



Al Rajhi Bank

Strong Asset Growth and Fee Income Fuel 2Q25 Earnings Momentum

Rating: Neutral | 12M Target Price: SAR 106

July 23, 2025

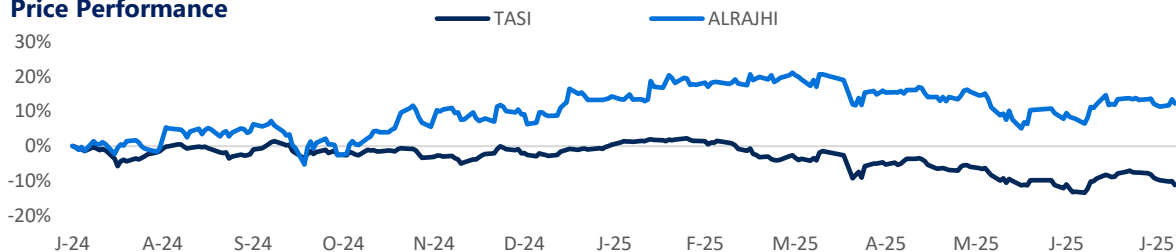
Market Data		Valuation	2024A	2025E	2026E	2027E
Last Price (SAR)	96.0	Net Income (SAR bn)	18.7	22.9	26.4	29.9
Target Price	106	EPS (SAR)	4.7	5.7	6.6	7.5
Upside / Downside (%)	11%	PER (x)	20.5	16.8	14.6	12.8
Market Cap bn (SAR/USD)	384/101	P/BV (x)	3.1	2.7	2.4	2.2
52-week High / Low (SAR)	80/102	DPS (SAR)	2.7	3.3	3.8	4.3
12-month ADTV (mn) (SAR/USD)	376/100	Div. Yield (%)	2.8	3.5	4.0	4.5
YTD Return (%)	1.5	RoAE (%)	20.8	22.4	22.7	23.2
Bloomberg Code	RJHI AB	RoAA (%)	2.2	2.3	2.3	2.4

*last price as of 23 July 2025

Financials (SAR mn)	2Q25A	2Q25E*	Var (%)	2Q24A	YoY (%)	1Q25A	QoQ (%)
Net Interest Income	7,305	7,539	-3	5,857	25	7,097	3
Non-Interest Income	2,298	1,884	22	1,780	29	2,103	9
Total Income	9,603	9,423	2	7,637	26	9,200	4
Operating expenses	(2,143)	(2,129)	1	(1,956)	10	(2,088)	3
Impairment provisions	(600)	(496)	21	(455)	32	(525)	14
Net Income	5,800	5,780	0	4,464	30	5,642	3
Adj. EPS	1.45	1.44	0	1.12	30	1.41	3
Assets	1,038,988	1,000,646	4	866,960	20	1,023,080	2
Investments	182,543	211,186	-14	154,001	19	178,973	2
Loans & Advances	741,715	682,280	9	621,891	19	722,785	3
Deposits	641,987	682,339	-6	622,572	3	629,229	2
Total Equity	134,049	139,868	-4	116,396	15	134,084	0
NIM (%) - annualized	3.1	3.2	-18 bps	3.0	9 bps	3.1	-2 bps
Operating cost to income (%)	22%	23%	-28 bps	26%	-330 bps	23%	-38 bps
Provision/Loans (bps)	32.0	7.2	25 bps	28.9	3 bps	28.7	3 bps
Simple LDR (%)	116%	100%	1,554 bps	100%	1,564 bps	115%	67 bps
Assets to Equity (x)	9.4	9.0	4	9.2	2	9.7	-4

*anbc estimates

Price Performance



Source: Tadawul, Bloomberg and anbc research

Al Rajhi Bank (RJHI AB) reported a net profit of SAR 5.8 bn (Adj. EPS: SAR 1.45) in 2Q25, up 29.9% YoY and 2.8% QoQ. Profitability expansion resulted from growth in interest earning assets and higher non-interest income. The decline in cost to income ratio was partially offset by higher impairment charges.

- Net interest income grew by 24.7% YoY in 2Q25, supported by a 20.8% YoY increase in interest earning assets and 9.5 bps YoY expansion in annualized NIM to 3.1% in 2Q25, from 3.0% in 2Q24 (down 2.3 bps QoQ).
- Non-interest income rose 29.1% YoY (9.3% QoQ) in 2Q25 to SAR 2.3 bn, mainly driven by a 24.1% increase in fees from banking services. During 1H25, non-interest income grew by 30.9% YoY, driven by 28.0% YoY growth in fees from banking services, 9.7% YoY increase in exchange income and 63.7% uptick in other operating income. Consequently, during 1H25, total operating income came at SAR 18.8 bn, up 26.5% YoY (up 25.7% YoY during 2Q25).
- Operating expenses were up 9.5% YoY (2.6% QoQ) to SAR 2.1 bn during 2Q25. Operating cost-to-income declined to 22.3% in 2Q25, down from 25.6% during similar period last year.
- Impairment provision increased by 31.9% YoY (up 14.3% QoQ), driven by growth in financing portfolio, which increased by 19.3% YoY. Cost of risk increased by 3.1 bps YoY to 32.0 bps during 2Q25.
- Total assets increased by 19.8% YoY to SAR 1.0 tn during 2Q25, on back of 18.5% YoY growth in investment portfolio and 19.3% YoY increase in lending portfolio. Within the lending portfolio, retail financing increased by 11.5% YoY, driven by 15.0% YoY growth in total mortgage loans and 6.8% YoY increase in total consumer financing. Additionally, corporate financing grew by 37.9% YoY during 2Q25.
- Deposits increased by 3.1% YoY (2.0% QoQ) to SAR 642 bn during 2Q25. Non-performing loans were stable QoQ at 0.74% of total loans (0.78% in 2Q24) with NPL coverage of 150.5% (vs 168.1% in 2Q24). CASA represented 68.4% of total deposits as of 30th June, 2025, slightly down from 70.1% in 2Q24.
- Al Rajhi Bank retained its position as the largest lender in Saudi Arabia during 2Q25, extending the growth momentum seen in 4Q24. Continued growth in loan portfolio further strengthened the bank's balance sheet position. We have a target price of SAR 106/sh. Since our initiation of coverage, the stock is up 5.4%, significantly outperforming the broader TASI index by 11%. Given the run up in price, we have revised our stance to Neutral, while maintaining our target price at 106.

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