Saudi Awwal Bank 3Q26 Earnings Summary

SAB's 3Q26 results were impacted by a substantial jump in provisions (+341% Y/Y). Excluding provisions, total operating income would have risen 7% Y/Y and 6% Q/Q vs. reported pre-Zakat profit degrowth of 4% Y/Y and 8% Q/Q. There has been a noticeable one-off Zakat gain this quarter (net income rose 1% Y/Y vs. pre zakat decline of 4%). We saw this in a select few banks in 2Q26. BSFR too reported a similar gain this quarter. We were expecting CoR for the year to end at 15-20bps (reported 22bps in 9M26) given that 1H26 CoR stood at 11bps. SAB's provisioning historically has always been unpredictable as a large account slippage can move the needle substantially. On the other hand, SAB posted the strongest NIM growth among corporate lenders. The bank had prepared the street for a NIM expansion in its guidance, to be led by repricing, funding optimization, and reinvestments at higher yields. Jaws ratio too came in at a healthy 4.5ppts, pushing SAB's CIR below the 30% mark. SAB currently trades with a PBV of 1.0x vs. a sector average of 1.4x. Our 3-year forward average RoE expectation (post-AT1 cost) stands at 12.0%.

4Q26 should be NIM negative for the sector (Rate hike to push liabilities faster than assets). Given the NIM expansion seen in 9M26, FY26 NIM should land withing the guidance range (2.5-2.6% vs. 2.55% in 9M26). However, SAB is a rate hike beneficiary, when paired with its market beating loan growth, strengthens its revenue outlook for FY27. We are keenly awaiting commentary on the provisions. It is likely that SAB added to 1Q26 overlays. BSF reported adding to its overlays in 3Q26 to reflect uncertainty.

Rating and Target Price:

We are Buy rated on SAB with a target price of SAR 46.0 (48.5% upside).

Results vs. Consensus:

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

Key highlights

- NSCI rose 6% Y/Y and 4% Q/Q to SAR 3.07bn led by 157% Y/Y and 61% Q/Q increase in net investment income, while net financing income fell 1% Y/Y but was flat Q/Q.
- Reported NIM rose 3bps Y/Y and 7bps Q/Q to 2.60% in 3Q26.
- Non-interest income (NII) increased 1% Y/Y and 8% Q/Q to SAR 770mn. Y/Y gain was primarily driven by higher exchange income, gains on the sale of FVOCI debt instruments and higher other operating income. These were partly offset by lower fee and commission income due to regulatory changes affecting credit card fees and higher scheme costs, and lower FVSI income as the prior-year quarter included one-off gains on certain equity investments. Q/Q growth was supported by higher income from FVSI financial instruments and gains on the disposal of FVOCI debt instruments. However, lower net fee and commission income partially offset the increase.
- Total operating income rose 5%, both Y/Y and Q/Q to SAR 3.84bn.
- Operating expenses, ex provisions, stood at SAR 1.14bn, up 1% Y/Y and 2% Q/Q. Y/Y increase came from higher employee-related expenses, partly offset by lower general and administrative expenses. Q/Q growth reflected higher employee-related expenses and general and administrative expenses, partly offset by lower depreciation and amortization expenses, reflecting higher software capitalization in the previous quarter. Consequently, the cost-to-income ratio (CIR), ex provisions, increased 131bps Y/Y and 73bps Q/Q to 29.6%.
- Credit impairment provisions jumped 341% Y/Y and 7,140% Q/Q to SAR 362mn mainly due to higher impairment charges on loans and advances and off-balance-sheet exposures, partially offset by higher recoveries. The increase was attributed to idiosyncratic factors and revised

forward-looking modelling, with asset quality remaining robust. Cost of risk in 3Q26 stood at 0.44%, up 33bps Y/Y and 43bps Q/Q.

- Net income was up 1% Y/Y but down 7% Q/Q to SAR 2.17bn in 3Q26. In 9M26 it rose 3% Y/Y to SAR 6.58bn as higher NSCI (+3%), partly offset by lower NII (-5%) drove operating income growth (+1%), which was offset by higher OPEX (+2%) and provisions (+21%). Profits before zakat for the period was down 1% to SAR 7.31bn.
- Lending assets rose 11% Y/Y and 2% Q/Q to SAR 325.2bn, while customer deposits rose 3% Y/Y but fell 5% Q/Q to SAR 325.43bn. Subsequently, headline LDR increased by 696bps Y/Y and 635bps Q/Q to 99.9%.
- Total assets were up 6% Y/Y (flat Q/Q) to SAR 474.01bn led by loans and advances, partly offset by a decline in the investment book (-9% Y/Y, -2% Q/Q).
- Core interest-earning assets rose 6% Y/Y and 1% Q/Q, accounting for 89.2% of total assets in 3Q26, down 72bps Y/Y but up 71bps Q/Q.
- Reported RoTE fell 70bps both Y/Y and Q/Q to 14.0%, while annualized RoA fell 10bps Y/Y and 14bps Q/Q to 1.8%.
- Balance sheet leverage was relatively stable at 5.9x in 3Q26 similar to 2Q26 but up from 5.7x in 3Q25.

3Q26 Snapshot:

SAR mln	3Q26	2Q26	3Q25	3Q23	*Q/Q %*	*Y/Y %*	*3-yr CAGR/bps*	9M26	9M25	*Y/Y %*
Net income from Financing	2,737	2,743	2,755	2,242	*0%*	*-1%*	*7%*	8,143	8,145	*0%*
Net income from Investments	334	207	130	337	*61%*	*157%*	*0%*	749	505	*48%*
Net Interest Income	**3,071**	**2,950**	**2,885**	**2,579**	***4%***	***6%***	***6%***	**8,892**	**8,650**	***3%***
Non-Interest Income	770	713	764	668	*8%*	*1%*	*5%*	2,224	2,340	*-5%*
Total Income	**3,841**	**3,663**	**3,649**	**3,247**	***5%***	***5%***	***6%***	**11,116**	**10,990**	***1%***
Operating Expenses	1,136	1,110	1,127	**1,045**	*2%*	*1%*	*3%*	3,347	3,271	*2%*
Total provisions	362	5	82	144	*7140%*	*341%*	*36%*	534	440	*21%*
Income before Zakat	2,352	2,550	2,452	2,118	*-8%*	*-4%*	*4%*	7,313	7,379	*-1%*
Net Income	**2,165**	**2,331**	**2,144**	**1,830**	***-7%***	***1%***	***6%***	**6,582**	**6,405**	***3%***
EPS	**1.05**	**1.13**	**1.04**	**0.89**	***-7%***	***1%***	*6%*	**3.20**	**3.12**	***3%***
Assets	474,012	474,474	445,446	340,478	*0%*	*6%*	*12%*	474,012	445,446	*6%*
Investments	97,778	99,822	107,803	88,796	*-2%*	*-9%*	*3%*	97,778	107,803	*-9%*
Loans & Advances	325,203	320,207	292,914	211,404	*2%*	*11%*	*15%*	325,203	292,914	*11%*
Deposits	325,429	342,157	315,068	228,053	*-5%*	*3%*	*13%*	325,429	315,068	*3%*
Shareholders' Equity	80,459	80,878	78,045	55,539	*-1%*	*3%*	*13%*	80,459	78,045	*3%*
Reported RoTE (%)	14.0	14.7	14.7	NA	*-70 bps*	*-70 bps*	*NA*	14.2	15.0	*-80 bps*
Annualized RoA(%)	1.8	2.0	1.9	2.1	*-14 bps*	*-10 bps*	*-32 bps*	1.9	1.9	*-07 bps*
Simple LDR (%)	99.9	93.6	93.0	92.7	*635 bps*	*696 bps*	*723 bps*	99.9	93.0	*696 bps*
Assets to Equity (x)	5.9	5.9	5.7	6.1	*0%*	*3%*	*-1%*	5.9	5.7	*3%*
Cost of Risk (%)	0.44	0.01	0.11	0.27	*43 bps*	*33 bps*	*17 bps*	0.22	0.21	*01 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.

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

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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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