

BSF 1Q 2024 Earnings Presentation

06 May 2024



Highlights & Strategy Update



Balance Sheet

- Strong loan growth of 13% YoY, driven by 12% commercial and 13% consumer lending growth.
- Investment growth of 18% YoY to manage IR risk while capturing higher yields.
- Deposit growth of 4% YoY, from IBDs (+27%) partly offset by NIBDs (-13%).

Loans & Advances

185.4

SAR Billion

▲ +13% year-on-year

Investments

52.9

SAR Billion

▲ +18% year-on-year

Customers' Deposits

174.8

SAR Billion

▲ +4% year-on-year

Income Statement

- Modest top-line growth of 1% on 5% non-interest income growth, while NII was stable.
- NIM declined by 47bps YoY, but stable QoQ.
- Net income grew 7% as decrease in impairments is partly offset by rising expenses.

Operating Income

2,331

SAR Million

▶ +1% year-on-year

NIM

3.19%

▼ -47bps year-on-year

Net Income

1,150

SAR Million

▲ +7% year-on-year

Asset Quality

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

NPL Ratio

0.94%

▼ -166bps year-on-year

NPL Coverage

155.3%

▲ +32.4ppts year-on-year

Cost of Risk

0.60%

▼ -56bps 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, with a flat dynamic in the last quarter.

T1 Ratio

18.4%

▶ -1.4ppts year-on-year

LCR

166%

▼ -34ppts year-on-year

NIBD % of Total Deposits

47.6%

▼ -9.4ppts year-on-year

Strategic Goals

Wholesale Banking

Solidify market position

Focused Initiatives

GTS revamp
Expand FIG&MNC coverage

Progress

Q1: 66%

Q4: 62%

78%

Key Highlights

Government lending
Tracker for MNC referrals
Three SCF products launched
Activate government agreements

Personal Banking

Leverage segmentation and synergies

Scale up affluent
Provide superior daily banking

46%

LOMBARD lending and Leads Management Dashboard
Pilot family banking for Elite Plus
Wholesale partnership with personal banking

Private Banking

Reinforce market leadership

Broaden product suite
Experience-centric rewards

86%

Key offerings with BSF Capital
Advisory development program proposal
Financing acquisition for exportation
VIP experience events

Strategy execution progressing well across the various business pillars



Strategic Goals

Focused Initiatives

Progress

Q1: 66%

Q4: 62%

Key Highlights

JB

Expand in new market segments

Digital acceleration
Product diversification
Brand repositioning

86%

New digital PL offerings
Strong momentum on PL product
Improved brand recognition:
successful marketing campaigns
Defined Credit Card proposition
JB Strategy refinement

BSF Capital

Seize existing opportunities and grow

Synergize wealth mgmt.
Broaden advisory
Attractive investment solutions

43%

Identified SFC's WealthTech Partner
Onboarding & KYC redesign
Executive reports automation
Repositioning real estate advisory unit initiative
Optimistic pipeline in real estate funds

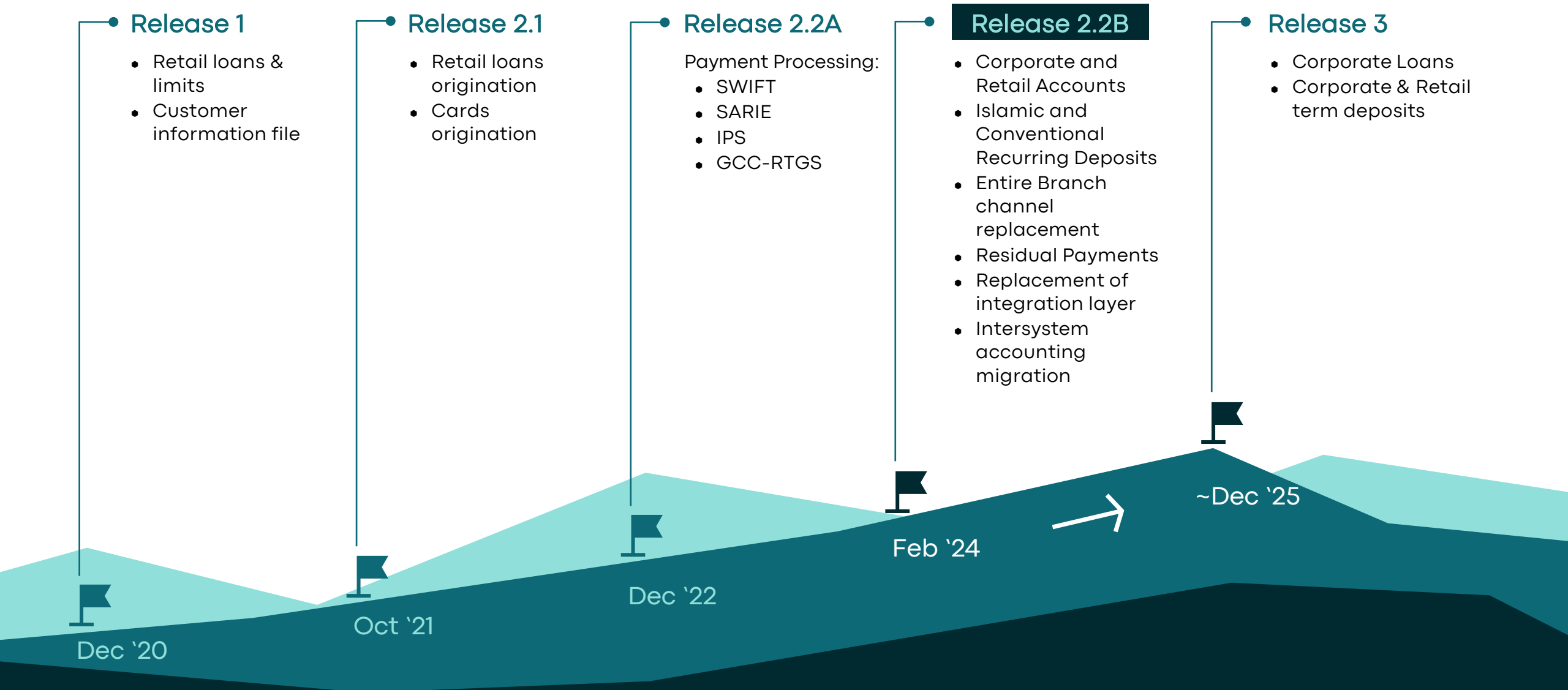


Good progress in the implementation of the four key strategic programs across the IT & Technology and rebranding priorities



	Description	Key Highlights	2024 Progress & Beyond
<p>Technology Infrastructure Upgrade</p> <p>Integrated Corporate Portal</p>	<p>New corporate platform supporting trade & supply chain services, and expanded liquidity and cash management solutions and services</p>	<ul style="list-style-type: none"> Phase I: design and development New branding adoption BSF specific client experience changes Phase I,II: anticipate some delays due to dependency on CBS stabilization 	<ul style="list-style-type: none"> Phase I Back End: Testing in progress Phase II: a functional specifications signed off, technical specification - in progress
<p>Technology Infrastructure Upgrade</p> <p>Omnichannel</p>	<p>New high performance retail platform providing robust digital banking service and enhanced customer experiences and journeys</p>	<ul style="list-style-type: none"> Development for public launch Migration testing, CBS regression testing Performance testing in progress Comms and marketing plan 	<ul style="list-style-type: none"> All features released for UAT, testing in progress Counter fraud framework controls Security defects fixing Go-to Market release in mid-May
<p>Technology Infrastructure Upgrade</p> <p>Core Banking System</p>	<p>Bank-wide core banking system to enable best-in-class customer experience with leading operational efficiency</p>	<ul style="list-style-type: none"> The largest and most complex Release 2: launched successfully Release 2 focus: corporate & retail digital channels, ATM,POS & eComm (debit/credit card) 	<ul style="list-style-type: none"> Branches, ATM, BSF Global Stronger change management effort HyperCare incident management Release 3 will launch in 2025
<p>Rebranding</p>	<p>Recreating BSF brand identity to differentiate the bank, enhance our connection with clients and improve our market position</p>	<ul style="list-style-type: none"> New brand is Go-live ready for digital streams, premises, collateral and branches New Card designs Go-to-market across billboards, digital channels, and event 	<ul style="list-style-type: none"> Physical collateral mass production and distribution New brand release across branches, premises and digital channels Go-Live launch on May 2nd, 2024 Continue to build brand value

BSF has now successfully deployed 4 releases in production, each more complex than the previous one



Enhanced offering & services

- Latest **innovations & products**
- Anticipating client needs with **advanced analytics**
- **Product bundling** with tailored value propositions & pricing
- Enhanced **automation & digitalization**
- **Faster** product development & **time-to-market**



Customer experience

- **Full digitalization** of products & services
- 24/7 **self-service** capabilities
- Best-in-class **turnaround time**



Benefits for IT

- **Simplified** application landscape
- Reduced **IT workload**
- **Faster integration** with new applications
- **Accelerated** application **development** lifecycle



Key enabler for BSF strategic ambition

Leading CX (NPS #1)

The advantages already realized

Future-proofing BSF tech landscape

30

systems decommissioned up to the current release of CBS

Improving & efficiency

80%+

increase in STP rate for SARIE transactions

Shorter customer journeys

1.5-2x

less time consuming processes for Credit Cards and Personal loans



Our heritage has instilled equitable values, trust and sophistication in our DNA.

The **BSF** acronym signals **the next generation of banking** as we reframe our positioning

Brand Strategy

Shared belief	We take pride in our impact on the Kingdom to achieve meaningful influence in the World
Active purpose	We help every generation make their mark to ensure everyone's sustainable prosperity
Value proposition	The companion at each stage of your journey to inspire more confident financial choices

Internal Branding Activities

 Branches 70+	 ATMs 300+	 Offices 6	 E-Channels ✓
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Why is the Brand changing?

Strategic Enablement for Future Growth	Competitive Advantage: aiming for leadership and profitability in focused market segments
	Simplification and Digitization: consistent master brand and data-driven connectivity.
	Cultural Acceleration: enhancing talent retention and recruitment.
Response to External Changes	Developments in KSA: altering the economic landscape
	Banking Sector Evolution: traditional operations are shifting.
	Client Expectations: increasing customer expectations drive demand for innovation
Adaptation to New Norms	Technological Advances: 5G, AI, blockchain redefining the internet.
	New business models: threats and opportunities from digital banks and fintech innovations.
	Workforce Evolution: changing talent landscape redefining workplace culture.

ESG is woven into our strategic fabric, driving with our business objectives while nurturing our environment, society, and governance



ESG is Part of BSF DNA

BSF's ESG Pillars are born from within BSF's corporate mission and values



Leveraging our strategic pillars at BSF, we intertwine core objectives with positive ESG impact, guided by our governance strength; and our environmental and community initiatives

BSF's Recent ESG Highlights

Environmental	Social	Governance
17.9% reduction for Scope 1 and 2 emissions	Increase in female employee representation to 22.5%	Establishment of the ESG Governance Structure
Capital Markets deal of the year Awards for Red Sea Development Co. Green Financing	SAR 3.8 million in local communities investments to support various key community initiatives	Setting BSF's ESG Policy/ Framework
17.2% Reduction in total water consumption	More than 91% of FTEs are Saudi nationals	98%+ Meeting attendance rates for board of directors and all board committees

BSF will further advance its sustainable practices in the future by introducing ESG KPIs and implementing them through the Bank's overarching initiatives

BSF achieves remarkable progress in boosting ESG ratings

Sustainalytics

- ◆ **Leading all Saudi banks** with the ESG Risk Rating Score of 20.9



ESG Risk Rating Score by Sustainalytics

20.9

as of March 2024

▲ from 28.4 in 2023

S&P Global ESG Rating

- ◆ **The highest score among Saudi banks** in the S&P Global ESG Rating for the year 2023

S&P Global
Ratings

S&P Global ESG Score

30.0

for the year 2023

▲ from 25 in 2022

ESG Risk Rating Score by Sustainalytics



S&P Global ESG Score



Financial Highlights

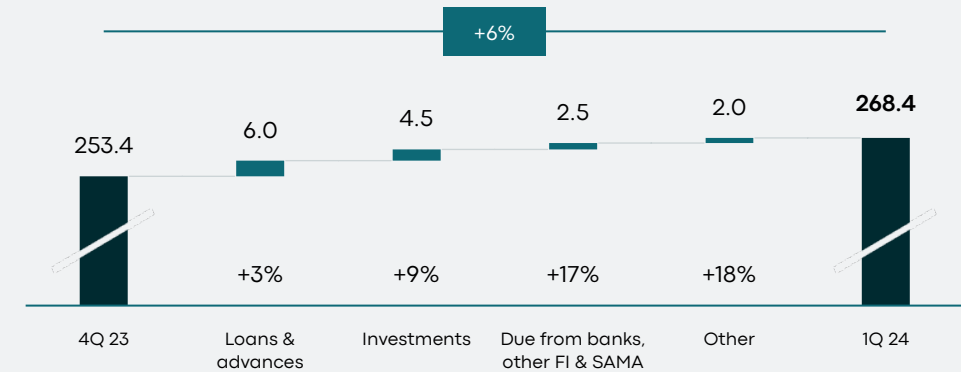


Balance Sheet

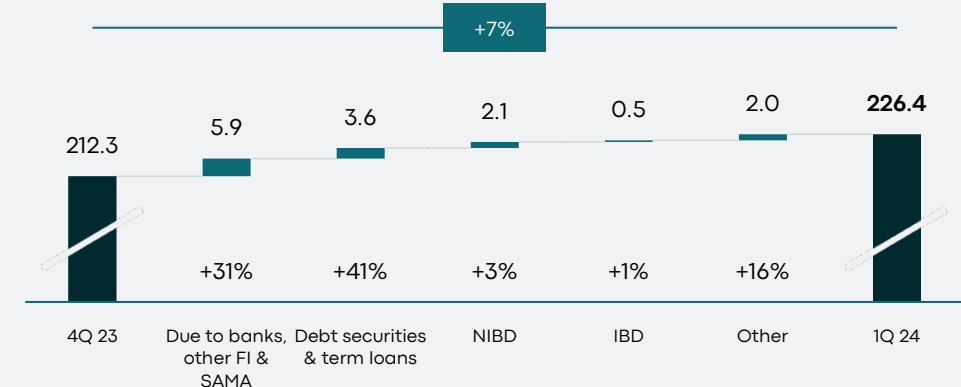
- Growth in total assets of 6% YTD, mainly driven by 3% loan growth, further aided by an increase in investments.
- The investment portfolio expanded by 9% YTD from high-quality liquid assets to capture higher yields, while managing interest rate risk.
- Liabilities grew by 7% during 1Q 2024 from a 31% increase in interbank, a 41% rise in debt securities, and a 2% deposit growth.
- Total equity increased 2% YTD due to retained earnings generation.

SAR Mn	1Q 2024	4Q 2023	Δ%	1Q 2023	Δ%
Investments	52,923	48,467	+9%	44,807	+18%
Loans & advances	185,408	179,391	+3%	164,779	+13%
Total assets	268,376	253,383	+6%	240,236	+12%
Customers' deposits	174,828	172,209	+2%	167,414	+4%
Total liabilities	226,448	212,262	+7%	200,300	+13%
Total equity	41,928	41,121	+2%	39,936	+5%

Total Assets Movement YTD (SAR Bn)



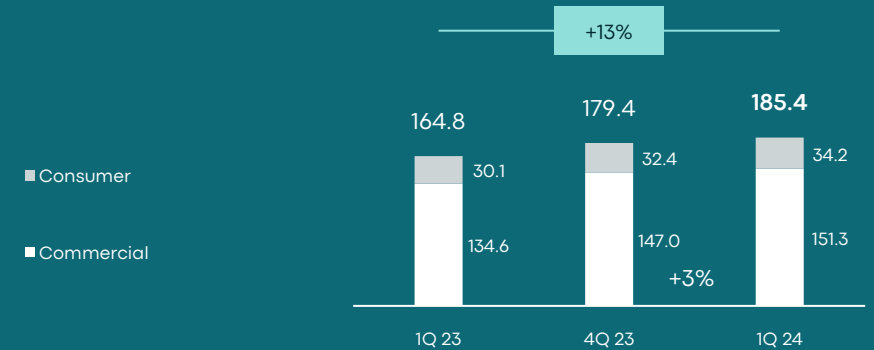
Total Liabilities Movement YTD (SAR Bn)



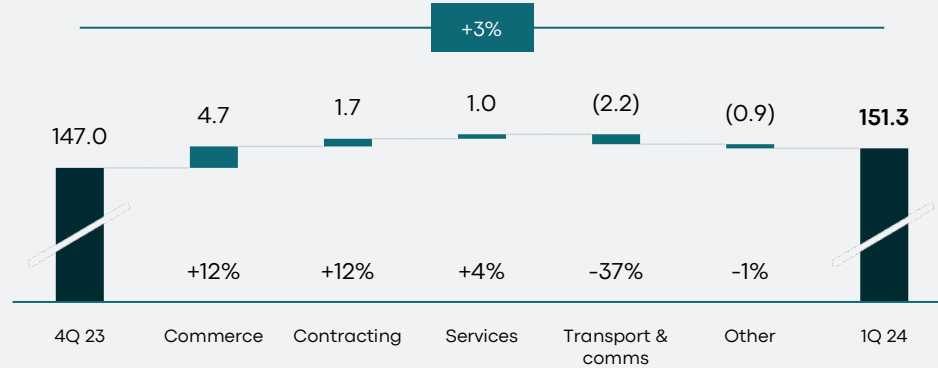
Loans & Advances

- Total loans & advances grew 3% during 1Q 2024 from both consumer and commercial lending growth.
- Commercial loans grew 3% during 1Q 2024, with notable increase in commerce sector.
- Consumer loans grew 5% YTD from growth in auto loans (+14%), personal loans (+6%), and mortgages (+3%).

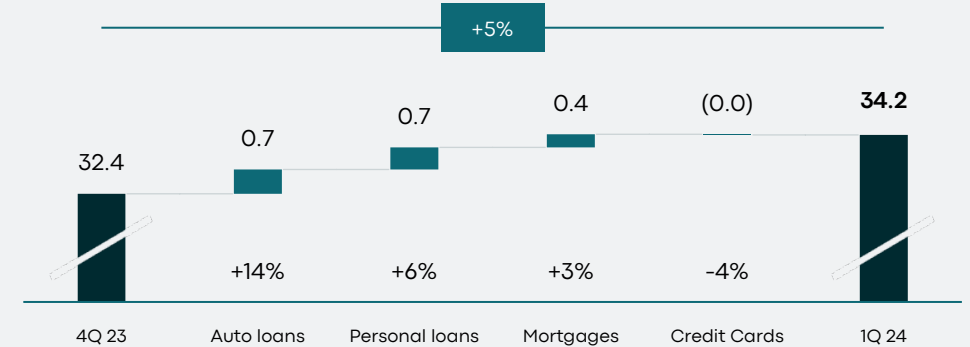
Loans & Advances (SAR Bn)



Commercial Loans Movement YTD (SAR Bn)



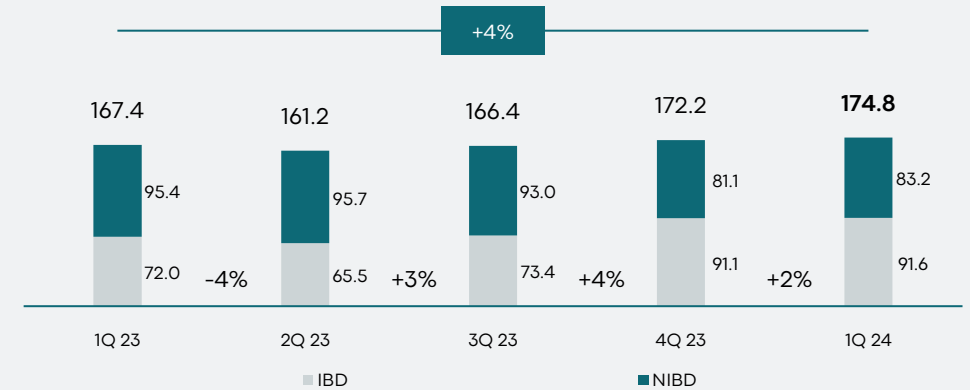
Consumer Loans Movement YTD (SAR Bn)



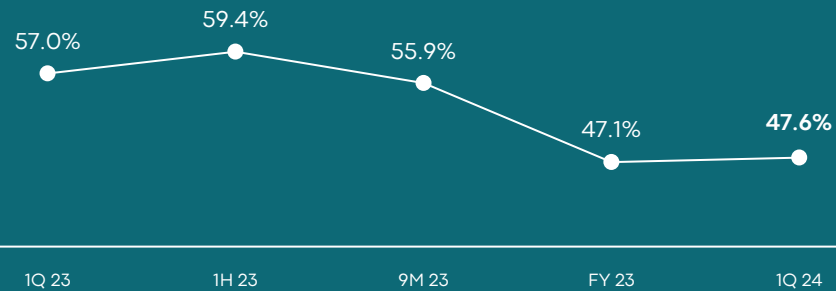
Customers' Deposits

- Deposits grew 2% during 1Q 2024 primarily from increased NIBDs.
- NIBD's increased 3% YTD and IBD's increased 1% YTD, mainly from Corporate deposits.
- As of 31 March 2024, 47.6% of deposits were non-interest bearing, with a relatively stable trend observed during the last quarter.

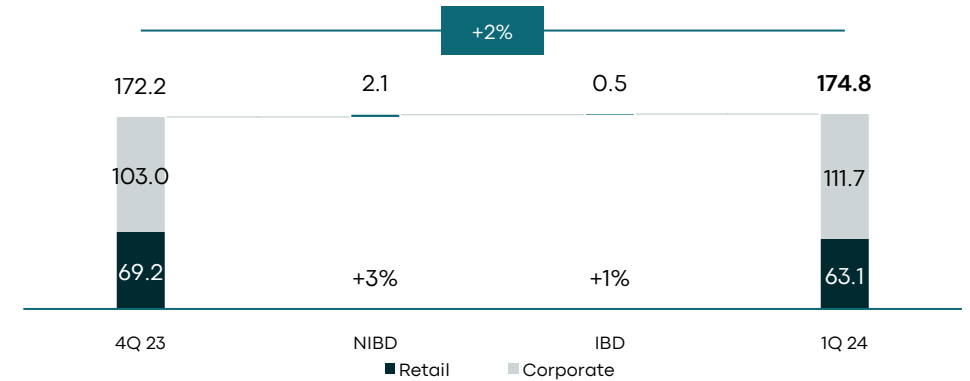
Customers' Deposits (SAR Bn)



NIBD % of Total Deposits (%)



Customers' Deposits Movement YTD (SAR Bn)



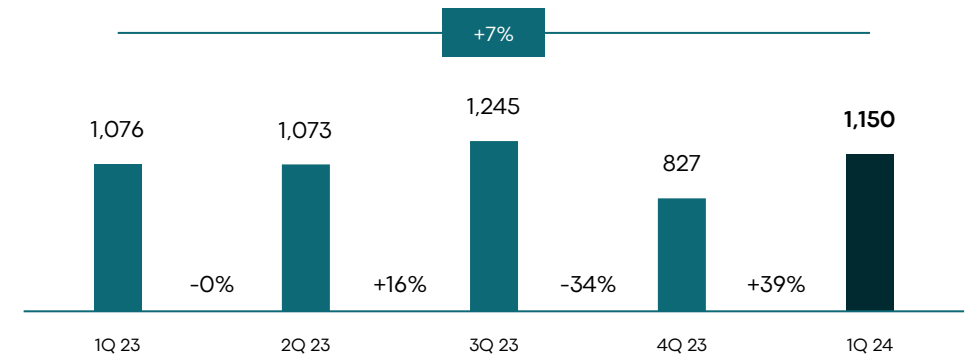
Net income grew 7% YoY from lower impairment charge, partially offset by higher costs

Income Statement

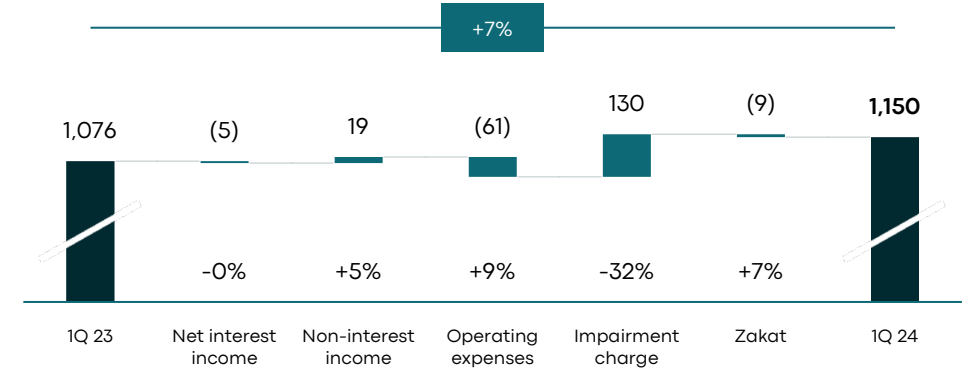
- Net income for 1Q 2024 grew 7% YoY to SAR 1,150mn from 32% decline in the impairment charge, partly offset by 9% growth in operating expenses.
- Total operating income grew 1% YoY, with net interest income remaining stable and a 5% increase in non-interest income.
- On a sequential basis, net income increased 39% QoQ from higher operating income and lower operating expenses and impairment charge.

SAR Mn	1Q 2024	4Q 2023	Δ%	1Q 2023	Δ%
Net interest income	1,919	1,868	+3%	1,924	-0%
Non-interest income	413	323	+28%	394	+5%
Operating income	2,331	2,191	+6%	2,318	+1%
Operating expenses	(773)	(846)	-9%	(712)	+9%
Net operating income before impairment charge	1,558	1,345	+16%	1,606	-3%
Impairment charge	(276)	(413)	-33%	(406)	-32%
Net income before zakat	1,282	932	+38%	1,200	+7%
Zakat	(132)	(104)	+27%	(124)	+7%
Net income	1,150	827	+39%	1,076	+7%

Net Income (SAR Mn)



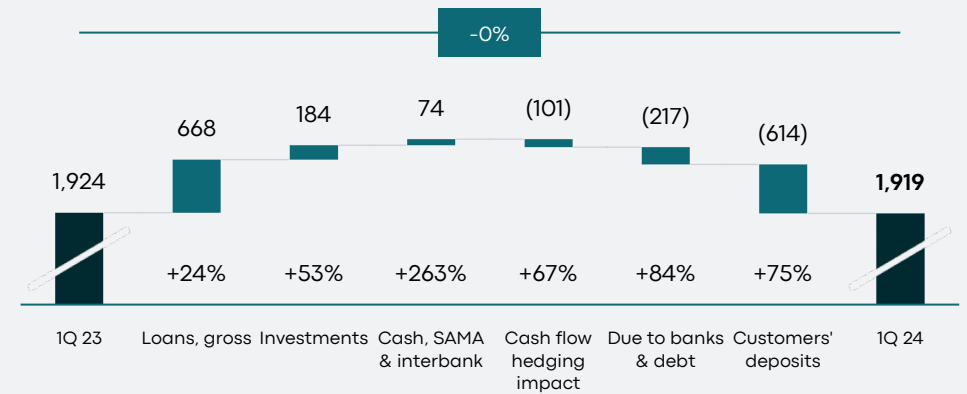
Net Income Movement YoY (SAR Mn)



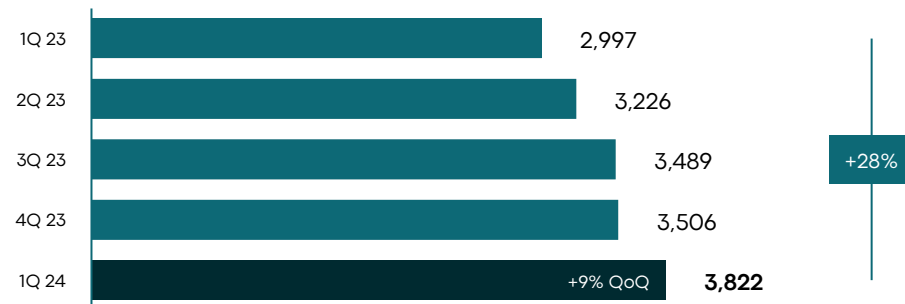
Net Interest Income

- NII for 1Q 2024 remained stable YoY at SAR 1,919mn, with 13% average earnings assets growth offset by the decline in margin.
- Interest income rose 28% YoY to SAR 3,822mn in 1Q 2024, while funding costs rose 77% to SAR 1,903mn.

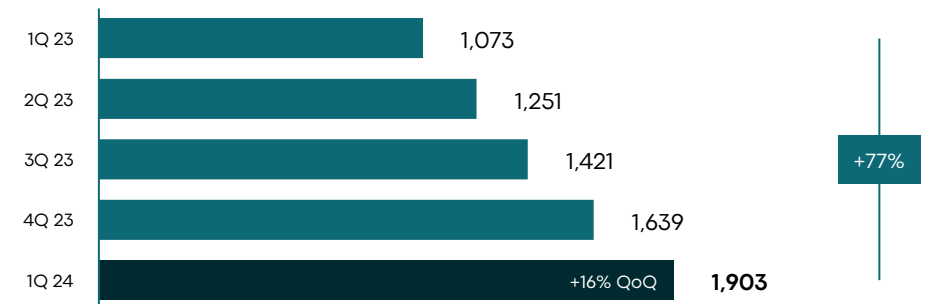
Net Interest Income Movement YoY (SAR Mn)



Interest Income (SAR Mn)



Interest Expense (SAR Mn)

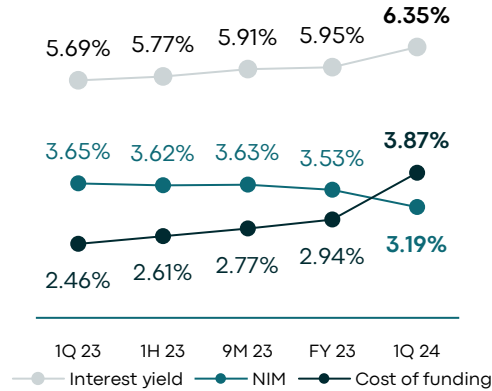


YoY margin decline with a more stable dynamic QoQ

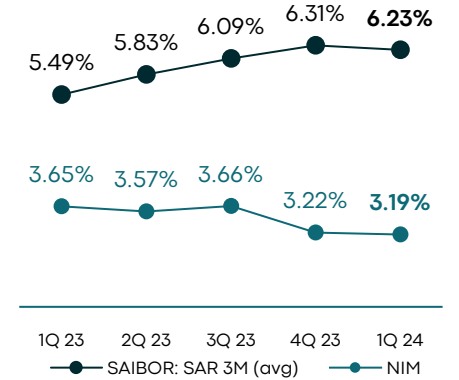
Net Interest Margin

- The NIM declined 47bps YoY to 3.19% due to increased costs on customers' deposits, partly offset by the higher loan yields.
- On a sequential basis, quarterly NIM was more stable, declining by only 4bps QoQ.
- Funding costs increased by 141bps YoY to 3.87% in 1Q 2024.

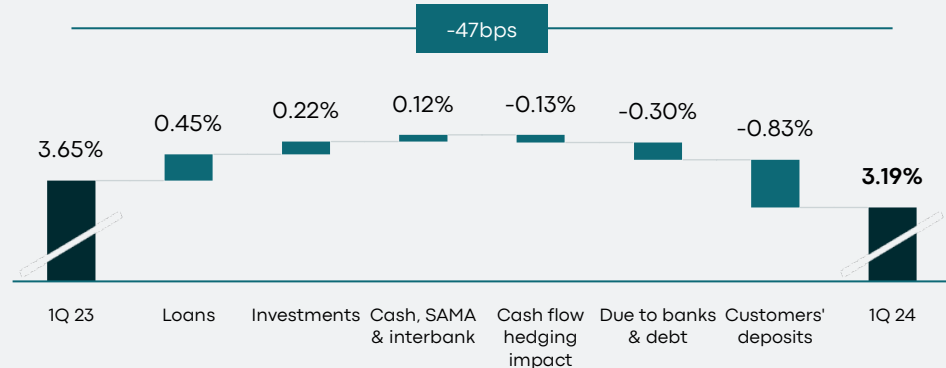
YTD NIM Trend



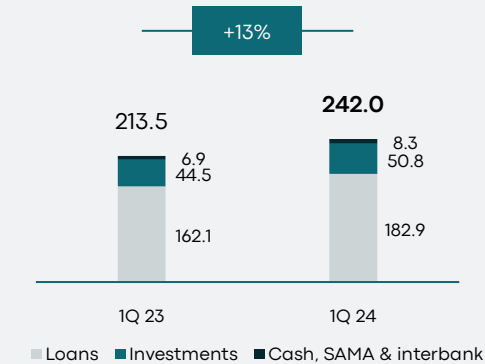
Quarterly NIM Trend



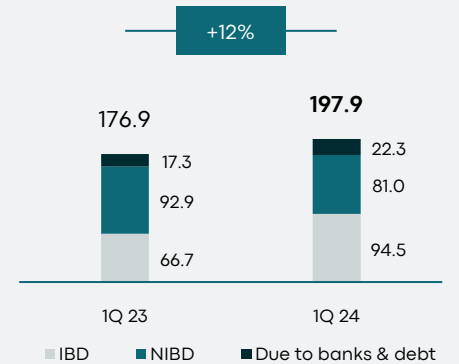
NIM Movement YoY (%)



Average Interest Earning Assets (SAR Bn)



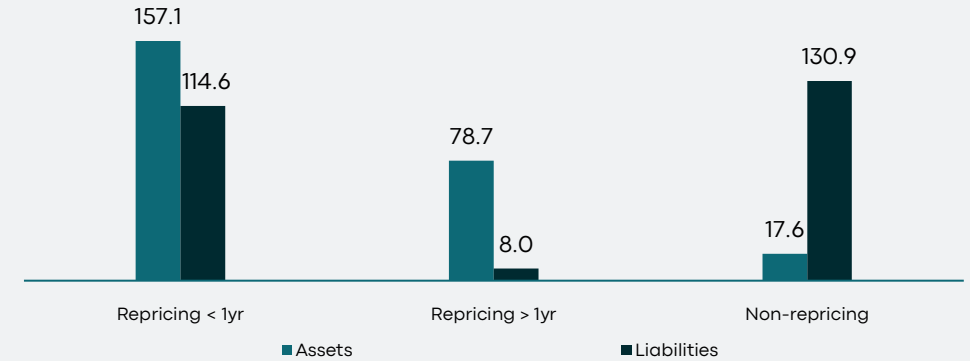
Average Interest Bearing Liabilities (SAR Bn)



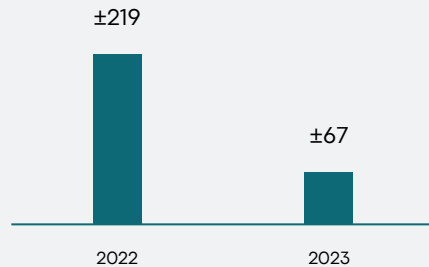
NIM Sensitivity

- 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.

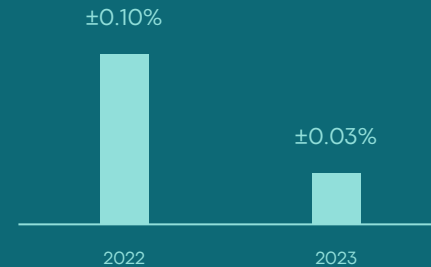
Balance Sheet Repricing Profile as at 31 December 2023 (SAR Bn)



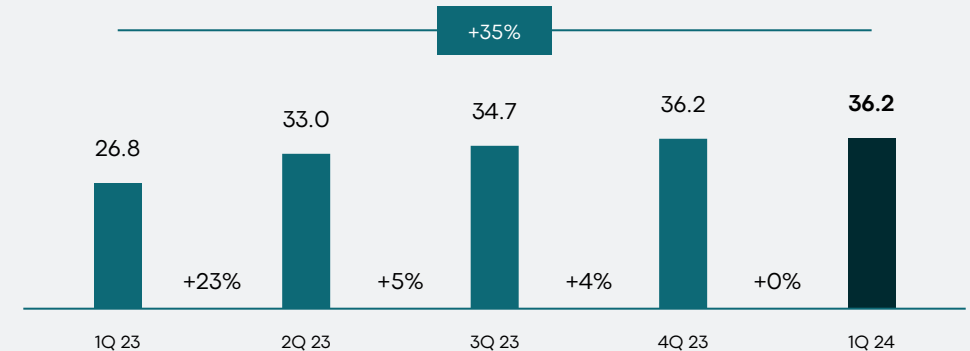
NII Impact of ± 100 bps Rate Change (SAR Mn)



NIM Impact of ± 100 bps Rate Change (%)



Cash Flow Hedges Swaps (Notional Amount SAR Bn)



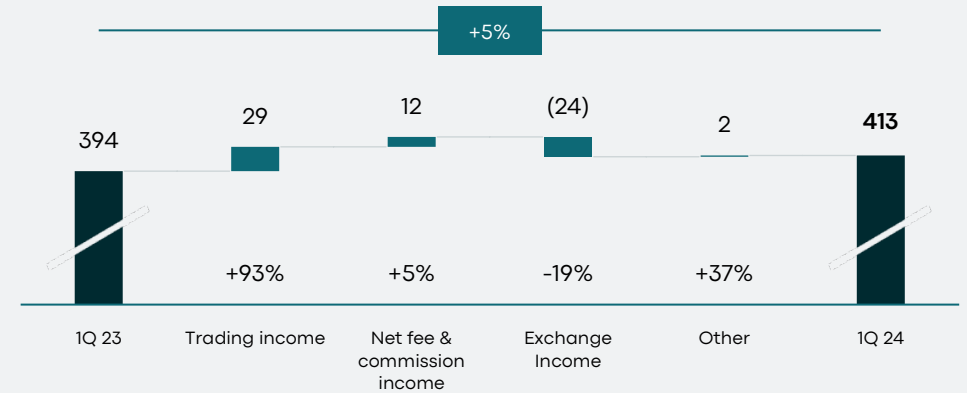
Non-interest income increased 5% YoY on improved trading and brokerage & asset management income



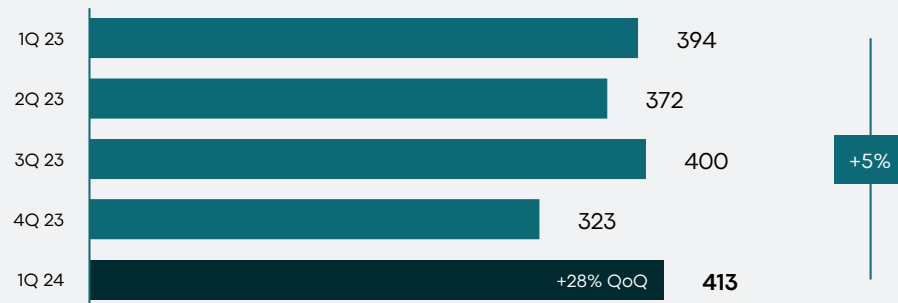
Non-Interest Income

- Non-interest income for 1Q 2024 increased 5% YoY to SAR 413mn on improved trading income and net fee & commission income, partly offset by lower exchange income.
- Trading income increased 93% YoY to SAR 60mn.
- Net fee & commission grew 5% to SAR 247mn in 1Q 2024 as higher brokerage & asset management income and trade finance and other fee income were partially offset by lower card fees.
- 1Q 2024 non-interest income increased by 28% QoQ partially attributable to a one-off credit valuation adjustment on a derivate position in 4Q 2023.

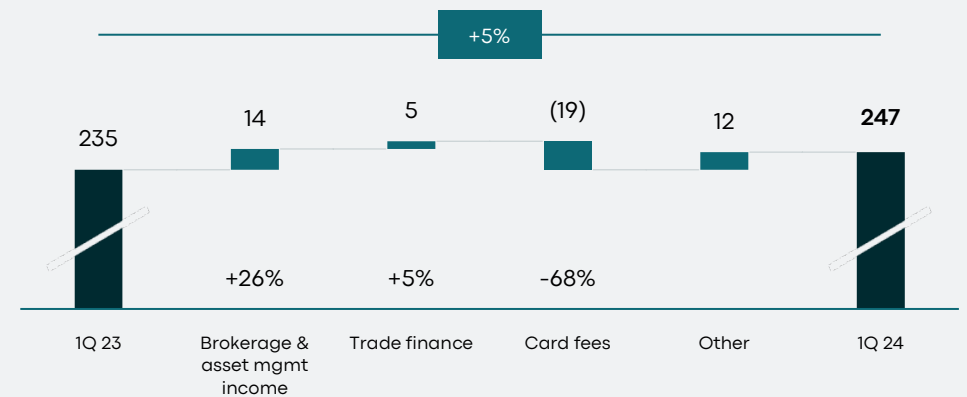
Non-interest Income Movement YoY (SAR Mn)



Non-interest Income (SAR Mn)



Fee & Commission Income Movement YoY (SAR Mn)

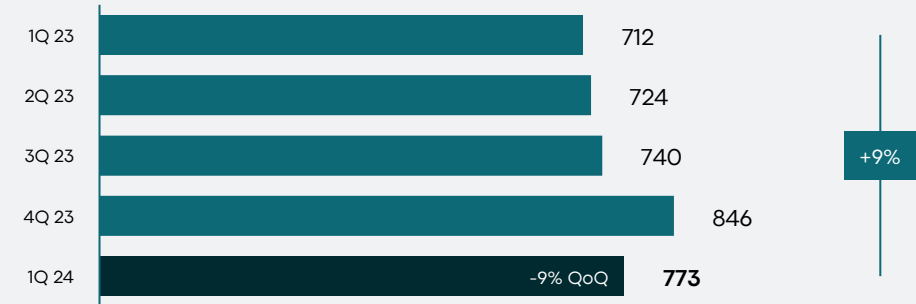


Operating expenses growth of 9% YoY mainly from higher employee-related expenses

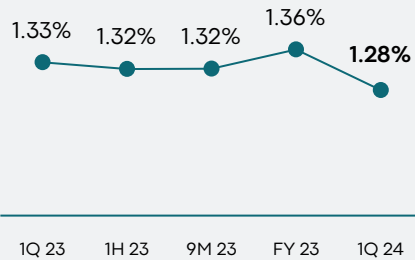
Operating Expenses

- Operating expenses increased 9% YoY to SAR 773mn in 1Q 2024 mainly due to increased employee-related costs.
- The YoY cost to income ratio increased by 2.5ppts YoY to 33.2% in 1Q 2024 from 30.7% in 1Q 2023.
- At the same time, operating expenses as a percentage of average interest-earning assets (AIEA) decreased 5bps YoY to 1.28% for 1Q 2024 due to faster expansion of AIEA (+13%) relative to expense growth (+9%).
- On a sequential basis, operating expenses decreased 9% QoQ, mainly due to one-offs and non-recurring transformation-related expenses in 4Q 2023.

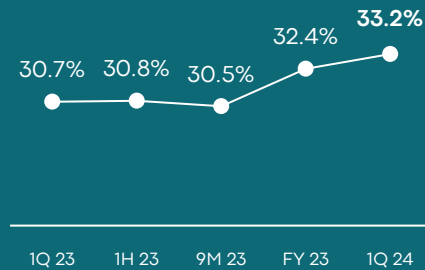
Operating Expenses (SAR Mn)



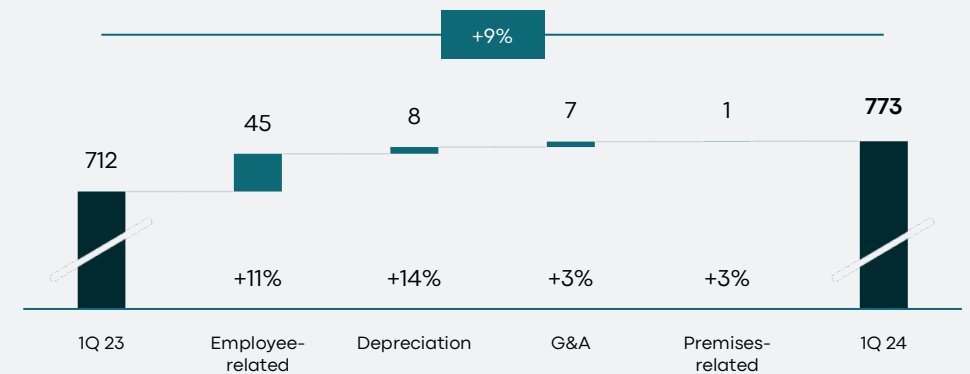
Cost To AIEA Ratio



Cost to Income Ratio



Operating Expenses Movement YoY (SAR Mn)



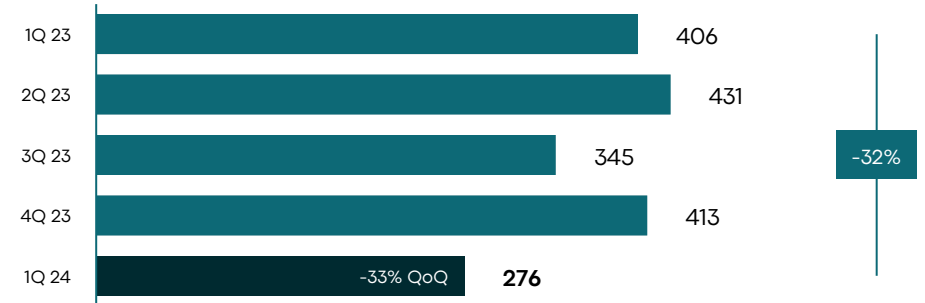
Cost of risk decreased by 56bps YoY to 0.60% for 1Q 2024 from lower commercial impairments



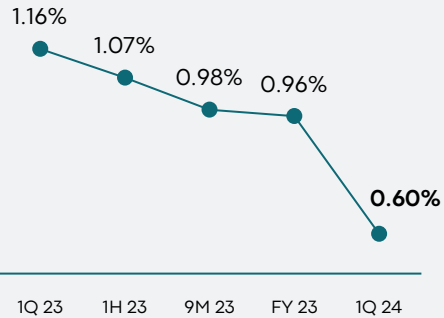
Impairment Charge

- The total impairment charge for 1Q 2024 decreased 32% YoY to SAR 276mn, 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 56bps YoY improvement in cost of risk to 0.60% for 1Q 2024.

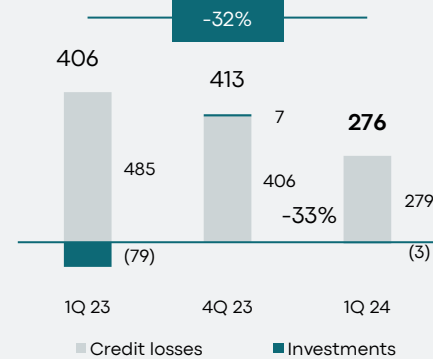
Impairment Charge (SAR Mn)



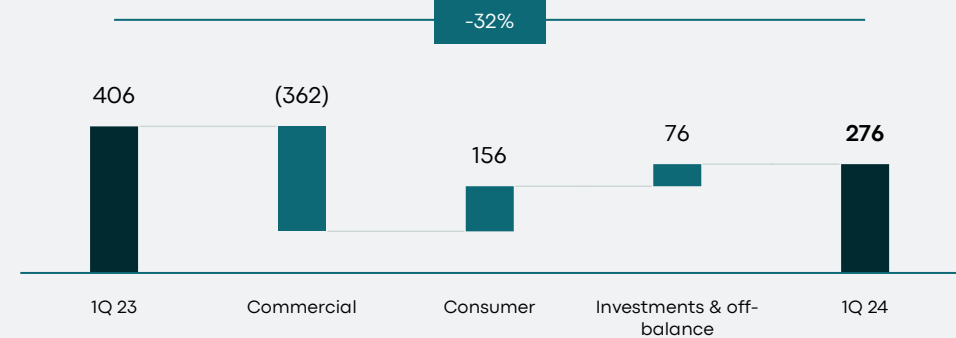
Cost of Risk (%)



Impairment Charge (SAR Mn)



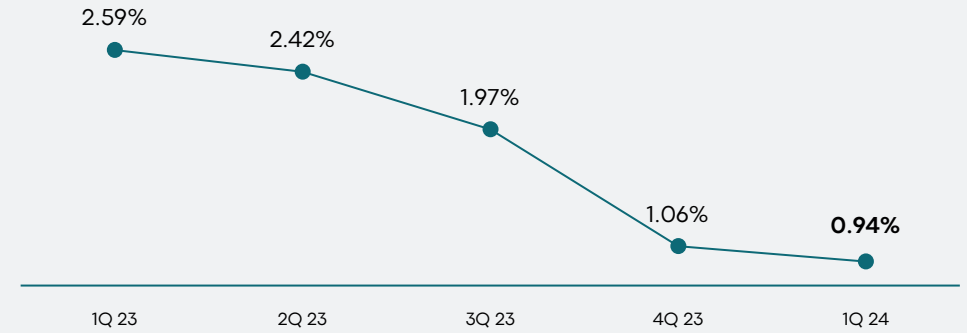
Impairment Charge Movement YoY (SAR Mn)



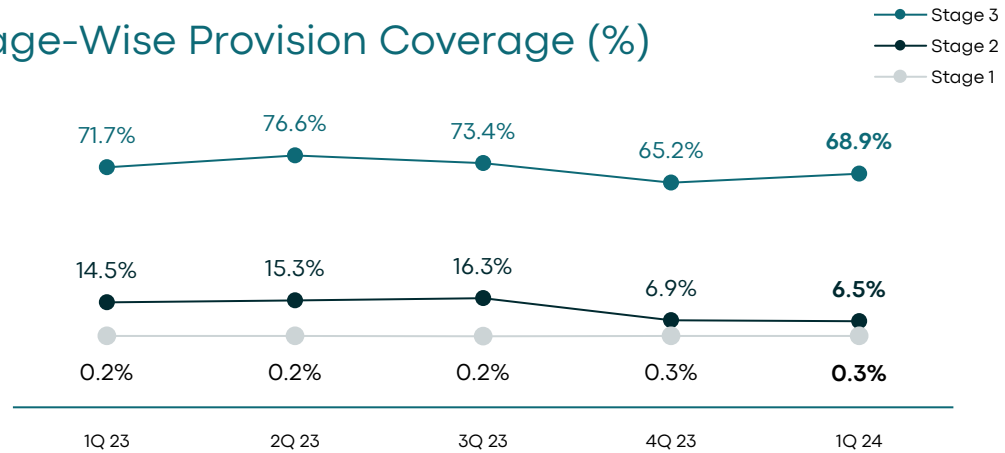
NPL & NPL Coverage

- The NPL ratio improved 12bps YTD to 0.94% as NPLs declined 8% on write-offs in the commercial book relative to 3% gross loan growth.
- The NPL coverage ratio improved by 17.7ppts YTD to 155.3%, attributed to enhancements in commercial coverage.

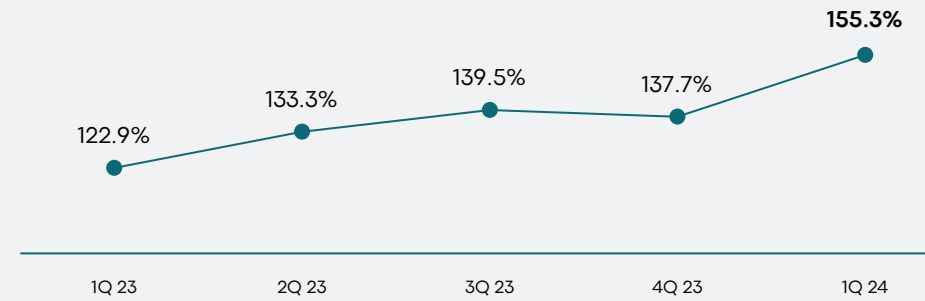
NPL Ratio (%)



Stage-Wise Provision Coverage (%)



NPL Coverage Ratio (%)



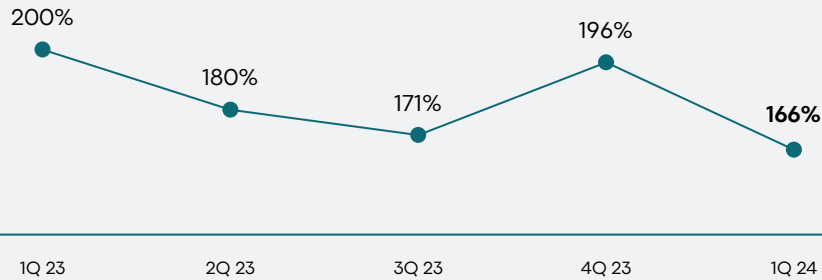
Liquidity

- LCR moderated 30ppts to 166% during 1Q 2024.
- NSFR was broadly stable YTD at 116% as of 31 March 2024.
- The SAMA regulatory LTD ratio was within required levels at 84.0% as of 31 March 2024, while the headline ratio increased to 106.1%.

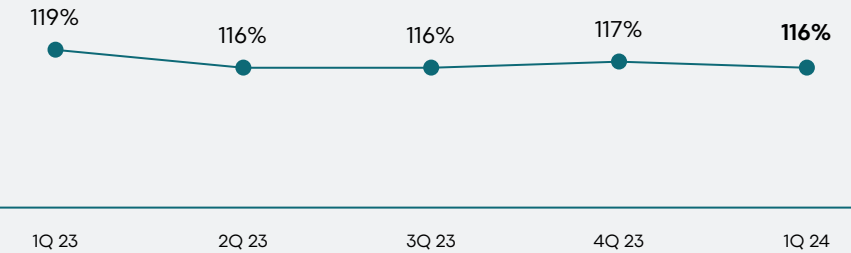
LTD Ratios (%)



LCR (%)



NSFR (%)

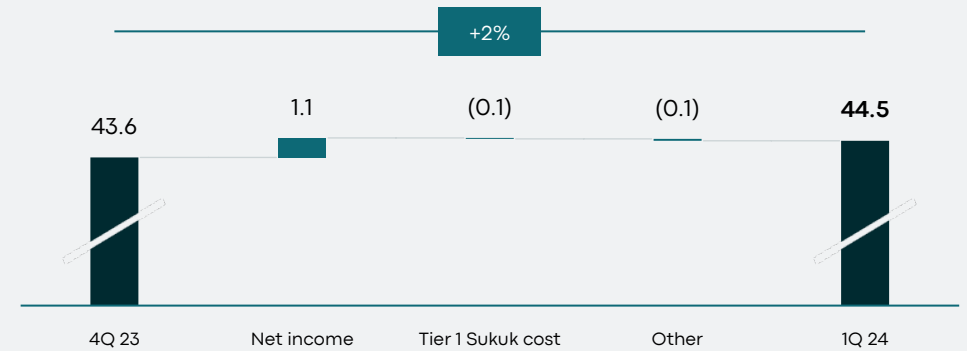


Strong capital ratios

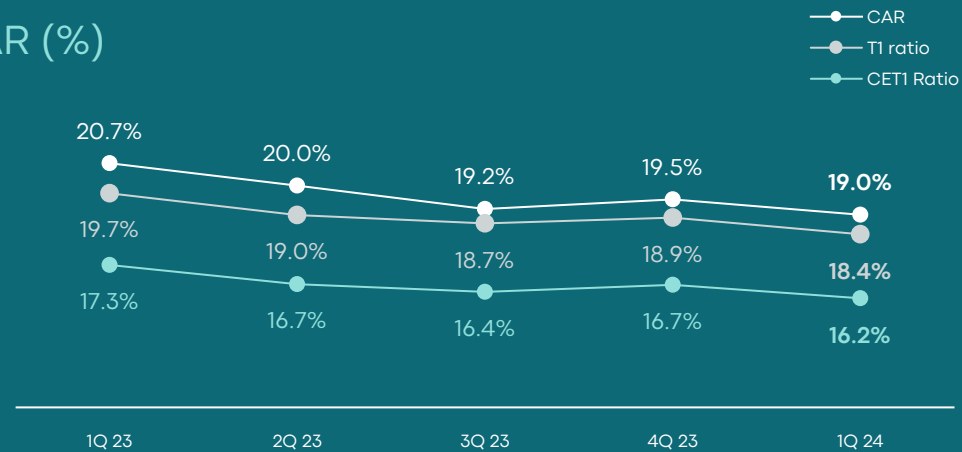
Capital

- Total capital (Tier 1 + Tier 2 regulatory capital) increased 2% YTD to SAR 44.5bn during 1Q 2024 mainly from net income generation.
- RWAs increased 5% YTD during 1Q 2024 to SAR 234.3bn from lending growth.
- CAR was 19.0% and the Tier 1 ratio was 18.4% as of 31 March 2024.

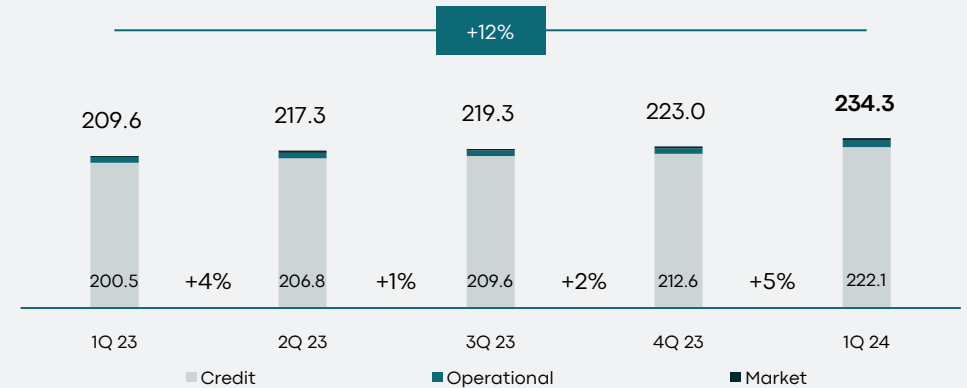
Total Capital Movement YTD (SAR Bn)



CAR (%)



RWA (SAR Bn)



BSF is optimistic about the outlook for 2024



Metric	1Q 2024 Outcome	2024 Guidance	Revision	2024 Guidance Drivers
Loans & Advances Growth	+3.4% ▲ YTD SAR Bn 185.4	Low double-digit	unchanged	Continued robust corporate activity and credit appetite driven by macroeconomic growth supported by V2030 projects.
Net Interest Margin	3.19% ▼ -47 bps YOY	3.10 - 3.30%	unchanged	Broadly stable margins from 4Q 2023 run rate of 3.22% supported by more stable rate environment and deposit mix.
Cost of Risk	60bps ▼ -56 bps YOY	60-70bps	unchanged	Normalizing cost of risk in relatively benign credit environment and absence of provisioning for isolated legacy exposures.
Cost to Income Ratio	33.2% ▲ +2.4 pts YOY	<32%	unchanged	Positive jaws from solid income growth and efficiency improvements driving lower expected cost to income ratio.
Return on Equity	11.1% ▲ +13 bps YOY	11-13%	unchanged	Improving returns expected from financing expansion, stable margins and improving operational and risk costs.
Core Equity Tier 1 Ratio	16.2% ▼ -44 bps YTD	17-18%	unchanged	Steadily improving capitalization ratios from capital accretive profitability.

Questions & Answers



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



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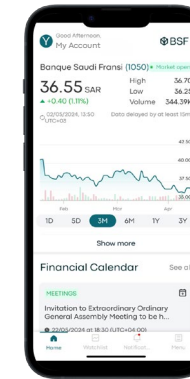
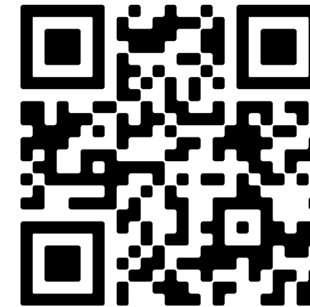
[Financial Disclosures](#)

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