

Emirates NBD (ENBD)

Rise in impairments and operating expenses dragged bottom line

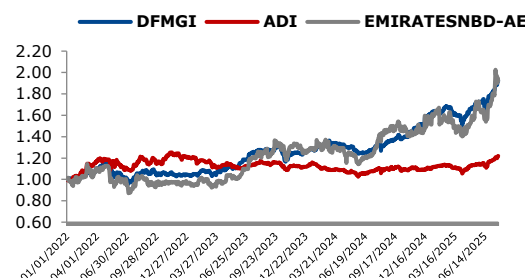
Current Price
AED 26.10

Target Price
AED 27.00

Upside/Downside (%)
+3.4%

Rating
HOLD

- Group net advances grew 4.7% QOQ to AED 545.1Bn in 2Q25, with major incremental lending originating from international operations.
- Customer deposits increased 5.6% QOQ to AED 736.7 Bn in 2Q25. CASA represents 60% of total Group deposits in 2Q25.
- Revised 2025 loan growth guidance upwards to low double digit and 2025 cost of risk guidance to 20-40 bps.
- Asset quality improved with NPLs declining from 3.1% in 1Q25 to 2.8% in 2Q25, driven by recoveries and a continued buoyant property market.
- Introduced a co-branded "SHARE" credit card with the Majid Al-Futtaim Group's platform, reaching 10,000 issues faster than any other card.



2Q25 Net Profit higher than our estimate

Emirates NBD's (ENBD/the Bank) net profit fell 10.7% YOY to AED 6,301 Mn in 2Q25, higher than our estimate of AED 5,752 Mn. The decline in net profit is primarily due to an increase in operating expenses, tax expenses, and impairment charge compared to an impairment reversal during the same quarter of the previous year. The decline in net profit is partially offset by a rise in net funded and non-funded income.

P&L Highlights

ENBD's funded income rose 3.5% YOY to AED 19,760 Mn in 2Q25 due to a strong growth in advances, primarily from the international operations, and an increase in investments, along with innovative product offerings, partially offset by a decline in asset yield. On the other hand, funded expenses rose 2.1% YOY to AED 11,384 Mn in 2Q25, attributable to a rise in customer deposits. Thus, net funded income increased 5.5% YOY to AED 8,376 Mn in 2Q25. Fee and commission income rose 15.4% YOY to AED 2,012 Mn in 2Q25 owing to solid performance across the card business, higher investment banking, trade finance & wealth management income, and increased customer lending. Similarly, Trading gains more than doubled from AED 202 Mn in 2Q24 to AED 502 Mn in 2Q25 due to a rise in FX & derivative income. Other operating income grew substantially 41.5% YOY to AED 1,173 Mn in 2Q25 due to a decline in swap funding costs in DenizBank. Thus, non-funded income increased 32.9% YOY to AED 3,687 Mn in 2Q25. As a result, operating income boosted 12.6% YOY to AED 12,063 Mn in 2Q25. The Bank's operating expenses grew 18.0% YOY to AED 3,587 Mn in 2Q25 continued investment in technology, talent, and digital transformation to enhance long-term competitiveness, especially in AI and advanced analytics. Thus, the

Stock Information

Market Cap (AED, Mn)	163,915.72
Paid Up Capital (Mn)	6,316.60
52 Week High	27.60
52 Week Low	17.40
3M Avg. daily value(AED)	2,641,943

2Q25 Result Review (AED, Mn)

Total Assets	1,085,641
Total Liabilities	952,404
Total Equity	123,881
Total Deposits	736,714
Net Profit	6,301

Financial Ratios

Dividend Yield (12m)	3.8
Dividend Pay-out (%)	28.10
Price-Earnings Ratio(x)	6.03
Price-to-Book Ratio (x)	1.16
Book Value (AED)	18.50
Return-on Equity (%)	20.65

Stock Performance

5 Days	-3.17%
1 Months	15.59%
3 Months	26.89%
6 Months	15.85%
1 Year	47.03%
Month to Date (MTD%)	13.82%
Quarter to Date (QTD%)	13.82%
Year to Date (YTD%)	20.98%

Calculated cost-to-income ratio increased from 28.4% in 2Q24 to 29.7% in 2Q25. ENBD recorded impairment charges of AED 187 Mn in 2Q25, compared to reversals of AED 1,350 Mn in 2Q24. ENBD's tax expense increased 12.1% YOY to AED 1,372 Mn in 2Q25.

Balance Sheet Highlights

ENBD's net advances rose 14.3% YOY and 4.7% QOQ to AED 545.1 Bn in 2Q25, mainly driven by strong growth from the international market. The gross retail loans rose from AED 130 Bn in 2Q24 to AED 167 Bn in 2Q25, while the corporate portfolio increased from AED 226 Bn in 2Q24 to AED 261 Bn in 2Q25. Deposits increased 18.0% YOY and 5.6% QOQ to AED 736.7 Bn in 2Q25. CASA deposits represent 60% of total deposits in 2Q25. Moreover, the ENBD's headline loan-to-deposits ratio stood at 74.0% in 2Q25, compared to 76.4% in 2Q24. Total assets rose 16.6% YOY and 5.3% QOQ to AED 1,085.6 Bn in 2Q25.

Target Price and Rating

We maintain our HOLD rating on ENBD with a revised target price of AED 27.00. Emirates NBD reported a strong performance in the 2Q25, underpinned by healthy growth in operating profit. However, the Bank's profitability moderated due to an increase in impairments and operating expenses in 2Q25. The Bank expects its NIMs to reach 3.3% to 3.5% in 2025. ENBD recorded a solid growth in net advances during 2Q25, driven by a 28.5% YOY growth in retail lending and 15.5% YOY growth in corporate lending. The Bank achieved a double-digit loan growth in all markets during 2Q25, including Egypt, KSA, London, Singapore, and India, in line with the geographic diversification strategy, which provides a solid competitive advantage. Consequently, ENBD revised its 2025 loan growth guidance to low double digits, on the back of solid growth achieved in 1H25. On the other hand, deposit growth outpaced advances, driven by an increase in both CASA and time deposits. Moreover, ENBD 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 successful innovation and fintech collaboration. ENBD is accelerating AI integration and digital product rollouts, emphasizing transformation, to stay ahead in customer experience and operational efficiency. Similarly, the Bank also unveiled new products, including gold financing, fuel hedging, and structured product offerings, expanding into new revenue streams to generate higher non-core income. The wealth management business showcased a healthy performance with AUMs increasing to USD 50 Bn, attributable to rising demand from affluent and domestic clients. The Bank's asset quality improved with NPLs declining from 3.1% in 1Q25 to 2.8% in 2Q25, driven by recoveries and a continued buoyant property market. 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. However, ENBD expects no further recoveries in 2H25, unless it receives cash. Recovery outcomes remain uncertain, but if more are crystallized, as seen in recent quarters, they could support a cost of risk outcome at the lower end of the annual guidance or slightly better. The Bank's 2025 cost of risk guidance stands at 20-40 bps. Thus, considering the above-mentioned factors, we assign HOLD rating on the stock.

ENBD- Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	26.11	18.92	13.18	7.85	7.33	7.27
PB	2.22	2.22	1.96	1.64	1.41	1.23
DPS (AED)	0.400	0.500	0.600	1.200	1.000	1.000
EPS	1.000	1.379	1.980	3.323	3.559	3.592
BVPS	11.749	11.777	13.309	15.937	18.501	21.175
Dividend yield	1.5%	1.9%	2.3%	4.6%	3.8%	3.8%

FABS Estimates & Co Data

ENBD- P&L

AED Mn	2Q24	1Q25	2Q25	2Q25F	Var.	YOY Ch	QOQ Ch	2024	2025F	Change
Funded income	19,088	19,198	19,760	19,256	2.6%	3.5%	2.9%	78,132	77,364	-1.0%
Funded expense	-11,148	-10,743	-11,384	-10,644	7.0%	2.1%	6.0%	-45,736	-44,004	-3.8%
Net funded income	7,940	8,455	8,376	8,612	-2.7%	5.5%	-0.9%	32,396	33,359	3.0%
Fees and commissions	1,743	1,888	2,012	1,737	15.8%	15.4%	6.6%	6,793	8,152	20.0%
Trading gain/(loss)	202	194	502	206	144.1%	148.5%	158.8%	838	1,048	25.0%
Other Operating Income	829	1,338	1,173	1,378	-14.9%	41.5%	-12.3%	4,107	4,764	16.0%
Non-funded income	2,774	3,420	3,687	3,321	11.0%	32.9%	7.8%	11,738	13,963	19.0%
Operating income	10,714	11,875	12,063	11,933	1.1%	12.6%	1.6%	44,134	47,322	7.2%
Operating expenses	-3,041	-3,676	-3,587	-3,699	-3.0%	18.0%	-2.4%	-13,751	-14,859	8.1%
Pre-provision profit	7,673	8,199	8,476	8,234	2.9%	10.5%	3.4%	30,383	32,463	6.8%
Impairment	1,350	465	-187	-538	-65.3%	NM	NM	-106	-1,515	NM
PBT	9,023	8,664	8,289	7,695	7.7%	-8.1%	-4.3%	30,277	30,948	2.2%
Tax	-1,224	-1,546	-1,372	-1,154	18.9%	12.1%	-11.3%	-4,133	-5,014	21.3%
Net profit	7,799	7,118	6,917	6,541	5.7%	-11.3%	-2.8%	26,144	25,935	-0.8%
Hyperinflation	-736	-899	-611	-784	-22.0%	-17.0%	-32.0%	-3,136	-2,700	-13.9%
Net Profit adj for hyperinflation	7,063	6,219	6,306	5,757	9.5%	-10.7%	1.4%	23,008	23,235	1.0%
NCI	-5	-5	-5	-5	-4.8%	0.0%	0.0%	-35	-25	-30.0%
Profit for the period	7,058	6,214	6,301	5,752	9.5%	-10.7%	1.4%	22,973	23,210	1.0%

FABS estimate & Co Data
ENBD- KPI

	2Q24	1Q25	2Q25	YOY	QOQ	2024	2025F	Change
Net FI/OI	74.1%	71.2%	69.4%	-467	-176	73.4%	70.5%	-291
NIM (Calculated)	3.62%	3.49%	3.31%	-32	-18	3.7%	3.3%	-35
NIS	2.6%	2.6%	2.4%	-20	-19	2.7%	2.4%	-24
Fees & comms/OI	16.3%	15.9%	16.7%	41	78	15.4%	17.2%	183
Other non-funded/OI	7.7%	11.3%	9.7%	199	-154	9.3%	10.1%	76
Trading/OI	1.9%	1.6%	4.2%	228	253	1.9%	2.2%	31
Cost to income (calculated)	28.4%	31.0%	29.7%	135	-122	31.2%	31.4%	24
Impairment/PPP	-17.6%	-5.7%	2.2%	1,980	788	0.3%	4.7%	432
Tax/PBT	13.6%	17.8%	16.6%	299	-129	13.7%	16.2%	255
NP/OI	65.9%	52.3%	52.2%	-1,364	-9	52.1%	49.0%	-301
Loan-to-deposit (Headline)	76.4%	74.7%	74.0%	-241	-67	75.2%	76.0%	77
NPL – Reported	4.2%	3.1%	2.8%	-140	-30	3.3%	2.9%	-43
NPL Coverage – Reported	145.0%	158.0%	155.0%	1,000	-300	156.0%	162.0%	600
CET1	15.4%	14.7%	14.7%	-74	1	14.7%	15.2%	52
Capital Adequacy	18.0%	17.0%	17.0%	-104	-7	17.1%	17.4%	29
ROAE	22.9%	20.3%	18.3%	-455	-193	20.7%	18.1%	-256
ROAA	2.6%	2.3%	2.2%	-49	-17	2.5%	2.2%	-28

FABS estimate & Co Data

ENBD- Key B/S items

AED Mn	2Q24	3Q24	4Q24	1Q25	2Q25	YOY
Net advances	477,132	493,843	501,627	520,909	545,173	14.3%
QOQ ch	4.0%	3.5%	1.6%	3.8%	4.7%	
Total assets	930,785	956,041	996,582	1,030,570	1,085,641	16.6%
QOQ ch	3.2%	2.7%	4.2%	3.4%	5.3%	
Customer deposits	624,417	644,812	666,777	697,595	736,714	18.0%
QOQ ch	2.3%	3.3%	3.4%	4.6%	5.6%	
Total equity (excluding minority & T1)	107,199	114,040	116,861	117,468	123,881	15.6%
QOQ ch	8.1%	6.4%	2.5%	0.5%	5.5%	

FABS estimate & Co Data

Valuation:

We use Residual Income and Relative Valuation (RV) method to value ENBD. We have assigned 70% weight to Residual Income and 30% to RV method.

Valuation Method	Target	Weight	Weighted Value
Residual Income	25.92	70.0%	18.15
Relative Valuation (RV)	29.51	30.0%	8.85
Weighted Average Valuation (AED)			27.00
Current market price (AED)			26.10
Upside/Downside (%)			+3.4%

1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 9.3%. Cost of equity is calculated by using 10-year government bond yield of 5.6%, beta of 0.85 and equity risk premium of 4.3%. Government bond yield is calculated after adding Dubai 10-year CDS spread over 10-year US risk-free rate. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	24,920
Terminal value (AED, Mn)	14,946
Book Value of Equity (as of Jun 2025)	123,881
FV to Common shareholders (AED, Mn)	163,747
No. of share (Mn)	6,317
Current Market Price (AED)	26.10
Fair Value per share (AED)	25.92

Residual Income Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
Net Profit	22,667	22,866	22,216	21,235	19,812
(-) Equity Charge	(12,379)	(13,967)	(15,495)	(16,933)	(18,238)
Excess Equity	10,288	8,899	6,721	4,302	1,574
Discounting Factor	0.96	0.88	0.81	0.74	0.68
Present Value of Excess Equity	7,426¹	7,838	5,419	3,175	1,063

Source: FAB Securities, ¹Adjusted for Partial Year

2) Relative Valuation:

We have used local peers to value ENBD and it is valued using the PB multiple. It is valued at a PB multiple of 1.5x in line with peers.

Company	Market (USD Mn)	P/B (x)		P/E (x)		Dividend Yield (%)	
		2025F	2026F	2025F	2026F	2025F	2026F
Sharjah Islamic Bank	2,458	NM	1.1	NM	9.1	NA	NA
Commercial Bank of Dubai	7,152	1.6	1.5	8.7	9.6	6.3	4.5
Mashreq Bank	13,214	1.3	1.2	7.0	6.8	7.2	8.3
RAKBank	4,009	1.2	1.1	6.7	7.4	7.4	6.6
Abu Dhabi Commercial Bank	28,251	1.5	1.3	11.3	10.4	4.3	4.6
Dubai Islamic Bank	18,082	1.5	1.4	10.0	10.1	4.9	5.0
Average		1.4x	1.3x	8.7x	8.9x	5.0%	5.8%
Median		1.5x	1.3x	8.7x	9.3x	5.6%	5.0%
Max		1.5x	1.4x	10.0x	10.0x	6.9%	6.6%
Min		1.3x	1.1x	7.0x	7.8x	4.5%	4.6%

Source: FAB Securities

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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