

## Saudi Banking Sector Update

### Q1-2026 Update

### Sector- Banks

The Saudi banking sector's net profit grew 7.6% year-on-year (y-o-y) in Q1-2026 to SAR 23.9 Bn, driven by a 7.7% increase in yield income and a 27.3% decline in provisions. Non-funded income declined 4.1% y-o-y, marking its first contraction in the past four years. Sector earnings came in 3.3% above consensus estimates, with eight out of ten listed banks reporting earnings ahead of expectations. Pre-provision profit for the sector increased 4.9% y-o-y during the quarter, while earnings after Tier-1 sukuk costs rose 6.0% y-o-y.

Net loans and advances grew by 7.7% y-o-y, falling into single digit after more than 6 years. Overall, monthly run rate for mortgages stood at SAR 5.2 Bn in Q1-2026, down 43.3% y-o-y, compared to SAR 9.3 Bn in Q1 2025. Bank wise, ALBILAD and ALINMA led the sector posting loan growth of 15.5% y-o-y and 13.8% y-o-y, respectively in Q1-2026. On the other hand, SNB and ALRAJHI recorded the smallest loan growths of 3.7% y-o-y and 4.3% y-o-y, respectively.

Total deposits for the sector were up 9.7% y-o-y (up 3.9% on a sequential basis) to SAR 3,062 Bn. Demand deposit share in total deposits declined by 282 bps y-o-y (up 30 bps q-o-q) to 49.3%. Normal Loan-to-deposit (LDR) ratio decreased by 64 bps y-o-y (down 269 bps q-o-q) to reach 110.0%, as deposit growth surpassed loan growth leading to an improvement in liquidity. Regulatory LDR saw a decrease of 288 bps y-o-y (-53 bps q-o-q), as it reached 79.8% in Q1-2026.

Gross NPL ratio of the sector improved by 18 bps y-o-y to 1.05% in Q1-2026, while coverage stood at a healthy 137.3% (up 10.37ppts Y/Y). Cost of risk (CoR) decreased by 9 bps y-o-y (-25 bps q-o-q) to 18 bps in Q1-FY26. Amongst listed banks, ALRAJHI retained its top position on asset quality front, with NPL ratio of 0.78% (up 3 bps Y/Y), while SAB despite undergoing a sizable NPL improvement (down 17 bps Y/Y) had the industry's highest NPL ratio of 2.45% in Q1-2026. SAB and SNB have the lowest coverage of 101% and 111% respectively.

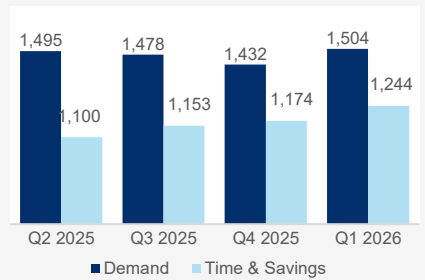
The sector experienced a 28 bps y-o-y (148 bps q-o-q) increase in the cost to income ratio to 30.1% in Q1-2026, as operating income increased by 5.0% y-o-y, while operating expenses increased by 6.0% y-o-y. Operating income growth was driven by 7.7% y-o-y increase in net interest income, despite a 4.1% y-o-y decline in non-yield income. Cost of risk decreased by 9 bps y-o-y (-25 bps q-o-q) to 18 bps in Q1-2026. The sector experienced a 28 bps y-o-y (148 bps Q/Q) increase in the cost to income ratio to 30.1% in Q1-2026.

The Fed held its benchmark rate steady at 3.5–3.75% in its April meeting, maintaining a cautious and data-dependent stance. The decision reflects continued resilience in the U.S. economy, supported by solid economic growth, a healthy labor market, and resilient consumer spending. However, inflation remains above the Fed's target, particularly in core services, limiting the scope for near-term rate cuts. Additionally, heightened geopolitical uncertainty, especially related to developments in the Middle East and their potential impact on energy prices and global trade flows, has reinforced the Committee's wait-and-watch approach.

SAMA kept its repo rate steady at 4.25% in April 2026. This rate freeze locks in the high asset yields boosting the sector's net interest income.

We believe most banks remain cautious on the near-term loan pipeline and continue to assess the implications of the ongoing geopolitical situation on credit demand and business activity. Management teams at Al Rajhi Bank and Saudi National Bank indicated that a clearer assessment is likely to emerge post-H1 2026, when visibility on economic activity and lending momentum is expected to improve. That said, management commentary remains constructive on a potential recovery in credit growth during H2 2026.

#### Total Deposits (SAR Bn)



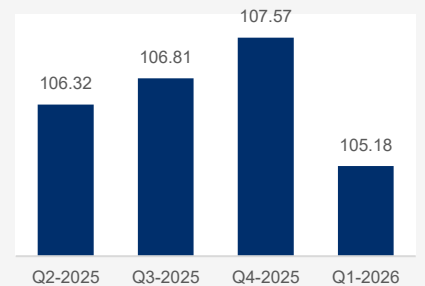
Source: SAMA

#### Loans and advances (SAR Bn)



Source: SAMA

#### Claims on Pvt. Sector to Total Dep.



Source: SAMA

#### Report Sections

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## Saudi National Bank

### Q1-2026 Update

### Sector- Banks

Saudi National Bank reported a solid Q1-2026 performance, with net income increasing 7% y-o-y to SAR 6.4 Bn, supported by a 3% y-o-y rise in NSCI, while total operating income grew marginally by 0.4% y-o-y to SAR 9.7 Bn. NSCI margins declined 20 bps YoY to 2.85% due to lower benchmark rates impacting asset yields.

Operating expenses increased 3% YoY, leading to a cost-to-income ratio of 26.9%, while impairments stood at SAR 578mn, reflecting continued strong credit quality. On the balance sheet front, customer deposits grew 5% YTD to SAR 665 Bn and CASA ratio remaining healthy at 71.5%.

#### Our take

SNB's Q1-2026 results reflect a gradual repositioning of the balance sheet rather than aggressive growth. The bank's 9% YTD SME expansion alongside a slight contraction in the corporate book suggests a strategic focus toward higher-yielding SME lending, a trend also visible across the sector with peers increasingly prioritizing SME exposure.

On margins, SNB's relatively stable NIM performance contrasts with the sharper expansion seen at Al Rajhi Bank, largely due to differences in loan mix and repricing dynamics. Corporate loan book repricing is expected to take place as the management highlighted. Meanwhile, fee income remained soft, impacted by weaker trade finance activity, with management expecting a more meaningful contribution from SME-related fees over time. We have applied a 20% premium to SNB to reflect its unparalleled CASA funding moat and its status as the primary sovereign-aligned vehicle for Vision 2030 mega-projects.

Funding quality improved during the quarter, with customer deposits growing and reliance on interbank funding declining. However, CASA trends remain an area to watch as competition for deposits persists across the sector. On asset quality, management indicated that the lower provisioning charge this quarter was supported by recoveries and may not fully reflect a normalized run rate.

#### Key developments to monitor going forward

Management's guidance on the loan pipeline, as this will determine whether SME growth is scaling fast enough to offset continued weakness in the corporate book and support a broader re-acceleration in financing growth during H2 2026.

The corporate loan book will be important to monitor to determine whether the recent softness reflects deliberate de-risking, weaker demand due to higher benchmark rates, or a temporary slowdown linked to repricing dynamics. If Vision 2030 project activity accelerates in H2 2026, SNB should be well positioned to benefit from increased project finance activity.

System liquidity remains a key metric to watch out as industry LDR has improved and loan growth is no longer outpacing deposit growth as aggressively as before. If this trend continues, it relieves pressure on time deposit pricing across the sector and could allow SNB to stabilize or improve its deposit mix without sacrificing cost of funds.

Key Financials - SAR Mn	Q1 2026	Q4 2025	% Q-o-Q	Q1 2025	% Y-o-Y
Operating income	9,650	9,927	-3%	9,612	0%
Fee Income	2,154	2,421	-11%	2,360	-9%
Net Income	6,427	6,407	0%	5,984	7%
EPS	1.04	1.05	-1%	0.96	8%
Loans and advances	732,658	729,311	0%	706,430	4%
Customer deposits	665,462	636,094	5%	626,394	6%
NSCI margin (%)	2.85	2.85	(0 bps)	3.05	(20 bps)
Cost-to-income ratio	26.9%	17.0%	990 bps	26.2%	70 bps

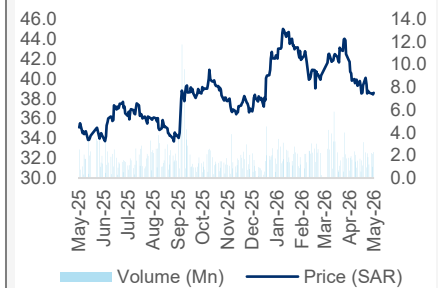
Source: Kamco Invest Research, SNB

## Outperform

**CMP 20-May-2026: SAR 38.56**

**Target Price: SAR 45.12**

**Upside: 17.0%**



Price Perf:	1M	3M	12M
Absolute	-7.5%	-8.0%	11.8%
Relative	-4.1%	-8.3%	11.9%

Source: Kamco Invest Research, Refinitiv

#### Stock Data

Bloomberg Ticker	SNB:AB
Last Price (SAR)	38.56
MCap (SAR Mn)	231,360
MCap (USD Mn)	61,657
Stock Performance - YTD	1.3%
P/TB – FY-2026E (x)	1.5
P/E – FY-2026E (x)	9.6
Dividend Yield – FY-2025 (%)	5.6
52-Week Range (SAR)	33.3/45.24

Source: Kamco Invest Research, Refinitiv

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## Riyad Bank

### Q1-2026 Update

### Sector- Banks

Riyad Bank reported a resilient Q1-2026 performance, with net income rising 5.1% y-o-y to SAR 2.6 Bn, supported by a 2.5% y-o-y increase in total operating income and a sharp 23.9% decline in impairment charges. Revenue growth was driven by a 3.1% YoY increase in net special commission income. On the balance sheet side, total assets expanded 3.4% YTD to SAR 537 Bn, supported by strong 9.2% growth in investments and modest 1% loan growth. Funding remained healthy, with customer deposits increasing 6.3% YTD.

#### Our Take

Riyad Bank's Q1-2026 results reflect a deliberate pivot from volume-driven lending toward capital-efficient, return-optimized growth. The bank's intentional moderation in loan growth (1%) alongside a 9% expansion in its investment portfolio signals a high-conviction "quality over quantity" strategy. The MSME segment remains a core differentiator, with the bank's 25% market share and a notably low SME NPL ratio of 1.1% underpinned by its dominant position in the Kafala program.

On margins, the NIM compression was largely attributable to the fixed cost drag from recently issued debt instruments, which created a temporary mismatch between funding costs and asset repricing. Fee income held broadly stable at SAR 1.2 billion despite headwinds from the new regulations, lower cross-border card activity, and reduced loan processing fees. Funding quality remains a key watch point, as SAR 22 Bn of temporary deposits boosted reported liquidity ratios. Adjusting for these inflows, the underlying funding position appears tighter, while CASA sustainability remains challenged amid ongoing deposit competition.

We have applied a 15% discount to Riyad Bank's valuation due to concerns around execution and funding pressure. Q1-2026 loan growth came in well below expectations, raising the risk that full-year loan guidance may not be achieved. In addition, the bank's increasing focus on MSME lending could result in higher NPL risk over time.

We also remain cautious on funding costs, as Riyad Bank continued to lag peers on CASA growth despite improved system liquidity, which could keep cost of funds elevated and continue to pressure NIMs going forward.

#### Key developments to monitor going forward

Management's guidance on loan pipeline execution will be critical, as the bank's full-year "high single-digit" growth target is heavily backloaded into H2 2026. The pace at which corporate deals currently in the pipeline convert to funded exposures will determine whether the Q1 moderation was truly strategic or partially demand driven.

The sustainability of the transitory deposit base and its impact on the NIB ratio needs to be assessed on a normalized basis going into Q2. If the underlying CASA mix softens once these flows reverse, cost of funds pressure could re-emerge and weigh on the NIM recovery narrative that management is guiding toward for H2 2026.

Key Financials - SAR Mn	Q1 2026	Q4 2025	% Q-o-Q	Q1 2025	% Y-o-Y
Operating income	4,614	4,664	-1%	4,504	2%
Fee Income	1,230	1,259	-2%	1,221	1%
Net Income	2,614	2,641	-1%	2,486	5%
EPS	0.83	0.83	0%	0.79	5%
Loans and advances	377,047	373,305	1%	338,391	11%
Customer deposits	352,567	331,721	6%	304,092	16%
NSCI margin (%)	2.85	2.85	(0 bps)	3.09	(24 bps)
Cost-to-income ratio	29.70%	29.20%	50 bps	30.60%	(90 bps)

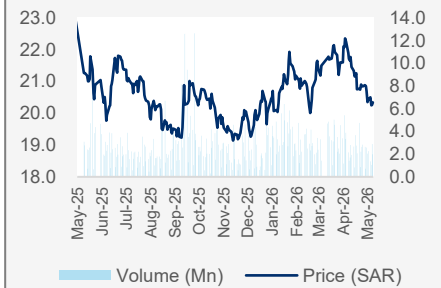
Source: Kamco Invest Research, RIBL

## Outperform

**CMP 20-May-2026: SAR 20.34**

**Target Price: SAR 24.24**

**Upside: 19.2%**



Price Perf:	1M	3M	12M
Absolute	-6.3%	-2.5%	-4.0%
Relative	-2.9%	-2.8%	-3.8%

Source: Kamco Invest Research, Argaam

#### Stock Data

Bloomberg Ticker	RIBL AB
Last Price (SAR)	20.34
MCap (SAR Mn)	81,360
MCap (USD Mn)	21,682
Stock Performance - YTD	-1.7%
P/B – FY-2026E (x)	1.0
P/E – FY-2026E (x)	6.0
Dividend Yield – FY-2025 (%)	6.9
52-Week Range (SAR)	18.97/22.41

Source: Kamco Invest Research, Refinitiv

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## Saudi Awwal Bank

Q1-2026 Update

Sector - Banks

Saudi Awwal Bank reported a steady Q1-2026 performance, with total operating income remaining broadly flat y-o-y at SAR 3.6 Bn, supported by continued strength across its core business lines. Net profit came in at SAR 2.1 Bn, down 2% YoY, mainly due to higher precautionary provisions taken due to the ongoing geopolitical uncertainty.

The bank continued to see healthy balance sheet growth, with loans increasing 10% y-o-y to SAR 307 Bn and customer deposits rising 14% y-o-y to SAR 331 Bn.

### Our Take

Saudi Awwal Bank took a cautious approach in Q1-2026, which impacted short-term earnings but does not indicate any weakness in the bank's core business. Management increased liquidity buffers and set aside additional precautionary provisions for transport and logistics exposures amid geopolitical uncertainty, even though underlying asset quality remains stable. The bank indicated these measures were taken proactively and could be reversed depending on how market conditions evolve over the rest of the year, reflecting SAB's traditionally conservative corporate banking strategy.

On margins, Saudi Awwal Bank continued to face pressure from lower interest rates and a conscious buildup of higher-cost funding to strengthen liquidity. Management noted that corporate loan repricing benefits are expected to come through more meaningfully in H2 2026, while reducing the fixed-rate investment book has improved the bank's sensitivity to future rate hikes. Fee income also remained soft due to regulatory changes, higher card-related program costs, and weaker cross-border spending, although underlying non-trade fee income was broadly stable.

We have applied a 10% premium to our base valuation, as we see a significant disconnect between current trading multiples and fundamental performance. SAB continues to trade at a 38% discount to the industry average P/B, despite delivering the sector's highest loan growth CAGR. We believe this valuation floor is unsustainable given the bank's superior asset-side momentum and market share gains.

### Key developments to monitor going forward

The pace and magnitude of corporate loan repricing will be the single most important driver of NIM recovery in H2 2026. Management has guided that repricing only began in Q4 2025 and that a three-to-six-month roll through the book is typical, meaning the second quarter will provide a meaningful read on whether the margin expansion thesis is tracking as expected or running behind schedule.

The trajectory of fee income needs close monitoring as Q2 will be the first full-quarter impact of SAMA's consumer regulation changes. While management has guided to a SAR 100–250 million annual headwinds, the ability to offset this through higher retail volumes, merchant acquiring momentum, and trade fees will determine whether the cost efficiency ratio can recover from its Q1 elevation back toward guidance levels.

Key Financials - SAR Mn	Q1 2026	Q4 2025	% Q-o-Q	Q1 2025	%Y-o-Y
Operating income	3,612	3,551	2%	14,724	-75%
Fee Income	219	267	-18%	363	-40%
Net Income	2,086	2,126	-2%	8,452	-75%
EPS	0.94	1.00	-6%	0.98	-4%
Loans and advances	306,906	298,627	3%	278,836	10%
Customer deposits	331,411	323,274	3%	290,440	14%
NSCI margin (%)	2.53	2.59	(6 bps)	2.83	(30 bps)
Cost-to-income ratio	30.50%	31.90%	(140 bps)	29.60%	90 bps

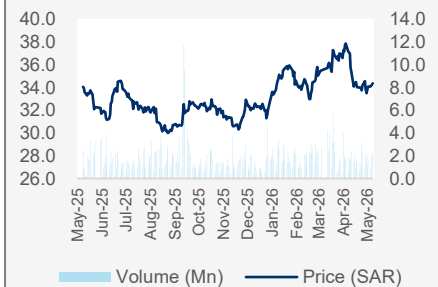
Source: Kamco Invest Research, SAB

## Outperform

CMP 20-May-2026: SAR 34.36

Target Price: SAR 38.29

Upside: 11.4%



Price Perf:	1M	3M	12M
Absolute	-7.4%	1.6%	3.2%
Relative	-4.0%	1.3%	3.3%

Source: Kamco Invest Research, Refinitiv

### Stock Data

Bloomberg Ticker	SABB:AB
Last Price (SAR)	34.36
MCap (SAR Mn)	70,603
MCap (USD Mn)	18,815
Stock Performance - YTD	5.5%
P/TB – FY-2026E (x)	1.1
P/E – FY-2026E (x)	7.8
Dividend Yield – 2025 (%) *	5.9
52-Week Range (SAR)	29.9/37.92

Source: Kamco Invest Research, Refinitiv

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