

Banque Saudi Fransi (BSF)

Resilient core income and lower impairment supported profitability

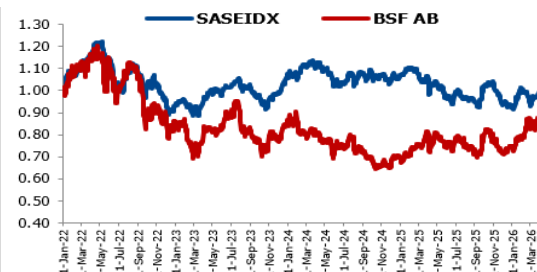
Current Price
SAR 20.54

Target Price
SAR 22.50

Upside/Downside (%)
+9.7%

Rating
HOLD

- Investment portfolio expanded strongly by 15.7% YOY to SAR 71.6 Bn in 1Q26.
- BSF signed a strategic partnership with the Ministry of Education to promote financial literacy and support talent development, aligned with Saudi Vision 2030.
- 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 recommended a cash dividend of SAR 1.29 Bn, equivalent to SAR 0.52 per share for 2H25, subject to shareholder approval.



1Q26 Net Profit is in line with our estimate

Banque Saudi Fransi's (BSF/the Bank) reported a 3.2% YOY rise in net profit to SAR 1,381 Mn in 1Q26, in line with our estimate of SAR 1,390 Mn. The increase in net profit was driven by higher net funded income, coupled with lower impairment charges, partially offset by lower non-funded income and higher operating expenses and zakat charges.

P&L Highlights

BSF's funded income increased 5.6% YOY to SAR 4,433 Mn in 1Q26, supported by higher returns from financing and investments, along with growth in net advances. Funded expenses also rose 6.6% YOY to SAR 2,216 Mn in 1Q26. Consequently, net funded income increased 4.7% YOY to SAR 2,217 Mn in 1Q26. The Bank's non-funded income declined 5.5% YOY to SAR 491 Mn in 1Q26. Overall, total operating income grew 2.6% YOY to SAR 2,708 Mn in 1Q26, driven by higher net funded income, dividend income, and gains on non-trading investments, partially offset by lower net fee and commission income and exchange income. Operating expenses increased 6.4% YOY to SAR 922 Mn in 1Q26, mainly due to higher salaries and employee-related costs as well as increased depreciation and amortization, although impairment charges on other financial assets declined. As a result, the cost-to-income ratio rose by 120 bps YOY to 34.0% in 1Q26. Pre-provision profit edged up 0.8% YOY to SAR 1,786 Mn in 1Q26. Impairment charges declined 12.1% YOY to SAR 246 Mn in 1Q26, reflecting lower impairment charges on loans and advances, and other financial assets. BSF's zakat expenses increased 3.4% YOY to SAR 159 Mn in 1Q26. On a QOQ basis, net profit increased by 9.6%, driven by rise in total operating income, alongside a decline in total operating expenses. The QOQ growth in total operating income was primarily supported by gains on non-trading investments, dividend income and net fee and commission income, partially offset by a decrease in trading income and exchange income. The decline in total

Stock Information

Market Cap (SAR, Mn)	50,525.00
Paid Up Capital (Mn)	25,000.00
52 Week High	20.99
52 Week Low	15.49
3M Avg. daily value (SAR)	57,751,640

1Q26 Result Review (SAR, Mn)

Total Assets	324,810
Investments	71,629
Total Equity	51,517
Total Deposits	199,583
Net Profit	1,381

Financial Ratios

Dividend Yield (12m)	5.12
Dividend Pay-out (%)	54.63
Price-Earnings Ratio(x)	10.21
Price-to-Book Ratio (x)	1.17
Book Value (SAR)	17.26
Return on Equity (%)	11.94

Stock Performance

5 Days	-3.02%
1 Months	4.44%
3 Months	12.40%
6 Months	12.40%
1 Year	9.96%
Month to Date (MTD%)	1.92%
Quarter to Date (QTD%)	1.92%
Year to Date (YTD%)	20.15%

operating expenses was mainly attributed to lower other operating and general and administrative expenses, while salaries and employee-related expenses, rent and premises-related expenses, and impairment charges on other financial assets increased. Impairment charge increased 4.0% QOQ due to lower impairment reversal for investments, financial assets and others. However, zakat expenses declined marginally 0.6% on a QOQ basis.

Balance Sheet Highlights

BSF's total assets expanded by 7.0% YOY and 5.1% QOQ to SAR 324.8 Bn in 1Q26, supported by growth in lending and higher investments. Net advances increased by 6.2% YOY and 3.3% QOQ to SAR 221.9 Bn in 1Q26, while investments rose 15.7% YOY to SAR 71.6 Bn in 1Q26. Customer deposits grew 4.6% YOY and 2.2% QOQ to SAR 199.6 Bn in 1Q26. As a result, the Bank's loan-to-deposit ratio rose by 163 bps YOY and 112 bps QOQ to 111.2% in 1Q26. Additionally, BSF's total equity increased by 5.1% YOY and 1.7% QOQ to SAR 51.5 Bn in 1Q26.

Target Price and Rating

We maintain our HOLD rating on BSF with a revised target price of SAR 22.50. Banque Saudi Fransi (BSF) reported a steady performance in 1Q26, with net profit increasing 3.2% YOY to SAR 1.38 Bn, supported by growth in core operating income and a decline in impairment charges. Net funded income remained resilient, rising 4.7% YOY, driven by improved returns from financing and investment activities, reflecting continued balance sheet expansion. Loans and advances grew 6.2% YOY to SAR 221.9 Bn, while the investment portfolio expanded at a stronger pace of 15.7% YOY to SAR 71.6 Bn. Customer deposits increased 4.6% YOY to SAR 199.6 Bn, indicating stable funding inflows. Asset quality improved during the quarter, with impairment charges declining 12.1% YOY, reflecting stronger credit performance across financing and other financial assets. The Bank's capital position remains robust, underpinned by consistent profitability and disciplined balance sheet growth. As BSF concludes its 2021–2025 strategy, it enters the next phase with a strengthened operating foundation, supported by enhanced governance, digital transformation initiatives, and optimized balance sheet management. The newly introduced Strategy 2030 outlines the Bank's ambition to become a "Better, Stronger and Faster" institution, targeting a return on equity (ROE) exceeding 15% by 2030. The strategy focuses on sustainable growth through deeper customer engagement, enhanced cross-selling capabilities, and accelerated digital adoption, including the broader deployment of AI to improve efficiency and scalability. BSF aims to build on its strong corporate banking franchise while expanding higher-yielding segments such as retail, treasury, and capital markets. In parallel, the Bank is targeting greater revenue diversification by increasing fee-based income, supported by disciplined cost management to enhance overall efficiency. BSF's prudent capital allocation framework prioritizes high-return segments while maintaining a progressive dividend approach. The Bank also targets increasing its net income market share to 8–10% by 2030. Operationally, BSF plans to gradually rebalance its loan mix, shifting the commercial-to-consumer portfolio from 80:20 to 75:25, while significantly enhancing operational efficiency by increasing straight-through processing (STP) levels from below 20% to above 75%. Additionally, the Bank intends to expand its AI and analytics use cases from fewer than five currently to more than 50 by 2030. Separately, BSF continues to strengthen its ESG and social impact positioning, evidenced by its strategic partnership with the Ministry of Education to promote financial literacy and support talent development in line with Saudi Vision 2030. The Bank has recommended a cash dividend of SAR 1.29 Bn for 2H25, equivalent to SAR 0.52 per share (5.2% of par value), subject to shareholder approval, reinforcing its commitment to a progressive dividend policy. Thus, based on the above-mentioned factors, we maintain our HOLD rating on the stock.

BSF - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE	16.06	15.53	12.97	12.11	10.54	9.98
PB	1.55	1.59	1.48	1.40	1.26	1.19
BVPS	15.874	15.534	16.612	16.888	20.325	21.318
EPS	1.296	1.340	1.604	1.718	1.974	2.086
DPS	0.719	0.792	0.935	1.013	1.068	1.155
Dividend yield	3.5%	3.8%	4.5%	4.9%	5.1%	5.6%

FABS Estimates & Co Data

BSF – P&L

	1Q25	4Q25	1Q26	1Q26F	Var	YOY Ch	QOQ Ch	2025	2026F	Change
SAR Mn										
Funded income	4,196	4,521	4,433	4,557	-2.7%	5.6%	-1.9%	17,559	18,808	7.1%
Funded expense	2,078	2,305	2,216	2,287	-3.1%	6.6%	-3.9%	8,867	9,536	7.6%
Net funded income	2,118	2,216	2,217	2,270	-2.4%	4.7%	0.1%	8,692	9,272	6.7%
Non-funded income	520	406	491	449	9.4%	-5.5%	21.1%	1,845	1,879	1.8%
Operating income	2,638	2,621	2,708	2,719	-0.4%	2.6%	3.3%	10,537	11,151	5.8%
Operating Expenses	867	965	922	892	3.3%	6.4%	-4.5%	3,559	3,638	2.2%
Pre-provision profit	1,772	1,656	1,786	1,827	-2.3%	0.8%	7.9%	6,978	7,513	7.7%
Impairment	280	237	246	276	-10.9%	-12.1%	4.0%	989	1,140	15.3%
PBT	1,492	1,419	1,540	1,551	-0.7%	3.2%	8.5%	5,989	6,373	6.4%
Zakat	154	160	159	161	-1.4%	3.4%	-0.6%	636	663	4.3%
Net profit attributable	1,338	1,260	1,381	1,390	-0.6%	3.2%	9.6%	5,353	5,710	6.7%

FABS estimate & Co Data
BSF - Margins

	1Q25	4Q25	1Q26	YOY Ch	QOQ Ch	2025	2026	Change
Net FI/OI	80.3%	84.5%	81.9%	157	-266	82.5%	83.2%	66
Cost to income	32.8%	36.8%	34.0%	120	-277	33.8%	32.6%	-115
Impairment/PPP	15.8%	14.3%	13.8%	-202	-51	14.2%	15.2%	100
NP/OI	50.7%	48.1%	51.0%	28	294	50.8%	51.2%	40
Headline Loan-to-deposit	109.6%	110.1%	111.2%	163	112	110.1%	106.1%	-402
ROA	1.7%	1.8%	1.7%	6	-6	1.8%	1.8%	-1

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

SAR Mn	1Q25	2Q25	3Q25	4Q25	1Q26	YOY Ch
Net advances	208,978	209,881	215,592	214,891	221,929	6.2%
<i>QOQ ch</i>	2.4%	0.4%	2.7%	-0.3%	3.3%	
Total assets	303,579	301,490	314,946	309,006	324,810	7.0%
<i>QOQ ch</i>	3.5%	-0.7%	4.5%	-1.9%	5.1%	
Customer deposits	190,728	182,690	185,868	195,219	199,583	4.6%
<i>QOQ ch</i>	3.0%	-4.2%	1.7%	5.0%	2.2%	
Total equity	49,021	51,314	52,075	50,659	51,517	5.1%
<i>QOQ ch</i>	4.0%	4.7%	1.5%	-2.7%	1.7%	

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	22.25	70%	15.57
Relative Valuation (RV)	23.10	30%	6.93
Weighted Average Valuation (SAR)			22.50
Current market price (SAR)			20.54
Upside/Downside (%)			+9.7%

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 5.3%, 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)	2,905
Terminal value (SAR, Mn)	2,266
Book value of Equity (as of Mar, 2026)	50,443
FV to Common shareholders (SAR, Mn)	55,614
No. of share (Mn)	2,500
Current Market Price (SAR)	20.54
Fair Value per share (SAR)	22.25

DCF Method

(All Figures in SAR Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Net Profit	5,238	5,003	4,841	4,785	4,711
(-) Equity Charge	-3,806	-4,021	-4,199	-4,346	-4,470
Excess Equity	1,433	982	642	440	241
Discounting Factor	0.94	0.86	0.79	0.72	0.66
Present Value of Excess Equity	1,074	846	506	318	160

Source: FAB Securities

2) Relative Valuation:

We have used Saudi peers to value BSF and it is valued using the P/B multiple. It is valued at a 2026 P/B multiple of 1.3x in line with peers.

Company	Market (USD Mn)	P/B (x)		P/E (x)		Dividend Yield (%)	
		2026F	2027F	2026F	2027F	2026F	2027F
Riyad Bank	23,457	1.3	1.2	8.7	8.1	4.8%	5.6%
Alinma Bank	19,851	1.8	1.7	11.8	10.8	3.2%	3.6%
Saudi National bank	69,442	1.3	1.2	10.5	9.6	5.3%	5.8%
Arab National Bank	11,730	1.0	0.9	9.3	8.7	5.6%	5.9%
Bank Albilad	10,792	1.6	1.7	12.8	11.7	3.8%	3.6%
Average		1.4x	1.3x	10.6x	9.8x	4.5%	4.9%
Median		1.3x	1.2x	10.5x	9.6x	4.8%	5.6%
Max		1.6x	1.7x	11.8x	10.8x	5.3%	5.8%
Min		1.3x	1.2x	9.3x	8.7x	3.8%	3.6%

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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