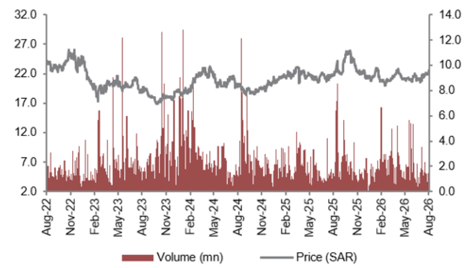
# Arab National Bank

Sector : Banking

**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

- **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%.

| 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


| | | |
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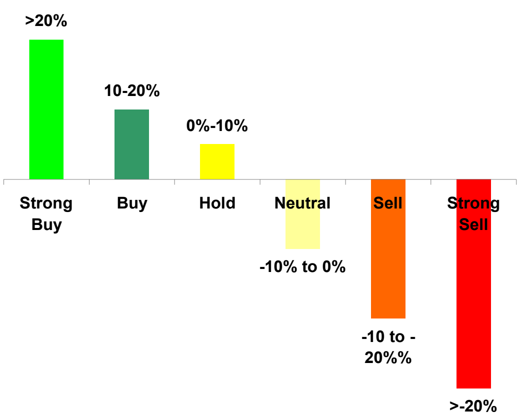
### Rating Criteria and Definitions

**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