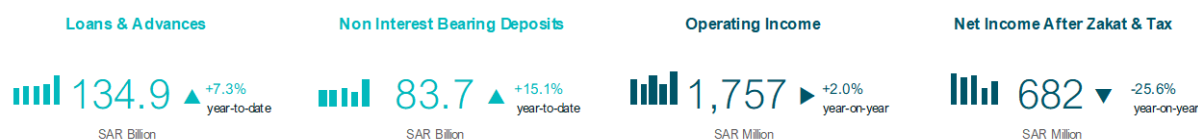


Banque Saudi Fransi with robust performance in 1Q 2020 amid Covid-19

BSF demonstrated its financial strength with a solid first quarter 2020 performance:



- Net income SAR 682mn, down 26% YoY due to prudent Covid-19 provisioning
- Total income SAR 1,757mn, up 2% YoY from stable net interest margin
- Total assets SAR 199.2bn, up 12% YTD from substantial increase in loans and advances
- Loans and advances, up 7% YTD to SAR 134.9bn
- Customers' deposits SAR 146.8 bn, up 10% YTD from higher non-interest-bearing deposits
- Tier 1 ratio of 17.4%, down from 18.3% YTD; Capital Adequacy Ratio (CAR) of 18.4%
- Liquidity Coverage Ratio (LCR) of 217%; Net Stable Funding Ratio (NSFR) of 118.2%
- The bank's response to Covid-19 has been effective in ensuring business continuity, customer support, and the safety of its employees

Riyadh, 21 May 2020 - During March 2020, the Covid-19 pandemic severely disrupted financial markets and economic activities in Saudi Arabia, which materially impacted the economic outlook. To this backdrop, the bank made additional provisions relating to Covid-19 as economic assumptions underpinning the IFRS 9 ECL models were revised. As a result, Banque Saudi Fransi reported a 26% decline in net income to SAR 682 million for the first quarter of 2020, compared to the same period in 2019. The impact of Covid-19 on operating income was limited during the first quarter, which rose by 2% year-on-year to SAR 1,287 million.

Total assets amounted to SAR 199.2 billion as at 31 March 2020, an increase of 12% from the end of the previous year, principally due to higher loan and advances. Total customers' deposits increased by 10% from a strong 15% growth in non- interest-bearing deposits whilst customers shored up liquidity in response to Covid-19 disruption.

Rayan Fayez, Managing Director & Chief Executive Officer of Banque Saudi Fransi, said:

"Since the onset of Covid-19 during the first quarter, Saudi Arabia and Banque Saudi Fransi have responded with decisive and responsible actions to contain the pandemic and support the economy. In this unfamiliar environment, our immediate priority was to stay close to our customers in their time of need, protect the health and safety of our employees and to do everything in our power to contain the impact of movement restrictions, falling oil prices and interest rates on the financial strength of the bank.

As a result, we witnessed 15.1% non-interest-bearing deposit growth from a flight to quality and as customers sought to enhance their liquidity. We generated a modest increase in operating income to SAR 1.8bn on stable margins, while our net income declined to SAR 682mn due to higher impairments from more prudent provisioning. Our capital, CET1 18.3%, and liquidity, LCR 217%, position remain strong.

While recent economic support measures are expected to provide some mitigation, the economic outlook for the remainder of the year remains challenging and uncertain. BSF is however well-prepared to navigate this new environment. In the short term, we are taking a balanced approach of both defensive and offensive actions to ensure our resilience and ability to take advantage of the eventual recovery. In the longer term, our “leap” strategy, aimed at modernizing and re-imagining the bank, remains largely unaffected by the crisis and is expected to bring material benefits in future years.”

Performance Highlights

Income Statement Highlights

SAR (Mn)	1Q 2020	4Q 2019	Δ%	1Q 2019	Δ%
Net interest income	1,287	1,291	-0%	1,273	+1%
Fee & other income	470	414	+13%	450	+4%
Operating income	1,757	1,706	+3%	1,723	+2%
Operating expenses	(559)	(686)	-19%	(491)	+14%
Impairment charge	(397)	(447)	-11%	(106)	+276%
Total operating expenses	956	1,133	-16%	596	+60%
Net income before zakat & tax	801	573	+40%	1,126	-29%
Zakat & income tax charge	(119)	(58)	+103%	(210)	-43%
Net income after zakat & tax	682	515	+33%	917	-26%
NIM	3.01%	3.12%	-3%	2.88%	+5%
Cost to income ratio	31.8%	40.2%	-21%	28.5%	+12%
Cost of risk	1.19%	1.36%	-13%	0.46%	+157%
EPS	0.57	0.43	+33%	0.76	-26%
ROAE	8.2%	6.3%	+30%	11.6%	-30%
ROAA	1.45%	1.13%	+28%	1.9%	-25%

Net income after zakat and income tax declined 26% year-on-year to SAR 682 million, as moderate growth in operating income was more than offset by increased credit costs. Compared with the previous quarter, net income rose 33% on modest income growth due to seasonally higher impairment charges in the fourth quarter of 2019.

Total operating income grew 2% year-on-year to reach SAR 1,757 million. This growth was comprised of 1% growth in net interest income to SAR 1,287 million, on 13 basis points improvement in the margin to 3.01%, and 4% growth in fee and other income to SAR 470 million. Relative to the fourth quarter of 2019, operating income grew 3%, mainly from 13% higher fee and other income which was aided by a one-off gain during the quarter of SAR 72 million.

First quarter operating expenses increased 14% year-on-year to SAR 559 million, partly a reflection of salary increments and improvements made to the talent pool, as well as the inclusion of a one-off accrual reversal of SAR 37 million in the first quarter of 2019. Excluding the one-off benefit in the comparable

quarter, operating expenses increased 6%. Compared with the previous quarter, operating expenses declined by 16% due to seasonally higher expense accruals in the fourth quarter of 2019. The cost to income ratio increased by 3.3 percentage points year-on-year to 31.8% but declined by 8.4 percentage points quarter-on-quarter.

The impairment charge amounted to SAR 397 million for the first quarter of 2020 compared with SAR 106 million in the comparable quarter of the previous year. The increase was primarily attributable to additional provisions relating to Covid-19 of SAR 175 million as economic assumptions underpinning the IFRS 9 ECL models were revised. On a quarter-on-quarter basis, the impairment charge decreased by 11% due to seasonally higher credit costs in the fourth quarter of 2019.

Balance Sheet Highlights

SAR (Mn)	1Q 2020	4Q 2019	Δ%	1Q 2019	Δ%
Cash & SAMA balances	12,105	9,117	+33%	13,717	-12%
Due from banks	6,137	3,742	+64%	15,265	-60%
Investments	33,940	31,454	+8%	33,683	+1%
Loans & advances	134,882	125,725	+7%	121,274	+11%
Other assets	12,114	8,110	+49%	6,098	+99%
Total assets	199,178	178,149	+12%	190,037	+5%
Due to banks	6,542	2,372	+176%	2,335	+180%
Customers' deposits	146,772	132,838	+10%	144,820	+1%
Other liabilities	11,919	9,992	+19%	10,637	+12%
Total liabilities	165,232	145,202	+14%	157,792	+5%
Share capital	12,054	12,054	+0%	12,054	+0%
Retained earnings	6,628	5,946	+11%	6,104	+9%
Other	15,264	14,947	+2%	14,088	+8%
Total equity	33,945	32,947	+3%	32,245	+5%
NPL Ratio	2.7%	2.6%	+2%	2.7%	+0%
NPL Coverage Ratio	108.1%	108.5%	-0%	123.7%	-13%
T1 Ratio	17.4%	18.3%	-5%	18.0%	-3%
CAR	18.4%	19.2%	-4%	20.1%	-9%
LCR	217.0%	317.2%	-32%	446.8%	-51%
Leverage ratio	14.3%	15.3%	-6%	14.3%	+0%
NSFR	118.2%	122.0%	-3%	132.3%	-11%
LTD Ratio	91.9%	94.6%	-3%	83.7%	+10%

Total assets as at 31 March 2020 amounted to SAR 199,178 million, an increase of 12% from 31 December 2019. This increase was broad-based across most asset classes, notably in loans and receivables which rose 7% to SAR 134,882 million from 15% growth in mortgages and 7% commercial loan growth.

Customers' deposits increased by 10% during the first quarter of 2020 to SAR 146,777 million. Growth was registered in both interest-bearing (+5%) and non-interest-bearing deposits (+10%), with growth in the latter encouraged by switching due to lower interest rates as well as aided by customers enhancing liquidity in response to Covid-19 disruptions.

The non-performing loans ratio was 2.7% as at 31 March 2020 and registered a modest 6 basis points increase during the first quarter. The provision coverage of non-performing loans was stable at 108.1%.

The total capital adequacy ratio stood at healthy 18.4% and the Tier 1 ratio at 17.4% at the end of the first quarter of 2020. These ratios declined modestly during the quarter as 3% growth in capitalization levels was partly offset by a 7% increase in risk weighted assets.

The bank's liquidity remained strong and comfortably within regulatory limits, with the liquidity coverage ratio at 217.0%, the net stable funding ratio at 118.2% and the headline loan to deposit ratio at 91.9% (SAMA loan to deposit ratio at 84.1%).

Operating Segment Highlights

SAR (Mn)	1Q 2020	4Q 2019	Δ%	1Q 2019	Δ%
Operating income					
Retail	459	478	-4%	460	-0%
Corporate	741	734	+1%	781	-5%
Treasury	475	415	+14%	405	+17%
Investment Banking and Brokerage	82	78	+5%	78	+6%
Operating income	1,757	1,706	+3%	1,723	+2%
Net income before zakat & tax					
Retail	157	48	+223%	157	-0%
Corporate	177	212	-17%	579	-69%
Treasury	431	279	+55%	358	+20%
Investment Banking and Brokerage	36	33	+9%	33	+11%
Net income before zakat & tax	801	573	+40%	1,126	-29%
Total assets					
Retail	25,699	23,705	+8%	20,643	+24%
Corporate	111,060	103,245	+8%	102,604	+8%
Treasury	61,051	49,633	+23%	65,343	-7%
Investment Banking and Brokerage	1,367	1,565	-13%	1,400	-2%
Total assets	199,178	178,149	+12%	190,037	+5%
Total liabilities					
Retail	72,075	70,547	+2%	71,157	+1%
Corporate	76,974	64,397	+20%	74,967	+3%
Treasury	14,854	8,748	+70%	10,304	+44%
Investment Banking and Brokerage	1,330	1,509	-12%	1,364	-3%
Total liabilities	165,232	145,202	+14%	157,792	+5%

Retail net income before zakat and income tax for the first quarter of 2020 was stable year-on-year at SAR 157 million, on stable operating income of SAR 459 million and an improving cost of risk offsetting higher operating expenses. Total retail assets rose by 8% during the quarter to SAR 25,699 million from strong 15% growth in mortgages. Total liabilities increased by 2% to SAR 72,075 million, mainly from 2% growth in customers' deposits.

Corporate net income amounted to SAR 177 million for the first quarter of 2020, which declined 69% from the comparable quarter of 2019 due to 5% lower operating income of SAR 741 million and higher impairments for credit losses. Total assets for the corporate segment increased 8% in the first quarter of 2020 to SAR 111,060 million from 8% loans and advances growth. Corporate liabilities increased by 20% from strong deposit growth, particularly in non-interest-bearing deposits.

Treasury reported strong 20% year-on-year growth in net income to SAR 431 million in the first quarter of 2020, as operating income grew 17% to SAR 475 million on higher investment returns and improved fee income. Treasury assets and liabilities grew 23% and 70% respectively during the first quarter of the year, mainly from mark-to-market impacts resulting from lower interest rates and increased market volatility.

The Investment Banking and Brokerage segment registered 11% year-on-year growth in net income to SAR 36 million. This increase was driven by solid 11% growth in operating income, mainly due to higher brokerage income as trading volumes increased amidst Covid-19 market volatility.

Outlook

During the first quarter of 2019, the operating environment was materially impacted by the Covid-19 pandemic, associated lockdowns and curfews, lower oil prices and interest rates.

While substantial economic support measures by the Government of Saudi Arabia are expected to provide some mitigation, the range of potential outcomes is still too wide to make predictions about the shape and timing of an eventual recovery.

The bank is however well positioned to navigate this environment, having responded early and decisively to ensure business continuity, the health and safety of its employees, and to support its customers and the wider community. The bank is well capitalized, enjoys strong liquidity, and in the short term is taking a balanced approach of both defensive and offensive actions to ensure its resilience and ability to take advantage of improving economic conditions. In the longer term, the bank's "leap" strategy, aimed at modernizing and re-imagining the bank over a five-year period, which commenced in 2018, remains largely unaffected by the crisis and is expected to bring material benefits in future years.

Additional Information

The 1Q 2020 financial statements, earnings release, earnings presentation, investor presentation and financial data supplement are available on the website of Banque Saudi Fransi at:

<https://www.alfransi.com.sa/english/top-menu/investorrelation/financial-information/financial-statements-and-disclosures>

<https://www.alfransi.com.sa/english/top-menu/investorrelation/share-information/investor-presentations>

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