Banque Saudi Fransi

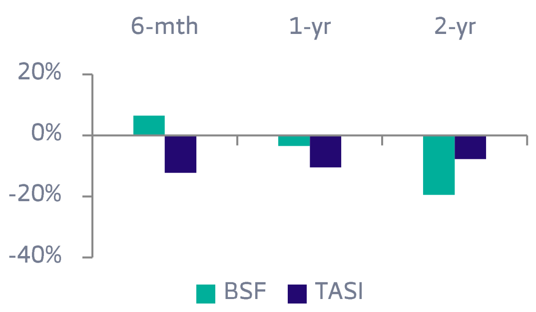
2Q2025 First Look

Strong Y/Y Earnings, Despite Weak Deposits Trend

July 23, 2025

Upside to Target Price	(1.5%)	Rating	Neutral
Expected Dividend Yield	6.2%	Last Price	SAR 17.26
Expected Total Return	4.7%	12-mth target	SAR 17.00

Market Data	
52-week high/low	SAR 18.94/14.57
Market Cap	SAR 43,150 mln
Shares Outstanding	2,500 mln
Free-float	73.69%
12-month ADTV	2,093,491
Bloomberg Code	BSF AB



BSF	2Q2025	2Q2024	Y/Y	1Q2025	Q/Q	RC Estimate
Net Commission Income	2,196	1,940	13%	2,118	4%	2,181
Total Operating Income	2,678	2,342	14%	2,638	2%	2,711
Net Income	1,403	1,129	24%	1,338	5%	1,371
Net Financing	209,881	197,160	6%	208,978	0%	215,213
Deposits	182,690	196,248	(7%)	190,728	(4%)	196,449

(All figures are in SAR mln)

- The bank's loan book grew +6% Y/Y, though remained flat Q/Q at SAR 209.8 bln. Deposits declined by -7% Y/Y and -4% Q/Q, reaching SAR 183 bln, dropping by SAR 8.0 bln this quarter, lower than our estimate of SAR 196 bln, mainly due to decline in interest-bearing deposits. As a result, the headline LDR increased to 115% in 2Q25 from 110% in 1Q25. NCSI increased by +13% Y/Y and +4% Q/Q to SAR 2.2 bln, in-line with our estimates, driven mainly by volume growth in financing and investments.
- Operating income grew by +14% Y/Y and +2% Q/Q, reaching SAR 2.67 bln, in-line with our estimates. Growth was supported by higher net special commission income as well as robust non-core revenue streams including FX income, net fee and commission income, and other operating income, highlighting continued revenue diversification. Operating expenses rose marginally Q/Q, due to higher depreciation. Despite this, cost-to-income ratio improved by 113 bps Y/Y to 32.7% for 1H25 as revenue growth outpaced cost inflation.
- Net impairment charges for financing and other financial assets declined by 16% Q/Q, due to lower impairment charge for investments as well as decrease in impairment charge for expected credit losses on loans and advances, resulting in a 10bps Y/Y improvement in cost of risk to 0.50% for 1H2025.
- BSF reported a bottom-line of SAR 1.4 bln, up +24% Y/Y and +5% Q/Q, in-line with our estimate. The improvement was primarily due to lower provisioning along with top line expansion. BSF's balance sheet reflects structural sensitivity to interest rate fluctuations, given the sizable share of floating-rate loans. This creates margin compression risk as interest rates are expected to decline. Nonetheless, the bank's current hedging appears sufficient for short-term protection, while management remains focused on natural hedging via the expansion of BSF's mortgage portfolio and increasing allocation to fixed-yield investments. We maintain our Neutral rating as the stock is trading near to our target price.

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Disclaimer

Stock Rating

Buy	Neutral	Sell	Not Rated
Expected Total Return Greater than +15%	Expected Total Return between -15% and +15%	Expected Total Return less than -15%	Under Review/ Restricted

The expected percentage returns are indicative, stock recommendations also incorporate relevant qualitative factors

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