

40 Years of Excellence

عاشراً
من الامتياز

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السعودي
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Banque
Saudi
Fransi





2018 Results Presentation



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BSF at a glance



- Approximately **1,000,000** retail clients
- 3,700** corporate clients
- 5th** largest bank in Saudi Arabia by asset size
- 6th** largest bank in Saudi Arabia by market cap
- Domestic Systemically Important** bank
- 3,027** employees
- 86** branches

- Established in 1977 – a combination of Saudi interests and Banque Indosuez (initially settled through Banque de l'Indochine in 1948)
- Universal bank** model:
 - Corporate** DNA (89% of loan book and prominent market franchise with **~12% market share**)
 - Growing **retail** book
- Focus on domestic market (93% of Balance Sheet)
- Offer the full array of both conventional and Islamic banking services & products

BBB+

Standard & Poor's

A1

Moody's

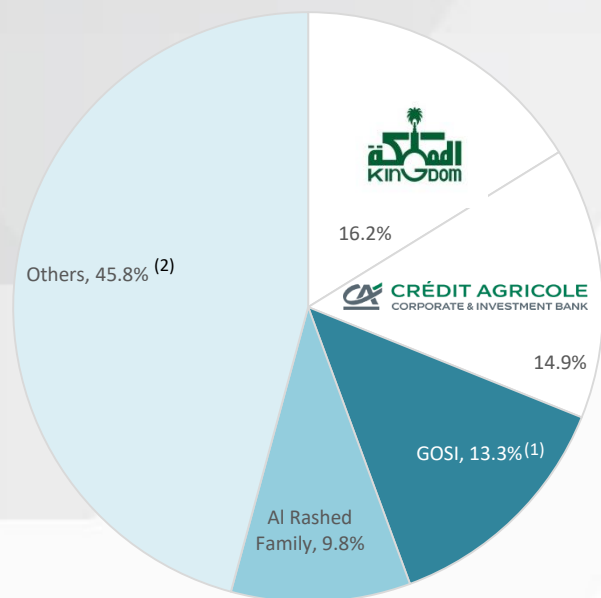
A-

Fitch Ratings

BSF Share Profile



Shareholding Structure



- (1) General Organization for Social Insurance
- (2) Including Shareholders holding less than 5%
- (3) As on 31 December 2018
- (4) As on 1st of January 2019

Share Profile Overview

- Listed on Saudi Arabia's Stock Exchange ("Tadawul")
- Symbol: BSFR
- Number of shares issued: 1,205 million
- Market cap ⁽³⁾ : SAR 37.8Bn (USD 10.1Bn)
- BSF market cap to Saudi banking industry: 6.11%
- BSF market cap to Saudi Stock Market: 2.0%
- Foreign Ownership Limit: 49%

Shareholding Structure ⁽⁴⁾	Member Names
KINGDOM HOLDING	Talal Ibrahim Al-Maiman
CACIB	Jacques Prost
GOSI	Mazin Al-Romaih (Chairman)
AL-RASHED Family	Abdulrahman Al-Rashed
AL-ISSA Family	Bader Al-Issa
AL-OMRAN Family	Khalid Al-Omran
AL-MUTABAGANI Family	Khalid Mutabagani
Others	Ghazi Al-Rawi Abdullatif Al-Othman Rayan Fayez – MD & CEO

2018 Results: Key points



Balance Sheet

- **Balance sheet** declined (-1.4% YoY). Total assets of SAR 190Bn with lower interbank lending (-15.0% YoY) and cash & central bank balances (-6.6% YoY). On the other hand the investment portfolio increased (+12.0% YoY).
- **Net loans** decreased by SAR 1.3Bn or (-1.1% YoY), caused by lower overdraft and commercial loans by SAR 2.8Bn or (-2.5% YoY) due to the subdued growth in the corporate sector. The decline in corporate loans was partially offset by the growth of retail banking net loans by SAR 1.5Bn or (+12.2% YoY) with a strong focus on gaining market share in home loans.
- **Total customer deposits** at SAR 148.4Bn declined by (-1.7% YoY). NCBD / CBD mix at 49% / 51% vs 57% / 43% in 2017.

Income Statement

- Solid **revenues** of SAR 6.8Bn (+3.4% YoY) driven by net interest income offsetting lower fee income.
- **Net Interest Income** grew by (+6.7% YoY) as Net Interest Margin has been gradually widening helped by interest rate rises and asset price optimization. **NIM** at 2.7% and **Return on Credit RWA** at 3.0% are on a positive trend.
- **Non-Interest Income** down by (-5.0% YoY) mainly due to lower income from derivative trading activities as well as lower business volumes in trade finance, brokerage and project finance.
- **Operating expenses** down (-4.0% YoY) as initiatives were taken to reduce cost and increase efficiencies. **Cost to income ratio** went down to 33.7% vs 36.3% in 2017.
- **Net Operating Income** before provision up by (+7.6% YoY) driven by the higher revenues and lower expenses.
- **Business Segment results:** Steady improvement in performance of retail banking with revenues and net income respectively up by (+12.8% YoY) and by (+91.8% YoY). Corporate banking revenues increased by (+3.1% YoY) while corporate banking operating income increased by (+2.1% YoY) which was offset by higher impairment charges (+92.5% YoY) causing a decrease in net income by (-23.1% YoY).
- **Net income of SAR 3,307Mn** (-6.4% YoY) compared to SAR 3,532M for 2017 driven by the impact of higher impairment charges.

Asset Quality Capital & Liquidity

- **Total Impairment charges** at SAR 1,203Mn for 2018 compared to SAR 665Mn in 2017.
- **Cost of risk ratio** at 0.96% compared with 0.51% in 2017.
- **NPL ratio** at 2.91%.
- **Coverage ratio** improved at 112.0% vs 100.1% in 2017.
- **Capital strength**, CAR remains at very solid level of 19.77% after zakat settlement with strong internal capital generation capacity.
- **Well positioned loan-to-deposit ratio** at **80%** providing ample room for future asset growth.

Balance Sheet Highlights

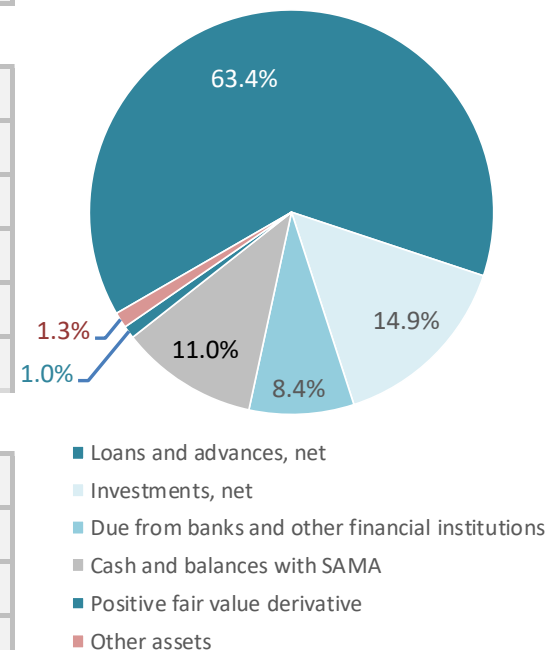


SAR Mn	2015	2016	2017	2018	Y/Y
Balance Sheet					
Total Assets	183,724	203,429	192,929	190,201	-1.4%
Loans and Advances	123,769	129,458	121,940	120,632	-1.1%
Customer deposits - which include:	141,852	158,458	150,954	148,368	-1.7%
Non commission bearing deposits	94,009	92,167	85,808	72,138	-15.9%
Commission bearing deposits	47,843	66,291	65,147	76,230	17.0%
Total Equity	27,484	29,699	31,661	30,812	-2.7%

Key Ratios

NPL / Gross loans	0.90%	1.29%	2.73%	2.91%	0.18%
Coverage ratio	207.0%	176.0%	100.1%	112.0%	11.90%
Cost of risk	0.15%	0.59%	0.51%	0.96%	0.45%
Loans / Deposits	83.3%	78.4%	79.7%	80.2%	0.52%

Composition of BSF assets



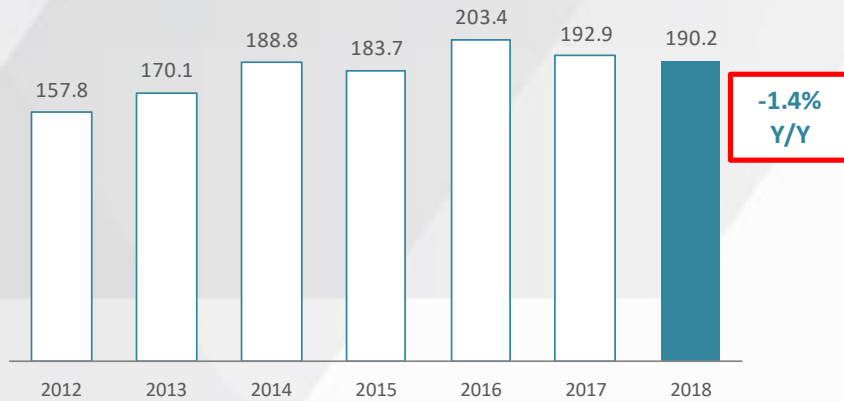
- Loans and deposits trend: Net loans declined by (-1.1% YoY), net retail loans increased by (+12.2% YoY) while net overdraft and commercial loans declined by (-2.5% YoY).
- Deposits decline by (-1.7% YoY), decline of Non-Commissioned Bearing Deposits was compensated by time deposits.
- Asset quality trend: NPL to gross loans increased by (+0.18% YoY), coverage ratio improved by (+11.9% YoY) and cost of risk increased by (+0.45% YoY).

Balance Sheet Highlights



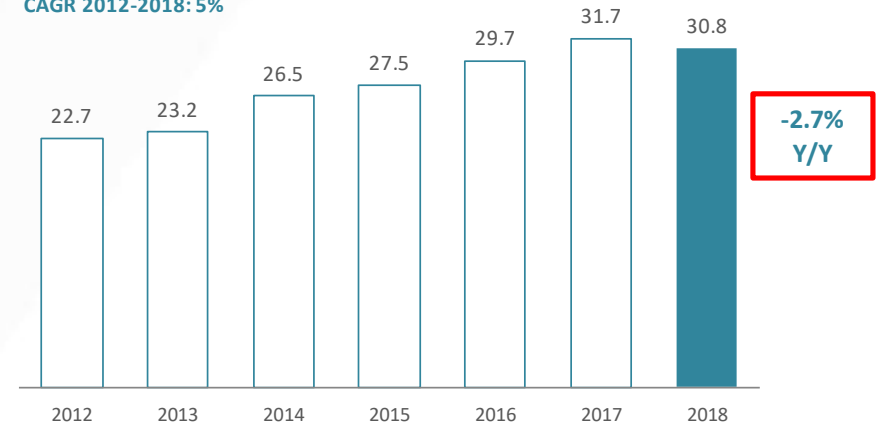
Total Assets (SAR Bn)

CAGR 2012-2018: 3%



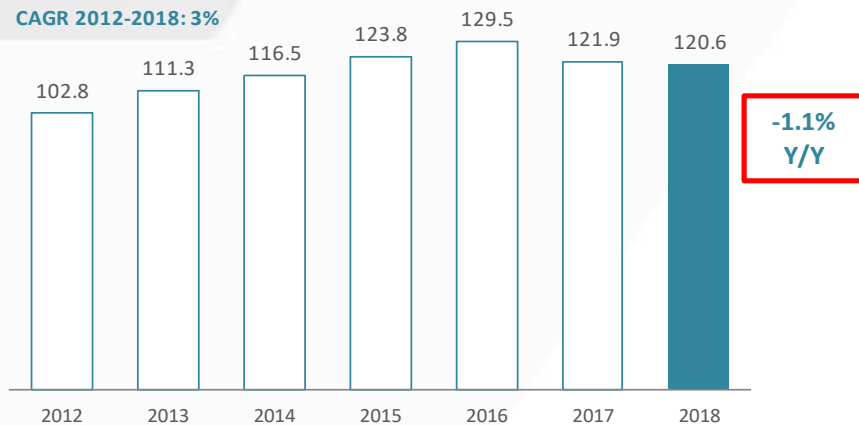
Total Equity (SAR Bn)

CAGR 2012-2018: 5%



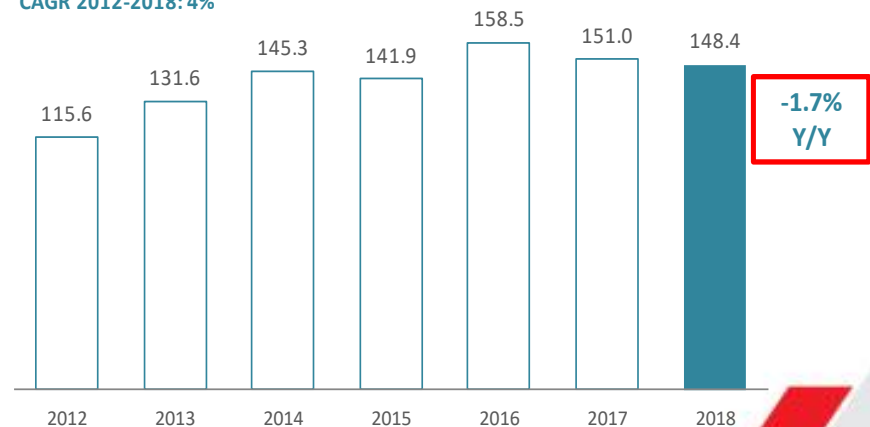
Customer net Loans (SAR Bn)

CAGR 2012-2018: 3%



Customer Deposits (SAR Bn)

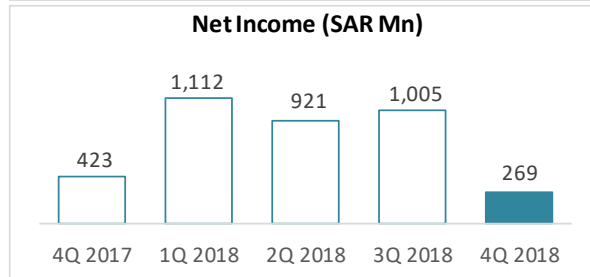
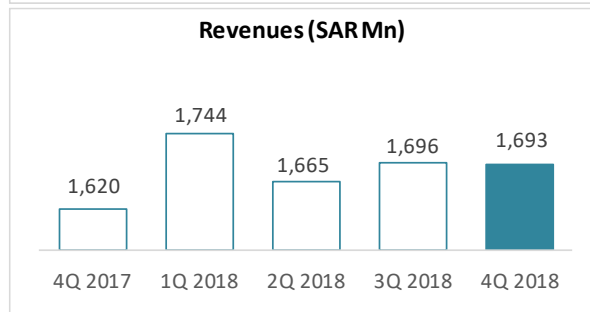
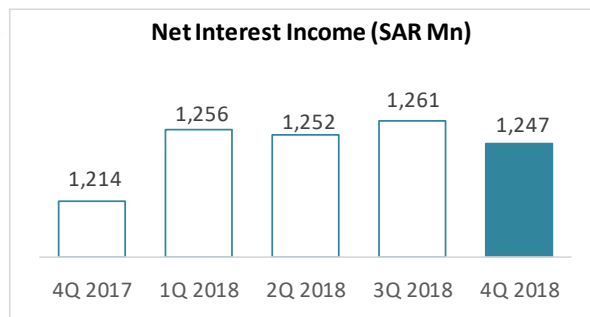
CAGR 2012-2018: 4%



Income Statement Highlights



SAR Mn	2015	2016	2017	2018	Y/Y
Net interest income	4,055	4,256	4,700	5,017	6.7%
Non-interest income	2,236	2,144	1,876	1,782	-5.0%
Revenues	6,291	6,400	6,576	6,799	3.4%
Share in earnings of associates	7	7	8	3	-66.6%
Operating expenses	2,093	2,149	2,387	2,291	-4.0%
Net operating income	4,198	4,251	4,189	4,508	7.6%
Impairment charges	170	747	665	1,203	81.0%
Net Income	4,036	3,510	3,532	3,307	-6.4%

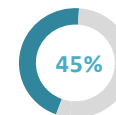


Key Ratios

Cost to revenue ratio	33.3%	33.6%	36.3%	33.7%	-2.60%
ROE	14.7%	11.8%	11.2%	10.7%	-0.47%
ROA	2.2%	1.7%	1.8%	1.7%	-0.06%
NIM	2.2%	2.3%	2.4%	2.7%	0.28%
Net interest / Avg Credit Risk Assets	2.4%	2.4%	2.7%	3.0%	0.32%

- Net interest income increased by (+6.7% YoY). Improvement of NIMs compensated for the decline of non-interest income (-5.0% YoY).
- Gross operating income increased by (+7.6% YoY) due to increase in revenue by (+3.4% YoY) and decline in operating expenses by (-4.0% YoY).
- Net income down (-6.4% YoY) impacted by higher impairment charges.

Segmental Performances (by business)



Of Bank revenues

Corporate Banking

In SAR Mn	2015	2016	2017	2018	YoY %
Total Assets	110,466	116,505	107,093	102,523	-4.3%
Revenues	3,058	3,103	3,001	3,093	3.1%
Operating expenses	576	598	580	621	7.1%
Impairment charges	144	689	527	1,014	92.5%
Net Income	2,338	1,816	1,894	1,457	-23.1%

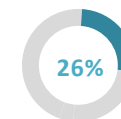
- Corporate assets declined by (-4.3% YoY) as lending growth in the corporate sector remains subdued.
- 2018 Revenues increased by (+3.1% YoY) driven by an improvement in margins compensating for lower fee income.
- 2018 Bottom line was lower by (-23.1% YoY) due to higher provisioning charges and operating expenses.

Segmental Performances (by business)



Retail Banking

In SAR Mn	2015	2016	2017	2018	YoY %
Total Assets	15,978	16,500	17,791	19,764	11.1%
Revenues	1,506	1,491	1,553	1,751	12.8%
Operating expenses	1,050	1,110	1,170	1,115	-4.7%
Impairment charges	37	80	134	158	18.0%
Net Income	419	302	249	478	91.8%



Of Bank revenues

- Retail assets were up by (+ 11.1% YoY) due to strong growth in mortgage lending.
- 2018 Revenues grew (+12.8% YoY).
- 2018 net income increased by (+91.8% YoY) driven by higher revenues and lower operating expenses.

Segmental Performances (by business)



Global Markets and ALM

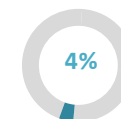
In SAR Mn	2015	2016	2017	2018	YoY %
Total Assets	55,694	69,346	66,836	66,580	-0.4%
Revenues	1,406	1,531	1,759	1,677	-4.7%
Operating expenses	251	246	474	380	-19.8%
Impairment charges	-	-	4	30	763.9%
Share in associate	7	7	8	3	-68.4%
Net Income	1,162	1,291	1,293	1,269	-1.8%



Of Bank revenues

Investment Banking and Brokerage

In SAR Mn	2015	2016	2017	2018	YoY %
Total Assets	1,587	1,077	1,208	1,335	10.5%
Revenues	321	275	264	278	5.3%
Operating expenses	204	174	167	174	4.5%
Net Income	117	101	96	104	7.8%

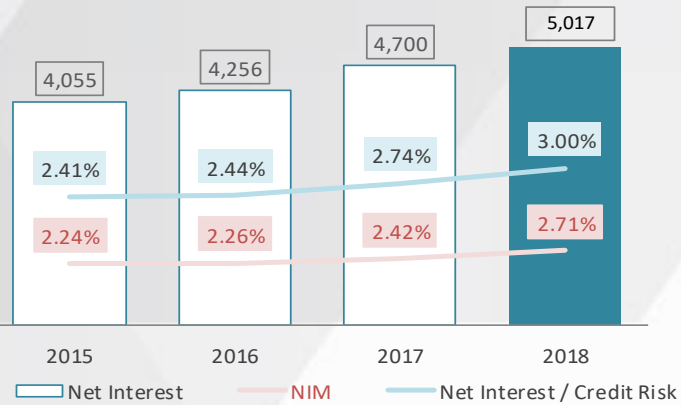


Of Bank revenues

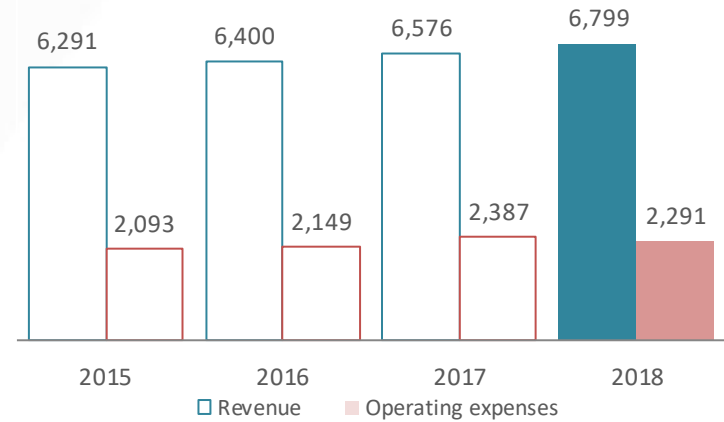
Profitability & Efficiency



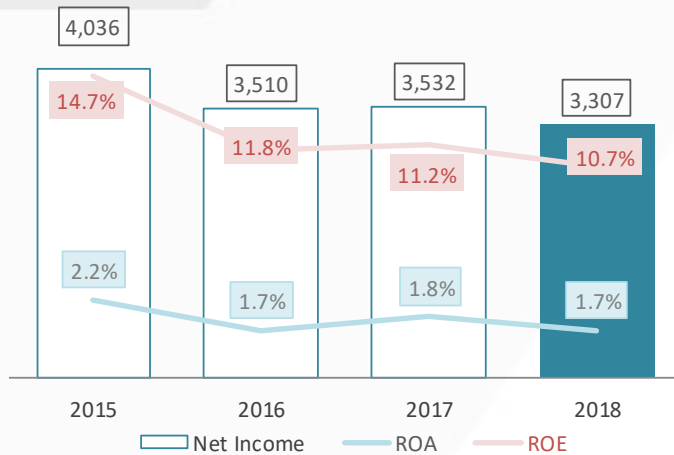
Net Interest Income (SAR Mn)



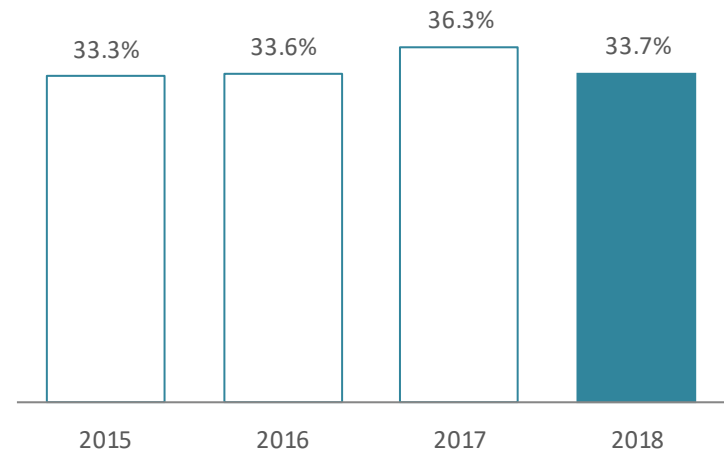
Revenue (excluding associates) & Operating Expense (SAR Mn)



Net Income (SAR Mn)



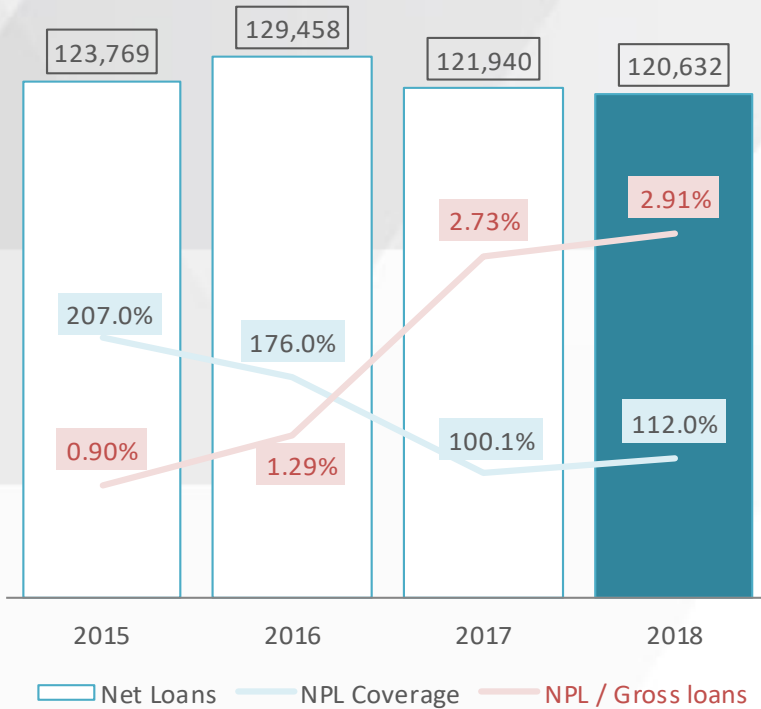
Cost Income Ratio



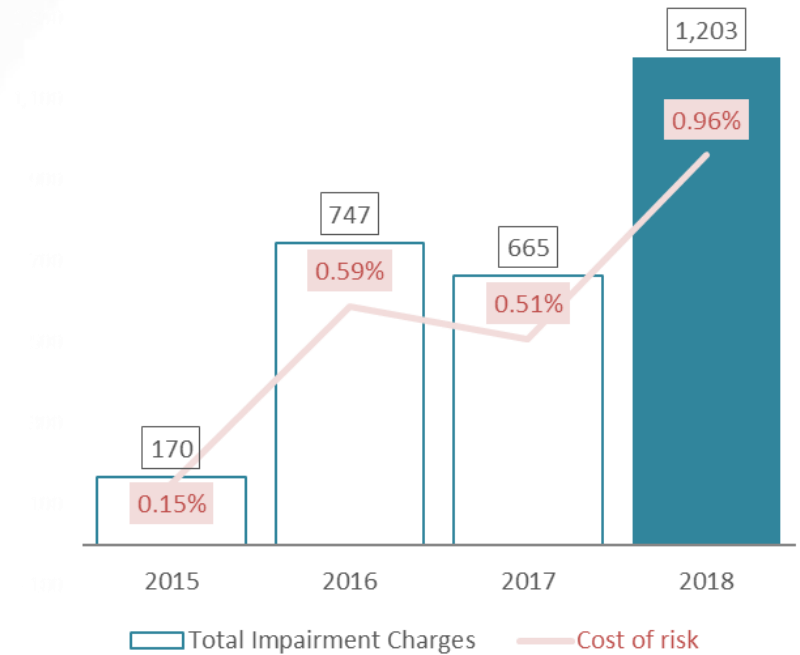
Loan Portfolio Breakdown



Net Loans, NPL & Coverage Ratios (SAR Mn)



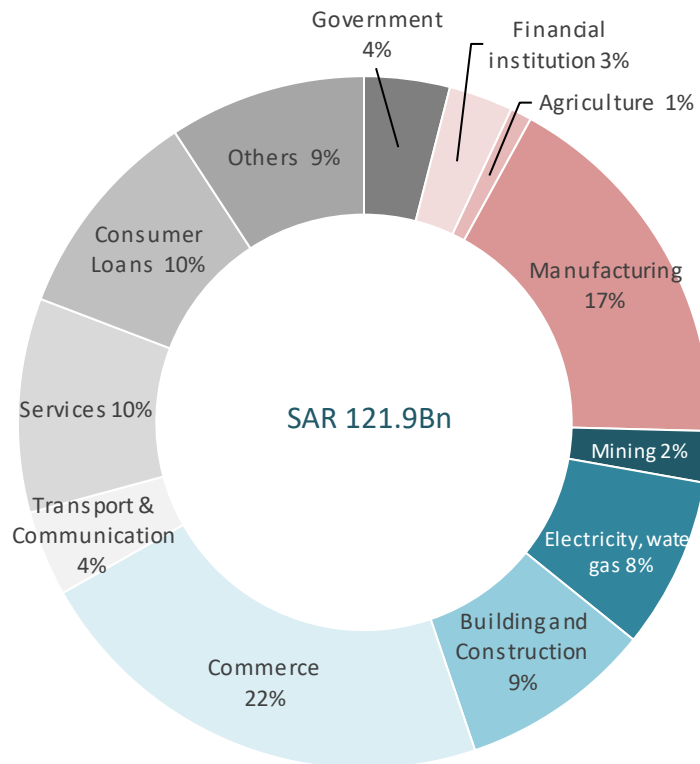
Cost of Risk, Total Impairment Charge (SAR Mn)



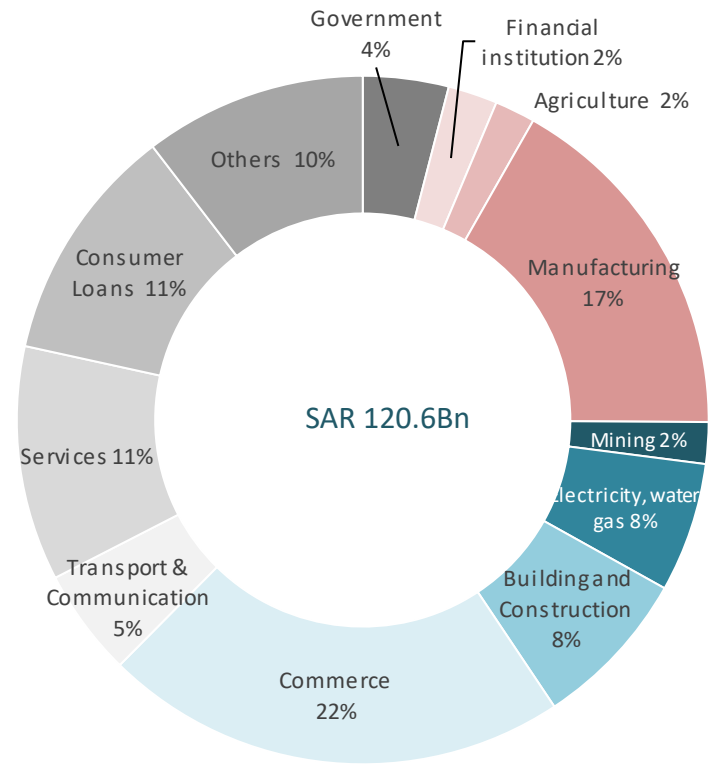
Loan Portfolio Breakdown



Loan Portfolio 2017



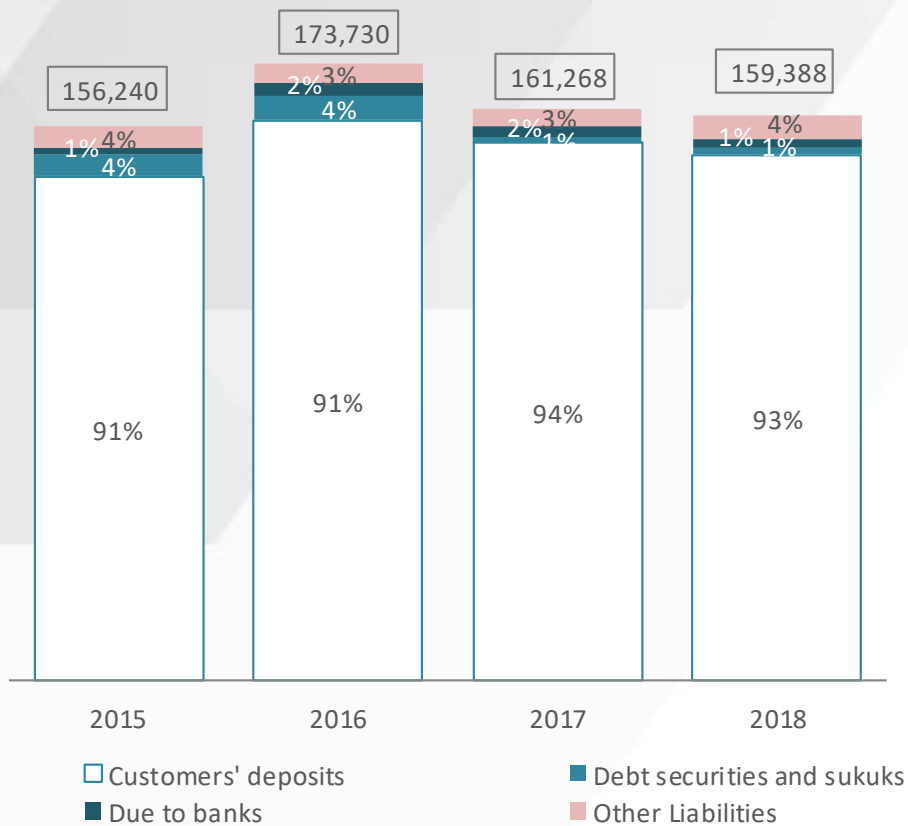
Loan Portfolio 2018



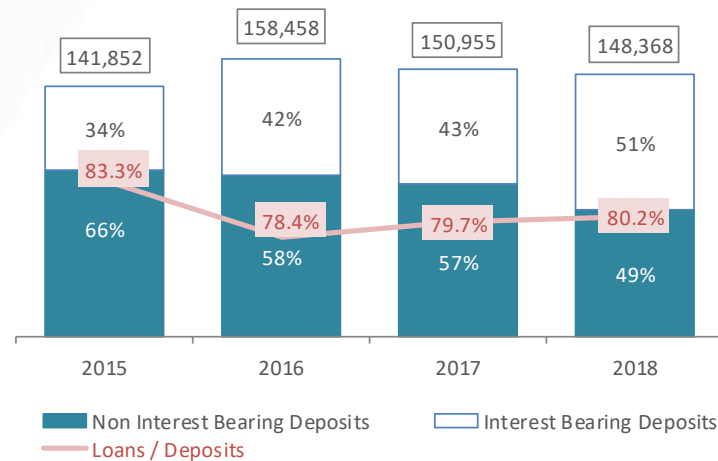
Funding Mix



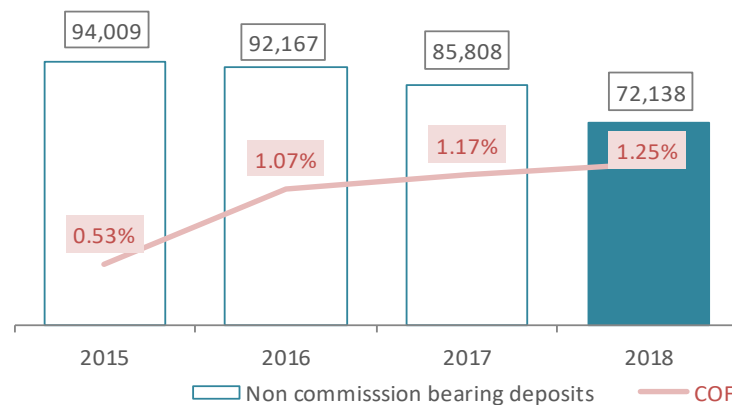
Funding Mix (SAR Mn)



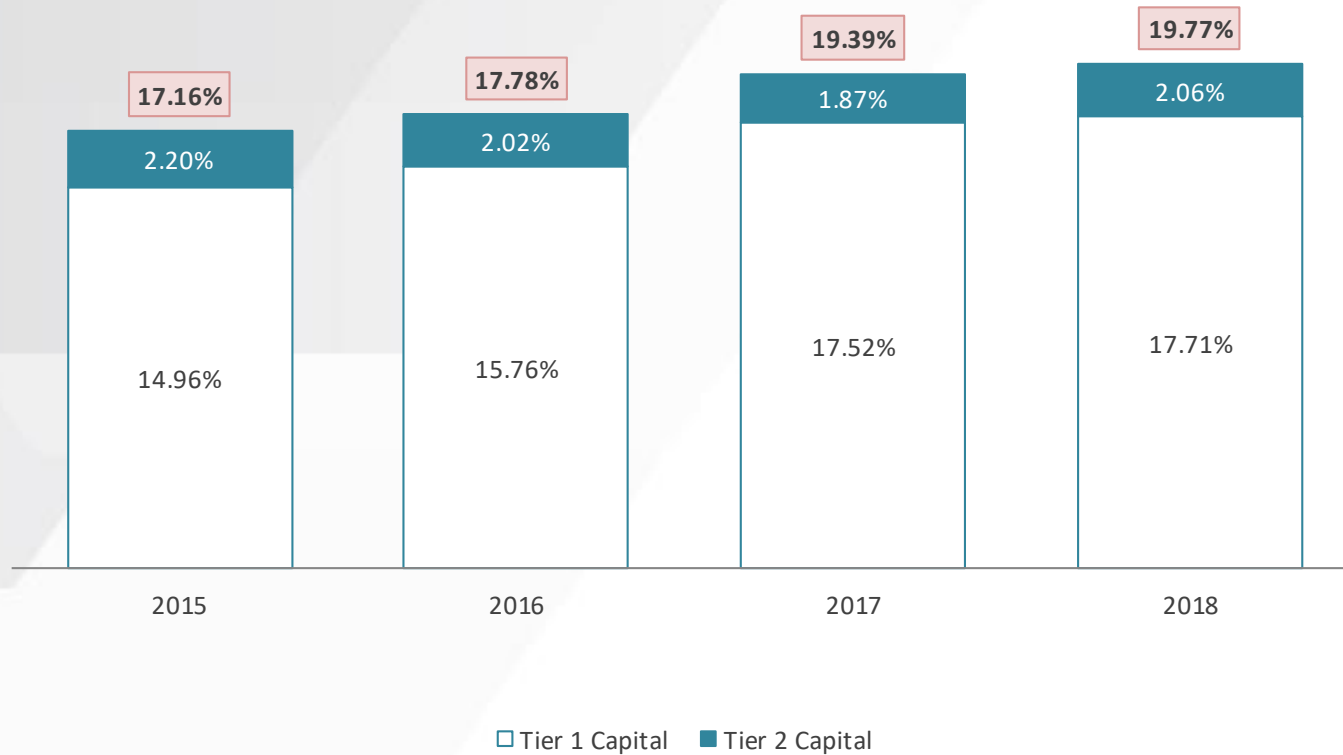
Customer Deposit Breakdown (SAR Mn)



Non-Interest Deposits and COF (SAR Mn)



Capital Adequacy Ratio



- Comfortable capital position: Maintaining strong CAR at 19.77% after zakat settlement- solid Tier-1 with solid internal capital generation capacity



Thank You



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بنك الإمتياز

Banque of Excellence

Adel Mallawi

Chief Financial Officer

Farid Charane

Head of Strategy and Financial Support

Abeer Alblali

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