

Result update

Arab National Bank

Sector : Banking

- ANB's 2Q26 reported operating income at SAR 2.7bn, higher by 6.5% YoY and above our estimates by 4%. Higher FX income and investment income offset a flat NII, aiding the beat.
- Net income rose by 6.4% YoY in 2Q26, exceeding our estimates by 18%, primarily due to lower provisioning expenses
- YTD loans and deposits grew by 5.4% and 4.0%, respectively, while management reaffirmed its guidance for mid-to high-single-digit loan growth in 2026.
- We maintain our target price of SAR 24/share, with a HOLD rating, despite the earnings beat, as the cost of risk is expected to increase, while NII is expected to be flat in 2026.

ANB's 2Q26 operating income increased by 6.5% YoY, supported by a 38% YoY increase in non-interest income, with NII remaining flat at 0.4% YoY. Non-interest income growth was driven by higher exchange income and investment income, offsetting a decline in dividend income and core net fee and commission income by 1% YoY. Core net fee and commission income declined due to a higher base on account of a one-off last year and higher expenses related to the card business arising out of new regulations. The share of non-interest income to total income stood at 21% in 2Q26 vs. 16% a year ago. NII was flat YoY, as NIMs compressed by 36bps YoY to 3.28%, offsetting growth in interest-bearing assets. The management has guided for a NIM of above 3% for 2026. Operating expenses increased by 9.5% YoY, resulting in an increase in the cost-to-income ratio (CI) by 90bps to 32.6%, which is well within the guided range of below 33% for 2026. For 1H26, operating income increased by 4.8%, while the CI was at 32.9%.

Impairment charge declined by 17% YoY to SAR 180mn in 2Q26 and rose sequentially by 33% QoQ. For 1H26, impairment charge declined by 25.3% YoY, resulting in a cost of risk of 0.37%, lower than the guided range of 0.40-0.50% for 2026. While the loan-related impairment charge increased, the decline in total impairment charge was on account of write-back of other ECL charges and write-back of provisions related to credit-related commitments and contingencies. The lower provisions and higher operating profit aided net income growth of 6.4% YoY and led to an 18% beat of our estimates. For 1H26, net income increased by 5.3% YoY.

Net loans increased by 10.4% YoY, driven by 13.7% growth in retail lending, while corporate lending grew 9.2% YoY. The bulk of the growth in the loan book was in the latter part of the quarter, and the management has confirmed that the exposure to the giga project is less than 1% of the loan book. Deposits increased by 7.9% YoY, primarily driven by a 21% YoY increase in time deposits, offsetting decline in CASA by 3% YoY. NPL ratio remains stable at 0.96% in 2Q26.

Valuation: ANB's 2Q26 performance was above estimates; however, we expect second-half profit growth to be muted, as NII is expected to be flat and the cost of risk to be higher at 0.4-0.5%. We have a target price of SAR 24/share, implying a HOLD rating. The stock currently trades at 10.2x 2026e P/E and 1.0x P/B, while offering an attractive dividend yield of 5.6%.

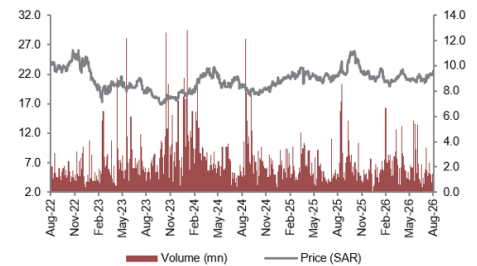
HOLD

17 August 2026

Target price (SAR) 24.00

Current price (SAR) 22.49

Return 6.7%



Exchange Saudi Arabia
Index weight (%) 1.2%

(mn)	SAR	USD
Market Cap	44,980	11,977
Total Assets	281,383	74,928

Major shareholders

Arab Bank PLC	40.00%
RASHED ABDULRAHMAN	10.00%
Al-Jabr Investment	5.65%
Others	44.35%

Valuation Summary (TTM)

Price (SAR)	22.49
PER TTM (x)	8.6
P/Book (x)	1.0
Dividend Yield (%)	5.8
Free Float (%)	44%
Shares O/S (mn)	2,000
YTD Return (%)	4%
Beta	1.0

Key ratios	2023	2024	2025
EPS (SAR)	1.53	2.48	2.56
BVPS (SAR)	17.89	19.33	20.91
DPS (SAR)	1.01	1.30	1.30
Payout ratio (%)	66%	52%	51%

Price performance (%)	1M	3M	12M
Arab National Bank	8%	7%	4%
Tadawul All Share Index	2%	0%	0%

52 week	High	Low	CTL*
Price (SAR)	26.26	19.60	14.7

* CTL is % change in CMP to 52wk low

in SAR mn	2Q26	1Q26	QoQ (%)	2Q25	YoY (%)	1H26	1H25	YoY (%)
Operating Income	2,742	2,589	5.9%	2,574	6.5%	5,331	5,086	4.8%
Operating Expenses	-894	-862	3.7%	-816	9.5%	-1,755	-1,603	9.5%
Operating Profit	1,848	1,727	7.0%	1,758	5.1%	3,575	3,483	2.6%
Provision Expenses - Loan	-180	-135	32.8%	-216	-16.9%	-315	-422	-25.3%
Share of Profit from JV/Asso	10	8	22.9%	8	32.7%	19	14	35.2%
Profit before tax	1,679	1,600	4.9%	1,550	8.3%	3,279	3,076	6.6%
Zakat & Tax	-253	-240	5.6%	-218	16.1%	-493	-444	11.0%
Profit after tax	1,422	1,359	4.7%	1,336	6.4%	2,782	2,641	5.3%
Loan Book	205,782	198,639	3.6%	186,476	10.4%	205,782	186,476	10.4%
Deposits	217,751	208,021	4.7%	201,723	7.9%	217,751	201,723	7.9%
Total Equity (Excl tier 1 bond)	43,168	41,488	4.1%	40,241	7.3%	43,168	40,241	7.3%
Cost to Income ratio	32.59%	33.29%		31.70%		32.9%	31.5%	
NPL Ratio	0.96%	0.97%		1.23%		0.96%	1.23%	
Net Loan to deposits	94.50%	95.49%		92.44%		94.5%	92.4%	

Income Statement (SAR Mn)	2023	2024	2025	2026E	2027E	2028E	2029E
Interest Income	12,599	14,406	15,205	16,569	16,609	17,484	18,280
Interest Expense	-5,340	-6,480	-7,108	-8,042	-7,649	-8,066	-8,468
Net Interest Income	7,259	7,927	8,097	8,527	8,960	9,418	9,812
Non Interest Income	1,308	1,498	1,786	1,958	2,075	2,310	2,419
Total Operating Income	8,567	9,425	9,883	10,485	11,035	11,728	12,231
Operating Expenses	-2,848	-3,067	-3,337	-3,408	-3,586	-3,812	-3,975
Impairment charge	-992	-764	-593	-1,122	-1,197	-1,374	-1,567
Share of results from associates	20	145	27	27	27	27	27
Profit Before Taxation	4,747	5,739	5,981	5,983	6,279	6,569	6,716
Zakat & Income Tax	-671	-782	-870	-897	-942	-985	-1,041
Profit After Taxation	4,076	4,957	5,111	5,086	5,338	5,584	5,675

Balance sheet (SAR Mn)	2023	2024	2025	2026E	2027E	2028E	2029E
Cash and balances with Central Bank	10,892	12,342	13,167	14,662	11,985	12,246	12,506
Due from banks	2,478	3,853	2,335	2,452	2,574	2,703	2,838
Loans & advances to customers	152,235	169,495	195,299	211,103	225,881	237,175	249,033
Investment securities/associates	51,194	57,039	63,219	66,219	70,945	76,025	81,487
Property and Equipment/Intangibles	2,498	2,978	3,299	3,509	3,730	3,964	4,209
Other Assets	2,125	3,132	4,064	4,371	4,693	5,031	5,386
Total Assets	221,422	248,840	281,383	302,316	319,807	337,144	355,459

LIABILITIES AND SHAREHOLDER'S EQUITY

Due to banks	8,430	14,410	11,949	13,143	13,801	14,491	15,215
Customers' deposits	165,861	182,224	209,287	226,030	239,592	251,571	264,150
Sukuk	2,829	2,829	452	452	452	452	452
Other Liabilities	8,495	10,695	10,183	10,692	11,227	12,911	14,847
Total Liabilities	185,615	210,158	231,870	250,317	265,071	279,424	294,664
Paid-up Capital	15,000	20,000	20,000	20,000	20,000	20,000	20,000
Other Reserves	11,085	12,507	14,270	14,270	14,270	14,270	14,270
Retained earnings	9,694	6,145	7,445	9,930	12,668	15,652	18,727
Shareholder's Equity	35,778	38,652	41,715	44,201	46,938	49,922	52,997
Non - Controlling Interests	28	30	30	30	30	30	30
Tier 1 Bonds	0	0	7,768	7,768	7,768	7,768	7,768
Total Equity	35,807	38,682	49,513	51,999	54,736	57,720	60,795
Total Liabilities and Equity	221,422	248,840	281,383	302,316	319,807	337,144	355,459

Cash Flow Statement (SAR Mn)	2023	2024	2025	2026E	2027E	2028E	2029E
Cash flow from operating activities	1,212	9,258	1,732	7,567	5,145	8,470	8,872
Cash flow from investing activities	-5,189	-4,839	-6,235	-3,472	-5,223	-5,608	-6,012
Cash flow from financing activities	-1,883	-2,463	2,465	-2,600	-2,600	-2,600	-2,600
Net change in cash	-5,860	1,956	-2,037	1,495	-2,677	262	260
Cash at the end of period	4,549	6,505	4,468	14,662	11,985	12,246	12,506

Key ratios	2023	2024	2025	2026E	2027E	2028E	2029E
Operating performance							
Yield on average earning assets	6.1%	6.4%	6.0%	6.0%	5.7%	5.7%	5.6%
Cost of funds	3.1%	3.4%	3.4%	3.5%	3.1%	3.1%	3.1%
Interest spread	3.0%	2.9%	2.6%	2.5%	2.6%	2.6%	2.5%
NIM	3.5%	3.5%	3.2%	3.1%	3.1%	3.0%	3.0%
Interest income/operating income	147.1%	152.9%	153.8%	158.0%	150.5%	149.1%	149.5%
Net interest income/operating income	84.7%	84.1%	81.9%	81.3%	81.2%	80.3%	80.2%
Non interest income/operating income	15.3%	15.9%	18.1%	18.7%	18.8%	19.7%	19.8%
Cost to income ratio	33.2%	32.5%	33.8%	32.5%	32.5%	32.5%	32.5%
Liquidity							
Net Loan to Deposit Ratio	87.3%	86.2%	88.3%	88.3%	89.1%	89.1%	89.1%
Customer deposits/total deposits	95.2%	92.7%	94.6%	94.5%	94.6%	94.6%	94.6%
Net loans to customer deposits	91.8%	93.0%	93.3%	93.4%	94.3%	94.3%	94.3%
Investments/total assets	21.4%	21.3%	21.3%	20.8%	21.2%	21.6%	22.0%
Asset quality							
Stage 1 loan ratio	89.1%	91.7%	92.6%	91.0%	91.0%	91.0%	91.0%
Stage 2 loan ratio	9.3%	7.1%	6.4%	8.0%	8.0%	8.0%	8.0%
Gross NPL ratio	1.5%	1.2%	1.0%	1.0%	1.0%	1.0%	1.0%
Provision as a % of gross loans	2.1%	1.8%	1.6%	1.5%	1.5%	1.5%	1.5%
NPL Coverage	140.3%	144.4%	162.2%	150.0%	150.0%	150.0%	150.0%
Cost of credit	0.44%	0.39%	0.37%	0.50%	0.50%	0.55%	0.60%
Stage 1 coverage	0.6%	0.6%	0.6%	0.5%	0.5%	0.5%	0.5%
Stage 2 coverage	6.2%	5.9%	6.6%	4.3%	4.3%	3.7%	3.7%
Stage 3 coverage	66.0%	69.5%	60.9%	75.0%	75.0%	75.0%	75.0%
Capital adequacy							
Tier I ratio	19.0%	17.3%	20.4%	20.9%	20.6%	20.5%	20.4%
Tier II ratio	2.0%	1.7%	0.4%	0.4%	0.4%	0.4%	0.4%
CAR	21.0%	19.1%	20.8%	21.3%	21.0%	20.9%	20.8%
Net Equity to Gross Loans	23.0%	22.4%	21.0%	20.6%	20.5%	20.7%	21.0%
Net Equity to Total Assets	16.2%	15.5%	14.8%	14.6%	14.7%	14.8%	14.9%
Return ratios							
Reported ROE	12.0%	13.3%	12.7%	11.8%	11.7%	11.5%	11.0%
ROA	1.9%	2.1%	1.9%	1.7%	1.7%	1.7%	1.6%
RoRWA	2.2%	2.4%	2.1%	2.0%	2.0%	2.0%	1.9%
Per share ratios							
EPS	2.04	2.48	2.56	2.21	2.33	2.46	2.50
BVPS	17.89	19.33	20.86	22.10	23.47	24.96	26.50
DPS	1.01	1.30	1.30	1.30	1.30	1.30	1.30
Valuation							
Price	19.0	21.5	21.6	22.5	22.5	22.5	22.5
P/E	9.3	8.6	8.5	10.2	9.6	9.2	9.0
P/B	1.1	1.1	1.0	1.0	1.0	0.9	0.8
Dividend Yield	5.3%	6.1%	6.0%	5.8%	5.8%	5.8%	5.8%

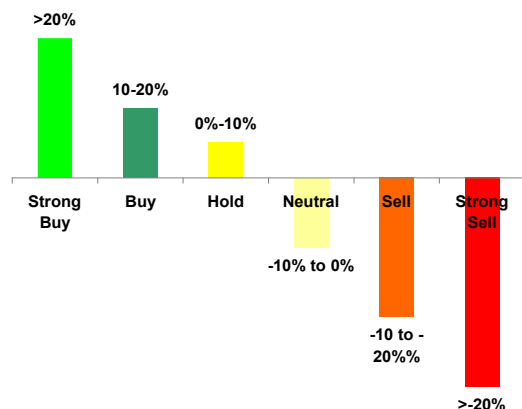
Key contacts

Research Team

Joice Mathew	Manna Thomas ACCA	Contact Address
Sr. Manager - Research	Research Associate	P. O Box: 2566; P C 112
E-Mail: joyce@usoman.com	Email: manna.t@usoman.com	Sultanate of Oman
Tel: +968 2476 3311	Tel: +968 2476 3347	Tel: +968 2476 3300

Rating Criteria and Definitions

Rating	Rating Definitions
Strong Buy	This recommendation is used for stocks whose current market price offers a deep discount to our 12-Month target price and has an upside potential in excess of 20%
Buy	This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 10% to 20%
Hold	This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 0% to 10%
Neutral	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between 0% to -10%
Sell	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between -10% to -20%
Strong Sell	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential in excess of 20%
Not rated	This recommendation used for stocks which does not form part of Coverage Universe



Disclaimer

This document is not for public distribution and has been furnished to you solely for your information and must not be reproduced or redistributed to any other person. Persons into whose possession this document may come are required to observe these restrictions. Opinion expressed is our current opinion as of the date appearing on this material only. We do not undertake to advise you as to any change of our views expressed in this document. While we endeavor to update on a reasonable basis the information discussed in this material, United Securities, its subsidiaries and associated companies, their directors and employees are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that prevent us from doing so. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein. The information in this document has been printed on the basis of publicly available information, internal data and other reliable sources believed to be true and are for general guidance only. While every effort is made to ensure the accuracy and completeness of information contained, the company takes no guarantee and assumes no liability for any errors or omissions of the information. No one can use the information as the basis for any claim, demand or cause of action.

Recipients of this material should rely on their own investigations and take their own professional advice. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult their own advisors to determine the merits and risks of such an investment. Price and value of the investments referred to in this material may go up or down. Past performance is not a guide for future performance. United Securities LLC, and affiliates, including the analyst who has issued this report, may, on the date of this report, and from time to time, have long or short positions in, and buy or sell the securities of the companies mentioned herein or engage in any other transaction involving such securities and earn brokerage or compensation or act as advisor or have other potential conflict of interest with respect to company/ies mentioned herein or inconsistent with any recommendation and related information and opinions. United Securities LLC and affiliates may seek to provide or have engaged in providing corporate finance, investment banking or other advisory services in a merger or specific transaction to the companies referred to in this report, as on the date of this report or in the past.