



Banque Saudi Fransi

1Q 2023 Earnings Presentation

15 May 2023

EARNINGS PRESENTATION 1Q 2023

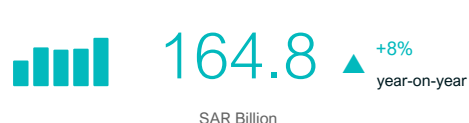
Highlights

Improved profitability from NIM expansion and balanced asset growth

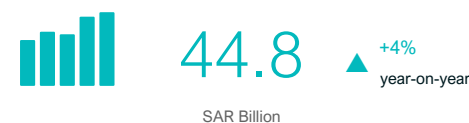
BALANCE SHEET

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

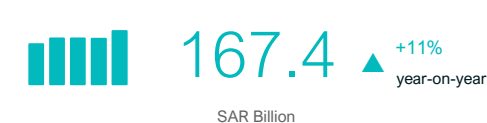
Loans & Advances



Investments



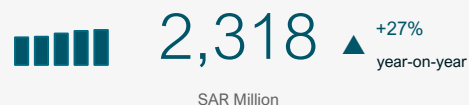
Customers' Deposits



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.

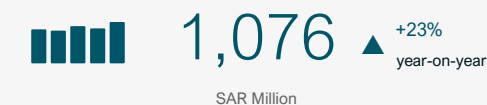
Operating Income



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



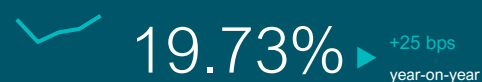
Cost of risk



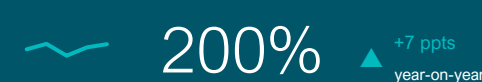
CAPITAL & LIQUIDITY

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

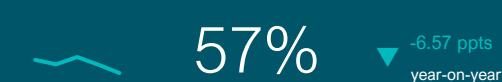
T1 Ratio



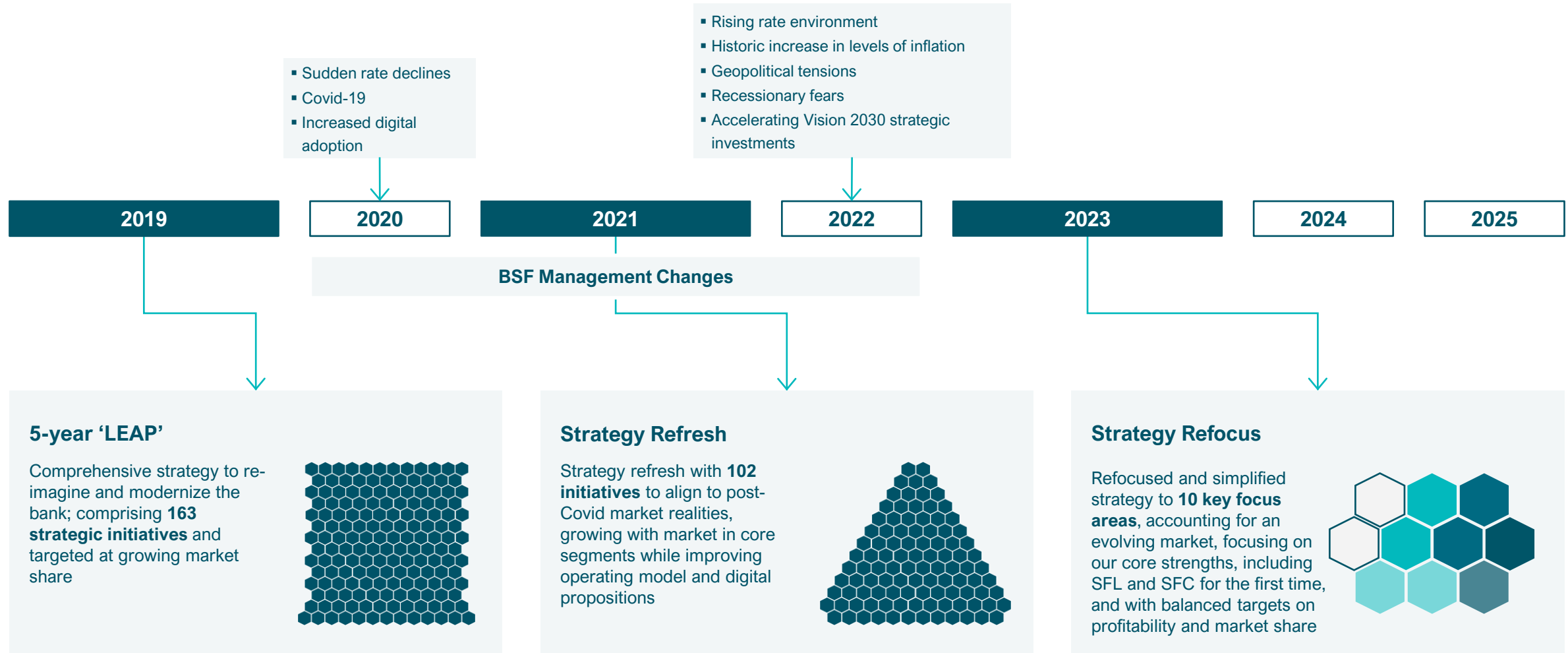
LCR



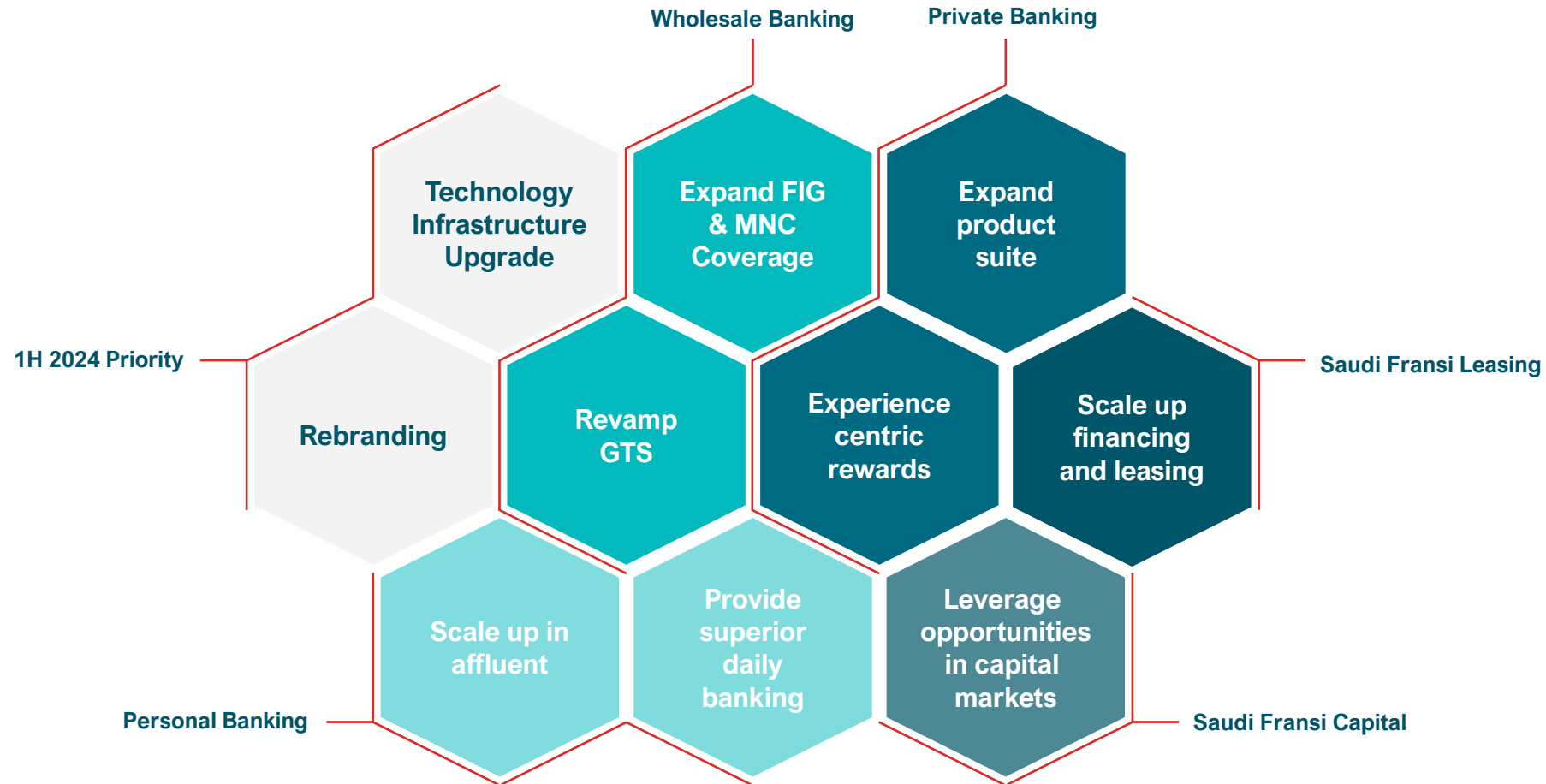
NIBD % of Total Deposits



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)

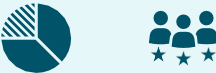








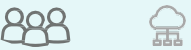
Strategic Pillars

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

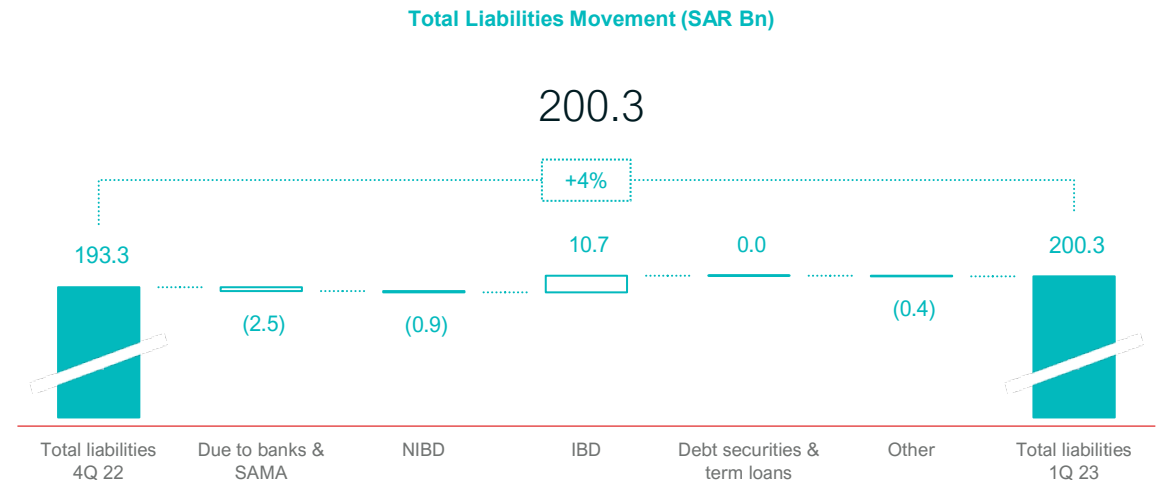
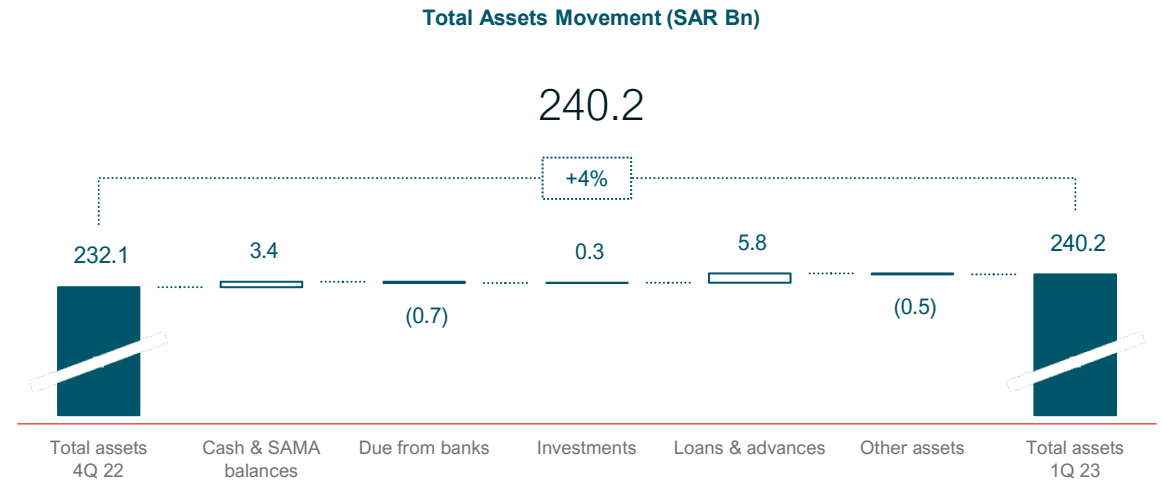
EARNINGS PRESENTATION 1Q 2023

Financial Performance

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

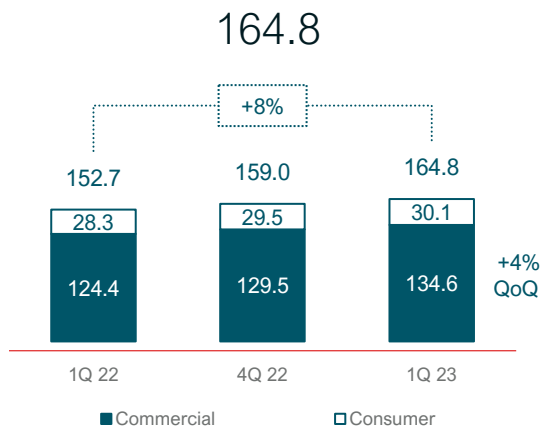
- Growth in total assets of 4% YTD, mainly driven by healthy 4% loan growth and increased placements with SAMA.
- Liabilities grew by 4% during 1Q 2023 from 6% deposit growth, mainly from IBDs, while further reducing short-term wholesale funding.
- Total equity increased 3% YTD due to retained earnings 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%
Total assets	240,236	232,078	+4%	222,211	+8%
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%
Total liabilities	200,300	193,333	+4%	182,783	+10%
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%
Total equity	39,936	38,745	+3%	39,428	+1%

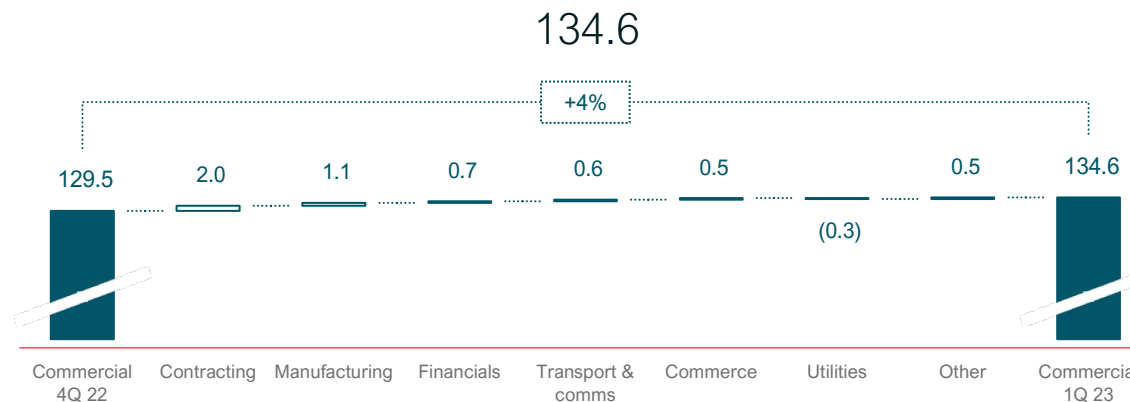


Healthy and balanced 4% loan growth during 1Q 2023

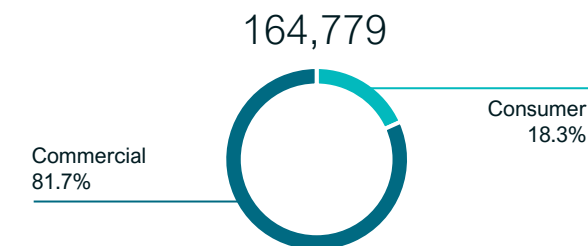
Total Loans & Advances (SAR Bn)



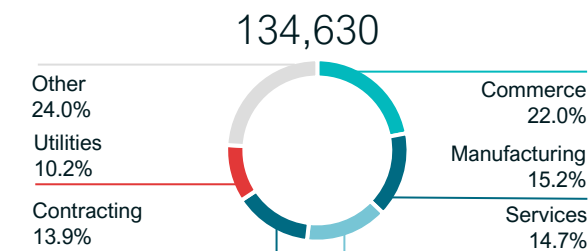
Commercial Loans Movement YTD (SAR Bn)



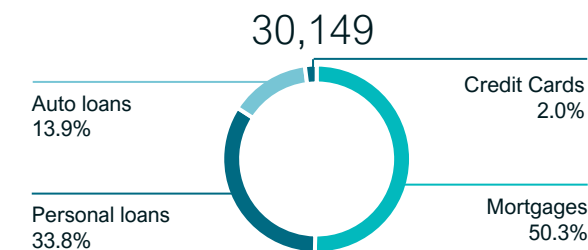
Loans & Advances Composition (SAR Mn)



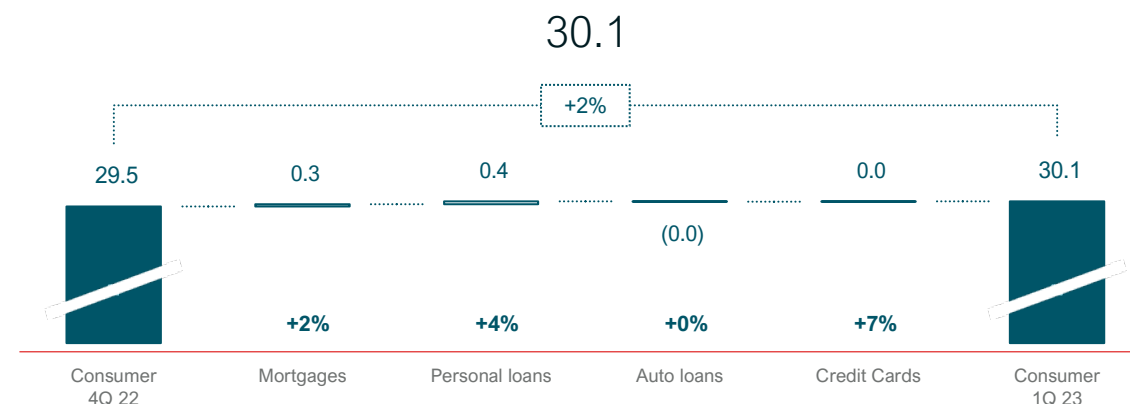
Commercial Loans Composition (SAR Mn)



Consumer Loans Composition (SAR Mn)



Consumer Loans Movement YTD (SAR Bn)

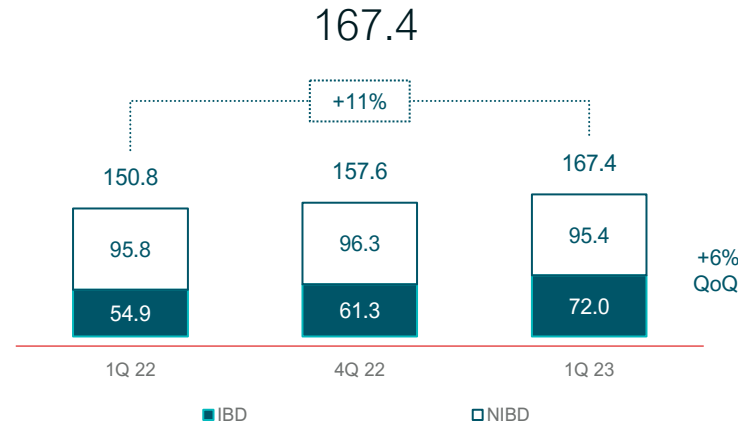


- Total loans & advances grew 4% during 1Q 2023 from both consumer and commercial lending growth.
- Commercial loans grew 4% during 1Q 2023, which was broad-based across sectors.
- Consumer loans grew 2% mainly from 2% and 4% growth in mortgages and personal loans respectively.

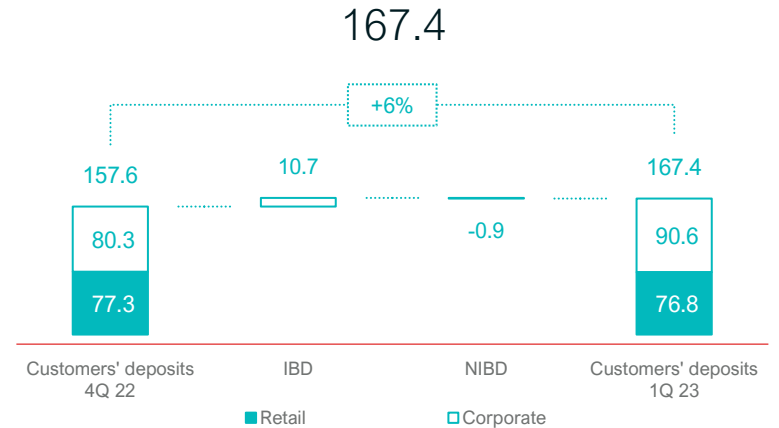
Healthy 6% growth in deposits YTD from increased IBDs

- 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.

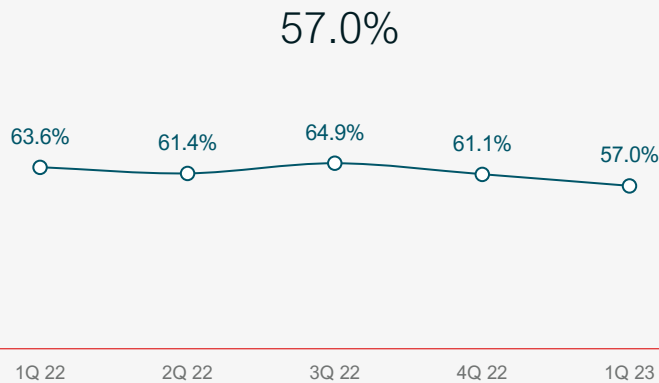
Customers' Deposits (SAR Bn)



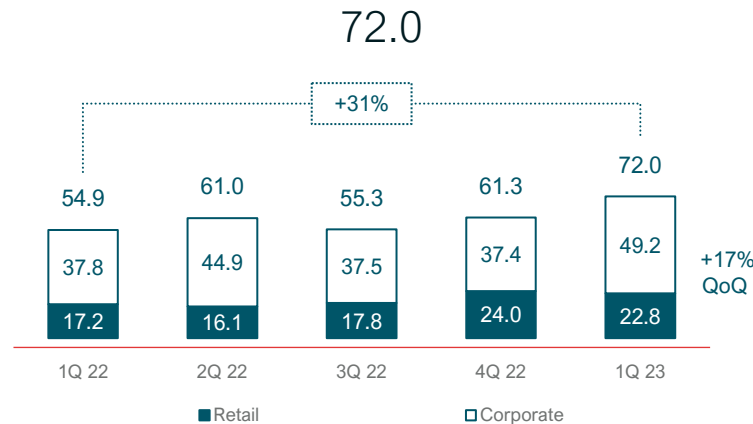
Customers' Deposits Movement (SAR Bn)



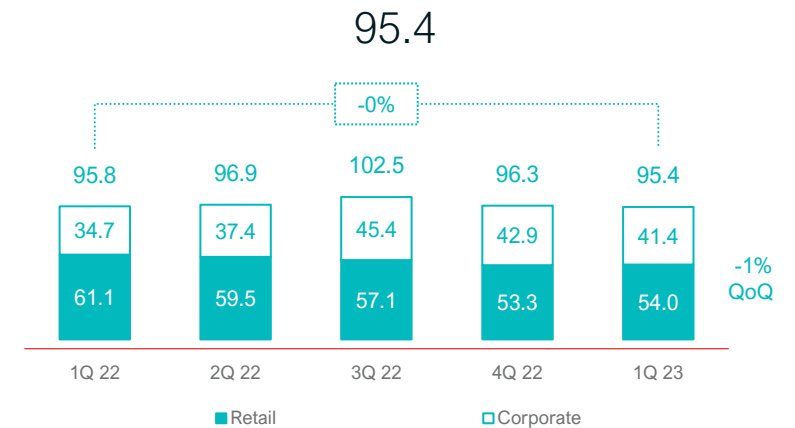
NIBD % of Total Deposits (%)



Interest Bearing Deposits (SAR Bn)



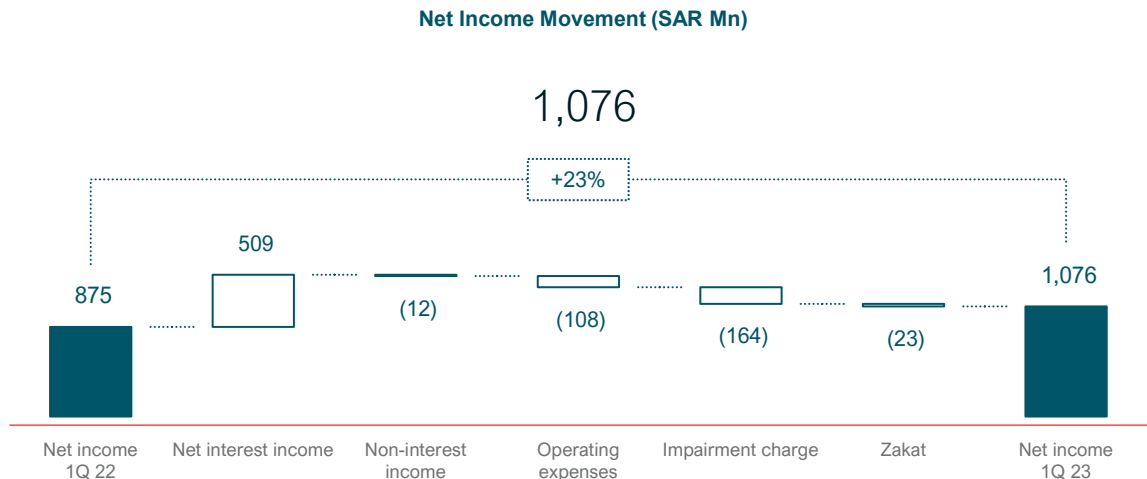
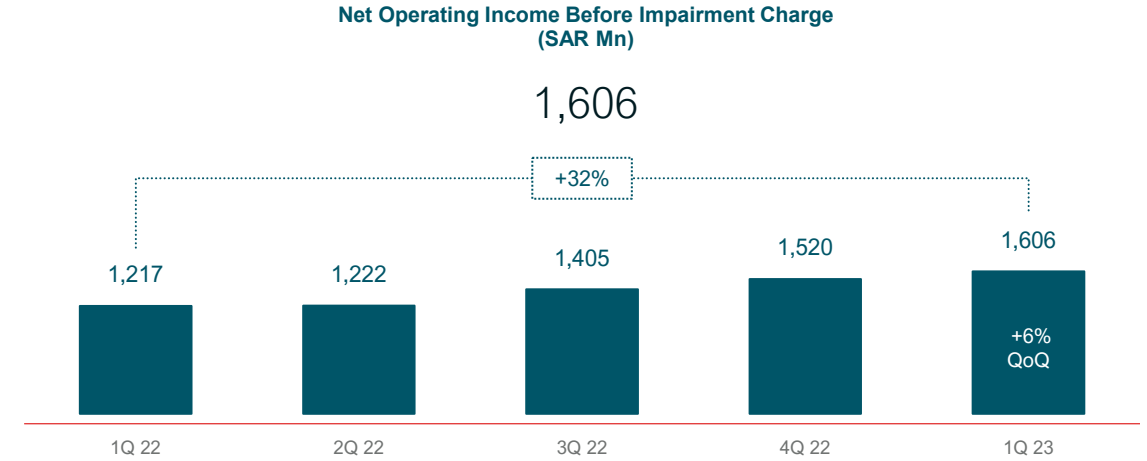
Non Interest Bearing Deposits (SAR Bn)



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

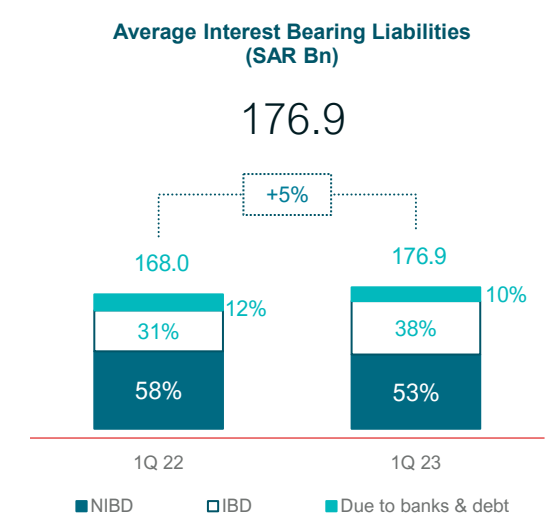
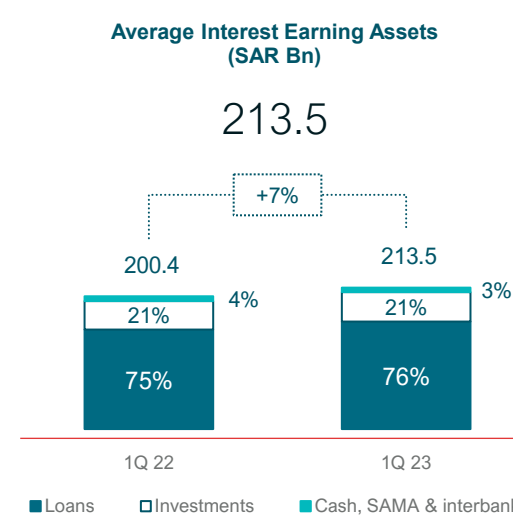
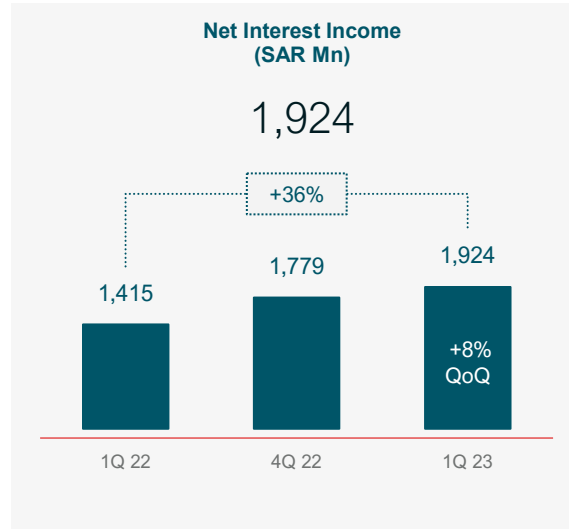
- Net income for 1Q 2023 grew 23% YoY to SAR 1,076mn from 27% growth in operating income, partly offset by 18% growth in operating expenses and a 68% rise in the impairment charge.
- Quarterly net income increased 19% QoQ from healthy income growth and lower impairments.

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%
Operating income	2,318	2,243	+3%	1,821	+27%
Operating expenses	(712)	(723)	-2%	(604)	+18%
Net operating income before impairments	1,606	1,520	+6%	1,217	+32%
Impairment charge	(406)	(476)	-15%	(241)	+68%
Net income before zakat	1,200	1,044	+15%	975	+23%
Zakat	(124)	(141)	-12%	(101)	+23%
Net income	1,076	903	+19%	875	+23%
NIM	3.65%	3.30%	+35bps	2.86%	+79bps
Cost to income ratio	30.7%	32.2%	-1.5ppts	33.2%	-2.5ppts
Cost of risk	1.16%	1.16%	+0bps	0.63%	+53bps
EPS	0.85	0.71	+21%	0.68	+25%
ROAE	10.9%	9.4%	+151bps	8.8%	+210bps
ROAA	1.82%	1.56%	+27bps	1.60%	+23bps

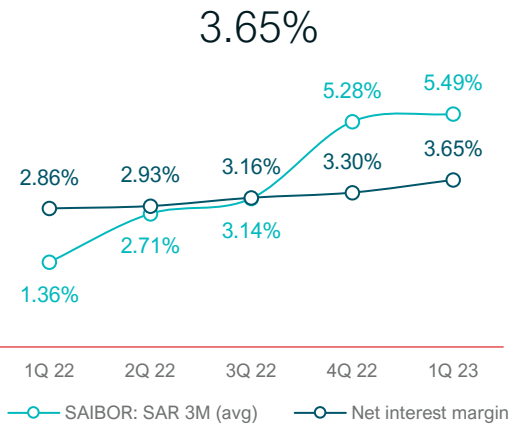


NII growth of 36% from margin expansion and earning assets growth

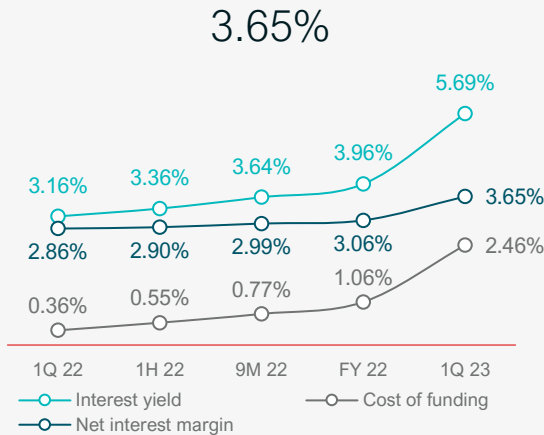
- NII for 1Q 2023 grew 36% YoY to SAR 1,924mn from margin expansion and 7% growth in (simple) average earning assets.
- The NIM increased 79bps YoY due to improved loan yields, partly offset by the higher funding costs and the hedging impact.
- The quarterly NIM improved 35bps QoQ to 3.65%.



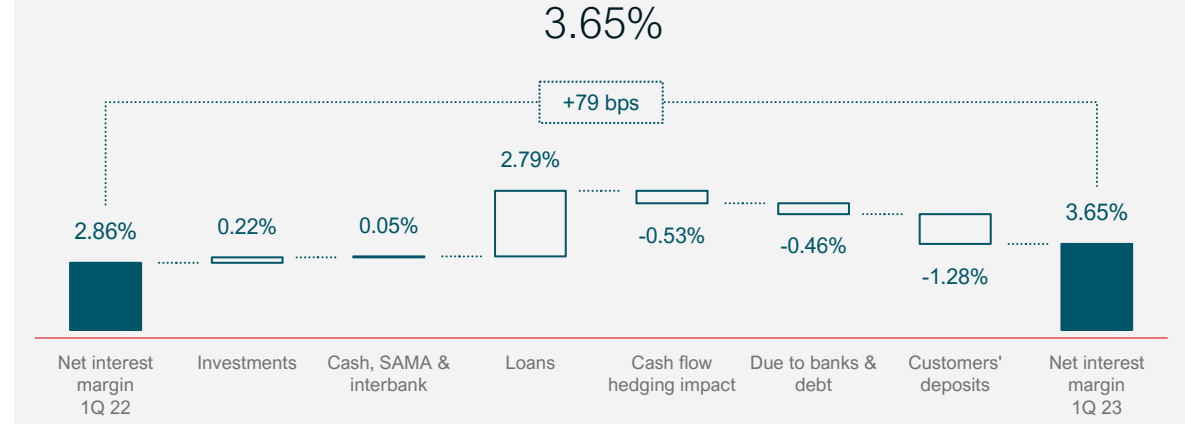
Quarterly Net Interest Margin Trend (%)



YTD Net Interest Margin Trend (%)



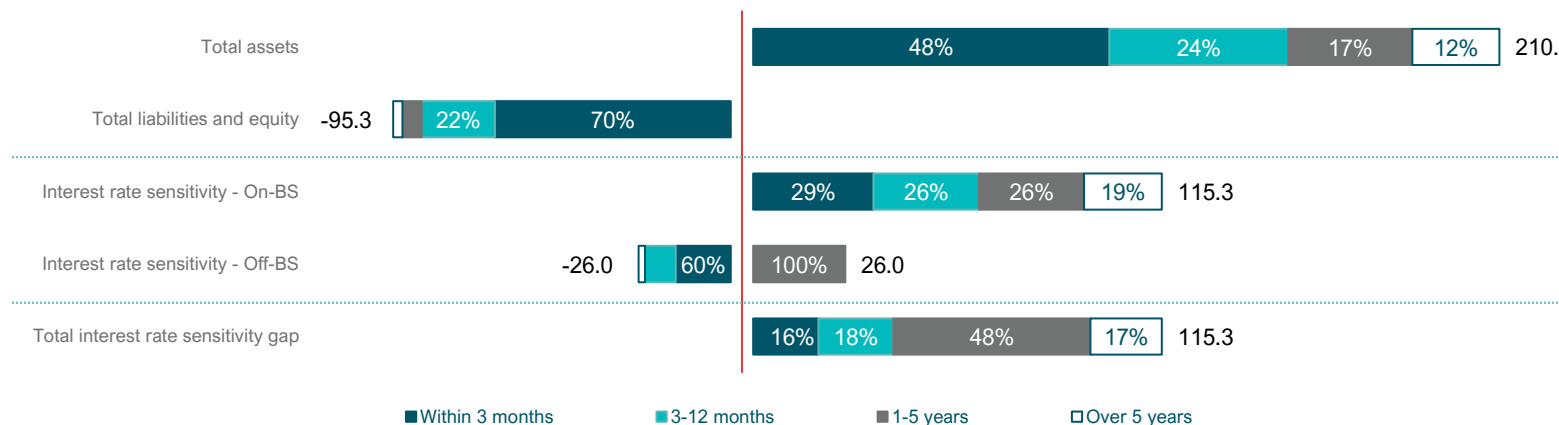
Net Interest Margin Movement (%)



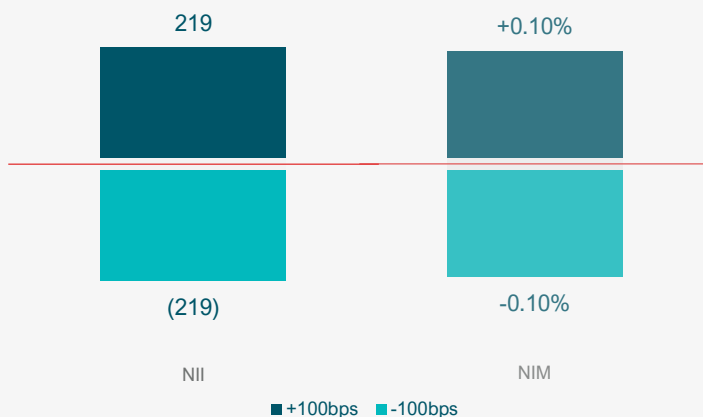
BSF is positively positioned for a rising rate environment

- 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 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.

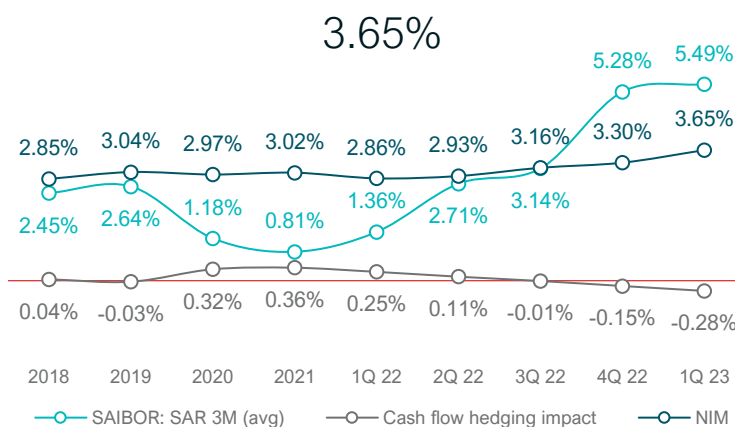
Exposure to Interest Rate Risk as at 31 December 2022 (SAR Bn)



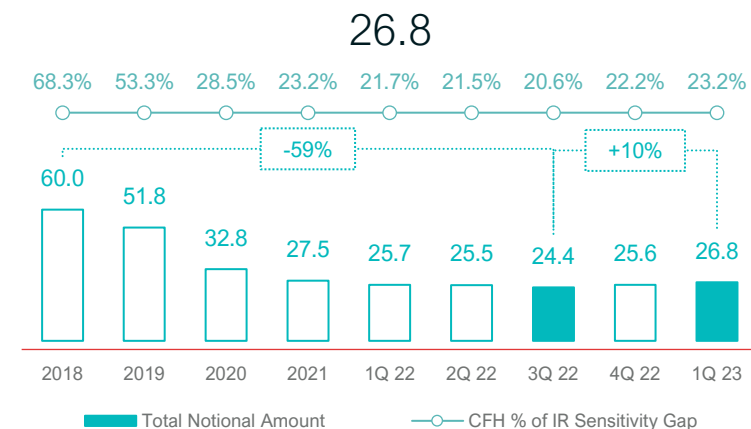
Impact of 100bps Rate Change as at 31 December 2022 (SARmn/%)



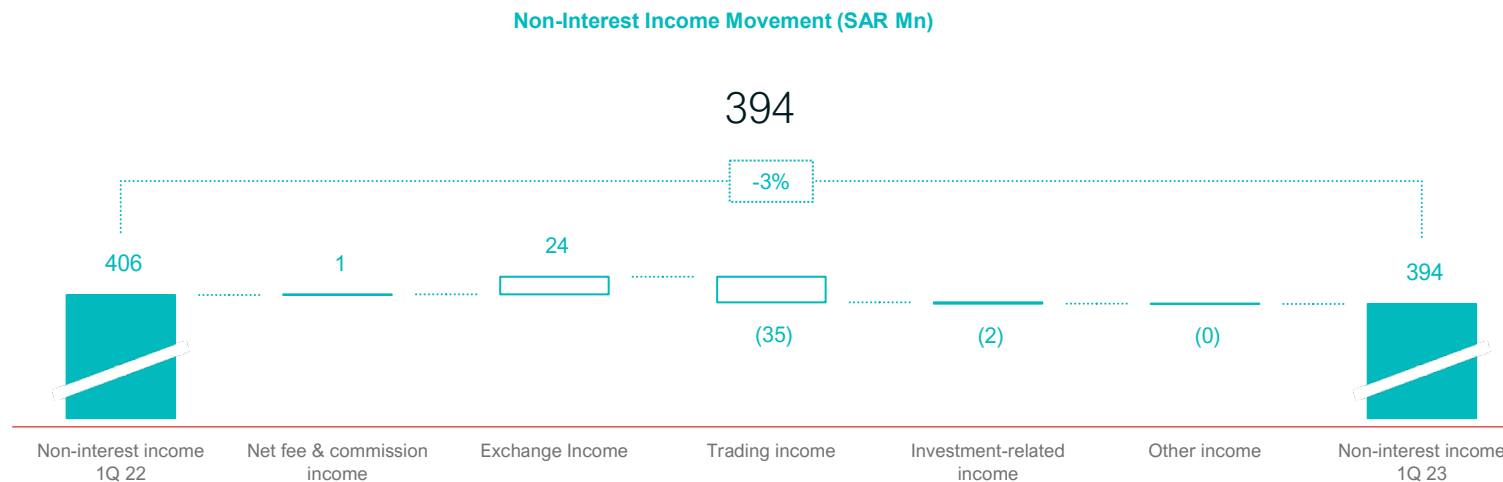
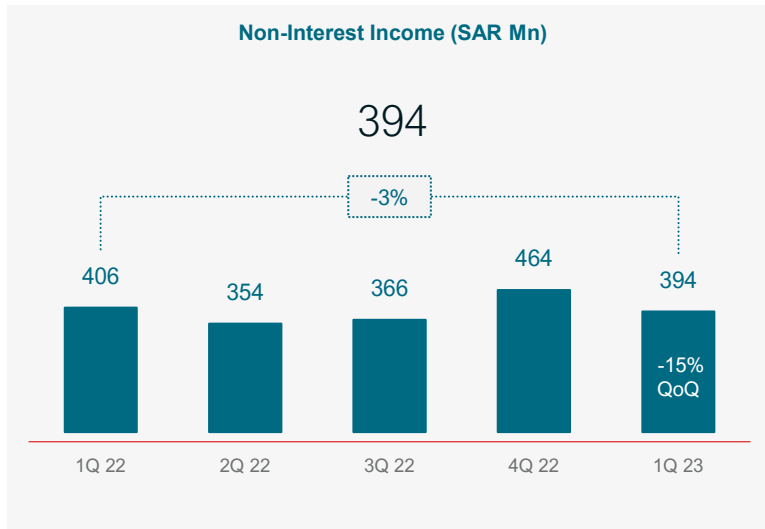
NIM, Rates and CFH Impact Trends (%)



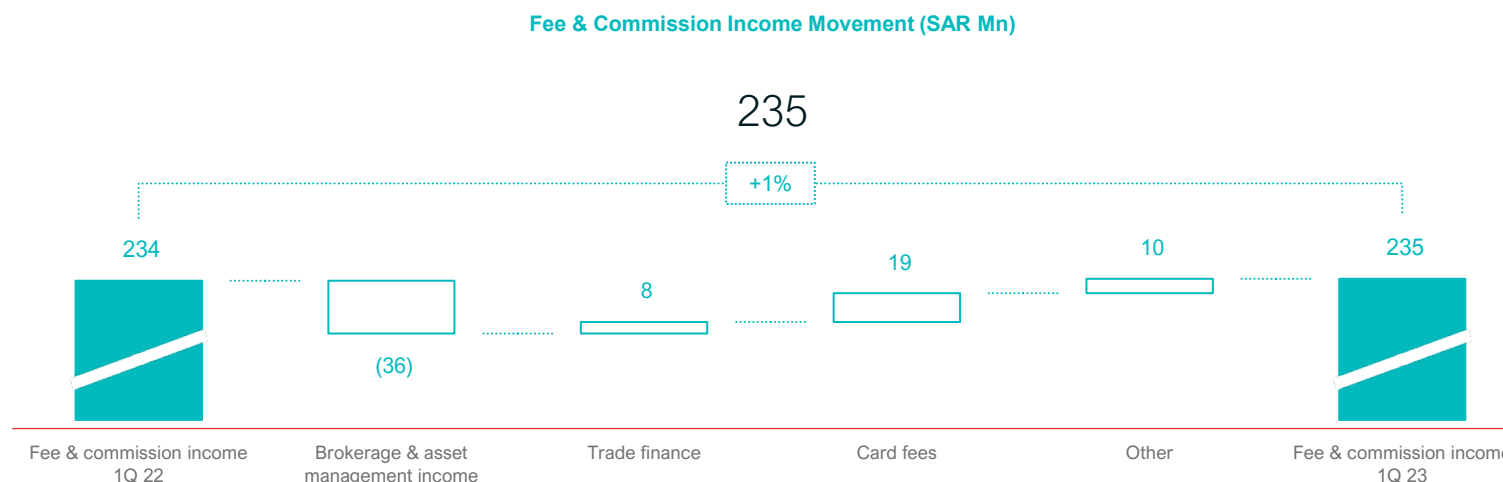
Cash Flow Hedges Swaps (SAR Bn)



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



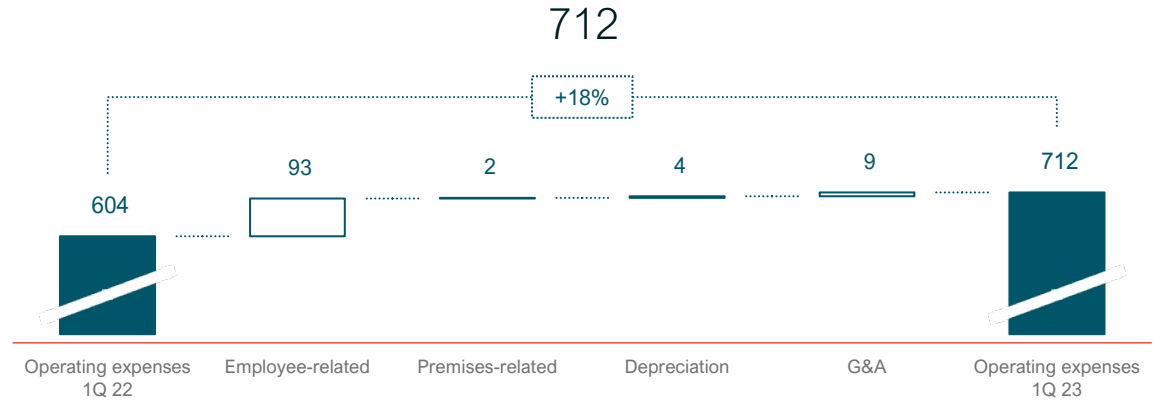
- Non-interest income for 1Q 2023 declined 3% YoY to SAR 394mn from lower trading and capital markets income.
- Net fee & commission income grew 1% YoY to SAR 235mn in 1Q 2023 as higher trade finance, cards and other fee income was mostly offset by lower brokerage and asset management income.
- 1Q 2023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



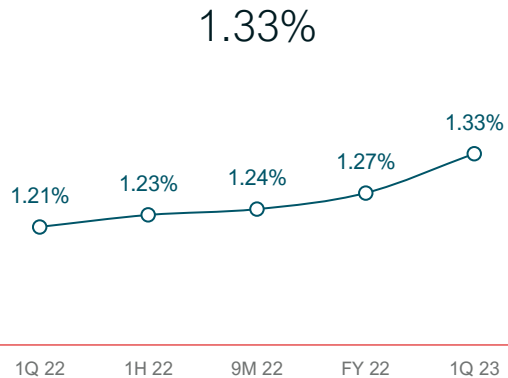
Operating expenses growth of 18% from higher employee-related expenses

- 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.

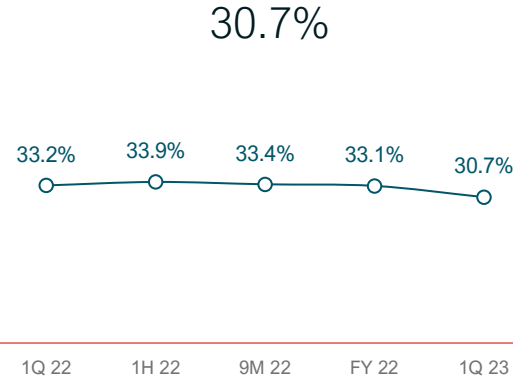
Operating Expenses Movement (SAR Mn)



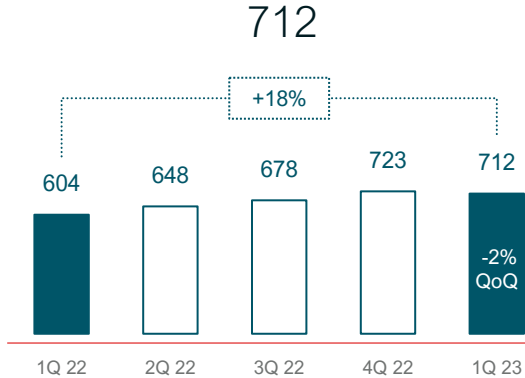
Cost To AIEA Ratio (%)



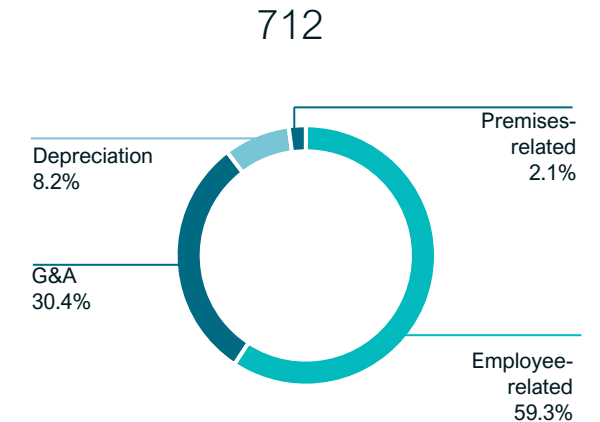
Cost To Income Ratio (%)



Operating Expenses (SAR Mn)

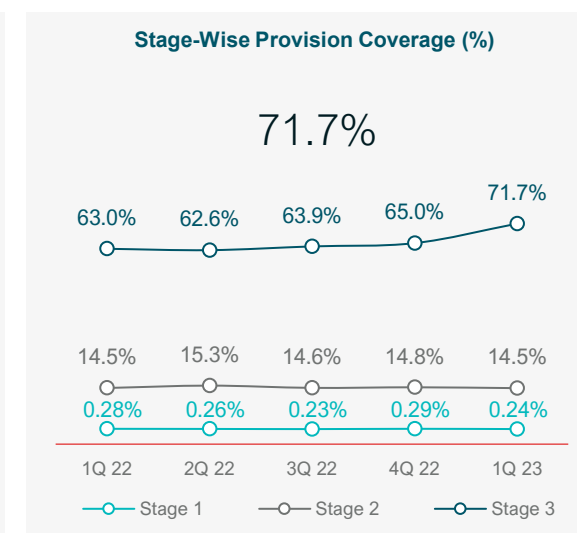
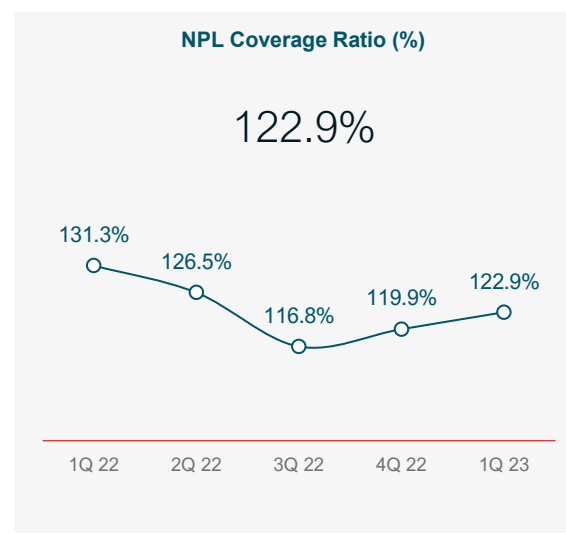
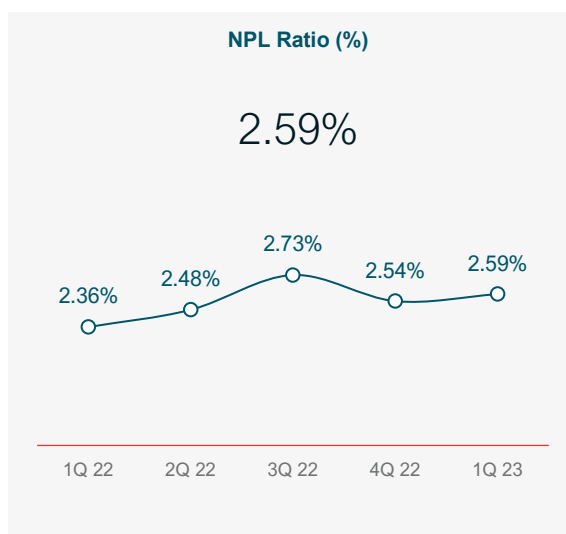
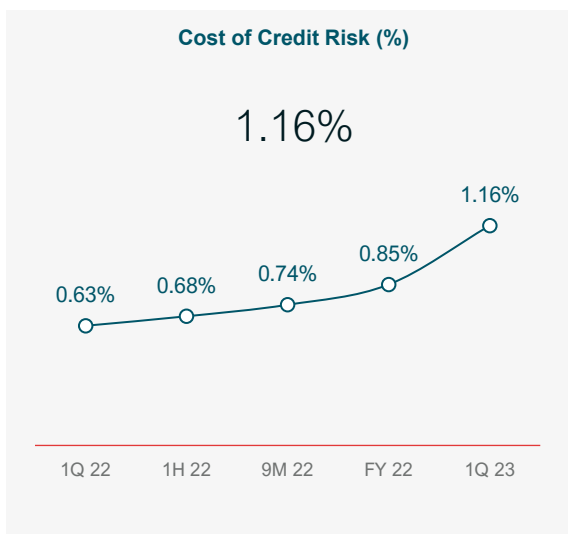
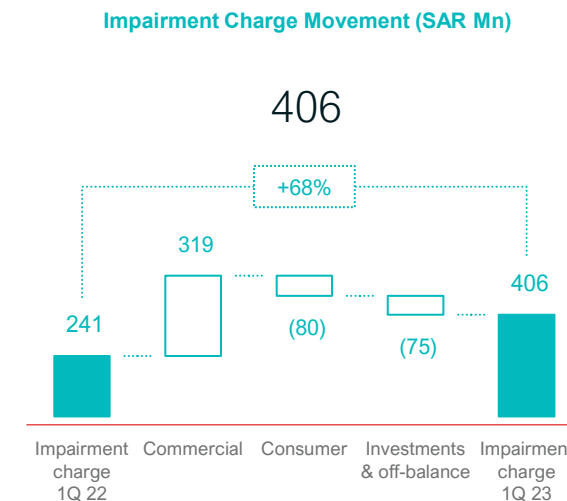
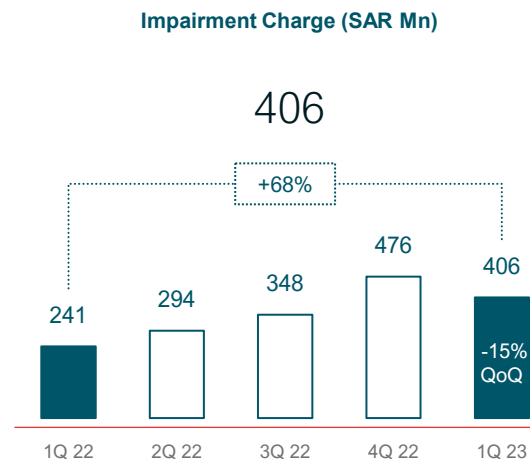
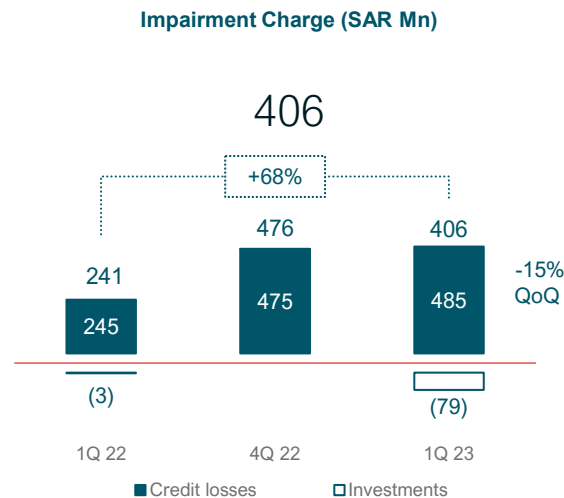


1Q 23 Operating Expenses Composition (SAR Mn)



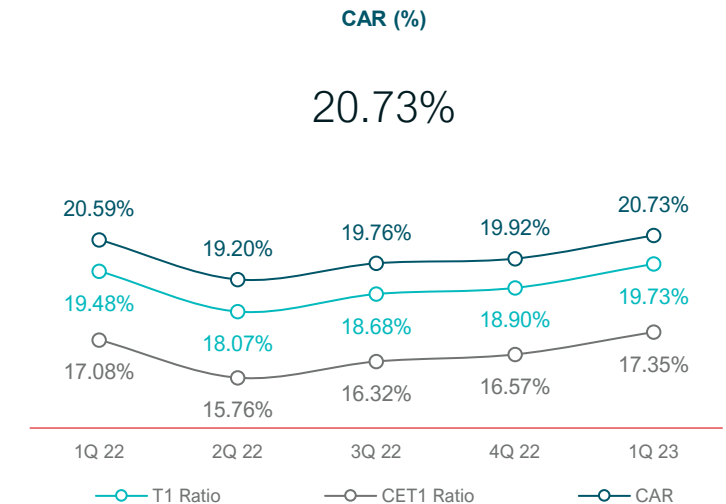
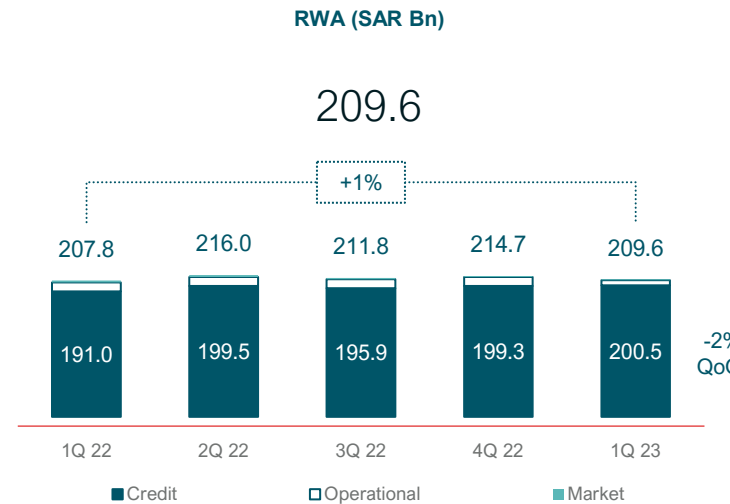
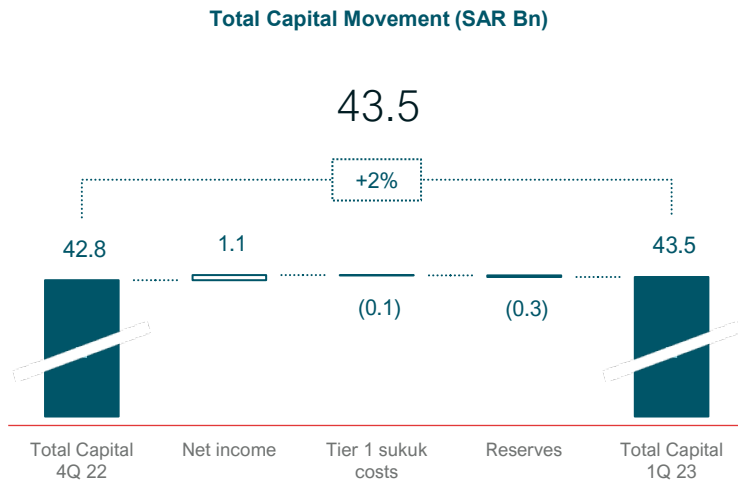
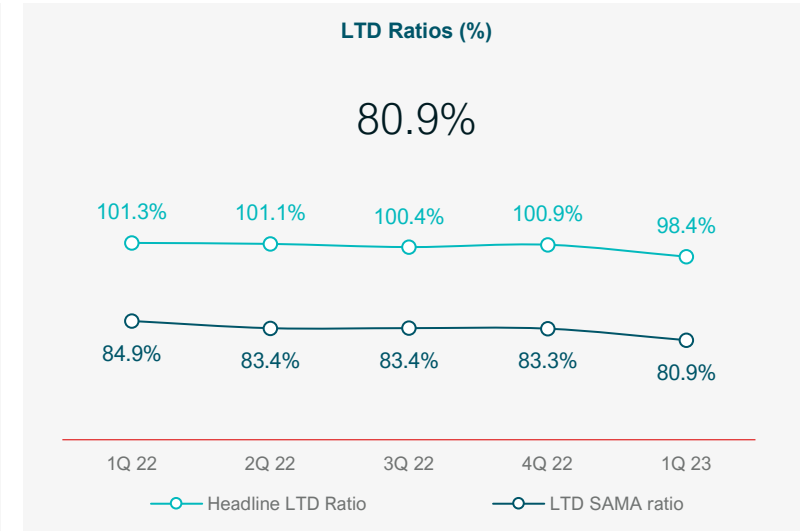
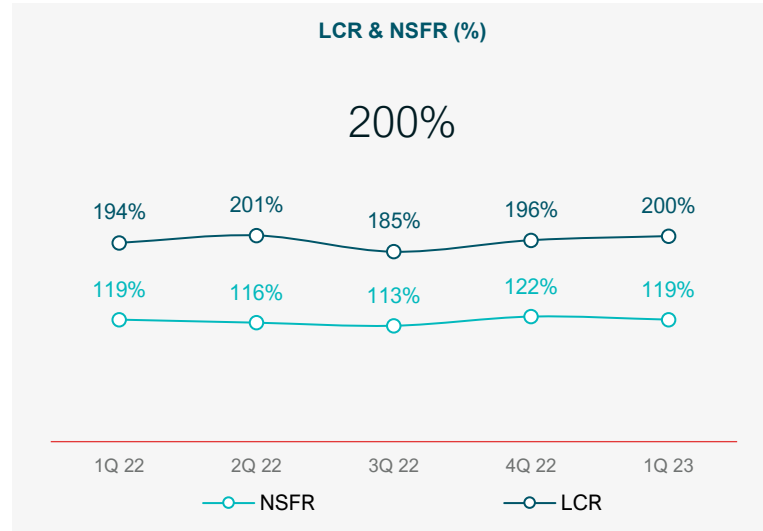
Credit quality trends impacted by isolated pockets of migration in the Commercial book

- 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.
- 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.



Liquidity, funding and capital comfortable

- LCR improved by 4ppts during 1Q 2023 to 200%.
- NSFR moderated 3ppts to 119% as of 31 March 2023.
- The SAMA regulatory LTD ratio was within required levels at 80.9% as of 31 March 2023.
- 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 the quarter to SAR 209.6bn due to lower operational risk RWAs.
- CAR was 20.73% and the Tier 1 ratio was 19.73% as of 31 March 2023.



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

EARNINGS PRESENTATION 1Q 2023

Questions & Answers

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