

# Result update

## Saudi Awwal Bank

Sector : Banking

- 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%.

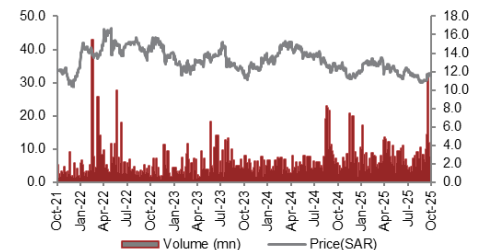
# BUY

11 November 2025

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

| 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         |
| <b>Total income</b>              | <b>7,678</b> | <b>9,650</b> | <b>12,710</b> | <b>14,018</b> | <b>14,768</b> | <b>15,834</b> | <b>16,543</b> | <b>18,149</b> |
| Operating expenses               | (3,429)      | (3,662)      | (4,113)       | (4,291)       | (4,508)       | (4,857)       | (5,054)       | (5,713)       |
| <b>Profit before impairments</b> | <b>4,250</b> | <b>5,988</b> | <b>8,597</b>  | <b>9,727</b>  | <b>10,260</b> | <b>10,977</b> | <b>11,488</b> | <b>12,436</b> |
| Impairments                      | (454)        | (445)        | (562)         | (566)         | (730)         | (858)         | (983)         | (979)         |
| Other income/expenses            | 131          | 172          | 188           | 205           | 209           | 214           | 218           | 222           |
| <b>Profit before tax</b>         | <b>3,927</b> | <b>5,715</b> | <b>8,223</b>  | <b>9,366</b>  | <b>9,740</b>  | <b>10,332</b> | <b>10,723</b> | <b>11,680</b> |
| Tax                              | (696)        | (836)        | (1,221)       | (1,296)       | (1,266)       | (1,343)       | (1,394)       | (1,518)       |
| <b>Profit after tax</b>          | <b>3,232</b> | <b>4,879</b> | <b>7,002</b>  | <b>8,070</b>  | <b>8,474</b>  | <b>8,989</b>  | <b>9,329</b>  | <b>10,162</b> |

| 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 from 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          |
| <b>Total Assets</b>                 | <b>272,396</b> | <b>314,404</b> | <b>356,642</b> | <b>399,443</b> | <b>451,992</b> | <b>493,666</b> | <b>542,970</b> | <b>589,741</b> |
| <b>Liabilities and Equity</b>       |                |                |                |                |                |                |                |                |
| <b>Liabilities</b>                  |                |                |                |                |                |                |                |                |
| 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         |
| <b>Total liabilities</b>            | <b>219,368</b> | <b>259,767</b> | <b>294,742</b> | <b>331,157</b> | <b>379,468</b> | <b>416,649</b> | <b>461,287</b> | <b>502,978</b> |
| <b>Equity</b>                       |                |                |                |                |                |                |                |                |
| 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         |
| <b>Total shareholders' equity</b>   | <b>52,926</b>  | <b>54,637</b>  | <b>57,915</b>  | <b>60,321</b>  | <b>64,558</b>  | <b>69,053</b>  | <b>73,717</b>  | <b>78,798</b>  |
| Tier 1 Sukuk                        | 0              | 0              | 3,985          | 7,965          | 7,965          | 7,965          | 7,965          | 7,965          |
| <b>Total Equity</b>                 | <b>52,926</b>  | <b>54,637</b>  | <b>61,900</b>  | <b>68,286</b>  | <b>72,523</b>  | <b>77,018</b>  | <b>81,682</b>  | <b>86,763</b>  |
| <b>Total liabilities and equity</b> | <b>272,396</b> | <b>314,404</b> | <b>356,642</b> | <b>399,443</b> | <b>451,992</b> | <b>493,666</b> | <b>542,970</b> | <b>589,741</b> |

| 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         |
| <b>Cash balance</b>   | <b>8,544</b> | <b>11,808</b> | <b>10,199</b> | <b>5,492</b> | <b>10,766</b> | <b>9,705</b> | <b>12,278</b> | <b>17,888</b> |

| Ratios                               | 2021   | 2022   | 2023   | 2024   | 2025e  | 2026e  | 2027e  | 2028e  |
|--------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>Operating performance</b>         |        |        |        |        |        |        |        |        |
| 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%  |
| <b>Liquidity</b>                     |        |        |        |        |        |        |        |        |
| 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%  |
| <b>Asset quality</b>                 |        |        |        |        |        |        |        |        |
| 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%   |
| <b>Capital adequacy</b>              |        |        |        |        |        |        |        |        |
| 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%  |
| <b>Return ratios</b>                 |        |        |        |        |        |        |        |        |
| 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%   |
| <b>Per share ratios</b>              |        |        |        |        |        |        |        |        |
| 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    |
| <b>Valuation</b>                     |        |        |        |        |        |        |        |        |
| 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%   |

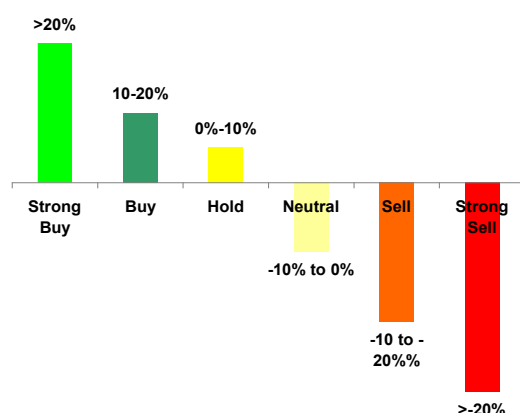
## Key contacts

### Research Team

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## Rating Criteria and Definitions

| Rating             | Rating Definitions                                                                                                                                                     |
|--------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Strong Buy</b>  | 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%     |
| <b>Buy</b>         | 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%        |
| <b>Hold</b>        | 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%         |
| <b>Neutral</b>     | 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%   |
| <b>Sell</b>        | 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% |
| <b>Strong Sell</b> | 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%     |
| <b>Not rated</b>   | This recommendation used for stocks which does not form part of Coverage Universe                                                                                      |



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