Analyst Comment

NBK CAPITAL

April 20, 2010

ARAB NATIONAL BANK (1080.SE)

12-Month Fair Value: SAR 51.20
Last Close (19 April 2010): SAR 44.40
Recommendation: Accumulate - Risk Level: 2

- Arab National Bank (ANB) reported a net profit of SAR 634 million in 1Q2010, 9% below 1Q2009 but 114% above 4Q2009. The level of provisions taken in 1Q2010 was not disclosed. However, it looks like provisioning in 1Q2010 was fairly comparable to the average quarterly figure in FY2009, although this cannot be confirmed yet.

- Net interest income stood at SAR 803 million, 12% below 1Q2009 and 1% below 4Q2009. Non-interest income was strong reaching SAR 322 million, 32% above 1Q2009. Operating income stood at SAR 1,125 million, 3% below 1Q2009.

- ANB's total assets were nearly unchanged compared with December 2009 at around SAR 110 billion. ANB's net loans declined for the fifth quarter in a row, dropping by 2% in 1Q2010 to stand at SAR 65.4 billion. Deposits dropped by 6% in 1Q2010 to stand at SAR 77.7 billion.

- ANB's strong non-interest income resulted in a top-line that is slightly above our forecast for 1Q2010. ANB's loan growth continues to be weak. However, our forecast for ANB's loan growth in FY2010 stands at a mere 2%. Our fair value for ANB (SAR 51.20) is 15% above the bank's latest closing price (SAR 44.40), hence, our recommendation on the stock is "Accumulate".

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Related Research

- ANB Update - 31 March 2010

RISK AND RECOMMENDATION GUIDE

RECOMMENDATION	UPSIDE (DOWNSIDE) POTENTIAL
BUY	MORE THAN 20%
ACCUMULATE	BETWEEN 5% AND 20%
HOLD	BETWEEN -10% AND 5%
REDUCE	BETWEEN -25% AND -10%
SELL	LESS THAN -25%

RISK LEVEL				
LOW RISK				HIGH RISK
1	2	3	4	5

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