



# Banque Saudi Fransi

## Investor Presentation

1Q 2023



# Contents

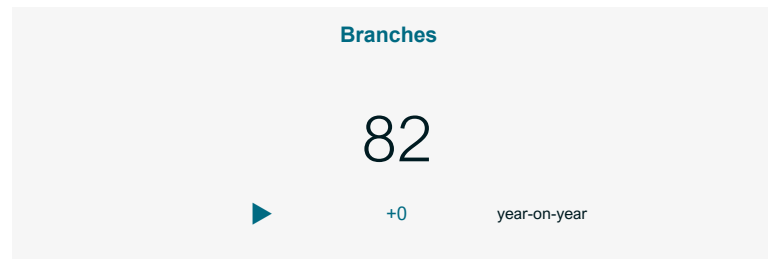
BSF Profile	3
Operating Environment	7
Strategy	11
Financial Performance	24
Outlook & Guidance	41
Segmental Performance	43
Performance Track Record	49
Appendix	52
Disclaimer	53



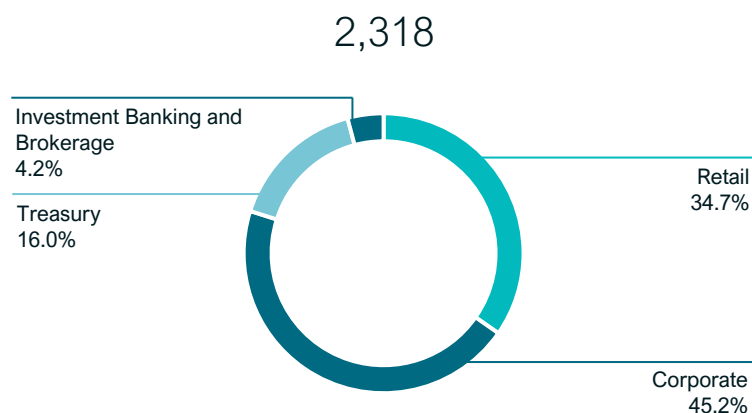
INVESTOR PRESENTATION 1Q 2023

## BSF Profile

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

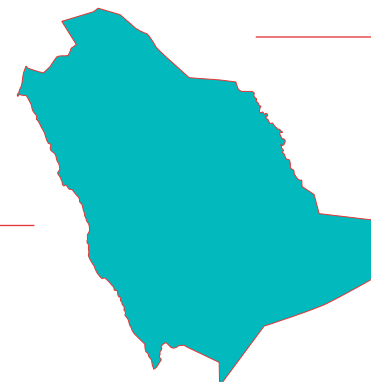


1Q 23 Operating Income Diversity (SAR Mn)



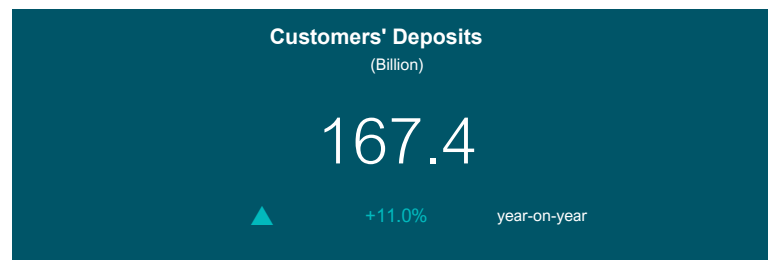
**Headquartered in Riyadh:**  
82 branches across the Kingdom  
Domestically systemic bank

**Universal Bank model:**  
Corporate DNA (82% of our loan book)  
Full suite of conventional and Islamic products  
Growing Retail loan book  
Core focus on the Saudi market



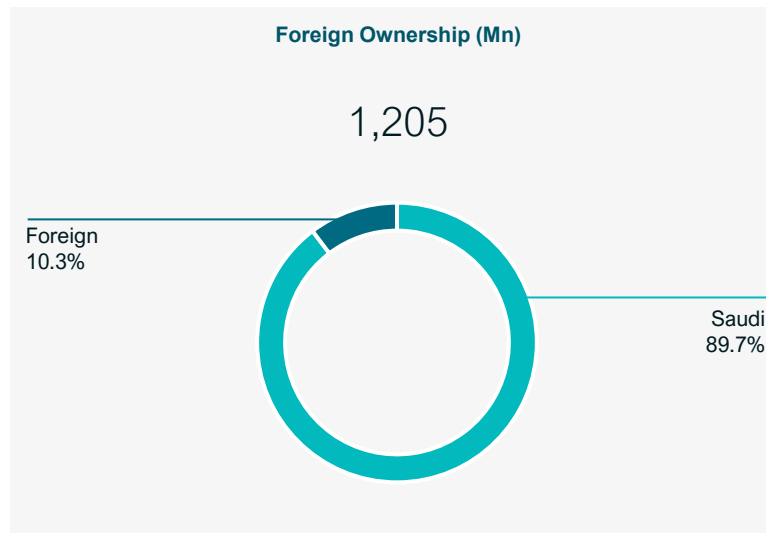
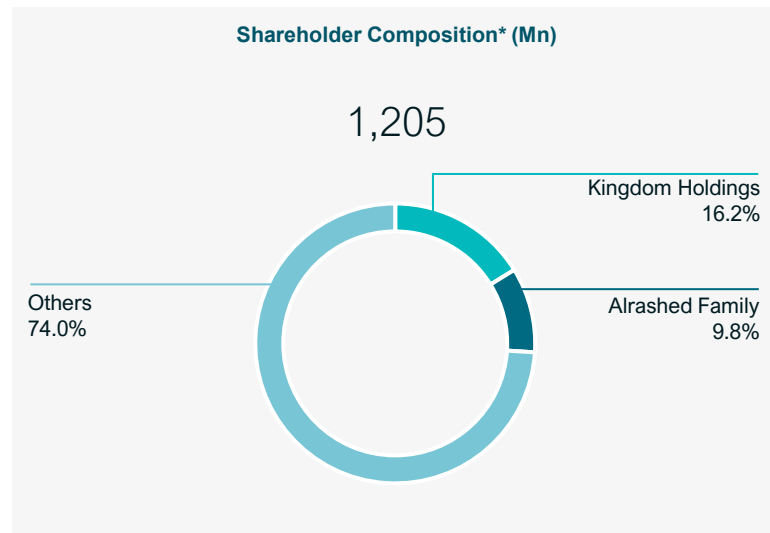
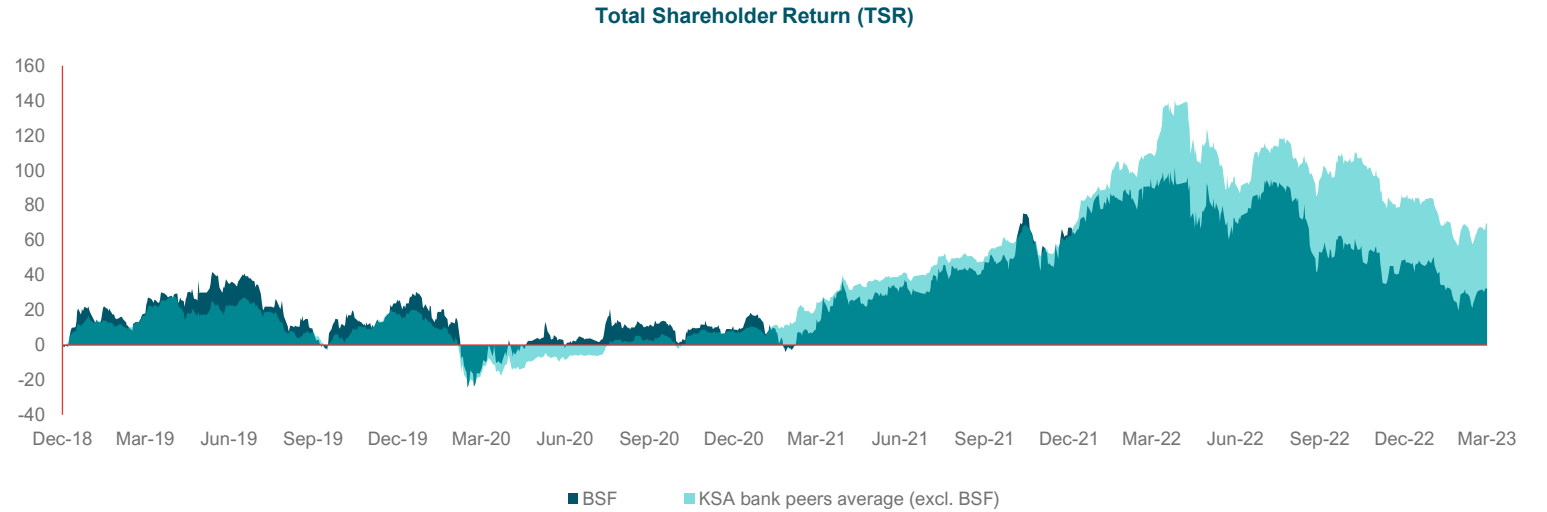
**Subsidiaries in KSA:**  
Saudi Fransi Capital  
Saudi Fransi Insurance Agency  
Saudi Fransi for Finance Leasing  
Sakan Real Estate Financing Company

**Joint ventures in KSA:**  
Insurance with Allianz



# Solid market parameters and credit ratings

Share Parameters	31 Mar 2023
<b>Closing price (SAR)</b>	<b>36.20</b>
52 weeks range (SAR)	32.5 - 57.2
Shares issued (million)	1,205
<b>Market capitalization (SARbn)</b>	<b>43.63</b>
Market capitalization to KSA bank sector	4.98%
Market cap to KSA stock market	0.44%
<b>Price to tangible book value</b>	<b>1.25x</b>
Price to earnings (FY 2022)	13.0x
Dividend yield (FY 2022)	4.5%



**Standard & Poor's**

A-

Stable outlook

**Moody's**

A2

Positive outlook

**Fitch**

A-

Stable outlook

# Experienced and dynamic executive management team



**Bader Alsalloum**

**Chief Executive Officer**

- BSF: appointed Apr-21
- Saudi Investment Bank: Deputy GM Corporate Banking 2 years
- SABB: Deputy GM Comm. Bnk; 15 years



**Ramzy Darwish**

**Chief Financial Officer**

- BSF: appointed CFO Dec-22
- SNB: 17 years where positions included Head of Treasury, Head of Principal Strategies and Investment, and Head of ALM



**Sander Aardoom**

**Deputy Chief Financial Officer**

- Business Lease Group B.V.: CFO & Board member: 3 years
- ING: CFO of Transformation, Technology and Operations, CFO roles in Australia, Romania and Czech Republic: 18 years



**Majed Alsadhan**

**Head of Wholesale Banking**

- BSF: appointed Head of WB Nov-22
- Previously over 4 years with BSF as head of Corporate Banking Central Region and Head of Corporate Banking
- Previously GIB, SABB and SAMBA



**Mohammed Abdulrahman Alsheikh**

**Head of Retail Banking**

- BSF: appointed Jul-18
- Al Rajhi Bank: AGM Retail Banking in 2017
- ANB: 6 years
- SABB: 3 years



**Mutasim Mufti**

**Chief Risk Officer**

- BSF: appointed CRO Jan-21
- BSF: Regional Corporate Banking Group Head for 10 years, Deputy Corporate Banking Group Head for 4 years, Deputy Chief Risk Officer for 3 years



**Zuhair Mardam**

**Chief Treasury and Investment Officer**

- BSF: appointed CTIO Oct-22
- BSF: Head of Global Markets Group 3 years; 18 years with BSF



**Thamer M. Yousef**

**Chief Operations Officer**

- BSF: appointed COO Dec-18
- SABB: Head of Information Services
- SAMBA: 10 years



**Abdallah Alshaikh**

**Head of Legal & Governance**

- BSF: appointed in 2018
- 15 years relevant experience
- SAMBA: Head of Legal & Corporate Secretary
- SAMA/CMA: legal positions



**May Al-Hoshan**

**Chief Human Capital Officer**

- BSF: appointed Aug-18
- Alawwal: Human Resources GM
- NCB Capital: Head of HR



**Abdulmohsen Alrayes**

**Chief Audit Officer**

- BSF: appointed CAO Aug-17
- 34 years banking experience
- SABB: Head of Retail operations
- ANB: Head of Internal Audit



**Yasser Al-Ansari**

**Chief Compliance Officer**

- BSF: appointed CCO in 2021
- GIB: Compliance Group Head
- Al Rajhi Bank: Global Chief of Compliance
- JPMorgan Chase Riyadh: Head of Compliance & AML



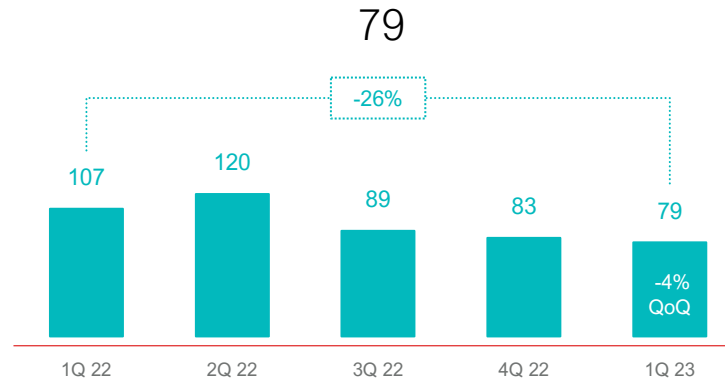
INVESTOR PRESENTATION 1Q 2023

# Operating Environment

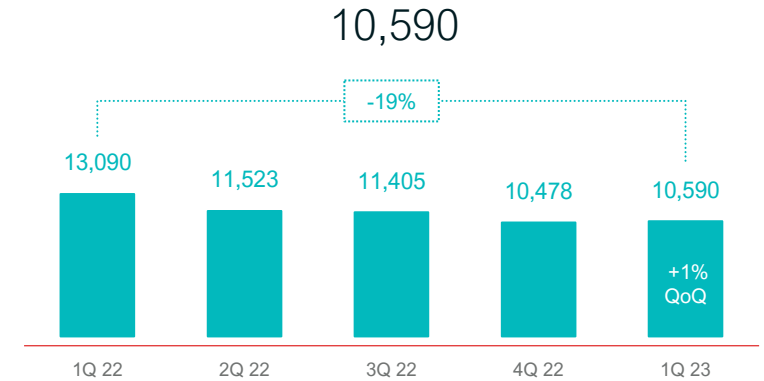
# The macro-economic environment is characterized by rising rates, supportive domestic activity and moderating oil and stock prices

- Oil prices rose to USD 120/bl in 2Q 2022, following Ukraine-Russia disruption, but declined to USD 79/bl in 1Q 2023.
- Interbank rates increased in 2022 and 1Q 2023 from 9 hikes totaling 450bps in the SAMA repo and reserve repo rates to 5.50% and 5.00% respectively.
- The Saudi Arabia purchasing managers index (PMI) improved 1.9 index points YoY to 58.7 in March 2023.
- The Saudi Arabian stock market (Tadawul) declined 19% YoY, while the Banks index declined 26% YoY.

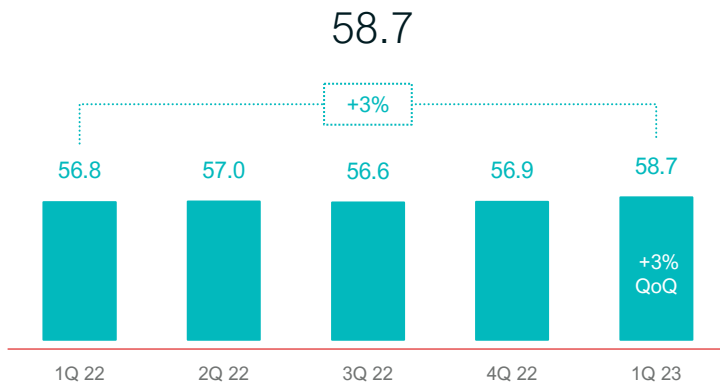
Brent Oil Price / Barrel (USD)



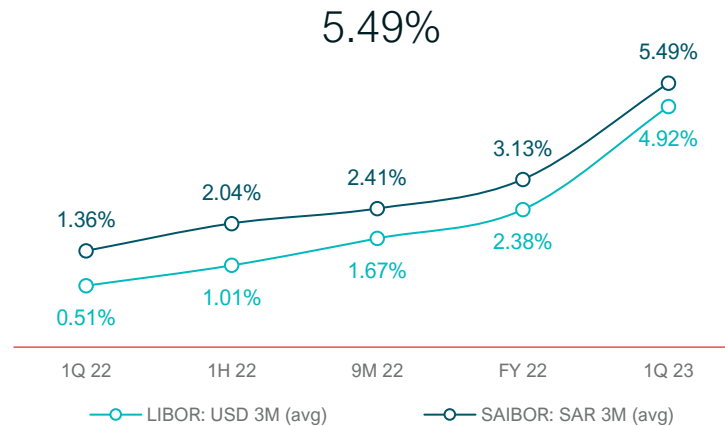
Tadawul Index



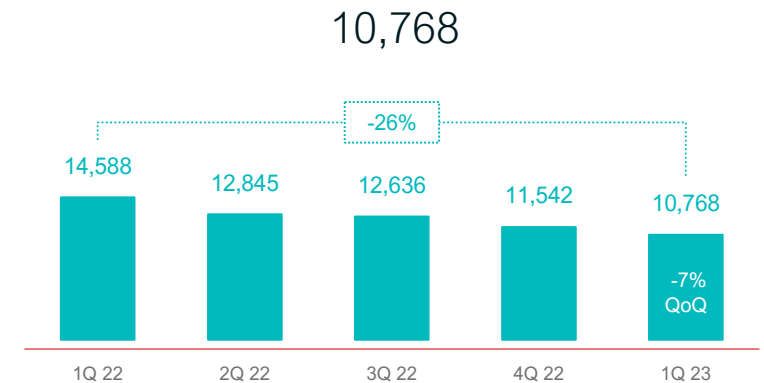
KSA PMI (non-oil private sector)



SAIBOR Trend (%)



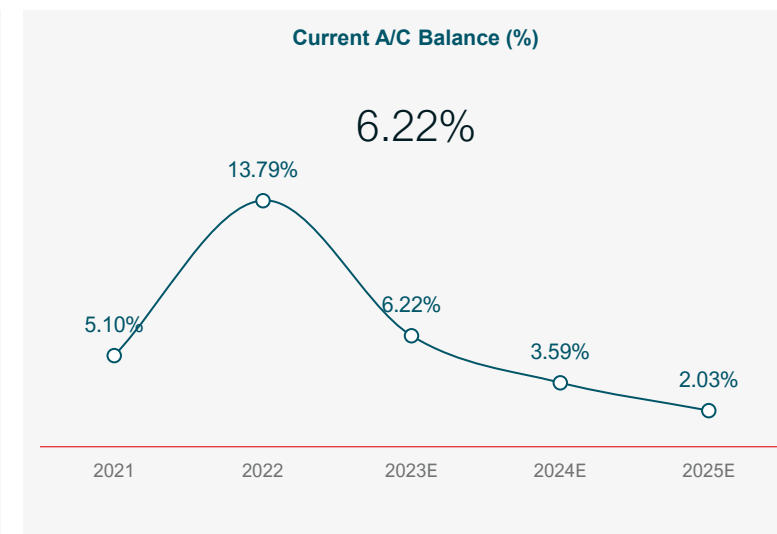
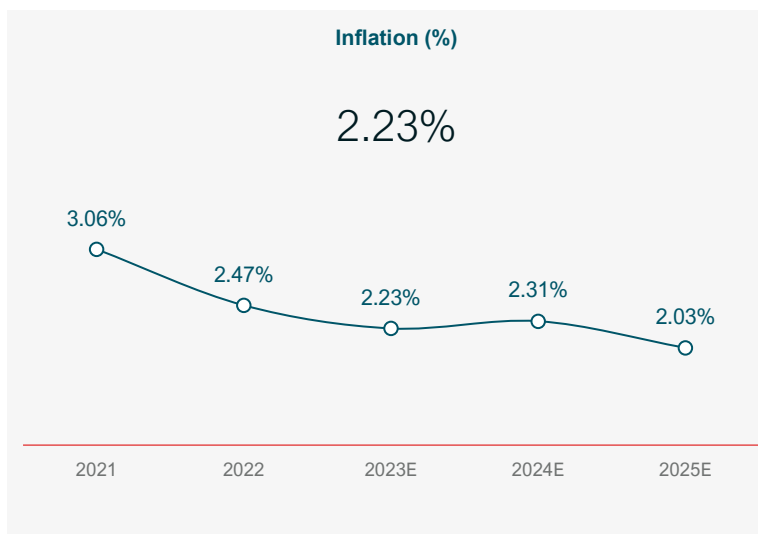
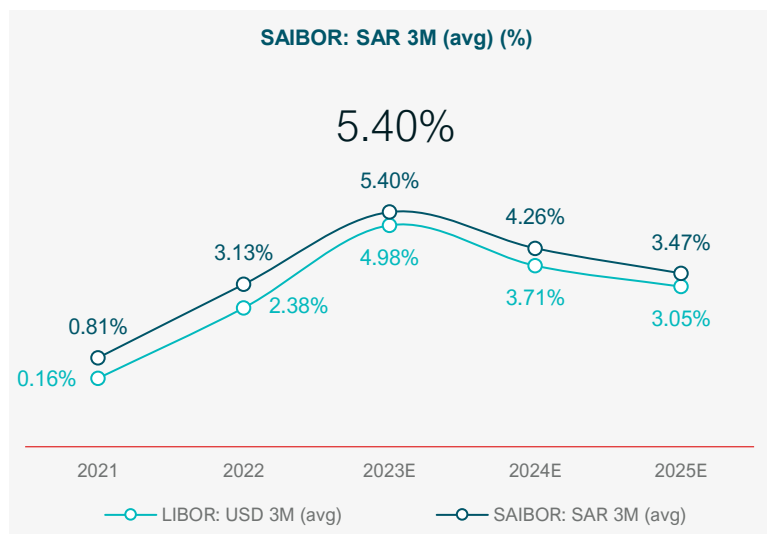
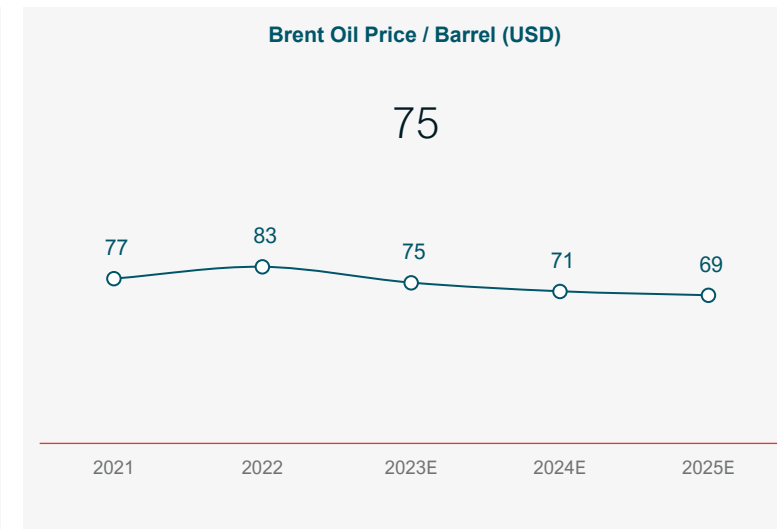
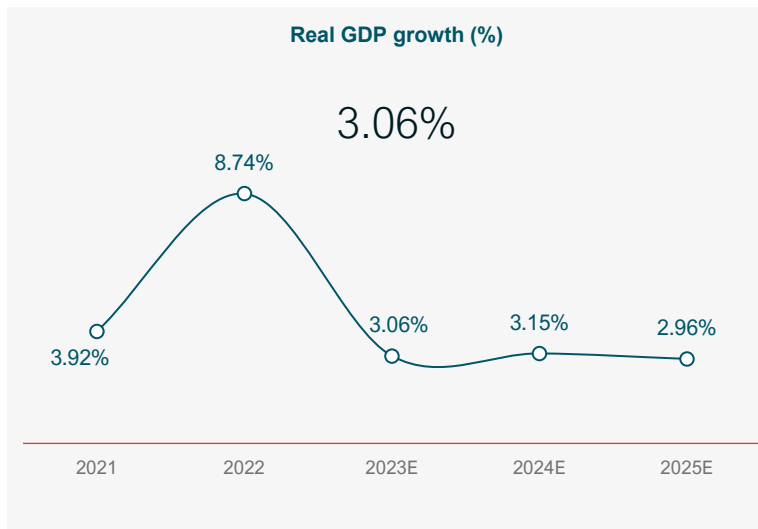
Tadawul Banks Index



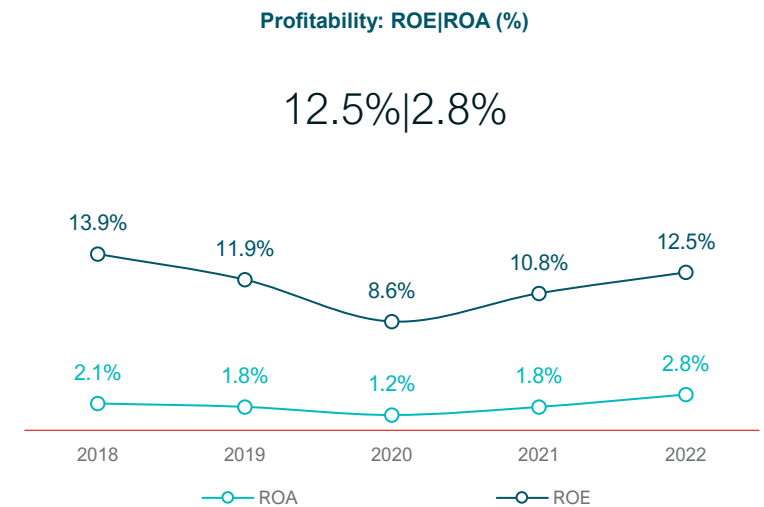
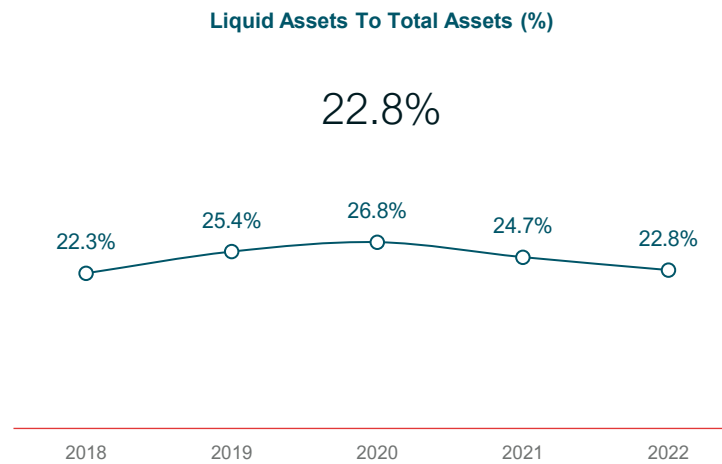
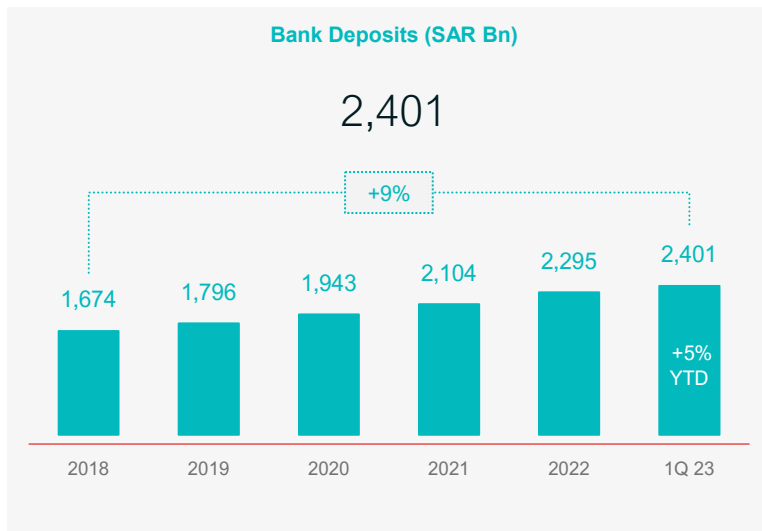
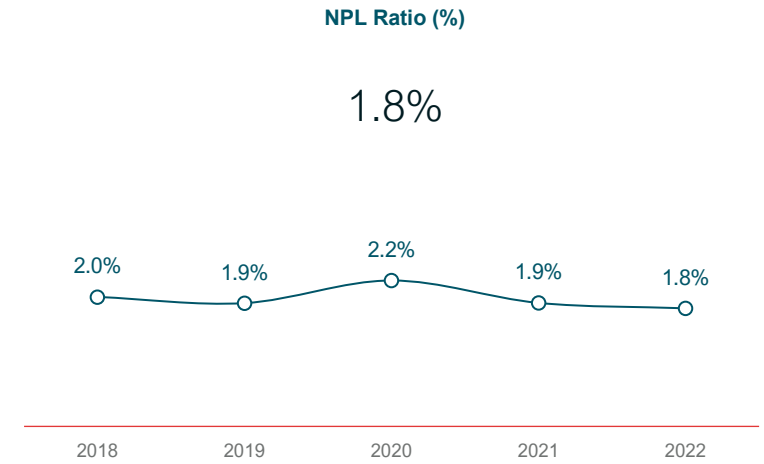
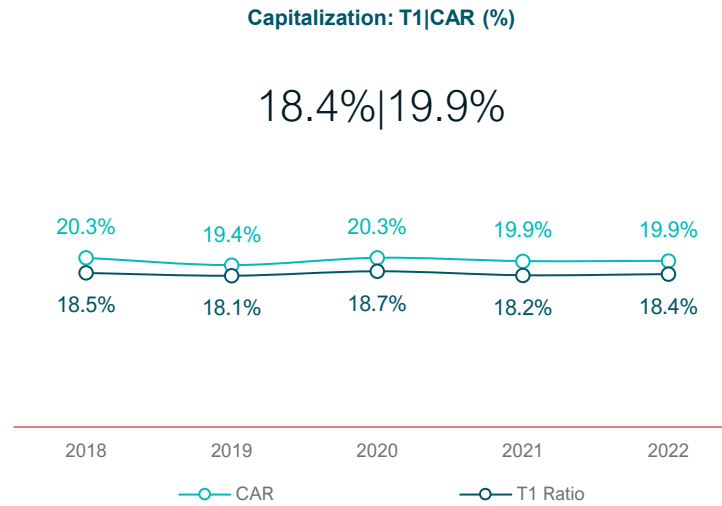
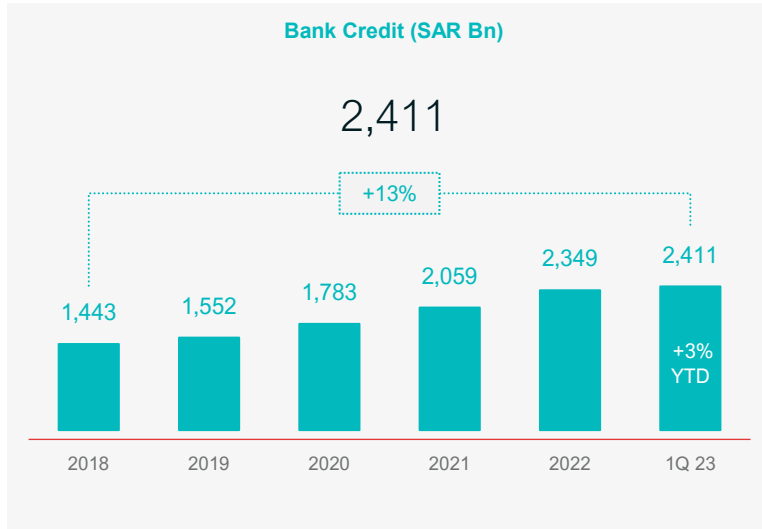


# Saudi Arabia's real GDP growth is forecast at 3.1% in 2023

- Real GDP for Saudi Arabia is expected to grow by 3.1% in 2023 following 8.7% expected growth in 2022.
- Interest rates are expected to tail off during the remainder of 2023; average 3M SAIBOR forecast at 5.40% in 2023 and 4.26% in 2024 compared with 3.13% in 2022.



# The Saudi banking sector is well positioned for both resiliency and growth

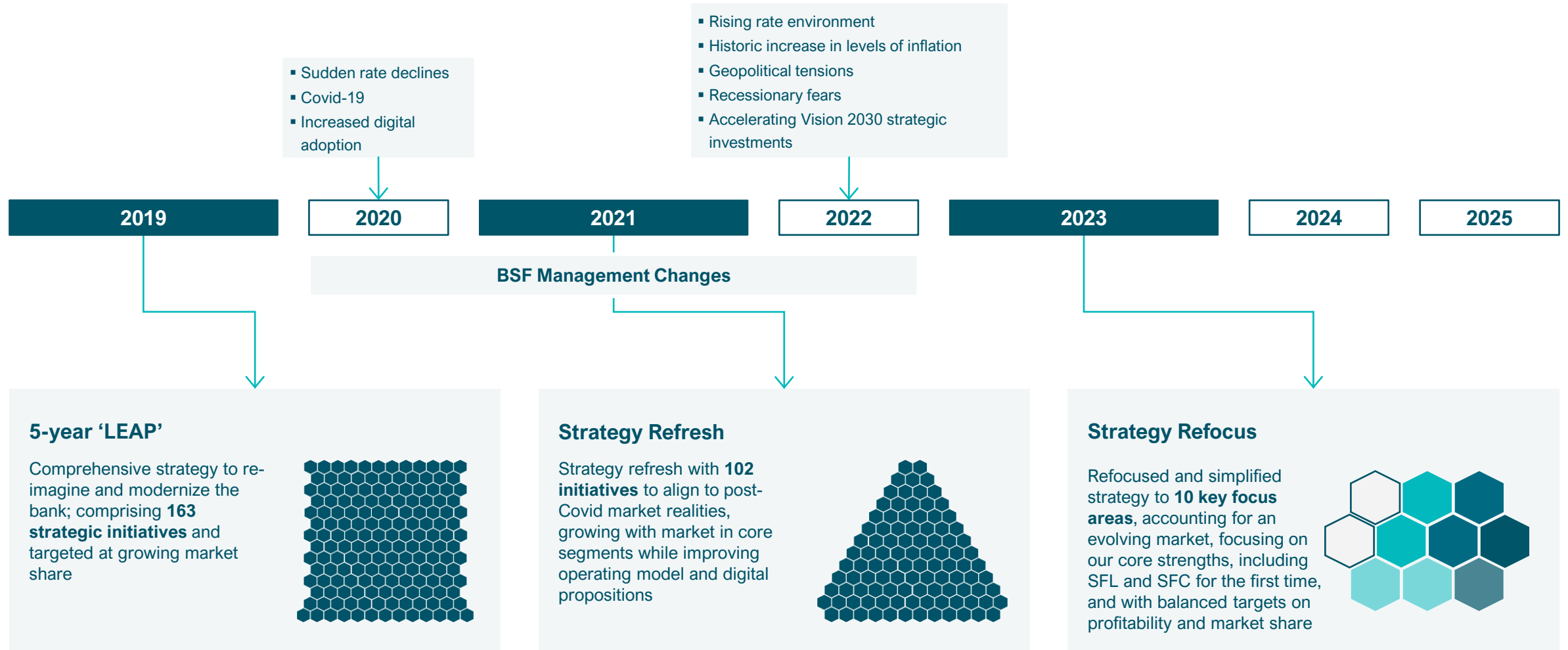




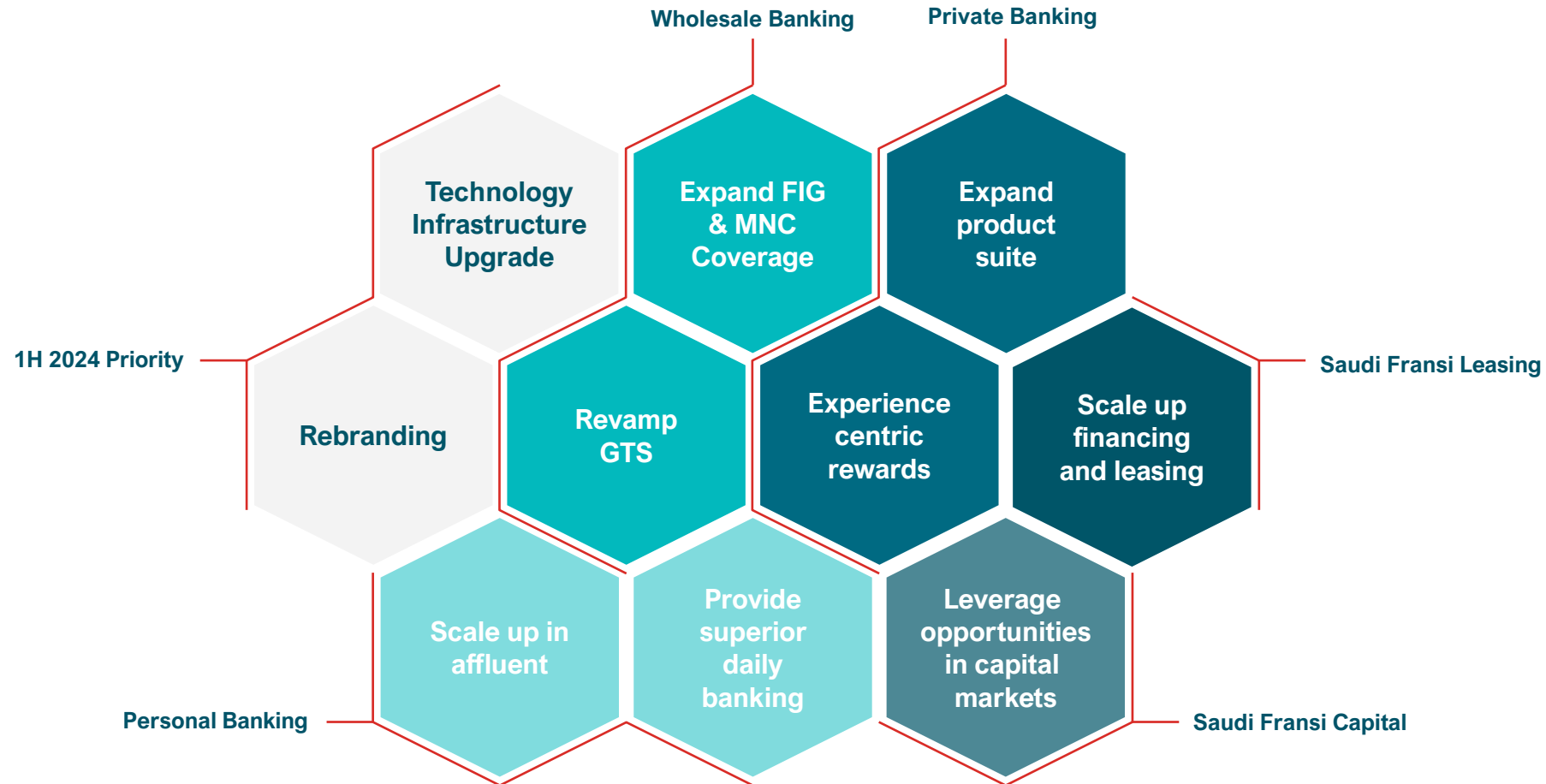
INVESTOR PRESENTATION 1Q 2023

# Strategy

# We are refocusing and simplifying our existing strategy for an evolving external environment and an optimized internal structure



# Refocused strategy targets 10 vital initiatives, including planned completion of technology infrastructure upgrades and rebranding in 1H 2024



# Our strategy is driven by ambitious aspirations for market position, profitability and customer experience

## Strategic Goals



### Position:

Be among the top players in our target segments (Top 3 Market Share)



### Profitability:

Focus on profitability and return on capital (ROE > COC)



### Customer Experience:

Continued commitment to leading CX (NPS #1)

## Strategic Pillars

Wholesale Banking	Personal Banking	Private Banking	Saudi Fransi Leasing	Saudi Fransi Capital
<b>Solidify</b> market position	<b>Leverage</b> segmentation and synergies	<b>Reinforce</b> market leadership	<b>Expand</b> in new market segments	<b>Seize</b> existing opportunities and grow
Top 3 in Wholesale Banking by ROE	Top 2 in Affluent Banking by market share	#1 in Private Banking by market share	Top 2 in Financing & Leasing by market share	Top 3 in Investment Banking by Net Income

## Strategic Enablers



Risk



Technology



Customer Experience & Brand



Digital 2.0

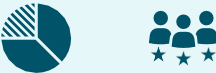








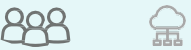


Treasury



Organizational Effectiveness & People

# Strategic initiatives are built on our core business strengths and opportunities

	Wholesale Banking	Personal Banking	Private Banking	Saudi Fransi Leasing	Saudi Fransi Capital
Strategic Goals					
Strengths	<ul style="list-style-type: none"> <li>Strong corporate relationships</li> <li>Corporate &amp; project finance DNA</li> <li>X-sell, strong value proposition</li> </ul>	<ul style="list-style-type: none"> <li>Solid positioning &amp; strong brand in affluent segment</li> <li>Deep knowledge of affluent clients' needs</li> </ul>	<ul style="list-style-type: none"> <li>Leading market position</li> <li>Strong front-line staff</li> </ul>	<ul style="list-style-type: none"> <li>Regulatory advantage in non-bank personal finance market</li> <li>Legacy strength in auto finance</li> </ul>	<ul style="list-style-type: none"> <li>Technical talent</li> <li>Proved excellence and trust</li> </ul>
Opportunities	<ul style="list-style-type: none"> <li>Vision 2030 opportunities</li> <li>Address imbalance in market leadership level in coverage (e.g. FIG) &amp; product (e.g. GTS)</li> </ul>	<ul style="list-style-type: none"> <li>Become bank of choice in affluent</li> <li>Optimize mass retail to enhance margins</li> </ul>	<ul style="list-style-type: none"> <li>Organic market growth</li> <li>Multi-family office &amp; geographic expansion of investment opportunities</li> </ul>	<ul style="list-style-type: none"> <li>PF, home loans, micro finance</li> <li>Underpenetrated market</li> </ul>	<ul style="list-style-type: none"> <li>Growth of capital markets</li> <li>Traditionally managed as a silo: opportunity to leverage with affluent &amp; PB</li> </ul>
Objectives	<ul style="list-style-type: none"> <li>Strengthen position as a premier wholesale bank</li> <li>Boost fee income, expand offerings to FIs</li> </ul>	<ul style="list-style-type: none"> <li>Improved segmentation for affluent customers</li> <li>Serving of non-affluent through streamlined channels</li> </ul>	<ul style="list-style-type: none"> <li>Enhanced product portfolio</li> <li>Distinctive experience rewards system</li> </ul>	<ul style="list-style-type: none"> <li>Digitalization</li> <li>Broaden product range</li> <li>Rebranding</li> <li>Expand to new segments</li> </ul>	<ul style="list-style-type: none"> <li>Focus on collaboration to provide unified suite of wealth management with PBG</li> <li>Capitalize on Vision 2023 activities in construction sector</li> </ul>
Focused Initiatives	GTS revamp Expand FIG&MNC coverage	Scale up affluent Provide superior daily banking	Expand product suite Experience-centric rewards	Digital channels acceleration Product diversification Brand repositioning	Synergize wealth management Develop real estate advisory Attractive investment solutions
Strategic Enablers					

# Strategic Pillar: Wholesale Banking

## Strategy Objectives

Strengthen position as a premier wholesale bank, boosting fee income while expanding offerings to FIs and government

## Our Strengths

- ▷ Strong & deep relationships with corporates
- ▷ Corporate & project finance DNA
- ▷ Cross-sell culture and a strong overall value proposition

## Our Opportunities

- ▷ Vision 2030 opportunities
- ▷ Address imbalance in level of market leadership in coverage (FIG vs. Corporate) and product (GTS vs. SFD)

## Strategic Goals

 Position

 Customer Experience

## Strategic Enablers

 Risk

 Organizational Effectiveness & People

 Technology

## Focused Objectives

### GTS Revamp

- Ambition:
  - Become the main operating bank of our clients
- Focus Areas:
  - Trade advisory & products
  - Innovative cash management solutions
  - Reducing turnaround times
  - Improve customer experience & NPS

### Expand FIG & MNC Coverage

- Ambition:
  - Become a full-service wholesale bank that leads the market
- Focus Areas:
  - Advance our lending strategy for FI & Government
  - Expand FI support & geographic coverage
  - Grow SAR clearing business
  - Attract MNCs to BSF corporate services



# Strategic Pillar: Personal Banking

## Strategy Objectives

Focusing on affluent customers through improved segmentation, serving non-affluent through streamlined channels, and utilizing our synergies with wholesale

## Our Strengths

- ▷ Solid positioning & strong brand in affluent segment
- ▷ Deep institutional knowledge of affluent clients' needs






## Our Opportunities

- ▷ Opportunity to become bank of choice in attractive affluent market
- ▷ Optimize mass retail to enhance margins

## Strategic Goals

-  Position
-  Profitability
-  Customer Experience

## Strategic Enablers

-  Risk
-  Organizational Effectiveness & People
-  Technology
-  Customer Experience & Brand
-  Treasury

## Focused Objectives

### Scale up in Affluent

- **Ambition:**
  - Become the main operating bank of our clients
- **Focus Areas:**
  - Trade advisory & products
  - Innovative cash management solutions
  - Reducing turnaround times
  - Improve customer experience & NPS

### Provide Superior Daily Banking

- **Ambition:**
  - Efficient streamlined channels for non-affluent clients
- **Focus Areas:**
  - Focus on Omnichannel MVP
  - New agile branch model
  - Leverage corporate relationships to capture retail clients

# Strategic Pillar: Private Banking

## Strategy Objectives

Reinforcing market leadership by enhancing the product portfolio and offering a distinctive experience rewards system

## Our Strengths

- ▷ Leading market position & core strength of the bank
- ▷ Strong front-line staff who deeply understand our client needs and market

## Our Opportunities

- ▷ Strong market growth within our key segment
- ▷ Multi-family office and geographic expansion of investment opportunities

## Strategic Goals



Customer Experience

## Strategic Enablers



Risk



Organizational Effectiveness & People



Customer Experience & Brand

## Focused Objectives

### Enhanced Product Portfolio

- **Ambition:**
  - Pioneering product offering
- **Focus Areas:**
  - Enhance linkage to SFC
  - Product expansion to include off-plan financing of projects
  - Reviewing SDRM rates to be remain competitive

### Distinctive Experience Rewards System

- **Ambition:**
  - Market trail-blazer in client loyalty experiences
- **Focus Areas:**
  - Double down on experience-centric rewards
  - Expand marketing efforts
  - Partnerships with key experience providers

# Strategic Pillar: Saudi Fransi Leasing

**Strategy Objectives**

Embracing digitalization, broadening product offerings, and rebranding to expand to untapped markets




**Our Strengths**

- ▷ Strong customer journeys for clients supported by close relationship with BSF Group
- ▷ Regulatory advantage in non-bank personal finance market
- ▷ Legacy strength in auto finance & distribution





**Our Opportunities**

- ▷ The PF, home loan, and micro-finance space still an early-mover opportunity
- ▷ Under-served and growing market

**Strategic Goals**

-  Position
-  Profitability
-  Customer Experience

**Strategic Enablers**

-  Risk
-  Organizational Effectiveness & People
-  Digital 2.0
-  Customer Experience & Brand

**Focused Objectives**

<p><b>Digital Channels</b></p> <ul style="list-style-type: none"> <li>● <b>Ambition:</b> <ul style="list-style-type: none"> <li>→ Market leader in customers' digital journey</li> </ul> </li> <li>● <b>Focus Areas:</b> <ul style="list-style-type: none"> <li>→ Defining digital strategy</li> <li>→ Launching digital financing product catalogue</li> <li>→ Focus on customer journey &amp; experience</li> </ul> </li> </ul>	<p><b>Product Diversification</b></p> <ul style="list-style-type: none"> <li>● <b>Ambition:</b> <ul style="list-style-type: none"> <li>→ Efficient streamlined channels for non-affluent clients</li> </ul> </li> <li>● <b>Focus Areas:</b> <ul style="list-style-type: none"> <li>→ Focus on Omnichannel MVP</li> <li>→ New agile branch model</li> <li>→ Leverage corporate relationships to capture retail clients</li> </ul> </li> </ul>	<p><b>Brand Repositioning</b></p> <ul style="list-style-type: none"> <li>● <b>Ambition:</b> <ul style="list-style-type: none"> <li>→ Strong differentiated brand presence</li> </ul> </li> <li>● <b>Focus Areas:</b> <ul style="list-style-type: none"> <li>→ Create independent brand image for new customer segments &amp; trends</li> <li>→ Expand marketing</li> </ul> </li> </ul>
---	--	--

# Strategic Pillar: Saudi Fransi Capital

## Strategy Objectives

Focusing on collaboration to provide a unified suite of wealth management with PBG, and capitalizing on Vision 2030 real estate activity with WBG

## Our Strengths

- ▷ Strong technical talent
- ▷ Institutional pedigree linked to excellence and trust

## Our Opportunities

- ▷ Capitalize on KSA's growing financial and capital markets strongly influenced by Vision 2030
- ▷ Traditionally managed as a silo: strong opportunity to leverage with affluent & Private Banking

## Strategic Goals

 Position

 Customer Experience

## Strategic Enablers

 Risk

 Organizational Effectiveness & People

 Technology

## Focused Objectives

### Synergize Wealth Management

- **Ambition:**
  - Increase AUMs to become market leader
- **Focus Areas:**
  - Revamp distribution model to target PB clients
  - Offering SFC products in BSF Omnichannel
  - Closer coordination and accountability between SFC & BP

### Develop Real Estate Advisory

- **Ambition:**
  - Capitalize on growing real estate expansion
- **Focus Areas:**
  - Specialist advisory unit
  - Expand advisory services to investment banking & asset management propositions

### Attractive Investment Solutions

- **Ambition:**
  - Become market leader in net income
- **Focus Areas:**
  - Offering investment products tailored to VRPs and NCP initiatives

# Strategic Enablers: Risk, Customer Experience & Brand

## Risk



Drive business growth proactively and risk-smart, slashing cost of credit and unlocking efficient credit approval and monitoring solutions.

## Customer Experience & Brand



Elevate customer experience to foster trust and loyalty, boosting retention, advocacy, referrals, and setting BSF apart from the competition.

### Focus Areas

1

#### Evolving risk culture

Continuous enhancement of Early Warning Signals, reexamine strategic risk allocation, and sharpening the risk culture

2

#### Operational efficiency

Focus on strengthening guard-rails for credit extension through a sector-focused update to Target Market – Risk Acceptance Criteria and collections to keep cost of credit at low levels

3

#### Cyber/operational risk management

360 view of the main cyber security aspects, enhancing the operational control environment related governance & risk culture, central risk register, control testing and digital adoption

### Focus Areas

1

#### Rebranding

Seamless, effective, and efficient launch of the brand on a stabilized platform

2

#### Leading in customer experience (NPS)

Continue to maintain customer at the heart of every interaction, and improve customer journeys across the board

3

#### Leveraging technology to enhance customer experience

Implementation and execution of existing IT plan along with enhanced digital integration to unify and improve customer interaction, product, and service offering

# Strategic Enablers: Technology & Digital

## Technology



The long-running projects, aimed at enhancing core tech infrastructure for BSF, are set to conclude in 1H 2024, propelling the bank into a new era of innovation and efficiency.

## Digital 2.0



Driving BSF's ambition to become the most modern, innovative and experience-focused bank in the region.

### Focus Areas

1

#### Integrated Corporate Portal

Implementing a platform that allows to provide customers with digital trade & supply chain services. The integrated portal will expand subsequently to avail liquidity and cash mgmt. solutions and services

2

#### Core Banking System

Implementing a platform that enables the bank to offer best-in-class customer experience; leading operational efficiency; future-proof the technology landscape and enhanced offering and services to our customers

3

#### Customer Omni Channels

Implementing a platform that will allows to provide customers a high performance, robust digital banking service that offers a clean, simple and intuitive customer experience for their everyday banking

### Focus Areas

1

#### Digital Strategy

Creation of long-term digital strategy addressing future trends & risks

2

#### Digital Execution

Support innovation agenda through innovation activity, thought leadership & training

3

#### FinTech

Improve CX, diversify revenue streams, enhance operational efficiency

4

#### Data Science

Turn data into a valuable resource to create of new business value

5

#### Skills & Culture

Build a workforce with a wide range of tech skills and nurture a culture that embraces change, innovation, and ongoing learning

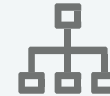
# Strategic Enablers: Treasury, Organizational Effectiveness & People

## Treasury



Fuel the bank's growth and help business lines optimize their funding costs.

## Organizational Effectiveness & People



Revamp organization, enhance processes, refresh authority delegation, align HR, and oversee strategic projects.

### Focus Areas

1

#### Broader liability base

Establishment of a Sukuk program, Credit Linked Deposits, LT Repos, explore private placements

2

#### Credit and portfolio diversification

Credit and portfolio diversification; New initiatives include DPM on non-MENA credit & Private Debt

3

#### Upgrading hedging suite

Develop the full suite of hedge accounting: Macro and Micro proxy IR hedges, Cross-Currency-Swaps, FX Swaps

4

#### Enhanced funds transfer pricing network

Enhance BSF funds transfer pricing (FTP) framework to improve BSF business performance and risk management.

### Focus Areas

1

#### Manage the change agenda

Establish a structured transformation process, manage the change agenda including aligning KPIs to cross-functional outcomes

2

#### Hire talent for priority projects and future-oriented skills

Upskill and reskill to drive talent readiness and competitiveness

3

#### Independently assess, monitor and report on top priority projects

Establish Enterprise unit as Second line of defense to oversee the top strategic projects in BSF (Integrated Corporate Portal, Core Banking System , Rebrand and Customer Omni Channels)

4

#### Optimize organizational structure

Promote efficiency, equip structural agility and strengthen succession bench

INVESTOR PRESENTATION 1Q 2023

# Financial Performance

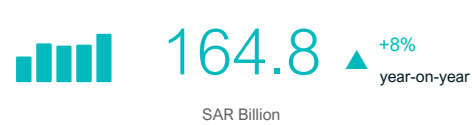


# Improved profitability from NIM expansion and balanced asset growth

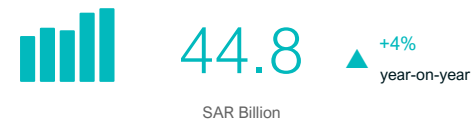
## BALANCE SHEET

- High quality loan growth of 8% YoY driven by 8% commercial and 6% consumer lending growth.
- Deposit growth of 11% YoY, mainly from IBDs.

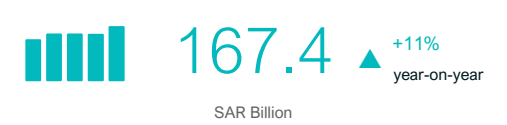
### Loans & Advances



### Investments



### Customers' Deposits



## INCOME STATEMENT

- 27% top-line growth from 36% NII growth.
- Net income grew 23% as income growth partly offset by increased operating expenses and impairments.

### Operating Income



### NIM



### Net Income



## ASSET QUALITY

- Modest rise in NPL ratio and cost of risk and moderated NPL coverage from isolated pockets of migration in commercial book.

### NPL Ratio



### NPL Coverage Ratio



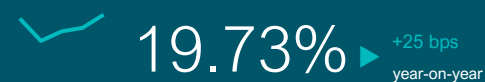
### Cost of risk



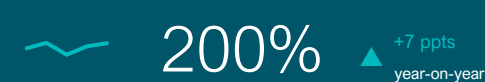
## CAPITAL & LIQUIDITY

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

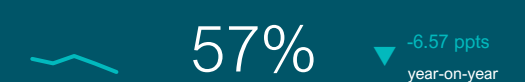
### T1 Ratio



### LCR



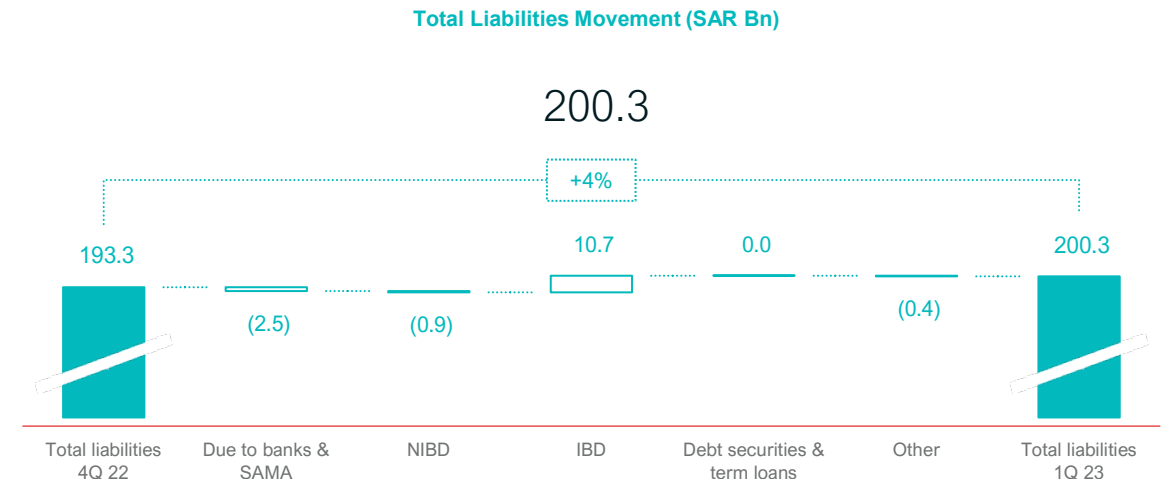
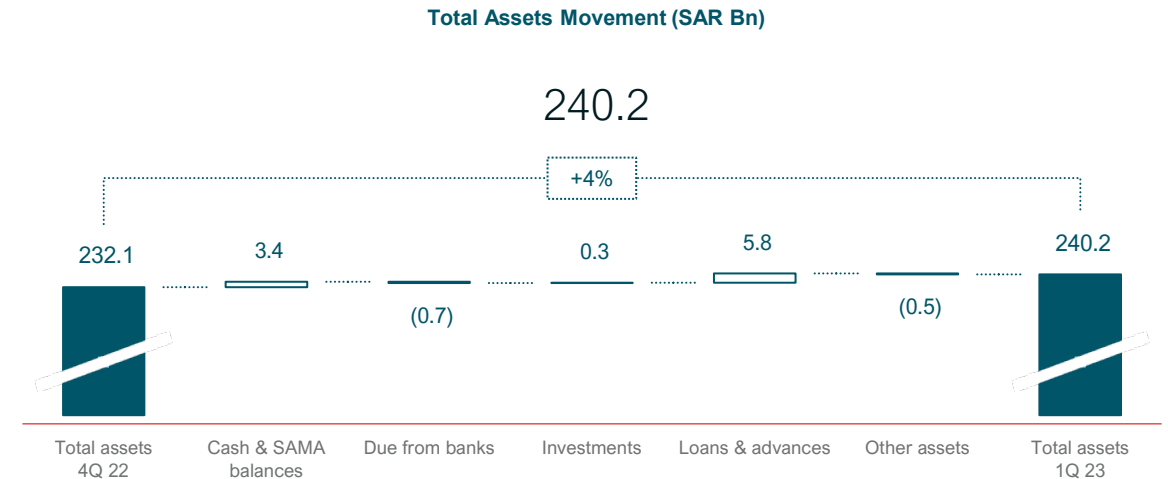
### NIBD % of Total Deposits



# Balance sheet growth driven by lending and SAMA placements, funded by IBD growth

- Growth in total assets of 4% YTD, mainly driven by healthy 4% loan growth and increased placements with SAMA.
- Liabilities grew by 4% during 1Q 2023 from 6% deposit growth, mainly from IBDs, while further reducing short-term wholesale funding.
- Total equity increased 3% YTD due to retained earnings generation.

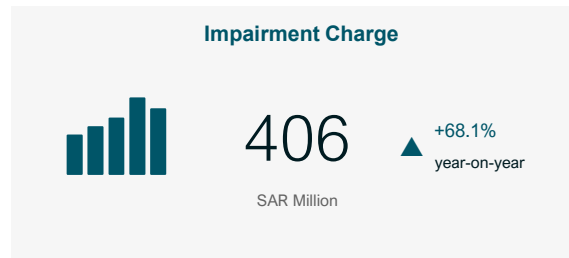
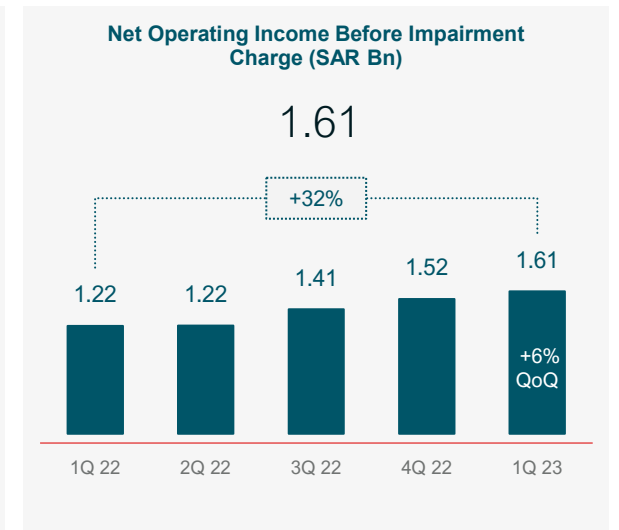
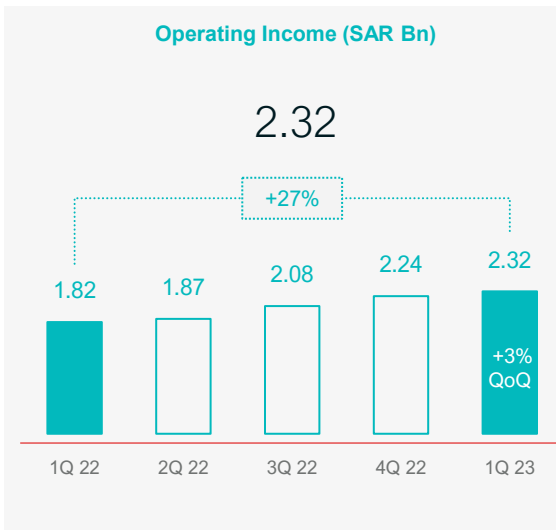
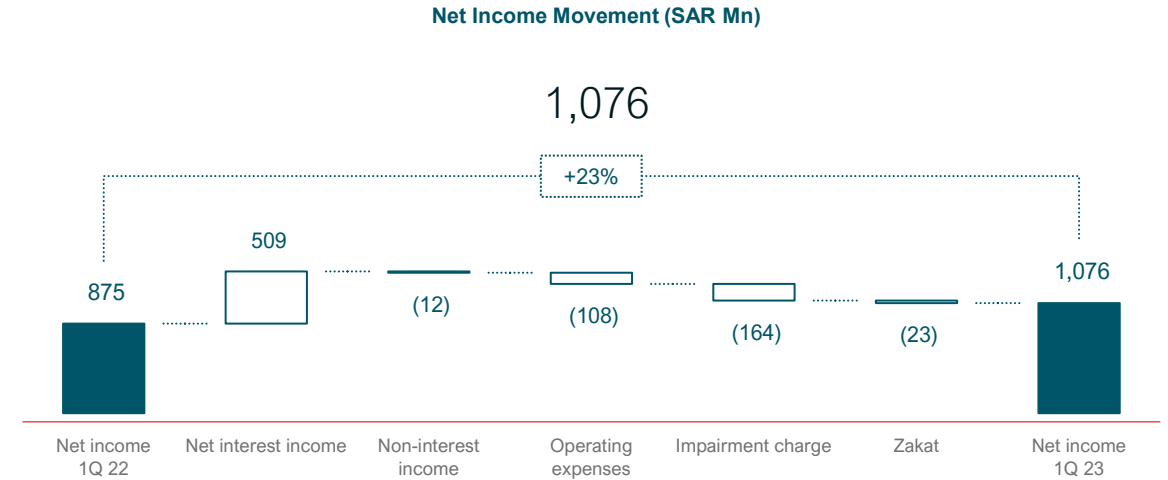
SAR (Mn)	1Q 2023	4Q 2022	Δ%	1Q 2022	Δ%
Cash & SAMA balances	14,683	11,326	+30%	10,373	+42%
Due from banks	4,056	4,795	-15%	6,659	-39%
Investments	44,807	44,518	+1%	42,942	+4%
Loans & advances	164,779	159,012	+4%	152,690	+8%
Other assets	11,910	12,428	-4%	9,547	+25%
<b>Total assets</b>	<b>240,236</b>	<b>232,078</b>	<b>+4%</b>	<b>222,211</b>	<b>+8%</b>
Due to banks & SAMA	14,275	16,770	-15%	20,458	-30%
Customers' deposits	167,414	157,592	+6%	150,759	+11%
Debt securities & term loans	4,533	4,515	+0%	0	
Other liabilities	14,078	14,455	-3%	11,566	+22%
<b>Total liabilities</b>	<b>200,300</b>	<b>193,333</b>	<b>+4%</b>	<b>182,783</b>	<b>+10%</b>
Share capital	12,054	12,054	+0%	12,054	+0%
Retained earnings	10,788	9,768	+10%	9,217	+17%
Other reserves	12,094	11,924	+1%	13,157	-8%
Tier 1 Sukuk	5,000	5,000	+0%	5,000	+0%
<b>Total equity</b>	<b>39,936</b>	<b>38,745</b>	<b>+3%</b>	<b>39,428</b>	<b>+1%</b>



# Net income grew 23% YoY from strong NII growth, partly offset by increased operating expenses and impairments

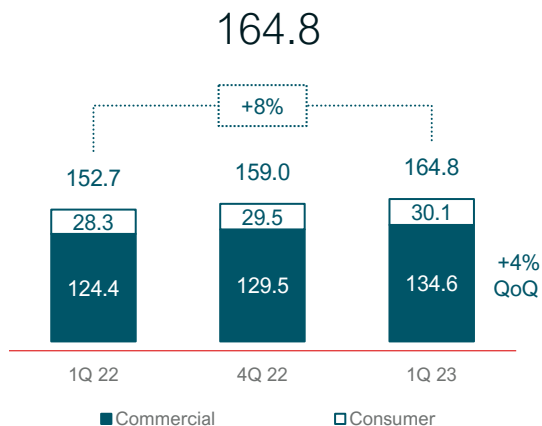
- Net income for 1Q 2023 grew 23% YoY to SAR 1,076mn from 27% growth in operating income, partly offset by 18% growth in operating expenses and a 68% rise in the impairment charge.
- Quarterly net income increased 19% QoQ from healthy income growth and lower impairments.

SAR (Mn)	1Q 2023	4Q 2022	Δ%	1Q 2022	Δ%
Net interest income	1,924	1,779	+8%	1,415	+36%
Non-interest income	394	464	-15%	406	-3%
<b>Operating income</b>	<b>2,318</b>	<b>2,243</b>	<b>+3%</b>	<b>1,821</b>	<b>+27%</b>
Operating expenses	(712)	(723)	-2%	(604)	+18%
<b>Net operating income before impairment charge</b>	<b>1,606</b>	<b>1,520</b>	<b>+6%</b>	<b>1,217</b>	<b>+32%</b>
Impairment charge	(406)	(476)	-15%	(241)	+68%
<b>Net income before zakat</b>	<b>1,200</b>	<b>1,044</b>	<b>+15%</b>	<b>975</b>	<b>+23%</b>
Zakat	(124)	(141)	-12%	(101)	+23%
<b>Net income</b>	<b>1,076</b>	<b>903</b>	<b>+19%</b>	<b>875</b>	<b>+23%</b>

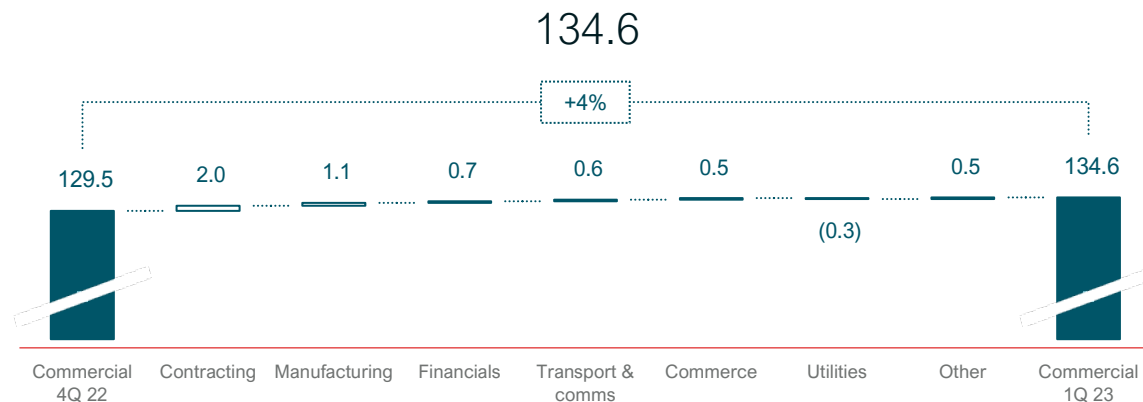


# Healthy and balanced 4% loan growth during 1Q 2023

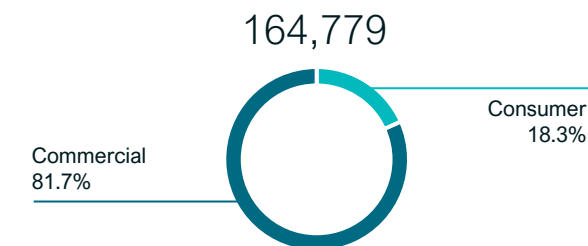
Total Loans & Advances (SAR Bn)



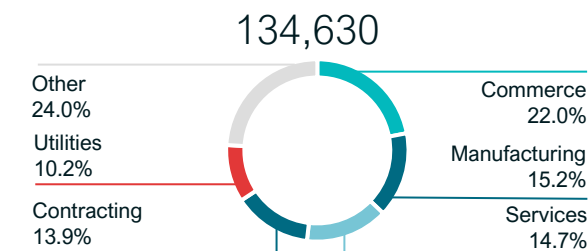
Commercial Loans Movement YTD (SAR Bn)



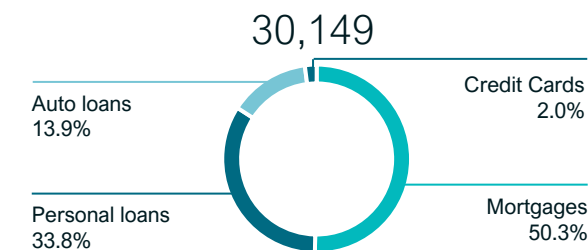
Loans & Advances Composition (SAR Mn)



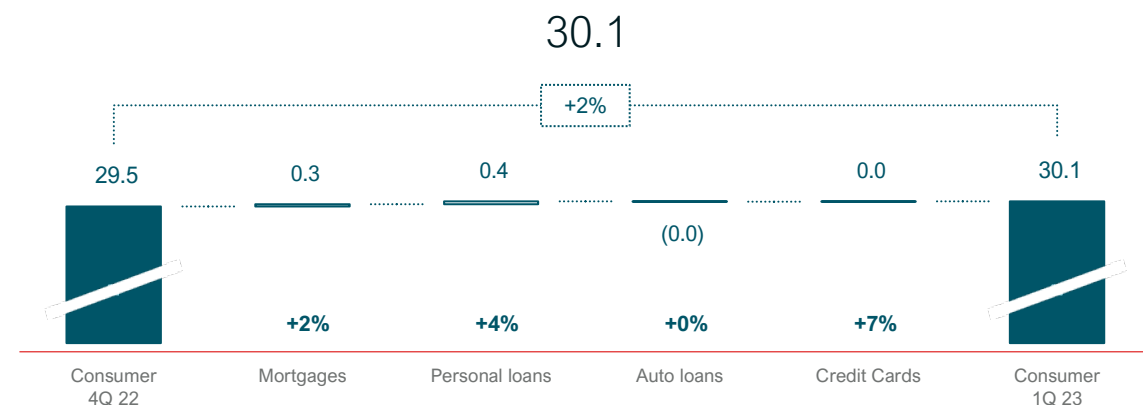
Commercial Loans Composition (SAR Mn)



Consumer Loans Composition (SAR Mn)



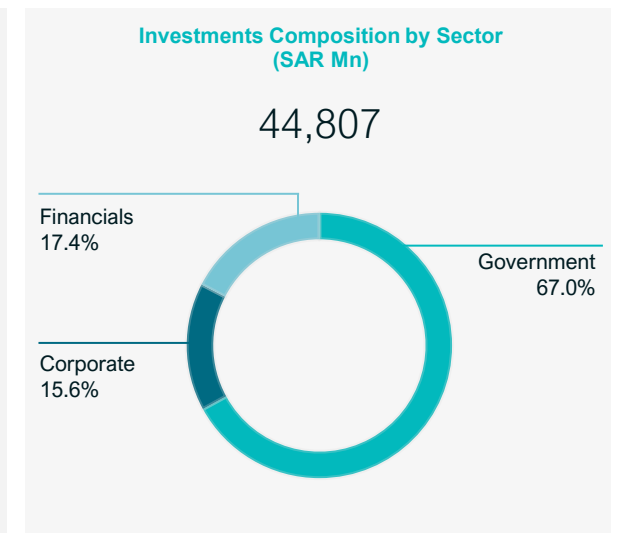
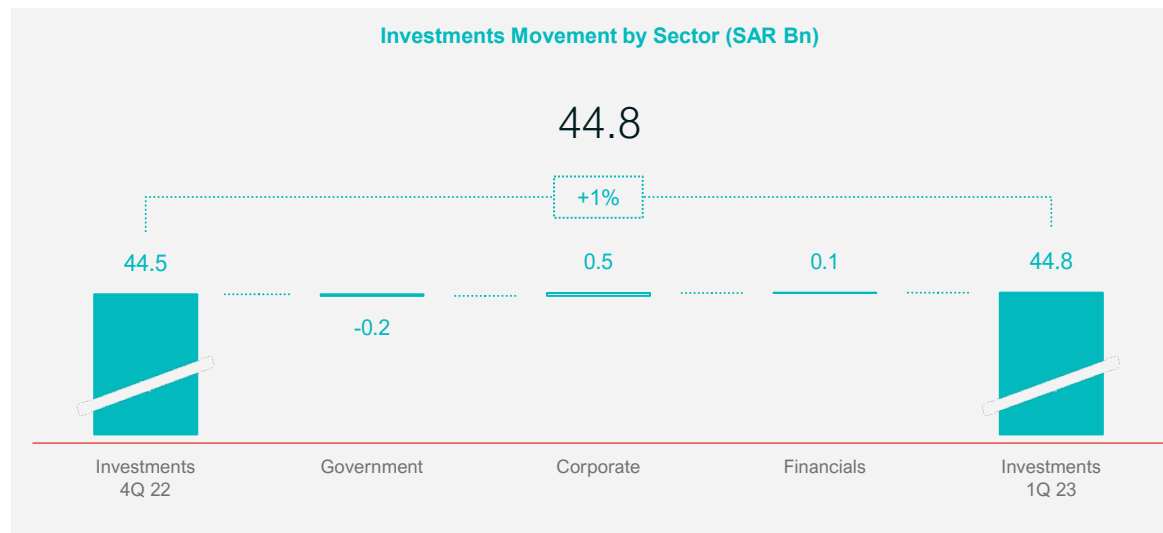
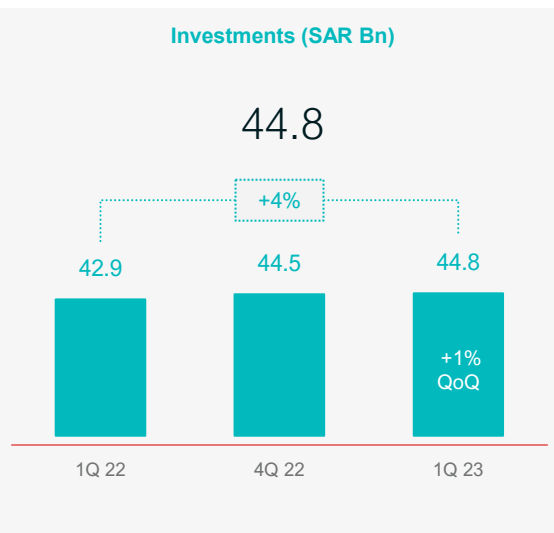
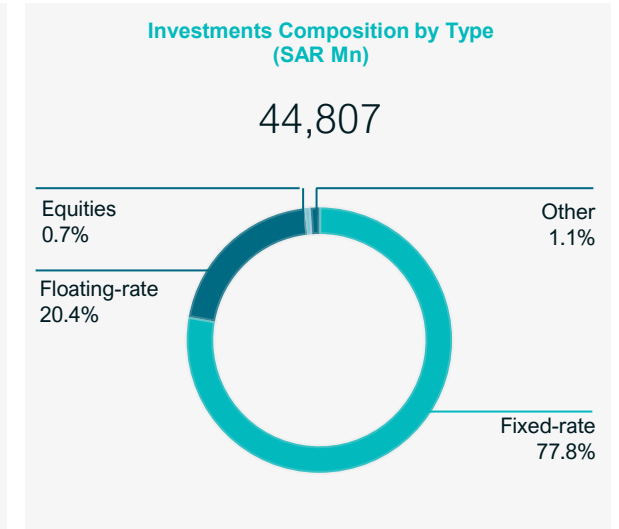
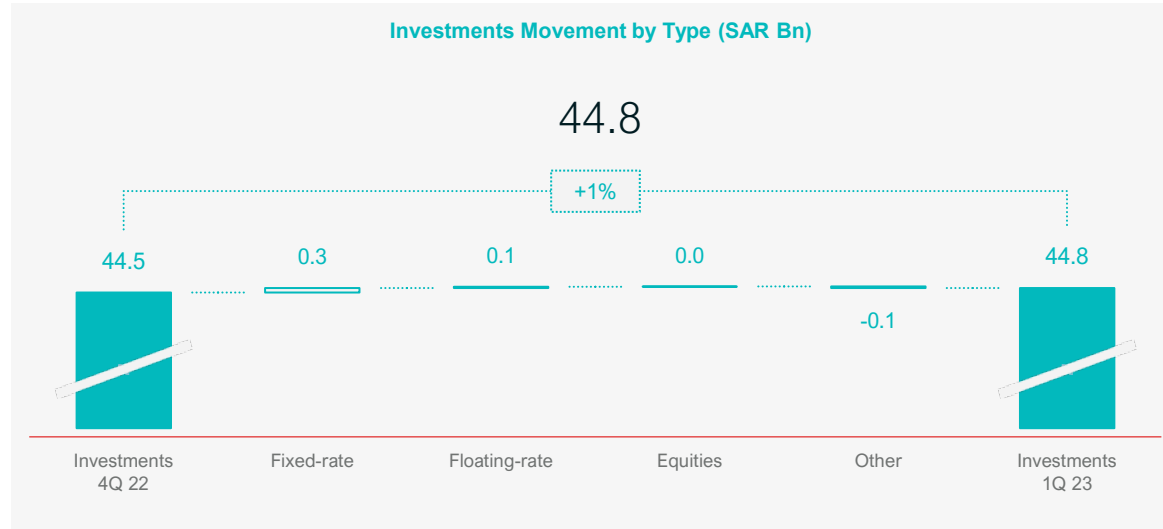
Consumer Loans Movement YTD (SAR Bn)



- Total loans & advances grew 4% during 1Q 2023 from both consumer and commercial lending growth.
- Commercial loans grew 4% during 1Q 2023, which was broad-based across sectors.
- Consumer loans grew 2% mainly from 2% and 4% growth in mortgages and personal loans respectively.

# Modest 1% increase in the investment portfolio in 1Q 2023

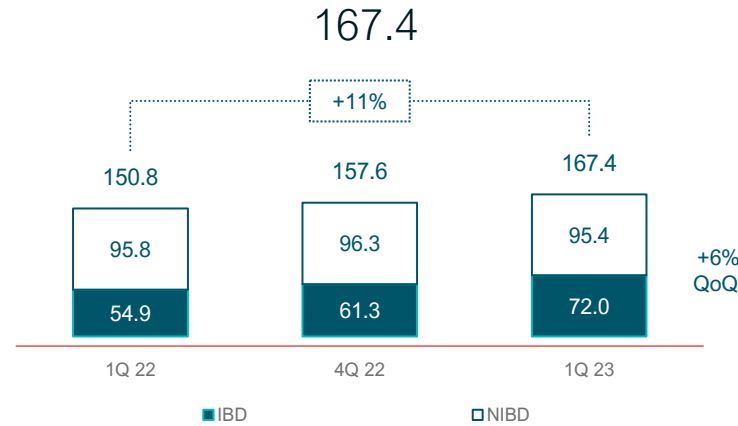
- Investments increased 1% YTD reflecting increased investment in corporate, longer-term fixed-rate securities.
- The investment portfolio is of high quality with a significant portion being Saudi Government and investment grade.



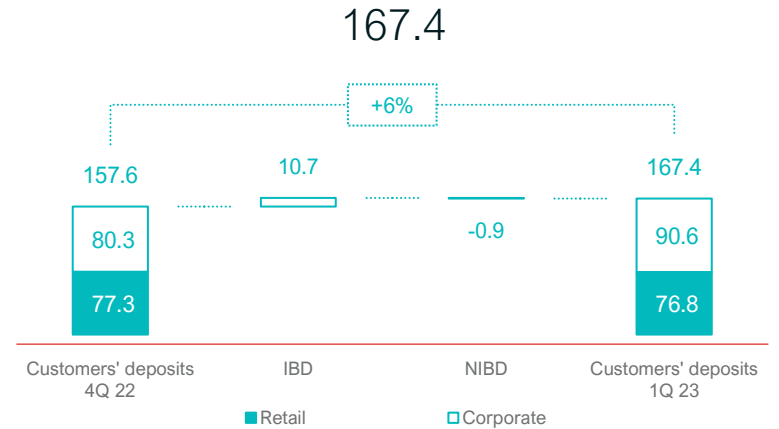
# Healthy 6% growth in deposits YTD from increased IBDs

- Deposits grew 6% during 1Q 2023, mainly from IBDs.
- IBD increased 17% YTD from 32% growth in Corporate, partly offset by a 5% decline in Retail.
- NIBD's declined 1% YTD due to a 3% decline in Corporate which was almost offset by 1% growth in Retail.
- A 1% YTD decline in total Retail deposits arose mostly from variability in Private Banking deposits, whereas both IBDs and NIBDs improved in Personal Banking.
- As of 31 March 2023, 57.0% of deposits were non-interest bearing, the 6.6ppts YoY decline reflective of the rising rate environment.

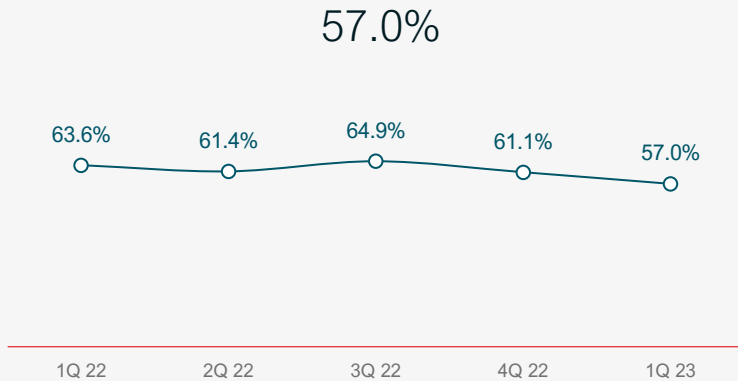
Customers' Deposits (SAR Bn)



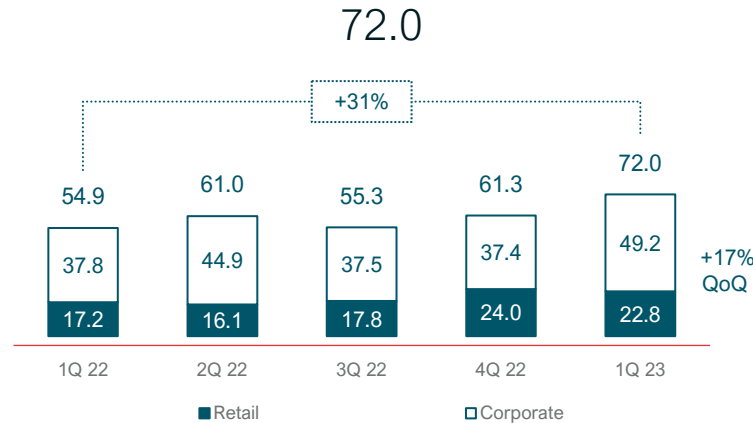
Customers' Deposits Movement (SAR Bn)



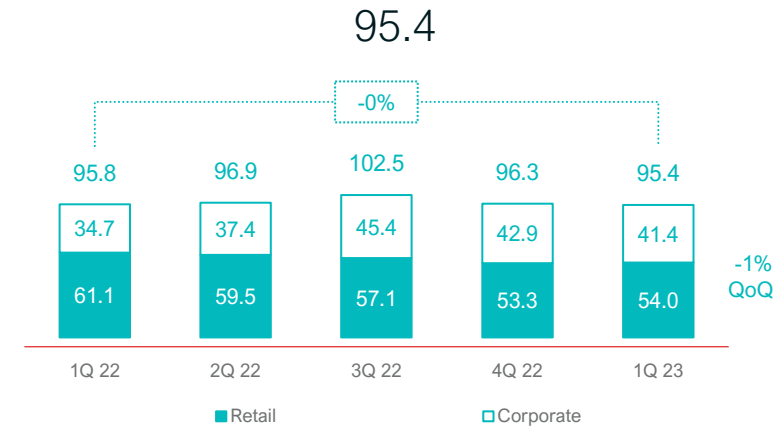
NIBD % of Total Deposits (%)



Interest Bearing Deposits (SAR Bn)

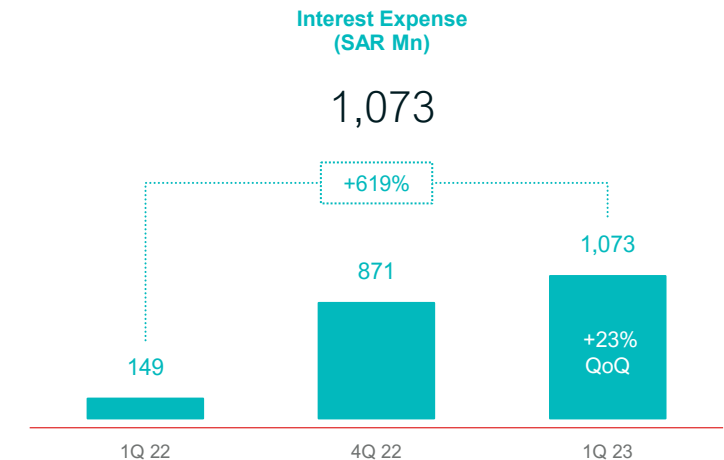
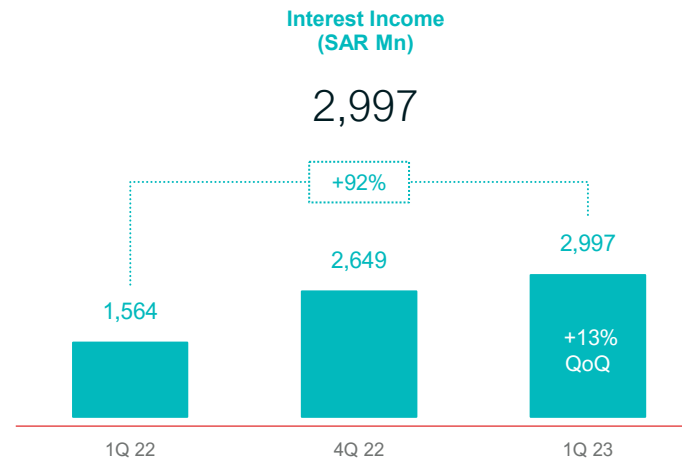
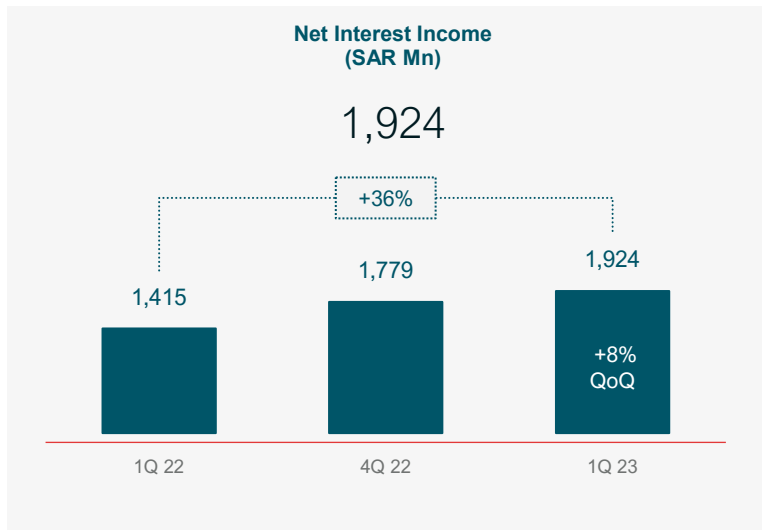
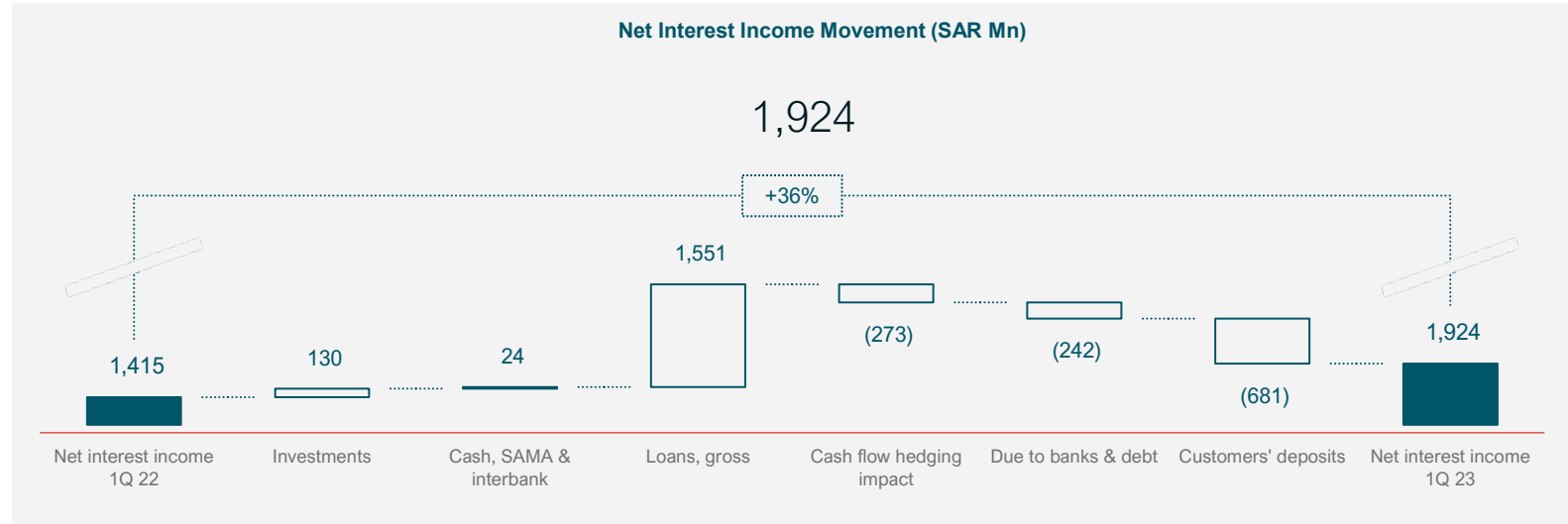


Non Interest Bearing Deposits (SAR Bn)



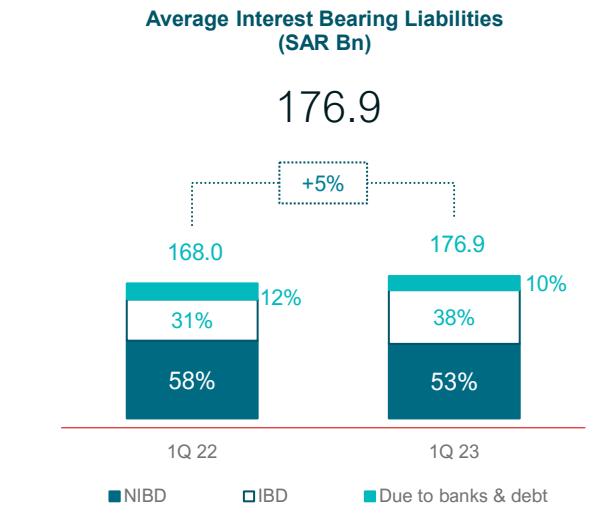
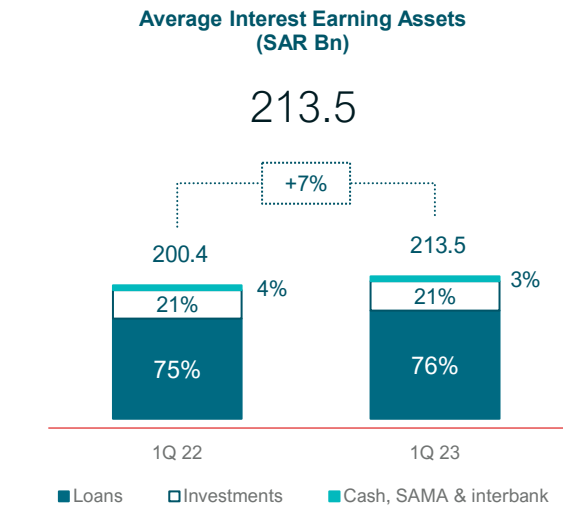
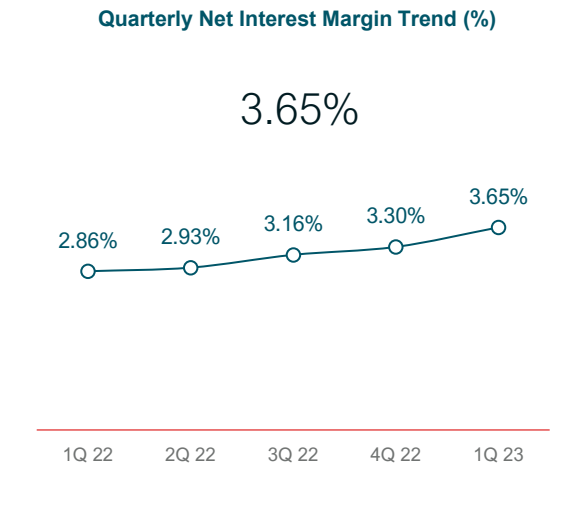
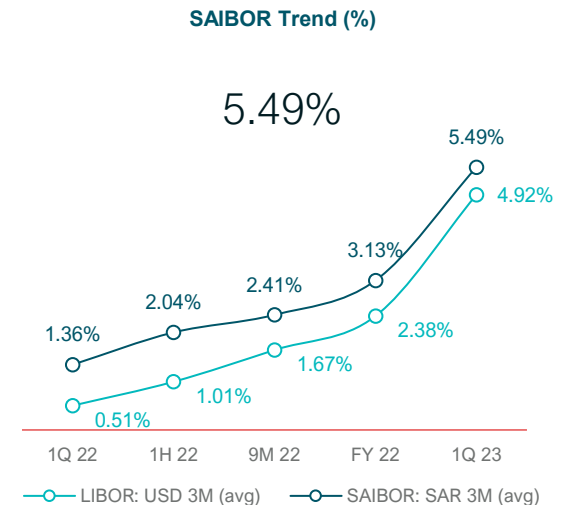
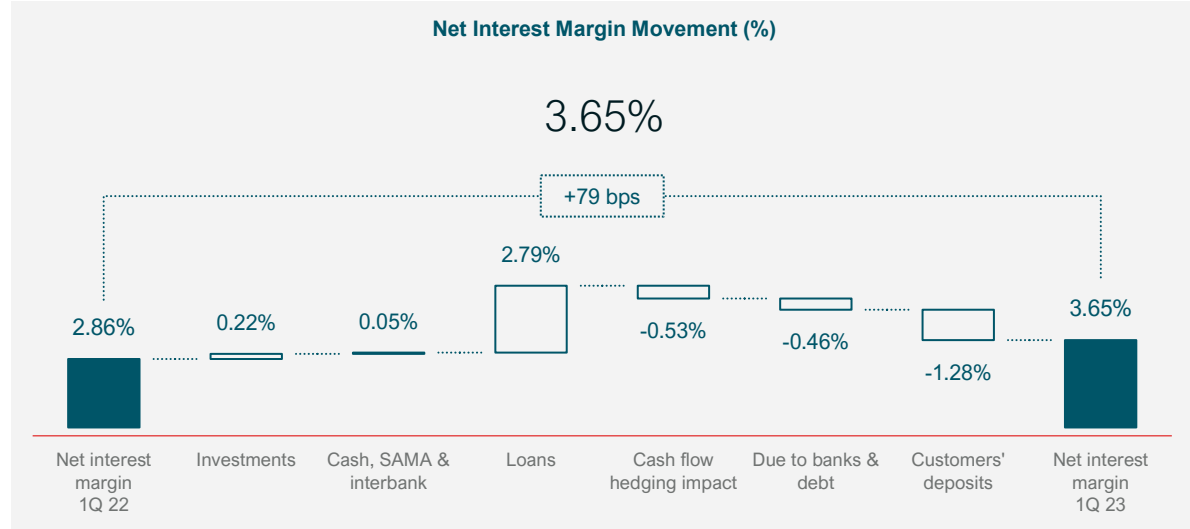
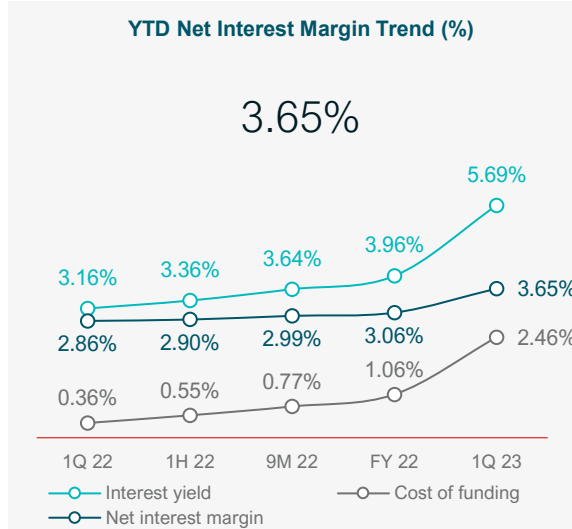
# NII growth of 36% from margin expansion and earning assets growth

- NII for 1Q 2023 grew 36% YoY to SAR 1,924mn from margin expansion and 7% growth in (simple) average earning assets.
- Interest income rose 92% YoY to SAR 2,997mn in 1Q 2023, while funding costs rose 7.2x to SAR 1,073mn.



# Improved loan yields from higher rate environment drive margin expansion

- The NIM increased 79bps YoY due to improved loan yields, partly offset by the higher funding costs and the hedging impact.
- The quarterly NIM improved 35bps QoQ to 3.65%.
- Funding costs increased by 210bps YoY to 2.46% in 1Q 2023.

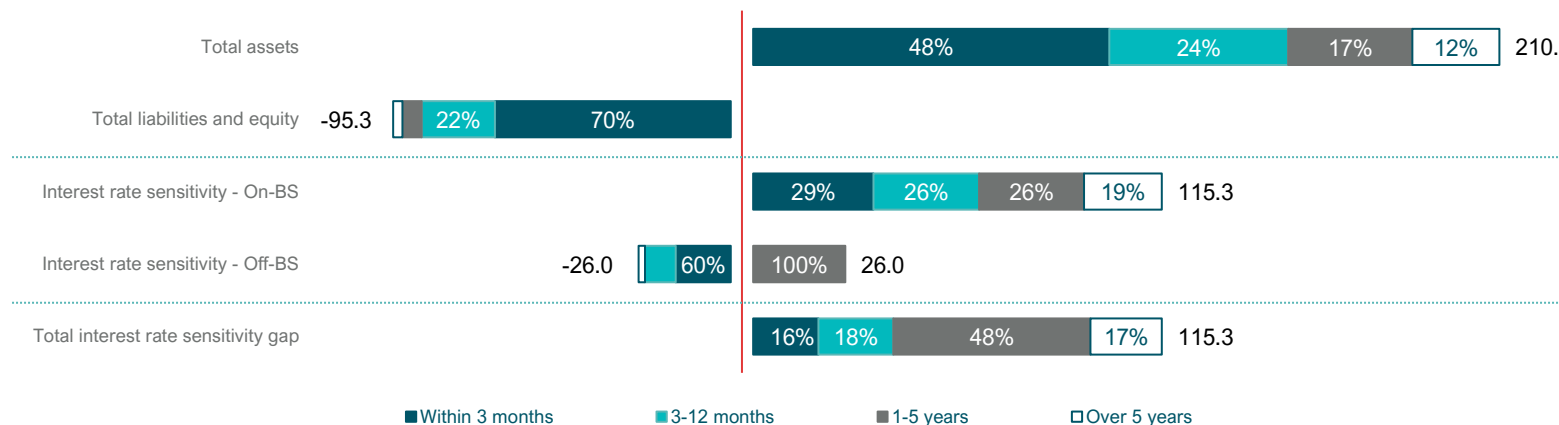




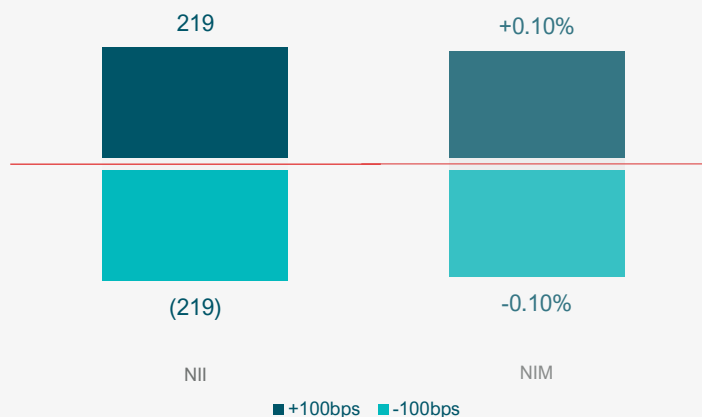
# BSF is positively positioned for a rising rate environment

- 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 9 rate hikes in KSA during 2022 and 1Q 2023 totaling 450bps 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.

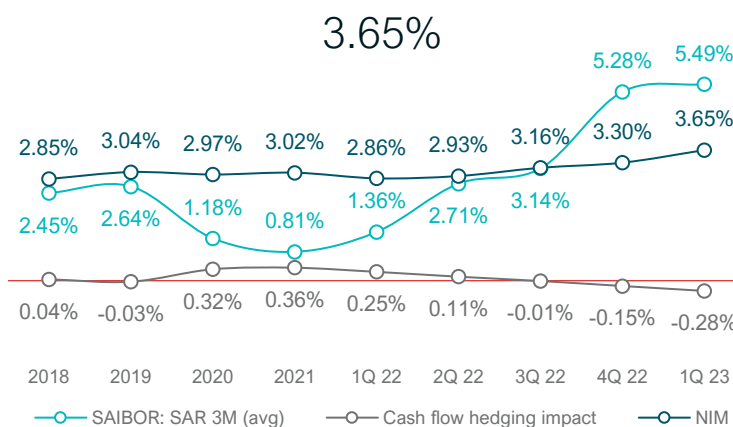
Exposure to Interest Rate Risk as at 31 December 2022 (SAR Bn)



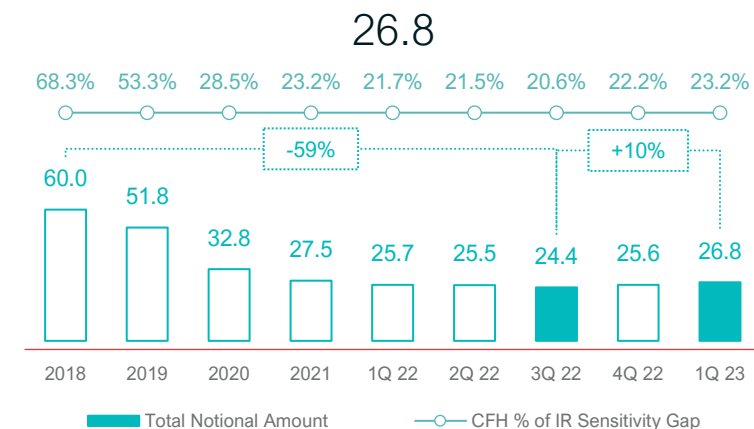
Impact of 100bps Rate Change as at 31 December 2022 (SARmn/%)



NIM, Rates and CFH Impact Trends (%)



Cash Flow Hedges Swaps (SAR Bn)

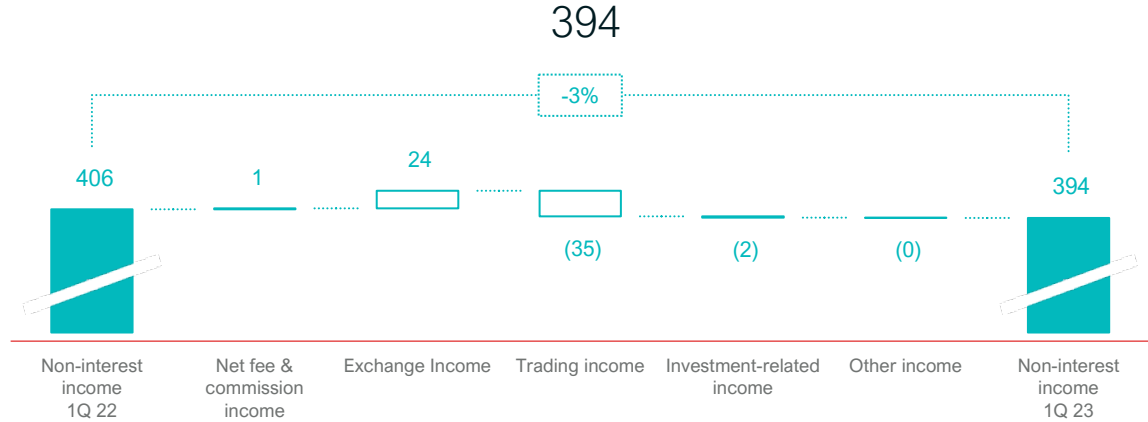


# Non-interest income declined 3% YoY from lower trading and capital markets income

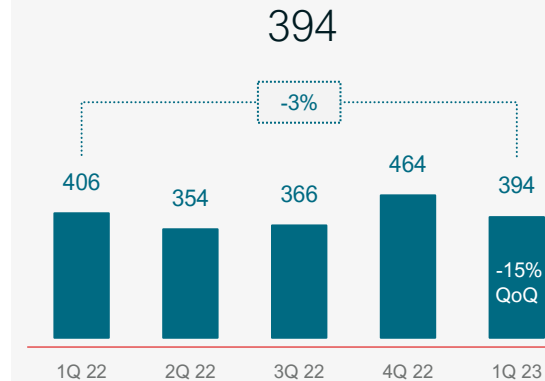
- Non-interest income for 1Q 2023 declined 3% YoY to SAR 394mn from lower trading and capital markets income.
- Net fee & commission income grew 1% YoY to SAR 235mn in 1Q 2023 as higher trade finance, cards and other fee income was mostly offset by lower capital markets income.
- Non-interest income declined 15% QoQ due to lower commission, trading and exchange income

SAR (Mn)	1Q 2023	4Q 2022	Δ%	1Q 2022	Δ%
Fee & commission income	355	377	-6%	355	+0%
Fee & commission expenses	(120)	(131)	-8%	(121)	-1%
<b>Net fee &amp; commission income</b>	<b>235</b>	<b>246</b>	<b>-4%</b>	<b>234</b>	<b>+1%</b>
Exchange Income	124	141	-12%	99	+24%
Trading income	31	74	-58%	66	-53%
<b>Banking-related income</b>	<b>390</b>	<b>461</b>	<b>-15%</b>	<b>400</b>	<b>-3%</b>
Investment-related income	4	3	+30%	5	-30%
Other income	0	0	+26%	1	-46%
<b>Non-interest income</b>	<b>394</b>	<b>464</b>	<b>-15%</b>	<b>406</b>	<b>-3%</b>

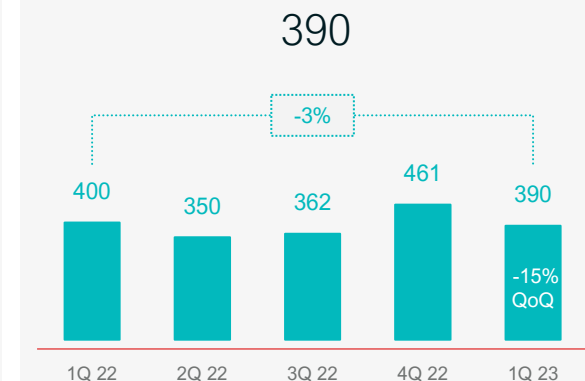
Non-Interest Income Movement (SAR Mn)



Non-Interest Income (SAR Mn)



Banking-Related Income (SAR Mn)



Trade Finance



101

SAR Million

+8.2%  
year-on-year

Brokerage & Asset Management Income



55

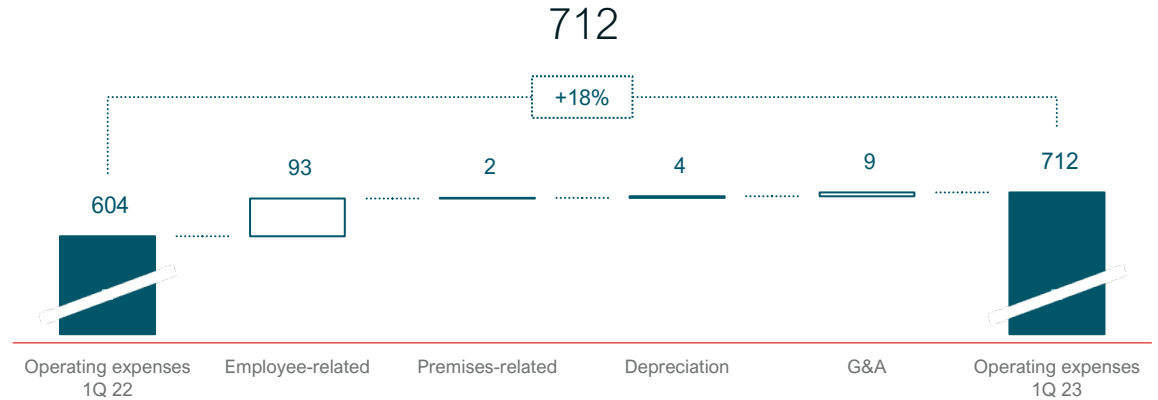
SAR Million

-39.4%  
year-on-year

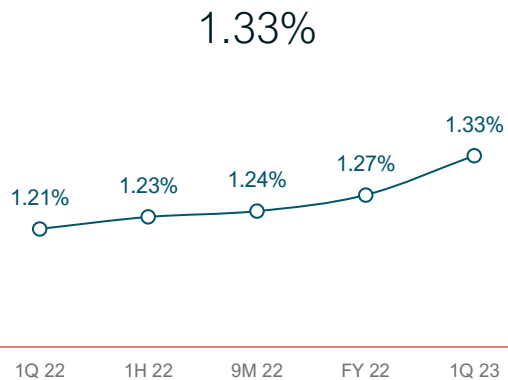
# Operating expenses growth of 18% from higher employee-related expenses

- Operating expenses increased 18% YoY to SAR 712mn in 1Q 2023 due to increased employee-related costs from higher utilization of FTE budgets and excess accrual reversals in 1Q 2022.
- The YoY cost to income ratio improved by 2.5ppts YoY to 30.7% in 1Q 2023 from 33.2% in 1Q 2022.
- Operating expenses as a percentage of average interest-earning assets (AIEA) increased 12bps YoY to 1.33% for 1Q 2023.
- Quarterly operating expenses declined 2% QoQ due to lower premises-related and G&A costs, partly offset by higher employee-related and depreciation expenses.

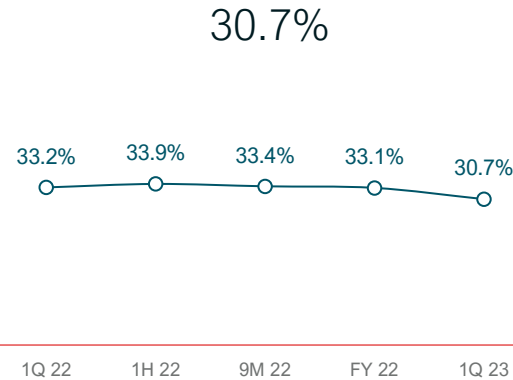
Operating Expenses Movement (SAR Mn)



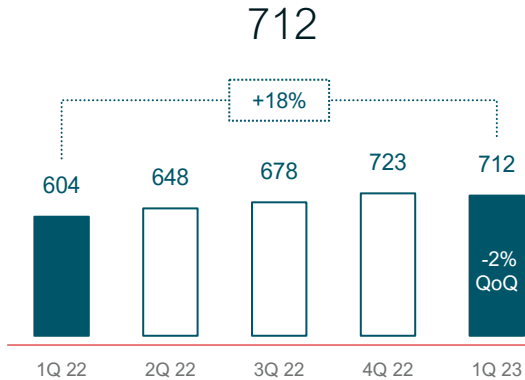
Cost To AIEA Ratio (%)



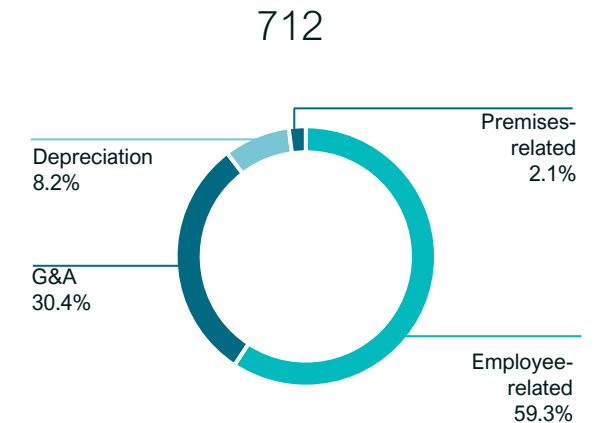
Cost To Income Ratio (%)



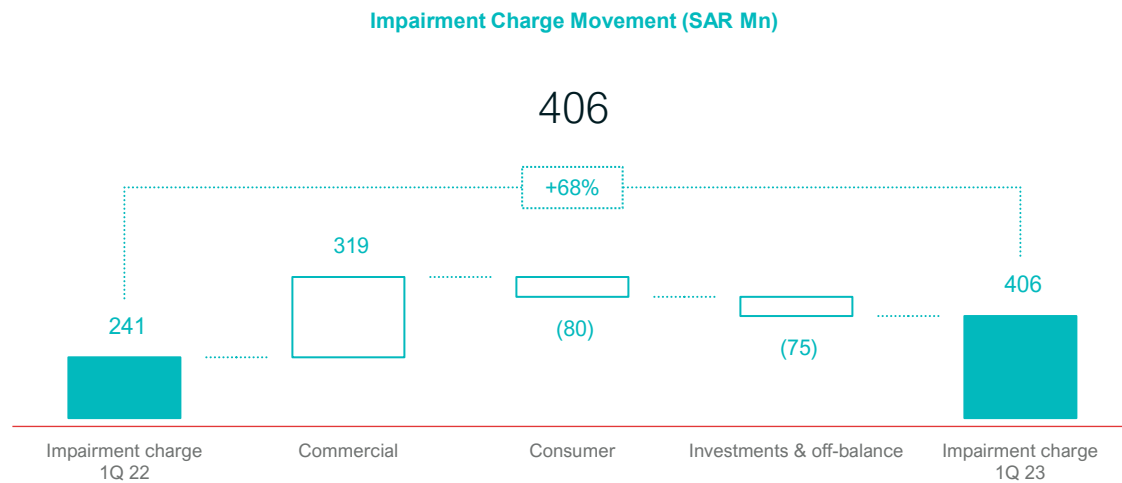
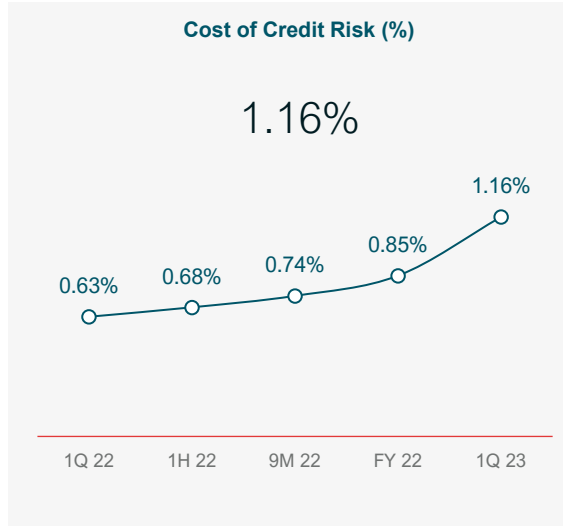
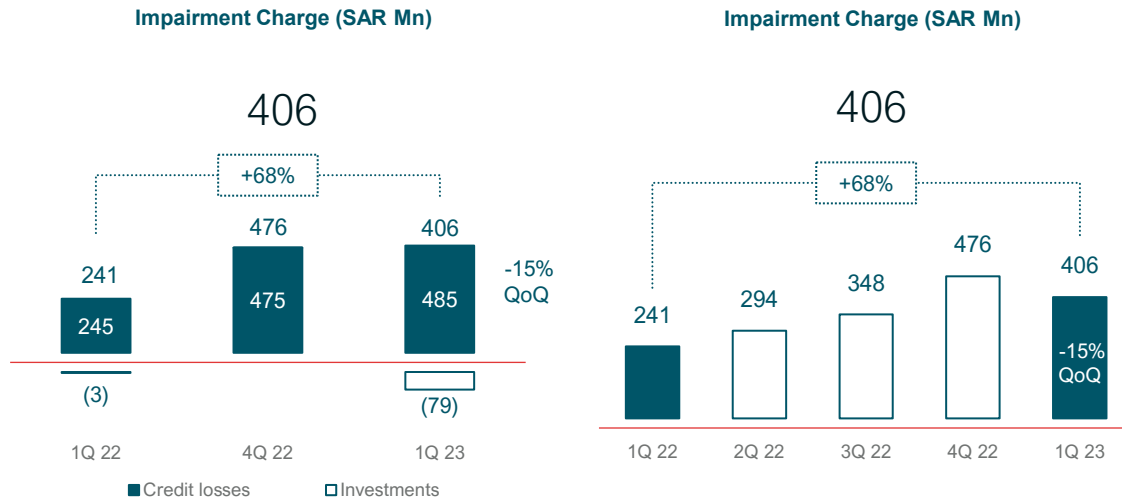
Operating Expenses (SAR Mn)



1Q 23 Operating Expenses Composition (SAR Mn)

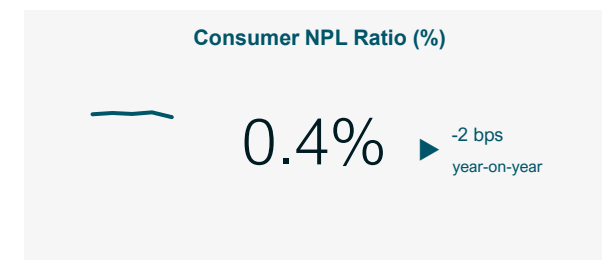
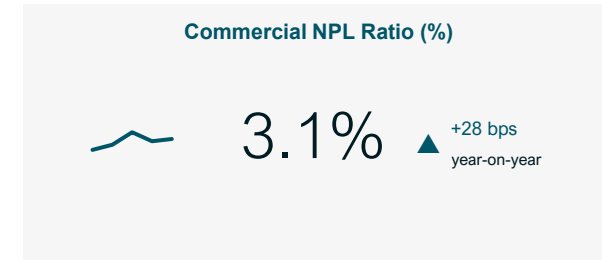
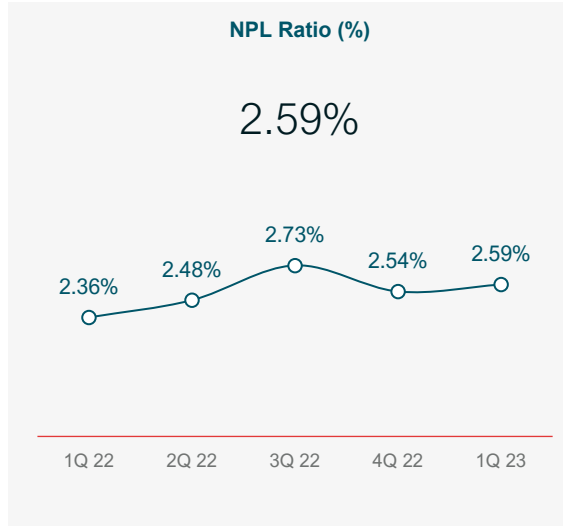
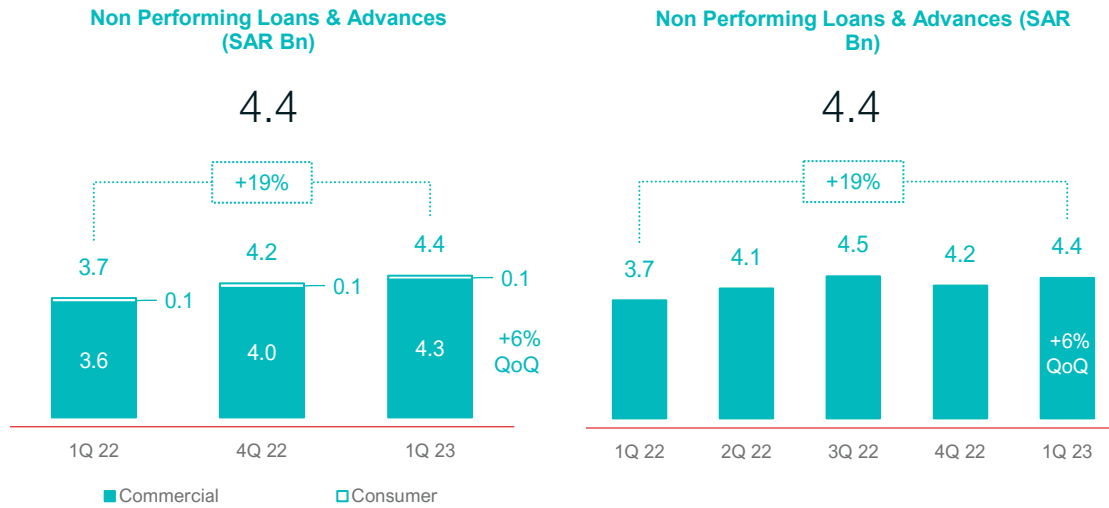


# Cost of risk increased by 53bps YoY to 1.16% for 1Q 2023

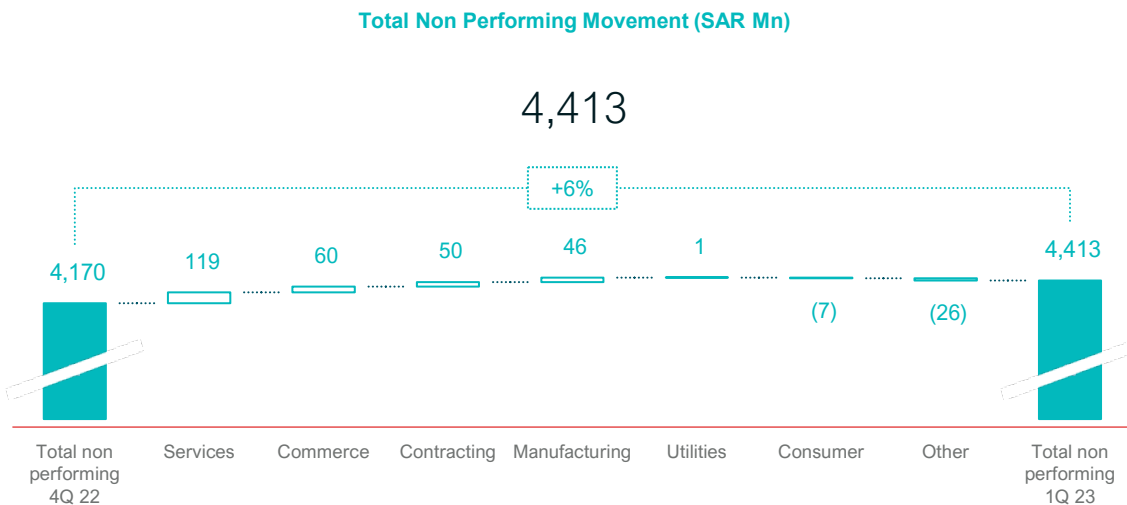


- The total impairment charge for 1Q 2023 increased 68% YoY to SAR 406mn, mainly from higher Commercial impairments, partly offset by Consumer and Investment & off-balance reversals.
- In combination with healthy loan growth, this resulted in a 53bps YoY increase in cost of risk to 1.16% for 1Q 2023.
- The cost of risk trend was impacted by isolated pockets of migration in the Commercial book.

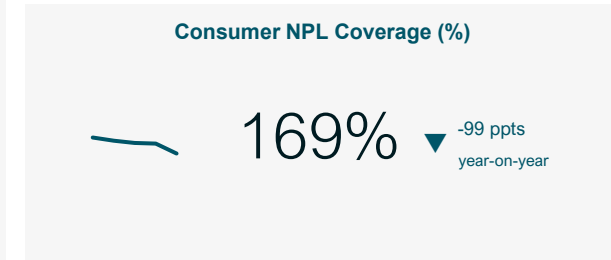
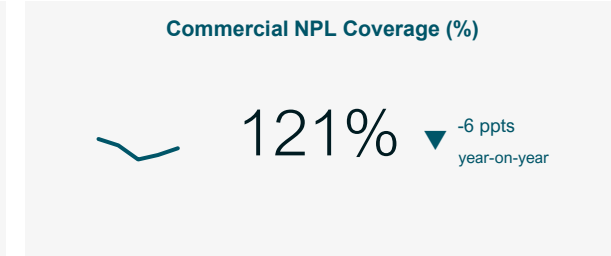
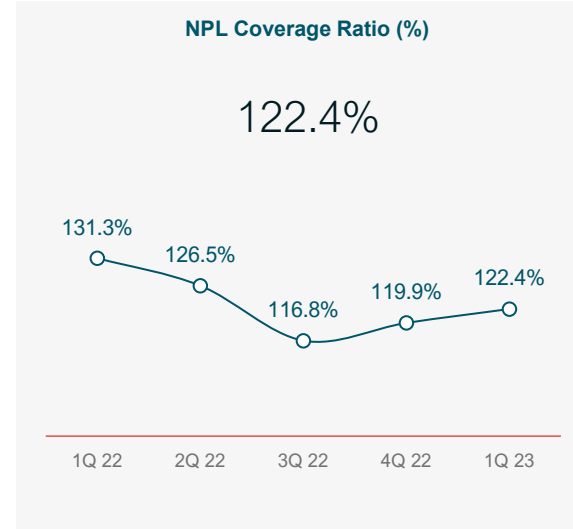
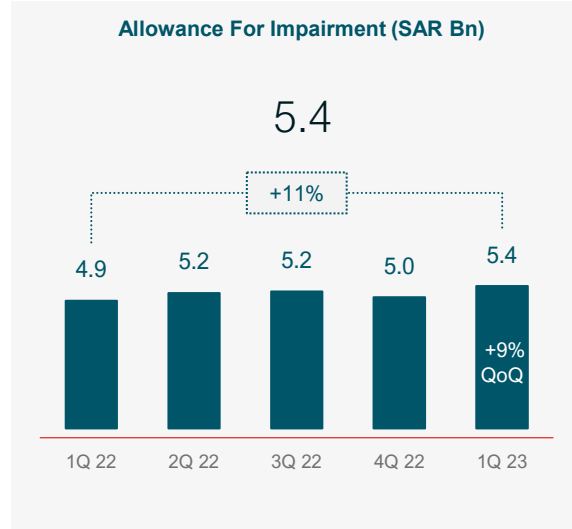
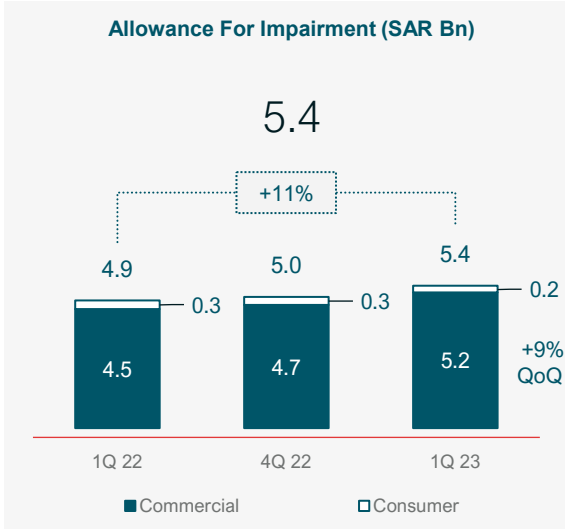
# NPL ratio trend impacted by isolated pockets of Commercial book migration; underlying credit quality healthy



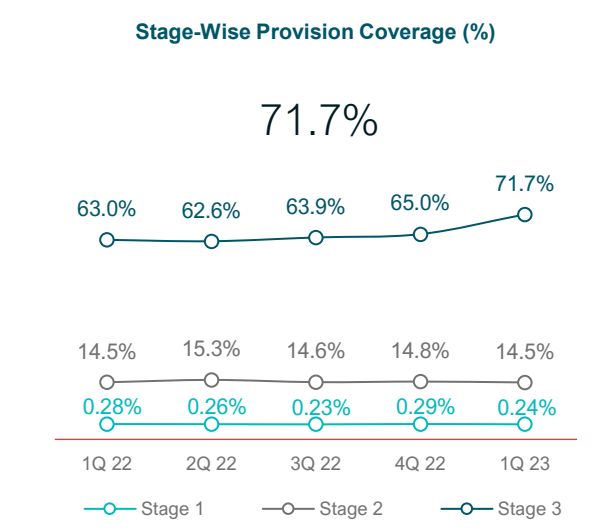
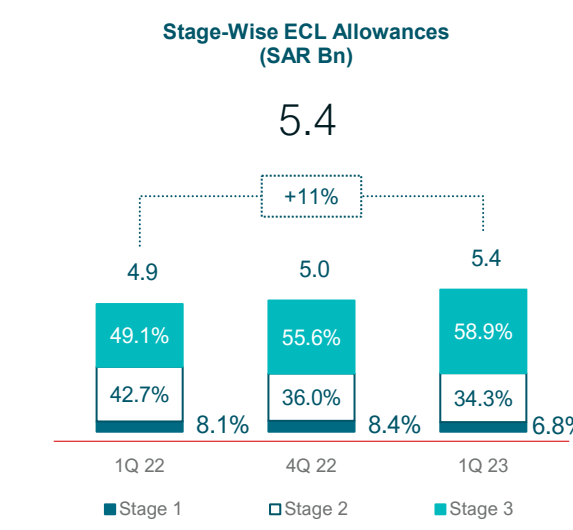
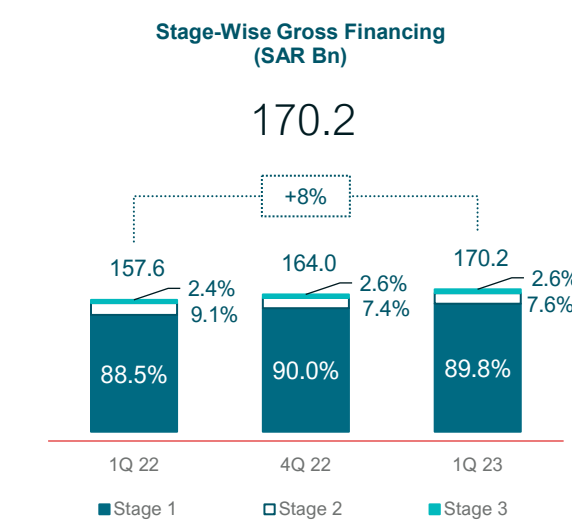
- The NPL ratio increased 5bps YTD to 2.59% on 6% NPL growth relative to 4% loan growth.
- The trends in credit metrics were impacted by isolated pockets of migration in the Commercial book, excluding which credit quality was healthy.



# NPL coverage improved 0.5ppts YTD to 122.4%

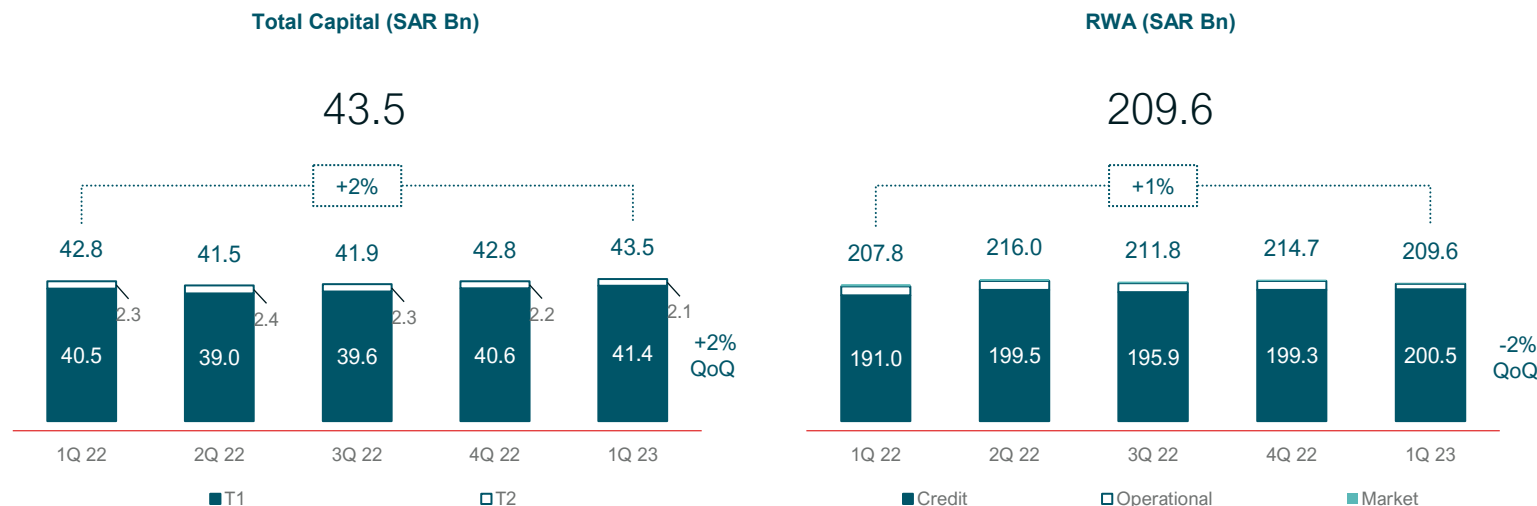


- NPL coverage improved 0.5ppts YTD to 122.4% as of 31 March 2023.
- Stage 3 coverage improved 6.7ppts during 1Q 2023, while stage 1 and 2 coverage declined.

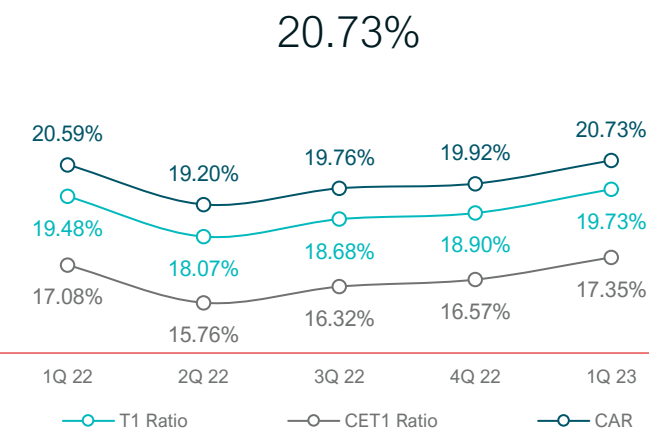


# Capital ratios improved YTD from net income generation and lower operational risk RWAs

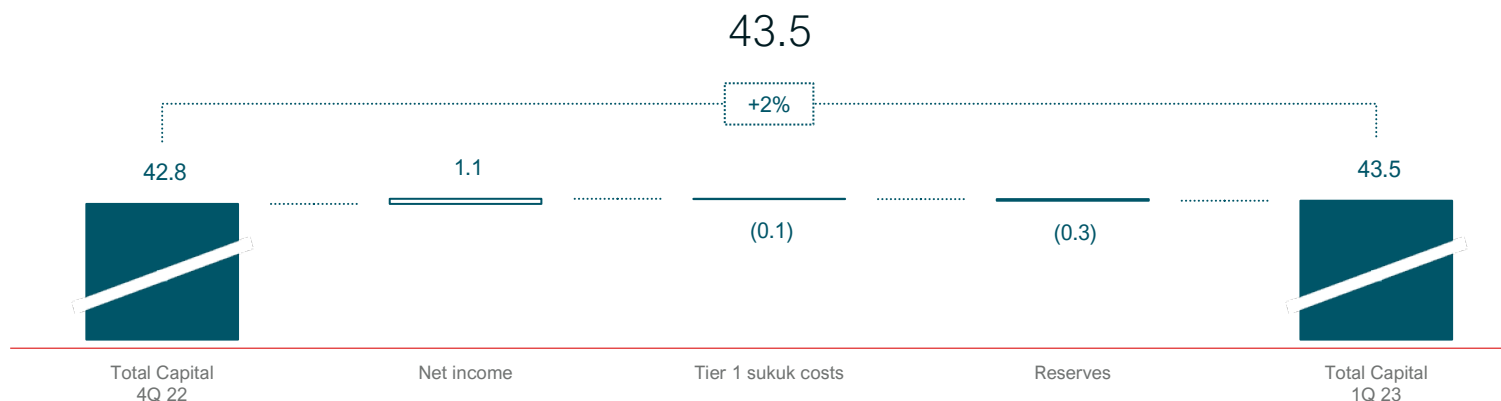
- Total capital (Tier 1 + Tier 2 regulatory capital) increased 2% to SAR 43.5bn during 1Q 2023 from net income generation.
- RWAs declined 2% during 1Q 2023 to SAR 209.7bn due to lower operational risk RWAs.
- CAR was 20.73% and the Tier 1 ratio was 19.73% as of 31 March 2023.



CAR (%)



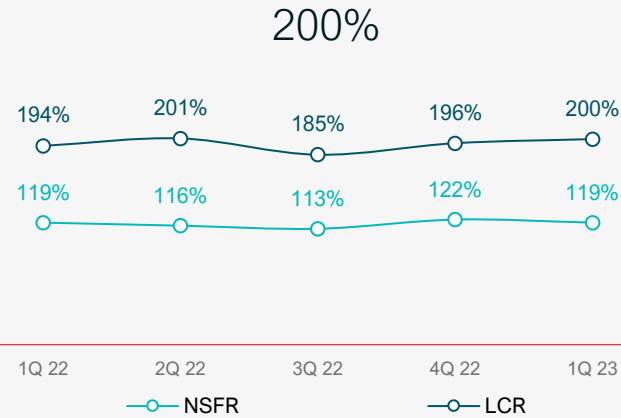
Total Capital Movement (SAR Bn)



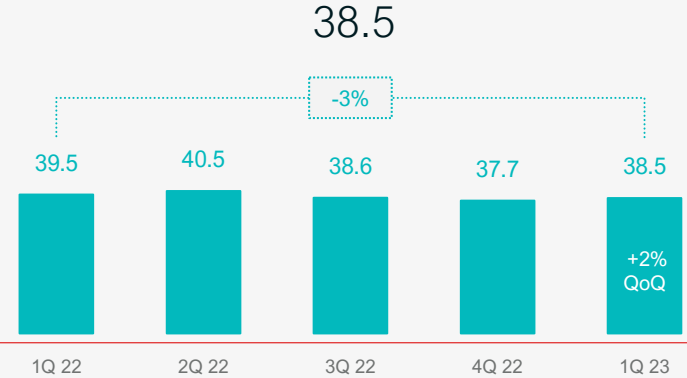
# Liquidity remains strong and comfortably within regulatory limits

- LCR improved by 4ppts during 1Q 2023 to 200%.
- NSFR moderated 3ppts to 119% as of 31 March 2023.
- The bank continues to manage the LTD ratio for optimum efficiency in cost of funding, while maintaining the SAMA regulatory ratio, which was 80.9% as of 31 March 2023, within required levels.

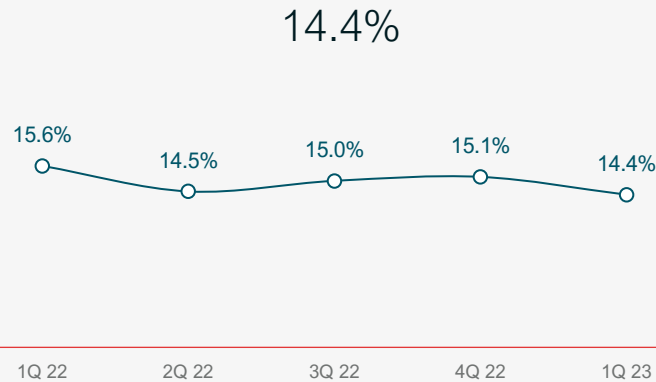
LCR & NSFR (%)



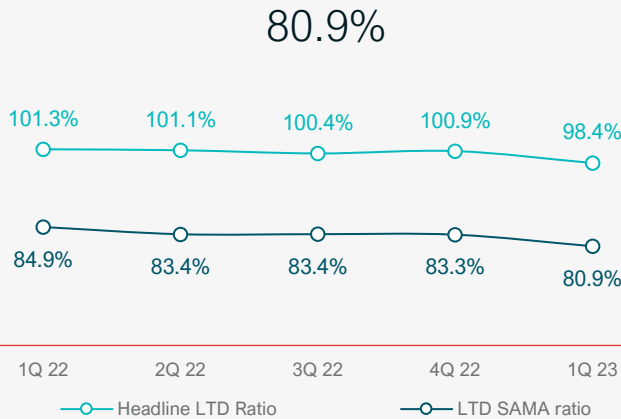
HQLA (SAR Bn)



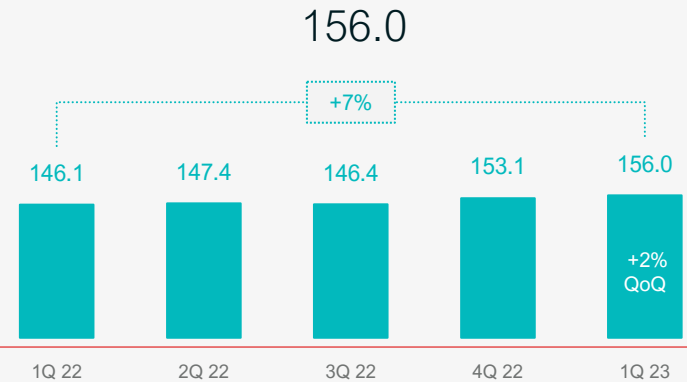
Leverage ratio (%)



LTD Ratios (%)



Available Stable Funding (SAR Bn)





INVESTOR PRESENTATION 1Q 2023

# Outlook and Guidance

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

Metric	1Q 2023 Outcome	2023 Guidance	Revision	Drivers
<b>LOANS &amp; ADVANCES GROWTH</b>	<b>Financing Growth</b> <b>+3.6%</b> YTD ▲ SAR 164.8 bn	<b>Financing Growth</b> <b>High single-digit</b>	<b>UNCHANGED</b>	Balanced growth of consumer and commercial lending expected in 2023.
<b>NET INTEREST MARGIN</b>	<b>NIM</b> <b>+79bps</b> YoY ▲ 3.65%	<b>NIM</b> <b>3.30 - 3.50%</b>	<b>UNCHANGED</b>	NIM expected to rise in 2023 from higher average benchmark rates.
<b>COST OF RISK</b>	<b>COR</b> <b>116bps</b> ▲ +53bps YoY	<b>COR</b> <b>70-80bps</b>	<b>UNCHANGED</b>	Cost of risk for 2023 to gradually normalize to the 70-80bps range.
<b>COST TO INCOME RATIO</b>	<b>CIR</b> <b>30.7%</b> ▼ -247bps YoY	<b>CIR</b> <b>&lt;32%</b>	<b>UNCHANGED</b>	Expect CI-ratio below 32% for 2023, mainly from higher income on more modestly rising cost base.
<b>RETURN ON EQUITY</b>	<b>ROAE</b> <b>10.9%</b> ▲ +210bps YoY	<b>ROAE</b> <b>11-13%</b>	<b>UNCHANGED</b>	Increase in ROAE from lending growth, higher NIMs, and improving operating efficiency and risk cost.
<b>CORE EQUITY TIER 1 RATIO</b>	<b>CET1</b> <b>17.3%</b> ▲ +78bps YTD	<b>CET1</b> <b>17-18%</b>	<b>UNCHANGED</b>	Modest increase in CET1 during 2023 from robust earnings generation, partial reversal of MTM through FVOCI, while maintaining dividend payout levels.

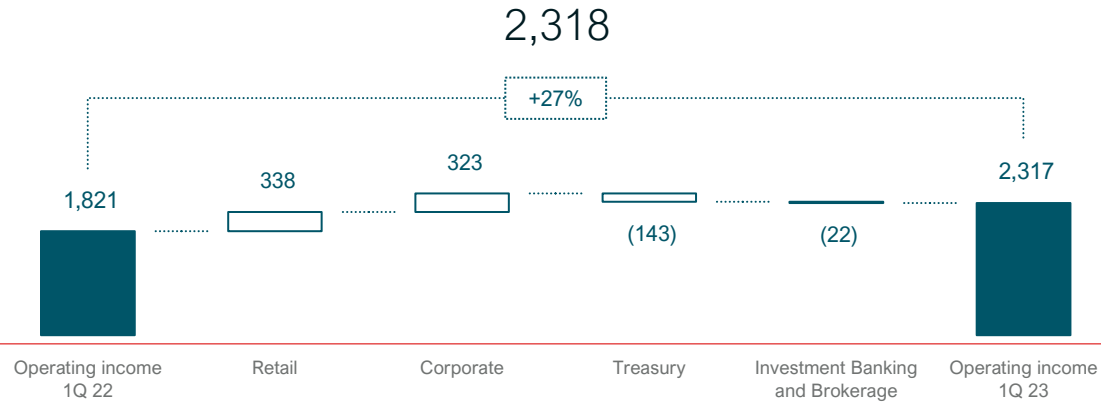


INVESTOR PRESENTATION 1Q 2023

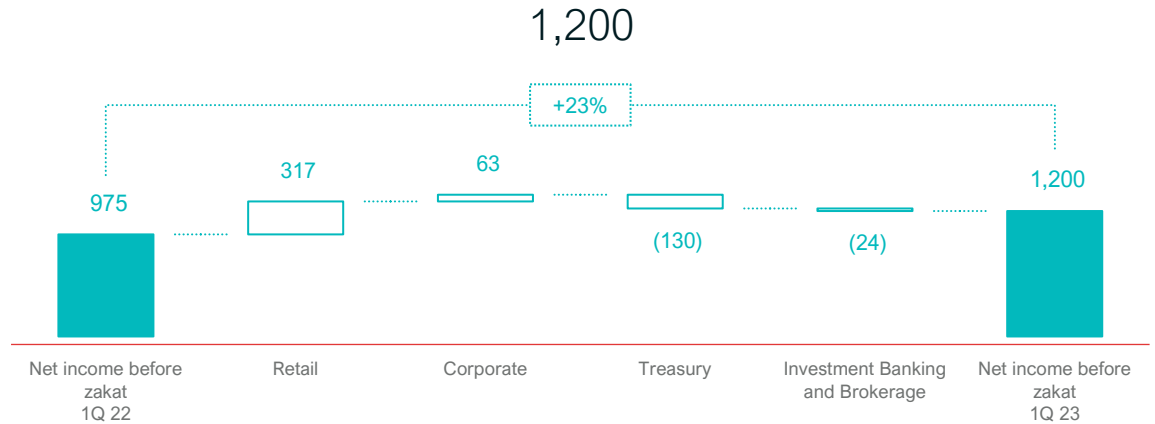
# Segmental Performance

# Profitability driven by growth in Retail and Corporate, partly offset by lower Treasury and Investment Banking and Brokerage

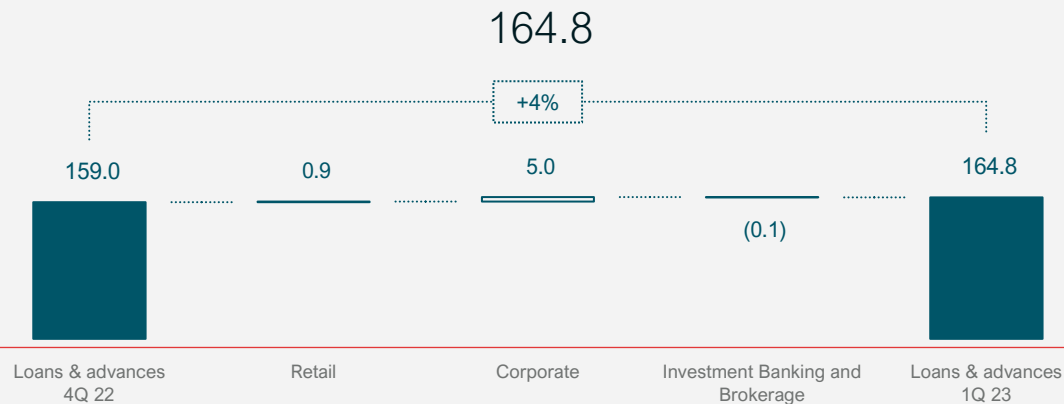
Operating Income Movement (SAR Mn)



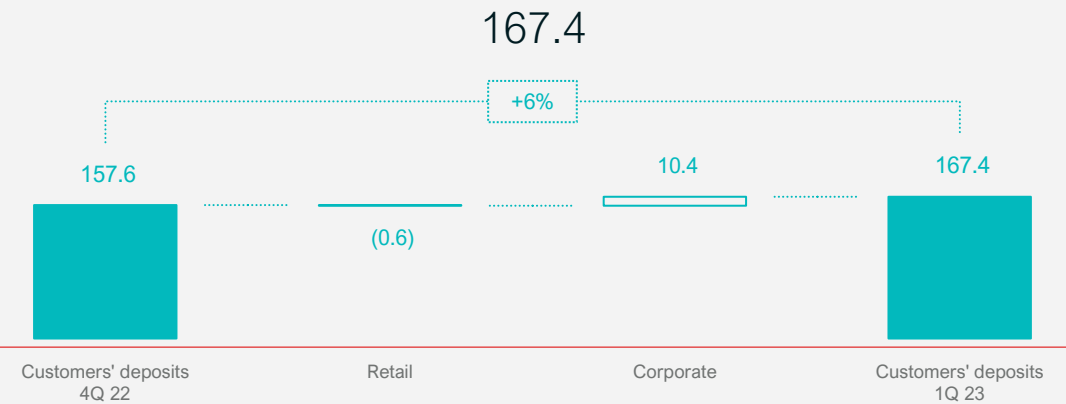
Net Income Before Zakat Movement (SAR Mn)



Loans & Advances Movement (SAR Bn)

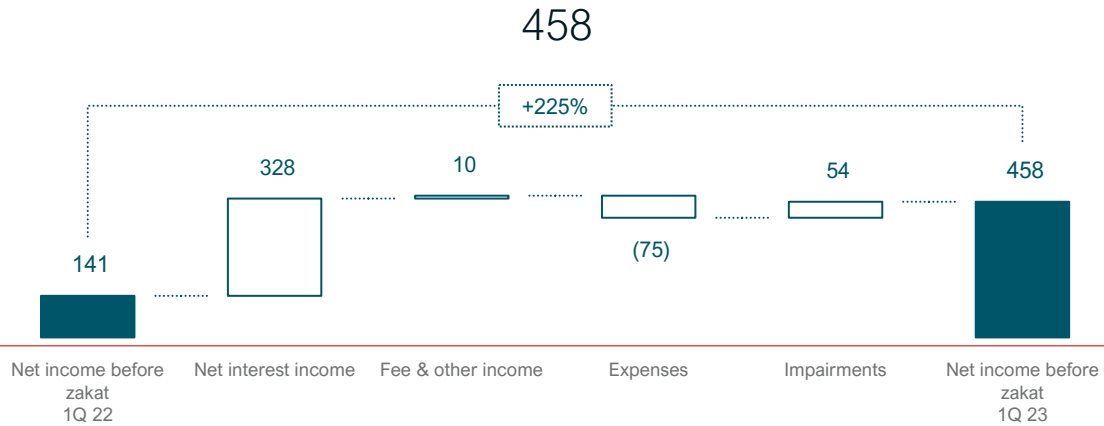


Customers' Deposits Movement (SAR Bn)

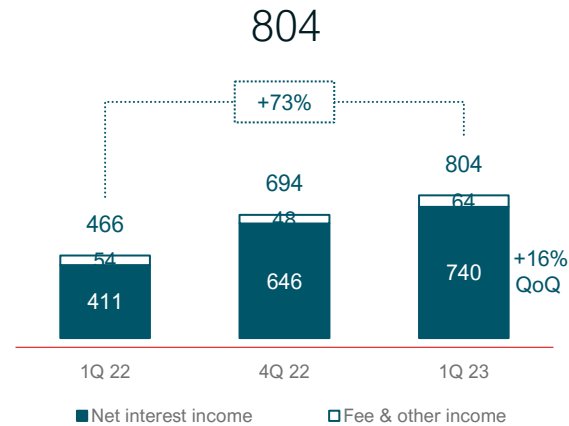


# Higher profits YoY from higher net interest income

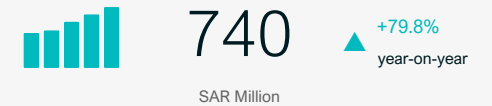
Net Income Before Zakat Movement (SAR Mn)



Total Operating Income (SAR Mn)



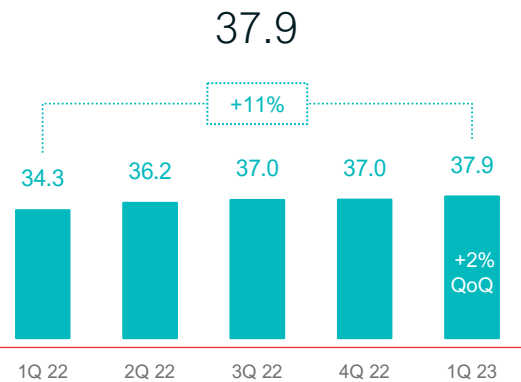
Net Interest Income



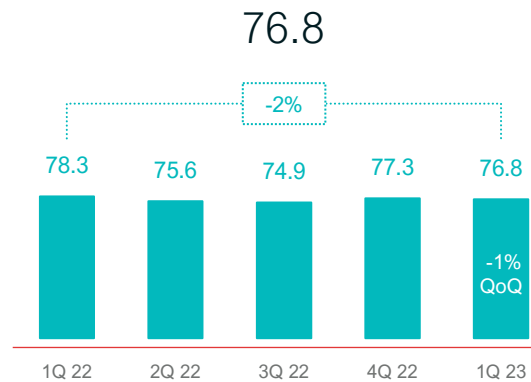
Fee & other income



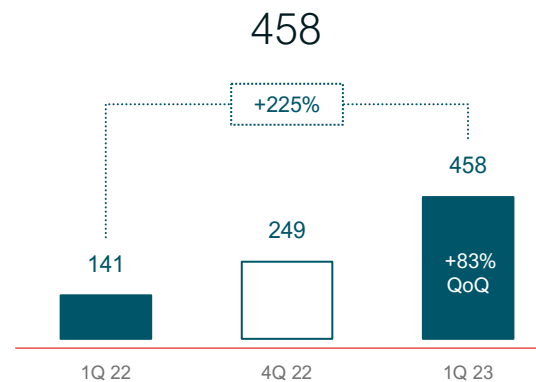
Retail Loans (SAR Bn)



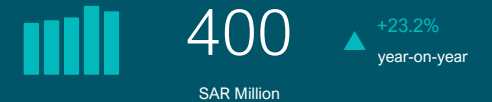
Retail Deposits (SAR Bn)



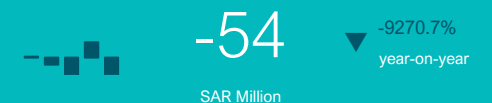
Net Income Before Zakat (SAR Mn)



Expenses

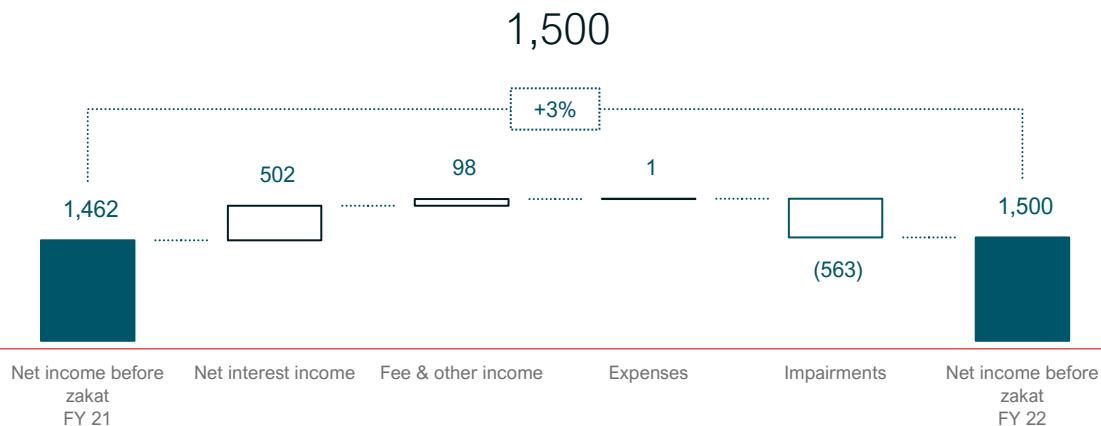


Impairments

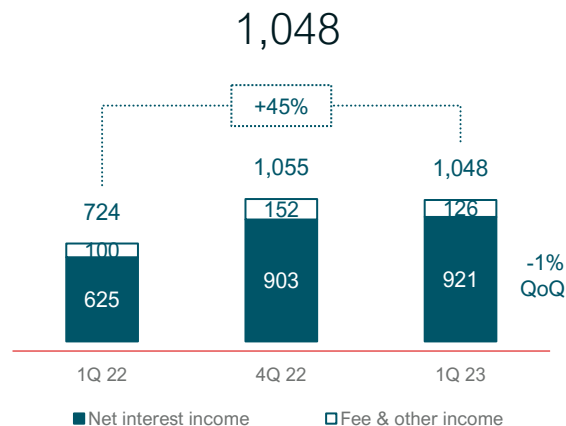


# Modest rise in Corporate profitability as operating income growth partly offset by increased impairments

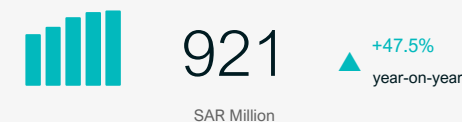
Net Income Before Zakat Movement (SAR Mn)



Total Operating Income (SAR Mn)



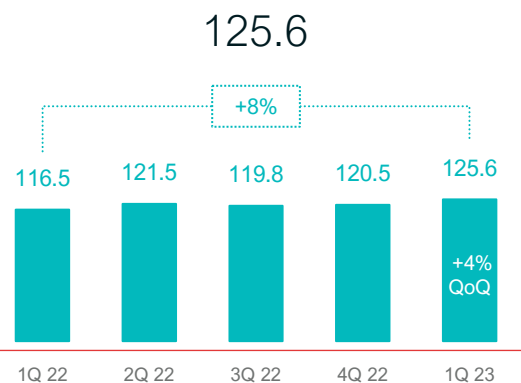
Net Interest Income



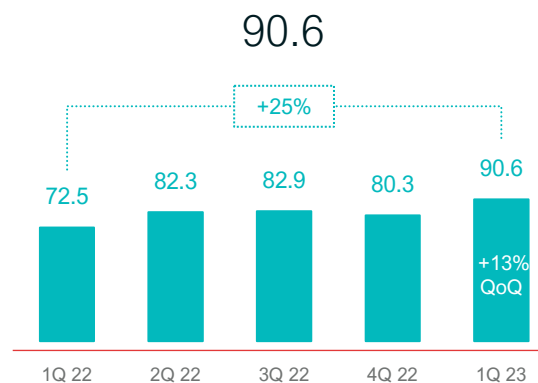
Fee & other income



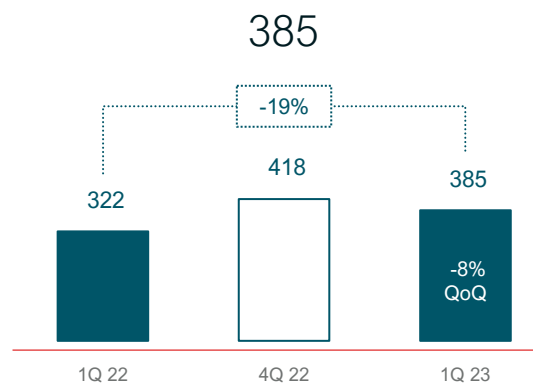
Corporate Loans (SAR Bn)



Corporate Deposits (SAR Bn)



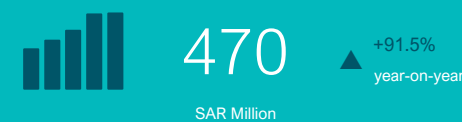
Net Income Before Zakat (SAR Mn)



Expenses

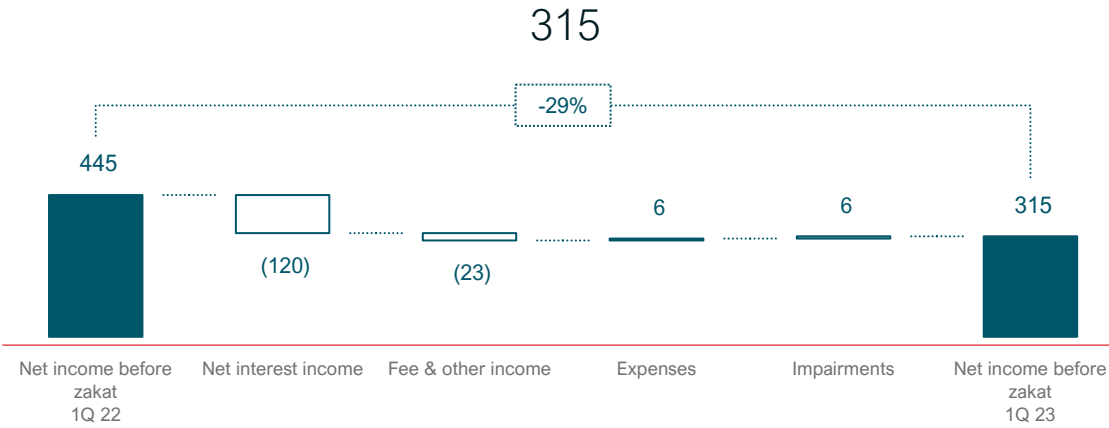


Impairments

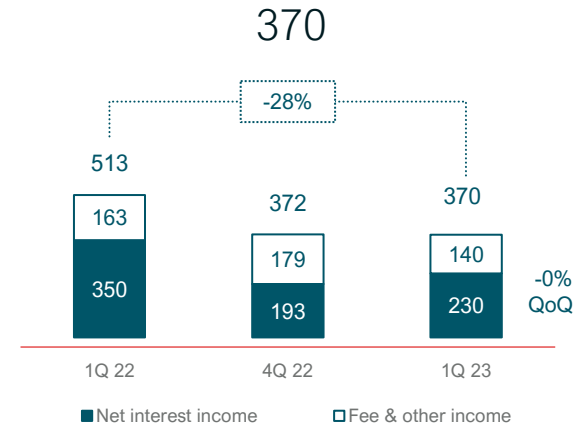


# Net income declined 29% YoY from lower interest income

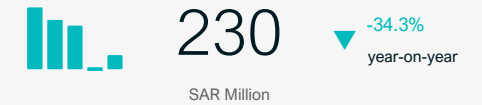
Net Income Before Zakat Movement (SAR Mn)



Total Operating Income (SAR Mn)



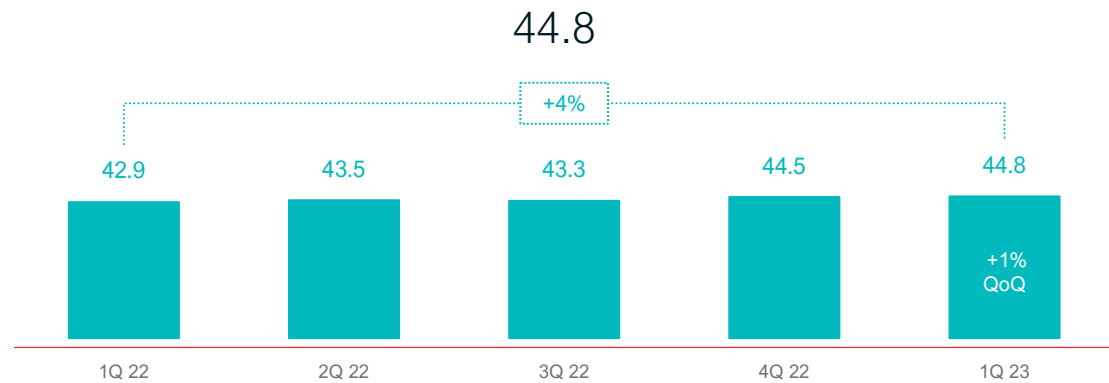
Net Interest Income



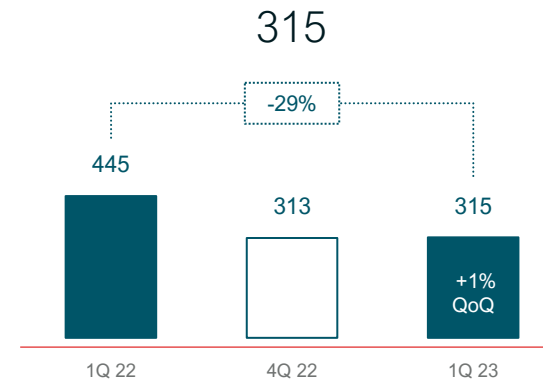
Fee & other income



Investments (SAR Bn)



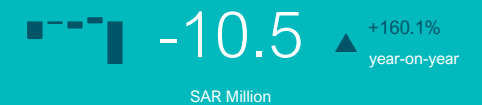
Net Income Before Zakat (SAR Mn)



Expenses

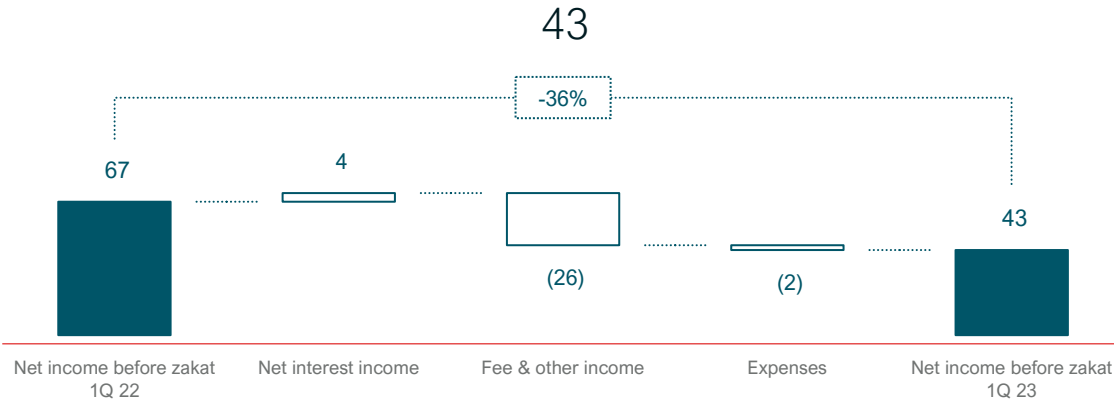


Impairments

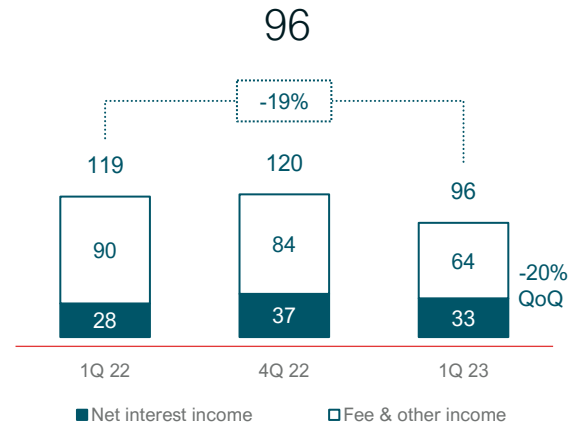


# Profitability decline due to lower brokerage fees

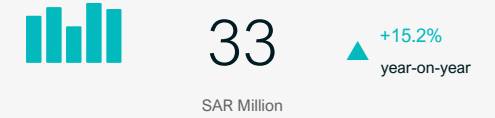
Net Income Before Zakat Movement (SAR Mn)



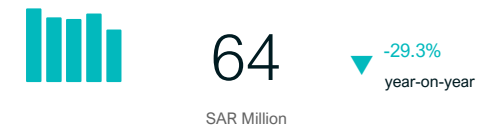
Total Operating Income (SAR Mn)



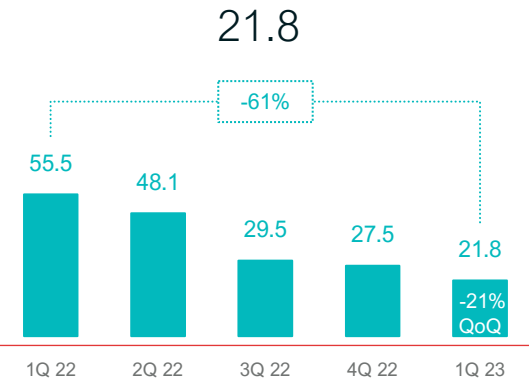
Net Interest Income



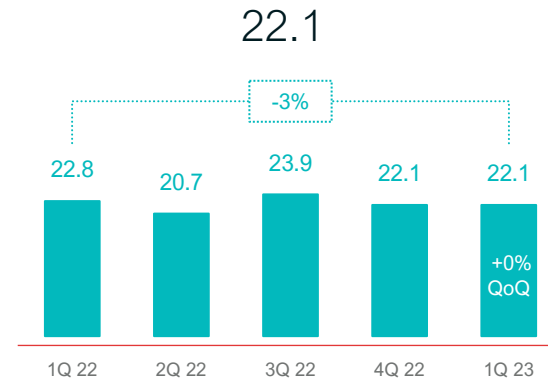
Fee & other income



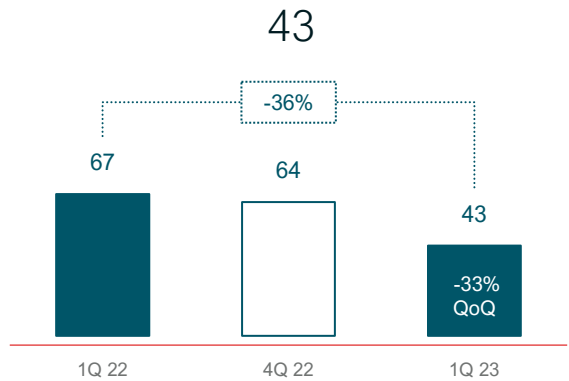
Brokerage Trading Value (Bn)



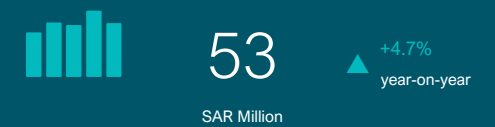
Assets Under Management (SAR Bn)



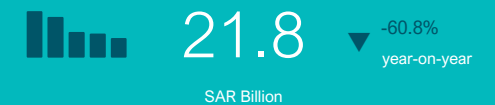
Net Income Before Zakat (SAR Mn)



Expenses



Brokerage Trading Value (1Q 22)



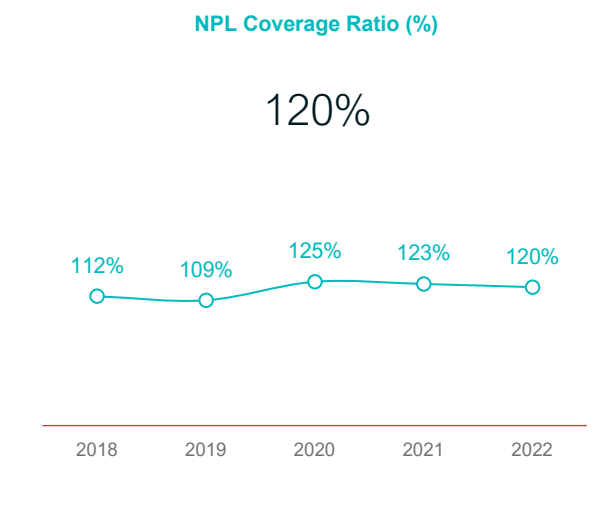
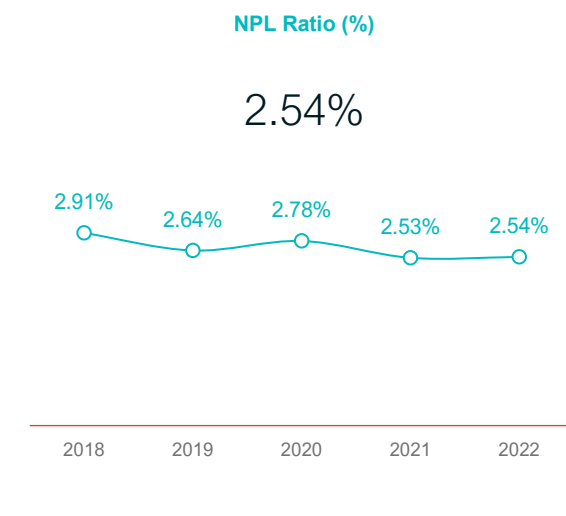
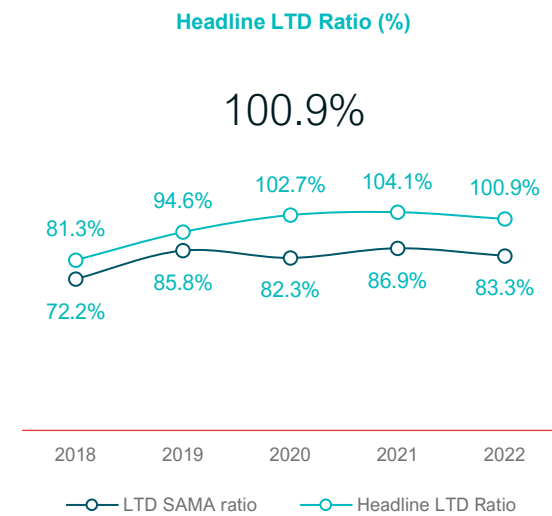
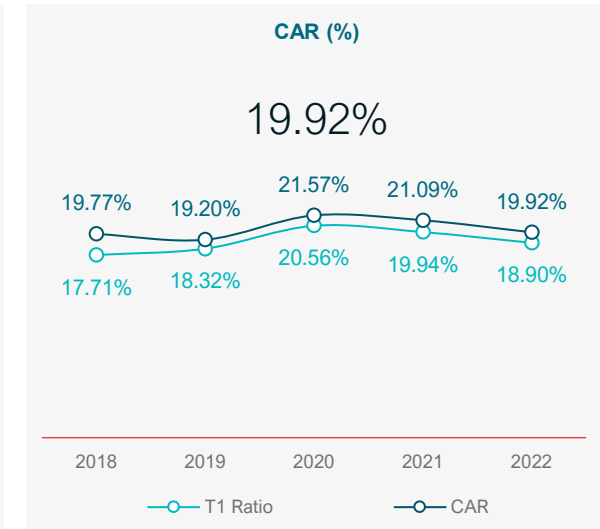
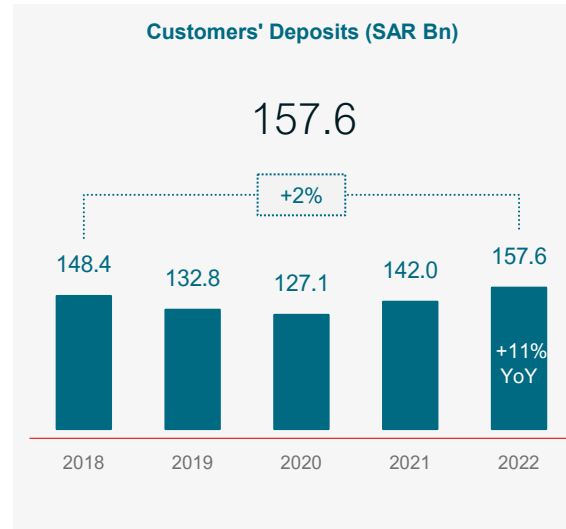
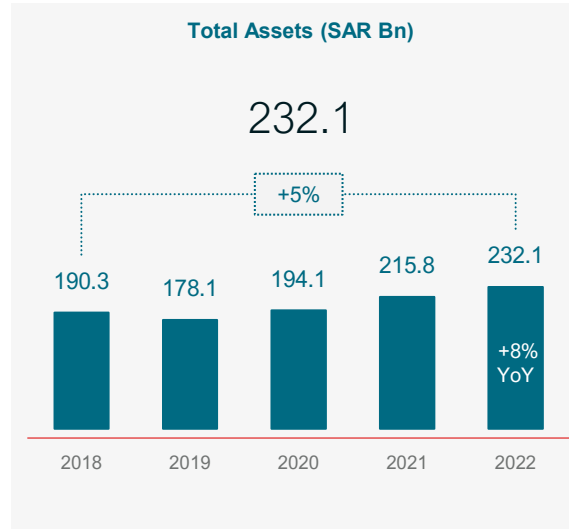
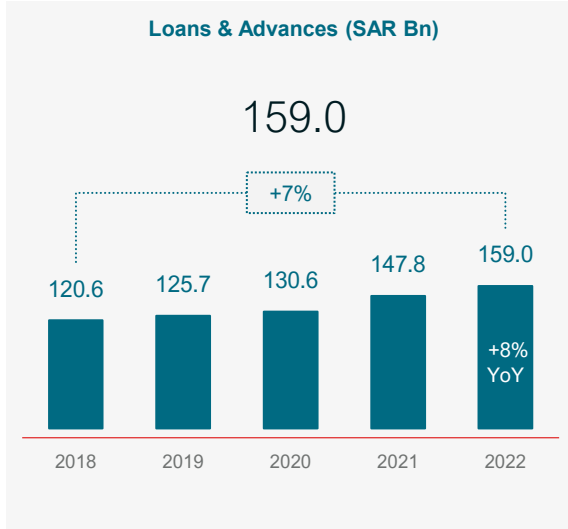




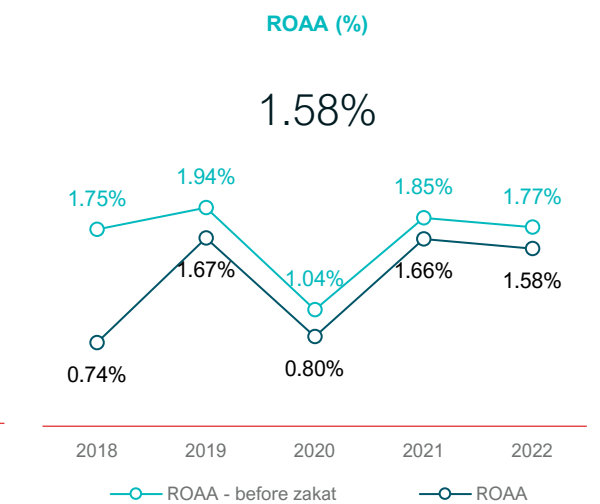
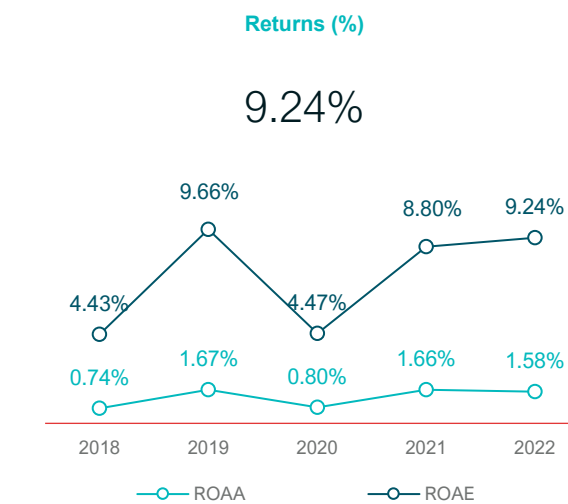
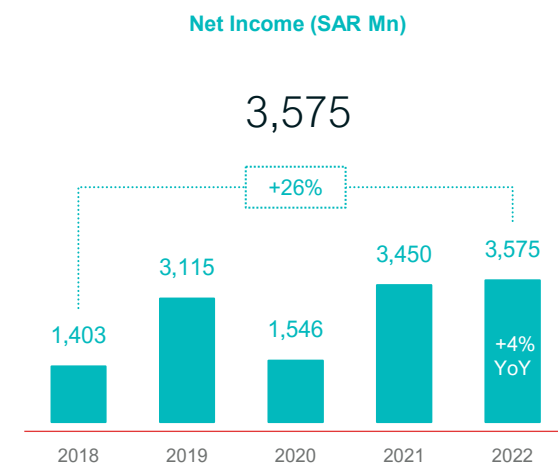
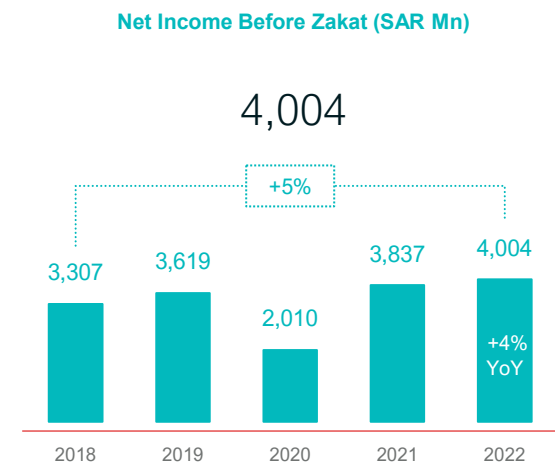
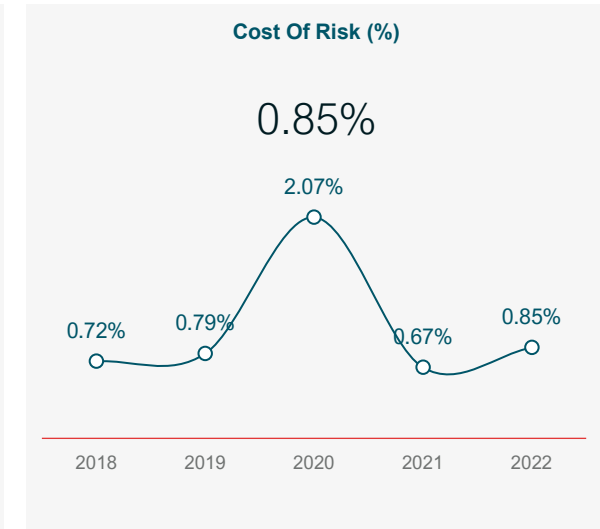
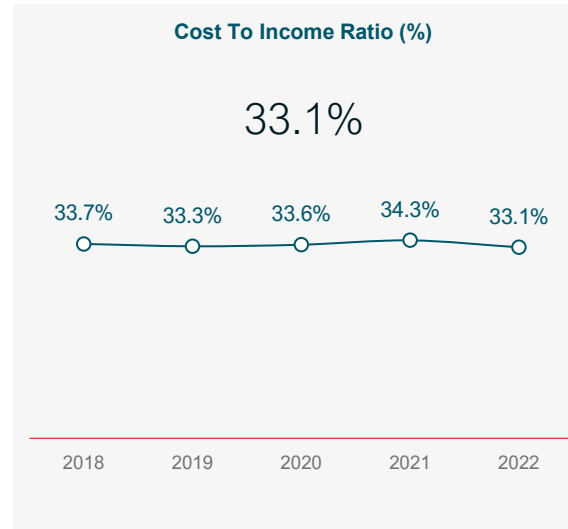
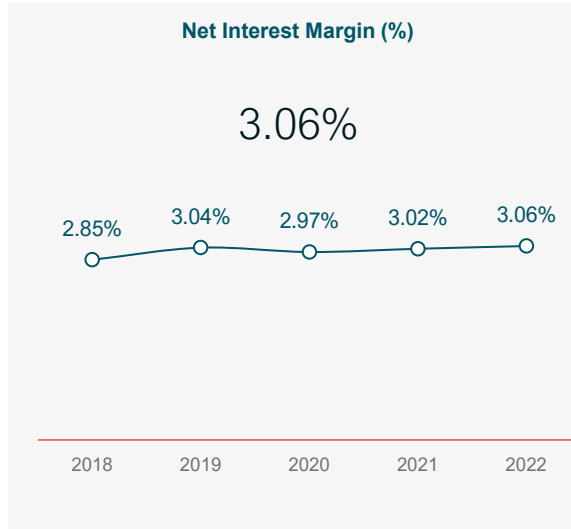
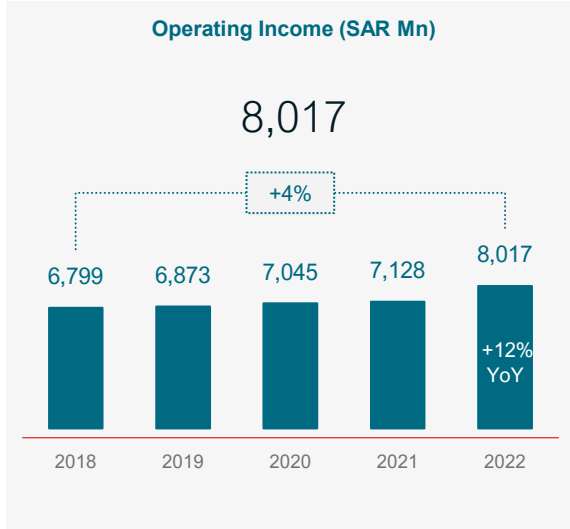
INVESTOR PRESENTATION 1Q 2023

# Performance Track Record

# Balance Sheet Metrics



# Income Statement Metrics





EARNINGS PRESENTATION 1Q 2023

# Appendix

# Disclaimer

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

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

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

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

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

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