Banque Saudi Fransi

Banque Saudi Fransi reports 18% net income growth to SAR 4,223mn in FY 2023

BSF reports 18% net income growth driven by robust top line momentum

Loans & Advances	Customers' Deposits	Operating Income	Net Income
179.4 ▲ +13% year-on-year	172.2 ▲ +9% year-on-year	9,324 ▲ +16% year-on-year	4,223 ▲ +18% year-on-year
SAR Billion	SAR Billion	SAR Million	SAR Million

- Total assets SAR 253.4bn, up 9% YoY, mainly driven by lending
- Loans and advances up 13% YoY to SAR 179.4bn from both Corporate and Retail
- Customers' deposits SAR 172.2bn, up 9% YoY from increased interest-bearing deposits
- Net income for FY 2023 SAR 4,223mn, up 18% YoY on higher operating income
- Operating income SAR 9,324mn in FY 2023, up 16% YoY driven by 22% net interest income growth
- Net interest margin at 3.53% in FY 2023, expanded by 46bps YoY
- Cost-to-income ratio at 32.4% for FY 2023, a 69bps improvement YoY on higher revenues
- Return on equity at 10.6%, up 138bps YoY
- Tier 1 ratio of 18.92% and Capital Adequacy Ratio (CAR) of 19.54%
- Liquidity Coverage Ratio (LCR) of 196%; Net Stable Funding Ratio (NSFR) of 117%
- Final dividend proposed of SAR 1.00 per share, taking full year dividend to SAR 1.95 per share or 55% payout of earnings

Riyadh, 14 February 2024 - Banque Saudi Fransi reported 18% year-on-year growth in net income to SAR 4,223 million for FY 2023, reflecting 16% growth in operating income partly offset by higher operating expenses and financing impairments. Income growth resulted from 22% year-on-year growth in net interest income driven by margin and balance sheet expansion, while non-interest income decreased by 6%.

Total assets amounted to SAR 253.4 billion as of 31 December 2023, an increase of 9% from the end of December of 2022, mostly driven by healthy 13% loan growth. Total customers' deposits increased by 9% year-on-year from growth in interest-bearing deposits.

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

"BSF delivered an excellent financial performance in 2023, with net income growing 18% year-on-year to reach SAR 4.2 billion. This was achieved through healthy, balanced asset growth and margin expansion aided by the rising rate environment. Importantly, we refreshed and simplified our strategy at the beginning of the year and made solid progress in execution, which further contributed to the Bank's growth momentum. We maintained strong discipline in managing both credit quality and operational efficiency, observing a notable improvement in non-performing loan and coverage ratios while delivering a lower cost to income ratio. We remain optimistic about the outlook for the domestic economy and further acceleration of Vision 2030 projects, and BSF is strategically well placed to continue delivering improving returns to our shareholders."

Performance Highlights

Income Statement Highlights

SAR (Mn)	FY 2023	FY 2022	Δ%	4Q 2023	4Q 2022	Δ%
Net interest income	7,835	6,427	+22%	1,868	1,779	+5%
Non-interest income	1,489	1,591	-6%	323	464	-30%
Operating income	**9,324**	**8,017**	**+16%**	**2,191**	**2,243**	**-2%**
Operating expenses	(3,022)	(2,654)	+14%	(846)	(723)	+17%
Pre-impairment operating income	**6,302**	**5,364**	**+17%**	**1,345**	**1,520**	**-11%**
Impairment charge	(1,594)	(1,360)	+17%	(413)	(476)	-13%
Net income before zakat	**4,708**	**4,004**	**+18%**	**932**	**1,044**	**-11%**
Zakat	(485)	(429)	+13%	(104)	(141)	-26%
Net income	**4,223**	**3,575**	**+18%**	**827**	**903**	**-8%**
NIM	3.53%	3.06%	+46bps	3.22%	3.30%	-8bps
Cost to income ratio	32.4%	33.1%	-0.7ppts	38.6%	32.2%	+6.4ppts
Cost of risk	0.96%	0.85%	+11bps	0.90%	1.16%	-26bps
EPS	3.33	2.79	+19%	0.64	0.71	-9%
DPS	1.95	1.65	+18%	1.00	0.90	+11%
ROAE	10.6%	9.2%	+138bps	8.2%	9.4%	-120bps
ROAA	1.73%	1.58%	+15bps	1.32%	1.56%	-24bps

Net income for FY 2023 improved 18% year-on-year to SAR 4,223 million from 16% growth in operating income, partly offset by an increase in credit impairments and operating expenses. Net income for 4Q 2023 decreased by 8% year-on-year to SAR 827 million on a 2% decline in operating income.

Total operating income grew 16% year-on-year to reach SAR 9,324 million for FY 2023. Net interest income grew 22% to SAR 7,835 million from a 46 basis points margin improvement to 3.53%, and 6% year-on-year growth in average earning assets. Non-interest income declined by 6% to SAR 1,489 million due to lower trading, exchange and investment income, partly offset by improved net fee & commission income. Total operating income for the quarter decreased 2% compared to 4Q 2022 from 5% growth in funded income and a 30% drop in non-funded income mainly from lower trading income.

Operating expenses increased 14% year-on-year to SAR 3,022 million in FY 2023 due to increased employee-related costs and excess accrual reversals in the first quarter of the previous year. Operating expenses for 4Q 2023 were 17% higher year-on-year. The cost to income ratio improved by 69 basis points year-on-year to 32.4% for FY 2023 as revenue growth exceeded cost inflation. This positive operating leverage resulted in 17% year-on-year growth in pre-impairment operating income to SAR 6,302 million.

The impairment charge amounted to SAR 1,594 million for FY 2023 compared with SAR 1,360 million in FY 2022. This 17% increase resulted from higher Commercial impairments, partly offset by Consumer, Investment and off-balance sheet reversals.

The BSF Board of Directors proposed a final net dividend for the 2023 financial year amounting to SAR 1,198 million, taking the full year dividend to SAR 2,338 million. This translates to a FY 2023 dividend per share of SAR 1.95 and a payout of 55% of earnings.

Balance Sheet Highlights

SAR (Mn)	4Q 2023	3Q 2023	Δ%	4Q 2022	Δ%
Cash & SAMA balances	10,559	10,483	+1%	11,326	-7%
Due from banks	4,113	5,127	-20%	4,795	-14%
Investments	48,467	46,390	+4%	44,518	+9%
Loans & advances	179,391	174,681	+3%	159,012	+13%
Other assets	10,852	13,182	-18%	12,428	-13%
Total assets	**253,383**	**249,862**	**+1%**	**232,078**	**+9%**
Due to banks	18,945	20,540	-8%	16,770	+13%
Customers' deposits	172,209	166,367	+4%	157,592	+9%
Debt securities & term loans	8,634	8,175	+6%	4,515	+91%
Other liabilities	12,473	15,497	-20%	14,455	-14%
Total liabilities	**212,262**	**210,580**	**+1%**	**193,333**	**+10%**
Share capital	12,054	12,054	+0%	12,054	+0%
Retained earnings	11,368	11,855	-4%	9,768	+16%
Other	12,699	10,375	+22%	11,924	+7%
Equity attributable to shareholders	**36,121**	**34,283**	**+5%**	**33,745**	**+7%**
Tier 1 Sukuk	5,000	5,000	+0%	5,000	+0%
Total equity	**41,121**	**39,283**	**+5%**	**38,745**	**+6%**
NPL Ratio	1.06%	1.97%	-92bps	2.54%	-149bps
NPL Coverage Ratio	137.7%	139.5%	-1.9ppts	119.9%	+17.7ppts
T1 Ratio	18.92%	18.73%	+20bps	18.90%	+2bps
CAR	19.54%	19.21%	+32bps	19.92%	-39bps
LCR	196%	171%	+25.0ppts	196%	-0.4ppts
NSFR	117%	116%	+1.0ppts	122%	-5.0ppts
LTD SAMA regulatory ratio	84.1%	84.0%	+0.1ppts	83.3%	+0.8ppts
Headline LTD ratio	104.2%	105.0%	-0.8ppts	100.9%	+3.3ppts

Total assets as of 31 December 2023 amounted to SAR 253,383 million, an increase of 9% from 31 December 2022. Loans and advances rose 13% during the period to SAR 179,391 million, driven by 14% commercial and 10% consumer lending growth.

Customers' deposits increased by 9% during FY 2023 to SAR 172,209 million. Growth was registered mainly from interest-bearing deposits of 49% while non-interest-bearing deposits declined by 16%, this shifting deposit mix reflecting the higher rate environment.

The non-performing loans ratio improved to 1.06% as of 31 December 2023, a 149 basis points improvement during FY 2023 as NPLs declined 54% on write-offs in the commercial book relative to 11% gross loan growth. The coverage of non-performing loans increased to 137.7% as of 31 December 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 19.54% and the Tier 1 ratio at 18.92% as of 31 December 2023; the former declining by 0.4 percentage points relative to the previous year-end due to higher risk-weighted assets growth and 4% relative to 2% growth in total capital. The bank's liquidity remained strong and comfortably within regulatory limits, with the liquidity coverage ratio at 196%, the net stable funding ratio at 117%, the SAMA regulatory loan to deposit ratio at 84.1%, and the headline loan to deposit ratio at 104.2%.

Subsequent to the year ended December 31, 2023, the Bank via BSF Sukuk Company Limited issued USD 700 million senior unsecured trust certificates (the "Certificates) under its USD 4 Billion Trust Certificate Programme. The certificates mature on January 25, 2029.

Operating Segment Highlights – Income Statement

SAR (Mn)	FY 2023	FY 2022	Δ%	4Q 2023	4Q 2022	Δ%
Operating income						
Retail	3,579	2,257	+59%	942	695	+36%
Corporate	4,267	3,544	+20%	1,057	1,012	+4%
Treasury	1,009	1,766	-43%	54	372	-85%
Investment Banking and Brokerage	469	451	+4%	137	120	+14%
Operating income	**9,324**	**8,017**	**+16%**	**2,191**	**2,243**	**-2%**
Net income before zakat & tax						
Retail	1,926	803	+140%	412	270	+53%
Corporate	1,876	1,500	+25%	490	418	+17%
Treasury	665	1,464	-55%	(40)	313	-113%
Investment Banking and Brokerage	241	236	+2%	70	64	+9%
Net income before zakat & tax	**4,708**	**4,004**	**+18%**	**932**	**1,044**	**-11%**

Operating Segment Highlights – Balance Sheet

SAR (Mn)	4Q 2023	3Q 2022	Δ%	4Q 2022	Δ%
Total assets					
Retail	44,030	42,984	+2%	38,411	+15%
Corporate	136,409	134,879	+1%	122,841	+11%
Treasury	70,830	70,594	+0%	68,635	+3%
Investment Banking and Brokerage	2,113	2,143	-1%	2,191	-4%
Total assets	**253,383**	**249,862**	**+1%**	**232,078**	**+9%**
Total liabilities					
Retail	70,429	76,641	-8%	78,542	-10%
Corporate	104,477	94,083	+11%	81,981	+27%
Treasury	35,095	37,159	-6%	31,205	+12%
Investment Banking and Brokerage	2,261	2,327	-3%	1,605	+41%
Total liabilities	**212,262**	**210,580**	**+1%**	**193,333**	**+10%**

Retail net income before zakat for FY 2023 increased 140% year-on-year to SAR 1,926 million on 59% operating income growth to SAR 3,579 million. Total retail assets rose by 15% during FY 2023 to SAR 44,030 million from 14% growth in retail loans. Total liabilities declined by 8% year-on-year to SAR 70,429 million due to a 10% decrease in customers' deposits.

Corporate reported 25% year-on-year growth in net income before zakat to SAR 1,876 million. This resulted from 20% operating income growth to SAR 4,267 million partly offset by an 19% rise in credit impairments. Total assets for the corporate segment grew 11% during the year to SAR 136,409 million from a 13% increase in loans and advances. Corporate liabilities grew 27% year-on-year to SAR 104,477 million from 28% deposits growth.

Treasury reported a 55% year-on-year decline in net income before zakat to SAR 665 million for FY 2023. Operating income declined 43% year-on-year to SAR 1,009 million on lower net interest income and reduced trading income. Treasury assets increased by 3% during FY 2023, while liabilities rose 12%.

The Investment Banking and Brokerage segment registered a 2% year-on-year improvement in net income before zakat to SAR 241 million for FY 2023. This was driven by 4% growth in operating income due to increased net interest income and corporate finance fees. partly offset by lower brokerage income.

Outlook

The macro-economic fundamentals for 2024 are expected to remain supportive, with expected real GDP growth in the Kingdom of Saudi Arabia of 4.0%. 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 first half of 2024 before potential rate cuts of up to 100 basis points towards the end of the year. We expect this rate environment to dampen consumer credit demand moderately relative to previous years, although retail lending growth is expected to remain positive.

The bank is in a strong position to capitalize on these economic conditions during 2024 which, together with our continued focus on strategic execution, is expected to generate improving returns for our shareholders.

Additional Information

The FY 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

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