



Al Rajhi Bank

Earnings Expansion Driven by Strong Operating Performance

Rating: Neutral | Target Price: SAR 106

October 21, 2025

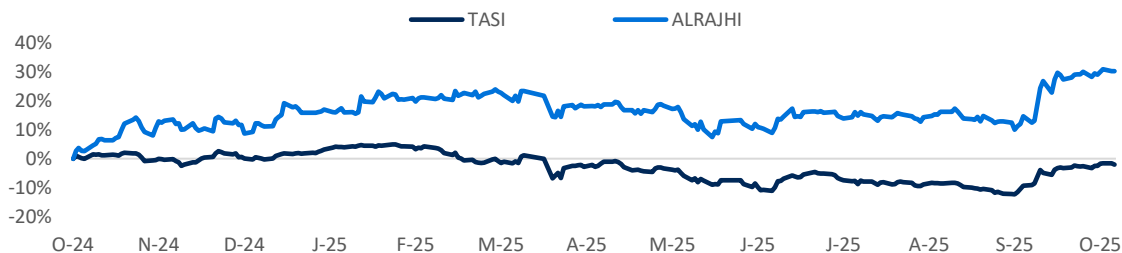
Market Data		Valuation	2024A	2025E	2026F	2027F
Last Price (SAR)	107.6	Net Income (SAR bn)	18.7	22.8	26.1	28.2
Target Price	106.0	EPS (SAR)	4.7	5.7	6.5	7.0
Upside / Downside (%)	-1%	PER (x)	23.0	18.9	16.5	15.3
Market Cap bn (SAR/USD)	430/115	P/BV (x)	4.3	3.8	3.4	3.1
52-week High / Low (SAR)	108/83	DPS (SAR)	2.7	2.4	3.8	4.1
12-month ADTV (mn) (SAR/USD)	371/99	Div. Yield (%)	2.5	2.2	3.5	3.8
YTD Return (%)	13.7	RoAE (%)	20.8	22.6	23.1	22.6
Bloomberg Code	RJHI AB	RoAA (%)	2.2	2.3	2.3	2.3

*Close of 20 Oct. 25

Financials (SAR mn)	3Q25A	3Q25E*	Var (%)	3Q24A	YoY (%)	2Q25A	QoQ (%)
Net Interest Income	7,294	7,135	2	6,397	14	7,305	0
Non-Interest Income	2,588	2,291	13	2,042	27	2,298	13
Total Income	9,882	9,426	5	8,439	17	9,603	3
Operating expenses	(2,216)	(2,074)	7	(2,070)	7	(2,143)	3
Impairment provisions	(570)	(576)	-1	(688)	-17	(600)	-5
Net Income	6,360	6,092	4	5,103	25	6,151	3
Adj. EPS	1.48	1.44		1.22		1.45	
Assets	1,059,240	939,165	13	902,571	17	1,038,988	2
Investments	179,916	133,922	34	161,760	11	182,543	-1
Loans & Advances	755,985	712,108	6	649,024	16	741,715	2
Deposits	670,180	616,908	9	622,572	8	641,987	4
Total Equity	137,515	136,822	1	117,879	17	134,049	3
NIM (%) - annualized	3.0	3.1	-11 bps	3.2	-13 bps	3.1	-8 bps
Operating cost to income (%)	22	22	42 bps	25	-211 bps	22	11 bps
Provision/Loans (bps)	30.4	31.7	-1 bps	43.3	-13 bps	32.8	-2 bps
Simple LDR (%)	113	115	-263 bps	104	855 bps	116	-273 bps
Assets to Equity (x)	7.7	6.9	12	7.7	1	7.8	-1

*anbc estimates

Price Performance



Source: Tadawul, Bloomberg and anbc research

Al Rajhi Bank (RJHI AB) reported a net profit of SAR 6,360 mn (Adj. EPS: SAR 1.48) in 3Q25, up 25% YoY and 3% QoQ. The growth in profitability was led by a 27% YoY growth in non-interest income along with a 14% YoY increase in net-interest income. Additionally, impairment provisions for the quarter declined by 17% YoY. Notably, the net income came in line with our estimates. We maintain a Neutral stance on the stock.

- Net interest income for the quarter arrived at SAR 7.3 bn, up 14.0% YoY. The increase was led by an 11.3% YoY growth in net interest income from financing to SAR 6.4 bn and a 36.8% YoY increase in net interest income from investment to SAR 925 mn. However, on a sequential basis, net-interest income was flat, with a meagre decline of 0.2% QoQ, with NIM declining 8 bps QoQ (-13 bps YoY) to 3.0% during 3Q25.
- Non-interest income grew by 26.7% YoY to SAR 2.6 bn (+12.6% QoQ), aided by initiatives by the bank to improve fee income along with progress in "harmonize the group" strategy. For 9M25, non-interest income grew to SAR 7.0 bn, up 29.3% YoY. The increase was driven by 26.7% YoY growth in fees from banking services and 15.3% YoY increase in exchange income. Additionally, other operating income rose by 50.6% YoY during 9M25.
- Operating expenses during the quarter were recorded at SAR 2.2 bn, up 7.1% YoY due to an increase in depreciation, salaries, and general & admin expenses. Cost to income ratio declined 211 bps YoY to 22.4% during 3Q25, and remained the leading cost to income ratio in the sector. However, the ratio rose by 11 bps on a sequential basis from 22.3% in 2Q25.
- Impairment provisions for 3Q25 declined 17.2% YoY to SAR 570 mn (-5.0% QoQ). Gross charge for the quarter increased by 28.1% YoY, while recoveries from written off financing grew by 92.3% YoY. For 9M25, impairment provisions rose to SAR 1.7 bn, up 8.3% YoY, due to a growth in financing portfolio.
- As of Sep-25 total assets reached SAR 1.1 tn, up 17.4% YoY, with investment book growing 11.2% YoY to SAR 179.9 bn. The bank's loan book was recorded at SAR 756.0 bn (+16.5% YoY), with non-retail book growing 36.2% YoY. Retail portfolio grew by 7.9% YoY, mainly driven by a 10.8% YoY growth in mortgages. NPL ratio at the end of the quarter stood at 0.76%, down from 0.79% in 3Q24. NPL coverage ratio was recorded at 151.2% in 3Q25, down from 165.2% in 3Q24.
- During 3Q25, bank's deposits arrived at SAR 670.2 bn, up 7.6% YoY, taking the LDR to 112.8%, up 855 bps YoY. However, LDR declined by 273 bps on QoQ basis. CASA ratio stood at 65.6% as of Sep-25.
- Al Rajhi Bank retained its position as the largest lender in Saudi Arabia during 3Q25, with focus on new retail segments, including youth and expats. Continued growth in loan portfolio further strengthened the bank's balance sheet position. We maintain a Neutral stance on the stock with 2025E P/E and P/B of 18.9x and 3.8x.

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