

## Arab National Bank

Sector : Banking

- ANB's 1Q26 operating income increased by 3.1% YoY to SAR 2.6bn, marginally missing our estimates by 2%. The increase was driven by an 8% YoY rise in net interest income, partially offset by a 15% YoY decline in non-interest income.
- Net income rose by 4.6% YoY in 1Q26, exceeding our estimates by 12%, primarily due to lower provisioning expenses despite broadly flat operating profit YoY.
- Loans and deposits grew by 11% YoY and 6% YoY, respectively, while management maintained its guidance for mid- to high-single-digit loan growth in 2026.
- We maintain our BUY rating and target price of SAR 24/share, supported by stronger-than-expected net income

ANB's 1Q26 operating income increased by 3.1% YoY, supported by an 8% YoY increase in NII, while non-interest income declined by 15% YoY. The growth in NII was primarily driven by higher interest-earning assets despite a 23bps compression in NIMs to 3.38%. Asset yields improved by 18bps, outpacing the 11bps increase in funding costs, while the cost of funds remained stable sequentially. Management guided for NIMs to remain above 3% in 2026. Non-interest income declined by 15% YoY, mainly due to a 14% YoY decline in core net fee and commission income, as higher related expenses offset flat fee income growth. In addition, exchange income and investment income declined by 16% YoY and 70% YoY, respectively. Consequently, the contribution of non-interest income to total income fell by 380bps YoY to 18.4%. Operating expenses increased by 10% YoY, outpacing revenue growth and resulting in a 200bps increase in the cost-to-income ratio to 33.3%. However, management expects the CI ratio to remain below 33% for 2026.

Loan loss provisions declined by 34% YoY to SAR 135mn in 1Q26, reducing the cost of risk to 0.32% compared with 0.40% a year earlier. Retail banking provisions declined sharply by 81% YoY, while corporate banking provisions increased by 56% YoY. Sequentially, provisions improved by 11% QoQ. Management expects the cost of risk to range between 0.40% and 0.50% in 2026, implying higher provisioning levels over the remainder of the year. Net income growth of 4.6% YoY exceeded our estimates by 12% due to lower-than-expected provisioning expenses.

Net loans increased by 11% YoY, driven by 14% growth in retail lending, while corporate lending grew 10% YoY. Retail loans accounted for 26% of the total loan book, broadly stable year to date. In the retail segment, home loans and personal loans accounted for 94% of the portfolio. Deposits increased by 6% YoY, primarily driven by a 16% YoY increase in time deposits. The NPL ratio improved by 40bps YoY to 0.97%, while provision coverage remained strong at 174%.

**Valuation:** ANB's 1Q26 performance was mixed, with operating income slightly below expectations, while net income significantly exceeded estimates due to lower provisioning expenses. We maintain our BUY rating and target price of SAR 24/share. The stock currently trades at 9.8x 2026e P/E and 1.0x P/B, while offering an attractive dividend yield of 6.1%.

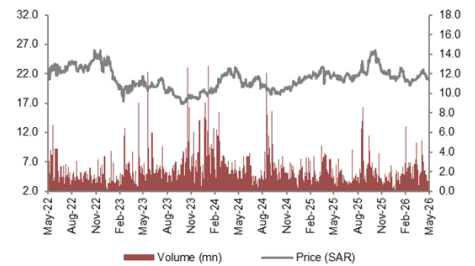
# BUY

17 May 2026

Target price (SAR) **24.00**

Current price (SAR) **21.16**

Return **13.4%**



Exchange Saudi Arabia  
Index weight (%) 1.1%

(mn)	SAR	USD
Market Cap	42,320	11,277
Total Assets	281,383	74,982

#### Major shareholders

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

#### Valuation Summary (TTM)

Price (SAR)	21.16
PER TTM (x)	8.4
P/Book (x)	1.0
Dividend Yield (%)	6.1
Free Float (%)	44%
Shares O/S (mn)	2,000
YTD Return (%)	-2%
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	-6%	1%	-3%
Tadawul All Share Index	-5%	-1%	-4%

52 week	High	Low	CTL*
Price (SAR)	26.26	19.60	8.0

\* CTL is % change in CMP to 52wk low

in SAR mn	1Q26	4Q25	QoQ (%)	1Q25	YoY (%)	2025	2024	YoY (%)
Operating Income	2,589	2,386	8.5%	2,512	3.1%	9,883	9,425	4.9%
Operating Expenses	-862	-895	-3.7%	-786	9.6%	-3,337	-3,067	8.8%
Operating Profit	1,727	1,491	15.8%	1,725	0.1%	6,546	6,358	3.0%
Provision Expenses - Loan	-135	-152	-10.9%	-205	-34.1%	-693	-645	7.4%
Share of Profit from JV/Asso	8	7	25.0%	6	38.5%	27	145	-81.1%
Profit before tax	1,600	1,346	18.9%	1,526	4.9%	5,981	5,739	4.2%
Zakat & Tax	-240	-201	19.6%	-226	6.1%	-870	-782	11.2%
Profit after tax	1,360	1,145	18.8%	1,300	4.6%	5,117	4,967	3.0%
Loan Book	198,639	195,299	1.7%	179,057	10.9%	195,299	169,495	15.2%
Deposits	208,021	209,287	-0.6%	195,619	6.3%	209,287	182,224	14.9%
Total Equity (Excl tier 1 bond)	41,518	41,746	-0.5%	39,058	6.3%	41,746	38,682	7.9%
Cost to Income ratio	33.29%	37.52%		31.31%		33.77%	32.54%	
NPL Ratio	0.97%	0.98%		1.38%		0.98%	1.23%	
Net Loan to deposits	95.49%	93.32%		91.53%		93.32%	93.01%	

4Q25 numbers balancing figures after restatement of 1Q25 numbers in 1Q26

Income Statement (SAR Mn)	2023	2024	2025	2026E	2027E	2028E	2029E
Interest Income	12,599	14,406	15,205	16,420	16,463	17,484	18,443
Interest Expense	-5,340	-6,480	-7,108	-8,009	-7,649	-8,066	-8,468
<b>Net Interest Income</b>	<b>7,259</b>	<b>7,927</b>	<b>8,097</b>	<b>8,411</b>	<b>8,814</b>	<b>9,418</b>	<b>9,975</b>
Non Interest Income	1,308	1,498	1,786	1,935	2,051	2,285	2,394
<b>Total Operating Income</b>	<b>8,567</b>	<b>9,425</b>	<b>9,883</b>	<b>10,346</b>	<b>10,865</b>	<b>11,703</b>	<b>12,369</b>
Operating Expenses	-2,848	-3,067	-3,337	-3,362	-3,586	-3,979	-4,205
Impairment charge	-992	-764	-593	-1,122	-1,197	-1,374	-1,441
Share of results from associates	20	145	27	27	27	27	27
<b>Profit Before Taxation</b>	<b>4,747</b>	<b>5,739</b>	<b>5,981</b>	<b>5,889</b>	<b>6,111</b>	<b>6,377</b>	<b>6,750</b>
Zakat & Income Tax	-671	-782	-870	-883	-917	-957	-1,013
<b>Profit After Taxation</b>	<b>4,076</b>	<b>4,957</b>	<b>5,111</b>	<b>5,006</b>	<b>5,194</b>	<b>5,421</b>	<b>5,738</b>

Balance sheet (SAR Mn)	2023	2024	2025	2026E	2027E	2028E	2029E
Cash and balances with Central Bank	10,892	12,342	13,167	14,585	11,768	11,867	12,187
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/Intangible	2,498	2,978	3,299	3,506	3,724	3,958	4,205
Other Assets	2,125	3,132	4,064	4,371	4,693	5,031	5,386
<b>Total Assets</b>	<b>221,422</b>	<b>248,840</b>	<b>281,383</b>	<b>302,236</b>	<b>319,584</b>	<b>336,758</b>	<b>355,136</b>

#### 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
<b>Total Liabilities</b>	<b>185,615</b>	<b>210,158</b>	<b>231,870</b>	<b>250,317</b>	<b>265,071</b>	<b>279,424</b>	<b>294,664</b>
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	9,851	12,445	15,265	18,403
<b>Shareholder's Equity</b>	<b>35,778</b>	<b>38,652</b>	<b>41,715</b>	<b>44,121</b>	<b>46,715</b>	<b>49,536</b>	<b>52,674</b>
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
<b>Total Equity</b>	<b>35,807</b>	<b>38,682</b>	<b>49,513</b>	<b>51,919</b>	<b>54,513</b>	<b>57,334</b>	<b>60,472</b>
<b>Total Liabilities and Equity</b>	<b>221,422</b>	<b>248,840</b>	<b>281,383</b>	<b>302,236</b>	<b>319,584</b>	<b>336,758</b>	<b>355,136</b>

Cash Flow Statement (SAR Mn)	2023	2024	2025	2026E	2027E	2028E	2029E
Cash flow from operating activities	1,212	9,258	1,732	7,484	4,997	8,306	8,938
Cash flow from investing activities	-5,189	-4,839	-6,235	-3,466	-5,215	-5,607	-6,018
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	1,418	-2,817	99	320
<b>Cash at the end of period</b>	<b>4,549</b>	<b>6,505</b>	<b>4,468</b>	<b>14,585</b>	<b>11,768</b>	<b>11,867</b>	<b>12,187</b>

Key ratios	2023	2024	2025	2026E	2027E	2028E	2029E
<b>Operating performance</b>							
Yield on average earning assets	6.1%	6.4%	6.0%	6.0%	5.7%	5.7%	5.7%
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%	2.6%
NIM	3.5%	3.5%	3.2%	3.0%	3.0%	3.0%	3.1%
Interest income/operating income	147.1%	152.9%	153.8%	158.7%	151.5%	149.4%	149.1%
Net interest income/operating income	84.7%	84.1%	81.9%	81.3%	81.1%	80.5%	80.6%
Non interest income/operating income	15.3%	15.9%	18.1%	18.7%	18.9%	19.5%	19.4%
Cost to income ratio	33.2%	32.5%	33.8%	32.5%	33.0%	34.0%	34.0%
<b>Liquidity</b>							
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%
<b>Asset quality</b>							
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%	0.55%
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%
<b>Capital adequacy</b>							
Tier I ratio	19.0%	17.3%	19.5%	19.8%	19.6%	19.5%	19.4%
Tier II ratio	2.0%	1.7%	0.5%	0.5%	0.5%	0.4%	0.4%
CAR	21.0%	19.1%	20.0%	20.3%	20.0%	19.9%	19.8%
Net Equity to Gross Loans	23.0%	22.4%	21.0%	20.6%	20.4%	20.6%	20.8%
Net Equity to Total Assets	16.2%	15.5%	14.8%	14.6%	14.6%	14.7%	14.8%
<b>Return ratios</b>							
Reported ROE	12.0%	13.3%	12.7%	11.7%	11.4%	11.3%	11.2%
ROA	1.9%	2.1%	1.9%	1.7%	1.7%	1.7%	1.7%
RoRWA	2.2%	2.4%	2.1%	1.9%	1.9%	1.9%	1.9%
<b>Per share ratios</b>							
EPS	2.04	2.48	2.56	2.17	2.26	2.37	2.53
BVPS	17.89	19.33	20.86	22.06	23.36	24.77	26.34
DPS	1.01	1.30	1.30	1.30	1.30	1.30	1.30
<b>Valuation</b>							
Price	19.0	21.5	21.6	21.2	21.2	21.2	21.2
P/E	9.3	8.6	8.5	9.8	9.4	8.9	8.4
P/B	1.1	1.1	1.0	1.0	0.9	0.9	0.8
Dividend Yield	5.3%	6.1%	6.0%	6.1%	6.1%	6.1%	6.1%

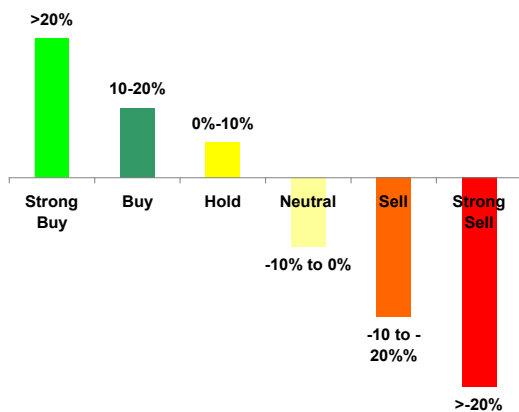
## Key contacts

### Research Team

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

### Rating Criteria and Definitions

Rating	Rating Definitions
<b>Strong Buy</b>	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%
<b>Buy</b>	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%
<b>Hold</b>	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%
<b>Neutral</b>	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%
<b>Sell</b>	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%
<b>Strong Sell</b>	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%
<b>Not rated</b>	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.