# Al Rajhi Bank 3Q26 Earnings Summary

***RJHI's 3Q26 results came mostly in line with our estimates. We were positively surprised by the sequential NIM growth. USD 600mn AT1, which is cost free on the NSCI line, is likely to have played a major role, along with repricing, selective growth, and NIM accretive securitization. The unexpectedly strong NIM and loan growth (+3% Q/Q) was offset by lower non-interest income (NII). We have seen quite a few banks report lower NII this quarter. On expenses, the bank delivered a better than anticipated jaws ratio, leading to a higher than anticipated improvement in the CIR to 21.2% vs. guidance of <23.0%. However, this was offset by a jump in provisions. The counter balancing of the positives (NIM, CIR) and negative surprises (NII, Provisions) offset each other, leading to revenue and net income to come in line with our estimates. RJHI currently trades with a PBV of 3.0x vs. a sector average of 1.4x. Our 3-year forward average RoE expectation (post-AT1 cost) stands at 21.5%.***

***As per SAMA data, QTD loan growth till August was only 1.3%, indicating that RJHI may have outperformed banks in 3Q26. However, it must be noted that 1H26 loan growth was near zero. The shrinking of M1 is a more prominent concern, as it typically leads a slowdown in consumer spending, significant for retail-weighted banks like RJHI.***

**Rating and Target Price:**

We are Hold rated on RJHI with a target price of SAR 64.8 (7.7% upside).

**Results vs. Consensus:**

- Total income was in line with estimates.
- Net income was in line with estimates.

## Key highlights

- NSCI rose 18% Y/Y and 4% Q/Q to SAR 8.61bn led by 20% Y/Y and 5% Q/Q increase in net financing income, while net investment income rose 3% Y/Y but fell 6% Q/Q.
- Reported NIM increased 53bps Y/Y and 6bps Q/Q to 3.52% in 3Q26.
- NII fell 3%, both Y/Y and Q/Q to SAR 2.50bn. The Y/Y fall came from lower other operating income and exchange income, partly offset by higher fees from banking services income. Q/Q decline came from lower other operating income, partly offset by higher fees from banking services and exchange income
- Total operating income rose 12% Y/Y and 2% Q/Q to SAR 11.12bn.
- Operating expenses, ex provisions, rose 6% Y/Y but fell 2% Q/Q to SAR 2.36bn. Y/Y increase was driven by higher general and administrative expenses and salaries and employee-related benefits, partly offset by lower depreciation expense. The Q/Q decrease reflected lower general and administrative expenses, partly offset by higher salaries and employee-related benefits and depreciation expense. Consequently, the cost-to-income ratio (CIR), ex provisions, eased 122bps Y/Y and 80bps Q/Q to 21.2%.
- Credit impairment provisions jumped 49% Y/Y but fell 3% Q/Q to SAR 852mn. Y/Y increase in financing impairment charges was driven by a 10% increase in gross charges and a 13% reduction in recoveries from written-off financing. Q/Q decrease in financing impairment charges reflected a 4% decline in gross charges, partly offset by a 5% reduction in recoveries from written-off financing. Cost of risk rose 14bps Y/Y but fell 2bps Q/Q to 0.44%.
- Net income rose 12% Y/Y and 1% Q/Q to SAR 7.11bn in 3Q26. In 9M26 it rose 13% Y/Y to SAR 20.87bn led by an NSCI driven (+17%) growth in total income (+13%), partially offset by higher opex (+12%) and provisions (+39%).

- Lending assets rose 2% Y/Y and 3% Q/Q to SAR 774.86bn, while customer deposits rose 1% Y/Y and 3% Q/Q to SAR 700.28bn. Subsequently, headline LDR widened 170bps Y/Y but eased 40bps Q/Q to 110.7%.
- Total assets were up 2% Y/Y (+2% Q/Q) to SAR 1.08tn led by loans and advances.
- Core interest-earning assets rose 2% Y/Y and 3% Q/Q, accounting for 88.6% of total assets in 3Q26, up 5bps Y/Y and 40bps Q/Q.
- Reported RoE stood at 23.2% (-46bps Y/Y and -52bps Q/Q), while RoA stood at 2.7% (+24bps Y/Y, flat Q/Q).
- Balance sheet leverage stood at 7.0x in 3Q26 vs. 6.9x in 2Q26 and 7.7x in 3Q25.

## 3Q26 Snapshot:

| *SAR mln* | 3Q26 | 2Q26 | 3Q25 | 3Q23 | *Q/Q %* | *Y/Y %* | 9M26 | 9M25 | *Y/Y %* |
|---|---|---|---|---|---|---|---|---|---|
| Net income from Financing | 7,659 | 7,290 | 6,369 | 8,620 | *5%* | *20%* | 22,429 | 18,885 | *19%* |
| Net income from Investments | 955 | 1,017 | 925 | 1,350 | *-6%* | *3%* | 2,896 | 2,811 | *3%* |
| **Net Interest Income** | **8,614** | **8,307** | **7,294** | **9,970** | ***4%*** | ***18%*** | **25,325** | **21,696** | ***17%*** |
| Non-Interest Income | 2,501 | 2,577 | 2,588 | -3,097 | *-3%* | *-3%* | 7,203 | 6,989 | *3%* |
| **Total Income** | **11,115** | **10,884** | **9,882** | **6,873** | ***2%*** | ***12%*** | **32,528** | **28,685** | ***13%*** |
| Operating Expenses | 2,357 | 2,395 | 2,216 | **1,860** | *-2%* | *6%* | 7,208 | 6,447 | *12%* |
| *Total provisions* | 852 | 881 | 570 | 379 | *-3%* | *49%* | 2,364 | 1,695 | *39%* |
| Income before Zakat | 7,906 | 7,609 | 7,096 | 4,633 | *4%* | *11%* | 22,955 | 20,543 | *12%* |
| **Net Income** | **7,106** | **7,012** | **6,360** | **4,155** | ***1%*** | ***12%*** | **20,870** | **18,417** | ***13%*** |
| **EPS** | **1.18** | **1.17** | **1.06** | **0.69** | ***1%*** | ***12%*** | **3.48** | **3.07** | ***13%*** |
| Assets | 1,075,636 | 1,051,268 | 1,056,157 | 800,799 | *2%* | *2%* | 1,075,636 | 1,056,157 | *2%* |
| Investments | 177,724 | 173,081 | 178,782 | 127,798 | *3%* | *-1%* | 177,724 | 178,782 | *-1%* |
| Loans & Advances | 774,859 | 753,730 | 755,985 | 590,826 | *3%* | *2%* | 774,859 | 755,985 | *2%* |
| Deposits | 700,277 | 678,734 | 693,905 | 565,719 | *3%* | *1%* | 700,277 | 693,905 | *1%* |
| Shareholders' Equity | 154,521 | 152,507 | 137,390 | 102,280 | *1%* | *12%* | 154,521 | 137,390 | *12%* |
| Reported RoE (%) | 23.2 | 23.7 | 23.6 | NA | *-52 bps* | *-46 bps* | 23.3 | 23.6 | *-29 bps* |
| Reported RoA(%) | 2.7 | 2.7 | 2.4 | NA | *00 bps* | *24 bps* | 2.7 | 2.4 | *25 bps* |
| Simple LDR (%) | 110.7 | 111.0 | 108.9 | 104.4 | *-40 bps* | *170 bps* | 110.7 | 108.9 | *170 bps* |
| Assets to Equity (x) | 7.0 | 6.9 | 7.7 | 7.8 | *1%* | *-9%* | 7.0 | 7.7 | *-9%* |
| Cost of Risk (%) | 0.44 | 0.46 | 0.30 | 0.26 | *-02 bps* | *14 bps* | 0.41 | 0.31 | *10 bps* |

*Source: Company Announcement*

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