BSF 1H 2024
Earnings Presentation

19 August 2024

Highlights & Strategy Update

Strong balance sheet momentum and 6% net income growth YoY

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Balance Sheet

- Strong loan growth of 16% YoY, driven by equal growth in commercial and consumer loans.
- Investments increased 13% YoY to manage IR risk while capturing higher yields.
- Deposit growth of 22% YoY, from IBDs (+71%) partly offset by NIBDs (-12%).

Loans & Advances

197.2

SAR Billion

▲ +16% year-on-year

Investments

55.5

SAR Billion

▲ +13% year-on-year

Customers' Deposits

196.2

SAR Billion

▲ +22% year-on-year

Income Statement

- Stable top-line on 6% non-interest income growth, offset by 1% decline in NII.
- NIM declined by 52bps YoY to 3.10% on higher funding costs.
- Net income grew 6% as decrease in impairments was partly offset by rising expenses.

Operating Income

4,674

SAR Million

▶ +0% year-on-year

NIM

3.10%

▼ -52bps year-on-year

Net Income

2,279

SAR Million

▲ +6% year-on-year

Improved credit quality with comfortable capital and liquidity

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Asset Quality

- Lower NPL ratio mainly from write-offs and improving coverage ratio.
- Decreased COR in the commercial book.

NPL Ratio	NPL Coverage	Cost of Risk
0.94%	161.9%	0.60%
▼ -148bps year-on-year	▲ +28.6ppts year-on-year	▼ -48bps year-on-year

Capital & Liquidity

- Capital, funding and liquidity remain strong and comfortably within regulatory limits.
- YoY decline in NIBD ratio from expected shift to IBDs.

T1 Ratio	LCR	NIBD % of Total Deposits
17.4%	187%	42.8%
▼ -1.6ppts year-on-year	▲ +7ppts year-on-year	▼ -16.6ppts year-on-year

Strategy execution progressing well across the various business pillars

	Wholesale Banking	Personal Banking	Private Banking
Strategic Goals	Solidify market position	Leverage segmentation and synergies	Reinforce market leadership
Focused Initiatives	GTS revamp Expand FIG&MNC coverage	Scale up affluent Provide superior daily banking	Broaden product suite Experience-centric rewards
Progress Q2: 72% Q1: 66%	83%	62%	97%
Key Highlights	Government lending Expanded FI reach globally Three SCF products launched Strengthen LCM operating model	Strengthen RM & customers relationship Pilot Super Elite plus Efficient Wholesale partnership with personal banking Good traction in LOMBARD lending product	Key offerings with BSF Capital Tailored family products Collaborating with JB products Launching Advisory program for RMs

Strategy execution progressing well across the various business pillars

	JB	BSF Capital
Strategic Goals	Expand in new market segments	Seize existing opportunities and grow
Focused Initiatives	Digital acceleration Product diversification Brand repositioning	Synergize wealth mgmt. Broaden advisory Attractive investment solutions
Progress Q2: 72% Q1: 66%	88%	45%
Key Highlights	Launched JB transformation for 2024 Optimized mobile app services Defined Credit Card proposition Modernization of core systems Refined digital customer journeys	Finalizing commercial campaign framework Repositioning real estate advisory and solutions Strong pipeline in real estate funds

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

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	Description	Key Highlights	2024 Progress & Beyond
Technology Infrastructure Upgrade **Integrated Corporate Portal**	New corporate platform supporting trade & supply chain services, and expanded liquidity and cash management solutions and services	• Phase I Backend: design, development and integration testing completed • Phase II Frontend: design & development completed • Remaining components' delivery is being planned due to CBS dependency	• Finalize the plan to assess the impact and define revised Go Live timelines • Phase I Backend: Complete testing and prepare for data migration, end user readiness, training, organization • Phase II: Complete testing, user testing and prepare for Go Live
Technology Infrastructure Upgrade **Omnichannel**	New high performance retail platform providing robust digital banking service and enhanced customer experiences and journeys	• All features for release 1 deployed to Customers • 2500+ Staff users migrated • Remaining feature development in progress	• Prioritization and planning of new features for the subsequent phases kick started • Release 2 is estimated to be in 4Q 2024
Technology Infrastructure Upgrade **Core Banking System**	Bank-wide core banking system to enable best-in-class customer experience with leading operational efficiency	• The largest and most complex Release 2.2B: launched successfully • CBS R3 : kicked off Corporate lending and Term Deposits end to end	• R3 is estimated to launched in 4Q 2024 /1Q 2025 • Corporate Lending and Limits • Corporate & Retail Term Deposits
Rebranding	Recreating BSF brand identity to differentiate the bank, enhance our connection with clients and improve our market position	• Post-launch, account openings has surged, compared to the period 2 months prior to the brand introduction • Brand launch has driven a 2,600% increase in website visitors and a 75% rise in time spent per page	• Implement a comprehensive refresh of BSF branches for seamless, consistent, and modern customer experience across all touchpoints • New cards with updated branding will launch by 4Q 2024 to further reinforce brand presence.

Financial Highlights

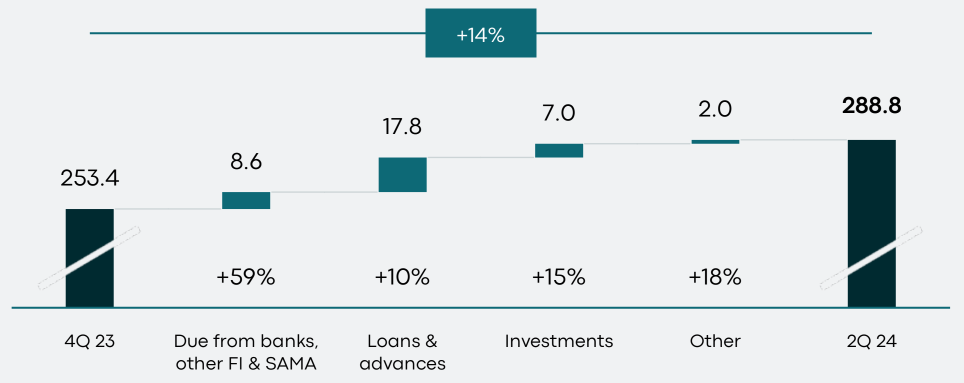
Balance sheet growth driven by lending, investments and due from banks

Balance Sheet

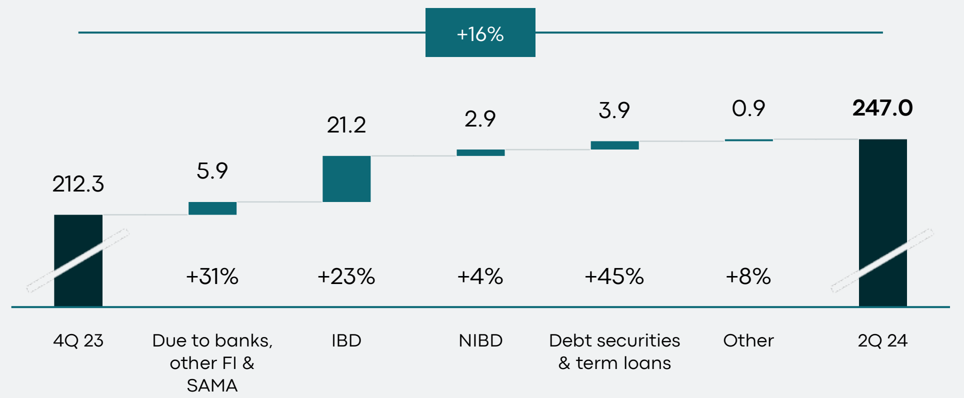
- Growth in total assets of 14% YTD, mainly driven by 10% loan growth, further aided by an increase in due from banks and investments.
- The investment portfolio expanded by 15% YTD from high-quality liquid assets to capture higher yields, while managing interest rate risk.
- Liabilities grew by 16% during 1H 2024 from a 14% deposit growth, a 31% increase in interbank, and a 45% rise in debt securities.
- Total equity increased 2% YTD due to retained earnings generation.

SAR Mn	2Q 2024	1Q 2024	Δ%	4Q 2023	Δ%
Investments	55,506	52,923	+5%	48,467	+15%
Loans & advances	197,160	185,408	+6%	179,391	+10%
Total assets	288,826	268,376	+8%	253,383	+14%
Customers' deposits	196,248	174,828	+12%	172,209	+14%
Total liabilities	247,017	226,448	+9%	212,262	+16%
Total equity	**41,809**	**41,928**	**-0%**	**41,121**	**+2%**

Total Assets Movement YTD (SAR Bn)



Total Liabilities Movement YTD (SAR Bn)

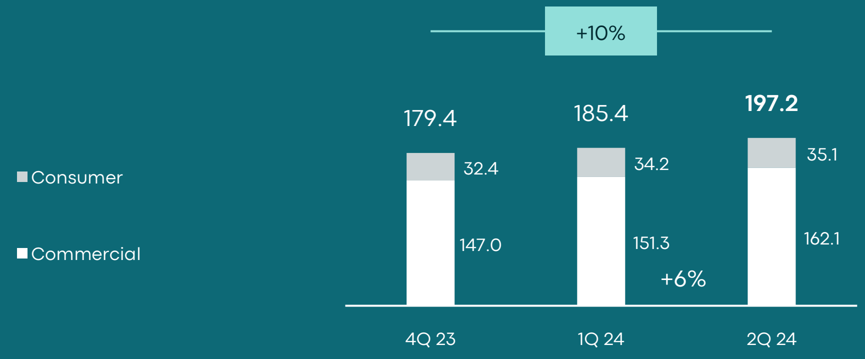


Balanced 10% YTD loan growth from both commercial and consumer sectors

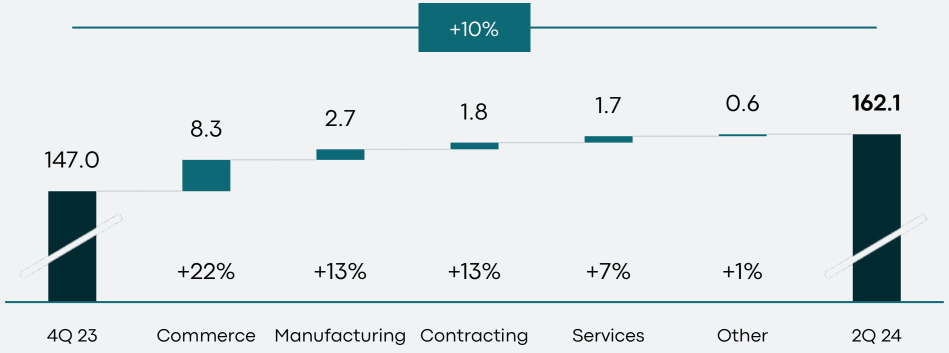
Loans & Advances

- Total loans & advances grew 10% during 1H 2024 from both consumer and commercial lending growth.
- Commercial loans grew 10% during 1H 2024, with notable increase in commerce sector.
- Consumer loans grew 8% YTD from growth in auto loans (+17%), personal loans (+8%), and mortgages (+6%).

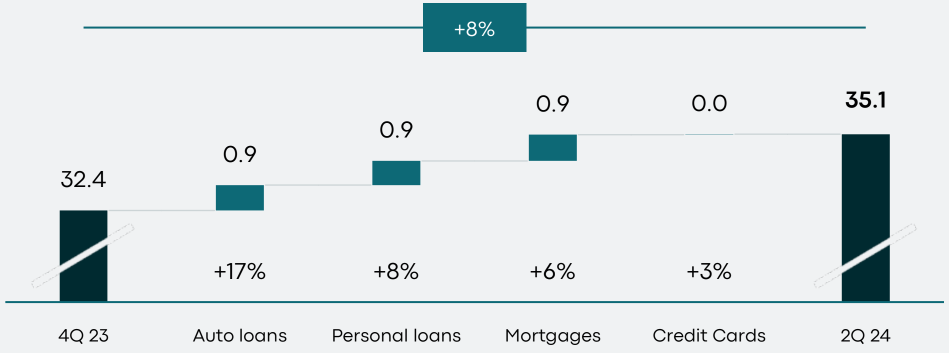
Loans & Advances (SAR Bn)



Commercial Loans Movement YTD (SAR Bn)



Consumer Loans Movement YTD (SAR Bn)

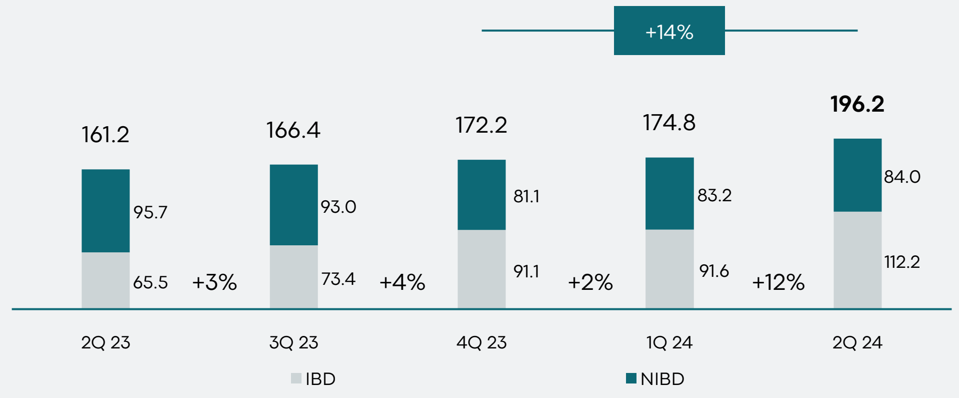


14% YTD growth in deposits in 1H 2024 mainly from increased IBDs

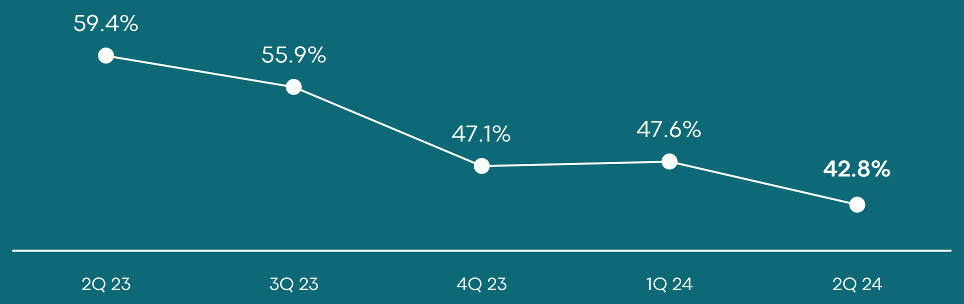
Customers` Deposits

- Deposits grew 14% during 1H 2024 primarily from increased IBDs.
- NIBD`s increased 4% YTD and IBD`s increased 23% YTD, mainly from corporate deposits.
- As of 30 June 2024, 42.8% of deposits were non-interest bearing.

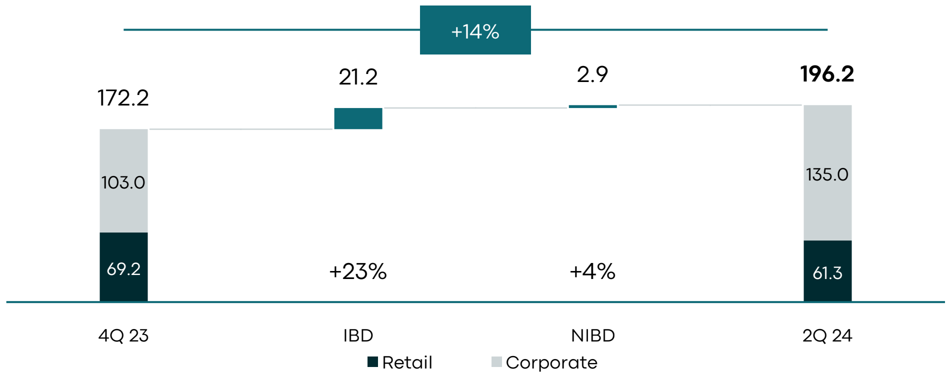
Customers' Deposits (SAR Bn)



NIBD % of Total Deposits (%)



Customers' Deposits Movement YTD (SAR Bn)



Net income grew 6% YoY from lower impairments, partially offset by higher costs

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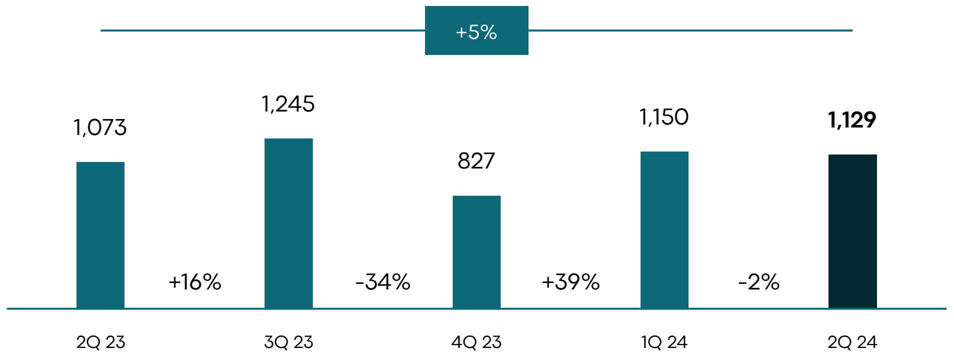
Income Statement

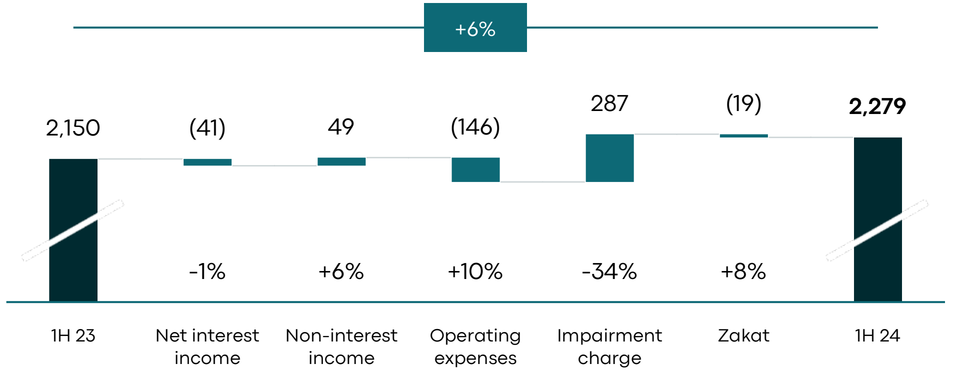
- Net income for 1H 2024 grew 6% YoY to SAR 2,279mn from a 34% decline in the impairment charge, partly offset by 10% growth in operating expenses.
- Total operating income was flat YoY, with net interest income declining by 1% and non-interest income increasing by 6%.
- Quarterly net income increased by 5% YoY and declined by 2% QoQ to SAR 1,129mn.

Net Income (SAR Mn)



SAR Mn	1H 2024	1H 2023	Δ%	2Q 2024	2Q 2023	Δ%
Net interest income	3,858	3,899	-1%	1,940	1,976	-2%
Non-interest income	815	766	+6%	402	372	+8%
Operating income	4,674	4,665	+0%	2,342	2,347	-0%
Operating expenses	(1,582)	(1,436)	+10%	(809)	(724)	+12%
Pre-impairment operating income	3,091	3,230	-4%	1,533	1,624	-6%
Impairment charge	(550)	(837)	-34%	(274)	(431)	-36%
Net income before zakat	2,542	2,393	+6%	1,260	1,193	+6%
Zakat	(263)	(243)	+8%	(130)	(120)	+9%
Net income	**2,279**	**2,150**	**+6%**	**1,129**	**1,073**	**+5%**
ROAE	10.95%	10.90%	+6bps	10.79%	10.78%	+0bps

Net Income Movement YoY (SAR Mn)



Stable NII YoY as earning assets growth was offset by margin contraction

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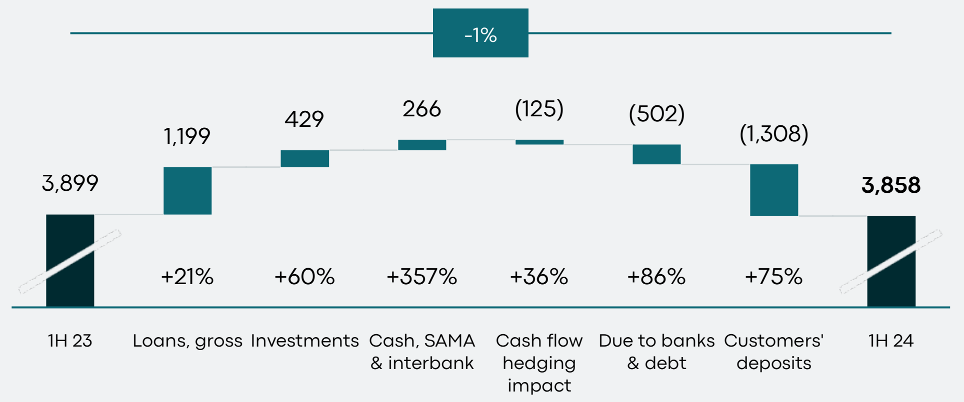
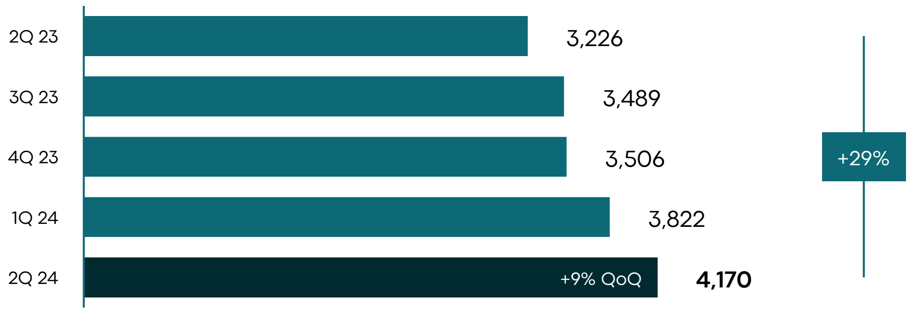
Net Interest Income

- NII for 1H 2024 declined by 1% YoY to SAR 3,858mn, with 15% average earnings assets growth offset by margin contraction.
- Interest income rose 28% YoY to SAR 7,991mn in 1H 2024, while funding costs rose 78% to SAR 4,133mn.

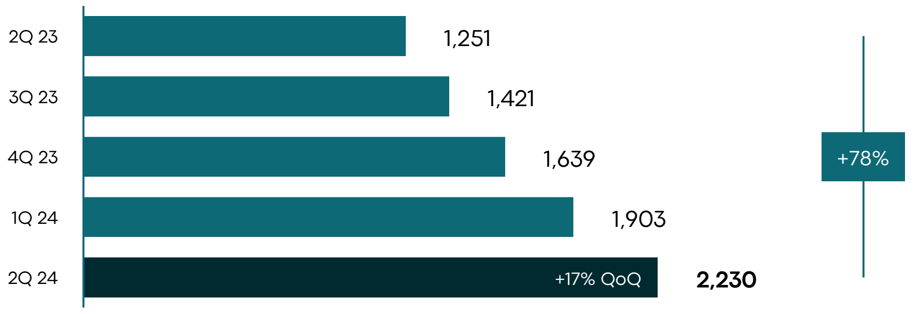
Net Interest Income Movement YoY (SAR Mn)



Interest Income (SAR Mn)



Interest Expense (SAR Mn)



YoY margin decline from shifting deposit mix towards IBDs

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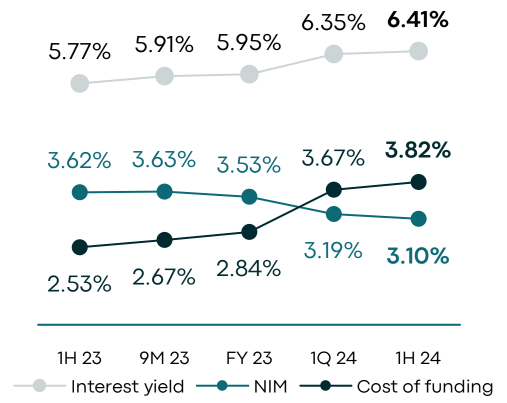
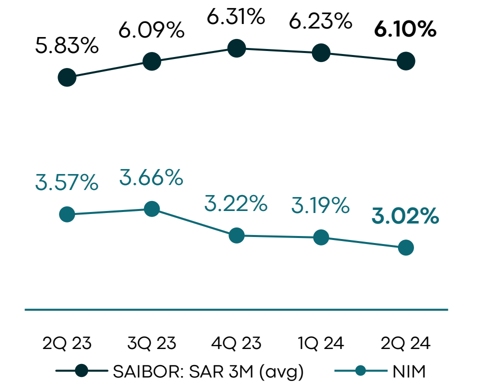
Net Interest Margin

- The NIM declined 52bps YoY to 3.10% due to increased costs on customers' deposits, partly offset by the higher yields on loans, investments and interbank.
- On a sequential basis, quarterly NIM was declining by 17bps QoQ.
- Funding costs increased by 129bps YoY to 3.82% in 1H 2024.

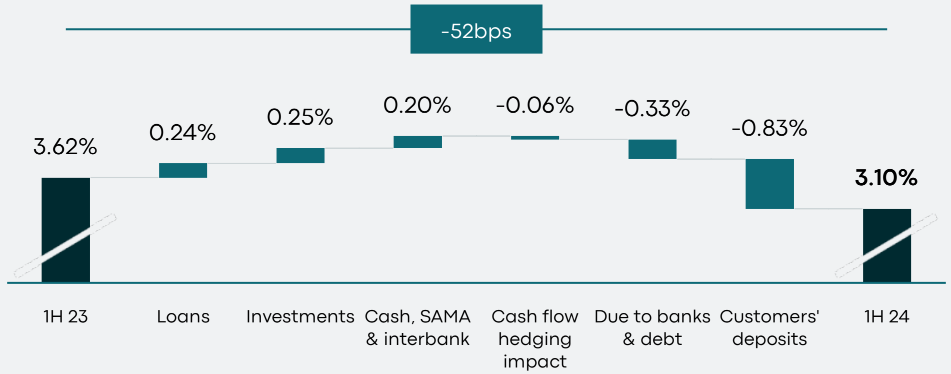
YTD NIM Trend



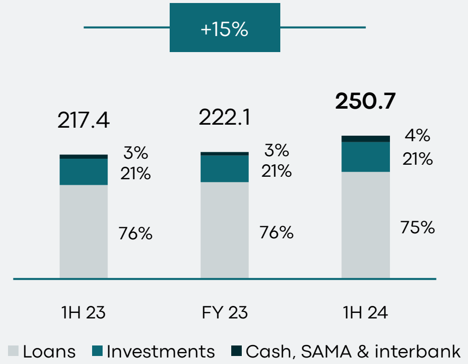
Quarterly NIM Trend



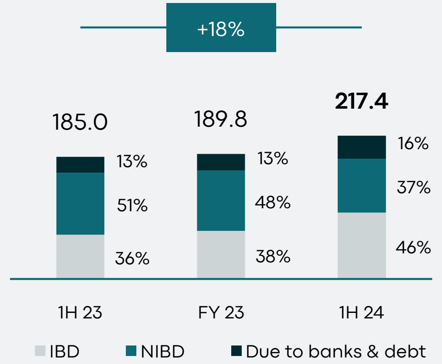
NIM Movement YoY (%)



Average Interest Earning Assets (SAR Bn)



Average Interest Bearing Liabilities (SAR Bn)

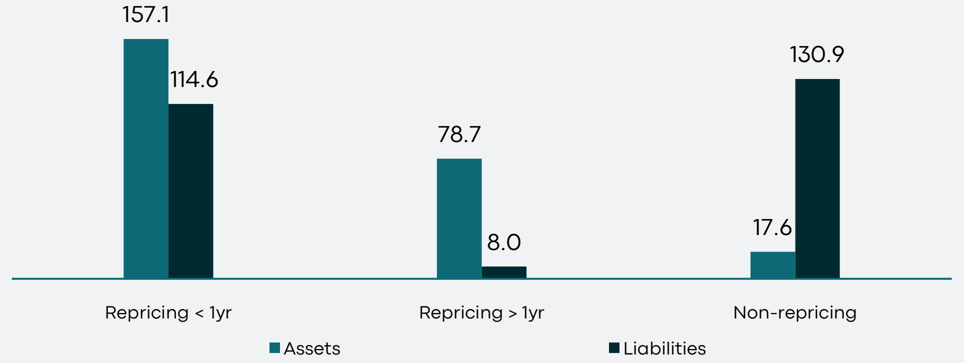


BSF has limited sensitivity to interest rate changes

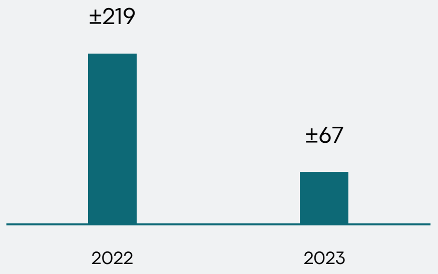
NIM Sensitivity

- As of 31 December 2023, BSF estimates a 1-year NIM sensitivity of a 100bps rates change at ±3bps; this would translate into a SAR ±67mn NII delta.
- The net open short-term IR position arising from on-balance sheet items reflects BSF`s corporate DNA (excess of floating rate assets).
- BSF mitigates its IR risk exposure through a combination of on-and off-balance sheet instruments, incl. cash-flow hedges. The CFH outstanding position is driven by the evolution of BSF`s balance sheet structure, IR risk appetite & structural market trends.
- In the current interest rate environment, the Bank has been closing some of its IR position as part of its interest rate risk management.

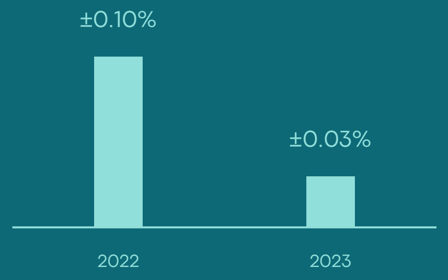
Balance Sheet Repricing Profile as at 31 December 2023 (SAR Bn)



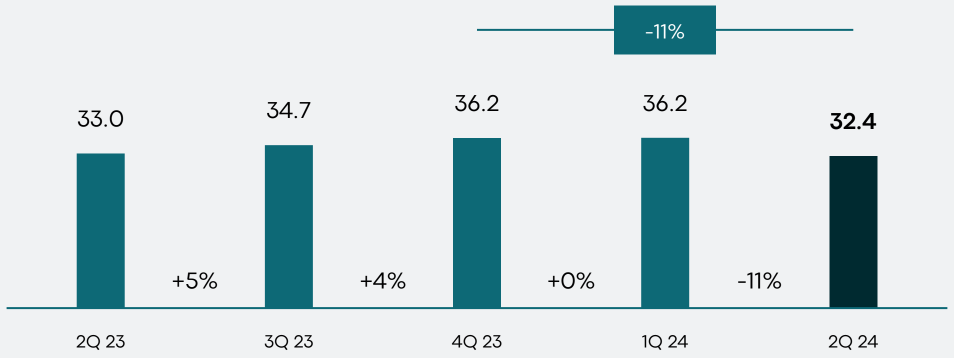
NII Impact of ±100bps Rate Change (SAR Mn)



NIM Impact of ±100bps Rate Change (%)



Cash Flow Hedges Swaps (Notional Amount SAR Bn)

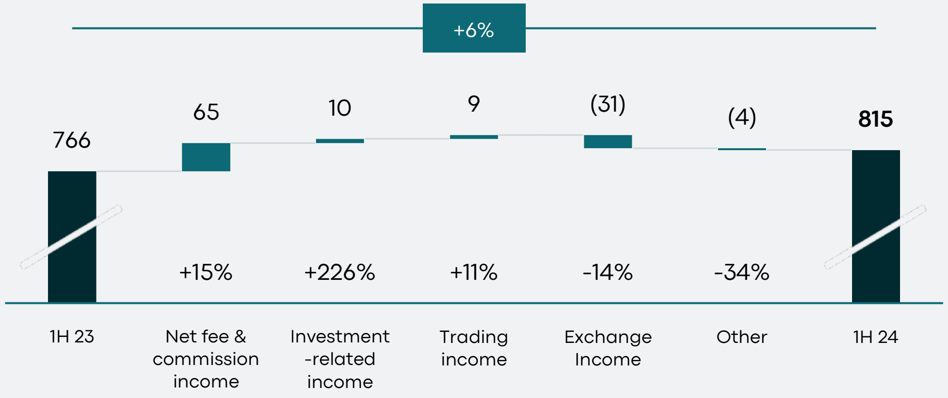


Non-interest income increased 6% YoY as higher net fee & commission income was partly offset by lower exchange income

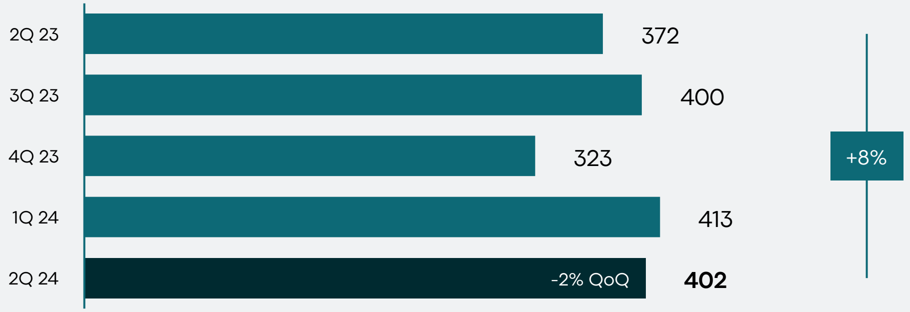
Non-Interest Income

- Non-interest income for 1H 2024 increased 6% YoY to SAR 815mn on improved net fee & commission income and investment-related and trading income, partly offset by lower exchange income.
- Net fee & commission grew 15% to SAR 512mn in 1H 2024 due to higher brokerage & asset management income and trade finance, partially offset by lower card fees.
- Trading income increased 11% YoY to SAR 88mn.
- 2Q 2024 non-interest income increased by 8% YoY and declined by 2% QoQ from lower trading income.

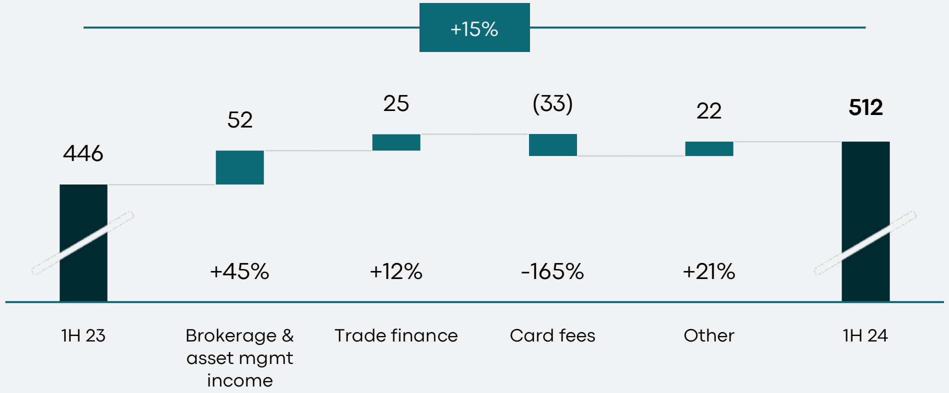
Non-interest Income Movement YoY (SAR Mn)



Non-interest Income (SAR Mn)



Fee & Commission Income Movement YoY (SAR Mn)

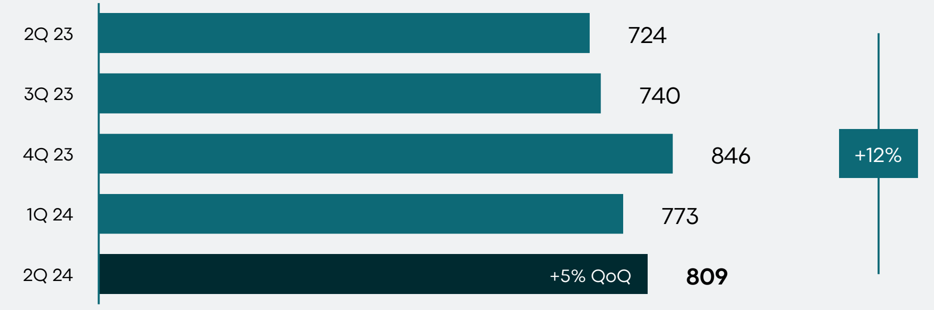


Operating expenses growth of 10% YoY mainly from higher employee-related expenses and G&A

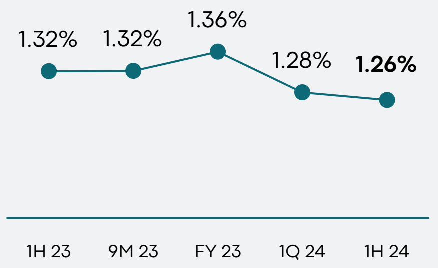
Operating Expenses

- Operating expenses increased 10% YoY to SAR 1,582mn in 1H 2024 mainly due to increased employee-related costs, as well as higher G&A and depreciation.
- Cost to income ratio increased by 3.1ppts YoY to 33.9% in 1H 2024 from 30.8% in 1H 2023.
- At the same time, operating expenses as a percentage of average interest-earning assets (AIEA) decreased 6bps YoY to 1.26% for 1H 2024 due to faster expansion of AIEA (+14%) relative to expense growth (+10%).
- Quarterly operating expenses increased 5% QoQ, mainly due to the rising general and administrative expenses.

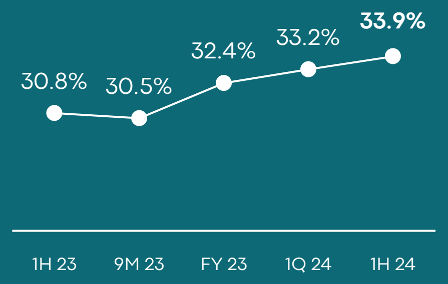
Operating Expenses (SAR Mn)



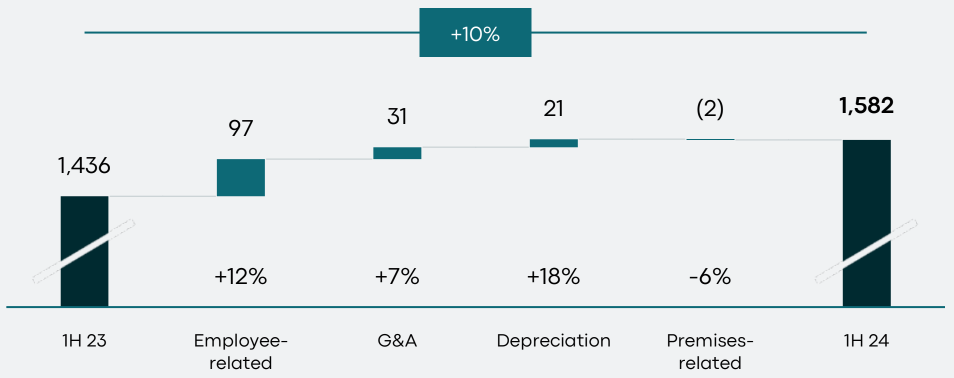
Cost To AIEA Ratio



Cost to Income Ratio



Operating Expenses Movement YoY (SAR Mn)



Cost of risk decreased by 48bps YoY to 0.60% for 1H 2024 from lower commercial impairments

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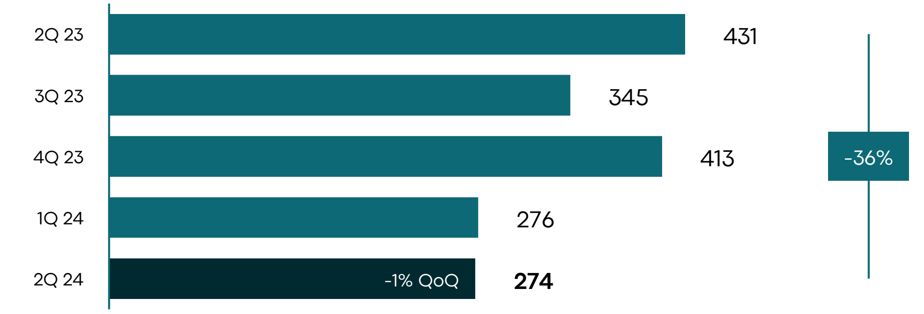
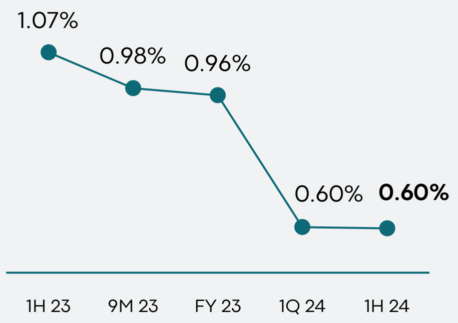
Impairment Charge

- The total impairment charge for 1H 2024 decreased by 34% YoY to SAR 550mn, mainly from lower commercial impairments, partly offset by higher consumer and investment & off-balance impairments.
- In combination with healthy loan growth, this resulted in a 48bps YoY improvement in cost of risk to 0.60% for 1H 2024, which was stable QoQ.

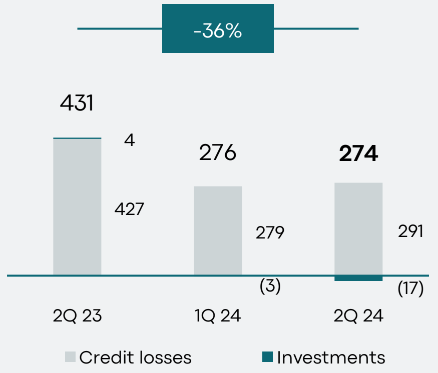
Impairment Charge (SAR Mn)



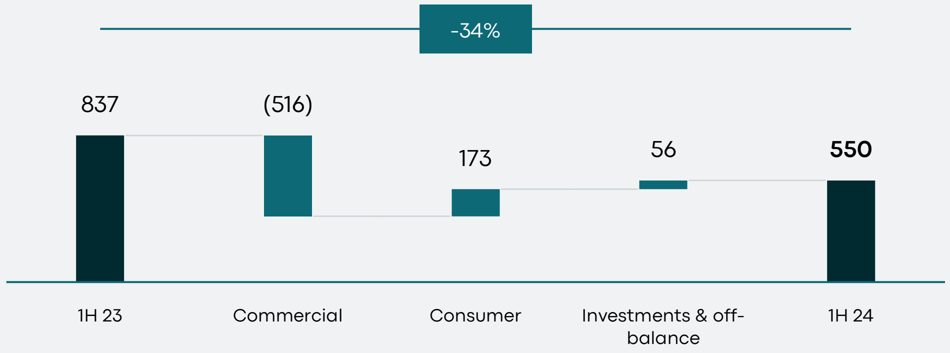
Cost of Credit Risk (%)



Impairment Charge (SAR Mn)



Impairment Charge Movement YoY (SAR Mn)



Credit quality remains strong with further NPL coverage improvement

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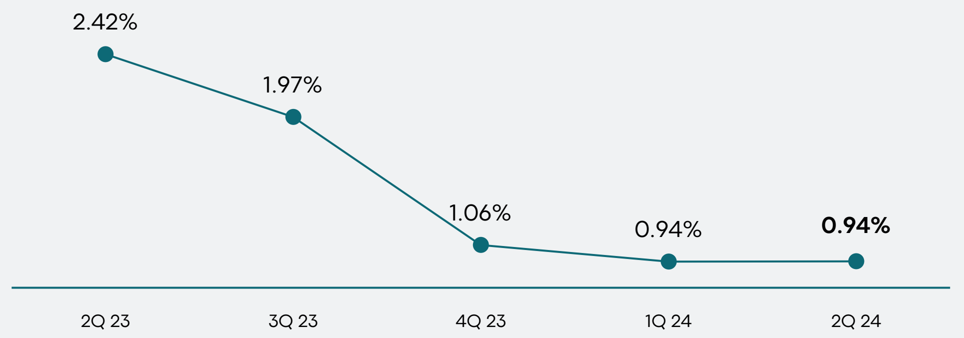
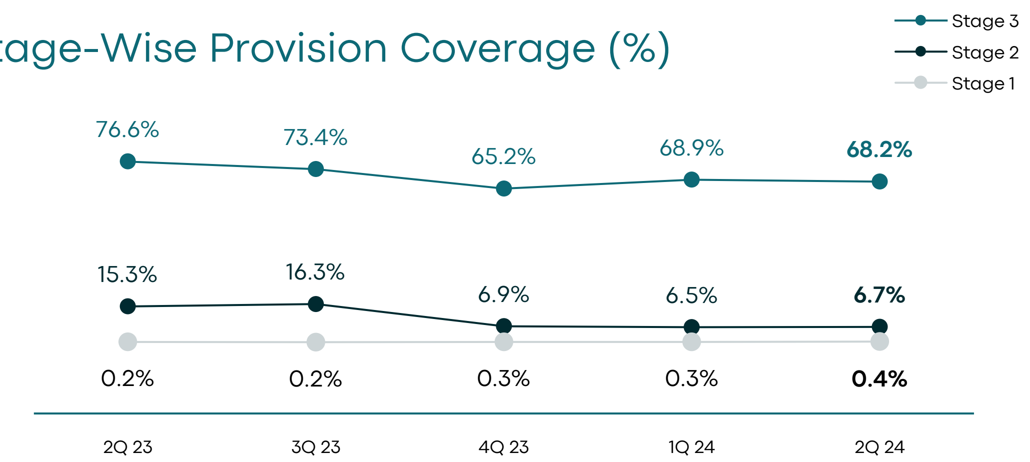
NPL & NPL Coverage

- The NPL ratio improved 12bps YTD to 0.94% as NPLs declined 2% on write-offs during 1Q 2024 in the commercial book relative to 10% gross loan growth.
- The NPL coverage ratio improved by 24.2ppts YTD to 161.9%, attributed to enhancements in commercial coverage.

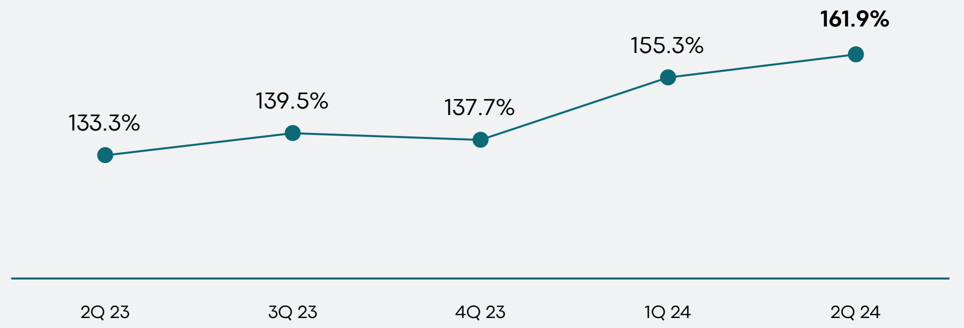
NPL Ratio (%)



Stage-Wise Provision Coverage (%)



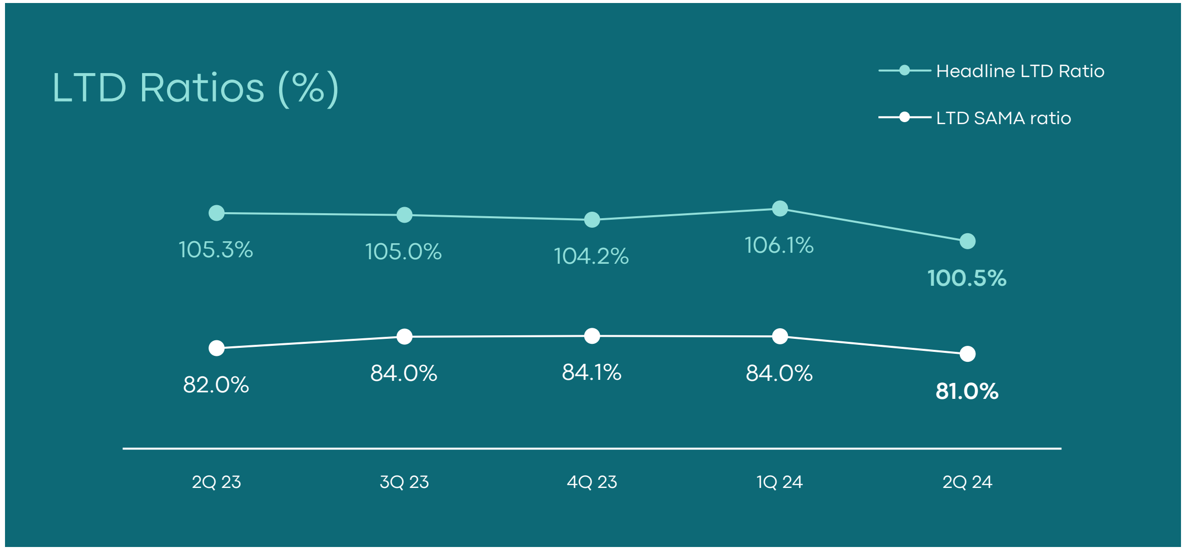
NPL Coverage Ratio (%)

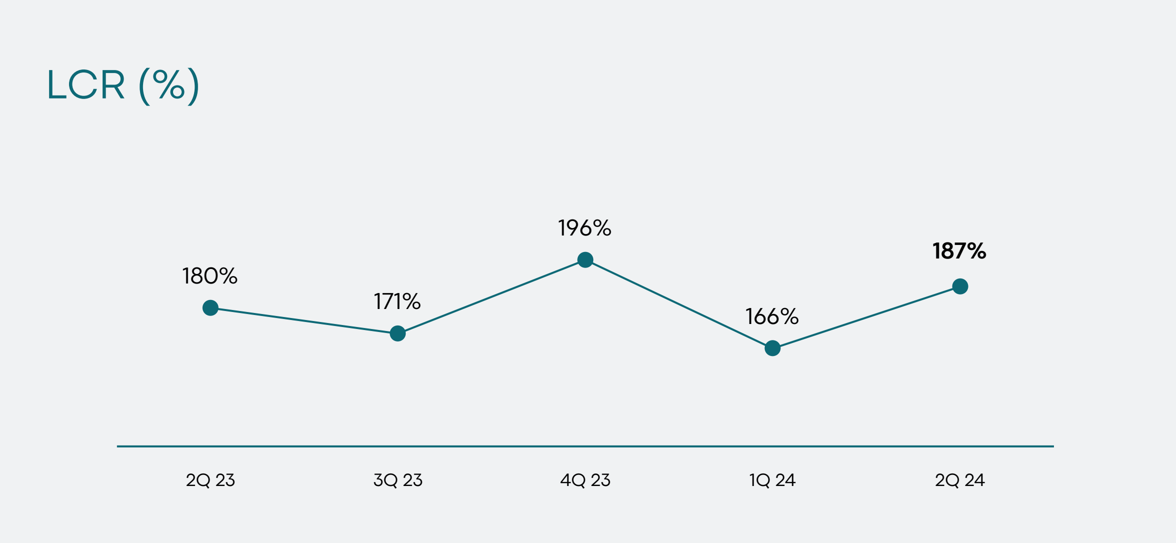


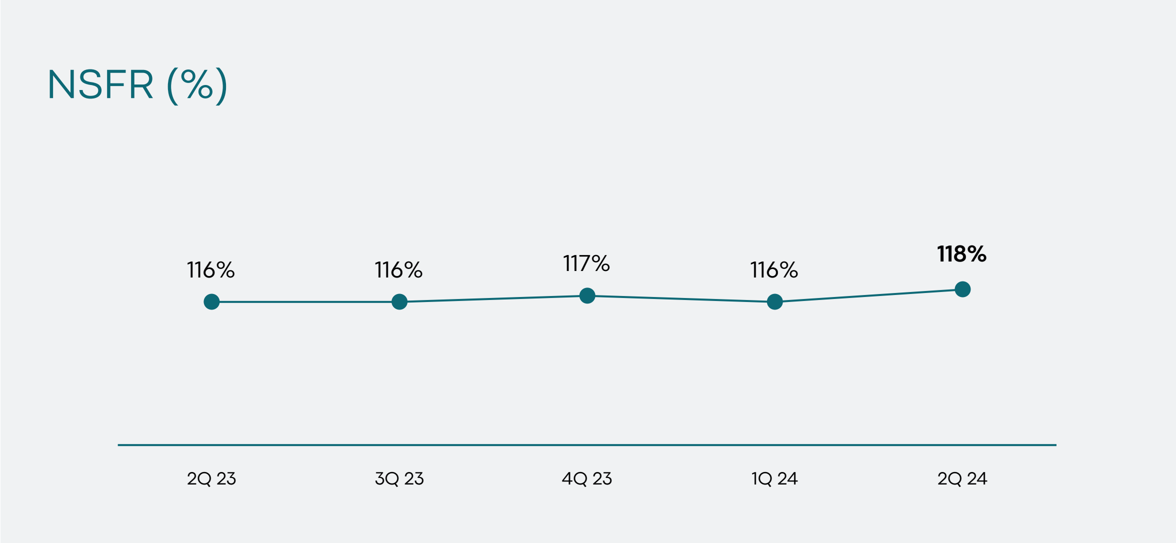
Liquidity remains strong and comfortably within regulatory limits

Liquidity

- LCR moderated 9ppts to 187% during 1H 2024.
- NSFR was broadly stable YTD at 118% as of 30 June 2024.
- The SAMA regulatory LTD ratio was within required levels at 81.0% as of 30 June 2024, while the headline ratio decreased to 100.5%.





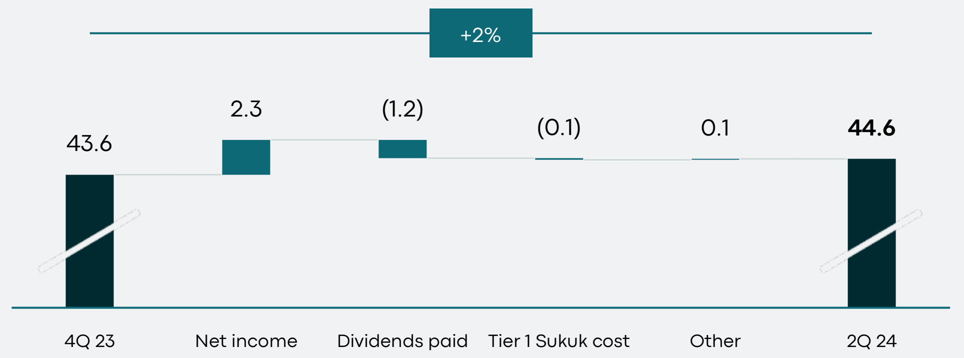


Strong capital ratios

Capital

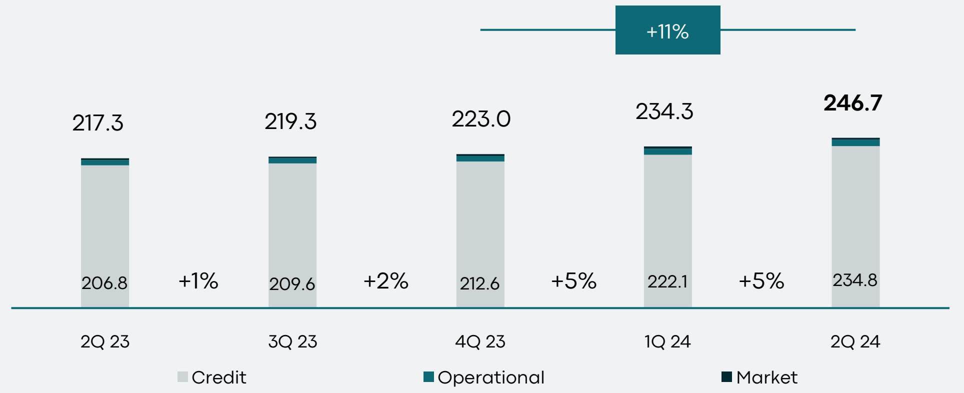
- Total capital (Tier 1 + Tier 2 regulatory capital) increased 2% YTD to SAR 44.6bn during 1H 2024 as net income generation was partly offset by dividend payments.
- RWAs increased 11% YTD during 1H 2024 to SAR 246.7bn from lending growth.
- CAR was 18.1% and the Tier 1 ratio was 17.4% as of 30 June 2024.

Total Capital Movement YTD (SAR Bn)



CAR (%)

RWA (SAR Bn)



BSF is upgrading the loan guidance and CoR, while moderating the NIM, CIR, and CET1 guidance

Metric	1H 2024 Outcome	2024 Guidance	Revision	2024 Guidance Drivers
Loans & Advances Growth	+9.9% ▲YTD SAR Bn 197.2	Mid-teens	revised up from low double-digits	Raised guidance reflects robust loan growth in 1H 2024, coupled with a more selective approach and anticipated repayments in 2H2024.
Net Interest Margin	3.10% ▼ -52 bps YOY	3.00 - 3.15%	revised down from 3.1-3.3%	Lower margin due to the higher-than-expected growth of IBDs amid the high interest rate environment.
Cost of Risk	60bps ▼ -48 bps YOY	55-65bps	revised down from 60-70bps	Normalizing cost of risk in relatively benign credit environment and absence of provisioning for isolated legacy exposures.
Cost to Income Ratio	33.9% ▲ +3.1 ppts YOY	<33%	revised up from <32%	Guidance is revised up based on the 1H 2024 performance with some improvements expected in 2H 2024.
Return on Equity	11.0% ▶ +6 bps YOY	11-13%	unchanged	Returns guidance reflects the impact of financing expansion, a modest margin decline, and improving risk costs.
Core Equity Tier 1 Ratio	15.3% ▼ -134 bps YTD	16-17%	revised down from 17-18%	Capital ratios have been revised downward due to higher-than-expected loan growth, though they remain at a comfortable level.

Questions & Answers

Please contact the Investor Relations team for additional information or download BSF`s IR App

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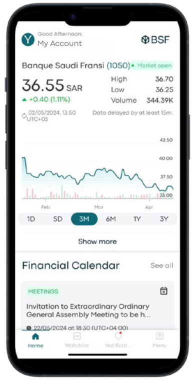

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