

Al Rajhi Bank 1Q26 Earnings Summary

RJHI delivered loan growth of 4.3% Y/Y, which is in line with FY26 guidance of low to mid-single digits. However, the flat YTD number makes us believe that the bank may have opted for some securitization in 1Q26. Furthermore, NIM expanded to 3.54%, marginally ahead of its FY26 guided range of 3.41% to 3.51%, resulting in a robust NSCI performance, both Y/Y (+18%) and Q/Q (+12%). However, on the non-yield income, the bank saw a 6% drop Q/Q and only a 1% increase Y/Y. We believe two factors may have impacted NII in 1Q26: 1) The new fee regulations that came in force from February 20 and 2) Geopolitical disruptions have resulted in a spike in yields across the globe, which could result in a negative FVIS investments impact. Management commentary in the upcoming call would be crucial to understand the NII trend. We believe that the bank would have delivered positive jaws if it weren't for the NII.

On balance sheet and NIM, the selective loan growth is visible. The share of deposits on liabilities have risen ~140bps both Y/Y and Q/Q. Certain banks had previously stated that the liquidity situation was getting better. This could be one of the reasons NIM fared better than anticipated. It's still early to take that call, but if signals continue, it will improve the sector's outlook. RJHI is rated at HOLD with a target price of SAR 70.30 (adjusted for bonus).

Key highlights

- NSCI rose 18% Y/Y (3% Q/Q) to SAR 8.41bn as both net financing and net investment income saw an increase Y/Y and Q/Q. Net financing income increased 21% Y/Y and 3% Q/Q to SAR 7.48bn while net investment income increased 3% Y/Y and 7% Q/Q to SAR 925mn.
- Reported NIM expanded by 38bps Y/Y and 19bps Q/Q to 3.54% in 1Q26.
- NII was up 1% Y/Y but fell 6% Q/Q to SAR 2.12bn. Y/Y increase is due to higher fees from banking services and exchange income, partly offset by lower other operating income. Sequential fall was led by lower other operating and exchange income, partly offset by higher fee income.
- Consequently, total operating income rose 14% Y/Y and 1% Q/Q to SAR 10.53bn.
- Operating expenses were up 18% Y/Y but down 8% Q/Q to SAR 2.46bn in 1Q26. Y/Y increase was due to higher G&A and employee expenses, while D&A saw a decline. The Q/Q fall was driven by lower D&A and G&A charges, offset partly by higher employee expenses.
- Provisions in 1Q26 were up 20% Y/Y to SAR 631mn from higher gross charge (+18%), partly offset by higher recoveries (+16%). Q/Q, it rose 1% as the decrease in gross charge (-12%) was offset by lower recoveries (-21%). Cost of Risk (CoR) was up 4bps Y/Y but flat Q/Q at 0.33%.
- On sequential basis, the decline in opex resulted in the reported cost to income ratio (CIR), ex provisions, easing 241bps to 23.3%. However, on Y/Y basis, it expanded by 64bps. Including impairments, the calculated CIR was up 93bps Y/Y but down 243bps Q/Q. Bank has shown higher operating efficiency on Q/Q basis even after excluding the impact of higher provisions.
- Net income was higher 14% Y/Y and 6% Q/Q to SAR 6.75bn.
- Lending assets climbed 4% Y/Y (flat Q/Q) to SAR 753.73bn, while customer deposits gained 3% Y/Y (+2% Q/Q) to SAR 678.73bn. Subsequently, the headline loan-to-deposit ratio (LDR) jumped 107bps Y/Y but fell 176bps Q/Q, to 111.0%.
- Total assets were up 3% Y/Y (+1% Q/Q), mainly attributed to the growth in loans and advances, partially offset by decline in investments (-3% Y/Y and -1% Q/Q).
- Core interest-earning assets accounted for 88.2% of total assets in 1Q26, down 9bps Y/Y (-70bps Q/Q).
- Reported RoE eased 18bps Y/Y (+8bps Q/Q) to 22.92%, while the reported RoA stood at 2.58%, up 22bps Y/Y (+15bps Q/Q) in the quarter.
- Balance sheet leveraging stood at 6.9x vs. 7.3x in 4Q25 and 7.6x in 1Q25.



1Q26 Snapshot:

<i>SAR mln</i>	1Q26	4Q25	1Q25	1Q23	Q/Q %	Y/Y %	3-yr CAGR/bps
Net income from Financing	7,480	7,282	6,196	4,624	3%	21%	17%
Net income from Investments	925	868	901	501	7%	3%	23%
Net Interest Income	8,405	8,150	7,097	5,125	3%	18%	18%
Non-Interest Income	2,123	2,259	2,103	1,656	-6%	1%	9%
Total Income	10,528	10,409	9,200	6,781	1%	14%	16%
Operating Expenses	2,457	2,680	2,088	1,800	-8%	18%	11%
<i>Total provisions</i>	631	626	525	359	1%	20%	21%
Income before Zakat	7,440	7,104	6,587	4,622	5%	13%	17%
Net Income	6,752	6,375	5,906	4,145	6%	14%	18%
EPS	1.13	1.06	0.98	0.69	6%	14%	18%
Assets	1,051,268	1,043,268	1,020,631	775,796	1%	3%	11%
Investments	173,081	174,305	177,909	113,926	-1%	-3%	15%
Loans & Advances	753,730	752,760	722,785	577,011	0%	4%	9%
Deposits	678,734	667,288	657,179	556,197	2%	3%	7%
Shareholders' Equity	152,507	142,762	133,977	99,227	7%	14%	15%
Reported RoE (%)	22.92	22.84	23.10	NA	08 bps	-18 bps	NA
Reported RoA (%)	2.58	2.43	2.36	NA	15 bps	22 bps	NA
Simple LDR (%)	111.0	112.8	110.0	82.5	-176 bps	107 bps	2,854 bps
Assets to Equity (x)	6.9	7.3	7.6	8.1	-6%	-10%	-5%
Cost of Risk (%)	0.33	0.33	0.29	0.25	0 bps	4 bps	08 bps

<i>SAR mln unless otherwise specified</i>	1Q26	4Q25	1Q25	1Q23	Q/Q %	Y/Y %	3-yr CAGR/bps
Core Interest Earning Assets (CIEA)	926,811	927,065	900,694	690,937	0%	3%	1%
Reported NIM (%)	3.54	3.35	3.16	NA	19 bps	38 bps	NA
Cost/Income (%)	23.3	25.7	22.7	26.5	-241 bps	64 bps	-321 bps
CIEA to total Assets (%)	88.2	88.9	88.2	89.1	-70 bps	-09 bps	-90 bps

Source: Company Announcement



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Buy

Shares of the companies under coverage in this report are expected to outperform relative to the sector or the broader market.

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Shares of the companies under coverage in this report are expected to perform in line with the sector or the broader market.

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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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