <p>-127 bps year-to-date</p>	<p>Unchanged</p> <p>2020: 2.07% 2021: 1.00% (At or below 100bps)</p>
			COST TO INCOME RATIO	<ul style="list-style-type: none"> The bank is managing the cost base for optimum efficiency, while continuing to invest in critical IT and digital capabilities. Expect CI-ratio at ~33% for 2021. 	<p>2020: 33.6% 2021: 33.0% (At or below 33%)</p>	<p>Cost to income ratio (%)</p> <p>34.3%</p> <p>+78 bps year-to-date</p>



EARNINGS PRESENTATION 2Q 2021

Questions & Answers

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