

Banque Saudi Fransi (BSF)

Strong growth across both core and non-core business boosted profitability

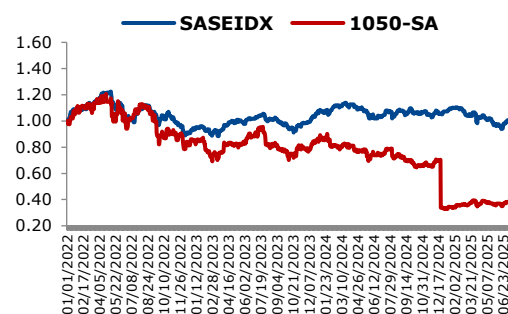
Current Price
SAR 17.26

Target Price
SAR 21.70

Upside/Downside (%)
+25.7%

Rating
BUY

- Net funded income rose 3.7% YOY to SAR 4,324 Mn in 2Q25 supported by a rise in advances and asset yield.
- Net advances increased 6.5% YOY and 0.4% QOQ to SAR 209.9 Bn in 2Q25 due to growth across corporate and retail lending.
- Customer deposits fell 6.9% YOY and 4.2% QOQ to SAR 182.7 Bn in 2Q25, supported by a fall in interest-bearing deposits.
- The cost-to-income ratio decreased from 34.5% in 2Q24 to 32.6% in 2Q25, driven by revenue growth surpassing cost inflation.
- BSF board approved a cash dividend of SAR 1,372 Mn for 1H25, equivalent to SAR 0.55 per share, resulting in an annual dividend yield of 6.3%.



2Q25 Net Profit is higher than our estimate

Banque Saudi Fransi's (BSF/the Bank) reported a 24.2% YOY increase in net profit to SAR 1,403 Mn in 2Q25, higher than our estimate of SAR 1,319 Mn. The growth in net profit is primarily attributable to double-digit growth across net funded and non-funded income, coupled with lower impairments, partially offset by an increase in operating expenses and zakat charge.

P&L Highlights

BSF's funded income grew 3.7% YOY to SAR 4,324 Mn in 2Q25, driven by an increase in net advances and asset yield. Moreover, funded expenses declined 4.6% YOY to SAR 2,128 Mn in 2Q25 owing to a decline in customer deposits. Thus, net funded income expanded 13.2% YOY to SAR 2,196 Mn in 2Q25. The bank's non-funded income increased 19.8% YOY to SAR 482 Mn in 2Q25, primarily attributed to a rise in exchange income, other operating income, and net fee & commission income. As a result, operating income rose 14.3% YOY to SAR 2,678 Mn in 2Q25. On the other hand, operating expenses grew 7.9% YOY to SAR 873 Mn in 2Q25, owing to growth in D&A expenses and G&A expenses, along with a rise in salaries & employee-related expenses. Thus, the cost-to-income ratio improved 195 bps YOY to 32.6% in 2Q25, driven by revenue growth outpacing cost inflation. The Bank's impairment charges declined 13.8% YOY to SAR 236 Mn and zakat expenses grew 27.6% YOY to SAR 166 Mn in 2Q25.

Balance Sheet Highlights

BSF's total assets grew 4.3% YOY but declined marginally 0.5% QOQ to SAR 301.5 Bn in 2Q25 mainly due to the growth in net advances and investment portfolio. Net advances rose 6.5% YOY and 0.4% QOQ to SAR 209.9 Bn in 2Q25 driven by growth across corporate and retail lending. Net investment increased 12.6% YOY and 2.4% QOQ to SAR

Stock Information

Market Cap (SAR, Mn)	43,218.53
Paid Up Capital (Mn)	2,480.33
52 Week High	18.94
52 Week Low	14.56
3M Avg. daily value (SAR)	1,596,367

2Q25 Result Review (SAR, Mn)

Total Assets	301,490
Investments	62,792
Total Equity	51,314
Total Deposits	182,690
Net Profit	1,403

Financial Ratios

Dividend Yield (12m)	6.3
Dividend Pay-out (%)	54.04
Price-Earnings Ratio(x)	8.71
Price-to-Book Ratio (x)	1.02
Book Value (SAR)	15.57
Return on Equity (%)	12.12

Stock Performance

5 Days	-1.03%
1 Months	4.48%
3 Months	-4.11%
6 Months	6.41%
1 Year	-3.90%
Month to Date (MTD%)	-3.36%
Quarter to Date (QTD%)	-3.36%
Year to Date (YTD%)	8.96%

62.8 Bn in 2Q25. However, customer deposits declined to 6.9% YOY and 4.2% QOQ to SAR 182.7 Bn in 2Q25, due to a fall in interest-bearing deposits. Thus, the Bank's Headline loan-to-deposit increased from 109.6% in 1Q25 to 114.9% in 2Q25. Moreover, BSF's total equity rose 21.9% YOY and 6.0% QOQ to SAR 51.3 Bn in 2Q25.

Target Price and Rating

We maintain our BUY rating on BSF with a target price of SAR 21.70. The Bank recorded strong growth in net profit in 2Q25, driven by solid growth in both core and non-core business. BSF's net advances expanded by 6.5% YOY and 0.4% QOQ to SAR 209.9 Bn in 2Q25, supported by strong growth across corporate and retail lending. Meanwhile, the Bank's deposits fell 6.9% YOY and 4.2% QOQ to SAR 182.7 Bn in 2Q25, owing to a decline in interest-bearing deposits, indicating a possible shift towards lower-cost funding sources amidst a competitive market environment. This increased the headline loan-to-deposit ratio from 109.6% in 1Q25 to 114.9% in 2Q25, tightening the liquidity. Furthermore, to diversify its funding sources, the Bank raised USD 1 Bn syndicated loan in the Asian market, to maintain its loan growth, supporting its strategic growth plans. The Bank's strategic partnerships and sponsorships, such as those with the Saudi Pro League, played a crucial role in advancing its growth ambitions and enhancing its brand visibility. Additionally, these collaborations have significantly strengthened BSF's presence across a broader customer base and improved engagement with communities across the Kingdom. BSF board approved a cash dividend of SAR 1,372 Mn for 1H25, equivalent to SAR 0.55 per share, resulting in an annual dividend yield of 6.3%. Thus, based on our analysis, we maintain our BUY rating on the stock.

BSF - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	29.57	13.58	13.13	10.97	10.24	8.59
PB	1.31	1.31	1.35	1.25	1.20	1.10
DPS	0.192	0.719	0.792	0.935	1.013	1.091
EPS	0.595	1.296	1.340	1.604	1.718	2.049
BVPS	15.454	15.874	15.534	16.612	16.774	19.870
Dividend yield	1.1%	4.2%	4.6%	5.4%	5.9%	6.3%

FABS Estimates & Co Data

BSF - P&L

SAR Mn	2Q24	1Q25	2Q25	2Q25F	Var.	YOY Ch	QOQ Ch	2024	2025F	Change
Funded Income	4,170	4,196	4,324	4,281	1.0%	3.7%	3.0%	16,372	17,281	5.6%
Funded Expense	2,230	2,078	2,128	2,111	0.8%	-4.6%	2.4%	8,489	8,197	-3.4%
Net Funded Income	1,940	2,118	2,196	2,169	1.2%	13.2%	3.7%	7,883	9,083	15.2%
Non-funded income	402	520	482	473	1.9%	19.8%	-7.3%	1,774	1,897	6.9%
Operating income	2,342	2,638	2,678	2,642	1.4%	14.3%	1.5%	9,658	10,981	13.7%
Operating Expenses	809	867	873	869	0.5%	7.9%	0.7%	3,409	3,541	3.9%
Pre-provision profit	1,533	1,772	1,805	1,773	1.8%	17.7%	1.9%	6,249	7,440	19.1%
Impairment	274	280	236	307	-23.2%	-13.8%	-15.7%	1,180	1,269	7.5%
PBT	1,259	1,492	1,569	1,466	7.0%	24.6%	5.2%	5,069	6,171	21.7%
Tax	130	154	166	147	13.3%	27.6%	7.9%	525	642	22.2%
Net profit attributable	1,129	1,338	1,403	1,319	6.4%	24.2%	4.9%	4,544	5,529	21.7%

FABS estimate & Co Data

BSF - Margins

	2Q24	1Q25	2Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	82.8%	80.3%	82.0%	-82	170	81.6%	82.7%	109
Cost to income	34.5%	32.8%	32.6%	-195	-25	35.3%	32.2%	-305
Impairment/PPP	17.9%	15.8%	13.1%	-479	-272	18.9%	17.1%	-183
NP/OI	48.2%	50.7%	52.4%	418	168	47.1%	50.4%	330
Headline Loan-to-deposit	100.5%	109.6%	114.9%	1,442	531	110.3%	113.8%	348
ROE	11.5%	11.7%	11.8%	22	5	11.7%	14.3%	252
ROA	1.6%	1.7%	1.7%	7	4	1.7%	1.8%	12

FABS estimate & Co Data
BSF – Key B/S items

SAR mn	2Q24	3Q24	4Q24	1Q25	2Q25	YOY Ch
Net advances	197,160	201,008	204,168	208,978	209,881	6.5%
QOQ ch	6.3%	2.0%	1.6%	2.4%	0.4%	
Total assets	289,109	287,670	292,776	302,988	301,490	4.3%
QOQ ch	7.6%	-0.5%	1.8%	3.5%	-0.5%	
Customer deposits	196,248	193,342	185,118	190,728	182,690	-6.9%
QOQ ch	12.3%	-1.5%	-4.3%	3.0%	-4.2%	
Total equity	42,092	46,117	46,607	48,430	51,314	21.9%
QOQ ch	-0.3%	9.6%	1.1%	3.9%	6.0%	

FABS estimate & Co Data

Valuation:

We use the Residual Income and Relative Valuation (RV) method to value BSF. We have assigned 70% weight to Residual Income, and 30% to RV method.

Valuation Method	Target	Weight	Weighted Value
Residual Income Method	21.97	70%	15.38
Relative Valuation (RV)	21.08	30%	6.32
Weighted Average Valuation (SAR)			21.70
Current market price (SAR)			17.26
Upside/Downside (%)			+25.7%

1) DCF Method:

We have discounted the economic profit/excess equity using the cost of equity of 9.0%. The cost of equity is calculated by using a 10-year government bond yield of 5.2%, a beta of 0.90 and an equity risk premium of 4.3%. Government bond yield is calculated after adding KSA 10-year CDS spread over 10-year US risk-free rate. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (SAR, Mn)	4,682
Terminal value (SAR, Mn)	11,055
Book value of Equity (as of Mar, 2025)	39,184
FV to Common shareholders (SAR, Mn)	54,922
No. of share (Mn)	2,500
Current Market Price (SAR)	17.26
Fair Value per share (SAR)	21.97

DCF Method

(All Figures in SAR Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
Net Profit	5,121	5,060	5,352	5,514	5,734
(-) Equity Charge	-3,625	-3,858	-4,100	-4,341	-4,585
Excess Equity	1,496	1,202	1,252	1,173	1,148
Discounting Factor	0.94	0.86	0.79	0.72	0.66
Present Value of Excess Equity	1,052¹	1,034	987	848	762

Source: FAB Securities, ¹Adjusted for partial year

2) Relative Valuation:

We have used Saudi peers to value BSF, and it is valued using the PB multiple. It is valued at a 2025 PB multiple of 1.4x in line with peers.

Company	Market (USD Mn)	P/B (x)		P/E (x)		Dividend Yield (%)	
		2025F	2026F	2025F	2026F	2025F	2026F
Riyad Bank	22,393	1.3	1.2	8.6	8.3	6.2	6.3
Alinma Bank	17,652	1.8	1.6	11.0	10.3	4.3	4.6
Saudi National bank	59,751	1.2	1.2	10.0	9.3	5.5	6.0
Arab National Bank	11,428	1.0	1.0	8.5	8.2	6.2	6.4
Bank Albilad	10,791	2.2	2.0	13.8	13.3	2.1	2.0
Average		1.5x	1.4x	10.4x	9.9x	4.9%	5.1%
Median		1.3x	1.2x	10.0x	9.3x	5.5%	6.0%
Max		1.8x	1.6x	11.0x	10.3x	6.2%	6.3%
Min		1.2x	1.2x	8.6x	8.3x	4.3%	4.6%

Source: FAB Securities

Research Rating Methodology:

Rating	Upside/Downside potential
BUY	Higher than +15%
ACCUMULATE	Between +10% to +15%
HOLD	Lower than +10% to -5%
REDUCE	Between -5% to -15%
SELL	Lower than -15%

FAB Securities Contacts:

Research Analyst

Ahmad Banihani +971-2-6161629 ahmad.banihani@Bankfab.com

Sales & Execution

Abu Dhabi Head Office

Trading Desk +971-2-6161700/1 Online Trading Link

+971-2-6161777

Institutional Desk +971-4-4245765

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