



Banque Saudi Fransi 2Q25 Earnings Call | Citi | July 30, 2025

1

00:02:13.010 --> 00:02:20.529

OE Moderator: Welcome to the Bsf. One H. 2025 earnings presentation. Please note that the call will be recorded

2

00:02:20.750 --> 00:02:27.280

OE Moderator: during today's call. Webcast participants will be in a listen. Only mode while we conduct the question and answer session.

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00:02:27.480 --> 00:02:33.300

OE Moderator: If you wish to ask a question, we ask that you please use the raise hand function at the bottom of your zoom screen

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00:02:33.620 --> 00:02:41.289

OE Moderator: instructions will also follow at the time of the Q. And a. I would now like to turn the call over to the city host, Raoul Bajaj, please go ahead.

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00:02:45.070 --> 00:03:06.909

.: Thanks, Sophie. Hello, everyone. Good morning. Good afternoon. This is Rahul Bajaj from Citi. We are delighted to host Bsf. For their 1st half. 2025 earnings call today at this moment. I'll hand over call to the the call to Yasmina Abbas, head of investor relations at Bsf. To take the call forward. Thank you.

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00:03:08.840 --> 00:03:19.059

.: Good afternoon, everyone, and welcome to Bsf's Q. 2, 2025 earnings call. We'd like to begin by thanking Rahul and the city team for hosting us today.

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00:03:19.300 --> 00:03:29.820

.: Kicking off the session will be Bsf. CEO Badri Saloon, who will walk us through earnings summary and provide an update on the current strategy along with a preview of what's ahead.

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00:03:30.190 --> 00:03:48.770

.: Following Bedr, our Csfo. Ramz Darwish will offer a deeper dive into the financial performance. We are also joined by Zohir, madam, our Ctio, who will be available to answer questions at the Q. And a session towards the end of the call with that. Let me now hand over to Bedr.

9

00:03:50.025 --> 00:03:56.299

.: Thank you, Esmina. Good afternoon, everyone, and thank you for joining us to go over our 1st half performance. For 2025

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00:03:56.940 --> 00:04:12.400

.: we delivered another strong set of results. This quarter, supported by disciplined execution, our focus on sustainable and profitable growth, continues to deliver tangible outcomes with healthy top line expansion, improved cost metrics, and most importantly returns.

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00:04:12.730 --> 00:04:16.280

.: Let me start by walking you through the key financial highlights for the quarter.

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00:04:18.130 --> 00:04:21.979

.: In the 1st half of 2025 we maintained a disciplined approach to lending.

13

00:04:22.220 --> 00:04:37.460

.: while loan origination remained healthy. Loans and advances grew by 6% year on year to roughly around 210 billion per, supported by both corporate and retail segments, we continue to prioritize quality growth without compromising, of course on profitability

14

00:04:38.360 --> 00:04:49.100

.: on the funding side, total deposits declined by 7% year on year, mainly due to a 14% reduction in interest bearing balances in line with our ongoing efforts to optimize the funding mix

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00:04:49.520 --> 00:05:01.760

.: during the period we successfully accessed capital markets through additional debt issuances, helping to diversify funding sources, extend maturity profiles and reduce reliance on expensive shorter term deposits.

16

00:05:02.880 --> 00:05:11.159

.: These actions alongside effective hedging strategies supported the 3 basis point year-on-year improvement in nim to 3.11%

17

00:05:11.780 --> 00:05:15.629

.: with margin, also improving on a sequential basis.

18

00:05:16.270 --> 00:05:27.549

.: This margin expansion, coupled with solid growth in fee and other income, contributed to a 14% year on year increase in operating income reaching 5.3 1 7 billion to year.

19

00:05:28.090 --> 00:05:35.549

∴ Net income grew by 20% year on year, driven by strong revenue growth, positive jobs and an improved cost of risk

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00:05:39.470 --> 00:05:52.220

∴ cost of risk declined by 10 basis points, year on year 2.5%. Although the Mpl rose slightly by 3 basis points to point 9 7%. We maintained a robust coverage level of 183%.

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00:05:52.540 --> 00:06:00.889

∴ Our capital position remains strong with a tier, one ratio of 20.1%, also supported by the issuance of additional tier. One capital. During the quarter

22

00:06:01.340 --> 00:06:10.120

∴ the liquidity, coverage ratio stood at 168% lower year on year, but broadly stable versus previous quarters and well above regulatory requirements.

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00:06:11.240 --> 00:06:18.180

∴ the non-interest bearing ratio increased to 47% reflecting the decline in interest bearing deposits mentioned earlier.

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00:06:18.960 --> 00:06:24.150

∴ Now, before we jump into the strategy update, I just wanted to give a a quick high level update on our businesses.

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00:06:25.270 --> 00:06:35.539

∴ starting with wholesale banking, which showed strong trade fee growth alongside, repricing momentum or on and off balance sheet items offset by lower loan volumes.

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00:06:36.040 --> 00:06:44.440

∴ Retail banking continues to show high momentum, with notable progress in in customer servicing, lending activities and enhanced branch offerings.

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00:06:44.680 --> 00:06:53.330

∴ Private banking showed strong improvements in in our business model, particularly in service quality, client coverage, and synergies in our capital markets are

28

00:06:53.990 --> 00:07:14.210

∴ ab delivered. Robust 1st half results compared to the previous year signaling solid progress towards profitability, customer acquisition, and distribution. And last, but not least, Bsf capital continues to show high momentum on the back of increased lpo activity, real estate fund, expansion, and increased collaboration with the bank's wholesale banking and personal banking

29

00:07:14.840 --> 00:07:15.860

.: businesses.

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00:07:19.120 --> 00:07:22.029

.: Now jumping into our existing strategy execution.

31

00:07:22.250 --> 00:07:42.869

.: we continue to deliver steady progress across all business lines. As we approach the final stretch of our current strategic cycle, wholesale banking expanded its footprint through deepening government relationships and new strategic partnerships. While personal banking benefited from enhancements in digital channels, branch transformation and growing traction in the affluent segment.

32

00:07:43.250 --> 00:07:48.829

.: The new development plan for private banking introduced last quarter is already showing promising early results.

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00:07:49.630 --> 00:08:02.569

.: On the next slide our subsidiary Jb. Continued to drive digital adoption across key products and Bsf capital gained momentum in real estate funds increased lpo activity and collaboration with other business lines.

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00:08:03.360 --> 00:08:07.269

.: Now let's turn to the progress we're making on the technology infrastructure side.

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00:08:08.590 --> 00:08:11.450

.: We've entered an important phase in our digital transformation

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00:08:11.770 --> 00:08:16.240

.: with several key initiatives, either launching soon or already underway.

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00:08:16.410 --> 00:08:27.340

.: Our integrated corporate portal is progressing well with phase, one which is focused on trade services, on track to go live in the coming weeks, helping digitalize all trade service processes.

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00:08:27.920 --> 00:08:31.540

.: specifically improving turnaround time and operational efficiency

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00:08:31.800 --> 00:08:40.530

.: phase 2 planned for early 2026 will introduce a client facing trade services interface that allows users to submit and track trade requests digitally.

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00:08:40.690 --> 00:08:50.879

∴ Looking forward ahead, we also plan to expand into supply chain financing, to expand our trade capabilities and support scalability as part of our strategic growth and financial services

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00:08:52.000 --> 00:08:54.989

∴ in retail. Our new Omni channel. Digital app.

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00:08:55.330 --> 00:09:10.850

∴ Bsf mobile, launched earlier this year, has seen continued investment feature releases are scheduled throughout the rest of 2025, and of course 2026, including real time, capital integration and enhanced deposit capabilities.

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00:09:11.260 --> 00:09:15.100

∴ This platform continues to be a core differentiator in our retail offering.

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00:09:15.630 --> 00:09:18.440

∴ and finally, our core banking system upgrades

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00:09:18.710 --> 00:09:22.670

∴ with the current phase focused on corporate lending is advancing as planned.

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00:09:22.930 --> 00:09:37.280

∴ Deployment of the retail deposits. Model is targeted for the 3rd quarter with corporate loan capabilities scheduled for rollout in the 1st quarter of 2026. This will significantly improve scalability, efficiency, and customer experience in our core for corporate offering.

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00:09:39.520 --> 00:09:52.759

∴ Now, moving along to our new Bsf, 2030 strategy. We're also actively shaping our Bsf 2030 strategy, a new long term roadmap that will guide the next chapter of growth, innovation, and value creation for the bank.

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00:09:53.060 --> 00:10:10.420

∴ As we shared in the 1st quarter of 2025. This strategy is built on 2 core pillars, first, strengthening our core business to maximize value and ensure sustainable performance, and second, preparing for the future by exploring adjacent opportunities that align with our bank's DNA and long-term vision.

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00:10:10.970 --> 00:10:13.720

∴ The program is also holistic in nature.

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00:10:13.820 --> 00:10:21.610

.: A group wide exercise covering all business lines, subsidies and support functions with a strong focus on internal alignment and integration.

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00:10:22.570 --> 00:10:31.740

.: Strategic direction has already been defined for our retail private and Jb. Segments. The next, the next focus areas are wholesale banking and Bsf capital

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00:10:32.010 --> 00:10:35.269

.: with structured checkpoints scheduled for the second half of the year.

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00:10:37.090 --> 00:11:00.170

.: We're intentionally challenging ourselves to reevaluate our asset mix and business model explore capital optimization, strategic partnerships and Fintech opportunities and identify underserved segments and markets, all guided by a thoughtful risk reward lens. This work is being approached from a group, wide perspective ensuring the unified direction across Bsf Group.

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00:11:01.040 --> 00:11:09.780

.: While the work is ongoing, we have a clear roadmap, strong engagement across the organization and a shared ambition to future proof, our business and unlock new sources of value.

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00:11:11.340 --> 00:11:15.660

.: This is a snap. This is a snapshot of where we stand in our 2030 strategic journey.

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00:11:15.790 --> 00:11:23.380

.: While there's still significant work ahead, we're progressing steadily, with clarity, alignment, and a shared commitment to executing our vision.

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00:11:23.620 --> 00:11:30.929

.: we expect to complete the strategy development by the end of this year, and plan to share the full strategic direction with you in the beginning of next year.

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00:11:31.620 --> 00:11:37.109

.: With that I'll hand it over to Ramzi, who will take you through the financial performance in more detail over to you, Ramsey.

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00:11:38.720 --> 00:11:40.110

.: Thank you better.

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00:11:40.280 --> 00:11:44.220

.: Good day, everyone, and thank you for joining us.

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00:11:44.610 --> 00:11:49.669

∴ It's a pleasure to welcome you to our second quarter for 2025 earnings call.

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00:11:49.900 --> 00:11:56.129

∴ I'm excited to have the opportunity to walk you through our financial performance for the quarter

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00:11:56.410 --> 00:12:01.190

∴ and also share some important updates on the progress we've made.

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00:12:01.840 --> 00:12:10.249

∴ This quarter's results really underscore the continuation of momentum and effectiveness of our strategy

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00:12:10.740 --> 00:12:14.989

∴ with a 20% year on year increase in net income.

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00:12:15.170 --> 00:12:24.540

∴ driven by solid growth in core operating income, improved cost of risk and also effective cost discipline.

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00:12:25.270 --> 00:12:29.249

∴ we continue to prioritize profitable growth.

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00:12:29.360 --> 00:12:32.430

∴ adopting a more selective approach to lending

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00:12:32.640 --> 00:12:36.129

∴ while also maintaining a strong focus on returns.

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00:12:36.760 --> 00:12:44.830

∴ In addition, enhancing roe remains a work in progress and will be a key area of focus as we shape our strategy.

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00:12:46.370 --> 00:12:52.180

∴ Let me now walk you through the key developments, starting with the balance sheet on Slide 10

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00:12:53.410 --> 00:12:59.950

∴ as of June end. Our total assets increased modestly by 3% year to date.

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00:13:00.070 --> 00:13:09.830

∴ This was driven by a 3% rise in loans and was further supported by a 4% increase in our investment portfolio.

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00:13:10.930 --> 00:13:17.900

∴ This echoes our diversified approach to asset allocation, balancing between liquidity yield

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00:13:18.100 --> 00:13:23.050

∴ and also interest rate risk considerations in line with our investment policy.

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00:13:24.170 --> 00:13:28.660

∴ On the liability side, we recorded a 2% year to date increase

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00:13:29.130 --> 00:13:34.840

∴ primarily from a 54% jump in debt instruments and term loans

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00:13:35.040 --> 00:13:45.099

∴ due to our successful capital market activity, where we continue to execute on a 3 pronged plan to expand institutional relationships.

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00:13:45.390 --> 00:13:50.380

∴ engage with international capital markets and reduce tenor concentration.

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00:13:51.160 --> 00:13:58.969

∴ During the second quarter we completed several additional private placement of certificate of deposits and bonds.

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00:13:59.870 --> 00:14:10.520

∴ This reflects our ongoing efforts to diversify funding sources, optimize the maturity profile, and also maintain our presence as a regular issuer in the market.

82

00:14:11.790 --> 00:14:16.349

∴ Lastly, for shareholders. Equity. This rose 10% year to date.

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00:14:16.530 --> 00:14:25.100

∴ So, supported by retained earnings and the issuance of 650 million Usd. In additional tier one during the quarter.

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00:14:25.490 --> 00:14:35.569

∴ I should mention that the issuance attracted really strong demand from both regional and international investors with over subscription exceeding 3 and a half times.

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00:14:35.830 --> 00:14:44.440

∴ This further strengthened the bank's capital base and enhanced our funding diversification on slide 11

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00:14:45.110 --> 00:14:50.320

∴ total loans grew 3% year to date or 6% year on year.

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00:14:50.520 --> 00:14:55.199

∴ and a relatively smaller 0 point 4% since the 1st quarter.

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00:14:56.030 --> 00:15:09.190

∴ Throughout the quarter we continue to remain prudent and selective in our approach to commercial lending with a continued focus on prioritizing profitability, risk adjusted returns and liquidity optimization.

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00:15:09.630 --> 00:15:23.130

∴ It is worth noting that there was growth for the quarter by roughly 7 billion riyals, which was offset by settlements and maturities without which growth in commercial lending would have been between 3 to 4%.

90

00:15:23.730 --> 00:15:34.689

∴ We do continue to expect to see similar level of settlements going forward, but are also anticipating a stronger pace of drawdowns. In addition to the healthy pipeline, we see

91

00:15:35.030 --> 00:15:40.259

∴ this should drive commercial lending growth towards a full year of around 6% growth

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00:15:42.520 --> 00:15:54.580

∴ consumer lending expanded by a robust 9% year to date or 17% year on year and for sequential growth over the quarter was about 4%.

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00:15:55.140 --> 00:16:02.450

∴ This was driven by 11% year to date growth in mortgages and 8% year to date growth in personal loans.

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00:16:02.880 --> 00:16:11.230

∴ This momentum reflects the benefits of earlier strategic investments, including the Omni-channel platform or digital app

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00:16:11.330 --> 00:16:13.979

∴ and the Saudi Pro League sponsorship.

96

00:16:14.390 --> 00:16:23.820

∴ We've increased our focus on the retail segment, particularly on the affluent customer base, and expect this growth trend to continue in the second half of the year.

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00:16:24.670 --> 00:16:32.849

∴ Also of note. Jb. Contributed around 1 3rd of the personal loan growth and delivered solid performance in auto loans

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00:16:34.400 --> 00:16:40.040

∴ on Slide 12 customer deposits declined 1% year to date

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00:16:40.190 --> 00:16:45.560

∴ as a decrease in interest, bearing deposits from corporate clients outweighed retail inflows.

100

00:16:46.370 --> 00:16:53.579

∴ This was partly driven by the profitability, focus along with maturity and source diversification

101

00:16:53.800 --> 00:16:57.950

∴ as a bank look to right size. The mix to achieve these objectives

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00:16:58.350 --> 00:17:02.749

∴ as a result, and given the lesser asset driven needs of the quarter

103

00:17:02.850 --> 00:17:13.020

∴ and the additional funding secured through other borrowings, we reduced almost 9 billion reals in interest, bearing deposits or close to 8% during the quarter.

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00:17:13.700 --> 00:17:17.939

∴ Even the majority of diversification efforts have already taken place.

105

00:17:18.130 --> 00:17:25.659

∴ and the loan growth expected. In the second half we see deposit growth returning towards a more normalized pace.

106

00:17:27.510 --> 00:17:35.039

∴ Non-interest bearing deposits remained resilient with overall nibd balances rising to 40% of the total

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00:17:35.240 --> 00:17:38.700

∴ around 2 and a half percentage points higher than in the previous quarter.

108

00:17:39.480 --> 00:17:52.229

∴ It was mainly due to the right sizing of the mix and optimizing liabilities. Nevertheless, on a year to date basis, we saw an increase of around 1.5 billion riyadhs or 2% in nivds.

109

00:17:53.720 --> 00:18:00.879

∴ retail and flows specifically, were mainly driven by new to bank customers with notable growth. Following

110

00:18:01.677 --> 00:18:09.800

∴ the previously mentioned, spl sponsorship, the digital app enhancements. In addition to the credit card campaigns.

111

00:18:10.210 --> 00:18:19.730

∴ private banking also contributed as the rollout of the 3 year private banking strategy began delivering results on the deposit front almost immediately

112

00:18:22.000 --> 00:18:24.140

∴ on slide 13

113

00:18:24.550 --> 00:18:36.020

∴ net income for the 1st half of 2025 rose 20% year on year, supported by higher operating income, improved cost of risk and positive jaws

114

00:18:36.570 --> 00:18:46.510

∴ on a quarter on quarter basis. The second quarter net income reached a record high of 1.4 billion rials rising 5% versus the 1st quarter.

115

00:18:47.380 --> 00:18:51.240

∴ We will go through the details on later slides. But worth highlighting.

116

00:18:51.370 --> 00:18:55.909

∴ Operating income grew 14% year on year during the 1st half.

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00:18:56.390 --> 00:19:05.619

∴ reflecting double digit growth in both net interest income at plus 12% and non-interest income at plus 23%

118

00:19:06.160 --> 00:19:09.569

∴ additionally operating expenses grew by 10%.

119

00:19:09.730 --> 00:19:12.759

∴ Impairment charges were lowered by 6%,

120

00:19:13.160 --> 00:19:22.879

∴ all contributing to the improvement in both the bottom line and return on equity, reaching 11.2 4% up 36 basis points

121

00:19:23.320 --> 00:19:36.630

∴ also for information utilizing the roe calculation by excluding additional tier one from the denominator and reducing the cost from the numerator, the roe would stand at 12.9%

122

00:19:39.150 --> 00:19:41.260

∴ on the next slide slide. 14

123

00:19:41.530 --> 00:19:48.660

∴ net interest income increased by 12% year on year and 4% versus the 1st quarter.

124

00:19:49.230 --> 00:19:56.969

∴ This was on the back of 11% growth in average interest earning assets and a 3 basis points, margin, expansion.

125

00:19:57.900 --> 00:20:02.590

∴ interest income for the 1st half of 2025 rose by 7%

126

00:20:02.810 --> 00:20:11.680

∴ while funding costs saw only a modest, 2% increase on slide 15

127

00:20:12.270 --> 00:20:18.900

∴ net interest margin improved by 3 basis points year on year and 4 basis points for the quarter

128

00:20:19.300 --> 00:20:32.609

∴ important to highlight that we updated the calculation, methodology to truly reflect our core earning assets, and thus now are excluding cash and taking into account gross loans instead of net loans

129

00:20:33.510 --> 00:20:46.890

∴ on the net interest margin. The improvement year on year was achieved as the drop in funding costs by 25 basis points year on year more than offset. The decline in asset yields by 23 basis points

130

00:20:47.200 --> 00:20:49.170

∴ following earlier rate cuts

131

00:20:49.810 --> 00:20:57.179

∴ the increase in average interest, earning assets by 11% versus the increase in average interest bearing liabilities of 9%

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00:20:57.340 --> 00:21:00.780

∴ also supplemented the nim improvements

133

00:21:01.790 --> 00:21:08.430

∴ for the cash flow hedges. These also contributed on a year on year basis positively in terms of dealt.

134

00:21:08.660 --> 00:21:15.609

∴ adding 18 basis points to them, or close to 200 million riyads on a year on year basis.

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00:21:16.240 --> 00:21:23.340

∴ Our emphasis on profitable lending growth and effective hedging strategy were key drivers of this margin, resilience

136

00:21:25.990 --> 00:21:29.859

∴ on slide 16. With reference to rate sensitivity.

137

00:21:30.260 --> 00:21:35.469

∴ our interest rate sensitivity remains limited with a hundred basis, points rate shift

138

00:21:35.590 --> 00:21:40.760

∴ estimated to impact net interest margins by approximately 5 basis points.

139

00:21:41.260 --> 00:21:56.350

∴ This is a marginal 2 basis points higher sensitivity, and this was mainly driven by a point in time. Assessment of sensitivities as repricing for June has slightly greater sensitivity. As a result of the timing of repricing.

140

00:21:56.850 --> 00:22:10.930

∴ we continue to gauge interest, rate sensitivity as being limited, and expect to continue limiting interest, rate sensitivity going forward via the the many on balance, sheet and off balance sheet tools available.

141

00:22:11.700 --> 00:22:20.690

∴ for example, the balance sheet structure is supported by a larger share of fixed rate assets from retail lending and investments.

142

00:22:20.900 --> 00:22:24.909

∴ Accordingly. The notional value of the cash flow hedges

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00:22:25.441 --> 00:22:31.459

∴ declined by 9% year to date to reach 28.4 billion reals

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00:22:31.590 --> 00:22:34.269

∴ reflecting the evolution of the balance sheet

145

00:22:36.780 --> 00:22:43.699

∴ on the next slide slide. 17 non-interest income was up 23% year on year.

146

00:22:44.830 --> 00:22:50.200

∴ This growth was supported by strong Fx income. In both quarters of this year

147

00:22:50.540 --> 00:22:56.950

∴ investment related gains booked in the 1st quarter and improved performance across banking fees.

148

00:22:57.600 --> 00:23:07.110

∴ Additionally, we recorded a 1 time gain from the sale of an asset during the quarter and other non-interest income, or roughly, 30 million riyads.

149

00:23:08.250 --> 00:23:20.660

∴ E and commission income in the bottom right hand of the slide increased 6% year on year. This was mainly fueled by a 17% rise in brokerage and asset management.

150

00:23:20.940 --> 00:23:24.870

∴ and the 19% uplift in trade finance fees

151

00:23:27.630 --> 00:23:31.939

∴ in terms of operating expenses on slide. 18

152

00:23:32.150 --> 00:23:38.280

∴ expenses rose 10% year on year and were largely stable quarter on quarter.

153

00:23:39.410 --> 00:23:45.459

∴ The year on year increase was mainly due to a 22% rise in general and administrative costs.

154

00:23:45.970 --> 00:23:56.899

∴ About 1 3rd of this came from higher it maintenance, another 3rd from increased 3rd party fees, and a smaller portion relating to the branding expenses.

155

00:23:57.960 --> 00:24:07.569

∴ we continue to optimize and look at costs to ensure it's fit for growth aspirations, while also ensuring efficiency and effectiveness in spend

156

00:24:08.330 --> 00:24:10.130

∴ as we highlighted last year.

157

00:24:10.440 --> 00:24:16.910

∴ This is an ongoing exercise that the bank is monitoring, especially in light of the upcoming strategy

158

00:24:17.870 --> 00:24:28.230

∴ for depreciation. As a result of many projects and initiatives coming online. This period, we also saw a 19% year on year rise in depreciation expenses.

159

00:24:29.280 --> 00:24:37.490

∴ Despite this, the cost to income ratio improved 113 basis points year on year to 32.7%,

160

00:24:37.670 --> 00:24:39.760

∴ driven by positive jaws

161

00:24:42.880 --> 00:24:46.779

∴ on slide 19, with reference to cost of risk and impairments.

162

00:24:46.940 --> 00:24:52.239

∴ Impairments were down 6% year on year. In the 1st half of 2025.

163

00:24:52.540 --> 00:25:00.520

∴ This pushed the cost of risk down to 50 basis points for the half year, an improvement of 10 basis points

164

00:25:00.770 --> 00:25:06.580

∴ reflecting the normalization we had aspired to, but also the more prudent approach to underwriting

165

00:25:07.170 --> 00:25:15.289

∴ on a sequential basis. Impairments declined by 16% due to lower required risk costs, but also due to recoveries.

166

00:25:15.940 --> 00:25:31.900

∴ This quarter recoveries across both retail and corporate segments improved, albeit not material to change the overall number, and we also had small, roughly, 20 million reversal, due to the cancellation of an off balance sheet guarantee

167

00:25:34.210 --> 00:25:36.899

∴ on slide 12. We continue with risk

168

00:25:37.060 --> 00:25:44.359

∴ on the Npl ratio, which had increased to 97 basis points in the second quarter.

169

00:25:44.470 --> 00:25:47.980

∴ due to a few exposures migrating into the category.

170

00:25:48.250 --> 00:25:53.440

∴ Nonetheless, the overall level still remains healthy, and within expectations.

171

00:25:53.930 --> 00:26:01.080

∴ npl coverage remains robust at 183%, supported by strong provisioning practices.

172

00:26:02.180 --> 00:26:13.309

∴ Age-wise provisioning remains stable with a minor year to date, increase in stage 3. Coverage moving on to liquidity

173

00:26:13.420 --> 00:26:27.239

∴ on slide 21 liquidity continues to remain strong with prudential ratios for the liquidity coverage ratio at 168%, and the net stable funding ratio at 116%.

174

00:26:27.930 --> 00:26:33.099

∴ The headline loan to deposit ratio rose to 114.9%.

175

00:26:33.420 --> 00:26:43.150

∴ At the same time. The regulatory loan to deposit ratio remained stable at 82.2%. Leaving ample capacity for further growth.

176

00:26:43.740 --> 00:26:54.719

∴ we continue to balance alternative long-term funding sources which help support growth and reduce short term maturity risks while maintaining a balanced liquidity. Profile

177

00:26:56.680 --> 00:26:59.919

∴ on capital with slide 22,

178

00:27:00.090 --> 00:27:03.959

∴ the total capital increased by 9% year to date

179

00:27:04.260 --> 00:27:17.729

∴ with the tier, one ratio improving to 2120.1% with total capital adequacy rising to 20.9%. And the cet one ratio around the same levels at 16%.

180

00:27:18.480 --> 00:27:28.389

∴ These gains reflect solid, retained earnings, oci movements, and the successful Usd 650 million dollars issuance in additional tier, one

181

00:27:28.550 --> 00:27:31.810

∴ partially offset by the dividends paid during the quarter

182

00:27:33.200 --> 00:27:36.150

∴ 2 points that worth highlighting here as well.

183

00:27:36.320 --> 00:27:44.769

∴ First, st the Board of Directors, on the 21st of July, announced the decision to distribute cash dividend for the 1st half of the year.

184

00:27:45.140 --> 00:28:01.509

∴ The 0 point 5 5 saudi rial dividend per share represents roughly 1.3 7, 1 billion reals, and the ex-dividend or record date was 3 days ago, on the 27th of July, with the payment date of August 13, th

185

00:28:02.960 --> 00:28:12.199

∴ the second point to highlight again is that we have a Saudiel 5 billion local 81 issuance that is callable in November of this year.

186

00:28:12.380 --> 00:28:22.030

∴ which we had started preparing for from the 3rd quarter of last year, with the 3 billion real issuance and almost 2.5 billion equivalent in this quarter.

187

00:28:22.760 --> 00:28:32.449

∴ we continue to assess the needs for the future, and manage capital requirements in its many different forms. Accordingly, to sustain growth over the longer term.

188

00:28:35.240 --> 00:28:37.059

∴ Lastly, on guidance

189

00:28:37.190 --> 00:28:44.030

∴ for the last year, as we've been highlighting the focus on roe profitability and selectiveness in lending.

190

00:28:44.370 --> 00:28:49.299

∴ As a result, the 1st half loan growth stood at 2.8% year to date.

191

00:28:50.200 --> 00:29:07.769

∴ As such we are revising our loan growth guidance down from low double digits to high single digits, reflecting a pragmatic view based on the modest 1st half expansion, and some expected pickup in the second half of the year. In line with the current pipeline.

192

00:29:08.950 --> 00:29:12.369

∴ we leave other guidance targets unchanged at the moment

193

00:29:12.500 --> 00:29:23.080

∴ net interest margin remains well positioned within the 3.0 5 to 3.1 5% guidance band and is expected to stay within that range.

194

00:29:23.950 --> 00:29:30.300

∴ Cost of risk continues to trend lower towards the lower end of our range of 50 to 60 basis points.

195

00:29:30.790 --> 00:29:38.340

∴ Our cost to income ratio is aligned with the guided level of below 33% with efficiency remaining a key priority

196

00:29:39.090 --> 00:29:46.909

∴ return on equity reached 11.2% in the 1st half of the year, tracking well within our 11 to 12% target range.

197

00:29:47.390 --> 00:29:58.840

.: Our cet, one ratio remains comfortably above the 15% minimum guidance ensuring strong capital resilience conclude.

198

00:29:58.970 --> 00:30:06.650

.: we delivered a strong 1st half performance. Driven by healthy revenue growth, prudent risk, management, and disciplined cost control.

199

00:30:06.950 --> 00:30:11.209

.: we remain committed to maintaining this momentum into the second half of the year.

200

00:30:11.730 --> 00:30:15.570

.: and on behalf of the entire leadership team. I want to thank you all

201

00:30:15.670 --> 00:30:20.050

.: and once again for your continued interest, support, and partnership.

202

00:30:20.320 --> 00:30:23.969

.: With that we're happy to open the floor for your questions.

203

00:30:26.410 --> 00:30:40.029

OE Moderator: Ladies and gentlemen, we will now begin our Q. And a session. If you have a question we ask that you please use the raise hand function at the bottom of your zoom screen. Once your name has been announced, please unmute yourself and ask your question.

204

00:30:40.260 --> 00:30:44.950

OE Moderator: If you would like to withdraw your question. Please lower your hand by using the raise hand function.

205

00:30:45.060 --> 00:30:47.750

OE Moderator: Thank you. And a moment for the 1st question, please.

206

00:30:48.990 --> 00:30:51.799

OE Moderator: We'll take our 1st question from Shabir. Malik.

207

00:30:51.950 --> 00:30:54.040

OE Moderator: please unmute your line and ask a question.

208

00:30:56.690 --> 00:30:57.890

Shabbir Malik: Hi! Can you hear me?

209

00:31:04.720 --> 00:31:05.879

Shabbir Malik: Hi! Can you hear me?

210

00:31:10.380 --> 00:31:12.670

OE Moderator: Hi, Shabir, please go ahead and ask your question.

211

00:31:13.080 --> 00:31:26.629

Shabbir Malik: Yes, okay, great. Thank you so much for the presentation. I have. One question, please. In terms of your payout ratio. If I see that as of 1st half, it's roughly about 55

212

00:31:27.114 --> 00:31:48.860

Shabbir Malik: percent. What do you think is? Is this a level that you think is sustainable given the growth outlook of the bank and the potentially new capital requirements, the counter cyclical buffer which is coming in next year. Do you think this payout ratio is sustainable over the medium term? Thank you.

213

00:31:54.980 --> 00:32:02.999

.: Aisha. Thank you for the question. Maybe just to reiterate. I think the dividend payout ratio were at 50%.

214

00:32:03.663 --> 00:32:16.880

.: I think, taking into account many different factors like you mentioned on the capital requirements. This is one element. There's the growth in the balance sheet in terms of Rwa as well.

215

00:32:17.328 --> 00:32:35.219

.: I think, for at this stage we are really trying to look at it on a long term basis. We do go through this process internally and with the the Central Bank in terms of the internal capital adequacy assessment, which goes out 3 years.

216

00:32:35.840 --> 00:32:51.980

.: And within that we do take into account also stress scenarios. At this stage. I think we are still comfortable with the the current level. But we do assess on a dynamic basis, and, as you can tell from our pre

217

00:32:52.538 --> 00:33:02.979

.: preparation for the potential call of the additional tier one in November. We do want to maintain a a buffer in terms of time and in terms of quantum.

218

00:33:03.140 --> 00:33:17.419

∴ But this would obviously have an impact on the potential dividend payout ratio. But at this stage nothing to comment on in terms of change. But again, we do go through this process on a regular basis.

219

00:33:18.990 --> 00:33:45.620

Shabbir Malik: Thank you if I may. One more question if I at least maybe you've discussed this as well in terms of my calculations. The asset yield. q. 1 q was up, even though I guess the interest rate environment was broadly stable. So just want to hear your comments on that is, that is that something that you've observed as well that the asset yield sequentially was up. And what if it was up? What was the driver of the expansion.

220

00:33:50.820 --> 00:34:16.489

∴ Sure. So I think this came down to many factors, but looking at the the breakup in terms of constituents, the investments would have been repricing, this would be one element, and the second is our efforts on the loan side to reprice in terms of spread as well. I think, in combination. This is what led to the increase on the asset. Yield for the quarter.

221

00:34:18.070 --> 00:34:19.370

Shabbir Malik: Got it. Thank you so much.

222

00:34:23.090 --> 00:34:27.820

OE Moderator: Our next question comes from Olga Vasilova. Please unmute your line and ask your question.

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00:34:29.369 --> 00:34:56.759

Olga Veselova: Thank you. Good day. Good evening, and thank you for taking my questions. I have several. One question is on loan growth. During your presentation. You mentioned that the moderate long growth in the 1st half, or in the second quarter, was driven by settlements. Did these customers migrate to competitors where they received better interest rates than at Bsfr. Than bank. Sorry, Francie, in which industries

224

00:34:57.039 --> 00:35:04.671

Olga Veselova: were this. Settlements. So this is my 1st question my second question is on

225

00:35:05.745 --> 00:35:12.689

Olga Veselova: increase of capital requirements. I understand that you are well capitalized. City one comfortably above the minimum.

226

00:35:12.759 --> 00:35:20.709

Olga Veselova: But zooming out what do you think is the rationale for the regulator to grow capital requirements now?

227

00:35:20.709 --> 00:35:45.139

Olga Veselova: So this is my second question, and my 3rd question is on credit, on asset quality and cost of risk. We see that Francie, but also other Saudi banks, are not really growing provisioning charges. They remain low versus history versus emerging market peers. I understand the argument that there are no signals of asset quality, deterioration.

228

00:35:45.139 --> 00:36:00.909

Olga Veselova: but surely a part of provisioning is be built based on Frs. 9 is anticipatory provisioning related to potential changes in the budgets of macro parameters. Do we conclude from this that you do not anticipate any changes in operating environment

229

00:36:01.139 --> 00:36:05.479

Olga Veselova: in the in the midterm future, or maybe quarters and several years. Thank you.

230

00:36:14.538 --> 00:36:23.739

.: Yes, Hi, Olga, thank you very much for your question. On on the loan growth, and, as mentioned more specifically on on the corporate loan book

231

00:36:23.740 --> 00:36:45.190

.: has grown more modestly than market, mainly due to our selective approach to lending with, of course, focus on maintaining, as always, asset quality, client profitability and client profitability. Your question was regarding settlements. These were normal monthly asset runoffs that we have. So these were scheduled settlements.

232

00:36:45.190 --> 00:36:56.320

.: And what we're doing is. And this started this exercise actually started in the second half of last year, we're actually replacing those loans of those assets at a higher level or a higher yield.

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00:36:56.480 --> 00:37:16.189

.: So we're not experiencing any pre settlements per se given. You know the competition in the market. We do have some, but that's not the main driver for our asset runoff, our asset runoff, our scheduled asset runoffs, which are currently being replaced with higher yielding loans.

234

00:37:16.900 --> 00:37:20.189

.: while at the same time maintaining the same quality of assets.

235

00:37:23.000 --> 00:37:45.701

.: Hi! I'll take the the second question on on the capital requirements UN. Unfortunately, I don't think I can speak for other parties. But I think in general, in the system, we've always been prudent in terms of capital and capital requirements. And for this reason I I think there would always be a

236

00:37:46.300 --> 00:37:53.479

∴ hesitation, at least, to err on the side of caution, whether it's within individual banks or across the system.

237

00:37:53.590 --> 00:37:58.209

∴ but would not be able to comment too much on the capital requirement side.

238

00:37:58.997 --> 00:38:02.930

∴ For the the 3rd question on impairments and cost of risk

239

00:38:03.272 --> 00:38:08.639

∴ you. You are correct. This is a model driven. Again, I can't speak to the other banks, but

240

00:38:08.650 --> 00:38:37.829

∴ it does rely on several macroeconomic factors. Oil being one of them, and we do highlight the sensitivity to oil there. But it is dependent on, I think, at least a 12 month change that would be included. And even in that case, when we model out the sensitivity, it's fairly limited in terms of the feed through to impact unless we actually start seeing deterioration in the credit names themselves.

241

00:38:38.430 --> 00:38:41.839

∴ So maybe on stage one edition, you would see that but

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00:38:41.980 --> 00:38:51.620

∴ for stage 2 and 3, you would actually really look at the the actual potential risk that comes out of it. And thus far given the

243

00:38:52.135 --> 00:39:15.470

∴ healthy, robust economic profile that we we're still seeing, especially with all the infrastructure requirements going forward the growth in terms of lending and deposits we. We don't see it really impacting names outside of case by case basis but sector wide. No issues that we can see, at least as of now.

244

00:39:17.320 --> 00:39:18.540

Olga Veselova: Oh, thank you for your answer.

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00:39:18.540 --> 00:39:19.219

∴ And if I'm.

246

00:39:20.110 --> 00:39:21.020

Olga Veselova: Yeah, please.

247

00:39:21.850 --> 00:39:40.319

.: On the 1st question when it came to the settlements. I believe there was a second part of the question to if we saw which sectors it actually came from. The answer is, it was across the board. We didn't see any significant shifts when it came to our

248

00:39:40.320 --> 00:39:52.379

.: concentration. Our loan book concentration more specific. Our corporate loan book concentration from a sectorial perspective. So it was mainly across the board, with no significant shifts in any concentration sector. Wise

249

00:39:52.990 --> 00:39:55.019

.: sorry. Go ahead. All the boxes.

250

00:39:55.360 --> 00:40:12.749

Olga Veselova: Yes, no, thank you for this, that's clear. I wanted to clarify. I do remember you mentioned that you were replacing loans at higher yield. Was this a 1-off exercise at the beginning of the year? Or this is ongoing exercise which you continue now.

251

00:40:15.590 --> 00:40:26.220

.: But this is an ongoing exercise which we actually started in the second half of last year. So this exercise started in Q, 3 of 2024 and is ongoing.

252

00:40:28.030 --> 00:40:28.780

Olga Veselova: Thank you.

253

00:40:28.780 --> 00:40:37.631

.: And again, this is part of our strategy to focus on profitability. Rather than volumes. So we are looking at more profitable

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00:40:38.730 --> 00:40:52.519

.: extension of loans rather than tight margin. So we are letting go of some of these loans that are very tightly priced, and replacing them with the same quality, if not better quality, but at better deals.

255

00:40:54.150 --> 00:40:55.660

Olga Veselova: That's clear. Thank you.

256

00:40:59.210 --> 00:41:04.679

OE Moderator: Our next question comes from Naresh Bill and Danny, please unmute your line and ask your question.

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00:41:06.280 --> 00:41:11.210

Naresh Bilandani: Yes, hi, thanks a lot. It's Naresh Bilamnnani from Jefferies. I have 3 questions, please.

258

00:41:11.250 --> 00:41:30.330

Naresh Bilandani: One is, I think, in your Q. 4 call you had mentioned that the Nii growth expectation for this year is going to be low teens. Now, in context of your reduced volume, growth expectations, how much nii growth. Should the targeted or the indicated nim offer, that would be very helpful.

259

00:41:30.330 --> 00:41:48.859

Naresh Bilandani: Second, would it please be possible to share, even if in broad terms, how the high single digit target for loan growth should be split between corporate and retail. My apologies. I think you did offer some indication when you were talking about loan growth, Ramsey, but I may have missed that point so it would be very helpful if you can split the

260

00:41:48.860 --> 00:42:04.549

Naresh Bilandani: high single digit loan growth guidance between corporate and retail. And 3rd And this is a bit of a broad question. So in an earlier call in this year, you had mentioned that the higher liquidity. Premium environment eventually, in your view.

261

00:42:04.550 --> 00:42:22.129

Naresh Bilandani: should lead to a repricing of credits, thereby helping the nim across the industry. Now, clearly, we haven't seen that yet. I know you've made some efforts on that direction, but we haven't seen this trend come across in the industry. But overall, would you say? Are you seeing any signs of this

262

00:42:22.180 --> 00:42:37.609

Naresh Bilandani: favorable change occurring? Or is the pricing competition still remaining irrational? Which means that the outlook for the nim is still likely to remain under pressure into the medium term. So any thoughts for the industry there would be extremely helpful. Thank you.

263

00:42:43.640 --> 00:43:07.039

.: Thank you for the question. Maybe I'll start with the 1st one, and maybe I misunderstood. But I think in terms of net interest income. Even with the smaller balance sheet growth versus expectations, we still do expect to be in the same level on net interest, income change. And and for nim, same as we've guided no change there.

264

00:43:07.090 --> 00:43:17.610

.: Maybe if you want to clarify, I can add more context there. But there's no change in our expectations on the Nii versus net.

265

00:43:19.814 --> 00:43:30.830

.: And I'll I'll take the second and 3rd question. Your second question, at least was on loan growth. Split the higher single digit guidance for the end of the year.

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00:43:30.830 --> 00:43:59.400

.: We are from splitting it, of course, looking at the current run the current, or the 1st half year to date growth. I believe corporate is currently at roughly around 1% and consumer lending is currently running at 17% year to date growth. What we expect towards the end of the year is 6% growth when it comes to corporate and roughly, around 15% growth when it comes to consumer lending or retail.

267

00:44:01.960 --> 00:44:22.509

.: And on your last question, when it comes to competition on spreads, of course, we continue to see competition on spreads, both on the consumer, lending side more specifically on personal loans and also on the corporate lending side. It may have eased a bit since last year, however, we still continue to see

268

00:44:22.510 --> 00:44:32.649

.: competition on spreads. We, of course, maintain our strategy not to get involved in any price wars when it comes to competition.

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00:44:34.550 --> 00:44:36.480

Naresh Bilandani: Thank you very much, brother, thanks, Ramsey.

270

00:44:40.050 --> 00:44:44.920

OE Moderator: Our next question comes from Aibak Islamov, please unmute your line and ask your question.

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00:44:47.455 --> 00:44:49.844

Aybek Islamov: Yeah, yeah, thank you for taking my questions.

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00:44:50.430 --> 00:45:00.039

Aybek Islamov: Well, I I think, some questions are about funding. Right? So let me be very specific. Right? Can you discuss your pecking order in terms of your funding preferences?

273

00:45:00.625 --> 00:45:07.749

Aybek Islamov: Additional tier one versus, you know, certificates of deposits, and you've been very active in that market

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00:45:07.930 --> 00:45:21.659

Aybek Islamov: and relating to this question. I mean you, you spoke about the diversification of funding recently is that diversification of funding, going to impact the funding cost in the coming quarters, positively or negatively, would be great to have some color

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00:45:22.235 --> 00:45:31.800

Aybek Islamov: and on asset quality. The second question, can you discuss was, what what is driving the marginal increase in absolute npls

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00:45:31.950 --> 00:45:37.560

Aybek Islamov: in both consumer and corporate segment in the second quarter

277

00:45:38.516 --> 00:45:51.290

Aybek Islamov: and lastly, I'm just looking at your fee to asset ratio and and that ratio has been in a steady decline since 2,021 although it's just a minor drop, but it's not improving.

278

00:45:51.917 --> 00:45:56.559

Aybek Islamov: Wh, what are the initiatives that you are taking to reverse this trend?

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00:45:57.230 --> 00:45:59.150

Aybek Islamov: And that's pretty much it. Thank you.

280

00:46:07.240 --> 00:46:12.390

.: Thank you, Isaac. I'll take the 1st one. So we have been witnessing.

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00:46:12.820 --> 00:46:18.560

.: Obviously a drop in our customer deposit base. We've seen a 1% decline year to date

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00:46:18.910 --> 00:46:21.510

.: and 4% on sequential basis.

283

00:46:21.740 --> 00:46:29.779

.: The the quarter on quarter drop was largely driven by the 8 and a half percent reduction in interest. There deposits

284

00:46:30.170 --> 00:46:41.819

.: this aligns with our strategy to enhance funding efficiency by selectively releasing some of our high cost. Unstable customer deposits and tapping into

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00:46:42.586 --> 00:46:45.209

.: diversified the wholesale sources.

286

00:46:46.460 --> 00:46:48.959

.: Several programs we've established in the past.

287

00:46:49.070 --> 00:46:52.810

∴ which provides stable funds, longer maturities

288

00:46:53.350 --> 00:46:56.779

∴ and diversified in terms of geography and investor base.

289

00:46:57.080 --> 00:47:04.330

∴ This is also evident in our net stable funding ratio which stood at healthy 116%.

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00:47:04.540 --> 00:47:08.099

∴ It's also worth noting that in the second quarter

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00:47:08.230 --> 00:47:10.259

∴ we've rolled out the CD program

292

00:47:11.128 --> 00:47:16.569

∴ which raised approximately 950 million dollars in the second quarter

293

00:47:17.233 --> 00:47:21.969

∴ from several investors, be it institutions, money market funds.

294

00:47:22.090 --> 00:47:41.679

∴ also international high net worth individuals which can provide direct access to the deposit base within the kingdom. This initiative complements the local deposits while strengthening our funding diversification, and would act as interchangeable with our customer deposits.

295

00:47:41.880 --> 00:47:51.769

∴ Now, despite the tactical shift we've seen in the funding mix deposits remain, and will continue to represent the core proportion of our liability base.

296

00:47:51.900 --> 00:47:55.520

∴ which we expect to grow organically alongside with credit growth.

297

00:47:55.760 --> 00:48:11.170

∴ being active and present in the capital markets and having a solid liquidity. Buffers allow us to flex our funding mix based on evolving market conditions and ultimately control cost of funding.

298

00:48:13.879 --> 00:48:17.479

∴ I'll take the second question on Mpl.

299

00:48:18.243 --> 00:48:28.086

∴ And what was driving that slight increase? As mentioned. Mpl, ratio slightly increased by 3 basis points. So not a significant shift and

300

00:48:28.940 --> 00:48:54.319

∴ and and no specific name actually moved that. But on the staging, at least on the corporate side, we had one medium sized company and one small company, both in the construction industry move into stage 3 mpl. And on the consumer lending side slightly, maybe impact from Jb, but nothing worrying, as it's fairly incident.

301

00:48:56.200 --> 00:49:00.280

∴ And Ibeck, sorry. Could you repeat the 3rd question.

302

00:49:04.550 --> 00:49:13.599

Aybek Islamov: yeah, sure. See, I was asking about the fee to asset ratio, right? So, looking at fees as percentage of your average assets that ratio has been steadily declining since 2,021.

303

00:49:13.770 --> 00:49:16.499

Aybek Islamov: I mean, that trend conceives in the 1st half

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00:49:17.112 --> 00:49:20.939

Aybek Islamov: any particular initiatives that you're undertaking to reverse this trend.

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00:49:24.420 --> 00:49:29.679

∴ So. So I think, it has been a focus that we've been looking at over the last few quarters

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00:49:30.174 --> 00:49:42.939

∴ part of this is driven by trade fees, where we have had significant improvement. The other is on asset management and and brokerage, where also there's been a significant uplift, and you would have seen

307

00:49:43.020 --> 00:49:58.859

∴ over the course of the the 1st half, even running into this this half of the year, quite a lot of activity on the investment banking front. I think the the one area that has been declining has really come mainly from the credit card

308

00:49:58.860 --> 00:50:13.749

∴ business, particularly when we look at fees. But when we look at the credit card business overall, there's obviously interest income that comes with it. There's relationships and other ancillary business. So we we don't really look at it

309

00:50:13.810 --> 00:50:31.000

.: on a fee, only perspective. But I think across the the 1st 3 that we had discussed asset management, brokerage, investment, banking and trade fees. We do see already good traction, moment, momentum, and we we hope to continue that going forward.

310

00:50:32.850 --> 00:50:34.079

Aybek Islamov: Okay. Thank you.

311

00:50:39.400 --> 00:50:44.360

OE Moderator: This concludes the question and answer session. I will now hand back to management for closing remarks.

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00:50:53.950 --> 00:51:12.739

.: Thank you again for joining us today and for your valuable questions. We're energized by the opportunities ahead and confident in the direction we're taking, as always, our focus remains on delivering long term value. While staying agile in a dynamic environment, we look forward to keeping you updated on our progress in the quarters to come. Thank you very much again.