

Banque Saudi Fransi reports solid 12% net income growth to SAR 875mn in 1Q 2022

BSF reports 12% net income growth on higher income and lower impairments



- Net income for 1Q 2022 SAR 875mn, up 12% YoY on higher income and lower impairments
- Operating income SAR 1,851mn in 1Q 2022, up 3% YoY on interest income growth
- Net interest margin at 2.72% in 1Q 2022, 21bps lower YoY
- Cost-to-income ratio at 32.6% for 1Q 2022, a 28bps improvement YoY
- Total assets SAR 222.2bn, up 10% YoY from increased lending
- Loans and advances up 14% YoY to SAR 152.7bn from both Commercial and Retail
- Customers' deposits SAR 150.8bn, up 13% YoY, maintaining stable headline LTD ratio at 101%
- Tier 1 ratio of 19.48% and Capital Adequacy Ratio (CAR) of 20.59%
- Liquidity Coverage Ratio (LCR) of 194%; Net Stable Funding Ratio (NSFR) of 119%

Riyadh, 16 April 2022 - Banque Saudi Fransi reported 12% year-on-year growth in net income to SAR 875 million for 1Q 2022, reflecting 3% income growth and further moderation of credit costs during the quarter. Income growth resulted from 4% growth in net interest income driven by balance sheet expansion, while non-interest income was stable year-on-year.

Total assets amounted to SAR 222.2 billion as at 31 March 2022, an increase of 10% from the end of March of 2021, principally due to 14% lending growth. Total customers' deposits increased by 13% during the quarter, mainly from higher interest-bearing deposits.

Rayan Fayeze, Managing Director & Chief Executive Officer of Banque Saudi Fransi, said:

"BSF made a strong start to 2022, with net profit rising 12% year-on-year due to solid income growth and a lower cost of risk. Our top-line momentum was aided by disciplined execution towards our strategic priorities and favourable economic conditions, resulting in strong and broad-based loan growth of 14% year-on-year, which was funded through deposit growth of 13%. At the same time, we preserved healthy and stable credit quality, capitalization and liquidity.

The expected economic expansion during the remainder of 2022, coupled with the rising interest rate environment, provide supportive tailwinds for BSF. We remain well positioned to deliver significant value to our shareholders during the year ahead."

Performance Highlights

Income Statement Highlights

SAR (Mn)	1Q 2022	4Q 2021	Δ%	1Q 2021	Δ%
Net interest income	1,343	1,332	+1%	1,287	+4%
Non-interest income	508	393	+30%	508	+0%
Operating income	1,851	1,725	+7%	1,796	+3%
Operating expenses	(604)	(620)	-3%	(591)	+2%
Net operating income before impairments	1,247	1,104	+13%	1,204	+4%
Impairment charge	(272)	(45)	+497%	(299)	-9%
Net income before zakat	975	1,059	-8%	905	+8%
Zakat	(101)	(66)	+53%	(126)	-20%
Net income	875	993	-12%	780	+12%
NIM	2.72%	2.70%	+2bps	2.93%	-21bps
Cost to income ratio	32.6%	36.0%	-3.3ppts	32.9%	-0.3ppts
Cost of risk	0.71%	0.44%	+27bps	0.85%	-14bps
EPS	0.68	0.79	-14%	0.62	+10%
ROAE	8.8%	10.1%	-122bps	8.0%	+83bps
ROAA	1.60%	1.85%	-25bps	1.57%	+2bps

Net income for 1Q 2022 improved 12% year-on-year to SAR 875 million from 3% growth in operating income and a 9% reduction in the impairment charge, partly offset by a modest 2% increase in operating expenses. Net income however declined by 12% on a quarter-on-quarter basis despite solid 7% income growth as the previous quarter's impairment charge benefited from recoveries mainly related to one exposure.

Total operating income grew 3% year-on-year to reach SAR 1,851 million for 1Q 2022. Net interest income grew 4% to SAR 1,343 million from 12% year-on-year growth in average earning assets, partly offset by a margin contraction of 21 basis points, to 2.72%. Non-interest income was stable at SAR 508 as improved exchange and other income was offset by lower net fee and commission income and a 14% reduction in trading income. Total operating income for the quarter increased 7% compared to 4Q 2021 from higher non-interest income.

Operating expenses increased by 2% year-on-year to SAR 604 million in 1Q 2022 as higher general and administrative expenses were partly offset by employee-related cost savings. Operating expenses were 3% lower quarter-on-quarter. The cost to income ratio improved modestly by 28 basis points year-on-year to 32.6% for 1Q 2022. The positive operating leverage resulted in 4% year-on-year and 13% quarter-on-quarter growth in pre-impairment operating income to SAR 1,247 million.

The impairment charge amounted to SAR 272 million for 1Q 2022 compared with SAR 299 million in 1Q 2021. This 9% reduction was reflective of a relatively benign credit experience during the quarter and improvements made to the provision coverage of non-performing loans.

Balance Sheet Highlights

SAR (Mn)	1Q 2022	4Q 2021	Δ%	1Q 2021	Δ%
Cash & SAMA balances	10,373	9,795	+6%	10,678	-3%
Due from banks	6,659	5,324	+25%	5,143	+29%
Investments	42,942	43,858	-2%	41,114	+4%
Loans & advances	152,690	147,813	+3%	134,105	+14%
Other assets	9,547	9,012	+6%	11,194	-15%
Total assets	222,211	215,802	+3%	202,233	+10%
Due to banks	20,458	23,854	-14%	18,045	+13%
Customers' deposits	150,759	141,950	+6%	132,987	+13%
Other liabilities	11,566	10,312	+12%	12,003	-4%
Total liabilities	182,783	176,116	+4%	163,035	+12%
Share capital	12,054	12,054	+0%	12,054	+0%
Retained earnings	9,217	8,399	+10%	7,698	+20%
Other	13,157	14,233	-8%	14,447	-9%
Equity attributable to shareholders	34,428	34,686	-1%	34,198	+1%
Tier 1 Sukuk	5,000	5,000	+0%	5,000	+0%
Total equity	39,428	39,686	-1%	39,198	+1%
NPL Ratio	2.36%	2.53%	-17bps	2.70%	-34bps
NPL Coverage Ratio	131.3%	122.7%	+8.6ppts	124.3%	+7.0ppts
T1 Ratio	19.48%	19.94%	-46bps	20.99%	-150bps
CAR	20.59%	21.09%	-50bps	22.08%	-149bps
LCR	194%	179%	+14.9ppts	192%	+1.7ppts
Leverage ratio	15.6%	15.9%	-30bps	16.5%	-90bps
NSFR	119%	118%	+1.0ppts	120%	-1.0ppts
LTD SAMA regulatory ratio	84.9%	86.9%	-2.0ppts	81.7%	+3.2ppts
Headline LTD ratio	101.3%	104.1%	-2.8ppts	100.8%	+0.4ppts

Total assets as at 31 March 2022 amounted to SAR 222,211 million, an increase of 3% from 31 December 2021. Loans and advances rose 3% during the quarter to SAR 152,690 million, predominantly driven by 3% commercial lending growth and 4% growth in consumer lending. On a year-on-year basis, total asset growth was 10% mainly due to 14% lending growth across both commercial and consumer portfolios.

Customers' deposits increased by 6% during 1Q 2022 to SAR 150,759 million. Growth was registered mostly from interest-bearing deposits of 17%, while non-interest-bearing deposits rose by 1%. Compared with 31 March 2021, the Bank registered 13% deposit growth principally from a 28% increase in non-interest-bearing deposits.

The non-performing loans ratio was 2.36% as at 31 March 2022, a 17 basis points improvement during the quarter, resulting from a 4% decline in non-performing loans combined with lending growth. On a year-on-year basis, the non-performing loans ratio also improved by 34 basis points on strong lending growth and relatively stable non-performing loans. The coverage of non-performing loans improved 8.6 percentage points during 1Q 2021 and 7.0 percentage points over the last twelve months to reach 131.3%.

The total capital adequacy ratio stood at 20.59% and the Tier 1 ratio at 19.48% as at 31 March 2022; a modest 50 basis points reduction relative to the previous year-end. The bank's liquidity remained strong and comfortably within regulatory limits, with the liquidity coverage ratio at 194%, the net stable funding ratio at 119%, the SAMA regulatory loan to deposit ratio at 84.9%, and the headline LTD ratio at 101.3%.

Operating Segment Highlights – Income Statement

SAR (Mn)	1Q 2022	4Q 2021	Δ%	1Q 2021	Δ%
Operating income					
Retail	488	477	+2%	488	-0%
Corporate	732	711	+3%	717	+2%
Treasury	513	432	+19%	453	+13%
Investment Banking and Brokerage	119	104	+14%	137	-13%
Operating income	1,851	1,725	+7%	1,796	+3%
Net income before zakat					
Retail	141	65	+115%	187	-25%
Corporate	322	534	-40%	258	+25%
Treasury	445	408	+9%	370	+20%
Investment Banking and Brokerage	67	52	+30%	91	-26%
Net income before zakat	975	1,059	-8%	905	+8%

Operating Segment Highlights – Balance Sheet

SAR (Mn)	1Q 2022	4Q 2021	Δ%	1Q 2021	Δ%
Total assets					
Retail	35,552	34,195	+4%	31,408	+13%
Corporate	118,449	114,226	+4%	104,809	+13%
Treasury	65,740	65,296	+1%	64,443	+2%
Investment Banking and Brokerage	2,470	2,084	+19%	1,573	+57%
Total assets	222,211	215,802	+3%	202,233	+10%
Total liabilities					
Retail	79,577	81,536	-2%	77,113	+3%
Corporate	73,960	62,773	+18%	58,860	+26%
Treasury	26,943	29,663	-9%	25,530	+6%
Investment Banking and Brokerage	2,303	2,145	+7%	1,531	+50%
Total liabilities	182,783	176,116	+4%	163,035	+12%

Retail net income before zakat for 1Q 2022 declined 25% year-on-year to SAR 141 million on stable operating income of SAR 488 million and a higher impairment charge resulting from elevated recoveries during 1Q 2021. Total retail assets rose by 4% during 1Q 2022 to SAR 35,552 million from 2% growth in retail lending. Total liabilities declined by 2% quarter-on-quarter to SAR 79,577 million in line with a 3% decline in customers' deposits.

Corporate reported 25% year-on-year growth in net income before zakat to SAR 322 million. This resulted from 2% operating income growth to SAR 732 million and a 16% reduction in credit impairments. Total assets for the corporate segment grew 4% in 1Q 2022 to SAR 118,449 million from a 2% increase in loans and advances. Corporate liabilities grew 18% year-to-date at SAR 73,960 million from 18% deposits growth.

Treasury reported a 20% year-on-year improvement in net income before zakat to SAR 445 million for 1Q 2022. Operating income increased 19% year-on-year to SAR 513 million on higher net fee and other income. Treasury assets rose by 1% and liabilities declined by 9% during 1Q 2022.

The Investment Banking and Brokerage segment registered a 26% year-on-year decline in net income before zakat to SAR 67 million for 1Q 2022, due to lower brokerage fees driving a 13% total operating income reduction year-on-year.

Outlook

The improving macro-economic fundamentals witnessed during 2021 continued into the first quarter of 2022 leading to robust demand for consumer financing, improved corporate banking activity, and phased resumption of Vision 2030 opportunities.

Against this backdrop, the bank was in a strong position to take advantage of these conditions during the quarter, which was reflected in the solid 1Q 2022 financial performance.

For the remainder of 2022, the Bank expects a continuation of economic expansion and an acceleration of Vision 2030 opportunities and corporate activity.

Additional Information

The 1Q 2022 financial statements, earnings release, earnings presentation, investor presentation and financial data supplement are 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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