Bank AlJazira (BJAZ)

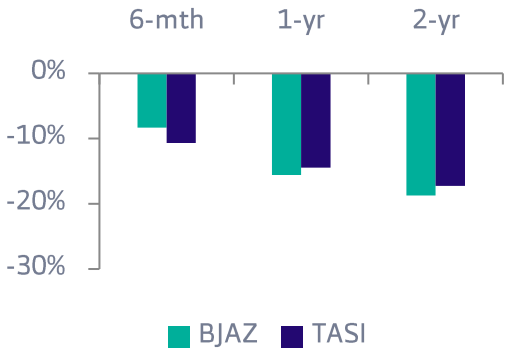
3Q2026 First Look

Lower Provisions Lift Quarterly Earnings

October 28, 2026

Upside to Target Price	11.3%	Rating	Neutral
Expected Dividend Yield	3.5%	Last Price	SAR 10.78
Expected Total Return	14.8%	12-mth target	SAR 12.00

Market Data	
52-week high/low	SAR 12.88/10.17
Market Cap	SAR 13,812 mln
Shares Outstanding	1,281 mln
Free-float	88.8%
12-month ADTV	3,232,739
Bloomberg Code	BJAZ AB



BJAZ	3Q2026	3Q2025	Y/Y	2Q2026	Q/Q	RC Estimate
Net Fin. & Invest. Income	856	711	20%	842	2%	888
Total Operating Income	1,213	1,098	10%	1,216	(0%)	1,242
Net Income	472	400	18%	443	7%	444
Net Financing	123,368	107,812	14%	120,962	2%	123,436
Deposits	129,846	115,283	13%	132,738	(2%)	133,401

(All figures are in SAR mln)

- BJAZ's net financing reached SAR 123 bln (+14% Y/Y, +2% Q/Q), matching our forecast. Growth was led by the retail segment, reflecting the Bank's strong origination capabilities and continued focus on affluent customers. Deposits reached SAR 130 bln (+13% Y/Y, -2% Q/Q), broadly in line with our estimate of SAR 133 bln. Consequently, the loan-to-deposit ratio (LDR) increased to 95% (vs. 91% in 2Q26 and 94% in 3Q25), above our estimate of 93%. Net Fin. & Invest. Income rose to SAR 856 mln (+20% Y/Y, +2% Q/Q), below of our estimate of SAR 888 mln. NIM stood at 2.01% (-1 bp Q/Q, +11 bps Y/Y), coming in 7 bps below our estimate of 2.08%.
- Operating income increased to SAR 1.21 bln (+10% Y/Y, broadly flat Q/Q), in line with our estimate of SAR 1.24 bln. The sequential performance reflected the 2% increase in Net Fin. & Invest. Income, which was offset by a 5% decline in fee and other income. Fee and other income stood at SAR 357 mln (-8% Y/Y, -5% Q/Q), in line with our estimate of SAR 354 mln, and represented around 30% of total operating income, highlighting the Bank's diversified revenue mix and continued focus on expanding non-financing revenues.
- Operating expenses rose to SAR 628 mln (+7% Y/Y, +2% Q/Q), in line with our estimate of SAR 629 mln. The increase was consistent with the Bank's continued investment in its operating platform, digital capabilities and customer experience. The cost-to-income ratio stood at 51.8% (vs. 50.9% in 2Q26 and 53.1% in 3Q25), above our estimate of 50.60%, and remained elevated relative to peers. Impairment charges totaled SAR 66 mln (+22% Y/Y, -32% Q/Q), and were below our estimate of SAR 110 mln. Accordingly, cost of risk improved to 23 bps (vs. 41 bps in 2Q26 and 12 bps in 3Q25), coming in 12 bps below our estimate of 35 bps, reflecting sound asset quality.
- Net income reached SAR 472 mln (+18% Y/Y, +6% Q/Q), coming in 6% above our estimate of SAR 444 mln. The sequential improvement was primarily driven by higher Net Fin. & Invest. Income, lower impairment charges and a lower Zakat and income tax charge, which more than offset the decline in fee and other income and the increase in operating expenses.
- AlJazira remains adversely positioned for a higher-rate environment, given its elevated fixed-rate asset mix resulting in constraints on asset-yield repricing. While 9M26 ROE improved to 8.67%, the ROE–CoE gap remains significant, pointing to continued pressure on residual income generation. The stock currently trades at FY26 0.9x P/BV, representing a 31% discount to the peer average of 1.3x however, we view this discount as largely justified by the bank's persistent return shortfall. Against this backdrop, we lower our target price to SAR 12.00 (from SAR 13.00) and maintain the Neutral stance.

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Stock Rating

Buy	Neutral	Sell	Not Rated
Expected Total Return Greater than +15%	Expected Total Return between -15% and +15%	Expected Total Return less than -15%	Under Review/ Restricted

The expected percentage returns are indicative, stock recommendations also incorporate relevant qualitative factors

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