

Banque Saudi Fransi (BSF)

Growth in non-funded income supported profitability

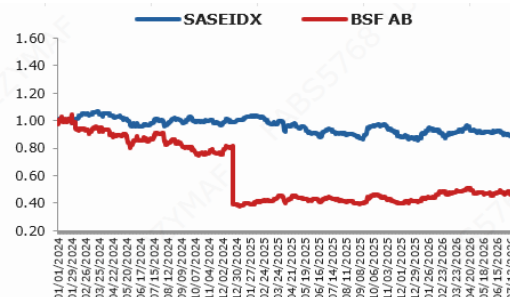
Current Price
SAR 20.38

Target Price
SAR 22.50

Upside/Downside (%)
+10.4%

Rating
ACCUMULATE

- Advances rose 4.4% YTD basis to SAR 224.2 Bn in 2Q26 and remain on track to meet the Bank's guidance of high single-digit growth guidance for 2026.
- Customer deposits grew 12.0% YOY and 2.5% QOQ to SAR 204.6 Bn.
- BSF non-funded income grew from SAR 482 Mn in 2Q25 to SAR 506 Mn in 2Q26.
- BSF has outlined its Strategy 2030, targeting a ROE of above 15%, supported by sustainable growth, enhanced cross-selling, and accelerated digital transformation initiatives.
- BSF has decided to distribute a cash dividend of SAR 1.42 Bn, equivalent to SAR 0.57 per share for 1H26.



2Q26 Net Profit higher than our estimate

Banque Saudi Fransi's (BSF/the Bank) reported a 6.0% YOY rise in net profit to SAR 1,487 Mn in 2Q26, higher than our estimate of SAR 1,368 Mn. The increase in net profit was driven by higher net funded income and non-funded income, partially offset by higher operating expenses, impairment charges and zakat charges.

P&L Highlights

BSF's funded income increased 5.9% YOY to SAR 4,577 Mn in 2Q26, supported by higher returns from financing and investments, along with growth in net advances. Funded expenses rose 5.0% YOY to SAR 2,234 Mn in 2Q26. Consequently, net funded income increased 6.7% YOY to SAR 2,343 Mn in 2Q26. The Bank's non-funded income grew 5.0% YOY to SAR 506 Mn in 2Q26. Overall, total operating income grew 6.4% YOY to SAR 2,849 Mn in 2Q26, driven by higher net funded income, trading income, dividend income and gains on non-trading investments, partially offset by lower net fee and commission income, other operating income and exchange income. Operating expenses increased 6.0% YOY to SAR 925 Mn in 2Q26, mainly due to higher salaries and employee-related expenses, other operating, G&A expenses, and D&A expenses. As a result, the cost-to-income ratio declined by 13 bps YOY to 32.5% in 2Q26. Pre-provision profit rose 6.6% YOY to SAR 1,924 Mn in 2Q26. Impairment charges increased 13.3% YOY to SAR 267 Mn in 2Q26, mainly due to a higher impairment charge for other financial assets, partially offset by a lower impairment charge for expected credit losses on loans and advances. BSF's zakat expenses increased 1.8% YOY to SAR 169 Mn in 2Q26.

Stock Information

Market Cap (SAR, Mn)	51,129.73
Paid Up Capital (Mn)	2,475.58
52 Week High	20.98
52 Week Low	15.49
3M Avg. daily value (SAR)	1,835,669

2Q26 Result Review (SAR, Mn)

Total Assets	327,983
Investments	74,208
Total Equity	51,394
Total Deposits	204,588
Net Profit	1,487

Financial Ratios

Dividend Yield (12m)	5.70
Dividend Pay-out (%)	49.48
Price-Earnings Ratio(x)	7.78
Price-to-Book Ratio (x)	0.97
Book Value (SAR)	17.26
Return on Equity (%)	13.08

Stock Performance

5 Days	4.73%
1 Months	3.19%
3 Months	-2.07%
6 Months	13.35%
1 Year	18.08%
Month to Date (MTD%)	5.05%
Quarter to Date (QTD%)	5.05%
Year to Date (YTD%)	21.17%

Balance Sheet Highlights

BSF's total assets expanded by 8.6% YOY and 1.0% QOQ to SAR 328.0 Bn in 2Q26, supported by growth in lending and higher investments. Net advances increased by 6.8% YOY and 1.0% QOQ to SAR 224.2 Bn in 2Q26. Customer deposits grew 12.0% YOY and 2.5% QOQ to SAR 204.6 Bn in 2Q26. As a result, the Bank's loan-to-deposit ratio declined by 528 bps YOY and 159 bps QOQ to 109.6% in 2Q26. Additionally, BSF's total equity edged down 0.7% YOY and 0.2% QOQ to SAR 51.4 Bn in 2Q26.

Target Price and Rating

We revise our rating from BUY to ACCUMULATE on BSF with an unchanged target price of SAR 22.50. Banque Saudi Fransi (BSF) reported a steady performance in 2Q26, with net profit increasing 6.0% YOY to SAR 1.49 Bn, supported by growth in core operating income. Net funded income remained resilient, rising 6.7% YOY, driven by improved returns from financing and investment activities, reflecting continued balance sheet expansion. Non-funded income also rose 5.0% YOY to SAR 506 Mn, supporting income diversification. Balance sheet momentum was steady, with total assets expanding 8.6% YOY but only 1.0% QOQ to SAR 328.0 Bn, pointing to a moderation in sequential growth after a stronger start to the year. Net advances rose 6.8% YOY and a modest 1.0% QOQ to SAR 224.2 Bn, while customer deposits outpaced lending on both bases, up 12.0% YOY and 2.5% QOQ to SAR 204.6 Bn. This deposit-led funding shift drove the loan-to-deposit ratio down 528 bps YOY and 159 bps QOQ to 109.6%, easing the Bank's historically elevated funding profile and building liquidity headroom, though the ratio remains above 100%. Total equity, however, edged down 0.7% YOY and 0.2% QOQ to SAR 51.4 Bn, a mild erosion likely reflecting dividend distribution and mark-to-market movements outpacing retained earnings during the period. Total operating income grew 6.4% YOY to SAR 2.85 Bn, driven by higher net funded income, trading income, dividend income and gains on non-trading investments. The Bank's capital position remains robust, underpinned by consistent profitability and disciplined balance sheet growth. The Bank targets an ROE above 15% under its Strategy 2030. Looking ahead, BSF targets an 8%–10% market share of sector net income and over 75% straight-through processing by 2030, supported by initiatives to expand fee income, strengthen cross-selling, grow low-cost deposits, and accelerate digital transformation. Furthermore, for 2026, the Bank expects to deliver high single-digit loan growth while maintaining the cost of risk within 45–55 bps, achieving a cost-to-income ratio below 33%, generating an ROE of 12%–13%, and maintaining a CET1 ratio above 15%. The Bank has decided to distribute a cash dividend of SAR 1.42 Bn for 1H26, equivalent to SAR 0.57 per share, reinforcing its commitment to a progressive dividend policy. Thus, based on the above-mentioned factors, we assign an ACCUMULATE rating on the stock.

BSF - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE	15.85	15.33	12.80	11.96	10.41	9.91
PB	1.53	1.57	1.46	1.38	1.24	1.17
BVPS	15.874	15.534	16.612	16.888	20.325	21.381
EPS	1.296	1.340	1.604	1.718	1.974	2.072
DPS	0.719	0.792	0.935	1.013	1.068	1.153
Dividend yield	3.5%	3.9%	4.6%	5.0%	5.2%	5.7%

FABS Estimates & Co Data

BSF - P&L

SAR Mn	2Q25	1Q26	2Q26	2Q26F	Var	YOY Ch	QOQ Ch	2025	2026F	Change
Special commission income	4,324	4,433	4,577	4,571	0.1%	5.9%	3.3%	17,559	18,412	4.9%
Special commission expense	2,128	2,216	2,234	2,319	-3.7%	5.0%	0.8%	8,867	9,252	4.3%
Net special commission income	2,196	2,217	2,343	2,252	4.0%	6.7%	5.7%	8,692	9,160	5.4%
Non-funded income	482	491	506	448	12.8%	5.0%	3.0%	1,845	2,004	8.7%
Operating income	2,678	2,708	2,849	2,700	5.5%	6.4%	5.2%	10,537	11,164	6.0%
Operating Expenses	873	922	925	916	1.0%	6.0%	0.3%	3,559	3,710	4.2%
Pre-provision profit	1,805	1,786	1,924	1,784	7.8%	6.6%	7.7%	6,978	7,454	6.8%
Impairment	236	246	267	257	3.9%	13.3%	8.6%	989	1,121	13.4%
PBT	1,569	1,540	1,656	1,527	8.4%	5.5%	7.5%	5,989	6,333	5.7%
Zakat	166	159	169	159	6.4%	1.8%	6.4%	636	659	3.6%
Net profit attributable	1,403	1,381	1,487	1,368	8.7%	6.0%	7.7%	5,353	5,674	6.0%

FABS estimate & Co Data

BSF - Margins

	2Q25	1Q26	2Q26	YOY Ch	QOQ Ch	2025	2026F	Change
Net FI/OI	82.0%	81.9%	82.2%	24	38	82.5%	82.0%	-45
Cost to income	32.6%	34.1%	32.5%	-13	-159	33.8%	33.2%	-55
Impairment/PPP	13.1%	13.8%	13.9%	82	11	14.2%	15.0%	87
NP/OI	52.4%	51.0%	52.2%	-20	119	50.8%	50.8%	2
Headline Loan-to-deposit	114.9%	111.2%	109.6%	-528	-159	110.1%	106.1%	-402
ROA	1.7%	1.7%	1.7%	5	2	1.8%	1.8%	-2

FABS estimate & Co Data

BSF – Key B/S items

SAR Mn	2Q25	3Q25	4Q25	1Q26	2Q26	YOY Ch
Net advances	209,881	215,592	214,891	221,929	224,241	6.8%
QOQ ch	0.4%	2.7%	-0.3%	3.3%	1.0%	
Total assets	301,939	314,946	309,006	324,810	327,983	8.6%
QOQ ch	-0.5%	4.3%	-1.9%	5.1%	1.0%	
Customer deposits	182,690	185,868	195,219	199,583	204,588	12.0%
QOQ ch	-4.2%	1.7%	5.0%	2.2%	2.5%	
Total equity	51,763	52,075	50,659	51,517	51,394	-0.7%
QOQ ch	5.6%	0.6%	-2.7%	1.7%	-0.2%	

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	23.83	70%	16.68
Relative Valuation (RV)	19.40	30%	5.82
Weighted Average Valuation (SAR)			22.50
Current market price (SAR)			20.38
Upside/Downside (%)			+10.4%

1) Residual Income 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 5.4%, 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)	4,442
Terminal value (SAR, Mn)	12,622
Book value of Equity (as of Mar, 2026)	42,285
FV to Common shareholders (SAR, Mn)	59,349
No. of share (Mn)	2,491
Current Market Price (SAR)	20.38
Fair Value per share (SAR)	23.83

Residual Income Method

(All Figures in SAR Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Net Profit	5,181	5,341	5,332	5,551	5,933
(-) Equity Charge	-3,811	-4,021	-4,228	-4,418	-4,611
Excess Equity	1,369	1,320	1,104	1,133	1,321
Discounting Factor	0.96	0.88	0.81	0.74	0.68
Present Value of Excess Equity	658	1,162	890	837	894

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 1.1x in line with peers.

Company	Market (USD Mn)	P/B (x)		P/E (x)		Dividend Yield (%)	
		2026F	2027F	2026F	2027F	2026F	2027F
Riyad Bank	21,294	1.1	1.0	8.0	7.5	5.5%	6.0%
Alinma Bank	19,184	1.8	1.7	11.6	10.8	3.5%	3.6%
Saudi National bank	58,968	1.1	1.1	9.1	8.5	5.9%	6.5%
Arab National Bank	10,915	0.9	0.9	8.4	8.1	6.0%	6.1%
Bank Albilad	9,580	1.5	NA	11.4	10.9	4.2%	4.4%
Average		1.3x	1.2x	9.7x	9.2x	5.0%	5.3%
Median		1.1x	1.1x	9.1x	8.5x	5.5%	6.0%
Max		1.5x	1.2x	11.4x	10.8x	5.9%	6.1%
Min		1.1x	1.0x	8.4x	8.1x	4.2%	4.4%

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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