

Another record set of results; loan growth sizably beats expectation. Board has recommended an above expected 2H dividend of SAR 1.46 per share.

Al Rajhi Bank posted earnings of SAR 5.5bn in Q4-24, up 32.2% Y/Y (+8.1% on a Q/Q basis). The Q4-24 result was broadly in-line (+6.1% deviation) with AJC estimate of SAR 5,200mn; however was above (+8.3% deviation) consensus estimate of SAR 5,091mn. We highlight that the bank posted a massive 16.7% Y/Y (+6.8% Q/Q) increase in loans to SAR 693bn in 2024. The pickup in loan growth in Q4-24 most likely reflects the recent uptick in mortgage loans. The NIMs improved by 15bps Y/Y (+4bps Q/Q) to 3.20%. Total operating income grew by 24.1% Y/Y (3.7% Q/Q) to SAR 8,750mn, vs AJC estimate of SAR 8,536mn. Operating expenses grew by 2.7% Y/Y (-0.9% Q/Q) to SAR 2,051mn, (-8.2% deviation to AJC estimate). Provision expenses increased by 36.3% Y/Y to SAR 553mn, which implies a cost of risk of 32bps (+5bps Y/Y). Due to substantial long-term fixed rate mortgage exposure, bank's margins would post sizable recovery as rates continue coming down in 2025-26. We maintain our **"Overweight"** recommendation with TP of SAR 102.0/share.

- Al Rajhi Bank posted earnings of SAR 5.5bn in Q4-24, up 32.2% Y/Y (+8.1% on a Q/Q basis). Along with the result, board has recommended an above expected DPS of SAR 1.46 for the 2H-24. The Q4-24 result was broadly in-line (+6.1% deviation) with AJC estimate of SAR 5,200mn; however was above (+8.3% deviation) consensus estimate of SAR 5,091mn. Deviation to our earnings estimate arise from higher net financing and investment income and lower operating expenses.
- Net financing and investment income improved by 25.1% Y/Y (8.5% Q/Q) to SAR 6,941mn (+4.7% deviation to AJC estimate of SAR 6,627mn). The growth in funded income is owed to 15bps Y/Y (+4bps Q/Q) improvement in NIMs to 3.20% and to overall asset growth. NIMs for Alrajhi expand in a declining rate environment on account of the huge fixed rate asset exposure.
- A major positive surprise came from the balance sheet side, where investments and financing posted growths of 31.2% Y/Y (6.8% Q/Q) and 16.7% Y/Y (8.9% Q/Q) respectively in Q4-24, to SAR 175mn and SAR 693mn. Loans and investments were 5.3% and 7.3% higher than AJC estimates for Q4-24, respectively. The increase in loans is most likely driven by the mortgages which saw a pickup in momentum in last few months.
- Total operating income grew by 24.1% Y/Y (3.7% Q/Q) to SAR 8,750mn, vs AJC estimate of SAR 8,536mn. Operating expenses grew by 2.7% Y/Y (-0.9% Q/Q) to SAR 2,051mn, (-8.2% deviation to AJC estimate). Cost to income ratio improved to 23.4% in Q4-24 as compared to 28.3% in the Q4-23 (AJC estimate 26.2%).
- Provisions were up 36.3% Y/Y to SAR 553mn in Q4-24 (10.6%/SAR 53mn higher than AJC estimate). Cost of risk stood at 32bps in Q4-24 as compared to 27bps in Q4-23 (deviation of +2bps to our estimate).

AJC view and valuation: Due to favorable asset liability duration mismatch we see a notable improvement in net interest margins and ROE in the medium term as rates continue coming down from peak levels. We forecast AlRajhi to deliver medium term (2023-27) earnings CAGR of 12.0% and best in class average ROE of 20.0%. We maintain our **"Overweight"** recommendation with TP of SAR 102.0/share.

Results Summary

SAR mn	Q4-23	Q3-24	Q4-24	Change Y/Y	Change Q/Q	Deviation from AJC Estimates
NSCI	5,550	6,397	6,941	25.1%	8.5%	4.7%
Operating income	7,051	8,439	8,750	24.1%	3.7%	2.5%
Net Profit	4,171	5,103	5,515	32.2%	8.1%	6.1%
EPS	1.04	1.28	1.38	-	-	-

Source: Company Reports, Aljazira Capital Research

Recommendation **Overweight**

Target Price (SAR) 102.0

Upside / (Downside)* 6.4%

Source: Tadawul *prices as of 28th of January 2025

Key Financials

SARmn (unless specified)	FY23	FY24	FY25E	FY26E
Net financing & investment income	21,269	24,843	27,749	31,094
Growth %	-4.10%	16.80%	11.70%	12.05%
Net Profit	15,800	18,680	21,017	23,618
Growth %	-6.80%	18.23%	12.51%	12.38%
EPS	3.95	4.67	5.25	5.9
DPS	2.25	2.71	3.00	3.25

Source: Company reports, Aljazira Capital Research

Key Ratios

	FY23	FY24	FY25E	FY26E
NIMs	3.0%	3.1%	3.3%	3.4%
P/E	22.03	20.39	18.27	16.25
P/B	3.9	3.8	3.5	3.2
Dividend Yield	2.6%	2.8%	3.1%	3.4%
ROA	2.0%	1.9%	2.0%	2.1%
ROE	17.5%	18.7%	19.3%	19.7%
Net loan growth	4.6%	16.7%	7.4%	7.4%
Deposit growth	1.4%	9.1%	7.9%	7.6%

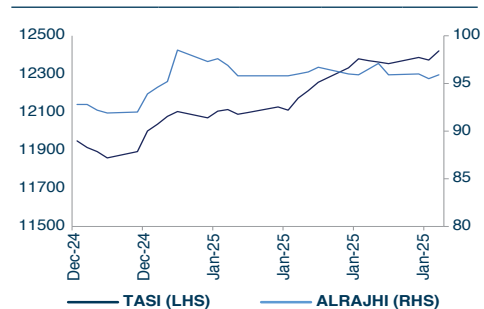
Source: Company reports, Aljazira Capital Research

Key Market Data

Market Cap(bn)	394
YTD%	1.37%
52 week (High)/(Low)	99.5/75.5
Share Outstanding (mn)	4,000

Source: Company reports, Aljazira Capital Research

Price Performance



Source: Tadawul, Aljazira Capital Research

Senior Equity Analyst

Fahad Qureshi, CFA

+966 11 2256315

f.iran@aljaziracapital.com.sa





RESEARCH DIVISION

Head of Sell-Side Research - AGM
Jassim Al-Jubran
+966 11 2256248
j.aljabran@aljaziracapital.com.sa

RESEARCH
DIVISION

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RATING
TERMINOLOGY

1. **Overweight:** This rating implies that the stock is currently trading at a discount to its 12 months price target. Stocks rated "Overweight" will typically provide an upside potential of over 10% from the current price levels over next twelve months.
2. **Underweight:** This rating implies that the stock is currently trading at a premium to its 12 months price target. Stocks rated "Underweight" would typically decline by over 10% from the current price levels over next twelve months.
3. **Neutral:** The rating implies that the stock is trading in the proximate range of its 12 months price target. Stocks rated "Neutral" is expected to stagnate within +/- 10% range from the current price levels over next twelve months.
4. **Suspension of rating or rating on hold (SR/RH):** This basically implies suspension of a rating pending further analysis of a material change in the fundamentals of the company.

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Head Office: King Fahad Road, P.O. Box: 20438, Riyadh 11455, Saudi Arabia, Tel: 011 2256000 - Fax: 011 2256068