

Banque Saudi Fransi (BSF)

Strong non-core income growth and balance-sheet momentum supported earnings growth

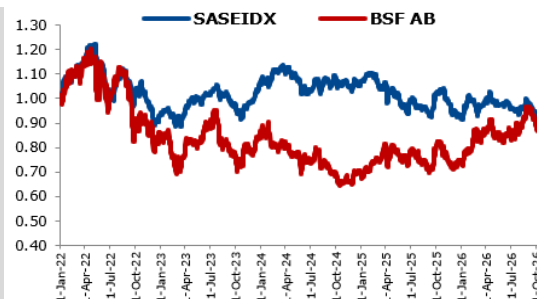
Current Price
SAR 19.34

Target Price
SAR 24.00

Upside/Downside (%)
+24%

Rating
BUY

- Net advances rose 6.9% YOY and 2.7% QOQ to SAR 230.4 Bn in 3Q26.
- Customer deposits grew 9.3% YOY but declined 0.7% QOQ to SAR 203.2 Bn during 3Q26.
- BSF's non-funded income increased strongly from SAR 437 Mn in 3Q25 to SAR 559 Mn in 3Q26.
- Operating expenses increased 8.4% YOY to SAR 926 Mn in 3Q26, however the calculated cost-to-income ratio improved 52 bps YOY to 32.3% in 3Q26.
- The Bank distributed 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.



3Q26 Net Profit in line with our estimate

Banque Saudi Fransi (BSF/the Bank) reported an 11.5% YOY rise in net profit to SAR 1,509 Mn in 3Q26, in line with our estimate of SAR 1,530 Mn. The increase in net profit was supported by higher net funded and non-funded income, partially offset by higher operating expenses and impairment charges.

P&L Highlights

BSF's funded income increased 3.2% YOY and 1.8% QOQ to SAR 4,661 Mn in 3Q26, supported by higher returns from financing and investments. Funded expenses also rose marginally 0.1% YOY and 5.6% QOQ to SAR 2,358 Mn in 3Q26. Consequently, net funded income increased 6.5% YOY to SAR 2,303 Mn in 3Q26 supported by higher funded income, partially offset by increase in funded expenses. The Bank's total non-funded income increased from SAR 437 Mn in 3Q25 to SAR 559 Mn in 3Q26 resulting into a 27.9% YOY growth, mainly driven by higher net fee and commission income, trading income, exchange income and dividend income, partly offset by a decline in gains on non-trading investments. Thus, total operating income grew 10.1% YOY to SAR 2,862 Mn in 3Q26, driven by higher net funded and non-funded income. Operating expenses increased 8.4% YOY to SAR 926 Mn in 3Q26, primarily driven by higher salaries and employee-related expenses depreciation & amortization and other G&A expenses, partially offset by rent & premises related expenses. However, the calculated cost-to-income ratio declined by 52 bps YOY to 32.3% in 3Q26. Pre-provision profit rose 10.9% YOY to SAR 1,936 Mn in 3Q26. Impairment charges increased 14.5% YOY and 1.4% QOQ to SAR 271 Mn in 3Q26, mainly due to higher impairment charges for expected credit losses on loans and advances. BSF's zakat expenses increased 1.0% YOY and declined 7.6% QOQ to SAR 157 Mn in 3Q26.

Stock Information

Market Cap (SAR, Mn)	48,800.00
Paid Up Capital (Mn)	25,000.00
52 Week High	22.50
52 Week Low	15.49
3M Avg. daily value (SAR)	33,115,700

3Q26 Result Review (SAR, Mn)

Total Assets	338,643
Investments	73,013
Total Equity	50,406
Total Deposits	203,227
Net Profit	1,509

Financial Ratios

Dividend Yield (12m)	5.68
Dividend Pay-out (%)	54.63
Price-Earnings Ratio(x)	9.58
Price-to-Book Ratio (x)	1.14
Book Value (SAR)	17.18
Return on Equity (%)	12.11

Stock Performance

5 Days	3.72%
1 Months	-5.10%
3 Months	0.31%
6 Months	-2.89%
1 Year	8.02%
Month to Date (MTD%)	-4.64%
Quarter to Date (QTD%)	-4.64%
Year to Date (YTD%)	16.05%

Balance Sheet Highlights

BSF's total assets expanded by 7.5% YOY and 3.3% QOQ to SAR 338.6 Bn in 3Q26, supported by growth in lending and investment portfolio. Net advances increased by 6.9% YOY and 2.7% QOQ to SAR 230.4 Bn in 3Q26. Customer deposits grew 9.3% YOY but declined 0.7% QOQ to SAR 203.2 Bn in 3Q26. As a result, the Bank's loan-to-deposit ratio increased by 376 bps QOQ to 113.4% in 3Q26. Additionally, BSF's total equity declined 3.2% YOY and 1.9% QOQ to SAR 50.4 Bn in 3Q26.

Target Price and Rating

We maintain our BUY rating on BSF with a target price of SAR 24.00. BSF reported a strong performance in 3Q26, with net profit increasing 11.5% YOY to SAR 1,509 Mn, supported by growth in funded and non-funded income. The growth in funded income was mainly driven by higher returns from financing and investment activities. Whereas, the strong growth in non-funded income was supported by higher net fee and commission income, trading and exchange income. BSF's balance sheet momentum remained strong with net advances increasing 6.9% YOY and 2.7% QOQ to SAR 230.4 Bn during 3Q26. BSF's investment portfolio also increased 10.9% YOY to SAR 73.0 Bn in 3Q26. The continued loan growth alongside higher investments supported overall balance sheet expansion, with investments remaining the key driver of asset growth. Customer deposits increased 9.3% YOY but declined 0.7% QOQ to SAR 203.2 Bn in 3Q26. As a result, the Bank's loan-to-deposit ratio increased to 113.4% in 3Q26, from 109.6% in 2Q26. Operating expenses increased 8.4% YOY to SAR 926 Mn in 3Q26, however the calculated cost-to-income ratio improved 52 bps YOY to 32.3% in 3Q26, owing to higher operating income. BSF's asset quality remained resilient, with the reported NPL ratio improving to 0.95% in 3Q26 from 0.97% in 2Q26. The Bank's reported NPL coverage ratio improved to 165.3% in 3Q26 from 159.3% in 2Q26, indicating a stronger buffer against bad loans. Meanwhile, impairment charges increased 14.5% YOY to SAR 271 Mn in 3Q26, driven by higher credit loss impairment charges, partly offset by lower investment and other charges. The Bank also recognised an additional ECL overlay of slightly above SAR 50 Mn in 3Q26 due to geopolitical uncertainty, while maintaining its 2026 cost-of-risk guidance of 45-50 bps. BSF's liquidity position remained comfortable, with the reported LCR increasing to 170.0% in 3Q26 from 169.0% in 2Q26, while the reported NSFR declined to 121.0% in 3Q26 from 125.0% in 2Q26. Capitalisation remained strong, although the reported total capital adequacy ratio moderated to 20.2% in 3Q26, from 20.8% in 2Q26, while the reported Tier 1 ratio declined to 18.1% in 3Q26 from 18.8% in 2Q26. The reported CET1 ratio also declined to 15.3% in 3Q26 from 15.9% in 2Q26, despite the QOQ decline, the Bank's reported CET1 ratio remained above its 2026 guidance threshold of 15%, providing capital headroom to support further balance sheet expansion. The stable CET1 ratio provides sufficient capital headroom to support further balance sheet expansion. For 2026, the Bank expects NIMs of c. 3.00%, a cost-to-income ratio below 33%, an ROE of 12%-13% and a CET1 ratio above 15%. The Bank also distributed 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, we maintain our BUY rating on the stock.

BSF - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026
PE	14.81	14.33	11.97	11.18	9.73	8.91
PB	1.43	1.47	1.36	1.29	1.16	1.11
BVPS	15.874	15.534	16.612	16.888	20.325	21.313
EPS	1.296	1.340	1.604	1.718	1.974	2.156
DPS	0.719	0.792	0.935	1.013	1.068	1.150
Dividend yield	3.7%	4.1%	4.9%	5.3%	5.6%	6.0%

FABS Estimates & Co Data

BSF – P&L

SAR Mn	3Q25	2Q26	3Q26	3Q26F	Var	YOY Ch	QOQ Ch	2025	2026F	Change
Funded income	4,517	4,577	4,661	4,638	0.5%	3.2%	1.8%	17,559	18,404	4.8%
Funded expense	2,355	2,233	2,358	2,200	7.2%	0.1%	5.6%	8,867	9,185	3.6%
Net funded income	2,162	2,343	2,303	2,439	-5.6%	6.5%	-1.7%	8,692	9,219	6.1%
Non-funded income	437	506	559	502	11.5%	27.9%	10.5%	1,845	2,111	14.4%
Operating income	2,599	2,849	2,862	2,940	-2.7%	10.1%	0.5%	10,537	11,330	7.5%
Operating Expenses	854	925	926	941	-1.6%	8.4%	0.1%	3,559	3,715	4.4%
Pre-provision profit	1,745	1,924	1,936	1,999	-3.1%	10.9%	0.6%	6,978	7,615	9.1%
Impairment	237	267	271	287	-5.5%	14.5%	1.4%	989	1,093	10.6%
PBT	1,508	1,656	1,666	1,712	-2.7%	10.4%	0.6%	5,989	6,522	8.9%
Zakat	156	170	157	181	-13.5%	1.0%	-7.6%	636	691	8.8%
Net profit attributable	1,353	1,487	1,509	1,530	-1.4%	11.5%	1.5%	5,353	5,831	8.9%

FABS estimate & Co Data
BSF - Margins

	3Q25	2Q26	3Q26	YOY Ch	QOQ Ch	2025	2026F	Change
Net FI/OI	83.2%	82.2%	80.5%	-270	-176	82.5%	81.4%	-112
Cost to income	32.9%	32.5%	32.3%	-52	-14	33.8%	32.8%	-99
Impairment/PPP	13.6%	13.9%	14.0%	43	10	14.2%	14.4%	18
NP/OI	52.1%	52.2%	52.7%	67	54	50.8%	51.5%	65
Headline Loan-to-deposit	116.0%	109.6%	113.4%	-262	376	110.1%	105.7%	-439
ROA	1.7%	1.7%	1.7%	0	-2	1.8%	1.8%	1

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

SAR Mn	3Q25	4Q25	1Q26	2Q26	3Q26	YOY Ch
Net advances	2,15,592	2,14,891	2,21,929	2,24,241	2,30,399	6.9%
QOQ ch	2.7%	-0.3%	3.3%	1.0%	2.7%	
Total assets	3,14,946	3,09,006	3,24,810	3,27,983	3,38,643	7.5%
QOQ ch	4.3%	-1.9%	5.1%	1.0%	3.3%	
Customer deposits	1,85,868	1,95,219	1,99,583	2,04,588	2,03,227	9.3%
QOQ ch	1.7%	5.0%	2.2%	2.5%	-0.7%	
Total equity	52,075	50,659	51,517	51,394	50,406	-3.2%
QOQ ch	0.6%	-2.7%	1.7%	-0.2%	-1.9%	

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	25.25	70%	17.66
Relative Valuation (RV)	21.15	30%	6.34
Weighted Average Valuation (SAR)			24.00
Current market price (SAR)			19.34
Upside/Downside (%)			+24%

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 5.8%, a beta of 0.90 and an equity risk premium of 3.8%. 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)	6,570
Terminal value (SAR, Mn)	14,022
Book value of Equity (as of June, 2026)	42,469
FV to Common shareholders (SAR, Mn)	63,060
No. of share (Mn)	2,500
Current Market Price (SAR)	19.34
Fair Value per share (SAR)	25.25

Residual Income Method

(All Figures in SAR Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E
Net Profit	5,337	5,753	5,872	6,091	6,181	6,519
(-) Equity Charge	-3,809	-3,982	-4,227	-4,466	-4,709	-4,960
Excess Equity	1,528	1,771	1,645	1,625	1,472	1,559
Discounting Factor	0.98	0.90	0.83	0.76	0.69	0.63
Present Value of Excess Equity	376¹	1,597	1,359	1,229	1,020	989

Source: FAB Securities, ¹Adjusted for partial period

2) Relative Valuation:

We have used Saudi peers to value BSF and it is valued using the PB multiple. It is valued at a 2027 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	20,272	1.1	1.0	7.7	7.4	6.0%	6.4%
Alinma Bank	18,507	1.8	1.6	11.3	10.4	3.5%	3.6%
Saudi National bank	58,448	1.1	1.2	8.7	8.2	5.9%	6.5%
Arab National Bank	11,224	1.0	0.9	8.5	8.5	6.0%	6.1%
Bank Albilad	8,586	1.4	1.4	10.3	10.2	4.2%	4.4%
Average		1.3x	1.2x	9.3x	8.9x	5.1%	5.4%
Median		1.1x	1.2x	8.7x	8.5x	5.9%	6.1%
Max		1.4x	1.4x	10.3x	10.2x	6.0%	6.4%
Min		1.1x	1.0x	8.5x	8.2x	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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