

Saudi Banking Sector Monthly

October 1, 2026

August-2026: Deposit growth slowed to 5.7% YoY; LDR up 220 bps YoY to 112.5%

Recently released August 2026 data from the Saudi Central Bank (SAMA) showed Saudi bank credit at SAR 3.5 tn, up 7.0% YoY (Jul-26: 6.8% YoY), as monthly credit formation rebounded to SAR 30.7 bn, versus SAR 14.5 bn in Jul-26. Deposits fell 1.1% MoM to SAR 3.1 tn, the second consecutive decline, leaving them SAR 52.1 bn below the Jun-26 high. Deposits rose 5.7% YoY (Jul-26: 8.6% YoY), now slower than the credit expansion. Headline LDR rose 220 bps MoM to 112.5%. During Sep-26, interest rates turned higher, as the US Fed raised the interest rate target range by 25 bps to 3.75-4.00%. With demand deposits down to 46.3% of the total deposits (Aug-25: 51.6%), we expect the higher interest rates to benefit net interest margins only partially.

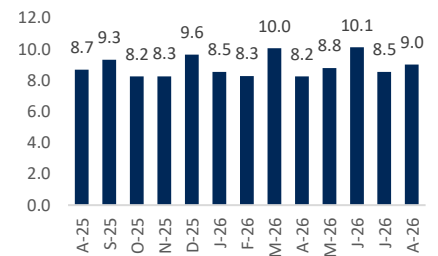
Net credit formation rebounded to SAR 30.7 bn. The loan book grew 7.0% YoY, still less than half the 14.6% pace of Aug-25. Net loan originations of SAR 30.7 bn during Aug-26 were the highest in 15 months and 2.1x July's SAR 14.5 bn originations. However, 8M26 net loan additions of SAR 168.3 bn were still 40.3% below the SAR 282.0 bn originations of 8M25. Personal loans led the growth, with net additions of SAR 6.2 bn in Aug-26 to SAR 1.5 tn (+0.4% MoM, +3.9% YoY). Manufacturing was the second largest growth driver, increasing by SAR 5.7 bn MoM to SAR 211.1 bn (+2.8% MoM, +5.5% YoY). Additionally, real estate, construction, trade and financial lending recovered in Aug-26, after recording a sequential decline in the previous month.

Deposits declined as government deposits fell. Deposits fell by SAR 33.5 bn MoM to SAR 3.1 tn. The annual growth witnessed a slowdown to 5.7% YoY from 8.6% YoY in Jul-26. Time and savings deposits were flat MoM, with a 2.2% MoM rise in government time deposits offset by a 1.9% MoM decline in business and individual time deposits. Demand deposits fell 1.1% MoM and quasi-money deposits fell 6.9% MoM (down 27.9% from the Feb-26 high). Notably, government demand deposits declined by SAR 33.8 bn MoM and government foreign currency deposits decreased by SAR 28.0 bn MoM in Aug-26, while government time deposits increased by SAR 14.4 bn MoM. Hence, on a net basis, government deposits fell by SAR 47.4 bn during the month, with the decline partly offset by inflows in time and saving deposits.

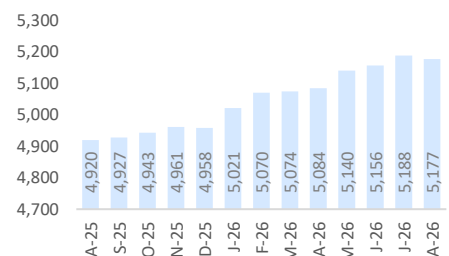
6M SAIBOR-SOFR spread widened to 139 bps in Aug-26. The SAIBOR-SOFR spread rose 12 bps MoM to 139 bps from July's 127 bps, though still below the Aug-25 spread of 176 bps. The rise in spread was due to a 9 bps MoM increase in SAIBOR and a 3 bps MoM decline in SOFR. In its latest meeting on 16th Sep-26, the US FOMC raised rates unanimously (the first hike since 2023), and its median projection implies one more hike in 2026 and no cuts in 2027. The sector's net foreign liability position stood at SAR 217.3 bn as of Aug-26, up from SAR 210.8 bn in Jul-26 and SAR 158.3 bn in Aug-25.

Profitability during 8M26 up 5.3% YoY. Profit before zakat and tax for Aug-26 arrived at SAR 9.0 bn, up 3.9% YoY and 5.7% MoM. Cumulative 8M26 profit amounted to SAR 71.5 bn, up 5.3% YoY, well below the 17.6% YoY growth recorded in 8M25. Total assets stood at SAR 5.18 tn at the end of Aug-26 (-0.2% MoM), up 5.2% YoY, the slowest annual growth since Apr-19.

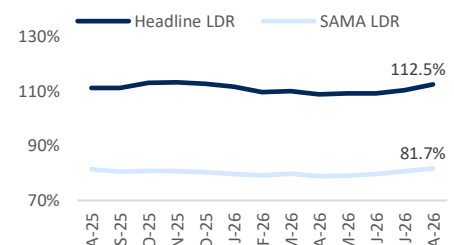
PROFIT BEFORE ZAKAT & TAX (SAR bn)



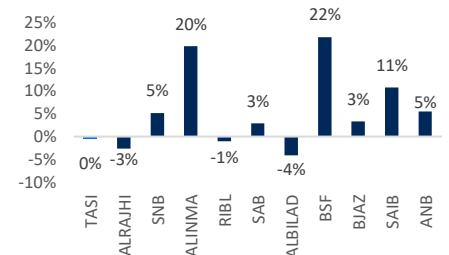
TOTAL ASSETS (SAR bn)



BANKING SECTOR'S LIQUIDITY POSITION



RELATIVE PERFORMANCE - BANKS (YTD)*



*Last close of 30th Sep, 2026

Source: Saudi Central Bank, Tadawul, anbc research

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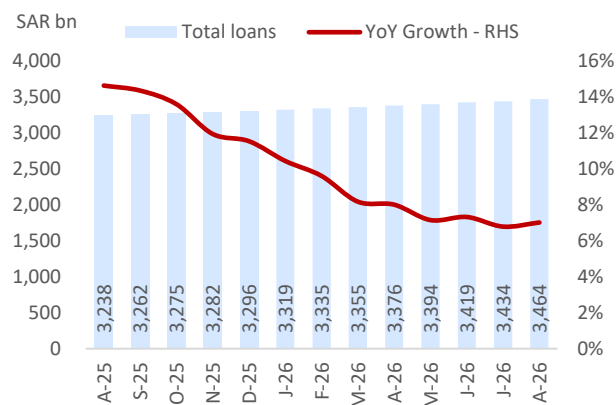
Total loan book up 7.0% YoY as of Aug-26

Saudi banks' loan book reached SAR 3.5 tn at the end of Aug-26, up 7.0% YoY (vs Jul-26: 6.8% YoY) and 5.1% YTD. Net monthly loan originations of SAR 30.7 bn were the highest in 15 months and 2.1x of Jul-26 net originations of SAR 14.5 bn. However, originations were still 40.3% down in 8M26 at SAR 168.3 bn, compared to SAR 282.0 bn in 8M25.

We expect sector loan growth to remain in the mid to high single digits through 2026 end. The Riyadh Bank Saudi PMI rose to 53.8 in Aug-26 from 53.1 in Jul-26, a six-month high and the fifth consecutive expansion. Output grew at its fastest pace in seven months, while export orders continued to decline amid geopolitical tensions. A fifth of firms expect higher activity over the next 12 months, against 2% expecting a decline. During 2Q26, real GDP fell 4.7% on a 24.8% fall in oil activity. Hence, we expect credit demand during rest of 2026 and in 2027 to rest mainly on domestic non-oil activity.

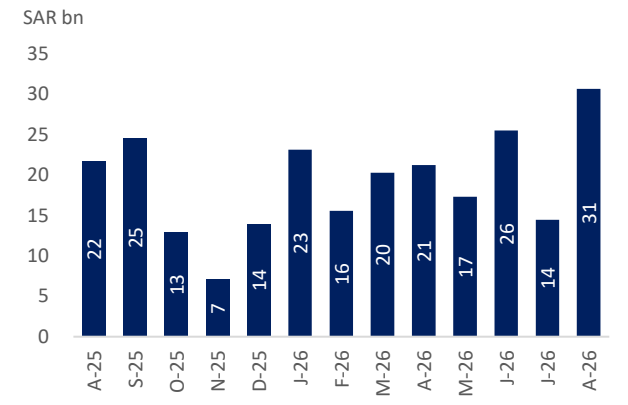
The rate path has turned unfavorable for credit demand. The Fed raised the target range by 25 bps to 3.75-4.00% on 16th Sep-26. The median Fed projection implies a further hike this year and no change in 2027, removing the prospect of cuts that would have supported personal and mortgage demand. With Saudi CPI inflation at 1.8% YoY in Aug-26, the monetary tightening is imported through the currency peg rather than driven by domestic prices.

Total financing



Source: Saudi Central Bank, anbc research

New net monthly loan originations



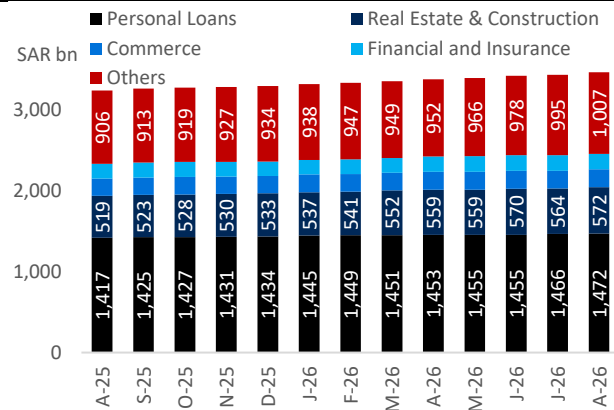
Source: Saudi Central Bank, anbc research

Personal loans led the credit expansion

Personal loans were the leading contributor to monthly loan originations, rising by SAR 6.2 bn MoM (+0.4% MoM) to SAR 1,472.0 bn in Aug-26, though below July's SAR 10.8 bn MoM gain. Annual growth eased to 3.9% YoY, from 4.1% YoY in Jul-26, with its share of the total loan book declining to 42.5% in Aug-26 from 43.8% in Aug-25. Higher policy rates raise the cost of new consumer and mortgage borrowing, which we expect to weigh on personal loan growth.

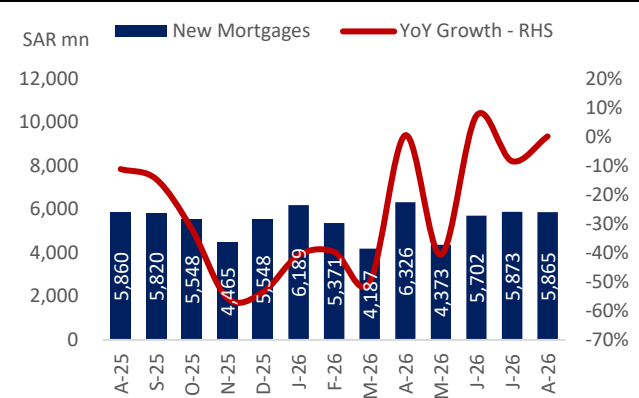
Within non-personal lending, manufacturing loans rose by SAR 5.7 bn during the month to SAR 211.1 bn (+2.8% MoM, 5.5% YoY). Real estate loans also increased by SAR 5.7 bn (+1.4% MoM) to SAR 422.7 bn. Wholesale and retail trade (up by SAR 3.1 bn MoM), construction (up by SAR 2.3 bn MoM), and financial and insurance activities (up by SAR 1.1 bn MoM) also recovered during Aug-26 after July's sequential declines.

Loans by economic activity



Source: Saudi Central Bank, anbc research

New mortgages by banks



Source: Saudi Central Bank, anbc research

Residential new mortgages flat YoY at SAR 5.9 bn

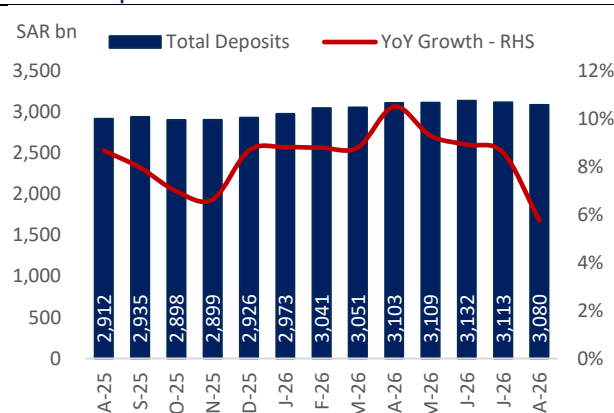
Residential new mortgages by banks amounted to SAR 5.9 bn in Aug-26, flat YoY (+0.1% YoY) and 0.1% lower MoM. Originations during 8M26 amounted to SAR 43.9 bn and are 25.7% below 8M25 levels. With the current higher interest rate environment, we expect volumes to remain subdued through 2026 end. Number of contracts also fell by 13.1% YoY during 8M26 to 68,141, while average value per contract fell by 14.5% YoY to SAR 644.0k from SAR 753.2k in 8M25.

Deposits fell 1.1% MoM in Aug-26; annual growth slowed to 5.7%

Total deposits at the end of Aug-26 arrived at SAR 3.1 tn, down by 1.1% MoM, the second consecutive decline. Annual growth slowed to 5.7% from 8.6% YoY in Jul-26 and is now below credit growth of 7.0% in Aug-26, reversing the Jul-26 position. However, deposits are still up 5.3% YTD against 5.1% YTD growth in loans.

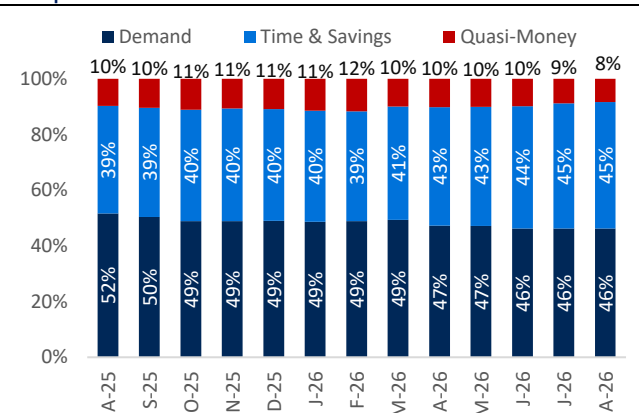
Demand deposits fell by SAR 15.2 bn during the month (-1.1% MoM) to SAR 1.4 tn. Quasi-money deposits declined by SAR 18.8 bn (-6.9% MoM) to SAR 255.5 bn, primarily due to a 24.8% MoM decline in government foreign currency deposits to SAR 85.0 bn. Time and savings deposits remained flat on a sequential basis at SAR 1.4 tn.

Total deposits



Source: Saudi Central Bank, anbc research

Deposits breakdown



Source: Saudi Central Bank, anbc research

Notably, within demand deposits, government entity deposits declined by SAR 33.8 bn during the month (-11.4% MoM) to SAR 262.8 bn, while deposits from businesses and individuals increased by SAR 18.6 bn (+1.6% MoM) to SAR 1.2 tn. Time deposits exhibited the opposite trend, with government time deposits increasing by SAR 14.4 bn during the month to SAR 663.6 bn, indicating a partial reallocation of government deposits from

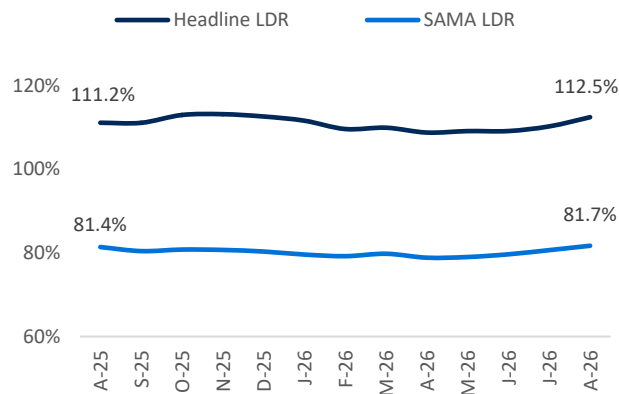
demand and foreign currency deposits toward savings and time deposits. Meanwhile, business and individual time deposits declined by 1.9% MoM to SAR 736.2 bn.

Time and savings deposits constituted 45.4% of total deposits as of Aug-26 (Aug-25: 38.6%) and demand deposits made up 46.3% of the total (Aug-25: 51.6%).

Headline LDR climbed 220 bps MoM to 112.5%

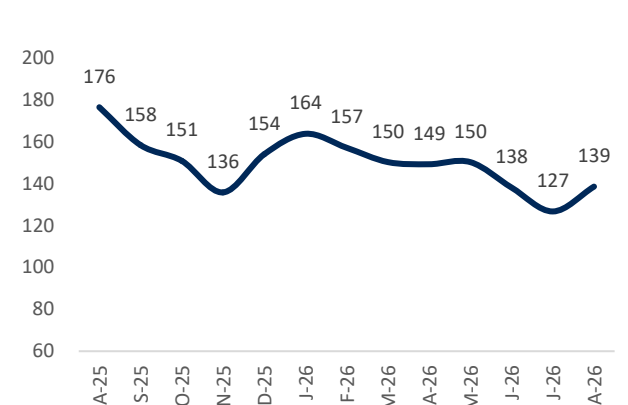
Headline LDR for Aug-26 stood at 112.5%, up 220 bps MoM and 133 bps YoY, its highest since Dec-25 (112.7%). The headline LDR is now 368 bps above the Apr-26 low of 108.8%. SAMA LDR rose 104 bps MoM to 81.7%, the highest in 13 months, but still below the 90% ceiling.

Banking sector's liquidity position



Source: Saudi Central Bank, anbc research

6M SAIBOR-SOFR spreads (bps)

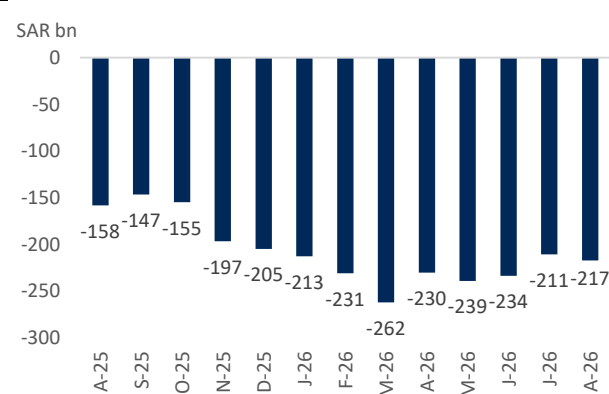


Source: Saudi Central Bank, anbc research

The 6M SAIBOR-SOFR spread widened 12 bps MoM to 139 bps in Aug-26 from 127 bps in Jul-26, though it is 38 bps below Aug-25. The sequential increase in spread was driven by a 9 bps MoM rise in SAIBOR to 5.25% and a 3 bps MoM decline in SOFR to 3.87%. Net foreign liabilities widened by SAR 6.6 bn MoM to SAR 217.3 bn. On an annual basis, net foreign liabilities increased by SAR 59.0 bn from SAR 158.3 bn in Aug-25.

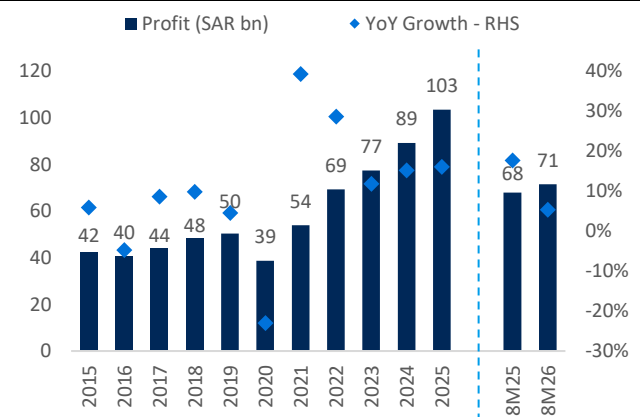
Overall, banking sector profit before zakat and tax rose 5.3% YoY during 8M26 to SAR 71.5 bn, notably below the 17.6% YoY growth recorded in 8M25. During Aug-26, profits amounted to SAR 9.0 bn, up 5.7% MoM and 3.9% YoY.

Net foreign assets



Source: Saudi Central Bank, anbc research

Banking sector's profitability



Source: Saudi Central Bank, anbc research

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