

Arab National Bank

Sector : Banking

- Arab National Bank reported flat operating income of SAR 2.4bn in 4Q25, 10% below our estimates. Net interest income declined 2% YoY, while non-interest income increased 8% YoY. For 2025, operating income rose 5% YoY.
- Net income in 4Q25 declined 8.8% YoY, missing our estimates by 6.6%, primarily due to lower operating profit, partially offset by improved other provisions. For 2025, net income increased 3% YoY.
- Loans and deposits grew 15% YoY each, with management guiding for mid to high single-digit loan growth in 2026.
- We revise our target price to SAR 24/share while maintaining our BUY rating, reflecting weaker-than-expected results.

ARNB's 4Q25 operating income remained flat YoY, as a 2% decline in NII offset growth in non-interest income. The 8% YoY increase in non-interest income was driven by an 18% rise in core net fee and commission income, despite declines in FX and investment income. Despite strong volume growth NII declined due to NIM compression to 3.44% for 2025. Non-interest income contributed 18% of operating income in 4Q25, compared to 16% a year earlier. Operating expenses rose 8.8% YoY, resulting in a cost-to-income ratio of 37.2%, up 300bps YoY. For 2025, operating income increased 5% YoY. Management has guided for a 2026 NIM range of 3.4–3.5% (vs. 3.44% in 2025) and expects to maintain a CI ratio below 33%.

Loan provisions remained flat YoY in 4Q25 at SAR 152mn. Notably, there was no impairment charge on other assets in 4Q25, compared to SAR 119mn in 4Q24. For 2025, loan provisions rose 7.4% YoY to SAR 693mn, resulting in a cost of risk of 37bps, better than 40-50bps guidance. Management reiterated similar cost-of-risk guidance (40–50bps) for 2026. Net income declined 8.8% YoY in 4Q25 due to lower operating profit and a higher effective tax rate of 15% (vs. 12.3% a year earlier). However, 2025 net income increased 3% YoY, supported by stronger operating performance over the year.

Net loans grew 15.2% YoY, driven by 15.7% growth in corporate lending and 13.9% growth in retail loans. Retail loans account for 26% of the total loan book, of which 54% are home loans and 39% are personal loans. Management expects mid- to high-single-digit loan growth in 2026. Asset quality improved, with the NPL ratio declining to 0.98% in 2025 from 1.23% a year earlier. Stage 3 coverage stands at 60.9%. Deposits increased 14.9% YoY, led by a 29.2% rise in time deposits, while CASA deposits grew 3.0% YoY. CASA represents 49% of total deposits. To strengthen its capital base, ARNB plans to raise SAR 11bn in Tier 1 sukuk over three years. The bank has already raised SAR 7.8bn during the year.

Valuation: ARNB's 4Q25 operating and net income fell short of our expectations, despite lower overall provisions, as operating profit weakened. While we remain positive on the outlook, supported by management guidance and capital strengthening initiatives, the quarterly results underperformed our forecasts. Accordingly, we revise our target price to SAR 24/share while maintaining our BUY rating. The stock trades at 8.6x 2026e P/E and 0.9x P/B, offering an attractive dividend yield of 6.3%.

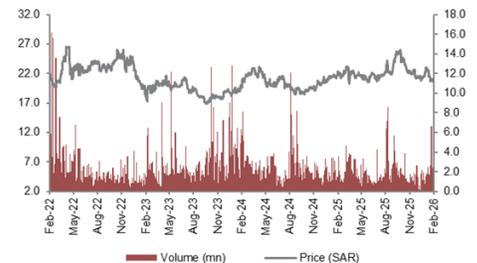
BUY

25 February 2026

Target price (SAR) **24.00**

Current price (SAR) **20.77**

Return **15.6%**



Exchange Saudi Arabia
Index weight (%) 1.1%

(mn)	SAR	USD
Market Cap	41,540	11,073
Total Assets	281,383	75,010

Major shareholders

Arab Bank PLC	40.00%
Rashed Abdurrahman	10.00%
AL JABR INVESTMENT	5.65%
Others	44.35%

Valuation Summary (TTM)

Price (SAR)	20.77
PER TTM (x)	8.3
P/Book (x)	1.0
Dividend Yield (%)	6.3
Free Float (%)	44%
Shares O/S (mn)	2,000
YTD Return (%)	-4%
Beta	1.1

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	-7%	-8%	-7%
Tadawul All Share Index	-2%	1%	-11%

52 week	High	Low	CTL*
Price (SAR)	26.26	19.50	6.5

* CTL is % change in CMP to 52wk low



in SAR mn	4Q25	3Q25	QoQ (%)	4Q24	YoY (%)	2025	2024	YoY (%)
Operating Income	2,367	2,392	-1.0%	2,371	-0.2%	9,883	9,425	4.9%
Operating Expenses	-880	-825	6.7%	-811	8.5%	-3,337	-3,067	8.8%
Operating Profit	1,486	1,567	-5.1%	1,560	-4.7%	6,546	6,358	3.0%
Provision Expenses - Loan	-152	-119	27.2%	-152	-0.1%	-693	-645	7.4%
Other Impairment charges	-	100	<i>nm</i>	-119	<i>nm</i>	100	-119	<i>nm</i>
Share of Profit from JV/Asso	7	7	-2.4%	132	-94.9%	27	145	-81.1%
Profit before tax	1,341	1,554	-13.7%	1,421	-5.6%	5,981	5,739	4.2%
Zakat & Tax	-201	-225	-10.9%	-174	15.1%	-870	-782	11.2%
Profit after tax	1,147	1,329	-13.7%	1,257	-8.8%	5,117	4,967	3.0%
Loan Book	195,299	191,356	2.1%	169,495	15.2%	195,299	169,495	15.2%
Deposits	209,287	210,697	-0.7%	182,224	14.9%	209,287	182,224	14.9%
Total Equity (Excl tier 1 bond)	41,746	40,620	2.8%	38,682	7.9%	41,746	38,682	7.9%
Cost to Income ratio	37.2%	34.5%		34.2%		33.8%	32.5%	
NPL Ratio	1.0%	1.0%		1.2%		1.0%	1.2%	
Net Loan to deposits	93.3%	90.8%		93.0%		93.3%	93.0%	

Income Statement (SAR Mn)	2022	2023	2024	2025	2026E	2027E	2028E	2029E
Interest Income	7,657	12,599	14,406	15,205	16,433	16,463	17,484	18,443
Interest Expense	-2,020	-5,340	-6,480	-7,108	-7,612	-7,123	-7,349	-7,716
Net Interest Income	5,636	7,259	7,927	8,097	8,822	9,340	10,135	10,727
Non Interest Income	1,226	1,308	1,498	1,786	1,935	2,051	2,285	2,394
Total Operating Income	6,862	8,567	9,425	9,883	10,757	11,392	12,420	13,121
Operating Expenses	-2,458	-2,848	-3,067	-3,337	-3,496	-3,759	-4,223	-4,461
Impairment charge	-880	-992	-764	-593	-1,122	-1,197	-1,374	-1,441
Share of results from associates	108	20	145	27	27	27	27	27
Profit Before Taxation	3,633	4,747	5,739	5,981	6,166	6,463	6,850	7,247
Zakat & Income Tax	-566	-671	-782	-870	-956	-1,002	-1,267	-1,341
Profit After Taxation	3,067	4,076	4,957	5,111	5,211	5,461	5,583	5,906

Balance sheet (SAR Mn)	2022	2023	2024	2025	2026E	2027E	2028E	2029E
Cash and balances with Central Bank	12,434	10,892	12,342	13,167	14,782	9,961	10,095	10,449
Due from banks	6,048	2,478	3,853	2,335	2,452	2,574	2,703	2,838
Loans & advances to customers	143,829	152,235	169,495	195,299	211,103	225,881	237,175	249,033
Investment securities/associates	46,274	51,194	57,039	63,219	66,219	70,945	76,025	81,487
Property and Equipment/Intangibles	2,231	2,498	2,978	3,299	3,515	3,742	3,991	4,253
Other Assets	1,812	2,125	3,132	4,064	4,371	4,693	5,031	5,386
Total Assets	212,628	221,422	248,840	281,383	302,441	317,796	335,019	353,446

LIABILITIES AND SHAREHOLDER'S EQUITY

Due to banks	13,511	8,430	14,410	11,949	13,143	13,801	14,491	15,215
Customers' deposits	154,871	165,861	182,224	209,287	226,030	237,331	249,198	261,658
Sukuk	2,829	2,829	2,829	452	452	452	452	452
Other Liabilities	9,059	8,495	10,695	10,183	10,692	11,227	12,911	14,847
Total Liabilities	180,270	185,615	210,158	231,870	250,317	262,810	277,051	292,172
Paid-up Capital	15,000	15,000	20,000	20,000	20,000	20,000	20,000	20,000
Other Reserves	10,515	11,085	12,507	14,270	14,270	14,270	14,270	14,270
Retained earnings	6,819	9,694	6,145	7,445	10,055	12,917	15,900	19,206
Shareholder's Equity	32,334	35,778	38,652	41,715	44,326	47,187	50,170	53,476
Non - Controlling Interests	23	28	30	30	30	30	30	30
Tier 1 Bonds	0	0	0	7,768	7,768	7,768	7,768	7,768
Total Equity	32,358	35,807	38,682	49,513	52,124	54,985	57,968	61,274
Total Liabilities and Equity	212,628	221,422	248,840	281,383	302,441	317,796	335,019	353,446

Cash Flow Statement (SAR Mn)	2022	2023	2024	2025	2026E	2027E	2028E	2029E
Cash flow from operating activities	5,147	1,212	9,258	1,732	7,699	3,018	8,373	9,006
Cash flow from investing activities	150	-5,189	-4,839	-6,235	-3,485	-5,239	-5,639	-6,052
Cash flow from financing activities	-1,459	-1,883	-2,463	2,465	-2,600	-2,600	-2,600	-2,600
Net change in cash	3,837	-5,860	1,956	-2,037	1,614	-4,821	134	355
Cash at the end of period	10,410	4,549	6,505	4,468	14,782	9,961	10,095	10,449

Key ratios	2022	2023	2024	2025	2026E	2027E	2028E	2029E
Operating performance								
Yield on average earning assets	3.95%	6.05%	6.38%	5.97%	5.95%	5.65%	5.65%	5.65%
Cost of funds	1.25%	3.07%	3.44%	3.38%	3.30%	2.90%	2.85%	2.85%
Interest spread	2.70%	2.99%	2.94%	2.59%	2.65%	2.75%	2.80%	2.80%
NIM	2.91%	3.49%	3.51%	3.18%	3.19%	3.21%	3.28%	3.29%
Interest income/operating income	111.58%	147.07%	152.86%	153.85%	152.78%	144.52%	140.77%	140.56%
Net interest income/operating income	82.14%	84.73%	84.10%	81.93%	82.01%	81.99%	81.60%	81.75%
Non interest income/operating income	17.86%	15.27%	15.90%	18.07%	17.99%	18.01%	18.40%	18.25%
Cost to income ratio	35.81%	33.24%	32.54%	33.77%	32.50%	33.00%	34.00%	34.00%
Liquidity								
Net Loan to Deposit Ratio	85.4%	87.3%	86.2%	88.3%	88.3%	89.9%	89.9%	89.9%
Customer deposits/total deposits	92.0%	95.2%	92.7%	94.6%	94.5%	94.5%	94.5%	94.5%
Net loans to customer deposits	92.9%	91.8%	93.0%	93.3%	93.4%	95.2%	95.2%	95.2%
Investments/total assets	19.3%	21.4%	21.3%	21.3%	20.8%	21.3%	21.7%	22.1%
Asset quality								
Stage 1 loan ratio	90.1%	89.1%	91.7%	92.6%	91.0%	91.0%	91.0%	91.0%
Stage 2 loan ratio	8.0%	9.3%	7.1%	6.4%	8.0%	8.0%	8.0%	8.0%
Gross NPL ratio	1.8%	1.5%	1.2%	1.0%	1.0%	1.0%	1.0%	1.0%
Provision as a % of gross loans	2.7%	2.1%	1.8%	1.6%	1.5%	1.5%	1.5%	1.5%
NPL Coverage	143.6%	140.3%	144.4%	162.2%	150.0%	150.0%	150.0%	150.0%
Cost of credit	0.63%	0.44%	0.39%	0.37%	0.50%	0.50%	0.55%	0.55%
Stage 1 coverage	0.8%	0.6%	0.6%	0.6%	0.5%	0.5%	0.5%	0.5%
Stage 2 coverage	11.3%	6.2%	5.9%	6.6%	4.3%	4.3%	3.7%	3.7%
Stage 3 coverage	57.1%	66.0%	69.5%	60.9%	75.0%	75.0%	75.0%	75.0%
Capital adequacy								
Tier I ratio	17.6%	19.0%	17.3%	19.5%	19.8%	19.7%	19.7%	19.7%
Tier II ratio	2.2%	2.0%	1.7%	0.5%	0.5%	0.5%	0.4%	0.4%
CAR	19.8%	21.0%	19.1%	20.0%	20.3%	20.2%	20.2%	20.1%
Net Equity to Gross Loans	21.9%	23.0%	22.4%	21.0%	20.7%	20.6%	20.8%	21.2%
Net Equity to Total Assets	15.2%	16.2%	15.5%	14.8%	14.7%	14.9%	15.0%	15.1%
Return ratios								
Reported ROE	9.7%	12.0%	13.3%	12.7%	12.1%	11.9%	11.5%	11.4%
ROA	1.5%	1.9%	2.1%	1.9%	1.8%	1.8%	1.7%	1.7%
RoRWA	1.8%	2.2%	2.4%	2.1%	2.0%	2.0%	2.0%	2.0%
Per share ratios								
EPS	2.04	2.04	2.48	2.56	2.40	2.53	2.59	2.75
BVPS	21.56	17.89	19.33	20.86	22.16	23.59	25.09	26.74
DPS	1.10	1.01	1.30	1.30	1.30	1.30	1.30	1.30
Valuation								
Price	24.2	19.0	21.5	21.6	20.8	20.8	20.8	20.8
P/E	11.8	9.3	8.6	8.5	8.6	8.2	8.0	7.6
P/B	1.1	1.1	1.1	1.0	0.9	0.9	0.8	0.8
Dividend Yield	4.6%	5.3%	6.1%	6.0%	6.3%	6.3%	6.3%	6.3%

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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

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