

Banking

BUY: 12M TP @ 25.0

Upside + 12.1%

Valuation Summary (TTM)

Price (SAR)	22.3
PER TTM (x)	8.8
P/Book (x)	1.1
Dividend Yield (%)	5.8
Free Float (%)	44%
Shares O/S (mn)	2,000
YTD Return (%)	6%
Beta	1.2

(mn)	SAR	USD
Market Cap	44,500	11,857
Total Assets	268,983	71,671

Price performance (%)	1M	3M	12M
Arab National Bank	7%	3%	12%
Tadawul All Share Index	-1%	-5%	-10%

Trading liquidity (,000)	1M	3M	6M
Avg daily turnover	27,525	23,629	29,631
Avg Daily Volume	1,135	1,105	1,366

52 week	High	Low	CTL*
Price (SAR)	23.48	18.32	21.5

* CTL is % change in CMP to 52wk low

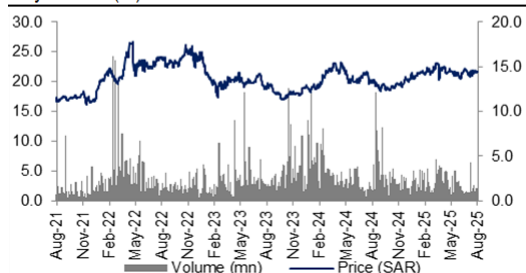
Major shareholders

Arab Bank PLC	40.0%
Rashed Abdurrahman A	10.0%
AL JABR INVESTMENT C	5.7%
Others	44.4%

Other details

Exchange	Saudi Arabia
Sector	Banks

Key ratios	2022	2023	2024
EPS (SAR)	1.54	1.53	2.48
BVPS (SAR)	16.17	17.89	19.06
DPS (SAR)	0.83	1.01	1.30
Payout ratio (%)	54%	66%	52%



ANB – Performance above expectations

Arab National Bank reported 2Q25 operating income of SAR 2.6bn, reflecting growth of 11.1% YoY and 2.5% QoQ, above our estimate of SAR 2.5bn. Net profit came in at SAR 1.3bn, up 8.6% YoY and 2.5% QoQ, exceeding our projection of SAR 1.2bn. Operating income growth was supported by an 11.9% YoY increase in NII, while non-interest income rose 7% YoY. NII growth was achieved despite a 11bps YoY contraction in (NIM) to 3.67%, supported by a 15.4% YoY increase in loans. NII included a one-off gain on a hedged investment, recorded in interest income. Management revised its 2025e NIM guidance to 3.5–3.6%. Non-interest income growth was driven by a 15.6% rise in net fee and commission income, partially offset by a SAR 56mn loss from sale of Sukuks. Other components such as forex income and dividend income grew 21% YoY and 140% YoY, respectively. Dividend income of SAR 101mn in 2Q25 was well above the typical SAR 30–40mn range. Management clarified that this level is not sustainable, indicating that dividend income may normalize in 2H25. Operating expenses rose 12.8% YoY, lifting the cost-to-income ratio by 50bps to 32.0% in 2Q25. Management reiterated that the full-year CI ratio will remain below 32%.

Provision expenses increased 29.8% YoY to SAR 216mn, driving cost of risk to 0.42%, up 12bps YoY. Management maintained its 2025e guidance of 40–50bps. PAT was at SAR 1.3bn, +8.6% YoY. Profit after tax was SAR 1.3bn, up 8.6% YoY, with the beat mainly driven by stronger operating profit, partially offset by higher provisions. Overall performance exceeded expectations, due to one-offs in NII and higher dividend income

YTD, net loans increased by 10%, driven by an 11% rise in corporate lending and a 7.5% increase in consumer loans. Retail loans now make up 25% of the loan portfolio, primarily consisting of housing and personal loans. The NPL ratio improved to 1.23% in 2Q25, down from 1.51% a year earlier. Deposits grew 10.7% YTD, supported by a 10% rise in CASA deposits and an 11.4% increase in time deposits. As of 2Q25, CASA deposits represent 55% of total deposits, aligning with the bank's strategic priorities. Retail deposits now account for 47% of total deposits, reflecting a strong and diversified funding base.

During the quarter, the bank introduced fully digitalised platform for SME lending. On the retail side, the bank introduced customer relationship management tool as well as revamped its retail app offerings. The bank reaffirmed its guidance on all metrics except NIM, which remains under industry-wide pressure. While loan growth may slow in 2H25, the full-year mid-teen growth target remains achievable. We maintain our target price of SAR 25.0/share with a BUY rating. The stock trades at 2025e PE/PB/DY of 8.9x/1.1x/5.8%.

Summary of key numbers

in SAR mn	2Q25	1Q25	QoQ (%)	2Q24	YoY (%)	1H25	1H24	YoY (%)	2025E	2024A
Operating Income	2,594	2,531	2.5%	2,335	11.1%	5,125	4,645	10.3%	10,114	9,500
Operating Expenses	-831	-801	3.7%	-737	12.8%	-1,632	-1,467	11.3%	-3,236	-3,128
Operating Profit	1,763	1,730	2.0%	1,599	10.3%	3,493	3,178	9.9%	6,877	6,372
Provision Expenses - Loan	-216	-205	5.3%	-167	29.8%	-422	-328	28.4%	-893	-645
Share of Profit from JV/Associates	8	6	28.3%	7	15.1%	14	6	133.3%	100	145
Profit before tax	1,555	1,530	1.6%	1,439	8.1%	3,085	2,856	8.0%	6,034	5,753
Zakat & Tax	-218	-226	-3.6%	-208	4.8%	-444	-389	14.2%	-845	-786
Profit after tax	1,337	1,304	2.5%	1,231	8.6%	2,641	2,467	7.1%	5,189	4,967
Profit attributable to Equity holders	1,336	1,304	2.5%	1,231	8.6%	2,640	2,466	7.0%	5,188	4,966
Tier 1 bond Interest*	-	-	-	-	-	-	-	-	-190	-
Profit for the year	1,336	1,304	2.5%	1,231	8.6%	2,640	2,466	7.0%	4,998	4,966
Loan Book	186,476	179,057	4.1%	161,612	15.4%	186,476	161,612	15.4%	195,074	169,495
Deposits	201,739	195,619	3.1%	175,594	14.9%	201,739	175,594	14.9%	209,528	182,198
Total Equity (Excl tier 1 bond)	39,709	38,511	3.1%	36,910	7.6%	39,709	36,910	7.6%	40,739	38,149
Cost to Income ratio	32.0%	31.7%		31.5%		31.8%	31.6%		32.0%	32.9%
NPL Ratio	1.23%	1.38%		1.51%		1.23%	1.51%		1.10%	1.23%
Net Loan to deposits	92.4%	91.5%		92.0%		92.4%	92.0%		93.1%	93.0%

* Tier 1 bonds issued in Feb 2025

Income Statement (SAR Mn)	2022	2023	2024	2025E	2026E	2027E	2028E
Interest Income	7,657	12,599	14,454	15,267	16,077	16,632	17,208
Interest Expense	-2,020	-5,340	-6,482	-6,850	-6,927	-6,931	-6,587
Net Interest Income	5,636	7,259	7,972	8,416	9,150	9,701	10,621
Non Interest Income	1,226	1,308	1,528	1,698	1,803	1,940	2,088
Total Operating Income	6,862	8,567	9,500	10,114	10,953	11,641	12,709
Operating Expenses	-2,458	-2,848	-3,128	-3,236	-3,450	-3,609	-3,940
Impairment charge	-880	-992	-764	-943	-1,161	-1,382	-1,482
Share of results from associates+ Others	108	20	145	100	100	100	100
Profit Before Taxation	3,633	4,747	5,753	6,034	6,441	6,750	7,387
Zakat & Income Tax	-566	-671	-786	-845	-966	-1,012	-1,182
Profit After Taxation	3,067	4,076	4,967	5,189	5,475	5,737	6,205

Balance sheet (SAR Mn)	2022	2023	2024	2025E	2026E	2027E	2028E
Cash and balances with Central Bank	12,434	10,892	12,342	20,159	14,675	12,614	14,463
Due from banks	6,048	2,478	3,853	4,046	4,248	4,461	4,684
Loans & advances to customers	143,829	152,235	169,495	195,074	218,928	238,631	256,529
Investment securities/associates	46,274	51,194	56,434	59,052	61,800	64,108	67,109
Property and Equipment/Intangibles	2,231	2,498	2,978	3,181	3,400	3,633	3,887
Other Assets	1,812	2,125	3,204	3,479	3,767	4,070	4,388
Total Assets	212,628	221,422	248,307	284,991	306,818	327,517	351,060

LIABILITIES AND SHAREHOLDER'S EQUITY

Due to banks	13,511	8,430	14,384	17,260	18,987	20,316	21,738
Customers' deposits	154,871	165,861	182,198	209,528	226,290	242,130	259,080
Sukuk	2,829	2,829	2,829	2,829	2,829	2,829	2,829
Other Liabilities	9,059	8,495	10,748	11,285	11,849	12,442	14,308
Total Liabilities	180,270	185,615	210,158	240,902	259,955	277,716	297,954
Paid-up Capital	15,000	15,000	20,000	20,000	20,000	20,000	20,000
Other Reserves	10,515	11,085	11,903	11,903	11,903	11,903	11,903
Retained earnings	6,819	9,694	6,217	8,806	11,581	14,518	17,823
Shareholder's Equity	32,334	35,778	38,119	40,709	43,484	46,421	49,726
Non - Controlling Interests	23	28	30	30	30	30	30
Tier 1 Bonds	0	0	0	3,350	3,350	3,350	3,350
Total Equity	32,358	35,807	38,149	44,089	46,864	49,801	53,106
Total Liabilities and Equity	212,628	221,422	248,307	284,991	306,818	327,517	351,060

Cash Flow Statement (SAR Mn)	2022	2023	2024	2025E	2026E	2027E	2028E
Cash flow from operating activities	5,147	1,212	9,304	10,139	457	3,571	8,322
Cash flow from investing activities	150	-5,189	-4,885	-3,072	-3,241	-2,832	-3,573
Cash flow from financing activities	-1,459	-1,883	-2,463	750	-2,700	-2,800	-2,900
Net change in cash	3,837	-5,860	1,956	7,817	-5,484	-2,061	1,849
Cash at the end of period	10,410	4,549	6,505	20,159	14,675	12,614	14,463

Key ratios	2022	2023	2024	2025E	2026E	2027E	2028E
Operating performance							
Yield on average earning assets	3.95%	6.05%	6.41%	6.05%	5.90%	5.60%	5.40%
Cost of funds	1.25%	3.07%	3.44%	3.20%	2.90%	2.70%	2.40%
Interest spread	2.70%	2.99%	2.97%	2.85%	3.00%	2.90%	3.00%
NIM	2.91%	3.49%	3.53%	3.34%	3.36%	3.27%	3.33%
Interest income/operating income	111.58%	147.07%	152.15%	150.95%	146.78%	142.88%	135.40%
Net interest income/operating income	82.14%	84.73%	83.92%	83.22%	83.54%	83.34%	83.57%
Non interest income/operating income	17.86%	15.27%	16.08%	16.78%	16.46%	16.66%	16.43%
Cost to income ratio	35.81%	33.24%	32.93%	32.00%	31.50%	31.00%	31.00%
Liquidity							
Net Loan to Deposit Ratio	85.4%	87.3%	86.2%	86.0%	89.3%	90.9%	91.4%
Customer deposits/total deposits	92.0%	95.2%	92.7%	92.4%	92.3%	92.3%	92.3%
Net loans to customer deposits	92.9%	91.8%	93.0%	93.1%	96.7%	98.6%	99.0%
Investments/total assets	19.3%	21.4%	21.1%	19.3%	18.8%	18.3%	18.0%
Asset quality							
Stage 1 loan ratio	90.1%	89.1%	91.7%	91.0%	91.0%	91.0%	91.0%
Stage 2 loan ratio	8.0%	9.3%	7.1%	7.9%	7.9%	8.0%	8.0%
Gross NPL ratio	1.8%	1.5%	1.2%	1.1%	1.1%	1.0%	1.0%
Provision as a % of gross loans	2.7%	2.1%	1.8%	1.7%	1.5%	1.5%	1.5%
NPL Coverage	143.6%	140.3%	144.4%	154.5%	136.4%	150.0%	150.0%
Cost of credit	0.63%	0.44%	0.39%	0.45%	0.50%	0.55%	0.55%
Stage 1 coverage	0.8%	0.6%	0.6%	0.5%	0.5%	0.5%	0.5%
Stage 2 coverage	11.3%	6.2%	5.9%	6.0%	2.8%	3.7%	3.7%
Stage 3 coverage	57.1%	66.0%	69.5%	70.0%	75.0%	75.0%	75.0%
Capital adequacy							
Tier I ratio	17.6%	19.0%	17.2%	15.8%	16.1%	16.1%	16.0%
Tier II ratio	2.2%	2.0%	1.8%	1.5%	1.5%	1.4%	1.3%
CAR	19.8%	21.0%	18.9%	17.3%	17.6%	17.5%	17.3%
Net Equity to Gross Loans	21.9%	23.0%	22.1%	20.5%	19.6%	19.2%	19.1%
Net Equity to Total Assets	15.2%	16.2%	15.4%	14.3%	14.2%	14.2%	14.2%
Return ratios							
Reported ROE	9.7%	12.0%	13.4%	13.2%	13.0%	12.8%	12.9%
ROA	1.5%	1.9%	2.1%	1.9%	1.9%	1.8%	1.8%
RoRWA	1.8%	2.2%	2.4%	2.2%	2.1%	2.1%	2.1%
Per share ratios							
EPS	2.04	2.04	2.48	2.50	2.63	2.76	3.00
BVPS	21.56	17.89	19.06	20.35	21.74	23.21	24.86
DPS	1.10	1.01	1.30	1.30	1.35	1.40	1.45
Valuation							
Price	24.2	19.0	21.5	22.3	22.3	22.3	22.3
P/E	11.8	9.3	8.6	8.9	8.5	8.1	7.4
P/B	1.1	1.1	1.1	1.1	1.0	1.0	0.9
Dividend Yield	4.6%	5.3%	6.1%	5.8%	6.1%	6.3%	6.5%

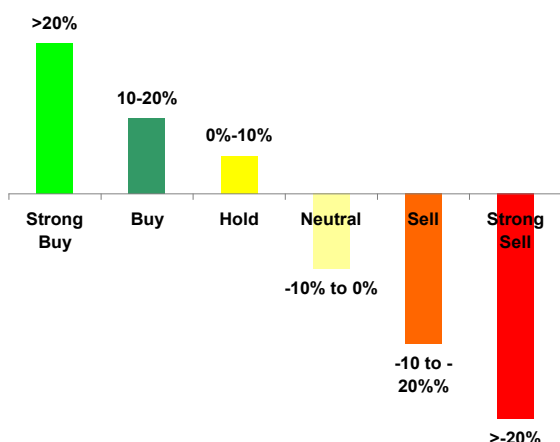
Key contacts

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.