



# Saudi Awwal Bank

Lower non-interest income and higher impairment provisions weigh on profitability

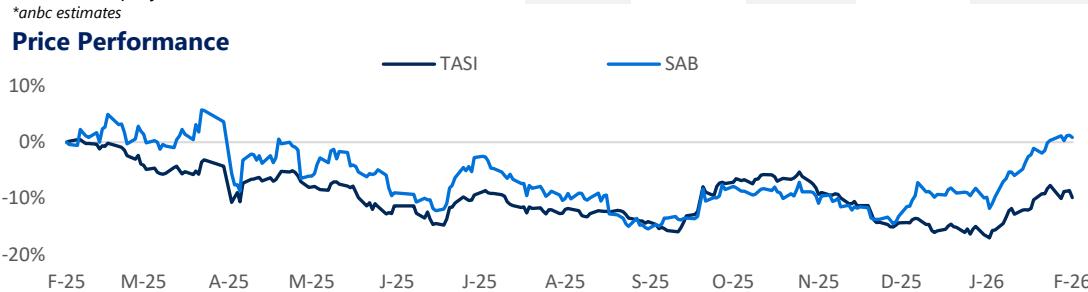
Rating: Overweight | Target Price: SAR 42

February 9, 2026

Market Data	Valuations		2025A	2026F	2027F	2028F
	Last Price (SAR)*	Target Price (SAR)	Net Income (SAR bn)	Adj. EPS (SAR)	PER (x)	P/BV (x)*
Upside / Downside (%)	21.1	42.3	8.5	3.8	9.2	4.0
Market Cap (bn) (SAR/USD)	71.9/19.2	71.9/19.2	9.7	4.4	7.9	4.8
52 week High / Low (SAR)	38/29.9	38/29.9	10.6	2.0	2.2	2.4
12-month ADTV (mn) (SAR/USD)	59/15.7	59/15.7	2.7	5.9	6.3	6.9
YTD Return (%)	8.0	8.0	11.5	RoAE (%)*	11.4	10.8
Bloomberg Code	SABB AB	SABB AB	11.1	RoAA (%)	2.0	1.7
*Close of 09 Feb 26				*Calculated using total equity		
				** 2025 dividend is estimated as the bank has not announced 2H25 dividend yet		

Financials (SAR mn)	4Q25A	4Q25E*	Var (%)	4Q24A	YoY (%)	3Q25A	QoQ (%)
Net Interest Income	3,085	2,942	4.9	2,820	9.4	2,856	8.0
Non-Interest Income	649	774	-16.1	730	-11.1	793	-18.1
Total Income	3,734	3,716	0.5	3,551	5.2	3,649	2.3
Operating expenses	(1,191)	(1,096)	8.6	(1,091)	9.2	(1,127)	5.7
Impairment provisions	(264)	(305)	-13.7	(64)	310.1	(82)	219.6
Net Income	2,047	2,042	0.2	2,126	-3.7	2,144	-4.5
<b>Adj. EPS</b>	<b>0.88</b>	<b>0.93</b>		<b>0.99</b>		<b>0.98</b>	
Assets	454,454	458,602	-0.9	400,603	13.4	445,446	2.0
Investments	107,642	114,933	-6.3	99,573	8.1	107,803	-0.1
Loans & Advances	298,627	298,000	0.2	259,346	15.1	292,914	2.0
Deposits	323,274	306,062	5.6	267,011	21.1	315,068	2.6
Total Equity	79,339	80,949	-2.0	69,447	14.2	78,045	1.7
NIM (%) - annualized	3.0	2.9	16 bps	3.1	-10 bps	2.9	17 bps
Operating cost to income (%)	31.9	29.5	239 bps	30.7	118 bps	30.9	102 bps
Provision/Loans (bps)	36	41	-6 bps	10	26 bps	11	24 bps
Simple LDR (%)	92.4	97.4	-499 bps	97.1	-475 bps	93.0	-59 bps
Assets to Equity (x)	5.7	5.7	1.1	5.8	-0.7	5.7	0.4



**Saudi Awwal Bank (SABB AB) reported a net profit of SAR 2,047 mn (Adj. EPS: SAR 0.88) in 4Q25, in line with our estimate of SAR 2,042 mn. Net profit declined 4% YoY and 5% QoQ, due to an 11% YoY (-18% QoQ) decline in non-interest income, and a 310% YoY (+220% QoQ) increase in impairment provisions. As of Dec-25 deposits grew at 21.1% YoY, compared to loan growth of 15.1% YoY, leading to a decline in headline LDR to 92.4%. We maintain an Overweight stance on the stock.**

- Net interest income for 4Q25 arrived at SAR 3.1 bn, reflecting a 9.4% YoY and 8.0% QoQ increase. NIM for the quarter improved 17 bps sequentially to 3.0%, though it declined by 10 bps YoY due to the declining interest rates. For the full year 2025, net interest income amounted to SAR 11.6 bn, up 4.5% YoY, driven by a 74.4% YoY growth in net interest income from investments to SAR 703 mn. However, the growth in net interest income was partially offset by 13.3% YoY increase in cost of funds due to higher term deposits and interbank borrowing costs. NIM for 2025 stood at 3.0%, down 25 bps YoY.
- Non-interest income recorded an 11.1% YoY decline to SAR 649.1 mn in 4Q25 (-18.1% QoQ). For 2025, non-interest income stood at SAR 3.1 bn (+7.3% YoY), led by gains on FVOCI debt instruments and amortized cost investments, as well as higher dividend and other operating income. However, the increase was partially offset by lower exchange income due to a one-off expense and a decline in fee income.
- Operating expenses for 4Q25 stood at SAR 1,191 mn (+9.2% YoY). Resultantly, cost to income ratio (CIR) increased 118 bps YoY to 31.9%, during the quarter. For the full year, operating expenses rose 4.0% YoY to SAR 4.5 bn. The increase was driven by a rise in salaries and depreciation & amortization costs due to higher software capitalization from investment in digital capabilities. However, given the bank's cost optimization efforts, CIR for 2025 fell by 31 bps to 30.3%, in line with the bank's 2025 guidance of CIR below 30.5%.
- Impairment provisions for 4Q25 increased materially to SAR 263.7 mn, up 310.1% YoY and 219.6% QoQ, taking the full year provisions to SAR 704 mn, up 24.4% YoY. The increase was due to higher impairment charges on loans & advances, though partly offset by higher net recoveries and lower impairment on off-balance sheet exposure.
- As of Dec-25, total assets amounted to SAR 454.5 bn, up 13.4% YoY, led by a 15.1% YoY increase in loans to SAR 298.6 bn. Loan growth was in line with the bank's guidance of mid-teens growth. Additionally, investments rose 8.1% YoY to SAR 107.6 bn. Deposits recorded a growth of 21.1% YoY to SAR 323.3 bn, leading to a 475 bps YoY decline in headline LDR to 92.4%.
- 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 on the stock, with a target price of SAR 42/share. The stock is currently trading at a 2026 P/E of 8.8x and P/BV of 0.8x.*

**Abdulelah M. Alotaibi**

Abdulelah.Alotaibi@anbcapital.com.sa  
+966 11 4062500 Ext. 8851

**anbcapital**

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## Contact

### ANB Capital Head Office

3581 Al Mouyyad Al Jadid, Al Murabba, Riyadh 11311,

PO Box 22009, Kingdom of Saudi Arabia

Tel: +966 11 406 2500, 800 124 0055

Email: [research@anbcapital.com.sa](mailto:research@anbcapital.com.sa)

Web: [www.anbcapital.com.sa](http://www.anbcapital.com.sa)