

Saudi Banking Monthly Report

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Saudi Arabia

March 2023



Research Department

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Al Rajhi Capital Estimates

(SAR mn)	2022	2023E	2024E
Net interest income growth	15.7%	14.4%	7.5%
Total operating income growth	15.5%	12.3%	7.2%
Net income growth	28.4%	12.7%	4.2%
Loan Growth	14.4%	10.0%	10.4%
Mortgage Growth	22.9%	12.6%	10.1%
Retail Loan Growth	7.3%	3.0%	3.0%
Corporate Loan Growth	14.1%	12.3%	12.8%
Deposit Growth	8.3%	7.5%	10.4%
Mortgage origination (SAR bn)	10.0	6.8	6.1
COR	47	53	64
NIM Change	11.0 bp	12.3 bp	-2.9 bp
ROE (%)	15.5%	16.3%	15.5%

Source: Aggregate of Banks under coverage (Al Rajhi, Alinma, Albilad, ANB, BJAZ, BSF, Riyad, SNB, SABB, SIB). The loan growth mentioned above is net loans and thus would differ from our estimates for the system due to provisions.

February Banking Data – SAMA

The March release, which has data for February 2023, reiterated our view that the credit growth in the system is strong and will be driven by corporate loans. However, relatively modest growth in profits (before Zakat) indicates the ongoing pressure on the cost of funding. Mortgage origination came in at SAR 7.1 bn, lower than Jan., but slightly better than our expectations. Our updated estimate for monthly mortgage origination for 2023 is SAR 6.8 bn (earlier: SAR 7.0 bn). Our loan growth estimate of 10% for 2023e is on the conservative side and we see upside risks to it. Total deposits in the month of Feb grew 1.2% m-o-m, higher than credit growth of 0.9%, which should ease some pressure on the funding side going forward.

More details:

Credit: Credit growth for February in the system came in strong, +0.9% m-o-m and +13.2% y-o-y (January: 0.8% m-o-m and +14.0% y-o-y). Bank lending to the private sector grew 0.9% m-o-m in February and grew 11.0% y-o-y (January: 0.4% m-o-m and +11.9% y-o-y).

Deposits: Deposits grew stronger than credit 1.2% m-o-m and +8.2% y-o-y in February (January: -0.9% m-o-m and +8.7% y-o-y), led by increase both Demand deposits (0.8% m-o-m, -3.8% y-o-y) and time deposits (0.4% m-o-m, 35.9% y-o-y). The rise could be seen coming from both private time deposits (3.7% m-o-m) and private demand deposits (+2.8% m-o-m).

Liquidity: The simple LDR in the system improved 0.3% m-o-m coming around 103.8% in February, while the adjusted LDR (SAMA reported) contracted 0.2% to 83.0% (January: 82.8%). The interbank liabilities grew +7.7% m-o-m to SAR 107bn in February from SAR 97bn in January.

Total sales value for Point-of-sale (POS) increased 15.2% y-o-y in February (+10.9% y-o-y in January). Meanwhile, cash withdrawals in value terms increased 0.2% y-o-y in February (-1.5% y-o-y in January) to SAR41.8bn.

Mortgage: Residential mortgage originations came in at SAR 7.1bn for February, decelerating from SAR 8.4bn in January due to higher residential prices weighing on mortgages. YTD average origination is around SAR 7.8 bn (our 2023 estimate is SAR 6.8 bn).

Banking sector net profit before Zakat and tax: Profit before zakat and tax for February came in at SAR 5.2bn, -19% m-o-m and +7% y-o-y (January: 4% m-o-m and 19% y-o-y). 2M23 profitability came in 13% higher than 2M22 profits.

Figure 1 SAMA Monthly Data

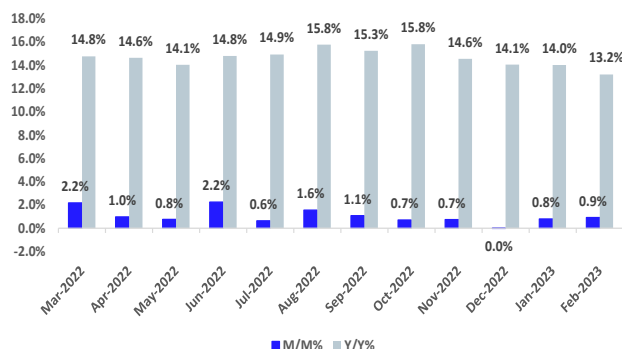
(SAR bn)	Feb-23	Feb-22	y-o-y	Jan-23	m-o-m
Credit					
Total Credit	2,389	2,110	13.2%	2,368	0.9%
Claims on Private Sector	2,321	2,090	11.0%	2,300	0.9%
Residential Mortgage	7.1	8.8	-18.7%	8.4	-14.7%
Average Mortgage Origination (YTD)	7.8	10.5	-25.9%	8.4	-7.4%
Deposits					
Total Deposits	2,302	2,128	8.2%	2,274	1.2%
Demand Deposits	1,310	1,361	-3.8%	1,299	0.8%
Time Deposits	664	489	35.9%	662	0.4%
Other Key Indicators					
Simple LDR (%)	103.8%	99.2%	461 bps	104.1%	-31 bps
SAMA LDR (%)	83.0%	80.8%	215 bps	82.8%	16 bps
Interbank Liabilities	106.5	55.9	90.4%	98.9	7.7%
Profit before Zakat	5.2	4.8	7.5%	6.4	-19.1%
Rates (%)					
SAIBOR 3M*	5.6%	1.2%	437 bps	5.4%	19 bps
LIBOR 3M*	5.0%	0.4%	457 bps	4.8%	19 bps

Source: Saudi Central Bank, Al Rajhi Capital. *Spot rate taken for February 2023 and average taken for February 2022 and January 2023.

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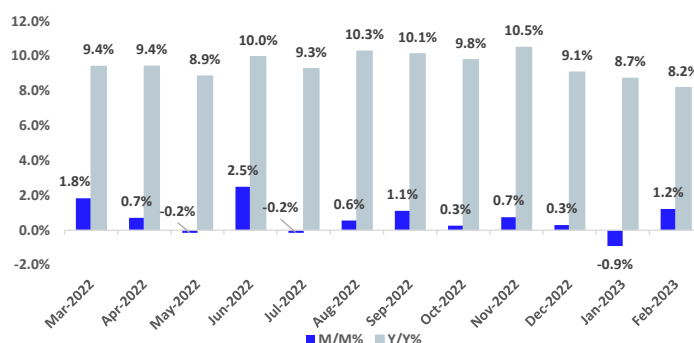
Classification : Public

Figure 2 Credit Growth (Last 12 Months)



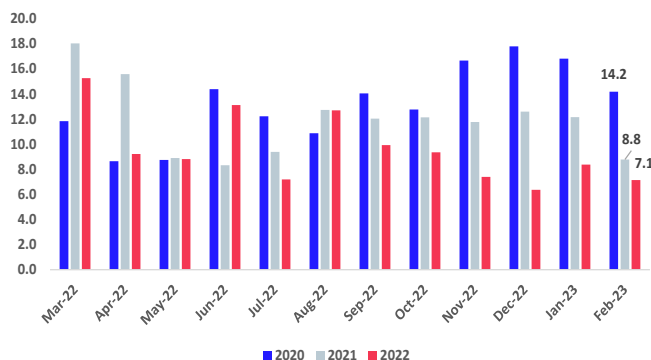
Source: Saudi Central Bank, Al Rajhi Capital

Figure 3 Deposit Growth (Last 12 Months)



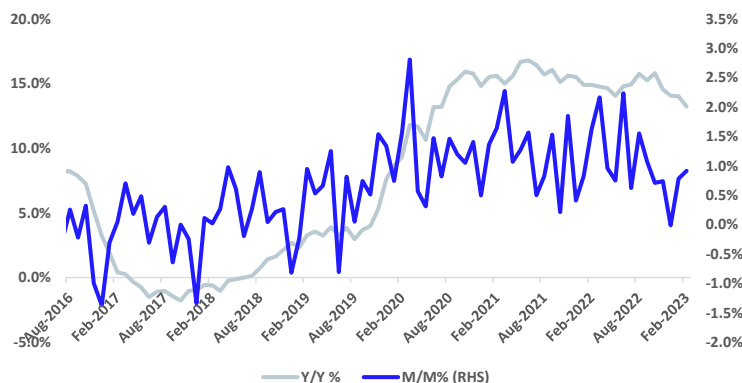
Source: Saudi Central Bank, Al Rajhi Capital

Figure 4 New Mortgage Origination (Last 12 Months '000)



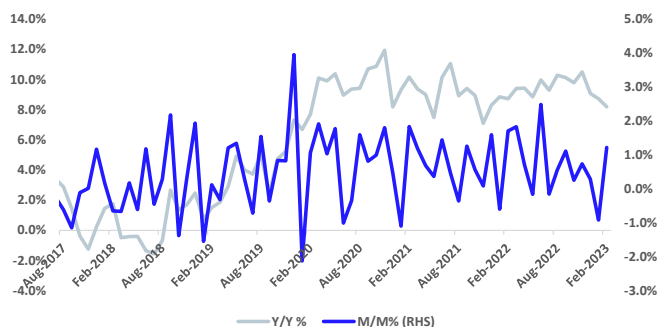
Source: Saudi Central Bank, Al Rajhi Capital

Figure 5 Credit Growth Long Term



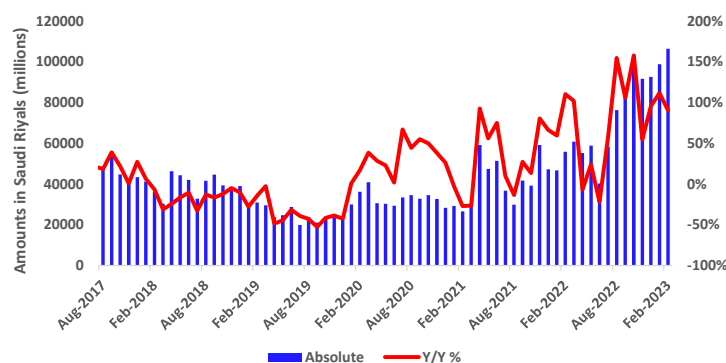
Source: Saudi Central Bank, Al Rajhi Capital

Figure 6 Deposit Growth Long Term



Source: Saudi Central Bank, Al Rajhi Capital

Figure 7 Interbank Liabilities (Long-Term)



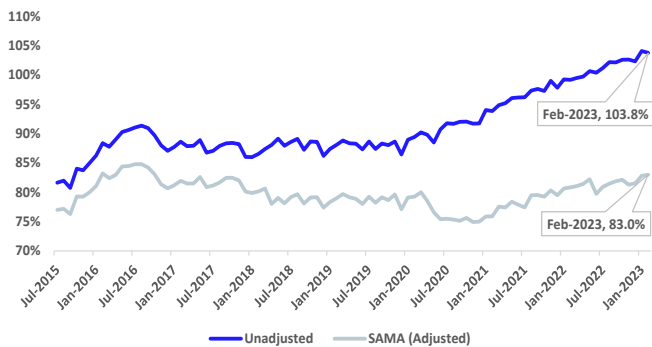
Source: Saudi Central Bank, Al Rajhi Capital

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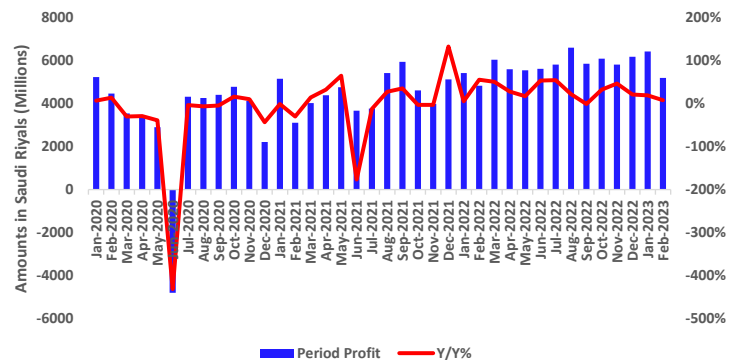
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Figure 8 LDR (Long-Term)



Source: Saudi Central Bank, Al Rajhi Capital

Figure 9 Bank profit before zakat



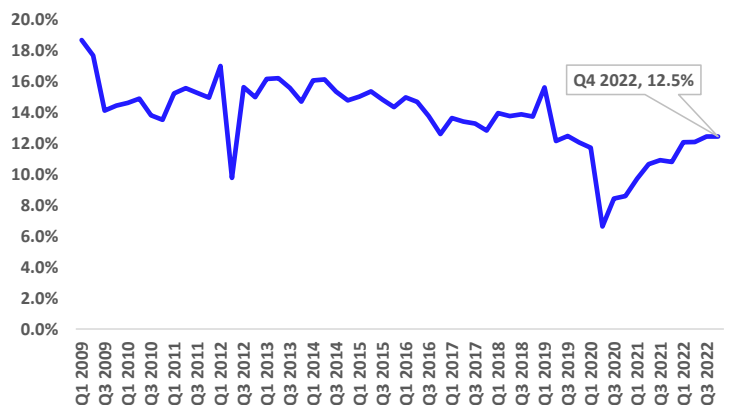
Source: Saudi Central Bank, Al Rajhi Capital

Figure 10 Bank-Credit Classified by Economic Activity



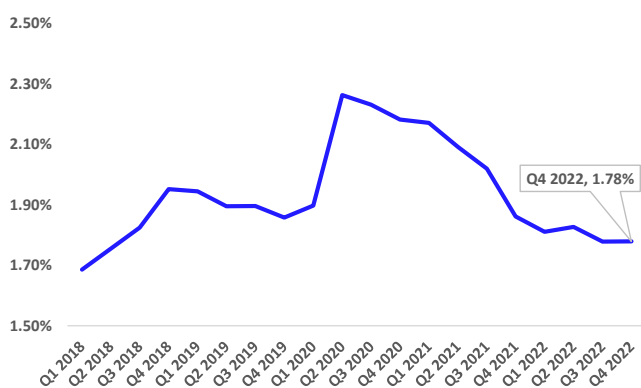
Source: Saudi Central Bank, Al Rajhi Capital

Figure 11 Return on Equity (Banks)



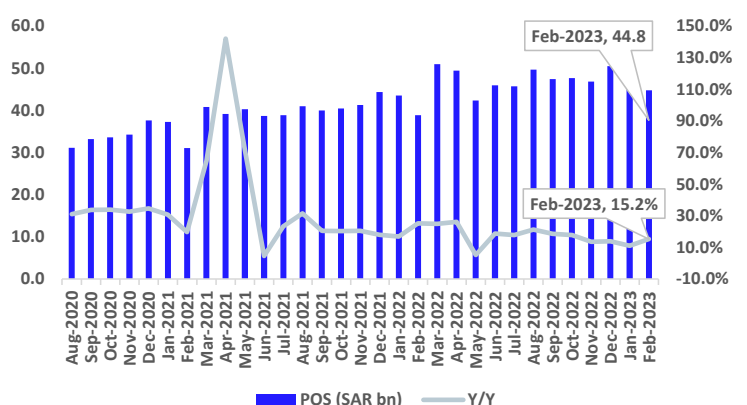
Source: Saudi Central Bank, Al Rajhi Capital

Figure 12 Non-performing loans to Gross loans



Source: Saudi Central Bank, Al Rajhi Capital

Figure 13 Point-of-sale transactions (POS) trend



Source: Saudi Central Bank, Al Rajhi Capital

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