

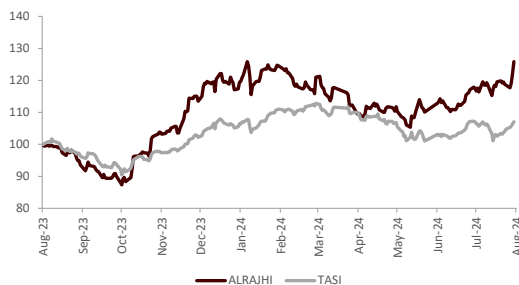
## Al Rajhi Bank (ALRAJHI)

<b>Recommendation</b>	<b>Hold</b>
Current Market Price (SAR)	89.0
52wk High / Low (SAR)	92.5/63.1
Mkt. Cap. (USD/SAR Mn)	94,874/356,000
Shares Outstanding (mn)	4,000
Free Float (%)	97.8%
3m Average Vol. (000)	4,820.0
3m Avg Daily Turnover (SAR'000)	392,013
Dividend Yield '24e (%)	3.4%
Adjusted P/E'24e (x)*	5.0
P/B'24e (x)	3.6

Source: Bloomberg

\*EPS post sukuk payment

## Relative Price Performance



## Key Indicators

SAR (mn)	2022	2023	2024e	2025e
Net yield income	22,173	21,269	26,326	25,431
Non yield income	6,402	6,262	6,851	7,306
Operating income	28,575	27,531	33,176	32,737
Impairment charge	2,001	1,504	2,491	3,629
Net income	17,151	16,621	20,702	19,144
Cost to income (%)	26%	27%	23%	24%
EPS (SAR)	4.29	4.16	5.18	4.79
Adjusted EPS (SAR)*	4.24	3.95	4.97	4.58
ROAE (%)	22%	18%	21%	18%
Financing	568,338	594,205	647,620	714,334
Customers' deposits	564,925	573,101	614,368	671,046

Source: Company Reports, Yaqeen Capital

\*EPS post sukuk payment

## Major Shareholders (%)

Abdullah Bin Sulaiman Al Rajhi 2.18%

Source: Bloomberg, Yaqeen Capital

## Earnings rose amid higher operating income

- ALRAJHI's 2Q2024 results showed a 13.2% YoY rise in net income to SAR 4,698mn, marking a 6.7% QoQ increase. This growth was driven by higher total operating income despite a rise in operating expenses, including impairment charges for financing. However, the net profit margin fell by 2.8ppts YoY to 41.8%, though it improved by 1.0ppt QoQ.
- Net financing and investment income increased by 12.8% YoY and 3.7% QoQ to SAR 5,857mn in 2Q2024 due to higher gross financing and investment income, supported by an increase in gross financing and investment returns.
- Operating income in 2Q2024 grew 11.9% YoY and 5.6% QoQ to SAR 7,637mn. This was mainly due to growth in net financing and investment income, other operating income, and exchange income, although fees from banking services declined QoQ. YoY growth was supported by increased net financing and investment income, other operating income, fees from banking services, and exchange income.
- Operating expenses, including impairment charges for financing in 2Q2024, rose by 9.6% YoY and 4.2% QoQ to SAR 2,411mn, driven by higher general and administrative expenses, salaries, employee benefits, and depreciation. Impairment charges for financing grew by 26.4% YoY and 8.1% QoQ.
- For 1H2024, net income grew by 9.7% YoY to SAR 9,103mn, driven by higher net financing and investment income, other operating income, and exchange income, despite higher operating expenses. The net profit margin declined by 4.6ppts YoY to 41.3%.
- Net financing and investment income for 1H2024 rose by 11.5% YoY to SAR 11,504mn, reflecting higher gross financing and investment income and returns.
- The financing portfolio (~71% retail and ~29% corporate), grew by 7.4% YoY to SAR 622bn in 2Q2024, with the corporate portfolio expanding by 21.9% YoY and the retail portfolio growing by 2.3% YoY.
- Customer deposits surged by 9.1% YoY to SAR 623bn, driven by a 14.8% YoY increase in demand deposits, accounting for ~68% of the deposits book as of June 2024.

**Outlook & Valuation:** ALRAJHI maintains a robust standing in the local banking sector, well positioned to capitalize on projected credit growth. With the backing of increased government spending, potential private sector investments, and anticipated shifts in interest rates, the bank's strong asset quality, solid capital base, and favorable net interest margin (NIM) reinforce its competitive edge. These factors strategically place Al Rajhi Bank to capture growth opportunities and ensure sustained success. The stock is currently trading at a P/B of 3.6x (based on FY2024e BVPS). Based on equal weighted valuation using Residual Income and P/B methodologies, we arrive at a fair value of SAR 94.1/share, offering a potential 5.8% upside from the current level. Hence, we recommend a Hold rating on the stock.

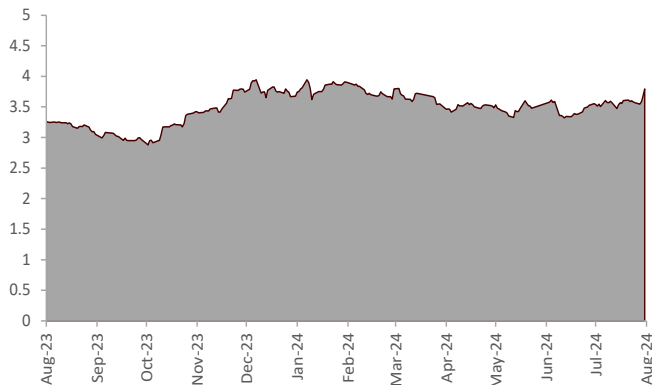
## Financial Summary

SAR (mn)	2Q2024	2Q2023	YoY	1Q2024	QoQ
Net yield income	5,857	5,194	13%	5,647	4%
Non yield income	1,780	1,634	9%	1,582	12%
Operating income	7,637	6,827	12%	7,229	6%
Impairment charge	455	360	26%	421	8%
Net income	4,698	4,150	13%	4,405	7%
Cost to income (%)	26%	27%		26%	
EPS (SAR)	1.17	1.04	13%	1.10	7%
Adjusted EPS (SAR)*	1.12	0.98	14%	1.05	7%

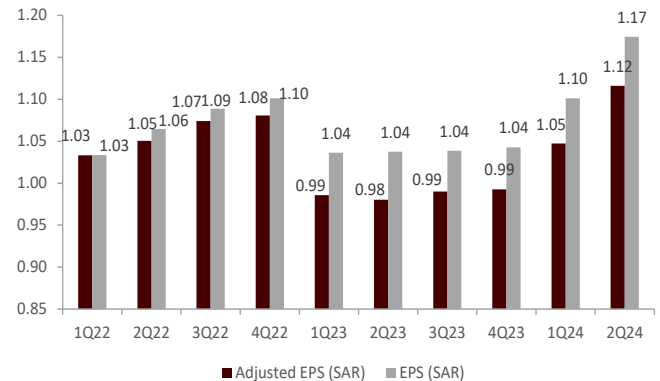
Source: Company Reports, Yaqeen Capital

\*EPS post sukuk payment

### Price to Book Ratio Trend



### EPS & Adjusted EPS\* (SAR) Trend



\*EPS post sukuk payment

## Rating Methodology

**Buy:** The Target share price exceeds the current share price by  $\geq 10\%$

**Hold:** The Target share price is either more or less than the current share price by 10%

**Sell:** The Target share price is less than the current share price by  $\geq 10\%$

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