

Bank records double digit earnings growth driven by 38bps Y/Y improvement in NIMs, despite flat non-funded income and higher CoR

Alrajhi bank's (ALRAJHI) net profit grew by 14.3% Y/Y to SAR 6,752mn in Q1-26, exceeding AJBC and consensus estimate by 4.0% and 4.4%, respectively. The deviation to our estimate is mainly owed to lower operating expenses, which is most likely due to lower depreciation and Other G&A expense. The improvement in earnings is mainly owed to 18.4% Y/Y expansion in NSCI to SAR 8,405mn, on the back of 38bps Y/Y expansion in NIMs to 3.54%. Loan book expanded by 4.3% Y/Y to SAR 753.7bn in Q1-26, while deposits grew 3.3% Y/Y to SAR 678.7bn; balance sheet growth was slightly slower than AJBC expectations. Cost-of-risk stood at 33bps in Q1-26 as compared to 29bps in Q1-25. Tier 1 and total capital adequacy ratios improved by 1.8/2.3% Y/Y to 21.6% and 23.0%, respectively.

- **ALRAJHI bank** reported net profit of SAR 6,752mn up 14.3% Y/Y (up 5.9% Q/Q), the net income was 4.0% and 4.4% above AJBC and consensus earning estimate of SAR 6,492mn and SAR 6,470mn, respectively. The deviation to our estimate is mainly owed to lower operating expenses up 17.7% Y/Y and down 8.3% Q/Q (-8.7% deviation to AJBC estimate of SAR 2,690mn). On a Q/Q basis decline in OPEX is mainly due to lower depreciation and other general & administrative expenses.
- **NSCI** grew by 18.4% Y/Y and 3.1% Q/Q to SAR 8,405mn in Q1-26 (+1.2% deviation to AJBC estimate of SAR 8,307mn). While non-commission income was recorded at SAR 2,260mn up 0.9% Y/Y (down 6.0% Q/Q) and 6.9% below AJBC estimate of SAR 2,280mn. Total operating income was recorded at SAR 10,528mn (up 14.4% and 1.1% Y/Y and Q/Q); -0.6% deviation to AJBC estimate.
- **Operating expenses** (excluding debt provisions) totaled at SAR 2,457mn up 17.7% Y/Y (down 8.3% on Q/Q basis), sizably lower than AJBC estimate of SAR 2,690mn. Cost-to-income ratio increased by 64bps Y/Y (down 241bps Q/Q) to 23.3% in Q1-26 (AJBC estimate 25.4%).
- **Provision expenses** increased by 20.2% Y/Y to SAR 631mn (+0.8% on a sequential basis), 2.9% below AJBC estimate of SAR 650mn. Cost-of-risk stood at 33bps in Q1-26 as compared to 29bps in Q1-25. Loan franchise remains healthy with NPL ratio of 0.77% and NPL coverage ratio of 150%.
- **Loan book** expanded by 4.3% Y/Y (+0.1% Q/Q) to SAR 753.7bn in Q1-26, 1.9% lower than our estimate of SAR 768.1bn. Meanwhile, deposits grew 3.3% Y/Y (+1.7% Q/Q) to SAR 678.7bn, as compared to our estimate of SAR 683.9bn. The regulated ADR ratio declined to 82.6% in Q1-26 from 84.9% in Q1-25 (82.8% in Q4-25).
- **Tier 1** and total capital adequacy ratios improved by 1.8/2.3% Y/Y to 21.6% and 23.0%, respectively.

AJC view and valuation: Alrajhi bank delivered strong set of results in Q1-26 posting net income of SAR 6,752mn up 14.3% Y/Y (up 5.9% Q/Q). The improvement in earnings is mainly owed to 18.4% Y/Y expansion in NSCI to SAR 8,405mn, on the back of 38bps Y/Y expansion in NIMs to 3.54%. The aforementioned improvement in net income comes despite flat non-commission income and higher cost to income and CoR. Alrajhi trades at 2026E PB of 3.8x vs Saudi banking sector PB of 1.7x and its long-term average of 4.0x, hence 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	Q1-25	Q4-25	Q1-26	Change Y/Y	Change Q/Q	Deviation from AJC Estimates
Net financing & investment income	7,097	8,150	8,405	18.4%	3.1%	1.2%
Non-commission income	2,103	2,260	2,123	0.9%	-6.0%	-6.9%
Total Operating income	9,200	10,409	10,528	14.4%	1.1%	-0.6%
Net Profit	5,910	6,375	6,752	14.3%	5.9%	4.0%
EPS	0.98	1.06	1.13	-	-	-
Deposits	657,179	667,288	678,734	3.3%	1.7%	-0.8%
Loans	722,785	752,760	753,730	4.3%	0.1%	-1.9%
Investments	178,973	175,462	174,304	-2.6%	-0.7%	-2.6%

Source: Company Reports, Aljazira Capital Research

Recommendation	Neutral
Target Price (SAR)	71.3
Upside / (Downside)*	-0.1%

Source: Tadawul *prices as of 20th of April 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)	21.9x	23.0x	16.7x
P/B (x)	3.2x	4.3x	3.5x
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)	439.5
YTD%	9.8%
52 week (High)/(Low)	75.3/58.5
Share Outstanding (mn)	6,000

Source: Company reports, Aljazira Capital

Price Performance



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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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