

Riyad Bank

Sector : Banking

- Riyadh Bank reported 1Q26 operating income of SAR 4.6bn, up 2.5% YoY and marginally below our estimate by 2.2%. NII increased 3% YoY, while non-interest income remained broadly flat, at 0.7% YoY.
- Net income for 1Q26 rose 5% YoY, exceeding our estimate by 6%, supported by lower impairment charges and despite a 191bps increase in the effective tax rate to 12.2%.
- Loans expanded 11% YoY, while deposits grew at a faster pace of 16% YoY. Management reaffirmed its expectation of high single-digit loan growth in 2026.
- We maintain our **BUY** rating and target price of SAR 25/share, supported by the earnings beat at the bottom line and management's reaffirmation of guidance.

Riyad Bank's 1Q26 operating income increased 2.5% YoY, driven by growth in both NII and non-interest income, which rose 3.1% and 0.7% YoY, respectively. The increase in NII came despite a 24bps compression in NIM to 2.85% and was primarily volume-driven, as average interest-bearing assets expanded 12%. On a QoQ basis, however, NIM remained stable at 2.85%. Management guided for high single-digit NII growth, supported by changes in asset mix and repricing initiatives. Non-interest income remained broadly unchanged YoY, as a 51% increase in investment income offset a 12% decline in core net fee and commission income. The decline in fee income was mainly attributable to lower card fees, brokerage income, and fund management fees. Operating expenses declined 0.5%, which improved the cost-to-income ratio by 89bps YoY to 29.7% in 1Q26. Management reiterated its guidance for a cost-to-income ratio below 30% for 2026.

Impairment charges declined 44% YoY and 39% QoQ to SAR 209mn. The decline was largely driven by write-backs related to other financial assets. However, loan-related impairment charges increased significantly by 28% YoY to SAR 424mn, resulting in a rise in the cost of risk to 0.45% in 1Q26, above management's 2026 guidance range of 30-40bps. Management's reaffirmation of this guidance suggests expectations for lower loan-related impairment charges over the remainder of the year. The 6% earnings beat versus our estimate was primarily driven by lower-than-expected overall impairment charges.

Net loans grew 11% YoY and 1% YTD, while deposits increased 16% YoY and 6% YTD. YTD loan growth was driven by the commercial segment, which expanded 2%, while the retail loan book contracted 1%. The 6% YTD increase in deposits was supported by a 14% rise in non-interest-bearing deposits, partially offset by a 1% decline in interest-bearing deposits. Asset quality improved, with the NPL ratio declining to 0.84% in 1Q26 from 1.14% in 1Q25

Valuation: Riyadh Bank's operating income came in slightly below our expectations, while net income exceeded estimates due to lower-than-expected provisions. Management reaffirmed its 2026 guidance across all key metrics. We maintain our target price, adjusted for the bonus shares, at SAR 25/share and reiterate our **BUY** rating. The stock currently trades at 7.8x 2026e P/E and 1.2x P/B, while offering an attractive dividend yield of 5.1%

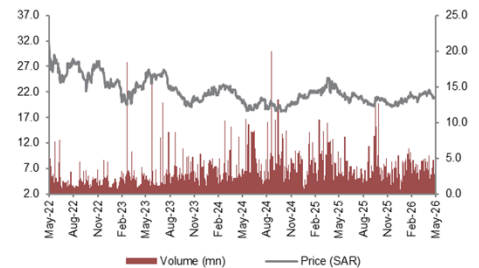
BUY

11 May 2026

Target price (SAR) **25.00**

Current price (SAR) **20.88**

Return **19.7%**



Exchange Saudi Arabia
Index weight (%) 2.4%

(mn)	SAR	USD
Market Cap	83,520	22,263
Total Assets	519,481	138,469

Major shareholders

PUBLIC INVESTMENT FUND	21.75%
General Organization	10.39%
Al Nahla Trading & C	8.74%
Others	59.12%

Valuation Summary (TTM)

Price (SAR)	20.88
PER TTM (x)	8.3
P/Book (x)	1.3
Dividend Yield (%)	5.0
Free Float (%)	59%
Shares O/S (mn)	4,000
YTD Return (%)	3%
Beta	1.1

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	-3%	-2%	-4%
Tadawul All Share Index	-2%	-1%	-2%

52 week	High	Low	CTL*
Price (SAR)	22.50	18.98	10.0

* CTL is % change in CMP to 52wk low



in SAR mn	1Q26	4Q25	QoQ (%)	1Q25	YoY (%)	2025	2024	YoY (%)
Operating Income	4,614	4,664	-1.1%	4,504	2.5%	18,381	17,285	6.3%
Operating Expenses	-1,372	-1,361	0.8%	-1,379	-0.5%	-5,433	-5,286	2.8%
Operating Profit	3,242	3,303	-1.8%	3,125	3.8%	12,948	11,999	7.9%
Provision Expenses - Loan	-209	-344	-39.1%	-371	-43.5%	-1,362	-1,621	-16.0%
Share of results from JV	10	8	21.1%	9	16.5%	34	30	11.4%
Profit before tax	2,977	2,945	1.1%	2,772	7.4%	11,608	10,397	11.6%
Zakat & Tax	-364	-304	19.8%	-286	27.3%	-1,197	-1,075	11.3%
Profit after tax	2,614	2,641	-1.0%	2,486	5.1%	10,411	9,322	11.7%
Loan Book	377,047	373,305	1.0%	338,991	11.2%	373,305	320,089	16.6%
Deposits	352,567	331,721	6.3%	304,092	15.9%	331,721	306,423	8.3%
Total Equity (Excl tier 1 bond)	66,348	64,105	3.5%	61,591	7.7%	64,105	59,007	8.6%
Cost to Income ratio	29.7%	29.2%		30.6%		29.6%	30.6%	
NPL Ratio	0.84%	0.79%		1.14%		0.79%	0.98%	
Net Loan to deposits	106.9%	112.5%		111.5%		112.5%	104.5%	

Income Statement (SAR mn)	2023	2024	2025	2026e	2027e	2028e	2029e
Net commission income	12,414	12,873	13,072	14,128	14,826	16,558	16,639
Net fee income	2,385	2,991	3,479	3,396	3,679	3,932	4,109
Other income	1,100	1,420	1,831	1,923	2,019	2,120	2,226
Total income	15,899	17,285	18,381	19,447	20,523	22,610	22,974
Operating expenses	-4,969	-5,286	-5,433	-5,786	-6,299	-6,768	-6,609
Profit before impairments	10,930	11,999	12,948	13,661	14,223	15,842	16,364
Impairments	-1,972	-1,632	-1,374	-1,818	-1,734	-1,832	-1,745
Other income/expenses	12	30	34	34	34	34	34
Profit before tax	8,971	10,397	11,608	11,877	12,523	14,044	14,653
Tax	-925	-1,075	-1,197	-1,225	-1,291	-1,448	-1,511
Profit after tax	8,046	9,322	10,411	10,652	11,232	12,596	13,142

Balance Sheet (SAR mn)	2023	2024	2025	2026e	2027e	2028e	2029e
Cash and statutory deposits	26,175	22,600	19,295	20,807	22,319	23,725	27,929
Due to financial institutions	15,434	20,299	21,272	23,216	25,185	26,955	28,176
Investments - Net	58,109	70,120	79,513	86,779	94,138	100,754	105,317
Financing - Net	274,398	320,089	373,305	407,358	441,830	472,800	494,213
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	18,993	19,619	20,185	20,586
Total Assets	386,849	451,403	519,481	566,011	613,019	655,363	688,128

Liabilities and Equity

Liabilities

Due to banks and other FI	42,464	41,163	39,082	42,654	46,271	28,280	79,151
Customer deposits	254,908	306,423	331,721	362,036	392,736	440,380	431,550
Debt issued	13,373	13,324	47,938	53,358	58,847	63,591	46,164
Other liabilities	15,847	22,099	25,259	25,754	26,256	26,689	26,999
Total liabilities	326,591	383,009	444,000	483,802	524,110	558,939	583,864

Equity

Share capital	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Reserves	23,696	29,007	34,105	40,832	47,533	55,047	62,888
Total shareholders' equity	53,696	59,007	64,105	70,832	77,533	85,047	92,888
Tier 1 Sukuk	6,563	9,386	11,376	11,376	11,376	11,376	11,376
Total Equity	60,258	68,394	75,481	82,208	88,909	96,424	104,264
Total liabilities and equity	386,849	451,403	519,481	566,011	613,019	655,363	688,128

Cash Flows (SAR mn)	2023	2024	2025	2026e	2027e	2028e	2029e
Cash from operations	(5,920)	10,347	(23,888)	442	998	2,388	28,058
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	1,495	958	(338)	(22,729)
Net changes in cash	(13,196)	(2,463)	(2,758)	(45)	(65)	(11)	3,227
Cash balance	28,291	27,271	24,514	24,469	24,405	24,393	27,620

Ratios	2023	2024	2025	2026e	2027e	2028e	2029e
Operating performance							
NCM	3.6%	3.1%	2.8%	2.8%	2.7%	2.8%	2.7%
NCM to total income	78.1%	74.5%	71.1%	72.6%	72.2%	73.2%	72.4%
Fee income to total income	15.0%	17.3%	18.9%	17.5%	17.9%	17.4%	17.9%
Other income to total income	6.9%	8.2%	10.0%	9.9%	9.8%	9.4%	9.7%
Cost to income ratio	31.3%	30.6%	29.6%	29.8%	30.7%	29.9%	28.8%
Liquidity							
Deposits to total funding	65.9%	67.9%	63.9%	64.0%	64.1%	67.2%	62.7%
Market funds to total funding	14.4%	12.1%	16.8%	17.0%	17.1%	14.0%	18.2%
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%	19.0%	19.0%	19.0%	19.4%
Asset quality							
Cost of risk	0.7%	0.5%	0.4%	0.4%	0.4%	0.4%	0.3%
NPL	1.2%	1.0%	0.8%	0.8%	0.8%	0.8%	0.8%
NPL coverage	142.1%	167.1%	150.1%	153.2%	156.2%	159.2%	159.4%
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%	3.8%
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%	53.1%	54.8%	54.7%
Impairment coverage	5.5	7.4	9.4	7.5	8.2	8.6	9.4
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%	12.5%	12.6%	13.0%	13.5%
Core Tier 1	15.7%	14.1%	13.6%	13.7%	13.8%	14.2%	14.8%
Tier 1	17.7%	16.4%	16.0%	15.9%	15.9%	16.1%	16.6%
Total capital	20.7%	18.9%	18.4%	18.1%	17.9%	18.0%	18.4%
Return ratios							
ROA	2.1%	2.1%	2.0%	1.9%	1.8%	1.9%	1.9%
ROE	15.0%	15.8%	16.2%	15.0%	14.5%	14.8%	14.1%
Return on RWA	2.4%	2.3%	2.2%	2.1%	2.0%	2.1%	2.1%
Per share ratios							
EPS	2.7	3.1	3.5	2.7	2.8	3.1	3.3
BVPS	17.9	19.7	21.4	17.7	19.4	21.3	23.2
DPS	1.4	1.7	1.4	1.1	1.1	1.3	1.3
Valuation							
M.Cap (SAR mn)	89,859	85,800	81,420	83,520	83,520	83,520	83,520
P/E	11.2	9.2	7.8	7.8	7.4	6.6	6.4
P/BV	1.7	1.5	1.3	1.2	1.1	1.0	0.9
Div. yield	4.7%	5.9%	5.2%	5.1%	5.4%	6.1%	6.3%

Key contacts

Research Team

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

This document is not for public distribution and has been furnished to you solely for your information and must not be reproduced or redistributed to any other person. Persons into whose possession this document may come are required to observe these restrictions. Opinion expressed is our current opinion as of the date appearing on this material only. We do not undertake to advise you as to any change of our views expressed in this document. While we endeavor to update on a reasonable basis the information discussed in this material, United Securities, its subsidiaries and associated companies, their directors and employees are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that prevent us from doing so. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein. The information in this document has been printed on the basis of publicly available information, internal data and other reliable sources believed to be true and are for general guidance only. While every effort is made to ensure the accuracy and completeness of information contained, the company takes no guarantee and assumes no liability for any errors or omissions of the information. No one can use the information as the basis for any claim, demand or cause of action.

Recipients of this material should rely on their own investigations and take their own professional advice. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult their own advisors to determine the merits and risks of such an investment. Price and value of the investments referred to in this material may go up or down. Past performance is not a guide for future performance. United Securities LLC, and affiliates, including the analyst who has issued this report, may, on the date of this report, and from time to time, have long or short positions in, and buy or sell the securities of the companies mentioned herein or engage in any other transaction involving such securities and earn brokerage or compensation or act as advisor or have other potential conflict of interest with respect to company/ies mentioned herein or inconsistent with any recommendation and related information and opinions. United Securities LLC and affiliates may seek to provide or have engaged in providing corporate finance, investment banking or other advisory services in a merger or specific transaction to the companies referred to in this report, as on the date of this report or in the past.