

## ■ Q/Q Earnings Weaken, Capital Strength Intact

January 28, 2026

Upside to Target Price	5.0%	Rating	Neutral
Expected Dividend Yield	6.5%	Last Price	SAR 18.09
Expected Total Return	11.6%	12-mth target	SAR 19.00

Market Data	
52-week high/low	SAR 18.94/15.49
Market Cap	SAR 44,700 mln
Shares Outstanding	2,500 mln
Free-float	73.70%
12-month ADTV	2,122,807
Bloomberg Code	BSF AB

BSF	4Q2025	4Q2024	Y/Y	3Q2025	Q/Q	RC Estimate
Net Commission Income	2,216	2,039	9%	2,162	2.5%	2,180
Total Operating Income	2,621	2,572	2%	2,599	1%	2,623
Net Income	1,259	1,117	13%	1,353	(7%)	1,330
Net Financing	214,891	204,168	5%	215,592	(0%)	217,660
Deposits	195,219	185,118	5%	185,868	5%	191,444

(All figures are in SAR mln)



- The bank's loan book grew +5% Y/Y, however, it declined -0.3% Q/Q to SAR 215 bln, due to higher repayments during the quarter, which largely offset new originations, and came broadly in line with our estimate. Deposits increased by +5% both Y/Y and Q/Q to SAR 195 bln, adding SAR 9.4 bln during this quarter supported by growth in interest-bearing deposits and broadly in line with our estimate of SAR 191 bln. As a result, the headline LDR declined to 110% in 4Q25 from 116% in 3Q25. NCSI rose by +9% Y/Y and +2% Q/Q, reflecting the impact of lower interest rates and ongoing balance sheet optimization efforts.
- Operating income grew by +2% Y/Y and modestly by +1% Q/Q, to SAR 2.6 bln, in-line with our estimates. The sequential increase was mainly driven by higher NSCI, partly offset by lower non-interest income, which declined by -24% Y/Y and -7% Q/Q to SAR 405 mln, below our estimate of SAR 433 mln.
- Operating expenses remained flat Y/Y but increased by +13% Q/Q to SAR 965 mln, higher than our estimate of SAR 868 mln, due to higher than expected general and administrative costs. Net impairment charges for financing and other financial assets declined by -33% Y/Y to SAR 237 mln, better than our estimate of SAR 269 mln, and were broadly stable sequentially.
- BSF reported a bottom-line of SAR 1.26 bln, up +13% Y/Y but down -7% Q/Q, in line with our estimates of SAR 1.33 bln. The quarterly decline was primarily due to increase in operating expenses along with weaker non-funded income.
- Following the start of the interest rate easing cycle, BSF managed to preserve its NIM toward quarter-end after earlier pressure from CASA dilution. Margins stabilized in 4Q25, closing the year at 3.04% (flat Y/Y). This outcome was achieved despite the bank's structural exposure to declining interest rates, given its sizable share of floating-rate loans. Nevertheless, BSF effectively mitigated this exposure through sufficient short-term hedging, selective asset repricing, and active balance sheet management. BSF's capital position remains a key strength, with Tier 1 and total CAR further reinforced through successive Tier 1 and Tier 2 issuances in 2025, leaving capital buffers comfortably above average peers, even after factoring in the countercyclical capital buffer. This strong capital base provides meaningful headroom to support future balance-sheet growth without constraining returns. Accordingly, we raise our target price from SAR 17.00 to SAR 19.00, while maintain a Neutral stance.

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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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