

## Banque Saudi Fransi reports 26% net income growth to SAR 2,150mn in 1H 2023

### BSF reports 26% net income growth driven by robust top line



- Total assets SAR 245.7bn, up 6% YoY from increased lending and investments
- Loans and advances up 6% YoY to SAR 169.7bn from both Corporate and Retail
- Customers' deposits SAR 161.2bn, up 2% YoY
- Net income for 1H 2023 SAR 2,150mn, up 26% YoY on higher operating income
- Operating income SAR 4,665mn in 1H 2023, up 26% YoY driven by 33% net interest income growth
- Net interest margin at 3.62% in 1H 2023, expanded by 72bps YoY
- Cost-to-income ratio at 30.8% for 1H 2023, a 316bps improvement YoY on higher revenues and disciplined cost control
- Return on equity at 10.9%, up 211bps YoY
- Tier 1 ratio of 19.34% and Capital Adequacy Ratio (CAR) of 20.34%
- Liquidity Coverage Ratio (LCR) of 181%; Net Stable Funding Ratio (NSFR) of 116%

**Riyadh, 2 August 2023** - Banque Saudi Fransi reported 26% year-on-year growth in net income to SAR 2,150 million for 1H 2023, reflecting 26% growth in operating income partly offset by higher operating expenses and financing impairments. Income growth resulted from 33% year-on-year growth in net interest income driven by margin and balance sheet expansion, while non-interest income increased by 1%.

Total assets amounted to SAR 245.7 billion as of 30 June 2023, an increase of 6% from the end of June of 2022, mostly driven by 6% loan growth and 13% investments growth. Total customers' deposits increased by 2% year-on-year from growth in interest-bearing deposits.

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

"BSF reported a strong set of results for the first half of 2023, with net profit increasing 26% year-on-year. This impressive performance was underpinned by a favourable economic backdrop and progressive execution of our refreshed strategy and operational agenda, leading to robust financing growth, significant margin expansion, and improved operational efficiency. The bank further reinforced its financial strength and stability through sustained capitalization, liquidity, and healthy credit quality.

We remain optimistic about the future as the domestic environment is expected to remain positive, further supported by increased corporate opportunities arising from Vision 2030 projects and a refocused strategic direction for the bank."

## Performance Highlights

### Income Statement Highlights

SAR (Mn)	1H 2023	1H 2022	Δ%	2Q 2023	2Q 2022	Δ%
Net interest income	3,899	2,931	+33%	1,976	1,516	+30%
Non-interest income	766	760	+1%	372	354	+5%
<b>Operating income</b>	<b>4,665</b>	<b>3,691</b>	<b>+26%</b>	<b>2,347</b>	<b>1,870</b>	<b>+26%</b>
Operating expenses	(1,436)	(1,253)	+15%	(724)	(648)	+12%
<b>Net operating income before impairment charge</b>	<b>3,230</b>	<b>2,439</b>	<b>+32%</b>	<b>1,624</b>	<b>1,222</b>	<b>+33%</b>
Impairment charge	(837)	(536)	+56%	(431)	(294)	+46%
<b>Net income before zakat</b>	<b>2,393</b>	<b>1,903</b>	<b>+26%</b>	<b>1,193</b>	<b>928</b>	<b>+29%</b>
Zakat	(243)	(192)	+27%	(120)	(91)	+31%
<b>Net income</b>	<b>2,150</b>	<b>1,712</b>	<b>+26%</b>	<b>1,073</b>	<b>837</b>	<b>+28%</b>
NIM	3.62%	2.90%	+72bps	3.57%	2.93%	+64bps
Cost to income ratio	30.8%	33.9%	-3.2ppts	30.8%	34.6%	-3.8ppts
Cost of risk	1.07%	0.68%	+39bps	0.99%	0.73%	+26bps
EPS	1.70	1.33	+28%	0.85	0.65	+30%
ROAE	10.9%	8.8%	+211bps	10.8%	8.7%	+211bps
ROAA	1.80%	1.53%	+26bps	1.77%	1.48%	+29bps

Net income for 1H 2023 improved 26% year-on-year to SAR 2,150 million from 26% growth in operating income, and an improved operating efficiency, partly offset by an increase in credit impairments. Net income for 2Q 2023 similarly increased by 28% year-on-year to SAR 1,073 million on 26% operating income growth.

Total operating income grew 26% year-on-year to reach SAR 4,665 million for 1H 2023. Net interest income grew 33% to SAR 3,899 million from a 72 basis points margin improvement to 3.62%, and 6% year-on-year growth in average earning assets. Non-interest income increased 1% to SAR 766 million driven by growth in exchange income, offset by lower trading and capital markets income, while fee and commissions income was broadly stable. Total operating income for the quarter increased 26% compared to 2Q 2022 from 30% growth in funded income and a 5% rise in non-funded income.

Operating expenses increased 15% year-on-year to SAR 1,436 million in 1H 2023 due to increased employee-related costs from higher utilization of FTE budgets and excess accrual reversals in the first quarter of the previous year. Operating expenses for 2Q 2023 were 12% higher year-on-year. The cost to income ratio improved by 316 basis points year-on-year to 30.8% for 1H 2023 as revenue growth exceeded cost increase. This positive operating leverage resulted in 32% year-on-year growth in pre-impairment operating income to SAR 3,230 million.

The impairment charge amounted to SAR 837 million for 1H 2023 compared with SAR 536 million in 1H 2022. This 56% increase was reflective of solid loan growth and increased Commercial provision coverage.

## Balance Sheet Highlights

SAR (Mn)	2Q 2023	4Q 2022	Δ%	2Q 2022	Δ%
Cash & SAMA balances	10,084	11,326	-11%	12,812	-21%
Due from banks	3,795	4,795	-21%	4,246	-11%
Investments	49,178	44,518	+10%	43,505	+13%
Loans & advances	169,695	159,012	+7%	159,625	+6%
Other assets	12,967	12,428	+4%	11,079	+17%
<b>Total assets</b>	<b>245,718</b>	<b>232,078</b>	<b>+6%</b>	<b>231,267</b>	<b>+6%</b>
Due to banks	22,766	16,770	+36%	21,124	+8%
Customers' deposits	161,165	157,592	+2%	157,919	+2%
Debt securities & term loans	8,233	4,515	+82%	0	
Other liabilities	13,859	14,455	-4%	14,482	-4%
<b>Total liabilities</b>	<b>206,022</b>	<b>193,333</b>	<b>+7%</b>	<b>193,525</b>	<b>+6%</b>
Share capital	12,054	12,054	+0%	12,054	+0%
Retained earnings	11,805	9,768	+21%	9,096	+30%
Other	10,837	11,924	-9%	11,592	-7%
<b>Equity attributable to shareholders</b>	<b>5,000</b>	<b>5,000</b>	<b>+0%</b>	<b>5,000</b>	<b>+0%</b>
Tier 1 Sukuk	<b>39,696</b>	<b>38,745</b>	<b>+2%</b>	<b>37,742</b>	<b>+5%</b>
<b>Total equity</b>	<b>10,084</b>	<b>11,326</b>	<b>-11%</b>	<b>12,812</b>	<b>-21%</b>
NPL Ratio	2.42%	2.54%	-12bps	2.48%	-6bps
NPL Coverage Ratio	133.3%	119.9%	+13.3ppts	126.5%	+6.8ppts
T1 Ratio	19.34%	18.90%	+44bps	18.07%	+126bps
CAR	20.34%	19.92%	+42bps	19.20%	+114bps
LCR	181%	196%	-15.3ppts	201%	-19.8ppts
Leverage ratio	0.0%	15.1%	-1515bps	14.5%	-1454bps
NSFR	116%	122%	-6.0ppts	116%	+0.0ppts
LTD SAMA regulatory ratio	74.0%	83.3%	-9.3ppts	83.4%	-9.4ppts
Headline LTD ratio	105.3%	100.9%	+4.4ppts	101.1%	+4.2ppts

Total assets as of 30 June 2023 amounted to SAR 245,718 million, an increase of 6% from 31 December 2022. Loans and advances rose 7% during the period to SAR 169,695 million, driven by 8% commercial and 3% consumer lending growth.

Customers' deposits increased by 2% during 1H 2023 to SAR 161,165 million. Growth was registered mainly from interest-bearing deposits of 7% while non-interest-bearing deposits declined by 1%.

The non-performing loans ratio was 2.42% as of 30 June 2023, a 12 basis points improvement during the first half as non-performing loan growth of 2% was below growth in gross lending of 7%. The coverage of non-performing loans stood at 133.3% as of 30 June 2023 relative to 119.9% at the start of the year, with the improvement arising from increased Commercial provisioning.

The total capital adequacy ratio stood at 20.34% and the Tier 1 ratio at 19.34% as of 30 June 2023; a modest 0.4 percentage point improvement relative to the previous year-end due to lower operational risk-weighted assets and growth in capitalization from retained earnings generation. The bank's liquidity remained strong and comfortably within regulatory limits, with the liquidity coverage ratio at 181%, the net stable funding ratio at 116%, the SAMA regulatory loan to deposit ratio at 74.0%, and the headline loan to deposit ratio at 105.3%.

## Operating Segment Highlights – Income Statement

SAR (Mn)	1H 2023	1H 2022	Δ%	2Q 2023	2Q 2022	Δ%
<b>Operating income</b>						
Retail	1,663	938	+77%	859	472	+82%
Corporate	2,219	1,558	+42%	1,172	834	+40%
Treasury	579	965	-40%	209	452	-54%
Investment Banking and Brokerage	204	231	-12%	108	113	-5%
<b>Operating income</b>	<b>4,665</b>	<b>3,691</b>	<b>+26%</b>	<b>2,347</b>	<b>1,870</b>	<b>+26%</b>
<b>Net income before zakat &amp; tax</b>						
Retail	957	276	+247%	499	135	+269%
Corporate	931	684	+36%	546	362	+51%
Treasury	396	817	-51%	82	372	-78%
Investment Banking and Brokerage	109	127	-14%	66	59	+12%
<b>Net income before zakat &amp; tax</b>	<b>2,393</b>	<b>1,903</b>	<b>+26%</b>	<b>1,193</b>	<b>928</b>	<b>+29%</b>

## Operating Segment Highlights – Balance Sheet

SAR (Mn)	2Q 2023	4Q 2022	Δ%	2Q 2022	Δ%
<b>Total assets</b>					
Retail	40,064	38,411	+4%	37,439	+7%
Corporate	131,880	122,841	+7%	123,735	+7%
Treasury	71,613	68,635	+4%	67,596	+6%
Investment Banking and Brokerage	2,161	2,191	-1%	2,496	-13%
<b>Total assets</b>	<b>245,718</b>	<b>232,078</b>	<b>+6%</b>	<b>231,267</b>	<b>+6%</b>
<b>Total liabilities</b>					
Retail	76,658	78,542	-2%	76,887	-0%
Corporate	88,504	81,981	+8%	83,777	+6%
Treasury	38,457	31,205	+23%	30,299	+27%
Investment Banking and Brokerage	2,403	1,605	+50%	2,562	-6%
<b>Total liabilities</b>	<b>206,022</b>	<b>193,333</b>	<b>+7%</b>	<b>193,525</b>	<b>+6%</b>

Retail net income before zakat for 1H 2023 increased 3.5x year-on-year to SAR 957 million on 77% operating income growth to SAR 1,663 million and an improvement in operating efficiency. Total retail assets rose by 4% during 1H 2023 to SAR 40,064 million from 5% growth in retail lending. Total liabilities declined by 2% year-to-date to SAR 76,658 million in line with a 3% decrease in customers' deposits.

Corporate reported 36% year-on-year growth in net income before zakat to SAR 931 million. This resulted from 42% operating income growth to SAR 2,219 million partly offset by a 70% rise in credit impairments. Total assets for the corporate segment grew 7% in 1H 2023 to SAR 131,880 million from a 7% increase in loans and advances. Corporate liabilities grew 8% year-to-date to SAR 88,504 million from 7% deposits growth.

Treasury reported an 51% year-on-year decrease in net income before zakat to SAR 396 million for 1H 2023. Operating income declined 40% year-on-year to SAR 579 million on lower net interest income. Treasury assets increased by 4% during 1H 2023, while liabilities rose 23%.

The Investment Banking and Brokerage segment registered a 14% year-on-year decline in net income before zakat to SAR 109 million for 1H 2023, as lower brokerage and asset management fees drove a 12% reduction in total operating income year-on-year, though operating expenses declined 9%.

## 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 continued to rise during the first half of 2022 and a further modest rise is expected in the third quarter of 2023, after which we expect rates to start stabilizing. 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 first half of the year, which was reflected in the strong financial performance.

## Additional Information

The 1H 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>

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](mailto:IR@alfransi.com.sa)

### Media contact

Hanin H. Aloufi

Head of Group Marketing & Communications

[HAloufi@alfransi.com.sa](mailto:HAloufi@alfransi.com.sa)