Global Research – Saudi Arabia

Result Flash

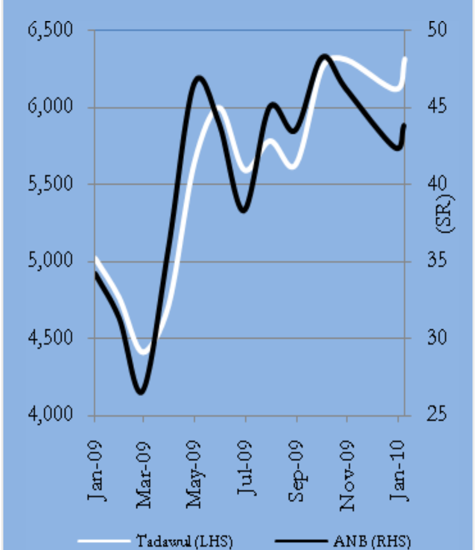
Arab National Bank– FY2009 Review

Market Data

Bloomberg Code:	ARNB AB
Reuters:	1080.SE
CMP (10 Jan 2010):	SR43.8
O/S (mn):	650
Market Cap (SRmn):	28,470.0
Market Cap (US$mn):	7,592.0
Price/EPS 2010e (x):	10.4
Price/BVPS 2010e (x):	1.9

Price Performance	1-Yr
High (SR):	51.0
Low (SR):	26.1
Average Volume:	171,036

Share Price Performance



Source: Zawya & Tadawul

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- **Arab National Bank's (ANB)** improved core banking performance (YoY) of 3.0% was not translated well into bottom-line results as net income showed an annual decline of 4.7% (from SR2,486bn in FY08 to SR2,370bn in FY09). The increased operating expenses (that include provisions) are believed to be the main cause of subdued profitability results.

- As we await the detailed financial results for more elaborate analysis, we expect the bank to post net income growth of 5.4% in FY10.

(all figs. in SR mn, unless stated)	4Q08	4Q09	*YoY*	FY08	FY09	*YoY*
Net special comm. Income	798	812	*1.8%*	3,354	3,456	*3.0%*
Operating income	868	1,057	*21.8%*	4,135	4,493	*8.7%*
Net income	434	296	*-31.8%*	2,486	2,370	*-4.7%*
EPS (SR)	0.67	0.46	*-31.8%*	3.82	3.65	*-4.7%*
Loans (SR bn)	75	67	*-10.6%*	75	67	*-10.6%*
Deposits (SR bn)	93	83	*-10.8%*	93	83	*-10.8%*
Assets (SR bn)	121	110	*-9.1%*	121	110	*-9.1%*

Source: Tadawul & Company reports

- ANB's net special commission income rose by 1.8% in quarterly results (from SR798mn in 4Q08 to SR812mn in 4Q09) and showed an annual increase of 3.0% in FY09. The non-interest income recorded an encouraging quarterly growth that resulted in a rise of operating income by 21.8% in 4Q09 and annual increase of 8.7% (from SR4,135mn in FY08 to SR4,493mn in FY09).

- The increase in operating income performance was significantly dented by the escalation of operating expenses that led to subdued net income results. The bank recorded net income (YoY) decline of 31.8% in 4Q09.

- Although the bank's customer deposit base showed (YoY) decline of 10.8% (from SR93bn in FY08 to SR83bn in FY09), the deposits posted an increase of 2.7% over 3Q09 results. The credit portfolio reduced during the year, recording an annual decline of 10.6% (from SR75bn in FY08 to SR67bn in FY09) and quarterly drop of 2.9% over 3Q09 results.

- Overall the bank's total assets contracted on both annual and quarterly basis. The assets recorded an annual decline of 9.1% (from SR121bn in FY08 to SR110bn in FY09) and on quarterly basis showed a decrease of 1.7% as compared to 3Q09.

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