Riyad Bank (BUY, TP: SAR 28.7, 1010.SE) 4Q/FY25 Results Review

CIR breaches 30% mark; 2026-30 strategy focuses on capital efficiency, fee income, and balance between margin expansion and market share

Riyad Bank net income in 4Q25 was up 17% Y/Y at SAR 2.64bn (4Q25 EPS: SAR 0.88) despite flat total income at SAR 4.66bn as lower NSCI offset the growth in NII. Operating expenses fell 3%, taking the reported cost-to-income ratio (CIR) to 29.17% (-107bps Y/Y). Provisions fell 50% to SAR 367mn. Loans grew faster than deposits, leading to an 808bps widening of the headline LDR to 112.5%. Balance sheet levering stood at 8.1x vs. 7.6x in 4Q24. Reported RoAE and RoAA rose 125bps and 2bps to 16.81% and 2.06%, respectively. FY25 net profit rose 12% to SAR 10.41bn from NSCI (+2%), NII (+20%), and lower impairments (+1%), partly offset by opex (+3%). The BoD proposed a dividend of SAR 0.55 per share in 2H25, taking the full year DPS to SAR 1.40, translating to a dividend payout ratio of 40%.

- NSCI was down 1% Y/Y but up 7% Q/Q at SAR 3.41bn in 4Q25. Y/Y decline was led by a 58% decline in net investment income, which offset the 6% Y/Y gain in net financing income. Q/Q growth was led by the 9% higher net financing income, partly offset by the 20% decline in net investment income. In the year, NSCI rose 2% led by higher net financing income (+5%), partly offset by investment income (-25%). Reported NIM fell 51bps Y/Y but gained 15bps Q/Q to 2.85% in the quarter. FY25 NIM was down 52bps to 2.88%
- NII rose 3% Y/Y to SAR 1.26bn in 4Q25 led by investment related income (+125%) and other operating income (+12%), partly offset by lower fee (-3%) and other income (-42%). It fell 17% Q/Q on a decline in fee (-20%), investment related (-13%), and other operating income (-33%), partly offset by exchange income (+4%). 3Q25 fee income was elevated due to a large transaction that shifted from earlier in the year. Management said 4Q25 fee income should not yet be treated as a fully normalized run rate due to seasonal effects and business mix variability. For the year, NII was up 20% to SAR 5.31bn on higher fee (+16%), investment related (+93%), and other operating income (+54%), partly offset by lower exchange income (-21%).
- Consequently, total operating income was flat Y/Y but down 1% Q/Q to SAR 4.66bn in the quarter, in line with estimates. For FY25, it was up 6% Y/Y to SAR 18.38bn.
- Opex, excluding provisions, fell 3% Y/Y to SAR 1.36bn in 4Q25 led by lower G&A (-32%) and other operating expenses (-468%), partly offset by employee (+7%) and D&A (+1%). It was flat Q/Q as lower employee expenses (-10%) were offset by higher premises (+40%), D&A (+7%), G&A (+2%), and other operating expenses (+72%). In FY25, they were up 3% Y/Y at SAR 5.43bn reflecting higher employee (+3%), D&A (+8%), premises (+9%), and other operating expenses (+261%), partly offset by lower G&A charges (-7%). Reported CIR, ex provisions, eased 107bps Y/Y and 4bps Q/Q to 29.17% in 4Q25. In 2025, it eased 102bps to 29.56%.
- Provisions in 4Q25 fell 50% Y/Y but rose 9% Q/Q to SAR 367mn in the quarter. For the year, it fell 16% Y/Y to SAR 1.37bn due to lower charges. CoR eased 15bps Y/Y but rose 12bps Q/Q at 0.46% in the quarter, while for the year, it eased 14bps to 0.39%.
- NPL balances fell 7% Y/Y and 9% Q/Q to SAR 2.97bn. However, these were led by write-offs. Calculated NPL formation in 4Q25 stood at 0.84%, while for the year in was 0.80% of average gross loans, up 41bps Y/Y. NPL ratio came in at 0.79%, lower by 19bps Y/Y and 9bps Q/Q. The NPL coverage ratio stood at 150.1% down 170bps Y/Y but up 836bps Q/Q.

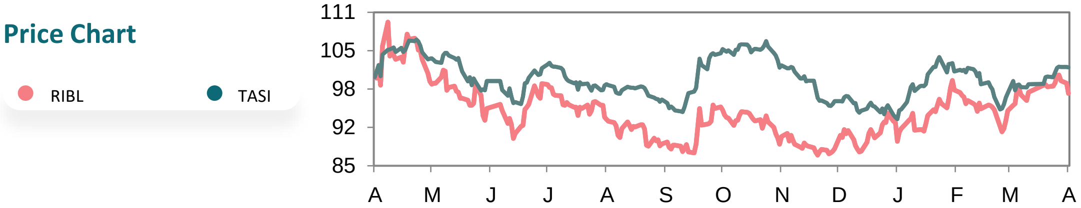
SAR mln	*4Q25*	*3Q25*	*4Q24*	*Q/Q %*	*Y/Y %*
Net income from Financing	3,245	2,985	3,053	9%	6%
Net income from Investments	160	199	380	-20%	-58%
Net Interest Income	**3,405**	**3,184**	**3,432**	**7%**	**-1%**
Non-Interest Income	1,259	1,509	1,222	-17%	3%
Total Income	**4,664**	**4,693**	**4,655**	**-1%**	**0%**
Operating Expenses	1,361	1,367	1,408	0%	-3%
Impairment provisions	367	336	735	9%	-50%
Income before Zakat	2,945	2,996	2,520	-2%	17%
Net Income	**2,641**	**2,687**	**2,257**	**-2%**	**17%**
EPS	0.88	0.90	0.75	-2%	17%
Assets	519,481	507,566	451,403	2%	15%
Investments	79,513	74,263	70,120	7%	13%
Loans & Advances	373,305	368,554	320,089	1%	17%
Deposits	331,721	325,413	306,423	2%	8%
Shareholders' Equity	64,105	61,570	59,007	4%	9%
Reported RoTE (%)	16.81	17.48	15.56	-67 bps	125 bps
Reported RoTA (%)	2.06	2.15	2.04	-09 bps	02 bps
Simple LDR (%)	112.5	113.3	104.5	-72 bps	808 bps
Assets to Equity (x)	8.1	8.2	7.6	-2%	6%

Rating Summary and Forecasts

Rating Summary	
Rating	Buy
Market Price	21.4
12-month Target Price	28.7
Upside / Downside	34%
Mkt Cap (SAR mn)	85,780
52-week High/Low	32.15/25.30

Forecasts	12/24 A	12/25 E	12/26 E	12/27 E
Net Income (SAR mn)	10,411	11,545	12,515	13,351
PER (x)	8.2	7.4	6.9	6.4
PBV (x)	1.3	1.2	1.1	1.0
EPS (SAR)	2.60	2.89	3.13	3.34
DPS (SAR)	1.05	1.50	1.65	1.75
RoE (%)	16.2	16.6	16.6	16.3
Dividend Yield (%)	4.9	7.0	7.7	8.2

Price Chart



Aqib E Mehboob – amehboob@bsfcapital.sa- +966 11 282 6840

Riyad Bank (BUY, TP: SAR 28.7, 1010.SE) 4Q/FY25 Results Review

- Net income was up 17% Y/Y but was down 2% Q/Q at SAR 2.64bn in 4Q25, in line with consensus estimates. For the year, it registered a growth of 12% Y/Y to SAR 10.41bn.
- Total assets were up 15% Y/Y (+2% Q/Q) to SAR 519.48bn, mainly attributed to the growth in financing (+17% Y/Y, +1% Q/Q) and investments (+13% Y/Y, +7% Q/Q).
- Estimated interest-earning assets (IEA) rose 14% Y/Y and 1% Q/Q to SAR 479.65bn, accounting for 92.3% of assets in 4Q25, down 88bps Y/Y and 139bps Q/Q. Balance sheet levering stood at 8.1x in 4Q25 vs. 8.2x in 3Q25 and 7.6x in 4Q24.
- 17% growth in loans to SAR 373.31 was driven by 22% increase in commercial lending and 3% in retail. The loan book composition is dominated by commercial loans, constituting 73% and retail at 27%. Within commercial loans, commerce led with 28%, followed by utilities (11%) and manufacturing and construction (7% each). Of the SAR 99bn retail book, SAR 68bn was mortgage and SAR 31bn was other retail.
- Deposits growth of 8% was led by 25% in IBs, partly offset by 6% decline in NIBs (-SAR 10.3bn). In FY24 call, the bank had indicated that NIBs of SAR 7-8bn were transitory and were likely to migrate to IBDs. NIB share came in at 47.2% vs. 47.3% in 3Q25 and 54.5% in 4Q24.
- Regulatory LDR stood at 81.8% in 4Q25 down 249bps Y/Y and 225bps Q/Q. LCR and NSFR increased by 183bps and 217bps Y/Y to 146.8% and 109.2%, respectively.

Investment thesis

- *RIBL's 4Q25 numbers were boosted by a fall in provisions and opex, which more than offset the negative surprise on the NII. NII in 4Q25 could have been impacted by seasonality, however, other banks have seen better performance this quarter. The bank also indicated that 4Q25 NII should not be seen as the normal run rate. RIBL sees the annual impact of SAMA regulations on fees to be negative 1% of total. It hopes to offset this by enhancing the Ending Net Receivables (ENR) on cards. NSCI weakness was in line with street expectations led by high liquidity costs. Under the current conditions the bank is expecting a flat to slightly positive NIM as the impact from raising corporate pricing, selective growth, expected recovery in NIB's will be offset by sticky CoF. The strategic priority of growing revenue and improving efficiency led to a 3.6% positive jaws ratio. Despite achieving 29.6% CIR in 2025, the guidance has remained at <30.0% as the bank is in the first year of its new strategy, where a lot of front-loaded investments are planned. These investments are expected to help the bank achieve its RoE aspirations of high teens. On asset quality and CoR, we expect continued stability and the long-term range for the CoR to land around 35bps, aided by continued focus on recoveries.*
- *The bank expects loan growth to moderate to high single-digit levels amid a high base, with greater focus on value-accretive assets, investments, repricing, and cross-selling rather than volume growth. Mortgage growth has slowed due to high interest rates and inflation-driven cost pressures. With a flat NIM on the cards, NSCI growth will mirror growth in assets. This gives us confidence regarding sustained revenue growth, with cross sell expected to compensate for slower interest income growth.*

RIBL trades at 1.4x PBV (on shareholders equity) with a 5-year forward RoAE (post-AT1 cost) of 16.5%. The stock trades at a 4% discount to its 2-year average. Compared to the sector it trades with a 14% discount to the sector average of 1.6x (vs. a 2-year average sector discount of 15%). Maintain Buy. We are watching for whether in conflict in the Persian Gulf spills over into weaker credit demand, which could ease liquidity conditions and prompt SAMA to revisit requirements for higher counter-cyclical buffers. The weaker PMI number out yesterday is an early indication. RIBL due to its relatively large share of SME lending is exposed to an economic slowdown, though mitigated somewhat by government SME support schemes.

Rating and Risks

We are BUY rated on RIBL and our 12-month price target is SAR 28.7. Upside risks include material pick up in credit demand, robust recoveries, favorable Riyadh Capital IPO. Leading downside risk is geopolitical; prolonged US-Isreal-Iran conflict, closure of trade routes, and damage to energy infrastructure. Operational risks include CASA dilution, material dip in system credit quality, and slowdown in economic activity. Given its large SME exposure, the bank is relatively more exposed to the business cycle than peers.

Aqib E Mehboob – amehboob@bsfcapital.sa- +966 11 282 6840

Rating Framework

Buy

Shares of the companies under coverage in this report are expected to outperform relative to the sector or the broader market.

Hold

Shares of the companies under coverage in this report are expected to perform in line with the sector or the broader market.

Sell

Shares of the companies under coverage in this report are expected to underperform relative to the sector or the broader market.

BSF Capital
(Closed Joint Stock Company Owned by BSF)

Authorized and regulated under Capital Market Authority license 11153-37. The company is operating under commercial registration 1010231217 with a paid up capital of SAR 500,000,000.

Head Office
8092 King Fahd Road | Riyadh 12313-3735 | Kingdom of Saudi Arabia

Mailing Address
P.O. Box 23454 Riyadh 11426 | Kingdom of Saudi Arabia

Tel: +966 11 282 6828 | 800 125 9999
www.bsfcapital.sa

Important Disclaimer