

■ NSCI Pressure Strains Net Income

August 15, 2024

Upside to Target Price 28.1%
 Expected Dividend Yield 2.9%
 Expected Total Return 31.0%

Rating Buy
 Last Price SAR 34.35
 12-mth target SAR 44.00

Market Data	
52-week high/low	SAR 42.95/32.50
Market Cap	SAR 41,404mln
Shares Outstanding	1,205 mln
Free-float	73.88%
12-month ADTV	531,434
Bloomberg Code	BSF AB

Banque Saudi Fransi	2Q2024	2Q2023	Y/Y	1Q2024	Q/Q	RC Estimate
Net Commission Income	1,940	1,976	(2%)	1,919	1%	1,985
Total Operating Income	2,342	2,347	0%	2,331	0%	2390
Net Income	1,129	1,073	5%	1,150	(2%)	1,197
Loans & Advances	197,160	169,695	16%	185,408	6%	189,116
Deposits	196,248	161,165	22%	174,828	12%	176,828

(All figures are in SAR mln)

- Net loans continued their strong growth, rising by +16% Y/Y and +6% Q/Q to reach SAR 197 bln. Deposits inclined strongly by +22% Y/Y and +12% Q/Q to SAR 196.2 bln. The SAR 11.8 bln increment in net loans lagged the SAR 21.4 bln rise in deposits resulting in a decline in simple LDR to 100% from 106% in 1Q.
- Despite stronger growth in net loans Q/Q and Y/Y, NSCI experienced a marginal decline of -2% Y/Y but showed a +1% Q/Q improvement to SAR 1.94 bln. We suspect that deposits have come at an elevated cost, exerting downward pressure on NIMs. Non-core income grew +8% Y/Y to SAR 402 mln, likely driven by better fees and gain in investment instruments.
- Operating income remained flat on both yearly and quarterly basis, settling at SAR 2.3 bln. Notably, provisions decreased by -36% Y/Y, resulting in a -6% Y/Y drop in operating expenses to SAR 1.08 bln. However, operating expenses rose by +3% Q/Q resulting in higher cost to income ratio to 35%, compared to 33% in the previous quarter.
- BSF reported a bottom-line for 2Q at SAR 1.13 bln, a -2% Q/Q decrease, mostly in line with market expectations of SAR 1.16 bln. This can be attributed to deceleration in the growth of NSCI and operating income. We continue to take a longer-term positive view on the stock with interest rate cuts expected in the latter part of 2024. We maintain our Buy recommendation and SAR 44.00 target price.



Muhammad Faisal Potrik
 muhammed.faisal@riyadcapital.com
 +966-11-203-6807

Reem Mohammed Alkhulayfi
 reem.alkhulayfi@riyadcapital.com
 +966-11-203-6880



Stock Rating

Buy	Neutral	Sell	Not Rated
Expected Total Return Greater than +15%	Expected Total Return between -15% and +15%	Expected Total Return less than -15%	Under Review/ Restricted

The expected percentage returns are indicative, stock recommendations also incorporate relevant qualitative factors
For any feedback on our reports, please contact research@riyadcapital.com

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