

Emirates NBD (ENBD)

Current Price
AED 26.10

Target Price
AED 27.00

Upside/Downside (%)
+3.4%

Rating
HOLD

2Q25 Net Profit higher than our estimate

- Net funded income rose 5.5% YOY to AED 8.4 Bn in 2Q25 due to growth in interest-earning assets, partially offset by lower asset yield and an increase in interest-bearing liabilities.
- Reported Net interest margin fell 23 bps YOY and 22 bps QOQ to 3.36% in 2Q25 due to the impact of interest rate changes in UAE and Turkey.
- Non-funded income rose significantly 32.9% YOY to AED 3.7 Bn in 2Q25, owing to solid performance across the card business, higher investment banking, trade finance & wealth management income, and increased customer lending.
- The reported cost-to-income ratio increased from 28.5% in 2Q24 to 29.7% in 2Q25. Operating expenses increased 18% YOY to AED 3.6 Bn in 2Q25 due to continued investment in technology, talent, and digital transformation to enhance long-term competitiveness, especially in AI and advanced analytics.
- The Bank witnessed an impairment charge of AED 187 Mn in 2Q25 compared to reversal of AED 1,350 Mn in 2Q24.
- Net profit fell by 10.7% YOY to AED 6.3 Bn in 2Q25, mainly due to an increase in operating expenses, tax expenses, and impairment charge compared to an impairment reversal during the same quarter in the previous year. The decline in net profit is partially offset by a rise in net funded and non-funded income.
- Total assets grew 16.6% YOY to AED 1,085.6 Bn in 2Q25.
- The reported NPL ratio declined 140 bps YOY and 30 bps QOQ to 2.8% in 2Q25 due to solid recoveries. Also, the reported NPL coverage ratio declined from 158% in 1Q25 to 155% in 2Q25.
- Capitalization stood strong with CAR 17.0% and CET1 of 14.7% in 2Q25.
- Deposits grew 5.6% QOQ and 18.0% YOY to AED 736.7 Bn, while net advances grew 4.7% QOQ and 14.3% YOY to AED 545.2 Bn in 2Q25.

Earnings Call Summary

- Net interest margin (NIM) stood at 3.36% in 2Q25, a slight decline from the previous quarter, reflecting changing interest rate cycles. The management expects margins to remain resilient, albeit under mild pressure in 2H25.
- International operations contributed 42% to total income, with strong performances in Egypt, Turkey (DenizBank), and Saudi Arabia, aligned with ENBD's strategy of geographic diversification, which gives a solid competitive advantage. Achieved a double-digit loan growth in all markets during 2Q25 – Egypt, KSA, London, Singapore, and India.
- ENBD is accelerating AI integration and digital product rollouts, emphasizing transformation to stay ahead in customer experience and operational efficiency.
- Management raised its full-year loan growth outlook, now expecting double-digit growth, supported by strong growth in 1H25.
- Introduced a co-branded "SHARE" credit card with the Majid Al-Futtaim Group's platform, reaching 10,000 issues faster than any other card, highlighting digital innovation and fintech collaboration success.
- Unveiled new products such as gold financing, fuel hedging, and structured product offerings, expanding to new revenue streams to earn higher non-core income.
- AUM surged to USD 50 Bn, aided by rising demand from affluent and regional clients, cementing its position as a wealth-management leader.

- NPLs fell to 2.8% in 2Q25, mainly driven by recoveries and a continued buoyant property market.
- ENBD expects no more recoveries in 2H25, until they receive cash. Recovery outcomes remain uncertain, but if more are crystallized, as seen in recent quarters, they could support the cost of risk outcomes at the lower end of guidance or slightly better.
- ENBD issued AED 11 Mn in Sukuk as it had an AED 12 Bn long-term debt maturing in 2025. Additionally, DenizBank upsized its loan syndication to AED 1.1 Bn along with extending duration.
- The Bank views India as a key growth market, supported by robust capital flows and growing trade ties between the UAE and India.
- ENBD's strong provision enabled it to quickly write off its NPLs, unlike other banks which relied on the 5-year write-off relief allowed by the Central Bank. Additionally, most recoveries came from the UAE rather than DenizBank.

ENBD – P&L

AED Mn	2Q24	1Q25	2Q25	2Q25F	Var.	YOY Ch	QOQ Ch
Net funded income	7,940	8,455	8,376	8,612	-2.7%	5.5%	-0.9%
Non-Funded Income	2,774	3,420	3,687	3,321	11.0%	32.9%	7.8%
Operating income	10,714	11,875	12,063	11,933	1.1%	12.6%	1.6%
Operating expenses	-3,041	-3,676	-3,587	-3,699	-3.0%	18.0%	-2.4%
Impairment charges	1,350	465	-187	-538	-65.3%	NM	NM
Profit before tax	9,023	8,664	8,289	7,695	7.7%	-8.1%	-4.3%
Tax	-1,224	-1,546	-1,372	-1,154	18.9%	12.1%	-11.3%
Profit for the period	7,058	6,214	6,301	5,752	9.5%	-10.7%	1.4%

FABS estimate & Co Data

Research Rating Methodology:

Rating	Upside/Downside potential
BUY	Higher than +15%
ACCUMULATE	Between +10% to +15%
HOLD	Lower than +10% to -5%
REDUCE	Between -5% to -15%
SELL	Lower than -15%

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