



# KSA Banking Pulse

Q2 | 2025

**ALVAREZ & MARSAL**  
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# A Message From Our Authors

Alvarez & Marsal Arabia Limited (A&M) is pleased to present the Q2'25 edition of the KSA Banking Pulse (The Pulse – KSA).

This quarterly 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 ME  
Financial Services

As we approach the reporting cycle for Q3, we take this opportunity to reflect on key developments across the Saudi banking sector in Q2 2025 - **a quarter that underscored the sector's underlying strength, prudent cost discipline, and steady momentum across key profitability and risk metrics.**

While headline business activity moderated slightly, as indicated by a PMI of 56.2 (versus 59.0 in Q1), the Kingdom's macroeconomic outlook remains strong. The IMF has revised its GDP growth forecast for 2025 to 3.6%, supported by the continued expansion of the non-oil economy and expectations of higher oil output. Fitch's reaffirmation of Saudi Arabia's A+ rating with a stable outlook further highlights the Kingdom's sound economic fundamentals.

At the same time, tightening system liquidity has prompted banks to diversify their funding strategies. We have seen increasing issuance of sukuk and early steps toward more structured finance solutions, and, most notably, the Saudi Real Estate Refinance Company's inaugural RMBS transaction. These developments reflect a maturing financial market adapting to evolving capital needs. The shift in sources of liquidity is also feeding through to funding strategies for the Kingdom's giga-projects, with a greater emphasis on private capital initiatives to support the national development agenda.

In the banking sector, credit growth of 2.5% QoQ was primarily driven by corporate lending, while deposits rose 2.7%, supported by increased government-related deposits. Return on equity improved to 15.4%, as banks benefitted from higher non-interest income and enhanced operational efficiency.

As we broaden our coverage of key themes shaping the financial services space, I'm pleased to introduce a new section led by Quentin Mulet-Marquis, Head of our FIG M&A practice, exploring recent banking-sector transactions and deal activity.



**Quentin Mulet-Marquis**  
Managing Director  
M&A ME Financial Services

**The KSA banks entered H2 2025 from a position of strength** – despite episodic share price volatility, the Saudi banking sector remains resilient, supported by strong fundamentals, domestic buffers and increasing profitability and RoE.

Meanwhile, foreseeable pressure on banks' profitability stemming from lower rates – which to-date have been offset by growth in non-interest income, lower cost of risk and strong cost discipline – coupled with comfortable capital buffers, increased competition and healthy valuation multiples support a gradual increase in M&A activity in the sector.

With a fully staffed team of Financial Services M&A professionals in the Middle East, we are ideally positioned to assist banks in exploring and executing on their inorganic strategy.

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. Calculation of metrics has been updated, where required, to reflect appropriate comparative information.

Disclaimer:

The information contained in this document is of a general nature and has been obtained from publicly available information plus market insights. The information is not intended to address the specific circumstances of an individual or institution. There is no guarantee that the information is accurate at the date received by the recipient or that it will be accurate in the future. All parties should seek appropriate professional advice to analyse their situation before acting on any of the information contained herein.

# Macro Overview

**Saudi economy resilient with stronger 2025 growth, solid fiscal buffers, though softer PMI and oil reliance persist**

- IMF has increased its 2025 GDP growth forecast for KSA to 3.6%, up from 3.0% in Apr'25, driven by strong non-oil sector performance and the expected unwinding of OPEC+ production cuts
- Fitch Ratings has affirmed KSA's long-term foreign-currency issuer default rating at "A+" with a stable outlook, reflecting the impact of lower oil prices while advancing economic diversification plans
- Average PMI for KSA in Q2'25 declined to 56.2 compared to 59.0 in Q1'25 driven by a drop in new orders
- The US Fed held rates steady in Q2'25 after its 50bps cut to 4.25%–4.50% in Q4'24. Despite ongoing inflation risks from US tariffs, weakness in the labor market prompted the Fed to lower rates by 25bps to 4.00%-4.25% in its meeting on September 17
- Saudi central bank (SAMA) kept the repo rate unchanged at 5.0% in Q2'25, with SAIBOR edging up to 4.81%. In line with the Fed's move, SAMA reduced its repo rate by 25bps to 4.75% on September 17
- M1 money supply increased by 1.5% to SAR 1,739.6bn QoQ from SAR 1,713.5bn in Q1'25, driven by a 2.3% rise in monetary deposits to SAR 1,495.3bn from SAR 1,461.9bn in Q1'25
- M2 money supply increased by 1.8% from SAR 2,789.0bn in Q1'25 to SAR 2,839.5bn in Q2'25 as time and savings increased by 2.3% from SAR 1,075.5bn in Q1'25 to SAR 1,099.9bn in Q2'25
- M3 money supply also increased by 2.1% to SAR 3,120.0bn in Q2'25 from SAR 3,055.9bn in Q1'25

## 3.6%

GDP growth in FY 2025

## A+

Rating affirmed by Fitch  
(Stable Outlook)

## 56.2

Q2'25 average PMI

## 4.75%

Decrease in repo rate by 25bps

## 4.81%

SAIBOR rose ~22bps QoQ in Q2'25

## 1.5%

Increase in M1 money supply driven  
by 2.3% rise in monetary deposits  
(M1 – SAR 1,739.6bn)

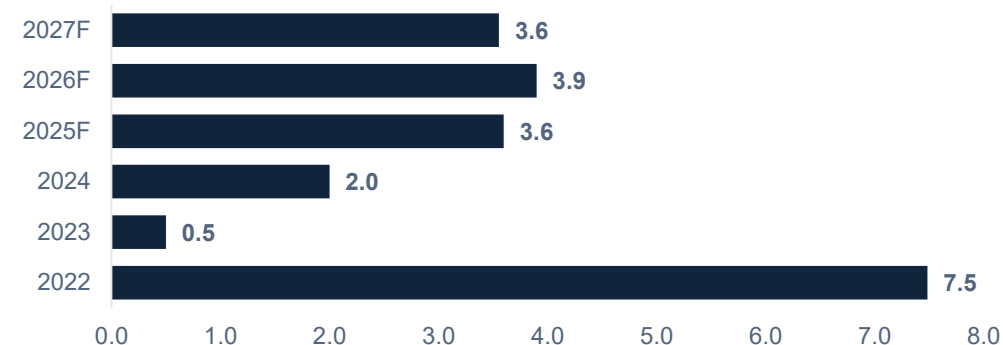
## 1.8%

Increase in M2 money supply, supported by  
increase in time & savings deposits  
(M2 – SAR 2,839.5bn)

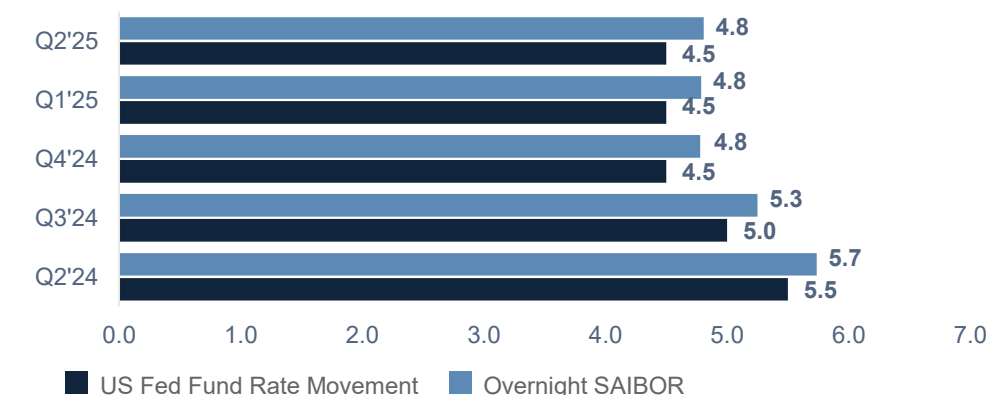
## 2.1%

Increase in M3 money supply  
(M3 – SAR 3,120.0bn)

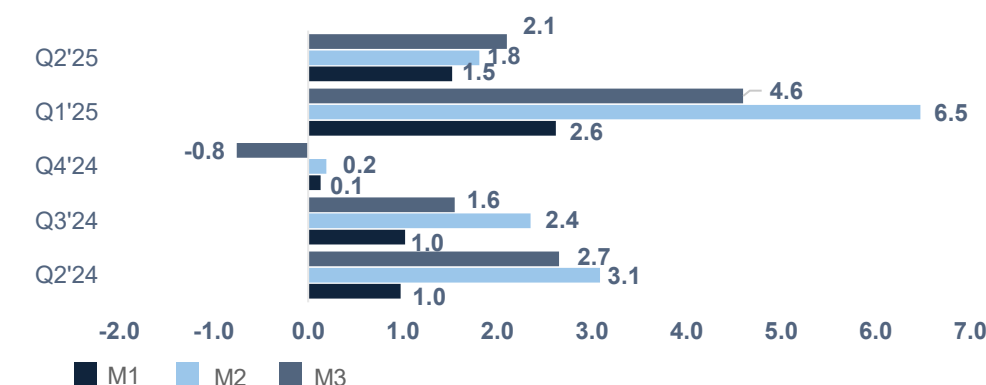
## KSA GDP Growth Rate<sup>1</sup> (%)



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



## KSA Money Supply<sup>3</sup> (% Quarterly)



# Banking Overview

Stable loan growth and stronger non-interest income lifted KSA banks' profitability in Q2'25, with RoE improving despite softer deposit momentum

- Net loans and advances (L&A) grew by 2.5% QoQ in Q2'25, moderating from the 5.4% growth recorded in Q1'25. The expansion was primarily driven by corporate lending, which rose 3.9% QoQ (vs. 7.5% in Q1'25)
- Aggregate deposits growth moderated, increasing 2.7% QoQ in Q2'25 (vs. 4.0% in Q1'25), supported by a 4.3% QoQ rise in term deposits and 2.2% QoQ growth in CASA deposits
- Aggregate loan-to-deposit ratio (LDR) remained elevated at 105.9%, but lower by 22bps QoQ
- Aggregate interest income rose by 4.4% QoQ in Q2'25, reversing the 1.0% QoQ decline seen in Q1'25
- Aggregate income growth was supported by higher non-interest income which grew 5.6% QoQ in Q2'25
- Fee income increased 2.4% QoQ in Q2'25 to SAR 5.3bn, moderating from the stronger 9.2% rise in Q1'25
  - This was due to higher transaction volumes, remittances, and asset management boosted fee income, led by SNB
  - Driven by Vision 2030's expanding economic activity, banks boosted reliance on fee-based revenues including trade finance, payments, and wealth management
- Aggregate RoE of KSA banks rose by 12bps QoQ in Q2'25 to 15.4%, supported by a 3.4% QoQ increase in net income
- RoA declined marginally by 7bps QoQ, remaining broadly stable at 2.0%

2.5%

Net L&A growth in Q2'25

2.7%

Aggregate deposit growth

105.9%

LDR in Q2'25

0.9%

Marginal NII growth in Q2'25

3.4%

Aggregate net income growth

(4.8)%

Decline in impairment charges during Q2'25

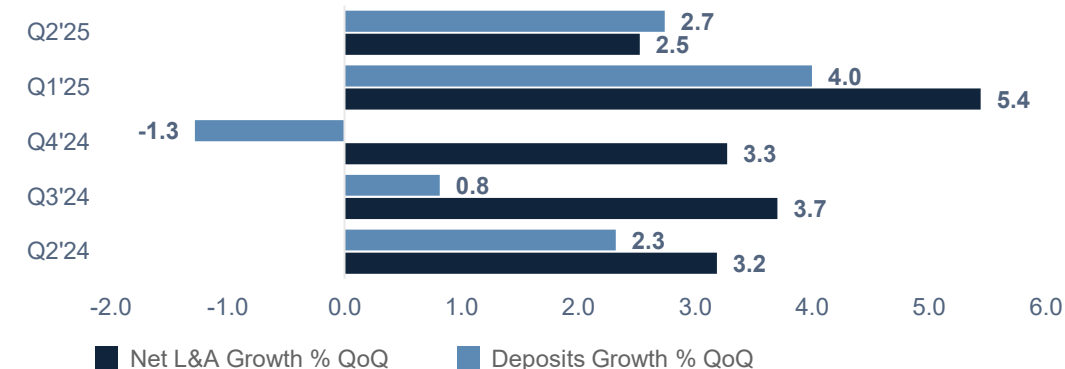
15.4%

RoE rose during Q2'25

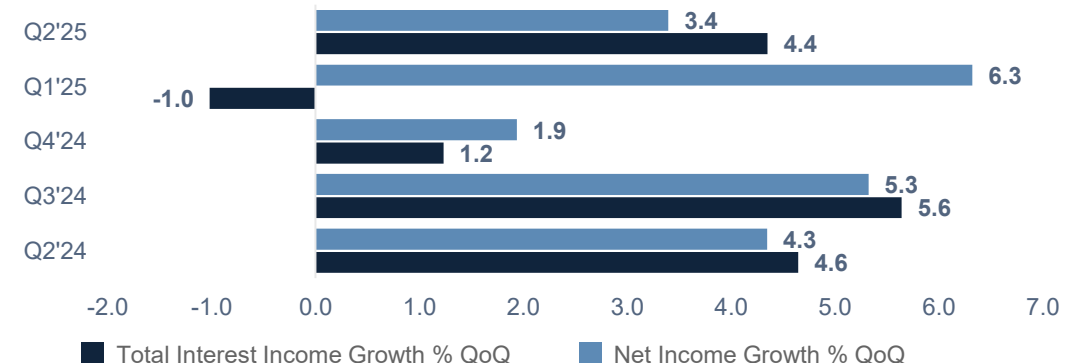
2.0%

RoA declined during Q2'25

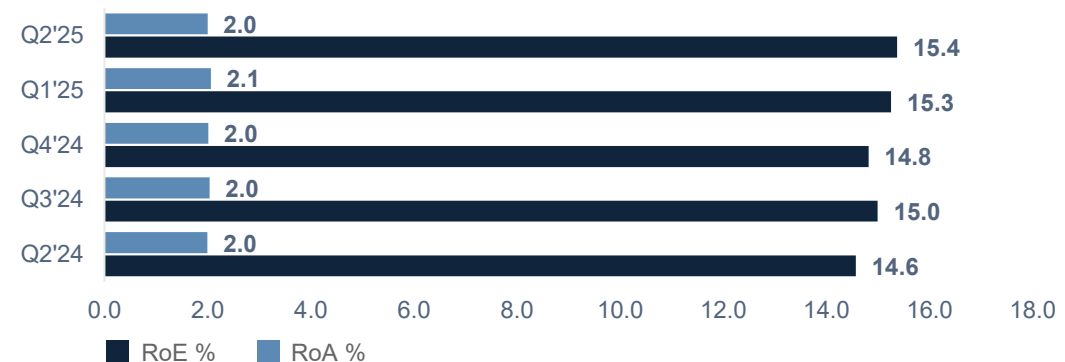
## KSA Banks' Net L&A and Deposits<sup>1</sup>, (%)\*



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



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



# Key Trends Q2'25

Loan and deposit growth moderated in Q2'25; higher non-interest income supported profitability

Both L&A and deposits growth rates moderated to **2.5% and 2.7% QoQ**, respectively in Q2'25

LDR ratio declined by **22bps to 105.9%**, as deposits growth slightly outpaced lending

Operating income **rose by 2.0% QoQ** (vs. 3.2% in Q1'25), primarily due to 5.6% QoQ improvement in non-interest income

NIM contracted by **8bps to 2.80%** with CoF inching up 11bps to 3.4% while YoC remained steady at 8.0%

C/I ratio improved marginally by 30bps to **29.5%**, reflecting better cost efficiencies

CoR declined marginally by **2bps** to 0.25%, while the NPL coverage ratio improved by 113bps to 155.9%, signaling stronger provisioning buffers

RoE improved by **12bps** to 15.4%, while RoA declined marginally by 7bps at 2.0%

KSA bank remain adequately capitalised with **CAR at 19.5%**, an improvement of 24bps QoQ

	Metric	Q1'25	Q2'25	Q2'24	Q3'24	Q4'24	Q1'25	Q2'25
Size	Net L&A Growth (QoQ)	5.4%	↓ 2.5%					
	Deposits Growth (QoQ)	4.0%	↓ 2.7%					
Liquidity	Loan-to-Deposit Ratio (LDR)	106.1%	↓ 105.9%					
Income and Operating Efficiency	Operating Income Growth (QoQ)	3.2%	↓ 2.0%					
	Operating Income/Assets	3.6%	↓ 3.4%					
	Non-Interest Income/Operating Income	23.0%	↑ 23.8%					
	Yield on Credit (YoC)	8.0%	↔ 8.0%					
	Cost of Funds (CoF)	3.3%	↑ 3.4%					
	Net Interest Margin (NIM)	2.87%	↓ 2.80%					
Risk	Cost-to-Income Ratio (C/I)	29.8%	↓ 29.5%					
	Coverage Ratio	154.8%	↑ 155.9%					
	Cost of Risk (CoR)	0.27%	↓ 0.25%					
Profitability	Return on Equity (RoE)	15.3%	↑ 15.4%					
	Return on Assets (RoA)	2.1%	↓ 2.0%					
	Return on Risk-Weighted Assets (RoRWA)	2.7%	↔ 2.7%					
Capital	Capital Adequacy Ratio (CAR)	19.3%	↑ 19.5%					

→ Improved ↔ Stable → Worsened

Note 1: Growth in loans & advances and deposits were presented QoQ instead of YoY  
 Note 2: Quarterly income was used in the calculation of operating income growth  
 Source: Financial statements, Investor presentations, A&M analysis

# Key Sector Developments

## KSA Banking Industry Development



### New Entrants 01

- NayaOne, in partnership with AstroLabs, launched Saudi Arabia's first fully local Sandbox-as-a-Service, enabling banks, insurers, and fintechs to design, test, and launch products within weeks
- SAMA has introduced a new e-commerce payments interface, allowing online providers to integrate seamlessly with both the national mada system and global payment networks
- RIBL and Mastercard introduced a three-tier Mastercard NMOO credit card scheme to expand MSMEs' access to flexible funding across Saudi Arabia



### New Investments 02

- SNB signed a SAR 5.8bn Sharia-compliant financing deal with Areeb Capital to support real estate projects, reinforcing its strategy to drive client growth and sustainable development



### New Business Trends 03

- BSF is seeking a USD 750mn syndicated loan from Asian banks, led by Mizuho and Sumitomo Mitsui, with a five-year tenor and optional expansion to strengthen its corporate funding base
- This brings the total roster of international dealers to six, which includes BNP Paribas, Citigroup, Goldman Sachs, J.P. Morgan, and Standard Chartered
- Saudi Venture Capital firm joined a USD 10mn seed round in fintech infrastructure startup Stitch to fuel expansion into emerging markets. Stitch investment gives banks faster, more flexible infrastructure to speed innovation and boost competitiveness



### New Emerging Technologies 04

- BALB has partnered with eMACH.ai Digital Transaction Banking platform of Indian-headquartered fintech Intellect Design Arena to help modernise its wholesale banking and cash management services for corporate clients and SMEs



### New Regulations 05

- SAMA has submitted new banking draft law for legislative approval under which a risk-based supervisory framework is being refined, and a monitoring system has been introduced for large construction and infrastructure projects
- SAMA introduced new principles for internal auditing and compliance for finance, real estate and refinancing companies operating in the KSA bringing SAMA into alignment with international best practice
- SAMA updated credit card rules to reduce customer costs and enhance transparency, capping fees at 3% for cash withdrawals and 2% for foreign purchases, while making e-wallet top-ups free



### Expected Challenges 06

- KSA is expected to face fiscal pressures as declining oil revenues weigh on government income, requiring a reassessment of spending priorities
- This creates challenges such as widening budget and current account deficits and growing debt levels, which are natural headwinds for an oil-dependent economy amid price volatility



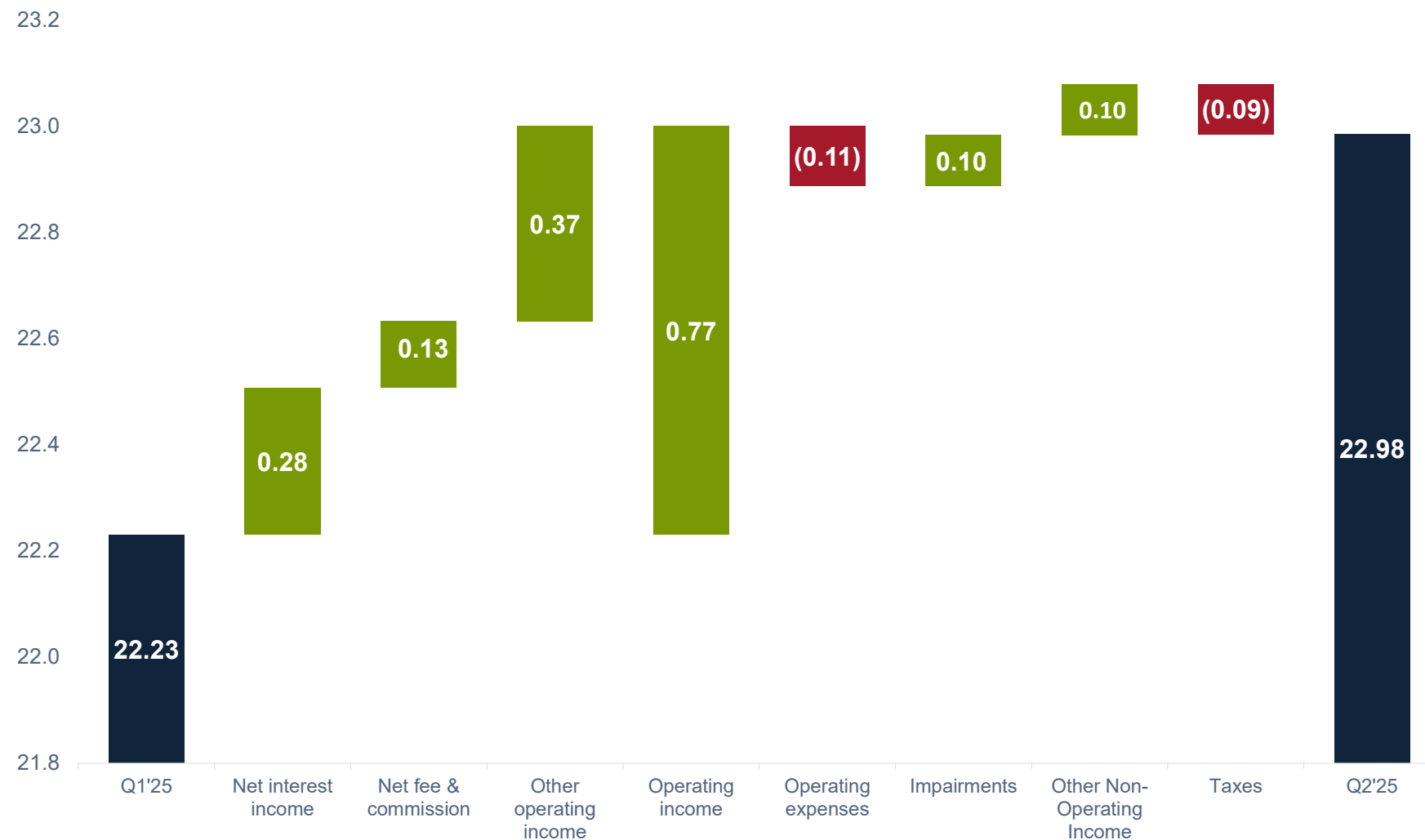
## Banks delivered steady improvement across most profitability levers



### Key Takeaways

- Aggregate net income growth slowed to 3.4% QoQ in Q2'25 (vs. 6.3% QoQ growth in Q1'25), reaching SAR 22.9bn
- Total operating income increased 2.0% QoQ, compared to 3.2% QoQ in Q1'25, primarily due to slower growth in net interest income and net fee and commission income
  - Net interest income grew 0.9% QoQ (vs. 1.5% in Q1'25) while fees and commission income rose 2.4% QoQ (vs. 9.2% QoQ in Q1'25)
  - Other operating income saw a healthy growth of 10.1% QoQ in Q2'25 (Vs. 9.9% QoQ in Q1'25)
  - KSA banks are increasingly diversifying their revenue mix, shifting focus beyond net financing income.
- Operating expenses were marginally higher by 1.0% QoQ while impairment allowances declined 4.8% QoQ

## Net Income Bridge (SAR bn)

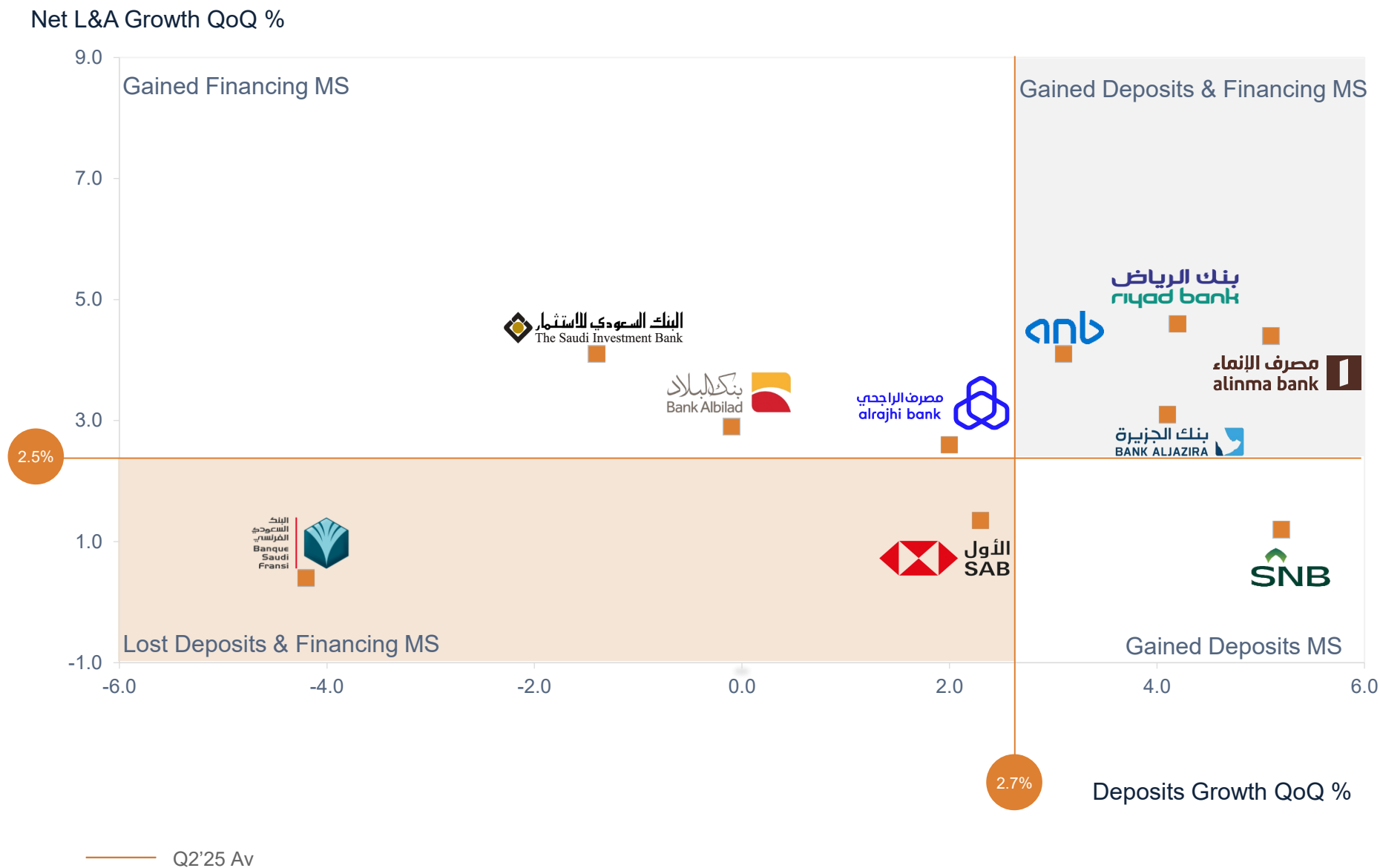


## Lending momentum slowed down on back of retail portfolio while GRE deposits supported deposit base

### Key Takeaways

- Lending momentum slowed down as net L&A increased 2.5% QoQ (vs. 5.4% QoQ in Q1'25)
- Deposit mobilisation followed similar trends moderating to a growth of 2.7% QoQ (vs. 4.0% QoQ in Q1'25)
- SNB and SAB witnessed a marked slowdown in lending primarily due to retail loan portfolio
- On the deposits side, BSF and SAB were the notable banks which saw moderation in deposit growth primarily due to decline in time deposits for BSF and slowdown in time deposit growth for SAB
- The quarter saw an increased in GRE deposits with contribution of government deposits to total bank deposits increasing to 31.9% in Q2'25 as compared to 29.9% in Q1'25

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



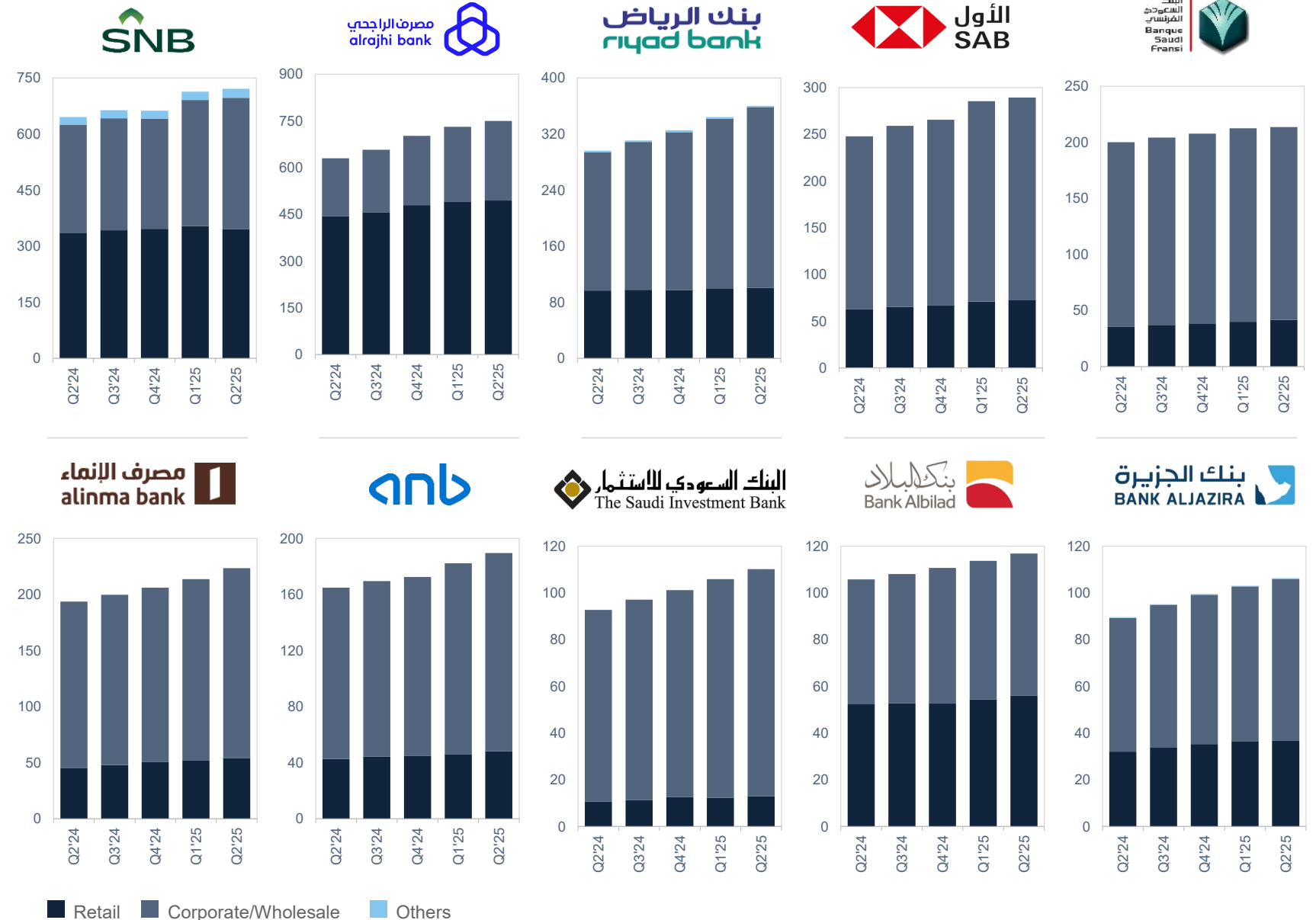


## Aggregate loan growth eased, reflecting slower momentum across both retail and corporate segments

### Key Takeaways

- Aggregate gross L&A of the banks increased at a moderate pace of 2.5% QoQ (vs. +5.3% QoQ in Q1'25) in Q2'25
- The slowdown in loan and advances growth was primarily driven by SNB and ALRAJHI, the leading banks in the sector
  - SNB's loan book grew by 1.1% QoQ, a significant moderation in growth from the 7.7% QoQ growth in Q1'25
  - This was mainly due to a 2.4% QoQ drop in retail loans and a deceleration in the corporate loan segment, which grew by 4.3% QoQ compared to 14.5% QoQ in Q1'25
  - Similarly, ALRAJHI saw a slower loan book growth of 2.6% QoQ, down from 4.1% QoQ in Q1'25. Retail loans, which make up 65.9% of the total loan book, grew by a modest 1.0% QoQ, compared to 2.0% QoQ in Q2'25

## Gross Loans and Advances (SAR bn)



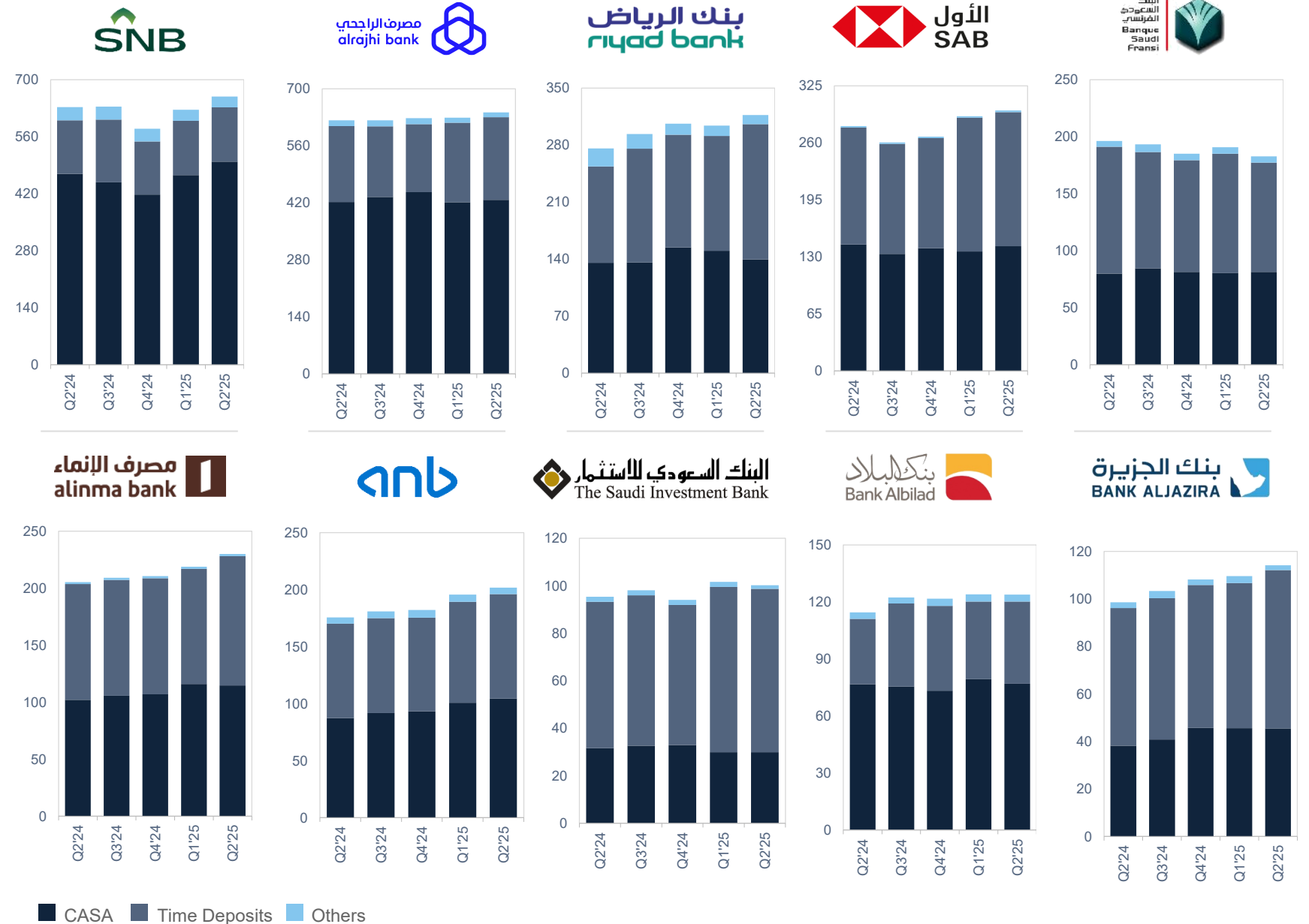
Note: Scaling and some numbers might not add up due to rounding  
 Note: KSA banks have no disclosure on Loans & Advances by Industry. The reporting only has details of corporate and retail loans  
 Source: Financial statements, investor presentations, A&M analysis

# Aggregate deposits growth slowed down despite the increase in time deposits for major banks

## Key Takeaways

- Deposit growth moderated to 2.7% QoQ (+4.0% QoQ in Q1'25), driven by slow growth in time deposits, which grew by 4.3% QoQ in Q2'25 compared to a growth of 8.1% QoQ in Q1'24
- SAB and ALRAJHI witnessed a highest slowdown in time deposit growth, while BSF (-8.5%) and SAIB (-1.1%) reported a decline in time deposits
- On the other hand, major banks like SNB (+20.2% QoQ) , RIBL (+17.8% QoQ), ALINMA (+12.4% QoQ) witnessed an increase in time deposits

## Customer Deposits (SAR bn)



## LDR level showed marginal decline

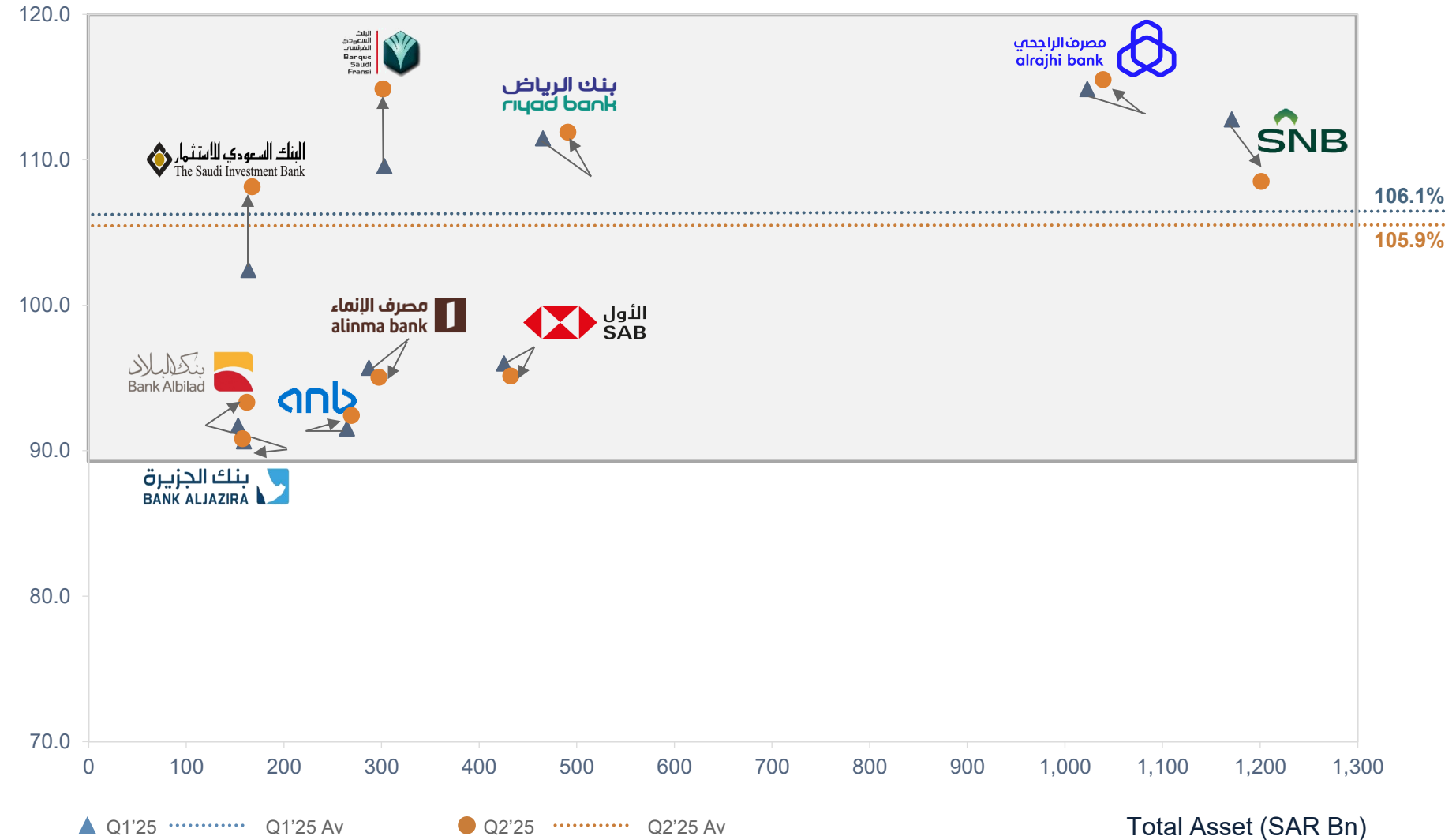


### Key Takeaways

- The aggregate LDR of the sector reduced slightly by 22bps to 105.9% in Q2'25 from 106.1% in Q1'25
- The overall drop was primarily driven by drop of 425bps in LDR ratio of SNB.
  - This is primarily the rise in CASA deposits (7.1% QoQ), which comprises 75.8% of deposits, outweighed the increase in loan portfolio
  - Retail loan growth declined for SNB while corporate loan growth witnessed a slowdown
- In contrast, SAIB (+574bps), BSF (+531bps) and BALB (+270bps) recorded the sharpest increases, reflecting stronger loan growth relative to deposit inflows

## Loan to Deposits Ratio (%)

Loan-to-Deposit Ratio %



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



## Higher FX income supported overall operating income

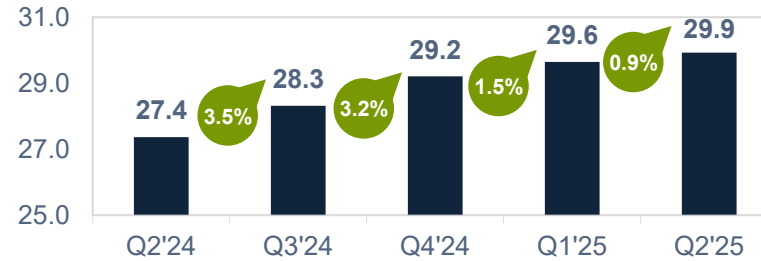


### Key Takeaways

- Operating income rose 2.0% QoQ to SAR 39.3bn, marking the fifth consecutive quarterly increase
- Net interest income (NII) increased 0.9% QoQ to SAR 29.9bn, while net fee & commission income grew 2.4% QoQ to SAR 5.3bn
- Other operating income recorded the strongest gain, rising 10.1% QoQ to SAR 4.0bn, driven by higher trading and investment-related income
  - Among the major banks, SAB (+43.0% QoQ), RJHI (+23.6% QoQ), RIBL (+13.3% QoQ) witnessed the highest increase in other operating income
  - Higher FX income was primary driver of this growth

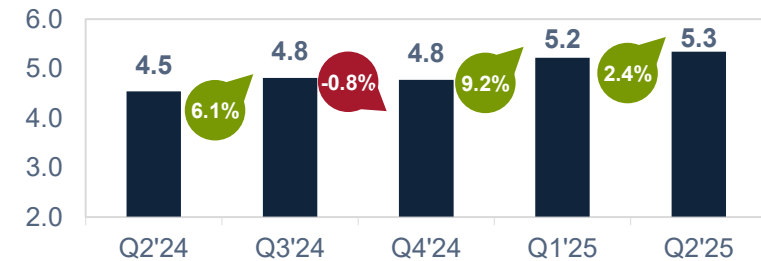
### Quarterly NII

(SAR bn)



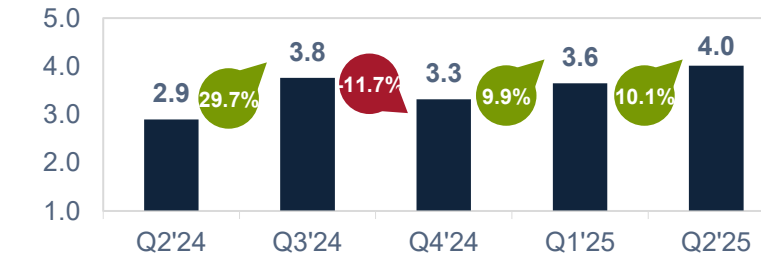
### Quarterly Net Fee and Commission Income

(SAR bn)



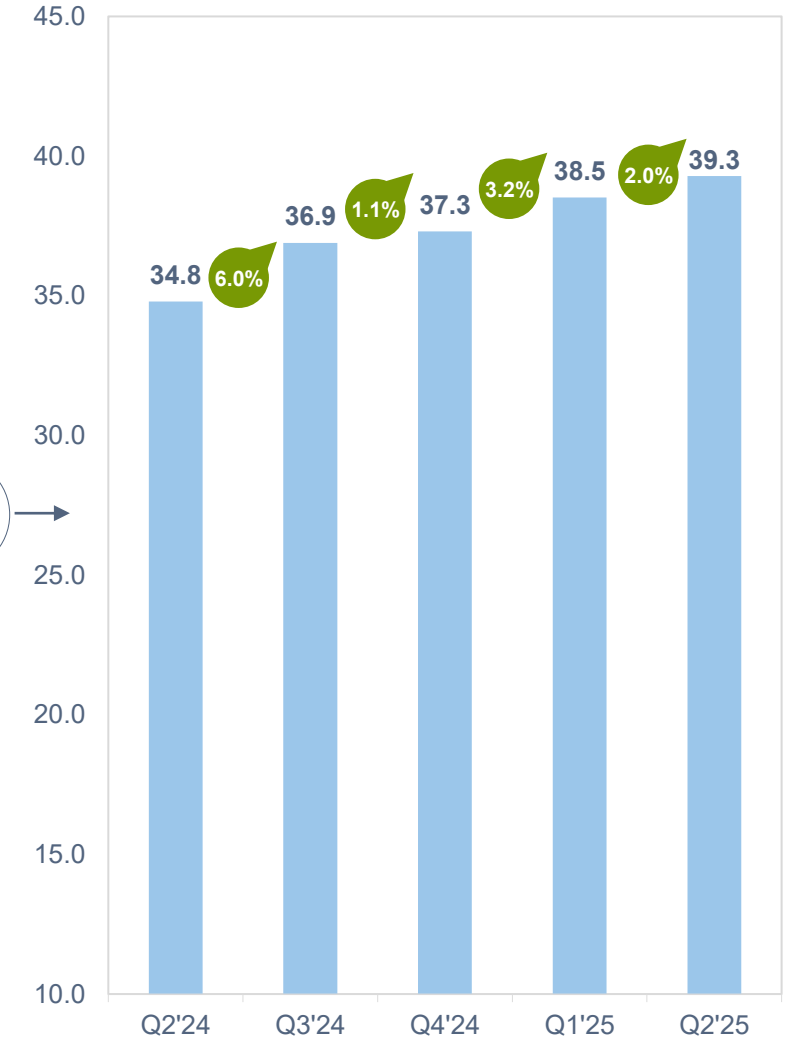
### Quarterly Other operating Income

(SAR bn)



### Quarterly Operating Income

(SAR bn)



Improved Stable Worsened

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

## Increase in funding costs amid flat lending yields have follow on effect on NIM

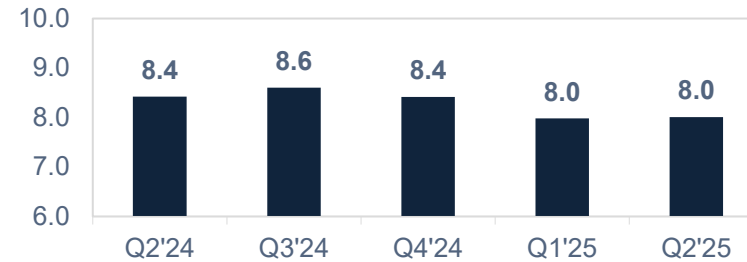


### Key Takeaways

- NIM contracted by 8bps to 2.80%, marking the second consecutive quarterly decline, as funding cost pressures persisted
- CoF rose 11bps to 3.4%, while the YoC remained flat at 8.0%, compressing the interest spread
  - CoF increased for nine out of ten banks with highest rise witnessed by SNB (+29bps), SAIB (+23bps), RIBL (+20bps)
  - YoC credit remained flat as decline in YoC of five banks negated the rise in YoC of five banks
  - BJAZ (-33bps) registered the biggest decline in YoC, followed by RIBL (-13bps), while ANB witnessed the biggest rise in LDR (+35bps), followed by BSF (+13bps) and SNB (+11bps)

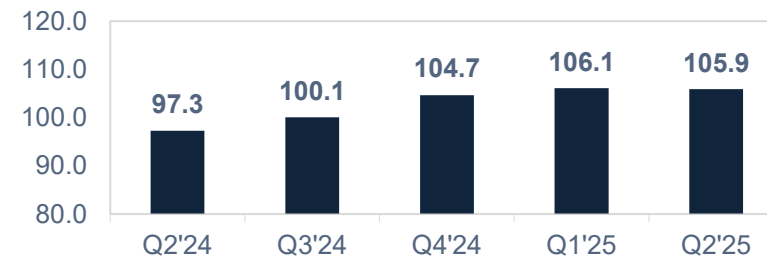
### Yield on Credit

(%, Quarterly Annualised)



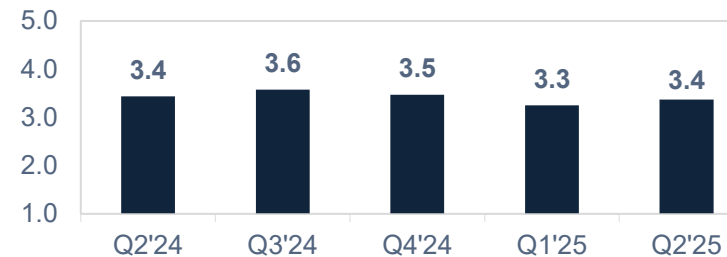
### Loan-to-Deposit Ratio

(%)



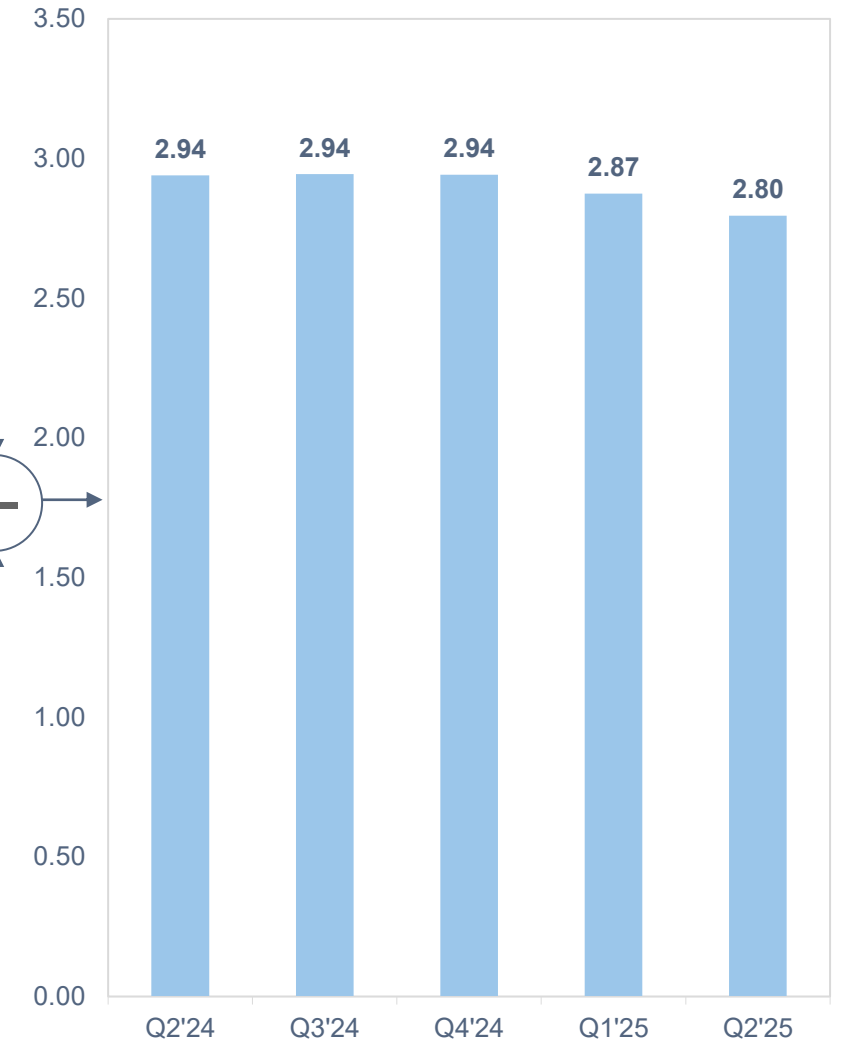
### Cost of Funds

(%, Quarterly Annualised)



### Net Interest Margin

(%, Quarterly Annualised)



X

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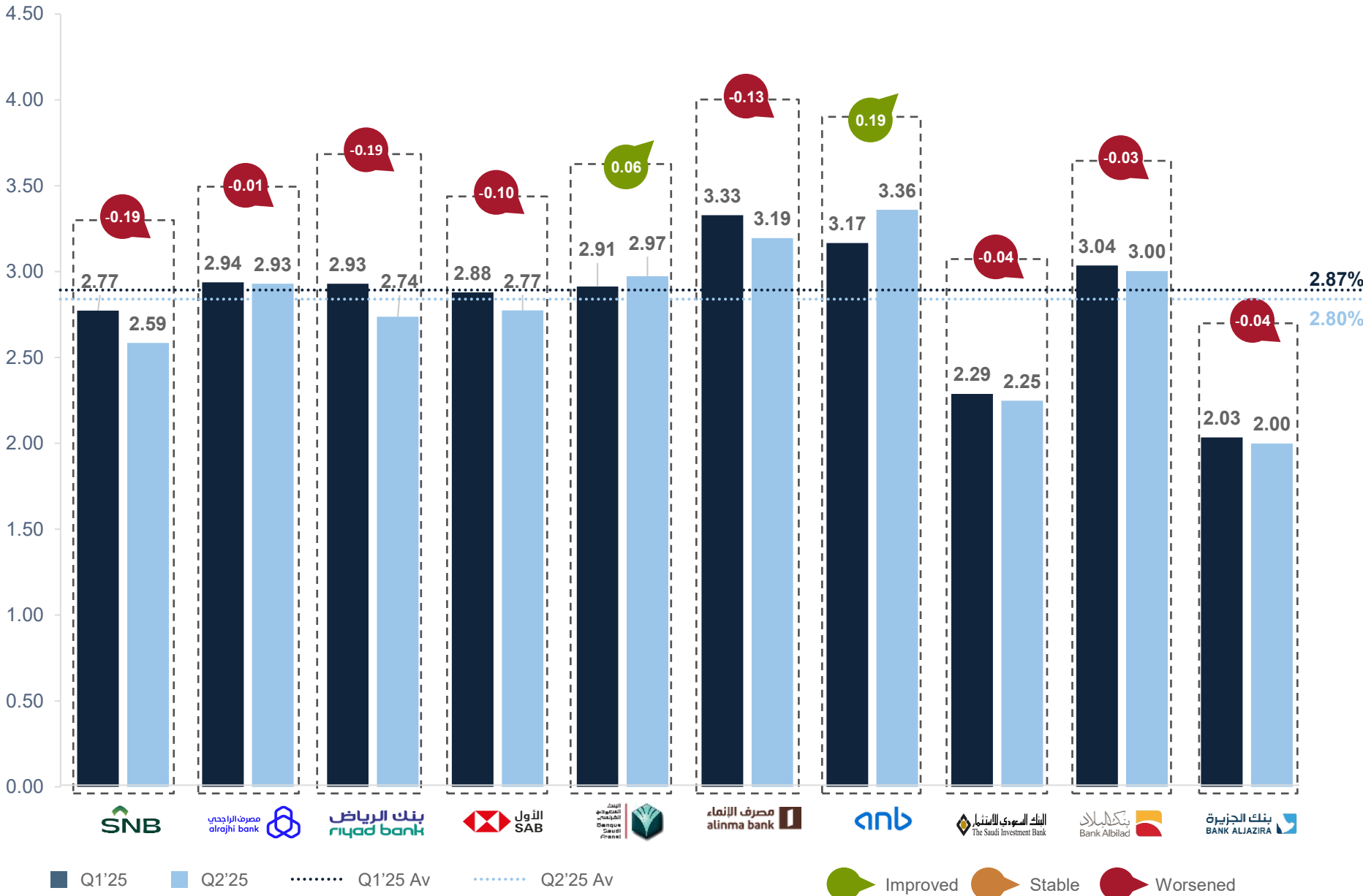
Note: Relation between elements above represents a functionality and not necessarily an exact mathematical formula  
Source: Financial statements, Investor presentations, A&M analysis

# NIM declined for majority of banks in Q2'25 with highest fall witnessed for SNB and RIBL

## Key Takeaways

- Aggregate NIM for the top banks edged lower in Q2'25 as funding costs continued to rise while lending yields remained broadly stable
- The pressure was most visible at SNB (-19bps), RIBL (-19bps), and ALINMA (-13bps), where a sharper increase in CoF outpaced asset repricing, compressing margins
- While, ANB (+19bps) and BSF (+6bps) were able to protect margins as their strong funding mix, supported by a larger share of low-cost deposits, helped offset rising funding pressures

Net Interest Margin (% Quarterly Annualised)





## Higher operating income offset marginal increase in Operating Expense to an improved C/I ratio

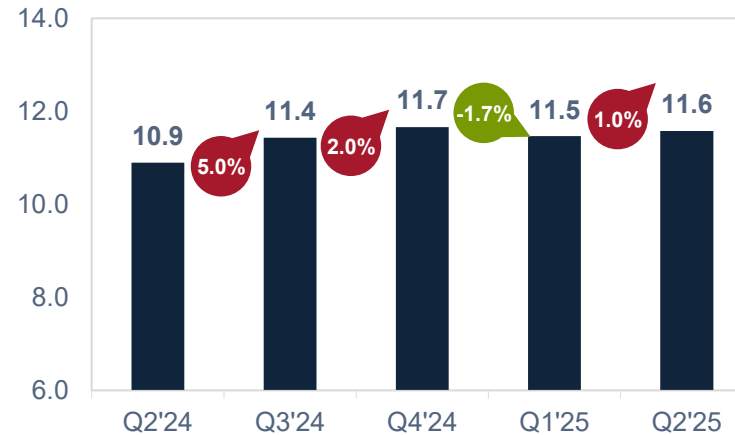


### Key Takeaways

- C/I ratio improved by 30bps to 29.5% in Q2'25, as income grew at a faster pace than expenses
  - Operating income grew by 2.0% QoQ (vs. +3.2% QoQ in Q1'25) and operating expenses increased 1.0% QoQ in Q2'25 (vs. -1.7% QoQ in Q1'25)
  - Nine of ten banks witnessed an increase in operating expenses with highest rise registered in ANB (+3.7% QoQ) and ALRAJHI (+2.6% QoQ)
  - Operating expenses rose mainly on higher staff costs, provisions and compliance spend

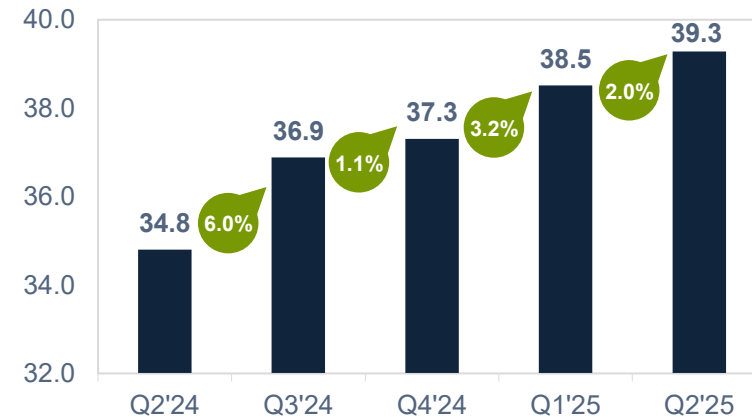
### Quarterly Operating Expense

(SAR bn)



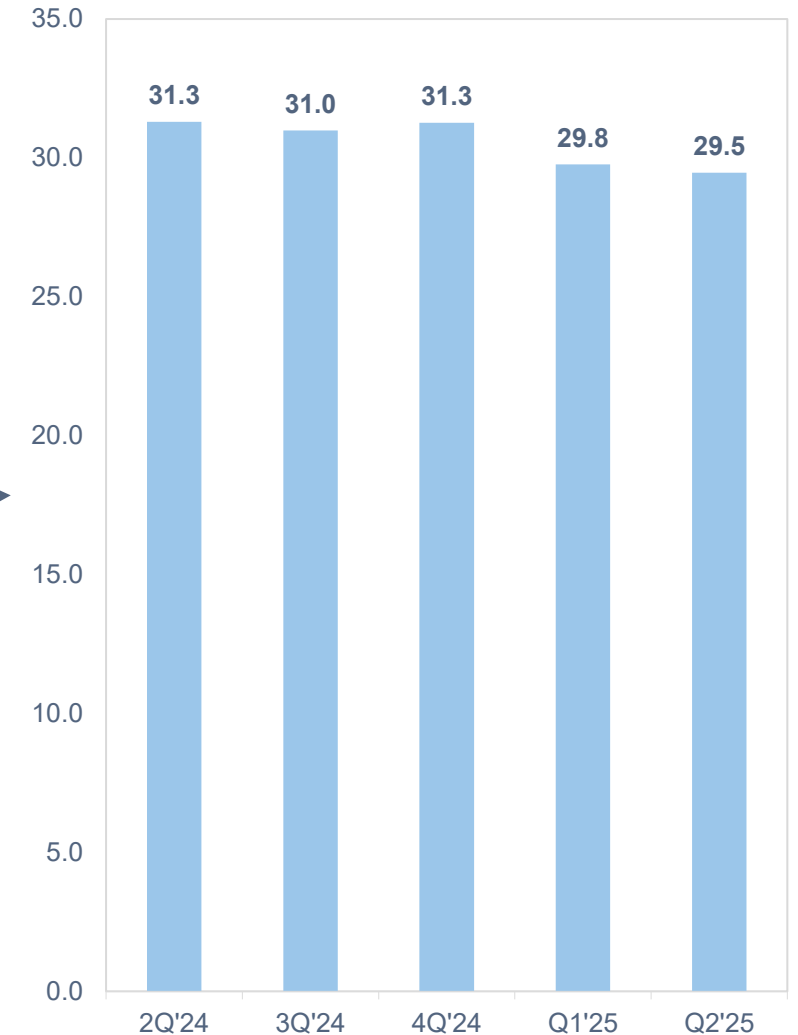
### Quarterly Operating Income

(SAR bn)



### Cost to Income Ratio

(%, Quarterly Annualised)



Improved Stable Worsened

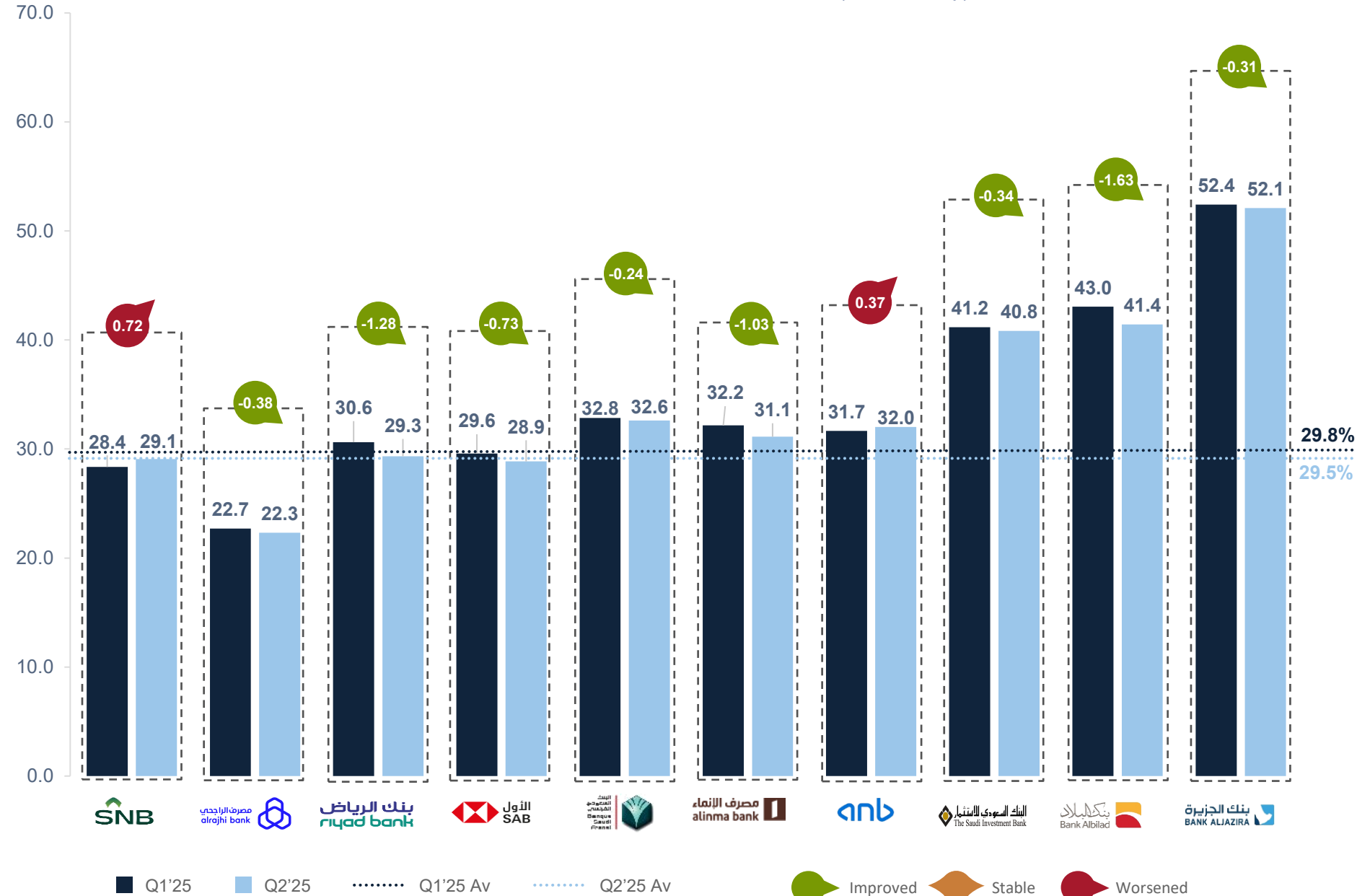
Note: Some numbers might not add up due to rounding off  
Source: Financial statements, investor presentations, A&M analysis

## Majority of KSA banks witnessed improving cost efficiency enabled by ongoing investments in digital capabilities

### Key Takeaways

- Higher growth in operating income in Q2'25 (2.0% QoQ) compared to operating expenses growth (1.0% QoQ) resulted in improvement in C/I ratio
  - Substantial rise in other operating income (10.1% QoQ) drove the rise in operating income
- Eight out of ten banks reported an improvement in C/I ratio with BALB (-163bps QoQ), RIBL (-128bps) and ALINMA (-103bps) reporting the highest improvement
  - Majority of banks witnessed an improvement in cost efficiency enabled by investments in infrastructure, digital capabilities and strategic initiatives
- SNB witnessed the highest deterioration in C/I ratio (+72bps QoQ) due to high general administrative costs and employee expenses

## Cost to Income Ratio (% Quarterly)



Note: Scaling and some numbers might not add up due to rounding  
 Source: Financial statements, investor presentations, A&M analysis  
 \*Comparison on QoQ basis

## Aggregate asset quality improved marginally as NPL ratio declined while coverage increased

### Key Takeaways

- The aggregate NPL/Net Loans ratio for KSA banks improved marginally by 3bps QoQ to 1.0%, while the coverage ratio increased by 113bps QoQ to 155.9%
  - Five out of ten banks witnessed a rise in coverage ratio, with highest rise registered in ALINMA (1,753bps), ANB (932bps) due to drop in NPL
  - Among the top banks, SNB was the only bank that witnessed a decline in NPL ratio

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



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

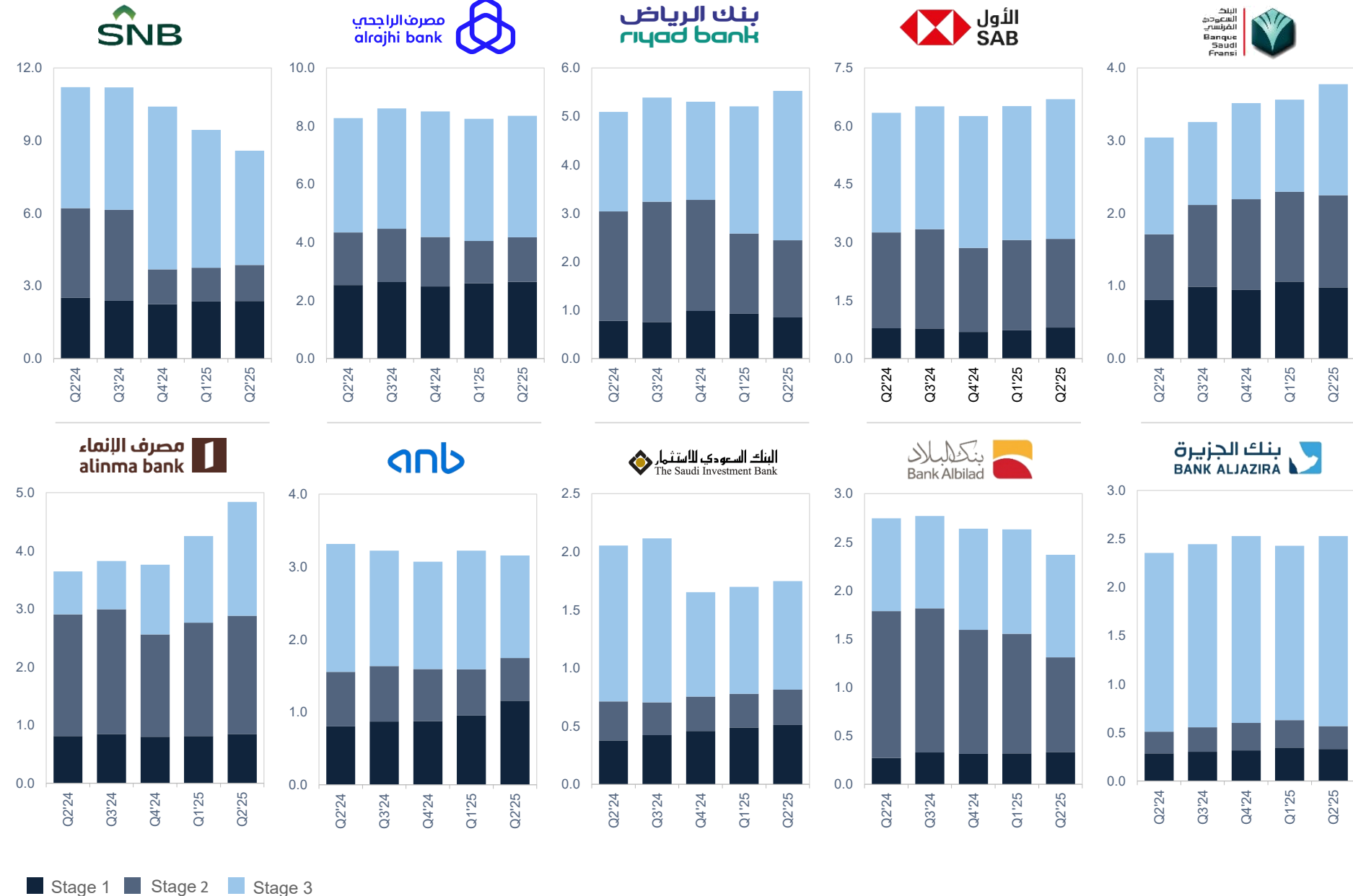


# Aggregate ECL allowance increased due to rise in stage 3 loan allowance

## Key Takeaways

- Total gross ECL remained broadly stable in Q2'25, edging up 0.8% QoQ to SAR 47.6 bn
  - Stage 1 and Stage 3 provisions rose modestly, while Stage 2 declined slightly, reflecting mixed movements across credit risk categories
- Stage 3 ECL (which comprises of 51.3% of total ECL) rise was led by ALINMA (31.5% QoQ), BSF (20.6% QoQ) and RIBL (17.4%).
  - This rise was offset by decline in SNB (-17.0% QoQ) and ANB (-13.7% QoQ).

## Stage Wise ECL Mix (SAR bn)



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

## Moderation in loans and deposits growth with stable ECL provision

### Key Takeaways

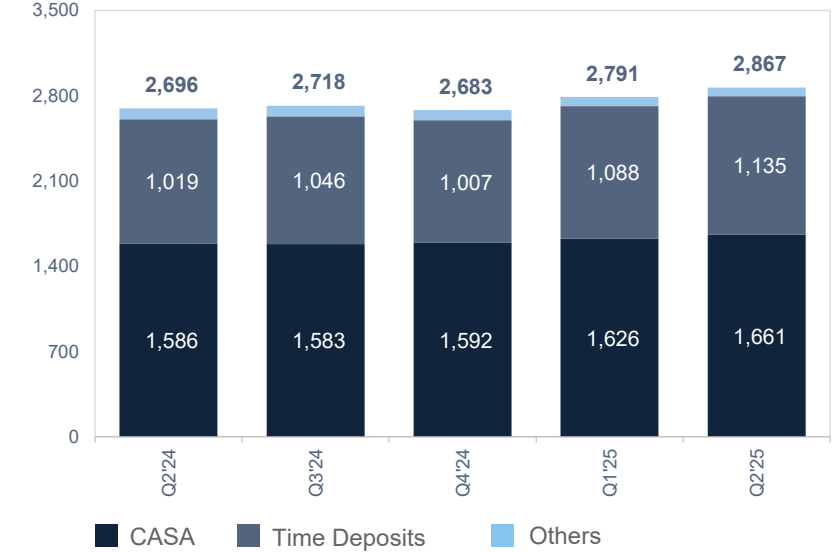
- Aggregate gross loans and advances growth moderated to 2.5% QoQ (vs. +5.3% QoQ in Q1'25) driven by slower growth in retail and corporate loans
  - Corporate loans comprised of 58.2% of the loan book witnessed growth 3.9% QoQ, compared to 7.5% QoQ in Q1'25
  - Retail segment showed flat growth of 0.6% QoQ (vs. 2.5% QoQ in Q1'25)
- Aggregate deposits witnessed slower growth of 2.7% QoQ (vs. 4.0% in Q1'25) as time deposits being 39.6% of the total deposits reported 4.3% QoQ growth, compared to 8.1% QoQ growth in Q1'25
  - The quarter saw an increased in GRE deposits with contribution of government deposits to total bank deposits increasing to 31.9% in Q2'25 as compared to 29.9% in Q1'25
- Total gross ECL remained broadly stable in Q2'25, edging up 0.8% QoQ to SAR 47.6 bn
  - Stage 1 and Stage 3 provisions rose modestly, while Stage 2 declined slightly, reflecting mixed movements across credit risk categories

## Lending, Deposits and Asset Quality Trends

Aggregate Gross L&A  
(SAR bn)



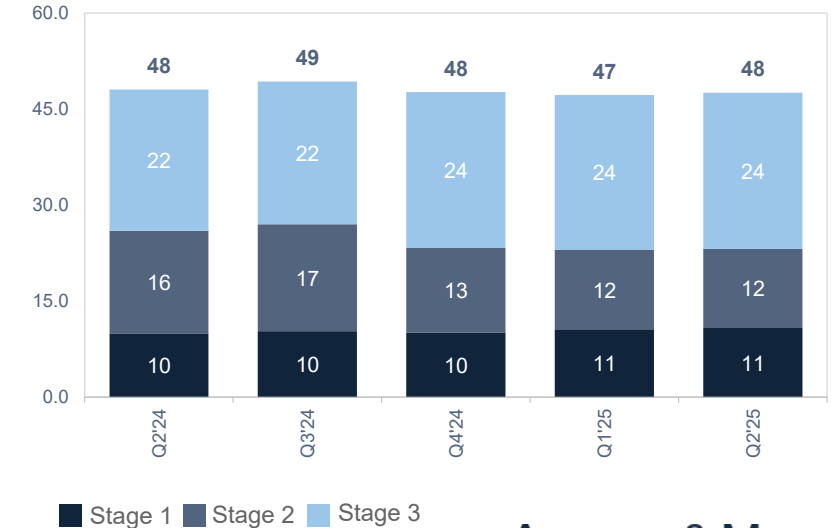
Aggregate Deposits  
(SAR bn)



Share of Government Deposits  
(%)



Aggregate ECL  
(SAR bn)



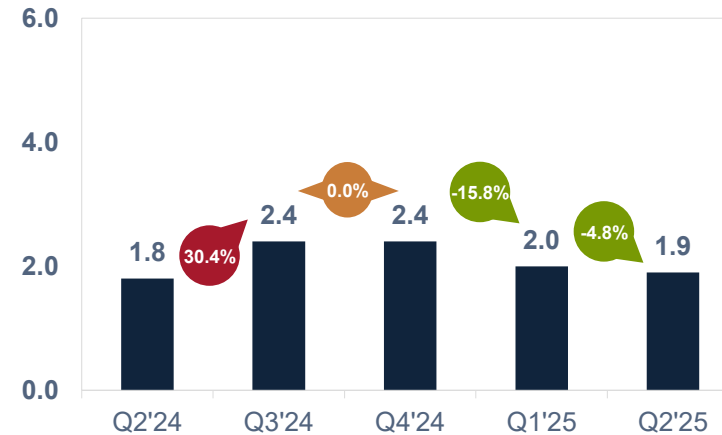
## Declining impairments resulted in an improvement in aggregate CoR



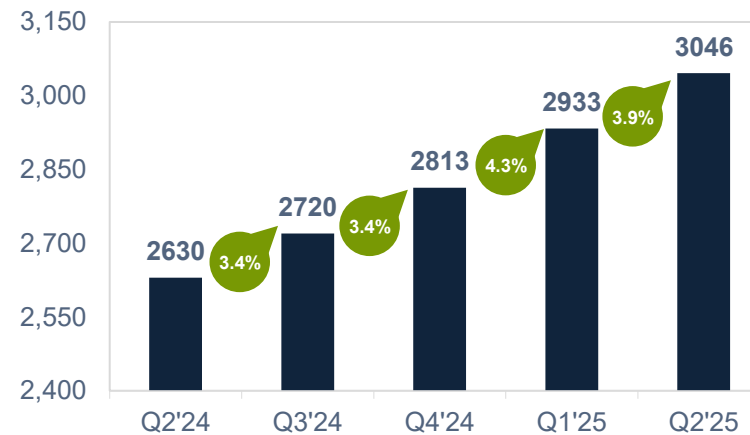
### Key Takeaways

- The aggregate CoR for KSA banks improved by 2bps QoQ to 0.25%, primarily due to the substantial decline in impairment charges
  - This was primarily due to impairment charge reversals in case of SNB
  - Aggregate CoR would have stood at 0.36% if SNB is excluded from CoR calculation
- Average gross loans continued their steady upward trajectory, rising to SAR 3.0tn in Q2'25, continuing the growth momentum since Q2'24
  - Corporate lending, which comprises of ~58% of the loan portfolio, grew by 3.9% QoQ
  - While retail lending, comprising of ~41% of the loan portfolio, increased marginally by 0.6% QoQ
  - This reflects a gradual emphasis in the banking sector from consumer lending to corporate/wholesale lending

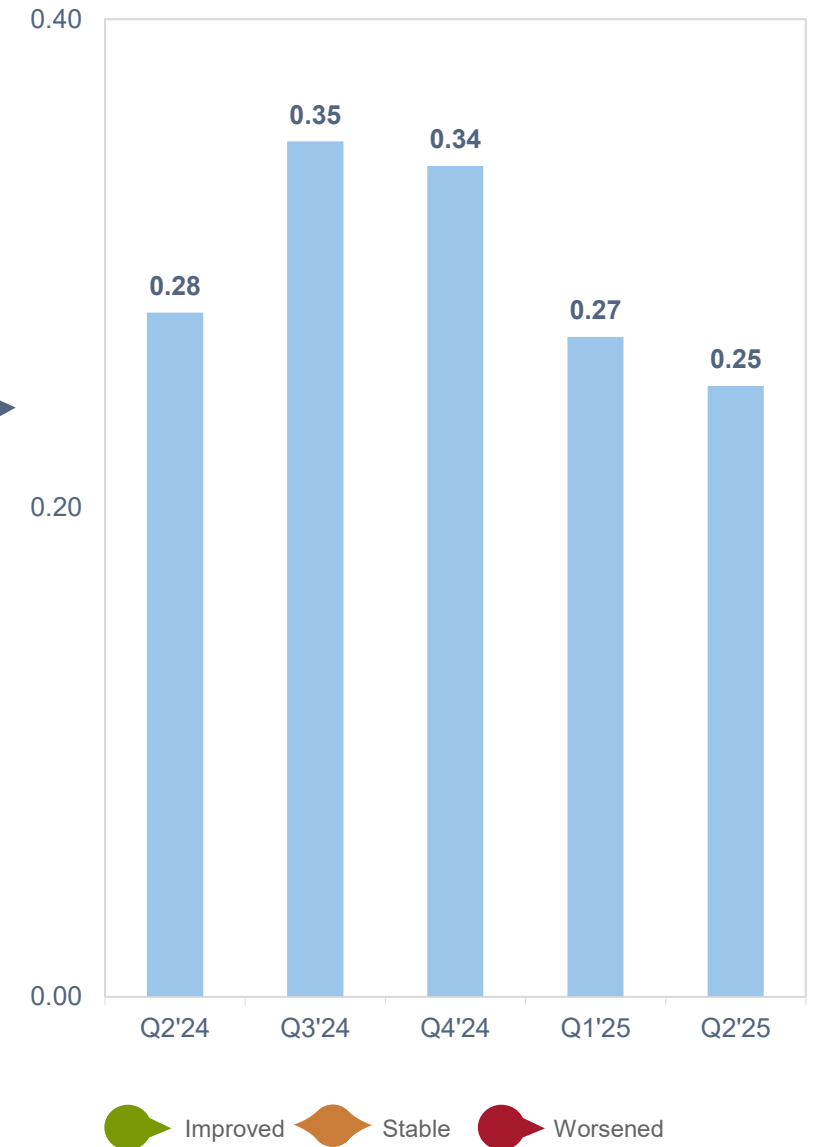
### Quarterly Net Loan Loss Provisions (SAR bn)



### Average Gross Loans (SAR bn)



### Cost of Risk (% Quarterly Annualised)



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

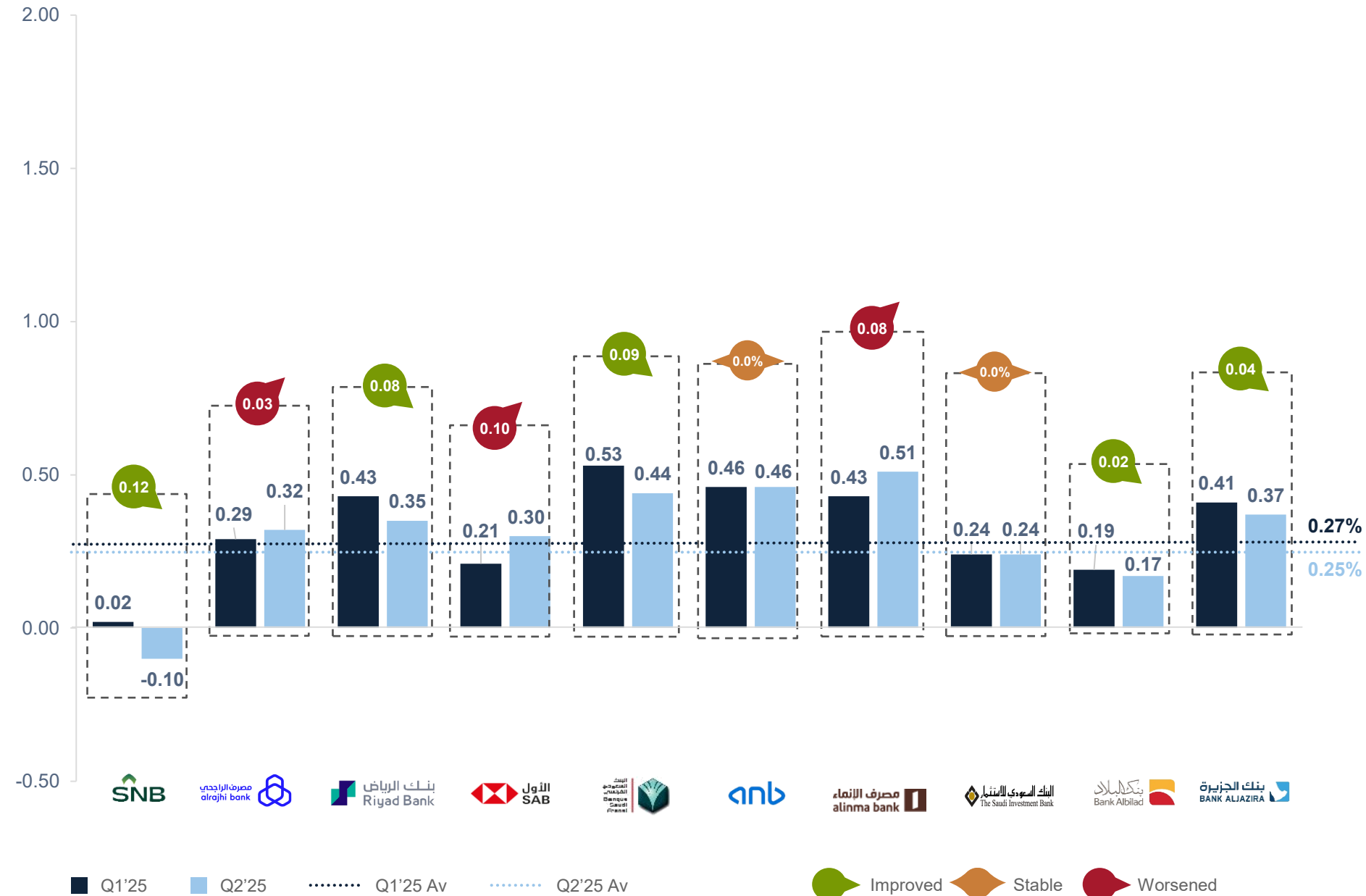


## Higher recoveries and prudent risk management resulted in improvement in CoR

### Key Takeaways

- Five out of ten Saudi banks reported an improvement in CoR in Q2'25, driving the sector's aggregate CoR lower marginally by 2bps QoQ to 0.25%
- SNB posted the sharpest improvement (-12bps QoQ), followed by BSF (-9bps QoQ) and RIBL (-8bps QoQ), aided by higher recoveries and robust asset quality
  - SNB registered an improvement in CoR, supported by recovery efforts with meaningful inflows from fully provisioned and legacy exposures across both retail and wholesale portfolio
  - RIBL registered an improvement in CoR due to strong recoveries coupled with proactive risk management
- Highest comparative deterioration in CoR was witnessed by SAB (+10bps) and ALINMA (+8bps)

## Cost of Risk - Net of Reversals (% Quarterly Annualised)



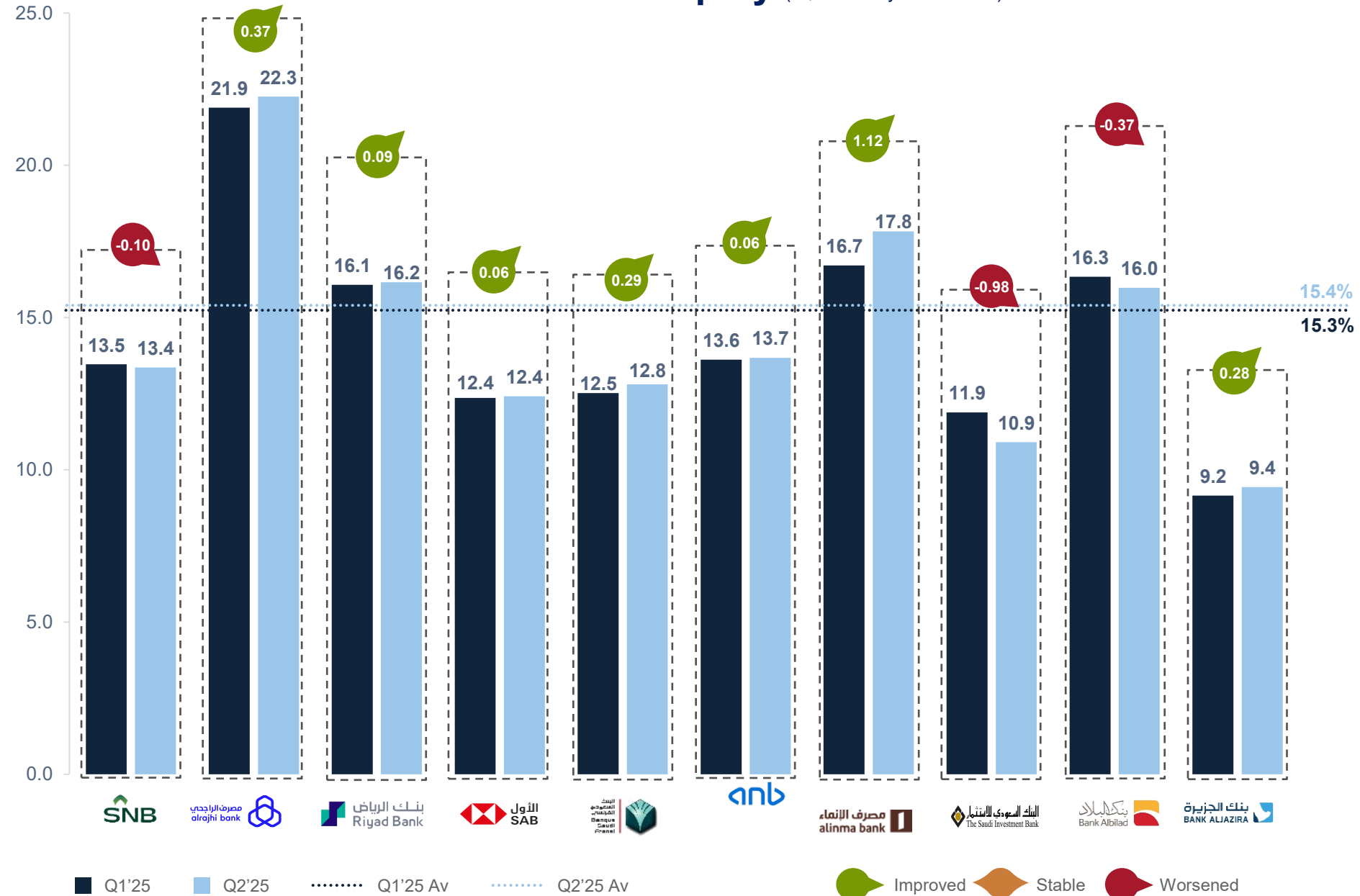
## Majority of KSA banks witnessed a rise in RoE, led by ALINMA



### Key Takeaways

- Aggregate RoE of Saudi banks increased by 12bps QoQ to 15.4% in Q2'25
- Seven of the ten banks posted RoE improvements, led by ALINMA (+112bps QoQ), ALRAJHI (+37bps), and BSF (+29bps), driven primarily by stronger non-interest income
- RoE across KSA banks stayed comfortably within management guidance for FY'25, underscoring resilient profitability and execution despite a challenging operating backdrop
- SAIB (-98bps QoQ) and BALB (-37bps QoQ), on the other hand, posted the largest decline in RoE

## Return on Equity (% Quarterly Annualised)



# KSA banks reported a balanced and robust quarter, reflecting the Kingdom's sustained economic strength

## Key Takeaways

- KSA banks' profitability improved in Q2'25, with RoE rising to 15.4% (+12bps QoQ) and RoA edging down to 2.0% (-7bps QoQ), supported by better cost efficiency and higher non-interest income
- According to GASTAT estimates, real GDP of KSA increased by 3.9% YoY in Q2'25, driven by a 4.6% YoY rise in non-oil activities and a 3.8% YoY increase in oil activities, while government activities grew by 0.6% YoY
- Saudi bank lending climbed to a record USD 850bn (SAR 3.18tn) in Q2'25, up 15.7% YoY, driven by corporate credit growth and strong momentum in real estate, transport, and health sectors;
  - Long-term financing for major projects led with a 16.9% rise, while medium- and short-term loans grew 10.1% and 8.5%, respectively, highlighting Vision 2030-linked project demand



Note: All the charts above are based on L3M numbers  
Op Income stands for Operating Income  
Scaling and some numbers might not add up due to rounding  
Source: Financial statements, Investor presentations, A&M analysis

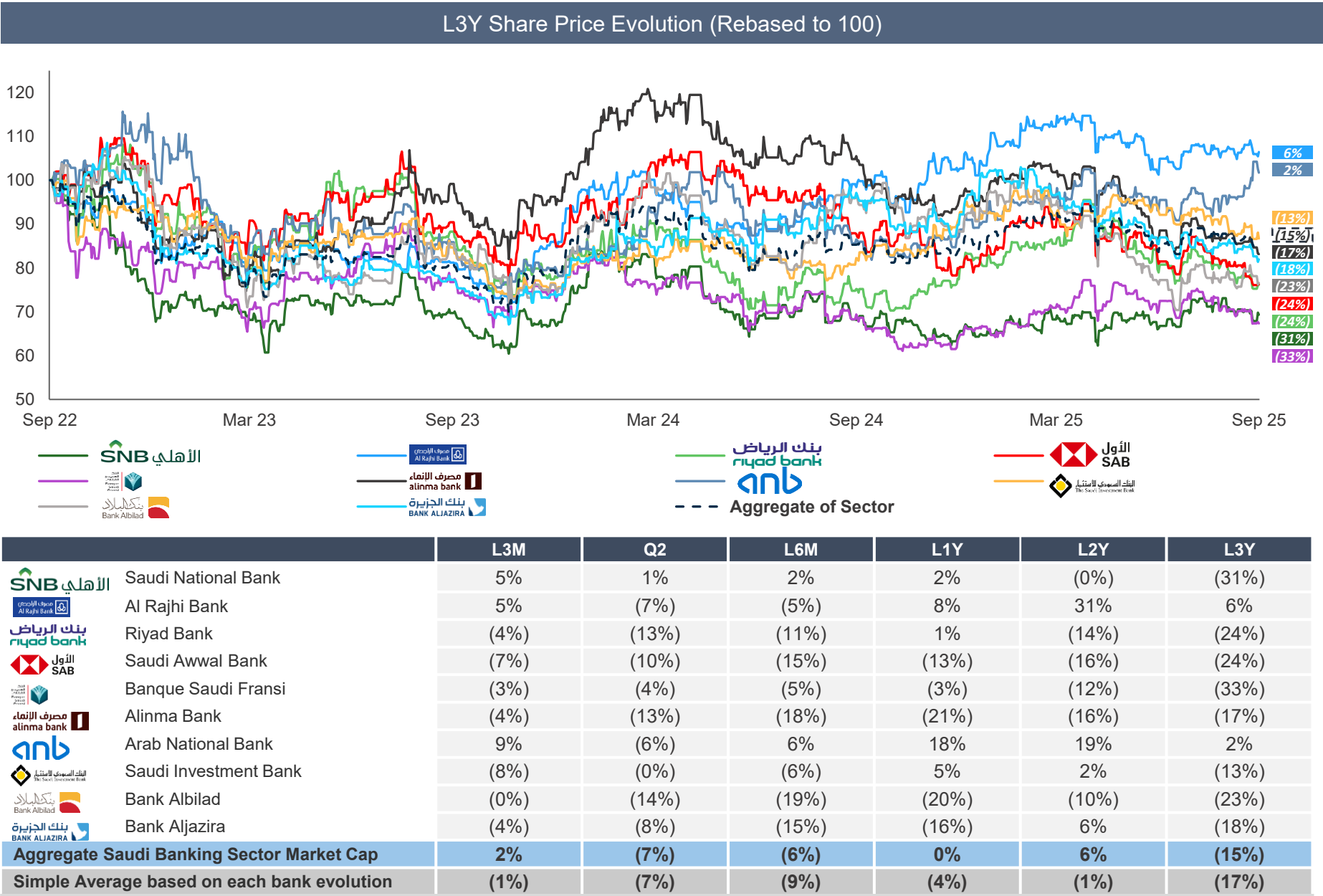
Saudi banks have recently exhibited varied share price performances, influenced by stable financial results, fluctuating oil prices, and global economic factors



Key Takeaways

- Saudi banks have experienced relatively stable share price performance over the past two years, stabilising post the decreases experienced 3 years ago. Recent improvement in share price is driven by robust earnings growth and increased investor confidence
- The sector's share price performance has also been bolstered by sustained net loans expansion, albeit with a more measured pace of credit deployment most recently
- Despite episodic volatility, introduced by geopolitical tensions and global trade uncertainties, the Saudi banking sector remains resilient, supported by strong fundamentals, domestic buffers and increasing profitability and RoE

Share Price Evolution Across Saudi Banks





# Saudi Banks valuation multiples remain solid compared to regional and global peers, backed by strong earnings and capital strength

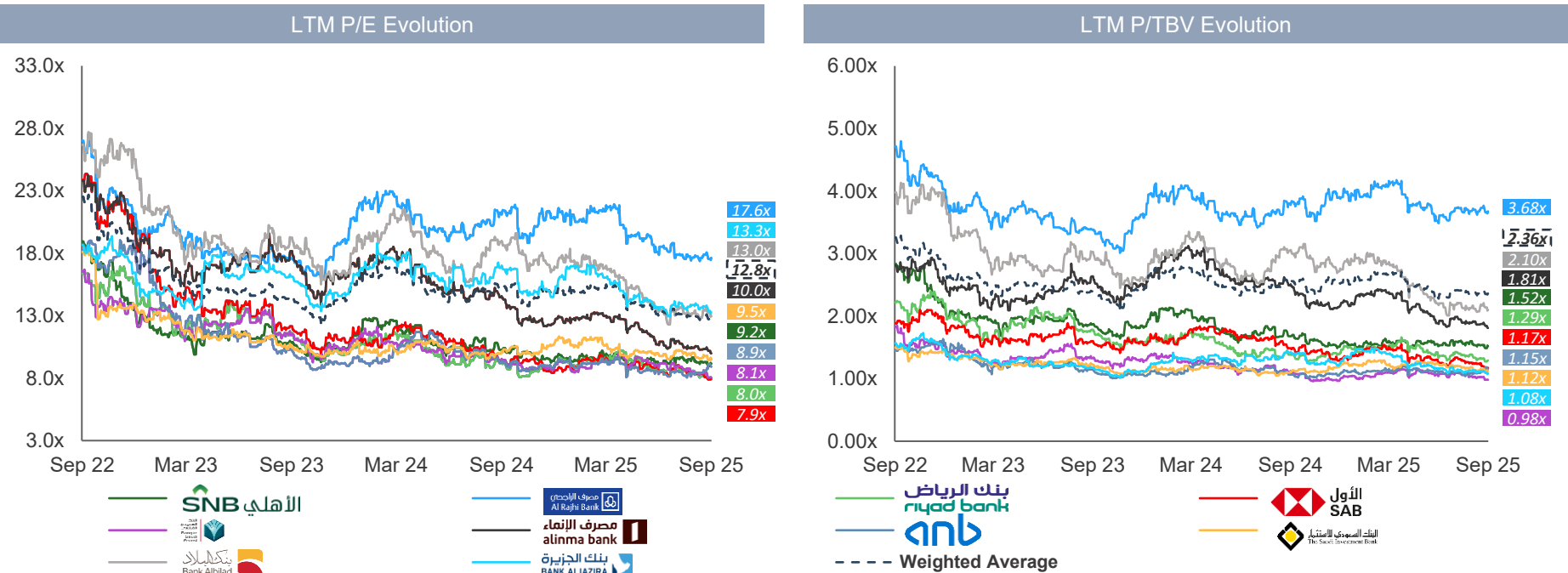


## Key Takeaways

- As of Q2 2025, on (simple) average, Saudi banks trade at a P/E of 11.0x and P/TBV of 1.66x, positioning them attractively versus regional and global peers
- This reflects continued strong profitability, solid asset quality, and sustained investor interest in the region’s most systemically important institutions
- Higher multiples reflect investor pricing of earnings resilience, with sector RoE improving by another 12bps amid strong cost discipline
- Excess capital at Saudi banks is forecasted to grow, presenting opportunities for organic expansion, higher dividend payouts, and increased M&A activity

# Valuation Snapshot

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



Spot	Q2 – 30th June		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	9.3x	1.54x	9.1x	1.52x	9.8x	1.58x	10.3x	1.68x	10.8x	1.87x	18.9x	2.84x
بنك الرياض Riyad Bank	17.6x	3.68x	18.0x	3.50x	21.4x	4.07x	21.1x	3.78x	17.6x	3.38x	27.0x	4.72x
بنك الجزيرة Bank Aljazira	8.7x	1.41x	8.5x	1.35x	9.5x	1.51x	9.2x	1.39x	11.6x	1.78x	16.4x	2.22x
البنك السعودي الاستثماري SAB	8.8x	1.31x	8.6x	1.26x	9.4x	1.46x	9.4x	1.49x	12.2x	1.60x	23.9x	1.89x
بنك الإنماء Alinma Bank	8.9x	1.08x	8.8x	1.04x	9.3x	1.10x	9.6x	1.13x	11.5x	1.33x	16.6x	1.83x
بنك البلاد Bank Albilad	10.8x	1.96x	10.7x	1.89x	13.0x	2.38x	14.6x	2.51x	18.2x	2.64x	23.8x	2.81x
بنك الجزيرة Bank Aljazira	8.4x	1.09x	8.3x	1.09x	9.3x	1.13x	9.3x	1.08x	10.3x	1.15x	18.2x	1.45x
بنك البلاد Bank Albilad	10.1x	1.19x	9.9x	1.24x	10.6x	1.22x	10.2x	1.12x	10.6x	1.23x	18.1x	1.50x
بنك الجزيرة Bank Aljazira	13.3x	2.16x	13.4x	2.19x	16.8x	2.84x	19.0x	3.06x	19.2x	3.03x	26.7x	3.98x
بنك الجزيرة Bank Aljazira	14.2x	1.15x	13.5x	1.15x	16.0x	1.40x	17.0x	1.43x	16.1x	1.17x	18.7x	1.56x
Weighted Average	13.0x	2.38x	13.0x	2.29x	15.2x	2.66x	15.3x	2.54x	14.5x	2.40x	22.5x	3.26x
Simple Average	11.0x	1.66x	10.9x	1.62x	12.5x	1.87x	13.0x	1.87x	13.8x	1.92x	20.8x	2.48x

# Glossary

# Glossary

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

# Glossary (continued)

<div>Bank</div> <div>  </div> <div>Assets (SAR Bn)*</div> <div>1,507.1</div> <div>Abbreviation</div> <div>SNB</div>	<div>Bank</div> <div>  </div> <div>Assets (SAR Bn)*</div> <div>1,039.0</div> <div>Abbreviation</div> <div>ALRAJHI</div>	<div>Bank</div> <div>  </div> <div>Assets (SAR Bn)*</div> <div>490.8</div> <div>Abbreviation</div> <div>RIBL</div>	<div>Bank</div> <div>  </div> <div>Assets (SAR Bn)*</div> <div>432.4</div> <div>Abbreviation</div> <div>SAB</div>	<div>Bank</div> <div>  </div> <div>Assets (SAR Bn)*</div> <div>301.5</div> <div>Abbreviation</div> <div>BSF</div>
<div>Bank</div> <div>  </div> <div>Assets (SAR Bn)*</div> <div>297.2</div> <div>Abbreviation</div> <div>ALINMA</div>	<div>Bank</div> <div>  </div> <div>Assets (SAR Bn)*</div> <div>269.0</div> <div>Abbreviation</div> <div>ANB</div>	<div>Bank</div> <div>  </div> <div>Assets (SAR Bn)*</div> <div>167.3</div> <div>Abbreviation</div> <div>SAIB</div>	<div>Bank</div> <div>  </div> <div>Assets (SAR Bn)*</div> <div>161.9</div> <div>Abbreviation</div> <div>BALB</div>	<div>Bank</div> <div>  </div> <div>Assets (SAR Bn)*</div> <div>157.6</div> <div>Abbreviation</div> <div>BJAZ</div>



Section New Entrants

<div>Date</div> <div>8-Jun-25</div> <div>News</div> <div>Riyad Bank and Mastercard join forces to empower MSMEs</div> <div>Links</div> <div><a href="#">Source</a></div>	<div>Date</div> <div>16-Jun-25</div> <div>News</div> <div>NayaOne teams up with AstroLabs to boost financial innovation in Saudi Arabia</div> <div>Links</div> <div><a href="#">Source</a></div>	<div>Date</div> <div>7-July-25</div> <div>News</div> <div>New portal for e-commerce payments launched in Saudi Arabia</div> <div>Links</div> <div><a href="#">Source</a></div>
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Section New Investments

<div>Date</div> <div>11-May-25</div> <div>News</div> <div>SNB and Areeb Capital Sign SAR 5.8 billion Financing Agreement to Support Real Estate Projects</div> <div>Links</div> <div><a href="#">Source</a></div>
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Section New Business Trends

<div>Date</div> <div>03-Jun-25</div> <div>.....</div> <div>News</div> <div>Saudi VC joins \$10m seed round of fintech company Stitch</div> <div>.....</div> <div>Links</div> <div><a href="#">Source</a></div>	<div>Date</div> <div>25-Jun-25</div> <div>.....</div> <div>News</div> <div>BSF taps Asian banks for \$750M loan: Report</div> <div>.....</div> <div>Links</div> <div><a href="#">Source</a></div>	<div>Date</div> <div>27-Jul-25</div> <div>.....</div> <div>News</div> <div>Saudi Arabia taps French bank to expand local debt market</div> <div>.....</div> <div>Links</div> <div><a href="#">Source</a></div>
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Section New Emerging Technologies

<div>Date</div> <div>8-Aug-25</div> <div>.....</div> <div>News</div> <div>Bank Albilad selects Intellect's eMACH.ai for cash management overhaul</div> <div>.....</div> <div>Links</div> <div><a href="#">Source</a></div>
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Section New Regulations

<div>Date</div> <div>7-May-25</div> <div>News</div> <div>Saudi Central Bank introduces new principles for internal auditing and compliance</div> <div>Links</div> <div><a href="#">Source</a></div>	<div>Date</div> <div>20-Jun-25</div> <div>News</div> <div>Saudi: New SAMA rules limit credit card fees: 3% cash withdrawal, 2% foreign purchases, free e-wallet top-ups</div> <div>Links</div> <div><a href="#">Source</a></div>	<div>Date</div> <div>5-Aug-25</div> <div>News</div> <div>Saudi central bank submits new banking draft law to legislative authorities</div> <div>Links</div> <div><a href="#">Source</a></div>
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Section Expected Challenges

<div>Date</div> <div>29-May-25</div> <div>News</div> <div>Saudi Arabia to 'take stock' of spending priorities after oil revenue drop</div> <div>Links</div> <div><a href="#">Source</a></div>	<div>Date</div> <div>5-Aug-25</div> <div>News</div> <div>IMF highlights Saudi Arabia's economic resilience and solid capacity</div> <div>Links</div> <div><a href="#">Source</a></div>
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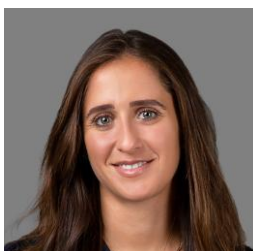
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