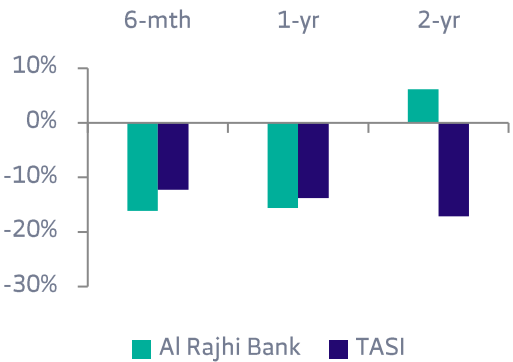


Market Data	
52-week high/low	SAR 73.40/59.55
Market Cap	SAR 360,900 mln
Shares Outstanding	6,000 mln
Free-float	97.81%
12-month ADTV	4,711,323
Bloomberg Code	RJHI AB



Earnings Momentum Holds Aimd Funding-Mix Shifts

October 21, 2026

Upside to Target Price 19.6%
Expected Dividend Yield 3.2%
Expected Total Return 22.8%

Rating Buy
Last Price SAR 60.20
12-mth target SAR 72.00

Alrajhi	3Q2026	3Q2025	Y/Y	2Q2026	Q/Q	RC Estimate
Net Fin. & Invest. Income	8,614	7,294	18%	8,307	4%	8,401
Total Operating Income	11,115	9,882	12%	10,884	2%	10,982
Net Income	7,106	6,360	12%	7,012	1%	6,905
Net Financing	774,859	755,985	2%	762,096	2%	777,602
Deposits	700,277	693,905	1%	688,359	2%	693,178

(All figures are in SAR mln)

- Net financing reached SAR 775 bln (+2% Y/Y, +2% Q/Q), in line with our estimate of SAR 778 bln. Sequentially, net financing increased by SAR 12.8 bln despite the securitization of SAR 5.0 bln of mortgages and SAR 1.9 bln of consumer financing during the quarter. Customer deposits reached SAR 700 bln (+1% Y/Y, +2% Q/Q), broadly in line with our estimate of SAR 693 bln. However, the funding mix continued to shift toward interest-bearing deposits, with the CASA ratio declining to 61% from 64% in 2Q26 and 68% in 1Q26, indicating that sequential deposit growth was primarily supported by higher-cost term deposits. This could place upward pressure on funding costs, partially offsetting the benefit from higher asset yields. Consequently, the regulatory loan-to-deposit ratio increased to 83.6% from 82.8% in 2Q26.
- Net financing and investment income reached SAR 8.6 bln (+18% Y/Y, +4% Q/Q), 3% above our estimate of SAR 8.4 bln. NIM expanded to 3.52% (+53 bps Y/Y, +6 bps Q/Q), standing 10 bps above our estimate of 3.42%.
- Total operating income reached SAR 11.1 bln (+12% Y/Y, +2% Q/Q), broadly in line with our estimate of SAR 11.0 bln. Sequential growth was driven by higher net financing and investment, partially offset by lower fees and other income (-3% Q/Q). Operating expenses reached SAR 2.4 bln (+6% Y/Y, -2% Q/Q), coming in 4% below our estimate. Accordingly, the cost-to-income ratio improved to 21.2% in 3Q26 (vs. 22.0% in 2Q2026), outperforming our estimate of 22.4%. Cost of risk stood at 44 bps (+14 bps Y/Y, -2 bps Q/Q), broadly in line with our estimate of 43 bps. Total impairment charges reached SAR 852 mln (+49% Y/Y, -3% Q/Q), in line with our estimate of SAR 845 mln, while asset quality remained stable, with the NPL ratio at 0.76% and coverage at 152%.
- Al Rajhi Bank reported a 3Q26 bottom line of SAR 7.1 bln (+12% Y/Y, +1% Q/Q), broadly in-line with our estimate of SAR 6.9 bln. Sequential earnings growth was supported by healthy top-line, decline in impairment charges, coupled with improved operating efficiency.
- Al Rajhi Bank trades at approximately 2.5x 2027E P/BV (vs. the sector average of around 1.2x), with its premium supported by superior profitability and operating efficiency. However, the monetary policy outlook remains a key consideration, as a higher-for-longer rate environment could pressure funding costs and limit balance-sheet flexibility given the bank’s fixed-rate retail exposure. The securitization of SAR 14.8 bln during 9M26, together with the increasing focus on corporate and SME financing, could help rebalance the portfolio toward faster-repricing assets and partially mitigate these pressures. Accordingly, we trim our target price to SAR 72.00 from SAR 76.67, while maintaining our Buy recommendation.

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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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