

## ARAB NATIONAL BANK (1080.SE)

- Arab National Bank (ANB) announced a net profit of SAR 633 million in 3Q2009, 1% above 3Q2008 but 15% below 2Q2009. We had forecasted income before provisions to reach SAR 736 million in 3Q2009 and our forecast for ANB's net profit in 2H2009 stands at SAR 1.2 billion. The level of provisions taken in 3Q2009 has not been disclosed. However, from the data currently available, it looks like provisioning in 3Q2009 was not higher than in 2Q2009, when it stood at SAR 74 million.
- Net interest income stood at SAR 838 million in 3Q2009, 1.5% over 3Q2008 but 6% below 2Q2009. Operating income reached SAR 1.07 billion, 2% over 3Q2008 but 12% below 2Q2009. Non-interest income dropped compared with 2Q2009. We believe lower fees was one reason for that as trading on Tadawul in 3Q2009 was 50% lower than trading in 2Q2009. Another possible reason for the drop in non-interest income in 3Q2009 is disappearance (or at least a decrease) in one-offs that were recorded in 2Q2009.
- ANB's assets dropped by 3% in 3Q2009, reaching SAR 112 billion as of September and resulting in an 8% YTD drop. Loans declined for the third quarter in a row, dropping by 3% in 3Q2009 and bringing the YTD decrease to 8%. The drop in deposits was even sharper, reaching 5.5% in 3Q2009, resulting in a 13% YTD decrease.
- We believe this is a weak set of results, especially in terms of balance sheet growth. Since our last update on ANB on 17 September 2009, the share price increased by 9% to close at SAR 48.0. Our fair value for ANB (SAR 50.0) is now 4% over the bank's latest closing price, hence, our current recommendation on the stock is a "Hold".

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- ANB Update - 20 Nov. 2008

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