

UAE Banking Sector – December 2024

Strategic focus on non-core income to preserve margins amid declining rates

Sector Weighting:
MARKET WEIGHT

Top Picks and Rating Changes

The UAE banking sector continued its momentum in 3Q24, with a strong increase in non-funded income and loan growth that drove profitability. The robust expansion in retail lending, backed by a positive economic outlook and ample liquidity, drove UAE's banking sector in 3Q24. The credit growth is largely driven by robust demand for retail lending supported by an optimistic economic outlook. According to preliminary estimates, UAE's real GDP grew 3.9% YOY in 2Q24 mainly driven by strong growth across transport, construction, and financial and insurance activities. UAE's non-oil economy recorded a strong growth of 4.8% YOY in 2Q24 whereas the oil activity grew 1.2% YOY. CBUAE maintained its GDP growth forecast for 2024 at 4.0% while the 2025 projection is revised down to 4.5% driven by OPEC's decision to extend production cuts in its December 2024 meeting. The robust growth forecast of UAE's economy is reflected by the strong performance of the non-oil sector owing to the government's efforts in the expansion of key contributing sectors coupled with an expected rebound in oil activity. Momentum in the UAE's real estate sector remained strong, driven by new project launches and solid demand during 3Q24. Robust off-plan sales, a rise in residential transactions, and strong demand for quality office spaces coupled with robust demand for retail spaces from the fashion and F&B segment drove the growth of UAE's real estate sector. On the other hand, tourism and hospitality sector benefited from the recovery in global travel demand. Dubai witnessed an 8% YOY increase in tourists to 14.6 Mn from January to October 2024. The hotel occupancy rates in Dubai also grew from 76.3% YTD in October 2023 to 77.0% YTD in October 2024, highlighting its strong position as a top international tourist hub. The seasonally adjusted S&P Global UAE Purchasing Managers' Index increased marginally to 54.2 in November, from 54.1 in October 2024. Non-oil private sector growth is mainly driven by robust demand and strong pricing that led to an increase in new orders. A rise in new order volumes resulted in higher output during November 2024 while the sales activity was mainly supported by price discounts and new marketing initiatives. However, employment increased marginally as 99% of the panellists reported no change in staffing activity. Furthermore, the growing order book led to a significant rise in the work backlog. Although firms reported an increase in input prices, businesses preferred to reduce selling prices due to the highly competitive pricing environment. CBUAE revised UAE's 2024 inflation estimate from 2.3% to 2.2%, reflecting expected developments in commodity prices, rents, and wages. Inflation is projected to remain stable at 2.2% in 2025, supported by moderating energy prices, non-tradeable components, and USD trends.

UAE banking system domestic advances grew 6.9% YOY in September 2024, mainly supported by strong growth in retail, GREs, private, corporate advances. The UAE's banking system domestic credit rose 6.9% YOY to AED 1,859.7 Bn in September 2024. On the other hand, deposits expanded at a faster rate, recording a 14.1% YOY growth to AED 2,761.4 Bn in September 2024. The loan-to-deposit ratio marginally declined from 67.5% in 2Q24 to 67.3% in September 2024, indicating ample liquidity and credit offerings in the UAE banking system. The total assets of the UAE banking system rose 11.4% YOY to AED 4,401.7 Bn in 3Q24 compared to AED 4,310.2 Bn in 2Q24. The UAE Banking system continues to maintain sound liquidity. The UAE bank's liquid assets rose from AED 744.2 Bn in 2Q24 to AED 777.5 Bn in 3Q24. However, due to this strong increase, the liquid asset to total assets ratio grew from 17.5% in 2Q24 to 17.9% in 3Q24. Moreover, the gross income of UAE banks rose 12.3% YOY to AED 37.9 Bn in 3Q24, while net interest income grew 4.1% YOY to AED 25.7 Bn in 3Q24. Non-interest income recorded a robust growth of 34.4% YOY to AED 12.2 Bn in 3Q24. The UAE banking system's return on equity (ROE) moderated from 14.8% in 2Q24 to 14.7% in 3Q24, while the return on assets (ROA) remained unchanged at 2.1% in 3Q24 compared to the previous quarter. Furthermore, the UAE banking system's liquidity coverage ratio declined from 158.3% in 2Q24 to 153.2% in 3Q24.

The US Federal Reserve cut policy rates by 50 bps in September 2024 for the first time in four years. After that, the Fed reduced benchmark interest rates by 25 bps in November 2024 and 25 bps in December 2024 to a range of 4.25% to 4.50%. Additionally, the Fed announced to make fewer rate cuts in 2025. Since the UAE's currency is pegged to the US dollar, the central bank of UAE closely follows the Fed. The CBUAE also reduced its benchmark rates by 100 bps to 4.40% in 2024. The interest rate cut is anticipated to encourage further loan growth in the economy and support the banks' asset quality. Strong liquidity in the UAE Banking Sector will help the banks to address the rising demand for loans. Resultantly, UAE banks will witness solid growth in funded income. The UAE banks are also anticipated to benefit from lower funding costs, which will enhance the profit margins.

The average cost-to-income ratio of UAE banks marginally increased from 35.4% in 2Q24 to 35.8% in 3Q24. FAB and CBD recorded the lowest cost-to-income ratio of 24.1% and 25.7%, respectively, in 3Q24. ADCB recorded the highest decline in cost-to-income ratio among the large-cap banks under our coverage with a 40 bps QOQ decline to 32.2% during 3Q24. The average annualized cost of risk for the banks under our coverage fell from 0.74 bps in 2Q24 to 0.53 bps in 3Q24. Two out of 11 banks recorded an impairment reversal in 3Q24. NPLs of the UAE banking system improved from 4.8% in 2Q24 to 4.7% in 3Q24 on the back of strong recoveries. The capitalization of the UAE Banking system marginally rose with a Capital Adequacy Ratio (CAR) of 18.6% in 3Q24 compared to 18.3% in 2Q24, well above the minimum regulatory requirement. The Tier 1 Capital ratio grew from 17.0% in 2Q24 to 17.2% in 3Q24. Additionally, the Common Equity Tier 1 (CET 1) capital also grew from AED 453.8 Bn in 2Q24 to AED 479.6 Bn in 3Q24 with a CET 1 ratio of 15.3% in 2Q24 and 15.5% in 3Q24. Risk Weighted Assets (RWA) grew from AED 2,973.1 Bn in 2Q24 to AED 3,098.5 Bn in 3Q24. Declining interest rates are anticipated to boost demand for credit in the consumer and corporate sectors. Additionally, the banks' focus on increasing non-core income is further anticipated to support profitability.

Our top picks:

- 1) **ENBD** (Trades at 5.87/1.12x 2024E P/E and P/B multiple with a dividend yield of 5.7% and a Target Price (PT) of AED 24.00). ENBD's loan book grew 8.5% YOY to AED 493.8 Bn in 3Q24. The Bank revised its loan guidance from high-single-digit to low-double- driven by the robust growth witnessed so far in 9M23. ENBD's deposits grew strongly by 13.1% YOY, with CASA deposits accounting for 59% of total deposits in 3Q24. ENBD holds strong liquidity with a Liquidity Coverage Ratio (LCR) of 194% in 3Q24. The Bank's asset quality also continued to improve as reported NPLs declined from 4.2% in 2Q24 to 3.9% in 3Q24. The Bank upgraded its 2024 cost-of-risk (COR) guidance from 0- 20 bps to 10-20 bps for FY2024. Capitalization stood strong with a CET 1 ratio of 15.5% and a CAR of 18.0% in 3Q24.
- 2) **RAKBANK** (Trading at 4.99x/1.13x 2024E P/E and P/B multiple with a dividend yield of 7.0% and Target Price (TP) of AED 7.15). The Bank's net advances grew 19.5% YOY to 46 Bn in 3Q24 due to growth across all segments. Customer deposits grew 18.2% YOY to 57 Bn in 3Q24 with CASA deposits accounting for 62.4% of total deposits. Asset quality improved from 2.4% in 2Q24 to 2.2% in 3Q24 along with a decline in stage 2 loans while coverage ratio stood strong at 233.8% in 3Q24. The Bank's capitalization stood strong with a CET 1 ratio of 17.1% and a total CAR of 19.6% in 3Q24.
- 3) **ADCB** (Trades at 8.85x/1.10x 2024E P/E and P/B multiple with a dividend yield of 5.5% and a Target Price (PT) of AED 12.50). ADCB's net advances expanded 21.0% YOY to AED 344.0 Bn in 3Q24 due to increased lending to GREs and other important sectors coupled with a decline in exposure to the real estate sector. The GRE loans contributed c. 37% of all loans issued by the Bank in 9M24. The Bank revised its FY2024 net loan guidance from c. 15% to 16-17% in addition, it also revised the medium-term guidance to a low-double-digit YOY growth from previous high-single-digit, attributable to strong loan growth in 9M24. ADCB's asset quality improved as NPL ratio fell from 3.6% in 2Q24 to 3.5% in 3Q24. ADCB also plans to maintain a dividend payout ratio of 40-50% in the medium term.

Market Weight

We remain MARKET WEIGHT with 3x BUY, 2x ACCUMULATE, 3x HOLD, 1x REDUCE and 2x SELL on the 11 UAE banks under our coverage. UAE systems' total net assets grew 11.4% YOY to AED 4,401.7 Bn in September 2024. The UAE banking sector's net advances rose 6.9% YOY to AED 1,859.7 Bn in September 2024. Customer deposits mobilisation increased 14.1% YOY to AED 2,761.4 Bn in September 2024.

Target price and rating:

| Co. Name | Target Price | Current Market Price | Potential change | Rating |
|-----------|--------------|----------------------|------------------|------------|
| CBI | 0.85 | 0.69 | 22.66% | BUY |
| MASQ | 235.00 | 216.00 | 8.80% | HOLD |
| SIB | 2.25 | 2.48 | -9.27% | REDUCE |
| AJMANBANK | 1.35 | 1.68 | -19.64% | SELL |
| RAKBANK | 7.15 | 6.05 | 18.18% | BUY |
| CBD | 7.75 | 7.15 | 8.39% | HOLD |
| ADCB | 12.50 | 10.42 | 19.96% | BUY |
| ADIB | 15.00 | 13.94 | 7.60% | HOLD |
| DIB | 7.75 | 7.03 | 10.24% | ACCUMULATE |
| ENBD | 24.00 | 21.40 | 12.15% | ACCUMULATE |
| UAB | 1.10 | 1.40 | -21.43% | SELL |

Source: FABS from co data

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Industry Themes

Visa rolled out flexible payment feature in the UAE and US

Visa launched a flexible payment feature to take advantage of the rising demand for various types of transactions in the United States and the United Arab Emirates. This innovative feature enables customers to use a single card linked to multiple funding sources. To support this initiative in the US, Visa partnered with fintech company Affirm, which boasts 1.4 Mn active cardholders, and Liv Bank to drive its expansion in the UAE. The Company also plans to extend this offering to European markets.

Emirates NBD mandated banks 5-year US dollar-denominated senior unsecured sustainability-linked loan

Emirates NBD mandated banks for a potential five-year senior unsecured sustainability-linked Loan (SLL) notes. The SIL notes will be issued under the Emirates NBD's Euro Medium Term Note (EMTN) programme worth USD 20 Bn. Emirates NBD Capital, First Abu Dhabi Bank, HSBC, Industrial and Commercial Bank of China, and Societe Generale are appointed as joint book-runners and joint lead managers. Emirates NBD will allocate an amount equal to the net proceeds of the notes to finance or refinance the SLL Funding Assets Portfolio.

Commercial Bank of Dubai (CBD) issued USD 500 Mn five-year senior unsecured bond

The Commercial Bank of Dubai (CBD) issued a five-year senior unsecured bond sized at USD 500 Mn with a fixed coupon rate of 4.864%, to be listed in Dublin. The bond is likely to settle on 10th October 2024, with a maturity date of 10th October 2029. Citibank, Commerzbank, Emirates NBD Capital, First Abu Dhabi Bank, JPMorgan Chase are appointed as bookrunners.

Al Rajhi Bank raised Sharia-compliant loan facility of USD 1.92 Bn

Al Rajhi Bank, the largest bank in Saudi Arabia, secured USD 1.92 Bn of a three-year sustainability-linked Islamic credit facility. The issue attracted interest from 20 lenders including Emirates NBD Bank, HSBC Holdings and Maybank Investment Bank Bhd. The syndicated loan has been split into two tranches of USD 1.2 Bn and USD 705 Mn. The transaction is being considered as the largest financing from a Middle Eastern Bank.

Alinma Bank signs data centre MoU with Dell Technologies

Dell Technologies and Alinma Bank signed a Memorandum of Understanding (MoU) to jointly develop and deliver innovative data centre transformation solutions to accelerate the digital transformation initiatives of Saudi-based Alinma Bank. The agreement includes Dell's IT infrastructure and workload migration solutions, the Dell AI Factory models and frameworks, and cybersecurity enhancements, along with client, edge, and multi-cloud solutions through Dell APEX.

Mashreq launched NEO CORP to enhance customer experience for corporate clients in Kuwait

Mashreq, MENA's leading financial institution, launched Mashreq NEO CORP, an innovative digital banking platform, intended to enhance customer experience for business clients in Kuwait. It provides access to a wide range of cash management and trade services like payments, collections, account services, etc. NEO CORP is easy to navigate and enhances efficiency and convenience for the clients. Real-time data and analytics capabilities help corporate clients make quick informed decisions.

ADIB launched ADIB Ventures to accelerate innovation in fintech sector

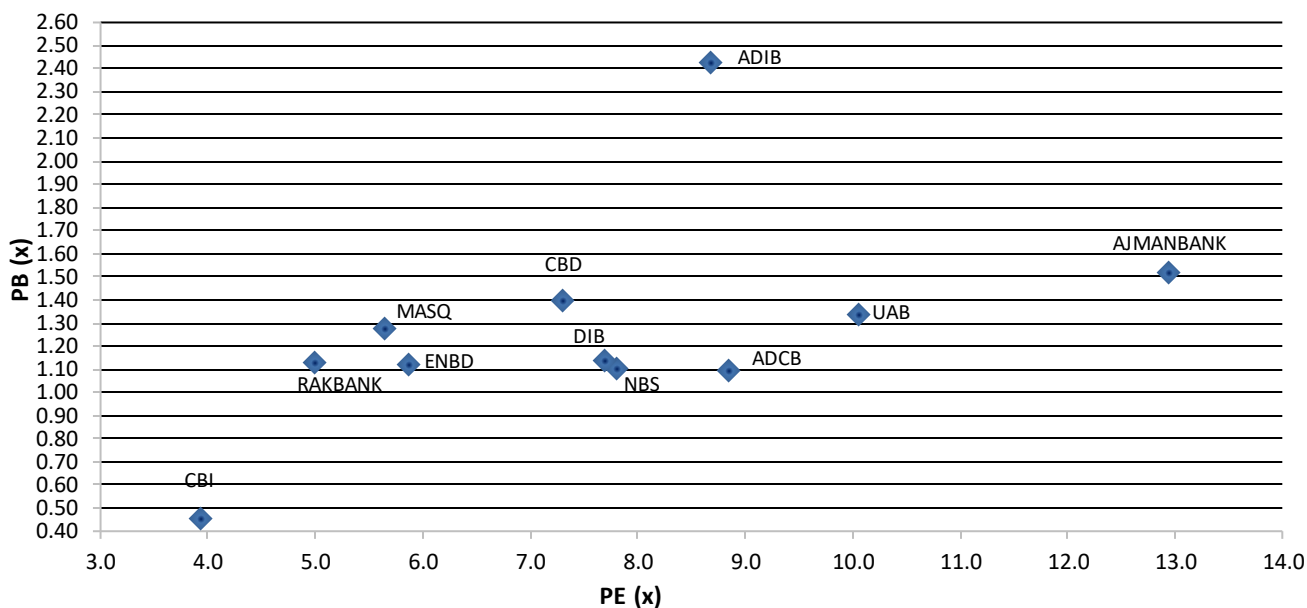
Abu Dhabi Islamic Bank (ADIB) launched ADIB Ventures, aimed to drive innovation and collaboration within the global financial technology (fintech) sector. The launch of ADIB Ventures is likely to strengthen ADIB's position as a leader in digital transformation. The program plans to create a strong ecosystem that connects emerging fintech companies and integrates AI technologies to enhance customer experience for over 1.3 Mn clients. Through ADIB Ventures, the bank aims to partner with fintech innovators and accelerate the development of digital solutions for banking customers.

Relative valuation and rating

Relative valuation

Based on our 2024 estimates, four UAE banks are trading above the average book value: AJMANBANK, CBD, ADIB, and UAB. Also, all UAE banks except AJMANBANK and UAB are trading at single-digit PE multiple based on 2024 financials. The PB ranges between 0.46x (CBI) and 2.43x (ADIB) and PE ranges between 3.93x (CBI) and 12.95x (AJMANBANK) based on 2024 financials. The UAE banks under our coverage are trading at an average PE and PB multiple of 7.08x and 1.28x, respectively based on 2024 financials.

FY24 P/E (X-axis) vs. FY24 P/B (Y-axis)



Source: FABS from co data

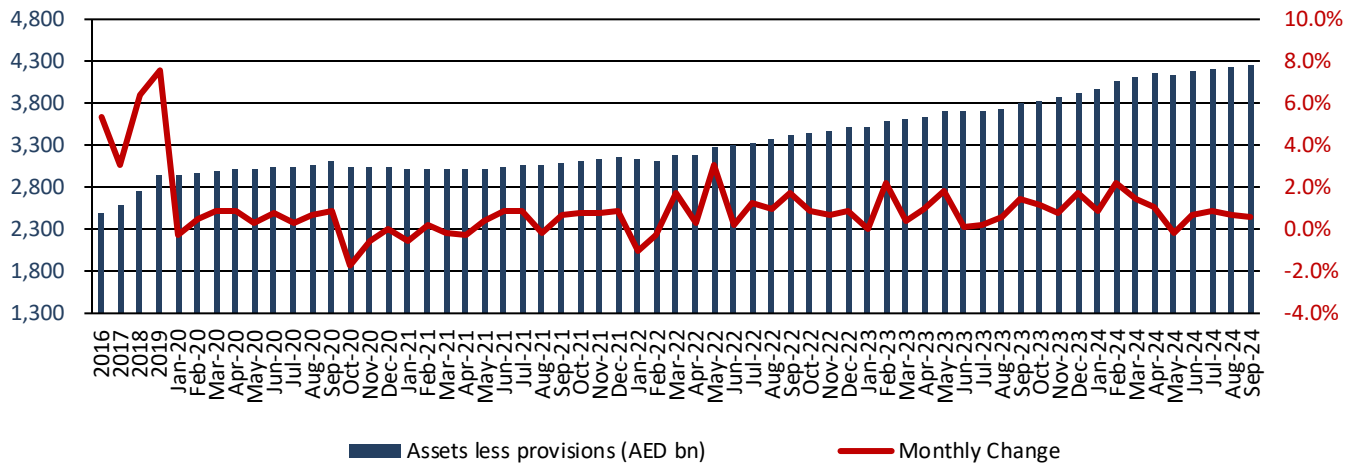
Banking indicators

1. Assets

Total net assets grew marginally 0.5% MOM in September 2024

UAE system's total net assets rose 0.5% on a MOM basis to AED 4,401.7 Bn in September 2024.

UAE banking system assets (AED bn) vs. Monthly change, 2016- September 2024



Source: FABS from CBUAE

Except CBD, all the other banks witnessed growth in total assets on a QOQ basis in 3Q24

CBI's total assets grew the most 5.1% QOQ to AED 21.0 Bn, whereas its assets increased 12.0% on YOY basis during 3Q24. FAB recorded the second-highest growth in total assets of 4.7% QOQ to AED 1,230 Bn, followed by RAKBANK, which grew 4.3% QOQ to AED 84 Bn in 3Q24. On a YOY basis, UAB's total assets recorded the strongest growth of 35.8% to AED 20 Bn, followed by ADIB and ADCB which grew 20.9% YOY and 19.0% YOY, respectively during 3Q24. Amongst all the banks, CBD's total assets witnessed a decline of 0.7% QOQ to AED 140 Bn in 3Q24.

Total assets: UAE Banks

| (AED MM) | 3Q23 | 4Q23 | 1Q24 | 2Q24 | 3Q24 | QOQ ch |
|------------|---------|---------|---------|---------|---------|--------|
| CBI | 18,738 | 18,974 | 19,003 | 19,972 | 20,995 | 5.1% |
| YOY change | -9.1% | -10.4% | -3.4% | 2.6% | 12.0% | |
| MASQ | 218,342 | 239,981 | 249,592 | 253,467 | 254,411 | 0.4% |
| YOY change | 16.4% | 21.7% | 24.0% | 20.1% | 16.5% | |
| SIB | 63,409 | 65,879 | 70,116 | 74,237 | 74,796 | 0.8% |
| YOY change | 16.1% | 11.4% | 16.4% | 21.6% | 18.0% | |
| AJMANBANK | 25,207 | 24,936 | 23,070 | 24,235 | 24,440 | 0.8% |
| YOY change | 22.5% | 18.1% | 1.0% | 2.8% | -3.0% | |
| RAKBANK | 72,004 | 73,955 | 78,589 | 80,408 | 83,891 | 4.3% |
| YOY change | 12.8% | 11.5% | 14.1% | 11.9% | 16.5% | |
| CBD | 126,024 | 128,987 | 130,976 | 141,256 | 140,217 | -0.7% |
| YOY change | 7.2% | 11.1% | 9.8% | 14.7% | 11.3% | |
| ADCB | 536,889 | 567,194 | 594,405 | 612,242 | 638,754 | 4.3% |
| YOY change | 10.4% | 13.9% | 18.5% | 17.4% | 19.0% | |
| ADIB | 184,124 | 192,827 | 194,647 | 213,403 | 222,567 | 4.3% |
| YOY change | 25.1% | 14.4% | 13.1% | 17.1% | 20.9% | |

| | | | | | | |
|------------|-----------|-----------|-----------|-----------|-----------|------|
| DIB | 313,380 | 314,292 | 327,314 | 322,651 | 329,169 | 2.0% |
| YOY change | 14.0% | 9.0% | 12.1% | 7.6% | 5.0% | |
| ENBD | 835,563 | 862,773 | 902,284 | 930,785 | 956,041 | 2.7% |
| YOY change | 16.0% | 16.3% | 15.4% | 14.8% | 14.4% | |
| UAB | 14,736 | 17,648 | 17,907 | 19,813 | 20,016 | 1.0% |
| YOY change | 4.8% | 25.3% | 24.1% | 37.1% | 35.8% | |
| FAB | 1,186,289 | 1,168,633 | 1,235,012 | 1,174,619 | 1,229,616 | 4.7% |
| YOY change | 3.5% | 5.3% | 4.2% | 2.5% | 3.7% | |

Source: FABS from co data

FAB continues to be the market leader in asset share, followed by ENBD and ADCB in 3Q24

FAB's total asset market share increased the most 0.68 pp QOQ to 27.9% in 3Q24, maintaining the leadership position. ADCB witnessed the second-largest growth of 0.31 pp QOQ with a market share of 14.5% during 3Q24. ENBD asset market share grew 0.13 pp QOQ to 21.7%, recording the third-largest growth in 3Q24. CBD's asset market share declined 0.09 pp QOQ to 3.2% in 3Q24. In addition, MASQ, AJMANBANK, SIB, DIB, and UAB also recorded a decline in asset market share during 3Q24.

Total assets share

| | 3Q23 | 4Q23 | 1Q24 | 2Q24 | 3Q24 | QOQ: pp |
|-----------|-------|-------|-------|-------|-------|---------|
| CBI | 0.5% | 0.5% | 0.4% | 0.5% | 0.5% | 0.014% |
| MASQ | 5.5% | 5.9% | 5.9% | 5.9% | 5.8% | -0.101% |
| SIB | 1.6% | 1.6% | 1.6% | 1.7% | 1.7% | -0.023% |
| AJMANBANK | 0.6% | 0.6% | 0.5% | 0.6% | 0.6% | -0.007% |
| RAKBANK | 1.8% | 1.8% | 1.8% | 1.9% | 1.9% | 0.040% |
| CBD | 3.2% | 3.2% | 3.1% | 3.3% | 3.2% | -0.092% |
| ADCB | 13.6% | 13.9% | 14.0% | 14.2% | 14.5% | 0.307% |
| ADIB | 4.7% | 4.7% | 4.6% | 5.0% | 5.1% | 0.105% |
| DIB | 7.9% | 7.7% | 7.7% | 7.5% | 7.5% | -0.008% |
| ENBD | 21.1% | 21.2% | 21.2% | 21.6% | 21.7% | 0.125% |
| UAB | 0.4% | 0.4% | 0.4% | 0.5% | 0.5% | -0.005% |
| FAB | 30.0% | 28.7% | 29.0% | 27.3% | 27.9% | 0.683% |

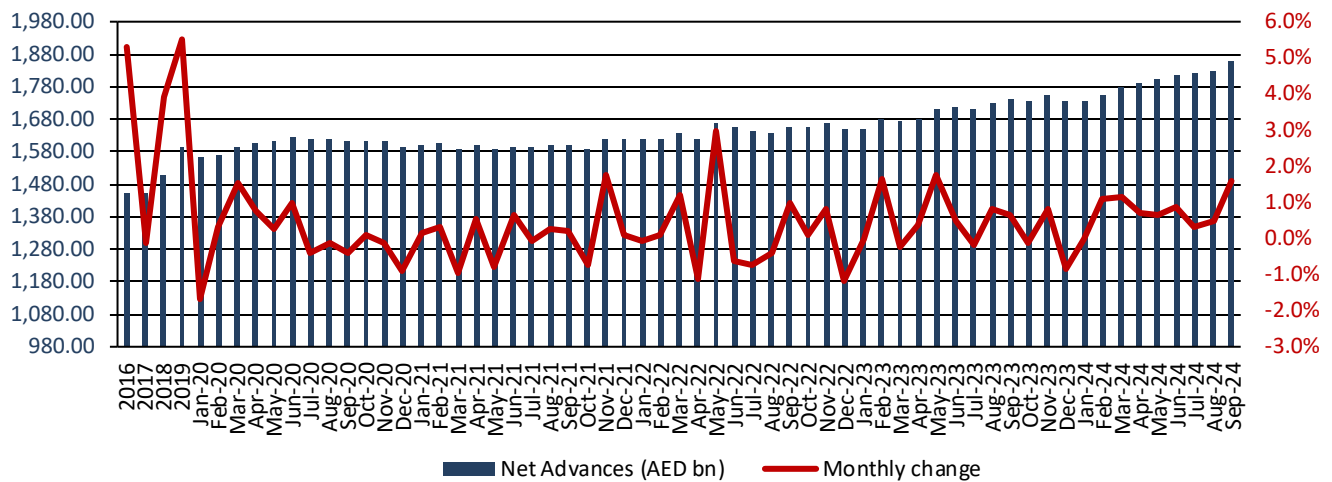
Source: FABS from co data, CBUAE

2. Advances

UAE Banks net advances rose 1.6% MOM in September 2024

Net advances in the UAE banking sector grew 1.6% MOM to AED 1,859.7 Bn in September 2024.

UAE banking system net advances (AED bn) vs. Monthly change, 2016 – Sept. 2024



Source: FABS from CBUAE

Except AJMANBANK, all other banks recorded a growth in net advances during 3Q24

AJMANBANK recorded an 8.4% YOY and 3.6% QOQ decline to AED 13.4 Bn in net advances in 3Q24. RAKBANK’s net advances grew the most at 12.7% on a QOQ basis to AED 46 Bn in 3Q24, followed by MASQ with 4.1% QOQ increase to AED 119 Bn and SIB with a 3.8% QOQ growth to AED 37 Bn during 3Q24. DIB net advances grew 3.8% QOQ, followed by ADCB and ENBD, which grew 3.6% QOQ and 3.5% QOQ respectively, during 3Q24. In addition, on a YOY basis, UAB continued to record the highest net advance growth of 39.6%, followed by ADCB of 21.0% and ADIB of 20.0% in 3Q24.

Net advances: UAE banks

| (AED MM) | 3Q23 | 4Q23 | 1Q24 | 2Q24 | 3Q24 | QOQ ch |
|------------|---------|---------|---------|---------|---------|--------|
| CBI | 11,914 | 12,608 | 12,192 | 12,510 | 12,911 | 3.2% |
| YOY change | -8.6% | -2.4% | 0.3% | 1.9% | 8.4% | |
| MASQ | 99,275 | 110,355 | 110,484 | 113,827 | 118,534 | 4.1% |
| YOY change | 8.7% | 22.2% | 21.3% | 19.9% | 19.4% | |
| SIB | 31,865 | 33,030 | 33,364 | 35,199 | 36,551 | 3.8% |
| YOY change | 4.1% | 7.7% | 9.7% | 11.5% | 14.7% | |
| AJMANBANK | 14,640 | 13,776 | 13,113 | 13,906 | 13,404 | -3.6% |
| YOY change | 9.4% | 9.0% | -0.3% | 1.3% | -8.4% | |
| RAKBANK | 38,647 | 39,468 | 40,605 | 40,994 | 46,198 | 12.7% |
| YOY change | 13.0% | 9.4% | 11.4% | 8.9% | 19.5% | |
| CBD | 82,889 | 83,313 | 86,791 | 89,608 | 91,746 | 2.4% |
| YOY change | 4.7% | 11.7% | 13.4% | 10.9% | 10.7% | |
| ADCB | 284,257 | 301,995 | 318,159 | 332,158 | 344,014 | 3.6% |
| YOY change | 13.2% | 16.8% | 20.7% | 22.1% | 21.0% | |
| ADIB | 112,595 | 115,002 | 116,943 | 132,066 | 135,132 | 2.3% |
| YOY change | 14.5% | 6.8% | 9.0% | 20.8% | 20.0% | |
| DIB | 199,003 | 199,453 | 200,927 | 199,251 | 206,790 | 3.8% |
| YOY change | 6.3% | 7.2% | 8.6% | 5.1% | 3.9% | |

| | | | | | | |
|------------|---------|---------|---------|---------|---------|------|
| ENBD | 455,106 | 445,105 | 458,633 | 477,132 | 493,843 | 3.5% |
| YOY change | 8.6% | 6.8% | 6.7% | 8.5% | 8.5% | |
| UAB | 7,703 | 9,357 | 9,534 | 10,435 | 10,754 | 3.1% |
| YOY change | -1.1% | 23.1% | 29.4% | 37.6% | 39.6% | |
| FAB | 478,267 | 483,954 | 508,341 | 513,154 | 527,978 | 2.9% |
| YOY change | 2.8% | 5.3% | 7.5% | 6.3% | 10.4% | |

Source: FABS from co data

ENBD recorded the highest growth in the advances market share in 3Q24

ENBD recorded the highest growth in the advances market share of 0.3% pp QOQ to 26.6%, followed by RAK Bank at 0.23% pp QOQ to 2.5% and ADCB at 0.21% pp QOQ to 18.5% during 3Q24. Except AJMANBANK, all the other banks recorded a growth in advances market share during 3Q24. AJMANBANK witnessed a marginal decline in advances market share of 0.04 pp QOQ to 0.7% during 3Q24. UAB continued to record the lowest advances market share at 0.6% in 3Q24, followed by CBI at 0.7%.

Advances mkt share

| | 3Q23 | 4Q23 | 1Q24 | 2Q24 | 3Q24 | QOQ: pp |
|-----------|-------|-------|-------|-------|-------|---------|
| CBI | 0.7% | 0.7% | 0.7% | 0.7% | 0.7% | 0.01% |
| MASQ | 5.7% | 6.4% | 6.2% | 6.3% | 6.4% | 0.11% |
| SIB | 1.8% | 1.9% | 1.9% | 1.9% | 2.0% | 0.03% |
| AJMANBANK | 0.8% | 0.8% | 0.7% | 0.8% | 0.7% | -0.04% |
| RAKBANK | 2.2% | 2.3% | 2.3% | 2.3% | 2.5% | 0.23% |
| CBD | 4.8% | 4.8% | 4.9% | 4.9% | 4.9% | 0.00% |
| ADCB | 16.3% | 17.4% | 17.9% | 18.3% | 18.5% | 0.21% |
| ADIB | 6.5% | 6.6% | 6.6% | 7.3% | 7.3% | 0.00% |
| DIB | 11.4% | 11.5% | 11.3% | 11.0% | 11.1% | 0.15% |
| ENBD | 26.2% | 25.6% | 25.8% | 26.3% | 26.6% | 0.29% |
| UAB | 0.4% | 0.5% | 0.5% | 0.6% | 0.6% | 0.00% |
| FAB | 27.5% | 27.9% | 28.6% | 28.3% | 28.4% | 0.14% |

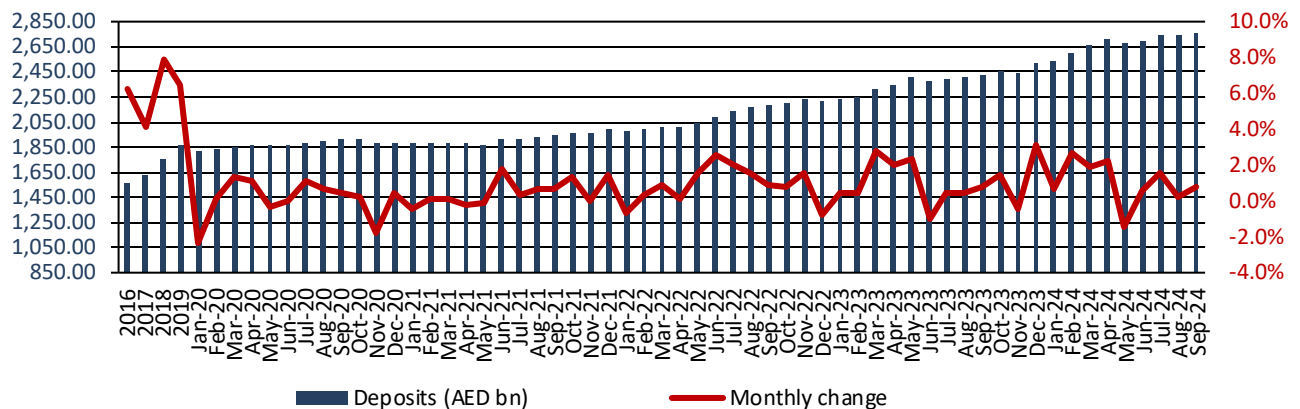
Source: FABS from co data

3. Customer Deposit

UAE banking system's customer deposits grew 0.8% on MOM basis in September 2024

The UAE banking system's customer deposits continued to increase, with a MOM growth of 0.8% to AED 2,761.4 Bn in September 2024.

UAE banking system customer deposits (AED bn) vs. Monthly change, 2016 – September 2024



Source: FABS from CBUAE

FAB recorded the highest growth in customer deposits on a QOQ basis, while UAB recorded the highest increase on a YOY basis in 3Q24

FAB witnessed the highest QOQ growth in customer deposits of 7.0% to AED 819.6 Bn, while UAB reported YOY growth of 31.1% to AED 12.0 Bn, followed by CBI with 6.8% QOQ and 24.8% YOY growth to AED 15.2 Bn in 3Q24. ADIB witnessed a 4.4% QOQ increase to AED 179.7 Bn, while ADCB recorded a 23.5% YOY increase to AED 406.8 Bn in 3Q24. All banks under our coverage witnessed growth in customer deposits on a QOQ basis except SIB, RAKBANK, CBD and UAB, recording a decline of 3.0%, 2.1, 1.2%, and 0.8%, respectively, in 3Q24. On a YOY basis, all the banks witnessed growth in customer deposits except AJMANBANK, which declined 1.4% YOY to AED 19.3 Bn during 3Q24.

Customer deposits: UAE banks

| (AED MM) | 3Q23 | 4Q23 | 1Q24 | 2Q24 | 3Q24 | QOQ ch |
|------------|---------|---------|---------|---------|---------|--------|
| CBI | 12,174 | 12,608 | 12,687 | 14,225 | 15,191 | 6.8% |
| YOY change | -0.3% | 3.3% | 1.8% | 24.6% | 24.8% | |
| MASQ | 132,864 | 146,232 | 155,498 | 153,964 | 156,063 | 1.4% |
| YOY change | 21.4% | 28.5% | 29.4% | 21.4% | 17.5% | |
| SIB | 45,241 | 45,207 | 45,079 | 49,462 | 47,995 | -3.0% |
| YOY change | 25.2% | 14.4% | 7.6% | 17.4% | 6.1% | |
| AJMANBANK | 19,576 | 19,725 | 18,431 | 19,306 | 19,310 | 0.0% |
| YOY change | 21.9% | 20.8% | -4.4% | 0.5% | -1.4% | |
| RAKBANK | 48,464 | 50,395 | 55,394 | 58,472 | 57,266 | -2.1% |
| YOY change | 20.4% | 12.3% | 19.5% | 19.4% | 18.2% | |
| CBD | 86,442 | 88,287 | 90,342 | 99,831 | 98,682 | -1.2% |
| YOY change | 5.7% | 8.9% | 4.8% | 16.5% | 14.2% | |
| ADCB | 329,276 | 362,905 | 383,695 | 389,961 | 406,742 | 4.3% |
| YOY change | 8.9% | 17.5% | 23.5% | 23.4% | 23.5% | |
| ADIB | 151,545 | 157,067 | 160,262 | 172,244 | 179,744 | 4.4% |

| | | | | | | |
|------------|---------|---------|---------|---------|---------|-------|
| YOY change | 27.5% | 13.7% | 13.1% | 14.5% | 18.6% | |
| DIB | 220,917 | 222,054 | 235,783 | 234,018 | 236,868 | 1.2% |
| YOY change | 18.4% | 11.8% | 18.9% | 11.1% | 7.2% | |
| ENBD | 570,187 | 584,561 | 610,371 | 624,417 | 644,812 | 3.3% |
| YOY change | 18.6% | 16.2% | 13.5% | 12.3% | 13.1% | |
| UAB | 9,175 | 10,238 | 10,656 | 12,129 | 12,031 | -0.8% |
| YOY change | -0.7% | 19.5% | 27.8% | 44.2% | 31.1% | |
| FAB | 785,195 | 759,863 | 803,261 | 765,702 | 819,572 | 7.0% |
| YOY change | 5.3% | 8.5% | 2.9% | 2.8% | 4.4% | |

Source: FABS from co data

FAB recorded the highest growth in deposits market share on a QOQ basis in 3Q24

FAB recorded the highest growth of 1.24 pp on a QOQ basis to 29.7% in 3Q24. ADCB recorded the second-highest growth rate of 0.25 pp to 14.7%, followed by ENBD at 0.16 pp QOQ to 23.4% in 3Q24. ADIB and CBI also recorded an increase of 0.11 pp QOQ and 0.02 pp QOQ to 6.5% and 0.6%, respectively, during 3Q24. Seven out of 11 banks under our coverage experienced a decline in deposits market share during 3Q24. CBD recorded the highest decline of 0.13 pp QOQ to 3.6% in deposits market share during 3Q24.

Deposits market share

| | 3Q23 | 4Q23 | 1Q24 | 2Q24 | 3Q24 | QOQ: pp |
|-----------|-------|-------|-------|-------|-------|---------|
| CBI | 0.5% | 0.5% | 0.5% | 0.5% | 0.6% | 0.02% |
| MASQ | 5.5% | 5.8% | 5.9% | 5.7% | 5.7% | -0.07% |
| SIB | 1.9% | 1.8% | 1.7% | 1.8% | 1.7% | -0.10% |
| AJMANBANK | 0.8% | 0.8% | 0.7% | 0.7% | 0.7% | -0.02% |
| RAKBANK | 2.0% | 2.0% | 2.1% | 2.2% | 2.1% | -0.10% |
| CBD | 3.6% | 3.5% | 3.4% | 3.7% | 3.6% | -0.13% |
| ADCB | 13.6% | 14.4% | 14.4% | 14.5% | 14.7% | 0.25% |
| ADIB | 6.3% | 6.2% | 6.0% | 6.4% | 6.5% | 0.11% |
| DIB | 9.1% | 8.8% | 8.9% | 8.7% | 8.6% | -0.11% |
| ENBD | 23.6% | 23.2% | 23.0% | 23.2% | 23.4% | 0.16% |
| UAB | 0.4% | 0.4% | 0.4% | 0.5% | 0.4% | -0.01% |
| FAB | 32.4% | 30.1% | 30.2% | 28.4% | 29.7% | 1.24% |

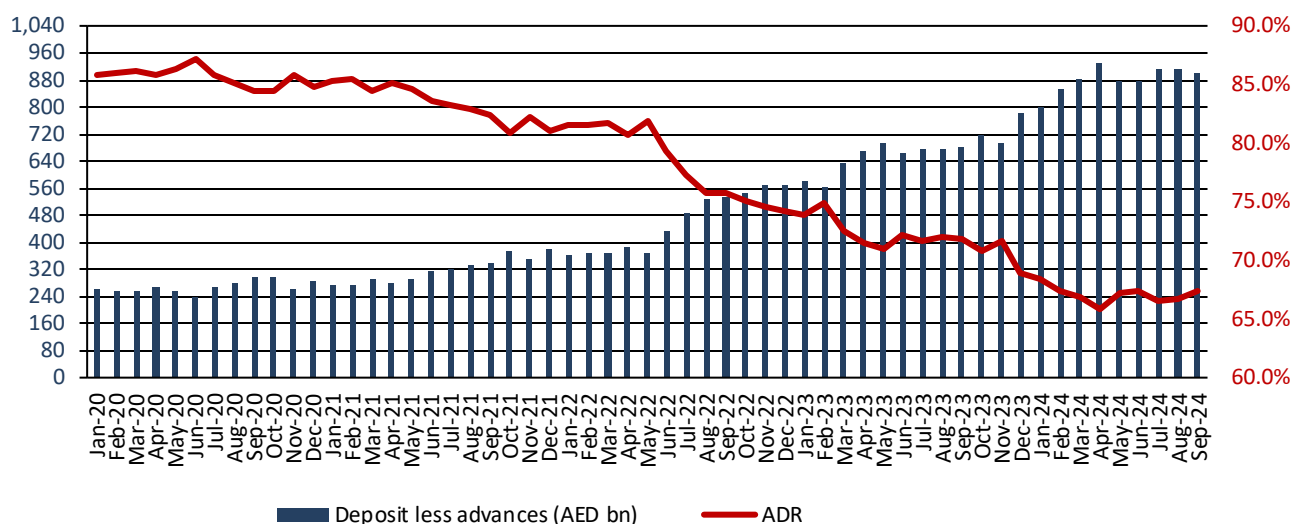
Source: FABS from co data

4. Liquidity

Liquidity in the UAE banking system

UAE banking system’s headline Advances to Deposits Ratio (ADR) rose 56 bps MOM to 67.3% in September 2024. The system’s liquidity declined from AED 910.1 Bn in August 2024 to AED 901.7 Bn in September 2024. This view is validated by using deposits less advances as an equivalent indicator to measure liquidity.

UAE banking system deposits less advances (AED bn) & ADR, 2020 – Sept. 2024



Source: FABS from CBUAE

Top key liquidity metrics

We evaluate and rank the balance sheet liquidity of the UAE banks we cover using three variables. In 3Q24, five out of 11 UAE banks under our coverage witnessed a decline in the ADR ratio. RAKBANK recorded the highest increase of 15.1% QOQ in ADR ratio to 80.7%, followed by SIB with 7.0% QOQ growth to 76.2% in 3Q24. UAB recorded the third-highest QOQ growth in ADR of 3.9% to 89.4% in 3Q24. On the other hand, FAB’s ADR ratio experienced the largest decline of 3.9% QOQ to 64.4%, followed by AJMANBANK with a 3.6% QOQ fall to 69.4% in 3Q24. Moreover, in terms of deposit surplus/deficit CBI recorded the highest growth in deposit surplus of 33.0% QOQ to AED 2.3 Bn in 3Q24, followed by FAB with 15.5% QOQ growth to AED 291.6 Bn during 3Q24. ADIB deposit surplus grew 11.0% QOQ to AED 44.6 Bn in 3Q24. RAKBANK witnessed the highest decline of 36.7% QOQ in deposit surplus to AED 11.1 Bn in 3Q24. All banks under our coverage recorded a deposit surplus in 3Q24. In terms of percentage lent, AJMANBANK experienced the highest QOQ decline of 4.4% in 3Q24, with 54.8% percentage lent in 3Q24. RAKBANK’s percentage lent grew the most 8.0% QOQ to 55.1%, followed by MASQ with an increase of 3.7% QOQ to 46.6% in 3Q24. Five out of 11 Banks under our coverage witnessed a decline in the percentage lent on a QOQ basis during 3Q24.

ADR: UAE Banks

| | 3Q23 | 4Q23 | 1Q24 | 2Q24 | 3Q24 | QOQ ch |
|-----------|-------------|-------------|-------------|-------------|-------------|---------------|
| CBI | 97.9% | 100.0% | 96.1% | 87.9% | 85.0% | -3.4% |
| MASQ | 74.7% | 75.5% | 71.1% | 73.9% | 76.0% | 2.7% |
| SIB | 70.4% | 73.1% | 74.0% | 71.2% | 76.2% | 7.0% |
| AJMANBANK | 74.8% | 69.8% | 71.1% | 72.0% | 69.4% | -3.6% |
| RAKBANK | 79.7% | 78.3% | 73.3% | 70.1% | 80.7% | 15.1% |
| CBD | 95.9% | 94.4% | 96.1% | 89.8% | 93.0% | 3.6% |
| ADCB | 86.3% | 83.2% | 82.9% | 85.2% | 84.6% | -0.7% |
| ADIB | 74.3% | 73.2% | 73.0% | 76.7% | 75.2% | -1.9% |
| DIB | 90.1% | 89.8% | 85.2% | 85.1% | 87.3% | 2.5% |
| ENBD | 79.8% | 76.1% | 75.1% | 76.4% | 76.6% | 0.2% |
| UAB | 84.0% | 91.4% | 89.5% | 86.0% | 89.4% | 3.9% |
| FAB | 60.9% | 63.7% | 63.3% | 67.0% | 64.4% | -3.9% |

Source: FABS from co data

Deposit surplus/-deficit

| AED Mn | 3Q23 | 4Q23 | 1Q24 | 2Q24 | 3Q24 | QOQ ch |
|---------------|-------------|-------------|-------------|-------------|-------------|---------------|
| CBI | 260 | -1 | 496 | 1,714 | 2,280 | 33.0% |
| MASQ | 33,589 | 35,877 | 45,014 | 40,137 | 37,528 | -6.5% |
| SIB | 13,376 | 12,177 | 11,714 | 14,263 | 11,445 | -19.8% |
| AJMANBANK | 4,937 | 5,949 | 5,317 | 5,399 | 5,906 | 9.4% |
| RAKBANK | 9,817 | 10,928 | 14,789 | 17,479 | 11,069 | -36.7% |
| CBD | 3,553 | 4,974 | 3,550 | 10,223 | 6,936 | -32.2% |
| ADCB | 45,019 | 60,910 | 65,537 | 57,802 | 62,728 | 8.5% |
| ADIB | 38,950 | 42,065 | 43,320 | 40,177 | 44,612 | 11.0% |
| DIB | 21,914 | 22,601 | 34,856 | 34,766 | 30,078 | -13.5% |
| ENBD | 1,15,081 | 1,39,456 | 1,51,738 | 1,47,285 | 1,50,969 | 2.5% |
| UAB | 1,472 | 880 | 1,122 | 1,694 | 1,277 | -24.6% |
| FAB | 3,06,928 | 2,75,909 | 2,94,920 | 2,52,548 | 2,91,594 | 15.5% |

Source: FABS from co data

Percentage lent

| | 3Q23 | 4Q23 | 1Q24 | 2Q24 | 3Q24 | QOQ ch |
|-----------|-------------|-------------|-------------|-------------|-------------|---------------|
| CBI | 63.6% | 66.5% | 64.2% | 62.6% | 61.5% | -1.8% |
| MASQ | 45.5% | 46.0% | 44.3% | 44.9% | 46.6% | 3.7% |
| SIB | 50.3% | 50.1% | 47.6% | 47.4% | 48.9% | 3.1% |
| AJMANBANK | 58.1% | 55.2% | 56.8% | 57.4% | 54.8% | -4.4% |
| RAKBANK | 53.7% | 53.4% | 51.7% | 51.0% | 55.1% | 8.0% |
| CBD | 65.8% | 64.6% | 66.3% | 63.4% | 65.4% | 3.1% |
| ADCB | 52.9% | 53.2% | 53.5% | 54.3% | 53.9% | -0.7% |
| ADIB | 61.2% | 59.6% | 60.1% | 61.9% | 60.7% | -1.9% |
| DIB | 63.5% | 63.5% | 61.4% | 61.8% | 62.8% | 1.7% |
| ENBD | 54.5% | 51.6% | 50.8% | 51.3% | 51.7% | 0.8% |
| UAB | 52.3% | 53.0% | 53.2% | 52.7% | 53.7% | 2.0% |
| FAB | 40.3% | 41.4% | 41.2% | 43.7% | 42.9% | -1.7% |

Source: FABS from co data

5. Profitability

Except AJMANBANK, all other banks under our coverage recorded a positive ROE in 3Q24

Mashreq Bank recorded the highest ROE of 29.7% in 3Q24. ADIB and ENBD recorded the second and third-highest ROE of 27.1% and 21.4%, respectively, in 3Q24. Six banks recorded positive growth in ROE during 3Q24. CBI recorded an increase of 402 bps QOQ to 10.9% in 3Q24. SIB and RAKBANK also recorded a growth of 38 bps QOQ and 28 bps QOQ to 13.7% and 19.9%, respectively, in 3Q24. Mashreq Bank recorded the highest decline of 388 bps QOQ during 3Q24. UAB and ENBD also recorded a decline of 167 bps QOQ and 150 bps QOQ to 14.2% and 21.4%, respectively, in 3Q24.

ROE: UAE Banks

| | 3Q23 | 4Q23 | 1Q24 | 2Q24 | 3Q24 | QOQ ch: bps |
|-----------|-------|--------|--------|--------|-------|-------------|
| CBI | 8.0% | 6.9% | 7.0% | 6.9% | 10.9% | 402 |
| MASQ | 29.0% | 32.8% | 35.7% | 33.6% | 29.7% | -388 |
| SIB | 12.7% | 12.6% | 13.3% | 13.4% | 13.7% | 38 |
| AJMANBANK | -1.4% | -15.0% | -12.4% | -10.0% | -0.4% | 958 |
| RAKBANK | 17.8% | 18.5% | 19.4% | 19.6% | 19.9% | 28 |
| CBD | 19.3% | 19.9% | 21.6% | 21.3% | 20.6% | -71 |
| ADCB | 12.7% | 13.3% | 13.8% | 13.8% | 14.0% | 21 |
| ADIB | 25.0% | 24.5% | 28.3% | 28.0% | 27.1% | -98 |
| DIB | 17.0% | 18.4% | 19.5% | 19.0% | 19.2% | 21 |
| ENBD | 22.7% | 22.7% | 23.3% | 22.9% | 21.4% | -150 |
| UAB | 16.3% | 15.8% | 16.1% | 15.9% | 14.2% | -167 |
| FAB | 13.2% | 14.1% | 14.2% | 14.4% | 14.0% | -41 |

Source: FABS from co data

Three out of 11 banks witnessed QOQ decline in ROA during 3Q24

Three out of the 11 banks in our coverage reported a decline in ROA in 3Q24. MASQ recorded the highest ROA of 3.6%, followed by ADIB at 2.9% and RAKBANK at 2.7% in 3Q24. MASQ also recorded the highest decline of 27 bps QOQ in 3Q24. UAB and ENBD also recorded an 11 bps QOQ and 8 bps QOQ decline to 1.5% and 2.6%, respectively, in 3Q24. AJMANBANK's ROA stood negative for the fifth consecutive quarter at 0.1% in 3Q24.

ROA: UAE Banks

| | 3Q23 | 4Q23 | 1Q24 | 2Q24 | 3Q24 | QOQ ch: bps |
|-----------|-------|-------|-------|-------|-------|-------------|
| CBI | 0.9% | 0.8% | 0.8% | 0.8% | 1.3% | 51 |
| MASQ | 3.4% | 3.9% | 4.0% | 3.9% | 3.6% | -27 |
| SIB | 1.4% | 1.4% | 1.3% | 1.4% | 1.4% | 6 |
| AJMANBANK | -0.2% | -1.7% | -1.4% | -1.2% | -0.1% | 110 |
| RAKBANK | 2.4% | 2.5% | 2.6% | 2.6% | 2.7% | 13 |
| CBD | 2.0% | 2.2% | 2.2% | 2.2% | 2.2% | 4 |
| ADCB | 1.5% | 1.5% | 1.5% | 1.6% | 1.6% | 2 |
| ADIB | 2.8% | 2.8% | 2.9% | 2.8% | 2.9% | 1 |
| DIB | 2.1% | 2.3% | 2.2% | 2.3% | 2.3% | 5 |
| ENBD | 2.6% | 2.7% | 2.6% | 2.6% | 2.6% | -8 |
| UAB | 1.7% | 1.6% | 1.7% | 1.6% | 1.5% | -11 |
| FAB | 1.2% | 1.3% | 1.3% | 1.3% | 1.3% | 4 |

Source: FABS from co data

6. Efficiency

RAKBANK NIMs continued to remain highest, followed by MASQ during 3Q24

RAKBANK's NIMs stood highest at 4.6% in 3Q24, followed by MASQ and ENBD at 4.2% and 3.8%, respectively, in 3Q24. ENBD's NIMs witnessed the highest growth of 16 bps QOQ to 3.8% in 3Q24, followed by SIB, whose NIMs grew 1 bps QOQ to 1.9% in 3Q24. CBI recorded the highest decline of 99 bps on a QOQ basis to 1.9% in 3Q24. ADIB and AJMANBANK also recorded a drop of 32 bps and 29 bps QOQ to 3.0% and 2.3%, respectively, during 3Q24.

NIM: UAE Banks

| | 3Q23 | 4Q23 | 1Q24 | 2Q24 | 3Q24 | QOQ ch: bps |
|-----------|------|------|------|------|------|-------------|
| CBI | 2.0% | 1.9% | 1.9% | 2.0% | 1.9% | -99 |
| MASQ | 4.8% | 4.6% | 4.5% | 4.2% | 4.2% | -2 |
| SIB | 2.2% | 2.1% | 2.0% | 1.9% | 1.9% | 1 |
| AJMANBANK | 2.4% | 2.3% | 2.2% | 2.6% | 2.3% | -29 |
| RAKBANK | 4.9% | 5.0% | 4.8% | 4.6% | 4.6% | -5 |
| CBD | 3.1% | 3.2% | 3.2% | 3.1% | 3.0% | -11 |
| ADCB | 2.7% | 2.7% | 2.5% | 2.4% | 2.2% | -18 |
| ADIB | 3.6% | 3.6% | 3.7% | 3.4% | 3.0% | -32 |
| DIB | 3.1% | 3.0% | 2.8% | 2.8% | 2.8% | 0 |
| ENBD | 4.0% | 3.9% | 3.5% | 3.6% | 3.8% | 16 |
| UAB | 3.0% | 2.6% | 3.1% | 2.5% | 2.4% | -11 |
| FAB | 1.8% | 1.9% | 1.9% | 2.0% | 1.9% | -7 |

Source: FABS from co data

CBI recorded the highest cost-to-income ratio during 3Q24

CBI recorded the highest cost-to-income ratio at 62.0% in 3Q24. On the other hand, FAB recorded the lowest cost-to-income ratio of 24.1%, closely followed by CBD and DIB, with 25.7% and 28.7%, respectively, in 3Q24. On the other hand, CBI's cost-to-income ratio declined the most from 74.3% in 2Q24 to 62.0% in 3Q24, followed by UAB with 212 bps QOQ decline to 49.6% in 3Q24. AJMANBANK recorded the highest increase, from 41.2% in 2Q24 to 52.7% in 3Q24, followed by ADIB with an increase of 313 bps QOQ to 30.1% in 3Q24.

Cost to Income: UAE Banks

| | 3Q23 | 4Q23 | 1Q24 | 2Q24 | 3Q24 | QOQ ch: bps |
|-----------|-------|-------|-------|-------|-------|-------------|
| CBI | 50.4% | 63.1% | 71.5% | 74.3% | 62.0% | -1,231 |
| MASQ | 30.7% | 35.8% | 26.7% | 27.9% | 29.2% | 127 |
| SIB | 35.1% | 37.6% | 34.5% | 31.5% | 31.1% | -36 |
| AJMANBANK | 47.3% | 60.7% | 46.7% | 41.2% | 52.7% | 1,149 |
| RAKBANK | 38.2% | 36.1% | 33.1% | 34.1% | 33.5% | -55 |
| CBD | 24.1% | 28.4% | 23.0% | 24.6% | 25.7% | 114 |
| ADCB | 33.3% | 32.0% | 30.9% | 32.6% | 32.2% | -40 |
| ADIB | 30.4% | 33.7% | 30.4% | 26.9% | 30.1% | 313 |
| DIB | 26.6% | 28.9% | 28.3% | 27.3% | 28.7% | 138 |
| ENBD | 25.3% | 32.4% | 28.8% | 28.4% | 30.8% | 241 |
| UAB | 43.8% | 57.3% | 47.5% | 51.7% | 49.6% | -212 |
| FAB | 25.9% | 27.4% | 24.0% | 24.8% | 24.1% | -70 |

Source: FABS from co data

Two banks under our coverage recorded impairment reversal during 3Q24

DIB and UAB recorded impairment reversals during 3Q24. ADIB recorded the highest fall of 72 bps QOQ to 0.1% in 3Q24, while its cost of risk remained lowest compared to other banks under our coverage. RAKBANK experienced a fall of 69 bps QOQ and recorded the highest cost of risk of 1.2% in 3Q24. CBD and ENBD recorded the second and third-highest COR of 0.9% and 0.7%, respectively, in 3Q24. CBD experienced the highest growth of 20 bps QOQ to 0.9% in 3Q24.

Cost of risk: UAE Banks

| | 3Q23 | 4Q23 | 1Q24 | 2Q24 | 3Q24 | QOQ ch: bps |
|-----------|------|-------|------|------|------|-------------|
| CBI | 0.4% | 0.5% | NM | NM | 0.3% | NM |
| MASQ | NM | NM | 0.2% | NM | 0.5% | NM |
| SIB | 0.2% | 0.6% | 0.5% | 0.2% | 0.4% | 11 |
| AJMANBANK | 7.9% | 9.8% | NM | 0.6% | 0.2% | -37 |
| RAKBANK | 2.5% | 2.5% | 1.5% | 1.9% | 1.2% | -69 |
| CBD | 0.9% | 0.7% | 1.2% | 0.7% | 0.9% | 20 |
| ADCB | 0.8% | 1.1% | 0.7% | 0.5% | 0.4% | -6 |
| ADIB | 0.7% | 0.6% | 0.4% | 0.9% | 0.1% | -72 |
| DIB | 0.7% | 0.20% | 0.4% | 0.4% | NM | NM |
| ENBD | 0.5% | 1.6% | NM | NM | 0.7% | NM |
| UAB | 0.5% | 0.4% | 0.4% | NM | NM | NM |
| FAB | 0.5% | 0.8% | 0.8% | 0.7% | 0.6% | -11 |

Source: FABS from co data

Mashreq Bank recorded the highest CAR, followed by RAKBANK in 3Q24

Except ENBD, all the other banks under our coverage witnessed QOQ growth in CAR during 3Q24. AJMANBANK recorded the highest growth of 196 bps QOQ at 19.5%, followed by RAKBANK with a growth of 165 bps QOQ to 19.6% in 3Q24. On the other hand, ENBD recorded the highest decline in CAR of 10 bps QOQ to 17.9% in 3Q24.

CAR: UAE Banks

| | 3Q23 | 4Q23 | 1Q24 | 2Q24 | 3Q24 | QOQ ch: bps |
|-----------|-------|-------|-------|-------|-------|-------------|
| CBI | 14.7% | 15.1% | 14.8% | 15.3% | 15.8% | 49 |
| MASQ | 18.6% | 16.5% | 17.7% | 19.5% | 19.8% | 32 |
| SIB | 19.6% | 18.9% | 17.7% | 17.2% | 17.7% | 46 |
| AJMANBANK | 16.1% | 15.6% | 16.6% | 17.5% | 19.5% | 196 |
| RAKBANK | 18.5% | 17.8% | 17.2% | 18.0% | 19.6% | 165 |
| CBD | 16.8% | 15.9% | 15.7% | 16.1% | 16.6% | 50 |
| ADCB | 16.2% | 16.2% | 16.3% | 16.4% | 16.7% | 25 |
| ADIB | 18.0% | 16.8% | 17.2% | 17.2% | 17.6% | 40 |
| DIB | 18.1% | 17.3% | 17.5% | 18.1% | 18.3% | 19 |
| ENBD | 19.7% | 17.6% | 17.8% | 18.0% | 17.9% | -10 |
| UAB | 19.8% | 19.0% | 18.4% | 18.0% | 18.8% | 80 |
| FAB | 17.2% | 17.4% | 17.1% | 17.4% | 18.0% | 60 |

Source: FABS from co data

Banking stock performance

10 out of 13 UAE banks generated positive returns during 2024 on a YTD basis. The average return of the Banking sector in UAE outperformed the ADX, DSM, TASI, KSA Banking Sector, and Qatar Banking Sector. On the other hand, the UAE banking Sector generated a lower return compared to EGX30, DFM, and Egypt Banking stocks under coverage. The UAE Banking Sector generated a positive average return of 15.1% and the KSA Banking Sector generated an average negative return of 4.5% on YTD basis in 2024. Among the UAE Banks, MASQ recorded the highest return followed by BOS, CBD, ADIB, DIB, ENBD, RAKBANK, ADCB, and UAB. MASQ generated 42.1% the highest return during the period. While, FAB, CBI, and AJMANBANK generated negative returns during the period.

27 MENA bank stocks: January 2024 to 20 Dec 2024, Ranked

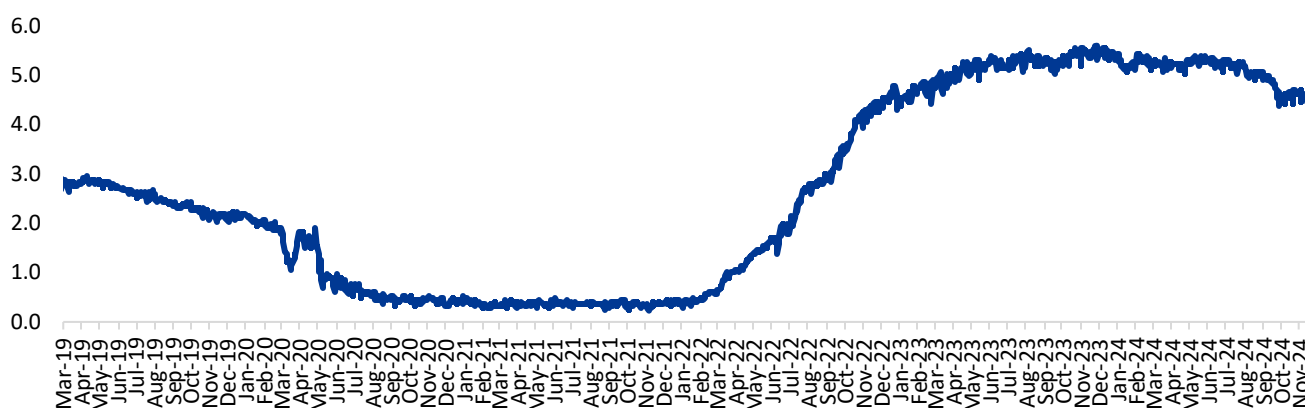
| | | UAE | KSA | Qatar | Egypt | Ranking |
|----------------|--------|--------------|--------------|--------------|--------------|---------|
| QIBK | -3.0% | | | -3.0% | | 24 |
| MARK | -6.6% | | | -6.6% | | 26 |
| CBD | 38.0% | 38.0% | | | | 3 |
| MASQ | 42.1% | 42.1% | | | | 1 |
| QNBK | 4.4% | | | 4.4% | | 14 |
| UAB | 0.7% | 0.7% | | | | 16 |
| SIB | 0.0% | 0.0% | | | | 18 |
| CBQK | -30.6% | | | -30.6% | | 31 |
| DSM | -1.2% | | | | | 21 |
| RJHI | 3.9% | | 3.9% | | | 15 |
| TASI | -0.3% | | | | | 19 |
| ADI | -2.4% | | | | | 22 |
| ALINMA | -9.4% | | -9.4% | | | 27 |
| ALBI | 0.1% | | 0.1% | | | 17 |
| BSFR | -17.3% | | -17.3% | | | 29 |
| RAKBANK | 14.0% | 14.0% | | | | 10 |
| DHBK | 9.3% | | | 9.3% | | 12 |
| COMI | 15.6% | | | | 15.6% | 9 |
| FAB | -4.9% | -4.9% | | | | 25 |
| EGX30 | 23.6% | | | | | 6 |
| BOS | 39.5% | 39.5% | | | | 2 |
| NCB | -14.6% | | -14.6% | | | 28 |
| DFMGI | 24.6% | | | | | 5 |
| ARNB | 5.9% | | 5.9% | | | 13 |
| RIBL | -0.4% | | -0.4% | | | 20 |
| CBI | -2.4% | -2.4% | | | | 23 |
| ENBD | 17.9% | 17.9% | | | | 8 |
| ADIB | 36.4% | 36.4% | | | | 4 |
| DIB | 22.9% | 22.9% | | | | 7 |
| AJMANBANK | -19.2% | -19.2% | | | | 30 |
| ADCB | 11.3% | 11.3% | | | | 11 |
| AVERAGE | | 15.1% | -4.5% | -5.3% | 15.6% | |

FABS from Bloomberg

EIBOR

The US Federal Reserve cut policy rates by 50 bps in September 2024 for the first time in four years. After that, the Fed reduced benchmark interest rates by 25 bps in November 2024 and 25 bps in December 2024 to a range of 4.25% to 4.50%. Additionally, the Fed announced to make fewer rate cuts in 2025. Since the UAE’s currency is pegged to the US dollar, the central bank of UAE closely follows the Fed. The CBUAE also reduced its benchmark rates by 100 bps to 4.40% in 2024, which aligns with the US Federal Reserve’s move. The 3-month EIBOR rates declined from 2.8% MOM to 4.52% on 29 November 2024. The decline in rates will reduce the interest burden on consumers and businesses and also boost the loan growth in the forthcoming period.

3-month EIBOR (%), March 2019 – November 2024

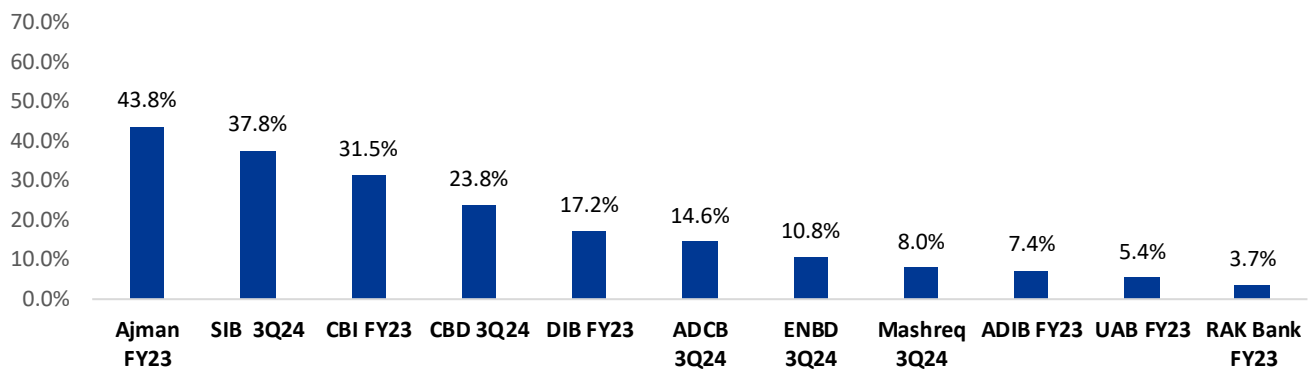


Source: FABS from Bloomberg

Real Estate

The UAE real estate sector witnessed a solid performance in 3Q24 driven by new project launches and strong demand. Residential transactions in Abu Dhabi increased by 15.5% YOY in 9M24, while apartment sales price increased 1.8% YOY owing to strong growth in off-plan sales which rose 6.4% YOY. However, the median sales prices of off-plan villas increased 3.4% YOY while ready villas witnessed a 14.3% YOY growth during the same period. Dubai’s real estate sector witnessed 34.3% YOY growth in residential real estate sales transactions in 9M24. Apartment sales prices in Dubai rose 10.1 % YOY owing to strong growth in ready units, while villa prices grew 24.5% YOY driven by robust growth across both, off-plan and ready units. Out of all the banks under our coverage, Ajman Bank has the highest real estate sector exposure, followed by SIB, CBI, CBD, DIB, ADCB, ENBD, MASQ, ADIB, and UAB. RAK Bank recorded the lowest exposure in the real estate sector at 3.7%.

Real Estate Loans Exposure of Total Loans (%)



Source: FABS from Bloomberg

Interest rate sensitivity (IRS) gap

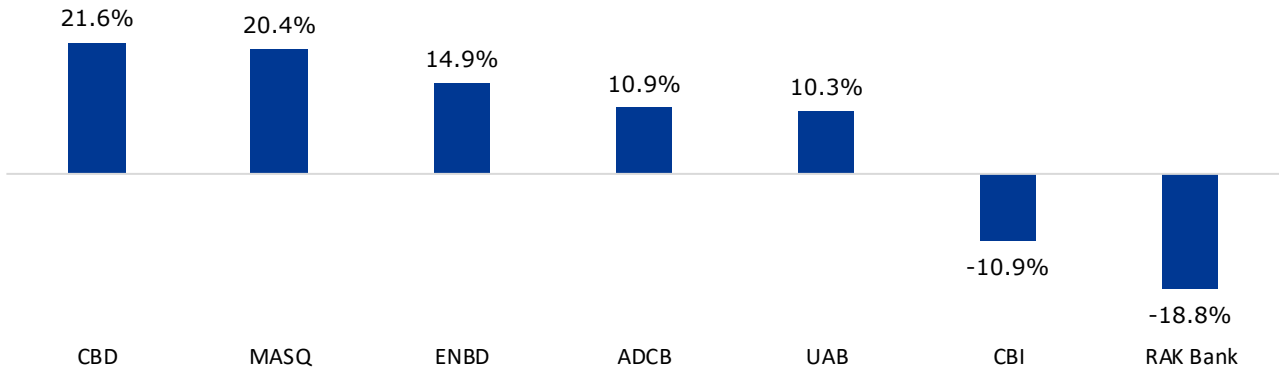
An interest rate gap measures a bank's exposure to interest rate risk. IRS gaps capture the difference in the value of assets and liabilities that re-price over certain periods. It is the gap between rate-sensitive assets and rate-sensitive liabilities. Fed started reducing benchmark interest rates in September 2024 with an interest rate cut of 50 bps followed by two 25 bps rate cuts in November 2024 and December 2024. As a result, the Central Bank of UAE also reduced benchmark interest rates.

Reduction of interest rates is expected to boost the loan growth in the UAE Banking System with a moderation in NIMs. Most of the UAE Banks carry a positive interest rate sensitivity gap due to which the asset yield will decline faster in the declining interest rate period compared to cost of funds. However, the banks focus on strengthening their non-core income to maintain margins in the declining interest rate period. We have categorized the banks under our coverage to determine the positive/ negative gap for each of them and to gauge which banks' NIMs will benefit or worsen from a rate cut (data as per FY2023 annual reports).

RAK Bank and CBI will benefit the most amongst their peers since their cost of funds will reprice faster compared to their peers while CBD and MASQ will be affected the most since their proportion of assets is highest among the peers due for repricing during the six to 12-month period.

The above analysis is purely based on the interest rate risk currently faced by banks. It does not consider loan growth, ability to generate funds at lower cost, utilization of off-balance sheet items such as derivatives or significant change in risk management strategies.

Sensitivity Gap 6-12 months as % of total Assets



Source: FABS from Bloomberg

4Q24 preview: Emirates NBD (ENBD)

Robust loan growth and expansion in KSA to boost profitability

| Current Price | 12-m Target Price | Upside/Downside (%) | Rating |
|---------------|-------------------|---------------------|------------|
| AED 21.40 | AED 24.00 | +12.15% | ACCUMULATE |

4Q24 estimate

Emirates National Bank of Dubai (ENBD/the Bank) is expected to report a 5.5% YOY increase in net profit to AED 4,215 Mn in 4Q24 mainly attributable to an estimated growth in net funded and non-funded income along with a decline in hyperinflation charges partially offset by expected growth in operating expenses and tax charges. ENBD's funded income is expected to grow 21.9% YOY to AED 20,786 Mn in 4Q24 owing to healthy growth anticipated in net advances. On the other hand, funded expense is estimated to increase significantly from AED 9,238 Mn in 4Q23 to AED 12,218 Mn in 4Q24 due to higher cost of funds. Thus, net funded income is estimated to grow 9.6% YOY to AED 8,568 Mn in 4Q24. The Bank's fee and commission income is estimated to increase 27.2% YOY to AED 1,726 Mn in 4Q24 while trading gains are anticipated to grow 63.4% YOY to AED 245 Mn. Other operating income is likely to increase 7.3% YOY to AED 1,060 Mn in 4Q24. Thus, total non-funded income is estimated to rise 21.5% YOY to AED 3,031 Mn in 4Q24. As a result, total operating profit is expected to grow 12.5% YOY to AED 11,599 Mn in 4Q24. Furthermore, operating expenses are estimated to increase 13.1% YOY to AED 3,780 Mn in 4Q24. Impairments are anticipated to increase 5.2% YOY to AED 2,047 Mn in 4Q24. Moreover, ENBD is expected to incur a tax expense of AED 799 Mn in 4Q24 compared to reversal of AED 72 Mn in 4Q24. In addition, the Bank is expected to incur a hyperinflation adjustment of AED 745 Mn in 4Q24, compared to AED 1,067 Mn in 4Q23.

2024 Forecast

ENBD's net profit is expected to rise 8.0% YOY to AED 23,205 Mn in 2024 mainly attributed to expected decline in impairment charge and hyperinflation charge coupled with estimated rise in net funded income partially offset by an anticipated decline in non-funded income, higher operating expenses, and tax charge. Funded income is estimated to increase 35.6% YOY to AED 77,744 Mn in 2024 due to growth in advances and expansion in asset yield, whereas the Bank's funded expense is anticipated to grow 66.5% YOY to AED 45,347 Mn in 2024. Thus, net funded income is likely to decline 7.7% YOY to AED 32,397 Mn in 2024. Non-funded income is anticipated to decrease 6.7% YOY to AED 12,078 Mn in 2024 due to an anticipated decline in other operating income partially offset by growth in fee and commission income and trading gains. Operating income is likely to grow 3.4% YOY to AED 44,475 Mn in 2024. Furthermore, operating expenses are expected to grow 14.8% YOY to AED 13,432 Mn in 2024. ENBD is anticipated to record impairment charge of AED 703 Mn in 2024 compared to AED 3,448 Mn in 2023. In addition, tax expense is estimated to increase 84.8% YOY to AED 3,944 Mn in 2024. The Bank is expected to report a hyperinflation adjustment of AED 3,150 Mn in 2024 compared to AED 4,229 Mn in 2023.

3Q24 Outturn

ENBD's funded income rose 34.5% YOY to AED 20,586 Mn in 3Q24 due to a healthy growth in the loan portfolio driven by an expansion in retail & corporate lending owing to robust demand coupled with higher asset yield. On the other hand, funded expenses rose significantly from AED 7,460 Mn in 3Q23 to AED 12,107 Mn in 3Q24 mainly due to an increase in the cost of funds owing to higher benchmark rates. Thus, net funded income increased 8.2% YOY to AED 8,479 Mn in 3Q24. Fee and commission income rose 36.9% YOY to AED 1,749 Mn in 3Q24 owing to solid momentum in domestic and international retail card business coupled with an increase in investment banking activity and customer lending. ENBD recorded significant growth in trading gain which rose to AED 233 Mn in 3Q24 from AED 140 Mn in 3Q23 attributed to an increase in structured and credit trading due to a rise in regional issuance coupled with macro positioning. However, other operating income witnessed a substantial decline from AED 2,174 Mn in 3Q23 to AED 1,039 Mn in 3Q24 mainly due to an increase in swap-funding cost in Turkey and high volatility in 3Q23. Thus, non-funded income witnessed a decline of 15.9% YOY to AED 3,021 Mn in 3Q24. As a result, operating income rose marginally by 0.6% YOY to AED 11,500 Mn in 3Q24. The Bank's operating expenses increased 22.3% YOY to AED

3,541 Mn in 3Q24 attributable to an increase in staff costs, depreciation of completed projects, professional fees, IT costs, and seasonal marketing costs coupled with the inflationary impact of Denizbank cost base. Thus, the cost-to-income ratio increased to 30.8% in 3Q24 compared to 25.3% in 3Q23. The Bank witnessed an increase in impairment charge from AED 553 Mn in 3Q23 to AED 872 Mn in 3Q24. The Bank recorded a tax expense of AED 1,060 Mn during 3Q24 compared to AED 939 Mn in 3Q23. In addition, the Bank's capital-neutral hyperinflation adjustment fell significantly from AED 1,810 Mn in 3Q23 to AED 788 Mn during 3Q24.

Target price and recommendation

We revise rating on Emirates NBD from BUY to ACCUMULATE with an unchanged target price of AED 24.00. ENBD's reported NIMs grew 16 bps QOQ to 3.79% in 3Q24 mainly driven by improvement in loan repricing of Denizbank assets. The Bank further expects NIMs for FY2024 to be at the lower end of the guidance of 3.6-3.8% keeping into consideration the previous rate cut and potential remaining cuts in FY2024. However, ENBD does not anticipate any rate cuts in Turkey. If any rate cuts take place in Turkey, DenizBank would benefit as the cost of funding will decline faster than asset repricing, benefitting the Bank's margins. However, ENBD has been investing to diversify revenue streams, including the use of AI and ML to understand customer behaviour and analyse the need for new FX and trade products, which is likely to offset the effect of declining interest rates. KSA loan portfolio witnessed robust growth owing to network expansion and ENBD is likely to have 21 branches in KSA by the end of FY2024. The Bank revised FY2024 loan growth guidance to low double-digit driven by the robust growth witnessed so far due to positive economic outlook and announcements on infrastructure investments. NPL ratio improved 160 bps YOY to 3.9% in 3Q24 due to solid recoveries, write-offs and repayments in a favorable operating environment. Also, the NPL coverage ratio improved 431 bps YOY to 149.3% in 3Q24. ENBD revised its cost of risk guidance to 10-20 bps for FY2024. It expects a cost of risk of around 150-190 bps for 4Q24, owing to weak expectations of a further recovery in 4Q24 coupled with the impact of high interest rates in Turkey. For FY2025, the cost of risk is estimated to be around 85-125 bps. ENBD's capitalization stood strong with a CET 1 ratio of 15.5% and a CAR of 18.0% in 3Q24. Thus, considering the above-mentioned factors, we assign an ACCUMULATE rating on the stock.

ENBD - Relative Valuation

| (at CMP) | 2019 | 2020 | 2021 | 2022 | 2023 | 2024F |
|----------------|-------|-------|-------|-------|------|-------|
| PE | 12.55 | 21.11 | 15.30 | 10.66 | 6.35 | 5.87 |
| PB | 1.85 | 1.80 | 1.79 | 1.59 | 1.32 | 1.12 |
| Dividend Yield | 1.9% | 1.9% | 2.4% | 2.8% | 5.7% | 5.7% |

FABS estimate & Co data

ENBD - P&L

| AED mn | 4Q23 | 3Q24 | 4Q24F | YOY Ch | QOQ Ch | 2023 | 2024F | Change |
|--|---------------|---------------|---------------|--------------|---------------|---------------|---------------|--------------|
| Funded income | 17,053 | 20,586 | 20,786 | 21.9% | 1.0% | 57,319 | 77,744 | 35.6% |
| Funded expense | -9,238 | -12,107 | -12,218 | 32.2% | 0.9% | -27,239 | -45,347 | 66.5% |
| Net funded income | 7,814 | 8,479 | 8,568 | 9.6% | 1.0% | 30,080 | 32,397 | 7.7% |
| Fees and commissions | 1,357 | 1,749 | 1,726 | 27.2% | -1.3% | 4,873 | 6,871 | 41.0% |
| Trading gain/(loss) | 150 | 233 | 245 | 63.4% | 5.3% | 480 | 878 | 83.0% |
| Other Operating Income | 988 | 1,039 | 1,060 | 7.3% | 2.0% | 7,595 | 4,329 | -43.0% |
| Non-funded income | 2,495 | 3,021 | 3,031 | 21.5% | 0.3% | 12,948 | 12,078 | -6.7% |
| Operating income | 10,309 | 11,500 | 11,599 | 12.5% | 0.9% | 43,028 | 44,475 | 3.4% |
| Operating expenses | -3,341 | -3,541 | -3,780 | 13.1% | 6.7% | -11,696 | -13,432 | 14.8% |
| Pre-provision profit | 6,969 | 7,959 | 7,820 | 12.2% | -1.7% | 31,332 | 31,044 | -0.9% |
| Impairment | -1,946 | -872 | -2,047 | 5.2% | 134.7% | -3,448 | -703 | NM |
| PBT | 5,023 | 7,087 | 5,773 | 14.9% | -18.5% | 27,884 | 30,341 | 8.8% |
| Tax | 72 | -1,060 | -799 | NM | -24.6% | -2,134 | -3,944 | 84.8% |
| Net profit | 5,095 | 6,027 | 4,974 | -2.4% | -17.5% | 25,750 | 26,397 | 2.5% |
| Hyperinflation | -1,067 | -788 | -745 | -30.2% | -5.5% | -4,229 | -3,150 | -25.5% |
| Net Profit adj for hyperinflation | 4,028 | 5,239 | 4,229 | 5.0% | -19.3% | 21,521 | 23,247 | 8.0% |
| NCI | -34 | -9 | -14 | -59.0% | 53.6% | -41 | -42 | 2.0% |
| Net profit attributable | 3,995 | 5,230 | 4,215 | 5.5% | -19.4% | 21,480 | 23,205 | 8.0% |

FABS estimate & Co Data

Emirates NBD - P&L KPI

| | 4Q23 | 3Q24 | 4Q24F | YOY | QOQ | 2023 | 2024F | Change |
|-----------------------------|--------|--------|--------|--------|-------|--------|--------|--------|
| Net FI/OI | 75.8% | 73.7% | 73.9% | -193 | 13 | 69.9% | 72.8% | 293 |
| NIM | 3.9% | 3.8% | 3.8% | -12 | -3 | 3.9% | 3.715% | -21 |
| NIS | 3.0% | 2.7% | 2.7% | -27 | 2 | 3.2% | 2.3% | -98 |
| Fees & comms/OI | 13.2% | 15.2% | 14.9% | 172 | -33 | 11.3% | 15.4% | 412 |
| Other non-funded/OI | 9.6% | 9.0% | 9.1% | -45 | 10 | 17.7% | 9.7% | -792 |
| Trading/OI | 1.5% | 2.0% | 2.1% | 66 | 9 | 1.1% | 2.0% | 86 |
| Cost to income (calculated) | 32.4% | 30.8% | 32.6% | 18 | 179 | 27.2% | 30.2% | 302 |
| Impairment/PPP | 27.9% | 11.0% | 26.2% | -175 | 1,522 | 11.0% | 2.3% | -874 |
| Tax/PBT | -1.4% | 15.0% | 13.8% | NM | -111 | 7.7% | 13.0% | 535 |
| NP/OI | 38.7% | 45.5% | 36.3% | -241 | -914 | 49.9% | 52.2% | 225 |
| Loan-to-deposit (Headline) | 76.0% | 76.6% | 77.0% | 100 | 41 | 76.0% | 77.0% | 100 |
| NPL - Reported | 4.6% | 3.9% | 4.5% | -10 | 60 | 4.6% | 4.5% | -10 |
| NPL Coverage - Reported | 163.0% | 149.3% | 149.0% | -1,400 | -31 | 163.0% | 149.0% | -1,400 |
| CET1 | 14.9% | 15.5% | 16.6% | 168 | 113 | 14.9% | 18.8% | 388 |
| Capital Adequacy | 17.6% | 17.9% | 19.1% | 155 | 121 | 17.6% | 21.3% | 375 |
| ROAE | 22.7% | 21.4% | 20.7% | -202 | -71 | 22.7% | 20.7% | -202 |
| ROAA | 2.7% | 2.6% | 2.5% | -15 | -3 | 2.7% | 2.5% | -15 |

FABS estimate & Co data

ENBD - BS Key items

| AED mn | 4Q23 | 1Q24 | 2Q24 | 3Q24 | 4Q24F | YOY |
|-------------------|---------|---------|---------|---------|---------|-------|
| Net advances | 445,105 | 458,633 | 477,132 | 493,843 | 502,479 | 12.9% |
| QOQ change | -2.2% | 3.0% | 4.0% | 3.5% | 1.7% | |
| Total Assets | 862,773 | 902,284 | 930,785 | 956,041 | 970,215 | 12.5% |
| QOQ change | 3.3% | 4.6% | 3.2% | 2.7% | 1.5% | |
| Customer Deposits | 584,561 | 610,371 | 624,417 | 644,812 | 652,570 | 11.6% |
| QOQ change | 2.5% | 4.4% | 2.3% | 3.3% | 1.2% | |
| Total Equity | 100,670 | 99,144 | 107,199 | 114,040 | 118,754 | 18.0% |
| QOQ change | 4.8% | -1.5% | 8.1% | 6.4% | 4.1% | |

FABS estimate & Co data

4Q24 preview: Dubai Islamic Bank (DIB)

Increase in impairments and tax charges to impact profitability

| Current Price | 12-m Target Price | Upside/Downside (%) | Rating |
|---------------|-------------------|---------------------|------------|
| AED 7.03 | AED 7.75 | +10.2% | ACCUMULATE |

4Q24 estimate

Dubai Islamic Bank (DIB/the Bank) is forecasted to report a 21.6% YOY decline in net profit to AED 1,648 Mn in 4Q24, attributed to an expected increase in impairment charges and tax expenses partially offset by an increase in other non-funded income. DIB's funded income is projected to grow 2.0% YOY to AED 4,809 Mn in 4Q24, mainly due to expected growth in advances and other interest-earnings assets. On the other hand, the funded expense is anticipated to grow 4.9% YOY to AED 2,599 Mn in 4Q24 compared to AED 2,477 Mn in 4Q23. Thus, net funded income will decline 1.2% YOY to AED 2,211 Mn in 4Q24. Fee and commission income is expected to decrease 7.9% YOY to AED 463 Mn in 4Q24. However, a significant rise in other non-funded income of 18.1% YOY to AED 447 Mn in 4Q24 would lead to a growth in non-funded income of 3.3% YOY to AED 910 Mn in 4Q24. Total operating income is likely to increase marginally by 0.1% YOY to AED 3,120 Mn in 4Q24. DIB's operating expenses are anticipated to fall 2.1% YOY to AED 881 Mn in 4Q24. Furthermore, the Bank is expected to record an impairment charge of AED 323 Mn in 4Q24 compared to a reversal of AED 13 Mn in 4Q23. The share of profit attributable to non-controlling interest holders is predicted to decrease from AED 86 Mn in 4Q23 to AED 70 Mn in 4Q24. Tax charges are estimated to increase from AED 44 Mn in 4Q23 to AED 199 Mn in 4Q24 due to the incorporation of UAE corporate tax in 2024.

2024 forecast

We expect DIB's net profit to increase 2.2% YOY to AED 6,948 Mn in 2024, mainly attributed to an expected increase in non-funded income partially offset by an anticipated rise in operating expenses and tax charges. The Bank's funded income is forecasted to grow 11.1% YOY to AED 19,147 Mn in 2024, attributed to healthy growth in net advances. Funded expense is expected to increase 24.0% YOY to AED 10,508 Mn in 2024. Thus, net funded income is anticipated to fall marginally 1.3% to AED 8,638 Mn in 2024. Fee and commission income is estimated to decline 5.0% YOY to AED 1,705 Mn in 2024. Moreover, other non-funded income is anticipated to increase significantly 66.1% YOY to AED 1,862 Mn in 2024 due to the realization of gain from the sale of legacy properties. Thus, non-funded income is expected to grow 22.3% YOY to AED 3,567 Mn in 2024. Total operating income is likely to grow 4.6% YOY to AED 12,206 Mn in 2024. Operating expense is expected to rise 8.6% YOY to AED 3,435 Mn in 2024. The impairment charges are projected to decrease 38.9% YOY to AED 852 Mn in 2024. The income tax charge is estimated to rise from AED 98 Mn in 2023 to AED 752 Mn in 2024 due to the introduction of UAE corporate tax. In addition, the share of profit attributable to non-controlling interest holders is expected to rise 3.0% YOY to AED 219 Mn in 2024.

3Q24 outturn

Funded income grew 7.1% YOY to AED 4,820 Mn in 3Q24, mainly due to an increase in net financing and the Sukuk portfolio. Net financing and Sukuk portfolio grew 7.7% YTD to AED 286 Bn in 3Q24. Funded expenses grew significantly from AED 2,271 Mn in 3Q23 to AED 2,676 Mn in 3Q24 due to higher cost of funds. Thus, net funded income declined 3.9% YOY to AED 2,144 Mn in 3Q24. NIMs declined 30 bps YOY to 2.8% in 3Q24. The Bank's fees and commission income declined 14.4% YOY to AED 330 Mn in 3Q24. Other non-funded income grew strongly from AED 352 Mn in 3Q23 to AED 553 Mn in 3Q24, attributed to the increased share of associates' profit, higher income from property under construction, and other income. Thus, non-funded income recorded a strong growth of 19.8% YOY to AED 883 Mn in 3Q24. As a result, operating profit grew 2.0% YOY to AED 3,027 Mn in 3Q24. General expenses rose 9.9% YOY to AED 869 Mn in 3Q24. Resultantly, the cost-to-income ratio grew 205 bps YOY to 28.7% in 3Q24. Furthermore, the Bank reported impairment reversals of AED 123 Mn in 3Q24 compared to impairment charges of AED 450 Mn in 3Q23, primarily due to ongoing recoveries. Tax expenses grew from AED 14 Mn in 3Q23 to AED 210 Mn in 3Q24 owing to the

introduction of corporate tax in the UAE. Share of profit attributable to non-controlling interest holders declined from AED 65 Mn in 3Q23 to AED 41 Mn in 3Q24.

Target price and recommendation

We maintain our ACCUMULATE rating on DIB with a revised target price of AED 7.75. Strong growth in non-funded income and impairments reversals drove the Bank's profitability in 3Q24. The Bank's total non-funded income as a percentage of total operating income grew from 24.8% in 3Q23 to 29.2% in 3Q24. The Bank's net loan book grew 3.9% YOY and 3.8% QOQ to AED 207 Bn in 3Q24. It surpassed its yearend targets for financing and Sukuk investments, recording a 7.0% on a 2024 YTD basis compared to its 5.0% guidance for 2024. It has further revised its year-end guidance to around 10.0%. In addition, the Bank's Sukuk investment portfolio grew 16% on a 2024 YTD basis to AED 79 Bn in 3Q24. NIMs declined 30 bps YOY and remained flat QOQ to 2.8% in 3Q24, mainly due to higher funding costs that pressured the core business margins. DIB assets reprice faster than its liabilities, giving it an advantage of sustaining and improving its NIMs. The Bank expects this strategy to positively impact NIMs in 2024 and also during the declining interest rates scenario. Furthermore, the Bank anticipates its NIMs to accelerate in 2025, driven by its strategy to focus on fixed-rate business, including consumer and fixed-income portfolios. DIB's cost-to-income ratio grew 205 bps YOY and 138 bps QOQ to 28.7% in 3Q24, owing to increased general expenses. However, it expects the cost-to-income to be at 27% in 2024. Furthermore, the Bank's asset quality remained strong as the (reported) NPL ratio improved to 4.3% in 3Q24 compared to 5.0% in 2Q24, mainly due to the ongoing recoveries. Meanwhile, (reported) coverage grew from 95.0% in 2Q24 to 97.0% in 3Q24. DIB's capitalization also remained healthy, with a capital adequacy ratio of 18.3% and a CET 1 ratio of 13.9% in 3Q24. Considering all these factors, we revised our rating to ACCUMULATE on the stock.

DIB - Relative Valuation

| (at CMP) | 2019 | 2020 | 2021 | 2022 | 2023 | 2024F |
|----------------|------|-------|-------|------|------|-------|
| P/E | 8.97 | 16.39 | 11.78 | 8.89 | 7.04 | 7.69 |
| P/B | 1.60 | 1.57 | 1.47 | 1.36 | 1.24 | 1.14 |
| Dividend yield | 5.6% | 3.2% | 4.0% | 4.8% | 7.3% | 7.3% |

FABS estimate

DIB - P&L

| AED mn | 4Q23 | 3Q24 | 4Q24F | YOY Ch | QOQ Ch | 2023 | 2024F | Change |
|--------------------------------|--------------|--------------|--------------|---------------|---------------|---------------|---------------|--------------|
| Funded income | 4,714 | 4,820 | 4,809 | 2.0% | -0.2% | 17,227 | 19,147 | 11.1% |
| Funded expense | -2,477 | -2,676 | -2,599 | 4.9% | -2.9% | -8,477 | -10,508 | 24.0% |
| Net funded income | 2,237 | 2,144 | 2,211 | -1.2% | 3.1% | 8,749 | 8,638 | -1.3% |
| Fees & commissions | 502 | 330 | 463 | -7.9% | 40.2% | 1,795 | 1,705 | -5.0% |
| Other non-funded income | 378 | 553 | 447 | 18.1% | -19.2% | 1,121 | 1,862 | 66.1% |
| Non funded Income | 881 | 883 | 910 | 3.3% | 3.0% | 2,916 | 3,567 | 22.3% |
| Operating income | 3,118 | 3,027 | 3,120 | 0.1% | 3.1% | 11,665 | 12,206 | 4.6% |
| General expenses | -900 | -869 | -881 | -2.1% | 1.4% | -3,162 | -3,435 | 8.6% |
| Pre-provisioning profit | 2,218 | 2,158 | 2,239 | 1.0% | 3.7% | 8,503 | 8,771 | 3.1% |
| Impairment charges | 13 | 123 | -323 | NM | NM | -1,396 | -852 | -38.9% |
| Profit before tax | 2,230 | 2,281 | 1,917 | -14.1% | -16.0% | 7,108 | 7,918 | 11.4% |
| Tax | -44 | -210 | -199 | NM | -5.3% | -98 | -752 | NM |
| Profit before NCI | 2,186 | 2,071 | 1,718 | -21.4% | -17.1% | 7,010 | 7,166 | 2.2% |
| Non-controlling interests | -86 | -41 | -70 | -18.3% | 71.2% | -212 | -219 | 3.0% |
| Profit for the period | 2,101 | 2,030 | 1,648 | -21.6% | -18.8% | 6,798 | 6,948 | 2.2% |

FABS estimate & Co Data

DIB - P&L KPI

| | 4Q23 | 3Q24 | 4Q24F | YOY Ch | QOQ Ch | 2023 | 2024F | Change |
|-----------------------|-------|-------|-------|--------|--------|-------|-------|--------|
| Net FI/OI | 71.8% | 70.8% | 70.8% | -434 | 104 | 75.0% | 70.8% | -423 |
| NIM | 3.0% | 2.8% | 2.8% | -30 | 0 | 3.1% | 2.8% | -28 |
| NIS | 2.5% | 2.2% | 2.2% | -38 | -4 | 2.6% | 2.2% | -41 |
| Fees & commissions/OI | 16.1% | 10.9% | 14.8% | -209 | -312 | 15.4% | 14.0% | -142 |
| Other non-funded/OI | 12.1% | 18.3% | 14.3% | 642 | 208 | 9.6% | 15.3% | 565 |
| Cost to income | 28.9% | 28.7% | 28.2% | 205 | 138 | 27.1% | 28.1% | 104 |
| Impairment/PPP | -0.6% | -5.7% | 14.4% | NM | NM | 16.4% | 9.7% | -670 |
| NCI/PBT | 3.9% | 2.0% | 4.1% | -182 | -14 | 3.0% | 3.1% | 2 |
| NP/OI | 67.4% | 67.1% | 52.8% | 1,153 | 1,225 | 58.3% | 56.9% | -135 |
| Cost of risk | 0.2% | -0.2% | 0.6% | NM | NM | 0.7% | 0.4% | -27 |
| Loan-to-deposit | 89.8% | 87.3% | 89.0% | -278 | 216 | 89.8% | 89.0% | -82 |
| NPL Calculated | 5.4% | 4.3% | 4.5% | NM | NM | 5.2% | 4.3% | -86 |
| Coverage - Calculated | 82.7% | 78.2% | 83.5% | 95 | -584 | 82.7% | 83.5% | 77 |
| CET 1 | 12.8% | 13.9% | 14.2% | 29 | 28 | 12.8% | 14.2% | 140 |
| Capital adequacy | 17.3% | 18.3% | 18.4% | 13 | 19 | 17.3% | 18.4% | 117 |
| ROAA | 2.3% | 2.3% | 2.1% | 22 | 5 | 2.3% | 2.1% | -12 |
| ROAE | 18.4% | 19.2% | 17.1% | 222 | 21 | 18.4% | 17.1% | -128 |

FABS estimate & Co Data

DIB - key B/S items

| AED mn | 4Q23 | 1Q24 | 2Q24 | 3Q24 | 4Q24F | YOY Ch |
|--------------------|----------|----------|----------|----------|----------|--------|
| Net financings | 1,99,453 | 2,00,927 | 1,99,251 | 2,06,790 | 2,10,033 | 5.3% |
| QOQ change | 0.2% | 0.7% | -0.8% | 3.8% | 1.6% | |
| Total assets | 3,14,292 | 3,27,314 | 3,22,651 | 3,29,169 | 3,36,840 | 7.2% |
| QOQ change | 0.3% | 4.1% | -1.4% | 2.0% | 2.3% | |
| Customer deposits | 2,22,054 | 2,35,783 | 2,34,018 | 2,36,868 | 2,35,992 | 6.3% |
| QOQ change | 0.5% | 6.2% | -0.7% | 1.2% | -0.4% | |
| Shareholders' fund | 36,293 | 34,494 | 36,011 | 37,755 | 39,982 | 10.2% |
| QOQ change | 3.9% | -5.0% | 4.4% | 4.8% | 5.9% | |

FABS estimate & Co Data

4Q24 preview: Abu Dhabi Islamic Bank (ADIB)

Strong asset quality and healthy loan growth to boost profitability

| Current Price | 12-m Target Price | Upside/Downside (%) | Rating |
|---------------|-------------------|---------------------|--------|
| AED 13.94 | AED 15.00 | +7.6% | HOLD |

4Q24 estimate

Abu Dhabi Islamic Bank (ADIB/the bank) is expected to record a 6.7% YOY growth in net profit to AED 1,513 Mn in 4Q24, primarily driven by an anticipated increase in net funded and non-funded income coupled with lower operating expenses and a decline in impairment charges. ADIB's funded income, including income from Islamic financing, is expected to grow 12.4% YOY to AED 2,883 Mn in 4Q24, driven by expected growth in the loan book and other interest-earning assets. Similarly, the funded expense is anticipated to grow from AED 950 Mn in 4Q23 to AED 1,278 Mn in 4Q24, pressuring NIMs. As a result, ADIB's net funded income is anticipated to decline 0.6% YOY to AED 1,606 Mn in 4Q24. We expect NIMs to decline 61 bps YOY and 4 bps QOQ to 3.0% in 4Q24. Furthermore, the bank's non-funded income is anticipated to increase 13.8% YOY to AED 1,120 Mn in 4Q24 due to projected growth in fees and commission income and other non-funded income. Moreover, the bank's operating income is projected to increase 4.8% YOY to AED 2,725 Mn in 4Q24. ADIB's operating expenses are anticipated to decline 12.1% YOY to AED 770 Mn in 4Q24. The cost-to-income ratio is expected to improve from 33.7% in 4Q23 to 28.2% in 4Q24. Impairment charges are anticipated to decline from AED 189 Mn in 4Q23 to 184 Mn in 4Q24. In addition, the sum of tax expense and profit attributable to non-controlling interest holders is projected to increase substantially from AED 116 Mn in 4Q23 to AED 258 Mn in 4Q24 due to a significant rise in zakat expense owing to the introduction of corporate tax in the UAE.

2024 forecast

ADIB's net profit is anticipated to expand 18.0% YOY to AED 5,901 Mn in 2024, driven by healthy growth anticipated in net funded and non-funded income coupled with lower impairments partially offset by higher tax expenses. Funded income, including income from Islamic financing, is expected to grow 20.4% YOY to AED 11,100 Mn in 2024, owing to an anticipated growth in interest-earnings assets and expansion in asset yield. Funded expense is projected to grow 48.1% YOY to AED 4,591 Mn in 2024. Thus, net funded income is forecasted to grow 6.3% YOY to AED 6,508 Mn in 2024. Furthermore, non-funded income is anticipated to grow 32.8% YOY to AED 4,212 Mn in 2024 due to estimated growth in fees and commission income and other non-funded income. Thus, operating income is anticipated to rise 15.3% YOY to AED 10,720 Mn in 2024. The Bank's operating expenses are expected to rise marginally 1.1% YOY to AED 3,093 Mn in 2024. The cost-to-income ratio is expected to decline from 32.9% in 2023 to 28.9% in 2024. Impairments are expected to decline 16.8% YOY to AED 632 Mn in 2024. Zakat expenses and profit attributable to non-controlling interest holders is forecasted to increase significantly from AED 472 Mn in 2023 to AED 1,093 Mn in 2024.

3Q24 outturn

ADIB's Islamic financing income from customers grew 18.8% YOY to AED 2,312 Mn in 3Q24, while Islamic financing income from financial institutions rose 16.6% YOY to AED 550 Mn driven by a strong growth in financing. Thus, total funded income rose 18.4% YOY to AED 2,862 Mn in 3Q24 driven by growth in interest-earning assets as a result of robust business volumes and an improved revenue mix. Funded expenses rose 52.3% YOY to AED 1,281 Mn in 3Q24 mainly due to the rise in the cost of funds and interest-bearing liabilities. Cost of funds grew 33 bps QOQ and 62 bps YOY to 2.8% in 3Q24. Thus, net funded income grew marginally 0.3% YOY to AED 1,581 Mn in 3Q24. However, NIMs fell 59 bps YOY and 32 bps QOQ to 3.0% in 3Q24 owing to a YOY decline in asset yield and higher cost of funds. Fees and commission income grew 43.5% YOY to AED 530 Mn in 3Q24, mainly due to the growth in income on cards, processing fees, and CFIB-related fees. The Bank witnessed the highest spends and sales volume in its card portfolio during 3Q24. Other non-funded income grew 10.4% YOY to AED 534 Mn in 3Q24. Thus, total non-funded income increased 24.7% YOY to AED 1,064 Mn in 3Q24. Moreover, total operating income rose 8.9% YOY to AED 2,645 Mn in 3Q24. Furthermore, operating expenses grew 7.5% YOY to AED 796 Mn in 3Q24 owing to an increase in

G&A expenses and employee costs. However, calculated cost-to-income improved 37 bps YOY to 30.1% in 3Q24 attributable to operational efficiency due to digital initiatives. ADIB's impairments fell significantly from AED 202 Mn in 3Q23 to AED 46 Mn driven by strong recoveries. Zakat and NCI expenses grew from AED 134 Mn in 3Q23 to AED 265 Mn in 3Q24 due to the introduction of the UAE corporate tax.

Target price and recommendation

We revise our rating from BUY to HOLD on Abu Dhabi Islamic Bank with an unchanged target price of AED 15.0. The Bank's stock price grew 5.1% since our last rating. ADIB reported the highest quarterly profit to date mainly attributable to strong growth in non-funded income and decline in impairments in 3Q24. The Bank is focusing on maintaining robust growth in non-funded income to benefit in the declining rate cycle environment and also reflecting its ability to generate revenue from diverse streams. ADIB expects gross financing to grow by more than 16% in 2024 due to its robust growth strategy and balanced retail and wholesale financing growth. The Bank's 45% of the financing portfolio comprises fixed-rate long-term advances beyond 9-12 months, which will have a comparatively slower impact on the Bank's asset yield during declining interest rates. ADIB added 150,000 customers during 9M24, reflecting its strong ability to attract clients. The Bank's CASA deposits accounted for 60.6% of total deposits in 3Q24, whereas AED 22 Bn of the Wakala deposits will be repriced at a lower rate in 4Q24, which will benefit the cost of funds, leading the NIMs to benefit in 2024. The Bank's reported NPL ratio declined 29 bps YOY and 21 bps QOQ to 4.4%, reflecting a stable credit quality and ability to manage risk effectively. Additionally, ADIB expects its NPL ratio to drop below 4.0% by 2024 year-end. The reported NPL Coverage ratio increased from 77.0% in 2Q24 to 78.0% in 3Q24, providing a strong cushion against potential bad loans. Meanwhile, the coverage ratio including collaterals stood at 154.0% in 3Q24 compared to 149.0% in 2Q24. However, as per our calculation, the cost of risk declined 55 bps YOY and 72 bps QOQ to 0.1% in 3Q24. The Bank expects to record a cost of risk of 0.4-0.6% for 2024. ADIB also maintained healthy capitalization with a reported CET 1 ratio of 13.4% and a total capital adequacy ratio of 17.6% in 3Q24. Hence based on our analysis, we assign a HOLD rating on the stock.

ADIB - Relative valuation

| (At CMP) | 2019 | 2020 | 2021 | 2022 | 2023 | 2024F |
|----------------|-------|-------|-------|-------|-------|-------|
| P/E | 21.00 | 36.51 | 23.25 | 14.52 | 10.34 | 8.68 |
| P/B | 3.36 | 3.35 | 3.05 | 2.72 | 2.37 | 2.43 |
| Dividend yield | 2.1% | 1.5% | 2.3% | 3.7% | 5.4% | 5.4% |

FABS Estimates & Co Data

ADIB - P&L

| AED mn | 4Q23 | 3Q24 | 4Q24F | YOY Ch | QOQ Ch | 2023 | 2024F | Change |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|--------------|
| Institutions | 544 | 550 | 567 | 4.2% | 3.0% | 1,702 | 2,211 | 30.0% |
| Islamic financings | 2,022 | 2,312 | 2,317 | 14.6% | 0.2% | 7,520 | 8,888 | 18.2% |
| Funded income | 2,566 | 2,862 | 2,883 | 12.4% | 0.7% | 9,221 | 11,100 | 20.4% |
| Funded expense | -950 | -1,281 | -1,278 | 34.5% | -0.3% | -3,099 | -4,591 | 48.1% |
| Net funded income | 1,616 | 1,581 | 1,606 | -0.6% | 1.6% | 6,122 | 6,508 | 6.3% |
| Fees and commissions | 577 | 530 | 585 | 1.4% | 10.3% | 1,615 | 1,971 | 22.0% |
| Other non-funded income | 406 | 534 | 534 | 31.5% | 0.1% | 1,556 | 2,241 | 44.0% |
| Non-Funded Income | 984 | 1,064 | 1,120 | 13.8% | 5.2% | 3,172 | 4,212 | 32.8% |
| Operating income | 2,599 | 2,645 | 2,725 | 4.8% | 3.0% | 9,294 | 10,720 | 15.3% |
| Operating expenses | -876 | -796 | -770 | -12.1% | -3.3% | -3,061 | -3,093 | 1.1% |
| Pre-provisioning income | 1,724 | 1,850 | 1,956 | 13.5% | 5.7% | 6,232 | 7,627 | 22.4% |
| Financing impairment | -189 | -46 | -184 | -2.7% | 298.1% | -760 | -632 | -16.8% |
| Profit before NCI | 1,534 | 1,804 | 1,772 | 15.5% | -1.8% | 5,472 | 6,994 | 27.8% |
| NCI. & zakat | -116 | -265 | -258 | 123.3% | -2.7% | -472 | -1,093 | NM |
| Net profit for period | 1,419 | 1,538 | 1,513 | 6.7% | -1.6% | 5,000 | 5,901 | 18.0% |

FABS estimate & Co Data

ADIB - KPI

| | 4Q23 | 3Q24 | 4Q24F | YOY Ch | QOQ Ch | 2023 | 2024F | Change |
|-------------------------------|-------|-------|-------|--------|--------|-------|-------|--------|
| Net FI/OI | 62.2% | 59.8% | 58.9% | -324 | -85 | 65.9% | 60.7% | -516 |
| NIM | 3.6% | 3.0% | 3.0% | -61 | -4 | 3.6% | 3.3% | -31 |
| NIS | 3.3% | 2.7% | 2.6% | -66 | -5 | 3.3% | 2.9% | -41 |
| Fees & commissions/OI | 22.2% | 20.0% | 21.5% | -74 | 142 | 17.4% | 18.4% | 100 |
| Other non-funded/OI | 15.6% | 20.2% | 19.6% | 398 | -57 | 16.7% | 20.9% | 416 |
| Cost to income (calculated) | 33.7% | 30.1% | 28.2% | -546 | -184 | 32.9% | 28.9% | -408 |
| Impairment/PPP | 11.0% | 2.5% | 9.4% | -156 | 692 | 12.2% | 8.3% | -391 |
| NP/OI | 54.6% | 58.1% | 55.5% | 95 | -262 | 53.8% | 55.0% | 125 |
| Cost of risk | 0.6% | 0.1% | 0.5% | -11 | 39 | 0.5% | 0.5% | 1 |
| Loan-to-deposit | 73.2% | 75.2% | 75.7% | 244 | 48 | 73.2% | 75.7% | 244 |
| NPL - Reported | 6.1% | 4.4% | 4.1% | -196 | -28 | 6.1% | 4.1% | -196 |
| Coverage excluding collateral | 70.8% | 72.9% | 73.1% | 228 | 19 | 70.8% | 73.1% | 228 |
| CET1 | 12.2% | 13.4% | 12.1% | -8 | -123 | 12.2% | 12.1% | -8 |
| Capital adequacy | 16.8% | 17.6% | 16.3% | -54 | -132 | 16.8% | 16.3% | -54 |
| ROAE | 24.5% | 27.1% | 25.4% | 94 | -165 | 24.5% | 25.4% | 94 |
| ROAA | 2.8% | 2.9% | 2.8% | 4 | -4 | 2.8% | 2.8% | 4 |

FABS estimate & Co Data

ADIB - Key B/S items

| AED mn | 4Q23 | 1Q24 | 2Q24 | 3Q24 | 4Q24F | YOY Ch |
|----------------------------|---------|---------|---------|---------|---------|--------|
| Net advances | 115,002 | 116,943 | 132,066 | 135,132 | 137,905 | 19.9% |
| QOQ change | 2.1% | 1.7% | 12.9% | 2.3% | 2.1% | |
| Total assets | 192,827 | 194,647 | 213,403 | 222,567 | 226,818 | 17.6% |
| QOQ change | 4.7% | 0.9% | 9.6% | 4.3% | 1.9% | |
| Customer deposits | 157,067 | 160,262 | 172,244 | 179,744 | 182,273 | 16.0% |
| QOQ change | 3.6% | 2.0% | 7.5% | 4.4% | 1.4% | |
| Total shareholders' equity | 20,374 | 18,458 | 19,855 | 21,378 | 23,332 | 14.5% |
| QOQ change | 7.7% | -9.4% | 7.6% | 7.7% | 9.1% | |

FABS estimate & Co Data

4Q24 preview: National Bank of Ras Al Khaimah (RAKBANK)

Higher non-funded income and lower impairments to support bottom-line

| Current Price | 12-m Target Price | Upside/Downside (%) | Rating |
|---------------|-------------------|---------------------|--------|
| AED 6.05 | AED 7.15 | +18.2% | BUY |

4Q24 estimates

National Bank of Ras Al-Khaimah (RAKBANK/the Bank) is expected to report a 27.9% YOY increase in net profit to AED 552 Mn in 4Q24. The increase in net profit will be primarily driven by expected growth in net funded & non-funded income, coupled with a decline in impairments partially offset by higher operating expenses and income tax charges. Interest Income, including income from Islamic financing, is estimated to grow 10.6% YOY to AED 1,360 Mn in 4Q24 due to an anticipated increase in interest-earnings assets. Interest expense is projected to rise from AED 353 Mn in 4Q23 to AED 440 Mn in 4Q24. As a result, net funded income is likely to increase 5.0% YOY to AED 920 Mn in 4Q24. Thus, we forecast the calculated NIMs to decline 50 bps YOY to 4.5% in 4Q24. Total non-funded income is estimated to increase strongly 37.9% YOY to AED 319 Mn in 4Q24, primarily due to a rise in foreign exchange gain, net fees and commission income, investment income and other operating income coupled with lower gross insurance underwriting losses. Thus, net operating income is expected to grow 11.9% YOY to AED 1,239 Mn in 4Q24. Operating expenses are expected to rise 2.5% YOY to AED 410 Mn in 4Q24. However, we expect the cost-to-income ratio to decline 300 bps YOY to 33.1% in 4Q24 due to increased net operating income. In addition, impairment expense is forecasted to decline 24.3% YOY to AED 200 Mn in 4Q24. The Bank is expected to record a tax expense of AED 77 Mn in 4Q24.

2024 forecast

RAKBANK's net profit is estimated to grow 36.8% YOY to AED 2,440 Mn in 2024, owing to growth in net funded and non-funded income coupled with lower impairment charges partially offset by higher tax expenses arising due to the implementation of UAE corporate tax. Funded income, including income from Islamic financing, is likely to grow 14.8% YOY to AED 5,245 Mn in 2024 due to a projected increase in the loan book and expansion in asset yield. On the other hand, the Bank's funded expense is expected to increase 18.5% YOY to AED 1,461 Mn in 2024, mainly due to the higher cost of funds. Resultantly, net funded income is expected to grow 13.4% YOY to AED 3,784 Mn in 2024. We expect NIMs to grow 20 bps YOY to 5.2% in 2024. Total non-funded income is expected to grow 13.1% YOY to AED 1,208 Mn in 2024, driven by a rise in foreign exchange gain, net fees and commission income, investment income, and other operating income partially offset by lower gross insurance underwriting losses. As a result, net operating income is likely to rise 13.3% YOY to AED 4,992 Mn in 2024. Operating expenses are expected to remain at similar levels at AED 1,602 Mn in 2024 compared to 2023. However, we forecast the cost-to-income ratio to decline from 36.4% in 2023 to 32.1% in 2024. Impairments are expected to decline 29.9% YOY to AED 705 Mn in 2024. The tax expense is estimated to amount AED 242 Mn in 2024 compared to AED 14 Mn in 2023, owing to the introduction of corporate tax in the UAE.

3Q24 outturn

RAKBANK's interest income, including income from Islamic financing, grew 10.6% YOY to AED 1,350 Mn in 3Q24, primarily driven by growth in the Bank's interest-earning assets. Similarly, funded expenses grew 30.5% YOY to AED 448 Mn in 3Q24, mainly due to the higher cost of funds. Thus, net funded income rose 7.0% YOY to AED 902 Mn in 3Q24. However, NIMs declined 32 bps YOY and 5 bps QOQ to 4.6% in 3Q24. Net fee and commission income declined 4.6% YOY to AED 167 Mn in 3Q24. Foreign exchange income declined 0.4% YOY to AED 89 Mn in 3Q24. RAKBANK recorded a loss from gross insurance underwriting of AED 2 Mn in 3Q24 as compared to a profit of AED 11 Mn in 3Q23. The Bank's investment income grew from AED 3 Mn in 3Q23 to AED 17 Mn in 3Q24. Other operating income grew from AED 15 Mn in 3Q23 to AED 32 Mn in 3Q24. As a result, total non-funded income grew 2.8% YOY to AED 302 Mn in 3Q24. Thus, total operating income grew 5.9% YOY to AED 1,204 Mn in 3Q24. Furthermore, operating expenses declined 7.0% YOY to AED 404 Mn in 3Q24. Thus, the cost-to-income ratio improved 464 bps YOY to 33.5% in 3Q24, mainly due to growth in

total operating income. RAKBANK's impairments declined 43.6% YOY to AED 141 Mn in 3Q24. The Bank recorded an income tax expense of AED 59 Mn in 3Q24, owing to the introduction of the UAE corporate tax.

Target price and recommendation

We maintain our BUY rating on RAKBANK with an unchanged target price of AED 7.15. RAKBANK recorded strong growth in profitability driven by solid growth in net advances and improved asset quality in 3Q24. The Bank's net advances grew 19.5% YOY and 12.7% QOQ to 46 Bn in 3Q24, mainly due to growth across all the segments. The Bank's wholesale banking segment grew 40.8% YOY to AED 16 Bn in 3Q24, mainly due to increased corporate loans and the bank's strategy to diversify its portfolio mix. Business banking loans grew 8.8% YOY to AED 11 Bn in 3Q24. The retail banking segment also grew 12.0% YOY to AED 23 Bn in 3Q24, primarily due to the growing share of mortgage loans, which rose 19.1% on a YTD basis. The Bank's strategy of increasing the share of mortgage loans is anticipated to provide a shield in a declining interest rate environment. RAKBANK added 83,000 new customers as of 9M24. The Bank's customer deposits grew 18.2% YOY but declined 2.1% QOQ to 57 Bn in 3Q24, primarily due to the maturity of high-cost time deposits during 3Q24. CASA deposits accounted for 62.4% of total deposits in 3Q24 as compared to 61.6% in 2Q24. NIMs of the Bank declined 32 bps YOY and 5 bps QOQ to 4.6% in 3Q24. Furthermore, the Bank's asset quality improved as the NPLs declined from 2.4% in 2Q24 to 2.2% in 3Q24. Provision coverage ratio declined from 240.6% in 2Q24 to 233.8% in 3Q24. However, stage 2 loans as a percentage of total gross loans declined from 2.7% in 2Q24 to 2.2% in 3Q24, indicating improved asset quality. The Bank's capitalization stood strong with a CET 1 ratio of 17.1% and a total CAR of 19.6% in 3Q24. Thus, considering the above-mentioned factors, we maintain our BUY rating on the stock.

RAKBANK - Relative valuation

| (at CMP) | 2019 | 2020 | 2021 | 2022 | 2023 | 2024F |
|----------------|-------|-------|-------|-------|------|-------|
| P/E (x) | 11.11 | 24.16 | 16.09 | 10.40 | 6.82 | 4.99 |
| P/B (x) | 1.56 | 1.56 | 1.46 | 1.35 | 1.18 | 1.13 |
| Dividend Yield | 4.1% | 2.1% | 3.1% | 4.7% | 5.1% | 7.0% |

FABS Estimates & Co Data

RAKBANK P&L

| AED mn | 4Q23 | 3Q24 | 4Q24F | YOY Ch | QOQ Ch | 2023 | 2024F | Change |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Interest Income | 1,230 | 1,350 | 1,360 | 10.6% | 0.8% | 4,570 | 5,245 | 14.8% |
| Interest expense | -353 | -448 | -440 | 24.7% | -1.7% | -1,233 | -1,461 | 18.5% |
| Net funded income | 876 | 902 | 920 | 5.0% | 2.0% | 3,336 | 3,784 | 13.4% |
| Net fees and commissions | 149 | 167 | 170 | 13.7% | 1.3% | 660 | 674 | 2.0% |
| Foreign exchange gain | 80 | 89 | 95 | 18.1% | 5.7% | 326 | 359 | 10.0% |
| Gross insurance underwriting Profit | -38 | -2 | -4 | -90.4% | 50.6% | -41 | -35 | -15.0% |
| Investment Income | 14 | 17 | 21 | 44.4% | 25.7% | 49 | 96 | 98.0% |
| Other operating income | 25 | 32 | 38 | 49.2% | 20.2% | 74 | 114 | 55.0% |
| Total non-funded income | 231 | 302 | 319 | 37.9% | 5.5% | 1,068 | 1,208 | 13.1% |
| Net operating income | 1,108 | 1,204 | 1,239 | 11.9% | 2.9% | 4,404 | 4,992 | 13.3% |
| Operating expenses | -400 | -404 | -410 | 2.5% | 1.4% | -1,601 | -1,602 | 0.1% |
| Pre-provision profit | 708 | 800 | 829 | 17.1% | 3.6% | 2,803 | 3,390 | 20.9% |
| Impairment | -264 | -141 | -200 | -24.3% | 41.2% | -1,005 | -705 | -29.9% |
| Profit before tax | 445 | 659 | 630 | 41.6% | -4.4% | 1,797 | 2,684 | 49.3% |
| Income tax expense | -14 | -59 | -77 | NM | 30.4% | -14 | -242 | NM |
| Profit After tax & before NCI | 431 | 600 | 553 | 28.3% | -7.8% | 1,784 | 2,443 | 37.0% |
| Non-controlling interest | 1 | -2 | 0 | NM | -81.0% | 0 | -3 | NM |
| Net profit attributable | 432 | 598 | 552 | 27.9% | -7.6% | 1,784 | 2,440 | 36.8% |

FABS estimate & Co Data

RAKBANK - KPI

| | 4Q23 | 3Q24 | 4Q24F | YOY Ch | QOQ Ch | 2023 | 2024F | Change |
|---------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Net FI/OI | 79.1% | 74.9% | 74.2% | -487 | -64 | 75.8% | 75.8% | 5 |
| NIM | 5.0% | 4.6% | 4.5% | -50 | -5 | 5.0% | 5.2% | 20 |
| NIS | 4.7% | 4.2% | 4.1% | -55 | -4 | 4.7% | 4.4% | -30 |
| Fees & comms/OI | 13.5% | 13.9% | 13.7% | 22 | -22 | 15.0% | 13.5% | -150 |
| Foreign exchange gain/OI | 7.2% | 7.4% | 7.6% | 41 | 20 | 7.4% | 7.2% | -22 |
| Other operating income/OI | 2.3% | 2.6% | 3.1% | 77 | 44 | 1.7% | 2.3% | 61 |
| Invt Income/OI | 1.3% | 1.4% | 1.7% | 38 | 30 | 1.1% | 1.9% | 83 |
| Cost to income | 36.1% | 33.5% | 33.1% | -300 | -48 | 36.4% | 32.1% | -426 |
| Impairment/PPP | 37.2% | 17.7% | 24.1% | -1,315 | 640 | 35.9% | 20.8% | -1,507 |
| NP/OI | 39.0% | 49.6% | 44.6% | 560 | -507 | 40.5% | 48.9% | 839 |
| Cost of risk | 2.5% | 1.2% | 1.6% | -94 | 38 | 2.5% | 1.5% | -99 |
| Loan-to-deposit | 78.3% | 80.7% | 81.5% | 318 | 83 | 78.3% | 81.5% | 318 |
| NPL - calculated | 2.8% | 2.4% | 2.3% | -45 | -9 | 2.8% | 2.3% | -45 |
| NPL Coverage - calculated | 217.5% | 233.8% | 230.0% | 1,249 | -378 | 217.5% | 230.0% | NM |
| CET 1 | 16.7% | 17.1% | 16.8% | 4 | -36 | 16.7% | 16.8% | 4 |
| Capital adequacy | 17.8% | 19.6% | 19.1% | 132 | -47 | 17.8% | 19.1% | 132 |
| ROAE | 18.5% | 19.9% | 19.8% | 134 | -10 | 18.5% | 21.6% | 312 |
| ROAA | 2.5% | 2.7% | 2.8% | 26 | 9 | 2.5% | 3.1% | 51 |

FABS estimate & Co data

RAKBANK - Key B/S items

| AED mn | 4Q23 | 1Q24 | 2Q24 | 3Q24 | 4Q24F | YOY Ch |
|-------------------|--------|--------|--------|--------|--------|--------|
| Net advances | 39,468 | 40,605 | 40,994 | 46,198 | 48,111 | 21.9% |
| QOQ change | 2.1% | 2.9% | 1.0% | 12.7% | 4.1% | |
| Total assets | 73,955 | 78,589 | 80,408 | 83,891 | 85,757 | 16.0% |
| QOQ change | 2.7% | 6.3% | 2.3% | 4.3% | 2.2% | |
| Customer deposits | 50,395 | 55,394 | 58,472 | 57,266 | 59,032 | 17.1% |
| QOQ change | 4.0% | 9.9% | 5.6% | -2.1% | 3.1% | |
| Total Equity | 10,355 | 10,304 | 10,794 | 11,561 | 12,320 | 19.0% |
| QOQ change | 5.8% | -0.5% | 4.7% | 7.1% | 6.6% | |

FABS estimate & Co data

4Q24 preview: Abu Dhabi Commercial Bank (ADCB)

Lower core income and income tax expense to impact profitability

| | | | |
|-----------------------------------|---------------------------------------|--------------------------------------|----------------------|
| Current Price AED 10.42 | 12-m Target Price AED 12.50 | Upside/Downside (%) +20.0% | Rating BUY |
|-----------------------------------|---------------------------------------|--------------------------------------|----------------------|

4Q24 estimate

Abu Dhabi Commercial Bank's (ADCB/the Bank) net profit is forecasted to decline 4.4% YOY to AED 2,345 Mn in 4Q24, driven by a decline in net funded income and income tax charges partially offset by a healthy growth projected in non-funded income and lower operating expenses and decline in impairments charges. ADCB's funded income is expected to grow 5.5% YOY to AED 8,500 Mn in 4Q24 due to the expansion in loan book and other interest-earning assets. Funded expense is also predicted to grow 15.8% YOY to AED 5,374 Mn in 4Q24. Thus, net funded income is expected to decline 8.4% YOY to AED 3,126 Mn in 4Q24. Fee and commission income is anticipated to grow strongly 51.1% YOY to AED 872 Mn in 4Q24. Other operating income is forecasted to grow from AED 672 Mn in 4Q23 to AED 765 Mn in 4Q24. Thus, non-funded income is estimated to grow 31.1% YOY to AED 1,637 Mn in 4Q24. As a result, total operating income is likely to rise 2.2% YOY to AED 4,763 Mn in 4Q24. Furthermore, operating expenses are anticipated to decline 3.4% YOY to AED 1,440 Mn in 4Q24. On the other hand, impairments are predicted to decline 44.8% YOY to AED 642 Mn in 4Q24. Tax charges are expected to grow from AED 47 Mn in 4Q23 to AED 339 Mn in 4Q24, mainly due to the introduction of UAE corporate tax.

2024 forecast

ADCB's net profit is expected to grow 12.0% YOY to AED 9,193 Mn in 2024, attributable to an increase in net funded and non-funded income along with lower impairments partially offset by higher operating expenses. Funded income is expected to grow 18.6% YOY to AED 33,511 Mn in 2024 due to expected growth in loans and advances and other interest-earning assets. On the other hand, the funded expense is expected to grow 30.1% YOY to AED 20,664 Mn in 2024. Thus, net funded income is estimated to rise 3.8% YOY to AED 12,847 Mn in 2024. Non-funded income is expected to grow 32.0% YOY to AED 5,929 Mn in 2024, driven by strong growth in fees and commission income and other operating income. Fees and commission income is expected to grow 33.0% YOY to AED 3,251 Mn in 2024. Other operating income is anticipated to grow 30.7% YOY to AED 2,678 Mn in 2024. As a result, operating income is estimated to grow 11.3% YOY to AED 18,776 Mn in 2024. Furthermore, operating expenses are expected to rise 8.3% YOY to AED 5,907 Mn in 2024. In addition, impairments are expected to decline 28.2% YOY to AED 2,496 Mn in 2024. ADCB recorded a gain on the disposal of a stake in a subsidiary of AED 490 Mn in 2023 compared to nil in 2024. Tax expense is expected to grow from AED 221 Mn in 2023 to AED 1,194 Mn in 2024 due to the introduction of UAE Corporate tax.

3Q24 outturn

ADCB's funded income including interest income and income from Islamic financing grew 14.8% YOY to AED 8,476 Mn in 3Q24 driven by a strong growth in advances. However, funded expenses also rose 26.8% YOY to AED 5,332 Mn in 3Q24 due to an increase in the total deposits and cost of funds. Thus, net funded income declined 1.1% YOY to AED 3,144 Mn in 3Q24. NIMs declined 43 bps YOY and 18 bps QOQ to 2.2% in 3Q24 due to a focus on high-quality, low-risk credit counterparties including GREs to enhance the resistance of loan portfolio and expansion in the representation of time deposits in the funding mix owing to the high-rate environment. ADCB's fee and commission income rose 41.9% YOY to AED 867 Mn in 3Q24 owing to the strong growth in loan-related fees, account-related fees, trade finance commission, and other income (POS/acquiring related fees, bonds arrangement fees, insurance commission). In addition, the Corporate & Investment Banking Group's (CIBG) strong advisory offering and product suite also drove fee income. Likewise, other operating income grew 58.4% YOY from AED 443 Mn in 3Q23 to AED 702 Mn in 3Q24 mainly due to an increase in net trading income attributed to increased FX and derivative income, and higher gains on financial assets at fair value through profit or loss (FVTPL). Thus, non-funded income grew 48.9% YOY to AED 1,569 Mn in 3Q24. As a result, total operating income increased 11.3% YOY to AED

4,713 Mn in 3Q24. Furthermore, operating expenses rose 7.3% YOY to AED 1,515 Mn in 3Q24 attributable to the increase in staff cost and G&A expenses, investment in business growth including IT infrastructure, digitization, and sales initiatives. ADCB's cost-to-income ratio declined 119 bps YOY to 32.2% in 3Q24 driven by effective cost management. The Bank's impairments sharply declined 35.9% YOY to AED 525 Mn in 3Q24. Furthermore, income tax expense rose significantly to AED 288 Mn in 3Q24 compared to AED 58 Mn in 3Q23 due to the introduction of corporate tax in the UAE in 2024.

Target price and recommendation

We maintain our BUY rating on Abu Dhabi Commercial Bank (ADCB) with a revised target price of AED 12.50. The Bank's stock price has grown 20.1% since our last rating. ADCB recorded a strong growth in profitability driven by an increase in non-funded income. The Bank's non-funded income as a percentage of total operating income grew from 24.9% in 3Q23 to 33.3% in 3Q24. Net advances expanded 21.0% YOY and 3.6% QOQ to AED 344.0 Bn in 3Q24 due to increased lending to GREs and other important sectors coupled with a decline in exposure to the real estate sector. The GRE loans contributed c. 37% of all loans issued by the Bank in 9M24. As a result, the Bank revised its FY2024 net loan guidance from c. 15% to 16–17% in addition, it also revised the medium-term guidance to a low-double-digit YOY growth from previous high-single digit, attributable to strong loan growth in 9M24. Furthermore, the reported NPL ratio declined to 3.45% in 3Q24 from 4.82% in 3Q23 due to improvements in the asset quality. The Bank issued more than 58,000 new credit cards in 3Q24 and recorded 17% YOY growth in credit card acquisition. ADCB continued to reduce exposure to the real estate sector from 17% in 2023 to 15% in 9M24. However, the exposure to government entities grew from 25% in 2023 to 27% in 3Q24 due to the financing of major infrastructure projects. The Bank is focusing on rigorous cost discipline and efficiencies, as a result, the calculated cost-to-income ratio improved 119 bps YOY and 40 bps QOQ to 32.2% in 3Q24. Additionally, ADCB Egypt delivered strong performance despite the adverse macroeconomic situation and reported growth of 168% YOY to EGP 1.1 Bn in net profit in 3Q24. Additionally, the cost of risk guidance for 2024 and medium-term is revised to less than 55 bps and less than 60 bps, respectively from less than 80 bps, resulting in reduced impairment charges and the improved risk profile of the loan portfolio. ADCB deployed 67.3% of its loans to the corporate sector, 13.7% to private banking, and 19.0% to the retail sector as of 3Q24. The Bank's calculated NIMs declined 43 bps YOY and 18 bps QOQ to 2.2% in 3Q24 due to increased exposure to GREs and growth in high-cost time deposits. ADCB's UAE operations including Al Hilal Bank added c. 210 thousand new retail customers during 3Q24 out of which 84% were onboarded digitally in 3Q24. ADCB's internet and mobile banking subscribers increased 34% YOY and crossed the 2 million mark, representing 90% of the customer base. ADCB's deposits grew 23.5% YOY to AED 406.7 Bn in 3Q24 resulting in a loan-to-deposit ratio of 84.6% in 3Q24. ADCB's capitalization stood strong with a CET 1 ratio of 13.1% and CAR of 16.7% in 3Q24. The Bank also plans to maintain a dividend payout ratio of 40- 50% in the medium term, leading to a dividend yield of 5.5%. Thus, based on our analysis, we continue our BUY rating on the stock.

ADCB - Relative Valuation

| AED mn | 2019 | 2020 | 2021 | 2022 | 2023 | 2024F |
|----------------|-------|-------|-------|-------|------|-------|
| PE | 16.70 | 21.41 | 14.91 | 12.08 | 9.67 | 8.85 |
| PB | 1.52 | 1.49 | 1.42 | 1.36 | 1.21 | 1.10 |
| Dividend Yield | 3.5% | 2.5% | 3.4% | 1.7% | 5.4% | 5.5% |

FABS Estimates & Co Data

ADCB - P&L

| AED mn | 4Q23 | 3Q24 | 4Q24F | YOY Ch | QOQ Ch | 2023 | 2024F | Change |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|--------------|
| Funded income | 8,054 | 8,476 | 8,500 | 5.5% | 0.3% | 28,251 | 33,511 | 18.6% |
| Funded expense | -4,641 | -5,332 | -5,374 | 15.8% | 0.8% | -15,877 | -20,664 | 30.1% |
| Net funded income | 3,413 | 3,144 | 3,126 | -8.4% | -0.6% | 12,374 | 12,847 | 3.8% |
| Fees & commissions | 577 | 867 | 872 | 51.1% | 0.7% | 2,444 | 3,251 | 33.0% |
| Other operating income | 672 | 702 | 765 | 13.8% | 8.8% | 2,048 | 2,678 | 30.7% |
| Non funded income | 1,249 | 1,569 | 1,637 | 31.1% | 4.3% | 4,493 | 5,929 | 32.0% |
| Operating income | 4,662 | 4,713 | 4,763 | 2.2% | 1.1% | 16,866 | 18,776 | 11.3% |
| Operating expenses | -1,491 | -1,515 | -1,440 | -3.4% | -5.0% | -5,453 | -5,907 | 8.3% |
| Pre-provision profit | 3,171 | 3,197 | 3,323 | 4.8% | 3.9% | 11,414 | 12,869 | 12.8% |
| Impairments | -1,162 | -525 | -642 | -44.8% | 22.2% | -3,477 | -2,496 | -28.2% |
| Operating profit | 2,009 | 2,672 | 2,681 | 33.5% | 0.3% | 7,937 | 10,373 | 30.7% |
| Share of profit of assoc. | 1 | 6 | 0 | NM | NM | 0 | 10 | NM |
| Net gain on disposal of subsidiary | 490 | 0 | 0 | NM | NM | 490 | 0 | NM |
| Profit before tax | 2,500 | 2,678 | 2,681 | 7.2% | 0.1% | 8,427 | 10,383 | 23.2% |
| Overseas tax expense | -47 | -288 | -339 | NM | 17.7% | -221 | -1,194 | NM |
| Non-controlling interest | -1 | 1 | 2 | NM | NM | 1 | 5 | NM |
| Profit for the period | 2,453 | 2,391 | 2,345 | -4.4% | -1.9% | 8,207 | 9,193 | 12.0% |

FABS estimate & Co Data

ADCB - P&L KPI

| | 4Q23 | 3Q24 | 4Q24F | YOY Ch | QOQ Ch | 2023 | 2024F | Change |
|-------------------------------|--------|-------|-------|--------|--------|--------|-------|--------|
| Net FI/OI | 73.2% | 66.7% | 65.6% | -757 | -107 | 73.4% | 68.4% | -494 |
| NIM | 2.7% | 2.2% | 2.2% | -58 | -8 | 2.6% | 2.3% | -23 |
| NIS | 2.2% | 1.7% | 1.7% | -52 | -5 | 2.1% | 1.9% | -25 |
| Fees & comms/OI | 12.4% | 18.4% | 18.3% | 593 | -7 | 14.5% | 17.3% | 282 |
| Other non-funded/OI | 14.4% | 14.9% | 16.1% | 164 | 115 | 12.1% | 14.3% | 212 |
| Cost to income | 32.0% | 32.2% | 30.2% | -174 | -192 | 32.3% | 31.5% | -87 |
| Impairment/PPP | 36.6% | 16.4% | 19.3% | NM | 288 | 30.5% | 19.4% | NM |
| Tax/PBT | 1.9% | 10.7% | 12.6% | NM | 189 | 2.6% | 11.5% | NM |
| NP/OI | 52.6% | 50.7% | 49.2% | -339 | -151 | 48.7% | 49.0% | 31 |
| Cost of risk - calculated | 1.1% | 0.4% | 0.5% | -58 | 8 | 0.9% | 0.5% | -32 |
| Loan-to-deposit - calculated | 85.3% | 86.2% | 86.0% | 73 | -16 | 85.3% | 86.0% | 73 |
| NPL - calculated | 2.7% | 3.7% | 3.7% | 91 | -7 | 4.1% | 3.7% | -47 |
| Coverage excluding collateral | 102.5% | 96.4% | 96.0% | -646 | -40 | 102.5% | 96.0% | -646 |
| CET 1 | 12.9% | 13.1% | 12.8% | -2 | -26 | 12.9% | 12.8% | -1 |
| Capital adequacy | 16.2% | 16.7% | 16.4% | 16 | -30 | 16.2% | 16.4% | 16 |
| ROAE | 13.3% | 14.0% | 13.0% | -22 | -102 | 13.9% | 14.0% | 12 |
| ROAA | 1.5% | 1.6% | 1.5% | -3 | -7 | 1.5% | 1.5% | -3 |

FABS estimate & Co Data

ADCB- Key BS Items

| AED mn | 4Q23 | 1Q24 | 2Q24 | 3Q24 | 4Q24F | YOY Ch |
|----------------------------|---------|---------|---------|---------|---------|--------|
| Net advances | 301,995 | 318,159 | 332,158 | 344,014 | 350,216 | 21.0% |
| QOQ change | 6.2% | 5.4% | 4.4% | 3.6% | 1.8% | |
| Total assets | 567,194 | 594,405 | 612,242 | 638,754 | 646,273 | 19.0% |
| QOQ change | 5.6% | 4.8% | 3.0% | 4.3% | 1.2% | |
| Customer deposits | 362,905 | 383,695 | 389,961 | 406,742 | 419,174 | 23.5% |
| QOQ change | 10.2% | 5.7% | 1.6% | 4.3% | 3.1% | |
| Total shareholders' equity | 71,253 | 68,681 | 70,707 | 73,692 | 77,256 | 12.8% |
| QOQ change | 9.1% | -3.6% | 3.0% | 4.2% | 4.8% | |

FABS estimate & Co Data

4Q24 preview: Mashreq Bank (MASQ)

Higher impairments and tax expenses to impact profitability

| Current Price | 12-m Target Price | Upside/Downside (%) | Rating |
|---------------|-------------------|---------------------|--------|
| AED 216.00 | AED 235.00 | +8.8% | HOLD |

4Q24 estimate

We expect Mashreq Bank (MASQ/the Bank) to report a 43.7% YOY decline in the net profit to AED 1,587 Mn in 4Q24, primarily due to an expected increase in impairments and tax charge partially offset by an increase in non-funded income and a decline in G&A expense. MASQ's funded income, including income from Islamic financing, is expected to grow 8.3% YOY to AED 4,066 Mn in 4Q24, driven by an expected increase in loans & advances and Islamic financing assets. Net advances are further expected to grow 3.5% QOQ to AED 122.7 Bn in 4Q24. Funded expense is anticipated to grow 17.9% YOY to AED 1,965 Mn in 4Q24 due to an increase in interest bearing liabilities. Resultantly, net funded income is expected to rise marginally by 0.6% YOY to AED 2,101 Mn in 4Q24. Non-funded income is anticipated to grow 15.9% YOY to AED 936 Mn in 4Q24, mainly attributable to solid growth in income from investment securities, net fees and commission income, and other operating income. Resultantly, total operating income is estimated to rise 4.9% YOY to AED 3,037 Mn in 4Q24. General and administrative expenses are anticipated to fall 6.2% YOY to AED 973 Mn in 4Q24. However, we forecast the cost-to-income ratio to decline from 35.8% in 4Q23 to 32.0% in 4Q24. In addition, the Bank is expected to report an impairment charge of AED 219 Mn in 4Q24 compared to a reversal of impairments of AED 1,027 Mn in 4Q23. Tax expense is anticipated to grow from AED 43 Mn in 4Q23 to AED 240 Mn in 4Q24 due to the introduction of corporate tax in 2024 in the UAE. Share of profit attributable to non-controlling interest holders is expected to decline from AED 22 Mn in 4Q23 to AED 18 Mn in 4Q24.

2024 forecast

MASQ's net profit is expected to decline 8.4% YOY to AED 7,867 Mn in 2024, primarily due to higher impairment and tax expenses partially offset by growth in net funded income and non-funded income. Funded income, including income from Islamic financing, is predicted to grow 21.9% YOY to AED 16,159 Mn in 2024. Funded expense is anticipated to grow to AED 7,219 Mn in 2024 from AED 5,548 Mn in 2023. Thus, net funded income is projected to grow 16.0% YOY to AED 8,940 Mn in 2024. Total non-funded income is expected to grow 19.6% YOY to AED 3,701 Mn in 2024, due to growth in net fee and commission income, investment securities, and other operating income. The Bank's total operating income is expected to rise 17.0% YOY to AED 12,641 Mn in 2024. In addition, general and administrative expenses are likely to rise 5.2% YOY to AED 3,514 Mn in 2024. The Bank is expected to report impairment charges of AED 292 Mn in 2024, compared to a reversal of AED 1,369 Mn in 2023. Tax expense will grow from AED 154 in 2023 to AED 883 Mn in 2024 due to the introduction of corporate tax in the UAE. Share of profit attributable to non-controlling interest holders is expected to fall 3.0% YOY to AED 84 Mn in 2024.

3Q24 outturn

MASQ's interest income rose 15.1% YOY to AED 3,619 Mn in 3Q24, driven by robust growth in net advances and an increase in other interest-earnings assets. Similarly, interest expenses sharply rose from AED 1,386 Mn in 3Q23 to AED 1,762 Mn in 3Q24. Income from Islamic financing grew 19.5% YOY to AED 439 Mn in 3Q24, whereas expenses on Islamic financing rose 54.2% YOY to AED 189 Mn in 3Q24. Thus, MASQ's net funded income rose 5.1% YOY to AED 2,108 Mn in 3Q24. The Bank's net fee and commission income declined 12.2% YOY to AED 280 Mn in 3Q24. The Bank recorded a strong income from investment securities of AED 71 Mn in 3Q24, compared to a loss of AED 3 Mn in 3Q23. In addition, MASQ's other operating income grew 11.4% YOY to AED 512 Mn in 3Q24. Resultantly, total non-funded income grew 11.3% YOY to AED 863 Mn in 3Q24. Furthermore, total operating income rose 6.9% YOY to AED 2,971 Mn in 3Q24. G&A expenses increased 1.8% YOY to AED 868 Mn in 3Q24. However, the cost-to-income ratio declined 147 bps YOY to 29.2% in 3Q24, owing to the Bank's ongoing commitment to effective cost management and operational efficiency. The Bank reported an impairment charge of AED 118 Mn in 3Q24 compared to an impairment reversal

of AED 395 Mn in 3Q23. Tax expense stood at AED 197 Mn in 3Q24 compared to AED 48 Mn in 3Q23. In addition, NCI declined 22.6% YOY to AED 17 Mn in 3Q24.

Target price and recommendation

We maintain our HOLD rating on MASQ with an unchanged target price of AED 235.0. MASQ recorded a decline in profitability mainly due to increased impairments and tax charges in 3Q24. However, the Bank's core and non-core income grew strongly in 3Q24. MASQ focused on its diversification strategy, as its non-core income accounted for 29.1% of total operating income in 3Q24 compared to 27.9% in 3Q23. Net advances grew 19.4% YOY and 4.1% QOQ to AED 119 Bn in 3Q24, mainly driven by increased lending to construction, manufacturing, personal, transportation and communication, services, residential mortgage, and financial institutions sectors, partially offset by a decline in exposure to GREs and trade sectors. Customer deposits grew 17.5% YOY and 1.4% QOQ to AED 156 Bn in 3Q24. The Bank's CASA deposits accounted for 68% of total deposits in 3Q24, compared to 64% in 2Q24. NIMs recorded a contraction of 58 bps YOY and 2 bps QOQ to 4.2% in 3Q24. Furthermore, asset quality deteriorated as its reported NPL ratio grew from 1.3% in 2Q24 to 1.5% in 3Q24. However, the Bank's stage 2 loans as a percentage of total gross loans rose from 6.3% in 2Q24 to 7.6% in 3Q24. The provision coverage ratio also declined from 142.1% in 2Q24 to 117.1% in 3Q24, which may affect the bank's impact its overall asset quality going forward. MASQ maintained a healthy capitalization with a CET1 ratio of 16.1% and a total CAR of 19.8% in 3Q24. Moreover, the Bank also recorded a healthy ROAE of 29.7% and ROAA of 3.6% in 3Q24. MASQ is enhancing its digital footprint by expanding platforms like NEO CORP and NEOBIZ, aiming to strengthen its position in corporate and business banking segments. Additionally, its launch of a corporate banking transaction in the UK is expected to enhance its international presence. Thus, considering the above-mentioned reasons, we maintain our HOLD rating on the stock.

MASQ- Relative Valuation

| (at CMP) | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|----------------|-------|------|-------|-------|------|------|
| P/B(x) | 2.03 | 2.25 | 2.16 | 1.94 | 1.50 | 1.28 |
| P/E(x) | 21.18 | NA | 43.64 | 11.73 | 5.15 | 5.65 |
| Dividend Yield | 1.6% | NA | 0.5% | 4.1% | 8.5% | 7.1% |

FABS estimate & Co Data

MASQ - P&L

| AED mn | 4Q23 | 3Q24 | 4Q24F | YOY Ch | QOQ Ch | 2023 | 2024F | Change |
|---------------------------------|--------------|--------------|--------------|---------------|---------------|---------------|---------------|--------------|
| Interest income | 3,376 | 3,619 | 3,611 | 7.0% | -0.2% | 11,966 | 14,475 | 21.0% |
| Income from Islamic financing | 380 | 439 | 455 | 19.7% | 3.5% | 1,291 | 1,684 | 30.4% |
| Funded income | 3,756 | 4,058 | 4,066 | 8.3% | 0.2% | 13,257 | 16,159 | 21.9% |
| Funded expense | -1,667 | -1,950 | -1,965 | 17.9% | 0.7% | -5,548 | -7,219 | 30.1% |
| Net funded income | 2,089 | 2,108 | 2,101 | 0.6% | -0.3% | 7,710 | 8,940 | 16.0% |
| Net Fee and commission income | 237 | 280 | 297 | 25.3% | 6.2% | 1,433 | 1,461 | 2.0% |
| Inc. from investment securities | 29 | 71 | 74 | 155.2% | 4.8% | 30 | 282 | NM |
| Other operating income, net | 541 | 512 | 564 | 4.3% | 10.1% | 1,631 | 1,957 | 20.0% |
| Total other OI | 807 | 863 | 936 | 15.9% | 8.4% | 3,093 | 3,701 | 19.6% |
| Total operating income | 2,896 | 2,971 | 3,037 | 4.9% | 2.2% | 10,803 | 12,641 | 17.0% |
| General & admin. expenses | -1,038 | -868 | -973 | -6.2% | 12.1% | -3,342 | -3,514 | 5.2% |
| Pre provision profit | 1,858 | 2,103 | 2,064 | 11.1% | -1.9% | 7,461 | 9,127 | 22.3% |
| Allowances for impairment, net | 1,027 | -118 | -219 | NM | 85.8% | 1,369 | -292 | NM |
| Overseas income tax expense | -43 | -197 | -240 | 457.7% | 21.8% | -154 | -883 | NM |
| Non-controlling interests | -22 | -17 | -18 | -18.3% | 5.4% | -87 | -84 | -3.0% |
| Net Profit | 2,821 | 1,771 | 1,587 | -43.7% | -10.4% | 8,589 | 7,867 | -8.4% |

FABS estimate & Co Data

MASQ - KPI

| | 4Q23 | 3Q24 | 4Q24F | YOY Ch | QOQ Ch | 2023 | 2024F | Change |
|---------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Net FI/OI | 72.1% | 70.9% | 69.2% | -294 | -176 | 71.4% | 70.7% | -64 |
| NIM | 4.6% | 4.2% | 4.1% | -56 | -10 | 4.5% | 4.5% | -4 |
| NIS | 4.7% | 4.2% | 4.0% | -68 | -17 | 4.5% | 4.4% | -9 |
| Fees & comms/OI | 8.2% | 9.4% | 9.8% | 160 | 37 | 13.3% | 11.6% | -170 |
| Trading/OI | 1.0% | 2.4% | 2.5% | 144 | 6 | 0.3% | 2.2% | 196 |
| Cost to income | 35.8% | 29.2% | 32.0% | -380 | 282 | 30.9% | 27.8% | -313 |
| Impairment/PPP | -55.3% | 5.6% | 10.6% | 6,591 | 501 | -18.3% | 3.2% | NM |
| NP/OI | 97.4% | 59.6% | 52.3% | -4,514 | -735 | 79.5% | 62.2% | NM |
| Cost of risk - Calculated | -4.5% | 0.5% | 0.9% | 535 | 38 | -1.6% | 0.3% | NM |
| Loan-to-deposit | 75.5% | 76.0% | 132.9% | 5,746 | 5,697 | 75.5% | 77.4% | 193 |
| NPL - Calculated | 1.7% | 1.9% | 1.6% | -11 | -31 | 1.7% | 1.9% | 24 |
| Coverage - Calculated | 151.9% | 117.1% | 137.6% | -1,436 | 2,050 | 151.9% | 120.0% | -3,191 |
| CET1 | 13.7% | 16.1% | 14.9% | 120 | -116 | 13.7% | 14.9% | 120 |
| Capital Adequacy | 16.5% | 19.8% | 18.5% | 199 | -127 | 16.5% | 18.5% | 199 |
| ROAE | 32.8% | 29.7% | 22.8% | -1,005 | -692 | 32.8% | 24.4% | -846 |
| ROAA | 3.9% | 3.6% | 2.9% | -100 | -71 | 3.9% | 3.1% | -80 |

FABS estimate & Co Data

MASQ - key BS items

| AED mn | 4Q23 | 1Q24 | 2Q24 | 3Q24 | 4Q24F | YOY Ch |
|-------------------|----------|----------|----------|----------|----------|--------|
| Net advances | 1,10,355 | 1,10,484 | 1,13,827 | 1,18,534 | 1,22,742 | 11.2% |
| QOQ changes | 11.2% | 0.1% | 3.0% | 4.1% | 3.5% | |
| Total assets | 2,39,981 | 2,49,592 | 2,53,467 | 2,54,411 | 2,62,621 | 9.4% |
| QOQ changes | 9.9% | 4.0% | 1.6% | 0.4% | 3.2% | |
| Customer deposits | 1,46,232 | 1,55,498 | 1,53,964 | 1,56,063 | 1,58,579 | 8.4% |
| QOQ changes | 10.1% | 6.3% | -1.0% | 1.4% | 1.6% | |
| Total equity | 30,333 | 28,473 | 32,252 | 34,272 | 37,183 | 22.6% |
| QOQ changes | 12.4% | -6.1% | 13.3% | 6.3% | 8.5% | |

FABS estimate & Co Data

4Q24 preview: Sharjah Islamic Bank (SIB)

Expected decline in revaluation loss on properties to support profitability

| Current Price | 12-m Target Price | Upside/Downside (%) | Rating |
|---------------|-------------------|---------------------|--------|
| AED 2.48 | AED 2.25 | -9.3% | REDUCE |

4Q24 estimate

Sharjah Islamic Bank (SIB/the Bank) is expected to report a significant growth in net profit from AED 84 Mn in 4Q23 to AED 216 Mn in 4Q24, mainly due to an expected decline in revaluation loss on properties partially offset by an estimated fall in net funded and non-funded income coupled with an anticipated rise in G&A expenses, impairments, and tax charges owing to the introduction of corporate tax in the UAE. Funded income is expected to rise 15.0% YOY to AED 984 Mn in 4Q24 driven by a predicted growth in advances partially offset by an anticipated moderation in assets yield. Moreover, funded expenses are expected to increase 60.8% YOY to AED 659 Mn in 4Q24 mainly due to a higher cost of funds. Hence, net funded income is projected to decrease 11.7% YOY to AED 325 Mn in 4Q24. The Bank's fee and commission income is expected to expand 22.2% YOY to AED 145 Mn in 4Q24 whereas fees and commission expense is anticipated to increase 18.9% YOY to AED 26 Mn in 4Q24. Foreign exchange income is expected to decrease 23.5% YOY to AED 16 Mn in 4Q24 while investment income is projected to fall 41.5% YOY to AED 23 Mn. SIB's other income is expected to decrease 20.2% YOY to AED 29 Mn in 4Q24. Thus, total non-funded income is estimated to decline 3.5% YOY to AED 188 Mn in 4Q24. As a result, total operating income will likely fall 8.9% YOY to AED 512 Mn in 4Q24. Furthermore, SIB's G&A expenses are anticipated to increase 5.4% YOY to AED 223 Mn in 4Q24. We expect the cost-to-income ratio to increase 588 bps YOY to 43.5% in 4Q24 while provision expense is expected to increase 8.7% YOY to AED 52 Mn. The tax charge is expected to amount to AED 21 Mn in 4Q24 owing to the introduction of corporate tax in the UAE.

2024 Forecast

SIB's net profit is forecasted to increase 31.4% YOY to AED 1,119 Mn in 2024 owing to an expected increase in non-funded income partially offset by a marginal decline in net funded income along with higher G&A expenses and tax charge. SIB's funded income is expected to rise 20.0% YOY to AED 3,705 Mn in 2024 owing to a healthy growth expected in advances. On the other hand, the Bank's funded expense is expected to grow from AED 1,636 Mn in 2023 to AED 2,277 Mn in 2024. Funded expense also includes profit expense from Sukuks which is predicted to increase 29.7% YOY to AED 100 Mn in 2024. As a result, net funded income is projected to decline marginally 1.7% YOY to AED 1,429 Mn in 2024. SIB's fee and commission income is anticipated to increase 44.0% YOY to AED 508 Mn in 2024 whereas fee and commission expense is projected to grow 31.1% YOY to AED 102 Mn in 2024. Investment income is projected to increase from AED 75 Mn in 2023 to AED 87 Mn in 2024. Moreover, foreign exchange income is predicted to rise 10.0% YOY to AED 70 Mn in 2024. In addition, other income is estimated to grow 25.0% YOY to AED 135 Mn in 2024. Hence, total non-funded income is projected to increase 33.7% YOY to AED 698 Mn in 2024. As a result, total operating income is expected to rise 7.7% YOY to AED 2,127 Mn in 2024. Operating expenses are anticipated to increase 8.7% YOY to AED 744 Mn in 2024 while provisions are expected to decline 30.7% YOY to AED 153 Mn in 2024. SIB is anticipated to record a tax expense of AED 111 Mn in 2024.

3Q24 Outturn

SIB's funded income grew 20.5% YOY to AED 957 Mn in 3Q24 mainly driven by a solid growth in net advances owing to strong consumer demand and economic expansion in the UAE. On the other hand, funded expenses grew 36.3% YOY to AED 584 Mn in 3Q24 due to higher cost of funds impacting margins. Thus, the Bank's net funded income increased 2.0% YOY to AED 373 Mn in 3Q24. As per our calculation, SIB's NIMs declined 37 bps YOY to 1.9% in 3Q24. The Bank's net fee and commission income increased from AED 55 Mn in 3Q23 to AED 111 Mn in 3Q24. Investment income amounted to AED 33 Mn in 3Q24 compared to a loss of AED 1 Mn in 3Q23. Foreign exchange income rose

significantly from AED 7 Mn in 3Q23 to AED 23 Mn in 3Q24. The Bank's other income grew from AED 21 Mn in 3Q23 to AED 45 Mn in 3Q24. Thus, SIB's non-funded income rose significantly from AED 82 Mn in 3Q23 to AED 212 Mn in 3Q24. As a result, total operating income grew 30.5% YOY to AED 585 Mn in 3Q24. SIB's operating expenses rose 15.8% YOY to AED 182 Mn in 3Q24. The Bank's cost-to-income ratio improved from 35.1% in 3Q23 to 31.1% in 3Q24 owing to the effective cost-management measures taken by the management. Pre-provision profit of the bank grew 38.5% YOY to AED 403 Mn in 3Q24. Provisions increased significantly from AED 18 Mn in 3Q23 to AED 33 Mn in 3Q24. The Bank recorded a tax expense of AED 33 Mn in 3Q24 compared to nil in 3Q23 owing to the introduction of the UAE corporate tax.

Target Price and recommendation

We revise our rating from HOLD to REDUCE on SIB with an unchanged target price of AED 2.25. SIB's net loan book grew 14.7% YOY and 3.8% QOQ to AED 36.6 Bn in 3Q24. Moreover, the Loan-to-Deposit ratio rose from 71.2% in 2Q24 to 76.2% in 3Q24. Customer Deposits rose 6.1% YOY to AED 48.0 Bn in 3Q24. The bank's CASA deposits as a percentage of total deposits declined from 31.9% in 2Q24 to 31.0% in 3Q24. This is likely to affect the Bank's margins as a result of a higher share of time deposits. Furthermore, SIB's asset quality improved as the reported NPL declined from 5.5% in 2Q24 to 5.2% in 3Q24 owing to solid recoveries, and an increase in the loan portfolio, reflecting the bank's ability to manage credit risks and mitigate potential losses. The reported Provision coverage ratio stood at 95.7% in 3Q24, well above the regulatory levels providing an adequate cushion against bad loans. Furthermore, SIB's calculated cost-to-income ratio improved from 35.1% in 3Q23 to 31.1% in 3Q24 owing to the effective cost-control measures implemented by the group. The bank also maintained a healthy capital adequacy ratio of 17.7% and CET 1 ratio of 12.9% in 3Q24 indicating a strong financial position and adherence to regulatory requirements. Thus, based on our analysis, we revised our rating to REDUCE on the stock.

SIB - Relative valuation

| (At CMP) | 2019 | 2020 | 2021 | 2022 | 2023 | 2024F |
|----------------|-------|-------|-------|-------|-------|-------|
| PE (x) | 14.70 | 19.77 | 15.61 | 14.35 | 10.56 | 7.81 |
| PB (x) | 1.41 | 1.38 | 1.37 | 1.38 | 1.28 | 1.11 |
| Dividend Yield | 1.8% | 3.1% | 3.1% | 3.8% | 4.0% | 4.0% |

FABS estimate & Co Data

Sharjah Islamic Bank

| AED mm | 4Q23 | 3Q24 | 4Q24F | YOY Ch | QOQ Ch | 2023 | 2024F | Change |
|--------------------------------|------------|------------|------------|---------------|---------------|--------------|--------------|--------------|
| Income from fin. & leasing | 855 | 957 | 984 | 15.0% | 2.8% | 3,089 | 3,705 | 20.0% |
| Depositors' share of profit | -410 | -584 | -659 | 60.8% | 12.9% | -1,636 | -2,277 | 39.2% |
| Profit expense on Sukuks | -77 | 0 | -100 | 29.7% | NM | -77 | -100 | 29.7% |
| Net funded income | 368 | 373 | 325 | -11.7% | -13.1% | 1,453 | 1,429 | -1.7% |
| Fees and commissions | 118 | 136 | 145 | 22.2% | 6.3% | 353 | 508 | 44.0% |
| Fee and commission expense | -22 | -25 | -26 | 18.9% | 3.0% | -78 | -102 | 31.1% |
| Investment Income | 40 | 33 | 23 | -41.5% | -29.7% | 75 | 87 | 15.0% |
| Foreign Exchange income | 21 | 23 | 16 | -23.5% | -28.1% | 64 | 70 | 10.0% |
| Other Income | 37 | 45 | 29 | -20.2% | -35.0% | 108 | 135 | 25.0% |
| Total non-funded income | 194 | 212 | 188 | -3.5% | -11.4% | 522 | 698 | 33.7% |
| Total operating income | 562 | 585 | 512 | -8.9% | -12.5% | 1,975 | 2,127 | 7.7% |
| General & admin. Expenses | -211 | -182 | -223 | 5.4% | 22.3% | -684 | -744 | 8.7% |
| Pre provision profit | 351 | 403 | 289 | -17.5% | -28.2% | 1,291 | 1,382 | 7.1% |
| Provisions | -48 | -33 | -52 | 8.7% | 56.7% | -221 | -153 | -30.7% |
| Income from subsidiary cos. | 0 | 0 | 0 | NM | NM | 0 | 0 | NM |
| Revaluation loss on properties | -218 | 0 | 0 | NM | NM | -218 | 0 | NM |
| Profit before tax | 84 | 370 | 237 | 181.6% | -35.8% | 852 | 1,229 | 44.4% |
| Corporate tax | 0 | -33 | -21 | NM | -36.9% | 0 | -111 | NM |
| Net profit | 84 | 336 | 216 | 156.6% | -35.7% | 852 | 1,119 | 31.4% |

FABS estimate & Co Data

SIB – KPI

| | 4Q23 | 3Q24 | 4Q24F | YOY Ch | QOQ Ch | 2023 | 2024F | Change |
|---------------------------|-------|-------|-------|--------|--------|-------|-------|--------|
| Net FI/OI | 65.4% | 63.8% | 63.4% | -204 | -43 | 73.6% | 67.2% | -638 |
| NIM | 2.1% | 1.9% | 1.5% | -58 | -31 | 2.2% | 1.8% | -36 |
| NIS | 2.3% | 1.9% | 1.5% | -72 | -40 | 2.5% | 2.0% | -47 |
| Fees & comms/OI | 21.1% | 23.3% | 28.3% | 718 | 499 | 17.9% | 23.9% | 603 |
| Cost to income | 37.6% | 31.1% | 43.5% | 588 | 1,237 | 34.7% | 35.0% | 34 |
| Provisions/PPP | 13.7% | 8.3% | 18.1% | 434 | 978 | 17.1% | 11.1% | -603 |
| NP/OI | 15.0% | 57.5% | 42.2% | 2,721 | -1,528 | 43.1% | 52.6% | 949 |
| Cost of risk | 0.6% | 0.4% | 0.5% | -3 | 18 | 0.7% | 0.4% | -23 |
| Loan-to-deposit | 73.1% | 76.2% | 73.6% | 57 | -252 | 73.1% | 73.6% | 57 |
| NPL – Calculated | 5.5% | 5.14% | 5.10% | -36 | -4 | 5.6% | 5.1% | -50 |
| NPL Coverage – Calculated | 85.0% | 85.0% | 85.8% | 78 | 83 | 85.0% | 85.8% | 78 |
| CET 1 | 13.6% | 12.9% | 12.7% | -91 | -17 | 13.6% | 12.7% | -91 |
| Capital Adequacy | 18.9% | 17.7% | 17.1% | -178 | -59 | 18.9% | 17.1% | -178 |
| ROAE | 12.6% | 13.7% | 15.2% | 263 | 145 | 12.6% | 15.2% | 263 |
| ROAA | 1.4% | 1.4% | 1.5% | 17 | 10 | 1.4% | 1.5% | 17 |

FABS estimate & Co Data

SIB – Key BS Items

| AED mn | 4Q23 | 1Q24 | 2Q24 | 3Q24 | 4Q24F | YOY Ch |
|-------------------|--------|--------|--------|--------|--------|--------|
| Net advances | 33,030 | 33,364 | 35,199 | 36,551 | 38,091 | 15.3% |
| QOQ change | 3.7% | 1.0% | 5.5% | 3.8% | 4.2% | |
| Total assets | 65,879 | 70,116 | 74,237 | 74,796 | 80,401 | 22.0% |
| QOQ change | 3.9% | 6.4% | 5.9% | 0.8% | 7.5% | |
| Customer deposits | 45,207 | 45,079 | 49,462 | 47,995 | 51,733 | 14.4% |
| QOQ change | -0.1% | -0.3% | 9.7% | -3.0% | 7.8% | |
| Total equity | 8,127 | 8,056 | 8,333 | 8,694 | 9,056 | 11.4% |
| QOQ change | 1.6% | -0.9% | 3.4% | 4.3% | 4.2% | |

FABS estimate & Co Data

4Q24 preview: Commercial Bank of Dubai (CBD)

Improving asset quality and increase in lending to support profitability

| Current Price | 12-m Target Price | Upside/Downside (%) | Rating |
|---------------|-------------------|---------------------|--------|
| AED 7.15 | AED 7.75 | +8.4% | HOLD |

4Q24 Estimate

Commercial Bank of Dubai's (The Bank/ CBD) net profit is expected to grow 12.9% YOY to AED 807 Mn in 4Q24 mainly due to strong projected growth in net funded and non-funded income coupled with higher impairments partially offset by a rise in operating expenses and tax charges. Funded income is forecasted to grow 11.9% YOY to AED 2,015 Mn in 4Q24, driven by expected growth in net advances and other interest-earning assets. Funded expense is expected to rise from AED 885 Mn in 4Q23 to AED 946 Mn in 4Q24 owing to higher cost of funds. Thus, net funded income is expected to increase 16.7% YOY to AED 1,069 Mn in 4Q24. The trading income and fees & commission income is expected to grow 2.2% and 27.4% respectively on a YOY basis to AED 83 Mn and AED 272 Mn in 4Q24. Moreover, we expect the Bank to incur an other non-funded income of AED 54 Mn in 4Q24, compared to an expense of AED 6 Mn. Thus, non-funded income is expected to rise 41.5% YOY to AED 409 Mn in 4Q24. Resultantly, total operating income is anticipated to grow 22.6% YOY to AED 1,478 Mn in 4Q24. CBD's G&A expenses are projected to increase 3.2% YOY to AED 343 Mn in 4Q24 while depreciation and amortization expense is estimated to rise 21.6% YOY to AED 17 Mn in 4Q24. The cost-to-income ratio is expected to improve from 28.4% in 4Q23 to 24.4% in 4Q24. Furthermore, the Bank's impairments are estimated to increase 16.2% YOY to AED 309 Mn in 4Q24. However, recoveries are projected to decline from AED 102 Mn in 4Q23 to AED 90 Mn in 4Q24. CBD is expected to incur a corporate tax charge of AED 82 Mn in 4Q24 compared to nil in 4Q23, owing to the introduction of the UAE corporate tax.

2024 Forecast

CBD's net profit is anticipated to grow 14.6% YOY to AED 3,038 Mn in 2024 due to growth in net funded income & non-funded income, coupled with higher recoveries partially offset by an increase in operating expenses and impairments charges coupled with corporate tax charge. Funded income is expected to expand 15.2% YOY to AED 7,677 Mn in 2024, owing to the expected growth in the Bank's interest-earning assets. Funded expense is estimated to increase 21.5% YOY to AED 3,758 Mn in 2024 due to the higher cost of funds. Thus, net funded income is anticipated to grow 9.8% YOY to AED 3,918 Mn in 2024. The fee and commission income and trading income are projected to rise by 20.0% and 3.9% on a YOY basis to AED 1,122 Mn and AED 336 Mn, respectively in 2024. Other non-funded income is estimated to increase from AED 94 Mn in 2023 to AED 266 Mn in 2024. Hence, non-funded income is expected to report a growth of 27.6% YOY to AED 1,724 Mn in 2024. As a result, total operating income is estimated to increase by 14.7% YOY to AED 5,642 Mn in 2024. Furthermore, G&A expenses are anticipated to increase 12.0% YOY to AED 1,320 Mn in 2024. However, we expect the cost-to-income ratio to improve 45 bps YOY to 24.4% in 2024. Impairments are projected to rise 8.9% YOY to AED 1,191 Mn in 2024. However, we expect recoveries to increase from AED 182 Mn in 2023 to AED 303 Mn in 2024. In addition, the Bank is anticipated to incur a corporate tax of AED 300 Mn in 2024 compared to NIL in 2023.

3Q24 Outturn

CBD's funded income grew 10.4% YOY to AED 1,934 Mn in 3Q24, mainly due to growth in loan books and other interest-earning assets. On the other hand, funded expenses grew 14.3% YOY to AED 990 Mn in 3Q24. Thus, net funded income rose 6.6% YOY to AED 943 Mn in 3Q24. CBD's total non-funded income rose 38.4% YOY to AED 511 Mn in 3Q24 due to improvement in credit card growth, syndication fees, transaction banking fees, and one-off gains on property sales & funds. Fees and commission income grew 5.0% YOY to AED 277 Mn in 3Q24. Trading income grew marginally 0.6% YOY to AED 84 Mn in 3Q24. Other non-funded income inclined significantly from AED 22 Mn in 3Q23 to AED 150 Mn in 3Q24. Thus, CBD's total operating income rose 15.9% YOY to AED 1,454 Mn in 3Q24. Further, G&A expenses grew 24.1% YOY to AED 358 Mn in 3Q24 due to a rise in staff cost

caused by increased regulatory control and governance coupled with higher other operating expenditures attributable to business growth & digital initiatives, inflationary impacts, and regulatory compliance. As a result, total operating expenses rose 24.0% YOY to AED 374 Mn in 3Q24. Additionally, impairments on loans, advances and Islamic financing grew 34.4% YOY to AED 314 Mn in 3Q24. The recoveries on loans and advances and Islamic financing grew significantly from AED 25 Mn in 3Q23 to AED 98 Mn in 3Q24. Furthermore, impairment allowance on AFS investments stood at AED 9 Mn in 3Q24 compared to AED 35 Mn in 3Q23. In addition, the Bank incurred a corporate tax expense of AED 76 Mn in 3Q24, owing to the introduction of UAE corporate tax.

Target price and recommendation

We continue to maintain our HOLD rating on CBD with a revised target price of AED 7.75. CBD recorded strong growth in profitability driven by a solid increase in net funded and non-funded income along with growth in recoveries in 3Q24. The Bank's net advances grew 10.7% YOY and 2.4% QOQ to AED 91.7 Bn in 3Q24 owing to an increase in credit towards GREs, transportation & storage, trade, manufacturing, personal mortgage, and individual loans compared to 4Q23. The Bank further revised its loan guidance from high single-digit to more than 10% for 2024. CBD's calculated NIM declined 19 bps YOY and 11 bps QOQ to 3.0% in 3Q24 due to higher cost of funds and lower asset yield owing to change in asset mix. The Bank's deposits recorded a healthy growth of 14.2% YOY, however declined 1.2% QOQ to AED 98.7 Bn in 3Q24 resulting in the loan-to-deposit ratio of 93.0%. The Bank's low-cost CASA deposits accounted for 49.1% of the total customer deposit base, while the remaining constituted of time deposits in 3Q24. Cost-to-income ratio grew 167 bps YOY and 114 bps QOQ to 25.7% in 3Q24 due to investment in business growth and digitization coupled with higher staff costs due to regulation. CBD is continuously investing in technology and digitization to improve its operating efficiency to boost its margins. It expects the cost-to-income to be below 25.0% in 2024. The Bank's calculated cost of risk marginally declined 5 bps YOY but grew 20 bps QOQ to 0.9% in 3Q24. Thus, CBD revised its 2024 guidance for cost of risk to be lower than 0.92% from the previous 0.98%. Furthermore, CBD's asset quality improved with a reported NPL ratio of 5.0% in 3Q24 compared to 5.6% in 2Q24. Moreover, the Bank reported coverage increased to 96.6% in 3Q24 from 89.6% in 2Q24. In addition, the Bank maintained a healthy capitalization with a CAR of 16.6% and CET 1 ratio of 13.4% well above the regulatory limits in 3Q24. Thus, based on our analysis, we maintain our HOLD rating on the stock.

CBD - Relative valuation

| (at CMP) | 2019 | 2020 | 2021 | 2022 | 2023 | 2024F |
|----------------|-------|-------|-------|-------|------|-------|
| P/E(x) | 15.24 | 19.19 | 16.21 | 12.61 | 8.48 | 7.34 |
| P/B(x) | 2.21 | 2.10 | 1.88 | 1.83 | 1.57 | 1.40 |
| Dividend Yield | 2.7% | 2.6% | 3.4% | 3.4% | 6.2% | 6.7% |

FABS Estimates & Co Data

CBD - P&L

| AED mn | 4Q23 | 3Q24 | 4Q24F | YOY Ch | QOQ Ch | 2023 | 2024F | Change |
|--|--------------|--------------|--------------|--------------|---------------|---------------|---------------|--------------|
| Funded income | 1,802 | 1,934 | 2,015 | 11.9% | 4.2% | 6,664 | 7,677 | 15.2% |
| Funded expense | -885 | -990 | -946 | 6.9% | -4.5% | -3,094 | -3,758 | 21.5% |
| Net funded income | 916 | 943 | 1,069 | 16.7% | 13.3% | 3,570 | 3,918 | 9.8% |
| Fees and commissions | 214 | 277 | 272 | 27.4% | -1.8% | 935 | 1,122 | 20.0% |
| Trading income | 81 | 84 | 83 | 2.2% | -0.9% | 323 | 336 | 3.9% |
| Other non-funded income | -6 | 150 | 54 | NM | -64.2% | 94 | 266 | NM |
| Total non-funded income | 289 | 511 | 409 | 41.5% | -20.0% | 1,351 | 1,724 | 27.6% |
| Total operating income | 1,205 | 1,454 | 1,478 | 22.6% | 1.6% | 4,921 | 5,642 | 14.7% |
| General and administrative expenses | -333 | -358 | -343 | 3.2% | -4.1% | -1,178 | -1,320 | 12.0% |
| Depreciation and amortization | -14 | -16 | -17 | 21.6% | 7.1% | -49 | -58 | 17.4% |
| Operating Expenses | -347 | -374 | -360 | 4.0% | -3.6% | -1,228 | -1,378 | 12.2% |
| Pre provision profit | 859 | 1,081 | 1,118 | 30.2% | 3.4% | 3,693 | 4,265 | 15.5% |
| Impair allow. on loans & adv and Islamic fin | -266 | -314 | -309 | 16.2% | -1.5% | -1,094 | -1,191 | 8.9% |
| Recoveries | 102 | 98 | 90 | -12.1% | -8.4% | 182 | 303 | 66.5% |
| Impairment allowances on AFS investment | 3 | -9 | -9 | NM | 1.1% | -148 | -38 | -74.6% |
| Profit before tax | 714 | 855 | 889 | 24.4% | 3.9% | 2,650 | 3,339 | 26.0% |
| Corporate tax | 0 | -76 | -82 | NM | 7.1% | 0 | -300 | NM |
| Net Profit | 714 | 779 | 807 | 12.9% | 3.6% | 2,650 | 3,038 | 14.6% |

FABS estimate & Co Data

CBD - KPI

| | 4Q23 | 3Q24 | 4Q24F | YOY Ch | QQQ Ch | 2023 | 2024F | Change |
|---------------------------------------|-------|-------|-------|--------|--------|-------|-------|--------|
| Net FI/OI | 76.0% | 64.9% | 72.3% | -369 | 747 | 72.5% | 69.4% | -309 |
| NIM | 3.2% | 3.0% | 3.3% | 17 | 38 | 3.24% | 3.18% | -6 |
| NIS | 2.7% | 2.5% | 2.9% | 18 | 39 | 2.8% | 2.7% | -11 |
| Fees & comms/OI | 17.7% | 19.0% | 18.4% | 68 | -64 | 19.0% | 19.9% | 89 |
| Trading/OI | 6.7% | 5.8% | 5.6% | -112 | -15 | 6.6% | 6.0% | -62 |
| Cost to income | 28.4% | 25.7% | 24.4% | -399 | -133 | 24.9% | 24.4% | -45 |
| Impairment/PPP | 18.7% | 20.9% | 20.5% | 177 | -36 | 28.7% | 21.7% | -699 |
| NP/OI | 59.3% | 53.5% | 54.6% | -469 | 105 | 53.9% | 53.8% | -1 |
| Cost of Risk | 0.7% | 0.9% | 0.9% | 15 | 0 | 1.02% | 0.90% | -12 |
| Loan-to-deposit - calculated | 94.4% | 93.0% | 93.0% | -132 | 7 | 94.4% | 93.0% | -132 |
| NPL - calculated | 7.6% | 6.0% | 6.4% | -116 | 37 | 7.6% | 6.4% | -116 |
| Coverage excl collateral - calculated | 82.8% | 94.2% | 94.0% | 1120 | -24 | 82.8% | 94.0% | 1120 |
| CET1 | 12.5% | 13.4% | 12.5% | -3 | -86 | 12.5% | 12.5% | -3 |
| Capital adequacy | 15.9% | 16.6% | 15.6% | -30 | -91 | 16.0% | 15.6% | -30 |
| ROAE | 19.9% | 20.6% | 19.5% | -47 | -114 | 19.9% | 20.1% | 19 |
| ROAA | 2.2% | 2.2% | 2.1% | -11 | -16 | 2.2% | 2.5% | 27 |

FABS estimate & Co Data

CBD - Key B/S items

| AED mn | 4Q23 | 1Q24 | 2Q24 | 3Q24 | 4Q24F | YOY Ch |
|----------------------------|---------|---------|---------|---------|---------|--------|
| Net advances | 83,313 | 86,791 | 89,608 | 91,746 | 92,715 | 11.3% |
| QOQ change | 0.5% | 4.2% | 3.2% | 2.4% | 1.1% | |
| Total assets | 128,987 | 130,976 | 141,256 | 140,217 | 142,803 | 10.7% |
| QOQ change | 2.4% | 1.5% | 7.8% | -0.7% | 1.8% | |
| Customer deposits | 88,287 | 90,342 | 99,831 | 98,682 | 99,647 | 12.9% |
| QOQ change | 2.1% | 2.3% | 10.5% | -1.2% | 1.0% | |
| Total shareholders' equity | 15,781 | 15,138 | 15,843 | 16,772 | 17,495 | 10.9% |
| QOQ change | 5.6% | -4.1% | 4.7% | 5.9% | 4.3% | |

FABS estimate & Co Data

4Q24 preview: Ajman Bank (AJMANBAN)

Strong non-core income and lower impairments to support profitability

| Current Price | 12-m Target Price | Upside/Downside (%) | Rating |
|---------------|-------------------|---------------------|--------|
| AED 1.68 | AED 1.35 | -19.6% | SELL |

4Q24 estimate

Ajman Bank (AJMANBANK/the Bank) is expected to report a net profit from AED 70 Mn in 4Q24 compared to a loss of AED 303 Mn in 4Q23, attributable to higher non-funded income and a decline in operating expenses and impairments, partially offset by higher tax charge owing to implementation of corporate tax in the UAE since 2024. The Bank's funded income is expected to decline 4.5% YOY to AED 316 Mn in 4Q24, mainly due to an expected decline in loan book. Similarly, the funded expense is anticipated to fall from AED 214 Mn in 4Q23 to AED 198 Mn in 4Q24. Thus, net funded income is expected to inch up 0.8% YOY to AED 118 Mn in 4Q24. Fees and commission income is estimated to grow 6.8% YOY to AED 49 Mn in 4Q24, while income from investment securities is expected to fall 42.7% YOY to AED 45 Mn in 4Q24. Thus, we expect Bank's total non-funded income to grow from AED 37 Mn in 4Q23 to AED 95 Mn in 4Q24. Thus, total operating income is expected to grow 38.3% YOY to AED 213 Mn in 4Q24. Operating expenses are anticipated to rise 3.8% YOY to AED 97 Mn in 4Q24. We forecast the Bank's cost-to-income ratio to decline from 60.7% in 4Q23 to 45.6% in 4Q24. In addition, impairment charges are anticipated to decline significantly from AED 363 Mn in 4Q23 to AED 33 Mn in 4Q24. Ajman Bank is projected to incur tax expense of AED 12 Mn in 4Q24.

2024 forecast

We expect Ajman Bank to report a net profit of AED 360 Mn in 2024, as compared to a net loss of AED 390 Mn in 2023, mainly driven by a growth in non-funded income and a decline in impairment charges, partially offset by a lower net funded income and income tax charges. Funded income is anticipated to inch up 1.8% YOY to AED 1,232 Mn in 2024. Funded expense is expected to increase 11.3% YOY to AED 781 Mn in 2024 owing to higher cost of funds. Thus, net funded income is expected to decline 11.2% YOY to AED 451 Mn in 2024. NIMs are expected to decline 49 bps YOY to 2.3% in 2024. Additionally, non-funded income is forecasted to grow significantly from AED 261 Mn in 2023 to AED 378 Mn in 2024. Fees and commission income is estimated to rise 20.0% YOY to AED 216 Mn in 2024. While investment securities income is expected to decline 4.6% YOY to AED 162 Mn in 2024. Thus, total operating income is expected to rise 7.8% YOY to AED 829 Mn in 2024. Operating expense is expected to rise 3.5% YOY to AED 383 Mn in 2024. Impairment charges are estimated to decline substantially from AED 789 Mn in 2023 to AED 50 Mn in 2024. In addition, the Bank is expected to incur a corporate tax of AED 36 Mn in 2024.

3Q24 outturn

Ajman Bank's funded income grew 3.7% YOY to AED 309 Mn in 3Q24. On the other hand, funded expenses rose 10.1% YOY to AED 198 Mn in 3Q24 due to higher cost of funds. Thus, net funded income declined 6.0% YOY to AED 111 Mn in 3Q24. Moreover, fees and commission income declined 6.8% YOY to AED 41 Mn in 3Q24, whereas income from investment securities grew 13.2% YOY to AED 36 Mn in 3Q24. Thus, total non-funded income grew 1.6% YOY to AED 77 Mn in 3Q24. As a result, total operating income declined 3.1% YOY to AED 188 Mn in 3Q24. Furthermore, operating expenses grew 8.0% YOY to AED 99 Mn in 3Q24. However, the cost-to-income ratio expanded from 47.3% in 3Q23 to 52.7% in 3Q24. Impairment charges strongly declined from AED 292 Mn in 3Q23 to AED 9 Mn in 3Q24. Income tax expense amounted to AED 6 Mn in 3Q24 owing to the introduction of corporate tax in the UAE.

Target price and recommendation

We maintain our SELL rating on AJMANBANK with an unchanged target price of AED 1.35. AJMANBANK's net advances declined 8.4% YOY and 3.6% QOQ to AED 13.4 Bn in 3Q24. NIMs also declined 8 bps YOY and 29 bps QOQ to 2.3% in 3Q24 due to the higher cost of funds. Cost of funds grew 44 bps YOY and 28 bps QOQ to 3.9% in 3Q24. Customer deposits declined 1.4% YOY and

remained at a similar level of 2Q24 at AED 19.3 Bn in 3Q24. The Bank's cost-to-income ratio increased 539 bps YOY to 52.7% in 3Q24, mainly due to the rise in operating expense and decline in operating income. Furthermore, AJMANBANK's asset quality improved as NPLs declined from 12.3% in 2Q24 to 11.8% in 3Q24. As a result, cost of risk also declined to 0.2% in 3Q24 from 0.6% in 2Q24. However, the Bank's stage 2 loans as a percentage of total loans grew from 12.1% in 2Q24 to 15.9% in 3Q24. Provision coverage rose from 35.1% in 2Q24 to 38.9% in 3Q24. AJMANBANK's capitalization improved with a Tier 1 ratio of 18.4% and a total CAR ratio of 19.5% in 3Q24. Despite all the positives, the Bank trades at an expensive 2024 P/B ratio of 1.5x as compared to its peer average of 1.1x. Thus, we maintain our SELL rating on the stock.

Ajman Bank - Relative valuation

| (At CMP) | 2019 | 2020 | 2021 | 2022 | 2023 | 2024F |
|----------------|-------|-------|-------|-------|------|-------|
| P/E (x) | 51.14 | 78.43 | 36.06 | 25.84 | NM | 12.95 |
| P/B (x) | 1.67 | 1.67 | 1.59 | 1.67 | 1.74 | 1.52 |
| Dividend Yield | 1.8% | NM | NM | NM | NM | NM |

FABS Estimates & Co Data
Ajman Bank - P&L

| AED mn | 4Q23 | 3Q24 | 4Q24F | YOY Ch | QOQ Ch | 2023 | 2024F | Change |
|-----------------------------------|-------------|------------|------------|--------------|--------------|-------------|------------|---------------|
| Funded income | 331 | 309 | 316 | -4.5% | 2.4% | 1,210 | 1,232 | 1.8% |
| Funded expenses | -214 | -198 | -198 | -7.5% | 0.0% | -702 | -781 | 11.3% |
| Net funded income | 117 | 111 | 118 | 0.8% | 6.8% | 508 | 451 | -11.2% |
| Fees and commissions | 46 | 41 | 49 | 6.8% | 19.3% | 180 | 216 | 20.0% |
| Income from Investment Securities | 79 | 36 | 45 | -42.7% | 26.1% | 170 | 162 | -4.6% |
| Share of result of associate | -89 | 0 | 0 | NM | NM | -89 | 0 | NM |
| Total non-funded income | 37 | 77 | 95 | NM | 22.5% | 261 | 378 | 44.8% |
| Total operating income | 154 | 188 | 213 | 38.3% | 13.2% | 769 | 829 | 7.8% |
| Operating expenses | -93 | -99 | -97 | 3.8% | -2.0% | -370 | -383 | 3.5% |
| Pre provision profit | 60 | 89 | 116 | 91.4% | 30.2% | 399 | 446 | 11.7% |
| Impairment | -363 | -9 | -33 | -90.8% | NM | -789 | -50 | NM |
| Profit before tax | -303 | 80 | 82 | NM | 2.9% | -390 | 395 | NM |
| Corporate tax | 0 | -6 | -12 | NM | NM | 0 | -36 | NM |
| Net profit | -303 | 74 | 70 | NM | -5.4% | -390 | 360 | NM |

FABS estimate & Co Data
Ajman Bank - KPI

| | 4Q23 | 3Q24 | 4Q24F | YOY Ch | QOQ Ch | 2023 | 2024F | Change |
|-------------------------------|--------|-------|-------|--------|--------|--------|-------|--------|
| Net FI/OI | 76.1% | 58.9% | 55.5% | -2,061 | -336 | 66.0% | 54.4% | -1,166 |
| NIM | 2.3% | 2.3% | 2.4% | 9 | 10 | 2.8% | 2.3% | -49 |
| NIS | 2.6% | 2.5% | 2.6% | 5 | 6 | 3.0% | 2.5% | -54 |
| Fees & comms/OI | 29.9% | 21.9% | 23.1% | -680 | 118 | 23.4% | 26.1% | 265 |
| Inv Securities/OI | 51.6% | 19.2% | 21.4% | -3,025 | 218 | 22.1% | 19.5% | -253 |
| Cost to income | 60.7% | 52.7% | 45.6% | -1,511 | -708 | 48.1% | 46.2% | -189 |
| Impairment/PPP | 601.5% | 9.9% | 28.8% | NM | 1,890 | 197.9% | 11.3% | NM |
| NP/OI | NM | 39.4% | 32.9% | NM | -648 | NM | 43.4% | NM |
| Cost of risk | 9.8% | 0.2% | 0.9% | -886 | 69 | 5.7% | 0.4% | -538 |
| Loan-to-deposit | 73.1% | 72.7% | 71.0% | -205 | -174 | 73.1% | 71.0% | -205 |
| NPL | 16.1% | 11.8% | 11.8% | -425 | 4 | 16.1% | 11.8% | -425 |
| Coverage excluding collateral | 27.4% | 38.9% | 38.0% | 1,060 | -91 | 27.4% | 38.0% | 1,060 |
| Tier 1 | 14.5% | 18.4% | 18.0% | 351 | -39 | 14.5% | 18.0% | 351 |
| Capital adequacy | 15.6% | 19.5% | 19.1% | 349 | -40 | 15.6% | 19.1% | 349 |
| ROAA | -1.7% | -0.1% | 1.4% | NM | NM | -1.7% | 1.4% | NM |
| ROAE | -15.0% | -0.4% | 12.5% | NM | NM | -15.0% | 12.5% | NM |

FABS estimate & Co Data

Ajman Bank - Key B/S items

| AED mn | 4Q23 | 1Q24 | 2Q24 | 3Q24 | 4Q24F | YOY Ch |
|-------------------|--------|--------|--------|--------|--------|--------|
| Net advances | 13,776 | 13,113 | 13,906 | 13,404 | 13,750 | -0.2% |
| QOQ change | -5.9% | -4.8% | 6.1% | -3.6% | 2.6% | |
| Total assets | 24,936 | 23,070 | 24,235 | 24,440 | 25,114 | 0.7% |
| QOQ change | -1.1% | -7.5% | 5.0% | 0.8% | 2.8% | |
| Customer deposits | 19,725 | 18,431 | 19,306 | 19,310 | 19,366 | -1.8% |
| QOQ change | 0.8% | -6.6% | 4.7% | 0.0% | 0.3% | |
| Total equity | 2,675 | 2,766 | 2,881 | 3,025 | 3,066 | 14.6% |
| QOQ change | -10.5% | 3.4% | 4.2% | 5.0% | 1.4% | |

FABS estimate & Co Data

4Q24 preview: Commercial Bank International (CBI)

Lower impairments and higher operating income to support profitability

| Current Price | 12-m Target Price | Upside/Downside (%) | Rating |
|---------------|-------------------|---------------------|--------|
| AED 0.69 | AED 0.85 | +22.7% | BUY |

4Q24 estimate

Commercial Bank International's (CBI/the Bank) net profit is expected to increase 25.5% YOY to AED 38 Mn in 4Q24, mainly due to anticipated growth in total operating income driven by higher net funded and non-funded income partially offset by expected increase in operating expenses coupled with income tax charges. Funded income is projected to marginally fall 0.8% YOY to AED 266 Mn in 4Q24. However, we expect strong growth in the income from Islamic financing from AED 23 Mn in 4Q23 to AED 42 Mn in 4Q24, owing to the anticipated expansion of asset yield. Funded expense is estimated to decline 3.7% YOY to AED 202 Mn in 4Q24, primarily due to the expectation of lower cost of funds. Hence, net funded income is expected to grow strongly 29.4% YOY to AED 105 Mn in 4Q24. Fees and commission income are expected to increase from AED 35 Mn in 4Q23 to AED 47 Mn in 4Q24. Other operating income is expected to remain at the same level at AED 10 Mn in 4Q24 compared to 4Q23. CBI's total non-funded income is projected to grow 24.6% YOY to AED 57 Mn in 4Q24. As a result, total operating income is likely to rise 27.7% YOY to AED 162 Mn in 4Q24. Operating expenses are anticipated to grow from AED 80 Mn in 4Q23 to AED 110 Mn in 4Q24. Thus, we expect the Bank's cost-to-income ratio to grow from 63.1% in 4Q23 to 67.8% in 4Q24. We forecast CBI's impairment charge to decline to AED 6 Mn in 4Q24 compared to AED 17 Mn in 4Q23. In addition, the Bank is expected to record tax charges of AED 7 Mn in 4Q24, owing to the introduction of corporate tax in the UAE in 2024.

2024 forecast

CBI's net profit is expected to rise from AED 154 Mn in 2023 to AED 305 Mn in 2024, mainly due to projected growth in net funded and non-funded income, coupled with impairment reversal partially offset by a rise in operating expense and income tax charges. Funded income is estimated to increase 2.1% YOY to AED 1,005 Mn in 2024, while the income from Islamic financing is expected to rise 34.9% YOY to AED 112 Mn in 2024. We forecast funded expenses to rise 20.2% YOY to AED 721 Mn in 2024. Thus, net funded income is expected to increase 11.5% YOY to AED 396 Mn in 2024. Consequently, NIMs is projected to inch up 20 bps YOY to 2.2% in 2024. Fees and commission income are estimated to rise 35.0% YOY to AED 152 Mn, while the other operating income is anticipated to increase from AED 76 Mn in 2023 to AED 182 Mn in 2024. Hence, total non-funded income is projected to rise from AED 188 Mn in 2023 to AED 334 Mn in 2024. Thus, operating income is anticipated to grow 34.3% YOY to AED 730 Mn in 2024. Operating expenses are anticipated to grow 14.8% YOY to AED 401 Mn in 2024. We expect CBI to receive an impairment reversal of AED 10 Mn in 2024, compared to an impairment charge of AED 24 Mn in 2023. In addition, the Bank is expected to record tax charges of AED 30 Mn in 2024.

3Q24 outturn

CBI's funded income grew from AED 240 Mn in 3Q23 to AED 251 Mn in 3Q24, whereas income from Islamic financing and investment assets rose from AED 24 Mn in 3Q23 to AED 31 Mn in 3Q24. Total funded income rose from AED 264 Mn in 3Q23 to AED 282 Mn in 3Q24, owing to an expansion in asset yield and an increase in net advances. However, funded expenses grew significantly from AED 180 Mn in 3Q23 to AED 198 Mn in 3Q24 due to higher interest expenses. CBI's cost of funds declined 3 bps YOY but grew 19 bps QOQ to 4.80% in 3Q24. Thus, net funded income fell marginally 0.6% YOY to AED 84 Mn in 3Q24. NIMs declined 16 bps YOY and 13 bps QOQ to 1.9% in 3Q24. Net fees and commission income strongly grew from AED 21 Mn in 3Q23 to AED 41 Mn in 3Q24. CBI recorded a strong increase in other operating income from AED 41 Mn in 3Q23 to AED 155 Mn in 3Q24, mainly due to the one-off gains from the sale of non-financial assets coupled with higher foreign exchange gains. The Bank recorded gains on the sale of non-financial assets of AED 148 Mn, compared to AED 4 Mn in 3Q23. Thus, non-funded income grew from AED 62 Mn in 3Q23 to AED 196 Mn in 3Q24. Resultantly, total operating income grew from AED 147 Mn in 3Q23 to AED 280 Mn in 3Q24.

Operating expenses grew 46.4% YOY to AED 108 Mn in 3Q24. Thus, the bank's cost-to-income ratio declined from 50.4% in 3Q23 to 38.7% in 3Q24, mainly due to higher operating income. Impairment charges declined from AED 11 Mn in 3Q23 to AED 6 Mn in 3Q24. The Bank incurred a corporate tax of AED 15 Mn in 3Q24, owing to the introduction of UAE corporate tax.

Target Price and Rating

We revise our rating from HOLD to BUY on CBI with an unchanged target price of AED 0.85. The Bank's stock price declined 13.5% since our last rating. CBI demonstrated solid profitability growth in 3Q24, primarily supported by higher non-funded income, driven by one-off gains from the sale of non-financial assets and lower impairment charges. The Bank's net advances showed positive momentum, growing 1.3% YOY and 2.9% QOQ to AED 11 Bn in 3Q24 due to increased wholesale lending. Net advances, including Islamic financing and investment assets, also grew strongly from AED 905 Mn in 3Q23 to AED 1,754 Mn in 3Q24. The Bank's total customer deposits grew 24.8% YOY and 6.8% QOQ to AED 15 Bn in 3Q24, mainly due to a solid rise in Islamic deposits. NIMs contracted 16 bps YOY and 13 bps QOQ to 1.9% in 3Q24 due to higher cost of funds. Furthermore, the calculated NPL ratio declined from 18.4% in 2Q24 to 17.7% in 3Q24. Provision coverage also rose from 33.4% in 2Q24 to 34.0% in 3Q24, indicating improved asset quality. The Bank's stage 2 loans as a percentage of gross loans also declined marginally from 12.6% in 2Q24 to 12.2% in 3Q24. CBI maintained a healthy capitalization with a CET 1 ratio of 12.0% and a total CAR of 15.8% in 3Q24. Hence, based on the above-mentioned factors, we assign a BUY rating on the stock.

CBI-Relative valuation

| (At CMP) | 2019 | 2020 | 2021 | 2022 | 2023 | 2024F |
|----------|-------|------|------|-------|------|-------|
| PE | 10.27 | NM | 9.84 | 10.23 | 7.79 | 3.93 |
| PB | 0.60 | 0.61 | 0.57 | 0.56 | 0.52 | 0.46 |

FABS estimate & Co Data

CBI - P&L

| AED mn | 4Q23 | 3Q24 | 4Q24F | YOY Ch | QOQ Ch | 2023 | 2024F | Change |
|--------------------------------------|------------|------------|------------|--------------|---------------|------------|------------|--------------|
| Funded income | 268 | 251 | 266 | -0.8% | 6.2% | 984 | 1,005 | 2.1% |
| Inc from Islamic fin & invest assets | 23 | 31 | 42 | 77.9% | 32.9% | 83 | 112 | 34.9% |
| Funded expenses | -210 | -198 | -202 | -3.7% | 2.3% | -600 | -721 | 20.2% |
| Net funded income | 81 | 84 | 105 | 29.4% | 25.2% | 355 | 396 | 11.5% |
| Fees and commissions | 35 | 41 | 47 | 33.0% | 14.2% | 113 | 152 | 35.0% |
| Other operating income, net | 10 | 155 | 10 | -4.6% | NM | 76 | 182 | NM |
| Total non-funded income | 46 | 196 | 57 | 24.6% | -71.0% | 188 | 334 | 77.2% |
| Total operating income | 127 | 280 | 162 | 27.7% | -42.1% | 544 | 730 | 34.3% |
| Operating expenses | -80 | -108 | -110 | 37.1% | 1.3% | -349 | -401 | 14.8% |
| Pre provision profit | 47 | 172 | 52 | 11.5% | -69.6% | 194 | 329 | 69.4% |
| Impairment | -17 | -6 | -6 | -61.7% | 7.4% | -24 | 10 | NM |
| UAE corporate tax | 0 | -15 | -7 | NM | -52.4% | 0 | -30 | NM |
| Non-controlling interests | 0 | 0 | 1 | NM | NM | 17 | 2 | -88.0% |
| Net profit | 30 | 149 | 38 | 25.5% | -74.8% | 154 | 305 | 98.3% |

FABS estimate & Co Data

CBI - P&L KPI

| | 4Q23 | 3Q24F | 4Q24F | YOY Ch | QOQ Ch | 2023 | 2024F | Change |
|-----------------------|--------|-------|-------|--------|--------|--------|-------|--------|
| Net FI/OI | 64.1% | 30.1% | 65.0% | 87 | NM | 65.4% | 54.3% | -1,108 |
| NIM | 1.9% | 1.9% | 2.3% | 36 | 41 | 2.0% | 2.2% | 20 |
| NIS | 1.3% | 1.4% | 1.9% | 59 | 44 | 1.5% | 1.8% | 27 |
| Fees & comms/OI | 27.8% | 14.7% | 29.0% | 117 | 1,428 | 20.7% | 20.8% | 11 |
| Trading/OI | 8.1% | 55.3% | 6.0% | -204 | NM | 13.9% | 24.9% | 1,097 |
| Cost to income | 63.1% | 38.7% | 67.8% | 468 | 2,907 | 64.2% | 54.9% | -934 |
| Impairment/PPP | 35.9% | 3.5% | 12.4% | -2,356 | 885 | 12.2% | -3.0% | NM |
| NP/OI | 23.6% | 53.3% | 23.2% | -40 | NM | 28.3% | 41.8% | 1,349 |
| Cost of risk | 0.5% | 0.3% | 0.2% | -33 | -4 | 0.2% | -0.1% | NM |
| Loan-to-deposit | 100.0% | 85.0% | 86.7% | -1,334 | 168 | 100.0% | 86.7% | -1,334 |
| NPL - calculated | 18.0% | 17.7% | 17.5% | -50 | -17 | 18.0% | 17.5% | -50 |
| Coverage - calculated | 33.4% | 34.0% | 35.0% | 158 | 101 | 33.4% | 35.0% | 158 |
| CET 1 | 11.3% | 12.0% | 11.7% | 42 | -27 | 11.3% | 11.7% | 42 |
| Capital Adequacy | 15.1% | 15.8% | 15.2% | 7 | -60 | 15.1% | 15.2% | 7 |
| ROAE | 6.9% | 10.9% | 10.9% | 398 | 5 | 6.9% | 12.5% | 553 |
| ROAA | 0.8% | 1.3% | 1.3% | 55 | 1 | 0.8% | 1.5% | 74 |

FABS estimate & Co Data

CBI- Key BS Items

| AED mn | 4Q23 | 1Q24 | 2Q24 | 3Q24 | 4Q24F | YOY Ch |
|-------------------|--------|--------|--------|--------|--------|--------|
| Net advances | 12,608 | 12,192 | 12,510 | 12,911 | 13,244 | 5.0% |
| QOQ Change | 5.8% | -3.3% | 2.6% | 3.2% | 2.6% | |
| Total assets | 18,974 | 19,003 | 19,972 | 20,995 | 21,535 | 13.5% |
| QOQ Change | 1.3% | 0.2% | 5.1% | 5.1% | 2.6% | |
| Customer deposits | 12,608 | 12,687 | 14,225 | 15,191 | 15,282 | 21.2% |
| QOQ Change | 3.6% | 0.6% | 12.1% | 6.8% | 0.6% | |
| Total equity | 2,753 | 2,789 | 2,821 | 2,970 | 3,058 | 11.1% |
| QOQ Change | 1.1% | 1.3% | 1.1% | 5.3% | 3.0% | |

FABS estimate & Co Data

4Q24 preview: **United Arab Bank (UAB)**

Strong loan pipeline and healthy asset quality to support profitability

| Current Price | 12-m Target Price | Upside/Downside (%) | Rating |
|---------------|-------------------|---------------------|-------------|
| AED 1.40 | AED 1.10 | -21.4% | SELL |

4Q24 Estimate

United Arab Bank (UAB) is anticipated to report 52.5% YOY rise in net profit to AED 71 Mn in 4Q24, mainly due to an expected increase in funded and non-funded income partially offset by an estimated increase in operating expenses and income tax charges. Funded income is forecasted to rise 20.3% YOY to AED 308 Mn in 4Q24 due to an anticipated growth in the interest-earning assets. Funded expense is anticipated to rise 17.1% YOY to AED 182 Mn in 4Q24. Therefore, net funded income is expected to increase 25.3% YOY to AED 126 Mn in 4Q24. Furthermore, fee and commission income is anticipated to grow from AED 17 Mn in 4Q23 to AED 23 Mn in 4Q24. Exchange income is projected to fall 15.4% YOY to AED 7 Mn in 4Q24. Other non-funded income is expected to increase significantly from AED 5 Mn in 4Q23 to 12 Mn in 4Q24. Thus, total non-funded income is anticipated to grow strongly 44.4% YOY to AED 42 Mn in 4Q24. As a result, total operating income is expected to increase 29.6% YOY to AED 168 Mn in 4Q24. The Bank's operating expenses is expected to rise 8.1% YOY to AED 80 Mn in 4Q24. The cost-to-income ratio is expected to improve from 57.3% in 4Q23 to 47.8% in 4Q24. Additionally, impairments are anticipated to rise 11.4% YOY to AED 10 Mn in 4Q24. The Bank is expected to incur an income tax expense of AED 7 Mn in 4Q24 owing to the incorporation of corporate tax in 2024.

2024 Forecast

UAB's net profit is forecasted to grow 10.8% YOY to AED 283 Mn in 2024, attributed to an expected increase in net funded income coupled with a decline in impairments partially offset by a decline in total non-funded income and income tax charges. The Bank's funded income is expected to grow 31.3% YOY to AED 1,210 Mn in 2024 due to a strong growth anticipated in net advances and other interest-earnings assets. Funded expense is projected to grow 38.6% YOY to AED 730 Mn in 2024. Consequently, net funded income is anticipated to grow 21.4% YOY to AED 480 Mn in 2024. The Fees and commission income is expected to rise 15.0% YOY to AED 88 Mn in 2024. Moreover, the exchange income is estimated to rise marginally 5.0% YOY to AED 29 Mn in 2024. The other non-funded income is projected to decline from AED 77 Mn in 2023 to AED 23 Mn in 2024. Hence, total non-funded income is expected to decline 22.6% YOY to AED 141 Mn in 2024. Consequently, total operating income is projected to grow 7.6% YOY to AED 620 Mn in 2024. In addition, operating expenses are expected to increase 6.7% YOY to AED 304 Mn in 2024, while impairments are forecasted to decline from AED 36 Mn in 2023 to AED 5 Mn in 2024. The Bank is also forecasted to record an income tax expense of AED 28 Mn in 2024, owing to the introduction of corporate tax in 2024.

3Q24 Outrun

UAB's funded income grew 30.1% YOY to AED 302 Mn in 3Q24, driven by an increase in net advances and other interest-earnings assets. On the other hand, funded expenses grew significantly 47.0% YOY to AED 191 Mn in 3Q24. Thus, net funded income grew 8.6% YOY to AED 111 Mn in 3Q24. UAB's NIMs declined 63 bps YOY and 11 bps QOQ to 2.4% in 3Q24. The Bank's total non-funded income declined 43.6% YOY to AED 41 Mn in 3Q24, primarily due to the decline in other non-funded income partially offset by an increase in fees & commission and exchange income. Fee and commission income rose 21.1% YOY to AED 22 Mn in 3Q24, owing to higher business volumes. Exchange income rose from AED 6 Mn in 3Q23 to AED 10 Mn in 3Q24. In addition, other non-funded income declined significantly from AED 47 Mn in 3Q23 to AED 8 Mn in 3Q24. Total operating income declined 13.0% YOY to AED 152 Mn in 3Q24. UAB's operating expenses fell 1.5% YOY to AED 75 Mn in 3Q24. Resultantly, the cost-to-income ratio grew from 43.8% in 3Q23 to 49.6% in 3Q24. The Bank recorded a reversal in impairments of AED 5 Mn in 3Q24 as compared to an impairment charge of AED 9 Mn in 3Q23 owing to strong recoveries. UAB incurred tax expenses of AED 7 Mn in 3Q24.

Target Price and recommendation

We revise our rating from HOLD to SELL on United Arab Bank (UAB) with an unchanged target price of AED 1.10. UAB's stock price grew 27.3% since our last rating. UAB's profitability declined primarily due to lower non-core income in 3Q24, which negatively impacted total operating income growth. The Bank's loan book grew 39.6% YOY and 3.1% QOQ to AED 11 Bn in 3Q24. UAB witnessed growth in lending activity, and the outlook remains positive for the remainder of the year due to its strong business pipeline. NIMs declined 63 bps YOY and 11 bps QOQ to 2.4% in 3Q24, owing to a decline in the asset yield. Customer deposits grew 31.1% YOY but declined 0.8% QOQ to AED 12 Bn in 3Q24. CASA deposits as a percentage of total deposits declined from 36.3% in 2Q24 to 33.8% in 3Q24. Furthermore, asset quality improved as calculated NPLs declined from 4.5% in 2Q24 to 4.1% in 3Q24 due to strong recoveries and settlement. Provision coverage also increased from 124.6% in 2Q24 to 125.2% in 3Q24, providing a cushion against potential bad loans. Capitalization stood strong with a CET 1 ratio of 13.8% and CAR at 18.8% in 3Q24. Despite these positives, the stock trades at an expensive P/B ratio of 1.3x compared to its peer multiple of 1.2x in 2024. In addition, the Bank is also not paying any dividends compared to its peers. Thus, considering these factors, we assign a SELL rating on the stock.

UAB - Relative valuation

| (At CMP) | 2019 | 2020 | 2021 | 2022 | 2023 | 2024F |
|----------|------|------|-------|-------|-------|-------|
| PE | NA | NA | 40.55 | 18.40 | 11.15 | 10.06 |
| PB | 1.32 | 1.96 | 1.88 | 1.90 | 1.64 | 1.34 |

FABS Estimates & Co Data
UAB - P&L

| AED mn | 4Q23 | 3Q24 | 4Q24F | YOY Ch | QOQ Ch | 2023 | 2024F | Change |
|--------------------------------|------------|------------|------------|--------------|--------------|------------|------------|---------------|
| Interest income | 256 | 302 | 308 | 20.3% | 1.8% | 922 | 1,210 | 31.3% |
| Interest expense | -155 | -191 | -182 | 17.1% | -4.8% | -527 | -730 | 38.6% |
| Net interest income | 100 | 111 | 126 | 25.3% | 13.2% | 395 | 480 | 21.4% |
| Fees and commissions | 17 | 22 | 23 | 38.5% | 3.9% | 77 | 88 | 15.0% |
| Exchange income | 8 | 10 | 7 | -15.4% | -33.8% | 28 | 29 | 5.0% |
| Other non-funded income | 5 | 8 | 12 | NM | 50.0% | 77 | 23 | -70.0% |
| Total non-funded income | 29 | 41 | 42 | 44.4% | 4.2% | 182 | 141 | -22.6% |
| Total operating income | 130 | 152 | 168 | 29.6% | 10.8% | 576 | 620 | 7.6% |
| General & admin. Expenses | -74 | -75 | -80 | 8.1% | 6.8% | -285 | -304 | 6.7% |
| Pre provision profit | 55 | 77 | 88 | 58.4% | 14.7% | 292 | 316 | 8.4% |
| Impairment | -9 | 5 | -10 | 11.4% | NM | -36 | -5 | -85.1% |
| Profit before tax | 46 | 81 | 78 | 67.7% | -4.2% | 255 | 311 | 21.8% |
| Corporate tax | 0 | -7 | -7 | NM | -4.0% | 0 | -28 | NM |
| Net profit | 46 | 74 | 71 | 52.5% | -4.2% | 255 | 283 | 10.8% |

UAB - P&L KPI

| | 4Q23 | 3Q24 | 4Q24F | YOY Ch | QOQ Ch | 2023 | 2024F | Change |
|-------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Net FI/OI | 77.4% | 73.3% | 74.9% | -257 | 160 | 68.5% | 77.3% | 882 |
| NIM | 2.6% | 2.4% | 2.6% | -3 | 23 | 2.6% | 2.6% | -4 |
| NIS | 2.0% | 1.8% | 2.0% | -2 | 19 | 2.2% | 2.0% | -18 |
| Fees & comms/OI | 13.0% | 14.8% | 13.9% | 89 | -92 | 13.3% | 14.2% | 92 |
| Exchange income/OI | 5.9% | 6.5% | 3.9% | -206 | -261 | 4.8% | 4.7% | -12 |
| Cost to income | 57.3% | 49.6% | 47.8% | -950 | -179 | 49.4% | 49.0% | -41 |
| Impairment/PPP | 16.5% | -5.9% | 11.6% | -488 | 1,749 | 12.5% | 1.7% | -1,075 |
| NP/OI | 35.7% | 48.6% | 42.0% | 632 | -660 | 44.3% | 45.6% | 132 |
| Cost of risk - Calculated | 0.4% | -0.2% | 0.4% | -5 | 51 | 0.4% | 0.1% | -35 |
| Loan-to-deposit | 91.4% | 89.4% | 89.0% | -240 | -39 | 91.4% | 89.0% | -240 |
| NPL | 5.0% | 4.1% | 4.6% | -41 | 48 | 5.0% | 4.6% | -41 |
| Coverage excluding collateral | 131.8% | 125.2% | 128.0% | -381 | 278 | 131.8% | 128.0% | -381 |
| CET 1 | 13.5% | 13.8% | 14.6% | 106 | 78 | 13.5% | 14.6% | 106 |
| Capital adequacy | 19.0% | 18.8% | 19.3% | 33 | 50 | 19.0% | 19.3% | 33 |
| ROAE | 15.8% | 14.2% | 14.6% | -115 | 40 | 13.2% | 12.6% | -62 |
| ROAA | 1.6% | 1.5% | 1.5% | -13 | -1 | 1.6% | 1.5% | -13 |

FABS estimate & Co Data

UAB- Key BS Items

| AED mn | 4Q23 | 1Q24 | 2Q24 | 3Q24 | 4Q24F | YOY Ch. |
|-------------------|--------|--------|--------|--------|--------|---------|
| Net advances | 9,357 | 9,534 | 10,435 | 10,754 | 11,032 | 17.9% |
| QOQ Change | 21.5% | 1.9% | 9.4% | 3.1% | 2.6% | |
| Total assets | 17,648 | 17,907 | 19,813 | 20,016 | 20,623 | 16.9% |
| QOQ Change | 19.8% | 1.5% | 10.6% | 1.0% | 3.0% | |
| Customer deposits | 10,238 | 10,656 | 12,129 | 12,031 | 12,395 | 21.1% |
| QOQ Change | 11.6% | 4.1% | 13.8% | -0.8% | 3.0% | |
| Total equity | 2,290 | 2,363 | 2,411 | 2,577 | 2,681 | 17.1% |
| QOQ Change | 6.1% | 3.2% | 2.0% | 6.9% | 4.0% | |

FABS estimate & Co Data

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