

Banking

BUY : 12M TP @ 38.0

Upside + 18.3%

Valuation Summary (TTM)

Price (SAR)	32.10
PER TTM (x)	8.4
P/Book (x)	1.0
Dividend Yield (%)	6.2
Free Float (%)	46%
Shares O/S (mn)	2,055
YTD Return (%)	-5%
Beta	1.5

(mn)	SAR	USD
Market Cap	65,959	17,576
Total Assets	432,357	115,209

Price performance (%)	1M	3M	12M
Saudi Awwal Bank	-3%	-6%	-12%
Tadawul All Share Index	-1%	-5%	-9%

Trading liquidity (.000)	1M	3M	6M
Avg daily turnover	53,518	53,488	60,800
Avg Daily Volume	1,513	1,635	1,791
52 week	High	Low	CTL*
Price (SAR)	38.00	30.55	5.1

* CTL is % change in CMP to 52wk low

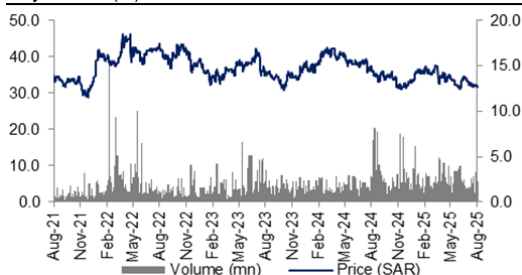
Major shareholders

HONGKONG & SHANGHAI	31.0%
Olayan Saudi Investm	20.5%
Vanguard Group Inc/T	2.1%
Others	46.4%

Other details

Exchange	Saudi Arabia
Sector	Banks

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%



Saudi Awwal Bank – Guidance largely maintained

Saudi Awwal Bank reported 2Q25 operating income of SAR 3.7bn, slightly below our estimate of SAR 3.8bn. Operating income rose 6.6% YoY and 2.8% QoQ. Net profit came in at SAR 2.1bn, a 2% beat versus our estimates. Profit grew 5.4% YoY but was broadly flat QoQ (-0.4%). Operating income growth was supported by a 4.2% YoY increase in net interest income and a 15.2% YoY rise in non-interest income. NIM stood at 2.65%, contracting 21bps due to continued funding cost pressure. This was partly offset by 5% YoY growth in interest-earning assets. Management revised its 2025e NIM outlook to 2.65–2.75% (down 5bps), citing expectations of two rate cuts in 2H25, after which NIMs are expected to stabilize. Non-interest income showed mixed trends: net fee income declined 5.5% YoY on lower non-trade-related fees, while trade-related fees were stable. Meanwhile, other income surged 36.5% YoY, supported by higher forex income and trading/MTM gains on the equity portfolio. Operating expenses were flat YoY and QoQ, aiding operating profit growth of 9.6% YoY and 3.9% QoQ. The cost-to-income ratio improved 190bps YoY to 28.9%. Management reaffirmed its 2025e CI ratio target of <30.5%.

Provision expenses rose sharply, up 93% YoY to SAR 216mn, and 53% QoQ. Higher provisions on legacy accounts were the main driver. For 1H25, provisions increased 85% YoY, led by a 135% rise in the corporate and institutional banking segment, while retail segment provisions rose 41%. The cost of risk for 1H25 stood at 0.26%, in line with management's 2025e guidance of 0.25–0.35%. The reported PAT was at SAR 2.1bn, a 5.4% YoY growth, driven by higher operating profit which was offset by increase in provision expenses.

YTD loan and deposit growth remained solid at 9% and 11.2%, respectively. Both corporate/institutional and retail segments grew 9% each, with retail now accounting for 25% of the loan book. The bank continued to leverage its parent's network by increasing the trade business by 17% YoY. The bank has maintained its net loan guidance of mid-teens for 2025e. NPLs improved to 1.42% from 1.58% a year earlier. Deposit growth was driven by time deposits (+21% YTD), while CASA declined to 47% in 2Q25 from 51% in 4Q24. The regulatory LDR stood at 83%, providing sufficient room for further growth.

The bank reiterated 2025e guidance across all parameters except for NIMs, which were revised down by 5bps. Despite higher provision expenses, the cost-of-risk outlook remains unchanged, suggesting provisions were front-loaded in 1H25. We maintain a BUY rating with a revised target price of SAR 38/share. The stock trades at 2025e PE/PB/DY of 7.9x/1.0x/6.3%.

Summary of key numbers

in SAR mn	2Q25	1Q25	QoQ (%)	2Q24	YoY (%)	1H25	1H24	YoY (%)	2025e	2024
Operating Income	3,721	3,620	2.8%	3,492	6.6%	7,341	6,939	5.8%	14,919	14,018
Operating Expenses	-1,074	-1,071	0.3%	-1,075	-0.1%	-2,145	-2,126	0.9%	-4,508	-4,291
Operating Profit	2,647	2,549	3.9%	2,417	9.6%	5,196	4,813	8.0%	10,411	9,727
Provision Expenses - Loan	-216	-142	52.6%	-112	92.6%	-358	-193	85.5%	-962	-566
Share of results from JV	48	41	15.9%	55	-13.6%	89	91	-1.7%	209	205
Profit before tax	2,479	2,449	1.3%	2,360	5.1%	4,928	4,711	4.6%	9,659	9,366
Zakat & Tax	-353	-313	12.6%	-342	3.2%	-666	-650	2.5%	-1,336	-1,296
Profit after tax	2,127	2,135	-0.4%	2,018	5.4%	4,262	4,061	4.9%	8,323	8,070
Loan Book	282,604	278,836	1.4%	241,552	17.0%	282,604	241,552	17.0%	298,011	259,346
Deposits	297,003	290,440	2.3%	279,167	6.4%	297,003	279,167	6.4%	306,879	267,011
Total Equity (Excl tier 1 bond)	64,098	63,784	0.5%	58,759	9.1%	64,098	58,759	9.1%	64,483	60,321
Cost to Income ratio	28.9%	29.6%		30.8%		29.2%	30.6%		30.2%	30.6%
NPL Ratio	1.42%	1.35%		1.58%		1.42%	1.58%		1.44%	1.36%
Net Loan to deposits	95.2%	96.0%		86.5%		95.2%	86.5%		97.1%	97.1%

Income Statement (SAR mn)	2022	2023	2024	2025e	2026e	2027e	2028e
Net special commission income	7,408	10,341	11,024	11,196	11,985	12,759	14,322
Net fee income	886	1,145	1,450	2,002	2,194	2,405	2,590
Other income	1,356	1,224	1,545	1,720	1,886	2,066	2,226
Total income	9,650	12,710	14,018	14,919	16,065	17,230	19,138
Operating expenses	(3,662)	(4,113)	(4,291)	(4,508)	(4,857)	(5,053)	(5,712)
Profit before impairments	5,988	8,597	9,727	10,411	11,208	12,178	13,426
Impairments	(445)	(562)	(566)	(962)	(1,191)	(1,452)	(1,496)
Other income/expenses	172	188	205	209	214	218	222
Profit before tax	5,715	8,223	9,366	9,659	10,231	10,944	12,152
Tax	(836)	(1,221)	(1,296)	(1,336)	(1,415)	(1,514)	(1,681)
Profit from continued operation	4,879	7,002	8,070	8,323	8,816	9,430	10,471
Net income to equity holders	4,828	7,002	8,070	8,323	8,816	9,430	10,471

Balance Sheet (SAR mn)	2022	2023	2024	2025e	2026e	2027e	2028e
Cash and statutory deposits	19,259	16,741	17,363	24,886	25,523	30,101	37,589
Due from financial institutions	5,872	7,407	3,430	3,942	4,335	4,766	5,145
Investments - Net	86,363	96,567	98,412	103,515	113,839	125,149	135,115
Financing - Net	183,132	215,936	259,346	298,011	327,567	359,916	388,316
PP&E and right to use assets	3,622	3,845	4,088	4,325	4,559	4,789	5,015
Goodwill and intangibles	10,790	10,556	10,660	10,770	10,884	11,003	11,127
Other assets	5,366	5,589	6,145	6,468	6,797	7,133	7,476
Total Assets	314,404	356,642	399,443	451,916	493,504	542,858	589,784
Liabilities and Equity							
Liabilities							
Due to banks and other FI	25,517	19,679	40,997	48,308	53,920	60,669	66,967
Customer deposits	214,279	253,457	267,011	306,879	337,487	374,289	408,634
Debt issued	5,115	5,178	5,178	5,951	6,545	7,258	7,925
Other liabilities	14,856	16,428	17,971	18,330	18,697	19,071	19,452
Total liabilities	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
Reserves	34,089	37,367	39,773	43,935	48,343	53,058	58,293
Total shareholders' equity	54,637	57,915	60,321	64,483	68,890	73,606	78,841
Tier 1 Sukuk	0	3,985	7,965	7,965	7,965	7,965	7,965
Total Equity	54,637	61,900	68,286	72,448	76,855	81,571	86,806
Minority interest	0	0	0	0	0	0	0
Equity including minority interest	54,637	61,900	68,286	72,448	76,855	81,571	86,806
Total liabilities and equity	314,404	356,642	399,443	451,916	493,504	542,858	589,784

Ratios	2022	2023	2024	2025e	2026e	2027e	2028e
Per Share (SAR)							
EPS	2.3	3.4	3.9	4.1	4.3	4.6	5.1
BVPS	26.6	28.2	29.4	31.4	33.5	35.8	38.4
DPS	1.3	1.9	2.0	2.0	2.1	2.3	2.5
Total income/share	4.7	6.2	6.8	7.3	7.8	8.4	9.3
Valuations							
M.Cap (SAR mn)	82,973	73,664	76,027	65,959	65,959	65,959	65,959
P/E	17.2	10.5	9.4	7.9	7.5	7.0	6.3
P/BV	1.5	1.3	1.3	1.0	1.0	0.9	0.8
Div. yield	3.2%	5.2%	5.4%	6.3%	6.7%	7.1%	7.9%
Capital Quality							
Equity to total assets	17.4%	16.2%	15.1%	14.3%	14.0%	13.6%	13.4%
Core Tier 1	17.7%	16.3%	15.4%	14.8%	14.6%	14.4%	14.3%
Tier 1	17.7%	17.7%	17.9%	17.0%	16.6%	16.2%	16.0%
Total capital	19.9%	19.7%	19.7%	18.6%	18.1%	17.5%	17.2%
Earning Quality							
NCM	2.6%	3.2%	3.0%	2.7%	2.7%	2.6%	2.7%
NCI to total income	76.8%	81.4%	78.6%	75.0%	74.6%	74.1%	74.8%
Fee income to total income	9.2%	9.0%	10.3%	13.4%	13.7%	14.0%	13.5%
Other income to total income	14.1%	9.6%	11.0%	11.5%	11.7%	12.0%	11.6%
Cost to income ratio	37.9%	32.4%	30.6%	30.2%	30.2%	29.3%	29.8%
Impairment coverage	13.4	15.3	17.2	10.8	9.4	8.4	9.0
ROA	1.5%	2.0%	2.0%	1.8%	1.8%	1.7%	1.8%
ROE	8.8%	12.1%	13.4%	12.9%	12.8%	12.8%	13.3%
Return on RWA	1.9%	2.4%	2.5%	2.3%	2.2%	2.2%	2.2%
Asset Quality							
Cost of risk	0.2%	0.2%	0.2%	0.2%	0.3%	0.3%	0.3%
NPL	4.3%	3.5%	2.8%	2.7%	2.7%	2.7%	2.7%
NPL coverage	73.9%	79.7%	85.3%	88.4%	90.3%	92.1%	93.5%
Stage 1 ratio	85.2%	87.3%	91.5%	91.4%	91.3%	91.2%	91.1%
Stage 2 ratio	12.2%	10.8%	7.0%	7.0%	7.0%	7.0%	7.0%
Stage 3 ratio	2.6%	2.0%	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%
Stage 2 coverage	9.6%	10.0%	11.9%	11.9%	11.9%	11.9%	11.8%
Stage 3 coverage	57.3%	53.4%	53.7%	55.1%	56.6%	58.1%	59.6%
Provisions to gross loans	3.2%	2.8%	2.4%	2.4%	2.4%	2.5%	2.5%
Funding							
Deposits to total funding	68.2%	71.1%	66.8%	67.9%	68.4%	68.9%	69.3%
Market funds to total funding	9.7%	7.0%	11.6%	12.0%	12.3%	12.5%	12.7%
Liquidity							
Loans to deposits	85.5%	85.2%	97.1%	97.1%	97.1%	96.2%	95.0%
Investments and cash to total assets	33.6%	31.8%	29.0%	28.4%	28.2%	28.6%	29.3%

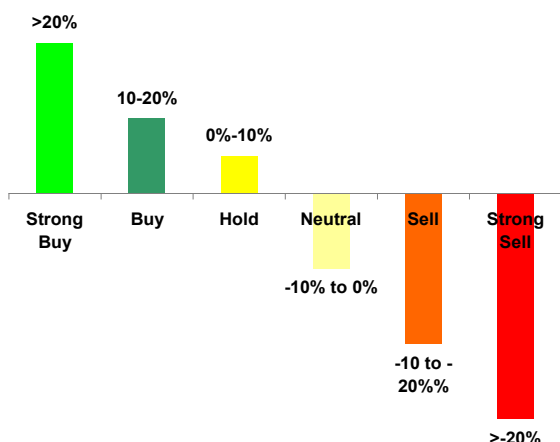
Key contacts

Research Team

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

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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