

## Saudi Awwal Bank 1Q26 Earnings Summary

*Among bank earnings that we have covered in 1Q26, SAB is the first bank to have commented on the impact of geopolitics on provisions in its earnings release, stating that it has opted to increase provisions – a prudent step in our opinion. Having said that, SAB registered a Y/Y decline in net income. Even without the spike in provisions (+17%), the fall in NSCI was the main driver leading to a flat total income. The surprise did not come from NIM decline but from the volume growth in core interest earning assets, which was just 6% Y/Y (flat Q/Q). This was mainly due to degrowth in investment assets. We believe that the bank may have opted to book some gains on FVOCI debt investments to dilute the impact of the fall in NSCI and fee income. On loans too, the bank has guided for sector beating growth (>10%), however, on YTD numbers, it seems to be in line with some of its corporate peers. Deposits did not outgrow loans YTD, which is against what we have seen in the sector. It could be a move by the bank to manage the NIM through selective deposits-mobilization, given its headline LDR at 92.6% is relatively lower than peer banks. Opex was well-managed rising only 3%.*

### Rating and Target Price:

We are Buy rated on SAB with a target price of SAR 43.4 (22.3% upside).

### Results vs. Consensus:

- Total income came in line with estimates.
- Net income came in line with estimates.

### Key highlights

- NSCI was down 1% Y/Y and 4% Q/Q to SAR 2.87bn in 1Q26 as the increase of 11% Y/Y and 5% Q/Q in net investment income was more than offset by the 2% Y/Y and 4% Q/Q decline in net financing income.
- Reported NIM fell 30bps Y/Y and 6bps Q/Q to 2.53% in 1Q26.
- NII was up 3% Y/Y to SAR 742mn as the fall in fee income (following the introduction of new regulations) and exchange income was offset by gains on disposal of FVOCI debt instruments. Q/Q, it fell by 2% led by lower other operating, fee (from lower broking revenue), and exchange income, partly offset by gain on disposal of FVOCI debt instruments.
- Consequently, total operating income was flat Y/Y but down 3% Q/Q to SAR 3.61bn.
- Operating expenses, ex provisions, rose 3% Y/Y to SAR 1.10bn in 1Q26 led by D&A (given recent higher software capitalization) and employee expenses, partly offset by lower G&A charges. They were down 8% Q/Q due to a decrease in employees (previous quarter included one off past service cost in indemnity charges) and G&A expenses.
- Consequently, the cost-to-income ratio (CIR), ex provisions, widened 90bps Y/Y but eased 141bps Q/Q to 30.5% in the quarter.
- Total provisions rose 17% Y/Y to SAR 166mn as the bank elected to increase ECL to reflect the increased uncertainty and volatility caused by the geopolitical situation. In addition, there was a net increase in charges on off-balance sheet exposures. These factors were partly offset by higher recoveries net of write-offs. Q/Q they decreased by 37% driven by higher recoveries net of write-offs, partly offset by higher charges on both the loan portfolio and off-balance sheet exposures.
- Net income was down 2% Y/Y but up 2% Q/Q to SAR 2.09bn in 1Q26.
- Lending assets increased 10% Y/Y (+3% Q/Q) to SAR 306.91bn, while customer deposits rose 14% Y/Y and 3% Q/Q to SAR 331.41bn, resulting in headline LDR easing 340bps Y/Y but widening 23bps Q/Q to 92.6%.

- Assets were up 8% Y/Y (+1% Q/Q) to SAR 459.74bn, mainly attributed to the growth in financing asset, partly offset by a decline in investments (-5% Y/Y, -8% Q/Q) assets.
- Core interest-earning assets accounted for 88.4% of total assets in 1Q26, down 144bps Y/Y and 99bps Q/Q.
- Reported RoE, post AT1 costs, fell 170bps Y/Y (+80bps Q/Q) to 13.8%, while annualized RoA stood at 1.8%, down 19bps Y/Y but up 1bps Q/Q in the quarter.
- Balance sheet leveraging stood at 5.7x in 1Q26, stable from 4Q25 but down from 5.9x in 1Q25.

### 1Q26 Snapshot:

SAR mln	1Q26	4Q25	1Q25	1Q23	Q/Q %	Y/Y %	3-yr CAGR/bps
Net income from Financing	2,662	2,778	2,712	2,172	-4%	-2%	7%
Net income from Investments	208	198	188	362	5%	11%	-17%
<b>Net Interest Income</b>	<b>2,870</b>	<b>2,976</b>	<b>2,900</b>	<b>2,534</b>	<b>-4%</b>	<b>-1%</b>	<b>4%</b>
Non-Interest Income	742	758	720	684	-2%	3%	3%
<b>Total Income</b>	<b>3,612</b>	<b>3,734</b>	<b>3,620</b>	<b>3,218</b>	<b>-3%</b>	<b>0%</b>	<b>4%</b>
Operating Expenses	1,101	1,191	1,071	1,006	-8%	3%	3%
Total provisions	166	264	142	229	-37%	17%	-10%
Income before Zakat	2,411	2,320	2,449	2,012	4%	-2%	6%
<b>Net Income</b>	<b>2,086</b>	<b>2,047</b>	<b>2,135</b>	<b>1,765</b>	<b>2%</b>	<b>-2%</b>	<b>6%</b>
EPS	1.02	1.00	1.04	0.86	2%	-2%	6%
Assets	459,740	454,454	426,872	328,885	1%	8%	12%
Investments	99,551	107,642	104,703	90,979	-8%	-5%	3%
Loans & Advances	306,906	298,627	278,836	191,001	3%	10%	17%
Deposits	331,411	323,274	290,440	225,983	3%	14%	14%
Shareholders' Equity	81,011	79,339	72,909	57,034	2%	11%	12%
Reported RoTE (%)	13.80	13.00	15.50	12.38	80 bps	-170 bps	NA
Annualized RoA (%)	1.81	1.80	2.00	2.15	01 bps	-19 bps	-33 bps
Simple LDR (%)	92.6	92.4	96.0	84.5	23 bps	-340 bps	809 bps
Assets to Equity (x)	5.7	5.7	5.9	5.8	-1%	-3%	-1%
Impairments to loans (%)	0.05	0.09	0.05	0.12	-3 bps	0 bps	NA

  

SAR mln unless otherwise specified	1Q26	4Q25	1Q25	1Q23	Q/Q %	Y/Y %	3-yr CAGR/bps
Core Interest Earning Assets (CIEA)	406,457	406,269	383,539	281,980	0%	6%	2%
Reported NIM (%)	2.53	2.59	2.83	NA	-06 bps	-30 bps	NA
Cost/Income (%)	30.5	31.9	29.6	31.3	-141 bps	90 bps	-78 bps
CIEA to total Assets (%)	88.4	89.4	89.8	85.7	-99 bps	-144 bps	267 bps

Source: Company Announcement

## Rating Framework

### Buy

Shares of the companies under coverage in this report are expected to outperform relative to the sector or the broader market.

### Hold

Shares of the companies under coverage in this report are expected to perform in line with the sector or the broader market.

### Sell

Shares of the companies under coverage in this report are expected to underperform relative to the sector or the broader market.

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