Global
Global Investment House

Global Research – Saudi Arabia

Result Update

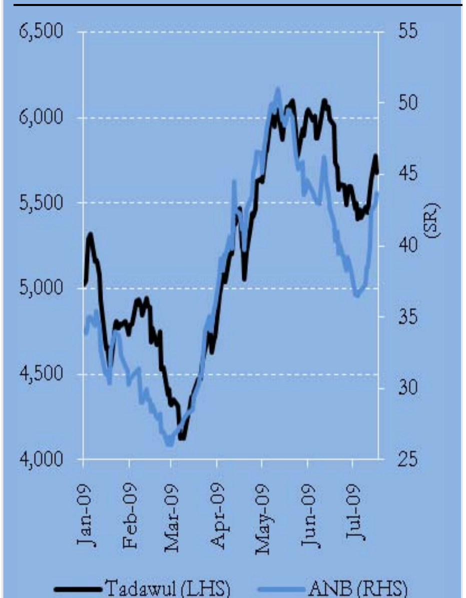
Arab National Bank – 1H/2009 Review

Market Data

Bloomberg Code:	ARNB AB
Reuters:	1080.SE
CMP (19 July 2009):	SR43.7
O/S (mn):	650.0
Market Cap (SRmn):	28,405.0
Market Cap (US$mn):	7,575.0
Price/EPS 2009e (x):	10.7
Price/BVPS 2009e (x):	2.1

Price Performance	1-Yr
High (SR):	62.0
Low (SR):	26.1
Average Volume (000):	238.7

Share Price Performance



*Source: Zawya & **Global** Research*

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- **Arab National Bank (ANB)** quarterly net income increase of 7.4% (from SR695mn in 1Q09 to SR746mn in 2Q09) led to semi-annual net income increase of 1.2% (from SR1,424mn in 1H08 to SR1,441mn in 1H09), while on annual basis the profitability recorded a marginal drop of 0.8% (from SR752mn in 2Q08 to SR746mn in 2Q09). The bank's improved performance can broadly be attributed to higher core banking performance.

- As we await the detailed financial results for more elaborate analysis, we have not yet revised our current estimates and earlier expected the bank to post net income growth of 7.8% in FY09.

Financial highlights

(all fig. in SR mn, unless stated)	2Q08	2Q09	*YoY*	1H08	1H09	*YoY*
Net special comm. income	855.0	894.0	*4.6%*	1,730.0	1,806.3	*4.4%*
Operating income	1,179.1	1,212.0	*2.8%*	2,225.0	2,369.0	*6.5%*
Net income	752.1	746.0	*-0.8%*	1,424.0	1,441.0	*1.2%*
EPS (SR)	1.16	1.15	*-0.8%*	2.19	2.22	*1.2%*
Assets (SR bn)	110.3	115.1	*4.4%*	110.3	115.1	*4.4%*

Source: Tadawul & Company reports

- The bank's net special commission income posting an annual rise of 4.6% (from SR855mn in 2Q08 to SR894mn in 2Q09), showed semi-annual increase of 4.4% recording net special commission income of SR1,806mn in 1H09. The improved performance was supported by higher non-interest income as the total operating income on quarterly basis showed rise of 2.8%, and semi-annual growth of 6.5% (from SR2,225mn in 1H08 to SR2,369mn in 1H09).

- ANB's improved operating income performance was not fully reflected in the bottom-line profitability. This indicates a possible increase in operating expenses (inclusive of provision of credit losses) and /or lower income from associate.

Arab National Bank quarterly performance

(SR mn)	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09
Net income	672.2	752.2	628.0	434.0	694.8	746.0

Source: Tadawul & Company reports

- The bank's customer deposit base showed marginal (YoY) increase of 0.4% (from SR84.9bn in 1H08 to SR85.2bn in 1H09), while on YTD basis the deposits decreased by 8.1% (from SR92.7bn in FY08 to SR85.2bn in 1H09). ANB's net investments recording (YoY) increase of 23.8% (from SR22.3bn in 1H08 to SR27.6bn in 1H09), showed YTD decline of 2.1%.

- Overall the bank's total assets recording YoY increase of 4.4% (from SR110.3bn in 1H08 to SR115.1bn in 1H09), witnessed YTD decline of 5.1%.

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