

■ Margins Expand Q/Q, Higher Opex Weighs

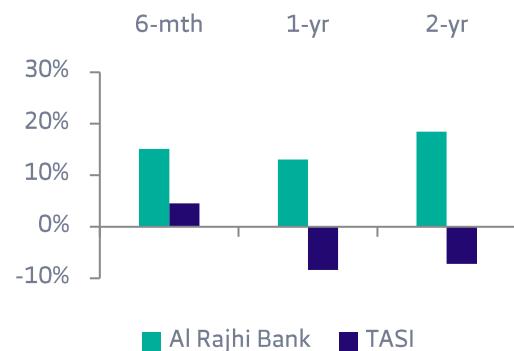
January 29, 2026

Upside to Target Price	6.1%	Rating	Neutral
Expected Dividend Yield	2.6%	Last Price	SAR 108.40
Expected Total Return	8.7%	12-mth target	SAR 115.00

Market Data	
52-week high/low	SAR 113.00/87.80
Market Cap	SAR 433,000 mln
Shares Outstanding	4,000 mln
Free-float	97.81%
12-month ADTV	3,447,536
Bloomberg Code	RJHI AB

Alrajhi	4Q2025	4Q2024	Y/Y	3Q2025	Q/Q	RC Estimate
Net Fin. & Invest. Income	8,150	6,941	17%	7,294	12%	7,287
Total Operating Income	10,409	8,750	19%	9,882	5%	10,005
Net Income	6,375	5,516	16%	6,360	0%	6,353
Net Financing	752,760	693,410	9%	755,985	(0%)	758,998
Deposits	667,288	654,989	2%	670,180	(0%)	690,286

(All figures are in SAR mln)



- Net financing grew by +9% Y/Y, reaching SAR 753 bln, driven by the non-retail book, with large corporates and SMEs growing by +19% and +51%, respectively. Retail financing growth remained modest at 1.4% Y/Y, despite a 3.2% increase in the mortgage book, partly reflecting several securitization transactions executed during 2025, whereby the bank securitized nearly SAR 14 bln, including around SAR 10.0 bln of mortgages and SAR 4.0 bln of consumer loans. Customer deposits rose +2% Y/Y, while declined -0.4% Q/Q to SAR 667 bln, coming in slightly below our estimate of SAR 690 bln. As a result, loan-to-deposit ratio stood at 113%, broadly stable compared to 3Q2025.
- Net Financing and Investment Income posted a strong +17% Y/Y and +12% Q/Q increase to SAR 8.2 bln, exceeding our estimate of SAR 7.3 bln. This was underpinned by significant improvement in margins, with NIMs rising to 3.35% in 4Q25, up +36 bps Q/Q and +8 bps Y/Y, and well above our estimate of 2.97%. This sharp margin expansion reflects the bank's strategic pivot toward profitability over balance sheet growth, supported by selective asset repricing.
- Operating income grew +5% Q/Q and +19% Y/Y to SAR 10.4 bln, supported by strong growth in Net Financing and Investment Income, in line with our estimates. Operating expenses rose sharply, up +21% Q/Q and +31% Y/Y, mainly driven by higher employee-related expenses and increased general and administration expenses. Cost-to Income ratio has increased to 25.7% (from 22.4% in 3Q2025). Cost of risk was recorded at 33 bps for 4Q, up 3bps Q/Q and stable on yearly basis, mainly due to the increase in impairment charges by +10% Q/Q to SAR 626 mln, broadly in line with our estimate of SAR 646 mln.
- Al Rajhi Bank has reported a 4Q bottom-line of SAR 6.37 bln, (+16% Y/Y), in line with our estimate of SAR 6.35 bln. Sequentially, earnings were broadly flat, as higher Opex largely offset the improvement in operating income. Alrajhi declared a cash dividend of SAR 1.75 per share for the 2H25.
- The bank continues to deliver solid performance, with total assets reaching SAR 1.04 tln, up +7% Y/Y. AlRajhi maintained its leading position on return metrics, with ROE and ROA at 23.4% and 2.4%, respectively for FY25. 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.

Reem M. Alkhulayfi

reem.alkhulayfi@riyadcapital.com
+966-11-486-5680

Disclaimer

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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