

Banque Saudi Fransi reports strong recovery in 2021 with net income growth of 123% to SAR 3,450mn

BSF reports 123% net income growth on lower impairments



- Net income for 2021 SAR 3,450mn, up 123% YoY on lower impairments
- Operating income SAR 7,188mn in 2021, up 2% YoY on interest income growth
- Net interest margin at 2.85% in 2021, 15bps lower YoY
- Cost-to-income ratio at 34.0% for 2021 compared with 33.6% for 2020
- Total assets SAR 215.8bn, up 11% YoY from increased lending and investments
- Loans and advances up 13% YoY to SAR 147.8bn
- Customers' deposits SAR 142.0bn, up 12% YoY
- Tier 1 ratio of 19.94% and Capital Adequacy Ratio (CAR) of 21.09%
- Liquidity Coverage Ratio (LCR) of 179%; Net Stable Funding Ratio (NSFR) of 118%
- DPS of SAR 1.49 for 2021, representing a 55% payout of earnings

Riyadh, 23rd February 2021 - Banque Saudi Fransi reported 123% year-on-year growth in net income to SAR 3,450 million for 2021, as provisions stabilized following the backdrop of pandemic-related economic disruptions during 2020. This was further aided by operating income growth of 2% year-on-year to SAR 7,188 million, on 3% growth in interest income and a 1% improvement in non-interest income.

Total assets amounted to SAR 215.8 billion as at 31 December 2021, an increase of 11% from the end of the previous year, principally due to lending growth and higher investments. Total customers' deposits increased by 12% across both interest-bearing and non-interest-bearing deposits.

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

"The operating environment in Saudi Arabia markedly improved during 2021 from the pandemic-impacted prior year. This led to a growing demand for consumer financing, a higher level of corporate banking activity, and a phased resumption of Vision 2030 projects. Combined with our disciplined execution, this significant increase in client activity led to strong and broad-based loan growth of 13%, which was funded through balanced deposit growth of 12%.

The resulting balance sheet expansion contributed to 2% operating income growth, which, together with the normalization of credit quality and ongoing cost discipline, resulted in 123% net income growth after Zakat and Tax. At the same time, we preserved a healthy and stable capital position and liquidity profile. With the economy set to further expand in 2022, we are well-positioned to deliver continued value for shareholders."

Performance Highlights

Income Statement Highlights

SAR (Mn)	2021	2020	Δ%	4Q 2021	4Q 2020	Δ%
Net interest income	5,373	5,240	+3%	1,332	1,281	+4%
Non-interest income	1,814	1,804	+1%	393	496	-21%
Operating income	7,188	7,045	+2%	1,725	1,777	-3%
Operating expenses	(2,447)	(2,364)	+4%	(620)	(672)	-8%
Impairment charge	(904)	(2,670)	-66%	(45)	(872)	-95%
Total operating expenses	3,350	5,034	-33%	666	1,544	-57%
Net income before zakat & tax	3,837	2,010	+91%	1,059	233	+354%
Zakat & income tax charge	(388)	(464)	-16%	(66)	(139)	-53%
Net income after zakat & tax	3,450	1,546	+123%	993	94	+957%
NIM	2.85%	3.00%	-15bps	2.71%	2.91%	-20bps
Cost to income ratio	34.0%	33.6%	+0.5ppts	36.0%	37.8%	-1.8ppts
Cost of risk	0.71%	2.07%	-136bps	0.44%	2.50%	-205bps
EPS	2.70	1.24	+118%	0.78	0.03	+2556%
ROAE	8.8%	4.5%	+433bps	10.1%	1.0%	+903bps
ROAA	1.66%	0.80%	+87bps	1.85%	0.19%	+166bps

Net income after zakat and income tax for 2021 improved 123% year-on-year to SAR 3,450 million from 2% growth in operating income and a 66% reduction in the impairment charge, partly offset by increased operating expenses. Net income for 4Q 2021 similarly improved by SAR 899 million year-on-year to SAR 993 million due to a 95% drop in credit provisions, partly offset by a 3% decrease in operating income.

Total operating income grew 2% year-on-year to reach SAR 7,188 million for 2021. Net interest income grew 3% to SAR 5,373 million from 8% year-on-year growth in average earning assets, partly offset by a moderate margin contraction of 15 basis points, to 2.85%. Non-interest income grew 1% to SAR 1,814 million with higher capital markets and lending income partly offset by lower exchange income and a one-off other operating income during 2020. Total operating income for the quarter declined 3% compared to 4Q 2020 from lower non-interest income.

Operating expenses increased by 4% year-on-year to SAR 2,447 million for 2021 due to an increase in the VAT rate to 15% from 5%. Operating expenses for 4Q 2021 were 8% lower year-on-year. The cost to income ratio increased modestly by 0.5 percentage points year-on-year to 34% for 2021.

The impairment charge amounted to SAR 904 million for 2021 compared with SAR 2,670 million in 2020. This 66% 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.

The Bank proposed a final dividend for the year of SAR 1.0 billion which, together with the interim dividend already paid, takes the dividend for 2021 to SAR 1.8 billion. This represents a dividend per share of SAR 1.49 at a 55% payout ratio of earnings.

Balance Sheet Highlights

SAR (Mn)	4Q 2021	4Q 2020	Δ%	3Q 2020	Δ%
Cash & SAMA balances	9,795	10,548	-7%	9,635	+2%
Due from banks	5,324	4,027	+32%	5,389	-1%
Investments	43,858	37,679	+16%	43,587	+1%
Loans & advances	147,813	130,565	+13%	144,393	+2%
Other assets	9,012	11,255	-20%	10,331	-13%
Total assets	215,802	194,074	+11%	213,335	+1%
Due to banks	23,854	16,792	+42%	20,043	+19%
Customers' deposits	141,950	127,112	+12%	143,322	-1%
Other liabilities	10,312	11,534	-11%	10,728	-4%
Total liabilities	176,116	155,438	+13%	174,093	+1%
Share capital	12,054	12,054	+0%	12,054	+0%
Retained earnings	8,399	7,433	+13%	8,482	-1%
Other	14,233	14,149	+1%	13,707	+4%
Equity attributable to shareholders	34,686	33,636	+3%	34,242	+1%
Tier 1 Sukuk	5,000	5,000	+0%	5,000	+0%
Total equity	39,686	38,636	+3%	39,242	+1%
NPL Ratio	2.53%	2.78%	-26bps	2.54%	-1bps
NPL Coverage Ratio	122.7%	124.6%	-1.9ppts	135.4%	-12.7ppts
T1 Ratio	19.94%	20.56%	-62bps	19.81%	+14bps
CAR	21.09%	21.57%	-48bps	20.95%	+14bps
LCR	179%	199%	-20.1ppts	176%	+3.1ppts
Leverage ratio	15.9%	16.5%	-64bps	15.8%	+12bps
NSFR	118%	122%	-4.0ppts	120%	-2.0ppts
LTD SAMA regulatory ratio	86.9%	82.3%	+4.6ppts	83.6%	+3.3ppts

Total assets as at 31 December 2021 amounted to SAR 215,802 million, an increase of 11% from 31 December 2020. Loans and advances rose 13% year-on-year to SAR 147,813 million, predominantly driven by 19% growth in consumer lending - aided by 28% mortgage growth - and 12% commercial lending growth during the period. Strong growth of 16% in investments further contributed to balance sheet expansion.

Customers' deposits increased by 12% during 2021 to SAR 141,950 million. Growth was registered in both non-interest-bearing deposits and interest-bearing deposits of 11% and 14% respectively.

The non-performing loans ratio was 2.53% as at 31 December 2021, a 26 basis points moderation during the year, resulting from lower non-performing loan formation in the commercial book and from lending growth. Following a significant improvement in the provision coverage of non-performing loans during 2020, this was relatively stable during 2021 at 122.7%.

The total capital adequacy ratio stood at 21.09% and the Tier 1 ratio at 19.94% as at 31 December 2021; 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 179%, the net stable funding ratio at 118% and the SAMA regulatory loan to deposit ratio at 86.9%.

Operating Segment Highlights – Income Statement

SAR (Mn)	2021	2020	Δ%	4Q 2021	4Q 2020	Δ%
Operating income						
Retail	1,923	1,811	+6%	477	457	+4%
Corporate	2,946	2,926	+1%	711	697	+2%
Treasury	1,859	1,946	-4%	432	507	-15%
Investment Banking and Brokerage	459	362	+27%	104	116	-10%
Operating income	7,188	7,045	+2%	1,725	1,777	-3%
Net income before zakat & tax						
Retail	529	337	+57%	65	97	-32%
Corporate	1,462	(104)	+1503%	534	(302)	+277%
Treasury	1,588	1,644	-3%	408	411	-1%
Investment Banking and Brokerage	259	133	+94%	53	28	+89%
Net income before zakat & tax	3,837	2,010	+91%	1,059	233	+354%

Operating Segment Highlights – Balance Sheet

SAR (Mn)	4Q 2021	4Q 2020	Δ%	3Q 2020	Δ%
Total assets					
Retail	34,195	29,086	+18%	34,372	-1%
Corporate	114,226	102,507	+11%	110,835	+3%
Treasury	65,296	61,050	+7%	66,267	-1%
Investment Banking and Brokerage	2,084	1,431	+46%	1,861	+12%
Total assets	215,802	194,074	+11%	213,335	+1%
Total liabilities					
Retail	81,536	74,967	+9%	80,334	+1%
Corporate	62,773	54,368	+15%	65,582	-4%
Treasury	29,663	24,681	+20%	26,440	+12%
Investment Banking and Brokerage	2,145	1,422	+51%	1,737	+23%
Total liabilities	176,116	155,438	+13%	174,093	+1%

Retail net income before zakat and income tax for 2021 grew 57% year-on-year to SAR 529 million, due to 6% growth in operating income to SAR 1,923 million and lower impairment charge. Total retail assets rose by 18% during 2021 to SAR 34,195 million from 18% growth in retail lending. Total liabilities increased by 9% to SAR 81,536 million, mainly from 8% growth in customers' deposits.

Corporate reported SAR 1,566 million growth year-on-year in net income before zakat and income tax to SAR 1,462 million. This resulted from a 66% decline in impairment charges on stable operating income of SAR 2,946 million. Total assets for the corporate segment grew 11% in 2021 to SAR 114,226 million from a 12% increase in loans and advances. Corporate liabilities increased by 15% year-on-year from 17% deposits growth.

Treasury reported a 3% year-on-year decline in net income before zakat and income tax to SAR 1,588 million for 2021. Operating income dropped by 4% year-on-year to SAR 1,859 million on lower net fee and other income. Treasury assets and liabilities rose by 7% and 20%, respectively, during 2021.

The Investment Banking and Brokerage segment registered a 94% year-on-year increase in net income before zakat and income tax to SAR 259 million for 2021 due to improved brokerage and asset management fees driving 27% 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 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 2021 financial performance.

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

Additional Information

The 4Q 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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