

## BSF reports 7% net income growth to SAR 1,150mn in 1Q 2024

BSF reports 7% net income growth driven by lower cost of risk



- Total assets SAR 268.4bn, up 12% YoY, mainly driven by increased lending and investments
- Loans and advances up 13% YoY to SAR 185.4bn from both Corporate and Retail
- Customers' deposits SAR 174.8bn, up 4% YoY from increased interest-bearing deposits
- Net income for 1Q 2024 SAR 1,150mn, up 7% YoY on lower cost of risk
- Operating income SAR 2,331mn in 1Q 2024, up 1% YoY driven by non-interest income growth
- Net interest margin at 3.19% in 1Q 2024, contracted by 47bps YoY
- Cost-to-income ratio at 33.2% for 1Q 2024, a 243bps increase YoY on higher expenses
- Return on equity at 11.1%, up 13bps YoY
- Tier 1 ratio of 18.4% and Capital Adequacy Ratio (CAR) of 19.0%
- Liquidity Coverage Ratio (LCR) of 166%; Net Stable Funding Ratio (NSFR) of 116%

**Riyadh, 06 May 2024** - BSF reported 7% year-on-year growth in net income to SAR 1,150 million for 1Q 2024, driven by 1% growth in operating income and 32% reduction in the impairment charge, partly offset by higher operating expenses. Operating income growth resulted from 5% year-on-year growth in non-interest income, while net interest income was stable year-on-year as balance sheet expansion was offset by margin contraction.

Total assets amounted to SAR 268.4 billion as of 31 March 2023, an increase of 12% year-on-year, mostly driven by healthy 13% loan growth and an 18% expansion of the investment portfolio. Total customers' deposits increased by 4% year-on-year from growth in interest-bearing deposits.

Bader Alsalloom, Chief Executive Officer of BSF, said:



"BSF delivered a solid start to the year, with net income growing 7% year-on-year to reach SAR 1,150 million. On a sequential basis, net income grew by 39%, reflecting a return to normalcy following one-off impacts in the previous quarter. Growth in profitability was underpinned by continued corporate lending momentum and a pickup in retail financing. We further maintained strong credit quality discipline and delivered notable improvements in our cost of risk and non-performing loan and coverage ratios. Strategy execution remains on track and we were pleased to successfully go-live with phase II of our new core banking system during the quarter and are excited to launch our new brand in May. We remain optimistic about the outlook for the domestic economy and further acceleration of Vision 2030 projects, and BSF is strategically well placed to continue delivering improving returns to our shareholders."

## Performance Highlights

### Income Statement Highlights

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%
Pre-impairment operating income	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%
<b>Net income</b>	<b>1,150</b>	<b>827</b>	<b>+39%</b>	<b>1,076</b>	<b>+7%</b>
NIM	3.19%	3.22%	-4bps	3.65%	-47bps
Cost to income ratio	33.2%	38.6%	-5.5ppts	30.7%	+2.4ppts
Cost of risk	0.60%	0.90%	-30bps	1.16%	-56bps
EPS	0.91	0.64	+42%	0.85	+7%
ROAE	11.1%	8.2%	+284bps	10.9%	+13bps
ROAA	1.76%	1.32%	+45bps	1.82%	-6bps

Net income for 1Q 2024 improved 7% year-on-year to SAR 1,150 million from 1% growth in operating income and a 32% reduction in impairments, partly offset by an increase in operating expenses. Net income improved by 39% quarter-on-quarter on a 6% rise in operating income and reduced operating and risk costs.

Total operating income grew 1% year-on-year to reach SAR 2,331 million for 1Q 2024. Net interest income was relatively stable at SAR 1,919 million as a 13% year-on-year growth in average interest earning assets was offset by a 47 basis points margin contraction to 3.19%.

Non-interest income increased by 5% to SAR 413 million due to higher net fee & commission income and improved trading income, partly offset by lower exchange income. Sequentially, total operating income increased 6% from 3% growth in funded income and a 28% rise in non-funded income mainly from higher trading income.

Operating expenses increased 9% year-on-year to SAR 773 million in 1Q 2024 due to increased employee-related costs. Operating expenses however declined by 9% quarter-on-quarter due to the inclusion of non-recurring strategic expenditure in the previous quarter. The cost to income ratio increased by 243 basis points year-on-year to 33.2% for 1Q 2024 as cost inflation exceeded revenue growth.

The impairment charge amounted to SAR 276 million for 1Q 2024 compared with SAR 406 million in 1Q 2023. This 32% improvement resulted from lower Commercial impairments, partly offset by increased Consumer provisions.

## Balance Sheet Highlights

SAR Mn	1Q 2024	4Q 2023	Δ%	1Q 2023	Δ%
Cash & SAMA balances	10,700	10,559	+1%	14,683	-27%
Due from banks	6,509	4,113	+58%	4,056	+60%
Investments	52,923	48,467	+9%	44,807	+18%
Loans & advances	185,408	179,391	+3%	164,779	+13%
Other assets	12,835	10,852	+18%	11,910	+8%
<b>Total assets</b>	<b>268,376</b>	<b>253,383</b>	<b>+6%</b>	<b>240,236</b>	<b>+12%</b>
Due to banks, other FI & SAMA	24,890	18,945	+31%	14,275	+74%
Customers' deposits	174,828	172,209	+2%	167,414	+4%
Debt securities & term loans	12,208	8,634	+41%	4,533	+169%
Other liabilities	14,521	12,473	+16%	14,078	+3%
<b>Total liabilities</b>	<b>226,448</b>	<b>212,262</b>	<b>+7%</b>	<b>200,300</b>	<b>+13%</b>
Share capital	12,054	12,054	+0%	12,054	+0%
Retained earnings	12,522	11,368	+10%	10,788	+16%
Other	12,352	12,699	-3%	12,094	+2%
Equity attributable to shareholders	36,928	36,121	+2%	34,936	+6%
Tier 1 sukuk	5,000	5,000	+0%	5,000	+0%
<b>Total equity</b>	<b>41,928</b>	<b>41,121</b>	<b>+2%</b>	<b>39,936</b>	<b>+5%</b>
NPL ratio	0.94%	1.06%	-12bps	2.59%	-166bps
NPL coverage ratio	155.3%	137.7%	+17.7ppts	122.9%	+32.4ppts
T1 ratio	18.4%	18.9%	-55bps	19.7%	-136bps
CAR	19.0%	19.5%	-52bps	20.7%	-172bps
LCR	166.0%	196.0%	-30.0ppts	200.3%	-34.3ppts
NSFR	116.0%	117.0%	-1.0ppts	119.0%	-3.0ppts
LTD SAMA ratio	84.0%	84.1%	-0.1ppts	80.9%	+3.2ppts
Headline LTD Ratio	106.1%	104.2%	+1.9ppts	98.4%	+7.6ppts

Total assets as of 31 December 2023 amounted to SAR 268,376 million, an increase of 6% from 31 December 2023. Loans and advances rose 3% during the quarter to SAR 185,408 million, driven by 3% commercial and 5% consumer lending growth.

The investment portfolio expanded by 9% YTD from high-quality liquid assets to manage interest rate risk while capturing higher yields.

Customers' deposits increased by 2% during 1Q 2024 to SAR 174,828 million. Growth was registered from both non-interest-bearing deposits of 3% and interest-bearing deposits of 1%.

During the first quarter of 2024, the Bank issued debt securities and a term loan totaling USD 980 million.

The non-performing loans ratio improved to 0.94% as of 31 March 2024, a 12 basis points improvement during 1Q 2024 as NPLs declined 8% on write-offs in the commercial book relative to 3% gross loan growth. The coverage of non-performing loans increased to 155.3% as of 31 March 2024 relative to 137.7% at the start of the year.

The total capital adequacy ratio stood at 19.0% and the Tier 1 ratio at 18.4% as of 31 December 2023; both moderating 0.5 percentage points relative to the previous year-end due to higher risk-weighted assets growth of 5% relative to 2% growth in total capital. The bank's liquidity remained strong and comfortably within regulatory limits, with the liquidity coverage ratio at 166%, the net stable funding ratio at 116%, the SAMA regulatory loan to deposit ratio at 84.0%, and the headline loan to deposit ratio at 106.1%.

## Operating Segment Highlights

### Corporate Banking

#### Income Statement Highlights

SAR Mn	1Q 2024	4Q 2023	Δ%	1Q 2023	Δ%
Net interest income	1,034	939	+10%	922	+12%
Fee & other income	129	118	+9%	126	+2%
Total operating income	1,164	1,057	+10%	1,048	+11%
Expenses	(225)	(203)	+11%	(193)	+17%
Pre-impairment operating income	939	855	+10%	855	+10%
Impairments	(202)	(365)	-45%	(470)	-57%
<b>Net income before zakat</b>	<b>737</b>	<b>490</b>	<b>+50%</b>	<b>385</b>	<b>+91%</b>
NIM	3.03%	2.78%	+26bps	3.04%	-0bps
Cost to income ratio	19.3%	19.2%	+0.2ppts	18.4%	+1.0ppts
Cost of risk	0.59%	1.07%	-48bps	1.53%	-94bps

#### Balance Sheet Highlights

SAR Mn	1Q 2024	4Q 2023	Δ%	1Q 2023	Δ%
Loans & advances	138,724	135,650	+2%	125,553	+10%
Total assets	141,659	136,409	+4%	127,901	+11%
Customers' deposits	111,743	102,995	+8%	90,646	+23%
Total liabilities	113,176	104,477	+8%	92,550	+22%

Corporate reported 91% year-on-year growth in net income before zakat to SAR 737 million. This resulted from 11% operating income growth to SAR 1,164 million and a 57% decline in credit impairments, partly offset by a 17% rise in operating expenses.

Total assets for the corporate segment grew 4% during the quarter to SAR 141,659 million from a 2% increase in loans and advances. Corporate liabilities grew 8% year-to-date to SAR 113,176 million from 8% deposits growth.

## Retail Banking

### Income Statement Highlights

SAR Mn	1Q 2024	4Q 2023	Δ%	1Q 2023	Δ%
Net interest income	978	893	+10%	740	+32%
Fee & other income	62	49	+27%	64	-3%
Total operating income	1,040	942	+10%	804	+29%
Expenses	(387)	(478)	-19%	(400)	-3%
Pre-impairment operating income	654	464	+41%	404	+62%
Impairments	(78)	(52)	+50%	54	-245%
<b>Net income before zakat</b>	<b>576</b>	<b>412</b>	<b>+40%</b>	<b>458</b>	<b>+26%</b>
NIM	8.98%	8.56%	+41bps	8.01%	+97bps
Cost to income ratio	37.2%	50.7%	-13.6ppts	49.8%	-12.6ppts
Cost of risk	0.71%	0.50%	+21bps	-0.57%	+128bps

### Balance Sheet Highlights

SAR Mn	1Q 2024	4Q 2023	Δ%	1Q 2023	Δ%
Loans & advances	45,322	42,325	+7%	37,909	+20%
Total assets	47,533	44,030	+8%	39,497	+20%
Customers' deposits	63,085	69,214	-9%	76,767	-18%
Total liabilities	64,291	70,429	-9%	78,034	-18%

Retail net income before zakat for 1Q 2024 increased 26% year-on-year to SAR 576 million on 29% operating income growth to SAR 1,040 million.

Total retail assets rose by 8% during 1Q 2024 to SAR 47,533 million from 7% growth in retail loans. Total liabilities declined by 9% year-to-date to SAR 64,291 million due to a 9% decrease in customers' deposits.

## Treasury

### Income Statement Highlights

SAR Mn	1Q 2024	4Q 2023	Δ%	1Q 2023	Δ%
Net interest income	(137)	(6)	+2245%	230	-159%
Fee & other income	145	60	+141%	140	+3%
Total operating income	8	54	-86%	370	-98%
Expenses	(93)	(98)	-5%	(66)	+41%
Pre-impairment operating income	(85)	(44)		304	
Impairments	4	3	+24%	11	-63%
<b>Net income before zakat</b>	<b>(82)</b>	<b>(40)</b>	<b>+102%</b>	<b>315</b>	<b>-126%</b>

### Balance Sheet Highlights

SAR Mn	1Q 2024	4Q 2023	Δ%	1Q 2023	Δ%
Investments	52,923	48,467	+9%	44,807	+18%
Total assets	77,111	70,830	+9%	70,767	+9%
Total liabilities	48,059	36,595	+31%	28,146	+71%

Treasury reported a net loss before zakat of SAR 82 million for 1Q 2024. This resulted from a 98% year-on-year decline in operating income to SAR 8 million on higher funding costs, reflective of the higher rate environment.

Treasury assets increased by 9% during 1Q 2024 from 9% growth in the investment portfolio, while liabilities rose 31%.

### Investment Banking and Brokerage

#### Income Statement Highlights

SAR Mn	1Q 2024	4Q 2023	Δ%	1Q 2023	Δ%
Net interest income	43	41	+4%	33	+32%
Fee & other income	76	96	-20%	64	+20%
Total operating income	119	137	-13%	96	+24%
Expenses	(68)	(68)	+1%	(53)	+28%
Pre-impairment operating income	51	70	-26%	43	+19%
Impairments	0	0	-	0	-
<b>Net income before zakat</b>	<b>51</b>	<b>70</b>	<b>-26%</b>	<b>43</b>	<b>+19%</b>
Brokerage volume	34,860	21,717	+61%	21,758	+60%
Cost to income ratio	57.2%	49.3%	+7.9ppts	55.5%	+1.8ppts

#### Balance Sheet Highlights

SAR Mn	1Q 2024	4Q 2023	Δ%	1Q 2023	Δ%
AUM	22,437	23,985	-6%	27,223	-18%
Loans & advances	1,362	1,417	-4%	1,317	+3%
Total assets	2,072	2,113	-2%	2,071	+0%
Total liabilities	922	761	+21%	1,569	-41%

The Investment Banking and Brokerage segment registered a 19% year-on-year improvement in net income before zakat to SAR 51 million for 1Q 2024. This was driven by 24% growth in operating income due to increased net interest income and brokerage and asset management fees, partly offset by lower corporate finance income.

## Outlook

The macro-economic fundamentals for 2024 are expected to remain supportive, with expected real GDP growth in the Kingdom of Saudi Arabia of 2.6%. In combination with continued realization of Vision 2030 opportunities, this is expected to lead to robust corporate activity and credit appetite.

Interest rates are expected to remain stable during the first half of 2024 before potential rate cuts of up to 50 basis points towards the end of the year.

The bank is in a strong position to capitalize on these economic conditions during the remainder of 2024 which, together with our continued focus on strategic execution and solid start to the year, is expected to generate improving returns for our shareholders.



## Additional Information

The 1Q 2024 financial statements, earnings release, earnings presentation, investor presentation and financial data supplement will be available on the website of BSF at:

[BSF IR Website](#)

[Financial Disclosures](#)

For more information, please contact the bank at:

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