August 2025

Saudi Banking Sector

Quarterly Report I Q2-25

High teen profit growth continues, driven by improvement in yield income and double digit fee income growth; LDR near historic highs due to liquidity pressures

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The Saudi banking sector posted record high quarterly earnings of SAR 22.9bn in Q2-25, up 17.7% Y/Y (+3.2% Q/Q). Eight out of ten listed banks posted above consensus earnings. Pre-provision profit for the sector was up 15.2% Y/Y in Q2-25. Earnings growth was mainly driven by the improvement in Net Interest Income (up 9.4% Y/Y in Q2-25 to SAR 29.9bn), which was supported by the 15.8% Y/Y and 14.3% Y/Y increase in loans and investments, respectively (total earning assets were up 15.5% Y/Y in Q2-25). Note that, NIMs for the sector were down 17bps Y/Y to 2.96% in Q2-25. Overall, monthly run rate for mortgages stood at SAR 6.3bn in Q2-25, up 3.7% Y/Y, compared to SAR 6.1bn in Q2-24. On a sequential basis mortgages declined by 31.6% as markets awaits for more clarity on the recent changes in white land rules. Total deposits for the sector grew by 6.9% Y/Y (up 2.7% on a sequential basis) to SAR 2,867bn. Demand deposit share in total deposits declined by 137bps Y/Y (up 33bps Q/Q) to 56.8%. Normal Loan-to-deposit (LDR) ratio increased by 556bps Y/Y (down 22bps Q/Q) to reach 106.3% in Q2-25; regulatory LDR saw an increase of 235bps Y/Y (-105bps Q/Q), as it reached 81.6% in Q2-25. In 2024 most of non-government sukuk issuances were made by banks and NBFI to strengthen capital, this trend is continuing in 2025. Gross NPL ratio of the sector improved by 16bps Y/Y (4bps Q/Q) to 1.20% in Q2-25, while coverage stood at a healthy 128.9% (down 380bps and +200bps Y/Y and Q/Q). CoR declined by 6bps Y/Y (-1bps Q/Q) to 25bps in Q2-25. The sector experienced a 183bps Y/Y (30bps Q/Q) improvement in the cost to income ratio to 29.5% in Q2-25, as operating income increased by 12.9% Y/Y, while operating expenses increased by 6.3% Y/Y.

Banking sector posts record net income in Q2-25, supported by strong growth in NII, NFI & lower provision expenses: The Saudi banking sector posted record high quarterly earnings of SAR 22.9bn in Q2-25, up 17.7% Y/Y (+3.2% Q/Q). Eight out of ten listed banks posted above consensus earnings. Leading the group were **ALBILAD** and **ANB**, which beat estimates by 7.1% and 5.8%. Conversely, **SAB** and **BJAZ** had biggest earnings misses of 0.9% and 0.8%, respectively. Bank wise, **ALRAJHI** posted the highest net income growth of 30.9% Y/Y in Q2-25, driven primarily by 24.7/29.1% Y/Y increase in NSCI/non-funded income, amidst a 9.5% and 39.0% increase in operating expenses and debt provisions, respectively. On the other hand, **SAIB** saw the smallest increase in earnings of 5.4% Y/Y, due to 3.5% Y/Y increase in NII

Loan growth still in double digits, mortgage issuances post massive sequential drop in Q2-25: Net loans and advances grew by 15.8% Y/Y. Overall, monthly run rate for mortgages stood at SAR 6.3bn in Q2-25, up 3.7% Y/Y, compared to SAR 6.1bn in Q2-24. On a sequential basis mortgages declined by 31.6% as markets awaits for more clarity on the recent changes in white land rules. Bank wise, **RIBL** and **SAIB** led the sector posting loan growths of 21.8% Y/Y and 19.6% Y/Y, respectively in Q2-25. On the other hand, **BSF** and **Albilad** posted the smallest loan growths of 6.5% Y/Y and 10.9% Y/Y, respectively.

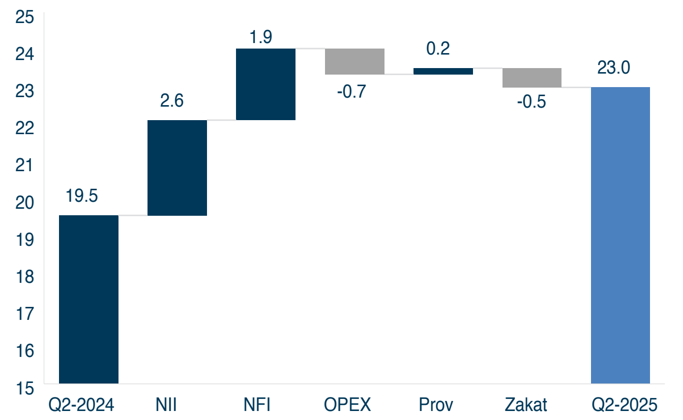
Share of demand deposits is down 137bps Y/Y in Q2-25: Total deposits for the sector grew by 6.9% Y/Y (up 2.7% on a sequential basis) to SAR 2,867bn. Demand deposit share in total deposits declined by 137bps Y/Y (up 33bps Q/Q) to 56.8%. Banks wise **BJAZ** logged in the highest growth in deposits of 15.8% Y/Y in Q2-25. On the other hand, **BSF** lagged the sector with deposits growths of -6.9% Y/Y. In terms of deposit quality, **SNB** and **ALRAJHI** maintained their lead in Q2-25, with the highest CA ratio of 75.7% and 66.6%, respectively. **SAIB** and **BJAZ** have lowest CA ratios of 27.9% and 29.0% with in the sector.

Regulated LDR edges down Q/Q in Q2-25: Normal Loan-to-deposit (LDR) ratio increased by 556bps Y/Y (down 22bps Q/Q) to reach 106.3% in Q2-25; regulatory LDR saw an increase of 235bps Y/Y (-105bps Q/Q), as it reached 81.6% in Q2-25. We highlight that regulated LDR decreased Q/Q due to sukuk issuances and is comfortably below the regulatory limit.

Sector's credit asset quality and operating efficiency continues to improve: Gross NPL ratio of the sector improved by 16bps Y/Y (4bps Q/Q) to 1.20% in Q2-25, while coverage stood at a healthy 128.9% (down 380bps and +200bps Y/Y and Q/Q). CoR declined by 6bps Y/Y (-1bps Q/Q) to 25bps in Q2-25. Amongst listed banks, **ALRAJHI** retained its top position on asset quality front, with NPL ratio of 0.75% (down 4bps Y/Y), while **SAB** despite undergoing the sizable NPL improvement (down 30bps Y/Y) still had the industry's highest NPL ratio of 2.85% in Q2-25. The sector experienced a 183bps Y/Y (30bps Q/Q) improvement in the cost to income ratio to 29.5% in Q2-25, as operating income increased by 12.9% Y/Y, while operating expenses increased by 6.3% Y/Y.

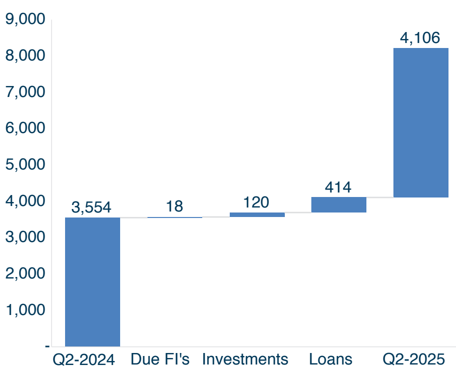
Banking sector Q2-25 net income is up 17.7% Y/Y, supported by strong growth in NII, NFI & lower provision expenses: The Saudi banking sector posted record high quarterly earnings of SAR 22.9bn in Q2-25, up 17.7% Y/Y (+3.2% Q/Q). Eight out of ten listed banks posted above consensus earnings; leading the group were **ALBILAD** and **ANB**, which beat estimates by 7.1% and 5.8%. Conversely, **SAB** and **BJAZ** had biggest earnings misses of 0.9% and 0.8%, respectively. Pre-provision profit for the sector was up 15.2% Y/Y in Q2-25. Earnings growth was mainly driven by the improvement in Net Interest Income (up 9.4% Y/Y in Q2-25 to SAR 29.9bn), which was supported by the 15.8% Y/Y and 14.3% Y/Y increase in loans and investments, respectively (total earning assets were up 15.5% Y/Y in Q2-25). Note that NIMs for the sector were down 17bps Y/Y to 2.96% in Q2-25. Growth in non-funded income remained strong at 25.8% Y/Y in Q2-25. Operating expenses grew by 6.3% Y/Y, while the cost-to-income ratio improved by 183bps Y/Y to 29.5%. Debt provisions declined by 7.6% Y/Y to SAR 1.91bn in Q2-25, which translates to cost-of-risk (CoR) of 25bps, as compared to 32bps in the same period last year. Overall, sector RoE improved by 108bps Y/Y to 16.2% in Q2-25, the improvement is mainly owed to expansion in net margins by 2.37ppts Y/Y to 58.51% and increasing leverage (assets/equity stood at 7.88x in Q2-25 vs 7.55x in Q2-24).

Fig 1: Net income growth drivers (SAR mn)



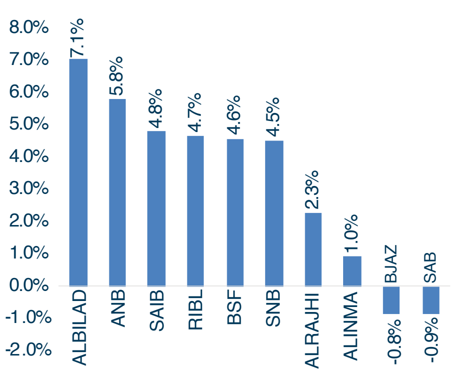
Source: SAMA Monthly Bulletin, Company financials, Aljazira Capital Research

Fig 2: Earning assets grew by 15.5% Y/Y (SAR mn)



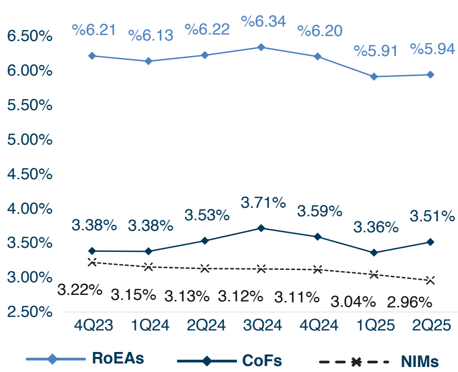
Source: Company financials, Aljazira Capital Research

Fig 3: Q2-25 earnings actual vs estimates



Source: Company financials, Aljazira Capital Research

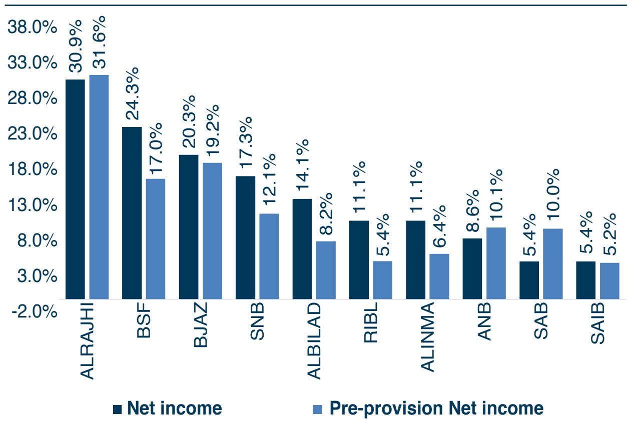
Fig 4: NIMs have contracted by 17bps Y/Y



Source: Company financials, Aljazira Capital Research

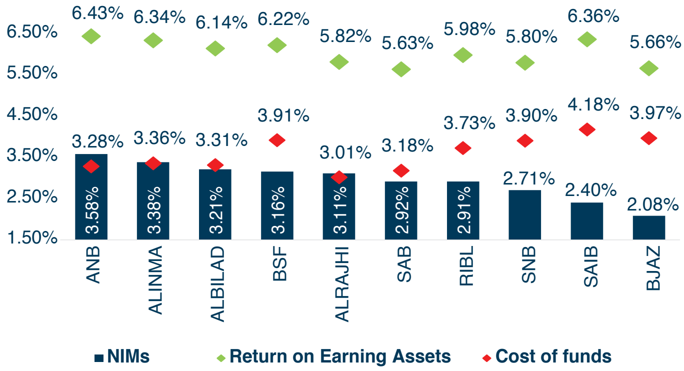
Bank wise, **ALRAJHI** posted the highest net income growth of 30.9% Y/Y in Q2-25, driven primarily by 24.7/29.1% Y/Y increase in NSCI/non-funded income, amidst a 9.5% and 39.0% increase in operating expenses and debt provisions, respectively. **BSF** stood out as the second best with Q2-25 with net income growth of 24.3% Y/Y, which is attributable to 13.2% Y/Y expansion in NSCI and 19.9% Y/Y growth non-commission income. On the other hand, **SAIB** saw the smallest increase in earnings of 5.4% Y/Y, due to 3.5% Y/Y increase in NII. On Pre-provision basis (Net profit adjusted for provisions) **ALRAJHI** posted growth of 31.6% Y/Y). **SAIB** and **RIBL** stood out as major laggards on Pre-provision net income basis, with profits up 5.2% Y/Y and 5.4% Y/Y, respectively, the aforementioned performance is owed to 40/51bps contraction in NIMs, respectively.

Fig 5: Banks wise Q2-25 earning performance (Y/Y)



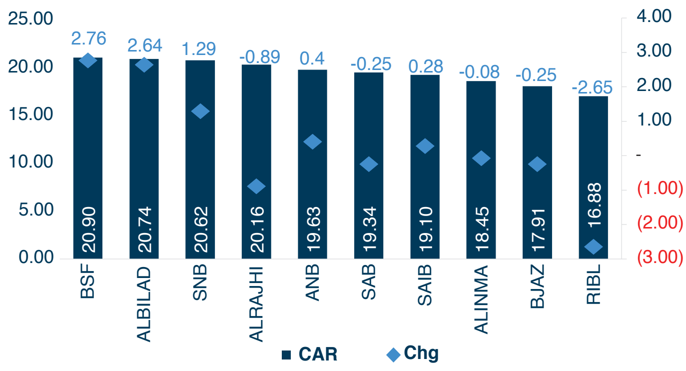
Source: Company financials, Aljazira Capital Research

Fig 6: NIMs, RoEAs, CoFs



Source: SAMA Monthly Bulletin, Company financials, Aljazira Capital Research

Fig 7: Capital adequacy ratio %



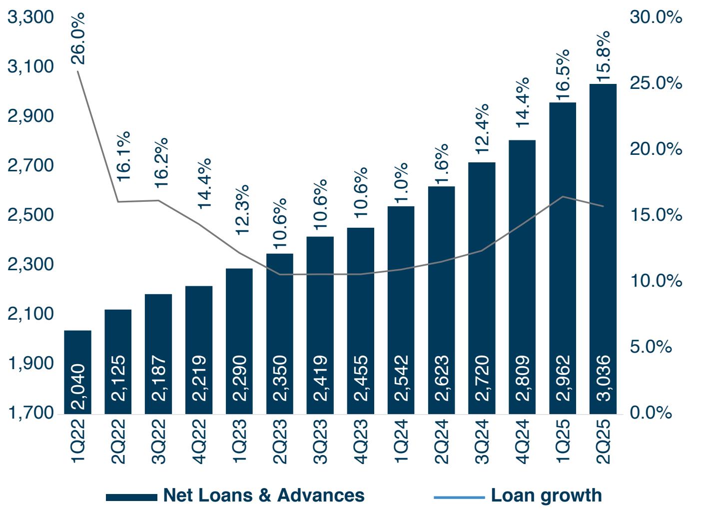
Source: SAMA Monthly Bulletin, Company financials, Aljazira Capital Research

Sector capital adequacy, sizably above regulatory requirement: Bank wise, BSF leads the sector with total CAR of 20.9%, up 276bps Y/Y. Albilad closely follows with CAR of 20.7% (up 264bps Y/Y). While RIBL has the lowest CAR of 16.9% (-265bps); closely followed by BJAZ with a CAR of 17.9%. BSF saw strongest increase in CAR of 276bps, while RIBL saw the largest attrition in CAR of 265bps.

Loan growth still in double digits, mortgage issuances saw a massive slowdown in Q2-25: Net loans and advances grew by 15.8% Y/Y. Overall, monthly run rate for mortgages stood at SAR 6.3bn in Q2-25, up 3.7% Y/Y, compared to SAR 6.1bn in Q2-24. On a sequential basis mortgages declined by 31.6% as markets awaits for more clarity on the recent changes in white land rules.

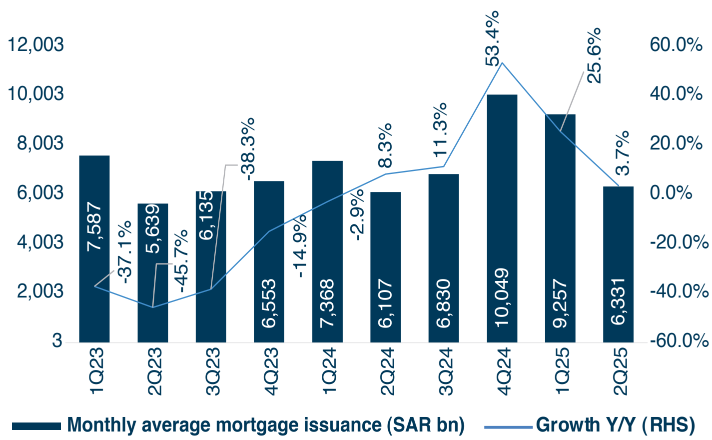
Bank wise, **RIBL** and **SAIB** led the sector posting loan growths of 21.8% Y/Y and 19.6% Y/Y, respectively in Q2-25. On the other hand, **BSF** and **Albilad** posted the smallest loan growths of 6.5% Y/Y and 10.9% Y/Y, respectively.

Fig 8: Loan and advances



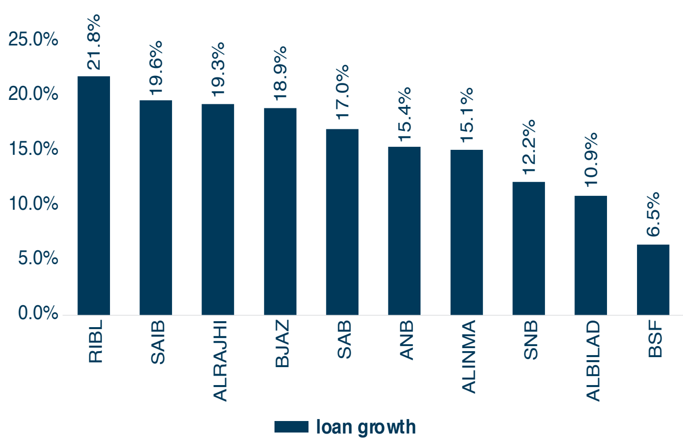
Source: SAMA Monthly Bulletin, Company financials, Aljazira Capital Research

Fig 9: Mortgage issuances have slowed down (SAR bn)



Source: SAMA Monthly Bulletin, Company financials, Aljazira Capital Research

Fig 10: Banks wise Q2-25 loan growth (Y/Y)



Source: SAMA Monthly Bulletin, Company financials, Aljazira Capital Research

Share of demand deposits is down 137bps Y/Y in Q2-25: Total deposits for the sector grew by 6.9% Y/Y (up 2.7% on a sequential basis) to SAR 2,867bn. Demand deposit share in total deposits declined by 137bps Y/Y (up 33bps Q/Q) to 56.8%.

Banks wise **BJAZ** logged in the highest growth in deposits of 15.8% Y/Y in Q2-25, followed by **ANB** which saw deposits grow by 14.9% Y/Y. On the other end, BSF and AlRAJHI lagged the sector with deposits growths of -6.9% Y/Y and 3.1% Y/Y in Q2-25, respectively.

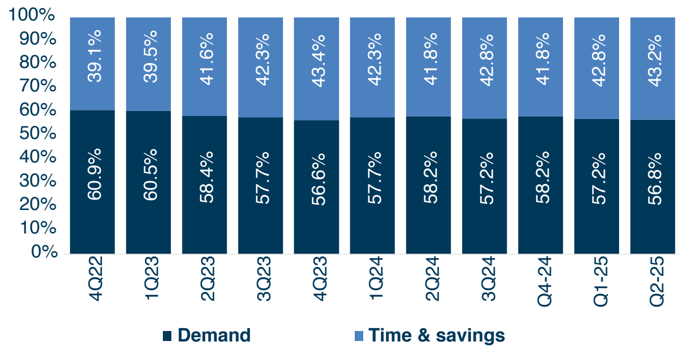
In terms of deposit quality, **SNB and ALRAJHI** maintained their lead in Q2-25, with the highest demand deposit weight of 75.7% and 66.6%, respectively. **SAIB** and **BJAZ** have lowest demand deposit ratios of 27.9% and 29.0% with in the sector.

In terms of change in deposit mix, **BSF** saw the largest improvement as its share of demand deposits increased by 3.8ppts Y/Y in Q2-25 to 44.1%, followed by **ANB** which saw share of non-remunerative deposits increase by 1.9ppts Q/Q to 51.5%. **RIBL** and **ALBILAD** on the other hand saw share of non-remunerative demand deposits decrease by 5.0ppts Y/Y and 4.9ppts Y/Y to 43.6% and 62.1%, respectively.

Regulated LDR edges down Q/Q in Q2-25: Normal Loan-to-deposit (LDR) ratio increased by 556bps Y/Y (down 22bps Q/Q) to reach 106.3% in Q2-25; regulatory LDR saw an increase of 235bps Y/Y (-105bps Q/Q), as it reached 81.6% in Q2-25. The aforementioned notable increase in LDR ratios is owed to the sizable 15.8% Y/Y increase in net loans & advances in Q2-25 and a smaller 6.9% Y/Y increase in deposits. We highlight that regulated LDR decreased Q/Q due to sukuk issuances and is comfortably below the regulatory limit.

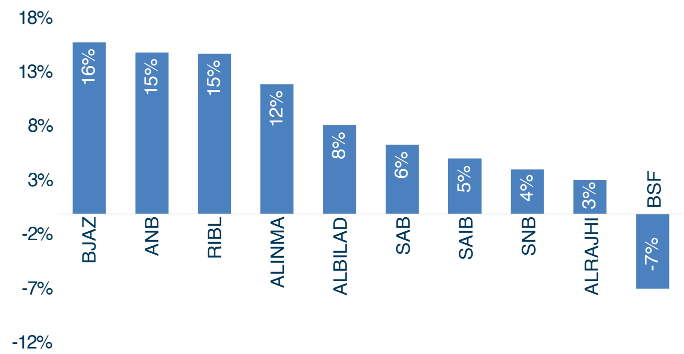
Bank wise, **ALRAJHI** has the highest LDR ratio of 116%, while **BJAZ** has the lowest ratio of 91%. In terms of change **ALRAJHI** and **BSF** saw the largest increases in LDR ratios of 15.6ppts Y/Y and 14.4ppts Y/Y to 116% and 115%, respectively. While ANB and saw the smallest increase in LDR ratio of 0.4ppts to 92%.

Fig 11 A: Share of demand deposits is down 137bps Y/Y



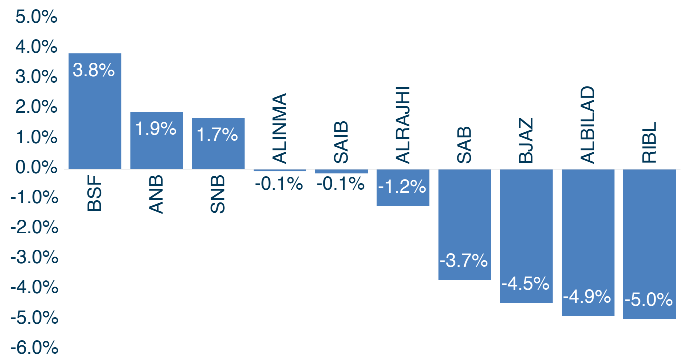
Source: SAMA Monthly Bulletin, Company financials, Aljazira Capital Research

Fig 11 B: Bank wise deposit growth in Q2-25



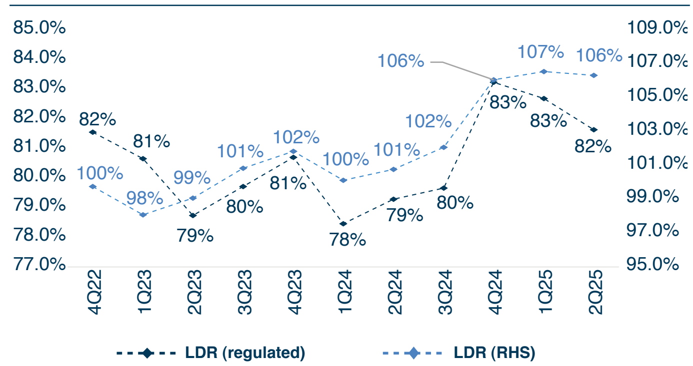
Source: SAMA Monthly Bulletin, Company financials, Aljazira Capital Research

Fig 12: Chg in demand deposits Q/Q (ppts)



Source: SAMA Monthly Bulletin, Company financials, Aljazira Capital Research

Fig 13: Regulated LDR edges down Q/Q

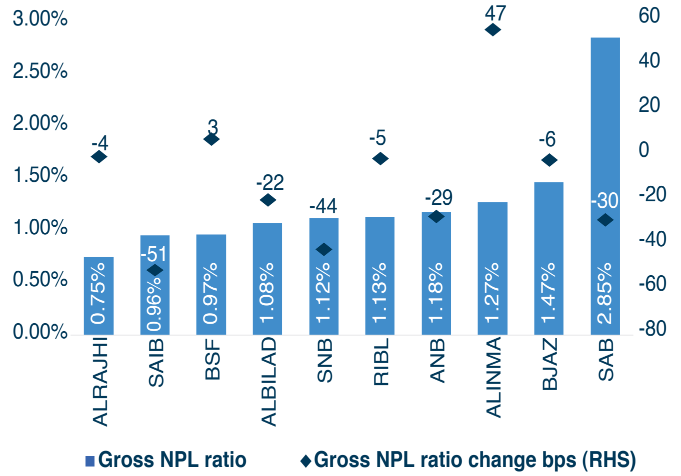


Source: SAMA Monthly Bulletin, Company financials, Aljazira Capital Research

Sector's credit asset quality and operating efficiency continues to improve: Gross NPL ratio of the sector improved by 18bps Y/Y (3bps Q/Q) to 1.24% in Q1-25, while coverage stood at a healthy 126.9% (down 396bps and 470bps Y/Y and Q/Q). CoR declined by 13bps Y/Y (-2bps Q/Q) to 26bps in Q1-25. Amongst listed banks, **ALRAJHI** retained its top position on asset quality front, with NPL ratio of 0.75% (down 3bps Y/Y), while **SAB** despite undergoing the sizable NPL improvement (down 58bps Y/Y) still had the industry's highest NPL ratio of 2.8% in Q1-25.

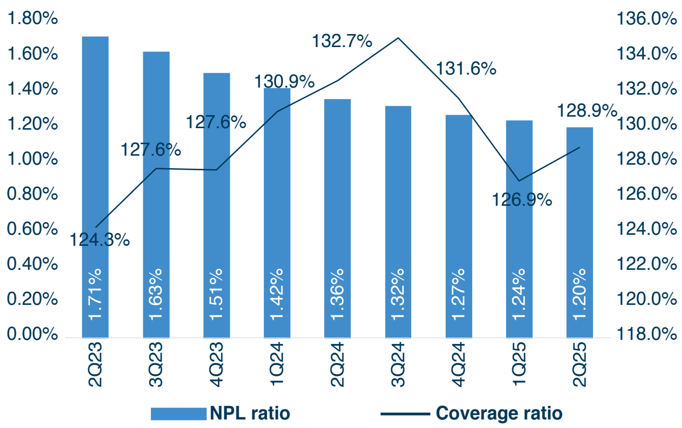
The sector experienced a 183bps Y/Y (-148bps Q/Q) improvement in the cost to income ratio to 29.8% in Q1-25, as operating income increased by 12.8% Y/Y, while operating expenses increased by 6.3% Y/Y. Operating income growth was driven by 11.1% Y/Y increase in net interest income, and a 19.1% Y/Y increase in non-yield income.

Fig 14: Alrajhi & SAIB lead on asset quality



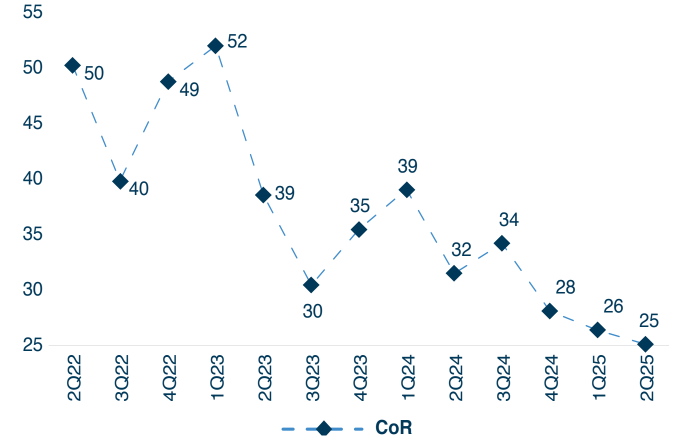
Source: SAMA Monthly Bulletin, Company financials, Aljazira Capital Research

Fig 15: Asset quality improves further



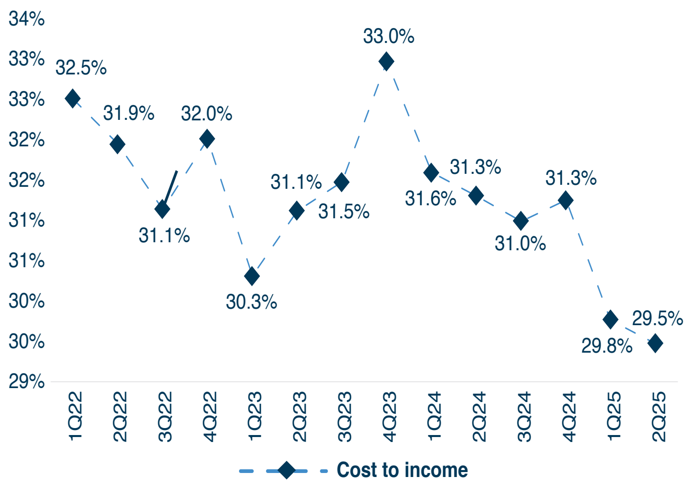
Source: SAMA Monthly Bulletin, Company financials, Aljazira Research

Fig 16: Cost of risk improved to 25bps in Q2-25



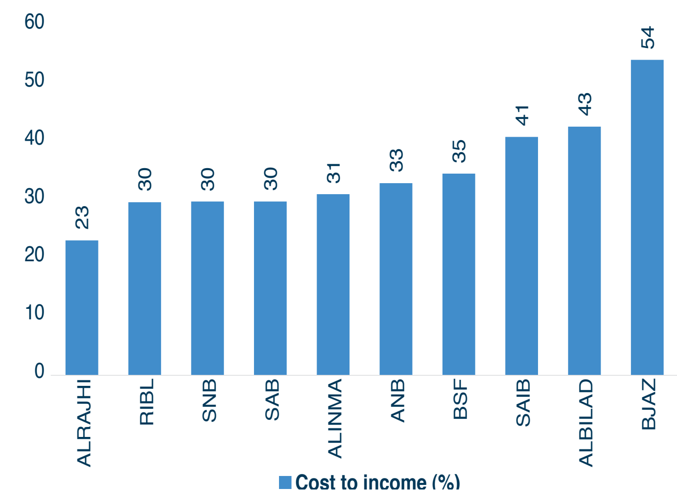
Source: SAMA Monthly Bulletin, Company financials, Aljazira Capital Research

Fig 17: Cost to income



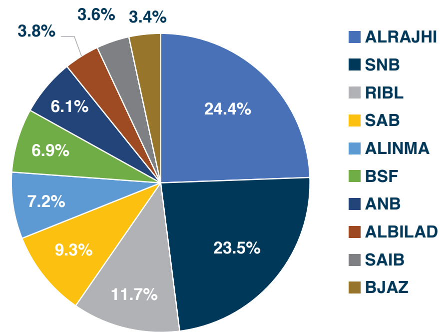
Source: SAMA Monthly Bulletin, Company financials, Aljazira Capital Research

Fig 18: Bank wise Cost to income



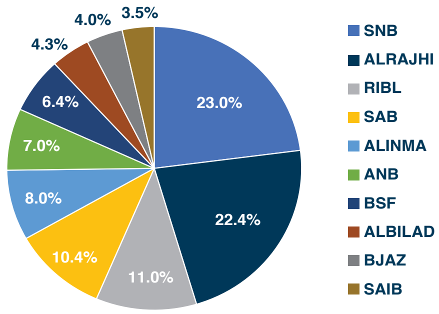
Source: SAMA Monthly Bulletin, Company financials, Aljazira Capital Research

Fig 19: Loans market share



Source: SAMA Monthly Bulletin, Company financials, Aljazira Capital Research

Fig 20: Deposits market share



Source: SAMA Monthly Bulletin, Company financials, Aljazira Capital Research

Loans market share: ALRAJHI leads with Q2-25 loan market share of 24.4%, up 71bps Y/Y. **Alrajhi** and **RIBL** saw the biggest increases in Q2-25 credit market share of 71bps Y/Y and 58bps Y/Y, to 24.4% and 11.7%, respectively. While **SNB** and **BSF** experienced biggest declines in loan market share of 76bps Y/Y and 61bps Y/Y to 23.5% and 6.9%. The share of Islamic banks in total lending stood at 35.4% in Q2-25 up 50bps Y/Y, with **ALRAJHI** having the largest share of 24.4%.

Deposits market share: SNB leads with deposit market share of 23.0% in Q2-25, down 49bps Y/Y. **RIBL** and **ANB** saw the largest increases in Q2-25 deposit market share of 81bps Y/Y and 52bps Y/Y respectively, while **BSF** and **ALRAJHI** saw largest declines in market share of 91bps and 70bps Y/Y, respectively. Share of Islamic banks in total deposits decreased by 22bps Y/Y in Q2-25 to 34.7%, with **ALRAJHI** leading with a market share of 22.4%

Table 1: Return heat map for the sector Q2-25

	RoE	NIMs	RoEAs	Cost of funds	Cost to income	CA ratio	CoR (bps)
ALRAJHI	22.8	3.11	5.82	3.01	23.2	66.6	34
ALBILAD	17.3	3.21	6.14	3.31	42.7	62.1	17
ANB	13.4	3.58	6.43	3.28	33.0	51.5	40
BJAZ	10.0	2.08	5.66	3.97	54.1	29.0	39
RIBL	17.1	2.91	5.98	3.73	29.7	43.6	42
SAB	13.5	2.92	5.63	3.18	29.9	46.9	27
BSF	12.8	3.16	6.22	3.91	34.6	44.1	53
SAIB	13.2	2.40	6.36	4.18	41.0	27.9	27
ALINMA	18.9	3.38	6.34	3.36	31.1	44.7	50
SNB	13.5	2.71	5.80	3.90	29.8	75.8	2

Source: SAMA, Company financials, Aljazira Capital Research

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RESEARCH DIVISION

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RATING TERMINOLOGY

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

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