

# Banque Saudi Fransi reports solid 10% net income growth to SAR 1,712mn in 1H 2022

## BSF reports 10% net income growth on top line improvement



- Net income for 1H 2022 SAR 1,712mn, up 10% YoY on higher income
- Operating income SAR 3,747mn in 1H 2022, up 6% YoY on interest income growth
- Net interest margin at 2.76% in 1H 2022, 13bps lower YoY
- Cost-to-income ratio at 33.4% for 1H 2022, a 91bps improvement YoY
- Total assets SAR 231.3bn, up 9% YoY from increased lending
- Loans and advances up 13% YoY to SAR 159.6bn from both Commercial and Retail
- Customers' deposits SAR 157.9bn, up 12% YoY
- Tier 1 ratio of 18.07% and Capital Adequacy Ratio (CAR) of 19.20%
- Liquidity Coverage Ratio (LCR) of 201%; Net Stable Funding Ratio (NSFR) of 116%

**Riyadh, 8 August 2022** - Banque Saudi Fransi reported 10% year-on-year growth in net income to SAR 1,712 million for 1H 2022, reflecting 6% growth in operating income. Income growth resulted from 7% year-on-year growth in net interest income driven by balance sheet expansion, and a 3% increase in non-interest income.

Total assets amounted to SAR 231.3 billion as at 30 June 2022, an increase of 9% from the end of June of 2021, principally due to 13% lending growth. Total customers' deposits increased by 12% year-on-year, mainly from higher interest-bearing deposits.

**Bader Alsalloom, Acting Chief Executive Officer & Head of Wholesale Banking of Banque Saudi Fransi, said:**

"BSF reported a strong financial performance for the first half of 2022, with net profit rising 10% year-on-year from healthy top-line momentum and improving operating efficiency and risk cost. Aided by disciplined strategic execution and favourable economic conditions, the Bank achieved broad-based financing growth of 13% year-on-year, which was funded by deposit growth of 12%. We further maintained prudential capitalization and liquidity positions.

The economic environment in Saudi Arabia is expected to remain supportive for the remainder of 2022 which, coupled with the rising interest rate environment, continues to provide a positive outlook for the Bank."

## Performance Highlights

### Income Statement Highlights

SAR (Mn)	1H 2022	1H 2021	Δ%	2Q 2022	2Q 2021	Δ%
Net interest income	2,792	2,618	+7%	1,449	1,330	+9%
Non-interest income	956	931	+3%	447	423	+6%
<b>Operating income</b>	<b>3,747</b>	<b>3,549</b>	<b>+6%</b>	<b>1,896</b>	<b>1,754</b>	<b>+8%</b>
Operating expenses	(1,253)	(1,219)	+3%	(648)	(627)	+3%
<b>Net operating income before impairments</b>	<b>2,495</b>	<b>2,331</b>	<b>+7%</b>	<b>1,248</b>	<b>1,126</b>	<b>+11%</b>
Impairment charge	(591)	(569)	+4%	(319)	(270)	+18%
<b>Net income before zakat</b>	<b>1,903</b>	<b>1,762</b>	<b>+8%</b>	<b>928</b>	<b>856</b>	<b>+8%</b>
Zakat	(192)	(212)	-10%	(91)	(86)	+5%
<b>Net income</b>	<b>1,712</b>	<b>1,549</b>	<b>+10%</b>	<b>837</b>	<b>770</b>	<b>+9%</b>
NIM	2.76%	2.88%	-13bps	2.80%	2.84%	-4bps
Cost to income ratio	33.4%	34.3%	-0.9ppts	34.2%	35.8%	-1.6ppts
Cost of risk	0.75%	0.79%	-4bps	0.79%	0.75%	+5bps
EPS	1.33	1.21	+10%	0.65	0.59	+9%
ROAE	8.8%	7.9%	+85bps	8.7%	7.8%	+83bps
ROAA	1.53%	1.53%	+0bps	1.48%	1.49%	-1bps

Net income for 1H 2022 improved 10% year-on-year to SAR 1,712 million from 6% growth in operating income, further supported by improving operating efficiency and risk cost. Net income for 2Q 2022 similarly increased by 9% year-on-year to SAR 937 million on 8% income growth.

Total operating income grew 6% year-on-year to reach SAR 3,747 million for 1H 2022. Net interest income grew 7% to SAR 2,792 million from 12% year-on-year growth in average earning assets, partly offset by a margin contraction of 13 basis points to 2.76%. Non-interest income improved 3% to SAR 956 million as improved exchange and other income was partly offset by lower net fee and commission income. Total operating income for the second quarter increased 8% compared to 2Q 2021 from growth in both funded and non-funded income of 9% and 6% respectively.

Discipline cost control limited growth in operating expenses to 3% year-on-year to SAR 1,253 million in 1H 2022. Operating expenses for 2Q 2022 were also 3% higher year-on-year. The cost to income ratio improved by 91 basis points year-on-year to 33.4% for 1H 2022. This positive operating leverage resulted in 7% year-on-year growth in pre-impairment operating income to SAR 2,495 million.

The impairment charge amounted to SAR 591 million for 1H 2022 compared with SAR 569 million in 1H 2021. This modest 4% increase was reflective of solid loan growth, a relatively benign credit experience during the period and improvements made to the provision coverage of non-performing loans.

## Balance Sheet Highlights

SAR (Mn)	2Q 2022	4Q 2021	Δ%	2Q 2021	Δ%
Cash & SAMA balances	12,812	9,795	+31%	9,808	+31%
Due from banks	4,246	5,324	-20%	7,781	-45%
Investments	43,505	43,858	-1%	42,060	+3%
Loans & advances	159,625	147,813	+8%	141,807	+13%
Other assets	11,079	9,012	+23%	9,855	+12%
<b>Total assets</b>	<b>231,267</b>	<b>215,802</b>	<b>+7%</b>	<b>211,310</b>	<b>+9%</b>
Due to banks	21,124	23,854	-11%	19,944	+6%
Customers' deposits	157,919	141,950	+11%	140,805	+12%
Other liabilities	14,482	10,312	+40%	11,302	+28%
<b>Total liabilities</b>	<b>193,525</b>	<b>176,116</b>	<b>+10%</b>	<b>172,051</b>	<b>+12%</b>
Share capital	12,054	12,054	+0%	12,054	+0%
Retained earnings	9,096	8,399	+8%	8,411	+8%
Other	11,592	14,233	-19%	8,411	+38%
<b>Equity attributable to shareholders</b>	<b>32,742</b>	<b>34,686</b>	<b>-6%</b>	<b>34,259</b>	<b>-4%</b>
Tier 1 Sukuk	5,000	5,000	+0%	5,000	+0%
<b>Total equity</b>	<b>37,742</b>	<b>39,686</b>	<b>-5%</b>	<b>39,259</b>	<b>-4%</b>
NPL Ratio	2.48%	2.53%	-5bps	2.57%	-9bps
NPL Coverage Ratio	126.5%	122.7%	+3.8ppts	130.1%	-3.7ppts
T1 Ratio	18.07%	19.94%	-187bps	20.23%	-215bps
CAR	19.20%	21.09%	-189bps	21.43%	-223bps
LCR	201%	179%	+22.0ppts	194%	+6.8ppts
Leverage ratio	14.5%	15.9%	-137bps	15.9%	-140bps
NSFR	116%	118%	-2.0ppts	122%	-6.0ppts
LTD SAMA regulatory ratio	83.4%	86.9%	-3.5ppts	83.4%	+0.0ppts
Headline LTD ratio	101.1%	104.1%	-3.1ppts	100.7%	+0.4ppts

Total assets as at 30 June 2022 amounted to SAR 231,267 million, an increase of 7% from 31 December 2021. Loans and advances rose 8% during the first half of the year to SAR 159,625 million, driven by 8% commercial and 7% consumer lending growth. On a year-on-year basis, total asset growth was 9% mainly due to 13% lending growth across both commercial and consumer portfolios.

Customers' deposits increased by 11% during 1H 2022 to SAR 157,919 million. Growth was registered mostly from interest-bearing deposits of 30%, while non-interest-bearing deposits rose by 2%. Compared with 30 June 2021, the Bank registered 12% deposit growth principally from a 32% increase in non-interest-bearing deposits.

The non-performing loans ratio was 2.48% as at 30 June 2022, a 5 basis points improvement during the period, as financing growth exceeded a 6% rise in non-performing loans. On a year-on-year basis, the non-performing loans ratio improved by 9 basis points. The coverage of non-performing loans improved 3.8 percentage points during 1H 2021 to reach 126.5%.

The total capital adequacy ratio stood at 19.20% and the Tier 1 ratio at 18.07% as at 30 June 2022; a 1.9 percentage points reduction relative to the previous year-end due to risk-weighted assets growth and mark-to-market adjustments on debt securities and cash flow hedges through comprehensive income. The bank's liquidity remained strong and comfortably within regulatory limits, with the liquidity coverage ratio at 201%, the net stable funding ratio at 116%, the SAMA regulatory loan to deposit ratio at 83.4%, and the headline LTD ratio at 101.1%.

## Operating Segment Highlights – Income Statement

SAR (Mn)	1H 2022	1H 2021	Δ%	2Q 2022	2Q 2021	Δ%
<b>Operating income</b>						
Retail	980	974	+1%	492	486	+1%
Corporate	1,571	1,433	+10%	838	715	+17%
Treasury	965	898	+7%	452	445	+2%
Investment Banking and Brokerage	231	244	-5%	113	108	+5%
<b>Operating income</b>	<b>3,747</b>	<b>3,549</b>	<b>+6%</b>	<b>1,896</b>	<b>1,754</b>	<b>+8%</b>
<b>Net income before zakat &amp; tax</b>						
Retail	276	348	-21%	135	161	-16%
Corporate	684	541	+26%	362	283	+28%
Treasury	817	731	+12%	372	361	+3%
Investment Banking and Brokerage	127	142	-11%	59	51	+16%
<b>Net income before zakat &amp; tax</b>	<b>1,903</b>	<b>1,762</b>	<b>+8%</b>	<b>928</b>	<b>856</b>	<b>+8%</b>

## Operating Segment Highlights – Balance Sheet

SAR (Mn)	2Q 2022	4Q 2020	Δ%	2Q 2021	Δ%
<b>Total assets</b>					
Retail	37,439	34,195	+9%	32,751	+14%
Corporate	123,735	114,226	+8%	109,915	+13%
Treasury	67,596	65,296	+4%	66,898	+1%
Investment Banking and Brokerage	2,496	2,084	+20%	1,747	+43%
<b>Total assets</b>	<b>231,267</b>	<b>215,802</b>	<b>+7%</b>	<b>211,310</b>	<b>+9%</b>
<b>Total liabilities</b>					
Retail	76,887	81,536	-6%	78,913	-3%
Corporate	83,777	62,773	+33%	64,330	+30%
Treasury	30,299	29,663	+2%	27,160	+12%
Investment Banking and Brokerage	2,562	2,145	+19%	1,648	+55%
<b>Total liabilities</b>	<b>193,525</b>	<b>176,116</b>	<b>+10%</b>	<b>172,051</b>	<b>+12%</b>

Retail net income before zakat for 1H 2022 declined 21% year-on-year to SAR 276 million on 1% operating income growth to SAR 834 million, a higher impairment charge resulting from elevated recoveries during 1H 2021, and a 6% increase in operating expenses. Total retail assets rose by 9% during 1H 2022 to SAR 37,439 million from 10% growth in retail lending. Total liabilities declined by 6% year-to-date to SAR 76,887 million in line with a 6% decline in customers' deposits.

Corporate reported 26% year-on-year growth in net income before zakat to SAR 684 million. This resulted from 10% operating income growth to SAR 1,571 million and improved operating efficiency and cost of risk. Total assets for the corporate segment grew 8% in 1H 2022 to SAR 123,735 million from a 7% increase in loans and advances. Corporate liabilities grew 33% year-to-date at SAR 83,777 million from 34% deposits growth.

Treasury reported a 12% year-on-year improvement in net income before zakat to SAR 817 million for 1H 2022. Operating income increased 7% year-on-year to SAR 965 million on solid growth in both interest and fee income. Treasury assets rose by 4% and liabilities increased by 2% during 1H 2022.

The Investment Banking and Brokerage segment registered an 11% year-on-year decline in net income before zakat to SAR 127 million for 1H 2022, as lower brokerage fees drove a 5% total operating income reduction year-on-year.

### Outlook

The improving macro-economic fundamentals witnessed during 2021 continued into the first half 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 period, which was reflected in the solid 1H 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 2Q 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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