

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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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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