

الجزيرة كابيتال

ALJAZIRA CAPITAL الجزيرة للأسواق المالية



February

2025

Saudi Banking Sector Quarterly Report | Q4-24

Banking sector posts highest ever profit (+20.6% Y/Y), driven by all around improvement in yield income, fee income and lower provisions

Fahad Qureshi, CFA

+ 966 11 2256315

f.irfan@aljaziracapital.com.sa

The Saudi banking sector posted highest ever quarterly earnings of SAR 20.9bn in Q4-24, up 20.6% Y/Y (+2.0% Q/Q). Five out of ten listed banks posted above consensus earnings. Pre-provision profit for the sector was up 16.4% Y/Y in Q4-24. Earnings growth was mainly driven by the improvement in Net Interest Income (up 10.1% Y/Y in Q4-24 to SAR 29.2bn), which was supported by the 14.4% Y/Y and 14.5% Y/Y increase in loans and investments, respectively (total earning assets were up 14.1% Y/Y in Q4-24). Note that, NIMs for the sector were down 10bps Y/Y to 3.11% in Q4-24. Mortgage lending experienced a massive increase driven by the Cityscape Global 2024 event that happened in Nov-24 and saw sales of more than SAR 20bn. Overall, monthly run rate for mortgages stood at SAR 10.1bn in Q4-24, up 53.4%, compared to SAR 6.6bn in Q4-23. Total deposits for the sector grew by 8.4% Y/Y (down 1.3% on a sequential basis) to SAR 2,683bn. Demand deposit share in total deposits increased by 66bps Y/Y (up 94bps Q/Q) to 58.2%. Regulatory LDR saw an increase of 254bps Y/Y (+ 358bps Q/Q), as it reached 83.2% in Q4-24. Gross NPL ratio of the sector improved by 24bps Y/Y (5bps Q/Q) to 1.27% in Q4-24, while coverage stood at a healthy 131.6% (up 404bps and -347bps Y/Y and Q/Q). CoR declined by 7.3bps Y/Y (-6.1bps Q/Q) to 28bps in Q4-24. The sector experienced a 172bps Y/Y (+26bps Q/Q) decrease in the cost to income ratio to 31.3% in Q4-24, as operating income increased by 13.5% Y/Y, while operating expenses increased by 7.6% Y/Y.

Banking sector posts historic high net income: The banking sector posted highest ever earnings of SAR 20.9bn in Q4-24, up 20.6% Y/Y (+2.0% Q/Q). Five out of ten listed banks posted above consensus earnings; leading the group were **SAB** and **ALRAJHI**, which beat estimates by 8.8% and 8.3%. Conversely, **BJAZ** and **RIBL** had biggest earnings misses of -15.5% and -8.6%, respectively. Bank wise, **BSF** posted the highest net income growth of 35.0% Y/Y in Q4-24, driven primarily by 9.2/64.8% Y/Y increase in NII/NFI, and 20.5% Y/Y decline in provisions. On the other end, **BJAZ** saw the smallest increase in earnings of 0.3% Y/Y, due to 4.7% Y/Y decline in non-commission income and 34.6% Y/Y increase in debt provisions.

Loan growth still in double digits, mortgages saw massive increase: Net loans and advances grew by 14.4% Y/Y (+3.3% Q/Q). Mortgage lending experienced a massive increase driven by the Cityscape Global 2024 event that happened in Nov-24 and saw sales of more than SAR 20bn. Overall, monthly run rate for mortgages stood at SAR 10.1bn in Q4-24, up 53.4%, compared to SAR 6.6bn in Q4-23. Bank wise, **SAIB** and **SAB** led the sector posting loan growths of 23.2% Y/Y & 20.1% Y/Y, respectively in Q4-24. Whereas, **ALBILAD** and **SNB** posted the lowest loan growths of 7.1% Y/Y & 8.8% Y/Y, respectively.

Deposits decreased on Q/Q basis; share of demand deposits is up 66bps Y/Y in Q4-24: Total deposits for the sector grew by 8.4% Y/Y (down 1.3% on a sequential basis) to SAR 2,683bn. Demand deposit share in total deposits increased by 66bps Y/Y (up 94bps Q/Q) to 58.2%. Banks wise, **RIBL** logged in the highest growth in deposits of 20.2% Y/Y in Q4-24, followed by **BJAZ** which saw deposits grow by 15.0% Y/Y. On the other end, **SNB** and **SAB** lagged the sector with deposits growths of -1.7% Y/Y and 5.3% Y/Y in Q4-24, respectively.

Credit growth outpaced the increase in deposits, resulting in higher LDR: Normal Loan-to-deposit (LDR) ratio increased by 422bps Y/Y (up 398bps Q/Q) to reach 106.1% in Q4-24; regulatory LDR saw an increase of 254bps Y/Y (+ 358bps Q/Q), as it reached 83.2% in Q4-24. The aforementioned notable increase in LDR ratios is owed to the sizable 3.3% Q/Q increase in net loans & advances in Q4-24 and a simultaneous 1.3% Q/Q decline in deposits.

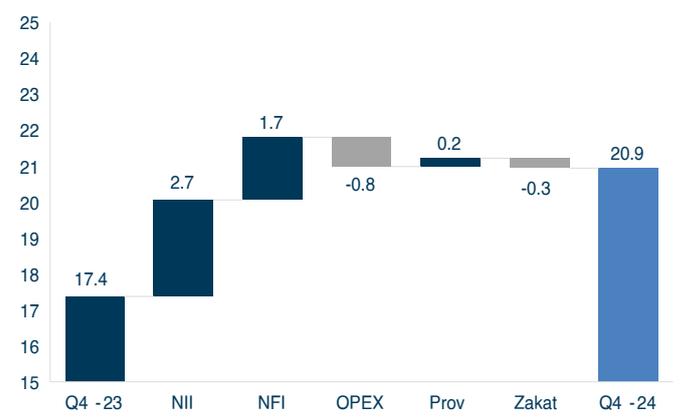
Credit quality and operating efficiency improved: Gross NPL ratio of the sector improved by 24bps Y/Y (5bps Q/Q) to 1.27% in Q4-24, while coverage stood at a healthy 131.6% (up 404bps and -347bps Y/Y and Q/Q). CoR declined by 7.3bps Y/Y (-6.1bps Q/Q) to 28bps in Q4-24. The sector saw a 172bps Y/Y (+26bps Q/Q) decrease in the cost to income ratio to 31.3% in Q4-24, as operating income increased by 13.5% Y/Y, while operating expenses grew by 7.6% Y/Y.

Market expects two 25bps cuts in 2025, which are likely to not occur before summer: Inflation in US is running close to 3%, rather than the 2% Fed target and job market remains strong, causing fed to maintain interest rates. Fixed income market expects two cuts in 2025, however rate cuts are expected in second half of 2025. We highlight proposed trade tariffs on China and other key exporting countries as a key risk to inflation and interest rate outlook.

Banking sector posts historic high net income in Q4-24, supported by double-digit growth in NII, NFI & lower provision expenses:

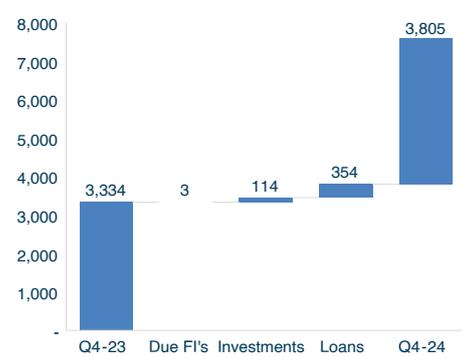
The Saudi banking sector posted highest ever quarterly earnings of SAR 20.9bn in Q4-24, up 20.6% Y/Y (+2.0% Q/Q). Five out of ten listed banks posted above consensus earnings; leading the group were **SAB** and **ALRAJHI**, which beat estimates by 8.8% and 8.3%. Conversely, **BJAZ** and **RIBL** had biggest earnings misses of -15.5% and -8.6%, respectively. Pre-provision profit for the sector was up 16.4% Y/Y in Q4-24. Earnings growth was mainly driven by the improvement in Net Interest Income (up 10.1% Y/Y in Q4-24 to SAR 29.2bn), which was supported by the 14.4% Y/Y and 14.5% Y/Y increase in loans and investments, respectively (total earning assets were up 14.1% Y/Y in Q4-24). Note that, NIMs for the sector were down 10bps Y/Y to 3.11% in Q4-24. Growth in Non-funded income remained strong at 27.5% Y/Y in Q3-24. Operating expenses grew by 7.6% Y/Y, while the cost-to-income ratio improved by 172bps Y/Y to 31.3%. Debt provisions declined by 10.3% Y/Y to SAR 1.97bn in Q4-24, which translates to cost-of-risk (CoR) of 28bps, as compared to 35bps in the same period last year. Overall, sector RoE improved by 151bps Y/Y to 15.6% in Q4-24, the improvement is mainly owed to expansion in net margins by 3.29ppts Y/Y to 56.13% and increasing leverage (assets/equity stood at 7.7x in Q4-24 vs 7.4x in Q4-23).

Fig 1: Net income growth drivers (SAR bn)



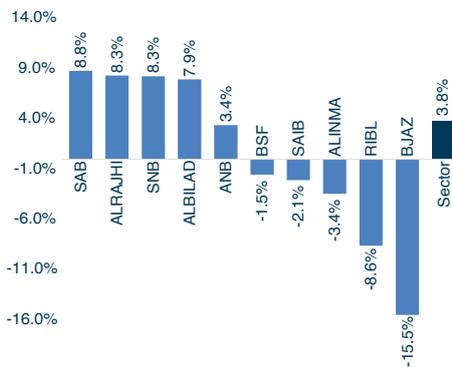
Source: SAMA Monthly Bulletin, Company financials, Aljazira Capital Research

Fig 2: Earning assets grew by 14.1% Y/Y (SAR mn)



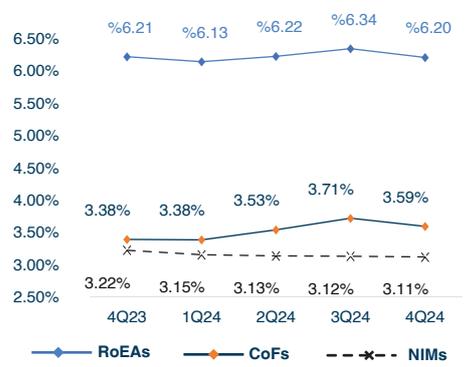
Source: Company financials, Aljazira Capital Research

Fig 3: Q4-24 earnings actual vs estimates



Source: Company financials, Aljazira Capital Research

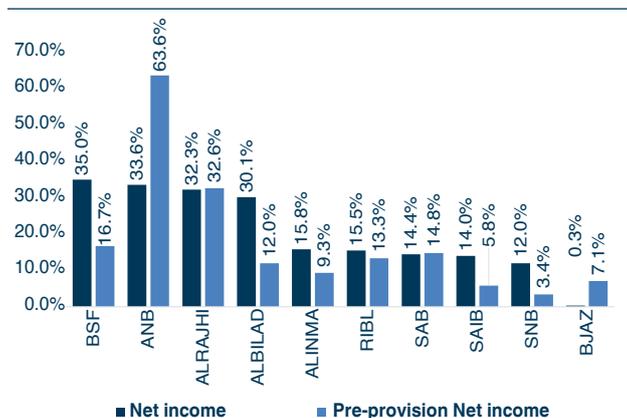
Fig 4: NIMs have contracted by 10bps Y/Y



Source: Company financials, Aljazira Capital Research

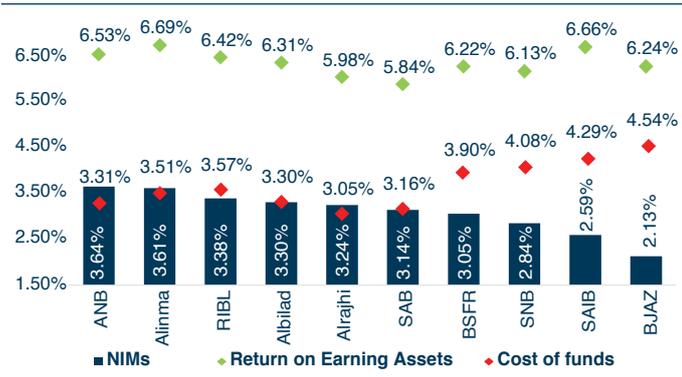
Bank wise, **BSF** posted the highest net income growth of 35.0% Y/Y in Q4-24, driven primarily by 9.2/64.8% Y/Y increase in NSCI/ non-funded income, and 20.5% Y/Y decline in debt provisions. **ANB** stood out as the second best with Q4-24 net income growth of 33.6% Y/Y, which is attributable to 8.7% Y/Y expansion in NSCI, 80.8% Y/Y growth non-commission income. On the other end, **BJAZ** saw the smallest increase in earnings of 0.3% Y/Y, due to 4.7% Y/Y decline in non-commission income and 34.6% Y/Y increase in debt provisions. On Pre-provision basis (Net profit adjusted for provisions) **ANB** posted growth of 63.6% Y/Y. **SNB** and **SAIB** stood out as major laggards on Pre-provision net income basis, with profits up 3.4% Y/Y and 5.8% Y/Y, respectively, the aforementioned performance is owed to 22bps contraction in NIMs for **SNB**, and 6.1% decline in non-commission income for **SAIB**, respectively.

Fig 5: Banks wise Q4-24 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 %

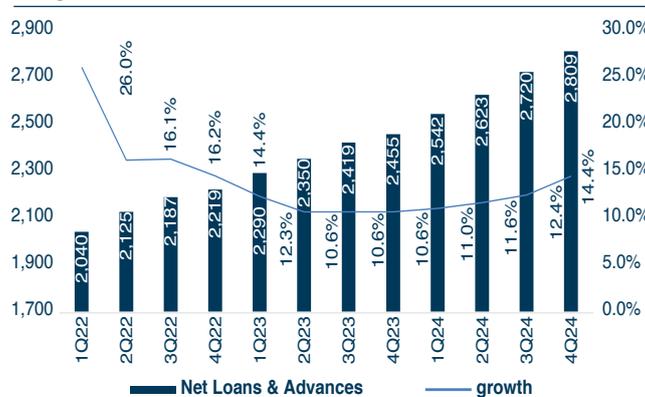


Source: SAMA Monthly Bulletin, Company financials, Aljazira Capital Research

Sector capital adequacy, sizably above regulatory

requirement: Bank wise, SNB leads the sector with total CAR of 20.8%, up 69bps Y/Y. Alrajhi closely follows with CAR of 20.2% (down 131bps Y/Y). While ALINMA has the lowest CAR of 17.7% (up 25bps); closely followed by BJAZ with a CAR of 18.0%. SNB saw strongest increase in CAR of 69bps, while ANB saw the largest attrition in CAR of 209bps.

Fig 8: Loan and advances



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

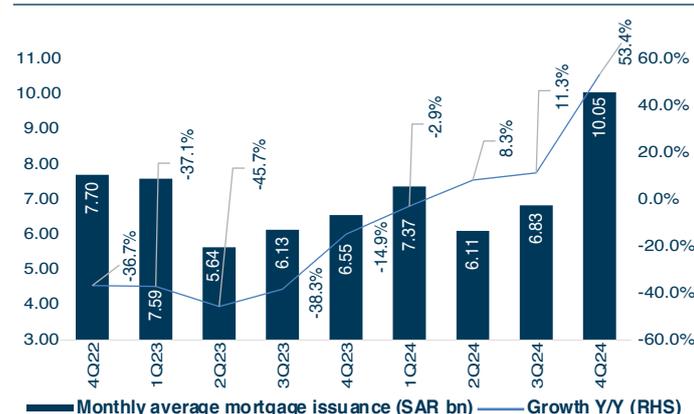
Loan growth still in double digits, mortgage issuances post massive increase in Q4-24:

Net loans and advances grew by 14.4% Y/Y (+3.3% Q/Q). Mortgage lending experienced a massive increase driven by the Cityscape Global 2024 event that happened in Nov-24 and saw sales of more than SAR 20bn. Overall, monthly run rate for mortgages stood at SAR 10.1bn in Q4-24, up 53.4%, compared to SAR 6.6bn in Q4-23.

Growth in rate sensitive, non-mortgage consumer loans stood at 7.1% Y/Y (+200bps Q/Q in Q4-24). Moreover, demand for corporate and MSME credit remained intact. Bank wise, **SAIB** and **SAB** led the sector posting loan growths of 23.2% Y/Y and 20.1% Y/Y, respectively in Q4-24. On the other hand, **ALBILAD** and **SNB** posted the smallest loan growths of 7.1% Y/Y and 8.8% Y/Y, respectively.

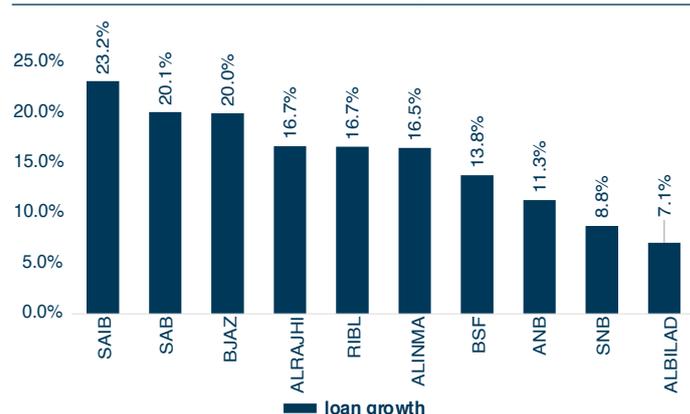
Growth in rate sensitive, non-mortgage consumer loans stood at 7.1% Y/Y (+200bps Q/Q in Q4-24). Moreover, demand for corporate and MSME credit remained intact. Bank wise, **SAIB** and **SAB** led the sector posting loan growths of 23.2% Y/Y and 20.1% Y/Y, respectively in Q4-24. On the other hand, **ALBILAD** and **SNB** posted the smallest loan growths of 7.1% Y/Y and 8.8% Y/Y, respectively.

Fig 9: Mortgage issuances have picked up (SAR bn)



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

Fig 10: Banks wise Q4-24 loan growth (Y/Y)



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

Share of demand deposits is up 66bps Y/Y in Q4-24: Total deposits for the sector grew by 8.4% Y/Y (down 1.3% on a sequential basis) to SAR 2,683bn. Demand deposit share in total deposits increased by 66bps Y/Y (up 94bps Q/Q) to 58.2%.

Banks wise, **RIBL** logged in the highest growth in deposits of 20.2% Y/Y in Q4-24, followed by **BJAZ** which saw deposits grow by 15.0% Y/Y. On the other end, **SNB** and **SAB** lagged the sector with deposits growths of -1.7% Y/Y and 5.3% Y/Y in Q4-24, respectively.

In terms of deposit quality, **SNB** and **ALRAJHI** maintained their lead in Q4-24, with the highest demand deposit weight of 72.1% and 71.1%, respectively. **SAIB** and **BJAZ** have lowest demand deposit ratios of 31.5% and 31.9% with in the sector.

In terms of change in deposit mix, **ALRAJHI** saw the largest movement as its share of demand deposits increased by 962bps Y/Y in Q4-24 to 71.1%, followed by **ALINMA** which saw share of non-remunerative deposits expand by 322bps Y/Y to 45.2%. **ALBILAD** and **SNB** on the other hand saw share of non-remunerative demand deposits drop by 472bps Y/Y and 371bps Y/Y to 60.2% and 72.1% in Q4-24, respectively.

Credit growth outpaced the increase in deposits, resulting in higher LDR: Normal Loan-to-deposit (LDR) ratio increased by 422bps Y/Y (up 398bps Q/Q) to reach 106.1% in Q4-24; regulatory LDR saw an increase of 254bps Y/Y (+ 358bps Q/Q), as it reached 83.2% in Q4-24. The aforementioned notable increase in LDR ratios is owed to the sizable 3.3% Q/Q increase in net loans & advances in Q4-24 and a simultaneous 1.3% Q/Q decline in deposits. We highlight that despite the increase sector regulated LDR is comfortably below the regulatory limit.

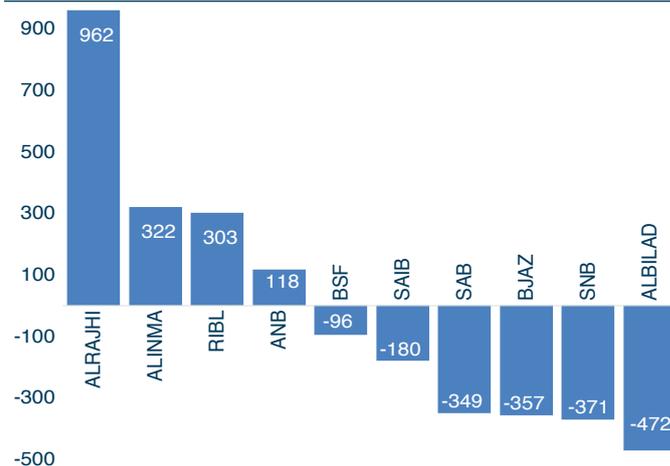
Bank wise, **SNB** has the highest LDR ratio of 112.8%, while **BJAZ** has the lowest ratio of 89.6%. In terms of change **SAB** and **SNB** saw the largest increases in LDR ratios of 11.9ppts and 10.9ppts to 97.1% and 112.8%, respectively. While **RIBL** and **ALBILAD** saw the biggest decrease in LDR ratios of 3.19ppts and 0.71ppts to 104.5% and 89.8%, respectively.

Fig 11: Share of demand deposits is up 66bps Y/Y



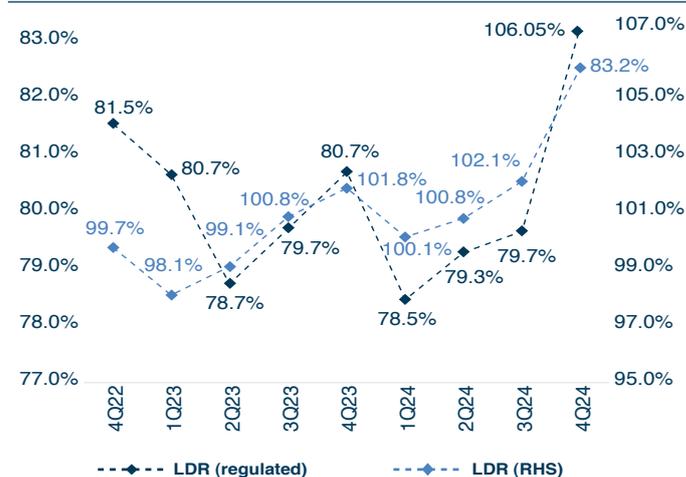
Source: SAMA Monthly Bulletin, Company financials, Aljazira Capital Research

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



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

Fig 13: LDR jumped in Q4-24

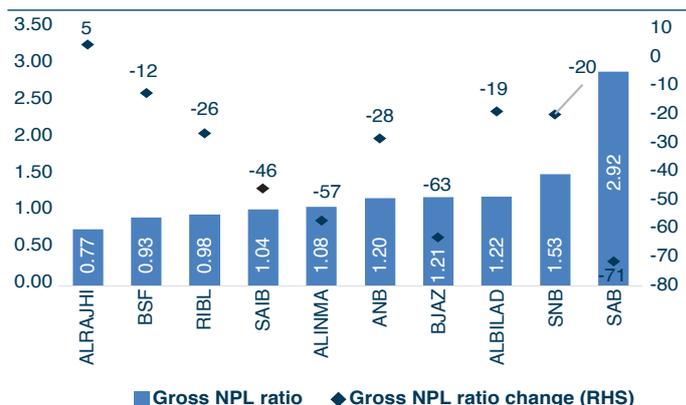


Source: SAMA Monthly Bulletin, Company financials, Aljazira Capital Research



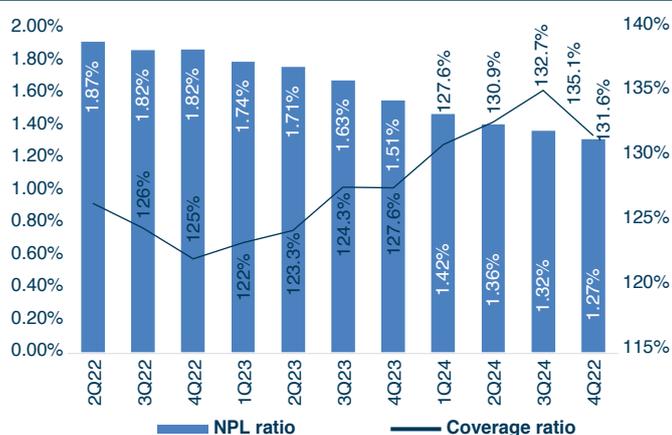
Sector's credit asset quality continues to improve; while operating efficiency remained stable: Gross NPL ratio of the sector improved by 24bps Y/Y (5bps Q/Q) to 1.27% in Q4-24, while coverage stood at a healthy 131.6% (up 404bps and -347bps Y/Y and Q/Q). CoR declined by 7.3bps Y/Y (-6.1bps Q/Q) to 28bps in Q4-24. Amongst listed banks, **ALRAJHI** retained its top position on asset quality front, with NPL ratio of 0.8% (up 5bps Y/Y), while **SAB** despite undergoing the sizable NPL improvement (down 71bps Y/Y) still had the industry's highest NPL ratio of 2.9% in Q4-24.

Fig 14: Alrajhi leads on asset quality



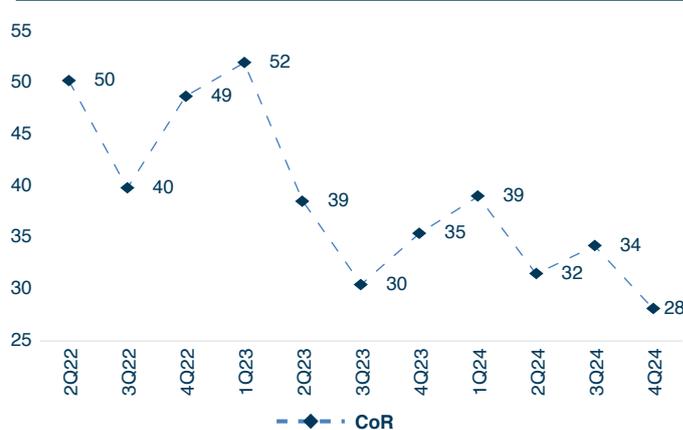
Source: SAMA Monthly Bulletin, Company financials, Aljazira Capital Research

Fig 15 : Asset quality improves further



Source: SAMA Monthly Bulletin, Company financials, Aljazira Research

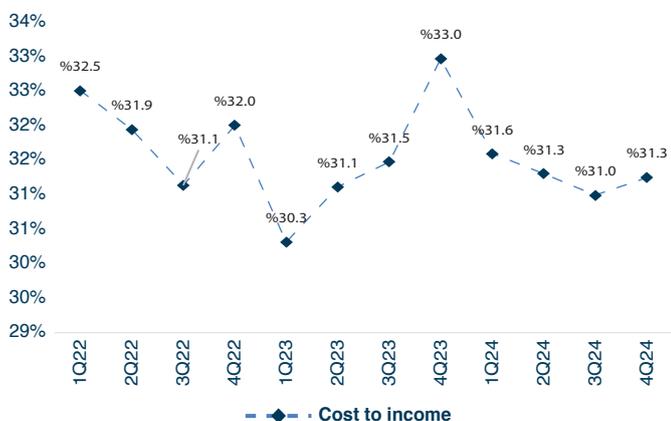
Fig 16: Cost of risk improved to 28bps in Q4-24



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

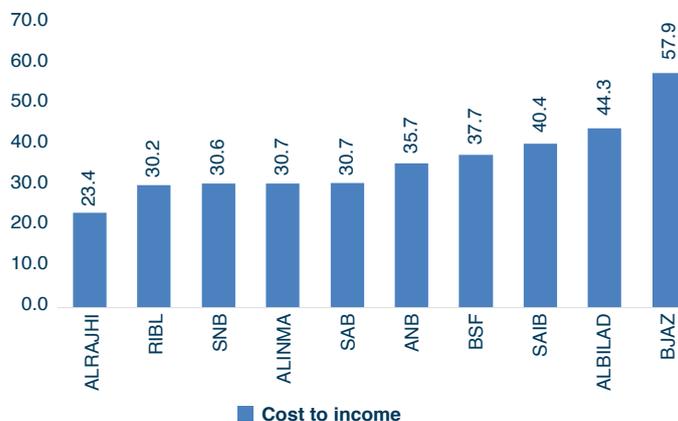
The sector experienced a 172bps Y/Y (+26bps Q/Q) decrease in the cost to income ratio to 31.3% in Q4-24, as operating income increased by 13.5% Y/Y, while operating expenses increased by 7.6% Y/Y. Operating income growth was driven by 10.1% Y/Y increase in net interest income, and a 27.5% Y/Y increase in non-yield income.

Fig 17: Cost to income



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

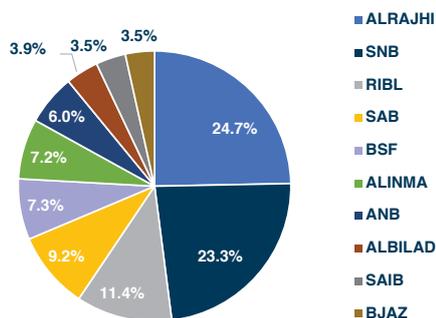
Fig 18: Bank wise Cost to income



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



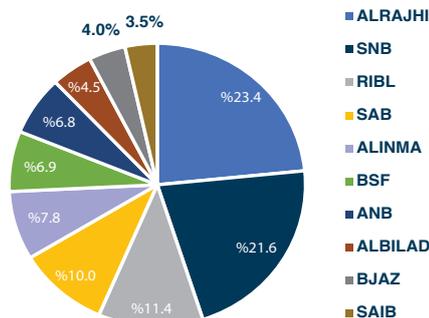
Fig 19: Loans market share



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

Loans market share: ALRAJHI leads with Q4-24 loan market share of 24.7%, up 50bps Y/Y. **Alrajhi** and **SAB** saw the biggest increases in Q4-24 credit market share of 50bps Y/Y and 44bps Y/Y, to 24.7% and 9.2%, respectively. While **SNB** and **ALBILAD** experienced biggest declines in loan market share of 121bps Y/Y and 27bps Y/Y to 23.3% and 3.9%. The share of Islamic banks in total lending stood at 35.8% in Q4-24, up 35bps Y/Y, with **ALRAJHI** having the largest share of 24.7%.

Fig 20: Deposits market share



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

Deposits market share: ALRAJHI leads with deposit market share of 23.4% in Q4-24, up 37bps Y/Y. **RIBL** and **ALRAJHI** saw the largest increases in Q4-24 deposit market share of 117bps Y/Y and 37bps Y/Y respectively, while **SNB** and **SAB** saw largest declines in market share of 211bps and 24bps Y/Y, respectively. Share of Islamic banks in total deposits increased by 67bps Y/Y in Q4-24 to 35.8%, with **ALRAJHI** leading with a market share of 23.4%

Table 1: Return heat map for the sector Q4-24

	RoE	NIMs	RoEAs	Cost of funds	Cost to income	CA ratio	CoR (bps)
ALRAJHI	20.8	3.2%	6.0%	3.05%	23%	71.1	32
ALBILAD	17.6	3.3%	6.3%	3.30%	44%	60.2	(21)
ANB	13.4	3.6%	6.5%	3.31%	36%	50.9	38
BJAZ	9.5	2.1%	6.2%	4.54%	58%	31.9	35
RIBL	16.6	3.4%	6.4%	3.57%	30%	49.9	53
SAB	13.7	3.1%	5.8%	3.16%	31%	51.3	23
BSFR	12.1	3.1%	6.2%	3.90%	38%	43.4	59
SAIB	13.1	2.6%	6.7%	4.29%	40%	31.5	32
ALINMA	18.8	3.6%	6.7%	3.51%	31%	45.2	38
SNB	12.8	2.8%	6.1%	4.08%	31%	72.1	16

Source: SAMA, Company financials, Aljazira Capital Research



RESEARCH DIVISION

Director - Head of Sell-Side Research
Jassim Al-Jubran
+966 11 2256248
j.aljabran@aljaziracapital.com.sa

RESEARCH DIVISION

AlJazira Capital, the investment arm of Bank AlJazira, is a Shariaa Compliant Saudi Closed Joint Stock company and operating under the regulatory supervision of the Capital Market Authority. AlJazira Capital is licensed to conduct securities business in all securities business as authorized by CMA, including dealing, managing, arranging, advisory, and custody. AlJazira Capital is the continuation of a long success story in the Saudi Tadawul market, having occupied the market leadership position for several years. With an objective to maintain its market leadership position, AlJazira Capital is expanding its brokerage capabilities to offer further value-added services, brokerage across MENA and International markets, as well as offering a full suite of securities business.

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.

Disclaimer

The purpose of producing this report is to present a general view on the company/economic sector/economic subject under research, and not to recommend a buy/sell/hold for any security or any other assets. Based on that, this report does not take into consideration the specific financial position of every investor and/or his/her risk appetite in relation to investing in the security or any other assets, and hence, may not be suitable for all clients depending on their financial position and their ability and willingness to undertake risks. It is advised that every potential investor seek professional advice from several sources concerning investment decision and should study the impact of such decisions on his/her financial/legal/tax position and other concerns before getting into such investments or liquidate them partially or fully. The market of stocks, bonds, macroeconomic or microeconomic variables are of a volatile nature and could witness sudden changes without any prior warning, therefore, the investor in securities or other assets might face some unexpected risks and fluctuations. All the information, views and expectations and fair values or target prices contained in this report have been compiled or arrived at by Al-Jazira Capital from sources believed to be reliable, but Al-Jazira Capital has not independently verified the contents obtained from these sources and such information may be condensed or incomplete. Accordingly, no representation or warranty, express or implied, is made as to, and no reliance should be placed on the fairness, accuracy, completeness or correctness of the information and opinions contained in this report. Al-Jazira Capital shall not be liable for any loss as that may arise from the use of this report or its contents or otherwise arising in connection therewith. The past performance of any investment is not an indicator of future performance. Any financial projections, fair value estimates or price targets and statements regarding future prospects contained in this document may not be realized. The value of the security or any other assets or the return from them might increase or decrease. Any change in currency rates may have a positive or negative impact on the value/return on the stock or securities mentioned in the report. The investor might get an amount less than the amount invested in some cases. Some stocks or securities maybe, by nature, of low volume/trades or may become like that unexpectedly in special circumstances and this might increase the risk on the investor. Some fees might be levied on some investments in securities. This report has been written by professional employees in Al-Jazira Capital, and they undertake that neither them, nor their wives or children hold positions directly in any listed shares or securities contained in this report during the time of publication of this report, however, The authors and/or their wives/children of this document may own securities in funds open to the public that invest in the securities mentioned in this document as part of a diversified portfolio over which they have no discretion. This report has been produced independently and separately by the Research Division at Al-Jazira Capital and no party (in-house or outside) who might have interest whether direct or indirect have seen the contents of this report before its publishing, except for those whom corporate positions allow them to do so, and/or third-party persons/institutions who signed a non-disclosure agreement with Al-Jazira Capital. Funds managed by Al-Jazira Capital and its subsidiaries for third parties may own the securities that are the subject of this document. Al-Jazira Capital or its subsidiaries may own securities in one or more of the aforementioned companies, and/or indirectly through funds managed by third parties. The Investment Banking division of Al-Jazira Capital maybe in the process of soliciting or executing fee earning mandates for companies that is either the subject of this document or is mentioned in this document. One or more of Al-Jazira Capital board members or executive managers could be also a board member or member of the executive management at the company or companies mentioned in this report, or their associated companies. No part of this report may be reproduced whether inside or outside the Kingdom of Saudi Arabia without the written permission of Al-Jazira Capital. Persons who receive this report should make themselves aware, of and adhere to, any such restrictions. By accepting this report, the recipient agrees to be bound by the foregoing limitations.

Asset Management | Brokerage | Corporate Finance | Custody | Advisory

Head Office: King Fahad Road, P.O. Box: 20438, Riyadh 11455, Saudi Arabia. Tel: 011 2256000 - Fax: 011 2256068