Result update

المتحدة للأوراق المالية ش.م.م
UNITED SECURITIES LLC.

INVESTMENT RESEARCH – Saudi Arabia

Riyad Bank

Sector : Banking

BUY

16 August 2026

Target price (SAR)	**24.00**
Current price (SAR)	**20.24**
Return	**18.6%**

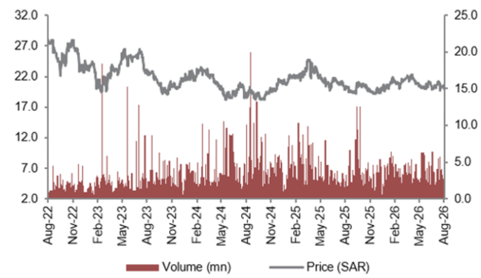
- **RIBL's reported 2Q26 operating income was higher by 4.8% YoY, but below our estimates, driven by 5.5% growth in NII and 3.0% growth in non-interest income.**
- **Net income for 2Q26 was at SAR 2.6bn, higher by 2% YoY, exceeding our estimate of SAR 2.4bn, despite an increase in impairment charges by 29% YoY.**
- **YTD loans increased by a moderate 1.2%, while deposits increased at a faster pace of 5%. The management has revised loan growth guidance from high single-digit to mid- to high single-digit.**
- **We maintain our BUY rating and revise the target price to SAR 24/share, driven by the change in guidance, despite earnings beat.**

Riyad Bank's 2Q26 operating income increased by 4.8% YoY, as net interest income increased by 5.5%, while non-interest income increased by a lower-than-expected 3% YoY. The core net fee and commission income declined by 15% YoY, offsetting the increase in other operating income by 35% YoY. Changes in regulation related to cards, higher expenses, and a decline in credit fees resulted in lower core net fee and commission income. Other income increased as trading income grew by 99% YoY, offsetting a moderate decline in exchange income. The share of non-interest income to total income declined by 50bps to 28.7% in 2Q26. NII increase was driven by asset growth, despite NIM compression by 12bps to 2.78%. Management has revised its guidance for NII growth in 2026 from high single digits to mid- to high single digits, driven by a change in asset mix and repricing. Operating expenses increased by 2.7% YoY to SAR 1.4bn, resulting in a cost-to-income ratio of 28.8%, an improvement of 57bps YoY. This is well within the guided range of below 30% for 2026. For 1H26, operating income increased by 3.6% YoY

Impairment charges increased by 29% YoY and 45% QoQ to SAR 400mn. For 1H25, impairment charges were flat at 1% YoY. Of the total impairment charge of SAR 675mn in 1H26, SAR 555mn pertained to loan-related provisions vs. SAR 671mn and SAR 682mn respectively for 1H25. The lower loan-related provisions YoY resulted in a cost of risk of 0.40%. The management has revised the 2026 guidance for cost of risk from 0.30-0.40% to 0.35-0.45%, even as the focus on recoveries continued. The net income increased by a moderate 2% YoY, as higher provisions and taxes were offset by higher operating profits. For 1H26, net income increased by 3.5% YoY.

YTD Net loans grew by a moderate 1.2%, while deposits increased 5%. The muted growth in loans was largely due to flat to negative growth in corporate, mortgages and other retail, while loans to MSME increased by 6%. The management has revised the loan growth guidance to mid-to-single-digit for 2026. Interest-bearing deposits increased by 12% YTD, offsetting a decline in non-interest-bearing deposits by 3% YTD. Asset quality improved, with the NPL ratio improving to 0.88% in 2Q26.

Valuation: Riyad Bank's net income exceeded our estimates, while management revised the guidance downwards across three of the six parameters, including loan growth, cost of risk and NIMs. While we maintain a BUY rating, we revise our target price to SAR 24/share. The stock currently trades at 7.6x 2026e P/E and 1.1x P/B, while offering an attractive dividend



Exchange	Saudi Arabia
Index weight (%)	2.4%

(mn)	SAR	USD
Market Cap	80,960	21,566
Total Assets	519,481	138,377

Major shareholders	
Public Investment Fund	21.75%
General Organization	10.39%
Al Nahla Trading	8.74%
Others	59.12%

Valuation Summary (TTM)	
Price (SAR)	20.24
PER TTM (x)	8.1
P/Book (x)	1.2
Dividend Yield (%)	5.2
Free Float (%)	59%
Shares O/S (mn)	4,000
YTD Return (%)	-1%
Beta	1.0

Key ratios	2023	2024	2025
EPS (SAR)	1.93	2.25	2.47
BVPS (SAR)	13.45	14.78	16.07
DPS (SAR)	1.05	1.16	1.31
Payout ratio (%)	54%	52%	53%

Price performance (%)	1M	3M	12M
Riyad Bank	-1%	-1%	2%
Tadawul All Share Index	0%	-2%	1%

52 week	High	Low	CTL*
Price (SAR)	22.41	18.98	6.7

* CTL is % change in CMP to 52wk low

in SAR mn	2Q26	1Q26	QoQ (%)	2Q25	YoY (%)	1H26	1H25	YoY (%)
Operating Income	4,736	4,614	2.6%	4,520	4.8%	9,350	9,024	3.6%
Operating Expenses	-1,362	-1,372	-0.7%	-1,326	2.7%	-2,734	-2,705	1.1%
Operating Profit	3,374	3,242	4.1%	3,194	5.6%	6,616	6,319	4.7%
Provision Expenses - Loan	-400	-275	45.3%	-309	29.2%	-675	-671	0.6%
Share of results from JV	8	10	-17.0%	10	-18.1%	19	19	-2.2%
Profit before tax	2,983	2,977	0.2%	2,895	3.0%	5,960	5,667	5.2%
Zakat & Tax	-333	-364	-8.3%	-298	11.7%	-697	-584	19.3%
Profit after tax	2,649	2,614	1.4%	2,597	2.0%	5,263	5,083	3.5%
Loan Book	377,629	377,047	0.2%	354,550	6.5%	377,629	354,550	6.5%
Deposits	348,271	352,567	-1.2%	316,811	9.9%	348,271	316,811	9.9%
Total Equity (Excl tier 1 bond)	67,498	66,348	1.7%	61,414	9.9%	67,498	61,414	9.9%
Cost to Income ratio	28.8%	29.7%		29.3%		29.2%	30.0%	
NPL Ratio	0.88%	0.84%		1.13%		0.9%	1.1%	
Net Loan to deposits	108.4%	106.9%		111.9%		108.4%	111.9%	

Income Statement (SAR mn)	2023	2024	2025	2026e	2027e	2028e	2029e
Net commission income	12,414	12,873	13,072	14,001	14,419	15,975	16,887
Net fee income	2,385	2,991	3,479	3,334	3,574	3,817	3,989
Other income	1,100	1,420	1,831	1,923	2,019	2,120	2,226
Total income	**15,899**	**17,285**	**18,381**	**19,257**	**20,011**	**21,912**	**23,102**
Operating expenses	-4,969	-5,286	-5,433	-5,697	-5,852	-6,442	-6,781
Profit before impairments	**10,930**	**11,999**	**12,948**	**13,560**	**14,159**	**15,470**	**16,320**
Impairments	-1,972	-1,632	-1,374	-1,727	-1,635	-1,916	-1,970
Other income/expenses	12	30	34	34	34	34	34
Profit before tax	**8,971**	**10,397**	**11,608**	**11,867**	**12,558**	**13,588**	**14,384**
Tax	-925	-1,075	-1,197	-1,223	-1,295	-1,401	-1,483
Profit after tax	**8,046**	**9,322**	**10,411**	**10,643**	**11,263**	**12,187**	**12,901**

Balance Sheet (SAR mn)	2023	2024	2025	2026e	2027e	2028e	2029e
Cash and statutory deposits	26,175	22,600	19,295	21,749	24,024	25,481	29,632
Due to financial institutions	15,434	20,299	21,272	22,769	24,384	26,035	27,213
Investments - Net	58,109	70,120	79,513	85,109	91,145	97,315	101,719
Financing - Net	274,398	320,089	373,305	399,512	427,778	456,660	477,330
PP&E and right to use assets	5,467	6,517	7,721	8,856	9,928	10,944	11,908
Other assets	7,266	11,777	18,374	18,859	19,378	19,909	20,297
Total Assets	**386,849**	**451,403**	**519,481**	**556,854**	**596,639**	**636,343**	**668,099**
Liabilities and Equity							
Liabilities							
Due to banks and other FI	42,464	41,163	39,082	41,833	44,800	27,314	76,448
Customer deposits	254,908	306,423	331,721	355,066	380,250	425,349	416,809
Debt issued	13,373	13,324	47,938	50,664	55,167	59,584	42,751
Other liabilities	15,847	22,099	25,259	25,640	26,052	26,455	26,754
Total liabilities	**326,591**	**383,009**	**444,000**	**473,204**	**506,269**	**538,703**	**562,762**
Equity							
Share capital	30,000	30,000	30,000	40,000	40,000	40,000	40,000
Reserves	23,696	29,007	34,105	30,827	37,546	44,817	52,513
Total shareholders' equity	**53,696**	**59,007**	**64,105**	**70,827**	**77,546**	**84,817**	**92,513**
Tier 1 Sukuk	6,563	9,386	11,376	12,824	12,824	12,824	12,824
Total Equity	**60,258**	**68,394**	**75,481**	**83,650**	**90,370**	**97,640**	**105,337**
Total liabilities and equity	**386,849**	**451,403**	**519,481**	**556,854**	**596,639**	**636,343**	**668,099**

Cash Flows (SAR mn)	2023	2024	2025	2026e	2027e	2028e	2029e
Cash from operations	(5,920)	10,347	(23,888)	2,984	3,044	2,695	27,349
Cash from investments	(7,265)	(10,439)	(9,323)	(1,981)	(2,021)	(2,061)	(2,102)
Cash from financing	(10)	(2,371)	30,453	252	(41)	(499)	(22,038)
Net changes in cash	(13,196)	(2,463)	(2,758)	1,255	983	134	3,208
Cash balance	**28,291**	**27,271**	**24,514**	**25,769**	**26,751**	**26,886**	**30,094**

Ratios	2023	2024	2025	2026e	2027e	2028e	2029e
Operating performance							
NCM	3.6%	3.1%	2.8%	2.8%	2.7%	2.8%	2.8%
NCM to total income	78.1%	74.5%	71.1%	72.7%	72.1%	72.9%	73.1%
Fee income to total income	15.0%	17.3%	18.9%	17.3%	17.9%	17.4%	17.3%
Other income to total income	6.9%	8.2%	10.0%	10.0%	10.1%	9.7%	9.6%
Cost to income ratio	31.3%	30.6%	29.6%	29.6%	29.2%	29.4%	29.4%
Liquidity							
Deposits to total funding	65.9%	67.9%	63.9%	63.8%	63.7%	66.8%	62.4%
Market funds to total funding	14.4%	12.1%	16.8%	16.6%	16.8%	13.7%	17.8%
Loans to deposits	107.6%	104.5%	112.5%	112.5%	112.5%	107.4%	114.5%
Investments and cash to total asse	21.8%	20.5%	19.0%	19.2%	19.3%	19.3%	19.7%
Asset quality							
Cost of risk	0.7%	0.5%	0.4%	0.4%	0.4%	0.4%	0.4%
NPL	1.2%	1.0%	0.8%	0.8%	0.8%	0.8%	0.8%
NPL coverage	142.1%	167.1%	150.1%	153.0%	156.1%	159.1%	159.3%
Stage 1 ratio	92.7%	94.6%	95.2%	95.2%	95.2%	95.1%	95.1%
Stage 2 ratio	5.8%	4.2%	3.7%	3.7%	3.7%	3.7%	3.7%
Stage 3 ratio	1.6%	1.2%	1.1%	1.1%	1.1%	1.1%	1.1%
Stage 1 coverage	0.3%	0.3%	0.2%	0.2%	0.2%	0.2%	0.2%
Stage 2 coverage	12.9%	17.0%	10.6%	10.5%	10.5%	10.5%	10.5%
Stage 3 coverage	46.7%	50.3%	50.1%	51.6%	53.2%	54.8%	54.7%
Impairment coverage	5.5	7.4	9.4	7.9	8.7	8.1	8.3
Provisions to gross loans	1.8%	1.6%	1.2%	1.2%	1.2%	1.2%	1.2%
Capital adequacy							
Equity to total assets	13.9%	13.1%	12.3%	12.7%	13.0%	13.3%	13.8%
Core Tier 1	15.7%	14.1%	13.6%	13.9%	14.2%	14.6%	15.2%
Tier 1	17.7%	16.4%	16.0%	16.4%	16.6%	16.8%	17.3%
Total capital	20.7%	18.9%	18.4%	18.7%	18.7%	18.7%	19.1%
Return ratios							
ROA	2.1%	2.1%	2.0%	1.9%	1.9%	1.9%	1.9%
ROE	15.0%	15.8%	16.2%	15.0%	14.5%	14.4%	13.9%
Return on RWA	2.4%	2.3%	2.2%	2.1%	2.1%	2.1%	2.1%
Per share ratios							
EPS	2.7	3.1	3.5	2.7	2.8	3.0	3.2
BVPS	17.9	19.7	21.4	17.7	19.4	21.2	23.1
DPS	1.4	1.7	1.4	1.1	1.1	1.2	1.3
Valuation							
M.Cap (SAR mn)	89,859	85,800	81,420	80,960	80,960	80,960	80,960
P/E	11.2	9.2	7.8	7.6	7.2	6.6	6.3
P/BV	1.7	1.5	1.3	1.1	1.0	1.0	0.9
Div. yield	4.7%	5.9%	5.2%	5.3%	5.6%	6.1%	6.4%

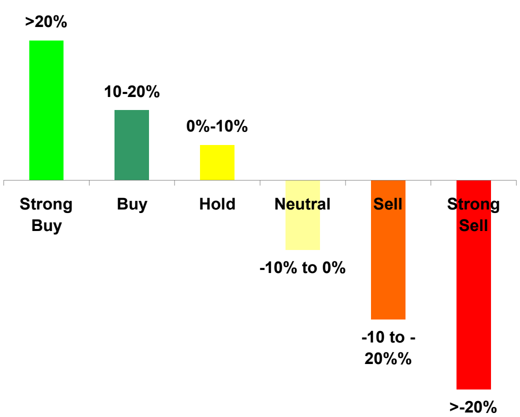
Key contacts

Research Team

Joice Mathew	Manna Thomas ACCA	Contact Address
Sr. Manager - Research	Research Associate	P. O Box: 2566; P C 112
E-Mail: joice@usoman.com	Email: manna.t@usoman.com	Sultanate of Oman
Tel: +968 2476 3311	Tel: +968 2476 3347	Tel: +968 2476 3300

Rating Criteria and Definitions

Rating



Rating Definitions

Strong Buy	This recommendation is used for stocks whose current market price offers a deep discount to our 12-Month target price and has an upside potential in excess of 20%
Buy	This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 10% to 20%
Hold	This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 0% to 10%
Neutral	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between 0% to -10%
Sell	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between -10% to -20%
Strong Sell	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential in excess of 20%
Not rated	This recommendation used for stocks which does not form part of Coverage Universe

Disclaimer