

## UAE Banking Sector – June 2025

Cross-Border Lending and Diversified Income Streams to Propel Growth

Sector Weighting:  
**MARKET WEIGHT**

We maintain our MARKET WEIGHT rating on the UAE banking sector. Net advances in the UAE banking sector recorded 1.4% QOQ growth in 1Q25, owing to increased lending across private corporate and retail sectors, partially offset by a decline across government and public sector GREs. The average loan growth outlook for the top five UAE banks remains strong, with most banks guiding for high single-digit to low double-digit growth in 2025. However, this growth trajectory faces headwinds from early repayments from GREs. For instance, ADCB reported new credit origination of AED 37 Bn in 1Q25 but also witnessed repayments totalling AED 28 Bn during the same period. Similar trends were observed across other major banks in the sector, including ENBD and DIB. These early repayments pose a potential risk to sustained credit expansion. In addition, the GREs are borrowing more from the capital markets by issuing conventional and Islamic bonds to support the financing of the UAE's project pipeline. In response, many UAE banks have strategically increased their cross-border lending activities, particularly in Saudi Arabia, to mitigate repayment risks and support overall loan book growth. Liquidity in the UAE banking system has improved over the period, driven by faster deposit growth relative to credit growth, as deposits grew 10.5% YOY and 3.1% QOQ in 1Q25. The banks further recorded 2.3% MOM growth in deposits during March 2025, while the CASA ratio marginally declined to 29.6% in 1Q25 from 30.2% in 2024. The average NIMs across UAE banks remained stable in 1Q25 and are expected to hold steady in 2Q25, supported by a decline of just 16 bps in average 3-month EIBOR since March 2025. However, net interest margins (NIMs) may face pressure in the 2H25 as the Federal Reserve is expected to cut interest rates. In addition, the top banks in the sector reported double-digit growth in non-funded income during 1Q25, reflecting a deliberate strategic shift toward revenue diversification amid the evolving interest rate environment. The average cost of risk for the top five UAE banks stood at 38 bps in 1Q25, well below normalized levels seen in 4Q24. However, the cost of risk may edge higher in the 2H25, as the full-year guidance for banks indicates an average cost of risk in the range of 65–70 bps. The NPL ratios across the UAE system continued to decline from the previous 11 quarters and stood at 3.8% in 1Q25 due to write-off of legacy assets, while provisioning coverage also grew from 58.7% in 4Q24 to 60.6% in 1Q25. In addition, the loan loss provision buffer measured by the stage 1 cash coverage ratio stood at a median of 0.59% in 1Q25 compared to 0.54% in 4Q24. UAE banks are expanding cross-border, especially into Saudi Arabia, to offset domestic challenges like early repayments and margin pressure. Major banks report strong international loan growth in 1Q25. With soft local credit demand and falling global rates, regional lending is becoming a key structural growth lever for UAE banks.

### Our top picks:

- 1) **ENBD** (Trades at 6.69x/1.08x 2025E P/E and P/B multiple with a dividend yield of 4.4% and a Target Price (PT) of AED 25.00). ENBD's loan book grew 13.6% YOY to AED 520.9 Bn in 1Q25. The Bank maintained its loan guidance of high-single-digit for 2025. ENBD's deposits grew strongly by 14.3% YOY to AED 697.6 Bn in 1Q24, with CASA deposits accounting for 61% of total deposits. The Bank's balance sheet crossed the AED 1 Tn mark in 1Q25, up from AED 997 Bn in 4Q24. ENBD holds strong liquidity with a Liquidity Coverage Ratio (LCR) of 184% in 1Q25. The Bank's asset quality also continued to improve as reported NPLs declined from 3.3% in 4Q24 to 3.1% in 1Q25. Capitalization stood strong with a CET 1 ratio of 14.7% and a CAR of 17.0% in 1Q25.

- 2) **DIB** (Trading at 9.38x/1.45x 2025E P/E and P/B multiple with a dividend yield of 5.1% and Target Price (TP) of AED 9.50). The Bank's net advances grew 10.8% YOY to AED 222.6 Bn in 1Q25 and further expects it to grow by 15% in 2025. Customer deposits grew 12.3% YOY to AED 264.8 Bn in 1Q25 with CASA deposits accounting for 37% of total deposits. Asset quality improved as NPL ratio declined from 4.0% in 4Q24 to 3.7% in 1Q25. The Bank's capitalization stood strong with a CET 1 ratio of 13.4% and a total CAR of 17.3% in 1Q25.
- 3) **ADCB** (Trades at 9.97x/1.36x 2025E P/E and P/B multiple with a dividend yield of 5.0% and a Target Price (PT) of AED 14.50). ADCB's net advances expanded 16.1% YOY to AED 350.6 Bn in 4Q24 due to increased lending to corporate and retail sector. The GRE loans contributed c. 42% of all loans issued by the Bank in 4Q24. The Bank expects its net profit to double in the next five years with a CAGR of c. 20%. ADCB's asset quality improved as NPL ratio fell from 3.5% in 3Q24 to 3.0% in 4Q24. ADCB also plans to pay progressive dividends with targeted dividend payout of c. AED 25 Bn in next five years.

## Top Picks and Rating Changes

UAE's real GDP grew 4.0% YOY in 2024, driven by strong growth in the non-oil sector, which grew 5.0% YOY in 2024. CBUAE expects the GDP to grow 4.7% in 2025, owing to strong growth from the non-oil sector. The UAE real estate market recorded strong growth in sales activity, supported by sustained demand from both domestic and international buyers. Additionally, off-plan sales maintained healthy momentum across the country, accompanied by a solid rise in property prices. The S&P Global UAE Purchasing Managers' Index (PMI) fell to 53.3 in May 2025 from 54.0 in April, marking its lowest reading since September 2021. Despite the decline, the index remained in the expansionary territory above the 50.0 mark, indicating continued, although slower, improvement in non-oil private sector business conditions. The slower pace of growth reflected easing momentum in both output and new orders, which followed an extended period of robust expansion. Firms cited favourable demand and marketing efforts as drivers of new business, though some noted that competitive pressures and uncertainty from global trade tensions had started to weigh on performance. Notably, May 2025 reported the fastest decline in inventories since the survey began, as firms looked to streamline stock amid softer sales forecasts. Input cost inflation slowed to its weakest pace since late 2023, though output prices continued to rise for the fifth consecutive month. Employment rose at the fastest rate in a year, supported by higher workloads. CBUAE maintained the UAE's 2025 inflation estimate at 2.0%, significantly below the global average. Consequently, the inflation estimate for 2026 is marginally estimated to increase to 2.1% due to growing domestic demand.

UAE banking system domestic advances grew 1.4% QOQ in 1Q25, mainly supported by strong growth in private corporate credit and retail advances, partially offset by a decline in lending to GREs and government. On the other hand, deposits expanded at a faster rate, recording a 3.1% QOQ growth to AED 2,936.4 Bn in 1Q25. The loan-to-deposit ratio marginally declined 76 bps MOM to 63.6% in March 2025, indicating ample liquidity and credit offerings capacity in the UAE banking system. The total assets of the UAE banking system rose 10.9% YOY and 3.5% QOQ to AED 4,719.4 Bn in 1Q25. The UAE Banking system continues to maintain sound liquidity. The UAE bank's liquid assets rose from AED 817.4 Bn in 4Q24 to AED 857.9 Bn in 1Q25. As a result, the liquid asset to total assets ratio expanded from 18.2% in 4Q24 to 18.4% in 1Q25. Moreover, the gross income of UAE banks rose 14.2% YOY to AED 40.0 Bn in 1Q25, while net interest income grew 2.1% YOY to AED 26.7 Bn in 1Q25. Non-interest income recorded a robust growth of 49.9% YOY to AED 13.2 Bn in 1Q25. The UAE banking system's return on equity (ROE) remained unchanged at 14.7% in 1Q25 compared to 4Q24. The return on assets (ROA) also remains stable at 2.2% in 1Q25 compared to 4Q24. However, the UAE banking system's liquidity coverage ratio declined from 156.2% in 4Q24 to 144.9% in 1Q25.

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%. In its latest policy meeting in June 2025, the Fed kept the benchmark rates unchanged. Additionally, the Fed signalled its intention to implement a total of 50 bps of rate cuts by the end of 2025. However, the timing and extent of these cuts will remain data-dependent, particularly on inflation and labour market conditions. Since the UAE's currency is pegged to the US dollar, the central bank of the UAE closely follows the Fed. The CBUAE also reduced its benchmark rates by 25 bps to 4.40% in December 2024. Lower interest rates are expected to support economic activity by making borrowing more affordable, stimulating credit demand across retail and corporate segments. A decline in rates is also expected to boost loan growth and improve asset quality. Resultantly, UAE banks are anticipated to witness solid growth in funded income. Moreover, lower benchmark rates are expected to reduce funding costs for banks, thereby enhancing net interest margins and profitability.

The average cost-to-income ratio of UAE banks declined from 38.9% in 4Q24 to 34.3% in 1Q25. FAB and CBD recorded the lowest cost-to-income ratios of 22.3% and 27.0%, respectively, in 1Q25. ENBD recorded the highest decline in cost-to-income ratio among the large-cap banks under our coverage with a 545 bps QOQ decline to 31.0% during 1Q25. The average annualized cost of risk for the banks under our coverage declined from 1.35 bps in 4Q24 to 0.68 bps in 1Q25. Four out of 11 banks recorded an impairment reversal in 1Q25. NPLs of the UAE banking system improved from 4.1% in 4Q24 to 3.8% in 1Q25 on the back of strong recoveries. The capitalization of the UAE Banking system declined with a Capital Adequacy Ratio (CAR) of 17.6% in 1Q25 compared to 17.8% in 4Q24, well above the minimum regulatory requirement. The Tier 1 Capital ratio moderated from 16.4% in 4Q24 to 16.2% in 1Q25. However, the Common Equity Tier 1 (CET 1) capital rose from AED 462.9 Bn in 4Q24 to AED 484.8 Bn in 1Q25, with a CET 1 ratio of 14.7% in both 4Q24 and 1Q25. Risk Weighted Assets (RWA) grew from AED 3,193.5 Bn in 4Q24 to AED 3,286.9 Bn in 1Q25. 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.

UAE banks are increasingly turning to cross-border expansion to sustain loan growth and support returns amid domestic headwinds such as early repayments by government-related entities and pressure on net interest margins. A key focus area has been Saudi Arabia, where lending opportunities have grown significantly. For instance, ADIB reported a 28% QOQ increase in its Saudi exposure in 1Q25, which now constitutes 11% of its total loan book, up from 9% in 2024. Similarly, ADCB expanded its international loans, excluding Egypt, by 6%, now accounting for 21% of its total lending. ENBD also reported strong momentum, with cross-border loans (excluding Turkey) rising 13% QOQ in 1Q25, nearly matching its domestic loan growth. FAB followed suit, with an 8% rise in international lending, supported by activities in Saudi Arabia, Egypt, and the UK. These strategic expansions reflect a shift from earlier interbank support to direct corporate lending across borders. With moderate domestic credit demand and rising quasi-government bond issuance in the UAE, this regional diversification provides vital support for maintaining growth. As global interest rates trend downward, cross-border lending is emerging as a structural growth driver for the UAE banking sector.

## Market Weight

We remain MARKET WEIGHT with 1x Buy, 1x ACCUMULATE and 9x HOLD on the 11 UAE banks under our coverage. UAE systems' total net assets grew 3.6% QOQ to AED 4,662.2 Bn in March 2025. The UAE banking sector's net advances rose 1.4% QOQ to AED 1,868.8 Bn in March 2025. Customer deposits mobilisation increased 3.1% QOQ to AED 2,936.3 Bn in March 2025.

### Target price and rating:

Company Name	Target Price	Current Market Price	Potential change (%)	Rating
<b>CBI</b>	0.85	0.87	-2%	<b>HOLD</b>
<b>MASQ</b>	270.00	240.00	+13%	<b>ACCUMULATE</b>
<b>SIB</b>	2.60	2.64	-2%	<b>HOLD</b>
<b>AJMANBANK</b>	1.60	1.47	+9%	<b>HOLD</b>
<b>RAKBANK</b>	7.15	6.75	+6%	<b>HOLD</b>
<b>CBD</b>	9.00	8.75	+3%	<b>HOLD</b>
<b>ADCB</b>	14.50	12.66	+15%	<b>BUY</b>
<b>ADIB</b>	19.50	20.30	-4%	<b>HOLD</b>
<b>DIB</b>	9.50	8.75	+9%	<b>HOLD</b>
<b>ENBD</b>	25.00	22.95	+9%	<b>HOLD</b>
<b>UAB</b>	1.25	1.25	0.0%	<b>HOLD</b>

Source: FABS from co data

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## Industry Themes

### **Mashreqbank raised USD 500 Mn from a five-year Sukuk**

Mashreqbank, based in the UAE, issued USD 500 Mn Reg S-only five-year senior unsecured Sukuk under its USD 2.5 Bn trust certificate issuance programme. It is considered the biggest Sukuk deal from the CEEMEA region. Even with the tightening of spreads, the investor demand remained strong, closing at USD 2.6 Bn.

### **Ajman Bank raises USD 500 Mn from 5-Year Sukuk amid Strong Demand**

Ajman Bank, rated BBB+ by Fitch, launched its debut Reg S USD 500 Mn five-year senior unsecured sukuk a day after mandating banks. The sukuk will pay a profit rate of 5.125%, 130bps over the 5-year US Treasury yield. The issuance received a strong response, attracting bids over USD 2.7 Bn. It will list on the London Stock Exchange and Nasdaq Dubai. Both regional and international banks acted as joint lead managers and joint bookrunners.

### **Ajman Bank reduces stake in Gulf Navigation**

Ajman Bank has exited its major shareholder position in Dubai-listed Gulf Navigation after selling shares worth AED 173.4 Mn (USD 47.2 Mn) through a series of direct deals since March 5, 2025. The Bank previously held 6.4% but reduced its stake to below 5.6% by January 2025. This comes after Gulf Nav's USD 871 Mn acquisition of Brooge Energy was approved. Poseidon Fund CEIC Limited remains the largest shareholder with a 23.8% stake.

### **United Arab Bank Proceeds with Strategic Rights Issue Targeting USD 280.4 Mn in Additional Capital**

United Arab Bank PJSC (UAB) launched a Rights Issue to raise up to AED 1.03 Bn, increasing its total share capital from AED 2.06 Bn to AED 3.09 Bn. The offer, priced at AED 1 per new share, was open to existing shareholders and investors who acquired rights during the trading window from 4 to 17 July 2025. However, the Bank revised its trading window for the investors from 4 to 29 July 2025. Allocation of new shares is also now expected on 5 August 2025, with refunds for oversubscriptions processed on the same date. The Bank aims to use the proceeds to reinforce the capital base and fund future growth plans. First Abu Dhabi Bank acted as Lead Manager and Al Tamimi & Co. as a Legal Adviser.

### **Emirates Islamic Bank to Delist from Dubai Financial Market**

Emirates Islamic Bank (EIB) has initiated delisting from the Dubai Financial Market (DFM) following its acquisition by Emirates NBD. Emirates NBD will manage the settlement of any cash payments due to former EIB shareholders through designated payment channels.

### **Emirates NBD locks in tighter pricing on 10-year AUD 600 Mn Kangaroo issuance**

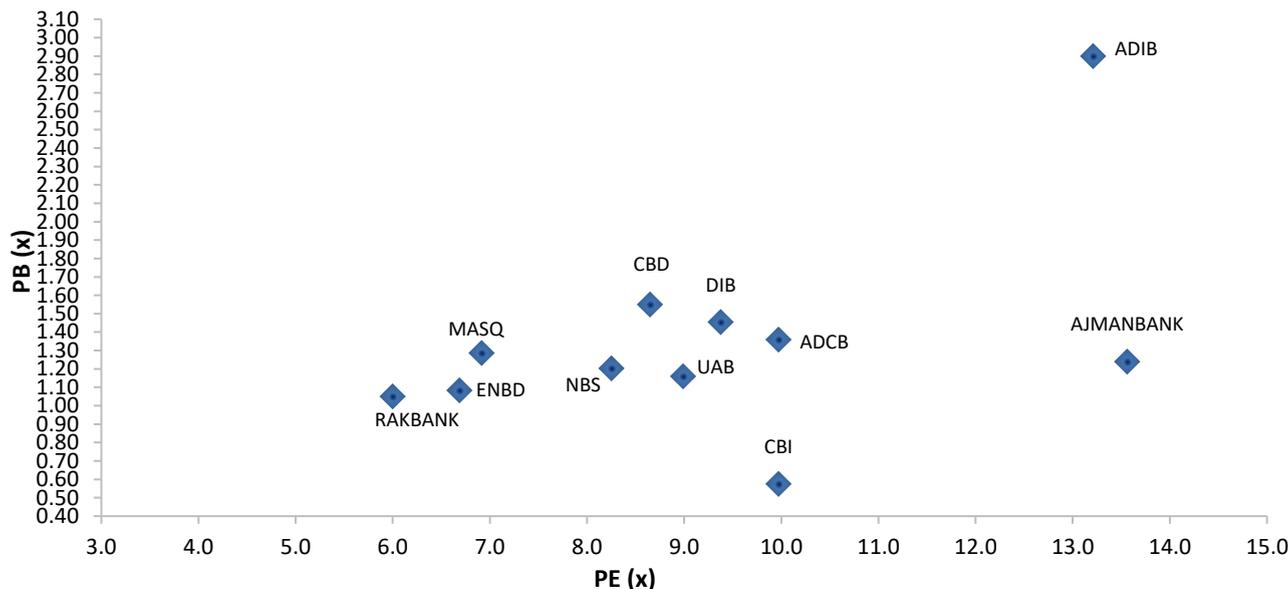
Emirates NBD priced its AUD 600 Mn 10-year senior unsecured Kangaroo bond, with a coupon rate of 5.913%. The bond was priced at a spread of 185 bps asset swaps, with the Exchange for Physical (EFP) set at +164.3 for June and +160.3 for September. The transaction attracted strong demand, with the final orderbook exceeding AUD 1.19 Bn, including AUD 50 Mn in JLM interest. The issuance, rated A1/A+ by Moody's and Fitch, was part of the Bank's AUD 4 Bn Kangaroo Debt Issuance Programme. Mizuho, Emirates NBD Capital, and Nomura acted as joint lead managers and bookrunners.

**Relative valuation and rating**

**Relative valuation**

Based on our 2025 estimates, all UAE banks except for CBI are trading above the average book value. Also, all UAE banks except AJMANBANK and ADIB are trading at single-digit PE multiple based on 2025 financials. The PB ranges between 0.57x (CBI) and 2.90x (ADIB) and PE ranges between 6.00x (RAKBANK) and 13.56x (AJMANBANK) based on 2025 financials. The UAE banks under our coverage are trading at an average PE and PB multiple of 9.23x and 1.35x, respectively based on 2025 financials.

**FY25 P/E (X-axis) vs. FY25 P/B (Y-axis)**



Source: FABS from Co Data

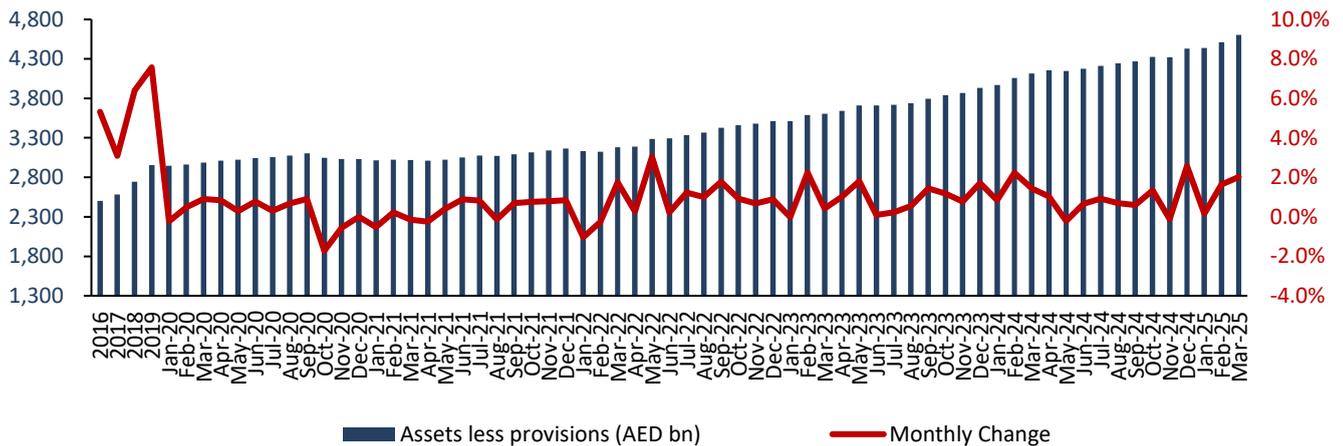
## Banking indicators

### 1. Assets

#### Total net assets rose marginally 1.9% MOM in March 2025

UAE banking system's total net assets increased 1.9% MOM to AED 4,719.4 Bn in March 2025.

#### UAE banking system assets (AED bn) vs. Monthly change, 2016- March 2025



Source: FABS from CBUAE

#### UAB witnessed the highest growth in total assets on YOY and QOQ basis in 1Q25

UAB's total assets grew the most by 30.8% YOY and 9.2% QOQ to AED 23.4 Bn in 1Q25. Furthermore, ADIB recorded the second-highest growth in total assets of 25.1% YOY and 7.8% QOQ to AED 243.5 Bn. FAB's witnessed a third- highest growth in total asset on QOQ basis by 7.7% to AED 1,306.6 Bn in 1Q25, followed by AJMANBANK's total assets, which increased by 7.2% QOQ to AED 24.5 Bn and SIB's total assets, which rose by 4.5% QOQ to AED 82.8 Bn in 1Q25. ADCB witnessed a growth in total assets by 14.4% YOY and 4.1% QOQ to AED 679.7 Bn in 1Q25. While ENBD total assets increased by 14.2% YOY and 3.4% QOQ to AED 1,030.6 Bn in 1Q25. DIB's and RAKBANK total assets increased by 3.1% QOQ and 2.8% QOQ to AED 355.3 Bn and AED 90.8 Bn, respectively in 1Q25. Similarly, MASQ's total assets grew by 2.0% QOQ to AED 272.7 Bn in 1Q25. CBD saw a marginal growth in total assets by 0.7% QOQ to AED 141.1 Bn in 1Q25. While CBI experienced a decline in total assets by 1.5% QOQ to AED 20.6 Bn in 1Q25.

#### Total assets: UAE Banks

(AED Mn)	1Q24	2Q24	3Q24	4Q24	1Q25	QOQ ch
CBI	19,003	19,972	20,995	20,895	20,577	-1.5%
YOY change	-3.4%	2.6%	12.0%	10.1%	8.3%	
MASQ	249,592	253,467	254,411	267,453	272,703	2.0%
YOY change	24.0%	20.1%	16.5%	11.4%	9.3%	
SIB	70,116	74,237	74,796	79,210	82,770	4.5%
YOY change	16.4%	21.6%	18.0%	20.2%	18.0%	
AJMANBANK	23,070	24,235	24,440	22,854	24,497	7.2%
YOY change	1.0%	2.8%	-3.0%	-8.3%	6.2%	

RAKBANK	78,589	80,408	83,891	88,325	90,804	2.8%
YOY change	14.1%	11.9%	16.5%	19.4%	15.5%	
CBD	130,976	141,256	140,217	140,175	141,129	0.7%
YOY change	9.8%	14.7%	11.3%	8.7%	7.8%	
ADCB	594,405	612,242	638,754	652,814	679,716	4.1%
YOY change	18.5%	17.4%	19.0%	15.1%	14.4%	
ADIB	194,647	213,403	222,567	225,910	243,528	7.8%
YOY change	13.1%	17.1%	20.9%	17.2%	25.1%	
DIB	327,314	322,651	329,169	344,687	355,269	3.1%
YOY change	12.1%	7.6%	5.0%	9.7%	8.5%	
ENBD	902,284	930,785	956,041	996,582	1,030,570	3.4%
YOY change	15.4%	14.8%	14.4%	15.5%	14.2%	
UAB	17,907	19,813	20,016	21,461	23,429	9.2%
YOY change	24.1%	37.1%	35.8%	21.6%	30.8%	
FAB	1,235,012	1,174,619	1,229,616	1,213,247	1,306,568	7.7%
YOY change	4.2%	2.5%	3.7%	3.8%	5.8%	

Source: FABS from co data

### FAB recorded the strongest growth and highest market share in 1Q25.

FAB's total assets market share increased the most by 1.08 pp QOQ and also has the highest assets market share at 27.7% in 1Q25 among all the banks. ENBD held the second largest asset market share of 21.8% in 1Q25, followed by ADCB with the market share of 14.4%. ADIB witnessed the second highest growth in total asset share, increased by 0.21 pp QOQ to 5.2% in 1Q25. Additionally, CBI's total asset market share stood the lowest in 1Q25 at 0.4%, while MASQ witnessed the highest decline in market share by 0.09 pp to 5.8%, followed by CBD with a 0.08 pp decline to 3.0% in 1Q25.

#### Total assets share

	1Q24	2Q24	3Q24	4Q24	1Q25	QOQ: pp
CBI	0.4%	0.5%	0.5%	0.5%	0.4%	-0.02%
MASQ	5.9%	5.9%	5.8%	5.9%	5.8%	-0.09%
SIB	1.6%	1.7%	1.7%	1.7%	1.8%	0.02%
AJMANBANK	0.5%	0.6%	0.6%	0.5%	0.5%	0.02%
RAKBANK	1.8%	1.9%	1.9%	1.9%	1.9%	-0.01%
CBD	3.1%	3.3%	3.2%	3.1%	3.0%	-0.08%
ADCB	14.0%	14.2%	14.5%	14.3%	14.4%	0.09%
ADIB	4.6%	5.0%	5.1%	5.0%	5.2%	0.21%
DIB	7.7%	7.5%	7.5%	7.6%	7.5%	-0.03%
ENBD	21.2%	21.6%	21.7%	21.9%	21.8%	-0.02%
UAB	0.4%	0.5%	0.5%	0.5%	0.5%	0.03%
FAB	29.0%	27.3%	27.9%	26.6%	27.7%	1.08%

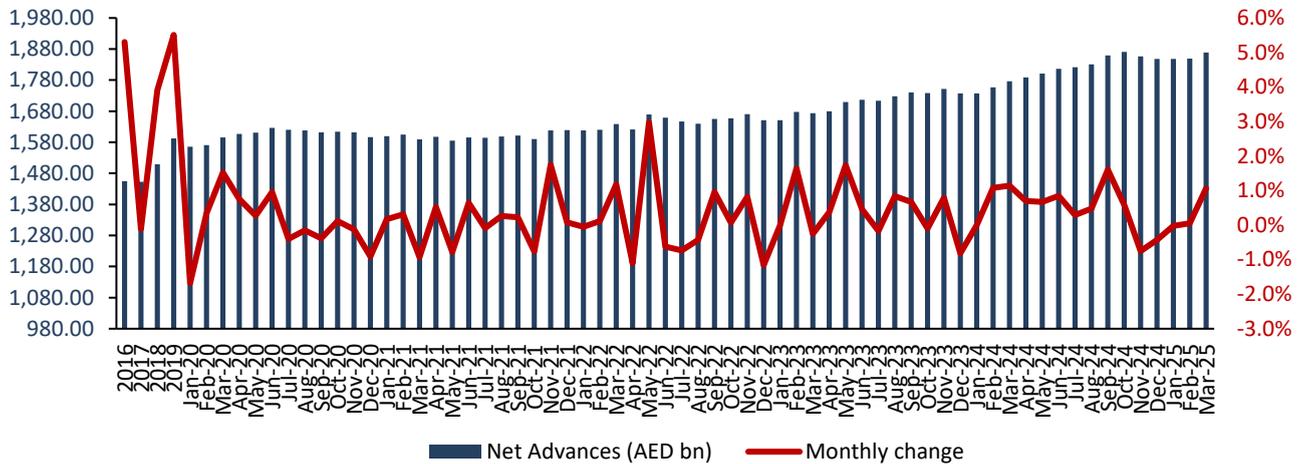
Source: FABS from co data, CBUAE

## 2. Advances

### UAE Bank's net advances rose 1.1% MOM in March 2025

Net advances in the UAE banking sector increased 1.1% MOM to AED 1,868.8 Bn in March 2025.

#### UAE banking system net advances (AED bn) vs. Monthly change, 2016 – March 2025



Source: FABS from CBUAE

### All banks expect CBI recorded a QOQ growth in net advances during 1Q25

CBI recorded a decline of 1.6% QOQ in net advances to AED 13.4 Bn in 1Q25. UAB's net advances grew the most by 8.2% QOQ to AED 12.5 Bn in 1Q25, followed by AJMANBANK with 7.4% QOQ increase to AED 13.9 Bn and SIB with a 7.0% QOQ growth to AED 40.3 Bn in 1Q25. Additionally, ADIB's net advances grew 5.3% QOQ to AED 150.1 Bn in 1Q25, whereas DIB's net advances grew 4.8% QOQ to AED 222.6 Bn in 1Q25. Furthermore, MASQ's witnessed a marginal growth in net advances by 0.8% QOQ to AED 125.8 Bn in 1Q25.

#### Net advances: UAE banks

(AED Mn)	1Q24	2Q24	3Q24	4Q24	1Q25	QOQ ch
CBI	12,192	12,510	12,911	13,583	13,362	-1.6%
YOY change	0.3%	1.9%	8.4%	7.7%	9.6%	
MASQ	110,484	113,827	118,534	124,758	125,817	0.8%
YOY change	21.3%	19.9%	19.4%	13.1%	13.9%	
SIB	33,364	35,199	36,551	37,687	40,309	7.0%
YOY change	9.7%	11.5%	14.7%	14.1%	20.8%	
AJMANBANK	13,113	13,906	13,404	12,959	13,915	7.4%
YOY change	-0.3%	1.3%	-8.4%	-5.9%	6.1%	
RAKBANK	40,605	40,994	46,198	47,224	47,590	0.8%
YOY change	11.4%	8.9%	19.5%	19.7%	17.2%	
CBD	86,791	89,608	91,746	93,049	96,932	4.2%
YOY change	13.4%	10.9%	10.7%	11.7%	11.7%	
ADCB	318,159	332,158	344,014	350,638	359,489	2.5%
YOY change	20.7%	22.1%	21.0%	16.1%	13.0%	
ADIB	116,943	132,066	135,132	142,611	150,133	5.3%
YOY change	9.0%	20.8%	20.0%	24.0%	28.4%	

DIB	200,927	199,251	206,790	212,427	222,553	4.8%
YOY change	8.6%	5.1%	3.9%	6.5%	10.8%	
ENBD	458,633	477,132	493,843	501,627	520,909	3.8%
YOY change	6.7%	8.5%	8.5%	12.7%	13.6%	
UAB	9,534	10,435	10,754	11,526	12,472	8.2%
YOY change	29.4%	37.6%	39.6%	23.2%	30.8%	
FAB	508,341	513,154	527,978	528,897	548,265	3.7%
YOY change	7.5%	6.3%	10.4%	9.3%	7.9%	

Source: FABS from Co Data

### ENBD recorded the highest growth in the advances market share in 1Q25

ENBD recorded the highest growth in the advances market share of 0.66 pp QOQ to 27.9% in 1Q25, followed by FAB with 0.64% pp QOQ increase and DIB with 0.38 pp QOQ growth in 1Q25. FAB also recorded the highest advances market share of 29.3%, followed by ENBD in 1Q25. Moreover, MASQ's advances market share declined the most by 0.04 pp QOQ to 6.7% during 1Q25. UAB recorded the lowest advances market share of 0.7% in 1Q25.

#### Advances mkt share

	1Q24	2Q24	3Q24	4Q24	1Q25	QOQ: pp
CBI	0.7%	0.7%	0.7%	0.7%	0.7%	-0.02%
MASQ	6.2%	6.3%	6.4%	6.8%	6.7%	-0.04%
SIB	1.9%	1.9%	2.0%	2.0%	2.2%	0.11%
AJMANBANK	0.7%	0.8%	0.7%	0.7%	0.7%	0.04%
RAKBANK	2.3%	2.3%	2.5%	2.6%	2.5%	-0.02%
CBD	4.9%	4.9%	4.9%	5.0%	5.2%	0.14%
ADCB	17.9%	18.3%	18.5%	19.0%	19.2%	0.21%
ADIB	6.6%	7.3%	7.3%	7.7%	8.0%	0.30%
DIB	11.3%	11.0%	11.1%	11.5%	11.9%	0.38%
ENBD	25.8%	26.3%	26.6%	27.2%	27.9%	0.66%
UAB	0.5%	0.6%	0.6%	0.6%	0.7%	0.04%
FAB	28.6%	28.3%	28.4%	28.7%	29.3%	0.64%

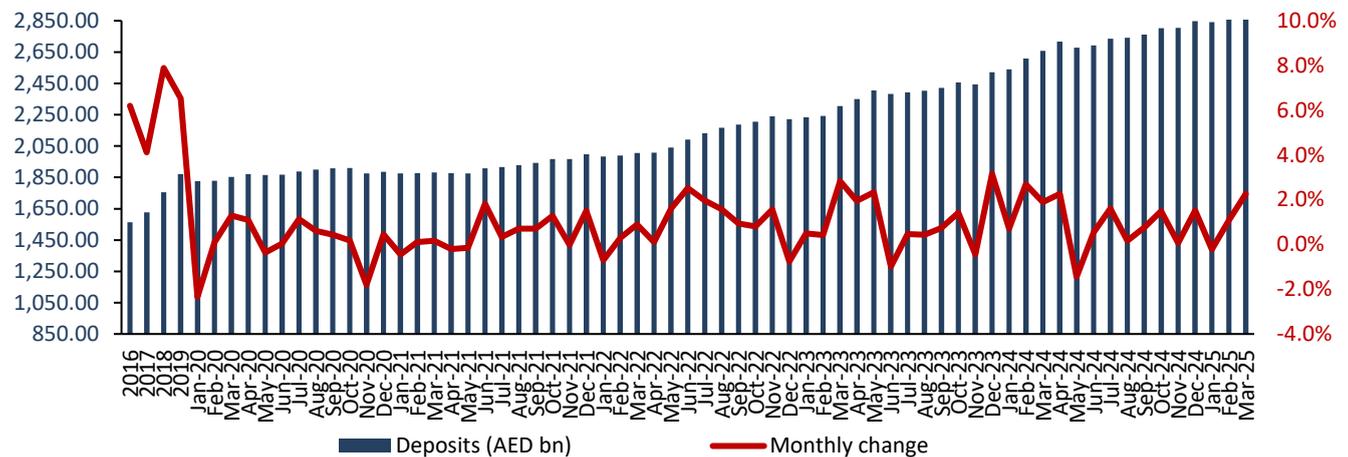
Source: FABS from co data

### 3. Customer Deposit

#### UAE banking system's customer deposits increased 2.3% MOM in March 2025

The UAE banking system's customer deposits rose 2.3% MOM to AED 2,936.3 Bn in March 2025.

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



Source: FABS from CBUAE

#### UAB recorded the highest growth in customer deposits in 1Q25 on QOQ basis

UAB reported the highest growth in customer deposits of 10.1% QOQ to AED 14.9 Bn in 1Q25, followed by ADIB with 9.5% QOQ growth to AED 200.1 Bn and FAB with a healthy growth of 7.2% QOQ to AED 838.7 Bn in 1Q25. DIB's and MASQ's customer deposits saw a QOQ growth of 6.6% and 6.5% to AED 264.8 Bn and AED 171.4 Bn, respectively in 1Q25. Additionally, SIB witnessed a marginal growth in customer deposits by 0.7% QOQ to AED 52.1 Bn in 1Q25. Whereas, CBI recorded the marginal decline in customer deposits by 0.6% QOQ to AED 15.3 Bn in 1Q25.

#### Customer deposits: UAE banks

(AED Mn)	1Q24	2Q24	3Q24	4Q24	1Q25	QOQ ch
CBI	12,687	14,225	15,191	15,430	15,339	-0.6%
YOY change	1.8%	24.6%	24.8%	22.4%	20.9%	
MASQ	155,498	153,964	156,063	160,940	171,442	6.5%
YOY change	29.4%	21.4%	17.5%	10.1%	10.3%	
SIB	45,079	49,462	47,995	51,758	52,099	0.7%
YOY change	7.6%	17.4%	6.1%	14.5%	15.6%	
AJMANBANK	18,431	19,306	19,310	18,062	18,511	2.5%
YOY change	-4.4%	0.5%	-1.4%	-8.4%	0.4%	
RAKBANK	55,394	58,472	57,266	59,650	61,038	2.3%
YOY change	19.5%	19.4%	18.2%	18.4%	10.2%	
CBD	90,342	99,831	98,682	97,563	99,624	2.1%
YOY change	4.8%	16.5%	14.2%	10.5%	10.3%	
ADCB	383,695	389,961	406,742	421,060	441,691	4.9%
YOY change	23.5%	23.4%	23.5%	16.0%	15.1%	
ADIB	160,262	172,244	179,744	182,675	200,095	9.5%
YOY change	13.1%	14.5%	18.6%	16.3%	24.9%	

DIB	235,783	234,018	236,868	248,546	264,847	6.6%
YOY change	18.9%	11.1%	7.2%	11.9%	12.3%	
ENBD	610,371	624,417	644,812	666,777	697,595	4.6%
YOY change	13.5%	12.3%	13.1%	14.1%	14.3%	
UAB	10,656	12,129	12,031	13,577	14,942	10.1%
YOY change	27.8%	44.2%	31.1%	32.6%	40.2%	
FAB	803,261	765,702	819,572	782,379	838,681	7.2%
YOY change	2.9%	2.8%	4.4%	3.0%	4.4%	

Source: FABS from co data

### FAB recorded the strongest growth and highest deposits market share in 1Q25.

FAB's deposit's market share increased the most by 1.08 pp QOQ and also has the highest assets market share at 28.6% among all the banks in 1Q25. ADIB recorded the second-highest growth rate in deposits market share of 0.40 pp QOQ, followed by ENBD with 0.34 pp QOQ rise in 1Q25. Furthermore, ENBD also recorded second highest market share at 23.8% in 1Q25. SIB's deposit market share declined the most, but marginally by 0.04 pp QOQ to 1.8% in 1Q25, while UAB witnessed a lowest deposits market share of 0.5% in 1Q25.

#### Deposits market share

	1Q24	2Q24	3Q24	4Q24	1Q25	QOQ: pp
CBI	0.5%	0.5%	0.6%	0.5%	0.5%	-0.02%
MASQ	5.9%	5.7%	5.7%	5.7%	5.8%	0.19%
SIB	1.7%	1.8%	1.7%	1.8%	1.8%	-0.04%
AJMANBANK	0.7%	0.7%	0.7%	0.6%	0.6%	0.00%
RAKBANK	2.1%	2.2%	2.1%	2.1%	2.1%	-0.02%
CBD	3.4%	3.7%	3.6%	3.4%	3.4%	-0.03%
ADCB	14.4%	14.5%	14.7%	14.8%	15.0%	0.25%
ADIB	6.0%	6.4%	6.5%	6.4%	6.8%	0.40%
DIB	8.9%	8.7%	8.6%	8.7%	9.0%	0.29%
ENBD	23.0%	23.2%	23.4%	23.4%	23.8%	0.34%
UAB	0.4%	0.5%	0.4%	0.5%	0.5%	0.03%
FAB	30.2%	28.4%	29.7%	27.5%	28.6%	1.08%

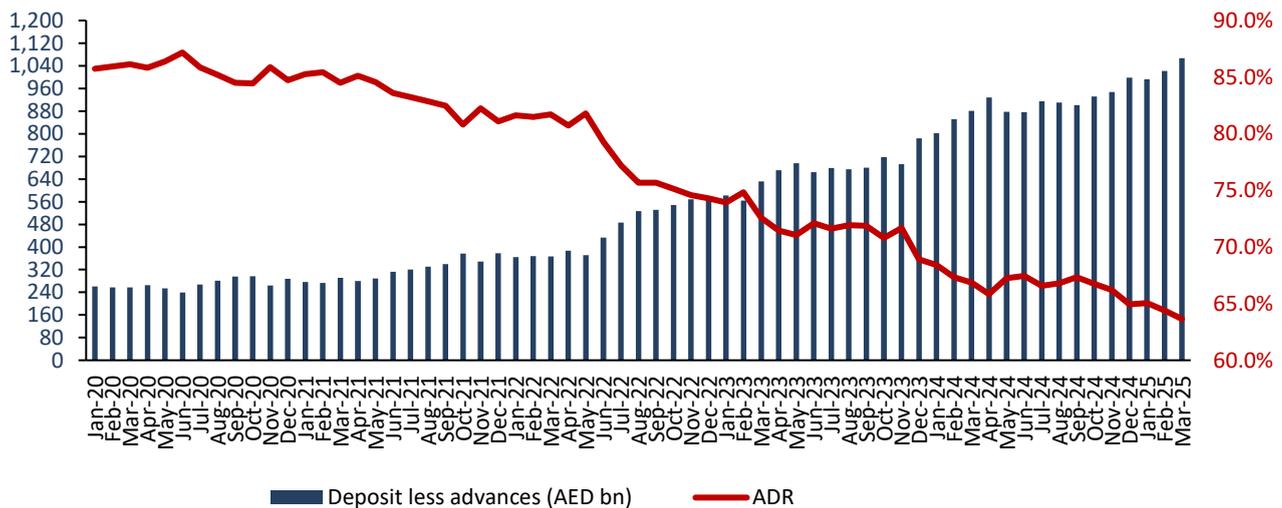
Source: FABS from co data

**4. Liquidity**

**Liquidity in the UAE banking system**

UAE banking system’s headline Advances to Deposits Ratio (ADR) declined 75.6 bps MOM to 63.6% in March 2025. The system’s liquidity increased from AED 1,022.2 Bn in February 2025 to AED 1,067.5 Bn in March 2025. 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 – March 2025**



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 1Q25, only three out of 11 UAE banks under our coverage witnessed an increase in the ADR ratio. SIB’s ADR ratio increased the most by 6.3% QOQ to 77.4% in 1Q25, followed by AJMANBANK with 4.8% QOQ growth to 75.2% and CBD with 2.0% QOQ growth to 97.3%. On the other hand, MASQ’s ADR ratio experienced the largest decline of 5.3% QOQ to 73.4%, followed by ADIB with a decline of 3.9% QOQ to 75.0% in 1Q25. Moreover, in terms of deposit surplus/deficit, only three out of 11 UAE banks under our coverage recorded a decline in deposit surplus in 1Q25. MASQ recorded the highest growth in deposit surplus of 26.1% QOQ to AED 45.6 Bn in 1Q25, followed by ADIB with 24.7% QOQ growth to AED 50.0 Bn. CBD witnessed the highest decline in surplus deposit by 40.4% QOQ to AED 2.7 Bn in 1Q25. Furthermore, in terms of percent lent six out of 11 Banks under our coverage witnessed a decline in the percentage lent on a QOQ basis during 1Q25. FAB experienced the highest decline in percentage lent by 3.7% to 42.0% in 1Q25. On the other hand, CBD’s percentage lent grew the most by 3.5% QOQ to 68.7% in 1Q25, followed by SIB with an increase of 2.4% QOQ to 48.7%.

**ADR: UAE Banks**

	1Q24	2Q24	3Q24	4Q24	1Q25	QOQ ch
CBI	96.1%	87.9%	85.0%	88.0%	87.1%	-1.0%
MASQ	71.1%	73.9%	76.0%	77.5%	73.4%	-5.3%
SIB	74.0%	71.2%	76.2%	72.8%	77.4%	6.3%
AJMANBANK	71.1%	72.0%	69.4%	71.8%	75.2%	4.8%
RAKBANK	73.3%	70.1%	80.7%	79.2%	78.0%	-1.5%
CBD	96.1%	89.8%	93.0%	95.4%	97.3%	2.0%
ADCB	82.9%	85.2%	84.6%	83.3%	81.4%	-2.3%
ADIB	73.0%	76.7%	75.2%	78.1%	75.0%	-3.9%
DIB	85.2%	85.1%	87.3%	85.5%	84.0%	-1.7%
ENBD	75.1%	76.4%	76.6%	75.2%	74.7%	-0.7%
UAB	89.5%	86.0%	89.4%	84.9%	83.5%	-1.7%
FAB	63.3%	67.0%	64.4%	67.6%	65.4%	-3.3%

Source: FABS from co data

**Deposit surplus/-deficit**

AED Mn	1Q24	2Q24	3Q24	4Q24	1Q25	QOQ ch
CBI	496	1,714	2,280	1,847	1,977	7.0%
MASQ	45,014	40,137	37,528	36,181	45,625	26.1%
SIB	11,714	14,263	11,445	14,071	11,790	-16.2%
AJMANBANK	5,317	5,399	5,906	5,102	4,596	-9.9%
RAKBANK	14,789	17,479	11,069	12,426	13,447	8.2%
CBD	3,550	10,223	6,936	4,515	2,692	-40.4%
ADCB	65,537	57,802	62,728	70,422	82,202	16.7%
ADIB	43,320	40,177	44,612	40,064	49,962	24.7%
DIB	34,856	34,766	30,078	36,119	42,294	17.1%
ENBD	151,738	147,285	150,969	165,150	176,686	7.0%
UAB	1,122	1,694	1,277	2,051	2,470	20.5%
FAB	294,920	252,548	291,594	253,482	290,416	14.6%

Source: FABS from co data

**Percentage lent**

	1Q24	2Q24	3Q24	4Q24	1Q25	QOQ ch
CBI	64.2%	62.6%	61.5%	65.0%	64.9%	-0.1%
MASQ	44.3%	44.9%	46.6%	46.6%	46.1%	-1.1%
SIB	47.6%	47.4%	48.9%	47.6%	48.7%	2.4%
AJMANBANK	56.8%	57.4%	54.8%	56.7%	56.8%	0.2%
RAKBANK	51.7%	51.0%	55.1%	53.5%	52.4%	-2.0%
CBD	66.3%	63.4%	65.4%	66.4%	68.7%	3.5%
ADCB	53.5%	54.3%	53.9%	53.7%	52.9%	-1.5%
ADIB	60.1%	61.9%	60.7%	63.1%	61.6%	-2.3%
DIB	61.4%	61.8%	62.8%	61.6%	62.6%	1.6%
ENBD	50.8%	51.3%	51.7%	50.3%	50.5%	0.4%
UAB	53.2%	52.7%	53.7%	53.7%	53.2%	-0.9%
FAB	41.2%	43.7%	42.9%	43.6%	42.0%	-3.7%

Source: FABS from co data

## 5. Profitability

### All banks under our coverage except ENBD recorded expansion in ROE on a QOQ basis in 1Q25

ADIB's ROE increased the most, with 348 bps QOQ growth in 1Q25, followed by CBD with 184 bps QOQ growth in 1Q25. On the other hand, ENBD's ROE declined 35 bps QOQ to 20.3% in 1Q25. MASQ recorded the highest ROE of 29.0% in 1Q25. Furthermore, ADIB saw the second highest ROE of 28.7% in 1Q25, followed by CBD with an ROE of 22.0% in 1Q25. CBI witnessed the lowest ROE of 8.6% in 1Q25.

#### ROE: UAE Banks

	1Q24	2Q24	3Q24	4Q24	1Q25	QOQ ch: bps
CBI	7.0%	6.9%	10.9%	8.4%	8.6%	11
MASQ	35.7%	33.6%	29.7%	27.8%	29.0%	118
SIB	13.3%	13.4%	13.7%	15.0%	16.2%	126
AJMANBANK	-12.4%	-10.0%	-0.4%	13.8%	14.6%	80
RAKBANK	19.4%	19.6%	19.9%	18.8%	20.2%	141
CBD	21.6%	21.3%	20.6%	20.1%	22.0%	184
ADCB	13.8%	13.8%	14.0%	13.5%	14.5%	99
ADIB	28.3%	28.0%	27.1%	25.2%	28.7%	348
DIB	19.5%	19.0%	19.2%	19.8%	21.1%	134
ENBD	23.3%	22.9%	21.4%	20.7%	20.3%	-35
UAB	16.1%	15.9%	14.2%	16.1%	17.0%	94
FAB	14.2%	14.4%	14.0%	13.7%	14.6%	94

Source: FABS from co data

### AJMANBANK recorded highest growth in ROA in 1Q25

AJMANBANK ROA increase the most by 12 bps QOQ to 1.8% in 1Q25, followed by UAB with an increase of 8 bps QOQ to 1.6% and FAB with a rise of 7 bps QOQ to 1.4% in 1Q25. ADIB witnessed the highest ROA of 2.8% followed by RAKBANK with a 2.6% and DIB with 2.4% in 1Q25. On the other hand, CBI reported a lowest ROA of 1.0%, followed by FAB and MASQ each with ROA of 1.4% in 1Q25.

#### ROA: UAE Banks

	1Q24	2Q24	3Q24	4Q24	1Q25	QOQ ch: bps
CBI	0.8%	0.8%	1.3%	1.0%	1.0%	4
MASQ	4.0%	3.9%	3.6%	1.6%	1.4%	-19
SIB	1.3%	1.4%	1.4%	1.4%	1.5%	1
AJMANBANK	-1.4%	-1.2%	-0.1%	1.7%	1.8%	12
RAKBANK	2.6%	2.6%	2.7%	2.6%	2.6%	4
CBD	2.2%	2.2%	2.2%	2.3%	2.3%	7
ADCB	1.5%	1.6%	1.6%	1.5%	1.5%	-2
ADIB	2.9%	2.8%	2.9%	2.8%	2.8%	0
DIB	2.2%	2.3%	2.3%	2.4%	2.4%	-4
ENBD	2.6%	2.6%	2.6%	2.5%	2.3%	-17
UAB	1.7%	1.6%	1.5%	1.5%	1.6%	8
FAB	1.3%	1.3%	1.3%	1.3%	1.4%	7

Source: FABS from co data

## 6. Efficiency

### RAKBANK yet again records the highest NIMs in 1Q25

RAKBANK's NIMs stood highest at 4.0% in 1Q25, followed by MASQ and ENBD at 3.6% and 3.5%, respectively. AJMANBANK's NIMs grew the most by 32 bps QOQ to 1.9% in 1Q25, followed by CBI, whose NIMs grew 16 bps QOQ to 2.1%. DIB recorded the highest decline in NIMs of 52 bps QOQ to 2.6% in 1Q25. Furthermore, MASQ recorded the second-highest drop in NIM by 35 bps QOQ during 1Q25.

#### NIM: UAE Banks

	1Q24	2Q24	3Q24	4Q24	1Q25	QOQ ch: bps
CBI	1.9%	2.0%	1.9%	2.0%	2.1%	16
MASQ	4.5%	4.2%	4.2%	3.9%	3.6%	-35
SIB	2.0%	1.9%	1.9%	2.0%	1.7%	-27
AJMANBANK	2.2%	2.6%	2.3%	1.6%	1.9%	32
RAKBANK	4.8%	4.6%	4.6%	4.3%	4.0%	-32
CBD	3.2%	3.1%	3.0%	3.0%	3.0%	7
ADCB	2.5%	2.4%	2.2%	2.4%	2.3%	-15
ADIB	3.7%	3.4%	3.0%	3.1%	3.1%	2
DIB	2.8%	2.8%	2.8%	3.2%	2.6%	-52
ENBD	3.5%	3.6%	3.8%	3.7%	3.5%	-21
UAB	3.1%	2.5%	2.4%	2.3%	2.2%	-10
FAB	1.9%	2.0%	1.9%	1.9%	2.0%	4

Source: FABS from co data

### UAB recorded the highest cost-to-income ratio during 1Q25

UAB recorded the highest cost-to-income ratio of 53.0% in 1Q25. On the other hand, FAB's cost-to-income ratio stood the lowest at 22.3%, followed by CBD and DIB, with 27.0% and 28.0%, respectively, in 1Q25. AJMANBANK witnessed the highest decline in cost-to-income ratio from 69.5% in 4Q24 to 46.8% in 1Q25, followed by UAB with 834 bps QOQ fall and SIB with 748 bps QOQ decline in 1Q25. On the other hand, DIB recorded the highest rise in cost-to-income ratio by 477 bps to 28.0% in 1Q25, followed by MASQ with an increase of cost-to-income ratio by 268 bps to 29.4% in 1Q25.

#### Cost to Income: UAE Banks

	1Q24	2Q24	3Q24	4Q24	1Q25	QOQ ch: bps
CBI	71.5%	74.3%	38.9%	49.7%	45.2%	-457
MASQ	26.7%	27.9%	29.2%	26.7%	29.4%	268
SIB	34.5%	31.5%	31.1%	44.8%	37.3%	-748
AJMANBANK	46.7%	41.2%	52.7%	69.5%	46.8%	-2,267
RAKBANK	33.1%	34.1%	33.5%	40.1%	33.4%	-673
CBD	23.0%	24.6%	25.7%	29.1%	27.0%	-208
ADCB	30.9%	32.6%	32.2%	28.6%	29.2%	60
ADIB	30.4%	26.9%	30.1%	31.1%	28.9%	-222
DIB	28.3%	27.3%	28.7%	23.2%	28.0%	477
ENBD	28.8%	28.4%	30.8%	36.4%	31.0%	-545
UAB	47.5%	51.7%	49.6%	61.3%	53.0%	-834
FAB	24.0%	24.8%	24.1%	25.6%	22.3%	-330

Source: FABS from co data

### Four banks under our coverage recorded decline in COR during 1Q25

CBI, RAKBANK, ADCB and ADIB reported a decline in COR on a QOQ basis in 1Q25. CBI recorded the highest decline in COR by 164 bps QOQ, with highest COR of 2.4% in 1Q25, followed by RAKBANK with a fall in COR by 144 bps QOQ recording the second highest cost of risk of 0.7% in 1Q25. Additionally, FAB's COR decreased 33 bps QOQ to 0.5% in 1Q25. Likewise, ADCB's COR fell 31 bps QOQ to 0.5% in 1Q25. DIB experienced impairment reversal in 1Q25, compared to impairment charges in 4Q24.

#### Cost of risk: UAE Banks

	1Q24	2Q24	3Q24	4Q24	1Q25	QOQ ch: bps
CBI	NM	NM	0.3%	4.0%	2.4%	-164
MASQ	0.2%	NM	0.5%	NM	0.4%	NM
SIB	0.5%	0.2%	0.4%	1.1%	NM	NM
AJMANBANK	NM	0.6%	0.2%	NM	NM	NM
RAKBANK	1.5%	1.9%	1.2%	2.2%	0.7%	-144
CBD	1.2%	0.7%	0.9%	0.3%	0.3%	8
ADCB	0.7%	0.5%	0.4%	0.8%	0.5%	-31
ADIB	0.4%	0.9%	0.1%	0.5%	0.3%	-19
DIB	0.4%	0.4%	NM	NM	0.3%	NM
ENBD	NM	NM	0.7%	1.1%	NM	NM
UAB	0.4%	NM	NM	NM	NM	NM
FAB	0.8%	0.7%	0.6%	0.8%	0.5%	-33

Source: FABS from co data, NM refers to the reversal in impairment resulted in negative COR

### RAKBANK recorded the highest CAR, followed by MASQ in 1Q25

RAKBANK witnessed the highest CAR of 18.6% in 1Q25, followed by MASQ at 18.5% and AJMANBANK at 18.2% in 1Q25. While the CBD experienced the lowest CAR of 15.3% in 1Q25. MASQ's CAR also rose the most by 96 bps QOQ in 1Q25, followed by RAKBANK whose CAR increased by 49 bps QOQ. On the other hand, DIB recorded the highest decline in CAR of 104 bps QOQ to 17.3% in 1Q25, followed by AJMANBANK whose CAR fell 92 bps to 18.2% in 1Q25.

#### CAR: UAE Banks

	1Q24	2Q24	3Q24	4Q24	1Q25	QOQ ch: bps
CBI	14.8%	15.3%	15.8%	17.7%	17.6%	-14
MASQ	17.7%	19.5%	19.8%	17.5%	18.5%	96
SIB	17.7%	17.2%	17.7%	16.2%	15.8%	-42
AJMANBANK	16.6%	17.5%	19.5%	19.1%	18.2%	-92
RAKBANK	17.2%	18.0%	19.6%	18.1%	18.6%	49
CBD	15.7%	16.1%	16.6%	15.6%	15.3%	-26
ADCB	16.3%	16.4%	16.7%	16.1%	16.1%	-5
ADIB	17.2%	17.2%	17.6%	16.2%	16.2%	2
DIB	17.5%	18.1%	18.3%	18.3%	17.3%	-104
ENBD	17.8%	18.0%	17.9%	17.1%	17.0%	-6
UAB	18.4%	18.0%	18.8%	17.4%	17.1%	-31
FAB	17.1%	17.4%	18.0%	17.5%	17.2%	-30

Source: FABS from co data

**Banking stock performance**

Ten out of 13 UAE banks generated positive returns during 2025 on a YTD basis. The average return of the Banking sector in UAE outperformed every other indices the ADI, DSM, TASI, EGX30, and DFMGI along with Qatar, Saudi Arabia, and Egypt Banking Sector. The UAE Banking Sector generated a positive average return of 11.8%, however the KSA Banking Sector generated a negative average return of 3.6% on YTD basis as of 25 June 2025. Among the UAE Banks, ADIB recorded the highest return followed by DIB, CBD, ADCB, FAB, RAKBANK, MASQ, CBI, SIB, and ENBD during the same period. While AJMANBANK, BOS, and UAB generated negative returns during the period.

**27 MENA bank stocks: YE 2024 to 25 June 2025, Ranked**

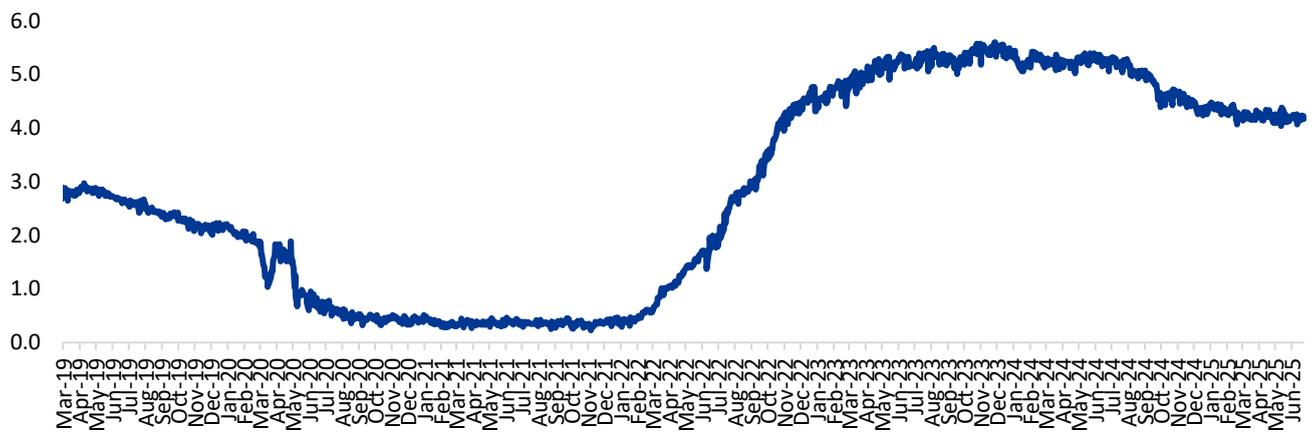
		UAE	KSA	Qatar	Egypt	Ranking
QIBK	2.7%			2.7%		19
MARK	-7.1%			-7.1%		27
CBD	21.9%	21.9%				4
MASQ	10.1%	10.1%				9
QNBK	-0.5%			-0.5%		23
UAB	-0.1%	-0.1%				22
SIB	6.0%	6.0%				14
CBQK	3.0%			3.0%		18
<b>DSM</b>	0.7%					21
RJHI	-0.5%		-0.5%			24
<b>TASI</b>	-8.9%					29
<b>ADI</b>	4.0%					17
ALINMA	-7.4%		-7.4%			28
ALBI	-21.2%		-21.2%			31
BSFR	9.2%		9.2%			10
RAKBANK	11.4%	11.4%				7
DHBK	26.6%			26.6%		2
COMI	6.4%				6.4%	13
FAB	19.9%	19.9%				6
<b>EGX30</b>	10.2%					8
BOS	-4.4%	-4.4%				26
NCB	5.7%					15
<b>DFMGI</b>	8.4%					11
ARNB	0.9%		0.9%			20
RIBL	-2.8%		-2.8%			25
CBI	7.0%	7.0%				12
ENBD	5.6%	5.6%				16
ADIB	47.5%	47.5%				1
DIB	23.7%	23.7%				3
AJMANBANK	-15.8%	-15.8%				30
ADCB	21.1%	21.1%				5
<b>AVERAGE</b>		<b>11.8%</b>	<b>-3.6%</b>	<b>4.9%</b>	<b>6.4%</b>	

FABS from Bloomberg

**EIBOR**

The US Federal Reserve kept policy rates unchanged at 4.25 %–4.50 % in its June 2025 meeting, the fourth pause since the 25-bps cut in December 2024, and continues to project two quarter-point rate reductions by the end of 2025, contingent on evolving economic data. Rate cuts may come later in the year, possibly in September 2025, if inflation cools and labour market pressures ease. Given the AED’s US dollar peg, the Central Bank of the UAE (CBUAE) mirrored the Fed’s stance in June, holding its overnight deposit base rate steady at 4.40 % and maintaining the borrowing rate at 50 bps above that level. The 3-month EIBOR declined from 4.21% at the end of May 2025 to 4.17% as of 24 June 2025, continuing its downward trend since the beginning of the year when it stood at 4.45% on 1 January 2025. This steady easing in rates is expected to lower the interest burden on consumers and businesses, thereby supporting loan growth in the upcoming period.

**3-month EIBOR (%), March 2019 – June 24, 2025**



Source: FABS from Bloomberg

## 2Q25 preview: Emirates NBD (ENBD)

High impairment charges to impact bottom line

Current Price	12-m Target Price	Upside/Downside (%)	Rating
AED 22.95	AED 25.00	+9%	HOLD

### 2Q25 estimate

Emirates National Bank of Dubai (ENBD/the Bank) is expected to report a 18.5% YOY decline in net profit to AED 5,752 Mn in 2Q25 mainly attributable to an expected increase in operating expenses, increase in hyperinflation adjustments, and NCI, coupled with expected impairment costs in 2Q25 compared to impairment reversal in 2Q24, partially offset by forecasted rise in net funded and non-funded income and decrease in tax expenses. ENBD's funded income is forecasted to grow marginally 0.9% YOY to AED 19,256 Mn in 2Q25 due to anticipated rise in average interest earning assets, partially offset by predicted decrease in assets yield. On the other hand, funded expense is estimated to decline 4.5% YOY to AED 10,644 Mn in 2Q25, attributed to projected decline in cost of funds, partially offset by predicted rise in average interest-bearing liabilities. Thus, net funded income is estimated to grow 8.5% YOY to AED 8,612 Mn in 2Q25. The Bank's fee and commission income is estimated to decline marginally 0.3% YOY to AED 1,737 Mn in 2Q25. Whereas trading gains are estimated to increase just 1.8% YOY to AED 206 Mn in 2Q25. Furthermore, other operating income is likely to increase from AED 829 Mn in 2Q24 to AED 1,378 Mn in 2Q25. Thus, total non-funded income is estimated to grow 19.7% YOY to AED 3,321 Mn in 2Q25. As a result, total operating income is expected to rise 11.4% YOY to AED 11,933 Mn in 2Q25. The Bank's operating expenses are predicted to increase 21.6% YOY to AED 3,699 Mn in 2Q25. Furthermore, the Bank is expected to incur impairment charges of AED 538 Mn in 2Q25 compared to impairment reversal of AED 1,350 Mn in 2Q24. Moreover, tax expense is expected to decline 5.7% YOY to AED 1,154 Mn in 2Q25. In addition, the company is expected to incur a hyperinflation adjustment of AED 784 Mn in 2Q25 compared to AED 736 Mn in 2Q24, thus dragging the bottom line. Additionally, the Bank NCI is predicted to increase 5.0% YOY to AED 5 Mn in 2Q25.

### 2025 Forecast

ENBD's net profit is expected to decline 3.9% YOY to AED 22,080 Mn in 2025 mainly attributed to an expected increase in operating expenses, substantial rise in impairment charges, increase in tax expenses, coupled with an increase in hyperinflation, partially offset by an expected growth in net funded and non-funded income. Funded income is estimated to decrease 2.1% YOY to AED 76,488 Mn in 2025 due to predicted decline in asset yield, partially offset by forecasted rise in average interest earning assets. Whereas, the Bank's funded expense is forecasted to decline 8.2% YOY to AED 41,973 Mn in 2025, supported by expected decline in cost of funds, partially offset by anticipated rise in average interest-bearing liabilities. Thus, net funded income is likely to grow 6.5% YOY to AED 34,515 Mn in 2025. The Bank's fees & commissions income is forecasted to rise 6.0% YOY to AED 7,201 Mn in 2025. Additionally, trading income is predicted to rise 3.0% YOY to AED 863 Mn in 2025. Furthermore, other operating income is anticipated to expand 2.0% YOY to AED 4,189 Mn in 2025. Thus, non-funded income is likely to rise 4.4% YOY to AED 12,253 Mn in 2025. As a result, operating income is likely to grow 6.0% YOY to AED 46,768 Mn in 2025. Operating expenses are expected to grow 8.5% YOY to AED 14,919 Mn in 2025. The Bank's impairment charges are anticipated to boost from AED 106 Mn in 2024 to AED 2,020 Mn in 2025. In addition, tax expense is estimated to increase 8.3% YOY to AED 4,474 Mn in 2025. The bank is expected to report a hyperinflation adjustment of AED 3,250 Mn in 2025 as compared to AED 3,136 Mn in 2024. The Bank's NCI is forecasted to fall 30% YOY to AED 25 Mn in 2025.

### 1Q25 Outturn

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 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.

### Target price and recommendation

We revise our rating on ENBD from BUY to HOLD with an unchanged 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 Tn 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 in 1Q25, 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 HOLD rating on the stock.

**ENBD - Relative Valuation**

	2020	2021	2022	2023	2024	2025F
(at CMP)						
PE	22.76	16.49	11.49	6.85	6.39	6.69
PB	1.94	1.93	1.71	1.43	1.23	1.08
EPS (AED)	1.000	1.379	1.980	3.323	3.559	3.402
BVPS (AED)	11.749	11.777	13.309	15.937	18.501	20.996
DPS (AED)	0.400	0.500	0.600	1.200	1.000	1.000
Dividend Yield	1.7%	2.2%	2.6%	5.2%	4.4%	4.4%

FABS estimate & Co data

**ENBD - P&L**

AED Mn	2Q24	1Q25	2Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Funded income	19,088	19,198	19,256	0.9%	0.3%	78,132	76,488	-2.1%
Funded expense	-11,148	-10,743	-10,644	-4.5%	-0.9%	-45,736	-41,973	-8.2%
<b>Net funded income</b>	<b>7,940</b>	<b>8,455</b>	<b>8,612</b>	<b>8.5%</b>	<b>1.9%</b>	<b>32,396</b>	<b>34,515</b>	<b>6.5%</b>
Fees and commissions	1,743	1,888	1,737	-0.3%	-8.0%	6,793	7,201	6.0%
Trading gain/(loss)	202	194	206	1.8%	6.0%	838	863	3.0%
Other Operating Income	829	1,338	1,378	66.2%	3.0%	4,107	4,189	2.0%
<b>Non-funded income</b>	<b>2,774</b>	<b>3,420</b>	<b>3,321</b>	<b>19.7%</b>	<b>-2.9%</b>	<b>11,738</b>	<b>12,253</b>	<b>4.4%</b>
<b>Operating income</b>	<b>10,714</b>	<b>11,875</b>	<b>11,933</b>	<b>11.4%</b>	<b>0.5%</b>	<b>44,134</b>	<b>46,768</b>	<b>6.0%</b>
Operating expenses	-3,041	-3,676	-3,699	21.6%	0.6%	-13,751	-14,919	8.5%
<b>Pre-provision profit</b>	<b>7,673</b>	<b>8,199</b>	<b>8,234</b>	<b>7.3%</b>	<b>0.4%</b>	<b>30,383</b>	<b>31,849</b>	<b>4.8%</b>
Impairment	1,350	465	-538	NM	NM	-106	-2,020	NM
<b>PBT</b>	<b>9,023</b>	<b>8,664</b>	<b>7,695</b>	<b>-14.7%</b>	<b>-11.2%</b>	<b>30,277</b>	<b>29,829</b>	<b>-1.5%</b>
Tax	-1,224	-1,546	-1,154	-5.7%	-25.3%	-4,133	-4,474	8.3%
<b>Net profit</b>	<b>7,799</b>	<b>7,118</b>	<b>6,541</b>	<b>-16.1%</b>	<b>-8.1%</b>	<b>26,144</b>	<b>25,354</b>	<b>-3.0%</b>
Hyperinflation	-736	-899	-784	6.5%	-12.8%	-3,136	-3,250	3.6%
<b>Net Profit adj for hyperinflation</b>	<b>7,063</b>	<b>6,219</b>	<b>5,757</b>	<b>-18.5%</b>	<b>-7.4%</b>	<b>23,008</b>	<b>22,104</b>	<b>-3.9%</b>
NCI	-5	-5	-5	5.0%	5.0%	-35	-25	-30.0%
<b>Net profit attributable</b>	<b>7,058</b>	<b>6,214</b>	<b>5,752</b>	<b>-18.5%</b>	<b>-7.4%</b>	<b>22,973</b>	<b>22,080</b>	<b>-3.9%</b>

FABS estimate & Co Data

**Emirates NBD - P&L KPI**

	2Q24	1Q25	2Q25F	YOY	QOQ	2024	2025F	Change
Net FI/OI	74.1%	71.2%	72.2%	-194	97	73.4%	73.8%	40
NIM	3.62%	3.49%	3.45%	-18	-4	3.7%	3.5%	-16
NIS	2.6%	2.6%	2.6%	-3	-2	2.7%	2.7%	1
Fees & comms/OI	16.3%	15.9%	14.6%	-171	-134	15.4%	15.4%	0
Other non-funded/OI	7.7%	11.3%	11.5%	381	28	9.3%	9.0%	-35
Trading/OI	1.9%	1.6%	1.7%	-16	9	1.9%	1.8%	-5
Cost to income - Calculated	28.4%	30.9%	31.0%	262	10	31.2%	31.9%	74
Impairment/PPP	-17.6%	-5.7%	6.5%	2,413	1,221	0.3%	6.3%	599
Tax/PBT	13.6%	17.8%	15.0%	143	-284	13.7%	15.0%	135
NP/OI	65.9%	52.3%	48.2%	-1,767	-412	52.1%	47.2%	-484
Loan-to-deposit (Headline)	76.4%	74.7%	75.0%	-141	33	75.2%	76.0%	77
NPL - Calculated	4.2%	3.1%	3.1%	-118	-3	3.3%	3.0%	-33
NPL Coverage - Calculated	144.5%	158.2%	154.0%	948	-416	156.2%	162.0%	580
CET1	15.4%	14.7%	15.0%	-42	32	14.7%	15.5%	80
Capital Adequacy	18.0%	17.0%	17.3%	-71	27	17.1%	17.7%	63
ROAE	22.9%	20.3%	17.9%	-500	-237	20.7%	17.2%	-344
ROAA	2.6%	2.3%	2.1%	-51	-19	2.5%	2.1%	-34

FABS estimate & Co data

**ENBD - BS Key items**

AED Mn	2Q24	3Q24	4Q24	1Q25	2Q25F	YOY
Net advances	477,132	493,843	501,627	520,909	534,874	12.1%
QOQ change	4.0%	3.5%	1.6%	3.8%	2.7%	
Total Assets	930,785	956,041	996,582	1,030,570	1,052,968	13.1%
QOQ change	3.2%	2.7%	4.2%	3.4%	2.2%	
Customer Deposits	624,417	644,812	666,777	697,595	713,166	14.2%
QOQ change	2.3%	3.3%	3.4%	4.6%	2.2%	
Total Equity	107,199	114,040	116,861	117,468	123,220	14.9%
QOQ change	8.1%	6.4%	2.5%	0.5%	4.9%	

FABS estimate & Co data

## 2Q25 preview: Dubai Islamic Bank (DIB)

Quick repricing of liabilities to support profitability

Current Price	12-m Target Price	Upside/Downside (%)	Rating
AED 8.75	AED 9.50	+9%	HOLD

### 2Q25 estimate

Dubai Islamic Bank (DIB/the Bank) is expected to report a 0.3% YOY increase in net profit to AED 1,682 Mn in 2Q25, attributed to an expected increase in net funded income, non-funded income, and decrease in impairment charges, partially offset by an anticipated increase in general expenses, tax expenses, and non-controlling interest. DIB's funded income is predicted to decline 4.8% YOY to AED 4,532 Mn in 2Q25. On the other hand, the funded expense is forecasted to fall 11.7% YOY to AED 2,317 Mn in 2Q25. Thus, net funded income is likely to increase 3.7% YOY and 1.1% QOQ to AED 2,215 Mn in 2Q25. DIB anticipates the declining interest rates to benefit the bank, as a significant portion of its liability book will be repriced sooner. In addition, the Bank's majority of the portfolio is already repriced for the 2024 rate. The bank's fee and commission income is expected to grow 20.2% YOY to AED 515 Mn in 2Q25. Additionally, other non-funded income is expected to decline marginally 0.2% YOY to AED 495 Mn in 2Q25. As a result, DIB's non-funded income is expected to grow 9.3% YOY to AED 1,010 Mn in 2Q25. The Bank's total operating income is likely to increase 5.4% YOY to AED 3,225 Mn in 2Q25. DIB's general expenses are anticipated to increase 6.6% YOY to AED 891 Mn in 2Q25. Furthermore, the Bank's impairment charges are expected to decrease 14.6% YOY to AED 302 Mn in 2Q25. Tax charges are estimated to increase significantly from AED 157 Mn in 2Q24 to AED 299 Mn in 2Q25. The share of profit attributable to non-controlling interest holders is predicted to rise 43.7% YOY to AED 52 Mn in 2Q25.

### 2025 forecast

We expect DIB's net profit to decline 10.4% YOY to AED 7,106 Mn in 2025, mainly attributed to the expected increase in general expenses, impairment charges and tax expenses, partially offset by an anticipated rise in net funded income, non-funded income and decrease in non-controlling interest. The Bank's funded income is forecasted to decrease 5.8% YOY to AED 18,326 Mn in 2025. On the other hand, funded expense is predicted to decline 17.0% YOY to AED 8,722 Mn in 2025. Thus, net funded income is likely to grow 7.3% YOY to AED 9,604 Mn in 2025. The Bank expects a net profit margin of 2.8% to 3% in 2025. The bank expects to manage the potential impact of declining interest rates on its margins by repricing both sides of its balance sheet, with a particular focus on its liabilities. Fee and commission income is estimated to increase 6.0% YOY to AED 1,853 Mn in 2025. Moreover, other non-funded income is forecasted to decline marginally 0.9% YOY to AED 2,121 Mn in 2025. Thus, non-funded income is likely to grow 2.2% YOY to AED 3,974 Mn in 2025. Total operating income is likely to increase 5.8% YOY to AED 13,578 Mn in 2025. General expenses are expected to grow 4.6% YOY to AED 3,584 Mn in 2025. Additionally, impairment charges are projected to increase substantially from AED 407 Mn in 2024 to AED 1,402 Mn in 2025. The Bank's income tax charge is estimated to rise 50.4% YOY to AED 1,263 Mn in 2025. In addition, the share of profit attributable to non-controlling interest holders is expected to fall 3.2% YOY to AED 224 Mn in 2025.

### 1Q25 outturn

Funded income fell 4.4% YOY to AED 4,550 Mn in 1Q25, mainly due to lower yields on assets owing to rate cuts, partially offset by strong growth in new gross underwriting of more than AED 26 bn. Funded expenses also declined from AED 2,609 Mn in 1Q24 to AED 2,358 Mn in 1Q25 due to lower cost of funds. As a result, net funded income grew 2.0% YOY to AED 2,192 Mn in 1Q25. However, the calculated NIM contracted by 20 bps YOY in 1Q25. Fee and commission income rose 4.6% YOY to AED 505 Mn in 1Q25 driven by strong growth in Consumer Banking Segment. Fee, Commission and Others income earned from the Consumer banking segment rose from AED 176 Mn in 1Q24 to AED 288 Mn in 1Q25. Other non-funded income grew strongly from AED 367 Mn in 1Q24 to AED 457 Mn in 1Q25, driven by higher income from properties under construction and investment properties, despite a decline in profit from associates. Thus, non-funded income saw strong growth of 13.2% YOY to AED 962 Mn in 1Q25, which supported the overall growth in total operating income. As a result, total operating income rose 5.2% YOY to AED 3,154 Mn in 1Q25. Operating expenses

increased 4.0% YOY to AED 883 Mn in 1Q25. Although expenses rose, the calculated cost-to-income ratio improved by 33 bps YOY to 28.0% in 1Q25. Furthermore, impairment charges dropped sharply 45.4% YOY to AED 163 Mn, supported by strong asset quality and recoveries of legacy older non-performing loans. Tax expenses grew from AED 186 Mn in 1Q24 to AED 311 Mn in 1Q25 as the tax rate rose 9% in 1Q24 to 15% 1Q25. Lastly, the share of profit attributable to non-controlling interest holders declined 19.4% YOY to AED 58 Mn in 1Q25.

### Target price and recommendation

We revise our rating on DIB from ACCUMULATE to HOLD with a revised target price of AED 9.50. DIB recorded strong growth in financing and investments in 1Q25 and further expects financing to grow by 15% in 2025. The financing growth is driven by growth in corporate and retail financing. The Bank foresees a strong pipeline of financing deals in 2Q25 compared to 1Q25. It also expects a strong and ongoing strategic focus on the KSA driven by sector lending across utilities, manufacturing, aviation, and healthcare. DIB expects NIMs to soften in 2025 to 2.8-3.0% compared to 2.9% in 2024. It plans to offset NIM pressure through higher lending volume coupled with the repricing of fixed deposits, which make up 63% of total deposits in 2025. The Bank expects strong growth in non-funded income, as the growth in property income expected to remain strong due to market strength and strategic divestments. Furthermore, the Bank's asset quality improved as the reported NPL ratio improved to 3.7% in 1Q25 compared to 4.0% in 4Q24, mainly due to the ongoing recoveries. The Bank expects recoveries in 2025, but not to the extent expected in 2024. Thus, it expects improvement in asset quality to 3.5% in 2025. The coverage ratio remained steady at 98% in 1Q25, and the Bank is comfortable with the coverage of stage 1 and stage 2 loans. Stage 2 loans rose from 7.8% in 4Q24 to 9.4% in 1Q25, raising concern about asset quality. DIB's capital ratios remained healthy, with a capital adequacy ratio of 17.3% and a CET 1 ratio of 13.4% in 1Q25. Considering all these factors, we assign a HOLD rating on the stock.

### DIB - Relative Valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
P/E	23.13	16.62	12.55	9.94	8.44	9.38
P/B	2.21	2.07	1.92	1.75	1.59	1.45
EPS (AED)	0.378	0.526	0.697	0.880	1.037	0.933
BVPS (AED)	3.951	4.226	4.563	5.012	5.486	6.017
DPS	0.200	0.250	0.300	0.450	0.450	0.450
Dividend yield	2.3%	2.9%	3.4%	5.1%	5.1%	5.1%

FABS estimate

### DIB - P&L

AED Mn	2Q24	1Q25	2Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Funded income	4,760	4,550	4,532	-4.8%	-0.4%	19,454	18,326	-5.8%
Funded expense	-2,625	-2,358	-2,317	-11.7%	-1.7%	-10,505	-8,722	-17.0%
<b>Net funded income</b>	<b>2,135</b>	<b>2,192</b>	<b>2,215</b>	<b>3.7%</b>	<b>1.1%</b>	<b>8,949</b>	<b>9,604</b>	<b>7.3%</b>
Fees & commissions	429	505	515	20.2%	2.0%	1,748	1,853	6.0%
Other non-funded income	496	457	495	-0.2%	8.3%	2,139	2,121	-0.9%
<b>Non funded Income</b>	<b>924</b>	<b>962</b>	<b>1,010</b>	<b>9.3%</b>	<b>5.0%</b>	<b>3,887</b>	<b>3,974</b>	<b>2.2%</b>
<b>Operating income</b>	<b>3,060</b>	<b>3,154</b>	<b>3,225</b>	<b>5.4%</b>	<b>2.3%</b>	<b>12,837</b>	<b>13,578</b>	<b>5.8%</b>
General expenses	-836	-883	-891	6.6%	0.9%	-3,425	-3,584	4.6%
<b>Pre-provisioning profit</b>	<b>2,224</b>	<b>2,271</b>	<b>2,334</b>	<b>5.0%</b>	<b>2.8%</b>	<b>9,412</b>	<b>9,994</b>	<b>6.2%</b>
Impairment charges	-354	-163	-302	-14.6%	85.2%	-407	-1,402	NM
<b>Profit before tax</b>	<b>1,870</b>	<b>2,108</b>	<b>2,032</b>	<b>8.7%</b>	<b>-3.6%</b>	<b>9,005</b>	<b>8,592</b>	<b>-4.6%</b>
Tax	-157	-311	-299	90.4%	-3.9%	-840	-1,263	50.4%
<b>Profit before NCI</b>	<b>1,713</b>	<b>1,797</b>	<b>1,734</b>	<b>1.2%</b>	<b>-3.5%</b>	<b>8,165</b>	<b>7,329</b>	<b>-10.2%</b>
Non-controlling interests	-36	-58	-52	43.7%	-9.9%	-231	-224	-3.2%
<b>Profit for the period</b>	<b>1,677</b>	<b>1,740</b>	<b>1,682</b>	<b>0.3%</b>	<b>-3.3%</b>	<b>7,934</b>	<b>7,106</b>	<b>-10.4%</b>

FABS estimate & Co Data

**DIB - P&L KPI**

	2Q24	1Q25	2Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	69.8%	69.5%	68.7%	-111	-81	69.7%	70.7%	102
NIM	2.8%	2.6%	2.6%	-18	-3	2.9%	2.8%	-7
NIS	2.2%	2.2%	2.2%	-8	0	2.3%	2.3%	0
Fees & commissions/OI	14.0%	16.0%	16.0%	197	-4	13.6%	13.6%	3
Other non-funded/OI	16.2%	14.5%	15.3%	-85	86	16.7%	15.6%	-104
Cost to income	27.3%	28.0%	27.6%	30	-36	26.7%	26.4%	-29
Impairment/PPP	15.9%	7.2%	12.9%	-297	576	4.3%	14.0%	971
NCI/PBT	2.1%	3.2%	3.0%	89	-21	2.8%	3.1%	22
NP/OI	54.8%	55.2%	52.1%	-267	-302	61.8%	52.3%	-948
Cost of risk	0.4%	0.3%	0.5%	12	23	0.2%	0.6%	41
Loan-to-deposit	85.1%	84.0%	85.5%	36	147	85.5%	90.0%	453
NPL Calculated	5.0%	3.7%	3.5%	-149	-20	3.9%	3.5%	-43
Coverage - Calculated	84.0%	83.5%	84.0%	-2	46	78.6%	80.0%	145
CET 1	13.7%	13.4%	13.8%	13	42	13.2%	13.2%	0
Capital adequacy	18.1%	17.3%	17.6%	-46	36	18.3%	17.8%	-45
ROAA	2.3%	2.4%	2.4%	11	0	2.4%	2.0%	-44
ROAE	19.0%	21.1%	20.3%	133	-79	19.8%	16.2%	-353

FABS estimate & Co Data

**DIB - key B/S items**

AED Mn	2Q24	3Q24	4Q24	1Q25	2Q25F	YOY Ch
Net financings	199,251	206,790	212,427	222,553	228,281	14.6%
QOQ change	-0.8%	3.8%	2.7%	4.8%	2.6%	
Total assets	322,651	329,169	344,687	355,269	361,422	12.0%
QOQ change	-1.4%	2.0%	4.7%	3.1%	1.7%	
Customer deposits	234,018	236,868	248,546	264,847	266,995	14.1%
QOQ change	-0.7%	1.2%	4.9%	6.6%	0.8%	
Shareholders' fund	36,011	37,755	39,724	38,084	39,765	10.4%
QOQ change	4.4%	4.8%	5.2%	-4.1%	4.4%	

FABS estimate & Co Data

## 2Q25 preview: Abu Dhabi Islamic Bank (ADIB)

Decline in impairment charges due to improved asset quality to increase profit

Current Price	12-m Target Price	Upside/Downside (%)	Rating
AED 20.30	AED 19.50	-4%	HOLD

### 2Q25 estimate

Abu Dhabi Islamic Bank (ADIB/the bank) is expected to record a 5.3% YOY increase in net profit to AED 1,572 Mn in 2Q25, primarily driven by an anticipated increase in funded income, net-funded income, and decline in impairment charges, partially offset by forecasted increase in operating expenses and NCI. & zakat expenses. ADIB's funded income, including income from Islamic financing, is expected to grow 8.9% YOY to AED 2,927 Mn in 2Q25, driven by expected growth in Islamic financing and average interest-earning assets. Similarly, the funded expense is anticipated to increase 16.2% YOY to AED 1,228 Mn in 2Q25 due to the expected increase in interest-bearing liabilities, partially offset by projected improvement in cost of funds. As a result, ADIB's net funded income is projected to rise 4.1% YOY to AED 1,699 Mn in 2Q25. We expect NIMs to decline 47 bps YOY and 25 bps QOQ to 2.9% in 2Q25. Furthermore, the bank's non-funded income is anticipated to fall 4.4% YOY to AED 1,148 Mn in 2Q25 due to decline in other non-funded income, partially offset by projected growth in fees and commission income. As a result, the bank's operating income is likely to marginally increase 0.5% YOY to AED 2,847 Mn in 2Q25. ADIB's operating expenses are anticipated to increase 8.2% YOY to AED 826 Mn in 2Q25. The cost-to-income ratio is expected to expand from 26.9% in 2Q24 to 29.0% in 2Q25. Impairment charges are anticipated to decline from AED 293 Mn in 2Q24 to AED 153 Mn in 2Q25. In addition, NCI. & zakat expenses are projected to grow 4.8% YOY to AED 297 Mn in 2Q25.

### 2025 forecast

ADIB's net profit is anticipated to grow 2.7% YOY to AED 5,935 Mn in 2025, driven by the projected increase in net-funded and non-funded income partially offset by an anticipated rise in operating expenses, impairment charges, and NCI. & zakat expenses. Funded income, including income from Islamic financing, is expected to grow 4.1% YOY to AED 11,557 Mn in 2025, owing to an anticipated growth in Islamic financing and average interest-earning assets. Funded expense is projected to increase 8.7% YOY to AED 4,936 Mn in 2025. Thus, net funded income is forecasted to rise marginally 0.8% YOY to AED 6,621 Mn in 2025. Furthermore, non-funded income is anticipated to boost 13.3% YOY to AED 4,608 Mn in 2025 due to estimated growth in fees and commission income and other non-funded income. As a result, operating income is anticipated to rise 5.6% YOY to AED 11,229 Mn in 2025. The Bank's operating expenses are expected to rise 4.5% YOY to AED 3,287 Mn in 2025. However, we forecast the cost-to-income ratio to decline 30 bps YOY to 29.3% in 2025. Impairments are forecasted to increase 23.3% YOY to AED 764 Mn in 2025. NCI. & zakat expenses anticipated to increase 13.9% YOY to AED 1,243 Mn in 2025.

### 1Q25 outturn

ADIB's Islamic financing income grew 18.4% YOY to AED 2,464 Mn in 1Q25. Income from financial institutions fell 8.8% YOY to AED 533 Mn. Thus, total funded income rose 12.4% YOY to AED 2,997 Mn in 1Q25, driven by growth in interest-earning assets due to robust business volumes and an improved revenue mix, coupled with the Bank's ability to generate sustainable returns despite the lower rate environment. Funded expenses rose 27.7% YOY to AED 1,245 Mn in 1Q25, mainly due to the significant rise in the cost of funds and interest-bearing liabilities. Thus, net funded income grew 3.6% YOY to AED 1,752 Mn in 1Q25. However, calculated NIMs fell 54 bps YOY but rose 2 bps QOQ to 3.1% in 1Q25. Fees and commission income rose 30.1% YOY to AED 544 Mn in 1Q25 from various product sales across retail and corporates, reflecting increased customer activity and successful cross-sell efforts, while other non-funded income rose 40.8% YOY to AED 576 Mn. Thus, total non-funded income rose 35.4% YOY to AED 1,120 Mn in 1Q25. As a result, total operating income rose 14.1% YOY to AED 2,872 Mn in 1Q25. Furthermore, operating expenses rose 8.4% YOY to AED 830 Mn in 1Q25 owing to an increase in G&A expenses and employee costs due to ongoing investments in people, digital initiatives, and new technology. ADIB's impairments fell 3.3% YOY to AED 106 Mn

in 1Q25. Additionally, zakat and NCI expenses increased significantly from AED 286 Mn in 1Q24 to AED 320 Mn in 1Q25.

### Target price and recommendation

We maintain our HOLD rating on Abu Dhabi Islamic Bank with a revised target price of AED 19.50. The share price of ADIB increased 13.4% since our previous rating. ADIB record incremental rise in profitability by 19.1% YOY and 16.4% QOQ to AED 1,616 Mn in 1Q25 due to revenue growth fuelled by strong customer momentum and expanding business volumes, supported by strong credit quality and cost discipline. The launch of fractional sukuk highlights the organization's commitment to digital innovation and Sharia-compliant finance, enabling smarter, inclusive solutions and greater opportunities for customers. As a result, the Bank onboarded 67,000 new clients in 1Q25, bringing its total client base to around 2 Mn, demonstrating its strong capability to draw in new clients. Strong growth in the customer base is expected to drive the Bank's core and non-core income in the upcoming period. The Bank witnessed a solid growth in investments and net advances which drove ADIB's core income. CASA ratio stands at a high of 69.3% and retail CASA around 90% as of 1Q25. ADIB's calculated NIMs fell 54 bps YOY but grew 2 bps QOQ to 3.1% in 1Q25. The Bank anticipates NIMs to stay stable and shall experience a gradual decline after the interest rate cut. Moreover, ADIB expects the non-funded customer income to play a crucial role in the Bank's growth in the declining rate scenario. The Bank's customer deposits grew 24.9% YOY to AED 200.1 Bn in 1Q25. ADIB witnessed a strong improvement in asset quality as the NPL ratio declined from 4.0% in 4Q24 to 3.7% in 1Q25, at its lowest levels since 1Q16, driven by legacy portfolio management and better underwriting standards. As per our calculation, the cost of risk declined 9 bps YOY and 19 bps QOQ to 0.3% in 1Q25. ADIB expects to record a cost of risk of 0.4-0.6% for 2025. ADIB maintained healthy capitalization with a reported CET 1 ratio of 12.2% and a total capital adequacy ratio of 16.2% in 1Q25. Hence based on our analysis, we assign a HOLD rating on the stock.

#### ADIB - Relative valuation

(At CMP)	2020	2021	2022	2023	2024	2025F
P/E	55.82	35.54	22.19	15.81	13.59	13.21
P/B	5.12	4.67	4.16	3.62	3.26	2.90
EPS (AED)	0.364	0.571	0.915	1.284	1.493	1.537
BVPS (AED)	3.964	4.348	4.881	5.610	6.220	6.999
DPS (AED)	0.206	0.311	0.490	0.715	0.834	0.850
Dividend yield	1.0%	1.5%	2.4%	3.5%	4.1%	4.2%

FABS Estimates & Co Data

#### ADIB - P&L

AED Mn	2Q24	1Q25	2Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Institutions	510	533	529	3.7%	-0.7%	2,168	2,131	-1.7%
Islamic financings	2,178	2,464	2,398	10.1%	-2.7%	8,939	9,426	5.5%
<b>Funded income</b>	<b>2,689</b>	<b>2,997</b>	<b>2,927</b>	<b>8.9%</b>	<b>-2.3%</b>	<b>11,107</b>	<b>11,557</b>	<b>4.1%</b>
Funded expense	-1,057	-1,245	-1,228	16.2%	-1.4%	-4,541	-4,936	8.7%
<b>Net funded income</b>	<b>1,631</b>	<b>1,752</b>	<b>1,699</b>	<b>4.1%</b>	<b>-3.0%</b>	<b>6,566</b>	<b>6,621</b>	<b>0.8%</b>
Fees and commissions	437	544	549	25.7%	1.0%	1,807	2,169	20.0%
Other non-funded income	764	576	599	-21.6%	4.0%	2,259	2,439	8.0%
<b>Non-Funded Income</b>	<b>1,201</b>	<b>1,120</b>	<b>1,148</b>	<b>-4.4%</b>	<b>2.5%</b>	<b>4,066</b>	<b>4,608</b>	<b>13.3%</b>
<b>Operating income</b>	<b>2,832</b>	<b>2,871</b>	<b>2,847</b>	<b>0.5%</b>	<b>-0.8%</b>	<b>10,632</b>	<b>11,229</b>	<b>5.6%</b>
Operating expenses	-763	-830	-826	8.2%	-0.5%	-3,145	-3,287	4.5%
<b>Pre-provisioning income</b>	<b>2,069</b>	<b>2,042</b>	<b>2,022</b>	<b>-2.3%</b>	<b>-1.0%</b>	<b>7,487</b>	<b>7,942</b>	<b>6.1%</b>
Financing impairment	-293	-106	-153	-47.8%	44.6%	-620	-764	23.3%
<b>Profit before NCI</b>	<b>1,777</b>	<b>1,936</b>	<b>1,869</b>	<b>5.2%</b>	<b>-3.5%</b>	<b>6,868</b>	<b>7,178</b>	<b>4.5%</b>
NCI. & zakat	-283	-320	-297	4.8%	-7.2%	-1,091	-1,243	13.9%
<b>Net profit for period</b>	<b>1,493</b>	<b>1,616</b>	<b>1,572</b>	<b>5.3%</b>	<b>-2.7%</b>	<b>5,777</b>	<b>5,935</b>	<b>2.7%</b>

FABS estimate & Co Data

**ADIB - KPI**

	2Q24	1Q25	2Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	57.6%	61.0%	59.7%	207	-133	61.8%	59.0%	-279
NIM	3.4%	3.1%	2.9%	-47	-25	3.3%	2.8%	-45
NIS	3.1%	2.8%	2.6%	-45	-22	3.0%	2.5%	-42
Fees & commissions/OI	15.4%	18.9%	19.3%	387	35	17.0%	19.3%	232
Other non-funded/OI	27.0%	20.1%	21.0%	-594	98	21.2%	21.7%	48
Cost to income (calculated)	26.9%	28.9%	29.0%	206	10	29.6%	29.3%	-30
Impairment/PPP	14.1%	5.2%	7.6%	-659	238	8.3%	9.6%	134
NP/OI	52.7%	56.3%	55.2%	249	-107	54.3%	52.9%	-148
Cost of risk	0.9%	0.3%	0.4%	-46	13	0.4%	0.5%	8
Loan-to-deposit	76.7%	75.0%	75.8%	-86	78	78.1%	76.8%	-127
NPL - Reported	4.7%	3.7%	3.6%	-107	-10	4.0%	3.6%	-46
Coverage excluding collateral	77.0%	76.0%	77.2%	21	124	81.5%	78.1%	-344
CET1	12.9%	12.2%	11.1%	-175	-113	12.1%	11.9%	-13
Capital adequacy	17.2%	16.2%	14.9%	-224	-130	16.2%	15.6%	-62
ROAE	28.0%	28.7%	27.1%	-94	-163	25.2%	23.2%	-200
ROAA	2.8%	2.8%	2.6%	-21	-12	2.8%	2.4%	-32

FABS estimate & Co Data

**ADIB - Key B/S items**

AED Mn	2Q24	3Q24	4Q24	1Q25	2Q25F	YOY Ch
Net advances	132,066	135,132	142,611	150,133	155,166	17.5%
QOQ change	12.9%	2.3%	5.5%	5.3%	3.4%	
Total assets	213,403	222,567	225,910	243,528	250,351	17.3%
QOQ change	9.6%	4.3%	1.5%	7.8%	2.8%	
Customer deposits	172,244	179,744	182,675	200,095	204,663	18.8%
QOQ change	7.5%	4.4%	1.6%	9.5%	2.3%	
Total shareholders' equity	19,855	21,378	22,591	21,102	22,674	14.2%
QOQ change	7.6%	7.7%	5.7%	-6.6%	7.4%	

FABS estimate & Co Data

## 2Q25 preview: National Bank of Ras Al Khaimah (RAKBANK)

Growth in net-operating income to impact bottom line

Current Price	12-m Target Price	Upside/Downside (%)	Rating
AED 6.75	AED 7.15	+6%	HOLD

### 2Q25 estimates

National Bank of Ras Al-Khaimah (RAKBANK/the Bank) is expected to report a 13.2% YOY growth in net profit to AED 584 Mn in 2Q25. The increase in net profit is primarily driven by anticipated growth in net funded and non-funded income and decrease in impairment charges, partially offset by projected increase in operating and income tax expenses. Interest income, including income from Islamic financing, is projected to rise 2.0% YOY to AED 1,311 Mn in 2Q25 due to anticipated growth in average Islamic financing assets and other average interest earning assets, partially offset by forecasted decline in asset yield and yield on Islamic financing assets. On the other hand, interest expense is forecasted to increase 2.6% YOY to AED 414 Mn in 2Q25, driven by predicted higher average interest-bearing liabilities, partially offset by anticipated decline in cost of funds. As a result, net funded income is likely to rise 1.7% YOY to AED 898 Mn in 2Q25. However, we forecast the calculated NIMs to decline 57 bps YOY to 4.1% in 2Q25. The Banks' total non-funded income is anticipated to increase 10.8% YOY to AED 323 Mn in 2Q25, primarily due to an expected rise in net fees and commission income, foreign exchange gain, investment income and other operating income, coupled with forecasted decline in gross insurance underwriting loss. Hence, net operating income is projected to grow 4.0% YOY to AED 1,221 Mn in 2Q25. Operating expenses are expected to rise 6.1% YOY to AED 425 Mn in 2Q25. Moreover, we expect the cost-to-income ratio to grow 70 bps YOY to 34.8% in 2Q25 due to increased operating expenses. In addition, impairment expense is forecasted to decline 26.3% YOY to AED 153 Mn in 2Q25. The Bank's tax expense is likely to expand 14.6% YOY to AED 58 Mn in 2Q25. Furthermore, non-controlling interest is predicted to stand at AED 1 Mn in 2Q25.

### 2025 forecast

RAKBANK's net profit is estimated to increase 9.2% YOY to AED 2,263 Mn in 2025, owing to anticipated rise in non-funded income, coupled with a decrease in impairment charges, partially offset by decline in anticipated decrease in net funded income, higher operating expenses, and income tax expenses. Interest Income, including income from Islamic financing is likely to decrease 2.3% YOY to AED 5,116 Mn in 2025 due to a projected decline in assets yield and yield on Islamic Financing, partially offset by anticipated increase in average interest earning assets and average Islamic financing assets. On the other hand, the Bank's funded expense is also expected to decline 2.2% YOY to AED 1,635 Mn in 2025, mainly due to the fall in cost of yield, partially offset by an anticipated increase in interest bearing liabilities. Resultantly, net funded income is likely to shrink 2.3% YOY to AED 3,481 Mn in 2025. We expect NIMs to fall 53 bps YOY to 4.3% in 2025. Total non-funded income is expected to grow 23.8% YOY to AED 1,424 Mn in 2025, driven by a rise in net commission income, foreign exchange gain, other operating income, investment income, coupled with anticipated decrease in gross insurance underwriting losses. As a result, net operating income is likely to increase 4.1% YOY to AED 4,904 Mn in 2025. Operating expenses are anticipated to rise 4.7% YOY to AED 1,736 Mn in 2025. Additionally, we forecast the cost-to-income ratio to increase marginally 20 bps YOY to 35.4% in 2025. Impairments are forecasted to decline 12.7% YOY to AED 678 Mn in 2025. The tax expense is estimated to rise 10.7% YOY to AED 224 Mn in 2025. Furthermore, the Bank is expected to report non-controlling interest of AED 3 Mn in 2025.

### 1Q25 outturn

RAKBANK's interest income from conventional loans and investments grew 2.4% YOY to AED 1,117 Mn in 1Q25, whereas interest expense on conventional deposits and borrowings grew significantly from AED 306 Mn in 1Q24 to AED 370 Mn in 1Q25. Thus, net interest income from conventional loans and advances steadily declined 4.8% YOY to AED 747 Mn in 1Q25. Income from Islamic financing grew 16.0% YOY to AED 184 Mn in 1Q25, while Islamic financing expenses remained largely flat, rising 0.3% YOY to AED 64 Mn in 1Q25. As a result, funded income increased 4.1% YOY to AED 1,301 Mn in 1Q25. Funded expenses grew from AED 370 Mn in 1Q24 to AED 434 Mn in 1Q25. Thus, net funded income declined 1.4% YOY to AED 867 Mn in 1Q25. Net interest margins contracted 79 bps YOY and 32 bps QOQ to 4.0% in 1Q25. Net fee and commission income increased strongly 16.8% YOY to AED 188 Mn in 1Q25, while foreign exchange income also rose 15.0% YOY to AED 98 Mn in 1Q25. RAKBANK recorded a lower loss from gross insurance underwriting of AED 3 Mn in 1Q25 compared to a loss of AED 14 Mn in 1Q24. Additionally, the Bank recorded substantial growth in investment income from AED 43 Mn in 1Q24 to AED 126 Mn in 1Q25, primarily driven by gains from the disposal of investments. Other operating income grew 22.2% YOY to AED 24 Mn in 1Q25. Consequently, total non-funded income surged 47.0% YOY to AED 433 Mn in 1Q25, contributing to a 10.7% YOY increase in total operating income to AED 1,300 Mn in 1Q25. Operating expenses rose 11.8% YOY to AED 434 Mn in 1Q25, with the cost-to-income ratio inching up to 33.4% in 1Q25 from 33.1% in 1Q24. Impairment charges declined significantly 40.1% YOY to AED 94 Mn in 1Q25, while income tax expense rose to AED 68 Mn in 1Q25 from AED 55 Mn in 1Q24.

### Target price and recommendation

We maintain our HOLD rating on RAKBANK with a target price at AED 7.15. RAKBANK posted a robust 22.4% YOY growth in profit of AED 702 Mn, driven by a strong increase in non-funded income and lower impairments during 1Q25. The Bank's net advances grew 17.2% YOY and 0.8% QOQ to AED 47.6 Bn in 1Q25, supported by solid performance across all business segments. The Bank's wholesale lending grew 30.0% YOY to AED 16.5 Bn in 1Q25, driven by increased lending to corporates and financial institutions and a strategic diversification of its portfolio mix. Business banking segment reported a 5.8% YOY growth to AED 10.8 Bn in 1Q25, attributed to higher SME and commercial loan volumes. RAKBANK opened more than 5,000 accounts for entrepreneurs and small businesses and disbursed over AED 1.2 Bn in loans during 1Q25. Personal banking loans and advances grew 14.0% YOY to AED 23.1 Bn in 1Q25, primarily supported by mortgage loans and leveraged lending, contributing AED 2.0 Bn and AED 728 Mn YOY growth, respectively. RAKBANK's customer deposits increased 10.2% YOY and 2.3% QOQ to AED 61 Bn in 1Q25, with CASA deposits rising to 65.1% of total deposits in 1Q25, up from 62.6% in 4Q24. However, the Bank's NIMs declined 79 bps YOY and 32 bps QOQ to 4.0% in 1Q25. Cost-to-income grew 33 bps YOY to 33.4% in 1Q25, owing to Bank's ongoing investments in people, technology and data. Furthermore, asset quality remained stable, with the NPL ratio holding at 2.1% in 1Q25 compared to 4Q24. Provision coverage ratio declined from 253.2% in 4Q24 to 231.8% in 1Q25. However, bank's stage 2 loan as a percentage of gross loans declined from 3.4% in 4Q24 to 2.8% in 1Q25 indicating improving asset quality. The Bank's capitalization remained strong with a CET 1 ratio of 16.2% and total CAR of 18.6% in 1Q25. RAKBANK also delivered strong returns, posting a reported ROE of 22.4% and reported ROA of 3.2% in 1Q25. Thus, based on our assumptions, we assigned HOLD rating on the stock.

#### RAKBANK - Relative valuation

	2020	2021	2022	2023	2024	2025F
(at CMP)						
P/E (x)	26.95	17.96	11.60	7.61	6.55	6.00
P/B (x)	1.74	1.63	1.51	1.31	1.26	1.05
EPS (AED)	0.250	0.376	0.582	0.887	1.030	1.125
BVPS (AED)	3.881	4.147	4.471	5.134	5.352	6.423
DPS (AED)	0.125	0.188	0.283	0.310	0.500	0.563
Dividend Yield	1.9%	2.8%	4.2%	4.6%	7.4%	8.3%

FABS Estimates & Co Data

**RAKBANK P&L**

AED Mn	2Q24	1Q25A	2Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Interest Income	1,286	1,301	1,311	2.0%	0.8%	5,234	5,116	-2.3%
Interest expense	-403	-434	-414	2.6%	-4.8%	-1,672	-1,635	-2.2%
<b>Net funded income</b>	<b>882</b>	<b>867</b>	<b>898</b>	<b>1.7%</b>	<b>3.5%</b>	<b>3,562</b>	<b>3,481</b>	<b>-2.3%</b>
Net fees and commissions	176	188	190	8.0%	1.0%	644	760	18.0%
Foreign exchange gain	90	98	91	0.9%	-7.0%	352	380	8.0%
Gross insurance underwriting Profit	-15	-3	-3	-78.0%	10.0%	-45	-22	-50.0%
Investment Income	16	126	19	20.3%	-85.0%	88	194	NM
Other operating income	25	24	27	7.7%	10.0%	112	113	1.0%
<b>Total non-funded income</b>	<b>292</b>	<b>433</b>	<b>323</b>	<b>10.8%</b>	<b>-25.5%</b>	<b>1,150</b>	<b>1,424</b>	<b>23.8%</b>
<b>Net operating income</b>	<b>1,174</b>	<b>1,300</b>	<b>1,221</b>	<b>4.0%</b>	<b>-6.1%</b>	<b>4,713</b>	<b>4,904</b>	<b>4.1%</b>
Operating expenses	-400	-434	-425	6.1%	-2.2%	-1,658	-1,736	4.7%
<b>Pre-provision profit</b>	<b>774</b>	<b>866</b>	<b>796</b>	<b>2.9%</b>	<b>-8.1%</b>	<b>3,054</b>	<b>3,169</b>	<b>3.8%</b>
Impairment	-208	-94	-153	-26.3%	63.4%	-776	-678	-12.7%
<b>Profit before tax</b>	<b>566</b>	<b>772</b>	<b>643</b>	<b>13.6%</b>	<b>-16.8%</b>	<b>2,278</b>	<b>2,491</b>	<b>9.3%</b>
Income tax expense	-50	-68	-58	14.6%	-14.5%	-202	-224	10.7%
<b>Profit After tax &amp; before NCI</b>	<b>515</b>	<b>704</b>	<b>585</b>	<b>13.5%</b>	<b>-17.0%</b>	<b>2,076</b>	<b>2,267</b>	<b>9.2%</b>
Non-controlling interest	0	-2	-1	NM	-50.0%	-3	-3	0.3%
<b>Net profit attributable</b>	<b>516</b>	<b>702</b>	<b>584</b>	<b>13.2%</b>	<b>-16.9%</b>	<b>2,072</b>	<b>2,263</b>	<b>9.2%</b>

FABS estimate & Co Data

**RAKBANK - KPI**

	2Q24	1Q25	2Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	75.2%	66.7%	73.5%	-162	686	75.6%	71.0%	-462
NIM	4.6%	4.0%	4.1%	-57	3	4.8%	4.3%	-53
NIS	4.3%	3.7%	3.7%	-56	5	4.5%	3.6%	-93
Fees & comms/OI	15.0%	14.5%	15.6%	59	110	13.7%	15.5%	183
Foreign exchange gain/OI	7.7%	7.5%	7.4%	-23	-7	7.5%	7.7%	28
Other operating income/OI	2.1%	1.9%	2.2%	8	32	2.4%	2.3%	-7
Invnt Income/OI	1.3%	9.7%	1.6%	21	-817	1.9%	4.0%	208
Cost to income	34.1%	33.4%	34.8%	70	139	35.2%	35.4%	20
Impairment/PPP	26.8%	10.8%	19.2%	-760	842	25.4%	21.4%	-402
NP/OI	43.9%	54.0%	47.8%	389	-618	44.0%	46.2%	217
Cost of risk	1.9%	0.7%	1.2%	-71	45	1.7%	1.3%	-39
Loan-to-deposit	70.1%	78.0%	78.0%	789	3	79.2%	78.0%	-117
NPL - calculated	2.5%	2.4%	2.5%	-4	7	2.2%	2.5%	20
NPL Coverage - calculated	240.6%	231.8%	225.0%	-1,558	-677	253.2%	240.0%	-1,322
CET 1	16.9%	16.2%	16.8%	-6	65	15.7%	16.3%	58
Capital adequacy	18.0%	18.6%	19.2%	125	62	18.1%	18.5%	43
ROAE	19.6%	20.2%	19.8%	19	-35	18.8%	18.3%	-42
ROAA	2.6%	2.6%	2.6%	3	2	2.6%	2.5%	-10

FABS estimate & Co data

**RAKBANK - Key B/S items**

AED Mn	2Q24	3Q24	4Q24	1Q25	2Q25F	YOY Ch
Net advances	40,994	46,198	47,224	47,590	48,737	18.9%
QOQ change	1.0%	12.7%	2.2%	0.8%	2.4%	
Total assets	80,408	83,891	88,325	90,804	92,959	15.6%
QOQ change	2.3%	4.3%	5.3%	2.8%	2.4%	
Customer deposits	58,472	57,266	59,650	61,038	62,483	6.9%
QOQ change	5.6%	-2.1%	4.2%	2.3%	2.4%	
Total Equity	10,794	11,561	11,797	11,579	12,163	12.7%
QOQ change	4.7%	7.1%	2.0%	-1.8%	5.0%	

FABS estimate & Co data

## 2Q25 preview: Abu Dhabi Commercial Bank (ADCB)

Higher growth in other operating income to boost profitability

Current Price	12-m Target Price	Upside/Downside (%)	Rating
AED 12.66	AED 14.50	+15%	BUY

### 2Q25 estimate

Abu Dhabi Commercial Bank's (ADCB/the Bank) net profit is forecasted to increase 6.2% YOY to AED 2,461 Mn in 2Q25, driven by an anticipated growth in net funded income, non-funded income, and lower operating expenses, partially offset by a projected increase in impairment charges and oversea tax expenses. ADCB's funded income is expected to grow marginally 0.2% YOY to AED 8,339 Mn in 2Q25 due to projected rise in average interest earning assets, partially offset by anticipated decline in asset yield. Funded expense is also predicted to decline 2.4% YOY to AED 4,926 Mn in 2Q25, supported by an anticipated decrease in cost of funds, partially offset by a forecasted rise in average interest-bearing liabilities. Thus, net funded income is expected to grow 4.2% YOY to AED 3,413 Mn in 2Q25. Fee and commission income is forecasted to grow 6.4% YOY to AED 861 Mn in 2Q25. Simultaneously, other operating income is anticipated to increase 29.9% YOY to AED 817 Mn in 2Q25. Thus, non-funded income is estimated to grow 16.7% YOY to AED 1,678 Mn in 2Q25. As a result, total operating income is likely to rise 8.0% YOY to AED 5,091 Mn in 2Q25. Furthermore, operating expenses are projected to decrease marginally 0.5% YOY to AED 1,527 Mn in 2Q25. Additionally, the Bank's impairments are predicted to rise 13.3% YOY to AED 667 Mn in 2Q25. ADCB's overseas tax expenses are expected to increase substantially from AED 276 Mn in 2Q24 to AED 435 Mn in 2Q25.

### 2025 forecast

ADCB's net profit is expected to grow 5.3% YOY to AED 9,916 Mn in 2025, attributable to a forecasted increase in net funded and non-funded, partially offset by an anticipated rise in operating expenses, impairment charges, and overseas tax expense. Funded income is projected to decline 2.4% YOY to AED 32,940 Mn in 2025 due to an expected decrease in asset yield, partially offset by an anticipated increase in average interest earning assets. On the other hand, the funded expense is expected to fall 8.4% YOY to AED 18,789 Mn in 2025, due to a predicted decline in cost of funds, partially offset by a rise in average interest-bearing liabilities. Thus, net funded income is estimated to grow 7.0% YOY to AED 14,151 Mn in 2025. Fees and commission income is projected to grow 15.0% YOY to AED 3,566 Mn in 2025. Other operating income is forecasted to increase 5.9% YOY to AED 3,339 Mn in 2025. Thus, net funded income is likely to increase 10.4% YOY to AED 6,905 Mn in 2025. As a result, operating income is expected to grow 8.1% YOY to AED 21,056 Mn in 2025. Furthermore, operating expenses are forecasted to rise 4.7% YOY to AED 6,317 Mn in 2025. In addition, impairments are anticipated to increase 6.7% YOY to AED 3,067 Mn in 2025. ADCB's overseas tax expense is expected to grow 50.1% YOY to AED 1,751 Mn in 2025.

### 1Q25 outturn

ADCB's funded income, consisting of interest income and income from Islamic financing, marginally grew 0.6% YOY to AED 8,256 Mn in 1Q25, primarily due to growth in loans and advances and other interest-earning assets. The Bank's funded expenses declined from AED 4,908 Mn in 1Q24 to AED 4,863 Mn in 1Q25 owing to lower cost of funds. ADCB's cost of funds declined 61 bps YOY and 41 bps QOQ to 3.7% in 1Q25, owing to declining interest rates and rising CASA deposits. As a result, the net funded income grew 2.8% YOY to AED 3,394 Mn in 1Q25. ADCB's calculated NIMs declined 27 bps YOY and 15 bps QOQ to 2.3% in 1Q25, mainly due to the declining interest rates. Fee and commission income grew 16.6% YOY to AED 820 Mn in 1Q25 due to a rise in trade finance commission and fees associated with accounts, whereas the card-related fees stayed relatively unchanged. Furthermore, the other operating income surged 37.2% YOY to AED 799 Mn in 1Q25, owing to gains from the extinguishment of corporate loans as well as increased FX income and derivatives gains. Resultantly, the non-funded income experienced a healthy growth of 26.0% YOY to AED 1,619 Mn in 1Q25. Thus, total operating income rose 9.3% YOY to AED 5,013 Mn in 1Q25. The operating expenses increased 3.4% YOY to AED 1,465 Mn in 1Q25. However, the cost-to-income ratio improved 168 bps YOY to 29.2% in 1Q25, mainly as a result of the Bank's effective cost

management measures and higher operating income. The Bank's impairments fell 12.7% YOY to AED 646 Mn in 1Q25, owing to higher recoveries. Furthermore, corporate tax expense rose significantly from AED 292 Mn in 1Q24 to AED 461 Mn in 1Q25 as the Bank's tax rate rose to 15% due to the introduction of the domestic minimum top-up tax by the UAE.

### Target price and recommendation

We maintain our BUY rating on Abu Dhabi Commercial Bank (ADCB) with a revised target price of AED 14.50. ADCB is actively expanding its trading and product offering, moving beyond FX into more diverse areas like derivatives and capital markets, which is expected to boost its non-funded income growth. ADCB's net advances expanded 13.0% YOY and 2.5% QOQ to AED 359.5 Bn in 1Q25 due to increased lending to GREs and other important sectors, coupled with a decline in exposure to the real estate sector. The Bank maintains a robust loan pipeline and expects this growth momentum to continue, with the GRE segment projected to be the primary driver. ADCB expects a low double-digit growth in its loan portfolio in 2025. The Bank also expects retail lending to pick up in the coming quarters. Most of the repricing following last year's rate cuts is now reflected in the Bank's loan book. ADCB also expects to benefit from its operations in Saudi Arabia, which will commence in 2025, contributing to the growth of its loan portfolio outside the UAE. The Bank's International lending was strong in 1Q25 and is expected to stay within a 20–25% share of the loan book in the medium term. Moreover, the Bank rebalanced its loan book towards GRE and the government sector, which naturally carries a lower yield but also lower risk, which is expected to result in lower cost of risk. The Bank's reported cost of risk stood at 0.49% in 1Q25, in line with its full year guidance of 0.60% for 2025. The Bank's retail banking group added 89,000 new customers in 1Q25, with 71% being acquired through digital channels. ADCB's customer deposits grew 15.1% YOY and 4.9% QOQ to AED 441.7 Bn in 1Q25, owing to strong growth in time and CASA deposits. ADCB further continues to grow the liability base, especially through CASA, to support its overall NIMs resilience. The Bank's reported NIMs declined from 2.7% in 1Q24 to 2.5% in 1Q25. However, the Bank's reported risk-adjusted NIMs decreased from 2.1% in 1Q24 to 2.0% in 1Q25, mainly driven by a shift in the loan portfolio towards higher-quality, lower-risk exposures over the past year. ADCB is focusing on rigorous cost discipline and efficiencies. As a result, the cost-to-income ratio improved by 168 bps YOY to 29.2% in 1Q25. Additionally, the Bank aims to reduce the cost-to-income to below 30.0% over the next five years. Furthermore, the Bank's reported NPL declined from 3.0% in 4Q24 to 2.2% in 1Q25, mainly due to the sale of assets in 1Q25, healthy recoveries, and reclassifications between Stage 2 and Stage 3 loans. The reported provisional coverage also grew from 110.0% in 4Q24 to 150.1% in 1Q25, providing a strong buffer against bad loans going forward. ADCB's capitalization stood strong with a CET 1 ratio of 12.6% and CAR of 16.1% in 1Q25. The Bank also remained committed for the next five years, wherein it expects net profit to double within five years to AED 20 Bn, growing at an annual growth rate of 20%. ADCB is also targeting a total dividend of AED 25 Bn over the next five years. Thus, based on our analysis, we assign a BUY rating on the stock.

**ADCB - Relative Valuation**

AED Mn	2020	2021	2022	2023	2024	2025F
PE	26.26	18.29	14.82	11.86	10.61	9.97
PB	1.83	1.74	1.67	1.48	1.39	1.36
EPS (AED)	0.482	0.692	0.854	1.067	1.193	1.270
BVPS (AED)	6.912	7.290	7.571	8.537	9.127	9.323
DPS (AED)	0.257	0.352	0.171	0.560	0.590	0.635
Dividend Yield	2.0%	2.8%	1.4%	4.4%	4.7%	5.0%

*FABS Estimates & Co Data*
**ADCB - P&L**

AED Mn	2Q24	1Q25	2Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Funded income	8,326	8,256	8,339	0.2%	1.0%	33,734	32,940	-2.4%
Funded expense	-5,049	-4,863	-4,926	-2.4%	1.3%	-20,508	-18,789	-8.4%
<b>Net funded income</b>	<b>3,276</b>	<b>3,394</b>	<b>3,413</b>	<b>4.2%</b>	<b>0.6%</b>	<b>13,226</b>	<b>14,151</b>	<b>7.0%</b>
Fees & commissions	809	820	861	6.4%	5.0%	3,101	3,566	15.0%
Other operating income	629	799	817	29.9%	2.2%	3,153	3,339	5.9%
<b>Non funded income</b>	<b>1,438</b>	<b>1,619</b>	<b>1,678</b>	<b>16.7%</b>	<b>3.6%</b>	<b>6,254</b>	<b>6,905</b>	<b>10.4%</b>
<b>Operating income</b>	<b>4,714</b>	<b>5,013</b>	<b>5,091</b>	<b>8.0%</b>	<b>1.6%</b>	<b>19,480</b>	<b>21,056</b>	<b>8.1%</b>
Operating expenses	-1,534	-1,465	-1,527	-0.5%	4.3%	-6,031	-6,317	4.7%
<b>Pre-provision profit</b>	<b>3,180</b>	<b>3,548</b>	<b>3,563</b>	<b>12.1%</b>	<b>0.4%</b>	<b>13,448</b>	<b>14,739</b>	<b>9.6%</b>
Impairments	-588	-646	-667	13.3%	3.1%	-2,874	-3,067	6.7%
<b>Operating profit</b>	<b>2,591</b>	<b>2,901</b>	<b>2,897</b>	<b>11.8%</b>	<b>-0.2%</b>	<b>10,574</b>	<b>11,672</b>	<b>10.4%</b>
Share of profit of assoc.	1	5	0	NM	NM	11	0	NM
Net gain on disposal of subsidiary	0	0	0	NM	NM	0	0	NM
<b>Profit before tax</b>	<b>2,593</b>	<b>2,907</b>	<b>2,897</b>	<b>11.7%</b>	<b>-0.3%</b>	<b>10,585</b>	<b>11,672</b>	<b>10.3%</b>
Overseas tax expense	-276	-461	-435	57.7%	-5.7%	-1,166	-1,751	50.1%
UAE Corporate tax	0	0	0	NM	NM	0	0	NM
Non-controlling interest	0	0	-1	NM	NM	1	-5	NM
<b>Profit for the period</b>	<b>2,318</b>	<b>2,447</b>	<b>2,461</b>	<b>6.2%</b>	<b>0.6%</b>	<b>9,421</b>	<b>9,916</b>	<b>5.3%</b>

*FABS estimate & Co Data*
**ADCB - P&L KPI**

	2Q24	1Q25	2Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	69.5%	67.7%	67.0%	-245	-66	67.9%	67.2%	-69
NIM	2.4%	2.3%	2.2%	-22	-5	2.4%	2.3%	-12
NIS	1.9%	1.8%	1.8%	-17	-5	1.9%	1.8%	-4
Fees & comms/OI	17.2%	16.4%	16.9%	-25	55	15.9%	16.9%	102
Other non-funded/OI	13.3%	15.9%	16.0%	270	10	16.2%	15.9%	-33
Cost to income	32.6%	29.2%	30.0%	-255	78	31.0%	30.0%	-96
Impairment/PPP	18.5%	18.2%	18.7%	21	48	21.4%	20.8%	-56
Tax/PBT	10.6%	15.8%	15.0%	437	-85	11.0%	15.0%	398
NP/OI	49.2%	48.8%	48.3%	-82	-46	48.4%	47.1%	-127
Cost of risk - calculated	0.5%	0.5%	0.5%	0	0	0.6%	0.6%	-3
Loan-to-deposit - calculated	87.0%	83.0%	84.0%	-295	101	84.9%	86.0%	115
NPL - calculated	3.9%	3.3%	3.3%	-65	-6	3.3%	3.2%	-13
Coverage excluding collateral	95.0%	103.4%	104.3%	930	95	103.4%	105.0%	160
CET 1	13.2%	12.6%	12.9%	-23	35	12.6%	11.6%	-97
Capital adequacy	16.4%	16.1%	16.4%	-6	29	16.1%	14.9%	-126
ROAE	13.8%	14.5%	14.2%	37	-29	14.6%	14.7%	11
ROAA	1.6%	1.5%	1.5%	-5	-1	1.5%	1.4%	-10

*FABS estimate & Co Data*
**ADCB- Key BS Items**

AED Mn	2Q24	3Q24	4Q24	1Q25	2Q25F	YOY Ch
Net advances	332,158	344,014	350,638	359,489	366,334	10.3%
QOQ change	4.4%	3.6%	1.9%	2.5%	1.9%	
Total assets	612,242	638,754	652,814	679,716	692,428	13.1%
QOQ change	3.0%	4.3%	2.2%	4.1%	1.9%	
Customer deposits	389,961	406,742	421,060	441,691	448,583	15.0%
QOQ change	1.6%	4.3%	3.5%	4.9%	1.6%	
Total shareholders' equity	70,707	73,692	75,567	73,872	76,334	8.0%
QOQ change	3.0%	4.2%	2.5%	-2.2%	3.3%	

*FABS estimate & Co Data*

## 2Q25 preview: Mashreq Bank (MASQ)

Lower net funded income and higher cost to pressure the bottom line

Current Price	12-m Target Price	Upside/Downside (%)	Rating
AED 240.0	AED 270.0	+13%	ACCUMULATE

### 2Q25 estimate

We expect Mashreq Bank (MASQ/the Bank) to report a 9.0% YOY decline in the net profit to AED 1,815 Mn in 2Q25, primarily due to an expected decline in net funded income, increase in G&A expenses coupled with projected increase in tax charges, partially offset by the rise in non-funded income. MASQ's funded income, including income from Islamic financing, is expected to decline 7.0% YOY to AED 3,754 Mn in 2Q25, driven by a projected decline in asset yield, partially offset by an anticipated rise in average interest-earning assets and average Islamic financing assets. Funded expense is anticipated to decline 12.2% YOY to AED 1,716 Mn in 2Q25, due to an expected decrease in cost of funds, partially offset by an anticipated rise in average interest-bearing liabilities. Resultantly, net funded income is projected to shrink 2.1% YOY to AED 2,038 Mn in 2Q25. Furthermore, the Bank's net fee and commission income is forecasted to rise 16.0% YOY to AED 390 Mn in 2Q25. Additionally, income from investment securities is projected to grow substantially from AED 70 Mn in 2Q24 to AED 115 Mn in 2Q25. Other operating income is likely to increase 40.4% YOY to AED 700 Mn in 2Q25. Thus, non-funded income is expected to grow 33.2% YOY to AED 1,205 Mn in 2Q25. As a result, total operating income is estimated to rise 8.6% YOY to AED 3,243 Mn in 2Q25. General and administrative expenses are anticipated to increase 14.6% YOY to AED 957 Mn in 2Q25. As a result, we forecast the cost-to-income ratio to grow from 27.9% in 2Q24 to 29.5% in 2Q25. In addition, the Bank is expected to see an impairment charge of AED 106 Mn in 2Q25 compared to the impairment reversal of AED 83 Mn in 2Q24. Furthermore, tax expense is anticipated to grow 46.7% YOY to AED 327 Mn in 2Q25. MASQ, share to non-controlling interest is expected to rise from AED 16 Mn in 2Q24 to AED 38 Mn in 2Q25.

### 2025 forecast

MASQ's net profit is expected to decline 19.4% YOY to AED 7,189 Mn in 2025, primarily due to an anticipated decline in net funded and non-funded income, increased G&A expenses, coupled with higher impairments and tax charges. Funded income, including income from Islamic financing, is predicted to fall 8.8% YOY to AED 14,538 Mn in 2025, due to an anticipated decline in asset yield, partially offset by a forecasted increase in average interest-earning assets and average Islamic financing assets. Funded expense is anticipated to decrease 13.3% YOY to AED 6,544 Mn in 2025, supported by lower expected cost of funds, partially offset by an increase in average interest-earning liabilities. Thus, net funded income is likely to decline 4.7% YOY to AED 7,995 Mn in 2025. MASQ's fees and commission income is predicted to increase 10.0% YOY to AED 1,611 Mn in 2025. Additionally, Inc. from investment securities is forecasted to increase strongly from AED 229 Mn in 2024 to AED 462 Mn in 2025. Furthermore, other operating income is predicted to fall 13.0% YOY to AED 2,901 Mn in 2025. Thus, non-funded income is expected to decline marginally 1.1% YOY to AED 4,974 Mn in 2025. As a result, the Bank's total operating income is expected to decrease 3.3% YOY to AED 12,968 Mn in 2025. In addition, G&A expenses are likely to grow 1.1% YOY to AED 3,735 Mn in 2025. The Bank is expected to report impairment charges of AED 592 Mn in 2025, compared to a reversal of AED 166 Mn in 2024. Tax expense is anticipated to increase 49.2% YOY to AED 1,296 Mn in 2025. Additionally, the profit share attributable to non-controlling interest holders is expected to rise from AED 100 Mn in 2024 to AED 156 Mn in 2025.

### 1Q25 outturn

MASQ's interest income declined 7.7% YOY to AED 3,341 Mn in 1Q25, mainly due to a contraction in asset yield. However, income from Islamic financing grew 10.6% YOY to AED 421 Mn in 1Q25. Thus, total funded income declined 5.9% YOY to AED 3,762 Mn in 1Q25. Moreover, funded expenses fell 3.2% YOY to AED 1,795 Mn in 1Q25, owing to lower cost of funds. As a result, net funded income declined 8.3% YOY to AED 1,967 Mn in 1Q25. MASQ's net fee and commission income declined 36.6% YOY to AED 348 Mn in 1Q25. The Bank recorded robust growth in income from investment securities of AED 112 Mn in 1Q25, compared to AED 67 Mn in 1Q24. In addition, MASQ's other

operating income grew strongly from AED 382 Mn in 1Q24 to AED 694 Mn in 1Q25. Resultantly, the Bank's total non-funded income grew 15.7% YOY to AED 1,154 Mn in 1Q25. Total operating income declined marginally 0.7% YOY to AED 3,120 Mn in 1Q25. Furthermore, the Bank's G&A expenses increased 9.5% YOY to AED 918 Mn in 1Q25, driven by investment in digital innovation and strategic business expansion. Resultantly, the cost-to-income ratio rose from 26.7% in 1Q24 to 29.4% in 1Q25. MASQ's impairment charges increased significantly from AED 38 Mn in 1Q24 to AED 101 Mn in 1Q25, however, the Bank remained focused on prudent credit practices and a strong lending portfolio. MASQ tax expenses surged 38.1% YOY to AED 309 Mn in 1Q25, driven by the implementation of the BEPS Pillar 2 Global Minimum Top-up Tax. The Bank's NCI increased 7.1% YOY to AED 36 Mn in 1Q25.

### Target price and recommendation

We maintain our ACCUMULATE rating on MASQ with a target price of AED 270.0. The Bank's share price rose 2.5% since our last rating (May 2025). MASQ recorded a decline in profitability in 1Q25 primarily due to lower net funded income and higher impairment charges. However, the Bank's non-funded income continued to grow and now accounts for 37.0% of total operating income in 1Q25, compared to 31.7% in 1Q24, mainly due to the Bank's strategy to diversify revenue sources. Net advances grew 13.9% YOY and 0.8% QOQ to AED 125.8 Bn in 1Q25, supported by healthy expansion in Islamic and investment portfolios. Customer deposits grew 10.3% YOY and 6.5% QOQ to AED 171.4 Bn in 1Q25. CASA deposits accounted for 65% of total deposits in 1Q25, which underpins the Bank's low-cost funding base and highlights the strength of its retail and corporate franchise across core markets. NIMs declined 87 bps YOY and 35 bps QOQ to 3.6% in 1Q25. Furthermore, asset quality improved as its reported NPL ratio fell from 1.4% in 4Q24 to 1.3% in 1Q25. The reported provision coverage ratio remained steady at 204% in 1Q25 compared to the previous quarter, providing a cushion against potential bad loans. The Bank also reported strong ROE and ROA of 21.0% and 2.5% respectively during 1Q25. Additionally, MASQ reported a Liquid Assets Ratio of 32.5% and a Liquidity Coverage Ratio (LCR) of 126%, above the regulatory requirement, indicating the Bank's robust liquidity management. MASQ also maintained a healthy capitalization with a CET1 ratio of 15.4% and a total CAR of 18.5% in 1Q25. Moreover, MASQ made significant progress on its strategic priorities in 1Q25, including the launch of Mashreq Oman and the pilot of digital retail banking in Pakistan. The Bank also continued to expand its presence in key markets such as MENA and Egypt in 1Q25. These initiatives are expected to strengthen the Bank's regional footprint and diversify its revenue streams. Thus, considering the above reasons, we assign an ACCUMULATE rating on the stock.

#### MASQ- Relative Valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
P/B(x)	2.48	2.38	2.14	1.65	1.43	1.29
P/E(x)	NA	48.04	12.91	5.61	5.40	6.91
EPS (AED)	NA	4.996	18.590	42.816	44.450	34.715
BVPS (AED)	96.863	100.839	112.152	145.720	168.367	186.568
DPS (AED)	NA	1.000	9.000	18.500	21.100	17.357
Dividend Yield	NA	0.4%	3.8%	7.7%	8.8%	7.2%

FABS estimate & Co Data

**MASQ - P&L**

AED Mn	2Q24	1Q25	2Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Interest income	3,627	3,341	3,343	-7.8%	0.1%	14,271	12,895	-9.6%
Income from Islamic financing	409	421	411	0.3%	-2.4%	1,667	1,644	-1.4%
<b>Funded income</b>	<b>4,036</b>	<b>3,762</b>	<b>3,754</b>	<b>-7.0%</b>	<b>-0.2%</b>	<b>15,938</b>	<b>14,538</b>	<b>-8.8%</b>
Funded expense	-1,954	-1,795	-1,716	-12.2%	-4.4%	-7,550	-6,544	-13.3%
<b>Net funded income</b>	<b>2,082</b>	<b>1,967</b>	<b>2,038</b>	<b>-2.1%</b>	<b>3.6%</b>	<b>8,388</b>	<b>7,995</b>	<b>-4.7%</b>
Net Fee and commission income	336	348	390	16.0%	12.0%	1,465	1,611	10.0%
Inc. from investment securities	70	112	115	64.5%	2.0%	229	462	102.0%
Other operating income, net	499	694	700	40.4%	1.0%	3,335	2,901	-13.0%
<b>Total other OI</b>	<b>904</b>	<b>1,154</b>	<b>1,205</b>	<b>33.2%</b>	<b>4.4%</b>	<b>5,028</b>	<b>4,974</b>	<b>-1.1%</b>
<b>Total operating income</b>	<b>2,986</b>	<b>3,120</b>	<b>3,243</b>	<b>8.6%</b>	<b>3.9%</b>	<b>13,416</b>	<b>12,968</b>	<b>-3.3%</b>
General & admin. expenses	-834	-918	-957	14.6%	4.2%	-3,696	-3,735	1.1%
<b>Pre provision profit</b>	<b>2,152</b>	<b>2,202</b>	<b>2,286</b>	<b>6.3%</b>	<b>3.8%</b>	<b>9,720</b>	<b>9,233</b>	<b>-5.0%</b>
Allowances for impairment, net	83	-101	-106	NM	4.6%	166	-592	NM
Tax expense	-223	-309	-327	46.7%	5.8%	-869	-1,296	49.2%
Non-controlling interests	-16	-36	-38	NM	6.0%	-100	-156	56.0%
<b>Net Profit</b>	<b>1,995</b>	<b>1,756</b>	<b>1,815</b>	<b>-9.0%</b>	<b>3.4%</b>	<b>8,917</b>	<b>7,189</b>	<b>-19.4%</b>

FABS estimate & Co Data

**MASQ - KPI**

	2Q24	1Q25	2Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	69.7%	63.0%	62.9%	-686	-17	62.5%	61.6%	-88
NIM	4.2%	3.6%	3.6%	-59	5	4.1%	3.5%	-59
NIS	4.3%	3.5%	3.6%	-72	8	4.1%	3.5%	-66
Fees & comms/OI	11.2%	11.1%	12.0%	77	87	10.9%	12.4%	151
Trading/OI	2.3%	3.6%	3.5%	120	-7	1.7%	3.6%	186
Cost to income	27.9%	29.4%	29.5%	155	8	27.5%	28.8%	125
Impairment/PPP	-3.8%	4.6%	4.6%	847	3	-1.7%	6.4%	812
NP/OI	66.8%	56.3%	56.0%	NM	-30	66.5%	55.4%	-1,104
Cost of risk - Calculated	-0.3%	0.4%	0.4%	74	1	-0.2%	0.5%	68
Loan-to-deposit	73.9%	73.4%	72.5%	-145	-90	77.5%	71.4%	-615
NPL - Calculated	1.7%	1.7%	1.7%	-5	-1	1.7%	1.7%	-4
Coverage - Calculated	142.1%	118.5%	116.0%	NM	-246	117.6%	117.0%	-55
CET1	15.7%	15.4%	16.2%	58	84	14.4%	15.5%	101
Capital Adequacy	19.5%	18.5%	19.3%	-17	83	17.5%	18.4%	90
ROAE	33.6%	29.0%	26.5%	-714	-253	27.8%	19.6%	-824
ROAA	3.9%	3.3%	3.2%	-72	-13	3.5%	2.6%	-93

FABS estimate & Co Data

**MASQ - key BS items**

AED Mn	2Q24	3Q24	4Q24	1Q25	2Q25F	YOY Ch
Net advances	113,827	118,534	124,758	125,817	128,672	13.0%
QOQ changes	3.0%	4.1%	5.3%	0.8%	2.3%	
Total assets	253,467	254,411	267,453	272,703	278,076	9.7%
QOQ changes	1.6%	0.4%	5.1%	2.0%	2.0%	
Customer deposits	153,964	156,063	160,940	171,442	177,519	15.3%
QOQ changes	-1.0%	1.4%	3.1%	6.5%	3.5%	
Total equity	32,252	34,272	36,713	34,269	36,084	11.9%
QOQ changes	13.3%	6.3%	7.1%	-6.7%	5.3%	

FABS estimate & Co Data

## 2Q25 preview: Sharjah Islamic Bank (SIB)

Substantial rise in provisions and operating expenses to impact profit

Current Price	12-m Target Price	Upside/Downside (%)	Rating
AED 2.64	AED 2.60	-2%	HOLD

### 2Q25 estimate

Sharjah Islamic Bank's (SIB/the Bank) net profit is expected to decline 8.0% YOY to AED 282 Mn in 2Q25, due to forecasted increases in G&A expenses and provisions, partially offset by anticipated rises in net funded income, non-funded income and lower tax expenses. Funded income is expected to grow marginally 1.5% YOY to AED 920 Mn in 2Q25, driven by an expected growth in advances, partially offset by a decline in asset yield. Funded expenses are expected to decrease 1.3% YOY to AED 537 Mn in 2Q25, supported by a decrease in the cost of funds, partially offset by a rise in deposits. Hence, net funded income is likely to grow 5.6% YOY to AED 383 Mn in 2Q25. The Bank's fees and commission income are expected to expand 11.0% YOY to AED 139 Mn in 2Q25. Fees and commission expenses are anticipated to increase marginally by 0.2% YOY to AED 26 Mn in 2Q25. Moreover, investment income is expected to fall substantially from AED 22 Mn in 2Q24 to AED 2 Mn in 2Q25, while the Bank's foreign exchange income is expected to rise significantly from AED 14 Mn in 2Q24 to AED 26 Mn in 2Q25. SIB's other income is expected to increase 22.5% YOY to AED 32 Mn in 2Q25. Thus, total non-funded income is projected to increase 7.3% YOY to AED 174 Mn in 2Q25. As a result, total operating income will likely increase 6.1% YOY to AED 556 Mn in 2Q25. Furthermore, SIB's general and administrative expenses are anticipated to increase 24.7% YOY to AED 206 Mn in 2Q25. We expect the cost-to-income ratio to increase 552 bps YOY to 37.0% in 2Q25. SIB's provision expense is expected to increase significantly from AED 22 Mn in 2Q24 to AED 41 Mn in 2Q25. The Bank's tax expenses are predicted to fall 8.4% YOY to AED 28 Mn in 2Q25.

### 2025 Forecast

SIB's net profit is forecasted to increase 6.5% YOY to AED 1,115 Mn in 2025 owing to an expected increase in non-funded income and a decline in provisions, partially offset by an estimated rise in G&A expenses and tax expenses. SIB's funded income is expected to grow marginally 1.1% YOY to AED 3,765 Mn in 2025. On the other hand, the Bank's funded expense is anticipated to grow from AED 2,215 Mn in 2024 to AED 2,251 Mn in 2025. Funded expense also includes profit expense from Sukuks which is predicted to increase from AED 102 Mn in 2024 to AED 183 Mn in 2025. As a result, net funded income is projected to grow marginally 0.2% YOY to AED 1,514 Mn in 2025. SIB's fee and commission income is anticipated to rise 10.0% YOY to AED 549 Mn in 2025, while fee and commission expense is anticipated to expand 5.3% YOY to AED 104 Mn in 2025. Investment income is projected to rise 12.0% YOY to AED 95 Mn in 2025. Moreover, foreign exchange income is predicted to grow from AED 63 Mn in 2024 to AED 64 Mn in 2025. In addition, other income is estimated to decline 5.0% YOY to AED 117 Mn in 2025. Total non-funded income is projected to expand 7.4% YOY to AED 721 Mn in 2025. As a result, total operating income is expected to increase 2.5% YOY to AED 2,235 Mn in 2025. G&A expenses are anticipated to increase 9.0% YOY to AED 849 Mn in 2025. Similarly, provisions are expected to decline 24.0% YOY to AED 160 Mn in 2025. SIB will record a tax expense of AED 110 Mn in 2025 compared to AED 101 Mn in 2024.

### 1Q25 Outturn

SIB's funded income rose 6.0% YOY to AED 914 Mn in 1Q25, mainly driven by an increase in net advances. On the other hand, funded expenses increased 11.6% YOY to AED 547 Mn in 1Q25. However, cost of funds declined 25 bps YOY to 3.1% in 1Q25. SIB's net funded income declined 1.4% YOY to AED 367 Mn in 1Q25. As per our calculation, SIB's NIMs fell 36 bps YOY to 1.7% in 1Q25. The Bank's net fee and commission income increased from AED 102 Mn in 1Q24 to AED 136 Mn in 1Q25, whereas the fee and commission expense grew from AED 25 Mn in 1Q24 to AED 28 Mn in 1Q25. Investment income amounted to AED 2 Mn in 1Q25, compared to AED 8 Mn in 1Q24. Foreign exchange income surged 48.0% YOY to AED 26 Mn in 1Q25. The Bank's other income grew 1.3% YOY to AED 29 Mn in 1Q25. As a result, SIB's non-funded income rose 24.3% YOY to AED 164 Mn in 1Q25. The Bank's total operating income increased 5.3% YOY to AED 532 Mn in 1Q25. G&A rose 11.4% YOY to AED 198 Mn in 1Q25. Thus, the Bank's cost-to-income ratio surged 201 bps YOY to

37.3% in 1Q25, owing to increased operating expenses. The Bank recorded a reversal of impairment of AED 17 Mn in 1Q25, compared to an impairment charge of AED 45 Mn in 1Q24. The Bank tax expense reached AED 11 Mn in 1Q25 compared to nil in 1Q24.

### Target Price and recommendation

We revise our rating on SIB from ACCUMULATE to HOLD with an unchanged target price of AED 2.60. The Bank showcased substantial profit growth supported by a surge in non-core income and reversal of impairments during 1Q25. SIB's net advances grew 20.8% YOY and 7.0% QOQ to AED 40.3 Bn in 1Q25. However, NIMs contracted 36 bps YOY and 25 bps QOQ to 1.7% in 1Q25. Customer deposits grew 15.6% YOY and 0.7% QOQ to AED 52.1 Bn in 1Q25. The Bank's CASA deposits rose marginally to 42.5% of total deposits in 1Q25 from 42.2% in 2024. The Bank's cost-to-income ratio increased 201 bps to 37.3% in 1Q25 due to the organisation's effort towards strategic investment for long-term growth. Furthermore, asset quality strengthened as the calculated NPL declined from 4.8% in 4Q24 to 4.5% in 1Q25. Stage 2 loan as a percentage of gross loan fell from 5.3% in 4Q24 to 5.0% in 1Q25. SIB provision coverage ratio stood at 88.5% in 1Q25, indicating bank's ability to manage default risks and mitigate potential losses. The Bank's financing to deposit ratio was 77.4% in 1Q25, compared to 72.8% in 4Q24, indicating a well-balanced risk profile. The Bank maintained a capital adequacy ratio of 15.8% and CET 1 ratio of 11.3% in 1Q25, indicating a strong financial position and adherence to regulatory requirements. Thus, based on the above analysis, we assign a HOLD rating on the stock.

SIB - Relative valuation						
(At CMP)	2020	2021	2022	2023	2024	2025F
PE (x)	21.05	16.62	15.28	11.39	8.84	8.25
PB (x)	1.47	1.46	1.47	1.36	1.32	1.20
EPS (AED)	0.125	0.159	0.173	0.232	0.299	0.320
BVPS (AED)	1.795	1.811	1.791	1.944	1.999	2.193
DPS (AED)	0.076	0.076	0.095	0.100	0.150	0.150
Dividend Yield	2.9%	2.9%	3.6%	3.8%	5.7%	5.7%

FABS estimate & Co Data

Sharjah Islamic Bank								
AED Mn	2Q24	1Q25	2Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Income from fin. & leasing	906	914	920	1.5%	0.6%	3,725	3,765	1.1%
Depositors' share of profit	-544	-547	-537	-1.3%	-1.8%	-2,215	-2,251	1.6%
<b>Net funded income</b>	<b>362</b>	<b>367</b>	<b>383</b>	<b>5.6%</b>	<b>4.2%</b>	<b>1,510</b>	<b>1,514</b>	<b>0.2%</b>
Fees and commissions	125	136	139	11.0%	2.0%	500	549	10.0%
Fee and commission expense	-26	-28	-26	0.2%	-9.7%	-99	-104	5.3%
Investment Income	22	2	2	-92.6%	4.0%	85	95	12.0%
Foreign Exchange income	14	26	26	91.4%	3.0%	63	64	2.0%
Other Income	26	29	32	22.5%	10.0%	123	117	-5.0%
<b>Total non-funded income</b>	<b>162</b>	<b>164</b>	<b>174</b>	<b>7.3%</b>	<b>5.6%</b>	<b>671</b>	<b>721</b>	<b>7.4%</b>
<b>Total operating income</b>	<b>524</b>	<b>532</b>	<b>556</b>	<b>6.1%</b>	<b>4.7%</b>	<b>2,181</b>	<b>2,235</b>	<b>2.5%</b>
General & admin. Expenses	-165	-198	-206	24.7%	3.8%	-779	-849	9.0%
<b>Pre provision profit</b>	<b>359</b>	<b>333</b>	<b>351</b>	<b>-2.4%</b>	<b>5.1%</b>	<b>1,402</b>	<b>1,386</b>	<b>-1.2%</b>
Provisions	-22	17	-41	81.9%	NM	-210	-160	-24.0%
<b>Profit before tax</b>	<b>337</b>	<b>351</b>	<b>310</b>	<b>-8.0%</b>	<b>-11.6%</b>	<b>1,149</b>	<b>1,226</b>	<b>6.7%</b>
Corporate tax	-30	-32	-28	-8.4%	-12.0%	-101	-110	9.3%
<b>Net profit</b>	<b>307</b>	<b>319</b>	<b>282</b>	<b>-8.0%</b>	<b>-11.5%</b>	<b>1,048</b>	<b>1,115</b>	<b>6.5%</b>

FABS estimate & Co Data

**SIB – KPI**

	2Q24	1Q25	2Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	69.1%	69.1%	68.8%	-33	-29	69.2%	67.7%	-150
NIM	1.9%	1.7%	1.7%	-14	3	1.9%	1.7%	-25
NIS	2.0%	1.8%	1.8%	-12	4	2.2%	2.1%	-15
Fees & comms/OI	23.8%	25.6%	24.9%	109	-65	22.9%	24.6%	168
Cost to income	31.5%	37.3%	37.0%	552	-30	35.7%	38.0%	228
Provisions/PPP	6.2%	-5.2%	11.6%	536	1,673	15.0%	11.5%	-347
NP/OI	58.5%	60.0%	50.7%	-776	-928	48.0%	49.9%	187
Cost of risk	0.2%	-0.2%	0.4%	15	57	0.6%	0.4%	-17
Loan-to-deposit	71.2%	77.4%	75.6%	445	-176	72.8%	73.7%	88
NPL – Calculated	5.4%	4.5%	5.1%	-38	51	4.8%	5.0%	16
NPL Coverage – Calculated	82.4%	88.5%	85.0%	261	-345	89.9%	86.0%	-390
CET 1	12.4%	11.3%	11.4%	-101	6	12.4%	12.4%	2
Capital Adequacy	17.2%	15.8%	15.7%	-149	-3	17.1%	16.7%	-35
ROAE	13.2%	16.2%	15.2%	203	-107	15.0%	15.1%	11
ROAA	1.3%	1.5%	1.4%	2	-9	1.4%	1.3%	-16

FABS estimate & Co Data

**SIB – Key BS Items**

AED Mn	2Q24	3Q24	4Q24	1Q25	2Q25F	YOY Ch
Net advances	35,199	36,551	37,687	40,309	40,796	15.9%
QOQ change	5.5%	3.8%	3.1%	7.0%	1.2%	
Total assets	74,237	74,796	79,210	82,770	84,993	14.5%
QOQ change	5.9%	0.8%	5.9%	4.5%	2.7%	
Customer deposits	49,462	47,995	51,758	52,099	53,957	9.1%
QOQ change	9.7%	-3.0%	7.8%	0.7%	3.6%	
Total equity	8,333	8,694	8,303	8,162	8,444	1.3%
QOQ change	3.4%	4.3%	-4.5%	-1.7%	3.5%	

FABS estimate & Co Data

## 2Q25 preview: Commercial Bank of Dubai (CBD)

Growth in interest-earning assets to boost profitability

Current Price	12-m Target Price	Upside/Downside (%)	Rating
AED 8.75	AED 9.0	+3%	HOLD

### 2Q25 Estimate

Commercial Bank of Dubai's (The Bank/ CBD) net profit is expected to grow 11.3% YOY to AED 836 Mn in 2Q25, mainly driven by projected growth in net funded and non-funded income coupled with an expected decline in impairments, partially offset by an anticipated increase in G&A expenses, D&A expenses, lower recoveries, and higher tax charges. Funded income is predicted to decline marginally 1.6% YOY to AED 1,858 Mn in 2Q25, driven by expected contraction in assets yield, partially offset by forecasted increase in average interest earning assets. On the other hand, the Bank funded expense is projected to fall 8.4% YOY to AED 863 Mn in 2Q25 owing to decrease in cost of funds, partially offset by predicted growth in interest bearing liabilities. Thus, net funded income is expected to grow 5.2% YOY to AED 995 Mn in 2Q25. Fees & commission income is anticipated to decrease 5.5% YOY to AED 279 Mn in 2Q25. Trading income is forecasted to decrease 9.1% YOY to AED 77 Mn in 2Q25. Moreover, other non-funded income is expected to rise from AED 11 Mn in 2Q24 to AED 41 Mn in 2Q25. Thus, total non-funded income is expected to rise 1.4% YOY to AED 397 Mn in 2Q25. Resultantly, total operating income is likely to grow 4.1% YOY to AED 1,392 Mn in 2Q25. CBD's G&A expenses are projected to increase 14.5% YOY to AED 361 Mn in 2Q25, while depreciation and amortization charge is estimated to rise from AED 13 Mn in 2Q24 to AED 20 Mn in 2Q25. Thus, the cost-to-income ratio is expected to grow from 24.6% in 2Q24 to 27.4% in 2Q25. Furthermore, the Bank's impairments are estimated to decline 48.9% YOY to AED 122 Mn in 2Q25. However, recoveries are projected to decline from AED 73 Mn in 2Q24 to AED 33 Mn in 2Q25. Additionally, the Bank is expected to incur impairment allowances on AFS investments amounting to AED 3 Mn in 2Q25, compared to AED 19 Mn in 2Q24. CBD's corporate tax is anticipated to grow 12.4% YOY to AED 83 Mn in 2Q25.

### 2025 Forecast

CBD's net profit is anticipated to grow 8.0% YOY to AED 3,151 Mn in 2025 due to an anticipated rise in net-funded income coupled with expected lower impairment charges partially offset by a forecasted decline in total non-funded income, increase in G&A expenses, D&A expenses, decline in recoveries, and increase in tax expenses. CBD's funded income is expected to decrease marginally 0.9% YOY to AED 7,473 Mn in 2025, driven by projected decrease in asset yield, partially offset by predicted rise in average interest earning assets. Funded expenses is anticipated to fall 12.4% YOY to AED 3,512 Mn in 2025 due to an anticipated decline in cost of funds, partially offset by projected increase in average interest-bearing liabilities. Thus, net funded income is likely to grow 8.5% YOY to AED 3,961 Mn in 2025. The Bank's fee and commission income are anticipated to rise 4.0% YOY to AED 1,137 Mn in 2025. Additionally, trading income is projected to grow 5.7% YOY to AED 346 Mn in 2025. Furthermore, other non-funded income is forecasted to decline significantly from AED 240 Mn in 2024 to AED 168 Mn in 2025. Hence, total non-funded income is likely decline 4.8% YOY to AED 1,652 Mn in 2025. As a result, total operating income is predicted to increase 4.4% YOY to AED 5,613 Mn in 2025. Furthermore, G&A expenses are anticipated to increase 18.0% YOY to AED 1,463 Mn in 2025. While D&A expenses are expected to grow from AED 61 Mn in 2024 to AED 79 Mn in 2025. Thus, we forecast the cost-to-income ratio to grow from 25.6% in 2024 to 27.5% in 2025. Impairment charges are projected to fall from AED 990 Mn in 2024 to AED 656 Mn in 2025. The Banks's recoveries are expected to decline significantly from AED 257 Mn in 2024 to AED 136 Mn in 2025. Additionally, impairment allowances on AFS investment are anticipated to rise substantially from AED 30 Mn in 2024 to AED 88 Mn in 2025. In addition, we expect the Bank's corporate tax to grow 11.0% YOY to AED 312 Mn in 2025.

### 1Q25 Outturn

CBD's funded income marginally declined 0.5% YOY to AED 1,831 Mn in 1Q25, primarily due to a contraction in asset yield, partially offset by a growth in the loan book. Conversely, the funded expenses fell 4.0% YOY to AED 845 Mn in 1Q25 attributed to lower cost of funds. As a result, net funded income rose 2.7% YOY to AED 985 Mn in 1Q25. CBD's fees and commission income marginally declined 1.2% YOY to AED 274 Mn in 1Q25, mainly due to a decline in other income, partially offset by a growth in trade finance and investment sales. CBD's trading income fell 10.7% YOY to AED 75 Mn in 1Q25, while other non-funded income fell significantly from AED 52 Mn in 1Q24 to AED 37 Mn in 1Q25. Thus, the Bank's total non-funded income declined 6.6% YOY to AED 386 Mn in 1Q25 due to the absence of one-off transactional gain booked in 1Q24. CBD's total operating income marginally declined 0.1% YOY to AED 1,371 Mn in 1Q25. Moreover, the G&A expenses grew 15.8% YOY to AED 351 Mn in 1Q25. Furthermore, depreciation expenses increased significantly from AED 12 Mn in 1Q24 to AED 20 Mn in 1Q25. Total operating expenses increased from AED 315 Mn in 1Q24 to AED 370 Mn in 1Q25 due to reclassification of AED 27 Mn in fees to expenses (earlier reflected in equity in 2024 and previous fiscal period), investment in digitisation, Emiratisation and risk & control. Excluding this reclassification, opex rose 8% YOY in 1Q25. Furthermore, the impairments on loans, advances and Islamic financing significantly declined 64.7% YOY to AED 116 Mn in 1Q25. The recoveries on loans & advances and Islamic financing declined from AED 43 Mn in 1Q24 to AED 31 Mn in 1Q25. CBD incurred a corporate tax expense of AED 82 Mn in 1Q25.

### Target price and recommendation

We revise our rating on CBD from ACCUMULATE to HOLD with a revised target price of AED 9.00. The Bank share price appreciated 13.7% since our last rating. NIMs rose 7 bps QOQ to 3.02% in 1Q25 due to a decline in the cost of funding and a higher proportion of CASA deposits. CASA deposits comprised 52% of the total deposit in 1Q25 compared to 49% in 4Q24. CBD revised NIMs guidance from 2.8-2.9% to 2.9-3.1% for 2025. This is expected to positively impact profit in 2025. In addition, cost of risk declined 90 bps YOY to 0.33% in 1Q25. The Bank expects cost of risk to amount to less than 50 bps in 2025 compared to the previous guidance of less than 65 bps. CBD's reported NPL ratio also declined from 4.4% in 4Q24 to 4.3% in 1Q25, and coverage ratio stood at 101.1% in 1Q25. Stage 2 loans as a percentage of gross loans also declined from 9.4% in 4Q24 to 9.2% in 1Q25. The Bank recorded a strong growth in advances attributed to growth in the majority of the sectors, except the transportation and storage sector. It expects advances to grow by mid to high single digits in 2025. CBD continues to deepen customer relationships to enhance growth. CBD maintained a capital position with CET1 ratio and CAR ratio standing at 12.3% and 15.3% in 1Q25. This is higher than minimum regulatory requirement of 9.5% for CET 1 and 13.0% for CAR. The ratio is also lower than the industry average CET1 ratio of 16.4% and CAR ratio of 17.8% in 4Q24 which might lead CBD raise capital in the medium-term. Thus, based on our analysis, we revise assign a HOLD rating on the stock.

#### CBD - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
P/E(x)	23.49	19.84	15.43	10.37	9.01	8.65
P/B(x)	2.57	2.30	2.24	1.92	1.72	1.55
EPS (AED)	0.373	0.441	0.567	0.843	0.971	1.011
BVPS (AED)	3.407	3.807	3.912	4.548	5.099	5.647
DPS (AED)	0.188	0.243	0.245	0.444	0.507	0.550
Dividend Yield	2.1%	2.8%	2.8%	5.1%	5.8%	6.3%

FABS Estimates & Co Data

**CBD - P&L**

AED Mn	2Q24	1Q25	2Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Funded income	1,888	1,831	1,858	-1.6%	1.5%	7,544	7,473	-0.9%
Funded expense	-942	-845	-863	-8.4%	2.1%	-3,745	-3,512	-12.4%
<b>Net funded income</b>	<b>947</b>	<b>985</b>	<b>995</b>	<b>5.2%</b>	<b>1.0%</b>	<b>3,799</b>	<b>3,961</b>	<b>8.5%</b>
Fees and commissions	295	274	279	-5.5%	2.0%	1,115	1,137	4.0%
Trading income	85	75	77	-9.1%	2.5%	337	346	5.7%
Other non-funded income	11	37	41	NM	10.0%	240	168	-60.0%
<b>Total non-funded income</b>	<b>391</b>	<b>386</b>	<b>397</b>	<b>1.4%</b>	<b>2.9%</b>	<b>1,692</b>	<b>1,652</b>	<b>-4.8%</b>
<b>Total operating income</b>	<b>1,338</b>	<b>1,371</b>	<b>1,392</b>	<b>4.1%</b>	<b>1.5%</b>	<b>5,491</b>	<b>5,613</b>	<b>4.4%</b>
General and administrative expenses	-315	-351	-361	14.5%	3.0%	-1,342	-1,463	18.0%
Depreciation and amortization	-13	-20	-20	51.4%	1.7%	-61	-79	60.0%
<b>Operating Expenses</b>	<b>-329</b>	<b>-370</b>	<b>-381</b>	<b>16.0%</b>	<b>2.9%</b>	<b>-1,403</b>	<b>-1,543</b>	<b>19.8%</b>
<b>Pre provision profit</b>	<b>1,009</b>	<b>1,001</b>	<b>1,011</b>	<b>0.2%</b>	<b>1.0%</b>	<b>4,087</b>	<b>4,070</b>	<b>-0.9%</b>
Impair allow. on loans & adv and Islamic fin	-238	-116	-122	-48.9%	4.6%	-990	-656	-67.4%
Recoveries	73	31	33	-54.6%	6.5%	257	136	NM
Impairment allowances on AFS investment	-19	-5	-3	-82.1%	-37.5%	-30	-88	NM
<b>Profit before tax</b>	<b>825</b>	<b>910</b>	<b>919</b>	<b>11.4%</b>	<b>1.0%</b>	<b>3,325</b>	<b>3,463</b>	<b>8.3%</b>
Corporate tax	-74	-82	-83	12.4%	1.0%	-295	-312	11.0%
<b>Net Profit</b>	<b>751</b>	<b>828</b>	<b>836</b>	<b>11.3%</b>	<b>1.0%</b>	<b>3,030</b>	<b>3,151</b>	<b>8.0%</b>

FABS estimate & Co Data

**CBD - KPI**

	2Q24	1Q25	2Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	70.8%	71.9%	71.5%	74	-36	69.2%	70.6%	139
NIM	3.1%	3.0%	3.0%	-5	-1	3.1%	2.9%	-16
NIS	2.6%	2.6%	2.6%	-1	0	2.6%	2.5%	-10
Fees & comms/OI	22.1%	20.0%	20.1%	-203	9	20.3%	20.3%	-4
Trading/OI	6.3%	5.5%	5.5%	-80	5	6.1%	6.2%	4
Cost to income	24.6%	27.0%	27.4%	281	37	25.6%	27.5%	192
Impairment/PPP	18.2%	9.1%	9.1%	-914	4	18.6%	14.9%	-373
NP/OI	56.2%	60.4%	60.1%	389	-33	55.2%	56.1%	96
Cost of Risk	0.7%	0.3%	0.5%	-19	17	0.7%	0.48%	-26
Loan-to-deposit - calculated	89.8%	97.3%	96.3%	658	-96	95.4%	94.8%	-59
NPL - calculated	6.7%	5.3%	5.3%	-136	3	5.4%	5.3%	-12
Coverage - calculated	88.1%	96.4%	96.0%	789	-39	98.5%	98.5%	1
CET1	12.8%	12.3%	13.2%	40	95	12.4%	12.7%	30
Capital adequacy	16.1%	15.3%	16.3%	26	101	15.6%	15.6%	7
ROAE (TTM)	21.3%	22.0%	21.4%	7	-58	20.1%	18.8%	-130
ROAA (TTM)	2.2%	2.3%	2.3%	10	-5	2.5%	2.4%	-5

FABS estimate & Co Data

**CBD - Key B/S items**

AED Mn	2Q24	3Q24	4Q24	1Q25	2Q25F	YOY Ch
Net advances	89,608	91,746	93,049	96,932	98,671	10.1%
QOQ change	3.2%	2.4%	1.4%	4.2%	1.8%	
Total assets	141,256	140,217	140,175	141,129	143,753	1.8%
QOQ change	7.8%	-0.7%	0.0%	0.7%	1.9%	
Customer deposits	99,831	98,682	97,563	99,624	102,425	2.6%
QOQ change	10.5%	-1.2%	-1.1%	2.1%	2.8%	
Total shareholders' equity	15,843	16,772	17,425	16,813	17,649	11.4%
QOQ change	4.7%	5.9%	3.9%	-3.5%	5.0%	

FABS estimate & Co Data

## 2Q25 preview: Ajman Bank (AJMANBAN)

Lower net funded & non-funded income to impact profitability

Current Price	12-m Target Price	Upside/Downside (%)	Rating
AED 1.47	AED 1.60	+9%	HOLD

### 2Q25 estimate

Ajman Bank's (AJMANBANK/the Bank) net profit is expected to decline from AED 108 Mn in 2Q24 to AED 69 Mn in 2Q25, attributed to a forecasted decline in net funded income, non-funded income, and increase in impairment charges, partially offset by an anticipated decline in operating expenses and tax expenses. The Bank's funded income is expected to decline 14.7% YOY to AED 254 Mn in 2Q25, due to a projected lower asset yield, partially offset by a predicted rise in average interest-earning assets. Similarly, the funded expenses are anticipated to fall 10.1% YOY to AED 161 Mn in 2Q25, driven by forecasted decrease in cost of funds, partially offset by projected rise in interest bearing liabilities. As a result, net funded income is likely to fall 21.6% YOY to AED 93 Mn in 2Q25. Fees and commission income is projected to decline 24.4% YOY to AED 60 Mn in 2Q25, while income from investment securities is expected to rise 12.7% YOY to AED 40 Mn in 2Q25. Thus, we expect Bank's total non-funded income to decrease 12.9% YOY to AED 100 Mn in 2Q25. Hence, total operating income is projected to decline 17.3% YOY to AED 193 Mn in 2Q25. Operating expenses are anticipated to fall marginally 1.2% YOY to AED 95 Mn in 2Q25. However, we forecast the Bank's cost-to-income ratio to increase from 41.2% in 2Q24 to 49.2% in 2Q25. In addition, AJMANBANK's impairment charges are anticipated to rise 3.2% YOY to AED 22 Mn in 2Q25. Tax expenses are estimated to decline 8.6% YOY to AED 7 Mn in 2Q25.

### 2025 forecast

Ajman Bank's net profit is expected to decrease 27.8% YOY to AED 289 Mn in 2025, mainly driven by an anticipated decline in net funded income, higher operating expenses, and impairment charges, partially offset by a forecasted increase in non-funded income and lower tax expenses. The Bank's funded income is anticipated to decline 13.0% YOY to AED 1,020 Mn in 2025, due to projected lower asset yield, partially offset by an anticipated rise in average interest-earning assets. Funded expenses is expected to decrease 12.3% YOY to AED 671 Mn in 2025, owing to an anticipated decline in the cost of funds. Thus, net funded income is forecasted to decrease 14.3% YOY to AED 349 Mn in 2025. As a result, we forecast NIMs to fall 32 bps YOY to 1.8% in 2025. Fees and commission income is estimated to rise 30.0% YOY to AED 248 Mn in 2025. While income from investment securities is expected to grow 17.7% YOY to AED 163 Mn in 2025. Thus, non-funded income is forecasted to increase 24.8% YOY to AED 410 Mn in 2025. Thus, total operating income is expected to rise 3.2% YOY to AED 760 Mn in 2025. The Bank's operating expenses are anticipated to increase 3.5% YOY to AED 383 Mn in 2025. AJMANBANK is expected to incur an impairment charge of AED 59 Mn in 2025, compared to an impairment reversal of AED 73 Mn in 2024. In addition, the Bank's tax expenses are estimated to decline 26.9% YOY to AED 29 Mn in 2025.

### 1Q25 outturn

AJMANBANK's funded income declined 17.7% YOY to AED 254 Mn in 1Q25, mainly due to a lower asset yield. Funded expenses declined 19.7% YOY to AED 165 Mn in 1Q25 due to a lower cost of funds. Thus, net funded income fell 13.9% YOY to AED 89 Mn in 1Q25. However, fees and commission income rose 51.7% YOY to AED 70 Mn in 1Q25, whereas income from investment securities fell 12.4% YOY to AED 39 Mn in 1Q25. Thus, total non-funded income grew 20.2% YOY to AED 110 Mn in 1Q25. Total operating income increased 2.1% YOY to AED 199 Mn in 1Q25. Furthermore, operating expenses grew 2.3% YOY to AED 93 Mn in 1Q25. However, the cost-to-income ratio increased marginally by 10 bps to 46.8% in 1Q25. AJMANBANK witnessed an impairment reversal of AED 39 Mn in 1Q25 compared to AED 13 Mn in 1Q24. Income tax rose 7.6% YOY to AED 10 Mn in 1Q25.

### Target price and recommendation

We maintain our HOLD rating on AJMANBANK with a target price of AED 1.60. AJMANBANK reported a significant growth in profitability owing to an impairment reversal and healthy growth in non-funded income during 1Q25. Ajman's Loan to Deposit ratio improved from 71.8% in 4Q24 to 75.2% in 1Q25. NIMs rose 32 bps QOQ to 1.9% in 1Q25 due to the lower cost of funds but declined on YOY basis. The Bank's cost-to-income ratio improved from 69.5% in 4Q24 to 46.8% in 1Q25, mainly due to a higher operating income. AJMANBANK's asset quality improved as the calculated NPL ratio declined from 16.6% in 1Q24 and 11.4% in 4Q24, further to 11.3% in 1Q25. Calculated provision coverage ratio rose from 26.8% in 1Q24 to 48.6% in 1Q25, however lower compared to 53.6% in 4Q24. AJMANBANK's Tier 1 ratio stood at 17.03% and CAR ratio stood at 18.2% in 1Q25. Customer deposits increased to AED 18.5 Bn in 1Q25, supported by strong growth in current account. The Bank distributed AED 197.4 Mn in dividends (AED 0.0725/share) for 2024, underlining management's confidence in sustainable earnings. Under the Strategic Initiatives, Ajman Bank initiated a USD 1.5 Bn sukuk program to access international debt markets, enhancing funding flexibility. In addition, the bank made progress in settling legal disputes over foreclosed assets, which could unlock additional value to Real Estate Exposure Resolution. Despite all the positive developments, such as a marginal growth in operating expenses and improvement in NPLs, coupled with higher fees and commission income, the overall decline in core income highlights some significant challenges. The high cost-to-income ratio compared to industry peers further underlines the pressure on profitability in 1Q25. The Bank trades at a 2025 P/B ratio of 1.3x as compared to its peer average of 1.1x, rendering the stock expensive. Hence, we assign a HOLD rating on the stock.

#### Ajman Bank - Relative valuation

	2020	2021	2022	2023	2024	2025F
(At CMP)						
P/E (x)	66.96	30.78	22.06	NM	9.81	13.56
P/B (x)	1.43	1.36	1.42	1.49	1.28	1.24
EPS (AED)	0.022	0.047	0.066	-0.153	0.149	0.108
BVPS (AED)	1.022	1.076	1.027	0.982	1.143	1.176
DPS (AED)	0.000	0.000	0.000	0.000	0.073	0.073
Dividend Yield	NM	NM	NM	NM	5.0%	5.0%

FABS Estimates & Co Data

#### Ajman Bank - P&L

AED Mn	2Q24	1Q25	2Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Funded income	298	254	254	-14.7%	0.1%	1,172	1,020	-13.0%
Funded expenses	-179	-165	-161	-10.1%	-2.3%	-765	-671	-12.3%
<b>Net funded income</b>	<b>119</b>	<b>89</b>	<b>93</b>	<b>-21.6%</b>	<b>4.4%</b>	<b>407</b>	<b>349</b>	<b>-14.3%</b>
Fees and commissions	79	70	60	-24.4%	-15.0%	191	248	30.0%
Income from Investment Securities	35	39	40	12.7%	1.4%	138	163	17.7%
Share of result of associate	0	0	0	NM	NM	0	0	NM
<b>Total non-funded income</b>	<b>115</b>	<b>110</b>	<b>100</b>	<b>-12.9%</b>	<b>-9.1%</b>	<b>329</b>	<b>410</b>	<b>24.8%</b>
<b>Total operating income</b>	<b>233</b>	<b>199</b>	<b>193</b>	<b>-17.3%</b>	<b>-3.0%</b>	<b>736</b>	<b>760</b>	<b>3.2%</b>
Operating expenses	-96	-93	-95	-1.2%	1.9%	-370	-383	3.5%
<b>Pre provision profit</b>	<b>137</b>	<b>106</b>	<b>98</b>	<b>-28.6%</b>	<b>-7.4%</b>	<b>367</b>	<b>377</b>	<b>2.9%</b>
Impairment	-22	39	-22	3.2%	NM	73	-59	NM
<b>Profit before tax</b>	<b>116</b>	<b>145</b>	<b>76</b>	<b>-34.6%</b>	<b>-47.9%</b>	<b>440</b>	<b>318</b>	<b>-27.7%</b>
Corporate tax	-7	-10	-7	-8.6%	-34.7%	-39	-29	-26.9%
<b>Net profit</b>	<b>108</b>	<b>135</b>	<b>69</b>	<b>-36.4%</b>	<b>-48.9%</b>	<b>401</b>	<b>289</b>	<b>-27.8%</b>

FABS estimate & Co Data

**Ajman Bank - KPI**

	2Q24	1Q25	2Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	50.9%	44.8%	48.2%	-261	346	55.3%	46.0%	-938
NIM	2.6%	1.9%	1.9%	-69	-1	2.2%	1.8%	-32
NIS	2.9%	2.2%	2.1%	-80	-5	2.4%	2.1%	-35
Fees & comms/OI	33.9%	35.4%	31.0%	-292	-436	25.9%	32.6%	674
Invst Securities/OI	15.2%	19.8%	20.7%	553	90	18.8%	21.4%	265
Cost to income	41.2%	46.8%	49.2%	803	240	50.2%	50.4%	15
Impairment/PPP	15.8%	-37.2%	22.8%	703	5,996	-20.0%	15.7%	3,566
NP/OI	46.4%	67.7%	35.7%	-1,067	-3,202	54.4%	38.1%	-1,633
Cost of risk	0.6%	-1.1%	0.2%	-46	125	-0.5%	0.4%	92
Loan-to-deposit	72.0%	75.2%	75.0%	297	-17	71.8%	73.0%	125
NPL	12.3%	11.3%	11.0%	-129	-27	11.4%	10.5%	-93
Coverage excluding collateral	35.1%	48.6%	50.0%	1,487	136	53.6%	57.0%	335
Tier 1	16.4%	17.0%	16.3%	-7	-70	18.0%	16.5%	-151
Capital adequacy	17.5%	18.2%	17.4%	-10	-73	19.1%	17.5%	-164
ROAA	-1.2%	1.8%	1.6%	273	-22	1.7%	1.2%	-50
ROAE	-10.0%	14.6%	12.9%	2,292	-175	13.8%	9.2%	-469

FABS estimate & Co Data

**Ajman Bank - Key B/S items**

AED Mn	2Q24	3Q24	4Q24	1Q25	2Q25F	YOY Ch
Net advances	13,906	13,404	12,959	13,915	14,190	2.0%
QOQ change	6.1%	-3.6%	-3.3%	7.4%	2.0%	
Total assets	24,235	24,440	22,854	24,497	25,123	3.7%
QOQ change	5.0%	0.8%	-6.5%	7.2%	2.6%	
Customer deposits	19,306	19,310	18,062	18,511	18,920	-2.0%
QOQ change	4.7%	0.0%	-6.5%	2.5%	2.2%	
Total equity	2,881	3,025	3,112	3,077	3,146	9.2%
QOQ change	4.2%	5.0%	2.9%	-1.1%	2.2%	

FABS estimate & Co Data

**2Q25 preview: Commercial Bank International (CBI)**

Higher impairments expected to weigh on earnings

Current Price	12-m Target Price	Upside/Downside (%)	Rating
AED 0.87	AED 0.85	-2%	HOLD

**2Q25 estimate**

Commercial Bank International's (CBI/the Bank) net profit is expected to decrease 20.0% YOY to AED 36 Mn in 2Q25, mainly due to anticipated increase in operating expenses and impairment charges compared to impairment reversal in 2Q24, partially offset by expected rise in net funded and non-funded income, coupled with lower corporate tax expenses. Funded income is projected to fall 10.8% YOY to AED 220 Mn in 2Q25, primarily due to a forecasted reduction in asset yields, partially offset by an anticipated increase in average interest-earning assets. However, we expect strong growth in the income from Islamic financing from AED 21 Mn in 2Q24 to AED 35 Mn in 2Q25, owing to the anticipated expansion in average Islamic financing assets. Additionally, funded expense is estimated to decline 13.3% YOY to AED 157 Mn in 2Q25. Hence, net funded income is expected to grow 13.3% YOY to AED 98 Mn in 2Q25. Consequently, NIMs is projected to rise 14 bps YOY to 2.1% in 2Q25. Fees and commission income are forecasted to increase from AED 35 Mn in 2Q24 to AED 46 Mn in 2Q25. Other operating income is predicted to rise from AED 9 Mn in 2Q24 to AED 13 Mn in 2Q25. Thus, CBI's total non-funded income is likely to grow 36.7% YOY to AED 59 Mn in 2Q25. As a result, total operating income is likely to increase 21.1% YOY to AED 157 Mn in 2Q25. Operating expenses are anticipated to grow 4.3% YOY to AED 101 Mn in 2Q25. However, we expect the Bank's cost-to-income ratio to fall from 74.3% in 2Q24 to 64.0% in 2Q25. We forecast CBI to record an impairment charge of AED 17 Mn in 2Q25 compared to an impairment reversal of AED 16 Mn in 2Q24. In addition, the Bank's tax expense is expected to decline 23.3% YOY to AED 4 Mn in 2Q25.

**2025 forecast**

CBI's net profit is forecasted to decrease 24.9% YOY to AED 151 Mn in 2025, mainly due to a projected decline in non-funded income, coupled with an anticipated increase in operating expenses and impairment charges, partially offset by the projected increase in net funded income, and lower income tax. Funded income is estimated to decline 9.0% YOY to AED 890 Mn in 2025, driven by an expected decline in asset yield, partially offset by a forecasted rise in average interest-earning assets. However, income from Islamic financing is forecasted to rise 39.5% YOY to AED 146 Mn in 2025, supported by predicted growth in Islamic financing assets. Furthermore, we forecast funded expenses to fall 2.0% YOY to AED 601 Mn in 2025. Thus, net funded income is expected to grow 16.9% YOY to AED 402 Mn in 2025. Consequently, NIMs is projected to grow 14 bps YOY to 2.1% in 2025. Fees and commission income are estimated to rise 30.0% YOY to AED 180 Mn in 2025, while the other operating income is anticipated to decline from AED 221 Mn in 2024 to AED 100 Mn in 2025. Hence, total non-funded income is predicted to decline 22.3% YOY to AED 279 Mn in 2025. As a result, operating income is anticipated to decline 3.2% YOY to AED 681 Mn in 2025. Operating expenses are anticipated to grow 4.7% YOY to AED 395 Mn in 2025. We expect the Bank's impairment charges to rise 15.5% YOY to AED 119 Mn in 2025. In addition, the Bank's tax expenses are expected to fall 24.8% to AED 16 Mn in 2025. CBI's non-controlling interest is expected to remain stable at AED 1 Mn in 2025 compared to 2024.

**1Q25 outturn**

CBI's funded income declined 6.5% YOY to AED 226 Mn in 1Q25 owing to a decline in loans & advances and lower yield on assets. Moreover, income from Islamic financing and investment assets rose substantially from AED 19 Mn in 1Q24 to AED 33 Mn in 1Q25, attributable to a healthy growth in Islamic financing and investment assets, partially mitigated by lower yield. Funded expenses fell 9.0% YOY to AED 162 Mn in 1Q25, owing to lower cost of funds despite an increase in customer deposits. CBI's cost of funds declined 46 bps QOQ and 80 bps YOY to 3.85% in 1Q25. Thus, net funded income rose 18.0% YOY to AED 97 Mn in 1Q25. The strong growth in funded income on a YOY and QOQ basis is attributed to a decline in funded expenses due to growth in the CASA ratio, coupled with a decline in benchmark rates and lower interest paid on borrowing from banks. Moreover, growth was partially mitigated by an increase in distribution to Islamic deposits. NIMs rose

20 bps YOY and 16 bps QOQ to 2.1% in 1Q25. Net fees and commission income increased substantially from AED 29 Mn in 1Q24 to AED 46 Mn in 1Q25. CBI recorded a strong expansion in other operating income from AED 9 Mn in 1Q24 to AED 65 Mn in 1Q25 due to gains on the sale of properties. Thus, non-funded income grew from AED 38 Mn in 1Q24 to AED 110 Mn in 1Q25. Resultantly, total operating income grew from AED 120 Mn in 1Q24 to AED 208 Mn in 1Q25. Operating expenses grew 9.0% YOY to AED 94 Mn in 1Q25. The Bank witnessed an impairment charge of AED 68 Mn in 1Q25 compared to a reversal of AED 6 Mn in 1Q24. The Bank's corporate tax increased 3.9% YOY to AED 4 Mn in 1Q25.

### Target Price and Rating

We maintain our HOLD rating on CBI with a target price of AED 0.85. CBI recorded strong year-over-year growth in funded and non-funded income in 1Q25. NIMs improved 20 bps YOY and 16 bps QOQ to 2.1% in 1Q25. Going forward, the Bank's NIM is expected to benefit in a declining interest rate scenario due to negative interest rate sensitivity. In a declining interest rate scenario, the negative gap will push the NIM upward. A negative gap happens when rate-sensitive liabilities are greater than rate-sensitive assets. CBI demonstrated substantial growth in non-funded income in 1Q25, attributed to strong growth in fee & commission income and one-time gain on the sale of properties. The Bank's ability to generate one-time gains from the sale of properties is also getting exhausted as the book value of investment property declined from AED 562 Mn in 3Q24 to AED 214 Mn in 4Q24 and further to AED 143 Mn in 1Q25. Furthermore, CBI recorded an impairment charge of AED 68 Mn in 1Q25 compared to a reversal of AED 6 Mn in 1Q24, mainly attributed to higher provisions recorded in the Wholesale Banking Segment and lower reversals recorded in the Retail Banking Segment in 1Q25. It recorded a fresh asset slippage of AED 77.1 Mn in 1Q25. As a result, calculated NPL as a percentage of gross loans & advances rose from 15.9% in 4Q24 to 16.5% in 1Q25, indicating a worsening of asset quality. Provision coverage ratio improved from 41.7% in 4Q24 to 43.9% in 1Q25. The coverage ratio remains lower than the industry average of 60.6% in 1Q25. However, the Bank held collateral against NPLs of AED 1.9 Bn in 4Q24 against the mortgage and wholesale segments, mitigating risk from low provisioning. Stage 2 assets as a percentage of gross and advances remained flat at 9.9% in 1Q25 compared to 4Q24. The Bank is expected to generate an ROA of 0.7% in 2025 compared to the industry average of 2.2%. Hence, considering the above-mentioned factors, we maintain our HOLD rating on the stock.

#### CBI-Relative valuation

(At CMP)	2020	2021	2022	2023	2024	2025F
PE	NM	12.37	12.85	9.79	7.49	9.97
PB	0.76	0.72	0.71	0.66	0.61	0.57
EPS (AED)	NM	0.070	0.067	0.089	0.116	0.087
BVPS (AED)	1.134	1.200	1.230	1.320	1.422	1.509

FABS estimate & Co Data

#### CBI - P&L

AED Mn	2Q24	1Q25	2Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Funded income	247	226	220	-10.8%	-2.5%	978	890	-9.0%
Inc from Islamic fin & invest assets	21	33	35	67.7%	4.0%	105	146	39.5%
Funded expenses	-181	-162	-157	-13.3%	-3.2%	-614	-601	-2.0%
<b>Net funded income</b>	<b>87</b>	<b>97</b>	<b>98</b>	<b>13.3%</b>	<b>0.9%</b>	<b>344</b>	<b>402</b>	<b>16.9%</b>
Fees and commissions	35	46	46	33.2%	1.0%	138	180	30.0%
Other operating income, net	9	65	13	51.0%	-80.0%	221	100	-55.0%
<b>Total non-funded income</b>	<b>43</b>	<b>110</b>	<b>59</b>	<b>36.7%</b>	<b>-46.5%</b>	<b>360</b>	<b>279</b>	<b>-22.3%</b>
<b>Total operating income</b>	<b>130</b>	<b>208</b>	<b>157</b>	<b>21.1%</b>	<b>-24.3%</b>	<b>704</b>	<b>681</b>	<b>-3.2%</b>
Operating expenses	-96	-94	-101	4.3%	7.2%	-378	-395	4.7%
<b>Pre provision profit</b>	<b>33</b>	<b>114</b>	<b>57</b>	<b>NM</b>	<b>-50.3%</b>	<b>326</b>	<b>286</b>	<b>-12.2%</b>
Impairment	16	-68	-17	NM	-74.5%	-103	-119	15.5%
UAE corporate tax	-5	-4	-4	-23.3%	-11.8%	-21	-16	-24.8%
Non-controlling interests	0	0	0	NM	NM	1	1	NM
<b>Net profit</b>	<b>45</b>	<b>42</b>	<b>36</b>	<b>-20.0%</b>	<b>-14.5%</b>	<b>201</b>	<b>151</b>	<b>-24.9%</b>

FABS estimate & Co Data

**CBI - P&L KPI**

	2Q24	1Q25	2Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	66.7%	46.8%	62.4%	NM	1,559	48.9%	59.0%	NM
NIM	2.0%	2.1%	2.1%	14	1	1.9%	2.1%	14
NIS	1.5%	1.8%	1.8%	30	4	1.5%	1.9%	41
Fees & comms/OI	26.7%	22.0%	29.4%	266	736	19.7%	26.4%	673
Trading/OI	6.6%	31.2%	8.2%	NM	-2,295	31.5%	14.6%	NM
Cost to income	74.3%	45.2%	64.0%	NM	1,884	53.7%	58.0%	433
Impairment/PPP	-48.5%	59.9%	30.7%	NM	NM	31.6%	41.5%	NM
NP/OI	34.3%	20.1%	22.7%	-1,165	261	28.6%	22.2%	-643
Cost of risk	-0.6%	2.4%	0.6%	116	-178	0.9%	1.0%	14
Loan-to-deposit	87.9%	87.1%	87.0%	-95	-11	88.0%	88.0%	-3
NPL - calculated	17.7%	16.5%	16.0%	NM	NM	15.9%	15.0%	-93
Coverage - calculated	33.4%	43.9%	44.1%	NM	NM	41.7%	46.2%	441
CET 1	11.4%	13.7%	13.4%	203	-24	13.8%	13.2%	-60
Capital Adequacy	15.3%	17.6%	17.2%	189	-37	17.7%	16.7%	-98
ROAE	6.9%	8.6%	8.1%	121	-48	8.4%	5.9%	-251
ROAA	0.8%	1.0%	1.0%	16	-8	1.0%	0.7%	-32

FABS estimate & Co Data

**CBI- Key BS Items**

AED Mn	2Q24	3Q24	4Q24	1Q25	2Q25	YOY Ch
Net advances	12,510	12,911	13,583	13,362	13,838	10.6%
QOQ Change	2.6%	3.2%	5.2%	-1.6%	3.6%	
Total assets	19,972	20,995	20,895	20,577	21,254	6.4%
QOQ Change	5.1%	5.1%	-0.5%	-1.5%	3.3%	
Customer deposits	14,225	15,191	15,430	15,339	15,906	11.8%
QOQ Change	12.1%	6.8%	1.6%	-0.6%	3.7%	
Total equity	2,821	2,970	2,929	2,969	3,004	6.5%
QOQ Change	1.1%	5.3%	-1.4%	1.4%	1.2%	

FABS estimate & Co Data

## 2Q25 preview: **United Arab Bank (UAB)**

Higher Impairment Provisions Likely to Dampen Profitability

Current Price	12-m Target Price	Upside/Downside (%)	Rating
AED 1.25	AED 1.25	0%	HOLD

### 2Q25 Estimate

United Arab Bank (UAB) is anticipated to report 7.3% YOY decrease in net profit to AED 65 Mn in 2Q25, mainly due to an expected increase in operating expenses, and higher impairment charges compared to impairment reversal in 2Q24, partially offset by an estimated rise in net funded and non-funded income coupled with a decline in tax expenses. Funded income is forecasted to decline 0.4% YOY to AED 294 Mn in 2Q25, due to a forecasted decrease in asset yield, partially offset by an anticipated increase in average interest-earning assets. Also, the funded expense is anticipated to fall 12.7% YOY to AED 161 Mn in 2Q25, as we expect lower cost of funds, partially offset by a predicted rise in interest-bearing liabilities. Therefore, net funded income is likely to increase 20.2% YOY to AED 133 Mn in 2Q25. Furthermore, fee and commission income is anticipated to grow 35.0% YOY to AED 27 Mn in 2Q25. Whereas, exchange income is predicted to rise from AED 7 Mn in 2Q24 to AED 10 Mn in 2Q25. The Bank's other non-funded income is forecasted to stand at AED 4 Mn in 2Q25 compared to AED 0.13 Mn in 2Q24. Thus, total non-funded income is expected to rise significantly from AED 26 Mn in 2Q24 to AED 41 Mn in 2Q25. UAB's operating income is likely to grow 26.6% YOY to AED 173 Mn in 2Q25. The Bank's operating expense is expected to increase 25.0% YOY to AED 88 Mn in 2Q25. However, we expect the cost-to-income ratio to decline from 51.7% in 2Q24 to 51.0% in 2Q25 owing to higher expected operating income. UAB is expected to witness an impairment charge of AED 13 Mn in 2Q25 compared to an impairment reversal of AED 11 Mn in 2Q24. The Bank is expected to pay an income tax expense of AED 6 Mn in 2Q25 compared to AED 7 Mn in 2Q24.

### 2025 Forecast

UAB's net profit is forecasted to fall 4.8% YOY to AED 286 Mn in 2025, attributed to an expected increase in operating expenses and impairment changes compared to impairment reversal in 2Q24, partially offset by an anticipated rise in net funded and non-funded income. The Bank's funded income is expected to decrease 4.8% YOY to AED 1,135 Mn in 2025, primarily due to an expected reduction in asset yields, partially offset by a forecasted increase in average interest-earning assets. On the other hand, funded expense is predicted to decrease 11.2% YOY to AED 645 Mn in 2025, owing to lower expected cost of funds. Consequently, net funded income is likely to grow 5.1% YOY to AED 490 Mn in 2025. The Bank's fees and commission income is predicted to rise 15.0% YOY to AED 104 Mn in 2025. Additionally, exchange income is forecasted to rise 2.0% YOY to AED 35 Mn in 2025. Furthermore, other non-funded income is predicted to increase from AED 14 Mn in 2024 to AED 27 Mn in 2025. Consequently, total non-funded income is likely to grow 19.4% YOY to AED 166 Mn in 2025. The Bank's operating income is expected to rise 8.4% YOY to AED 657 Mn in 2025. In addition, operating expenses are predicted to increase 5.4% YOY to AED 335 Mn in 2025. UAB is expected to witness impairment charges of AED 7 Mn in 2025 compared to impairment reversal of AED 43 Mn in 2024. The Bank is also forecasted to record an income tax expense of AED 28 Mn in 2025 compared to AED 30 Mn in 2024.

### 1Q25 Outrun

UAB's net funded income declined 11.2% YOY to AED 117 Mn in 1Q25 as the interest income was impacted due to interest rate cuts implemented in 2H24, partially offset by a strong growth in loans and investment portfolio. Interest income fell 4.7% YOY to AED 290 Mn in 1Q25 due to a decline in yield owing to rate cuts implemented in 2H24. Interest expenses grew marginally 0.2% YOY to AED 173 Mn in 1Q25, attributed to strong deposit growth, partially mitigated by lower cost of funds. On the other hand, non-funded income rose significantly from AED 31 Mn in 1Q24 to AED 48 Mn in 1Q25, supported by strong growth in fees and commissions income, exchange income and other non-funded income. Fees and commissions income increased 9.6% YOY to AED 25 Mn in 1Q25, alongside exchange income boosted from AED 6 Mn in 1Q24 to AED 11 Mn in 1Q25, driven by improved product offerings and growth in cross-selling. Similarly, other non-funded income surged

significantly from AED 2 Mn in 1Q24 to AED 12 Mn in 1Q25, due to the gain on sale of properties. Operating expenses rose 12.8% YOY to AED 88 Mn in 1Q25, attributed to investment in employee and investment in product & systems to strengthen the Bank's operations. Thus, the cost-to-income ratio increased from 47.5% in 1Q24 to 53.0% in 1Q25. The Bank witnessed an impairment reversal of AED 34 Mn in 1Q25 compared to impairment charges of 11 Mn in 1Q24, driven by asset resolution and recovery efforts. Tax expenses increased 49.3% YOY to AED 10 Mn in 1Q25, in line with growth in profit before tax.

### Target Price and recommendation

We revise our rating on UAB from REDUCE to HOLD with an unchanged target price of AED 1.25. UAB reported a strong growth in net income driven by an increase in non-funded income and impairment reversal in 1Q25. The growth in earnings was recorded mainly from non-recurring sources. The Bank's net funded income declined 11.2% YOY to AED 117 Mn in 1Q25, due to the interest rate cut implemented in 4Q24. NIMs also dipped 10 bps QOQ and 91 bps YOY to 2.2% in 1Q25. We expect the NIMs to decline further as the Bank exhibit a positive interest rate sensitivity gap. In a declining interest rate scenario, the positive gap will push the NIMs downwards. A positive gap happens when rate-sensitive assets are greater than rate-sensitive liabilities. Net advances grew strongly due to growth in loans to retail and corporate customers. The deal pipeline of advances remains strong and is expected to have healthy execution. Furthermore, the liquidity metrics remain robust as the deposits outgrew advances. As a result, the loan-to-deposit ratio improved from 84.9% in 4Q24 to 83.5% in 1Q25. CASA constituted 36% of the total deposit in 1Q25 compared to 34% in 4Q24. NPLs further declined from 3.9% in 4Q24 to 3.4% in 1Q25 due to write-offs of loan and strong growth in advances. Stage 2 assets also declined from 1.8% in 4Q24 to 1.6% in 1Q25, showcasing improvement in asset quality. Coverage ratio remained almost unchanged at 117.6% in 1Q25 compared to 4Q24, and a higher provision provides a cushion against future loan losses. Despite these improving fundamentals, the Bank is trading at a 2025 price-to-book multiple of 1.26x compared to the sector average of 1.0x. In addition, the Bank is not expected to pay any dividends in the near future. Additionally, UAB also approved an AED 1.03 Bn rights issue to its existing shareholders. Thus, considering these factors, we assigned a HOLD rating on the stock.

#### UAB - Relative valuation

(At CMP)	2020	2021	2022	2023	2024	2025F
PE	NA	36.73	16.66	10.08	8.56	8.99
PB	1.77	1.71	1.72	1.48	1.29	1.16
EPS (AED)	-0.324	0.034	0.075	0.124	0.146	0.139
BVPS (AED)	0.705	0.733	0.727	0.844	0.971	1.077

FABS Estimates & Co Data

#### UAB - P&L

AED mn	2Q24	1Q25	2Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Interest income	296	290	294	-0.4%	1.4%	1,193	1,135	-4.8%
Interest expense	-185	-173	-161	-12.7%	-6.7%	-726	-645	-11.2%
<b>Net interest income</b>	<b>111</b>	<b>117</b>	<b>133</b>	<b>20.2%</b>	<b>13.4%</b>	<b>467</b>	<b>490</b>	<b>5.1%</b>
Fees and commissions	20	25	27	35.0%	6.0%	91	104	15.0%
Exchange income	7	11	10	56.7%	-5.0%	34	35	2.0%
Other non-funded income	0	12	4	NM	-70.0%	14	27	NM
<b>Total non-funded income</b>	<b>26</b>	<b>48</b>	<b>41</b>	<b>53.7%</b>	<b>-15.8%</b>	<b>139</b>	<b>166</b>	<b>19.4%</b>
<b>Total operating income</b>	<b>137</b>	<b>165</b>	<b>173</b>	<b>26.6%</b>	<b>4.9%</b>	<b>606</b>	<b>657</b>	<b>8.4%</b>
Total operating Expenses	-71	-88	-88	25.0%	1.0%	-318	-335	5.4%
<b>Pre provision profit</b>	<b>66</b>	<b>78</b>	<b>85</b>	<b>28.4%</b>	<b>9.3%</b>	<b>288</b>	<b>322</b>	<b>11.7%</b>
Impairment	11	34	-13	NM	NM	43	-7	NM
<b>Profit before tax</b>	<b>77</b>	<b>112</b>	<b>72</b>	<b>-7.2%</b>	<b>-35.9%</b>	<b>331</b>	<b>315</b>	<b>-4.8%</b>
Corporate tax	-7	-10	-6	-6.8%	-36.2%	-30	-28	-5.0%
<b>Net profit</b>	<b>70</b>	<b>102</b>	<b>65</b>	<b>-7.3%</b>	<b>-35.8%</b>	<b>301</b>	<b>286</b>	<b>-4.8%</b>

**UAB - P&L KPI**

	2Q24	1Q25	2Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	80.7%	70.9%	76.6%	-411	575	77.0%	74.7%	-233
NIM	2.5%	2.2%	2.3%	-15	12	2.5%	2.1%	-39
NIS	1.9%	1.8%	2.0%	11	20	2.0%	1.8%	-15
Fees & comms/OI	14.4%	15.2%	15.3%	95	16	15.0%	15.9%	91
Exchange income/OI	4.8%	6.5%	5.9%	114	-62	5.7%	5.3%	-33
Cost to income	51.7%	53.0%	51.0%	-67	-199	52.5%	51.0%	-147
Impairment/PPP	-16.6%	-43.6%	15.7%	3,231	5,935	-14.9%	2.2%	1,703
NP/OI	51.3%	61.4%	37.6%	-1,372	-2,384	49.7%	43.6%	-605
Cost of risk – Calculated	-0.4%	-1.1%	0.1%	51	118	-0.4%	0.1%	44
Loan-to-deposit	86.0%	83.5%	89.7%	371	628	84.9%	84.5%	-40
NPL	4.5%	3.4%	3.3%	-123	-9	3.9%	3.0%	-85
Coverage excluding collateral	124.6%	117.6%	117.5%	-708	-14	117.7%	122.0%	426
CET 1	13.0%	12.6%	13.4%	39	79	12.7%	11.2%	-152
Capital adequacy	18.0%	17.1%	17.5%	-51	39	17.4%	14.8%	-259
ROAE	15.9%	17.0%	16.3%	43	-72	16.1%	13.6%	-252
ROAA	1.6%	1.6%	1.5%	-11	-14	1.5%	1.2%	-36

FABS estimate & Co Data

**UAB- Key BS Items**

AED mn	2Q24	3Q24	4Q24	1Q25	2Q25F	YOY Ch.
Net advances	10,435	10,754	11,526	12,472	13,235	26.8%
QOQ Change	9.4%	3.1%	7.2%	8.2%	6.1%	
Total assets	19,813	20,016	21,461	23,429	24,607	24.2%
QOQ Change	10.6%	1.0%	7.2%	9.2%	5.0%	
Customer deposits	12,129	12,031	13,577	14,942	15,756	29.9%
QOQ Change	13.8%	-0.8%	12.9%	10.1%	5.4%	
Total equity	2,411	2,577	2,551	2,659	2,725	13.0%
QOQ Change	2.0%	6.9%	-1.0%	4.2%	2.5%	

FABS estimate & Co Data

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