

Successful launch of new products help sustain momentum in loan growth; new fintech venture can be a game changer

Tasheel posted 27.7% Y/Y increase in earnings in Q2-25, exceeding loan growth and net income expectations. New product launches (Baseeta) have bolstered balance sheet expansion. NIMs are likely to continue their descent due to increased competition and growing share of lower margin products. Infection ratio and CoR are expected to see much smaller increase from hereon. Earnings outlook is solid driven by continued momentum in loan growth (we expect loans to grow at a 16.8% CAGR over 2024-29, while NIMs are expected to decline by 154bps to 23.9%); company is set to deliver medium term ROE of 24.2% and 2024-28 earnings CAGR of 16.5%. Fintech venture with Nowpay can be a gamechanger with a potential to add SAR 14.5-18.6 per share to our current valuations. Trading at 2025E PE of 14.8x we reiterate our **“Overweight”** recommendation on the stock with a TP of SAR 170.5 per share.

Tasheel exceeded loan growth and net income expectations in Q2-25 as it posted 27.7% Y/Y increase in earnings in Q2-25; largest increase since Q2-22: Tasheel posted solid set of results in Q2-25, where earnings grew by 27.7% Y/Y to SAR 59.8mn (up 3.4% sequentially) exceeding AJC and consensus estimate by 7.4% and 6.8%, respectively. Q2-25 earnings saw the strongest growth since Q2-22, the increase was driven by above expected growth in loan book (up 30% Y/Y to SAR 2.7bn). Net commission income expanded by 28.9% Y/Y to SAR 168.3mn (up 9.6% Q/Q), as return on loans grew by 28.4% Y/Y as compared to a 25.0% Y/Y increase in funding costs. NIMs declined by 12bps Y/Y to 25.5%, however the impact was more than compensated by the balance sheet growth. Pre-provision profit expanded by 20.9% Y/Y to SAR 94.7mn. Cost to income ratio increased by 350bps Y/Y (up 123bps sequentially) to 39.2%, the increase can be attributed to expenses related to new venture with Nowpay. Cost of Risk declined by 89bps to 5.3% in Q2-25 (up 34bps Q/Q). NPL ratio increased to 9.0% (up 1.3ppts) while stage 3 coverage ratio dropped to 39% from 43% in SPLY. Overall most of the key performance indicators remained within the range guided by the management at the time of the IPO.

New product launches (Baseeta) have bolstered balance sheet expansion; we expect momentum to continue in the near term, with loan book reaching SAR 5.2bn in 2029: Tasheel saw a renewed momentum in loan issuances as it posted growth of 30% Y/Y in Q2-25 as compared to +20% Y/Y in Q2-24. The aforementioned uptick is supported by the success of its recently launched product ‘Baseeta’ which has revolving limit (with every repayment limit renews once again). Launched in end of 2023 baseeta has helped grow total credit card loans to SAR 604.9mn as of Q2-25 from SAR 63.2mn in Dec-23. We expect Tasheel to record 26.1/18.1% Y/Y growth in loan portfolio in 2025/26 to reach SAR 3,036/3,586mn. Key driver for this growth are 1) rising population, 2) favorable demographics of economically active population (48%) and middle-class households (22%), 3) rising credit card penetration due to rising preference for digital payments and 4) customer preferences for consumer financing for regular lifestyle spending.

Recommendation	Overweight
Target Price (SAR)	170.5
Upside / (Downside)*	8.6%

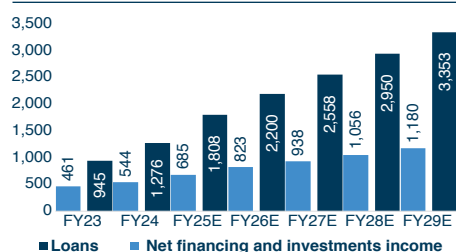
Source: Tadawul *prices as of 14th August 2025

Key Financials

in SAR mn, (unless specified)	FY24	FY25E	FY26E	FY27E
Commission income	624	782	937	1,061
Growth %	19.1%	25.4%	19.7%	13.3%
Finance expense	80	97	113	123
Net financing income	544	685	823	938
Net income	223	265	330	369
Growth %	5.0%	18.7%	24.8%	11.8%
EPS	8.92	10.58	13.21	14.76
DPS	-	5.25	6.50	8.25

Source: Company reports, Aljazira Capital Research

Fig 1: NSCI and Loans (SAR mn)



Source: Company reports, Aljazira Capital Research

Key Ratios

	FY24	FY25E	FY26E	FY27E
NIMs	25.4%	25.2%	24.9%	24.4%
ROA	10.1%	9.3%	9.5%	9.2%
ROE	22.3%	22.5%	24.9%	24.7%
NPL Ratio	8.1%	8.8%	8.9%	9.0%
NPL Coverage	37.3%	39.3%	45.3%	46.3%
PE (x)	19.9	14.8	11.9	10.6
PB (x)	4.0	3.2	2.8	2.5
Div yield	0.0%	3.3%	4.1%	5.3%

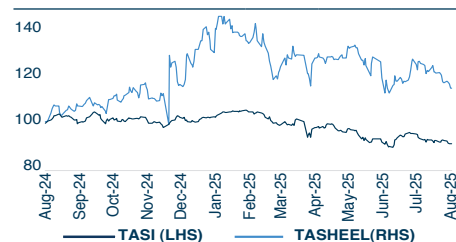
Source: Company reports, Aljazira Capital Research

Key Market Data

Market Cap (SAR bn)	4.1
YTD%	-12.78%
52 weeks (High)/(Low)	200/145.2
Share Outstanding (mn)	25.0

Source: Company reports, Aljazira Capital Research

Price Performance



Source: Bloomberg, Aljazira Capital Research

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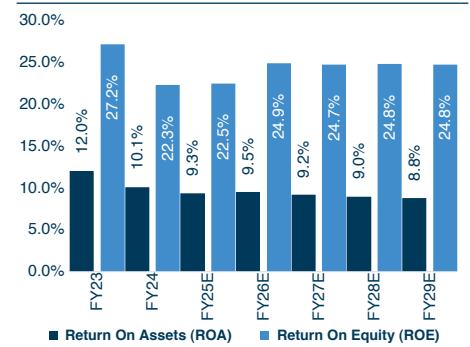
NIMs have declined as company didn't pass on increase in funding costs; descent to continue due to higher competition & growing share of lower margin products: Tasheel witnessed a sizable increase (+352bps) in funding costs over 2022-24 to 7.2%, due to increase in interest rates. The company choose not to pass on the increase in cost of funds to customers to gain market share, as a result NIMs declined by 296bps over 2022-24 to 25.4%. We expect the downwards move in NIMs to continue despite decline in interest rates; our view is premised on increasing competition and growing share of lower margin products like Baseeta. Overall, despite a 200bps decline in funding costs to 5.2%, we expect NIMs to decline by 130bps over 2024-28 to 24.1%, as we expect return on earnings assets to decline by 177bps.

NPL ratio has grown by 335bps since 2022 to 9.0% in Q2-25; infection ratio and CoR are likely to see much smaller increase from hereon: Tasheel has seen a 335bps increase in NPL ratio over the last 2.5 years to 9.0% in Q2-25. In terms of COR the bank has seen a 304bps increase over the last three years (Q2-22 to Q2-25). Infection ratio is currently near the upper bound of the range shared by the management at the time IPO. We expect infection ratio and cost of risk to see a much smaller increase from here on, given the robust risk management and loan recovery track record. We predict a 52bps increase in NPL ratio over 2024-28 to reach 9.1%, we expect CoR to average around 4.6% over 2025-28, as we build in 10ppts increase in banks coverage ratio to 47.3% by 2028.

Earnings outlook is solid driven by continued momentum in loan growth; company is set to deliver medium term ROE of 24.2% and 2024-28 earnings CAGR of 16.5%: Tasheel saw a sizable decline in earnings momentum in 2023/2024 (net income up 9.7/4.7% Y/Y respectively as compared to +50.4% in 2022), due to substantial increase in, selling, general & administrative (up 20.1/21.0% Y/Y in 2023/24 respectively) and impairment charges (up 48.7/56.6% Y/Y in 2023/24 respectively). We expect the company to experience a renewed earnings momentum in 2025/26 (net income +18.7/24.8% Y/Y to SAR 264.6/330.2mn) driven by 26.0/20.1% Y/Y increase in net income from finance commissions. Selling general & administrative expenses are forecasted to grow by 27.3/19.0% Y/Y in 2025/26, while provisions are expected to increase by 41.8/13.2% Y/Y, respectively. Overall, we expect Tasheel to post 2025-28 average ROE of 24.2% and 2024-28 net income CAGR of 16.5%.

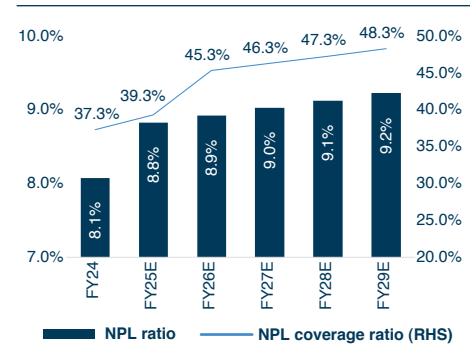
Fintech venture with Nowpay can be a gamechanger; potential to add SAR 14.5-18.6 per share to our current valuations: Tasheel has signed an MoU with Nowpay, a payroll-processing company, to establish a specialized company for payroll administration and processing services in Saudi Arabia. According to initial understanding, Tasheel will hold 75% stake in the joint venture while Nowpay will have 25% of ownership. The initial investment in the venture is expected at SAR 75mn. According to our understanding, in the advance salary business model gross yields and NIMs would be much lower than Tasheel's existing business, however delinquencies would also be much less as employers might directly deduct loan repayments from salaries. Due to the B2B business model selling, general and administrative expenses as percentage of loans might also be less than Tasheel. Our back of the envelope working suggests that the new venture has the potential to add **SAR 14.5-18.6 per share** to our value of Tasheel, assuming the JV can grow the loan portfolio size to SAR 1.3bn in next five years. Note that Nowpay currently has more than 350,000 customers, 250 plus companies and 1.5bn plus monthly payments.

Fig 2: ROA and ROE



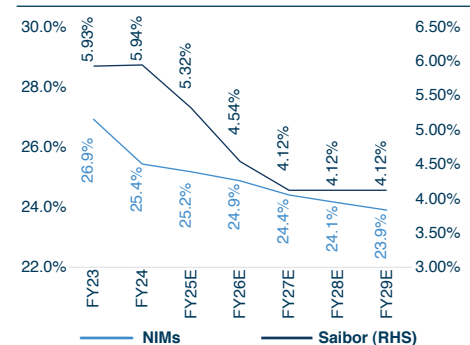
Source: Company reports, Aljazira Capital Research

Fig 3: Loan book quality



Source: Company reports, Aljazira Capital Research

Fig 4: NIMs and Saibor



Source: Company reports, Aljazira Capital Research



Investment thesis and valuation: Tasheel is poised to benefit from favorable demographics of economically active population & middle-class households and increasing adoption of digital payments. Its strategy of, 1) capitalizing existing strategic relationships and 2) expanding existing IT infrastructure could lift the loan book by 1.9x from SAR 2,726mn in Q2-25 to SAR 5,224mn by FY29e, (FY24-29e CAGR of 16.8%). However, stiff competition and lower yielding products are expected pressure NIMs contracting from 25.4% in FY24 to 23.9% by FY29e. Our investment thesis on Tasheel is mainly premised on its new fintech venture which has the potential to add SAR 14.5-18.6 per share to our target price, our view is supported by Tasheel's success track record, leading position in the micro lending business and Nowpay's expertise in the advance salary business.

We value UIHC assigning 50% weight to Dividend Discount Model (20% retention ratio and 10.5% cost of equity), while we assign 50% weight to Residual Income approach (2.5% risk free rate and 10.5% WACC), to arrive with an **"Overweight"** rating and a TP of **SAR 170.5/share**, offering an upside of 8.6% from last close.

Key downside risk to our investment thesis are slower than expected loan growth, spike in NPL ratio and increased competition resulting in lower gross yields and NIMs.

Upside risks include above expected increase in loans and gross yields, lower provisioning expenses, and better than anticipated performance of Fintech venture.

Blended Valuation

All figures in SAR, unless specified	Fair value	Weights	Weighted average
Dividend discount model	180.1	50%	90.0
Residual Income	161.0	50%	80.5
Weighted average price target			170.5
Upside/Downside			8.6%

Source: Company reports, AlJazira capital Research, prices as of 14th Aug 2025

Key Financials

Amount in SAR mn, unless otherwise specified	FY23	FY24	FY25E	FY26E	FY27E	FY28E	FY29E
Income statement							
Commission income from finance and investments	524	624	782	937	1,061	1,199	1,344
Finance commission expenses	(63)	(80)	(97)	(113)	(123)	(143)	(164)
Net financing and investments income	461	544	685	823	938	1,056	1,180
G&A exp	(58)	(93)	(114)	(135)	(154)	(173)	(192)
S&M exp	(107)	(107)	(140)	(168)	(191)	(215)	(240)
Net impairment	(61)	(95)	(135)	(152)	(181)	(210)	(242)
Profit before tax	237	249	296	368	411	458	505
Zakat	(24)	(26)	(31)	(38)	(42)	(47)	(52)
Net income	212	223	265	330	369	411	453
Y/Y	10%	5%	19%	25%	12%	11%	10%
EPS	8.49	8.92	10.58	13.21	14.76	16.43	18.13
DPS	-	-	5.25	6.50	8.25	9.75	11.00
Balance sheet							
Cash and cash equivalents	22	20	104	123	140	159	178
Prepayments & Other receivables	14	37	13	16	18	20	23
Net Financing Investments	1,867	2,407	3,036	3,586	4,101	4,649	5,224
Intangible assets	18	17	21	23	25	26	27
Total Assets	1,926	2,485	3,180	3,753	4,290	4,860	5,459
Accounts payable	63	66	97	110	121	132	142
Loans	945	1,276	1,808	2,200	2,558	2,950	3,353
Total Equity	887	1,110	1,245	1,410	1,575	1,739	1,921
Total Liabilities	1,039	1,375	1,935	2,343	2,715	3,121	3,538
Total Equity & Liabilities	1,926	2,485	3,180	3,753	4,290	4,860	5,459
Key fundamental ratios							
Capital Ratios							
Equity/ Total Assets	0.46	0.45	0.39	0.38	0.37	0.36	0.35
Profitability Ratios							
NIMs	26.9%	25.4%	25.2%	24.9%	24.4%	24.1%	23.9%
Return On Assets (ROA)	12.0%	10.1%	9.3%	9.5%	9.2%	9.0%	8.8%
Return On Equity (ROE)	27.2%	22.3%	22.5%	24.9%	24.7%	24.8%	24.8%
ROE/ROA (Leverage Ratio) (X)	2.27	2.21	2.41	2.61	2.69	2.76	2.82
Asset Quality Ratios							
NPL ratio	9.0%	8.1%	8.8%	8.9%	9.0%	9.13%	9.2%
NPL Coverage	37.7%	37.3%	39.3%	45.3%	46.3%	47.33%	48.3%
Cost of Risk		3.9%	4.4%	4.6%	4.7%	4.80%	4.9%
Market/valuation ratios							
DPS	-	-	5.25	6.50	8.25	9.75	11.00
Dividend Yield		0.0%	3.3%	4.1%	5.3%	6.2%	7.0%
Book Value Per Share (BVPS)	35.49	44.39	49.80	56.40	63.00	69.57	76.82
Market price		177.4	155.4	155.4	155.4	155.4	155.4
PE (x)	-	19.9	14.8	11.9	10.6	9.6	8.7
PB (x)	-	4.0	3.2	2.8	2.5	2.3	2.0
Growth rates							
Financing (Y/Y)	20.1%	28.9%	26.1%	18.1%	14.4%	13.4%	12.4%

Source: Company reports, AlJazira capital Research, prices as of 13th Aug 2025



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RESEARCH
DIVISION

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RATING
TERMINOLOGY

1. **Overweight:** This rating implies that the stock is currently trading at a discount to its 12 months price target. Stocks rated "Overweight" will typically provide an upside potential of over 10% from the current price levels over next twelve months.
2. **Underweight:** This rating implies that the stock is currently trading at a premium to its 12 months price target. Stocks rated "Underweight" would typically decline by over 10% from the current price levels over next twelve months.
3. **Neutral:** The rating implies that the stock is trading in the proximate range of its 12 months price target. Stocks rated "Neutral" is expected to stagnate within +/- 10% range from the current price levels over next twelve months.
4. **Suspension of rating or rating on hold (SR/RH):** This basically implies suspension of a rating pending further analysis of a material change in the fundamentals of the company.

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