

Banque Saudi Fransi (BSF)

Robust core income and lower impairment charges supported profitability

Current Price
SAR 18.03

Target Price
SAR 21.70

Upside/Downside (%)
+20%

Rating
BUY

- Net advances increased 5.3% YOY to SAR 214.9 Bn in 4Q25, driven by growth in volumes of consumer and commercial lending.
- BSF has guided the loan book to grow high single-digit in 2026.
- Customer deposits increased 5.5% YOY and 5.0% QOQ to SAR 195.2 Bn in 4Q25, supported by inflows from both retail and corporate clients, primarily driven by interest-bearing deposits.
- Cost of risk decreased 14 bps YOY to 0.5% in 2025, supported by lower commercial losses, recoveries, and portfolio growth.
- Tier 1 ratio is expected to stay above 15% in 2026, supported by retained earnings.



4Q25 Net Profit is in line with our estimate

Banque Saudi Fransi's (BSF/the Bank) reported a 12.8% YOY increase in net profit to SAR 1,260 Mn in 4Q25, in line with our estimate of SAR 1,283 Mn. The growth in net profit is supported by an increase in net funded income, coupled with a decline in impairment charges and operating expenses, partially offset by the decline in non-funded income and rise in zakat charges.

P&L Highlights

BSF's funded income grew 8.7% YOY to SAR 4,521 Mn in 4Q25, driven by an increase in investment activities along with a healthy growth in net advances coupled with rise in asset yields. Moreover, funded expenses rose 8.7% YOY to SAR 2,305 Mn in 4Q25, driven by an increase in cost of funds. Thus, net funded income expanded 8.6% YOY to SAR 2,216 Mn in 4Q25. The Bank's fees and commission income decreased 15.4% YOY to SAR 201 Mn, and net exchange income declined 23.9% YOY to SAR 115 Mn in 4Q25. Similarly, net trading income decreased 36.8% YOY to SAR 85 Mn in 4Q25. Dividend income decreased marginally from SAR 4.4 Mn in 4Q24 to SAR 4.1 Mn in 4Q25. Other operating income decreased marginally from SAR 0.3 Mn in 4Q24 to SAR 0.2 Mn in 4Q25. Thus, the Bank's non-funded income declined 23.9% YOY to SAR 406 Mn in 4Q25. As a result, operating income rose 1.9% YOY to SAR 2,621 Mn in 4Q25. Furthermore, salaries and employee related expenses decreased 1.6% YOY to SAR 468 Mn and rent related expenses declined from SAR 26 Mn in 4Q24 to SAR 14 Mn in 4Q25. D&A expenses recorded marginal fall of 0.2% YOY to SAR 88 Mn in 4Q25. Whereas, other G&A expenses increased 3.9% YOY to SAR 394 Mn in 4Q25. Thus, operating expenses fell marginally 0.5% YOY to SAR 965 Mn in 4Q25. Consequently, cost-to-income ratio improved 88 bps YOY to 36.8% in 4Q25. BSF's pre-provision profit increased 3.3% YOY to SAR 1,656

Stock Information

Market Cap (SAR, Mn)	45,075.00
Paid Up Capital (Mn)	25,000.00
52 Week High	18.94
52 Week Low	15.49
3M Avg. daily value (SAR)	27,205,620

4Q25 Result Review (SAR, Mn)

Total Assets	309,006
Total loans	214,891
Total Equity	50,659
Total Deposits	195,219
Net Profit	1,260

Financial Ratios

Dividend Yield (12m)	5.84
Dividend Pay-out (%)	54.63
Price-Earnings Ratio(x)	9.23
Price-to-Book Ratio (x)	1.04
Book Value (SAR)	17.26
Return on Equity (%)	11.94

Stock Performance

5 Days	1.07%
1 Months	6.00%
3 Months	1.58%
6 Months	6.12%
1 Year	8.22%
Month to Date (MTD%)	-0.11%
Quarter to Date (QTD%)	7.19%
Year to Date (YTD%)	7.19%

Mn in 4Q25. The Bank's impairment charges declined 33.4% YOY to SAR 237 Mn in 4Q25, supported by lower impairment charge on loans and advances. The Bank's cost of risk improved 26 bps YOY and 1 bps QOQ to 0.4% in 4Q25. BSF's zakat expenses grew 22.9% YOY to SAR 160 Mn in 4Q25.

Balance Sheet Highlights

BSF's total assets grew 5.4% YOY and decreased 1.9% QOQ to SAR 309.0 Bn in 4Q25, primarily driven by increased lending and higher investments. Net advances rose 5.3% YOY and decreased marginally 0.3% QOQ to SAR 214.9 Bn in 4Q25, driven by growth in volumes of consumer and commercial lending. Investments increased 12.9% YOY and 4.3% QOQ to SAR 68.7 Bn in 4Q25, primarily driven by higher allocations to fixed-rate government debt securities. Customer deposits increased 5.5% YOY and 5.0% QOQ to SAR 195.2 Bn in 4Q25. Thus, the Bank's headline loan-to-deposit decreased 21 bps YOY and 591 bps QOQ to 110.1% in 4Q25. Moreover, BSF's total equity rose 7.5% YOY and declined 2.7% QOQ to SAR 50.7 Bn in 4Q25.

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 4Q25, driven by healthy growth across core business supported by growth in loans and investment portfolio. The Bank's loan book grew 5.3% YOY to SAR 214.9 Bn in 4Q25, driven by increase in consumer and commercial lending. The consumer loan portfolio expanded robustly by 18.0% YOY, driven by a 24% increase in mortgages and a 12% rise in personal loans. In contrast, commercial loan growth remained modest at 2% YOY, with balance growth in services, utilities, and government sectors partly offset by declines in commerce and contracting. BSF has further guided the loan book to grow high single-digit in 2026, supported by stronger volumes across both commercial and consumer portfolios. Customer deposits grew 5.5% YOY and 5.0% QOQ to SAR 195.2 Bn in 4Q25, supported by inflows from both retail and corporate clients, primarily driven by interest-bearing deposits. The Bank reported NIMs were stable with 3.04% in 2025, due to lower asset yields, offset by reduced funding costs and gains from cash-flow hedging strategies. The Bank further expects the NIMs to remain around 3.0% in 2026, supported by better loan pricing and growth in JB despite lower non-Islamic deposits. The Bank's investment portfolio grew 12.9% YOY and 4.3% QOQ to SAR 68.7 Bn in 4Q25. The Bank's investment book is dominated by fixed-rate government securities which is anticipated to support margins during the declining interest rates. Furthermore, reported cost of risk decreased 14 bps YOY to 0.5% in 2025, supported by lower commercial losses, recoveries, and portfolio growth. The Bank further expects the cost of risk to normalize 45–55 bps in 2026, due to commercial book trends and prudent recovery assumptions. Additionally, BSF asset quality remained stable, with the reported NPL ratio at 0.97% in 4Q25, and a strong reported NPL coverage ratio of 178.4% in 4Q25, driven by efficient underwriting and conservative provisioning policies. Furthermore, BSF's capital position strengthened, with a capital adequacy ratio of 21.4% in 4Q25 and Tier1 ratio at 19.2% in 4Q25, supported by retained earnings and capital issuances. The Bank expects Tier 1 ratio to stay above 15% in 2026, supported by retained earnings. The Bank's reported ROAE (shareholder's equity) increased 64 bps YOY to 11.9% in 2025 and is expected at 12–13% in 2026, supported by stronger income, higher fees, and controlled costs. Thus, based on the above-mentioned factors, we maintain our BUY rating on the stock.

BSF - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE	13.94	13.48	11.26	10.52	9.16	8.81
PB	1.34	1.38	1.28	1.22	1.09	1.03
BVPS	15.874	15.534	16.612	16.888	20.325	21.284
EPS	1.296	1.340	1.604	1.718	1.974	2.051
DPS	0.719	0.792	0.935	1.013	1.068	1.155
Dividend yield	4.0%	4.4%	5.2%	5.6%	5.9%	6.4%

FABS Estimates & Co Data

BSF – P&L

SAR Mn	4Q24	3Q25	4Q25	4Q25F	Var.	YOY Ch	QOQ Ch	2024	2025	Change
Special commission income	4,160	4,517	4,521	4,549	-0.6%	8.7%	0.1%	16,372	17,559	7.2%
Special commission expense	2,120	2,355	2,305	2,327	-0.9%	8.7%	-2.1%	8,489	8,867	4.5%
Net special commission income	2,039	2,162	2,216	2,222	-0.3%	8.6%	2.5%	7,883	8,692	10.3%
Fee and commission income	238	212	201	266	-24.4%	-15.4%	-5.2%	972	956	-1.7%
Exchange income, net	151	121	115	136	-15.2%	-23.9%	-5.2%	482	486	0.7%
Trading income, net	135	47	85	39	NM	-36.8%	79.7%	276	226	-18.2%
Dividend income	4	4	4	4	4.8%	-5.9%	NM	16	23	42.6%
Gains/ Losses on non-trading investments, net	4	50	0	23	NM	NM	NM	27	118	NM
Other operating income	0	2	0	7	NM	NM	NM	1	36	NM
Non-funded income	533	437	406	474	-14.5%	-23.9%	-7.2%	1,774	1,845	4.0%
Operating income	2,572	2,599	2,621	2,697	-2.8%	1.9%	0.8%	9,658	10,537	9.1%
Salaries and employee related expenses	476	461	468	457	2.5%	-1.6%	1.5%	1,883	1,876	-0.4%
Rent and premises related expenses	26	21	14	20	-28.8%	-45.1%	-32.2%	75	71	-4.6%
D&A expenses	89	84	88	85	3.9%	-0.2%	4.8%	299	332	11.0%
G&A expenses	380	288	394	404	-2.4%	3.9%	37.1%	1,151	1,280	11.2%
Operating Expenses	970	854	965	966	-0.1%	-0.5%	13.0%	3,409	3,559	4.4%
Pre-provision profit	1,602	1,745	1,656	1,731	-4.3%	3.3%	-5.1%	6,249	6,978	11.7%
Impairment	355	237	237	299	-21.0%	-33.4%	0.0%	1,180	989	-16.2%
PBT	1,247	1,508	1,419	1,431	-0.8%	13.8%	-5.9%	5,069	5,989	18.1%
Zakat	130	156	160	148	7.8%	22.9%	2.8%	525	636	21.0%
Net profit attributable	1,117	1,353	1,260	1,283	-1.8%	12.8%	-6.9%	4,544	5,353	17.8%

FABS estimate & Co Data
BSF - Margins

	4Q24	3Q25	4Q25	YOY Ch	QOQ Ch	2024	2025	Change
Net FI/OI	79.3%	83.2%	84.5%	524	134	81.6%	82.5%	86
NIM - Trailing 12M	3.1%	3.0%	3.1%	-2	6	3.10%	3.08%	-2
NIM - Annualized	3.2%	3.1%	3.1%	-7	7	3.10%	3.08%	-2
NIS	2.0%	1.5%	1.6%	-45	10	2.1%	1.9%	-23
Fees & comms/OI	9.2%	8.2%	7.7%	-157	-49	10.1%	9.1%	-99
Trading/OI	5.2%	1.8%	3.3%	-199	143	2.9%	2.1%	-71
Cost to income	37.7%	32.9%	36.8%	-88	396	35.3%	33.8%	-152
Impairment/PPP	22.2%	13.6%	14.3%	-790	73	18.9%	14.2%	-471
NP/OI	43.4%	52.1%	48.1%	463	-400	47.1%	50.8%	376
Cost of risk	0.7%	0.4%	0.4%	-26	-1	0.61%	0.46%	-14
Headline Loan-to-deposit	110.3%	116.0%	110.1%	-21	-591	110.3%	110.1%	-21
NPL calculated	0.9%	1.0%	1.0%	4	-2	0.9%	1.0%	4
Coverage excluding collateral	181.7%	174.5%	178.4%	-328	390	181.7%	178.4%	-328
Tier 1	18.9%	19.6%	19.2%	28	-40	18.9%	19.2%	28
Capital adequacy	19.8%	21.9%	21.4%	159	-48	19.8%	21.4%	159
ROE	11.7%	11.9%	12.3%	66	39	11.7%	12.3%	66
ROA	1.7%	1.7%	1.8%	12	5	1.7%	1.8%	12

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

SAR Mn	4Q24	1Q25	2Q25	3Q25	4Q25	YOY Ch
Net advances	204,168	208,978	209,881	215,592	214,891	5.3%
QOQ ch	1.6%	2.4%	0.4%	2.7%	-0.3%	
Total assets	293,307	302,988	301,490	314,946	309,006	5.4%
QOQ ch	1.7%	3.3%	-0.5%	4.5%	-1.9%	
Customer deposits	185,118	190,728	182,690	185,868	195,219	5.5%
QOQ ch	-4.3%	3.0%	-4.2%	1.7%	5.0%	
Total equity	47,138	48,430	51,314	52,075	50,659	7.5%
QOQ ch	0.4%	2.7%	6.0%	1.5%	-2.7%	

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	21.68	70%	15.18
Relative Valuation (RV)	21.74	30%	6.52
Weighted Average Valuation (SAR)			21.70
Current market price (SAR)			18.03
Upside/Downside (%)			+20%

1) DCF Method:

We have discounted the economic profit/excess equity using the cost of equity of 9.2%. The cost of equity is calculated by using a 10-year government bond yield of 5.5%, a beta of 0.90 and an equity risk premium of 4.2%. 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)	4,565
Terminal value (SAR, Mn)	8,207
Book value of Equity (as of Dec, 2025)	41,427
FV to Common shareholders (SAR, Mn)	54,199
No. of share (Mn)	2,500
Current Market Price (SAR)	18.03
Fair Value per share (SAR)	21.68

DCF Method

(All Figures in SAR Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Net Profit	5,129	5,317	5,450	5,488	5,515
(-) Equity Charge	-3,811	-4,017	-4,224	-4,426	-4,616
Excess Equity	1,318	1,300	1,226	1,062	899
Discounting Factor	0.92	0.84	0.77	0.70	0.64
Present Value of Excess Equity	1,207	1,090	942	747	579

Source: FAB Securities

2) Relative Valuation:

We have used Saudi peers to value BSF and it is valued using the PB multiple. It is valued at a 2026 PB multiple of 1.2x in line with peers.

Company	Market (USD Mn)	P/B (x)		P/E (x)		Dividend Yield (%)	
		2026F	2027F	2026F	2027F	2026F	2027F
Riyad Bank	21,574	1.2	1.1	8.2	7.7	6.3%	6.7%
Alinma Bank	17,800	1.7	1.5	10.7	9.9	4.3%	4.9%
Saudi National bank	61,017	1.2	1.2	10.2	9.5	5.4%	5.8%
Arab National Bank	11,504	1.1	1.0	9.1	8.7	6.4%	6.6%
Bank Albilad	10,519	1.9	1.6	12.4	11.5	2.6%	3.0%
Average		1.4x	1.3x	10.1x	9.5x	5.0%	5.4%
Median		1.2x	1.2x	10.2x	9.5x	5.4%	5.8%
Max		1.7x	1.5x	10.7x	9.9x	6.3%	6.6%
Min		1.2x	1.1x	9.1x	8.7x	4.3%	4.9%

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%

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