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Saudi Banking Sector

Quarterly Report I Q3-25



Banking sector's Q3-25 net income is up 15.1% Y/Y; NFI remains strong while NII growth is showing notable moderation

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The Saudi banking sector posted quarterly earnings of SAR 23.6bn in Q3-25, up 15.1% Y/Y (+2.8% Q/Q). Six out of ten listed banks posted above consensus earnings. Pre-provision profit for the sector grew 12.6% Y/Y in Q3-25. Earnings growth was mainly driven by the improvement in non-funded Income (up 18.8% Y/Y in Q3-25 to SAR 10.2bn), decline in provisions, and growth in net interest income (up 5.7% Y/Y to SAR 29.9bn). NIMs for the sector were down 24bps Y/Y to 2.88% in Q3-25. Net Special Commission Income growth saw sizable moderation as it fell to 5.7% Y/Y in Q3-25 vs 9.4/11.1% Y/Y in Q2-25/Q1-25, respectively. The 12M Saudi riyal deposit to SOFR interest rate differential expanded to multi-year high of 1.36% (2022 till date avg 74bps), due to liquidity shortage in the banking system. Net loans and advances grew by 14.4% Y/Y, while monthly run rate for mortgages stood at SAR 6.0bn in Q3-25, down 11.7% Y/Y, compared to SAR 6.8bn in Q3-24. Total deposits for the sector grew by 7.8% Y/Y (up 2.2% on a sequential basis) to SAR 2,931bn. Demand deposit share in total deposits declined by 271bps Y/Y (down 164bps Q/Q) to 50.4%. Gross NPL ratio of the sector improved by 20bps Y/Y (8bps Q/Q) to 1.12% in Q3-25, while coverage stood at a healthy 130.2% (-485bps Y/Y and +139bps Q/Q). CoR declined by 10bps Y/Y (-1bps Q/Q) to 24bps in Q3-25. The sector experienced a 241bps Y/Y (89bps Q/Q) improvement in the cost-to-income ratio to 28.6% in Q3-25.

Banking sector's Q3-25 net income is up 15.1% Y/Y; non-funded income growth sizably outpaces NII growth: The Saudi banking sector posted quarterly earnings of SAR 23.6bn in Q3-25, up 15.1% Y/Y (+2.8% Q/Q). Six out of ten listed banks posted above consensus earnings; leading the group were **SNB** and **RIBL**, which beat estimates by 12.5% and 6.1%. Conversely, **ANB** and **ALINMA** had biggest earnings misses of 1.5% and 0.8%, respectively. NIMs for the sector were down 24bps Y/Y to 2.88% in Q3-25. Net Special Commission Income growth saw sizable moderation as it fell into mid-single digits. The 12M Saudi riyal deposit to SOFR interest rate differential expanded to multi-year high of 1.36%, due to liquidity shortage in the banking system. The NFI to NII ratio increased by 3.74ppts to 34% in Q3-25.

Loan growth still in double digits, even though mortgage issuances saw a massive slowdown in Q3-25: Net loans and advances grew by 14.4% Y/Y. Overall, monthly run rate for mortgages stood at SAR 6.0bn in Q3-25, down 11.7% Y/Y, compared to SAR 6.8bn in Q3-24. Bank wise, **RIBL** and **Alrajhi** led the sector posting loan growth of 20.7% Y/Y and 16.5% Y/Y, respectively in Q3-25. On the other hand, **BSF** and **SNB** posted the smallest loan growths of 7.3% Y/Y and 10.6% Y/Y, respectively. **ALRAJHI** leads with Q3-25 loan market share of 24.3%, up 42bps Y/Y. **RIBL** and **ALRAJHI** saw the biggest increases in Q3-25 credit market share of 61bps Y/Y and 42bps Y/Y, to 11.8% and 24.3%, respectively.

Share of demand deposits is down 271bps Y/Y in Q3-25: Total deposits for the sector grew by 7.8% Y/Y (up 2.2% on a sequential basis) to SAR 2,931bn. Demand deposit share in total deposits declined by 271bps Y/Y (down 164bps Q/Q) to 50.4%. In terms of deposit quality, **SNB** and **ALRAJHI** maintained their lead in Q3-25, with the highest demand deposit weight of 76.1% and 63.8%, respectively. **SNB** leads with deposit market share of 22.9% in Q3-25, down 138bps Y/Y. Share of Shariah compliant banks in total deposits increased by 38bps Y/Y in Q3-25 to 35.3%, with **ALRAJHI** leading with a share of 22.9%.

Normal LDR posts major increase of 4.75ppts Y/Y, however regulated LDR increased by much smaller 79bps Y/Y: Normal Loan-to-deposit (LDR) ratio increased by 4.75ppts Y/Y (up 49bps Q/Q) to reach 106.8% in Q3-25; regulatory LDR saw an increase of 79bps Y/Y (-119bps Q/Q), as it reached 80.4% in Q3-25. The aforementioned increase in LDR ratios is owed to the sizable 14.4% Y/Y increase in net loans & advances in Q3-25 and a smaller 7.8% Y/Y increase in deposits.

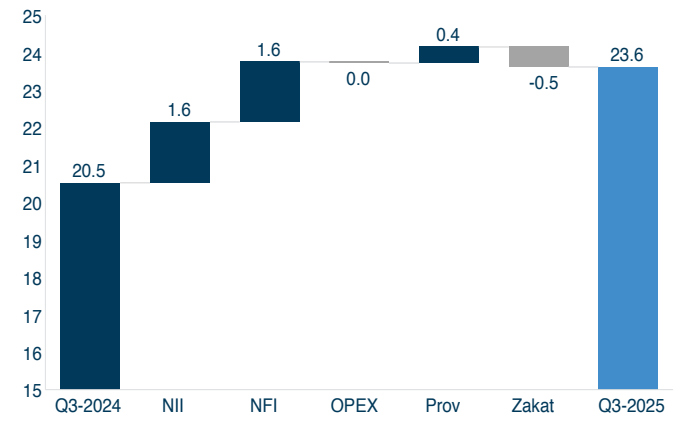
Sector's credit asset quality and operating efficiency continues to improve: Gross NPL ratio of the sector improved by 20bps Y/Y (8bps Q/Q) to 1.12% in Q3-25, while coverage stood at a healthy 130.2% (-485bps Y/Y and +139bps Q/Q). CoR declined by 10bps Y/Y (-1bps Q/Q) to 24bps in Q3-25. Amongst listed banks, **ALRAJHI** retained its top position on asset quality front, with NPL ratio of 0.77% (down 3bps Y/Y), while **SAB** despite undergoing the sizable NPL improvement (down 24bps Y/Y) still had the industry's highest NPL ratio of 2.72% in Q3-25. The sector experienced a 241bps Y/Y (89bps Q/Q) improvement in the cost to income ratio to 28.6% in Q3-25, as operating income increased by 8.8% Y/Y, while operating expenses increased by 0.3% Y/Y.





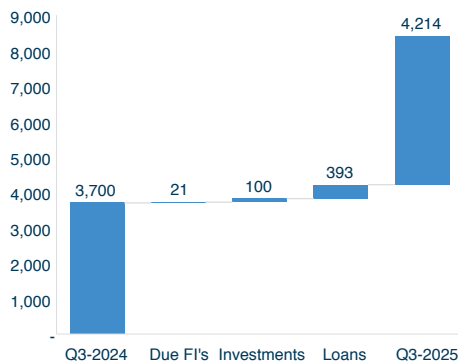
Banking sector's Q3-25 net income is up 15.1% Y/Y; NFI remains strong while NII growth is showing notable moderation: The Saudi banking sector posted quarterly earnings of SAR 23.6bn in Q3-25, up 15.1% Y/Y (+2.8% Q/Q). Cumulative earnings for the sector were 5.6% above consensus. Six out of ten listed banks posted above consensus earnings; leading the group were **SNB** and **RIBL**, which beat estimates by 12.5% and 6.1%. Conversely, **ANB** and **ALINMA** had biggest earnings misses of 1.5% and 0.8%, respectively. Pre-provision profit for the sector grew 12.6% Y/Y in Q3-25. Earnings growth was mainly driven by the improvement in Non funded Income (up 18.8% Y/Y in Q3-25 to SAR 10.2bn), decline in provisions, and growth in Net interest income (up 5.7% Y/Y to SAR 29.9bn) which was supported by the 14.4% Y/Y and 11.5% Y/Y increase in loans and investments, respectively (total earning assets were up 13.9% Y/Y in Q3-25). NIMs for the sector were down 24bps Y/Y to 2.88% in Q3-25. Net Special Commission Income growth saw sizable moderation as it fell to 5.7% Y/Y in Q3-25 vs 9.4/11.1% Y/Y in Q2-25/Q1-25, respectively. The 12M Saudi riyal - SOFR interest rate differential expanded to multi-year high of 1.36%, due to liquidity shortage in the banking system. Operating expenses increased by 0.3% Y/Y, while the cost-to-income ratio improved by 241bps Y/Y to 28.6%. Debt provisions declined by 18.4% Y/Y to SAR 1.90bn in Q3-25, which translates to cost-of-risk (CoR) of 24bps, as compared to 34bps in the same period last year. Overall, sector RoE improved by 75bps Y/Y to 16.4% in Q3-25, the improvement is mainly owed to expansion in net margins by 3.23 ppts Y/Y to 58.87% and increasing leverage (assets/equity stood at 7.9x in Q3-25 vs 7.7x in Q3-24).

Fig 1: Net income growth drivers (SAR mn)



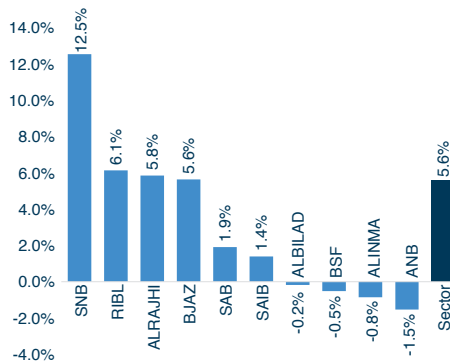
Source: SAMA Monthly Bulletin, Company financials, Aljazira Capital Research

Fig 2: Earning assets grew by 13.9% Y/Y (SAR mn)



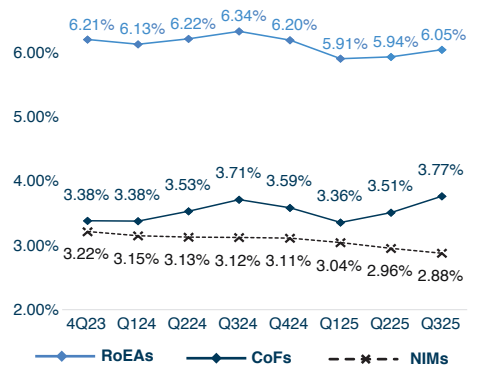
Source: Company financials, Aljazira Capital Research

Fig 3: Q3-25 earnings actual vs estimates



Source: Company financials, Aljazira Capital Research

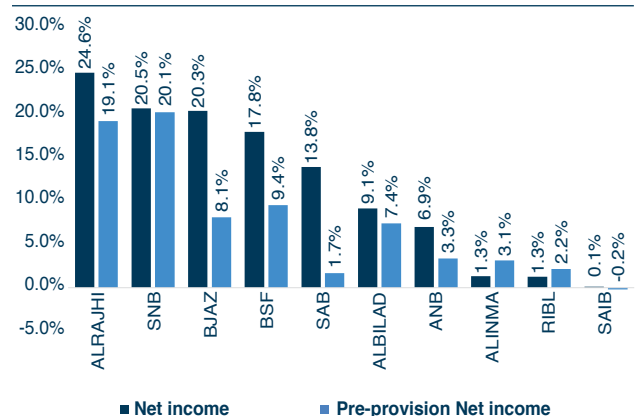
Fig 4: NIMs have contracted by 24bps Y/Y



Source: Company financials, Aljazira Capital Research

Bank wise, **ALRAJHI** posted the highest net income growth of 24.6% Y/Y in Q3-25, driven primarily by 26.7/14.0% Y/Y increase in non-funded income/NSCI, and 17.8% decline in debt provisions, amidst a 7.1% increase in operating expenses. **SNB** stood out as the second best with Q3-25 net income growth of 20.5% Y/Y, which is attributable to 21.8% Y/Y expansion in non-commission income and 6.5% Y/Y growth in NSCI. On the other hand, **SAIB** saw the smallest increase in earnings of 0.1% Y/Y, due to 5.7% Y/Y decrease in NII. On Pre-provision basis (Net profit adjusted for provisions) **SNB** posted growth of 20.1% Y/Y. **SAIB** and **RIBL** stood out as major laggards on Pre-provision net income basis, with profits down 0.2% Y/Y and up 2.2% Y/Y, respectively, the aforementioned performance is owed to 56/71bps contraction in NIMs, respectively.

Fig 5: Banks wise Q3-25 earning performance (Y/Y)

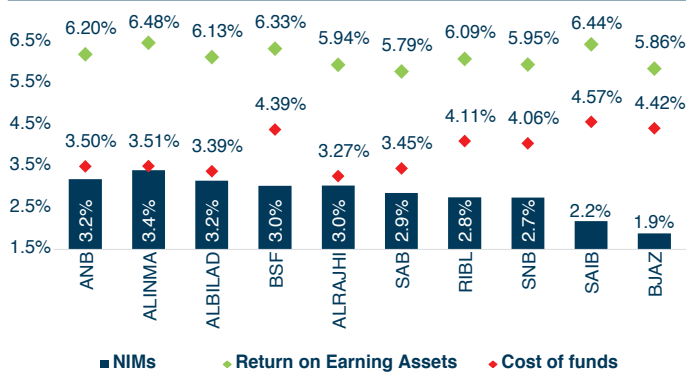


Source: Company financials, Aljazira Capital Research



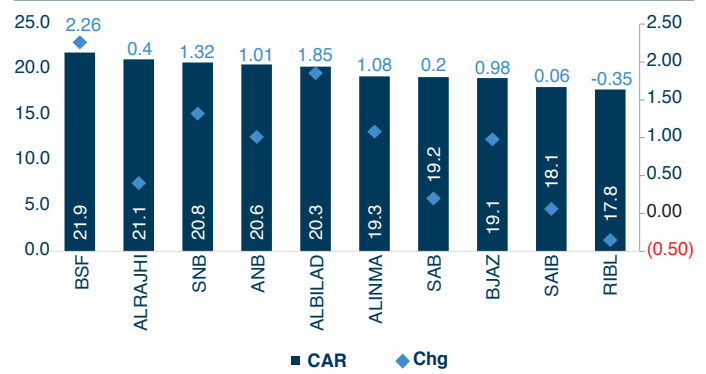


Fig 6: NIMs, RoEAs, CoFs



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

Fig 7: Capital adequacy ratio %



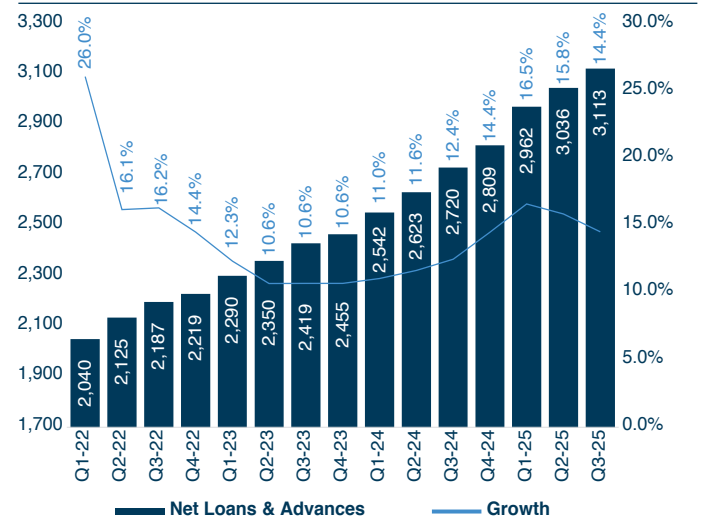
Source: SAMA Monthly Bulletin, Company financials, Aljazira Capital Research

Sector capital adequacy, sizably above regulatory requirement: Bank wise, **BSF** leads the sector with total CAR of 21.9%, up 226bps Y/Y. **ALRAJHI** closely follows with CAR of 21.1% (up 40bps Y/Y). While **RIBL** has the lowest CAR of 17.8% (-35bps); closely followed by **SAIB** with a CAR of 18.1%. BSF saw strongest increase in CAR of 226bps, while RIBL saw the largest attrition in CAR of 35bps.

Loan growth still in double digits, mortgage issuances saw a massive slowdown in Q3-25: Net loans and advances grew by 14.4% Y/Y. Overall, monthly run rate for mortgages stood at SAR 6.0bn in Q3-25, down 11.7% Y/Y, compared to SAR 6.8bn in Q3-24. On a sequential basis mortgages declined by 4.7% as markets awaits for more clarity on the recent changes in white land rules.

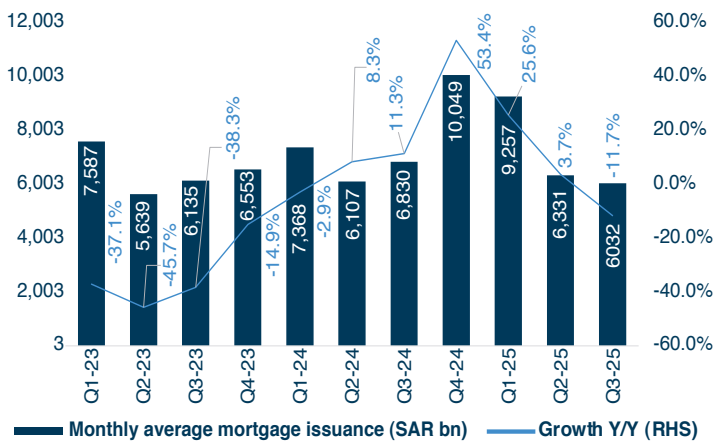
Bank wise, **RIBL** and **Alrajhi** led the sector posting loan growth of 20.7% Y/Y and 16.5% Y/Y, respectively in Q3-25. On the other hand, **BSF** and **SNB** posted the smallest loan growths of 7.3% Y/Y and 10.6% Y/Y, respectively.

Fig 8: Loan and advances



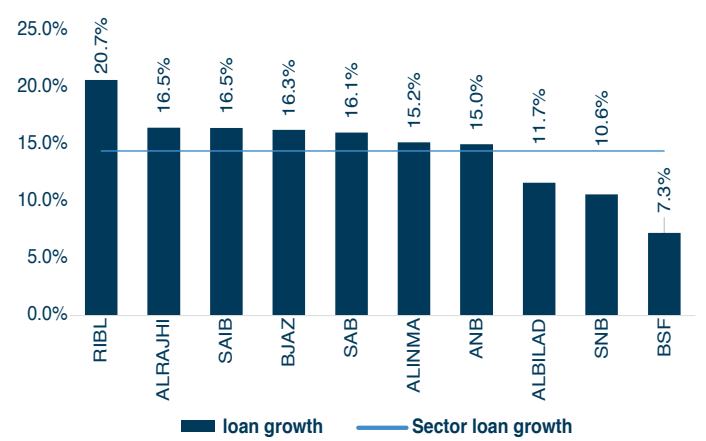
Source: SAMA Monthly Bulletin, Company financials, Aljazira Capital Research

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 271bps Y/Y in Q3-25:

Total deposits for the sector grew by 7.8% Y/Y (up 2.2% on a sequential basis) to SAR 2,931bn. Demand deposit share in total deposits declined by 271bps Y/Y (down 164bps Q/Q) to 50.4%.

Banks wise **ANB** logged in the highest growth in deposits of 16.5% Y/Y in Q3-25, followed by **SAB** which saw deposits grow by 14.0% Y/Y. On the other end, **BSF** and **SNB** lagged the sector with deposits growths of -3.9% Y/Y and 0.8% Y/Y in Q3-25, respectively.

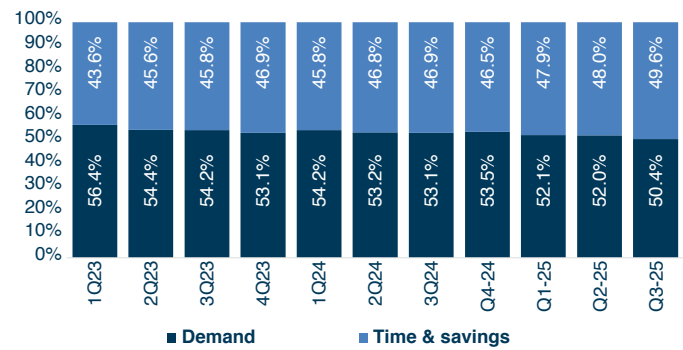
In terms of deposit quality, **SNB** and **ALRAJHI** maintained their lead in Q3-25, with the highest demand deposit weight of 76.1% and 63.8%, respectively. **SAIB** and **BJAZ** have lowest demand deposit ratios of 24.6% and 27.8% with in the sector.

In terms of change in deposit mix, **ALRAJHI** saw the largest decline in share of demand deposits down 6.0ppts Y/Y in Q3-25 to 63.8%, followed by **SAIB** which saw share of non-remunerative deposits decrease by 5.4ppts Y/Y to 24.6%. **SNB** and **BSF** on the other hand saw share of non-remunerative demand deposits increase by 5.4ppts Y/Y and 1.9% Y/Y to 76.1% and 45.2%, respectively.

Normal LDR posts major increase of 4.75ppts Y/Y, however regulated LDR increased by much smaller 79bps Y/Y: Normal Loan-to-deposit (LDR) ratio increased by 4.75ppts Y/Y (up 49bps Q/Q) to reach 106.8% in Q3-25; regulatory LDR saw an increase of 79bps Y/Y (-119bps Q/Q), as it reached 80.4% in Q3-25. The aforementioned increase in LDR ratios is owed to the sizable 14.4% Y/Y increase in net loans & advances in Q3-25 and a smaller 7.8% Y/Y increase in deposits. We highlight that regulated LDR decreased Q/Q due to sukuk issuances and is comfortably below the regulatory limit. The 12M Saudi riyal - SOFR interest rate differential expanded to multi-year high of 1.36%, due to liquidity shortage in the banking system.

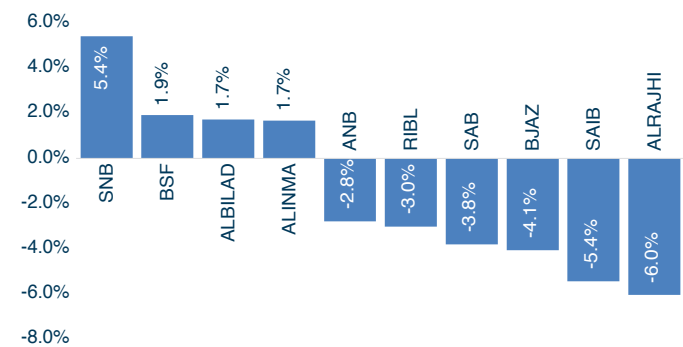
Bank wise, **BSF** has the highest LDR ratio of 116%, while **ANB** has the lowest ratio of 90.8%. In terms of change, **BSF** and **SNB** saw the largest increases in LDR ratios of 12.0ppts Y/Y and 10.1ppts Y/Y to 116% and 113.4%, respectively. While **ANB** saw a small decline in LDR ratio of 1.1ppts to 90.8%.

Fig 11: Share of demand deposits is down 271bps Y/Y



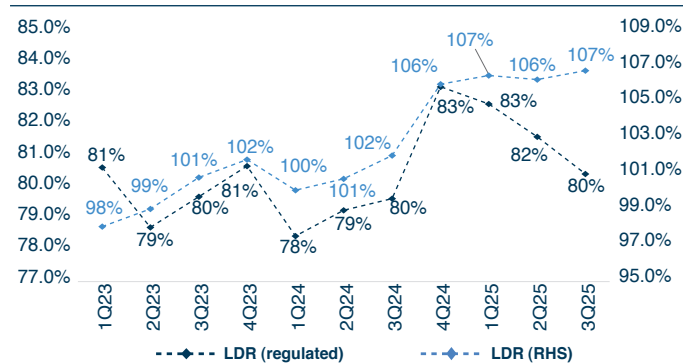
Source: SAMA Monthly Bulletin, Company financials, Aljazira Capital Research

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



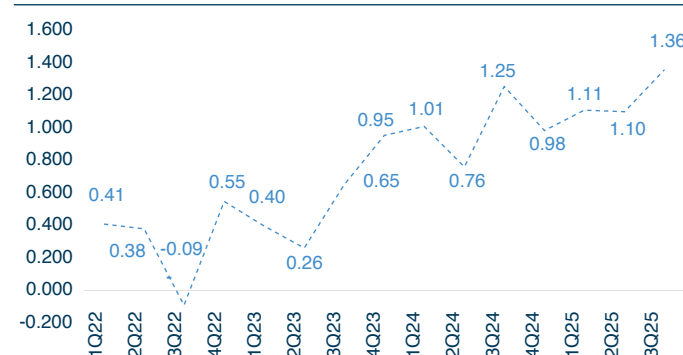
Source: SAMA Monthly Bulletin, Company financials, Aljazira Capital Research

Fig 13: Regulated LDR continues descending



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

Fig 14: 12M Saudi Riyal - SOFR spread



Source: SAMA Monthly Bulletin, Company financials, Aljazira research



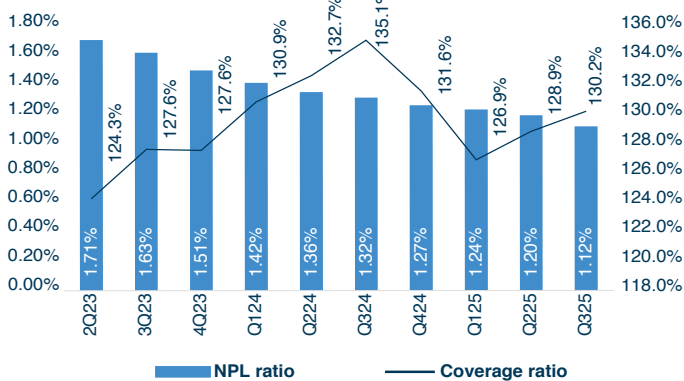


Sector's credit asset quality and operating efficiency

continues to improve: Gross NPL ratio of the sector improved by 20bps Y/Y (8bps Q/Q) to 1.12% in Q3-25, while coverage stood at a healthy 130.2% (down 485bps and +139bps Y/Y and Q/Q). CoR declined by 10bps Y/Y (-1bps Q/Q) to 24bps in Q3-25. Amongst listed banks, **ALRAJHI** retained its top position on asset quality front, with NPL ratio of 0.77% (down 3bps Y/Y), while **SAB** despite undergoing the sizable NPL improvement (down 24bps Y/Y) still had the industry's highest NPL ratio of 2.72% in Q3-25.

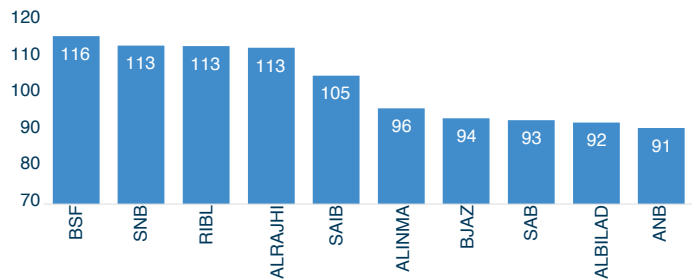
The sector experienced a 241bps Y/Y (89bps Q/Q) improvement in the cost to income ratio to 28.6% in Q3-25, as operating income increased by 8.8% Y/Y, while operating expenses increased by 0.3% Y/Y. Operating income growth was driven by 5.7% Y/Y increase in net interest income, and a 18.8% Y/Y increase in non-yield income.

Fig 17 : Asset quality improves further



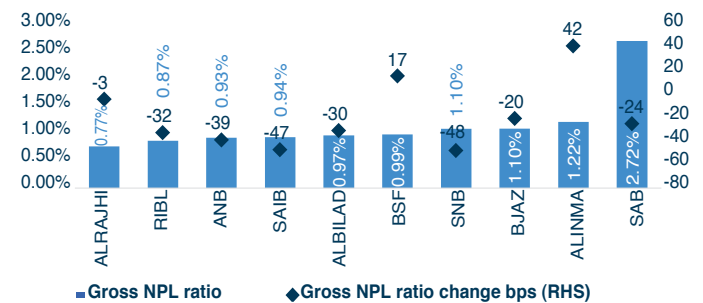
Source: SAMA Monthly Bulletin, Company financials, Aljazira Research

Fig 15: Bank wise LDR ratio (%)



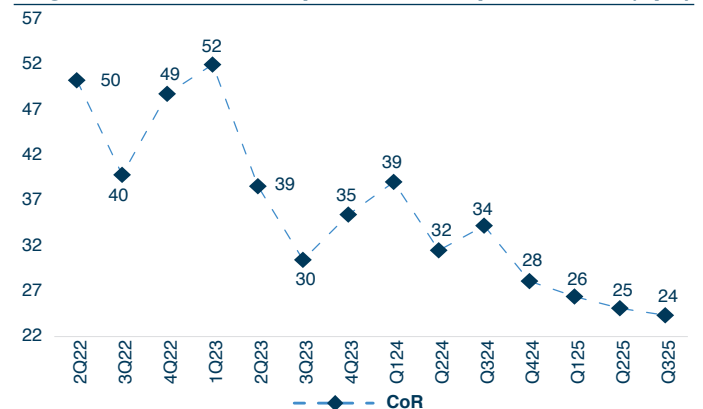
Source: SAMA Monthly Bulletin, Company financials, Aljazira Capital Research

Fig 16: Alrajhi & RIBL lead on asset quality



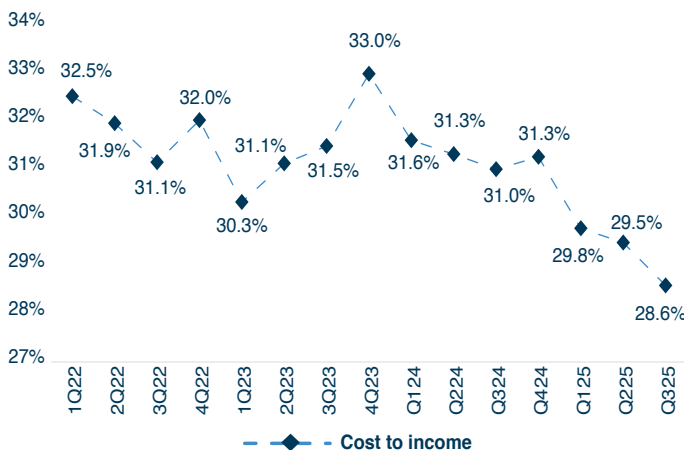
Source: SAMA Monthly Bulletin, Company financials, Aljazira Capital Research

Fig 18: Cost of risk improved to 24bps in Q3-25 (bps)



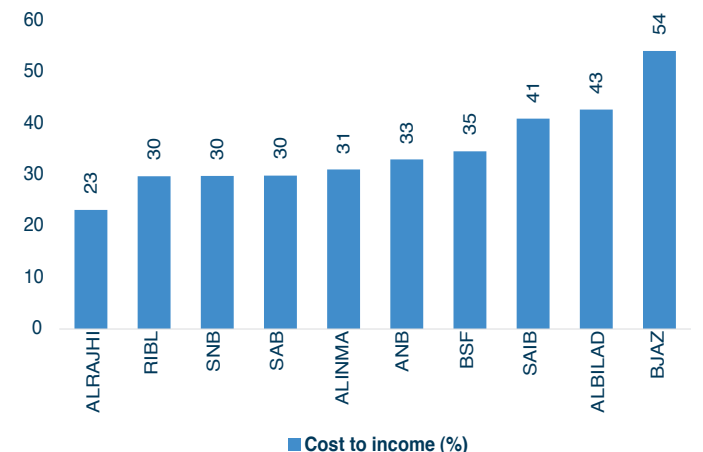
Source: SAMA Monthly Bulletin, Company financials, Aljazira Capital Research

Fig 19: Cost to income



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

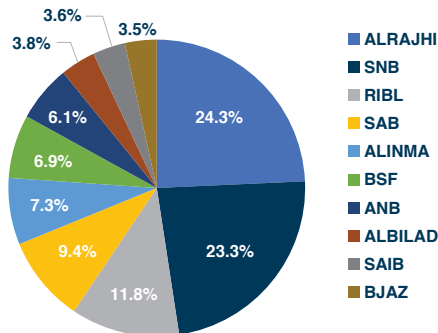
Fig 20: Bank wise Cost to income (%)



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



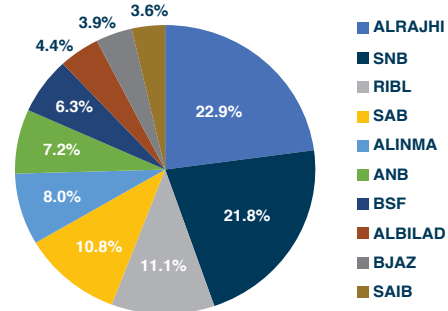
Fig 20: Loans market share



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

Loans market share: **ALRAJHI** leads with Q3-25 loan market share of 24.3%, up 42bps Y/Y. **RIBL** and **ALRAJHI** saw the biggest increases in Q3-25 credit market share of 61bps Y/Y and 42bps Y/Y, to 11.8% and 24.3%, respectively. While **SNB** and **BSF** experienced biggest declines in loan market share of 80bps Y/Y and 46bps Y/Y to 23.3% and 6.9%. The share of shariah compliant banks in total lending stood at 35.4% in Q3-25 up 38bps Y/Y, with **ALRAJHI** having the largest share of 24.3%.

Fig 21: Deposits market share



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

Deposits market share: **SNB** leads with deposit market share of 22.9% in Q3-25, down 138bps Y/Y. **SAB** and **ANB** saw the largest increases in Q3-25 deposit market share of 64bps Y/Y and 57bps Y/Y respectively, while **SNB** and **BSF** saw largest declines in market share of 138bps and 73bps Y/Y, respectively. Share of shariah compliant banks in total deposits increased by 38bps Y/Y in Q3-25 to 35.3%, with **ALRAJHI** leading with a market share of 22.9%.

Table 1: Return heat map for the sector Q3-25

	RoE	NIMs	RoEAs	Cost of funds	Cost to income	CA ratio	CoR (bps)
ALRAJHI	23.50	3.04	5.94	3.27	22.7	63.8	30
ALBILAD	17.47	3.16	6.13	3.39	42.7	63.4	14
ANB	13.35	3.19	6.20	3.50	33.4	47.8	37
BJAZ	9.95	1.89	5.86	4.42	53.9	27.8	34
RIBL	16.91	2.75	6.09	4.11	29.8	42.7	41
SAB	13.44	2.86	5.79	3.45	29.8	43.5	18
BSF	12.93	3.03	6.33	4.39	34.0	45.2	49
SAIB	12.71	2.18	6.44	4.57	40.7	24.6	25
ALINMA	18.46	3.41	6.48	3.51	31.4	46.8	44
SNB	13.91	2.75	5.95	4.06	28.1	76.1	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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