

Al Rajhi Bank 2Q26 Earnings Summary

RJHI's Y/Y net income growth was in double-digits in 2Q26 even as provisioning stepped up materially. The cost-of-risk (CoR) approached the upper end of the guidance range coming in at 0.39%. NSCI rose sharply Y/Y led by higher NIM, which more than offset the slower than expected loan growth. The Q/Q decline in NIM was steeper than we had anticipated, though some unwinding had been expected. Non-interest income was the standout this quarter, rising strongly both Q/Q and Y/Y on stronger banking fees and exchange income, a positive sign. This non-yield trend mirrors what we have observed across the sector, with the Q/Q figure coming in stronger due to the impact of the fee regulations seen in 1Q26. RJHI delivered positive jaws of 158bps in 1Q26, in line with its cost-efficiency targets; however, a seasonal cost impact in 1Q26 has left 1H26 with a negative jaws ratio, which we expect to be corrected in 2H26.

RJHI has delivered the sector's best performance this quarter, with positive signals across all KPIs barring the CoR. We believe the lower oil prices seen toward the end of the quarter may have prompted the ECL model to call for additional provisioning. It would be worth hearing management's commentary on the path forward.

Rating and Target Price:

We are Hold rated on RJHI with a target price of SAR 74.5 (16.4% upside).

Results vs. Consensus:

- Total income was in line with estimates.
- Net income was in line with estimates.

Key highlights

- NSCI rose 13.7% Y/Y but fell 1.2% Q/Q to SAR 8.31bn. The Y/Y increase was driven by increase of 15% and 3% in net financing and investment income, respectively. The Q/Q decline is due to 3% lower net financing income, partly offset by 10% growth in net investment income.
- Reported NIM fell 8bps Q/Q but rose 33bps Y/Y to 3.46% in 2Q26.
- NII rose 12% Y/Y and 21% Q/Q to SAR 2.58bn. The Y/Y growth was driven by fee and exchange income, partly offset by lower other operating income. Q/Q rise came from higher other operating, fee, and exchange income.
- Total operating income rose 13% Y/Y and 3% Q/Q to SAR 10.88bn in the quarter.
- Operating expenses, ex provisions, rose 12% Y/Y but fell 3% Q/Q to SAR 2.40bn led by higher G&A and employee-related expenses, partly offset by a lower D&A charge Y/Y, while Q/Q fall came from lower employee and D&A, partly offset by higher G&A expenses. Consequently, the reported cost-to-income ratio (CIR), ex provisions, eased 31bps Y/Y and 134bps Q/Q to 22.0%.
- Credit impairment provisions rose 47% Y/Y and 40% Q/Q to SAR 881mn. The Y/Y increase is due to 36% rise in the gross impairment charge, partly offset by a 26% rise in recoveries from previously written-off financing. The Q/Q increase is due to 32% rise in the gross charge, partly offset by a 25% rise in recoveries. Cost of risk rose 14bps Y/Y and 13bps Q/Q to 0.46%.
- Net income rose 14.0% Y/Y and 3.9% Q/Q to SAR 7.01bn in 2Q26. In 1H26 it rose 14% Y/Y led by an NSCI driven (+16%) growth in total income (+14%), partially offset by higher opex (+15%) and impairments (+34%)
- Lending assets rose 3% Y/Y and 1% Q/Q to SAR 762.1bn, while customer deposits rose 4% Y/Y and 1% Q/Q to SAR 688.4bn. Subsequently, headline LDR eased 88bps Y/Y and 34bps Q/Q to 110.7%.
- Total assets were up 2% Y/Y (flat Q/Q) to SAR 1.05tn, with loans and advances growth partly offset by decline in the investment book (-4% Y/Y, +1% Q/Q).
- Core interest-earning assets rose 2% Y/Y and 1% Q/Q, accounting for 88.8% of total assets in 2Q26, down 28bps Y/Y but up 68bps Q/Q.



- Reported RoE fell 21bps Y/Y but rose 77bps Q/Q to 23.69%, while RoA rose 28bps Y/Y and 10bps Q/Q to 2.68%.
- Shareholders' equity rose 14% Y/Y but was flat Q/Q at SAR 152.4bn.
- Balance sheet leverage was relatively stable at 6.92x in 2Q26, vs. 6.89x in 1Q26 and 7.73x in 2Q25.

2Q26 Snapshot:

SAR mln	2Q26	1Q26	2Q25	2Q23	Q/Q %	Y/Y %	3-yr CAGR/bps	1H26	1H25	Y/Y %
Net income from Financing	7,290	7,480	6,322	4,661	-3%	15%	16%	14,770	12,518	18%
Net income from Investments	1,017	925	983	533	10%	3%	24%	1,942	1,884	3%
Net Interest Income	8,307	8,405	7,305	5,194	-1%	14%	17%	16,712	14,402	16%
Non-Interest Income	2,577	2,123	2,298	1,633	21%	12%	16%	4,701	4,401	7%
Total Income	10,884	10,528	9,603	6,827	3%	13%	17%	21,413	18,803	14%
Operating Expenses	2,395	2,457	2,143	1,840	-3%	12%	9%	4,852	4,231	15%
Total provisions	881	631	600	360	40%	47%	35%	1,512	1,125	34%
Income before Zakat	7,609	7,440	6,860	4,627	2%	11%	18%	15,049	13,447	12%
Net Income	7,012	6,752	6,151	4,150	4%	14%	19%	13,764	12,057	14%
EPS	1.17	1.13	1.03	0.69	4%	14%	19%	2.29	2.01	14%
Assets	1,054,772	1,051,268	1,035,852	783,930	0%	2%	10%	1,054,772	1,035,852	2%
Investments	174,999	173,081	181,449	120,548	1%	-4%	13%	174,999	181,449	-4%
Loans & Advances	762,096	753,730	741,715	579,080	1%	3%	10%	762,096	741,715	3%
Deposits	688,359	678,734	664,687	570,665	1%	4%	6%	688,359	664,687	4%
Shareholders' Equity	152,417	152,507	133,930	103,187	0%	14%	14%	152,417	133,930	14%
Reported RoE (%)	23.69	22.92	23.90	NA	77 bps	-21 bps	NA	23.3	23.5	-20 bps
Reported RoA (%)	2.68	2.58	2.40	NA	10 bps	28 bps	NA	2.6	2.4	25 bps
Simple LDR (%)	110.7	111.0	111.6	101.5	-34 bps	-88 bps	924 bps	110.7	111.6	-88 bps
Assets to Equity (x)	6.92	6.89	7.73	7.60	0%	-11%	-3%	6.92	7.73	-11%
Cost of Risk	0.46	0.33	0.32	0.25	13 bps	14 bps	21 bps	0.39	0.31	08 bps

SAR mln unless otherwise specified	2Q26	1Q26	2Q25	2Q23	Q/Q %	Y/Y %	3-yr CAGR/bps	1H26	1H25	Y/Y %
Core Interest Earning Assets (CIEA)	937,095	926,811	923,164	699,628	1%	2%	1%	937,095	923,164	2%
Reported NIM (%)	3.46	3.54	3.13	NA	-08 bps	33 bps	NA	3.50	3.14	36 bps
Cost/Income (%)	22.0	23.3	22.3	27.0	-134 bps	-31 bps	-495 bps	22.7	22.5	16 bps
CIEA to total Assets (%)	88.8	88.2	89.1	89.2	68 bps	-28 bps	-40 bps	88.8	89.1	-28 bps

Source: Company Announcement



Rating Framework

Buy

Shares of the companies under coverage in this report are expected to outperform relative to the sector or the broader market.

Hold

Shares of the companies under coverage in this report are expected to perform in line with the sector or the broader market.

Sell

Shares of the companies under coverage in this report are expected to underperform relative to the sector or the broader market.

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Head Office

8092 King Fahd Road | Riyadh 12313-3735 | Kingdom of Saudi Arabia

Mailing Address

P.O. Box 23454 Riyadh 11426 | Kingdom of Saudi Arabia

Tel: +966 11 282 6666 | 800 125 9999

www.bsfcapital.sa

