

January 14, 2010

RIYAD BANK (1010.SE)

- Riyadh Bank (Riyad) reported a net profit of SAR 3.03 billion in 2009, 15% above 2008 and 7% above our forecast of SAR 2.84 billion. Net profit in 4Q2009 stood at SAR 912 million, reflecting a 72% year-on-year growth, and a 20% quarter-on-quarter growth. We believe slightly lower provisioning charges than 3Q2009, and strong performance of non-interest income, were the main drivers of the growth in earnings during 4Q2009.
- Net interest income (NII) for 2009 stood at SAR 4.35 billion, 10% above 2008, but 5% below our SAR 4.58 billion forecast. NII in 4Q2009 grew by 3% quarter-on-quarter, and 10% year-on-year, reaching SAR 1.06 billion. Riyad's total operating income in 2009 reached SAR 5.96 billion, 14% above 2008, and almost in line with our forecast of SAR 6.07 billion (a difference of -2%). The surge in operating income was on the back of a 24% growth in non-interest income during 2009.
- Riyad's total assets grew by 10% compared with December 2008, to reach SAR 176.4 billion at the end of December 2009. Loans remained nearly flat in 4Q2009, after having expanded by 10% during 9M2009. At the end of December 2009 loans stood at SAR 106.5 billion, up 10.5% compared with December 2008, the highest growth recorded among our covered Saudi banks, and 4% below our forecast of SAR 110.5 billion. Deposits surged to SAR 125.3 billion in 4Q2009 (up 5%), after having declined slightly in 3Q2009 (down 2%), putting the FY2009 growth at a strong 19%, the highest among our covered Saudi banks, and 2% below our forecast of SAR 128.5 billion. Riyad has outperformed the sector in terms of both lending and deposit growth, as reflected by the modest 1% growth in sector loans and 10% growth in sector deposits between December 2008 and November 2009.
- Overall, we believe this is a strong set of results as Riyad has been able to expand its loan book and balance sheet as well as post strong growth in core earnings and net profit. Our fair value for Riyad (SAR 30.4) is now 17% over the bank's latest closing price (SAR 26), hence, our current recommendation on the stock is an "Accumulate". We will issue an update report on Riyad after the release of the full financial statements.

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Related Research

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

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