Saudi Awwal Bank

Lower provisioning drives profitability during the quarter

Rating: Overweight | Target Price: SAR 42

October 23, 2025

Market Data	
Last Price (SAR)*	31.9
Target Price (SAR)	42
Upside / Downside (%)	31.6
Market Cap (bn) (SAR/USD)	66/17
52 week High / Low (SAR)	38/30
12-month ADTV (mn) (SAR/USD)	62/17
YTD Return (%)	-5.1
Bloomberg Code	SABB AB

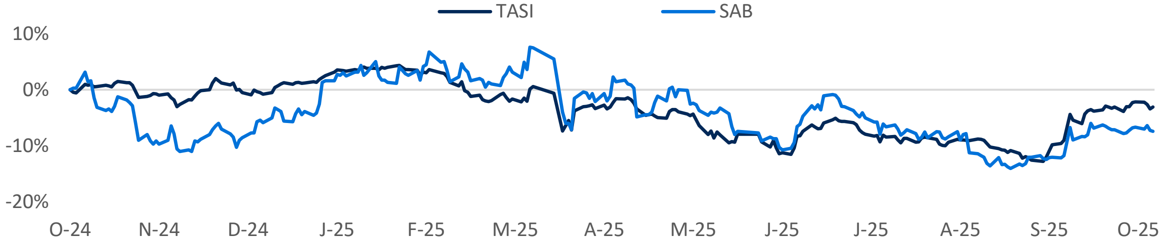
**Close of 23 Oct 25*

Valuations	2024A	2025E	2027E	2028E
Net Income (SAR bn)	7.8	7.8	8.3	8.9
Adj. EPS (SAR)	3.8	3.8	4.0	4.3
PER (x)	8.4	8.4	7.9	7.4
P/BV (x)	1.1	1.0	0.9	0.9
DPS (SAR)	2.0	2.0	2.2	2.4
Div. Yield (%)	6.2	6.3	6.9	7.4
RoAE (%)	13.4	12.8	12.9	13.0
RoAA (%)	2.0	1.8	1.8	1.7

Financials (SAR mn)	3Q25A	3Q25E*	Var (%)	3Q24A	YoY (%)	2Q25A	QoQ (%)
Net Interest Income	2,857	2,910	-2	2,761	3	2,848	0
Non-Interest Income	792	796	0	767	3	874	-9
Total Income	3,649	3,705	-2	3,528	3	3,721	-2
Operating expenses	(1,127)	(1,093)	3	(1,074)	5	(1,074)	5
Impairment provisions	(82)	(252)	-67	(309)	-73	(216)	-62
Net Income	2,144	2,085	3	1,883	14	2,127	1
Adj. EPS	***0.98***	***0.94***		***0.88***		***0.97***	
Assets	445,446	452,761	-2	396,506	12	432,357	3
Investments	107,803	112,537	-4	98,865	9	107,816	0
Loans & Advances	292,914	290,580	1	252,399	16	282,604	4
Deposits	315,068	297,726	6	276,406	14	297,003	6
Total Equity	78,045	76,378	2	65,324	19	74,500	5
NIM (%) - annualized	2.9	2.9	-3 bps	3.1	-28 bps	2.9	-5 bps
Operating cost to income (%)	31	30	139 bps	30	44 bps	29	203 bps
Provision/Loans (bps)	11	35	-24 bps	50	-39 bps	31	-19 bps
Simple LDR (%)	93	98	-463 bps	91	165 bps	95	-218 bps
Assets to Equity (x)	5.7	5.9	-4	6.1	-6	5.8	-2

**anbc estimates*

Price Performance



Source: Tadawul, Bloomberg and anbc research

Saudi Awwal Bank (SABB AB) reported a net profit of SAR 2.1 bn (Adj. EPS: SAR 0.98) in 3Q25, up 14% YoY and 1% QoQ. The growth in net income was driven by 73% YoY decline in impairment provisions and a 3% YoY growth in total operating income. NIM decline 28 bps YoY to 2.9% due to an increase in interest bearing term deposits and higher interbank borrowing.

- Net interest income arrived at SAR 2.9 bn in 3Q25, up 3.5% YoY. Gross interest income rose 8.9% YoY to SAR 5.8 bn due to a growth in loan and investment portfolios. However, interest expense rose 14.8% YoY to SAR 2.9 bn during the quarter, driven by an increase in interest bearing term deposits and increase in interbank borrowing. As a result, NIM declined 28 bps YoY to 2.9%. On a sequential basis, gross interest income was up 5.1% QoQ. Interest expense rose 10.2% QoQ due to an increase in interest bearing deposits, though partially offset by lower interbank borrowing costs and sukuk-related funding costs. Consequently, net interest income was flat sequentially, with a marginal increase of 0.3% QoQ.
- Non-interest income increased 3.3% YoY to SAR 792 mn in 3Q25, led by a net gain on FVSI financial instruments. However, the increase was partially offset by a decline in exchange income due to a one-off charge of SAR 120 mn relating to previous periods' VAT on the bank's cards' business.
- Operating expenses for the quarter were recorded at SAR 1,127 mn, up 4.9% YoY. The increase was driven by an increase in depreciation and amortization due to higher software capitalization resulting from investment in digital capabilities. On a sequential basis, operating expenses were up 5.0% QoQ due to an increase in general & admin expenses, though partially offset by a decline in depreciation and amortization expense. Cost to income ratio increased 44 bps YoY and 203 bps QoQ to 30.9%.
- Impairment provisions for 3Q25 declined to SAR 82 mn, down 73.5% YoY (-62.0% QoQ). The decline was led by lower net impairment charges on loans and higher recoveries.
- Total assets at the end of the quarter amounted to SAR 445.4 bn, up 12.3% YoY led by a 16.1% YoY increase in loans to SAR 292.9 bn. Additionally, investments rose 9.0% YoY to SAR 107.8 bn. Deposits at the end of Sep-25 stood at SAR 315.1 bn, up 14.0% YoY and 6.1% QoQ. LDR for the quarter was recorded at 93.0%, up from 91.3% in 3Q24, though it declined 218 bps QoQ from 95.2% in 2Q25.
- *Saudi Awwal Bank's strong liquidity position provides sufficient capacity to expand its lending portfolio amid the current declining interest rate environment, hence enhancing profitability through higher loan volumes. We have an Overweight rating with a target price of SAR 42/share. The stock is currently trading at a 2025e P/E of 8.4x and P/BV of 1.0x.*

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