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# Q3 Results Presentation



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# BSF at a glance



- Approximately **1,000,000** retail clients
- 3,700** corporate clients
- 5<sup>th</sup>** largest bank in Saudi Arabia by asset size
- 6<sup>th</sup>** largest bank in Saudi Arabia by market cap
- Domestic Systemically Important** bank
- 3,025** employees
- 86** branches

**BBB+**

Standard & Poor's

**A1**

Moody's

**A-**

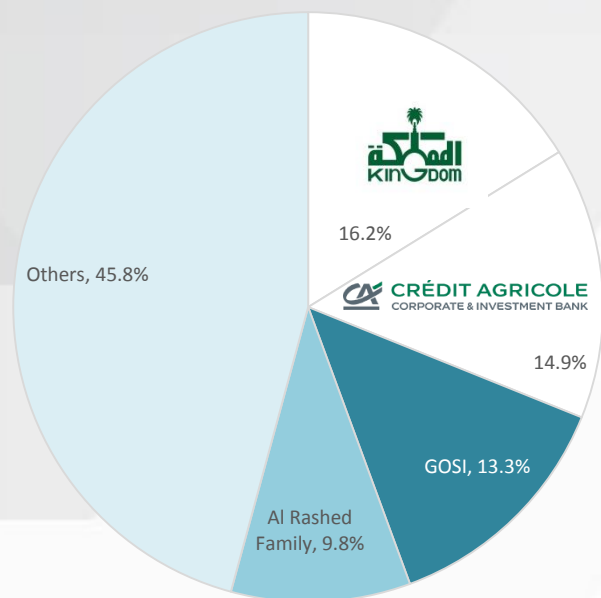
Fitch Ratings

- 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**)
  - Retail** book focused on mid / upper segments
- Focus on domestic market (93% of Balance Sheet)
- Offer the full array of both conventional and Islamic banking services & products

# BSF Share Profile



## Shareholding Structure



- (1) General Organization for Social Insurance
- (2) Including Shareholders holding less than 5%
- (3) As on 30 September 2018

## Share Profile Overview

- Listed on Saudi Arabia's Stock Exchange ("Tadawul")
- Symbol: BSFR
- Number of shares issued: 1,205 million
- Market cap <sup>(3)</sup> : SAR 40.2Bn (USD 10.7Bn)
- BSF market cap to Saudi banking industry: 6.7%
- BSF market cap to Saudi Stock Market: 2.1%
- Foreign Ownership Limit: 49%

| Shareholding Structure | Member Names  |
|------------------------|---|
| KINGDOM HOLDING        | Talal Ibrahim Al-Maiman   |
| CACIB                  | Jacques Prost   |
| GOSI                   | Suliman Al-Gwaiz – Chairman                                     |
| AL-RASHED Family       | Abdulrahman Al-Rashed   |
| AL-ISSA Family         | Bader Al-Issa   |
| AL-OMRAN Family        | Mosa Al-Omran   |
| AL-MUTABAGANI Family   | Khalid Mutabagani   |
| Others                 | Ammar Al-Khudairy<br>Mazin Al-Romaih<br>Rayan Fayeze – MD & CEO |

# 9M 2018 Results: Key points



## Balance Sheet

- **Balance sheet as of 3Q18** stayed flat compared to 2Q18 with total assets of SAR 189Bn. Some liquidity was reallocated from interbank lending (-22% vs 2Q18) to be deployed with the central bank (+19% vs 2Q18) and the investment portfolio (+8% vs 2Q18)
- **Net loans** increased by (+1% vs 2Q18), **the key driver of this growth was from retail banking net loans which** grew by SAR 434Mn or (+3% vs 2Q18) with a strong focus on **mortgage loans**, while **overdraft and commercial net loans growth** remained more modest, increasing by SAR 459Mn or (+0.4% vs 2Q18) with selective focus on high quality assets.
- **Total customer deposits** at SAR 146.7Bn **remained flat compared to 2Q18**. NCBD / CBD mix at 51% / 49% flat with 2Q18.

## Income Statement

- Solid **revenues** of SAR 5.1Bn (+3% YoY) **driven by net interest income** offsetting lower fee income. Net interest income / Non interest income mix at 74% / 26% (9M17: 70% / 30%).
- (+8% YoY) growth of **Net Interest Income** as **Net Interest Margin** is gradually widening helped by recent interest rate rises and asset price optimization. **NIM** at 2.6% and **Return on Credit RWA** at 2.9% are on a positive trend.
- BSF's balance sheet positioned to benefit from rising interest rates.
- **Non-Interest Income** down by (-9% YoY) mainly due to lower income from derivative trading activities as well as lower business volumes in trade finance, brokerage and project finance.
- **Business Segment results:** Steady improvement in performance of retail banking with revenues and net income respectively up by (+8% YoY) and by (+60% YoY) while decreasing expenses by (-5% YoY). Stable revenues for corporate and treasury banking segments.
- **Operating expenses** up (+2% YoY) as investments are realized to modernize the bank as well as one-off expenses. Salary expenses down (-3%YoY) as cost discipline to remain key in 2018. **Cost to income ratio** stood at 34.2% (9M17: 34.4%).
- Reduction of the **cost of fund** at 1.13% versus 1.25% in 9M17.
- **Net income of SAR 3,038Mn** (-2% YoY) compared to SAR 3,109M for 9M17 driven by the impact of higher impairment charges for the comparative period amidst the subdued economic environment.

## Asset Quality Capital & Liquidity

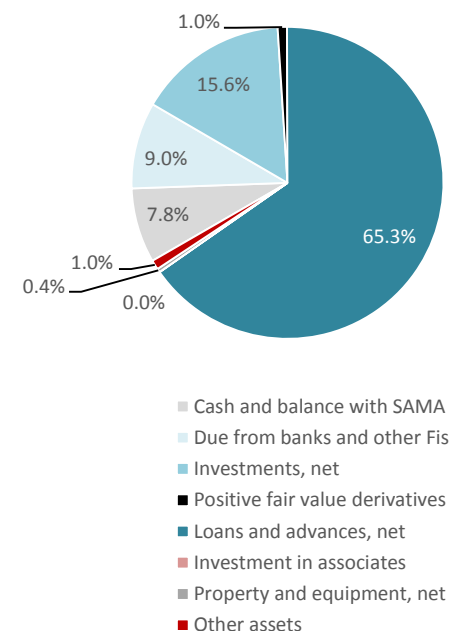
- **Impairment charges** for credit risk at SAR 344Mn for 9M18 compared to SAR 143Mn (9M17).
- Total **stock of provision** of SAR 3.8Bn (3.0% of BSF's net loans, 2.2% of Credit RWA).
- **Cost of risk ratio** at 0.35% stands below BSF last 10 year average of 0.50%.
- **NPL ratio** at 2.19% with noticeable improvement since the beginning of the year vs (YE 2017: 2.73%). **Coverage ratio** improved at 135%.
- **Capital strength:** CAR remains at very solid level of 20.26% (CET1 at 18.09%) with strong internal capital generation capacity.
- **Well positioned loan-to-deposit ratio** at **83%** providing ample room for future asset growth.

# Balance Sheet Highlights



| SAR Mn                             | 2015    | 2016    | 2017    | 1Q18    | 2Q18    | 3Q18           | 3Q18/2Q18 |
|------------------------------------|---------|---------|---------|---------|---------|----------------|-----------|
| Total Assets                       | 183,724 | 203,429 | 192,929 | 184,018 | 188,918 | <b>189,301</b> | 0.2%      |
| Loans and advances, net            | 123,769 | 129,458 | 121,940 | 123,883 | 122,811 | <b>123,704</b> | 0.7%      |
| Customer deposits - which include: | 141,852 | 158,458 | 150,954 | 141,944 | 146,705 | <b>146,694</b> | 0.0%      |
| Non commission bearing deposits    | 94,009  | 91,167  | 85,808  | 83,209  | 78,399  | <b>74,398</b>  | -5.1%     |
| Commission bearing deposits        | 47,843  | 66,291  | 65,147  | 58,735  | 68,306  | <b>72,296</b>  | 5.8%      |
| Total Equity                       | 27,484  | 29,699  | 31,661  | 31,694  | 32,104  | <b>31,836</b>  | -0.8%     |

Composition of BSF assets



## Key Ratios

|                   |        |        |        |        |        |               |        |
|-------------------|--------|--------|--------|--------|--------|---------------|--------|
| NPL / Gross loans | 0.90%  | 1.29%  | 2.73%  | 2.67%  | 2.37%  | <b>2.19%</b>  | -0.18% |
| Coverage ratio    | 207.0% | 176.0% | 100.1% | 121.7% | 122.0% | <b>134.8%</b> | 12.8%  |
| Cost of risk      | 0.15%  | 0.59%  | 0.51%  | 0.28%  | 0.33%  | <b>0.35%</b>  | 0.02%  |
| Loans / Deposits  | 83.3%  | 78.4%  | 79.7%  | 86.1%  | 82.6%  | <b>83.2%</b>  | 0.6%   |

- Loans and deposits trend: Net loans grew by (+0.7% vs 2Q18), net retail loans increased by (+3.5%YTD) while net overdraft and commercial loans grew by (+0.4% YTD)
- Deposits remained flat versus 2Q18, decrease of Non-Commissioned Bearing Deposits was compensated by time deposits
- Improving asset quality metrics

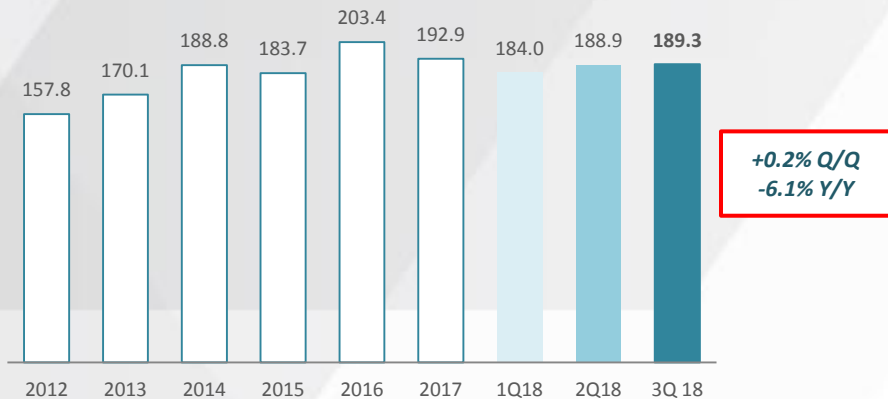


# Balance Sheet Highlights



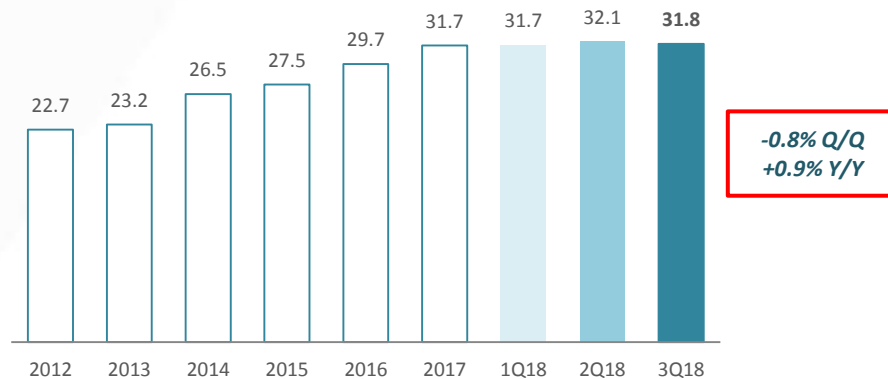
## Total Assets (SAR Bn)

CAGR 2012–3Q18: 3%



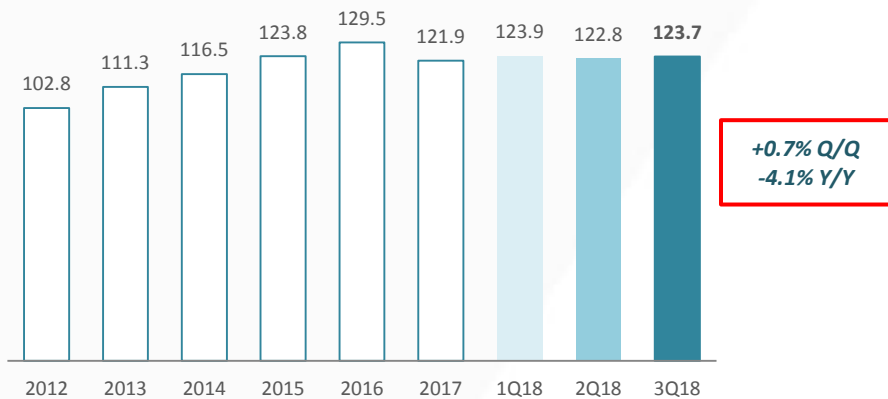
## Total Equity (SAR Bn)

CAGR 2012–3Q18: 6%



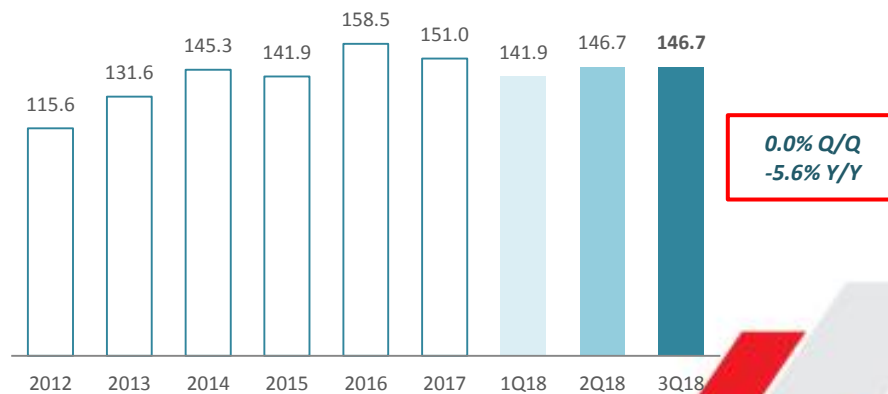
## Customer net Loans (SAR Bn)

CAGR 2012–3Q18: 3%



## Customer Deposits (SAR Bn)

CAGR 2012–3Q18: 4%

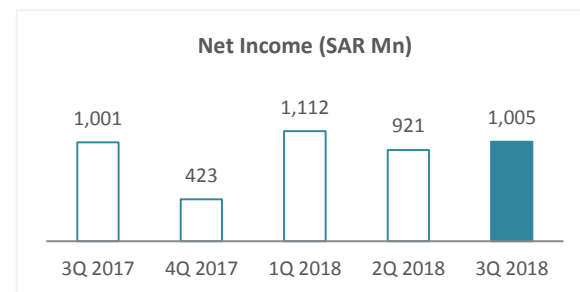
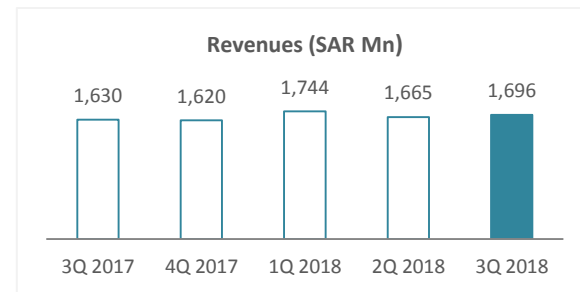
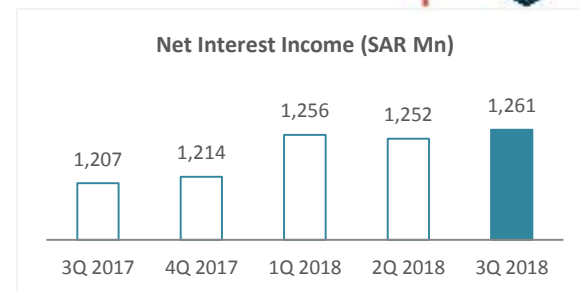




# Income Statement Highlights



| SAR Mn                                | 2015  | 2016  | 2017  | 9M17  | 9M18         | Y/Y    |
|---------------------------------------|-------|-------|-------|-------|--------------|--------|
| Net interest income                   | 4,055 | 4,256 | 4,700 | 3,486 | <b>3,770</b> | 8.1%   |
| Non-interest income                   | 2,236 | 2,144 | 1,876 | 1,470 | <b>1,336</b> | -9.1%  |
| Revenues                              | 6,291 | 6,400 | 6,576 | 4,957 | <b>5,106</b> | 3.0%   |
| Operating expenses                    | 2,093 | 2,149 | 2,387 | 1,706 | <b>1,745</b> | 2.3%   |
| Gross operating income                | 4,198 | 4,251 | 4,189 | 3,250 | <b>3,361</b> | 3.4%   |
| Impairment charge credit losses       | 181   | 768   | 661   | 143   | <b>344</b>   | 139.9% |
| Impairment charge investment          | -11   | -21   | 3.5   | 3.5   | <b>-18.5</b> | -      |
| Net Income                            | 4,036 | 3,510 | 3,532 | 3,109 | <b>3,038</b> | -2.3%  |
| <b>Key Ratios</b>                     |       |       |       |       |              |        |
| Cost income ratio                     | 33.3% | 33.6% | 36.3% | 34.4% | <b>34.2%</b> | 0.2%   |
| ROE                                   | 14.7% | 11.8% | 11.2% | 13.1% | <b>12.7%</b> | -0.4%  |
| ROA                                   | 2.2%  | 1.7%  | 1.8%  | 2.1%  | <b>2.1%</b>  | -      |
| NIM                                   | 2.2%  | 2.3%  | 2.4%  | 2.4%  | <b>2.6%</b>  | 0.2%   |
| Net interest / Avg Credit Risk Assets | 2.4%  | 2.4%  | 2.7%  | 2.6%  | <b>2.9%</b>  | 0.3%   |

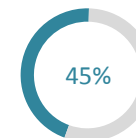


- Net interest income improved by (+8.1% YoY). Improvement of NIMs compensated for the decrease of Non-interest income (-9.1% YoY)
- Revenues grew by (+3.0% YoY)
- Operating expenses increased by (+2.3% YoY) as investments are made to modernize the bank and one off expenses
- Net income down (-2.3% YoY) impacted by higher impairment charges

# Segmental Performances (by business)



## Corporate Banking



Of Bank revenues

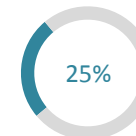
| In SAR Mn          | 2015    | 2016    | 2017    | 9M17    | 9M18           | Y/Y    |
|--------------------|---------|---------|---------|---------|----------------|--------|
| Total assets       | 110,466 | 116,505 | 107,093 | 114,276 | <b>107,144</b> | -6.2%  |
| Revenues           | 3,058   | 3,103   | 3,001   | 2,273   | <b>2,290</b>   | 0.8%   |
| Operating expenses | 576     | 598     | 580     | 451     | <b>484</b>     | 7.4%   |
| Impairment charges | 144     | 689     | 527     | 65      | <b>234</b>     | 259.4% |
| Net Income         | 2,338   | 1,816   | 1,894   | 1,757   | <b>1,572</b>   | -10.5% |

- Corporate assets decrease by (-6.2% YoY) as lending growth in the corporate sector remains subdued, but have been stable since the beginning of the year
- Revenues for 9M18 increased by (+0.8% YoY) driven by an improvement in margins compensating for lower fee income
- Bottom line for 9M18 was lower by (-10.5% YoY) due to higher provisioning charges and operating expenses

# Segmental Performances (by business)



## Retail Banking



Of Bank revenues

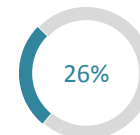
| In SAR Mn          | 2015   | 2016   | 2017   | 9M17   | 9M18          | Y/Y   |
|--------------------|--------|--------|--------|--------|---------------|-------|
| Total assets       | 15,978 | 16,500 | 17,791 | 17,920 | <b>18,983</b> | 5.9%  |
| Revenues           | 1,506  | 1,491  | 1,553  | 1,179  | <b>1,277</b>  | 8.2%  |
| Operating expenses | 1,050  | 1,110  | 1,170  | 893    | <b>852</b>    | -4.5% |
| Impairment charges | 37     | 80     | 134    | 78     | <b>91</b>     | 16.8% |
| Net Income         | 419    | 302    | 249    | 208    | <b>334</b>    | 60.2% |

- Retail assets were up by (+ 5.9% YoY) due to strong growth in mortgage lending
- Revenues for 9M18 grew (+8.2% YoY)
- 9M18 net income increased by (+60.2% YoY) driven by higher revenues, lower operating expenses

# Segmental Performances (by business)



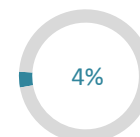
## Global Markets and ALM



Of Bank revenues

| In SAR Mn          | 2015   | 2016   | 2017   | 9M17   | 9M18          | Y/Y    |
|--------------------|--------|--------|--------|--------|---------------|--------|
| Total Assets       | 55,694 | 69,346 | 66,836 | 68,200 | <b>61,803</b> | -9.4%  |
| Revenues           | 1,406  | 1,531  | 1,759  | 1,314  | <b>1,336</b>  | 1.7%   |
| Operating expenses | 251    | 246    | 474    | 237    | <b>277</b>    | 17.3%  |
| Impairment charges | -      | -      | -      | 3.5    | -             | -      |
| Share in associate | 7      | 7      | 8      | 5      | <b>3</b>      | -54.0% |
| Net Income         | 1,162  | 1,291  | 1,293  | 1,080  | <b>1,061</b>  | -1.7%  |

## Investment Banking and Brokerage



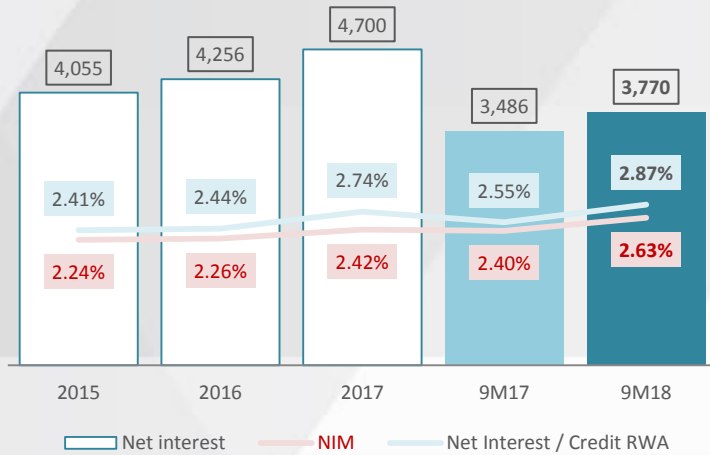
Of Bank revenues

| In SAR Mn          | 2015  | 2016  | 2017  | 9M17  | 9M18         | Y/Y   |
|--------------------|-------|-------|-------|-------|--------------|-------|
| Total Assets       | 1,587 | 1,077 | 1,208 | 1,308 | <b>1,370</b> | 4.7%  |
| Revenues           | 321   | 275   | 264   | 190   | <b>203</b>   | 6.5%  |
| Operating expenses | 204   | 174   | 167   | 126   | <b>131</b>   | 4.0%  |
| Net Income         | 117   | 101   | 96    | 64    | <b>72</b>    | 11.4% |

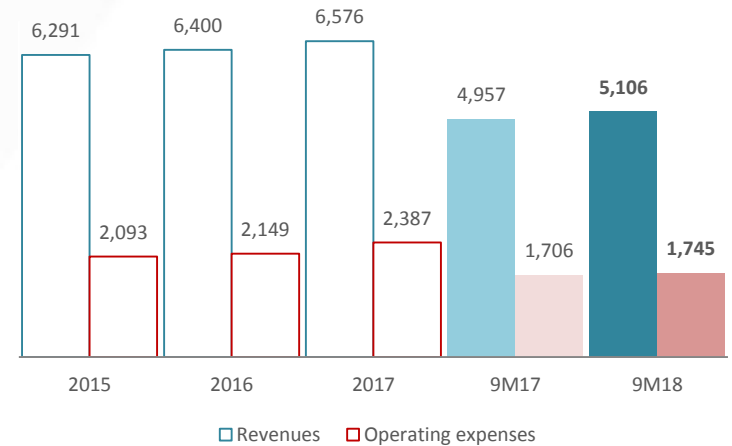
# Profitability & Efficiency



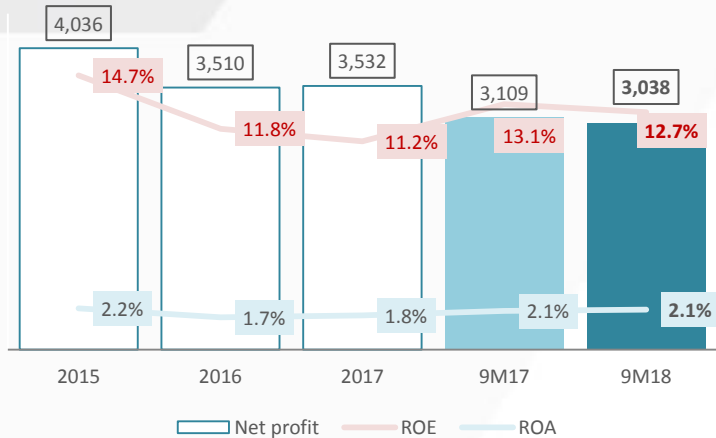
### Net Interest Income (SAR Mn)



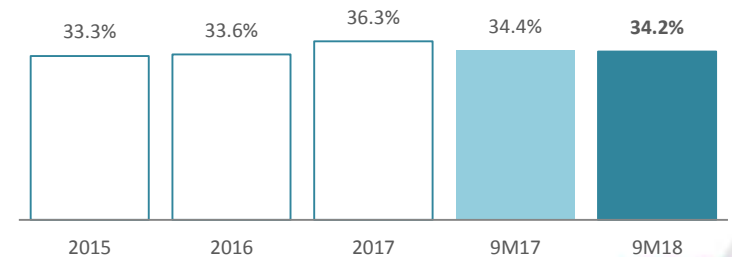
### Revenue & Operating Expense (SAR Mn)



### Net Income (SAR Mn)



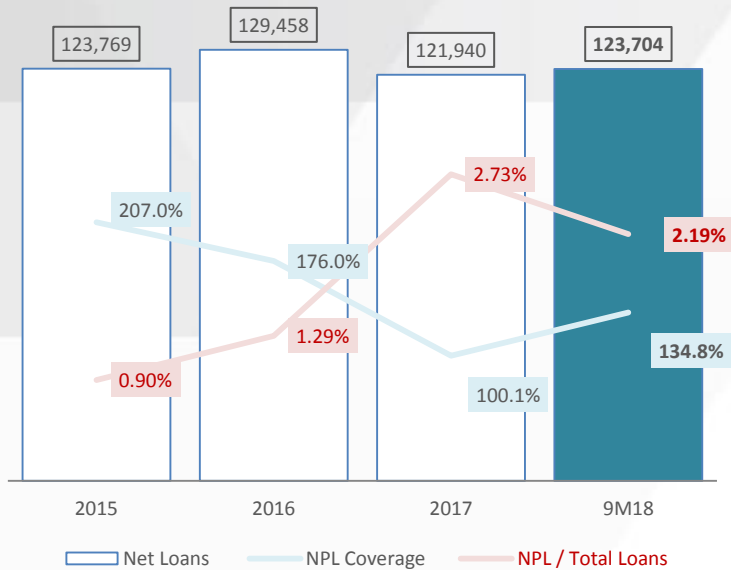
### Cost Income Ratio



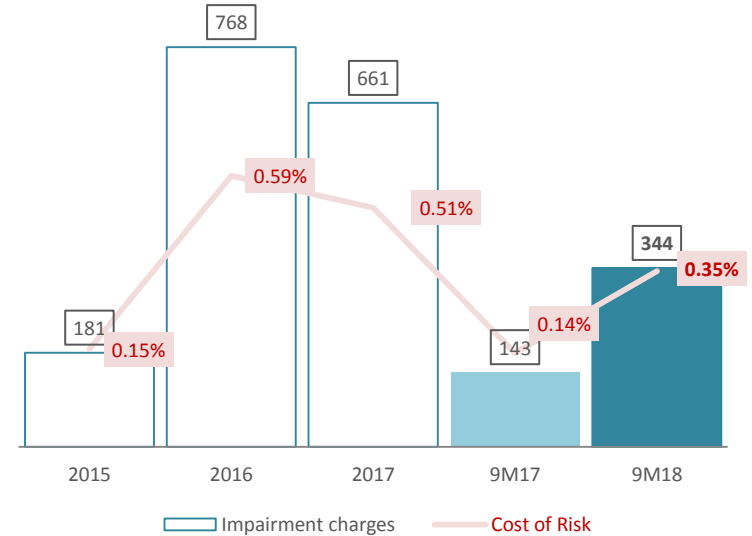
# Loan Portfolio Breakdown



Net Loans, NPL & Coverage Ratios (SAR Mn)



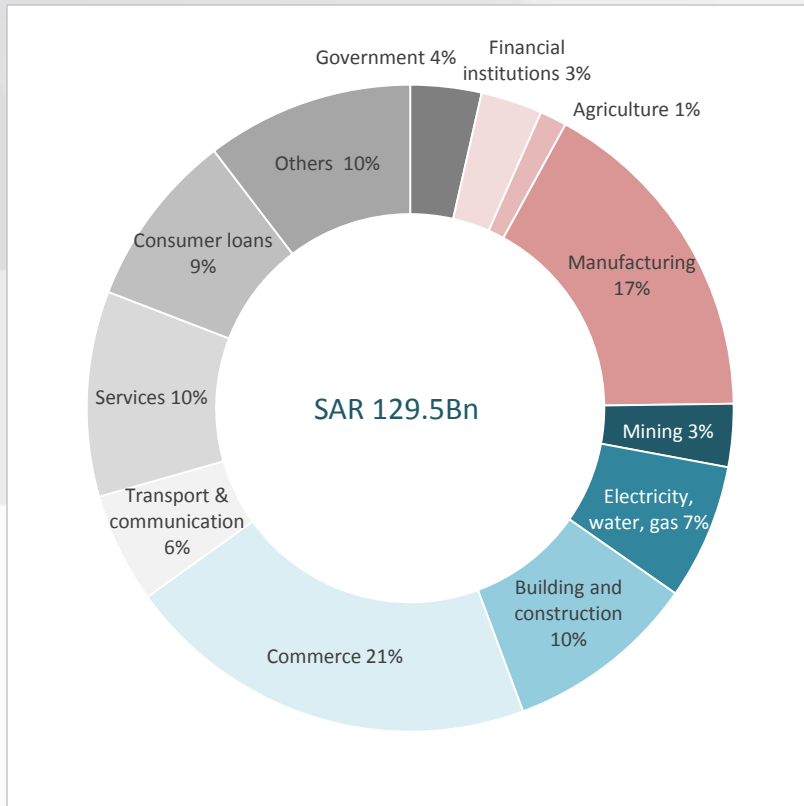
Cost of Risk, Impairment Charge (SAR Mn)



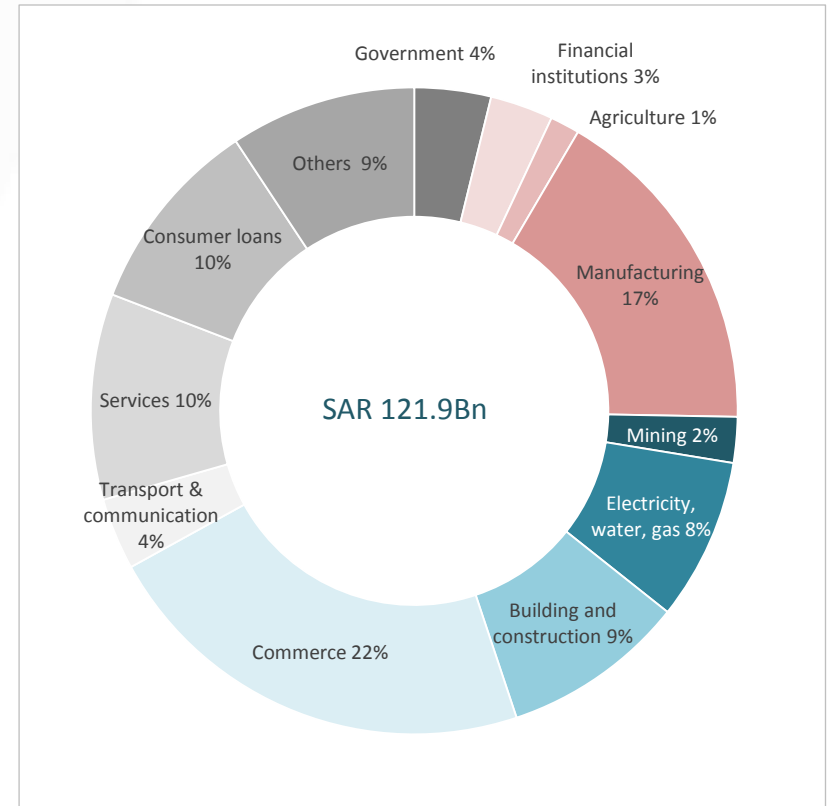
# Loan Portfolio Breakdown



## Loan Portfolio 2016



## Loan Portfolio 2017

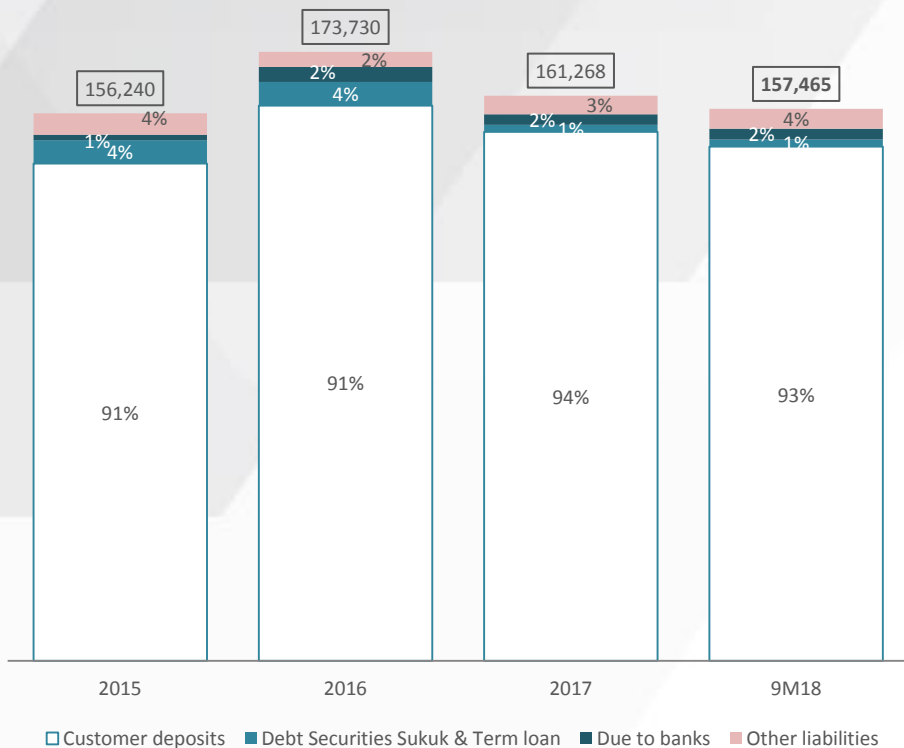




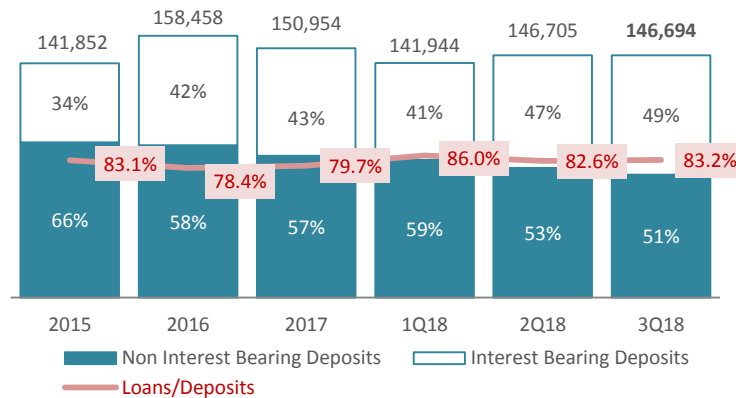
# Funding Mix



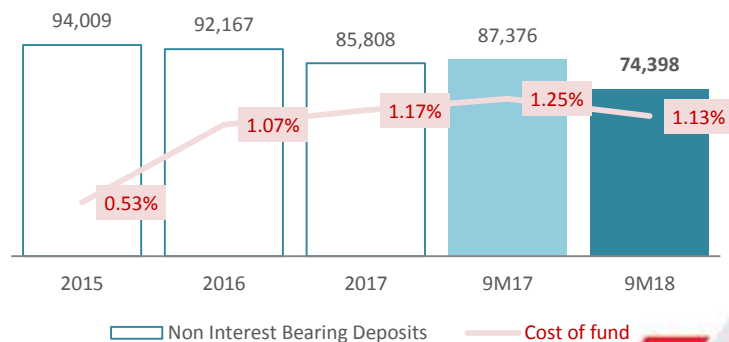
Funding Mix (SAR Mn)



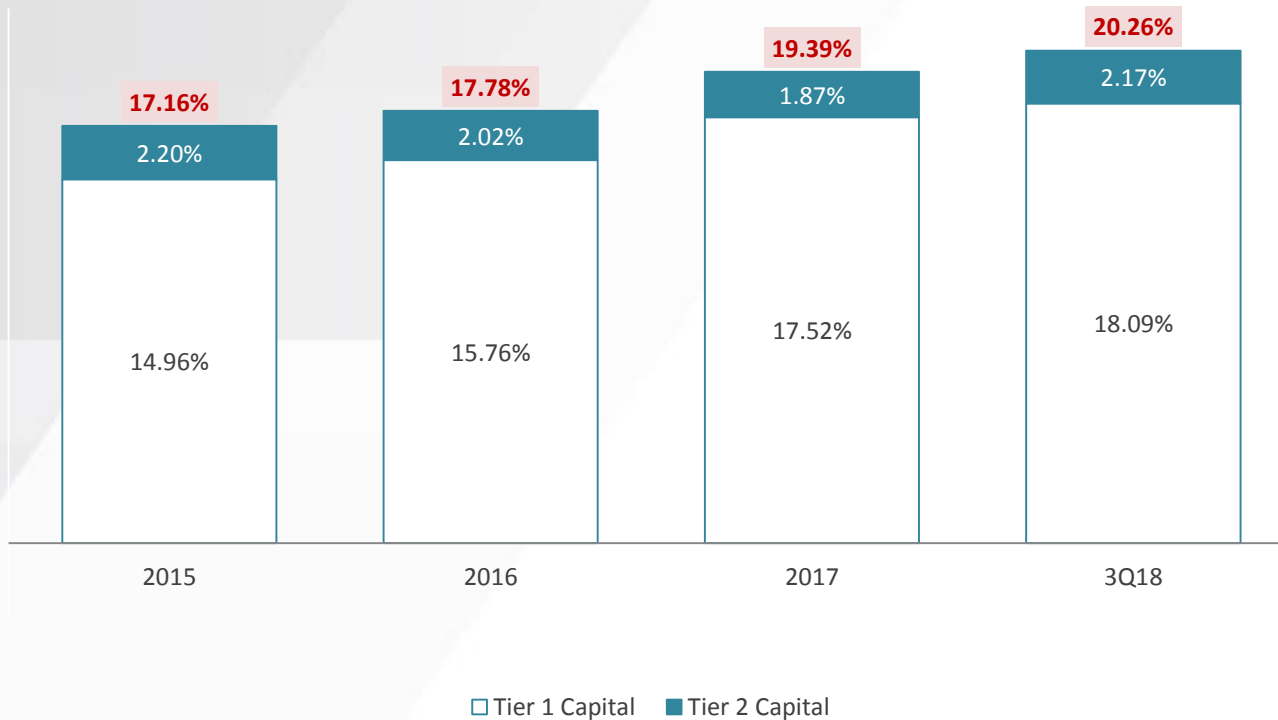
Customer Deposit Breakdown (SAR Mn)



Non-Interest Deposits and COF (SAR Mn)



# Capital Adequacy Ratio



- Comfortable capital position: Maintaining strong CAR at 20.26% - solid Tier-1 with solid internal capital generation capacity
- Cash dividend of SAR 0.90 per share for 1H18. Gross payout ratio of 50%





**Thank You**



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Chief Financial Officer

**Farid Charane**  
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