

Banking

HOLD: 12M TP @ 100.0

Upside + 5.4%

Valuation Summary (TTM)

Price (SAR)	94.90
PER TTM (x)	17.9
P/Book (x)	3.6
Dividend Yield (%)	3.1
Free Float (%)	94%
Shares O/S (mn)	4,000
YTD Return (%)	0%
Beta	1.2

(mn)	SAR	USD	
Market Cap	379,600	101,157	
Total Assets	1,038,988	276,872	
Price performance (%)	1M	3M	12M
Al Rajhi Bank	1%	-3%	13%
Tadawul All Share Index	-1%	-5%	-9%

Trading liquidity (,000)	1M	3M	6M
Avg daily turnover	198,875	270,526	331,897
Avg Daily Volume	2,163	2,883	3,433
52 week	High	Low	CTL*
Price (SAR)	104.00	80.10	18.5

* CTL is % change in CMP to 52wk low

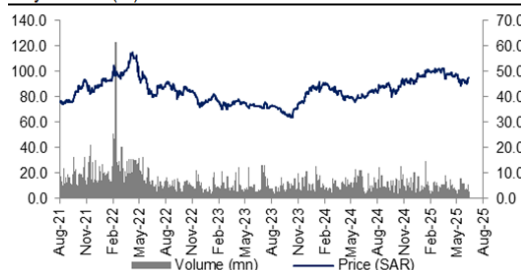
Major shareholders

Al Rajhi Abdullah	2.2%
Vanguard Group Inc/T	2.1%
Blackrock Inc	1.4%
Others	94.3%

Other details

Exchange	Saudi Arabia
Sector	Banks

Key ratios	2022	2023	2024
EPS (SAR)	4.29	4.16	4.93
BVPS (SAR)	20.93	22.56	24.87
DPS (SAR)	1.25	2.30	2.71
Payout ratio (%)	29%	55%	55%



Al Rajhi Bank – Growth momentum sustains

Al Rajhi Bank reported 2Q25 operating income of SAR 9.6bn, up 25.7% YoY and 4.4% QoQ, exceeding our estimates by 3.4%. Net profit came in at SAR 6.2bn, rising 31.1% YoY and 4.3% QoQ, beating expectations by 4.6%. The bank sustained the growth momentum seen in 1Q25, with operating income gains translating into strong bottom-line performance. Operating income growth was supported by a 25% YoY increase in NII and a 29% YoY rise in non-interest income. NII expansion reflected both higher volumes and margin improvement, with interest-earning assets growing 22% YoY and NIM rising by 11bps. NIMs have remained range-bound since 2Q24, but management guided for a 10bps increase in 2025e over 2024, suggesting effective interest rate risk management. Non-interest income growth was fuelled by a 24% YoY rise in fee income and a 37% YoY increase in other income. Fee income growth was broad-based, with retail growth driven by payments, remittances, and insurance, while corporate growth came from loan processing fees and trade and cash management. Non-interest income accounted for 23.9% of operating income in 2Q25. Operating expenses rose by a modest 9.5% YoY, resulting in 31.3% YoY operating profit growth. The cost-to-income ratio improved by 330bps to 22.3% in 2Q25, supported by operating leverage. Management reiterated its cost-to-income guidance of below 23.5% for 2025e, which appears easily achievable given the strong 1H25 performance.

Provisions rose 31.9% YoY to SAR 600mn in 2Q25, translating to a cost of risk of 0.32%. Management continues to guide for a 2025e cost of risk between 0.30% and 0.40%. The net profit beat (SAR 6.2bn vs. SAR 5.9bn estimated) was mainly due to stronger operating profits and steady effective tax rates.

On the balance sheet side, loans rose 7% YTD while deposits grew only 2.2% YTD, highlighting a continued divergence. Loan growth was driven by corporate, mortgage, and SME lending. Deposit growth came mainly from time deposits, while CASA balances fell, standing at 68.4% in 2Q25. Despite the relatively lower growth in deposits, the bank is well within the regulatory limits of LDR ratio of 90%. NPLs remained stable at 0.74%, with stage 3 coverage ratio of 55.2% and overall provision coverage ratio of 150.5%.

The bank-maintained growth momentum across most parameters, though deposit growth was somewhat subdued. Management largely reiterated guidance, with only a minor adjustment to NIM expectations.

On valuations, the bank trades at 2025e PE/PB/DY of 16.1x/3.4x/3.4%. We view this as expensive relative to growth prospects and maintain a HOLD rating with a revised target price of SAR 100/share.

Summary of key numbers

in SAR mn	2Q25	1Q25	QoQ (%)	2Q24	YoY (%)	1H25	1H24	YoY (%)	2025e	2024
Operating Income	9,603	9,200	4.4%	7,637	25.7%	18,803	14,866	26.5%	37,154	32,055
Operating Expenses	-2,143	-2,088	2.6%	-1,956	9.5%	-4,231	-3,850	9.9%	-8,529	-7,971
Operating Profit	7,460	7,112	4.9%	5,681	31.3%	14,572	11,016	32.3%	28,625	24,085
Provision Expenses	-600	-525	14.3%	-455	31.9%	-1,125	-876	28.4%	-2,398	-2,117
Profit before tax	6,860	6,587	4.1%	5,226	31.3%	13,447	10,140	32.6%	26,227	21,968
Zakat & Tax	-699	-677	3.2%	-528	32.5%	-1,376	-1,037	32.7%	-2,670	-2,237
Profit after tax	6,161	5,910	4.3%	4,698	31.1%	12,071	9,103	32.6%	23,557	19,731
Profit attributable to Equity holders	6,151	5,906	4.1%	4,698	30.9%	12,057	9,103	32.4%	23,540	19,722
Loan Book	741,715	722,785	2.6%	621,891	19.3%	741,715	621,891	19.3%	759,367	693,410
Deposits	641,987	629,229	2.0%	622,572	3.1%	641,987	622,572	3.1%	698,607	628,239
Total Equity (Excl tier 1 bond)	105,105	105,141	0.0%	93,878	12.0%	105,105	93,878	12.0%	110,200	99,585
Cost to Income ratio	22.3%	22.7%		25.6%		22.5%	25.9%		23.0%	24.9%
NPL Ratio	0.74%	0.74%		0.78%		0.74%	0.78%		0.82%	0.76%
Net Loan to deposits	115.5%	114.9%		99.9%		115.5%	99.9%		108.7%	110.4%

Income Statement (SAR mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Net income from loans and investment	20,392	22,173	21,269	24,843	29,292	33,953	38,537	40,359
Net fee income	3,933	4,624	4,226	4,693	5,299	5,772	6,188	6,532
Other income	1,391	1,778	2,037	2,520	2,564	2,602	2,641	2,681
Total income	25,716	28,575	27,531	32,055	37,154	42,328	47,366	49,571
Operating expenses	(6,927)	(7,451)	(7,498)	(7,971)	(8,529)	(8,821)	(9,141)	(9,346)
Profit before impairments	18,790	21,124	20,033	24,085	28,625	33,507	38,226	40,226
Impairments	(2,345)	(2,001)	(1,504)	(2,117)	(2,398)	(3,607)	(4,089)	(4,406)
Profit before tax	16,445	19,123	18,529	21,968	26,227	29,900	34,137	35,819
Tax	(1,699)	(1,972)	(1,908)	(2,237)	(2,670)	(3,044)	(3,476)	(3,647)
Profit after tax	14,746	17,151	16,621	19,731	23,557	26,856	30,661	32,172

Balance Sheet (SAR mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Cash and statutory deposits	40,363	42,052	41,768	53,245	67,525	80,649	96,038	111,503
Due to financial institutions	26,065	25,656	9,507	19,530	21,433	23,246	24,834	26,076
Investments - Net	84,138	101,325	133,376	175,034	192,090	208,338	222,575	233,704
Financing - Net	452,831	568,338	594,205	693,410	759,367	821,855	876,018	917,678
PP&E and right to use assets	10,148	11,339	12,853	13,894	12,022	10,402	9,001	7,788
Other assets	10,099	12,908	16,391	19,275	21,573	23,105	24,513	25,055
Total Assets	623,645	761,619	808,098	974,387	1,074,010	1,167,595	1,252,979	1,321,803
Liabilities and Equity								
Liabilities								
Due to banks and other FI	17,952	70,839	97,247	173,435	178,092	185,681	189,746	189,549
Customer deposits	512,072	564,925	573,101	628,239	698,607	767,622	830,679	883,345
Other liabilities	26,339	25,630	30,991	49,574	58,168	63,047	67,492	69,350
Total liabilities	556,363	661,394	701,339	851,247	934,866	1,016,350	1,087,918	1,142,244
Equity								
Share capital	25,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Reserves	42,282	43,725	50,259	59,479	70,077	82,160	95,955	110,430
Total shareholders' equity	67,282	83,725	90,259	99,479	110,077	122,160	135,955	150,430
Tier 1 Sukuk	0	16,500	16,500	23,554	28,943	28,943	28,943	28,943
Total Equity	67,282	100,225	106,759	123,139	139,144	151,245	165,062	179,559
Total liabilities and equity	623,645	761,619	808,098	974,387	1,074,010	1,167,595	1,252,979	1,321,803

Ratios	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Per Share (SAR)								
EPS	3.7	4.3	4.2	4.9	5.9	6.7	7.7	8.0
BVPS	16.8	20.9	22.6	24.9	27.5	30.5	34.0	37.6
DPS	0.9	1.3	2.3	2.7	3.2	3.7	4.2	4.4
Total income/share	6.4	7.1	6.9	8.0	9.3	10.6	11.8	12.4
Valuations								
M.Cap (SAR mn)	352,000	300,800	348,000	378,400	379,600	379,600	379,600	379,600
P/E	23.9	17.5	20.9	19.2	16.1	14.1	12.4	11.8
P/BV	5.2	3.6	3.9	3.8	3.4	3.1	2.8	2.5
Div. yield	1.0%	1.7%	2.6%	2.9%	3.4%	3.9%	4.4%	4.7%
Capital Quality								
Equity to total assets	10.8%	11.0%	11.2%	10.2%	10.2%	10.5%	10.9%	11.4%
Tier 1	16.4%	20.3%	20.4%	19.3%	19.9%	19.9%	20.3%	21.0%
Core Tier 1	16.4%	17.0%	17.2%	15.4%	15.6%	16.0%	16.6%	17.5%
Total capital	17.5%	21.4%	21.5%	20.2%	20.7%	20.7%	21.0%	21.7%
Earning Quality								
NIM	3.8%	3.3%	2.9%	2.9%	3.1%	3.3%	3.5%	3.5%
NII to total income	79.3%	77.6%	77.3%	77.5%	78.8%	80.2%	81.4%	81.4%
Fee income to total income	15.3%	16.2%	15.3%	14.6%	14.3%	13.6%	13.1%	13.2%
Other income to total income	5.4%	6.2%	7.4%	7.9%	6.9%	6.1%	5.6%	5.4%
Cost to income ratio	26.9%	26.1%	27.2%	24.9%	23.0%	20.8%	19.3%	18.9%
Impairment coverage	8.0	10.6	13.3	11.4	11.9	9.3	9.3	9.1
ROA	2.4%	2.3%	2.1%	2.0%	2.2%	2.3%	2.4%	2.4%
ROE	21.9%	20.5%	18.4%	19.8%	21.4%	22.0%	22.6%	21.4%
Return on RWA	3.5%	3.4%	3.2%	3.2%	3.5%	3.7%	3.9%	3.9%
Asset Quality								
Cost of risk	0.5%	0.3%	0.3%	0.3%	0.3%	0.4%	0.5%	0.5%
NPL	0.7%	0.6%	0.7%	0.8%	0.8%	0.9%	1.0%	1.1%
NPL coverage	305.6%	237.8%	203.0%	159.4%	173.1%	176.5%	182.4%	190.8%
Stage 1 ratio	97.0%	97.4%	96.5%	96.9%	96.8%	96.7%	96.7%	96.7%
Stage 2 ratio	2.1%	1.7%	2.3%	2.0%	2.0%	1.9%	1.9%	1.8%
Stage 3 ratio	0.9%	0.9%	1.2%	1.1%	1.2%	1.4%	1.5%	1.6%
Stage 1 coverage	0.8%	0.6%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
Stage 2 coverage	24.3%	17.9%	12.2%	12.0%	12.0%	12.0%	12.0%	12.1%
Stage 3 coverage	75.6%	67.5%	60.4%	54.8%	66.6%	76.5%	86.4%	96.3%
Provisions to gross loans	2.0%	1.5%	1.4%	1.2%	1.4%	1.6%	1.9%	2.1%
Funding								
Deposits to total funding	85.7%	76.8%	73.4%	67.3%	68.1%	68.9%	69.5%	70.0%
Market funds to total funding	3.0%	11.9%	15.1%	22.0%	21.1%	20.1%	19.1%	18.1%
Liquidity								
Loans to deposits	88.4%	100.6%	103.7%	110.4%	108.7%	107.1%	105.5%	103.9%
Investments and cash to total assets	20.0%	18.8%	21.7%	23.4%	24.2%	24.8%	25.4%	26.1%

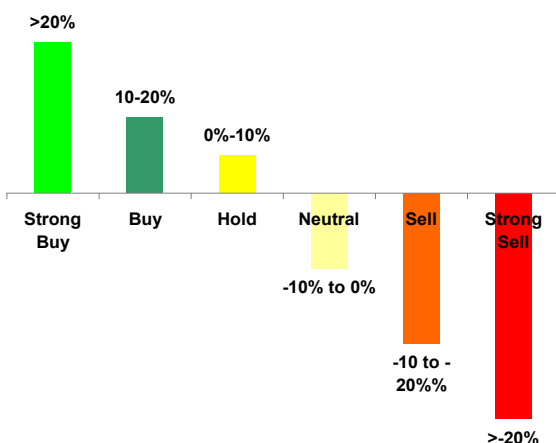
Key contacts

Research Team

Joice Mathew	Manna Thomas ACCA	Contact Address
Sr. Manager - Research	Research Associate	P. O Box: 2566; P C 112
E-Mail: joyce@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.