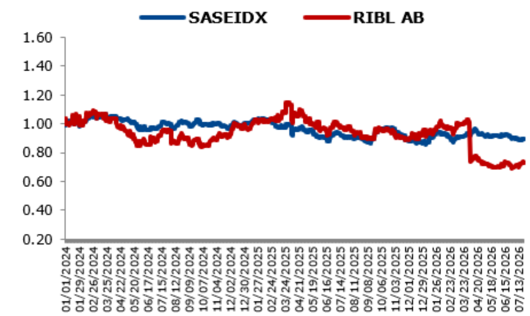
Riyad Bank (RIBL)

Expanding asset base supported operating income amid rising margin pressure

Current Price	Target Price	Upside/Downside (%)	Rating
SAR 21.08	SAR 27.00	+28.1%	BUY

- Funded income increased 5.6% YOY to SAR 6,939 Mn in 2Q26, driven by growth in loans & advances and investment portfolio.
- Non-funded income increased 3.0% YOY to SAR 1,360 Mn in 2Q26.
- Net loans and advances increased 6.5% YOY and 0.2% QOQ to SAR 377.6 Bn in 2Q26, while customer deposits grew 9.9% YOY however declined 1.2% QOQ to SAR 348.3 Bn in 2Q26.
- The Bank's loan-to-deposit ratio increased from 106.9% in 1Q26 to 108.4% in 2Q26.
- The Bank's announced cash dividend of SAR 2.55 Bn for 1H26 equivalent to SAR 0.64 per share.



Stock Information	
Market Cap (SAR, Mn)	84,320.00
Paid Up Capital (Mn)	3,983.37
52 Week High	22.41
52 Week Low	18.97
3M Avg. daily value(SAR)	2,576,023

2Q26 Result Review (SAR, Mn)	
Total Assets	533,637
Total Equity	67,498
Total Deposits	348,271
Investments	92,473
Net Profit	2,649

Financial Ratios	
Dividend Yield (12m)	6.20
Dividend Pay-out (%)	42.53
Price-Earnings Ratio(x)	8.24
Price-to-Book Ratio (x)	1.26
Book Value (SAR)	16.09
Return-on Equity (%)	15.99

Stock Performance	
5 Days	1.84%
1 Months	0.52%
3 Months	-1.72%
6 Months	2.21%
1 Year	0.74%
Month to Date (MTD%)	5.88%
Quarter to Date (QTD%)	5.88%
Year to Date (YTD%)	3.56%

2Q26 Net Profit in line with our estimate

Riyad Bank ("RIBL", "The Bank") reported a 2.0% YOY increase in net profit to SAR 2,649 Mn in 2Q26, in line with our estimate of SAR 2,647 Mn. The growth in net profit is primarily driven by higher net funded income supported by an increase in non-funded income, partially offset by higher operating expenses, impairment charges and increase in tax expenses.

P&L Highlights

Riyad Bank's funded income grew by 5.6% YOY to SAR 6,939 Mn in 2Q26, primarily due to growth in loans and advances and investments. Funded expenses rose 5.8% YOY to SAR 3,563 Mn in 2Q26, largely due to higher funding costs. Consequently, the net funded income rose 5.5% YOY to SAR 3,376 Mn in 2Q26. The Bank's non-funded income increased 3.0% YOY to SAR 1,360 Mn in 2Q26, driven by higher net trading income and dividend income, partially offset by lower fee and commission income, net gains on disposal of non-trading investments, net exchange income and other operating income. As a result, Riyad bank's total operating income increased 4.8% YOY to SAR 4,736 Mn in 2Q26. The Bank's operating expenses increased 2.7% YOY to SAR 1,362 Mn in 2Q26, mainly due to higher depreciation on property equipment and right of use assets, coupled with increase in salaries and employee-related expenses, partially offset by decrease in rent and premises-related expenses, general and administrative expenses and other operating expenses. As a result, the Bank's cost-to-income ratio improved from 29.3% in 2Q25 to 28.8% in 2Q26. Impairment charges increased by 29.2% YOY to SAR 400 Mn in 2Q26, due to an increase in impairment charge for investments, impairment charge for credit losses and other financial assets. Share in earnings of associates declined 18.1% YOY to SAR 8 Mn in 2Q26. The tax expenses increased 11.7% YOY to SAR 333 Mn in 2Q26. Thus, the net profit grew 2.0% to SAR 2,649 Mn in 2Q26.

Balance Sheet Highlights

Riyad Bank's total assets declined 0.6% QOQ however grew 8.5% YOY to SAR 533.6 Bn in 2Q26, largely due to growth in investments along with loans and advances. The Bank’s customer deposits rose 9.9% YOY but declined 1.2% QOQ to SAR 348.3 Bn in 2Q26. Net loans and advances grew 6.5% YOY and 0.2% QOQ to SAR 377.6 Bn in 2Q26. Thus, the loan-to-deposit ratio increased from 106.9% in 1Q26 to 108.4% in 2Q26, reflecting loans growth outpacing the deposits growth in 2Q26. The Bank’s investment portfolio expanded 26.5% YOY and 6.5% QOQ to SAR 92.4 Bn in 2Q26.

Target Price and Rating

We maintain our BUY rating on Riyad Bank with a target price of SAR 27.0 per share. Riyad Bank delivered a resilient earnings performance in 2Q26, supported by disciplined loan expansion and continued expansion of its investment portfolio, despite marginal moderation in the Bank’s total assets in 2Q26. RIBL’s net profit increased 2.0% YOY in 2Q26, driven by growth in net funded income along with increase in non-funded income partially offset by higher operating expenses, impairment charges for investments and expected credit losses and higher tax expenses coupled with lower share of profit from associates. The net advances rose 6.5% YOY and 0.2% QOQ to SAR 377.6 Bn in 2Q26, driven by financing activities. RIBL’s investments grew by 26.5% YOY and 6.5% QOQ to SAR 92.4 Bn in 2Q26, reflecting continued deployment into investment securities to capitalize on market opportunities and support growth in funded income while maintaining a disciplined lending strategy. The Bank’s customer deposits rose 9.9% YOY but declined 1.2% QOQ to SAR 348.3 Bn in 2Q26. As a result, the Bank’s loan-to-deposit ratio increased from 106.9% in 1Q26 to 108.4% in 2Q26, as loan growth was relatively higher than deposits growth. The cost-to-income ratio improved from 29.3% in 2Q25 to 28.8% in 2Q26, reflecting effective cost management, thereby improving operational efficiency. Asset quality remained resilient, with the NPL ratio increasing from 0.79% in 4Q25 to 0.84% in 1Q26. The Bank further strengthened its provisioning buffer, with the NPL coverage ratio improving to 151.4% in 1Q26 from 150.1% in 4Q25. Furthermore, the Bank’s Tier 1 and capital adequacy ratios stood at 16.7% and 19.4% in 1Q26, respectively thereby providing comfortable buffers well above regulatory requirements. Liquidity metrics remained healthy in 1Q26, with the LCR at 145.4% and NSFR at 113.4%, well above regulatory requirement. The Bank's calculated ROAA remained stable at 2.1% while the calculated ROAE improved 10 bps YOY and 40 bps QOQ to 16.5% in 2Q26, reflecting consistent profitability and efficient utilization of assets. RIBL announced its intention to issue SAR-denominated Additional Tier 1 Capital Sukuk under its SAR 10 Bn Sukuk Programme, with an initial issuance size of SAR 5 Bn. The issuance is expected to strengthen the Bank's capital base, further enhancing its capital buffers and provide additional capacity to fund future balance sheet growth and lending expansion. Also, the Bank announced a cash dividend of SAR 0.64 per share, amounting to SAR 2.55 Bn, for 1H26 reflecting its continued commitment to delivering consistent shareholder returns. The Bank's healthy capital position, asset quality and disciplined execution across its financing and investment portfolio are expected to support earnings growth in 2026. Thus, based on our analysis we maintain BUY rating on Riyad Bank.

Riyad Bank - Relative valuation

(at CMP)	**2021**	**2022**	**2023**	**2024**	**2025**	**2026F**
P/E	13.99	12.12	10.89	9.35	8.54	8.35
P/B	1.85	1.95	1.18	1.07	0.98	0.90
BVPS	11.420	11.913	17.928	19.702	21.458	23.426
EPS	1.510	1.739	1.935	2.254	2.467	2.524
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	3.7%	4.1%	5.0%	6.0%	5.0%	6.2%

FABS Estimates & Co Data

Riyad Bank – P&L

SAR Mn	2Q25	1Q26	2Q26	2Q26F	Var	YOY Ch	QOQ Ch	2025	2026F	Change
Special commission inc	6,568	6,807	6,939	6,940	0.0%	5.6%	1.9%	27,083	27,967	3.3%
Special comm expense	-3,368	-3,423	-3,563	-3,504	1.7%	5.8%	4.1%	-14,011	-14,317	2.2%
Net special comm inc	**3,200**	**3,385**	**3,376**	**3,436**	**-1.7%**	**5.5%**	**-0.2%**	**13,072**	**13,649**	**4.4%**
Other operating income	1,320	1,230	1,360	1,260	7.9%	3.0%	10.6%	5,310	5,496	3.5%
Operating income	**4,520**	**4,614**	**4,736**	**4,695**	**0.9%**	**4.8%**	**2.6%**	**18,381**	**19,146**	**4.2%**
Operating expenses	-1,326	-1,372	-1,362	-1,393	-2.3%	2.7%	-0.7%	-5,433	-5,754	5.9%
Pre-provision profit	**3,194**	**3,242**	**3,374**	**3,302**	**2.2%**	**5.6%**	**4.1%**	**12,948**	**13,392**	**3.4%**
Impairment	-309	-275	-400	-366	9.1%	29.2%	45.3%	-1,374	-1,500	9.1%
Share in earnings of asso.	10	10	8	15	-44.7%	-18.1%	-17.0%	34	44	30.0%
Profit Before Tax	**2,895**	**2,977**	**2,983**	**2,951**	**1.1%**	**3.0%**	**0.2%**	**11,608**	**11,935**	**2.8%**
Zakat	-298	-364	-333	-304	9.7%	11.7%	-8.3%	-1,197	-1,229	2.7%
Net profit for the year	**2,597**	**2,614**	**2,649**	**2,647**	**0.1%**	**2.0%**	**1.4%**	**10,411**	**10,706**	**2.8%**

FABS estimate & Co Data

Riyad Bank - KPI

	2Q25	1Q26	2Q26	YOY Ch	QOQ Ch	2025	2026F	Change
Net FI/OI	70.8%	73.4%	71.3%	50	-206	71.1%	71.3%	18
Cost to income	29.3%	29.7%	28.8%	-57	-97	29.6%	30.1%	50
Impairment/PPP	9.7%	8.5%	11.8%	216	336	10.6%	11.2%	59
NP/OI	57.4%	56.6%	55.9%	-151	-71	56.6%	55.9%	-72
Loan-to-deposit	111.9%	106.9%	108.4%	-348	149	112.5%	111.5%	-104
ROAE	16.4%	16.1%	16.5%	10	40	16.0%	15.0%	-98
ROAA	2.2%	2.1%	2.1%	-17	-3	2.1%	1.9%	-21

FABS estimate & Co Data

Riyad Bank - BS Key items

SAR mm	2Q25	3Q25	4Q25	1Q26	2Q26	YOY Ch
Net advances	354,550	368,554	373,305	377,047	377,629	6.5%
QOQ change	4.6%	3.9%	1.3%	1.0%	0.2%	
Total assets	491,822	507,566	519,481	537,083	533,637	8.5%
QOQ change	5.4%	3.2%	2.3%	3.4%	-0.6%	
Customer deposits	316,811	325,413	331,721	352,567	348,271	9.9%
QOQ change	4.2%	2.7%	1.9%	6.3%	-1.2%	
Shareholder’s equity	61,414	61,570	64,105	66,348	67,498	9.9%
QOQ change	-0.3%	0.3%	4.1%	3.5%	1.7%	

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	28.94	70%	20.26
Relative Valuation (RV)	22.46	30%	6.74
Weighted Average Valuation (SAR)			**27.00**
Current market price (SAR)			21.08
Upside/Downside (%)			+28.1%

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 5.43%, 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)	14,072
Terminal value (SAR, Mn)	33,943
Book Value of Equity (as of June 2026)	67,498
FV to Common shareholders (SAR, Mn)	**115,513**
No. of share (Mn)	3,991
Current Market Price (SAR)	21.08
Fair Value per share (SAR)	**28.94**

Residual Income Method

(All Figures in SAR Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Net Profit	10,065	10,388	11,512	11,286	11,774
(-) Equity Charge	-5,996	-6,546	-7,032	-7,622	-8,133
Excess Equity	**4,069**	**3,842**	**4,479**	**3,665**	**3,641**
Discounting Factor	0.96	0.88	0.80	0.73	0.67
Present Value of Excess Equity	**1,955**	**3,376**	**3,600**	**2,693**	**2,447**

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 1.3x in line with peers.

Banks	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	9,580	1.46	NA	11.42	10.89	4.2%	4.4%
Al Rajhi Bank	102,950	3.02	2.71	14.40	13.10	3.7%	4.2%
Alinma Bank	19,184	1.82	1.65	11.56	10.77	3.5%	3.6%
Arab National Bank	10,915	0.94	0.89	8.42	8.12	6.0%	6.1%
Banque Saudi Fransi	12,513	1.03	0.99	9.36	8.55	5.9%	6.3%
Saudi National Bank	58,968	1.11	1.06	9.14	8.47	5.9%	6.5%
Average		**1.6x**	**1.5x**	**10.7x**	**10.0x**	**4.9%**	**5.2%**
Median		**1.3x**	**1.1x**	**10.4x**	**9.7x**	**5.0%**	**5.2%**
Max		**1.7x**	**1.7x**	**11.5x**	**10.9x**	**5.9%**	**6.3%**
Min		**1.0x**	**1.0x**	**9.2x**	**8.5x**	**3.8%**	**4.2%**

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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