



Banque Saudi Fransi

2Q 2022 Earnings Presentation

8 August 2022



EARNINGS PRESENTATION 2Q 2022

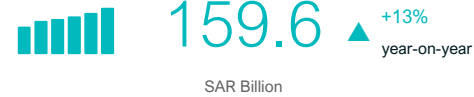
Highlights

Solid balance sheet and net income growth

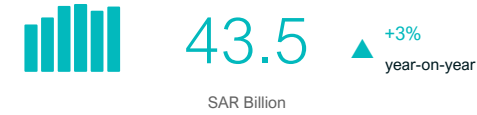
BALANCE SHEET

- High quality loan growth of 13% YoY driven by 12% commercial and 13% consumer lending growth.
- Deposit growth of 12% YoY.

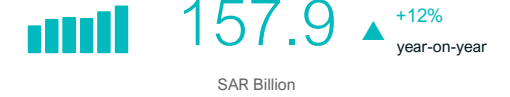
Loans & Advances



Investments



Customers' Deposits



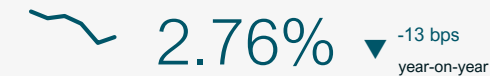
INCOME STATEMENT

- 6% top-line growth from 7% NII growth, despite 13bps margin contraction.
- Net income grew 10% from income growth.

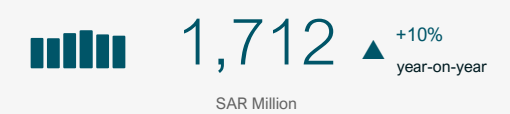
Operating Income



NIM



Net Income



ASSET QUALITY

- Moderating NPL ratio.
- Improving NPL coverage ratio YTD.
- Lower cost of risk as Covid-19 abated.

NPL Ratio



NPL Coverage Ratio



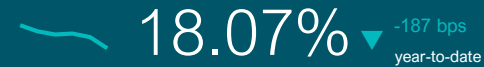
Cost of risk



CAPITAL & LIQUIDITY

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

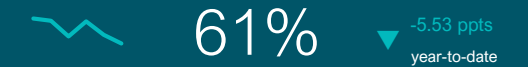
T1 Ratio



LCR



NIBD % of Total Deposits





EARNINGS PRESENTATION 2Q 2022

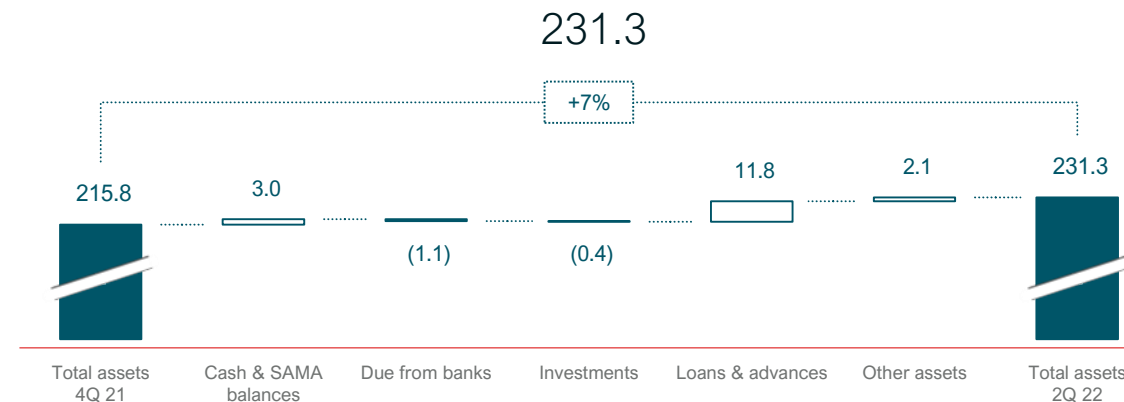
Financial Performance

Solid balance sheet growth from lending

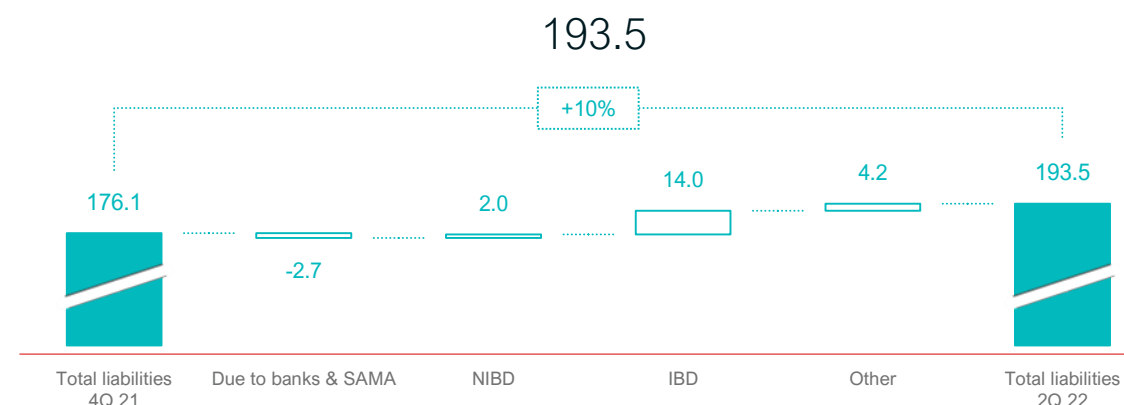
- Growth in total assets of 7% YTD, mainly driven by healthy 8% loan growth.
- Liabilities grew by 10% during 1H 2022 from 11% deposit growth.
- Total equity declined 5% YTD due to MTM on debt securities and cash flow hedges; this impact will gradually fade and be recycled to the income statement until maturity.
- Other assets and liabilities increased from changes in fair values of derivatives.

SAR (Mn)	2Q 2022	4Q 2021	Δ%	2Q 2021	Δ%
Cash & SAMA balances	12,812	9,795	+31%	9,808	+31%
Due from banks	4,246	5,324	-20%	7,781	-45%
Investments	43,505	43,858	-1%	42,060	+3%
Loans & advances	159,625	147,813	+8%	141,807	+13%
Other assets	11,079	9,012	+23%	9,855	+12%
Total assets	231,267	215,802	+7%	211,310	+9%
Due to banks & SAMA	21,124	23,854	-11%	19,944	+6%
Customers' deposits	157,919	141,950	+11%	140,805	+12%
Other liabilities	14,482	10,312	+40%	11,302	+28%
Total liabilities	193,525	176,116	+10%	172,051	+12%
Share capital	12,054	12,054	+0%	12,054	+0%
Retained earnings	9,096	8,399	+8%	8,411	+8%
Other	11,592	14,233	-19%	8,411	+38%
Tier 1 Sukuk	5,000	5,000	+0%	5,000	+0%
Total equity	37,742	39,686	-5%	39,259	-4%

Total Assets Movement (SAR Bn)

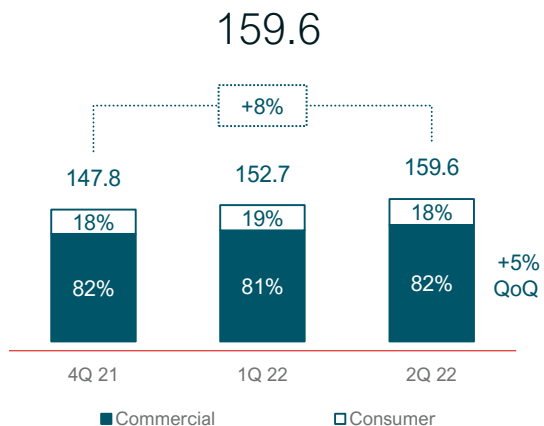


Total Liabilities Movement (SAR Bn)

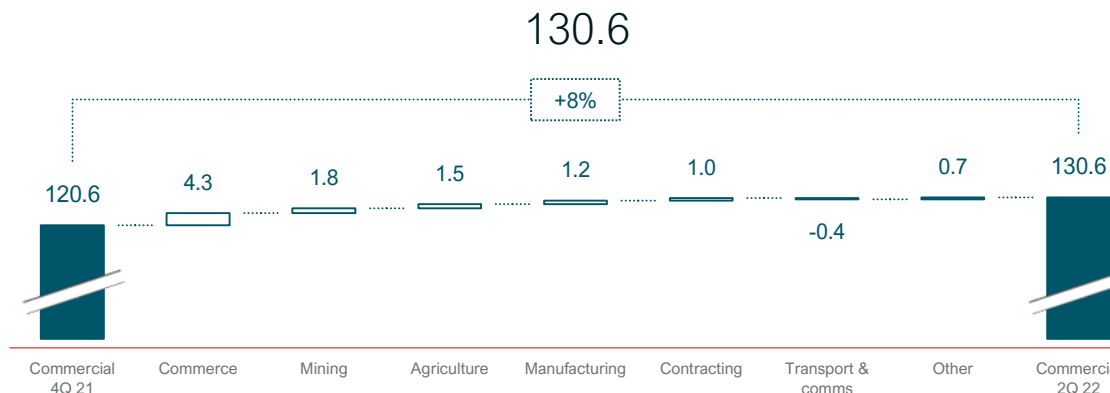


Healthy loan growth in 1H 2022

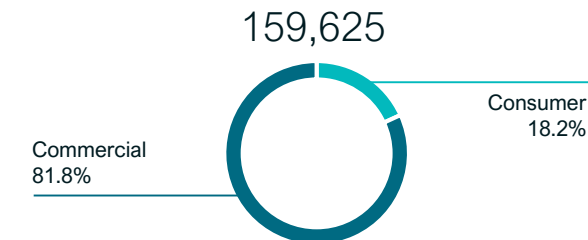
Total Loans & Advances (SAR Bn)



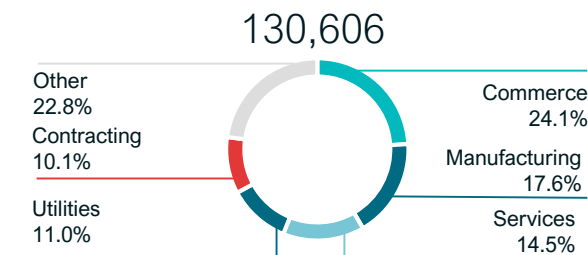
Commercial Loans Movement (SAR Bn)



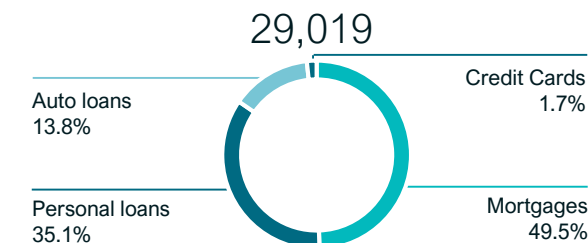
Loans & Advances Composition (SAR Mn)



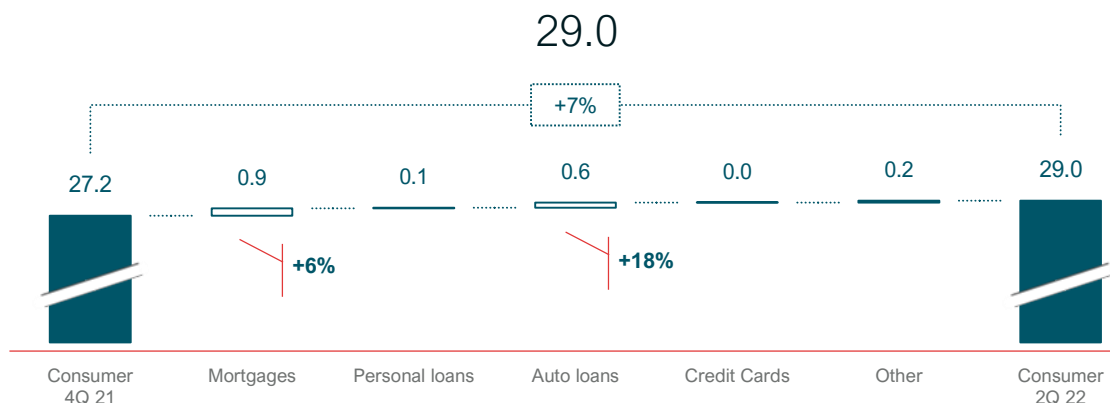
Commercial Loans Composition (SAR Mn)



Consumer Loans Composition (SAR Mn)



Consumer Loans Movement (SAR Bn)

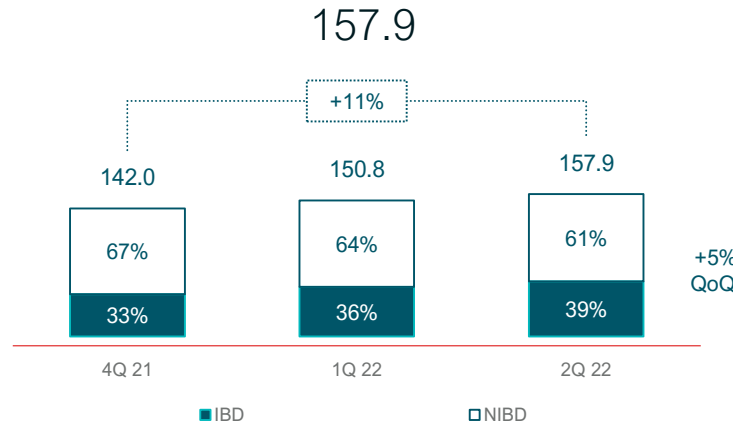


- Total loans & advances grew 8% during 1H 2022 from both consumer and commercial lending growth.
- Consumer loans grew 7% mainly from 6% growth in mortgages and 18% growth in auto loans.
- Commercial loans grew 8% during the quarter, which was broad-based across sectors.

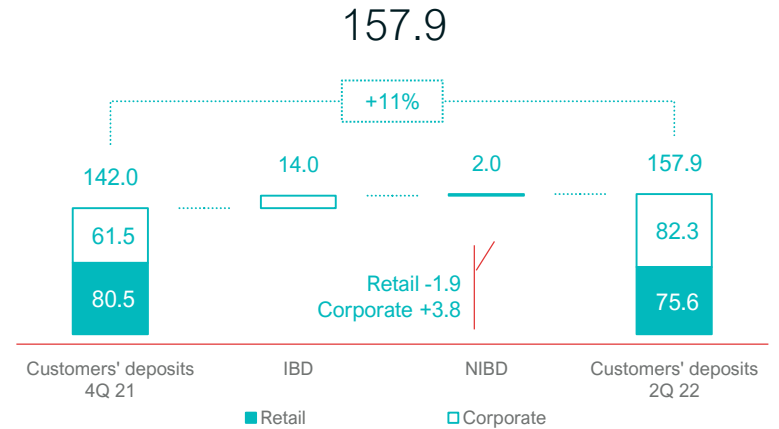
Strong 11% growth in deposits YTD, improving headline LTD to 101%

- Deposits grew 11% during 1H 2022, mainly from higher IBDs.
- IBD's increased 30% YTD from 61% growth in high-quality Corporate deposits.
- NIBD's grew 2% YTD from 11% growth in Corporate deposits.
- Retail deposits declined 6% YTD.
- As at 30 June 2022, 61.4% of deposits were non-interest bearing.

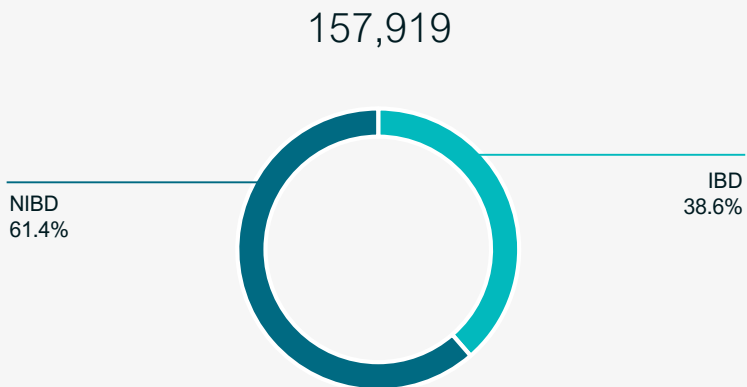
Customers' Deposits (SAR Bn)



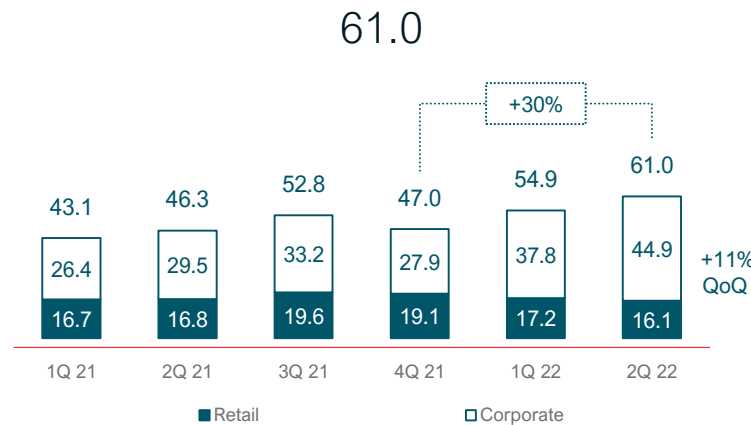
Customers' Deposits Movement (SAR Bn)



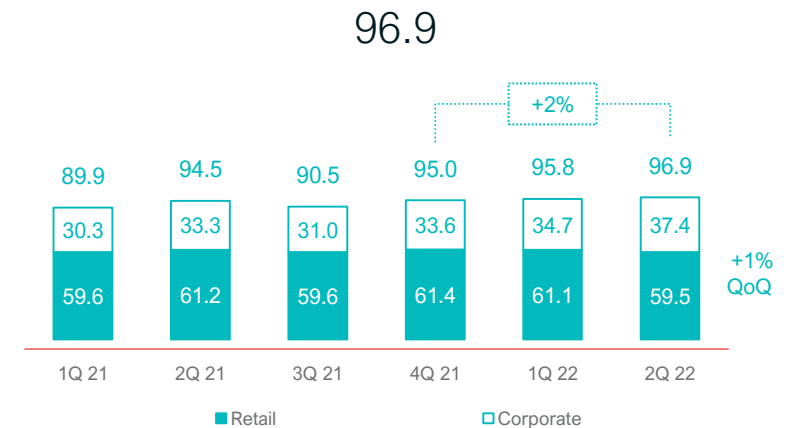
Customers' Deposits Composition (SAR Mn)



Interest Bearing Deposits (SAR Bn)



Non Interest Bearing Deposits (SAR Bn)

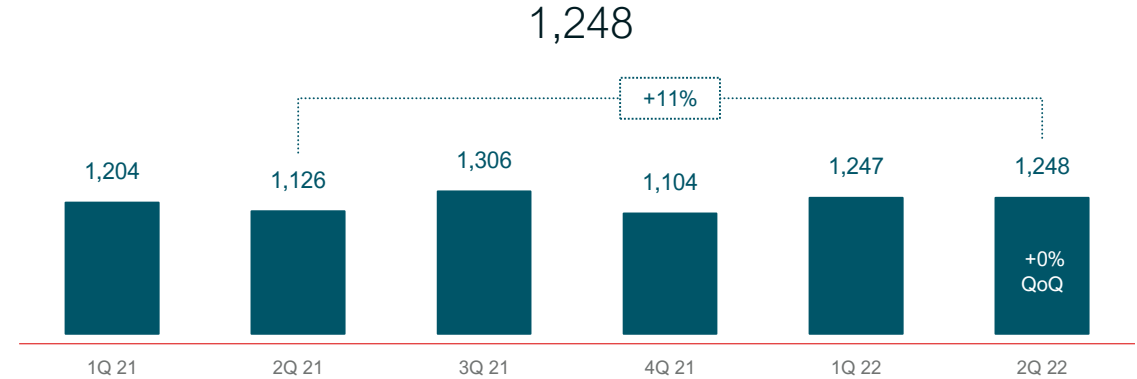


Net income grew 10% year-on-year from income growth

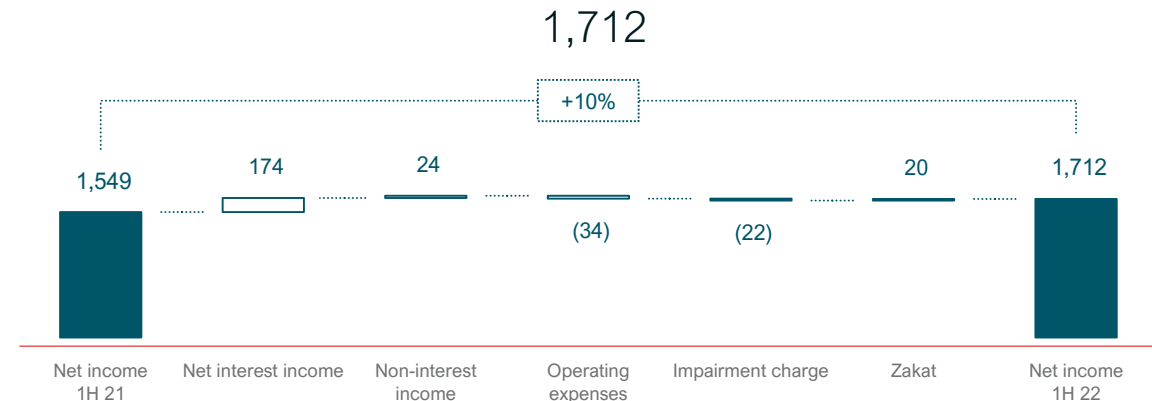
- Net income for 1H 2022 grew 10% YoY to SAR 1,712mn from 6% growth in operating income.
- Net income for 2Q 2022 grew by 9% YoY to SAR 837mn from 8% income growth but declined 4% QoQ on higher risk costs.

SAR (Mn)	1H 2022	1H 2021	Δ%	2Q 2022	2Q 2021	Δ%
Net interest income	2,792	2,618	+7%	1,449	1,330	+9%
Non-interest income	956	931	+3%	447	423	+6%
Operating income	3,747	3,549	+6%	1,896	1,754	+8%
Operating expenses	(1,253)	(1,219)	+3%	(648)	(627)	+3%
Net operating income before impairments	2,495	2,331	+7%	1,248	1,126	+11%
Impairment charge	(591)	(569)	+4%	(319)	(270)	+18%
Net income before zakat	1,903	1,762	+8%	928	856	+8%
Zakat	(192)	(212)	-10%	(91)	(86)	+5%
Net income	1,712	1,549	+10%	837	770	+9%
NIM	2.76%	2.88%	-13bps	2.80%	2.84%	-4bps
Cost to income ratio	33.4%	34.3%	-0.9ppts	34.2%	35.8%	-1.6ppts
Cost of risk	0.75%	0.79%	-4bps	0.79%	0.75%	+5bps
EPS	1.33	1.21	+10%	0.65	0.59	+9%
ROAE	8.8%	7.9%	+85bps	8.7%	7.8%	+83bps
ROAA	1.53%	1.53%	+0bps	1.48%	1.49%	-1bps

Net Operating Income Before Impairment Charge (SAR Mn)

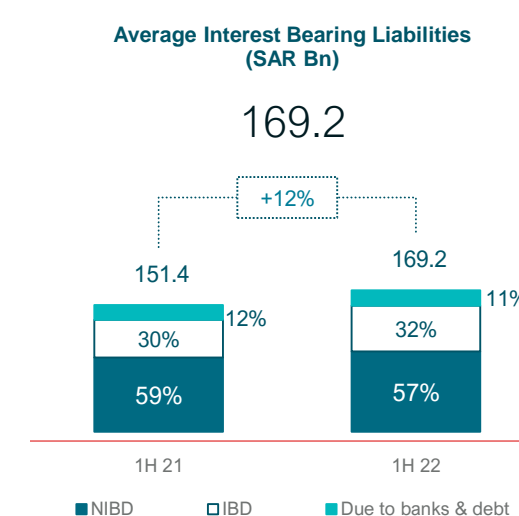
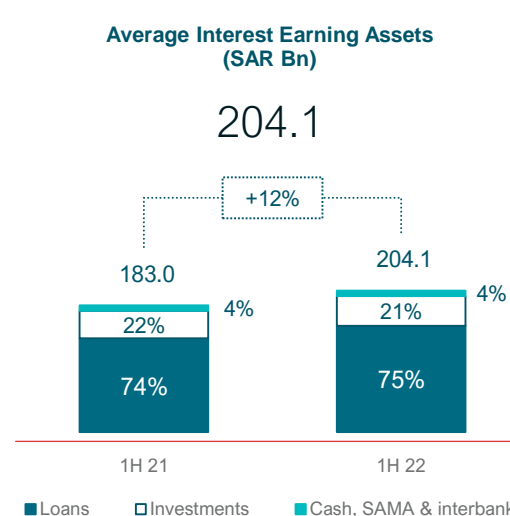
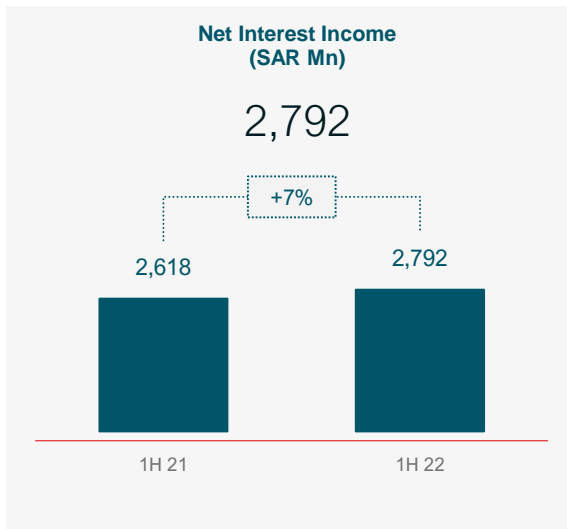


Net Income Movement (SAR Mn)

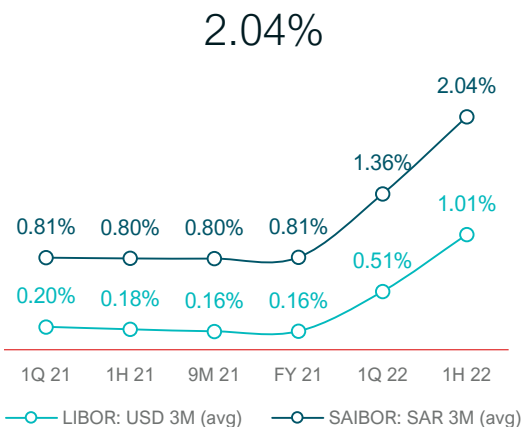


NII growth of 7% as earning assets growth partly offset by 13bps margin contraction

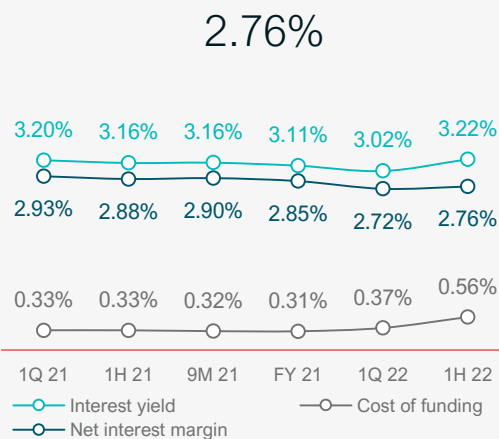
- NII for 1H 2022 grew 7% YoY to SAR 2,792mn on 12% growth in (simple) average earning assets, partly offset by margin contraction.
- The YTD NIM declined 13bps YoY as a reduced cash flow hedging impact and higher funding costs more than offset improved loan yields.
- Nevertheless, the quarterly NIM improved from 270bps in 4Q 2022 to 280bps in 2Q 2022.



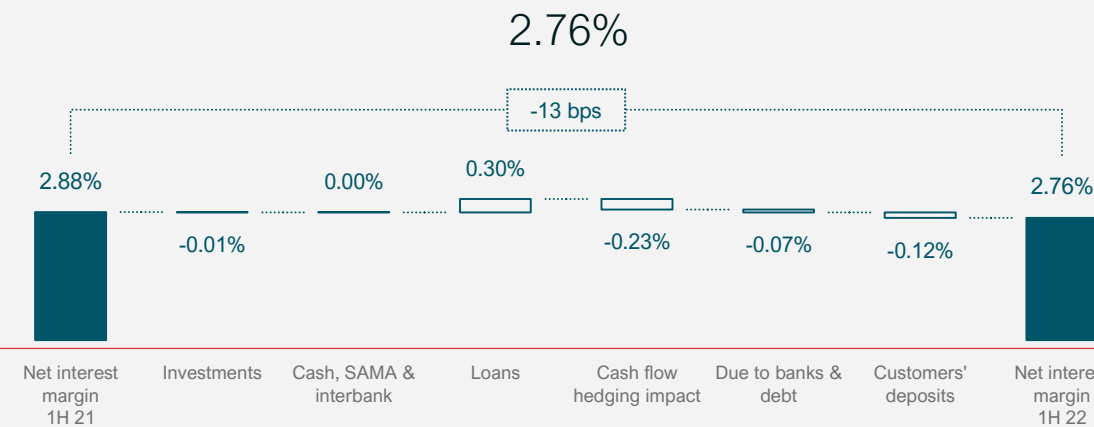
SAIBOR Trend (%)



Net Interest Margin Trend (%)



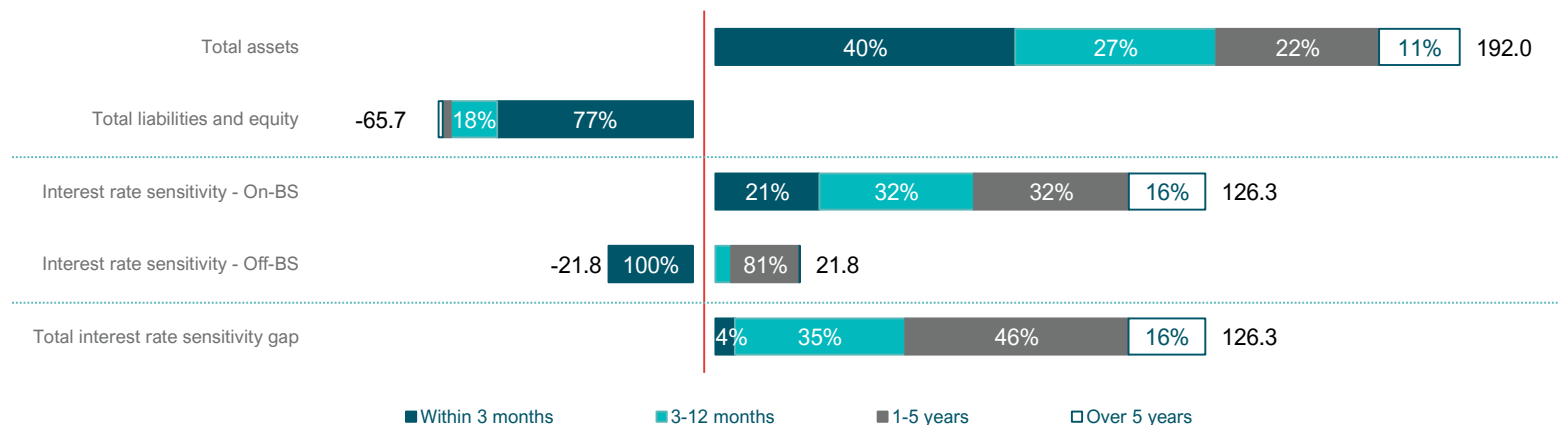
Net Interest Margin Movement (%)



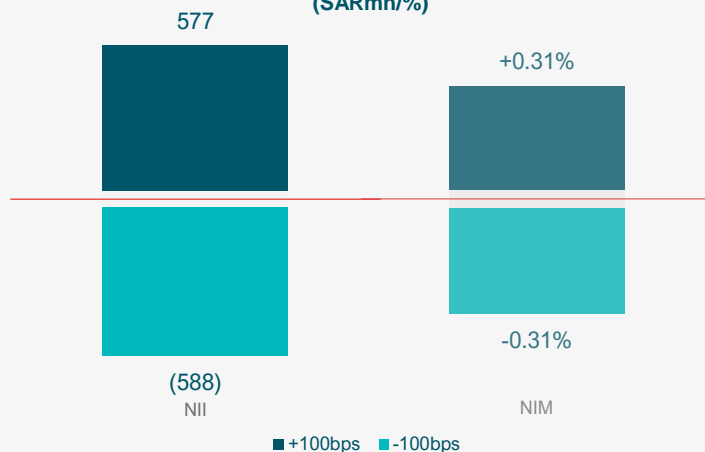
BSF is positively positioned for a rising rate environment

- 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.
- 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.

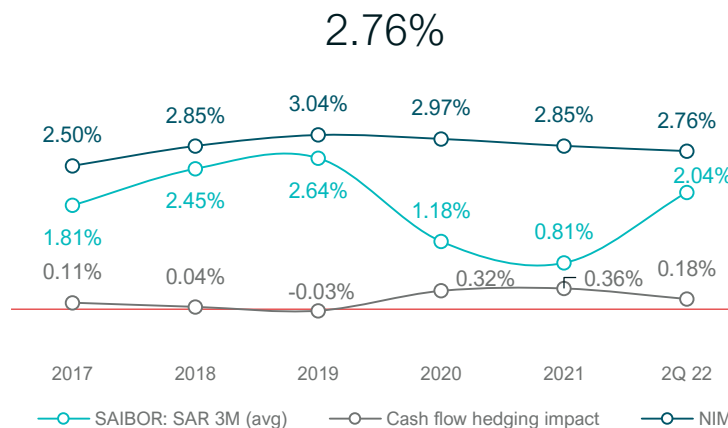
Exposure to Interest Rate Risk as at 31 December 2021 (SAR Bn)



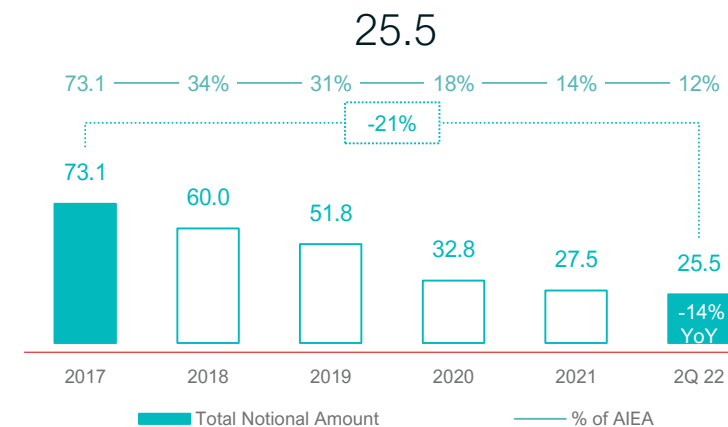
Impact of 100bps Rate Change as at 31 December 2021 (SARmn/%)



NIM, Rates and CFH Impact Trends (%)

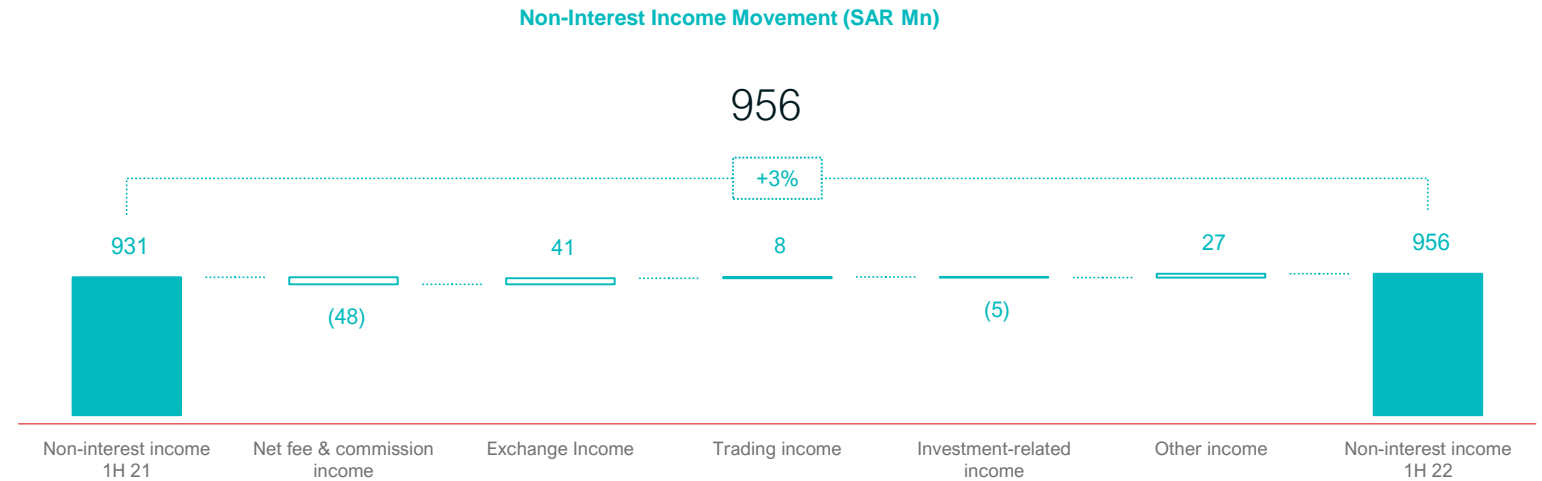
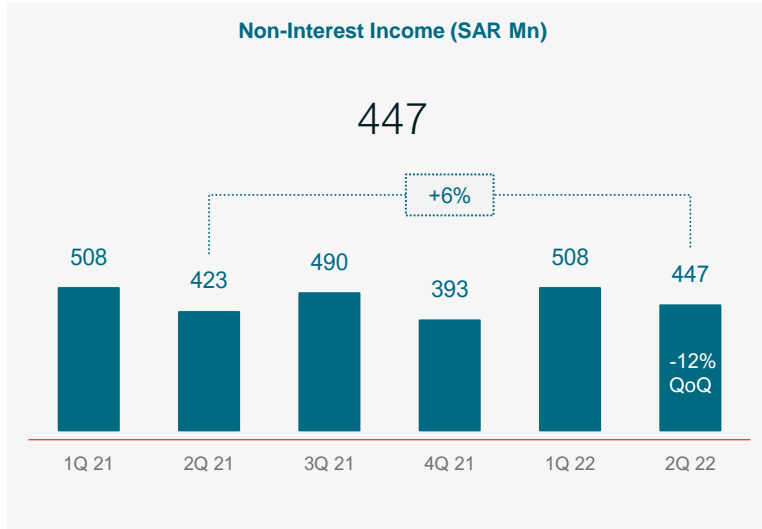


Cash Flow Hedges Swaps (SAR Bn)

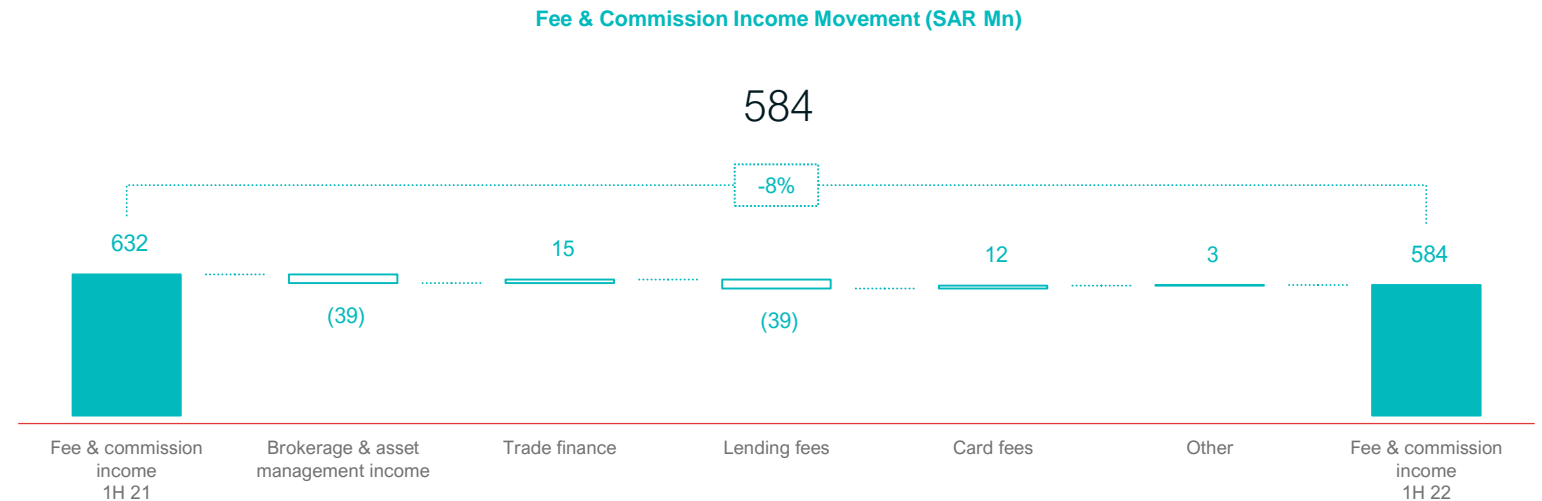


Note: Exposure to interest rate risk is shown in time buckets based on the earliest of first re-pricing date and contractual maturity; Interest rate sensitivity assumes 100bps parallel change in both SAR and USD rates.

Non-interest income grew 3% YoY from higher exchange and other income



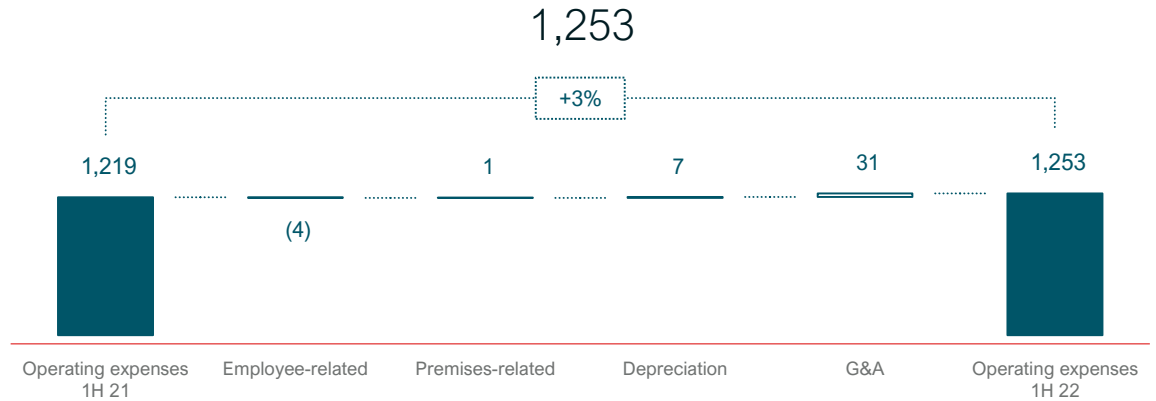
- Non-interest income for 1H 2022 grew 3% YoY to SAR 956mn as improved exchange and other income was partly offset by lower net fee & commission income.
- Net fee & commission income dropped 8% YoY to SAR 584mn in 1H 2022 from lower market-driven brokerage and lending fee income, partly offset by higher trade finance and cards income.
- 2Q 2022 Non-interest income increased 6% YoY from higher exchange, trading and other income.



Disciplined cost control limiting operating expenses growth to 3%

- Operating expenses increased 3% YoY to SAR 1,253mn in 1H 2022 from higher G&A expenses.
- The YTD cost to income ratio improved by 0.9ppts YoY to 33.4% in 1H 2022 from 34.3% in 1H 2021.
- Operating expenses for 2Q 2022 increased 3% YoY from higher employee-related and depreciation expenses.

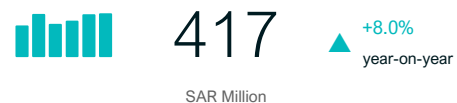
Operating Expenses Movement (SAR Mn)



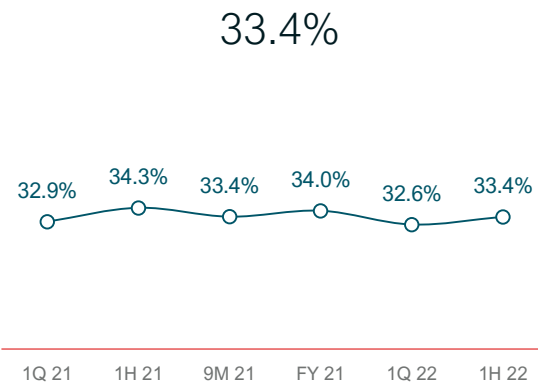
Employee-Related



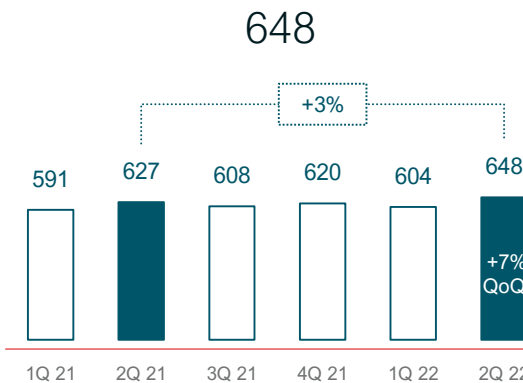
G&A



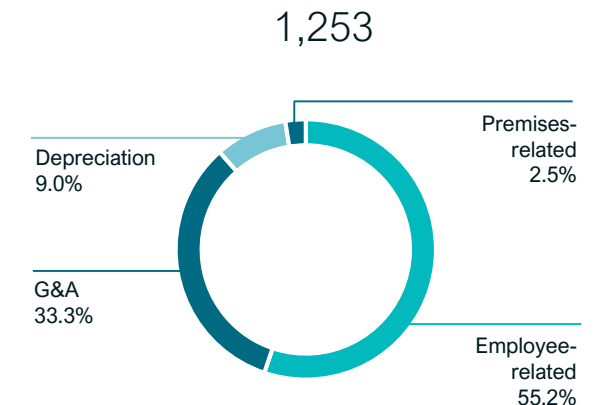
Cost To Income Ratio (%)



Operating Expenses (SAR Mn)

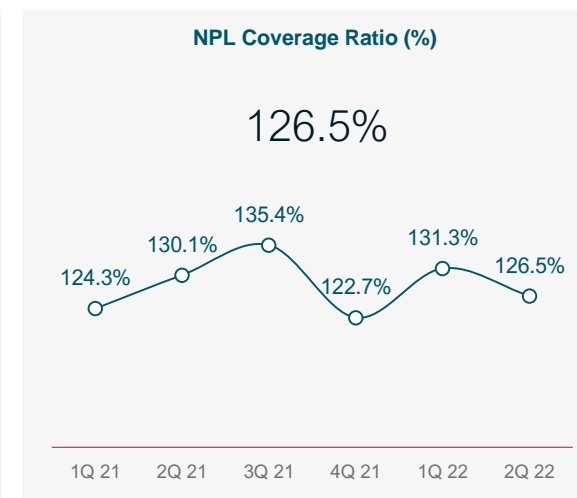
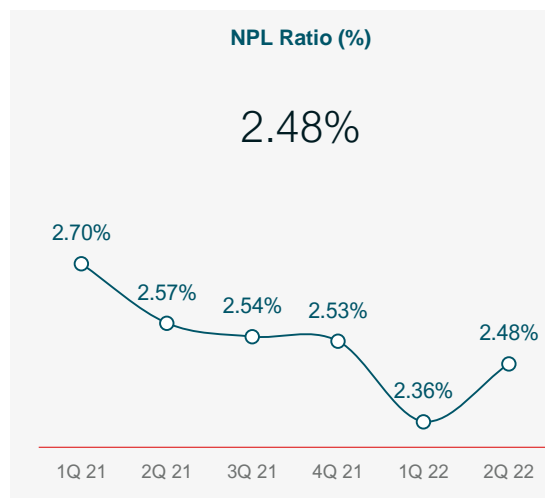
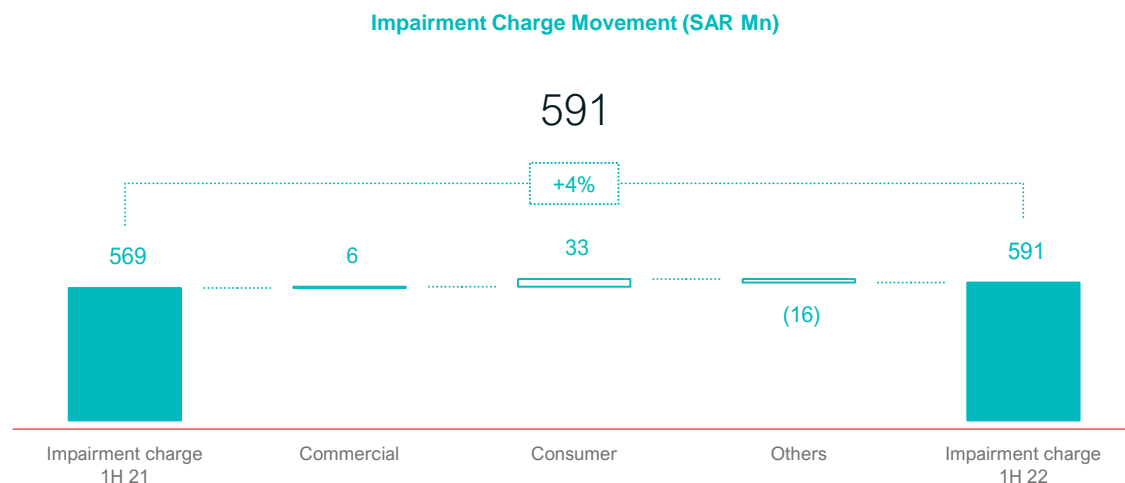
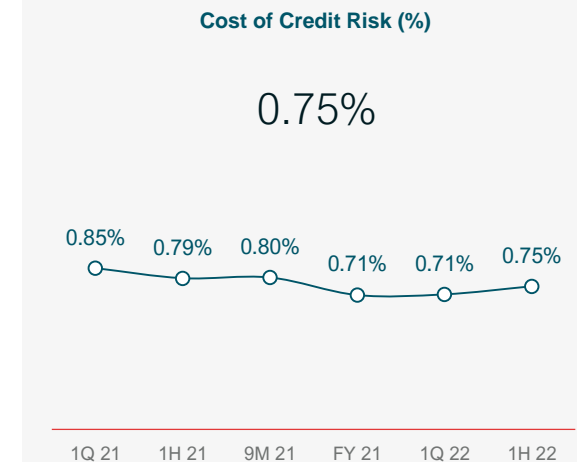
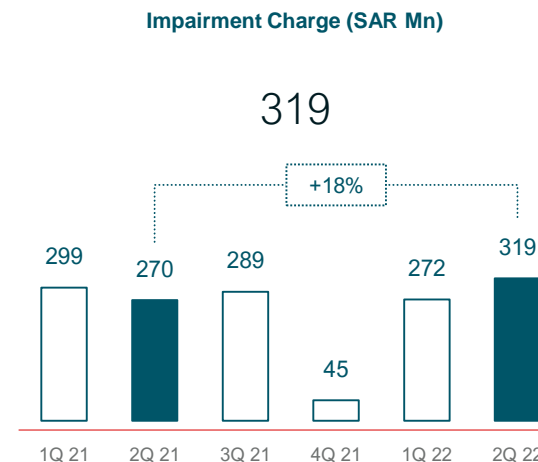
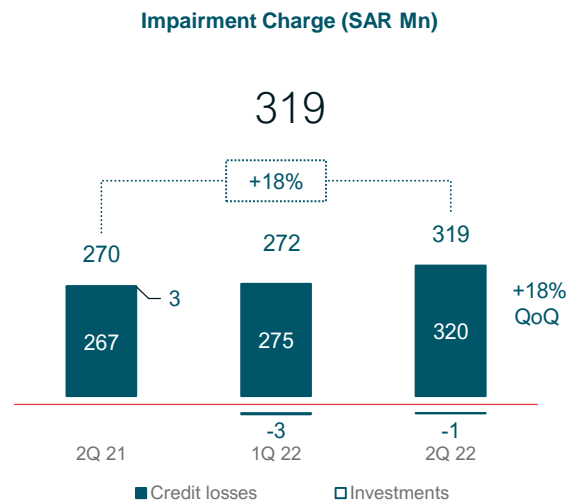


1H 22 Operating Expenses Composition (SAR Mn)



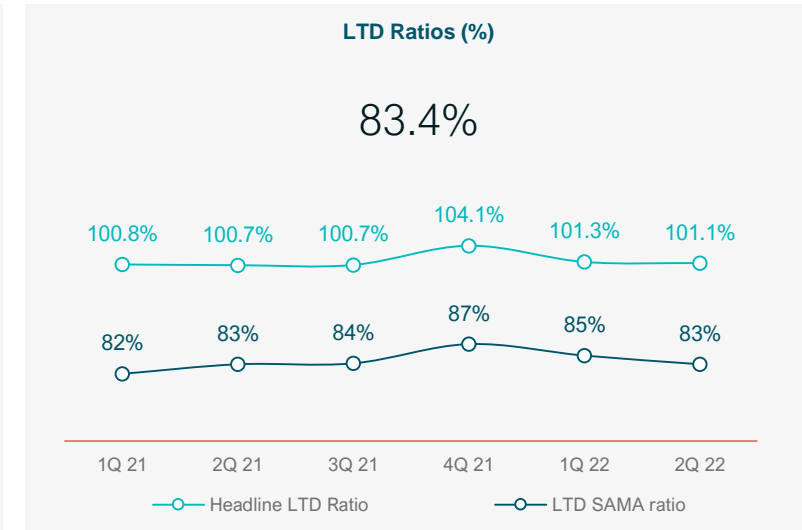
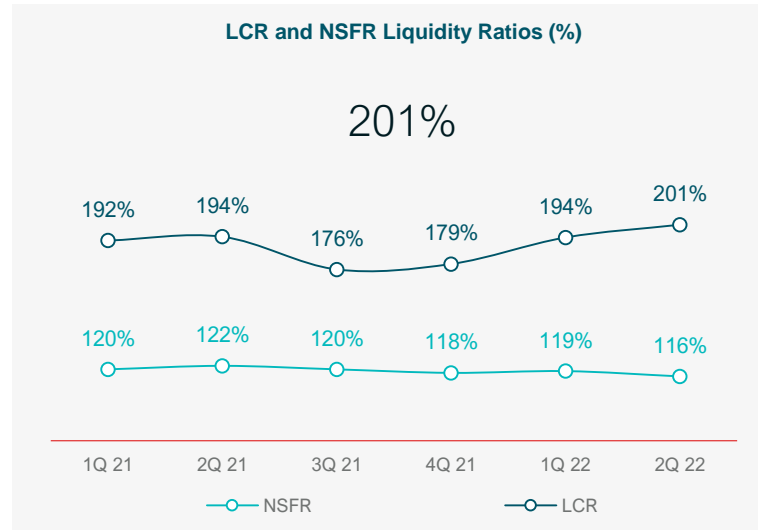
Stable credit quality during 1H 2022

- The total impairment charge for 1H 2022 increased 4% YoY to SAR 591mn from higher Consumer impairments.
- The NPL ratio declined by 5bps during 1H 2022 due to a 6% rise in NPLs on 8% loan growth.
- Isolated pockets of migration in corporate book expected in 2H 2022; otherwise outlook mostly benign.
- NPL coverage improved by 3.8ppts during 1H 2022.

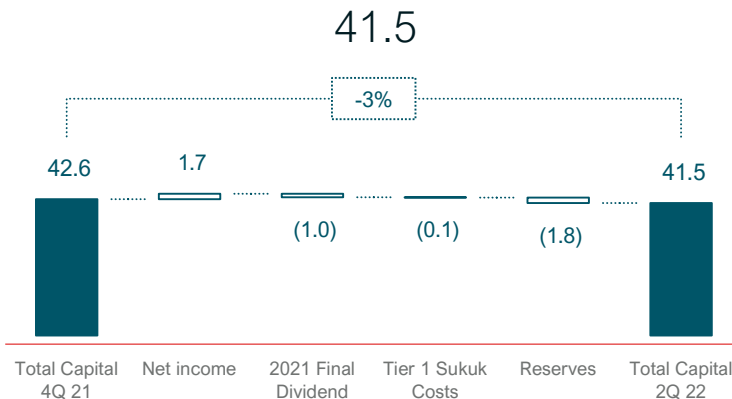


Liquidity comfortable | Capital ratios declined during 1H 2022 from RWA growth and MTM on debt securities and cash flow hedges

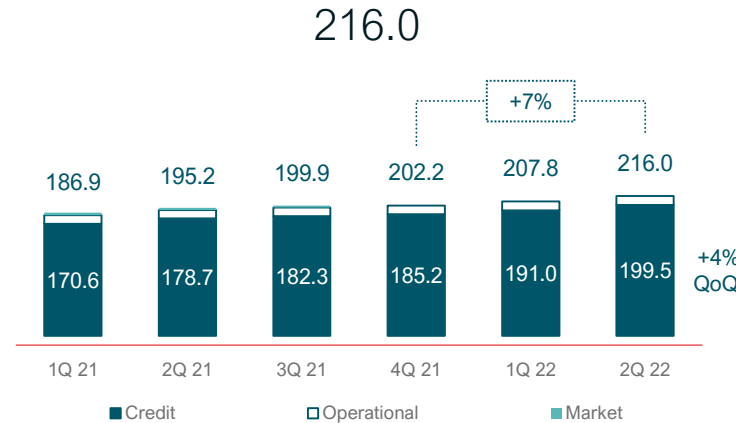
- LCR improved by 22.0ppts during 1H 2022 to 201%.
- NSFR was 116% as at 30 June 2022.
- The SAMA regulatory LTD ratio was within required levels at 83.4% as at 30 June 2022.
- Total capital declined 3% to SAR 41.5bn during 1H 2022 as net retained income generation was more than offset by negative MTM on debt securities and cash flow hedges in comprehensive income.
- RWAs increased 7% during 1H 2022 to SAR 216.0bn.
- CAR was 19.20% and the Tier 1 ratio was 18.07% as at 30 June 2022.



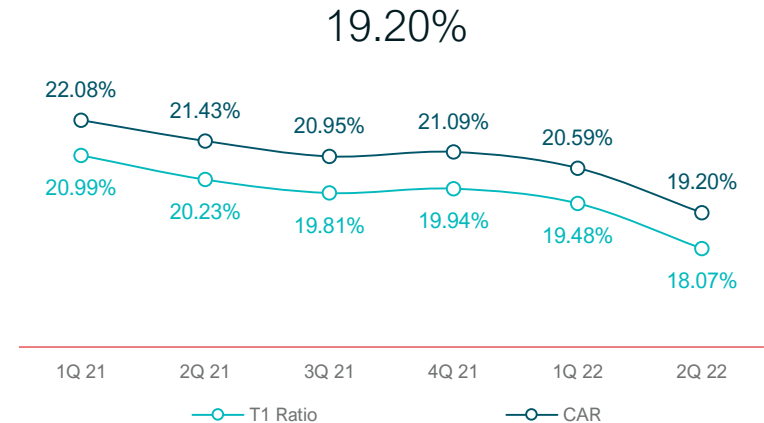
Total Capital Movement (SAR Bn)



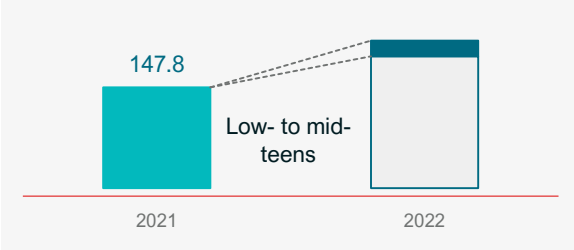
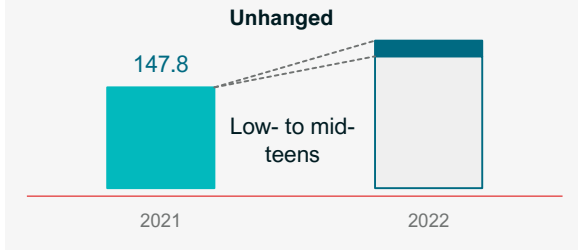
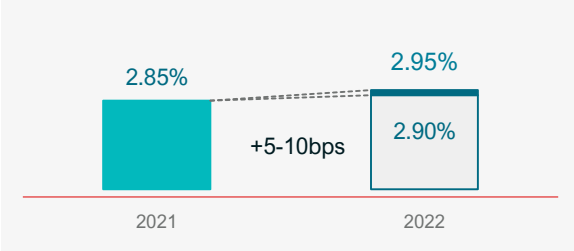
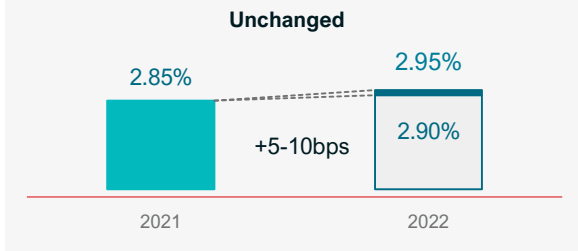
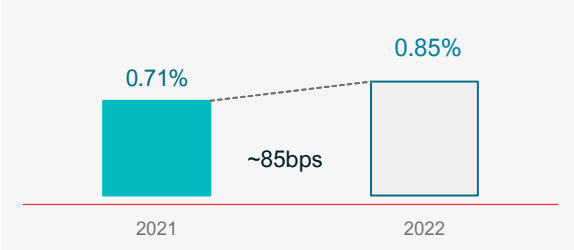
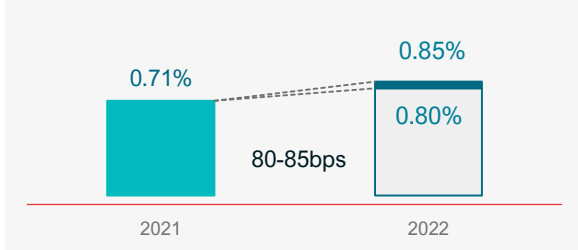
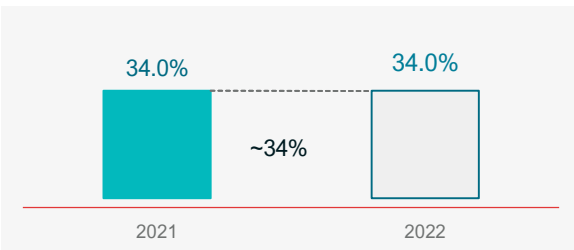
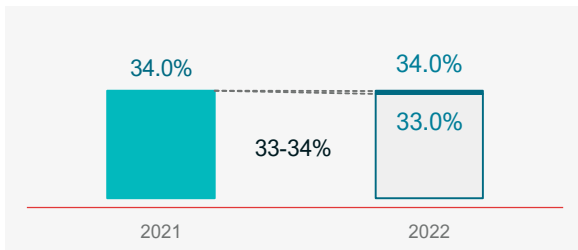
RWA (SAR Bn)



CAR (%)



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

	Previous 2022 Guidance	1H 2022 Outcome	Revised 2022 Guidance
LOANS & ADVANCES, NET <ul style="list-style-type: none"> 2Q 2022 growth of 13% YoY. Balanced growth of consumer and commercial lending expected in 2022. 		<p>Loans & Advances SAR Billion</p> <p>159.6</p> <p>▲ +12.6% year-on-year</p>	<p>Unchanged</p> 
NET INTEREST MARGIN <ul style="list-style-type: none"> NIM declined 9bps YTD. 2022 NIM expected to rise +5-10bps subject to timing of further rate rises. 		<p>NIM (%)</p> <p>2.76%</p> <p>▶ -9 bps year-to-date</p>	<p>Unchanged</p> 
COST OF RISK <ul style="list-style-type: none"> Cost of risk of 75bps in 1H 2022. Cost of risk for 2022 expected be in 80-85bps range. 		<p>Cost of risk (%)</p> <p>0.75%</p> <p>▶ +5 bps year-to-date</p>	
COST TO INCOME RATIO <ul style="list-style-type: none"> 1H 2022 CI-ratio was 33.4%. Expect CI-ratio between 33-34% for 2022. 		<p>Cost to income ratio (%)</p> <p>33.4%</p> <p>▼ -62 bps year-to-date</p>	

EARNINGS PRESENTATION 2Q 2022

Questions & Answers

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