



Banque Saudi Fransi

4Q 2023 Earnings Presentation

14 February 2024

EARNINGS PRESENTATION 4Q 2023

Highlights

Improved profitability in FY 2023 from NIM expansion and balanced asset growth

BALANCE SHEET

- Healthy loan growth of 13% YoY driven by 14% commercial and 10% consumer lending growth.
- Deposit growth of 9% YoY, from IBDs (+49%) partly offset by NIBDs (-16%).

INCOME STATEMENT

- 16% top-line growth from 22% NII growth.
- NIM expansion of +46bps YoY to 3.53% on rising rates, but -12bps QoQ
- Net income grew 18% as income growth partly offset by increased impairments.

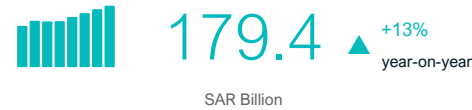
ASSET QUALITY

- Lower NPL ratio mainly from write-offs and improving coverage ratio.
- Increased COR from previous migration of isolated pockets in the commercial book and coverage enhancement.

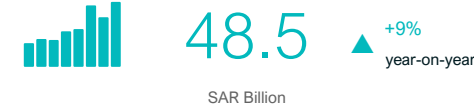
CAPITAL & LIQUIDITY

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

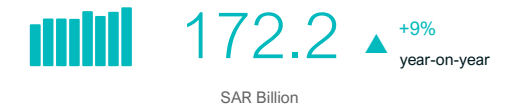
Loans & Advances



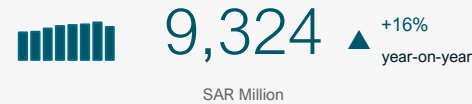
Investments



Customers' Deposits



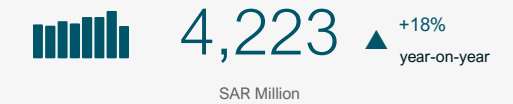
Operating Income



NIM



Net Income



NPL Ratio



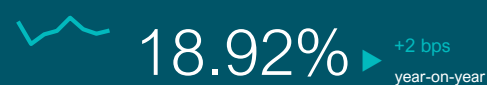
NPL Coverage Ratio



Cost of risk



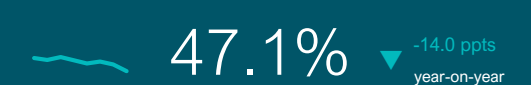
T1 Ratio



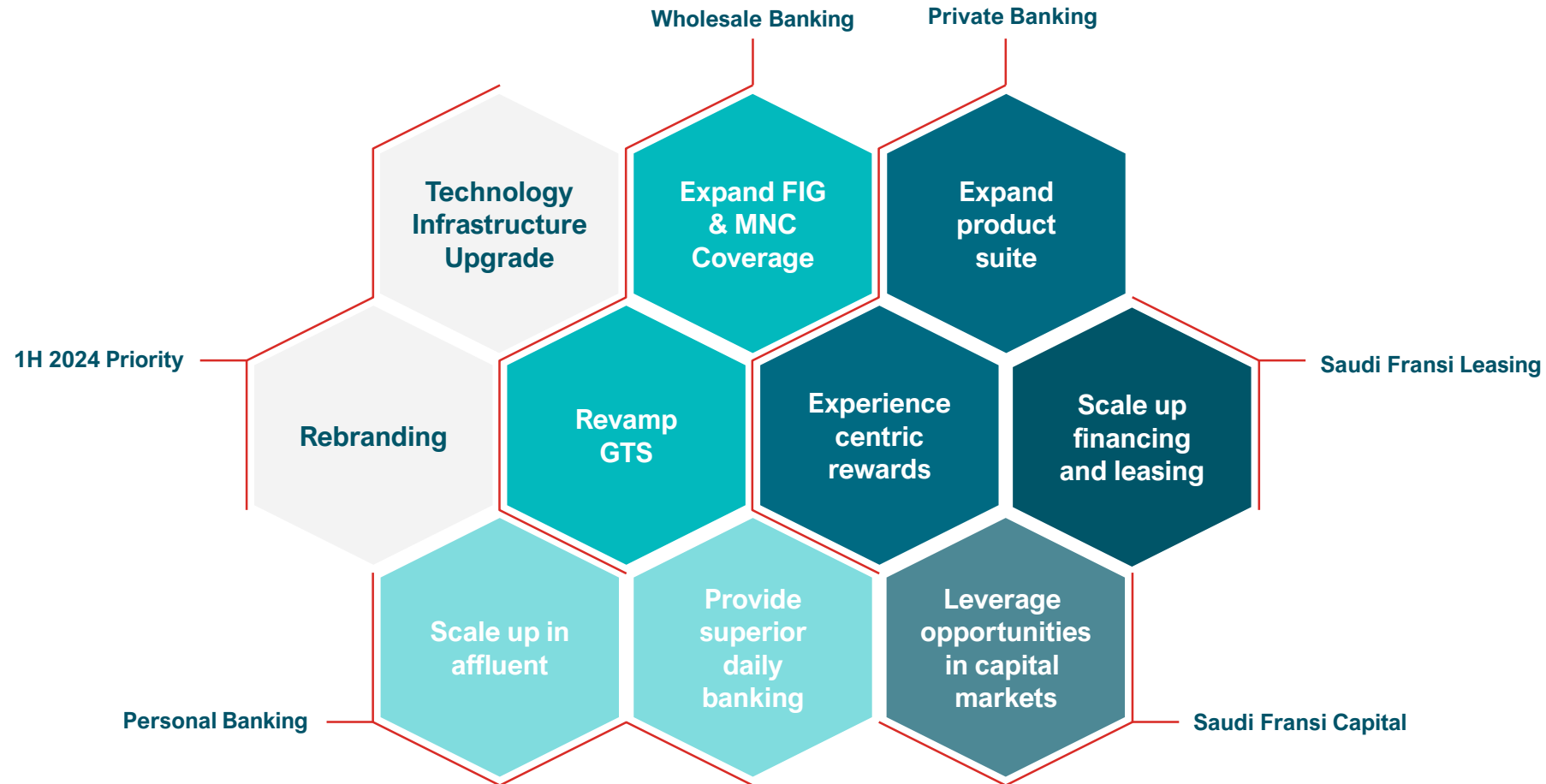
LCR








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	JB	Saudi Fransi Capital
Strategic Goals	Solidify market position	Leverage segmentation and synergies	Reinforce market leadership	Expand in new market segments	Seize existing opportunities and grow
Focused Initiatives	GTS revamp Expand FIG&MNC coverage	Scale up affluent Provide superior daily banking	Broaden product suite Experience-centric rewards	Digital channels acceleration Product diversification Brand repositioning	Synergize wealth management Broaden advisory mandate Attractive investment solutions
Progress Summary	Q4: 62%  Q3: 56%	76% 	40% 	84% 	83% 
Key Highlights	<ul style="list-style-type: none"> ▶ Activated GTS operating model ▶ Executed groundbreaking Trade Finance transaction that improves cash flow and reduces risks ▶ Kickstarted MNC efforts ▶ Established VRPs unit ▶ Expanded FI & govt. lending 	<ul style="list-style-type: none"> ▶ Successful pilot in upper affluent segment ▶ Launched Omnichannel staff pilot (digital solution) ▶ Kickstarted Wholesale partnership with Personal Banking, boosting cross-sell and relationship 	<ul style="list-style-type: none"> ▶ Closed key investment offerings with Saudi Fransi Capital ▶ Secured major deals under private banking finance program ▶ Introduced new products ▶ Executed VIP experience events 	<ul style="list-style-type: none"> ▶ Completed strategy refinement ▶ Introduced JB's new digital personal loan offerings ▶ Improved Brand recognition through successful marketing campaigns ▶ Expanded JB's reach by initiating cross-selling across BSF branches 	<ul style="list-style-type: none"> ▶ Finalized SFC's wealth management roll-out strategy ▶ Launched many of the transformation initiatives ▶ Established market presence with bespoke Real Estate Advisory
Next steps	<ul style="list-style-type: none"> ▶ Expand digital features & product rollouts ▶ Extend FI geographical reach ▶ Focus on Increased coverage across FIG & MNC segments 	<ul style="list-style-type: none"> ▶ Continue affluent initiatives implementation to 2H 2024 ▶ Finalize revamping key branches by 2H 2024 ▶ Expand digital features & product rollouts 	<ul style="list-style-type: none"> ▶ Rollout products, services and increase client acquisitions ▶ Expand RM advisory roles to provide specialized client ▶ Foster new partnerships & collaboration with SFC capital 	<ul style="list-style-type: none"> ▶ Expand digital features & product rollouts ▶ Enhance user experience ▶ Introduce credit card offerings 	<ul style="list-style-type: none"> ▶ Roll out collaboration initiatives to 3Q 2025 ▶ Invest in human capital and foster talent development ▶ Strengthen real estate division

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

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

	Technology Infrastructure Upgrade			Rebranding
	 Integrated Corporate Portal	 Omnichannel	 Core Banking System	
Description	New corporate platform supporting trade & supply chain services, and expanded liquidity and cash management solutions and services	New high performance retail platform providing robust digital banking service and enhanced customer experiences and journeys	Bank-wide core banking system to enable best-in-class customer experience with leading operational efficiency	Recreating BSF brand identity to differentiate the bank, enhance our connection with clients and improve our market position
Key Highlights	<ul style="list-style-type: none"> ▷ Completed Phase I design and development ▷ On going system testing for Phase I ▷ Enhanced BSF specific client experience changes 	<ul style="list-style-type: none"> ▷ Advanced development and design of features required for public launch ▷ Conducted several rounds of migration testing and CBS regression testing ▷ Initiated communication and marketing planning ▷ Piloted Employee App 	<ul style="list-style-type: none"> ▷ Completed User Acceptance Testing for Phase II ▷ Rolled out Technical Friends & Family pilot (200+ participants) ▷ Ongoing bank-wide change management activities 	<ul style="list-style-type: none"> ▷ New brand is Go-live ready for top priority digital streams, and branches including subsidiaries – BSF Capital ▷ New Card designs implemented
2023 Progress	<ul style="list-style-type: none"> ▷ Phase I Back End: Testing in progress ▷ Received regulator approval for Phase I implementation ▷ Phase II Front end: finalized business requirements 	<ul style="list-style-type: none"> ▷ Onboarded staff for Omni pilot ▷ Released many features in staff pilot ▷ Implemented majority of Counter Fraud framework controls 	<ul style="list-style-type: none"> ▷ Implemented payments module for Phase II ▷ Completed development, testing, dress rehearsal and user training activities for Phase II ▷ Completed solution design for the Phase III (Corporate) 	<ul style="list-style-type: none"> ▷ Completed top priority physical collateral manufacturing ▷ Completed implementation for top priority digital channels ▷ Completed go-to-market strategic communication plan
2024 & Beyond	<ul style="list-style-type: none"> ▷ Finalize technical specifications requirements ▷ Phased roll out after 2H 2024 	<ul style="list-style-type: none"> ▷ Finalize migration strategy and conduct performance testing ▷ Focus on Customer Experience enhancements ▷ Go-live and Hypercare 	<ul style="list-style-type: none"> ▷ Go-live and Hypercare of Phase II in 1Q 2024 ▷ Complete development activities for the 3rd Phase in 2H 2024 	<ul style="list-style-type: none"> ▷ Finalize physical collateral mass production and distribution ▷ Digital channels release in iterations ▷ Go-to-market execution ▷ Go-Live in 1H 2024

ESG is woven into our strategic fabric, driving with our business objectives while nurturing our environment, society, and governance

ESG is Part of BSF DNA

BSF's ESG Pillars are born from within BSF's corporate mission and values



BSF's Recent ESG Highlights



Environmental

17.9% reduction for Scope 1 and 2 emissions

Capital Markets deal of the year Awards for Red Sea Development Co. Green Financing

17.2% Reduction in total water consumption



Social

Increase in female employee representation to 22.5%

SAR 3.8 million in local communities investments to support various key community initiatives

More than 91% of FTEs are Saudi nationals



Governance

Establishment of the ESG Governance Structure

Setting BSF's ESG Policy/ Framework

98%+ Meeting attendance rates for board of directors and all board committees

Leveraging our strategic pillars at BSF, we intertwine core objectives with positive ESG impact, guided by our governance strength; and our environmental and community initiatives

BSF we will further advance our sustainable practices in the future by introducing ESG KPIs and implementing them through the Bank's overarching initiatives

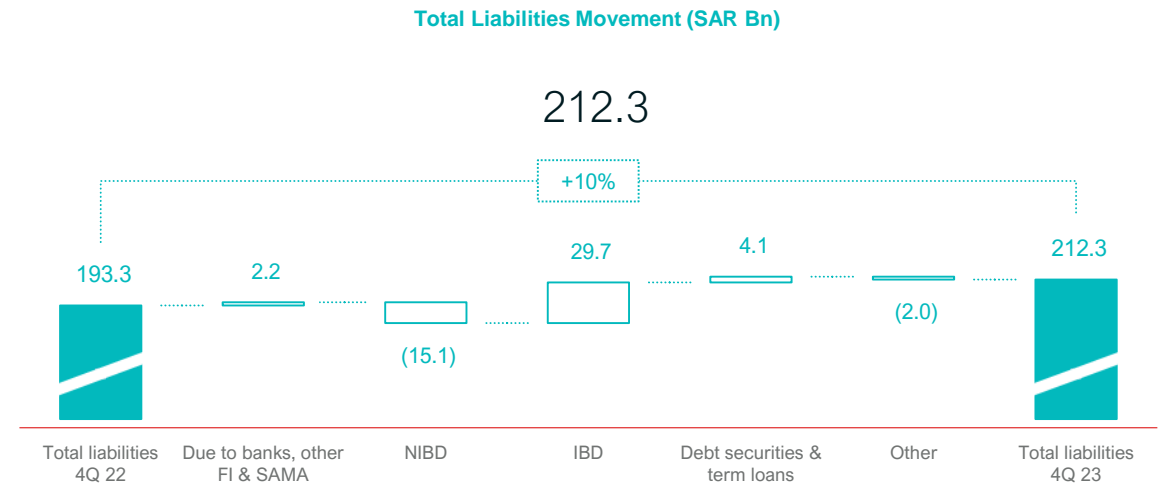
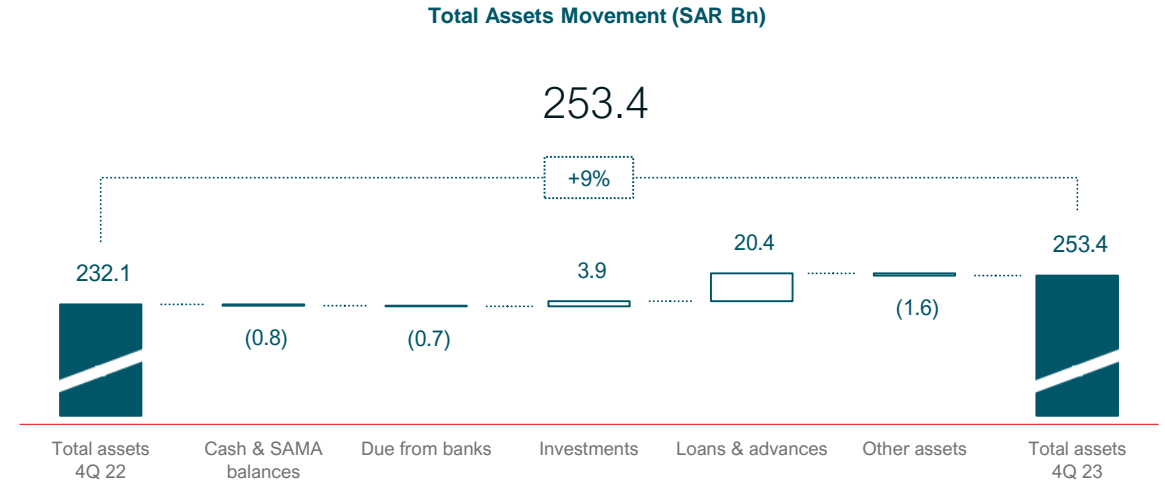
EARNINGS PRESENTATION 4Q 2023

Financial Performance

Balance sheet growth driven by lending, funded by IBD growth

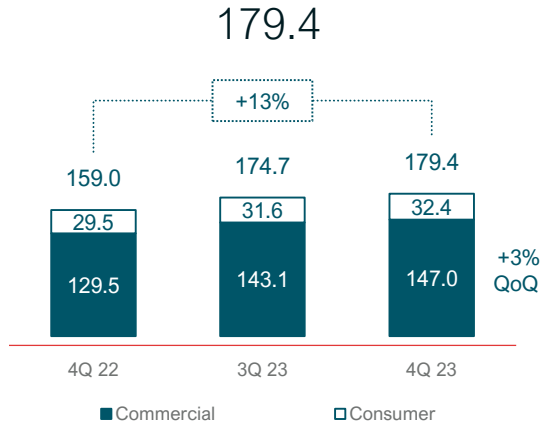
- Growth in total assets of 9% YoY, mainly driven by healthy 13% loan growth, further aided by a 9% increase in investments.
- Liabilities grew by 10% during FY 2023 from 9% deposit growth, a 91% rise in debt securities, and a 13% increase in interbank and SAMA borrowings.
- Total equity increased 6% YoY due to retained earnings generation, and positive other reserve movements.

SAR (Mn)	4Q 2023	3Q 2023	Δ%	4Q 2022	Δ%
Cash & SAMA balances	10,559	10,483	+1%	11,326	-7%
Due from banks	4,113	5,127	-20%	4,795	-14%
Investments	48,467	46,390	+4%	44,518	+9%
Loans & advances	179,391	174,681	+3%	159,012	+13%
Other assets	10,852	13,182	-18%	12,428	-13%
Total assets	253,383	249,862	+1%	232,078	+9%
Due to banks & SAMA	18,945	20,540	-8%	16,770	+13%
Customers' deposits	172,209	166,367	+4%	157,592	+9%
Debt securities & term loans	8,634	8,175	+6%	4,515	+91%
Other liabilities	12,473	15,497	-20%	14,455	-14%
Total liabilities	212,262	210,580	+1%	193,333	+10%
Share capital	12,054	12,054	+0%	12,054	+0%
Retained earnings	11,368	11,855	-4%	9,768	+16%
Other reserves	12,699	10,375	+22%	11,924	+7%
Tier 1 Sukuk	5,000	5,000	+0%	5,000	+0%
Total equity	41,121	39,283	+5%	38,745	+6%

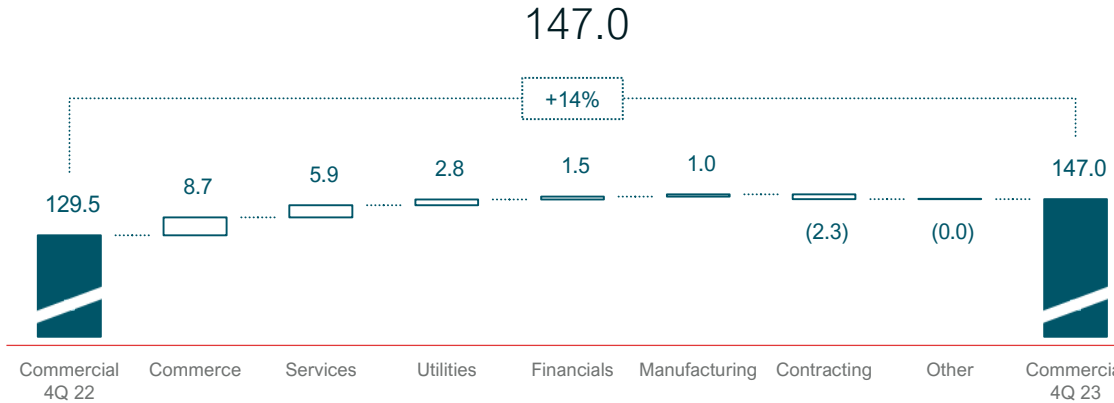


Healthy and balanced 13% loan growth during FY 2023

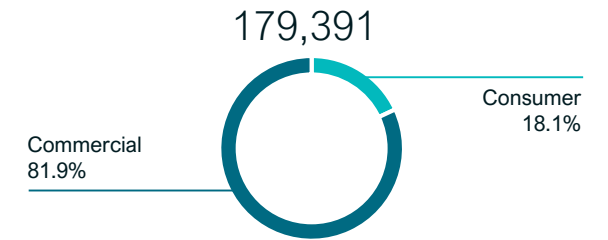
Total Loans & Advances (SAR Bn)



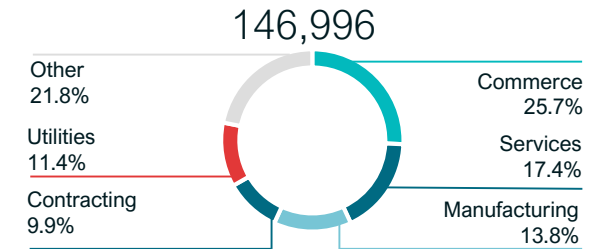
Commercial Loans Movement YoY (SAR Bn)



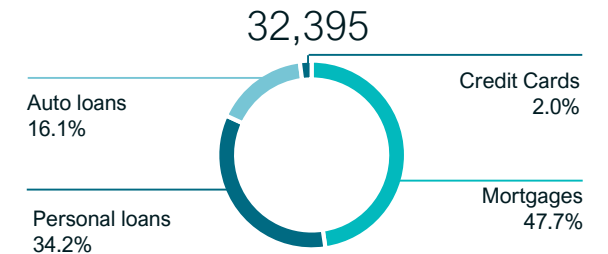
Loans & Advances Composition (SAR Mn)



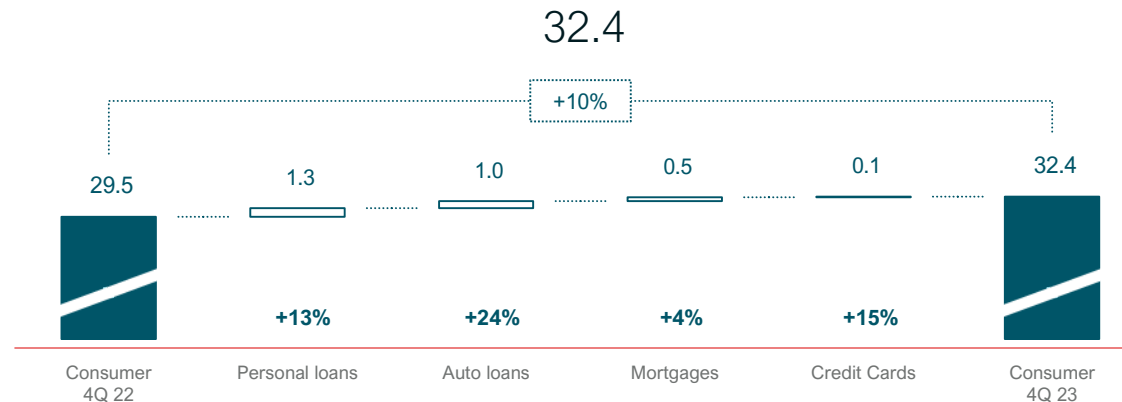
Commercial Loans Composition (SAR Mn)



Consumer Loans Composition (SAR Mn)



Consumer Loans Movement YoY (SAR Bn)

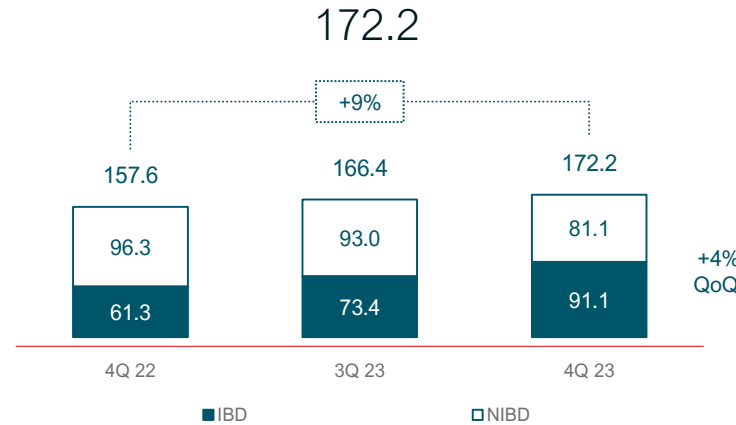


- Total loans & advances grew 13% during FY 2023 from both consumer and commercial lending growth.
- Commercial loans grew 14% during FY 2023, which was broad-based across sectors.
- Consumer loans grew 10% YoY mainly from growth in personal loans (+13%), auto loans (+24%), and mortgages (+4%).

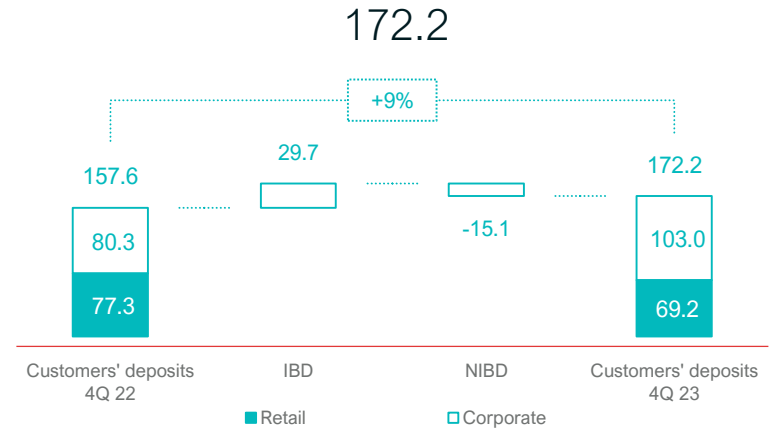
9% growth in deposits from increased IBDs partly offset by lower NIBDs

- Deposits grew 9% during FY 2023 from increased IBDs, partly offset by an expected decline in NIBDs
- IBD increased 49% YoY from 84% growth in Corporate, partly offset by a 6% decline in Retail mostly in Private Banking.
- NIBD's decreased 16% YoY due to declines in both Corporate (-20%) and Retail (-12%).
- As of 31 December 2023, 47.1% of deposits were non-interest bearing, the 14.0ppts YoY decline is reflective of the rising rate environment.

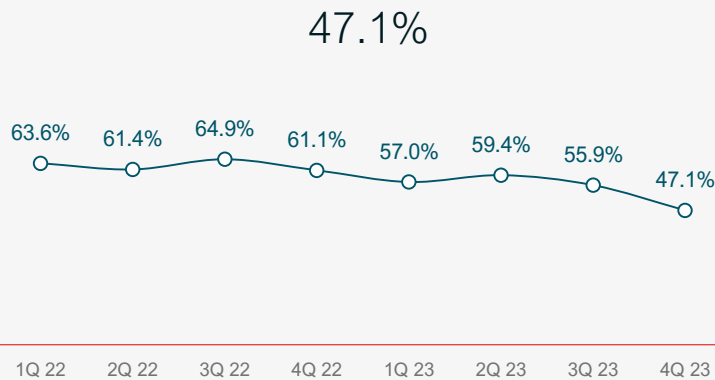
Customers' Deposits (SAR Bn)



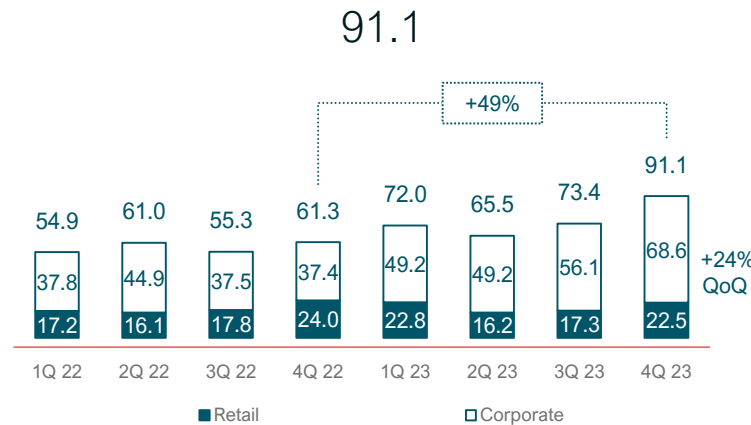
Customers' Deposits Movement (SAR Bn)



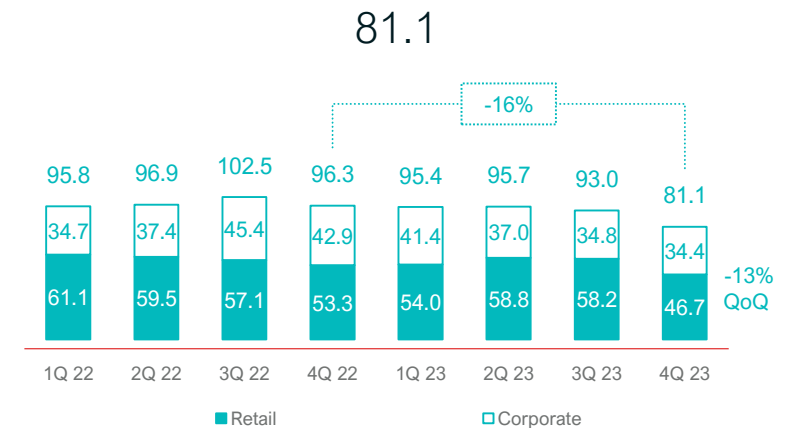
NIBD % of Total Deposits (%)



Interest Bearing Deposits (SAR Bn)



Non Interest Bearing Deposits (SAR Bn)



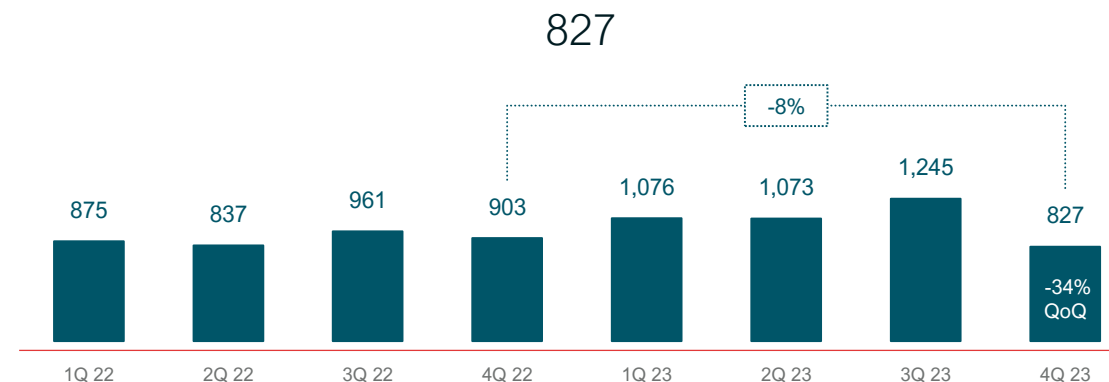
Note: Non-interest-bearing deposits are taken as the sum of Demand and Other deposits. Factually, some of these deposits are in fact interest-bearing, though their average cost is generally nominal.

Net income grew 18% YoY from strong NII growth, but sequential decline of 34% from NIM impact of shifting deposit mix to IBDs

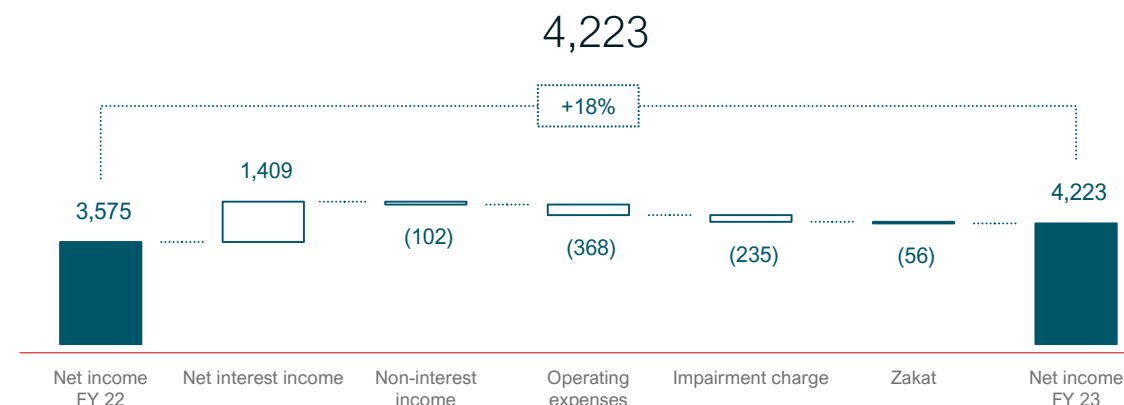
- Net income for FY 2023 grew 18% YoY to SAR 4,223mn from 16% growth in operating income, partly offset by 14% growth in operating expenses and a 17% rise in the impairment charge.
- Quarterly net income similarly declined 8% YoY and 34% QoQ to SAR 827mn from NIM impact of shifting deposit mix to IBDs.

SAR (Mn)	FY 2023	FY 2022	Δ%	4Q 2023	3Q 2022	Δ%
Net interest income	7,835	6,427	+22%	1,868	2,068	-10%
Non-interest income	1,489	1,591	-6%	323	400	-19%
Operating income	9,324	8,017	+16%	2,191	2,468	-11%
Operating expenses	(3,022)	(2,654)	+14%	(846)	(740)	+14%
Net operating income before impairments	6,302	5,364	+17%	1,345	1,728	-22%
Impairment charge	(1,594)	(1,360)	+17%	(413)	(345)	+20%
Net income before zakat	4,708	4,004	+18%	932	1,383	-33%
Zakat	(485)	(429)	+13%	(104)	(137)	-24%
Net income	4,223	3,575	+18%	827	1,245	-34%
NIM	3.53%	3.06%	+46bps	3.22%	3.66%	-43bps
Cost to income ratio	32.4%	33.1%	-0.7ppts	38.6%	30.0%	+8.6ppts
Cost of risk	0.96%	0.85%	+11bps	0.90%	0.79%	+11bps
EPS	3.33	2.79	+19%	0.64	0.99	-35%
ROAE	10.6%	9.2%	+138bps	8.2%	12.6%	-438bps
ROAA	1.73%	1.58%	+15bps	1.32%	2.02%	-70bps

Net Income (SAR Mn)

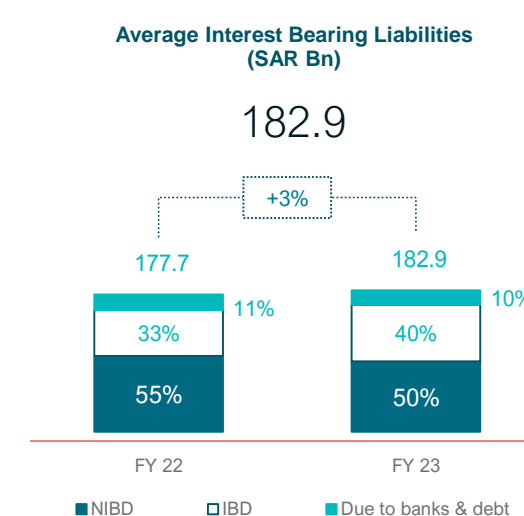
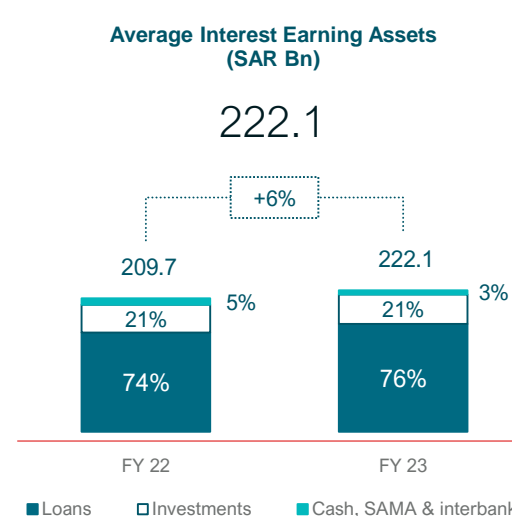
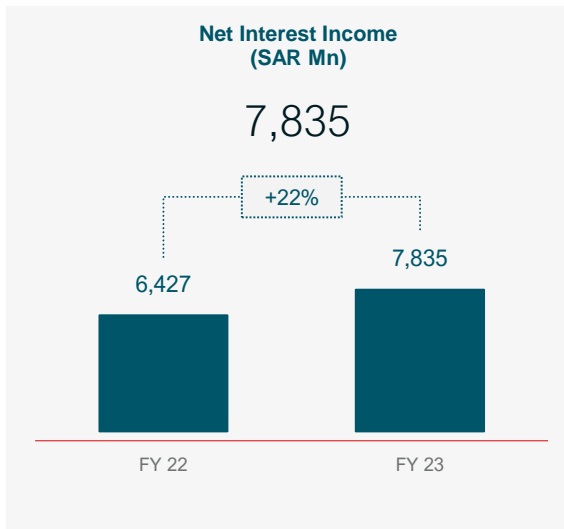


Net Income Movement (SAR Mn)

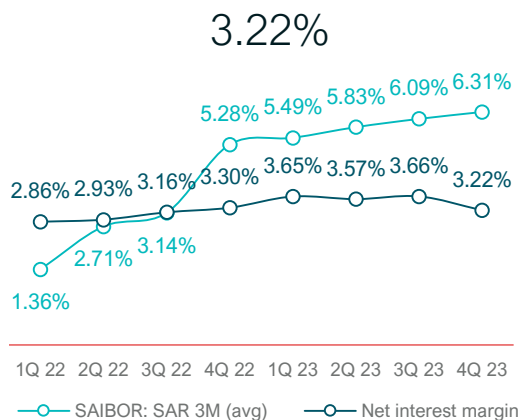


NII growth of 22% from margin expansion and earning assets growth

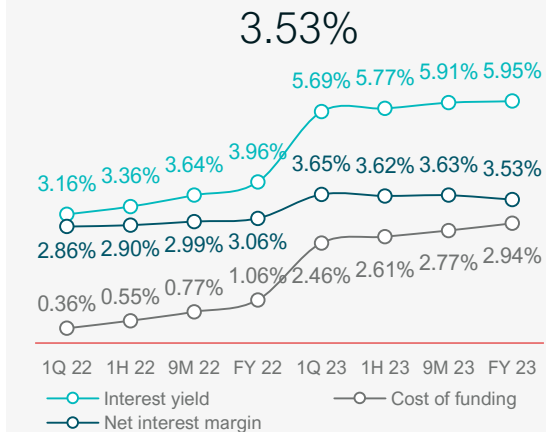
- NII for FY 2023 grew 22% YoY to SAR 7,835mn from margin expansion and 6% growth in (simple) average earning assets.
- The NIM increased 46bps YoY to 3.53% due to improved loan yields, partly offset by the higher funding costs and the hedging impact.
- The quarterly NIM declined 8bps YoY and 43bps QoQ to 3.22% due to the shift in deposit mix towards IBDs.



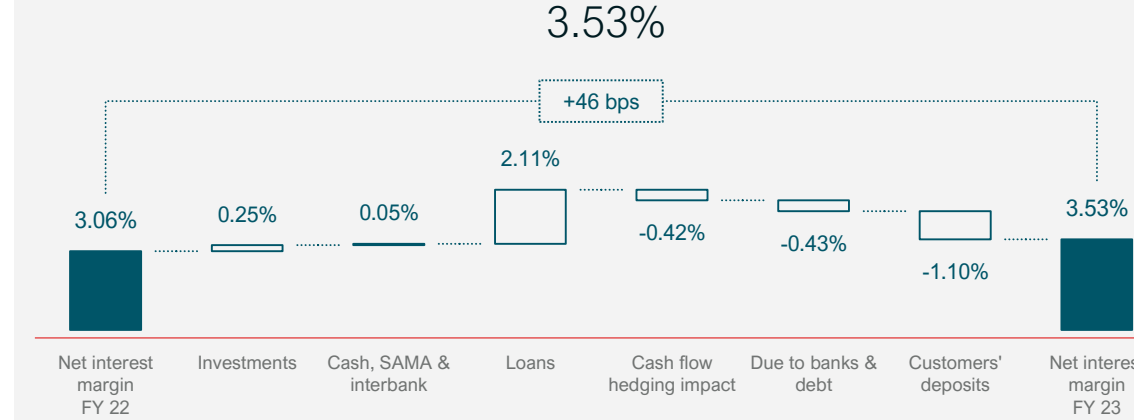
Quarterly Net Interest Margin Trend (%)



YTD Net Interest Margin Trend (%)

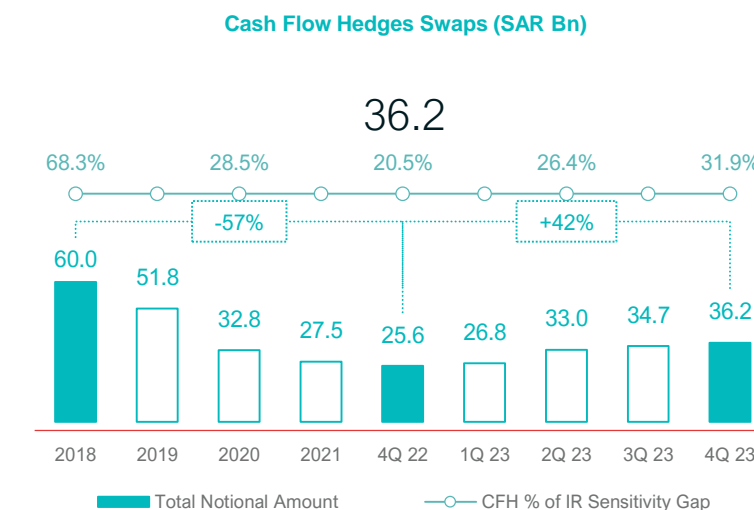
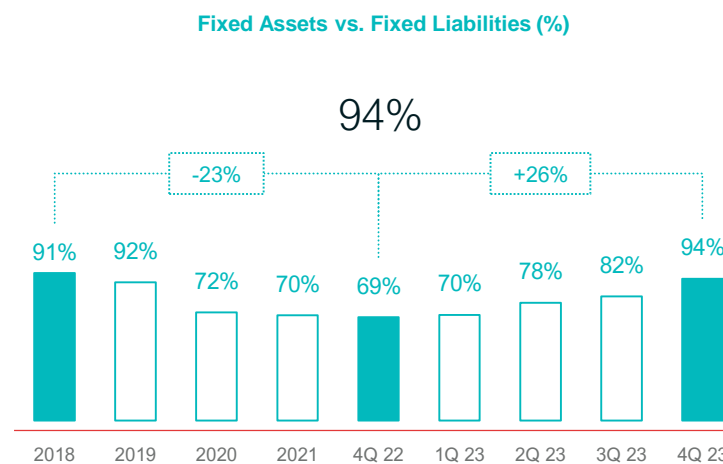
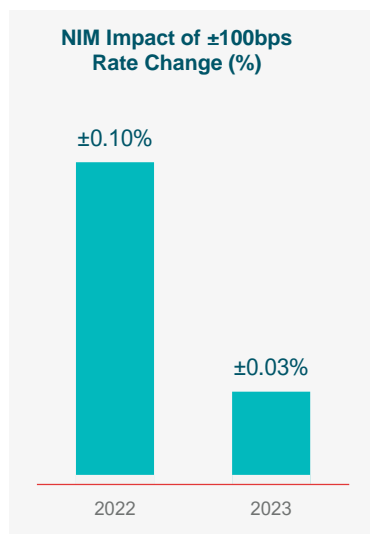
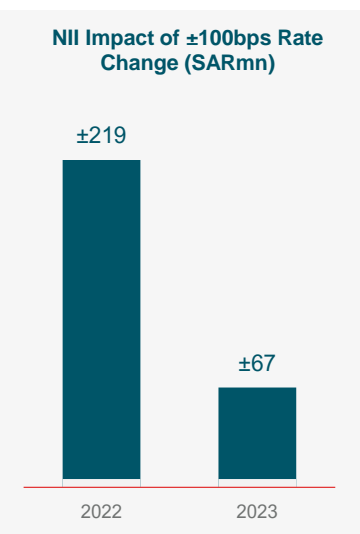
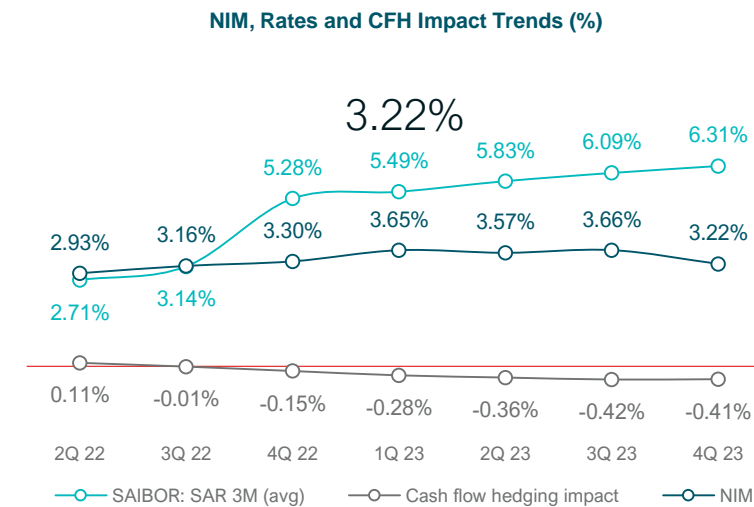
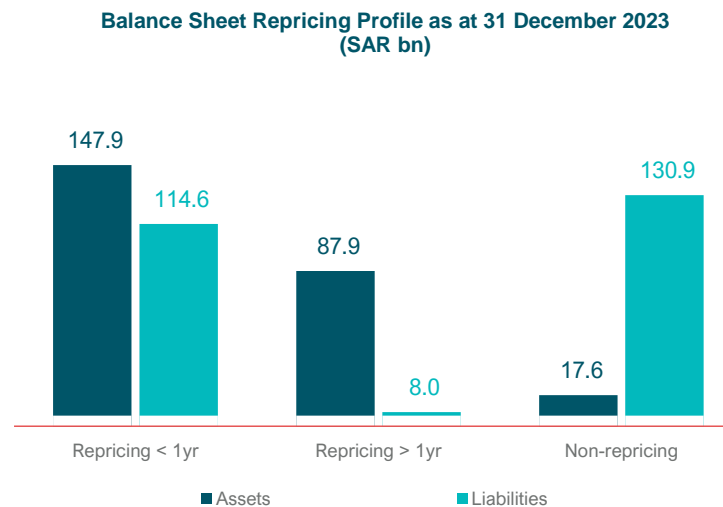


Net Interest Margin Movement (%)



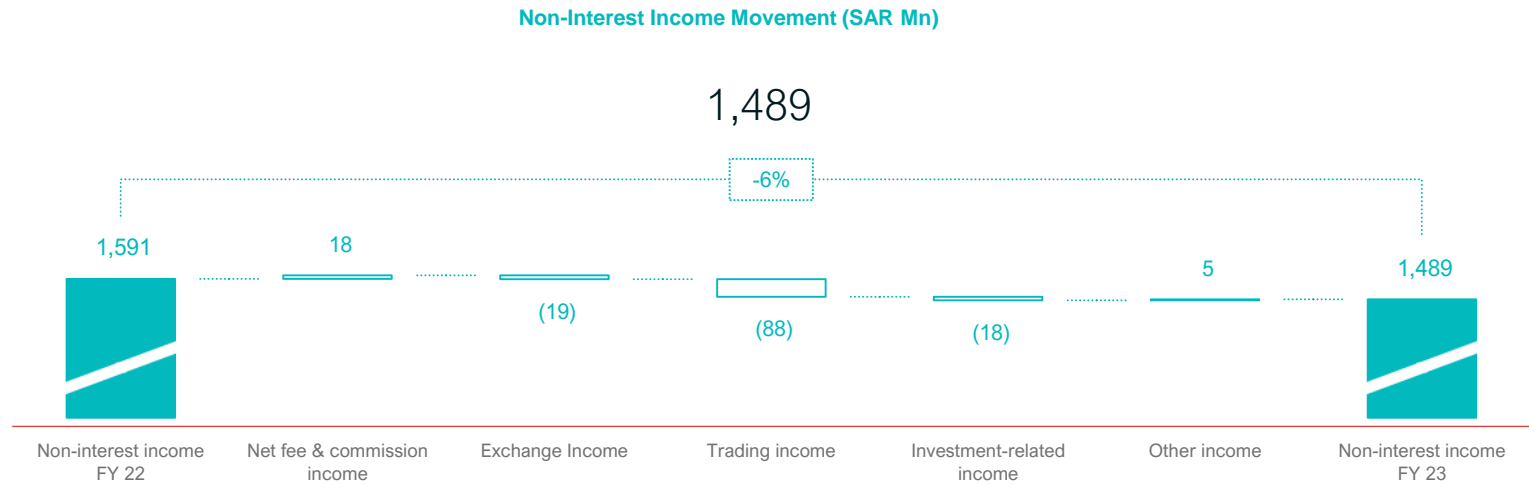
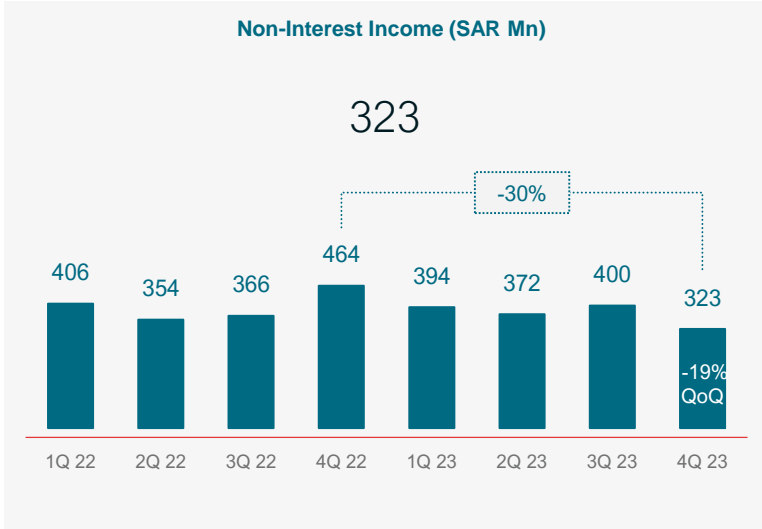
BSF remains positively positioned for a rising rate environment, but the rate sensitivity has declined

- At 31 December 2023, BSF estimates a 1-year NIM sensitivity of a 100bps rates change at ± 3 bps; this would translate into SAR ± 67 mn NII.
- This reflects the net long position in variable rate assets, reflecting lending concentration towards corporate.
- There were 11 rate hikes in KSA during 2022 and 2023 totaling 500bps.
- Traditionally BSF mitigated its interest rate risk exposure by managing fixed rate exposure of net assets incl. use of 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.

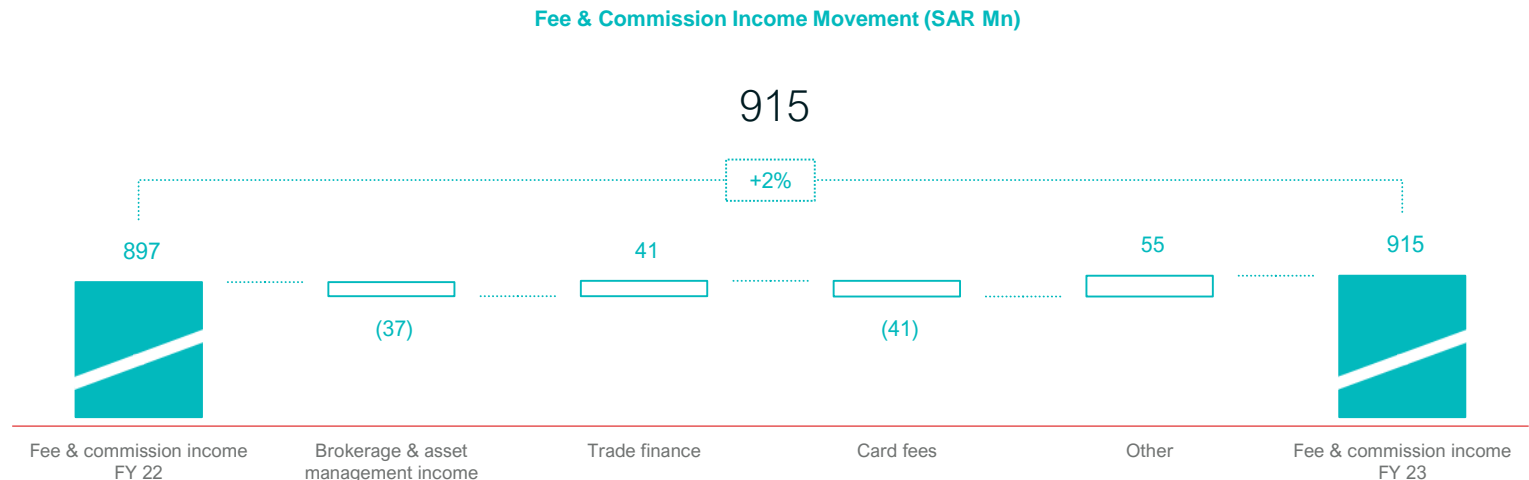


Note: Exposure to interest rate risk is shown in time buckets based on the earliest of first re-pricing date and contractual maturity; this analysis includes all contractual balances (floating and fixed) and off-balance sheet positions including cash flow hedge positions

Non-interest income decreased 6% YoY due to lower trading, exchange and investment income



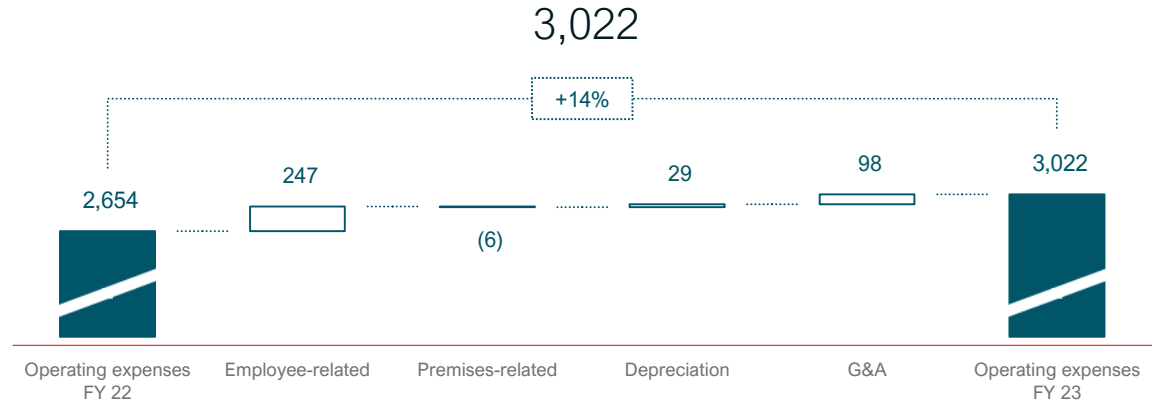
- Non-interest income for FY 2023 decreased 6% YoY to SAR 1,489mn due to lower trading, exchange and investment income, partly offset by improved net fee & commission income.
- Trading income declined 43% YoY to SAR 114mn due to lower activity in the Treasury advisory business and one-off SAR 55 million Credit Valuation Adjustment.
- Net fee & commission grew 2% to SAR 915mn in FY 2023 as higher trade finance and other fee income was offset by lower brokerage income and card fees.
- 4Q 2023 Non-interest income decreased by 19% QoQ due to lower trading income.



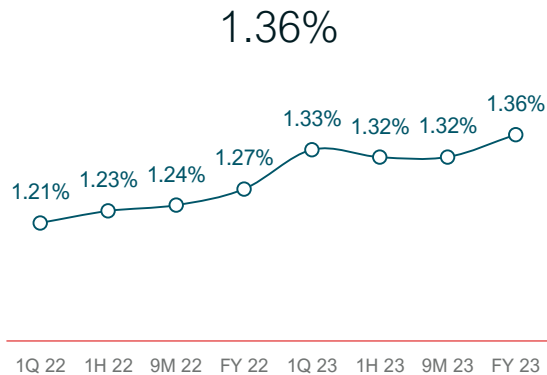
Operating expenses growth of 14% mainly from higher employee-related expenses

- Operating expenses increased 14% YoY to SAR 3,022mn in FY 2023 due to increased employee-related costs, non-recurring transformation-related expenses and excess accrual reversals in FY 2022.
- The YoY cost to income ratio improved by 0.7ppts YoY to 32.4% in FY 2023 from 33.1% in FY 2022.
- Operating expenses as a percentage of average interest-earning assets (AIEA) increased 9bps YoY to 1.36% for FY 2023.
- Quarterly operating expenses increased 14% QoQ due to higher G&A and depreciation expenses, partly reflecting non-recurring transformation-related expenses.

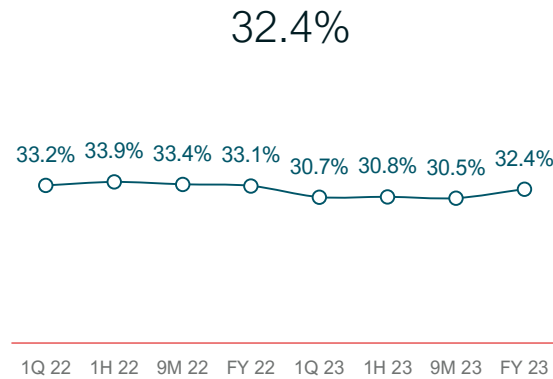
Operating Expenses Movement (SAR Mn)



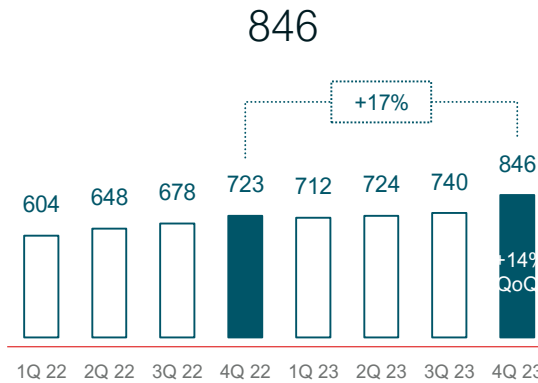
Cost To AIEA Ratio (%)



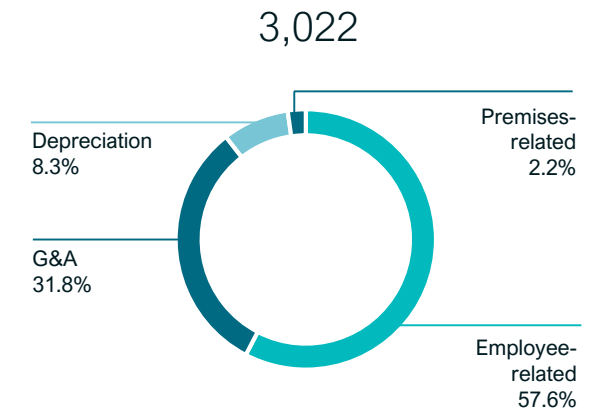
Cost To Income Ratio (%)



Operating Expenses (SAR Mn)

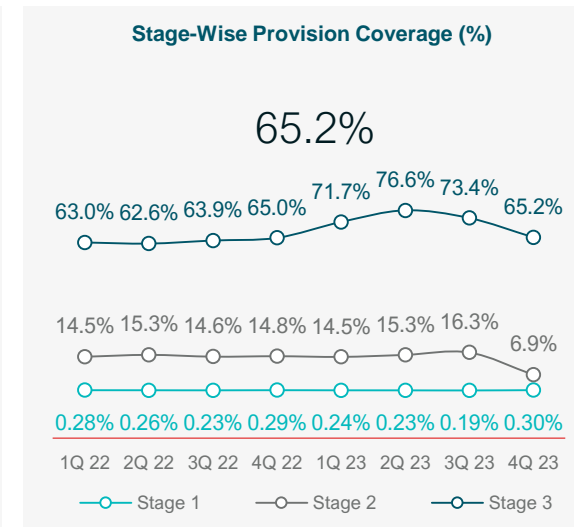
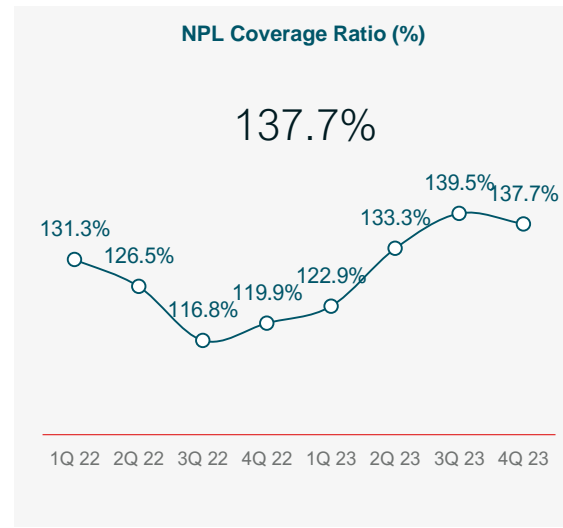
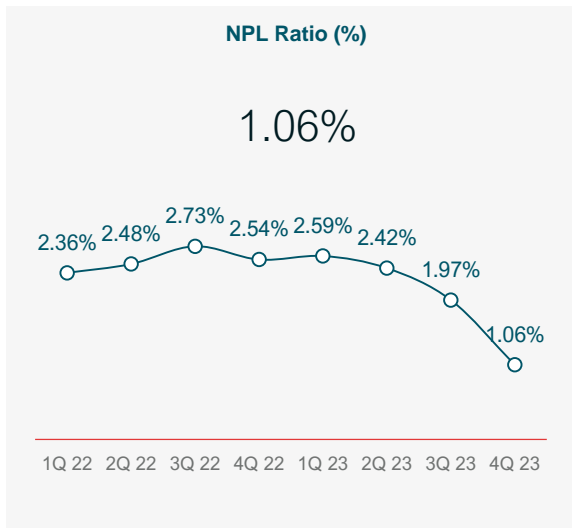
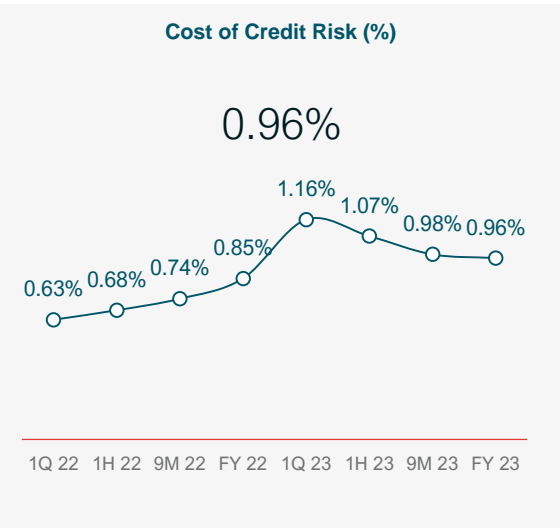
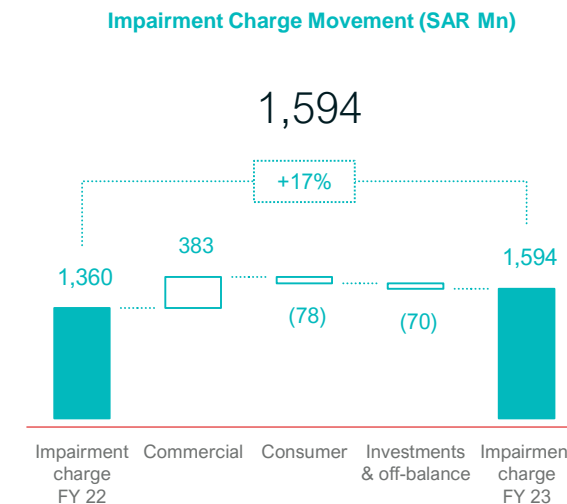
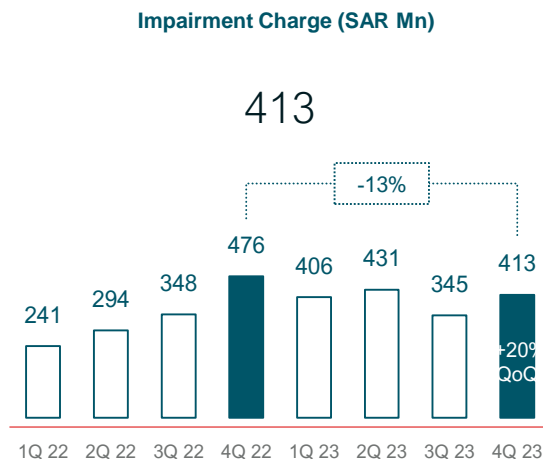
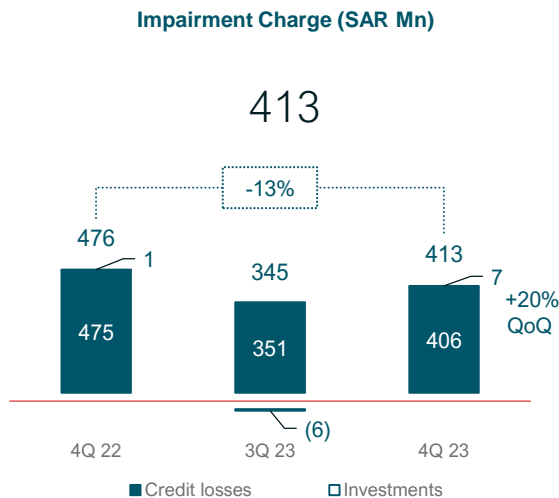


FY 23 Operating Expenses Composition (SAR Mn)



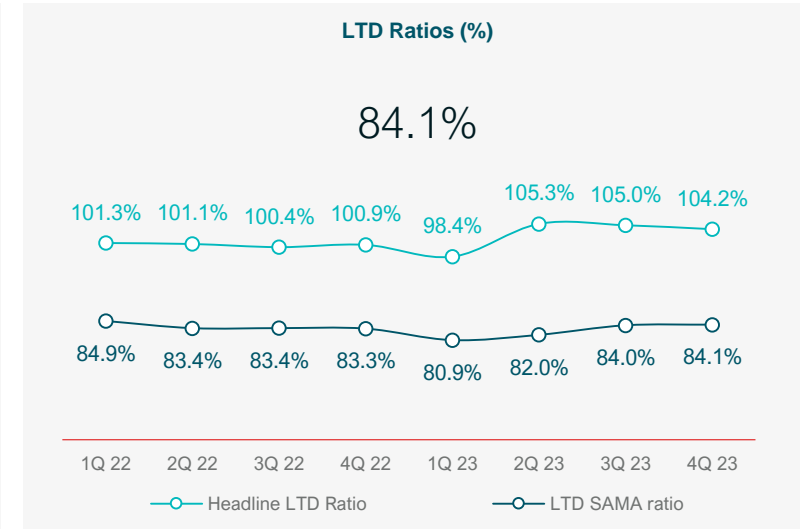
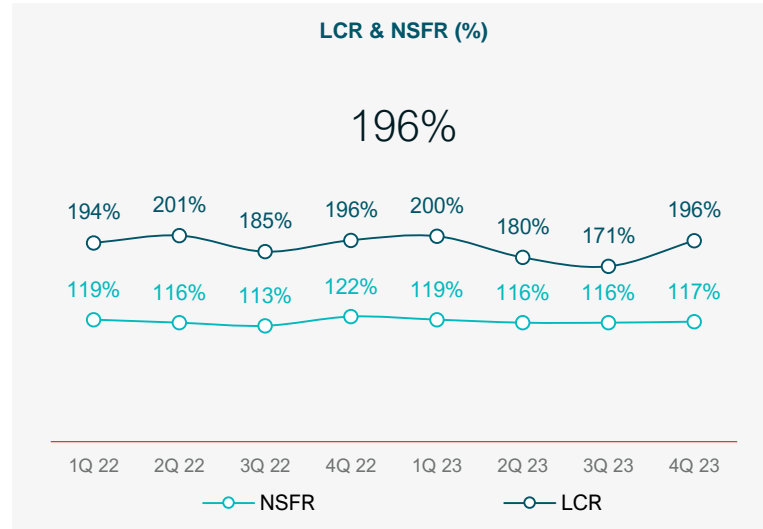
Credit quality trends impacted by isolated pockets of migration in the Commercial book during 2022

- The total impairment charge for FY 2023 increased 17% YoY to SAR 1,594mn, mainly from higher Commercial impairments, partly offset by Consumer and Investment & off-balance reversals.
- The NPL ratio improved 149bps YoY to 1.06% as NPLs declined 54% on write-offs in the commercial book relative to 11% 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.

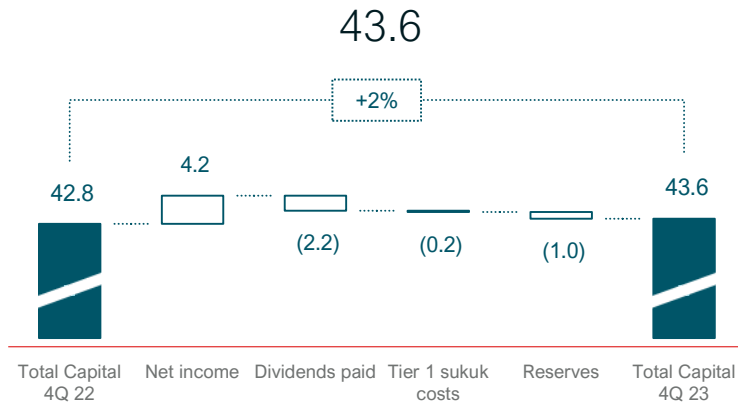


Liquidity, funding and capital comfortable

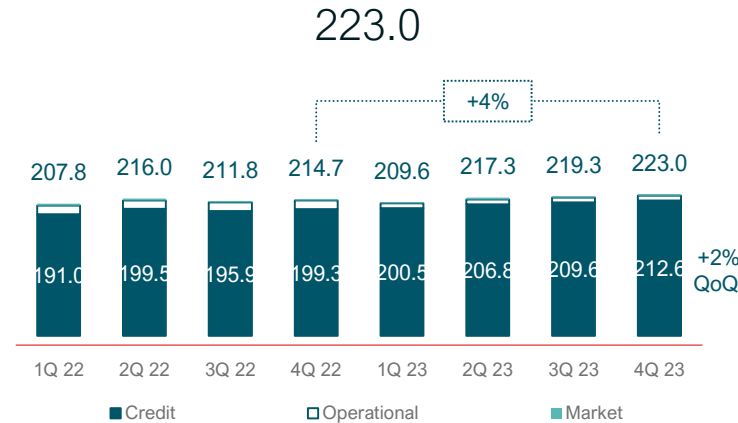
- LCR was broadly stable YoY at 196% at end-2023.
- NSFR moderated 5ppts to 117% at end-2023.
- The SAMA regulatory LTD ratio was within required levels at 84.1% as of 31 December 2023, while the headline ratio increased to 104.2%.
- Total capital (Tier 1 + Tier 2 regulatory capital) increased 2% to SAR 43.6bn during FY 2023 as net income generation was partly offset by dividend payments and movements in FVOCI & other reserves.
- RWAs increased 4% during FY 2023 to SAR 223.0bn from lending growth.
- CAR was 19.54% and the Tier 1 ratio was 18.92% as of 31 December 2023.



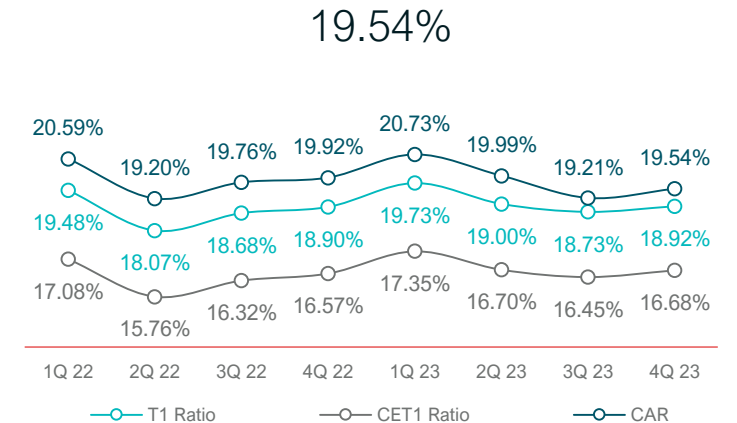
Total Capital Movement (SAR Bn)



RWA (SAR Bn)



CAR (%)



BSF is optimistic about the outlook for 2024

Metric	2023 Guidance	FY 2023 Outcome	2024 Guidance	2024 Guidance Drivers
LOANS & ADVANCES GROWTH	<p>Financing Growth</p> <p>Low double-digit</p>	<p>Financing Growth</p> <p>+12.8%^{YTD}</p> <p>▲ SAR 179.4 bn</p>	<p>Financing Growth</p> <p>Low double-digit</p>	Continued robust corporate activity and credit appetite driven by macroeconomic growth supported by V2030 projects
NET INTEREST MARGIN	<p>NIM</p> <p>3.50 - 3.60%</p>	<p>NIM</p> <p>3.53%</p> <p>▲ +46bps YoY</p>	<p>NIM</p> <p>3.10 - 3.30%</p>	Broadly stable margins from 4Q 2023 run rate of 3.22% supported by more stable rate environment and deposit mix
COST OF RISK	<p>COR</p> <p>85-95bps</p>	<p>COR</p> <p>96bps</p> <p>▲ +11bps YoY</p>	<p>COR</p> <p>55-65bps</p>	Normalizing cost of risk in relatively benign credit environment and absence of provisioning for isolated legacy exposures
COST TO INCOME RATIO	<p>CIR</p> <p><32%</p>	<p>CIR</p> <p>32.4%</p> <p>▼ -69bps YoY</p>	<p>CIR</p> <p><32%</p>	Positive jaws from solid income growth and efficiency improvements driving lower expected cost to income ratio
RETURN ON EQUITY	<p>ROAE</p> <p>11-13%</p>	<p>ROAE</p> <p>10.6%</p> <p>▲ +138bps YoY</p>	<p>ROAE</p> <p>11-13%</p>	Improving returns expected from financing expansion, stable margins and improving operational and risk costs
CORE EQUITY TIER 1 RATIO	<p>CET1</p> <p>17-18%</p>	<p>CET1</p> <p>16.7%</p> <p>▲ +11bps YTD</p>	<p>CET1</p> <p>17-18%</p>	Steadily improving capitalization ratios from capital accretive profitability



EARNINGS PRESENTATION 4Q 2023

Questions & Answers

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