



Banque Saudi Fransi

1Q 2021 Earnings Presentation

10 May 2021

EARNINGS PRESENTATION 1Q 2021

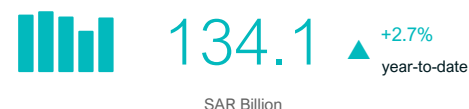
Highlights

Solid balance sheet growth and strong recovery in net income

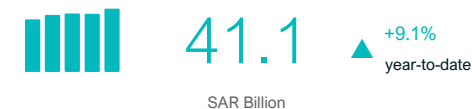
BALANCE SHEET

- High quality loan growth of 2.7% driven by 13% QoQ growth in mortgages.
- Strong growth in investments (9.1%) and solid NIB deposit growth (4.7%).

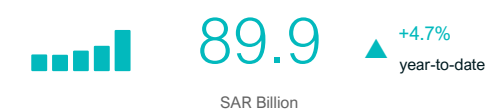
Loans & Advances



Investments



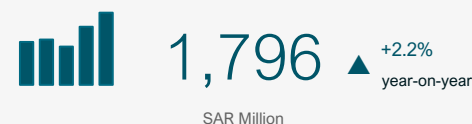
Non Interest Bearing Deposits



INCOME STATEMENT

- 2.2% top-line growth with moderate margin contraction and good NIR growth.
- Net income recovered due to lower provisions.

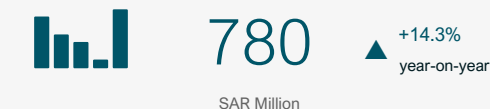
Operating Income



NIM



Net Income After Zakat & Tax



ASSET QUALITY

- Stable NPL ratio.
- Significant improvement in NPL coverage ratio YoY and stable QoQ.
- 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 stable QOQ.

T1 Ratio



LCR



NIBD % of Total Deposits



Our strategic direction remains unchanged

2018
Baseline

ASSET MARKET SHARE

8.3%

ROAA*

1.7%

NPS**

NA

POSITIONED TO 'LEAP'

STRATEGIC PILLARS



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

2023
Aspiration

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

2 initiatives completed in Q1 2021; 52 expected to be finalized from Q2 to Q4 2021;
11 initiatives are on-hold as of March 2021 and 9 have been reactivated in Q1 2021

		Initiatives Completed	1Q 2021 Progress	2021 Direction
STRATEGIC PILLARS	 Corporate Banking	7/15 	<ul style="list-style-type: none"> Sales Productivity finalized New GTB initiative added 	<ul style="list-style-type: none"> Corporate Digital Platform implementation
	 Retail Banking	12/30 	<ul style="list-style-type: none"> New Credit Cards offering tested and ready to be implemented Partnership initiative almost completed 5 new initiatives, incl. the new branch implementation, auto leasing & insurance revamp, advanced analytics & card value proposition 	<ul style="list-style-type: none"> Omni-channel implementation Agency Banking setup New Branch implementation
	 Private Banking	11/17 	<ul style="list-style-type: none"> Exceptional Transactions testing completed New Private Banking center location identified 	<ul style="list-style-type: none"> Accelerate digital customer acquisition New international offering New marketing packs and rewards
	 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	5/26 	<ul style="list-style-type: none"> Digital factory setup designed Strong progress on partnerships with Fintech companies 	<ul style="list-style-type: none"> CBS release 2 Digital Factory implementation
	 CE & Organizational effectiveness	19/26 	<ul style="list-style-type: none"> Corporate Credit process implementation (on-going) Retail Credit process scope designed 3 new initiatives, incl. Smart Working and Zero Based Spend 	<ul style="list-style-type: none"> Cross-sell initiatives Corporate Credit process implementation Retail Credit process design
	 Brand, People, Risk & Strategy	20/38 	<ul style="list-style-type: none"> Good progress made on several HR initiatives Implementation of the new HR System 	<ul style="list-style-type: none"> New Employee Value Proposition design
	Total	79/157 	2/157 	52/157 

EARNINGS PRESENTATION 1Q 2021

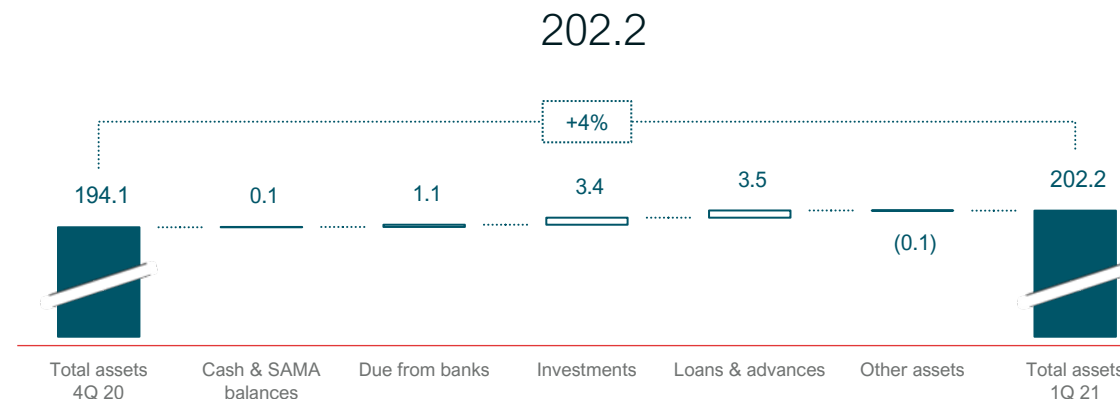
Financial Performance

Solid balance sheet growth from lending and investments

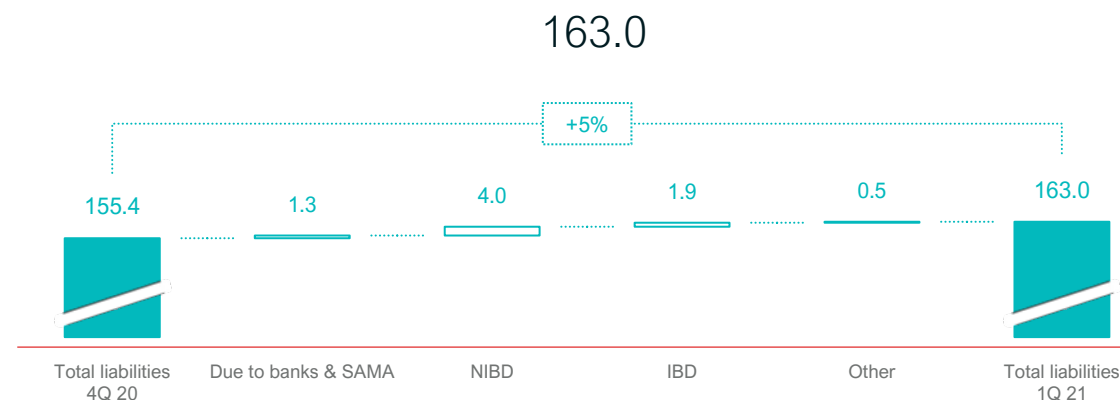
- Growth in total assets of 4% QoQ driven by 3% loan growth and strong growth of 9% in investments.
- Liabilities grew by 5% during 1Q 2021 from 5% deposit growth.

SAR (Mn)	1Q 2021	4Q 2020	Δ%	1Q 2020	Δ%
Cash & SAMA balances	10,678	10,548	+1%	12,105	-12%
Due from banks	5,143	4,027	+28%	6,137	-16%
Investments	41,114	37,679	+9%	33,940	+21%
Loans & advances	134,105	130,565	+3%	134,882	-1%
Other assets	11,194	11,255	-1%	12,114	-8%
Total assets	202,233	194,074	+4%	199,178	+2%
Due to banks & SAMA	18,045	16,792	+7%	6,542	+176%
Customers' deposits	132,987	127,112	+5%	146,772	-9%
Other liabilities	12,003	11,534	+4%	11,919	+1%
Total liabilities	163,035	155,438	+5%	165,232	-1%
Share capital	12,054	12,054	+0%	12,054	+0%
Retained earnings	7,698	7,433	+4%	6,628	+16%
Other	14,447	14,149	+2%	15,264	-5%
Tier 1 sukuk	5,000	5,000	+0%	0	
Total equity	39,198	38,636	+1%	33,945	+15%

Total Assets Movement (SAR Bn)

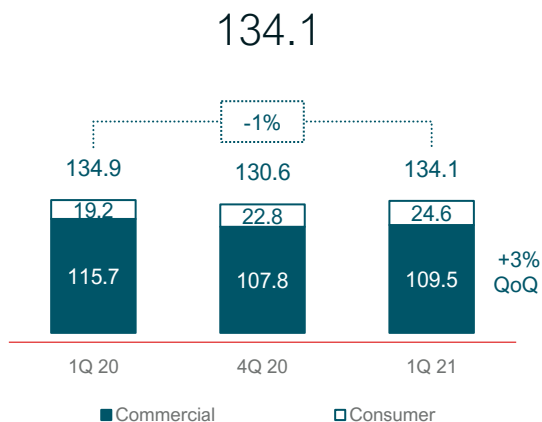


Total Liabilities Movement (SAR Bn)

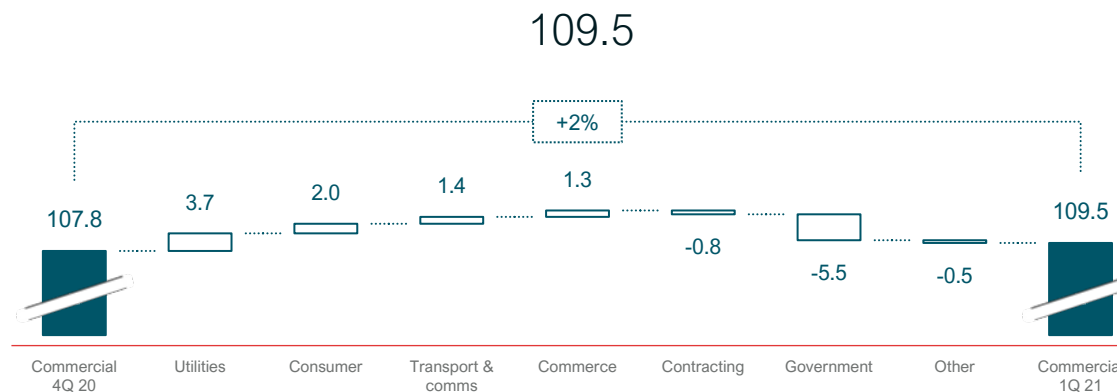


Good quality loan growth in 1Q 2021

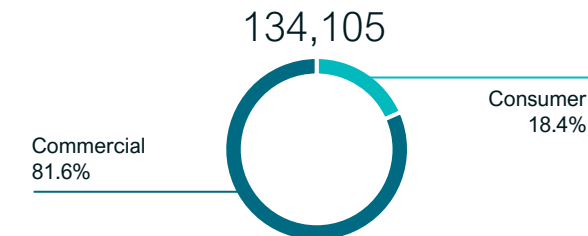
Total Loans & Advances (SAR Bn)



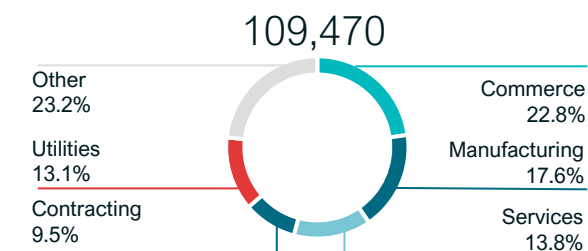
Commercial Loans Movement (SAR Bn)



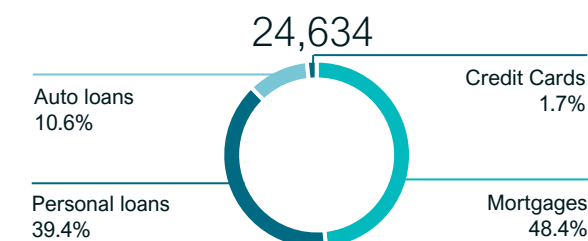
Loans & Advances Composition (SAR Mn)



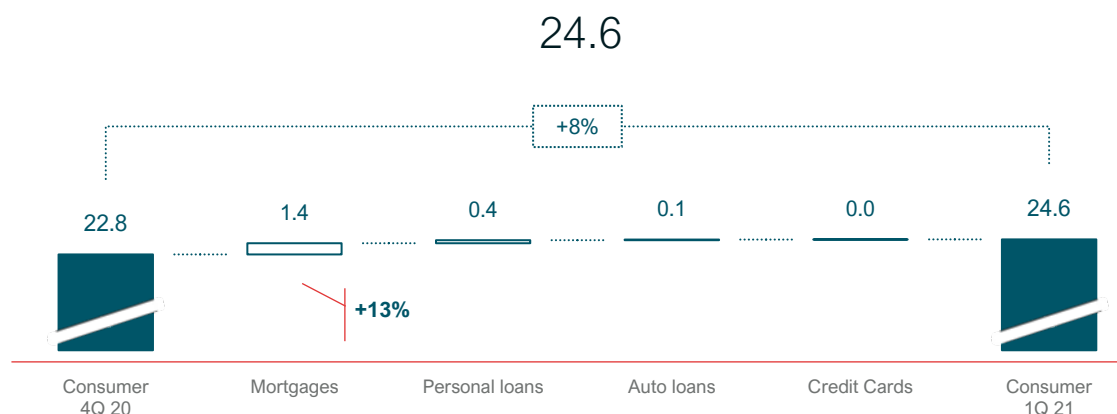
Commercial Loans Composition (SAR Mn)



Consumer Composition (SAR Mn)



Consumer Loans Movement (SAR Bn)

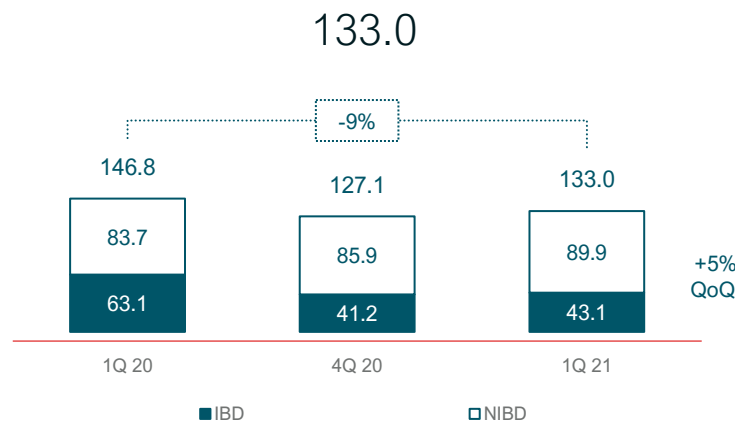


- Total loans & advances grew 3% during 1Q 2021 from 8% consumer loan growth.
- Commercial loans grew 2% during 1Q 2020.
- Consumer loans grew mainly from 13% growth in mortgages.

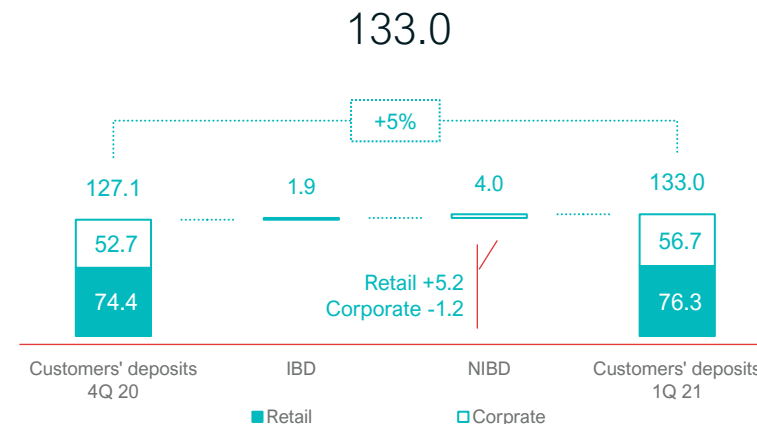
Continued growth in NIBD deposits

- Deposits grew 5% during 1Q 2021 from higher NIBDs (+5%) and IBDs (+5%).
- NIBD's account for 68% of total deposits (stable relative to 68% in 4Q 2020).
- The deposit mix improved over the last year, with an increase in NIBDs of SAR 6.2 billion YoY and SAR 4.0 billion QoQ.

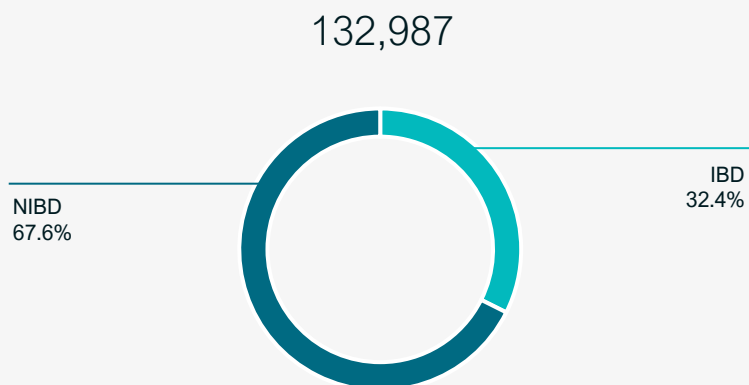
Customers' Deposits (SAR Bn)



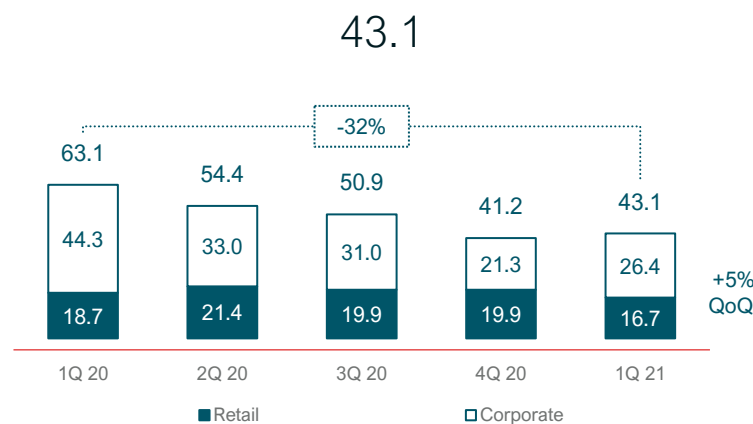
Customers' Deposits Movement (SAR Bn)



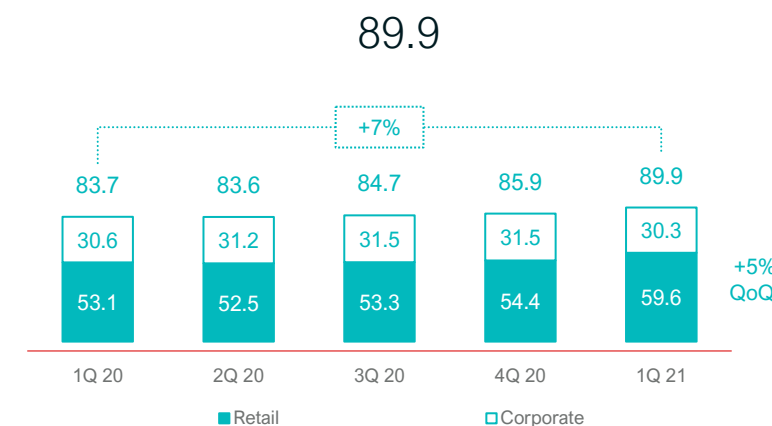
Customers' Deposits Composition (SAR Mn)



Interest Bearing Deposits (SAR Bn)



Non Interest Bearing Deposits (SAR Bn)

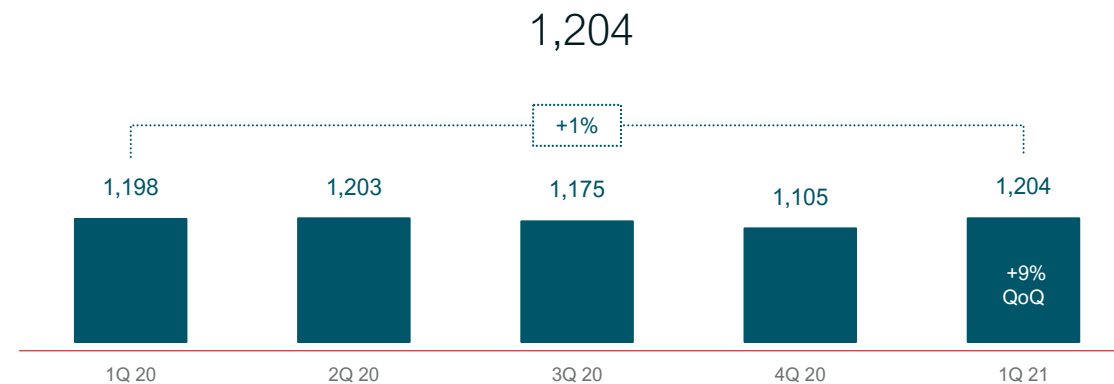


Net income improved 14% year-on-year due to lower provisions

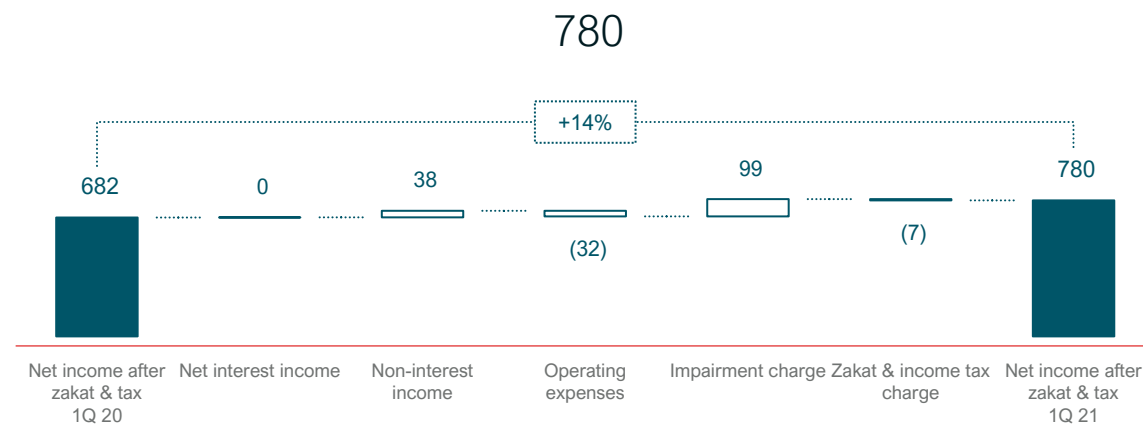
- Net income for 1Q 2021 grew 14% YoY to SAR 780mn from 2% income growth and a 25% decline in impairments, partly offset by a 6% increase in operating expenses.
- Similarly, 1Q 2021 net income improved 730% QoQ from SAR 94mn in 4Q 2020 due to a 66% drop in impairments.

SAR (Mn)	1Q 2021	1Q 2020	Δ%	4Q 2020	Δ%
Net interest income	1,287	1,287	+0%	1,281	+0%
Fee & other income	508	470	+8%	496	+3%
Operating income	1,796	1,757	+2%	1,777	+1%
Operating expenses	(591)	(559)	+6%	(672)	-12%
Impairment charge	(299)	(397)	-25%	(872)	-66%
Total operating expenses	890	956	-7%	1,544	-42%
Net income before zakat & tax	905	801	+13%	233	+288%
Zakat & income tax charge	(126)	(119)	+6%	(139)	-10%
Net income after zakat & tax	780	682	+14%	94	+730%
NIM	2.88%	3.01%	-5%	2.91%	-1%
Cost to income ratio	32.9%	31.8%	+4%	37.8%	-13%
Cost of risk	0.85%	1.19%	-29%	2.50%	-66%
EPS	0.62	0.57	+9%	0.03	+2019%
ROAE	8.0%	8.2%	-2%	1.0%	+671%
ROAA	1.57%	1.45%	+9%	0.19%	+720%

Net Operating Income Before Impairment Charge
(SAR Mn)

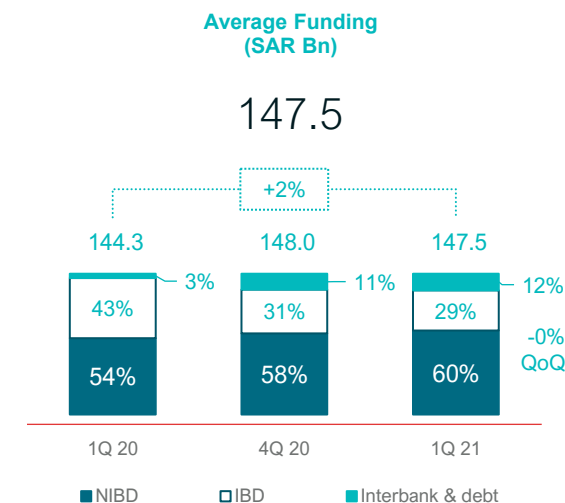
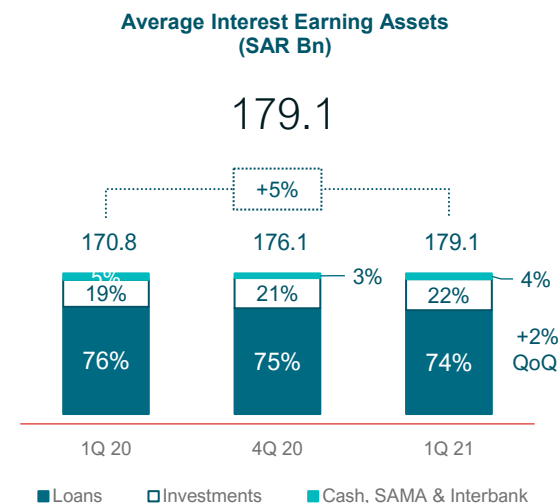
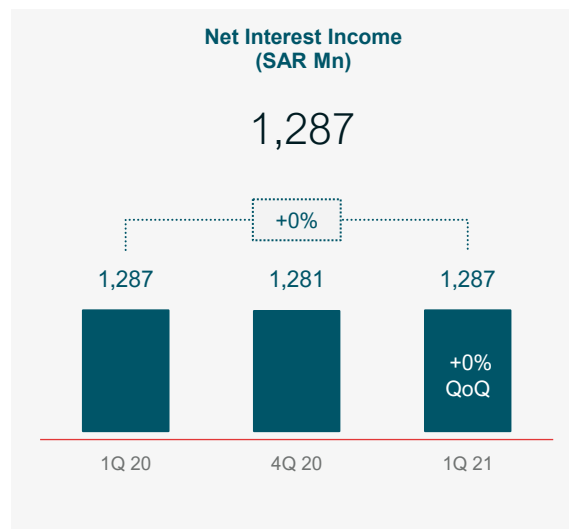


Net Income After Zakat & Tax Movement (SAR Mn)

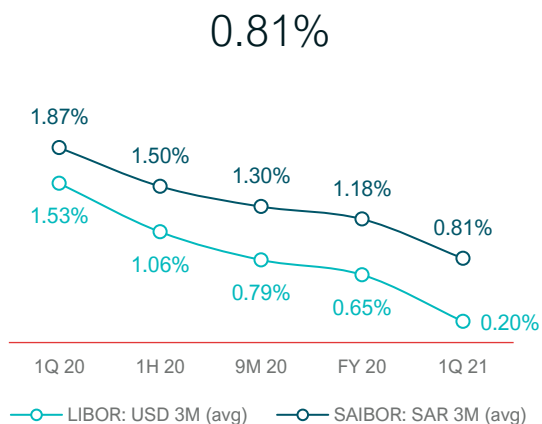


Stable NII as improved funding costs and benefit of hedging offset lower loan yields

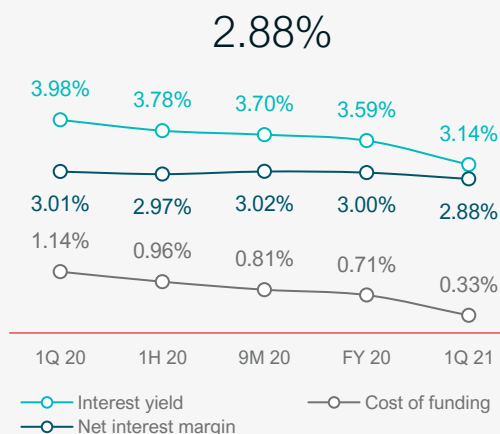
- The NIM decreased by 14bps YoY to 2.88% in 1Q 2021.
- The margin was supported by improved balance sheet mix and funding costs, partly offsetting lower asset yields from the lower rate environment.



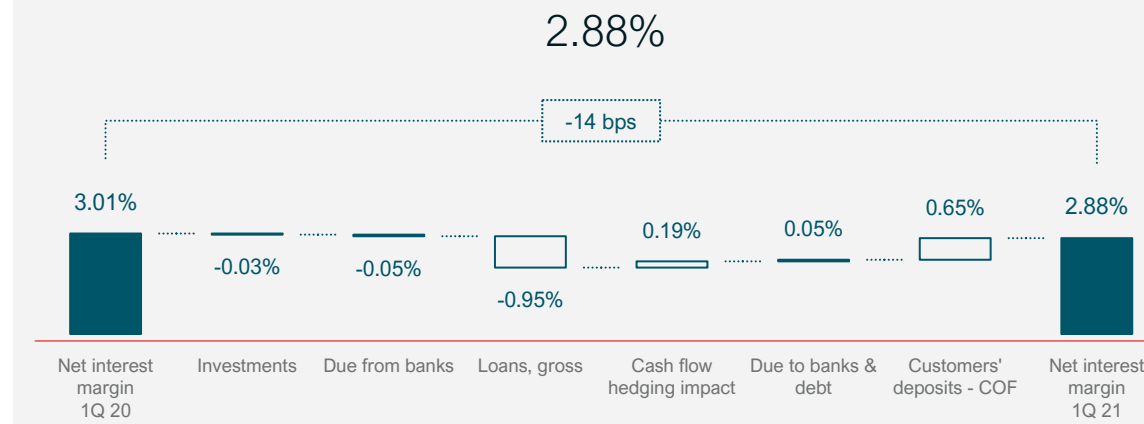
SAIBOR Trend (%)



Net Interest Margin Trend (%)

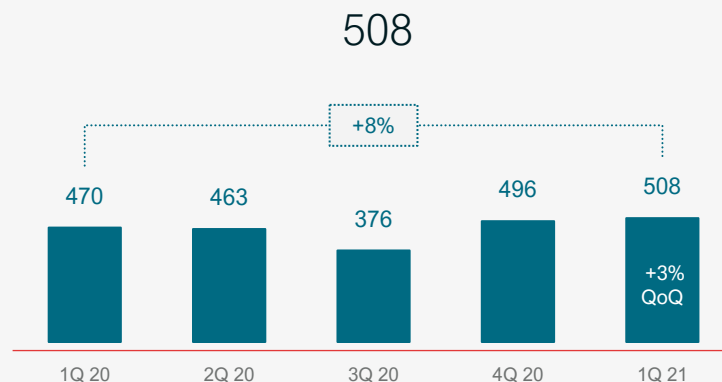


Net Interest Margin Movement (%)



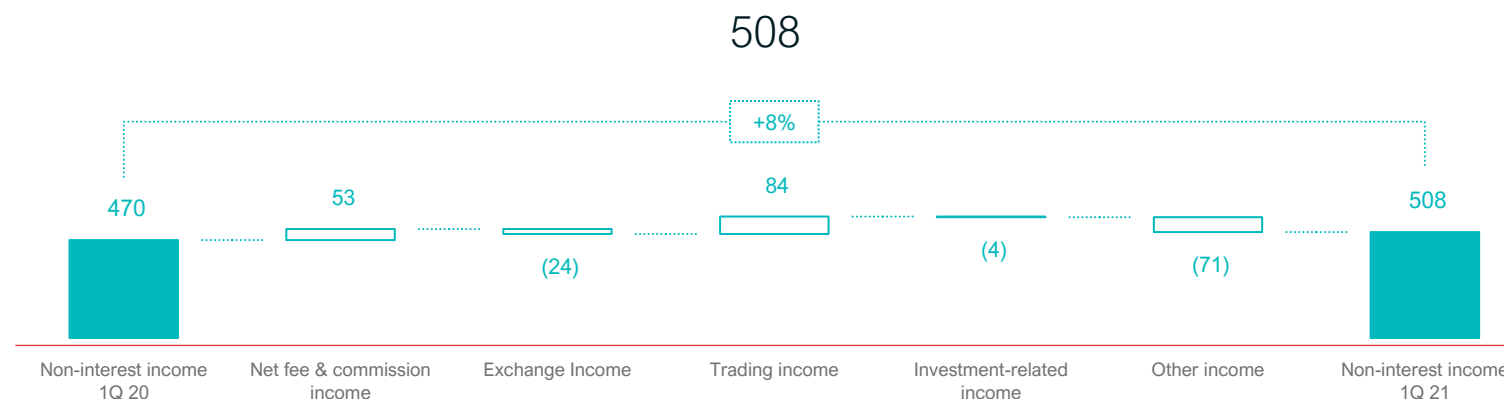
Non-interest income rose 8% YoY from improved brokerage and trading income

Non-Interest Income (SAR Mn)

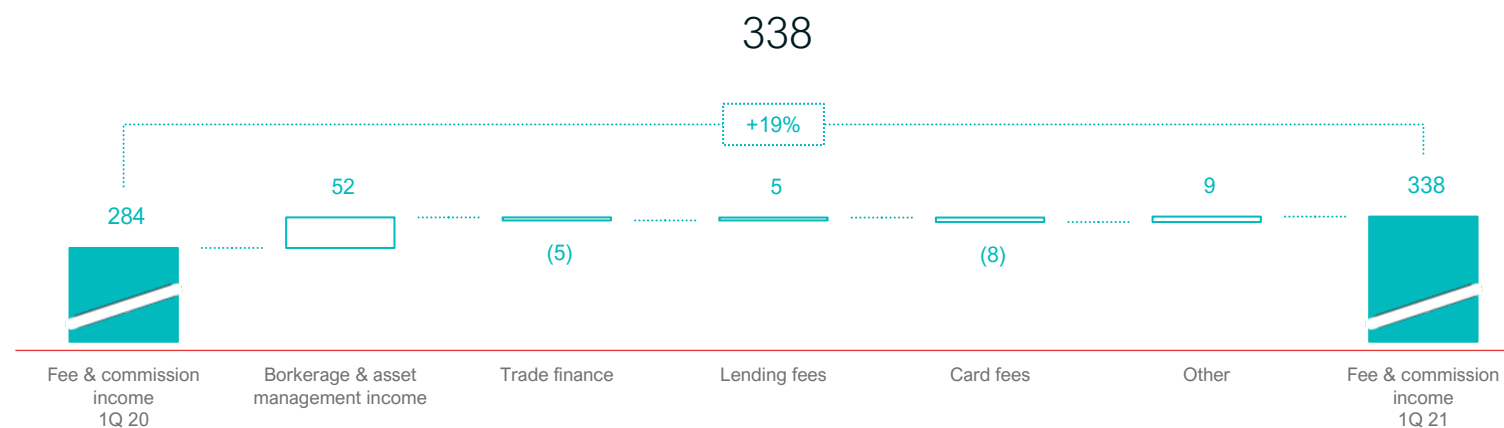


- Non-interest income for 1Q 2021 improved 8% YoY to SAR 508mn from improved brokerage and trading income, partly offset by lower other income which benefitted from a one-off gain of SAR 72mn in 1Q 2020.
- Net fee & commission income improved 19% YoY to SAR 338mn in 1Q 2021 from strong growth in brokerage income, partly offset by lower trade finance income.

Non-Interest Income Movement (SAR Mn)



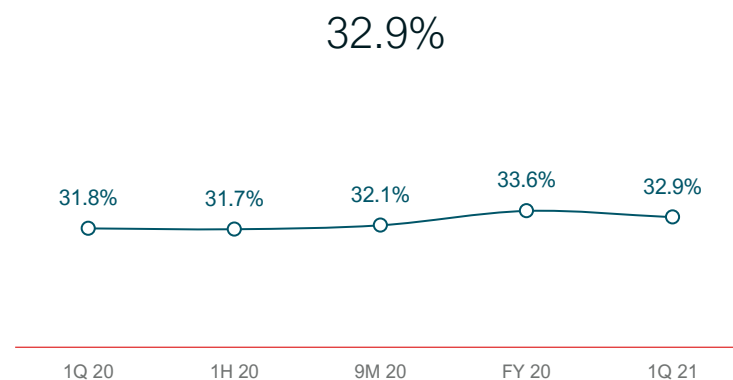
Fee & Commission Income Movement (SAR Mn)



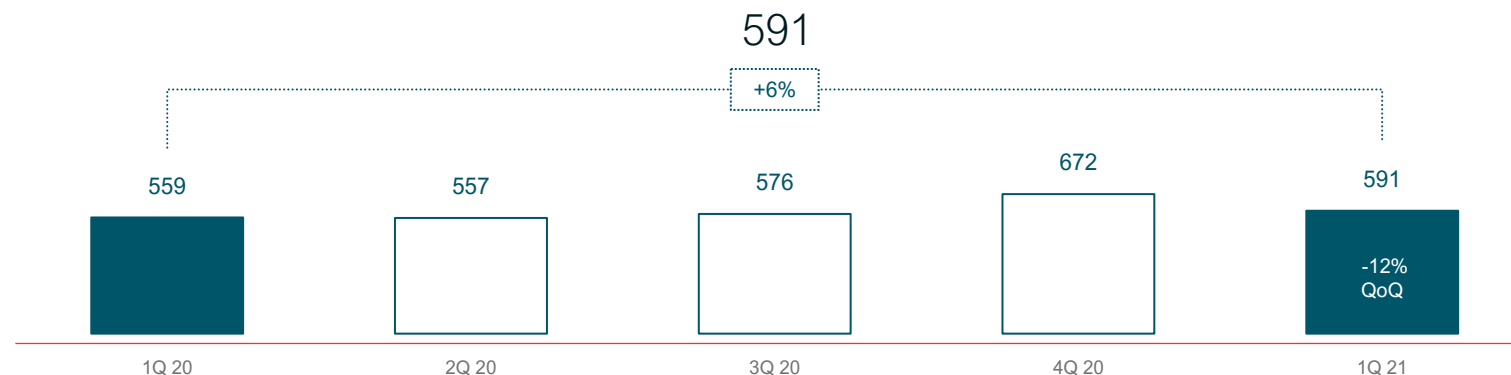
Higher operating expenses due VAT increase

- Operating expenses increased 6% YoY to SAR 591mn in 1Q 2021 due to increased rate of VAT in Saudi Arabia from 5% to 15%.
- The cost to income ratio increased modestly to 32.9% in 1Q 2021 from 31.8% in 1Q 2020.
- Relative to the previous quarter, operating expenses declined 12% due to the inclusion of one-off expense accruals in 4Q 2020.

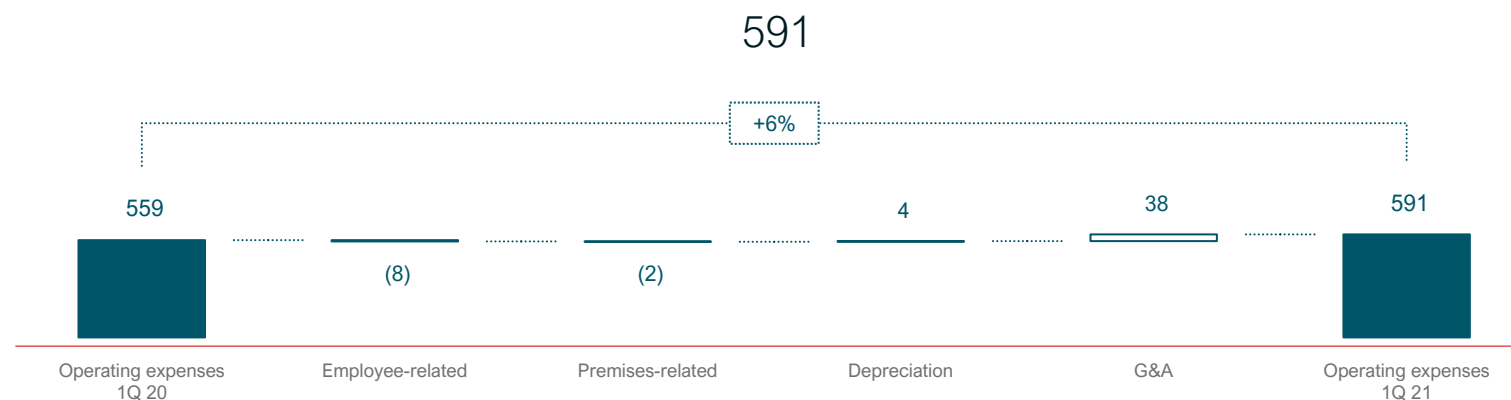
Cost To Income Ratio (%)



Operating Expenses (SAR Mn)

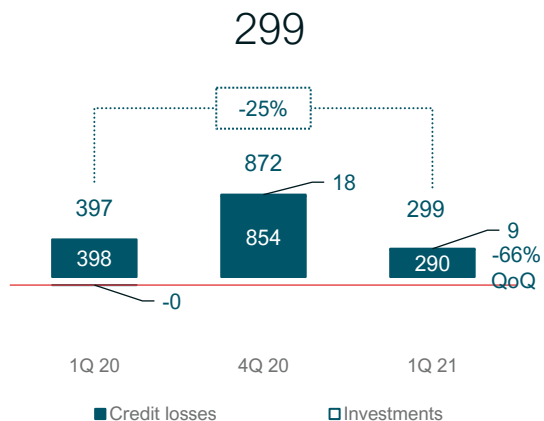


Operating Expenses Movement (SAR Mn)

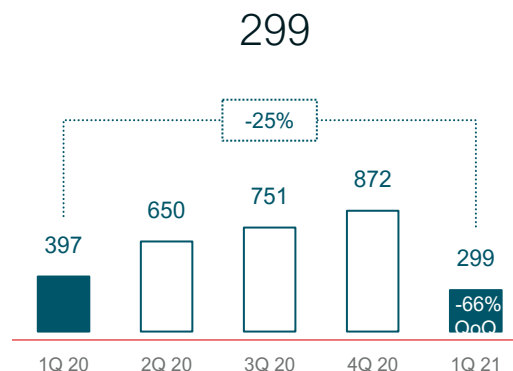


Moderation in impairment charge and cost of risk from peak in 4Q 2020

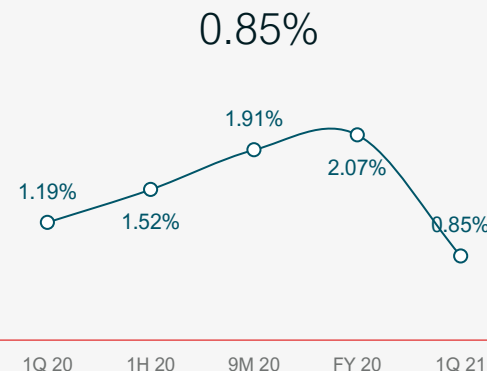
Impairment Charge (SAR Mn)



Impairment Charge (SAR Mn)

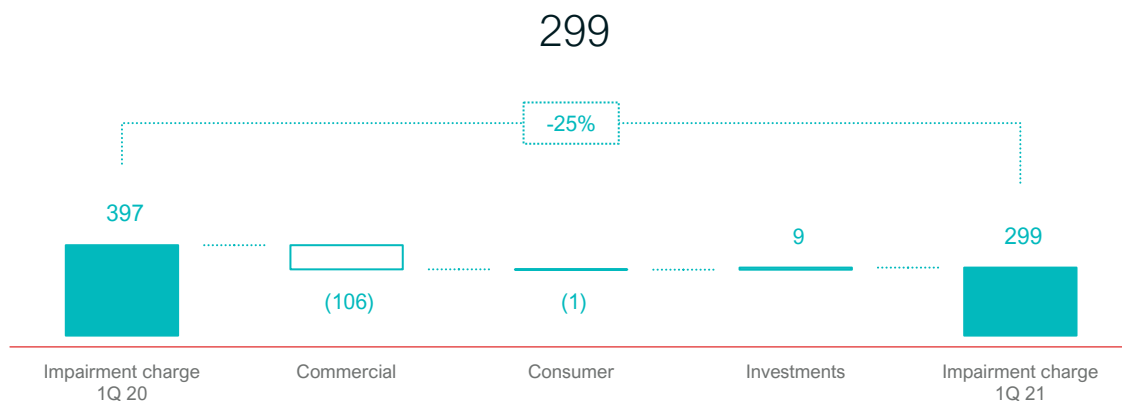


Cost of Credit Risk (%)

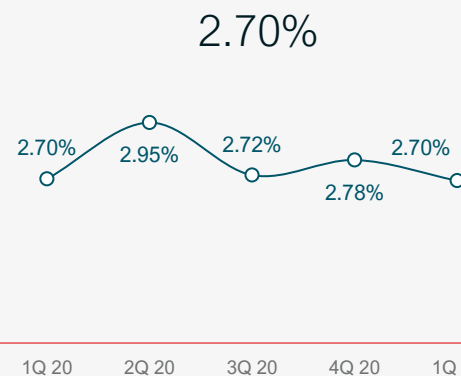


- The total impairment charge for 1Q 2021 moderated to SAR 299mn from SAR 397mn in 1Q 2020 and SAR 872mn in 4Q 2020.
- The impairment charge in 2020 was elevated due to a reassessment of macroeconomic scenarios (based on more pessimistic forecasts owing to Covid-19), a conservative review of borrower risk ratings resulting in IFRS 9 Stage transitions, additional sector-based overlays of SAR 436 million and efforts made to improve NPL coverage.
- Additional sector-based overlays during 1Q 2021 total SAR 175 million.

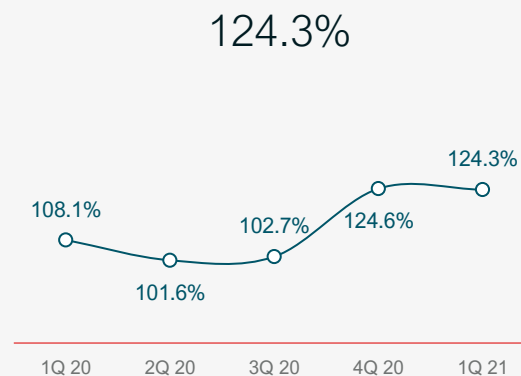
Impairment Charge Movement (SAR Mn)



NPL Ratio (%)



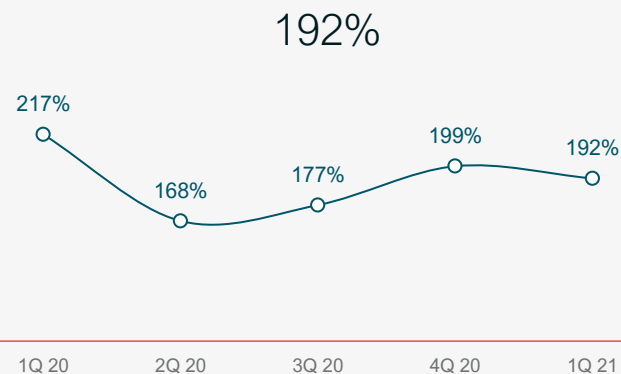
NPL Coverage Ratio (%)



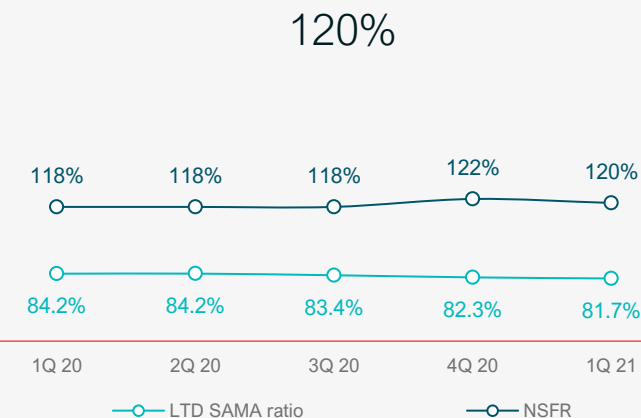
Liquidity and capitalization remain comfortable

- LCR declined 7ppts during 1Q 2020 due to a decline in HQLA of 5% but remains comfortable at 192%.
- NSFR declined 2ppts QoQ to 120% in 1Q 2021.
- Total capital increased by SAR 0.9bn (+2% YoY) during 1Q 2021 from net income generation.
- RWAs were stable QoQ at SAR 186.9bn.
- CAR was 22.08% and the Tier 1 ratio was 20.99% as at 31 March 2021, improving modestly from 4Q 2019 levels as capitalization growth exceeded grow in RWAs during the period.

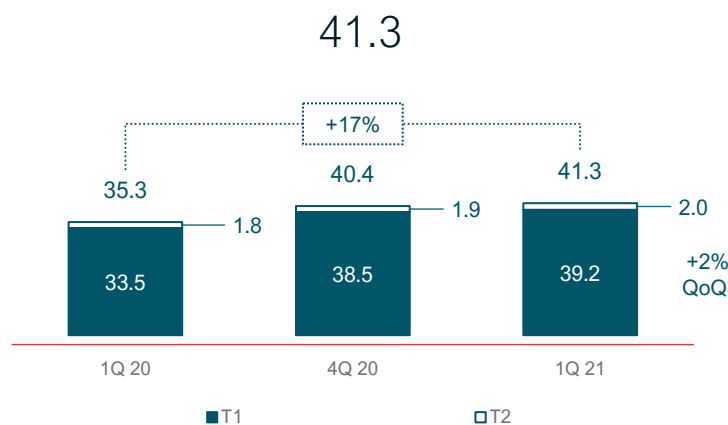
LCR Average (%)



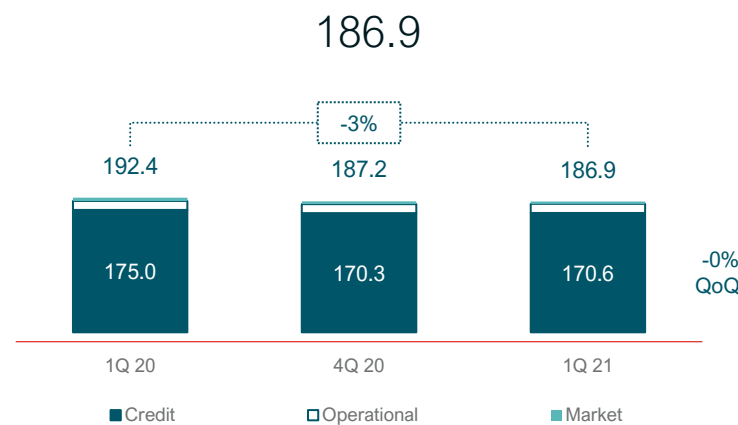
NSFR (%)



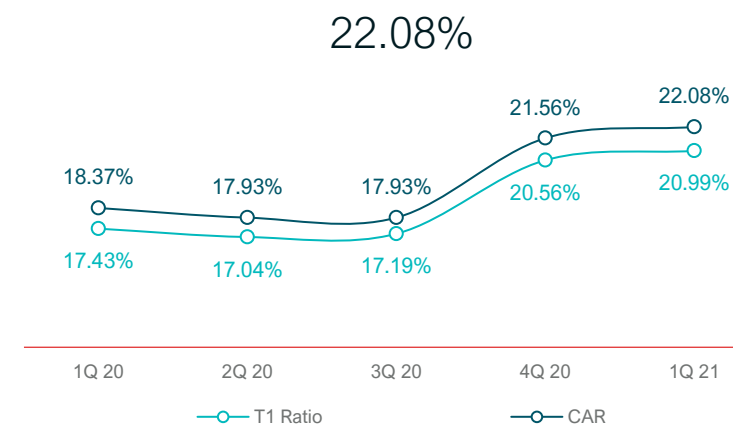
Total Capital (SAR Bn)



RWA (SAR Bn)



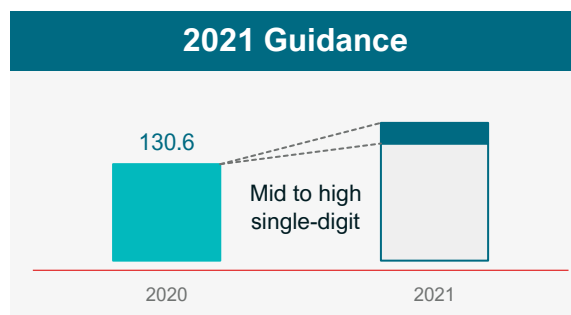
CAR (%)



Trends in line with guidance and outlook for 2021 is largely unchanged

LOANS & ADVANCES, NET

- 1Q 2021 growth of 3%
- Continued mortgage growth and elevated corporate repayments expected in 2021.



1Q 2021 Outcome

Loans & Advances

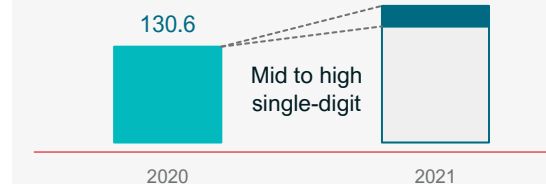
SAR Billion

134.1

▲ +2.7% year-to-date

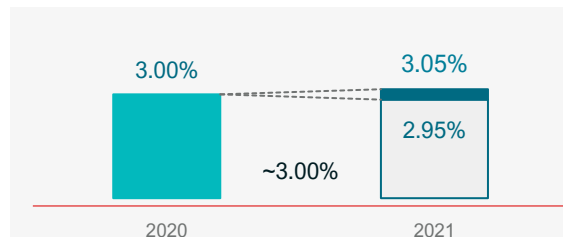
2021 Outlook

Unchanged



NET INTEREST MARGIN

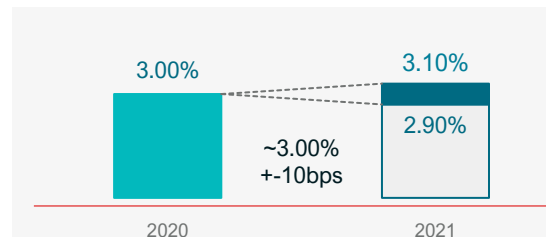
- NIM declined 12bps YTD.
- Broadly stable NIM expected in 2021 at around 3.0% +/-10bps.



NIM (%)

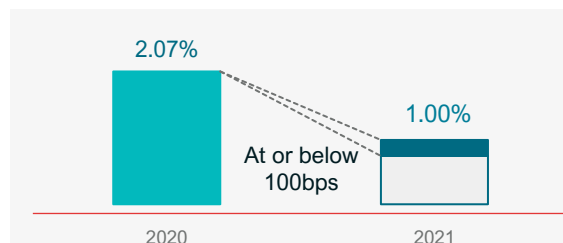
2.88%

▼ -12 bps year-to-date



COST OF RISK

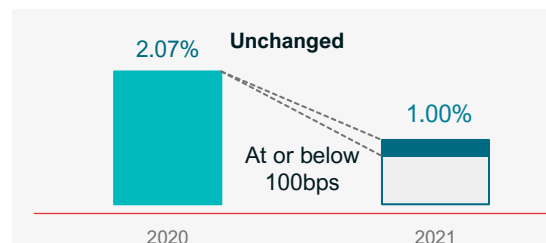
- Cost of risk moderated to 85bps in 1Q 2021.
- Cost of risk expected to remain at or below 100bps for 2021.



Cost of risk (%)

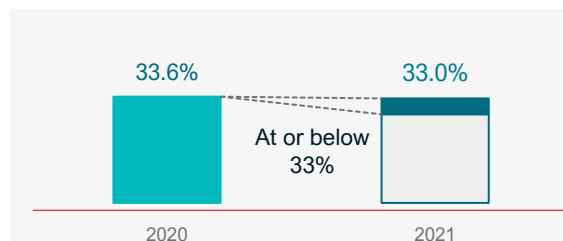
0.85%

▼ -122 bps year-to-date



COST TO INCOME RATIO

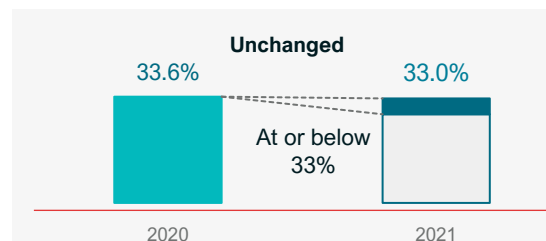
- The bank is managing the cost base for optimum efficiency, while continuing to invest in critical IT and digital capabilities.
- Expect CI-ratio at or below 33% for 2021.



Cost to income ratio (%)

32.9%

▼ -62 bps year-to-date



EARNINGS PRESENTATION 1Q 2021

Questions & Answers

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