

## Emirates NBD (ENBD)

| Current Price | Target Price | Upside/Downside (%) | Rating |
|---------------|--------------|---------------------|--------|
| AED 32.00     | AED 37.00    | 15.6%               | BUY    |

### 3Q26 Net Profit lower than our estimate

- ENBD's net profit attributable to equity shareholders declined 1.5% YOY to AED 6.3 Bn in 3Q26, lower than our estimate of AED 6.7 Bn. The decline was primarily driven by higher funded expenses, operating expenses, impairment charges and taxes, along with a higher share of profit attributable to NCI following the RBL Bank consolidation. This was partially offset by higher funded income, growth in fees and commissions, and lower hyperinflation adjustments.
- Net funded income rose 16.2% YOY to AED 10.4 Bn in 3Q26, supported by strong asset growth, continued customer activity, partially offset by lower asset yields.
- Calculated net interest margin (NIMs) fell 12 bps YOY but expanded 10 bps QOQ to 3.3% in 3Q26.
- Non-funded income rose 4.3% YOY to AED 3.9 Bn in 3Q26, driven by rise in net fees and commissions, partially offset by lower trading gains and other operating income.
- Operating expenses increased 25.6% YOY to AED 4.9 Bn in 3Q26, due to impact of RBL consolidation and continued inflationary cost pressures at DenizBank.
- The cost-to-income ratio increased 351 bps YOY and 355 bps QOQ to 34.2% in 3Q26.
- ENBD reported an impairment charge of AED 670 Mn in 3Q26 compared to impairment reversal of AED 8 Mn in 3Q25, due to provisioning across Deniz bank and ENBD, partially offset by recoveries.
- The NPL ratio declined by 48 bps YOY and 16 bps QOQ to 2.0% in 3Q26 and coverage ratios decreasing 1,181 bps YOY and 311 bps QOQ to 148.6% in 3Q26.
- Capitalization stood strong with CAR of 15.4% and CET1 of 13.4% in 3Q26, well above the minimum requirements.
- Deposits grew 22.9% YOY and 4.8% QOQ to AED 934.6 Bn, while net advances grew 33.9% YOY and 8.3% QOQ to AED 808.4 Bn in 3Q26.

### Earnings Call Summary

- The Bank highlighted strong corporate lending pipelines and expects to provide updated 2027 loan-growth guidance in January 2027, following a review of opportunities across its five core markets.
- The Bank raised its FY2026 gross loan growth guidance to low-20% (ex-RBL) from mid-teens.
- ENBD continues to prioritise risk-adjusted returns amid increased competition for deposits and liquidity. The Bank emphasised assessing the overall customer relationship, including cash management, trade finance, FX and derivatives, rather than focusing solely on lending margins.
- The Bank continues to balance loan growth with funding-cost discipline, as the shift from CASA to time deposits increases funding costs.
- ENBD maintained strong capital and liquidity post-RBL consolidation and diversified its funding sources in 3Q26. ENBD issued an inaugural CHF 150 Mn green bond, RBL completed its inaugural USD 350 Mn public issuance and DenizBank issued a USD 100 Mn green bond.
- The Bank highlighted strong business momentum entering 4Q26, with priorities centred on customer relationships, disciplined growth, funding diversification and risk management.
- ENBD indicated that the increase in EIBOR, including 25 bps from the Federal Reserve rate hike, would not fully translate into higher NIM, as the benefit depends on the Bank's asset-liability mix and would be partially offset by higher funding costs.
- Core ENBD NIM (ex-DenizBank and RBL) remains on track with the 2.5–2.6% guidance.
- DenizBank expects further Turkish rate cuts to support its NIM from 1Q27, with its FY2026 NIM expected to be close to 7%.

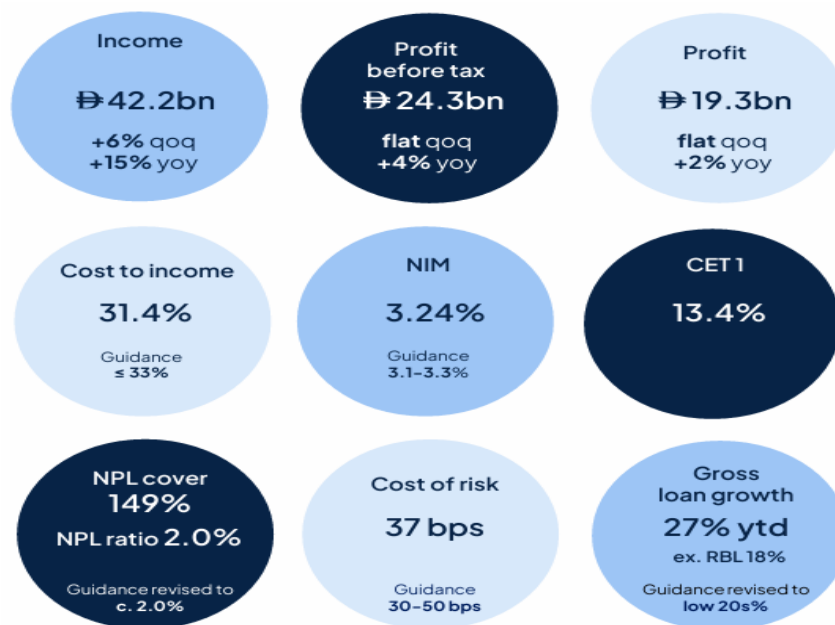
- ENBD's interest-rate sensitivity varies with its asset and liability mix. Excluding DenizBank and RBL, a 25-bps rate hike could increase net interest income by AED 160 Mn, while a 25 bps rate cut could reduce it by AED 250 Mn.
- Updates to ECL models in 2Q26 and 3Q26 reflected changing macroeconomic conditions, with improvements in certain variables effectively absorbing approximately half of the overlay booked in 1Q26.
- The Bank expects FY2026 cost of risk at the upper end of its 30–50 bps guidance, and potentially marginally above, as favorable macroeconomic variable updates may not repeat, and recoveries are expected to be lower in 4Q26.
- The CBUAE's Financial Institution Resilience Package (FIRP) has been extended to 15 January 2027. The Bank noted that customers availing of deferrals are still downgraded to Stage 2 based on credit quality.
- DenizBank's cost of risk remains elevated, particularly in agriculture, SME and credit card lending, amid inflationary pressures. However, the Bank noted that lending margins continue to support risk-adjusted returns.
- ENBD expects the FY2026 cost-to-income ratio at c. 31% excluding RBL and c. 33% or slightly higher including RBL, given RBL's cost-to-income ratio of c. 50%. However, long-term cost guidance will be updated in January 2027.
- CET1 declined to 13.4% following the RBL acquisition, which consumed c. 100 bps. The Bank indicated the need to rebuild capital and noted that a large offshore acquisition is unlikely in the foreseeable future.
- International expansion remains a strategic priority, with RBL strengthening ENBD's presence in India and bolt-on acquisitions considered in its five core markets. The HSBC Egypt transaction is expected to require 30–40 bps of CET1, with completion and systems integration targeted by 3Q27.
- RBL's FCNR deposits of c. AED 3.4 Bn, largely sourced from within the Bank, and related lending supported loan growth while helping reduce RBL's reliance on more expensive funding.
- Negative non-client non-funded income mainly reflects swap funding costs at DenizBank, partially offset by occasional one-off gains from property sales.

#### ENBD – P&L

| AED Mn                       | 3Q25          | 2Q26          | 3Q26          | 3Q26F         | Var.         | YOY Ch       | QOQ Ch       |
|------------------------------|---------------|---------------|---------------|---------------|--------------|--------------|--------------|
| Net funded income            | 8,963         | 9,539         | 10,415        | 10,233        | 1.8%         | 16.2%        | 9.2%         |
| Non-funded income            | 3,766         | 3,993         | 3,929         | 3,454         | 13.8%        | 4.3%         | -1.6%        |
| <b>Operating income</b>      | <b>12,729</b> | <b>13,532</b> | <b>14,344</b> | <b>13,687</b> | <b>4.8%</b>  | <b>12.7%</b> | <b>6.0%</b>  |
| Operating expenses           | -3,911        | -4,153        | -4,911        | -4,243        | 15.7%        | 25.6%        | 18.3%        |
| Impairment charges           | 8             | -581          | -670          | -587          | 14.2%        | NM           | 15.3%        |
| <b>Profit before tax</b>     | <b>8,826</b>  | <b>8,798</b>  | <b>8,763</b>  | <b>8,858</b>  | <b>-1.1%</b> | <b>-0.7%</b> | <b>-0.4%</b> |
| Tax                          | -1,522        | -1,582        | -1,600        | -1,594        | 0.4%         | 5.1%         | 1.1%         |
| <b>Profit for the period</b> | <b>6,421</b>  | <b>6,416</b>  | <b>6,326</b>  | <b>6,687</b>  | <b>-5.4%</b> | <b>-1.5%</b> | <b>-1.4%</b> |

FABS estimate & Co Data

## Management Guidance:



\*Guidance excludes RBL Bank

## 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:

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### Sales & Execution

|                       |                  |                                     |
|-----------------------|------------------|-------------------------------------|
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| Institutional Desk    | +971-4-4245765   |                                     |

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