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Banque Saudi Fransi reports 27% net income growth to SAR 3,395mn in 9M 2023

BSF reports 27% net income growth driven by robust top line momentum



- Total assets SAR 249.9bn, up 8% YoY, mainly driven by lending
- Loans and advances up 10% YoY to SAR 174.7bn from both Corporate and Retail
- Customers' deposits SAR 166.4bn, up 5% YoY from increased interest-bearing deposits
- Net income for 9M 2023 SAR 3,395mn, up 27% YoY on higher operating income
- Operating income SAR 7,133mn in 9M 2023, up 24% YoY driven by 28% net interest income growth
- Net interest margin at 3.63% in 9M 2023, expanded by 65bps YoY
- Cost-to-income ratio at 30.5% for 9M 2023, a 293bps improvement YoY on higher revenues
- Return on equity at 11.5%, up 227bps YoY
- Tier 1 ratio of 18.73% and Capital Adequacy Ratio (CAR) of 19.21%
- Liquidity Coverage Ratio (LCR) of 171%; Net Stable Funding Ratio (NSFR) of 116%

Riyadh, 31 October 2023 - Banque Saudi Fransi reported 27% year-on-year growth in net income to SAR 3,395 million for 9M 2023, reflecting 24% growth in operating income partly offset by higher operating expenses and financing impairments. Income growth resulted from 28% year-on-year growth in net interest income driven by margin and balance sheet expansion, while non-interest income increased by 3%.

Total assets amounted to SAR 249.9 billion as of 30 September 2023, an increase of 8% from the end of September of 2022, mostly driven by healthy 10% loan growth. Total customers' deposits increased by 5% year-on-year from growth in interest-bearing deposits.

Bader Alsallloom, Chief Executive Officer of Banque Saudi Fransi, said:

"BSF continues to deliver impressive results throughout the nine months of 2023, with net income growing 27% year-on-year. We achieved improved profitability due to balanced asset growth and NIM expansion, benefiting from a rising rate environment. The bank demonstrated healthy lending growth in both corporate and retail segments. Asset growth was funded mainly by interest-bearing deposits and longer-term debt issuance. We maintained healthy credit quality, observing a notable improvement in NPL and coverage ratios. We continue to seize opportunities arising from the positive domestic economic environment and Vision 2030 projects, ensuring financial stability and solidity, along with fulfilment of the bank's strategic objectives."

Performance Highlights

Income Statement Highlights

SAR (Mn)	9M 2023	9M 2022	Δ%	3Q 2023	3Q 2022	Δ%
Net interest income	5,967	4,648	+28%	2,068	1,717	+20%
Non-interest income	1,166	1,126	+3%	400	366	+9%
Operating income	7,133	5,774	+24%	2,468	2,083	+18%
Operating expenses	(2,176)	(1,930)	+13%	(740)	(678)	+9%
Pre-impairment operating income	4,957	3,844	+29%	1,728	1,405	+23%
Impairment charge	(1,181)	(884)	+34%	(345)	(348)	-1%
Net income before zakat	3,776	2,960	+28%	1,383	1,057	+31%
Zakat	(381)	(288)	+32%	(137)	(96)	+43%
Net income	3,395	2,672	+27%	1,245	961	+30%
NIM	3.63%	2.99%	+65bps	3.66%	3.16%	+50bps
Cost to income ratio	30.5%	33.4%	-2.9ppts	30.0%	32.5%	-2.6ppts
Cost of risk	0.98%	0.74%	+23bps	0.79%	0.85%	-6bps
EPS	2.69	2.08	+29%	0.99	0.75	+31%
ROAE	11.5%	9.2%	+227bps	12.6%	10.2%	+244bps
ROAA	1.87%	1.58%	+29bps	2.01%	1.66%	+35bps

Net income for 9M 2023 improved 27% year-on-year to SAR 3,395 million from 24% growth in operating income, partly offset by an increase in credit impairments and operating expenses. Net income for 3Q 2023 similarly increased by 30% year-on-year to SAR 1,245 million on 18% operating income growth.

Total operating income grew 24% year-on-year to reach SAR 7,133 million for 9M 2023. Net interest income grew 28% to SAR 5,967 million from a 65 basis points margin improvement to 3.63%, and 6% year-on-year growth in average earning assets. Non-interest income increased by 3% to SAR 1,166 million as higher trading and fee & commission income was partly offset by lower investment income. Total operating income for the quarter increased 18% compared to 3Q 2022 from 20% growth in funded income and a 9% rise in non-funded income.

Operating expenses increased 13% year-on-year to SAR 2,176 million in 9M 2023 due to increased employee-related costs and excess accrual reversals in the first quarter of the previous year. Operating expenses for 3Q 2023 were 9% higher year-on-year. The cost to income ratio improved by 293 basis points year-on-year to 30.5% for 9M 2023 as revenue growth exceeded cost inflation. This positive operating leverage resulted in 29% year-on-year growth in pre-impairment operating income to SAR 4,957 million.

The impairment charge amounted to SAR 1,181 million for 9M 2023 compared with SAR 884 million in 9M 2022. This 34% increase was reflective of higher Commercial impairments, partly offset by Consumer and Investment & off-balance reversals.

Balance Sheet Highlights

SAR (Mn)	3Q 2023	4Q 2022	Δ%	3Q 2022	Δ%
Cash & SAMA balances	10,483	11,326	-7%	12,428	-16%
Due from banks	5,127	4,795	+7%	4,507	+14%
Investments	46,390	44,518	+4%	43,341	+7%
Loans & advances	174,681	159,012	+10%	158,481	+10%
Other assets	13,182	12,428	+6%	12,901	+2%
Total assets	249,862	232,078	+8%	231,659	+8%
Due to banks	20,540	16,770	+22%	20,094	+2%
Customers' deposits	166,367	157,592	+6%	157,821	+5%
Debt securities & term loans	8,175	4,515	+81%	0	
Other liabilities	15,497	14,455	+7%	15,939	-3%
Total liabilities	210,580	193,333	+9%	193,854	+9%
Share capital	12,054	12,054	+0%	12,054	+0%
Retained earnings	11,855	9,768	+21%	10,001	+19%
Other	10,375	11,924	-13%	10,750	-3%
Equity attributable to shareholders	34,283	33,745	+2%	32,805	+5%
Tier 1 Sukuk	5,000	5,000	+0%	5,000	+0%
Total equity	39,283	38,745	+1%	37,805	+4%
NPL Ratio	1.97%	2.54%	-57bps	2.73%	-76bps
NPL Coverage Ratio	139.5%	119.9%	+19.6ppts	116.8%	+22.7ppts
T1 Ratio	18.73%	18.90%	-17bps	18.68%	+4bps
CAR	19.21%	19.92%	-71bps	19.76%	-55bps
LCR	171%	196%	-25.4ppts	185%	-14.3ppts
NSFR	116%	122%	-6.0ppts	113%	+3.0ppts
LTD SAMA regulatory ratio	84.0%	83.3%	+0.7ppts	83.4%	+0.6ppts
Headline LTD ratio	105.0%	100.9%	+4.1ppts	100.4%	+4.6ppts

Total assets as of 30 September 2023 amounted to SAR 249,862 million, an increase of 8% from 31 December 2022. Loans and advances rose 10% during the period to SAR 174,681 million, driven by 11% commercial and 7% consumer lending growth.

Customers' deposits increased by 6% during 9M 2023 to SAR 166,367 million. Growth was registered mainly from interest-bearing deposits of 20% while non-interest-bearing deposits declined by 3%.

The non-performing loans ratio improved to 1.97% as of 30 September 2023, a 57 basis points improvement during 9M 2023 as NPLs declined 15% on write-offs in the commercial book relative to 10% gross loan growth. The coverage of non-performing loans increased to 139.5% as of 30 September 2023 relative to 119.9% at the start of the year, impacted by additional coverage on isolated exposures which previously migrated to NPL in the Commercial book during 2022.

The total capital adequacy ratio stood at 19.21% and the Tier 1 ratio at 18.73% as of 30 September 2023; the former declining by 0.7 percentage points relative to the previous year-end due to higher credit risk-weighted assets and 1% lower capitalization as dividend payments and negative reserve revaluations more than offset net income generation. The bank's liquidity remained strong and comfortably within regulatory limits, with the liquidity coverage ratio at 171%, 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 105.0%.

Operating Segment Highlights – Income Statement

SAR (Mn)	9M 2023	9M 2022	Δ%	3Q 2023	3Q 2022	Δ%
Operating income						
Retail	2,637	1,562	+69%	950	582	+63%
Corporate	3,210	2,484	+29%	1,137	969	+17%
Treasury	955	1,398	-32%	253	433	-42%
Investment Banking and Brokerage	332	330	+0%	128	99	+29%
Operating income	7,133	5,774	+24%	2,468	2,083	+18%
Net income before zakat & tax						
Retail	1,514	534	+184%	551	258	+114%
Corporate	1,386	1,098	+26%	609	414	+47%
Treasury	705	1,156	-39%	162	339	-52%
Investment Banking and Brokerage	171	173	-1%	61	46	+33%
Net income before zakat & tax	3,776	2,960	+28%	1,383	1,057	+31%

Operating Segment Highlights – Balance Sheet

SAR (Mn)	3Q 2023	4Q 2022	Δ%	3Q 2022	Δ%
Total assets					
Retail	42,984	38,411	+12%	38,343	+12%
Corporate	134,142	122,841	+9%	122,273	+10%
Treasury	70,594	68,635	+3%	68,658	+3%
Investment Banking and Brokerage	2,143	2,191	-2%	2,385	-10%
Total assets	249,862	232,078	+8%	231,659	+8%
Total liabilities					
Retail	76,641	78,542	-2%	76,074	+1%
Corporate	94,452	81,981	+15%	84,540	+12%
Treasury	37,159	31,205	+19%	31,201	+19%
Investment Banking and Brokerage	2,327	1,605	+45%	2,039	+14%
Total liabilities	210,580	193,333	+9%	193,854	+9%

Retail net income before zakat for 9M 2023 increased 2.8x year-on-year to SAR 1,514 million on 69% operating income growth to SAR 2,637 million. Total retail assets rose by 12% during 9M 2023 to SAR 42,984 million from 9% growth in retail loans. Total liabilities declined by 2% year-to-date to SAR 76,641 million in line with a 2% decrease in customers' deposits.

Corporate reported 26% year-on-year growth in net income before zakat to SAR 1,386 million. This resulted from 29% operating income growth to SAR 3,210 million partly offset by an 43% rise in credit impairments. Total assets for the corporate segment grew 9% in 9M 2023 to SAR 134,142 million from a 10% increase in loans and advances. Corporate liabilities grew 15% year-to-date to SAR 94,452 million from 13% deposits growth.

Treasury reported an 39% year-on-year decline in net income before zakat to SAR 705 million for 9M 2023. Operating income declined 32% year-on-year to SAR 955 million on lower net interest income. Treasury assets increased by 3% during 9M 2023, while liabilities rose 19%.

The Investment Banking and Brokerage segment registered a 1% year-on-year decline in net income before zakat to SAR 171 million for 9M 2023, as lower brokerage and asset management fees offset an

increase in net interest income resulting in stable total operating income year-on-year, while operating expenses increased 2%.

Outlook

The macro-economic fundamentals for 2023 are expected to remain supportive, with expected real GDP growth in the Kingdom of Saudi Arabia of 0.8%. In combination with phased resumption of Vision 2030 opportunities, this is expected to lead to robust corporate activity and credit appetite.

Interest rates continued to rise during the first nine months of 2023 but this is expected to start stabilizing in the fourth quarter and into 2024. We expect this high-rate environment to dampen consumer credit demand moderately relative to 2022, although retail lending growth is expected to remain positive.

The bank was in a good position to take advantage of these economic conditions during the nine months of the year, which was reflected in the strong financial performance.

Additional Information

The 9M 2023 financial statements, earnings release, earnings presentation, investor presentation and financial data supplement will be available on the website of Banque Saudi Fransi at:

<https://www.alfransi.com.sa/english/top-menu/investorrelation/financial-information/financial-satements-and-disclosures>

<https://www.alfransi.com.sa/english/top-menu/investorrelation/share-information/investor-presentations>

For more information, please contact the bank at:

Banque Saudi Fransi

P.O. Box 56006, Riyadh 11554

Kingdom of Saudi Arabia

Institutional investor contact

BSF Investor Relations

IR@alfransi.com.sa

Media contact

Corporate Communications

Marketing-Corporate-Communication@alfransi.com.sa