

## Riyad Bank (RIBL)

Strong growth in funded and non-funded income boosted bottom line

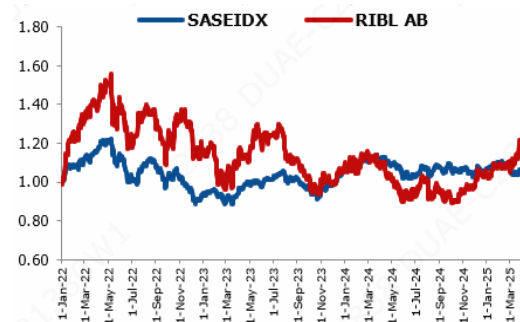
**Current Price**  
SAR 30.95

**Target Price**  
SAR 36.00

**Upside/Downside (%)**  
+16%

**Rating**  
BUY

- Net Loans and advances grew 19.8% YOY and 5.9% QOQ to SAR 339 Bn in 1Q25.
- Riyadh Bank customer deposits increased 12.2% YOY and declined 0.8% QOQ in 1Q25 to SAR 304.1 Bn.
- Riyadh Bank introduced AI-powered SME lending and advanced analytics to enhance lending decisions, streamline cash management, and boost collections.
- The cost to income ratio declined 230 bps YOY to 30.6% in 1Q25.
- Approved a dividend of SAR 0.90 per share for 2H24 equivalent to SAR 2.7 Bn (To be distributed in April 2025) resulting in a total dividend of SAR 5.1 Bn for 2024 with a dividend yield of 5.6%.



### 1Q25 Net Profit is in-line with our estimate

Riyad Bank ("RIBL", "The Bank") recorded a 19.9% YOY increase in net profit to SAR 2,486 Mn in 1Q25, inline with our estimate of SAR 2,548 Mn. The increase in net profit is mainly driven by a strong growth in net funded and non-funded income coupled with lower impairment charges partially offset by a rise in operating expenses, and tax charge.

### P&L Highlights

Riyad Bank's special commission income increased 12.0% YOY to SAR 6,351 Mn in 1Q25 due to a strong growth in loans and investments. The Bank's special commission expense rose 17.2% YOY to SAR 3,068 Mn in 1Q25, primarily due to rise in deposits. As a result, the net special commission income increased 7.6% YOY to SAR 3,282 Mn in 1Q25. The Bank's non-funded income surged 17.8% YOY to SAR 1,221 Mn in 1Q25. Hence, Riyadh Bank's total operating income rose 10.2% YOY to SAR 4,504 Mn in 1Q25 due to growth in net special commission income, net fee and commission income, trading income, exchange income, and net other operating income. The Bank's operating expenses increased 2.5% YOY to SAR 1,379 Mn in 1Q25 due to a rise in an increase in salaries and employee related expenses, rent and premises-related expenses, other operating expenses, and depreciation of property, equipment and right of use assets. Impairment charges declined 17.1% YOY to SAR 362 Mn in 1Q25 due to a decrease in impairment charge for credit losses and other financial assets. Share in earnings of associate also increased 55.6% YOY to SAR 9 Mn in 1Q25. Zakat expense rose 19.9% YOY to SAR 286 Mn in 1Q25 in line with growth in profitability.

### Stock Information

Market Cap (SAR, Mn)	92,850.00
Paid Up Capital (Mn)	30,000.00
52 Week High	33.20
52 Week Low	23.88
3M Avg. daily value(SAR)	85,446,510

### 1Q25 Result Review (SAR, Mn)

Total Assets	465,345
Net advances	338,991
Total Equity	61,140
Total Deposits	304,092
Net Profit	2,486

### Financial Ratios

Dividend Yield (12m)	5.49
Dividend Pay-out (%)	49.80
Price-Earnings Ratio(x)	9.64
Price-to-Book Ratio (x)	1.58
Book Value (SAR)	19.55
Return-on Equity (%)	16.61

### Stock Performance

5 Days	1.48%
1 Months	1.81%
3 Months	4.56%
6 Months	22.82%
1 Year	9.17%
Month to Date (MTD%)	-6.07%
Quarter to Date (QTD%)	-6.07%
Year to Date (YTD%)	8.22%

## Balance Sheet Highlights

Riyad Bank's total assets expanded 14.9% YOY and 3.3% QOQ to SAR 465.3 Bn in 1Q25. The Bank's customer deposits increased 12.2% YOY and declined 0.8% QOQ to SAR 304.1 Bn in 1Q25. Net Loans and advances grew 19.8% YOY and 5.9% QOQ to SAR 339 Bn in 1Q25. Furthermore, the Bank's headline loan-to-deposit rose from 104.5% in 4Q24 to 111.5% in 1Q25. Total equity increased 14.2% YOY and 4.4% QOQ to SAR 61.1 Bn in 1Q25.

## 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 advances increased significantly 19.8% YOY to SAR 339 Bn in 1Q25. The Bank's cost to income ratio declined 230 bps YOY to 30.6% in 1Q25 driven by solid cost efficiency with FY2025 guidance of 30.6% owing to investments in digital initiatives. Riyad Bank enhanced services with AI-driven affluent detection, fraud prevention, smart SME lending, and advanced cash management analytics, boosting customer targeting, security, lending accuracy, and operational efficiency. The Bank also introduced AI-powered SME lending and advanced analytics to enhance lending decisions, streamline cash management, and boost collections. In 2025, Riyad Bank will focus on enhancing customer experience, fraud detection, and operational efficiency through AI-driven personalization, predictive analytics, and automation. The Bank aims to lead in open finance by partnering with Fintechs, pursuing PIS certification, launching APIs, and offering Cash as a Service with virtual IBANs. Embedded finance for corporate and SME sectors are also expected to support auto leases and loans. RIBL board approved a dividend of SAR 0.90 per share for 2H24 equivalent to SAR 2.7 Bn (to be distributed in April 2025) resulting in a total dividend of SAR 5.1 Bn for 2024 with a dividend yield of 5.6%. Thus, looking at the positives, we maintain our BUY rating on the stock.

### Riyad Bank - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	19.34	15.14	13.11	11.78	10.11	9.10
PB	2.06	2.00	1.95	1.70	1.56	1.43
Dividend yield	1.5%	3.3%	3.7%	4.5%	5.5%	5.8%

FABS Estimates & Co Data

### Riyad Bank - P&L

SAR Mn	1Q24	4Q24	1Q25	1Q25F	Var	YOY Ch	QOQ Ch	2024	2025F	Change
Special commission inc	5,669	6,508	6,351	6,626	-4.2%	12.0%	-2.4%	24,182	25,914	7.2%
Special comm expense	-2,619	-3,075	-3,068	-3,161	-2.9%	17.2%	-0.2%	-11,309	-12,389	9.5%
<b>Net special comm inc</b>	<b>3,051</b>	<b>3,432</b>	<b>3,282</b>	<b>3,465</b>	<b>-5.3%</b>	<b>7.6%</b>	<b>-4.4%</b>	<b>12,873</b>	<b>13,526</b>	<b>5.1%</b>
<b>Total other op. inc</b>	<b>1,037</b>	<b>1,222</b>	<b>1,221</b>	<b>1,261</b>	<b>-3.1%</b>	<b>17.8%</b>	<b>-0.1%</b>	<b>4,411</b>	<b>4,722</b>	<b>7.0%</b>
<b>Operating income</b>	<b>4,088</b>	<b>4,655</b>	<b>4,504</b>	<b>4,726</b>	<b>-4.7%</b>	<b>10.2%</b>	<b>-3.2%</b>	<b>17,285</b>	<b>18,248</b>	<b>5.6%</b>
Operating expenses	-1,346	-1,408	-1,379	-1,473	-6.4%	2.5%	-2.0%	-5,286	-5,533	4.7%
<b>Pre-provision profit</b>	<b>2,742</b>	<b>3,247</b>	<b>3,125</b>	<b>3,253</b>	<b>-3.9%</b>	<b>14.0%</b>	<b>-3.8%</b>	<b>11,999</b>	<b>12,715</b>	<b>6.0%</b>
Impairment	-437	-735	-362	-413	-12.4%	-17.1%	-50.8%	-1,632	-1,207	-26.0%
Share in earnings of asso.	6	8	9	0	NM	55.6%	2.9%	30	0	NM
<b>Profit Before Tax</b>	<b>2,311</b>	<b>2,520</b>	<b>2,772</b>	<b>2,840</b>	<b>-2.4%</b>	<b>19.9%</b>	<b>10.0%</b>	<b>10,397</b>	<b>11,508</b>	<b>10.7%</b>
Zakat	-238	-263	-286	-293	-2.3%	19.9%	8.7%	-1,075	-1,185	10.3%
<b>Net profit for the year</b>	<b>2,073</b>	<b>2,257</b>	<b>2,486</b>	<b>2,548</b>	<b>-2.4%</b>	<b>19.9%</b>	<b>10.1%</b>	<b>9,322</b>	<b>10,322</b>	<b>10.7%</b>

FABS estimate & Co Data

#### Riyad Bank - KPI

	1Q24	4Q24	1Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	74.6%	73.7%	72.9%	-175	-86	74.5%	74.1%	-36
Cost to income	32.9%	30.2%	30.6%	-230	38	30.6%	30.3%	-26
Impairment/PPP	15.9%	22.6%	11.6%	-435	-1,106	13.6%	9.5%	-411
NP/OI	50.7%	48.5%	55.2%	449	670	53.9%	56.6%	264
Loan-to-deposit	104.4%	104.5%	111.5%	708	702	104.5%	106.0%	154

FABS estimate & Co Data

#### Riyad Bank - BS Key items

SAR mm	1Q24	2Q24	3Q24	4Q24	1Q25	YOY Ch
Net advances	282,854	291,051	305,408	320,089	338,991	19.8%
QOQ change	3.1%	2.9%	4.9%	4.8%	5.9%	
Total assets	404,859	405,029	433,366	450,379	465,345	14.9%
QOQ change	4.7%	0.0%	7.0%	3.9%	3.3%	
Customer deposits	270,948	276,009	293,575	306,423	304,092	12.2%
QOQ change	6.3%	1.9%	6.4%	4.4%	-0.8%	
Total equity	53,514	55,783	56,577	58,556	61,140	14.2%
QOQ change	-0.3%	4.2%	1.4%	3.5%	4.4%	

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	37.12	70%	25.98
Relative Valuation (RV)	33.39	30%	10.02
<b>Weighted Average Valuation (SAR)</b>			<b>36.00</b>
Current market price (SAR)			30.95
Upside/Downside (%)			+19.4%

### 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)	14,233
Terminal value (SAR, Mn)	<b>35,795</b>
Book Value of Equity (as of Dec 2024)	61,140
<b>FV to Common shareholders (SAR, Mn)</b>	<b>111,167</b>
No. of share (Mn)	2,995
<b>Fair Value per share (SAR)</b>	<b>37.12</b>

### Residual Income Method

(All Figures in SAR Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
Net Profit	10,322	10,088	10,380	10,660	11,595
(-) Equity Charge	-5,862	-6,292	-6,747	-7,226	-7,764
<b>Excess Equity</b>	<b>4,460</b>	<b>3,797</b>	<b>3,633</b>	<b>3,434</b>	<b>3,831</b>
Discounting Factor	0.94	0.86	0.79	0.72	0.66
<b>Present Value of Excess Equity</b>	<b>3,132<sup>1</sup></b>	<b>3,255</b>	<b>2,853</b>	<b>2,469</b>	<b>2,523</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 1.6x in line with peers.

Company	Market (USD Mn)	P/B (x)		P/E (x)		Dividend Yield (%)	
		2025F	2026F	2025F	2026F	2025F	2026F
Bank Albilad	11,642	2.7	2.3	17.7	15.5	1.5%	1.7%
Al Rajhi Bank	104,233	3.5	3.2	17.7	15.8	3.2%	3.5%
Alinma Bank	19,637	2.0	1.8	12.1	11.1	3.7%	3.9%
Arab National Bank	11,949	1.1	1.0	9.0	8.9	5.6%	5.9%
Banque Saudi Fransi	11,476	1.1	1.0	9.4	8.8	6.0%	6.2%
Saudi National Bank	53,832	1.1	1.0	9.3	8.5	6.1%	6.6%
<b>Average</b>		<b>1.9x</b>	<b>1.7x</b>	<b>12.5x</b>	<b>11.4x</b>	<b>4.3%</b>	<b>4.6%</b>
<b>Median</b>		<b>1.6x</b>	<b>1.4x</b>	<b>10.7x</b>	<b>10.0x</b>	<b>4.7%</b>	<b>4.9%</b>
<b>Max</b>		<b>2.6x</b>	<b>2.2x</b>	<b>16.3x</b>	<b>14.4x</b>	<b>5.9%</b>	<b>6.2%</b>
<b>Min</b>		<b>1.1x</b>	<b>1.0x</b>	<b>9.3x</b>	<b>8.8x</b>	<b>3.3%</b>	<b>3.6%</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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