

Market Data	
52-week high/low	SAR 92.80/69.00
Market Cap	SAR 295,600 mln
Shares Outstanding	4,000 mln
Free-float	97.79%
12-month ADTV	4,405,092
Bloomberg Code	RJHI AB

Funding Costs Put Pressure on Profitability

August 02, 2023

Upside to Target Price	11.0%	Rating	Neutral
Expected Dividend Yield	2.7%	Last Price	SAR 73.90
Expected Total Return	13.7%	12-mth target	SAR 82.00

Al Rajhi Bank	2Q2023	2Q2022	Y/Y	1Q2023	Q/Q	RC Estimate
Net Financing Income	5,194	5,567	(7%)	5,125	1%	5,522
Total Operating Income	6,827	7,148	(4%)	6,781	1%	6,966
Net Income	4,150	4,258	(3%)	4,145	0%	4,107
Net Financing	579,080	519,701	11%	577,011	0%	621,630
Deposits	570,665	552,957	3%	556,197	3%	597,193

(All figures are in SAR mln)

- Al Rajhi maintained its uptrend in Net Financing by adding SAR 2.1 bln on a sequential basis to end 2Q2023 at SAR 579 bln, higher +11% Y/Y. Deposits grew +3% both Y/Y and Q/Q to SAR 571 bln.
- Due to higher interest rates, Funding Costs increased by +349% Y/Y and +13% Q/Q. Gross Financing and Investment Income was also higher both Y/Y and Q/Q to SAR 9.3 bln. Net Financing and Investment Income was lower -7% Y/Y but is up +1% Q/Q to SAR 5.2 bln, close to our forecast. This was attributed to higher cost of funds.
- 2Q2023 Non-core income grew by +3% Y/Y but was -1% lower Q/Q to SAR 1.6 bln. The increase Y/Y was primarily due to growth in other income despite a decline in fees from banking services and income from foreign currency exchange, both Y/Y and Q/Q. Total Operating Income fell by -4% Y/Y but was +1% higher Q/Q to SAR 6.8 bln.
- Total OpEx fell by -8% Y/Y but was +2% higher Q/Q to SAR 2.2 bln. The Y/Y decline was attributed to lower provisions by -38% Y/Y to SAR 360 mln along with lower other G&A expenses.
- Al Rajhi Bank's net income fell -3% Y/Y but was flat Q/Q to SAR 4.2 bln, in-line with our expectations. We revise our assumptions on the back of ARB's recent guidance. Hence, we reduce our target price to SAR 82.00 and we downgrade our rating to Neutral.



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Stock Rating

Buy	Neutral	Sell	Not Rated
Expected Total Return Greater than +15%	Expected Total Return between -15% and +15%	Expected Total Return less than -15%	Under Review/ Restricted

The expected percentage returns are indicative, stock recommendations also incorporate relevant qualitative factors
For any feedback on our reports, please contact research@riyadcapital.com

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