

**Margin Expansion Continues, Operational Efficiency Improving**

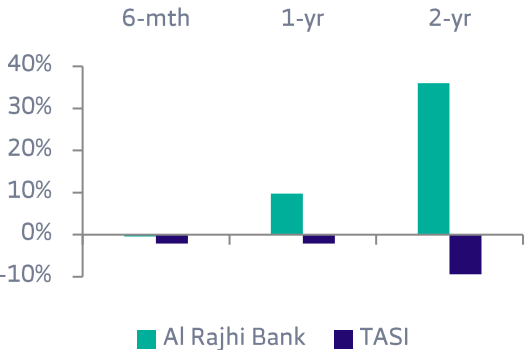
**April 22, 2026**

Upside to Target Price	6.9%	Rating	Neutral
Expected Dividend Yield	2.7%	Last Price	SAR 71.70
Expected Total Return	9.7%	12-mth target	SAR 76.67

Market Data	
52-week high/low	SAR 75.33/58.53
Market Cap	SAR 430,000 mln
Shares Outstanding	6,000 mln
Free-float	96.72%
12-month ADTV	3,355,782
Bloomberg Code	RJHI AB

Alrajhi	1Q2026	1Q2025	Y/Y	4Q2025	Q/Q	RC Estimate
Net Fin. & Invest. Income	8,405	7,097	18%	8,150	3%	8,462
Total Operating Income	10,528	9,200	14%	10,409	1%	10,897
Net Income	6,752	5,906	14%	6,375	6%	6,804
Net Financing	753,730	722,785	4%	752,760	0%	768,202
Deposits	678,734	657,179	3%	667,288	2%	677,297

(All figures are in SAR mln)



- Net financing grew by +4% Y/Y, reaching SAR 754 bln, slightly below our estimate of SAR 768 bln, primarily driven by the non-retail book, with large corporates and SMEs expanding by +8% and +48%, respectively. Retail financing declined marginally by -1.0% Y/Y. On a sequential basis, net financing increased by a modest +0.1% Q/Q, with the SAR 1.3 bln securitization transaction likely offsetting underlying origination during the quarter. Customer deposits rose +3% Y/Y and +2% Q/Q to SAR 679 bln, broadly in line with our estimate of SAR 677 bln. As a result, regulatory loan-to-deposit ratio marginally declined to 82.6% from 82.8% in 4Q2025.
- Net Financing and Investment Income increased +18% Y/Y and +3% Q/Q to SAR 8.41 bln, in line with our estimate of SAR 8.46 bln. This was supported by a notable improvement in margins, with NIMs rising to 3.54% in 1Q26 (+19 bps Q/Q and +38 bps Y/Y), exceeding our estimate of 3.34%. This margin expansion reflects the bank's strategic pivot toward profitability over balance sheet growth, supported by selective asset repricing.
- Operating income grew +14% Y/Y and a modest +1% Q/Q to SAR 10.5 bln, slightly below our estimate of SAR 10.9 bln. Sequential growth was partly offset by weaker non-funded income, which declined -6% Q/Q. Operating expenses reached SAR2.5 bln, up +18% Y/Y, but down -8% Q/Q. The bank maintained strong cost efficiency, with cost-to-income ratio improving to 23.3% in 1Q26 (vs. 25.7% in 4Q2025), outperforming our estimate of 24.8%. Cost of risk was recorded at 33 bps for 1Q, up 4bps Y/Y and broadly stable Q/Q, in line with our estimate of 31 bps.
- Al Rajhi Bank has reported a 1Q bottom-line of SAR 6.75 bln, up +14% Y/Y and +6% Q/Q, in line with our estimate of SAR 6.80 bln. Sequential performance was supported by solid NSCI growth, coupled with improved cost efficiency, as reflected in lower operating expenses.
- The bank continues to deliver solid performance, with total assets reaching SAR 1.05 tln, up +3% Y/Y. AlRajhi maintained its leading position on return metrics, with ROE and ROA at 22.9% and 2.6%, respectively for 1Q26. While operating momentum and margin strength is intact, the stock's strong performance has largely priced in the positives, limiting near-term upside. Accordingly, we maintain our target price and reiterate our 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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