

## Emirates NBD (ENBD)

**Current Price**  
AED 29.62

**Target Price**  
AED 33.50

**Upside/Downside (%)**  
+15%

**Rating**  
BUY

### 1Q26 Net Profit in line with our estimate

- ENBD's net profit attributable to equity shareholders increased 3.0% YOY to AED 6.4 Bn in 1Q26, in line with our estimate of AED 6.3 Bn. The increase in net profit was mainly driven by higher net funded and non-funded income, partially offset by increase in operating expenses, impairment charges, tax and hyperinflation charges.
- Net funded income rose 12.2% YOY to AED 9.5 Bn in 1Q26, supported by strong asset growth due to robust demand in domestic and international markets, partially offset by a decline in asset yield.
- Calculated net interest margin (NIMs) fell 14 bps YOY and 19 bps QOQ to 3.3% in 1Q26, due to flow through impact of FED rate cuts in 2H25 offset by expanding margins in Turkiye.
- Non-funded income rose significantly by 42.3% YOY to AED 4.9 Bn in 1Q26, driven by strong growth across all segments and diversified product offerings.
- Operating expenses increased 14.0% YOY to AED 4.2 Bn in 1Q26, due to spending on strategic initiatives such as digital & international expansion along with increased staff costs due to inflationary salary adjustments in Turkiye.
- The cost-to-income ratio improved 177 bps YOY and 133 bps QOQ to 29.2% in 1Q26.
- ENBD reported an impairment charge of AED 826 Mn in 1Q26 compared to impairment reversal of AED 465 Mn in 1Q25, due to provisioning across Deniz bank and ENBD partially offset by recoveries.
- The reported NPL ratio declined 80 bps YOY and 10 bps QOQ to 2.3% in 1Q26 and reported coverage ratios decreasing 100 bps YOY and 300 bps QOQ at 157% in 1Q26.
- Capitalization stood strong with CAR of 16.4% and CET1 of 14.2% in 1Q26, well above the minimum requirements excluding the implementation of UAE capital conservation buffer of 100 bps until 2Q26.
- Deposits grew 5.6% QOQ and 19.0% YOY to AED 830.0 Bn, while net advances grew 7.1% QOQ and 30.1% YOY to AED 677.8 Bn in 1Q26.

### Earnings Call Summary

- The Bank delivered a strong 1Q26 performance, supported by record income in Jan–Feb and a resilient March despite temporary shutdown of 1-2 weeks and proactively supported impacted customers through tailored solutions for SMEs, retail, and corporate segments.
- Liquidity was reinforced through a USD 2.25 Bn syndicated facility, witnessing strong oversubscription and competitive pricing.
- Progress on the RBL transaction remains on track for completion in 2Q26, with regulatory approvals secured from UAE and India.
- Strong capital, liquidity, and a diversified business model continue to support resilient performance amid uncertainty.
- Fee and commission income recorded strong growth, supported by increased activity in capital markets, wealth management services, and broader customer engagement across retail and institutional segments.
- The bank observed net deposit inflows even during March 2026, indicating continued customer confidence despite evolving macroeconomic and geopolitical conditions.
- Deposit growth remained strong, with CASA ratio at 60% (excluding Deniz), supporting a low-cost and stable funding base.
- The Bank adopted a conservative provisioning approach, booking additional ECL overlays of AED 865 Mn with two-thirds allocated to corporate and one-third to retail amid macro uncertainty, with potential revision to cost of risk guidance in 2Q26.

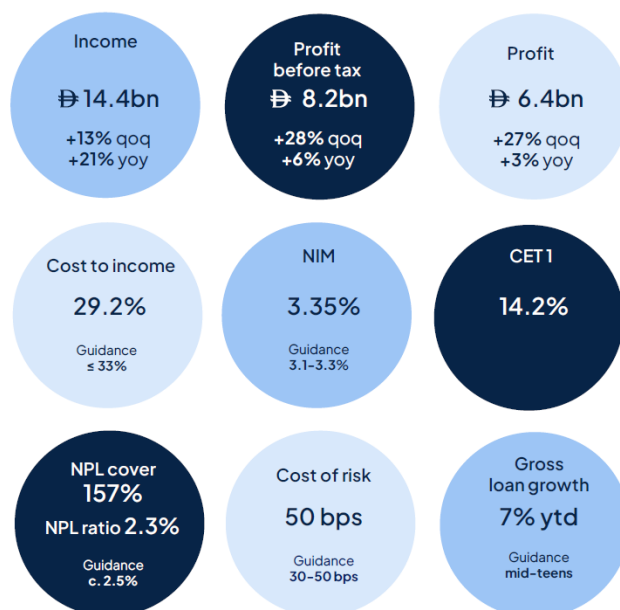
- ENBD indicated that it is too early to reassess full-year cost of risk guidance of 30–50 bps, with potential revisions to be evaluated at 1H26.
- Retail lending trends remain healthy, with strong credit card spending, personal loan demand, and application flows, while auto loans remain temporarily constrained due to supply issues while corporate demand remains robust, driven by growth and expansion opportunities rather than liquidity stress, reflecting strong balance sheets and cash buffers among clients.
- Management expects continued support from infrastructure investments in the UAE, which should further underpin credit demand going forward.
- Management clarified that loan deferral programs are precautionary support measures, with minimal customer uptake so far, resulting in no material impact on NIMs or interest income as even in prior cycles, deferrals had limited margin impact as interest continues to accrue, and the bank does not expect meaningful pressure from such measures in 2Q26.
- Strong corporate deposit growth was supported by escrow balances linked to real estate transactions, which are considered highly sticky and provide stability to the funding base.
- Liquidity metrics strengthened further post-quarter, with LCR levels recovering to pre-conflict levels, reflecting continued inflows across segments.
- Offshore operations remain self-funded, with continued growth expected across key markets such as Turkey, Egypt, and Saudi Arabia with maintained strategy of expanding international lending, with no shift in appetite despite current uncertainty.
- The mortgage portfolio remains conservatively positioned, with loan-to-value (LTV) improving to c. 60–61%, providing a strong buffer against potential asset price declines while the majority of the mortgage book is owner-occupied, which historically exhibits low default rates even during economic downturn.
- In Turkey, cost of risk remained elevated (c. 320 bps) in 1Q26, primarily driven by pressure in retail segments such as credit cards and agriculture amid high interest rates. However, cost of risk levels remains below peak pandemic levels (c. 400 bps), and management expects gradual moderation as interest rates ease.
- Management noted that Turkey’s inflation trajectory may remain elevated for longer, partly due to sustained high energy prices, which are a key input cost for the economy. As a result, hyperinflation accounting is now expected to persist until early 2028, compared to earlier expectations of normalization by 2H27.

**ENBD – P&L**

AED Mm	1Q25	4Q25	1Q26	1Q26F	Var.	YOY Ch	QOQ Ch
Net funded income	8,455	9,708	9,488	9,671	-1.9%	12.2%	-2.3%
Non-funded income	3,420	2,944	4,865	3,369	44.4%	42.3%	65.3%
<b>Operating income</b>	<b>11,875</b>	<b>12,652</b>	<b>14,353</b>	<b>13,040</b>	<b>10.1%</b>	<b>20.9%</b>	<b>13.4%</b>
Operating expenses	-3,676	-3,861	-4,189	-3,990	5.0%	14.0%	8.5%
Impairment charges	465	-1,754	-826	-547	51.1%	-277.6%	-52.9%
<b>Profit before tax</b>	<b>8,664</b>	<b>7,037</b>	<b>9,338</b>	<b>8,503</b>	<b>9.8%</b>	<b>7.8%</b>	<b>32.7%</b>
Tax	-1,546	-1,391	-1,815	-1,530	18.6%	17.4%	30.5%
<b>Profit for the period</b>	<b>6,214</b>	<b>5,045</b>	<b>6,402</b>	<b>6,271</b>	<b>2.1%</b>	<b>3.0%</b>	<b>26.9%</b>

FABS estimate & Co Data

**Management Guidance:**



## 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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