

Banque Saudi Fransi reports 4% net income growth to SAR 3,575mn in 2022

BSF reports 4% net income growth on top line improvement



- Total assets SAR 232.1bn, up 8% YoY from increased lending
- Loans and advances up 8% YoY to SAR 159.0bn from both Corporate and Retail
- Customers' deposits SAR 157.6bn, up 11% YoY
- Net income for 2022 SAR 3,575mn, up 4% YoY on higher income
- Operating income SAR 8,017mn in 2022, up 12% YoY on interest and non-interest income growth
- Net interest margin at 3.06% in 2022, 4bps higher YoY and 7bps higher than 9M 2022
- Cost-to-income ratio at 33.1% for 2022, a 123bps improvement YoY
- Return on equity at 9.2%, up 44bps YoY
- Tier 1 ratio of 18.90% and Capital Adequacy Ratio (CAR) of 19.92%
- Liquidity Coverage Ratio (LCR) of 196%; Net Stable Funding Ratio (NSFR) of 122%

Riyadh, 27 February 2023 - Banque Saudi Fransi reported 4% year-on-year growth in net income to SAR 3,575 million for 2022, reflecting 12% growth in operating income partly offset by a higher impairment charge. Income growth resulted from 13% year-on-year growth in net interest income driven by balance sheet and margin expansion, and an 11% increase in non-interest income.

Total assets amounted to SAR 232.1 billion as at 31 December 2022, an increase of 8% from the end of December of 2021, principally due to 8% lending growth. Total customers' deposits increased by 11% year-on-year, mainly from growth in interest-bearing deposits.

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

"BSF has reported a solid financial performance for the year 2022, with a net profit increase of 4% compared to the previous year. This success can be attributed to several factors, including a thriving top-line, healthy client activity and improved operational efficiency, and was achieved despite an increased cost of risk. The bank has achieved balanced financing growth of 8% year-on-year, owing to the favourable economic conditions in the country and the effective execution of its strategic agenda. This growth was mainly funded through interest-bearing deposits and debt issuance, 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. The economic environment in Saudi Arabia is anticipated to remain supportive in 2023, which, combined with the rising interest rate scenario, continues to provide an optimistic outlook for the bank's future.”

Performance Highlights

Income Statement Highlights

SAR (Mn)	FY 2022	FY 2021	Δ%	4Q 2022	4Q 2021	Δ%
Net interest income	6,427	5,699	+13%	1,779	1,399	+27%
Non-interest income	1,591	1,429	+11%	464	309	+50%
Operating income	8,017	7,128	+12%	2,243	1,707	+31%
Operating expenses	(2,654)	(2,447)	+8%	(723)	(620)	+17%
Net operating income before impairments	5,364	4,681	+15%	1,520	1,087	+40%
Impairment charge	(1,360)	(844)	+61%	(476)	(28)	+1595%
Net income before zakat	4,004	3,837	+4%	1,044	1,059	-1%
Zakat	(429)	(388)	+11%	(141)	(66)	+115%
Net income	3,575	3,450	+4%	903	993	-9%
NIM	3.06%	3.02%	+4bps	3.30%	2.84%	+46bps
Cost to income ratio	33.1%	34.3%	-1.2ppts	32.2%	36.3%	-4.1ppts
Cost of risk	0.85%	0.67%	+18bps	1.16%	0.40%	+76bps
EPS	2.79	2.70	+3%	0.71	0.79	-11%
ROAE	9.2%	8.8%	+44bps	9.4%	10.1%	-63bps
ROAA	1.58%	1.66%	-9bps	1.56%	1.85%	-29bps

Net income for 2022 improved 4% year-on-year to SAR 3,575 million from 12% growth in operating income, and an improvement in operating efficiency, partly offset by an increase in credit impairments. Net income for 4Q 2022 declined 9% year-on-year to SAR 903 million from an elevated cost of risk during the quarter.

Total operating income grew 12% year-on-year to reach SAR 8,017 million for 2022. Net interest income grew 13% to SAR 6,427 million from 11% year-on-year growth in average earning assets and a margin expansions of 4 basis points to 3.06%. Non-interest income improved 11% to SAR 1,591 million driven by higher exchange and trading income. Total operating income for the fourth quarter increased 31% compared to 3Q 2022 from 27% growth in funded income and a 50% increase in non-funded income.

Operating expenses increased 8% year-on-year to SAR 2,654 million in 2022 due to higher general and administrative expenses, mainly from increased business activity and non-regular expenses, and increased employee-related costs from higher utilization of FTE budgets. Operating expenses for 4Q 2022 were 17% higher year-on-year. The cost to income ratio improved by 123 basis points year-on-year to 32.1% for 2022. This positive operating leverage resulted in 15% year-on-year growth in pre-impairment operating income to SAR 5,364 million.

The impairment charge amounted to SAR 1,360 million for 2022 compared with SAR 844 million in 2021. This 61% increase was reflective of solid loan growth and higher Commercial impairments.

Balance Sheet Highlights

SAR (Mn)	4Q 2022	3Q 2022	Δ%	4Q 2021	Δ%
Cash & SAMA balances	11,326	12,428	-9%	9,795	+16%
Due from banks	4,795	4,507	+6%	5,324	-10%
Investments	44,518	43,341	+3%	43,858	+2%
Loans & advances	159,012	158,481	+0%	147,813	+8%
Other assets	12,428	12,901	-4%	9,012	+38%
Total assets	232,078	231,659	+0%	215,802	+8%
Due to banks	16,770	20,094	-17%	23,854	-30%
Customers' deposits	157,592	157,821	-0%	141,950	+11%
Debt securities & term loans	4,515	0	NA	0	NA
Other liabilities	14,455	15,939	-9%	10,312	+40%
Total liabilities	193,333	193,854	-0%	176,116	+10%
Share capital	12,054	12,054	+0%	12,054	+0%
Retained earnings	9,768	10,001	-2%	8,399	+16%
Other	11,924	10,750	+11%	14,233	-16%
Equity attributable to shareholders	33,745	32,805	+3%	34,686	-3%
Tier 1 Sukuk	5,000	5,000	+0%	5,000	+0%
Total equity	38,745	37,805	+2%	39,686	-2%
NPL Ratio	2.54%	2.73%	-19bps	2.53%	+1bps
NPL Coverage Ratio	119.9%	116.8%	+3.1ppts	122.7%	-2.7ppts
T1 Ratio	18.90%	18.68%	+21bps	19.94%	-104bps
CAR	19.92%	19.76%	+16bps	21.09%	-116bps
LCR	196%	185%	+11.1ppts	179%	+17.5ppts
Leverage ratio	15.1%	15.0%	+16bps	15.9%	-76bps
NSFR	122%	113%	+9.0ppts	118%	+4.0ppts
LTD SAMA regulatory ratio	83.3%	83.4%	-0.1ppts	86.9%	-3.6ppts
Headline LTD ratio	100.9%	100.4%	+0.5ppts	104.1%	-3.2ppts

Total assets as at 31 December 2022 amounted to SAR 232,078 million, an increase of 8% from 31 December 2021. Loans and advances rose 8% during the year to SAR 158,012 million, driven by 7% commercial and 8% consumer lending growth.

Customers' deposits increased by 11% during 2022 to SAR 157,592 million. Growth was registered mainly from interest-bearing deposits of 31% while non-interest-bearing deposits increased by 1%.

In November 2022, the Bank issued USD 700 million in 5-year non-convertible and unsecured senior fixed rate bonds with a semi-annual coupon of 5.50%, under its USD4 Billion Euro Medium Term Note programme. In addition, the Bank also issued a privately placed USD 500 million unsecured term loan facility in December 2022 for a period of 3 years.

The non-performing loans ratio was 2.54% as at 31 December 2022, a 19 basis points improvement during the period as loan growth slightly exceeded an 8% increase in non-performing balances from isolated pockets of migration in the Commercial book. The coverage of non-performing loans stood at 119.9% as at 31 December 2022 relative to 122.7% at the start of the year, with the slight moderation arising from the above-mentioned Commercial stage-migration.

The total capital adequacy ratio stood at 19.92% and the Tier 1 ratio at 18.90% as at 31 December 2022; a modest percentage point reduction relative to the previous year-end due to risk-weighted assets growth and mark-to-market adjustments on debt securities through comprehensive income. The bank's liquidity remained strong and comfortably within regulatory limits, with the liquidity coverage ratio at

196%, the net stable funding ratio at 122%, the SAMA regulatory loan to deposit ratio at 83.3%, and the headline LTD ratio at 100.9%.

Operating Segment Highlights – Income Statement

SAR (Mn)	FY 2022	FY 2021	Δ%	4Q 2022	4Q 2021	Δ%
Operating income						
Retail	2,257	1,866	+21%	694	460	+51%
Corporate	3,544	2,944	+20%	1,055	711	+48%
Treasury	1,766	1,859	-5%	372	432	-14%
Investment Banking and Brokerage	451	459	-2%	120	104	+15%
Operating income	8,017	7,128	+12%	2,243	1,707	+31%
Net income before zakat & tax						
Retail	803	529	+52%	249	65	+282%
Corporate	1,500	1,462	+3%	418	534	-22%
Treasury	1,464	1,588	-8%	313	408	-23%
Investment Banking and Brokerage	236	258	-8%	64	52	+22%
Net income before zakat & tax	4,004	3,837	+4%	1,044	1,059	-1%

Operating Segment Highlights – Balance Sheet

SAR (Mn)	4Q 2022	3Q 2022	Δ%	4Q 2021	Δ%
Total assets					
Retail	38,411	38,343	+0%	34,195	+12%
Corporate	122,841	122,273	+0%	114,226	+8%
Treasury	68,635	68,658	-0%	65,296	+5%
Investment Banking and Brokerage	2,191	2,385	-8%	2,084	+5%
Total assets	232,078	231,659	+0%	215,802	+8%
Total liabilities					
Retail	78,542	76,074	+3%	81,536	-4%
Corporate	81,981	84,540	-3%	62,773	+31%
Treasury	31,205	31,201	+0%	29,663	+5%
Investment Banking and Brokerage	1,605	2,039	-21%	2,145	-25%
Total liabilities	193,333	193,854	-0%	176,116	+10%

Retail net income before zakat for 2022 increased 52% year-on-year to SAR 803 million on 21% operating income growth to SAR 2,257 million and an improvement in operating efficiency. Total retail assets rose by 12% during 2022 to SAR 38,411 million from 12% growth in retail lending. Total liabilities declined by 4% year-on-year to SAR 78,542 million in line with a 4% decrease in customers' deposits.

Corporate reported 3% year-on-year growth in net income before zakat to SAR 1,500 million. This resulted from 20% operating income growth to SAR 3,544 million partly offset by a 70% rise in credit impairments. Total assets for the corporate segment grew 8% in 2022 to SAR 122,841 million from a 7% increase in loans and advances. Corporate liabilities grew 31% year-on-year at SAR 80,271 million from 31% deposits growth.

Treasury reported an 8% year-on-year moderation in net income before zakat to SAR 1,464 million for 2022. Operating income declined 5% year-on-year to SAR 1,766 million on lower net interest income. Treasury assets and liabilities both increased by 5% during 2022.

The Investment Banking and Brokerage segment registered an 8% year-on-year decline in net income before zakat to SAR 236 million for 2022, as lower brokerage and asset management fees drove a 2% total operating income reduction year-on-year, while operating expenses increased 6%.

Outlook

The macro-economic fundamentals improved during 2022, leading to robust demand for consumer financing, improved corporate banking activity, and phased resumption of Vision 2030 opportunities. The year was further characterized by hawkish monetary policy by the Saudi Arabian Monetary Authority (SAMA) with seven increases in their repo and reserve repo rates during 2022 totaling 400 basis points.

The bank was in a strong position to take advantage of these economic conditions during the period, which was reflected in the solid 2022 financial performance.

For 2023, the Bank expects a continuation of economic expansion, Vision 2030 opportunities and corporate activity. Interest rates are expected to continue increase during the first half of 2023, albeit more modestly, and start to stabilize during the second half.

Additional Information

The 4Q 2022 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

Media contact

Sarah Altuwajri

Head of Group Marketing & Communications

Smaltuwajri@alfransi.com.sa