



Banque Saudi Fransi

3Q 2023 Earnings Presentation

31 October 2023

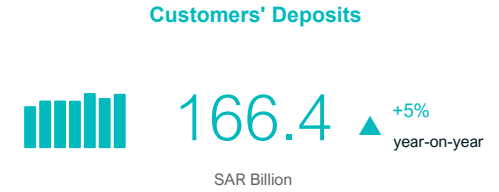
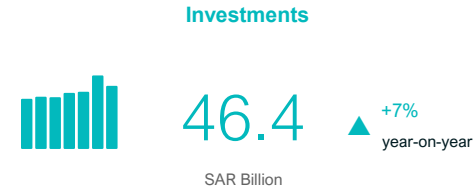
EARNINGS PRESENTATION 3Q 2023

Highlights

Improved profitability in 9M 2023 from NIM expansion and balanced asset growth

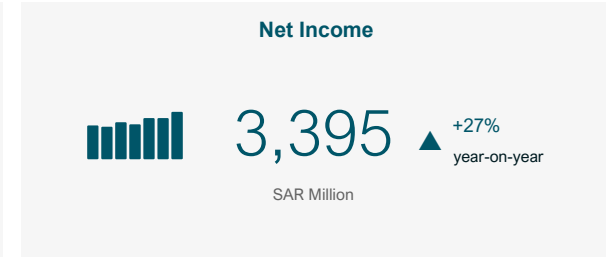
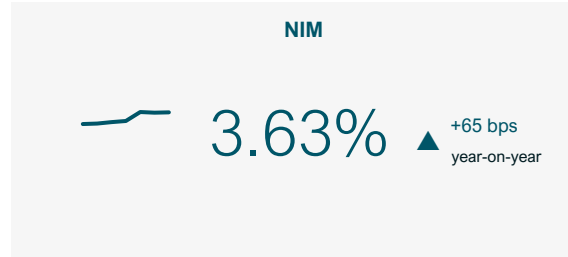
BALANCE SHEET

- High quality loan growth of 10% YoY driven by 11% commercial and 7% consumer lending growth.
- Deposit growth of 5% YoY, mainly from IBDs.



INCOME STATEMENT

- 24% top-line growth from 28% NII growth.
- NIM expansion of +65bps YoY to 3.63% on rising rates.
- Net income grew 27% as income growth partly offset by increased impairments.



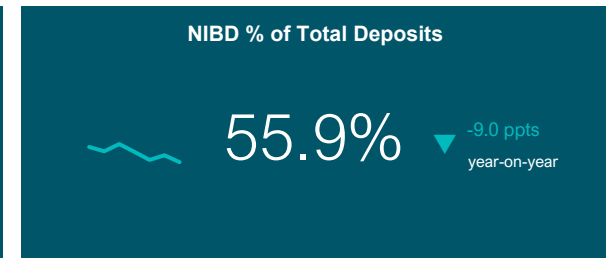
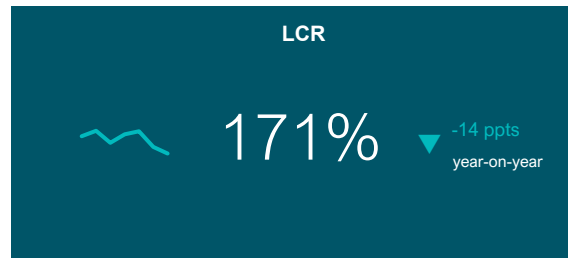
ASSET QUALITY

- Improvement in NPL and coverage ratios
- Increased COR from previous migration of isolated pockets in the commercial book and coverage enhancement.

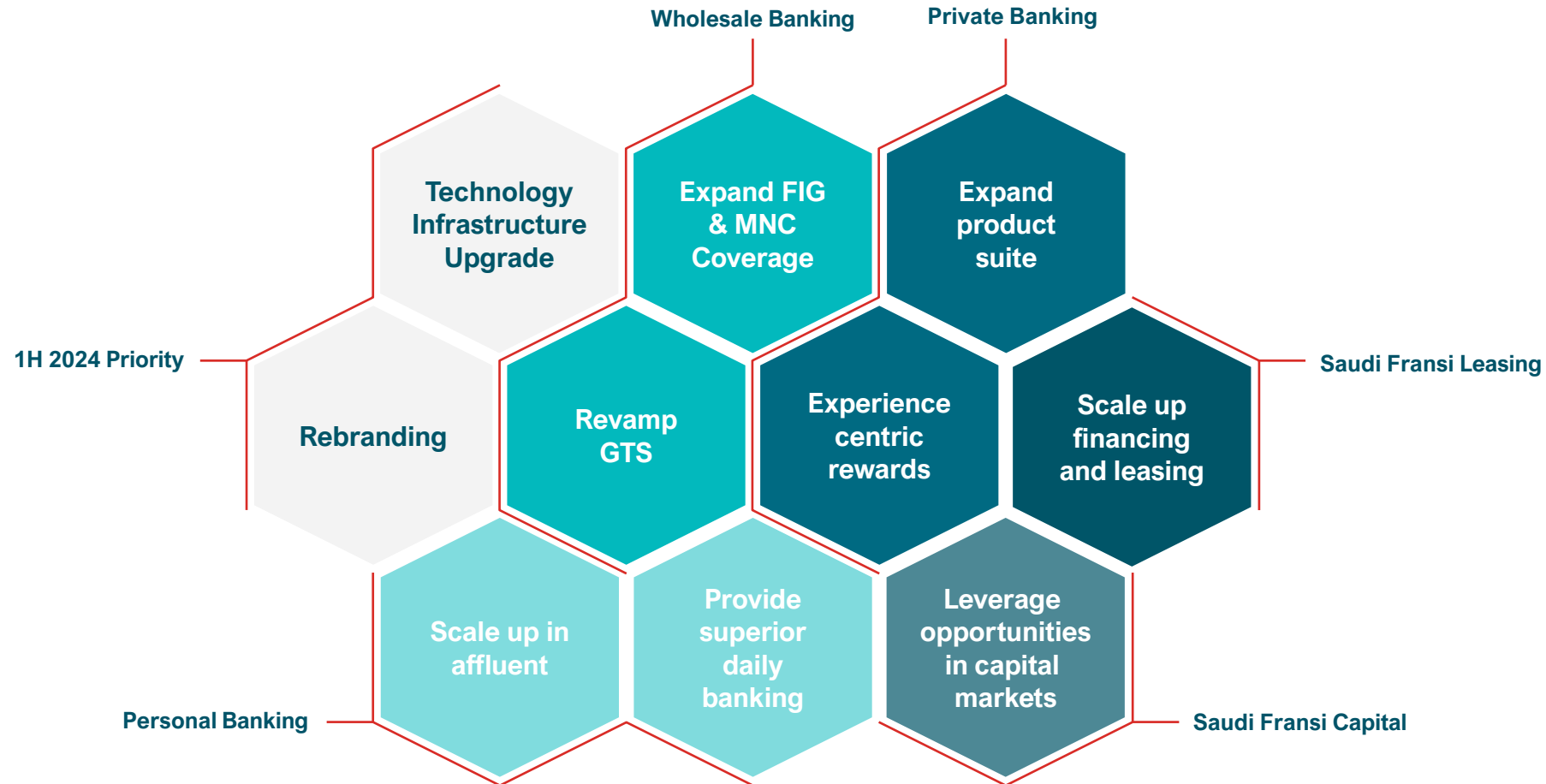


CAPITAL & LIQUIDITY








- Capital, funding and liquidity remain strong and comfortably within regulatory limits.
- Decline in NIBD ratio from shift to IBDs in rising rate environment.



In 1Q 2023 we refocused and simplified our existing strategy to 10 vital initiatives for an evolving external environment and internal structure



Strategy execution commenced across the various business pillars with positive momentum in progress

| | Wholesale Banking | Personal Banking | Private Banking | JB  | Saudi Fransi Capital | |
|----------------------------|--|--|---|---|---|---|
| Strategic Goals | Solidify market position | Leverage segmentation and synergies | Reinforce market leadership | Expand in new market segments | Seize existing opportunities and grow | |
| Focused Initiatives | GTS revamp Expand FIG&MNC coverage | Scale up affluent Provide superior daily banking | Broaden product suite Experience-centric rewards | Digital channels acceleration Product diversification Brand repositioning | Synergize wealth management Broaden advisory mandate Attractive investment solutions | |
| Progress Summary | Q3: 56%  Q2: 51% | 65%  | 33%  | 78%  | 81%  | 37%  |
| Key Highlights | <ul style="list-style-type: none"> Enhanced the operating model for Global Transaction Banking & customer experience Finalized scope of cash mgmt. digital solution Established MNC Unit Expanded FI & govt. lending | <ul style="list-style-type: none"> Kickstarted the affluent strategy implementation Launched the Omnichannel v2 staff pilot in (digital solution) Initiated Wholesale partnership model with personal banking | <ul style="list-style-type: none"> Closed key investment offerings with Saudi Fransi Capital Secured major deals under a special private banking finance program Introduced off-plan product Executed VIP experience events | <ul style="list-style-type: none"> Introduced JB's new digital personal loan offerings Expanded personal loans Launched JB's brand Expanded JB's reach by initiating cross-selling across BSF branches. | <ul style="list-style-type: none"> Finalized SFC's wealth management collaboration strategy Kicked off wealth mgmt. collaboration implementation initiatives | |
| Next steps | <ul style="list-style-type: none"> Expand digital features & product rollouts Extend FI geographical reach Focus on Increased coverage across FIG segments | <ul style="list-style-type: none"> Continue affluent initiatives implementation to 2H 2024 Finalize revamping key branches by 2H 2024 Institutionalize partnerships | <ul style="list-style-type: none"> Rollout products and services Expand RM advisory roles to provide specialized client Foster new partnerships | <ul style="list-style-type: none"> Expand digital features & product rollouts Enhance user experience Introduce credit card offerings | <ul style="list-style-type: none"> Roll out collaboration initiatives to 3Q 2025 Invest in human capital and foster talent development Strengthen real estate division | |

Wholesale, Private & Personal Banking and Saudi Fransi Leasing initiatives are continuation of existing Strategy with refinement on the scope, objectives and initiatives for 2023 Strategy Refocus | Saudi Fransi Capital initiatives are new ones that have been defined as part of the 2023 Strategy Refocus exercise

In Q3 2023 we successfully realized two pivotal strategic milestones

JB New Brand

JB, formerly known as SFL, has strategically pivoted to diversify its offerings, targeting distinct market segments.

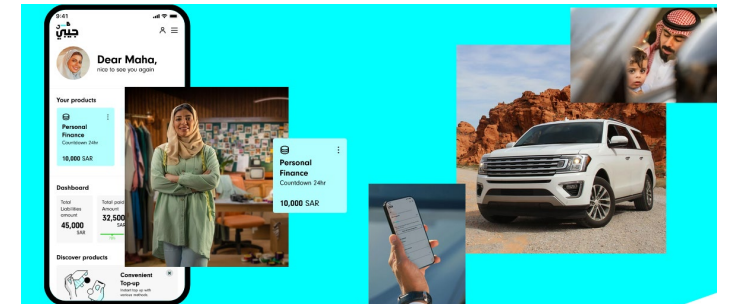
This strategic realignment was underpinned by a robust marketing campaign in 3Q 2023.



We got your solution

We provide you with multiple financial solutions that make your life easier, simplify your financial planning, and get to your pocket as quickly as possible.

[Consult our team](#) ↓







Sur Multifamily Office

Introducing the **Sur Multifamily Office, a strategic initiative by BSF**

100% subsidiary of BSF to cater the needs of our BSF UHNWIs and HNWI clientele.



Good progress in the implementation of the four key strategic programs across the IT & Technology and rebranding priorities

| | Technology Infrastructure Upgrade | | | Rebranding |
|------------------|--|---|---|---|
| |  Integrated Corporate Portal |  Omnichannel |  Core Banking System |  |
| Description | New corporate platform supporting trade & supply chain services, and expanded liquidity and cash management solutions and services | New high performance retail platform providing robust digital banking service and enhanced customer experiences and journeys | Bank-wide core banking system to enable best-in-class customer experience with leading operational efficiency | Recreating BSF brand identity to differentiate the bank, enhance our connection with clients and improve our market position |
| Key Highlights | <ul style="list-style-type: none"> ▷ Completed design stage ▷ Finalized cash management scope ▷ Adoption of new branding guidelines ▷ Finalized customer experience enhancements | <ul style="list-style-type: none"> ▷ 50 Staff in Omni pilot by October 31 ▷ Released Omni v2 to staff pilot ▷ Implemented 48% of counter fraud framework controls ▷ Fixes & security controls on track | <ul style="list-style-type: none"> ▷ Significant progress on 2nd phase of second rollout ▷ Completed 3rd phase re-planning exercise ▷ Ongoing bank-wide change management activities | <ul style="list-style-type: none"> ▷ New brand applied across branches & digital streams, including subsidiaries – BSF Capital ▷ BSF logo has been successfully registered |
| 9M 2023 Progress | <ul style="list-style-type: none"> ▷ Phase I Back end: build in progress ▷ Regulator approval has been initiated ▷ Phase II Front end: finalized business requirements | <ul style="list-style-type: none"> ▷ Ongoing development and design of features required for the public launch ▷ Executed several rounds of migration testing to ensure smooth readiness for public 1Q 2024 go-live. ▷ Initiated communications and marketing planning | <ul style="list-style-type: none"> ▷ 2nd Phase : testing activities finalized, friends & family (200+ participants) ▷ Pilot implementation will complete in 2H 2023 | <ul style="list-style-type: none"> ▷ Completed brand strategy & guidelines ▷ Concluded design for digital channels ▷ Brand awareness sessions ▷ Finalized go-to-market strategy |
| 2023 & Beyond | <ul style="list-style-type: none"> ▷ Training 4Q 2023 ▷ Phased roll out after 2H 2024 | <ul style="list-style-type: none"> ▷ Planned to be launched in 1Q 2024 | <ul style="list-style-type: none"> ▷ Development activities for 3rd Phase (Corporate) will continue throughout 2023 onwards | <ul style="list-style-type: none"> ▷ Finalize physical collateral mass production and distribution ▷ Digital channels release in iterations ▷ Go-to-market execution ▷ Go-Live in 1H 2024 |



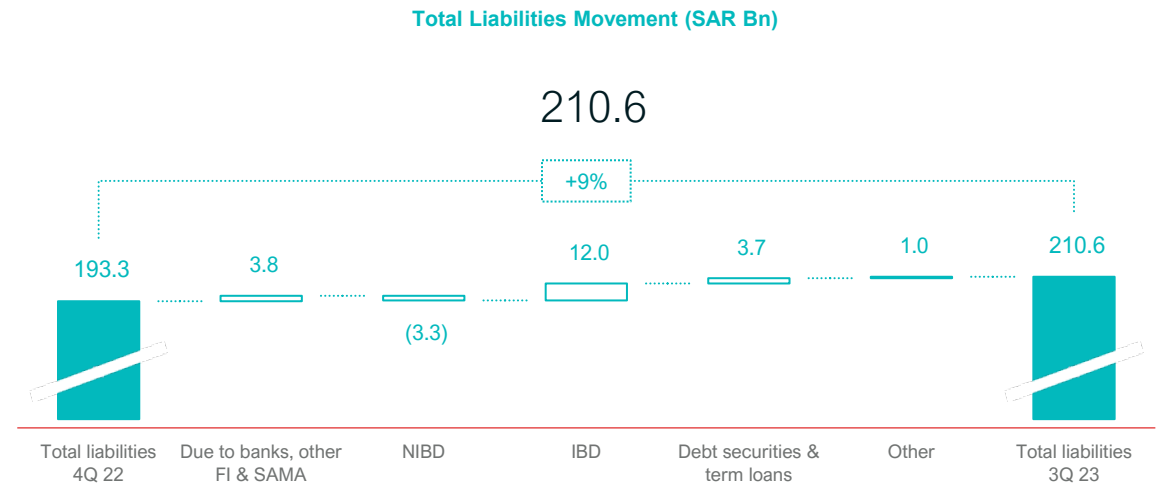
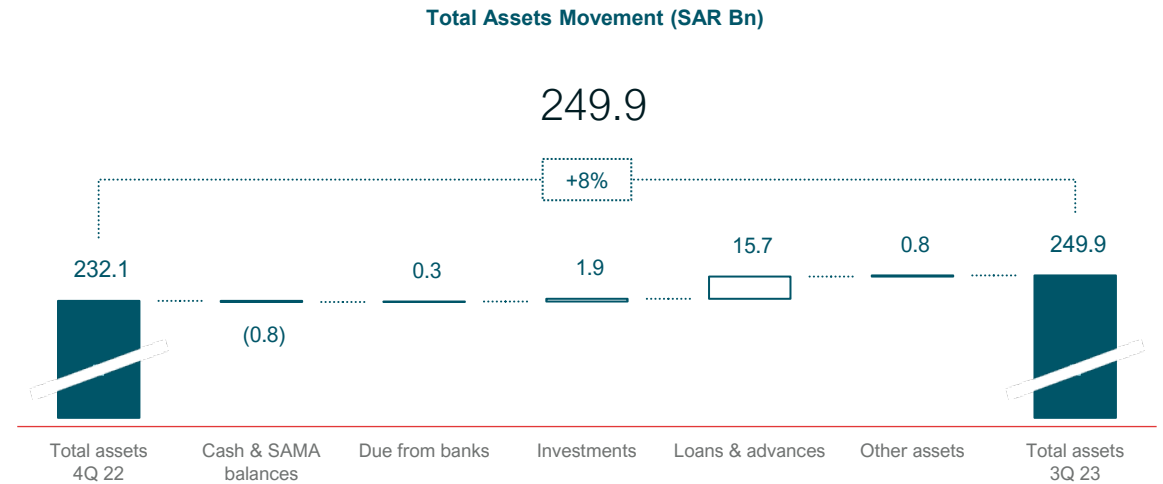
EARNINGS PRESENTATION 3Q 2023

Financial Performance

Balance sheet growth driven by lending, funded by IBD growth

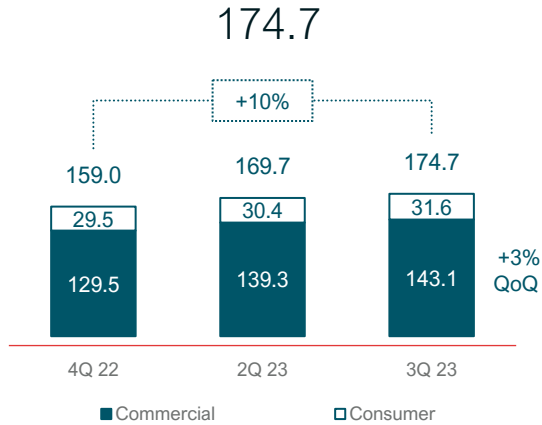
- Growth in total assets of 8% YTD, mainly driven by healthy 10% loan growth.
- Liabilities grew by 9% during 9M 2023 from 6% deposit growth, a 22% increase in interbank and SAMA borrowings, and an 81% rise in debt securities.
- Total equity increased 1% YTD due to retained earnings generation, partly offset by reserve movements.

| SAR (Mn) | 3Q 2023 | 2Q 2023 | Δ% | 4Q 2022 | Δ% |
|------------------------------|----------------|----------------|------------|----------------|------------|
| Cash & SAMA balances | 10,483 | 10,084 | +4% | 11,326 | -7% |
| Due from banks | 5,127 | 3,795 | +35% | 4,795 | +7% |
| Investments | 46,390 | 49,178 | -6% | 44,518 | +4% |
| Loans & advances | 174,681 | 169,695 | +3% | 159,012 | +10% |
| Other assets | 13,182 | 12,967 | +2% | 12,428 | +6% |
| Total assets | 249,862 | 245,718 | +2% | 232,078 | +8% |
| Due to banks & SAMA | 20,540 | 22,766 | -10% | 16,770 | +22% |
| Customers' deposits | 166,367 | 161,165 | +3% | 157,592 | +6% |
| Debt securities & term loans | 8,175 | 8,233 | -1% | 4,515 | +81% |
| Other liabilities | 15,497 | 13,859 | +12% | 14,455 | +7% |
| Total liabilities | 210,580 | 206,022 | +2% | 193,333 | +9% |
| Share capital | 12,054 | 12,054 | +0% | 12,054 | +0% |
| Retained earnings | 11,855 | 11,805 | +0% | 9,768 | +21% |
| Other reserves | 10,375 | 10,837 | -4% | 11,924 | -13% |
| Tier 1 Sukuk | 5,000 | 5,000 | +0% | 5,000 | +0% |
| Total equity | 39,283 | 39,696 | -1% | 38,745 | +1% |

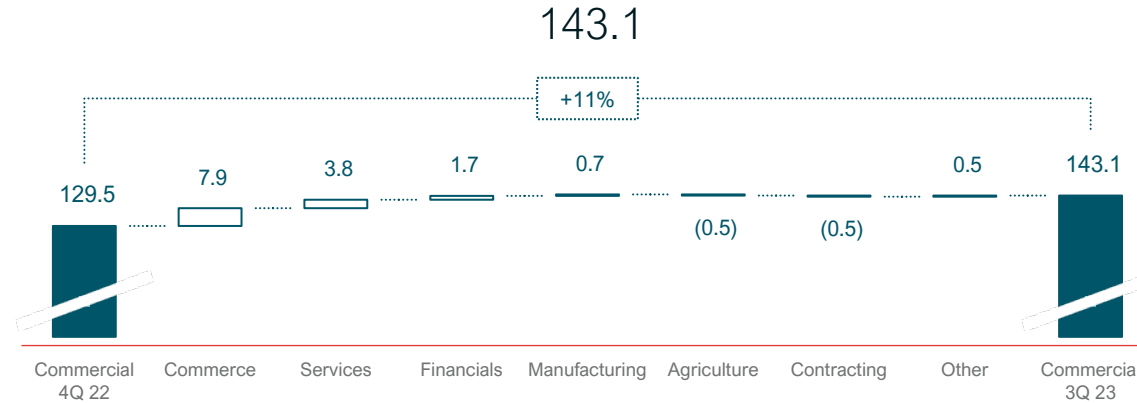


Healthy and balanced 10% loan growth during 9M 2023

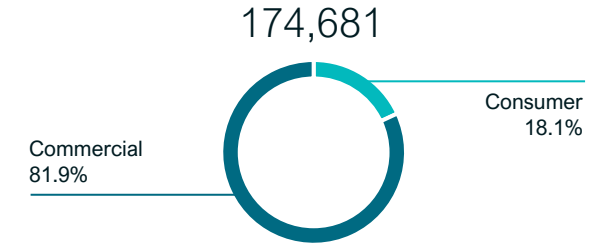
Total Loans & Advances (SAR Bn)



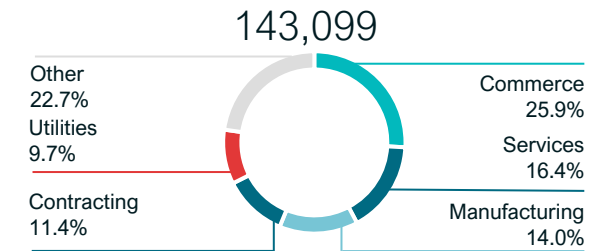
Commercial Loans Movement YTD (SAR Bn)



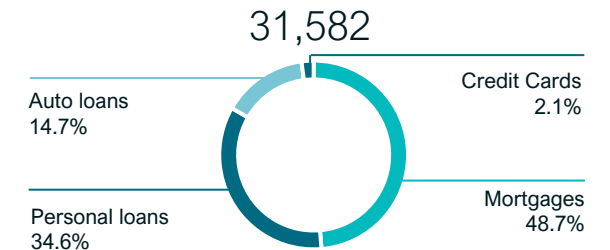
Loans & Advances Composition (SAR Mn)



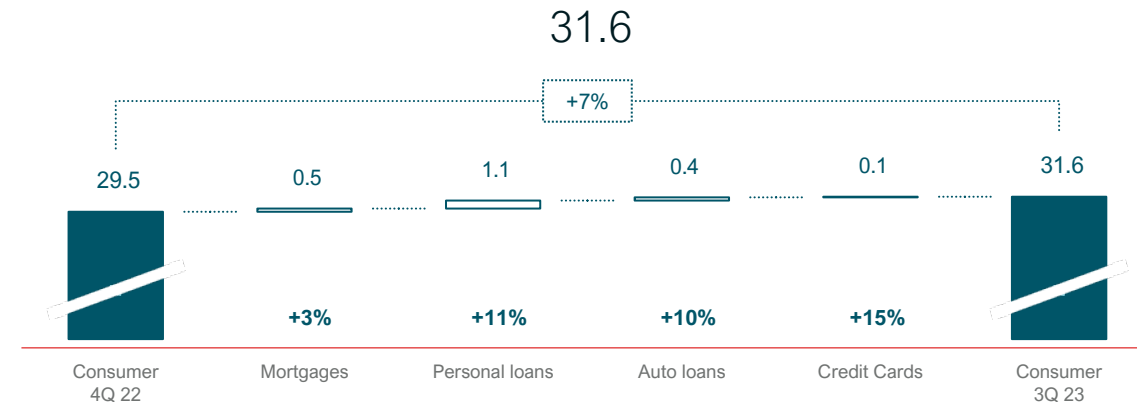
Commercial Loans Composition (SAR Mn)



Consumer Loans Composition (SAR Mn)



Consumer Loans Movement YTD (SAR Bn)

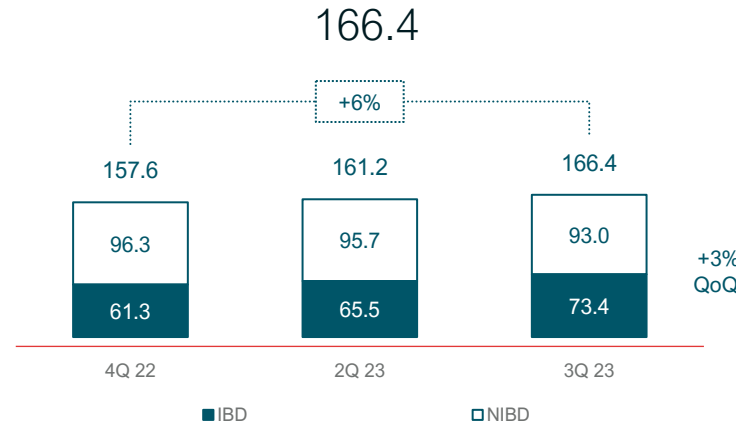


- Total loans & advances grew 10% during 9M 2023 from both consumer and commercial lending growth.
- Commercial loans grew 11% during 9M 2023, which was broad-based across sectors.
- Consumer loans grew 7% YTD mainly from growth in mortgages (+3%), personal loans (+11%) and auto loans (+10%).

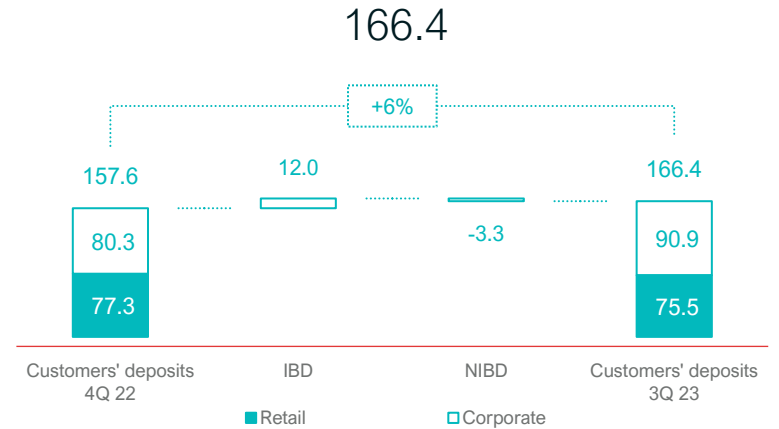
6% growth in deposits YTD from increased IBDs

- Deposits grew 6% during 9M 2023 from increased IBDs.
- IBD increased 20% YTD from 50% growth in Corporate, partly offset by a 28% decline in Retail mostly in Private Banking.
- NIBD's declined 3% YTD due to a 19% decline in Corporate which was partly offset by 9% growth in Retail, mostly raised from the private banking franchise.
- As of 30 September 2023, 55.9% of deposits were non-interest bearing, the 9.0ppts YoY decline is reflective of the rising rate environment.

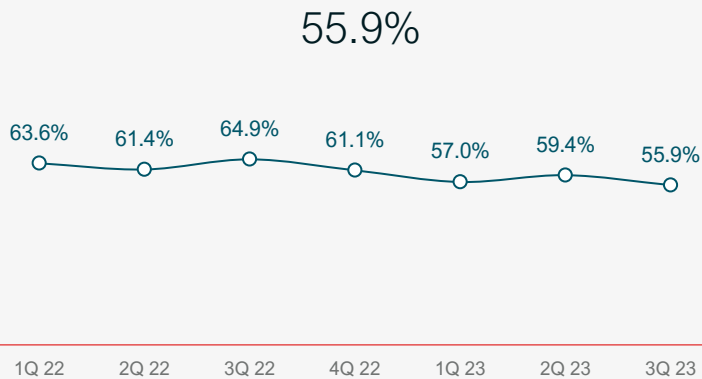
Customers' Deposits (SAR Bn)



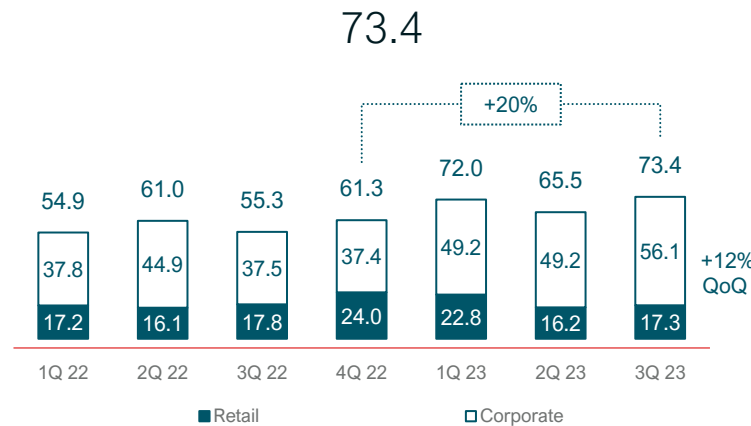
Customers' Deposits Movement (SAR Bn)



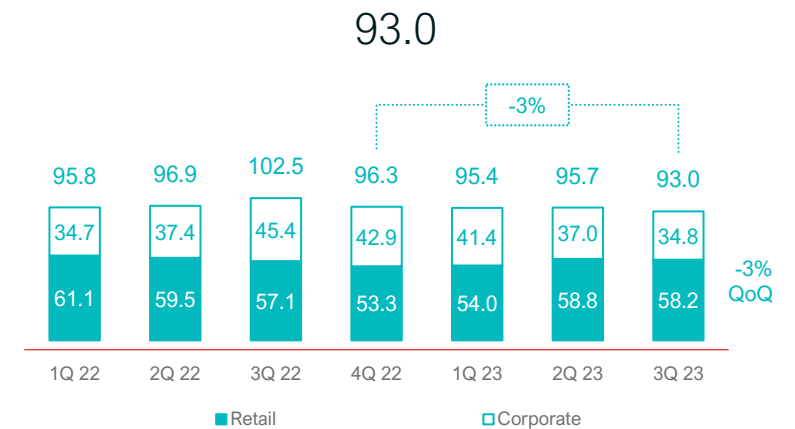
NIBD % of Total Deposits (%)



Interest Bearing Deposits (SAR Bn)



Non Interest Bearing Deposits (SAR Bn)

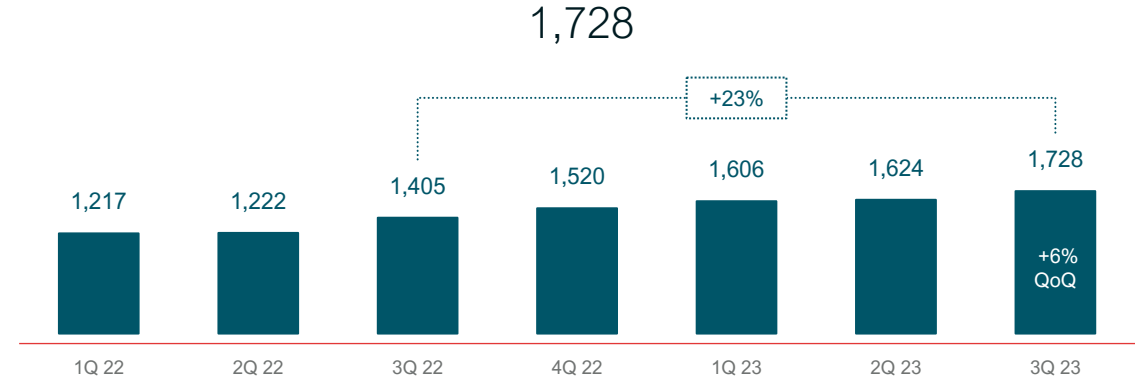


Net income grew 27% YoY from strong NII growth, partly offset by increased operating expenses and impairments

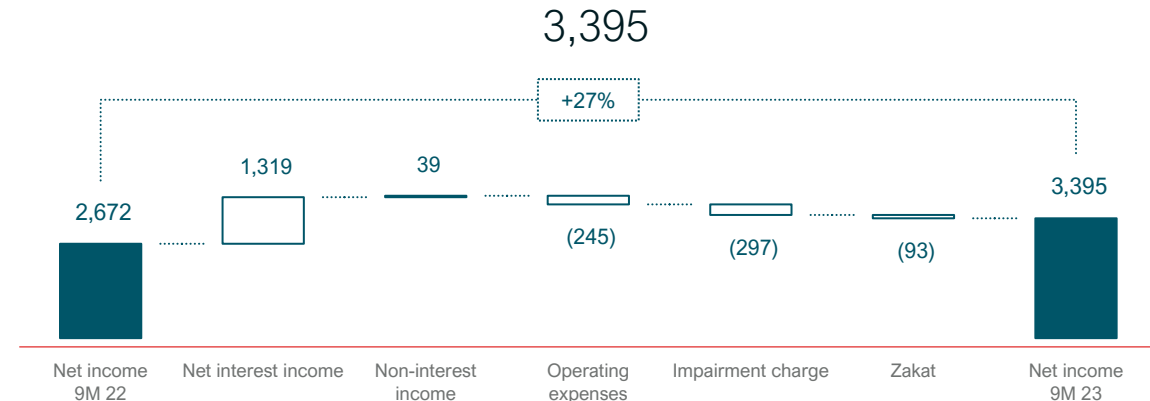
- Net income for 9M 2023 grew 27% YoY to SAR 3,395mn from 24% growth in operating income, partly offset by 13% growth in operating expenses and a 34% rise in the impairment charge.
- Quarterly net income similarly increased 30% YoY and 16% QoQ to SAR 1,245mn.

| SAR (Mn) | 9M 2023 | 9M 2022 | Δ% | 3Q 2023 | 3Q 2022 | Δ% |
|--|--------------|--------------|-------------|--------------|--------------|-------------|
| Net interest income | 5,967 | 4,648 | +28% | 2,068 | 1,717 | +20% |
| Non-interest income | 1,166 | 1,126 | +3% | 400 | 366 | +9% |
| Operating income | 7,133 | 5,774 | +24% | 2,468 | 2,083 | +18% |
| Operating expenses | (2,176) | (1,930) | +13% | (740) | (678) | +9% |
| Net operating income before impairments | 4,957 | 3,844 | +29% | 1,728 | 1,405 | +23% |
| Impairment charge | (1,181) | (884) | +34% | (345) | (348) | -1% |
| Net income before zakat | 3,776 | 2,960 | +28% | 1,383 | 1,057 | +31% |
| Zakat | (381) | (288) | +32% | (137) | (96) | +43% |
| Net income | 3,395 | 2,672 | +27% | 1,245 | 961 | +30% |
| NIM | 3.63% | 2.99% | +65bps | 3.66% | 3.16% | +50bps |
| Cost to income ratio | 30.5% | 33.4% | -2.9ppts | 30.0% | 32.5% | -2.6ppts |
| Cost of risk | 0.98% | 0.74% | +23bps | 0.79% | 0.85% | -6bps |
| EPS | 2.69 | 2.08 | +29% | 0.99 | 0.75 | +31% |
| ROAE | 11.5% | 9.2% | +227bps | 12.6% | 10.2% | +244bps |
| ROAA | 1.87% | 1.58% | +29bps | 2.01% | 1.66% | +35bps |

Net Operating Income Before Impairment Charge (SAR Mn)

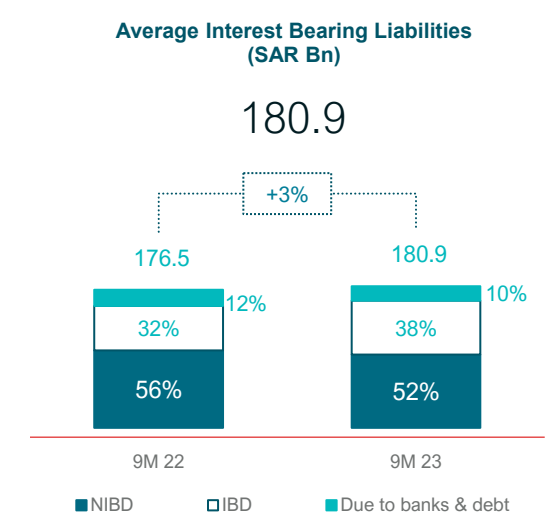
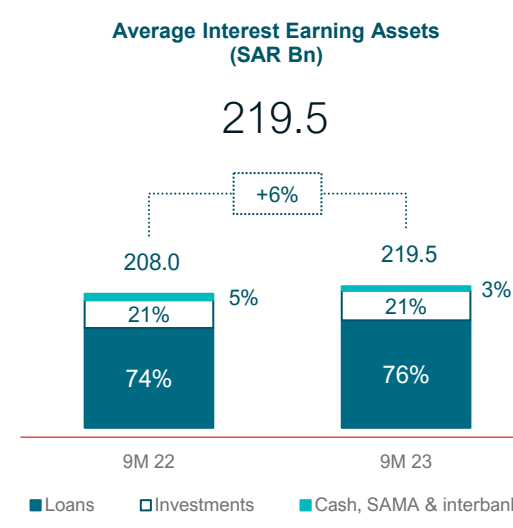
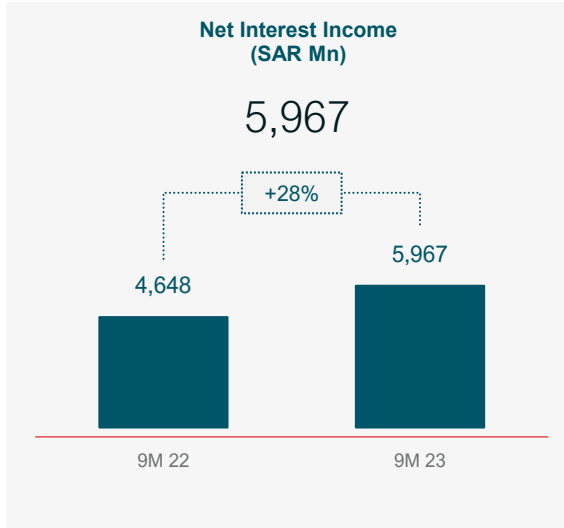


Net Income Movement (SAR Mn)

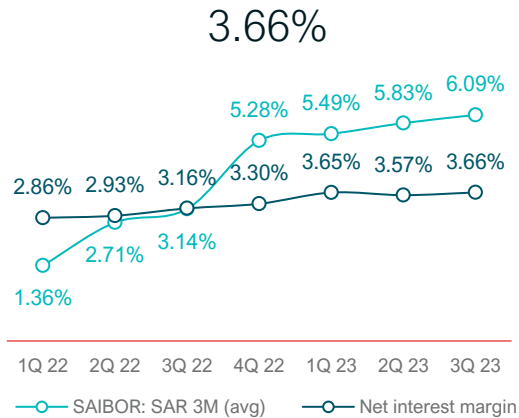


NII growth of 28% from margin expansion and earning assets growth

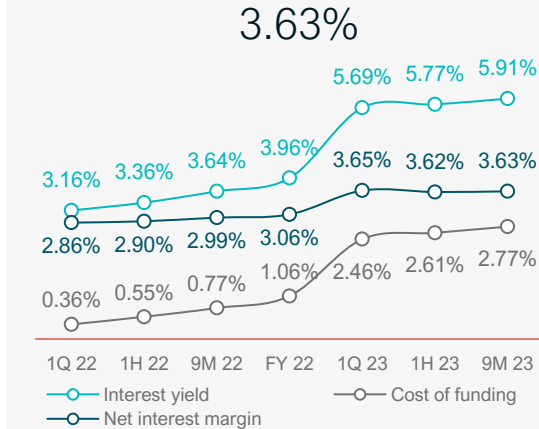
- NII for 9M 2023 grew 28% YoY to SAR 5,967mn from margin expansion and 6% growth in (simple) average earning assets.
- The NIM increased 65bps YoY due to improved loan yields, partly offset by the higher funding costs and the hedging impact.
- The quarterly NIM improved 50bps YoY and 9bps QoQ to 3.66%.



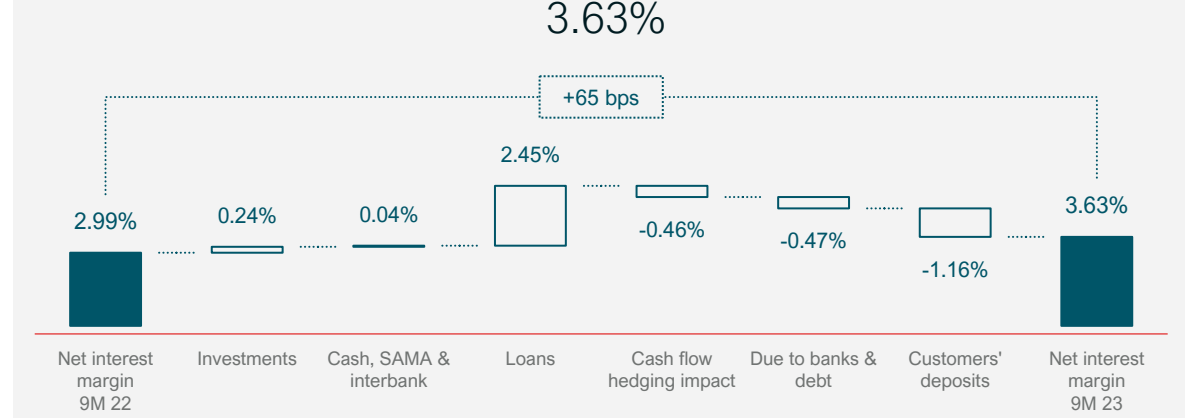
Quarterly Net Interest Margin Trend (%)



YTD Net Interest Margin Trend (%)



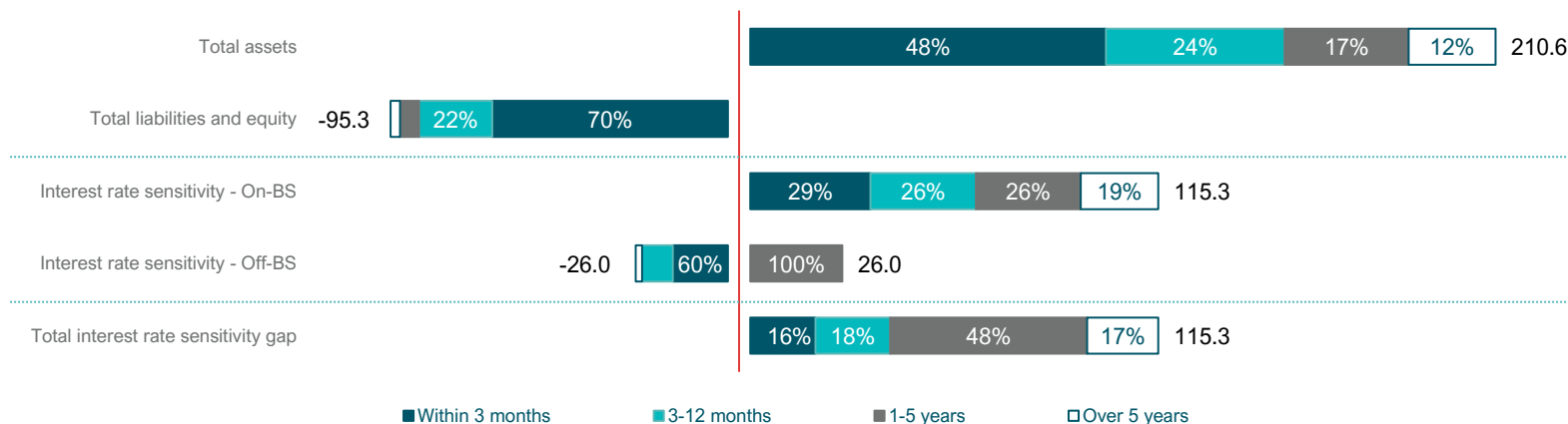
Net Interest Margin Movement (%)



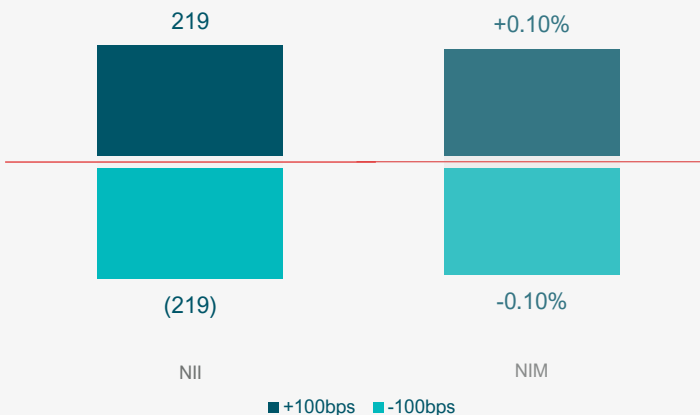
BSF is positively positioned for a rising rate environment

- At 31 December 2022, BSF estimated a 1-year NIM sensitivity of a 100bps rates rise at 10bps; this would translate into SAR 219mn higher NII.
- This reflects the net long position in variable rate assets, reflecting lending concentration towards corporate.
- There were 11 rate hikes in KSA during 2022 and 9M 2023 totaling 500bps not all of which have repriced on the balance sheet to date.
- Traditionally BSF mitigated its interest rate risk exposure through cash-flow hedges; the size of the CFH portfolio is driven by the development of BSF's balance sheet structure, IRR appetite & structural market trends.

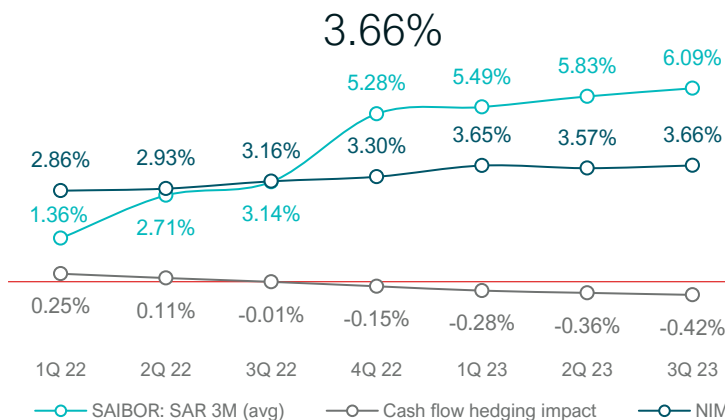
Exposure to Interest Rate Risk as at 31 December 2022 (SAR Bn)



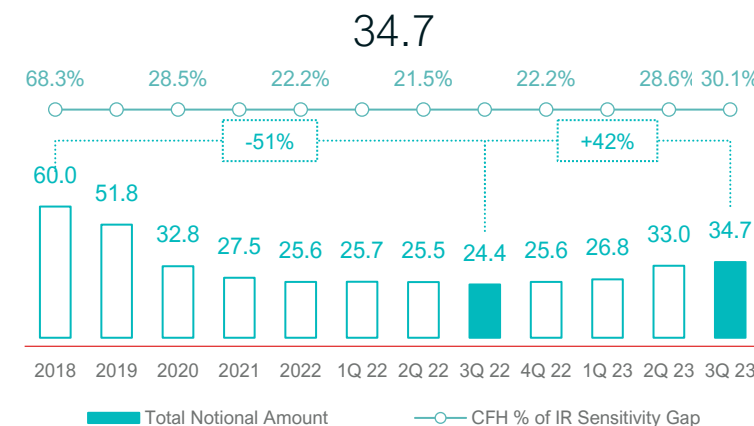
Impact of 100bps Rate Change as at 31 December 2022 (SARmn/%)



NIM, Rates and CFH Impact Trends (%)

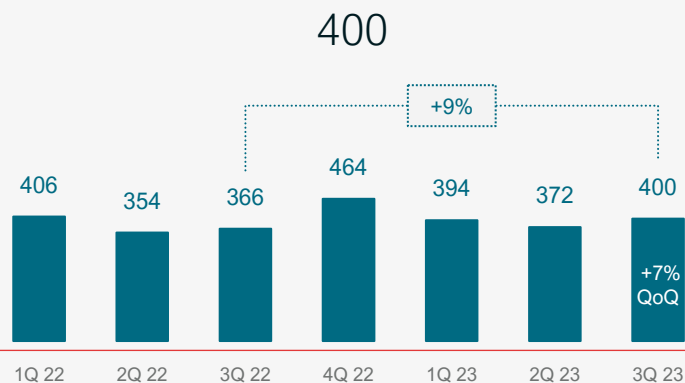


Cash Flow Hedges Swaps (SAR Bn)

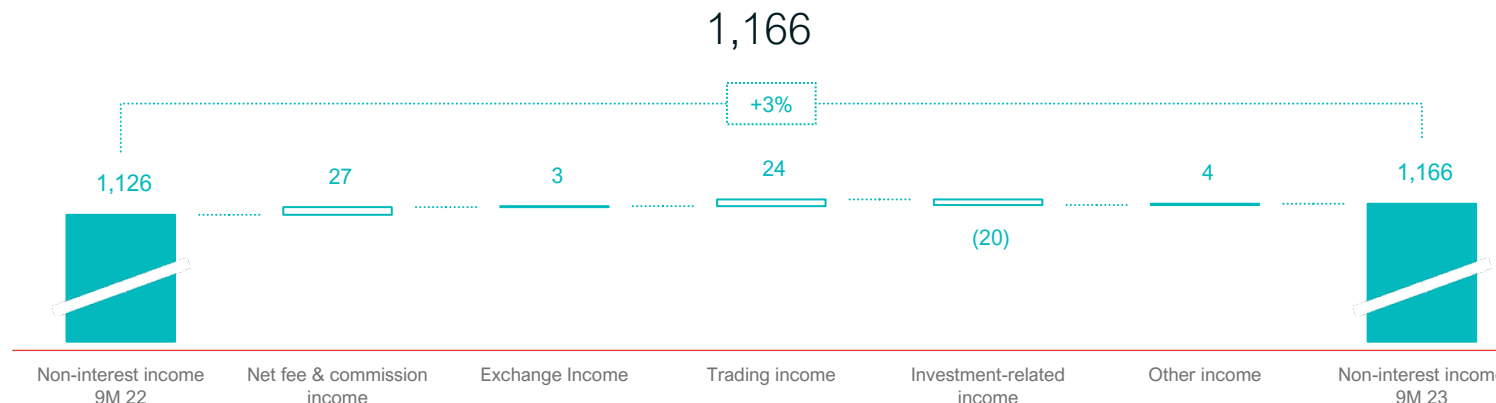


Non-interest income increased 3% YoY as higher trading and fee & commission income was partly offset by lower investment income

Non-Interest Income (SAR Mn)

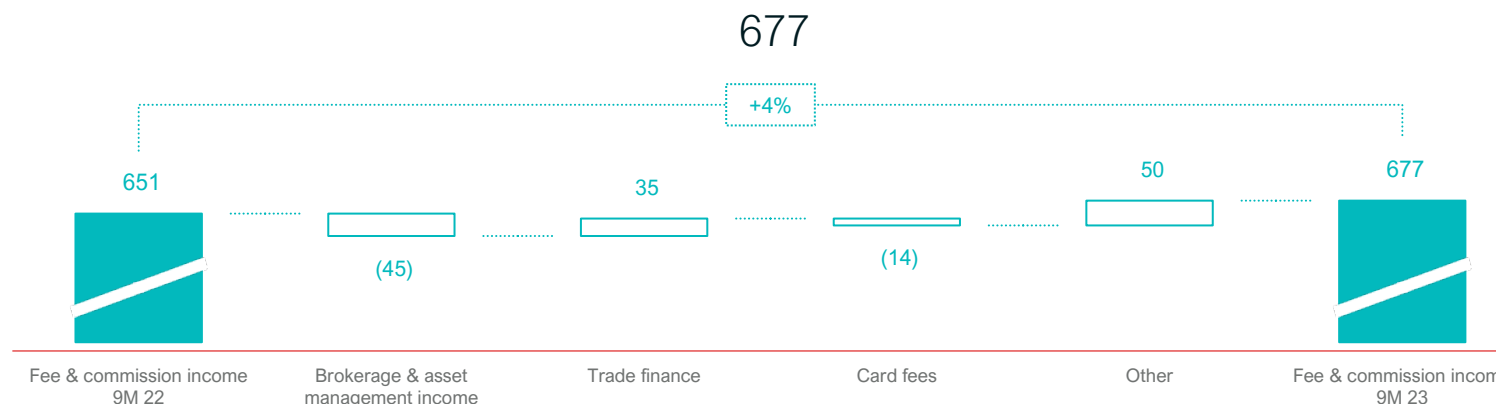


Non-Interest Income Movement (SAR Mn)



- Non-interest income for 9M 2023 increased 3% YoY to SAR 1,166mn as higher trading and fee & commission income was partly offset by lower investment income.
- Trading income grew 19% YoY to SAR 152mn due to increased activity in the Treasury markets advisory business.
- Net fee & commission grew 4% to SAR 677mn in 9M 2023 as higher trade finance and other fee income was offset by lower brokerage income.
- 3Q 2023 Non-interest income increased by 7% QoQ due to higher trading and exchange income.

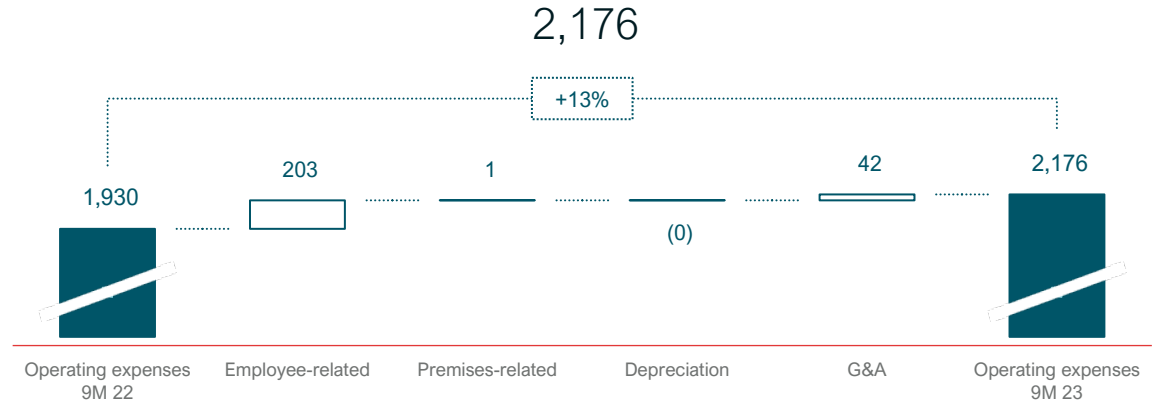
Fee & Commission Income Movement (SAR Mn)



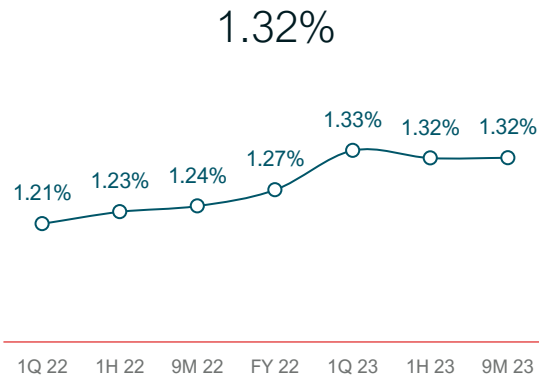
Operating expenses growth of 13% from higher employee-related expenses

- Operating expenses increased 13% YoY to SAR 2,176mn in 9M 2023 due to increased employee-related costs and excess accrual reversals in 1Q 2022.
- The YoY cost to income ratio improved by 2.9ppts YoY to 30.5% in 9M 2023 from 33.4% in 9M 2022.
- Operating expenses as a percentage of average interest-earning assets (AIEA) increased 8bps YoY to 1.32% for 9M 2023.
- Quarterly operating expenses increased 2% QoQ due to higher employee-related costs, partly offset by lower G&A expenses.

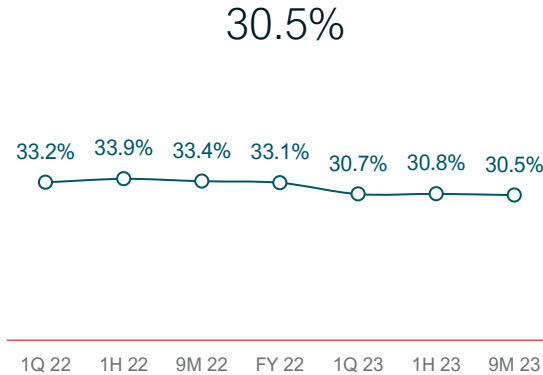
Operating Expenses Movement (SAR Mn)



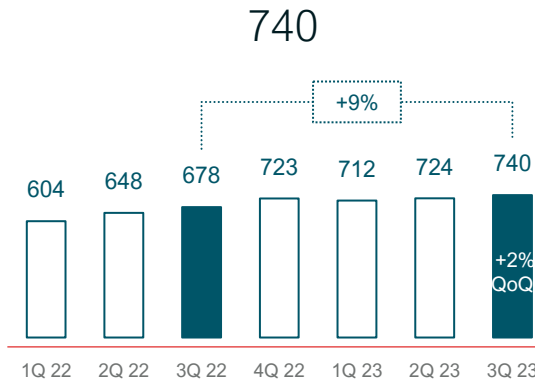
Cost To AIEA Ratio (%)



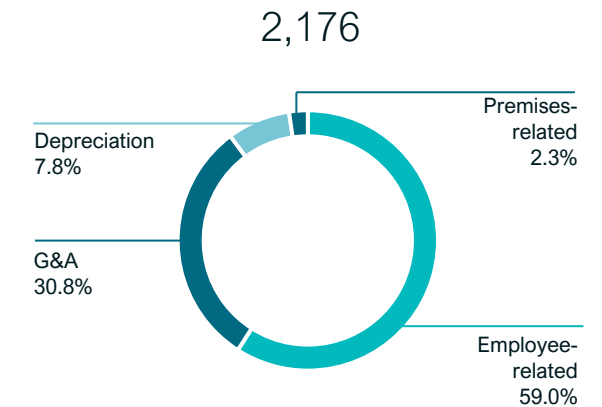
Cost To Income Ratio (%)



Operating Expenses (SAR Mn)

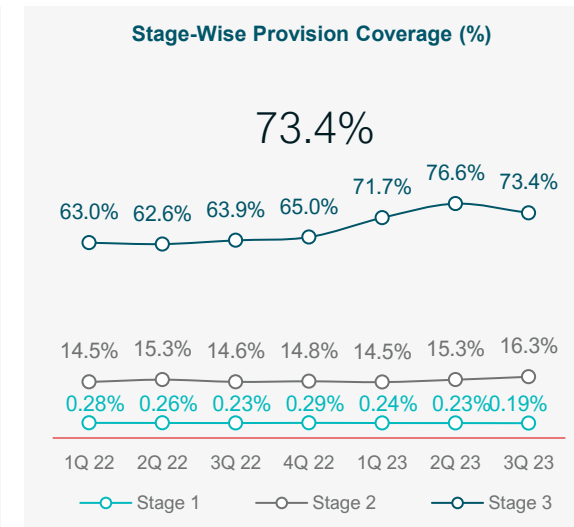
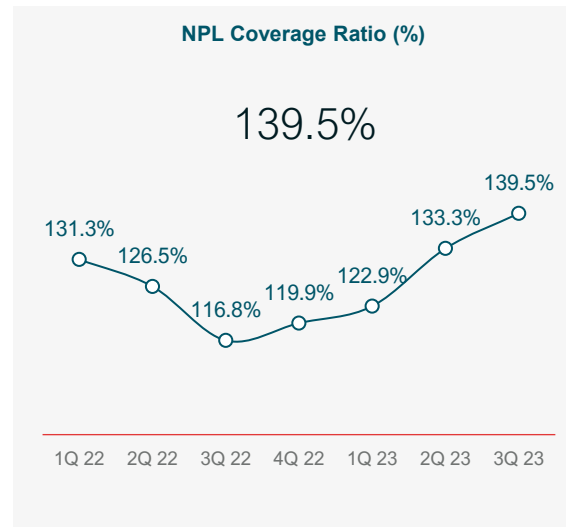
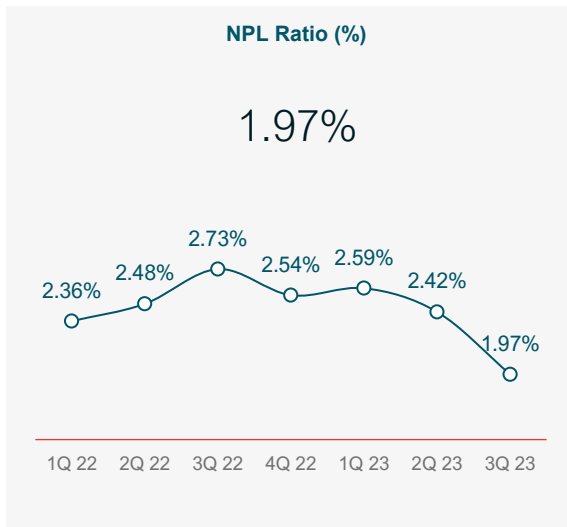
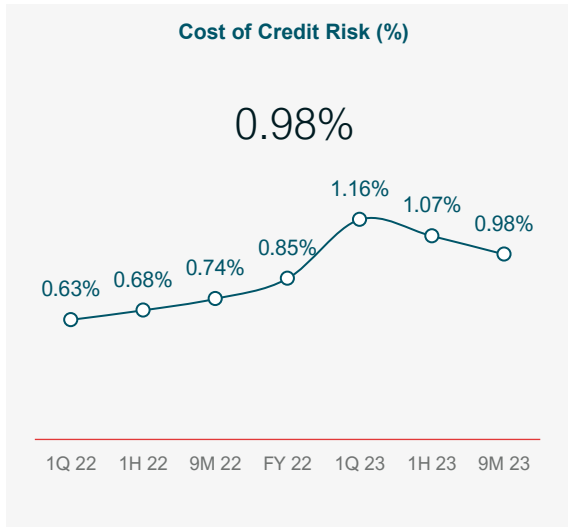
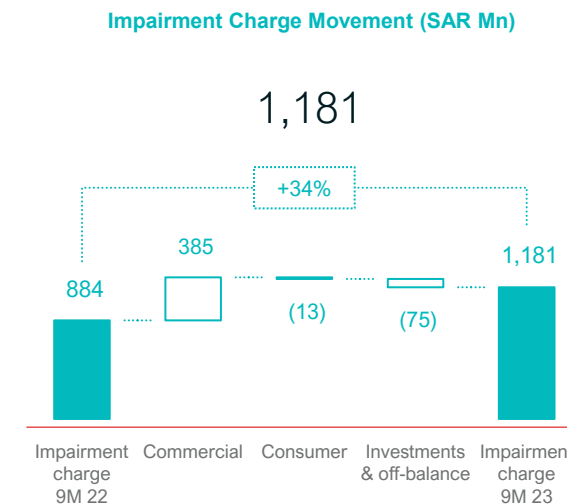
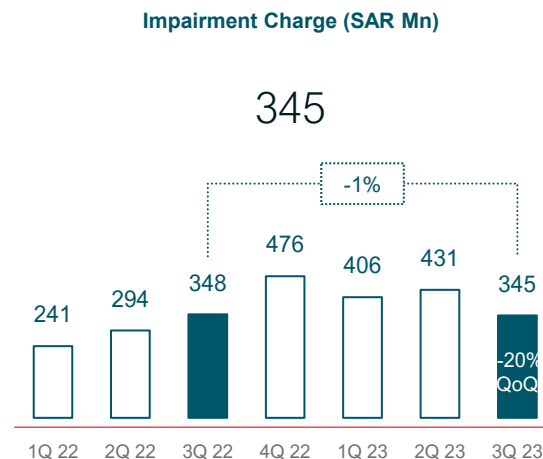
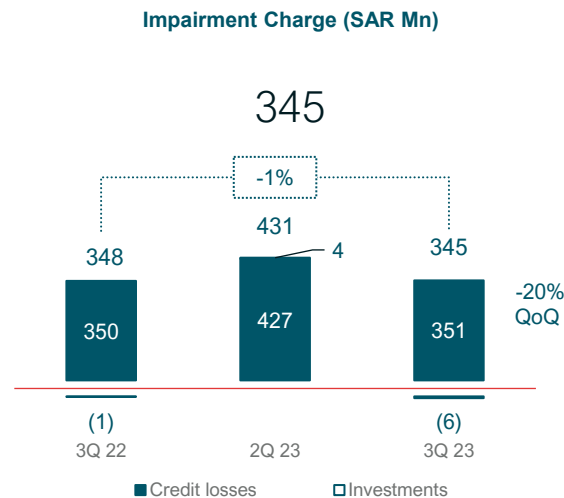


9M 23 Operating Expenses Composition (SAR Mn)



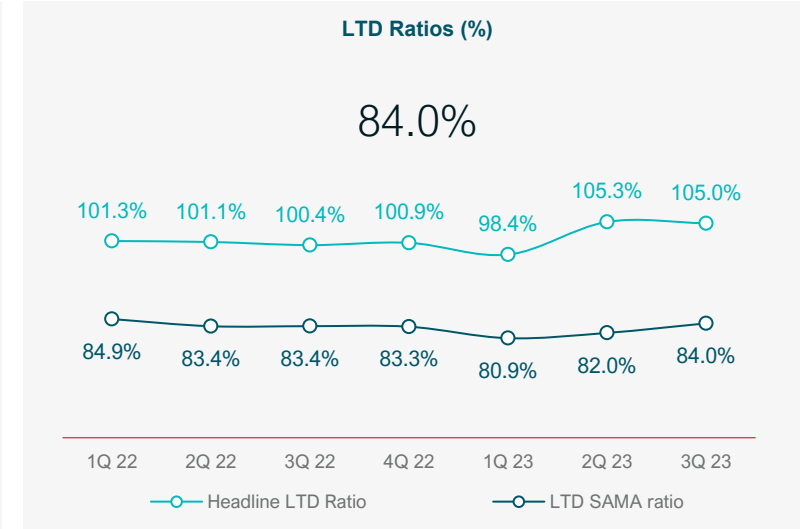
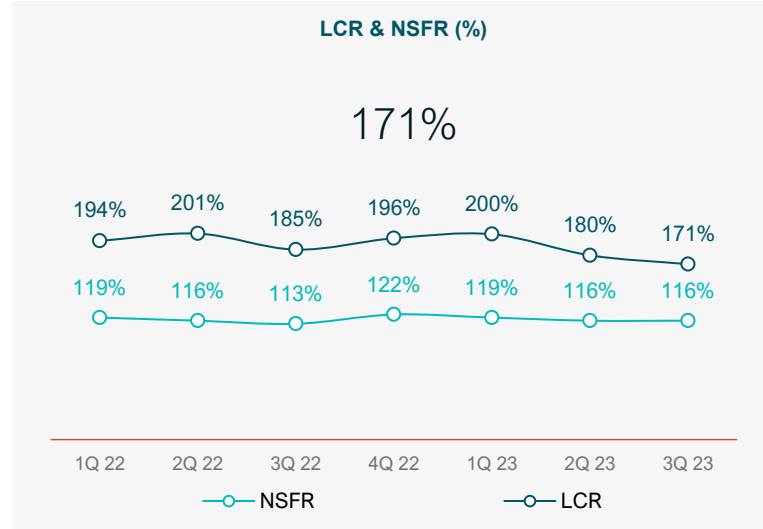
Credit quality trends impacted by isolated pockets of migration in the Commercial book during 2022

- The total impairment charge for 9M 2023 increased 34% YoY to SAR 1,181mn, mainly from higher Commercial impairments, partly offset by Consumer and Investment & off-balance reversals.
- The NPL ratio improved 57bps YTD to 1.97% as NPLs declined 15% on write-offs in the commercial book relative to 10% gross loan growth.
- The trends in credit metrics were impacted by additional coverage on isolated exposures which previously migrated to NPL in the Commercial book.

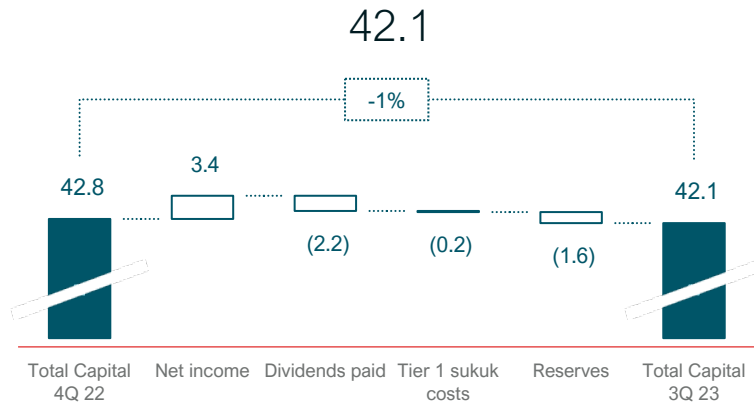


Liquidity, funding and capital comfortable

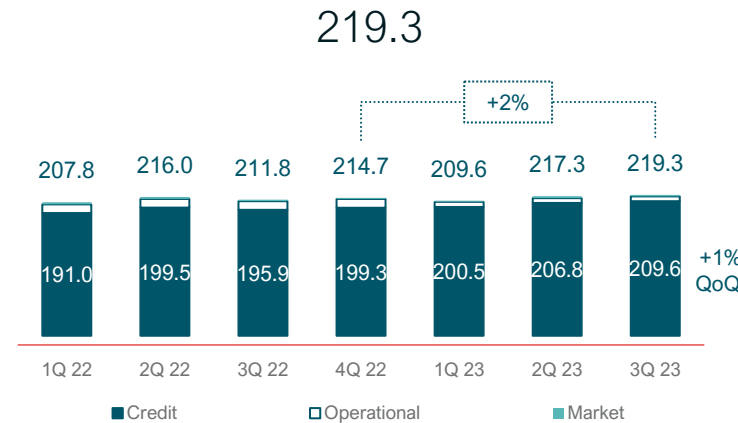
- LCR declined by 25ppts during 9M 2023 to 171%.
- NSFR moderated 6ppts to 116% as of 30 Sept. 2023.
- The SAMA regulatory LTD ratio was within required levels at 84.0% as of 30 September 2023, while the headline ratio increased to 105.0%.
- Total capital (Tier 1 + Tier 2 regulatory capital) declined 1% to SAR 42.1bn during 9M 2023 as net income generation was more than offset by dividend payments and movements in FVOCI & other reserves.
- RWAs increased 2% during 9M 2023 to SAR 219.3bn from lending growth.
- CAR was 19.21% and the Tier 1 ratio was 18.73% as of 30 Sept. 2023.



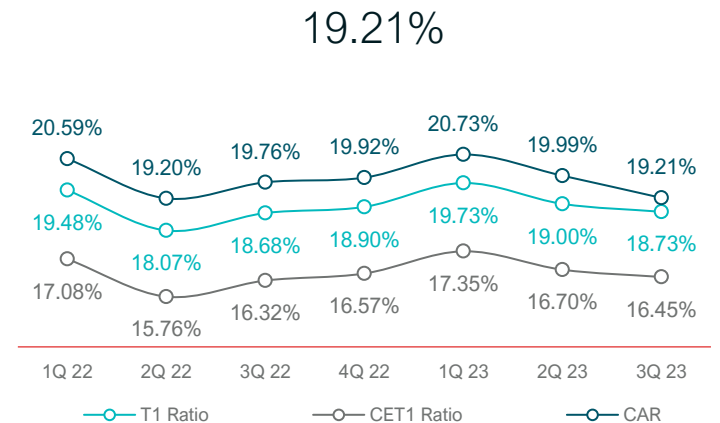
Total Capital Movement (SAR Bn)



RWA (SAR Bn)



CAR (%)



Improving profitability expected in 2023 from solid loan growth, continued NIM expansion, positive jaws and lower cost of risk

| Metric | 9M 2023 Outcome | 2023 Guidance | Revision | Drivers |
|--------------------------|---|--|--|---|
| LOANS & ADVANCES GROWTH | Financing Growth +9.9% YTD ▲ SAR 174.7 bn | Financing Growth Low double-digit | REVISED UP FROM HIGH SINGLE-DIGIT | Balanced growth of consumer and commercial lending expected in 2023 with upward revision from strong commercial lending momentum |
| NET INTEREST MARGIN | NIM 3.63% ▲ +65bps YoY | NIM 3.50 - 3.60% | REVISED UP FROM 3.45-3.55% | NIM expected to rise in 2023 from higher average benchmark rates, with upward revision arising from more hawkish US monetary policy than expected. |
| COST OF RISK | COR 98bps ▲ +23bps YoY | COR 85-95bps | UNCHANGED | Cost of risk for 2023 to gradually normalize while improving coverage on isolated corporate exposures. |
| COST TO INCOME RATIO | CIR 30.5% ▼ -293bps YoY | CIR <32% | UNCHANGED | Expect CI-ratio below 32% for 2023, mainly from higher income on more modestly rising cost base. |
| RETURN ON EQUITY | ROAE 11.5% ▲ +227bps YoY | ROAE 11-13% | UNCHANGED | Increase in ROAE from lending growth, higher NIMs, and improving operating efficiency and risk cost. |
| CORE EQUITY TIER 1 RATIO | CET1 16.4% ▼ -12bps YTD | CET1 17-18% | UNCHANGED | Modest increase in CET1 during 2023 from robust earnings generation, partial reversal of MTM through FVOCI, while maintaining dividend payout levels. |

EARNINGS PRESENTATION 3Q 2023

Questions & Answers

Please contact the Investor Relations team for additional information or download BSF's IR App

For more information, please contact us at:

Banque Saudi Fransi
P.O. Box 56006, Riyadh 11554
Kingdom of Saudi Arabia
IR@alfransi.com.sa

BSF Investor Relations Contact:

Yasminah Abbas
Head of Investor Relations
E: YAbbas@alfransi.com.sa
T: +966 11 289 1406
M: +966 50 418 7484

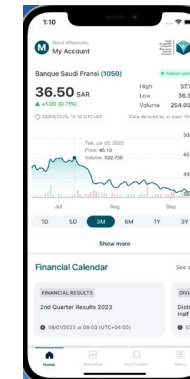
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