

Riyad Bank

Sector : Banking

- Riyadh Bank reported 4Q25 operating income of SAR 4.7bn which was flat YoY and in line with our estimate of SAR 4.6bn. The flattish performance was primarily due to a 1% YoY decline in NII, largely offset by a 3% YoY increase in non-interest income. For 2025, operating income rose 6% YoY.
- Net income for 4Q25 increased by 17% YoY to SAR 2.6bn, exceeding our estimate by 5%, driven by lower impairment charges. For 2025, net income grew 12% YoY.
- Loans expanded 17% YoY, while deposits grew at a slower pace of 8% YoY. Management has guided for high single-digit loan growth in 2026.
- We revise our target price to SAR 33/share and maintain a BUY rating, reflecting the marginal bottom-line beat and constructive forward guidance.

Riyad Bank's 4Q25 operating income remained flat YoY as NII declined 1%, reflecting a 51bps YoY compression in NIMs to 2.85%. The NIM contraction was more than offset by growth in interest-earning assets, with loans and investments rising 17% and 13% YoY, respectively. Non-interest income increased 3% YoY, as the decline in the corporate segment were more than offset by growth in the retail and treasury segments. Operating expenses declined 3% YoY, supporting 2% YoY growth in operating profit. The cost-to-income ratio improved 107bps YoY to 29.2%. For 2025, non-interest income grew 20% YoY, driving overall operating income growth of 6%. Management has guided for high single-digit NII growth in 2026, supported by asset mix optimization and repricing, while targeting a CI ratio below 30% through disciplined cost management despite higher investments.

Loan provisions totalled SAR 344mn in 4Q25, compared to SAR 726mn a year earlier. Lower provisions, combined with 2% YoY operating profit growth, led to a 17% YoY increase in net income to SAR 2.6bn, above our SAR 2.5bn estimate. The cost of risk improved 15bps YoY to 0.46% in 4Q25. For 2025, provision expenses declined 16% YoY, translating to a cost of risk of 0.39%. Management has guided for a 30-40bps cost of risk in 2026. Full-year net income rose 12% YoY, driven by 8% YoY growth in operating profit and supported by lower provisions.

Net loans grew 17% YoY, led by 22% YoY growth in the commercial segment, while retail loans increased by a modest 3% YoY. The commercial segment now accounts for 73% of the total loan book. The NPL ratio improved 19bps to 0.79% in 2025. Deposits increased 8% YoY, driven by 25% YoY growth in interest-bearing deposits, which offset a 6% YoY decline in other deposits. During the year, debt securities were a key funding source, rising 260% YoY.

Valuation: RBL's operating income met expectations, while net income exceeded our estimate due to lower-than-expected provisions. The earnings beat, constructive 2026 guidance, and management's aspiration to deliver high-teen ROE by 2030 reinforce the bank's profit-driven growth outlook. We maintain our BUY rating and revise our target price to SAR 33/share. The stock trades at 7.5x 2026e P/E and 1.2x P/B, offering an attractive dividend yield of 5.4%

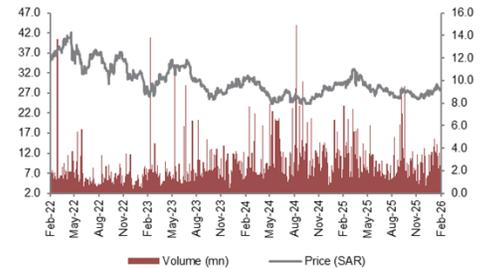
BUY

24 February 2026

Target price (SAR) **33.00**

Current price (SAR) **28.12**

Return **17.4%**



Exchange Saudi Arabia
Index weight (%) 2.4%

(mn)	SAR	USD
Market Cap	84,060	22,406
Total Assets	519,481	138,466

Major shareholders

Public Investment Fund	21.75%
General Organization	10.39%
Al Nahla Trading & Co	8.74%
Others	59.12%

Valuation Summary (TTM)

Price (SAR)	28.02
PER TTM (x)	8.5
P/Book (x)	1.3
Dividend Yield (%)	5.0
Free Float (%)	59%
Shares O/S (mn)	3,000
YTD Return (%)	3%
Beta	1.1

Key ratios	2023	2024	2025
EPS (SAR)	2.58	3.01	3.29
BVPS (SAR)	17.93	19.70	21.42
DPS (SAR)	1.40	1.55	1.75
Payout ratio (%)	54%	52%	53%

Price performance (%)	1M	3M	12M
Riyad Bank	2%	8%	-5%
Tadawul All Share Index	-1%	0%	-11%

52 week	High	Low	CTL*
Price (SAR)	33.20	25.30	10.8

* CTL is % change in CMP to 52wk low

in SAR mn	4Q25	3Q25	QoQ (%)	4Q24	YoY (%)	2025	2024	YoY (%)
Operating Income	4,664	4,693	-0.6%	4,655	0.2%	18,381	17,285	6.3%
Operating Expenses	-1,361	-1,367	-0.5%	-1,408	-3.3%	-5,433	-5,286	2.8%
Operating Profit	3,303	3,326	-0.7%	3,247	1.7%	12,948	11,999	7.9%
Provision Expenses - Loan	-344	-336	2.4%	-726	-52.6%	-1,362	-1,621	-16.0%
Share of results from JV	8	6	33.1%	8	-1.0%	34	30	11.4%
Profit before tax	2,945	2,996	-1.7%	2,520	16.8%	11,608	10,397	11.6%
Zakat & Tax	-304	-309	-1.7%	-263	15.5%	-1,197	-1,075	11.3%
Profit after tax	2,641	2,687	-1.7%	2,257	17.0%	10,411	9,322	11.7%
Loan Book	373,305	368,554	1.3%	320,089	16.6%	373,305	320,089	16.6%
Deposits	331,721	325,413	1.9%	306,423	8.3%	331,721	306,423	8.3%
Total Equity (Excl tier 1 bond)	64,105	61,570	4.1%	59,007	8.6%	64,105	59,007	8.6%
Cost to Income ratio	29.2%	29.1%		30.2%		29.6%	30.6%	
NPL Ratio	0.79%	0.87%		0.98%		0.79%	0.98%	
Net Loan to deposits	112.5%	113.3%		104.5%		112.5%	104.5%	

Income Statement (SAR mn)	2022	2023	2024	2025	2026e	2027e	2028e	2029e
Net commission income	10,052	12,414	12,873	13,072	14,128	14,826	16,558	16,639
Net fee income	2,429	2,385	2,991	3,479	3,396	3,681	3,935	4,113
Other income	1,118	1,100	1,420	1,831	1,923	2,019	2,120	2,226
Total income	13,599	15,899	17,285	18,381	19,447	20,525	22,613	22,977
Operating expenses	-4,410	-4,969	-5,286	-5,433	-5,786	-6,303	-6,773	-6,614
Profit before impairments	9,189	10,930	11,999	12,948	13,661	14,222	15,841	16,363
Impairments	-1,281	-1,972	-1,632	-1,374	-1,150	-1,390	-1,832	-1,745
Other income/expenses	-80	12	30	34	34	34	34	34
Profit before tax	7,828	8,971	10,397	11,608	12,545	12,867	14,043	14,652
Tax	-809	-925	-1,075	-1,197	-1,293	-1,327	-1,448	-1,511
Profit after tax	7,019	8,046	9,322	10,411	11,251	11,540	12,595	13,141
Balance Sheet (SAR mn)	2022	2023	2024	2025	2026e	2027e	2028e	2029e
Cash and statutory deposits	33,367	26,175	22,600	19,295	21,165	22,860	24,265	28,468
Due to financial institutions	20,613	15,434	20,299	21,272	23,216	25,185	26,955	28,176
Investments - Net	52,196	58,109	70,120	79,513	86,779	94,138	100,754	105,317
Financing - Net	242,365	274,398	320,089	373,305	407,358	441,830	472,800	494,213
PP&E and right to use assets	3,309	5,467	6,517	7,721	8,856	9,928	10,944	11,908
Other assets	7,803	7,266	11,777	18,374	18,993	19,619	20,185	20,586
Total Assets	359,653	386,849	451,403	519,481	566,368	613,560	655,903	688,668
Liabilities and Equity								
Liabilities								
Due to banks and other FI	38,760	42,464	41,163	39,082	42,654	46,271	28,280	79,151
Customer deposits	240,007	254,908	306,423	331,721	362,036	392,736	440,380	431,550
Debt issued	8,758	13,373	13,324	47,938	53,358	58,847	63,591	46,164
Other liabilities	15,954	15,847	22,099	25,259	25,754	26,256	26,689	26,999
Total liabilities	303,480	326,591	383,009	444,000	483,802	524,110	558,939	583,864
Equity								
Share capital	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Reserves	19,602	23,696	29,007	34,105	41,189	48,074	55,588	63,428
Total shareholders' equity	49,602	53,696	59,007	64,105	71,189	78,074	85,588	93,428
Tier 1 Sukuk	6,571	6,563	9,386	11,376	11,376	11,376	11,376	11,376
Total Equity	56,173	60,258	68,394	75,481	82,566	89,450	96,964	104,804
Total liabilities and equity	359,653	386,849	451,403	519,481	566,368	613,560	655,903	688,668
Cash Flows (SAR mn)	2022	2023	2024	2025	2026e	2027e	2028e	2029e
Cash from operations	1,998	(5,920)	10,347	(23,888)	1,041	1,306	2,387	28,057
Cash from investments	3,683	(7,265)	(10,439)	(9,323)	(1,981)	(2,021)	(2,061)	(2,102)
Cash from financing	3,398	(10)	(2,371)	30,453	1,253	834	(338)	(22,728)
Net changes in cash	9,079	(13,196)	(2,463)	(2,758)	313	119	(12)	3,226
Cash balance	41,486	28,291	27,271	24,514	24,827	24,946	24,934	28,160

Ratios	2022	2023	2024	2025	2026e	2027e	2028e	2029e
Operating performance								
NCM	3.2%	3.6%	3.1%	2.8%	2.8%	2.7%	2.8%	2.7%
NCM to total income	73.9%	78.1%	74.5%	71.1%	72.6%	72.2%	73.2%	72.4%
Fee income to total income	17.9%	15.0%	17.3%	18.9%	17.5%	17.9%	17.4%	17.9%
Other income to total income	8.2%	6.9%	8.2%	10.0%	9.9%	9.8%	9.4%	9.7%
Cost to income ratio	32.4%	31.3%	30.6%	29.6%	29.8%	30.7%	29.9%	28.8%
Liquidity								
Deposits to total funding	66.7%	65.9%	67.9%	63.9%	63.9%	64.0%	67.1%	62.7%
Market funds to total funding	13.2%	14.4%	12.1%	16.8%	17.0%	17.1%	14.0%	18.2%
Loans to deposits	101.0%	107.6%	104.5%	112.5%	112.5%	112.5%	107.4%	114.5%
Investments and cash to total assets	23.8%	21.8%	20.5%	19.0%	19.1%	19.1%	19.1%	19.4%
Asset quality								
Cost of risk	0.4%	0.7%	0.5%	0.4%	0.3%	0.3%	0.4%	0.3%
NPL	1.7%	1.2%	1.0%	0.8%	0.8%	0.8%	0.8%	0.8%
NPL coverage	112.0%	142.1%	167.1%	150.1%	153.2%	156.2%	159.2%	159.4%
Stage 1 ratio	92.4%	92.7%	94.6%	95.2%	95.2%	95.2%	95.1%	95.1%
Stage 2 ratio	5.6%	5.8%	4.2%	3.7%	3.7%	3.7%	3.7%	3.8%
Stage 3 ratio	2.0%	1.6%	1.2%	1.1%	1.1%	1.1%	1.1%	1.1%
Stage 1 coverage	0.2%	0.3%	0.3%	0.2%	0.2%	0.2%	0.2%	0.2%
Stage 2 coverage	11.1%	12.9%	17.0%	10.6%	10.5%	10.5%	10.5%	10.5%
Stage 3 coverage	54.3%	46.7%	50.3%	50.1%	51.6%	53.1%	54.8%	54.7%
Impairment coverage	7.2	5.5	7.4	9.4	11.9	10.2	8.6	9.4
Provisions to gross loans	1.9%	1.8%	1.6%	1.2%	1.2%	1.2%	1.2%	1.2%
Capital adequacy								
Equity to total assets	13.8%	13.9%	13.1%	12.3%	12.6%	12.7%	13.0%	13.6%
Core Tier 1	15.9%	15.7%	14.1%	13.6%	13.7%	13.9%	14.3%	14.8%
Tier 1	18.1%	17.7%	16.4%	16.0%	15.9%	16.0%	16.2%	16.7%
Total capital	21.1%	20.7%	18.9%	18.4%	18.1%	18.0%	18.1%	18.5%
Return ratios								
ROA	2.0%	2.1%	2.1%	2.0%	2.0%	1.9%	1.9%	1.9%
ROE	14.2%	15.0%	15.8%	16.2%	15.8%	14.8%	14.7%	14.1%
Return on RWA	2.3%	2.4%	2.3%	2.2%	2.2%	2.1%	2.1%	2.1%
Per share ratios								
EPS	2.3	2.7	3.1	3.5	3.8	3.8	4.2	4.4
BVPS	16.5	17.9	19.7	21.4	23.7	26.0	28.5	31.1
DPS	1.2	1.4	1.7	1.4	1.5	1.6	1.7	1.8
Valuation								
M.Cap (SAR mn)	105,054	89,859	85,800	81,420	84,360	84,360	84,360	84,360
P/E	15.0	11.2	9.2	7.8	7.5	7.3	6.7	6.4
P/BV	2.1	1.7	1.5	1.3	1.2	1.1	1.0	0.9
Div. yield	3.3%	4.7%	5.9%	5.2%	5.4%	5.5%	6.0%	6.3%

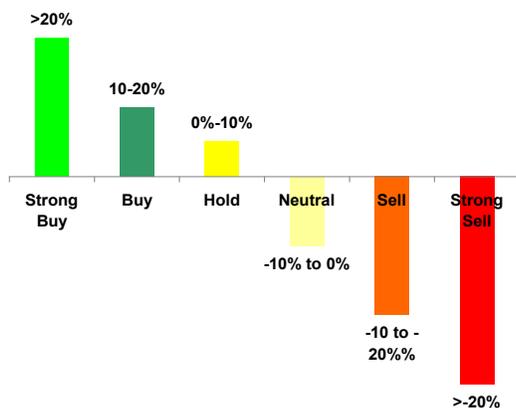
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Rating Criteria and Definitions

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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