FAB SECURITIES أبوظبي الأول للأوراق المالية

First Look Note | 2Q26

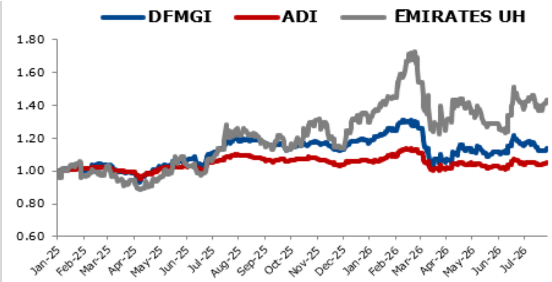
UAE Equity Research | Sector: Banking | Market: DFM

Emirates NBD (ENBD)

Strong loan growth and RBL consolidation drive balance sheet expansion

Current Price	Target Price	Upside/Downside (%)	Rating
AED 30.22	AED 35.50	+17.5%	BUY

- Funded income rose 12.2% YOY to AED 22.2 Bn, while non-funded income grew 8.3% YOY to 4.0 Bn in 2Q26.
- Reported net interest margin contracted 15 bps YOY and 19 bps QOQ to 3.2% in 2Q26, due to funding cost pressure.
- Asset quality metrics remained strong, with the NPL ratio improving to 2.1% and coverage remaining robust at 152% during 2Q26.
- Cost-to-income grew 95 bps YOY and 150 QOQ to 30.7% in 2Q26.
- ENBD completed the acquisition of a 60% controlling stake in RBL Bank, strengthening its presence in the high-growth Indian market and diversifying internationally.



Stock Information	
Market Cap (AED, Mn)	193,919.57
Paid Up Capital (Mn)	6,316.60
52 Week High	37.40
52 Week Low	24.00
3M Avg. daily value(AED)	76,077,210

2Q26 Result Review (AED, Mn)	
Total Assets	1,322,466
Total Liabilities	1,163,564
Total Equity	142,932
Total Deposits	892,070
Net Profit	6,416

Financial Ratios	
Dividend Yield (12m)	3.26
Dividend Pay-out (%)	26.95
Price-Earnings Ratio(x)	8.16
Price-to-Book Ratio (x)	1.36
Book Value (AED)	22.63
Return-on Equity (%)	17.83

Stock Performance	
5 Days	2.68%
1 Months	0.85%
3 Months	1.12%
6 Months	-0.49%
1 Year	17.62%
Month to Date (MTD%)	3.86%
Quarter to Date (QTD%)	3.86%
Year to Date (YTD%)	10.23%

2Q26 Net Profit higher than our estimate

Emirates NBD's (ENBD/the Bank) net profit attributable to equity shareholders increased 1.8% YOY to AED 6,416 Mn in 2Q26, higher than our estimate of AED 6,012 Mn. The increase in net profit was primarily driven by higher funded and non-funded income, partially offset by higher funding costs, operating expenses, and impairment charges, alongside increased taxes and hyperinflation adjustments.

P&L Highlights

ENBD's funded income grew by 12.2% YOY to AED 22,180 Mn in 2Q26, driven by an increase in net advances and investment portfolio coupled with an increase in asset yield. On the other hand, funded expenses increased 11.0% YOY to AED 12,641 Mn in 2Q26, mainly due to higher customer deposit along with rise in funding cost. Thus, net funded income increased 13.9% YOY to AED 9,539 Mn in 2Q26. Fee and commission income rose 16.4% YOY to AED 2,342 Mn in 2Q26, supported by business growth and higher wealth management activity. Trading gains increased significantly from AED 502 Mn in 2Q25 to AED 1,040 Mn in 2Q26. The other operating income decreased by 47.9% YOY to AED 611 Mn in 2Q26. Thus, non-funded income rose 8.3% YOY to AED 3,993 Mn in 2Q26. As a result, operating income increased 12.2% YOY to AED 13,532 Mn in 2Q26. The Bank's operating expenses increased 15.8% YOY to AED 4,153 Mn in 2Q26, driven by increased staff costs due to inflationary salary adjustments in Turkiye and customary salary increments in ENBD, digitalisation and international expansion. Thus, the calculated cost-to-income ratio increased from 29.7% in 2Q25 to 30.7% in 2Q26. ENBD's impairment charges increased from AED 187 Mn in 2Q25 to AED 581 Mn in 2Q26, mainly due to prudent provisioning across DenizBank and Emirates NBD, partially offset by recoveries. ENBD's tax expenses increased 15.3% YOY to AED 1,582 Mn in 2Q26.

The Bank's hyperinflation increased 27.3% YOY to AED 778 Mn in 2Q26. The Bank's profit share to NCI holders increased from AED 5 Mn in 2Q25 to AED 22 Mn in 2Q26, primarily driven by the acquisition and consolidation of RBL Bank.

Balance Sheet Highlights

ENBD's total assets rose 21.8% YOY and 8.7% QOQ to AED 1,322.5 Bn in 2Q26, mainly due to an increase in net advances, investments and due from banks. Net advances rose 36.9% YOY and 10.1% QOQ to AED 746.4 Bn in 2Q26. The Bank's gross retail loans grew 21% YOY to AED 202 Bn in 2Q26, supported by AED 38 Bn of new loan originations. Corporate portfolio also increased 41% YOY to AED 382 Bn in 2Q26, supported by AED 60 Bn of new loan origination. Deposits increased 21.1% YOY and 7.5% QOQ to AED 892.1 Bn in 2Q26, supported by growth in the customer base across all segments, escrow inflows and the RBL Bank acquisition. CASA deposits (ex-Deniz and RBL) accounted for 57% of total deposits in 2Q26. Moreover, the Bank's headline loan-to-deposits ratio increased to 83.7% in 2Q26, from 81.7% in 1Q26.

Target Price and Rating

We revise our rating from ACCUMULATE to BUY on ENBD with a revised target price of AED 35.50 (Based on our 2Q26 Preview Note). ENBD delivered a resilient 2Q26 performance supported by strong balance sheet growth, diversified non-funded income and a healthy capital and liquidity position, reinforcing the strength of its diversified business model. During the quarter, ENBD successfully completed a 60% controlling stake in India's RBL Bank for AED 10.1 Bn, adding over AED 74 Bn in assets, AED 44 Bn in gross loans and AED 43 Bn in deposits. The acquisition strengthens ENBD's presence in the high-growth Indian market, enhances geographic diversification and provides opportunities for cross-selling and long-term earnings growth. During 2Q26, ENBD's net loan book expanded 36.9% YOY and 10.1% QOQ to AED 746.4 Bn, driven by strong underlying lending growth across the retail and corporate segments, further supported by DenizBank, while the consolidation of RBL Bank contributed an additional AED 44 Bn in gross loans. However, excluding RBL, the Bank's loan book grew 11% YTD in 2026, while management continues to target mid-teens loan growth for the full year. Customer deposits increased by 21.1% YOY and 7.5% QOQ to AED 892.1 Bn in 2Q26, supported by growth across CASA, time deposits, and DenizBank. CASA balances stood at AED 417 Bn, accounting for 57% of total deposits (excluding DenizBank and RBL) in 2Q26, down from AED 422 Bn in 1Q26, reflecting continued migration towards higher-yielding time deposits amid the prevailing interest rate environment, while remaining at healthy levels. ENBD's reported NIMs declined 15 bps YOY and 19 bps QOQ to 3.2% in 2Q26, primarily reflecting the flow-through impact of the Fed's rate cuts in 2025 and continued pricing pressure on deposits. However, management expects NIMs to remain within the 3.1%-3.3% range in 2026. Operational efficiency remained healthy, with the cost-to-income ratio at 30.7% in 2Q26, comfortably within the bank's guidance of less than 33% in 2026, despite continued investments in digital initiatives and international expansion. Asset quality strengthened further, with the reported NPL ratio improving to 2.1% in 2Q26 from 2.3% in 1Q26, while the coverage ratio remained robust at 152% in 2Q26, providing a strong buffer against potential credit risks. The Bank further continues to target an NPL ratio of around c.2.5% over the medium term. Capitalization remained healthy despite the impact of the RBL acquisition, with CAR and CET1 ratios at 15.6% and 13.6%, respectively, in 2Q26, remaining comfortably above regulatory requirements and supporting continued balance sheet growth. Liquidity also remained robust, with the LCR at 135% in 2Q26, following the consolidation of RBL Bank, underscoring ENBD's strong funding profile. During 1H26, the Bank also successfully raised over AED 29.9 Bn through term debt and Sukuk issuances, further strengthening its funding base and maintaining liquidity to support future loan growth. ENBD's strong franchise, healthy capital position, resilient profitability and improving geographic diversification are expected to provide sustained earnings growth in 2026 despite a moderating interest rate environment. Thus, we revise our rating from ACCUMULATE to BUY rating on the Bank with a revised target price of AED 35.50.

ENBD- Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
P/E	21.91	15.27	9.09	8.49	8.14	7.97
P/B	2.57	2.27	1.90	1.63	1.41	1.24
BVPS	11.777	13.309	15.937	18.501	21.463	24.447
EPS	1.379	1.980	3.323	3.559	3.714	3.791
DPS	0.500	0.600	1.200	1.000	1.000	1.000
Dividend Yield	1.7%	2.0%	4.0%	3.3%	3.3%	3.3%

FABS Estimates & Co Data

ENBD– P&L

AED Mn	2Q25	1Q26	2Q26	2Q26F	Var	YOY Ch	QOQ Ch	2025	2026F	Change
Funded income	19,760	20,314	22,180	21,623	2.6%	12.2%	9.2%	81,975	91,559	11.7%
Funded expense	-11,384	-10,826	-12,641	-11,504	9.9%	11.0%	16.8%	-46,473	-52,474	12.9%
Net funded income	**8,376**	**9,488**	**9,539**	**10,119**	**-5.7%**	**13.9%**	**0.5%**	**35,502**	**39,085**	**10.1%**
Fees and commissions	2,012	2,399	2,342	2,447	-4.3%	16.4%	-2.4%	8,032	8,675	8.0%
Trading gain/(loss)	502	175	1,040	438	NM	NM	NM	2,263	2,308	2.0%
Other Operating Income	1,173	2,291	611	458	33.3%	-47.9%	-73.3%	3,522	3,804	8.0%
Non-funded income	**3,687**	**4,865**	**3,993**	**3,343**	**19.5%**	**8.3%**	**-17.9%**	**13,817**	**14,787**	**7.0%**
Operating income	**12,063**	**14,353**	**13,532**	**13,462**	**0.5%**	**12.2%**	**-5.7%**	**49,319**	**53,872**	**9.2%**
Operating expenses	-3,587	-4,189	-4,153	-4,308	-3.6%	15.8%	-0.9%	-15,035	-17,131	13.9%
Pre-provision profit	**8,476**	**10,164**	**9,379**	**9,154**	**2.5%**	**10.7%**	**-7.7%**	**34,284**	**36,740**	**7.2%**
Impairment	-187	-826	-581	-887	-34.5%	NM	-29.7%	-1,468	-2,849	94.1%
PBT	**8,289**	**9,338**	**8,798**	**8,267**	**6.4%**	**6.1%**	**-5.8%**	**32,816**	**33,892**	**3.3%**
Tax	-1,372	-1,815	-1,582	-1,405	12.6%	15.3%	-12.8%	-5,831	-6,101	4.6%
Net profit	**6,917**	**7,523**	**7,216**	**6,862**	**5.2%**	**4.3%**	**-4.1%**	**26,985**	**27,791**	**3.0%**
Hyperinflation	-611	-1,111	-778	-845	-7.9%	27.3%	-30.0%	-2,978	-3,250	9.1%
Net Profit adj for hyperinflation	**6,306**	**6,412**	**6,438**	**6,017**	**7.0%**	**2.1%**	**0.4%**	**24,007**	**24,541**	**2.2%**
NCI	-5	-10	-22	-5	NM	NM	NM	-26	-78	200.0%
Profit for the period	**6,301**	**6,402**	**6,416**	**6,012**	**6.7%**	**1.8%**	**0.2%**	**23,981**	**24,463**	**2.0%**

FABS estimate & Co Data

ENBD- KPI

	2Q25	1Q26	2Q26	YOY	QOQ	2025	2026F	Change
Net FI/OI	69.4%	66.1%	70.5%	106	439	72.0%	72.6%	57
NIM (Calculated)	3.3%	3.3%	3.2%	-15	-19	3.4%	3.3%	-18
NIS	2.4%	2.6%	2.4%	-2	-22	2.6%	2.5%	-5
Fees & comms/OI	16.7%	16.7%	17.3%	63	59	16.3%	16.1%	-18
Other non-funded/OI	9.7%	16.0%	4.5%	-521	-1,145	7.1%	7.1%	-8
Trading/OI	4.2%	1.2%	7.7%	352	647	4.6%	4.3%	-30
Cost to income (calculated)	29.7%	29.2%	30.7%	95	150	30.5%	31.8%	131
Impairment/PPP	2.2%	8.1%	6.2%	399	-193	4.3%	7.8%	347
Tax/PBT	16.6%	19.4%	18.0%	143	-146	17.8%	18.0%	23
NP/OI	52.2%	44.6%	47.4%	-482	281	48.6%	45.4%	-321
Cost of Risk	0.1%	0.5%	0.3%	18	-17	0.2%	0.5%	26
Loan-to-deposit (Headline)	74.0%	81.7%	83.7%	967	200	80.5%	82.0%	149
NPL – Reported	2.8%	2.3%	2.1%	-70	-13	2.4%	2.5%	13
NPL Coverage – Reported	155.0%	157.0%	152.0%	-300	-500	160.0%	163.0%	300
CET1	14.7%	14.2%	13.6%	-113	-66	14.4%	13.9%	-48
Capital Adequacy	17.0%	16.4%	15.6%	-133	-73	16.6%	15.8%	-81
ROAE	18.3%	18.7%	17.8%	-51	-91	18.6%	16.5%	-207
ROAA	2.2%	2.2%	2.0%	-14	-13	2.2%	1.9%	-27

FABS estimate & Co Data

ENBD- Key B/S items

AED Mn	**2Q25**	**3Q25**	**4Q25**	**1Q26**	**2Q26**	**YOY**
Net advances	545,173	603,648	632,847	677,835	746,357	36.9%
QOQ ch	4.7%	10.7%	4.8%	7.1%	10.1%	
Total assets	1,085,641	1,139,083	1,164,442	1,216,751	1,322,466	21.8%
QOQ ch	5.3%	4.9%	2.2%	4.5%	8.7%	
Customer deposits	736,714	760,351	786,024	830,011	892,070	21.1%
QOQ ch	5.6%	3.2%	3.4%	5.6%	7.5%	
Total equity (excluding minority & T1)	123,881	130,654	135,453	135,068	142,932	15.4%
QOQ ch	5.5%	5.5%	3.7%	-0.3%	5.8%	

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	37.62	70.0%	26.34
Relative Valuation (RV)	30.56	30.0%	9.17
Weighted Average Valuation (AED)			**35.50**
Current market price (AED)			30.22
Upside/Downside (%)			+17.5%

1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 9.0%. Cost of equity is calculated by using 10-year government bond yield of 5.4%, 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)	32,538
Terminal value (AED, Mn)	61,967
Book Value (as of June 2026)	142,932
FV to Common shareholders (AED, Mn)	**237,438**
No. of share (Mn)	6,311
Current Market Price (AED)	30.22
Fair Value per share (AED)	**37.62**

Residual Income Method

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Net Profit	23,924	24,108	25,012	25,343	25,265
(-) Equity Charge	-12,249	-13,952	-15,561	-17,252	-18,973
Excess Equity	**11,675**	**10,156**	**9,451**	**8,091**	**6,291**
Discounting Factor	0.96	0.88	0.81	0.74	0.68
Present Value of Excess Equity	**5,621**[1]	**8,969**	**7,654**	**6,009**	**4,285**

Source: FAB Securities, [1]Adjusted 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 2026 PB multiple of 1.3x in line with peers.

Company	Market	P/B (x)		P/E (x)		Dividend Yield (%)	
	(USD Mn)	2026F	2027F	2026F	2027F	2026F	2027F
Sharjah Islamic Bank	2,564	1.1	NA	8.6	NA	7.6%	NA
Commercial Bank of Dubai	7,680	1.5	1.4	8.6	9.5	6.1%	NA
Mashreq Bank	14,146	1.3	1.2	7.6	7.0	4.0%	NA
RAK Bank	4,967	1.1	1.3	6.4	8.6	7.8%	5.7%
Abu Dhabi Commercial Bank	30,953	1.3	1.2	10.0	8.9	4.5%	4.8%
Dubai Islamic Bank	15,131	1.2	1.1	8.7	8.4	4.7%	4.9%
Average		**1.3x**	**1.2x**	**8.3x**	**8.5x**	**5.8%**	**5.2%**
Median		**1.3x**	**1.2x**	**8.6x**	**8.6x**	**5.4%**	**4.9%**
Max		**1.3x**	**1.3x**	**8.6x**	**8.9x**	**7.2%**	**5.3%**
Min		**1.2x**	**1.2x**	**7.8x**	**8.4x**	**4.6%**	**4.9%**

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%

FAB Securities Contacts:

Research Analyst

Ahmad Banihani	+971-2-6161629	Ahmad.Banihani@Bankfab.com
Shahrukh Nawaz	+971-2-6161612	Shahrukh.Nawaz@bankfab.com

Sales & Execution

Abu Dhabi Head Office		
Trading Desk	+971-2-6161700/1	Online Trading Link
	+971-2-6161777	
Institutional Desk	+971-4-4245765	

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