FAB أبوظبي الأول للأوراق المالية SECURITIES

Earnings Call Insight | 3Q25

UAE Equity Research   Sector: Banking   Market: DFM

Emirates NBD (ENBD)

Current Price	Target Price	Upside/Downside (%)	Rating
AED 27.80	AED 31.50	+13.3%	ACCUMULATE

3Q25 Net Profit higher than our estimate

- Net funded income rose 5.7% YOY to AED 9.0 Bn in 3Q25 supported by strong loan growth due to robust demand in domestic and international markets, partially offset by a decline in asset yield along with an increase in customer deposits and other interest-bearing liabilities.
- Reported Net interest margin fell 38 bps YOY and increased marginally 1 bps QOQ to 3.37% in 3Q25 due to the US Fed rate cuts partially offset by improvement in DenizBank margins.
- Non-funded income rose significantly by 24.7% YOY to AED 3.8 Bn in 3Q25, owing to strong growth in fees and commission income and higher trading gains.
- The cost-to-income ratio fell 7 bps YOY to 30.8% in 3Q25. Operating expenses increased 10.4% YOY to AED 3.9 Bn in 3Q25 due to continued spending on strategic initiatives such as digital and international expansion, along with inflationary adjustments at DenizBank.
- ENBD witnessed an impairment reversal of AED 8 Mn in 3Q25 compared to provision charge of AED 872 Mn in 3Q24.
- The net profit increased 22.8% YOY to AED 6,421 Mn in 3Q25, higher than our estimate of AED 6,039 Mn. The rise in net profit is due to healthy loan growth in core markets and KSA, a strong deposit mix, and double-digit growth in non-funded income and impairments reversal, partially offset by a rise in operating expenses and tax expenses.
- The reported NPL ratio declined 140 bps YOY and 30 bps QOQ to 2.5% in 3Q25 due to solid recoveries Also, the reported NPL coverage ratio grew from 155% in 2Q25 to 160% in 3Q25.
- Capitalization stood strong with CAR of 16.9% and CET1 of 14.7% in 3Q25.
- Deposits grew 3.2% QOQ and 17.9% YOY to AED 760.4 Bn, while net advances grew 10.7% QOQ and 22.2% YOY to AED 603.6 Bn in 3Q25.

Earnings Call Summary

- Net advances rose 19% YTD in 3Q25 driven by strong demand across the UAE, KSA, and Egypt. ENBD revised its loan growth guidance upwards to low 20%s YOY growth in 2025.
- Advances grew 38% YTD in Saudi Arabia, owing to solid growth across both retail (48%) and corporate (52%). ENBD expects its branch network to increase to 23 by the end of 2025.
- Reported NIMs contracted 38 bps YOY to 3.37% in 3Q25, mainly attributable to Fed rate cuts, partially offset by improvement in DenizBank margins due to rate cuts in Turkey.
- NPLs declined to 2.5% in 3Q25, despite increasing loans, driven by the buoyant property market and better recoveries.
- ENBD announced the acquisition of 60% stake in RBL Bank through a USD 3 Bn preferential allotment, along with a potential rise in stake through mandatory share repurchase from existing shareholders. The acquisition is expected to be completed by the end of 2Q26.
- Active customers on the ENBD X platform rose to 2.4 Mn, up 49% YOY, while the digital wealth platform surpassed USD 5 Bn in trading volumes, within a year of its launch. These advances underscore the Group’s focus on customer-centric digital ecosystems.
- ENBD expects two rate cuts before year-end and three additional 25 bps cuts next year, mostly in early 2026. Meanwhile, the Bank expects its NIMs in 2026 to stay largely around 4Q25 levels.

- Rising operating expenses reflects continued investment in technology, frontline expansion, and inflation effects. Consequently, ENBD is heavily investing in its Saudi operations, which is delivering strong organic growth.
- The RBL Bank acquisition is a consideration, but management didn't indicate any change to dividend plans yet.
- The RBL deal is expected to be accretive, adding c. 100 bps to the CET1 ratio, as it is a full capital injection funded internally without a rights issue.
- ENBD's voting rights in RBL Bank are capped at 26%, but this still allows effective control through board representation and dispersed minority shareholding.
- Hyperinflation adjustment in Turkey remains at AED 2.4 Bn, which is capital neutral, and will likely be phased out only by late 2027 or 2028, depending on sustained inflation moderation.
- A 1% countercyclical buffer in Saudi Arabia will have only a minor capital impact (around 9 bps). ENBD's exposure to Saudi real estate is limited, with no participation in large government mega projects. The Bank remains focused on private-sector family businesses.

ENBD – P&L

AED Mm	3Q24	2Q25	3Q25	3Q25F	Var.	YOY Ch	QOQ Ch
Net funded income	8,479	8,376	8,963	8,562	4.7%	5.7%	7.0%
Non-funded income	**3,021**	**3,687**	**3,766**	**3,534**	**6.6%**	**24.7%**	**2.1%**
Operating income	**11,500**	**12,063**	**12,729**	**12,097**	**5.2%**	**10.7%**	**5.5%**
Operating expenses	-3,541	-3,587	-3,911	-3,629	7.8%	10.4%	9.0%
Impairment charges	-872	-187	8	-517	NM	NM	NM
Profit before tax	**7,087**	**8,289**	**8,826**	**7,951**	**11.0%**	**24.5%**	**6.5%**
Tax	-9	-5	-9	-5	71.4%	0.0%	80.0%
Profit for the period	**5,230**	**6,301**	**6,421**	**6,039**	**6.3%**	**22.8%**	**1.9%**

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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