Al Rajhi Bank

Results Flash Note Q3-25

Earnings supported by non-funded income & lower provisions, NIMs under pressure despite decline in interest rates; Switch to "Neutral"

Al Rajhi Bank posted earnings of SAR 6.4bn in Q3-25, up 24.6% Y/Y (up 3.4% sequentially). The Q3-25 net income was 5.5/3.3% above AJC/consensus forecasts. The deviation is mainly owed to higher non-funded income (+19.5% deviation). Despite decline in interest rates NIMs contracted by 18bps Y/Y and 14bps Q/Q, respectively; moreover, funded income declined by 0.2% Q/Q in Q3-25. Cost-to-income ratio improved to 22.4% in Q3-25 as compared to 24.5% in Q3-24. Cost-of-risk stood at 30bps in Q3-25 as compared to 43bps in Q3-24 (deviation of -4bps to our estimate). Loan book expanded by 16.5% Y/Y & 1.9% Q/Q to SAR 755.9bn in Q3-25, 0.5% higher than our estimate of SAR 752.5bn. Meanwhile, deposits grew 7.6% Y/Y and 4.4% Q/Q to SAR 670.2bn, as compared to our estimate of SAR 645.7bn. Though earnings were above estimates, sizable portion of the increase came from non-funded income, which might not be recurring. Moreover, a decline in provisions also supported the bottom line in Q3-25. The stock price has appreciated by 34.3% since our initial Buy rating. At current prices Alrajhi trades at 2025E PB of 4.0x and we believe the positives are reflected in the price, we switch our rating to "Neutral" with unchanged TP of SAR 107.0/share.

- Al Rajhi Bank posted earnings of SAR 6.4bn in Q3-25, up 24.6% Y/Y (up 3.4% sequentially). The Q3-25 net income was 5.5/3.3% above AJC/consensus forecasts. The deviation is mainly owed to higher non-commission income (+19.5% deviation). The Y/Y improvement in earnings is owed to 14.0% Y/Y growth in Net Special Commission Income (NSCI) and 26.7% Y/Y expansion in Fee and other income. Overall, operating income grew by 17.1% Y/Y (+2.9% Q/Q) in Q3-25.
- Despite declining interest rates, Net financing and investment margins declined by 18bps Y/Y, as gross financing and investment income grew by 17.5% (+4.6% Q/Q), whereas funding costs increased by 21.4% Y/Y (+10.2% Q/Q). Note that funded income declined by 0.2% Q/Q in Q3-25.
- Operating expenses (excluding debt provisions) totaled at SAR 2,216mn up 7.1% Y/Y (+3.4% on Q/Q basis), in line with our estimates (+1.2% deviation). Cost-to-income ratio improved to 22.4% in Q3-25 as compared to 24.5% in Q3-24 (AJC estimate 22.9%).
- Provision expenses declined by 17.2% Y/Y to SAR 570mn (-5.0% on a sequential basis), 12.3% below our estimate of SAR 650mn. Cost-of-risk stood at 30bps in Q3-25 as compared to 43bps in Q3-24 (deviation of -4bps to our estimate). NPL ratio stood at 0.76% with coverage ratio of 151.2%.
- Loan book expanded by 16.5% Y/Y & 1.9% Q/Q to SAR 755.9bn in Q3-25, 0.5% higher than our estimate of SAR 752.5bn. Meanwhile, deposits grew 7.6% Y/Y and 4.4% Q/Q to SAR 670.2bn, as compared to our estimate of SAR 645.7bn. The regulated ADR ratio increased to 81.2% in Q3-25 from 78.3% in Q3-24 (82.5% in Q2-25). Moreover, the bank has increased its investments by 11.2% Y/Y (-1.4% on a Q/Q basis) to SAR 179.9bn.

AJC view and valuation: Al Rajhi Bank posted strong set of results in Q3-25, however, sizable portion of the increase came from non-funded income, which might not be recurring. Moreover, a decline in provisions also supported the bottom line in Q3-25. We highlight that funded income declined by 0.2% Q/Q in Q3-25. The stock price has appreciated by 34.3% since our initial Buy rating. At current prices Alrajhi trades at 2025E PB of 4.0x and we believe the positives are reflected in the price, we switch our rating to "**Neutral**" with unchanged TP of **SAR 107.0/share**.

Results Summary

SAR mn	Q3-24	Q2-25	Q3-25	Change Y/Y	Change Q/Q	Deviation from AJC Estimates
Net financing & investment income	6,397	7,305	7,294	-0.2%	14.0%	-1.5%
Total Operating income	8,439	9,603	9,882	2.9%	17.1%	3.2%
Net Profit	5,103	6,151	6,360	3.4%	24.6%	5.5%
EPS	1.28	1.54	1.59			

Source: Company Reports, Aljazira Capital Research

Recommendation	Neutral
Target Price (SAR)	107
Upside / (Downside)*	-0.6%

Source: Tadawul *prices as of 20th October 2025

Key Financials

SARmn (unless specified)	FY22	FY23	FY24	FY25E
NSCI	22,173	21,269	24,843	29,529
Growth %	8.7%	-4.1%	16.8%	18.9%
Oper. income	28,575	27,531	32,055	38,376
Growth %	11.1%	-3.7%	16.4%	19.7%
Net profit	17,151	16,621	19,731	24,703
Net profit (adj for Tier 1)	16,954	15,800	18,695	23,489
Growth %	15.0%	-6.8%	18.3%	25.6%
EPS (adj for Tier 1)	4.24	3.95	4.67	5.87
DPS	1.25	2.25	2.50	1.75

Source: Company reports, Aljazira Capital Research

Key Ratios

	FY22	FY23	FY24	FY25E
NIMs	3.5%	3.0%	3.1%	3.2%
P/E (x)	17.7	21.9	23.0	18.3
P/B (x)	3.0	3.2	4.3	4.0
Dividend Yield	1.2%	2.1%	2.3%	1.6%
ROA	2.4%	2.0%	2.1%	2.3%
ROE	22.5%	18.2%	19.7%	22.1%
Loans growth	25.5%	4.6%	16.7%	10.5%
Deposit growth	10.3%	1.4%	9.6%	8.3%

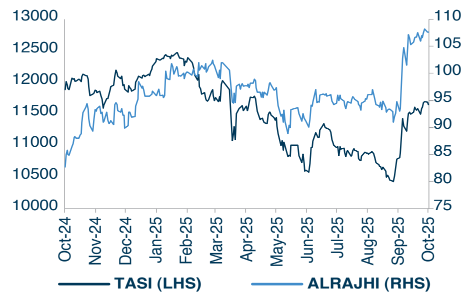
Source: Company reports, Aljazira Capital Research

Key Market Data

Market Cap(bn)	430.4
YTD%	13.74%
52 week (High)/(Low)	113/82.6
Share Outstanding (mn)	4,000.0

Source: Company reports, Bloomberg, Aljazira Capital

Price Performance



Source: Bloomberg, AJC Research

Senior Equity Analyst
Fahad Qureshi, CFA
+966 11 2256315
f.irfan@aljaziracapital.com.sa

RESEARCH DIVISION

Head of Sell-Side Research - Director
Jassim Al-Jubran
+966 11 2256248
j.aljabran@aljaziracapital.com.sa

RESEARCH DIVISION

AlJazira Capital, the investment arm of Bank AlJazira, is a Shariaa Compliant Saudi Closed Joint Stock company and operating under the regulatory supervision of the Capital Market Authority. AlJazira Capital is licensed to conduct securities business in all securities business as authorized by CMA, including dealing, managing, arranging, advisory, and custody. AlJazira Capital is the continuation of a long success story in the Saudi Tadawul market, having occupied the market leadership position for several years. With an objective to maintain its market leadership position, AlJazira Capital is expanding its brokerage capabilities to offer further value-added services, brokerage across MENA and International markets, as well as offering a full suite of securities business.

RATING TERMINOLOGY

1. Overweight: This rating implies that the stock is currently trading at a discount to its 12 months price target. Stocks rated "Overweight" will typically provide an upside potential of over 10% from the current price levels over next twelve months.
2. Underweight: This rating implies that the stock is currently trading at a premium to its 12 months price target. Stocks rated "Underweight" would typically decline by over 10% from the current price levels over next twelve months.
3. Neutral: The rating implies that the stock is trading in the proximate range of its 12 months price target. Stocks rated "Neutral" is expected to stagnate within +/- 10% range from the current price levels over next twelve months.
4. Suspension of rating or rating on hold (SR/RH): This basically implies suspension of a rating pending further analysis of a material change in the fundamentals of the company.

Disclaimer