



# KSA Banking Pulse

FY | 2025

# KSA Banking: Sustained Performance Amid Emerging Challenges

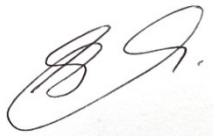
Alvarez & Marsal Arabia Limited (A&M) is pleased to present the FY 2025 edition of the KSA Banking Pulse (The Pulse – KSA).

This annual publication draws on our research of the Kingdom's ten largest listed banks by assets, providing a snapshot of sector performance and key indicators. The Pulse is designed to equip banking executives and board members with timely insights on industry trends.



**Sam Gidoomal**

Managing Director  
Head of Middle East Financial Services



FY 2025 was a year of resilience and rebalancing for the Saudi banking sector. While credit growth moderated from recent highs, banks continued to deliver strong profitability, improving asset quality, and solid balance-sheet strength, supported by an anticipated improved macro-outlook and sustained momentum under Vision 2030. The Kingdom entered FY 2026 with an upward-revised GDP growth outlook; however, the constructive macro backdrop has been negatively impacted by the regional conflict, which has disrupted regional energy infrastructure, pressured financial markets, and introduced significant uncertainty around the pace and sustainability of growth.

Through FY25, balance sheet growth remained healthy with loan growth continuing to outpace deposit mobilization. This dynamic is tightening system liquidity and placing funding and balance sheet optimization firmly on leadership agendas. At the same time, margins eased modestly in a shifting rate environment, underscoring the importance of disciplined pricing, active balance sheet management, and diversification of revenue streams.

Encouragingly, asset quality strengthened further, provisioning needs declined, and profitability metrics (such as RoE, RoA) improved, reflecting prudent underwriting, strong risk governance, and operating discipline across the sector. Saudi banks remain well capitalized and profitable by regional standards, providing a solid platform to support the next phase of economic transformation.

The FY 2026 outlook for Saudi banks is shaped by a more complex set of forces than monetary easing alone. The regional conflict has introduced direct energy infrastructure risk, regional market volatility, and supply chain disruption that compound existing margin pressure. However, banks best positioned to weather the current headwinds and emerge stronger through the cycle, will be those that sustain loan growth momentum anchored in Vision 2030 project pipelines, diversify revenue through fee-based income streams, and maintain disciplined cost, risk and funding management, while accelerating digital transformation to underpin operational resilience in an increasingly uncertain environment.

This report offers a concise, data-driven review of Saudi banks' performance in FY 2025 and identifies the priorities shaping FY 2026 and beyond, amid a shifting macroeconomic environment.

All the data used in this report has been obtained from publicly available sources and the methodology for the calculations is discussed in the glossary. The calculation of certain metrics has been updated, where required, to reflect appropriate comparative information. As a result, historical numbers may not match with those reported in previously published reports.

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# Macro Overview

Supportive macro-outlook, stable sovereign credit profile, and easing monetary conditions underpin KSA's growth and credit demand trajectory

## KSA GDP Growth Rate and PMI

- IMF forecast for KSA GDP in 2026 is 3.1% (vs 4.5% in 2025)
- The PMI for KSA in Dec 2025 declined to 57.4 from 58.4 in Dec 2024, as some companies expressed concerns about market saturation, contributing to a slight slowdown in overall momentum
- Fitch affirmed KSA's 'A+' IDR with a Stable Outlook, supported by strong fiscal and external buffers despite residual oil and geopolitical risks, while Vision 2030 continues to drive diversification

## Policy Rates

- The U.S. Federal Reserve cut its policy rate by 50bps in Q4 2025 to 3.50–3.75% and maintained its stance in Q1 2026, citing rising labor market risks while reaffirming its commitment to returning inflation to its 2.0% target
- In line with this stance, the Saudi Central Bank (SAMA) lowered its repo rate by 50bps to 4.25% in Q4 2025. S&P Global Ratings expects a further 50bps of easing by the second half of FY 2026, implying additional downside to policy rates
- A prospective easing cycle, contingent on the duration of prevailing macroeconomic stress, is expected to act as a tailwind for credit demand, with incremental lending opportunities underpinned by Vision 2030-linked projects

## Money Supply

- M1 growth remained muted, rising marginally by 0.3% YoY to SAR 1,674.3bn in FY 2024, as demand deposits declined by 0.6% YoY to SAR 1,432.3bn
- In contrast, M2 expanded by 8.7% YoY to SAR 2,848.1bn in FY 2025, driven by robust growth of 23.6% YoY in time and savings deposits to SAR 1,173.8bn
- M3 increased by 8.4% YoY to SAR 3,167.8bn (vs. 8.8% YoY in FY 2024), with other quasi-deposits rising 5.8% YoY to SAR 319.7bn, underscoring a gradual migration from transactional balances to longer-tenor deposits

3.1%

Forecasted GDP growth in FY 2026

57.4%

Dec 2025 PMI

3.50 – 3.75%

US Fed Rate  
(Q4 2025 rate cut by 50bps;  
FY 2025 rate cut by 75bps)

4.25%

Dec 2025 SAMA repo rate  
(Q4 2025 rate cut by 50bps;  
FY 2025 rate cut by 75bps)

0.3%

Marginal increase in M1 money supply  
due to a fall in demand deposits  
(M1 – SAR 1,674.3bn)

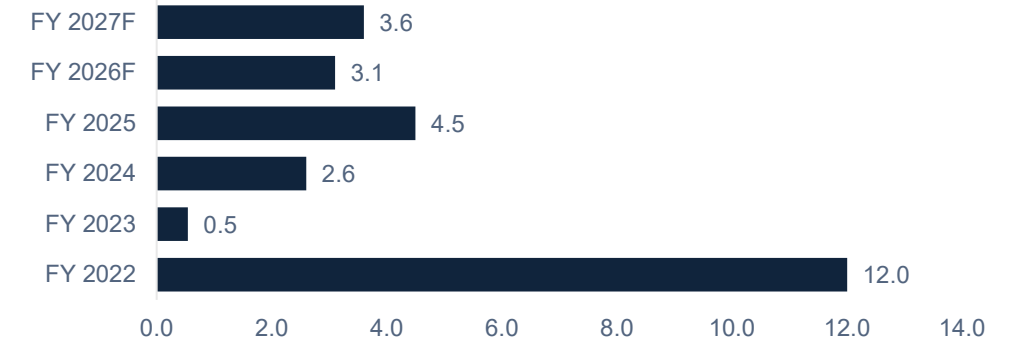
8.7%

Increase in M2 money supply, supported by  
strong growth in time & savings deposits  
(M2 – SAR 2,848.1bn)

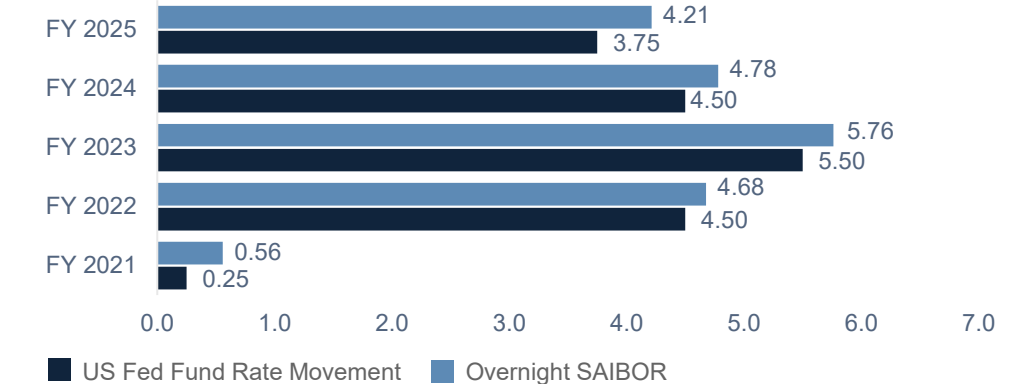
8.4%

Increase in M3 money supply  
(M3 – SAR 3,167.8bn)

## KSA GDP Growth Rate<sup>1</sup> (%)



## US Fed Fund Rate<sup>2</sup>, SAIBOR<sup>3</sup> (%)



## KSA Money Supply<sup>4</sup> (% Annual)



# Banking Overview

Earnings resilience and income diversification offset slowing balance sheet growth, though tightening liquidity is emerging as the key constraint

## KSA Banks Profitability

- Banks delivered strong net income growth of 16.3% YoY
- Operating income grew by 11.3% YoY. Net interest income grew by 8.5% YoY, while non-interest income increased by 21.1% YoY, highlighting banks' continued focus on revenue diversification to mitigate rate pressures
- The improvement in revenue translated into higher profitability, with RoE and RoA rising to 15.2% and 2.1%, respectively

## Cost Optimization

- Operating expense growth moderated to 3.3% YoY (vs. 7.0% YoY in FY 2024), reflecting disciplined cost management across the sector
- This improved cost efficiency translated into a lower C/I ratio of 29.0% (vs 31.2% in FY 2024)

## Interest Rates and Margin Impact

- During the year, SAMA cut its repo rate by 75bps, which further pressured margins, with NIM declining 9bps YoY to 2.86%
- The compression was driven by a 25bps YoY decline in YoC to 6.8%, while the CoF remained broadly stable at 3.5%

## Credit Growth and Asset Quality

- Banks delivered robust credit growth of 11.8% YoY, and deposit growth of 8.8% YoY
- As loan growth continued to outpace deposits, the LDR rose to 106.5%, signaling tighter liquidity conditions
- Asset quality strengthened, with the NPL ratio declining to 0.9% (vs 1.1% in FY 2024)
- Impaired loans remained well covered, with a coverage ratio of 162.4%, underscoring prudent risk management

16.3%

Net income growth in FY 2025

11.3%

Operating income growth in FY 2025

8.5%

Net interest Income growth in FY 2025

21.1%

Non-interest income growth in FY 2025

29.0%

C/I ratio improved by 2.2% YoY

2.86%

NIM declined by 9bps YoY

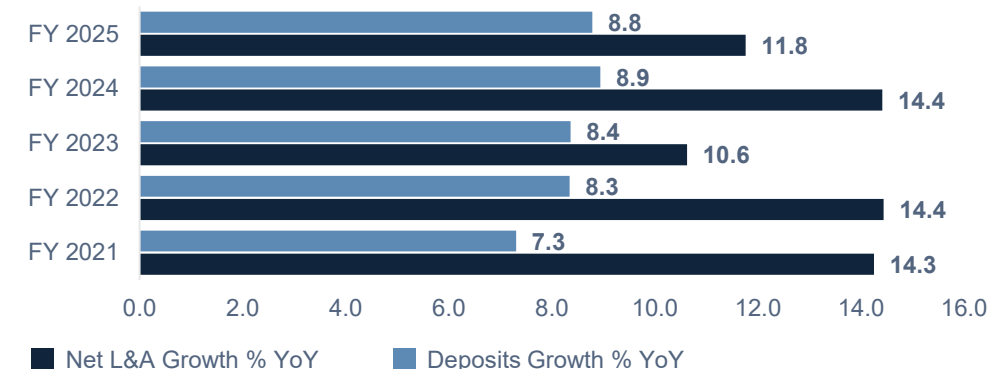
11.8%

Total net L&A growth in FY 2025

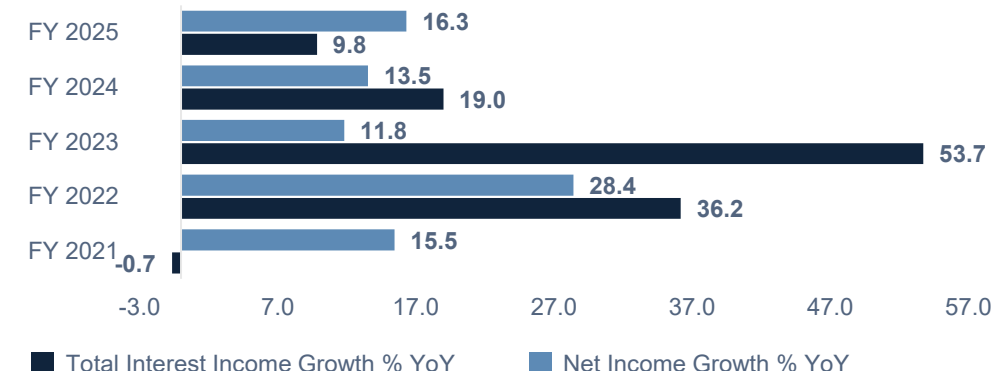
0.9%

NPL ratio improved by 18bps YoY

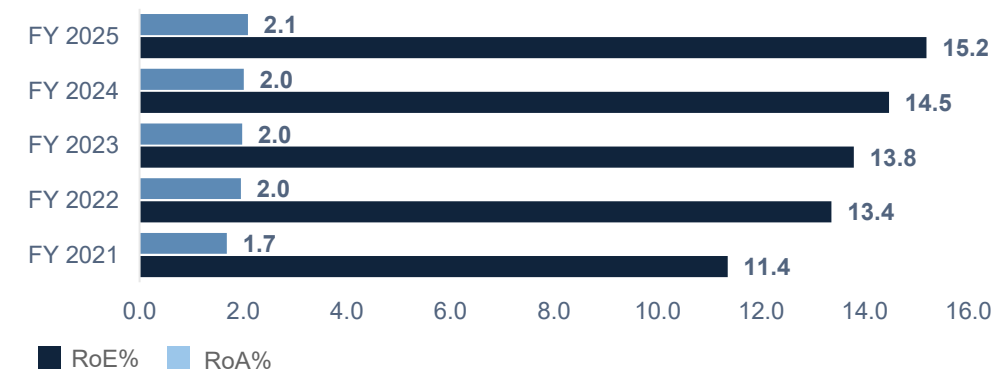
## KSA Banks' Net L&A and Deposits<sup>1</sup> (%)\*



## KSA Banks Profitability<sup>1</sup> (%)



## KSA Banks Profitability<sup>1</sup> (%)



# Performance Metrics

KSA banks benefited from robust non-interest income growth and improved cost efficiency, driving higher profitability



## Key Takeaways

- KSA banks delivered healthy lending growth, albeit at a slower pace than in the prior year, while deposit growth remained broadly stable
- The resulting increase in LDR indicated gradually tightening liquidity conditions, though funding remained manageable
- Asset quality continued to strengthen, as both the NPL ratio and CoR reached record-low levels, supported by conservative underwriting and a supportive operating environment
- The coverage ratio improved further, underscoring prudent and resilient risk management
- On the earnings front, banks reported strong net income growth, driven by solid momentum in both net interest income and non-interest income
- This translated into improved profitability, as reflected in higher RoE and RoA
- Capital positions remained robust, with capital adequacy ratios increasing further, providing ample buffers to support growth
- Overall, the KSA banks delivered a strong profitability performance, supported by sustainable credit growth and a continued improvement in asset quality

	Metric	FY 2024	FY 2025	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Size	Net L&A Growth (YoY)	14.4%	↓ 11.8%					
	Deposits Growth (YoY)	8.9%	↓ 8.8%					
Liquidity	Loan-to-Deposit Ratio (LDR)	103.6%	↑ 106.5%					
Income and Operating Efficiency	Operating Income Growth (YoY)	9.2%	↑ 11.3%					
	Operating Income/Assets	3.6%	↔ 3.6%					
	Non-Interest Income/Operating Income	22.0%	↑ 23.9%					
	Yield on Credit (YoC)	7.0%	↓ 6.8%					
	Cost of Funds (CoF)	3.5%	↔ 3.5%					
	Net Interest Margin (NIM)	2.95%	↓ 2.86%					
	Cost-to-Income Ratio (C/I)	31.2%	↓ 29.0%					
Risk	Coverage Ratio	161.0%	↑ 162.4%					
	Cost of Risk (CoR)	0.34%	↓ 0.30%					
	Non-Performing Loans (NPL) %	1.1%	↓ 0.9%					
Profitability	Return on Equity (RoE)	14.5%	↑ 15.2%					
	Return on Assets (RoA)	2.0%	↑ 2.1%					
	Return on Risk-Weighted Assets (RoRWA)	2.7%	↑ 2.8%					
Capital	Capital Adequacy Ratio (CAR)	19.7%	↑ 20.5%					

→ Improved ↔ Stable → Worsened

# Banking Overview

## KSA Banking Industry Development



### New Entrants

01

- Qatari bank Lesha gets Saudi investment banking license
- MoneyHash, the Egypt-based payment platform operating across the MENA has partnered with Saudi fintech Amwal Tech to expand installment-based payment options for merchants in the KSA
- SAMA licenses “Madd Balas” company to provide debt-based crowdfunding solutions
- SAMA licenses “Darb Pay for Information Technology” to provide e-wallet solutions



### New Investments

02

- Saudi Arabia opened its financial markets to all foreign investors from 1st February 2026 by easing rules to attract more money from abroad
- Visa Forms New Regional Hub for Saudi Arabia, Bahrain, and Oman to Drive Digital Payments
- Barclays has received a provisional Capital Market Authority (CMA) license, and secured premises in King Abdullah Financial District to open its Riyadh office in 2026



### New Business Trends

03

- BIBF and Aljazira Bank sign strategic MoU to develop KSA's banking talent
- Alrajhi Bank and Ejada Systems signed a MoU to enhance data center and digital transformation
- Ant International signed a MOU with Abdul Latif Jameel Finance, a provider of innovative financing solutions to promote the growth of MSMEs in KSA
- Saudi Awwal Bank Announces a Strategic Partnership with WEConnect to enhance women's economic participation in KSA



### New Emerging Technologies

04

- ANB implemented Intellect Design Arena's eMACH.ai platform, advancing Saudi Arabia's wholesale banking digital transformation
- Jeel, the technology arm of Riyadh Bank, has partnered with Ripple, a FinTech firm to assess how blockchain can improve the speed, cost efficiency and transparency of cross-border payments
- EdfaPay activated Smart SoftPOS services in the KSA market enabling merchants to accept payments directly on smartphones within KSA
- ServiceNow, the AI platform, signed a multi-year agreement with Al Rajhi Bank to enhance digital operations in KSA



### New Regulations

05

- KSA adopted a new Financial Oversight Law and SAMA's proposed payments framework signal a clear move toward stronger, risk-based oversight of public funds and critical financial infrastructure
- KSA cuts banking and payment fees under new 'Fees Guide for Financial Institutions Services
- SAMA decided to raise the Countercyclical Capital Buffer (CCyB) from 0% to 1% of total risk-weighted assets, effective from May 2026



### Expected Challenges

06

- Increasing trade tensions and geopolitical conflicts may impact growth
- The IMF warned of a potential global reassessment of Artificial Intelligence's productivity gains, citing risks that high-tech investment may not immediately deliver anticipated economic benefits
- Fitch forecasted a widening of the current account deficit to 4.3% of GDP in 2026 from an estimated 3% in 2025, indirectly reducing funds available for private loans
- KSA banks are starting to show signs of pulling back on lending due to liquidity tightness and new bank regulations

# Non-interest income momentum and operating leverage offset rate-cut headwinds, driving earnings acceleration for KSA banks

## Key Takeaways

- Aggregate net income accelerated by 16.3% YoY, compared to 13.5% YoY growth in the prior year, primarily driven by strong operating income momentum
- Total operating income rose by 11.3% YoY, (vs. 9.2% YoY in FY 2024), underpinned by robust non-interest income growth
  - Net Interest Income remained resilient, rising by 8.5% YoY (vs. 7.7% YoY growth in FY 2024), despite rate cut environment
  - Non-Interest Income grew by 21.1% YoY, reflecting the banks' continued efforts to diversify revenue streams
- On the cost side, disciplined expense management led to a moderation in operating expense growth to 3.3% YoY (+7.0% YoY in FY 2024), supporting positive operating leverage
- Overall, KSA banks delivered strong profitability, driven by non-interest income growth and cost-efficiency gains, which more than offset margin headwinds

## Net Income Bridge (SAR bn)

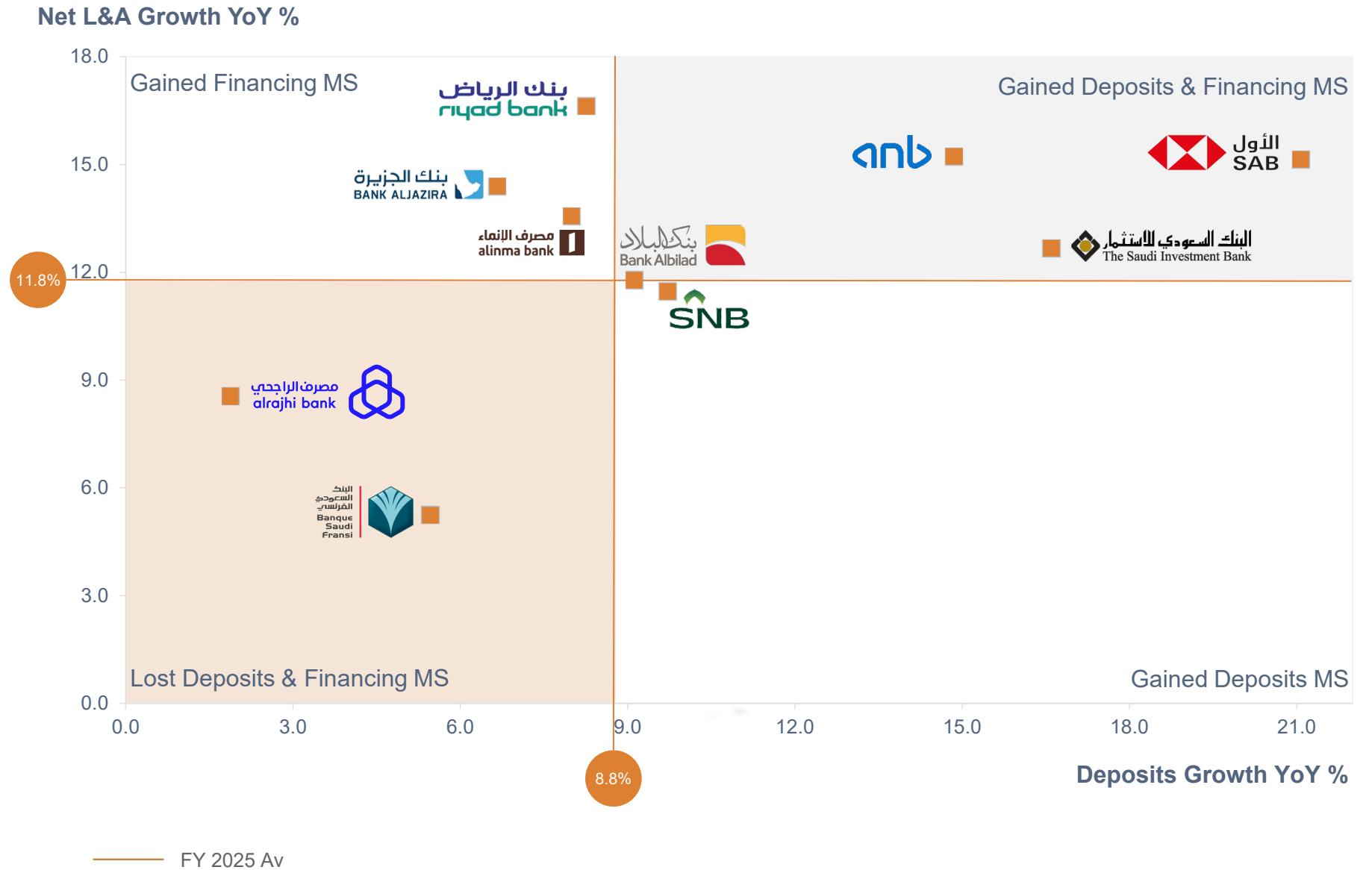


# Balance-sheet expansion moderated as the pace of loan growth and deposit mobilization softened

## Key Takeaways

- Net lending growth moderated to 11.8% YoY, from 14.4% YoY growth in the previous year, largely driven by a slowdown in ALRAJHI and BSF
  - ALRJHI reported that net L&A growth slowed down to 8.6% YoY (vs. 16.7% YoY in FY 2024), driven by a sharp deceleration in retail lending (1.4% YoY vs. 10.9% YoY in FY 2024)
  - Similarly, BSF's net L&A growth slowed to 5.3% YoY (vs. 13.8% in FY 2024), as corporate lending growth slowed to 2.4% YoY from 13.5% in FY 2024, offsetting strong retail loan growth of 18.0% YoY
- On the funding side, deposit growth eased marginally to 8.8% YoY, driven by slower deposit mobilization at ALRAJHI and RIBL
  - ALRAJHI's deposits growth decelerated to 1.9% YoY (vs. 14.3% YoY (vs. 20.2% YoY in FY 2024), impacted by a 6.9% YoY contraction in CASA deposits

## Net L&A and Deposit Growth (% Annual)



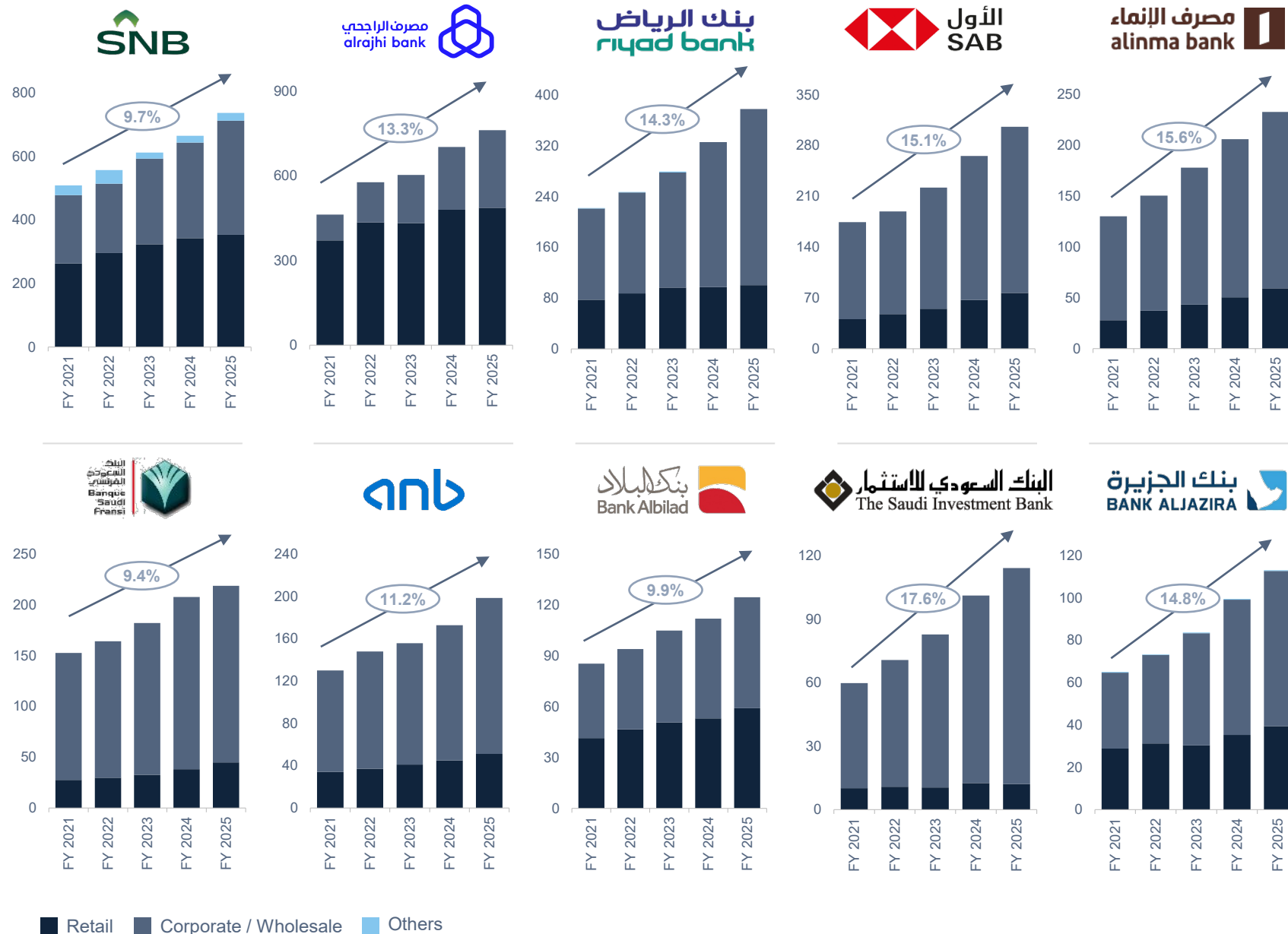
Note: MS refers to Market Share. A bank growing faster than the sector gains market share, while slower growth indicates a loss of market share  
Source: Financial statements, Investor presentations, A&M analysis

# Lending momentum delivered moderate but sustained growth held back by a slowdown across both corporate and retail segments

## Key Takeaways

- Aggregate gross loans and advances growth moderated to 11.5% YoY (vs. 14.1% in FY 2024), mainly due to slower growth in retail and corporate portfolio
  - Corporate and wholesale loans accounted for 58.9% of total loans, with growth moderating to 16.3% YoY (vs. 18.1% YoY in FY 2024)
  - Retail lending accounted for 40.3% of total loans, with growth moderating to 5.0% YoY (vs. 9.5% YoY in FY 2024)
- ALRAJHI contributed significantly to the aggregate loan portfolio, accounting for 23.9% of total loans among the top ten banks, followed by SNB (23.1%) and RIBL (11.9%)

## Gross Loans and Advances (SAR bn)



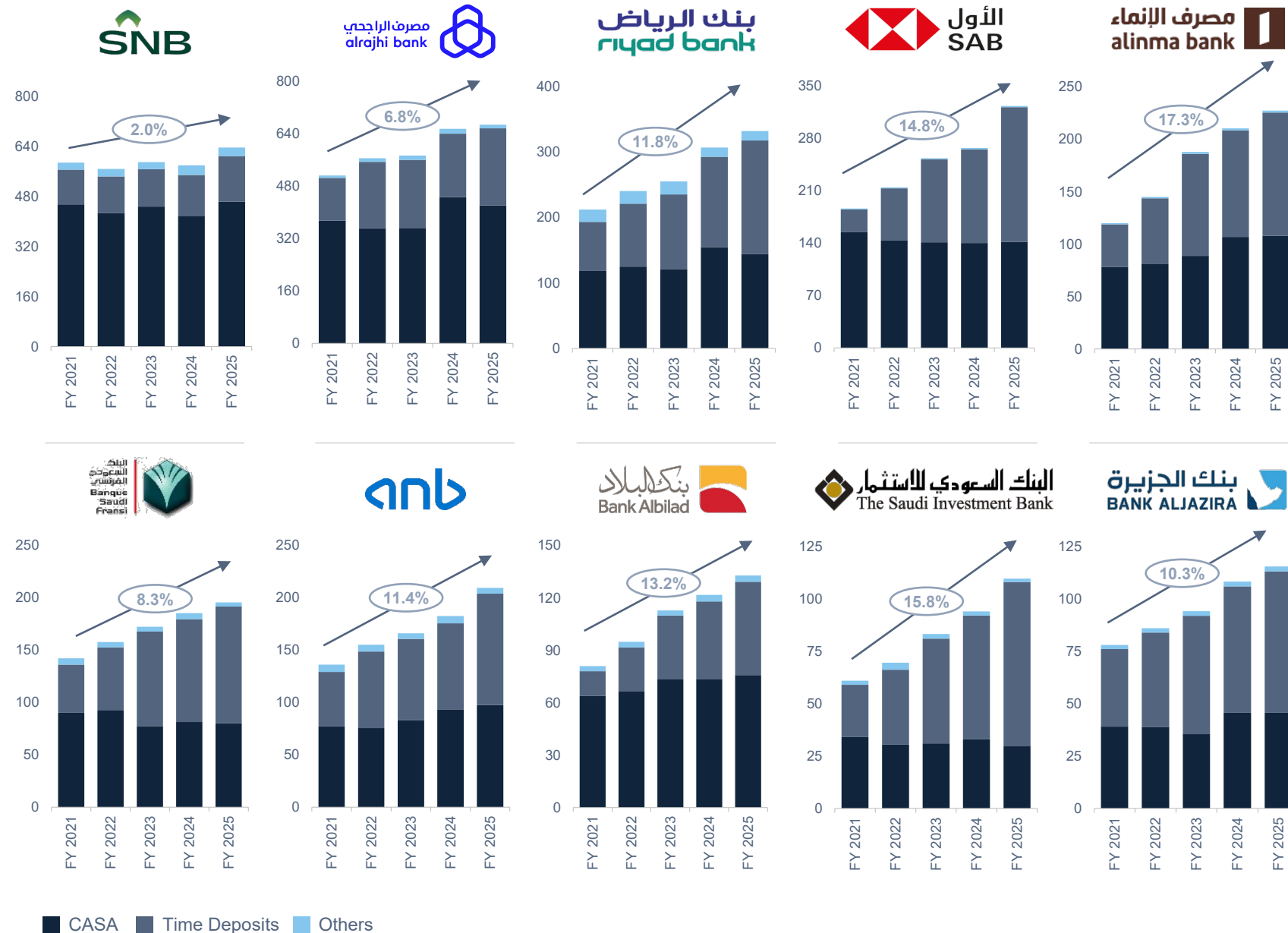
Note: Scaling and some numbers might not add up due to rounding  
Source: Financial statements, investor presentations, A&M analysis, 1 accumulated allowance for impairment / NPL

# Deposit growth eased marginally, mainly due to contraction in CASA deposits

## Key Takeaways

- Deposit mobilization grew by 8.8% YoY, easing from 8.9% YoY in the previous year, primarily due to lower growth in CASA deposits
  - CASA deposits accounted for 54.5% of total deposits and growth moderated sharply to 0.9% YoY (vs. 9.8% YoY in FY 2024), reflecting slower growth in savings and demand deposits amid rate cuts
  - Time deposits accounted for 43.0% of total deposits and expanded 22.8% YoY (vs. 7.5% YoY in FY 2024), reflecting a shift toward higher-cost funding and upward pressure on cost of funds
- ALRAJHI remained the largest contributor to aggregate deposits with a 22.6% share, followed by SNB (21.6%) and RIBL (11.3%)

## Customer Deposits (SAR bn)



Note: Scaling and some numbers might not add up due to rounding  
Source: Financial statements, investor presentations, A&M analysis, SAMA

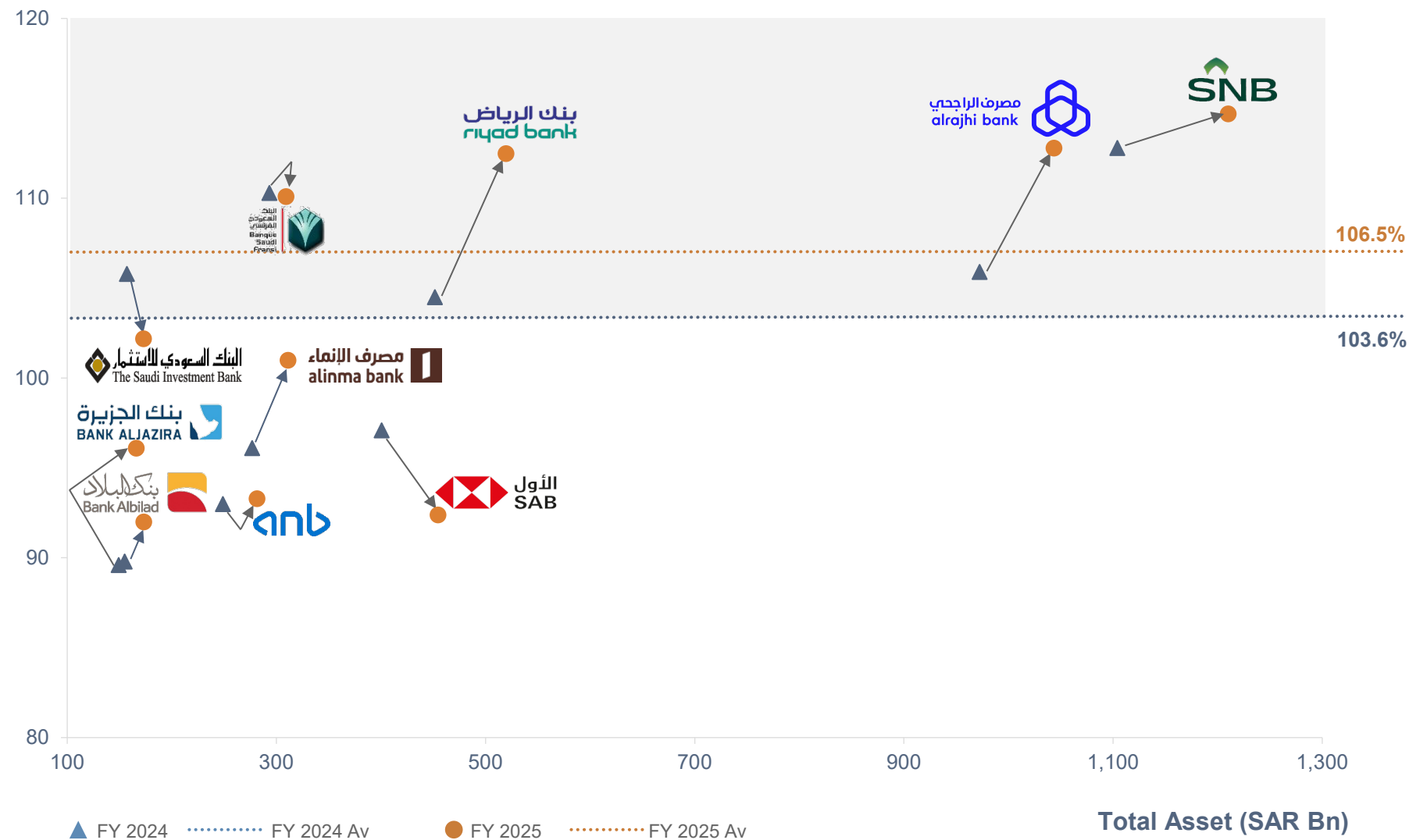
# Rising LDRs across banks signal a tightening liquidity environment

## Key Takeaways

- The aggregate LDR rose to 106.5% from 103.6% YoY, as lending growth continued to outpace deposit mobilization, signaling a tightening liquidity backdrop
- The increase was led by RIBL, ALRAJHI, and BJAZ
  - RIBL reported robust loan growth of 16.6% YoY against deposit growth of 8.3% YoY, lifting its LDR to 112.5% (vs. 104.5% in FY 2024)
  - At ALRAJHI, slower deposit growth of 1.9% YoY alongside moderate loan growth of 8.6% YoY pushed the LDR higher to 112.8% (vs. 105.9% in FY 2024)
  - BJAZ's LDR increased to 96.1% from 89.6% in the prior year
- Elevated LDRs point to a tightening liquidity environment, likely intensifying competition for deposits and sustaining pressure on funding costs and margins

# Loan to Deposits Ratio (%)

Loan-to-Deposit Ratio %



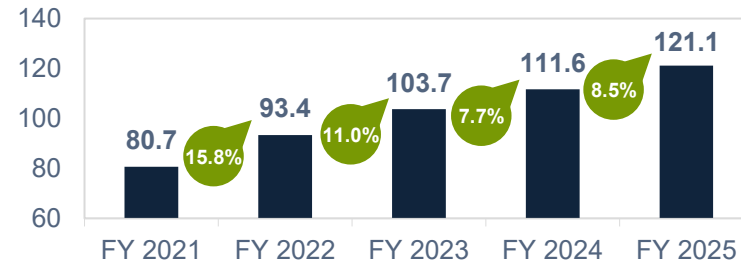
Note: The grey zone is an area of healthy liquidity  
Source: Financial statements, A&M analysis

# In a low-rate environment, income growth is primarily driven by non-interest income

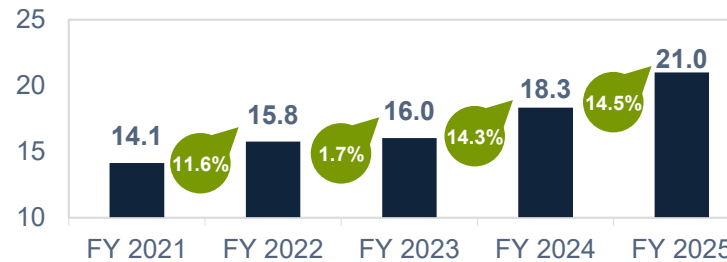
## Key Takeaways

- Aggregate operating income rose by 11.3% YoY to SAR 159.2bn, extending its steady upward trajectory
  - Net interest income grew by 8.5% YoY (vs. 7.7% in FY 2024), underscoring earnings resilience despite rate cuts
  - Non-interest income remained a key growth driver, with net fee and commission income increasing by 14.5% YoY (vs. 14.3% in FY 2024) and other operating income growth accelerating to 30.2% YoY from 16.4% in FY 2024
- Among the top 10 KSA banks, SNB and ALRAJHI each contributed 24.6% of total operating income, followed by RIBL at 11.5% and SAB at 9.3%

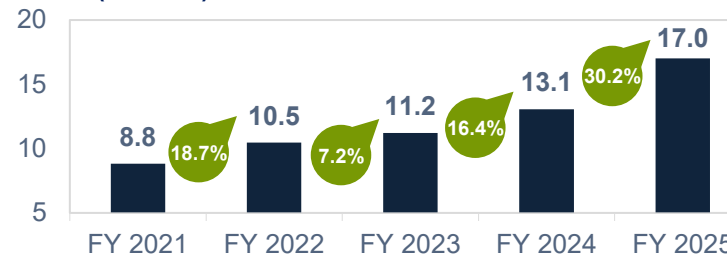
### Net Interest Income (SAR bn)



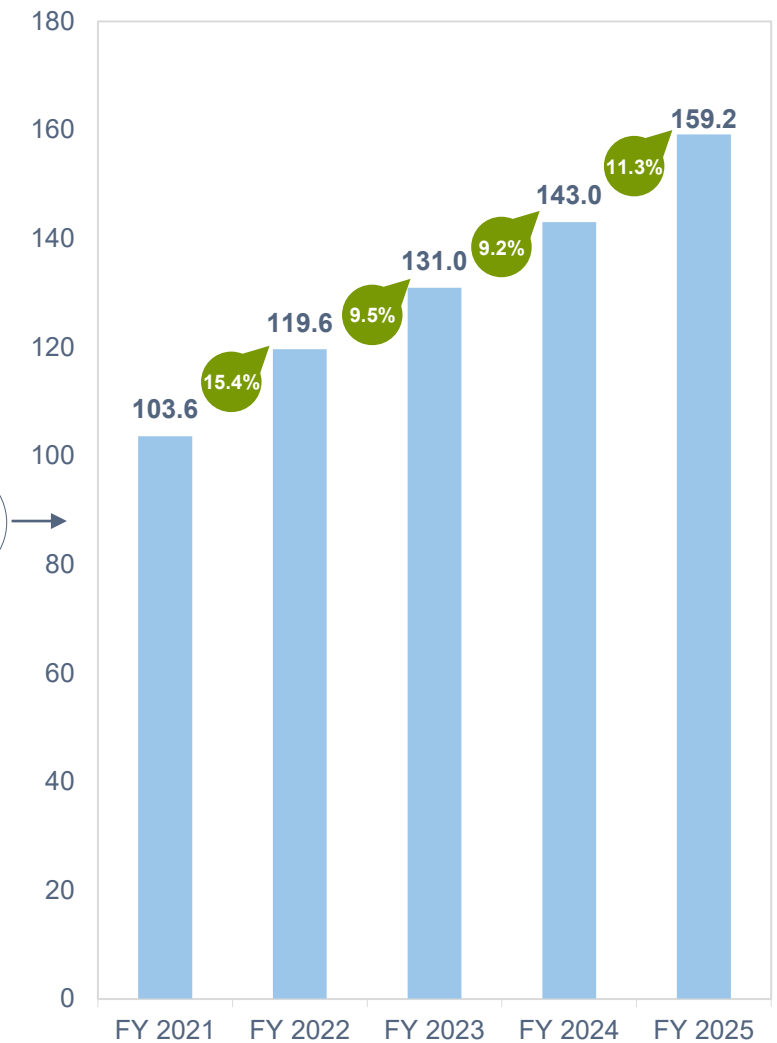
### Net Fee and Commission Income (SAR bn)



### Other operating Income (SAR bn)



### Operating Income (SAR bn)



● Improved
 ● Worsened

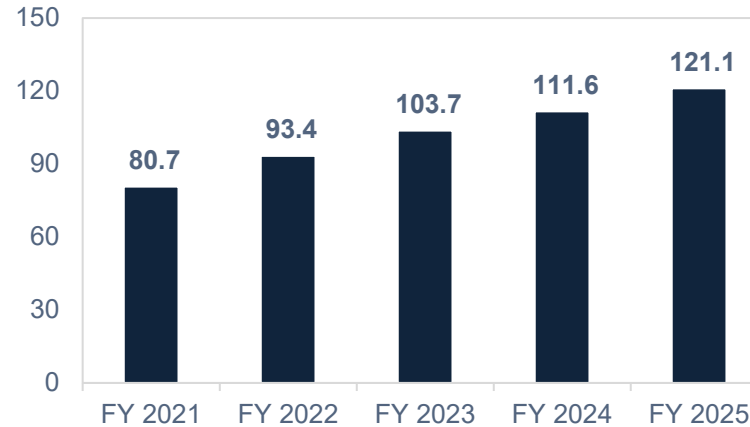
Note: Some numbers might not add up due to rounding  
Source: Financial statements, investor presentations, A&M analysis

# Rate cuts drove yield compression, while sticky funding costs weigh on spreads

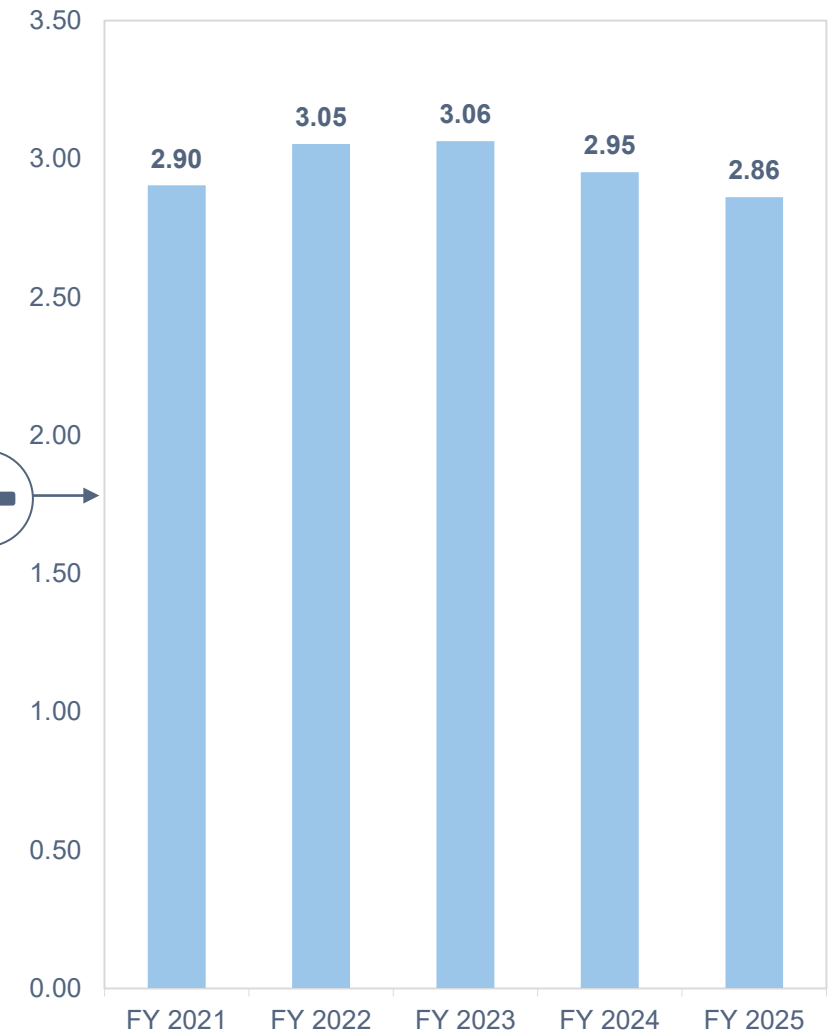
## Key Takeaways

- Aggregate NIM of the banks contracted to 2.86% from 2.95% in the previous year, reflecting pressure following monetary easing (SAMA reduced its repo rate by 75bps during the year to 4.25%)
- The average net earning assets of the banks expanded by 11.9% YoY outpacing the 8.5% YoY growth in Net Interest Income
- The spread between YoC and CoF compressed to 3.3% from 3.6%, as the YoC declined by 25bps YoY to 6.8%, while CoF remained flat at 3.5%
- Overall, the data suggests that asset-side repricing occurred faster than liability-side adjustments, resulting in spread compression despite continued balance sheet expansion

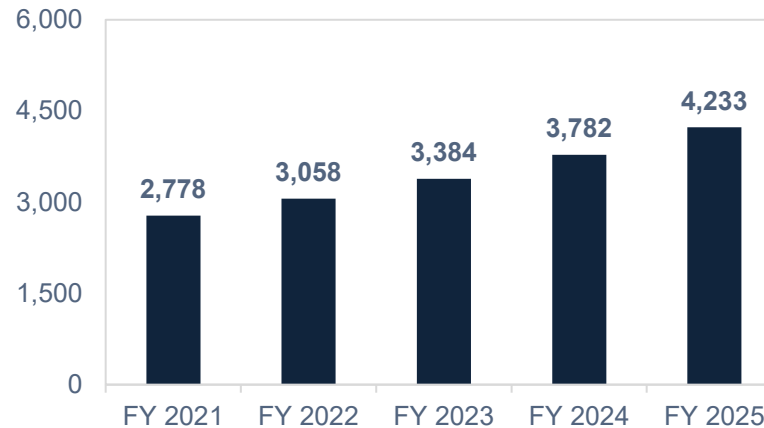
### Net Interest Income (SAR bn)



### Net Interest Margin\* (%)



### Net Earning Assets\*\* (SAR bn)



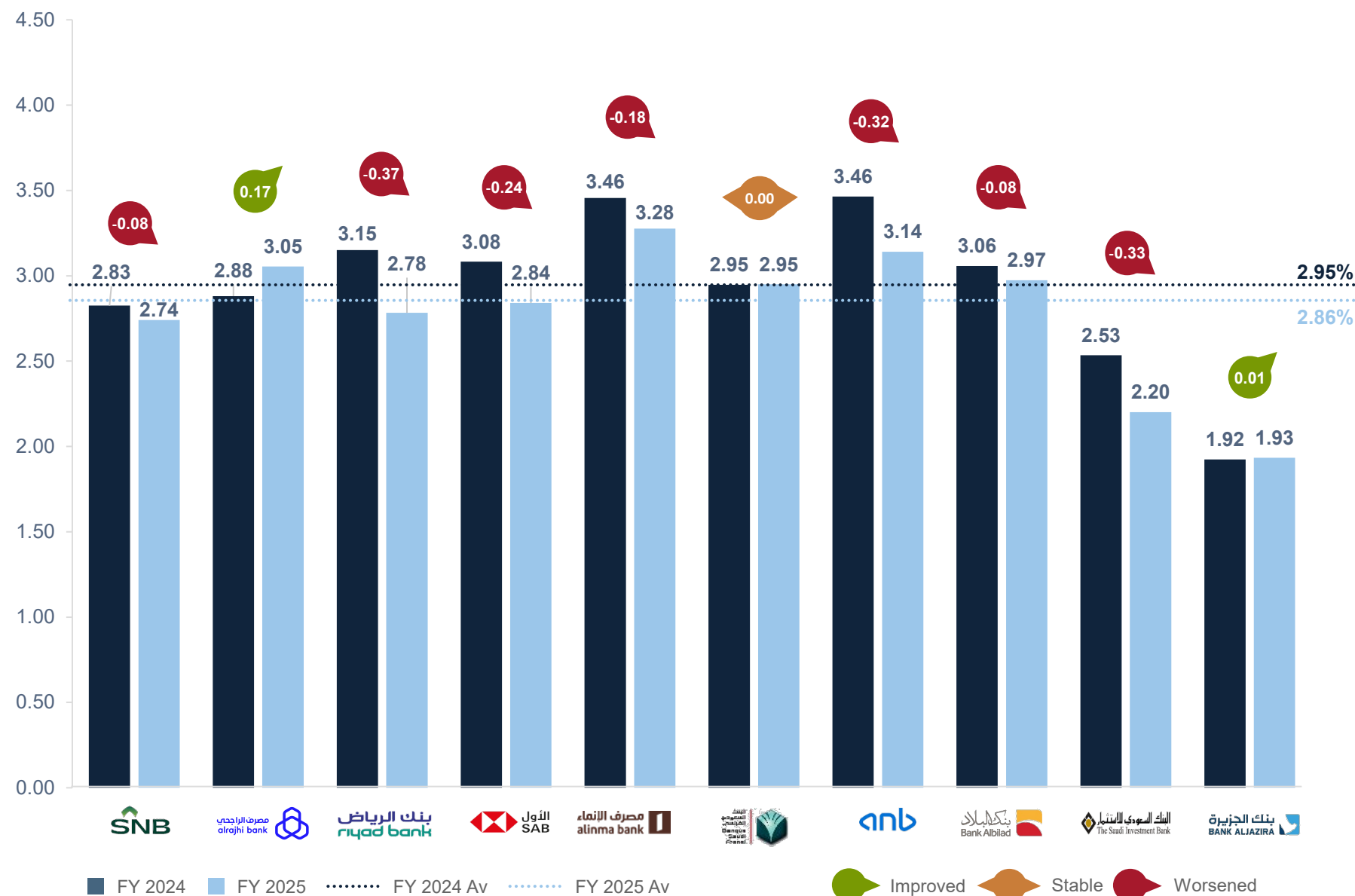
Notes: \*Net Interest Margin calculated as annual net interest income divided by annual net earning assets, where annual net earning assets are calculated as average of the current and previous period  
 \*\*Net earning assets are calculated as average of the current and previous period  
 Source: Financial statements, investor presentations, A&M analysis

# Banks witnessed spread compression, with select banks demonstrating margin resilience

## Key Takeaways

- Seven out of 10 banks reported a decline in NIM during the year, with RIBL and SAIB registering the most pronounced declines
- RIBL's NIM was 2.78% (down by 37bps YoY), primarily driven by a decrease in YoC to 7.0% (-31bps YoY) coupled with a higher funding cost of 3.6% (+23bps YoY)
  - Net interest income growth of the bank moderated to 1.5% YoY; however, the bank has guided for high-single-digit NII growth in FY 2026 supported by healthy asset mix and repricing initiatives
- SAIB recorded a contraction in NIM by 33bps YoY to 2.20%, due to decrease in YoC by 65bps to 7.2%, alongside a shift in deposit composition that increased its funding costs
  - Net interest income growth of the bank moderated to 1.5% YoY; however, the bank has guided for high-single-digit NII growth in FY 2026 supported by healthy asset mix and repricing initiatives
- In contrast, ALRAJHI had a 17bps YoY expansion in NIM to 3.05%, reflecting stronger asset repricing and funding optimization, supported by its retail-focused franchise and funding profile

## Net Interest Margin (% Annual)



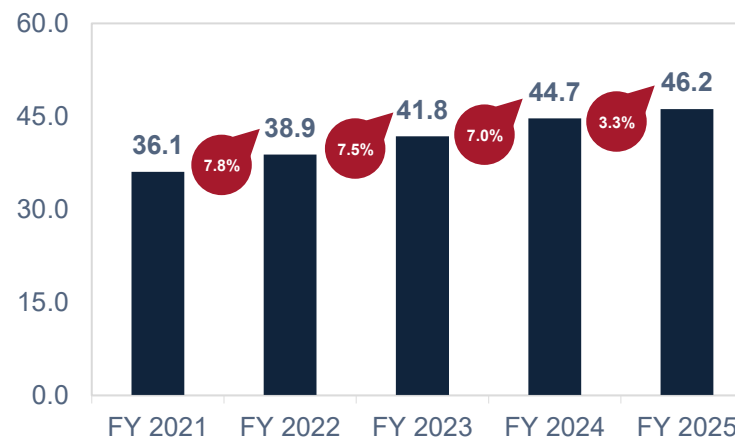
Note: Some numbers might not add up due to rounding off  
Source: Financial statements, investor presentations, A&M analysis

# Banks' cost optimization measures and strong revenue momentum led to cost efficiency gains

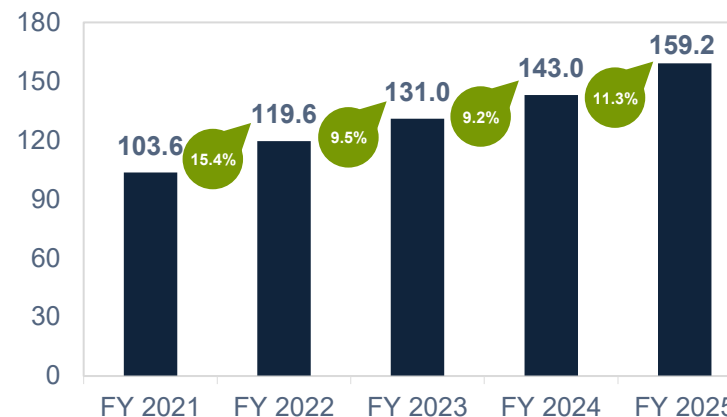
## Key Takeaways

- Seven out of 10 banks reported a decline in NIM during the year, with RIBL and SAIB registering the most pronounced declines
  - Operating income growth of 11.3% YoY significantly outpaced the 3.3% YoY expansion in operating expenses, reflecting strong operating leverage and driving a meaningful improvement in the C/I ratio
  - The robust operating income growth is supported by non-interest income, which grew by 21.1% YoY, reflected banks' increased focus on revenue diversification
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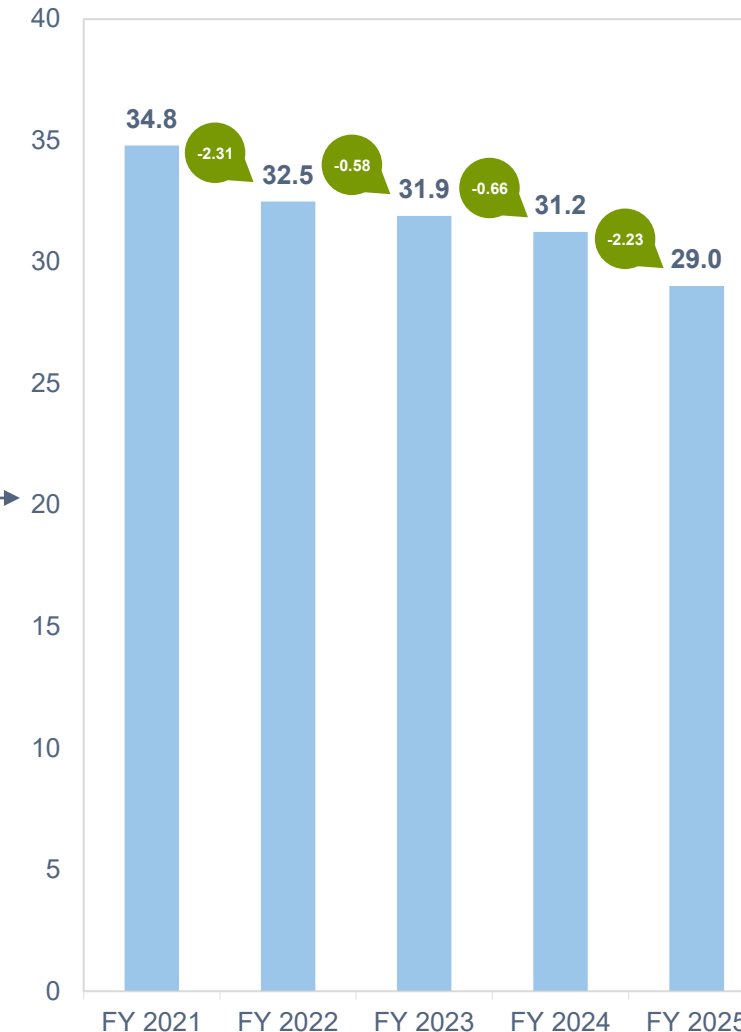
### Operating Expense (SAR bn)



### Operating Income (SAR bn)



### Cost to Income Ratio (% Annual)



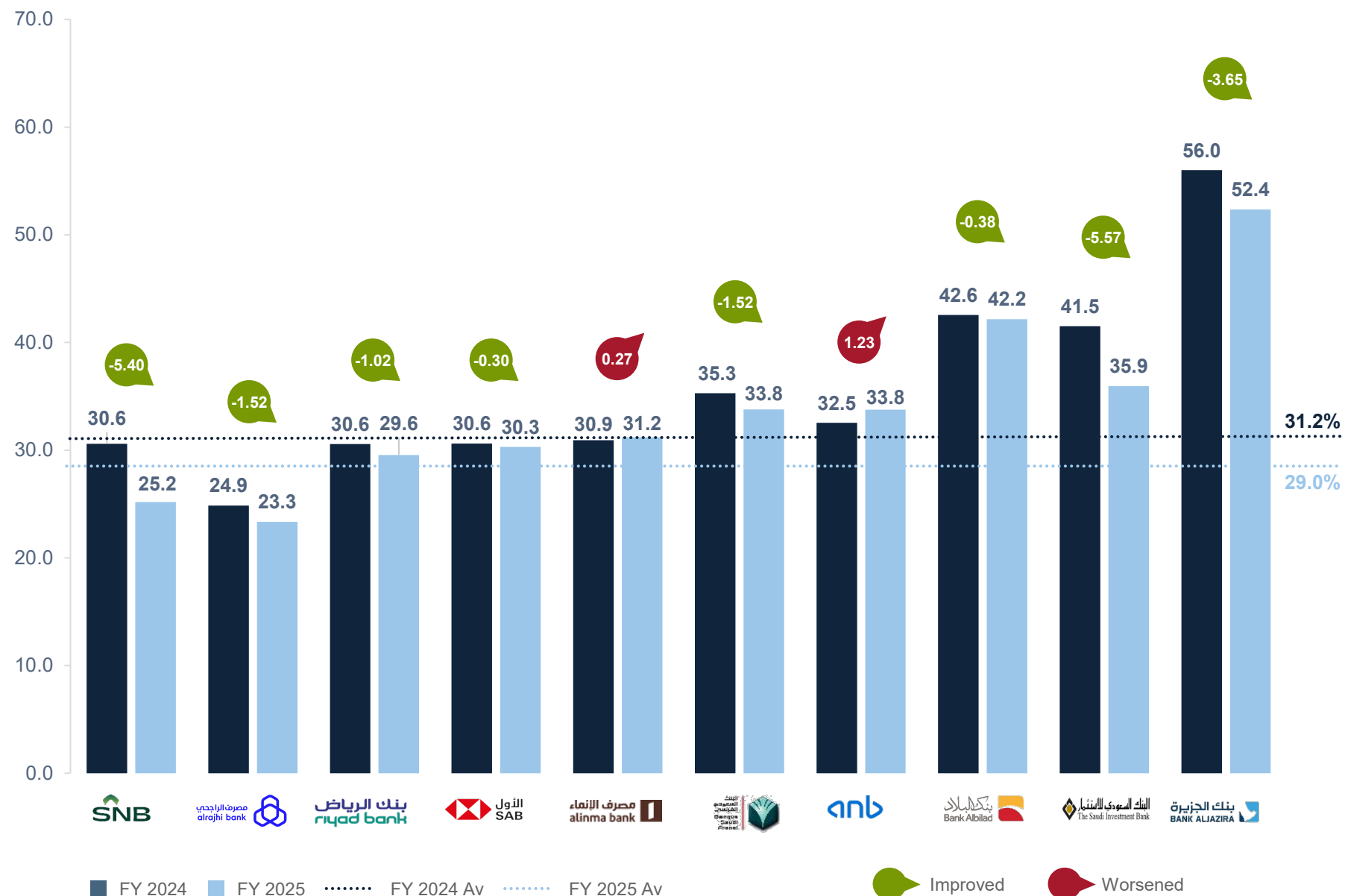
● Improved
 ● Worsened

# Cost discipline underpinned broad-based efficiency gains across the Saudi banking sector

## Key Takeaways

- Eight out of 10 banks recorded an improvement in cost efficiency during the year, with SNB and SAIB demonstrated the most notable gains
- SNB's C/I ratio improved to 25.2%, down by 5.4% YoY, driven by a combination of operating expense rationalization and steady top-line growth (+8.8% YoY in operating income)
  - Operating expense declined by 10.4% YoY, primarily supported by 11.6% YoY reduction in depreciation and amortization and a significant 32.2% YoY decline in general and administrative expenses
- SAIB reported a C/I ratio of 35.9% (down by 5.6% YoY), underpinned by robust operating income growth of 14.7% YoY, alongside marginal moderation in operating expenses
  - However, earnings were supported by a one-off gain from sale of land of SAR 535mn
  - Adjusting for this non-recurring item, the bank's underlying C/I ratio stands at 40.5%, still reflecting a 1.0% YoY improvement, indicating modest core efficiency gains

## Cost to Income Ratio (% Annual)



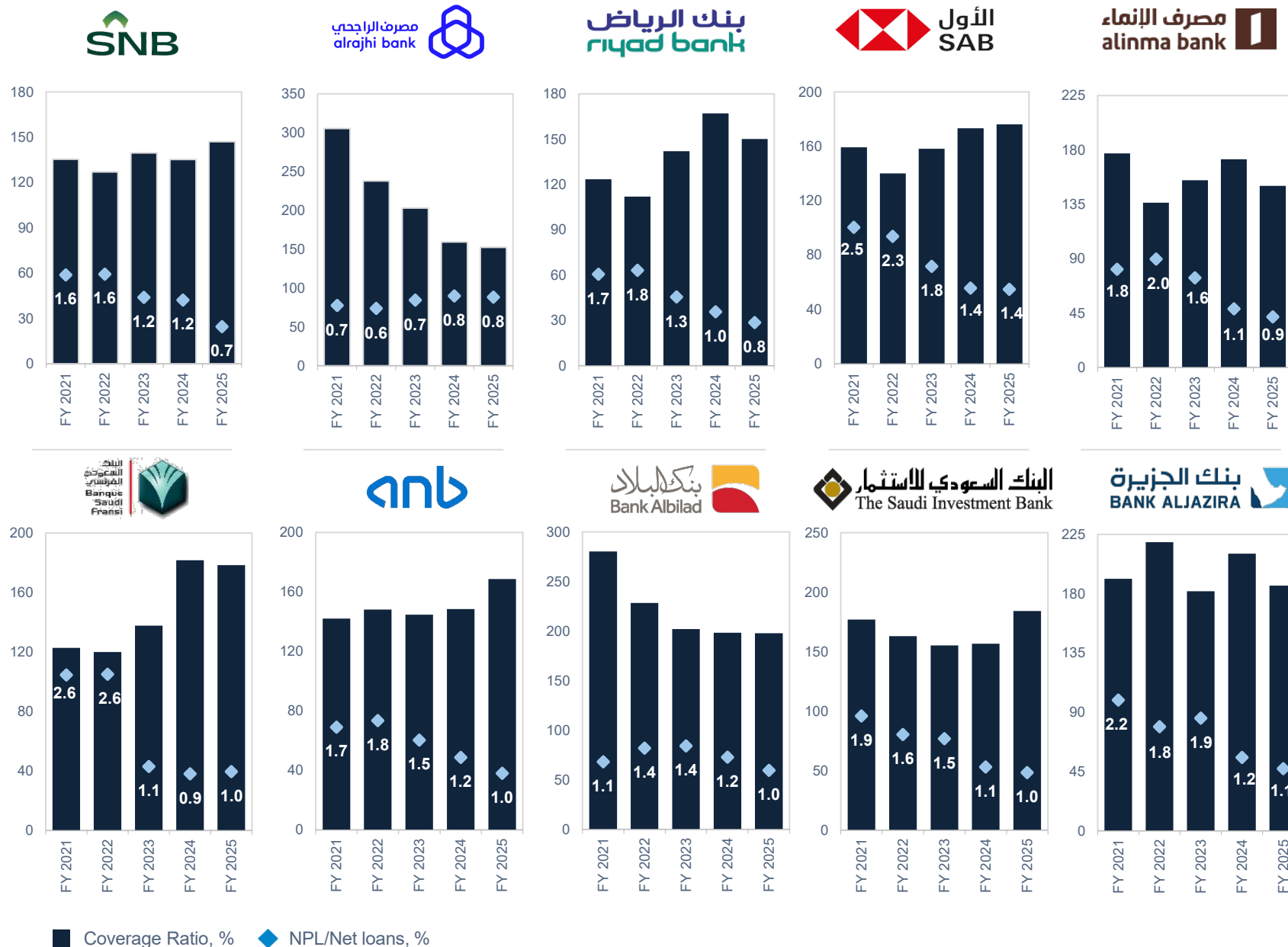
Note: Scaling and some numbers might not add up due to rounding  
Source: Financial statements, investor presentations, A&M analysis

# Banks' asset quality continued to strengthen, reflecting through declining NPL ratios and strong coverage levels

## Key Takeaways

- The asset quality continued to strengthen across the sector, with the aggregate coverage ratio rising by 1.4% YoY to 162.4%, underscoring conservative provisioning despite a sharp 7.6% YoY decline in non-performing loans, even as impairment allowance fell by a relatively lower 6.8% YoY
- The sector NPL ratio improved further by 18bps YoY to 0.9%, reflecting continuous improvement in the asset quality
- SNB delivered the strongest improvement, with its NPL ratio declined 49bps YoY to 0.7%, driven by a 35.0% YoY reduction in NPLs across both retail and corporate segments, supported by year-end write-offs of fully provided exposures
  - Bank's both retail and corporate segment experienced significant reduction by 43.9% YoY and 32.7% YoY in NPLs, respectively
- In contrast, BSF's NPL ratio increased by 4bps YoY to 1.0%, as its NPL volume increased by 9.5% YoY

## Coverage Ratio<sup>1</sup> and NPL/Net Loans Ratio (% , Annual)



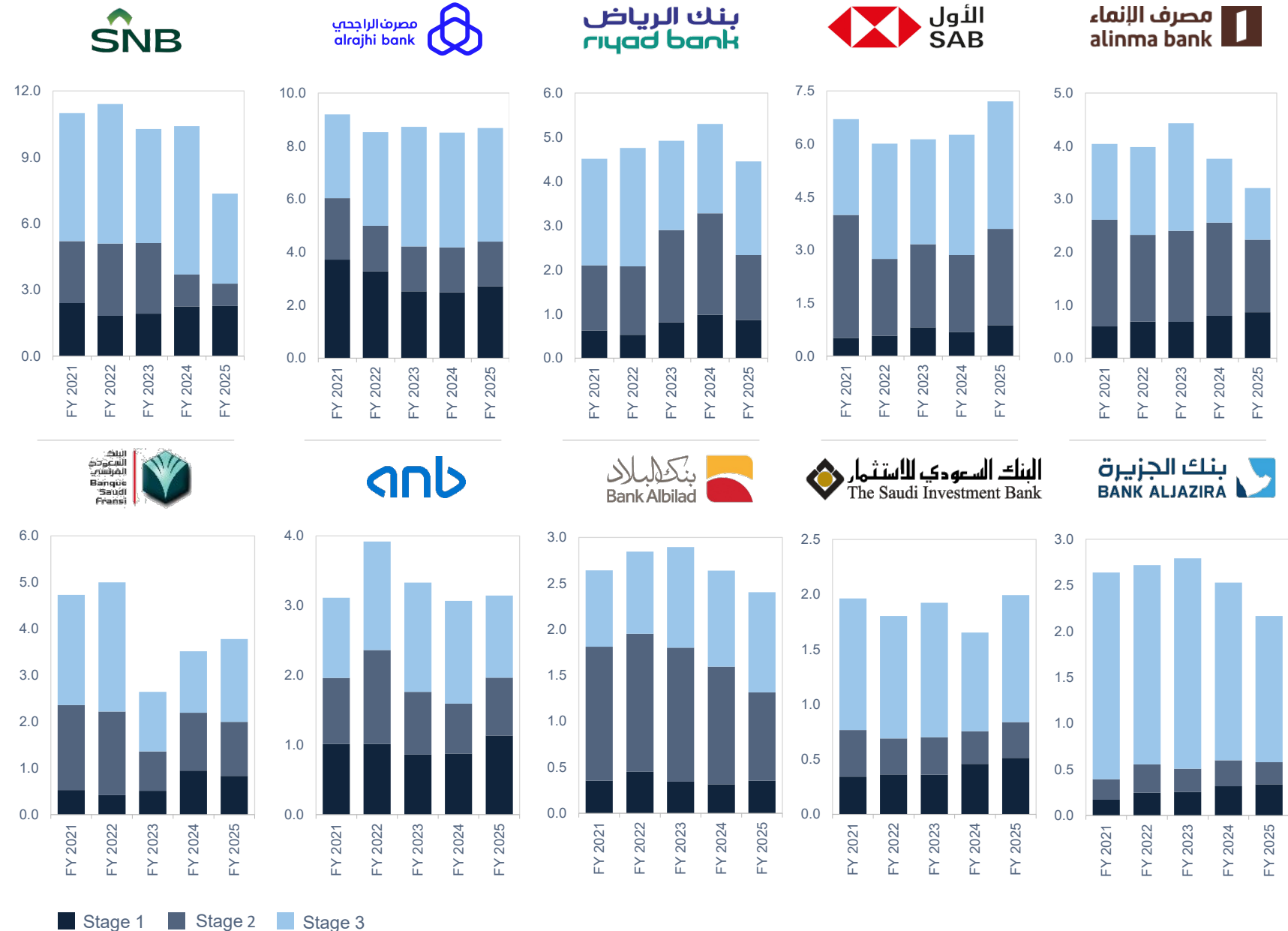
Note: Scaling and some numbers might not add up due to rounding  
Source: Financial statements, investor presentations, A&M analysis, 1 accumulated allowance for impairment / NPL

# Lower ECL charges signal asset quality recovery, led by reductions in Stage 2 and Stage 3 exposures

## Key Takeaways

- Aggregate ECL declined by 6.8% YoY (vs. 0.9% YoY decline in FY 2024), reflecting continued improvement in asset quality and lower incremental provisioning requirements
- The reduction was led by a sharp 10.2% YoY decline in Stage 3 ECL, which lowered its share of total ECL allowances to 49.2% from 51.1% in FY 2024
  - Among the top five banks, SNB and ALINMA recorded the largest declines in Stage 3 ECL, down by 39.3% YoY and 18.9% YoY, respectively
- Stage 2 ECL also declined by 10.7% YoY, reducing its share in total ECL to 26.5% from 27.7% in the prior year, led by RIBL (-36.1% YoY) and SNB (-29.8% YoY)
- Despite the overall improvement, concentration remains evident, with ALRAJHI, SNB, and SAB accounting for the largest shares of Stage 3 exposures at 19.6%, 18.6%, and 16.5%, respectively

## Stage Wise ECL Mix (SAR bn)



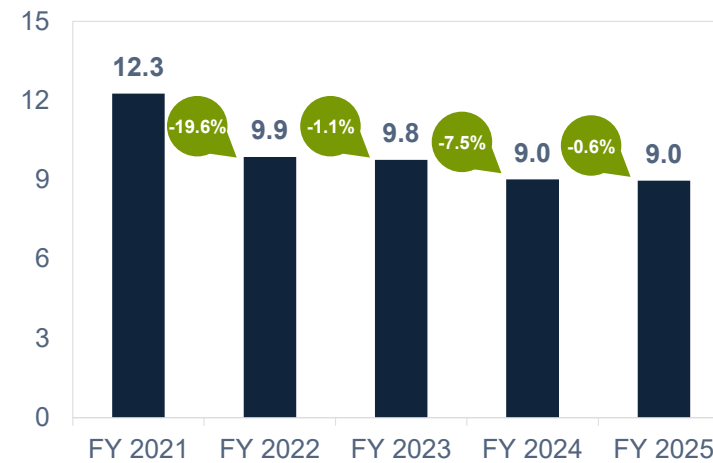
Note: Scaling and some numbers might not add up due to rounding  
 Source: Financial statements, investor presentations, A&M analysis, 1 accumulated allowance for impairment / NPL

# Resilient credit environment has reduced impairment provisioning requirements, supporting lower cost of risk

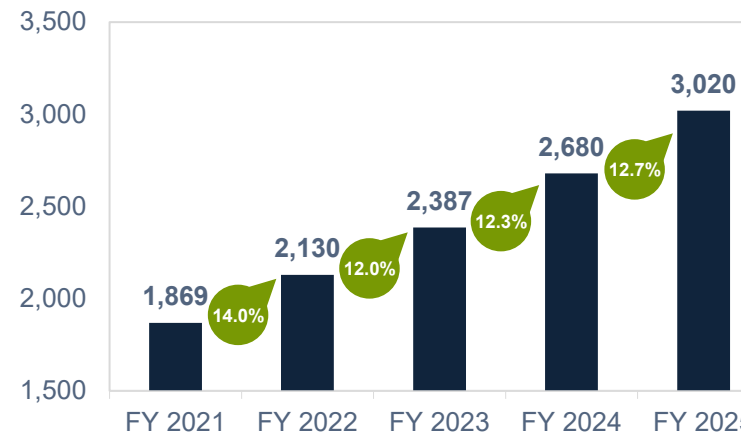
## Key Takeaways

- The aggregate CoR improved further to 0.30% from 0.34%, driven primarily by 12.7% YoY growth in average gross loans, while net loan loss provisions remained largely flat, declining marginally by 0.6% YoY to SAR 9.0bn
- The divergence between strong credit growth and stable provisioning indicates improved borrower quality and disciplined underwriting, resulting in lower incremental provisioning needs
- Overall, the asset quality trend remained constructive, with current indicators suggesting no immediate pressure on credit costs

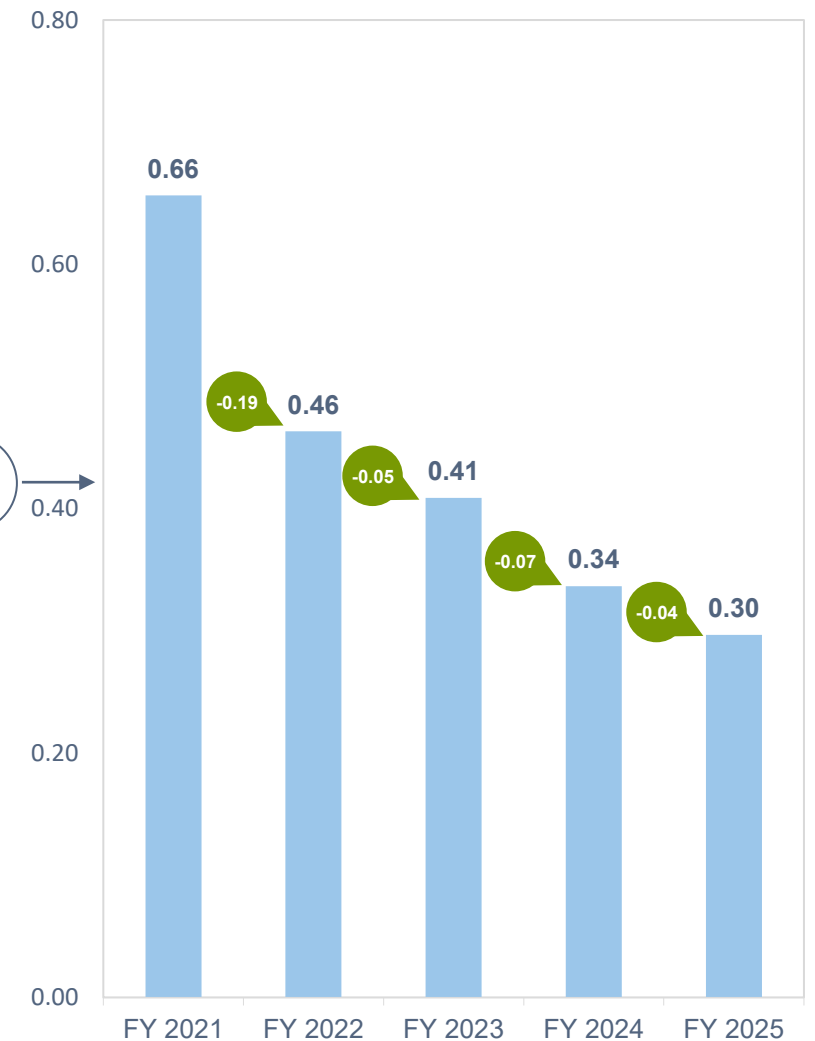
### Net Loan Loss Provisions (SAR bn)



### Gross Loans\*\* (SAR bn)



### Cost of Risk\* (%)



Improved

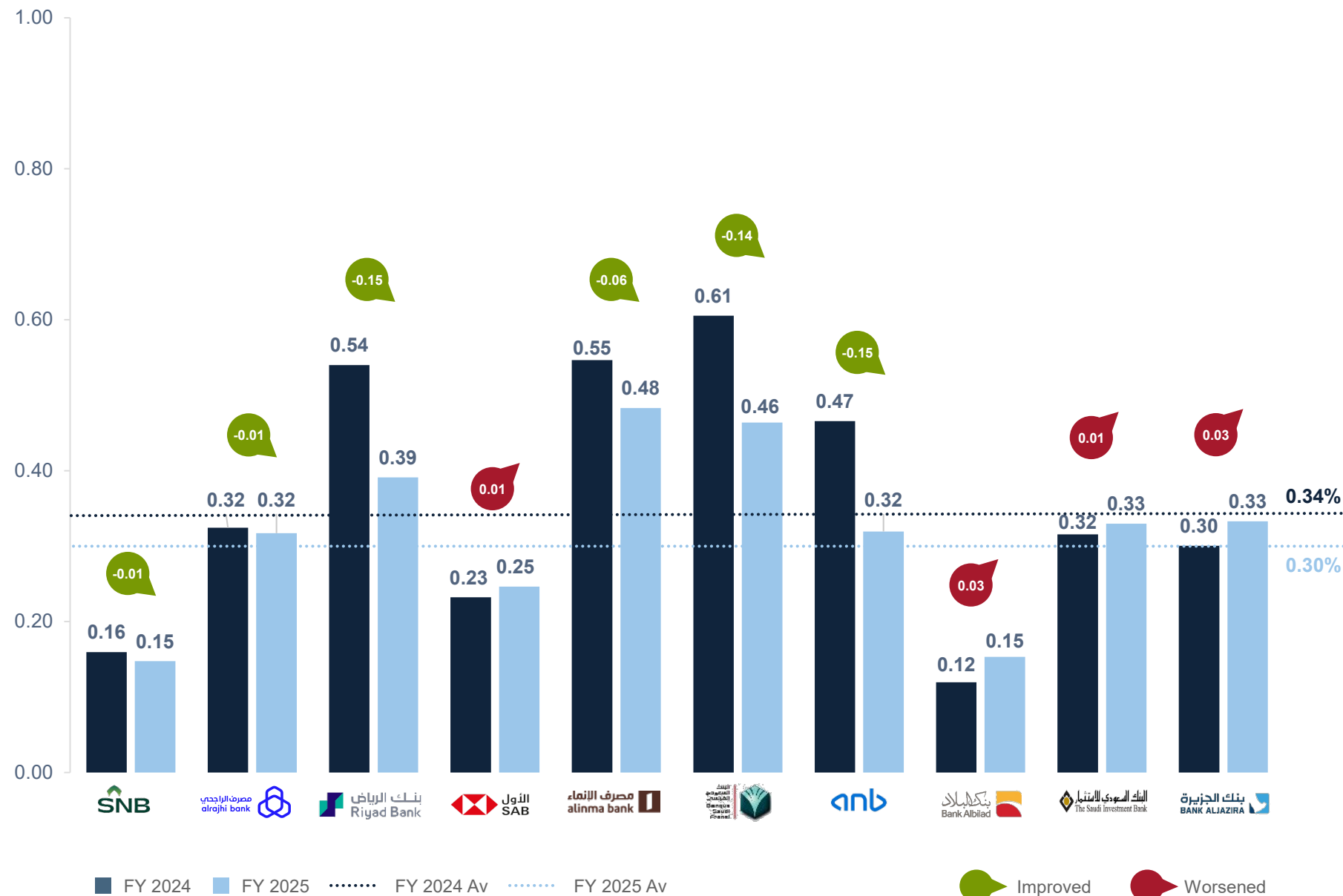
Note: Some numbers might not add up due to rounding.  
 \*CoR is calculated as annual Net Loan Loss Provisions divided by the Gross Loans, where gross loans are calculated as average of the current and previous period  
 \*\* Gross loans are calculated as average of the current and previous period  
 Source: Financial statements, investor presentations, A&M analysis

# Lower provisioning requirements driving improvement in CoR, although select banks are showing early signs of reversal

## Key Takeaways

- Six out of 10 banks reported an improvement in CoR, led by ANB and RIBL, reflecting benign credit conditions and disciplined provisioning
- ANB delivered a 15bps YoY decline in CoR to 0.32%, supported by a sharp 22.4% YoY reduction in net loan loss provisions alongside strong average-gross-loan growth of 13.1% YoY
- RIBL recorded a 15bps improvement in its CoR to 0.39%, driven by a 15.8% YoY decline in net loan loss provision, while average-gross-loan growth increased to 16.3% YoY
- In contrast, SAB's CoR increased marginally by 1bp YoY to 0.25%, though net loss provisions grew significantly by 24.3% YoY
  - Management guidance for FY 2026 CoR in the range of 0.25–0.35% signals a more cautious outlook, suggesting a potential normalization of credit costs as the cycle matures

## Cost of Risk - Net of Reversals (% Annual)



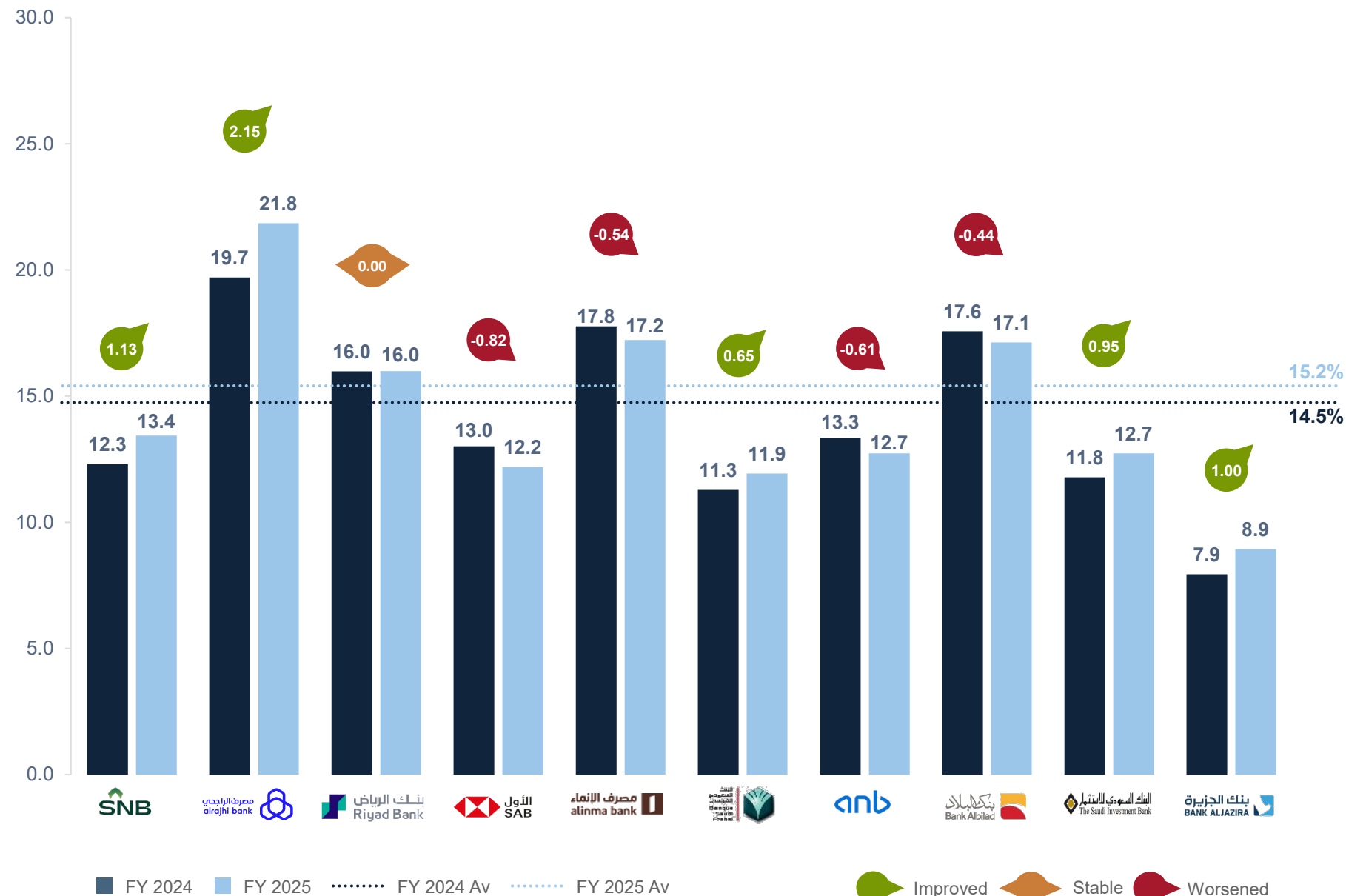
Note: Scaling and some numbers might not add up due to rounding  
Source: Financial statements, investor presentations, A&M analysis

# Strong operating income momentum and sustained cost-efficiency gains drove earnings growth, translating into robust profitability

## Key Takeaways

- The sector RoE improved to 15.2% (up 72bps YoY), driven by a solid 16.2% YoY growth in net income\*, supported by resilient non-interest income and operating efficiency gains
- Half of the banks registered an improvement in RoE, led by sector heavyweights SNB and ALRAJHI
- SNB recorded a RoE of 13.4%, up 1.1% YoY, underpinned by robust net income\* growth of 18.0% YoY
  - The bank's net income growth of the bank driven by strong non-interest income growth of 20.8% YoY and a 10.4% YoY decline in operating expenses
- ALRAJHI's RoE improved by 2.2% YoY to 21.8%, supported by a 25.7% YoY increase in net income\*, which largely driven by a 22.0% YoY expansion in operating income
- In contrast, SAB and ALINMA saw RoE moderation to 12.2% (-82bps YoY) and 17.2% (-54bps YoY), respectively, due to slower earnings growth

## Return on Equity (% , Annual)



Note: Scaling and some numbers might not add up due to rounding  
 \*Net income refers to net income attributable to equity shareholders  
 Source: Financial statements, investor presentations, A&M analysis

# Resilient earnings and cost discipline sustain KSA banks' profitability, though higher capital requirements and rate cuts pose near-term headwinds

## Key Takeaways

- KSA banks' profitability remained resilient, with RoE improving by 72bps YoY to 15.2%, driven by banks' focus on non-interest income and disciplined cost management
  - However, SAMA's decision to raise the CCyB\* to 1% from 0%, effective May 2026, is likely to put pressure on RoE in the coming year
- IMF estimates real GDP growth of 4.5% in FY 2025, led by strong 5.6% YoY expansion in oil activities, followed by non-oil growth of 4.9% YoY, while government activities grew 0.9% YoY
- Looking ahead, credit demand is expected to strengthen, driven by corporate lending opportunities linked to Vision 2030 projects and a pickup in retail lending supported by anticipated interest rate cuts in FY 2026
- While monetary easing and higher capital buffers may weigh on margins and profitability, accelerating loan growth should partially offset these pressures
- Overall, banks with a diversified revenue mix, strict cost discipline, and a strong funding profile are well positioned to sustain profitability



■ Improved ■ Stable ■ Worsened

Note: All the charts above are based on annual numbers  
 Op Income stands for Operating Income  
 \*CCyB stands for Countercyclical capital buffer  
 Scaling and some numbers might not add up due to rounding  
 Source: Financial statements, Investor presentations, A&M analysis, GATSTAT

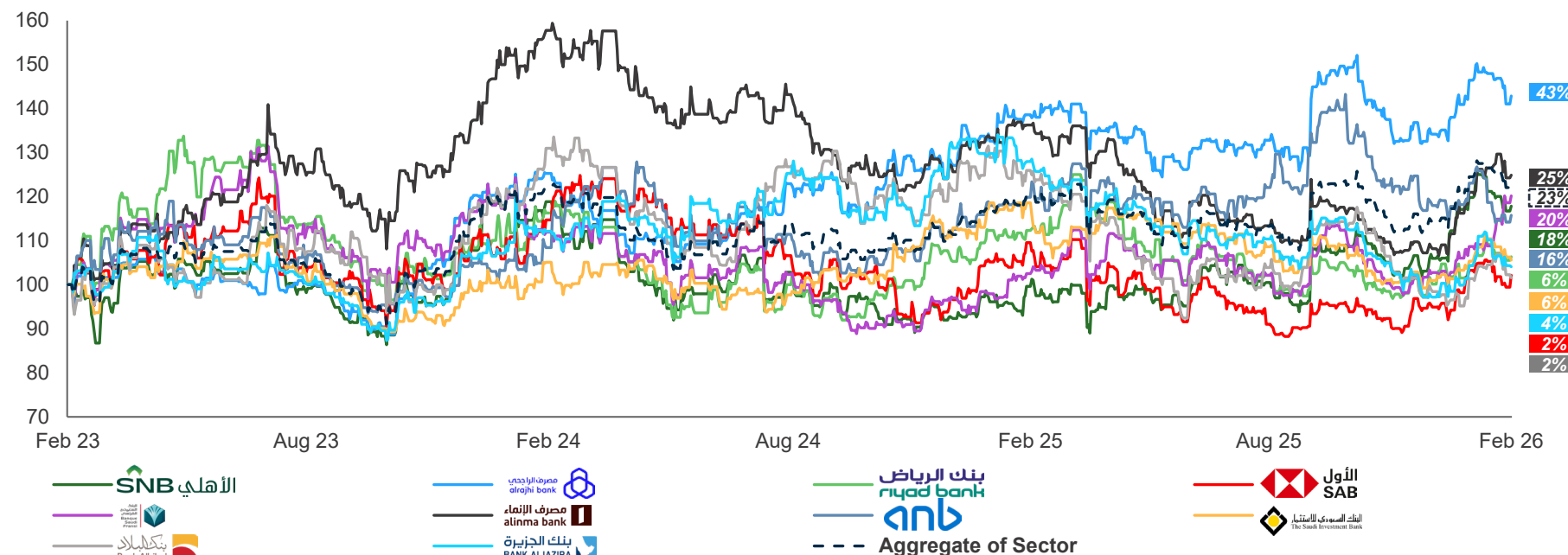
# Saudi banks enter 2026 with resilient earnings, while funding costs and liquidity drive share-price dispersion

## Key Takeaways

- Despite solid earnings growth and net income resilience through 2025, net interest margins softened due to tighter liquidity and funding cost pressures, limiting share price upside
- Performance dispersion widened, reflecting differences in deposit franchises, liquidity buffers, and cost discipline
- Investors' sentiment remains selective but constructive, underpinned by confidence in institutional governance, prudent risk culture, and the sector's ability to adapt to evolving macro and funding conditions

# Share Price Evolution Across Saudi Banks

L3Y Share Price Evolution (Rebased to 100)



	L3M	Q4	L6M	L1Y	L2Y	L3Y
الأهلبي Saudi National Bank	12%	(4%)	17%	18%	(1%)	18%
مصرف الراجحي Al Rajhi Bank	4%	(8%)	8%	3%	14%	43%
بنك الرياض Riyad Bank	8%	(3%)	4%	(5%)	(9%)	6%
الأول SAB	11%	(1%)	12%	(7%)	(11%)	2%
Banque Saudi Fransi	20%	(8%)	18%	17%	7%	20%
مصرف الإنماء alinma bank	14%	(10%)	10%	(8%)	(21%)	25%
anب Arab National Bank	(6%)	(14%)	(5%)	(3%)	7%	16%
البنك السعودي للاستثمار The Saudi Investment Bank	5%	(8%)	(3%)	(11%)	1%	6%
بنك البلاد Bank Albilad	(5%)	(15%)	(2%)	(19%)	(22%)	2%
بنك الجزيرة BANK ALJAZIRA	(1%)	(14%)	(6%)	(19%)	(7%)	4%
<b>Aggregate Saudi Banking Sector Market Cap</b>	<b>7%</b>	<b>(7%)</b>	<b>9%</b>	<b>3%</b>	<b>1%</b>	<b>23%</b>
<b>Simple Average Based on Each Bank Evolution</b>	<b>6%</b>	<b>(8%)</b>	<b>5%</b>	<b>(3%)</b>	<b>(4%)</b>	<b>14%</b>

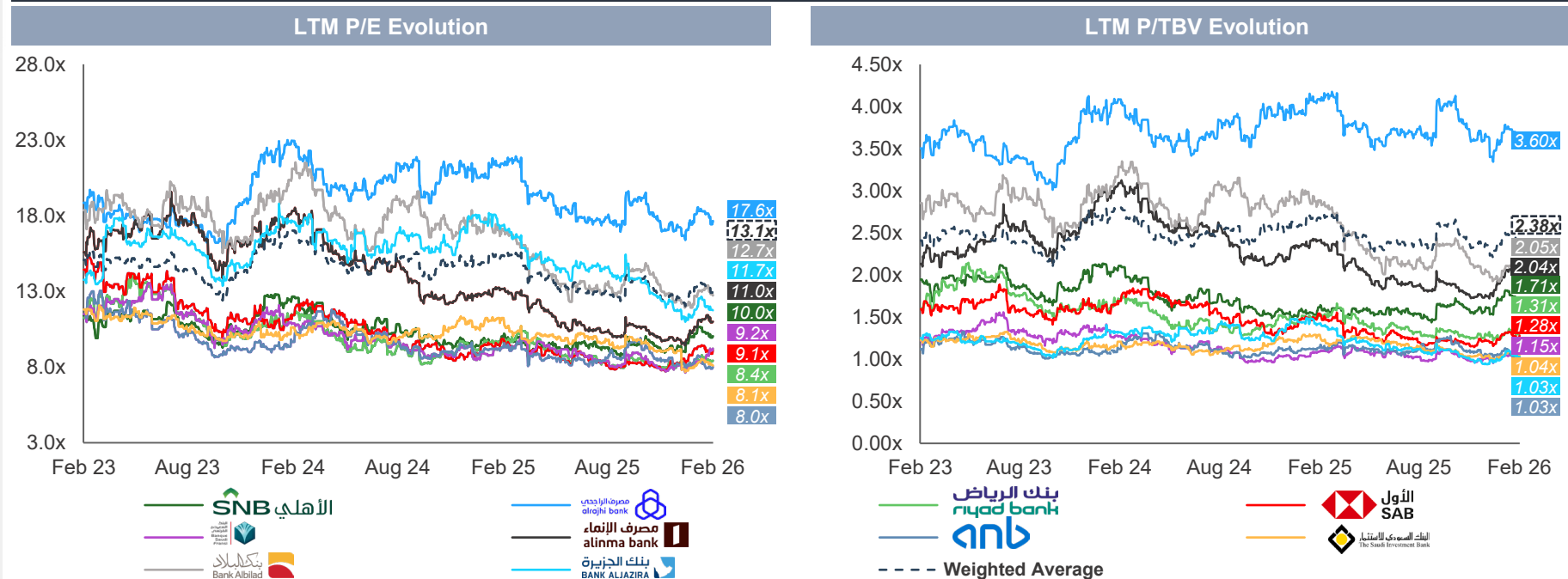
# Despite modest softening, Saudi banks' valuation dynamics remain resilient, supported by solid earnings and capital buffers

## Key Takeaways

- As of FY2025, Saudi banks trade at a simple average P/E of c.10x and P/TBV of c.1.5x, still comparing favorably with regional and global peers
- Strong capitalization remains a key anchor, while investors' focus is shifting toward capital quality, funding efficiency, and balance-sheet optimization as loan growth continues to outpace deposits at the system level
- Near-term multiples expansion may remain selective, with medium-term re-rating driven by consistent margin delivery, funding cost normalization, stabilizing loan-to-deposit ratios, and credible strategic execution

## Valuation Snapshot

LTM P/E and P/TBV Evolution for Banks in Saudi Arabia



	Q4 – 31st December		3 Months Ago		6 Months Ago		1 Years Ago		2 Years Ago		3 Years Ago	
	P/E	P/TBV	P/E	P/TBV	P/E	P/TBV	P/E	P/TBV	P/E	P/TBV	P/E	P/TBV
الأهلي SNB	9.0x	1.53x	9.3x	1.59x	9.3x	1.54x	10.0x	1.61x	12.7x	2.11x	11.4x	1.95x
بنك الرياض Riyad Bank	16.7x	3.40x	17.7x	3.73x	17.9x	3.73x	21.4x	4.09x	22.9x	4.08x	18.8x	3.51x
الأول SAB	8.2x	1.26x	8.0x	1.26x	8.3x	1.32x	9.7x	1.51x	11.4x	1.71x	11.3x	1.59x
بنك الجزيرة Bank Aljazira	8.5x	1.19x	8.0x	1.18x	8.1x	1.20x	9.9x	1.54x	11.4x	1.69x	14.4x	1.59x
بنك البلاد Bank Albilad	7.8x	0.97x	7.9x	0.99x	8.4x	1.02x	9.3x	1.09x	10.9x	1.27x	11.5x	1.22x
بنك الإنماء Alinma Bank	9.5x	1.76x	10.0x	1.77x	10.3x	1.87x	13.2x	2.41x	18.3x	3.09x	15.6x	2.13x
بنك الاستثمار Bank Al-Tajir	8.3x	1.06x	8.5x	1.09x	8.6x	1.11x	9.3x	1.14x	9.7x	1.12x	11.8x	1.12x
بنك الأهلي السعودي Bank Al-Ahli Saudi	7.8x	1.00x	9.1x	1.04x	9.8x	1.15x	11.2x	1.29x	10.6x	1.21x	11.8x	1.23x
بنك البلاد Bank Albilad	12.2x	1.97x	13.5x	2.21x	13.4x	2.17x	17.1x	2.89x	21.1x	3.28x	18.4x	2.85x
بنك الجزيرة Bank Aljazira	11.1x	0.97x	12.7x	1.02x	14.6x	1.12x	17.3x	1.42x	17.6x	1.32x	13.8x	1.25x
<b>Weighted Average</b>	<b>12.2x</b>	<b>2.23x</b>	<b>12.8x</b>	<b>2.41x</b>	<b>13.0x</b>	<b>2.40x</b>	<b>15.4x</b>	<b>2.68x</b>	<b>17.0x</b>	<b>2.81x</b>	<b>15.1x</b>	<b>2.41x</b>
<b>Simple Average</b>	<b>9.9x</b>	<b>1.51x</b>	<b>10.5x</b>	<b>1.59x</b>	<b>10.9x</b>	<b>1.62x</b>	<b>12.9x</b>	<b>1.90x</b>	<b>14.7x</b>	<b>2.09x</b>	<b>13.9x</b>	<b>1.84x</b>

# Glossary



# Glossary

	Metric	Abbreviation	Definition
Size	Loans and Advances Growth		YoY growth in EOP net loans and advances for the top 1010
	Deposits Growth		YoY growth in EOP customer deposits for the top 10
Liquidity	Loan-to-Deposit Ratio	LDR	(Net EOP loans and advances / EOP customer deposits) for the top 10
Income & Operating Efficiency	Operating Income Growth		YoY growth in aggregate annual operating income generated by the top 10
	Operating Income / Assets		(Annual operating income / annual average assets) for the top 10
	Non-Interest Income / Operating Income		(Annual non-interest income / annual operating income) for the top 10
	Net Interest Margin	NIM	(Aggregate annual net interest income) / (annual average earning assets) for the top 10 Earnings assets are defined as total assets excluding goodwill, intangible assets, and property and equipment
	Yield on Credit	YoC	(Annual gross interest income from financing activities / annual average loans & advances) for the top 10
	Cost of Funds	CoF	(Annual interest expense + average annual capital notes & tier I sukuk interest) / (annual average interest-bearing liabilities + annual average tier 1 notes) for the top 10
	Cost-to-Income Ratio	C/I	(Annual operating expenses / annual operating income) for the top 10
Risk	Coverage Ratio		(Loan loss reserves / non-performing loans) for the top 10
	Cost of Risk	CoR	(Annual provision expenses net of recoveries / annual average gross loans) for the top 10
Profitability	Return on Equity	RoE	(Annual net profit attributable to the equity holders of the banks – annual capital notes & tier I sukuk interest) / (annual average equity excluding capital notes) for the top 10
	Return on Assets	RoA	(Annual net profit / annual average assets) for the top 10
	Return on Risk-Weighted Assets	RoRWA	(Annual net profit generated / annual average risk-weighted assets) for the top 10
Capital	Capital Adequacy Ratio	CAR	(EOP tier I capital + tier II capital) / (EOP risk-weighted assets) for the top 10

Note: EOP stand for End of period

## Glossary (continued)

Bank



Assets (SAR Bn)\*

1,210.0

Abbreviation

SNB

Bank



Assets (SAR Bn)\*

1,043.3

Abbreviation

ALRAJHI

Bank



Assets (SAR Bn)\*

519.5

Abbreviation

RIBL

Bank



Assets (SAR Bn)\*

454.5

Abbreviation

SAB

Bank



Assets (SAR Bn)\*

311.1

Abbreviation

ALINMA

Bank



Assets (SAR Bn)\*

309.0

Abbreviation

BSF

Bank



Assets (SAR Bn)\*

281.4

Abbreviation

ANB

Bank



Assets (SAR Bn)\*

173.0

Abbreviation

BALB

Bank



Assets (SAR Bn)\*

172.7

Abbreviation

SAIB

Bank



Assets (SAR Bn)\*

165.9

Abbreviation

BJAZ

Note: Banks are sorted by assets size  
\* As on 31<sup>st</sup> December 2025

### Section Entrants

Date

**08-Feb-26**

News

Qatari bank Lesha gets Saudi investment banking licence

Links

[Source](#)

Date

**27-Nov-25**

News

MoneyHash, the Egypt-based payment platform has partnered with KSA's fintech Amwal Tech to expand installment-based payment options for merchants in KSA

Links

[Source](#)

Date

**24-Nov-25**

News

SAMA licenses "Madd Balas" company to provide debt-based crowdfunding solutions

Links

[Source](#)

Date

**11-Nov-25**

News

SAMA licenses "Darb Pay for Information Technology" to provide payment services

Links

[Source](#)

### Section New Investments

Date

**06-Jan-26**

News

Saudi Arabia opened its financial markets to all foreign investors from 1st February 2026 by easing rules to attract more money from abroad

Links

[Source](#)

Date

**15-Dec-25**

News

Visa Forms New Regional Hub for Saudi Arabia, Bahrain and Oman to Drive Digital Payments

Links

[Source](#)

Date

**27-Oct-25**

News

Barclays has received a provisional Capital Market Authority (CMA) licence, secured premises in King Abdullah Financial District to open its Riyadh office in 2026

Links

[Source](#)

## Section New Business Trends

Date

**06-Jan-26**

News

BIBFand Aljazira Bank sign strategic MoU to develop Saudi banking talent

Links

[Source](#)

Date

**17-Dec-25**

News

Alrajhi Bank and Ejada Systems sign MoU to enhance data center readiness and support digital transformation initiatives

Links

[Source](#)

Date

**11-Nov-25**

News

Ant International has partnered with Abdul Latif Jameel Finance, a leading provider of innovative financing solutions to promote the growth MSMEs in KSA

Links

[Source](#)

Date

**11-Nov-25**

News

Saudi Awwal Bank Announces a Strategic Partnership with WEConnect to enhance women's economic participation in KSA

Links

[Source](#)

## Section New Emerging Technologies

Date

**19-Feb-26**

News

ANB implemented Intellect Design Arena's eMACH.ai platform, advancing Saudi Arabia's wholesale banking digital transformation.

Links

[Source](#)

Date

**26-Jan-26**

News

Jeel and Ripple partner to bring blockchain innovation to financial services in Saudi Arabia

Links

[Source](#)

Date

**22-Jan-26**

News

EdfaPay activated Smart SoftPOS services in the KSA market enabling merchants to accept payments directly on smartphones within KSA

Links

[Source](#)

Date

**10-Nov-25**

News

ServiceNow, the AI platform, signed a multi-year agreement with Al Rajhi Bank to enhance digital operations in KSA

Links

[Source](#)

## Section New Regulations

Date

**06-Jan-26**

News

KSA adopted a new Financial Oversight Law and SAMA's payments framework for stronger, risk-based oversight of public funds and critical financial infrastructure

Links

[Source](#)

Date

**29-Dec-25**

News

Saudi Arabia cuts banking and payment fees under new 'Fees Guide for Financial Institutions Services'

Links

[Source](#)

Date

**22-May-25**

News

SAMA decided to raise the Countercyclical Capital Buffer (CCyB) from 0% to 1% of total risk-weighted assets, effective from May 2026

Links

[Source](#)

## Section Expected Challenges

Date

**19-Feb-26**

News

Increasing trade tensions and geopolitical conflicts may impact the growth

Links

[Source](#)

Date

**19-Jan-26**

News

The IMF cautioned that AI's productivity gains may be reassessed, as high-tech investments may not deliver immediate economic benefits

Links

[Source](#)

Date

**18-Jan-26**

News

Fitch forecasted a widening of the current account deficit to 4.3% of GDP in 2026 from an estimated 3% in 2025, indirectly reducing funds available for private loans

Links

[Source](#)

Date

**26-Oct-25**

News

KSA banks are starting to show signs of pulling back on lending due to liquidity tightness and new bank regulations.

Links

[Source](#)

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