Analyst Comment

NBK CAPITAL

October 13, 2009

RIYAD BANK (1010.SE)

- Riyad Bank (Riyad) announced a net profit of SAR 759 million in 3Q2009, 48% above 3Q2008 but 17% below 2Q2009. We had forecasted income before provisions to reach SAR 965 million in 3Q2009 and our forecast for Riyad's net profit in 2H2009 stands at SAR 1.48 billion. The level of provisions taken in 3Q2009 has not been disclosed yet.

- Net interest income stood at SAR 1.03 billion in 3Q2009, 1.4% over 3Q2008 but 10.5% below 2Q2009. Operating income reached SAR 1.4 billion, 32% over 3Q2008 but 8% below 2Q2009. Non-interest income was nearly equal to 2Q2009 despite the drop in brokerage commissions as trading on Tadawul in 3Q2009 was 50% lower than trading in 2Q2009.

- Riyad, unlike other Saudi banks under our coverage, continues to exhibit a steadily increasing loan book with net loans up by around 1.5% in 3Q2009, resulting in a 10% YTD increase. Similarly, total assets were up by close to 1.7% in 3Q2009, bringing the YTD growth rate to 10%. Deposits, however, dropped by 2% in 3Q2009, but are still up 14% YTD.

- Riyad's results in 3Q2009 appear lower than our estimates on a pre-provision basis, however, lower than expected provisioning brought the bottom line closely in-line with our forecasts for the 2H2009.

- Since our last update on Riyad on 17 September 2009, the share price increased by 23% to close at SAR 29.6. Our fair value for Riyad (SAR 30.4) is now 3% over the bank's latest closing price, hence, our current recommendation on the stock is a "Hold".

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Related Research

- Riyad Bank Update - 17 Sep. 2009
- Riyad Bank Update - 19 Feb. 2009

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