

## Riyad Bank

Solid growth in operating income boosted profitability

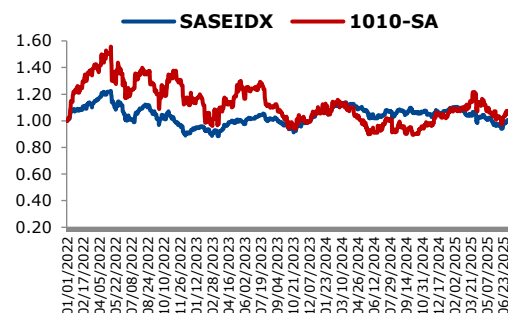
**Current Price**  
SAR 27.50

**Target Price**  
SAR 36.00

**Upside/Downside (%)**  
+30.9%

**Rating**  
**BUY**

- Net loans and advances expanded 21.8% YOY and 4.6% QOQ to SAR 354.6 Bn in 2Q25, while customer deposits significantly rose 14.8% YOY and 4.2% QOQ to SAR 316.8 Bn in 2Q25.
- The loan-to-deposit grew marginally from 111.5% in 1Q25 to 111.9% in 2Q25.
- Riyadh Bank is considering an initial public offering (IPO) for its wholly owned subsidiary, Riyadh Capital on the Saudi exchange.
- The Bank issued USD-denominated Tier 2 trust certificates with a total value of USD 1.25 Bn for a tenure of 10 years with 6.209% annual returns.
- The Bank announced a dividend of SAR 0.85 per share for 1H25, equivalent to SAR 2.5 Bn.



### 2Q25 Net Profit higher than our estimate

Riyad Bank ("RIBL", "The Bank") reported a 11.1% YOY rise in net profit to SAR 2,597 Mn in 2Q25, more than our estimate of SAR 2,491 Mn. The increase in net profit is primarily due to a rise in operating income, partially offset by a rise in operating expenses combined with higher impairment and tax charges.

### P&L Highlights

Riyad Bank's special commission income rose 13.1% YOY to SAR 6,568 Mn in 2Q25 owing to a substantial growth in the loans and advances, investments, and due from banks. The Bank's special commission expense rose 24.4% YOY to SAR 3,368 Mn in 2Q25, driven by an increase in deposits. Thus, the net special commission income grew 3.3% YOY to SAR 3,200 Mn in 2Q25. The Bank's non-funded income expanded 46.6% YOY to SAR 1,320 Mn in 2Q25 due to a rise in net fee and commission income, gains on disposal of non-trading investments, exchange income and net other operating income, partially offset by a decline in dividend income. As a result, Riyadh Bank's total operating income increased 13.1% YOY to SAR 4,520 Mn in 2Q25. The Bank's operating expenses rose 8.2% YOY to SAR 1,326 Mn in 2Q25 owing to a growth in rent and premises-related expenses, other operating expenses, other general and administrative expenses, and depreciation of property, equipment and right of use assets, partially offset by decline in salaries and employee related expenses. Impairment charges surged from SAR 175 Mn in 2Q24 to SAR 309 Mn in 2Q25 attributed to a higher impairment charge on other financial assets partially offset by decline in impairment charge for credit losses and reversal of impairment on investments. Share in earnings of associate increased from SAR 9 Mn in 2Q24 to SAR 10 Mn in 2Q25. Further, Zakat expense grew 11.1% YOY to SAR 298 Mn in 2Q25 in line with the growth in net profit.

### Stock Information

Market Cap (SAR, Mn)	82,500.00
Paid Up Capital (Mn)	2,995.00
52 Week High	33.20
52 Week Low	23.90
3M Avg. daily value (SAR)	1,826,556

### 2Q25 Result Review (SAR, Mn)

Total Assets	490,816
Total Liabilities	418,478
Total Equity	60,963
Total Deposits	316,811
Net Profit	2,597

### Financial Ratios

Dividend Yield (12m)	6.2
Dividend Pay-out (%)	54.62
Price-Earnings Ratio(x)	9.19
Price-to-Book Ratio (x)	1.46
Book Value (SAR)	19.55
Return-on Equity (%)	16.61

### Stock Performance

5 Days	-2.27%
1 Months	3.38%
3 Months	-11.15%
6 Months	-7.09%
1 Year	0.00%
Month to Date (MTD%)	-4.31%
Quarter to Date (QTD%)	-4.31%
Year to Date (YTD%)	-3.85%

### Balance Sheet Highlights

Riyad Bank's total assets surged 21.2% YOY and 5.5% QOQ to SAR 490.8 Bn in 2Q25. The Bank's customer deposits significantly rose 14.8% YOY and 4.2% QOQ to SAR 316.8 Bn in 2Q25, whereas the net loans and advances expanded 21.8% YOY and 4.6% QOQ to SAR 354.6 Bn in 2Q25. Thus, the headline loan-to-deposit grew marginally from 111.5% in 1Q25 to 111.9% in 2Q25. Riyad Bank's total equity attributable to shareholders increased 9.3% YOY and marginally declined 0.3% QOQ to SAR 61.0 Bn in 2Q25.

### Target Price and Rating

We maintain our BUY rating on Riyad Bank with a target price of SAR 36.0 per share. The Bank's net profit grew by 11.1% YOY in 2Q25, fueled by a rise in non-funded income, coupled with a growth in net funded income supported by expansion of net advances investments, and due from banks. The net advances substantially grew 21.8% YOY and 4.6% QOQ to SAR 354.6 Bn in 2Q25. Customer deposits rose 14.8% YOY to SAR 316.8 Bn and expanded by 4.2% QOQ in 2Q25 amid experiencing a decline during 1Q25. The Bank's cost to income ratio improved 131 bps YOY and 128 bps QOQ to 29.3% in 2Q25, indicating better control over costs and improved profitability. The impairment charges for the Bank rose 9.8% YOY to SAR 671 Mn in 1H25 due to increased impairment charges on other financial assets. The Bank recently issued USD-denominated Tier 2 trust certificates for a tenure of 10 years as part of its international trust certificate issuance program, with a total value of USD 1.25 Bn and annual returns of 6.209%. These tier 2 certificates can further help the Bank to establish a buffer against potential losses. Furthermore, Riyad Bank is considering an initial public offering (IPO) for its wholly owned subsidiary, Riyad Capital, on the Saudi exchange. The IPO is pending regulatory approvals and is expected to launch based on favourable market conditions. Currently, no cost associated to the IPO is disclosed, but it is projected to impact the Bank positively in the future. RIBL board announced a dividend of SAR 0.85 per share for the period of 1H25, total amounting to SAR 2.5 Bn. Thus, based on the points mentioned above, we maintain our BUY rating on the stock.

#### Riyad Bank - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
P/E	17.50	13.69	11.86	10.65	9.15	8.21
P/B	1.86	1.81	1.95	1.54	1.41	1.30
DPS (SAR)	0.500	1.040	1.150	1.398	1.700	1.704
EPS	1.572	2.008	2.318	2.581	3.006	3.349
BVPS	14.79	15.23	15.88	17.90	19.52	21.16
Dividend Yield	1.8%	3.8%	4.2%	5.1%	6.2%	6.2%

FABS Estimates & Co Data

**Riyad Bank – P&L**

SAR Mn	2Q24	1Q25	2Q25	2Q25F	Var.	YOY Ch	QOQ Ch	2024	2025F	Change
Special commission inc	5,805	6,351	6,568	6,467	1.6%	13.1%	3.4%	24,182	25,914	7.2%
Special comm expense	-2,708	-3,068	-3,368	-3,165	6.4%	24.4%	9.8%	-11,309	-12,389	9.5%
<b>Net special comm inc</b>	<b>3,097</b>	<b>3,282</b>	<b>3,200</b>	<b>3,301</b>	<b>-3.1%</b>	<b>3.3%</b>	<b>-2.5%</b>	<b>12,873</b>	<b>13,526</b>	<b>5.1%</b>
<b>Total other op. inc</b>	<b>901</b>	<b>1,221</b>	<b>1,320</b>	<b>1,263</b>	<b>4.5%</b>	<b>46.6%</b>	<b>8.1%</b>	<b>4,411</b>	<b>4,842</b>	<b>9.8%</b>
<b>Operating income</b>	<b>3,997</b>	<b>4,504</b>	<b>4,520</b>	<b>4,565</b>	<b>-1.0%</b>	<b>13.1%</b>	<b>0.4%</b>	<b>17,285</b>	<b>18,367</b>	<b>6.3%</b>
Operating expenses	-1,225	-1,379	-1,326	-1,420	-6.6%	8.2%	-3.8%	-5,286	-5,560	5.2%
<b>Pre-provision profit</b>	<b>2,772</b>	<b>3,125</b>	<b>3,194</b>	<b>3,144</b>	<b>1.6%</b>	<b>15.2%</b>	<b>2.2%</b>	<b>11,999</b>	<b>12,807</b>	<b>6.7%</b>
Impairment	-175	-362	-309	-368	-15.8%	77.2%	-14.4%	-1,632	-1,311	-19.7%
Share in earnings of asso.	9	9	10	0	NM	21.5%	18.1%	30	38	25.6%
<b>Profit Before Tax</b>	<b>2,606</b>	<b>2,772</b>	<b>2,895</b>	<b>2,777</b>	<b>4.3%</b>	<b>11.1%</b>	<b>4.4%</b>	<b>10,397</b>	<b>11,535</b>	<b>10.9%</b>
Zakat	-269	-286	-298	-286	4.4%	11.1%	4.4%	-1,075	-1,188	10.5%
<b>Net profit for the year</b>	<b>2,338</b>	<b>2,486</b>	<b>2,597</b>	<b>2,491</b>	<b>4.3%</b>	<b>11.1%</b>	<b>4.4%</b>	<b>9,322</b>	<b>10,346</b>	<b>11.0%</b>

FABS estimate & Co Data

**Riyad Bank - KPI**

	2Q24	1Q25	2Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	77.5%	72.9%	70.8%	-668	-210	74.5%	73.6%	-84
Cost to income	30.6%	30.6%	29.3%	-131	-128	30.6%	30.3%	-31
Impairment/PPP	6.3%	11.6%	9.7%	339	-189	13.6%	10.2%	-337
NP/OI	58.5%	55.2%	57.4%	-104	225	53.9%	56.3%	240
Loan-to-deposit	105.5%	111.5%	111.9%	646	44	104.5%	106.0%	154

FABS estimate & Co Data

**Riyad Bank - BS Key items**

SAR mm	2Q24	3Q24	4Q24	1Q25	2Q25	YOY Ch
Net advances	291,051	305,408	320,089	338,991	354,550	21.8%
QOQ change	2.9%	4.9%	4.8%	5.9%	4.6%	
Total assets	405,029	433,366	450,379	465,345	490,816	21.2%
QOQ change	0.0%	7.0%	3.9%	3.3%	5.5%	
Customer deposits	276,009	293,575	306,423	304,092	316,811	14.8%
QOQ change	1.9%	6.4%	4.4%	-0.8%	4.2%	
Total equity	55,783	56,577	58,556	61,140	60,963	9.3%
QOQ change	4.2%	1.4%	3.5%	4.4%	-0.3%	

FABS estimate & Co Data

## Valuation:

We use the Residual Income and Relative Valuation (RV) method to value RIBL. We have assigned 70% weight to Residual Income, and 30% to RV method.

Valuation Method	Target	Weight	Weighted Value
Residual Income	37.50	70%	26.25
Relative Valuation (RV)	32.49	30%	9.75
<b>Weighted Average Valuation (SAR)</b>			<b>36.00</b>
Current market price (SAR)			27.50
Upside/Downside (%)			+30.9%

### 1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 9.2%. Cost of equity is calculated by using the 10-year government bond yield of 5.2%, beta of 0.95 and equity risk premium of 4.2%. Government bond yield is calculated after adding KSA 10-year CDS spread over the 10-year US risk-free rate. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (SAR, Mn)	13,840
Terminal value (SAR, Mn)	<b>37,518</b>
Book Value of Equity (as of Jun 2025)	60,963
<b>FV to Common shareholders (SAR, Mn)</b>	<b>112,320</b>
No. of share (Mn)	2,995
Current Market Price (SAR)	27.50
<b>Fair Value per share (SAR)</b>	<b>37.50</b>

### Residual Income Method

(All Figures in SAR Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
Net Profit	10,346	10,279	10,443	11,043	11,695
(-) Equity Charge	-5,831	-6,277	-6,698	-7,160	-7,654
<b>Excess Equity</b>	<b>4,515</b>	<b>4,003</b>	<b>3,745</b>	<b>3,883</b>	<b>4,041</b>
Discounting Factor	0.93	0.85	0.78	0.71	0.65
<b>Present Value of Excess Equity</b>	<b>2,098<sup>1</sup></b>	<b>3,407</b>	<b>2,919</b>	<b>2,773</b>	<b>2,643</b>

Source: FAB Securities, <sup>1</sup>Adjusted for partial year

## 2) Relative Valuation:

We have used local peers to value RIBL and it is valued using the PB multiple. It is valued at a PB multiple of 1.5x in line with peers.

Company	Market (USD Mn)	P/B (x)		P/E (x)		Dividend Yield (%)	
		2025F	2026F	2025F	2026F	2025F	2026F
Bank Albilad	10,791	2.2	2.0	13.8	13.3	2.1%	2.0%
Al Rajhi Bank	102,498	3.5	3.1	17.0	15.1	3.3%	3.7%
Alinma Bank	17,652	1.8	1.6	11.0	10.3	4.3%	4.6%
Arab National Bank	11,428	1.0	1.0	8.5	8.2	6.2%	6.4%
Banque Saudi Fransi	11,700	1.1	1.0	9.2	8.8	6.0%	6.2%
Saudi National Bank	59,751	1.2	1.2	10.0	9.3	5.5%	6.0%
<b>Average</b>		<b>1.8x</b>	<b>1.7x</b>	<b>11.6x</b>	<b>10.8x</b>	<b>4.6%</b>	<b>4.8%</b>
<b>Median</b>		<b>1.5x</b>	<b>1.4x</b>	<b>10.5x</b>	<b>9.8x</b>	<b>4.9%</b>	<b>5.3%</b>
<b>Max</b>		<b>2.1x</b>	<b>1.9x</b>	<b>13.1x</b>	<b>12.5x</b>	<b>5.9%</b>	<b>6.2%</b>
<b>Min</b>		<b>1.1x</b>	<b>1.0x</b>	<b>9.4x</b>	<b>8.9x</b>	<b>3.5%</b>	<b>3.9%</b>

Source: FAB Securities

## Research Rating Methodology:

Rating	Upside/Downside potential
BUY	Higher than +15%
ACCUMULATE	Between +10% to +15%
HOLD	Lower than +10% to -5%
REDUCE	Between -5% to -15%
SELL	Lower than -15%

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