

■ NSCI Pressure Strains Net Income

October 24, 2024

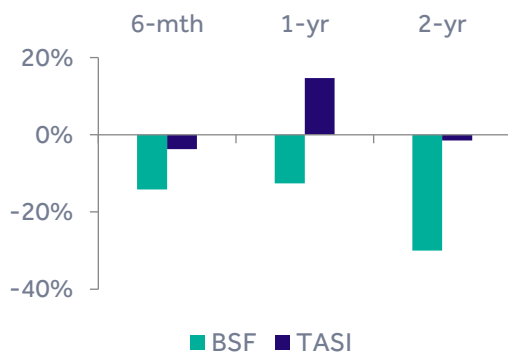
Upside to Target Price 19.9%
 Expected Dividend Yield 7.1%
 Expected Total Return 27.1%

Rating Buy
 Last Price SAR 30.85
 12-mth target SAR 37.00

Market Data	
52-week high/low	SAR 42.95/30.20
Market Cap	SAR 37,185mln
Shares Outstanding	1,205 mln
Free-float	73.88%
12-month ADTV	977,874
Bloomberg Code	BSF AB

Banque Saudi Fransi	3Q2024	3Q2023	Y/Y	2Q2024	Q/Q	RC Estimate
Net Commission Income	1,986	2,068	(4%)	1,940	2%	1,980
Total Operating Income	2,412	2,468	(2%)	2,342	3%	2,374
Net Income	1,148	1,245	(8%)	1,129	2%	1,139
Loans & Advances	201,008	174,681	15%	197,160	2%	200,297
Deposits	193,342	166,367	16%	196,248	(1%)	197,977

(All figures are in SAR mln)



- Net loans continued their strong growth, rising by +15% Y/Y and +2% Q/Q, reaching SAR 201 bln, closely matching our forecast of SAR 200 bln. Although deposits grew strongly by +16% Y/Y, they declined slightly by -1% Q/Q to SAR 193 bln. This needs to be monitored, as it may limit future loan growth prospects. The simple LDR has increased to 104%, from 100% in 2Q. Despite stronger growth in net loans, NSCI experienced a marginal decline of -4% Y/Y, but showed a +2% Q/Q improvement to SAR 1.98 bln, matching our estimates.
- Deposits have come at a higher cost. Expense from special commission of financing has increased +61% Y/Y, exerting downward pressure on NIMs. Non-core income grew +6% Y/Y to SAR 426 mln. This demonstrate diversification of revenue stream, as margin pressures are intensifying. Operating income decreased by -2% Y/Y, but increased +3% on sequential basis, settling at SAR 2.4 bln. Notably, the net impairment charges decreased by -20%, reflecting improvements in asset quality. However, impairment charge for investments rose, driven by market volatility, indicating sensitivity to the broader market conditions.
- Cost-to Income ratio climbed to 35% (from 34% in 2Q), driven by higher G&A expenses and employee related expenses.
- BSF reported a bottom-line of SAR 1.14 bln, a -8% Y/Y decrease, aligning with our expectations of SAR 1.13 bln. This decline can be attributed to a deceleration in the growth of NSCI and operating income. We continue to take a longer-term positive view on the stock, maintaining our Buy recommendation with revised target price to SAR 37.00, based on expectations of favorable macroeconomic conditions and monetary policy shift.

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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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