

April 12, 2010

## RIYAD BANK (1010.SE)

**12-Month Fair Value: SAR 34.10**

**Last Close (11 April 2010): SAR 31.00**

**Recommendation: Accumulate - Risk Level: 2**

- Riyadh Bank (Riyad) reported a net profit of SAR 684 million in 1Q2010, 55% above 1Q2009 (which was a very weak quarter for Riyad) but 25% below 4Q2009. The level of provisions taken in 1Q2010 was not disclosed. However, it looks like provisioning increased in 1Q2010 compared with 4Q2009.
- Net interest income was slightly weak reaching SAR 1,012 million, 9% below 1Q2009 and 5% below 4Q2009. However, non-interest income was relatively strong, reaching SAR 457 million, 32% above 1Q2009. No breakdown of non-interest income was provided. Operating income stood at SAR 1,469 million 0.7% above 1Q2009 but 7% below 4Q2009. The relatively weak interest income combined with the strong non-interest income resulted in a top-line that is in-line with our forecast for 1Q2010.
- Riyadh's total assets dropped by a slight 1% in 1Q2010 to stand at SAR 174.3 billion. For the second quarter in a row, Riyadh's loan growth was weak with net loans at SAR 106.3 billion at the end of March 2010, slightly below the SAR 106.5 billion at the end of 2009. Deposits, however, continued to grow, expanding by 2.3% in 1Q2010 to reach SAR 128.1 billion. This brought down the loans-to-deposits ratio to 83% at the end of March compared with 85% at the end of 2009.
- Overall, Riyadh's results offer little surprise in terms of both operating income and the presumed increase in provisioning in 1Q2010, which is in line with our view that provisioning for Riyad will be high in FY2010. Our fair value for Riyad (SAR 34.10) is 10% above the bank's latest closing price (SAR 31.00), hence, our recommendation on the stock is "Accumulate".

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## Related Research

- Riyadh Update - 31 March 2010

## RISK AND RECOMMENDATION GUIDE

RECOMMENDATION		UPSIDE (DOWNSIDE) POTENTIAL		
BUY		MORE THAN 20%		
ACCUMULATE		BETWEEN 5% AND 20%		
HOLD		BETWEEN -10% AND 5%		
REDUCE		BETWEEN -25% AND -10%		
SELL		LESS THAN -25%		
RISK LEVEL				
LOW RISK		HIGH RISK		
1	2	3	4	5

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