

# Banque Saudi Fransi reports net income growth of 69% to SAR 2,457mn for 9M 2021

## BSF reports 69% net income growth on higher income and lower impairments



- Net income for 9M 2021 SAR 2,457mn, up 69% YoY on lower impairments
- Operating income SAR 5,463mn in 9M 2021, up 4% YoY on interest and fee income growth
- Net interest margin at 2.89% in 9M 2021, 13bps lower YoY
- Cost-to-income ratio at 33.4% for 9M 2021 compared with 32.1% for 9M 2020
- Total assets SAR 213.3bn, up 10% YTD from increased lending and investments
- Loans and advances up 11% YTD to SAR 144.4bn
- Customers' deposits SAR 143.3bn, up 13% YTD
- Tier 1 ratio of 19.81% and Capital Adequacy Ratio (CAR) of 20.95%
- Liquidity Coverage Ratio (LCR) of 176%; Net Stable Funding Ratio (NSFR) of 120%

**Riyadh, 11 November 2021** - Banque Saudi Fransi reported 69% year-on-year growth in net income to SAR 2,457 million for 9M 2021, as provisions stabilized following the backdrop of pandemic-related economic disruptions during 2020. This was further aided by operating income growth of 4% year-on-year to SAR 5,463 million, on 2% growth in interest income and a 9% improvement in non-interest income.

Total assets amounted to SAR 213.3 billion as at 30 September 2021, an increase of 10% from the end of the previous year, principally due to lending growth and higher investments. Total customers' deposits increased by 13% across both interest-bearing and non-interest-bearing deposits.

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

"Banque Saudi Fransi witnessed strong tailwinds from improving macro-economic conditions, which led to growing demand for consumer financing, higher corporate banking activity, and a phased resumption of Vision 2030 projects. The improved operating environment, combined with our disciplined execution, resulted in another robust performance in the third quarter of 2021, which is slightly ahead of our guidance. This significant increase in client activity contributed to 4% operating income growth, which, together with normalization of credit quality and the maintained cost discipline, led to 69% net income growth after Zakat and Tax. We grew our balance sheet by 10% year-to-date to SAR 213 billion in total

assets, with loans and advances reaching SAR 144 billion (+11%) and customer deposits at SAR 143 billion (+13%) while maintaining a Tier 1 ratio of 19.81% and a capital adequacy ratio of 20.95%, which are comfortably above regulatory minima. With the economic recovery well underway, we remain confident that we will stay on track to deliver a solid year-end result in 2021."

## Performance Highlights

### Income Statement Highlights

SAR (Mn)	9M 2021	9M 2020	Δ%	3Q 2021	3Q 2020	Δ%
Net interest income	4,041	3,959	+2%	1,424	1,375	+4%
Non-interest income	1,422	1,309	+9%	490	376	+31%
<b>Operating income</b>	<b>5,463</b>	<b>5,268</b>	<b>+4%</b>	<b>1,914</b>	<b>1,751</b>	<b>+9%</b>
Operating expenses	(1,827)	(1,692)	+8%	(608)	(576)	+6%
Impairment charge	(858)	(1,798)	-52%	(289)	(751)	-61%
<b>Total operating expenses</b>	<b>2,685</b>	<b>3,491</b>	<b>-23%</b>	<b>897</b>	<b>1,327</b>	<b>-32%</b>
<b>Net income before zakat &amp; tax</b>	<b>2,778</b>	<b>1,777</b>	<b>+56%</b>	<b>1,017</b>	<b>424</b>	<b>+140%</b>
Zakat & income tax charge	(322)	(325)	-1%	(110)	(90)	+21%
<b>Net income after zakat &amp; tax</b>	<b>2,457</b>	<b>1,452</b>	<b>+69%</b>	<b>907</b>	<b>333</b>	<b>+172%</b>
NIM	2.89%	3.02%	-13bps	2.94%	3.07%	-13bps
Cost to income ratio	33.4%	32.1%	+1.3ppts	31.8%	32.9%	-1.1ppts
Cost of risk	0.80%	1.91%	-112bps	0.80%	2.68%	-188bps
EPS	1.92	1.21	+58%	0.71	0.28	+154%
ROAE	8.4%	5.8%	+261bps	9.2%	4.0%	+529bps
ROAA	1.60%	1.00%	+60bps	1.71%	0.67%	+104bps

Net income after zakat and income tax for 9M 2021 improved 69% year-on-year to SAR 2,457 million from 4% growth in operating income and a 52% reduction in the impairment charge, partly offset by increased operating expenses. Net income for 3Q 2021 similarly improved by 172% year-on-year to SAR 907 million on 9% income growth and a 61% drop in credit provisions.

Total operating income grew 4% year-on-year to reach SAR 5,463 million for 9M 2021. Net interest income grew 2% to SAR 4,041 million from 8% year-on-year growth in average earning assets, partly offset by a moderate 13 basis points margin contraction to 2.89%. Non-interest income grew 9% to SAR 1,422 million with higher brokerage, lending and trading income partly offset by lower exchange income and a one-off other operating income during 9M 2020. Total operating income for the quarter increased 9% compared to 3Q 2020 from both interest and non-interest income growth.

Operating expenses increased by 8% year-on-year to SAR 1,827 million for 9M 2021 due to an increase in the VAT rate to 15% from 5%. Operating expenses for 3Q 2021 similarly increased by 6% year-on-year. The cost to income ratio increased by 1.3 percentage points year-on-year to 33.4% for 9M 2021.

The impairment charge amounted to SAR 858 million for 9M 2021 compared with SAR 1,798 million in 9M 2020. This 52% reduction 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)	3Q 2021	4Q 2020	Δ%	3Q 2020	Δ%
Cash & SAMA balances	9,635	10,548	-9%	9,478	+2%
Due from banks	5,389	4,027	+34%	3,719	+45%
Investments	43,587	37,679	+16%	37,901	+15%
Loans & advances	144,393	130,565	+11%	134,356	+7%
Other assets	10,331	11,255	-8%	11,992	-14%
<b>Total assets</b>	<b>213,335</b>	<b>194,074</b>	<b>+10%</b>	<b>197,445</b>	<b>+8%</b>
Due to banks	20,043	16,792	+19%	16,452	+22%
Customers' deposits	143,322	127,112	+13%	135,655	+6%
Other liabilities	10,728	11,534	-7%	11,656	-8%
<b>Total liabilities</b>	<b>174,093</b>	<b>155,438</b>	<b>+12%</b>	<b>163,762</b>	<b>+6%</b>
Share capital	12,054	12,054	+0%	12,054	+0%
Retained earnings	8,482	7,433	+14%	7,398	+15%
Other	13,707	14,149	-3%	14,231	-4%
<b>Equity attributable to shareholders</b>	<b>34,242</b>	<b>33,636</b>	<b>+2%</b>	<b>33,683</b>	<b>+2%</b>
Tier 1 Sukuk	5,000	5,000	+0%	0	
<b>Total equity</b>	<b>39,242</b>	<b>38,636</b>	<b>+2%</b>	<b>33,683</b>	<b>+17%</b>
NPL Ratio	2.54%	2.78%	-25bps	2.72%	-18bps
NPL Coverage Ratio	135.4%	124.6%	+10.8ppts	102.7%	+32.6ppts
T1 Ratio	19.81%	20.56%	-75bps	17.19%	+261bps
CAR	20.95%	21.56%	-62bps	17.93%	+302bps
LCR	176%	199%	-23.1ppts	177%	-1.1ppts
Leverage ratio	15.8%	16.5%	-75bps	14.3%	+154bps
NSFR	120%	122%	-2.0ppts	118%	+2.0ppts
LTD SAMA regulatory ratio	83.6%	82.3%	+1.3ppts	83.4%	+0.2ppts

Total assets as at 30 September 2021 amounted to SAR 213,335 million, an increase of 10% from 31 December 2020. Loans and advances rose 11% year-to-date to SAR 144,393 million, predominantly driven by 18% growth in consumer lending - aided by 26% mortgage growth - and 9% commercial lending growth during the period. Strong growth of 16% in investments further contributed to balance sheet expansion.

Customers' deposits increased by 13% during the first nine months of 2021 to SAR 143,322 million. Growth was registered in both non-interest-bearing deposits and interest-bearing deposits of 5% and 28% respectively.

The non-performing loans ratio was 2.5% as at 30 September 2021, a 25 basis points moderation during the first nine months of 2021, due to lower non-performing loan formation in the commercial book and to lending growth. The provision coverage of non-performing loans improved both year-to-date and year-on year by 10.8 and 32.6 percentage points respectively to 135.4%.

The total capital adequacy ratio stood at 20.95% and the Tier 1 ratio at 19.81% as at 30 September 2021, and were broadly stable relative to the previous year-end.

The bank's liquidity remained strong and comfortably within regulatory limits, with the liquidity coverage ratio at 176%, the net stable funding ratio at 120% and the SAMA regulatory loan to deposit ratio at 83.6%.

## Operating Segment Highlights – Income Statement

SAR (Mn)	9M 2021	9M 2020	Δ%	3Q 2021	3Q 2020	Δ%
<b>Operating income</b>						
Retail	1,446	1,354	+7%	472	473	-0%
Corporate	2,235	2,230	+0%	803	716	+12%
Treasury	1,427	1,439	-1%	529	474	+12%
Investment Banking and Brokerage	355	246	+45%	111	88	+26%
<b>Operating income</b>	<b>5,463</b>	<b>5,268</b>	<b>+4%</b>	<b>1,914</b>	<b>1,751</b>	<b>+9%</b>
<b>Net income before zakat &amp; tax</b>						
Retail	464	241	+93%	116	3	+3370%
Corporate	928	198	+368%	387	(18)	+2255%
Treasury	1,181	1,233	-4%	449	395	+14%
Investment Banking and Brokerage	206	105	+96%	64	43	+49%
<b>Net income before zakat &amp; tax</b>	<b>2,778</b>	<b>1,777</b>	<b>+56%</b>	<b>1,017</b>	<b>424</b>	<b>+140%</b>

## Operating Segment Highlights – Balance Sheet

SAR (Mn)	3Q 2021	4Q 2020	Δ%	3Q 2020	Δ%
<b>Total assets</b>					
Retail	34,372	29,086	+18%	28,192	+22%
Corporate	110,835	102,507	+8%	108,304	+2%
Treasury	66,267	61,050	+9%	59,477	+11%
Investment Banking and Brokerage	1,861	1,431	+30%	1,472	+26%
<b>Total assets</b>	<b>213,335</b>	<b>194,074</b>	<b>+10%</b>	<b>197,445</b>	<b>+8%</b>
<b>Total liabilities</b>					
Retail	80,334	74,967	+7%	73,582	+9%
Corporate	65,582	54,368	+21%	64,703	+1%
Treasury	26,440	24,681	+7%	24,056	+10%
Investment Banking and Brokerage	1,737	1,422	+22%	1,421	+22%
<b>Total liabilities</b>	<b>174,093</b>	<b>155,438</b>	<b>+12%</b>	<b>163,762</b>	<b>+6%</b>

Retail net income before zakat and income tax for 9M 2021 grew 93% year-on-year to SAR 464 million, due to 7% growth in operating income to SAR 1,446 million and lower impairment charge. Total retail assets rose by 18% during the first nine months of 2021 to SAR 34,372 million from 19% growth in retail lending. Total liabilities increased by 7% to SAR 80,334 million, mainly from 6% growth in customers' deposits.

Corporate reported 368% growth year-on-year in net income before zakat and income tax for 9M 2021 to reach SAR 928 million. This resulted from a 47% decline in impairment charges on stable operating income of SAR 2,235 million. Total assets for the corporate segment grew 8% in 9M 2021 to SAR 110,835 million from an 8% increase in loans and advances. Corporate liabilities increased by 21% year-to-date from 22% deposits growth.

Treasury reported a 4% year-on-year decline in net income before zakat and income tax to SAR 1,181 million in 9M 2021. Operating income moderated by 1% year-on-year to SAR 1,427 million on lower net fee and other income. Treasury assets and liabilities rose by 9% and 7%, respectively, during the nine months of 2021.

The Investment Banking and Brokerage segment registered a 96% year-on-year increase in net income before zakat and income tax to SAR 206 million for 9M 2021 due to improved brokerage and asset management fees driving 45% 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 nine months 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 was in a strong position to take advantage of these improving economic conditions during the year to date, which was reflected in the strong financial performance during the period.

The outlook for the remainder of the year and into 2022 remains equally favourable which, in tandem with relentless execution of the Bank's strategic agenda, is expected to enhance value creation for our shareholders, customers and employees.

## Additional Information

The 3Q 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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