

Saudi Awwal Bank

Sector : Banking

BUY

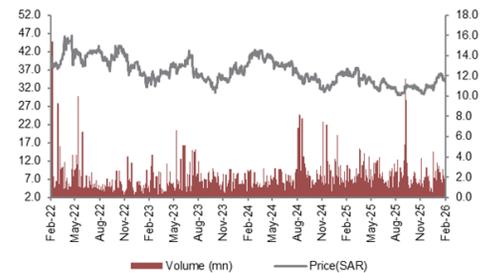
22 February 2026

- 4Q25 operating income rose 5% YoY to SAR 3.7bn, broadly in line with our estimate of SAR 3.8bn, supported by a 5% increase in NII and a 6% rise in non-interest income. For 2025, operating income increased 5% YoY.
- 4Q25 net income declined 4% YoY to SAR 2.1bn, slightly above our estimate of SAR 2.0bn. For 2025, net income grew 5% YoY.
- Loans expanded 15% YoY, while deposits grew faster at 21% YoY. Management has guided for loan growth of more than 10% in 2026.
- We revise our target price to SAR 40/share and maintain a BUY rating, reflecting in-line performance and positive forward guidance.

Target price (SAR) **40.00**

Current price (SAR) **33.82**

Return **18.3%**



Saudi Awwal Bank's 4Q25 operating income increased 5% YoY, driven by comparable growth in both NII and non-interest income (on a restated 4Q24 base). NII growth came despite a 23bps compression in NIMs to 2.59%, offset by strong lending volume growth. Management expects NIMs to remain stable at 2.5–2.6%, supported by easing liquidity conditions. Non-interest income rose 6% YoY, despite a 15% decline in net fee and commission income due to lower non-trade-related income. This was offset by higher exchange income. Operating expenses increased 9% YoY in 4Q25, resulting in a cost-to-income ratio of 31.9%, up 120bps YoY. Management has guided for a cost-to-income ratio below 29.5% in 2026, supported by cost optimization initiatives. For 2025, operating income rose 5% YoY.

Operating profit growth in 4Q25 was offset by higher provisioning expenses, leading to a 4% YoY decline in net income. Provisions rose sharply to SAR 263mn in 4Q25, compared with SAR 64mn a year earlier and SAR 82mn in the previous quarter. Quarterly provisions have been volatile over the past two years. For 2025, provision expenses increased 24% YoY, translating to a cost of risk of 0.24%, in line with 2025 guidance. Despite higher provisions credit quality remained solid on under control NPLs and continued recoveries. Management has guided for a cost of risk of 25–35bps in 2026.

Gross loans grew 15% YoY, driven by balanced expansion in both corporate and retail lending. This marks the third consecutive year of double-digit loan growth, highlighting sustained momentum. Retail growth was primarily supported by mortgages and other personal lending. The NPL ratio remained stable at 1.34% in 2025. Deposits increased 21% YoY, led by growth in time deposits, while demand deposits rose marginally by 1% YoY. The proportion of non-interest-bearing deposits to total deposits declined to 42.8% from 51.3% a year earlier.

Valuation: SAB's operating and net income were broadly in line with expectations. The steady performance, positive 2026 guidance, and reaffirmed mid-term targets underscore the bank's ability to leverage the strength of its parent franchise. We maintain our BUY rating with a revised target price of SAR 40/share. The stock trades at a 2026e P/E of 7.9x and P/B of 1.0x, offering an attractive dividend yield of 6.2%.

Exchange Saudi Arabia
Index weight (%) 2.1%

(mn)	SAR	USD
Market Cap	69,493	18,526
Total Assets	454,454	121,149

Major shareholders

HSBC	31.00%
Olayan Saudi Investment	20.55%
Vanguard Group Inc/T	2.16%
Others	46.29%

Valuation Summary (TTM)

Price (SAR)	33.82
PER TTM (x)	8.9
P/Book (x)	1.0
Dividend Yield (%)	5.9
Free Float (%)	46%
Shares O/S (mn)	2,055
YTD Return (%)	4%
Beta	1.1

Key ratios	2023	2024	2025
EPS (SAR)	3.41	3.78	3.81
BVPS (SAR)	28.19	29.92	32.58
DPS (SAR)	1.86	2.00	1.00
Payout ratio (%)	55%	53%	26%

Price performance (%)	1M	3M	12M
Saudi Awwal Bank	-3%	8%	-9%
Tadawul All Share Index	-2%	-1%	-12%

52 week	High	Low	CTL*
Price (SAR)	38.00	29.90	13.1

* CTL is % change in CMP to 52wk low

in SAR mn	4Q25	3Q25	QoQ (%)	4Q24	YoY (%)	2025	2024	YoY (%)
Operating Income	3,734	3,649	2.3%	3,551	5.2%	14,724	14,018	5.0%
Operating Expenses	-1,191	-1,127	5.7%	-1,091	9.2%	-4,462	-4,291	4.0%
Operating Profit	2,543	2,523	0.8%	2,460	3.4%	10,262	9,727	5.5%
Provision Expenses - Loan	-263	-82	<i>nm</i>	-64	309.4%	-704	-566	24.3%
Share of results from JV	40	12	244.6%	42	-5.0%	141	205	-31.3%
Profit before tax	2,320	2,452	-5.4%	2,438	-4.9%	9,699	9,366	3.6%
Zakat & Tax	-273	-308	-11.4%	-312	-12.5%	-1,247	-1,296	-3.7%
Profit after tax	2,047	2,144	-4.5%	2,126	-3.7%	8,452	8,070	4.7%
Loan Book	298,627	292,914	2.0%	259,346	15.1%	298,627	259,346	15.1%
Deposits	323,274	315,068	2.6%	267,011	21.1%	323,274	267,011	21.1%
Total Equity (Excl tier 1 bond)	66,952	65,659	2.0%	61,482	8.9%	66,952	61,482	8.9%
Cost to Income ratio	31.9%	30.9%		30.7%		30.3%	30.6%	
NPL Ratio	1.3%	1.4%		1.4%		1.34%	1.36%	
Net Loan to deposits	92.4%	93.0%		97.1%		92.4%	97.1%	

Income Statement (SAR mn)	2022	2023	2024	2025	2026e	2027e	2028e	2029e
Net special commission income	7,408	10,341	11,131	11,627	12,398	13,333	14,181	15,097
Net fee income	886	1,145	1,342	1,327	1,735	1,900	2,046	2,204
Other income	1,356	1,224	1,545	1,771	1,735	1,629	1,754	1,889
Total income	9,650	12,710	14,018	14,724	15,868	16,863	17,981	19,190
Operating expenses	-3,662	-4,113	-4,291	-4,462	-4,736	-5,040	-5,282	-5,603
Profit before impairments	5,988	8,597	9,727	10,262	11,132	11,823	12,699	13,587
Impairments	-445	-562	-566	-704	-1,174	-1,254	-1,274	-1,400
Other income/expenses	172	188	205	141	144	147	150	153
Profit before tax	5,715	8,223	9,366	9,699	10,102	10,715	11,575	12,340
Tax	-836	-1,221	-1,296	-1,247	-1,299	-1,378	-1,488	-1,587
Profit after tax	4,879	7,002	8,070	8,452	8,803	9,338	10,086	10,753
Balance Sheet (SAR mn)	2022	2023	2024	2025	2026e	2027e	2028e	2029e
Cash and statutory deposits	19,259	16,741	17,363	23,840	24,525	23,599	30,427	35,465
Due from financial institutions	5,872	7,407	3,430	2,878	3,165	3,480	3,757	4,056
Investments - Net	86,363	96,567	99,573	107,642	118,379	130,144	140,510	151,703
Financing - Net	183,132	215,936	259,346	298,627	328,280	360,738	389,238	419,975
PP&E and right to use assets	3,622	3,845	4,088	3,587	3,119	2,681	2,271	1,887
Goodwill and intangibles	10,790	10,556	10,660	11,219	11,777	12,333	12,889	13,444
Other assets	5,366	5,589	6,145	6,662	6,931	7,205	7,485	7,771
Total Assets	314,404	356,642	400,603	454,454	496,176	540,180	586,577	634,302
Liabilities and Equity								
Liabilities								
Due to banks and other FI	25,517	19,679	40,997	25,701	29,500	33,506	37,718	44,714
Customer deposits	214,279	253,457	267,011	323,274	355,520	389,519	425,269	458,635
Debt issued	5,115	5,178	5,178	7,896	8,683	9,514	10,387	11,837
Other liabilities	14,856	16,428	17,971	18,246	18,610	18,983	19,362	19,750
Total liabilities	259,767	294,742	331,157	375,116	412,314	451,521	492,736	534,936
Equity								
Share capital	20,548	20,548	20,548	20,548	20,548	20,548	20,548	20,548
Reserves	34,089	37,367	40,934	46,404	50,927	55,724	60,907	66,431
Total shareholders' equity	54,637	57,915	61,482	66,952	71,475	76,272	81,455	86,979
Tier 1 Sukuk	0	3,985	7,965	12,387	12,387	12,387	12,387	12,387
Total Equity	54,637	61,900	69,447	79,339	83,861	88,659	93,841	99,366
Total liabilities and equity	314,404	356,642	400,603	454,454	496,176	540,180	586,577	634,302
Cash Flows (SAR mn)	2022	2023	2024	2025	2026e	2027e	2028e	2029e
Cash from operations	30,547	8,294	(749)	7,661	2,785	1,198	9,573	7,379
Cash from investments	(25,071)	(10,250)	(3,378)	(6,179)	(785)	(801)	(817)	(833)
Cash from financing	(2,212)	346	(580)	2,553	(3,493)	(3,710)	(4,031)	(3,778)
Net changes in cash	3,265	(1,609)	(4,707)	4,036	(1,493)	(3,313)	4,725	2,768
Cash balance	11,808	10,199	5,492	9,527	8,034	4,721	9,446	12,214

Ratios	2022	2023	2024	2025	2026e	2027e	2028e	2029e
Operating performance								
NCM	2.6%	3.2%	3.0%	2.8%	2.7%	2.7%	2.6%	2.6%
NCI to total income	76.8%	81.4%	79.4%	79.0%	78.1%	79.1%	78.9%	78.7%
Fee income to total income	9.2%	9.0%	9.6%	9.0%	10.9%	11.3%	11.4%	11.5%
Other income to total income	14.1%	9.6%	11.0%	12.0%	10.9%	9.7%	9.8%	9.8%
Cost to income ratio	37.9%	32.4%	30.6%	30.3%	29.8%	29.9%	29.4%	29.2%
Liquidity								
Deposits to total funding	68.2%	71.1%	66.7%	71.1%	71.7%	72.1%	72.5%	72.3%
Market funds to total funding	9.7%	7.0%	11.5%	7.4%	7.7%	8.0%	8.2%	8.9%
Loans to deposits	85.5%	85.2%	97.1%	92.4%	92.3%	92.6%	91.5%	91.6%
Investments and cash to total assets	33.6%	31.8%	29.2%	28.9%	28.8%	28.5%	29.1%	29.5%
Asset quality								
Cost of risk	0.2%	0.2%	0.2%	0.2%	0.3%	0.3%	0.2%	0.2%
NPL	4.3%	3.5%	2.8%	2.5%	2.5%	2.5%	2.6%	2.6%
NPL coverage	73.9%	79.7%	85.3%	93.1%	94.5%	96.0%	97.1%	98.1%
Stage 1 ratio	85.2%	87.3%	91.5%	91.7%	91.6%	91.5%	91.4%	91.3%
Stage 2 ratio	12.2%	10.8%	7.0%	6.8%	6.8%	6.8%	6.8%	6.8%
Stage 3 ratio	2.6%	2.0%	1.5%	1.5%	1.6%	1.7%	1.8%	1.9%
Stage 1 coverage	0.4%	0.4%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Stage 2 coverage	9.6%	10.0%	11.9%	13.3%	13.2%	13.2%	13.2%	13.2%
Stage 3 coverage	57.3%	53.4%	53.7%	50.0%	51.6%	53.1%	54.7%	56.2%
Impairment coverage	13.4	15.3	17.2	14.6	9.5	9.4	10.0	9.7
Provisions to gross loans	3.2%	2.8%	2.4%	2.4%	2.4%	2.4%	2.5%	2.6%
Capital adequacy								
Equity to total assets	17.4%	16.2%	15.3%	14.7%	14.4%	14.1%	13.9%	13.7%
Core Tier 1	17.7%	16.3%	15.4%	14.8%	14.7%	14.6%	14.5%	14.4%
Tier 1	17.7%	17.7%	17.9%	18.1%	17.7%	17.3%	17.0%	16.8%
Total capital	19.9%	19.7%	19.7%	19.7%	19.1%	18.6%	18.2%	17.9%
Return ratios								
ROA	1.5%	2.0%	2.0%	1.9%	1.8%	1.7%	1.7%	1.7%
ROE	8.8%	12.1%	13.1%	12.6%	12.3%	12.2%	12.4%	12.4%
Return on RWA	1.9%	2.4%	2.5%	2.3%	2.1%	2.1%	2.1%	2.1%
Per share ratios								
EPS	2.3	3.4	3.9	4.1	4.3	4.5	4.9	5.2
BVPS	26.6	28.2	29.9	32.6	34.8	37.1	39.6	42.3
DPS	1.3	1.9	2.0	2.0	2.1	2.2	2.4	2.5
Valuation								
M.Cap (SAR mn)	82,973	73,664	76,027	66,534	69,493	69,493	69,493	69,493
P/E	17.2	10.5	9.4	7.9	7.9	7.4	6.9	6.5
P/BV	1.5	1.3	1.2	1.0	1.0	0.9	0.9	0.8
Div. yield	3.2%	5.2%	5.4%	6.2%	6.2%	6.5%	7.1%	7.5%

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Rating Criteria and Definitions

Rating	Rating Definitions
	Strong Buy This recommendation is used for stocks whose current market price offers a deep discount to our 12-Month target price and has an upside potential in excess of 20%
	Buy This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 10% to 20%
	Hold This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 0% to 10%
	Neutral This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between 0% to -10%
	Sell This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between -10% to -20%
	Strong Sell This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential in excess of 20%
	Not rated This recommendation used for stocks which does not form part of Coverage Universe

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