



BSF Q4 2025 Earnings Call | 2nd February 2026

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00:00:08.842 --> 00:00:21.962

Olga Veselova | BofA: It's a pleasure and honor for us to host the BSF conference call today. Please allow me to pass the word to Yasmina Abbas, the Head of Group Commercial Delivery Investor Relations and BSF team. Yasmina, please, over to you.

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00:00:22.782 --> 00:00:40.582

BSF Management: Good afternoon, everyone, and welcome to BSF's Q4 earnings call. I would like to thank you, Olga, and the Bank of America team for hosting us today. Speaking first is BSF's CEO, Bedris Salum, who will go over the earnings summary and concluding remarks on the existing strategy.

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00:00:40.742 --> 00:00:58.392

BSF Management: Followed by BSF CFO, Ramzi Darwish, for a more detailed walkthrough of the financial performance, and then the platform will be open for Q&A. We are also joined by Zohair Merdam, Chief Treasury and Investment Officer, that will participate in the Q&A session.

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00:00:58.692 --> 00:01:00.151

BSF Management: Over to you, Badr.

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00:01:00.702 --> 00:01:09.792

BSF Management: Thank you, Asmina, and a very good afternoon to everyone. We appreciate you joining us today as we review our fourth quarter and full year 2025 results.

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00:01:10.182 --> 00:01:18.882

BSF Management: The financials that we are presenting today tell a story of solid growth in operating income and net profit, achieved in a challenging and competitive environment.

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00:01:19.262 --> 00:01:28.911

BSF Management: We focused on disciplined lending growth, improving operating efficiency, and prudent risk management, while continuing to strengthen our balance sheet and diversify our funding base.

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00:01:29.362 --> 00:01:32.951

BSF Management: Let me start with a quick overview of the key financial highlights for the year.

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00:01:34.552 --> 00:01:43.102

BSF Management: Loans grew by 5% year-on-year. This comprised of 2% rise in commercial loans, reflecting our selective approach to the segment.

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00:01:43.232 --> 00:01:50.641

BSF Management: And an 18% increase in consumer loans, with growth recorded across all categories, particularly when it comes to home financing.

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00:01:51.272 --> 00:02:03.181

BSF Management: On the funding side, customer deposits rose 5% year-on-year, matching our loan growth, with a rise in interest-bearing deposits, a sector-wide trend that we have managed well within the broader liability mix.

12

00:02:04.032 --> 00:02:11.421

BSF Management: As a result, the NIV ratio moderated and supported stable funding while maintaining balance sheet resilience.

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00:02:11.552 --> 00:02:23.902

BSF Management: In parallel, we continue to diversify our funding profile and strengthen the balance sheet through several successful capital market issuances, including term loans, private placement of bonds, and Tier 1 and Tier 2 capital.

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00:02:25.332 --> 00:02:36.751

BSF Management: This foundation, combined with positive jaws and lower impairments, enabled us to close the year with record earnings of 5.35 billion rial, marking an 18% increase year on year.

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00:02:37.532 --> 00:02:46.122

BSF Management: Net interest margin was stable year-on-year at 3.04%, with lower asset yields fully offset by a lower cost of funding and hedging gains.

16

00:02:46.402 --> 00:02:51.501

BSF Management: Quarter on quarter, NIM improved modestly to 9... 2.97%.

17

00:02:54.022 --> 00:03:01.632

BSF Management: On the asset quality, capital liquidity, asset quality remained stable, with only a marginal year-on-year increase in the MPL ratio.

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00:03:02.342 --> 00:03:05.431

BSF Management: Consistent with normal portfolio seasoning and migration.

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00:03:06.362 --> 00:03:14.352

BSF Management: Strong coverage of 178%, and then benign cost of risk reflect our discipline underwriting standards and proactive risk management.

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00:03:15.222 --> 00:03:23.591

BSF Management: Our liquidity coverage ratio remains strong, and we are well capitalized, with adequate headroom to meet any capital requirements set by SAML.

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00:03:24.842 --> 00:03:28.522

BSF Management: With that, let me briefly touch on a few non-financial highlights for the year.

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00:03:30.802 --> 00:03:49.711

BSF Management: Customer centricity remained the core of our growth and transformation agenda. In 2025, this translated into a rollout of our integrated omni-channel banking experience and a comprehensive branch transformation program, delivering a more seamless and consistent customer journey across physical and digital channels.

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00:03:50.562 --> 00:03:57.331

BSF Management: On brand and visibility, we continue to apply a disciplined and targeted sponsorship strategy aligned with our positioning priorities.

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00:03:58.522 --> 00:04:11.012

BSF Management: Finally, sustainability remains embedded across our governance and operations. In 2025, we launched Ather CSR program, supporting over 3,200 beneficiaries through education-focused initiatives.

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00:04:12.882 --> 00:04:28.081

BSF Management: Now, when it comes to our strategy execution, 2025 saw the conclusion of BSF's 2021 to 2025 strategy cycle, and I am delighted to confirm that this has given BSF a solid operational and financial foundation for our plans and targets through 2030.

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00:04:28.742 --> 00:04:45.851

BSF Management: We will be holding a special event on the 16th of February, where management will present a detailed overview of the bank's strategic direction and priorities, as well as the financial roadmap to deliver our vision of becoming a better, stronger, and faster bank through disciplined execution and sustainable value creation.

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00:04:45.962 --> 00:04:50.102

BSF Management: We are looking forward to sharing this with you, and I hope you will all save the date for this event.

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00:04:50.642 --> 00:04:56.602

BSF Management: With that, I'll now hand it over to Ramzi, who will walk you through the financial performance for the full year. Over to you, Ramzi.

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00:04:58.192 --> 00:05:07.152

BSF Management: Thank you, Bedera, and good day, everyone. Let me start by also adding my welcome, and thanking you for joining us today.

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00:05:07.752 --> 00:05:21.021

BSF Management: As the CEO just outlined, the year reflected an environment that continues to be dynamic, with changing market conditions and competitive pressures across the industry.

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00:05:21.702 --> 00:05:25.492

BSF Management: In that context, we've stayed true to ourselves.

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00:05:25.622 --> 00:05:32.962

BSF Management: Ensuring not only focus, but also the underlying discipline to grow the business in a sustainable manner.

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00:05:34.212 --> 00:05:37.491

BSF Management: Our focus throughout the period has been on the fundamentals.

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00:05:37.872 --> 00:05:44.091

BSF Management: Managing growth carefully, managing cost discipline, and staying prudent on risk.

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00:05:44.602 --> 00:05:49.412

BSF Management: These priorities continue to shape the way we allocate capital and run the balance sheet.

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00:05:49.652 --> 00:05:52.781

BSF Management: Even as the external environment evolves.

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00:05:53.892 --> 00:06:00.681

BSF Management: Furthermore, and in parallel, we've also been working to develop the strategic priorities for the upcoming years.

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00:06:01.892 --> 00:06:04.652

BSF Management: As we look ahead, our priorities are clear.

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00:06:04.932 --> 00:06:13.552

BSF Management: Strengthening profitability, improving capital efficiency, and positioning the bank for the next phase of its journey towards 2030.

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00:06:14.062 --> 00:06:20.541

BSF Management: And we want to do this in a way that balances near-term performance with long-term value creation.

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00:06:21.442 --> 00:06:31.232

BSF Management: With that context, let me walk you through the details of our financial performance for the full year of 2025, and provide an update on the progress we've made.

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00:06:31.622 --> 00:06:35.041

BSF Management: We will then leave plenty of time for your questions.

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00:06:35.642 --> 00:06:39.331

BSF Management: Let me start with the balance sheet on slide number 7.

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00:06:40.902 --> 00:06:44.802

BSF Management: Overall, our balance sheet continues to reflect prudent growth.

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00:06:45.112 --> 00:06:51.492

BSF Management: With total assets and total liabilities both up by 5% each year on year.

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00:06:52.022 --> 00:07:03.572

BSF Management: More importantly, that growth reflects a deliberate balance between positioning, optimization, and resilience, ensuring we maintain flexibility while supporting the business.

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00:07:04.792 --> 00:07:15.932

BSF Management: Starting on the asset side, loan growth of 5% for the year was primarily driven by the consumer segment, with growth on the commercial side remaining selective and measured.

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00:07:16.382 --> 00:07:22.192

BSF Management: This was achieved despite regular repayments and settlements, most notably during the fourth quarter.

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00:07:22.412 --> 00:07:28.771

BSF Management: Which speaks to the underlying momentum in origination, while maintaining discipline on risk and pricing.

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00:07:29.882 --> 00:07:39.712

BSF Management: Alongside this, we expanded our investment portfolio by 13%, with a clear focus on yield capture and balance sheet duration management.

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00:07:40.442 --> 00:07:46.021

BSF Management: Within that, we increased our fixed-rate investments by 15% year-on-year.

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00:07:46.132 --> 00:07:54.342

BSF Management: Allowing us not only to replace maturing investments, but also lock in higher yields, while reducing earnings volatility.

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00:07:54.882 --> 00:08:01.431

BSF Management: This was a deliberate positioning decision aimed at strengthening the stability of returns through the cycle.

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00:08:03.312 --> 00:08:10.402

BSF Management: On the liability side, customer deposits grew 5%, with growth skewed towards interest-bearing balances.

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00:08:10.882 --> 00:08:20.211

BSF Management: While we would naturally prefer a higher proportion of non-interest-bearing deposits, this reflects a conscious trade-off to support asset growth in the current environment.

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00:08:20.312 --> 00:08:26.622

BSF Management: While providing greater long-term flexibility for liability generation from the interbank market.

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00:08:27.302 --> 00:08:38.291

BSF Management: Importantly, the deposit mix in the fourth quarter was more normalized compared to the third quarter end-of-period balances, which we had highlighted included some transitory balances.

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00:08:38.862 --> 00:08:43.101

BSF Management: Nevertheless, overall funding costs remain well managed.

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00:08:44.452 --> 00:08:49.901

BSF Management: In parallel, we continue to actively develop our capital market funding profile.

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00:08:50.342 --> 00:08:58.721

BSF Management: Debt securities and term loans increased by 151%, or 23.4 billion Saudi reals.

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00:08:58.852 --> 00:09:08.701

BSF Management: Reflecting, again, a deliberate strategy to diversify funding sources, extend ten tenor, and reduce reliance on sensitive deposits over time.

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00:09:09.542 --> 00:09:18.842

BSF Management: During the quarter, we completed several private bond placements and secured a \$750 million US dollar term loan facility.

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00:09:19.092 --> 00:09:25.972

BSF Management: Bringing the total for 2025 to \$23.4 billion of additional funding.

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00:09:27.202 --> 00:09:39.991

BSF Management: This activity is not opportunistic. It's part of building on the consistent track record and creating long-term funding optionality as we support our growth ambitions towards the 2030 strategy.

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00:09:42.092 --> 00:09:53.532

BSF Management: Earning to capital, total equity rose 7% year-on-year, supported by retained earnings generation and improved OCI due to re-evaluation of investments.

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00:09:54.172 --> 00:10:02.732

BSF Management: This was complemented by proactive capital actions, including additional Tier 1 issuances earlier in the year and in the fourth quarter.

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00:10:03.152 --> 00:10:11.511

BSF Management: It was partially offset by a redemption of 5 billion Saudi reals in Tier 1 in the fourth quarter, along with dividend payments.

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00:10:13.012 --> 00:10:24.182

BSF Management: These actions, again, reflect a deliberate balance between capital efficiency and resilience, ensuring we remain well-positioned to grow while optimizing returns at the same time.

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00:10:25.332 --> 00:10:31.861

BSF Management: Stepping back, the balance sheet today provides us with the flexibility, resilience, and capacity.

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00:10:32.002 --> 00:10:38.711

BSF Management: All of which are critical as we remain focused on improving profitability and supporting sustainable growth.

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00:10:40.032 --> 00:10:46.781

BSF Management: With that in mind, let me move on to the specifics on the loans and advances on page number 8.

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00:10:49.762 --> 00:10:56.902

BSF Management: Total loans grew 5% year-on-year, supported by growth across consumer and commercial portfolios.

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00:10:57.142 --> 00:11:01.742

BSF Management: With a small plus-minus 1% change on a sequential basis.

74

00:11:02.802 --> 00:11:18.662

BSF Management: Commercial lending grew modestly by 2% year-on-year, and slowed sequentially as we maintained a disciplined and selective origination approach, which was more than offset by close to 9 billion Saudi rials in repayments and settlements.

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00:11:19.312 --> 00:11:27.111

BSF Management: Demand, nevertheless, remained strong, with growth moderating by our focus on profitability and risk-adjusted returns.

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00:11:28.432 --> 00:11:36.291

BSF Management: By sector, balances increased in services, utilities, and government, while commerce and contracting declined.

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00:11:37.122 --> 00:11:46.061

BSF Management: Some of this volatility between the sectors, roughly 7 billion rials, reflects sector reclassifications that we had highlighted in the third quarter.

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00:11:46.252 --> 00:11:57.762

BSF Management: As a reflection in the now live systems kicked off, along with completed contracting loans reallocated to other sectors, and in aligning with regulatory reporting.

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00:11:58.372 --> 00:12:04.701

BSF Management: This process will continue throughout 2026, as migration into the new system completes.

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00:12:05.462 --> 00:12:10.861

BSF Management: Looking through these, In terms of underlying actual sector changes.

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00:12:11.092 --> 00:12:15.541

BSF Management: Commerce declined, whereas services and utility sectors increased.

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00:12:17.872 --> 00:12:30.471

BSF Management: For consumer lending, they performed very well and was very strong in 2025, growing by 18% year-on-year, with the positive momentum continuing in the fourth quarter.

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00:12:30.982 --> 00:12:36.191

BSF Management: The strongest growth product was in mortgages, up 24% year-on-year.

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00:12:36.722 --> 00:12:45.611

BSF Management: We remain strategically focused on growing the retail portfolio, given its attractive margins and natural hedge against interest rate risk.

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00:12:46.652 --> 00:13:02.032

BSF Management: It's also worth noting that JB, our finance company arm, contributed close to half of the growth in personal finance, and they would be all of the growth in auto loans, showing that continued strength and appeal of this franchise.

86

00:13:03.602 --> 00:13:12.581

BSF Management: Lastly, it's important to highlight the continued strong momentum in credit cards, which had a significant pickup of 34%,

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00:13:13.092 --> 00:13:21.482

BSF Management: Powered by more comprehensive marketing initiatives, alongside new card propositions to attract new-to-bank clients.

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00:13:21.962 --> 00:13:25.602

BSF Management: As well as improving the wallet share with existing clients.

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00:13:26.392 --> 00:13:36.322

BSF Management: This turbocharge did come with additional costs and fee expenses, but the full value proposition continues to remain important for clients.

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00:13:36.322 --> 00:13:47.682

BSF Management: And the standalone product profitability, when taking everything into account, continues to remain a standout amongst the product portfolio, and one we will continue to move forward with.

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00:13:49.652 --> 00:13:54.632

BSF Management: Next, we'll provide more information on customer deposits on page 9.

92

00:13:56.442 --> 00:14:01.841

BSF Management: Customer deposits were up 5% year-on-year and quarter on quarter.

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00:14:02.052 --> 00:14:06.091

BSF Management: Supported by inflows from both retail and corporate clients.

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00:14:06.212 --> 00:14:09.101

BSF Management: Mainly, again, from interest-bearing deposits.

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00:14:09.942 --> 00:14:23.192

BSF Management: These interest-bearing deposits rose 13% year-on-year and 16% quarter-on-quarter, supported by more rational pricing as liquidity conditions modestly eased during the fourth quarter.

96

00:14:23.912 --> 00:14:34.282

BSF Management: Deposits were also strategically added to support headline balance sheet ratios, including alignment with the bank's risk appetite framework and liquidity management objectives.

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00:14:36.142 --> 00:14:41.642

BSF Management: Non-interest-bearing deposits fell 4% year-on-year and 6% Q-on-Q.

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00:14:41.952 --> 00:14:45.172

BSF Management: Largely driven by a reduction in corporate balances.

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00:14:45.642 --> 00:14:57.772

BSF Management: We had highlighted in the third quarter that the spot balances included some transitory deposits that deviated from the average of the quarter, and impacting the net interest margins at that time.

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00:14:58.402 --> 00:15:02.591

BSF Management: Whereas for Q4, it is a more accurate reflection.

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00:15:03.452 --> 00:15:13.892

BSF Management: Consequently, with the increase in interest-bearing deposits, along with the decline in non-interest-bearing deposits, the CASA ratio fell to 42.5%.

102

00:15:14.532 --> 00:15:20.361

BSF Management: This trend is likely to continue into the coming year, in line with the broader market.

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00:15:20.672 --> 00:15:30.802

BSF Management: The rates outlook will continue to be a headwind to non-interest-bearing deposit gathering, albeit providing glimpses of abating with rates moving lower.

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00:15:30.982 --> 00:15:34.001

BSF Management: But this is a factor we acknowledge and are planning for.

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00:15:35.292 --> 00:15:51.831

BSF Management: We aim overall to maintain our non-interest-bearing deposit ratio above 40%, supported by disciplined balance sheet management and ongoing efforts to strengthen deposit mobilization across both personal and wholesale banking segments.

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00:15:52.832 --> 00:16:00.211

BSF Management: On the retail side, we are focused on acquiring new clients through the investments made in the omnichannel platform.

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00:16:00.362 --> 00:16:07.511

BSF Management: digital capabilities enhancement, and marketing investments, such as with the Saudi Pro League sponsorship.

108

00:16:09.012 --> 00:16:20.012

BSF Management: A wholesale perspective, we are investing across trade finance, SME, and business banking to deepen client relationships and expand share of wallet.

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00:16:20.752 --> 00:16:32.701

BSF Management: The ICP platform has already been launched, and business banking is expected to go live by mid-year 2026, opening new opportunities and avenues for the bank.

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00:16:34.681 --> 00:16:48.172

BSF Management: Going forward, we will continue to manage deposits proactively, balancing, again, near-term performance with maintaining the flexibility and headroom required to support growth as opportunities accelerate.

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00:16:49.572 --> 00:16:58.192

BSF Management: Now that we have covered the main elements on the balance sheet side, let's move into the P&L to look at how this translated into earnings during the year.

112

00:17:02.062 --> 00:17:10.922

BSF Management: Net income improved 18% year-on-year, supported by higher operating income, positive jobs, and better impairments.

113

00:17:11.292 --> 00:17:20.781

BSF Management: However, on a quarter-on-quarter basis, net income declined 7%, driven by elevated OPEX on account of some non-recurring expenses.

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00:17:21.202 --> 00:17:23.751

BSF Management: I will cover these in more detail later.

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00:17:24.772 --> 00:17:36.192

BSF Management: For operating income, here we grew by 9% year-on-year, supported by 10% net interest income growth, and 4% non-interest income growth.

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00:17:36.852 --> 00:17:52.662

BSF Management: Whereas on a sequential basis, we grew operating income by close to 1%, as NII had a 2.5% growth, compared to a 7% decline in non-interest income, of which half of the impact was from credit card fees alone.

117

00:17:53.132 --> 00:17:59.151

BSF Management: As highlighted earlier in this call, and we will see later in the fee detail... fee details.

118

00:18:00.932 --> 00:18:09.461

BSF Management: ROE improved by 39 basis points year-on-year to 10.7%, reflecting improved underlying profitability

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00:18:09.682 --> 00:18:13.212

BSF Management: Partly offset by higher average equity balances.

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00:18:13.982 --> 00:18:23.282

BSF Management: Similar to what we had highlighted in the third quarter, there was a positive revaluation of an FBOCI investment during the year, which was not expected.

121

00:18:23.572 --> 00:18:29.492

BSF Management: Excluding this revaluation, the ROE would have been at 10.81%.

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00:18:31.532 --> 00:18:37.991

BSF Management: Now, also important to highlight, going forward, we will report ROE based on shareholders' equity.

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00:18:38.202 --> 00:18:41.762

BSF Management: Replacing the total equity definition used previously.

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00:18:42.322 --> 00:18:49.421

BSF Management: This change aligns us with industry practice and provides a more accurate view of returns attributable to shareholders.

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00:18:49.852 --> 00:18:54.302

BSF Management: For this quarter specifically, we have disclosed both measures for comparison.

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00:18:54.702 --> 00:18:59.711

BSF Management: And our guidance for next year will be based on ROE on shareholders' equity.

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00:19:00.392 --> 00:19:03.401

BSF Management: I'm happy to take questions on this in the Q&A.

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00:19:03.632 --> 00:19:12.711

BSF Management: And just as a reference, the full year 2025 ROE, based on shareholders' equity, ended at 11.87%.

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00:19:14.562 --> 00:19:19.791

BSF Management: That being said, let's turn next to net interest income on slide 11.

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00:19:22.802 --> 00:19:33.952

BSF Management: So, net interest income increased by 10% year-on-year, driven by growth in average interest-earning assets by 10%, while margins held steady.

131

00:19:34.802 --> 00:19:47.441

BSF Management: Despite the 5% increase in customer deposits, interest expense on these deposits declined by 7%, reflecting lower benchmark rates and the bank's dynamic funding approach.

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00:19:48.712 --> 00:19:59.041

BSF Management: Interest income grew by 7% year-on-year, while funding costs rose by a more modest 4%, contributing to the positive NII that we aim to achieve.

133

00:20:00.362 --> 00:20:12.062

BSF Management: On a quarterly basis, interest income was broadly stable, but funding costs declined by 2%, resulting in a slight quarter-on-quarter increase in net interest income.

134

00:20:13.412 --> 00:20:18.702

BSF Management: Looking at the constituents of net interest income year on year, we highlight the positive impact

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00:20:18.812 --> 00:20:27.782

BSF Management: Or loans, cash flow hedges, the investment book, and customer deposits more than offset the change in due to bank and debt costs.

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00:20:27.902 --> 00:20:30.942

BSF Management: Contributing overall \$809 million.

137

00:20:31.092 --> 00:20:33.332

BSF Management: Saudi has a net interest income.

138

00:20:35.292 --> 00:20:39.832

BSF Management: We take a different view on this in slide number 12, next.

139

00:20:42.492 --> 00:20:55.641

BSF Management: So, we have managed net interest margins effectively through a combination of short-term measures, such as selective lending, and long-term actions, primarily through interest rate hedging and investment strategies.

140

00:20:56.402 --> 00:21:04.381

BSF Management: For example, cash flow hedges contributed in reducing the impact on NIM from lower rates by 13 basis points throughout the year.

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00:21:05.392 --> 00:21:09.602

BSF Management: As a result, full-year net interest margin remains stable.

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00:21:10.762 --> 00:21:26.122

BSF Management: basis points, with benefits from lower cyber on deposit funding costs and cash flow hedges, offset by lower loan yields, higher funding costs on debt securities and term loans, and a lower non-interest-bearing deposit ratio.

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00:21:27.112 --> 00:21:35.912

BSF Management: On a quarterly basis, net interest margins improved one basis point quarter over quarter, primarily from a lower deposit funding cost.

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00:21:39.302 --> 00:21:40.611

BSF Management: On the next slide...

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00:21:40.732 --> 00:21:50.972

BSF Management: Slide 13, and more in line with our discussion on NIM and sensitivity, we highlight the salient points on rate sensitivity overall.

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00:21:52.902 --> 00:22:05.722

BSF Management: Our interest rate sensitivity is currently negatively correlated to rate movements, with 100 basis points downward rate shift estimated to impact NIM positively by approximately 4 basis points.

147

00:22:06.152 --> 00:22:15.552

BSF Management: This is reflected, albeit in an absolute basis, in the chart at the bottom left of the page, but is clearly defined in the published Pillar 3 reports.

148

00:22:16.492 --> 00:22:30.822

BSF Management: It is important to highlight that this is based on a snapshot of the balance sheet as year-end, and is subject to a static balance sheet going forward, and includes many sensitivities, which, importantly, includes the cancer ratio.

149

00:22:31.312 --> 00:22:39.921

BSF Management: Hence, we would continue to view our sensitivity as relatively neutral, given the small basis point sensitivity mentioned.

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00:22:41.902 --> 00:22:52.312

BSF Management: The notional value of cash flow hedge swaps declined by 20% year-on-year, and 11% quarter-over-quarter, or by \$6.2 billion.

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00:22:52.422 --> 00:22:56.072

BSF Management: From, 2024, year end.

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00:22:56.592 --> 00:23:09.621

BSF Management: This was a conscious decision to continue to manage interest rate sensitivity at an overall group and at a portfolio level, as this reflects higher fixed-rate investments of close to 8 billion Saudi rials.

153

00:23:09.792 --> 00:23:21.071

BSF Management: and growth in retail lending, which is fixed rate, of close to 7 billion Saudi reales, both of which naturally reduce balance sheet sensitivity and the need for hedging.

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00:23:23.792 --> 00:23:29.242

BSF Management: Next, moving on to non-interest income on slide 14,

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00:23:29.832 --> 00:23:44.882

BSF Management: Mountain interest income increased by 4% year-on-year, driven mainly by strong investment income, including capital gains of roughly 117 million rials on FVOCI debt securities.

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00:23:44.972 --> 00:23:55.811

BSF Management: as well as other operating income, which includes a one-off gain of around 30 million Saudi reales from the sale of an asset recorded in the second quarter of 2025.

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00:23:57.122 --> 00:24:05.502

BSF Management: Hating income declined 18% year-on-year, reflecting the absence of a sizable one-off gain recorded in 2024.

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00:24:06.072 --> 00:24:11.512

BSF Management: On an underlying basis, trading performance improved compared to the prior year.

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00:24:12.242 --> 00:24:22.041

BSF Management: For reference, trading income in 2024 included a one-off gain on the sale of an investment with a net positive effect. When adjusting for this one-off.

160

00:24:22.182 --> 00:24:31.132

BSF Management: The year-on-year trading income growth would have been positive 34% in 2025, versus our headline numbers.

161

00:24:33.402 --> 00:24:50.572

BSF Management: Lastly, fee and commission income narrowed by 2% year-on-year on account of slightly higher credit card expenses driven by higher card fee expenses, in addition to a reclassification of \$63 million in non-interest income.

162

00:24:50.852 --> 00:24:54.911

BSF Management: To net to interest income, as also mentioned last quarter.

163

00:24:55.292 --> 00:24:57.252

BSF Management: When adjusting for this one-off.

164

00:24:57.382 --> 00:25:07.001

BSF Management: The underlying fee income growth in the year would have been positive 5%, or more in line with the balance sheet growth compared to the headline figure.

165

00:25:08.752 --> 00:25:26.082

BSF Management: On a quarterly basis, non-interest income declined 7% sequentially, driven by a low contribution from investment income, higher cards expenses related to airline campaigns, and the impact of SAMA's fee caps for end customers.

166

00:25:26.372 --> 00:25:32.842

BSF Management: We are taking steps to partially offset this through high yield... through higher yield rationalization.

167

00:25:34.052 --> 00:25:39.351

BSF Management: Next, we move on to operating expenses on slide 15.

168

00:25:41.822 --> 00:25:51.032

BSF Management: Operating expenses, excuse me, were up 4% on a year-on-year basis, mainly on higher G&A expenses and depreciation.

169

00:25:51.712 --> 00:25:59.392

BSF Management: If we look in more detail at our year-on-year cost growth, we see that staff costs were well contained.

170

00:25:59.742 --> 00:26:06.592

BSF Management: Partly supported by provision releases in prior quarters, and stable average headcount during the year.

171

00:26:07.122 --> 00:26:10.372

BSF Management: So we absorbed business growth with stable workforce.

172

00:26:10.782 --> 00:26:16.811

BSF Management: Enabled the go-live of our digital transformation projects and the related improvements in efficiency.

173

00:26:17.722 --> 00:26:24.402

BSF Management: The flip side is that we did see depreciation in other G&A go up by approximately 11%.

174

00:26:24.562 --> 00:26:33.002

BSF Management: Largely on higher recurring IT operational expenses, and higher IT-related depreciation post the go-lives.

175

00:26:34.112 --> 00:26:42.992

BSF Management: Overall, we are comfortable with this cost growth trajectory, where we improve operational efficiency on the back of our digital transformation programs.

176

00:26:44.542 --> 00:26:54.571

BSF Management: Despite these increases, the full year cost-to-income ratio improved by 152 basis points, demonstrating overall operational efficiency gains.

177

00:26:55.712 --> 00:27:01.591

BSF Management: On a quarterly basis, OPEX increased by 13%, mainly due to higher year...

178

00:27:01.782 --> 00:27:04.592

BSF Management: And through up accruals across the board.

179

00:27:05.462 --> 00:27:12.312

BSF Management: The full year also... OPEX also included around \$60 million of one-off expenses.

180

00:27:12.532 --> 00:27:19.132

BSF Management: Including increases in provisions due to the revaluation and disposition of other real estate owned.

181

00:27:19.542 --> 00:27:25.171

BSF Management: Other, such as unbudgeted items for regulatory items.

182

00:27:25.272 --> 00:27:32.042

BSF Management: Operational risk items, and an agreed back payment with a commercial provider for prior year service.

183

00:27:32.902 --> 00:27:38.512

BSF Management: For the go-forward cost efficiency, we have cleared pending payments, which had been in dispute.

184

00:27:38.722 --> 00:27:52.942

BSF Management: We put in place stronger controls on the accrual process with a more system-wide approach going live in 2026, along with stricter cost approval processes to manage efficiency on the cost front.

185

00:27:55.832 --> 00:27:59.872

BSF Management: Moving next to slide 16 on impairment charges.

186

00:28:00.422 --> 00:28:07.012

BSF Management: A positive story overall, with impairments decreasing by 16% year-on-year.

187

00:28:07.262 --> 00:28:10.342

BSF Management: Primarily due to lower commercial charges.

188

00:28:10.642 --> 00:28:19.251

BSF Management: And remained unchanged quarter on quarter, as an increase in credit losses was offset by reversals in off-balance sheet impairments.

189

00:28:20.712 --> 00:28:28.001

BSF Management: Cost of risk narrowed to 45 basis points for the full year, improving by 13 basis points year on year.

190

00:28:29.592 --> 00:28:35.511

BSF Management: Further into the risk side, we go through the NPL and coverage on slide 17.

191

00:28:37.312 --> 00:28:41.881

BSF Management: The NPL ratio inched up by 4 basis points year-on-year.

192

00:28:41.982 --> 00:28:48.842

BSF Management: to 97 basis points, from higher NPL balances for both consumer and commercial portfolios.

193

00:28:49.242 --> 00:28:57.342

BSF Management: This remains consistent with our normal portfolio seasoning and migration, and stays comfortably within our risk appetite.

194

00:28:58.322 --> 00:29:04.021

BSF Management: On a quarterly basis, the NPL ratio improved marginally, supported by write-offs.

195

00:29:05.872 --> 00:29:18.792

BSF Management: For NPL coverage, this was at 178%, down 3 percentage points year-on-year, but up 4 percentage points sequentially, reflecting an increase in Stage 3 coverage.

196

00:29:18.792 --> 00:29:29.292

BSF Management: to 70.5%, from 64.8% in the previous quarter, as we continue to focus on prudence in the approach to Stage 3 loans.

197

00:29:31.682 --> 00:29:37.002

BSF Management: Next, we take a deeper dive into capital on slide 18.

198

00:29:38.632 --> 00:29:47.322

BSF Management: Our capital position continues to remain strong, with the capital advocacy ratio rising to 21.4%,

199

00:29:47.482 --> 00:29:50.451

BSF Management: Following multiple issuances during the year.

200

00:29:50.902 --> 00:29:59.051

BSF Management: The Tier 1 ratio and CET1 ratio stood at 19.2% and 16.2%, respectively.

201

00:29:59.252 --> 00:30:07.912

BSF Management: Improving year-on-year and quarter on quarter, reflecting strong capital generation, as well as disciplined RWA growth.

202

00:30:10.652 --> 00:30:16.282

BSF Management: Moving on to the full year 2025 performance against guidance.

203

00:30:16.652 --> 00:30:24.611

BSF Management: And to summarize our full year 2025 performance, we met or exceeded 4 of our six guidance metrics.

204

00:30:25.072 --> 00:30:31.772

BSF Management: The main deviation was in the cost-to-income ratio, reflecting the one-off items discussed earlier.

205

00:30:32.492 --> 00:30:41.082

BSF Management: This, together with a stronger-than-anticipated capital base, resulted in a slight shortfall versus our ROE guidance.

206

00:30:41.492 --> 00:30:53.611

BSF Management: However, the underlying earnings momentum remains intact, and we continue to see clear levers to improve efficiency and ROE into 2026 and beyond.

207

00:30:56.442 --> 00:31:01.952

BSF Management: Moving, finally, to slide 20 on the 2026 guidance.

208

00:31:03.622 --> 00:31:13.492

BSF Management: We expect a favorable year ahead, and remain committed to improving profitability through sustainable loan growth, margin resilience, and efficiency improvements.

209

00:31:14.212 --> 00:31:17.491

BSF Management: Loans are expected to grow by high single digits.

210

00:31:17.932 --> 00:31:25.992

BSF Management: Supported by stronger volumes in both the commercial and consumer portfolios, with JB driving growth in consumer lending.

211

00:31:27.602 --> 00:31:41.651

BSF Management: Net interest margin is expected to remain around the 3% level, as a slight moderation in the non-interest-bearing deposit ratio is partially offset by expected repricing in the corporate book.

212

00:31:41.972 --> 00:31:44.002

BSF Management: As well as growth in JV.

213

00:31:44.442 --> 00:31:48.432

BSF Management: Based on our assumption of 1 to 2 rate cuts during the year.

214

00:31:50.142 --> 00:32:01.592

BSF Management: Our cost of risk outlook is around 45 to 55 basis points, reflecting some normalization towards our through-the-cycle range of 60 basis points.

215

00:32:01.932 --> 00:32:07.061

BSF Management: As well as increased JB lending and potentially lower recoveries.

216

00:32:09.492 --> 00:32:19.641

BSF Management: The cost-to-income ratio is expected to fall below 33% on strict cost discipline and improved fee generation from non-funded lines.

217

00:32:20.842 --> 00:32:35.221

BSF Management: Lastly, we aim to maintain CET1 levels comfortably above 15%, supported by retained earnings generation, while balancing growth-related capital consumption and increased regulatory requirements.

218

00:32:36.972 --> 00:32:54.751

BSF Management: Overall, BSF delivered steady progress in 2025. Our balance sheet agility, discipline, selectivity, effective NIM management, and continued cost optimization throughout the year have supported a meaningful improvement in bottom line profitability.

219

00:32:55.722 --> 00:33:06.052

BSF Management: This positions us well for the journey ahead, and we look forward to outlining how this momentum will accelerate through 2030 in our upcoming strategy call.

220

00:33:06.912 --> 00:33:13.181

BSF Management: That concludes our Full Year 2025 presentation, and now we're happy to take your questions.

221

00:33:19.962 --> 00:33:20.742

Madhu Appissa | Rajil Capital: Okay.

222

00:33:21.622 --> 00:33:32.502

Olga Veselova | BofA: Thank you very much for the presentation. I will start the Q&A. This is Olga Visilov from Bank of America. And we'll ask two questions, and then we'll pass the word to the other

223

00:33:32.502 --> 00:33:42.062

Olga Veselova | BofA: attendees. Couple of questions from my side. You guide, 1-2 percentage point improvement in profitability this year versus last year.

224

00:33:42.062 --> 00:33:58.032

Olga Veselova | BofA: Despite flat-ish net interest margin, higher cost of risk, and a bit of improvement in cost-income ratio. So, do you think this profitability improvement would be driven by efficiency, or is there any other components which will help you to drive RE up?

225

00:33:58.162 --> 00:34:02.501

Olga Veselova | BofA: That's question number one. And question number two is on the use of capital.

226

00:34:02.912 --> 00:34:21.161

Olga Veselova | BofA: Saudi Francis has a robust capital-acquacy ratio, comfortably meets requirements from SAMA, including after increases of counter-cyclical buffers, has a moderate balance sheet growth appetite. What prevents you from growing the dividend payout ratio in this environment? Thank you very much.

227

00:34:24.822 --> 00:34:41.771

BSF Management: Thank you, Olga. So, just to, confirm maybe on the first question, on profitability, what I understood is that the drivers of the ROE improvement, going forward into 2026? Correct. If I understood? Yes. Okay.

228

00:34:42.292 --> 00:34:55.722

BSF Management: So, I think we want to continue more or less the same as what we've been focusing on in 2025. So, it is going to be marginal improvements overall, but the area is going to be twofold. On revenue growth.

229

00:34:55.942 --> 00:35:05.381

BSF Management: Their... the maintenance on net interest margin, alongside balance sheet growth, would drive, net interest income higher.

230

00:35:05.542 --> 00:35:08.932

BSF Management: But the big focus for BSF

231

00:35:09.092 --> 00:35:22.252

BSF Management: going forward is on non-funded or non-interest income. And there, we see an opportunity, compared to peers. We see the differentiation in terms of the decomposition of ROE.

232

00:35:22.322 --> 00:35:30.722

BSF Management: So, non-funded income is another area that we want to look at. At the same time, maintaining a positive job, so really.

233

00:35:30.792 --> 00:35:49.471

BSF Management: focusing on a full-year basis for cost control and optimization, where we've done a lot of hard work over the last two years. We've had success, specifically this year on the staff expense side, so managing cost below the operating profit growth.

234

00:35:49.472 --> 00:36:07.122

BSF Management: we feel will continue to put us on this path for improving ROE on a sustainable basis. It may not be a step change year on year, but it's a positive change and positive momentum that we're really looking at for sustainable improvement there.

235

00:36:08.172 --> 00:36:25.141

BSF Management: On to the second question on capital, rightfully mentioned, very well capitalized. I think a few changes we witnessed last year, and in the effort of being more prudent and conservative on one angle.

236

00:36:25.142 --> 00:36:35.881

BSF Management: Given the changes on the regulatory side for CAPTA requirements on a bilateral basis with the regulator, but also for the counter-cyclical buffer and

237

00:36:35.942 --> 00:36:43.281

BSF Management: the, interest rate risk in the banking book. All three of these, I think we wanted to be sure we would be well covered.

238

00:36:43.362 --> 00:37:02.862

BSF Management: In addition to allowing for potential growth on the lending side, albeit, again, one where we are willing to be more selective, but we feel the opportunity is there, and we want to be ready, instead of having to issue capital

239

00:37:03.822 --> 00:37:10.352

BSF Management: on a basis where we need it. We want to have that prepared for dry powder going forward.

240

00:37:10.612 --> 00:37:25.281

BSF Management: So, on the question for dividends, I think this is a bilateral discussion, again, we have typically with the central bank, not only on individual dividend payments, but also on overall capital.

241

00:37:25.282 --> 00:37:32.422

BSF Management: Requirements, and these go out really long-term, so up to 3 years in terms of projections.

242

00:37:32.712 --> 00:37:51.291

BSF Management: So for that reason, I think we want to continue to maintain this balance between, let's say, prudent capital allocation against dividend payments that we feel we can afford and still generate organic capital internally.

243

00:37:52.412 --> 00:37:54.541

BSF Management: I hope that, clarifies.

244

00:37:54.732 --> 00:38:05.761

Olga Veselova | BofA: Yes, it does. Thank you, Ramzi. Let me pass the word to the next, attendee. Mehmed from JP Morgan, please go ahead from your ques... with your question.

245

00:38:07.732 --> 00:38:23.341

Mehmet Sevim | JP Morgan: Good afternoon, thanks very much for the presentation. I just had two questions, please. One on the NIM outlook, and that's in line, basically, with your loan growth forecast also. So this year, you decoupled a little bit from your peers, you...

246

00:38:23.342 --> 00:38:27.911

Mehmet Sevim | JP Morgan: Delivered very resilient name, but that obviously was on the back of also

247

00:38:28.062 --> 00:38:42.991

Mehmet Sevim | JP Morgan: quite selective lending. And into 2026, you're guiding for a little bit of niv improvement, but at the same time, I see you're guiding for high single-digit long road, so there'll be some acceleration there. So how should we think about this?

248

00:38:43.202 --> 00:38:53.462

Mehmet Sevim | JP Morgan: And, what kind of assumptions do you have in... for NIMS going into 2026. And, you mentioned, my second question, you mentioned, non-funded income.

249

00:38:53.552 --> 00:38:59.241

Mehmet Sevim | JP Morgan: will be a big driver of profitability improvement. I'm sure we'll hear more about that,

250

00:38:59.312 --> 00:39:18.361

Mehmet Sevim | JP Morgan: with the strategy presentation, but could you please help us understand the fee growth prospects for 2026, particularly on the back of the regulatory changes, but also the slower momentum we saw in 2025? Thanks very much.

251

00:39:22.592 --> 00:39:31.152

BSF Management: So, I guess I'll take the first question. Thank you, Mohamed, for the question. So, historically, BSF's balance sheet was predominantly,

252

00:39:31.342 --> 00:39:46.442

BSF Management: skewed towards corporate, assets with high proportion of, floating rate, loans funded by, NIPS, zero-cost current accounts, resulting in a structural earning variability across interest rate cycles.

253

00:39:46.622 --> 00:39:58.112

BSF Management: Now, to manage interest rates, to manage this risk, as the CFO earlier mentioned, we have several venues to fix our balance sheet, whether through cash flow hedging.

254

00:39:58.272 --> 00:40:04.931

BSF Management: Fixed-rate investments, or the natural on-balance sheet through retail fixed-rate assets.

255

00:40:05.442 --> 00:40:10.792

BSF Management: And these basically would stabilize our net interest income.

256

00:40:10.872 --> 00:40:25.541

BSF Management: through the cycle. As of today, we are, relatively neutral. In fact, we're negatively correlated towards an interest rate drop in terms of profitability, so we expect that to have a positive impact

257

00:40:25.572 --> 00:40:37.131

BSF Management: on our net interest margin. In addition to that, we've been working on repricing our corporate assets, of which we have seen quite success.

258

00:40:37.322 --> 00:40:41.502

BSF Management: Now, the only difference, or the lever, is basically the,

259

00:40:41.832 --> 00:40:45.162

BSF Management: CASA ratio, and how that would evolve

260

00:40:45.352 --> 00:40:48.631

BSF Management: Vis-a-vis, the, the asset growth.

261

00:40:50.752 --> 00:40:54.102

BSF Management: Moreover, we do have,

262

00:40:54.212 --> 00:41:03.411

BSF Management: A maturity profile on our investment book, of which several fixed-rate assets would mature in 2026.

263

00:41:03.532 --> 00:41:11.962

BSF Management: And that would also be replaced at higher yields in the current environment, and would also have a positive impact on net interest margin.

264

00:41:14.392 --> 00:41:19.862

BSF Management: I would just add maybe one more point to that on net interest margins. We've been able to do this

265

00:41:19.882 --> 00:41:33.731

BSF Management: I think starting quite early, almost a year and a half ago, in terms of the focus on repricing, and it was at a time where it was still very competitive in terms of market share.

266

00:41:33.732 --> 00:41:50.211

BSF Management: capture amongst other banks. I think we've been hearing more that there's a bit more banners also coming at other banks. I think we've been seeing it on the ground as well. So I'd say the one difference compared to previous years

267

00:41:50.212 --> 00:42:05.011

BSF Management: Is that it's not us alone that are going through this repricing exercise, so it should give more opportunity to grow more or less in line with the market at the same sort of repricing

268

00:42:05.012 --> 00:42:16.662

BSF Management: focus that we've had before. Now, this is still, you know, remains to be seen, fully through the numbers, but that's our expectation, that we would expect competition

269

00:42:16.772 --> 00:42:20.352

BSF Management: Also, on margin, to start moving in the same direction.

270

00:42:24.332 --> 00:42:25.801

BSF Management: Sure, and...

271

00:42:26.082 --> 00:42:40.281

BSF Management: Okay, and to answer the second question, regarding the non-funded income, as Ramzi mentioned, in 2026 and beyond, there's going to be lots of focus on non-funded income, fees and commission,

272

00:42:40.402 --> 00:43:00.042

BSF Management: to be specific, and other lines. However, we will be able to elaborate further in our strategy call, but just highlighting where we expect that non-interest income to come from throughout the bank, on the wholesale banking side, with our focus on liquidity and cash management, trade finance, and supply chain financing.

273

00:43:00.042 --> 00:43:07.672

BSF Management: On the BSF Capital side, we aim to maintain and also grow our investment banking fees.

274

00:43:07.672 --> 00:43:13.952

BSF Management: And also, push for more of our fair share of brokerage and asset management fees.

275

00:43:13.952 --> 00:43:34.122

BSF Management: On the Treasury side, we see that there's an opportunity to grow fees by providing more hedging solutions to our clients, also growing FX, and trading income in line with the overall growing balance sheet. On the retail banking side, the largest component of fees is loan fees, which is reflected under interest income.

276

00:43:34.362 --> 00:43:41.102

BSF Management: And again, as mentioned, we will be able to elaborate further in our strategy call on the 16th of February.

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00:43:43.002 --> 00:43:44.452

Mehmet Sevim | JP Morgan: Great, thanks very much.

278

00:43:46.292 --> 00:43:50.592

Olga Veselova | BofA: Our next question is from Rahul Bajaj from Citibank. Rahul, over to you.

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00:43:53.142 --> 00:43:58.662

Rahul Bajaj | Citibank: Thank you, this is Rahul from Citi. I have a couple of quick questions. First one is on...

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00:43:58.852 --> 00:44:04.432

Rahul Bajaj | Citibank: Just looking at the balance sheet asset side, very strong growth on the investment income line.

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00:44:04.432 --> 00:44:27.692

Rahul Bajaj | Citibank: sorry, investment securities line, compared to the loans. Just wanted to understand, how are you thinking in terms of growing both these line items? Is it either or? If you get an opportunity on the loans, you grow the loans or deploy it into investment securities, or there is... there is a kind of internal target to grow investment securities, in a particular manner to... to kind of,

282

00:44:27.772 --> 00:44:45.971

Rahul Bajaj | Citibank: as you rightly said earlier, to lock in higher interest rate, sort of investments. So, just wanted to understand, the growth there. The second question is on the guidance around loan growth, and you're now pointing to high single-digit growth compared to

283

00:44:45.972 --> 00:45:09.301

Rahul Bajaj | Citibank: mid-single-digit growth last year. Just wanted to understand, where are you seeing the delta, in terms of the recovery? Is it more retail-driven, which has remained pretty strong through last year for yourself? Or, you think it will be wholesale, where you will see incremental, sort of, growth come in? So, where is the delta coming from? And maybe a small, quick, third question, if I may ask, please.

284

00:45:09.302 --> 00:45:21.302

Rahul Bajaj | Citibank: And please correct me if I'm wrong, I think I heard that there was a one-off element in OPEX, in 4Q. Are you able to quantify what was the size of that one-off element? Thank you.

285

00:45:25.532 --> 00:45:30.982

BSF Management: Thanks, Raul, thank you for your question. So, I'll take the, the first question with regards to the investment book growth.

286

00:45:31.152 --> 00:45:35.991

BSF Management: So as you mentioned, it's a bit of a combination of

287

00:45:36.412 --> 00:45:42.472

BSF Management: Excess, excess day-to-day funding, day-to-day liquidity.

288

00:45:42.682 --> 00:45:45.532

BSF Management: Interest rate risk.

289

00:45:46.052 --> 00:45:51.072

BSF Management: As well as the, let's say, slower than anticipated loan growth.

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00:45:51.172 --> 00:46:00.832

BSF Management: In addition to liquidity management. So all these combinations would basically place the bank in a decision on how to grow the investment book.

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00:46:00.932 --> 00:46:18.732

BSF Management: I'd like also to note that, we have been seeing, favorable investment yields coming from the local government securities vis-a-vis, the, let's say the interest rate swap done through Cash Flow Hedge.

292

00:46:19.102 --> 00:46:28.232

BSF Management: Therefore, we're more inclined to invest and deploy in government securities, as opposed to fixing our floating loan book.

293

00:46:28.332 --> 00:46:42.852

BSF Management: In addition, on what we have seen or witnessed in the retail book, particularly coming from mortgages. And this would also happen in line with the interest rate risk in the banking book framework.

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00:46:43.162 --> 00:46:49.402

BSF Management: Whereby we monitor our Delta EVE, as well as our Delta NII.

295

00:46:49.622 --> 00:46:52.202

BSF Management: In terms of interest rate risk.

296

00:46:52.522 --> 00:46:55.192

BSF Management: So, yep, that's the answer.

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00:46:56.432 --> 00:47:10.332

BSF Management: I'll take the second question regarding the loan growth guidance. We aim to continue our selective approach on lending in 2026, continuing our focus on sustainable loan growth across our businesses.

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00:47:10.462 --> 00:47:28.442

BSF Management: In 2026, similar to the trend in 2025, we expect retail lending to outpace this level, including the contribution from JB. And for the corporate lending side, or the commercial lending side, we expect it to be around the overall guided level, or slightly below.

299

00:47:28.822 --> 00:47:43.161

BSF Management: But, of course, dependent on pricing conditions in the market for corporate lending, commercial lending, we are willing to take on more or less growth on our balance sheet based on CASA liquidity,

300

00:47:43.192 --> 00:48:00.572

BSF Management: And, of course, pricing margins and pricing conditions. So, again, similar to 2025, we do expect that the larger contribution when it comes to loan growth will come from the retail side, and we will continue our selective approach when it comes to our, the commercial side.

301

00:48:02.102 --> 00:48:20.381

BSF Management: And I'll take the last question, Rahul. You're correct in that we did have one-off expenses in the fourth quarter, several items we had highlighted, but if we're looking at, sort of, the full year overall as well, the one-off expenses examples would be

302

00:48:20.452 --> 00:48:35.261

BSF Management: true up in the fourth quarter for, accruals on existing, expenses. There was one item specific to a services contract which had been in dispute. We did not,

303

00:48:35.392 --> 00:48:48.332

BSF Management: view it as an area where we would have to provision, given our initial analysis. But after looking at it with a third party, it became clear that it was something that we had to

304

00:48:48.362 --> 00:48:57.922

BSF Management: finalized, so that was almost \$30 million, alone. We had also, on real estate assets, as an example, on the full year.

305

00:48:58.002 --> 00:49:10.832

BSF Management: for Oreo, close to \$20 million in additional provisions that hit the G&A. I don't think a symptom of real estate, but these were in regions where

306

00:49:10.832 --> 00:49:20.621

BSF Management: maybe from prior years, had not been adjusted in terms of book value. So those would be a few of the one-offs that we saw throughout the full year.

307

00:49:22.602 --> 00:49:24.201

Rahul Bajaj | Citibank: Understood. Olivia. Thank you so much.

308

00:49:26.372 --> 00:49:30.082

Olga Veselova | BofA: The next question is from Nareesh Bilandania from Jefferies.

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00:49:30.672 --> 00:49:47.371

Naresh Bilandani | Jefferies: Yes, hi, Bader Ramzi. It's Naresh Palin Nani from Jefferies. Thank you very much. Two questions, please. One is, sorry, going back to the guidance, and I'll just flip it compared to some of my other counterparts have asked. So, if I see your guidance, your targeted ROE increase this year is

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00:49:47.492 --> 00:50:02.341

Naresh Bilandani | Jefferies: looking a lot more driven by improvement across the board. But you had started with an optimistic note last year, and you had changed your guidance over the course of the year as new realities emerged. So if you had to highlight certain areas that you think could be

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00:50:02.342 --> 00:50:22.262

Naresh Bilandani | Jefferies: susceptible to pressures this year, either from macro or from regulation within the guidance, which would put your ROE targets at a threat, which ones would you feel... which are the most vulnerable to a downgrade? So, just trying to hear the negative point of view with regards to the guidance here. That's the first question.

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00:50:22.262 --> 00:50:36.402

Naresh Bilandani | Jefferies: And second is, Ramzi, could you please repeat the point on reclassification of loans among sector exposures, especially the one which you attribute to decline in contracting loans? Has this helped you from a capital perspective in any manner?

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00:50:36.402 --> 00:50:42.651

Naresh Bilandani | Jefferies: Is this summer-led reclassifications across the industry, or strictly your internal decision only? Thank you.

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00:50:44.652 --> 00:50:51.172

BSF Management: Sure, thank you, Naresh, for that. On the guidance, I think when we look at the, the different

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00:50:51.232 --> 00:51:03.661

BSF Management: levers that could potentially impact many items. The one that I would argue continues to be on the radar is on the CASA ratio, specifically.

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00:51:03.662 --> 00:51:12.331

BSF Management: Given it has an impact on many things, not just profitability, but also from a risk perspective, for example, on its impact on

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00:51:12.362 --> 00:51:14.292

BSF Management: The interest rate risk.

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00:51:14.322 --> 00:51:32.631

BSF Management: But that would be the one area where we really want to maintain a CASA ratio above 40%. We recognize there may continue to be some deterioration there, given the increase mainly is coming from interest-bearing deposits, but that would be the one element where we'd be

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00:51:32.632 --> 00:51:43.042

BSF Management: cautious as much as possible. And our counterbalance to that, and how we try to mitigate it, would be, again, looking at the loans and advances.

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00:51:43.352 --> 00:51:49.911

BSF Management: Preferably first from a margin perspective, but then second would be from a volume perspective.

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00:51:50.142 --> 00:52:02.081

BSF Management: That would be the one area we would highlight for now. For the others, we don't see, cost of risk really becoming an issue on cost overall.

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00:52:02.082 --> 00:52:10.282

BSF Management: We still believe we have the ability to maintain a positive JAWS, as we've done in 2025.

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00:52:10.662 --> 00:52:16.301

BSF Management: So that stance is an area we're still going to continue to push on for 2026.

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00:52:16.602 --> 00:52:34.912

BSF Management: For the reclassification, to be honest, it was many items, but the main elements now, as we've gone live in our core banking system, in preparation for that, as opposed to reading from a system that looks at internal classification.

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00:52:34.952 --> 00:52:51.612

BSF Management: the decision was made to link it directly towards SAMA, or the regulatory classification. I don't have the specific terminology that is used, but it is more or less in line with the SAMA regulation. It does take time, so what I understood is about

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00:52:51.742 --> 00:53:06.362

BSF Management: 50% of the adjustments have been made already to bring it more in line with the SAMA classification. The second item is, in particular, on contracting, where a project goes live.

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00:53:06.492 --> 00:53:21.562

BSF Management: and it's completed, it moves to becoming operational, and therefore shifts the sector to another sector, whether it's services, manufacturing, or the like. I think for 2025, we saw a lot going from contracting into services.

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00:53:21.992 --> 00:53:26.982

BSF Management: But not changing, anything beyond that.

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00:53:28.292 --> 00:53:29.541

Naresh Bilandani | Jefferies: Understood. Thank you.

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00:53:32.492 --> 00:53:35.701

Olga Veselova | BofA: The next question is from Chiro Ghosh from Seco Invest.

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00:53:39.742 --> 00:53:40.702

Chiro Ghosh | Sico Invest: Hi,

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00:53:40.722 --> 00:54:05.571

Chiro Ghosh | Sico Invest: This is Chidokhos from Sikobarin. I have two questions, and it's primarily from the, from a macro perspective, you can give some more clarity. First is, I know you gave some clarity, but a little more would be very helpful. It's first purely from the liquidity side of it. So, how is the liquidity environment in Saudi? How is the competitive market? So, how is the struggle to, you know, generate

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00:54:05.572 --> 00:54:14.092

Chiro Ghosh | Sico Invest: deposits and... some clarity on those directions would be very helpful, first. Second is your mortgage loan growth. That has been quite strong.

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00:54:14.092 --> 00:54:29.992

Chiro Ghosh | Sico Invest: Now, again, I want to get a sense of what kind of demand is in that sector, especially in the context of slight easing of the real estate prices, so would it have any impact on it from... especially from the asset quality side of it, and overall demand? Yeah, these are my two questions.

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00:54:34.202 --> 00:54:40.552

BSF Management: Thank you for the question. So, I'll start off on the liquidity landscape. If you look at the, local,

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00:54:40.742 --> 00:54:56.102

BSF Management: liquidity or local ratios of the banking sector, on Bazard ratio in particular, you see that the Saudi banking sector is extremely comfortable with ample liquidity when it comes to the likes of liquidity coverage ratio and net stable funding ratio.

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00:54:56.452 --> 00:55:11.292

BSF Management: Moreover, local banks hold significant size of government securities, whereby we get access to some repo facility at outstanding level, not at market levels.

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00:55:11.472 --> 00:55:13.811

BSF Management: With only a 2% haircut.

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00:55:13.972 --> 00:55:21.612

BSF Management: So in terms of actual funding, banks do have significant access to day-to-day liquidity.

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00:55:21.862 --> 00:55:24.551

BSF Management: I think the challenge here is more structural.

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00:55:24.592 --> 00:55:42.581

BSF Management: We've been seeing, since 2017, retail, mortgage... in particular, mortgage, reforms that had expanded credit, in addition to, recent, the recent commercial activity, whereby we've seen credit outpacing deposits.

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00:55:42.662 --> 00:55:57.491

BSF Management: since 2022, and this basically incentivized many local banks to start raising debt from outside the kingdom. I think the fact is that liquidity is available, but how are we able to price

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00:55:57.702 --> 00:55:59.332

BSF Management: off,

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00:55:59.462 --> 00:56:10.221

BSF Management: our assets vis-a-vis the more expensive funding that we have been experiencing over the past couple of years. I think this is really the main challenge.

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00:56:10.232 --> 00:56:21.032

BSF Management: As for us, we do have certain disciplines around how much we want to grow from our wholesale funding, or how much cost we would like to bear in terms of cost of funding.

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00:56:21.202 --> 00:56:37.461

BSF Management: Especially if we're unable to pass on these costs to the asset prices. Otherwise, we maintain a certain discipline on our credit growth vis-a-vis on how cheap we can raise the liability.

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00:56:38.152 --> 00:56:47.061

BSF Management: Purely from the deposit size, are... is there... is there a price pressure? I mean, are banks putting in... giving out high rates, which is making it more competitive?

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00:56:47.062 --> 00:56:48.551

Chiro Ghosh | Sico Invest: Purely from the deposit sites.

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00:56:49.622 --> 00:56:57.662

BSF Management: I think if you look at it tactically, over the past, since December, there has been a relative ease in pressure.

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00:56:57.782 --> 00:57:03.692

BSF Management: Hence, we have increased our deposit base when compared to our interbank borrowing.

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00:57:03.932 --> 00:57:11.272

BSF Management: But again, I think the trend overall is that credit continues to outpace deposits across the system.

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00:57:11.502 --> 00:57:15.282

BSF Management: But tactically, yes, there has been some relief in pressure.

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00:57:19.962 --> 00:57:33.302

BSF Management: And, I'll take maybe the second question on the mortgage side. So, I think important to highlight, again, for BSF specifically, coming from a lower base, the opportunity, was clear.

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00:57:33.302 --> 00:57:41.462

BSF Management: In that we could, especially with our client base being more affluent, continue to grow this, portfolio.

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00:57:41.582 --> 00:57:49.672

BSF Management: I recognize in percentage terms, 24%. In real terms, 4.3 billion.

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00:57:49.692 --> 00:58:02.471

BSF Management: But again, coming from a smaller base, looking at the full value proposition for clients, we still see an opportunity there, and we would have made some adjustments in pricing

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00:58:02.512 --> 00:58:11.732

BSF Management: In the first half of the year, and now that we have captured that, client base looking to adjust pricing, slightly higher.

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00:58:12.012 --> 00:58:28.892

BSF Management: And in terms of the changes that we witnessed overall throughout 2025 from a macro and regulatory perspective, it would have had an impact at the time where there was still this lack of clarity, but I think since the

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00:58:28.972 --> 00:58:45.532

BSF Management: clarity has come out on white land and the rental costs. We've seen a pickup, again, in terms of demand. And I would say, again, on the affluent side, we've not seen maybe as big of an impact just yet.

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00:58:46.452 --> 00:58:48.982

Chiro Ghosh | Sico Invest: Okay, that's all from my side. Very helpful. Thank you.

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00:58:50.992 --> 00:58:56.742

Olga Veselova | BofA: At this point, we conclude this call, and please let me pass the word to management for final remarks.

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00:59:01.042 --> 00:59:06.181

BSF Management: Thank you very much. I would like to thank you all for taking the time to join us today, and for your continued engagement.

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00:59:06.312 --> 00:59:15.382

BSF Management: We look forward to speaking with you at our upcoming Strategy Day to share further updates on our strategy and outlook for 2026 and beyond. Thank you very much, everyone.