# First Look Note | 3Q25

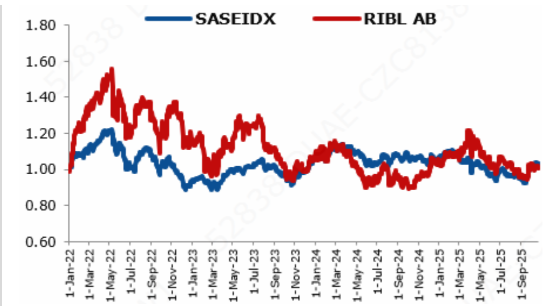
Saudi Equity Research — Sector: Banking — Market: Tadawul

## Riyad Bank (RIBL)

Non-funded income growth cushioned margin pressure

| Current Price | Target Price | Upside/Downside (%) | Rating |
|---|---|---|---|
| SAR 27.22 | SAR 36.00 | +32% | BUY |

- Funded income rose 13.6% YOY to SAR 7,043 Mn supported by robust growth in advances, while funded expense recorded higher growth than income impacting net funded income.
- Non-funded income boosted 20.6% YOY to SAR 1,509 in 3Q25.
- The Bank's investment expanded from SAR 66.6 in 3Q24 to SAR 74.3 in 3Q25.
- Net loans and advances expanded by 20.7% YOY and 3.9% QOQ to SAR 368.6 Bn in 3Q25, while customer deposits rose 10.8% YOY and 2.7% QOQ to SAR 325.4 Bn in 3Q25.
- The loan-to-deposit grew from 111.9% in 2Q25 to 113.3% in 3Q25.




| Stock Information | |
|---|---|
| Market Cap (SAR, Mn) | 81,660.00 |
| Paid Up Capital (Mn) | 30,000.00 |
| 52 Week High | 33.20 |
| 52 Week Low | 24.72 |
| 3M Avg. daily value(SAR) | 58,292,690 |

| 3Q25 Result Review (SAR, Mn) | |
|---|---|
| Total Assets | 507,566 |
| Total Liabilities | 445,996 |
| Total Equity | 61,570 |
| Total Deposits | 325,413 |
| Net Profit | 2,687 |

| Financial Ratios | |
|---|---|
| Dividend Yield (12m) | 6.43 |
| Dividend Pay-out (%) | 51.55 |
| Price-Earnings Ratio(x) | 8.36 |
| Price-to-Book Ratio (x) | 1.34 |
| Book Value (SAR) | 20.32 |
| Return-on Equity (%) | 16.48 |

| Stock Performance | |
|---|---|
| 5 Days | -1.66% |
| 1 Months | -2.23% |
| 3 Months | -2.23% |
| 6 Months | -13.04% |
| 1 Year | 6.95% |
| Month to Date (MTD%) | 0.07% |
| Quarter to Date (QTD%) | 0.07% |
| Year to Date (YTD%) | -4.83% |

### 3Q25 Net Profit in line with our estimate

Riyad Bank ("RIBL", "The Bank") reported a 1.3% YOY rise in net profit to SAR 2,687 Mn in 3Q25, in line with our estimate of SAR 2,723 Mn. The increase in net profit is primarily due to a solid growth in non-funded income, partially offset by a rise in funded expenses, operating expenses combined with higher provision and zakat charges.

### P&L Highlights

Riyad Bank's special commission income rose 13.6% YOY to SAR 7,043 Mn in 3Q25 owing to a substantial growth in the loans & advances and investments, and due from banks. The Bank's special commission expense rose 32.8% YOY to SAR 3,859 Mn in 3Q25, driven by an increase in deposits and rise in cost of funds. Thus, the net special commission income fell 3.3% YOY to SAR 3,184 Mn in 3Q25. The Bank's non-funded income expanded 20.6% YOY to SAR 1,509 Mn in 3Q25 due to a rise in fee and commission income, gains on disposal of non-trading investments and trading income, partially offset by a decline in dividend income, exchange income and other operating income. As a result, Riyad Bank's total operating income increased 3.3% YOY to SAR 4,693 Mn in 3Q25. The Bank's operating expenses rose 4.6% YOY to SAR 1,367 Mn in 3Q25 owing to a growth in G&A expenses, salaries and employee-related expenses, D&A expenses and other operating expenses, partially offset by a decline in rent & premises-related expenses. Cost-to-income ratio inched up 37 bps YOY to 29.1% in 3Q25 mainly due to lower growth in operating income compared to operating expenses. Impairment charges surged 17.5% YOY to SAR 336 Mn in 3Q25, supported by rise in impairment charge of credit losses, provision charge for investments, partially offset by a decrease in charge in other financial assets. Share in earnings of associates declined 18.3% YOY to SAR 6 Mn in 3Q25. Further, Zakat expense grew 1.2% YOY to SAR 309 Mn in 3Q25 in line with the growth in net profit.

## Balance Sheet Highlights

Riyad Bank's total assets surged 17.0% YOY and 3.4% QOQ to SAR 507.6 Bn in 3Q25. The Bank's customer deposits rose 10.8% YOY and 2.7% QOQ to SAR 325.4 Bn in 3Q25, whereas the net loans and advances expanded 20.7% YOY and 3.9% QOQ to SAR 368.6 Bn in 3Q25. Thus, the loan-to-deposit expanded from 111.9% in 2Q25 to 113.3% in 3Q25. Riyad Bank's total equity attributable to shareholders amounted to SAR 61.6 Bn in 3Q25 compared to SAR 61.0 Bn in 2Q25.

## Target Price and Rating

We maintain our BUY rating on Riyad Bank with a revised target price of SAR 36.00 per share. The Bank profitability grew marginally 1.3% YOY in 3Q25 primarily due to strong growth recorded in non-funded income partially mitigated by margin pressure from funding costs. It recorded higher funding cost pressure in 2Q25 as the pandemic deposits were replaced at higher spreads than expected. We believe the same spilled to 3Q25 too. The Bank plans to mitigate the funding cost pressure through managing cost and duration coupled with borrowing through certificates of deposit (CDs), syndicated loans, and Tier 2 issuances. The non-funded income is expected to remain strong driven by cross-selling initiatives further supported by the leadership in trade finance. We estimate loan growth guidance will be revised upward since the Bank has already recorded a loan growth of 15.1% since 4Q24. The net advances rose substantially to 20.7% YOY and 3.9% QOQ to SAR 368.6 Bn in 3Q25, reflecting strong credit demand. The Bank's cost-to-income ratio declined for the past two quarters, indicating effective cost management and maintaining an optimal cost mix. Additionally, RIBL remains focused on enhancing operational efficiency through disciplined cost optimization and continuous productivity improvements. Asset quality remains healthy with a NPL ratio of 1.13% in 2Q25, with a coverage ratio of 135.4%, reflecting strong asset quality. To achieve sustainable growth, Riyad Bank seeks to expand its asset base and strengthen cross-selling capabilities across business segments. To improve retail performance, the Bank emphasized on profitability and sustainable growth rather than aggressive market share expansion. Additionally, it remained focused on maintaining healthy product margins while enhancing its value proposition and product suite over competing on price. Furthermore, management anticipates a recovery in retail demand as interest rates decline in the coming year. The Bank established a dedicated Special Assets Unit, with highly skilled professionals to accelerate recoveries and strengthen asset quality, ensuring a focused and systematic approach. This initiative positions the Bank, as a leading corporate and wholesale lender, to achieve faster and more efficient recoveries. 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 | 17.38 | 13.60 | 11.78 | 10.58 | 9.09 | 8.40 |
| P/B | 1.85 | 1.79 | 1.95 | 1.53 | 1.40 | 1.29 |
| BVPS | 14.79 | 15.23 | 15.88 | 17.90 | 19.52 | 21.16 |
| EPS | 1.572 | 2.008 | 2.318 | 2.581 | 3.006 | 3.253 |
| DPS | 0.500 | 1.040 | 1.150 | 1.398 | 1.700 | 1.800 |
| Dividend Yield | 1.8% | 3.8% | 4.2% | 5.1% | 6.2% | 6.6% |

*FABS Estimates & Co Data*

**Riyad Bank – P&L**

| SAR Mn | 3Q24 | 2Q25 | 3Q25 | 3Q25F | Var. | YOY Ch | QOQ Ch | 2024 | 2025F | Change |
|---|---|---|---|---|---|---|---|---|---|---|
| Special commission inc | 6,200 | 6,568 | 7,043 | 6,766 | 4.1% | 13.6% | 7.2% | 24,182 | 27,124 | 12.2% |
| Special comm expense | -2,907 | -3,368 | -3,859 | -3,372 | 14.5% | 32.8% | 14.6% | -11,309 | -14,148 | 25.1% |
| **Net special comm inc** | **3,293** | **3,200** | **3,184** | **3,395** | **-6.2%** | -3.3% | **-0.5%** | **12,873** | **12,976** | **0.8%** |
| **Total other op. inc** | **1,252** | **1,320** | **1,509** | **1,347** | **12.0%** | **20.6%** | **14.3%** | **4,411** | **5,378** | **21.9%** |
| **Operating income** | **4,545** | **4,520** | **4,693** | **4,742** | **-1.0%** | **3.3%** | **3.8%** | **17,285** | **18,355** | **6.2%** |
| Operating expenses | -1,307 | -1,326 | -1,367 | -1,361 | 0.5% | 4.6% | 3.1% | -5,286 | -5,473 | 3.5% |
| **Pre-provision profit** | **3,237** | **3,194** | **3,326** | **3,381** | **-1.6%** | **2.7%** | **4.1%** | **11,999** | **12,882** | **7.4%** |
| Impairment | -286 | -309 | -336 | -355 | -5.3% | 17.5% | 8.6% | -1,632 | -1,412 | -13.5% |
| Share in earnings of asso. | 8 | 10 | 6 | 10 | -39.4% | -18.3% | -38.8% | 30 | 34 | 13.1% |
| **Profit Before Tax** | **2,959** | **2,895** | **2,996** | **3,036** | **-1.3%** | **1.3%** | **3.5%** | **10,397** | **11,504** | **10.6%** |
| Zakat | -305 | -298 | -309 | -313 | -1.2% | 1.2% | 3.5% | -1,075 | -1,187 | 10.4% |
| **Net profit for the year** | **2,654** | **2,597** | **2,687** | **2,723** | **-1.3%** | **1.3%** | **3.5%** | **9,322** | **10,317** | **10.7%** |

*FABS estimate & Co Data*

**Riyad Bank - KPI**

| | 3Q24 | 2Q25 | 3Q25 | YOY Ch | QOQ Ch | 2024 | 2025F | Change |
|---|---|---|---|---|---|---|---|---|
| Net FI/OI | 72.5% | 70.8% | 67.9% | -461 | -294 | 74.5% | 70.7% | -378 |
| Cost to income | 28.8% | 29.3% | 29.1% | 37 | -20 | 30.6% | 29.8% | -76 |
| Impairment/PPP | 8.8% | 9.7% | 10.1% | 127 | 41 | 13.6% | 11.0% | -264 |
| NP/OI | 58.4% | 57.4% | 57.3% | -114 | -19 | 53.9% | 56.2% | 228 |
| Loan-to-deposit | 104.0% | 111.9% | 113.3% | 923 | 135 | 104.5% | 111.5% | 704 |

*FABS estimate & Co Data*

**Riyad Bank - BS Key items**

| SAR mm | 3Q24 | 4Q24 | 1Q25 | 2Q25 | 3Q25 | YOY Ch |
|---|---|---|---|---|---|---|
| Net advances | 305,408 | 320,089 | 338,991 | 354,550 | 368,554 | 20.7% |
| *QOQ change* | 4.9% | 4.8% | 5.9% | 4.6% | 3.9% | |
| Total assets | 433,817 | 450,379 | 465,345 | 490,816 | 507,566 | 17.0% |
| *QOQ change* | 7.1% | 3.8% | 3.3% | 5.5% | 3.4% | |
| Customer deposits | 293,575 | 306,423 | 304,092 | 316,811 | 325,413 | 10.8% |
| *QOQ change* | 6.4% | 4.4% | -0.8% | 4.2% | 2.7% | |
| Total equity | 57,028 | 58,556 | 61,140 | 60,963 | 61,570 | 8.0% |
| *QOQ change* | 2.2% | 2.7% | 4.4% | -0.3% | 1.0% | |

*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 | 37.55 | 70% | 26.29 |
| Relative Valuation (RV) | 32.38 | 30% | 9.72 |
| **Weighted Average Valuation (SAR)** | | | **36.00** |
| Current market price (SAR) | | | 27.22 |
| Upside/Downside (%) | | | +32% |

## 1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 9.3%. Cost of equity is calculated by using the 10-year government bond yield of 5.0%, beta of 0.95 and equity risk premium of 4.57%. 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) | 15,171 |
| Terminal value (SAR, Mn) | 35,727 |
| Book Value of Equity (as of Sep 2025) | 61,570 |
| **FV to Common shareholders (SAR, Mn)** | **112,467** |
| No. of share (Mn) | 2,995 |
| **Fair Value per share (SAR)** | 37.55 |

**Residual Income Method**

| (All Figures in SAR Mn) | FY 2025E | FY 2026E | FY 2027E | FY 2028E | FY 2029E | FY 2030E |
|---|---|---|---|---|---|---|
| Net Profit | 9,741 | 9,513 | 9,972 | 10,454 | 10,978 | 11,788 |
| (-) Equity Charge | -5,468 | -5,928 | -6,312 | -6,750 | -7,202 | -7,681 |
| **Excess Equity** | **4,274** | **3,585** | **3,660** | **3,704** | **3,776** | **4,107** |
| Discounting Factor | 0.98 | 0.89 | 0.82 | 0.75 | 0.68 | 0.63 |
| **Present Value of Excess Equity** | **1,045**[1] | **3,207** | **2,994** | **2,771** | **2,584** | **2,570** |

*Fab Securities & Co. [1]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 1.4x in line with peers.

| Company | Market (USD Mn) | P/B (x) 2025F | P/B (x) 2026F | P/E (x) 2025F | P/E (x) 2026F | Dividend Yield (%) 2025F | Dividend Yield (%) 2026F |
|---|---|---|---|---|---|---|---|
| Bank Albilad | 11,734 | 2.4 | 2.0 | 14.8 | 13.8 | 2.5% | 2.3% |
| Al Rajhi Bank | 114,758 | 3.8 | 3.5 | 18.8 | 16.6 | 2.7% | 3.3% |
| Alinma Bank | 17,664 | 1.8 | 1.7 | 11.2 | 10.8 | 4.3% | 4.3% |
| Arab National Bank | 13,588 | 1.2 | 1.2 | 9.9 | 9.6 | 5.2% | 5.4% |
| Banque Saudi Fransi | 12,297 | 1.1 | 1.1 | 9.5 | 9.3 | 6.0% | 5.9% |
| Saudi National Bank | 61,017 | 1.2 | 1.2 | 10.2 | 9.5 | 5.4% | 5.8% |
| **Average** | | **1.9x** | **1.8x** | **12.4x** | **11.6x** | **4.4%** | **4.5%** |
| **Median** | | **1.5x** | **1.4x** | **10.7x** | **10.2x** | **4.8%** | **4.9%** |
| **Max** | | **2.2x** | **2.0x** | **13.9x** | **13.0x** | **5.4%** | **5.7%** |
| **Min** | | **1.2x** | **1.2x** | **9.9x** | **9.5x** | **3.1%** | **3.6%** |

*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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