

BSF 9M 2024 Earnings Presentation

31 October 2024



Highlights & Strategy Update



Balance Sheet

- Strong loan growth of 15% YoY, driven by both commercial (+15%) and consumer (+16%).
- Investments increased 24% YoY to manage IR risk while capturing higher yields.
- Deposit growth of 16% YoY, from IBDs (+40%) partly offset by NIBDs (-3%).

Loans & Advances

201.0

SAR Billion

▲ +15% year-on-year

Investments

57.4

SAR Billion

▲ +24% year-on-year

Customers' Deposits

193.3

SAR Billion

▲ +16% year-on-year

Income Statement

- Operating income declined by 1%, with a 2% drop in NII offset by 7% non-interest income growth.
- NIM declined by 57bps YoY to 3.06% on higher funding costs.
- Net income grew 1% as decrease in impairments was offset by rising expenses.

Operating Income

7,086

SAR Million

▶ -1% year-on-year

NIM

3.06%

▼ -57bps year-on-year

Net Income

3,427

SAR Million

▶ +1% year-on-year

Asset Quality

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

NPL Ratio

0.83%

▼ -115bps year-on-year

NPL Coverage

193.1%

▲ +53.6ppts year-on-year

Cost of Risk

0.57%

▼ -41bps 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

18.6%

► -0.1ppts year-on-year

LCR

162%

▼ -9ppts year-on-year

NIBD % of Total Deposits

46.7%

▼ -9.2ppts year-on-year

Strategic Goals

Focused Initiatives

Progress

Q3: 75%

Q2: 72%

Key Highlights

Wholesale Banking

Solidify market position

GTS revamp
Expand FIG&MNC
coverage

87%

Increased NTB gov. customers
and refined the segmentation
Expanded FI reach globally
Three Trade Finance products
launched
Strengthen Liquidity and Cash
Management (LCM) operating
model and talents

Personal Banking

Leverage segmentation
and synergies

Scale up affluent
Provide superior daily
banking

63%

Strengthen collaboration with
BSF Capital for investment
products
Launched new digital app
Kicked off Branch Network
Transformation
Strengthened cross-sell
framework with JB
Successfully launched products

Private Banking

Reinforce market
leadership

Broaden product suite
Experience-centric
rewards

100%

Key offerings with BSF Capital
Tailored family products
Collaborating with JB products
Launched advisory program
for RMs

Strategic Goals

Focused Initiatives

Progress

Q3: 75%

Q2: 72%

Key Highlights

JB

Expand in new market segments

Digital acceleration
Product diversification
Brand repositioning

88%

Launched JB transformation for 2024
Optimized mobile app services
Defined Credit Card proposition
Modernization of core systems
Refined digital customer journeys

BSF Capital

Seize existing opportunities and grow

Synergize wealth mgmt.
Broaden advisory
Attractive investment solutions

54%

Progressing with key partnerships and collaboration initiatives
Strengthened real estate advisory and solutions with BSF Private Banking
Progressed pipeline in real estate funds



Good progress in the implementation of the three key strategic programs across the IT & Technology priorities



Technology Infrastructure Upgrade	Description	Key Highlights	2024 Progress & Beyond
Integrated Corporate Portal	New corporate platform supporting trade & supply chain services, and expanded liquidity and cash management solutions and services	- Program is re-baselined and target go live date is 2Q 2025 for Phase I backend and frontend - Conducted training for BSF staff in 3Q 2024 - Phase II will be Trade AI & Trade Loans, Phase III: Supply Chain Finance	- Conclude testing for backend and frontend by 1Q 2025 - Go-live date 2Q 2025 for Phase 1
Omnichannel	New high performance retail platform providing robust digital banking service and enhanced customer experiences and journeys	- Existing features from Release 2 development have been completed and released to production - Some enhancements from Release 2 are currently undergoing testing and will be released to production in the coming weeks	- Official public release - Subsequent releases are estimated to start in 4Q 2024
Core Banking System (Corporate) Release 3	Bank-wide core banking system to enable best-in-class customer experience with leading operational efficiency	- Kicked off Corporate Lending and Term Deposits end-to-end - Retail Term Deposits design is completed, and development is 70% completed - Data migration plan and design testing are completed	- Corporate Lending and Limits - Corporate & Retail Term Deposits - Estimated launch in 4Q 2025 /1Q 2026

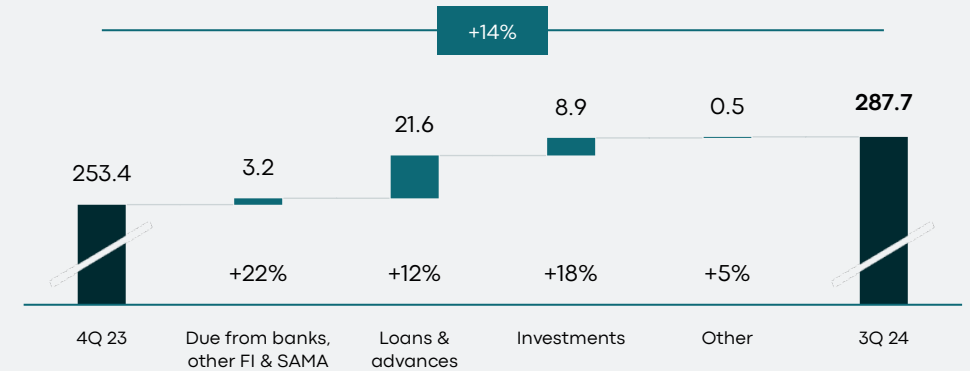
Financial Highlights

Balance Sheet

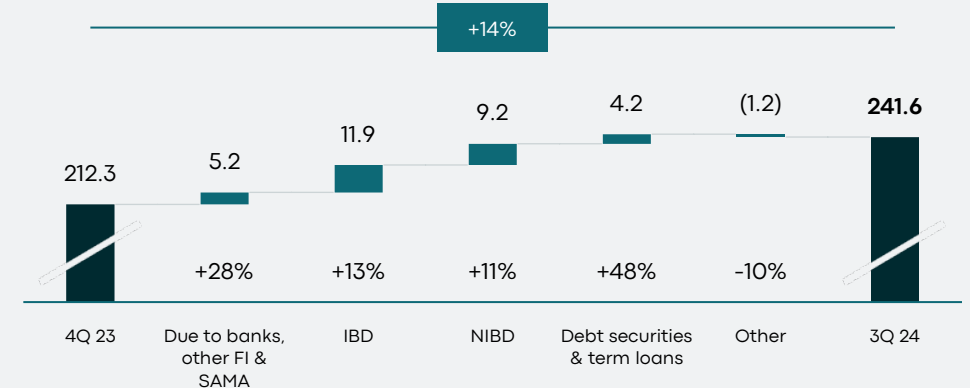
- Growth in total assets of 14% YTD, mainly driven by 12% loan growth, further aided by an increase in investments.
- The investment portfolio expanded by 18% YTD from high-quality liquid assets to capture higher yields, while managing interest rate risk.
- Liabilities grew by 14% during 9M 2024 from 12% deposit growth, a 28% increase in interbank, and a 48% rise in debt securities.
- Total equity increased 12% YTD due to SAR 3bn Additional Tier 1 sukuk issuance, retained earnings generation, and favorable movements in OCI related to debt instruments and cash flow hedges.

SAR Mn	3Q 2024	2Q 2024	Δ%	4Q 2023	Δ%
Investments	57,386	55,506	+3%	48,467	+18%
Loans & advances	201,008	197,160	+2%	179,391	+12%
Total assets	287,670	288,826	-0%	253,383	+14%
Customers' deposits	193,342	196,248	-1%	172,209	+12%
Total liabilities	241,554	247,017	-2%	212,262	+14%
Total equity	46,117	41,809	+10%	41,121	+12%

Total Assets Movement YTD (SAR Bn)



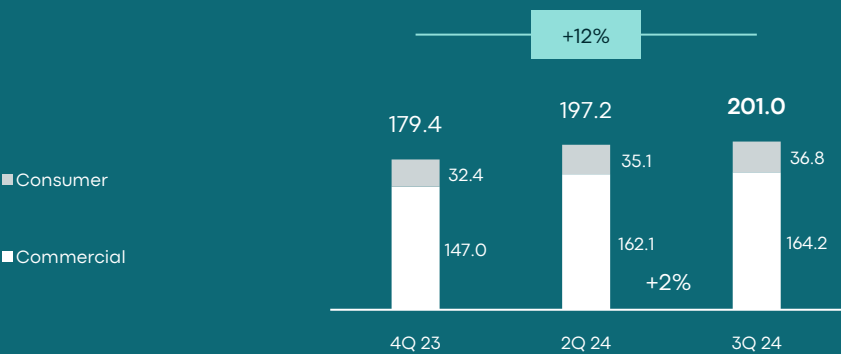
Total Liabilities Movement YTD (SAR Bn)



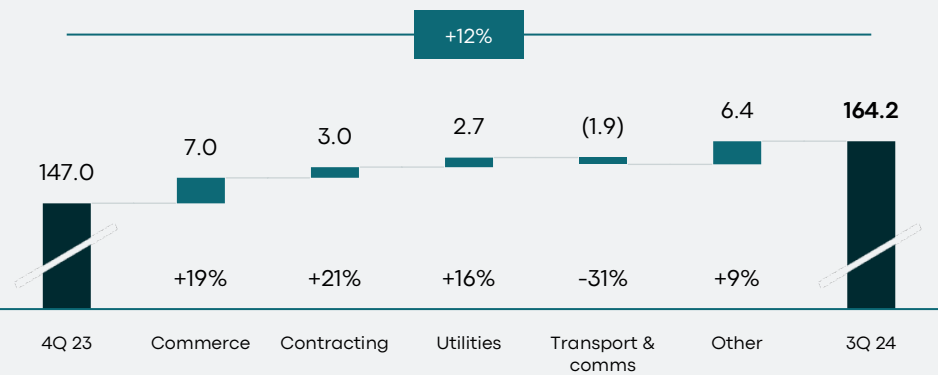
Loans & Advances

- Total loans & advances grew 12% during 9M 2024 from both consumer and commercial lending growth.
- Commercial loans grew 12% during 9M 2024, with notable increase in the commerce, contracting and utilities sectors.
- Consumer loans grew 14% YTD from growth in mortgages (+12%), personal loans (+12%), and auto loans (+23%).

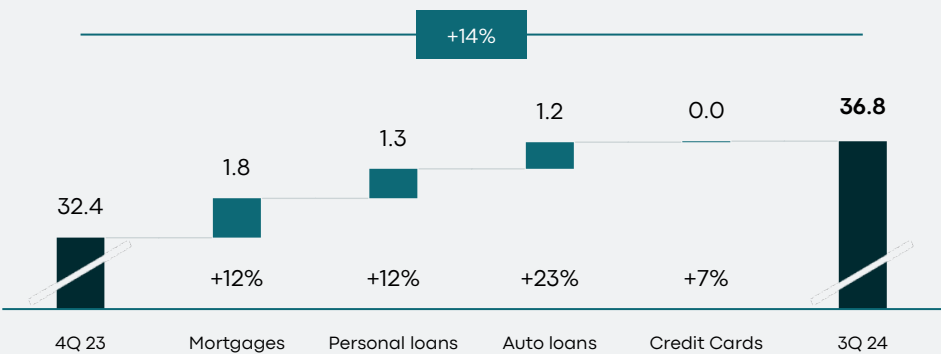
Loans & Advances (SAR Bn)



Commercial Loans Movement YTD (SAR Bn)



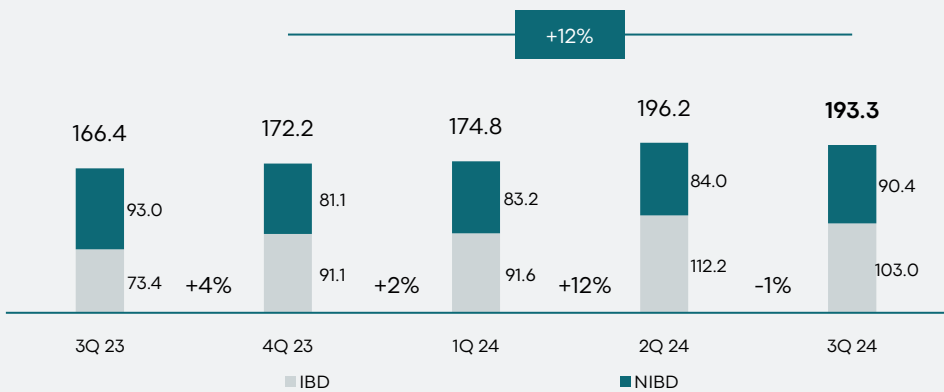
Consumer Loans Movement YTD (SAR Bn)



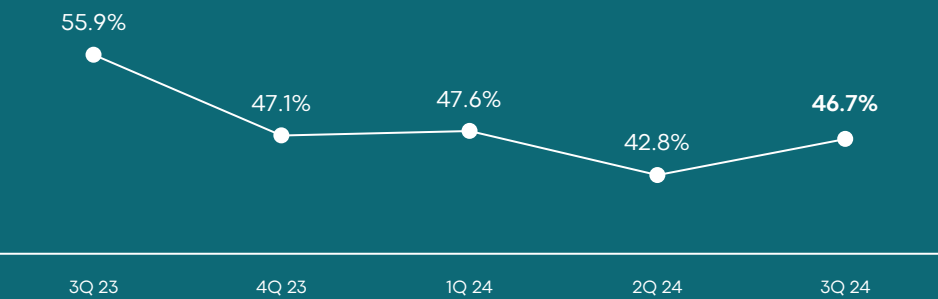
Customers' Deposits

- Deposits grew by 12% during 9M 2024, driven by an increase in IBDs and further supported by NIBD growth.
- NIBDs increased 11% YTD and IBD's increased 13% YTD, mainly from corporate deposits.
- As of 30 September 2024, 46.7% of deposits were non-interest bearing.

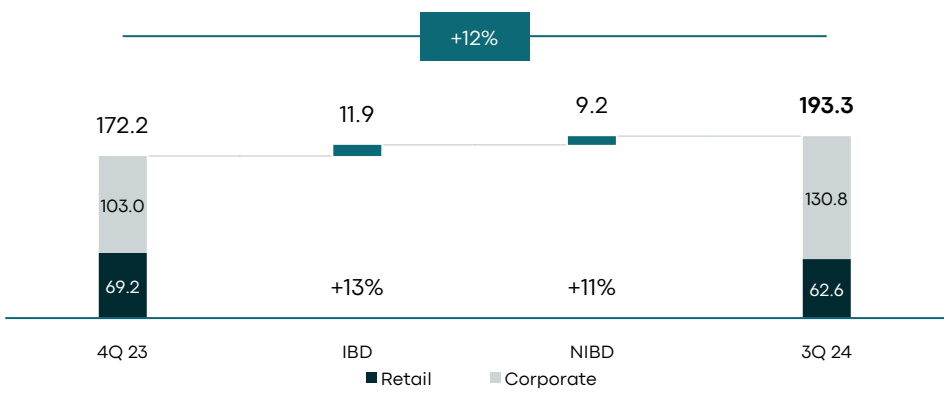
Customers' Deposits (SAR Bn)



NIBD % of Total Deposits (%)



Customers' Deposits Movement YTD (SAR Bn)

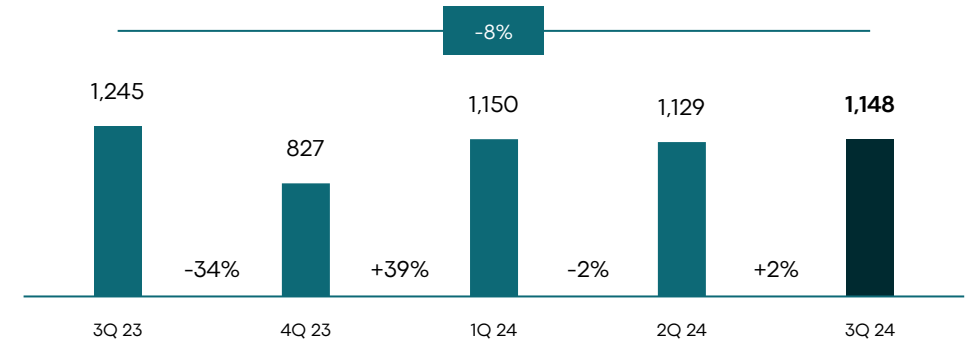


Income Statement

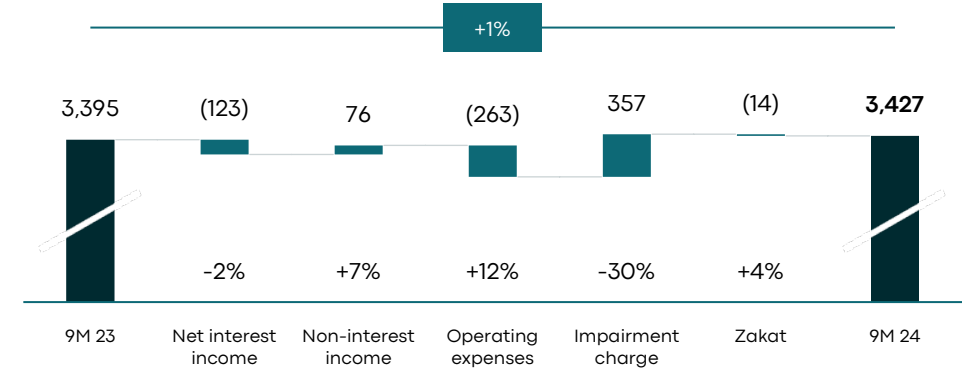
- Net income for 9M 2024 grew 1% YoY to SAR 3,427mn from a 30% decline in the impairment charge, partly offset by 12% growth in operating expenses and 2% decline in net interest income.
- Total operating income declined 1% YoY, with net interest income reducing by 2% and non-interest income increasing by 7%.
- Quarterly net income declined by 8% YoY and increased by 2% QoQ to SAR 1,148mn.

SAR Mn	9M 2024	9M 2023	Δ%	3Q 2024	3Q 2023	Δ%
Net interest income	5,844	5,967	-2%	1,986	2,068	-4%
Non-interest income	1,242	1,166	+7%	426	400	+7%
Operating income	7,086	7,133	-1%	2,412	2,468	-2%
Operating expenses	(2,439)	(2,176)	+12%	(857)	(740)	+16%
Pre-impairment operating income	4,647	4,957	-6%	1,555	1,728	-10%
Impairment charge	(824)	(1,181)	-30%	(275)	(345)	-20%
Net income before zakat	3,822	3,776	+1%	1,281	1,383	-7%
Zakat	(395)	(381)	+4%	(132)	(137)	-4%
Net income	3,427	3,395	+1%	1,148	1,245	-8%
ROAE	10.69%	11.49%	-79bps	10.45%	12.62%	-217bps

Net Income (SAR Mn)



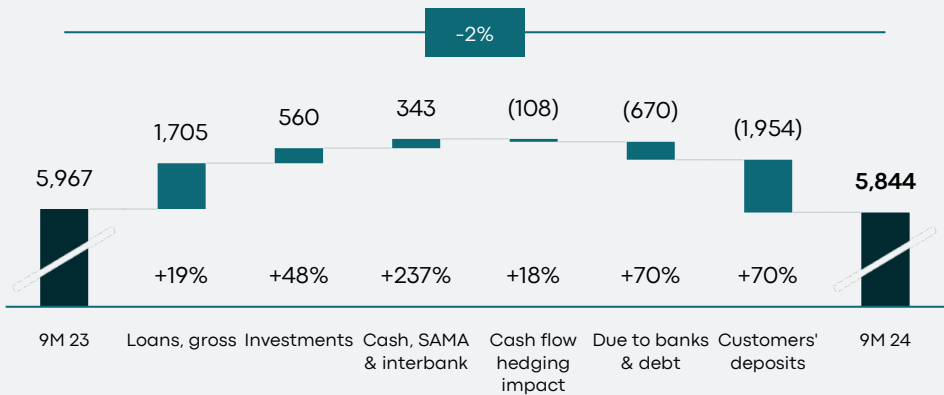
Net Income Movement YoY (SAR Mn)



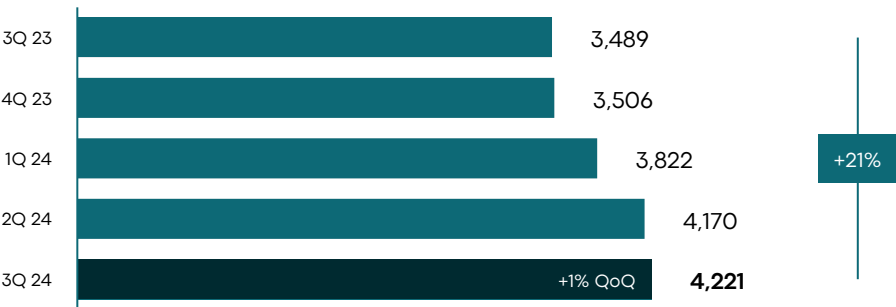
Net Interest Income

- NII for 9M 2024 declined by 2% YoY to SAR 5,844mn, with 16% average earnings assets growth offset by margin contraction.
- Interest income rose 26% YoY to SAR 12,212mn in 9M 2024, while funding costs rose 70% to SAR 6,368mn.

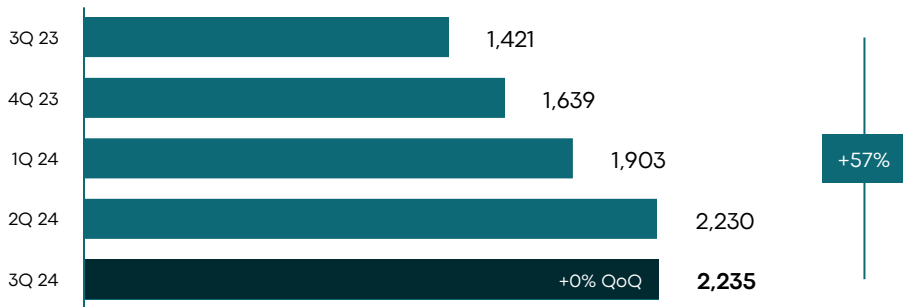
Net Interest Income Movement YoY (SAR Mn)



Interest Income (SAR Mn)



Interest Expense (SAR Mn)



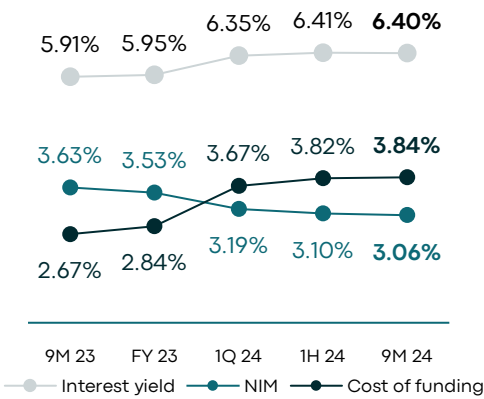
YoY margin decline from shifting deposit mix towards IBDs



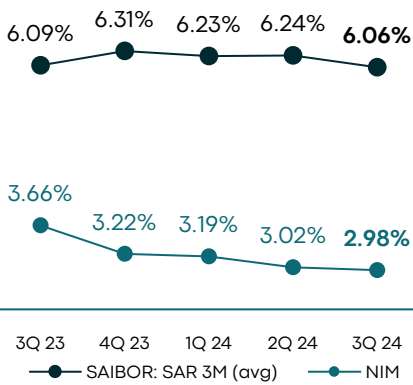
Net Interest Margin

- The NIM declined 57bps YoY to 3.06% due to increased costs on customers' deposits, partly offset by the higher yields on loans, investments and interbank.
- On a sequential basis, the quarterly NIM declined by 4bps QoQ.
- Funding costs increased by 117bps YoY to 3.84% in 9M 2024.

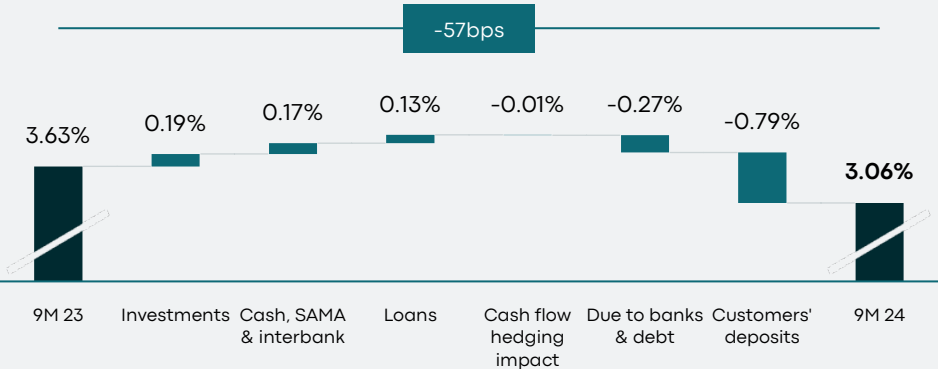
YTD NIM Trend



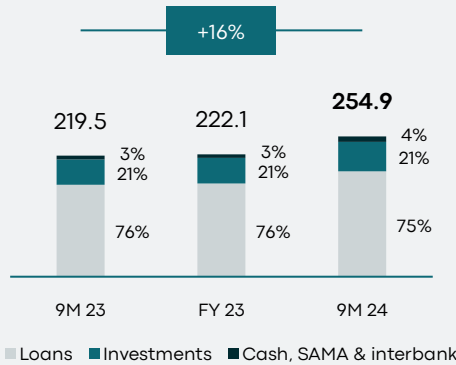
Quarterly NIM Trend



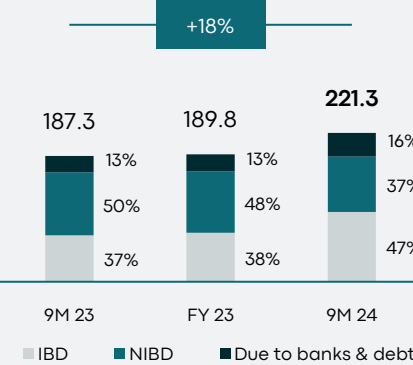
NIM Movement YoY (%)



Average Interest Earning Assets (SAR Bn)



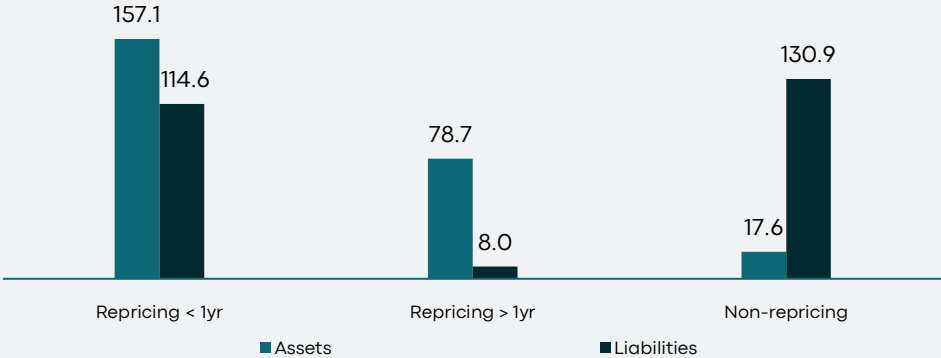
Average Interest Bearing Liabilities (SAR Bn)



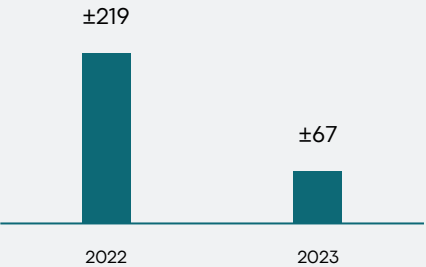
NIM Sensitivity

- As of 31 December 2023, BSF estimates a 1-year NIM sensitivity of a 100bps rates change at ± 3 bps; this would translate into a SAR ± 67 mn 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.

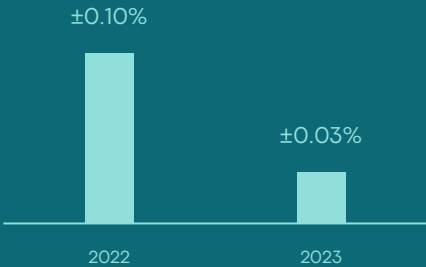
Balance Sheet Repricing Profile as at 31 December 2023 (SAR Bn)



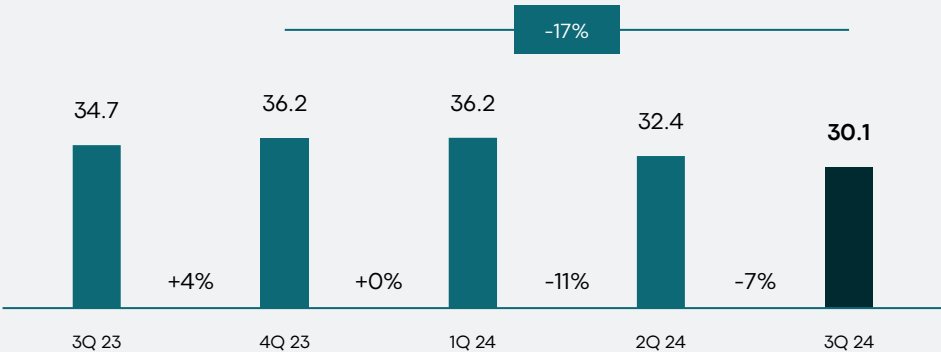
NII Impact of ± 100 bps Rate Change (SAR Mn)



NIM Impact of ± 100 bps Rate Change (%)



Cash Flow Hedges Swaps (Notional Amount SAR Bn)



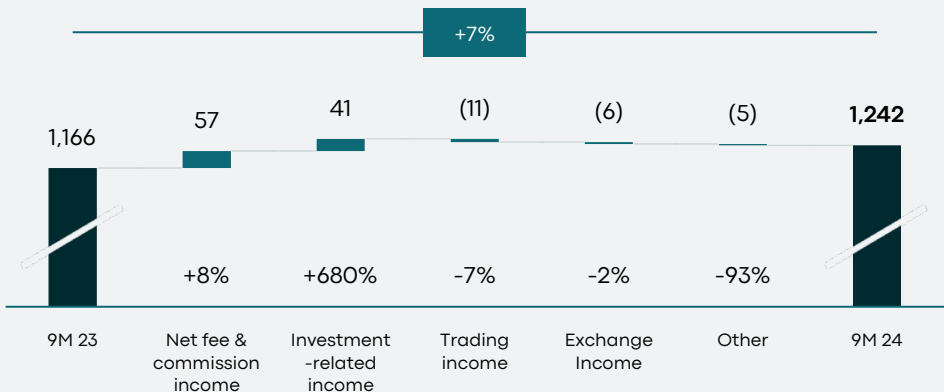
Non-interest income increased 7% YoY on higher net fee & commission income and investment-related income



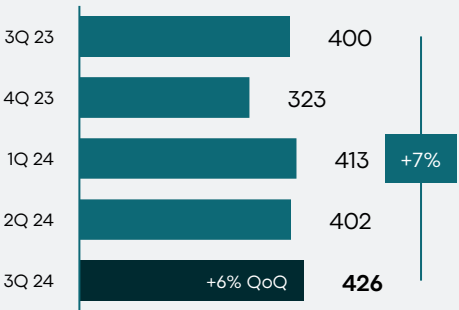
Non-Interest Income

- Non-interest income for 9M 2024 increased 7% YoY to SAR 1,242mn on improved net fee & commission income and investment-related income, partly offset by lower trading and exchange income.
- Net fee & commission grew 8% to SAR 735mn in 9M 2024 due to higher brokerage & asset management income and trade finance, partially offset by lower card fees.
- An 11% YTD increase in non-funded exposure positively impacted fee and other income.
- 3Q 2024 non-interest income increased by 7% YoY and by 6% QoQ.

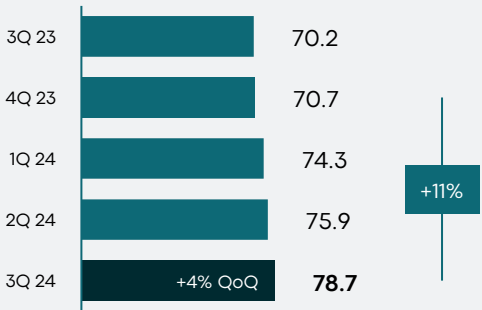
Non-interest Income Movement YoY (SAR Mn)



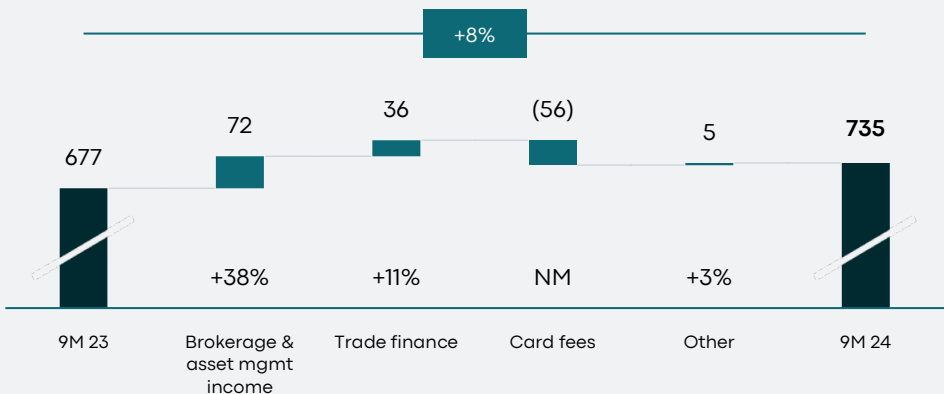
Non-interest Income (SAR Mn)



Non-funded Exposure* (SAR Bn)



Fee & Commission Income Movement YoY (SAR Mn)



Operating expenses growth of 12% YoY from higher employee-related expenses, G&A and depreciation



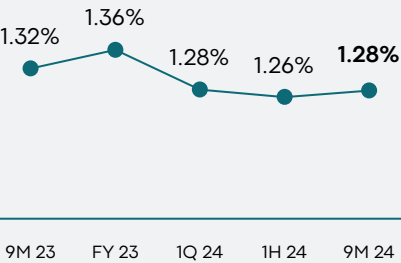
Operating Expenses

- Operating expenses increased 12% YoY to SAR 2,439mn in 9M 2024 mainly due to increased employee-related costs, as well as higher G&A and depreciation.
- Cost to income ratio increased by 3.9ppts YoY to 34.4% in 9M 2024 from 30.5% in 9M 2023.
- At the same time, operating expenses as a percentage of average interest-earning assets (AIEA) decreased 5bps YoY to 1.28% for 9M 2024 due to faster expansion of AIEA (+16%) relative to expense growth (+12%).
- Quarterly operating expenses increased 6% QoQ and 16% YoY, mainly due to the rising G&A and employee-related expenses.

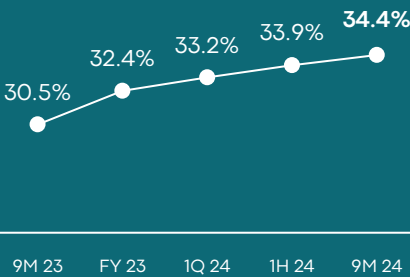
Operating Expenses (SAR Mn)



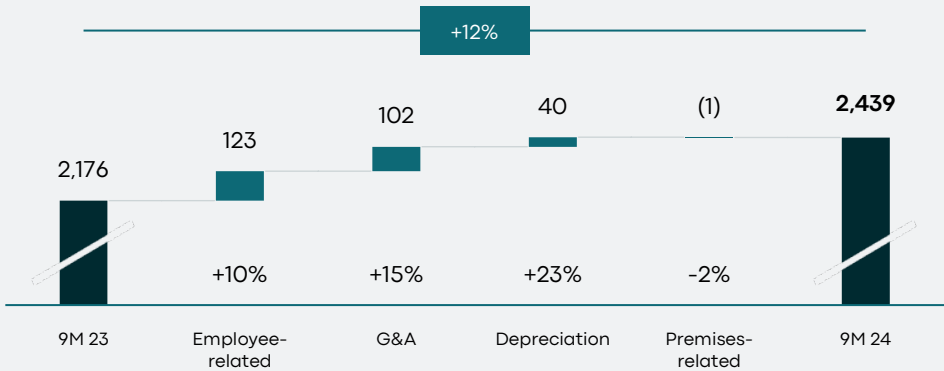
Cost To AIEA Ratio



Cost to Income Ratio



Operating Expenses Movement YoY (SAR Mn)



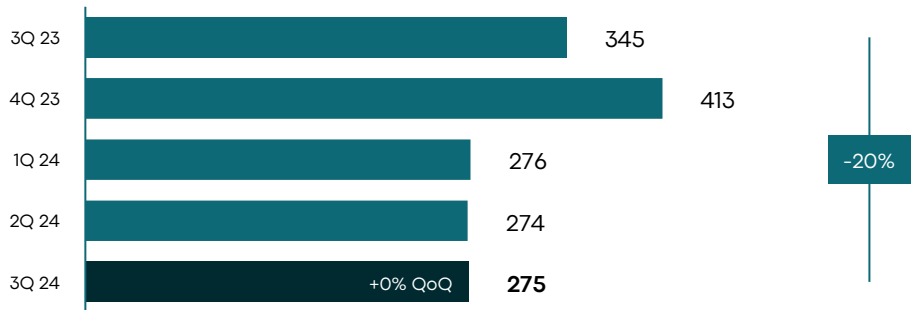
Cost of risk decreased by 41bps YoY to 0.57% for 9M 2024 from lower commercial impairments



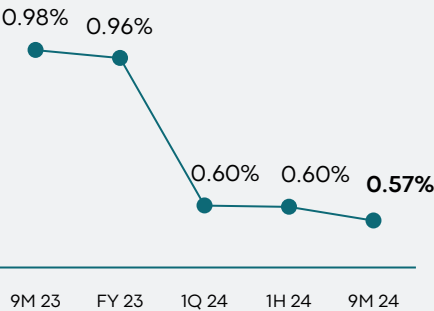
Impairment Charge

- The total impairment charge for 9M 2024 decreased by 30% YoY to SAR 824mn, 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 41bps YoY improvement in cost of risk to 0.57% for 9M 2024, and a 10bps reduction QoQ to 0.50% for 3Q 2024.

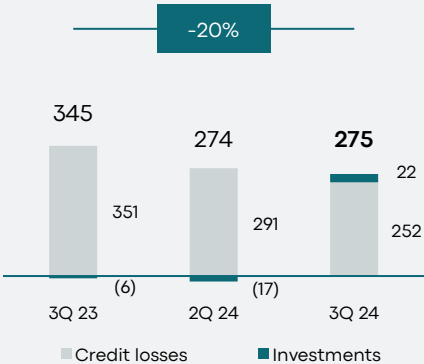
Impairment Charge (SAR Mn)



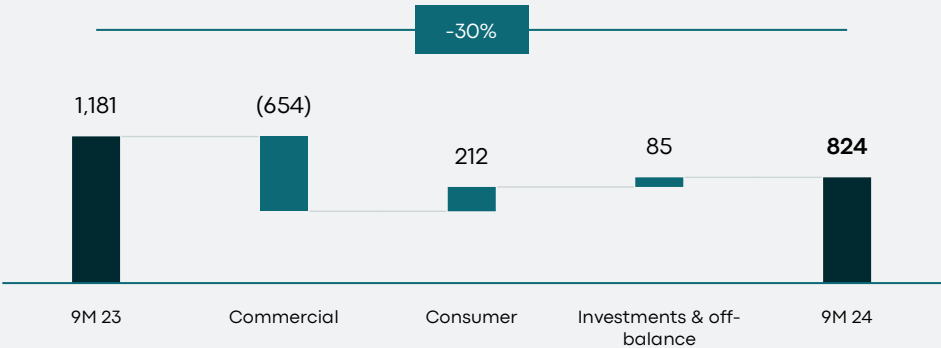
Cost of Credit Risk (%)



Impairment Charge (SAR Mn)



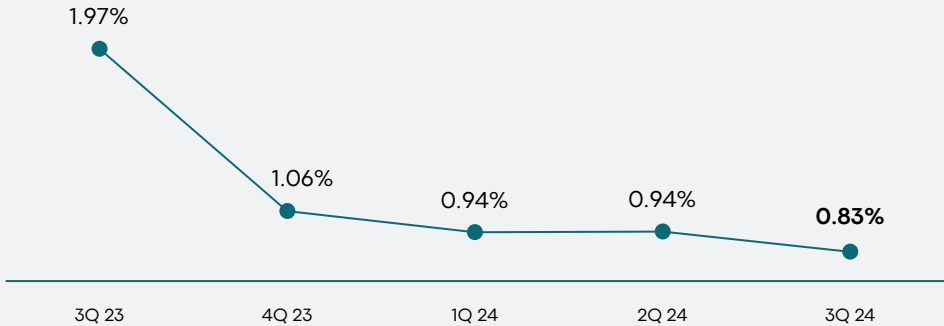
Impairment Charge Movement YoY (SAR Mn)



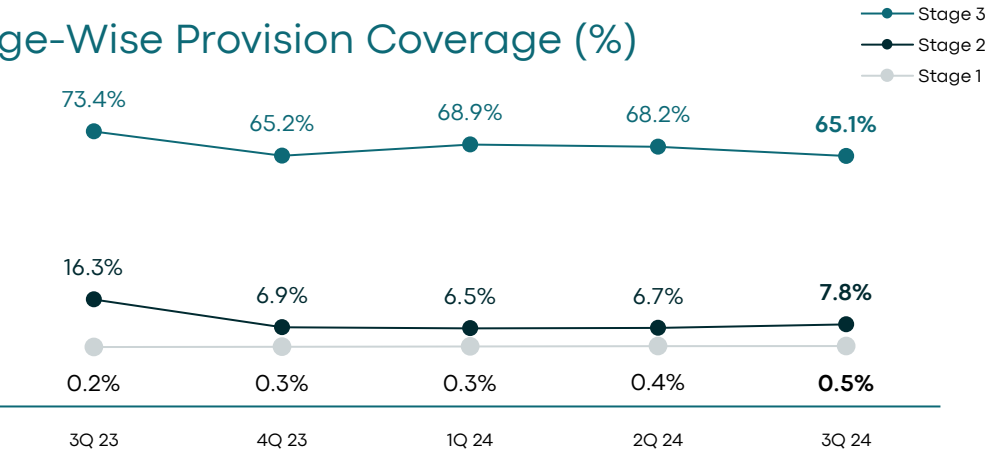
NPL & NPL Coverage

- The NPL ratio improved 23bps YTD to 0.83% as NPLs declined 12% on write-offs in the commercial book relative to 12% gross loan growth.
- The NPL coverage ratio improved by 55.5ppts YTD to 193.1%, attributed to enhancements in commercial coverage.
- Stage 3 coverage experienced a marginal decline of 0.1ppts during 9M 2024 to 65.1%, stage 2 coverage improved by 0.9ppts to 7.8%, while stage 1 coverage improved by 0.2ppts to 0.5%.

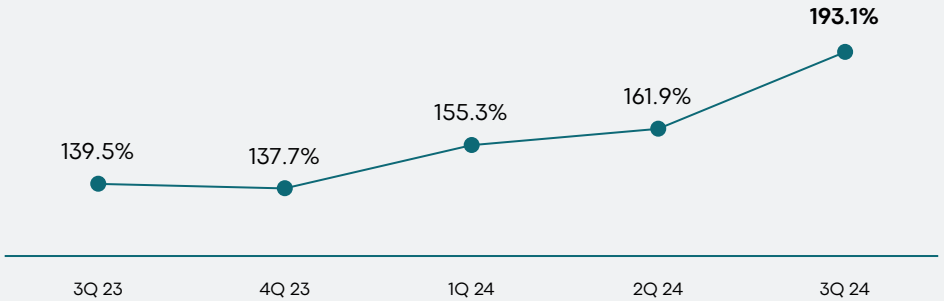
NPL Ratio (%)



Stage-Wise Provision Coverage (%)

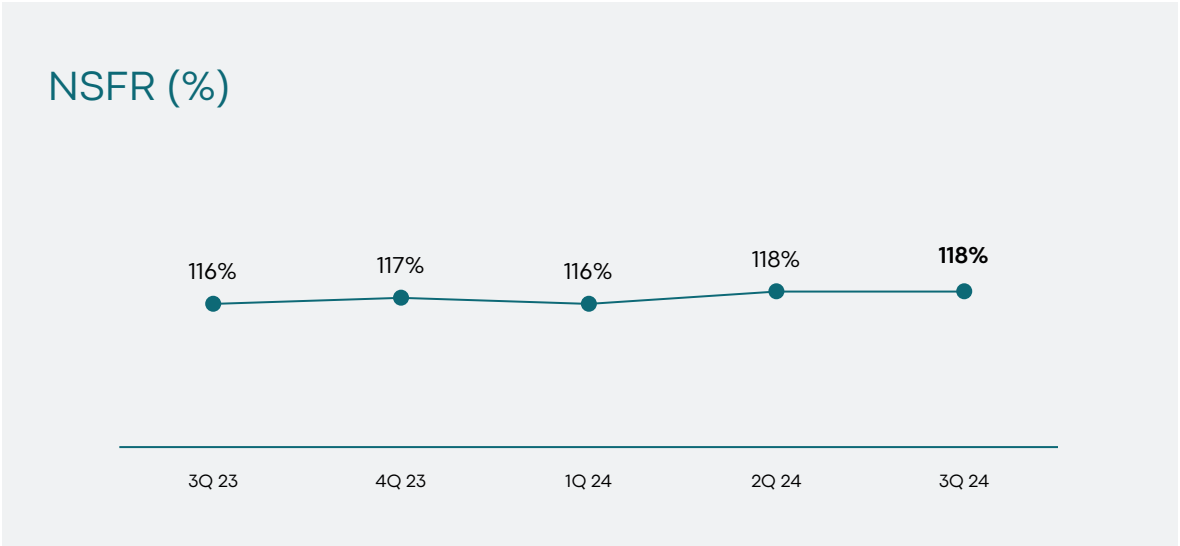
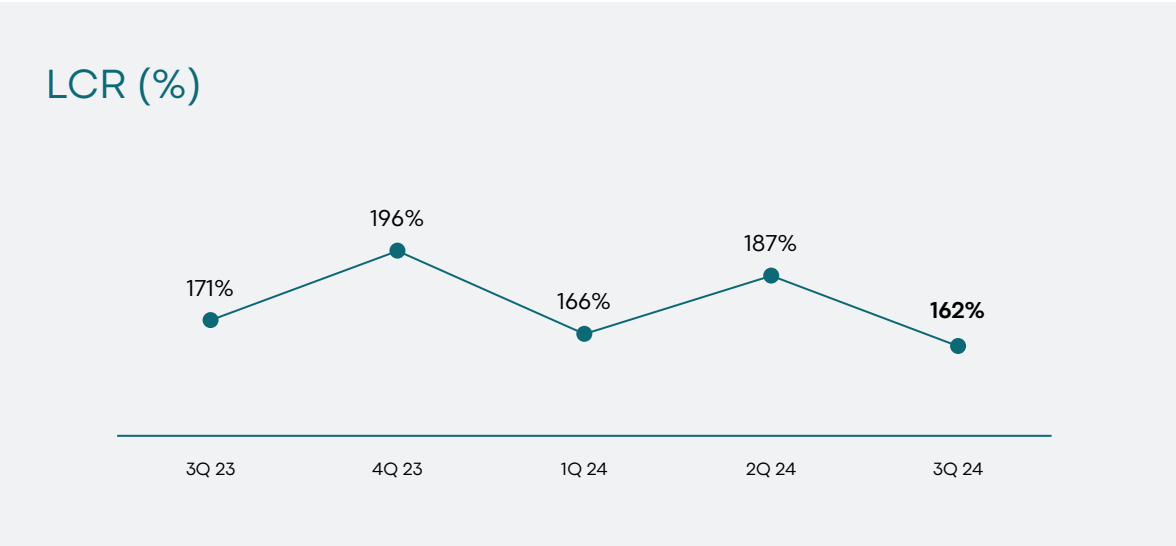


NPL Coverage Ratio (%)



Liquidity

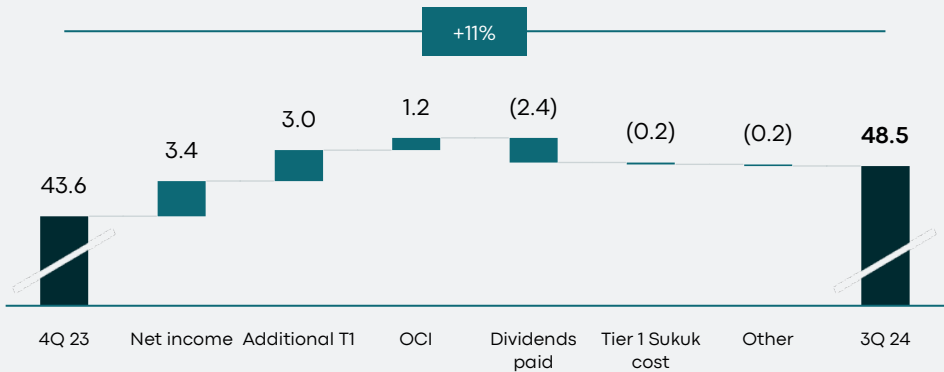
- LCR moderated 34ppts to 162% during 9M 2024.
- NSFR was broadly stable YTD at 118% as of 30 September 2024.
- The SAMA regulatory LTD ratio was within required levels at 81.4% as of 30 September 2024, while the headline ratio increased to 104.0%.



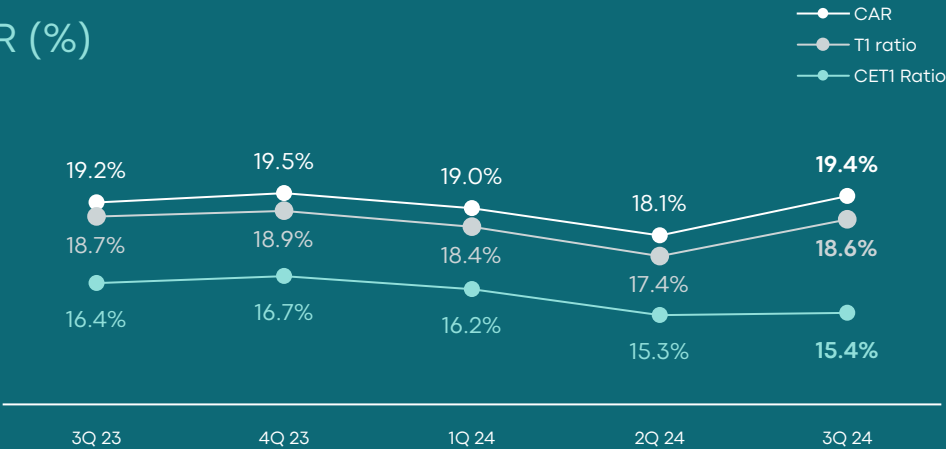
Capital

- Total capital (Tier 1 + Tier 2 regulatory capital) increased 11% YTD to SAR 48.5bn during 9M 2024 from SAR 3bn Additional Tier 1 sukuk issuance in 3Q 2024 as well as total comprehensive income partly offset by dividend payments.
- RWAs increased 12% YTD during 9M 2024 to SAR 249.4bn from lending growth.
- CAR was boosted to 19.4% and the Tier 1 ratio to 18.6% as of 30 September 2024.

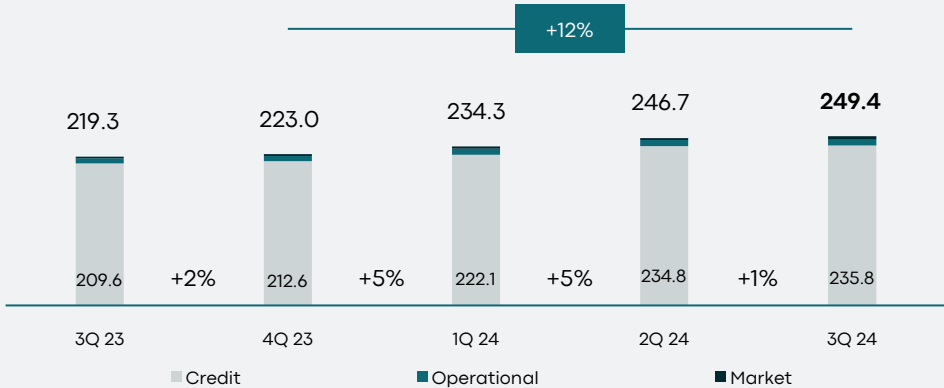
Total Capital Movement YTD (SAR Bn)



CAR (%)



RWA (SAR Bn)



BSF maintains the loan guidance, NIM and CoR unchanged, while moderating and refining the CIR, ROE and CET1 guidance



Metric	9M 2024 Outcome	2024 Guidance	3Q 2024 Revision	Guidance Drivers
Loans & Advances Growth	+12.1% ▲ YTD SAR Bn 201	Mid-teens	unchanged	The guidance reflects robust loan growth in 9M 2024, and a selective approach and anticipated repayments in 4Q 2024.
Net Interest Margin	3.06% ▼ -57 bps YOY	3.00 - 3.15%	unchanged	Initial NIM improvement in 4Q 2024 following the recent rate cut, as funding costs adjust quicker than the asset side.
Cost of Risk	57bps ▼ -41 bps YOY	55-65bps	unchanged	Expect relatively stable cost of risk in 4Q 2024 given continued benign credit environment.
Cost to Income Ratio	34.4% ▲ +3.9 pts YOY	~34%	revised from <33%	Guidance is revised up based on the 9M 2024 performance with some improvements expected in 4Q 2024.
Return on Equity	10.7% ▼ -79 bps YOY	~11%	revised from 11-13%	Returns guidance is refined based on 9M 2024 performance and expected improvement in 4Q 2024 from margin pickup and positive "jaws".
Core Equity Tier 1 Ratio	15.4% ▼ -126 bps YTD	~16%	revised from 16-17%	Capital ratios are expected to improve through retained earnings in 4Q 2024, following the current pressure from higher-than-expected loan growth.

Questions & Answers



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



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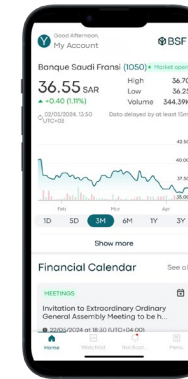
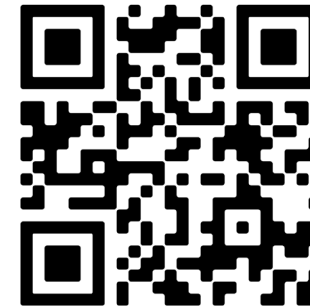
[Financial Disclosures](#)

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