

## Saudi Awwal Bank

Sector : Banking

# BUY

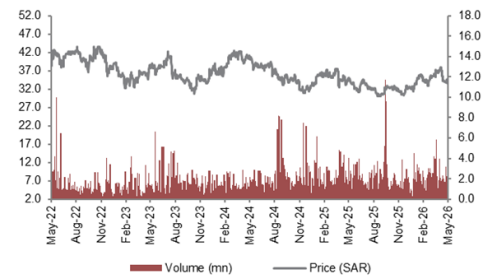
17 May 2026

- SAB's 1Q26 operating income remained broadly flat at SAR 3.6bn, declining marginally by 0.2% YoY and coming in 6% below our estimates, primarily due to weaker core net fee and commission income, which fell 40% YoY.
- 1Q26 net income declined 2% YoY to SAR 2.1bn, slightly above our estimate of SAR 2.0bn.
- Loans expanded 10% YoY, while deposits outpaced loan growth, increasing 14% YoY. Management has guided for loan growth of more than 10% in 2026.
- We maintain our BUY rating and target price of SAR 40/share, supported by positive forward guidance despite a mixed quarterly performance.

Target price (SAR) **40.00**

Current price (SAR) **34.10**

Return **17.3%**



Saudi Awwal Bank's 1Q26 operating income remained broadly flat YoY at SAR 3.6bn, as net interest income declined 1% YoY while non-interest income increased 3% YoY. The decline in NII was driven by a 30bps YoY contraction in NIMs to 2.53%, partly offset by volume-led growth. Management has guided for a 2026 NIM range of 2.5%-2.6%, supported by continued repricing. Non-interest income rose 3% YoY despite a sharp 40% YoY decline in core net fee and commission income, as foreign exchange and investment income surged 52% YoY. Within fee and commission income, trade-related fees remained stable despite the current geopolitical environment, while non-trade-related fees declined due to higher costs associated with the credit card program and regulatory changes. Operating expenses increased 3% YoY, resulting in a 90bps rise in the cost-to-income ratio to 30.5%. However, management expects the CI ratio to remain below 29.5% in 2026, supported by ongoing cost optimization initiatives.

Operating profit increased 1.5% YoY, while net income declined 2.3% YoY due to a 17.5% YoY increase in provisions. Quarterly provisions are volatile and 1Q25 provisions were relatively lower at SAR 142mn. Provisions totaled SAR 166mn in 1Q26, down 37% QoQ, primarily due to higher recoveries amounting to SAR 643mn versus gross charges of SAR 809mn. These were driven by a significant recovery from a legacy client and may not be sustainable going forward. Cost of risk stood at 0.21% for the quarter, with management guiding for a 2026 range of 0.25%–0.35%. The upper end of the guidance incorporates potential increases in expected credit losses, if required. Share of profit from joint ventures increased 60% YoY to SAR 66mn, partially offsetting the decline in net income. Net income came in above our estimates, primarily due to lower-than-expected provisioning.

Gross loans increased 10% YoY and 3% YTD. On a YTD basis, corporate lending grew 3%, while retail lending increased 2%. Corporate net originations remained stable at SAR 29.8bn, while retail growth was driven by mortgages and other personal lending products, offsetting a decline in credit card balances. Deposits rose 14% YoY and 3% YTD, with non-interest-bearing deposits accounting for 43% of the total deposit base. Meanwhile, the NPL ratio remained stable at 1.3% YoY.

**Valuation:** SAB reported a mixed quarter, with operating income below expectations but net income exceeding our estimates. The bank's trade finance business, a key competitive strength, continues to demonstrate resilience, while management's forward outlook remains constructive. We reiterate our BUY rating with a target price of SAR 40/share. The stock currently trades at a 2026e P/E of 8.2x and P/B of 1.0x, while offering an attractive dividend yield of 5.9%

Exchange		Saudi Arabia	
Index weight (%)		2.1%	
(mn)	SAR	USD	
Market Cap	70,068	18,672	
Total Assets	454,454	121,104	

### Major shareholders

HONGKONG & SHANGHAI	31.00%
Olayan Saudi Investm	20.55%
Vanguard Group Inc/T	2.17%
Others	46.28%

### Valuation Summary (TTM)

Price (SAR)	34.10
PER TTM (x)	9.0
P/Book (x)	1.0
Dividend Yield (%)	5.9
Free Float (%)	46%
Shares O/S (mn)	2,055
YTD Return (%)	5%
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	-8%	-2%	-1%
Tadawul All Share Index	-4%	-2%	-5%

52 week	High	Low	CTL*
Price (SAR)	37.92	29.90	14.0

\* CTL is % change in CMP to 52wk low



in SAR mn	1Q26	4Q25	QoQ (%)	1Q25	YoY (%)	2025	2024	YoY (%)
Operating Income	3,612	3,734	-3.3%	3,620	-0.2%	14,724	14,018	5.0%
Operating Expenses	-1,101	-1,191	-7.6%	-1,071	2.8%	-4,462	-4,291	4.0%
Operating Profit	2,511	2,543	-1.2%	2,549	-1.5%	10,262	9,727	5.5%
Provision Expenses - Loan	-166	-263	-36.7%	-142	17.5%	-704	-566	24.3%
Share of results from JV	66	40	65.1%	41	59.9%	141	205	-31.3%
Profit before tax	2,411	2,320	3.9%	2,449	-1.5%	9,699	9,366	3.6%
Zakat & Tax	-325	-273	18.8%	-313	3.6%	-1,247	-1,296	-3.7%
Profit after tax	2,086	2,047	1.9%	2,135	-2.3%	8,452	8,070	4.7%
Loan Book	306,906	298,627	2.8%	278,836	10.1%	298,627	259,346	15.1%
Deposits	331,411	323,274	2.5%	290,440	14.1%	323,274	267,011	21.1%
Total Equity (Excl tier 1 bond)	68,624	66,952	2.5%	64,944	5.7%	66,952	61,482	8.9%
Cost to Income ratio	30.5%	31.9%		29.6%		30.3%	30.6%	
NPL Ratio	1.31%	1.34%		1.35%		1.34%	1.36%	
Net Loan to deposits	92.6%	92.4%		96.0%		92.4%	97.1%	

Income Statement (SAR mn)	2023	2024	2025	2026e	2027e	2028e	2029e
Net special commission income	10,341	11,131	11,627	11,888	13,104	14,045	15,091
Net fee income	1,145	1,342	1,327	1,487	1,629	1,754	1,889
Other income	1,224	1,545	1,771	1,983	2,172	2,339	2,518
<b>Total income</b>	<b>12,710</b>	<b>14,018</b>	<b>14,724</b>	<b>15,358</b>	<b>16,904</b>	<b>18,137</b>	<b>19,498</b>
Operating expenses	-4,113	-4,291	-4,462	-4,537	-4,846	-5,086	-5,350
<b>Profit before impairments</b>	<b>8,597</b>	<b>9,727</b>	<b>10,262</b>	<b>10,821</b>	<b>12,058</b>	<b>13,052</b>	<b>14,148</b>
Impairments	-562	-566	-704	-1,174	-1,657	-1,545	-1,699
Other income/expenses	188	205	141	144	147	150	153
<b>Profit before tax</b>	<b>8,223</b>	<b>9,366</b>	<b>9,699</b>	<b>9,790</b>	<b>10,548</b>	<b>11,656</b>	<b>12,602</b>
Tax	-1,221	-1,296	-1,247	-1,259	-1,356	-1,499	-1,620
<b>Profit after tax</b>	<b>7,002</b>	<b>8,070</b>	<b>8,452</b>	<b>8,532</b>	<b>9,192</b>	<b>10,157</b>	<b>10,982</b>

Balance Sheet (SAR mn)	2023	2024	2025	2026e	2027e	2028e	2029e
Cash and statutory deposits	16,741	17,363	23,840	27,546	28,384	30,249	29,637
Due from financial institutions	7,407	3,430	2,878	3,165	3,480	3,757	4,056
Investments - Net	96,567	99,573	107,642	118,379	130,144	140,510	151,703
Financing - Net	215,936	259,346	298,627	328,280	360,738	389,238	419,975
PP&E and right to use assets	3,845	4,088	3,587	3,119	2,681	2,271	1,887
Goodwill and intangibles	10,556	10,660	11,219	11,777	12,333	12,889	13,444
Other assets	5,589	6,145	6,662	6,931	7,205	7,485	7,771
<b>Total Assets</b>	<b>356,642</b>	<b>400,603</b>	<b>454,454</b>	<b>499,196</b>	<b>544,965</b>	<b>586,399</b>	<b>628,473</b>

#### Liabilities and Equity

##### Liabilities

Due to banks and other FI	19,679	40,997	25,701	29,826	34,021	37,718	43,512
Customer deposits	253,457	267,011	323,274	358,287	393,896	425,269	454,318
Debt issued	5,178	5,178	7,896	8,751	9,620	10,387	11,588
Other liabilities	16,428	17,971	18,246	18,610	18,983	19,362	19,750
<b>Total liabilities</b>	<b>294,742</b>	<b>331,157</b>	<b>375,116</b>	<b>415,474</b>	<b>456,520</b>	<b>492,736</b>	<b>529,168</b>

##### Equity

Share capital	20,548	20,548	20,548	20,548	20,548	20,548	20,548
Reserves	37,367	40,934	46,404	50,787	55,510	60,729	66,371
<b>Total shareholders' equity</b>	<b>57,915</b>	<b>61,482</b>	<b>66,952</b>	<b>71,335</b>	<b>76,058</b>	<b>81,277</b>	<b>86,919</b>
Tier 1 Sukuk	3,985	7,965	12,387	12,387	12,387	12,387	12,387
<b>Total Equity</b>	<b>61,900</b>	<b>69,447</b>	<b>79,339</b>	<b>83,722</b>	<b>88,444</b>	<b>93,663</b>	<b>99,305</b>
<b>Total liabilities and equity</b>	<b>356,642</b>	<b>400,603</b>	<b>454,454</b>	<b>499,196</b>	<b>544,965</b>	<b>586,399</b>	<b>628,473</b>

Cash Flows (SAR mn)	2023	2024	2025	2026e	2027e	2028e	2029e
Cash from operations	8,294	(749)	7,661	5,606	2,852	4,752	2,089
Cash from investments	(10,250)	(3,378)	(6,179)	(785)	(801)	(817)	(833)
Cash from financing	346	(580)	2,553	(3,293)	(3,599)	(4,173)	(4,138)
Net changes in cash	(1,609)	(4,707)	4,036	1,527	(1,549)	(238)	(2,883)
<b>Cash balance</b>	<b>10,199</b>	<b>5,492</b>	<b>9,527</b>	<b>11,055</b>	<b>9,506</b>	<b>9,268</b>	<b>6,385</b>

Ratios	2023	2024	2025	2026e	2027e	2028e	2029e
<b>Operating performance</b>							
NCM	3.2%	3.0%	2.8%	2.6%	2.6%	2.6%	2.6%
NCI to total income	81.4%	79.4%	79.0%	77.4%	77.5%	77.4%	77.4%
Fee income to total income	9.0%	9.6%	9.0%	9.7%	9.6%	9.7%	9.7%
Other income to total income	9.6%	11.0%	12.0%	12.9%	12.8%	12.9%	12.9%
Cost to income ratio	32.4%	30.6%	30.3%	29.5%	28.7%	28.0%	27.4%
<b>Liquidity</b>							
Deposits to total funding	71.1%	66.7%	71.1%	71.8%	72.3%	72.5%	72.3%
Market funds to total funding	7.0%	11.5%	7.4%	7.7%	8.0%	8.2%	8.8%
Loans to deposits	85.2%	97.1%	92.4%	91.6%	91.6%	91.5%	92.4%
Investments and cash to total assets	31.8%	29.2%	28.9%	29.2%	29.1%	29.1%	28.9%
<b>Asset quality</b>							
Cost of risk	0.2%	0.2%	0.2%	0.3%	0.3%	0.3%	0.3%
NPL	3.5%	2.8%	2.5%	2.5%	2.5%	2.6%	2.6%
NPL coverage	79.7%	85.3%	93.1%	94.5%	96.0%	97.1%	98.1%
Stage 1 ratio	87.3%	91.5%	91.7%	91.6%	91.5%	91.4%	91.3%
Stage 2 ratio	10.8%	7.0%	6.8%	6.8%	6.8%	6.8%	6.8%
Stage 3 ratio	2.0%	1.5%	1.5%	1.6%	1.7%	1.8%	1.9%
Stage 1 coverage	0.4%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Stage 2 coverage	10.0%	11.9%	13.3%	13.2%	13.2%	13.2%	13.2%
Stage 3 coverage	53.4%	53.7%	50.0%	51.6%	53.1%	54.7%	56.2%
Impairment coverage	15.3	17.2	14.6	9.2	7.3	8.4	8.3
Provisions to gross loans	2.8%	2.4%	2.4%	2.4%	2.4%	2.5%	2.6%
<b>Capital adequacy</b>							
Equity to total assets	16.2%	15.3%	14.7%	14.3%	14.0%	13.9%	13.8%
Core Tier 1	16.3%	15.4%	14.8%	14.6%	14.4%	14.5%	14.6%
Tier 1	17.7%	17.9%	18.1%	17.6%	17.1%	17.0%	17.0%
Total capital	19.7%	19.7%	19.7%	19.0%	18.4%	18.2%	18.1%
<b>Return ratios</b>							
ROA	2.0%	2.0%	1.9%	1.7%	1.7%	1.7%	1.7%
ROE	12.1%	13.1%	12.6%	12.0%	12.1%	12.5%	12.6%
Return on RWA	2.4%	2.5%	2.3%	2.1%	2.0%	2.1%	2.1%
<b>Per share ratios</b>							
EPS	3.4	3.9	4.1	4.2	4.5	4.9	5.3
BVPS	28.2	29.9	32.6	34.7	37.0	39.6	42.3
DPS	1.9	2.0	2.0	2.0	2.2	2.4	2.6
<b>Valuation</b>							
M.Cap (SAR mn)	73,664	76,027	66,534	70,068	70,068	70,068	70,068
P/E	10.5	9.4	7.9	8.2	7.6	6.9	6.4
P/BV	1.3	1.2	1.0	1.0	0.9	0.9	0.8
Div. yield	5.2%	5.4%	6.2%	5.9%	6.4%	7.0%	7.6%

## Key contacts

### Research Team

Joice Mathew Sr. Manager - Research E-Mail: joice@usoman.com Tel: +968 2476 3311	Manna Thomas ACCA Research Associate Email: manna.t@usoman.com Tel: +968 2476 3347	Contact Address P. O Box: 2566; P C 112 Sultanate of Oman Tel: +968 2476 3300
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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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