

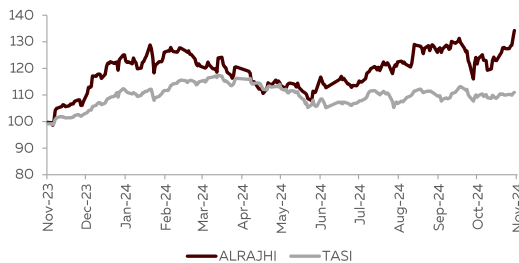
Al Rajhi Bank (ALRAJHI)

Recommendation	Buy
Current Market Price (SAR)	92.7
52wk High / Low (SAR)	93.0/69.8
Mkt. Cap. (USD/SAR Mn)	98,818/370,800
Shares Outstanding (mn)	4,000
Free Float (%)	97.8%
3m Average Vol. (000)	4,629.5
3m Avg Daily Turnover (SAR'000)	401,602
Dividend Yield '24e (%)	3.0%
Adjusted P/E'24e (x)*	19.7
P/B'24e (x)	3.8

Source: Bloomberg

*EPS post sukuk payment

Relative Price Performance



Key Indicators

SAR (mn)	2022	2023	2024e	2025e
Net yield income	22,173	21,269	25,275	24,456
Non yield income	6,402	6,262	6,851	7,306
Operating income	28,575	27,531	32,126	31,762
Impairment charge	2,001	1,504	2,670	3,707
Net income	17,151	16,621	19,596	18,196
Cost to income (%)	26%	27%	24%	25%
EPS (SAR)	4.29	4.16	4.90	4.55
Adjusted EPS (SAR)*	4.24	3.95	4.69	4.34
ROAE (%)	22%	18%	20%	17%
Financing	568,338	594,205	675,404	729,230
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%
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Source: Bloomberg, Yaqeen Capital

Earnings growth supported by operating income and financing gains

- ALRAJHI's 3Q2024 earnings showed a 22.8% YoY increase in net income to SAR 5,103mn, reflecting an 8.6% QoQ growth due to increased operating income. The net profit margin improved by 0.3ppts YoY and 0.2ppts QoQ to 42.0%.
- Net financing and investment income in 3Q2024 increased by 18.5% YoY and 9.2% QoQ, reaching SAR 6,397mn, attributed to higher gross financing and investment returns.
- Operating income for 3Q2024 grew 22.8% YoY and 10.5% QoQ to SAR 8,439mn, driven by increased net financing and investment income, banking fees, other operating income, and exchange gains.
- Operating expenses, including impairment charges, rose by 23.2% YoY and 14.4% QoQ to SAR 2,758mn in 3Q2024, primarily due to increased depreciation, employee benefits, and administrative costs. Impairment charges for financing rose sharply (81.4% YoY; 51.3% QoQ).
- For 9M2024, net income grew by 14.1% YoY to SAR 14,206mn, supported by a 13.8% increase in total operating income, though the net profit margin declined by 2.9ppts YoY to 41.6%.
- Net financing and investment income for 9M2024 rose by 13.9% YoY to SAR 17,902mn, driven by higher gross financing and investment returns.
- The financing portfolio grew by 9.9% YoY and 9.2% YTD to SAR 649bn in 9M2024, with corporate financing up by 19.1% YoY and 18.1% YTD, and retail financing up by 6.2% YoY and 5.8% YTD.
- Customer deposits increased by 10.0% YoY and 8.6% YTD to SAR 623bn, largely driven by a 19.1% YoY and 23.5% YTD increase in demand deposits, which make up approximately 70% of the deposit book as of 9M2024.

Outlook & Valuation: ALRAJHI holds a strong position in the local banking sector, well-prepared to benefit from expected credit growth. Supported by rising government spending, potential private sector investments, and projected interest rate changes, the bank's robust asset quality, solid capital base, and healthy net interest margin (NIM) bolster its competitive advantage. Additionally, the company has revised its guidance, aligning with these favorable conditions to strengthen its growth trajectory. These strengths position the bank to seize growth opportunities and drive long-term success. The stock is currently trading at a P/B of 3.8x (based on FY2024e BVPS). Based on equal weighted valuation using Residual Income and P/B methodologies, we arrive at a fair value of SAR 107.0/share, offering a potential 15.4% upside from the current level. Hence, we recommend a Buy rating on the stock.

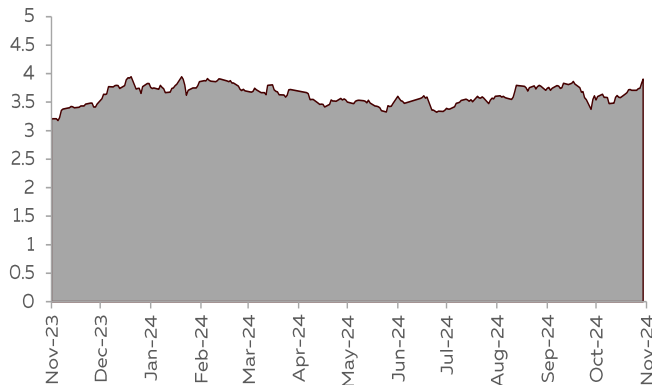
Financial Summary

SAR (mn)	3Q2024	3Q2023	YoY	2Q2024	QoQ
Net yield income	6,397	5,401	18%	5,857	9%
Non yield income	2,042	1,472	39%	1,780	15%
Operating income	8,439	6,873	23%	7,637	11%
Impairment charge	688	379	81%	455	51%
Net income	5,103	4,155	23%	4,698	9%
Cost to income (%)	25%	27%		26%	
EPS (SAR)	1.28	1.04	23%	1.17	9%
Adjusted EPS (SAR)*	1.22	0.99	23%	1.12	9%

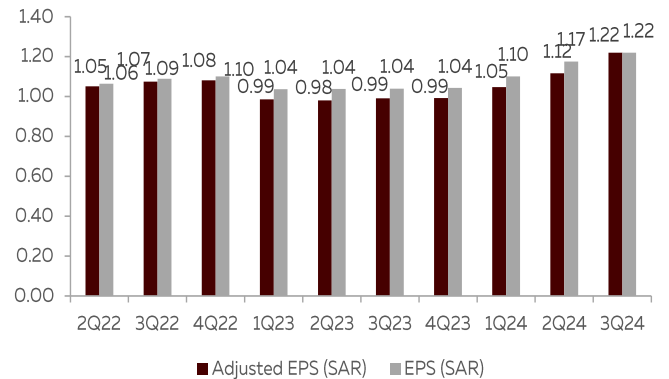
Source: Company Reports, Yaqeen Capital

*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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