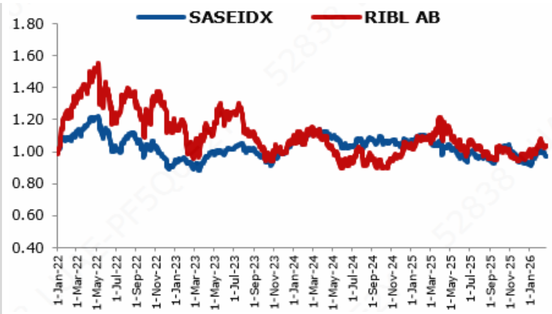
Riyad Bank

Declined in impairment charges and higher trading income enhanced profit

Current Price	Target Price	Upside/Downside (%)	Rating
SAR 27.98	SAR 36.00	+29%	BUY

- Funded income increased 9.4% YOY to SAR 7,121 Mn in 4Q25, driven by strong growth in loans & advances and investments, partially offset by a moderation in asset yields.
- Non-funded income expanded 3.0% YOY to SAR 1,259 Mn in 4Q25.
- The Bank's customer deposits grew 8.3% YOY and 1.9% QOQ to SAR 331.7 Bn in 4Q25, while the net loans and advances increased 16.6% YOY and 1.3% QOQ to SAR 373.3 Bn in 4Q25.
- Cost-to-income ratio declined 107 bps YOY to 29.2% in 4Q25.
- Riyad Bank declared a cash dividend of SAR 1,643.1 Mn, equivalent to SAR 0.55 per share for 2H25.



Stock Information	
Market Cap (SAR, Mn)	83,940.00
Paid Up Capital (Mn)	30,000.00
52 Week High	33.20
52 Week Low	25.30
3M Avg. daily value(SAR)	58,937,010

4Q25 Result Review (SAR, Mn)	
Total Assets	519,481
Total Liabilities	444,000
Total Equity	64,105
Total Deposits	331,721
Net Profit	2,641

Financial Ratios	
Dividend Yield (12m)	6.29
Dividend Pay-out (%)	53.21
Price-Earnings Ratio(x)	8.47
Price-to-Book Ratio (x)	1.31
Book Value (SAR)	21.42
Return-on Equity (%)	16.07

Stock Performance	
5 Days	-0.07%
1 Months	0.72%
3 Months	9.64%
6 Months	3.48%
1 Year	-6.11%
Month to Date (MTD%)	-0.43%
Quarter to Date (QTD%)	3.10%
Year to Date (YTD%)	3.10%

4Q25 Net Profit in line with our estimate

Riyad Bank ("RIBL", "The Bank") reported a 17.0% YOY rise in net profit to SAR 2,641 Mn in 4Q25, in line with our estimate of SAR 2,644 Mn. The increase in net profit is primarily due to a rise in non-funded income driven by significant growth in trading income and a decline in impairment charges, partially offset by a decrease in funded income and an increase in tax expenses.

P&L Highlights

Riyad Bank's funded income rose 9.4% YOY to SAR 7,121 Mn in 4Q25, primarily due to substantial growth in the loans & advances, and investments, partially offset by a decline in asset yield. The Bank's special commission expense rose significantly 20.8% YOY to SAR 3,716 Mn in 4Q25, driven by an increase in deposits, and a substantial rise in debt securities in issue, along with a rise in cost of funds. Thus, the net special commission income fell marginally 0.8% YOY to SAR 3,405 Mn in 4Q25. The growth in funded expenses surpassed the rise in funded income. The Bank's fees & commission income declined 2.8% YOY to SAR 802 Mn in 4Q25. Whereas trading income expanded substantially from SAR 124 Mn in 4Q24 to SAR 271 Mn in 4Q25. Other operating income declined 32.0% YOY to SAR 186 Mn in 4Q25. Thus, non-funded income grew 3.0% YOY to SAR 1,259 Mn in 4Q25. As a result, Riyad Bank's total operating income increased marginally 0.2% YOY to SAR 4,664 Mn in 4Q25. The Bank's operating expenses declined 3.3% YOY to SAR 1,361 Mn in 4Q25 owing to a decline in other general & administrative expenses, and other operating expenses, partially offset by a rise in salaries and employee-related expenses, and depreciation of property and equipment. Cost-to-income ratio declined 107 bps YOY to 29.2% in 4Q25 mainly due to a decline in operating expenses. Impairment charges fell 50.0% YOY to SAR 367 Mn in 4Q25, supported by a decline in impairment charge for credit losses net, partially offset by an increase in impairment charge for investments, net. Share in earnings of associates remained constant at SAR 8 Mn in 4Q25, compared to 4Q24. Further, Zakat expense grew 15.5% YOY to SAR 304 Mn in 4Q25.

Balance Sheet Highlights

Riyad Bank's total assets grew 15.1% YOY and 2.3% QOQ to SAR 519.5 Bn in 4Q25, primarily driven by loan growth. The Bank’s customer deposits rose 8.3% YOY and 1.9% QOQ to SAR 331.7 Bn in 4Q25. Whereas the net loans and advances expanded 16.6% YOY and 1.3% QOQ to SAR 373.3 Bn in 4Q25. Thus, the loan-to-deposit expanded from 104.5% in 4Q24 to 112.5% in 4Q25. Riyad Bank's total equity attributable to shareholders amounted to SAR 64.1 Bn in 4Q25 compared to SAR 61.6 Bn in 3Q25.

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 profitability grew substantially 17.0% YOY in 4Q25 primarily due to growth in non-funded income and a decline in impairment charges. It reported a decline in net funded income by 0.8% YOY in 4Q25, as funding costs increased industry-wide. The net advances rose substantially 16.6% YOY and 1.3% QOQ to SAR 373.3 Bn in 4Q25, driven primarily by robust growth in the corporate and commercial segments, underpinned by Saudi Arabia’s economic growth and Vision 2030 initiatives, thereby indicating sustained momentum in credit demand and business activity. Furthermore, Kafalah exposure stands at c. SAR 11 Bn in 2025, representing around 12% of the total MSME portfolio, and continues to perform well. Additionally, the bank’s MSME focus remains concentrated in the middle and upper segments, with gradual expansion into the micro segment through digital platforms. This reinforces prudent risk management, as exposure under the Kafalah Program provides credit protection while supporting sustainable MSME growth. Moreover, the Bank’s stage 3 loan declined from SAR 3,258 Mn in 3Q25 to SAR 2,967 Mn in 4Q25, demonstrating improvement in asset quality and lower incremental slippages. The Bank’s customer deposits rose 8.3% YOY and 1.9% QOQ to SAR 331.7 Bn in 4Q25, indicating a strong funding base and supporting liquidity stability. Furthermore, the company expects a gradual rise in wholesale funding due to the widening loan-deposit gap, while maintaining a largely deposit-funded structure within prudent risk limits. The Bank’s cost-to-income ratio declined from 30.2% in 4Q24 to 29.2% in 4Q25, indicating effective cost management and maintaining an optimal cost mix. Asset quality remains healthy with a NPL ratio declining from 0.87% in 3Q25 and 0.79% in 4Q25. However, the coverage ratio stood at 150.1% in 4Q25, compared to 141.7% in 3Q25, reflecting a strong buffer against loan losses. The Bank’s Tier 1 and capital adequacy ratio stood at 16.0% and 18.4% in 4Q25, indicating a strong capital position with adequate buffers above regulatory requirements. Riyad Bank introduced a transformation plan under Strategy 2030 to scale digital retail, strengthen wholesale banking, and expand fee income, while embedding AI and upgrading to a cloud-native platform to enhance efficiency and support sustainable long-term growth. Management guided high single-digit growth in net loans and net special commission income, while targeting a cost-to-income ratio below 30%, ROE above 16%, Cost of risk between 30-40 bps and Tier 1 Capital ratio above 15% for 2026. while emphasizing a shift from volume-driven expansion toward value-accretive growth and optimized asset allocation to enhance returns. The Bank announced the full redemption of its SAR 3.0 Bn Tier 2 Sukuk due on 2031 at face value (100% of issue price) on 9 February 2026, representing 100% of the outstanding issuance. Riyad Bank declared the distribution of a cash dividend of SAR 1,643.1 Mn (SAR 0.55 per share) for 2H25. Furthermore, the Bank’s recommended increasing capital by 33.33% to SAR 40.0 Bn (from SAR 30.0 Bn) through the issuance of one bonus share for every three shares, through capitalization of statutory reserve and retained earnings. Management guided for high single-digit loan growth going forward, with a shift in focus from volume-driven expansion to value-accretive assets and optimized allocation for higher returns. Thus, based on the points mentioned above, we maintain our BUY rating on the stock.

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Riyad Bank - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
P/E	13.85	12.00	10.78	9.25	8.45	8.04
P/B	1.83	1.95	1.55	1.41	1.30	1.18
BVPS	15.227	15.884	17.928	19.702	21.458	23.519
EPS	2.01	2.32	2.58	3.01	3.29	3.46
DPS	1.040	1.150	1.398	1.700	1.400	1.400
Dividend Yield	3.7%	4.1%	5.0%	6.1%	5.0%	5.0%

FABS Estimates & Co Data

Riyad Bank – P&L

SAR Mn	4Q24	3Q25	4Q25	4Q25F	Var.	YOY Ch	QOQ Ch	2024	2025	Change
Special commission inc	6,508	7,043	7,121	7,235	-1.6%	9.4%	1.1%	24,182	27,083	12.0%
Special comm expense	-3,075	-3,859	-3,716	-3,941	-5.7%	20.8%	-3.7%	-11,309	-14,011	23.9%
Net special comm inc	**3,432**	**3,184**	**3,405**	**3,294**	**3.4%**	**-0.8%**	**6.9%**	**12,873**	**13,072**	**1.5%**
Fee and commission income, net	825	1,009	802	901	-10.9%	-2.8%	-20.5%	2,991	3,479	16.3%
Trading income, net	124	255	271	227	19.6%	118.6%	6.1%	529	974	83.9%
Other Operating Income	273	244	186	287	-35.3%	-32.0%	-24.1%	891	858	-3.7%
Total other op. income	**1,222**	**1,509**	**1,259**	**1,415**	**-11.0%**	**3.0%**	**-16.6%**	**4,411**	**5,310**	**20.4%**
Operating income	**4,655**	**4,693**	**4,664**	**4,709**	**-1.0%**	**0.2%**	**-0.6%**	**17,285**	**18,381**	**6.3%**
Operating expenses	-1,408	-1,367	-1,361	-1,400	-2.8%	-3.3%	-0.5%	-5,286	-5,433	2.8%
Pre-provision profit	**3,247**	**3,326**	**3,303**	**3,308**	**-0.2%**	**1.7%**	**-0.7%**	**11,999**	**12,948**	**7.9%**
Impairment	-735	-336	-367	-370	-0.7%	-50.0%	9.3%	-1,632	-1,374	-15.8%
Share in earnings of asso.	8	6	8	8	-0.6%	-1.0%	33.1%	30	34	11.4%
Profit Before Tax	**2,520**	**2,996**	**2,945**	**2,947**	**-0.1%**	**16.8%**	**-1.7%**	**10,397**	**11,608**	**11.6%**
Zakat	-263	-309	-304	-303	0.3%	15.5%	-1.7%	-1,075	-1,197	11.3%
Net profit for the year	**2,257**	**2,687**	**2,641**	**2,644**	**-0.1%**	**17.0%**	**-1.7%**	**9,322**	**10,411**	**11.7%**

FABS estimate & Co Data

Riyad Bank - KPI

	4Q24	3Q25	4Q25	YOY Ch	QOQ Ch	2024	2025	Change
Net FI/OI	73.7%	67.9%	73.0%	-74	515	74.5%	71.1%	-336
NIM - Trailing 12M	3.4%	3.0%	3.0%	-44	-6	3.4%	3.0%	-44
NIM - Annualized	3.6%	2.9%	3.1%	-54	15	3.4%	3.0%	-44
NIS	3.0%	2.3%	2.5%	-51	16	3.0%	2.5%	-48
Fees & comms/OI	17.7%	21.5%	17.2%	-53	-429	17.3%	18.9%	162
Trading/OI	2.7%	5.4%	5.8%	315	37	3.1%	5.3%	223
Cost to income	30.2%	29.1%	29.2%	-107	4	30.6%	29.6%	-102
Impairment/PPP	22.6%	10.1%	11.1%	-1,152	101	13.6%	10.6%	-299
NP/OI	48.5%	57.3%	56.6%	813	-64	53.9%	56.6%	271
Cost-of-risk	0.90%	0.36%	0.39%	-51	3	0.50%	0.36%	-14
Loan-to-deposit	104.5%	113.3%	112.5%	808	-72	104.5%	112.5%	808
NPL calculated	0.98%	0.87%	0.79%	-19	-9	0.98%	0.79%	-19
NPL coverage	167.1%	141.7%	150.1%	-1,698	836	167.1%	150.1%	-1,698
Tier 1	16.4%	15.8%	16.0%	-44	19	16.4%	16.0%	-44
Capital adequacy	18.9%	17.8%	18.4%	-59	55	18.9%	18.4%	-59
ROAE	16.0%	16.1%	16.0%	2	-15	16.0%	16.0%	2
ROAA	2.2%	2.1%	2.1%	-8	1	2.2%	2.1%	-8

FABS estimate & Co Data

Riyad Bank - BS Key items

SAR mm	4Q24	1Q25	2Q25	3Q25	4Q25	YOY Ch
Net advances	320,089	338,991	354,550	368,554	373,305	16.6%
QOQ change	4.8%	5.9%	4.6%	3.9%	1.3%	
Total assets	451,403	465,345	490,816	507,566	519,481	15.1%
QOQ change	4.1%	3.1%	5.5%	3.4%	2.3%	
Customer deposits	306,423	304,092	316,811	325,413	331,721	8.3%
QOQ change	4.4%	-0.8%	4.2%	2.7%	1.9%	
Total equity	59,007	61,140	60,963	61,570	64,105	8.6%
QOQ change	3.5%	3.6%	-0.3%	1.0%	4.1%	

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 RV method.

Valuation Method	Target	Weight	Weighted Value
Residual Income	36.88	70%	25.81
Relative Valuation (RV)	33.96	30%	10.19
Weighted Average Valuation (SAR)			**36.00**
Current market price (SAR)			27.98
Upside/Downside (%)			+29%

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 5.45%, beta of 0.95 and equity risk premium of 4.1%. 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)	15,336
Terminal value (SAR, Mn)	30,862
Book Value of Equity (as of Dec 2025)	64,105
FV to Common shareholders (SAR, Mn)	**110,303**
No. of share (Mn)	2,991
Fair Value per share (SAR)	36.88

Residual Income Method

(All Figures in SAR Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Net Profit	10,344	10,690	11,022	11,274	11,587
(-) Equity Charge	-5,985	-6,559	-7,083	-7,612	-8,144
Excess Equity	**4,359**	**4,130**	**3,940**	**3,663**	**3,442**
Discounting Factor	0.92	0.84	0.77	0.70	0.64
Present Value of Excess Equity	**4,017**	**3,481**	**3,037**	**2,582**	**2,219**

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 1.4x in line with peers.

Company	Market (USD Mn)	P/B (x) 2026F	P/B (x) 2027F	P/E (x) 2026F	P/E (x) 2027F	Dividend Yield (%) 2026F	Dividend Yield (%) 2027F
Bank Albilad	10,519	1.87x	1.62x	12.39x	11.46x	2.6%	3.0%
Al Rajhi Bank	109,547	3.48x	3.06x	16.66x	14.87x	3.5%	3.9%
Alinma Bank	17,800	1.65x	1.50x	10.69x	9.86x	4.3%	4.9%
Arab National Bank	11,504	1.09x	1.02x	9.11x	8.72x	6.4%	6.6%
Banque Saudi Fransi	11,648	1.04x	0.98x	9.06x	8.70x	6.3%	6.5%
Saudi National Bank	61,017	1.24x	1.20x	10.20x	9.52x	5.4%	5.8%
Average		**1.7x**	**1.6x**	**11.4x**	**10.5x**	**4.7%**	**5.1%**
Median		**1.4x**	**1.3x**	**10.4x**	**9.7x**	**4.8%**	**5.3%**
Max		**1.8x**	**1.6x**	**12.0x**	**11.1x**	**6.0%**	**6.3%**
Min		**1.1x**	**1.1x**	**9.4x**	**8.9x**	**3.7%**	**4.2%**

Source: FAB Securities

FAB أبوظبي الأول للأوراق المالية 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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