

10 June 2026

Bank AlJazira

We initiate coverage on Bank AlJazira (BJAZ) with a Neutral stance, with a 2026e target price of SAR 12.2/share, reflecting an upside of 6.9% from current levels. The bank benefits from solid corporate-led financing growth (5-year net loan CAGR of 15.5%), ample liquidity headroom (LDR of 96.1% as of Dec-25), and a diversified earnings profile. These positives are balanced by ongoing margin pressure, a weak deposit mix, and a cost to income ratio of 52.4% for 2025, which remains the highest in the sector.

Strong loan growth, led by corporate portfolio. BJAZ has delivered healthy loan growth in line with, and recently above, sector trends, supported by strong demand for corporate financing. The financing portfolio expanded at a 5-year CAGR of 15.5% (2020-2025), outperforming sector CAGR of 13.1% over the same period. Growth has been predominantly corporate driven, with the corporate book expanding at a 5-year CAGR of 20.7%. While this reinforces BJAZ's positioning within the corporate segment, it also increases exposure to pricing competition and downward repricing risk once the easing cycle resumes, given the relatively higher sensitivity of corporate loans to benchmark rates.

Liquidity remains a key strength. The bank's liquidity position remains a key strength, with LDR levels consistently below sector averages. As of 1Q26, the bank's headline LDR stood at 92.2%, the lowest in the sector (sector LDR: 110.0%), providing flexibility to support incremental loan growth. However, this advantage is increasingly constrained by a deteriorating funding mix, as the CASA ratio declined to 41.3% in 1Q26 from 58.0% in 2020, raising reliance on higher-cost time deposits and exerting sustained pressure on funding costs.

Margin outlook remains challenged. Asset yields continue to trail sector averages despite a corporate-heavy book, reflecting competitive pricing and the bank's focus on volumetric loan growth. For 2025, BJAZ recorded an asset yield of 5.81%, 27 bps lower than the sector's yield of 6.08%. Notably, the bank's shift to fixed rate investments (82.0% of the portfolio as of Dec-25) offers some protection against yield compression but is unlikely to fully offset pressure on yields. Additionally, cost of funds has historically remained materially above sector average (4.13% in 2025 vs sector's 3.67% in 2025), reflecting increasing reliance of time deposits. This has led to BJAZ's NIM trailing sector averages. During 2025, NIM arrived at 2.03%, 99 bps below the sector's margins of 3.02%.

High contribution from non-interest income. BJAZ's contribution from non-interest income to total operating income remains one of the highest in the sector. Non-interest income accounted for 32.8% of operating income in 2025, well above the sector's average contribution of 23.9%, supporting earnings diversification. While the bank's 5-year non-interest income growth CAGR of 10.3% lags the sector's 13.7% growth, the bank has recently witnessed an improvement in non-interest income growth driven by recovery in fee and exchange-related income. Notably, during 2025, BJAZ reported a 27.9% YoY increase in non-interest income, compared to the sector's 19.4% YoY growth.

Valuation: We issue a 'Neutral' stance on Bank AlJazira, based on 2026e target price of SAR 12.2/share. Based on our assumptions of sustainable RoAE of 11.1%, a payout ratio of 50.0%, and implied growth of 5.5%, we derive a justified P/B of 1.0x. At current valuations, we find BJAZ to be fairly valued, with an upside of 6.9% from the current price of SAR 11.5/share.

Risk: A softening in corporate credit demand could temper BJAZ's above-sector loan growth. Additionally, the bank continues to operate with the highest cost-to-income ratio in the sector.

RATING SUMMARY **NEUTRAL**

Target Price (SAR)	12.2
Upside/Downside (%)	6.9
Div. Yield (%)	4.4
Total Exp. Return (%)	11.3

Source: Company financials, anbc research

ISSUER INFORMATION

Bloomberg Code	BJAZ AB
Last Price (SAR)	11.5
No of Shares (mn)	1,281
Market Cap bn (SAR/USD)	14.7/3.9
52-week High / Low (SAR)	13.3/10.8
12-month ADTV (mn) (SAR/USD)	38.6/10.3
Free Float (%)	88.8
Foreign Holdings (%)	12.4

Close of 2nd Jun, 2026

VALUATIONS

	2025	2026e	2027f	2028f
EPS (SAR)	1.0	1.0	1.2	1.4
PER (x)	11.5	11.3	9.6	8.5
PBV (x)	1.0	0.9	0.9	0.9
DPS (SAR)	0.5	0.5	0.6	0.7
Div. Yield (%)	4.3	4.4	5.2	5.9
RoAE (%)	8.9	8.5	9.6	10.3
RoAA (%)	0.8	0.8	0.8	0.9

Source: Company financials, anbc research

FINANCIALS (SAR bn)

	2025	2026e	2027f	2028f
Oper. Income	4.5	4.9	5.3	5.7
Provisions	0.4	0.4	0.4	0.4
Net Income*	1.3	1.3	1.5	1.7
Investments	39.0	40.5	42.4	44.6
Loans	110.9	120.3	133.1	146.9
Deposits	115.4	123.2	135.1	148.0
NIM (%)	2.0	2.0	2.1	2.1

*After Sukuk cost

Source: Company financials, anbc research

RELATIVE PRICE PERFORMANCE



Source: Bloomberg, anbc research

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Investment Thesis

Healthy loan growth underpinned by corporate momentum

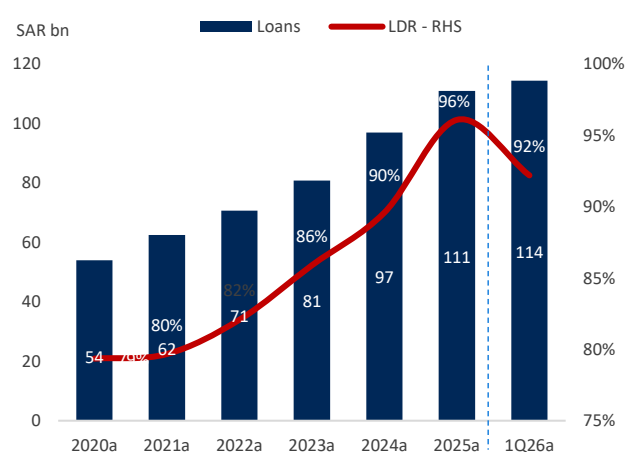
BJAZ’s loan book has demonstrated solid expansion in recent years, broadly mirroring the strong credit growth observed across the Saudi banking sector. This momentum has been underpinned by sustained demand for corporate financing, consistent with efforts under Vision 2030 to increase the contribution of non-oil activities to overall GDP. The bank’s financing portfolio grew at a 2020-2025 CAGR of 15.5% to SAR 110.9 bn, outperforming the industry’s loan growth CAGR of 13.1% over the same period.

This strong trajectory has been driven primarily by the expansion of the gross corporate loan book, which grew at a 5-year CAGR of 20.7% to SAR 73.4 bn in 2025, well above the sector average CAGR of 16.9% over the same period. The bank has strategically increased its emphasis on corporate lending, with the share of gross corporate loans rising from 51.1% of total financing in 2020 to 64.9% in 2025.

The bank’s liquidity position has historically remained strong, with LDR levels averaging 86.7% between 2021 and 2025, below the sector average of 105.4% during the same period. LDR rose to 96.1% in 2025, signaling an acceleration in credit deployment as liquidity buffers are drawn down to fund growth. However, it is still below the sector LDR of 112.7% at the end of 2025. This relatively conservative LDR profile positions the bank favorably, enabling it to capture incremental loan growth with fewer liquidity constraints compared to peers.

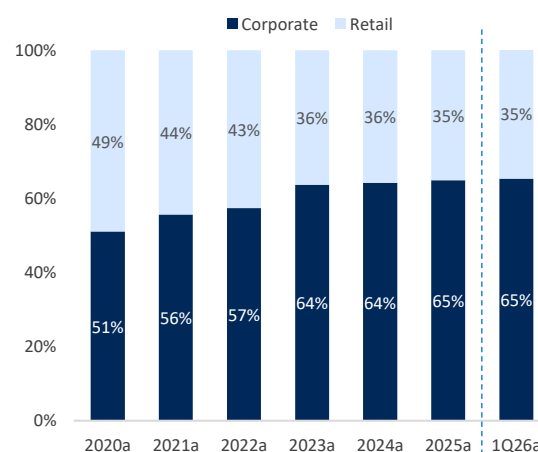
Given the bank’s healthy liquidity position, BJAZ was able to continue posting double digit loan growth in 1Q26, amid a slowdown across the sector. The bank’s loan book arrived at SAR 114.3 bn, up 13.6% YoY, compared to the sector loan growth of 8.2% YoY during the quarter. LDR for the quarter arrived at 92.2%, reflecting a 389 bps YTD decline.

Chart 73: Loan book and LDR



Source: Company financials, anbc research

Chart 74: Gross loan book mix



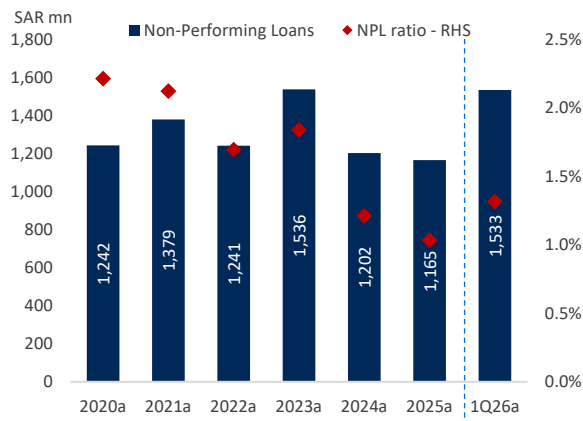
Source: Company financials, anbc research

The bank’s asset quality has remained broadly in line with the sector average. The NPL ratio averaged 2.2% in 2020-2021, above the sector average of 2.0%, before declining to 1.2% in 2024 and 1.0% in 2025, in line with sector’s ratio of 1.2% and 1.0% during 2024 and 2025, respectively.

NPL coverage remains robust, averaging 197.7% between 2021 and 2025, compared with the sector average of 169.1% during the same period. This higher level of provisioning provides a meaningful buffer against potential credit deterioration.

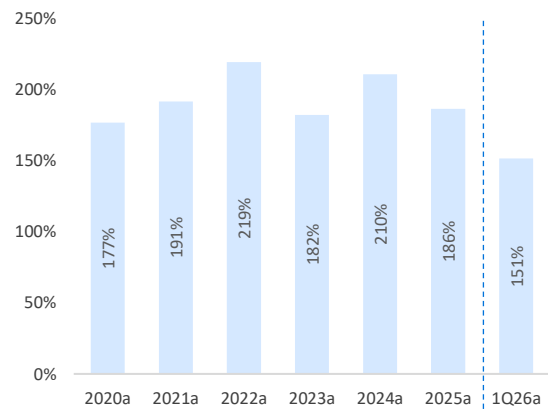
However, during 1Q26 NPL ratio rose to 1.3%, with NPL coverage declining to 151.2%. Although coverage remains adequate, the sequential decline in NPL coverage may indicate a slower pace of incremental provisioning relative to NPL growth. In the context of a moderating macro backdrop and a more cautious sector wide credit environment, the trajectory of impaired financing and provisioning adequacy will remain key areas to monitor going forward.

Chart 75: Non-performing loans - trend



Source: Company financials, anbc research

Chart 76: NPL coverage - trend



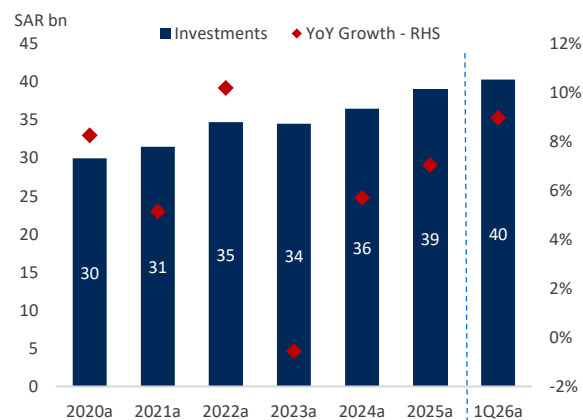
Source: Company financials, anbc research

Investment portfolio growth remains constrained

BJAZ’s investment book has expanded at a 5-year CAGR of 5.4% to reach SAR 39.0 bn in 2025, well below the industry average CAGR of 14.0% over the same period. While investment growth continues to lag sector peers, the bank’s investment portfolio reflects a low-risk composition, with 77.8% allocated to government and quasi-government instruments as of Dec-25. Corporate securities and exposures to banks & financial institutions account for 22.2% of the portfolio as of 2025. The under-allocation to investments relative to peers may reflect a strategic preference for loan book growth.

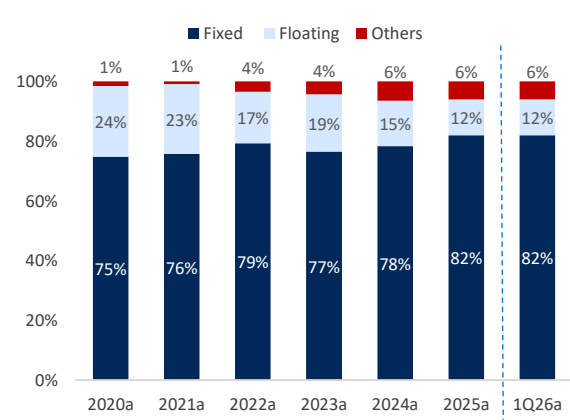
Against this backdrop of historically moderate growth, the investment portfolio witnessed a relative acceleration in 1Q26, expanding by 9.0% YoY to SAR 40.2 bn, outpacing sector growth of 6.5% YoY. This pickup suggests a more balanced asset allocation approach to preserve income stability.

Chart 77: Investments – trend



Source: Company financials, anbc research

Chart 78: Investment composition - trend



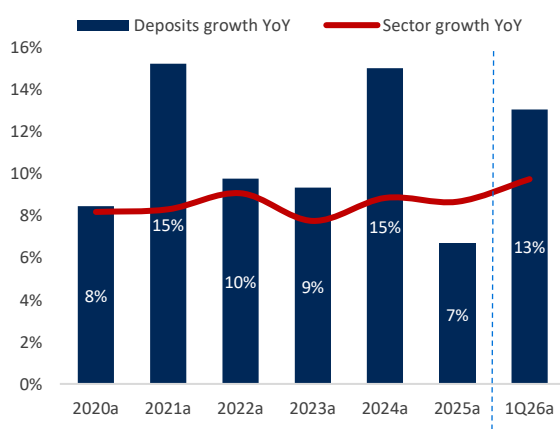
Source: Company financials, Earnings call, anbc research

A shift toward time deposits underpinning deposit growth

While BIAZ has demonstrated the ability to deliver periods of strong deposit expansion, its growth trajectory has been more volatile than the sector trend. Between 2019 and 2024, deposits expanded at a CAGR of 11.5%, materially above the industry CAGR of 8.4%. More recently, the bank's deposit growth fell to 6.7% YoY in 2025, with deposits amounting to SAR 115.4 bn (vs. the industry's deposit growth of 8.7% YoY). During 1Q26, deposits posted a 13.1% YoY growth to SAR 124.0 bn, against the sector's 8.8% YoY growth, suggesting a recovery in deposit momentum.

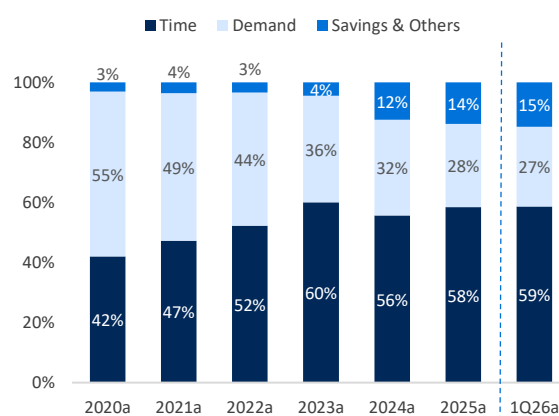
BIAZ's CASA ratio is significantly below the sector average and has trended lower in recent years. CASA levels declined from 58.0% in 2020 to 41.3% in 1Q26. This shift has been accompanied by a marked increase in time deposits, which rose from 42.0% of total deposits in 2020 to 58.7% in 1Q26. This compositional shift meaningfully raises the bank's funding costs and increases its sensitivity to competitive deposit pricing. Crucially, while the interest rates have eased in recent periods, CASA ratio has not recovered, posing a structural headwind to cost of funds normalization.

Chart 79: Deposit growth - trend



Source: Company financials, anbc research

Chart 80: Deposits composition - trend



Source: Company financials, anbc research

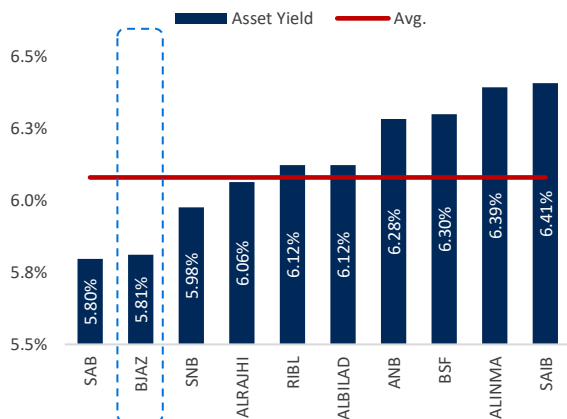
Asset yields below industry average despite corporate-heavy loan book

Despite BIAZ's loan book being predominantly concentrated in corporate lending, accounting for 64.9% of gross loans in 2025, the bank's asset yields have consistently trailed those of peers with similar portfolio compositions. Asset yields stood at 5.81% in 2025, below the sector average of 6.08%, and this underperformance is consistent with the bank's historical trend of generating yields marginally lower than the broader industry. Looking ahead, pressure on asset yields is expected to persist once the easing rate cycle resumes, as a sizable portion of the bank's corporate portfolio is likely to reprice relatively quickly due to its predominantly floating-rate structure.

The bank's increasing fixed rate investment allocation provides a partial offset. With 82.0% of the investment book in fixed rate instruments as of 1Q26 (up from 74.8% in 2020), a meaningful portion of earning assets is insulated from near-term rate uncertainty. Given the high-quality composition of the portfolio, predominantly sovereign and quasi-sovereign, income from this segment should remain stable and predictable. Nonetheless, with the investment book making up 25.2% as of 1Q26 of the interest earning assets (vs loan portfolio's share of 71.6%), this buffer is unlikely to fully offset loan yield compression.

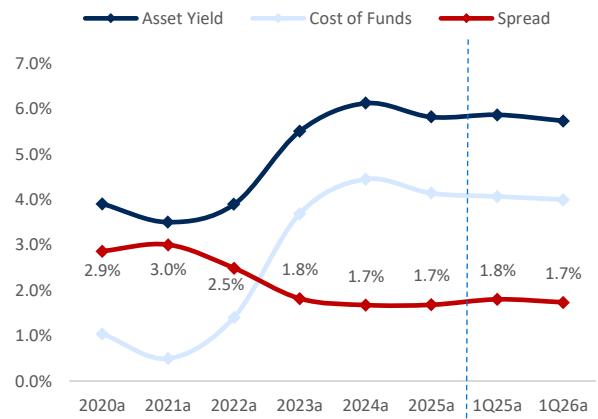
Overall, BJAZ's asset yield trajectory will remain sensitive to rate movements and competitive dynamics within the corporate lending market. The bank's ability to optimize loan pricing, enhance portfolio mix, and selectively expand higher-margin retail exposures will be key determinants of yield resilience over the medium term.

Chart 81: 2025a asset yield below sector average



Source: Company financials, anbc research

Chart 82: Spreads normalize as interest rates decline

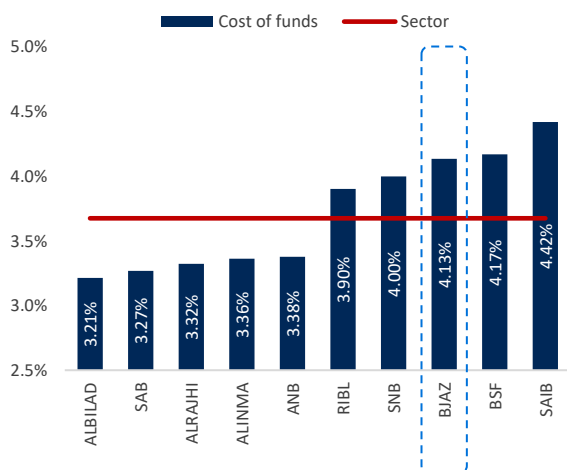


Source: Company financials, anbc research

Funding cost pressures persist

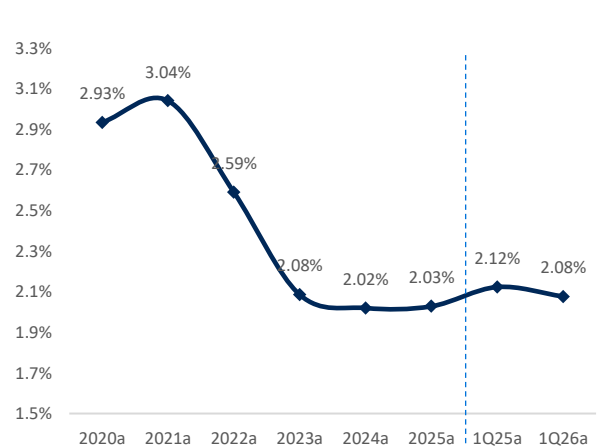
BJAZ's cost of funds continues to face pressures, driven largely by the rising share of time deposits within its funding base. The bank has experienced significant CASA migration in recent years, with deposit growth increasingly supported by higher cost time deposits. Time deposits grew at a CAGR of 18.7% between 2020 and 2025 to SAR 67.4 bn, substantially outpacing growth in CASA deposits (5-year CAGR of 4.0% to SAR 48.0 bn in 2025). This shift in deposit composition has had a direct impact on funding costs, contributing to a steady compression in spreads. The bank's spreads declined to 1.7% in 2025, down from 2.9% in 2020, reflecting the increased reliance on costlier term funding in addition to the high-interest rate environment. Notably, although the rate cycle has begun to shift, the outlook for further monetary easing remains uncertain, with markets increasingly pricing in a prolonged higher for longer rate environment. As a result, cost of funds is unlikely to normalize quickly, particularly as time deposits typically reprice with a lag and competitive pressure for retail deposits in the Saudi market remains intense.

Chart 83: 2025a CoF above sector average



Source: Company financials, anbc research

Chart 84: Net interest margins - trend



Source: Company financials, anbc research

Looking ahead, while the combination of a downward repricing floating-rate loan book, a structurally elevated cost of funds, and below-peer asset yields creates a persistently negative spread dynamic, the bank is strategically shifting focus towards selective loan expansion into higher-margin segments. This is expected to provide some relief to margins. The ability of the bank to strengthen CASA mobilization, diversify funding sources, and diversify its lending base will be critical to mitigating continued pressure on funding costs over the medium term.

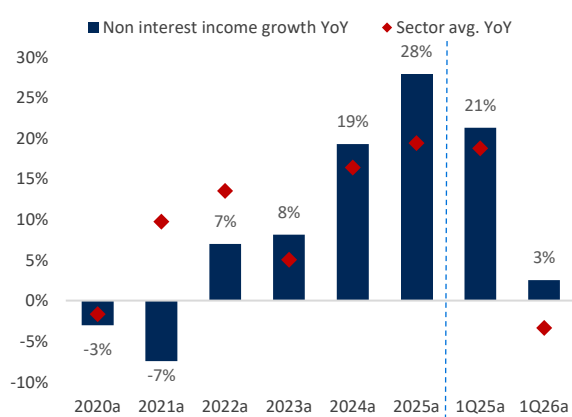
Strong non-interest income contribution supported by improving growth momentum

BJAZ's non-interest income growth has historically been more measured than that of industry peers, increasing at a 5-year CAGR of 10.3% to SAR 1.5 bn in 2025, compared with the sector CAGR of 13.7%. However, the bank has demonstrated an acceleration in non-interest income growth in recent years. BJAZ outperformed the sector in both 2023 and 2024, supported by a rebound in banking fees and stronger investment income. This positive trend extended into 2025, with non-interest income rising 27.9% YoY, above the industry's 19.4% YoY growth over the same period. The improvement was driven primarily by higher fee income from banking services, alongside a notable increase in exchange-related income.

During 1Q26, the bank's non-interest income rose 2.5% YoY to SAR 333.5 mn, outperforming the overall sector's decline in non-interest income of 3.3% YoY. The sector wide pressure on non-interest income during the quarter mainly reflected the impact of lower fee income due to implementation of SAMA's fee regulations and geopolitical tensions leading to lower regional trading activity.

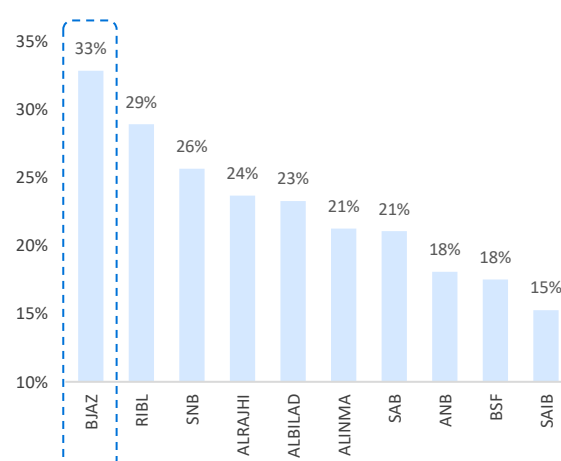
Additionally, BJAZ maintains one of the highest non-interest income contributions to total operating income across the sector. In 2025, non-interest income accounted for 32.8% of total operating income, significantly exceeding the sector average of 23.9%. This trend continued in 1Q26, with non-interest income contributing 28.9% to total operating income versus the industry's 21.0%.

Chart 85: Non-interest income growth



Source: Company financials, anbc research

Chart 86: Non-int. to total op. income – 2025a



Source: Company financials, anbc research

A high reliance on non-interest income provides BJAZ with a degree of earnings diversification. Sustaining non-interest income momentum will require continued expansion in fee generating activities and deeper penetration in retail and corporate transaction banking. Strengthening these areas will be key for the bank to enhance revenue stability and improve competitiveness relative to peers with stronger scale-driven fee income streams.

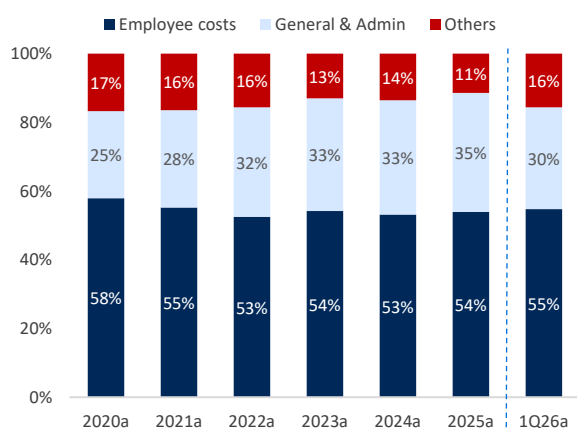
Persistent cost pressures weigh on efficiency

BJAZ has continued to face challenges in managing its operating costs, with its cost-to-income ratio (CIR) consistently the highest in the sector. Over the past five years, the bank's CIR has remained elevated in the 50%-60% range. In

2024, the CIR stood at 56.0%, substantially higher than the sector average of 35.6%, reflecting the bank’s ongoing difficulty in aligning its cost base with revenue generation. During 2025, the CIR improved to 52.4%, however, the ratio continues to lag materially behind the sector average of 29.0%. Cost to income rose slightly in 1Q26 to 52.8%, against the sector’s ratio of 30.1% during the period.

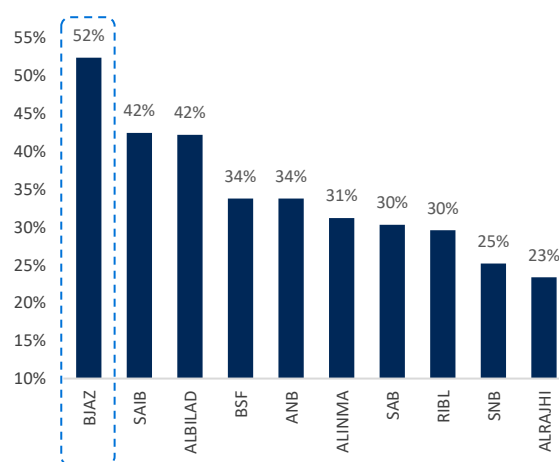
Given the bank’s relatively modest operating income growth, achieving a competitive efficiency profile is likely to remain a key challenge. Sustained improvement in the cost to income ratio will depend on the bank’s ability to streamline operations, accelerate digital adoption, and enhance productivity across its core business segments.

Chart 87: Operating cost composition - trend



Source: Company financials, anbc research

Chart 88: Cost to income ratio comparison - 2025a



Source: Company financials, anbc research

Dividend resumption signals improved capital confidence

After two consecutive years of no dividend distributions in 2023 and 2024, a period during which earnings were retained to support capital buffers, BIAZ reinstated its dividend in 2025 with a DPS of SAR 0.50. This translates to a total payout of SAR 638.1 mn, representing a payout ratio of 50%, a material step-up from the 32% ratio for 2022. The resumption reflects the board’s increased confidence in the earnings trajectory and the sufficiency of the bank’s capital position to sustain shareholder distributions without constraining growth capacity.

We expect the 50% payout ratio to be sustained over our forecast horizon. At current levels, this implies a dividend yield of approximately 4.4% for 2026e. That said, the payout assumption carries some sensitivity to earnings delivery. Given the bank’s elevated CIR and the expected pressure on NIM, any shortfall in bottom-line growth could prompt a moderation in the dividend payout in order to preserve capital headroom.

Valuation

We have a 'Neutral' stance on BJAZ, with sustainable RoAE of 11.1%, a payout ratio of 50.0%, and an implied long-term growth rate of 5.5%. Using a cost of equity of 11.1%, our valuation yields a justified P/B of 1.0x and a Dec-31f BVPS of SAR 16.0, resulting in a target price of SAR 12.2/share. This represents an upside potential of 6.9% from the current market price of SAR 11.5/share. At current levels, BJAZ trades at a 2026e P/E of 11.3x and a 2026e P/B of 0.9x.

Valuation table:

SAR mn	2026e	2027f	2028f	2029f	2030f	2031f
Shareholders' Equity	15,513	16,318	17,248	18,245	19,294	20,477
Net Profit	1,303	1,523	1,731	1,903	2,029	2,258
RoAE	9%	10%	10%	11%	11%	11%
Payout Ratio	50%	50%	50%	50%	50%	50%
EPS	1.02	1.19	1.35	1.49	1.58	1.76
DPS	0.51	0.59	0.68	0.74	0.79	0.88
BVPS	12.1	12.7	13.5	14.2	15.1	16.0
Discounted Value						
DPS (discounted)	0.51	0.54	0.55	0.54	0.52	0.52
Sustainable RoAE	11.1%					
Payout Ratio	50.0%					
Implied Growth	5.5%					
Cost of Equity	11.0%					
Justified P/B	1.0					
BVPS Dec-31	16.0					
Discounted BVPS	9.6					
PV of Dividends	2.7					
Target Price	12.2					

TP sensitivity:

Cost of equity	Growth rate					
	3.5%	4.5%	5.5%	6.5%	7.5%	
9.0%	17.1	18.0	19.3	21.8	27.6	
10.0%	14.3	14.6	15.0	15.7	16.9	
11.0%	12.2	12.2	12.2	12.3	12.3	
12.0%	10.7	10.5	10.3	10.1	9.8	
13.0%	9.4	9.2	8.9	8.6	8.1	

Source: anbc research

Financial Summary

SAR mn								CAGR
Income Statement	2024a	2025a	2026e	2027f	2028f	2029f	2030f	2025-2030f
Interest Income	7,979	8,597	8,990	8,998	9,432	10,085	10,949	5%
Interest Expense	(5,344)	(5,598)	(5,688)	(5,401)	(5,513)	(5,820)	(6,413)	3%
NSCI	2,634	3,000	3,302	3,597	3,919	4,265	4,536	9%
Non-interest income	1,145	1,465	1,550	1,696	1,822	1,912	2,007	7%
Operating Income	3,779	4,464	4,852	5,293	5,741	6,177	6,543	8%
Operating expenses	(2,117)	(2,338)	(2,527)	(2,656)	(2,853)	(3,055)	(3,236)	7%
Provisions	(275)	(354)	(425)	(418)	(422)	(444)	(484)	6%
Total Expenses	(2,392)	(2,691)	(2,951)	(3,074)	(3,275)	(3,499)	(3,720)	7%
NPBT	1,405	1,786	1,913	2,232	2,481	2,694	2,840	10%
Net Income*	1,027	1,278	1,303	1,523	1,731	1,903	2,029	10%
Shares Outstanding (mn)	1,281	1,281	1,281	1,281	1,281	1,281	1,281	
EPS (SAR)	0.80	1.00	1.02	1.19	1.35	1.49	1.58	
DPS (SAR)	-	0.50	0.51	0.59	0.68	0.74	0.79	
								CAGR
Balance Sheet	2024a	2025a	2026e	2027f	2028f	2029f	2030f	2025-2030f
Cash and balances	6,584	7,059	7,537	8,267	9,057	9,937	10,859	9%
Due from other FI	6,697	6,026	6,434	7,057	7,731	8,482	9,269	9%
Investments, net	36,406	38,968	40,469	42,435	44,575	46,960	49,484	5%
Financing, net	96,912	110,862	120,326	133,094	146,864	161,044	175,843	10%
Other	2,519	3,009	3,266	3,677	4,141	4,665	5,250	12%
Total Assets	149,119	165,924	178,031	194,529	212,368	231,088	250,706	9%
Due to other FI	19,309	23,912	25,531	28,003	30,679	33,660	36,784	9%
Customers' deposits	108,187	115,395	123,205	135,134	148,049	162,437	177,512	9%
Other liabilities	4,209	4,842	5,068	5,861	6,678	7,031	7,402	9%
Total Liabilities	131,704	144,149	153,804	168,998	185,405	203,129	221,698	9%
Total Equity**	17,414	21,775	24,227	25,532	26,962	27,959	29,008	6%
Total liabilities and equity	149,119	165,924	178,031	194,529	212,368	231,088	250,706	9%

*After Sukuk cost

**Including Tier 1 Sukuk

Source: Company financials, anbc research

Growth (YoY)	2024a	2025a	2026e	2027f	2028f	2029f	2030f
NSCI	10.9%	13.9%	10.1%	8.9%	9.0%	8.8%	6.4%
Non-interest income	19.3%	27.9%	5.8%	9.4%	7.4%	5.0%	5.0%
Total operating income	13.3%	18.1%	8.7%	9.1%	8.5%	7.6%	5.9%
Net income	16.5%	24.4%	1.9%	16.9%	13.7%	9.9%	6.6%
Financing	20.0%	14.4%	8.5%	10.6%	10.3%	9.7%	9.2%
Deposits	15.0%	6.7%	6.8%	9.7%	9.6%	9.7%	9.3%
Ratios	2024a	2025a	2026e	2027f	2028f	2029f	2030f
NIM	2.02%	2.03%	2.04%	2.06%	2.05%	2.05%	2.01%
Operating cost to income	56.0%	52.4%	52.1%	50.2%	49.7%	49.5%	49.5%
Cost of risk (bps)	27.6	31.3	34.6	30.9	28.2	27.1	27.0
NPL coverage	210.4%	186.1%	169.0%	167.1%	171.0%	180.2%	188.4%
NPL ratio	1.2%	1.0%	1.1%	1.1%	1.0%	1.0%	1.0%
Simple LDR	89.6%	96.1%	97.7%	98.5%	99.2%	99.1%	99.1%
RoAA	0.7%	0.8%	0.8%	0.8%	0.9%	0.9%	0.8%
RoAE	7.9%	8.9%	8.5%	9.6%	10.3%	10.7%	10.8%
Assets to Equity (x)	11.0	11.0	11.5	11.9	12.3	12.7	13.0
Valuation	2024a	2025a	2026e	2027f	2028f	2029f	2030f
BVPS	10.6	11.7	12.1	12.7	13.5	14.2	15.1
P/B (x)	1.1	1.0	0.9	0.9	0.9	0.8	0.8
P/E (x)	14.3	11.5	11.3	9.6	8.5	7.7	7.2
Dividend yield	-	4.3%	4.4%	5.2%	5.9%	6.5%	6.9%

Source: Company financials, anbc research

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