

Saudi Banking Sector

Quarterly Report I Q1-2026



After several years of double-digit expansion, both profit and loan growth have moderated to single digits. Non-funded income declined by 4.1% year-on-year, marking its first contraction in the past four years

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Saudi banking sector's profit grew 7.6% Y/Y in Q1-26 to SAR 23.9bn, led by 7.7% growth in yield income & 27.3% decline in provisions. Non-funded income declined by 4.1% Y/Y for the first time in last four years. Cumulative earnings for the sector were 3.3% above consensus. Eight out of ten listed banks posted above consensus earnings. Pre-provision profit for the sector recorded an increase of 4.9% Y/Y in Q1-26. Earnings post Tier-1 sukuk costs grew by 6.0% Y/Y. Net loans and advances grew by 7.7% Y/Y - falling into single digit after more than 6 years. Overall, monthly run rate for mortgages stood at SAR 5.2bn in Q1-26, down 43.3% Y/Y, compared to SAR 9.3bn in Q1-25. Total deposits for the sector were up 9.7% Y/Y (up 3.9% on a sequential basis) to SAR 3,062bn. Demand deposit share in total deposits declined by 282bps Y/Y (up 30bps Q/Q) to 49.3%. Normal Loan-to-deposit (LDR) ratio decreased by 64bps Y/Y (down 269bps Q/Q) to reach 110.0% in Q1-26; regulatory LDR saw a decrease of 288bps Y/Y (-53bps Q/Q), as it reached 79.8% in Q1-26. CoR decreased by 9bps Y/Y (-25bps Q/Q) to 18bps in Q1-26. The sector experienced a 28bps Y/Y (148bps Q/Q) increase in the cost to income ratio to 30.1% in Q1-26. Capital adequacy is considerably above regulatory requirement: Bank wise, ALRAJHI leads the sector with total CAR of 23.0%, up 233bps Y/Y. SNB closely follows with CAR of 21.9% (up 258bps Y/Y).

Profit up 7.6% Y/Y in Q1-26, led by 7.7% growth in yield income & 27.3% decline in provisions; non-funded income declined by 4.1% Y/Y for the first time in last four years: The Saudi banking sector posted quarterly earnings of SAR 23.9bn in Q1-26, up 7.6% Y/Y (+1.3% Q/Q). Cumulative earnings for the sector were 3.3% above consensus. Eight out of ten listed banks posted above consensus earnings. Pre-provision profit for the sector recorded an increase of 4.9% Y/Y in Q1-26. Earnings post Tier-1 sukuk costs grew by 6.0% Y/Y, led by ALRAJHI at 12.5% Y/Y. Earnings growth was led by an improvement in Funded Income, up 7.7% Y/Y in Q1-26 to SAR 31.9bn, on the back of 7.7/6.4% increase in investments and loans, amidst 3bps Y/Y decline in NIMs to 3.01%. Operating expenses increased by 6.0% Y/Y, while the cost-to-income ratio increased by 28bps Y/Y to 30.1%. Debt provisions declined by a massive 27.3% Y/Y to SAR 1.4bn in Q1-26, which translates to cost-of-risk (CoR) of 18bps, as compared to 26bps in the same period last year.

Loan growth fell into single digits, mortgage issuances were down 43% Y/Y in Q1-26: Net loans and advances grew by 7.7% Y/Y - falling into single digit after more than 6 years. Overall, monthly run rate for mortgages stood at SAR 5.2bn in Q1-26, down 43.3% Y/Y, compared to SAR 9.3bn in Q1-25. On a sequential basis mortgages remained largely flat (up 1.2% Q/Q). Bank's claims on public sector were up 10.1% Y/Y in Mar-26. Bank wise, ALBILAD and ALINMA led the sector posting loan growth of 15.5% Y/Y and 13.8% Y/Y, respectively in Q1-26.

Share of demand deposits is down 282bps Y/Y in Q1-26: Total deposits for the sector were up 9.7% Y/Y (up 3.9% on a sequential basis) to SAR 3,062bn. Demand deposit share in total deposits declined by 282bps Y/Y (up 30bps Q/Q) to 49.3%. Banks wise, SAIB logged in the highest growth in deposits of 20.9% Y/Y in Q1-26, followed by RIBL which saw deposits grow by 15.9% Y/Y. On the other end, ALRAJHI and BSF lagged the sector with growth of 3.3% Y/Y and 4.6% Y/Y in Q1-26, respectively. In terms of deposit quality, SNB and ALRAJHI maintained their lead in Q1-26, with the highest demand deposit weight of 71.3% and 66.1%, respectively.

Normal Loan-to-deposit (LDR) ratio decreased by 64bps Y/Y (down 269bps Q/Q) to reach 110.0% in Q1-26; regulatory LDR saw a decrease of 288bps Y/Y (-53bps Q/Q), as it reached 79.8% in Q1-26. The aforementioned decrease in normal LDR ratios is owed to the 9.7% Y/Y increase in deposits in Q1-26 and a smaller 7.7% Y/Y increase in loans. Bank wise, BSF has the highest LDR ratio of 112.1%, while ALBILAD has the lowest ratio of 92.5%.

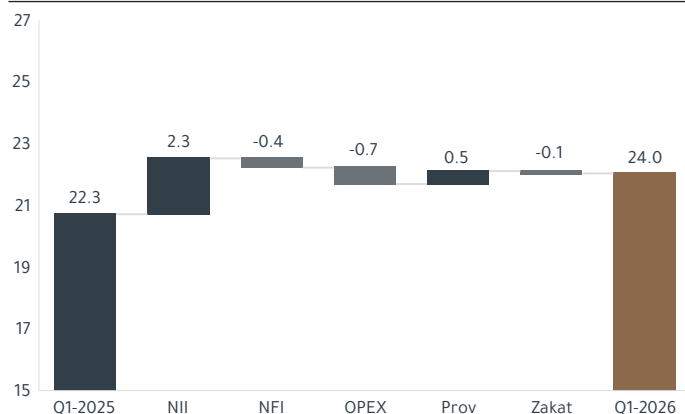
Sector's credit asset quality and operating efficiency remains top-class: Gross NPL ratio of the sector improved by 18bps Y/Y (+3bps Q/Q) to 1.05% in Q1-26, while coverage stood at a healthy 137.3% (up 1037bps and 155bps Y/Y and Q/Q). CoR decreased by 9bps Y/Y (-25bps Q/Q) to 18bps in Q1-26. The sector experienced a 28bps Y/Y (148bps Q/Q) increase in the cost to income ratio to 30.1% in Q1-26, as operating income increased by 5.0% Y/Y, while operating expenses increased by 6.0% Y/Y.

Capital adequacy is considerably above regulatory requirement: Bank wise, ALRAJHI leads the sector with total CAR of 23.0%, up 233bps Y/Y. SNB closely follows with CAR of 21.9% (up 258bps Y/Y). While SAIB has the lowest CAR of 18.9% (-38bps); closely followed by SAB with a CAR of 19.3% (down 45bps Y/Y). SNB saw strongest increase in CAR of 258bps, while SAB saw the largest attrition in CAR of 45bps.

Profit up 7.6% Y/Y in Q1-26, led by 7.7% growth in yield income & 27.3% decline in provisions:

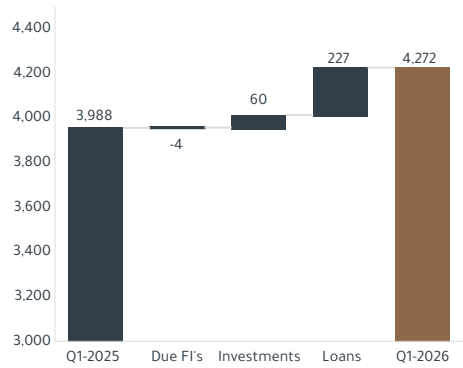
The Saudi banking sector posted quarterly earnings of SAR 23.9bn in Q1-26, up 7.6% Y/Y (+1.3% Q/Q). Cumulative earnings for the sector were 3.3% above consensus. Eight out of ten listed banks posted above consensus earnings; leading the group were **ANB** and **BJAZ**, which beat estimates by 13.9% and 5.3%, respectively. Conversely, **ALBILAD** and **SAB** had biggest earnings misses of -4.0% and -0.4%, respectively. Pre-provision profit for the sector recorded an increase of 4.9% Y/Y in Q1-26. Earnings growth was led by an improvement in Funded Income, up 7.7% Y/Y in Q1-26 to SAR 31.9bn, on the back of 7.7/6.4% increase in loans and investments, amidst 3bps Y/Y decline in NIMs to 3.01%. Non-funded income declined by 4.1% Y/Y for the first time in last four years to SAR 8.5bn in Q1-26. Operating expenses increased by 6.0% Y/Y, while the cost-to-income ratio increased by 28bps Y/Y to 30.1%. Debt provisions declined by a massive 27.3% Y/Y to SAR 1.4bn in Q1-26, which translates to cost-of-risk (CoR) of 18bps, as compared to 26bps in the same period last year. The improvement was mainly due to SAR 577bn reversals booked by SNB in Q1-26. Overall, sector RoE contracted by 42bps Y/Y to 15.7% in Q1-26, the decline is mainly owed to reduction in asset turnover by 12 bps Y/Y to 3.45% and declining leverage (assets/equity stood at 7.67x in Q1-26 vs 7.79x in Q1-25).

Fig 1: Net income growth drivers (SAR mn)



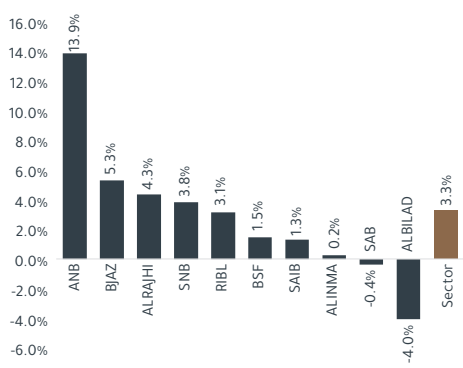
Source: SAMA Monthly Bulletin, Company financials, Aljazira Capital Research

Fig 2: Earning assets grew by 7.1% Y/Y (SAR mn)



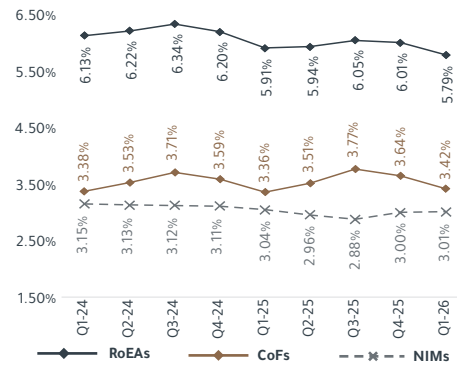
Source: Company financials, Aljazira Capital Research

Fig 3: Q1-26 earnings actual vs estimates



Source: Company financials, Aljazira Capital Research

Fig 4: NIMs have contracted by 3bps Y/Y

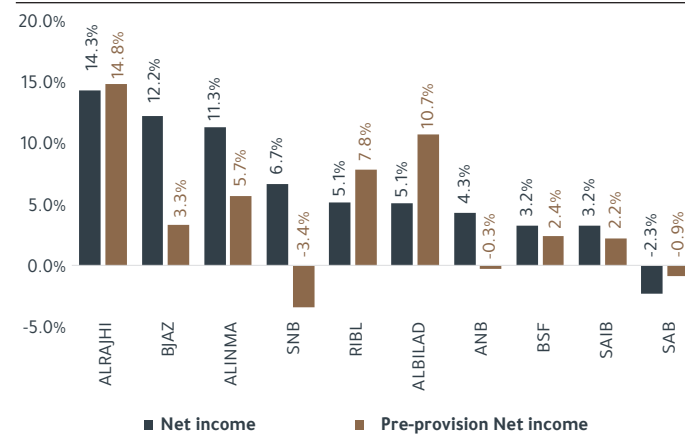


Source: Company financials, Aljazira Capital Research

Bank wise, **ALRAJHI** posted the highest net income growth of 14.3% Y/Y in Q1-26, driven primarily by 18.4% Y/Y increase in funded income. **BJAZ** stood out as the second best with Q1-26 net income growth of 12.2% Y/Y, mainly owed to 27.8% Y/Y decline in provision expenses. On the other hand, **SAB** saw a 2.3% decline in earnings due to 20.3% Y/Y increase in debt provisions and 5.0% Y/Y drop in non-funded income. On a Pre-provision basis (Net profit adjusted for provisions) **ALRAJHI** posted strongest increase of 14.8% Y/Y followed by **ALBILAD** which saw a pre-provision income grow by 10.7% Y/Y. **SNB** and **SAB** stood out as major laggards on Pre-provision net income basis, with profits down 3.4% Y/Y and 0.9% Y/Y, respectively.

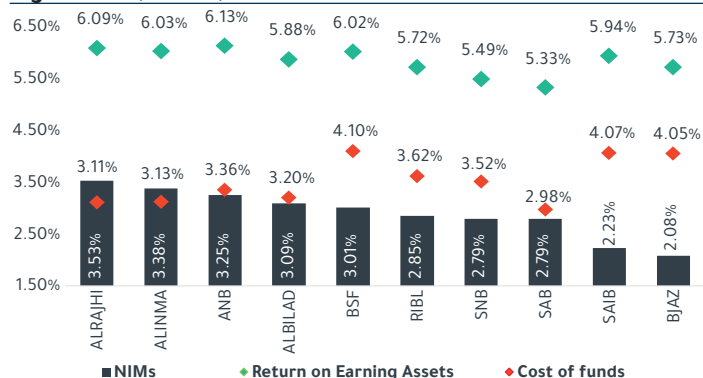
Earnings post Tier-1 sukuk costs grew by 6.0% Y/Y, led by **ALRAJHI** at 12.5% Y/Y.

Fig 5: Banks wise Q1-26 earning performance (Y/Y)



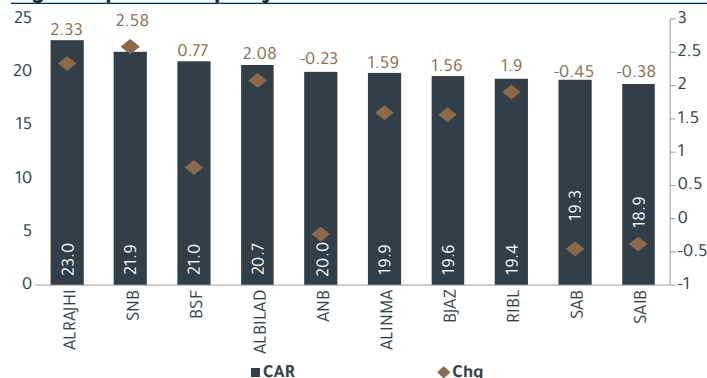
Source: Company financials, Aljazira Capital Research, SAIB adjusted for one off

Fig 6: NIMs, RoEAs, CoFs



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

Fig 7: Capital adequacy ratio %

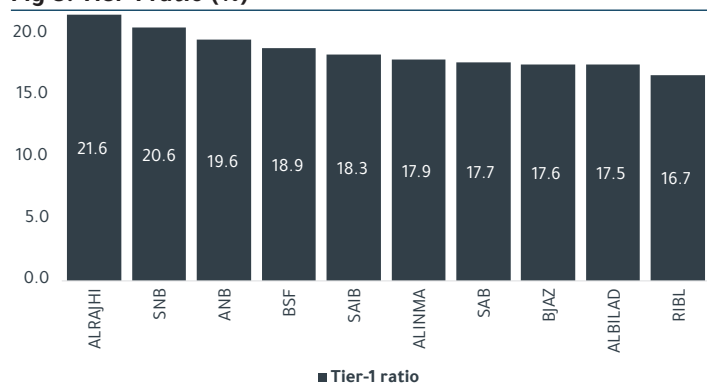


Source: SAMA Monthly Bulletin, Company financials, Aljazira Capital Research

Capital adequacy is considerably above regulatory requirement:

Bank wise, **ALRAJHI** leads the sector with total CAR of 23.0%, up 233bps Y/Y. **SNB** closely follows with CAR of 21.9% (up 258bps Y/Y). While **SAIB** has the lowest CAR of 18.9% (-38bps); closely followed by **SAB** with a CAR of 19.3% (down 45bps Y/Y). **SNB** saw strongest increase in CAR of 258bps, while **SAB** saw the largest attrition in CAR of 45bps. **ALRAJHI** and **SNB** lead on Tier-1 capital, with Tier-1 ratios of 21.6% and 20.6%, respectively. **RIBL** and **ALBILAD** have the lowest Tier-1 ratios of 16.7% and 17.5%, respectively.

Fig 8: Tier 1 ratio (%)

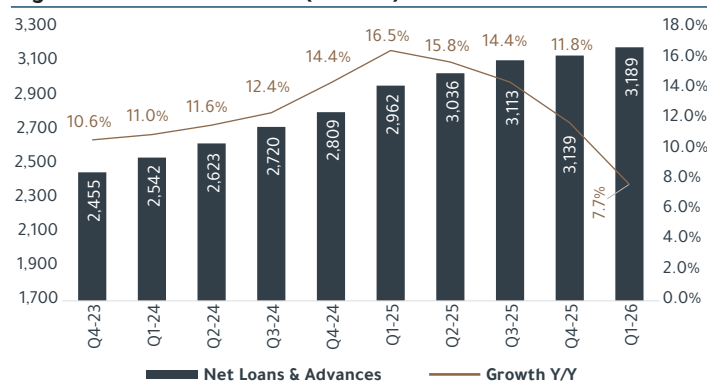


Source: SAMA Monthly Bulletin, Company financials, Aljazira Capital Research

Loan growth fell into single digits, mortgage issuances were down 43% Y/Y in Q1-26:

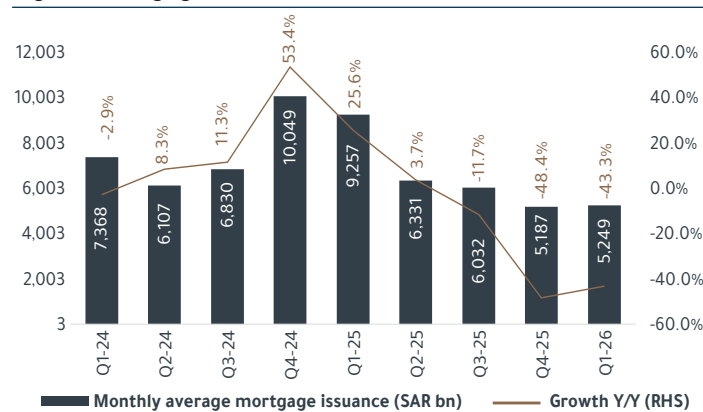
Net loans and advances grew by 7.7% Y/Y - falling into single digit after more than 6 years. Overall, monthly run rate for mortgages stood at SAR 5.2bn in Q1-26, down 43.3% Y/Y, compared to SAR 9.3bn in Q1-25. On a sequential basis mortgages remained largely flat (up 1.2% Q/Q). Bank's claims on public sector were up 10.1% Y/Y in Mar-26. Bank wise, **ALBILAD** and **ALINMA** led the sector posting loan growth of 15.5% Y/Y and 13.8% Y/Y, respectively in Q1-26. On the other hand, **SNB** and **ALRAJHI** recorded the smallest loan growths of 3.7% Y/Y and 4.3% Y/Y, respectively.

Fig 9: Loan and advances (SAR bn)



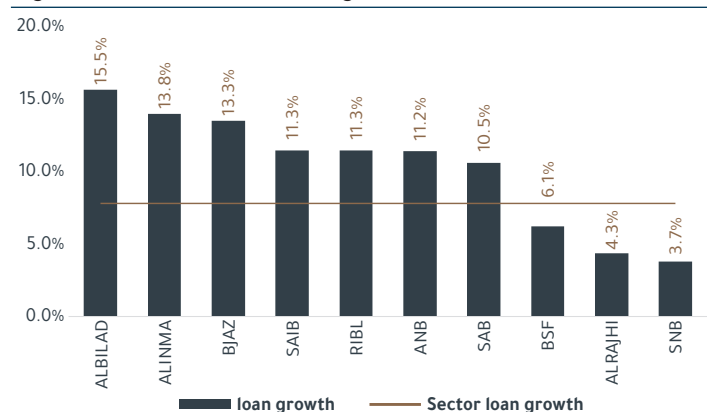
Source: SAMA Monthly Bulletin, Company financials, Aljazira Capital Research

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



Source: SAMA, Company financials, Aljazira Capital Research

Fig 11: Banks wise Q1-26 loan growth (Y/Y)



Source: SAMA, Company financials, Aljazira Capital Research

Share of demand deposits is down 282bps Y/Y in Q1-26:

Total deposits for the sector were up 9.7% Y/Y (up 3.9% on a sequential basis) to SAR 3,062bn. Demand deposit share in total deposits declined by 282bps Y/Y (up 35bps Q/Q) to 49.3%.

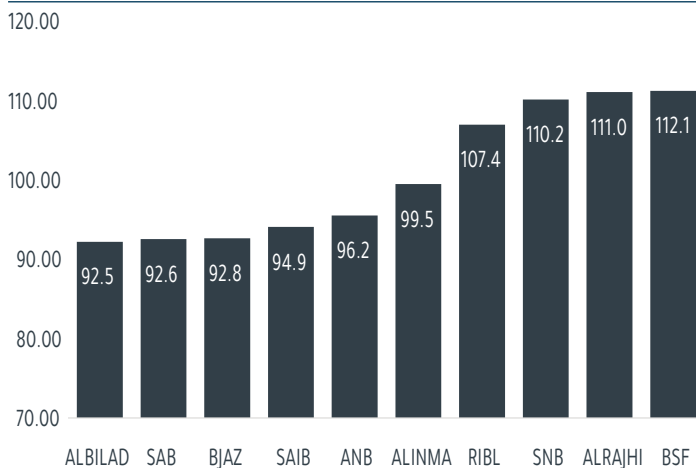
Banks wise, **SAIB** logged in the highest growth in deposits of 20.9% Y/Y in Q1-26, followed by **RIBL** which saw deposits grow by 15.9% Y/Y. On the other end, **ALRAJHI** and **BSF** lagged the sector with growth of 3.3% Y/Y and 4.6% Y/Y in Q1-26, respectively. In terms of deposit quality, **SNB** and **ALRAJHI** maintained their lead in Q1-26, with the highest demand deposit weight of 71.3% and 66.1%, respectively. **SAIB** and **BJAZ** have lowest demand deposit ratios of 20.2% and 26.5% in the sector.

In terms of change in deposit mix, **ALBILAD** saw the largest decline in share of demand deposits down 7.4ppts Y/Y in Q1-26 to 56.5%, followed by **SAIB** which saw share of non-remunerative deposits decrease by 7.3ppts Y/Y to 20.2%. **ALRAJHI** on the other hand saw share of non-remunerative demand deposits increase by 2.0 ppts Y/Y to 66.1%.

Normal LDR records decline of 64bps Y/Y, while regulated LDR declined by 288bps Y/Y: Normal Loan-to-deposit (LDR) ratio decreased by 64bps Y/Y (down 269bps Q/Q) to reach 110.0% in Q1-26; regulatory LDR saw a decrease of 288bps Y/Y (-53bps Q/Q), as it reached 79.8% in Q1-26. The aforementioned decrease in normal LDR ratios is owed to the 9.7% Y/Y increase in deposits in Q1-26 and a smaller 7.7% Y/Y increase in loans. We highlight that regulated LDR decreased due to sukuk issuances and is comfortably below the regulatory limit. The 12M Saudi riyal - SOFR interest rate differential declined to 1.18%, due to slight improvement in liquidity in the banking system on account of normalization of loan growth.

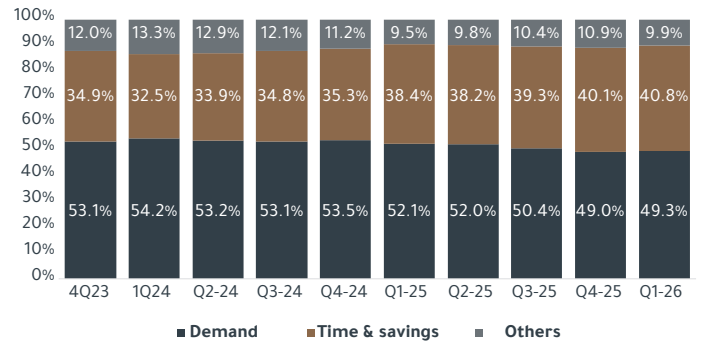
Bank wise, **BSF** has the highest LDR ratio of 112.1%, while **ALBILAD** has the lowest ratio of 92.5%. In terms of change, **ANB** and **ALINMA** saw the largest increases in LDR ratios of 4.2ppts Y/Y and 3.8ppts Y/Y to 96.2% and 99.5%, respectively. While **SAIB** saw the largest decline in LDR ratio of 8.2ppts to 94.9%.

Fig 15: Bank wise LDR ratio (%)



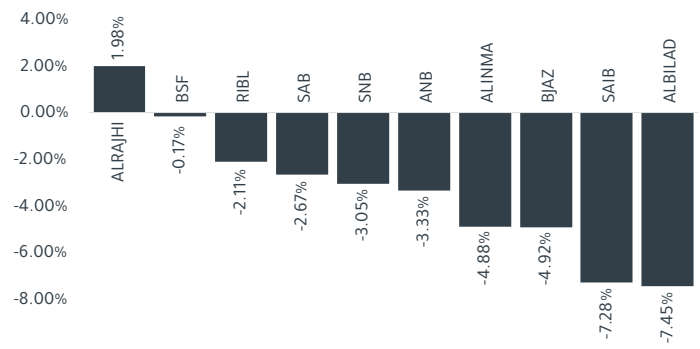
Source: SAMA Monthly Bulletin, Company financials, Aljazira Capital Research

Fig 12: Share of demand deposits is down 282bps Y/Y



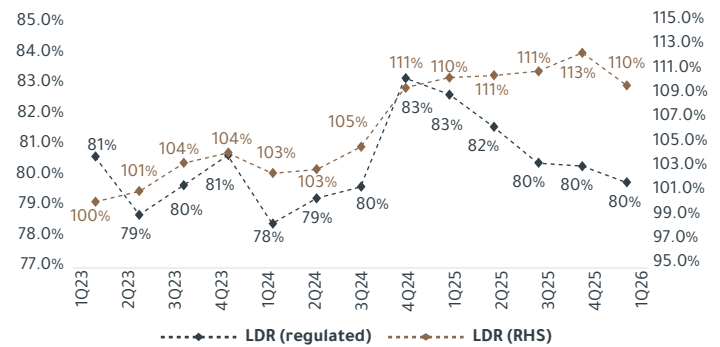
Source: SAMA Monthly Bulletin, Company financials, Aljazira research

Fig 13: Chg in demand deposits Y/Y



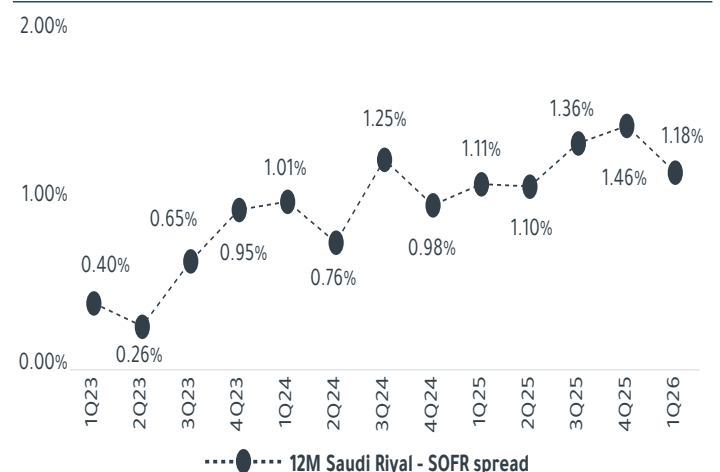
Source: SAMA Monthly Bulletin, Company financials, Aljazira Capital Research

Fig 14: LDR is down from recent highs



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

Fig 16: 12M Saudi Riyal - SOFR spread



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

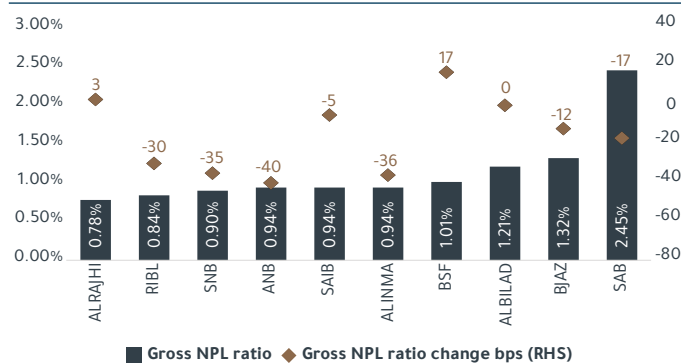
Sector's credit asset quality and operating efficiency remains

topnotch: Gross NPL ratio of the sector improved by 18bps Y/Y (+3bps Q/Q) to 1.05% in Q1-26, while coverage stood at a healthy 137.3% (up 10.37ppts and 155bps Y/Y and Q/Q). CoR decreased by 9bps Y/Y (-25bps Q/Q) to 18bps in Q1-26. Amongst listed banks, **ALRAJHI** retained its top position on asset quality front, with NPL ratio of 0.78% (up 3bps Y/Y), while **SAB** despite undergoing a sizable NPL improvement (down 17bps Y/Y) had the industry's highest NPL ratio of 2.45% in Q1-26.

In terms of bad loan coverage **SAIB** and **BSF** lead the sector with coverage of 194% and 176%, respectively. SAB and SNB have the lowest coverage of 101% and 111% respectively. **ANB** and **SAIB** have experienced the biggest improvement in coverage of 42ppts and 32ppts on an Y/Y basis, on the other hand **ALBILAD** and **BSF** saw the biggest declines of 36bps and 23bps Y/Y, respectively.

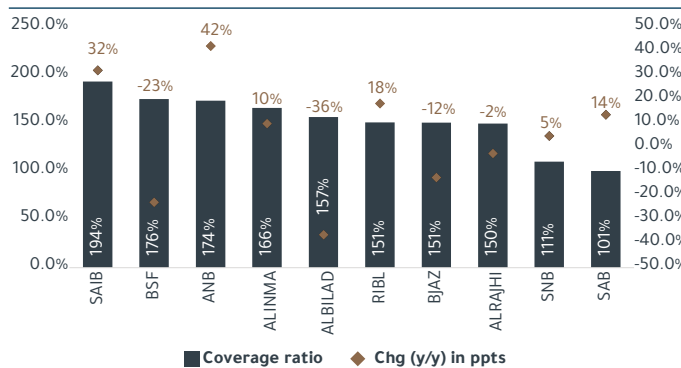
The sector experienced a 28bps Y/Y (148bps Q/Q) increase in the cost to income ratio to 30.1% in Q1-26, as operating income increased by 5.0% Y/Y, while operating expenses increased by 6.0% Y/Y. Operating income growth was driven by 7.7% Y/Y increase in net interest income, despite a 4.1% Y/Y decline in non-yield income.

Fig 17: Alrajhi & RIBL lead on asset quality



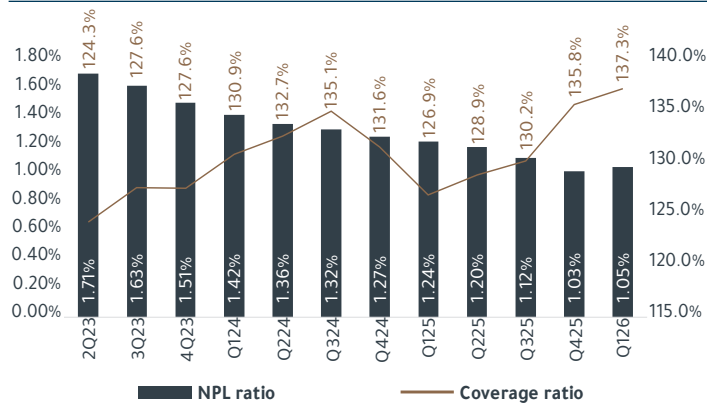
Source: SAMA Monthly Bulletin, Company financials, Aljazira Capital Research

Fig 18: Coverage ratio



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

Fig19 : Asset quality improves further



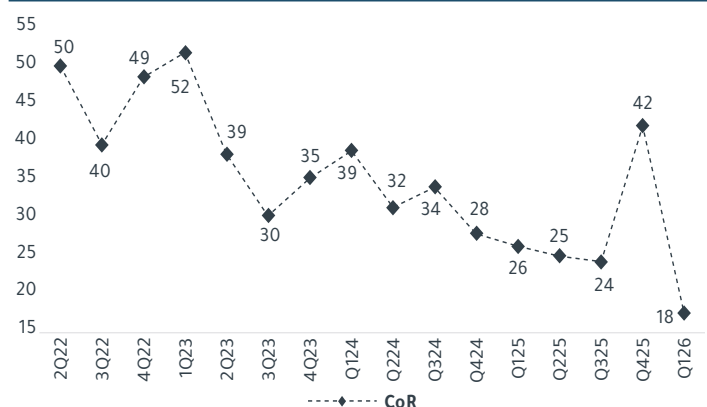
Source: SAMA Monthly Bulletin, Company financials, Aljazira Capital Research

Fig 20: Cost to income



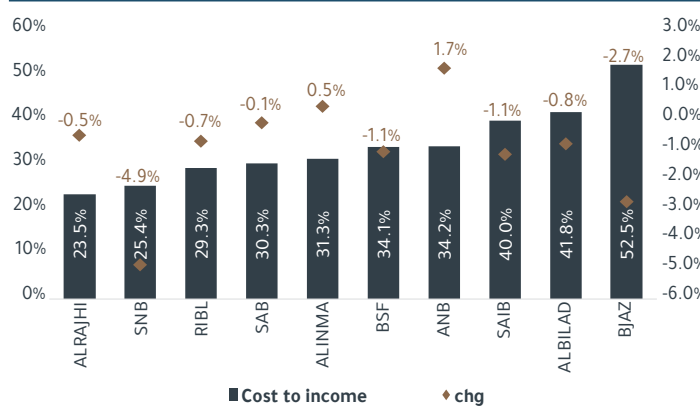
Source: SAMA Monthly Bulletin, Company financials, Aljazira Capital Research

Fig 21: Cost of risk improved to 18bps in Q1-26



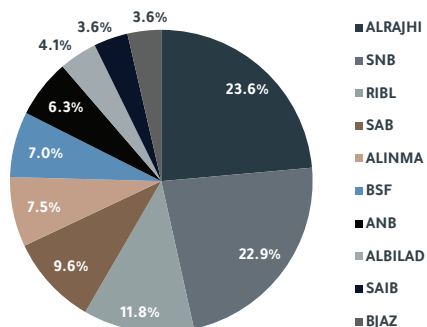
Source: SAMA Monthly Bulletin, Company financials, Aljazira Capital Research

Fig 22: Bank wise cost to income



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

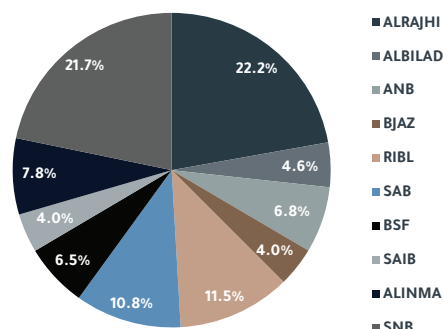
Fig 23: Loans market share



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

Loans market share: **ALRAJHI** leads with Q1-26 loan market share of 23.6%, down 78bps Y/Y. On a Y/Y basis, **ALINMA** and **RIBL** saw the biggest increases in Q1-26 credit market share of 40bps Y/Y and 38bps Y/Y, to 7.5% and 11.8%, respectively. While **SNB** and **ALRAJHI** experienced biggest declines in loan market share of 89bps Y/Y and 78bps Y/Y to 22.9% and 23.6%. The share of shariah compliant banks in total lending stood at 35.1% in Q1-26 down 11bps Y/Y, with **ALRAJHI** having the largest share of 23.6%.

Fig 24: Deposits market share



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

Deposits market share: **ALRAJHI** leads with deposit market share of 22.2% in Q1-26, down 115bps Y/Y. **RIBL** and **SAB** saw the largest increases in Q1-26 deposit market share of 72bps Y/Y and 52bps Y/Y respectively, while **ALRAJHI** and **SNB** saw largest declines in market share of 115bps and 49bps Y/Y, respectively. Share of shariah compliant banks in total deposits decreased by 91bps Y/Y in Q1-26 to 34.6%, with **ALRAJHI** leading with a market share of 22.2%

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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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