Analyst Comment

NBK CAPITAL

July 13, 2010

ARAB NATIONAL BANK (1080.SE)

12-Month Fair Value: SAR 51.20

Last Close (12 July 2010): SAR 38.90

Recommendation: Buy - Risk Level: 2

- Arab National Bank (ANB) reported a net profit of SAR 629 million, 16% below 2Q2009 and 0.7% below 1Q2010. The level of provisions taken in 2Q2010 was not disclosed. However, it looks like provisioning in 2Q2010 may be similar to the levels witnessed in 1Q2010.

- Net interest income in 2Q2010 stood at SAR 775 million, 13% below 2Q2009 and 3.5% below 1Q2010. Non-interest income increased by 7% year-on-year (Y-o-Y) and 6% quarter-on-quarter (Q-o-Q). Total operating income stood at SAR 1,115 million in 2Q2010, 8% below 2Q2009, 1% below 1Q2010, and 3.5% above our forecast for 2Q2010.

- ANB's total assets declined by 3.5% in 2Q2010 to SAR 106.2 billion, compared to SAR 110.1 billion at the end of March 2010. Net loans declined for the sixth consecutive quarter to SAR 64.8 billion at the end of June 2010 compared to SAR 65.4 billion at the end of March 2010. Deposits increased slightly (+0.8%) in 2Q2010 to SAR 78.3 billion, taking the bank's loans-to-deposits ratio (LDR) down to 82.8% at the end of June 2010, compared with 84.3% at the end of March 2010.

- The weak net interest income combined with the strong non-interest income resulted in a top-line that is slightly above our forecast for 2Q2010. Our fair value estimate for ANB stands at SAR 51.20, which is 32% above the bank's latest closing price. Hence, our recommendation on the stock is "Buy".

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Related Research

- ANB Analyst Comment - 20 April 2010
- 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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