



المتحدة للأوراق المالية
UNITED SECURITIES

Mid-term review Special Report

Dip stick check on growth of Saudi Banks in 1H25

Sep 17, 2025



Key highlights:-

We closely examine the first half growth trend over the years to assess whether the momentum is sustainable.

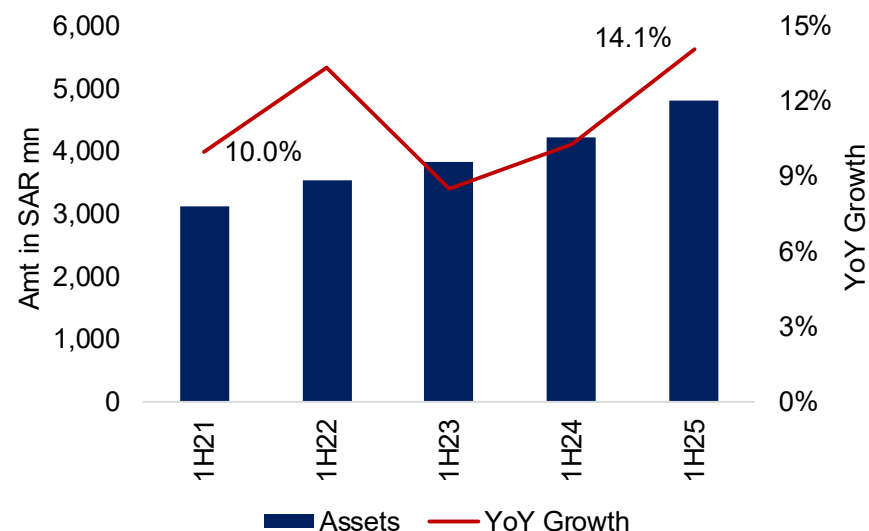
Below is a summary of our findings:

- Our report covers seven banks under coverage, with a combined market capitalization of ~\$232 bn (SAR 860 bn)
- **Assets:** Aggregate banking assets rose by 14.1% YoY in 1H25, driven by a 15.8% YoY increase in loans during the same period. This represents the strongest growth in the past five years. All seven banks posted double-digit asset growth, with RIBL (+21.2%) and ARB (+19.8%) leading the expansion, followed by Alinma and ANB, each recording a 14% YoY increase.
- **Loans:** In 1H25, aggregate loans of Saudi banks grew by 15.8% YoY, slightly below the 16.8% growth recorded in 1H21. Loan growth had bottomed out in 1H23. With the exception of ALBI, which expanded its loan book by 8.4% YoY, all other banks achieved growth in the mid-to-high teens, reflecting a robust credit demand environment
- **Deposits:** Aggregate bank deposits have continued their trend of slowing growth over the past five years, recording a 7.7% YoY increase in 1H25, the lowest since 1H21. The average CASA ratio for the seven banks stood at 58.7% in 1H25, down 230bps YoY. Deposit growth was uneven across banks, with the two largest institutions reporting increases of less than 5%.
- **LD Leverage:** Given the divergence in loan and deposit growth, the systemwide loan-to-deposit ratio reached 110% in 1H25—the highest level in the past five years. We believe this ratio has peaked, limiting banks' ability to rely on this lever for further growth.
- **Takeaway:** We expect banks to continue expanding at a strong pace, supported by a conducive credit environment and the prospect of rate cuts. Loan growth is likely to outpace deposit growth through 2H25 and into the first half of 2026, as markets begin to price in lower rates.

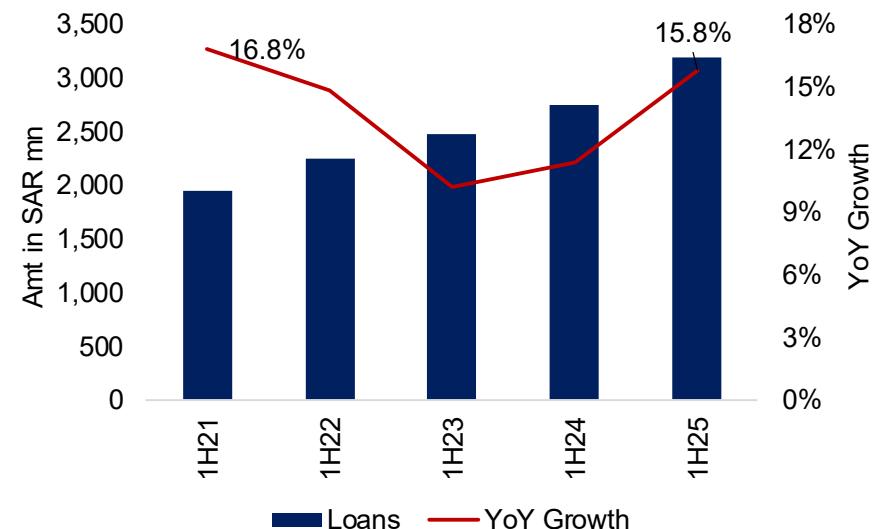
KSA Banks - Macro trends point to continued growth momentum



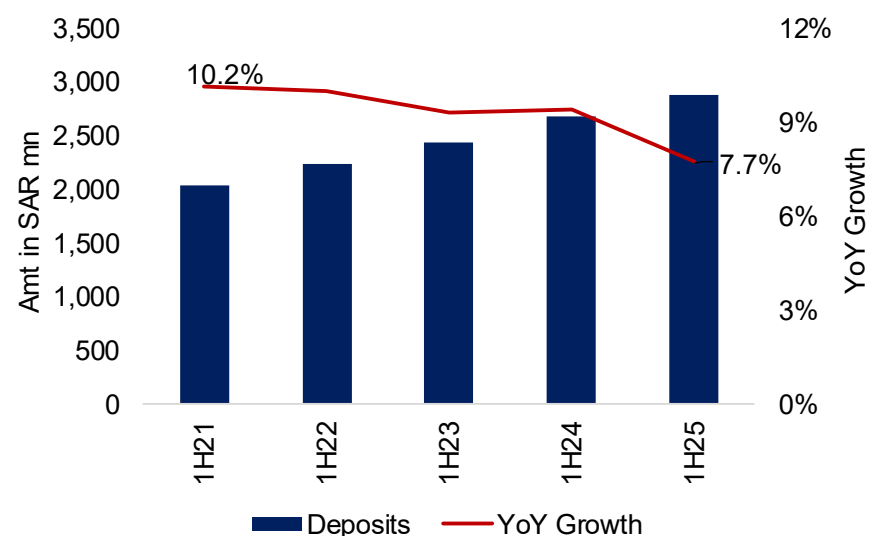
1H25 YoY Asset growth at a five year peak...



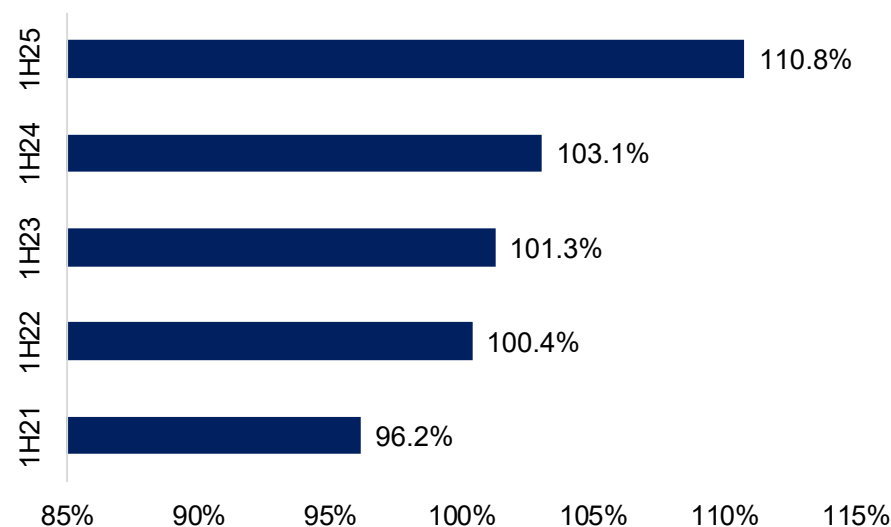
...with 1H25 loan growth nearing 1H21 level



1H25 Deposit growth continues to be slow...



... resulting in peak system wide LDR in 1H25





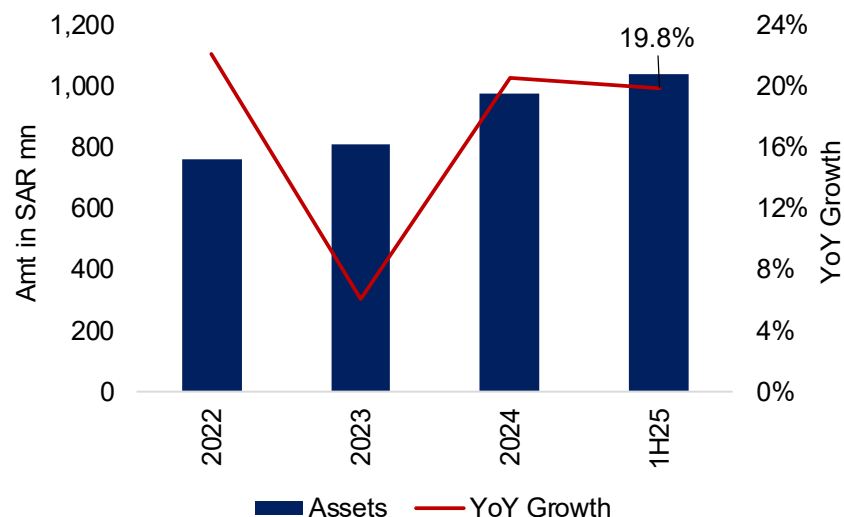
Saudi Banks under our coverage



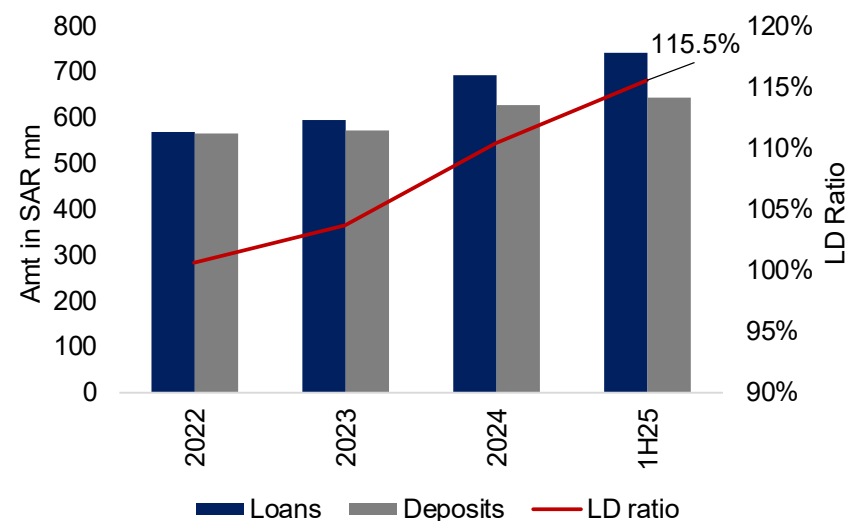
Balance sheet trends – Al Rajhi Bank



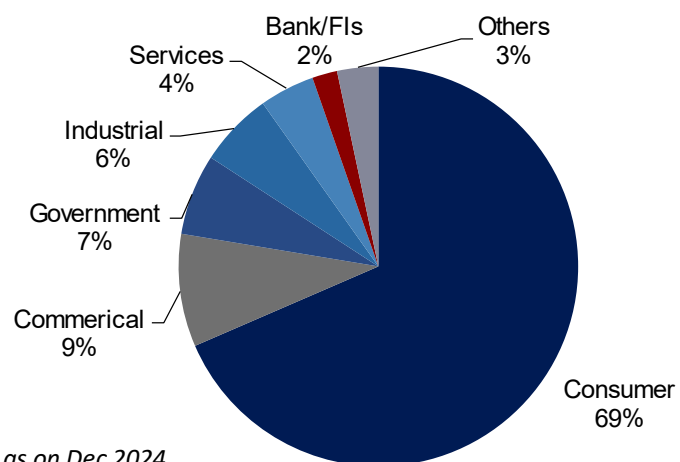
Assets - Growth momentum sustained in 1H25...



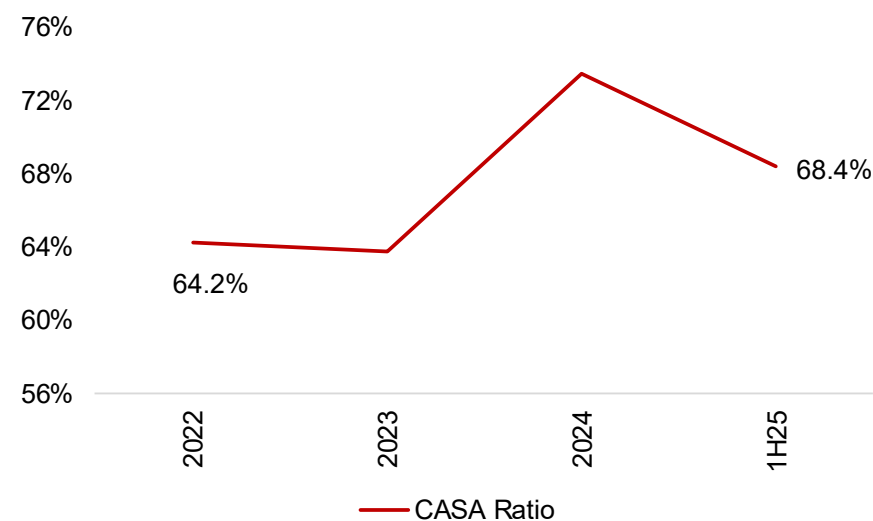
...with effective use of LDR lever highest in 1H25



Diversification play, consumer loan stays high...



CASA-1H25 decline, due to one off spike in 2024

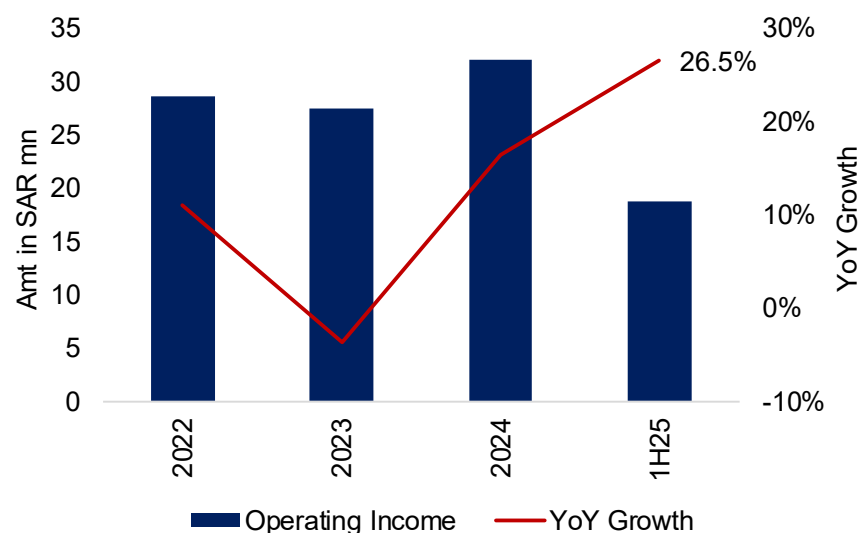


*data as on Dec 2024

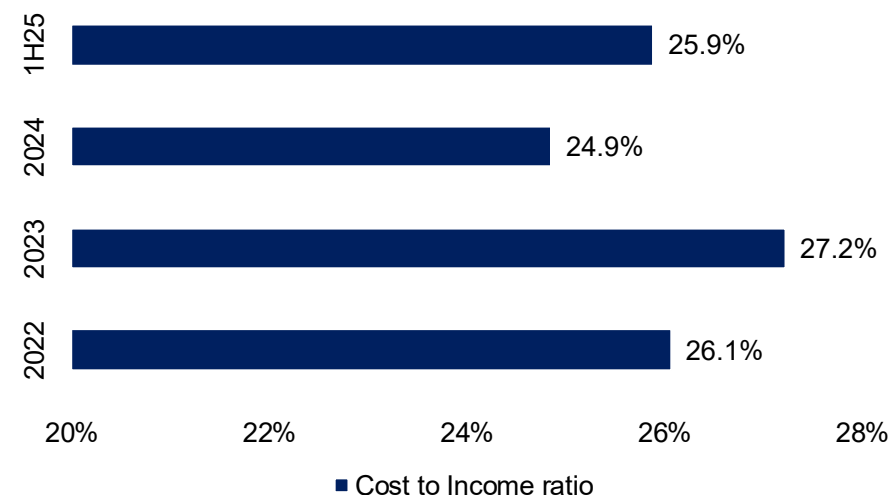
Income trends – Al Rajhi Bank



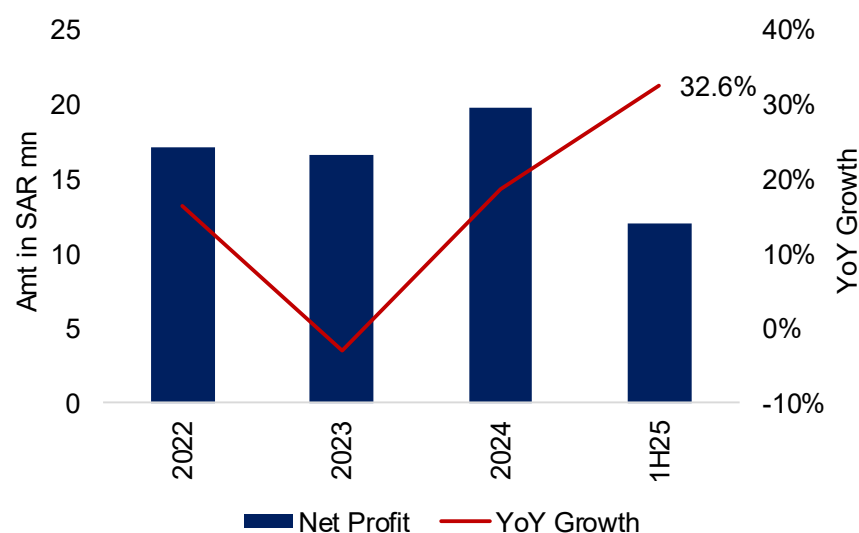
Operating Income growth > asset growth in 1H25



Cost Income ratio- 1H25 increase not significant



Operating leverage aid profit growth in 1H25

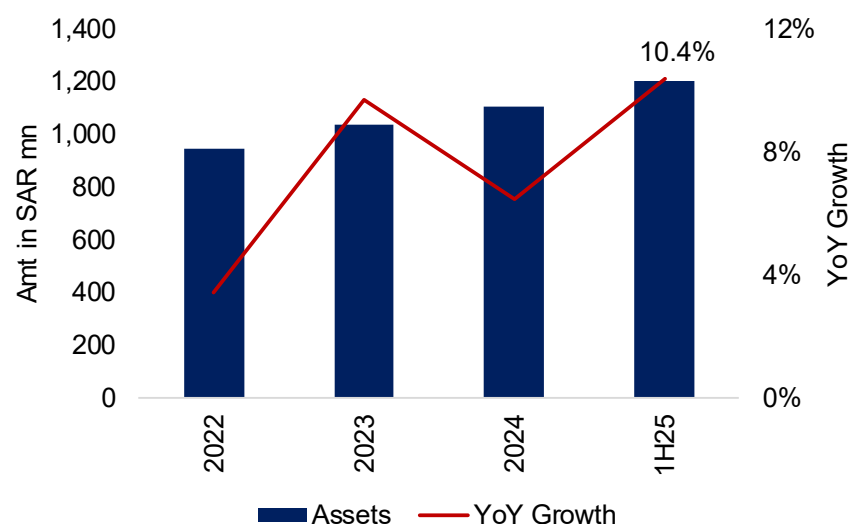


- ARB's 1H25 operating income growth outpaced asset and loan growth, supported equally by net interest income and non-interest income, driven by both higher volumes and margin improvement.
- We believe costs were frontloaded in 1H25 and should improve in 2H25 as operating leverage takes effect.
- Stronger operating profits are expected to flow through to the bottom line, and we anticipate growth momentum will continue in 2H25.

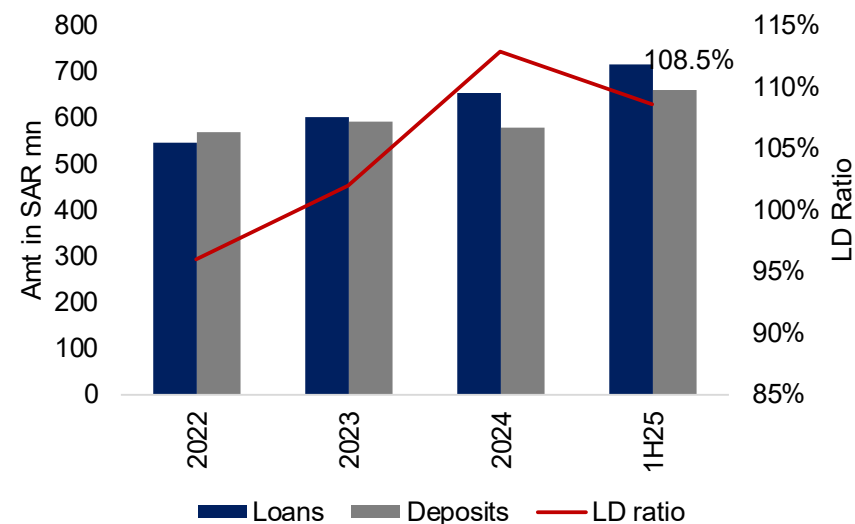
Balance sheet trends – Saudi National Bank



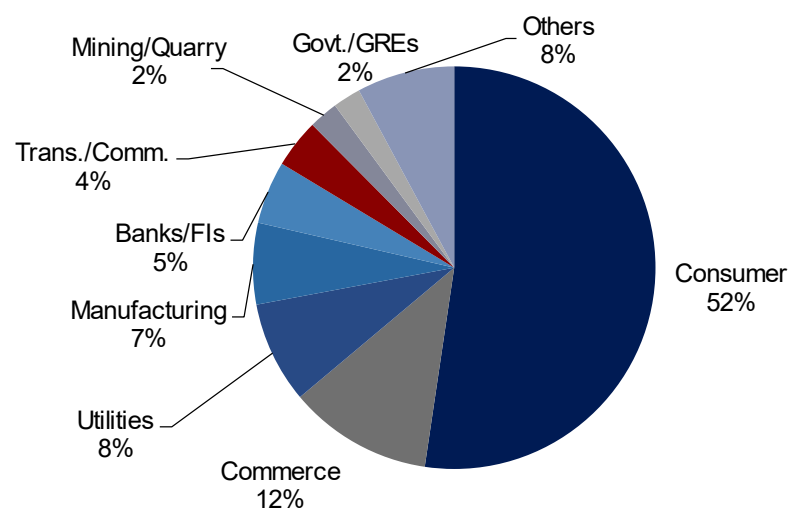
Asset growth better in 1H25 despite higher base



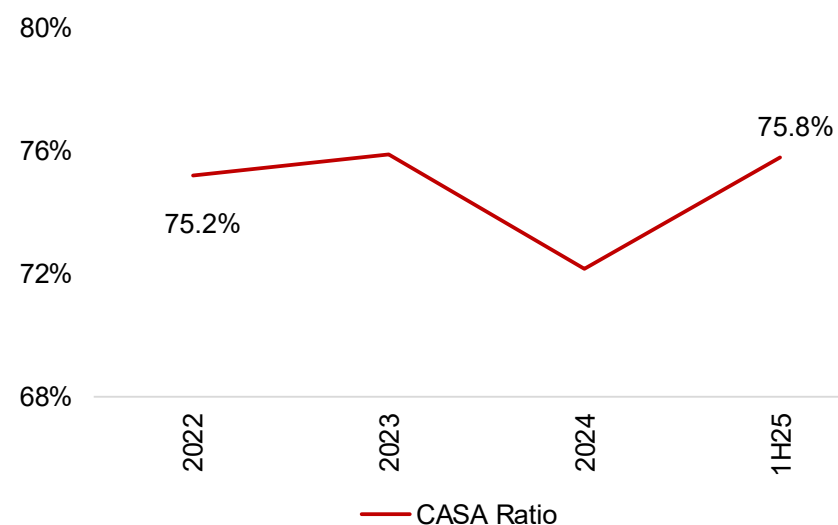
...Deposits grow slower than loans, LDR decline



High diversified book - equal focus on consumer



CASA rebound in 1H25 after loss of share in 24

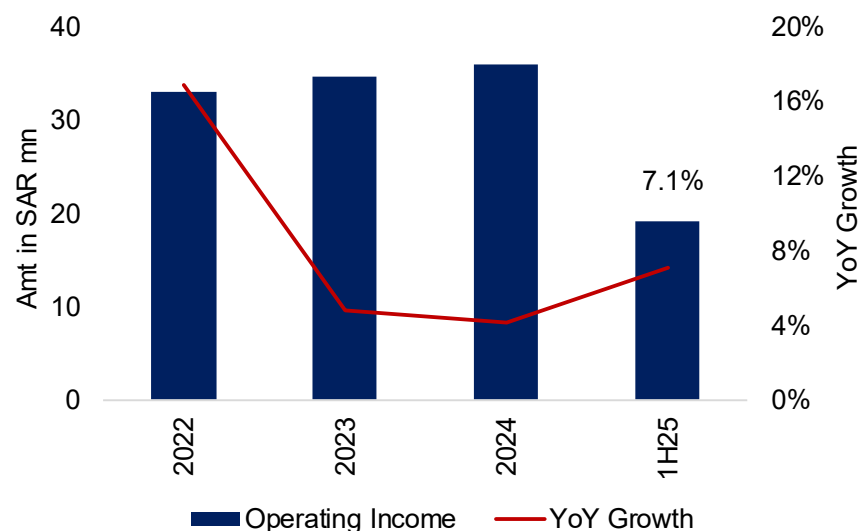


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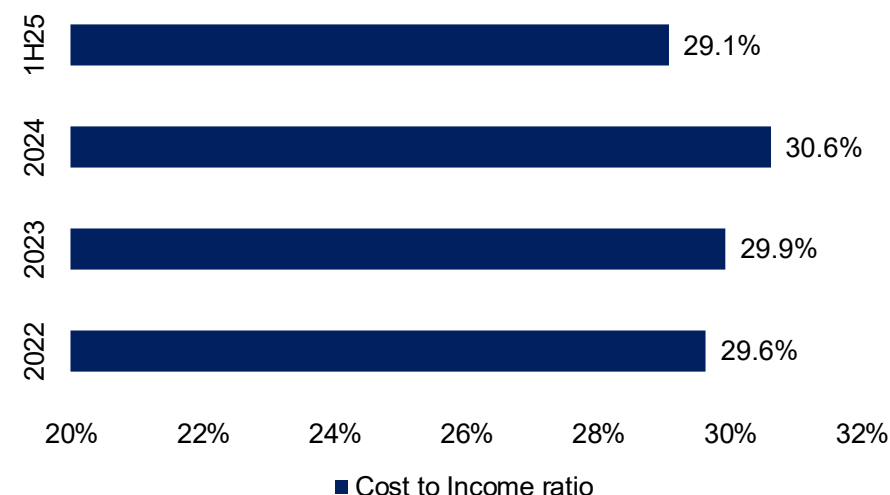
Income trends – Saudi National Bank



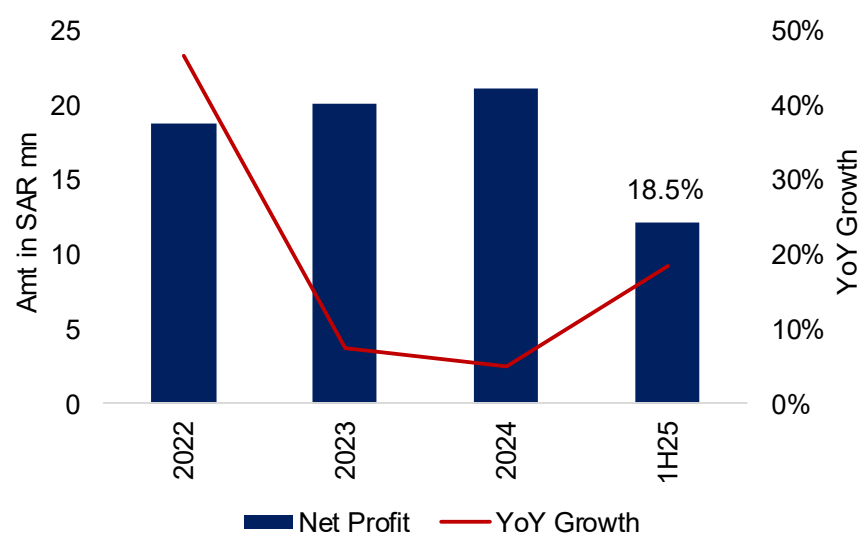
Operating Income growth in 1H25 > in last 2 yrs



CI - Low at 29.1% due to cost efficiency gains



Higher profit growth in 1H25 driven by writeback

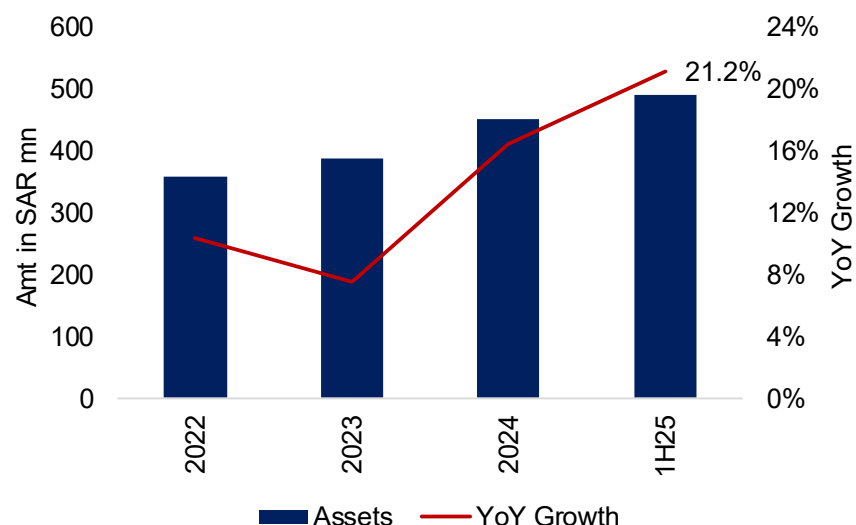


- Operating income grew 7.1% in 1H25, rebounding after two years of low mid-single digit growth. The increase was driven by stronger non-interest income, despite a 21 bps YoY compression in NIMs.
- Cost efficiency gains were sustained in 1H25, with the cost-to-income ratio at 29.1%, and management has guided for further improvements in 2025e.
- Profit growth outpaced operating income growth, supported by stronger operating profits and writebacks. We expect the bank to deliver 2025e PAT growth of 9.5% YoY.

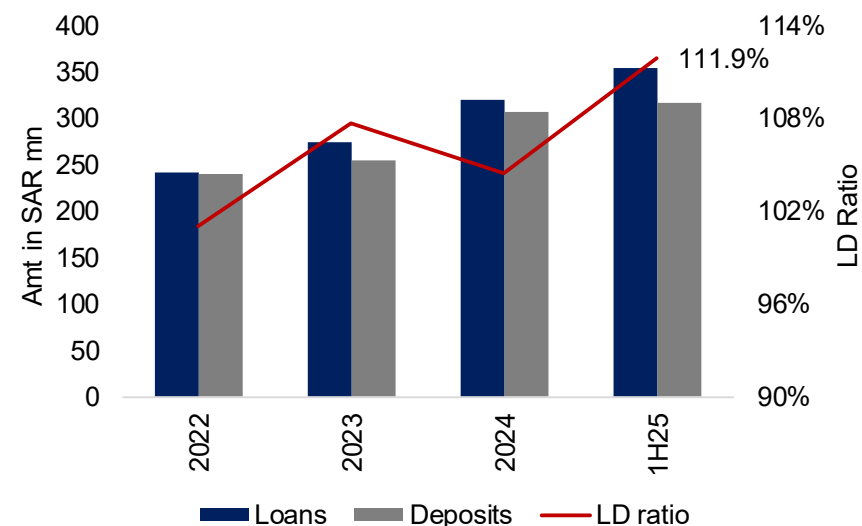
Balance sheet trends – Riyadh Bank



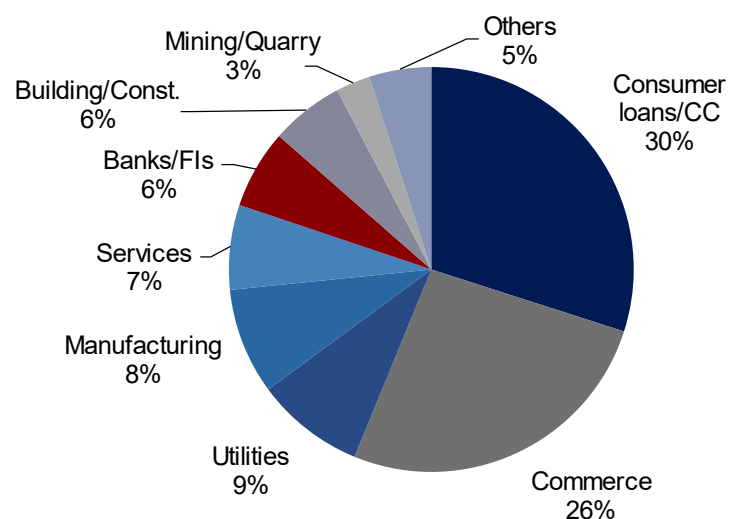
Assets - Highest 1H25 YoY growth among banks



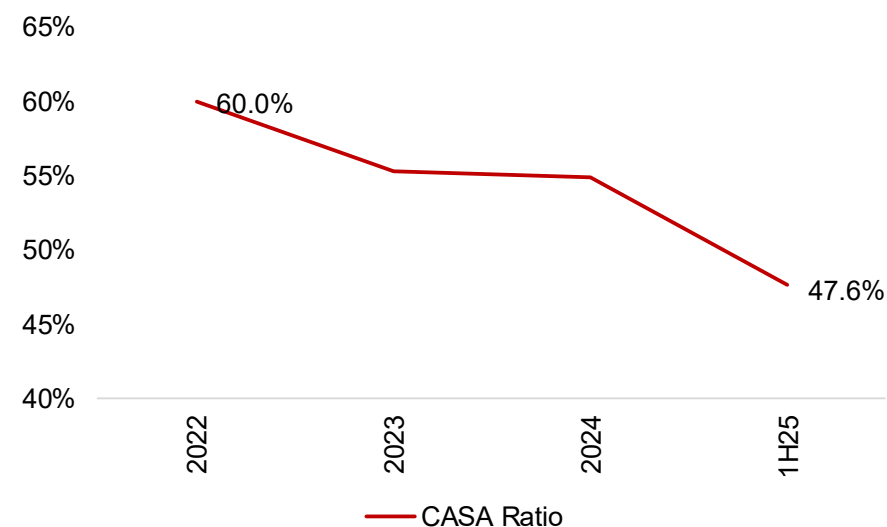
LDR ratio managed quite well, continued growth



Diversified book with 70% wholesale exposure



Declining CASA, leaning towards TD for growth

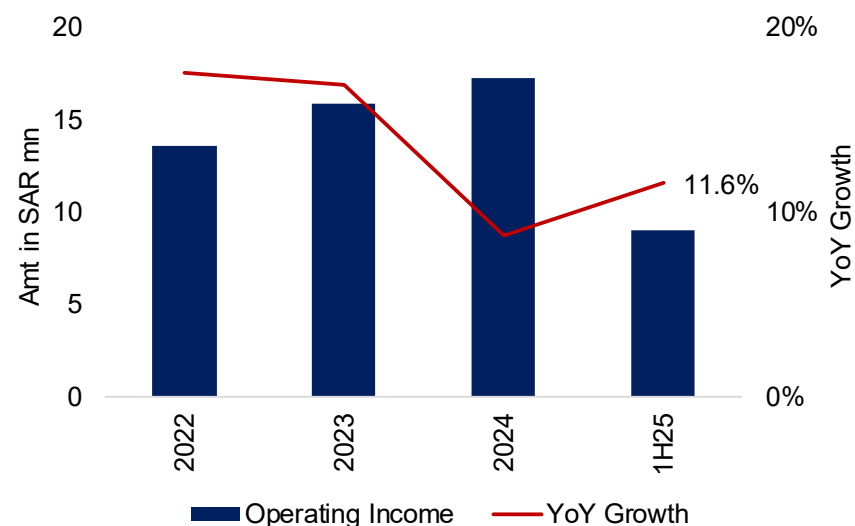


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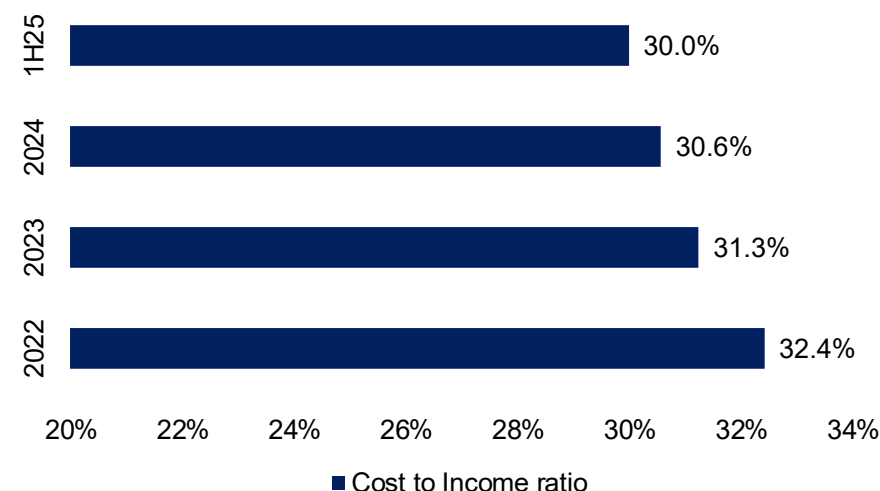
Income trends – Riyadh Bank



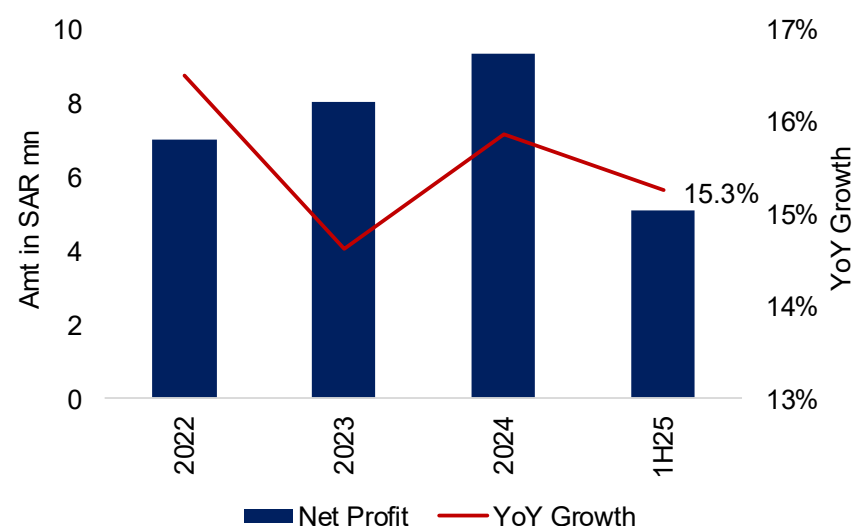
Operating Income growth rate < than asset growth



CI - Consistent decline pointing to efficiencies



Bottom-line growth outpace top-line growth

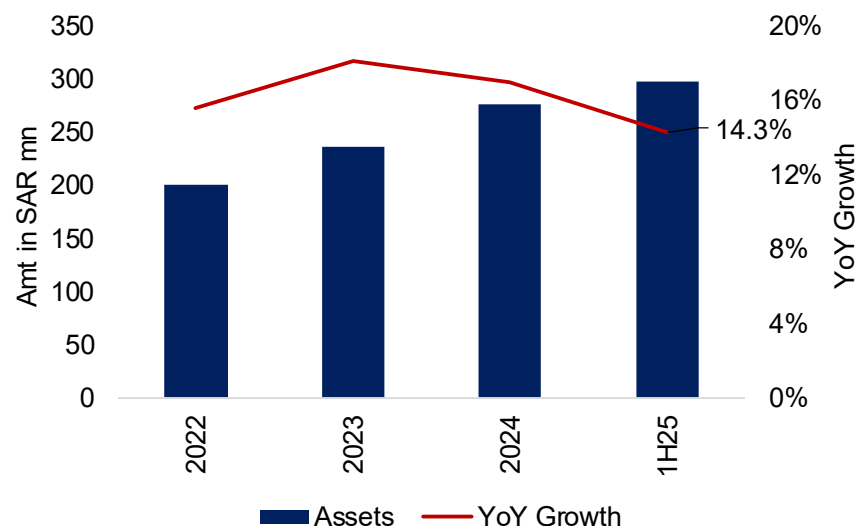


- Despite the strong growth in assets/loans during 1H25, operating income increased modestly due to margin pressure, although non-interest income provided some support.
- Cost discipline remains firm, with management's guidance of keeping the cost-to-income ratio below 30.5% for 2025 appearing easily achievable.
- Profit growth outpaced income growth, supported by operating profit and relatively lower impairments. Growth in 2025 is expected to be weaker than in 2024.

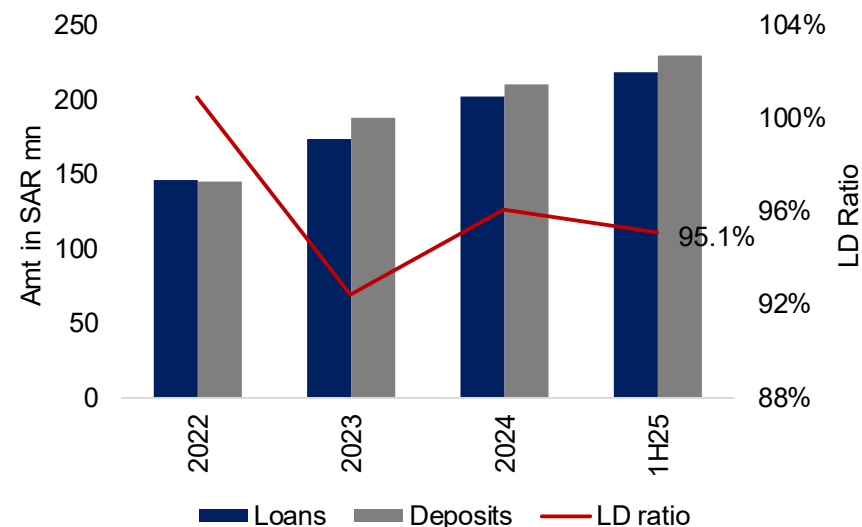
Balance sheet trends – Alinma



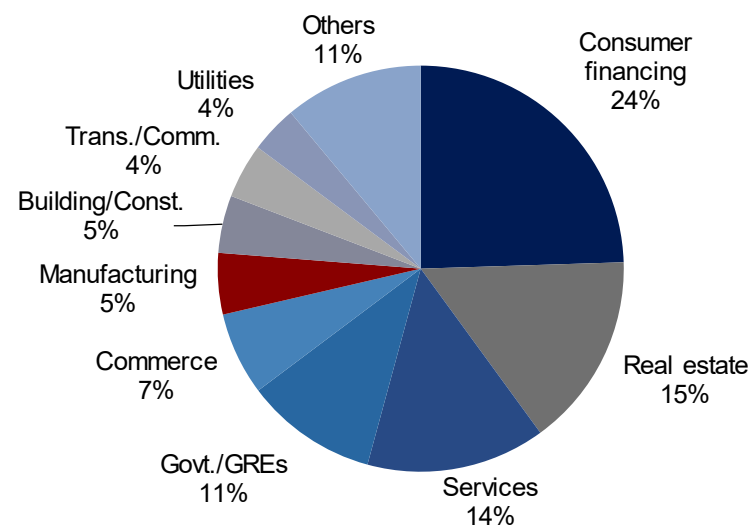
1H25 YoY Asset growth continues in mid-teens...



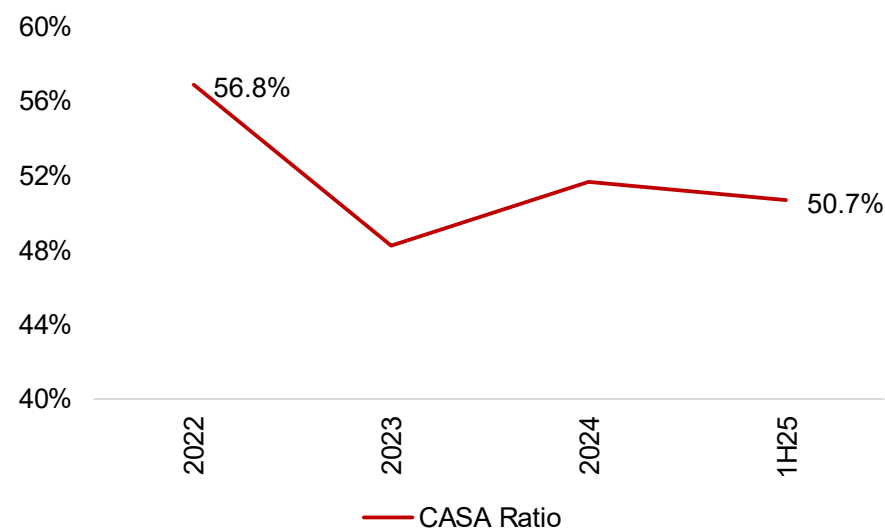
1H25 loans grow in line with assets, LDR stable



Well diversified book, real estate exposure high



1H25 CASA ratio steady post decline in 2023

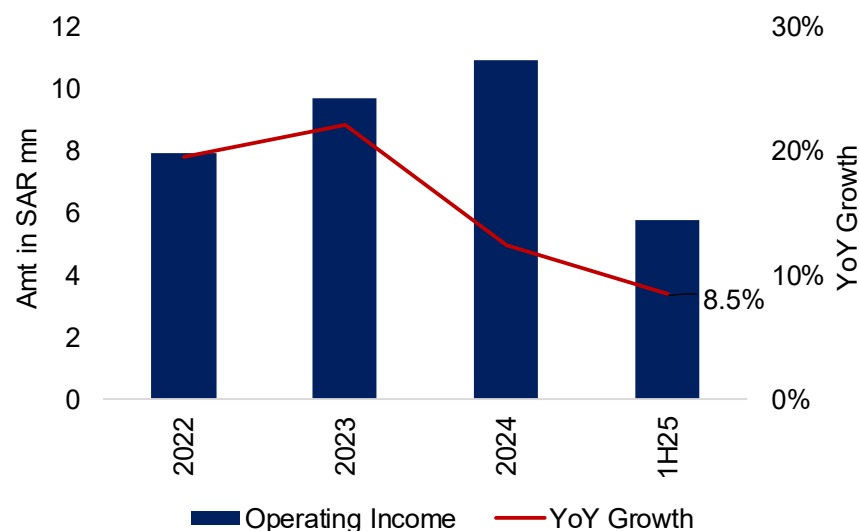


*data as on Dec 2024

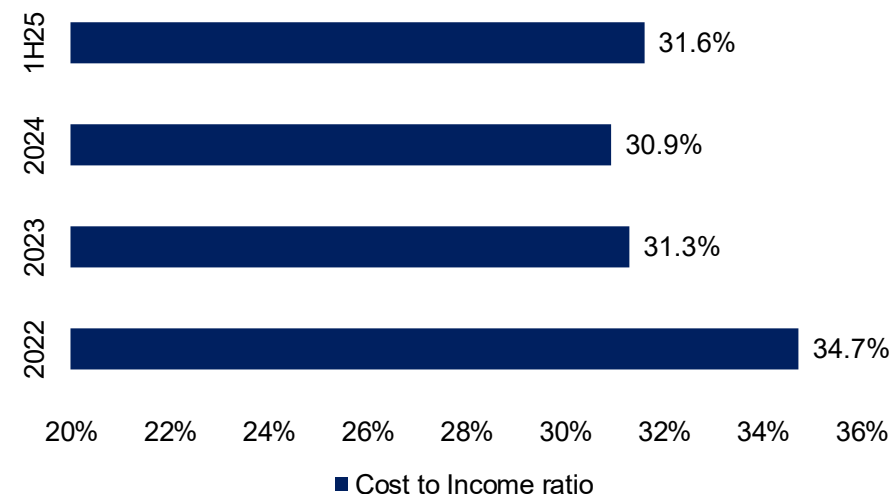
Income trends – Alinma



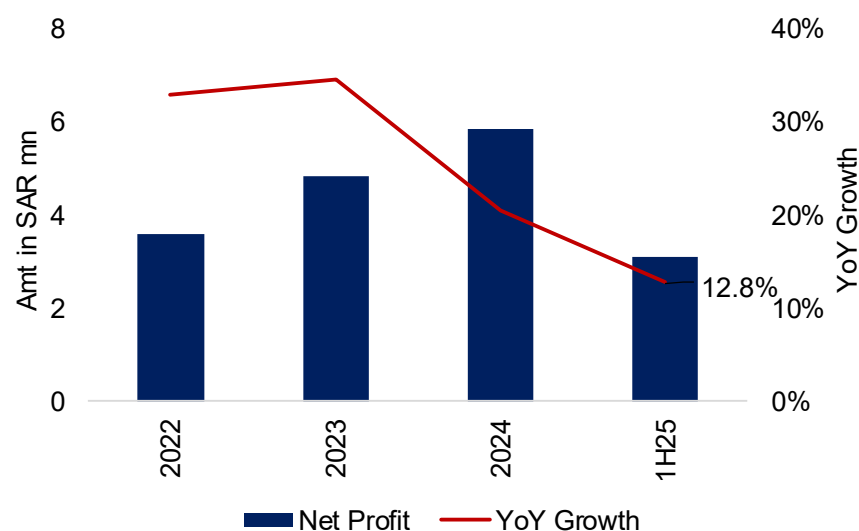
Income growth subdued, other income slows...



...1H25 CI ratio elevated as cost increase faster



Lower impairments aid double digit profit growth

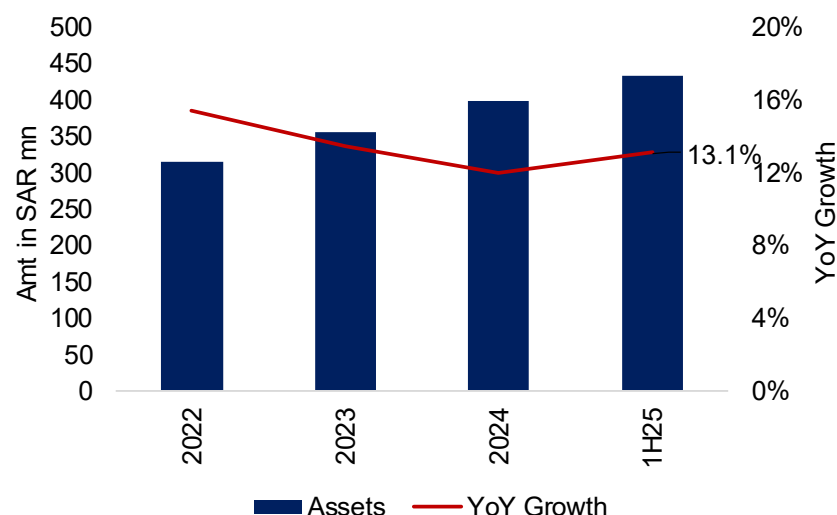


- Income growth remained subdued as non-interest income was relatively weaker. Funded income continues to account for a high 79% of operating income. Net interest margin (NIM) guidance has been revised downward by 10 bps for 2025
- The cost-to-income ratio was slightly elevated, with guidance raised by 50 bps to remain below 31% in 2025.
- Lower impairments and steady operating profit growth supported net profit, though growth in 2025 is projected to slow to 9% YoY.

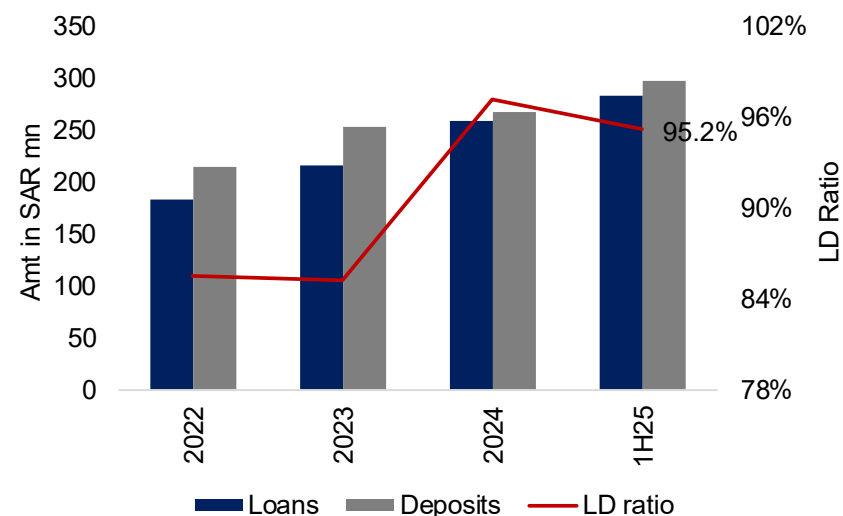
Balance sheet trends – Saudi Awwal Bank



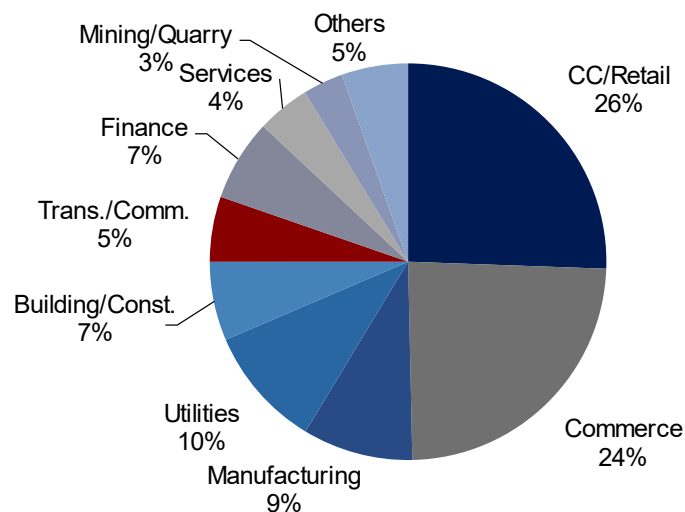
1H25 Asset growth ahead of expectations...



...focus on leveraging LDR continues in 1H25

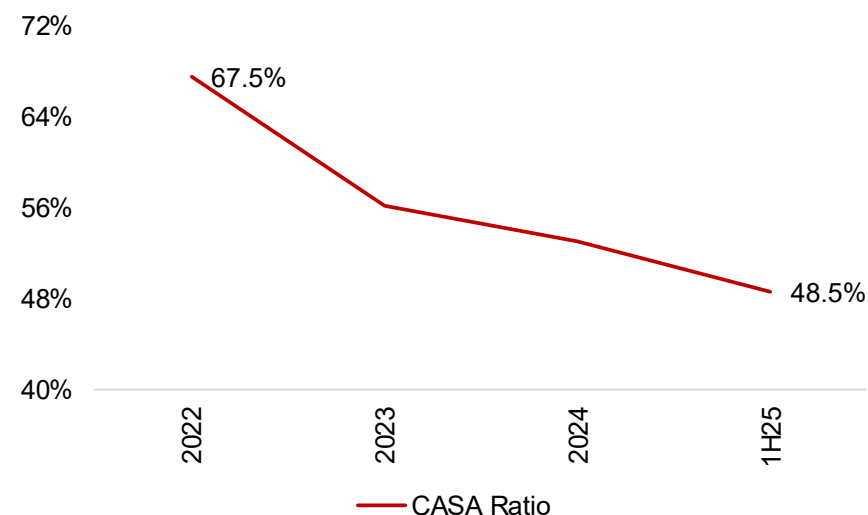


Retail/CC and Commerce sector bulk of the loan



*data as on Dec 2024

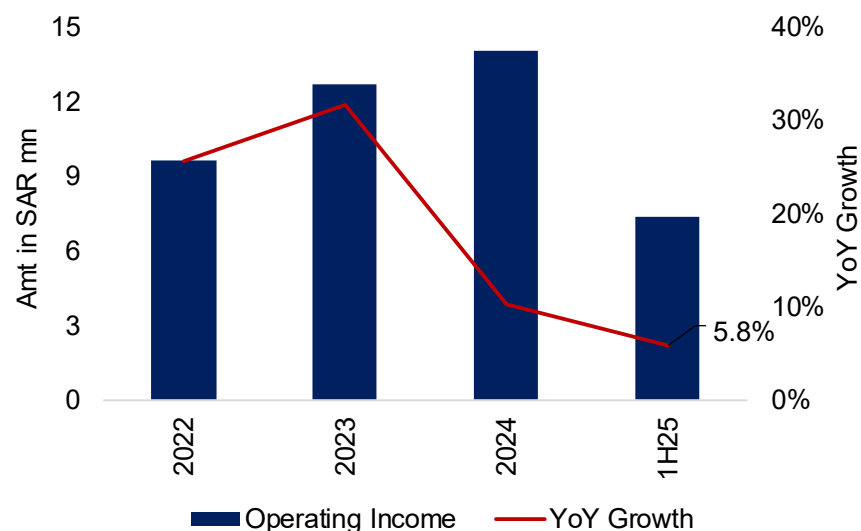
1H25 CASA ratio touches new bottom at 48.5%



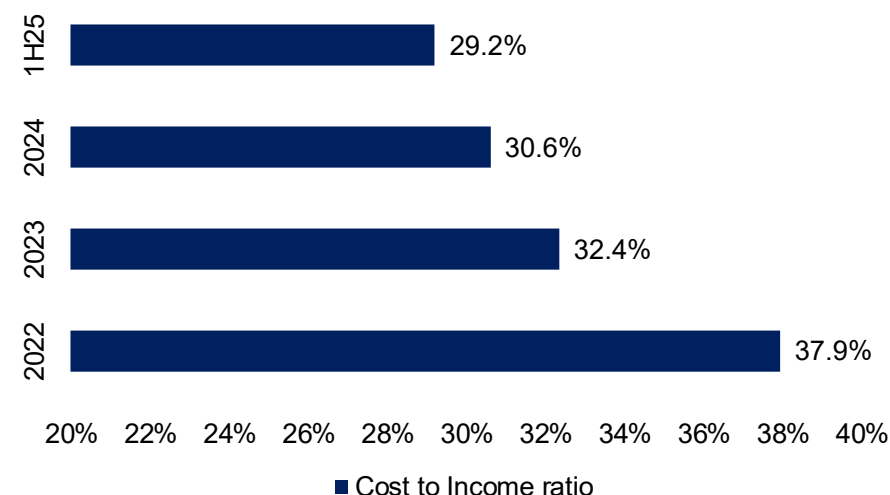
Income trends – Saudi Awwal Bank



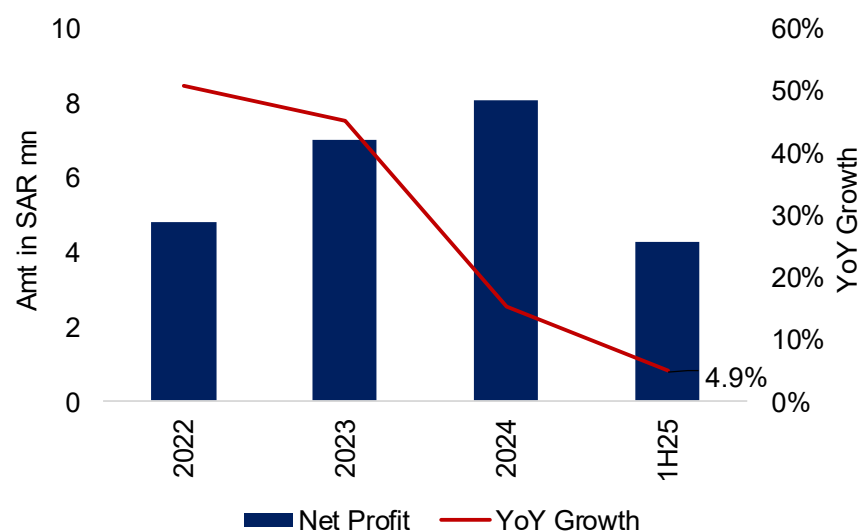
Despite high trade business, income growth low



Significant gains in Cost Income ratio in 1H25



1H25 Profit growth mirrors operating income

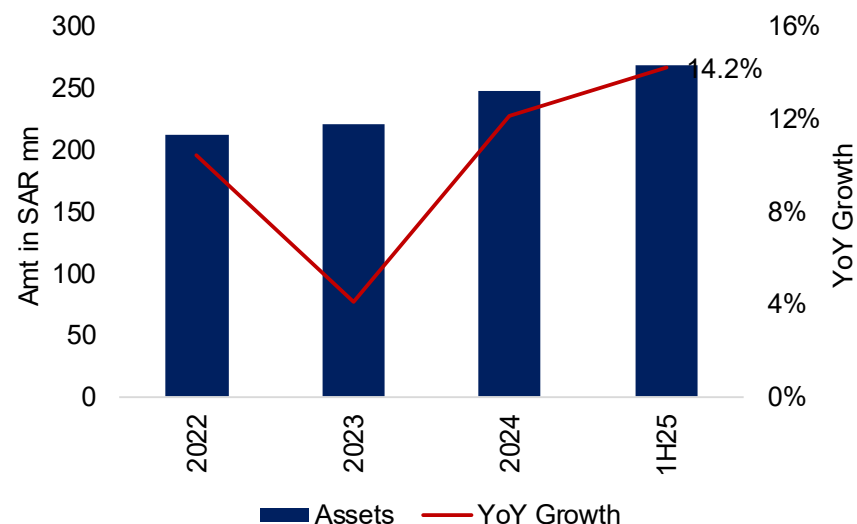


- Operating income grew at a single-digit pace in 1H25, reflecting a high base effect. Strong growth in non-interest income helped cushion the slower expansion of NII growth.
- The bank maintained a sharp focus on its cost-to-income ratio, which reached its lowest level in 1H25. Management guidance of keeping it below 30.5% for 2025 appears well within reach.
- However, higher provisions in the second quarter weighed on profit growth during 1H25. As a result, full-year 2025 profit growth is expected to lag behind the pace seen in the first half.

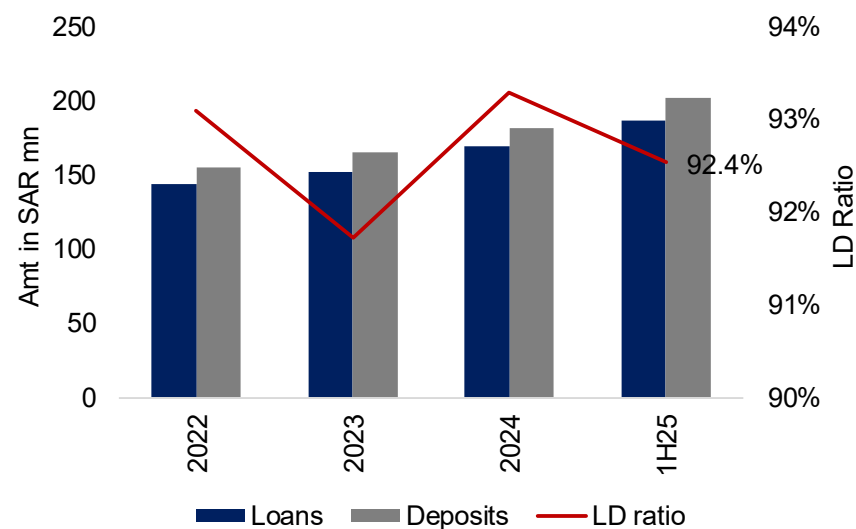
Balance sheet trends – Arab National Bank



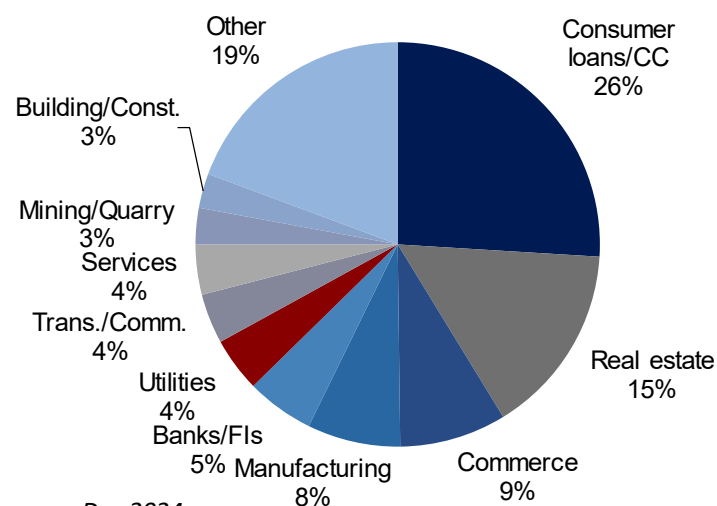
Growth momentum in assets in 1H25 continues



Deposit growth outpace loan growth, LDR low

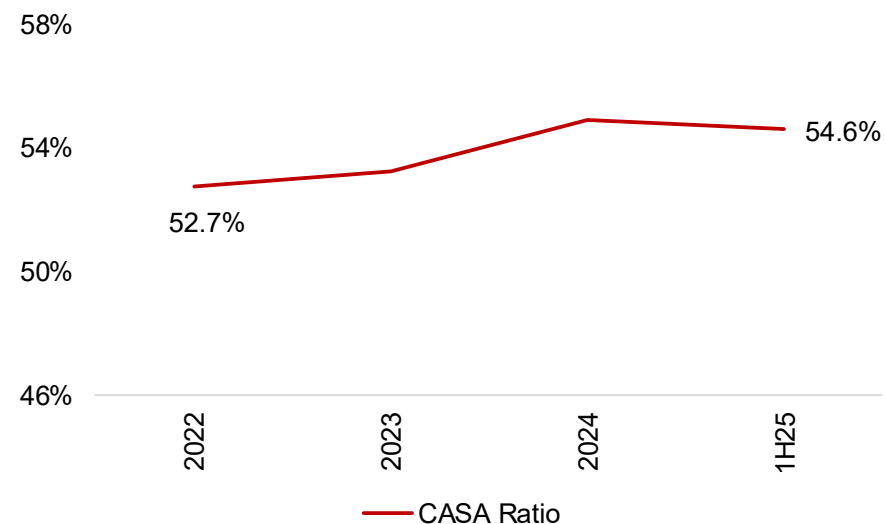


Top three sectors account for 50% of loan book



*data as on Dec 2024

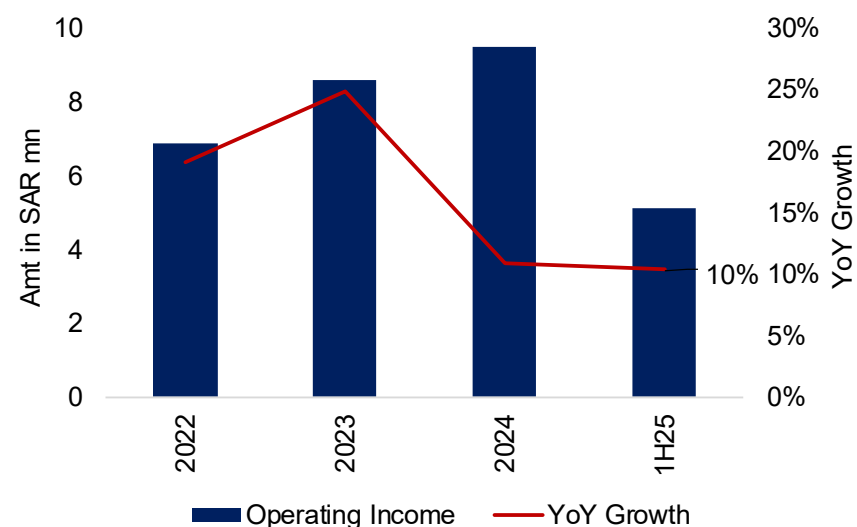
1H25 CASA range bound in line with past trends



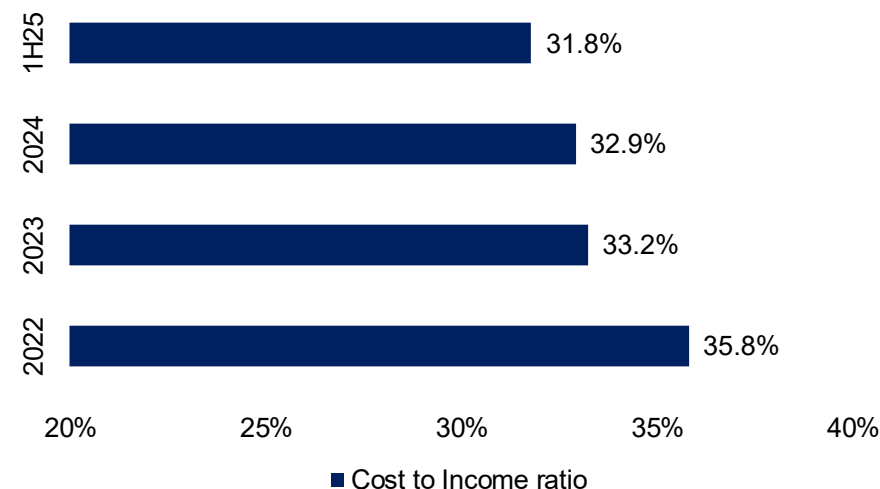
Income trends – Arab National Bank



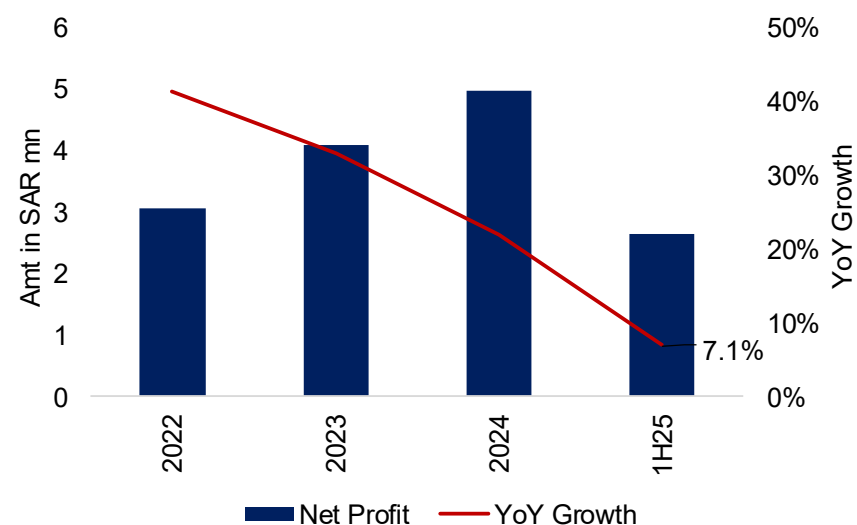
Asset growth not translating into income growth



...with tight leash over costs continues in 1H25



Profit YoY growth down to single digit in 1H25



- The pace of operating income growth slowed in 2024 and 1H25, following a high base in prior years. Growth was supported by non-interest income, while NIM revised to 3.5%–3.6% for 2025.
- Efficiency gains continued, with the cost-to-income ratio remaining low. Guidance of keeping it below 32% in 2025 appears achievable.
- However, profit growth has not kept pace with asset and operating income growth, as impairments edged higher. Consequently, profit growth in 2025 is expected to be weaker than that of 1H25.

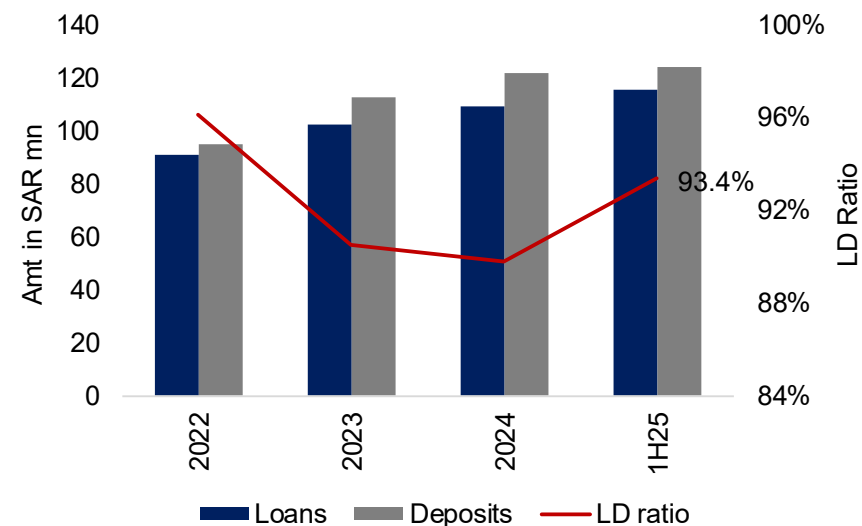
Balance sheet trends – Bank Albilad



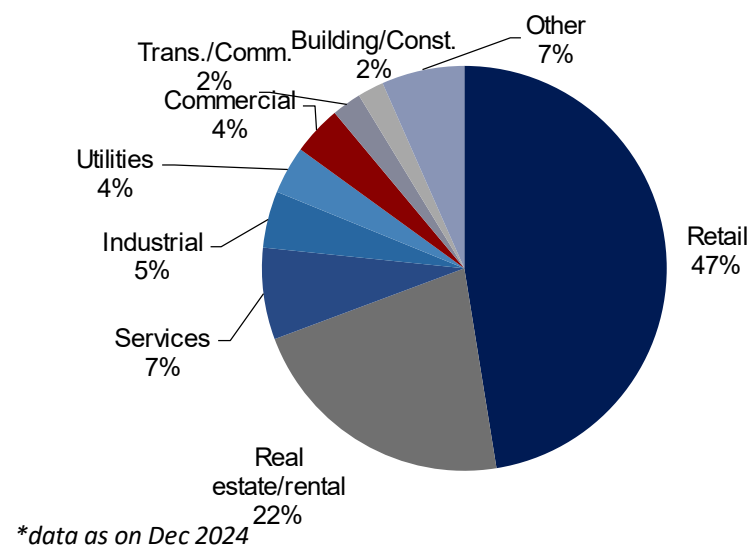
Asset growth in 1H25 rebound to double digit...



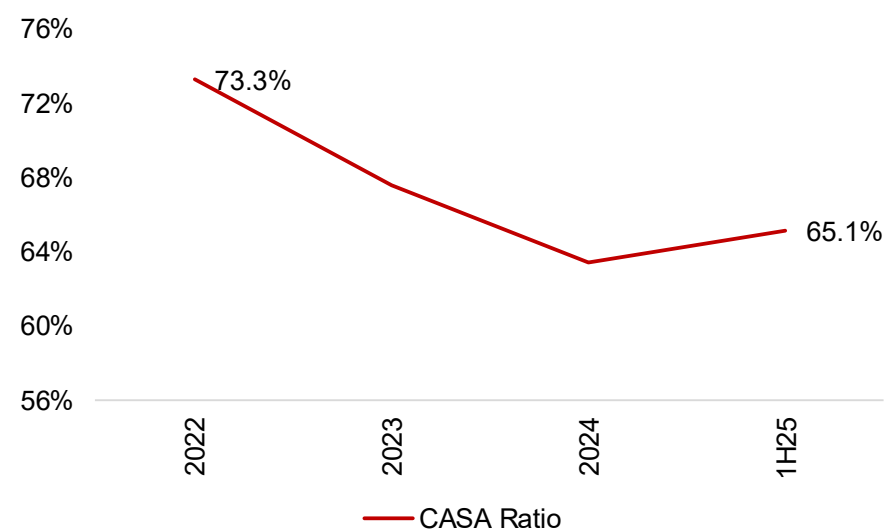
...1H25 LDR suboptimal as deposits are higher



Highest consumer exposure among tier 2 banks



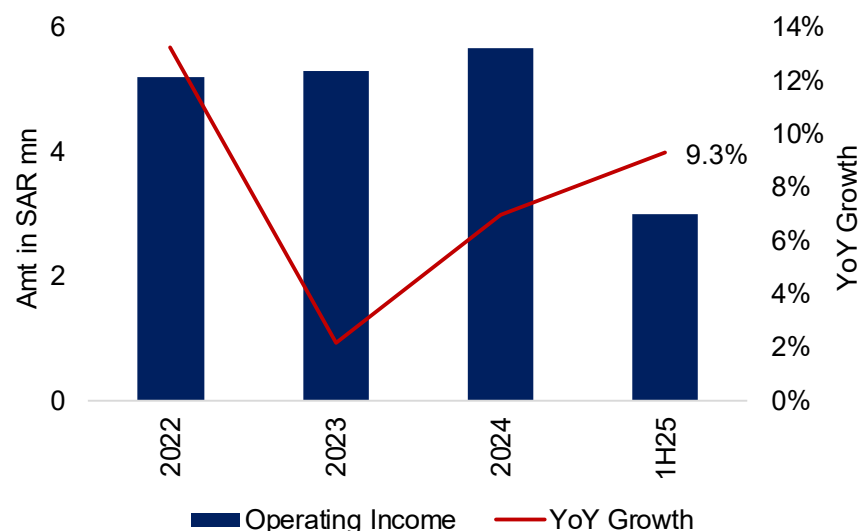
1H25 CASA rebound by 170bps after dip in 2024



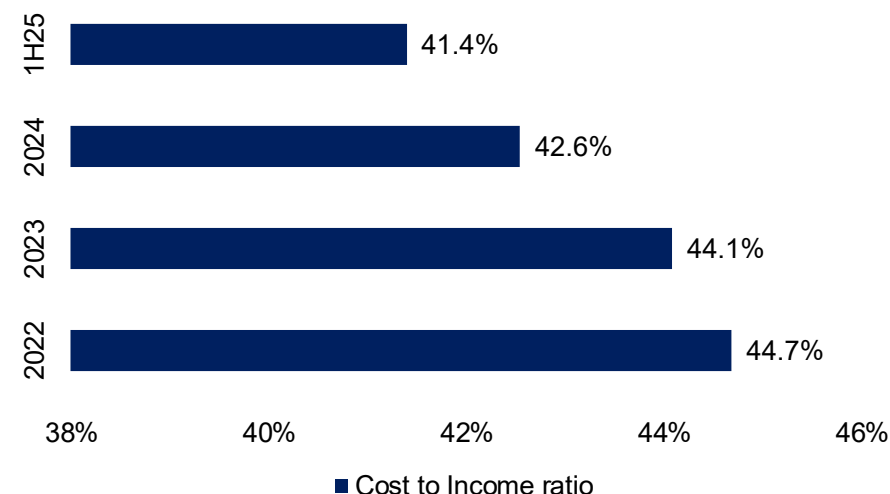
Income trends – Bank Albilad



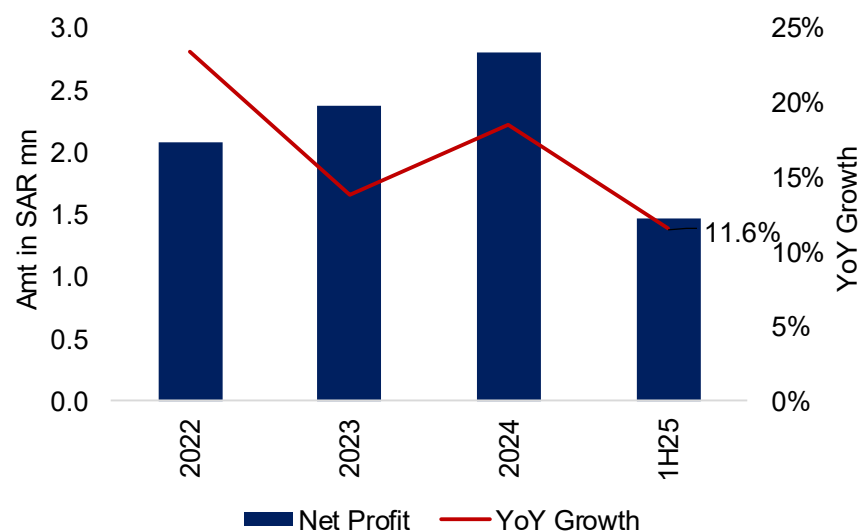
1H25 income growth better than 2024 growth...



...gains in cost income ratio sustained in 1H25



Profit growth better despite lower income growth



- Operating income growth rebounded in the first half of 2025, following a slower pace in 2024. This recovery was supported by modest gains in net interest margin (NIM) and an increase in non-interest income.
- Although the cost-to-income ratio remains high, it has declined to 41.4% in the first half of 2025, and further improvement is expected by year-end.
- Impairments have supported profit growth relative to operating income growth. However, topline expansion in 2025 is unlikely to translate into stronger bottom-line performance.

Valuations...



COMPANY	CMP	MARKET CAP	TARGET PRICE	UPSIDE POTENTIAL	EPS (LCL)		BV (LCL)		PE	PB	DY
	SAR	SAR MN	SAR	(%)	2024	2025E	2024	2025E	2025E	2025E	2025E
SAUDI BANKS											
Al Rajhi Bank	92.00	368,000	100.00	8.7%	4.93	5.89	24.87	27.52	15.6	3.3	3.5%
Saudi National Bank	34.58	207,480	44.00	27.2%	3.53	3.84	28.56	30.34	9.0	1.1	6.0%
Riyad Bank	25.86	77,580	31.00	19.9%	3.11	3.21	19.52	21.18	8.1	1.2	6.2%
Alimna Bank	24.68	61,700	30.00	21.6%	2.25	2.40	13.08	14.28	10.3	1.7	4.9%
Saudi Awwal Bank	30.56	62,795	38.00	24.3%	3.93	4.05	29.36	31.38	7.5	1.0	6.6%
Arab National Bank	21.85	43,700	25.00	14.4%	2.48	2.50	19.06	20.35	8.7	1.1	5.9%
Bank Albilad	25.66	38,490	31.00	20.8%	1.88	1.95	11.20	12.60	13.2	2.0	2.1%

Trailing Returns				
Company	1 month	3 months	6 months	1 Year
Al Rajhi Bank	-2.7%	-0.7%	-9.6%	3.7%
Saudi National Bank	-4.4%	0.8%	-0.2%	1.4%
Riyad Bank	-3.7%	-5.5%	-13.5%	6.0%
Alimna Bank	-3.1%	-2.1%	-16.9%	-16.2%
Saudi Awwal Bank	-4.4%	-4.1%	-13.1%	-8.8%
Arab National Bank	0.7%	4.6%	0.2%	18.5%
Bank Albilad	1.3%	4.7%	-17.2%	-19.7%
TASI	-2.9%	-3.2%	-11.3%	-11.4%

- We continue to remain positive on the banks under our coverage except for Al Rajhi, which is expensive on P/B basis. We have a HOLD rating for Al Rajhi Bank and STRONG BUY/BUY rating for rest of the banks.
- Banks are trading at a reasonable 2025e P/B of 1x -2x
- 4 out of 7 banks command an attractive dividend yield of above 6%
- Among our top picks are SNB and SAB bank, with an upside potential based on current price is above +23%.



Key contacts

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