

Emirates NBD (ENBD)

Non-Funded Income Strength Support Bottom-Line Stability

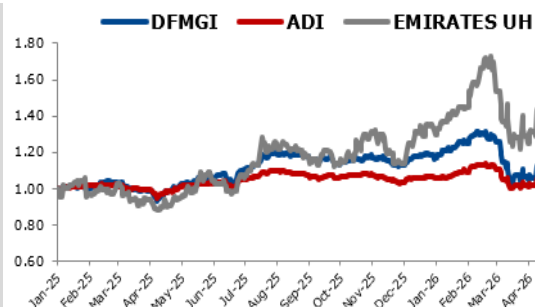
Current Price
AED 29.14

Target Price
AED 33.50

Upside/Downside (%)
+15.0%

Rating
BUY

- Progress on the RBL transaction remains on track for completion in 2Q26, with regulatory approvals received from central banks of UAE and India.
- Asset quality metrics remained strong, with the NPL ratio improving to 2.3% and coverage remaining robust at 157%, providing a solid buffer against potential credit risks.
- Liquidity was further strengthened through the successful closure of a USD 2.25 Bn syndicated facility, which witnessed strong oversubscription and competitive pricing.
- Backed by strong earnings performance and a robust capital position, the Board of Directors approved an ordinary dividend of 100 fils per share for 2025.



Stock Information

Market Cap (AED, Mn)	185,076.33
Paid Up Capital (Mn)	6,316.60
52 Week High	37.40
52 Week Low	20.15
3M Avg. daily value(AED)	119,147,800

1Q26 Result Review (AED, Mn)

Total Assets	1,216,751
Total Liabilities	1,072,304
Total Equity	135,068
Total Deposits	830,011
Net Profit	6,402

Financial Ratios

Dividend Yield (12m)	3.31
Dividend Pay-out (%)	26.95
Price-Earnings Ratio(x)	8.13
Price-to-Book Ratio (x)	1.41
Book Value (AED)	21.44
Return-on Equity (%)	18.73

Stock Performance

5 Days	-5.18%
1 Months	4.27%
3 Months	-5.79%
6 Months	5.40%
1 Year	43.28%
Month to Date (MTD%)	9.53%
Quarter to Date (QTD%)	9.53%
Year to Date (YTD%)	5.21%

1Q26 Net Profit in line with our estimate

Emirates NBD's (ENBD/the Bank) net profit attributable to equity shareholders increased 3.0% YOY to AED 6,402 Mn in 1Q26, in line with our estimate of AED 6,271 Mn. The increase is primarily supported by higher funded and non-funded income partially offset by higher operating expenses, impairment charges, higher tax and hyperinflation along with increased contribution to NCI.

P&L Highlights

ENBD's funded income rose 5.8% YOY to AED 20,314 Mn in 1Q26, supported by record asset growth and resilient margins, partially offset by a decline in asset yield. On the other hand, funded expenses also increased marginally 0.8% YOY to AED 10,826 Mn in 1Q26, despite lower cost of funds. Thus, net funded income increased 12.2% YOY to AED 9,488 Mn in 1Q26. Fee and commission income increased 27.1% YOY to AED 2,399 Mn in 1Q26, supported by robust asset expansion and ongoing investments in capital markets, including wealth management and investment banking segments. Trading gains decreased 9.8% YOY to AED 175 Mn in 1Q26 due to the ongoing geopolitical tensions. Other operating income increased from AED 1,338 Mn in 1Q25 to AED 2,291 Mn in 1Q26, driven by higher gains on disposal of investment properties and increased net foreign exchange and derivatives income, supported by an enhanced global markets product offering. Thus, non-funded income rose 42.3% YOY to AED 4,865 Mn in 1Q26 on account of increased client flow income. As a result, operating income grew 20.9% YOY to AED 14,353 Mn in 1Q26. The Bank's operating expenses increased 14.0% YOY to AED 4,189 Mn in 1Q26, driven by increased staff costs due to inflationary salary adjustments in Turkiye. Thus, the calculated cost-to-income ratio declined from 31.0% in 1Q25 to 29.2% in 1Q26. ENBD's impairment charges amounted to AED 826 Mn in 1Q26 compared to

impairment reversal of AED 465 Mn in 1Q25. Impairment charges were mainly driven by prudent provisioning across DenizBank and Emirates NBD, partially offset by strong recoveries early in the year. ENBD's tax expense increased 17.4% YOY to AED 1,815 Mn in 1Q26. In addition, the Bank's capital-neutral hyperinflation adjustment increased 23.6% YOY to AED 1,111 Mn in 1Q26 driven by stronger performance and currency dynamics in Turkey, reflecting both positive earnings momentum and inflationary adjustments. The Bank's profit share to NCI holders increased from AED 5 Mn in 1Q25 to AED 10 Mn in 1Q26.

Balance Sheet Highlights

ENBD's net advances rose 30.1% YOY and 7.1% QOQ to AED 677.8 Bn in 1Q26, mainly driven by strong growth from the domestic and international markets. The gross retail loans rose from AED 157 Bn in 1Q25 to AED 193 Bn in 1Q26, driven by growth across all products and geographies. Corporate portfolio increased from AED 254 Bn in 1Q25 to AED 371 Bn in 1Q26, supported by AED 44 Bn of new loan origination. Deposits increased 19.0% YOY and 5.6% QOQ to AED 830.0 Bn in 1Q26, supported by a rise in CASA deposits and net deposit inflows in March. CASA deposits (ex-Deniz) represented 60% of total deposits in 1Q26. Moreover, the ENBD's headline loan-to-deposits ratio increased to 81.7% in 1Q26, compared to 80.5% in 4Q25. Total assets rose 18.1% YOY and 4.5% QOQ to AED 1,216.8 Bn in 1Q26.

Target Price and Rating

We maintain our BUY rating on ENBD with a target price of AED 33.50. Emirates NBD delivered a strong 1Q26 performance, underpinned by a robust balance sheet, diversified business model, and a supportive UAE macroeconomic backdrop. The loan book expanded by 30.1% YOY and 7.1% QOQ to AED 677.8 Bn, driven by broad-based growth across retail and corporate segments, with particularly strong momentum from the UAE. This was complemented by continued strategic investments in the Bank's regional footprint, digital capabilities, and GenAI, which are supporting income growth and partially offsetting margin pressures from lower interest rates. Deposits increased by 19.0% YOY and 5.6% QOQ to AED 830.0 Bn, supported by growth across CASA, time deposits, and DenizBank. CASA balances rose to AED 422 Bn and contributed 60% of total deposits, reinforcing a strong, low-cost funding base. Net interest margins moderated by 14 bps YOY and 19 bps QOQ to 3.3% in 1Q26, reflecting the lagged impact of Fed rate cuts in 2H25; however, management expects NIMs to remain within the 3.1%–3.3% range in 2026, with potential upside from fewer rate cuts, partly offset by a higher-for-longer rate environment in Turkey. Operational efficiency improved, with the cost-to-income ratio declining to 29.2% in 1Q26. Asset quality metrics remained strong, with the NPL ratio improving to 2.3% and coverage remaining robust at 157%, providing a solid buffer against potential credit risks. The bank expects NPLs to normalize around c. 2.5% over the medium term. Capitalization remains strong, with CAR and CET1 ratios at 16.4% and 14.2%, respectively in 1Q26, well above regulatory requirements. Liquidity was further strengthened through the successful closure of a USD 2.25 Bn syndicated facility, which witnessed strong oversubscription and competitive pricing, highlighting investor confidence in the bank's credit profile. ENBD also continues to maintain its leadership in retail payments, with a 36% credit card spend market share in the UAE, alongside ongoing product innovation such as the launch of bank-branded precious metal products. From a strategic standpoint, ENBD continues to advance its international expansion, maintaining a steady focus on growing cross-border lending while ensuring offshore operations remain self-funded. Progress on the RBL transaction remains on track for completion in 2Q26, with regulatory approvals received from central banks of UAE and India. The bank also adopted a prudent provisioning approach, booking additional ECL overlays of AED 865 Mn with c. two-thirds allocated to corporate and one-third to retail, reflecting a conservative stance amid macroeconomic uncertainty, with further clarity expected in 2Q26. Looking ahead, management remains constructive on the UAE banking sector, supported by strong fiscal buffers and improved government balance sheets, particularly in Dubai, which underpin systemic resilience. The bank does not foresee any material deterioration in asset quality, given the strong positioning of corporates and the broader economy. However, in Turkey, inflationary pressures are expected to persist longer due to elevated energy prices, delaying the normalization of hyperinflation accounting to early 2028 (vs. prior expectations of 2H27). Overall, strong capital, liquidity, and diversified earnings streams position the bank well to sustain resilient performance amid evolving macroeconomic conditions. Backed by strong earnings performance and a robust capital position, the

Board of Directors approved an ordinary dividend of 100 fils per share for 2025. Thus, considering the above-mentioned factors, we maintain our BUY rating on the stock.

ENBD- Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
P/E	21.47	14.96	8.91	8.32	7.97	7.73
P/B	2.52	2.23	1.86	1.60	1.38	1.22
BVPS	11.777	13.309	15.937	18.501	21.463	24.297
EPS	1.379	1.980	3.323	3.559	3.714	3.834
DPS	0.500	0.600	1.200	1.000	1.000	1.000
Dividend Yield	1.7%	2.1%	4.1%	3.4%	3.4%	3.4%

FABS Estimates & Co Data

ENBD- P&L

AED Mn	1Q25	4Q25	1Q26	1Q26F	Var.	YOY Ch	QOQ Ch	2025	2026F	Change
Funded income	19,198	21,450	20,314	21,712	-6.4%	5.8%	-5.3%	81,975	89,304	8.9%
Funded expense	-10,743	-11,742	-10,826	-12,041	-10.1%	0.8%	-7.8%	-46,473	-50,948	9.6%
Net funded income	8,455	9,708	9,488	9,671	-1.9%	12.2%	-2.3%	35,502	38,356	8.0%
Fees and commissions	1,888	1,981	2,399	2,011	19.3%	27.1%	21.1%	8,032	8,273	3.0%
Trading gain/(loss)	194	804	175	563	-68.9%	-9.8%	-78.2%	2,263	2,331	3.0%
Other Operating Income	1,338	159	2,291	795	188.2%	71.2%	NM	3,522	2,994	-15.0%
Non-funded income	3,420	2,944	4,865	3,369	44.4%	42.3%	65.3%	13,817	13,598	-1.6%
Operating income	11,875	12,652	14,353	13,040	10.1%	20.9%	13.4%	49,319	51,954	5.3%
Operating expenses	-3,676	-3,861	-4,189	-3,990	5.0%	14.0%	8.5%	-15,035	-16,002	6.4%
Pre-provision profit	8,199	8,791	10,164	9,049	12.3%	24.0%	15.6%	34,284	35,952	4.9%
Impairment	465	-1,754	-826	-547	51.1%	NM	-52.9%	-1,468	-2,374	61.7%
PBT	8,664	7,037	9,338	8,503	9.8%	7.8%	32.7%	32,816	33,578	2.3%
Tax	-1,546	-1,391	-1,815	-1,530	18.6%	17.4%	30.5%	-5,831	-6,044	3.7%
Net profit	7,118	5,646	7,523	6,972	7.9%	5.7%	33.2%	26,985	27,534	2.0%
Hyperinflation	-899	-594	-1,111	-694	60.1%	23.6%	87.0%	-2,978	-2,775	-6.8%
Net Profit adj for hyperinflation	6,219	5,052	6,412	6,278	2.1%	3.1%	26.9%	24,007	24,759	3.1%
NCI	-5	-7	-10	-7	39.8%	NM	42.9%	-26	-27	2.2%
Profit for the period	6,214	5,045	6,402	6,271	2.1%	3.0%	26.9%	23,981	24,732	3.1%

FABS estimate & Co Data

ENBD- KPI

	1Q25	4Q25	1Q26	YOY	QOQ	2025	2026F	Change
Net FI/OI	71.2%	76.7%	66.1%	-510	-1,063	72.0%	73.8%	184
NIM (Calculated)	3.5%	3.5%	3.3%	-14	-19	3.4%	3.3%	-18
NIS	2.6%	2.7%	2.6%	2	-10	2.6%	2.5%	-10
Fees & comms/OI	15.9%	15.7%	16.7%	82	106	16.3%	15.9%	-36
Other non-funded/OI	11.3%	1.3%	16.0%	469	1,471	7.1%	5.8%	-138
Trading/OI	1.6%	6.4%	1.2%	-41	-514	4.6%	4.5%	-10
Cost to income (calculated)	31.0%	30.5%	29.2%	-177	-133	30.5%	30.8%	31
Impairment/PPP	-5.7%	20.0%	8.1%	NM	NM	4.3%	6.6%	232
Tax/PBT	17.8%	19.8%	19.4%	159	-33	17.8%	18.0%	23
NP/OI	52.3%	39.9%	44.6%	-772	NM	48.6%	47.6%	-102
Cost of Risk	-0.3%	1.1%	0.5%	83	-61	0.2%	0.4%	18
Loan-to-deposit (Headline)	74.7%	80.5%	81.7%	699	115	80.5%	81.0%	49
NPL - Reported	3.1%	2.4%	2.3%	-80	-10	2.4%	2.5%	13
NPL Coverage - Reported	158.0%	160.0%	157.0%	-100	-300	159.6%	163.0%	337
CET1	14.7%	14.4%	14.2%	-46	-15	14.4%	14.5%	15
Capital Adequacy	17.0%	16.6%	16.4%	-67	-22	16.6%	16.5%	-8
ROAE	20.3%	18.6%	18.7%	-153	15	18.6%	16.8%	-183
ROAA	2.3%	2.2%	2.2%	-18	-7	2.2%	2.0%	-21

FABS estimate & Co Data

ENBD- Key B/S items

AED Mn	1Q25	2Q25	3Q25	4Q25	1Q26	YOY
Net advances	520,909	545,173	603,648	632,847	677,835	30.1%
<i>QOQ ch</i>	3.8%	4.7%	10.7%	4.8%	7.1%	
Total assets	1,030,570	1,085,641	1,139,083	1,164,442	1,216,751	18.1%
<i>QOQ ch</i>	3.4%	5.3%	4.9%	2.2%	4.5%	
Customer deposits	697,595	736,714	760,351	786,024	830,011	19.0%
<i>QOQ ch</i>	4.6%	5.6%	3.2%	3.4%	5.6%	
Total equity (excluding minority & T1)	117,468	123,881	130,654	135,453	135,068	15.0%
<i>QOQ ch</i>	0.5%	5.5%	5.5%	3.7%	-0.3%	

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	35.74	70.0%	25.02
Relative Valuation (RV)	28.28	30.0%	8.49
Weighted Average Valuation (AED)			33.50
Current market price (AED)			29.14
Upside/Downside (%)			+15.0%

1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 9.2%. Cost of equity is calculated by using 10-year government bond yield of 4.3%, beta of 0.85 and equity risk premium of 4.5%. 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)	35,148
Terminal value (AED, Mn)	55,312
Book Value of Equity (as of Dec 2025)	135,068
FV to Common shareholders (AED, Mn)	225,528
No. of share (Mn)	6,311
Current Market Price (AED)	29.14
Fair Value per share (AED)	33.50

Residual Income Method

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Net Profit	24,193	25,058	25,706	25,631	25,332
(-) Equity Charge	-12,478	-14,126	-15,853	-17,640	-19,419
Excess Equity	11,715	10,932	9,853	7,992	5,912
Discounting Factor	0.94	0.86	0.79	0.72	0.66
Present Value of Excess Equity	8,269	9,420	7,774	5,774	3,911

Source: FAB Securities

2) Relative Valuation:

We have used local peers to value ENBD and it is valued using the P/B multiple. It is valued at a 2026 P/B multiple of 1.2x in line with peers.

Company	Market (USD Mn)	P/B (x)		P/E (x)		Dividend Yield (%)	
		2026F	2027F	2026F	2027F	2026F	2027F
Sharjah Islamic Bank	3,048	1.4	NA	8.8	NA	5.8%	NA
Commercial Bank of Dubai	7,477	1.4	1.4	7.8	9.5	6.7%	NA
Mashreq Bank	11,906	1.1	1.2	6.3	7.0	7.5%	NA
RAK Bank	4,518	1.0	1.2	5.8	7.9	8.7%	6.3%
Abu Dhabi Commercial Bank	27,941	1.2	1.1	8.7	7.7	5.2%	5.5%
Dubai Islamic Bank	14,500	1.1	1.1	8.1	7.7	5.2%	5.7%
Average		1.2x	1.2x	7.6x	8.0x	6.5%	5.8%
Median		1.2x	1.2x	7.9x	7.7x	6.2%	5.7%
Max		1.3x	1.2x	8.5x	7.9x	7.3%	6.0%
Min		1.1x	1.1x	6.7x	7.7x	5.4%	5.6%

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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