

Result update

Arab National Bank

Sector : Banking

- Operating income remained flat at SAR 2.4bn, missing our estimate by 5.4%. The stagnation was driven by a 3.5% YoY decline in NII, offset by a 14.7% increase in non-interest income.
- PAT rose 6.9% YoY to SAR 1.3bn, surpassing our forecast by 7.0%, supported by lower loan impairment charges and a write-back of real estate impairments.
- Loans grew 15% YoY, led by corporate lending (+15.8% YoY), while retail loans expanded 13% YoY. Deposits increased 16.5% YoY, primarily due to growth in time deposits.
- We maintain our SAR 25/share target price and BUY rating, as growth momentum remains intact despite mixed quarterly performance.

Arab National Bank reported flat operating income in 3Q25, as higher non-interest income helped cushion the decline in NII. The 3.5% YoY drop in NII was driven by a 32bps compression in NIM, reflecting a lag in the pass-through of lower yields relative to rising funding costs. Robust volume growth in interest-bearing assets—net loans (+15% YoY) and investments (+13.4% YoY)—helped limit the decline in NII. Management now guides a 2025e NIM range of 3.5–3.6%, lowering its previous guidance by 10bps on both ends. Non-interest income increased due to a 22% YoY rise in core fees and commissions and a 9.3% YoY increase in FX income. Non-interest income contributed 16% of operating income in 3Q25 versus 14% a year ago. Operating expenses increased 4.6% YoY, resulting in a 3.3% YoY decline in operating profit. Consequently, the cost-to-income (CI) ratio rose 170bps to 34.5%. Management now expects a CI ratio below 33%, compared with the 9M25 CI ratio of 32.7%, revising its earlier guidance of below 32%.

The 3.3% YoY decline in operating profit was offset by a 27.5% YoY reduction in loan impairment charges. Additionally, the bank recorded a one-off reversal of SAR 100mn related to real estate impairments. Retail impairment charges fell 52% YoY, while corporate impairments decreased 5% YoY. The cost of risk stood at 0.38%, within the guided range of 40–50bps. Lower impairments and the real estate reversal supported a 6.9% YoY increase in PAT to SAR 1.3bn, exceeding our estimate by 7%.

Loans rose 15% YoY, led by, corporate lending growth of +15.8% YoY and retail lending growth of +13% YoY. Corporate loans represent 74% of the portfolio, with services and real estate accounting for 40% of that exposure. Within retail, home loans represent 54% and personal loans 40%. The NPL ratio improved 30bps YoY to 1%.

Valuation: Arab National Bank delivered mixed results, with operating income below expectations but PAT outperforming due to lower impairments. We reaffirm our BUY rating and SAR 31.0/share target price, supported by steady guidance, apart from modest revisions to NIM and CI expectations. The stock trades at a 2026e P/E of 9.4x, P/B of 1.0x, and offers an attractive 6.0% dividend yield.

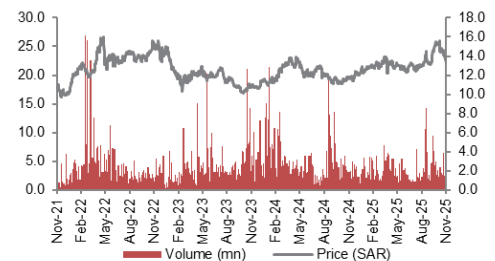
BUY

16 November 2025

Target price (SAR) 25.00

Current price (SAR) 22.41

Return 11.6%



Exchange Saudi Arabia
Index weight (%) 1%

(mn)	SAR	USD
Market Cap	44,820	11,952
Total Assets	280,486	74,796

Major shareholders

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

Valuation Summary

PER TTM (x)	9.0
P/Book (x)	1.1
Dividend Yield (%)	5.8
Free Float (%)	44%
Shares O/S (mn)	2,000
YTD Return (%)	6%
Beta	1.2

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 (%)	0.54	0.66	0.52

Price performance (%)	1M	3M	12M
Arab National Bank	-13%	3%	14%
Tadawul All Share Index	-4%	3%	-5%

52 week	High	Low	CTL*
Price (SAR)	26.26	19.06	17.6

* CTL is % change in CMP to 52wk low



in SAR mn	3Q25	2Q25	QoQ (%)	3Q24	YoY (%)	9M25	9M24	YoY (%)	2025E	2024A
Operating Income	2,392	2,594	-7.8%	2,409	-0.7%	7,516	7,054	6.6%	10,145	9,500
Operating Expenses	-825	-831	-0.7%	-789	4.6%	-2,457	-2,256	8.9%	-3,322	-3,128
Operating Profit	1,567	1,763	-11.2%	1,620	-3.3%	5,060	4,798	5.4%	6,822	6,372
Provision Expenses - Loan	-119	-216	-44.8%	-165	-27.5%	-541	-493	9.8%	-992	-645
Other Impairment charges	100	-	<i>nm</i>	-	<i>nm</i>	100	-	<i>nm</i>	100	-119
Share of Profit from JV/Asso	7	8	-11.5%	7	-0.1%	21	13	61.7%	150	145
Profit before tax	1,554	1,555	-0.1%	1,462	6.3%	4,639	4,318	7.4%	6,080	5,753
Zakat & Tax	-225	-218	3.3%	-219	2.8%	-669	-608	10.1%	-882	-786
Profit after tax	1,329	1,337	-0.6%	1,243	6.9%	3,970	3,710	7.0%	5,198	4,967
Loan Book	191,356	186,476	2.6%	166,330	15.0%	191,356	166,330	15.0%	195,471	169,495
Deposits	210,697	201,739	4.4%	180,852	16.5%	210,697	180,852	16.5%	214,994	182,198
Total Equity (Excl tier 1 bond)	40,620	39,709	2.3%	37,708	7.7%	40,620	37,708	7.7%	41,352	38,754
Cost to Income ratio	34.5%	32.0%		32.8%		32.7%	32.0%		32.8%	32.9%
NPL Ratio	0.97%	1.23%		1.34%		0.97%	1.34%		1.00%	1.23%
Net Loan to deposits	90.8%	92.4%		92.0%		90.8%	92.0%		90.9%	93.0%

Income Statement (SAR Mn)	2021	2022	2023	2024	2025E	2026E	2027E	2028E
Interest Income	5,172	7,657	12,599	14,454	15,390	16,369	16,924	18,156
Interest Expense	-500	-2,020	-5,340	-6,482	-7,080	-7,370	-7,404	-7,773
Net Interest Income	4,672	5,636	7,259	7,972	8,310	8,999	9,520	10,383
Non Interest Income	1,092	1,226	1,308	1,528	1,835	1,952	2,071	2,198
Total Operating Income	5,765	6,862	8,567	9,500	10,145	10,951	11,591	12,581
Operating Expenses	-2,201	-2,458	-2,848	-3,128	-3,322	-3,559	-3,767	-4,089
Impairment charge	-1,034	-880	-992	-764	-892	-1,211	-1,311	-1,532
Share of results from associates	93	108	20	145	150	150	150	150
Profit Before Taxation	2,622	3,633	4,747	5,753	6,080	6,331	6,663	7,110
Zakat & Income Tax	-450	-566	-671	-786	-882	-981	-1,033	-1,173
Profit After Taxation	2,171	3,067	4,076	4,967	5,198	5,349	5,630	5,936

Balance sheet (SAR Mn)	2021	2022	2023	2024	2025E	2026E	2027E	2028E
Cash and balances with Central Bank	11,141	12,434	10,892	12,342	20,237	14,696	12,089	13,185
Due from banks	2,283	6,048	2,478	3,853	5,780	6,069	6,373	6,691
Loans & advances to customers	126,674	143,829	152,235	169,495	195,471	218,928	238,631	256,529
Investment securities/associates	46,470	46,274	51,194	57,039	59,686	62,466	64,801	67,837
Property and Equipment/Intangibles	2,207	2,231	2,498	2,978	3,156	3,375	3,607	3,858
Other Assets	3,725	1,812	2,125	3,204	3,479	3,767	4,070	4,388
Total Assets	192,502	212,628	221,422	248,912	287,810	309,302	329,571	352,488

LIABILITIES AND SHAREHOLDER'S EQUITY

Due to banks	14,207	13,511	8,430	14,384	10,788	11,867	12,460	13,083
Customers' deposits	135,714	154,871	165,861	182,198	214,994	232,193	248,447	265,838
Sukuk	2,829	2,829	2,829	2,829	2,829	2,829	2,829	2,829
Other Liabilities	8,624	9,059	8,495	10,748	11,285	11,849	12,442	14,308
Total Liabilities	161,374	180,270	185,615	210,158	239,895	258,738	276,177	296,058
Paid-up Capital	15,000	15,000	15,000	20,000	20,000	20,000	20,000	20,000
Other Reserves	10,055	10,515	11,085	12,507	12,507	12,507	12,507	12,507
Retained earnings	6,047	6,819	9,694	6,217	8,815	11,464	14,295	17,331
Shareholder's Equity	31,101	32,334	35,778	38,724	41,322	43,972	46,802	49,838
Non - Controlling Interests	27	23	28	30	30	30	30	30
Tier 1 Bonds		0	0	0	6,563	6,563	6,563	6,563
Total Equity	31,128	32,358	35,807	38,754	47,914	50,564	53,394	56,430
Total Liabilities and Equity	192,502	212,628	221,422	248,912	287,810	309,302	329,571	352,488

Cash Flow Statement (SAR Mn)	2021	2022	2023	2024	2025E	2026E	2027E	2028E
Cash flow from operating activities	1,014	5,147	1,212	9,304	7,036	432	3,049	7,597
Cash flow from investing activities	338	150	-5,189	-4,885	-3,104	-3,273	-2,857	-3,602
Cash flow from financing activities	-1,257	-1,459	-1,883	-2,463	3,963	-2,700	-2,800	-2,900
Net change in cash	95	3,837	-5,860	1,956	7,895	-5,541	-2,607	1,096
Cash at the end of period	6,572	10,410	4,549	6,505	20,237	14,696	12,089	13,185

Key ratios	2021	2022	2023	2024	2025E	2026E	2027E	2028E
Operating performance								
Yield on average earning assets	2.91%	3.95%	6.05%	6.40%	6.15%	5.95%	5.65%	5.65%
Cost of funds	0.34%	1.25%	3.07%	3.44%	3.25%	3.10%	2.90%	2.85%
Interest spread	2.57%	2.70%	2.99%	2.96%	2.90%	2.85%	2.75%	2.80%
NIM	2.63%	2.91%	3.49%	3.53%	3.32%	3.27%	3.18%	3.23%
Interest income/operating income	89.72%	111.58%	147.07%	152.15%	151.71%	149.48%	146.01%	144.32%
Net interest income/operating income	81.05%	82.14%	84.73%	83.92%	81.91%	82.18%	82.13%	82.53%
Non interest income/operating income	18.95%	17.86%	15.27%	16.08%	18.09%	17.82%	17.87%	17.47%
Cost to income ratio	38.19%	35.81%	33.24%	32.93%	32.75%	32.50%	32.50%	32.50%
Liquidity								
Net Loan to Deposit Ratio	84.5%	85.4%	87.3%	86.2%	86.6%	89.7%	91.5%	92.0%
Customer deposits/total deposits	90.5%	92.0%	95.2%	92.7%	95.2%	95.1%	95.2%	95.3%
Net loans to customer deposits	93.3%	92.9%	91.8%	93.0%	90.9%	94.3%	96.0%	96.5%
Investments/total assets	22.9%	19.3%	21.4%	21.3%	19.3%	18.9%	18.4%	18.1%
Asset quality								
Stage 1 loan ratio	88.5%	90.1%	89.1%	91.7%	92.0%	91.0%	91.0%	91.0%
Stage 2 loan ratio	9.8%	8.0%	9.3%	7.1%	7.0%	8.0%	8.0%	8.0%
Gross NPL ratio	1.7%	1.8%	1.5%	1.2%	1.0%	1.0%	1.0%	1.0%
Provision as a % of gross loans	2.4%	2.7%	2.1%	1.8%	1.5%	1.5%	1.5%	1.5%
NPL Coverage	140.4%	143.6%	140.3%	144.4%	150.0%	150.0%	150.0%	150.0%
Cost of credit	0.83%	0.63%	0.44%	0.39%	0.50%	0.50%	0.50%	0.55%
Stage 1 coverage	0.9%	0.8%	0.6%	0.6%	0.5%	0.5%	0.5%	0.5%
Stage 2 coverage	7.5%	11.3%	6.2%	5.9%	6.3%	3.7%	3.7%	3.7%
Stage 3 coverage	51.9%	57.1%	66.0%	69.5%	60.0%	75.0%	75.0%	75.0%
Capital adequacy								
Tier I ratio	18.9%	17.6%	19.0%	17.3%	15.9%	16.2%	16.2%	16.0%
Tier II ratio	2.4%	2.2%	2.0%	1.7%	1.6%	1.6%	1.5%	1.4%
CAR	21.3%	19.8%	21.0%	19.1%	17.5%	17.8%	17.6%	17.4%
Net Equity to Gross Loans	24.0%	21.9%	23.0%	22.5%	20.8%	19.8%	19.3%	19.1%
Net Equity to Total Assets	16.2%	15.2%	16.2%	15.6%	14.4%	14.2%	14.2%	14.1%
Return ratios								
Reported ROE	7.2%	9.7%	12.0%	13.3%	13.0%	12.5%	12.4%	12.3%
ROA	1.2%	1.5%	1.9%	2.1%	1.9%	1.8%	1.8%	1.7%
RoRWA	1.4%	1.8%	2.2%	2.4%	2.2%	2.0%	2.0%	2.0%
Per share ratios								
EPS	1.45	2.04	2.04	2.48	2.50	2.47	2.61	2.76
BVPS	20.73	21.56	17.89	19.36	20.66	21.99	23.40	24.92
DPS	1.15	1.10	1.01	1.30	1.30	1.35	1.40	1.45
Valuation								
Price	17.4	24.2	19.0	21.5	22.4	22.4	22.4	22.4
P/E	12.0	11.8	9.3	8.6	8.9	9.1	8.6	8.1
P/B	0.8	1.1	1.1	1.1	1.1	1.0	1.0	0.9
Dividend Yield	6.6%	4.6%	5.3%	6.1%	5.8%	6.0%	6.2%	6.5%

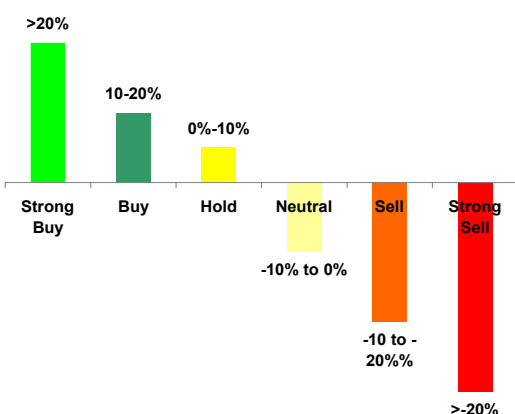
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Rating Criteria and Definitions

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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