

Saudi Awwal Bank

Higher provisioning offset by higher non-interest income

Rating: Overweight | 12M Target Price: SAR 42

July 24, 2025

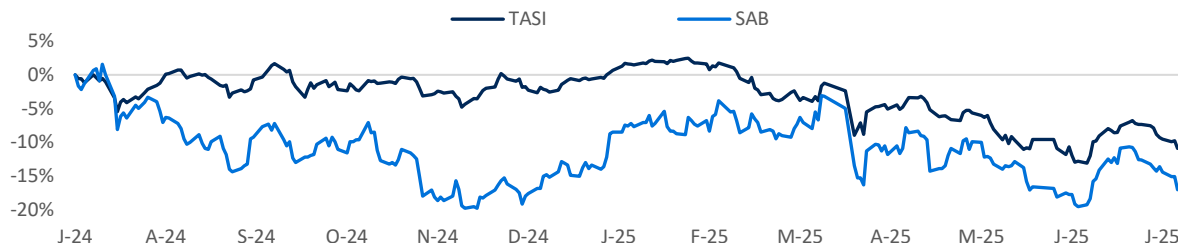
Market Data		Valuations	2024A	2025E	2026E	2027E
Last Price (SAR)*	32.8	Net Income (SAR bn)	7.8	7.9	8.8	9.5
Target Price (SAR)	42	Adj. EPS (SAR)	3.8	3.8	4.3	4.6
Upside / Downside (%)	28%	PER (x)	8.3	8.0	7.2	6.7
Market Cap (bn) (SAR/USD)	67/18	P/BV (x)	1.0	0.9	0.8	0.8
52 week High / Low (SAR)	39.6/30.6	DPS (SAR)	2.0	2.1	2.4	2.6
12-month ADTV (mn) (SAR/USD)	65/17	Div. Yield (%)	6.1	6.4	7.2	7.8
YTD Return (%)	-2.6	RoAE (%)	13.4	12.4	13.0	13.3
Bloomberg Code	SABB AB	RoAA (%)	2.0	1.9	1.9	1.9

*last price as of 23 July 2025

Financials (SAR mn)	2Q25A	2Q25E*	Var (%)	2Q24	YoY (%)	1Q25	QoQ (%)
Net Interest Income	2,848	2,958	-4	2,733	4	2,838	0
Non-Interest Income	873	853	2	758	15	781	12
Total Income	3,721	3,811	-2	3,492	7	3,620	3
Operating expenses	(1,074)	(1,124)	-4	(1,075)	0	(1,071)	0
Impairment provisions	(216)	(197)	10	(112)	92	(142)	52
Net Income	2,003	2,055	-3	1,943	3	2,004	0
Adj. EPS	0.97	1.00	-3	0.95	3	0.98	0
Assets	432,357	427,692	1	382,296	13	425,711	2
Investments	107,816	105,552	2	91,834	17	103,543	4
Loans & Advances	282,604	271,405	4	241,552	17	278,836	1
Deposits	297,003	297,309	0	279,167	6	290,440	2
Total Equity	74,500	73,804	1	62,744	19	71,749	4
NIM (%) - annualized	2.9%	3.1%	-15 bps	3.3%	-33 bps	3.0%	-12 bps
Operating cost to income (%)	29%	30%	-64 bps	31%	-192 bps	30%	-72 bps
Provision/Loans (bps)	31	29	2 bps	19	12 bps	21	10 bps
Simple LDR (%)	95%	91%	386 bps	87%	863 bps	96%	-85 bps
Assets to Equity (x)	6.7	6.5	4	6.5	4	6.7	1

*anbc estimates

Price Performance



Source: Tadawul, Bloomberg and anbc research

Saudi Awwal Bank (SAB) reported a net profit of SAR 2.0 bn (Adj. EPS: SAR 0.97) in 2Q25, up 3% YoY and flat on QoQ basis. The bank recorded total operating income of SAR 3.7 bn, up 7% YoY and 3% QoQ. The growth in operating income did not fully reflect in the bottom line, primarily due to a 92% YoY increase in provisions. Loans and deposits at the end of 2Q25 expanded 17% and 6% YoY, respectively. Maintain Overweight.

- Net interest income increased by 4.2% YoY/0.3% QoQ in 2Q25 on the back of increase in interest earning assets. In 2Q25, loans and advances increased by 17.0% YoY to SAR 283 bn, and investments were recorded at SAR 108 bn up 17.4% YoY. NIM for the quarter declined by 12 bps QoQ mainly due to pressure on cost of funds as proportion of time deposits increased in the deposit mix.
- Non-interest income increased 15.1% YoY/12% QoQ in 2Q25, to SAR 873 mn. During 1H25, non-interest income was recorded at SAR 1.7 bn, up 10.5% YoY, driven by an increase in foreign exchange income from increased customer activity and higher fee income from trade. Meanwhile, total operating income for 2Q25 increased by 6.6% YoY/2.8% QoQ to SAR 3.7 bn.
- In line with cost optimization efforts, operating expenses for 2Q25 remained flat at SAR 1.1 bn. Operating expenses for 1H25 came at SAR 2.1 bn, up 0.9% YoY. Operating cost to income improved to 28.9% in 2Q25 from 30.8% in the similar period of last year.
- Impairment provisions for 2Q25 increased by 92.5% YoY to SAR 216 mn, with cost of risk increasing to 30.8 bps, reflecting higher impairments reportedly tied to a small number of few specific customers. Impairment provision for 1H25 was recorded at SAR 358 mn, up 85.4% YoY.
- Total assets increased to SAR 432 bn (+13.1% YoY, 1.6% QoQ) with deposits at SAR 297 bn, up 6.4% YoY and 2.3% QoQ. We note that deposit mix tilting toward time deposits is impacting the cost of funds.
- SAB's 2Q25 result was broadly in line with expectations. Despite lower NIM and rising provisioning, balance sheet expansion helped to maintain earnings stability. We have a target price of SAR 42/share. At a 2025e P/E of 8.0x and P/BV of 0.9x, we maintain an Overweight stance on the scrip.

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