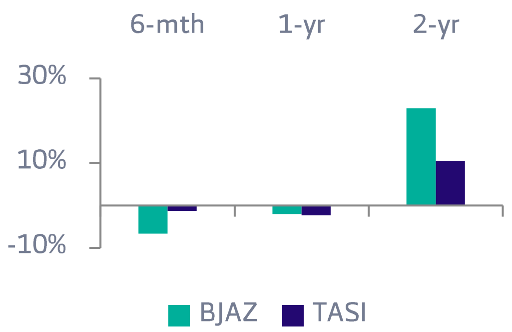
## Solid Loan Growth, Margin Pressure Persists

**October 26, 2025**

| | | | |
|---|---|---|---|
| Upside to Target Price | 2.4% | Rating | Neutral |
| Expected Dividend Yield | 3.1% | Last Price | SAR 12.70 |
| Expected Total Return | 5.5% | 12-mth target | SAR 13.00 |

| Market Data | |
|---|---|
| 52-week high/low | SAR 15.43/11.60 |
| Market Cap | SAR 16,272 mln |
| Shares Outstanding | 1,281 mln |
| Free-float | 88.9% |
| 12-month ADTV | 2,634,187 |
| Bloomberg Code | BJAZ AB |




| BJAZ | 3Q2025 | 3Q2024 | Y/Y | 2Q2025 | Q/Q | RC Estimate |
|---|---|---|---|---|---|---|
| Net Fin. & Invest. Income | 711 | 650 | 9% | 762 | (7%) | 773 |
| Total Operating Income | 1,098 | 1,021 | 8% | 1,102 | (0%) | 1,142 |
| Net Income | 400 | 333 | 20% | 382 | 5% | 395 |
| Net Financing | 107,812 | 92,710 | 16% | 103,702 | 4% | 106,991 |
| Deposits | 115,283 | 103,349 | 12% | 114,155 | 1% | 118,721 |

(All figures are in SAR mln)

- BJAZ continued to deliver strong momentum in its loan book, rising +16% Y/Y and +4% Q/Q to reach SAR 108 bln, broadly in line with our forecast of SAR 107 bln. Deposits also increased by +12% Y/Y and +1% Q/Q to SAR 115 bln. The SAR 4.1 bln net increase in net financing outpaced the SAR 1.1 bln increase in deposits during the quarter, leading to a higher loan-to-deposit ratio (LDR) to 94%, up from 91% in 2Q2025.
- Net Fin. & Invest. Income rose by +9% Y/Y, though declined by -7% Q/Q reaching SAR 711 mln. The sequential decrease was primarily driven by higher funding cost on deposits and financial liabilities by +14% Q/Q, reflecting strong deposits competition in the sector. NPMs remained under pressure, decreasing -5 bps Y/Y to 1.90% (vs. 2.13% in 2Q25).
- Operating income increased by +8% Y/Y, however, declined slightly by -0.3% Q/Q to SAR 1.1 billion, mainly due to a decrease in Net Fin. & Invest. Income, dividend income, other operating income and net exchange income. Operating expenses rose by +5% Y/Y and +2% Q/Q, driven by increased staff-related spending and strategic initiatives, including digital transformation. Consequently, the cost-to-income ratio rose to 53.5% in 3Q25, up from 52.1% in the previous quarter, though still lower than 56.6% in 3Q24, highlighting improvement in operating efficiency Y/Y. However, it remains elevated versus peers. Impairment charges totaled SAR 54 mln, down -38% Y/Y and -44% Q/Q, mainly due to lower net provisioning for commercial exposures and recoveries from previously written off, demonstrating improving credit quality and strong collection performance. Cost of risk settled at 12 bps (vs. 38 bps in 2Q25 and 40bps in 3Q24).
- Net income came in at SAR 400 mln, reflecting +20% Y/Y and +5% Q/Q growth, in line with our estimate of SAR 395 mln. Sequential earnings improvement was supported by lower net impairment charge and higher non-funded income. We maintain our Neutral recommendation with a target price of SAR 13.00, as the stock currently trades close its fair value, offering limited upside in the near term.

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# Disclaimer

## 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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