

Result update

Al Rajhi Bank

Sector : Banking

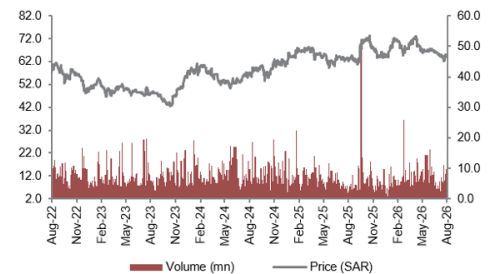
BUY

12 August 2026

Target price (SAR) 75.0

Current price (SAR) 64.1

Return 17.0%



Exchange Saudi Arabia
Index weight (%) 14.6%

(mn)	SAR	USD
Market Cap	384,600	102,432
Total Assets	1,043,268	277,857

Major shareholders

Vanguard Group Inc	2.24%
Al Rajhi Abdullah	2.18%
Blackrock Inc	1.76%
Others	93.82%

Valuation Summary (TTM)

Price (SAR)	64.10
PER TTM (x)	15.4
P/Book (x)	3.2
Dividend Yield (%)	2.6
Free Float (%)	94%
Shares O/S (mn)	6,000
YTD Return (%)	-1%
Beta	1.1

Key ratios	2023	2024	2025
EPS (SAR)	2.63	3.11	3.90
BVPS (SAR)	15.04	16.58	19.14
DPS (SAR)	1.53	1.60	1.47
Payout ratio (%)	58%	51%	38%

Price performance (%)	1M	3M	12M
Al Rajhi Bank	-2%	-4%	2%
Tadawul All Share Index	0%	-3%	0%

52 week	High	Low	CTL*
Price (SAR)	75.33	60.10	6.7

* CTL is % change in CMP to 52wk low

- ARB reported 2Q26 operating income of SAR 10.9bn, up 13% YoY and in line with our estimates. This was driven by 13.7% YoY growth in NII and 12.2% growth in non-interest income.
- 2Q26 net income also grew 14% YoY, 3% above our estimates, supported by higher operating profits and lower taxes, despite higher provisions.
- YTD net loans and deposits grew 1.2% and 3.2%, respectively. Management had revised its loan growth guidance from low-to-mid-single-digit growth to low-single-digit growth and increased its cost of risk guidance by 5bps at either end of the range to 0.35%-0.45%.
- We maintain our BUY rating and target price of SAR 75/share following in-line performance and despite a marginal moderation in guidance.

ARB's 2Q26 operating income rose 13% YoY, supported by 13.7% growth in NII and 12.2% growth in non-interest income. NII growth was driven by a 36bps YoY expansion in NIM to 3.50%, with retail NIMs expanding by 21bps, aided by asset repricing, while cost of funds improved by 14bps YoY. Sequentially, NIM declined marginally by 4bps, though improved by 36bps in 1H26, well within management's guidance of 30-40bps for 2026. Non-interest income growth was driven by a 17% YoY increase in core net fee and commission income, supported by sustained growth in payments, trade, cash management, investment banking, and assets under management. Further supporting fee income, FX income increased by 19% YoY. The share of non-interest income in total income remained steady at 23%. Operating expenses increased by 11.7% YoY, resulting in operating profit growth of 13.8% YoY. The CI ratio stood at 22% in 2Q26 and 22.7% in 1H26, well within the guidance of below 23% for 2026. For 1H26, operating income growth stood at 13.9% YoY.

Impairments increased 46.9% YoY in 2Q26 and 39.7% QoQ, resulting in an increase in the cost of risk to 0.39%. Management increased its 2026 cost of risk guidance by 5bps at either end of the range to 0.35%-0.45%. For 1H26, the impairment charge increased by 34% YoY, driven by higher charges in the non-retail segment, even as charges in the retail segment declined. Management clarified that the increase in provisions in the non-retail segment was not driven by giga projects and was largely due to change in ECL model. Higher operating profit and a decline in the effective tax rate were partly offset by higher provisions, resulting in 14% YoY net income growth in 1H26.

YTD net loans and deposits increased by 1.2% and 3.2%, respectively. Muted loan growth was driven by a decline in the retail loan book, partly offset by growth in the corporate segment, including higher corporate and SME exposure. Within the retail segment, mortgage and other retail loans declined. The retail loan book now constitutes 62.6% of total loans in 2Q26, versus 66.1% a year ago. Deposit growth of 3.2% was driven by increase in both time and demand deposits. Demand deposits now account for 63.2% of total deposits in 2Q26, versus 64.3% a year ago. NPLs remained steady at 0.74% in 2Q26.

Valuation: ARB's operating income was in line with expectations, while net income was marginally ahead. Management has made minor adjustments to its loan growth and cost of risk guidance. We maintain our BUY rating and target price of SAR 75/share. The stock currently trades at 13.8x 2026E P/E and 2.9x P/B, and offers a dividend yield of 3%.

in SAR mn	2Q26	1Q26	QoQ (%)	2Q25	YoY (%)	1H26	1H25	YoY (%)
Operating Income	10,884	10,528	3.4%	9,603	13.3%	21,413	18,803	13.9%
Operating Expenses	-2,395	-2,457	-2.6%	-2,143	11.7%	-4,852	-4,231	14.7%
Operating Profit	8,490	8,071	5.2%	7,460	13.8%	16,561	14,572	13.7%
Provision Expenses	-881	-631	39.7%	-600	46.9%	-1,512	-1,125	34.4%
Profit before tax	7,609	7,440	2.3%	6,860	10.9%	15,049	13,447	11.9%
Zakat & Tax	-583	-677	-13.9%	-699	-16.6%	-1,260	-1,376	-8.4%
Profit after tax	7,026	6,763	3.9%	6,161	14.0%	13,789	12,071	14.2%
Profit attributable to Equity holders	7,012	6,752	3.9%	6,151	14.0%	13,764	12,057	14.2%
Loan Book	762,096	753,730	1.1%	741,715	2.7%	762,096	741,715	2.7%
Deposits	688,359	678,734	1.4%	664,687	3.6%	688,359	664,687	3.6%
Total Equity (Excl tier 1 bond)	120,823	120,900	-0.1%	105,105	15.0%	120,823	105,105	15.0%
Cost to Income ratio	22.0%	23.3%		22.3%		22.7%	22.5%	
NPL Ratio	0.74%	0.77%		0.74%		0.74%	0.74%	
Net Loan to deposits	110.7%	111.0%		111.6%		110.7%	111.6%	

Income Statement (SAR mn)	2023	2024	2025	2026e	2027e	2028e	2029e
Net income from loans and investment	21,269	24,843	29,846	33,330	36,093	37,542	39,482
Net fee income	4,226	4,693	5,869	7,010	7,313	9,288	9,459
Other income	2,037	2,520	3,379	3,421	3,636	3,871	4,134
Total income	27,531	32,055	39,094	43,761	47,042	50,700	53,075
Operating expenses	-7,498	-7,971	-9,127	-9,774	-10,670	-11,206	-11,699
Profit before impairments	20,033	24,085	29,967	33,986	36,372	39,494	41,376
Impairments	-1,504	-2,117	-2,320	-2,867	-3,228	-3,508	-3,590
Profit before tax	18,529	21,968	27,646	31,119	33,144	35,987	37,786
Tax	-1,908	-2,237	-2,822	-3,174	-3,381	-3,671	-3,854
Profit after tax	16,621	19,731	24,825	27,945	29,764	32,316	33,931

Balance Sheet (SAR mn)	2023	2024	2025	2026e	2027e	2028e	2029e
Cash and statutory deposits	41,768	53,245	54,005	70,048	71,729	68,184	75,587
Due to financial institutions	9,507	19,530	26,941	27,999	28,975	30,012	30,807
Investments - Net	133,376	175,034	174,305	181,155	187,467	194,179	199,321
Financing - Net	594,205	693,410	752,760	780,936	806,566	833,860	854,119
PP&E and right to use assets	12,853	15,275	15,740	13,320	11,273	9,540	8,073
Other assets	16,391	15,952	19,518	21,008	20,802	21,630	21,834
Total Assets	808,098	972,444	1,043,268	1,094,467	1,126,812	1,157,405	1,189,742

Liabilities and Equity

Liabilities

Due to banks and other FI	97,247	117,677	117,284	120,941	123,736	135,116	137,464
Customer deposits	573,101	654,989	667,288	695,562	708,624	707,560	717,752
Other liabilities	30,991	76,639	115,785	119,042	118,478	120,239	120,596
Total liabilities	701,339	849,305	900,356	935,545	950,838	962,915	975,813

Equity

Share capital	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Reserves	50,259	59,479	74,854	90,827	107,840	126,312	145,708
Total shareholders' equity	90,259	99,479	114,854	130,827	147,840	166,312	185,708
Tier 1 Sukuk	16,500	23,554	27,908	27,908	27,908	27,908	27,908
Total Equity	106,759	123,139	142,912	158,923	175,975	194,489	213,929
Total liabilities and equity	808,098	972,444	1,043,268	1,094,467	1,126,812	1,157,405	1,189,742

Cash Flows (SAR mn)	2023	2024	2025	2026e	2027e	2028e	2029e
Cash from operations	27,423	33,651	(22,373)	26,300	12,860	8,616	20,677
Cash from investments	(34,300)	(41,743)	(1,564)	(170)	(170)	(170)	(170)
Cash from financing	(6,886)	19,756	36,302	(11,935)	(12,711)	(13,802)	(14,491)
Net changes in cash	(13,764)	11,665	12,365	14,195	(21)	(5,356)	6,016
Cash balance	12,436	24,100	36,465	50,660	50,639	45,283	51,298

Ratios	2023	2024	2025	2026e	2027e	2028e	2029e
Operating performance							
NIM	2.9%	2.9%	3.2%	3.5%	3.6%	3.7%	3.8%
NII to total income	77.3%	77.5%	76.3%	76.2%	76.7%	74.0%	74.4%
Fee income to total income	15.3%	14.6%	15.0%	16.0%	15.5%	18.3%	17.8%
Other income to total income	7.4%	7.9%	8.6%	7.8%	7.7%	7.6%	7.8%
Cost to income ratio	27.2%	24.9%	23.3%	22.3%	22.7%	22.1%	22.0%
Liquidity							
Deposits to total funding	73.4%	70.2%	66.2%	65.9%	65.1%	63.3%	62.5%
Market funds to total funding	15.1%	19.1%	22.3%	21.7%	21.3%	21.7%	21.3%
Loans to deposits	103.7%	105.9%	112.8%	112.3%	113.8%	117.8%	119.0%
Investments and cash to total assets	21.7%	23.5%	21.9%	23.0%	23.0%	22.7%	23.1%
Asset quality							
Cost of risk	0.3%	0.3%	0.3%	0.4%	0.4%	0.4%	0.4%
NPL	0.7%	0.8%	0.7%	0.8%	0.9%	1.0%	1.1%
NPL coverage	203.0%	159.4%	152.5%	156.3%	160.9%	163.1%	167.4%
Stage 1 ratio	96.5%	96.9%	96.9%	96.9%	96.8%	96.8%	96.8%
Stage 2 ratio	2.3%	2.0%	2.1%	2.0%	1.9%	1.8%	1.7%
Stage 3 ratio	1.2%	1.1%	1.0%	1.1%	1.3%	1.4%	1.5%
Stage 1 coverage	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
Stage 2 coverage	12.2%	12.0%	10.6%	10.6%	10.6%	10.7%	10.8%
Stage 3 coverage	60.4%	54.8%	55.5%	65.4%	75.1%	82.3%	90.0%
Impairment coverage	13.3	11.4	12.9	11.9	11.3	11.3	11.5
Provisions to gross loans	1.4%	1.2%	1.1%	1.3%	1.5%	1.7%	1.9%
Capital adequacy							
Equity to total assets	11.2%	10.2%	11.0%	12.0%	13.1%	14.4%	15.6%
Tier 1	20.4%	19.3%	20.5%	21.8%	23.5%	25.3%	27.2%
Core Tier 1	17.2%	15.4%	16.3%	17.8%	19.7%	21.6%	23.6%
Total capital	21.5%	20.2%	21.9%	23.1%	24.8%	26.6%	28.4%
Return ratios							
ROA	2.1%	2.0%	2.4%	2.6%	2.6%	2.8%	2.9%
ROE	18.4%	19.8%	21.6%	21.4%	20.1%	19.4%	18.3%
Return on RWA	3.2%	3.2%	3.7%	4.0%	4.1%	4.3%	4.4%
Per share ratios							
EPS	4.2	4.9	6.2	4.7	5.0	5.4	5.7
BVPS	22.6	24.9	28.7	21.8	24.6	27.7	31.0
DPS	2.3	2.7	2.5	2.0	2.1	2.3	2.4
Valuation							
M.Cap (SAR mn)	348,000	378,400	390,000	384,600	384,600	384,600	384,600
P/E	20.9	19.2	15.7	13.8	12.9	11.9	11.3
P/BV	3.9	3.8	3.4	2.9	2.6	2.3	2.1
Div. yield	2.6%	2.9%	2.6%	3.1%	3.3%	3.6%	3.8%

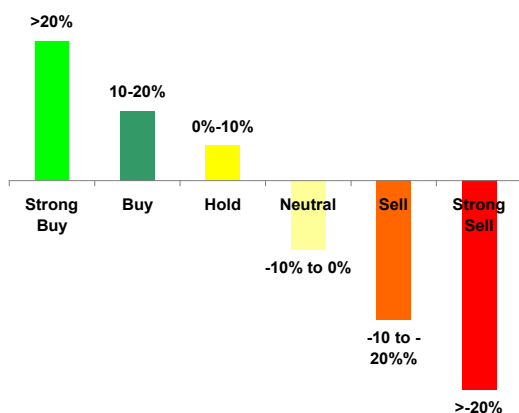
Key contacts

Research Team

Joice Mathew	Manna Thomas ACCA	Contact Address
Sr. Manager - Research	Research Associate	P. O Box: 2566; P C 112
E-Mail: joice@usoman.com	Email: manna.t@usoman.com	Sultanate of Oman
Tel: +968 2476 3311	Tel: +968 2476 3347	Tel: +968 2476 3300

Rating Criteria and Definitions

Rating	Rating Definitions
Strong Buy	This recommendation is used for stocks whose current market price offers a deep discount to our 12-Month target price and has an upside potential in excess of 20%
Buy	This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 10% to 20%
Hold	This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 0% to 10%
Neutral	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between 0% to -10%
Sell	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between -10% to -20%
Strong Sell	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential in excess of 20%
Not rated	This recommendation used for stocks which does not form part of Coverage Universe



Disclaimer

This document is not for public distribution and has been furnished to you solely for your information and must not be reproduced or redistributed to any other person. Persons into whose possession this document may come are required to observe these restrictions. Opinion expressed is our current opinion as of the date appearing on this material only. We do not undertake to advise you as to any change of our views expressed in this document. While we endeavor to update on a reasonable basis the information discussed in this material, United Securities, its subsidiaries and associated companies, their directors and employees are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that prevent us from doing so. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein. The information in this document has been printed on the basis of publicly available information, internal data and other reliable sources believed to be true and are for general guidance only. While every effort is made to ensure the accuracy and completeness of information contained, the company takes no guarantee and assumes no liability for any errors or omissions of the information. No one can use the information as the basis for any claim, demand or cause of action.

Recipients of this material should rely on their own investigations and take their own professional advice. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult their own advisors to determine the merits and risks of such an investment. Price and value of the investments referred to in this material may go up or down. Past performance is not a guide for future performance. United Securities LLC, and affiliates, including the analyst who has issued this report, may, on the date of this report, and from time to time, have long or short positions in, and buy or sell the securities of the companies mentioned herein or engage in any other transaction involving such securities and earn brokerage or compensation or act as advisor or have other potential conflict of interest with respect to company/ies mentioned herein or inconsistent with any recommendation and related information and opinions. United Securities LLC and affiliates may seek to provide or have engaged in providing corporate finance, investment banking or other advisory services in a merger or specific transaction to the companies referred to in this report, as on the date of this report or in the past.