Al Rajhi Bank

Results Flash Note Q2-26

Lower effective Zakat/tax rate accentuated bottom line growth; sizable increase recorded in bad loan charge.

ALRAJHI bank reported, in line with expectations, net profit of SAR 7,012mn up 14.0% Y/Y (up 3.9% Q/Q). The bottom line was supported by lower effective zakat/tax rate which stood at 7.7% in Q2-26 vs 10.2% in same period last year, on a pre zakat/tax basis earnings were up 10.9% Y/Y (+2.3% Q/Q). NSCI grew by 13.7% Y/Y and -1.2% Q/Q to SAR 8,307mn in Q2-26 (-3.5% deviation to AJBC estimate of SAR 8,605mn). While non-commission income was recorded at SAR 2,577mn up 12.2% Y/Y (+ 21.4% Q/Q) and 16.7% above AJBC estimate of SAR 2,209mn. Cost-to-income ratio declined by 31bps Y/Y (down 133bps Q/Q) to 22.0% in Q2-26 (AJBC estimate 23.5%). Loan franchise remains healthy with NPL ratio of 0.74% and NPL coverage ratio of 153%.

- **ALRAJHI bank** reported, in line with expectations, net profit of SAR 7,012mn up 14.0% Y/Y (up 3.9% Q/Q), the deviation was just +2.7% and +2.2% to AJBC and consensus earning estimate of SAR 6,830mn and SAR 6,859mn, respectively. The net profit was supported by lower effective zakat/tax rate which stood at 7.7% in Q2-26 vs 10.2% in same period last year, on a pre zakat/tax basis earnings were up 10.9% Y/Y (+2.3% Q/Q). Though net income aligns with AJBC forecast, non-funded income and provision expense had notable deviation of +16.7% and +35.5% respectively.
- **NSCI** grew by 13.7% Y/Y and -1.2% Q/Q to SAR 8,307mn in Q2-26 (-3.5% deviation to AJBC estimate of SAR 8,605mn). NIMs declined by 8bps Q/Q (up 33bps Y/Y) to 3.46%. While non-commission income was recorded at SAR 2,577mn up 12.2% Y/Y (+ 21.4% Q/Q) and 16.7% above AJBC estimate of SAR 2,209mn. Total operating income was recorded at SAR 10,884mn (up 13.3% and 3.4% Y/Y and Q/Q); +0.7% deviation to AJBC estimate.
- **Operating expenses** (excluding debt provisions) totaled at SAR 2,395mn up 11.8% Y/Y (down 2.5% on Q/Q basis), 5.6% lower than AJBC estimate of SAR 2,538mn. Cost-to-income ratio declined by 31bps Y/Y (down 133bps Q/Q) to 22.0% in Q2-26 (AJBC estimate 23.5%).
- **Provision expenses** increased by 46.9% Y/Y to SAR 881mn (+39.7% on a sequential basis), 35.5% above AJBC estimate of SAR 650mn. Cost-of-risk stood at 46bps in Q2-26 as compared to 32bps in Q2-25. Loan franchise remains healthy with NPL ratio of 0.74% and NPL coverage ratio of 153%.
- **Loan book** expanded by 2.7% Y/Y (+1.1% Q/Q) to SAR 762bn in Q2-26, 0.5% lower than our estimate of SAR 766bn. Meanwhile, deposits grew 3.6% Y/Y (+1.4% Q/Q) to SAR 688bn, as compared to our estimate of SAR 689bn. The regulated LDR ratio increased to 82.8% in Q2-26 from 82.5% in Q2-25 (82.6% in Q1-26).
- **Tier 1** and total capital adequacy ratios improved by 2.4/3.4% Y/Y to 21.7% and 23.5%, respectively.

AJC view and valuation: Alrajhi's bottom line growth in Q2-26 was supported by a lower effective tax rate. Though earnings were in line with expectations, they were supported by unusual increase in non-funded income. Moreover, performance on the yield income and provision side was worse than expectations. Alrajhi trades at 2026E PB of 3.2x vs Saudi banking sector PB of 1.7x; we believe the positives are reflected in the price, we reiterate our "**Neutral**" rating with unchanged TP of **SAR 71.3/share.**

Results Summary

SAR mn	Q2-25	Q1-26	Q2-26	Change Y/Y	Change Q/Q	Deviation from AJC Estimates
Net financing & investment income	7,305	8,405	8,307	13.7%	-1.2%	-3.5%
Non-commission income	2,298	2,124	2,577	12.2%	21.4%	16.7%
Total Operating income	9,603	10,528	10,884	13.3%	3.4%	0.7%
Provisions	(600)	(631)	(881)	46.9%	39.7%	35.5%
Net Profit	6,151	6,752	7,012	14.0%	3.9%	2.7%
EPS	0.98	1.06	1.13	-	-	-
Deposits	664,687	678,734	688,359	3.6%	1.4%	-0.2%
Loans	741,715	753,730	762,096	2.7%	1.1%	-0.5%
Investments	182,543	174,304	176,269	-3.4%	1.1%	0.3%

Source: Company Reports, AlJazira Capital Research

Recommendation	Neutral
Target Price (SAR)	71.3
Upside / (Downside)*	+9.4%

Source: Tadawul *prices as of 20th of July 2026

Key Financials

SARmn (unless specified)	FY23	FY24	FY25
NSCI	21,269	24,843	29,846
Growth %	-4.1%	16.8%	20.1%
Oper. income	27,531	32,055	39,094
Growth %	-3.7%	16.4%	22.0%
Net profit	16,621	19,731	24,792
Net profit (adj for Tier 1)	15,800	18,695	23,400
Growth %	-6.8%	18.3%	25.2%
EPS (adj for Tier 1)	2.63	3.11	3.90
DPS	1.50	1.67	1.67

Source: Company reports, Aljazira Capital Research

Key Ratios

	FY23	FY24	FY25
NIMs	3.0%	3.1%	3.2%
P/E (x)	21.9	23.0	16.7
P/B (x)	3.2	4.3	3.5
Dividend Yield	2.1%	2.3%	2.6%
ROA	2.0%	2.1%	2.2%
ROE	18.2%	19.7%	21.1%
Loans growth	4.6%	16.7%	8.6%
Deposit growth	1.4%	9.6%	1.9%

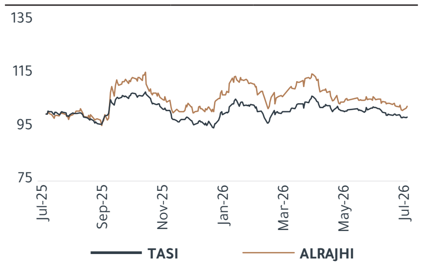
Source: Company reports, Aljazira Capital Research

Key Market Data

Market Cap(bn)	391.2
YTD%	0.3%
52 week (High)/(Low)	75.3/60.1
Share Outstanding (mn)	6,000

Source: Company reports, Aljazira Capital

Price Performance



Source: Tadawul, Aljazira Capital

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RESEARCH DIVISION

AlJazira Capital, the investment arm of Bank AlJazira, is a Shariaa Compliant Saudi Closed Joint Stock company and operating under the regulatory supervision of the Capital Market Authority. AlJazira Capital is licensed to conduct securities business in all securities business as authorized by CMA, including dealing, managing, arranging, advisory, and custody. AlJazira Capital is the continuation of a long success story in the Saudi Tadawul market, having occupied the market leadership position for several years. With an objective to maintain its market leadership position, AlJazira Capital is expanding its brokerage capabilities to offer further value-added services, brokerage across MENA and International markets, as well as offering a full suite of securities business.

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.