



Banque Saudi Fransi

3Q 2021 Earnings Presentation

11 November 2021

EARNINGS PRESENTATION 3Q 2021

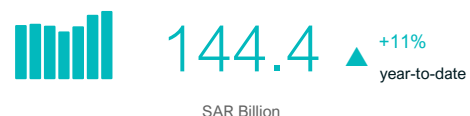
Highlights

Solid balance sheet growth and strong recovery in net income

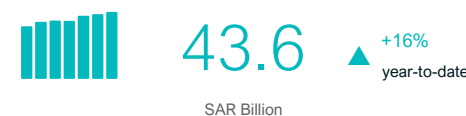
BALANCE SHEET

- High quality loan growth of 11% driven by 9% commercial loan growth and 26% growth in mortgages YTD.
- Strong growth in investments (16%) and solid NIB deposit growth (5%).

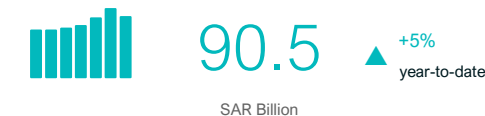
Loans & Advances



Investments



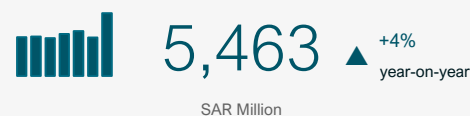
Non Interest Bearing Deposits



INCOME STATEMENT

- 4% top-line growth with moderate margin contraction and 9% NIR growth.
- Net income recovered due to lower provisions.

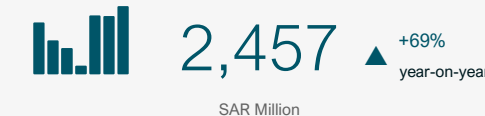
Operating Income



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 declined 23ppts YTD from more efficient utilization of excess liquidity.

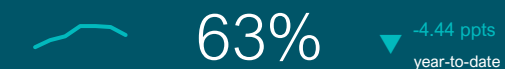
T1 Ratio



LCR



NIBD % of Total Deposits





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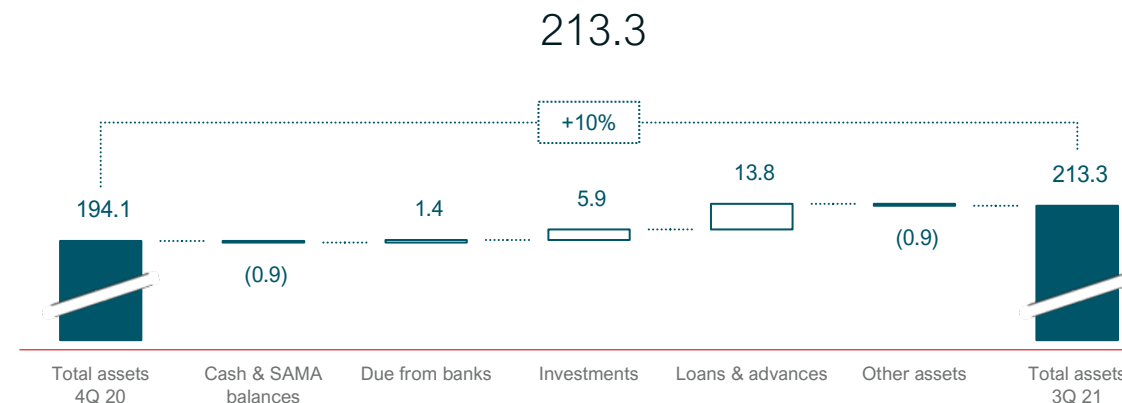
Financial Performance

Solid balance sheet growth from lending and investments

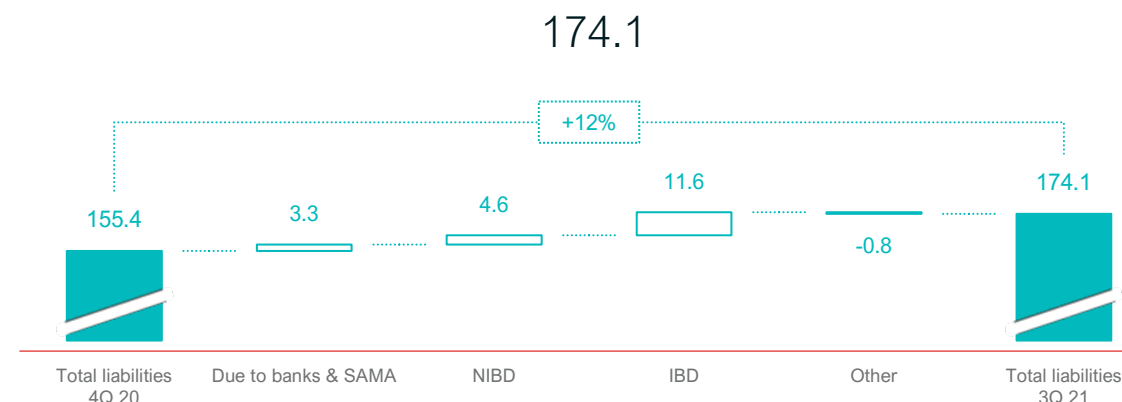
- Growth in total assets of 10% YTD driven by healthy 11% loan growth and strong growth of 16% in investments.
- Liabilities grew by 12% during 2021 YTD from 13% deposit growth.

SAR (Mn)	3Q 2021	4Q 2020	Δ%	3Q 2020	Δ%
Cash & SAMA balances	9,635	10,548	-9%	9,478	+2%
Due from banks	5,389	4,027	+34%	3,719	+45%
Investments	43,587	37,679	+16%	37,901	+15%
Loans & advances	144,393	130,565	+11%	134,356	+7%
Other assets	10,331	11,255	-8%	11,992	-14%
Total assets	213,335	194,074	+10%	197,445	+8%
Due to banks	20,043	16,792	+19%	16,452	+22%
Customers' deposits	143,322	127,112	+13%	135,655	+6%
Other liabilities	10,728	11,534	-7%	11,656	-8%
Total liabilities	174,093	155,438	+12%	163,762	+6%
Share capital	12,054	12,054	+0%	12,054	+0%
Retained earnings	8,482	7,433	+14%	7,398	+15%
Other	13,707	14,149	-3%	14,231	-4%
Tier 1 sukuk	5,000	5,000	+0%	0	
Total equity	39,242	38,636	+2%	33,683	+17%

Total Assets Movement (SAR Bn)

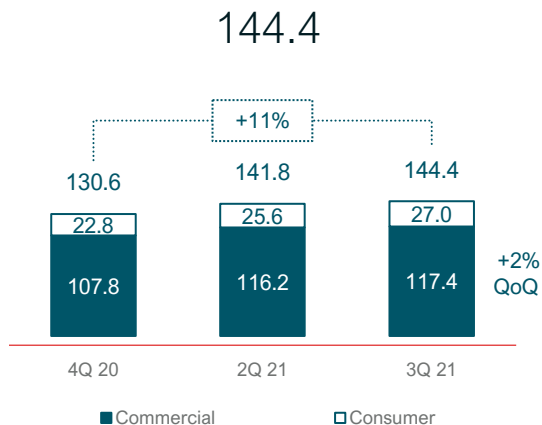


Total Liabilities Movement (SAR Bn)

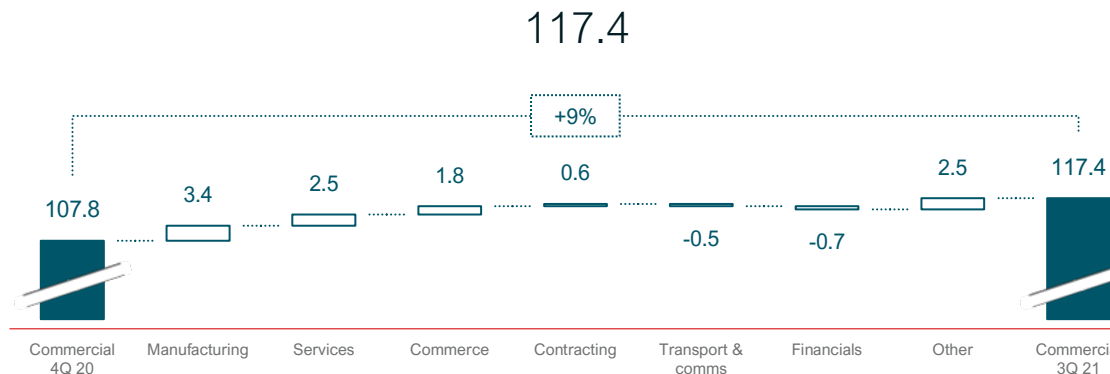


Healthy loan growth in 9M 2021

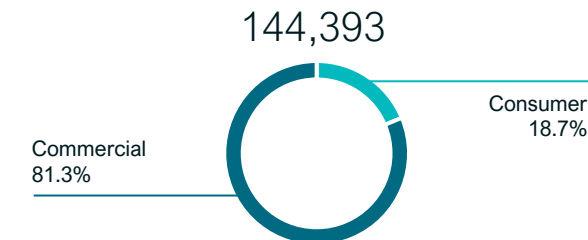
Total Loans & Advances (SAR Bn)



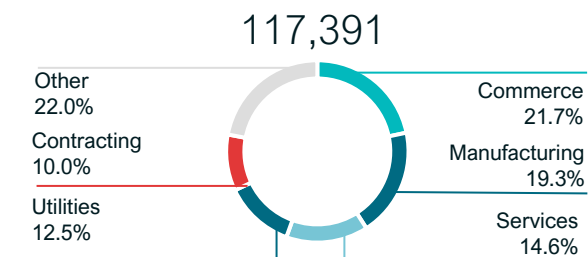
Commercial Loans Movement (SAR Bn)



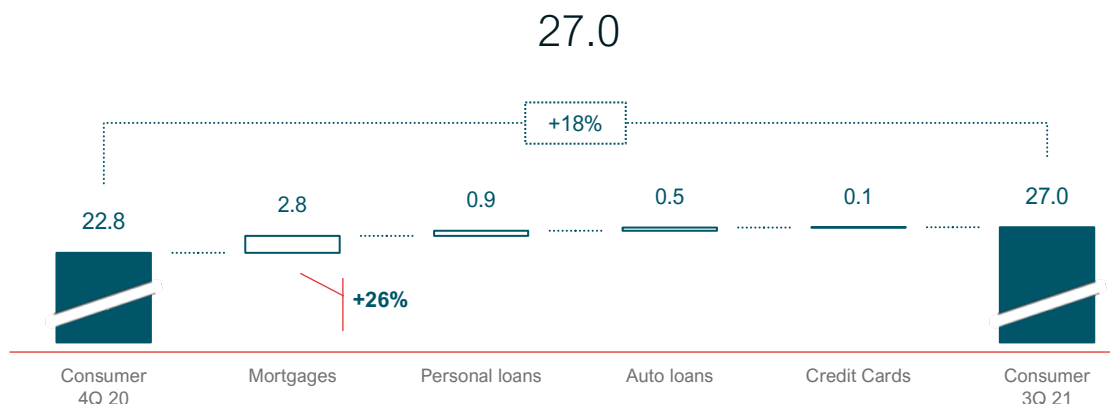
Loans & Advances Composition (SAR Mn)



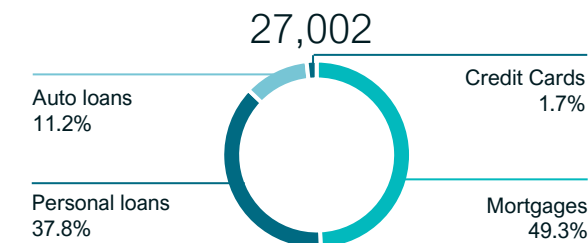
Commercial Loans Composition (SAR Mn)



Consumer Loans Movement (SAR Bn)



Consumer Composition (SAR Mn)

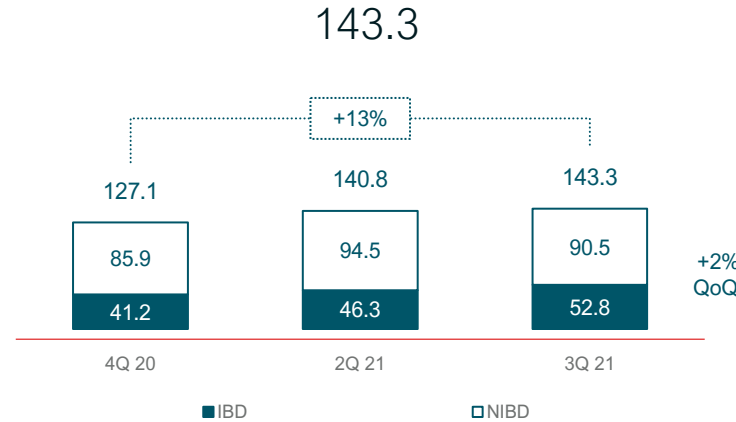


- Total loans & advances grew 11% during 9M 2021 from both consumer and commercial lending growth.
- Consumer loans grew 18% mainly from 26% YTD growth in mortgages.
- Commercial loans grew 9% during 9M 2021.

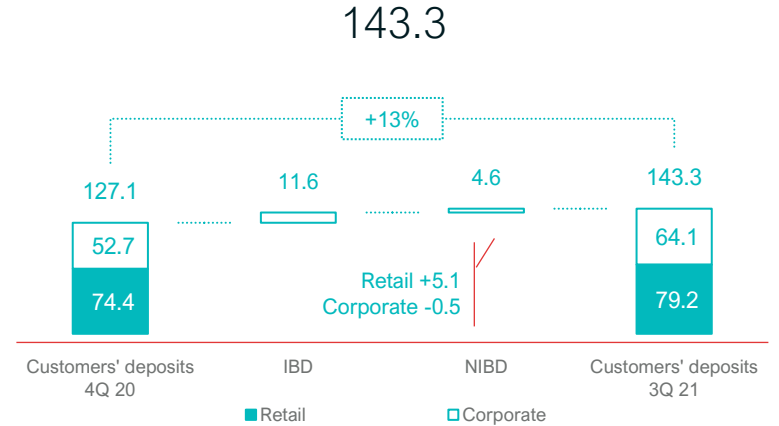
Growth in NIBD deposits YTD with temporary moderation in 3Q 2021

- Deposits grew 13% during 9M 2021 from higher NIBDs and IBDs.
- NIBD's grew 5% YTD but declined 4% QoQ from a temporary switch from current to time accounts for a few large corporate customers at the quarter-end, which subsequently normalized.
- IBD's increased 28% YTD and 14% QoQ partly from the temporary switch noted above and partly to counter the phasing out of SAMA liquidity support.
- Despite the higher YTD growth in IBD's, the deposit mix improved over the last 12 months, with an increase in NIBDs of SAR 5.8bn YoY, and funding costs declined.

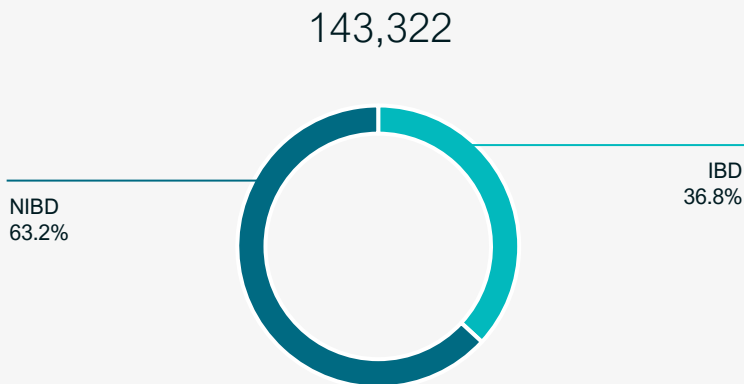
Customers' Deposits (SAR Bn)



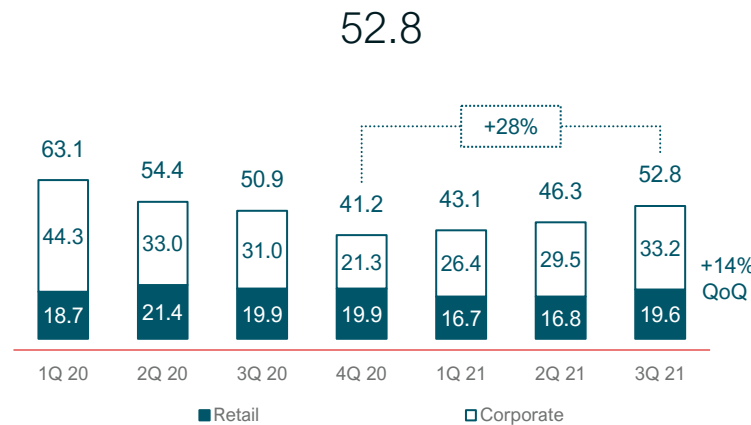
Customers' Deposits Movement (SAR Bn)



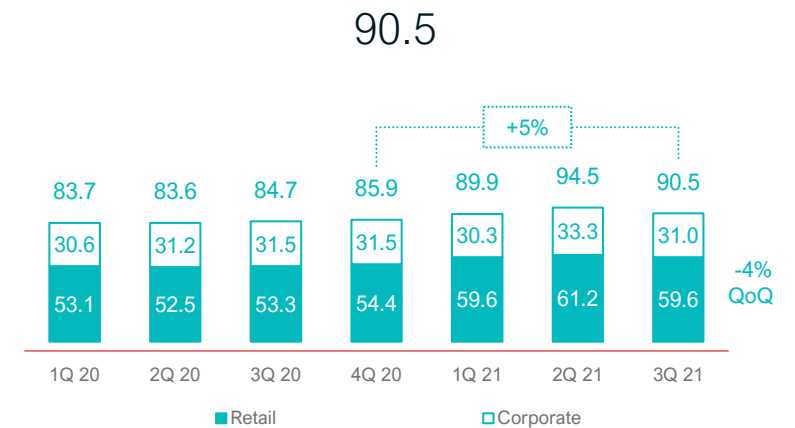
Customers' Deposits Composition (SAR Mn)



Interest Bearing Deposits (SAR Bn)



Non Interest Bearing Deposits (SAR Bn)

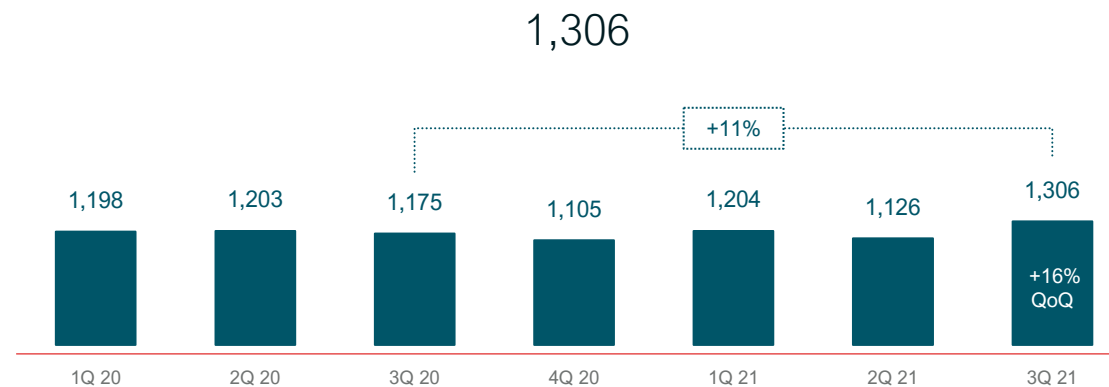


Net income improved 69% year-on-year due to lower provisions

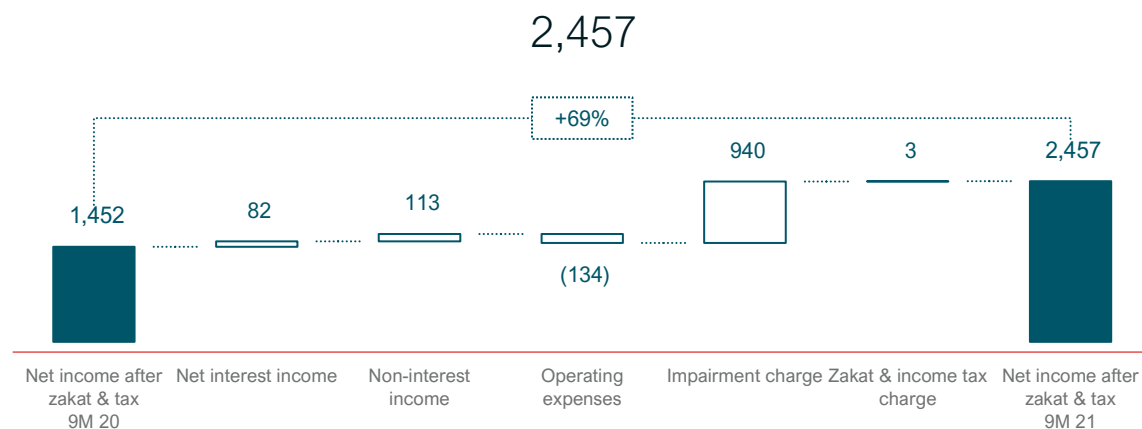
- Net income for 9M 2021 grew 69% YoY to SAR 2,457mn from 4% income growth and a 52% decline in impairments, partly offset by an 8% increase in operating expenses.
- Similarly, 3Q 2021 net income improved 172% YoY to SAR 907mn due to a 61% drop in impairments.

SAR (Mn)	3Q 2021	3Q 2020	Δ%	9M 2021	9M 2020	Δ%
Net interest income	1,424	1,375	+4%	4,041	3,959	+2%
Non-interest income	490	376	+31%	1,422	1,309	+9%
Operating income	1,914	1,751	+9%	5,463	5,268	+4%
Operating expenses	(608)	(576)	+6%	(1,827)	(1,692)	+8%
Impairment charge	(289)	(751)	-61%	(858)	(1,798)	-52%
Total operating expenses	897	1,327	-32%	2,685	3,491	-23%
Net income before zakat & tax	1,017	424	+140%	2,778	1,777	+56%
Zakat & income tax charge	(110)	(90)	+21%	(322)	(325)	-1%
Net income after zakat & tax	907	333	+172%	2,457	1,452	+69%
NIM	2.94%	3.07%	-13bps	2.89%	3.02%	-13bps
Cost to income ratio	31.8%	32.9%	-1.1ppts	33.4%	32.1%	+1.3ppts
Cost of risk	0.80%	2.68%	-188bps	0.80%	1.91%	-112bps
EPS	0.71	0.28	+154%	1.92	1.21	+58%
ROAE	9.2%	4.0%	+529bps	8.4%	5.8%	+261bps
ROAA	1.71%	0.67%	+104bps	1.60%	1.00%	+60bps

Net Operating Income Before Impairment Charge (SAR Mn)

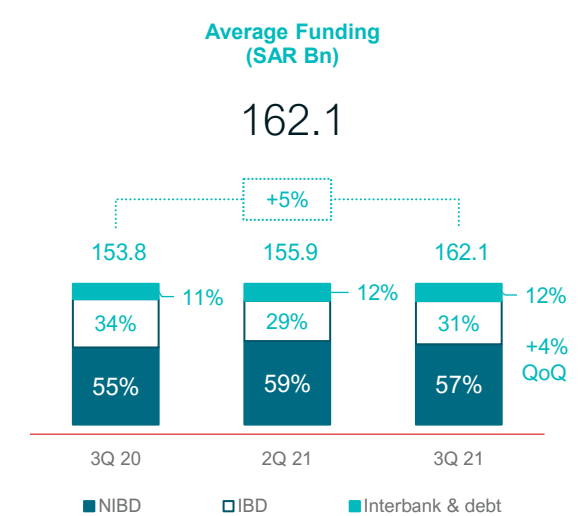
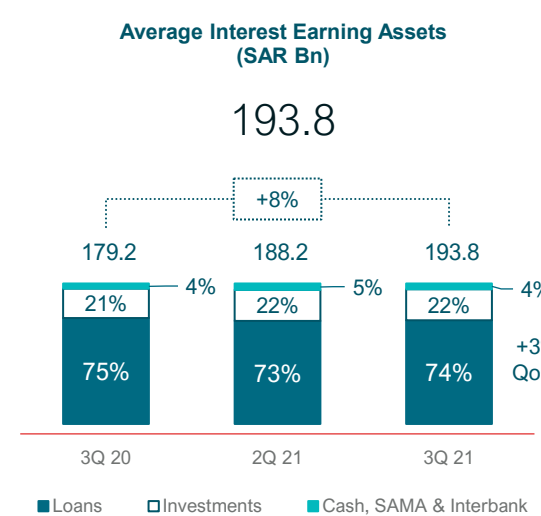
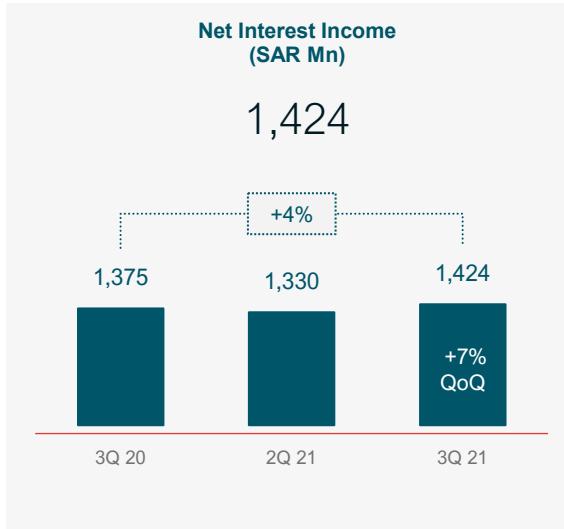


Net Income After Zakat & Tax Movement (SAR Mn)

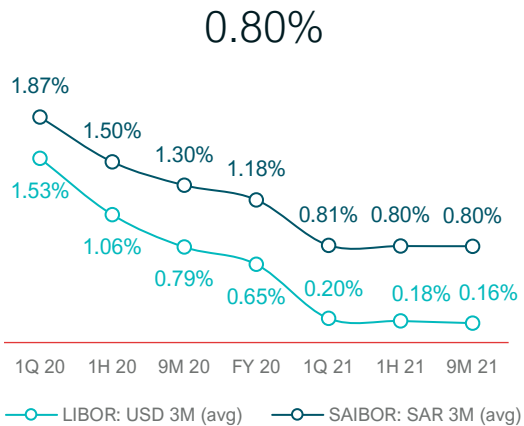


Moderate 2% NII growth as earning asset growth partly offset by moderate margin contraction

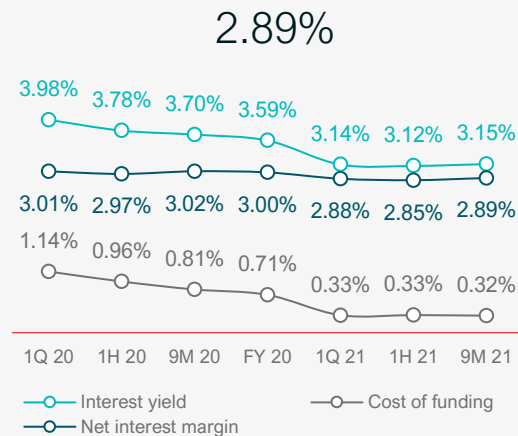
- NII for 9M 2021 grew 2% YoY to SAR 4,041mn as 8% growth in average earning assets was partly offset by a moderate 13bps margin contraction.
- The NIM decreased by 13bps YoY to 2.89% in 9M 2021.
- The margin was supported by improved balance sheet mix and funding costs YoY, partly offsetting lower asset yields from the lower rate environment.



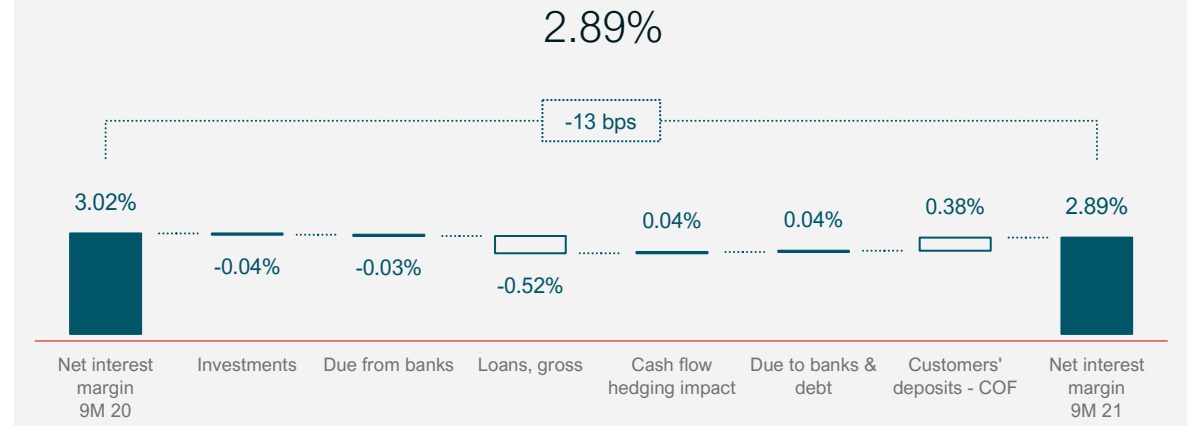
SAIBOR Trend (%)



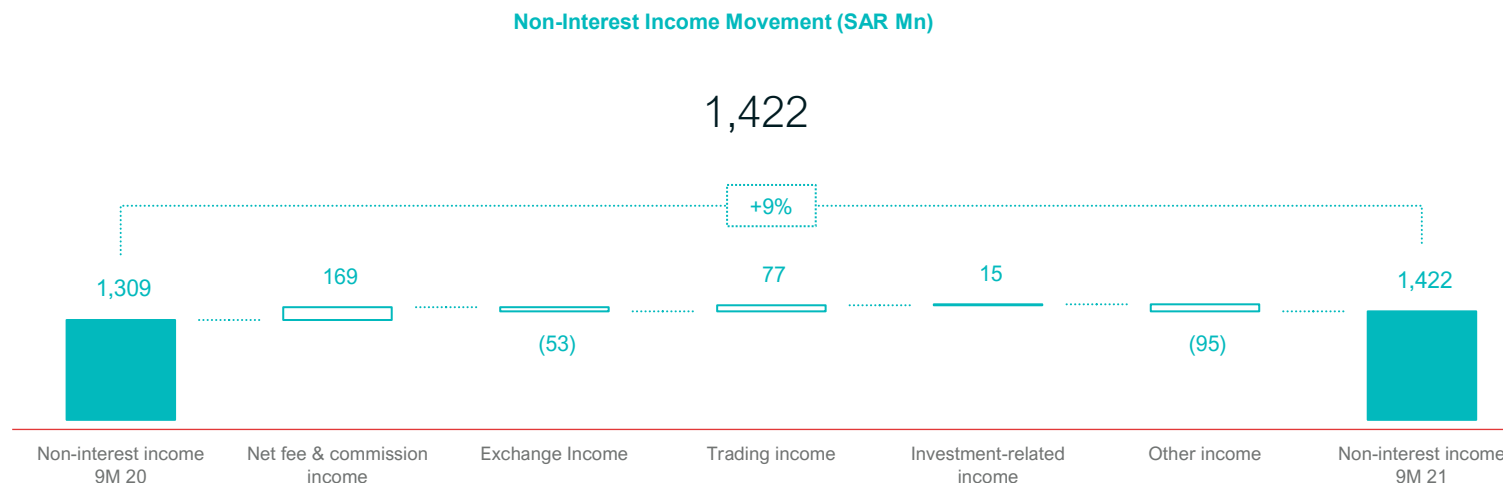
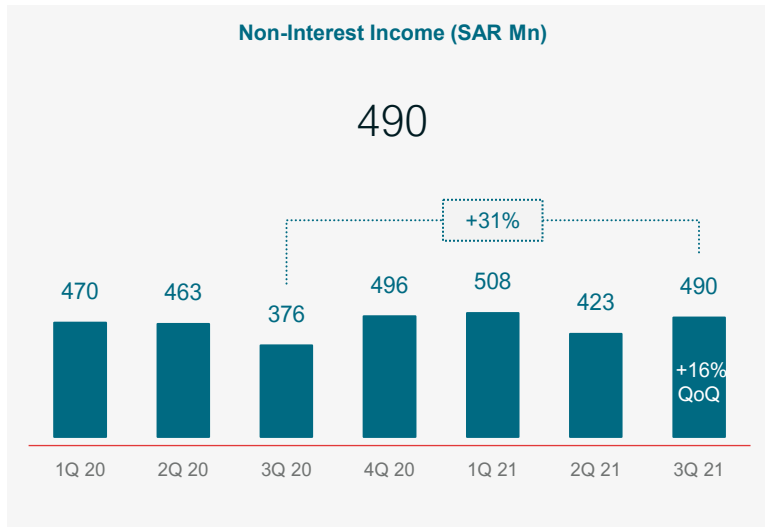
Net Interest Margin Trend (%)



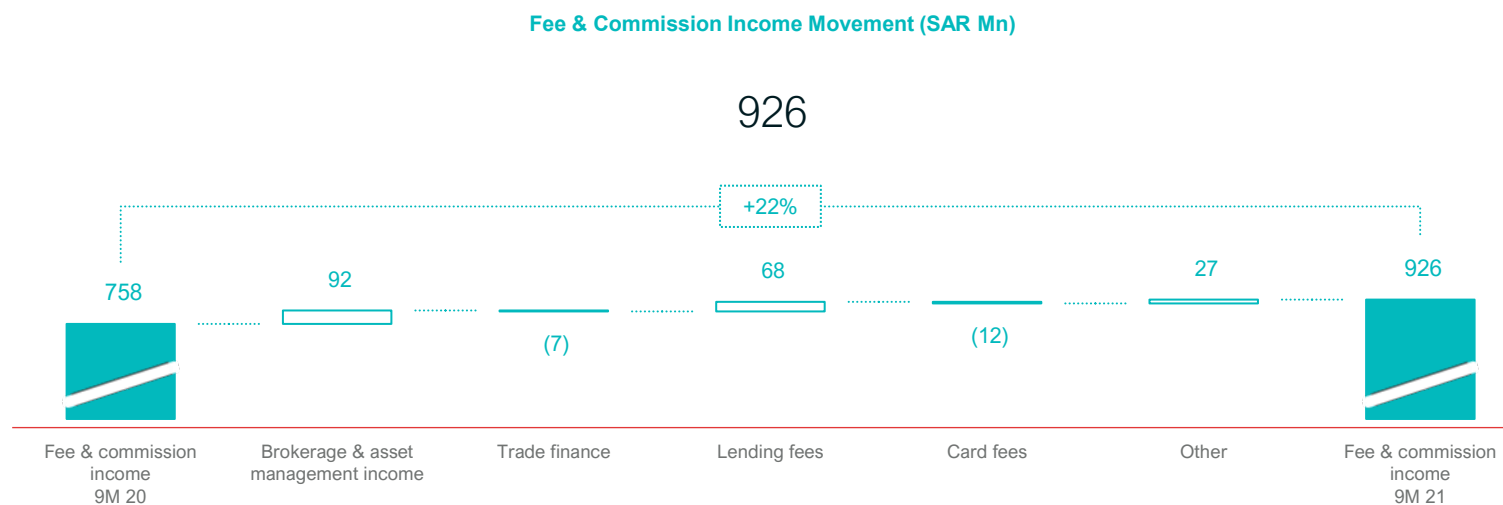
Net Interest Margin Movement (%)



Non-interest income grew 9% from improved brokerage, lending and trading income, partly offset by lower exchange and other income



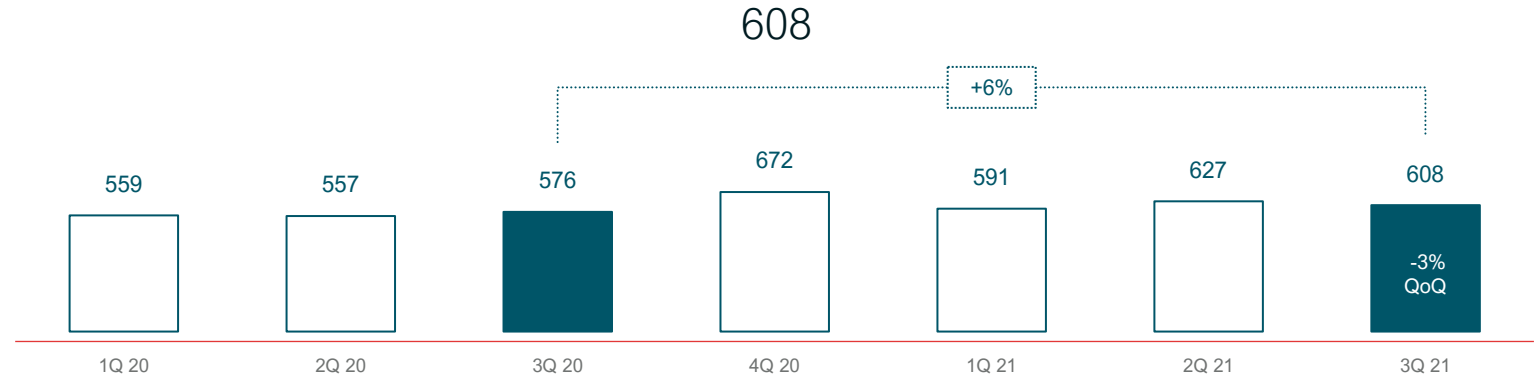
- Non-interest income for 9M 2021 grew 9% YoY at SAR 1,422mn from improved net fee & commission and trading income, partly offset by lower exchange and other income, the latter benefitting from one-off income of SAR 72mn in 9M 2020.
- Net fee & commission income improved 22% YoY to SAR 926mn in 9M 2021 from strong growth in brokerage income and higher lending fees, partly offset by lower net card fees.



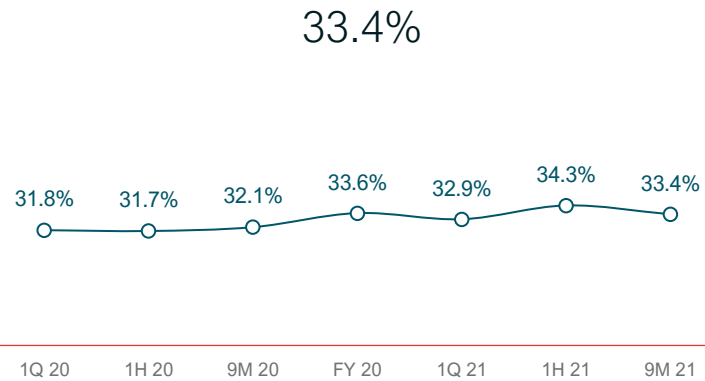
Higher operating expenses due increase in VAT rate

- Operating expenses increased 8% YoY to SAR 1,827mn in 9M 2021 due to increased rate of VAT in Saudi Arabia from 5% to 15%.
- The cost to income ratio increased modestly to 33.4% in 9M 2021 from 32.1% in 9M 2020.
- Relative to the previous quarter, operating expenses declined 3% due to VAT input expenses in the previous quarter.

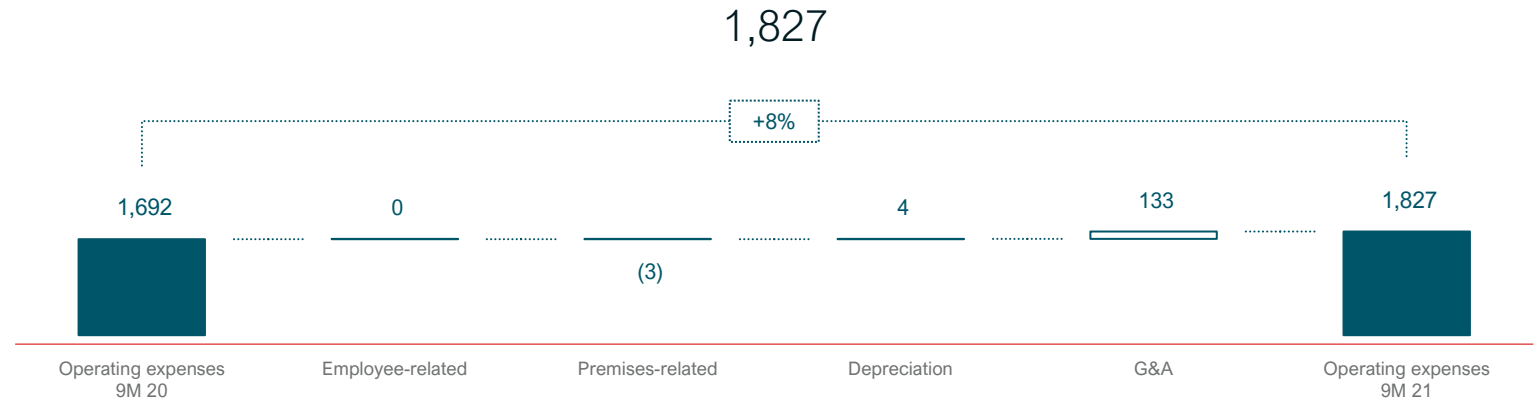
Operating Expenses (SAR Mn)



Cost To Income Ratio (%)

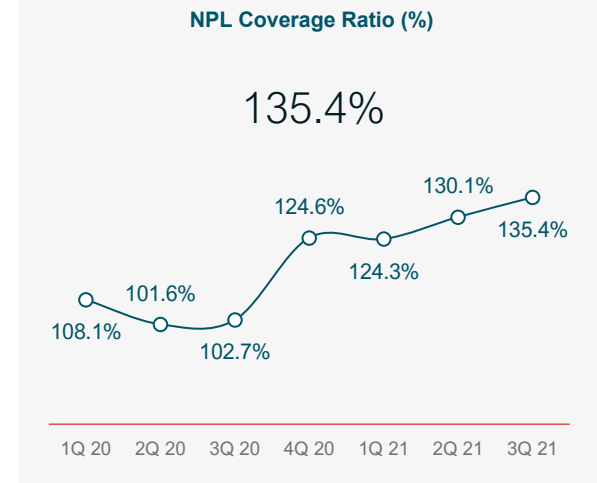
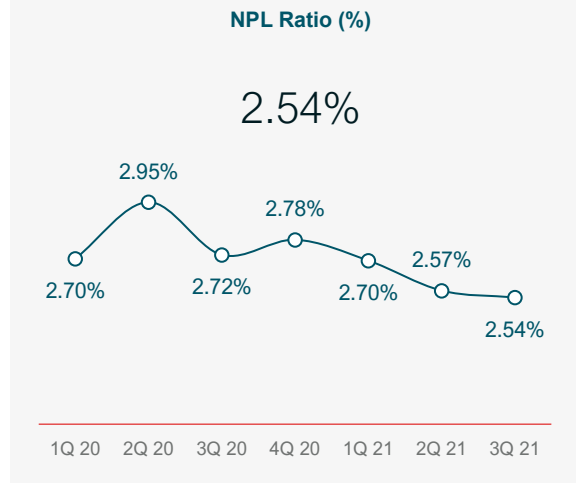
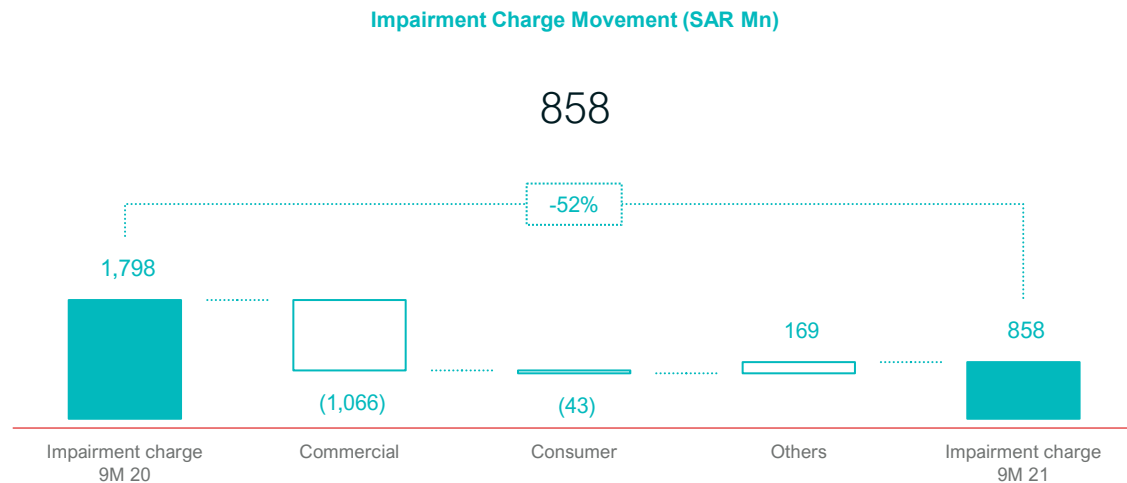
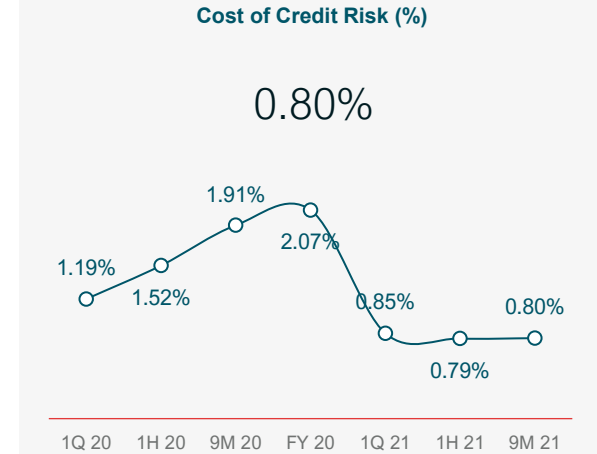
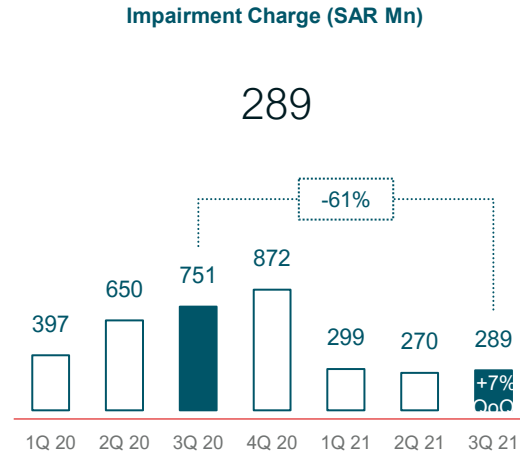
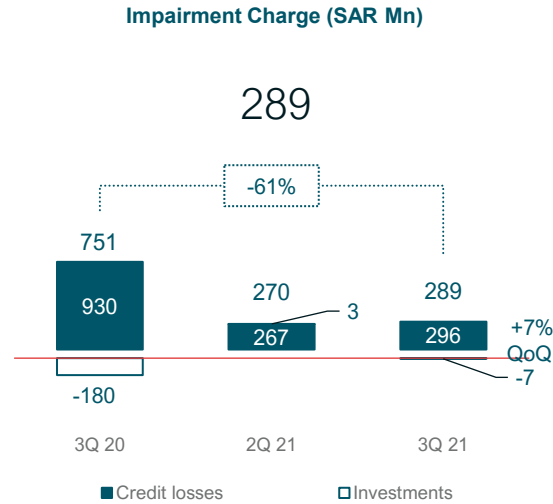


Operating Expenses Movement (SAR Mn)



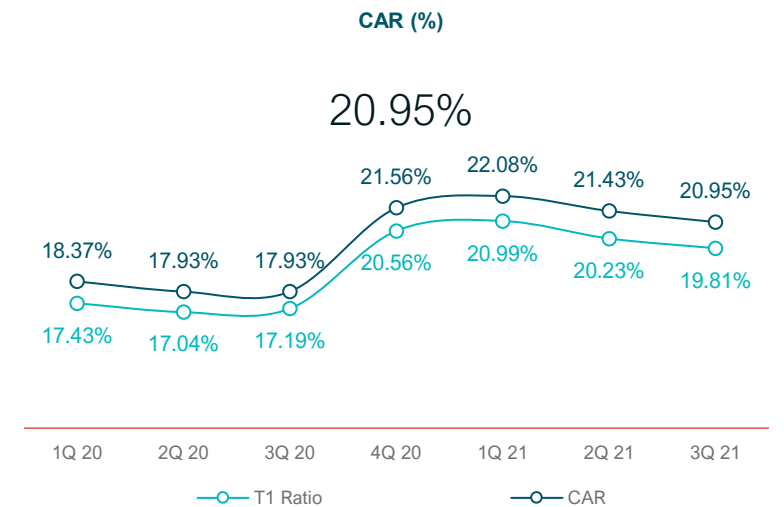
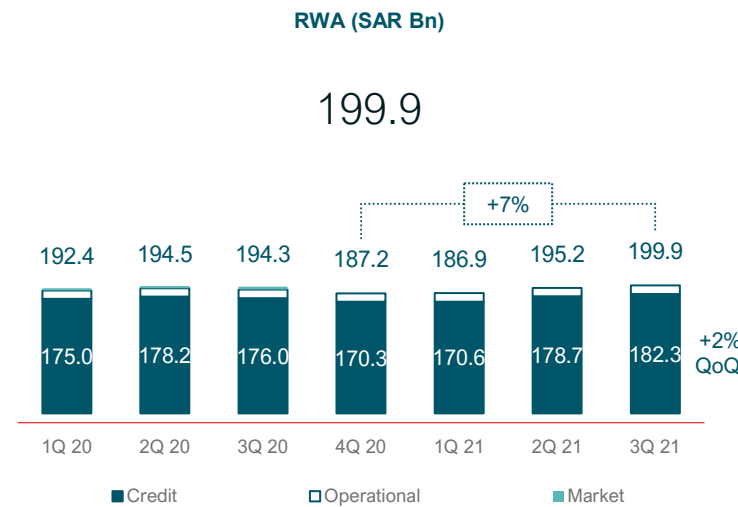
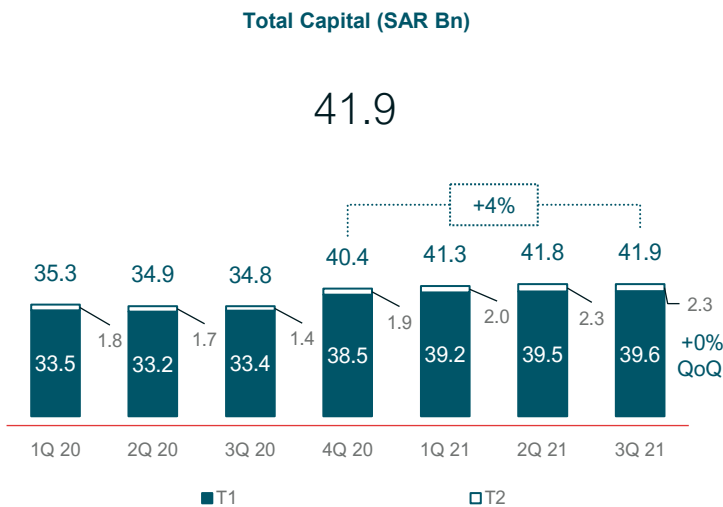
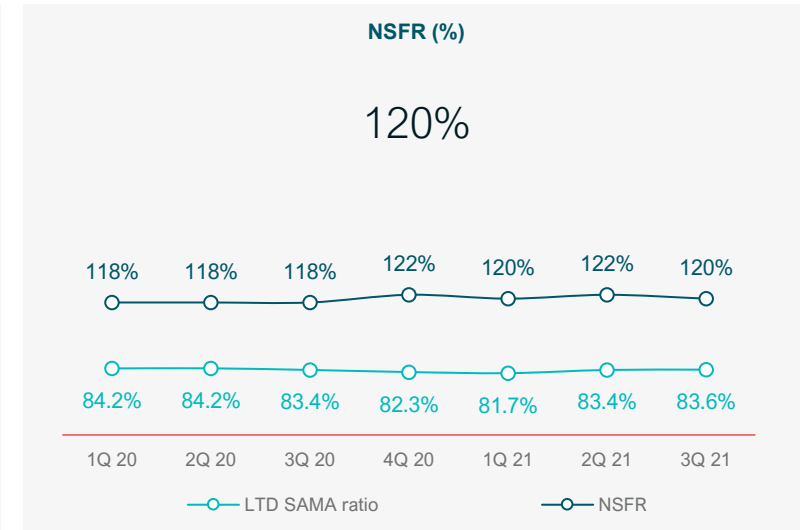
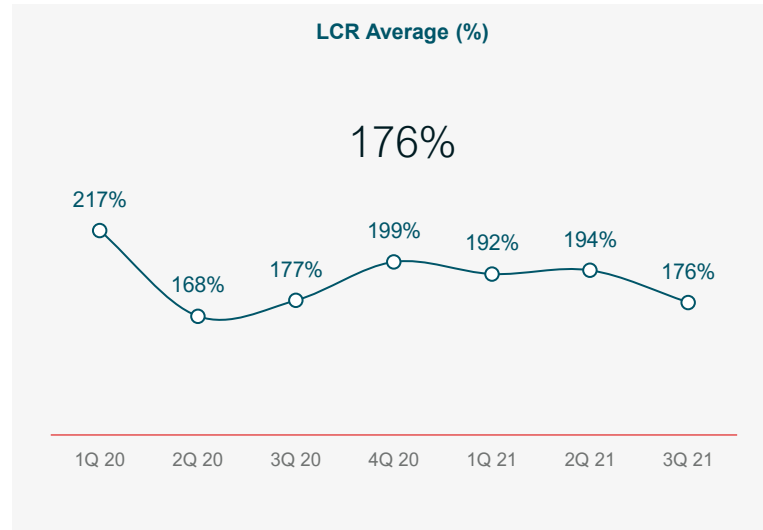
Moderation in impairment charge and cost of risk from peak in 4Q 2020, NPL coverage improved 32.6ppts YoY

- The total impairment charge for 9M 2021 moderated to SAR 858mn from SAR 1,798mn in 9M 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 NPL coverage improvements.
- As at 30 September 2021, sector-based overlays included in ECL allowances totaled SAR 223mn.



Liquidity and capitalization remain strong

- NSFR and the SAMA LTD ratio were stable YTD at 120% and 83.6% respectively.
- LCR declined by 23ppts during 9M 2021 due to more efficient utilization of excess liquidity but remains at a comfortable level of 176%.
- Total capital increased by SAR 1.5bn (+4% YTD) during 9M 2021 from net income generation.
- RWAs increased 7% during 9M 2021 to SAR 199.9bn.
- CAR was 20.95% and the Tier 1 ratio was 19.81% as at 30 September 2021, broadly stable from 4Q 2020.



Loan growth guidance raised and cost of risk outlook more certain

	2021 Outlook as at 2Q	3Q 2021 Outcome	Current 2021 Outlook
LOANS & ADVANCES, NET <ul style="list-style-type: none"> 9M 2021 growth of 11%. Continued mortgage and corporate growth expected in Q4 2021. 	<p>2020: 130.6 2021: Mid to high single-digit</p>	<p>Loans & Advances SAR Billion</p> <p>144.4</p> <p>▲ +10.6% year-to-date</p>	<p>2020: 130.6 2021: Low double-digits</p>
NET INTEREST MARGIN <ul style="list-style-type: none"> NIM declined 11bps YTD. Broadly stable NIM expected in 2021 at ~2.9% +5bps. 	<p>2020: 3.00% 2021: 2.85% (~2.90% +5bps)</p>	<p>NIM (%)</p> <p>2.89%</p> <p>▼ -11 bps year-to-date</p>	<p>Unchanged</p> <p>2020: 3.00% 2021: 2.85% (~2.90% +5bps)</p>
COST OF RISK <ul style="list-style-type: none"> Cost of risk moderated to 80bps in 9M 2021. Cost of risk for 2021 expected at or below 85bps. 	<p>2020: 2.07% 2021: 1.00% (At or below 100bps)</p>	<p>Cost of risk (%)</p> <p>0.80%</p> <p>▼ -127 bps year-to-date</p>	<p>2020: 2.07% 2021: 0.85% (At or below 85bps)</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% (~33%)</p>	<p>Cost to income ratio (%)</p> <p>33.4%</p> <p>▼ -12 bps year-to-date</p>	<p>Unchanged</p> <p>2020: 33.6% 2021: 33.0% (~33%)</p>



EARNINGS PRESENTATION 3Q 2021

Questions & Answers

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