

Riyad Bank

Strong loan growth and lower impairment charges supported profit growth

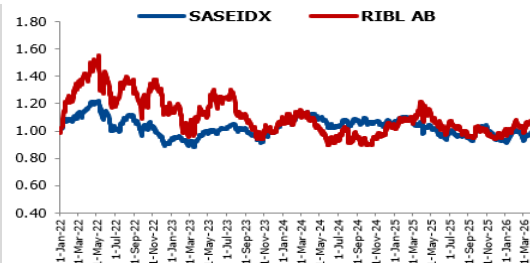
Current Price
SAR 21.45

Target Price
SAR 27.00

Upside/Downside (%)
+26%

Rating
BUY

- Funded income increased 7.2% YOY to SAR 6,807 Mn in 1Q26, driven by strong growth in loans & advances and investments.
- Non-funded income expanded marginally 0.7% YOY to SAR 1,230 Mn in 1Q26.
- Net loans and advances expanded 11.2% YOY and 1.0% QOQ to SAR 377.0 Bn in 1Q26. While customer deposits grew 15.9% YOY and 6.3% QOQ to SAR 352.6 Bn in 1Q26.
- The Bank's investments expanded 24.6% YOY to SAR 86.8 Bn in 1Q26.
- The Bank's loan-to-deposit ratio declined from 112.5% in 4Q25 to 106.9% in 1Q26, reflecting improved balance sheet liquidity.



1Q26 Net Profit in line with our estimate

Riyad Bank ("RIBL", "The Bank") reported a 5.1% YOY increase in net profit to SAR 2,614 Mn in 1Q26, in line with our estimate of SAR 2,674 Mn. The growth in net profit is primarily driven by higher net funded income, supported by expansion in loan & advances and investment, along with marginal increase in non-funded income. The growth was further supported by a marginal decline in operating expenses, a significant fall in impairment charges, and higher income from associates, partially offset by an increase in tax expenses.

P&L Highlights

Riyad Bank's funded income rose 7.2% YOY to SAR 6,807 Mn in 1Q26, supported by growth in loans and advances and investments. Funded expenses rose 11.6% YOY to SAR 3,423 Mn in 1Q26, driven by higher cost of funding and an increase in deposits. As a result, the net funded income rose 3.1% YOY to SAR 3,385 Mn in 1Q26. The Bank's non-funded income increased marginally 0.7% YOY to SAR 1,230 Mn in 1Q26, due to growth in trading income and lower loss on non-trading investments, partially offset by decline in fee & commission income, exchange income, dividend income, and other operating income. As a result, Riyad bank's total operating income grew 2.5% YOY to SAR 4,614 Mn in 1Q26. The Bank's operating expenses declined marginally 0.5% YOY to SAR 1,372 Mn in 1Q26, due to decrease in rent charges, premises-related expenses, general and administrative expenses, and other operating expenses, partially offset by an increase in depreciation of right of use assets, depreciation on PPE, and salaries & employee-related expenses. Thus, the Bank's cost-to-income ratio improved from 30.6% in 1Q25 to 29.7% in 1Q26. Impairment charges declined 23.9% YOY to SAR 275 Mn in 1Q26, driven by decrease in impairment charge for credit losses and other financial assets, partially offset by a rise in impairment charge for investments. Share in earnings of associates grew 16.5% YOY to SAR 10 Mn in 1Q26. The Bank's tax charges expanded 27.3% YOY to SAR 364 Mn in 1Q26.

Stock Information

Market Cap (SAR, Mn)	85,800.00
Paid Up Capital (Mn)	40,000.00
52 Week High	23.93
52 Week Low	18.98
3M Avg. daily value(SAR)	67,356,120

1Q26 Result Review (SAR, Mn)

Total Assets	537,083
Total Equity	66,348
Total Deposits	352,567
Investments	86,842
Net Profit	2,614

Financial Ratios

Dividend Yield (12m)	4.90
Dividend Pay-out (%)	53.21
Price-Earnings Ratio(x)	6.43
Price-to-Book Ratio (x)	1.00
Book Value (SAR)	16.07
Return-on Equity (%)	16.07

Stock Performance

5 Days	-3.60%
1 Months	-1.38%
3 Months	4.00%
6 Months	5.07%
1 Year	-8.63%
Month to Date (MTD%)	-2.99%
Quarter to Date (QTD%)	-2.99%
Year to Date (YTD%)	5.38%

Balance Sheet Highlights

Riyad Bank's total assets grew 15.1% YOY and 3.4% QOQ to SAR 537.1 Bn in 1Q26, primarily driven by rise in loans and investments. The Bank's customer deposits rose 15.9% YOY and 6.3% QOQ to SAR 352.6 Bn in 1Q26. Net loans and advances expanded 11.2% YOY and 1.0% QOQ to SAR 377.0 Bn in 1Q26. Thus, the loan-to-deposit ratio declined from 112.5% in 4Q25 to 106.9% in 1Q26.

Target Price and Rating

We maintain our BUY rating on Riyad Bank with a target price of SAR 27.0 per share. Riyad Bank continues to demonstrate steady balance sheet expansion, supported by strong lending growth despite geopolitical turmoil. The Bank's profitability increased 5.1% YoY in 1Q26, driven by growth in net funded income supported by higher loans and advances, along with lower impairment charges due to reduced provisions on credit losses, partially offset by higher investment-related impairments. The net advances rose 11.2% YOY and 1.0% QOQ to SAR 377.0 Bn in 1Q26, driven by broad-based growth across key segments, underpinned by Saudi Arabia's economic momentum and Vision 2030 initiatives, indicating sustained credit demand and business activity. The Bank's customer deposits rose 15.9% YOY and 6.3% QOQ to SAR 352.6 Bn in 1Q26, reflecting a strong funding base. As a result, the Bank's loan-to-deposit ratio improved from 112.5% in 4Q25 to 106.9% in 1Q26, indicating improved balance sheet liquidity. Furthermore, operational efficiency improved, with the cost-to-income ratio declining from 30.6% in 1Q25 to 29.7% in 1Q26, reflecting effective cost management. Furthermore, Riyad Bank's Kafalah exposure stood at c. SAR 11 Bn in 2025, representing around 12% of the total MSME portfolio, and continues to perform well. Kafalah is a Saudi government-backed guarantee program that covers a portion of SME loans, thereby reducing credit risk for banks. The Bank's MSME strategy remains focused on the middle and upper segments, with gradual expansion into the micro segment through digital platforms. This approach reinforces prudent risk management, as Kafalah-backed exposures provide credit protection while supporting sustainable MSME growth. Asset quality remained healthy, with the NPL ratio declining from 0.87% in 3Q25 to 0.79% in 4Q25. Meanwhile, the coverage ratio improved to 150.1% in 4Q25 from 141.7% in 3Q25, indicating a strengthened buffer against potential loan losses. Furthermore, the Bank's Tier 1 and capital adequacy ratios stood at 16.0% and 18.4% in 4Q25, respectively, providing adequate buffers above regulatory requirements. The Bank's ROAA remained stable at 2.1% in last three quarters, indicating consistent profitability and efficient utilization of assets. Riyad Bank continues to execute its Strategy 2030 transformation plan, focused on scaling digital retail, strengthening wholesale banking, and expanding fee income, while embedding AI and enhancing infrastructure through a cloud-native platform. The Bank is emphasizing a shift from volume-driven growth toward value-accretive expansion and optimized asset allocation to enhance returns. Thus, based on the points mentioned above, we maintain our BUY rating on the stock.

Riyad Bank - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
P/E	14.45	12.52	11.25	9.66	8.82	8.05
P/B	1.91	1.95	1.21	1.10	1.01	0.92
BVPS	11.420	11.913	17.928	19.702	21.458	23.667
EPS	1.510	1.739	1.935	2.254	2.467	2.705
DPS (Post Bonus Shares)	0.780	0.863	1.049	1.274	1.049	1.300
DPS (Pre Bonus Shares)	1.040	1.150	1.398	1.700	1.400	1.733
Dividend Yield (Post Bonus)	3.6%	4.0%	4.8%	5.9%	4.8%	6.0%

FABS Estimates & Co Data

Riyad Bank – P&L

SAR Mn	1Q25	4Q25	1Q26	1Q26F	var.	YOY Ch	QOQ Ch	2025	2026F	Change
Funded income	6,351	7,121	6,807	7,220	-5.7%	7.2%	-4.4%	27,083	27,701	2.3%
Funded expenses	-3,068	-3,716	-3,423	-3,786	-9.6%	11.6%	-7.9%	-14,011	-13,519	-3.5%
Net funded income	3,282	3,405	3,385	3,434	-1.4%	3.1%	-0.6%	13,072	14,182	8.5%
Non-funded income	1,221	1,259	1,230	1,301	-5.5%	0.7%	-2.3%	5,310	5,496	3.5%
Operating income	4,504	4,664	4,614	4,735	-2.6%	2.5%	-1.1%	18,381	19,678	7.1%
Operating expenses	-1,379	-1,361	-1,372	-1,406	-2.4%	-0.5%	0.8%	-5,433	-5,754	5.9%
Pre-provision profit	3,125	3,303	3,242	3,329	-2.6%	3.8%	-1.8%	12,948	13,924	7.5%
Impairment	-362	-367	-275	-353	-22.0%	-23.9%	-25.1%	-1,374	-1,500	9.1%
Share in earnings of asso.	9	8	10	5	86.3%	16.5%	21.1%	34	44	30.0%
Profit Before Tax	2,772	2,945	2,977	2,982	-0.1%	7.4%	1.1%	11,608	12,468	7.4%
Zakat	-286	-304	-364	-307	18.5%	27.3%	19.8%	-1,197	-1,284	7.3%
Net profit for the year	2,486	2,641	2,614	2,674	-2.3%	5.1%	-1.0%	10,411	11,184	7.4%

FABS estimate & Co Data

Riyad Bank - KPI

	1Q25	4Q25	1Q26	YOY Ch	QOQ Ch	2025	2026F	Change
Net FI/OI	72.9%	73.0%	73.4%	47	35	71.1%	72.1%	96
Cost to income	30.6%	29.2%	29.7%	-89	56	29.6%	29.2%	-32
Impairment/PPP	11.6%	11.1%	8.5%	-309	-263	10.6%	10.8%	16
NP/OI	55.2%	56.6%	56.6%	144	2	56.6%	56.8%	19
ROAA	2.2%	2.1%	2.1%	-14	-4	2.1%	2.1%	-8

FABS estimate & Co Data

Riyad Bank - BS Key items

SAR mm	1Q25	2Q25	3Q25	4Q25	1Q26	YOY Ch
Net advances	338,991	354,550	368,554	373,305	377,047	11.2%
QOQ change	5.9%	4.6%	3.9%	1.3%	1.0%	
Total assets	466,455	490,816	507,566	519,481	537,083	15.1%
QOQ change	3.3%	5.2%	3.4%	2.3%	3.4%	
Customer deposits	304,092	316,811	325,413	331,721	352,567	15.9%
QOQ change	-0.8%	4.2%	2.7%	1.9%	6.3%	
Total equity	61,591	60,963	61,570	64,105	66,348	7.7%
QOQ change	4.4%	-1.0%	1.0%	4.1%	3.5%	

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 the RV method.

Valuation Method	Target	Weight	Weighted Value
Residual Income	27.37	70%	19.16
Relative Valuation (RV)	26.16	30%	7.85
Weighted Average Valuation (SAR)			27.00
Current market price (SAR)			21.45
Upside/Downside (%)			+26%

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 5.30%, beta of 0.95 and equity risk premium of 4.23%. 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)	16,274
Terminal value (SAR, Mn)	37,975
Book Value of Equity (as of March 2026)	54,972
FV to Common shareholders (SAR, Mn)	109,221
No. of share (Mn)	3,991
Fair Value per share (SAR)	27.37

Residual Income Method

(All Figures in SAR Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Net Profit	10,785	10,866	11,533	11,833	12,370
(-) Equity Charge	-5,969	-6,583	-7,112	-7,678	-8,237
Excess Equity	4,817	4,283	4,422	4,155	4,133
Discounting Factor	0.94	0.86	0.79	0.72	0.66
Present Value of Excess Equity	3,397	3,684	3,480	2,991	2,722

2) Relative Valuation:

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

Banks	Market (USD Mn)	P/B (x)		P/E (x)		Dividend Yield (%)	
		2026F	2027F	2026F	2027F	2026F	2027F
Bank Albilad	10,792	1.63x	1.70x	12.79x	11.67x	3.8%	3.6%
Al Rajhi Bank	114,685	3.43x	3.05x	16.43x	14.50x	3.2%	3.7%
Alinma Bank	19,851	1.84x	1.67x	11.79x	10.83x	3.2%	3.6%
Arab National Bank	11,730	1.00x	0.94x	9.26x	8.68x	5.6%	5.9%
Banque Saudi Fransi	13,371	1.09x	1.06x	9.84x	9.21x	5.5%	5.8%
Saudi National Bank	69,442	1.32x	1.25x	10.49x	9.62x	5.3%	5.8%
Average		1.7x	1.6x	11.8x	10.8x	4.4%	4.7%
Median		1.5x	1.5x	11.1x	10.2x	4.6%	4.7%
Max		1.8x	1.7x	12.5x	11.5x	5.5%	5.8%
Min		1.2x	1.1x	10.0x	9.3x	3.4%	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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