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Saudi Banking Sector

Quarterly Report I Q3–2026



Loan growth in single digits, demand deposit migration continues. AlRajhi is a standout delivering one of the strongest earnings growth on pre and post Tier-1 sukuk costs, Maintain "Overweight" on ALINMA and ALBILAD, "Neutral" on ALRAJHI

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Saudi banking sector's profit grew 4.8% Y/Y in Q3-26 to SAR 24.8bn, led by 11.5% growth in yield income and 16bps expansion in NIMs, despite 53.6% increase in provisions. Cumulative earnings for the sector were 1.8% above consensus. Half of the ten listed banks posted above consensus earnings. Pre-provision profit for the sector recorded an increase of 8.4% Y/Y in Q3-26. Net loans and advances grew by 6.4% Y/Y - marking the third quarter of single digit growth. Overall, monthly run rate for mortgages stood at SAR 5.8bn in Q3-26, down 4.6% Y/Y. Total deposits for the sector were up 5.6% Y/Y to SAR 3,094bn. Share of demand deposits is down 468bps Y/Y in Q3-26. Normal Loan-to-deposit (LDR) ratio increased by 265bps Y/Y (+462bps Q/Q) to reach 113.8% in Q3-26; regulatory LDR saw an increase of 205bps Y/Y (+282bps Q/Q), as it reached 82.5% in Q3-26. Gross NPL ratio of the sector improved by 12bps Y/Y (unchanged Q/Q) to 1.00% in Q3-26, while coverage stood at a healthy 141.7% (up 11.45ppts and 141bps Y/Y and Q/Q). CoR increased by 11bps Y/Y (+4bps Q/Q) to 35bps in Q3-26. The sector experienced an 31bps Y/Y (-33bps Q/Q) improvement in the cost to income ratio to 28.3% in Q3-26, as operating income increased by 6.6% Y/Y, while operating expenses increased by 5.5% Y/Y. We also update our models to latest results and interest rate assumptions; we maintain our 'Neutral' rating on Alrajhi as higher for longer rates cap earnings growth, we maintain "Overweight" on Alinma due to rate tailwinds and we also maintain "Overweight" on Albilad as price decline has opened up valuations.

Profit up 4.8% Y/Y in Q3-26, led by 11.5% growth in yield income: The Saudi banking sector posted quarterly earnings of SAR 24.8bn in Q3-26, up 4.8% Y/Y (down 0.5% Q/Q). Cumulative earnings for the sector were 1.8% above consensus. Half of the ten listed banks posted above consensus earnings; leading the group were **RIBL** and **BJAZ**, which beat estimates by 11.5% and 5.0%, respectively. Conversely, **ALBILAD** had biggest negative deviation of -7.3%. On post sukuk basis, **BSF** led the sector with 12% Y/Y growth in EPS, while **ALINMA** posted largest decline of 15.1% Y/Y. Only three banks posted an Y/Y increase in EPS.

Pre-Tier-1 sukuk basis, BJAZ posted the highest net income growth of 17.9% Y/Y in Q3-26, driven primarily by 20.4% Y/Y increase in funded income and lower effective tax/zakat rate. Despite a 60.6% Y/Y increase in debt provisions, **ALRAJHI** stood out as the second best with Q3-26 net income growth of 11.7% Y/Y. On the other hand, **ALBILAD** and **SAIB** saw 3.4% and 2.2% decline in earnings due to 99.6% Y/Y increase in debt provisions and 21.6% Y/Y decline in non-commission income, respectively.

Loan growth in single digits for the third consecutive quarter, mortgage issuances were down 4.6% Y/Y in Q3-26: Net loans and advances grew by 6.4% Y/Y - remaining in single digits for the third time. Overall, monthly run rate for mortgages stood at SAR 5.8bn in Q3-26, down 4.6% Y/Y, compared to SAR 6.0bn in Q3-25. On a sequential basis, monthly average mortgages grew by 5.3% Q/Q in Q3-26. Bank's claims on public sector were up 21.5% Y/Y in Sept-26.

Share of demand deposits is down 468bps Y/Y in Q3-26: Total deposits for the sector were up 5.6% Y/Y (down 1.7% on a sequential basis) to SAR 3,094bn. Demand deposit share in total deposits declined by 468bps Y/Y (down 50bps Q/Q) to 45.7%. Banks wise, **SAIB** logged in the highest growth in deposits of 14.8% Y/Y in Q3-26, followed by **ALBILAD** which saw deposits grow by 12.7% Y/Y. On the other end, **ALRAJHI** and **RIBL** lagged the sector with growth of 0.9% Y/Y and 1.2% Y/Y in Q3-26, respectively.

Normal LDR records an increase of 265bps Y/Y, while regulated LDR increased by 205bps Y/Y: Normal Loan-to-deposit (LDR) ratio increased by 265bps Y/Y (+462bps Q/Q) to reach 113.8% in Q3-26; regulatory LDR saw an increase of 205bps Y/Y (+282bps Q/Q), as it reached 82.5% in Q3-26. The aforementioned increase in normal LDR ratios is owed to the 5.6% Y/Y increase in deposits in Q3-26 and a larger 6.4% Y/Y increase in loans.

Gross NPL ratio of the sector improved by 12bps Y/Y (unchanged Q/Q) to 1.00% in Q3-26, while coverage stood at a healthy 141.7% (up 11.45ppts and 141bps Y/Y and Q/Q). CoR increased by 11bps Y/Y (+4bps Q/Q) to 35bps in Q3-26.

The sector experienced an 31bps Y/Y (-33bps Q/Q) improvement in the cost to income ratio to 28.3% in Q3-26, as operating income increased by 6.6% Y/Y, while operating expenses increased by 5.5% Y/Y. Operating income growth was driven by 11.5% Y/Y increase in net interest income, amidst a 7.5% Y/Y decline in non-yield income.

ALRAJHI leads with Q3-26 loan market share of 23.4%, down 88bps Y/Y. On a Y/Y basis, **SAB** and **ALINMA** saw the biggest increases in Q3-26 credit market share of 41bps Y/Y and 38bps Y/Y, to 9.8% and 7.6%, respectively. **ALRAJHI** leads with deposit market share of 22.6% in Q3-26, down 85bps Y/Y. **SAIB** and **ALBILAD** saw the largest increases in Q3-26 deposit market share of 34bps Y/Y and 33bps Y/Y respectively, while **ALRAJHI** and **RIBL** saw largest declines in market share of 85bps and 37bps Y/Y, respectively.

ALRAJHI - Higher-for-longer rates to cap 2027 earnings growth; 'Neutral': Al Rajhi is on the wrong side of the rate cycle. Unlike its asset-sensitive peers, Al Rajhi carries a large book of fixed-rate assets, mainly retail and mortgage financing. These do not reprice as funding costs rise. With rates now expected to stay elevated, we forecast earnings growth slowing to 3.6% in 2027, down from 10.6% in 2026e. This reflects a marked deceleration in net financing & investment income, together with rising credit costs. NIM compression will weigh on the top line, we expect 3M SAIBOR to average 5.05% in 2027 versus 4.85% in 2026e. Given Al Rajhi's fixed-rate asset mix, this should edge NIMs down to 3.46% in 2027 from 3.48% in 2026. Margins should recover to 3.50/3.55% in 2028/29e as rates begin to ease. Moreover, balance sheet growth is moderating, this limits volume growth as an offset to margin pressure. Earning assets are expected to grow in the mid-single digits in 2027, after 7.1% growth in 2025 & 4.7% in 2026e.

A key trend is that Cost of risk is normalising from very low levels. We expect cost of risk to rise to 44bps in 2027, from 41bps in 2026e and a three-year average of just 30bps. Al Rajhi's asset quality remains strong, but the exceptionally benign provisioning of recent years looks unlikely to persist. Fee momentum is likely to moderate, after 15% Y/Y growth in 2026e, we expect fee income growth to slow in 2027, removing a source of support for the top line.

Estimate changes: We cut our loan forecasts by 16.1/17.2/18.3% and investments by 6.2/6.6/7.0% for 2027/28/29e. This lowers NSCI by 3.5% in each year. As a result, we reduce EPS (post Tier-1 sukuk) by 4.2/2.7/1.5% to SAR 4.5/4.9/5.3. Al Rajhi trades at 2.8x 2027e P/B, while it offers 2027e EPS growth of just 3.6% and a 2025-30e earnings CAGR of 7.9%. We maintain our '**Neutral**' rating with a target price of **SAR 71.0 per share** which offers an upside of 11%.

Alinma - Rate tailwind returns - Maintain "Overweight": Alinma is a prime beneficiary of a "higher for longer" rate cycle. Alinma's balance sheet is among the most asset-sensitive in the Saudi banking sector. Its large floating-rate corporate book reprices faster than its funding base. With rates now expected to stay elevated, the earnings drivers are lining up in its favour. We forecast a further 25bps hike at the December 2026 meeting, with 3M SAIBOR averaging 5.05% in 2027e versus 4.85% in 2026e. We believe NIM recovery would drive double-digit top-line growth. After a 12bps NIM contraction in 2026e, we expect margins to edge up in 2027 as asset yields reprice ahead of funding costs. Combined with 12.4% growth in earning assets, this should lift net special commission income (NSCI) by 13% Y/Y in 2027.

Cost of risk is the key watch point in our view. Alinma's larger project finance exposure has pushed cost of risk to 64bps in 2026e, up from 48bps in 2025. We assume an average of 66bps in 2027, which takes provisions up 16.2% Y/Y to SAR 1,809mn. Asset quality in the project finance book is the main risk to our earnings path. That said, operating discipline offsets some of the impact of higher provisions. We expect operating costs to rise 9.2% Y/Y to SAR 4,279mn in 2027. This is below income growth, so the cost-to-income ratio improves to 30.5% from 31.4% in 2026e. Positive jaws should more than absorb higher impairments and support a 13.5% increase in earnings (after Tier-1 sukuk payments) in 2027, following a 7.9% decline in 2026e EPS.

Estimate changes: We raise our loan forecasts by 5.9/10.5/15.3% and investments by 2.4/4.6/6.7% for 2027/28/29e. This lifts NSCI by 2.5/4.2/5.5%. However, we also raise impairments by 15.1/19.9/21.0%, which more than offsets the stronger top line. As a result, we cut our Tier-1-adjusted EPS by 15.3/14.2/13.0% to SAR 2.05/2.28/2.52. Alinma trades at 2027e PB of 1.6x vs last three-year average of 2.4x, while it offers 2026-28 average ROE of 15.3%. Our downward adjusted TP stands at **SAR 25.6 per share** which implies an upside of 16.4%, hence we keep our **"Overweight"** rating (total return 21.6% - 16.4% upside & 5.2% DY).

Albilad - price decline opened up valuations - maintain "Overweight": We expect Bank Albilad's operating income growth to accelerate over 2026-29e relative to 2022-25, underpinned by three drivers: (1) resilient NIMs, limited affect of interest rate changes due to a relatively well balanced loan book; (2) sustained double-digit financing growth, with a loan CAGR of 10.8%; and (3) a stronger contribution from non-funded income.

That said, we see limited operating leverage flowing through to the bottom line as credit costs normalize from cyclically low levels. We model cost of risk doubling from 15bps in 2025 to 29bps by 2028e, which holds normalized earnings (post-sukuk) growth to a 9.4% CAGR over 2026-29e. ROE should accordingly ease from an elevated 16.7% in 2025 to 14.7% by 2028e.

We cut our 2026e/27e earnings by 5.3%/4.0% to SAR 2,768mn/2,979mn, reflecting lower NIM and non-funded income assumptions and 5.7/4.9% reduction in investments. However, we believe the downgrade is more than priced in: the stock has fallen 23.7% in last 12 months and now trades at 1.5x 2027e P/B, while it offers a medium term ROE of 14.9%. Our downwards adjusted PT of **SAR 26.5/share** implies 22.3% upside, and we maintain our **"Overweight"** rating.

SAR mn	2025	2026E	2027E	2028E	2029E	2030E	2026E Y/Y Chg	2027E Y/Y Chg	2028E Y/Y Chg	2029E Y/Y Chg	2030E Y/Y Chg
AlRajhi											
NSCI	29,846	33,953	35,412	38,108	41,410	43,988	13.8%	4.3%	7.6%	8.7%	6.2%
Oper. Income	39,094	43,627	45,911	49,505	53,789	57,436	11.6%	5.2%	7.8%	8.7%	6.8%
Impairment	(2,320)	(3,163)	(3,523)	(3,953)	(4,425)	(4,736)	36.3%	11.4%	12.2%	11.9%	7.1%
OPEX	(9,127)	(9,699)	(10,258)	(10,927)	(11,639)	(12,398)	6.3%	5.8%	6.5%	6.5%	6.5%
Net income (post sukuk)	23,448	25,925	26,866	29,118	31,935	34,319	10.6%	3.6%	8.4%	9.7%	7.5%
Deposits	752,760	781,538	828,509	886,690	949,006	1,015,835	3.8%	6.0%	7.0%	7.0%	7.0%
Loans	667,288	708,541	744,924	797,739	854,145	914,370	6.2%	5.1%	7.1%	7.1%	7.1%
PE (x)	16.4x	14.8x	14.3x	13.2x	12.0x	11.2x					
PB (x)	3.3x	3.0x	2.8x	2.5x	2.3x	2.1x					
Dividend Yield	2.7%	3.9%	3.9%	3.9%	4.3%	4.7%					
Alinma											
NSCI	9,377	10,215	11,541	12,657	13,835	15,257	8.9%	13.0%	9.7%	9.3%	10.3%
Oper. Income	11,905	12,487	14,016	15,352	16,768	18,447	4.9%	12.2%	9.5%	9.2%	10.0%
Impairment	(1,030)	(1,557)	(1,809)	(2,076)	(2,305)	(2,515)	51.1%	16.2%	14.7%	11.1%	9.1%
OPEX	(3,744)	(3,919)	(4,279)	(4,643)	(5,036)	(5,462)	4.7%	9.2%	8.5%	8.5%	8.5%
Net income (post sukuk)	5,894	5,430	6,165	6,825	7,573	8,556	-7.9%	13.5%	10.7%	11.0%	13.0%
Deposits	229,747	259,554	291,750	329,457	371,773	419,237	13.0%	12.4%	12.9%	12.8%	12.8%
Loans	227,374	255,285	285,099	318,330	355,155	395,946	12.3%	11.7%	11.7%	11.6%	11.5%
PE (x)	11.2x	12.1x	10.7x	9.7x	8.7x	7.7x					
PB (x)	1.7x	1.7x	1.6x	1.5x	1.4x	1.4x					
Dividend Yield	3.4%	4.5%	5.2%	5.7%	6.4%	7.3%					
AlBilad											
NSCI	4,752	5,091	5,644	6,234	6,816	7,451	7.1%	10.9%	10.5%	9.3%	9.3%
Oper. Income	6,192	6,343	6,976	7,645	8,308	9,028	2.4%	10.0%	9.6%	8.7%	8.7%
Impairment	(181)	(281)	(369)	(478)	(605)	(756)	54.8%	31.5%	29.4%	26.8%	24.9%
OPEX	(2,611)	(2,732)	(2,872)	(3,014)	(3,163)	(3,317)	4.6%	5.1%	5.0%	4.9%	4.9%
Net income (post sukuk)	2,967	2,768	2,979	3,275	3,623	3,994	-6.7%	7.6%	9.9%	10.6%	10.3%
Deposits	122,188	135,100	150,357	166,365	183,891	203,153	10.6%	11.3%	10.6%	10.5%	10.5%
Loans	132,879	149,237	164,030	179,587	196,523	215,042	12.3%	9.9%	9.5%	9.4%	9.4%
PE (x)	10.9x	11.7x	10.9x	9.9x	9.0x	8.1x					
PB (x)	1.7x	1.6x	1.5x	1.4x	1.3x	1.2x					
Dividend Yield	4.6%	4.6%	5.2%	6.0%	7.0%	8.1%					

Source: Company report, Aljazira capital, bloomberg

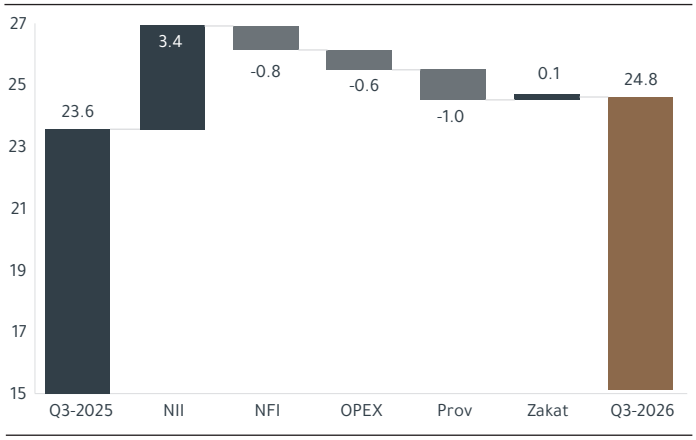
Target Price & Recommendation

Company	Recommendation	TP (SAR/share)	Upside/ (Downside)	FY26E Net income (SAR mn)	FY27E Net income (SAR mn)	FY27E DY	FY27E P/B	FY27E ROE
Alrajhi	**Neutral**	**71.0**	11.0%	25,925	26,866	3.9%	2.8x	20.3%
Alinma	**Overweight**	**25.6**	16.4%	5,430	6,165	5.2%	1.6x	15.4%
Albilad	**Overweight**	**26.5**	22.3%	2,768	2,979	5.2%	1.5x	14.7%

Source: Argaam, AlJazira Capital research; close as of 12 November 2026

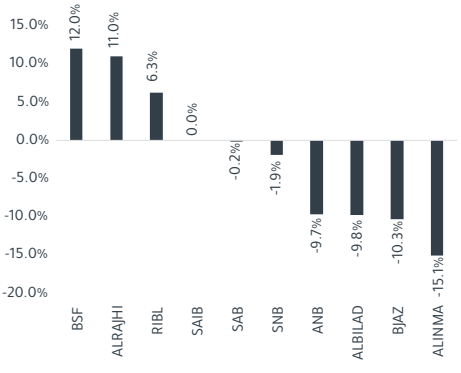
Profit up 4.8% Y/Y in Q3-26, led by 11.5% growth in yield income amidst 16bps increase in NIMs: The Saudi banking sector posted quarterly earnings of SAR 24.8bn in Q3-26, up 4.8% Y/Y (down 0.5% Q/Q). Cumulative earnings for the sector were 1.8% above consensus. Half of the ten listed banks posted above consensus earnings; leading the group were **RIBL** and **BJAZ**, which beat estimates by 11.5% and 5.0%, respectively. Conversely, **ALBILAD** had biggest negative deviation of -7.3%. Pre-provision profit for the sector recorded an increase of 8.4% Y/Y in Q3-26. Earnings growth was led by an improvement in Funded Income, up 11.5% Y/Y in Q3-26 to SAR 33.3bn, on the back of 6.4/3.3% increase in loans and investments, amidst 16bps Y/Y improvement in NIMs to 3.04%. Non-funded income decreased by 7.5% Y/Y to SAR 9.4bn in Q3-26. Operating expenses increased by 5.5% Y/Y, while the cost-to-income ratio declined by 31bps Y/Y to 28.3%. Debt provisions increased by a massive 53.6% Y/Y to SAR 2.9bn in Q3-26, which translates to cost-of-risk (CoR) of 35bps, as compared to 24bps in the same period last year. The increase is mainly due to 61/355% Y/Y increase in AlRAJHI/SAB's debt provisions.

Fig 1: Net income growth drivers (SAR bn)



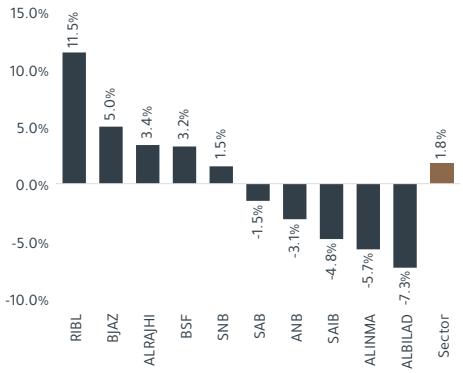
Source: SAMA Monthly Bulletin, Company financials, Aljazira Capital Research

Fig 2: Q3-26 EPS Y/Y (post sukuk)



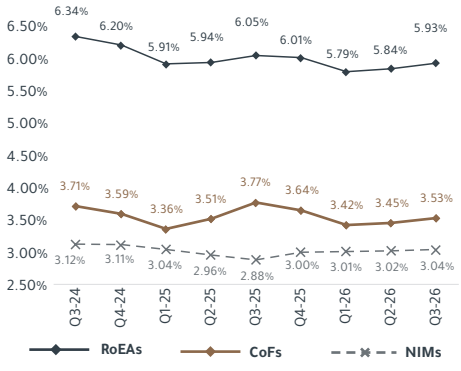
Source: Company financials, Aljazira Capital Research

Fig 3: Q3-26 earnings actual vs estimates



Source: Company financials, Aljazira Capital Research

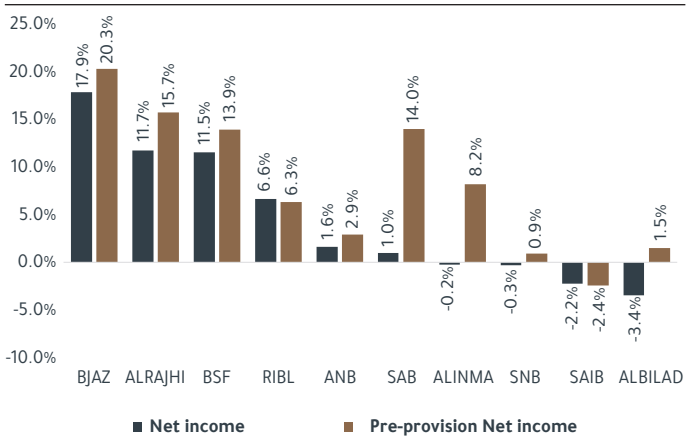
Fig 4: NIMs have expanded by 16bps Y/Y



Source: Company financials, Aljazira Capital Research

Bank wise, **BJAZ** posted the highest net income growth of 17.9% Y/Y in Q3-26, driven primarily by 20.4% Y/Y increase in funded income and lower effective tax/zakat rate. Despite a 60% Y/Y increase in debt provisions, **ALRAJHI** stood out as the second best with Q3-26 net income growth of 11.7% Y/Y, mainly owed to 18.1% Y/Y increase in funded income and controlled increase in operating expenses (up 6.3% Y/Y). On the other hand, **ALBILAD** and **SAIB** saw 3.4% and 2.2% decline in earnings due to 99.6% Y/Y increase in debt provisions and 21.6% Y/Y decline in non-commission income, respectively. On a Pre-provision basis (Net profit adjusted for provisions) **BJAZ** posted strongest increase of 20.3% Y/Y) followed by **ALRAJHI** which saw a pre-provision income grow by 15.7% Y/Y. **SAIB** and **SNB** stood out as major laggards on Pre-provision net income basis, with profit down 2.4% Y/Y and +0.9% Y/Y, respectively

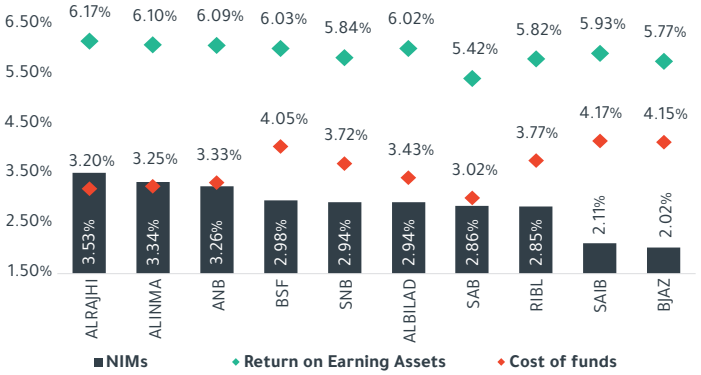
Fig 5: Banks wise Q3-26 earning performance (Y/Y)



Source: Company financials, Aljazira research

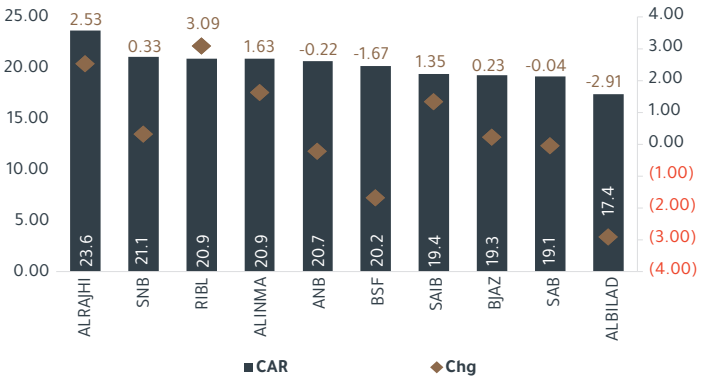
On post sukuk basis, **BSF** and **ALRAJHI** led the sector with 12% and 11% Y/Y growth in EPS, while **ALINMA** and **BJAZ** posted declines of 15.1% Y/Y and 10.3% Y/Y. Only three banks posted an Y/Y increase in EPS.

Fig 6: NIMs, RoEAs, CoFs



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

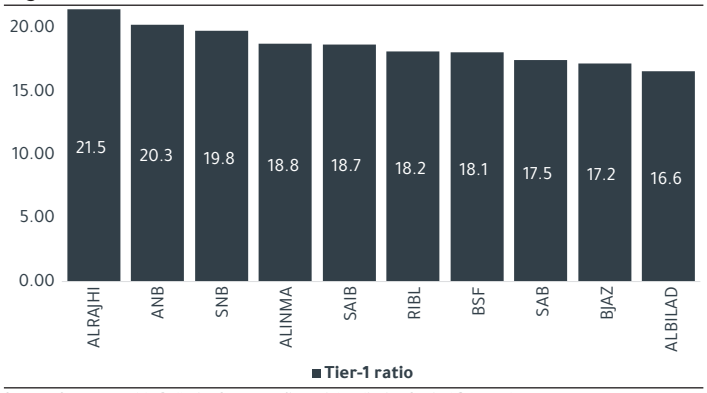
Fig 7: Capital adequacy ratio %



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

Capital adequacy is considerably above regulatory requirement: Bank wise, **ALRAJHI** leads the sector with total CAR of 23.6%, up 253bps Y/Y. **SNB** follows with CAR of 21.1% (up 33bps Y/Y). While **ALBILAD** has the lowest CAR of 17.4% (-291bps); closely followed by **SAB** with a CAR of 19.1% (down 4bps Y/Y). **RIBL** saw strongest increase in CAR of 309bps, while **ALBILAD** saw the largest attrition in CAR of 291bps. **ALRAJHI** and **ANB** lead on Tier-1 capital, with Tier-1 ratios of 21.5% and 20.3%, respectively. **ALBILAD** and **BJAZ** have the lowest Tier-1 ratios of 16.6% and 17.2%, respectively.

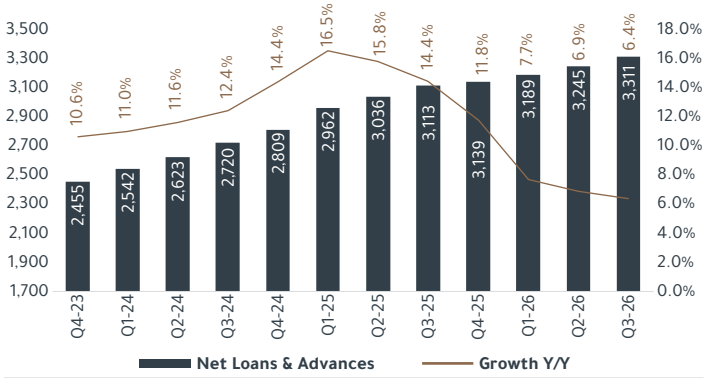
Fig 8: Tier 1 ratio



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

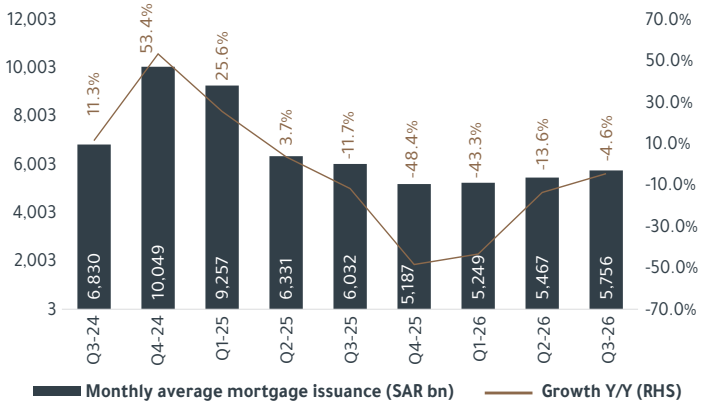
Loan growth in single digits for the third consecutive quarter, mortgage issuances were down 4.6% Y/Y in Q3-26: Net loans and advances grew by 6.4% Y/Y - remaining in single digits for the third time. Overall, monthly run rate for mortgages stood at SAR 5.8bn in Q3-26, down 4.6% Y/Y, compared to SAR 6.0bn in Q3-25. On a sequential basis, monthly average mortgages grew by 5.3% Q/Q in Q3-26. Bank's claims on public sector were up 21.5% Y/Y in Sept-26. Bank wise, **BJAZ** and **ALINMA** led the sector posting loan growth of 14.4% Y/Y and 12.0% Y/Y, respectively in Q3-26. On the other hand, **ALRAJHI** and **SNB** recorded the smallest loan growths of 2.5% Y/Y and 4.6% Y/Y, respectively.

Fig 9: Loan and advances (SAR bn) and Y/Y chg



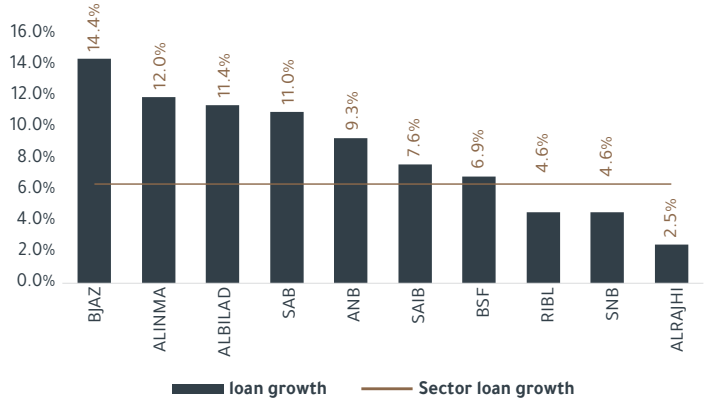
Source: SAMA Monthly Bulletin, Company financials, Aljazira Capital Research

Fig 10: Mortgage issuances have slowed down (SAR mn)



Source: SAMA, Company financials, Aljazira Capital Research

Fig 11: Banks wise Q3-26 loan growth (Y/Y)



Source: SAMA, Company financials, Aljazira Capital Research

Share of demand deposits is down 468bps Y/Y in Q3-26: Total deposits for the sector were up 5.6% Y/Y (down 1.7% on a sequential basis) to SAR 3,094bn. Demand deposit share in total deposits declined by 468bps Y/Y (down 50bps Q/Q) to 45.7%.

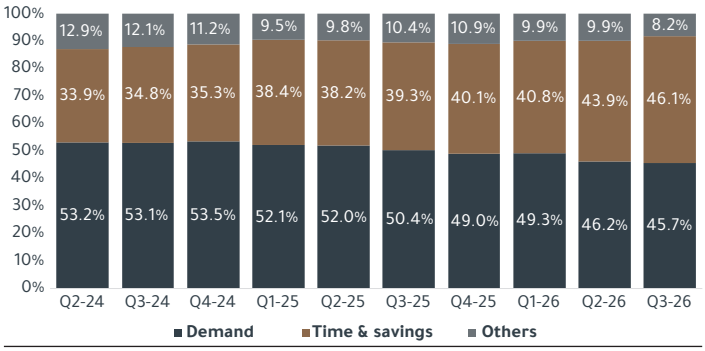
Banks wise, **SAIB** logged in the highest growth in deposits of 14.8% Y/Y in Q3-26, followed by **ALBILAD** which saw deposits grow by 12.7% Y/Y. On the other end, **ALRAJHI** and **RIBL** lagged the sector with growth of 0.9% Y/Y and 1.2% Y/Y in Q3-26, respectively. In terms of deposit quality, **SNB** and **ALRAJHI** maintained their lead in Q3-26, with the highest demand deposit weight of 66.1% and 59.2%, respectively. **SAIB** and **BJAZ** have lowest demand deposit ratios of 17.3% and 23.0% in the sector.

In terms of change in deposit mix, **SAB** saw the smallest decline in share of demand deposits down 0.6ppts Y/Y in Q3-26 to 43.0%, followed by **ANB** which saw share of non-remunerative deposits decrease by 1.0ppts Y/Y to 46.8%. **SNB** and **SAIB** stood at the other end of the spectrum with 10.0ppts and 7.4ppts decrease in demand deposits share.

Normal LDR records an increase of 265bps Y/Y, while regulated LDR increased by 205bps Y/Y: Normal Loan-to-deposit (LDR) ratio increased by 265bps Y/Y (+462bps Q/Q) to reach 113.8% in Q3-26; regulatory LDR saw an increase of 205bps Y/Y (+282bps Q/Q), as it reached 82.5% in Q3-26. The aforementioned increase in normal LDR ratios is owed to the 5.6% Y/Y increase in deposits in Q3-26 and a larger 6.4% Y/Y increase in loans. The 3M Saudi riyal - SOFR interest rate differential declined to 1.07%.

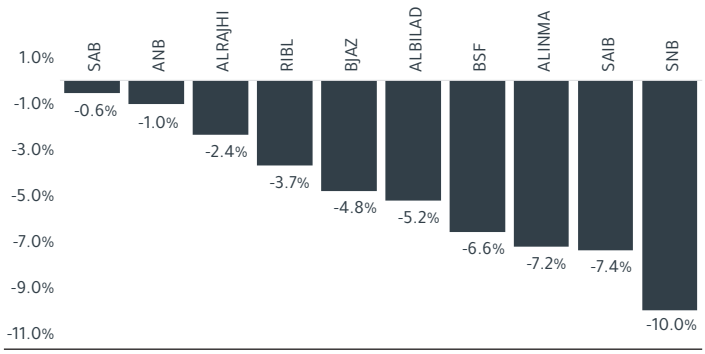
Bank wise, **RIBL** has the highest LDR ratio of 117%, while **ALBILAD** has the lowest ratio of 91.3%. In terms of change, **SAB** and **ANB** saw the largest increases in LDR ratios of 7.0ppts Y/Y and 5.3ppts Y/Y to 99.9% and 96.2%, respectively. While **SAIB** saw the largest decline in LDR ratio of 6.6ppts to 98.6%.

Fig 12: Share of demand deposits is down 468bps Y/Y



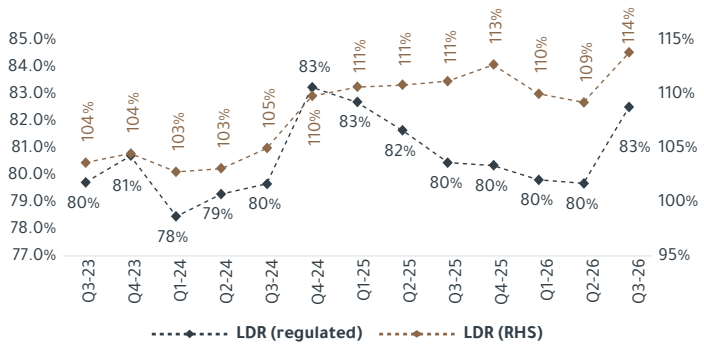
Source: SAMA Monthly Bulletin, Company financials, Aljazira research

Fig 13: Chg in demand deposits Y/Y (ppts)



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

Fig 14: LDR (Regulated and normal)



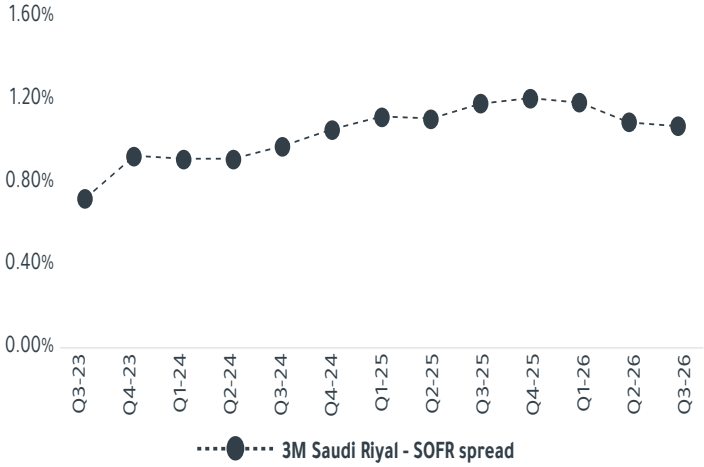
Source: SAMA Monthly Bulletin, Company financials, Aljazira Capital Research

Fig 15: Bank wise LDR ratio (%)



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

Fig 16: 3M Saudi Riyal - SOFR spread



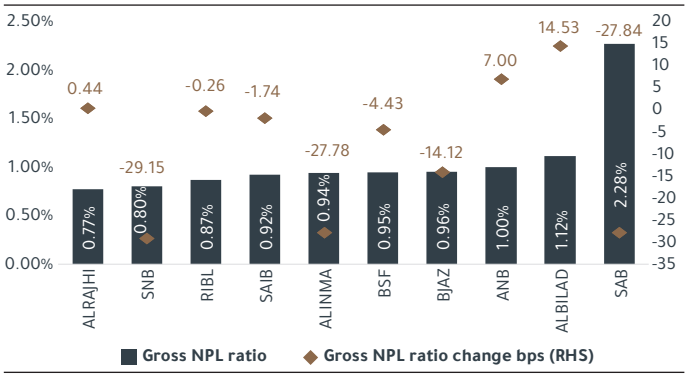
Source: SAMA Monthly Bulletin, Company financials, Aljazira Capital Research

Sector's credit asset quality and operating efficiency remains topnotch: Gross NPL ratio of the sector improved by 12bps Y/Y (unchanged Q/Q) to 1.00% in Q3-26, while coverage stood at a healthy 141.7% (up 11.45ppts and 141bps Y/Y and Q/Q). CoR increased by 11bps Y/Y (+4bps Q/Q) to 35bps in Q3-26. Amongst listed banks, **ALRAJHI** retained its top position on asset quality front, with NPL ratio of 0.77% (+0.4bp), while **SAB** despite undergoing a sizable NPL improvement (down 27.8bps Y/Y) had the industry's highest NPL ratio of 2.28% in Q3-26.

In terms of bad loan coverage **ALINMA** and **SAIB** lead the sector with coverage of 189% and 175%, respectively. SAB and SNB have the lowest coverage of 101% and 130% respectively. **ALINMA** and **SNB** have experienced the biggest improvement in coverage of 31ppts and 22ppts on an Y/Y basis, on the other hand ALBILAD and BSF saw the biggest declines of 61ppts and 9ppts Y/Y, respectively.

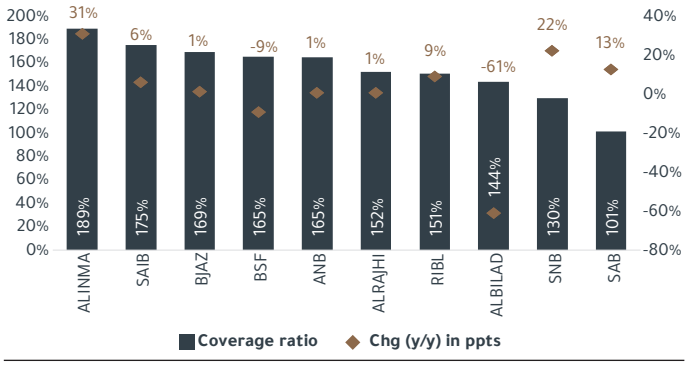
The sector experienced an 31bps Y/Y (-33bps Q/Q) improvement in the cost to income ratio to 28.3% in Q3-26, as operating income increased by 6.6% Y/Y, while operating expenses increased by 5.5% Y/Y. Operating income growth was driven by 11.5% Y/Y increase in net interest income, amidst a 7.5% Y/Y decline in non-yield income.

Fig 17: Alrajhi & SNB lead on asset quality



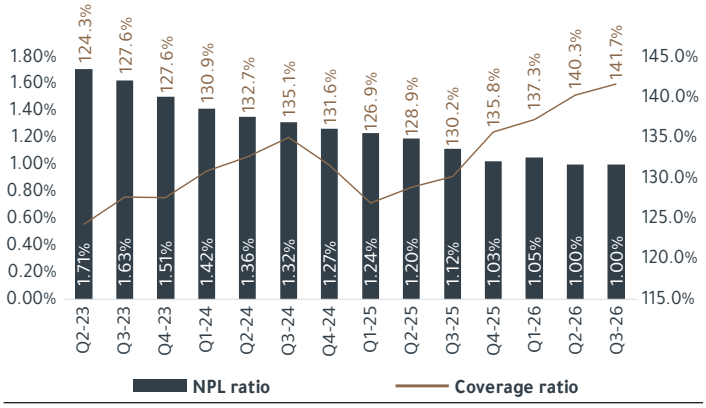
Source: SAMA Monthly Bulletin, Company financials, Aljazira Capital Research

Fig 18: Coverage ratio



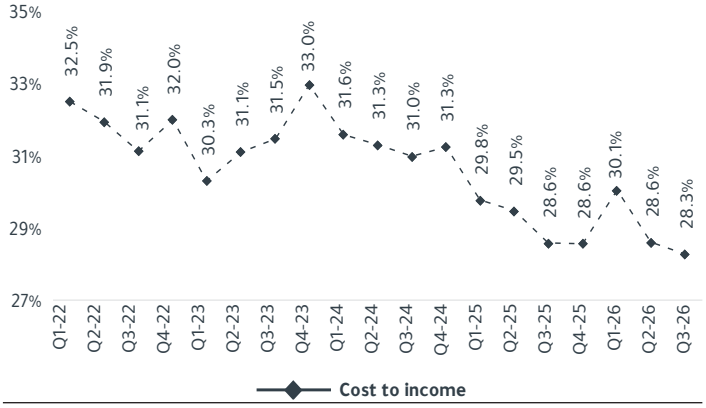
Source: SAMA Monthly Bulletin, Company financials, Aljazira Capital Research

Fig 19 : Asset quality improves further



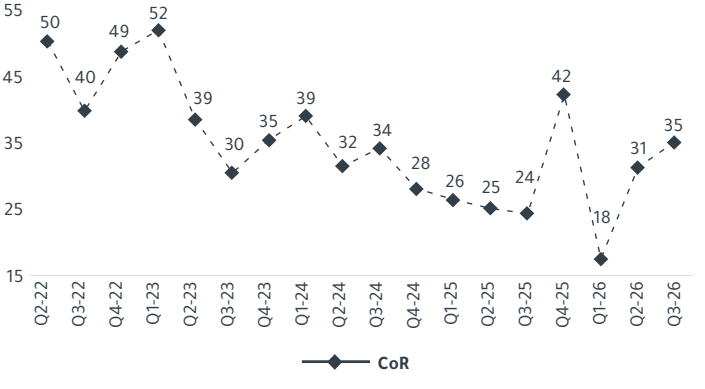
Source: SAMA Monthly Bulletin, Company financials, Aljazira Capital Research

Fig 20: Cost to income



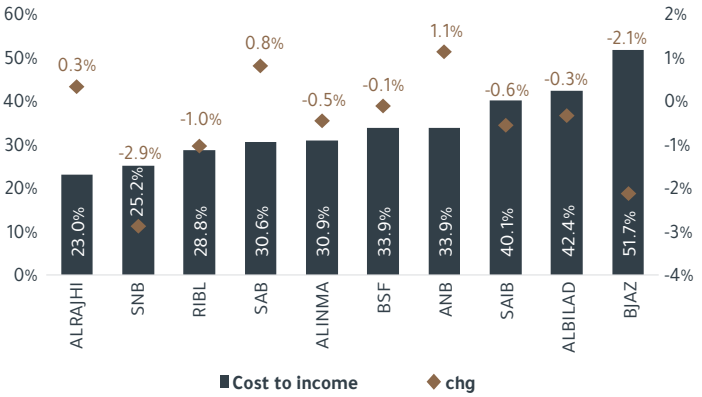
Source: SAMA Monthly Bulletin, Company financials, Aljazira Capital Research

Fig 21 : Cost of risk increased to 35bps in Q3-26



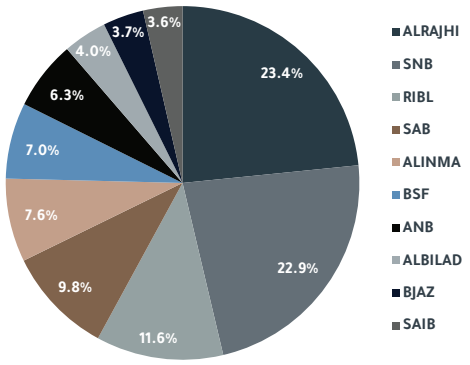
Source: SAMA Monthly Bulletin, Company financials, Aljazira Capital Research

Fig 22: Bank wise Cost to income ratio



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

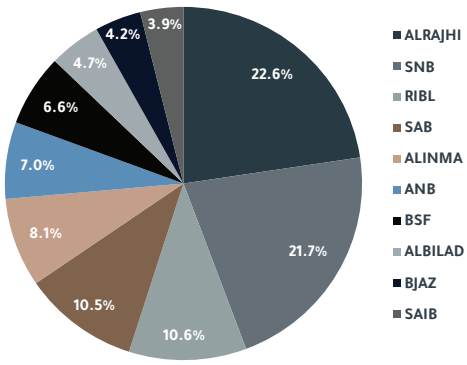
Fig 23: Loans market share



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

Loans market share: **ALRAJHI** leads with Q3-26 loan market share of 23.4%, down 88bps Y/Y. On a Y/Y basis, **SAB** and **ALINMA** saw the biggest increases in Q3-26 credit market share of 41bps Y/Y and 38bps Y/Y, to 9.8% and 7.6%, respectively. While **ALRAJHI** and **SNB** experienced biggest declines in loan market share of 88bps Y/Y and 40bps Y/Y to 23.4% and 22.9%. The share of shariah compliant banks in total lending stood at 35.0% in Q3-26 down 32bps Y/Y, with **ALRAJHI** having the largest share of 60.4%.

Fig 24: Deposits market share



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

Deposits market share: **ALRAJHI** leads with deposit market share of 22.6% in Q3-26, down 85bps Y/Y. **SAIB** and **ALBILAD** saw the largest increases in Q3-26 deposit market share of 34bps Y/Y and 33bps Y/Y respectively, while **ALRAJHI** and **RIBL** saw largest declines in market share of 85bps and 37bps Y/Y, respectively. Share of shariah compliant banks in total deposits decreased by 32bps Y/Y in Q3-26 to 35.5%, with **ALRAJHI** leading with a market share of 57.1%.

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RESEARCH DIVISION

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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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