

Al Rajhi Bank (RJHI)

Strong lending momentum and higher non-funded income supported profitability

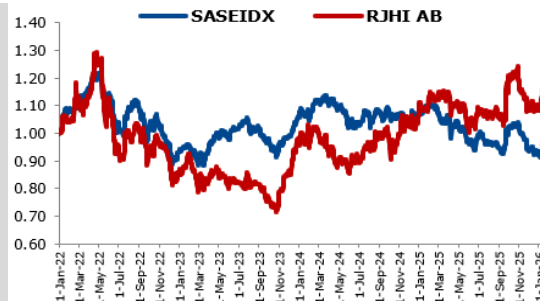
Current Price
SAR 107.20

Target Price
SAR 110.00

Upside/Downside (%)
+3%

Rating
HOLD

- Net advances grew 8.6% YOY and declined 0.4% QOQ to SAR 752.8 Bn in 4Q25, driven by balanced expansion across retail and non-retail segments.
- ALRAJHI's asset quality remained robust, with a stable NPL ratio of 0.75% and a strong provision coverage ratio of 152.5% in 4Q25.
- The Bank's Board recommended a cash dividend of SAR 7.0 Bn for 2H25, translating into a dividend of SAR 1.75 per share.
- Board also proposed a capital increase of SAR 20.0 Bn through the capitalization of retained earnings, to be executed via the issuance of bonus shares at a ratio of 1 share for every 2 shares held.



Stock Information

Market Cap (SAR, Mn)	428,800.00
Paid Up Capital (Mn)	40,000.00
52 Week High	113.00
52 Week Low	87.80
3M Avg. daily value(SAR)	288,350,100

4Q25 Net Profit in line with our estimates

Al Rajhi Bank's ("ALRAJHI", "The Bank") net profit grew 15.6% YOY to SAR 6,375 Mn in 4Q25, in line with our estimate of SAR 6,231 Mn. The growth in net profit is attributed to a double-digit growth across net funded and non-funded income, partially offset by an increase in total operating expenses, higher impairments and higher share of profit to NCI holders.

P&L Highlights

ALRAJHI's funded income grew 15.0% YOY to SAR 14,752 Mn in 4Q25, driven by an increase in loan book. On the other hand, funded expenses increased 12.2% YOY to SAR 6,602 Mn in 4Q25. Thus, ALRAJHI's net funded income grew 17.4% YOY to SAR 8,150 Mn in 4Q25. The Bank's total non-funded income grew 24.9% YOY to SAR 2,260 Mn in 4Q25. As a result, ALRAJHI's total operating income expanded 19.0% YOY to SAR 10,409 Mn in 4Q25. The Bank's total operating expenses before credit impairment charges increased 30.7% YOY to SAR 2,680 Mn in 4Q25. Thus, the Bank's calculated cost-to-income ratio grew 231 bps YOY and 331 bps QOQ to 25.7% in 4Q25. Additionally, impairment charges increased 13.3% YOY to SAR 626 Mn in 4Q25. Zakat charges increased 14.5% YOY to SAR 717 Mn in 4Q25. The share of profit to NCI holders also increased from SAR 5 Mn in 4Q24 to SAR 13 Mn in 4Q25.

Balance Sheet Highlights

ALRAJHI's total assets increased 7.3% YOY and declined 1.5% QOQ to SAR 1,043.3 Bn in 4Q25, driven by growth in overall financing. Net investments declined 0.3% YOY and 2.5% QOQ to SAR 175.5 Bn in 4Q25. The Bank's loans and advances portfolio rose 8.6% YOY and declined marginally 0.4% QOQ to SAR 752.8 Bn in 4Q25. Similarly, customer deposits increased 1.9% YOY and declined 3.8% QOQ to

4Q25 Result Review (SAR, Mn)

Total Assets	1,043,268
Total Loans	752,760
Total Equity	142,912
Total Deposits	667,288
Net Profit	6,375

Financial Ratios

Dividend Yield (12m)	2.06
Dividend Pay-out (%)	51.37
Price-Earnings Ratio(x)	18.06
Price-to-Book Ratio (x)	3.94
Book Value (SAR)	27.19
Return-on Equity (%)	22.12

Stock Performance

5 Days	1.23%
1 Months	10.97%
3 Months	1.42%
6 Months	13.44%
1 Year	8.28%
Month to Date (MTD%)	9.95%
Quarter to Date (QTD%)	9.95%
Year to Date (YTD%)	9.95%

to SAR 667.3 Bn in 4Q25. The Bank's total equity grew 16.0% YOY and 3.8% QOQ to SAR 142.9 Bn in 4Q25.

Target Price and Rating

We revise our rating from ACCUMULATE to HOLD on ALRAJHI with an unchanged target price of SAR 110.00. The Bank's stock price grew by 10.5% since our last recommendation (December 2025). ALRAJHI delivered a strong earnings performance in 4Q25, supported by robust growth in both funded and non-funded income. The Bank's "Harmonize the Group" strategy continued to positively support operations, reflected in a double-digit increase in non-funded income during 4Q25. Additionally, ALRAJHI's net advances grew 8.6% YOY to SAR 752.8 Bn in 4Q25, driven by balanced expansion across retail and non-retail segments. Non-retail lending growth was led by strong momentum in large corporate and SME portfolios which grew 18.6% YOY and 51.0% YOY, respectively, while retail growth of 1.4% YOY was primarily underpinned by a 3.2% YOY increase in the mortgage book during 4Q25. The Bank's customer deposit grew 1.9% YOY and declined 3.8% QOQ to SAR 667.3 Bn in 4Q25. However, the Bank maintained the stable funding profile with CASA deposits accounting for 65% of total deposits as of 4Q25. ALRAJHI's asset quality remained robust, with a stable NPL ratio of 0.75% and a strong provision coverage ratio of 152.5% in 4Q25, providing a solid buffer against potential credit losses. Moreover, the Bank's liquidity coverage ratio improved from 154.4% in 3Q25 to 168.7% in 4Q25, indicating a strengthened liquidity position. ALRAJHI's capitalization remained healthy with a TIER 1 capital of 20.5% and a total CAR of 21.9%, during 4Q25. The Bank also recorded strong shareholders return with a reported ROA and ROE of 2.4% and 23.4%, respectively, during 4Q25. The Bank's Board recommended a cash dividend of SAR 7.0 Bn for 2H25, translating into a dividend of SAR 1.75 per share. In addition, the Board also proposed a capital increase of SAR 20.0 Bn through the capitalization of retained earnings, to be executed via the issuance of bonus shares at a ratio of 1 share for every 2 shares held. Thus, based on our analysis, we revise our rating to HOLD on the stock.

Al Rajhi Bank - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE	29.08	25.28	27.14	22.95	18.68	16.8
PB	6.37	5.45	4.75	4.57	3.77	3.6
BVPS	16.820	19.681	22.565	23.469	28.452	29.832
EPS	3.687	4.240	3.950	4.672	5.740	6.364
DPS	0.875	1.250	2.300	2.710	2.500	3.500
Dividend yield	0.8%	1.2%	2.1%	2.5%	2.3%	3.3%

FABS Estimates & Co Data

Al Rajhi Bank - P&L

SAR Mn	4Q24	3Q25	4Q25	4Q25F	Var %	YOY Ch	QOQ Ch	2024	2025	Change
Funded Income	12,828	14,280	14,752	14,178	4.0%	15.0%	3.3%	47,018	55,850	18.8%
Funded Expenses	-5,886	-6,987	-6,602	-6,862	-3.8%	12.2%	-5.5%	-22,175	-26,004	17.3%
Net Funded Income	6,941	7,294	8,150	7,316	11.4%	17.4%	11.7%	24,843	29,846	20.1%
Total non-funded Income	1,809	2,588	2,260	2,447	-7.7%	24.9%	-12.7%	7,212	9,248	28.2%
Net Operating Income	8,750	9,882	10,409	9,763	6.6%	19.0%	5.3%	32,055	39,094	22.0%
Total operating expenses	-2,050	-2,216	-2,680	-2,285	17.3%	30.7%	20.9%	-7,971	-9,127	14.5%
Profit before provisions	6,700	7,665	7,730	7,478	3.4%	15.4%	0.8%	24,085	29,967	24.4%
Impairment charge	-553	-570	-626	-514	21.7%	13.3%	9.8%	-2,117	-2,320	9.6%
Total Op Exp after imp	-2,603	-2,786	-3,305	-2,799	18.1%	27.0%	18.6%	-10,087	-11,447	13.5%
Net income before zakat	6,147	7,096	7,104	6,964	2.0%	15.6%	0.1%	21,968	27,646	25.8%
Zakat	-626	-729	-717	-728	-1.5%	14.5%	-1.7%	-2,237	-2,822	26.2%
Non-controlling interest	-5	-6	-13	-5	NM	NM	NM	-9	-33	NM
Net profit for the year	5,516	6,360	6,375	6,231	2.3%	15.6%	0.2%	19,722	24,792	25.7%

FABS estimate & Co Data

Al Rajhi Bank – KPI

	4Q24	3Q25	4Q25	YOY Ch	QOQ Ch	2024	2025	Change
Net FI/OI	79.3%	73.8%	78.3%	-103	449	77.5%	76.3%	-116
Cost to income - (calculated)	23.4%	22.4%	25.7%	231	331	24.9%	23.3%	-152
Impairment/PPP	-8.2%	-7.4%	-8.1%	15	-66	-8.8%	-7.7%	105
NP/OI	63.0%	64.4%	61.2%	-180	-312	61.5%	63.4%	189
Cost of risk – (reported)	0.33%	0.30%	0.33%	0	3	0.32%	0.32%	0
Loan-to-deposit – (calculated)	110.4%	108.9%	112.8%	244	386	110.4%	112.8%	244
NPL - (reported)	0.8%	0.76%	0.75%	-1	-1	0.8%	0.8%	-1
Coverage - (reported)	159.4%	151.2%	152.5%	-690	130	159.4%	152.5%	-690
Tier 1	19.3%	19.7%	20.5%	121	80	19.3%	20.5%	121
Capital adequacy	20.2%	21.1%	21.9%	169	80	20.2%	21.9%	169
ROAA	2.2%	2.4%	2.5%	24	2	2.2%	2.4%	17
ROAE	19.7%	22.1%	23.2%	355	113	19.7%	23.2%	355

FABS estimate & Co Data

Al Rajhi Bank - Key B/S items

SAR Mn	4Q24	1Q25	2Q25	3Q25	4Q25	Change
Net advances	693,410	722,785	741,715	755,985	752,760	8.6%
QOQ change	6.8%	4.2%	2.6%	1.9%	-0.4%	
Total assets	972,444	1,023,080	1,038,988	1,059,240	1,043,268	7.3%
QOQ change	7.7%	5.2%	1.6%	1.9%	-1.5%	
Customer deposits	654,989	629,229	641,987	693,905	667,288	1.9%
QOQ change	5.2%	-3.9%	2.0%	8.1%	-3.8%	
Total equity (excl. minority Int)	123,033	134,084	134,049	137,515	142,762	16.0%
QOQ change	4.4%	9.0%	0.0%	2.6%	3.8%	

FABS estimate & Co Data

Valuation:

We use the Residual Income and Relative Valuation (RV) method to value Al Rajhi. We have assigned 70% weight to Residual Income, and 30% to the RV method.

Valuation Method	Target	Weight	Weighted Value
Residual Income	113.92	70%	79.75
Relative Valuation (RV)	100.83	30%	30.25
Weighted Average Valuation (SAR)			110.00
Current market price (SAR)			107.20
Upside/Downside (%)			+3%

1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 9.0%. Cost of equity is calculated by using the 10-year government bond yield of 5.5%, the beta of 0.88 and the equity risk premium of 4.0%. The government bond yield is calculated by adding the KSA 10-year CDS spread to the 10-year US risk-free rate. Also, assumed a terminal growth rate of 3.0%.

Sum of PV (SAR, Mn)	71,576
Terminal value (SAR, Mn)	241,358
Book Value of Equity (as of Dec 2025)	142,762
FV to Common shareholders (SAR, Mn)	455,696
No. of shares (Mn)	4,000
Current Market Price (SAR)	107.20
Fair Value per share (SAR)	113.92

Residual Income Method

(All Figures in SAR Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Net Profit	25,455	28,062	30,648	32,895	36,180
(-) Equity Charge	-9,618	-10,710	-11,916	-13,225	-14,616
Excess Equity	15,836	17,352	18,733	19,669	21,563
Discounting Factor	0.92	0.84	0.77	0.71	0.65
Present Value of Excess Equity	14,531	14,609	14,471	13,942	14,024

2) Relative Valuation:

We have used local as well as international peers to value Al Rajhi, and it is valued using the PB multiple. We have applied a premium as ALRAJHI trades at a premium to its peers and is valued at a 2026 PB multiple of 3.4x. The premium in valuation stems from a high composition of retail loan book, and it generates superior return on assets as compared to its peers.

Bank	Market (USD Mn)	P/B (x)		P/E (x)		Dividend Yield (%)	
		2026F	2027F	2026F	2027F	2026F	2027F
Riyad Bank	21,574	1.2	1.1	8.2	7.7	6.3	6.7
Alinma Bank	17,800	1.7	1.5	10.7	9.9	4.3	4.9
Abu Dhabi Islamic Bank	22,842	2.8	2.5	11.9	11.0	4.4	4.6
Arab National Bank	11,504	1.1	1.0	9.1	8.7	6.4	6.6
Bank Albilad	10,519	1.9	1.6	12.4	11.5	2.6	3.0
Average		1.7x	1.5x	10.4x	9.8x	4.8%	5.2%
Median		1.7x	1.5x	10.7x	9.9x	4.4%	4.9%
Max		1.9x	1.6x	11.9x	11.0x	6.3%	6.6%
Min		1.2x	1.1x	9.1x	8.7x	4.3%	4.6%

Source: FAB Securities

Research Rating Methodology:

Rating	Upside/Downside potential
BUY	Higher than +15%
ACCUMULATE	Between +10% to +15%
HOLD	Lower than +10% to -5%
REDUCE	Between -5% to -15%
SELL	Lower than -15%

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