

Banque Saudi Fransi (BSF)

Strong growth in non-funded & funded income boosted profitability

Current Price
SAR 18.00

Target Price
SAR 21.70

Upside/Downside (%)
+20.6%

Rating
BUY

- BSF's net funded income increased 10.4 % YOY to SAR 2,118 Mn in 1Q25.
- Net advances grew 12.7% YOY and 2.4% QOQ to SAR 209 Bn in 1Q24 and further estimates its loan book to grow by low teens in 2025.
- The BSF's total equity rose 3.9% QOQ to SAR 48.4 Bn in 1Q25.
- Board of directors recommended a 15 Mn share buyback to retain as treasury shares, which will be allocated under share-based Employee Remuneration Plans in 1Q25.



1Q25 Net Profit is higher than our estimate

Banque Saudi Fransi's (BSF/the Bank) reported a 16.4% YOY increase in net profit to SAR 1,338 Mn in 1Q25, higher than our estimate of SAR 1,194 Mn. The growth in net profit is primarily attributable to a rise in net funded income and non-funded income, partially offset by an increase in operating expenses, impairment expenses, and zakat expenses.

P&L Highlights

BSF's funded income grew 9.8% YOY to SAR 4,196 Mn in 1Q25 driven by increase in return from financing and investments. On the other hand, funded expenses rose 9.2% YOY to SAR 2,078 Mn in 1Q25 owing to high benchmark rates. Thus, net funded income expanded 10.4% YOY to SAR 2,118 Mn in 1Q25. The bank's non-funded income increased 26.0% YOY to SAR 520 Mn in 1Q25 due to increase in exchange income, gains on non-trading investments, net fee and commission income and trading income. As a result, operating income rose 13.2% YOY to SAR 2,638 Mn in 1Q25. Operating expenses grew 12.2% YOY to SAR 867 Mn in 1Q25, owing to growth in other operating and G&A expenses. Net impairment increased 1.5% YOY to SAR 280 Mn in 1Q25, driven by higher impairment charge for financials assets, investments, and others partially offset by lower charge on loans and advances. The Bank's zakat expenses increased 16.2% YOY to SAR 154 Mn in 1Q25.

Balance Sheet Highlights

BSF's total assets grew 12.8% YOY and 3.5% QOQ to SAR 303 Bn in 1Q25 mainly due to the growth in net advances and investment portfolio. Net advances rose 12.7% YOY and 2.4% QOQ to SAR 209 Bn in 1Q25. Net investment increased 15.3% YOY and 1.7% QOQ to SAR 61.3 Bn in 1Q25. Customer deposits grew 9.1% YOY and 3.0%

Stock Information

Market Cap (SAR, Mn)	45,650.00
Paid Up Capital (Mn)	25,000.00
52 Week High	18.94
52 Week Low	14.56
3M Avg. daily value (SAR)	47,065,400

1Q25 Result Review (SAR, Mn)

Total Assets	302,988
Investments	61,322
Total Equity	48,430
Total Deposits	190,728
Net Profit	1,338

Financial Ratios

Dividend Yield (12m)	5.28
Dividend Pay-out (%)	53.83
Price-Earnings Ratio(x)	9.81
Price-to-Book Ratio (x)	1.17
Book Value (SAR)	15.57
Return on Equity (%)	12.12

Stock Performance

5 Days	6.41%
1 Months	3.75%
3 Months	12.72%
6 Months	22.37%
1 Year	3.76%
Month to Date (MTD%)	-1.83%
Quarter to Date (QTD%)	-1.83%
Year to Date (YTD%)	15.28%

QOQ to SAR 190.7 Bn in 1Q25. Moreover, BSF's total equity rose 14.7% YOY and 3.9% QOQ to SAR 48.4 Bn in 1Q25.

Target Price and Rating

We maintain our BUY rating on BSF with an unchanged target price of SAR 21.70. The Bank's net advances grew 12.7% YOY and 2.4% QOQ to SAR 209 Bn in 1Q24 and further estimates its loan book to grow by low teens in 2025. BSF anticipates its NIM to reach 305–315 bps in 2025, driven by expected growth in CASA deposits and lending volumes. On the other hand, deposits rose at a slower pace, recording a 9.1% YOY growth to SAR 190.7 Bn in 1Q25. Thus, headline Loan-to-deposit increased from 106.1% in 1Q24 to 109.6% in 1Q25. Moreover, BSF's calculated NPL ratio increased from 0.9% in 3Q24 to 1.0% in 4Q24, whereas the calculated NPL coverage ratio fell to 168.3% in 4Q24 compared to 186.0% in 3Q24. BSF's capitalization stood healthy with a Tier 1 capital ratio of 18.8% and a total CAR of 19.7% in 4Q24. BSF's vision 2030 focuses on improving its ROE by expanding its retail banking segment by increasing product offerings. The Bank also aims to expand its services offered to MSME's in the corporate banking segment. Additionally, BSF is exploring prospects of growing alternative investments, offshore wealth management, and wealth tech through strategic partnerships within the private banking segment. Furthermore, BSF's board of directors recommended a 15 Mn share buyback to retain as treasury shares, which will be allocated under share-based Employee Remuneration Plans in 1Q25. BSF broadened its global presence across financial institutions and introduced new trade finance, liquidity, and cash management products to strengthen its market position. 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	29.40	13.50	13.06	10.91	10.19	8.85
PB	1.30	1.30	1.34	1.24	1.19	1.09
Dividend yield	1.1%	4.1%	4.5%	5.3%	5.4%	5.5%

FABS Estimates & Co Data

BSF - P&L

SAR mn	1Q24	4Q24	1Q25	1Q25F	Var.	YOY Ch	QOQ Ch	2024	2025F	Change
Funded Income	3,822	4,160	4,196	4,221	-0.6%	9.8%	0.9%	16,372	17,716	8.2%
Funded Expense	1,903	2,120	2,078	2,159	-3.8%	9.2%	-2.0%	8,489	8,737	2.9%
Net Funded Income	1,919	2,039	2,118	2,062	2.7%	10.4%	3.9%	7,883	8,979	13.9%
Non-funded income	413	533	520	539	-3.5%	26.0%	-2.4%	1,774	1,807	1.8%
Operating income	2,331	2,572	2,638	2,601	1.4%	13.2%	2.6%	9,658	10,786	11.7%
Operating Expenses	773	970	867	925	-6.2%	12.2%	-10.6%	3,409	3,541	3.9%
Pre-provision profit	1,558	1,602	1,771	1,676	5.7%	13.6%	10.5%	6,249	7,245	15.9%
Impairment	276	355	280	343	-18.4%	1.5%	-21.2%	1,180	1,324	12.2%
PBT	1,282	1,247	1,492	1,333	11.9%	16.3%	19.7%	5,069	5,921	16.8%
Tax	132	130	154	139	11.1%	16.2%	18.3%	525	616	17.2%
Net profit attributable	1,150	1,117	1,338	1,194	12.0%	16.4%	19.8%	4,544	5,305	16.7%

FABS estimate & Co Data

BSF - Margins

	1Q24	4Q24	1Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	82.3%	79.3%	80.3%	-201	100	81.6%	83.3%	162
Cost to income	33.2%	37.7%	32.9%	-29	-483	35.3%	32.8%	-247
Impairment/PPP	17.7%	22.2%	15.8%	-189	-637	18.9%	18.3%	-60
NP/OI	49.3%	43.4%	50.7%	139	730	47.1%	49.2%	213
Headline Loan-to-deposit	106.1%	110.3%	109.6%	352	-72	110.3%	107.6%	-273
ROE	11.7%	11.7%	11.5%	-20	-24	11.7%	13.7%	198
ROA	1.7%	1.7%	1.7%	-3	-1	1.7%	1.7%	6

FABS estimate & Co Data

BSF – Key B/S items

SAR mn	1Q24	2Q24	3Q24	4Q24	1Q25	YOY Ch
Net advances	185,408	197,160	201,008	204,168	208,978	12.7%
QOQ ch	3.4%	6.3%	2.0%	1.6%	2.4%	
Total assets	268,685	288,826	287,670	292,776	302,988	12.8%
QOQ ch	5.9%	7.5%	-0.4%	1.8%	3.5%	
Customer deposits	174,828	196,248	193,342	185,118	190,728	9.1%
QOQ ch	1.5%	12.3%	-1.5%	-4.3%	3.0%	
Total equity	42,211	41,809	46,117	46,607	48,430	14.7%
QOQ ch	1.9%	-1.0%	10.3%	1.1%	3.9%	

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	21.18	70%	14.83
Relative Valuation (RV)	22.92	30%	6.88
Weighted Average Valuation (SAR)			21.70
Current market price (SAR)			18.00
Upside/Downside (%)			+20.6%

1) DCF Method:

We have discounted the economic profit/excess equity using the cost of equity of 8.9%. The cost of equity is calculated by using a 10-year government bond yield of 5.1%, 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)	4,369
Terminal value (SAR, Mn)	8,154
Book value of Equity (as of Mar, 2025)	40,430
FV to Common shareholders (SAR, Mn)	52,953
No. of share (Mn)	2,500
Current Market Price (SAR)	18.00
Fair Value per share (SAR)	21.18

DCF Method

(All Figures in SAR Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2030E
Net Profit	4,945	4,920	5,250	5,352	5,218
(-) Equity Charge	-3,548	-3,760	-3,985	-4,203	-4,394
Excess Equity	1,397	1,160	1,265	1,149	824
Discounting Factor	0.94	0.86	0.79	0.73	0.67
Present Value of Excess Equity	983¹	1,000	1,001	835	550

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	24,284	1.4	1.3	9.2	9.0	5.6	5.6
Alinma Bank	19,637	2.0	1.8	12.1	11.1	3.7	3.9
Saudi National bank	53,832	1.1	1.0	9.3	8.5	6.1	6.6
Arab National Bank	11,949	1.1	1.0	9.0	8.9	5.6	5.9
Bank Albilad	11,642	2.7	2.3	17.7	15.5	1.5	1.7
Average		1.7x	1.5x	11.5x	10.6x	4.5%	4.7%
Median		1.4x	1.3x	9.3x	9.0x	5.6%	5.6%
Max		2.0x	1.8x	12.1x	11.1x	5.6%	5.9%
Min		1.1x	1.0x	9.2x	8.9x	3.7%	3.9%

Source: FAB Securities

