Al Rajhi Bank

Lending growth recovers strongly in 4Q24 – Maintain Overweight

Rating: Overweight | 12M Target Price: SR 106

February 3, 2025

Market Data	
Last Price (SR)*	98.8
Target Price (SR)	106
Upside / Downside (%)	7%
Market Cap (bn) (SR/USD)	395/105
52 week High / Low (SR)	98.5/75.6
12-month ADTV (mn) (SR/USD)	386/103
YTD Return (%)	4%
Bloomberg Code	RJHI AB

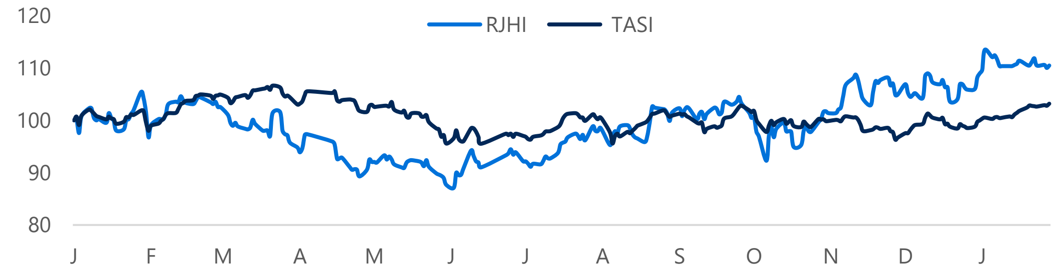
*last price as of 2 February 2025

Valuations	2024A	2025F	2026F	2027F
Net Income (SRbn)	20	23	27	31
Adj. EPS (SR)	4.7	5.6	6.5	7.4
PER (x)	21.2	17.8	15.2	13.3
P/BV (x)	3.9	3.7	3.4	3.1
DPS (SR)	2.7	3.3	3.9	4.5
Div. Yield (%)	2.7	3.4	4.0	4.5
RoAE (%)	20.7	22.6	24.3	25.1
RoAA (%)	2.2	2.3	2.5	2.6

Financials (SR mn)	4Q24A	4Q24E*	Var (%)	4Q23A	YoY (%)	3Q24A	QoQ (%)
Net Interest Income	6,941	6,371	9	5,550	25	6,397	9
Non-Interest Income	1,809	1,831	-1	1,501	20	2,042	-11
Total Income	8,750	8,202	7	7,051	24	8,439	4
Operating expenses	(2,050)	(2,114)	-3	(1,998)	3	(2,070)	-1
Impairment provisions	(553)	(383)	44	(406)	36	(688)	-20
Net Income	5,516	5,099	8	4,171	32	5,103	8
Adj. EPS	***1.29***	***1.20***	***7***	***0.99***	***30***	***1.22***	***6***
Assets	974,387	922,638	6	808,098	21	902,571	8
Investments	176,068	167,873	4	134,299	31	161,760	8
Loans & Advances	693,410	650,428	7	594,205	17	649,024	7
Deposits	628,239	636,054	-1	573,101	10	622,572	1
Total Equity	123,139	120,214	2	106,759	15	117,879	4
NIM (%) - annualized	3.2	3.1	8 bps	3.1	15 bps	3.2	4 bps
Oper. cost to income (%)	23	26	-235 bps	28	-491 bps	25	-111 bps
Provisions/Loans (bps)	8	6	2 bps	7	1 bps	11	-3 bps
Simple LDR (%)	110	102	811 bps	104	669 bps	104	612 bps
Assets to Equity (x)	7.9	7.7	3%	7.6	5%	7.7	3%

*anbc estimates

Price Performance



Source: Tadawul, Bloomberg and anbc research

Al Rajhi Bank (RJHI AB) reported a net profit of SR5.5bn (Adj. EPS: SR1.29) in 4Q24, up 30% YoY and 6% QoQ. Profitability expansion resulted from a sharp pick-up in interest earnings assets coupled with margin expansion and well-managed operating expenses despite higher impairment charges. The adjusted EPS exceeded our estimates by 7%, primarily on better-than-expected net interest income for the quarter. The BoD recommended a dividend payout of SR 1.46/share for 2H24.

- Net interest income grew 25% YoY in 4Q24, supported by a 19% YoY increase in interest earnings assets and margin expansion; we estimate annualized NIM expanded by 15bps YoY/4bps QoQ. For 2024, net interest income was up 17% YoY.
- While non-interest income increased by 20% YoY in 4Q24, sequentially it declined by 11% QoQ. Resultantly, total operating income growth was recorded at 24% YoY but contained only 4% QoQ. For 2024, non-interest income grew by 15% YoY, driven by higher fees, exchange, and other operating income.
- Operating expenses remained well managed during the quarter, up only 3% YoY and declining by 1% sequentially. The operating cost-to-income ratio declined by 491bps YoY/111bps QoQ to 23%. For 2024, operating cost-to-income ratio fell to 25% from 27% in 2023.
- However, credit impairment provisioning cost jumped 36% YoY (-20% QoQ) in 4Q24. Provisioning to loans recorded at 8bps in 4Q24 vs. 7bps in the same period last year, though it declined from 11bps in 3Q24. For the full year, provisioning costs increased by 41% YoY. Despite the higher provisioning cost, net income increased by 19% YoY (EPS up 18% YoY) in 2024.
- Total assets increased by 21% YoY/8% QoQ driven by a 31% YoY/8% QoQ increase in investment portfolio and a 17% YoY/7% QoQ growth in lending portfolio. However, deposits declined by 1% YoY (+1% QoQ), increasing non-regulatory LDR to 110% in 4Q24. Meanwhile, asset-to-equity increased 3% to 7.9x.
- *Lending growth recovery for RJHI has been a big surprise in 4Q24. Growth in the net loans jumped to 17% YoY in 4Q24 from only 9% YTD in 9M24. This places Al Rajhi as the largest bank in the country in terms of net lending portfolio size, surpassing Saudi National Bank. The scale benefit also filtered through improved cost efficiencies, while interest rate cuts in 2H24 also led to improved margins for the bank. However, any further meaningful expansion in margins would require more rate cuts, the outlook of which remains uncertain, while profitability growth would continue to be driven by growth in interest earnings assets. In this regard, despite the growth opportunities, liquidity dynamics continue to tighten up with regulatory LDRs elevated. The stock is up 9% since our last update on Dec 2'24 and while we continue to maintain our rating, we will be updating our numbers once full year financials are available.*

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OVERWEIGHT	NEUTRAL	UNDERWEIGHT
Expected return is more than +15%	Expected return is between +15% & -10%	Expected return is lower than -10%

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