

Banque Saudi Fransi reports net income growth of 14% to SAR 780mn for 1Q 2021

BSF reports 14% net income growth on higher income and lower impairments



- Net income for 1Q 2021 SAR 780mn, up 14% YoY due to lower impairments
- Operating income SAR 1,796mn in 1Q 2021, up 2% YoY on non-interest income growth
- Net interest margin stable at 2.88% in 1Q 2021, 14bps lower YoY
- Cost-to-income ratio at 32.9% for 1Q 2021 compared with 31.8% for 1Q 2020
- Total assets SAR 202.2bn, up 4% YTD from increased lending and investments
- Loans and advances up 3% YTD to SAR 134.1bn
- Customers' deposits SAR 133.0bn, up 5% YTD
- Tier 1 ratio of 21.0%, up from 20.6% YTD; Capital Adequacy Ratio (CAR) of 22.1%
- Liquidity Coverage Ratio (LCR) of 192.1%; Net Stable Funding Ratio (NSFR) of 120.0%

Riyadh, 10 May 2021 - Banque Saudi Fransi reported 14% year-on-year growth in net income to SAR 780 million for 1Q 2021, as provisions stabilized following the backdrop of pandemic-related economic disruptions during 2020. Operating income rose by 2% year-on-year to SAR 1,796 million on 8% growth in non-interest income.

Total assets amounted to SAR 202.2 billion as at 31 March 2021, an increase of 4% from the end of the previous year, principally due to higher investments and lending growth. Total customers' deposits increased by 5% across both interest-bearing and non-interest-bearing deposits.

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

“Following a challenging year brought on by the global pandemic, the Bank entered 2021 with a more positive outlook and delivered an excellent financial performance for the first quarter. Net income rebounded strongly to SAR 780 million from SAR 94 million in the previous quarter and up 14% year-on-year, due to normalizing credit costs, resilient net interest margin despite the significantly lower rate environment, and strong fee income momentum. The quarter also witnessed continued strength in mortgage origination and signs of increased corporate banking activity.

While we remain vigilant against a backdrop of lingering economic uncertainties, the bank continues to execute on its strategy. We are well positioned to take advantage of expected improvements in customer activity and further strengthening of the credit cycle.”

Performance Highlights

Income Statement Highlights

SAR (Mn)	1Q 2021	4Q 2020	Δ%	1Q 2020	Δ%
Net interest income	1,287	1,281	+0%	1,287	+0%
Non-interest income	508	496	+3%	470	+8%
Operating income	1,796	1,777	+1%	1,757	+2%
Operating expenses	(591)	(672)	-12%	(559)	+6%
Impairment charge	(299)	(872)	-66%	(397)	-25%
Total operating expenses	890	1,544	-42%	956	-7%
Net income before zakat & tax	905	233	+288%	801	+13%
Zakat & income tax charge	(126)	(139)	-10%	(119)	+6%
Net income after zakat & tax	780	94	+730%	682	+14%
NIM	2.88%	2.91%	-1%	3.01%	-5%
Cost to income ratio	32.9%	37.8%	-13%	31.8%	+4%
Cost of risk	0.85%	2.50%	-66%	1.19%	-29%
EPS	0.62	0.03	+2019%	0.57	+9%
ROAE	8.0%	1.0%	+671%	8.2%	-2%
ROAA	1.57%	0.19%	+720%	1.45%	+9%

Net income after zakat and income tax for 1Q 2021 improved 14% year-on-year to SAR 780 million from 2% growth in operating income and a 25% reduction in the impairment charge, partly offset by increased operating expenses. Net income recovered significantly from the previous quarter of SAR 94 million due a 66% drop in impairment charges quarter-on-quarter.

Total operating income grew 2% year-on-year to reach SAR 1,796 million for 1Q 2021. This growth resulted from stable net interest income of SAR 1,287 million on a 14 basis points lower net interest margin of 2.88%, and 8% growth in non-interest income to SAR 508 million, from higher brokerage and trading income, partly offset by a one-off gain on the sale of an investment during the 1Q 2020. Total operating income for the quarter improved 1% compared with 4Q 2020 from increased non-interest income.

Operating expenses increased 6% year-on-year to SAR 591 million for 1Q 2021 due to an increase in the rate of VAT in Saudi Arabia from 5% to 15%. Compared to the previous quarter, operating expenses declined 12% quarter-on-quarter due to the inclusion of one-off expense accruals in 4Q 2020. The cost to income ratio increased by 1.1 percentage points year-on-year to 32.9% for 1Q 2021.

The impairment charge amounted to SAR 299 million for 1Q 2021 compared with SAR 397 million in 1Q 2020 and SAR 872 million in the previous quarter, a reduction of 25% and 66% respectively. This improvement was driven by credit quality normalization following elevated impairment charges during 2020 owing to COVID-19 and improvements made to the provision coverage of non-performing loans.

Balance Sheet Highlights

SAR (Mn)	1Q 2021	4Q 2020	Δ%	1Q 2020	Δ%
Cash & SAMA balances	10,678	10,548	+1%	12,105	-12%
Due from banks	5,143	4,027	+28%	6,137	-16%
Investments	41,114	37,679	+9%	33,940	+21%
Loans & advances	134,105	130,565	+3%	134,882	-1%
Other assets	11,194	11,255	-1%	12,114	-8%
Total assets	202,233	194,074	+4%	199,178	+2%
Due to banks	18,045	16,792	+7%	6,542	+176%
Customers' deposits	132,987	127,112	+5%	146,772	-9%
Other liabilities	12,003	11,534	+4%	11,919	+1%
Total liabilities	163,035	155,438	+5%	165,232	-1%
Share capital	12,054	12,054	+0%	12,054	+0%
Retained earnings	7,698	7,433	+4%	6,628	+16%
Other	14,447	14,149	+2%	15,264	-5%
Equity attributable to shareholders	34,198	33,636	+2%	33,945	+1%
Tier 1 Sukuk	5,000	5,000	+0%	0	
Total equity	39,198	38,636	+1%	33,945	+15%
NPL Ratio	2.7%	2.8%	-3%	2.7%	-0%
NPL Coverage Ratio	124.3%	124.6%	-0%	108.1%	+15%
T1 Ratio	21.0%	20.6%	+2%	17.4%	+20%
CAR	22.1%	21.6%	+2%	18.4%	+20%
LCR	192.1%	199.0%	-3%	217.0%	-11%
Leverage ratio	16.5%	16.5%	-0%	14.3%	+15%
NSFR	120%	122%	-2%	118%	+2%
LTD SAMA regulatory ratio	81.7%	82.3%	-1%	84.2%	-3%

Total assets as at 31 March 2021 amounted to SAR 202,233 million, an increase of 4% from 31 December 2020. Loans and advances rose 3% to SAR 134,105 million predominantly driven by 13% growth in mortgages, while commercial lending increased 2% during the first quarter. Strong growth of 9% in investments further contributed to balance sheet expansion.

Customers' deposits increased by 5% during the first quarter of 2021 to SAR 132,987 million. A solid 5% growth was registered in both non-interest-bearing deposits and interest-bearing deposits.

The non-performing loans ratio was 2.7% as at 31 March 2021, a 9 basis points decrease during the quarter, due to lower non-performing loan formation in the commercial book and lending growth. The provision coverage of non-performing loans was stable relative to the previous quarter at 124.3% but improved significantly by 16.2 percentage points on a year-on-year basis.

The total capital adequacy ratio stood at 22.1% and the Tier 1 ratio at 21.0% as at 31 March 2021. These ratios improved by 51 and 43 basis points respectively during the quarter as capitalization levels increased by 2% while risk-weighted assets remained stable.

The bank's liquidity remained strong and comfortably within regulatory limits, with the liquidity coverage ratio at 192.1%, the net stable funding ratio at 120.0% and the SAMA regulatory loan to deposit ratio at 81.7%.

Operating Segment Highlights – Income Statement

SAR (Mn)	1Q 2021	4Q 2020	Δ%	1Q 2020	Δ%
Operating income					
Retail	488	457	+7%	459	+6%
Corporate	717	697	+3%	741	-3%
Treasury	453	507	-11%	475	-5%
Investment Banking and Brokerage	137	116	+18%	82	+66%
Operating income	1,796	1,777	+1%	1,757	+2%
Net income before zakat & tax					
Retail	187	97	+94%	157	+19%
Corporate	258	(302)	-185%	177	+46%
Treasury	370	411	-10%	431	-14%
Investment Banking and Brokerage	91	28	+222%	36	+150%
Net income before zakat & tax	905	233	+288%	801	+13%

Operating Segment Highlights – Balance Sheet

SAR (Mn)	1Q 2021	4Q 2020	Δ%	1Q 2020	Δ%
Total assets					
Retail	31,408	29,086	+8%	25,699	+22%
Corporate	104,809	102,507	+2%	111,060	-6%
Treasury	64,443	61,050	+6%	61,051	+6%
Investment Banking and Brokerage	1,573	1,431	+10%	1,367	+15%
Total assets	202,233	194,074	+4%	199,178	+2%
Total liabilities					
Retail	77,113	74,967	+3%	72,075	+7%
Corporate	58,860	54,368	+8%	76,974	-24%
Treasury	25,530	24,681	+3%	14,854	+72%
Investment Banking and Brokerage	1,531	1,422	+8%	1,330	+15%
Total liabilities	163,035	155,438	+5%	165,232	-1%

Retail net income before zakat and income tax for 1Q 2021 grew 19% year-on-year to SAR 187 million, due to 6% growth in operating income to SAR 488 million and improved operating efficiency. Total retail assets rose by 8% during the quarter to SAR 31,408 million from 13% growth in mortgages. Total liabilities increased by 3% to SAR 77,113 million, mainly from 3% growth in customers' deposits.

Corporate reported 46% growth year-on-year in net income before zakat and income tax for 1Q 2021 to reach SAR 258 million. This resulted from a 25% improvement in impairment charges, partly offset by a moderate 3% decline in operating income. Total assets for the corporate segment grew 2% in 1Q 2021 to SAR 104,809 million from a 1% increase in loans and advances. Corporate liabilities increased by 8% quarter-on-quarter from 7% growth in deposits.

Treasury reported a 14% year-on-year decline in net income before zakat and income tax to SAR 370 million in 1Q 2021, as operating income decreased by 5% year-on-year to SAR 453 million on lower net interest and fee income. Treasury assets rose 6% during the quarter, while liabilities grew 3% over the quarter.

The Investment Banking and Brokerage segment registered a 150% year-on-year increase in net income before zakat and income tax to SAR 91 million due to improved brokerage and asset management fees driving 66% total operating income growth year-on-year.

Outlook

Following a challenging operating environment brought on by the COVID-19 pandemic during 2020, macro-economic fundamentals are expected to improve during 2021, leading to expected growing demand for consumer financing, improving corporate banking activity, and phased resumption of Vision 2030 opportunities.

Against this backdrop, the bank is in a strong position to take advantage of these improving economic conditions during the year, enabled through relentless execution of our strategic agenda, aimed at modernizing and re-imagining the bank over a five-year period.

Additional Information

The 1Q 2021 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-satements-and-disclosures>

<https://www.alfransi.com.sa/english/top-menu/investorrelation/share-information/investor-presentations>

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