الجزيرة كابيتال
ALJAZIRA CAPITAL الجزيرة للأسواق المالية

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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.

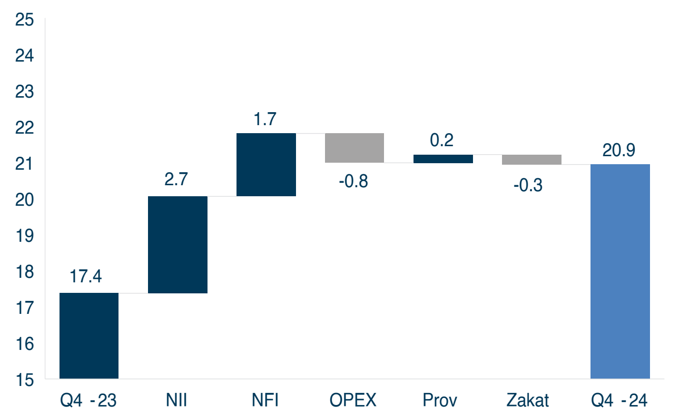
Credit growth outpaced the increase in deposits, resulting in higher LDR: Normal Loan-to-deposit (LDR) ratio increased by 422bps Y/Y (up 398bps Q/Q) to reach 106.1% in Q4-24; regulatory LDR saw an increase of 254bps Y/Y (+ 358bps Q/Q), as it reached 83.2% in Q4-24. The aforementioned notable increase 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.

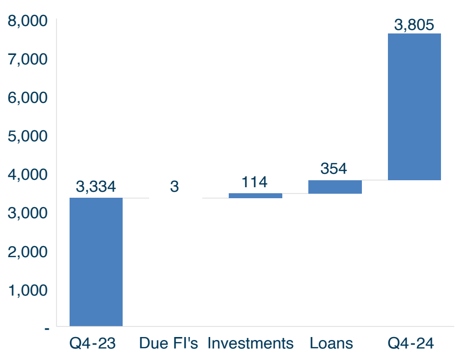
Banking sector posts historic high net income in Q4-24, supported by double-digit growth in NII, NFI & lower provision expenses: The Saudi banking sector posted highest ever quarterly earnings of SAR 20.9bn in Q4-24, up 20.6% Y/Y (+2.0% Q/Q). Five out of ten listed banks posted above consensus earnings; 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)



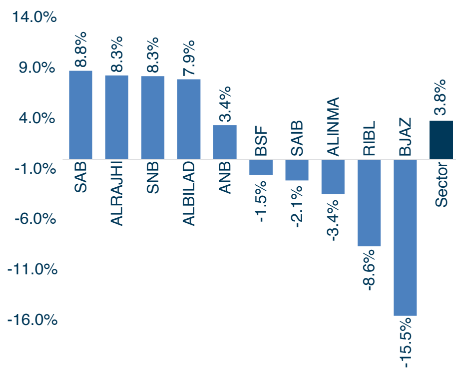
Source: SAMA Monthly Bulletin, Company financials, Aljazira Capital Research

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



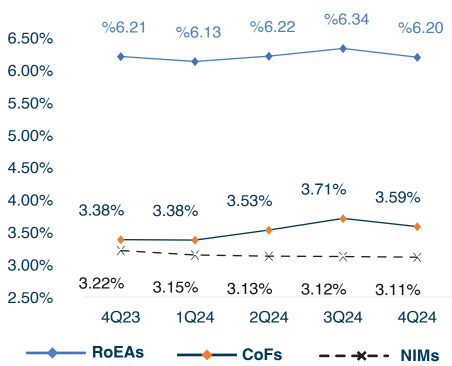
Source: Company financials, Aljazira Capital Research

Fig 3: Q4-24 earnings actual vs estimates



Source: Company financials, Aljazira Capital Research

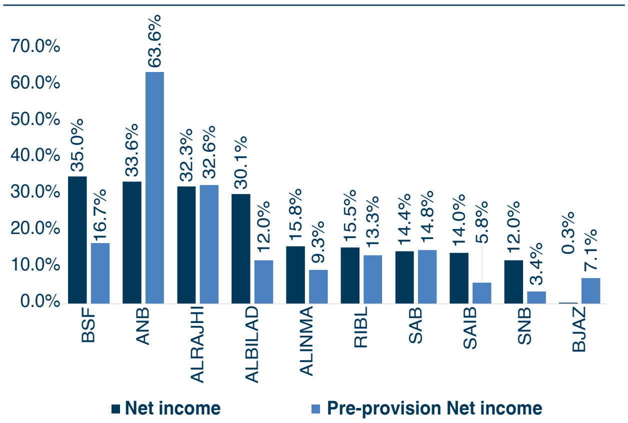
Fig 4: NIMs have contracted by 10bps Y/Y



Source: Company financials, Aljazira Capital Research

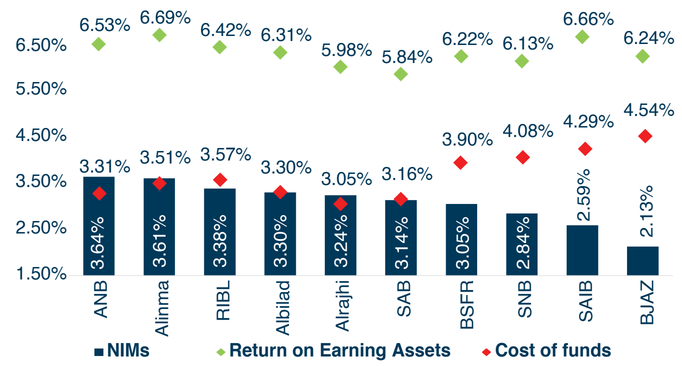
Bank wise, **BSF** posted the highest net income growth of 35.0% Y/Y in Q4-24, driven primarily by 9.2/64.8% Y/Y increase in NSCI/ non-funded income, and 20.5% Y/Y decline in debt provisions. **ANB** stood out as the second best with Q4-24 net income growth of 33.6% Y/Y, which is attributable to 8.7% 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)



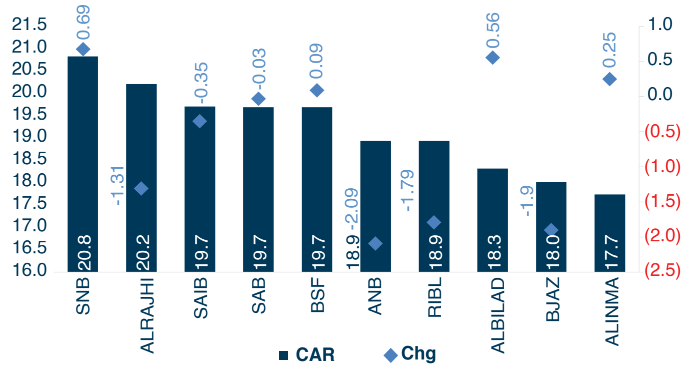
Source: Company financials, Aljazira Capital Research

Fig 6: NIMs, RoEAs, CoFs



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

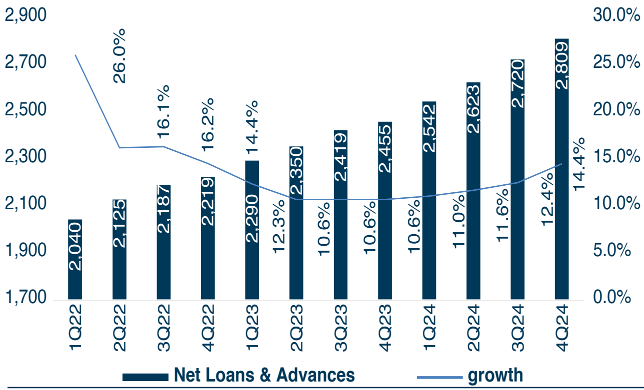
Fig 7: Capital adequacy ratio %



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

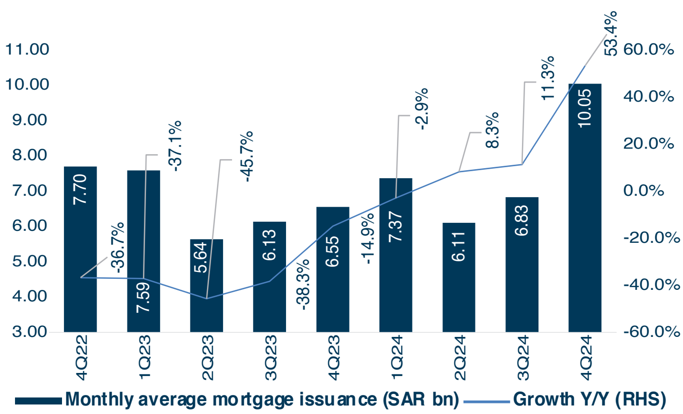


Source: SAMA Monthly Bulletin, Company financials, Aljazira Capital Research

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.

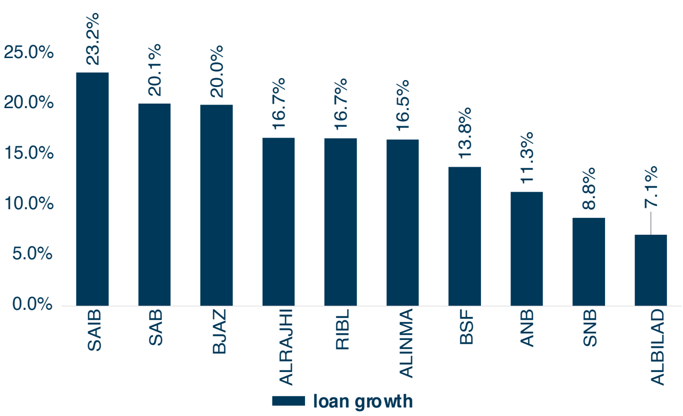
Growth in rate sensitive, non-mortgage consumer loans stood at 7.1% Y/Y (+200bps Q/Q in Q4-24). Moreover, demand for corporate and MSME credit remained intact. Bank wise, **SAIB** and **SAB** led the sector posting loan growths of 23.2% Y/Y and 20.1% Y/Y, respectively in Q4-24. On the other hand, **ALBILAD**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

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.

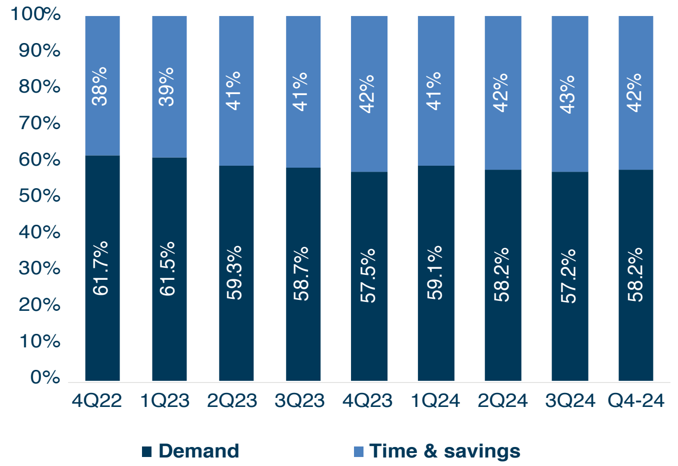
In terms of deposit quality, **SNB** and **ALRAJHI** maintained their lead in Q4-24, with the highest demand deposit weight of 72.1% and 71.1%, respectively. **SAIB** and **BJAZ** have lowest demand deposit ratios of 31.5% and 31.9% with in the sector.

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.

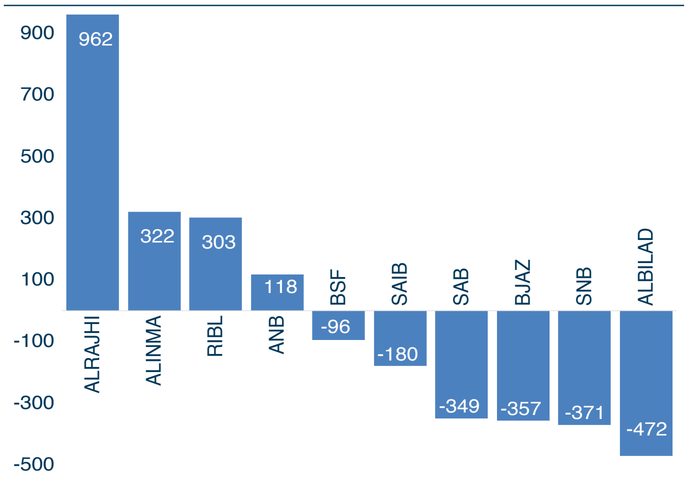
Bank wise, **SNB** has the highest LDR ratio of 112.8%, while **BJAZ** has the lowest ratio of 89.6%. In terms of change **SAB** and **SNB** saw the largest increases in LDR ratios of 11.9ppts and 10.9ppts to 97.1% and 112.8%, respectively. While RIBL and ALBILAD saw the biggest decrease in LDR ratios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

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



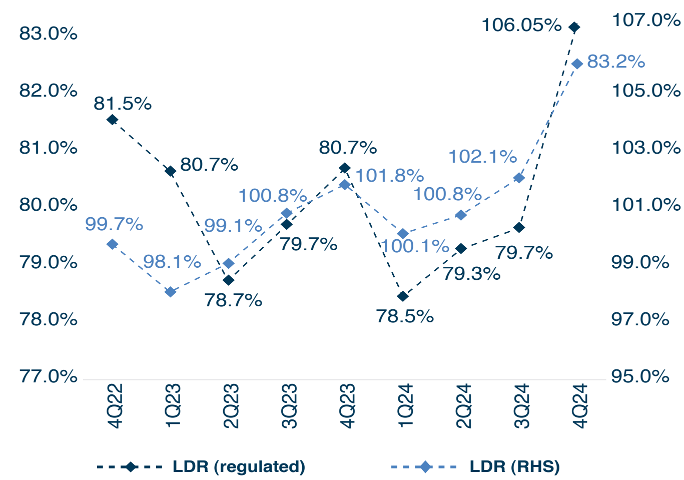
Source: SAMA Monthly Bulletin, Company financials, Aljazira Capital Research

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



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

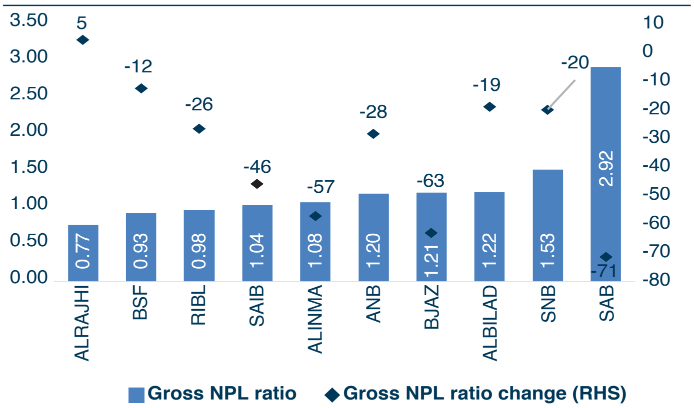
Fig 13: LDR jumped in Q4-24



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

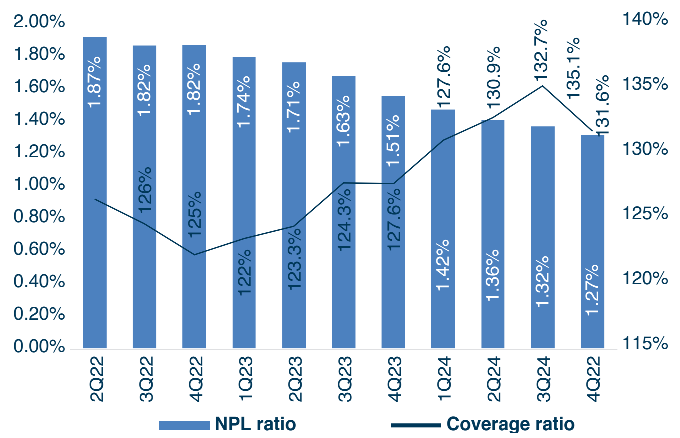
Sector's credit asset quality continues to improve; while operating efficiency remained stable: Gross NPL ratio of the sector improved by 24bps Y/Y (5bps Q/Q) to 1.27% in Q4-24, while coverage stood at a healthy 131.6% (up 404bps and -347bps Y/Y and Q/Q). CoR declined by 7.3bps Y/Y (-6.1bps Q/Q) to 28bps 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



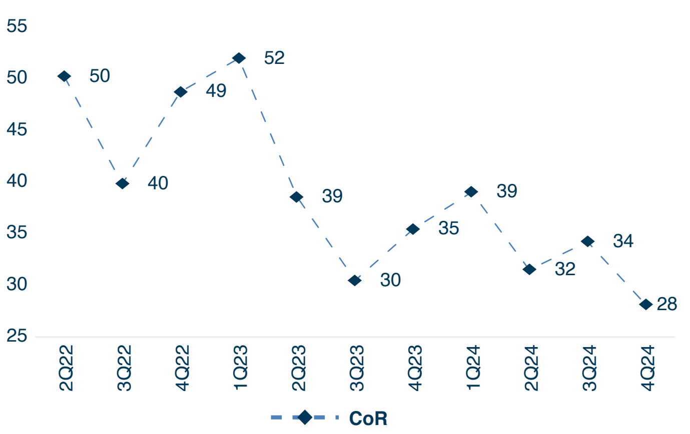
Source: SAMA Monthly Bulletin, Company financials, Aljazira Capital Research

Fig 15 : Asset quality improves further



Source: SAMA Monthly Bulletin, Company financials, Aljazira Research

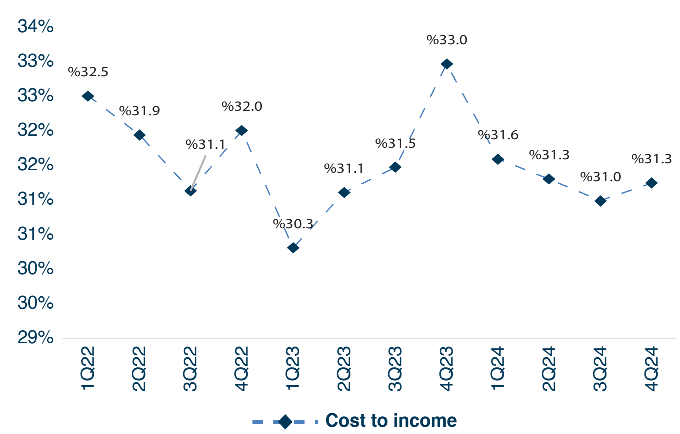
Fig 16: Cost of risk improved to 28bps in Q4-24



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

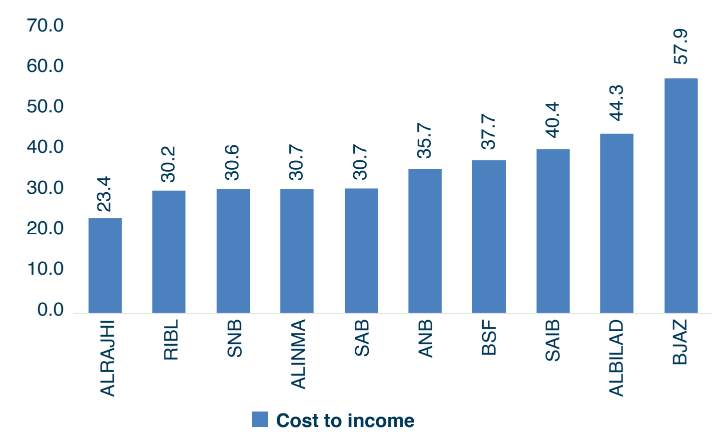
The sector experienced a 172bps Y/Y (+26bps Q/Q) decrease in the cost to income ratio to 31.3% in Q4-24, as operating income increased by 13.5% Y/Y, while operating expenses increased by 7.6% Y/Y. Operating income growth was driven by 10.1% Y/Y increase in net interest income, and a 27.5% Y/Y increase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

Fig 17: Cost to income



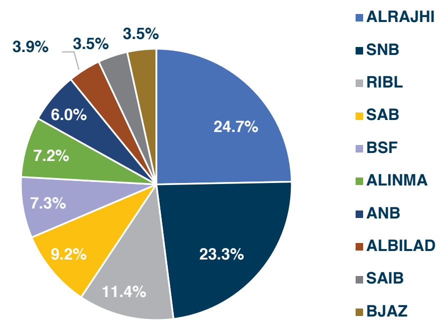
Source: SAMA Monthly Bulletin, Company financials, Aljazira Capital Research

Fig 18: Bank wise Cost to income



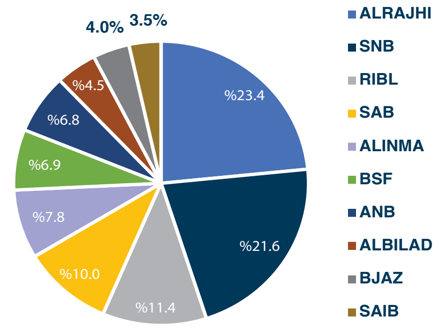
Source: SAMA Monthly Bulletin, Company financials, Aljazira Capital Research

Fig 19: Loans market share



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

Fig 20: Deposits 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%.

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 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

الجزيرة كابيتال
ALJAZIRA CAPITAL الجزيرة للأسواق المالية

RESEARCH DIVISION

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

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.