



Banque Saudi Fransi

2Q 2023 Earnings Presentation

2 August 2023



EARNINGS PRESENTATION 2Q 2023

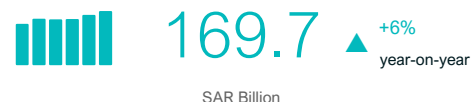
Highlights

Improved profitability in 1H 2023 from NIM expansion and balanced asset growth

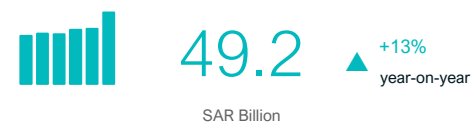
BALANCE SHEET

- High quality loan growth of 6% YoY driven by 7% commercial and 5% consumer lending growth.
- Deposit growth of 2% YoY, mainly from IBDs.

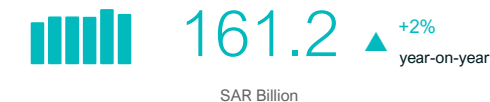
Loans & Advances



Investments



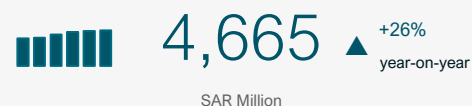
Customers' Deposits



INCOME STATEMENT

- 26% top-line growth from 33% NII growth.
- Net income grew 26% as income growth partly offset by increased impairments.

Operating Income



NIM



Net Income



ASSET QUALITY

- Modest improvement in NPL and coverage ratios but increased COR from previous migration of isolated pockets in the commercial book.

NPL Ratio



NPL Coverage Ratio



Cost of risk



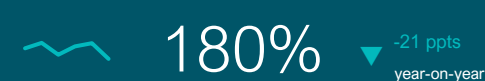
CAPITAL & LIQUIDITY

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

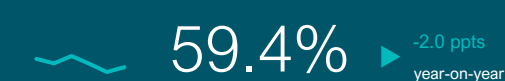
T1 Ratio



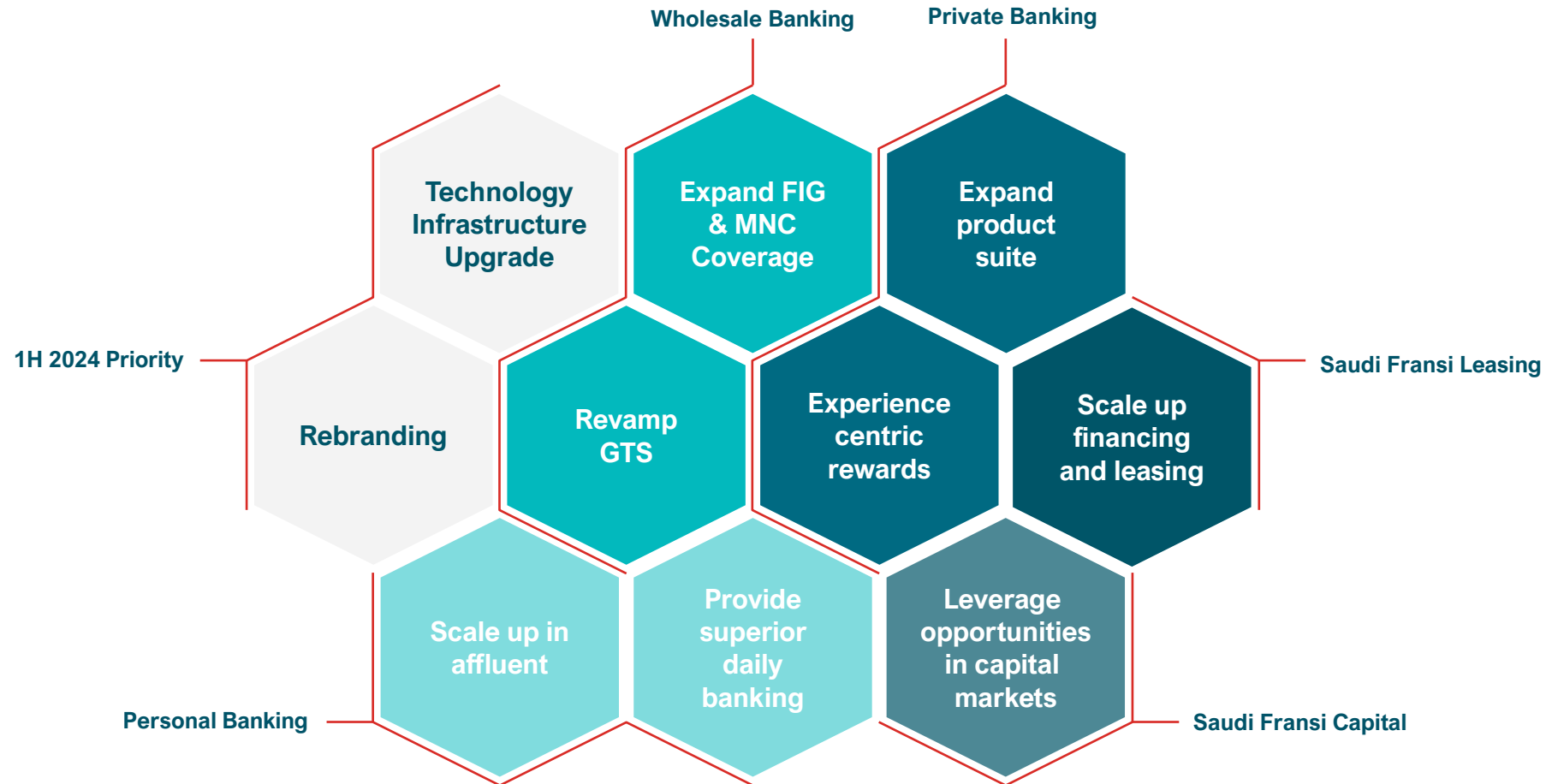
LCR



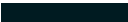




NIBD % of Total Deposits



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	Saudi Fransi Leasing	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	51% 	31% 	68% 	73% 	34% 
	Solid advancements in the implementation of strategic initiatives	Good progress in shaping up segmentation and customer value proposition for Affluent segment	Strong progress in expansion of the product suite and offering unique experience centric rewards	Progress on refining SFL strategy and simplifying core processes, while also building core products and digital IT capabilities	Modest progress in execution given initiatives complexity
Key Highlights	<ul style="list-style-type: none"> Enhanced operating model, CX, and presence Launched new trade product Expanded FI & govt. lending Progressed segmentation 	<ul style="list-style-type: none"> Finalized affluent segmentation model & value proposition Developed affluent implementation roadmap Launched the Omnichannel staff pilot in July 2023 Digital branch 	<ul style="list-style-type: none"> Closed key investment offerings with Saudi Fransi Capital Carried out 2 VIP experience events 	<ul style="list-style-type: none"> Simplified credit process Digital Swift loan family/friends Received regulator XS license Completed API integration Defined brand strategy & plan 	<ul style="list-style-type: none"> Collaboration reassessment with the Bank Re-established connections with key market players Formulated mandate pipeline for funding & financing deals Developed pipeline of real estate fund opportunities
Next steps	<ul style="list-style-type: none"> ICP & cash management product rollouts Expand FIG geographic reach 	<ul style="list-style-type: none"> Implement affluent initiatives Revamp WBG partnership model Expand digital branches 	<ul style="list-style-type: none"> Off-plan & new financing products Expand RM advisory roles Partnerships 	<ul style="list-style-type: none"> Full Swift loan deployment Launch credit cards Expand digital features Launch new brand 	<ul style="list-style-type: none"> Expand collaboration areas People investment & talent development Capture GRE mandates

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

Good progress in the implementation of the four key strategic programs across the 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"> ▷ Onboarding of resources and finalization of vendors ▷ Hardware provisioning for all environments completed ▷ Re-planning completed considering the Counter Fraud Framework (CFF) rollout 	<ul style="list-style-type: none"> ▷ Implemented new agile delivery model ▷ Upgraded IT infrastructure ▷ Installed new CX platform 	<ul style="list-style-type: none"> ▷ Delivery of 1st phase in second rollout, a major technology implementation and key strategic enabler ▷ 85-95% increase in STP ▷ Increased outgoing transactions & reduction in manual processes 	<ul style="list-style-type: none"> ▷ Brand visuals completed ▷ New brand prepared across branches & digital streams
1H 2023 Progress	<ul style="list-style-type: none"> ▷ Finalization of business & technical requirements ▷ Initiated Backend & test environment setup ▷ Launched Phase II design stage launched 	<ul style="list-style-type: none"> ▷ Completed development & design of new digital banking MVP ▷ Launched the Omnichannel staff pilot in July 2023 ▷ Implemented CFF regulatory requirements 	<ul style="list-style-type: none"> ▷ 1st phase in second rollout complete ▷ Significant progress on 2nd phase of second rollout 	<ul style="list-style-type: none"> ▷ Completed brand strategy & guidelines ▷ Finalized brand sensory experience ▷ Concluded design for digital channels ▷ Sampling of physical collateral completed



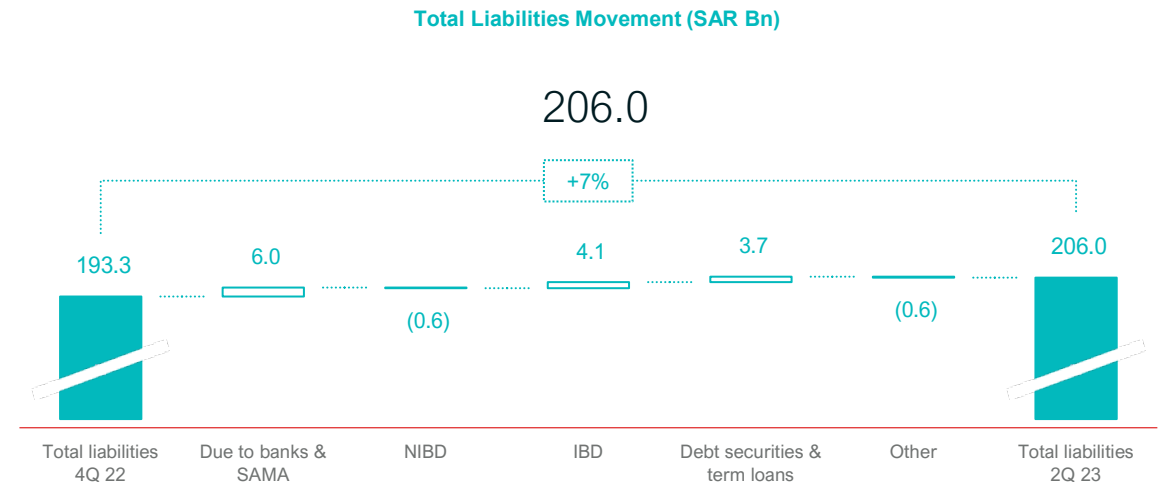
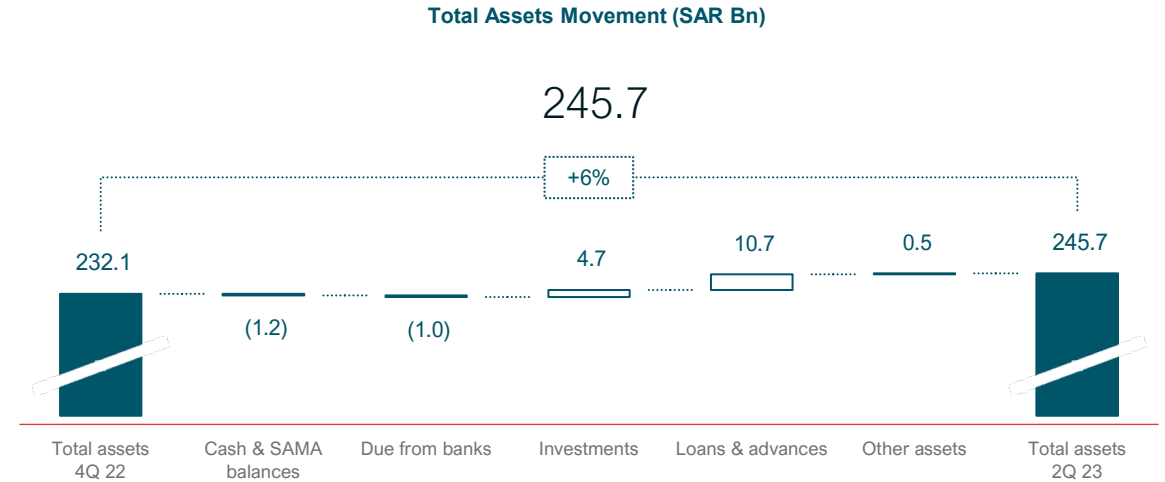
EARNINGS PRESENTATION 2Q 2023

Financial Performance

Balance sheet growth driven by lending and investments, funded by IBD growth

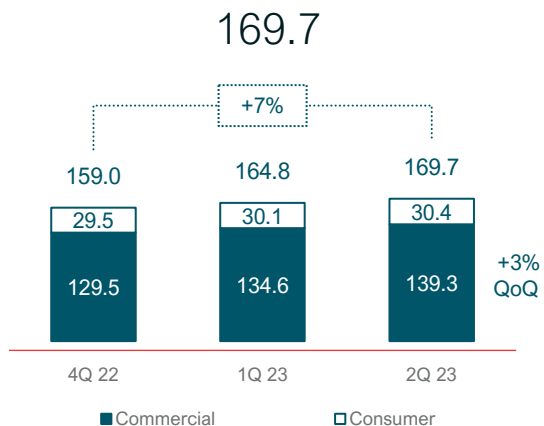
- Growth in total assets of 6% YTD, mainly driven by healthy 7% loan growth and 10% investments growth.
- Liabilities grew by 7% during 1H 2023 from 2% deposit growth, a 36% increase in interbank and SAMA borrowings, and an 82% rise in debt securities.
- Total equity increased 2% YTD due to retained earnings generation.

SAR (Mn)	2Q 2023	1Q 2023	Δ%	4Q 2022	Δ%
Cash & SAMA balances	10,084	14,683	-31%	11,326	-11%
Due from banks	3,795	4,056	-6%	4,795	-21%
Investments	49,178	44,807	+10%	44,518	+10%
Loans & advances	169,695	164,779	+3%	159,012	+7%
Other assets	12,967	11,910	+9%	12,428	+4%
Total assets	245,718	240,236	+2%	232,078	+6%
Due to banks & SAMA	22,766	14,275	+59%	16,770	+36%
Customers' deposits	161,165	167,414	-4%	157,592	+2%
Debt securities & term loans	8,233	4,533	+82%	4,515	+82%
Other liabilities	13,859	14,078	-2%	14,455	-4%
Total liabilities	206,022	200,300	+3%	193,333	+7%
Share capital	12,054	12,054	+0%	12,054	+0%
Retained earnings	11,805	10,788	+9%	9,768	+21%
Other reserves	10,837	12,094	-10%	11,924	-9%
Tier 1 Sukuk	5,000	5,000	+0%	5,000	+0%
Total equity	39,696	39,936	-1%	38,745	+2%

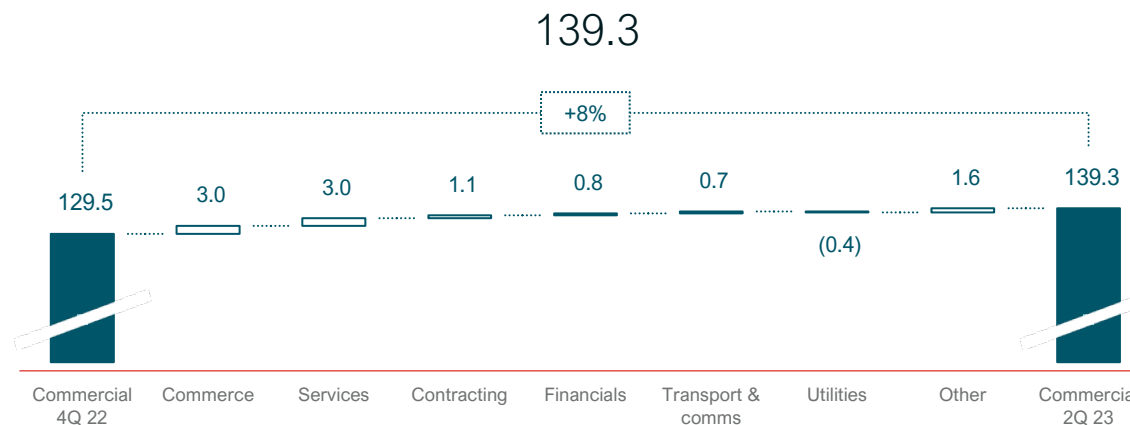


Healthy and balanced 7% loan growth during 1H 2023

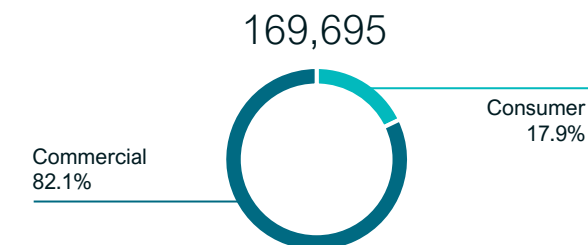
Total Loans & Advances (SAR Bn)



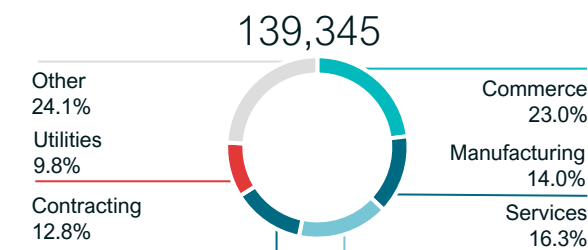
Commercial Loans Movement YTD (SAR Bn)



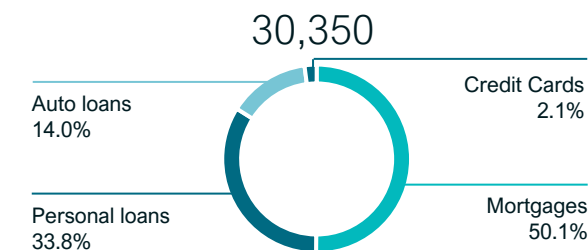
Loans & Advances Composition (SAR Mn)



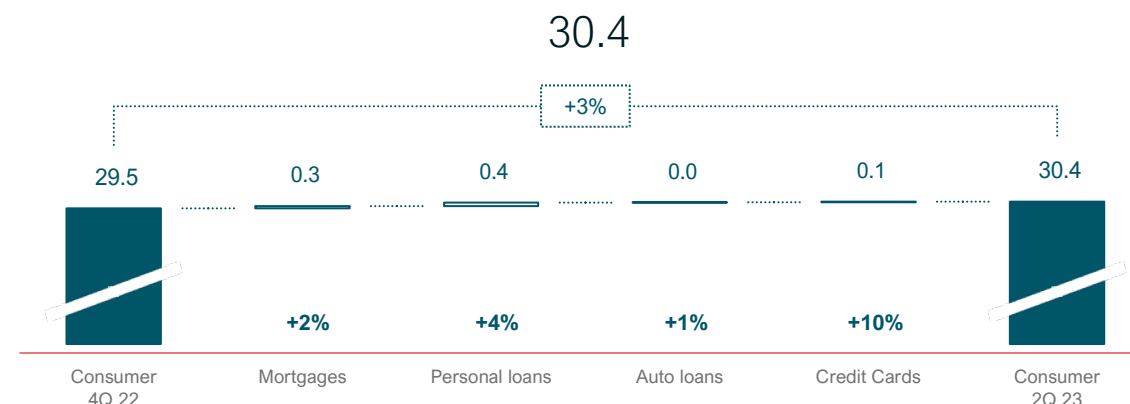
Commercial Loans Composition (SAR Mn)



Consumer Loans Composition (SAR Mn)



Consumer Loans Movement YTD (SAR Bn)

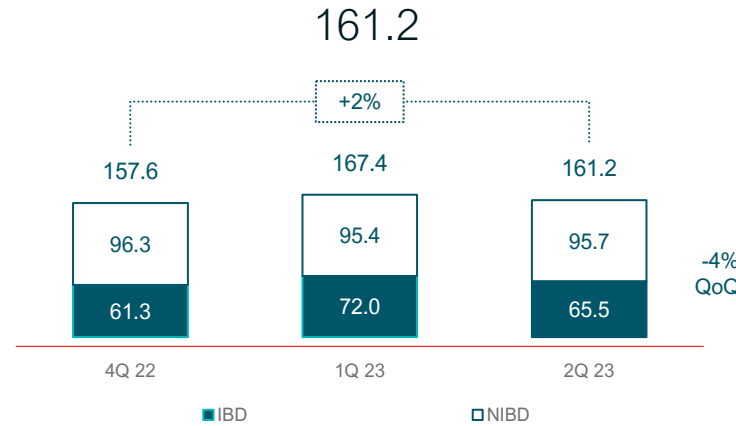


- Total loans & advances grew 7% during 1H 2023 from both consumer and commercial lending growth.
- Commercial loans grew 8% during 1H 2023, which was broad-based across sectors.
- Consumer loans grew 3% mainly from 2% and 4% growth in mortgages and personal loans respectively.

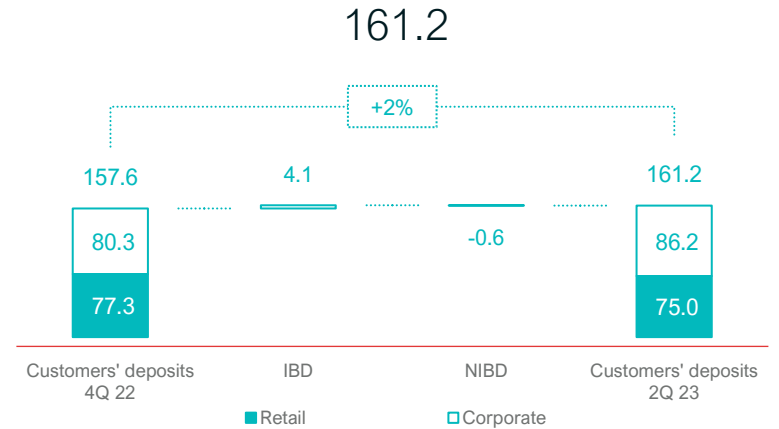
2% growth in deposits YTD from increased IBDs

- Deposits grew 2% during 1H 2023 from increased IBDs.
- IBD increased 7% YTD from 32% growth in Corporate, partly offset by a 32% decline in Retail.
- NIBD's declined 1% YTD due to a 14% decline in Corporate which was almost offset by 10% growth in Retail.
- A 3% 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 30 June 2023, 59.4% of deposits were non-interest bearing, the 2.0ppts YoY decline is reflective of the rising rate environment.

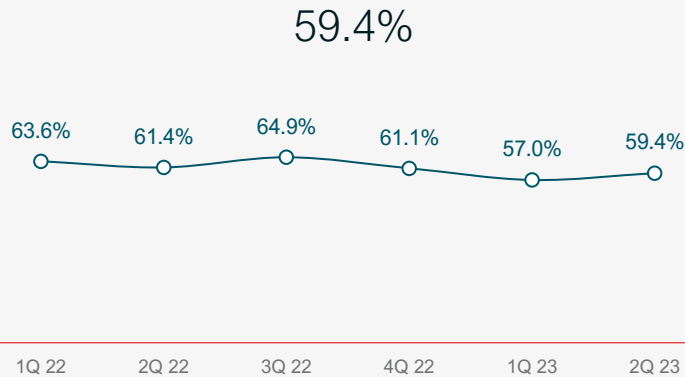
Customers' Deposits (SAR Bn)



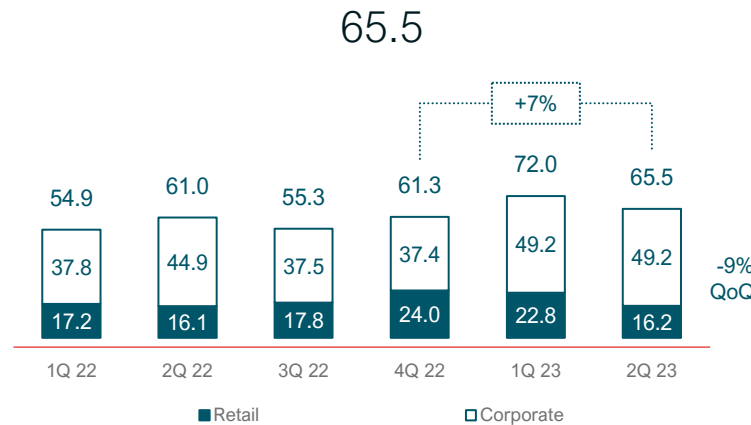
Customers' Deposits Movement (SAR Bn)



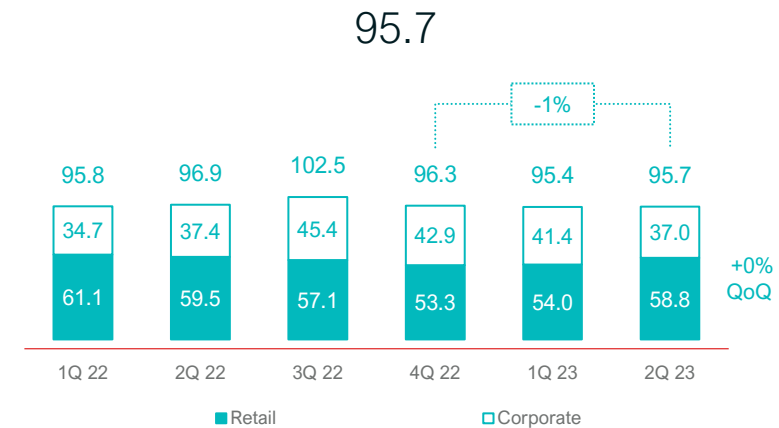
NIBD % of Total Deposits (%)



Interest Bearing Deposits (SAR Bn)



Non Interest Bearing Deposits (SAR Bn)

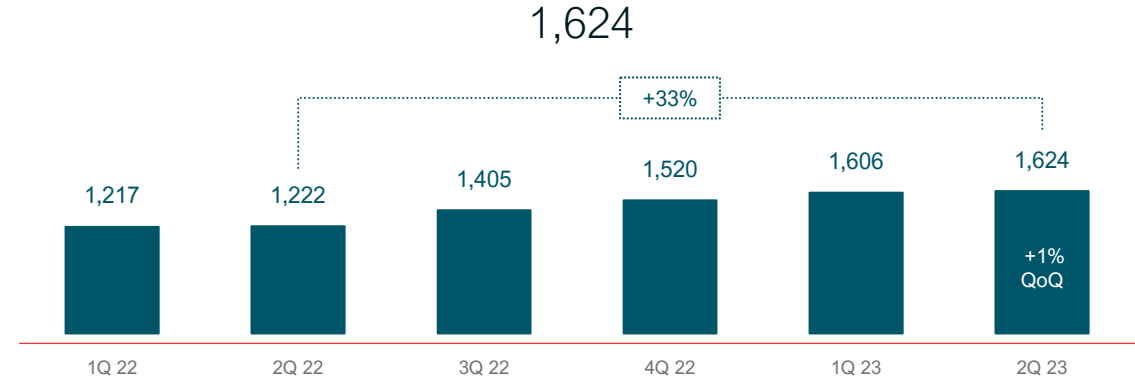


Net income grew 26% YoY from strong NII growth, partly offset by increased operating expenses and impairments

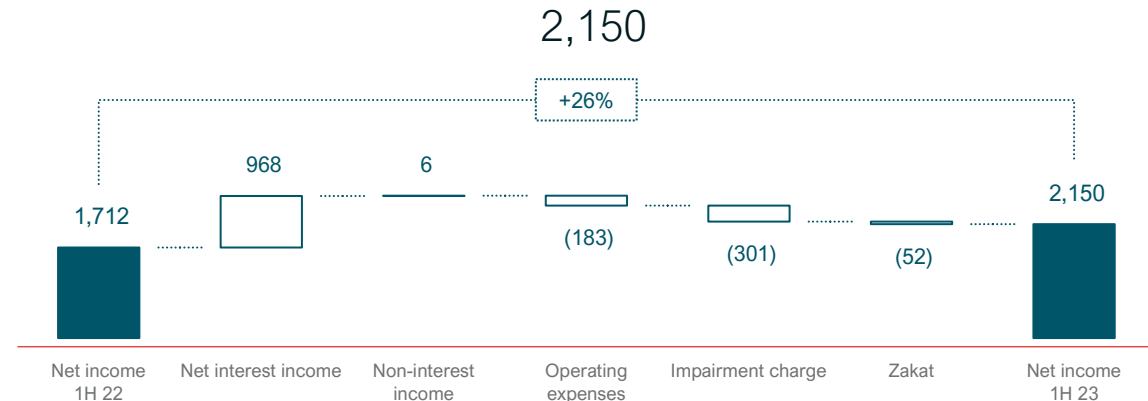
- Net income for 1H 2023 grew 26% YoY to SAR 2,150mn from 26% growth in operating income, partly offset by 15% growth in operating expenses and a 56% rise in the impairment charge.
- Quarterly net income similarly increased 28% YoY and was stable QoQ at SAR 1,073mn.

SAR (Mn)	1H 2023	1H 2022	Δ%	2Q 2023	2Q 2022	Δ%
Net interest income	3,899	2,931	+33%	1,976	1,516	+30%
Non-interest income	766	760	+1%	372	354	+5%
Operating income	4,665	3,691	+26%	2,347	1,870	+26%
Operating expenses	(1,436)	(1,253)	+15%	(724)	(648)	+12%
Net operating income before impairments	3,230	2,439	+32%	1,624	1,222	+33%
Impairment charge	(837)	(536)	+56%	(431)	(294)	+46%
Net income before zakat	2,393	1,903	+26%	1,193	928	+29%
Zakat	(243)	(192)	+27%	(120)	(91)	+31%
Net income	2,150	1,712	+26%	1,073	837	+28%
NIM	3.62%	2.90%	+72bps	3.57%	2.93%	+64bps
Cost to income ratio	30.8%	33.9%	-3.2ppts	30.8%	34.6%	-3.8ppts
Cost of risk	1.07%	0.68%	+39bps	0.99%	0.73%	+26bps
EPS	1.70	1.33	+28%	0.85	0.65	+30%
ROAE	10.9%	8.8%	+211bps	10.8%	8.7%	+211bps
ROAA	1.80%	1.53%	+26bps	1.77%	1.48%	+29bps

Net Operating Income Before Impairment Charge (SAR Mn)

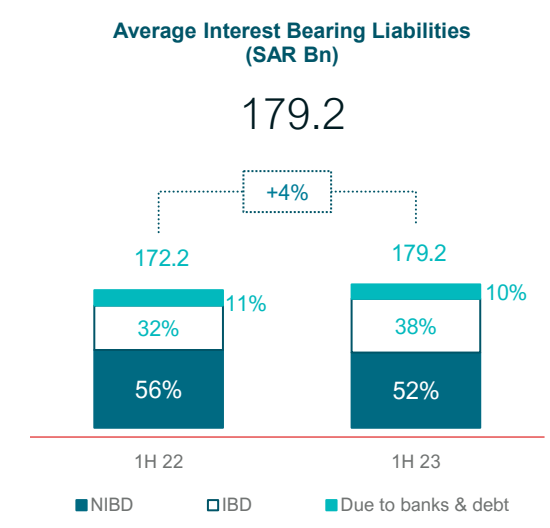
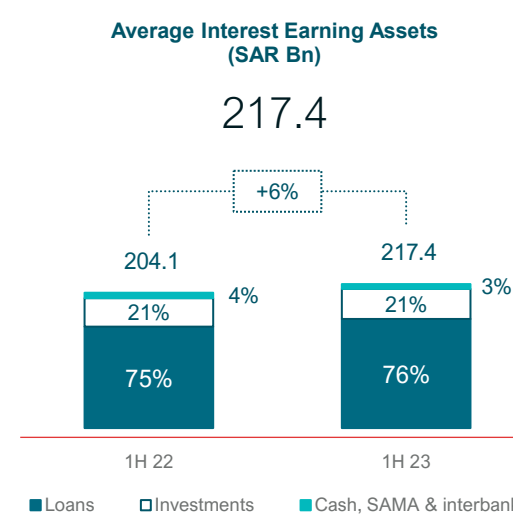
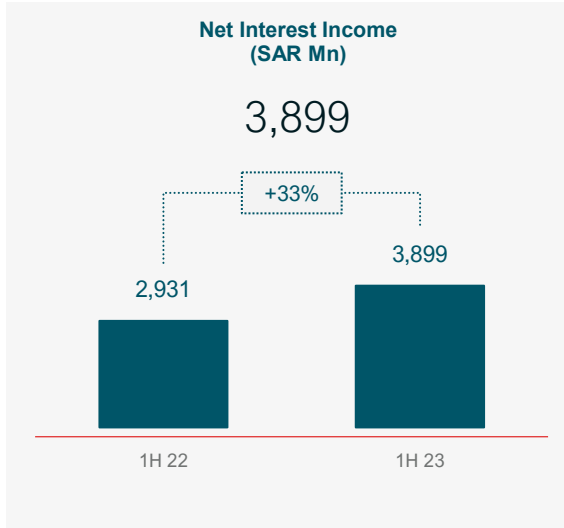


Net Income Movement (SAR Mn)

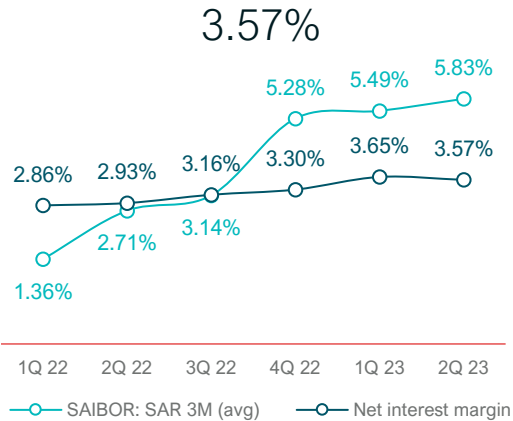


NII growth of 33% from margin expansion and earning assets growth

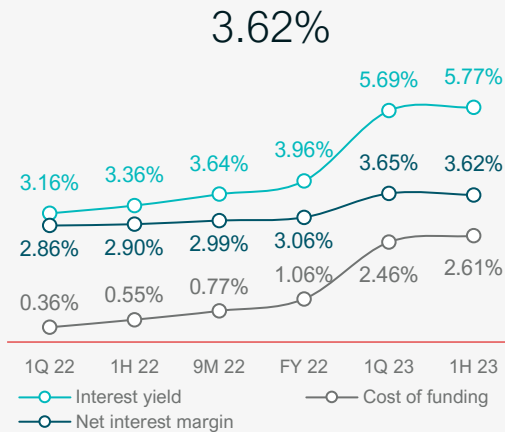
- NII for 1H 2023 grew 33% YoY to SAR 3,899mn from margin expansion and 6% growth in (simple) average earning assets.
- The NIM increased 72bps YoY due to improved loan yields, partly offset by the higher funding costs and the hedging impact.
- The quarterly NIM improved 64bps YoY but declined 8bps QoQ to 3.57%.



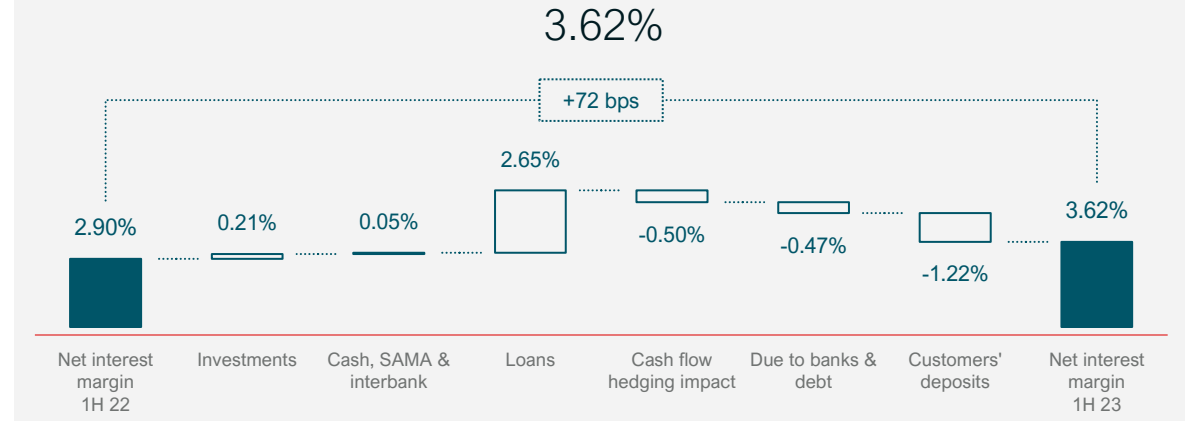
Quarterly Net Interest Margin Trend (%)



YTD Net Interest Margin Trend (%)



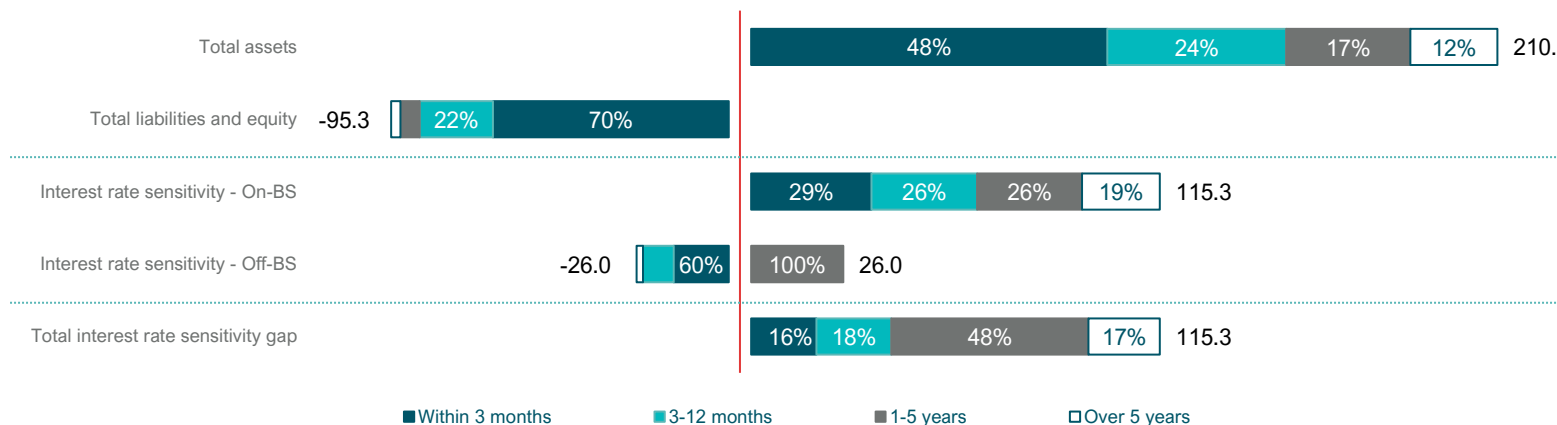
Net Interest Margin Movement (%)



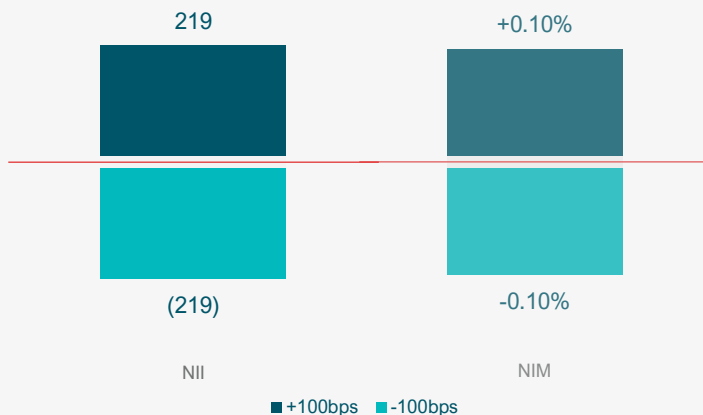
BSF is positively positioned for a rising rate environment

- 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 10 rate hikes in KSA during 2022 and 1H 2023 totaling 475bps 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.

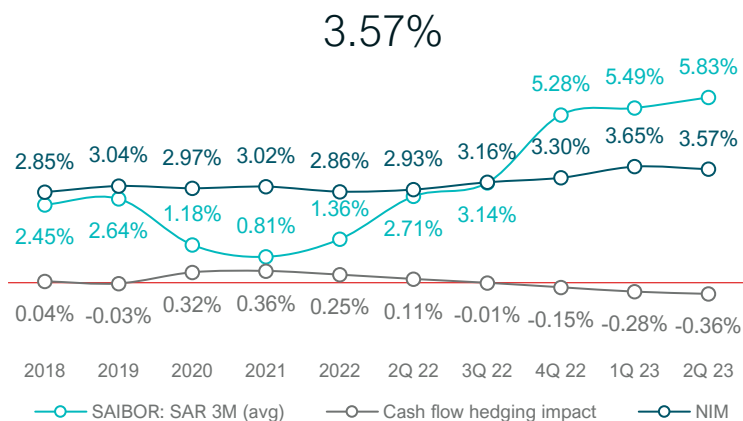
Exposure to Interest Rate Risk as at 31 December 2022 (SAR Bn)



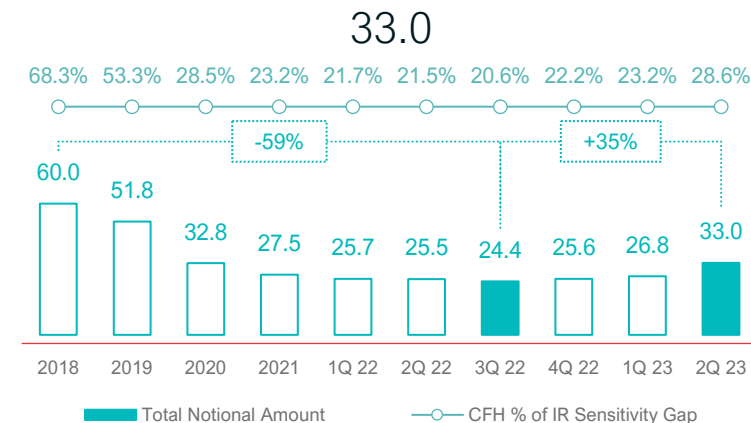
Impact of 100bps Rate Change as at 31 December 2022 (SARmn/%)



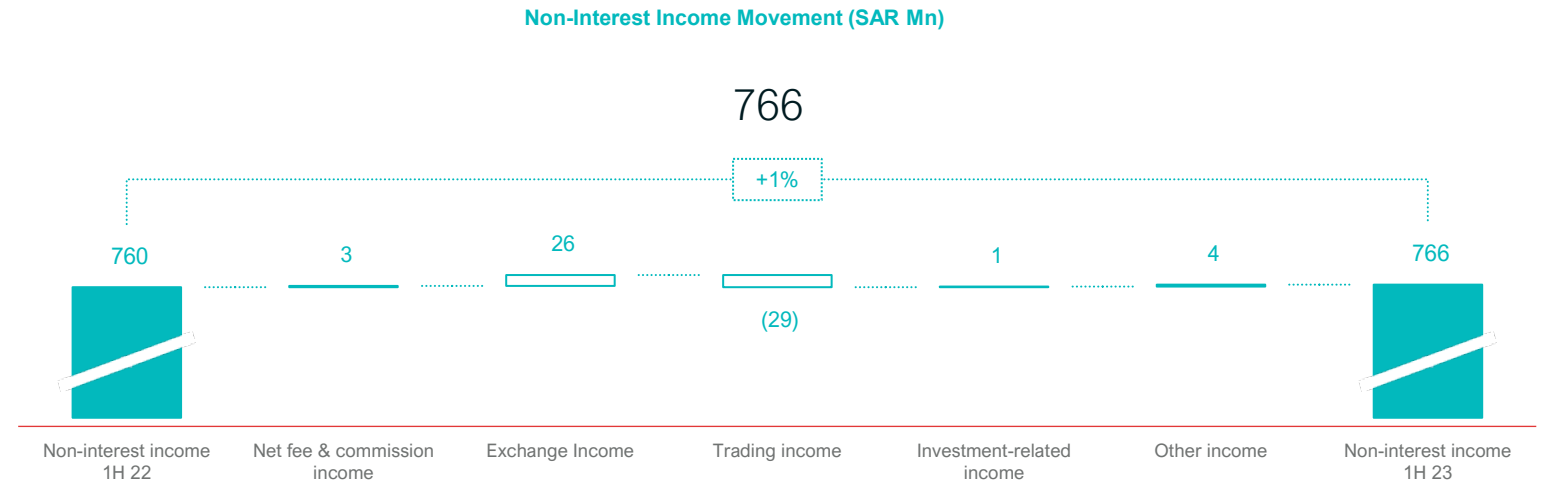
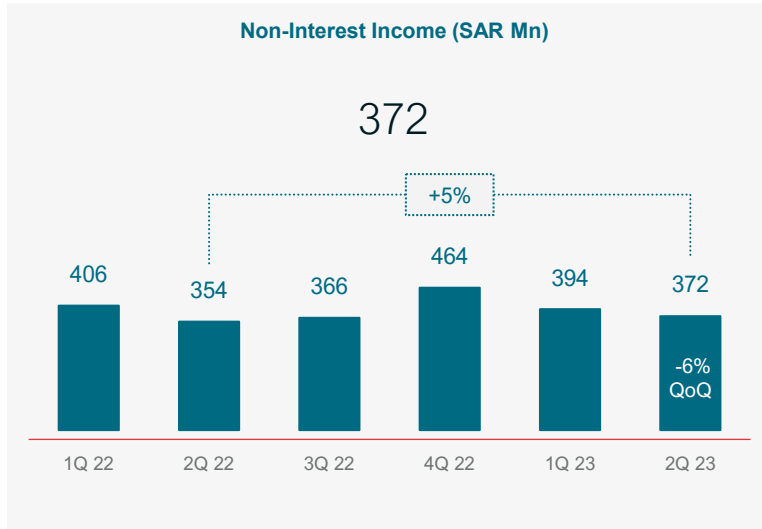
NIM, Rates and CFH Impact Trends (%)



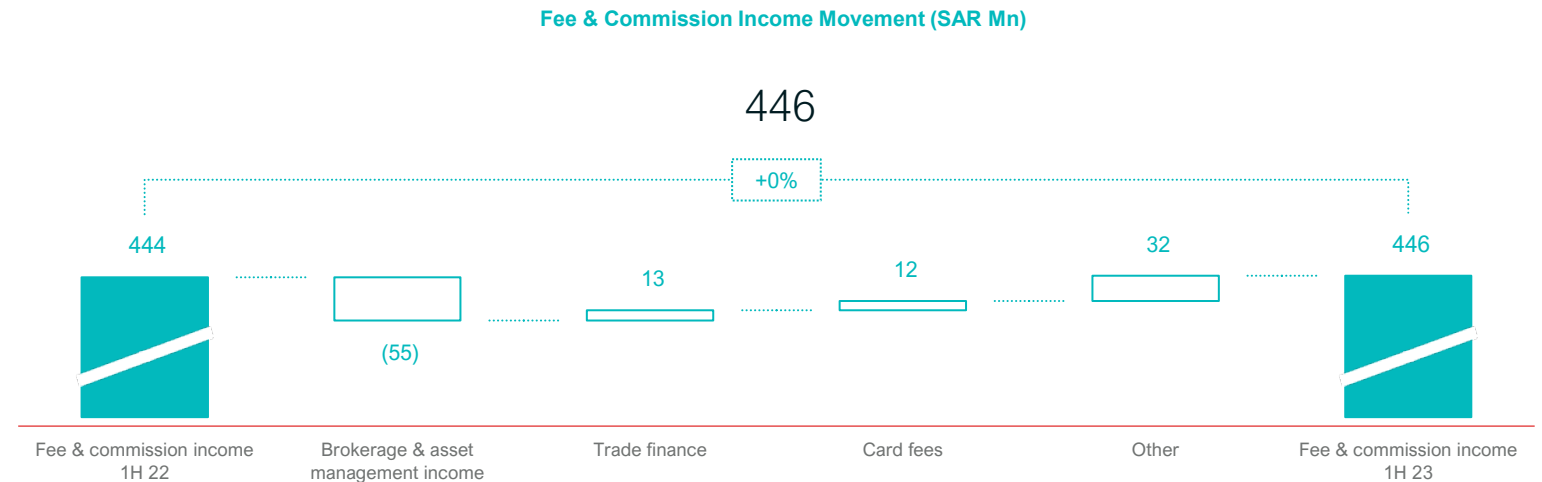
Cash Flow Hedges Swaps (SAR Bn)



Non-interest income increased 1% YoY as higher FX income was mostly offset by lower trading income



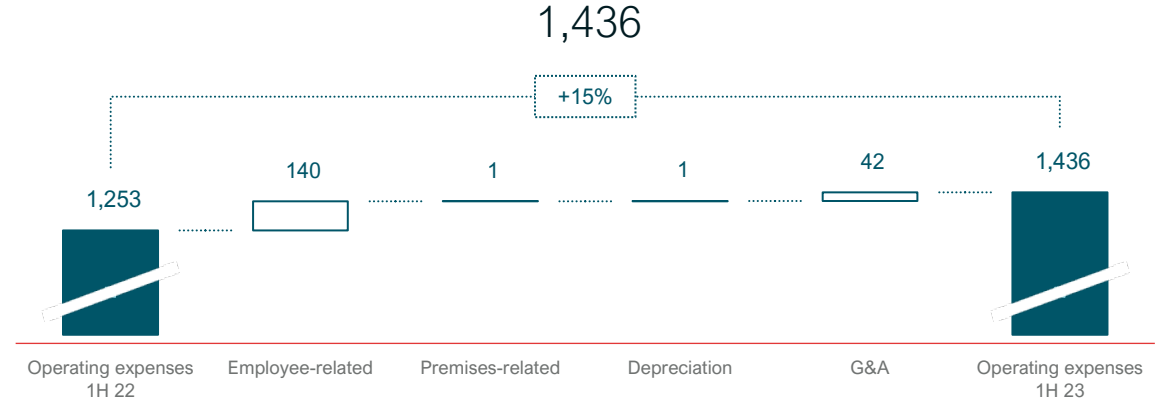
- Non-interest income for 1H 2023 increased 1% YoY to SAR 766mn as higher FX income was mostly offset by lower trading income.
- Net fee & commission income was stable at SAR 446mn in 1H 2023 as higher trade finance, cards and other fee income was offset by lower brokerage and asset management income.
- 2Q 2023 Non-interest income declined 6% QoQ due to lower card fees and exchange income.



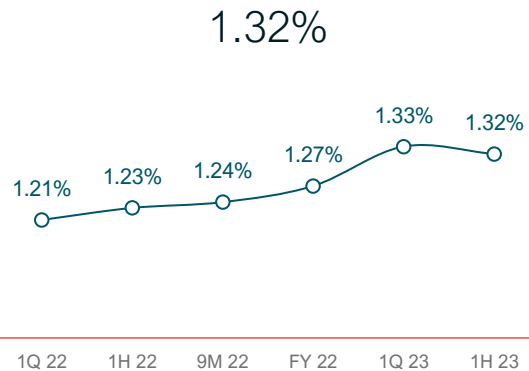
Operating expenses growth of 15% from higher employee-related expenses

- Operating expenses increased 15% YoY to SAR 1,436mn in 1H 2023 due to increased employee-related costs and excess accrual reversals in 1Q 2022.
- The YoY cost to income ratio improved by 3.2ppts YoY to 30.8% in 1H 2023 from 33.9% in 1H 2022.
- Operating expenses as a percentage of average interest-earning assets (AIEA) increased 9bps YoY to 1.32% for 1H 2023.
- Quarterly operating expenses increased 2% QoQ due to higher G&A costs, partly offset by lower employee-related expenses.

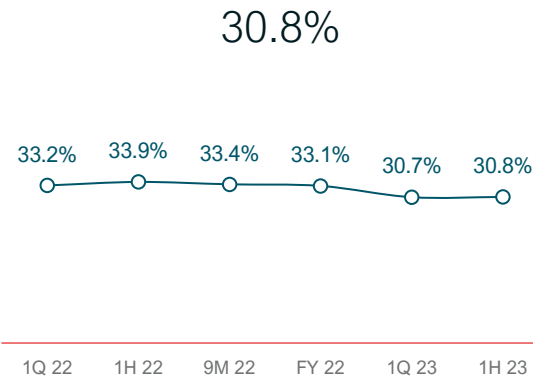
Operating Expenses Movement (SAR Mn)



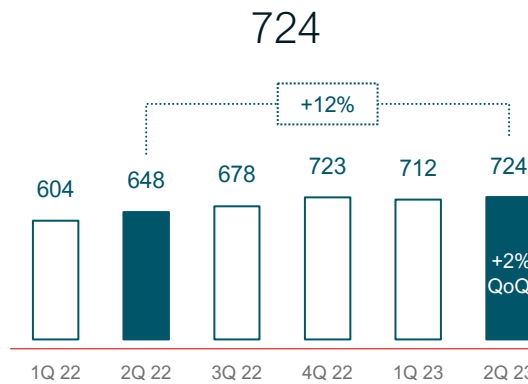
Cost To AIEA Ratio (%)



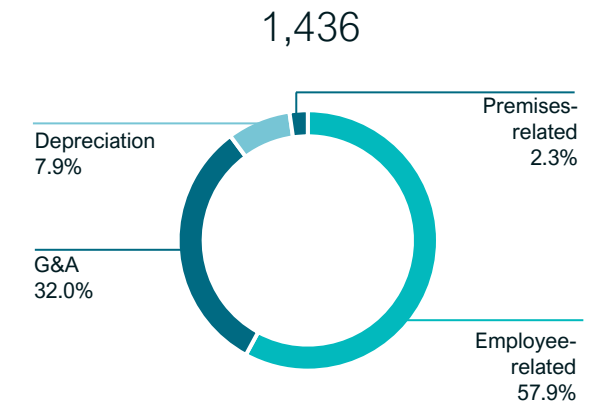
Cost To Income Ratio (%)



Operating Expenses (SAR Mn)

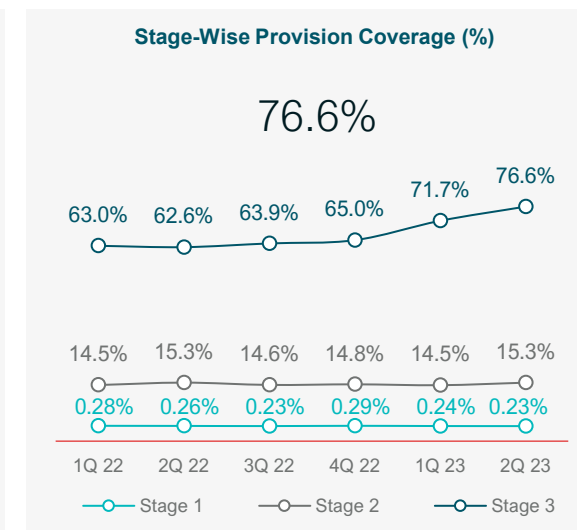
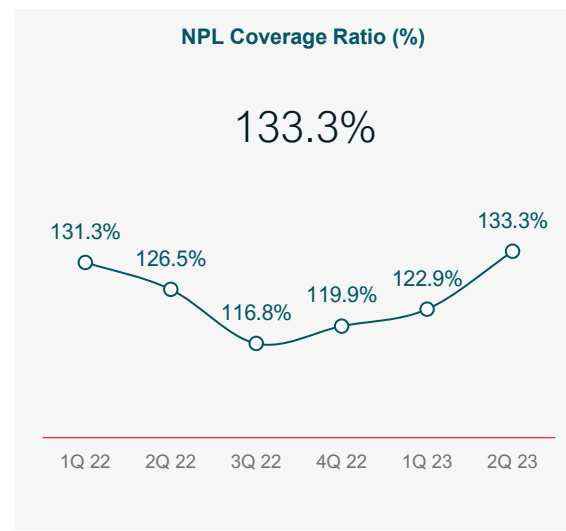
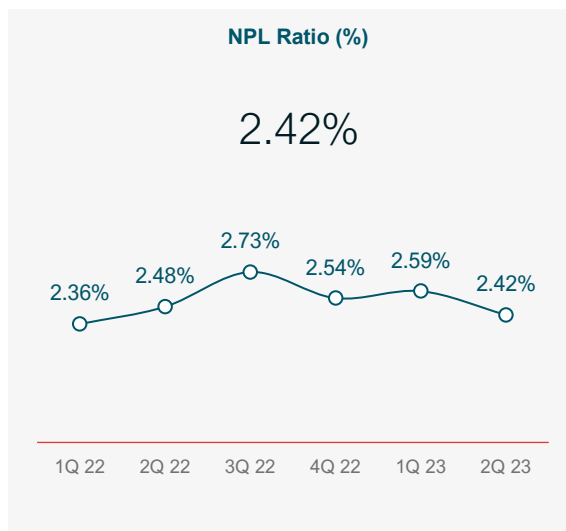
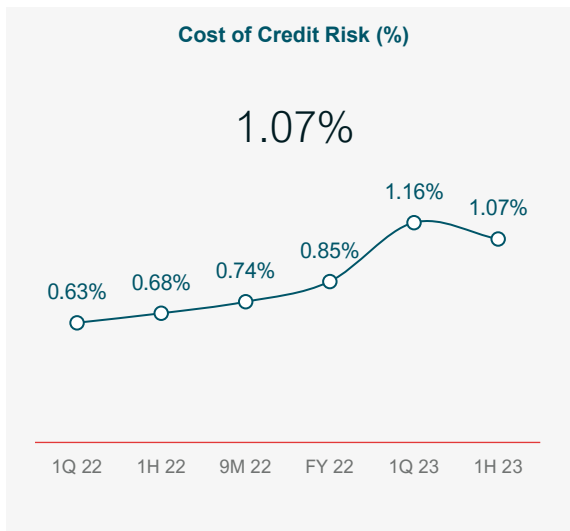
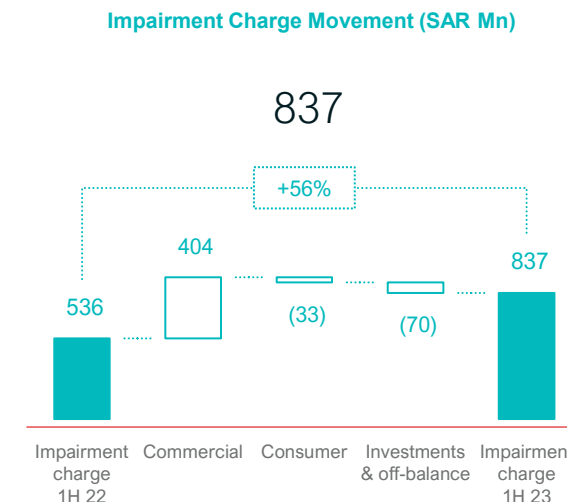
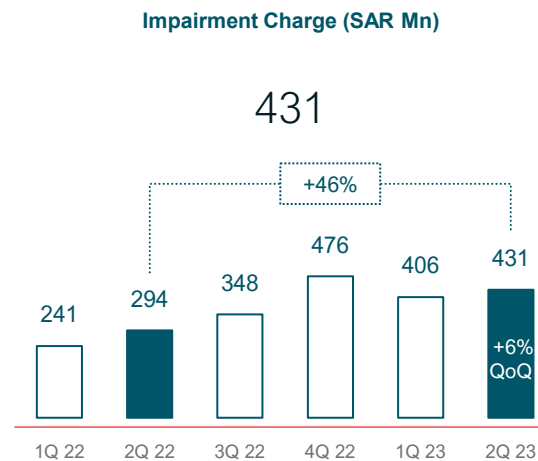
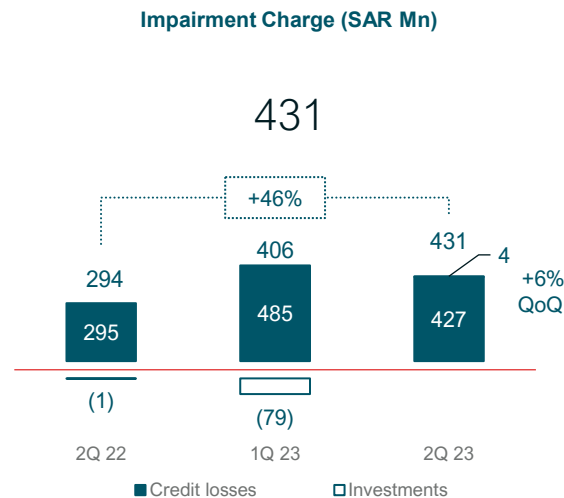


1H 23 Operating Expenses Composition (SAR Mn)



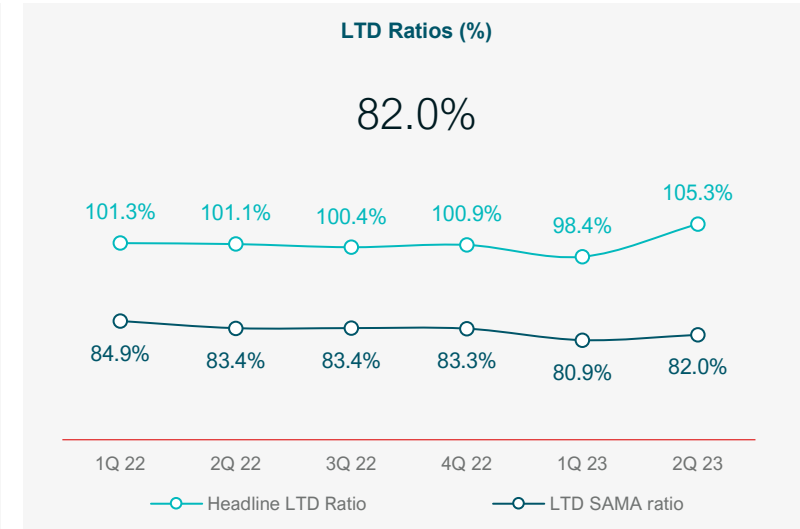
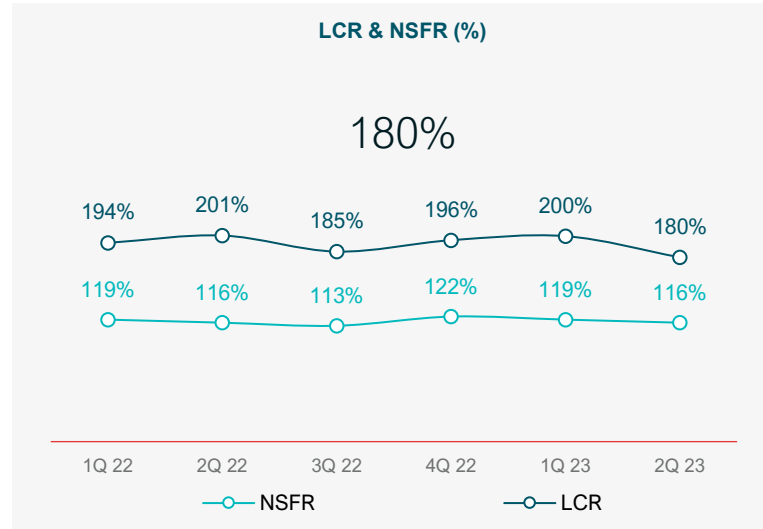
Credit quality trends impacted by isolated pockets of migration in the Commercial book during 2022

- The total impairment charge for 1H 2023 increased 56% YoY to SAR 837mn, mainly from higher Commercial impairments, partly offset by Consumer and Investment & off-balance reversals.
- The NPL ratio improved 12bps YTD to 2.42% on 2% NPL growth relative to 7% 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.

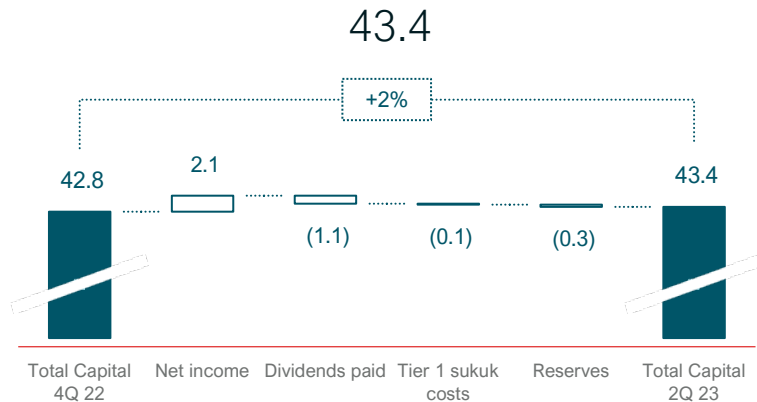


Liquidity, funding and capital comfortable

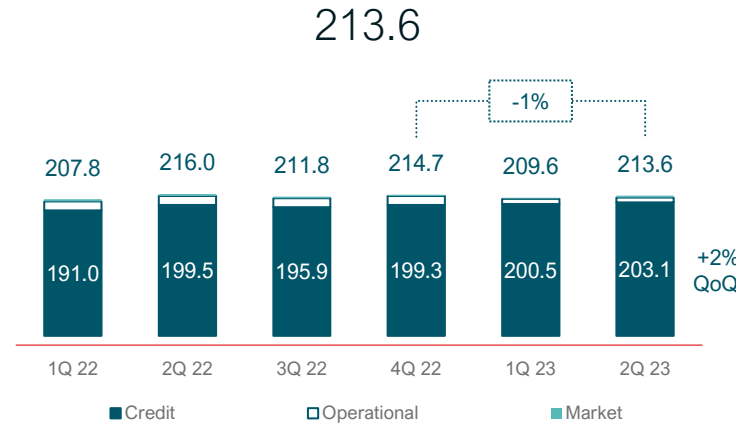
- LCR declined by 17ppts during 1H 2023 to 180%.
- NSFR moderated 6ppts to 116% as of 30 June 2023.
- The SAMA regulatory LTD ratio was within required levels at 82.0% as of 30 June 2023, while the headline ratio increased to 105.3%.
- Total capital (Tier 1 + Tier 2 regulatory capital) increased 2% to SAR 43.4bn during 1H 2023 from net income generation, partly offset by the final 2022 dividend payment.
- RWAs declined 1% during 1H 2023 to SAR 213.4bn due to lower operational risk RWAs.
- CAR was 20.34% and the Tier 1 ratio was 19.34% as of 30 June 2023.



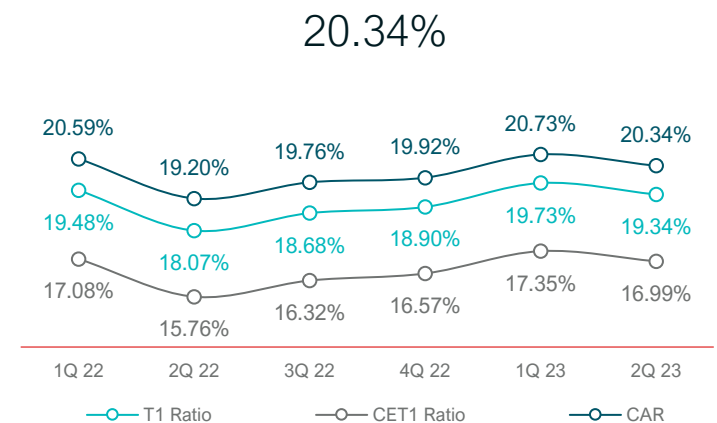
Total Capital Movement (SAR Bn)



RWA (SAR Bn)



CAR (%)



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

Metric	1H 2023 Outcome	2023 Guidance	Revision	Drivers
LOANS & ADVANCES GROWTH	<p>Financing Growth</p> <p>+6.7% YTD</p> <p>▲ SAR 169.7 bn</p>	<p>Financing Growth</p> <p>High single-digit</p>	UNCHANGED	Balanced growth of consumer and commercial lending expected in 2023.
NET INTEREST MARGIN	<p>NIM</p> <p>3.62%</p> <p>▲ +72bps YoY</p>	<p>NIM</p> <p>3.45 - 3.55%</p>	REVISED UP FROM 3.30-3.50%	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	<p>COR</p> <p>107bps</p> <p>▲ +39bps YoY</p>	<p>COR</p> <p>85-95bps</p>	REVISED UP FROM 70-80bps	Cost of risk for 2023 to gradually normalize while improving coverage on isolated corporate exposures.
COST TO INCOME RATIO	<p>CIR</p> <p>30.8%</p> <p>▼ -316bps YoY</p>	<p>CIR</p> <p><32%</p>	UNCHANGED	Expect CI-ratio below 32% for 2023, mainly from higher income on more modestly rising cost base.
RETURN ON EQUITY	<p>ROAE</p> <p>10.9%</p> <p>▲ +211bps YoY</p>	<p>ROAE</p> <p>11-13%</p>	UNCHANGED	Increase in ROAE from lending growth, higher NIMs, and improving operating efficiency and risk cost.
CORE EQUITY TIER 1 RATIO	<p>CET1</p> <p>17.0%</p> <p>▲ +42bps YTD</p>	<p>CET1</p> <p>17-18%</p>	UNCHANGED	Modest increase in CET1 during 2023 from robust earnings generation, partial reversal of MTM through FVOCI, while maintaining dividend payout levels.



EARNINGS PRESENTATION 2Q 2023

Questions & Answers

Disclaimer

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

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

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

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

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

You understand 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.**