

Banque Saudi Fransi reports net income growth of 38% to SAR 1,549mn for 1H 2021

BSF reports 38% net income growth on higher income and lower impairments



- Net income for 1H 2021 SAR 1,549mn, up 38% YoY due to lower impairments
- Operating income SAR 3,549mn in 1H 2021, up 1% YoY on interest income growth
- Net interest margin at 2.85% in 1H 2021, 12bps lower YoY
- Cost-to-income ratio at 34.3% for 1H 2021 compared with 31.7% for 1H 2020
- Total assets SAR 211.3bn, up 9% YTD from increased lending and investments
- Loans and advances up 9% YTD to SAR 141.8bn
- Customers' deposits SAR 140.8bn, up 11% YTD
- Tier 1 ratio of 22.2% and Capital Adequacy Ratio (CAR) of 21.4%
- Liquidity Coverage Ratio (LCR) of 194.1%; Net Stable Funding Ratio (NSFR) of 122.0%

Riyadh, 11 August 2021 - Banque Saudi Fransi reported 38% year-on-year growth in net income to SAR 1,549 million for 1H 2021, as provisions stabilized following the backdrop of pandemic-related economic disruptions during 2020. Operating income rose by 1% year-on-year to SAR 3,459 million on 1% growth in interest income.

Total assets amounted to SAR 211.3 billion as at 30 June 2021, an increase of 9% from the end of the previous year, principally due to higher investments and lending growth. Total customers' deposits increased by 11% across both interest-bearing and non-interest-bearing deposits.

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

"The Saudi Arabian economy displayed clear signs of a rebound in the first half of 2021, and BSF followed suit with a solid performance over the first two quarters. Increases in our deposits, both non-interest bearing (+10%) and interest-bearing (+12%), 9% growth of our consumer loan portfolio, along with 46% lower credit impairment charges, resulted in net income growth after Zakat of 38% to SAR 1,549 million year-on-year. This strong result illustrates BSF's ability to recover to pre-pandemic levels. It also shows that the bank's strategy continues to deliver results.

In the second quarter, we experienced exceptional net income growth before Zakat of 55% YoY to SAR 856 million, driven by our Retail (+99%), Corporate (+617%) and Investment Banking (+97%)

businesses, which were partly offset by Treasury (-11%). Notable increases in consumer loans, predominantly driven by mortgage lending growth of 19%, in corporate lending (+8% YTD); ongoing strengthening of NPL coverage (+5.5ppts YTD and +28.6ppts YoY) and an increase in net investments of 12%, also contributed to this result.

While we continue to monitor the pandemic and potential disruptions to global economic activity, we are confident today that BSF will remain on track to deliver a strong year-end result in 2021."

Performance Highlights

Income Statement Highlights

SAR (Mn)	1H 2021	1H 2020	Δ%	2Q 2021	2Q 2020	Δ%
Net interest income	2,618	2,584	+1%	1,330	1,297	+3%
Non-interest income	931	933	-0%	423	463	-9%
Operating income	3,549	3,517	+1%	1,754	1,760	-0%
Operating expenses	(1,219)	(1,116)	+9%	(627)	(557)	+13%
Impairment charge	(569)	(1,048)	-46%	(270)	(650)	-58%
Total operating expenses	1,788	2,164	-17%	897	1,207	-26%
Net income before zakat & tax	1,762	1,353	+30%	856	553	+55%
Zakat & income tax charge	(212)	(234)	-9%	(86)	(116)	-25%
Net income after zakat & tax	1,549	1,119	+38%	770	437	+76%
NIM	2.85%	2.97%	-12bps	2.83%	2.88%	-5bps
Cost to income ratio	34.3%	31.7%	+2.6ppts	35.8%	31.7%	+4.1ppts
Cost of risk	0.79%	1.52%	-72bps	0.75%	1.82%	-107bps
EPS	1.21	0.93	+30%	0.59	0.36	+63%
ROAE	7.9%	6.7%	+126bps	7.8%	5.2%	+268bps
ROAA	1.53%	1.16%	+37bps	1.49%	0.87%	+62bps

Net income after zakat and income tax for 1H 2021 improved 38% year-on-year to SAR 1,549 million from 1% growth in operating income and a 46% reduction in the impairment charge, partly offset by increased operating expenses. Net income for 2Q 2021 similarly improved by 76% year-on-year to SAR 770 million on 58% lower credit provisions.

Total operating income grew 1% year-on-year to reach SAR 3,549 million for 1H 2021. Net interest income grew 1% to SAR 2,618 million as our net-interest margin ebbed by 12 basis points to 2.85%, while non-interest income of SAR 931 million was stable with higher brokerage and trading income offset by lower exchange income and one-off income on the sale of an investment during 1H 2020. Total operating income for the quarter was stable compared with 2Q 2020 from increased interest income being offset by lower non-interest income..

Operating expenses increased 9% year-on-year to SAR 1,219 million for 1H 2021 due to an increase in the rate of VAT in Saudi Arabia from 5% to 15% and increased commercial advertisement and sponsorship expenditure. Operating expenses for 2Q 2021 similarly increased 13% year-on-year. The cost to income ratio increased by 2.6 percentage points year-on-year to 34.3% for 1H 2021.

The impairment charge amounted to SAR 569 million for 1H 2021 compared with SAR 1,048 million in 1H 2020. This reduction of 46% was driven by credit quality normalization following elevated impairment

charges during 2020 related to COVID-19 and improvements made to the provision coverage of non-performing loans.

Balance Sheet Highlights

SAR (Mn)	2Q 2021	4Q 2020	Δ%	2Q 2020	Δ%
Cash & SAMA balances	9,808	10,548	-7%	9,519	+3%
Due from banks	7,781	4,027	+93%	7,176	+8%
Investments	42,060	37,679	+12%	36,916	+14%
Loans & advances	141,807	130,565	+9%	135,749	+4%
Other assets	9,855	11,255	-12%	12,592	-22%
Total assets	211,310	194,074	+9%	201,953	+5%
Due to banks	19,944	16,792	+19%	17,422	+14%
Customers' deposits	140,805	127,112	+11%	138,046	+2%
Other liabilities	11,302	11,534	-2%	12,809	-12%
Total liabilities	172,051	155,438	+11%	168,276	+2%
Share capital	12,054	12,054	+0%	12,054	+0%
Retained earnings	8,411	7,433	+13%	7,065	+19%
Other	13,795	14,149	-3%	14,558	-5%
Equity attributable to shareholders	34,259	33,636	+2%	33,677	+2%
Tier 1 Sukuk	5,000	5,000	+0%	0	
Total equity	39,259	38,636	+2%	33,677	+17%
NPL Ratio	2.6%	2.8%	-22bps	2.9%	-38bps
NPL Coverage Ratio	130.1%	124.6%	+5.5ppts	101.6%	+28.6ppts
T1 Ratio	20.2%	20.6%	-33bps	17.0%	+318bps
CAR	21.4%	21.6%	-13bps	17.9%	+350bps
LCR	194.2%	199.0%	-4.8ppts	168.0%	+26.2ppts
Leverage ratio	15.9%	16.5%	-60bps	13.9%	+205bps
NSFR	122%	122%	+0.0ppts	118%	+4.0ppts
LTD SAMA regulatory ratio	83.4%	82.3%	+1.1ppts	84.2%	-0.8ppts

Total assets as at 30 June 2021 amounted to SAR 211,310 million, an increase of 9% from 31 December 2020. Loans and advances rose 9% year-to-date to SAR 141,807 million predominantly driven by 13% growth in consumer lending - aided by 19% mortgage growth - and 8% commercial lending growth during the period. Strong growth of 12% in investments further contributed to balance sheet expansion.

Customers' deposits increased by 11% during the half of 2021 to SAR 140,805 million. Solid growth was registered in both non-interest-bearing deposits and interest-bearing deposits of 10% and 12% respectively.

The non-performing loans ratio was 2.6% as at 30 June 2021, a 22 basis points moderation during the first half of 2021, due to lower non-performing loan formation in the commercial book and lending growth. The provision coverage of non-performing loans improved both a year-to-date and year-on year basis by 5.5 and 28.6 percentage points respectively, to 130%.

The total capital adequacy ratio stood at 21.4% and the Tier 1 ratio at 20.2% as at 30 June 2021. These ratios were broadly stable relative to the previous year-end as capitalization growth of 4% matched risk-weighted assets growth.

The bank's liquidity remained strong and comfortably within regulatory limits, with the liquidity coverage ratio at 194.2%, the net stable funding ratio at 122.0% and the SAMA regulatory loan to deposit ratio at 83.4%.

Operating Segment Highlights – Income Statement

SAR (Mn)	1H 2021	1H 2020	Δ%	2Q 2021	2Q 2020	Δ%
Operating income						
Retail	974	881	+11%	486	422	+15%
Corporate	1,433	1,514	-5%	715	773	-7%
Treasury	898	965	-7%	445	490	-9%
Investment Banking and Brokerage	244	157	+55%	108	75	+43%
Operating income	3,549	3,517	+1%	1,754	1,760	-0%
Net income before zakat & tax						
Retail	348	237	+46%	161	81	+99%
Corporate	541	216	+150%	283	40	+617%
Treasury	731	838	-13%	361	407	-11%
Investment Banking and Brokerage	142	62	+128%	51	26	+97%
Net income before zakat & tax	1,762	1,353	+30%	856	553	+55%

Operating Segment Highlights – Balance Sheet

SAR (Mn)	2Q 2021	4Q 2020	Δ%	2Q 2020	Δ%
Total assets					
Retail	32,751	29,086	+13%	26,310	+24%
Corporate	109,915	102,507	+7%	111,581	-1%
Treasury	66,898	61,050	+10%	63,030	+6%
Investment Banking and Brokerage	1,747	1,431	+22%	1,033	+69%
Total assets	211,310	194,074	+9%	201,953	+5%
Total liabilities					
Retail	78,913	74,967	+5%	74,042	+7%
Corporate	64,330	54,368	+18%	66,024	-3%
Treasury	27,160	24,681	+10%	27,192	-0%
Investment Banking and Brokerage	1,648	1,422	+16%	1,018	+62%
Total liabilities	172,051	155,438	+11%	168,276	+2%

Retail net income before zakat and income tax for 1H 2021 grew 46% year-on-year to SAR 348 million, due to 11% growth in operating income to SAR 974 million and a lower impairment charge. Total retail assets rose by 13% during the first half of 2021 to SAR 32,751 million from 13% growth in consumer lending. Total liabilities increased by 5% to SAR 77,113 million, mainly from 5% growth in customers' deposits.

Corporate reported 150% growth year-on-year in net income before zakat and income tax for 1H 2021 to reach SAR 541 million. This resulted from a 42% decline in impairment charges, partly offset by 5%

lower operating income. Total assets for the corporate segment grew 7% in 1H 2020 to SAR 109,915 million from a 6% increase in loans and advances. Corporate liabilities increased by 18% year-to-date from 19% deposits growth.

Treasury reported a 13% year-on-year decline in net income before zakat and income tax to SAR 731 million in 1H 2021, as operating income decreased by 7% year-on-year to SAR 898 million on lower net fee and other income. Treasury assets and liabilities both rose by 10% during the first half of 2021.

The Investment Banking and Brokerage segment registered a 128% year-on-year increase in net income before zakat and income tax to SAR 142 million for 1H 2021 due to improved brokerage and asset management fees driving 55% 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 improved during the first half of 2021, leading to growing demand for consumer financing, improved 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 remainder of the year and into 2022, enabled through relentless execution of the Bank's strategic agenda, aimed at modernizing and re-imagining the bank over a five-year period.

Additional Information

The 2Q 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-statements-and-disclosures>

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

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