FAB أبوظبي الأول للأوراق المالية SECURITIES

# Earnings Call Insight | 4Q25

UAE Equity Research | Sector: Banking | Market: DFM

## Emirates NBD (ENBD)

| Current Price | Target Price | Upside/Downside (%) | Rating |
|---|---|---|---|
| AED 30.60 | AED 33.50 | +9.5% | HOLD |

### 4Q25 Net Profit in line with our estimate

- Net funded income rose 13.3% YOY to AED 9.7 Bn in 4Q25, supported by strong loan growth due to robust demand in domestic and international markets, partially offset by a decline in asset yield.
- Reported Net interest margin (NIMs) fell 13 bps YOY and increased 15 bps QOQ to 3.5% in 4Q25, driven by improving margins in Türkiye due to rate cuts lowering funding costs, offsetting FED rate cuts flow through impact for the Bank.
- Non-funded income rose 9.4% YOY to AED 2.9 Bn in 4Q25, owing to strong growth in trading gains and fee and commission income.
- The calculated cost-to-income ratio improved 589 bps YOY and 21 bps QOQ to 30.5% in 4Q25. Operating expenses decreased 5.8% YOY to AED 3.9 Bn in 4Q25, reflecting disciplined cost management despite an inflationary environment in Türkiye.
- Impairment charges increased 21.0% YOY to AED 1.8 Bn in 4Q25.
- The reported NPL ratio declined 90 bps YOY and 10 bps QOQ to 2.4% in 4Q25, mainly due to solid recoveries.
- Capitalization stood strong with CAR of 16.6% and CET1 of 14.4% in 4Q25, well above the minimum requirements.
- Deposits grew 3.4% QOQ and 17.9% YOY to AED 786.0 Bn, while net advances grew 4.8% QOQ and 26.2% YOY to AED 632.8 Bn in 4Q25.

### Earnings Call Summary

- Net advances rose 26.2% YOY in 2025, driven by strong demand across all industry sectors throughout domestic and international network, especially nonbanking financial institutions, trade and manufacturing.
- KSA remains the key growth driver for the Bank, with gross lending expanding by 48% in 2025. The momentum was well balanced across segments, with retail contributing 48% and corporate 52% to total gross loan growth underscoring the strength of its increasingly diversified franchise in the market.
- The Bank expects KSA loan growth to moderate from the exceptional 48% pace in 2025, reflecting tighter liquidity, funding discipline and base effects. However, growth should remain well above the Group average, with management prioritizing returns and asset quality over volume.
- ENBD guides NIMs to be in the range of 3.1%-3.3% in 2026, driven by margin recovery at DenizBank with Turkish margins expected to average c.7–8% in 2025, providing a short-term offset to margin compression in the core ENBD franchise from further policy rate cuts.
- The Bank's NPLs improved from 2.5% in 3Q25 to 2.4% in 4Q25, reflecting the continued trend of recoveries supported by the buoyant property market and an increased lending denominator.
- Active customers on the ENBD X platform rose to 2.5 Mn active users across UAE and KSA, up 25% YOY, while the digital wealth platform surpassed USD 40 Bn in trading volumes, increasing fourfold compared to last year.
- ENBD factored in 3 further rate cuts in 2026, with ongoing rate cuts in Turkey to boost the DenizBank NIM in the short term. The market consensus expects rates may decrease to 29% by end of 2026.
- The RBL acquisition remains on track, with closing expected in 2Q26, pending regulatory approvals. RBL's 2025 loan book stood at c. USD 11bn, with an anticipated CET1 impact of 80-100bps. The Bank plans to provide detailed pro-forma financials, synergies and capital implications in 2Q26.

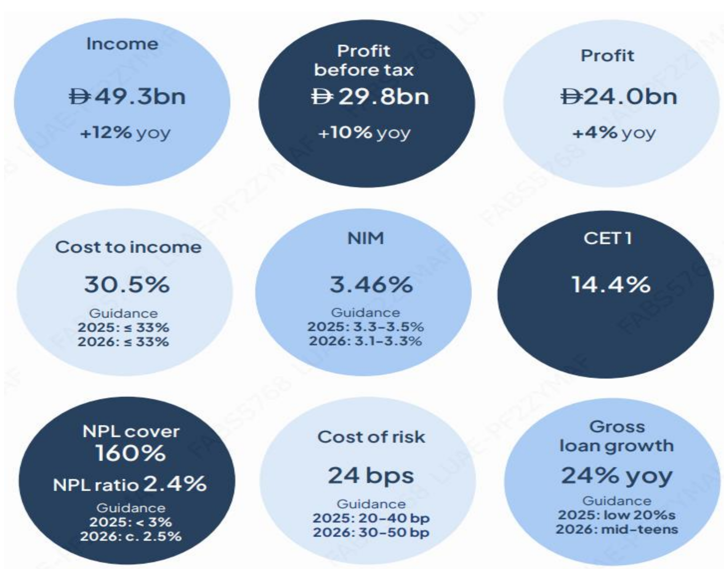
- ENBD reiterated comfort around strong impairment coverage, citing conservative provisioning and robust recoveries. The Bank's 2026 cost of risk is guided at 30–50bps, with medium-term credit costs expected to remain below historical levels despite elevated DenizBank risk.
- On Saudi Arabia, the Bank highlighted no impact from recent geopolitical developments, with the business continuing to grow strongly, supported by ENBD's liquidity advantage in a structurally tight funding environment.
- Recoveries in the UAE are expected to continue in 2026 but at a more normalized pace, as most large legacy exposures have already been resolved, with future recoveries driven by smaller tickets.
- On the hyperinflation front, ENBD highlighted potential upside from the removal of hyperinflation accounting, which currently reduces earnings by c. AED 3 Bn and could reverse towards the back end of 2027.
- On sovereign exposure, ENBD expects further Dubai sovereign repayments in 2026 following AED 20–21 Bn repaid in 2025, supported by Dubai's strong fiscal position, although timing and quantum remain uncertain.
- The Bank's Board of Directors have proposed an ordinary dividend of 100 fils for 2026.

**ENBD – P&L**

| AED Mm | 4Q24 | 3Q25 | 4Q25 | 4Q25F | Var. | YOY Ch | QOQ Ch |
|---|---|---|---|---|---|---|---|
| Net funded income | 8,567 | 8,963 | 9,708 | 8,972 | 8.2% | 13.3% | 8.3% |
| **Non-funded income** | **2,691** | **3,766** | **2,944** | **3,901** | **-24.5%** | **9.4%** | **-21.8%** |
| **Operating income** | **11,258** | **12,729** | **12,652** | **12,874** | **-1.7%** | **12.4%** | **-0.6%** |
| Operating expenses | -4,099 | -3,911 | -3,861 | -4,382 | -11.9% | -5.8% | -1.3% |
| Impairment charges | -1,450 | 8 | -1,754 | -1,347 | 30.3% | 21.0% | NM |
| **Profit before tax** | **5,709** | **8,826** | **7,037** | **7,145** | **-1.5%** | **23.3%** | **-20.3%** |
| Tax | -988 | -1,522 | -1,391 | -1,223 | 13.7% | 40.8% | -8.6% |
| **Profit for the period** | **3,983** | **6,421** | **5,045** | **5,201** | **-3.0%** | **26.7%** | **-21.4%** |

*FABS estimate & Co Data*

## ENBD Management Guidance:



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## 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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