

BSF reports 6% net income growth to SAR 2,279mn in 1H 2024

BSF reports 6% net income growth driven by lower cost of risk



- Total assets SAR 288.8bn, up 18% YoY, driven by increased lending, investments and due from banks
- Loans and advances up 16% YoY to SAR 197.2bn from both Corporate and Retail
- Customers' deposits SAR 196.2bn, up 22% YoY from increased interest-bearing deposits
- Net income for 1H 2024 SAR 2,279mn, up 6% YoY on lower cost of risk
- Flat operating income SAR 4,674mn in 1H 2024, with 6% non-interest income growth offset by a slight decline in net interest income by 1%
- Net interest margin at 3.10% in 1H 2024, contracted by 52bps YoY
- Cost-to-income ratio at 33.9% for 1H 2024, a 3.1 ppts increase YoY on higher expenses
- Return on equity at 11.0%, up 6bps YoY
- Tier 1 ratio of 17.4% and Capital Adequacy Ratio (CAR) of 18.1%
- Liquidity Coverage Ratio (LCR) of 187%; Net Stable Funding Ratio (NSFR) of 118%

Riyadh, 01 August 2024 - BSF reported 6% year-on-year growth in net income to SAR 2,279 million for 1H 2024, driven by 34% reduction in the impairment charge, partly offset by higher operating expenses. Operating income remained steady, with a 6% year-over-year increase in non-interest income being counterbalanced by a 1% decrease in net interest income, where margin contraction offset significant balance sheet growth.

Total assets amounted to SAR 288.8 billion as of 30 June 2024, an increase of 18% year-on-year, mostly driven by healthy 16% loan growth, a 13% expansion of the investment portfolio and increased bank placements. Total customers' deposits increased by 22% year-on-year from growth in interest-bearing deposits.

Bader Alsalloom, Chief Executive Officer of BSF, said:



"We are pleased to report a robust performance for the first half of 2024, with net income growing by 6% year-on-year to SAR 2,279 million. This achievement reflects our disciplined risk management, evidenced by the notable 34% reduction in impairment charges. Despite a moderate decline in net interest income, we maintained stable operating income supported by solid balance sheet momentum and fee income generation. Strategy execution continues to be strong, highlighted by the successful launch of Release 2.2B of our core banking system and the introduction of our new brand. These results

underscore our commitment to delivering sustainable returns for our shareholders and capitalizing on the opportunities presented by the robust economic conditions and Vision 2030 initiatives in Saudi Arabia."

Performance Highlights

Income Statement Highlights

SAR Mn	1H 2024	1H 2023	Δ%	2Q 2024	2Q 2023	Δ%
Net interest income	3,858	3,899	-1%	1,940	1,976	-2%
Non-interest income	815	766	+6%	402	372	+8%
Operating income	4,674	4,665	+0%	2,342	2,347	-0%
Operating expenses	(1,582)	(1,436)	+10%	(809)	(724)	+12%
Pre-impairment operating income	3,091	3,230	-4%	1,533	1,624	-6%
Impairment charge	(550)	(837)	-34%	(274)	(431)	-36%
Net income before zakat	2,542	2,393	+6%	1,259	1,193	+6%
Zakat	(263)	(243)	+8%	(130)	(120)	+9%
Net income	2,279	2,150	+6%	1,129	1,073	+5%
NIM	3.10%	3.62%	-0.52%	3.02%	3.57%	-55bps
Cost to income ratio	33.9%	30.8%	+3.1%	34.5%	30.8%	+3.7ppts
Cost of risk	0.60%	1.07%	-0.48%	0.60%	0.99%	-39bps
EPS	1.81	1.70	+7%	0.90	0.85	+6%
ROAE	11.0%	10.9%	+0.1%	10.8%	10.8%	+0bps
ROAA	1.69%	1.80%	-0.11%	1.62%	1.77%	-15bps

Net income for 1H 2024 improved 6% year-on-year to SAR 2,279 million from a 34% reduction in impairments, partly offset by an increase in operating expenses. Quarterly net income

improved by 5% year-on-year and declined by 2% quarter-on-quarter on increased operating expenses, partially offset by improved net interest income.

Total operating income remained stable year-on-year at SAR 4,674 million for 1H 2024. Net interest income declined 1% to SAR 3,858 million as a 15% year-on-year growth in average interest earning assets was offset by a 52 basis points margin contraction to 3.10%. The quarterly total operating income was similarly stable year-on-year and quarter-on-quarter.

Non-interest income increased by 6% to SAR 815 million due to higher net fee & commission income and improved investment-related and trading income, partly offset by lower exchange income.

Operating expenses increased 10% year-on-year to SAR 1,582 million in 1H 2024 due to increased employee-related costs and general and administrative expenses. The quarterly operating expenses rose by 12% year-on-year and 5% quarter-on-quarter. The cost to income ratio increased by 308 basis points year-on-year to 33.9% for 1H 2024 due to the operating expenses growth.

The impairment charge amounted to SAR 550 million for 1H 2024 compared with SAR 837 million in 1H 2023. This 34% improvement resulted from lower commercial impairments, partly offset by higher consumer, investment and off-balance impairments.

Balance Sheet Highlights

SAR Mn	2Q 2024	1Q 2024	Δ%	4Q 2023	Δ%
Cash & SAMA balances	11,578	10,700	+8%	10,559	+10%
Due from banks	11,742	6,509	+80%	4,113	+185%
Investments	55,506	52,923	+5%	48,467	+15%
Loans & advances	197,160	185,408	+6%	179,391	+10%
Other assets	12,840	12,835	+0%	10,852	+18%
Total assets	288,826	268,376	+8%	253,383	+14%
Due to banks, other FI & SAMA	24,857	24,890	-0%	18,945	+31%
Customers' deposits	196,248	174,828	+12%	172,209	+14%
Debt securities & term loans	12,490	12,208	+2%	8,634	+45%
Other liabilities	13,423	14,521	-8%	12,473	+8%
Total liabilities	247,017	226,448	+9%	212,262	+16%
Share capital	12,054	12,054	+0%	12,054	+0%
Retained earnings	13,595	12,522	+9%	11,368	+20%
Other	11,161	12,352	-10%	12,699	-12%
Equity attributable to shareholders	36,809	36,928	-0%	36,121	+2%
Tier 1 sukuk	5,000	5,000	+0%	5,000	+0%
Total equity	41,809	41,928	-0%	41,121	+2%
NPL ratio	0.94%	0.94%	+0bps	1.06%	-12bps
NPL coverage ratio	161.9%	155.3%	+6.5ppts	137.7%	+24.2ppts
T1 ratio	17.4%	18.4%	-100bps	18.9%	-155bps
CAR	18.1%	19.0%	-94bps	19.5%	-145bps
LCR	187.0%	166.0%	+21.0ppts	196.0%	-9.0ppts
NSFR	118.0%	116.0%	+2.0ppts	117.0%	+1.0ppts
LTD SAMA ratio	81.0%	84.0%	-3.0ppts	84.1%	-3.1ppts
Headline LTD Ratio	100.5%	106.1%	-5.6ppts	104.2%	-3.7ppts

Total assets as of 30 June 2024 amounted to SAR 288,826 million, an increase of 14% from 31 December 2023. Loans and advances rose 10% during 1H 2024 to SAR 197,160 million, driven by 10% commercial and 8% consumer lending growth.

The investment portfolio expanded by 15% YTD from high-quality liquid assets to manage interest rate risk while capturing higher yields.

Customers' deposits increased by 14% during 1H 2024 to SAR 196,248 million. Growth was registered mainly from interest-bearing deposits of 22%, further supported by a 4% increase in non-interest-bearing deposits.

During the first half of 2024, the Bank issued debt securities and a term loan totaling USD 1,090 million.

The non-performing loans ratio remains strong at 0.94% as of 30 June 2024, a 12 basis points improvement during 1H 2024 as NPLs declined 2% on write-offs during 1Q 2024 in the commercial book relative to 10% gross loan growth. The coverage of non-performing loans further increased to 161.9% as of 30 June 2024 relative to 137.7% at the start of the year.

The total capital adequacy ratio stood at 18.1% and the Tier 1 ratio at 17.4% as of 30 June 2024; moderating 1.5 and 1.6 percentage points respectively relative to the previous year-end due to higher risk-weighted assets growth of 11% relative to 2% growth in total regulatory capital.

The bank's liquidity remained strong and comfortably within regulatory limits, with the liquidity coverage ratio at 187%, the net stable funding ratio at 118%, the SAMA regulatory loan to deposit ratio at 81.0%, and the headline loan to deposit ratio at 100.5%.

Operating Segment Highlights

Corporate Banking

Income Statement Highlights

SAR Mn	1H 2024	1H 2023	Δ%	2Q 2024	2Q 2023	Δ%
Net interest income	2,161	1,813	+19%	1,127	892	+26%
Fee & other income	298	259	+15%	168	132	+27%
Total operating income	2,459	2,072	+19%	1,295	1,024	+26%
Expenses	(410)	(367)	+12%	(185)	(174)	+7%
Pre-impairment operating income	2,048	1,706	+20%	1,110	850	+30%
Impairments	(404)	(928)	-56%	(202)	(458)	-56%
Net income before zakat	1,644	777	+112%	907	392	+131%
NIM	3.08%	2.92%	+16bps	3.15%	2.81%	+35bps
Cost to income ratio	16.7%	17.7%	-1.0ppts	14.3%	17.0%	-2.7ppts
Commercial COR	0.56%	1.37%	-80bps	0.59%	1.09%	-50bps

Balance Sheet Highlights

SAR Mn	2Q 2024	1Q 2024	Δ%	4Q 2023	Δ%
Loans & advances	148,547	138,724	+7%	135,650	+10%
Total assets	151,370	141,659	+7%	136,409	+11%
Customers' deposits	134,986	111,743	+21%	102,995	+31%
Total liabilities	136,168	113,176	+20%	104,477	+30%

Corporate reported 112% year-on-year growth in net income before zakat to SAR 1,644 million. This resulted from 19% operating income growth to SAR 2,459 million and a 56% decline in credit impairments.

Total assets for the corporate segment grew 11% in 1H 2024 to SAR 151,370 million from a 10% increase in loans and advances. Corporate liabilities grew 30% year-to-date to SAR 136,168 million from 31% deposits growth.

Retail Banking

Income Statement Highlights

SAR Mn	1H 2024	1H 2023	Δ%	2Q 2024	2Q 2023	Δ%
Net interest income	1,978	1,591	+24%	1,000	851	+18%
Fee & other income	78	96	-19%	16	32	-51%
Total operating income	2,056	1,687	+22%	1,016	883	+15%
Expenses	(858)	(806)	+7%	(472)	(405)	+16%
Pre-impairment operating income	1,198	881	+36%	544	477	+14%
Impairments	(143)	81	-276%	(65)	28	-335%
Net income before zakat	1,054	963	+10%	478	505	-5%
NIM	8.87%	8.46%	+41bps	8.72%	8.90%	-18bps
Cost to income ratio	41.7%	47.8%	-6.0ppts	46.5%	45.9%	+0.5ppts
Consumer COR	0.77%	-0.27%	+104bps	0.64%	0.51%	+13bps

Balance Sheet Highlights

SAR Mn	2Q 2024	1Q 2024	Δ%	4Q 2023	Δ%
Loans & advances	46,877	45,322	+3%	42,325	+11%
Total assets	49,259	47,533	+4%	44,030	+12%
Customers' deposits	61,262	63,085	-3%	69,214	-11%
Total liabilities	62,178	64,291	-3%	70,429	-12%

Retail net income before zakat for 1H 2024 increased 10% year-on-year to SAR 1,054 million on 22% operating income growth to SAR 2,056 million which was partly offset by an increase in impairments to SAR 143 million.

Total retail assets rose by 12% during 1H 2024 to SAR 49,259 million from 11% growth in retail loans. Total liabilities declined by 12% year-to-date to SAR 62,178 million due to a 11% decrease in customers' deposits.

Treasury

Income Statement Highlights

SAR Mn	1H 2024	1H 2023	Δ%	2Q 2024	2Q 2023	Δ%
Net interest income	(365)	427	-185%	(228)	197	-216%
Fee & other income	258	275	-6%	113	135	-16%
Total operating income	(107)	702	-115%	(115)	332	-134%
Expenses	(177)	(169)	+4%	(84)	(103)	-19%
Pre-impairment operating income	(284)	533	-153%	(198)	229	-187%
Impairments	(2)	10	-123%	(6)	(0)	+3859%
Net income before zakat	(286)	543	-153%	(205)	229	-189%

Balance Sheet Highlights

SAR Mn	2Q 2024	1Q 2024	Δ%	4Q 2023	Δ%
Investments	55,506	52,923	+5%	48,467	+15%
Total assets	85,704	77,111	+11%	70,830	+21%
Total liabilities	47,520	48,059	-1%	36,595	+30%

Treasury reported a net loss before zakat of SAR 286 million for 1H 2024. This resulted from a 115% year-on-year decline in operating income to negative SAR 107 million on higher funding costs, reflective of the higher rate environment.

Treasury assets increased by 21% during 1H 2024 from 15% growth in the investment portfolio, while liabilities rose 30%.

Investment Banking and Brokerage

Income Statement Highlights

SAR Mn	1H 2024	1H 2023	Δ%	2Q 2024	2Q 2023	Δ%
Net interest income	84	68	+23%	41	35	+16%
Fee & other income	182	136	+34%	105	72	+46%
Total operating income	266	204	+30%	146	108	+36%
Expenses	(136)	(94)	+45%	(68)	(41)	+67%
Net income before zakat	129	110	+18%	78	67	+17%
Brokerage volume	61,172	45,754	+34%	26,312	23,997	+10%
Cost to income ratio	51.3%	46.2%	+5.2%	46.6%	37.8%	+8.7ppts

Balance Sheet Highlights

SAR Mn	2Q 2024	1Q 2024	Δ%	4Q 2023	Δ%
AUM	25,435	22,437	+13%	23,985	+6%
Loans & advances	1,736	1,362	+27%	1,417	+23%
Total assets	2,494	2,072	+20%	2,113	+18%
Total liabilities	1,151	922	+25%	761	+51%

The Investment Banking and Brokerage segment registered an 18% year-on-year improvement in net income before zakat to SAR 129 million for 1H 2024. This was driven by 30% growth in operating income due to increased fee income and net interest income, partly offset by rising operating expenses.

Outlook

The macro-economic fundamentals for 2024 are expected to remain supportive, with expected real GDP growth in the Kingdom of Saudi Arabia of 1.7%. 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 remainder of the year 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 1H 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](#)

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