

Result update

Al Rajhi Bank

Sector : Banking

- Operating income rose 17% YoY, exceeding our estimates by 6%, driven by strong growth in net interest income, up 14% YoY, and non-interest income, which increased 27% YoY.
- PAT grew 25% YoY, also beating our estimates by 6%, supported by higher operating profits and lower provision expenses, while the effective tax rate remained stable.
- YTD loans and deposits increased by 9.0% and 6.7% YoY, respectively. Management reaffirmed 2025 loan growth guidance in the high single digits.
- We raise our target price to SAR 110/share and maintain a HOLD rating, reflecting stretched valuations despite the earnings beat

ARB's 3Q25 operating income grew 17% YoY, driven by higher NII and non-interest income. Despite an 18bps YoY compression in NIMs, NII increased as key interest-bearing assets, loans and investments, grew 16% and 11% YoY, respectively. For the nine-month period, NIM declined slightly by 4bps YoY, prompting management to revise its NIM guidance to 3.08–3.18%. Non-interest income rose 27% YoY, supported by stronger cross-selling and solid growth across payments, trade, cash management, and investment banking. Consequently, the share of non-interest income in total income rose 200bps YoY to 26% in 3Q25. Operating expenses increased at a slower pace of 7% YoY, enabling a 20% YoY rise in operating profit. The cost-to-income ratio improved to 22.4% in 3Q25 from 24.5% a year earlier. Management also upgraded cost-to-income guidance for 2025 to below 23.0%, compared to the previous below 23.5% target.

Provisions declined 17% YoY to SAR 570mn, and along with higher operating profits, helped drive profit before tax up 25% YoY. The cost of risk improved to 0.30%, down 13bps YoY, aided by better recoveries despite higher gross charges. The 2025 cost-of-risk guidance was revised positively to 0.25–0.35% from 0.30–0.40%. Strong operating profits and lower provisions resulted in PAT growth of 25% YoY, surpassing our expectations.

Net loans rose 9% YTD, as management maintained a conservative approach, focusing on margin preservation and asset quality rather than volume growth. Within the portfolio, retail loans increased modestly by 2.5% YTD, while the corporate loan book grew a robust 21% YTD. NPLs remained low at 0.76% in 3Q25, up only 3bps YoY. Deposit growth was led by time deposits, which rose 38% YTD, offsetting a decline in demand deposits. The regulatory LDR stood at 81.2% in 3Q25, well below the regulatory cap of 90%, reflecting effective management of LDR lever.

Valuation: ARB's operating performance continues to exceed expectations, and upward revisions in four out of six key guidance metrics indicate a stronger outlook. However, the stock remains richly valued at a 2026E P/E of 15x and P/B of 3.3x, which we believe limits upside potential. We therefore maintain our HOLD rating with a revised target price of SAR 110/share.

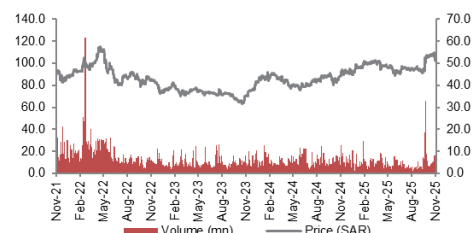
HOLD

09 November 2025

Target price (SAR) 110.0

Current price (SAR) 102.6

Return 7.2%



Exchange Saudi Arabia
Index weight (%) 15%

(mn)	SAR	USD
Market Cap	410,400	109,425
Total Assets	1,059,240	282,426

Major shareholders	
Al Rajhi Abdullah	2.2%
Vanguard Group Inc/T	2.1%
Blackrock Inc	1.5%
Others	94.2%

Valuation Summary	
PER TTM (x)	18.2
P/Book (x)	3.8
Dividend Yield (%)	2.2
Free Float (%)	94%
Shares O/S (mn)	4,000
YTD Return (%)	8%
Beta	1.21

Key ratios	2022	2023	2024
EPS (SAR)	4.24	3.95	4.67
BVPS (SAR)	20.93	22.56	24.87
DPS (SAR)	1.25	2.30	2.40
Payout ratio (%)	29%	58%	51%

Price performance (%)	1M	3M	12M
Al Rajhi Bank	-4%	8%	13%
Tadawul All Share Index	-3%	3%	-7%

52 week	High	Low	CTL*
Price (SAR)	113.00	87.80	16.9

* CTL is % change in CMP to 52wk low

in SAR mn	3Q25	2Q25	QoQ (%)	3Q24	YoY (%)	9M25	9M24	YoY (%)	2025e	2024
Operating Income	9,882	9,603	2.9%	8,439	17.1%	28,685	23,305	23.1%	38,468	32,055
Operating Expenses	-2,216	-2,143	3.4%	-2,070	7.1%	-6,448	-5,920	8.9%	-8,761	-7,971
Operating Profit	7,665	7,460	2.8%	6,369	20.4%	22,237	17,385	27.9%	29,707	24,085
Provision Expenses	-570	-600	-5.0%	-688	-17.2%	-1,695	-1,564	8.3%	-2,369	-2,117
Profit before tax	7,096	6,860	3.4%	5,681	24.9%	20,542	15,821	29.8%	27,339	21,968
Zakat & Tax	-729	-699	4.4%	-574	27.1%	-2,105	-1,611	30.7%	-2,871	-2,237
Profit after tax	6,366	6,161	3.3%	5,107	24.7%	18,437	14,210	29.7%	24,468	19,731
Profit attributable to Equity holders	6,360	6,151	3.4%	5,103	24.6%	18,417	14,206	29.6%	24,451	19,722
Loan Book	755,985	741,715	1.9%	649,024	16.5%	755,985	649,024	16.5%	759,367	693,410
Deposits	670,180	641,987	4.4%	622,572	7.6%	670,180	622,572	7.6%	698,607	628,239
Total Equity (Excl tier 1 bond)	108,901	105,105	3.6%	95,030	14.6%	108,901	95,030	14.6%	110,611	99,585
Cost to Income ratio	22.4%	22.3%		24.5%		22.5%	25.4%		22.8%	24.9%
NPL Ratio	0.76%	0.74%		0.79%		0.76%	0.79%		0.82%	0.76%
Net Loan to deposits	112.8%	115.5%		104.2%		112.8%	104.2%		108.7%	110.4%

Income Statement (SAR mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Net income from loans and investment	20,392	22,173	21,269	24,843	29,292	33,953	38,199	40,000
Net fee income	3,933	4,624	4,226	4,693	5,836	6,070	6,506	6,865
Other income	1,391	1,778	2,037	2,520	3,340	3,390	3,441	3,493
Total income	25,716	28,575	27,531	32,055	38,468	43,413	48,146	50,357
Operating expenses	(6,927)	(7,451)	(7,498)	(7,971)	(8,761)	(9,258)	(9,764)	(10,139)
Profit before impairments	18,790	21,124	20,033	24,085	29,707	34,156	38,382	40,219
Impairments	(2,345)	(2,001)	(1,504)	(2,117)	(2,369)	(3,549)	(3,998)	(4,279)
Profit before tax	16,445	19,123	18,529	21,968	27,339	30,606	34,384	35,940
Tax	(1,699)	(1,972)	(1,908)	(2,237)	(2,871)	(3,214)	(3,610)	(3,774)
Profit after tax	14,746	17,151	16,621	19,731	24,468	27,393	30,774	32,166

Balance Sheet (SAR mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Cash and statutory deposits	40,363	42,052	41,768	53,245	66,489	78,536	92,462	106,787
Due to financial institutions	26,065	25,656	9,507	19,530	21,433	23,246	24,834	26,076
Investments - Net	84,138	101,325	133,376	175,034	192,090	208,338	222,575	233,704
Financing - Net	452,831	568,338	594,205	693,410	759,367	821,855	876,018	917,678
PP&E and right to use assets	10,148	11,339	12,853	13,894	13,320	12,888	12,583	12,390
Other assets	10,099	12,908	16,391	19,275	21,722	23,385	24,750	25,386
Total Assets	623,645	761,619	808,098	974,387	1,074,421	1,168,248	1,253,223	1,322,021
Liabilities and Equity								
Liabilities								
Due to banks and other FI	17,952	70,839	97,247	173,435	178,092	185,681	189,746	189,549
Customer deposits	512,072	564,925	573,101	628,239	698,607	767,622	830,679	883,345
Other liabilities	26,339	25,630	30,991	49,574	58,168	63,047	67,032	68,867
Total liabilities	556,363	661,394	701,339	851,247	934,866	1,016,350	1,087,457	1,141,761
Equity								
Share capital	25,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Reserves	42,282	43,725	50,259	59,479	70,488	82,812	96,658	111,130
Total shareholders' equity	67,282	83,725	90,259	99,479	110,488	122,812	136,658	151,130
Tier 1 Sukuk	0	16,500	16,500	23,554	28,943	28,943	28,943	28,943
Total Equity	67,282	100,225	106,759	123,139	139,554	151,898	165,765	180,260
Total liabilities and equity	623,645	761,619	808,098	974,387	1,074,421	1,168,248	1,253,223	1,322,021

Cash Flows (SAR mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Cash from operations	23,855	7,377	27,423	52,589	17,029	24,519	28,869	30,943
Cash from investments	(28,204)	(21,511)	(34,300)	(41,743)	(1,670)	(1,745)	(1,824)	(1,906)
Cash from financing	(6,239)	16,036	(6,886)	819	(6,652)	(15,049)	(16,907)	(17,672)
Net changes in cash	(10,587)	1,902	(13,764)	11,665	8,707	7,725	10,139	11,365
Cash balance	22,240	26,199	12,436	24,100	32,807	40,532	50,671	62,035

Ratios	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Operating performance								
NIM	3.8%	3.3%	2.9%	2.9%	3.1%	3.3%	3.5%	3.5%
NII to total income	79.3%	77.6%	77.3%	77.5%	76.1%	78.2%	79.3%	79.4%
Fee income to total income	15.3%	16.2%	15.3%	14.6%	15.2%	14.0%	13.5%	13.6%
Other income to total income	5.4%	6.2%	7.4%	7.9%	8.7%	7.8%	7.1%	6.9%
Cost to income ratio	26.9%	26.1%	27.2%	24.9%	22.8%	21.3%	20.3%	20.1%
Liquidity								
Deposits to total funding	85.7%	76.8%	73.4%	67.3%	68.1%	68.8%	69.5%	69.9%
Market funds to total funding	3.0%	11.9%	15.1%	22.0%	21.1%	20.1%	19.1%	18.1%
Loans to deposits	88.4%	100.6%	103.7%	110.4%	108.7%	107.1%	105.5%	103.9%
Investments and cash to total assets	20.0%	18.8%	21.7%	23.4%	24.1%	24.6%	25.1%	25.8%
Asset quality								
Cost of risk	0.5%	0.3%	0.3%	0.3%	0.3%	0.4%	0.5%	0.5%
NPL	0.7%	0.6%	0.7%	0.8%	0.8%	0.9%	1.0%	1.1%
NPL coverage	305.6%	237.8%	203.0%	159.4%	173.1%	176.5%	182.4%	190.8%
Stage 1 ratio	97.0%	97.4%	96.5%	96.9%	96.8%	96.7%	96.7%	96.7%
Stage 2 ratio	2.1%	1.7%	2.3%	2.0%	2.0%	1.9%	1.9%	1.8%
Stage 3 ratio	0.9%	0.9%	1.2%	1.1%	1.2%	1.4%	1.5%	1.6%
Stage 1 coverage	0.8%	0.6%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
Stage 2 coverage	24.3%	17.9%	12.2%	12.0%	12.0%	12.0%	12.0%	12.1%
Stage 3 coverage	75.6%	67.5%	60.4%	54.8%	66.6%	76.5%	86.4%	96.3%
Impairment coverage	8.0	10.6	13.3	11.4	12.5	9.6	9.6	9.4
Provisions to gross loans	2.0%	1.5%	1.4%	1.2%	1.4%	1.6%	1.9%	2.1%
Capital adequacy								
Equity to total assets	10.8%	11.0%	11.2%	10.2%	10.3%	10.5%	10.9%	11.4%
Tier 1	16.4%	20.3%	20.4%	19.3%	19.9%	20.0%	20.4%	21.1%
Core Tier 1	16.4%	17.0%	17.2%	15.4%	15.6%	16.1%	16.7%	17.6%
Total capital	17.5%	21.4%	21.5%	20.2%	20.8%	20.8%	21.1%	21.8%
Return ratios								
ROA	2.4%	2.3%	2.1%	2.0%	2.3%	2.3%	2.5%	2.4%
ROE	21.9%	20.5%	18.4%	19.8%	22.1%	22.3%	22.5%	21.3%
Return on RWA	3.5%	3.4%	3.2%	3.2%	3.6%	3.7%	3.9%	3.9%
Per share ratios								
EPS	3.7	4.3	4.2	4.9	6.1	6.8	7.7	8.0
BVPS	16.8	20.9	22.6	24.9	27.6	30.7	34.2	37.8
DPS	0.9	1.3	2.3	2.7	3.4	3.8	4.2	4.4
Valuation								
M.Cap (SAR mn)	352,000	300,800	348,000	378,400	410,400	410,400	410,400	410,400
P/E	23.9	17.5	20.9	19.2	16.8	15.0	13.3	12.8
P/BV	5.2	3.6	3.9	3.8	3.7	3.3	3.0	2.7
Div. yield	1.0%	1.7%	2.6%	2.9%	3.3%	3.7%	4.1%	4.3%

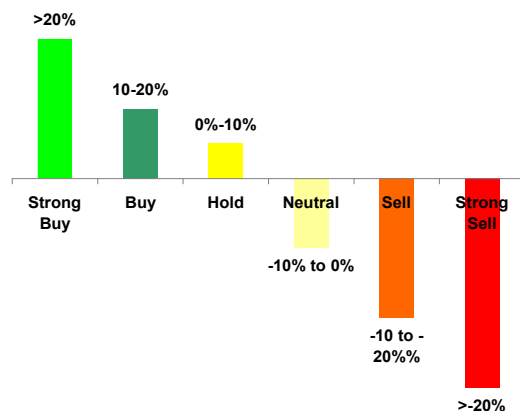
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Rating Criteria and Definitions

Rating	Rating Definitions
Strong Buy	This recommendation is used for stocks whose current market price offers a deep discount to our 12-Month target price and has an upside potential in excess of 20%
Buy	This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 10% to 20%
Hold	This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 0% to 10%
Neutral	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between 0% to -10%
Sell	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between -10% to -20%
Strong Sell	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential in excess of 20%
Not rated	This recommendation used for stocks which does not form part of Coverage Universe



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