

## Arab National Bank CP: 27.2 FV: 36.4 Rating: BUY

**Big miss from our estimate consensus by 25 %. Lower top line as well as higher provisions were behind this miss.**

- **Earnings below expectations on strong provisioning:** Q4-12 net income of SAR 425mn was below our estimate of SAR 565mn. The main reason behind this miss is the unexpected hike in provisioning costs, as well as lower operating income.
- **Lower than expected operating income:** non-interest income of SAR 319 came below our estimates. Q-o-Q non interest income declined by almost 7% partially due to lower Tadawul volumes.
- **Provisions above expectations:** Q4-12 net provisions are estimated at SAR 231mn, well above our estimates of SAR 170mn, and up by 72% Q-o-Q. Despite the improving asset quality during the past quarters with an NPL ratio of 1.6% and NPL coverage ratio of 190%, the provisioning costs increased for the second consecutive quarter.
- **Strong long growth Y-o-Y:** Lending momentum continues with the bank registering a strong long growth of 3.2% Q-o-Q and 18.5% Y-o-Y.
- **NIM contracts:** NIM contracted by an estimated 4 bps Q-o-Q, which could be explained by the decreasing percentage of loans as of total assets, as well as the increase in deposits base.
- **Valuation at a discount:** ANB trades at a PB 2013E of 1.19x, PE 2013E of 7.93x. We maintain our FV of 36.4 as well as our BUY rating. We await for full financials to assess our fair value.

SAR mn	Q4-11 A	Q3-12A	Q4-12 A	Q4-12 E	Q-o-Q	Y-o-Y	Vs ASIB Est
<b>Income Statement</b>							
Net Interest Income	800	846	799	850	-6%	0%	-6%
Non-Interest Income	322	342	319	349	-7%	-1%	-9%
Total Banking Income	1,122	1,188	1,118	1,199	-6%	0%	-7%
Operating Expenses	470	440	470	440	7%	0%	7%
Pre-Provisions Profits	652	716	648	727	-9%	-1%	-11%
Provisions	295	152	231	170	52%	-22%	36%
Minority Interest	12	8	8	8	0%	-33%	0%
<b>Net Profit</b>	<b>369</b>	<b>572</b>	<b>425</b>	<b>565</b>	<b>-26%</b>	<b>15%</b>	<b>-25%</b>
<b>Balance Sheet</b>							
Loans	72,843	83,653	86,300	85,700	3.2%	18.5%	1%
Investments	26,082	26,466	24,320	25,400	-8.1%	-6.8%	-4%
Total Assets	117,571	125,348	133,600	131,000	6.6%	13.6%	2%
Total Deposits	87,858	98,272	107,600	99,000	9.5%	22.5%	9%

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