



Banque Saudi Fransi

4Q/FY 2020 Earnings Presentation

18 February 2021



EARNINGS PRESENTATION 4Q/FY 2020

Highlights

Saudi Arabia and BSF have adapted well to the Covid-19 new normal

Covid-19 severely disrupted financial markets and economic activity in 1Q 2020, but moderated thereafter

Brent Oil Price / Barrel
Dec-20 (USD)

50.9

▼ -24.9% year-on-year

SAIBOR: SAR 3M (avg)
Dec-20 (%)

1.18%

▼ -145 bps year-on-year

KSA PMI (manufacturing)
Dec-20

57.0

► +0.2% year-on-year

Saudi Arabia responded strongly to contain the pandemic and support the economy

Containment

- Various containment measures
- Lockdowns now ended & phased measures taken to normalize activities & travel

SAMA

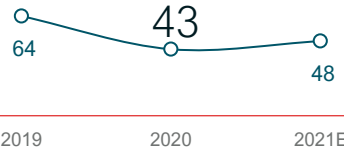
- SAR 100 billion Private Sector Financing Support measures
- Repo rate cut to 1.0%

Ministry of Finance

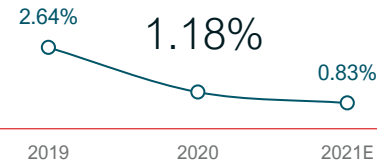
- SAR 150 billion+ economic support measures
- Increase Debt/GDP limit to 50% and VAT from 5% to 15%

GDP for Saudi Arabia is expected to contract by -5.4% in 2020, but recover to +3.1% growth in 2021

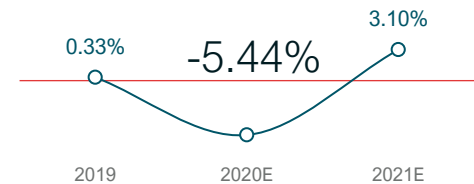
Brent Oil Price Average / Barrel (USD)



SAIBOR: SAR 3M (avg) (%)



Real GDP growth (%)



BSF's response to Covid-19 was effective and executed against a robust plan

Business Continuity

- Daily liquidity, risk & continuity management meetings
- Liquidity & stress testing
- Evaluation of risks & liabilities

Safety of Employees

- Flexible & remote working
- Infection protection & social distancing
- Regular communications

Customer Support

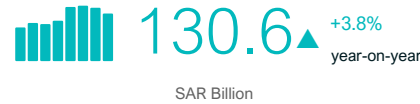
- Waiver of fees, deferred payments and SME support
- Digital enablement initiatives

While our balance sheet witnessed good growth, net income declined on higher impairments

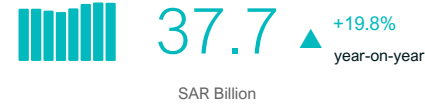
BALANCE SHEET

- High quality loan growth of 3.8% driven by 54% growth in mortgages.
- Strong growth in investments (19.8%) and NIB deposits (18.1%).

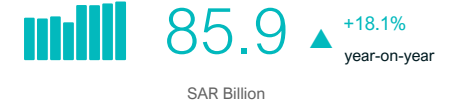
Loans & Advances



Investments



Non Interest Bearing Deposits



INCOME STATEMENT

- 2.5% top-line growth on margin stability and good NIR.
- Net income declined due to higher provisions.

Operating Income



NIM



Net Income After Zakat & Tax



ASSET QUALITY

- Stable NPL ratio.
- Significant improvement in NPL coverage ratio.
- Higher cost of risk due to stage movements and Covid-19.

NPL Ratio



NPL Coverage Ratio



Cost of risk



CAPITAL & LIQUIDITY

- Capital & liquidity remain strong and comfortably within regulatory limits.
- LCR was managed for optimum efficiency in COF.

T1 Ratio



LCR



NIBD % of Total Deposits



Our strategic direction was unaffected by Covid-19

2018
Baseline

POSITIONED TO 'LEAP'

2023
Aspiration

STRATEGIC PILLARS

ASSET MARKET SHARE

8.3%

ROAA*

1.7%

NPS**

NA

ASSET MARKET SHARE

10%

ROAA

2.3%

NPS

#1



Solidify our leadership position in Corporate Banking



Scale up in Retail Banking



Optimize our leading position in Private Banking



Reinforce our strength in Global Markets

STRATEGIC ENABLERS

A Technology & IT platforms

C Customer experience

E Brand

G Risk

B Digitalization

D Organizational effectiveness

F People

H Strategy

*ROAA before zakat and income tax | ** NPS baseline not yet established in 2018

26 initiatives completed in 2020, and 51 expected to be finalized from 2021 to 2023; 18 initiatives are on-hold as of December 2020, and will be reopened in 2021

| | | Initiatives Completed | 2020 Progress | 2021 Direction |
|--------------------|-----------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| STRATEGIC PILLARS |  Corporate Banking | 6/14  | <ul style="list-style-type: none"> Corporate Digital Platform selection finalized CRM requirements and implementation plan finalized | <ul style="list-style-type: none"> Corporate Digital Platform implementation Leverage account planning, pipeline management & cross-selling |
| |  Retail Banking | 12/25  | <ul style="list-style-type: none"> New Credit Cards offering finalized Strong progress on remittance & partnerships initiatives New Loyalty program matrix launched Branch rationalization and self-service kiosks installed | <ul style="list-style-type: none"> Continue to fix the basics Accelerate digital initiatives |
| |  Private Banking | 11/17  | <ul style="list-style-type: none"> Good progress, especially on productivity management | <ul style="list-style-type: none"> Accelerate digital initiatives New Branch design finalization |
| |  Global Markets Group | 5/5  | <ul style="list-style-type: none"> All initiatives completed | <ul style="list-style-type: none"> Leverage account planning, pipeline management & cross-selling |
| STRATEGIC ENABLERS |  Technology, IT & Digitalization | 5/24  | <ul style="list-style-type: none"> CBS Release 1 completed Full digital strategy definition for the Institutional Banking businesses Data Sciences setup finalized | <ul style="list-style-type: none"> CBS release 2 Digital Factory implementation |
| |  CE & Organizational effectiveness | 19/23  | <ul style="list-style-type: none"> 12 NPS channels implemented for Customer Experience Corporate Credit process redesigned | <ul style="list-style-type: none"> Cross-sell initiatives Corporate Credit process implementation |
| |  Brand, People, Risk & Strategy | 19/38  | <ul style="list-style-type: none"> Several HR activities completed (performance management, information transparency, mission & values) Brand direction agreed | <ul style="list-style-type: none"> Smart Working project implementation |
| | Total | 77/146  | 26/146  | 51/146  |



EARNINGS PRESENTATION 4Q/FY 2020

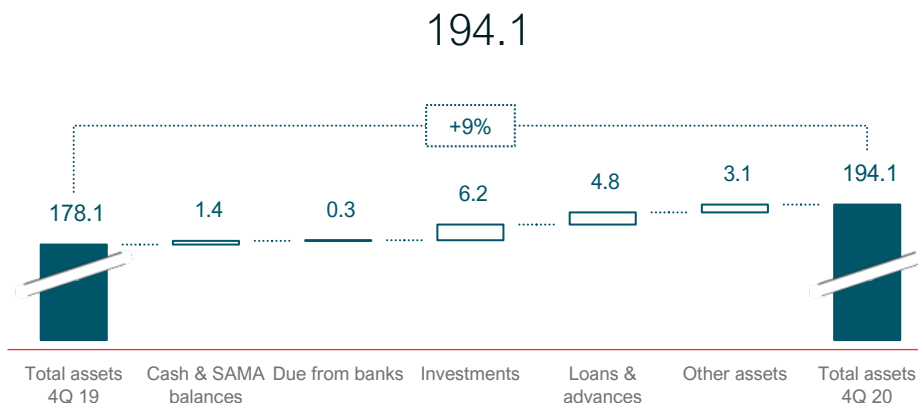
Financial Performance

Solid balance sheet growth from lending and investments

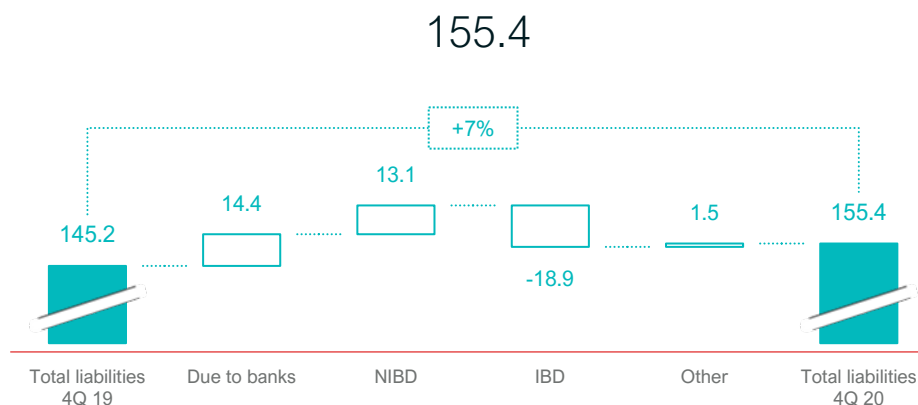
- Growth in total assets of 9% YoY driven by 4% loan growth and strong growth 20% in investments.
- Liabilities grew by 7% during 2020 from increased interbank funding, including profit-free SAMA funding.

| SAR (Mn) | 4Q 2020 | 3Q 2020 | Δ% | 4Q 2019 | Δ% |
|--------------------------|----------------|----------------|-------------|----------------|-------------|
| Cash & SAMA balances | 10,548 | 9,478 | +11% | 9,117 | +16% |
| Due from banks | 4,027 | 3,719 | +8% | 3,742 | +8% |
| Investments | 37,679 | 37,901 | -1% | 31,454 | +20% |
| Loans & advances | 130,565 | 134,356 | -3% | 125,725 | +4% |
| Other assets | 11,255 | 11,991 | -6% | 8,111 | +39% |
| Total assets | 194,074 | 197,445 | -2% | 178,149 | +9% |
| Due to banks | 16,792 | 16,452 | +2% | 2,372 | +608% |
| Customers' deposits | 127,112 | 135,655 | -6% | 132,838 | -4% |
| Other liabilities | 11,534 | 11,655 | -1% | 9,992 | +15% |
| Total liabilities | 155,438 | 163,762 | -5% | 145,202 | +7% |
| Share capital | 12,054 | 12,054 | +0% | 12,054 | +0% |
| Retained earnings | 7,433 | 7,398 | +0% | 5,946 | +25% |
| Other | 14,149 | 14,231 | -1% | 14,947 | -5% |
| Tier 1 sukuk | 5,000 | 0 | | 0 | |
| Total equity | 38,636 | 33,683 | +15% | 32,947 | +17% |

Total Assets Movement (SAR Bn)

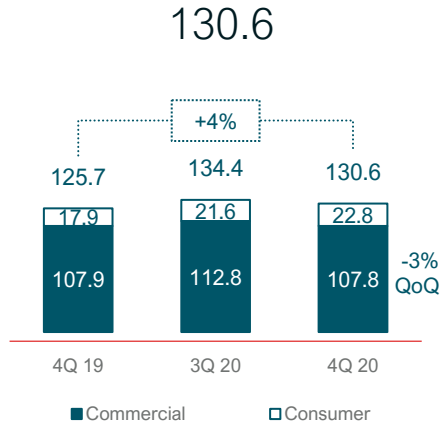


Total Liabilities Movement (SAR Bn)

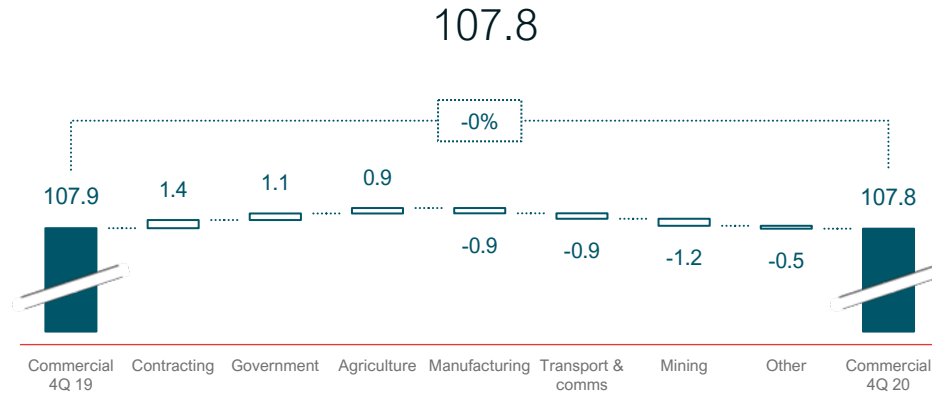


Good quality loan growth in 2020

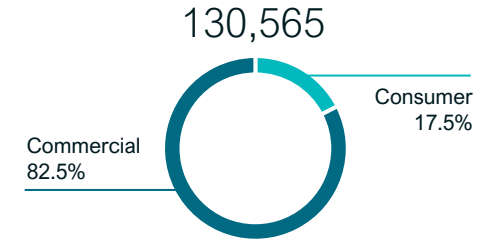
Total Loans & Advances (SAR Bn)



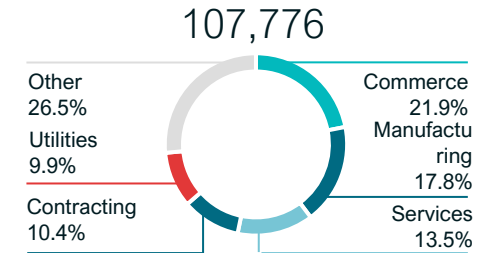
Commercial Loans Movement (SAR Bn)



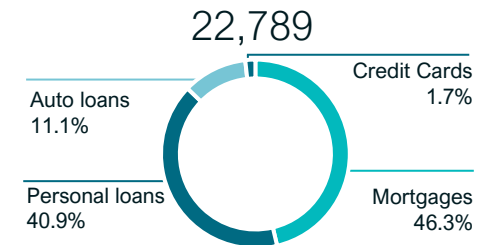
Loans & Advances Composition (SAR Mn)



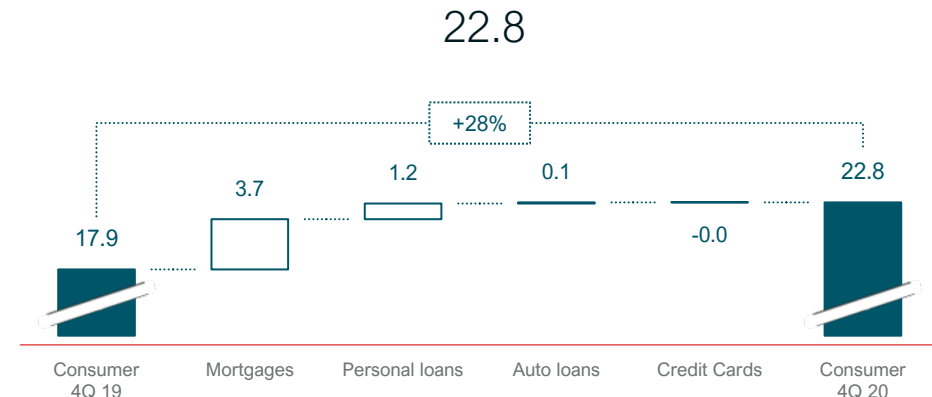
Commercial Loans Composition (SAR Mn)



Consumer Composition (SAR Mn)



Consumer Loans Movement (SAR Bn)

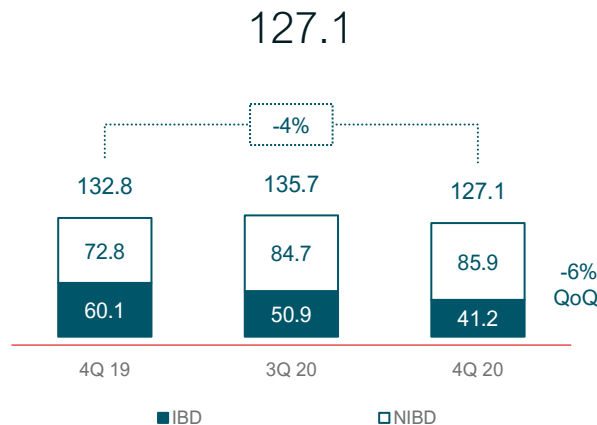


- Total loans & advances grew 4% during 2020 from 28% consumer loan growth.
- Commercial loans were stable YoY as growth during 1H 2020 was offset by early repayments from a handful of corporate customers in 2H 2020.
- Consumer loans grew mainly from 54% growth in mortgages.

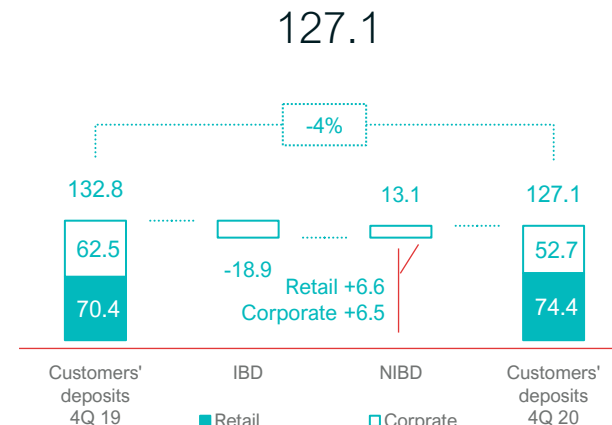
Strong growth in NIBD deposits

- Deposits declined 4% during 2020 as strong growth in NIBDs (+18%) was offset by lower IBDs (-31%).
- The decrease in IBDs was further aided by funding optimization initiatives.
- NIBD's now account for 68% of total deposits (from 55% in 2019).

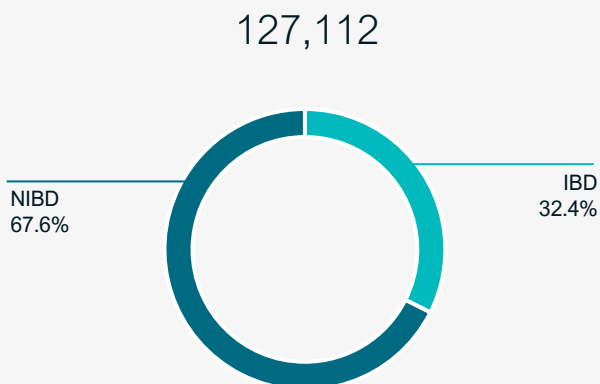
Customers' Deposits (SAR Bn)



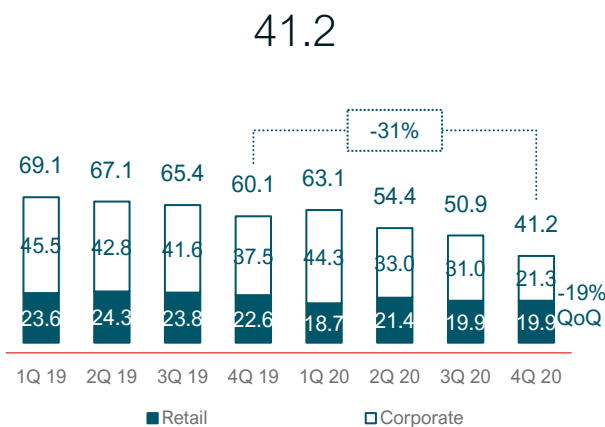
Customers' Deposits Movement (SAR Bn)



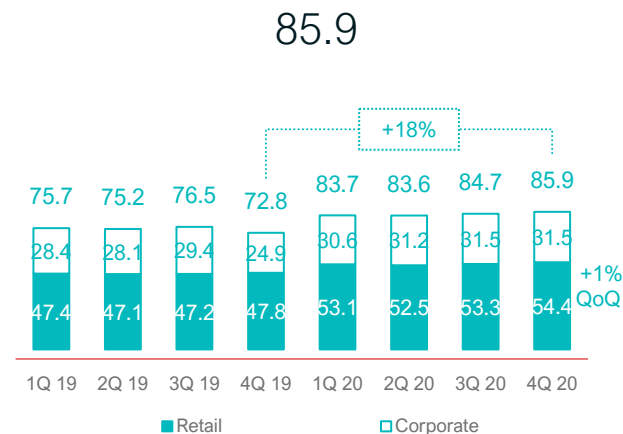
Customers' Deposits Composition (SAR Mn)



Interest Bearing Deposits (SAR Bn)



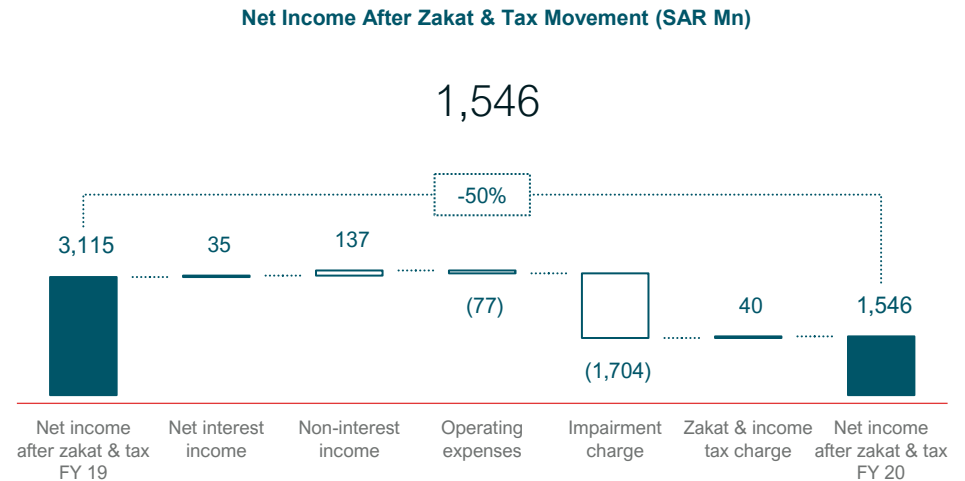
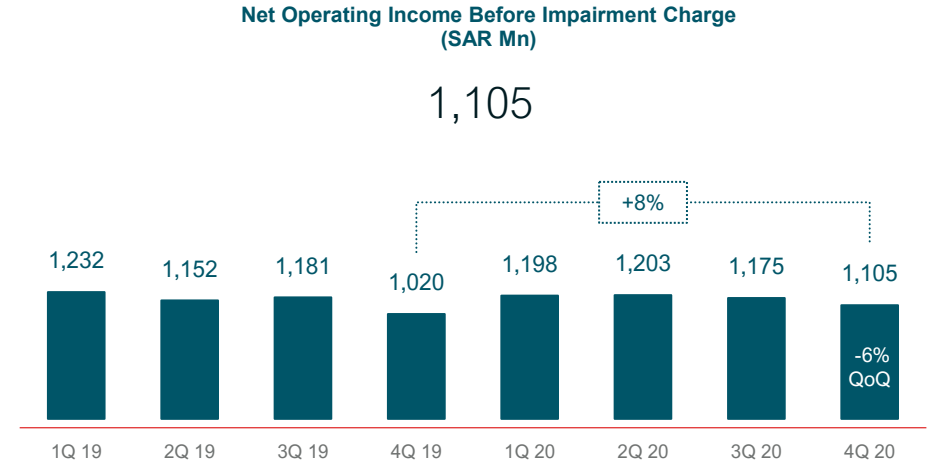
Non Interest Bearing Deposits (SAR Bn)



Net income declined 50% year-on-year due to prudent and pro-active provisioning in the current environment

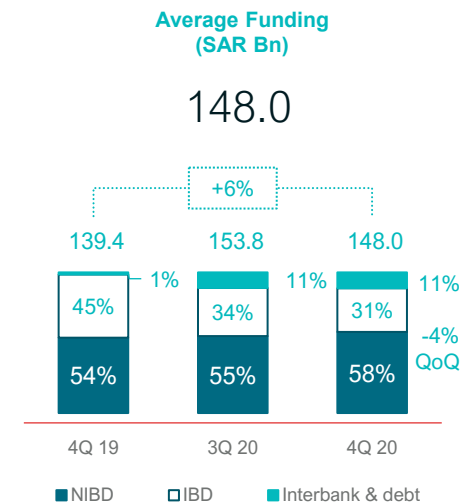
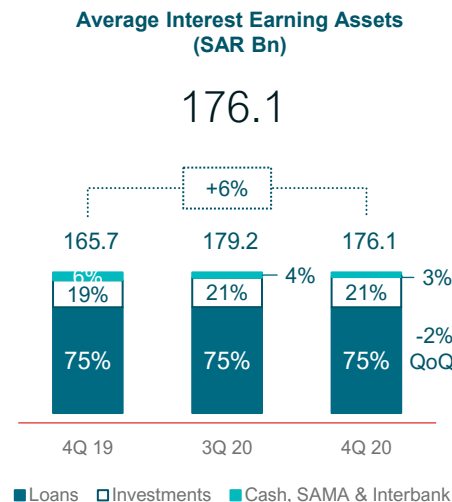
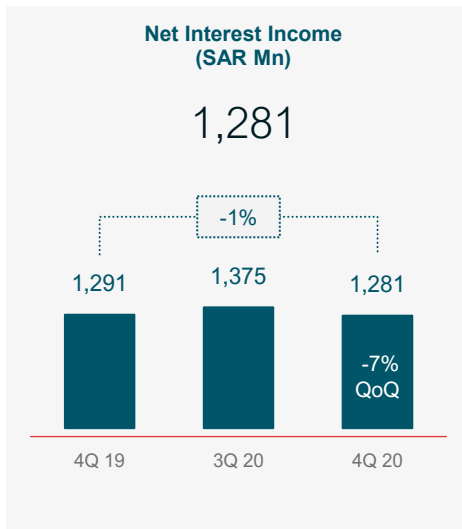
- Net income for FY 2020 declined 50% YoY to SAR 1,546mn as 3% income growth was more than offset by 176% rise in impairments and 3% increase in operating expenses.
- Similarly, 4Q 2020 net income decreased 82% YoY to SAR 94mn from a 95% rise in impairments.

| SAR (Mn) | 4Q 2020 | 4Q 2019 | Δ% | FY 2020 | FY 2019 | Δ% |
|------------------------------------------|--------------|--------------|-------------|--------------|--------------|-------------|
| Net interest income | 1,281 | 1,291 | -1% | 5,240 | 5,206 | +1% |
| Fee & other income | 496 | 414 | +20% | 1,804 | 1,667 | +8% |
| Operating income | 1,777 | 1,706 | +4% | 7,045 | 6,873 | +3% |
| Operating expenses | (672) | (686) | -2% | (2,364) | (2,287) | +3% |
| Impairment charge | (872) | (447) | +95% | (2,670) | (966) | +176% |
| Total operating expenses | 1,544 | 1,133 | +36% | 5,034 | 3,253 | +55% |
| Net income before zakat & tax | 233 | 573 | -59% | 2,010 | 3,619 | -44% |
| Zakat & income tax charge | (139) | (58) | +139% | (464) | (504) | -8% |
| Net income after zakat & tax | 94 | 515 | -82% | 1,546 | 3,115 | -50% |
| NIM | 2.91% | 3.12% | -7% | 3.00% | 3.04% | -1% |
| Cost to income ratio | 37.8% | 40.2% | -6% | 33.6% | 33.3% | +1% |
| Cost of risk | 2.50% | 1.36% | +83% | 2.07% | 0.79% | +160% |
| EPS | 0.03 | 0.43 | -93% | 1.24 | 2.60 | -52% |
| ROAE | 1.0% | 6.3% | -83% | 4.5% | 9.7% | -54% |
| ROAA | 0.19% | 1.13% | -83% | 0.80% | 1.67% | -52% |

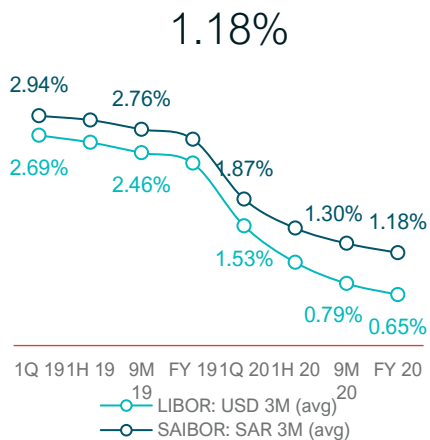


Modest NII growth as improved funding costs and benefit of hedging mostly offset by lower loan yields

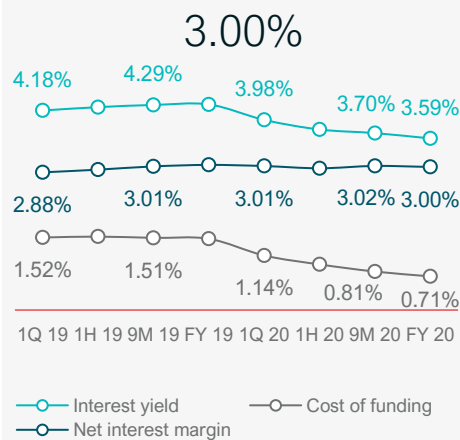
- The NIM decreased by 4bps YoY and 2bps QoQ to 3.00%.
- The margin was supported by improved balance sheet mix and funding costs, partly offset by lower asset yields from the lower rate environment.
- NII for 2020 included a net benefit of SAR 76mn from profit-free SAMA deposits less modification losses.



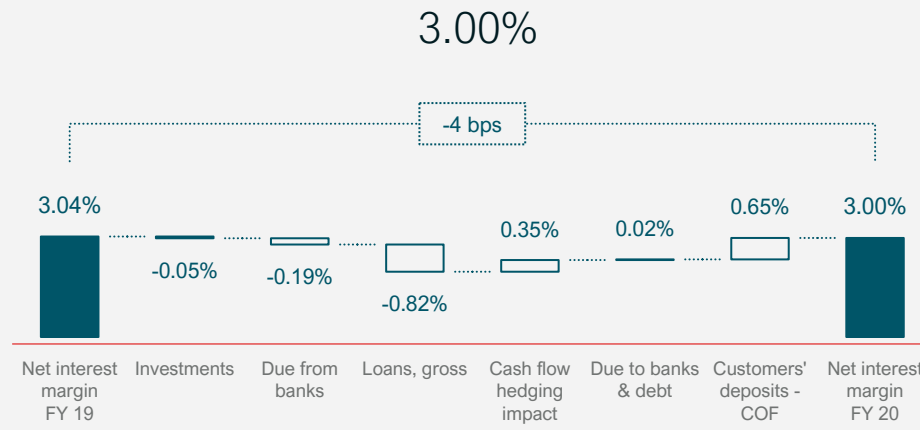
SAIBOR Trend (%)



Net Interest Margin Trend (%)

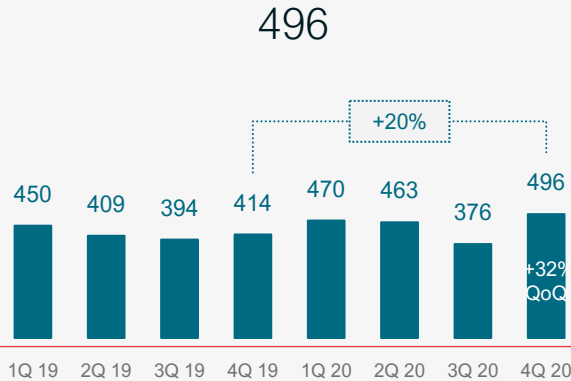


Net Interest Margin Movement (%)

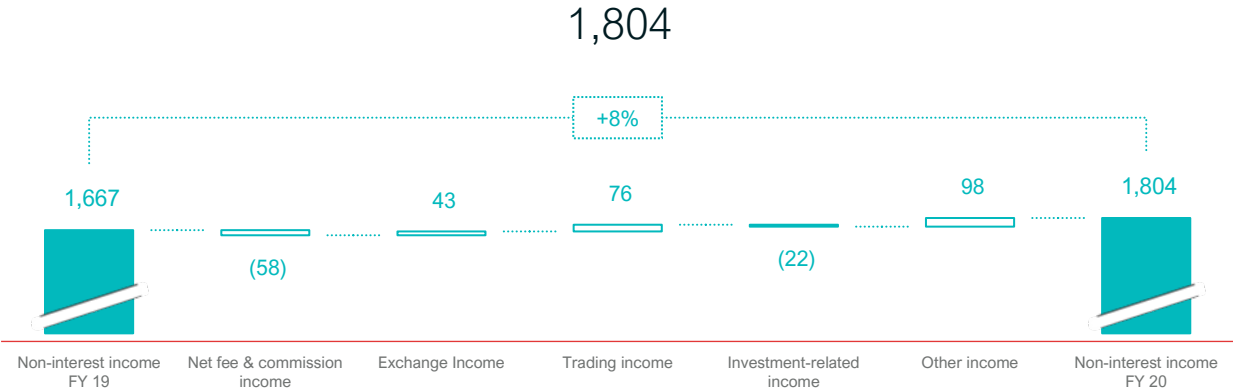


Non-interest income rose 8% from higher exchange, trading and other income, partly offset by lower fee & commission income

Non-Interest Income (SAR Mn)

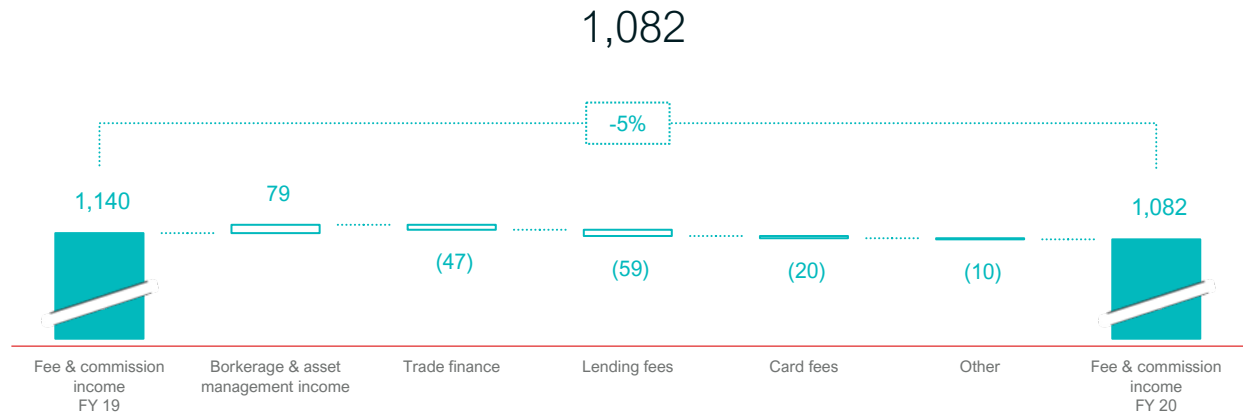


Non-Interest Income Movement (SAR Mn)



- Non-interest income for 2020 improved 8% YoY to SAR 1,804mn from improved exchange, trading and other income, which benefitted from a one-off gain of SAR 72mn.
- Net fee & commission income declined 5% YoY to SAR 1,082mn in 2020, from lower trade finance activity and Covid-19 related fee waivers.
- Exchange and trading income grew 13% and 82% respectively.

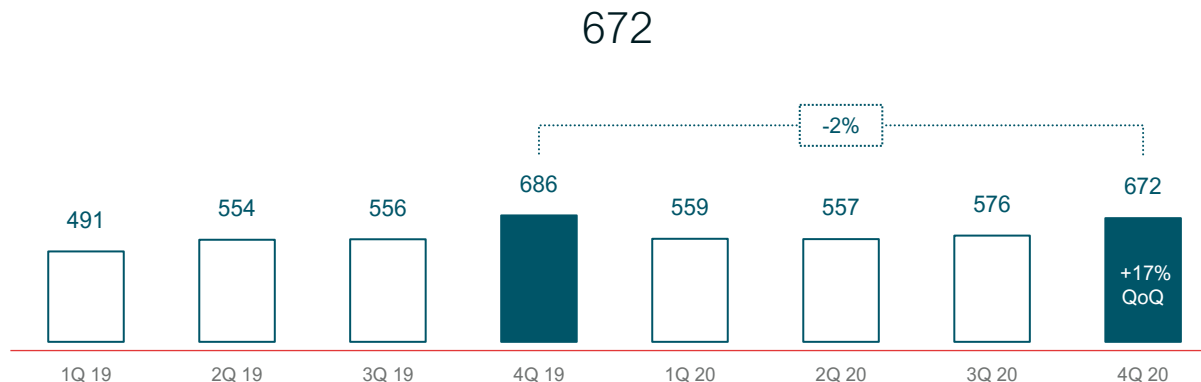
Fee & Commission Income Movement (SAR Mn)



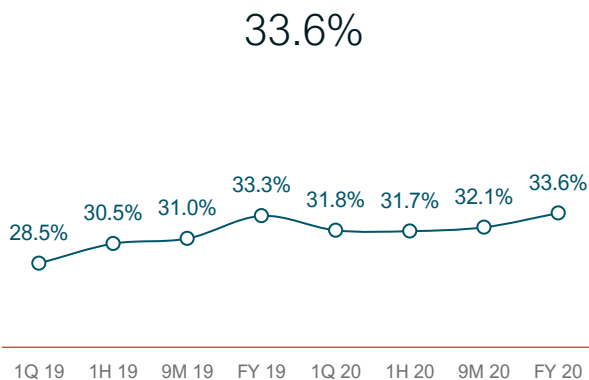
Higher operating expenses due to one-off accrual reversal in 2019

- Operating expenses increased 3% YoY to SAR 2,364mn in 2020, due to one-off accrual reversal in 2019 of SAR 74mn.
- The cost to income ratio increased modestly to 33.6% in 2020 from 33.3% in 2019.
- Relative to the previous quarter, operating expenses increased 17% but declined 2% on a YoY basis to SAR 672mn.

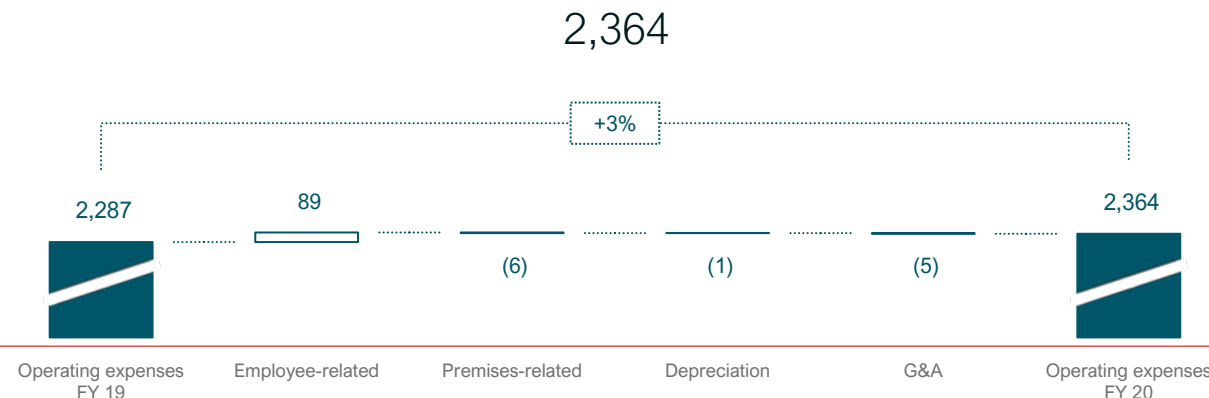
Operating Expenses (SAR Mn)



Cost To Income Ratio (%)

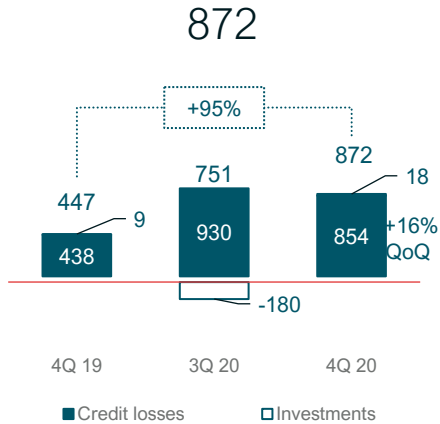


Operating Expenses Movement (SAR Mn)

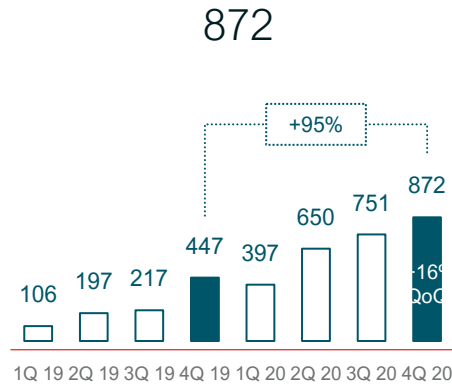


Rising impairment charge and cost of risk from higher commercial provisions

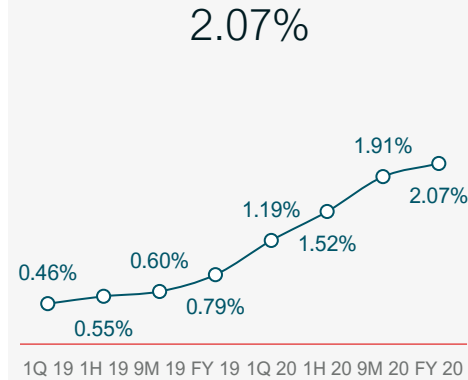
Impairment Charge (SAR Mn)



Impairment Charge (SAR Mn)

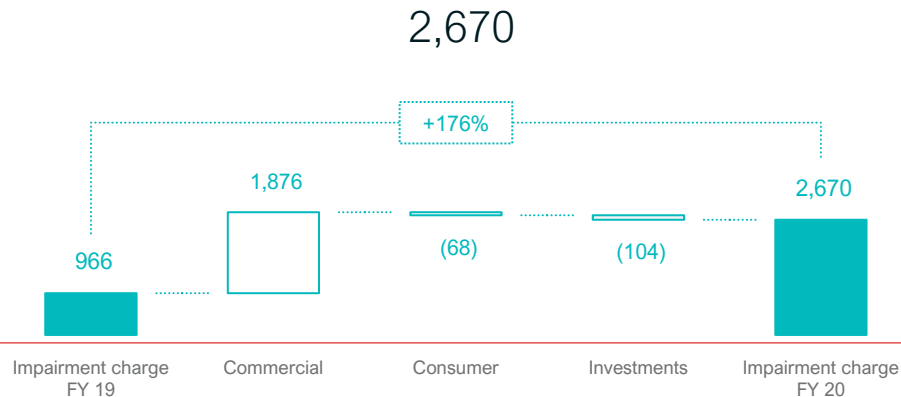


Cost of Credit Risk (%)

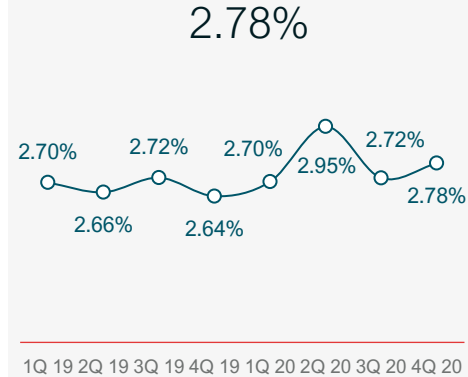


- The total impairment charge for 2020 was SAR 2,670mn.
- This increase was driven by reassessment of the macroeconomic scenarios (based on more pessimistic forecasts owing to Covid-19), a conservative review of borrower risk ratings resulting in IFRS 9 Stage transitions and additional sector-based overlays of SAR 436 million.

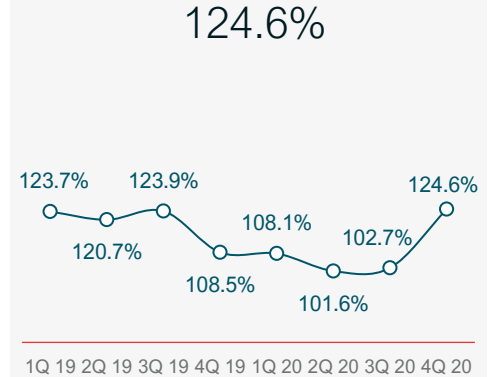
Impairment Charge Movement (SAR Mn)



NPL Ratio (%)

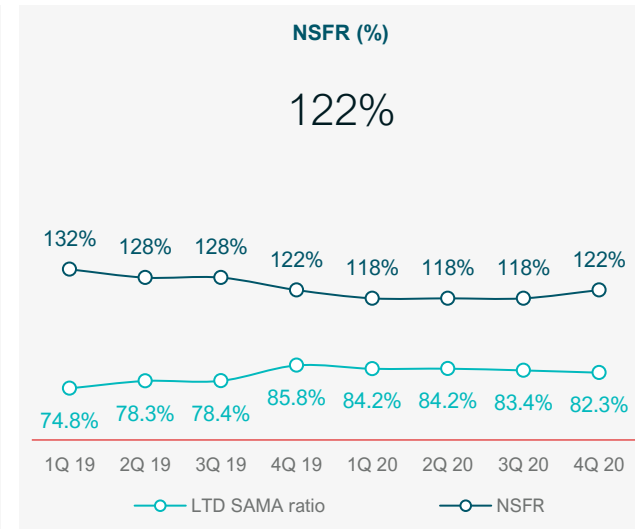
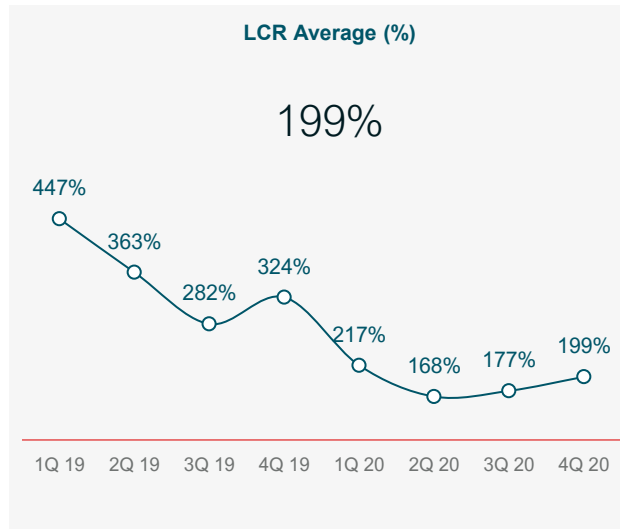


NPL Coverage Ratio (%)



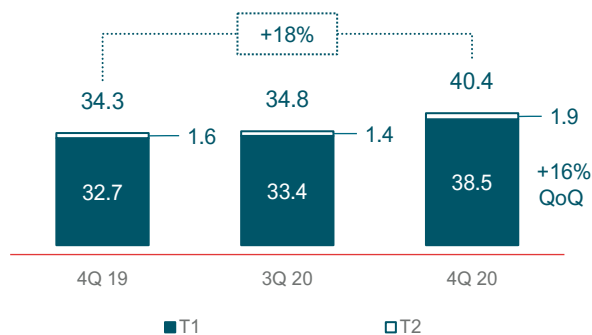
Liquidity and capitalization remain comfortable

- LCR declined 125ppts during 2020 due to a decline in HQLA of 2% from balance sheet optimization, but remains comfortable at 199%. NSFR improved modestly by 4ppts during 2020 to 122%.
- Total capital increased by SAR 6.1bn (+18% YoY) during 2020 from Tier 1 Sukuk issuance of SAR 5.0bn, net income generation of SAR 1.5bn, increased reserves of SAR 0.7bn, partly offset by the SAR1.2bn final 2019 dividend payment.
- CAR was 21.56% and the Tier 1 ratio was 20.56% as at 31 December 2020, improving from 4Q 2019 levels as capitalization growth exceeded grow in RWAs during the period.



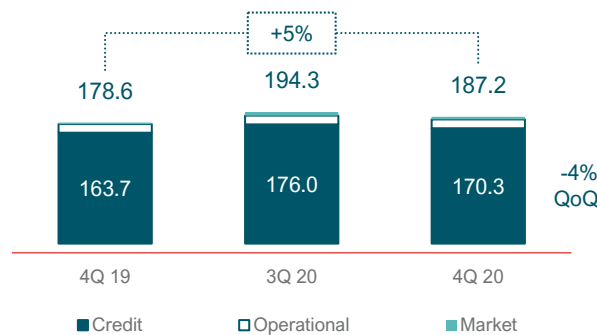
Total Capital (SAR Bn)

40.4



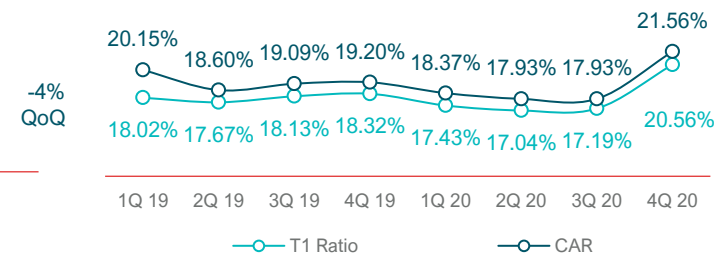
RWA (SAR Bn)

187.2



CAR (%)

21.56%



Improved outlook for 2021

| | Previous 2020 Guidance | 4Q 2020 Outcome | 2021 Guidance |
|----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|------------------------------------------------------|
| LOANS & ADVANCES, NET | <ul style="list-style-type: none"> 2020 growth of 4% YoY, below guidance due to early repayments. Continued mortgage growth and elevated corporate repayments expected in 2021. | <p>Loans & Advances SAR Billion</p> <p>130.6</p> <p>▲ +3.8% year-to-date</p> | <p>130.6</p> <p>Mid to high single-digit</p> |
| NET INTEREST MARGIN | <ul style="list-style-type: none"> NIM declined 4bps YoY. Broadly stable NIM expected in 2021 at around 3.0%. | <p>NIM (%)</p> <p>3.00%</p> <p>▶ -4 bps year-to-date</p> | <p>3.00%</p> <p>~3.00%</p> <p>3.05%</p> <p>2.95%</p> |
| COST OF RISK | <ul style="list-style-type: none"> Cost of risk rose 127bps YoY, mainly from stage movements and Covid-19 impacts. Cost of risk expected to decrease materially in 2021 to 100bps or below. | <p>Cost of risk (%)</p> <p>2.07%</p> <p>▲ +127 bps year-to-date</p> | <p>2.07%</p> <p>At or below 100bps</p> <p>1.00%</p> |
| COST TO INCOME RATIO | <ul style="list-style-type: none"> The bank is carefully managing the cost base for optimum efficiency, while continuing to invest in critical IT and digital capabilities. Expect CI-ratio at or below 33% for 2021. | <p>Cost to income ratio (%)</p> <p>33.6%</p> <p>▲ +28 bps year-to-date</p> | <p>33.6%</p> <p>At or below 33%</p> <p>33.0%</p> |



EARNINGS PRESENTATION 4Q/FY 2020

Questions & Answers

Disclaimer



This presentation is being provided to you for general information purposes. The information contained in the presentation has been obtained from sources believed by Banque Saudi Fransi (“BSF”) to be up to date, correct and reliable, but BSF does not make any representation or warranty, express or implied, with respect to the fairness, correctness, accuracy reasonableness or completeness of the information and opinions.

The information provided does not constitute or form part of any legal advice or legal opinion. No advisory, fiduciary or other relationship is created between BSF and you or any person accessing or otherwise using any information of the presentation provided, nor does it constitute an offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, securities nor should it or any part of it nor the fact of its distribution form the basis of, or be relied on in connection with, any contract or investment decision in relation thereto. **It is not a recommendation by BSF to purchase securities.** Before using the information provided, you should seek your own independent advice in relation to any investment, financial, legal, Shariah, tax, accounting or regulatory issues discussed **and the presentation should not be construed as constituting tax, investment or legal advice.** Analyses and opinions contained herein may be based on assumptions that if altered can change the analyses or opinions expressed. Nothing contained herein shall constitute any representation or warranty as to future performance of any financial instrument, credit, currency, rate or other market or economic measure. Furthermore, past performance is not necessarily indicative of future results. BSF and its affiliates, and any of its directors, officers, suppliers, agents and employees disclaim liability and will not be liable for any loss, damages, actions or course of actions arising out of or in connection with using of, or reliance on, this presentation.

Any opinion, estimate or projection in this presentation constitutes an opinion, estimate or projection as of the date of this presentation, and there can be no assurance that future results will be consistent with any such opinion, estimate or projection. There is no obligation to update, modify or amend this communication or to otherwise notify the Recipient if information, opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate. The information in this presentation is subject to change without notice, it may be incomplete or condensed, and it may not contain all material information concerning BSF.

This document has been furnished to you solely for your information. It is not intended for distribution to the press or other media and may not be reproduced or redistributed by mail, facsimile, electronic or computer transmission or by any other means to any other person. By accepting this document you agree to be bound by the limitations set out in this disclaimer.

The distribution of this document in other jurisdictions may be restricted by law and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions.

You understand the in order to be eligible to view the Information, you must be a “sophisticated investor” within the meaning of the Offers of Securities Regulations issued by the Capital Market Authority of the Kingdom of Saudi Arabia **and should have (alone or with a financial advisor) the expertise to evaluate the performance of securities under changing conditions. The costs of such an evaluation will be of your account.**