Analyst Comment

NBK CAPITAL

January 12, 2010

ARAB NATIONAL BANK (1080.SE)

- Arab National Bank (ANB) announced a net profit of SAR 2.37 billion in 2009, 5% below 2008, and 10% below our forecast of SAR 2.64 billion. Net profit in 4Q2009 stood at SAR 296 million, translating into a 32% year-on-year drop, and a 53% quarter-on-quarter drop. Although the level of provisions taken in 4Q2009 have not been disclosed, we believe that higher provisioning charges in 4Q2009, than any of the previous quarters in 2009, were the main reason for the decline in 4Q2009 net profit.

- Net interest income (NII) for 2009 stood at SAR 3.46 billion, 3% above 2008, and 4% below our forecast of SAR 3.61 billion. NII in 4Q2009 declined by 3% quarter-on-quarter, but grew by 2% year-on-year, reaching SAR 812 million. ANB's total operating income in 2009 reached SAR 4.49 billion, up 11% over 2008, and 3% below our forecast of SAR 4.64 billion. The growth was supported by a 48% increase in non-interest income in 2009, compared with 2008.

- Total assets of ANB declined by 9% compared with December 2008, reaching SAR 110.3 billion as of December 2009. Both lending and deposits for ANB declined by 11% in 2009, reaching SAR 66.8 billion and SAR 82.7 billion, respectively. ANB significantly underperformed 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.

- We believe this is a weak set of results, especially in terms of balance sheet growth. We will issue an update report on ANB after the release of the full financial statements.

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Related Research

- ANB Update - 17 Sep. 2009
- ANB Update - 20 Nov. 2008

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