

Banque Saudi Fransi reports solid 9% net income growth to SAR 2,672mn in 9M 2022

BSF reports 9% net income growth on top line improvement



- Total assets SAR 231.7bn, up 9% YoY from increased lending
- Loans and advances up 10% YoY to SAR 158.5bn from both Commercial and Retail
- Customers' deposits SAR 157.8bn, up 10% YoY
- Net income for 9M 2022 SAR 2,672mn, up 9% YoY on higher income
- Operating income SAR 5,882mn in 9M 2022, up 8% YoY on interest income growth
- Net interest margin at 2.85% in 9M 2022, 5bps lower YoY and 9bps higher than 1H 2022
- Cost-to-income ratio at 32.8% for 9M 2022, a 62bps improvement YoY
- Return on equity at 9.2%, up 84bps YoY
- Tier 1 ratio of 18.68% and Capital Adequacy Ratio (CAR) of 19.76%
- Liquidity Coverage Ratio (LCR) of 185%; Net Stable Funding Ratio (NSFR) of 113%

Riyadh, 3 November 2022 - Banque Saudi Fransi reported 9% year-on-year growth in net income to SAR 2,672 million for 9M 2022, reflecting 8% growth in operating income. Income growth resulted from 10% year-on-year growth in net interest income driven by balance sheet expansion, and a 2% increase in non-interest income.

Total assets amounted to SAR 231.7 billion as at 30 September 2022, an increase of 9% from the end of September of 2021, principally due to 10% lending growth. Total customers' deposits increased by 10% year-on-year, from growth in both interest-bearing and non-interest-bearing deposits.

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

"BSF reported a solid financial performance for the first nine months of 2022, with net profit rising 9% year-on-year from healthy top-line momentum, improving operating efficiency, and stable cost of risk. The Bank delivered broad-based financing growth of 10% year-on-year, supported by favourable economic conditions domestically and successful execution of our strategic agenda. Balance sheet growth was funded principally from deposits – both interest- and non-interest-bearing – and the Bank maintained a comfortable liquidity position. We further maintained strong capitalization and healthy credit quality.

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)	9M 2022	9M 2021	Δ%	3Q 2022	3Q 2021	Δ%
Net interest income	4,437	4,041	+10%	1,646	1,424	+16%
Non-interest income	1,445	1,422	+2%	489	490	-0%
Operating income	5,882	5,463	+8%	2,135	1,914	+12%
Operating expenses	(1,930)	(1,827)	+6%	(678)	(608)	+11%
Net operating income before impairments	3,952	3,636	+9%	1,457	1,306	+12%
Impairment charge	(992)	(858)	+16%	(400)	(289)	+38%
Net income before zakat	2,960	2,778	+7%	1,057	1,017	+4%
Zakat	(288)	(322)	-11%	(96)	(110)	-12%
Net income	2,672	2,457	+9%	961	907	+6%
NIM	2.85%	2.90%	-5bps	3.03%	2.91%	+11bps
Cost to income ratio	32.8%	33.4%	-0.6ppts	31.8%	31.8%	-0.0ppts
Cost of risk	0.83%	0.80%	+3bps	0.98%	0.80%	+18bps
EPS	2.08	1.92	+9%	0.75	0.71	+7%
ROAE	9.2%	8.4%	+84bps	10.2%	9.2%	+93bps
ROAA	1.58%	1.60%	-1bps	1.66%	1.71%	-5bps

Net income for 9M 2022 improved 9% year-on-year to SAR 2,672 million from 8% growth in operating income, further supported by improving operating efficiency and broadly stable risk cost. Net income for 3Q 2022 increased by 6% year-on-year to SAR 961 million on 12% income growth.

Total operating income grew 8% year-on-year to reach SAR 5,882 million for 9M 2022. Net interest income grew 10% to SAR 4,437 million from 12% year-on-year growth in average earning assets, partly offset by a margin contraction of 5 basis points to 2.85%. Non-interest income improved 2% to SAR 1,445 million as improved exchange and other income was partly offset by lower net fee and commission income and reduced trading income. Total operating income for the third quarter increased 12% compared to 3Q 2021 from 16% growth in funded income, while non-funded income was stable year-on-year.

Operating expenses increased 6% year-on-year to SAR 1,930 million in 9M 2022 due to higher general and administrative expenses mainly from non-recurring provisions and increased employee-related costs from higher headcount and wage inflation. Operating expenses for 3Q 2022 were 11% higher year-on-year. The cost to income ratio improved by 62 basis points year-on-year to 32.8% for 9M 2022. This positive operating leverage resulted in 9% year-on-year growth in pre-impairment operating income to SAR 3,952 million.

The impairment charge amounted to SAR 992 million for 9M 2022 compared with SAR 858 million in 9M 2021. This 16% increase was reflective of solid loan growth and higher Commercial impairments.

Balance Sheet Highlights

SAR (Mn)	3Q 2022	4Q 2021	Δ%	3Q 2021	Δ%
Cash & SAMA balances	12,428	9,795	+27%	9,635	+29%
Due from banks	4,507	5,324	-15%	5,389	-16%
Investments	43,341	43,858	-1%	43,587	-1%
Loans & advances	158,481	147,813	+7%	144,393	+10%
Other assets	12,901	9,012	+43%	10,331	+25%
Total assets	231,659	215,802	+7%	213,335	+9%
Due to banks	20,094	23,854	-16%	20,043	+0%
Customers' deposits	157,821	141,950	+11%	143,322	+10%
Other liabilities	15,939	10,312	+55%	10,728	+49%
Total liabilities	193,854	176,116	+10%	174,093	+11%
Share capital	12,054	12,054	+0%	12,054	+0%
Retained earnings	10,001	8,399	+19%	8,482	+18%
Other	10,750	14,233	-24%	13,707	-22%
Equity attributable to shareholders	32,805	34,686	-5%	34,242	-4%
Tier 1 Sukuk	5,000	5,000	+0%	5,000	+0%
Total equity	37,805	39,686	-5%	39,242	-4%
NPL Ratio	2.73%	2.53%	+20bps	2.54%	+19bps
NPL Coverage Ratio	116.8%	122.7%	-5.9ppts	135.4%	-18.5ppts
T1 Ratio	18.68%	19.94%	-126bps	19.81%	-112bps
CAR	19.76%	21.09%	-133bps	20.95%	-119bps
LCR	185%	179%	+6.3ppts	176%	+9.4ppts
Leverage ratio	15.0%	15.9%	-93bps	15.8%	-81bps
NSFR	113%	118%	-5.0ppts	120%	-7.0ppts
LTD SAMA regulatory ratio	83.4%	86.9%	-3.5ppts	83.6%	-0.1ppts
Headline LTD ratio	100.4%	104.1%	-3.7ppts	100.7%	-0.3ppts

Total assets as at 30 September 2022 amounted to SAR 231,659 million, an increase of 7% from 31 December 2021. Loans and advances rose 7% during the first nine months of the year to SAR 158,481 million, driven by 7% commercial and 8% consumer lending growth. On a year-on-year basis, total asset growth was 9% mainly due to 10% lending growth across both commercial and consumer portfolios.

Customers' deposits increased by 11% during 9M 2022 to SAR 157,821 million. Growth was registered from both interest-bearing deposits of 18% and non-interest-bearing deposits of 8%. Compared with 30 September 2021, the Bank registered 10% deposit growth.

The non-performing loans ratio was 2.73% as at 30 September 2022, a 20 basis points increase during the period as non-performing loans rose 16% from isolated pockets of migration in the Commercial book. On a year-on-year basis, the non-performing loans ratio similarly increased by 19 basis points. The coverage of non-performing loans stood at 116.8% as at 30 September 2022 relative to 122.7% at the start of the year, with the slight moderation resulting from the above-mentioned Commercial stage-migration.

The total capital adequacy ratio stood at 19.76% and the Tier 1 ratio at 18.68% as at 30 September 2022; a 1.3 percentage points 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 185%, the net stable funding ratio at 113%, the SAMA regulatory loan to deposit ratio at 83.4%, and the headline LTD ratio at 100.4%.

Operating Segment Highlights – Income Statement

SAR (Mn)	9M 2022	9M 2021	Δ%	3Q 2022	3Q 2021	Δ%
Operating income						
Retail	1,626	1,446	+12%	646	472	+37%
Corporate	2,532	2,235	+13%	961	803	+20%
Treasury	1,394	1,427	-2%	429	529	-19%
Investment Banking and Brokerage	330	355	-7%	99	111	-11%
Operating income	5,882	5,463	+8%	2,135	1,914	+12%
Net income before zakat & tax						
Retail	554	464	+19%	278	116	+139%
Corporate	1,082	928	+17%	398	387	+3%
Treasury	1,152	1,181	-2%	335	449	-25%
Investment Banking and Brokerage	173	206	-16%	46	64	-28%
Net income before zakat & tax	2,960	2,778	+7%	1,057	1,017	+4%

Operating Segment Highlights – Balance Sheet

SAR (Mn)	3Q 2022	4Q 2021	Δ%	3Q 2021	Δ%
Total assets					
Retail	38,343	34,195	+12%	34,372	+12%
Corporate	122,273	114,226	+7%	110,835	+10%
Treasury	68,658	65,296	+5%	66,267	+4%
Investment Banking and Brokerage	2,385	2,084	+14%	1,861	+28%
Total assets	231,659	215,802	+7%	213,335	+9%
Total liabilities					
Retail	76,074	81,536	-7%	80,334	-5%
Corporate	84,540	62,773	+35%	65,582	+29%
Treasury	31,201	29,663	+5%	26,440	+18%
Investment Banking and Brokerage	2,039	2,145	-5%	1,737	+17%
Total liabilities	193,854	176,116	+10%	174,093	+11%

Retail net income before zakat for 9M 2022 increased 19% year-on-year to SAR 554 million on 12% operating income growth to SAR 1,626 million, a higher impairment charge resulting from elevated recoveries during 9M 2021, and a 7% increase in operating expenses. Total retail assets rose by 12% during 9M 2022 to SAR 38,343 million from 12% growth in retail lending. Total liabilities declined by 7% year-to-date to SAR 76,074 million in line with a 7% decline in customers' deposits.

Corporate reported 17% year-on-year growth in net income before zakat to SAR 1,082 million. This resulted from 13% operating income growth to SAR 2,532 million and improved operating efficiency. Total assets for the corporate segment grew 7% in 9M 2022 to SAR 122,273 million from a 6% increase in loans and advances. Corporate liabilities grew 35% year-to-date at SAR 84,540 million from 35% deposits growth.

Treasury reported a 2% year-on-year moderation in net income before zakat to SAR 1,152 million for 9M 2022. Operating income declined 2% year-on-year to SAR 1,394 million on modest reductions in both interest and fee income. Treasury assets and liabilities both increased by 5% during 9M 2022.

The Investment Banking and Brokerage segment registered an 16% year-on-year decline in net income before zakat to SAR 173 million for 9M 2022, as lower brokerage fees drove a 7% total operating income reduction year-on-year.

Outlook

The improving macro-economic fundamentals witnessed during 2021 continued into the first nine months of 2022 leading to robust demand for consumer financing, improved corporate banking activity, and phased resumption of Vision 2030 opportunities. The period was further characterized by hawkish monetary policy by the Saudi Central Bank (SAMA) with five increases in their repo and reserve repo rates during 9M 2022 totaling 275 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 9M 2022 financial performance.

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

Additional Information

The 3Q 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

Ryan Ayache | Head of Investor Relations

IR@alfransi.com.sa

Media contact

Sarah Altuwajri

Head of Group Marketing & Communications

Smaltuwajri@alfransi.com.sa