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Riyad Bank (1010.SE)**January 20, 2009**

- Riyad Bank (Riyad) reported a net profit of SAR 2.64 billion for 2008, 12.4% below 2007 and 2.8% below our full-year forecast. Net profit in 4Q2008 stood at SAR 529 million, reflecting a significant 33% year-on-year drop, but a 3% quarter-on-quarter increase.
- Loan growth was unexpectedly high in 4Q2008, at 7%, taking the loan book to SAR 96.4 billion at the end of December 2008. This drives up Riyad's loan growth in 2008 to 43%. Sector data shows a significant drop in lending growth in Saudi Arabia in 4Q2008, as total sector loans grew by 1.1% and 0.9% in October 2008 and November 2008, respectively, compared to a monthly average growth rate of 2.1% since the start of 2007. We believe this is a main reason behind SAMA's recent decision to cut interest rates. The Repo was cut by 0.5% to 2%, while the Reverse Repo was cut by 0.75% to stand at 0.75%.
- Riyad's deposits surged by SAR 17.4 billion (20%) in 4Q2008 to reach SAR 105 billion at the end of 2008. This follows two quarters of weak deposit growth. Deposit growth for full 2008 stands at 25%. The significant growth in deposits in 4Q2008 dropped the loans-to-deposits ratio to 92% compared with 103% as of September 2008.
- Out of all earning components, only net interest income in 4Q2008 was disclosed. Net interest income reached SAR 969 million in 4Q2008, 5% below our forecast. We believe the significant growth in deposits (+20%) in 4Q2008, as compared to growth in loans (+7%) is one reason for the underperformance in terms of net interest income. Another reason is the significant drop in SAIBOR recently, which plunged from a high of 4.67% in mid October 2008 to 2.5% at the end of December 2008. For full 2008, net interest income reached SAR 3.95 billion, 21% over 2007 and slightly below our 22% growth forecast.
- No data was disclosed regarding any investment losses, provisions, or costs in 4Q2008.
- Riyad also announced a SAR 0.7 dividend per share for the second half of 2008, in line with our SAR 0.8 dividend per share forecast. This drives up cumulative dividend payments for full 2008 to SAR 1.4 per share.
- We will issue an update report on Riyad once full financial statements are available.

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Related Research

- Riyad Bank Initiation of Coverage - 12 June 2008