

Aljazira Takaful Taawuni Co. (HOLD, TP: SAR 11, 8012.SE) 1Q26 Results Review

Higher insurance service expenses and lower net investment income dented 1Q26 profitability Y/Y. Maintain HOLD.

Aljazira Takaful Taawuni Co. (JAZIRA TAKAFUL) reported net income of SAR 7mn (EPS: SAR 0.11) in 1Q26, compared with SAR 16mn in 1Q25 and SAR 5mn in 4Q25. Gross written premiums increased on a year-on-year basis, supported by strong growth in the P&C and life segments, but declined sequentially due to lower contributions from the P&S and medical segments. Insurance service revenue grew both Y/Y and Q/Q; however, higher insurance service expenses led to a weaker insurance service result on an annual basis. Sequentially, lower expenses supported an improvement in underwriting performance. Meanwhile, investment income declined both Y/Y and Q/Q, resulting in a lower net insurance and investment result compared with 1Q25 and 4Q25.

- GWP increased 8.3% Y/Y but declined 44.2% Q/Q to SAR 116mn in 1Q26. The Y/Y growth was driven by higher premiums in the P&C (+39% Y/Y), P&S (+13% Y/Y), while medical segment GWP remained flat, partially offset by a 3% decline in motor premiums. Sequentially, the decline was mainly due to a 68% drop in the P&S segment and a 12% decline in medical premiums, partly offset by growth in P&C (+32%) and motor (+11%).
- Insurance service revenue rose 17.7% Y/Y and 3.4% Q/Q. The annual increase was supported by a 20% rise in non-life and group life revenues, partially offset by a 1% decline in individual life revenue. On a quarterly basis, growth was driven by higher group life (+18%) and individual life (+8%) revenues, while non-life revenue declined by 1%.
- Insurance service result declined 46.0% Y/Y despite revenue growth, as insurance service expenses increased 57.2%, partially offset by a 49.7% decline in reinsurance expenses. On a quarterly basis, lower insurance service expenses (-3.8%) led to a 64.6% increase in the insurance service result. Consequently, insurance margins contracted by 1,060bps Y/Y but improved by 333bps Q/Q.
- Investment income recorded a loss of SAR 4.9mn in 1Q26, compared to gains of SAR 10.9mn in 1Q25 and SAR 10.8mn in 4Q25. Meanwhile, net insurance finance expense amounted to SAR 11.1mn as a result, net investment income declined to SAR 6.0mn, representing a decrease of 16.2% Y/Y and 50.7% Q/Q. Resultantly, net income stood at SAR 7mn in 1Q26, compared with SAR 16mn in 1Q25 and SAR 5mn in 4Q25.
- In 1Q26, all business segments underperformed, with the largest drag from the non-life segment, which recorded an insurance service loss compared to a profit in 1Q25. The life business, comprising both group and individual segments, also witnessed a decline in profitability; however, insurance service results remained positive. Despite the weaker quarterly performance, Aljazira Takaful remains well positioned to benefit from the structural growth of Saudi Arabia's Protection & Savings (P&S) market, a key focus area under the National Insurance Sector Strategy. The company's established franchise in life and savings products, coupled with continued growth in insurance service revenue, provides a solid platform for long-term expansion. While 1Q26 earnings were weighed down by higher insurance service expenses and lower investment income, underwriting performance improved sequentially. Looking ahead, increasing financial awareness and regulatory initiatives aimed at raising insurance penetration are expected to support growth in the P&S segment. Meanwhile, non-life performance is likely to remain under pressure in the near term due to seasonal factors, although conditions are expected to improve in 2H26, particularly in the motor segment as pricing competition continues to ease. Maintain Hold.

Rating and Risks

We have a HOLD rating on JAZIRA TAKAFUL with a 12-month price target of SAR 11. Upside risks include better-than-expected GWP growth, a significant improvement in the loss ratio and faster than expected progress on vertical integration. Downside risks include non-renewal of major insurance contracts, downgrading of policies by the clients, prolong cost pressures, and an abnormally high loss ratio.

SAR mln	1Q26	4Q25	1Q25	Q/Q %	Y/Y %
Gross written premium	116	208	107	-44.2%	8.3%
Insurance service revenue	98	95	84	3.4%	17.7%
Insurance service expense	-82	-85	-52	-3.8%	57.2%
Net expenses from reinsurance	-8	-5	-15	66.1%	-49.7%
Insurance service result	9	5	16	64.6%	-46.0%
Net investment income	6	12	7	-50.7%	-16.2%
Net insurance and investment result	15	18	24	-15.8%	-36.9%
Net Income	7	5	16	43.9%	-53.2%
EPS	0.11	0.08	0.24	43.9%	-53.2%
Insurance service margin %	9.0	5.6	19.6	333 bps	-1,060 bps
Investment book (SAR)	2,426	2,471	2,461	-1.8%	-1.4%
RoE (%) annualized	2.9	2.1	6.4	88 bps	-347 bps
RoA (%) annualized	1.0	0.7	2.1	29 bps	-110 bps

Rating Summary and Forecasts

Rating Summary

Rating	Hold
Market Price	12
12-month Target Price	11
Upside / Downside	-7%
Mkt Cap (SAR mn)	784
52 week High/Low	14.00/10.36

Forecasts

	12/25 A	12/26 E	12/27 E	12/28 E
Net Income (SAR mn)	40	59	75	91
PER (x)	19.7	13.4	10.5	8.6
PBV (x)	0.8	0.8	0.7	0.7
EPS (SAR)	0.6	0.9	1.1	1.4
DPS (SAR)	0.4	0.6	0.9	1.2
RoE (%)	4%	6%	7%	8%
Dividend Yield (%)	3.4%	5.2%	7.6%	9.8%

Price Chart

● TASI ● Aljazira



— TASI — JaziraTakaful

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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