

## RIYAD BANK (1010.SE)

- Riyad Bank (Riyad) announced a net profit of SAR 918 million in 2Q2009, 1.3% over 2Q2008, and 108% over 1Q2009. We had forecasted income before provisions to reach SAR 813 million in 2Q2009 and our forecast for Riyad's net profit growth in FY2009 stands at 1.9%. The level of provisions taken in 2Q2009 has not been disclosed.
- Net interest income reached SAR 1.15 billion, 16.5% over 2Q2008, and 3% over 1Q2009. Operating income reached SAR 1.52 billion, 5.4% over 2Q2008, and 4.5% over 1Q2009.
- Riyad's balance sheet continued to grow as assets reached SAR 172.8 billion, up 3% in 2Q2009, driving up the YTD growth to 8%. Loans reached SAR 104.6 billion, up 4% in 2Q2009, bringing the YTD growth to 8%, already matching our loan growth forecast for FY2009. Deposits continued to grow, reaching SAR 122.1 billion, up 2% in 2Q2009, bringing the YTD growth to 16%. The loans-to-deposits ratio stood at 86%, slightly over the 84% at the end of March 2009.
- With the limited data we have for now, we believe Riyad's results are good in terms of earnings and balance sheet growth. Net interest income was the driver of earnings while non-interest income witnessed a drop compared with 2Q2008. The net profit figure achieved represents a significant rebound compared with the quarterly net profit levels seen since 3Q2008. Riyad's lending has been relatively robust compared with the Saudi peers. Data from SAMA shows that loans dropped by a slight 1% so far this year (by end of May).
- Since our latest update on Riyad (19th February, 2009), the stock price has risen by 20% from SAR 20.10 to SAR 24.05 (as of 12 July). Our fair value of SAR 26.20 is now 9% over the latest closing price. Hence, our "Hold" recommendation on the stock. We will issue an update report on Riyad after the release of the financial statements.

### Raja Ghoussoub, CFA

T. +971-4-365 2857

E. [raja.ghoussoub@nbkcapital.com](mailto:raja.ghoussoub@nbkcapital.com)

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**NBK CAPITAL****Kuwait****Head Office**

17th Floor, Dar Al-Awadi Building  
Ahmed Al-Jaber Street, Sharq  
P.O.Box 4950, Safat 13050  
Kuwait  
Tel: +965 2224 6900  
Fax: +965 2224 6905

**MENA Research**

19th Floor, Dar Al-Awadi Building  
Ahmed Al-Jaber Street, Sharq,  
P.O.Box 4950, Safat 13050, Kuwait  
Tel: +965 2224 6663  
Fax: +965 2224 6905  
E: menaresearch@nbkcapital.com.kw

**Brokerage**

8th Floor, Dar Al-Awadi Building  
Ahmed Al-Jaber Street, Sharq  
P.O.Box 4950, Safat 13050, Kuwait  
Tel: +965 2224 6964  
Fax: +965 2224 6978  
E: brokerage@nbkcapital.com

**United Arab Emirates****NBK Capital Limited**

Precinct Building 3, Office 404  
Dubai International Financial Center  
P.O.Box 506506, Dubai,  
UAE  
Tel: +971 4 365 2800  
Fax: +971 4 365 2805

**Turkey****NBK Capital**

Arastima ve Musavirlik AS,  
Sun Plaza, 30th Floor,  
Dereboyu Sk. No.24  
Maslak 34398, Istanbul, Turkey  
Tel: +90 212 276 5400  
Fax: +90 212 276 5401

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