

## Banque Saudi Fransi reports 23% net income growth to SAR 1,076mn in 1Q 2023

### BSF reports 23% net income growth on improved top line



- Total assets SAR 240.2bn, up 8% YoY from increased lending
- Loans and advances up 8% YoY to SAR 164.8bn from both Corporate and Retail
- Customers' deposits SAR 167.4bn, up 11% YoY
- Net income for 1Q 2023 SAR 1,076mn, up 23% YoY on higher operating income
- Operating income SAR 2,318mn in 1Q 2023, up 27% YoY driven by 36% net interest income growth
- Net interest margin at 3.65% in 1Q 2023, expanded by 79bps YoY and 35bps above 4Q 2022
- Cost-to-income ratio at 30.7% for 1Q 2023, a 247bps improvement YoY on higher revenues and efficient cost control
- Return on equity at 10.9%, up 210bps YoY
- Tier 1 ratio of 19.73% and Capital Adequacy Ratio (CAR) of 20.73%
- Liquidity Coverage Ratio (LCR) of 200%; Net Stable Funding Ratio (NSFR) of 119%

**Riyadh, 11 May 2023** - Banque Saudi Fransi reported 23% year-on-year growth in net income to SAR 1,076 million for 1Q 2023, reflecting 27% growth in operating income partly offset by higher operating expenses and financing impairments. Income growth resulted from 36% year-on-year growth in net interest income driven by margin and balance sheet expansion, while non-interest income moderated by 3%.

Total assets amounted to SAR 240.2 billion as of 31 March 2023, an increase of 8% from the end of March of 2022, mostly driven by 8% loan growth. Total customers' deposits increased by 11% year-on-year from growth in interest-bearing deposits.

#### **Bader Alsalloom, Chief Executive Officer of Banque Saudi Fransi, said:**

"BSF has made an excellent start to 2023, with a net profit for the first quarter increasing 23% year-on-year. This impressive performance was driven by strong top-line growth on margin expansion and healthy client activity, and improved operational efficiency. The bank further achieved balanced financing growth of 8% year-on-year, reflective of the favourable economic conditions in the country. This growth was mainly funded through interest-bearing deposits, providing the bank with a strong

liquidity position. In addition, BSF has sustained its robust capitalization and healthy credit quality, further reinforcing its financial stability.

Following the completion of a management team refresh and to account for an evolving external environment, the bank launched a refocused and simplified strategy during the first quarter of 2023. This strategy is focused on 10 key initiatives that leverage on BSF's core strengths and key market opportunities. We are excited to commence execution towards this refocused strategy during the remainder of the year, which in combination with the favourable economic outlook, provides an optimistic outlook for the bank's future."

## Performance Highlights

### Income Statement Highlights

SAR (Mn)	1Q 2023	4Q 2022	Δ%	1Q 2022	Δ%
Net interest income	1,924	1,779	+8%	1,415	+36%
Non-interest income	394	464	-15%	406	-3%
<b>Operating income</b>	<b>2,318</b>	<b>2,243</b>	<b>+3%</b>	<b>1,821</b>	<b>+27%</b>
Operating expenses	(712)	(723)	-2%	(604)	+18%
<b>Net operating income before impairment charge</b>	<b>1,606</b>	<b>1,520</b>	<b>+6%</b>	<b>1,217</b>	<b>+32%</b>
Impairment charge	(406)	(476)	-15%	(241)	+68%
<b>Net income before zakat</b>	<b>1,200</b>	<b>1,044</b>	<b>+15%</b>	<b>975</b>	<b>+23%</b>
Zakat	(124)	(141)	-12%	(101)	+23%
<b>Net income</b>	<b>1,076</b>	<b>903</b>	<b>+19%</b>	<b>875</b>	<b>+23%</b>
NIM	3.65%	3.30%	+35bps	2.86%	+79bps
Cost to income ratio	30.7%	32.2%	-1.5ppts	33.2%	-2.5ppts
Cost of risk	1.16%	1.16%	+0bps	0.63%	+53bps
EPS	0.85	0.71	+21%	0.68	+25%
ROAE	10.9%	9.4%	+151bps	8.8%	+210bps
ROAA	1.82%	1.56%	+27bps	1.60%	+23bps

Net income for 1Q 2023 improved 23% year-on-year to SAR 1,076 million from 27% growth in operating income, and an improvement in operating efficiency, partly offset by an increase in credit impairments. Net income similarly improved 19% quarter-on-quarter from higher operating income and lower expenses and impairments.

Total operating income grew 27% year-on-year to reach SAR 2,318 million for 1Q 2023. Net interest income grew 36% to SAR 1,924 million from a 79 basis points margin improvement to 3.65%, and 7% year-on-year growth in average earning assets. Non-interest income declined 3% to SAR 394 million driven by lower trading and capital markets income, while fee and commissions income was broadly stable. Total operating income increased 3% compared to 4Q 2022 from 8% growth in funded income, partly offset by a 15% reduction in non-funded income.

Operating expenses increased 18% year-on-year to SAR 712 million in 1Q 2023 due to increased employee-related costs from higher utilization of FTE budgets and excess accrual reversals in 1Q 2022. Operating expenses were however 2% lower quarter-on-quarter. The cost to income ratio improved by 247 basis points year-on-year to 30.7% for 1Q 2023 as revenue growth exceeded cost inflation. This

positive operating leverage resulted in 32% year-on-year growth in pre-impairment operating income to SAR 1,606 million.

The impairment charge amounted to SAR 406 million for 1Q 2023 compared with SAR 241 million in 1Q 2022. This 68% increase was reflective of solid loan growth and higher Commercial impairments.

### Balance Sheet Highlights

SAR (Mn)	1Q 2023	4Q 2022	Δ%	1Q 2022	Δ%
Cash & SAMA balances	14,683	11,326	+30%	10,373	+42%
Due from banks	4,056	4,795	-15%	6,659	-39%
Investments	44,807	44,518	+1%	42,942	+4%
Loans & advances	164,779	159,012	+4%	152,690	+8%
Other assets	11,910	12,428	-4%	9,547	+25%
<b>Total assets</b>	<b>240,236</b>	<b>232,078</b>	<b>+4%</b>	<b>222,211</b>	<b>+8%</b>
Due to banks	14,275	16,770	-15%	20,458	-30%
Customers' deposits	167,414	157,592	+6%	150,759	+11%
Debt securities & term loans	4,533	4,515	+0%	0	
Other liabilities	14,078	14,455	-3%	11,566	+22%
<b>Total liabilities</b>	<b>200,300</b>	<b>193,333</b>	<b>+4%</b>	<b>182,783</b>	<b>+10%</b>
Share capital	12,054	12,054	+0%	12,054	+0%
Retained earnings	10,788	9,768	+10%	9,217	+17%
Other	12,094	11,924	+1%	13,157	-8%
<b>Equity attributable to shareholders</b>	<b>34,936</b>	<b>33,745</b>	<b>+4%</b>	<b>34,428</b>	<b>+1%</b>
Tier 1 Sukuk	5,000	5,000	+0%	5,000	+0%
<b>Total equity</b>	<b>39,936</b>	<b>38,745</b>	<b>+3%</b>	<b>39,428</b>	<b>+1%</b>
NPL Ratio	2.59%	2.54%	+5bps	2.36%	+24bps
NPL Coverage Ratio	122.9%	119.9%	+3.0ppts	131.3%	-8.3ppts
T1 Ratio	19.73%	18.90%	+84bps	19.48%	+25bps
CAR	20.73%	19.92%	+81bps	20.59%	+15bps
LCR	200%	196%	+3.9ppts	194%	+6.5ppts
Leverage ratio	14.4%	15.1%	-74bps	15.6%	-120bps
NSFR	119%	122%	-3.0ppts	119%	+0.0ppts
LTD SAMA regulatory ratio	80.9%	83.3%	-2.4ppts	84.9%	-4.0ppts
Headline LTD ratio	98.4%	100.9%	-2.5ppts	101.3%	-2.9ppts

Total assets as of 31 March 2023 amounted to SAR 240,236 million, an increase of 4% from 31 December 2022. Loans and advances rose 4% during the quarter to SAR 164,779 million, driven by 4% commercial and 2% consumer lending growth.

Customers' deposits increased by 6% during 1Q 2023 to SAR 167,414 million. Growth was registered mainly from interest-bearing deposits of 17% while non-interest-bearing deposits declined by 1%.

The non-performing loans ratio was 2.59% as of 31 March 2023, a 5 basis points increase during the quarter as non-performing loan growth of 6% slightly exceeded growth in lending of 4%. The coverage of non-performing loans stood at 122.9% as of 31 March 2023 relative to 119.9% at the start of the year, with the slight improvement arising from increased provisioning.

The total capital adequacy ratio stood at 20.73% and the Tier 1 ratio at 19.73% as of 31 March 2023; a modest 0.8 percentage point improvement relative to the previous year-end due to lower risk-weighted assets and growth in capitalization from net income generation. The bank's liquidity remained strong and comfortably within regulatory limits, with the liquidity coverage ratio at 200%, the net stable funding

ratio at 119%, the SAMA regulatory loan to deposit ratio at 80.9%, and the headline loan to deposit ratio at 98.4%.

### Operating Segment Highlights – Income Statement

SAR (Mn)	1Q 2023	4Q 2022	Δ%	1Q 2022	Δ%
<b>Operating income</b>					
Retail	804	694	+16%	466	+73%
Corporate	1,048	1,055	-1%	724	+45%
Treasury	370	372	-0%	513	-28%
Investment Banking and Brokerage	96	120	-20%	119	-19%
<b>Operating income</b>	<b>2,318</b>	<b>2,243</b>	<b>+3%</b>	<b>1,821</b>	<b>+27%</b>
<b>Net income before zakat &amp; tax</b>					
Retail	458	249	+83%	141	+225%
Corporate	385	418	-8%	322	+19%
Treasury	315	313	+1%	445	-29%
Investment Banking and Brokerage	43	64	-33%	67	-36%
<b>Net income before zakat &amp; tax</b>	<b>1,200</b>	<b>1,044</b>	<b>+15%</b>	<b>975</b>	<b>+23%</b>

### Operating Segment Highlights – Balance Sheet

SAR (Mn)	1Q 2023	4Q 2022	Δ%	1Q 2022	Δ%
<b>Total assets</b>					
Retail	39,497	38,411	+3%	35,552	+11%
Corporate	127,901	122,841	+4%	118,449	+8%
Treasury	70,767	68,635	+3%	65,740	+8%
Investment Banking and Brokerage	2,071	2,191	-6%	2,470	-16%
<b>Total assets</b>	<b>240,236</b>	<b>232,078</b>	<b>+4%</b>	<b>222,211</b>	<b>+8%</b>
<b>Total liabilities</b>					
Retail	78,034	78,542	-1%	79,577	-2%
Corporate	92,550	81,981	+13%	73,960	+25%
Treasury	28,146	31,205	-10%	26,943	+4%
Investment Banking and Brokerage	1,569	1,605	-2%	2,303	-32%
<b>Total liabilities</b>	<b>200,300</b>	<b>193,333</b>	<b>+4%</b>	<b>182,783</b>	<b>+10%</b>

Retail net income before zakat for 1Q 2023 increased 225% year-on-year to SAR 458 million on 73% operating income growth to SAR 804 million and an improvement in operating efficiency. Total retail assets rose by 3% during 1Q 2023 to SAR 39,497 million from 2% growth in retail lending. Total liabilities declined by 1% year-to-date to SAR 78,034 million in line with a 1% decrease in customers' deposits.

Corporate reported 19% year-on-year growth in net income before zakat to SAR 385 million. This resulted from 45% operating income growth to SAR 1,048 million partly offset by a 91% rise in credit impairments. Total assets for the corporate segment grew 4% in 1Q 2023 to SAR 127,901 million from a 4% increase in loans and advances. Corporate liabilities grew 13% year-to-date at SAR 92,550 million from 13% deposits growth.

Treasury reported an 29% year-on-year decrease in net income before zakat to SAR 315 million for 1Q 2023. Operating income declined 28% year-on-year to SAR 370 million on lower net interest income. Treasury assets increased by 3% during 1Q 2023, while liabilities declined 10%.

The Investment Banking and Brokerage segment registered a 36% year-on-year decline in net income before zakat to SAR 43 million for 1Q 2023, as lower brokerage and asset management fees drove a 19% reduction in total operating income year-on-year, while operating expenses increased 5%.

## Outlook

The macro-economic fundamentals for 2023 are expected to remain supportive, with expected real GDP growth in the Kingdom of Saudi Arabia of 3.1%. In combination with phased resumption of Vision 2030 opportunities, this is expected to lead to robust corporate activity and credit appetite.

Interest rates are expected to continue to increase during the first half of 2023, albeit more modestly than last year, and start to stabilize during the second half. This rising rate environment may dampen consumer credit demand somewhat 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 first quarter of the year, which was reflected in the strong financial performance.

## Additional Information

The 1Q 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-statements-and-disclosures>

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

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