Result update

UNITED SECURITIES LLC.

Saudi Awwal Bank

Sector : Banking

BUY

11 November 2025

- **Operating income rose 3.4% YoY, missing our estimate by 2.2%, driven by growth in both NII and non-interest income.**
- **PAT increased 13.8% YoY to SAR 2.1bn, exceeding our estimate by 3.0%, as impairment charges declined 73.3% YoY.**
- **Loans grew 16% YoY, with both corporate and retail segments expanding 16% each. Deposits rose 14.0% YoY, with a regulatory LDR of 78%, providing ample room for further growth.**
- **We maintain our target price of SAR 38/share and a BUY rating, as the bank reiterated its guidance (except NIM) and reported stronger-than-expected bottom-line growth.**

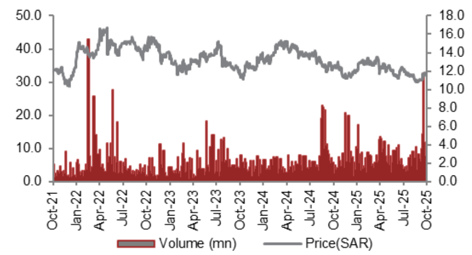
Saudi Awwal Bank reported a 3.4% YoY increase in operating income, supported by similar growth in both net interest income and non-interest income. NII rose despite a 27bps compression in NIMs to 2.54%, as this pressure was offset by volume growth in interest-bearing assets, with loans increasing 16.1% YoY, while investments rose 9% YoY. The bank guided for a 2025e NIM of 2.60–2.65%, a slight downward revision of 5–10bps at both ends of the range. Growth in non-interest income was driven by higher FX and other income, while net fee and commission income remained flat YoY. Operating expenses increased 4.9% YoY, leading to a modest 5bps rise in the cost-to-income ratio to 30.9%. Management reaffirmed its 2025e target for the ratio to remain below 30.5%, supported by a 9M25 ratio of 29.8%.

Provision expenses declined 73% YoY and 62% QoQ, reducing the cost of risk to 11bps for the quarter (vs. 38bps in 3Q24). For 9M25, the cost of risk stood at 21bps, comfortably below the guided 25–35bps range. The decline was broad-based across segments, led by wealth and personal banking. PAT growth of 13.8% YoY was supported by lower provisions and tax expenses, partially offset by a decrease in the share of profit from JV. The reported PAT of SAR 2.1bn exceeded our estimates by 3%, primarily due to lower provisioning.

Gross loans increased 15.8% YoY, driven by corporate lending (+15.6% YoY) and retail lending (+16.8% YoY). The corporate segment's share in the loan book remained steady at 75%, while retail lending growth was led by mortgages, which surged 23.8% YoY. The share of mortgage loans to retail book rose from 53% in 3Q24 to 56% in 3Q25. NPLs improved 7bps YoY to 1.35%, reflecting consistent asset quality improvement. Deposits grew 14% YoY, with a CASA ratio of 43%.

Valuation: Saudi Awwal Bank's operating income missed expectations slightly; however, profit outperformed due to significantly lower provision expenses. Aside from a marginal NIM downgrade, the bank reaffirmed its 2025e guidance, which appears achievable given its strong nine-month performance. We maintain a BUY rating with a target price of SAR 38/share. The stock trades at a 2026e P/E of 7.3x, P/B of 0.9x, and offers an attractive dividend yield of 6.9%.

Target price (SAR)	38.00
Current price (SAR)	31.74
Return	19.7%



Exchange	Saudi Arabia
Index weight (%)	2%

(mn)	SAR	USD
Market Cap	65,219	17,389
Total Assets	399,443	106,501

Major shareholders	
HONGKONG & SHANGHAI	31.0%
Olayan Saudi Investment	20.5%
Vanguard Group Inc	2.1%
Others	46.4%

Valuation Summary	
PER TTM (x)	8.1
P/Book (x)	1.0
Dividend Yield (%)	6.3
Free Float (%)	46%
Shares O/S (mn)	2,055
YTD Return (%)	-6%
Beta	1.47

Key ratios	2022	2023	2024
EPS (SAR)	2.35	3.41	3.78
BVPS (SAR)	26.59	28.19	29.36
DPS (SAR)	1.29	1.86	2.00
Payout ratio (%)	55%	55%	53%

Price performance (%)	1M	3M	12M
Al Rajhi Bank	-4%	8%	13%
Tadawul All Share Index	-3%	3%	-7%

52 week	High	Low	CTL*
Price (SAR)	38.00	29.90	6.2

* CTL is % change in CMP to 52wk low

INVESTMENT RESEARCH – Saudi Arabia

in SAR mn	3Q25	2Q25	QoQ (%)	3Q24	YoY (%)	9M25	9M24	YoY (%)	2025e	2024
Operating Income	3,649	3,721	-1.9%	3,528	3.4%	10,990	10,467	5.0%	14,768	14,018
Operating Expenses	-1,127	-1,074	4.9%	-1,074	4.9%	-3,271	-3,200	2.2%	-4,508	-4,291
Operating Profit	2,523	2,647	-4.7%	2,454	2.8%	7,719	7,266	6.2%	10,260	9,727
Provision Expenses - Loan	-82	-216	-61.8%	-309	-73.3%	-440	-502	-12.2%	-730	-566
Share of results from JV	12	48	-75.7%	72	-83.9%	101	163	-38.1%	209	205
Profit before tax	2,452	2,479	-1.1%	2,217	10.6%	7,379	6,928	6.5%	9,740	9,366
Zakat & Tax	-308	-353	-12.6%	-334	-7.7%	-974	-983	-1.0%	-1,266	-1,296
Profit after tax	2,144	2,127	0.8%	1,883	13.8%	6,405	5,944	7.8%	8,474	8,070
Loan Book	292,914	282,604	3.6%	252,399	16.1%	292,914	252,399	16.1%	298,011	259,346
Deposits	315,068	297,003	6.1%	276,406	14.0%	315,068	276,406	14.0%	306,879	267,011
Total Equity (Excl tier 1 bond)	65,659	64,098	2.4%	61,339	7.0%	65,659	61,339	7.0%	64,558	60,321
Cost to Income ratio	30.9%	28.9%		30.4%		29.8%	30.6%		30.5%	30.6%
NPL Ratio	1.35%	1.42%		1.42%		1.35%	1.42%		1.44%	1.36%
Net Loan to deposits	93.0%	95.2%		91.3%		93.0%	91.3%		97.1%	97.1%

Income Statement (SAR mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Net special commission income	5,717	7,408	10,341	11,024	11,520	12,274	12,695	13,832
Net fee income	972	886	1,145	1,450	1,691	1,853	2,244	2,590
Other income	989	1,356	1,224	1,545	1,557	1,707	1,603	1,727
Total income	**7,678**	**9,650**	**12,710**	**14,018**	**14,768**	**15,834**	**16,543**	**18,149**
Operating expenses	(3,429)	(3,662)	(4,113)	(4,291)	(4,508)	(4,857)	(5,054)	(5,713)
Profit before impairments	**4,250**	**5,988**	**8,597**	**9,727**	**10,260**	**10,977**	**11,488**	**12,436**
Impairments	(454)	(445)	(562)	(566)	(730)	(858)	(983)	(979)
Other income/expenses	131	172	188	205	209	214	218	222
Profit before tax	**3,927**	**5,715**	**8,223**	**9,366**	**9,740**	**10,332**	**10,723**	**11,680**
Tax	(696)	(836)	(1,221)	(1,296)	(1,266)	(1,343)	(1,394)	(1,518)
Profit after tax	**3,232**	**4,879**	**7,002**	**8,070**	**8,474**	**8,989**	**9,329**	**10,162**

Balance Sheet (SAR mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Cash and statutory deposits	14,909	19,259	16,741	17,363	24,962	25,685	30,213	37,546
Due form financial institutions	5,993	5,872	7,407	3,430	3,942	4,335	4,766	5,145
Investments - Net	64,904	86,363	96,567	98,412	103,515	113,839	125,149	135,115
Financing - Net	167,556	183,132	215,936	259,346	298,011	327,567	359,916	388,316
PP&E and right to use assets	3,246	3,622	3,845	4,088	4,325	4,559	4,789	5,015
Goodwill and intangibles	10,741	10,790	10,556	10,660	10,770	10,884	11,003	11,127
Other assets	5,046	5,366	5,589	6,145	6,468	6,797	7,133	7,476
Total Assets	**272,396**	**314,404**	**356,642**	**399,443**	**451,992**	**493,666**	**542,970**	**589,741**
Liabilities and Equity								
Liabilities								
Due to banks and other FI	14,664	25,517	19,679	40,997	48,308	53,920	60,669	66,967
Customer deposits	186,761	214,279	253,457	267,011	306,879	337,487	374,289	408,634
Debt issued	5,062	5,115	5,178	5,178	5,951	6,545	7,258	7,925
Other liabilities	12,882	14,856	16,428	17,971	18,330	18,697	19,071	19,452
Total liabilities	**219,368**	**259,767**	**294,742**	**331,157**	**379,468**	**416,649**	**461,287**	**502,978**
Equity								
Share capital	20,548	20,548	20,548	20,548	20,548	20,548	20,548	20,548
Reserves	32,378	34,089	37,367	39,773	44,010	48,505	53,169	58,250
Total shareholders' equity	**52,926**	**54,637**	**57,915**	**60,321**	**64,558**	**69,053**	**73,717**	**78,798**
Tier 1 Sukuk	0	0	3,985	7,965	7,965	7,965	7,965	7,965
Total Equity	**52,926**	**54,637**	**61,900**	**68,286**	**72,523**	**77,018**	**81,682**	**86,763**
Total liabilities and equity	**272,396**	**314,404**	**356,642**	**399,443**	**451,992**	**493,666**	**542,970**	**589,741**

Cash Flows (SAR mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Cash from operations	(15,726)	30,547	8,294	(749)	9,650	3,769	7,472	10,992
Cash from investments	(3,839)	(25,071)	(10,250)	(3,378)	(911)	(929)	(948)	(967)
Cash from financing	(1,601)	(2,212)	346	(580)	(3,464)	(3,901)	(3,951)	(4,415)
Net changes in cash	(21,165)	3,265	(1,609)	(4,707)	5,275	(1,061)	2,573	5,610
Cash balance	**8,544**	**11,808**	**10,199**	**5,492**	**10,766**	**9,705**	**12,278**	**17,888**

Ratios	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Operating performance								
NCM	2.3%	2.6%	3.2%	3.0%	2.8%	2.7%	2.6%	2.6%
NCI to total income	74.5%	76.8%	81.4%	78.6%	78.0%	77.5%	76.7%	76.2%
Fee income to total income	12.7%	9.2%	9.0%	10.3%	11.4%	11.7%	13.6%	14.3%
Other income to total income	12.9%	14.1%	9.6%	11.0%	10.5%	10.8%	9.7%	9.5%
Cost to income ratio	44.7%	37.9%	32.4%	30.6%	30.5%	30.7%	30.6%	31.5%
Liquidity								
Deposits to total funding	68.6%	68.2%	71.1%	66.8%	67.9%	68.4%	68.9%	69.3%
Market funds to total funding	7.2%	9.7%	7.0%	11.6%	12.0%	12.2%	12.5%	12.7%
Loans to deposits	89.7%	85.5%	85.2%	97.1%	97.1%	97.1%	96.2%	95.0%
Investments and cash to total assets	29.3%	33.6%	31.8%	29.0%	28.4%	28.3%	28.6%	29.3%
Asset quality								
Cost of risk	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
NPL	4.6%	4.3%	3.5%	2.8%	2.7%	2.7%	2.7%	2.7%
NPL coverage	84.0%	73.9%	79.7%	85.3%	88.4%	90.3%	92.1%	93.5%
Stage 1 ratio	81.4%	85.2%	87.3%	91.5%	91.4%	91.3%	91.2%	91.1%
Stage 2 ratio	15.7%	12.2%	10.8%	7.0%	7.0%	7.0%	7.0%	7.0%
Stage 3 ratio	2.9%	2.6%	2.0%	1.5%	1.6%	1.7%	1.8%	1.9%
Stage 1 coverage	0.4%	0.4%	0.4%	0.3%	0.3%	0.3%	0.3%	0.3%
Stage 2 coverage	13.0%	9.6%	10.0%	11.9%	11.9%	11.9%	11.9%	11.8%
Stage 3 coverage	52.9%	57.3%	53.4%	53.7%	55.1%	56.6%	58.1%	59.6%
Impairment coverage	9.4	13.4	15.3	17.2	14.1	12.8	11.7	12.7
Provisions to gross loans	3.8%	3.2%	2.8%	2.4%	2.4%	2.4%	2.5%	2.5%
Capital adequacy								
Equity to total assets	19.4%	17.4%	16.2%	15.1%	14.3%	14.0%	13.6%	13.4%
Core Tier 1	19.3%	17.7%	16.3%	15.4%	14.8%	14.7%	14.4%	14.3%
Tier 1	19.3%	17.7%	17.7%	17.9%	17.0%	16.7%	16.2%	16.0%
Total capital	21.8%	19.9%	19.7%	19.7%	18.6%	18.1%	17.6%	17.2%
Return ratios								
ROA	1.2%	1.5%	2.0%	2.0%	1.9%	1.8%	1.7%	1.7%
ROE	6.1%	8.8%	12.1%	13.4%	13.1%	13.0%	12.7%	12.9%
Return on RWA	1.4%	1.9%	2.4%	2.5%	2.3%	2.3%	2.1%	2.1%
Per share ratios								
EPS	1.6	2.3	3.4	3.9	4.1	4.4	4.5	4.9
BVPS	25.8	26.6	28.2	29.4	31.4	33.6	35.9	38.3
DPS	0.9	1.3	1.9	2.0	2.1	2.2	2.3	2.5
Valuation								
M.Cap (SAR mn)	61,521	82,973	73,664	76,027	65,219	65,219	65,219	65,219
P/E	19.2	17.2	10.5	9.4	7.7	7.3	7.0	6.4
P/BV	1.2	1.5	1.3	1.3	1.0	0.9	0.9	0.8
Div. yield	2.9%	3.2%	5.2%	5.4%	6.5%	6.9%	7.2%	7.8%

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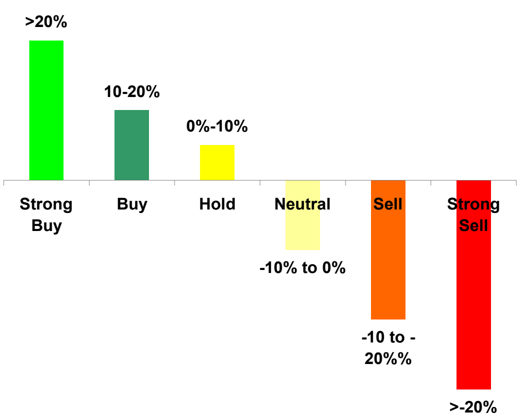
Rating Criteria and Definitions

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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