



Banque Saudi Fransi

Investor Presentation

2Q 2020

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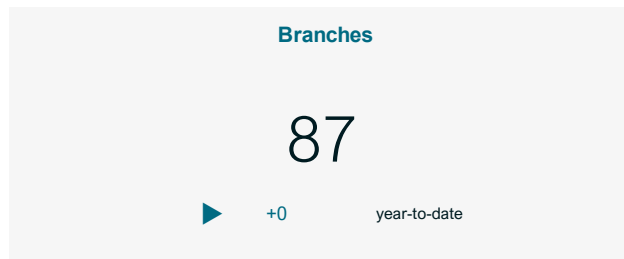
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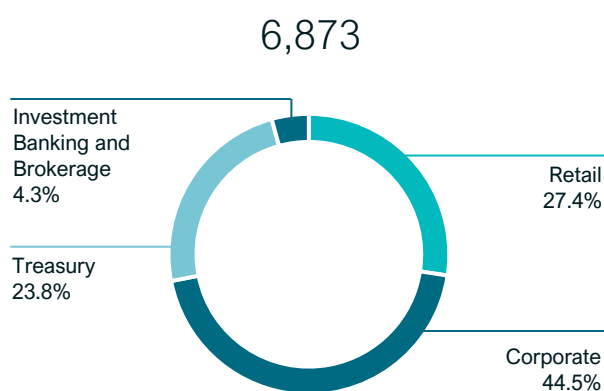
INVESTOR PRESENTATION 2Q 2020

BSF Profile

We are a leading banking group in Saudi Arabia with a strong focus on domestic operations

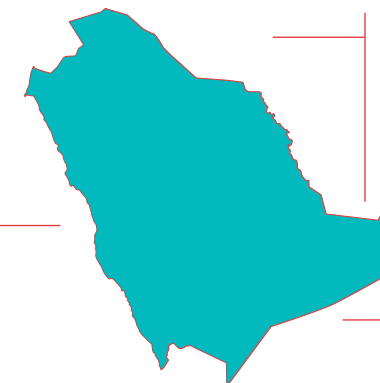


FY19 Operating Income Diversity (SAR Mn)



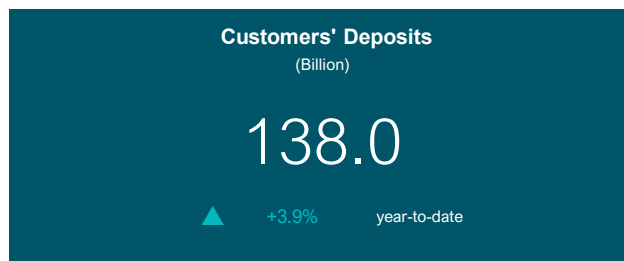
Headquartered in Riyadh:
87 branches across the Kingdom
Domestically systemic bank

Universal Bank model:
Corporate DNA (85% of our loan book)
Full suite of conventional and Islamic products
Growing Retail loan book
Core focus on the Saudi market



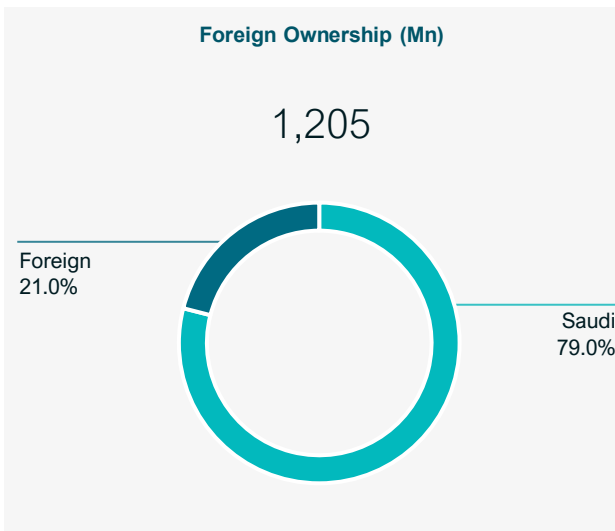
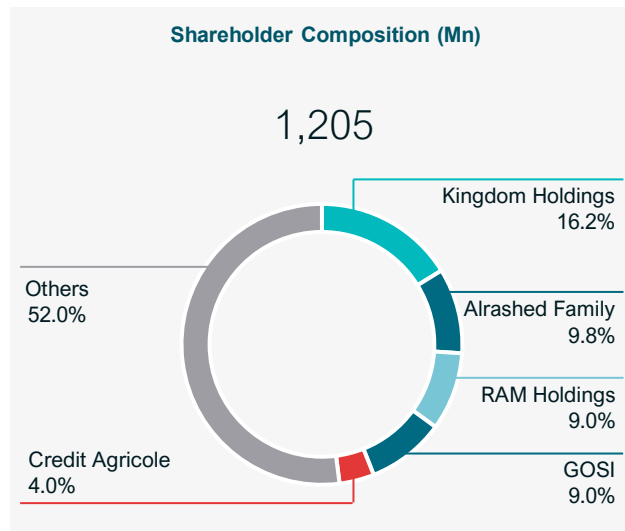
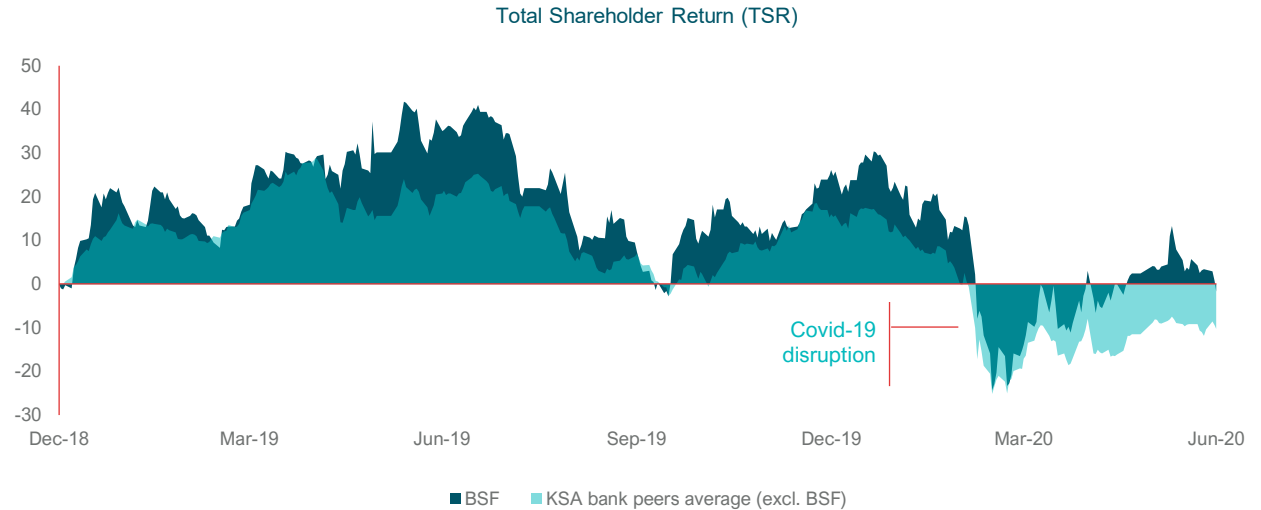
Subsidiaries in KSA:
Saudi Fransi Capital
Saudi Fransi Insurance Agency
Saudi Fransi Leasing
Sakan Company

Joint ventures in KSA:
Insurance with Allianz



Market parameters impacted by Covid-19 disruption, but credit ratings remain solid

Share Parameters	30 Jun 2020
Closing price (SAR)	28.55
52 weeks range (SAR)	22.3 - 43.7
Shares issued (million)	1,205
Market capitalization (SARbn)	34.41
Market capitalization to KSA bank sector	6.5%
Market cap to KSA stock market	0.4%
Price to tangible book value	1.0x
Price to earnings (FY 2019)	11.0x
Dividend yield (FY 2019)	7.0%



Standard & Poor's

BBB+

Stable outlook

Moody's

A1

Negative outlook

Fitch

BBB+

Stable outlook

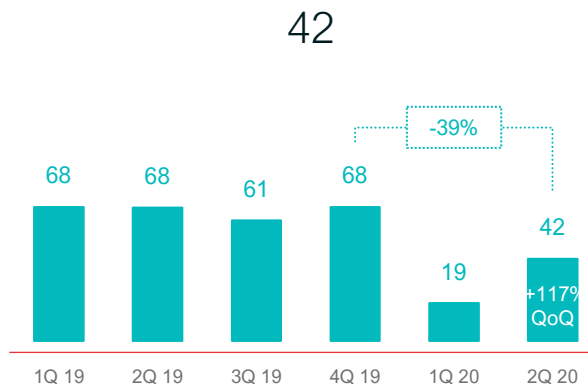
INVESTOR PRESENTATION 2Q 2020

Operating Environment

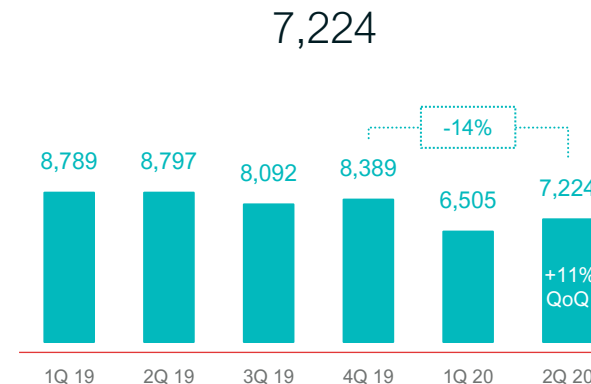
Covid-19 severely disrupted financial markets and economic activity in 1Q 2020, but moderated in 2Q 2020

- Oil prices dropped sharply in 1Q 2020 as the Covid-19 pandemic spread, with a moderate recovery to USD 42/bl in 2Q 2020.
- The Saudi Arabian stock market (Tadawul), in line with global equity markets dropped 14% in 1H 2020, and Tadawul banks index declined 22%.
- Interbank rates declined sharply in 1H 2020 in line with the Fed Rate cuts in early March.
- The Saudi Arabia purchasing managers index (PMI) dropped to 42.4 in March 2020, with a moderate recovery to 47.7 in June 2020.

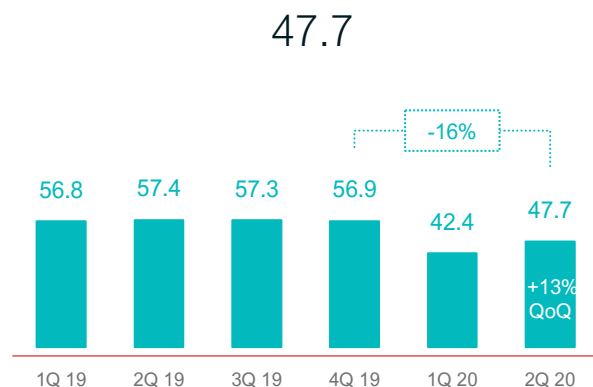
Brent Oil Price / Barrel (USD)



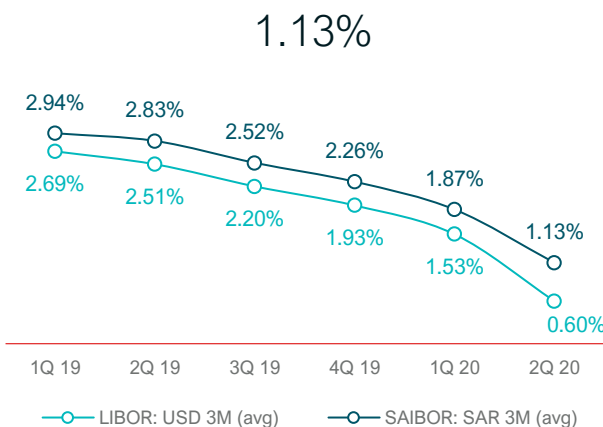
Tadawul Index



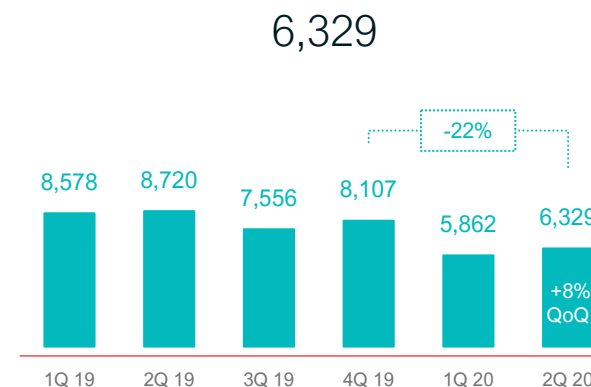
KSA PMI (manufacturing)



SAIBOR Trend (%)



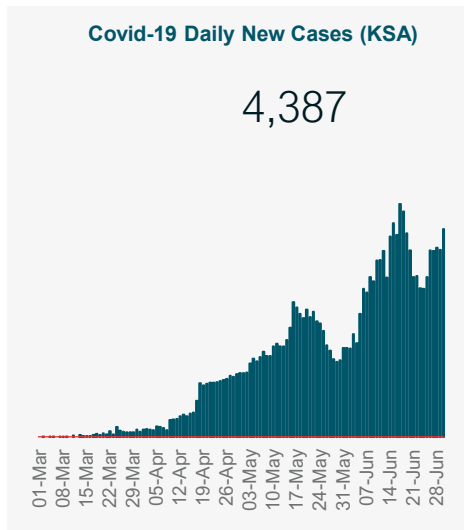
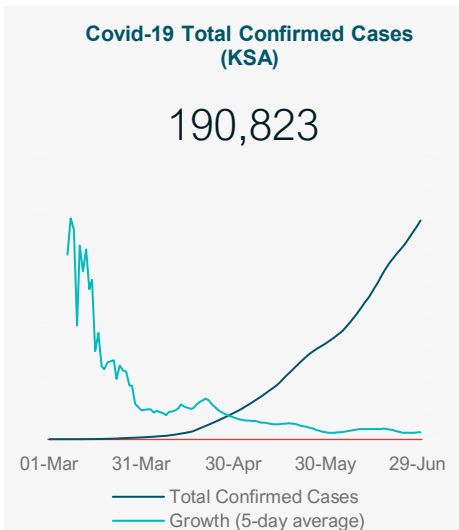
Tadawul Banks Index



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

Social measures and local cases

- The KSA government acted decisively and quickly to suspend:
 - Domestic and international aviation, except for commercial
 - Attendance for schools and universities at least until September 2020
 - All sporting activities and entertainment venues
 - Non-critical employee attendance in government and private sectors
 - Umrah, prayers at mosques, and possible suspension of Hajj season
 - Inter-province transportation, with limited exceptions.
- Enforced partial or full curfews and lockdowns with varying degrees, depending on city and/or neighborhood. [add details on subsequent re-opening measures?]

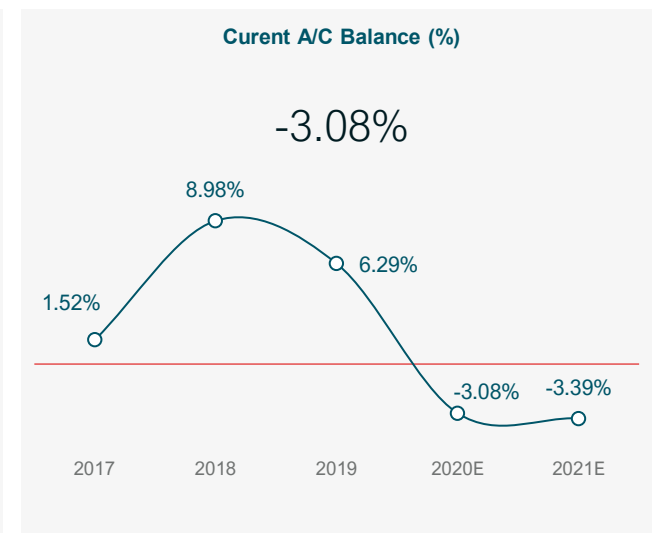
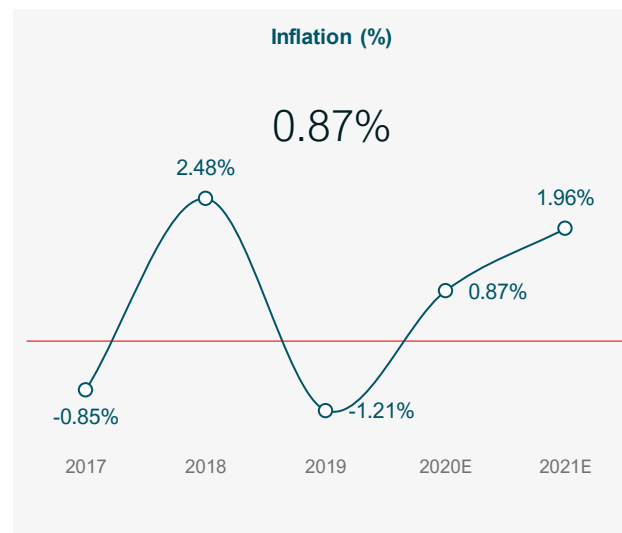
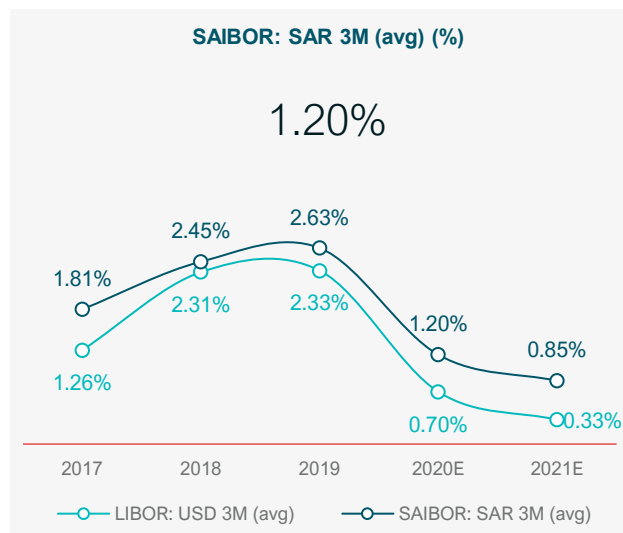
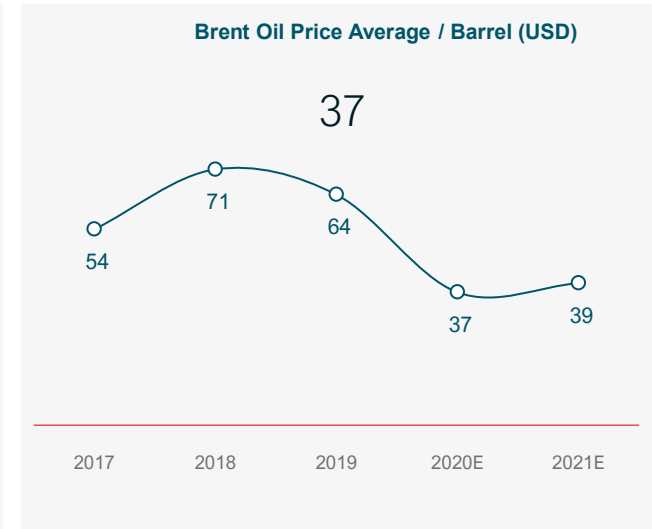
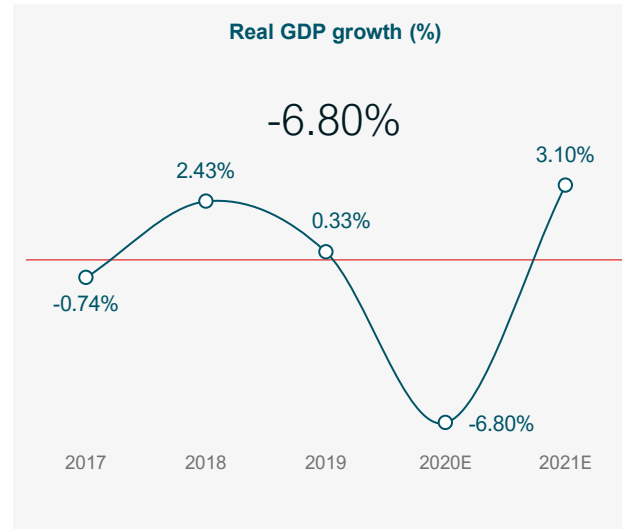


Support and stimulus programs

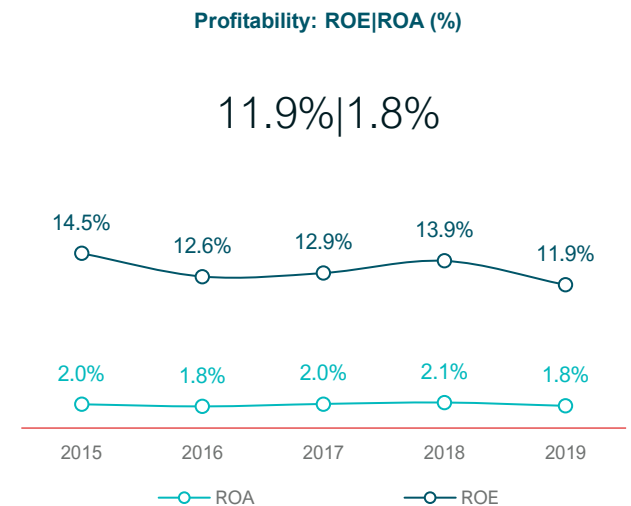
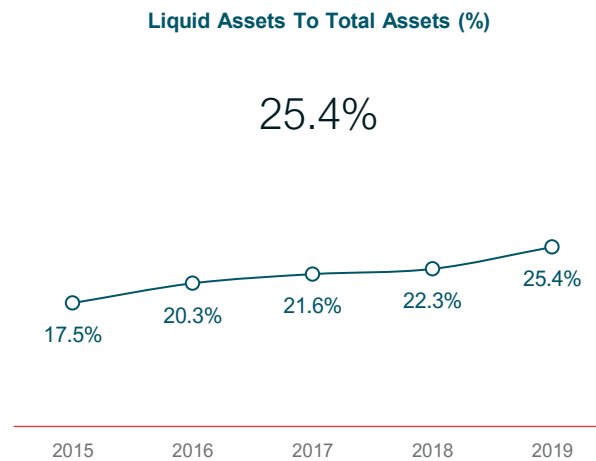
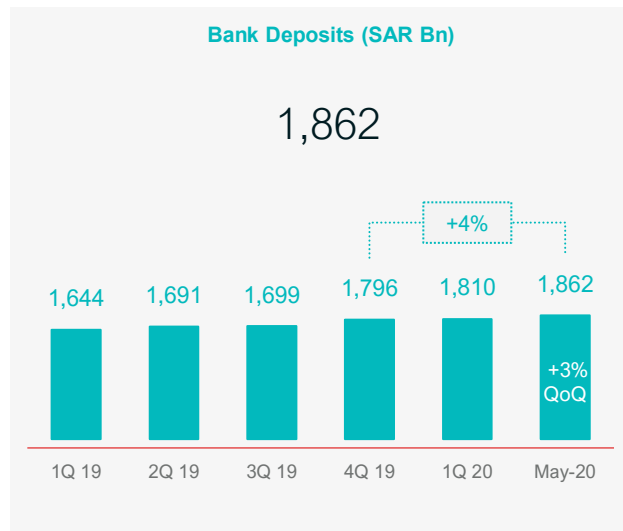
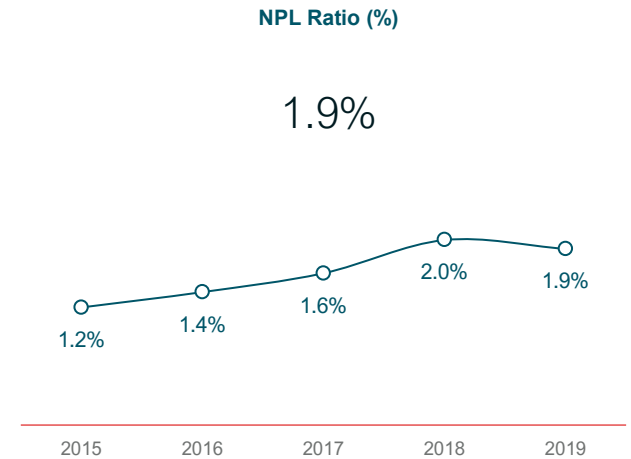
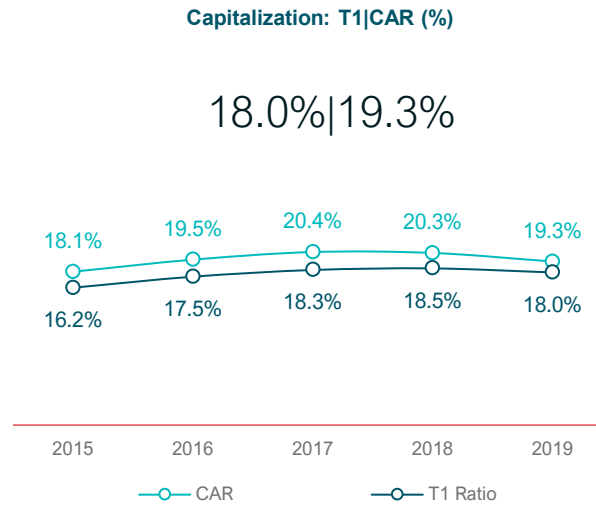
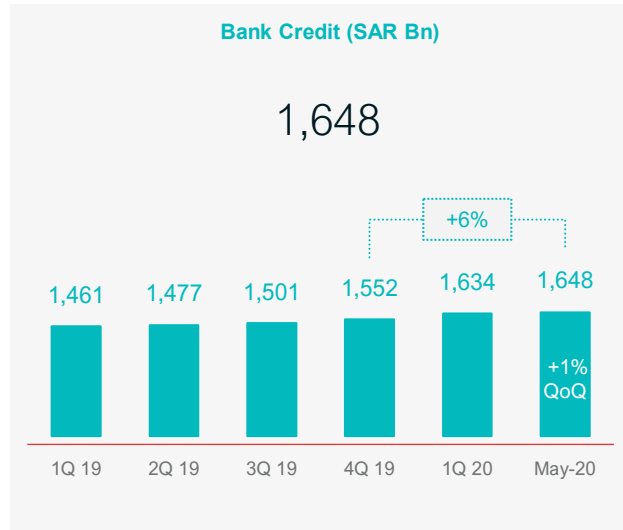
SAMA Programs	Other Measures
<p>Private Sector Financing Support SAR 100 billion</p> <ul style="list-style-type: none"> ▪ SAR 30bn Deferred Payments ▪ SAR 13.2bn Funding for Lending ▪ SAR 6bn Loan Guarantees ▪ SAR 0.8bn Supporting Fees of POS and E-Commerce ▪ SAR 50bn Banking Liquidity Injection 	<ul style="list-style-type: none"> ▪ Social Development Bank: SAR 12bn SME and low-income family support ▪ Ministry of Interior: Free extension of Iqama and visas ▪ Ministry of Municipal and Rural Affairs: delayed service fee payments for 1,400 economic entities ▪ Ministry of Commerce: Delayed license renewal fees for 116k entities
<p>Ministry of Finance Programs</p> <p>Economic Support SAR 150 billion+</p> <ul style="list-style-type: none"> ▪ Increase Debt to GDP limit to 50% and Repo rate cut to 1.0% ▪ SAR 70bn Private Sector Payments ▪ SAR 47bn Health Sector Allocations ▪ SAR 43bn deferrals & exemptions of levies, fees and taxes ▪ Increase in VAT from 5% to 15% from 1 July ▪ Suspension of cost of living allowances 	<ul style="list-style-type: none"> ▪ Saudi Customs: postponed customs collections ▪ General Authority of Zakat and Tax: Delayed declarations and payments of VAT ▪ Saudi Financial Support Services: cover 60% of private sector salaries SAR 9bn

The economic outlook for 2020 remains uncertain

- GDP for Saudi Arabia is expected to contract by -6.8% in 2020 (IMF) due to the deterioration of the global economic outlook, resulting from the Covid-19 spread, lock-down measures and lower oil prices.
- Interest rates are expected to remain at low levels for the foreseeable future.
- IMF forecasts a resumption to GDP growth of +3.1% in 2021, but this is subject to uncertainty and down-side risk.



Nevertheless, in this challenging environment, the Saudi banking sector is well positioned to absorb the impact



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

Putting the safety of our people first

- Initiated and expanded flexible and remote working arrangements, 50% of staff working remotely in June (from 70% at height of crisis)
- Reduced number of branches operational to less than 30% (currently 100% operational)
- Provided infection protection for our teams
- Implemented social distancing measures and shift-based attendance
- Issued regular, transparent communications to reassure our teams and align with all current Government policies and advice

Supporting communities

- Donated SAR 12mn to the Health Endowment Fund
- Donated SAR 7.2mn to the Social Charity Fund
- BSF employee participation in ministry of housing initiatives through JOOD and donated SAR 240k
- Deferred mortgage and personal loans payments for private and government health sector workers

Supporting customers

- Waived payments on mortgages and personal loans for 3 months
- Refund of all currency transaction fees
- Waived refinancing and facility cancellation fees for 6 months
- Waived POS and e-commerce fees for SMEs
- Waived cost of financing guarantees under KAFALA program
- Loans for SMEs to support business continuity
- Deferred entities' commitments to banks and financing companies for 6 months

Ensure business continuity

- Reviewed and renewed business continuity plans
- Daily liquidity, risk & continuity management meetings and daily status reports to SAMA.
- Evaluated liquidity & stress tests
- Assessed other financial & operational risks, and potential liabilities including cyber threats
- Verified and considered supply chain options
- Monitored domestic support from the Government & requirements from SAMA.
- Reviewed terms/conditions on loans & contracts

Digital enablement

- Published guidelines clarifying and encouraging usage of digital banking channels from home
- Waived money transfer fees (local & international) for digital services for 6 months
- Increased limits of purchasing through MADA to SAR 300
- Enabled digital query resolution
- Enabled digital credit cards issuance via digital channels
- Digital channel availability average > 99.9%
- ATM availability average > 99.8%

Re-evaluate our strategy

- Determined how the crisis affects our 5-year strategy (identify initiatives to either pause, scale down, maintain or accelerate)
- Executed revised strategies & continue to monitor the situation
- Making decisions and take actions during the crisis with recovery in mind
- Reset business assumptions for 2020 and beyond



INVESTOR PRESENTATION 2Q 2020

Strategy

In 2018 we redefined our purpose to build a dynamic, energized and modern culture...

OUR MISSION

To become the most modern, innovative and experience focused bank in the region.

OUR VALUES

TRUE TO OURSELVES, ALWAYS

We are honest with one another, even at the risk of temporary disharmony. It is never personal.

US BEFORE ME

We put ideas before ego and leverage the expertise of others.

KEEP IT SIMPLE

We strive to make everything we do as simple as possible. We set our people up for success and then get out of their way. We own it.

WINNING IS FUN

We seek to be number one in the hearts and minds of our people, customers and shareholders. We have limitless ambition and the drive to win.

WE ARE BSF

Always putting the needs of our people, customers, shareholders and society ahead of our own personal agenda. We are a community that we defend and protect, always.

THINK BIG, ACT QUICK

We think long-term in our decisions, but we make them quickly and have a bias towards action.

...and set out to build a cohesive, best-in-class executive management team...

Rayan Mohammed Fayeز

Managing Director & Chief Executive Officer



Abdullah Alkhalifa

Chief Financial Officer



Ravishanker Visvanathan

Chief Risk Officer



Mazen Altamimi

Head of Institutional Banking



Mohammed Abdulrahman Alsheikh

Head of Retail Banking



Abdulmohsen Ibrahim Alrayes

Chief Audit Executive



Adel Mallawi

Chief Investment Officer



Thamer M. Yousef

Chief Operations Officer



Abdallah Alshaikh

Head of Legal and Governance



May Al-Hoshan

Chief Human Capital Officer



Michael Cunningham

Chief Strategy & Group Digital Officer



Sami J. Almehaid

Chief Compliance Officer



...who implemented a comprehensive 5-year strategic plan called 'LEAP' to modernize and re-imagine the bank

2018
Baseline

POSITIONED TO 'LEAP'

2023
Aspiration

STRATEGIC PILLARS

ASSET MARKET SHARE

8.3%

ROAA*

1.7%

NPS**

NA



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

ASSET MARKET SHARE

10%

ROAA

2.3%

NPS

#1

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

We are clearly focused on delivering strategic outcomes

STRATEGIC OUTCOMES

Shareholder darling

KPI #1
Total shareholder return (TSR)

Generate top-quartile total returns for our shareholders.

KPI #2
Return on average equity (ROAE)

To increase ROAE, by focusing on growing our business where risk adjusted returns are maximized and capital is efficiently deployed.

Resilience

KPI #3
Basic earnings per share (EPS)

Deliver consistent bottom line income and returns for our shareholders, with no surprises.

KPI #4
Dividends per share (DPS)

Distribute consistent dividends to our shareholders.

Efficiency

KPI #5
Cost-to-income Ratio

Improve operating efficiency by re-engineering our processes and focusing on digital.

Best Customer Experience

KPI #6
Net Promoter Score (NPS)

Continuous improvement in our customer experience.

Best Place to work

KPI #7
Employee Net Promoter Score (ENPS)

Continuous improvement in our employees' workplace experience and satisfaction.

As a result of progress made on strategy implementation, 2019 saw improvements across all strategic outcomes

STRATEGIC OUTCOME

Shareholder darling

Resilience

KPI #1
Total shareholder return (TSR)

KPI #2
Return on average equity (ROAE)

KPI #3
Basic earnings per share (EPS)

KPI #4
Dividends per share (DPS)

TSR
(%)

26.1%

▲ +12.4% year-on-year

ROAE - before zakat & income tax
(%)

11.2%

▲ +77 bps year-on-year

EPS
SAR

2.60

▲ +122% year-on-year

DPS, net
SAR

2.00

▲ +18% year-on-year

Efficiency

Best Customer Experience

Best Place to work

KPI #5
Cost-to-income Ratio

KPI #6
Net Promoter Score(NPS*)

KPI #7
Employee Net Promoter Score (ENPS)

Cost to income ratio
(%)

33.3%

▶ -42 bps year-on-year

NPS
(%)

N/A















ENPS
(%)

+27%

▲ year-on-year

* NPS baseline not yet established

14 Initiatives completed in 1H 2020, despite the Covid-19 impact, which led to the suspension of 19 and cancellation of 4 initiatives

		Initiatives Completed	1H 2020 Progress	2H 2020 Direction
STRATEGIC PILLARS	 Corporate Banking	6/14 	<ul style="list-style-type: none"> Progress impacted by Covid-19, but clearer direction on the Corporate Platform selection 1 new initiative added to the program 	<ul style="list-style-type: none"> Corporate Digital Platform selection Finalize CRM phase 2 Leverage account planning, pipeline management & cross-selling
	 Retail Banking	12/25 	<ul style="list-style-type: none"> 97% of the activities completed on time 2 new initiatives added to the program 	<ul style="list-style-type: none"> Continue to fix the basics Accelerate digital initiatives; pause initiatives relating to physical channels
	 Private Banking	7/17 	<ul style="list-style-type: none"> Good progress, especially on Exceptional Transaction and CRM initiatives 5 new initiatives added to the program 	<ul style="list-style-type: none"> Accelerate digital customer acquisition and engagement initiatives
	 Global Markets Group	5/5 	<ul style="list-style-type: none"> All initiatives completed 	<ul style="list-style-type: none"> Full implementation of CRM, account planning, pipeline management & cross-selling initiatives
STRATEGIC ENABLERS	A B Technology, IT & Digitalization	2/24 	<ul style="list-style-type: none"> Significant focus on the CBS implementation release 1 	<ul style="list-style-type: none"> CBS release 1 Digital productivity tools for employees Predictive analytics initiatives
	C D CE & Organizational effectiveness	19/23 	<ul style="list-style-type: none"> Finalized NPS implementation across all channels 1 new initiative added to the program 	<ul style="list-style-type: none"> Cross-sell initiatives Customer experience initiatives
	E F G H Brand, People, Risk & Strategy	14/39 	<ul style="list-style-type: none"> Several HR activities completed (performance management, information transparency, mission & values) 2 new initiatives added to the program 	<ul style="list-style-type: none"> Implement brand architecture and complete brand design Oracle HR tools & HR initiatives in recruitment, talent and performance management
Total		65/147 	14/147 	48/147 

INVESTOR PRESENTATION 2Q 2020

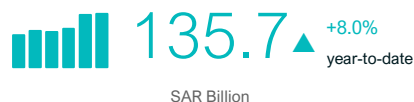
Financial Performance

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

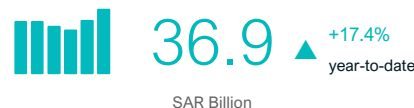
BALANCE SHEET

- Strong loan growth
- Strong NIB deposit growth from flight to quality and as customers sought to enhance liquidity, aided by lower rates.

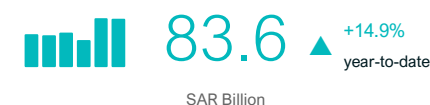
Loans & Advances



Investments



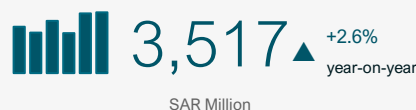
Non Interest Bearing Deposits



INCOME STATEMENT

- Modest top-line growth on volume growth.
- Net income declined due to higher impairments.

Operating Income



NIM



Net Income After Zakat & Tax



ASSET QUALITY

- Rise in NPL ratio and reduction in NPL coverage.
- Cost of risk increased due to Commercial portfolio, mainly from stage movements.

NPL Ratio



NPL Coverage Ratio



Cost of risk



CAPITAL & LIQUIDITY

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

T1 Ratio



LCR



NIBD % of Total Deposits



Strong balance sheet growth from lending and investments

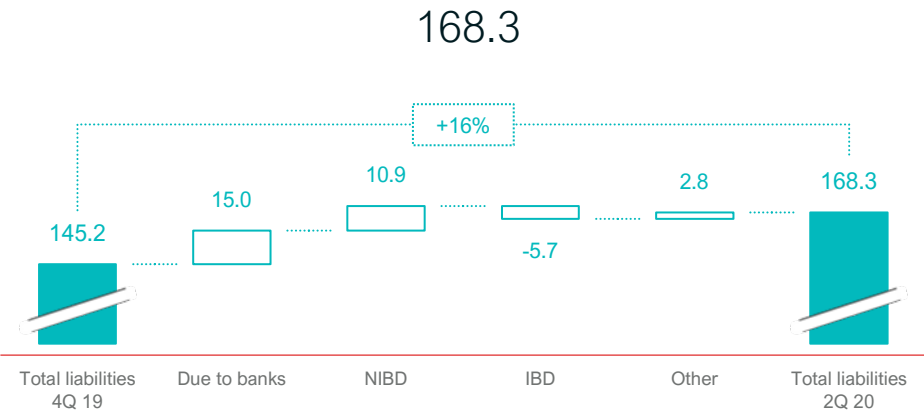
- Growth in total assets of 13% YTD driven by strong 8% loan growth and 17% investment growth.
- Liabilities grew by 16% from increased interbank funding, including profit-free SAMA funding, and 4% YTD growth in deposits (+15% NIBD growth).

SAR (Mn)	2Q 2020	1Q 2020	Δ%	4Q 2019	Δ%
Cash & SAMA balances	9,519	12,105	-21%	9,117	+4%
Due from banks	7,176	6,137	+17%	3,742	+92%
Investments	36,916	33,940	+9%	31,454	+17%
Loans & advances	135,749	134,882	+1%	125,725	+8%
Other assets	12,592	12,114	+4%	8,110	+55%
Total assets	201,953	199,178	+1%	178,149	+13%
Due to banks	17,422	6,542	+166%	2,372	+634%
Customers' deposits	138,046	146,772	-6%	132,838	+4%
Other liabilities	12,809	11,919	+7%	9,992	+28%
Total liabilities	168,276	165,232	+2%	145,202	+16%
Share capital	12,054	12,054	+0%	12,054	+0%
Retained earnings	7,065	6,628	+7%	5,946	+19%
Other	14,558	15,264	-5%	14,947	-3%
Total equity	33,677	33,945	-1%	32,947	+2%

Total Assets Movement (SAR Bn)



Total Liabilities Movement (SAR Bn)

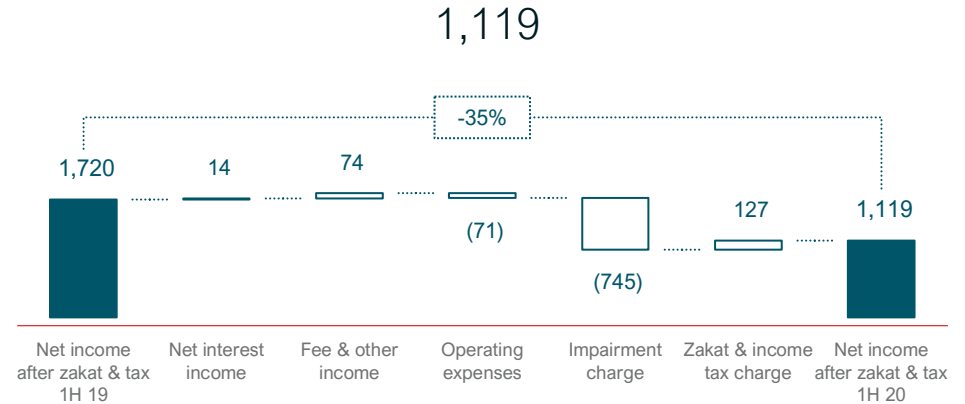


Net income declined year-on-year due to higher credit costs

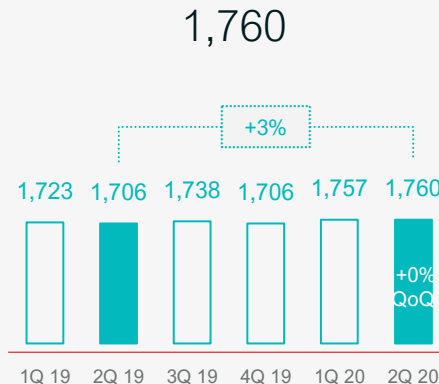
- Net income for 1H 2020 declined 35% YoY to SAR 1,119mn as 3% income growth was more than offset by 246% rise in impairments and 7% increase in operating expenses.
- Similarly, 2Q 2020 net income decreased 46% YoY to SAR 437mn from a 230% rise in impairments.

SAR (Mn)	2Q 2020	2Q 2019	Δ%	1H 2020	1H 2019	Δ%
Net interest income	1,297	1,298	-0%	2,584	2,570	+1%
Fee & other income	463	409	+13%	933	859	+9%
Operating income	1,760	1,706	+3%	3,517	3,429	+3%
Operating expenses	(557)	(554)	+0%	(1,116)	(1,045)	+7%
Impairment charge	(650)	(197)	+230%	(1,048)	(303)	+246%
Total operating expenses	1,207	751	+61%	2,164	1,348	+61%
Net income before zakat & tax	553	955	-42%	1,353	2,082	-35%
Zakat & income tax charge	(116)	(152)	-24%	(234)	(361)	-35%
Net income after zakat & tax	437	804	-46%	1,119	1,720	-35%

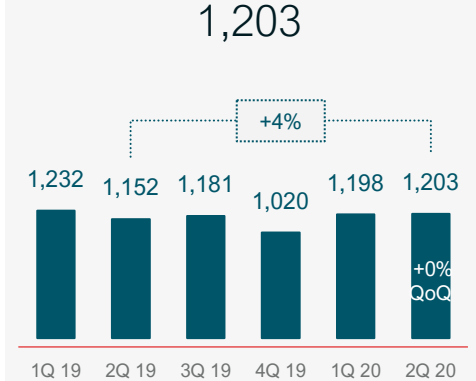
Net Income After Zakat & Tax Movement (SAR Mn)



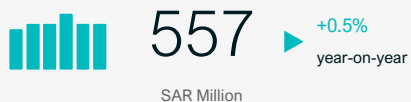
Operating Income (SAR Mn)



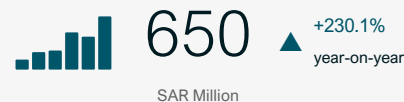
Net Operating Income Before Impairment Charge (SAR Mn)



Operating Expenses

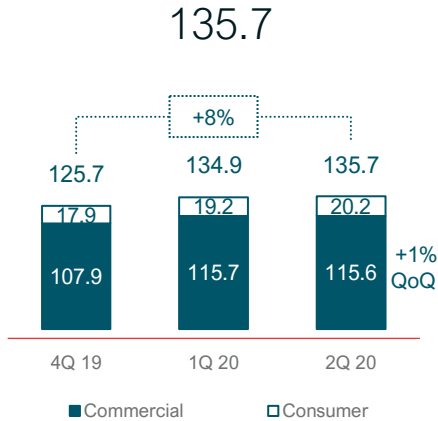


Impairment Charge

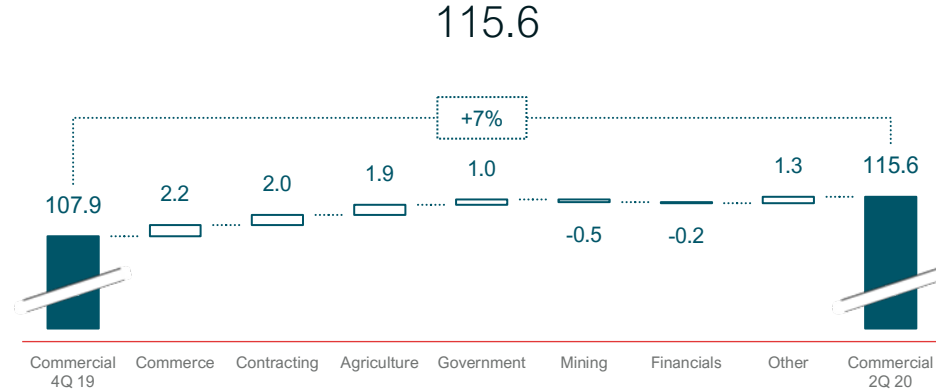


Strong loan growth in 1H 2020

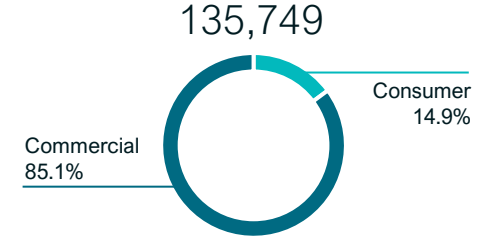
Total Loans & Advances (SAR Bn)



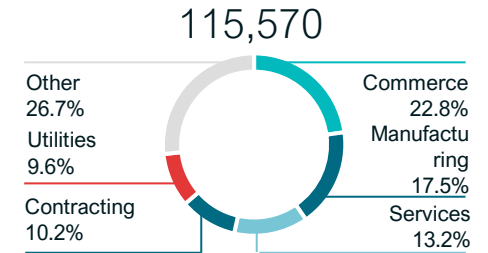
Commercial Loans Movement (SAR Bn)



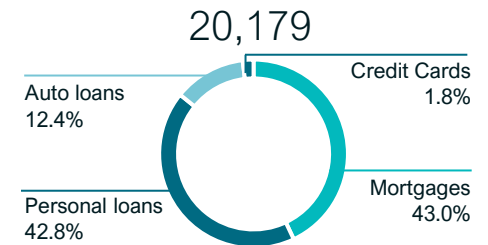
Loans & Advances Composition (SAR Mn)



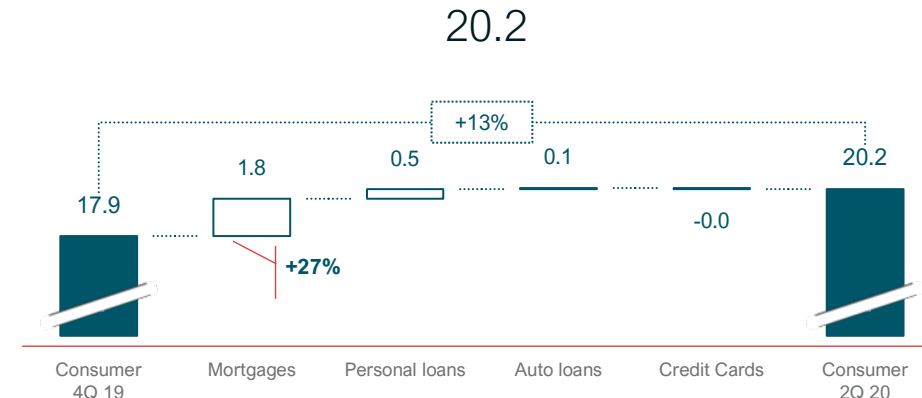
Commercial Loans Composition (SAR Mn)



Consumer Loans Composition (SAR Mn)



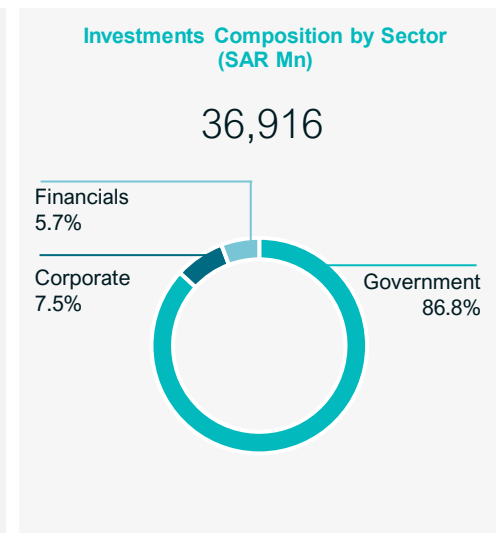
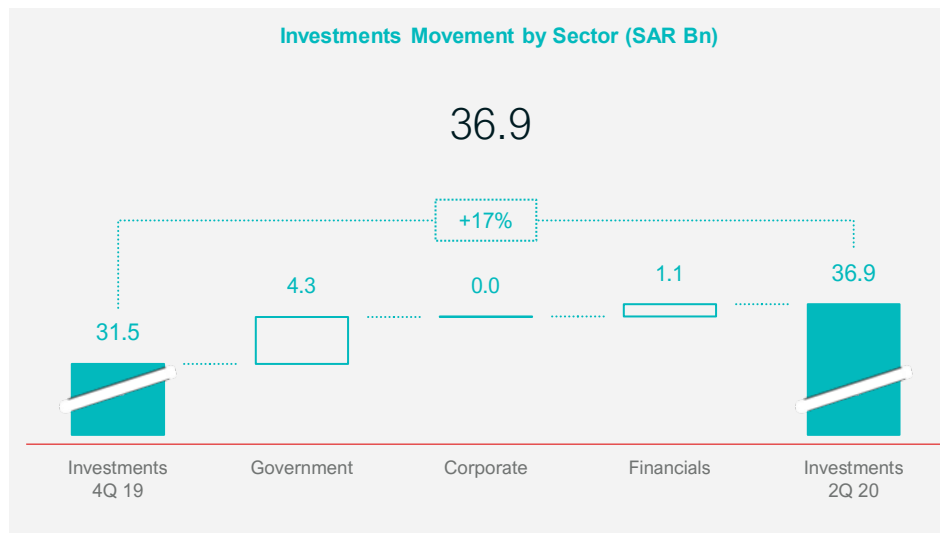
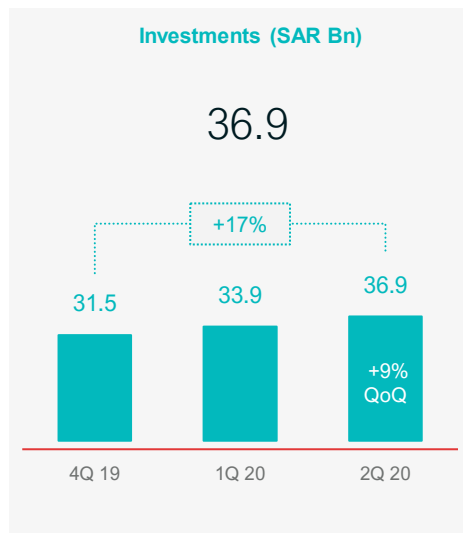
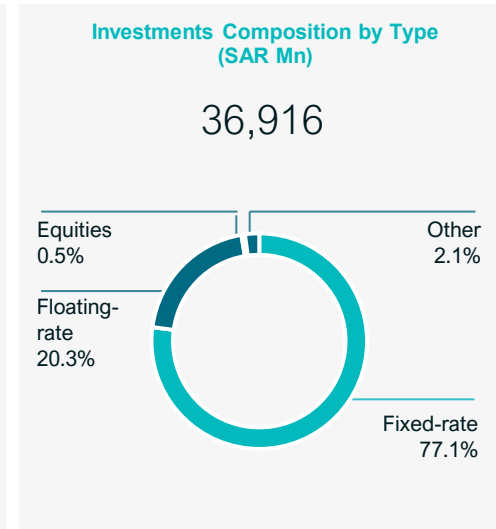
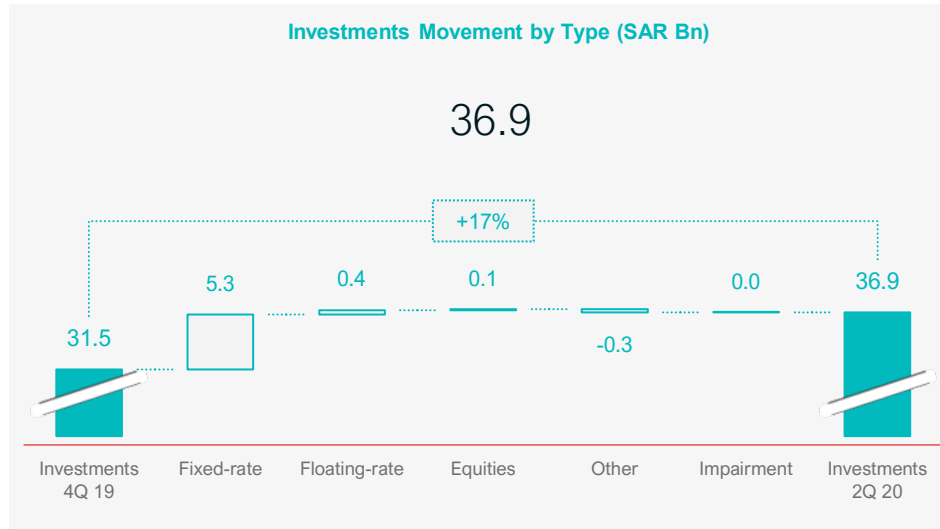
Consumer Loans Movement (SAR Bn)



- Total loans & advances grew 8% during 1H 2020 from 7% commercial and 13% consumer loan growth.
- Consumer loans grew mainly from 27% growth in mortgages, despite a slow-down during April and May due to Covid-19.

Strong growth in investment portfolio from increased Saudi Government bond holdings

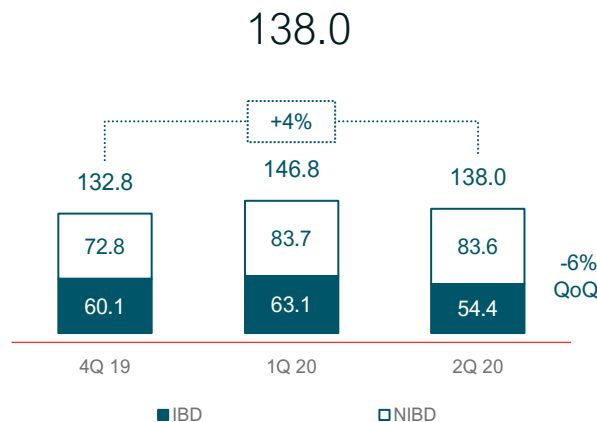
- Investments rose 17% during 1H 2020 as the bank increased Saudi Government bond holdings.
- The investment portfolio remains of high quality with significant portion being Saudi Government and investment grade.
- More than three-quarters of the portfolio is fixed-rate and well-positioned for the lower interest rate environment.



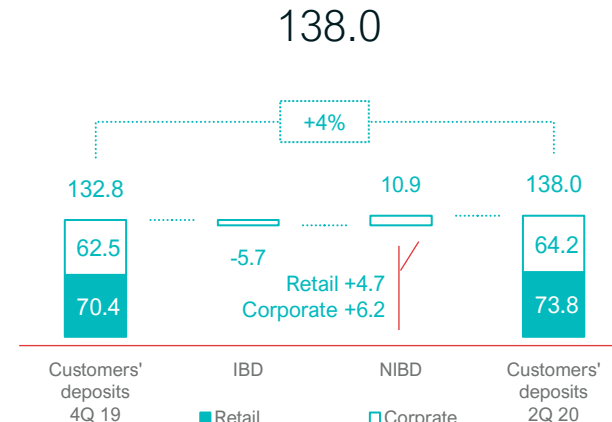
Strong NIBD deposit growth as customers shore up liquidity in response to Covid-19 disruption

- Deposits grew 4% during 1H 2020 from strong growth in NIBDs (+15%), partly offset by lower IBDs (-9%).
- Average NIBDs for 2Q 2020 grew by 11% from 1Q 2020.
- Growth was mainly driven by customers building liquidity in response to Covid-19 business disruptions, with switching from IBDs to NIBDs encouraged by the lower rate environment.

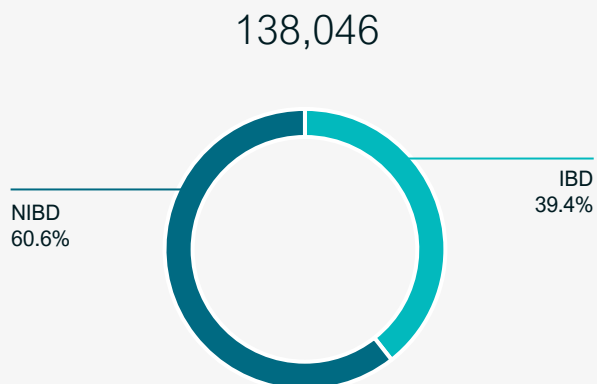
Customers' Deposits (SAR Bn)



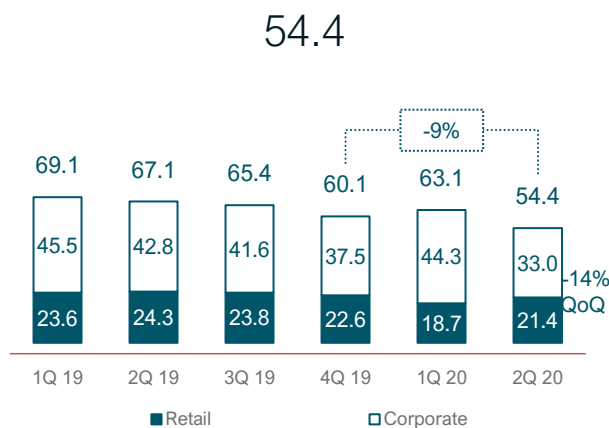
Customers' Deposits Movement (SAR Bn)



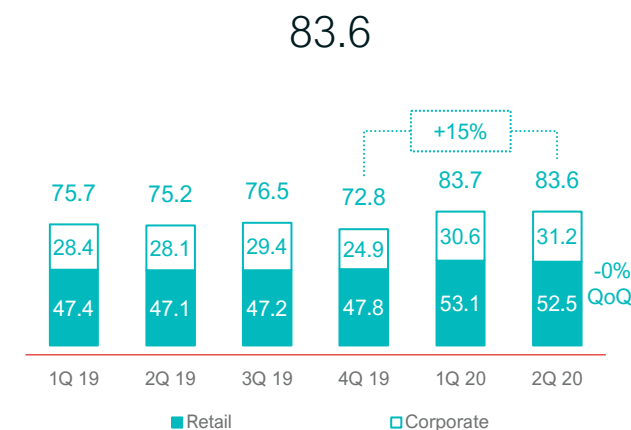
Customers' Deposits Composition (SAR Mn)



Interest Bearing Deposits (SAR Bn)

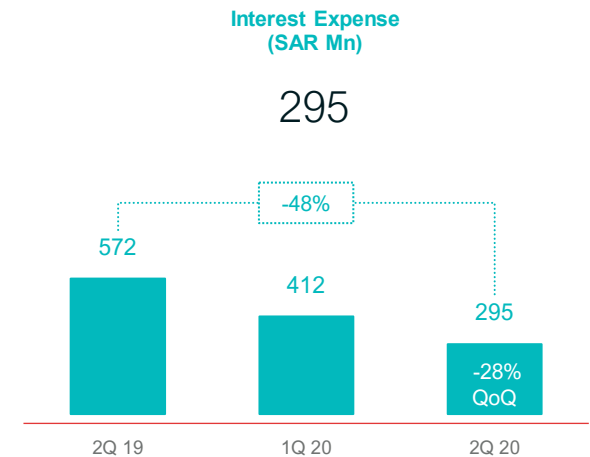
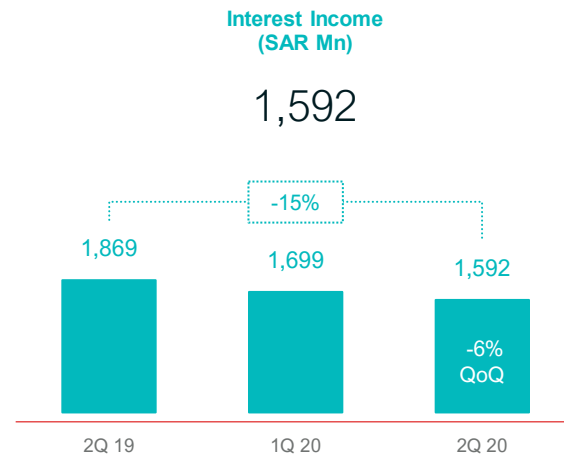
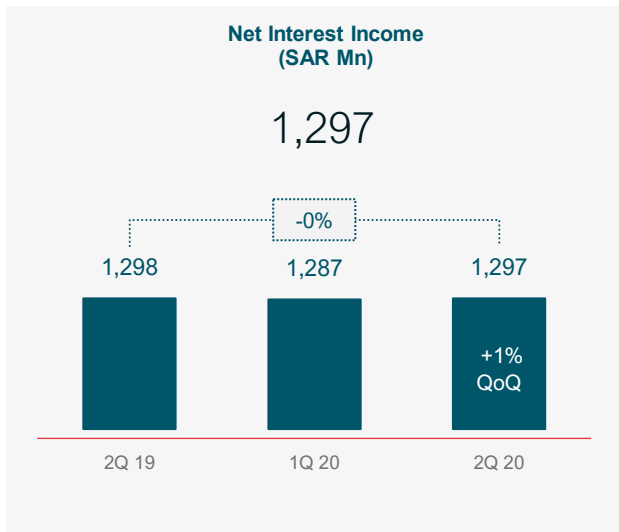
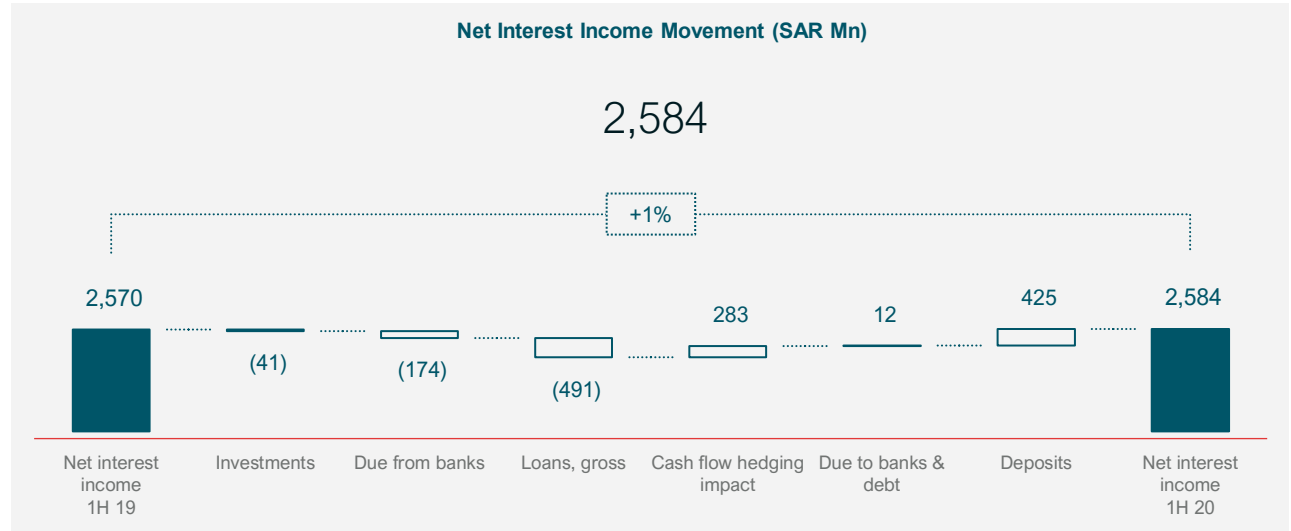


Non Interest Bearing Deposits (SAR Bn)



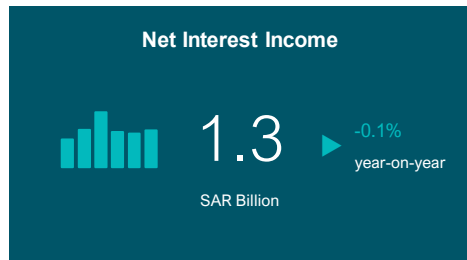
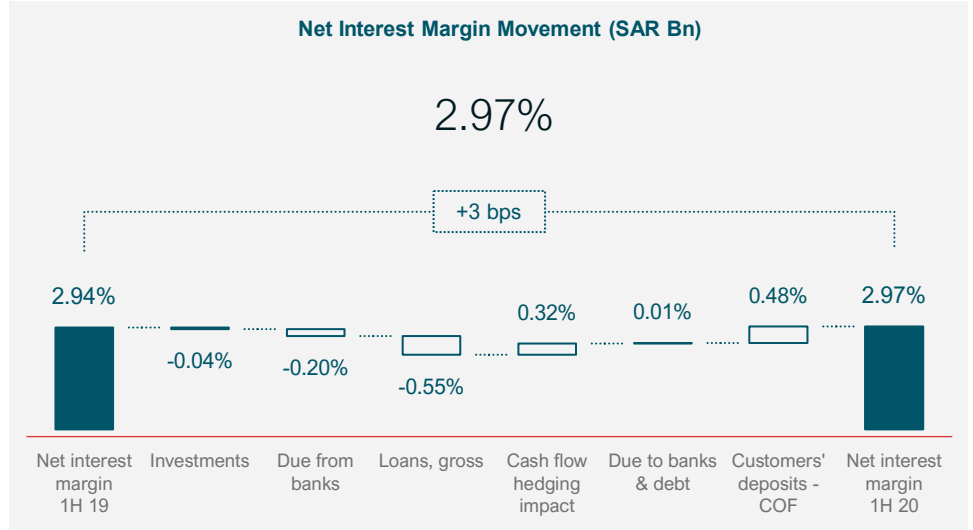
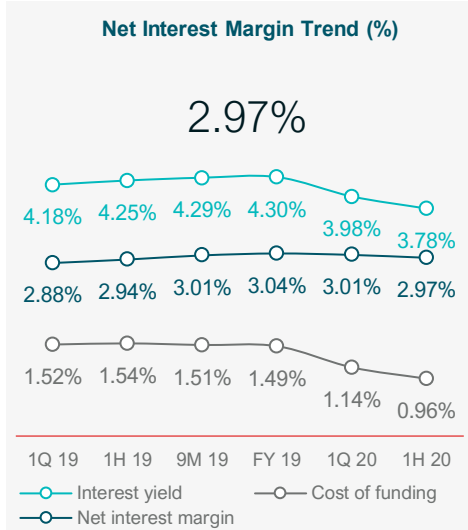
Stable NII as improved funding costs offset by lower loan yields

- NII was stable YoY at SAR 2,584mn in 1H 2020 as a 11% decline in interest income was offset by a 38% improvement in funding costs.
- NII for 1H 2020 included a net benefit of SAR 10mn from profit-free SAMA deposits less modification losses.



Improved balance sheet mix and improved funding costs offset by yield pressure from lower rates

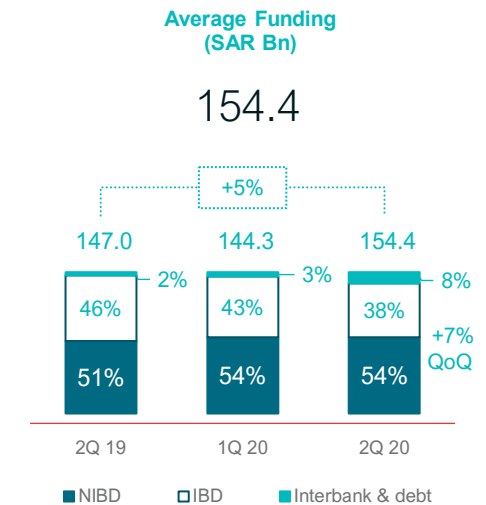
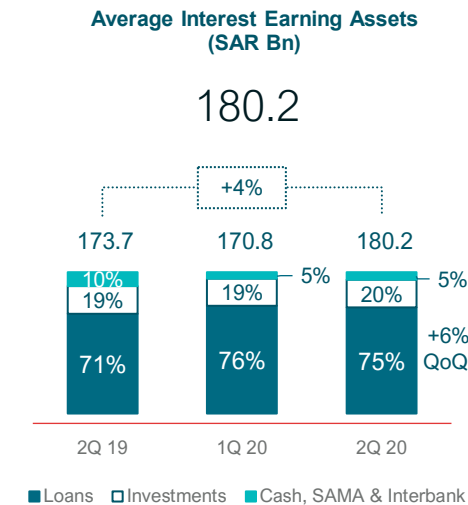
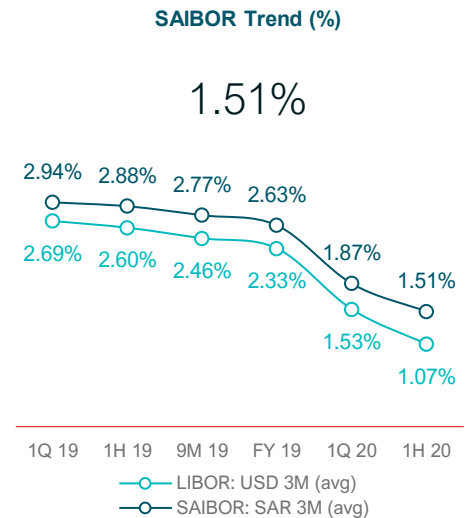
- The NIM improved by 3bps to 2.97% YoY but declined 4bps QoQ.
- The margin was impacted by improved balance sheet mix and funding costs, partly offset by lower asset yields from the lower rate environment.
- Funding costs improved by 58bps YoY to 0.96% in 1H 2020.



Net Interest Income SAR Billion

1.3

+0.7% Quarter-on-quarter

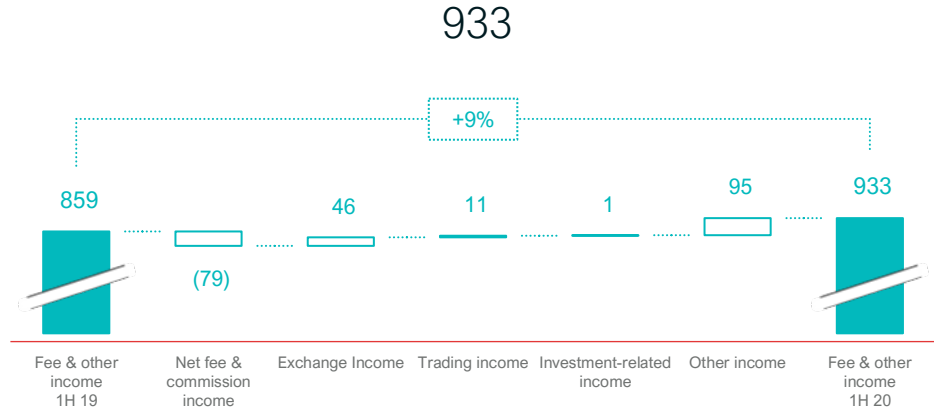


Lower banking-related fee income reflective of market conditions, offset by increase in other income from one-off gain

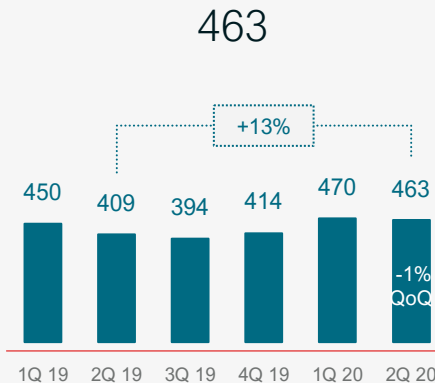
- Fee & other income for 1H 2020 improved 9% YoY to SAR 993mn from other income, which benefitted from a one-off gain of SAR 72mn.
- Net fee & commission income declined 11% YoY to SAR 508mn in 1H 2020, from lower trade finance activity and Covid-19 related fee waivers.
- Exchange and trading income however grew 28% and 16% respectively.

SAR (Mn)	2Q 2020	2Q 2019	Δ%	1H 2020	1H 2019	Δ%
Fee & commission income	315	375	-16%	703	759	-7%
Fee & commission expenses	(92)	(94)	-2%	(195)	(173)	+13%
Net fee & commission income	223	282	-21%	508	587	-13%
Exchange Income	115	84	+36%	212	165	+28%
Trading income	87	23	+273%	81	70	+16%
Banking-related income	425	389	+9%	800	822	-3%
Investment-related income	1	7	-91%	8	7	+11%
Other income	38	12	+204%	125	30	+319%
Fee & other income	463	409	+13%	933	859	+9%

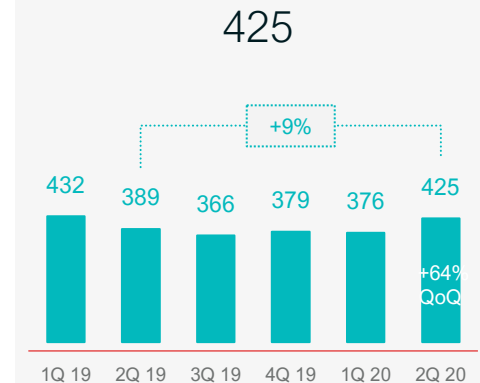
Fee & Other Income Movement (SAR Mn)



Fee & Other Income (SAR Mn)



Banking-Related Income (SAR Mn)



Trade Finance



82

SAR Million

-23.2%
year-on-year

Lending Fees



63

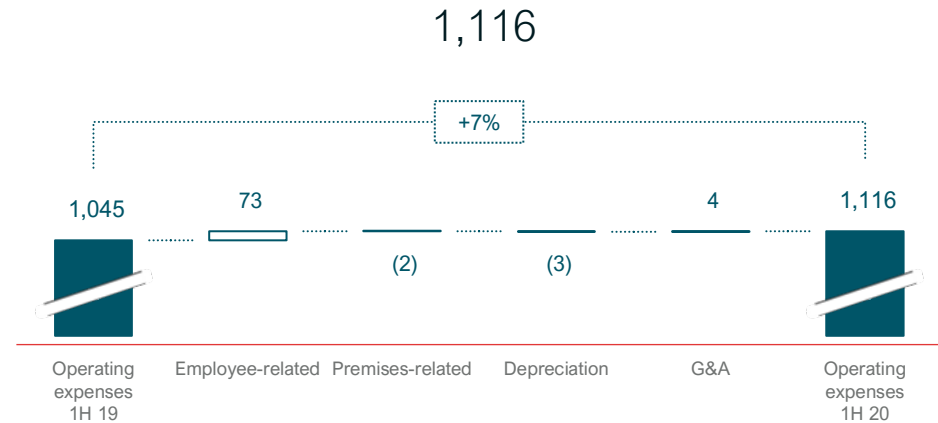
SAR Million

-27.9%
year-on-year

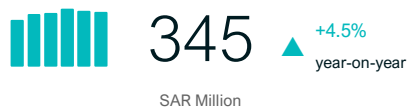
Higher operating expenses from improvements of talent pool

- Operating expenses increased 7% YoY to SAR 1,116mn in 1H 2020, due to one-off accrual reversal in 1Q 2019 of SAR 37mn.
- Excluding this one-off, expenses rose 3% mainly from higher employee-related costs due to improvements of the talent pool.
- The cost to income ratio increased to 31.7% in 1H 2020 from 30.5% in 1H 2019.
- Relative to the previous quarter and 2Q 2019, operating expenses remained stable at SAR 557mn.

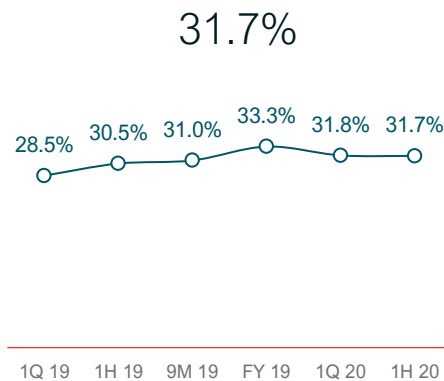
Operating Expenses Movement (SAR Mn)



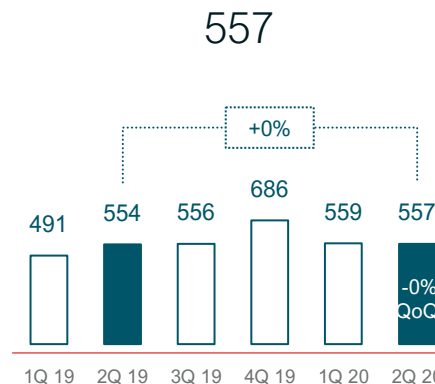
Employee-Related



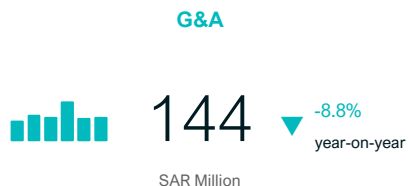
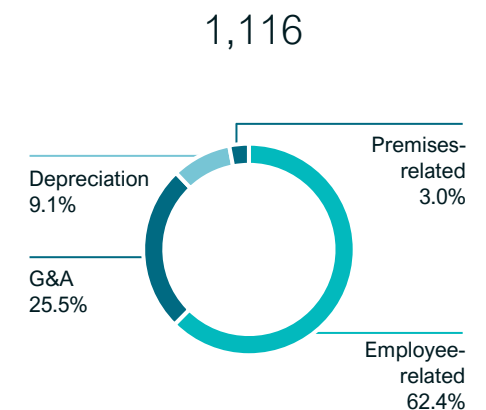
Cost To Income Ratio (%)



Operating Expenses (SAR Mn)

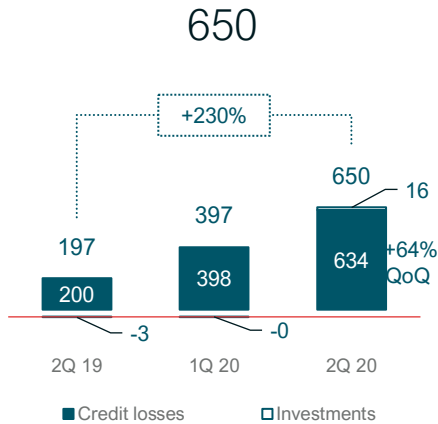


Operating Expenses Composition (SAR Mn)

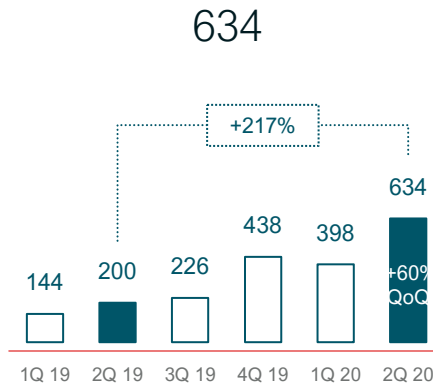


Rising impairment charge and cost of risk from higher commercial provisions, mainly due to stage movements

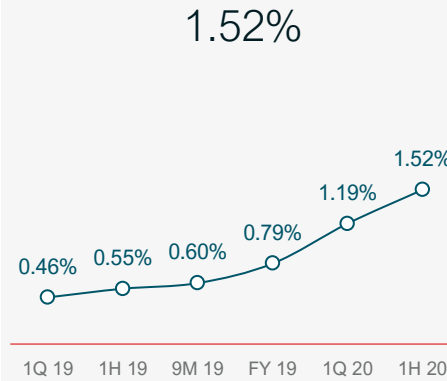
Impairment Charge (SAR Mn)



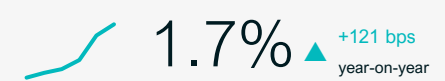
Credit Losses (SAR Mn)



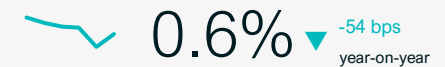
Cost of Credit Risk (SAR Bn)



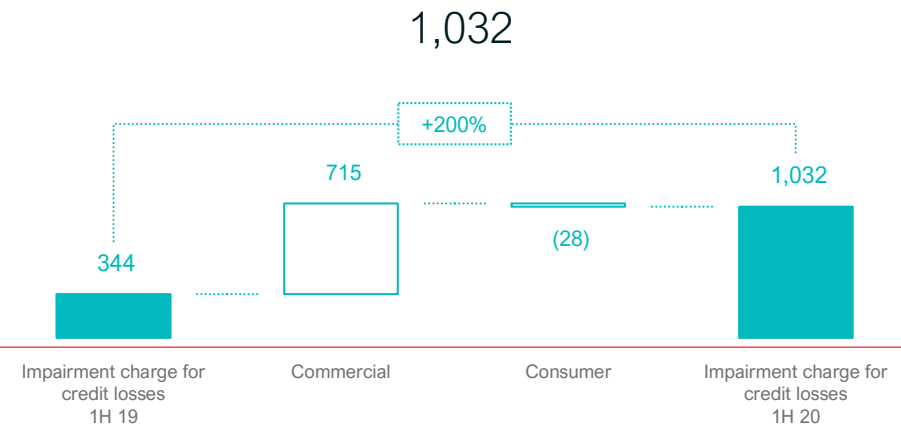
Commercial COR



Consumer COR



Impairment Charge For Credit Losses Movement (SAR Mn)

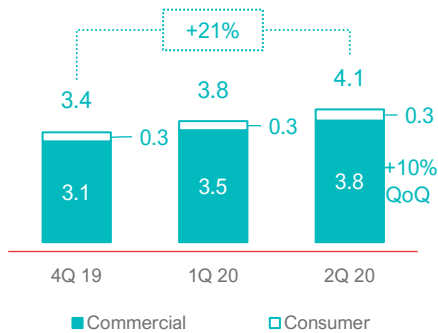


- The total impairment charge for 1H 2020 amounted to SAR 1,048mn, an increase of SAR 745mn from 1H 2019.
- The rise in credit losses was driven by higher commercial NPL formation, as commercial accounts were re-assessed against staging criteria.

Rise in NPLs from commercial book; NPL ratio increased 31bps YTD and NPL coverage declined 6.9ppts YTD

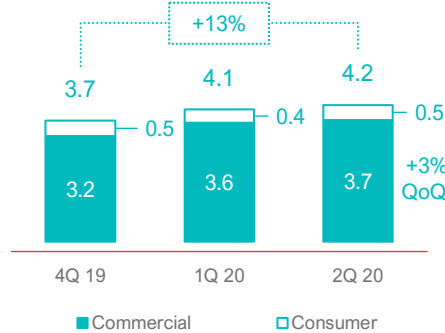
Non Performing Loans & Advances (SAR Bn)

4.1



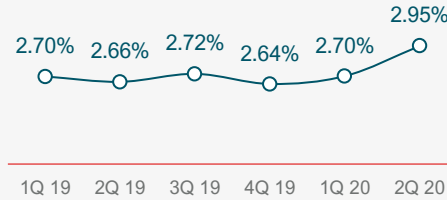
Allowance For Impairment (SAR Bn)

4.2



NPL Ratio (%)

2.95%



Commercial NPL Ratio (%)

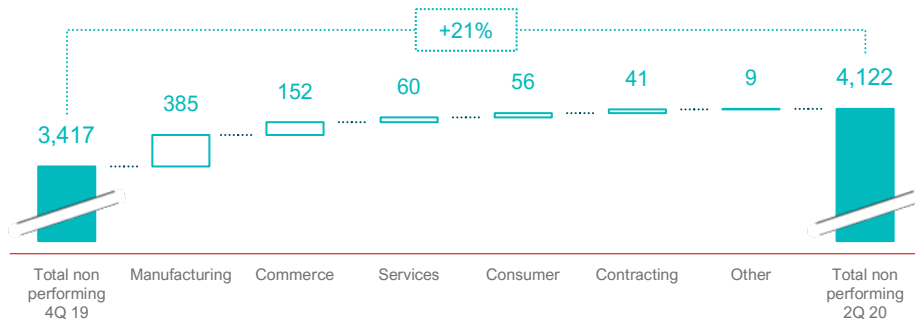
3.2% ▲ +35 bps year-to-date

Consumer NPL Ratio (%)

1.7% ▶ +9 bps year-to-date

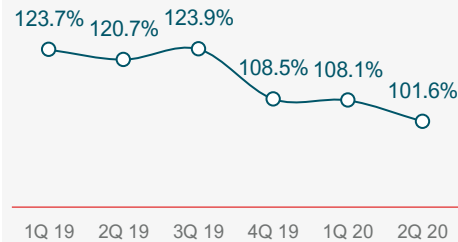
Total Non Performing Movement (SAR Mn)

4,122



NPL Coverage Ratio (%)

101.6%



Commercial NPL Coverage (%)

99% ▼ -5 ppts year-to-date

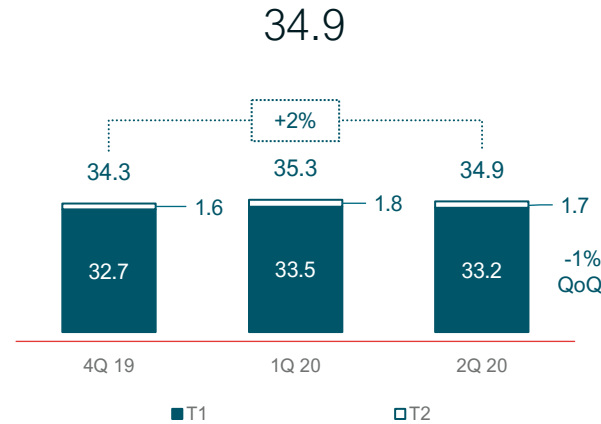
Consumer NPL Coverage (%)

132% ▼ -30 ppts year-to-date

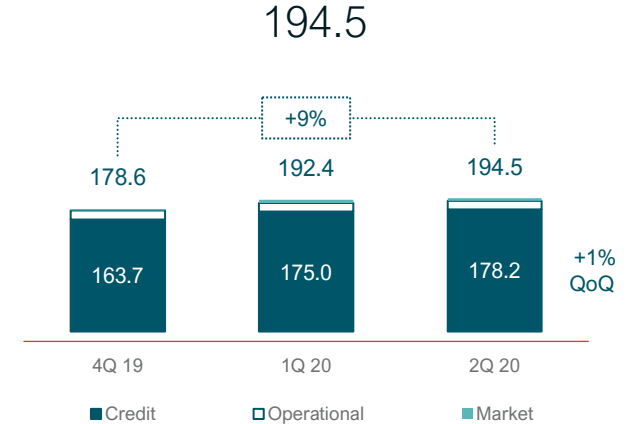
Capital ratios declined, but remain comfortable

- Total capital increased by SAR 0.6bn (+2% YTD) during 1H 2020 from net income generation of SAR 1.1bn, increased reserves of SAR 0.7bn, partly offset by the SAR1.2bn final 2019 dividend payment.
- RWAs rose 9% YTD to SAR 194.5bn on growth in loans and investments.
- CAR was 17.9% and the Tier 1 ratio was 17.0% as at 30 June 2020, declining modestly from 4Q 2019 levels as RWA growth exceeded grow in capitalization during the period.

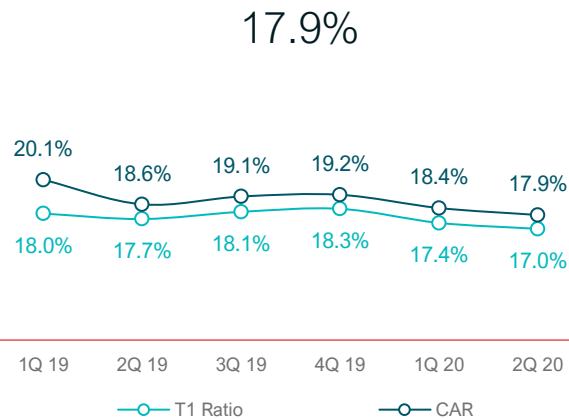
Total Capital (SAR Bn)



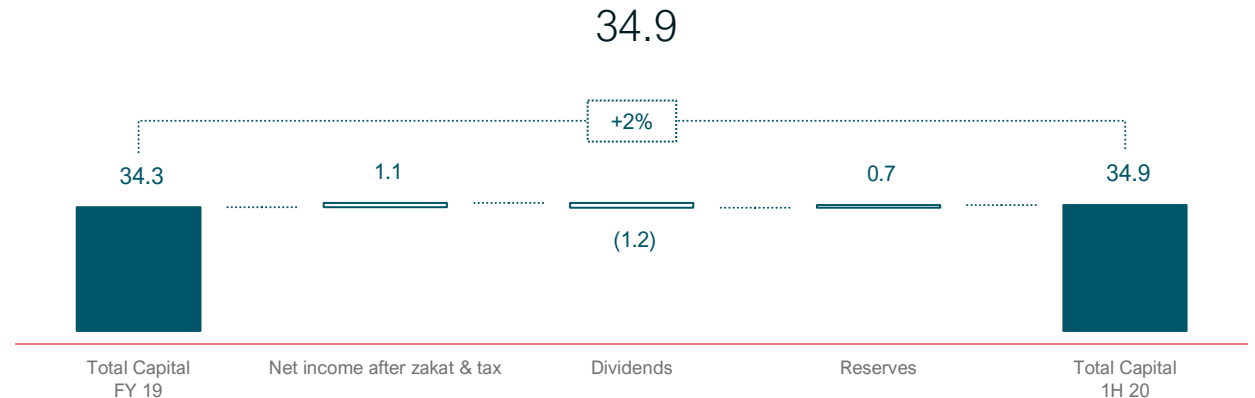
RWA (SAR Bn)



CAR (%)



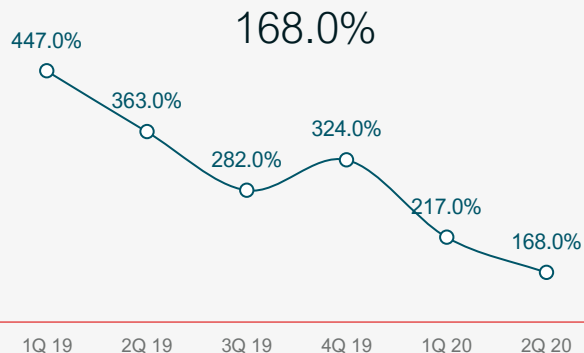
Total Capital Movement (SAR Bn)



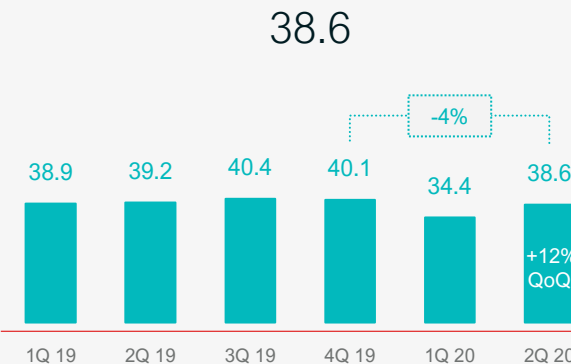
Liquidity remains strong and comfortably within regulatory limits

- LCR declined 156ppts during 1H 2020 due to a decline in HQLA of 14% from balance sheet optimization but remains comfortable at 168%; NSFR declined modestly by 5.0ppts during 1H 2020 to 117.0%.
- NSFR declined modestly by 5.0ppts during 1H 2020 to 117.0%.
- The bank continues to manage the LTD ratio for optimum efficiency in cost of funding, while maintaining the SAMA regulatory ratio, which was 84.2% as at 30 June 2020, within required levels.

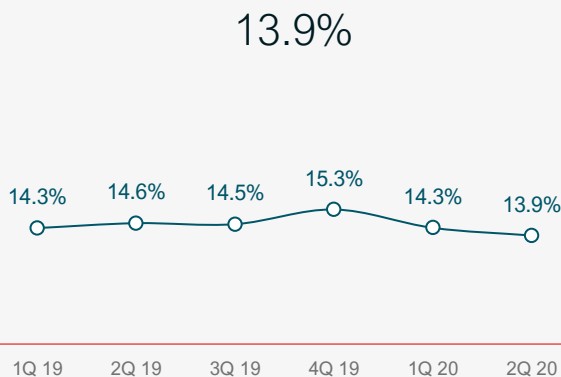
LCR Average (%)



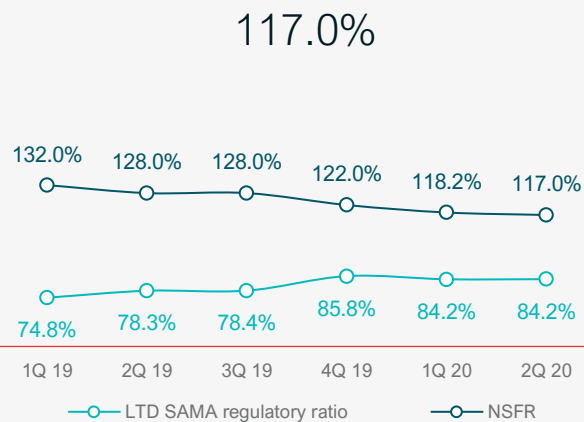
HQLA (SAR Bn)



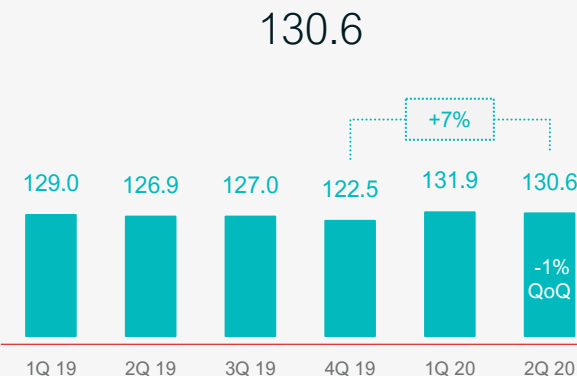
Leverage ratio (%)



NSFR (%)



Available Stable Funding (SAR Bn)



INVESTOR PRESENTATION 2Q 2020

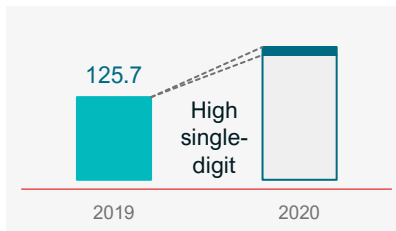
Outlook and Guidance

Guidance revised for loan growth, NIM and COR

LOANS & ADVANCES, NET

- 1H 2020 growth of 8% YTD.
- In 2H 2020 further growth in commercial and strong mortgage growth is expected, raising outlook for growth to “low double digit” levels.

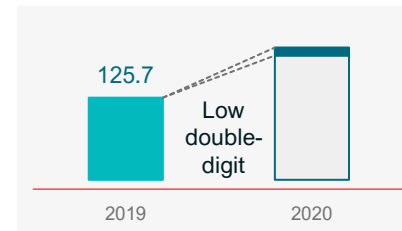
Previous 2020 Guidance



2Q 2020 Outcome

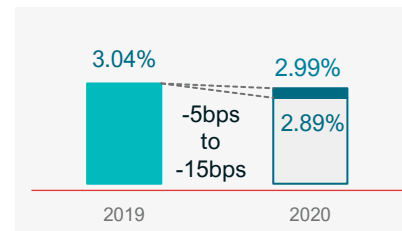
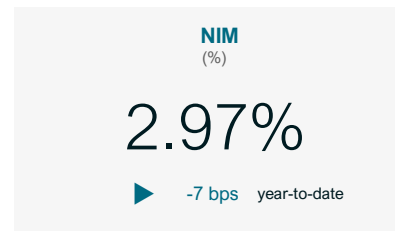
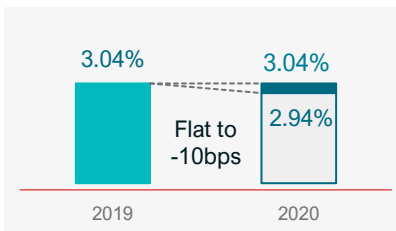


New 2020 Guidance



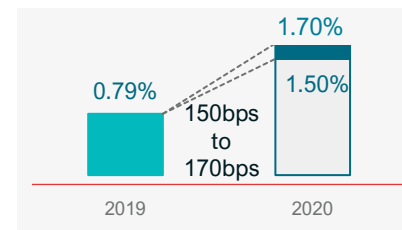
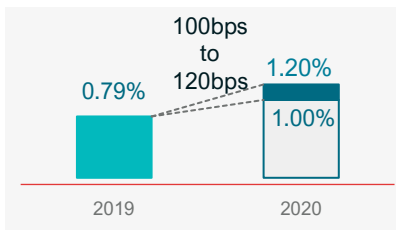
NET INTEREST MARGIN

- NIM declined 7bps YTD.
- Lower rates will impact margins during remained of year, resulting in slightly lower NIM guidance to -5bps to -15bps.



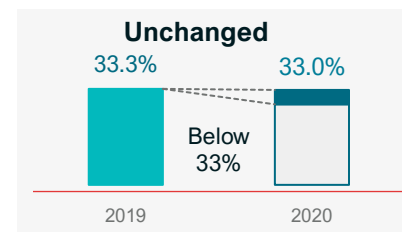
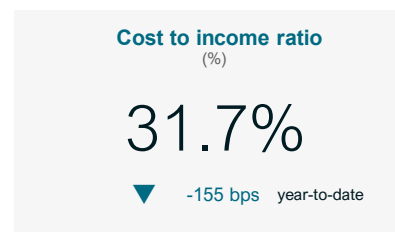
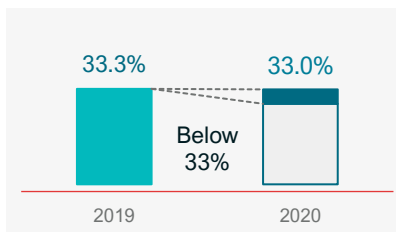
COST OF RISK

- Cost of risk rose 72bps YTD due to stage movements.
- Outcome for FY 2020 remains uncertain, but COR is now expected to rise to 150bps to 170bps.



COST TO INCOME RATIO

- The bank is carefully managing the cost base for optimum efficiency, while continuing to invest in critical IT and digital capabilities.
- CI ratio expected to be below 33% for FY 2020.

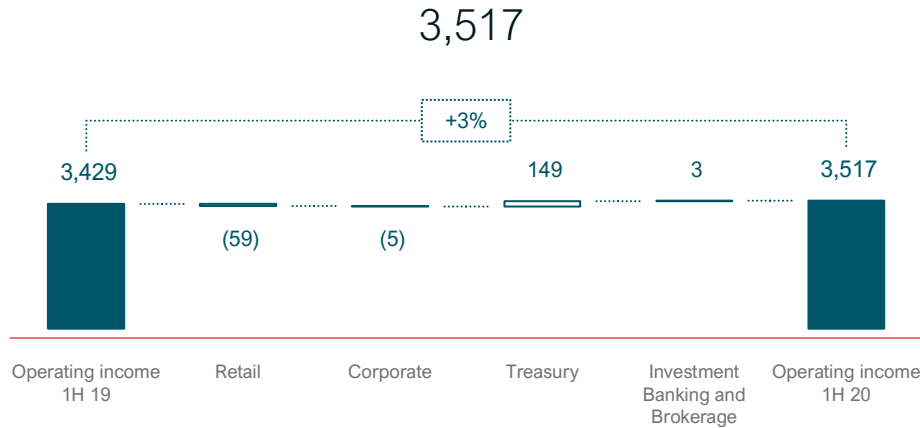


INVESTOR PRESENTATION 2Q 2020

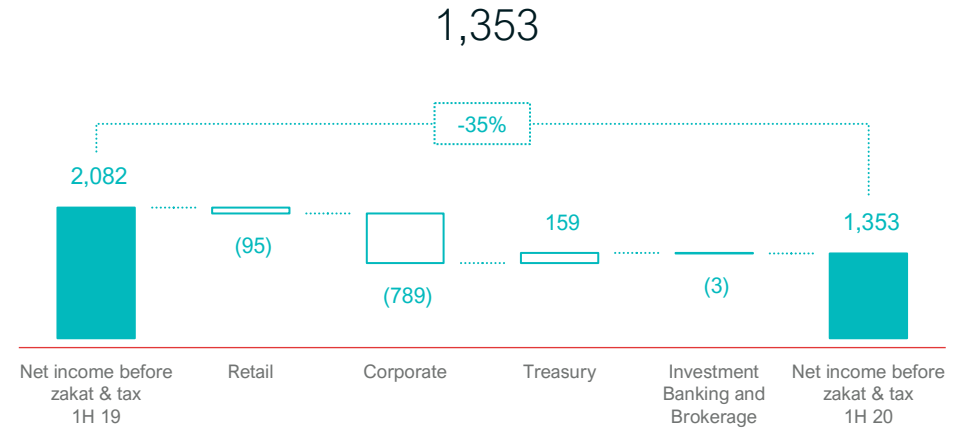
Segmental Performance

Healthy profit growth in Treasury, while Corporate impacted by lower margins and higher impairments

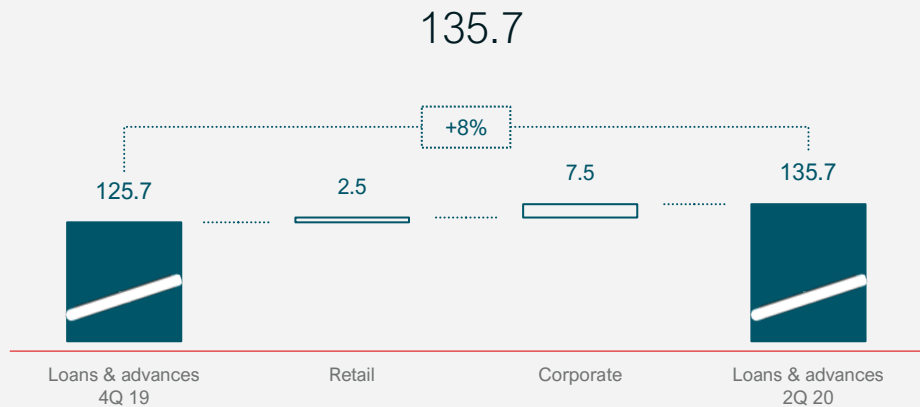
Operating Income Movement (SAR Mn)



Net Income Before Zakat & Tax Movement (SAR Mn)



Loans & Advances Movement (SAR Bn)

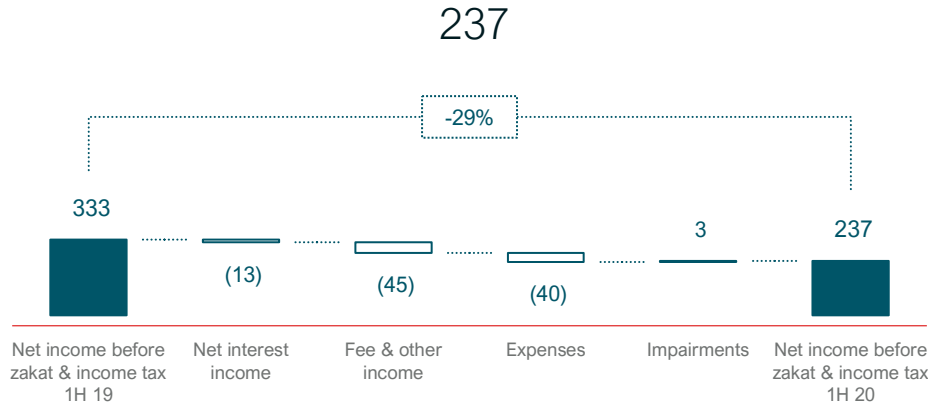


Customers' Deposits Movement (SAR Bn)

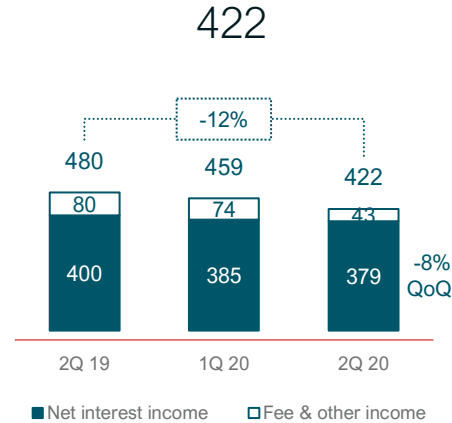


Decline in profits driven by lower income and higher operating expenses

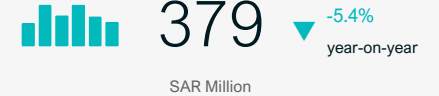
Net Income Before Zakat & Income Tax Movement (SAR Mn)



Total Operating Income (SAR Mn)



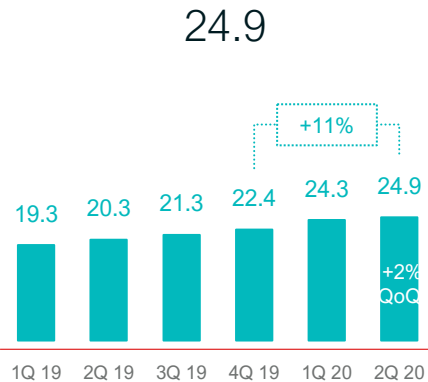
Net Interest Income



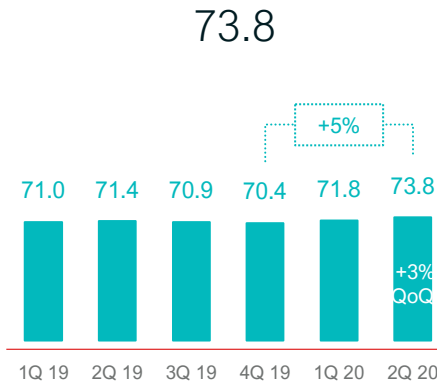
Fee & other income



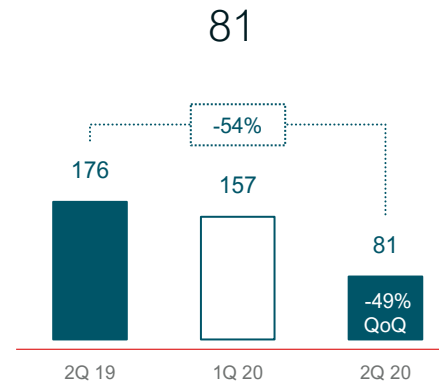
Retail Loans (SAR Bn)



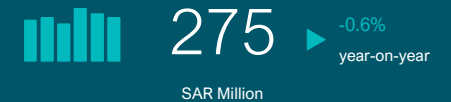
Retail Deposits (SAR Bn)



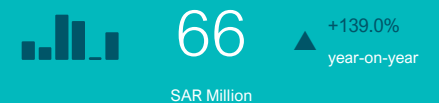
Net Income Before Zakat & Income Tax (SAR Mn)



Expenses

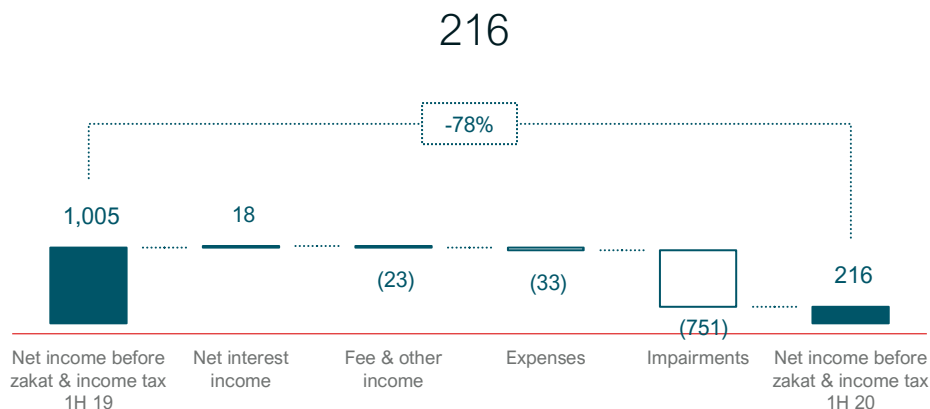


Impairments

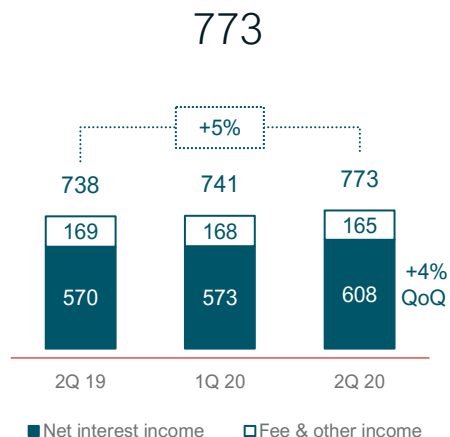


Higher impairments and lower income drive decline in Corporate profitability

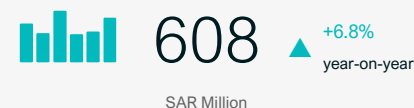
Net Income Before Zakat & Income Tax Movement (SAR Mn)



Total Operating Income (SAR Mn)



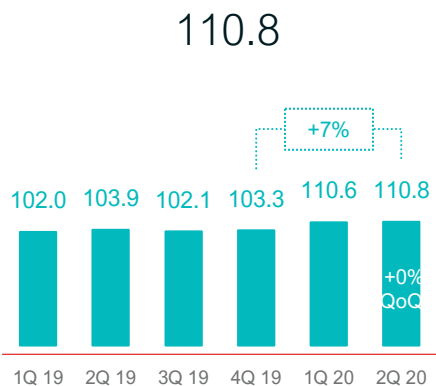
Net Interest Income



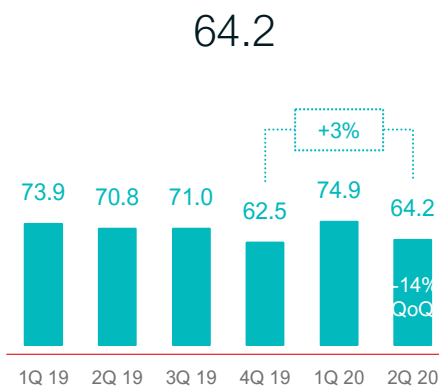
Fee & other income



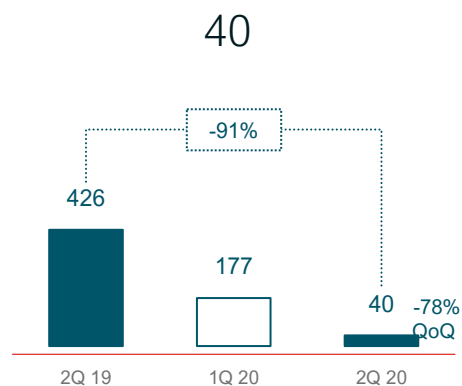
Corporate Loans (SAR Bn)



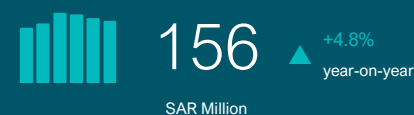
Corporate Deposits (SAR Bn)



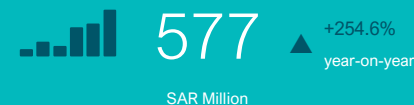
Net Income Before Zakat & Income Tax (SAR Mn)



Expenses

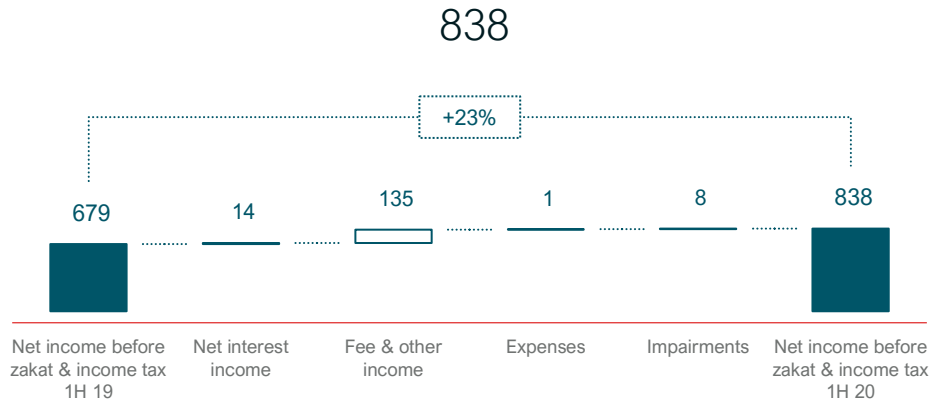


Impairments

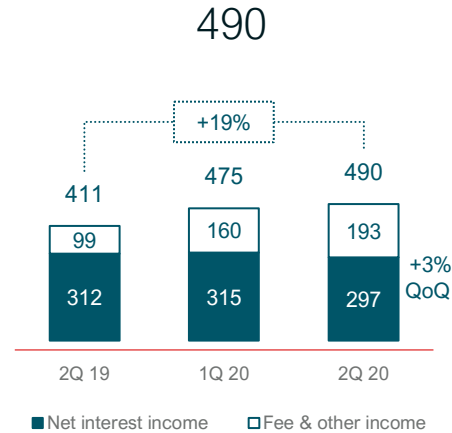


Strong profit growth driven by increased fee income

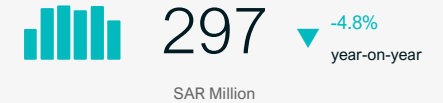
Net Income Before Zakat & Income Tax Movement (SAR Mn)



Total Operating Income (SAR Mn)



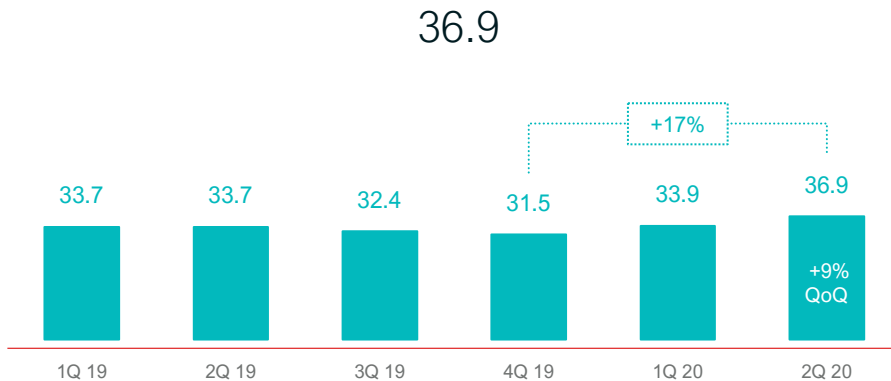
Net Interest Income



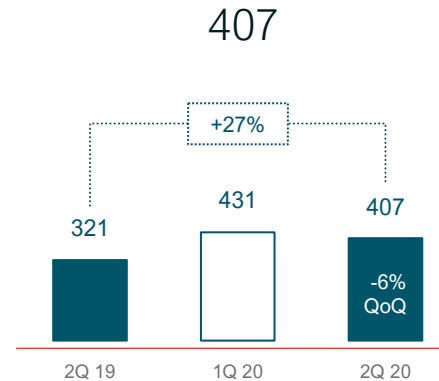
Fee & other income



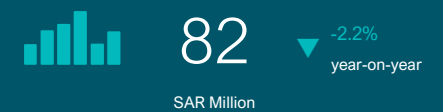
Investments (SAR Bn)



Net Income Before Zakat & Income Tax (SAR Mn)



Expenses

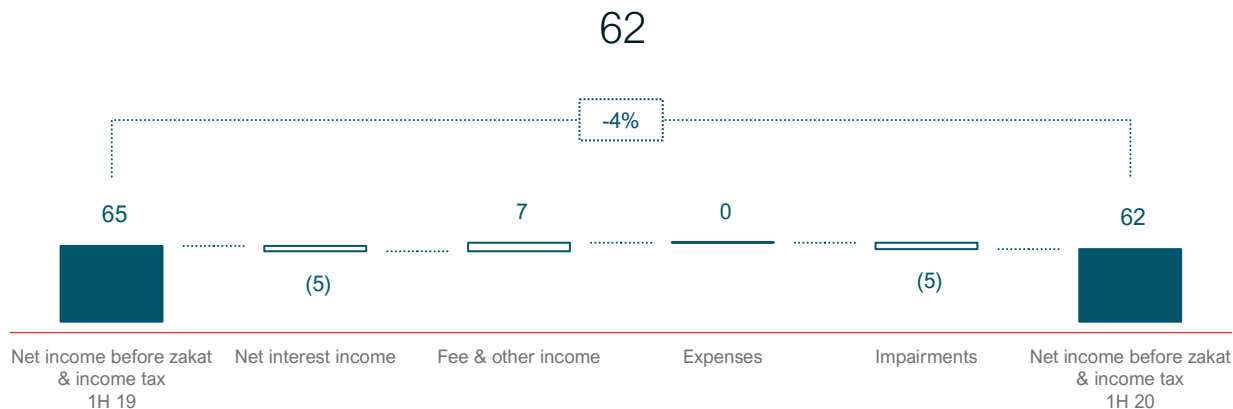


Impairments

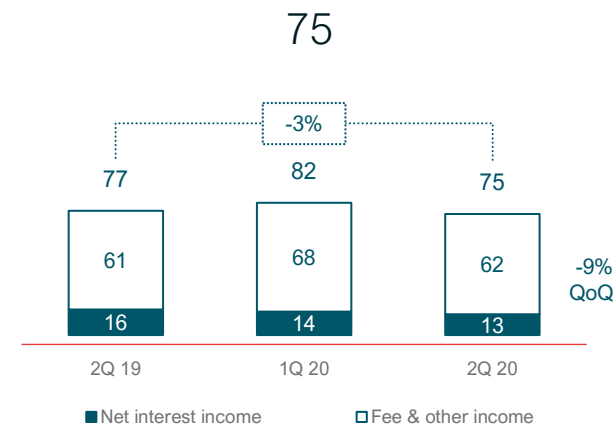


Decline in profitability from lower corporate finance income and increased impairments

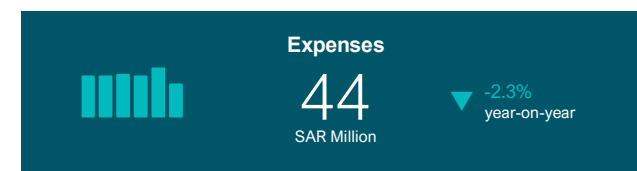
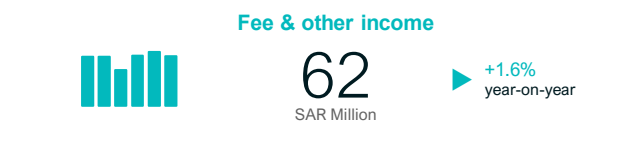
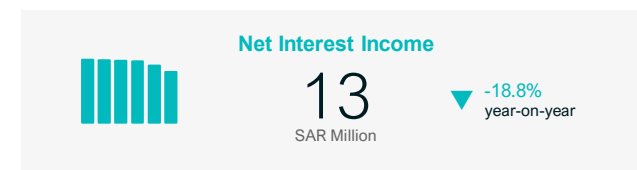
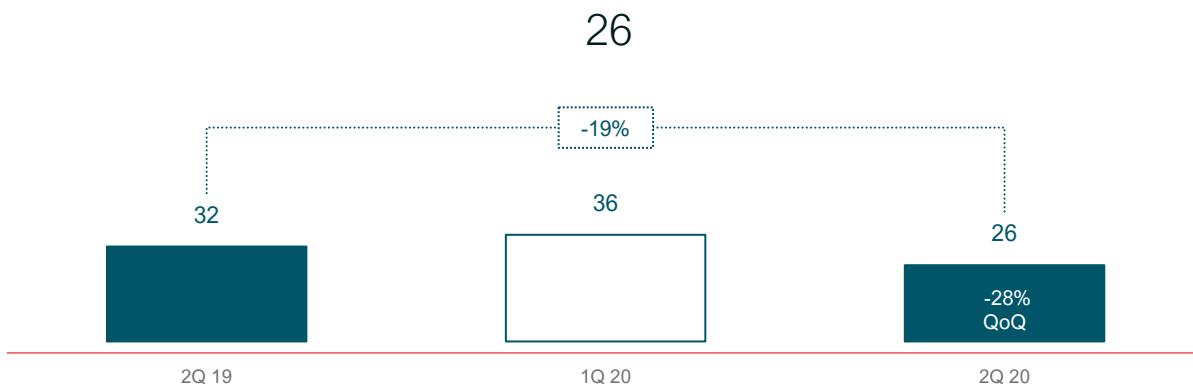
Net Income Before Zakat & Income Tax Movement (SAR Mn)



Total Operating Income (SAR Mn)



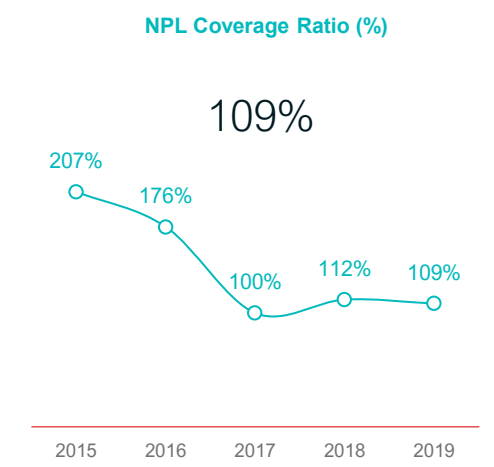
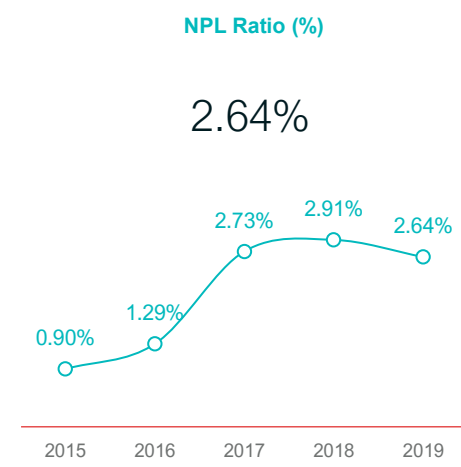
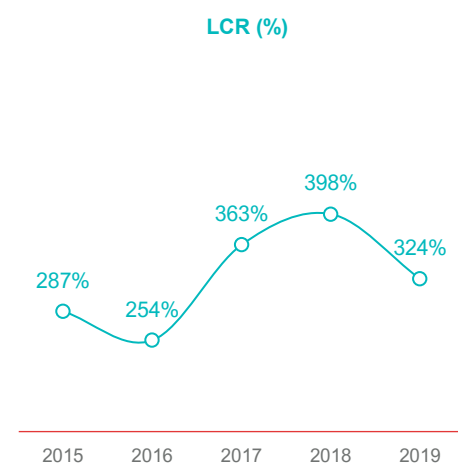
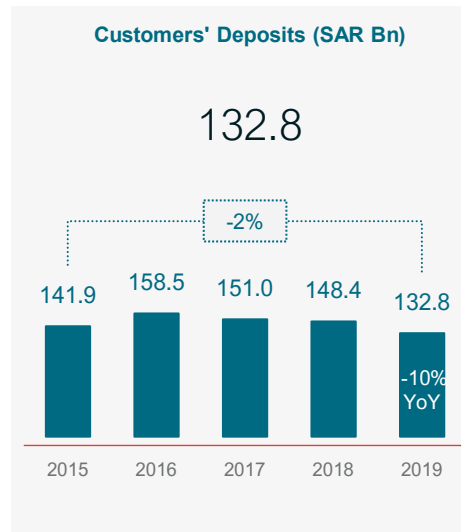
Net Income Before Zakat & Income Tax (SAR Mn)



INVESTOR PRESENTATION 2Q 2020

Performance Track Record

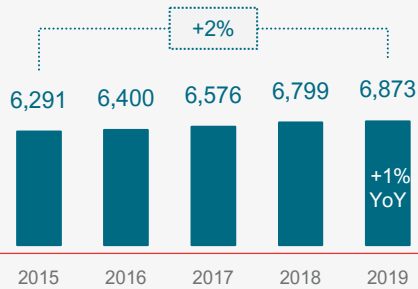
Balance Sheet Metrics



Income Statement Metrics

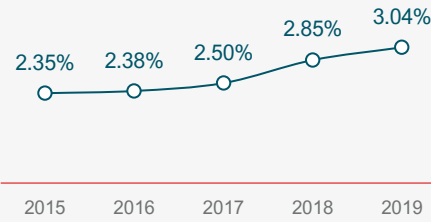
Operating Income (SAR Mn)

6,873



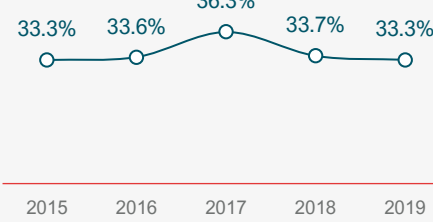
Net Interest Margin (%)

3.04%



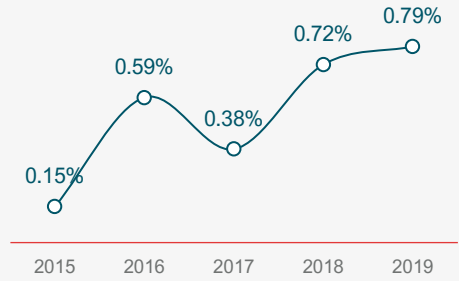
Cost To Income Ratio (%)

33.3%



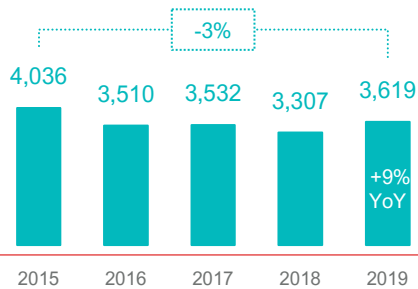
Cost Of Risk (%)

0.79%



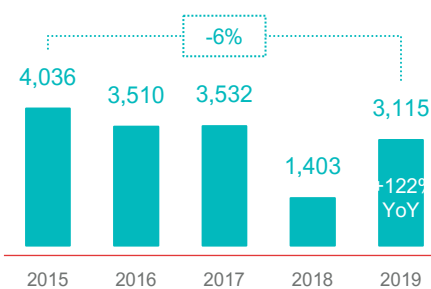
Net Income Before Zakat & Tax (SAR Mn)

3,619



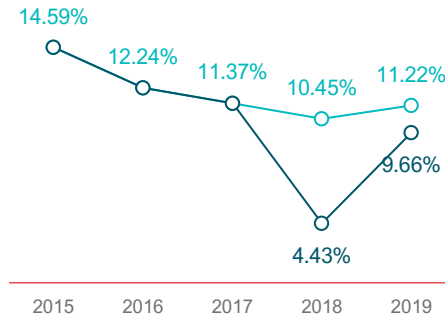
Net Income After Zakat & Tax (SAR Mn)

3,115



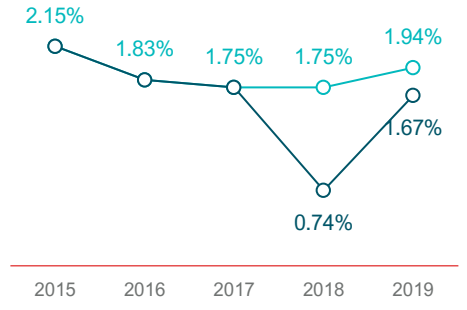
ROAE (%)

9.66%



ROAA (%)

1.67%



— ROAE - before zakat & income tax — ROAE

— ROAA - before zakat & income tax — ROAA

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