

## Emirates NBD (ENBD)

Strong expansion in loan movement fueled the net funded income growth

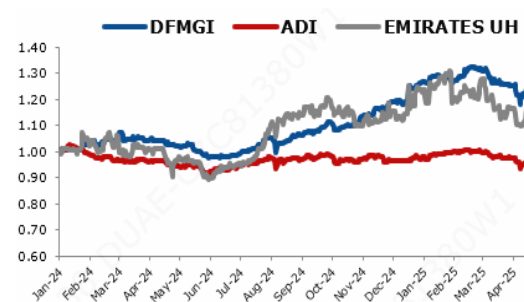
**Current Price**  
AED 20.40

**Target Price**  
AED 25.00

**Upside/Downside (%)**  
+23%

**Rating**  
BUY

- The Bank's balance sheet crossed the AED 1 trillion mark in 1Q25, up from AED 997 Bn in 4Q24, reflects robust asset growth and cements ENBD's position as a leading regional banking institution.
- Group net advances grew 3.8% QOQ to AED 520.9 Bn in 1Q25, with over half of the incremental lending originating from international operations.
- The majority of 1Q25 deposit growth came from current and savings accounts, which significantly lowered the ENBD's cost of funds. CASA represents 61% of total Group deposits in 1Q25.
- ENBD maintained original guidance of high single digit loan growth, 3-4% NPL ratio, less than 33% of cost to income ratio, and credit risk of 40-60 bps.



### 1Q25 Net Profit higher than our estimate

Emirates NBD's (ENBD/the Bank) net profit fell 7.3% YOY to AED 6,214 Mn in 1Q25, higher than our estimate of AED 5,071 Mn. The fall in net profit is mainly due to higher operating expenses, tax charge, and hyperinflation adjustments coupled with decline in impairment reversal, partially offset by a rise in net funded and non-funded income.

### P&L Highlights

ENBD's funded income rose 11.1% YOY to AED 19,198 Mn in 1Q25 due to a strong lending momentum, driven by robust lending growth in the international market, along with higher lending in retail banking, corporate banking, rise in DenizBank's loans, and continued lending growth in the KSA region. On the other hand, funded expenses rose 8.8% YOY to AED 10,743 Mn in 1Q25 mainly due to strong growth in deposits. Thus, net funded income increased 14.1% YOY to AED 8,455 Mn in 1Q25. Fee and commission income rose 14.2% YOY to AED 1,888 Mn in 1Q25 owing to rise in local as well as international retail card business, higher investment banking, trade finance and wealth management income, and increased customer lending. However, Trading gain decreased 2.0% YOY to AED 194 Mn 1Q25. Similarly, other operating income witnessed a decline of 4.5% YOY to AED 1,338 Mn in 1Q25 due to rise in swap funding costs in DenizBank. Thus, non-funded income increased 5.2% YOY to AED 3,420 Mn in 1Q25. As a result, operating income boosted 11.4% YOY to AED 11,875 Mn in 1Q25. The Bank's operating expenses grew 19.7% YOY to AED 3,676 Mn in 1Q25 attributable to increase in staff cost, D&A expenses, IT & communications and other costs. Thus, the cost-to-income ratio increased from 28.8% in 1Q24 to 30.9% in 1Q25. The Bank witnessed a significant decline in impairment reversal from

### Stock Information

Market Cap (AED, Mn)	130,437.75
Paid Up Capital (Mn)	6,316.60
52 Week High	22.85
52 Week Low	15.45
3M Avg. daily value(AED)	51,210,470

### 1Q25 Result Review (AED, Mn)

Total Assets	1,030,570
Total Liabilities	903,741
Total Equity	117,468
Total Deposits	697,595
Net Profit	6,214

### Financial Ratios

Dividend Yield (12m)	4.9
Dividend Pay-out (%)	28.12
Price-Earnings Ratio(x)	5.94
Price-to-Book Ratio (x)	1.11
Book Value (AED)	18.60
Return-on Equity (%)	20.27

### Stock Performance

5 Days	6.99%
1 Months	5.36%
3 Months	-7.81%
6 Months	8.40%
1 Year	27.08%
Month to Date (MTD%)	2.23%
Quarter to Date (QTD%)	2.23%
Year to Date (YTD%)	-3.73%

AED 866 Mn in 1Q24 to AED 465 Mn in 1Q25. ENBD recorded a tax expense of AED 1,546 Mn in 1Q25 compared to an AED 861 Mn in 1Q24. In addition, the Bank's capital-neutral hyperinflation adjustment rose 2.0% YOY to AED 899 Mn in 1Q25. NCI declined substantially from AED 14 Mn in 1Q24 to AED 5 Mn in 1Q25.

### Balance Sheet Highlights

ENBD's net advances rose 13.6% YOY and 3.8% QOQ to AED 520.9 Bn in 1Q25 owing to buoyant economy. The gross retail portfolio rose from AED 122 Bn in 1Q24 to AED 157 Bn in 1Q25, supported by AED 20 Bn in new retail lending during 1Q25. Similarly, corporate portfolio increased from AED 218 Bn in 1Q24 to AED 245 Bn in 1Q25, driven by AED 26 Bn in new loan origination during 1Q25. Deposits increased 14.3% YOY and 4.6% QOQ to AED 697.6 Bn in 1Q25. The Bank added AED 27 Bn in CASA deposits during 1Q25. Additionally, CASA deposits represent 61% of total deposits in 1Q25. Moreover, the ENBD's loan-to-deposits ratio stood at 74.7% in 1Q25, compared to 75.1% in 1Q24. Total assets rose 14.2% YOY and 3.4% QOQ to AED 1,030.6 Bn in 1Q25.

### Target Price and Rating

We maintain our BUY rating on ENBD with a target price of AED 25.00. Emirates NBD reported strong performance in the 1Q25, underpinned by healthy growth in net funded income, primarily driven by robust lending activity across all loan categories. The Bank's balance sheet surpassed the AED 1 trillion mark in 1Q25, up from AED 997 Bn in 4Q24, reflecting strong asset growth and reinforcing ENBD's position as a leading regional banking institution. The Retail Banking and Wealth Management segment delivered record-high revenue, supported by strong loan acquisition and healthy CASA inflows. This segment also captured a significant 35% market share in UAE credit card spending, with total volume exceeding AED 50 Bn during 1Q25. Moreover, the Group's Assets Under Management (AUM) grew 48% YOY, reaching over USD 50 Bn, highlighting the continued success of ENBD's wealth management strategy. Corporate and Institutional Banking recorded a 3% YOY income increase, largely driven by a 14% rise in fee income from trade finance, investment banking, and foreign exchange and derivatives. Net advances grew by 3.8% QOQ to AED 520.9 Bn, with over half of the new lending originating from international markets, including Saudi Arabia, Egypt, Turkey, and India. Lending in Saudi Arabia alone now represents c. 6% of ENBD's total loan book, demonstrating the Bank's strategic focus on regional expansion. In particular, ENBD is targeting private enterprises in Saudi Arabia that offer cross-selling opportunities in cash management, FX, trade finance, and derivatives, enhancing return on risk capital rather than relying solely on interest income. This approach is helping ENBD to diversify loan portfolio geographically and reduce concentration risk in the UAE. Asset quality also improved, with the NPL ratio declining from 4.4% in 1Q24 to 3.1% in 1Q25, driven by successful recoveries of previously at-risk loans. The cost of risk stood at 34 bps in 1Q25, supported by significant repayments which offset proactive provisioning for interest rate-related impacts in Türkiye. The Bank's cost-to-income ratio improved to 30.9% in 1Q25 from 36.4% in 4Q24, reflecting effective cost management alongside sustained investments in business growth, digital capabilities, and international expansion. Due to ongoing inflationary pressures, ENBD will continue applying hyperinflation accounting for its Turkish operations through at least 2027. While this affects reported figures, it does not impact the Bank's underlying operational performance. Looking ahead, ENBD remains focused on enhancing its digital platform and product suite to drive further growth in wealth management revenue. The Bank also aims to expand its international presence by targeting a 4-5% market share in key markets. ENBD maintained original guidance of high single digit loan growth, 3-4% NPL ratio, less than 33% of cost to income ratio, and credit risk of 40-60 bps. Thus, considering the above-mentioned factors, we assign a BUY rating on the stock.

#### ENBD- Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	20.11	14.57	10.15	6.05	5.65	5.83
PB	1.71	1.71	1.51	1.26	1.09	0.96
DPS (AED)	0.40	0.50	0.60	1.20	1.00	1.00
Dividend yield	2.0%	2.5%	3.0%	6.0%	4.9%	5.0%

FABS Estimates & Co Data

**ENBD- P&L**

AED Mn	1Q24	4Q24	1Q25	1Q25F	Var.	YOY Ch	QOQ Ch	2024	2025F	Change
Funded income	17,284	21,174	19,198	19,584	-2.0%	11.1%	-9.3%	78,132	77,284	-1.1%
Funded expense	-9,874	-12,607	-10,743	-11,487	-6.5%	8.8%	-14.8%	-45,736	-42,472	-7.1%
<b>Net funded income</b>	<b>7,410</b>	<b>8,567</b>	<b>8,455</b>	<b>8,098</b>	<b>4.4%</b>	<b>14.1%</b>	<b>-1.3%</b>	<b>32,396</b>	<b>34,813</b>	<b>7.5%</b>
Fees and commissions	1,653	1,648	1,888	1,681	12.3%	14.2%	14.6%	6,793	6,997	3.0%
Trading gain/(loss)	198	205	194	209	-7.2%	-2.0%	-5.4%	838	922	10.0%
Other Operating Income	1,401	838	1,338	804	66.3%	-4.5%	59.7%	4,107	4,189	2.0%
<b>Non-funded income</b>	<b>3,252</b>	<b>2,691</b>	<b>3,420</b>	<b>2,695</b>	<b>26.9%</b>	<b>5.2%</b>	<b>27.1%</b>	<b>11,738</b>	<b>12,108</b>	<b>3.1%</b>
<b>Operating income</b>	<b>10,662</b>	<b>11,258</b>	<b>11,875</b>	<b>10,792</b>	<b>10.0%</b>	<b>11.4%</b>	<b>5.5%</b>	<b>44,134</b>	<b>46,920</b>	<b>6.3%</b>
Operating expenses	-3,070	-4,099	-3,676	-3,238	13.5%	19.7%	-10.3%	-13,751	-14,968	8.8%
<b>Pre-provision profit</b>	<b>7,592</b>	<b>7,159</b>	<b>8,199</b>	<b>7,555</b>	<b>8.5%</b>	<b>8.0%</b>	<b>14.5%</b>	<b>30,383</b>	<b>31,953</b>	<b>5.2%</b>
Impairment	866	-1,450	465	-790	NM	-46.3%	NM	-106	-2,525	NM
<b>PBT</b>	<b>8,458</b>	<b>5,709</b>	<b>8,664</b>	<b>6,764</b>	<b>28.1%</b>	<b>2.4%</b>	<b>51.8%</b>	<b>30,277</b>	<b>29,428</b>	<b>-2.8%</b>
Tax	-861	-988	-1,546	-1,015	52.4%	79.6%	56.5%	-4,133	-4,414	6.8%
<b>Net profit</b>	<b>7,597</b>	<b>4,721</b>	<b>7,118</b>	<b>5,749</b>	<b>23.8%</b>	<b>-6.3%</b>	<b>50.8%</b>	<b>26,144</b>	<b>25,014</b>	<b>-4.3%</b>
Hyperinflation	-881	-731	-899	-675	33.2%	2.0%	23.0%	-3,136	-2,700	-13.9%
<b>Net Profit adj for hyperinflation</b>	<b>6,716</b>	<b>3,990</b>	<b>6,219</b>	<b>5,074</b>	<b>22.6%</b>	<b>-7.4%</b>	<b>55.9%</b>	<b>23,008</b>	<b>22,314</b>	<b>-3.0%</b>
NCI	-14	-7	-5	-4	42.9%	-64.3%	-28.6%	-35	-25	-30.0%
<b>Profit for the period</b>	<b>6,702</b>	<b>3,983</b>	<b>6,214</b>	<b>5,071</b>	<b>22.5%</b>	<b>-7.3%</b>	<b>56.0%</b>	<b>22,973</b>	<b>22,289</b>	<b>-3.0%</b>

*FABS estimate & Co Data*
**ENBD- KPI**

	1Q24	4Q24	1Q25	YOY	QOQ	2024	2025F	Change
Net FI/OI	69.5%	76.1%	71.2%	170	-490	73.4%	74.2%	79
NIM (Calculated)	3.51%	3.70%	3.49%	-2	-21	3.7%	3.5%	-12
NIS	2.6%	2.7%	2.6%	0	-2	2.7%	2.7%	3
Fees & comms/OI	15.5%	14.6%	15.9%	40	126	15.4%	14.9%	-48
Other non-funded/OI	13.1%	7.4%	11.3%	-187	382	9.3%	8.9%	-38
Trading/OI	1.9%	1.8%	1.6%	-22	-19	1.9%	2.0%	7
Cost to income	28.8%	36.4%	30.9%	211	-551	31.2%	31.9%	74
Impairment/PPP	-11.4%	20.3%	-5.7%	574	-2,593	0.3%	7.9%	755
Tax/PBT	10.2%	17.3%	17.8%	766	54	13.7%	15.0%	135
NP/OI	62.9%	35.4%	52.3%	-1,053	1,695	52.1%	47.5%	-455
Loan-to-deposit (Headline)	75.1%	75.2%	74.7%	-47	-56	75.2%	76.0%	77
NPL – Reported	4.4%	3.3%	3.1%	-130	-20	3.3%	3.3%	-8
NPL Coverage – Reported	153.0%	156.0%	158.0%	500	200	156.0%	162.0%	600
CET1	15.2%	14.7%	14.7%	-53	1	14.7%	15.5%	88
Capital Adequacy	17.8%	17.1%	17.0%	-81	-6	17.1%	17.8%	71
ROAE	23.3%	20.7%	20.3%	-307	-39	20.7%	17.4%	-322
ROAA	2.6%	2.5%	2.3%	-31	-14	2.5%	2.2%	-31

*FABS estimate & Co Data*

**ENBD- Key B/S items**

<b>AED Mn</b>	<b>1Q24</b>	<b>2Q24</b>	<b>3Q24</b>	<b>4Q24</b>	<b>1Q25</b>	<b>YOY</b>
Net advances	458,633	477,132	493,843	501,627	520,909	13.6%
<i>QOQ ch</i>	3.0%	4.0%	3.5%	1.6%	3.8%	
Total assets	902,284	930,785	956,041	996,582	1,030,570	14.2%
<i>QOQ ch</i>	4.6%	3.2%	2.7%	4.2%	3.4%	
Customer deposits	610,371	624,417	644,812	666,777	697,595	14.3%
<i>QOQ ch</i>	4.4%	2.3%	3.3%	3.4%	4.6%	
Total equity <sup>1</sup>	99,144	107,199	114,040	116,861	117,468	18.5%
<i>QOQ ch</i>	-1.5%	8.1%	6.4%	2.5%	0.5%	

FABS estimate & Co Data, Note: <sup>1</sup>The total equity is excluding the Tier 1 capital notes and non-controlling interest.

## Valuation:

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

Valuation Method	Target	Weight	Weighted Value
Residual Income	25.63	70.0%	17.94
Relative Valuation (RV)	23.52	30.0%	7.06
<b>Weighted Average Valuation (AED)</b>			<b>25.00</b>
Current market price (AED)			20.40
Upside/Downside (%)			+23%

### 1) Residual Income Method:

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

Sum of PV (AED, Mn)	24,279
Terminal value (AED, Mn)	26,453
Book Value of Equity (as of Sep 2024)	111,151
<b>FV to Common shareholders (AED, Mn)</b>	<b>161,883</b>
No. of share (Mn)	6,317
Current Market Price (AED)	20.40
<b>Fair Value per share (AED)</b>	<b>25.63</b>

### Residual Income Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
Net Profit	21,769	22,339	21,928	21,131	20,993
(-) Equity Charge	(12,294)	(13,825)	(15,318)	(16,737)	(18,143)
<b>Excess Equity</b>	<b>9,475</b>	<b>8,514</b>	<b>6,610</b>	<b>4,394</b>	<b>2,849</b>
Discounting Factor	0.94	0.86	0.79	0.72	0.66
<b>Present Value of Excess Equity</b>	<b>6,686<sup>1</sup></b>	<b>7,332</b>	<b>5,210</b>	<b>3,170</b>	<b>1,882</b>

Source: FAB Securities, <sup>1</sup>Adjusted for Partial Year

## 2) Relative Valuation:

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

Company	Market (USD Mn)	P/B (x)		P/E (x)		Dividend Yield (%)	
		2025F	2026F	2025F	2026F	2025F	2026F
Sharjah Islamic Bank	2,053	1.0	1.0	8.6	8.0	5.2%	5.6%
Commercial Bank of Dubai	6,258	1.4	1.3	7.5	7.9	6.2%	5.8%
Mashreq Bank	13,217	1.3	1.2	6.5	6.8	8.3%	8.3%
Rakbank	3,461	1.0	0.9	6.5	6.7	7.3%	7.4%
Abu Dhabi Commercial Bank	21,119	1.1	1.0	8.8	8.2	5.7%	5.9%
Dubai Islamic Bank	14,737	1.3	1.2	8.7	8.8	6.1%	6.1%
<b>Average</b>		<b>1.2x</b>	<b>1.1x</b>	<b>7.8x</b>	<b>7.7x</b>	<b>6.5%</b>	<b>6.5%</b>
<b>Median</b>		<b>1.2x</b>	<b>1.1x</b>	<b>8.1x</b>	<b>8.0x</b>	<b>6.1%</b>	<b>6.0%</b>
<b>Max</b>		<b>1.3x</b>	<b>1.2x</b>	<b>8.7x</b>	<b>8.2x</b>	<b>7.0%</b>	<b>7.1%</b>
<b>Min</b>		<b>1.0x</b>	<b>1.0x</b>	<b>6.8x</b>	<b>7.1x</b>	<b>5.8%</b>	<b>5.9%</b>

Source: FAB Securities

**Research Rating Methodology:**

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Rating	Upside/Downside potential
BUY	Higher than +15%
ACCUMULATE	Between +10% to +15%
HOLD	Lower than +10% to -5%
REDUCE	Between -5% to -15%
SELL	Lower than -15%

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