Arab National Bank

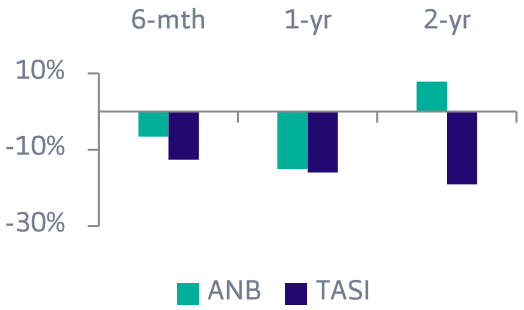
3Q2026 First Look

Weaker Non-Funded Income Weighs

October 28, 2026

Upside to Target Price	28.6%	Rating	Buy
Expected Dividend Yield	6.2%	Last Price	SAR 21.02
Expected Total Return	34.8%	12-mth target	SAR 27.00

Market Data	
52-week high/low	SAR 24.72/19.42
Market Cap	SAR 41,180 mln
Shares Outstanding	2,000 mln
Free-float	49.97%
12-month ADTV	1,363,106
Bloomberg Code	ARNB AB



ANB	3Q2026	3Q2025	Y/Y	2Q2026	Q/Q	RC Estimate
Net Commission Income	2,241	1,990	13%	2,165	4%	2,247
Total Operating Income	2,554	2,378	7%	2,742	(7%)	2,746
Net Income	1,351	1,329	2%	1,423	(5%)	1,438
Net Financing	209,170	191,356	9%	205,782	2%	209,864
Deposits	217,533	210,697	3%	217,751	(0%)	219,929

(All figures are in SAR mln)

- Net financing increased to SAR 209.2 bln (+9% Y/Y, +2% Q/Q), in line with our estimate of SAR 209.9 bln. Customer deposits reached SAR 217.5 bln (+3% Y/Y, broadly flat Q/Q) and in line with our estimate of SAR 219.9 bln. Consequently, the loan-to-deposit ratio increased to 96% from 95% in 2Q26 and 91% in 3Q25. NSCI increased to SAR 2.24 bln (+13% Y/Y, +4% Q/Q), in line with our estimate of SAR 2.25 bln. The sequential improvement was driven by higher net investment income, which more than offset the decline in net financing income. Nevertheless, funding costs increased by +16% Q/Q, outpacing the +3% Q/Q increase in gross special commission income.
- Total operating income reached SAR 2.55 bln (+7% Y/Y, -7% Q/Q), coming in 7% below our estimate of SAR 2.75 bln. The sequential decline was primarily attributable to non-funded income, which fell to SAR 313 mln (-19% Y/Y, -46% Q/Q), 37% below our estimate. This reflected lower FVSI gains, net fee and commission income, dividend income and other operating income, partially offset by higher trading, foreign-exchange and non-trading investment income.
- Operating expenses (excluding provisions) reached SAR 841 mln (+4% Y/Y, -6% Q/Q), 10% below our estimate of SAR 931 mln. The sequential improvement reflected lower staff costs, general and administrative expenses, and depreciation and amortization, despite higher premises-related expenses. Meanwhile, impairment charges reached SAR 140 mln (+637% Y/Y, -22% Q/Q), below our estimate of SAR 205 mln. The annual increase reflected an exceptionally low base due to recoveries, while the sequential decline was supported by improving portfolio credit quality.
- ANB reported a net profit of SAR 1.35 bln (+2% Y/Y, -5% Q/Q), coming in 6% below our estimate of SAR 1.44 bln. Sequentially, the decline in non-funded income more than offset the improvement in NSCI and the reductions in operating expenses and impairment charges.
- ANB remains well positioned to benefit from a higher-for-longer rate environment, supported by its relatively floating-rate balance sheet. However, elevated long-term yields continue to exert offsetting pressure through OCI. In 3Q26, total comprehensive income declined to SAR 274 mln (-83% Y/Y, -84% Q/Q), implying an OCI loss of approximately SAR 1.08 bln. Despite the sequential increase in shareholders' equity, the sizeable OCI loss moderated book-value growth and heightened capital sensitivity. Accordingly, we lower our FY26 BVPS forecast and reduce our target price from SAR 28.00 to SAR 27.00. The stock trades at 0.9x FY26 P/BV, we maintain our Buy rating.

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Stock Rating

Buy	Neutral	Sell	Not Rated
Expected Total Return Greater than +15%	Expected Total Return between -15% and +15%	Expected Total Return less than -15%	Under Review/ Restricted

The expected percentage returns are indicative, stock recommendations also incorporate relevant qualitative factors

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