

Riyad Bank (RIBL)

Lending growth and improving efficiency support earnings momentum

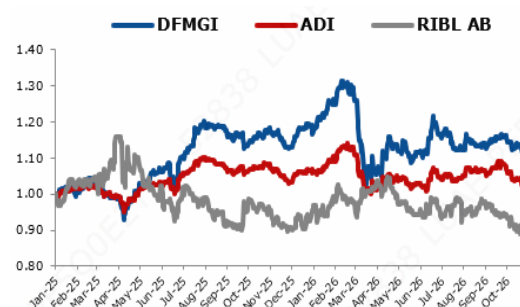
Current Price
SAR 19.30

Target Price
SAR 27.00

Upside/Downside (%)
+40%

Rating
BUY

- Funded income increased marginally 0.9% YOY to SAR 7,104 Mn in 3Q26, supported by higher investment income, partially offset by lower income from loans and advances.
- Non-funded income grew 3.9% YOY to SAR 1,568 Mn in 3Q26.
- Net Loans and advances expanded 4.6% YOY and 2.1% QOQ to SAR 385.4 Bn in 3Q26, while customer deposits rose 1.2% YOY but declined 5.4% QOQ to SAR 329.4 Bn.
- The Bank's loan-to-deposit ratio increased from 108.4% in 2Q26 to 117.0% in 3Q26, reflecting loan growth alongside a decline in deposits.
- The Bank's distributed a cash dividend of SAR 2.55 Bn for 1H26, equivalent to SAR 0.64 per share.



Stock Information

Market Cap (SAR, Mn)	77,200.00
Paid Up Capital (Mn)	40,000.00
52 Week High	22.41
52 Week Low	18.59
3M Avg. daily value(SAR)	50,157,910

3Q26 Result Review (SAR, Mn)

Total Assets	545,349
Net Loans	385,434
Total Deposits	329,415
Total Equity	66,753
Net Profit	2,866

Financial Ratios

Dividend Yield (12m)	5.45
Dividend Pay-out (%)	53.21
Price-Earnings Ratio(x)	7.61
Price-to-Book Ratio (x)	1.16
Book Value (SAR)	16.69
Return-on Equity (%)	15.77

Stock Performance

5 Days	0.52%
1 Months	-4.22%
3 Months	-5.11%
6 Months	-6.99%
1 Year	-5.32%
Month to Date (MTD%)	-4.22%
Quarter to Date (QTD%)	-4.22%
Year to Date (YTD%)	-5.18%

3Q26 Net Profit higher than our estimate

Riyad Bank ("RIBL", "The Bank") reported a 6.6% YOY increase in net profit to SAR 2,866 Mn in 3Q26, higher than our estimate of SAR 2,608 Mn. The growth in net profit is primarily driven by higher net funded and non-funded income and share in earnings of associates, partially offset by higher operating expenses, impairments and zakat charges.

P&L Highlights

RIBL's funded income increased marginally 0.9% YOY to SAR 7,104 Mn in 3Q26, primarily driven by higher income from investments, partially offset by lower income from loans and advances. Funded expenses declined 6.2% YOY to SAR 3,621 Mn in 3Q26. Consequently, net funded income increased 9.4% YOY to SAR 3,483 Mn in 3Q26. The Bank's total non-funded income increased 3.9% YOY to SAR 1,568 Mn in 3Q26, supported by stronger trading gains, higher foreign exchange earnings and increased dividend income, partially offset by lower net fee and commission income, reduced gains from the sale of non-trading investments and a decline in other operating income. As a result, RIBL's total operating income increased 7.6% YOY to SAR 5,051 Mn in 3Q26. The Bank's operating expenses increased 2.1% YOY to SAR 1,396 Mn in 3Q26, primarily driven by higher staff costs, depreciation of property, equipment and right-of-use assets, and increased rental and premises-related expenses, partially offset by lower general and administrative expenses and other operating costs. However, the Bank's calculated cost-to-income ratio improved from 29.1% in 3Q25 to 27.6% in 3Q26. Impairment charges increased 25.0% YOY to SAR 420 Mn in 3Q26, driven by higher impairment charges for investments, credit losses and other financial assets. Tax and zakat expenses increased 22.2% YOY to SAR 377 Mn in 3Q26.

Balance Sheet Highlights

Riyad Bank's total assets increased 7.3% YOY and 2.2% QOQ to SAR 545.3 Bn in 3Q26, supported by growth in loans and advances and investments portfolio. Net loans and advances grew 4.6% YOY and 2.1% QOQ to SAR 385.4 Bn in 3Q26. Investment portfolio expanded 21.0% YOY but contracted 2.9% QOQ to SAR 89.8 Bn in 3Q26. The Bank's customer deposits rose 1.2% YOY but declined 5.4% QOQ to SAR 329.4 Bn in 3Q26. Consequently, the loan-to-deposit ratio increased from 108.4% in 2Q26 to 117.0% in 3Q26.

Target Price and Rating

We maintain our BUY rating on RIBL with a target price of SAR 27.00 per share. RIBL reported a 6.6% YOY increase in net profit in 3Q26, supported by higher core banking income, improved non-funded revenue and continued growth in financing activities. The Bank's net loans and advances increased 4.6% YOY and 2.1% QOQ to SAR 385.4 Bn in 3Q26. Investment portfolio grew 21.0% YOY to SAR 89.8 Bn, despite declining 2.9% QOQ during 3Q26. Customer deposits increased 1.2% YOY but declined 5.4% QOQ to SAR 329.4 Bn during 3Q26, resulting in an increase in the loan-to-deposit ratio to 117.0%, from 108.4% in 2Q26, which remains a key area to monitor. Operating efficiency continued to improve, with the cost-to-income ratio declining from 29.1% in 3Q25 to 27.6% in 3Q26, as operating income growth outpaced the rise in operating expenses. However, impairment charges increased 25.0% YOY to SAR 420 Mn in 3Q26, reflecting higher provisions against investments, loans and other financial assets. The Bank had also revised its 2026 cost-of-risk guidance to 35-45 bps from 30-40 bps. Asset quality remained relatively stable as of 2Q26, with the reported NPL ratio at 0.88%, compared with 0.84% in 1Q26, while the reported NPL coverage ratio remained strong at 149.0%. Capital and liquidity buffers also remained comfortable, with Tier 1 and total capital adequacy ratios of 16.7% and 19.4%, respectively, and LCR and NSFR of 138.7% and 112.0% in 2Q26. RIBL had also revised its 2026 guidance to mid-to-high single-digit growth in loans and net funded income, supported by continued credit demand, selective asset growth and repricing benefits. The Bank continues to target a cost-to-income ratio below 30%, ROAE above 15.75%, and Tier 1 capital ratio above 17.5%. Overall, we remain constructive on RIBL, supported by sustained lending growth, improving operating efficiency and diversified income streams. While deposit growth and elevated impairment charges remain key areas to monitor, we believe the Bank's earnings momentum and strong capital position support our BUY rating.

Riyad Bank - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
P/E	12.62	10.93	9.82	8.43	7.71	7.85
P/B	1.66	1.95	1.06	0.96	0.89	0.82
BVPS	11.420	11.913	17.928	19.702	21.458	23.291
EPS	1.510	1.739	1.935	2.254	2.467	2.423
DPS	0.780	0.863	1.049	1.274	1.049	1.156
Dividend Yield	4.0%	4.5%	5.4%	6.6%	5.4%	6.0%

FABS Estimates & Co Data

Riyad Bank - P&L

SAR Mn	3Q25	2Q26	3Q26	3Q26F	Var	YOY Ch	QOQ Ch	2025	2026F	Change
Funded income	7,043	6,939	7,104	6,975	1.8%	0.9%	2.4%	27,083	27,944	3.2%
Funded expense	-3,859	-3,563	-3,621	-3,630	-0.2%	-6.2%	1.6%	-14,011	-14,318	2.2%
Net funded income	3,184	3,376	3,483	3,345	4.1%	9.4%	3.2%	13,072	13,626	4.2%
Total non-funded income	1,509	1,360	1,568	1,344	16.7%	3.9%	15.3%	5,310	5,505	3.7%
Operating income	4,693	4,736	5,051	4,689	7.7%	7.6%	6.6%	18,381	19,131	4.1%
Operating expenses	-1,367	-1,362	-1,396	-1,404	-0.6%	2.1%	2.5%	-5,433	-5,568	2.5%
Pre-provision profit	3,326	3,374	3,654	3,284	11.3%	9.9%	8.3%	12,948	13,563	4.8%
Impairment	-336	-400	-420	-386	8.7%	25.0%	5.1%	-1,374	-1,564	13.8%
Share in earnings of asso.	6	8	9	10	-15.4%	35.8%	1.5%	34	44	30.0%
Profit Before Tax	2,996	2,983	3,243	2,908	11.5%	8.2%	8.7%	11,608	12,043	3.8%
Zakat	-309	-333	-377	-300	26.0%	22.2%	13.1%	-1,197	-1,240	3.7%
Net profit for the year	2,687	2,649	2,866	2,608	9.9%	6.6%	8.2%	10,411	10,803	3.8%

FABS estimate & Co Data

Riyad Bank - KPI

	3Q25	2Q26	3Q26	YOY Ch	QOQ Ch	2025	2026F	Change
Net FI/OI	67.9%	71.3%	69.0%	110	-234	71.1%	71.2%	11
Cost to income	29.1%	28.8%	27.6%	-149	-112	29.6%	29.1%	-45
Impairment/PPP	10.1%	11.8%	11.5%	139	-36	10.6%	11.5%	92
NP/OI	57.3%	55.9%	56.7%	-52	80	56.6%	56.5%	-17
Loan-to-deposit	113.3%	108.4%	117.0%	375	858	112.5%	111.5%	-104
ROAA	2.1%	2.1%	2.0%	-9	-2	2.1%	2.0%	-14

FABS estimate & Co Data

Riyad Bank - BS Key items

SAR Mn	3Q25	4Q25	1Q26	2Q26	3Q26	YOY Ch
Net advances	3,68,554	3,73,305	3,77,047	3,77,629	3,85,434	4.6%
QOQ change	3.9%	1.3%	1.0%	0.2%	2.1%	
Total assets	5,08,267	5,19,481	5,37,083	5,33,637	5,45,349	7.3%
QOQ change	3.3%	2.2%	3.4%	-0.6%	2.2%	
Customer deposits	3,25,413	3,31,721	3,52,567	3,48,271	3,29,415	1.2%
QOQ change	2.7%	1.9%	6.3%	-1.2%	-5.4%	
Shareholder's equity	61,570	64,105	66,348	67,498	66,753	8.4%
QOQ change	0.3%	4.1%	3.5%	1.7%	-1.1%	

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	28.52	70%	19.97
Relative Valuation (RV)	23.45	30%	7.03
Weighted Average Valuation (SAR)			27.00
Current market price (SAR)			19.30
Upside/Downside (%)			+40%

1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 9.4%. Cost of equity is calculated by using the 10-year government bond yield of 5.8%, beta of 0.95 and equity risk premium of 3.9%. 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)	13,952
Terminal value (SAR, Mn)	32,391
Book Value of Equity (as of June 2026)	67,498
FV to Common shareholders (SAR, Mn)	113,841
No. of share (Mn)	3,991
Fair Value per share (SAR)	28.52

Residual Income Method

(All Figures in SAR Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E
Net Profit	9,662	10,300	10,814	11,271	11,645	11,299
(-) Equity Charge	-6,056	-6,573	-7,110	-7,644	-8,193	-8,747
Excess Equity	3,606	3,726	3,704	3,627	3,452	2,552
Discounting Factor	0.98	0.90	0.82	0.75	0.68	0.63
Present Value of Excess Equity	886¹	3,346	3,039	2,719	2,365	1,597

FABS estimate & Co Data, ¹Adjusted for partial year

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 2027 P/B multiple of 1.2x in line with peers.

Banks	Market (USD Mn)	P/B (x)		P/E (x)		Dividend Yield (%)	
		2026F	2027F	2026F	2027F	2026F	2027F
Bank Albilad	8,586	1.4x	1.4x	10.3x	10.2x	4.8%	5.0%
Al Rajhi Bank	96,214	2.8x	2.5x	13.7x	12.8x	3.8%	4.0%
Alinma Bank	18,507	1.8x	1.6x	11.3x	10.4x	3.4%	3.6%
Arab National Bank	11,224	1.0x	0.9x	8.5x	8.5x	6.3%	6.4%
Banque Saudi Fransi	12,710	1.1x	1.0x	8.9x	8.3x	5.9%	6.4%
Saudi National Bank	58,448	1.1x	1.1x	8.7x	8.2x	6.3%	6.7%
Average		1.5x	1.4x	10.2x	9.7x	5.1%	5.4%
Median		1.3x	1.2x	9.6x	9.3x	5.4%	5.7%
Max		1.7x	1.6x	11.1x	10.4x	6.2%	6.4%
Min		1.1x	1.0x	8.7x	8.3x	4.0%	4.3%

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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