

Riyad Bank

Profitability growth driven by balance sheet expansion and increase in NII – Maintain Overweight

Rating: Overweight | 12M Target Price: SR 31

February 4, 2025

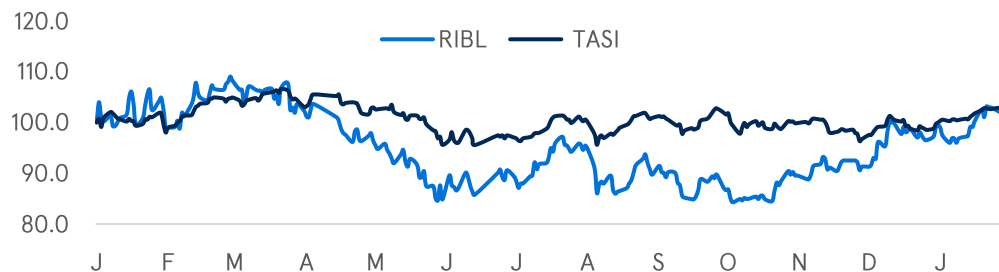
Market Data		Valuations	2024A	2025F	2026F	2027F
Last Price (SR)*	29.6	Net Income (SRbn)	9.3	9.4	10.0	10.7
Target Price (SR)	31	Adj. EPS (SR)	3.0	3.1	3.3	3.6
Upside / Downside (%)	5%	PER (x)	9.8	9.5	8.8	8.3
Market Cap (bn) (SR/USD)	89/24	P/BV (x)	1.5	1.4	1.3	1.2
52 week High / Low (SR)	31.4/24.4	DPS (SR)	1.7	1.6	1.7	1.8
12-month ADTV (mn) (SR/USD)	61/16	Div. Yield (%)	5.7	5.3	5.7	6.0
YTD Return (%)	3%	RoAE (%)	16.6	16.0	15.8	15.6
Bloomberg Code	RIBL:AB	RoAA (%)	2.2	2.1	2.0	2.0

*last price as of 3 February 2025

Financials (SR mn)	4Q24A	4Q24E*	Var (%)	4Q23A	YoY (%)	3Q24A	QoQ (%)
Net Interest Income	3,432	3,409	1	3,142	9	3,293	4
Non-Interest Income	1,222	844	45	790	55	1,252	-2
Total Income	4,655	4,254	9	3,932	18	4,545	2
Operating expenses	(1,399)	(1,356)	3	(1,270)	10	(1,300)	8
Impairment provisions	(735)	(408)	80	(483)	52	(286)	157
Net Income	2,257	2,235	1	1,955	15	2,654	-15
Adj. EPS	0.73	0.73	0	0.63	16	0.86	-15
Assets	450,379	440,572	2	386,849	16	433,366	4
Investments	69,669	67,262	4	58,109	20	66,137	5
Loans & Advances	320,089	309,523	3	274,398	17	305,408	5
Deposits	306,423	300,291	2	254,908	20	293,575	4
Shareholder Equity	58,556	58,179	1	53,696	9	56,577	3
NIM (%) - annualized	3.5	3.6	-10 bps	3.8	-26 bps	3.5	-02 bps
Provisions/Loans (bps)	23	13	10 bps	18	5 bps	9	14 bps
Simple LDR (%)	104	103	139 bps	108	-319 bps	104	43 bps
Assets to Equity (x)	7.7	7.6	2	7.2	7	7.7	0

*anbc estimates

Price Performance



Source: Tadawul, Bloomberg and anbc research

Riyad Bank (RIBL AB) reported a net profit of SR2.3bn (Adj. EPS: SR0.7) in 4Q24, up 15% YoY. Despite higher provisioning costs, profitability growth was supported by higher operating income. Sequentially, however, profitability declined by 15% QoQ, primarily on higher provisioning costs. The adjusted earnings were largely in line with our estimates, though the higher-than-expected increase in provisioning costs was offset by better-than-expected growth in NII. The BoD recommended a dividend payout of SR0.9/share for 2H24, taking full-year payout to SR1.7/share in 2024 (56% of adjusted EPS).

- Net interest income increased by 9% YoY/ 4% QoQ in 4Q24 on the back of 17% YoY/5% QoQ growth in interest earnings assets. We estimate that annualized NIM declined by 26bps YoY/2bps QoQ to 3.5%. For 2024, the net interest margin fell 43bps YoY, resulting in only a 4% YoY increase in net interest income.
- Surprisingly non-interest income increased 55% YoY in 4Q24, though it declined by 2% QoQ. Meanwhile, operating income increased by 18% YoY/2% QoQ. For 2024, non-interest income was up 27% YoY, and operating income grew by 9% YoY.
- Operating expenses increased by 10% YoY/8% QoQ in 4Q24 while the operating cost-to-income ratio fell to 30% in 4Q24 vs. 32% in 4Q23, though slightly increased from 29% in 3Q24. For 2024, operating cost to income fell to 30% from 31% in 2023.
- Impairment provisioning cost remarkably increased by 52% YoY/ 2.6x QoQ resulting in provisioning to net loans at 23bps in 4Q24. However, lower costs throughout 9M24 meant that provisioning costs were still down 17% YoY in 2024, with the overall ratio declining to 51bps from 72bps in 2023.
- Total assets increased by 16% YoY/4% QoQ, driven by a 17% YoY/5% QoQ increase in the lending portfolio and a 20% YoY/5% QoQ increase in the investment portfolio. In contrast to sector trends, deposit growth had been relatively strong at 20% YoY/4% QoQ, resulting in an LDR ratio of 104% in 4Q24.
- Riyad Bank's expansion has been relatively quite solid. Despite headwinds of elevated repayment pressures, lending growth of 17% YoY has been strong, and its performance on deposit mobilization, in contrast to sector-wide trends, has been impressive, partially alleviating some of the liquidity pressures for the bank. However, liquidity challenges remain amid a strong lending outlook backed by its corporate & SME positioning and growing project financing. However, profitability growth is expected to continue to be driven by balance sheet expansion as the bank is negatively geared for interest rate cuts. The stock has rallied 14% since our initiation on Dec 2'24, and while we maintain our rating for now, we await full-year financials to update our models. The stock is trading at a 2025e PER of 9.5x and PBV of 1.4x.

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