

Banque Saudi Fransi (BSF)

Improved cost efficiency and lower impairments boosted profitability

Current Price
SAR 18.02

Target Price
SAR 21.70

Upside/Downside (%)
+20%

Rating
BUY

- Net funded income rose 8.9% YOY to SAR 2,162 Mn in 3Q25 supported by a rise in advances and asset yield.
- Net advances increased by 7.3% YOY and 2.7% QOQ to SAR 215.6 Bn in 3Q25.
- Customer deposits fell 3.9% YOY but rose 1.7% QOQ to SAR 185.9 Bn in 3Q25.
- Cost-to-income ratio decreased from 35.5% in 3Q24 to 32.9% in 3Q25.
- The Bank issued a USD 1 Bn Tier 2 bond to strengthen its capital base.



Stock Information

Market Cap (SAR, Mn)	45,050.00
Paid Up Capital (Mn)	25,000.00
52 Week High	18.94
52 Week Low	14.75
3M Avg. daily value (SAR)	44,265,420

3Q25 Net Profit is lower than our estimate

Banque Saudi Fransi's (BSF/the Bank) reported a 17.8% YOY increase in net profit to SAR 1,353 Mn in 3Q25, lower than our estimate of SAR 1,415 Mn. Strong growth in net profit is primarily attributable to an increase in net funded and non-funded income, coupled with a decline in impairment charges, partially offset by the rise in zakat charge.

P&L Highlights

BSF's funded income grew 7.0% YOY to SAR 4,517 Mn in 3Q25, driven by an increase in return from financing and investment activities along with a healthy growth in net advances. Moreover, funded expenses rose 5.4% YOY to SAR 2,355 Mn in 3Q25 partially offset by a decline in customer deposits. Thus, net funded income expanded 8.9% YOY to SAR 2,162 Mn in 3Q25. The bank's non-funded income increased 2.5% YOY to SAR 437 Mn in 3Q25, primarily attributed to a gain on non-trading investments, partially offset by a decline in exchange income and net fee and commission income. As a result, operating income rose 7.8% YOY to SAR 2,599 Mn in 3Q25. On the other hand, operating expenses fell marginally 0.3% YOY to SAR 854 Mn in 3Q25, owing to a decrease in salaries & employee-related expenses, partially offset by a rise in D&A expenses. Thus, the cost-to-income ratio improved 267 bps YOY to 32.9% in 3Q25. The Bank's impairment charges declined 13.7% YOY to SAR 237 Mn in 3Q25, supported by lower impairment charge on loans and advances. BSF's zakat expenses grew 17.0% YOY to SAR 155 Mn in 3Q25.

Balance Sheet Highlights

BSF's total assets grew 9.2% YOY and 4.5% QOQ to SAR 314.9 Bn mainly due to the growth in net advances and investment portfolio. Net advances rose 7.3% YOY and 2.7% QOQ to SAR 215.6 Bn in 3Q25. Investment increased 13.1% YOY and 4.8% QOQ to SAR 65.8 Bn in 3Q25. Customer deposits declined 3.9% YOY but grew marginally

3Q25 Result Review (SAR, Mn)

Total Assets	314,946
Investments	65,820
Total Equity	52,075
Total Deposits	185,868
Net Profit	1,353

Financial Ratios

Dividend Yield (12m)	5.83
Dividend Pay-out (%)	57.40
Price-Earnings Ratio(x)	9.17
Price-to-Book Ratio (x)	1.09
Book Value (SAR)	16.49
Return on Equity (%)	11.88

Stock Performance

5 Days	-3.07%
1 Months	8.82%
3 Months	1.75%
6 Months	-1.96%
1 Year	20.76%
Month to Date (MTD%)	0.95%
Quarter to Date (QTD%)	0.95%
Year to Date (YTD%)	13.76%

1.7% QOQ to SAR 185.9 Bn in 3Q25. Thus, the Bank's headline loan-to-deposit increased from 114.9% in 2Q25 to 116.0% in 3Q25. Moreover, BSF's total equity rose 11.0% YOY and 1.5% QOQ to SAR 52.1 Bn in 3Q25.

Target Price and Rating

We maintain our BUY rating on BSF with a target price of SAR 21.70. BSF's share price increased 12% since our previous rating (September 2025). The Bank recorded strong growth in net profit in 3Q25, driven by healthy growth across both core and non-core business. Additionally, its cost-to-income ratio improved from 35.5% in 3Q24 to 32.9% in 3Q25, reflecting improved operating efficiency driven by disciplined cost management. BSF's net advances expanded by 7.3% YOY and 2.7% QOQ to SAR 215.6 Bn in 3Q25, indicating healthy demand for credit. However, the Bank's deposits fell 3.9% YOY but increased 1.7% QOQ to SAR 185.7 Bn in 3Q25. This increased the headline loan-to-deposit ratio from 114.9% in 2Q25 to 116.0% in 3Q25, reflecting faster loan growth relative to deposit accumulation and indicating tighter liquidity conditions. To strengthen its capital base and enhance flexibility to support long-term strategic ambitions, the Bank issued a USD 1 Bn Tier 2 bond under its medium-term note program. Thus, based on the above-mentioned factors, we maintain our BUY rating on the stock.

BSF - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	31.23	14.34	13.87	11.59	10.82	9.22
PB	1.38	1.38	1.42	1.32	1.25	1.14
DPS	15.454	15.874	15.534	16.612	16.888	20.064
EPS	0.595	1.296	1.340	1.604	1.718	2.016
BVPS	0.192	0.719	0.792	0.935	1.013	1.091
Dividend yield	1.0%	3.9%	4.3%	5.1%	5.5%	5.9%

FABS Estimates & Co Data

BSF - P&L

SAR Mn	3Q24	2Q25	3Q25	3Q25F	Var.	YOY Ch	QOQ Ch	2024	2025F	Change
Funded Income	4,221	4,324	4,517	4,364	3.5%	7.0%	4.5%	16,372	17,528	7.1%
Funded Expense	2,235	2,128	2,355	2,084	13.0%	5.4%	10.7%	8,489	8,700	2.5%
Net Funded Income	1,986	2,196	2,162	2,280	-5.2%	8.9%	-1.5%	7,883	8,829	12.0%
Non-funded income	426	482	437	442	-1.1%	2.5%	-9.4%	1,774	1,939	9.3%
Operating income	2,412	2,678	2,599	2,721	-4.5%	7.8%	-3.0%	9,658	10,768	11.5%
Operating Expenses	857	873	854	891	-4.2%	-0.3%	-2.2%	3,409	3,551	4.2%
Pre-provision profit	1,555	1,805	1,745	1,830	-4.6%	12.2%	-3.3%	6,249	7,217	15.5%
Impairment	275	236	237	252	-6.1%	-13.7%	0.6%	1,180	1,136	-3.7%
PBT	1,281	1,569	1,508	1,578	-4.4%	17.8%	-3.9%	5,069	6,080	19.9%
Tax	132	166	155	163	-4.6%	17.0%	-6.8%	525	632	20.4%
Net profit attributable	1,148	1,403	1,353	1,415	-4.4%	17.8%	-3.6%	4,544	5,448	19.9%

FABS estimate & Co Data

BSF - Margins

	3Q24	2Q25	3Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	82.3%	82.0%	83.2%	86	120	81.6%	82.0%	36
Cost to income	35.5%	32.6%	32.9%	-267	25	35.3%	33.0%	-232
Impairment/PPP	17.7%	13.1%	13.6%	-407	53	18.9%	15.7%	-313
NP/OI	47.6%	52.4%	52.1%	446	-33	47.1%	50.6%	354
Headline Loan-to-deposit	104.0%	114.9%	116.0%	1,203	111	110.3%	121.6%	1,132
ROE	11.1%	11.9%	12.3%	116	38	11.7%	14.0%	222
ROA	1.6%	1.7%	1.7%	15	3	1.7%	1.8%	12

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

SAR mn	3Q24	4Q24	1Q25	2Q25	3Q25	YOY Ch
Net advances	201,008	204,168	208,978	209,881	215,592	7.3%
QOQ ch	2.0%	1.6%	2.4%	0.4%	2.7%	
Total assets	288,484	292,776	302,988	301,490	314,946	9.2%
QOQ ch	-0.2%	1.5%	3.5%	-0.5%	4.5%	
Customer deposits	193,342	185,118	190,728	182,690	185,868	-3.9%
QOQ ch	-1.5%	-4.3%	3.0%	-4.2%	1.7%	
Total equity	46,930	46,607	48,430	51,314	52,075	11.0%
QOQ ch	11.5%	-0.7%	3.9%	6.0%	1.5%	

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	22.27	70%	15.59
Relative Valuation (RV)	20.38	30%	6.11
Weighted Average Valuation (SAR)			21.70
Current market price (SAR)			18.02
Upside/Downside (%)			+20%

1) DCF Method:

We have discounted the economic profit/excess equity using the cost of equity of 8.8%. The cost of equity is calculated by using a 10-year government bond yield of 5.0%, 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)	4,573
Terminal value (SAR, Mn)	10,226
Book value of Equity (as of June, 2025)	40,876
FV to Common shareholders (SAR, Mn)	55,676
No. of share (Mn)	2,500
Current Market Price (SAR)	18.02
Fair Value per share (SAR)	22.27

DCF Method

(All Figures in SAR Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Net Profit	5,040	4,781	4,854	4,967	4,936	5,230
(-) Equity Charge	-3,280	-3,568	-3,734	-3,891	-4,041	-4,173
Excess Equity	1,760	1,213	1,120	1,076	895	1,057
Discounting Factor	0.98	0.90	0.83	0.76	0.70	0.64
Present Value of Excess Equity	431¹	1,092	927	819	626	680

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 2026 PB multiple of 1.2x in line with peers.

Company	Market (USD Mn)	P/B (x)		P/E (x)		Dividend Yield (%)	
		2025F	2026F	2025F	2026F	2025F	2026F
Riyad Bank	22,063	1.3	1.2	8.5	8.3	6.2	6.3
Alinma Bank	17,664	1.8	1.7	11.2	10.8	4.3	4.3
Saudi National bank	61,017	1.2	1.2	10.2	9.5	5.4	5.8
Arab National Bank	13,588	1.2	1.2	9.9	9.6	5.2	5.4
Bank Albilad	11,734	2.4	2.0	14.8	13.8	2.5	2.3
Average		1.6x	1.5x	10.9x	10.4x	4.7%	4.8%
Median		1.3x	1.2x	10.2x	9.6x	5.2%	5.4%
Max		1.8x	1.7x	11.2x	10.8x	5.4%	5.8%
Min		1.2x	1.2x	9.9x	9.5x	4.3%	4.3%

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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