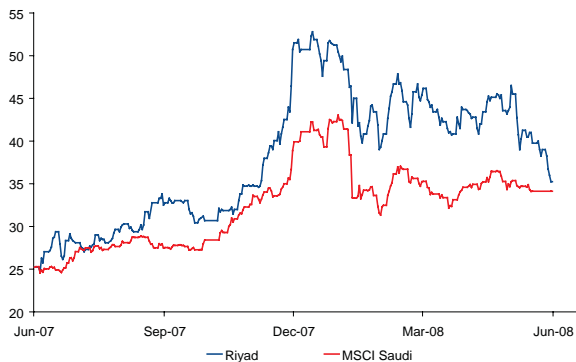


Key Data

Closing Price*	Avg. Value Traded per Day
SAR 35.25	SAR 14.5 million
52-Week High	Market Cap
SAR 52.80	SAR 52.9 billion
52-Week Low	Shares Outstanding
SAR 24.70	1500 million
Reuters	Bloomberg
1010.SE	RIBL AB
Ownership Structure	
Closely Held: 71%	Public: 29%

* As of June 11, 2008 Sources: Reuters, Tadawul, and NBK Capital

Rebased Performance



Sources: Reuters and NBK Capital

Key Ratios

	2007 a	2008 f	2009 f	2010 f	2011 f
P/B (latest)	2.0	1.8	1.7	1.6	1.4
P/E (latest)	17.4	12.6	12.4	10.3	8.9
EPS Growth	3.5%	-41.8%	1.0%	21.2%	14.8%
RoAE	23.9%	16.7%	14.3%	16.0%	16.7%
RoAA	2.8%	2.5%	2.4%	2.5%	2.5%
Net Interest Margin	3.4%	3.2%	3.0%	3.1%	3.1%
Dividend Payout	68.9%	64.1%	53.0%	43.7%	50.7%

	3Q2007 Net Profit a	4Q2007 Net Profit a
	SAR 715.9 millions	SAR 792.8 millions
	1Q2008 Net Profit a	2Q2008 Net Profit f
	SAR 690.7 millions	SAR 940.2 millions

a = actual, f = forecast. Sources: Reuters and NBK Capital

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Highlights

12-Month Fair Value: SAR 49.50

Recommendation: Buy – Risk Level: 2**

Reason for Report: Initiation of Coverage

- Riyad Bank (Riyad) is a major player in the Saudi banking sector, with an 11% share of the country's total banking assets. Riyad was the only Saudi bank that did not witness a drop in its net profit in 2007 as it grew by a slim 4%, compared with a 16% drop in the combined earnings of the bank's peers.
- Some of Riyad's current focus areas are infrastructure and project financing, wealth management, investment banking, lending to small and medium-size enterprises (SMEs), and mortgage lending. Riyad has recently completed an SAR 13.1 billion rights issue. The massive size of this issue indicates that Riyad expects significant growth in the years to come.
- Riyad underperformed its peers in terms of operating income growth and net profit growth in the years before 2007. This has led to Riyad having a higher cost-to-income ratio and a lower return on equity than those of its peers.
- We forecast Riyad's net loans and deposits to grow by a CAGR of 20% and 19%, respectively, in the five years ending in 2012. Total operating income and net profit are forecasted to grow by a CAGR of 15% and 17%, respectively, reaching SAR 10.5 billion and SAR 6.7 billion in 2012.
- Our estimate of Riyad's 12-month fair value per share stands at SAR 49.50. This value is a weighted average of three estimates reached using three valuation models: Discounted Equity Cash Flow (DECF), the Dividend Discount Model (DDM), and a peer-based multiples valuation model.
- We have assigned Riyad a risk rating of 2 (on a scale of 1 to 5). We believe the major challenge facing Riyad is to improve its operational efficiency. Riyad's cost-to-income is one of the highest in the Saudi sector. Hence, profitability can be boosted through an improvement in productivity.

** Please refer to page 2 for recommendations and risk ratings.

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Risk and Recommendation Guide				
Recommendation		Upside (Downside) Potential		
Buy		more than 20%		
Accumulate		between 10% and 20%		
Hold		between -5% and 10%		
Reduce		between -10% and -5%		
Sell		less than -10%		
Risk Level				
1	2	3	4	5
Low Risk				High Risk

Risk and Recommendation Guide				
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Risk Level				
1	2	3	4	5
Low Risk				High Risk

EXECUTIVE SUMMARY

Riyad is a major player in the Saudi banking sector, with an 11% share of the country's total banking assets. The bank has the third largest branch network in Saudi Arabia with 200 branches. Riyadh was the only Saudi bank that did not witness a drop in its net profit in 2007 as it grew by a slim 4%, compared with a 16% drop in the combined earnings of the bank's peers.

Riyad is a conservative bank when it comes to risk-taking. Seeing significant potential domestically, the bank prefers to focus on the Saudi market. Some of the current focus areas for Riyadh are infrastructure and project financing, wealth management, investment banking, lending to small and medium-size enterprises (SMEs), and mortgage lending. Riyadh has recently completed an SAR 13.1 billion rights issue. The huge size of this issue indicates that Riyadh expects significant growth in the years to come.

Riyad underperformed its peers in terms of operating income growth and net profit growth in the years before 2007. This has led to Riyadh having a higher cost-to-income ratio (35% in 2007) than its peers (30%) and a consistently lower return on equity. In its efforts to improve operational efficiency, Riyadh has embarked on an aggressive plan to increase the use of alternative delivery channels. In this regard, the number of ATMs increased from 687 in 2005 to 1,811 by 1Q2008, making Riyadh's ATM network the second largest in Saudi Arabia.

Riyad has outperformed the Saudi sector in terms of lending growth and deposit accumulation in the past two years after falling behind in the previous two. Going forward, we forecast Riyadh's net loans and deposits to grow by a CAGR of 20% and 19%, respectively, in the five years ending in 2012. Total operating income and net profit are forecasted to grow by a CAGR of 15% and 17%, respectively, reaching SAR 10.5 billion and SAR 6.7 billion in 2012.

Our estimate of Riyadh's 12-month fair value per share stands at SAR 49.50, 40% above the share's closing price as of June 11 — hence, our "Buy" recommendation. This value is a weighted average of three estimates reached using three valuation models: Discounted Equity Cash Flow (DECF), the Dividend Discount Model (DDM), and a peer-based multiples valuation model.

We have assigned Riyadh a risk rating of 2 (on a scale of 1 to 5). This follows our subjective criteria for risk, such as franchise strength, stock price volatility, and the overall operating environment. We believe Riyadh faces one major risk and one major challenge:

- The major risk arises from the fact that the bank is predominantly a domestic Saudi player. This means that Riyadh is overexposed to the vagaries of the Saudi economy, which is very much tied to one single factor: the price of oil.
- The major challenge facing Riyadh is to improve its operational efficiency. Riyadh's cost-to-income ratio is one of the highest in the Saudi sector. Hence, profitability can be boosted through an improvement in productivity.

VALUATION

The purpose of this valuation exercise is to estimate Riyadh's fair value per share 12 months from now. Although the estimate reached is our best guess of the share's value one year from now, this does not mean we believe this value will necessarily prevail at that time. Ultimately, it is investor behavior that determines the price of any share. This behavior is a function of a wide array of factors, including sentiment, risk tolerance, objectives, and technical analysis, as well as analyst recommendations.

Our estimate of Riyadh's 12-month fair value per share stands at SAR 49.50, 40% above the share's official closing price as of June 11. This value is a weighted average of three estimates (Figure 1) reached via three valuation models: Discounted Equity Cash Flow (DECF), the Dividend Discount Model (DDM), and a peer-based multiples valuation model, which is a variant of the Warranted Equity Valuation (WEV) model. DECF carries the highest weight because it is a more firm-specific cash flow-based valuation method that entails a comprehensive and detailed breakdown of the bank's future cash flows.

Figure 1 Weighted Average Fair Value per Share

Valuation Method	Value (SAR)	Weight (%)
Discounted Equity Cash Flow (DECF)	52.80	60%
Dividend Discount Model (DDM)	47.00	30%
Peer-Based Valuation (WEV)	36.90	10%
Weighted Average Fair Value	49.50	100%

Our 12-month fair value for Riyadh is SAR 49.50

Source: NBK Capital

DISCOUNTED EQUITY CASH FLOW

DECF is a function of the following variables, which we forecast over the next five years:

- Forecasts of Net Attributable Income (NAI). This is an earnings measure and therefore primarily a function of total income, cost structure, and provisioning levels.
- Forecasts of Changes in Risk-Weighted Assets. Globally accepted standards and local Saudi banking regulations mandate that minimum levels of capital adequacy be maintained as growth occurs. Hence, a percentage of income must be reinvested, which is thus not available for distribution. While the current minimum ratio required by the Saudi Arabian Monetary Agency (SAMA) – the Central Bank of Saudi Arabia – is 8%, Riyadh's management has indicated that 13% is the minimum they are willing to tolerate; hence, 13% was used for Riyadh.
- Forecasts of Depreciation. These are primarily a function of the bank's gross fixed assets level.

In addition, estimates of the following two variables are required:

- The long-term expected growth rate in equity cash flows beyond the forecast horizon (that is, beyond the next five years). This should be a sustainable growth rate that extends in perpetuity and is necessary to estimate Riyadh's value at the end of the forecast horizon, widely known as the Terminal Value.

- The Cost of Equity for Riyadh. This is the investors' minimum required return for investing in Riyadh's shares and hence is used to discount future equity cash flows.

In the DECF valuation (Figure 2), full financial statements are forecasted until 2013. Equity cash flows (ECFs), defined as NAI plus depreciation minus 13% of the increase in risk-weighted assets, are then extracted from those financial statements. In addition, ECFs are assumed to grow at a perpetual rate of 6% in 2014 and beyond. ECFs beyond 2008 are then discounted to a point in time that is 12 months from now, yielding a total value to shareholders of SAR 79.1 billion. Dividing this value by the current number of shares outstanding (1.5 billion) yields a fair value of SAR 52.80 per share.

The chosen cost of equity (9.5%) is mainly a function of interest rate levels, risks in the operating environment, a subjective assessment of the equity risk premium, and the volatility of Riyadh's share price returns as compared with those of the stock market.

Figure 2 DECF Valuation

Figures in SAR Thousands	Forecast				
	Fiscal Year Ends December	2009	2010	2011	2012
Net Attributable Income	4,247,851	5,150,372	5,914,036	6,726,000	7,597,514
Equity Cash Flows	827,476	1,842,217	2,510,532	3,000,603	3,517,771
Terminal Value					106,538,202
Total Value of Equity in 12 Months		79,138,715			
Number of Shares Outstanding ('000)		1,500,000			
Fair Value per Share (SAR)		52.80			

The DECF valuation resulted in a fair value of SAR 52.80 per share

Source: NBK Capital

One major drawback of discounted cash flow valuations is that they are highly sensitive to the inputs. This issue is more acute in the case of banks because they are more heavily leveraged than most other companies. To assess the impact of input changes on the valuation output, we performed a sensitivity analysis on two primary inputs of the DECF model: the cost of equity and the perpetual growth rate (Figure 3).

Figure 3 DECF Sensitivity

	Cost of Equity	Perpetual Growth Rate				
		5.0%	5.5%	6.0%	6.5%	7.00%
	8.5%	54.5	62.8	74.5	92.0	121.2
	9.0%	47.5	53.6	61.8	73.3	90.5
	9.5%	42.0	46.7	52.8	60.8	72.1
	10.0%	37.6	41.3	46.0	51.9	59.9
	10.5%	34.1	37.1	40.7	45.3	51.1

The estimate of fair value is highly sensitive to two primary inputs

Source: NBK Capital

DIVIDEND DISCOUNT MODEL

The DDM can be used when the dividend stream can be reasonably forecasted, a situation that generally applies to banks. DDM is a function of the following variables:

- Dividends that will be declared and paid during the forecast horizon.
- An assumption regarding the perpetual growth rate in dividends beyond the forecast horizon (similar to the case for the DECF model).
- Riyadh's cost of equity.

The DDM yields a total value for shareholders of SAR 70.54 billion 12 months from now. Dividing by 1.5 billion outstanding shares, we have arrived at a fair value of SAR 47.00 per share (Figure 4).

Figure 4 Dividend Discount Model

Figures in SAR Thousands	Forecast				
Fiscal Year Ends December	2009	2010	2011	2012	2013
Dividend Payout	53.0%	43.7%	50.7%	44.6%	39.5%
Dividends	2,250,000	2,250,000	3,000,000	3,000,000	3,000,000
Terminal Value					90,857,143
Total Value of Equity in 12 Months	70,541,325				
Number of Shares Outstanding ('000)	1,500,000				
Fair Value per Share (SAR)	47.00				

The DDM resulted in a fair value of SAR 47.00 per share

Source: NBK Capital

PEER-BASED VALUATION

We have used a peer-based multiples valuation model that is a variant of the WEV model. We employed it by comparing the adjusted price-to-book (P/B) multiples of a number of similarly rated commercial banks operating in countries comparable to Saudi Arabia in terms of gross domestic product (GDP) per capita. In fact, the majority of the countries that we chose have a higher GDP per capita than does Saudi Arabia. One reason for this is our inability to identify a comparable sample of banks if we specify a respective GDP per capita that is very close to that of Saudi Arabia. Nevertheless, we believe that Saudi banks should, in fact, be compared to banks that operate in countries that have a higher GDP per capita than that of Saudi Arabia owing to the enormous amount of oil and, hence, potential growth that Saudi Arabia should witness. Additionally, we include some other GCC banks in the sample because their operating environments are similar to that of Saudi Arabia, even if the respective countries' GDP-per-capita levels are dissimilar to that of Saudi Arabia.

In this peer-based valuation, we adjust the P/B ratio by correcting for two variables that significantly affect the P/B level, namely, expectations of future earnings growth and future return on equity levels. Specifically, the adjusted P/B is obtained by dividing the raw leading P/B by both the CAGR in earnings per share (EPS) for the coming two or three years

and the average return on equity (ROE) for the same period (all based on consensus estimates). The rationale behind this adjustment is that different P/B multiples among banks do not necessarily reflect differences in “valuations”, but rather can be a reflection of different growth expectations and potential. After adjusting the P/B ratios for the sample of Riyadh's peers, we eliminate the highest and lowest values and then we average. We then assume that Riyadh's adjusted P/B should be equal to that average. Afterward, we plug in our forecast of Riyadh's CAGR in EPS and average ROE for the coming four years to extract a raw leading P/B ratio. Finally, using our forecast of Riyadh's book value per share, we arrive at a value of SAR 36.90 per share for Riyadh (Figure 5).

Figure 5 Peer-Based Valuation

Country	Bank	P/B* (2008 f)	ROE **	EPS Growth ***	WEV	FSR Moody's
South Korea	Daegu Bank	1.1	17.2%	6.6%	100.9	C-
South Korea	Kookmin Bank	1.2	15.1%	2.7%	296.1	C
South Korea	Korea Exchange Bank	1.3	14.4%	6.9%	134.4	C-
South Korea	Pusan Bank	1.2	17.5%	6.8%	103.5	C-
Greece	Alpha Bank AE	2.3	24.2%	11.7%	80.8	C
Greece	EFG Eurobank Ergasias	1.9	23.7%	17.1%	46.3	C+
Greece	National Bank of Greece	2.1	25.1%	11.4%	73.4	C+
Greece	Piraeus Bank	1.9	21.1%	10.8%	83.7	C
Greece	ATEbank	1.5	15.7%	7.1%	130.3	D
Greece	Emporiki Bank of Greece	2.1	19.3%	24.8%	43.2	C-
Portugal	Banco BPI	1.3	19.0%	8.0%	86.7	C
Portugal	Banco Comercial Portugues	1.5	15.0%	9.0%	107.7	C+
Portugal	Banco Espirito Santo	1.2	13.9%	10.1%	82.4	C+
Czech Republic	Komercni Banka	2.7	21.4%	7.5%	169.7	C
Hungary	OTP Bank	1.5	21.5%	17.8%	39.6	C+
UAE	Abu Dhabi Commercial Bank	2.1	20.8%	17.2%	58.7	C-
UAE	National Bank of Abu Dhabi	3.3	23.5%	17.7%	79.9	C
UAE	Dubai Islamic Bank	2.6	25.7%	19.4%	52.8	D+
Saudi Arabia	Banque Saudi Fransi	3.6	27.0%	14.7%	90.2	C
Saudi Arabia	Samba Financial Group	3.8	29.1%	14.4%	89.8	C+
Saudi Arabia	Saudi British Bank	4.9	31.1%	34.6%	45.3	C
Cyprus	Bank of Cyprus	2.3	24.5%	8.5%	108.7	C-
Cyprus	Marfin Popular Bank	1.1	17.0%	17.2%	39.0	C-
	Average				86.1	
Saudi Arabia	Riyadh Bank	1.8	16.8%	12.4%	86.1	C
	12-Month Fair Value (SAR)	36.90				

*Riyadh appeared fairly
valued compared to its
peers*

* Prices as of June 11, 2008. ** ROE is the average of the forecasted ROEs for the next two or three years. *** EPS growth is the CAGR in forecasted EPS for the next two or three years. Sources: Reuters Knowledge, Moody's, and NBK Capital

RISKS AND CHALLENGES

- The major risk facing Riyadh arises from the fact that the bank is predominantly a domestic Saudi player with almost no presence abroad. Thus, Riyadh is overexposed to the vagaries of the Saudi economy, which is very much tied to one single factor: the price of oil. A deteriorating Saudi economy would hamper earnings and balance sheet growth; in addition, it would worsen asset quality.
- One challenge facing Riyadh is to improve its operational efficiency. Riyadh's cost-to-income has been falling in the past few years but is still one of the highest (35% in 2007) in the Saudi sector. Hence, profitability can be boosted through an improvement in productivity.
- Another challenge facing Riyadh is to be able to earn adequate returns on the increased capital arising from the massive rights issue that has been recently completed.
- One risk arises from the fact that banks are heavily regulated. The imposition of overly cautious policies that could possibly hamper growth is a risk that is always present and can not be done away with. The consumer lending tightening regulations imposed at the end of 2005, and the subdued growth in consumer lending since, is one clear example of how drastically regulations can affect the performance of banks. Another more recent example is the frequent increase in the reserve requirement, after being untouched for many years, in an attempt to lessen credit growth.

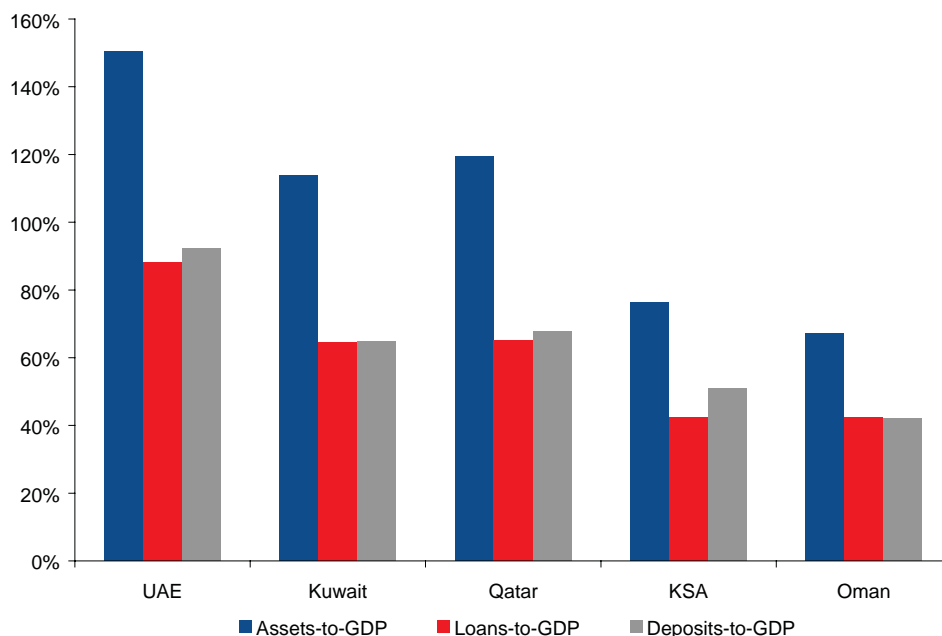
SAUDI BANKING SECTOR HIGHLIGHTS

SECTOR SIZE VERSUS ECONOMY SIZE

The Saudi banking sector is the second largest in the GCC in terms of assets, running closely behind the United Arab Emirates one. Total banking assets in Saudi Arabia reached USD 287 billion at the end of 2007. When compared to the size of the underlying economy, however, the Saudi sector is one of the smallest, with lower commercial banking penetration rates than the other GCC countries, with the exception of Oman (Figure 6). This relatively under-banked status of the economy naturally translates into growth potential for the banking sector.

Figure 6 Banking Penetration Rates - December 2007

Low commercial banking penetration rates indicate ample room for Saudi banking sector growth



Sources: GCC central banks and NBK Capital

The Saudi sector comprises 18 commercial banks, seven of which are branches of foreign banks operating in the country. SAMA is gradually opening up the sector to foreign banks. In addition to the banks currently operating, it has licensed a few others that have not yet opened for business. Furthermore, the SAR 10.5 billion initial public offering (IPO) of Inmaa Bank, a new Saudi bank, took place in April, raising the number of banks operating in the country to 19.

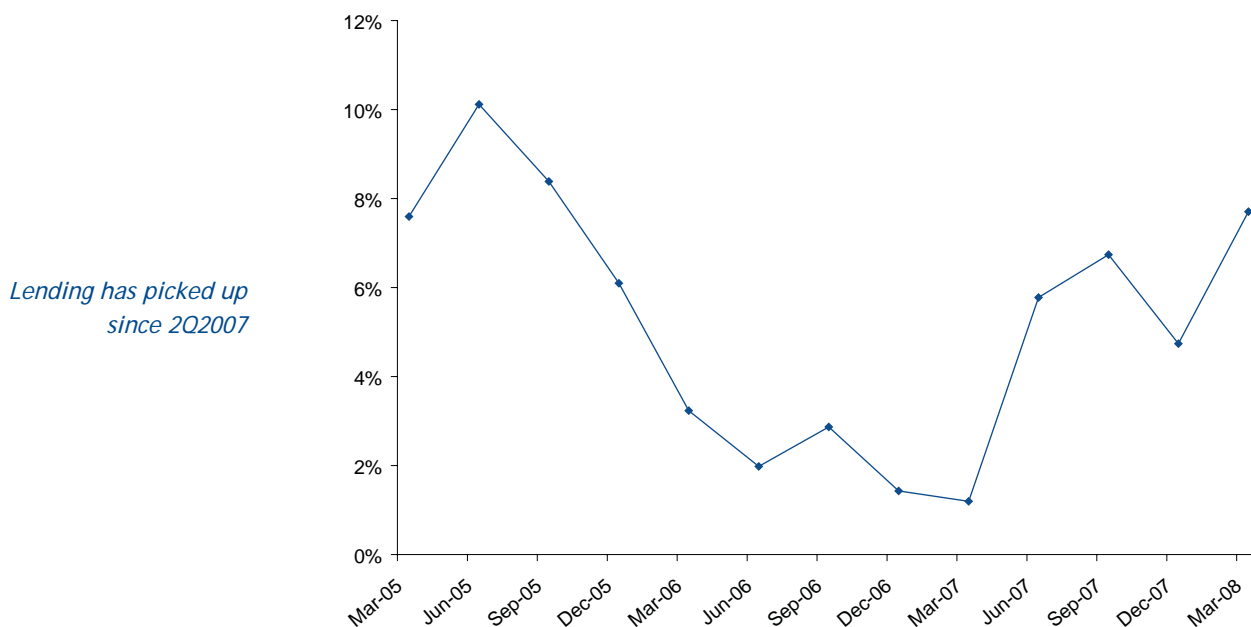
The banking sector operates in the midst of a very supportive operating environment where the economy has been growing robustly, driven by high oil prices, government spending and high investment. Nominal GDP doubled in the five years ending in 2007 with an even higher growth in the money supply (as measured by M2), which increased by 115% during the same period. The foreign trade surplus and budget surplus were a staggering SAR 148 billion and SAR 179 billion, respectively, in 2007. Projects worth an

estimated SAR 300 billion are currently underway or planned for the near future, providing enormous potential for the banking sector. Growth in the non-oil private sector is at the forefront of the economic boom, actually surpassing growth in the oil sector in 2006 and 2007. With oil prices at previously-unthinkable levels of over USD 130 per barrel, the future looks bright for the Saudi economy, and hence the banking sector.

LENDING

Lending growth has picked up again in the second quarter of 2007 after five quarters of weak growth, which was triggered by SAMA's tightening regulations on consumer lending (Figure 7).

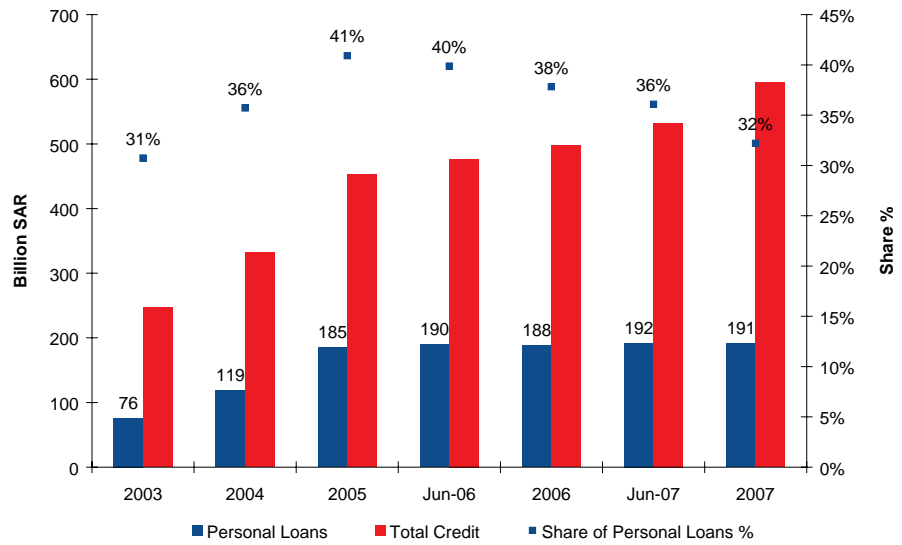
Figure 7 Growth in Lending - Quarter-on-Quarter



Sources: SAMA and NBK Capital

The transport and communication, manufacturing, and services sectors have been the main drivers of this growth in lending. Since SAMA's regulations, personal lending growth has reached a standstill and personal loans as a share of total loans have continued to drop, standing at 32% by the end of 2007 down from a 41% high two years before (Figure 8).

Figure 8 Personal Lending versus Total Credit



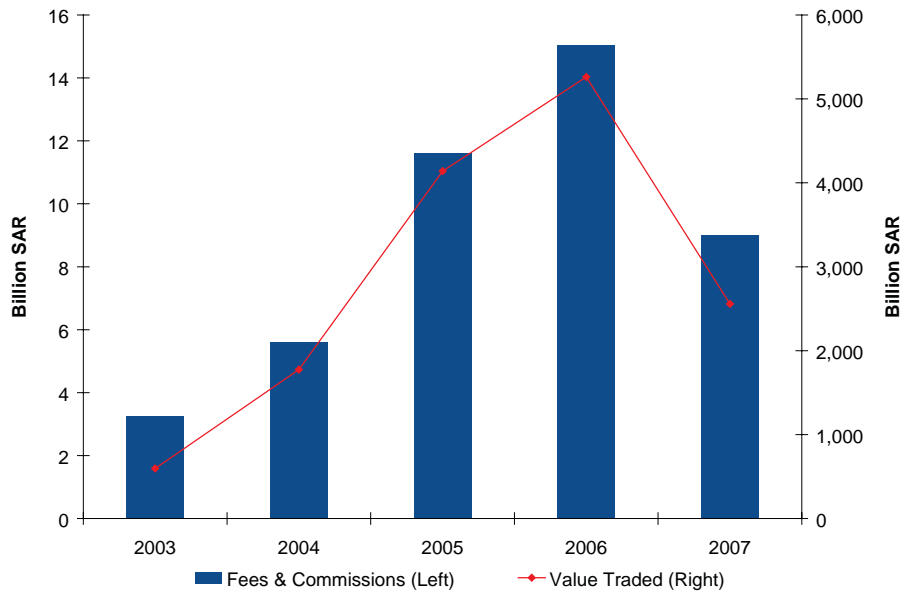
Personal lending growth has been flat since early 2006

Sources: SAMA and NBK Capital

PROFITABILITY

The 51% drop in total traded value on the Saudi Stock Exchange (Tadawul) has had a painful impact on the banks' earnings in 2007. Saudi banks' income from fees and commissions dropped by 36% in 2007, and that was the primary reason for the 14% drop in their combined net profit in the same year (Figure 9).

Figure 9 Value Traded on Tadawul and Earnings from Fees and Commissions



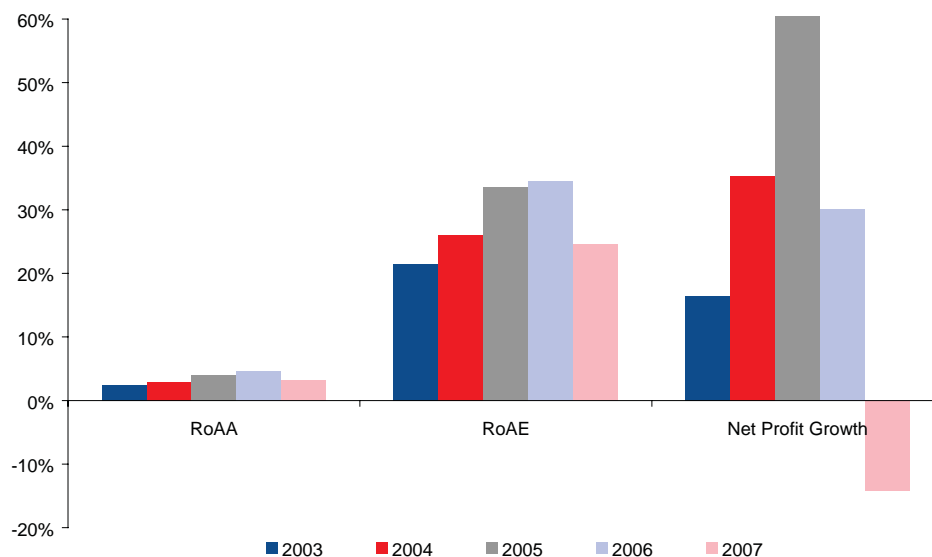
The drop in stock market trading activity was the major reason for the drop in earnings of Saudi banks in 2007

Sources: Tadawul and NBK Capital

Strong growth in core-banking operations safeguarded the return on average equity (RoAE) at a still robust 25%, dropping from around 34% in the previous two years. The return on average assets (RoAA) stood at 3.3%, compared with a whopping 4.6% in 2006 (Figure 10).

Figure 10 Returns and Net Profit Growth: Ten Largest Saudi Banks

Despite a 14% drop in the combined net profit of Saudi banks in 2007, RoAE was a still robust 25%



Sources: Bank's financial statements and NBK Capital

CAPITAL MARKET ACTIVITIES SPIN-OFF

As per the Saudi Capital Market Authority (CMA) regulations, commercial banks have spun off their capital market activities into separate licensed entities, though this might not have a significant effect on the banks' bottom lines. However, the segregation of capital market activities from core commercial banking activities will drive the management of each business activity to focus wholly on its core operations, which should be value-adding in the long term. Riyadh's subsidiary, Riyadh Capital, is fully operational having been launched in January of this year.

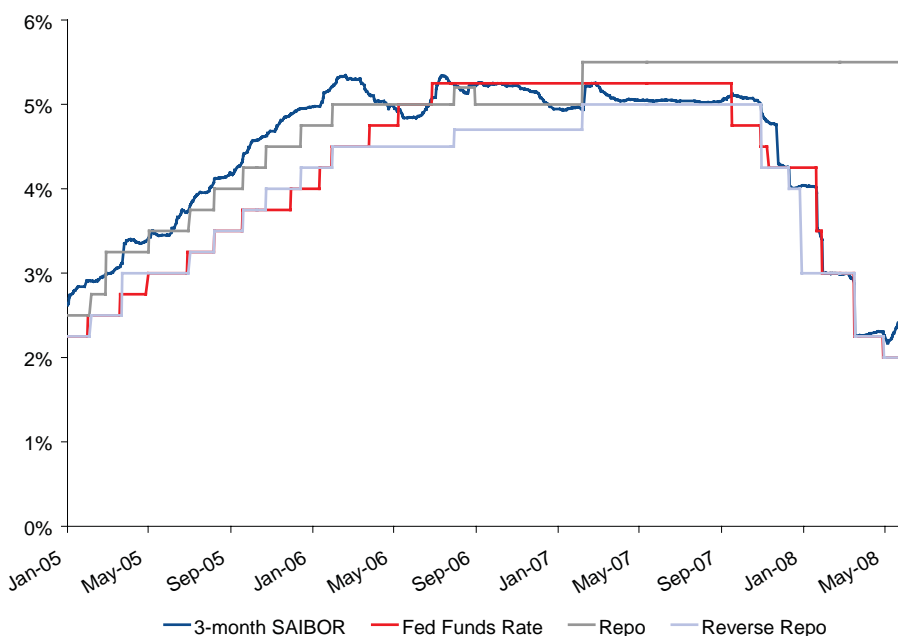
Capital market activities have potential for very strong growth in the years to come. Investment banking, for example, despite strong growth recently, is still in its infancy in Saudi Arabia. The small number of listed companies on Tadawul (119 at the end of May 2008) in relation to the size of the Saudi economy (GDP of USD 377 billion in 2007) and the very low debt levels that Saudi companies generally carry are only two simple indicators of the potential for investment banking growth in Saudi Arabia. Nevertheless, competition for investment banking business is very strong in Saudi Arabia, exerting pressure on profitability from this business line. As for asset management, there is significant wealth to be invested, especially with the price of oil forecasted to remain high, at least in the medium term. Moreover, the value of domestic shares held by the investment funds of Saudi banks makes up a small share of the total market capitalization of Tadawul, reflecting significant potential for the expansion of assets under management of commercial banks, and hence fees to be earned.

DROP IN INTEREST RATES

The collapse of the subprime mortgage market and the burst of the housing bubble in the USA have lead to a severe “credit crunch” and to billions of dollars in write-downs by the largest multinational financial institutions. With the specter of recession looming, the US Federal Reserve (Fed) has responded by cutting the federal funds rate by 3.25% since September 2007, initiating one of the most aggressive interest rate cutting sprees in the history of the Fed. With the Saudi riyal pegged to the USD, SAMA has generally followed the Fed and cut its reverse repurchase rate, the rate it pays for deposits, by 3%. Nevertheless, SAMA did not move its repurchase rate, the rate at which it lends banks, keeping it firm at 5.5% trying to limit the growth in credit. Accordingly, Saudi interbank rates have dropped by more than 2% since the Fed started cutting rates in September 2007 (Figure 11).

Figure 11 Interest Rates

Significant drop in interest rates since September 2007



Sources: Bloomberg and NBK Capital

In addition, SAMA has changed the reserve requirement pertaining to demand deposits four times in the past few months, increasing it from 7% to 13% to try to limit the growth in credit for fear of inflation. More recently, SAMA has also increased the reserve requirement pertaining to saving and time deposits from 2% to 4%.

Current consensus predictions indicate that the Fed’s interest rate cutting policy has nearly come to an end. With the SAR-USD peg expected to remain in place for the medium term, the drop in interest rates in Saudi Arabia is also expected to have nearly ended. The Saudi banking sector is structurally exposed to low interest rates due to an abundance of non-interest-bearing (NIB) deposits in the total deposit base. Demand deposits, which can be used as a rough approximation of NIB deposits stood at 43% of total sector deposits at the end of 2007. Going forward, due to the lower interest rate environment it will be easier for banks to promote the growth of their NIB deposits as opposed to interest-bearing ones.

BANK OVERVIEW

BANK BACKGROUND

Riyad is a major player in the Saudi banking sector, with an 11% share of the country's total banking assets as of December 2007. Riyad is a wholly Saudi-owned bank with the Saudi government indirectly holding 50% of the capital through several government agencies. Another 21% of the capital is owned by two Saudi private shareholders, while the remaining 29% are held by the public. Riyad is a universal bank, offering both conventional and Shari'a compliant products and services. The bank's business operations can be broadly broken down into three major segments: retail banking, corporate banking, and treasury and investment, accounting for 41%, 37%, and 14% of the bank's operating income, respectively, in 2007. Another 8% of operating income does not strictly fall within any one segment. The bank's geographic reach lies almost entirely in Saudi Arabia, with 200 branches (3rd largest network) and 1,811 ATMs (2nd largest network) as of March 2008. Additionally, Riyad has one branch in London, an agency in Houston, United States, and a representative office in Singapore.

The bank employed 4,768 staff at the end of September 2007. Riyad's Saudization ratio was 93% at the end of 2007, one of the highest ratios in the Saudi banking sector. Additionally, 100% of senior management is Saudi. Riyad is rated by the main international rating agencies, Standard and Poor's, Moody's, and Fitch, as A, A1, and A, respectively.

STRATEGY

Riyad is a conservative bank when it comes to risk-taking. The bank's management dislikes volatility in earnings, a volatility that characterized well the earnings of the Saudi banking sector in 2007 and 1Q2008. As a testimony to that, Riyad was the only Saudi bank that did not see a drop in its net profit in 2007. Seeing significant potential domestically, Riyad prefers to focus on the Saudi market. Riyad's broad strategy is three-fold. The first pillar is mainly related to the domestic branch expansion and transformation. In this regard, Riyad plans to open a number of branches in 2008 and 2009, thus adding to its already extensive 200-branch network. The bank aims to eventually have 250 branches operational in Saudi Arabia. Riyad will carry on its plan to modernize some of its branches and move some others to more lucrative areas. Riyad will also continue converting branches to be Shari'a compliant. As much as 21 branches were converted in 2007, bringing the total number of Shari'a compliant branches to 104 at the end of 2007. Nevertheless, all Riyad's non-Shari'a compliant branches also offer Shari'a compliant products. The second pillar of Riyad's strategy is to focus on certain business areas which the bank believes have potential for significant growth in the future. In this regard, Riyad is especially focusing on infrastructure and project financing, wealth management, investment banking, SME lending, and mortgage lending. The bank is also planning to enter the underpenetrated insurance and leasing businesses. The third pillar of Riyad's strategy is to benefit, to the maximum extent possible, from information technology through continuous investment. The focus on information technology aims, in general, to improve the quality of customer service and speed up the response to customer needs.

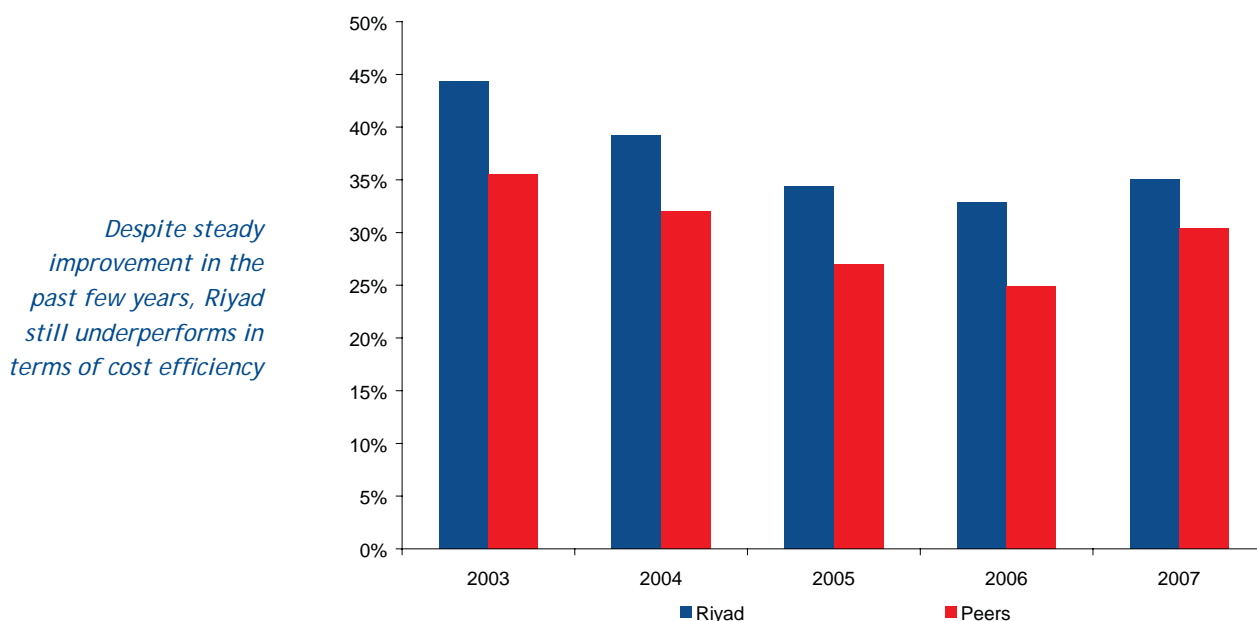
Discussing Riyad's strategy would be incomplete without mentioning the recent SAR 13.1 billion rights issue that was completed successfully in May of this year. The huge size of

this issue, which doubled total shareholder equity, indicates that Riyadh expects significant growth in the balance sheet in the years to come. Nevertheless, this significant capital increase is also to enable the bank to overcome single obligor limits and sector-specific lending limits. Moreover, the rights issue also serves to fortify the bank's capital adequacy for regulatory purposes. With the implementation of Basle II, starting January 2008, Riyadh's capital adequacy ratio (CAR) dropped to 11.7% as of March 2008 down from 15.7% at the end of 2007, under Basle I. Although the regulatory minimum is 8%, it is unlikely that SAMA will be satisfied with ratios below 12%. Finally, the size of the rights issue is, in a way, a reflection of Riyadh's highly conservative stance when it comes to risk-taking.

ROOM FOR BOOSTING PRODUCTIVITY AND OPERATIONAL EFFICIENCY

Riyadh has one of the highest cost-to-income ratios in the Saudi banking sector, standing at 35% in 2007 compared with 30.4% for its peers. Nevertheless, Riyadh's ratio steadily dropped in the years before 2007, as seen in Figure 12.

Figure 12 Cost-to-Income Ratio: Riyadh versus Peers



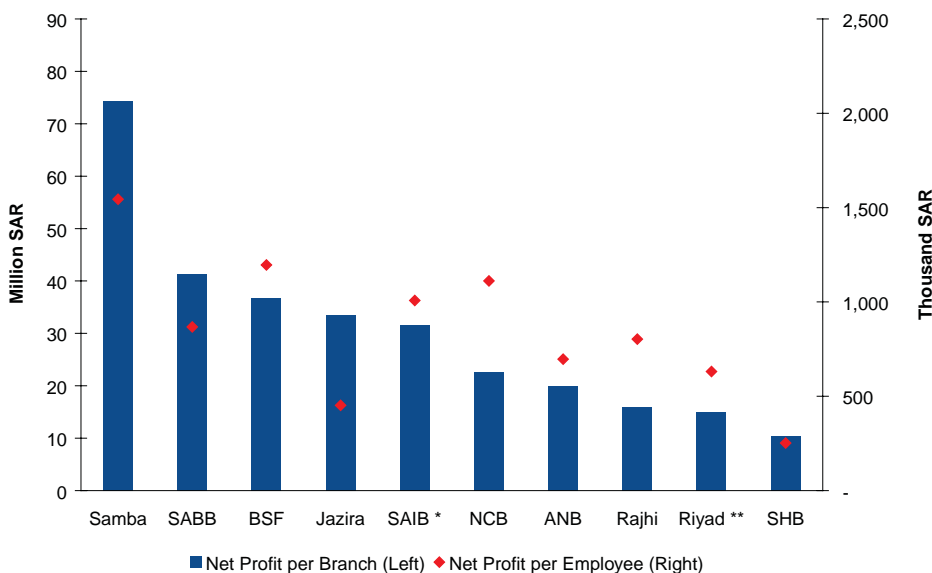
Sources: Bank's financial statements and NBK Capital

This underperformance was despite a very controlled increase in Riyadh's costs. The bank's costs increased by only 29% in the past four years, which is a much lower growth rate than that of its peers. This means that Riyadh underperformed its peers in terms of growing its operating income. Riyadh's operating income grew by a CAGR of 12.8% in the four years ending in 2007 compared with 19.5% for the bank's peers. Riyadh's management is fully aware of the discrepancy between Riyadh and its peers when it comes to cost efficiency. The present initiative to improve efficiency involves both controlling costs as well as expanding income. Nevertheless, with costs increasing very timidly in the past few years, as mentioned before, there is not much room to squeeze costs any further. Hence, the real improvement in efficiency indicators should come about from an expansion in operating income.

In Figure 13, we plot the net profit per branch and net profit per employee for the sample of Saudi banks. Riyad has lower indicators compared with its peers, corroborating our view that productivity has room to improve.

Figure 13 Net Profit per Branch and Net Profit per Employee - 2007

Riyad's lower net profit per branch and net profit per employee as compared with its peers indicate that there is room for efficiency gains



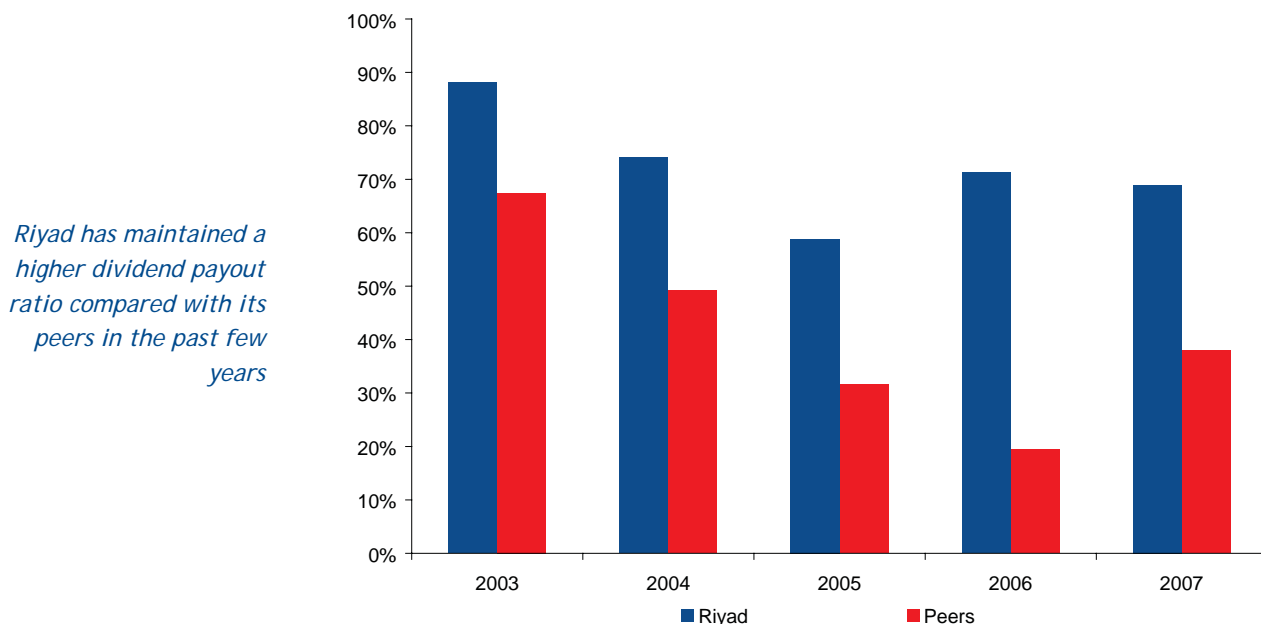
*# of employees as of December 2006, ** # of employees as of September 2007, Sources: Bank's financial statements and NBK Capital

In its efforts to improve operational efficiency, Riyad has embarked on an aggressive plan to increase the use of alternative delivery channels. In this regard, the number of ATMs increased from 687 in 2005 to 1,811 by March 2008, representing a growth rate of 164%. This makes Riyad's ATM network the second largest in the Saudi sector, after Al Rajhi's. Riyad is also focusing on opening "minibranches", which are almost fully-electronic sections within its branches with very little staff presence. According to Riyad's annual report, users of RiyadOnline, RiyadMobile, and RiyadTadawul increased greatly in 2007. It is worth noting that in 2007 Riyad received the "Best Electronic Bank in the Middle East" award by the "World Finance" magazine.

A HIGHER DIVIDEND PAYOUT COMPARED WITH PEERS

Riyad has consistently maintained one of the highest dividend payout ratios (average of 68% in the past four years) in the Saudi banking sector, as can be seen in Figure 14.

Figure 14 Dividend Payout: Riyadh versus Peers



Sources: Bank's financial statements and NBK Capital

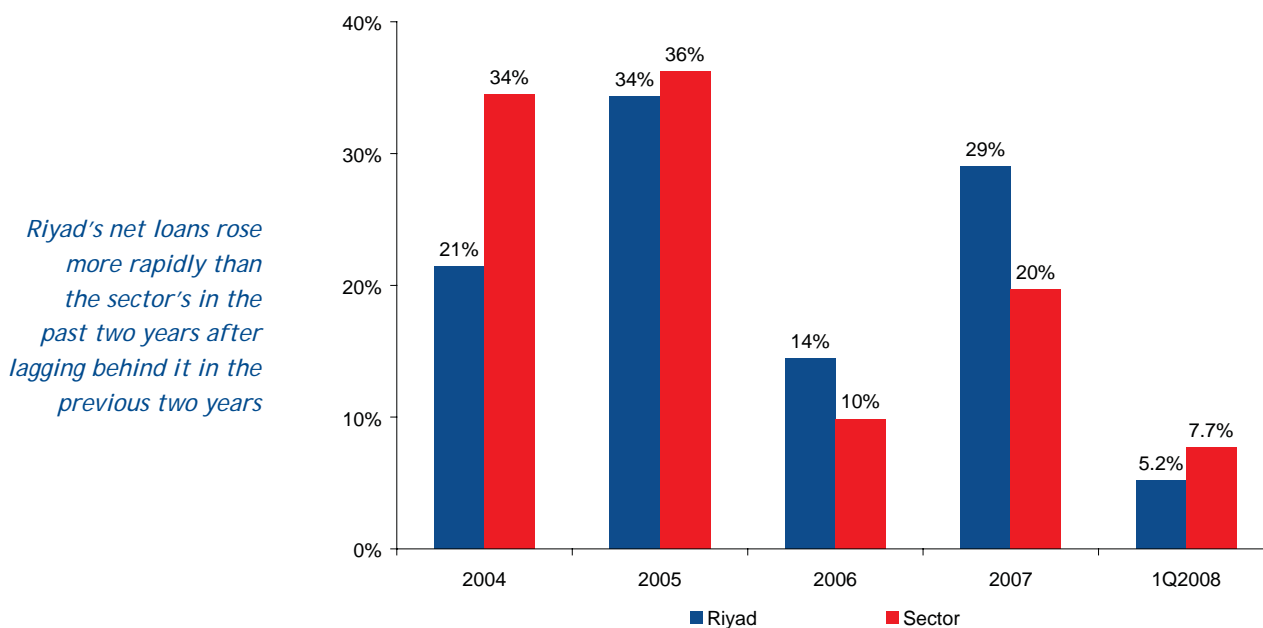
The bank has maintained its net yearly dividend payment to SAR 3.2 per share in the past three years. With the significant rights issue this year, it will be hard for Riyadh to maintain the same dividend payment on a per share basis, although payout should not necessarily be affected. Going forward, we believe net profit will grow quicker than the yearly dividend payments, leading to a drop in the average payout ratio.

FINANCIAL OVERVIEW AND FORECASTS

LENDING

Riyad's net loans rose more rapidly than the sector's in the past two years after lagging behind it in the previous two years. On average in the past four years, loans at Riyadh grew in line with loans in the overall sector, each increasing by a CAGR of 24.6% (Figure 15).

Figure 15 Loan Growth: Riyadh versus Sector



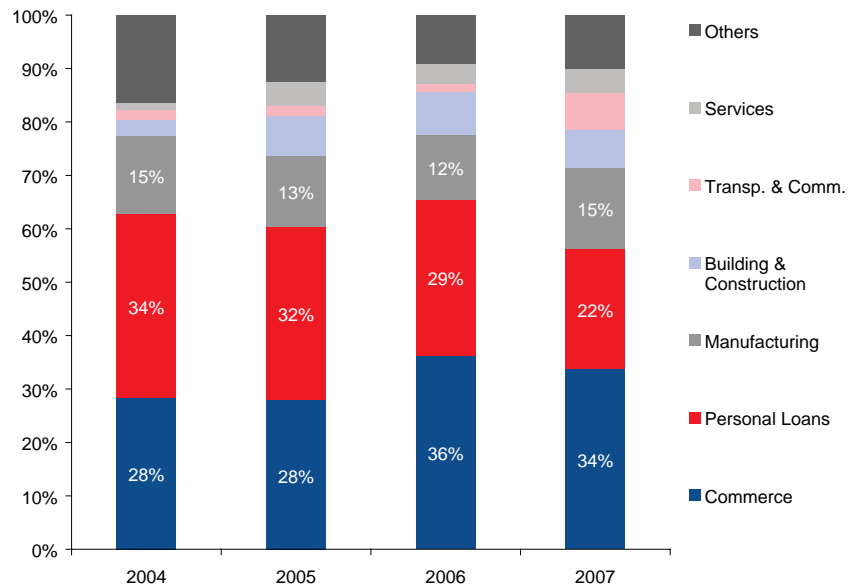
Sources: Riyadh's financial statements, SAMA, and NBK Capital

Lending growth was rapid in 2004 and 2005, driven by the surge in consumer lending. Toward the end of 2005, SAMA issued guidelines aiming to curb the excessive growth in consumer lending, as mentioned before. The regulations had an immediate effect, and consumer lending growth has since reached a standstill. The relatively weak growth in overall lending in 2006 was mainly attributed to those regulations. Nevertheless, since 2Q2007, lending in the overall sector, including Riyadh, picked up again, driven by the corporate book.

Figure 16 shows the breakdown of Riyadh's lending portfolio during the past four years. In line with the overall sector, Riyadh's personal loans dropped rapidly as a share of the total lending book in both 2006 and 2007. In 2007, three lending categories, namely, Transportation and Communication, Manufacturing, and Commerce, each accounted for around 25% of the total increase in loans. The fastest growing category in 2007 was Transportation and Communication with a 6.4-fold increase. Lending to the commerce sector still represents the biggest chunk of total loans with a 34% share, reflecting Riyadh's leadership in commerce financing.

Figure 16 Breakdown of Riyadh's Lending Book

The corporate book is driving lending growth with three sectors representing 75% of the total increase in lending in 2007

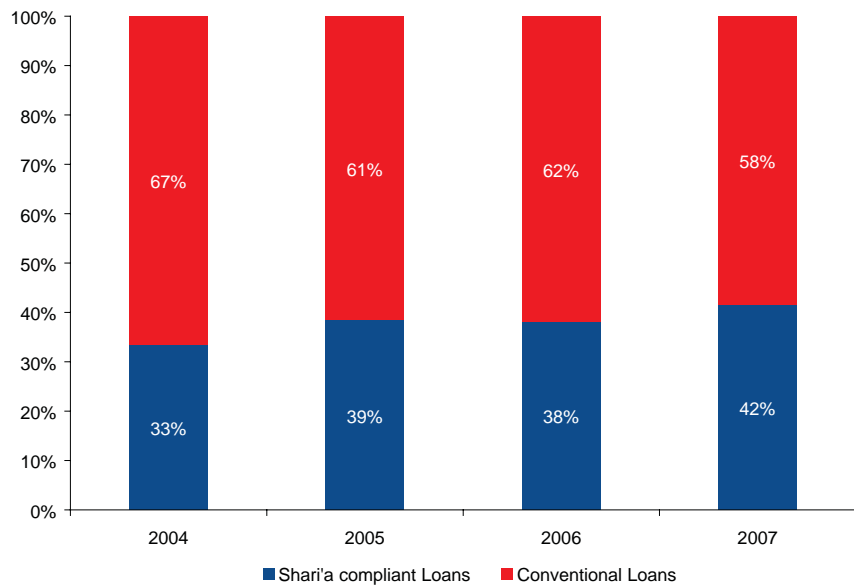


Sources: Riyadh's financial statements and NBK Capital

It is worth noting that Riyadh's Shari'a compliant loans have been growing faster than conventional loans in the past few years, hence increasing their share from 33% of total loans in 2004 to 42% in 2007 (Figure 17). Islamic banking is growing faster than conventional banking not in Saudi Arabia only but also all across the GCC. As mentioned before, more than half of Riyadh's branches are now Shari'a compliant offering only Islamic products while all other branches offer both Shari'a compliant and conventional products.

Figure 17 Breakdown of Total Loans

Shari'a compliant lending has been growing faster than conventional lending



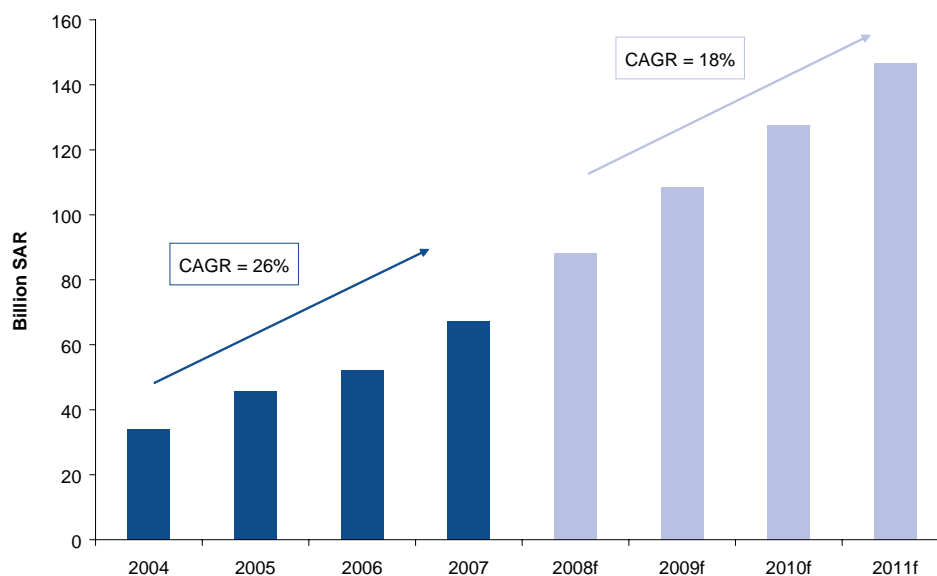
Sources: Riyadh's financial statements and NBK Capital

Commercial banking penetration rates (as measured by loans-to-GDP, for example) have been increasing in Saudi Arabia. Nevertheless, with a low loans-to-GDP ratio of 42%, there is still significant room for growth. As mentioned before, the SME and mortgage sectors are underserved. Moreover, consumer lending will grow again if SAMA relaxes its regulations. Finally, the current low interest rate environment is one more driver of lending growth.

We forecast Riyad's loan book to reach SAR 88 billion by the end of 2008, and to grow in line with the sector, at a CAGR of 18%, in the coming three years (Figure 18). We expect the corporate book to continue to drive overall lending as growth in consumer lending will likely remain subdued. Riyad has expanded its team of relationship managers to enable and facilitate the growth in corporate banking. Riyad will continue to benefit from the robust operating environment in Saudi Arabia, where project financing and infrastructure lending will provide significant potential for Riyad's corporate business, especially as the bank already has a well-established franchise in syndicated lending. Moreover, Riyad's lending growth will also be driven by the SME sector which is a big focus area for Riyad. Finally, mortgage lending, which is another focus area for Riyad, will also contribute to lending growth. The bank's mortgage book has grown very rapidly in the past few years, although from a very small base. Mortgage lending has potential for significant growth in Saudi Arabia, given its current underpenetrated status and especially if the regulatory environment is supportive. In this regard, a long-awaited mortgage law is expected to go into effect in 2008.

Figure 18 Riyad's Net Loans

We forecast Riyad's net loans to grow by a CAGR of 18% in the three years ending in 2011



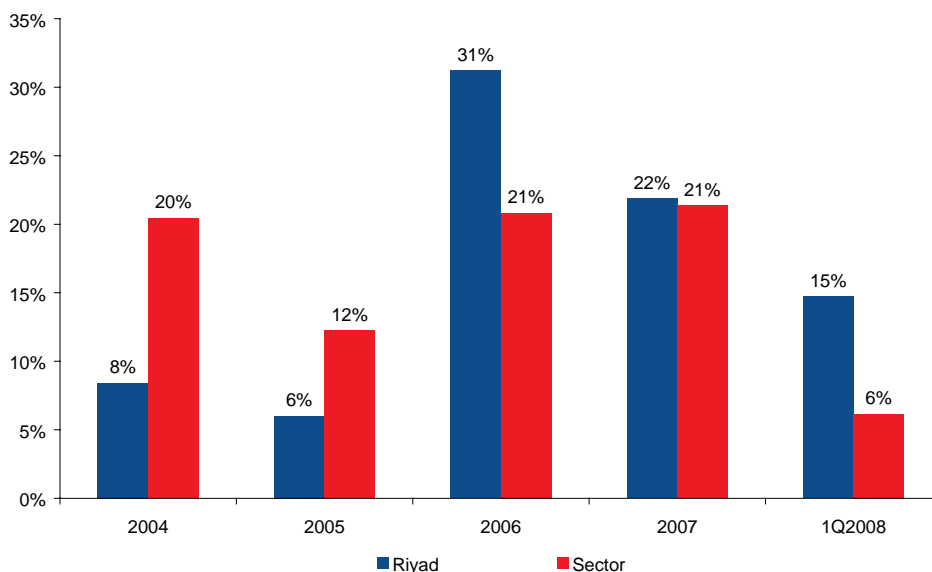
Sources: Riyad's financial statements and NBK Capital

DEPOSIT ACCUMULATION

Riyad accumulated deposits faster than the overall growth rate of sector deposits in the past two years after lagging behind it in 2004 and 2005. Riyad's deposits increased significantly (+15%) in 1Q2008 exceeding the sector's growth rate by a wide margin (Figure 19).

Figure 19 Deposit Growth: Riyad versus Sector

Deposits grew more rapidly at Riyad than they did in the sector in the past two years

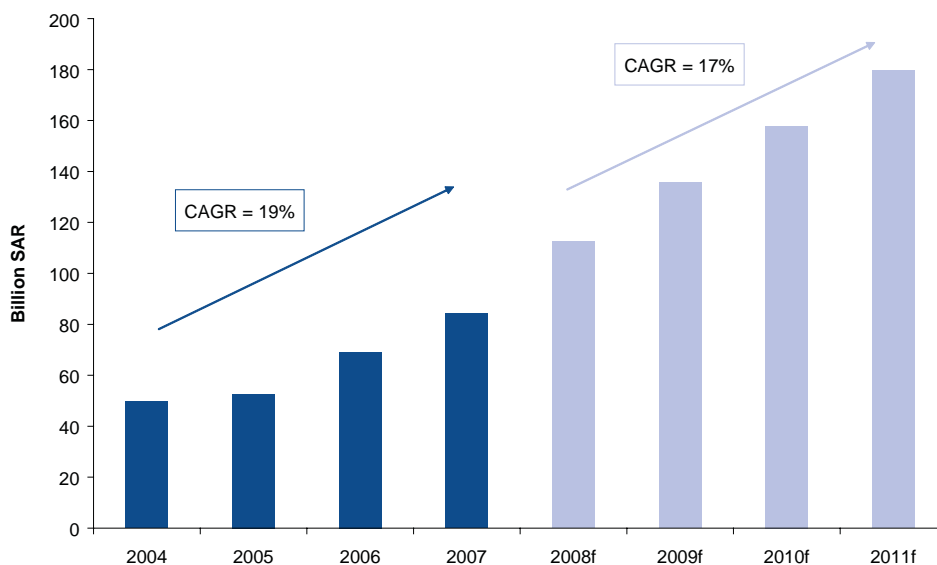


Sources: Riyad's financial statements, SAMA, and NBK Capital

Riyad's broad branch network facilitates the deposit accumulation process. Going forward, attracting more deposits is a key focus for the bank. Riyad's management has indicated that it is important to increase the depositor base, even when deposits are not necessarily needed, as those newly-won customers will stay with the bank for the long term. Riyad's demand deposits grew significantly (+36%) in 2007 after growth was flat in 2005 and 2006. The Saudi banking sector still has a high share of NIB deposits in total deposits. The lower interest rate environment will make it easier for banks to promote their NIB deposits as opposed to interest-bearing ones. SAMA has a "soft rule" limiting banks' loans to 85% of their deposits. This will force banks to increase their deposits to keep their loans-to-deposits ratios in check. Riyad's loans-to-deposits ratio stood at 73% in March 2008, dropping from 80% at the end of 2007 on the back of the significant growth in deposits in 1Q2008. We forecast an increase in the loans-to-deposits ratio to 78% at the end of 2008 and up to 83% by the end of our forecast period. Accordingly, we forecast deposits to reach SAR 112.6 billion at the end of this year and to grow by a CAGR of 17% in the coming three years (Figure 20).

Figure 20 Riyad’s Deposits

We forecast Riyad’s deposits to grow by a CAGR of 17% in the three years ending in 2011



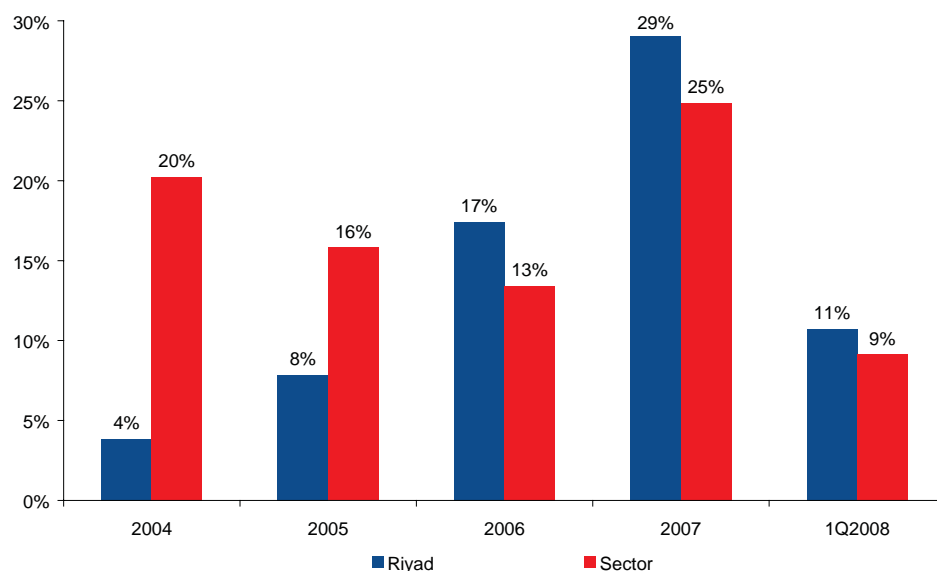
Sources: Riyad’s financial statements and NBK Capital

TOTAL BALANCE SHEET GROWTH AND USES OF FUNDS

In terms of total balance sheet growth, Riyad outgrew the overall sector in the past two years after lagging behind it in 2004 and 2005 (Figure 21).

Figure 21 Asset Growth: Riyad versus Sector

Riyad outgrew the sector in terms of balance sheet growth in the past two years

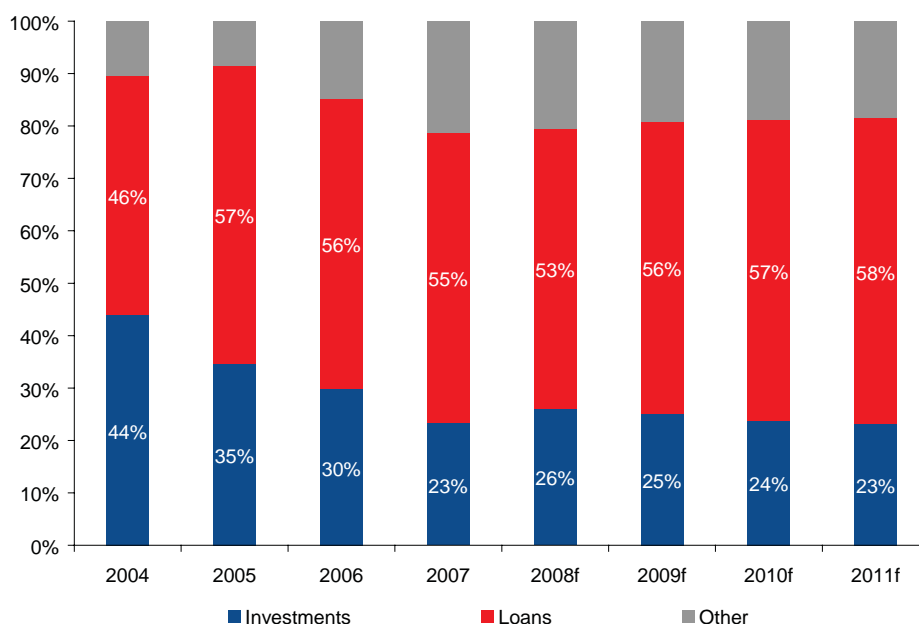


Sources: Riyad’s financial statements, SAMA, and NBK Capital

Investments have represented an increasingly smaller share of Riyadh's total assets in the past few years with that share dropping from 44% in 2004 to 23% in 2007 (Figure 22). The drop in Saudi government bonds is one primary reason, as the Saudi government is reducing the size of its debt. Riyadh has a substantial portfolio of international investments (SAR 11.8 billion as of December 2007, representing 10% of total assets). The majority of this portfolio (90%) is externally managed by professional asset managers. Riyadh's total investment earnings have consistently contributed to the bank's operating income (an average of 10% of operating income in the past five years). Nevertheless, investment earnings are prone to quarterly volatility as was seen in 1Q2008 when Riyadh incurred a SAR 163 million trading loss.

Figure 22 Riyadh's Asset Breakdown

We forecast a slight increase in the share of loans in total assets, growing from 55% in 2007 to 58% in 2011



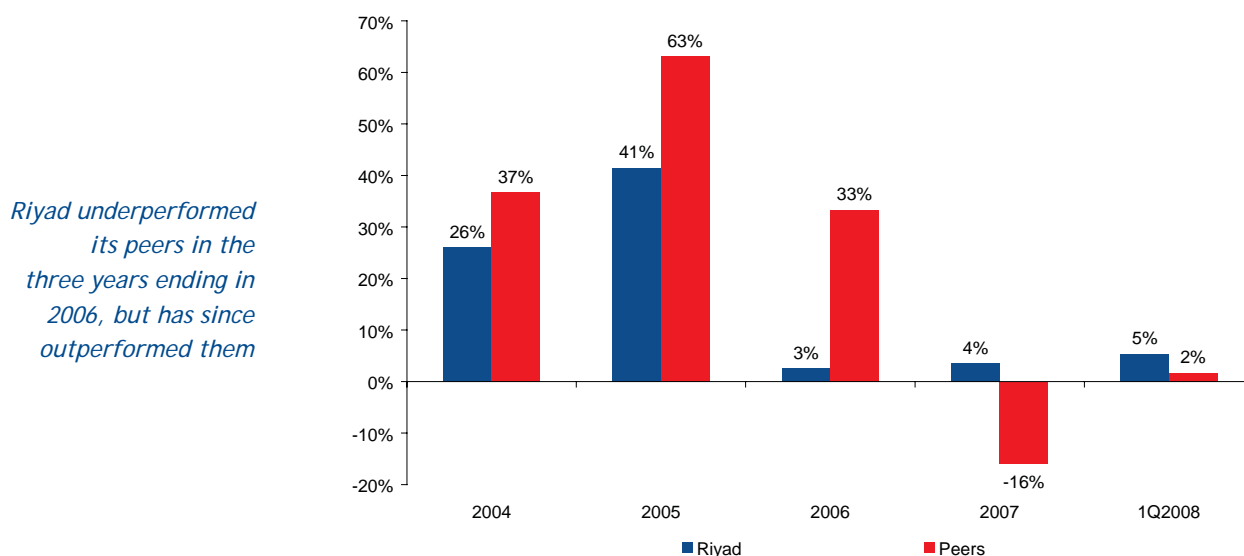
Sources: Riyadh's financial statements and NBK Capital

Riyadh's investments soared by 31% in 1Q2008 driven by the Saudi government's issuance of treasury bills. Total treasury bills held by the commercial banks in Saudi Arabia increased from SAR 3 billion in September 2007 to SAR 17 billion by December 2007, and rocketed to SAR 58 billion by March 2008. The explanation of this trend is that the Saudi government is issuing more bills to diminish excess liquidity in the sector, hence decreasing lending growth, and eventually trying to control the soaring inflation. Excess liquidity can also be seen in the sharp increase in balances with SAMA in 4Q2007 and 1Q2008 where total cash on hand and balances with SAMA reached 13% of total assets by March 2008. The share of loans in total assets, on the other hand, has been relatively constant at around 55% in the past two years. We forecast a slight increase in the share of loans in total assets, growing from 55% in 2007 to 58% in 2011.

PROFITABILITY

In terms of net profit growth, Riyadh underperformed its peers in the three years ending in 2006, but has since outperformed them (Figure 23). Riyadh's previous underperformance in terms of net profit growth was a result of its underperformance in terms of operating income growth. Riyadh's operating income grew by a CAGR of 15% in the three years ending in 2006 compared with nearly double that figure (29%) for its peers.

Figure 23 Net Profit Growth: Riyadh versus Peers



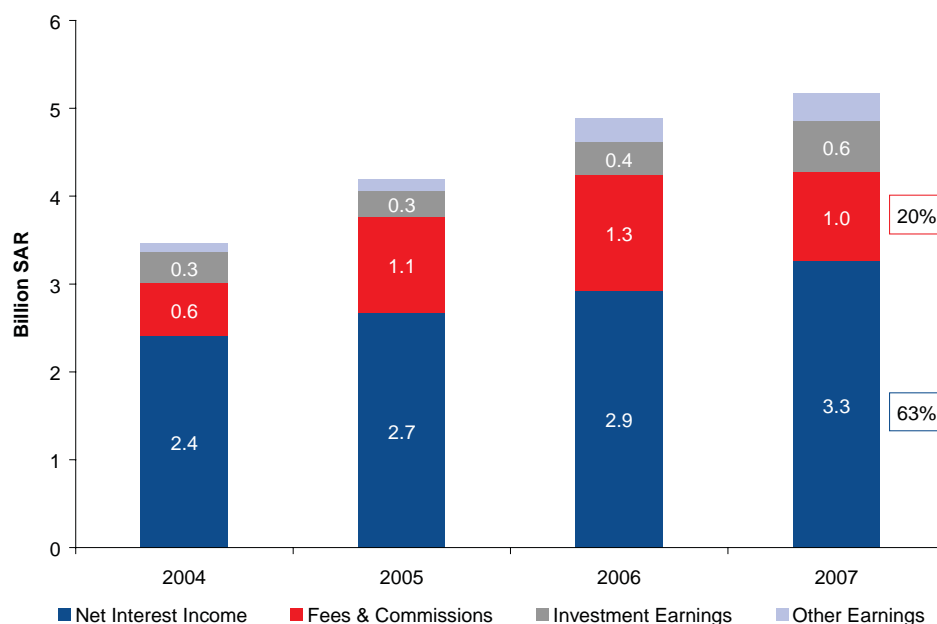
Sources: Bank's financial statements and NBK Capital

A closer look shows that Riyadh lagged behind its peers in terms of both net interest income growth and income from fees and commissions growth. Riyadh's net interest income grew by a CAGR of 10.5% in the three years ending in 2006 compared with a growth of 19% for the peers. In addition, Riyadh's income from fees and commissions grew by a CAGR of 51% in the three years ending in 2006 compared with a growth of 68% for the peers. This deficient operating income growth is the prime reason Riyadh has worse operational efficiency indicators compared with its peers, as mentioned before. However, in 2007, Riyadh was the only Saudi bank that did not witness a drop in its earnings. Its net profit grew by a slim 4% while the combined earnings of the peers dropped by 16%. A prime reason for Riyadh's outperformance in 2007 was that the bank's income from fees and commissions was hit less drastically than its peers'. Riyadh's income from fees and commissions dropped by 23% in 2007 compared with a 42% plummet for its peers. A closer look at Riyadh's income from fees and commissions reveals that fees from share trading and fund management were slashed by 56% in 2007, while fees from core-banking operations grew by a handsome 53%, thus lessening the overall drop in fees and commissions to 23%, as already mentioned. In 1Q2008, Riyadh slightly outperformed its peers in terms of net profit growth, as can be seen in Figure 23. Nevertheless, a closer look shows that Riyadh's outperformance is not related to superior operating income growth but rather to a more moderate increase in costs compared with its peers and to a drop in loan loss provisions compared with 1Q2007.

It is clear now that Riyadh's operating income and net profit were less volatile than those of its peers, growing less quickly when the atmosphere was positive and being hit less when things turned sour. In Figure 24, we plot the components of Riyadh's operating income in the past four years.

Figure 24 Components of Riyadh's Operating Income

Unlike income from fees and commissions, net interest income increased steadily, accounting for 63% of operating income in 2007



Sources: Riyadh's financial statements and NBK Capital

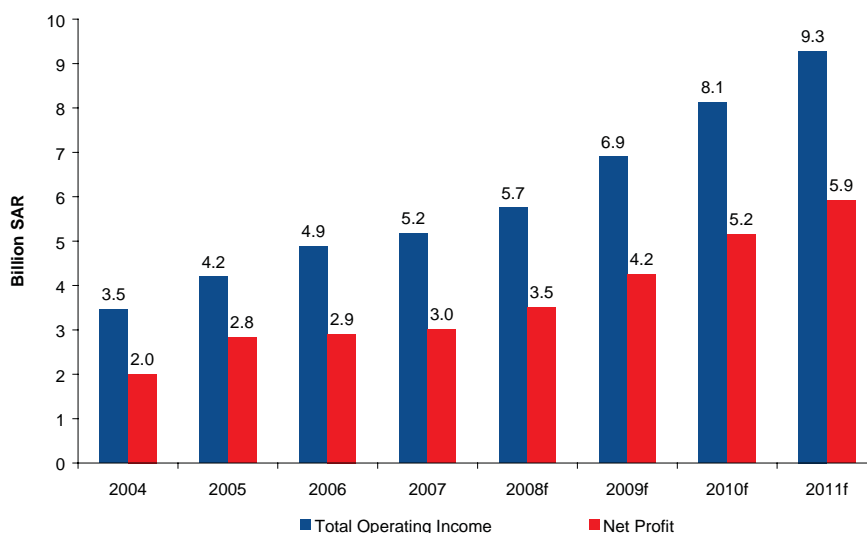
Banks in Saudi Arabia are structurally exposed to a low interest rate environment due to the large share of NIB deposits in total deposits. Nevertheless, we do not see major shifts in spreads as rates on loans are stickier than rates on deposits in a falling interest rate environment. Moreover, the global credit crunch has affected corporate spreads and decreased the drop in yields on corporate loans due to the drop in benchmark rates, in Saudi's case, the Saudi interbank rate (SAIBOR). Going forward, we expect net interest income to remain the major income component, accounting for around 70% of operating income in our forecast horizon. We also forecast income from fees and commissions to grow by a CAGR of 17% in the coming five years driven by core banking operations as well as non-core banking operations, especially through brokerage commissions and asset management fees. Riyadh is a leader in asset management with 30 investment funds and a total of SAR 28.5 billion of assets under management as of December 2007. As a testimony to the bank's superior asset management franchise, it has been a consistent recipient of numerous awards related to the performance of its funds. We note that all investment and capital market activities have been transferred to the newly-launched Riyadh Capital (a wholly owned subsidiary of Riyadh Bank), in conformity with CMA regulations.

As for cost dynamics, we believe Riyadh will continue to do a good job in controlling its cost growth, thus improving the bank's efficiency indicators. We expect a drop in the cost-to-income ratio from 35% in 2007 to 33% at the end of our forecast horizon, driven by the

tight control on cost expansion and a more rapid growth in operating income. We forecast Riyadh’s total operating income to grow by a CAGR of 16% in the three years ending in 2010, reaching SAR 8.1 billion, and net profit to grow by 20%, reaching SAR 5.2 billion (Figure 25).

Figure 25 Riyadh’s Total Operating Income and Net Profit

We forecast Riyadh’s net profit to grow by a CAGR of 20% in the three years ending in 2010

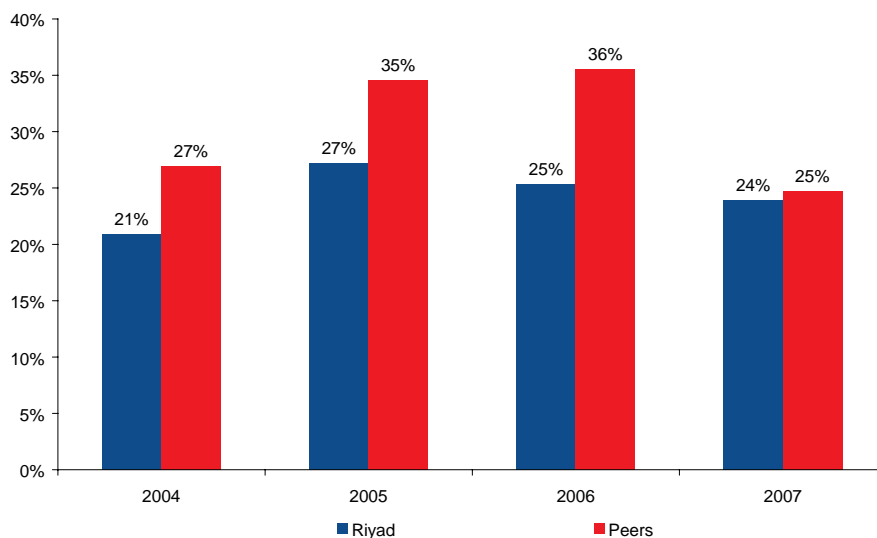


Sources: Riyadh’s financial statements and NBK Capital

In terms of return on capital, Riyadh has logged a lower RoAE than did its peers despite having a lower equity-to-assets ratio in the past two years, reflecting Riyadh’s lower net profit growth.

Figure 26 RoAE: Riyadh versus Peers

Riyadh underperformed its peers in terms of RoAE in the past four years



Sources: Bank’s financial statements and NBK Capital

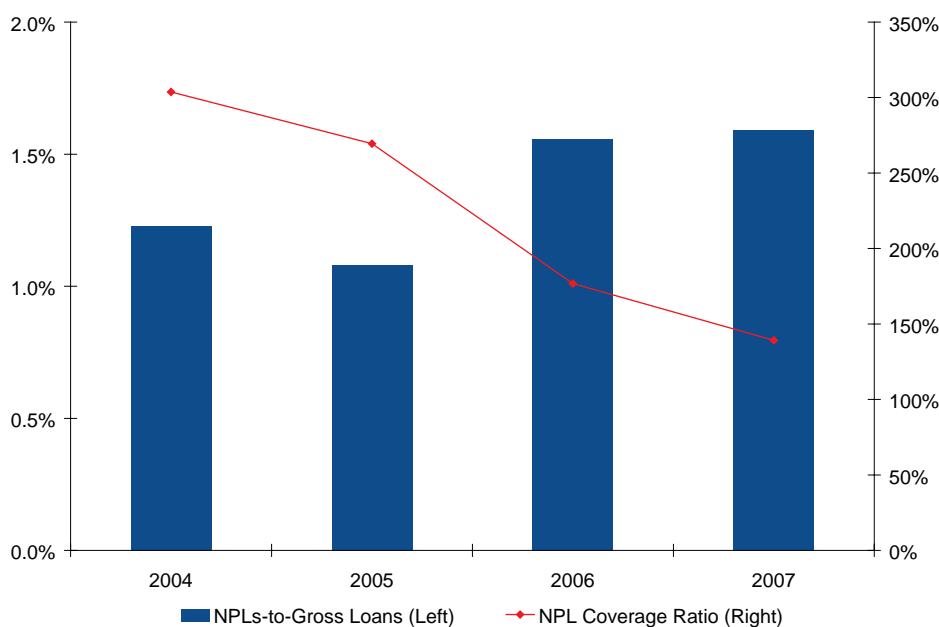
With the SAR 13.1 billion rights issue completed in May of this year, Riyadh’s RoAE will witness a significant drop in the coming few years. We expect RoAE to stand at 17% in 2008 and to increase slightly to 18% at the end of our forecast horizon.

ASSET QUALITY

Riyadh’s asset quality indicators have worsened in the past few years but are still very satisfactory. According to management, the bank has no exposure to instruments that might have been affected by the US subprime mortgage market. The NPLs-to-gross loans ratio increased from 1.1% in 2005 to 1.6% in 2007 as the absolute level of NPLs more than doubled during that period. The NPL coverage ratio dropped from a high of 304% in 2004 to 139% in 2007 (Figure 27).

Figure 27 Riyadh’s Asset Quality Indicators

Asset quality indicators have deteriorated in the past two years but are still very satisfactory



Sources: Riyadh’s financial statements and NBK Capital

Riyadh has not taken any additional portfolio provisions in the past four years, keeping them constant at around SAR 1.1 billion. We expect the NPLs-to-gross loans ratio to stay below 2% in our forecast horizon while the NPL coverage ratio is forecasted to continue dropping, but not to fall below the 100% mark. According to management, the bank is already in full compliance with Basle II regulations, and therefore has already met the January 2008 deadline imposed by SAMA. The bank has implemented the Standardized Approach for credit risk, market risk, and operational risk. Basle II implementation led to a drop in the capital adequacy ratio from 15.7% in December 2007 to 11.7% in March 2008, mainly due to the additional operational risk and Pillar II risks capital charges. Nevertheless, the recent rights issue will restore capital adequacy to levels much higher than the 8% minimum required by both SAMA and Basle II. We expect capital adequacy to remain over 16% during our forecast horizon.

FINANCIAL STATEMENTS

Balance Sheet (SAR Thousands)			Forecast					
Fiscal Year Ends December	2006	2007	2008	2009	2010	2011	2012	2013
ASSETS								
Cash and balances with SAMA	5,173,978	16,579,009	24,068,851	25,426,496	28,328,851	30,887,565	33,896,431	37,939,011
Due from Banks	5,713,439	4,168,405	4,748,669	6,145,062	7,494,634	8,817,673	10,277,961	11,888,237
Net Investments	27,986,541	28,234,659	43,122,610	48,687,882	53,154,017	58,049,098	63,415,136	69,298,300
Net Loans and Advances	52,183,101	67,340,425	88,234,043	108,512,061	127,621,995	146,546,474	167,493,733	190,654,230
Net Fixed Assets	1,168,699	1,472,211	1,533,560	1,751,256	2,001,481	2,289,109	2,619,744	2,999,828
Other Assets	1,790,087	3,556,116	3,577,027	3,846,656	4,129,517	4,401,341	4,687,601	5,003,913
Total Assets	94,015,845	121,350,825	165,284,761	194,369,414	222,730,495	250,991,260	282,390,606	317,783,520
LIABILITIES & EQUITY								
Due to Banks	8,167,032	17,798,326	17,807,509	21,507,718	24,357,559	28,657,437	31,861,679	35,664,712
Customer Deposits	69,191,618	84,331,207	112,585,553	135,593,172	157,807,146	179,564,975	203,595,645	230,110,741
Other Purchased Funds	1,870,852	1,872,017	1,872,017	1,872,017	1,872,017	-	-	-
Other Liabilities	2,794,380	4,162,480	4,271,464	4,650,438	5,047,332	5,458,372	5,896,805	6,374,077
Total Liabilities	82,023,882	108,164,030	136,536,543	163,623,345	189,084,054	213,680,784	241,354,130	272,149,529
Minority Interest	-	-	-	-	-	-	-	-
Total Shareholders' Equity	11,991,963	13,186,795	28,748,218	30,746,069	33,646,441	37,310,477	41,036,476	45,633,990
TOTAL LIABILITIES & EQUITY	94,015,845	121,350,825	165,284,761	194,369,414	222,730,495	250,991,260	282,390,606	317,783,520
Income Statement (SAR Thousands)			Forecast					
Fiscal Year Ends December	2006	2007	2008	2009	2010	2011	2012	2013
Net Special Commission Income *	2,926,049	3,266,376	4,084,805	4,887,884	5,759,053	6,601,648	7,486,883	8,445,970
Income from Fees and Commissions	1,317,424	1,010,543	1,290,488	1,463,476	1,677,243	1,912,226	2,198,070	2,521,067
Other Operating Income	642,666	891,209	373,222	544,974	687,333	766,849	851,817	944,373
Total Operating Income	4,886,139	5,168,128	5,748,515	6,896,335	8,123,630	9,280,723	10,536,769	11,911,410
Provisions for Credit Losses	(372,486)	(345,530)	(264,476)	(349,219)	(329,103)	(325,909)	(360,744)	(398,860)
Salaries and Employee Related Expenses	(875,363)	(960,038)	(1,027,241)	(1,181,327)	(1,358,526)	(1,562,305)	(1,749,781)	(1,959,755)
General and Administrative Expenses	(565,408)	(656,056)	(721,662)	(865,994)	(995,893)	(1,145,277)	(1,317,069)	(1,514,629)
Depreciation	(150,029)	(195,013)	(223,714)	(251,944)	(289,736)	(333,196)	(383,176)	(440,652)
Other Operating Expenses	(14,299)	(245)	-	-	-	-	-	-
Total Operating Expenses	(1,977,585)	(2,156,882)	(2,237,092)	(2,648,484)	(2,973,258)	(3,366,687)	(3,810,770)	(4,313,896)
Net Operating Profit	2,908,554	3,011,246	3,511,423	4,247,851	5,150,372	5,914,036	6,726,000	7,597,514
Other Income / (Expenses)	-	-	-	-	-	-	-	-
Income Taxes	-	-	-	-	-	-	-	-
Minority Interest	-	-	-	-	-	-	-	-
Net Profit	2,908,554	3,011,246	3,511,423	4,247,851	5,150,372	5,914,036	6,726,000	7,597,514
Key Ratios			Forecast					
Fiscal Year Ends December	2006	2007	2008	2009	2010	2011	2012	2013
Growth in Loans	14.4%	29.0%	31.0%	23.0%	17.6%	14.8%	14.3%	13.8%
Growth in Deposits	31.2%	21.9%	33.5%	20.4%	16.4%	13.8%	13.4%	13.0%
Growth in Net Profit	2.5%	3.5%	16.6%	21.0%	21.2%	14.8%	13.7%	13.0%
Growth in Operating Income	16.5%	5.8%	11.2%	20.0%	17.8%	14.2%	13.5%	13.0%
Loans-to-Assets	55.5%	55.5%	53.4%	55.8%	57.3%	58.4%	59.3%	60.0%
Loans-to-Deposits	75.4%	79.9%	78.4%	80.0%	80.9%	81.6%	82.3%	82.9%
NPLs-to-Gross Loans	1.6%	1.6%	1.6%	1.7%	1.7%	1.8%	1.8%	1.8%
NPL Coverage	176.8%	139.2%	121.9%	115.7%	110.9%	106.9%	103.2%	99.9%
Capital Adequacy	17.6%	15.7%	20.1%	18.1%	17.2%	16.7%	16.2%	15.9%
Growth in Costs	12.4%	13.8%	8.9%	16.6%	15.0%	15.0%	13.5%	13.5%
Non Interest Expense-to-Average Assets	2.3%	2.0%	1.6%	1.5%	1.4%	1.4%	1.4%	1.4%
Cost-to-Income	32.9%	35.0%	34.3%	33.3%	32.5%	32.8%	32.7%	32.9%
Non Interest Income-to-Operating Income	40.1%	36.8%	28.9%	29.1%	29.1%	28.9%	28.9%	29.1%
Dividend Payout	71.2%	68.9%	64.1%	53.0%	43.7%	50.7%	44.6%	39.5%
Net Interest Margin	3.7%	3.4%	3.2%	3.0%	3.1%	3.1%	3.1%	3.1%
RoAE	25.3%	23.9%	16.7%	14.3%	16.0%	16.7%	17.2%	17.5%
RoAA	3.3%	2.8%	2.5%	2.4%	2.5%	2.5%	2.5%	2.5%

* Equivalent to net interest income. Sources: Riyad's financial statements and NBK Capital



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