UAE Banking Sector – September 2025

Softening Rates and Resilient Credit Demand to Strengthen Sector Outlook

Sector Weighting:
MARKET WEIGHT

Top Picks and Rating Changes

The UAE economy expanded 3.9% YOY in 1Q25, supported by a strong 5.3% YOY growth in non-hydrocarbon GDP. The non-oil sector's performance was led by manufacturing, financial services, construction, and real estate. Reflecting this momentum, the Central Bank of the UAE (CBUAE) revised its 2025 GDP growth forecast to 4.9%, up from 4.4% in its June 2025 estimates. The upward revision is attributed to a faster-than-expected adjustment in oil production following the August OPEC+ quota revision, along with sustained strength in non-hydrocarbon activities. 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, accompanied by a rise in property prices. The S&P Global UAE Purchasing Managers' Index (PMI) improved to 53.3 in August 2025, recovering from a 49-month low of 52.9 in July and remaining comfortably above the 50.0 threshold, signalling ongoing expansion in the non-oil private sector. However, underlying demand showed signs of softening, with the new orders index easing to 53.2 in August 2025, reaching the lowest level since June 2021, compared to 54.2 in July 2025, indicating a moderation in sales growth. As a result, non-oil businesses cut back on input purchases for the first time in over four years, contributing to a further drawdown in inventories. Meanwhile, outstanding business volumes continued to rise, with survey data indicating another sharp build-up in backlogs. Cost pressures also intensified, with input price inflation accelerating for a second consecutive month to its highest since February. Nevertheless, the PMI was supported by a stronger expansion in output, with activity growth in mid-3Q25 marking the fastest pace in six months and slightly exceeding the long-run survey average. The CBUAE revised down its UAE inflation forecast for 2025 to 1.5%, compared to the earlier projection of 1.9%. The downward adjustment reflects weaker oil prices and softer non-energy commodity prices, which have eased transportation and food costs, the second and third-largest components of the consumer basket. For 2026, inflation is projected to edge up slightly to 1.8%, mainly due to the base effect from the lower CPI inflation in 2025.

The UAE banking system's domestic advances rose by 1.2% QOQ to AED 1,910.7 Bn in 2Q25, supported mainly by strong private sector lending. The increase was led by the business and industrial sector, alongside growth in individual and non-banking financial institution lending, though partially offset by a decline in lending to the public sector and government. On the other hand, deposits continued to grow at a faster rate, recording a 3.7% QOQ growth to AED 3,045.9 Bn in 2Q25. The loan-to-deposit ratio declined 91 bps QOQ to 62.7% in 2Q25, which reflects ample liquidity and strong credit capacity in the UAE banking system. The total assets of the UAE banking system rose 15.4% YOY and 5.4% QOQ to AED 4,973.3 Bn in 2Q25. The UAE banking system continues to demonstrate sound liquidity, with liquid assets increasing from AED 857.9 Bn in 1Q25 to AED 871.3 Bn in 2Q25. However, the liquid assets-to-total assets ratio eased to 17.7% in 2Q25 from 18.4% in 1Q25. On the earnings front, gross income rose 14.8% YOY to AED 82.7 Bn, while net interest income grew 4.1% YOY to AED 54.1 Bn during 2Q25. Profitability remained healthy, with return on equity (ROE) improving slightly to 14.9% in 2Q25 as compared to 14.7% in 1Q25 and return on assets (ROA) stable at 2.2% in 2Q25. Meanwhile, the liquidity coverage ratio continued to strengthen, rising from 144.9% in 1Q25 to 153.2% in 2Q25.

The Federal Reserve implemented its first rate cut of 2025 in September, reducing the federal funds rate by 25 bps to 4.00%-4.25%, following five consecutive holds at 4.25%-4.50% since December 2024. The decision was driven by slowing global growth, easing inflation, and signs of labour market softness, though the Fed reiterated its data-dependent stance. In line with the Fed’s action, the CBUAE also reduced its Overnight Deposit Facility (ODF) rate to 4.15%. Looking ahead, markets anticipate two additional rate cuts later in the year. The decline in interest rates is expected to stimulate loan growth and strengthen asset quality, as cheaper financing boosts demand across both retail and corporate segments. Lower borrowing costs also enhance the debt-servicing capacity of existing borrowers, reducing repayment pressures and further supporting asset quality. As a result, UAE banks are anticipated to benefit from stronger funded income and improved asset quality in a declining rate environment.

The average cost-to-income ratio of UAE banks grew from 34.3% in 1Q25 to 35.0% in 2Q25. FAB and CBD continued to record the lowest cost-to-income ratios of 21.4% and 26.1%, respectively, during 2Q25. On the other hand, CBI recorded the highest cost-to-income ratio of 69.1% in 2Q25. Among the large-cap banks under our coverage, ADCB recorded the highest decline in cost-to-income ratio of 285 bps QOQ to 26.4% during 2Q25. The average annualized cost of risk for the banks under our coverage declined from 0.68 bps in 1Q25 to 0.39 bps in 2Q25. However, only two banks reported impairment reversals in 2Q25, compared to four banks in 1Q25. The UAE banking system’s asset quality continued to strengthen, with NPLs improving from 3.8% in 1Q25 to 3.4% in 2Q25, supported by strong recoveries. Capitalization levels moderated slightly, as the Capital Adequacy Ratio (CAR) declined to 17.3% in 2Q25 from 17.6% in 1Q25, though remaining comfortably above the regulatory minimum. Similarly, the Tier 1 Capital ratio eased to 16.0% in 2Q25 from 16.2% in 1Q25. In contrast, Common Equity Tier 1 (CET1) capital increased to AED 507.9 Bn in 2Q25 from AED 484.8 Bn in 1Q25, with the CET1 ratio holding broadly stable at 14.6% in 2Q25 compared to 14.7% in 1Q25. Meanwhile, Risk-Weighted Assets (RWA) expanded to AED 3,482.4 Bn in 2Q25, from 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 also expected to further support their profitability.

Our top picks:

1) **ENBD** (Trades at 7.03x/1.19x 2025E P/E and P/B multiple with a dividend yield of 3.9% and a Target Price (TP) of AED 27.00). Net advances grew 14.3% YOY and 4.7% QOQ to AED 545.1 Bn in 2Q25, with double-digit growth recorded across all markets. Reflecting this momentum, management has raised its full-year loan growth outlook to low-double digits, supported by robust performance in 1H25. Deposits n n to outpace lending, with growth across both CASA and time deposits, further strengthening funding stability. The Bank's NIMs are expected to remain within the 3.3-3.5% in 2025, aided by resilience to potential 2H25 rate cuts and recovery at DenizBank. Asset quality also improved, with NPLs declining to 2.8% and provision coverage of 155% during 2Q25. The Bank projects its NPL ratio to remain below 3%, underscoring its strong asset quality.

2) **DIB** (Trading at 9.94x/1.57x 2025E P/E and P/B multiple with a dividend yield of 4.8% and Target Price (TP) of AED 9.50). DIB stands out as another top pick, supported by strong balance sheet growth, improving asset quality, and robust capital levels. Net financing and Sukuk portfolio rose 11% on a YTD basis to AED 327 Bn in 2Q25, with the Bank's management confident of achieving its 15% full-year growth target by 3Q25. Customer deposits grew 21.2% YOY and 7.1% QOQ to AED 283.7 Bn in 2Q25. Asset quality strengthened, with NPLs declining to 3.4%, the lowest in five years, while coverage improved to 103% during 2Q25.

The bank also anticipates recoveries in Q3 and Q425, supporting strong asset quality through year-end. The Bank's liquidity remains strong with LCR at 128% and NSFR at 107%, both comfortably above regulatory thresholds.

3) **ADCB** (Trades at 10.86x/1.35x 2025E P/E and P/B multiple with a dividend yield of 4.6% and a Target Price (TP) of AED 16.00). The Bank delivered strong momentum in 2Q25 with net advances up 13.9% YOY and 5.3% QOQ to AED 378.5 Bn in 2Q25, supported by a healthy pipeline and management's guidance of low-to-mid teen growth in 2025. Customer deposits grew 18.8% YOY and 4.9% QOQ to AED 463.4 Bn in 2Q25, led by sustained CASA inflows, strengthening ADCB's funding base and providing a natural hedge in a declining rate environment. Operationally, the Bank achieved a record-low cost-to-income ratio of 26.4%, while asset quality improved further with the NPL ratio at 2.0% and coverage at 173.1% during 2Q25. ADCB also delivered strong shareholder returns, with a calculated Return on Average Equity (ROAE) of 14.4% and Return on Average Assets (ROAA) of 1.5% in 2Q25. The Bank also remains committed to a total dividend of AED 25 Bn over the next five years.

Market Weight

We remain MARKET WEIGHT with 4x ACCUMULATE, 6x HOLD, and 1x REDUCE on the 11 UAE banks under our coverage. UAE systems' total net assets grew 5.4% QOQ to AED 4,973.3 Bn in June 2025. The UAE banking sector's net advances rose 2.2% QOQ to AED 1,910.7 Bn in June 2025. Customer deposits mobilisation increased 3.7% QOQ to AED 3,045.9 Bn in June 2025.

Target price and rating:

Co. Name	Target Price	Current Market Price	Potential change	Rating
CBI	1.05	0.98	+7.14%	HOLD
MASQ	270.00	237.50	+13.68%	ACCUMULATE
SIB	3.00	2.85	+5.26%	HOLD
AJMANBANK	1.60	1.42	+12.68%	ACCUMULATE
RAKBANK	8.60	7.70	+11.69%	ACCUMULATE
CBD	9.25	9.76	-5.23%	REDUCE
ADCB	16.00	14.62	+9.44%	HOLD
ADIB	25.00	21.86	+14.36%	ACCUMULATE
DIB	9.50	9.39	+1.17%	HOLD
ENBD	27.00	25.40	+6.30%	HOLD
UAB	1.23	1.23	+0.00%	HOLD

Source: FABS from co data

Contents:

Industry Themes

RAKBANK issues USD 300 Mn AT 6-year AT1 bond

RAKBANK set Initial Price Thoughts (IPTs) c. 7% for the USD 300 Mn fixed-rate, Reg S Perpetual non-call 6-year AT1 issuance with interest payable semi-annually. ADCB, Emirates NBD Capital, First Abu Dhabi Bank, Citi, National Bank of Ras Al Khaima, and Standard Chartered Bank are appointed joint lead managers and bookrunners, with Citi and Emirates NBD Capital acting as structuring agents. The bond will be listed on the LSE's International Securities Market.

QNB plans 5-year USD bond issuance with initial pricing around 100 bps over U.S. Treasuries

Qatar National Bank (QNB) set initial price guidance for its 5-year U.S. dollar-denominated benchmark Reg S senior unsecured bond at around 100 bps over U.S. Treasuries. The bond issuance, expected to receive ratings of Aa3 from Moody's and A+ from both S&P and Fitch, in line with QNB's current credit ratings, is anticipated to be issued through QNB Finance Ltd. and listed on the London Stock Exchange. The bond will be issued under QNB's USD 30 Bn Medium Term Note Programme. DBS Bank Ltd., Barclays, Deutsche Bank, QNB Capital, Mizuho, Santander, SMBC, and Standard Chartered Bank have been appointed as joint lead managers and joint bookrunners for the transaction.

Emirates NBD Eyes USD369 Mn Stake in India's RBL Bank

Emirates NBD is considering acquiring a minority stake of 15–20% in India-listed RBL Bank through a preferential allotment, aimed at injecting fresh capital. The investment, estimated at USD 369 Mn, remaining below the open offer threshold, subject to regulatory approvals. The deal is expected to be priced at a premium to the current market rate.

FAB launched Gulf's first-ever Blue Bond issued by a bank

First Abu Dhabi Bank (FAB) issued an HKD 390 Mn (USD 50 Mn) five-year Blue Bond, becoming the first financial institution in the Gulf region to launch such an instrument. The bond is issued through a private placement and was anchored by a 'Dark Green' investor seeking a specifically blue-labelled instrument. The proceeds from the issuance will be allocated to eligible projects within FAB's blue asset pool, which includes sustainable water management initiatives such as clean drinking water infrastructure, climate change adaptation projects (including wetland, mangrove, and coral reef rehabilitation), as well as sustainable fisheries, aquaculture, and broader biodiversity conservation.

ADCB plans to raise USD 1.7 Bn in rights issue

Abu Dhabi Commercial Bank (ADCB) is planning a rights issue to raise AED 6.1 Bn (USD 1.66 Bn) by issuing 592.2 Mn new shares at AED 10.3 each, a 30% discount to the 4 September 2025 closing price. The move aims to accelerate growth and double net profit to AED 20 Bn over five years. The rights issue is majority-backed by the Abu Dhabi Investment Council, part of the sovereign fund Mubadala, and comes amid a wave of UAE secondary offerings this year.

First Abu Dhabi Bank launched 5Y Low-Carbon Energy Bond at T+95bps

First Abu Dhabi Bank (FAB) launched its USD 750 Mn, 5-year Reg S low-carbon energy bond at T+65 bps, tighter than its earlier guidance of T+95 bps, with order books oversubscribed at over USD 2.3 Bn, excluding JLM interest. The bond will pay a fixed semi-annual coupon and will be listed on the London Stock Exchange. Crédit Agricole CIB leads as Sole Sustainability Structuring Advisor, with Bank of China, Barclays, Citi, FAB, HSBC, and Standard Chartered serving as Joint Lead Managers and Bookrunners to the issue.

Qatar Commercial Bank secured a USD 600 Mn 5-year bond

Qatar Commercial Bank (QCB) priced its USD 600 Mn, 5-year Regulation S senior bond at Treasuries +100 bps, tighter than the initial guidance of Treasuries +125 bps. The bond received strong demand exceeding USD 1.1 Bn and will pay a semi-annual coupon of 4.625%. Rated 'A' by Fitch, the note is overseen by ANZ, Barclays, Citigroup, Doha Bank, Mizuho, QNB Capital, and UniCredit as bookrunners.

Emirates Islamic Bank prices USD 500 Mn 5-year sustainability-linked Sukuk

Emirates Islamic Bank (EIB) priced its USD 500 Mn, long five-year benchmark Reg S senior unsecured sustainability-linked sukuk at par, with a 4.54% coupon payable semi-annually in arrears. The final orderbook exceeded USD 1 Bn, excluding JLM interest. The initial price thoughts of the Wakala/Murabaha structure were in the +125-bps area, with the spread to benchmark at +95 bps. El Sukuk Company is listed as the issuer, with EIB, a subsidiary of lender Emirates NBD, named as obligor. Banks mandated include Arab Banking Corporation, Citi, DIB, Emirates NBD Capital, Mashreq, and Standard Chartered Bank as Joint Lead Managers and Joint Bookrunners.

Commercial Bank of Qatar issued a USD 600 Mn 5-year bond amid strong demand

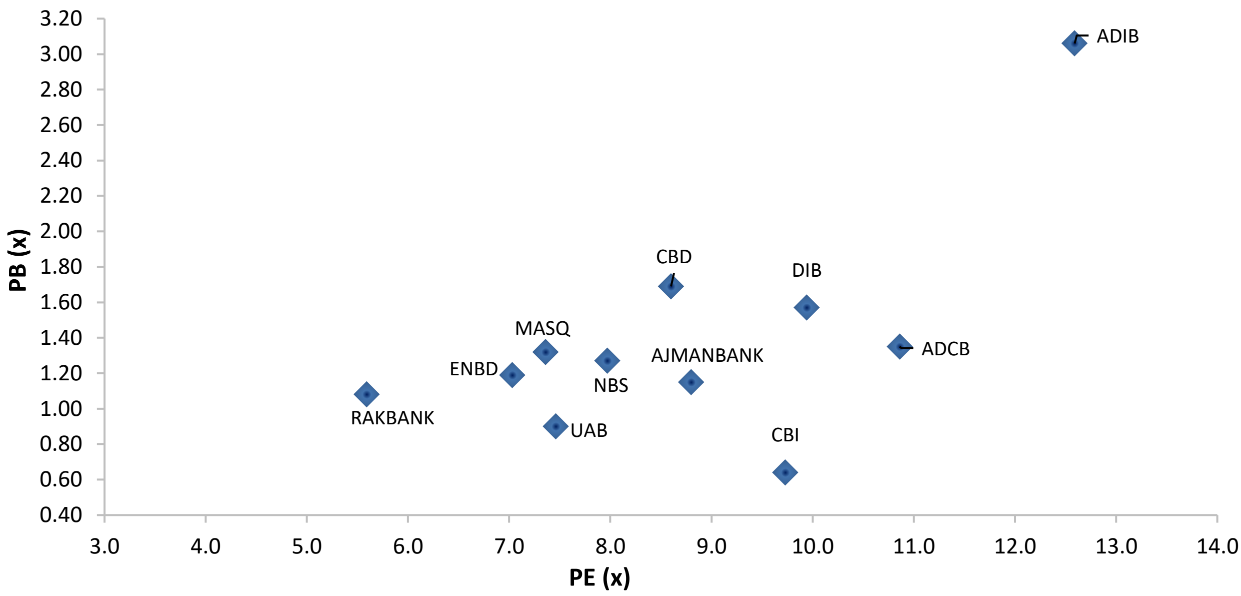
Commercial Bank of Qatar priced a USD 600 Mn 5-year senior unsecured bond at 4.625%, with a final re-offer yield of 4.689%. The bond is listed on the Irish Stock Exchange and priced at 100 bps over mid-swaps, tightened by 25 bps due to strong demand. The orderbook reached USD 2 Bn (4x oversubscribed), with 54% allocation to MENA, 22% to Europe, 17% to Asia, and 7% to offshore US. Citibank, Barclays, ANZ, Mizuho, UniCredit, QNB Capital and Doha Bank acted as Joint Lead Managers.

Relative valuation and rating

Relative valuation

Based on our 2025 estimates, eight out of 11 UAE banks are trading below the average book value. Also, except ADCB and ADIB all the other UAE banks are trading at a single-digit P/E multiple based on 2025 financials. The P/B ranges between 0.64x (CBI) and 3.06x (ADIB), and the P/E ranges between 5.59x (RAKBANK) and 12.59x (ADIB) based on 2025 financials. The UAE banks under our coverage are trading at an average P/E and P/B multiple of 8.71x and 1.38x, respectively, based on 2025 financials.

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



Source: FABS from Co Data

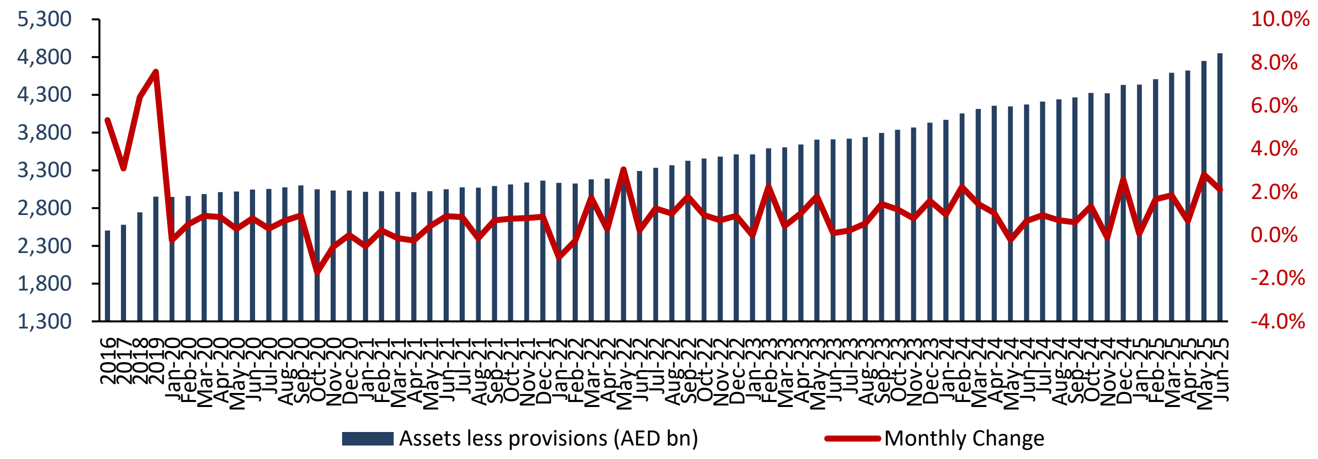
Banking indicators

1. Assets

Total net assets rose marginally 1.9% MOM in June 2025

UAE banking system's total net assets increased 1.9% MOM to AED 4,973.3 Bn in June 2025.

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



Source: FABS from CBUAE

AJMAN Bank witnessed the highest growth in total assets on a QOQ basis in 2Q25

AJMAN Bank's total assets grew the most 8.7% QOQ to AED 26.6 Bn in 2Q25 followed by MASQ with 7.7% QOQ growth to AED 293.6 Bn. ADIB's total asset rose 6.9% QOQ to AED 260.4 Bn in 2Q25, while CBD's total assets increased by 6.7% QOQ to AED 150.6 Bn. On the other hand, ADIB witnessed highest growth in total assets on YOY basis of 22.0% to AED 260.4 Bn. Consequently, ENDB recorded a 16.6% YOY and 5.3% QOQ growth in total assets to AED 1,085.6 Bn in 2Q25. Moreover, all banks under our coverage reported a growth in total assets on both YOY and QOQ basis.

Total assets: UAE Banks

(AED Mn)	2Q24	3Q24	4Q24	1Q25	2Q25	QOQ ch
CBI	19,972	20,995	20,895	20,577	20,579	0.0%
YOY change	2.6%	12.0%	10.1%	8.3%	3.0%	
MASQ	253,467	254,411	267,453	272,703	293,635	7.7%
YOY change	20.1%	16.5%	11.4%	9.3%	15.8%	
SIB	74,237	74,796	79,210	82,770	84,708	2.3%
YOY change	21.6%	18.0%	20.2%	18.0%	14.1%	
AJMANBANK	24,235	24,440	22,854	24,497	26,633	8.7%
YOY change	2.8%	-3.0%	-8.3%	6.2%	9.9%	
RAKBANK	80,408	83,891	88,325	90,804	94,961	4.6%
YOY change	11.9%	16.5%	19.4%	15.5%	18.1%	
CBD	141,256	140,217	140,175	141,129	150,607	6.7%
YOY change	14.7%	11.3%	8.7%	7.8%	6.6%	
ADCB	612,242	638,754	652,814	679,716	718,502	5.7%
YOY change	17.4%	19.0%	15.1%	14.4%	17.4%	
ADIB	213,403	222,567	225,910	243,528	260,352	6.9%
YOY change	17.1%	20.9%	17.2%	25.1%	22.0%	

DIB	322,651	329,169	344,687	355,269	373,479	5.1%
YOY change	7.6%	5.0%	9.7%	8.5%	15.8%	
ENBD	930,785	956,041	996,582	1,030,570	1,085,641	5.3%
YOY change	14.8%	14.4%	15.5%	14.2%	16.6%	
UAB	19,813	20,016	21,461	23,429	23,921	2.1%
YOY change	37.1%	35.8%	21.6%	30.8%	20.7%	
FAB	1,174,619	1,229,616	1,213,247	1,306,568	1,343,387	2.8%
YOY change	2.5%	3.7%	3.8%	5.8%	14.4%	

Source: FABS from co data

MASQ recorded the strongest growth, and FAB recorded the highest market share in 2Q25.

MASQ's total assets market share increased the most by 0.13 pp QOQ at 5.9% in 2Q25. ADIB recorded the second-highest growth in total asset share, increasing by 0.07 pp QOQ to 5.2% in 2Q25. Amongst all the banks, FAB recorded the highest decline of 0.67 pp QOQ in 2Q25. However, it held the largest market share of 27.0%, followed by ENBD at 21.8%, and ADCB with 14.4% during 2Q25. Additionally, CBI's total asset market share stood at the lowest at 0.4% in 2Q25.

Total assets share

	2Q24	3Q24	4Q24	1Q25	2Q25	QOQ: pp
CBI	0.5%	0.5%	0.5%	0.4%	0.4%	-0.02%
MASQ	5.9%	5.8%	5.9%	5.8%	5.9%	0.13%
SIB	1.7%	1.7%	1.7%	1.8%	1.7%	-0.05%
AJMANBANK	0.6%	0.6%	0.5%	0.5%	0.5%	0.02%
RAKBANK	1.9%	1.9%	1.9%	1.9%	1.9%	-0.01%
CBD	3.3%	3.2%	3.1%	3.0%	3.0%	0.04%
ADCB	14.2%	14.5%	14.3%	14.4%	14.4%	0.04%
ADIB	5.0%	5.1%	5.0%	5.2%	5.2%	0.07%
DIB	7.5%	7.5%	7.6%	7.5%	7.5%	-0.02%
ENBD	21.6%	21.7%	21.9%	21.8%	21.8%	-0.01%
UAB	0.5%	0.5%	0.5%	0.5%	0.5%	-0.02%
FAB	27.3%	27.9%	26.6%	27.7%	27.0%	-0.67%

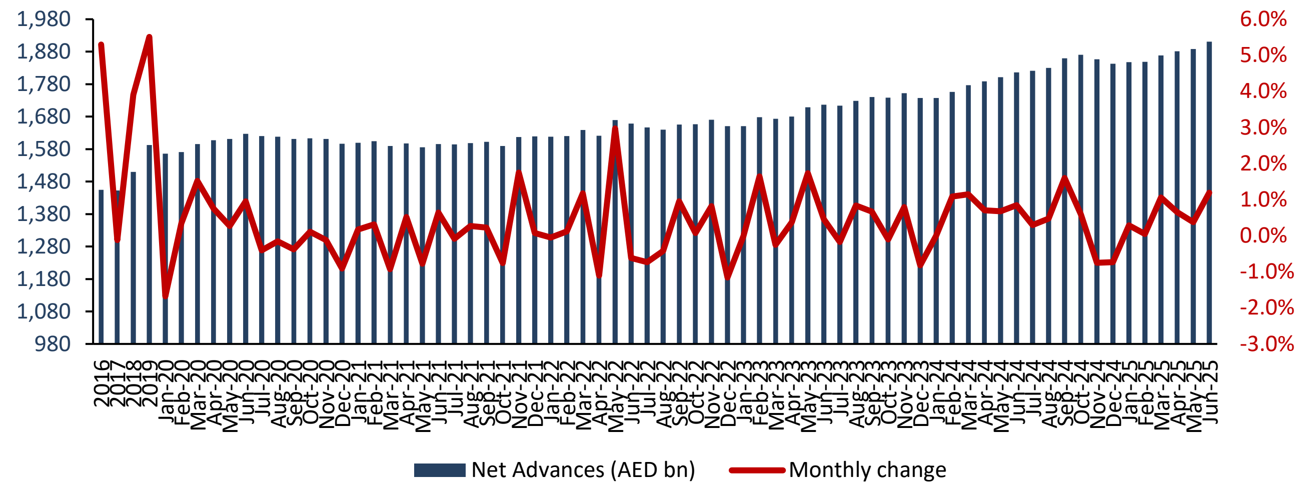
Source: FABS from Co Data, CBUAE

2. Advances

UAE Bank's net advances rose 1.2% MOM in June 2025

Net advances in the UAE banking sector increased 1.2% MOM to AED 1,910.7 Bn in June 2025.

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



Source: FABS from CBUAE

All banks except CBI recorded a QOQ growth in net advances during 2Q25

CBI's net advances declined 3.1% QOQ to AED 13.0 Bn in 2Q25. ADIB's net advances grew the most by 8.4% QOQ to AED 162.8 Bn, followed by UAB with a 7.6% QOQ increase to AED 13.4 Bn and DIB with a 6.7% QOQ growth to AED 237.4 Bn during 2Q25. Similarly, SIB's and MASQ's net advances grew 6.6% QOQ each to AED 43.0 Bn and AED 134.1 Bn, respectively in 2Q25. Furthermore, AJMANBANK witnessed a growth in net advances by 6.5% QOQ to AED 14.8 Bn in 2Q25. Additionally, all banks under our coverage recorded an increase in net advances on a YOY basis.

Net advances: UAE banks

(AED Mn)	2Q24	3Q24	4Q24	1Q25	2Q25	QOQ ch
CBI	12,510	12,911	13,583	13,362	12,946	-3.1%
YOY change	1.9%	8.4%	7.7%	9.6%	3.5%	
MASQ	113,827	118,534	124,758	125,817	134,120	6.6%
YOY change	19.9%	19.4%	13.1%	13.9%	17.8%	
SIB	35,199	36,551	38,083	40,309	42,987	6.6%
YOY change	11.5%	14.7%	15.3%	20.8%	22.1%	
AJMANBANK	13,906	13,404	12,959	13,915	14,825	6.5%
YOY change	1.3%	-8.4%	-5.9%	6.1%	6.6%	
RAKBANK	40,994	46,198	47,224	47,590	48,662	2.3%
YOY change	8.9%	19.5%	19.7%	17.2%	18.7%	
CBD	89,608	91,746	93,049	96,932	99,816	3.0%
YOY change	10.9%	10.7%	11.7%	11.7%	11.4%	
ADCB	332,158	344,014	350,638	359,489	378,465	5.3%
YOY change	22.1%	21.0%	16.1%	13.0%	13.9%	
ADIB	132,066	135,132	142,611	150,133	162,751	8.4%
YOY change	20.8%	20.0%	24.0%	28.4%	23.2%	
DIB	199,251	206,790	212,427	222,553	237,376	6.7%
YOY change	5.1%	3.9%	6.5%	10.8%	19.1%	
ENBD	477,132	493,843	501,627	520,909	545,173	4.7%
YOY change	8.5%	8.5%	12.7%	13.6%	14.3%	
UAB	10,435	10,754	11,526	12,472	13,418	7.6%
YOY change	37.6%	39.6%	23.2%	30.8%	28.6%	
FAB	513,154	527,978	528,897	548,265	568,040	3.6%
YOY change	6.3%	10.4%	9.3%	7.9%	10.7%	

Source: FABS from Co Data

ENBD recorded the highest growth in the advances market share in 2Q25

ENBD recorded the highest growth in the advances market share of 0.66 pp QOQ to 28.5% in 2Q25, followed by ADCB with 0.57 pp QOQ to 19.8% and DIB with 0.51 pp QOQ to 12.4% in 2Q25. FAB recorded the highest advances market share of 29.7%, followed by ENBD and ADCB in 2Q25. Moreover, CBI's advanced market share recorded a decline, falling by 0.04 pp QOQ to 0.7% in 2Q25, the lowest among peers.

Advances mkt share

	2Q24	3Q24	4Q24	1Q25	2Q25	QOQ: pp
CBI	0.7%	0.7%	0.7%	0.7%	0.7%	-0.04%
MASQ	6.3%	6.4%	6.8%	6.7%	7.0%	0.29%
SIB	1.9%	2.0%	2.1%	2.2%	2.2%	0.09%
AJMANBANK	0.8%	0.7%	0.7%	0.7%	0.8%	0.03%
RAKBANK	2.3%	2.5%	2.6%	2.5%	2.5%	0.00%
CBD	4.9%	4.9%	5.0%	5.2%	5.2%	0.04%
ADCB	18.3%	18.5%	19.0%	19.2%	19.8%	0.57%
ADIB	7.3%	7.3%	7.7%	8.0%	8.5%	0.48%
DIB	11.0%	11.1%	11.5%	11.9%	12.4%	0.51%
ENBD	26.3%	26.6%	27.2%	27.9%	28.5%	0.66%
UAB	0.6%	0.6%	0.6%	0.7%	0.7%	0.03%
FAB	28.3%	28.4%	28.7%	29.3%	29.7%	0.39%

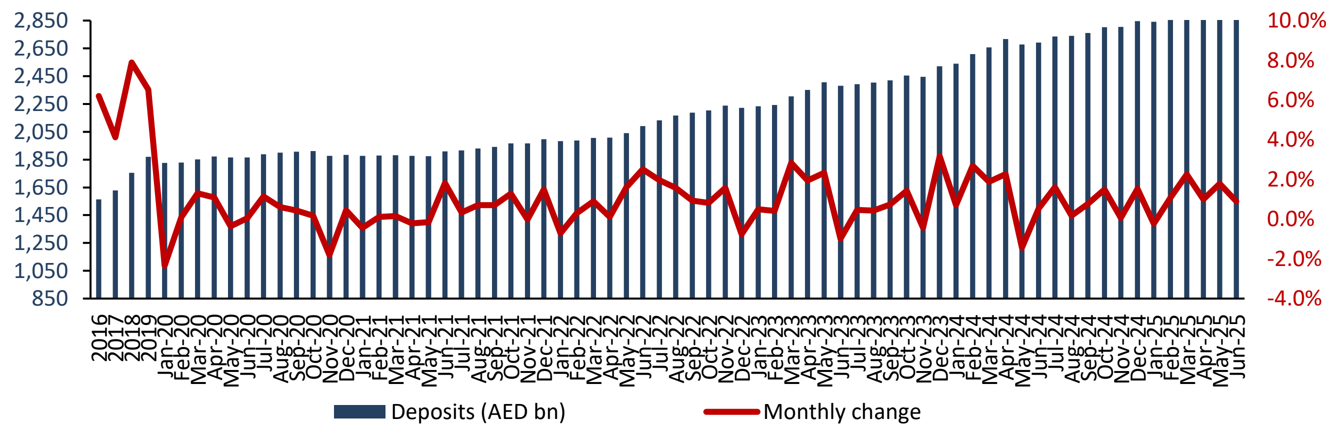
Source: FABS from co data

3. *Customer Deposit*

UAE banking system's customer deposits increased 0.9% MOM in June 2025

The UAE banking system's customer deposits rose 0.9% MOM to AED 3,045.9 Bn in June 2025.

UAE banking system customer deposits (AED bn) vs. Monthly change, 2016 – June 2025



Source: FABS from CBUAE

AJMANBANK recorded the highest QOQ growth in customer deposits during 2Q25

AJMANBANK reported the highest growth in customer deposits of 7.9% QOQ to AED 20.0 Bn in 2Q25, followed by CBD with 7.5% QOQ increase to AED 107.1 Bn and DIB with a healthy growth of 7.1% QOQ to AED 283.7 Bn in 2Q25. ADIB and ENDB's customer deposits rose 6.4% QOQ and 5.6% QOQ to AED 212.8 Bn and AED 736.7 Bn, respectively, in 2Q25. Additionally, ADCB's customer deposits increased 4.9% QOQ to AED 463.4 Bn in 2Q25. However, CBI and FAB recorded a decline in customer deposits of 1.0% QOQ and 3.0% QOQ, respectively, in 2Q25.

Customer deposits: UAE banks

(AED Mn)	2Q24	3Q24	4Q24	1Q25	2Q25	QOQ ch
CBI	14,225	15,191	15,430	15,339	15,185	-1.0%
YOY change	24.6%	24.8%	22.4%	20.9%	6.7%	
MASQ	153,964	156,063	160,940	171,442	177,645	3.6%
YOY change	21.4%	17.5%	10.1%	10.3%	15.4%	
SIB	49,462	47,995	51,758	52,099	52,721	1.2%
YOY change	17.4%	6.1%	14.5%	15.6%	6.6%	
AJMANBANK	19,306	19,310	18,062	18,511	19,977	7.9%
YOY change	0.5%	-1.4%	-8.4%	0.4%	3.5%	
RAKBANK	58,472	57,266	59,650	61,038	61,079	0.1%
YOY change	19.4%	18.2%	18.4%	10.2%	4.5%	
CBD	99,831	98,682	97,563	99,624	107,047	7.5%
YOY change	16.5%	14.2%	10.5%	10.3%	7.2%	
ADCB	389,961	406,742	421,060	441,691	463,442	4.9%
YOY change	23.4%	23.5%	16.0%	15.1%	18.8%	
ADIB	172,244	179,744	182,675	200,095	212,831	6.4%
YOY change	14.5%	18.6%	16.3%	24.9%	23.6%	
DIB	234,018	236,868	248,546	264,847	283,663	7.1%
YOY change	11.1%	7.2%	11.9%	12.3%	21.2%	
ENBD	624,417	644,812	666,777	697,595	736,714	5.6%
YOY change	12.3%	13.1%	14.1%	14.3%	18.0%	
UAB	12,129	12,031	13,577	14,942	15,601	4.4%
YOY change	44.2%	31.1%	32.6%	40.2%	28.6%	
FAB	765,702	819,572	782,379	838,681	813,469	-3.0%
YOY change	2.8%	4.4%	3.0%	4.4%	6.2%	

Source: FABS from co data

CBI & UAB recorded the lowest deposit market share during 2Q25

ENBD's deposit market share increased the most by 0.43 pp QOQ at 24.2%, followed by DIB by 0.29 pp QOQ to 9.3% and ADCB by 0.17 pp QOQ to 15.2% in 2Q25. FAB and RAKBANK recorded the highest decline of 1.85 pp QOQ and 0.07 pp QOQ to 26.7% and 2.0% respectively, during 2Q25. CBI recorded the lowest deposit market share of 0.5% during 2Q25.

Deposits market share

	2Q24	3Q24	4Q24	1Q25	2Q25	QOQ: pp
CBI	0.5%	0.6%	0.5%	0.5%	0.5%	-0.02%
MASQ	5.7%	5.7%	5.7%	5.8%	5.8%	-0.01%
SIB	1.8%	1.7%	1.8%	1.8%	1.7%	-0.04%
AJMANBANK	0.7%	0.7%	0.6%	0.6%	0.7%	0.03%
RAKBANK	2.2%	2.1%	2.1%	2.1%	2.0%	-0.07%
CBD	3.7%	3.6%	3.4%	3.4%	3.5%	0.12%
ADCB	14.5%	14.7%	14.8%	15.0%	15.2%	0.17%
ADIB	6.4%	6.5%	6.4%	6.8%	7.0%	0.17%
DIB	8.7%	8.6%	8.7%	9.0%	9.3%	0.29%
ENBD	23.2%	23.4%	23.4%	23.8%	24.2%	0.43%
UAB	0.5%	0.4%	0.5%	0.5%	0.5%	0.00%
FAB	28.4%	29.7%	27.5%	28.6%	26.7%	-1.85%

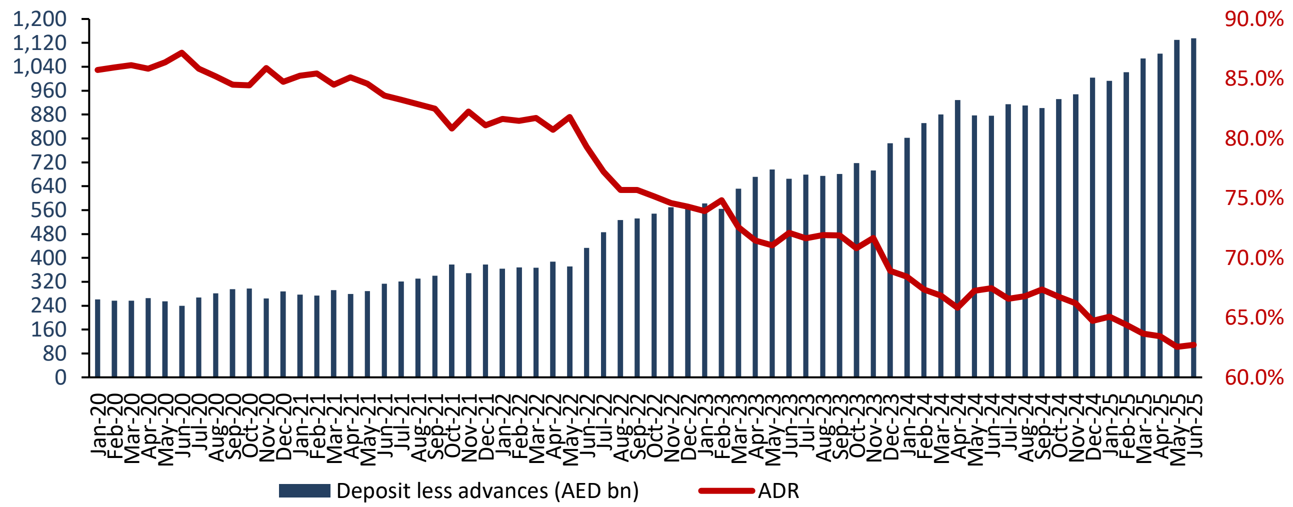
Source: FABS from co data

4. *Liquidity*

Liquidity in the UAE banking system

UAE banking system's headline Advances to Deposits Ratio (ADR) declined 18.0 bps MOM to 62.7% in June 2025. The system's liquidity increased from AED 1,130.4 Bn in May 2025 to AED 1,135.1 Bn in June 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 – June 2025



Source: FABS from CBUAE

Top key liquidity metrics

We assess and rank the balance sheet liquidity of the UAE banks under our coverage using three key variables. In 2Q25, 6 out of 11 UAE banks under our coverage recorded an increase in the ADR ratio on a QOQ basis. SIB's ADR ratio increased the most by 5.4% QOQ to 81.5%, followed by UAB by 3.0% QOQ to 86.0% in 2Q25. On the other hand, CBD's ADR ratio experienced the largest decline of 4.2% QOQ to 93.2% during 2Q25. Moreover, in terms of deposit surplus/deficit, 4 out of 11 UAE banks under our coverage recorded a decline in deposit surplus in 2Q25. CBD recorded the highest growth in deposit surplus of 168.6% QOQ to AED 7.2 Bn, followed by CBI with 13.2% QOQ growth to AED 2.2 Bn in 2Q25. SIB witnessed the highest decline in deposit surplus by 17.4% QOQ to AED 9.7 Bn in 2Q25. Furthermore, in terms of percent lent 7 out of 11 Banks under our coverage witnessed a decline in the percentage lent on a QOQ basis during 2Q25. CBD experienced the highest decline in percentage lent by 3.5% QOQ to 66.3% in 2Q25. On the other hand, UAB's percentage lent grew the most by 5.4% QOQ to 56.1% in 2Q25, followed by SIB with an increase of 4.2% QOQ to 50.7%.

ADR: UAE Banks

	2Q24	3Q24	4Q24	1Q25	2Q25	QOQ ch
CBI	87.9%	85.0%	88.0%	87.1%	85.3%	-2.1%
MASQ	73.9%	76.0%	77.5%	73.4%	75.5%	2.9%
SIB	71.2%	76.2%	73.6%	77.4%	81.5%	5.4%
AJMANBANK	72.0%	69.4%	71.8%	75.2%	74.2%	-1.3%
RAKBANK	70.1%	80.7%	79.2%	78.0%	79.7%	2.2%
CBD	89.8%	93.0%	95.4%	97.3%	93.2%	-4.2%
ADCB	85.2%	84.6%	83.3%	81.4%	81.7%	0.3%
ADIB	76.7%	75.2%	78.1%	75.0%	76.5%	1.9%
DIB	85.1%	87.3%	85.5%	84.0%	83.7%	-0.4%
ENBD	76.4%	76.6%	75.2%	74.7%	74.0%	-0.9%
UAB	86.0%	89.4%	84.9%	83.5%	86.0%	3.0%
FAB	67.0%	64.4%	67.6%	65.4%	69.8%	6.8%

Source: FABS from co data

Deposit surplus/-deficit

AED Mn	2Q24	3Q24	4Q24	1Q25	2Q25	QOQ ch
CBI	1,714	2,280	1,847	1,977	2,238	13.2%
MASQ	40,137	37,528	36,181	45,625	43,524	-4.6%
SIB	14,263	11,445	13,676	11,790	9,735	-17.4%
AJMANBANK	5,399	5,906	5,102	4,596	5,152	12.1%
RAKBANK	17,479	11,069	12,426	13,447	12,417	-7.7%
CBD	10,223	6,936	4,515	2,692	7,231	168.6%
ADCB	57,802	62,728	70,422	82,202	84,977	3.4%
ADIB	40,177	44,612	40,064	49,962	50,081	0.2%
DIB	34,766	30,078	36,119	42,294	46,287	9.4%
ENBD	147,285	150,969	165,150	176,686	191,541	8.4%
UAB	1,694	1,277	2,051	2,470	2,183	-11.6%
FAB	252,548	291,594	253,482	290,416	245,429	-15.5%

Source: FABS from co data

Percentage lent

	2Q24	3Q24	4Q24	1Q25	2Q25	QOQ ch
CBI	62.6%	61.5%	65.0%	64.9%	62.9%	-3.1%
MASQ	44.9%	46.6%	46.6%	46.1%	45.7%	-1.0%
SIB	47.4%	48.9%	48.1%	48.7%	50.7%	4.2%
AJMANBANK	57.4%	54.8%	56.7%	56.8%	55.7%	-2.0%
RAKBANK	51.0%	55.1%	53.5%	52.4%	51.2%	-2.2%
CBD	63.4%	65.4%	66.4%	68.7%	66.3%	-3.5%
ADCB	54.3%	53.9%	53.7%	52.9%	52.7%	-0.4%
ADIB	61.9%	60.7%	63.1%	61.6%	62.5%	1.4%
DIB	61.8%	62.8%	61.6%	62.6%	63.6%	1.5%
ENBD	51.3%	51.7%	50.3%	50.5%	50.2%	-0.7%
UAB	52.7%	53.7%	53.7%	53.2%	56.1%	5.4%
FAB	43.7%	42.9%	43.6%	42.0%	42.3%	0.8%

Source: FABS from co data

5. *Profitability*

Only three banks under our coverage recorded growth in ROE on a QOQ basis in 2Q25

MASQ's ROE decreased the most, with 282 bps QOQ to 26.0% in 2Q25, followed by ENDB with 193 bps QOQ decline to 18.3% in 2Q25. On the other hand, UAB's witnessed the highest rise of 106 bps QOQ to 18.1% in 2Q25. Amongst all the banks under our coverage, ADIB recorded the highest ROE of 27.6% in 2Q25, followed by MASQ with an ROE of 26.0% and CBD with an ROE of 21.6% in 2Q25. CBI reported the lowest ROE of 8.4% in 2Q25.

ROE: UAE Banks

	2Q24	3Q24	4Q24	1Q25	2Q25	QOQ ch: bps
CBI	6.9%	10.9%	8.4%	8.6%	8.4%	-19
MASQ	33.4%	29.6%	27.7%	28.8%	26.0%	-282
SIB	13.1%	13.5%	15.0%	16.2%	16.5%	26
AJMANBANK	-10.0%	-0.4%	13.8%	14.6%	14.1%	-55
RAKBANK	19.6%	19.9%	18.8%	20.2%	20.4%	22
CBD	21.3%	20.6%	20.1%	22.0%	21.6%	-37
ADCB	13.8%	14.0%	13.5%	14.5%	14.4%	-11
ADIB	28.0%	27.1%	25.2%	28.7%	27.6%	-116
DIB	19.0%	19.2%	19.8%	21.1%	20.6%	-54
ENBD	22.9%	21.4%	20.7%	20.3%	18.3%	-193
UAB	15.9%	14.2%	16.1%	17.0%	18.1%	106
FAB	14.6%	14.2%	13.9%	15.4%	15.9%	47

Source: FABS from co data

MASQ recorded the highest ROA in 2Q25

Seven out of 11 banks under our coverage reported a decline in ROA on a QOQ basis during 2Q25. RAKBANK's and UAB's ROA increased the most by 8 bps QOQ each to 2.7% and 1.7%, respectively, in 2Q25. MASQ recorded the highest decline of 28 bps QOQ to 3.0%; however, its ROA stood the highest amongst the peers. RAKBANK and ADIB recorded the second- and third-highest ROA of 2.7% and 2.6%, respectively, in 2Q25. On the other hand, CBI reported the lowest ROA of 1.0%, followed by FAB, SIB, and ADCB, which each reported an ROA of 1.5% in 2Q25.

ROA: UAE Banks

	2Q24	3Q24	4Q24	1Q25	2Q25	QOQ ch: bps
CBI	0.8%	1.3%	1.0%	1.0%	1.0%	-3
MASQ	3.9%	3.6%	3.5%	3.3%	3.0%	-28
SIB	1.3%	1.4%	1.4%	1.5%	1.5%	4
AJMANBANK	-1.2%	-0.1%	1.7%	1.8%	1.7%	-11
RAKBANK	2.6%	2.7%	2.6%	2.6%	2.7%	8
CBD	2.2%	2.2%	2.3%	2.3%	2.2%	-8
ADCB	1.6%	1.6%	1.5%	1.5%	1.5%	-3
ADIB	2.8%	2.9%	2.8%	2.8%	2.6%	-13
DIB	2.3%	2.3%	2.4%	2.4%	2.4%	1
ENBD	2.6%	2.6%	2.5%	2.3%	2.2%	-17
UAB	1.6%	1.5%	1.5%	1.6%	1.7%	8
FAB	1.3%	1.3%	1.3%	1.4%	1.5%	10

Source: FABS from co data

6. Efficiency

RAKBANK yet again records the highest NIMs in 2Q25

RAKBANK's NIMs stood the highest at 4.1% in 2Q25, followed by MASQ and ENBD with 3.4% and 3.3%, respectively. UAB's NIMs grew the most by 59 bps QOQ to 2.8%, followed by ADCB, which grew 7 bps QOQ to 2.3% in 2Q25. ENDB and DIB both recorded the highest decline in NIMs of 18 bps QOQ each to 3.3% and 2.5%, respectively, in 2Q25.

NIM: UAE Banks

	2Q24	3Q24	4Q24	1Q25	2Q25	QOQ ch: bps
CBI	2.0%	1.9%	2.0%	2.1%	2.1%	-3
MASQ	4.2%	4.2%	3.9%	3.6%	3.4%	-15
SIB	1.9%	1.9%	1.9%	1.7%	1.7%	3
AJMANBANK	2.6%	2.3%	1.6%	1.9%	1.9%	-7
RAKBANK	4.6%	4.6%	4.3%	4.0%	4.1%	3
CBD	3.1%	3.0%	3.0%	3.0%	3.0%	0
ADCB	2.4%	2.2%	2.4%	2.3%	2.3%	7
ADIB	3.4%	3.0%	3.1%	3.1%	3.1%	-4
DIB	2.8%	2.8%	3.2%	2.6%	2.5%	-18
ENBD	3.6%	3.8%	3.7%	3.5%	3.3%	-18
UAB	2.5%	2.4%	2.3%	2.2%	2.8%	59
FAB	2.0%	1.9%	1.9%	2.0%	1.8%	-17

Source: FABS from co data

CBI recorded the highest cost-to-income ratio during 2Q25

Amongst all the banks, CBI recorded the highest cost-to-income ratio in 2Q25. On the other hand, FAB's cost-to-income ratio was the lowest at 21.4%, followed by CBD and ADCB, with ratios of 26.1% and 26.4%, respectively in 2Q25. UAB witnessed the highest decline in cost-to-income ratio from 53.0% in 1Q25 to 42.9% in 2Q25, followed by SIB with 447 bps QOQ decline to 32.8% and ADCB with 285 bps QOQ decline to 26.4% in 2Q25. Additionally, CBI cost-to-income ratio increased the most from 45.2% in 1Q25 to 69.1% in 2Q25, followed by RAKBANK with an increase of 251 bps to 35.9% in 2Q25.

Cost to Income: UAE Banks

	2Q24	3Q24	4Q24	1Q25	2Q25	QOQ ch: bps
CBI	74.3%	38.7%	50.0%	45.2%	69.1%	NM
MASQ	27.9%	29.2%	26.7%	29.4%	30.9%	149
SIB	32.2%	31.1%	44.1%	37.3%	32.8%	-447
AJMANBANK	41.2%	52.7%	69.5%	46.8%	48.0%	117
RAKBANK	34.1%	33.5%	40.1%	33.4%	35.9%	251
CBD	24.6%	25.7%	29.1%	27.0%	26.1%	-91
ADCB	32.6%	32.2%	28.6%	29.2%	26.4%	-285
ADIB	26.9%	30.1%	31.1%	28.9%	27.5%	-140
DIB	27.3%	28.7%	23.2%	28.0%	28.7%	74
ENBD	28.4%	30.8%	36.4%	31.0%	29.7%	-122
UAB	51.7%	49.6%	61.3%	53.0%	42.9%	NM
FAB	24.8%	24.1%	25.6%	22.3%	21.4%	-90

Source: FABS from co data

ADCB recorded the highest COR during 2Q25

DIB and RAKBANK are the only banks under our coverage to report a decline in COR on a QOQ basis in 2Q25. DIB recorded the highest decline in COR by 13 bps QOQ to 0.2% in 2Q25, followed by RAKBANK with a fall by 12 bps QOQ to 0.6% in 2Q25. ADCB has recorded the highest COR of 0.9% in 2Q25, followed by RAKBANK with 0.6%.

Cost of risk: UAE Banks

	2Q24	3Q24	4Q24	1Q25	2Q25	QOQ ch: bps
CBI	NM	0.3%	4.0%	2.4%	NM	NM
MASQ	NM	0.5%	NM	0.4%	0.5%	14
SIB	0.2%	0.4%	1.1%	NM	0.1%	NM
AJMANBANK	0.6%	0.2%	NM	NM	NM	NM
RAKBANK	1.9%	1.2%	2.2%	0.7%	0.6%	-12
CBD	0.7%	0.9%	0.3%	0.3%	0.5%	13
ADCB	0.5%	0.4%	0.7%	0.5%	0.9%	39
ADIB	0.9%	0.1%	0.5%	0.3%	0.5%	20
DIB	0.4%	NM	NM	0.3%	0.2%	-13
ENBD	NM	0.7%	1.1%	NM	0.1%	NM
UAB	NM	NM	NM	NM	0.1%	NM
FAB	0.7%	0.6%	0.8%	0.5%	0.5%	0

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

RAKBANK recorded the highest CAR, followed by CBI in 2Q25

RAKBANK reported the highest CAR of 18.8% in 2Q25, followed by CBI at 17.6% and MASQ at 17.5%. CBD's CAR stood the lowest at 15.4% in 2Q25. ADIB's CAR increased the most by 33 bps QOQ to 16.6%, followed by RAKBANK whose CAR increased by 23 bps QOQ to 18.8% in 2Q25. On the other hand, MASQ recorded the highest decline in CAR of 90 bps QOQ to 17.5%, followed by AJMANBANK with an 88 bps QOQ decline to 17.3% during 2Q25.

CAR: UAE Banks

	2Q24	3Q24	4Q24	1Q25	2Q25	QOQ ch: bps
CBI	15.3%	15.8%	17.7%	17.6%	17.6%	3
MASQ	19.5%	19.8%	17.5%	18.5%	17.5%	-90
SIB	17.2%	17.7%	16.2%	15.8%	15.8%	0
AJMANBANK	17.5%	19.5%	19.1%	18.2%	17.3%	-88
RAKBANK	18.0%	19.6%	18.1%	18.6%	18.8%	23
CBD	16.1%	16.6%	15.6%	15.3%	15.4%	6
ADCB	16.4%	16.7%	16.1%	16.1%	15.5%	-55
ADIB	17.2%	17.6%	16.2%	16.2%	16.6%	33
DIB	18.1%	18.3%	18.3%	17.3%	16.7%	-56
ENBD	18.0%	17.9%	17.1%	17.0%	17.0%	-7
UAB	18.0%	18.8%	17.4%	17.1%	16.3%	-76
FAB	17.4%	18.0%	17.5%	17.2%	16.9%	-30

Source: FABS from co data

Banking stock performance

Eleven out of 13 UAE banks generated positive returns during 2025 on a YTD basis. The average return of the Banking sector in the UAE outperformed every other index, the ADI, DSM, TASI, and DFMGI, along with Qatar, Saudi Arabia, and Egypt Banking Sectors. The UAE Banking Sector generated a positive average return of 24.2%; however, the KSA Banking Sector generated a positive average return of 5.2% as of 7 October 2025. Among the UAE Banks, ADIB recorded the highest return, followed by BOS, ADCB, CBD, DIB, RAKBANK, CBI, FAB, ENBD, SIB, and MASQ during the same period. In contrast, UAB and AJMAN generated negative returns during the period.

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

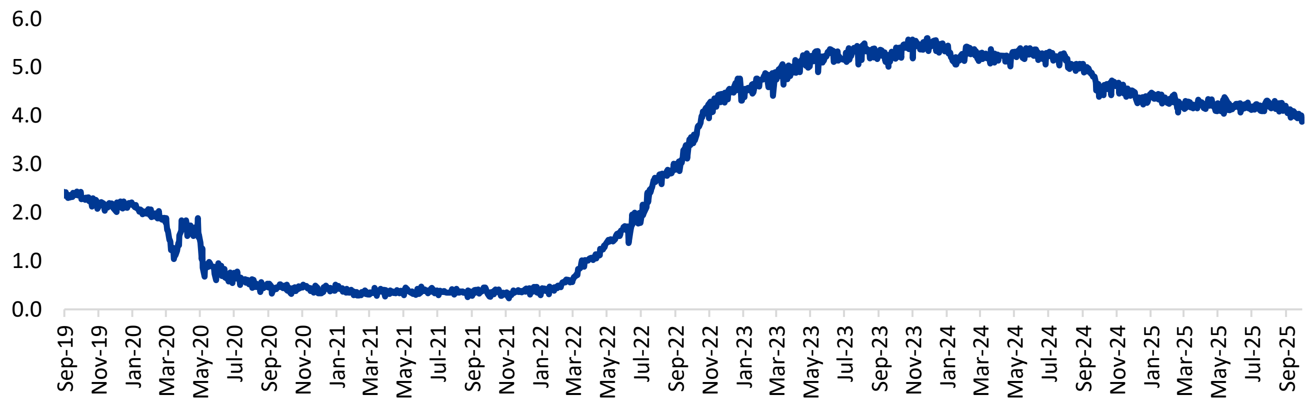
		UAE	KSA	Qatar	Egypt	Ranking
QIBK	10.0%			10.0%		19
MARK	-5.0%			-5.0%		29
CBD	35.9%	35.9%				4
MASQ	8.9%	8.9%				20
QNBK	6.9%			6.9%		22
UAB	-1.7%	-1.7%				25
SIB	14.5%	14.5%				17
CBQK	4.4%			4.4%		23
DSM	3.2%					24
RJHI	12.8%		12.8%			18
TASI	-3.8%					27
ADI	7.0%					21
ALINMA	-7.3%		-7.3%			30
ALBI	-10.6%		-10.6%			31
BSFR	18.4%		18.4%			13
RAKBANK	27.3%	27.3%				7
DHBK	25.8%			25.8%		8
COMI	33.8%				33.8%	5
FAB	18.5%	18.5%				12
EGX30	24.7%					9
BOS	58.0%	58.0%				2
NCB	15.8%		15.8%			15
DFMGI	15.1%					16
ARNB	20.0%		20.0%			11
RIBL	-3.8%		-3.8%			28
CBI	21.5%	21.5%				10
ENBD	18.4%	18.4%				14
ADIB	58.2%	58.2%				1
DIB	32.4%	32.4%				6
AJMANBANK	-17.0%	-17.0%				32
ADCB	40.3%	40.3%				3
SAIB	-3.4%		-3.4%			26
AVERAGE		**24.2%**	**5.2%**	**8.4%**	**33.8%**	

FABS from Bloomberg

EIBOR

During its September 2025 policy meeting, the US Federal Reserve delivered its first rate cut of the year, lowering the federal funds rate by 25 bps to 4.00%-4.25%. This move came after five consecutive meetings in which rates were held steady at 4.25%-4.50% since December 2024. The decision reflects the Fed's response to moderating inflation, slowing global growth, and emerging signs of labour market softness. Looking ahead, markets broadly expect the Fed to implement two more cuts before the end of 2025, while emphasizing that the pace and extent of further easing will remain contingent on incoming economic data and evolving financial conditions. Given the AED's US dollar peg, the Central Bank of the UAE (CBUAE) mirrored the Fed's stance in September, reducing its overnight deposit base rate to 4.15%. The 3-month EIBOR declined from 4.20% at the end of August 2025 to 3.88% as of 30 September 2025, continuing its downward trend since the beginning of the year when it stood at 4.44% on 1 January 2025. This 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 (%), August 2019 – August 29, 2025



Source: FABS from Bloomberg

3Q25 preview: Emirates NBD (ENBD)

Strong asset quality to support profitability

Current Price	12-m Target Price	Upside/Downside (%)	Rating
AED 25.40	AED 27.00	+6.30%	HOLD

3Q25 estimate

Emirates National Bank of Dubai (ENBD/the Bank) is expected to report a 15.5% YOY rise in net profit to AED 6,039 Mn in 3Q25, mainly attributable to an anticipated increase in non-funded income, decline in impairment charges, hyperinflation and NCI, partially offset by an estimated rise in operating expenses and tax expenses. ENBD's funded income is forecasted to remain stable at AED 20,594 Mn in 3Q25 compared to 3Q24, due to an anticipated rise in average interest-earning assets, partially offset by a predicted decrease in asset yield. On the other hand, funded expense is estimated to decline marginally 0.6% YOY to AED 12,031 Mn in 3Q25. Thus, net funded income is estimated to grow marginally 1% YOY to AED 8,562 Mn in 3Q25. The Bank's fee and commission income is estimated to rise 19.6% YOY to AED 2,092 Mn in 3Q25, due to an expected growth in transaction fees. Trading gains are estimated to increase 7.7% YOY to AED 251 Mn in 3Q25. Furthermore, other operating income is likely to increase 14.6% YOY to AED 1,191 Mn in 3Q25. Thus, total non-funded income is estimated to grow 17.0% YOY to AED 3,534 Mn in 3Q25. ENBD's, total operating income is expected to rise 5.2% YOY to AED 12,097 Mn in 3Q25. The Bank's operating expenses are predicted to increase 2.5% YOY to AED 3,629 Mn in 3Q25. Furthermore, the Bank is expected to incur impairment charges of AED 517 Mn in 3Q25 compared to AED 872 Mn in 3Q24. Moreover, tax expense is expected to increase 23.8% YOY to AED 1,312 Mn in 3Q25. In addition, the company is expected to incur a hyperinflation adjustment of AED 595 Mn in 3Q25, compared to AED 788 Mn in 3Q24. Additionally, the Bank's NCI is predicted to fall 41.7% YOY to AED 5 Mn in 3Q25.

2025 Forecast

ENBD's net profit is expected to rise marginally 1.7% YOY to AED 23,355 Mn in 2025, mainly attributed to an expected increase in net funded income, non-funded income, lower hyperinflation and NCI, partially offset by a forecasted rise in operating expenses, impairments, and tax charges. Funded income is estimated to grow 2.2% YOY to AED 79,872 Mn in 2025, due to an expected rise in average interest-earning assets. Funded expense is forecasted to decline marginally 0.9% YOY to AED 46,169 Mn in 2025, supported by an anticipated decline in cost of funds. Thus, net funded income is likely to grow 4.0% YOY to AED 33,703 Mn in 2025. The Bank's fees & commissions income is forecasted to rise 20.0% YOY to AED 8,152 Mn in 2025. Additionally, trading income is predicted to rise 40.0% YOY to AED 1,173 Mn in 2025. Furthermore, other operating income is anticipated to increase 20.0% YOY to AED 4,928 Mn in 2025. Thus, non-funded income is likely to rise 21.4% YOY to AED 14,253 Mn in 2025. As a result, ENBD's operating income is estimated to grow 8.7% YOY to AED 47,956 Mn in 2025. Operating expenses are expected to grow 9.5% YOY to AED 15,058 Mn in 2025. The Bank's impairment charges are anticipated to boost from AED 106 Mn in 2024 to AED 1,515 Mn in 2025. In addition, tax expense is estimated to increase 28.3% YOY to AED 5,304 Mn in 2025. The bank is expected to report a hyperinflation adjustment of AED 2,700 Mn in 2025 compared to AED 3,136 Mn in 2024. The Bank's NCI is forecasted to fall 30.0% YOY to AED 25 Mn in 2025.

2Q25 Outturn

ENBD's funded income rose 3.5% YOY to AED 19,760 Mn in 2Q25 due to a strong growth in advances, primarily from the international operations, and an increase in investments, along with innovative product offerings, partially offset by a decline in asset yield. On the other hand, funded expenses rose 2.1% YOY to AED 11,384 Mn in 2Q25, attributable to a rise in customer deposits. Thus, net funded income increased 5.5% YOY to AED 8,376 Mn in 2Q25. Fee and commission income rose 15.4% YOY to AED 2,012 Mn in 2Q25 owing to solid performance across the card business, higher investment banking activity, trade finance & wealth management income, and increased customer lending. Similarly, Trading gains more than doubled from AED 202 Mn in 2Q24 to AED 502 Mn in 2Q25 due to a rise in FX & derivative income. Other operating income grew substantially 41.5% YOY to AED 1,173 Mn in 2Q25 due to a decline in swap funding costs in DenizBank. Thus, non-funded income increased 32.9% YOY to AED 3,687 Mn in 2Q25. As a result, operating income boosted 12.6% YOY to AED 12,063 Mn in 2Q25. The Bank's operating expenses grew 18.0% YOY to AED 3,587 Mn in 2Q25. Continued investment in technology, talent, and digital transformation to enhance long-term competitiveness, especially in AI and advanced analytics. Thus, the calculated cost-to-income ratio increased from 28.4% in 2Q24 to 29.7% in 2Q25. ENBD recorded impairment charges of AED 187 Mn in 2Q25, compared to reversals of AED 1,350 Mn in 2Q24. ENBD's tax expense increased 12.1% YOY to AED 1,372 Mn in 2Q25. The Bank's net profit declined 10.7% YOY to AED 6,301 Mn in 2Q25.

Target price and recommendation

We maintain our HOLD rating on ENBD with a target price of AED 27.00. Emirates NBD reported a strong performance in the 2Q25, underpinned by healthy growth in operating profit. However, the Bank's profitability moderated due to an increase in impairments and operating expenses in 2Q25. ENBD recorded a solid growth in net advances during 2Q25, driven by a 28.5% YOY growth in retail lending and 15.5% YOY growth in corporate lending. The Bank achieved a double-digit loan growth in all markets during 2Q25, including Egypt, KSA, London, Singapore, and India, in line with the geographic diversification strategy, which provides a solid competitive advantage. Consequently, ENBD revised its 2025 loan growth guidance to low double digits, based on solid growth achieved in 1H25. On the other hand, deposit growth outpaced advances, driven by an increase in both CASA and time deposits. Moreover, ENBD introduced a co-branded "SHARE" credit card with the Majid Al-Futtaim Group's platform, reaching 10,000 issues faster than any other card, highlighting digital successful innovation and fintech collaboration. ENBD is accelerating AI integration and digital product rollouts, emphasizing transformation, to stay ahead in customer experience and operational efficiency. Similarly, the Bank also unveiled new products, including gold financing, fuel hedging, and structured product offerings, expanding into new revenue streams to generate higher non-core income. The wealth management business showcased a healthy performance with AUMs increasing to USD 50 Bn, attributable to rising demand from affluent and domestic clients. The Bank's asset quality improved with reported NPLs declining from 3.1% in 1Q25 to 2.8% in 2Q25, driven by recoveries and a continued buoyant property market. ENBD's strong provision enabled it to quickly write off its NPLs, unlike other banks, which relied on the 5-year write-off relief allowed by the Central Bank. However, ENBD expects no further recoveries in 2H25, unless it receives cash. Recovery outcomes remain uncertain, but if more are crystallized, as seen in recent quarters, they could support a cost of risk outcome at the lower end of the annual guidance or slightly better. Thus, considering the above-mentioned factors, we maintain our HOLD rating on the stock.

ENBD - Relative Valuation

(at CMP)	**2020**	**2021**	**2022**	**2023**	**2024**	**2025F**
PE	25.41	18.41	12.83	7.64	7.14	7.03
PB	2.16	2.16	1.91	1.59	1.37	1.19
BVPS	11.749	11.777	13.309	15.937	18.501	21.294
EPS	1.000	1.379	1.980	3.323	3.559	3.615
DPS	0.400	0.500	0.600	1.200	1.000	1.000
Dividend Yield	1.6%	2.0%	2.4%	4.7%	3.9%	3.9%

FABS estimate & Co data

ENBD - P&L

AED Mn	3Q24	2Q25	3Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Funded income	20,586	19,760	20,594	0.0%	4.2%	78,132	79,872	2.2%
Funded expense	-12,107	-11,384	-12,031	-0.6%	5.7%	-45,736	-46,169	0.9%
Net funded income	**8,479**	**8,376**	**8,562**	**1.0%**	**2.2%**	**32,396**	**33,703**	**4.0%**
Fees and commissions	1,749	2,012	2,092	19.6%	4.0%	6,793	8,152	20.0%
Trading gain/(loss)	233	502	251	7.7%	-50.0%	838	1,173	40.0%
Other Operating Income	1,039	1,173	1,191	14.6%	1.5%	4,107	4,928	20.0%
Non-funded income	**3,021**	**3,687**	**3,534**	**17.0%**	**-4.1%**	**11,738**	**14,253**	**21.4%**
Operating income	**11,500**	**12,063**	**12,097**	**5.2%**	**0.3%**	**44,134**	**47,956**	**8.7%**
Operating expenses	-3,541	-3,587	-3,629	2.5%	1.2%	-13,751	-15,058	9.5%
Pre-provision profit	**7,959**	**8,476**	**8,468**	**6.4%**	**-0.1%**	**30,383**	**32,898**	**8.3%**
Impairment	-872	-187	-517	-40.7%	176.5%	-106	-1,515	NM
PBT	**7,087**	**8,289**	**7,951**	**12.2%**	**-4.1%**	**30,277**	**31,383**	**3.7%**
Tax	-1,060	-1,372	-1,312	23.8%	-4.4%	-4,133	-5,304	28.3%
Net profit	**6,027**	**6,917**	**6,639**	**10.2%**	**-4.0%**	**26,144**	**26,079**	**-0.2%**
Hyperinflation	-788	-611	-595	-24.5%	-2.6%	-3,136	-2,700	-13.9%
Net Profit adj for hyperinflation	**5,239**	**6,306**	**6,044**	**15.4%**	**-4.2%**	**23,008**	**23,379**	**1.6%**
NCI	-9	-5	-5	-41.7%	5.0%	-35	-25	-30.0%
Net profit attributable	**5,230**	**6,301**	**6,039**	**15.5%**	**-4.2%**	**22,973**	**23,355**	**1.7%**

FABS estimate & Co Data

Emirates NBD - P&L KPI

	3Q24	2Q25	3Q25	YOY	QOQ	2024	2025F	Change
Net FI/OI	73.7%	69.4%	70.8%	-295	135	73.4%	70.3%	-313
NIM	3.79%	3.31%	3.27%	-51	-3	3.7%	3.3%	-32
NIS	2.7%	2.4%	0.9%	-182	-153	2.7%	2.5%	-20
Fees & comms/OI	15.2%	16.7%	17.3%	209	62	15.4%	17.0%	161
Other non-funded/OI	9.0%	9.7%	9.8%	81	12	9.3%	10.3%	97
Trading/OI	2.0%	4.2%	2.1%	5	-209	1.9%	2.4%	55
Cost to income - Calculated	30.8%	29.7%	30.0%	-79	26	31.2%	31.4%	24
Impairment/PPP	11.0%	2.2%	6.1%	-485	390	0.3%	4.6%	426
Tax/PBT	15.0%	16.6%	16.5%	154	-5	13.7%	16.9%	325
NP/OI	45.5%	52.2%	49.9%	444	-231	52.1%	48.7%	-335
Loan-to-deposit (Headline)	76.6%	74.0%	74.5%	-209	50	75.2%	74.5%	-73
NPL – Calculated	3.9%	2.8%	2.7%	-120	-10	3.3%	2.7%	-63
NPL Coverage – Calculated	149.0%	155.0%	158.0%	900	300	156.0%	160.0%	400
CET1	15.5%	14.7%	15.1%	-33	46	14.7%	15.2%	56
Capital Adequacy	17.9%	17.0%	17.4%	-55	42	17.1%	17.4%	33
ROAE	21.4%	18.3%	18.0%	-336	-31	20.7%	18.1%	-250
ROAA	2.6%	2.2%	2.2%	-38	3	2.5%	2.2%	-27

FABS estimate & Co data

ENBD - BS Key items

AED Mn	3Q24	4Q24	1Q25	2Q25	3Q25	YOY
Net advances	493,843	501,627	520,909	545,173	556,802	12.7%
QOQ change	3.5%	1.6%	3.8%	4.7%	2.1%	
Total Assets	956,041	996,582	1,030,570	1,085,641	1,103,098	15.4%
QOQ change	2.7%	4.2%	3.4%	5.3%	1.6%	
Customer Deposits	644,812	666,777	697,595	736,714	747,385	15.9%
QOQ change	3.3%	3.4%	4.6%	5.6%	1.4%	
Total Equity	114,040	116,861	117,468	123,881	129,920	13.9%
QOQ change	6.4%	2.5%	0.5%	5.5%	4.9%	

FABS estimate & Co data

3Q25 preview: Dubai Islamic Bank (DIB)

Higher impairment charges to impact profitability

Current Price	12-m Target Price	Upside/Downside (%)	Rating
AED 9.39	AED 9.50	+1.17%	HOLD

3Q25 estimate

Dubai Islamic Bank (DIB/the Bank) is expected to report a 10.9% YOY decline in net profit to AED 1,809 Mn in 3Q25, attributed to a significant rise in impairment charges, coupled with an increase in tax expense and NCI, partially offset by an increase in net funded income and non-funded income. DIB's funded income is predicted to rise marginally 0.9% YOY to AED 4,865 Mn in 3Q25, due to an anticipated rise in average interest earning assets, partially offset by an expected decline in asset yield. On the other hand, the funded expense is forecasted to decline 3.3% YOY to AED 2,589 Mn in 3Q25, due to lower cost of funds, partially offset by growth in average interest-bearing liabilities. Thus, net funded income is likely to increase 6.2% YOY to AED 2,277 Mn in 3Q25. The Bank's fee and commission income are expected to increase 35.7% YOY to AED 448 Mn in 3Q25. Additionally, other non-funded income is expected to rise 8.6% YOY to AED 601 Mn in 3Q25. As a result, DIB's non-funded income is estimated to grow 18.7% YOY to AED 1,049 Mn in 3Q25. The Bank's total operating income is likely to increase 9.8% YOY to AED 3,325 Mn in 3Q25. DIB's general expenses are anticipated to decrease marginally 0.1% YOY to AED 868 Mn in 3Q25. Furthermore, the Bank is expected to report impairment charges of AED 246 Mn in 3Q25 compared to impairment reversals of AED 123 Mn in 3Q24. Tax charges are estimated to increase 54.6% YOY to AED 325 Mn in 3Q25. The share of profit attributable to non-controlling interest holders is predicted to rise significantly from AED 41 Mn in 3Q24 to AED 77 Mn in 3Q25.

2025 forecast

We expect DIB's net profit to decline 9.4% YOY to AED 7,189 Mn in 2025, mainly attributed to an anticipated increase in general expenses, impairment charges, and tax expenses, partially offset by a forecasted rise in non-funded income and lower share of NCI. The Bank's funded income is forecasted to decrease 1.3% YOY to AED 19,194 Mn in 2025, supported by forecasted decline in asset yield, partially offset by a projected rise in average interest earning assets. On the other hand, funded expense is predicted to fall 3.0% YOY to AED 10,195 Mn in 2025, due to an expected decline in cost of funds, partially offset by a projected rise in average interest-bearing liabilities. Net funded income is likely to grow marginally 0.6% YOY to AED 9,000 Mn in 2025. 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 grow 7.7% YOY to AED 2,305 Mn in 2025. Thus, non-funded income is likely to grow 7.0% YOY to AED 4,158 Mn in 2025. As a result, DIB's total operating income is expected to increase 2.5% YOY to AED 13,158 Mn in 2025. General expenses are expected to rise 2.8% YOY to AED 3,520 Mn in 2025. Additionally, impairment charges are projected to increase substantially from AED 407 Mn in 2024 to AED 945 Mn in 2025. The Bank's tax charge is estimated to rise 52.1% YOY to AED 1,278 Mn in 2025. In addition, the share of profit attributable to non-controlling interest holders is expected to decline 2.1% YOY to AED 226 Mn in 2025.

2Q25 outturn

Funded income fell 0.3% YOY to AED 4,745 Mn in 2Q25, due to a decline in asset yield, partially offset by strong growth with expansion in the Sukuk portfolio. Funded expenses remained flat at AED 2,623 Mn in 2Q25 compared to 2Q24, due to a decline in the cost of funds. As a result, net funded income declined marginally 0.6% YOY to AED 2,122 Mn in 2Q25. However, the calculated NIM contracted 32 bps YOY to 2.5% in 2Q25. Fee and commission income, fell marginally 0.6% YOY to AED 426 Mn in 2Q25, driven by strong growth in the Consumer Banking Segment. Other non-funded income grew strongly from AED 496 Mn in 2Q24 to AED 670 Mn in 2Q25. Thus, non-funded income saw strong growth of 18.6% YOY to AED 1,097 Mn in 2Q25. As a result, total operating income rose notably by 5.2% YOY to AED 3,219 Mn in 2Q25. Operating expenses increased 10.6% YOY to AED 925 Mn in 2Q25, driven by continued investments in technology and digital upgrades. As a result, the calculated cost-to-income ratio increased 140 bps YOY to 28.7% in 2Q25. Furthermore, impairment charges fell significantly from AED 354 Mn in 2Q24 to AED 93 Mn in 2Q25, supported by prudent underwriting practices and robust risk management. Tax expenses grew from AED 157 Mn in 2Q24 to AED 268 Mn in 2Q25 due to an increase in tax rate. The Bank's share of profit attributable to non-controlling interest holders surged significantly from AED 36 Mn in 2Q24 to AED 75 Mn in 2Q25.

Target price and recommendation

We maintain our HOLD rating on DIB with a target price of AED 9.50. DIB recorded a strong net profit growth in 2Q25, primarily driven by a solid rise in non-funded income and a decline in provisions. DIB's funded income continued to remain stable despite lower margins due to lower interest rates. However, the bank managed to compensate by lowering deposit rates to minimize the impact. DIB's net advances rose 19.1% YOY and 6.7% QOQ to AED 237.4 Bn in 2Q25, fuelled by robust gross new underwriting across retail and corporate segments. The bank is confident of hitting its 15% full-year target by 3Q25 itself. On the other hand, customer deposits expanded 21.2% YOY and 7.1% QOQ to AED 283.7 Bn in 2Q25, supported by strategic customer acquisition and retention efforts. Thereby, the bank's liquidity improved with the headline loan to deposits ratio declining 35 bps QOQ to 83.7% in 2Q25. Meanwhile, asset quality improved as the reported NPLs declined 163 bps YOY and 34 bps QOQ to 3.4% in 2Q25, reaching its lowest level in the past five years. Whereas, the reported provision coverage ratio grew from 98% in 1Q25 to 103% in 2Q25. Furthermore, while stage 2 declined 23% YOY in 2Q25, reflecting the bank's improved asset quality and effective risk management. However, the Bank's CASA deposit declined from 42% in 2Q24 to 36% in 2Q25. DIB's capital position remained strong, with a CET1 ratio of 13.0% and a CAR of 16.7% in 2Q25. DIB entered into a USD 150 Mn Murabaha financing agreement with Turkcell to support its digital infrastructure investments. Considering all these factors, we maintain our HOLD rating on the stock.

DIB - Relative Valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
P/E	24.82	17.84	13.47	10.67	9.05	9.94
P/B	2.38	2.22	2.06	1.87	1.71	1.57
BVPS	0.378	0.526	0.697	0.880	1.037	0.945
EPS	3.951	4.226	4.563	5.012	5.486	5.983
DPS	0.200	0.250	0.300	0.450	0.450	0.450
Dividend yield	2.1%	2.7%	3.2%	4.8%	4.8%	4.8%

FABS estimate

DIB - P&L

AED Mn	3Q24	2Q25	3Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Funded income	4,820	4,745	4,865	0.9%	2.5%	19,454	19,194	-1.3%
Funded expense	-2,676	-2,623	-2,589	-3.3%	-1.3%	-10,505	-10,195	-3.0%
Net funded income	**2,144**	**2,122**	**2,277**	**6.2%**	**7.3%**	**8,949**	**9,000**	**0.6%**
Fees & commissions	330	426	448	35.7%	5.0%	1,748	1,853	6.0%
Other non-funded income	553	670	601	8.6%	-10.3%	2,139	2,305	7.7%
Non funded Income	**883**	**1,097**	**1,049**	**18.7%**	**-4.4%**	**3,887**	**4,158**	**7.0%**
Operating income	**3,027**	**3,219**	**3,325**	**9.8%**	**3.3%**	**12,837**	**13,158**	**2.5%**
General expenses	-869	-925	-868	-0.1%	-6.2%	-3,425	-3,520	2.8%
Pre-provisioning profit	**2,158**	**2,294**	**2,458**	**13.9%**	**7.1%**	**9,412**	**9,637**	**2.4%**
Impairment charges	123	-93	-246	NM	NM	-407	-945	NM
Profit before tax	**2,281**	**2,201**	**2,211**	**-3.1%**	**0.5%**	**9,005**	**8,693**	**-3.5%**
Tax	-210	-268	-325	54.6%	21.4%	-840	-1,278	52.1%
Profit before NCI	**2,071**	**1,933**	**1,886**	**-8.9%**	**-2.4%**	**8,165**	**7,415**	**-9.2%**
Non-controlling interests	-41	-75	-77	89.3%	3.0%	-231	-226	-2.1%
Profit for the period	**2,030**	**1,858**	**1,809**	**-10.9%**	**-2.6%**	**7,934**	**7,189**	**-9.4%**

FABS estimate & Co Data

DIB - P&L KPI

	3Q24	2Q25	3Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	70.8%	65.9%	68.5%	-236	254	69.7%	68.4%	-132
NIM	2.8%	2.5%	2.5%	-23	9	2.9%	2.6%	-27
NIS	2.2%	2.0%	2.1%	-11	10	2.3%	2.1%	-20
Fees & commissions/OI	10.9%	13.2%	13.5%	256	22	13.6%	14.1%	47
Other non-funded/OI	18.3%	20.8%	18.1%	-20	-275	16.7%	17.5%	85
Cost to income	28.7%	28.7%	26.1%	-261	-264	26.7%	26.8%	7
Impairment/PPP	-5.7%	4.1%	10.0%	NM	596	4.3%	9.8%	548
NCI/PBT	2.0%	3.9%	4.1%	213	22	2.8%	3.1%	22
NP/OI	67.1%	57.7%	54.4%	NM	-333	61.8%	54.6%	-717
Cost of risk	-0.2%	0.2%	0.4%	63	24	0.2%	0.4%	21
Loan-to-deposit	87.3%	83.7%	84.5%	-280	82	85.5%	85.0%	-47
NPL Calculated	4.3%	3.4%	3.3%	-97	-6	3.9%	3.3%	-63
Coverage - Calculated	78.2%	86.9%	84.0%	582	-288	78.6%	80.0%	145
CET 1	13.9%	13.0%	13.4%	-54	42	13.2%	12.7%	-52
Capital adequacy	18.3%	16.7%	17.0%	-125	33	18.3%	17.2%	-112
ROAA	2.3%	2.4%	2.3%	-4	-11	2.4%	2.0%	-44
ROAE	19.2%	20.6%	19.1%	-10	-147	19.8%	16.5%	-329

FABS estimate & Co Data

DIB - key B/S items

AED Mn	3Q24	4Q24	1Q25	2Q25F	3Q25F	YOY Ch
Net financings	206,790	212,427	222,553	237,376	241,612	16.8%
QOQ change	3.8%	2.7%	4.8%	6.7%	1.8%	
Total assets	329,169	344,687	355,269	373,479	382,001	16.0%
QOQ change	2.0%	4.7%	3.1%	5.1%	2.3%	
Customer deposits	236,868	248,546	264,847	283,663	285,931	20.7%
QOQ change	1.2%	4.9%	6.6%	7.1%	0.8%	
Shareholders' fund	37,755	39,724	38,084	39,768	41,577	10.1%
QOQ change	4.8%	5.2%	-4.1%	4.4%	4.5%	

FABS estimate & Co Data

3Q25 preview: Abu Dhabi Islamic Bank (ADIB)

Strong asset quality to support margins

Current Price	12-m Target Price	Upside/Downside (%)	Rating
AED 21.86	AED 25.00	+14.36%	ACCUMULATE

3Q25 estimate

Abu Dhabi Islamic Bank (ADIB/the bank) is expected to record a 9.6% YOY increase in net profit to AED 1,686 Mn in 3Q25, primarily driven by an anticipated rise in net funded income and non-funded income, partially offset by an increase in operating expenses, impairments, NCI, and zakat expenses. ADIB's funded income, including income from Islamic financing, is expected to grow 12.9% YOY to AED 3,231 Mn in 3Q25, driven by an expected growth in net advances. Similarly, the funded expense is anticipated to increase 5.7% YOY to AED 1,353 Mn in 3Q25 due to the increase in interest-bearing liabilities, partially offset by an improvement in the cost of funds. As a result, ADIB's net funded income is projected to rise 18.7% YOY to AED 1,878 Mn in 3Q25. Furthermore, the bank's non-funded income is anticipated to rise 16.2% YOY to AED 1,237 Mn in 3Q25 due to projected growth in fees & commission income and other non-funded income. As a result, the bank's operating income is likely to increase 17.7% YOY to AED 3,114 Mn in 3Q25. ADIB's operating expenses are anticipated to increase 7.7% YOY to AED 857 Mn in 3Q25. The cost-to-income ratio is expected to improve from 30.1% in 3Q24 to 27.5% in 3Q25. Impairment charges are anticipated to increase significantly from AED 46 Mn in 3Q24 to AED 247 Mn in 3Q25. In addition, NCI & zakat expenses are projected to grow 22.2% YOY to AED 324 Mn in 3Q25.

2025 forecast

ADIB's net profit is anticipated to grow 15.0% YOY to AED 6,645 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, NCI, and zakat expenses. Funded income, including income from Islamic financing, is expected to grow 13.8% YOY to AED 12,644 Mn in 2025, owing to an anticipated growth in net advances. Funded expense is projected to increase 16.4% YOY to AED 5,286 Mn in 2025. Thus, net funded income is expected to rise 12.0% YOY to AED 7,357 Mn in 2025. Furthermore, non-funded income is anticipated to boost 18.3% YOY to AED 4,811 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 14.5% YOY to AED 12,169 Mn in 2025. The Bank's operating expenses are expected to rise 9.1% YOY to AED 3,432 Mn in 2025. Impairments are forecasted to increase 26.2% YOY to AED 782 Mn in 2025. NCI & zakat expenses are anticipated to grow 20.0% YOY to AED 1,309 Mn in 2025.

2Q25 outturn

ADIB's Islamic financing income grew 20.9% YOY to AED 2,635 Mn in 2Q25, while income from financial institutions increased 3.2% YOY to AED 527 Mn. Thus, total funded income boosted 17.6% YOY to AED 3,161 Mn in 2Q25, driven by growth in interest-earning assets, due to robust business volumes, an increase in new customers, coupled with the Bank's ability to generate sustainable returns despite the lower rate environment. Funded expenses rose 23.5% YOY to AED 1,305 Mn in 2Q25, mainly due to the significant rise in the interest-bearing liabilities. Thus, net funded income grew 13.8% YOY to AED 1,856 Mn in 2Q25. However, calculated NIMs fell 27 bps YOY and four bps QOQ to 3.1% in 2Q25. Fees and commission income rose 25.1% YOY to AED 547 Mn in 2Q25, driven by higher customer activity and effective cross-selling across both retail and corporate product lines. However, other non-funded income declined 13.6% YOY to AED 660 Mn in 2Q25, due to a substantial decline in other income partially offset by growth in income from sukuk, investments, share of results from associate and JV, and foreign exchange income. Thus, total non-funded income rose marginally 0.5% YOY to AED 1,206 Mn in 2Q25. As a result, total operating income increased 8.1% YOY to AED 3,062 Mn in 2Q25. Furthermore, operating expenses rose 10.3% YOY to AED 842 Mn in 2Q25 owing to an increase in G&A expenses and employee costs, reflecting continued investments in talent, digital initiatives, and technological upgrades, as well as broader strategic initiatives. Thus, cost-to-income increased 55 bps YOY to 27.5% in 2Q25. ADIB's impairments fell 31.8% YOY to AED 199 Mn in 2Q25. Additionally, zakat and NCI expenses increased 21.5% YOY to AED 344 Mn in 2Q25.

Target price and recommendation

We revise our rating from HOLD to ACCUMULATE on Abu Dhabi Islamic Bank with an unchanged target price of AED 25.00. ADIB recorded a strong rise in profit by 12.3% YOY and 3.7% QOQ to AED 1,676 Mn in 2Q25 due to revenue growth fuelled by expansion in core business volumes, continued customer acquisition, and a rise in non-funded income. ADIB targets non-funded income to comprise c. 41% of total revenue over the next 12–18 months, and cautiously rising to 45% in the long-term, while maintaining a balance to avoid earnings volatility and preserve funded income stability. The Bank recorded a robust growth in net advances, rising 23.2% YOY and 8.4% QOQ to AED 162.8 Bn in 2Q25, supported by strong growth in retail banking, GRE, and closure of key landmark deals in corporate banking. Similarly, customer deposits grew 23.6% YOY and 6.4% QOQ to AED 212.8 Bn in 2Q25, maintaining a healthy funding mix, driven by growth in CASA deposits. CASA deposits constitute 66% of the total deposits, highlighting the bank's strong low-cost funding base and solid retail franchise. Thus, the loan-to-deposit ratio increased from 75.0% in 1Q25 to 76.5% in 2Q25. The Bank's NPL ratio stood at 3.5% in 2Q25, the lowest level since 4Q16, supported by proactive remediation of the legacy portfolio and robust underwriting standards, indicating improved asset quality and effective risk management. As a result, the cost of risk is expected to remain at a healthy level due to better asset quality and effective risk management supported by a continuous build-up of provisioning. ADIB maintained a strong capital position, with a CET 1 ratio of 12.7% and a total CAR of 16.6%, reflecting prudent balance sheet management and a solid buffer above regulatory requirements. Additionally, the advances to stable funding ratio stood at 80.3%, while the eligible liquid asset ratio reached 17.7%, thus indicating a well-balanced and resilient liquidity and funding profile within regulatory norms. Furthermore, the Bank's cost-to-income ratio declined from 28.9% in 1Q25 to 27.5% in 2Q25, supported by continued efforts toward cost efficiency and prudent resource management. ADIB added 145,000 new customers in 1H25, bringing its total customer base to 2 Mn, with 75% of the new acquisitions driven by digital channels. Additionally, ADIB focused on capital-efficient growth, prioritizing low RWA assets like home finance, with RWA utilization improving to 67.6% in 2Q25, down from 69.4% in 1Q25. Thus, ADIB is doing more business without proportionately increasing risk exposure. Furthermore, it maintained strong pricing discipline on sovereign and large corporate exposures, which have lower yields due to lower risk, and focuses on total relationship returns using EVA and internal hurdle rates to protect NIMs and ROE despite rate cuts. ADIB continues to leverage its digital strategy as a core growth driver, demonstrating strong momentum in digital customer acquisition. These strategic investments are not only enhancing the overall customer experience but also reinforcing ADIB's position as a leading, future-ready financial institution in the industry. ADIB revised its loan growth guidance for 2025 from 12%-14% to 18%-20%, mainly due to a solid growth achieved in 1H25. Despite strong fundamentals and healthy growth prospects, the current share price appears to have already priced in all the positive factors, leaving limited upside potential from current levels. Thus, we revise to ACCUMULATE rating on ADIB.

ADIB - Relative valuation

(At CMP)	2020	2021	2022	2023	2024	2025F
P/E	60.11	38.27	23.90	17.02	14.64	12.59
P/B	5.52	5.03	4.48	3.90	3.51	3.06
BVPS	3.964	4.348	4.881	5.610	6.220	7.143
EPS	0.364	0.571	0.915	1.284	1.493	1.737
DPS	0.206	0.311	0.490	0.715	0.834	0.850
Dividend yield	0.9%	1.4%	2.2%	3.3%	3.8%	3.9%

FABS Estimates & Co Data

ADIB - P&L

AED Mn	3Q24	2Q25	3Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Institutions	550	527	534	-2.9%	1.5%	2,168	2,134	-1.5%
Islamic financings	2,312	2,635	2,697	16.6%	2.4%	8,939	10,509	17.6%
Funded income	**2,862**	**3,161**	**3,231**	**12.9%**	**2.2%**	**11,107**	**12,644**	**13.8%**
Funded expense	-1,281	-1,305	-1,353	5.7%	3.7%	-4,541	-5,286	16.4%
Net funded income	**1,581**	**1,856**	**1,878**	**18.7%**	**1.2%**	**6,566**	**7,357**	**12.0%**
Fees and commissions	530	547	574	8.2%	5.0%	1,807	2,259	25.0%
Other non-funded income	534	660	663	24.2%	0.5%	2,259	2,552	13.0%
Non-Funded Income	**1,064**	**1,206**	**1,237**	**16.2%**	**2.5%**	**4,066**	**4,811**	**18.3%**
Operating income	**2,645**	**3,062**	**3,114**	**17.7%**	**1.7%**	**10,632**	**12,169**	**14.5%**
Operating expenses	-796	-842	-857	7.7%	1.8%	-3,145	-3,432	9.1%
Pre-provisioning income	**1,850**	**2,220**	**2,258**	**22.1%**	**1.7%**	**7,487**	**8,736**	**16.7%**
Financing impairment	-46	-199	-247	433.6%	23.8%	-620	-782	26.2%
Profit before NCI	**1,804**	**2,021**	**2,011**	**11.5%**	**-0.5%**	**6,868**	**7,954**	**15.8%**
NCI. & zakat	-265	-344	-324	22.2%	-5.8%	-1,091	-1,309	20.0%
Net profit for period	**1,538**	**1,676**	**1,686**	**9.6%**	**0.6%**	**5,777**	**6,645**	**15.0%**

FABS estimate & Co Data

ADIB - KPI

	3Q24	2Q25	3Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	59.8%	60.6%	60.3%	52	-32	61.8%	60.5%	-130
NIM	3.0%	3.1%	3.0%	-6	-10	3.3%	3.1%	-20
NIS	2.7%	2.8%	2.7%	1	-11	3.0%	2.8%	-17
Fees & commissions/OI	20.0%	17.8%	18.4%	-162	58	17.0%	18.6%	157
Other non-funded/OI	20.2%	21.5%	21.3%	110	-26	21.2%	21.0%	-27
Cost to income (calculated)	30.1%	27.5%	27.5%	-257	1	29.6%	28.2%	-137
Impairment/PPP	2.5%	9.0%	10.9%	844	196	8.3%	9.0%	67
NP/OI	58.1%	54.7%	54.1%	-399	-60	54.3%	54.6%	28
Cost of risk	0.13%	0.48%	0.60%	47	12	0.42%	0.50%	8
Loan-to-deposit	75.2%	76.5%	76.7%	154	25	78.1%	76.8%	-128
NPL - Reported	4.4%	3.5%	3.4%	-97	-2	4.0%	3.6%	-46
Coverage excluding collateral	78.0%	85.3%	77.0%	-100	-830	81.5%	78.3%	-319
CET1	13.4%	12.7%	11.5%	-185	-116	12.1%	12.1%	-2
Capital adequacy	17.6%	16.6%	15.2%	-232	-131	16.2%	15.7%	-51
ROAE	27.1%	27.6%	26.3%	-72	-123	25.2%	26.0%	74
ROAA	2.9%	2.6%	2.6%	-25	-2	2.8%	2.7%	-9

FABS estimate & Co Data

ADIB - Key B/S items

AED Mn	3Q24	4Q24	1Q25	2Q25	3Q25	YOY Ch
Net advances	135,132	142,611	150,133	162,751	166,598	23.3%
QOQ change	2.3%	5.5%	5.3%	8.4%	2.4%	
Total assets	222,567	225,910	243,528	260,352	266,975	20.0%
QOQ change	4.3%	1.5%	7.8%	6.9%	2.5%	
Customer deposits	179,744	182,675	200,095	212,831	217,155	20.8%
QOQ change	4.4%	1.6%	9.5%	6.4%	2.0%	
Total shareholders' equity	21,378	22,591	21,102	22,759	24,345	13.9%
QOQ change	7.7%	5.7%	-6.6%	7.9%	7.0%	

FABS estimate & Co Data

3Q25 preview: National Bank of Ras Al Khaimah (RAKBANK)

Increased lending to offset margin compression

Current Price	12-m Target Price	Upside/Downside (%)	Rating
AED 7.70	AED 8.60	+11.69%	ACCUMULATE

3Q25 estimates

National Bank of Ras Al-Khaimah (RAKBANK/the Bank) is expected to report a 16.5% YOY growth in net profit to AED 696 Mn in 3Q25. The increase in net profit is primarily driven by anticipated growth in net funded and non-funded income and a decrease in impairment charges, partially offset by a projected increase in operating expenses, income tax expenses and NCI. Interest income, including income from Islamic financing, is projected to rise 5.8% YOY to AED 1,428 Mn in 3Q25 due to anticipated growth in net advances and a rise in Islamic financing assets. On the other hand, interest expense is forecasted to increase 8.7% YOY to AED 487 Mn in 3Q25. As a result, net funded income is likely to rise 4.3% YOY to AED 941 Mn in 3Q25. However, we forecast the calculated NIMs to decline 49 bps YOY to 4.1% in 3Q25, primarily driven by elevated funding costs. The Bank's total non-funded income is anticipated to increase 26.7% YOY to AED 383 Mn in 3Q25, primarily due to an expected rise in net fees and commission income, foreign exchange gain, and investment income, coupled with a forecasted decline in gross insurance underwriting loss, partially offset by an anticipated decline in other operating income. Hence, net operating income is projected to grow 10.0% YOY to AED 1,324 Mn in 3Q25. Operating expenses are expected to rise 14.1% YOY to AED 461 Mn in 3Q25. Moreover, we expect the cost-to-income ratio to grow 125 bps YOY to 34.8% in 3Q25 due to increased operating expenses. In addition, impairment expense is forecasted to decline 32.3% YOY to AED 96 Mn in 3Q25. The Bank's tax expense is likely to expand 17.0% YOY to AED 69 Mn in 3Q25. Furthermore, non-controlling interest is expected to rise 5.9% YOY to AED 2 Mn in 3Q25.

2025 forecast

RAKBANK's net profit is estimated to increase 33.8% YOY to AED 2,773 Mn in 2025, owing to an anticipated rise in net funded and non-funded income, coupled with a decrease in impairment charges, partially offset by anticipated higher operating expenses, income tax expenses, and NCI. Interest Income, including income from Islamic financing, is likely to rise 6.8% YOY to AED 5,593 Mn in 2025. On the other hand, the Bank's funded expense is also expected to grow 4.7% YOY to AED 1,752 Mn in 2025. Resultantly, net funded income is likely to boost 7.8% YOY to AED 3,841 Mn in 2025. We expect NIMs to fall 13 bps YOY to 4.7% in 2025. Total non-funded income is expected to grow 36.4% YOY to AED 1,570 Mn in 2025, driven by a rise in net fees and commission income, foreign exchange gain, coupled with an anticipated decrease in gross insurance underwriting losses, partially offset by an expected decline in other operating income. As a result, the Bank's net operating income is likely to increase 14.8% YOY to AED 5,411 Mn in 2025. Operating expenses are anticipated to rise 10.6% YOY to AED 1,834 Mn in 2025. Additionally, we forecast the cost-to-income ratio to decrease substantially by 130 bps YOY to 33.9% in 2025. Impairments are forecasted to decline 33.1% YOY to AED 519 Mn in 2025. The tax expense is estimated to rise 36.0% YOY to AED 275 Mn in 2025. Furthermore, the Bank is expected to report a non-controlling interest of AED 10 Mn in 2025 compared to AED 3 Mn in 2024.

2Q25 outturn

RAKBANK's interest income from conventional loans and investments grew 4.6% YOY to AED 1,175 Mn in 2Q25, whereas interest expense on conventional deposits and borrowings grew from AED 334 Mn in 2Q24 to AED 399 Mn in 2Q25. Thus, net interest income from conventional loans and advances declined 1.6% YOY to AED 776 Mn in 2Q25. Income from Islamic financing grew 21.0% YOY to AED 197 Mn in 2Q25, while Islamic financing expenses declined 7.6% YOY to AED 64 Mn in 2Q25. As a result, funded income increased 6.7% YOY to AED 1,372 Mn in 2Q25. Funded expenses grew from AED 403 Mn in 2Q24 to AED 463 Mn in 2Q25. Thus, net funded income increased 3.0% YOY to AED 909 Mn in 2Q25. Resultantly, our calculated Net interest margins (NIMs) contracted 56 bps YOY and grew 3 bps QOQ to 4.1% in 2Q25. Net fee and commission income increased strongly 20.3% YOY to AED 211 Mn, while foreign exchange income also rose 9.9% YOY to AED 99 Mn in 2Q25. RAKBANK recorded a lower loss from gross insurance underwriting of AED 0.1 Mn in 2Q25 compared to a loss of AED 15 Mn in 2Q24. Additionally, the Bank recorded substantial growth in investment income from AED 16 Mn in 2Q24 to AED 30 Mn in 2Q25, primarily driven by gains from the disposal of investments. Other operating income declined 12.6% YOY to AED 22 Mn in 2Q25. Consequently, total non-funded income grew 24.0% YOY to AED 362 Mn in 2Q25. Thus, total operating income grew 8.2% YOY to AED 1,271 Mn in 2Q25. Operating expenses rose 14.0% YOY to AED 456 Mn in 2Q25, driven by continued investments in technology, data, people and customer experience, with the cost-to-income ratio increasing to 35.9% in 2Q25 from 34.1% in 2Q24. Impairment charges declined significantly from AED 208 Mn in 2Q24 to AED 79 Mn in 2Q25, owing to an improvement in the Bank's loan portfolio. Income tax expenses rose from AED 50 Mn in 2Q24 to AED 66 Mn in 2Q25.

Target price and recommendation

We revise our rating on RAKBANK from HOLD to ACCUMULATE with an unchanged target price of AED 8.60. The Bank's stock price declined 1.9% since our last rating (July 2025). RAKBANK posted a robust growth in profitability, driven by higher non-funded income and lower impairments during 2Q25. The Bank's non-core income as a percentage of total operating income grew from 24.8% in 2Q24 to 28.5% in 2Q25, supported by its initiatives to diversify fee and forex income, along with episodic gains from investment income. RAKBANK's net advances grew 18.7% YOY and 2.3% QOQ to AED 48.7 Bn during 2Q25, supported by solid performance across all business segments. The Bank's Wholesale lending grew 33.2% YOY to AED 17.0 Bn in 2Q25, significantly contributing to balance sheet expansion. Business Banking segment reported 3.9% YOY growth to AED 10.8 Bn in 2Q25, driven by growth across SME and commercial loans. As of 1H25, the Bank added approximately 11,000 new accounts for entrepreneurs and small businesses and extended around AED 2.54 Bn in business loans. Personal Banking loans rose 14.6% YOY to AED 23.5 Bn in 2Q25, driven by strong growth in mortgage and leverage loans. The Bank also continues to expand its Corporate Banking offerings across trade finance, escrow services, and Debt Capital Markets (DCM), which is expected to support growth in fee-based and non-funded income. RAKBANK's customer deposits increased 4.5% YOY and 0.1% QOQ to AED 61.1 Bn in 2Q25, with higher CASA ratios of 66.1% in 2Q25. The Bank's higher CASA ratio is expected to support its performance in a declining interest rate environment, driven by its lower cost of funding. The Bank's calculated NIMs declined 56 bps YOY and grew 3 bps QOQ to 4.1% in 2Q25. RAKBANK's calculated cost of risk declined 129 bps YOY and 12 bps QOQ to 0.6% during 2Q25, mainly due to the improvement in the loan portfolio. The Bank's asset quality continued to improve with the reported NPLs ratio declining from 2.1% in 1Q25 to 1.9% in 2Q25. The calculated provision coverage also grew from 231.8% in 1Q25 to 242.9% in 2Q25, indicating a strong buffer against bad loans going forward. Capitalization also remained strong with a total CAR of 18.8% in 2Q25, compared to 18.0% in 2Q24. RAKBANK also delivered strong returns, posting a reported ROE of 21.9% and a reported ROA of 2.9% in 2Q25. Thus, based on our assumptions, we revise to an ACCUMULATE rating on the stock.

RAKBANK - Relative valuation

(at CMP)	**2020**	**2021**	**2022**	**2023**	**2024**	**2025F**
P/E (x)	30.74	20.48	13.23	8.68	7.47	5.59
P/B (x)	1.98	1.86	1.72	1.50	1.44	1.08
BVPS	3.881	4.147	4.471	5.134	5.352	7.102
EPS	0.250	0.376	0.582	0.887	1.030	1.379
DPS	0.125	0.188	0.283	0.310	0.500	0.676
Dividend Yield	1.6%	2.4%	3.7%	4.0%	6.5%	8.8%

FABS Estimates & Co Data

RAKBANK P&L

AED Mn	3Q24	2Q25	3Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Interest Income	1,350	1,372	1,428	5.8%	4.1%	5,234	5,593	6.8%
Interest expense	-448	-463	-487	8.7%	5.3%	-1,672	-1,752	4.7%
Net funded income	**902**	**909**	**941**	**4.3%**	**3.5%**	**3,562**	**3,841**	**7.8%**
Net fees and commissions	167	211	226	35.2%	7.0%	644	863	34.0%
Foreign exchange gain	89	99	101	12.8%	2.0%	352	401	14.0%
Gross insurance underwriting Profit	-2	0	0	NM	-1.0%	-45	-18	-60.0%
Investment Income	17	30	33	NM	12.0%	88	229	NM
Other operating income	32	22	23	-27.9%	5.0%	112	95	-15.0%
Total non-funded income	**302**	**362**	**383**	**26.7%**	**5.9%**	**1,150**	**1,570**	**36.4%**
Net operating income	**1,204**	**1,271**	**1,324**	**10.0%**	**4.2%**	**4,713**	**5,411**	**14.8%**
Operating expenses	-404	-456	-461	14.1%	1.0%	-1,658	-1,834	10.6%
Pre-provision profit	**800**	**814**	**863**	**7.9%**	**6.0%**	**3,054**	**3,577**	**17.1%**
Impairment	-141	-79	-96	-32.3%	20.6%	-776	-519	-33.1%
Profit before tax	**659**	**735**	**768**	**16.5%**	**4.4%**	**2,278**	**3,058**	**34.2%**
Income tax expense	-59	-66	-69	17.0%	5.2%	-202	-275	36.0%
Profit After tax & before NCI	**600**	**669**	**698**	**16.5%**	**4.4%**	**2,076**	**2,783**	**34.1%**
Non-controlling interest	-2	-3	-2	5.9%	-25.0%	-3	-10	NM
Net profit attributable	**598**	**667**	**696**	**16.5%**	**4.5%**	**2,072**	**2,773**	**33.8%**

FABS estimate & Co Data

RAKBANK - KPI

	3Q24	2Q25	3Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	74.9%	71.5%	71.1%	-383	-47	75.6%	71.0%	-460
NIM	4.6%	4.1%	4.1%	-49	2	4.8%	4.7%	-13
NIS	4.2%	3.7%	3.7%	-50	-1	4.5%	3.9%	-62
Fees & comms/OI	13.9%	16.6%	17.1%	319	45	13.7%	15.9%	228
Foreign exchange gain/OI	7.4%	7.8%	7.6%	19	-16	7.5%	7.4%	-5
Other operating income/OI	2.6%	1.7%	1.7%	-90	1	2.4%	1.8%	-62
Invt Income/OI	1.4%	2.3%	2.5%	114	18	1.9%	4.2%	236
Cost to income	33.5%	35.9%	34.8%	125	-111	35.2%	33.9%	-130
Impairment/PPP	17.7%	9.8%	11.1%	-658	134	25.4%	14.5%	-1,090
NP/OI	49.6%	52.5%	52.6%	295	14	44.0%	51.3%	728
Cost of risk - calculated	1.2%	0.6%	0.7%	-48	12	1.7%	1.0%	-69
Loan-to-deposit	80.7%	79.7%	82.0%	133	233	79.2%	80.0%	83
NPL - calculated	2.4%	2.1%	2.1%	-34	-4	2.2%	2.0%	-25
NPL Coverage - calculated	233.8%	242.9%	244.0%	1,022	110	253.2%	245.0%	-822
CET 1	17.1%	16.5%	17.5%	32	95	15.7%	17.3%	163
Capital adequacy	19.6%	18.8%	19.8%	16	95	18.1%	19.5%	140
ROAE	19.9%	20.4%	20.0%	7	-41	18.8%	21.3%	253
ROAA	2.7%	2.7%	2.7%	1	4	2.6%	3.0%	40

FABS estimate & Co data

RAKBANK - Key B/S items

AED Mn	3Q24	4Q24	1Q25	2Q25	3Q25F	YOY Ch
Net advances	46,198	47,224	47,590	48,662	49,628	7.4%
QOQ change	12.7%	2.2%	0.8%	2.3%	2.0%	
Total assets	83,891	88,325	90,804	94,961	96,057	14.5%
QOQ change	4.3%	5.3%	2.8%	4.6%	1.2%	
Customer deposits	57,266	59,650	61,038	61,079	60,521	5.7%
QOQ change	-2.1%	4.2%	2.3%	0.1%	-0.9%	
Total Equity	11,561	11,797	11,579	12,341	13,037	12.8%
QOQ change	7.1%	2.0%	-1.8%	6.6%	5.6%	

FABS estimate & Co data

3Q25 preview: Abu Dhabi Commercial Bank (ADCB)

Loan growth momentum and CASA strength to support performance

Current Price	12-m Target Price	Upside/Downside (%)	Rating
AED 14.62	AED 16.00	+9.44%	HOLD

3Q25 estimate

Abu Dhabi Commercial Bank's (ADCB/the Bank) net profit is forecasted to increase 13.3% YOY to AED 2,710 Mn in 3Q25, driven by an anticipated growth in net funded and non-funded income, partially offset by higher impairment charges and overseas tax expense. ADCB's funded income is expected to grow 4.0% YOY to AED 8,814 Mn in 3Q25, due to a projected rise in average interest-earning assets, partially offset by a decline in asset yield. Funded expense is predicted to decline 3.1% YOY to AED 5,166 Mn in 3Q25. Thus, net funded income is expected to grow 16.0% YOY to AED 3,648 Mn in 3Q25. We also expect NIMs to remain stable YOY and decline 8 bps QOQ to 2.2% during 3Q25. Fee and commission income is forecasted to grow 19.0% YOY to AED 1,031 Mn in 3Q25. Simultaneously, other operating income is anticipated to increase 21.5% YOY to AED 854 Mn in 3Q25. Thus, non-funded income is estimated to grow 20.1% YOY to AED 1,885 Mn in 3Q25. As a result, total operating income is likely to rise 17.4% YOY to AED 5,532 Mn in 3Q25. Furthermore, operating expenses are projected to increase marginally 0.4% YOY to AED 1,521 Mn in 3Q25, owing to the cost efficiencies. However, we anticipate the cost-to-income ratio to decline 466 bps YOY to 27.5% in 3Q25. Additionally, the Bank's impairments are predicted to rise substantially from AED 525 Mn in 3Q24 to AED 823 Mn in 3Q25. ADCB's overseas tax expenses are expected to increase from AED 288 Mn in 3Q24 to AED 478 Mn in 3Q25.

2025 forecast

ADCB's net profit is expected to grow 13.3% YOY to AED 10,678 Mn in 2025, attributable to a forecasted increase in net funded and non-funded income, partially offset by an anticipated rise in impairment charges and overseas tax expense. Funded income is projected to rise 3.6% YOY to AED 34,958 Mn in 2025, due to an expected expansion in the loan book and other interest-earning assets. On the other hand, the funded expense is expected to fall 0.1% YOY to AED 20,489 Mn in 2025. Thus, net funded income is estimated to grow 9.4% YOY to AED 14,469 Mn in 2025. Fees and commission income is projected to grow 25.2% YOY to AED 3,882 Mn in 2025. Other operating income is forecasted to increase 18.4% YOY to AED 3,733 Mn in 2025. Thus, non-funded income is likely to increase 21.8% YOY to AED 7,615 Mn in 2025. As a result, operating income is expected to grow 13.4% YOY to AED 22,084 Mn in 2025. Furthermore, operating expenses are forecasted to rise marginally 0.7% YOY to AED 6,073 Mn in 2025. In addition, impairments are anticipated to increase 20.1% YOY to AED 3,451 Mn in 2025. Profit share from associates is expected to decline from AED 11 Mn in 2024 to AED 9 Mn in 2025. ADCB's overseas tax expense is expected to grow significantly from AED 1,166 Mn in 2024 to AED 1,885 Mn in 2025.

2Q25 outturn

ADCB's funded income, consisting of interest income and income from Islamic financing, grew 3.7% YOY to AED 8,637 Mn in 2Q25, primarily due to growth in loans and advances and other interest-earning assets. The Bank's funded expenses declined from AED 5,049 Mn in 2Q24 to AED 4,983 Mn in 2Q25, owing to lower cost of funds. ADCB's cost of funds declined 64 bps YOY and 7 bps QOQ to 3.6% in 2Q25. As a result, the net funded income grew 11.5% YOY to AED 3,654 Mn in 2Q25. ADCB's calculated NIMs declined 11 bps YOY and rose 7 bps QOQ to 2.3% in 2Q25. Fee and commission income grew 14.8% YOY to AED 929 Mn in 2Q25, due to a rise in accounts-related fees, asset management, investment services and trade finance commission and fees associated with accounts, whereas the card-related fees stayed relatively unchanged. Furthermore, the other operating income surged 82.1% YOY to AED 1,145 Mn in 2Q25, owing to gains from non-trading securities and the sale of loans. Resultantly, the non-funded income experienced a healthy growth of 44.2% YOY to AED 2,074 Mn in 2Q25. Thus, total operating income rose 21.5% YOY to AED 5,728 Mn in 2Q25. Operating expenses declined 1.5% YOY to AED 1,511 Mn in 2Q25. Thus, the cost-to-income ratio improved from 32.6% in 2Q24 to 26.4% in 2Q25, reaching its lowest level mainly due to higher operating income and cost efficiencies. The Bank's impairments increased significantly from AED 588 Mn in 2Q24 to AED 1,186 Mn in 2Q25, mainly driven by legacy corporate accounts. Furthermore, corporate tax expense rose significantly from AED 276 Mn in 2Q24 to AED 467 Mn in 2Q25 as the Bank's tax rate rose to 15% due to the introduction of the domestic minimum top-up tax by the UAE. However, the Bank is currently assessing its eligibility for the Safe Harbour exemption, which, if granted, could reduce the applicable UAE tax rate to 9% for a period of five years.

Target price and recommendation

We revise our rating from BUY to HOLD rating on Abu Dhabi Commercial Bank (ADCB) with an unchanged target price of AED 16.00. The Bank launched a rights issue of AED 6.1 Bn to strengthen its balance sheet, enhance capital adequacy, and maintain strong growth momentum. The offering from the right issue is expected to lift the Bank's CET1 ratio by 120–130 bps, safeguard dividend payouts, and support its strategic objective of doubling annual net profit to AED 20 Bn over the next five years. ADCB recorded a sharp increase in impairments during 2Q25, primarily driven by specific developments related to legacy corporate exposures. However, ADCB confirmed that this was a one-off charge, and the full-year cost of risk guidance remains unchanged at below 60 bps. ADCB's net advances expanded 13.9% YOY and 5.3% QOQ to AED 378.5 Bn in 2Q25 due to increased credit growth in the energy, trading, financial institutions, transport and communication sectors. ADCB maintained a well-diversified loan portfolio, with Government-Related Entities (GREs) accounting for 24% of gross loans and real estate investments comprising 13%. ADCB further expects the pipeline for GRE and sovereign deals to remain strong, with drawdowns scheduled in the coming quarters. The Bank also expects loan growth momentum to continue through the remainder of the year, supported by a strong pipeline of committed facilities, and is targeting low to mid-teen growth for 2025. ADCB onboarded over 68,000 new customers in 2Q25, with 62% acquired through digital channels, reinforcing its leadership in digital card acquisition. The Bank's customer deposits grew 18.8% YOY and 4.9% QOQ to AED 463.4 Bn in 2Q25, owing to strong growth in CASA deposits. The Bank expects deposit growth to remain strong, particularly in CASA balances, which will support its performance during a period of declining interest rates. ADCB's reported NIMs declined from 2.6% in 2Q24 to 2.5% in 2Q25. In addition, the Bank's reported risk-adjusted NIMs decreased from 2.2% in 2Q24 to 1.7% in 2Q25, mainly due to higher impairment charges related to legacy corporate accounts. The Bank's cost-to-income ratio improved 618 bps YOY to 26.4% in 2Q25, to its lowest level, driven by ongoing cost discipline and digital-driven efficiency gains. Furthermore, the Bank's asset quality improved, with the reported NPL ratio continuing to decline from 2.2% in 1Q25 to 2.0% in 2Q25, while NPL, including Purchased or originated credit-impaired financial assets (POCI), fell from 2.5% in 1Q25 to 2.2% in 2Q25. The Bank's reported provision coverage increased from 150.1% in 1Q25 to 173.1% in 2Q25, providing a strong buffer against potential bad loans going forward. ADCB's capitalization stood strong with a CET 1 ratio of 12.2% and CAR of 15.5% in 2Q25. ADCB also delivered strong shareholder returns, with a calculated Return on Average Equity (ROAE) of 14.4% and Return on Average Assets (ROAA) of 1.5% in 2Q25. Thus, based on our analysis, we revise a HOLD rating on the stock.

ADCB - Relative Valuation

AED Mn	2020	2021	2022	2023	2024	2025F
PE	30.33	21.12	17.11	13.70	12.25	10.86
PB	2.12	2.01	1.93	1.71	1.60	1.35
BVPS	6.912	7.290	7.571	8.537	9.127	10.850
EPS	0.482	0.692	0.854	1.067	1.193	1.347
DPS	0.257	0.352	0.171	0.560	0.590	0.667
Dividend Yield	1.8%	2.4%	1.2%	3.8%	4.0%	4.6%

FABS Estimates & Co Data

ADCB - P&L

AED Mn	3Q24	2Q25	3Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Funded income	8,476	8,637	8,814	4.0%	2.0%	33,734	34,958	3.6%
Funded expense	-5,332	-4,983	-5,166	-3.1%	3.7%	-20,508	-20,489	-0.1%
Net funded income	**3,144**	**3,654**	**3,648**	**16.0%**	**-0.2%**	**13,226**	**14,469**	**9.4%**
Fees & commissions	867	929	1,031	19.0%	11.0%	3,101	3,882	25.2%
Other operating income	702	1,145	854	21.5%	-25.5%	3,153	3,733	18.4%
Non funded income	**1,569**	**2,074**	**1,885**	**20.1%**	**-9.1%**	**6,254**	**7,615**	**21.8%**
Operating income	**4,713**	**5,728**	**5,532**	**17.4%**	**-3.4%**	**19,480**	**22,084**	**13.4%**
Operating expenses	-1,515	-1,511	-1,521	0.4%	0.7%	-6,031	-6,073	0.7%
Pre-provision profit	**3,197**	**4,218**	**4,011**	**25.4%**	**-4.9%**	**13,448**	**16,011**	**19.1%**
Impairments	-525	-1,186	-823	56.6%	-30.6%	-2,874	-3,451	20.1%
Operating profit	**2,672**	**3,032**	**3,188**	**19.3%**	**5.2%**	**10,574**	**12,560**	**18.8%**
Share of profit of assoc.	6	3	0	NM	NM	11	9	NM
Profit before tax	**2,678**	**3,035**	**3,188**	**19.0%**	**5.0%**	**10,585**	**12,569**	**18.7%**
Overseas tax expense	-288	-467	-478	66.2%	2.3%	-1,166	-1,885	61.7%
Non-controlling interest	1	0	0	NM	NM	1	-5	NM
Profit for the period	**2,391**	**2,568**	**2,710**	**13.3%**	**5.5%**	**9,421**	**10,678**	**13.3%**

FABS estimate & Co Data

ADCB - P&L KPI

	3Q24	2Q25	3Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	66.7%	63.8%	65.9%	-77	214	67.9%	65.5%	-238
NIM	2.2%	2.3%	2.2%	-1	-8	2.4%	2.3%	-11
NIS	1.7%	1.9%	1.8%	9	-8	1.9%	1.9%	0
Fees & comms/OI	18.4%	16.2%	18.6%	25	242	15.9%	17.6%	166
Other non-funded/OI	14.9%	20.0%	15.4%	53	-456	16.2%	16.9%	72
Cost to income	32.2%	26.4%	27.5%	-466	113	31.0%	27.5%	-346
Impairment/PPP	16.4%	28.1%	20.5%	409	-760	21.4%	21.6%	18
Tax/PBT	10.7%	15.4%	15.0%	426	-40	11.0%	15.0%	398
NP/OI	50.7%	44.8%	49.0%	-176	415	48.4%	48.4%	-1
Cost of risk – calculated	0.4%	0.9%	0.6%	18	-28	0.6%	0.6%	0
Loan-to-deposit – calculated	86.2%	83.4%	83.8%	-236	44	84.9%	84.0%	-85
NPL - calculated	3.7%	3.0%	3.0%	-72	-2	3.3%	3.0%	-35
Coverage excluding collateral	96.4%	115.6%	118.0%	NM	237	103.4%	120.0%	NM
CET 1	13.1%	12.2%	12.9%	-17	73	12.6%	13.4%	89
Capital adequacy	16.7%	15.5%	16.3%	-39	77	16.1%	16.7%	58
ROAE	14.0%	14.4%	14.3%	22	-13	14.6%	14.6%	3
ROAA	1.6%	1.5%	1.5%	-8	0	1.5%	1.5%	-3

FABS estimate & Co Data

ADCB- Key BS Items

AED Mn	3Q24	4Q24	1Q25	2Q25	3Q25F	YOY Ch
Net advances	344,014	350,638	359,489	378,465	389,978	13.4%
QOQ change	3.6%	1.9%	2.5%	5.3%	3.0%	
Total assets	638,754	652,814	679,716	718,502	736,037	15.2%
QOQ change	4.3%	2.2%	4.1%	5.7%	2.4%	
Customer deposits	406,742	421,060	441,691	463,442	479,476	17.9%
QOQ change	4.3%	3.5%	4.9%	4.9%	3.5%	
Total shareholders' equity	73,692	75,567	73,872	76,249	78,958	7.1%
QOQ change	4.2%	2.5%	-2.2%	3.2%	3.6%	

FABS estimate & Co Data

3Q25 preview: Mashreq Bank (MASQ)

Yield contraction to weigh on NIM expansion

Current Price	12-m Target Price	Upside/Downside (%)	Rating
AED 237.50	AED 270.00	+13.68%	ACCUMULATE

3Q25 estimate

We expect Mashreq Bank (MASQ/the Bank) to report a 5.8% YOY decline in the net profit to AED 1,668 Mn in 3Q25, primarily due to an expected decline in net funded income and higher G&A expenses, coupled with a projected increase in impairment charges, partially offset by an expected growth in non-funded income. MASQ's funded income, including income from Islamic financing, is expected to decline 2.4% YOY to AED 3,962 Mn in 3Q25, driven by a projected decline in asset yield, partially offset by an anticipated rise in average interest-earning assets, including average Islamic financing assets. Funded expense is anticipated to increase 1.1% YOY to AED 1,972 Mn in 3Q25, due to an anticipated rise in average interest-bearing liabilities. Resultantly, net funded income is projected to decrease 5.6% YOY to AED 1,991 Mn in 3Q25. We expect NIMs to decline 100 bps YOY and 24 bps QOQ to 3.2% in 3Q25. Furthermore, the Banks's net fee and commission income is forecasted to rise 16.3% YOY to AED 326 Mn in 3Q25. Additionally, income from investment securities is projected to grow 42.7% YOY to AED 101 Mn in 3Q25. Other operating income is likely to increase 33.3% YOY to AED 683 Mn in 3Q25. Thus, non-funded income is expected to grow 28.6% YOY to AED 1,110 Mn in 3Q25. As a result, MASQ's total operating income is estimated to rise 4.4% YOY to AED 3,101 Mn in 3Q25. General and administrative expenses are anticipated to increase 8.9% YOY to AED 946 Mn in 3Q25. As a result, we forecast the cost-to-income ratio to grow from 29.2% in 3Q24 to 30.5% in 3Q25. In addition, the Bank is expected to see an increase in impairment charges from AED 118 Mn in 3Q24 to AED 150 Mn in 3Q25. Furthermore, tax expense is anticipated to grow 53.7% YOY to AED 303 Mn in 3Q25. MASQ, share to non-controlling interest is expected to rise from AED 17 Mn in 3Q24 to AED 34 Mn in 3Q25.

2025 forecast

MASQ's net profit is expected to decline 24.9% YOY to AED 6,700 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 2.6% YOY to AED 15,516 Mn in 2025. Funded expense is anticipated to increase marginally 0.4% YOY to AED 7,577 Mn in 2025. Thus, net funded income is likely to decline 5.3% YOY to AED 7,940 Mn in 2025. MASQ's fees and commission income is predicted to decrease 10.0% YOY to AED 1,318 Mn in 2025. Additionally, income from investment securities is forecasted to increase strongly from AED 229 Mn in 2024 to AED 423 Mn in 2025. Furthermore, other operating income is predicted to fall 18.0% YOY to AED 2,734 Mn in 2025. Thus, non-funded income is expected to decline 11.0% YOY to AED 4,475 Mn in 2025. As a result, the Bank's total operating income is expected to decrease 7.5% YOY to AED 12,415 Mn in 2025. In addition, G&A expenses are likely to grow 2.1% YOY to AED 3,774 Mn in 2025. The Bank is expected to report impairment charges of AED 574 Mn in 2025, compared to an impairment reversal of AED 166 Mn in 2024. Tax expense is anticipated to increase 39.3% YOY to AED 1,210 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.

2Q25 outturn

MASQ's interest income declined 5.5% YOY to AED 3,426 Mn in 2Q25 mainly due to a contraction in asset yield, partially offset by a rise in average interest-earning assets. However, income from Islamic financing grew 13.4% YOY to AED 464 Mn in 2Q25, supported by a surge in average Islamic financing assets, partially offset by a decline in asset yield on Islamic assets. Thus, total funded income declined 3.6% YOY to AED 3,890 Mn in 2Q25. Moreover, funded expenses fell 3.0% YOY to AED 1,895 Mn in 2Q25, owing to a decline in interest expenses and distribution to depositors of Islamic products impacted by the lower cost of funds. As a result, net funded income fell 4.2% YOY to AED 1,995 Mn in 2Q25. MASQ's net fee and commission income declined 11.9% YOY to AED 296

Mn in 2Q25. The Bank recorded robust growth in income from investment securities of AED 100 Mn in 2Q25, compared to AED 70 Mn in 2Q24. In addition, MASQ's other operating income grew strongly from AED 499 Mn in 2Q24 to AED 676 Mn in 2Q25. Resultantly, the Bank's total non-funded income rose 18.6% YOY to AED 1,072 Mn in 2Q25. Thus, MASQ's total operating income surged 2.7% YOY to AED 3,067 Mn in 2Q25. Furthermore, the Bank's G&A expenses increased 13.6% YOY to AED 948 Mn in 2Q25, driven by focused investments to support international expansion, upgrade digital infrastructure and improve client interface channels across key markets. Resultantly, the cost-to-income ratio rose from 27.9% in 2Q24 to 30.9% in 2Q25. MASQ's recorded impairment charges of AED 144 Mn in 2Q25 compared to the impairment reversal of AED 83 Mn in 2Q24. MASQ tax expenses surged 32.3% YOY to AED 295 Mn in 2Q25. The Bank's NCI increased from AED 16 Mn in 2Q24 to AED 32 Mn in 2Q25.

Target price and recommendation

We revise our rating from HOLD to ACCUMULATE on MASQ with an unchanged target price of AED 270.0. The share price of MASQ declined 4.8% from our last rating in July 2025. We believe MASQ's strategy of increasing its non-core income is positively impacting its net revenue growth. The Bank's non-funded income as a percentage of total operating income grew from 30.3% in 2Q24 to 35.0% in 2Q25. MASQ's net advances grew 17.8% YOY and 6.6% QOQ to AED 134.1 Bn in 2Q25, driven by robust growth in strategically key sectors. Customer deposits grew 15.4% YOY and 3.6% QOQ to AED 177.6 Bn in 2Q25, with a significant portion contributed by CASA accounts, supported by strong franchise strength, stable retail inflows, and continued customer preference for low-cost, digital-first banking solutions. Moreover, CASA deposits represented 69% of total deposits in 2Q25, up from 62% in 2Q24, providing a stable, low-cost funding base that strengthens both profitability and liquidity resilience. However, the Bank's NIMs fall 79 bps YOY and 15 bps QOQ to 3.4% in 2Q25. MASQ, asset quality improved as calculated NPL ratio fell from 1.7% in 2Q24 to 1.6% in 2Q25, reflecting the Bank's prudent underwriting practices and robust early-warning systems, and reinforcing its position as a leader in credit risk management. Additionally, MASQ reported a Liquid Assets Ratio of 30.6% and a Liquidity Coverage Ratio (LCR) of 120% in 2Q25, exceeding the regulatory requirement, which indicates the Bank's conservative liquidity posture and capacity to navigate dynamic market conditions. MASQ maintained strong capitalization in 2Q25, with a CET1 ratio of 14.8% and a total CAR of 17.5%, providing a substantial buffer above regulatory minimums and positioning the Bank to support growth while managing risk effectively. MASQ reported strong returns in 2Q25, with calculated ROAE at 26.0%, supported by disciplined capital deployment, a capital-light operating model, and diversified revenue streams. To strengthen its funding base, Mashreq issued USD 500 Mn Sukuk during 1H25, priced at UST + 105 bps with a fixed profit rate of 5.03% per annum, enhancing its access to international capital markets and reaffirming its leadership in Islamic finance. To deliver a best-in-class client experience, MASQ is also making impactful investments, including upgrading technology infrastructure, expanding its digital and international presence, and forging strategic partnerships. Furthermore, the Bank's strategic expansion into high-growth markets such as Pakistan, Türkiye, and Oman, along with its entry into GIFT City in India, aims to enhance Mashreq's global relevance and connectivity while facilitating cross-border capital flows and delivering tailored, high-impact financial solutions to clients across key economic corridors. Thus, considering the above-mentioned reasons, we assign an ACCUMULATE rating on the stock.

MASQ- Relative Valuation

(at CMP)	2020	2021	2022	2023	2024	2025
P/E(x)	NA	47.54	12.78	5.55	5.34	7.36
P/B(x)	2.45	2.36	2.12	1.63	1.41	1.32
BVPS	10.270	10.270	10.270	10.270	10.270	10.270
EPS	96.863	100.839	112.152	145.720	168.367	180.283
DPS	NA	1.000	9.000	18.500	21.100	16.140
Dividend Yield	NA	0.4%	3.8%	7.8%	8.9%	6.8%

FABS estimate & Co Data

MASQ - P&L

AED Mn	3Q24	2Q25	3Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Interest income	3,619	3,426	3,493	-3.5%	2.0%	14,271	13,688	-4.1%
Income from Islamic financing	439	464	470	6.9%	1.1%	1,667	1,828	9.7%
Funded income	**4,058**	**3,890**	**3,962**	**-2.4%**	**1.9%**	**15,938**	**15,516**	**-2.6%**
Funded expense	-1,950	-1,895	-1,972	1.1%	4.0%	-7,550	-7,577	0.4%
Net funded income	**2,108**	**1,995**	**1,991**	**-5.6%**	**-0.2%**	**8,388**	**7,940**	**-5.3%**
Net Fee and commission income	280	296	326	16.3%	10.0%	1,465	1,318	-10.0%
Inc. from investment securities	71	100	101	42.7%	1.0%	229	423	85.0%
Other operating income, net	512	676	683	33.3%	1.0%	3,335	2,734	-18.0%
Total other OI	**863**	**1,072**	**1,110**	**28.6%**	**3.5%**	**5,028**	**4,475**	**-11.0%**
Total operating income	**2,971**	**3,067**	**3,101**	**4.4%**	**1.1%**	**13,416**	**12,415**	**-7.5%**
General & admin. expenses	-868	-948	-946	8.9%	-0.3%	-3,696	-3,774	2.1%
Pre-provision profit	**2,103**	**2,119**	**2,155**	**2.5%**	**1.7%**	**9,720**	**8,641**	**-11.1%**
Allowances for impairment, net	-118	-144	-150	27.2%	4.4%	166	-574	NM
Tax expense	-197	-295	-303	53.7%	2.6%	-869	-1,210	39.3%
Non-controlling interests	-17	-32	-34	102.0%	6.0%	-100	-156	56.0%
Net Profit	**1,771**	**1,648**	**1,668**	**-5.8%**	**1.2%**	**8,917**	**6,700**	**-24.9%**

FABS estimate & Co Data

MASQ - KPI

	3Q24	2Q25	3Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	70.9%	65.0%	64.2%	-674	-83	62.5%	64.0%	143
NIM	4.2%	3.4%	3.2%	-100	-24	4.1%	3.3%	-80
NIS	4.2%	3.3%	3.1%	-109	-24	4.1%	3.2%	-88
Fees & comms/OI	9.4%	9.7%	10.5%	108	85	10.9%	10.6%	-30
Trading/OI	2.4%	3.3%	3.3%	88	0	1.7%	3.4%	170
Cost to income	29.2%	30.9%	30.5%	128	-41	27.5%	30.4%	285
Impairment/PPP	5.6%	6.8%	7.0%	135	18	-1.7%	6.6%	836
NP/OI	59.6%	53.7%	53.8%	-582	6	66.5%	54.0%	-1,250
Cost of risk - Calculated	0.5%	0.5%	0.5%	4	-1	-0.2%	0.5%	62
Loan-to-deposit	76.0%	75.5%	77.3%	138	184	77.5%	71.3%	-619
NPL – Calculated	1.9%	1.6%	1.7%	-20	13	1.7%	1.7%	-4
Coverage - Calculated	117.1%	116.8%	116.0%	-106	-81	117.6%	117.0%	-55
CET1	16.1%	14.8%	14.7%	-137	-6	14.4%	13.8%	-66
Capital Adequacy	19.8%	17.5%	17.3%	-242	-20	17.5%	16.5%	-98
ROAE	29.6%	26.0%	24.1%	-546	-191	27.8%	18.5%	-928
ROAA	3.6%	3.0%	2.9%	-72	-12	3.5%	2.3%	-122

FABS estimate & Co Data

MASQ - key BS items

AED Mn	3Q24	4Q24	1Q25	2Q25	3Q25F	YOY Ch
Net advances	118,534	124,758	125,817.11	134,120	140,805	18.8%
QOQ changes	4.1%	5.3%	0.8%	6.6%	5.0%	
Total assets	254,411	267,453	272,703	293,635	308,250	21.2%
QOQ changes	0.4%	5.1%	2.0%	7.7%	5.0%	
Customer deposits	156,063	160,940	171,442	177,645	193,977	24.3%
QOQ changes	1.4%	3.1%	6.5%	3.6%	9.2%	
Total equity	34,272	36,713	34,269	35,876	37,544	9.5%
QOQ changes	6.3%	7.1%	-6.7%	4.7%	4.6%	

FABS estimate & Co Data

3Q25 preview: Sharjah Islamic Bank (SIB)

Consistent perfomance of core assets to maintain profitability

Current Price	12-m Target Price	Upside/Downside (%)	Rating
AED 2.85	AED 3.00	+5.26%	HOLD

3Q25 estimate

Sharjah Islamic Bank's (SIB/the Bank) net profit is expected to rise 6.7% YOY to AED 359 Mn in 3Q25, due to an expected increase in net funded income and non-funded income coupled with decrease in provisions, partially offset by an increase in G&A expenses and tax expenses. Funded income is expected to grow 4.1% YOY to AED 997 Mn in 3Q25 driven by an expected growth in advances, partially offset by a decline in asset yield. Funded expenses are expected to increase 3.1% YOY to AED 602 Mn in 3Q25, supported by a rise in deposits, partially offset by a decrease in cost of funds. Hence, net funded income is likely to grow 5.7% YOY to AED 395 Mn in 3Q25. The Bank's fees and commission income is expected to expand 41.6% YOY to AED 193 Mn in 3Q25. Fees and commission expenses are anticipated to increase 71.2% YOY to AED 43 Mn in 3Q25. Moreover, investment income is expected to fall 7.4% YOY to AED 31 Mn in 3Q25, while the Bank's foreign exchange income is expected to rise 27.2% YOY to AED 29 Mn in 3Q25. SIB's other income is expected to fall 34.2% YOY to AED 30 Mn in 3Q25. Thus, total non-funded income is projected to rise 12.7% YOY to AED 239 Mn in 3Q25. As a result, total operating income will likely increase 8.2% YOY to AED 633 Mn in 3Q25. Furthermore, SIB's general and administrative expenses are anticipated to increase 25.2% YOY to AED 228 Mn in 3Q25. SIB's provision expense is expected to fall 67.5% YOY to AED 11 Mn in 3Q25. The Bank's tax expenses are predicted to rise 6.4% YOY to AED 36 Mn in 3Q25.

2025 Forecast

SIB's net profit is forecasted to increase 20.6% YOY to AED 1,263 Mn in 2025, owing to an expected increase in non-funded income and a decline in provisions, partially offset by a projected fall in net funded income and an estimated rise in G&A expenses and tax expenses. SIB's funded income is expected to grow 4.9% YOY to AED 3,909 Mn in 2025. On the other hand, funded expense is anticipated to increase 9.2% YOY to AED 2,419 Mn in 2025. Funded expense also includes profit expense from Sukuks, which is expected to increase from AED 102 Mn in 2024 to AED 183 Mn in 2025. As a result, net funded income is projected to decline 1.3% YOY to AED 1,490 Mn in 2025. SIB's fee and commission income is anticipated to rise 45.0% YOY to AED 724 Mn in 2025, while fee and commission expense is expected to expand 35.1% YOY to AED 134 Mn. Investment income is projected to fall 10.0% YOY to AED 77 Mn in 2025. Moreover, foreign exchange income is predicted to grow substantially 60.0% to AED 100 Mn in 2025. In addition, other income is estimated to decline 5.0% YOY to AED 117 Mn in 2025. As a result, total non-funded income is projected to expand 31.7% YOY to AED 884 Mn in 2025. Therefore, total operating income is expected to increase 8.8% YOY to AED 2,374 Mn in 2025. G&A expenses are anticipated to increase 15.8% YOY to AED 902 Mn in 2025. Similarly, provisions are expected to decline substantially 60.4% YOY to AED 83 Mn in 2025. SIB will record a tax expense of AED 125 Mn in 2025 compared to AED 101 Mn in 2024.

2Q25 Outturn

SIB's funded income rose 6.8% YOY to AED 968 Mn in 2Q25, mainly driven by an increase in net advances. On the other hand, funded expenses increased 7.6% YOY to AED 585 Mn in 2Q25. However, cost of funds declined 25 bps YOY to 3.3% in 2Q25. SIB's net funded income grew 5.6% YOY to AED 383 Mn in 2Q25. As per our calculation, SIB's NIMs fell 14 bps YOY to 1.7% in 2Q25. The Bank's fee and commission income significantly increased from AED 125 Mn in 2Q24 to AED 197 Mn in 2Q25, mainly due to a solid growth in commission income, whereas the fee and commission expense grew 10.6% YOY to AED 28 Mn in 2Q25. Investment income declined 4.5% YOY to AED 21 Mn in 2Q25. Foreign exchange income more than doubled from AED 14 Mn in 2Q24 to AED 32 Mn in 2Q25. The Bank's other income inched up 0.3% YOY to AED 27 Mn in 2Q25. As a result, SIB's non-funded income rose 53.3% YOY to AED 248 Mn in 2Q25 primarily due to the Bank's efforts on diversifying revenue stream sources through other non-financing and fee-based income sources. The

Bank's total operating income increased 20.3% YOY to AED 631 Mn in 2Q25. Meanwhile, G&A rose 22.7% YOY to AED 207 Mn in 2Q25. However, the Bank's cost-to-income ratio increased 63 bps YOY to 32.8% in 2Q25. Impairments fell substantially from AED 22 Mn in 2Q24 to AED 8 Mn in 2Q25. Additionally, tax expense grew 23.4% YOY to AED 38 Mn in 2Q25.

Target Price and Recommendation

We maintain our HOLD rating on SIB with a target price of AED 3.00. The Bank showcased strong growth in profitability in 2Q25, supported by a surge in non-core income and a decline in impairments. The Group's liquid assets stood at AED 17.8 Bn in 2Q25, representing 21.1% of total assets, reflecting a strong liquidity position to meet short-term obligations. SIB's net advances grew significantly by 22.1% YOY and 6.6% QOQ to AED 43.0 Bn in 2Q25. Meanwhile, NIMs grew 3 bps QOQ to 1.7% in 2Q25. Customer deposits rose 6.6% YOY and 1.2% QOQ to AED 52.7 Bn in 2Q25. The Bank's CASA deposits stood at 40.7% of total deposits in 2Q25 compared to 42.2% in 2024. The Bank's cost-to-income ratio increased 63 bps to 32.8% in 2Q25 due to the efforts undertaken towards strategic investment for long-term growth. Furthermore, asset quality strengthened as the calculated NPL declined from 4.5% in 1Q25 to 4.3% in 2Q25. The stage 2 loan as a percentage of gross loans declined from 5.0% in 1Q25 to 4.5% in 2Q25. SIB's calculated provision coverage ratio stood at 87.4% in 2Q25, indicating the Bank's ability to manage default risks and mitigate potential losses. Meanwhile, the Bank's headline loan-to-deposit ratio increased to 81.5% in 2Q25, compared to 77.4% in 1Q25, indicating a well-balanced risk profile. SIB maintained a capital adequacy ratio of 15.8% and a CET 1 ratio of 11.5% in 2Q25, indicating a healthy financial position and adherence to regulatory requirements. Thus, based on the above analysis, we maintain our HOLD rating on the stock.

SIB - Relative valuation

(At CMP)	2020	2021	2022	2023	2024	2025F
PE (x)	22.72	17.94	16.49	12.30	9.54	7.97
PB (x)	1.59	1.57	1.59	1.47	1.43	1.27
BVPS	1.795	1.811	1.791	1.944	1.999	2.236
EPS	0.125	0.159	0.173	0.232	0.299	0.358
DPS	0.076	0.076	0.095	0.100	0.150	0.150
Dividend Yield	2.7%	2.7%	3.3%	3.5%	5.3%	5.3%

FABS estimate & Co Data

Sharjah Islamic Bank

AED Mn	3Q24	2Q25	3Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Income from fin. & leasing	957	968	997	4.1%	2.9%	3,725	3,909	4.9%
Depositors' share of profit	-584	-585	-602	3.1%	2.8%	-2,215	-2,419	9.2%
Net funded income	**373**	**383**	**395**	**5.7%**	**3.2%**	**1,510**	**1,490**	**-1.3%**
Fees and commissions	136	197	193	41.6%	-2.0%	500	724	45.0%
Fee and commission expense	-25	-28	-43	71.2%	53.2%	-99	-134	35.1%
Investment Income	33	21	31	-7.4%	45.0%	85	77	-10.0%
Foreign Exchange income	23	32	29	27.2%	-10.0%	63	100	60.0%
Other Income	45	27	30	-34.2%	12.0%	123	117	-5.0%
Total non-funded income	**212**	**248**	**239**	**12.7%**	**-3.8%**	**671**	**884**	**31.7%**
Total operating income	**585**	**631**	**633**	**8.2%**	**0.4%**	**2,181**	**2,374**	**8.8%**
General & admin. Expenses	-182	-207	-228	25.2%	10.1%	-779	-902	15.8%
Pre provision profit	**403**	**424**	**405**	**0.6%**	**-4.3%**	**1,402**	**1,472**	**5.0%**
Provisions	-33	-8	-11	-67.5%	37.2%	-210	-83	-60.4%
Profit before tax	**370**	**416**	**395**	**6.7%**	**-5.1%**	**1,149**	**1,388**	**20.8%**
Corporate tax	-33	-38	-36	6.4%	-5.5%	-101	-125	23.8%
Net profit	**336**	**378**	**359**	**6.7%**	**-5.1%**	**1,048**	**1,263**	**20.6%**

FABS estimate & Co Data

SIB – KPI

	3Q24	2Q25	3Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	63.8%	60.7%	62.3%	-149	166	69.2%	62.8%	-647
NIM	1.9%	1.7%	1.7%	-15	0	1.9%	1.6%	-31
NIS	1.9%	1.7%	1.7%	-23	-5	2.2%	1.9%	-27
Fees & comms/OI	23.3%	31.2%	30.4%	717	-75	22.9%	30.5%	761
Cost to income	31.1%	32.8%	36.0%	488	317	35.7%	38.0%	228
Provisions/PPP	8.3%	1.9%	2.7%	-560	81	15.0%	5.7%	-934
NP/OI	57.5%	60.0%	56.7%	-79	-328	48.0%	53.2%	518
Cost of risk – Calculated	0.4%	0.1%	0.1%	-26	3	0.6%	0.2%	-37
Loan-to-deposit	76.2%	81.5%	80.0%	381	-157	73.6%	77.1%	353
NPL – Calculated	5.14%	4.3%	4.3%	-89	-1	4.9%	4.2%	-65
NPL Coverage – Calculated	85.0%	87.4%	86.0%	103	-139	88.6%	86.0%	-259
CET 1	12.9%	11.5%	11.5%	-140	2	11.5%	11.6%	12
Capital Adequacy	17.7%	15.8%	15.7%	-202	-9	16.2%	18.9%	271
ROAE	13.5%	16.5%	15.6%	211	-92	15.0%	16.7%	171
ROAA	1.4%	1.5%	1.5%	9	0	1.4%	1.4%	-6

FABS estimate & Co Data

SIB – Key BS Items

AED Mn	3Q24	4Q24	1Q25	2Q25	3Q25	YOY Ch
Net advances	36,551	38,083	40,309	42,987	43,747	19.7%
QOQ change	3.8%	4.2%	5.8%	6.6%	1.8%	
Total assets	74,796	79,210	82,770	84,708	87,226	16.6%
QOQ change	0.8%	5.9%	4.5%	2.3%	3.0%	
Customer deposits	47,995	51,758	52,099	52,721	54,707	14.0%
QOQ change	-3.0%	7.8%	0.7%	1.2%	3.8%	
Total equity	8,694	8,303	8,162	10,439	10,798	24.2%
QOQ change	4.3%	-4.5%	-1.7%	27.9%	3.4%	

FABS estimate & Co Data

3Q25 preview: Commercial Bank of Dubai (CBD)

Lower Funding Costs to Drive NIM Expansion

Current Price	12-m Target Price	Upside/Downside (%)	Rating
AED 9.76	AED 9.25	-5.23%	REDUCE

3Q25 Estimate

Commercial Bank of Dubai's (The Bank/ CBD) net profit is expected to grow 16.4% YOY to AED 907 Mn in 3Q25, mainly driven by projected growth in net funded income and decline in impairment charges, partially offset by lower non-funded income, rise in operating expenses, decline in recoveries, and increase in tax charges. Funded income is predicted to decline marginally 0.4% YOY to AED 1,925 Mn in 3Q25, driven by an expected decline in asset yield, partially offset by an anticipated rise in average interest-earning assets. On the other hand, the Bank's funded expense is projected to fall 13.8% YOY to AED 854 Mn in 3Q25, owing to a decrease in cost of funds, partially offset by a projected rise in average interest-bearing liabilities. Thus, net funded income is expected to grow 13.6% YOY to AED 1,071 Mn in 3Q25. Fees & commission income is anticipated to grow 22.8% YOY to AED 340 Mn in 3Q25. Trading income is expected to decrease 5.4% YOY to AED 79 Mn in 3Q25. Moreover, other non-funded income is expected to fall significantly from AED 150 Mn in 3Q24 to AED 29 Mn in 3Q25. Thus, total non-funded income is expected to decrease 12.3% YOY to AED 448 Mn in 3Q25. Resultantly, total operating income is likely to grow 4.5% YOY to AED 1,520 Mn in 3Q25. CBD's G&A expenses are projected to increase 1.9% YOY to AED 365 Mn in 3Q25, while depreciation and amortization charge is estimated to rise from AED 16 Mn in 3Q24 to AED 26 Mn in 3Q25. Thus, we expect the cost-to-income ratio to rise marginally 4 bps YOY to 25.8% in 3Q25. Furthermore, the Bank's impairments are estimated to decline 41.7% YOY to AED 183 Mn in 3Q25. However, recoveries are projected to decrease from AED 98 Mn in 3Q24 to AED 53 Mn in 3Q25. Additionally, the Bank is expected to incur lower impairment charges on AFS investments amounting to AED 3 Mn in 3Q25, compared to AED 9 Mn in 3Q24. CBD's corporate tax is anticipated to grow 16.3% YOY to AED 89 Mn in 3Q25.

2025 Forecast

CBD's net profit is anticipated to grow 16.1% YOY to AED 3,519 Mn in 2025 due to an anticipated rise in net-funded and non-funded income and lower impairment charges, partially offset by an expected increase in operating expenses and lower recoveries. CBD's funded income is expected to grow marginally 0.7% YOY to AED 7,598 Mn in 2025, driven by a projected rise in average interest-earning assets, partially offset by a predicted contraction in asset yield. Funded expenses are anticipated to fall 9.0% YOY to AED 3,406 Mn in 2025, due to an anticipated decline in cost of funds, partially offset by a projected increase in average interest-bearing liabilities. Thus, net funded income is likely to grow 10.3% YOY to AED 4,191 Mn in 2025. We anticipate the Bank's non-funded income to grow 2.6% YOY to AED 1,736 Mn in 2025, mainly due to an expected growth in fees and commissions income, partially offset by a decline in trading and other non-funded income. The Bank's fee and commission income is anticipated to grow 16.0% YOY to AED 1,293 Mn in 2025. Additionally, trading income is projected to decrease 4.9% YOY to AED 320 Mn in 2025. Furthermore, other non-funded income is forecasted to decline significantly from AED 240 Mn in 2024 to AED 123 Mn in 2025. As a result, total operating income is predicted to increase 8.0% YOY to AED 5,927 Mn in 2025. Furthermore, G&A expenses are anticipated to increase 7.3% YOY to AED 1,440 Mn in 2025. Depreciation and amortization expenses are expected to grow from AED 61 Mn in 2024 to AED 95 Mn in 2025. However, we forecast the cost-to-income ratio to grow marginally from 25.6% in 2024 to 25.9% in 2025. Impairment charges are projected to fall 29.3% YOY to AED 699 Mn in 2025. The Banks's recoveries are expected to decline 28.0% YOY to AED 185 Mn in 2025. Additionally, impairment allowances on AFS investment are anticipated to decrease from AED 30 Mn in 2024 to AED 11 Mn in 2025. In addition, we expect the Bank's corporate tax to grow 17.8% YOY to AED 348 Mn in 2025.

2Q25 Outturn

CBD's funded income marginally declined 0.7% YOY to AED 1,876 Mn in 2Q25, owing to a decline in asset yield, partially offset by a rise in the loan portfolio and other interest-earning assets. On the other hand, the funded expenses fell 10.1% YOY to AED 847 Mn in 2Q25, owing to lower cost of funds. Thus, the net funded income grew 8.7% YOY to AED 1.0 Bn in 2Q25. However, CBD's calculated NIMs declined 4 bps YOY and remained stable QOQ to 3.0% during 2Q25. The Bank's fees and commission income grew 9.7% YOY to AED 324 Mn in 2Q25. Trading income contracted 10.9% YOY to AED 75 Mn in 2Q25, while the other non-funded income grew from AED 11 Mn in 2Q24 to AED 24 Mn in 2Q25. As a result, the Bank's total non-funded income rose 8.3% YOY to AED 423 Mn in 2Q25. CBD's total operating income grew 8.6% YOY to AED 1,453 Mn in 2Q25. Furthermore, the G&A expenses increased 13.2% YOY to AED 357 Mn in 2Q25. Depreciation and amortization expenses also grew from AED 13 Mn in 2Q24 to AED 22 Mn in 2Q25. Thus, total operating expenses increased from AED 329 Mn in 2Q24 to AED 379 Mn in 2Q25, driven by the Bank's continued investments in digitalization, technology upgrades, business expansion, and enhancements in governance and regulatory. Resultantly, the cost-to-income ratio rose 153 bps YOY to 26.1% in 2Q25. Impairments on loans, advances and Islamic financing fell significantly 31.2% YOY to AED 164 Mn in 2Q25. However, the recoveries on loans & advances and Islamic financing declined from AED 73 Mn in 2Q24 to AED 42 Mn in 2Q25. CBD incurred a corporate tax charge of AED 85 Mn in 2Q25 compared to AED 74 Mn in 2Q24.

Target price and recommendation

We revise our rating from HOLD to REDUCE on CBD with a target price of AED 9.25. CBD recorded strong growth in profitability, driven by an increase in both core and non-core income, along with lower impairments during 2Q25. CBD further anticipates sustaining growth in non-funded income across multiple business lines, with strong ongoing contributions from syndication, transactional banking, account fees, and other related streams, which are anticipated to drive growth in non-core income. The Bank's loan portfolio grew 11.4% YOY and 3.0% QOQ to AED 99.8 Bn during 2Q25. The Bank anticipates continued loan growth, particularly in mortgages, while also expecting seasonal softness during the summer months. CBD projects the loan growth to grow in the mid-to-high single-digit range in 2025. Customer deposits grew 7.2% YOY and 7.5% QOQ to AED 107.0 Bn, with CASA deposits accounting for 52.4% of the total deposits in 2Q25. Despite slight pressure on gross yields, a decline in funding costs helped the Bank maintain stable NIMs on a sequential basis. However, NIMs moderated 4 bps YOY to 3.0% in 2Q25. The Bank now expects NIMs to remain stable, revising its guidance upward from a 2.9%-3.1% range to a 3.0%-3.1% range going forward. The Bank's cost-to-income ratio rose 153 bps YOY but improved 91 bps QOQ to 26.1% in 2Q25, primarily driven by higher staff costs, volume growth, and continued investments in digital initiatives. However, the Bank guided the cost-to-income ratio below 28% for 2025. Asset quality also continued to improve with reported NPL declining from 4.3% in 1Q25 to 4.1% in 2Q25. Despite this, the reported provision coverage declined from 101.6% in 1Q25 to 96.9% in 2Q25. However, the Bank is comfortable with its current coverage and believes it is appropriate given its larger corporate loan book. CBD's capital position marginally improved, with CET1 ratio and CAR ratio standing at 12.4% and 15.4% in 2Q25, well above the regulatory requirements. The Bank's shareholders returns also improved with a reported ROA of 2.4% and ROE of 23.7% in 2Q25, compared to ROA of 2.2% and ROE of 23.0% in 2Q24. Thus, based on our analysis, we assign a REDUCE rating on the stock.

CBD - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
P/E(x)	26.20	22.13	17.21	11.57	10.06	8.60
P/B(x)	2.86	2.56	2.49	2.15	1.91	1.69
BVPS	3.407	3.807	3.912	4.548	5.099	5.761
EPS	0.373	0.441	0.567	0.843	0.971	1.135
DPS	0.188	0.243	0.245	0.444	0.507	0.550
Dividend Yield	1.9%	2.5%	2.5%	4.5%	5.2%	5.6%

FABS Estimates & Co Data

CBD - P&L

AED Mn	3Q24	2Q25	3Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Funded income	1,934	1,876	1,925	-0.4%	2.6%	7,544	7,598	0.7%
Funded expense	-990	-847	-854	-13.8%	0.9%	-3,745	-3,406	-9.0%
Net funded income	**943**	**1,029**	**1,071**	**13.6%**	**4.1%**	**3,799**	**4,191**	**10.3%**
Fees and commissions	277	324	340	22.8%	5.0%	1,115	1,293	16.0%
Trading income	84	75	79	-5.4%	5.1%	337	320	-4.9%
Other non-funded income	150	24	29	NM	20.0%	240	123	-49.0%
Total non-funded income	**511**	**423**	**448**	**-12.3%**	**5.9%**	**1,692**	**1,736**	**2.6%**
Total operating income	**1,454**	**1,453**	**1,520**	**4.5%**	**4.6%**	**5,491**	**5,927**	**8.0%**
General and administrative expenses	-358	-357	-365	1.9%	2.2%	-1,342	-1,440	7.3%
Depreciation and amortization	-16	-22	-26	68.5%	20.0%	-61	-95	55.0%
Operating Expenses	**-374**	**-379**	**-391**	**4.7%**	**3.2%**	**-1,403**	**-1,535**	**9.4%**
Pre provision profit	**1,081**	**1,074**	**1,128**	**4.4%**	**5.1%**	**4,087**	**4,392**	**7.5%**
Impair allow. on loans & adv and Islamic fin	-314	-164	-183	-41.7%	11.7%	-990	-699	-29.3%
Recoveries	98	42	53	-45.8%	27.2%	257	185	-28.0%
Impairment allowances on AFS investment	-9	1	-3	NM	NM	-30	-11	NM
Profit before tax	**855**	**952**	**995**	**16.4%**	**4.6%**	**3,325**	**3,867**	**16.3%**
Corporate tax	-76	-85	-89	16.3%	4.5%	-295	-348	17.8%
Net Profit	**779**	**867**	**907**	**16.4%**	**4.6%**	**3,030**	**3,519**	**16.1%**

FABS estimate & Co Data

CBD - KPI

	3Q24	2Q25	3Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	64.9%	70.9%	70.5%	564	-35	69.2%	70.7%	152
NIM	3.0%	3.0%	3.0%	5	-2	3.1%	3.0%	-4
NIS	2.5%	2.7%	2.6%	15	-1	2.6%	2.7%	4
Fees & comms/OI	19.0%	22.3%	22.4%	335	8	20.3%	21.8%	151
Trading/OI	5.8%	5.2%	5.2%	-54	2	6.1%	5.4%	-73
Cost to income	25.7%	26.1%	25.8%	4	-34	25.6%	25.9%	34
Impairment/PPP	20.9%	11.3%	11.8%	-910	45	18.6%	12.0%	-669
NP/OI	53.5%	59.7%	59.7%	613	-3	55.2%	59.4%	419
Cost of Risk	0.9%	0.5%	0.7%	-15	27	0.7%	0.48%	-26
Loan-to-deposit - calculated	93.0%	93.2%	93.5%	51	24	95.4%	93.5%	-189
NPL - calculated	6.0%	5.0%	4.9%	-113	-12	5.4%	4.8%	-62
Coverage - calculated	94.2%	92.6%	94.0%	-24	144	98.5%	96.0%	-249
CET1	13.4%	12.4%	12.9%	-47	49	12.4%	12.2%	-24
Capital adequacy	16.6%	15.4%	15.8%	-76	44	15.6%	15.1%	-51
ROAE (TTM)	20.6%	21.6%	21.1%	55	-45	20.1%	20.9%	77
ROAA (TTM)	2.2%	2.2%	2.3%	10	7	2.5%	2.7%	24

FABS estimate & Co Data

CBD - Key B/S items

AED Mn	3Q24	4Q24	1Q25	2Q25	3Q25F	YOY Ch
Net advances	91,746	93,049	96,932	99,816	101,155	10.3%
QOQ change	2.4%	1.4%	4.2%	3.0%	1.3%	
Total assets	140,217	140,175	141,129	150,607	153,502	9.5%
QOQ change	-0.7%	0.0%	0.7%	6.7%	1.9%	
Customer deposits	98,682	97,563	99,624	107,047	108,203	9.6%
QOQ change	-1.2%	-1.1%	2.1%	7.5%	1.1%	
Total shareholders' equity	16,772	17,425	16,813	17,645	18,552	10.6%
QOQ change	5.9%	3.9%	-3.5%	4.9%	5.1%	

FABS estimate & Co Data

3Q25 preview: Ajman Bank (AJMANBAN)

Lower net funded & non-funded income to impact profitability

Current Price	12-m Target Price	Upside/Downside (%)	Rating
AED 1.42	AED 1.60	+12.68%	ACCUMULATE

3Q25 estimate

Ajman Bank's (AJMANBANK/the Bank) net profit is expected to rise from AED 74 Mn in 3Q24 to AED 98 Mn in 3Q25, attributed to a forecasted increase in non-funded income, partially offset by an anticipated decline in net funded income and an increase in impairments and tax charges. The Bank's funded income is expected to decline 1.9% YOY to AED 303 Mn in 3Q25, due to a projected contraction in asset yield. Similarly, the funded expenses are anticipated to rise marginally 0.1% YOY to AED 198 Mn in 3Q25, driven by a projected rise in interest-bearing liabilities, partially offset by lower cost of funds. As a result, net funded income is likely to fall 5.5% YOY to AED 104 Mn in 3Q25. Fees and commission income are projected to rise 53.1% YOY to AED 63 Mn in 3Q25, while income from investment securities is expected to rise 50.6% YOY to AED 54 Mn in 3Q25. Thus, we expect the Bank's total non-funded income to increase 51.9% YOY to AED 117 Mn in 3Q25. Hence, total operating income is projected to rise 18.1% YOY to AED 222 Mn in 3Q25. Operating expenses are anticipated to fall 1.1% YOY to AED 98 Mn in 3Q25. However, we forecast the Bank's cost-to-income ratio to fall from 52.7% in 3Q24 to 44.1% in 3Q25. In addition, AJMANBANK's impairment charges are expected to increase from AED 9 Mn in 3Q24 to AED 16 Mn in 3Q25. Tax expenses are estimated to rise from AED 6 Mn in 3Q24 to AED 10 Mn in 3Q25.

2025 forecast

Ajman Bank's net profit is expected to increase 8.2% YOY to AED 434 Mn in 2025, mainly driven by an anticipated increase in non-funded income, partially offset by a forecasted decrease in net funded income and an increase in operating expenses and tax charges. Funded income is anticipated to decline 2.1% YOY to AED 1,148 Mn in 2025, due to projected lower asset yield, partially offset by an anticipated rise in average interest-earning assets. Funded expenses is also expected to decrease 1.8% YOY to AED 751 Mn in 2025, owing to an anticipated decline in the cost of funds, partially offset by an expected rise in interest-bearing liabilities. Thus, net funded income is forecasted to decrease 2.6% YOY to AED 397 Mn in 2025. As a result, we forecast NIMs to fall 14 bps YOY to 2.0% in 2025. Fees and commission income is estimated to rise 36.0% YOY to AED 259 Mn in 2025. Income from investment securities is expected to grow 44.5% YOY to AED 199 Mn in 2025. Thus, non-funded income is forecasted to increase 39.6% YOY to AED 459 Mn in 2025. Resultantly, total operating income is expected to rise 16.2% YOY to AED 856 Mn in 2025. The Bank's operating expenses are anticipated to increase 4.6% YOY to AED 387 Mn in 2025. AJMANBANK is expected to receive impairment reversal of AED 7 Mn in 2025, compared to an impairment reversal of AED 73 Mn in 2024. In addition, the Bank's tax expenses are estimated to increase 9.6% YOY to AED 43 Mn in 2025.

2Q25 outturn

Ajman Bank's funded income declined 5.9% YOY to AED 281 Mn in 2Q25, mainly due to lower asset yield, partially offset by a growth in interest earnings assets. Funded expenses grew 4.2% YOY to AED 187 Mn in 2Q25. Thus, net funded income fell 21.1% YOY to AED 94 Mn in 2Q25. Calculated NIMs also contracted 75 bps YOY and 7 bps QOQ to 1.9% during 2Q25, primarily due to elevated funding costs. The Bank's fees and commission income declined 24.9% YOY to AED 60 Mn in 2Q25, whereas income from investment securities increased 33.2% YOY to AED 47 Mn in 2Q25. Thus, total non-funded income declined 6.9% YOY to AED 107 Mn in 2Q25. Total operating income fell 14.1% YOY to AED 200 Mn in 2Q25. Furthermore, operating expenses remained relatively stable at AED 96 Mn in 2Q25, compared to 2Q24. However, the calculated cost-to-income ratio grew 680 bps YOY to 48.0% in 2Q25. AJMANBANK witnessed an impairment reversal of AED 16 Mn in 2Q25 compared to impairment charges of AED 22 Mn in 2Q24. Income tax expenses rose 35.2% YOY to AED 10 Mn in 2Q25.

Target price and recommendation

We revise our rating from HOLD to ACCUMULATE on AJMANBANK with a target price of AED 1.60. AJMANBANK reported an improved profitability driven by impairment reversals during 2Q25. The Bank's core income declined during the quarter, primarily due to higher funding costs. However, the Bank recorded robust loan growth, with net advances rising by 6.6% YOY and 6.5% QOQ to AED 14.8 Bn in 2Q25. Customer deposits also grew 3.5% YOY and 7.9% QOQ to AED 20.0 Bn in 2Q25, with CASA ratio accounting for 27.2% of total deposits in 2Q25. The Bank's calculated NIMs declined 75 bps YOY and 7 bps QOQ to 1.9% in 2Q25. Despite flat growth in total operating expenses during 2Q25, the Bank's cost-to-income ratio increased 680 bps YOY and 117 bps QOQ to 48.0% in 2Q25, reflecting pressure on operating efficiency. The Bank further remains committed to enhancing its cost structure and improving efficiency going forward. Furthermore, AJMANBANK's asset quality continued to improve, supported by a sustained decline in the NPL ratio over the past few quarters. Our calculated NPL ratio declined from 11.3% in 1Q25 to 10.2% in 2Q25. Calculated provision coverage ratio declined from 48.6% in 1Q25 to 46.4% in 2Q25. However, stage 2 loans as a percentage of total loans declined from 10.5% in 1Q25 to 7.6% in 2Q25, indicating an improvement in credit quality. AJMANBANK's also maintained healthy capitalization with a Tier 1 ratio of 16.1% and total CAR of 17.3% in 2Q25, both above the regulatory requirements. The Bank profitability ratio also improved, as calculated ROAA and ROAE stood at 1.7% and 14.1% in 2Q25 compared to negative 1.2% and negative 10.0% in 2Q24, reflecting a significant turnaround in profitability. Thus, based on our analysis, we assign an ACCUMULATE rating on the stock.

Ajman Bank - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
P/E (x)	65.13	29.94	21.46	NM	9.54	8.80
P/B (x)	1.39	1.32	1.38	1.45	1.24	1.15
BVPS	1.022	1.076	1.027	0.982	1.143	1.234
EPS	0.022	0.047	0.066	NA	0.149	0.161
DPS	NA	NA	NA	NA	0.073	0.073
Dividend Yield	NA	NA	NA	NA	5.1%	5.1%

FABS Estimates & Co Data

Ajman Bank - P&L

AED Mn	3Q24	2Q25	3Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Funded income	309	281	303	-1.9%	7.9%	1,172	1,148	-2.1%
Funded expenses	-198	-187	-198	0.1%	6.1%	-765	-751	-1.8%
Net funded income	**111**	**94**	**104**	**-5.5%**	**11.6%**	**407**	**397**	**-2.6%**
Fees and commissions	41	60	63	53.1%	6.0%	191	259	36.0%
Income from Investment Securities	36	47	54	50.6%	15.0%	138	199	44.5%
Total non-funded income	**77**	**107**	**117**	**51.9%**	**10.0%**	**329**	**459**	**39.6%**
Total operating income	**188**	**200**	**222**	**18.1%**	**10.8%**	**736**	**856**	**16.2%**
Operating expenses	-99	-96	-98	-1.1%	1.8%	-370	-387	4.6%
Pre-provision profit	**89**	**104**	**124**	**39.5%**	**19.0%**	**367**	**469**	**28.0%**
Impairment	-9	16	-16	NM	-196.8%	73	7	NM
Profit before tax	**80**	**120**	**108**	**35.1%**	**-10.2%**	**440**	**476**	**8.3%**
Corporate tax	-6	-10	-10	60.5%	-3.3%	-39	-43	9.6%
Net profit	**74**	**110**	**98**	**33.0%**	**-10.8%**	**401**	**434**	**8.2%**

FABS estimate & Co Data

Ajman Bank - KPI

	3Q24	2Q25	3Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	58.9%	46.7%	47.1%	-1,177	37	55.3%	46.4%	-896
NIM	2.3%	1.9%	2.0%	-35	10	2.2%	2.0%	-14
NIS	2.5%	2.0%	1.9%	-63	-5	2.4%	2.1%	-30
Fees & comms/OI	21.9%	29.7%	28.4%	649	-128	25.9%	30.3%	440
Invt Securities/OI	19.2%	23.6%	24.5%	528	91	18.8%	23.3%	455
Cost to income	52.7%	48.0%	44.1%	-856	-387	50.2%	45.2%	-502
Impairment/PPP	9.9%	-15.7%	12.7%	284	2,840	-20.0%	-1.6%	1,840
NP/OI	39.4%	55.1%	44.4%	497	-1,076	54.4%	50.7%	-376
Cost of risk	0.2%	-0.4%	0.1%	NM	53	-0.5%	-0.1%	47
Loan-to-deposit	69.4%	74.2%	74.0%	459	-21	71.8%	73.0%	125
NPL	11.8%	10.2%	10.0%	-176	-16	11.4%	9.8%	-163
Coverage excluding collateral	38.9%	46.4%	47.0%	809	63	53.6%	48.0%	-565
Tier 1	18.4%	16.1%	15.4%	-297	-74	18.0%	15.5%	-247
Capital adequacy	19.5%	17.3%	16.5%	-299	-77	19.1%	16.6%	-249
ROAA	-0.1%	1.7%	1.8%	181	6	1.7%	1.7%	4
ROAE	-0.4%	14.1%	14.3%	1,477	23	13.8%	13.4%	-45

FABS estimate & Co Data

Ajman Bank - Key B/S items

AED Mn	3Q24	4Q24	1Q25	2Q25	3Q25F	YOY Ch
Net advances	13,404	12,959	13,915	14,825	15,272	13.9%
QOQ change	-3.6%	-3.3%	7.4%	6.5%	3.0%	
Total assets	24,440	22,854	24,497	26,633	27,453	12.3%
QOQ change	0.8%	-6.5%	7.2%	8.7%	3.1%	
Customer deposits	19,310	18,062	18,511	19,977	20,637	6.9%
QOQ change	0.0%	-6.5%	2.5%	7.9%	3.3%	
Total equity	3,025	3,112	3,077	3,224	3,322	9.8%
QOQ change	5.0%	2.9%	-1.1%	4.8%	3.1%	

FABS estimate & Co Data

3Q25 preview: Commercial Bank International (CBI)

Lower non-funded income to affect profitability

Current Price	12-m Target Price	Upside/Downside (%)	Rating
AED 0.98	AED 1.05	+7.14%	HOLD

3Q25 estimate

Commercial Bank International's (CBI/the Bank) net profit is expected to decrease significantly 70.0% YOY to AED 45 Mn in 3Q25, mainly due to an anticipated decline in non-funded income because of lower expected gain on sale of non-financial assets, partially offset by an estimated increase in net funded income and decrease in tax charge. Funded income is projected to fall 15.9% YOY to AED 211 Mn in 3Q25, primarily due to an expected in decline in asset yield, partially offset by an anticipated increase in net advances. Similarly, income from Islamic financing is predicted to decline 9.1% YOY to AED 28 Mn in 3Q25 owing to the decline in yield on Islamic assets. Additionally, funded expense is estimated to decline 27.0% YOY to AED 144 Mn in 3Q25, due to a decline in cost of funds, partially offset by rise in deposits. Hence, net funded income is expected to grow 12.8% YOY to AED 95 Mn in 3Q25. Fees and commission income are forecasted to decrease 15.4% YOY to AED 35 Mn in 3Q25, while other operating income is predicted to fall significantly 78.9% YOY to AED 33 Mn. Thus, CBI's total non-funded income is likely to decline 65.6% YOY to AED 67 Mn in 3Q25. As a result, total operating income is likely to decrease 42.0% YOY to AED 162 Mn in 3Q25. Operating expenses are anticipated to decline 2.7% YOY to AED 105 Mn in 3Q25. However, we expect the Bank's cost-to-income ratio to degrade from 38.7% in 3Q24 to 65.0% in 3Q25. We forecast CBI's impairment charge to rise 26.2% YOY to 8 Mn in 3Q25. In addition, the Bank's tax expense is expected to decline 70.2% YOY to AED 4 Mn in 3Q25.

2025 forecast

CBI's net profit is expected to decrease 13.0% YOY to AED 175 Mn in 2025, mainly due to a projected decline in non-funded income, coupled with an increase in operating expenses, partially offset by the projected increase in net funded income coupled with lower impairment charges and tax expense. Funded income is estimated to decline 12.2% YOY to AED 859 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 22.6% YOY to AED 128 Mn in 2025, supported by growth in average Islamic financing assets. Furthermore, we forecast funded expenses to fall 1.7% YOY to AED 604 Mn in 2025. As a result, net funded income is expected to grow 11.5% YOY to AED 384 Mn in 2025. Fees and commission income are estimated to rise 10.0% YOY to AED 152 Mn in 2025, while the other operating income is anticipated to decline 30% YOY to AED 155 Mn in 2025. Hence, total non-funded income is predicted to decline 14.6% YOY to AED 307 Mn in 2025. As a result, operating income is anticipated to decline 1.8% YOY to AED 691 Mn in 2025. Operating expenses are anticipated to grow 6.1% YOY to AED 401 Mn in 2025. The Bank's impairments are estimated to fall 6.5% YOY to AED 96 Mn in 2025. In addition, the Bank's tax expenses are expected to fall 12.9% YOY to AED 18 Mn in 2025.

2Q25 outturn

CBI's funded income fell 16.3% YOY to AED 206 Mn in 2Q25 attributed to a decline in asset yield, partially offset by an increase in loans & advances. However, income from Islamic financing and investment assets surged 63.3% YOY to AED 34 Mn in 2Q25, driven by expansion in average Islamic financing, partially offset by lower yield on Islamic assets. Funded expenses fell 19.5% YOY to AED 146 Mn in 2Q25 owing to lower cost of funds, partially offset by a rise in customer deposits. As a result, the net funded income grew 9.3% YOY to AED 95 Mn in 2Q25. NIMs marginally grew 10 bps YOY and fell 3 bps QOQ to 2.1% in 2Q25. Net fees and commission income reduced from AED 35 Mn in 2Q24 to AED 28 Mn in 2Q25, whereas other operating income rose from AED 9 Mn in 2Q24 to AED 22 Mn in 2Q25. As a result, the non-funded income increased 14.7% YOY to AED 50 Mn in 2Q25. Thus, total operating income rose 11.1% YOY to AED 144 Mn in 2Q25. On the other hand, operating expenses increased 3.2% YOY to AED 100 Mn in 2Q25. Cost-to-income ratio improved from 74.3%

in 2Q24 to 69.1% in 2Q25. The Bank's impairment reversal declined from AED 16 Mn in 2Q24 to AED 3 Mn in 2Q25. CBI's corporate tax rose 10.0% YOY to AED 5 Mn in 2Q25.

Target Price and Rating

We maintain our HOLD rating on CBI with a target price of AED 1.05. The rating reflects ongoing weaknesses in both top-line and bottom-line performance, as observed in 2Q25 results, coupled with structural challenges in asset quality, profitability, and market positioning. In 2Q25, the Bank reported a decline in both revenue and net profit, underlining subdued core banking activity. CBI continues to hold a modest market share within the UAE's banking sector, with total assets remaining broadly flat on a QOQ basis. However, net advances declined for the second consecutive quarter, reaching AED 12.9 Bn, primarily due to reduced exposure in high-risk sectors. While net interest margins were stable QOQ, the high concentration of Stage 2 and Stage 3 loans highlights persistent asset quality concerns. Customer deposits declined again to AED 15.2 Bn. Additionally, high-cost term deposit constitutes the majority of total deposits. Although the cost-to-income ratio improved from 74.3% in 2Q24 to 69.1% in 2Q25, it remains elevated and, along with lower NIMs, could weigh on the bank's operating profitability relative to risk-weighted assets. Additionally, the NPL ratio rose 32 bps QOQ to 16.8% in 2Q25, reflecting a further increase in Stage 3 loans, though the coverage ratio improved slightly to 44.7%. Capitalization ratios stayed flat on QOQ, showing marginal improvement on a YOY basis, but remain below industry peers. Moreover, in accordance with the dividend policy, the Bank does not distribute any dividends to its shareholders. 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	13.98	14.52	11.06	8.46	9.73
PB	0.86	0.82	0.80	0.74	0.69	0.64
BVPS	1.134	1.200	1.230	1.320	1.422	1.522
EPS	NM	0.070	0.067	0.089	0.116	0.101
DPS	NA	NA	NA	NA	NA	NA
Dividend Yield	NA	NA	NA	NA	NA	NA

FABS estimate & Co Data

CBI - P&L

AED Mn	3Q24	2Q25	3Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Funded income	251	206	211	-15.9%	2.2%	978	859	-12.2%
Inc from Islamic fin & invest assets	31	34	28	-9.1%	-16.1%	105	128	22.6%
Funded expenses	-198	-146	-144	-27.0%	-0.8%	-614	-604	-1.7%
Net funded income	**84**	**95**	**95**	**12.8%**	**0.4%**	**344**	**384**	**11.5%**
Fees and commissions	41	28	35	-15.4%	25.0%	138	152	10.0%
Other operating income, net	155	22	33	-78.9%	50.0%	221	155	-30.0%
Total non-funded income	**196**	**50**	**67**	**-65.6%**	**36.0%**	**360**	**307**	**-14.6%**
Total operating income	**280**	**144**	**162**	**-42.0%**	**12.6%**	**704**	**691**	**-1.8%**
Operating expenses	-108	-100	-105	-2.7%	6.0%	-378	-401	6.1%
Pre provision profit	**172**	**45**	**57**	**-66.9%**	**27.4%**	**326**	**290**	**-11.0%**
Impairment	-6	3	-8	26.2%	NM	-103	-96	-6.5%
UAE corporate tax	-15	-5	-4	-70.2%	-12.4%	-21	-18	-12.9%
Non-controlling interests	0	0	0	NM	NM	1	1	NM
Net profit	**149**	**43**	**45**	**-70.0%**	**5.2%**	**201**	**175**	**-13.0%**

FABS estimate & Co Data

CBI - P&L KPI

	3Q24	2Q25	3Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	30.1%	65.6%	58.5%	NM	-712	48.9%	55.5%	665
NIM	1.9%	2.1%	2.1%	19	-3	1.9%	2.0%	10
NIS	1.4%	1.8%	1.7%	29	-6	1.5%	1.7%	21
Fees & comms/OI	14.7%	19.3%	21.4%	675	212	19.7%	22.0%	237
Trading/OI	55.3%	15.1%	20.1%	NM	500	31.5%	22.4%	NM
Cost to income	38.7%	69.1%	65.0%	NM	-406	53.7%	58.0%	433
Impairment/PPP	3.5%	-6.7%	13.3%	984	2,003	31.6%	33.2%	NM
NP/OI	53.3%	29.6%	27.6%	NM	-196	28.6%	25.3%	-325
Cost of risk	0.3%	-0.1%	0.3%	0	35	0.9%	0.8%	-6
Loan-to-deposit	85.0%	85.3%	86.0%	101	74	88.0%	87.0%	-103
NPL - calculated	17.1%	16.8%	15.5%	-165	-128	15.9%	15.0%	-93
Coverage - calculated	34.9%	44.7%	0.0%	NM	NM	41.7%	45.8%	406
CET 1	12.0%	13.7%	13.4%	147	-29	13.8%	13.9%	9
Capital Adequacy	15.8%	17.6%	17.2%	136	-43	17.7%	17.6%	-15
ROAE	10.9%	8.4%	3.9%	-693	-442	8.4%	6.8%	-160
ROAA	1.3%	1.0%	0.5%	-83	-54	1.0%	0.8%	-20

FABS estimate & Co Data

CBI- Key BS Items

AED Mn	3Q24	4Q24	1Q25	2Q25	3Q25	YOY Ch
Net advances	12,911	13,583	13,362	12,946	13,392	3.7%
QOQ Change	3.2%	5.2%	-1.6%	-3.1%	3.4%	
Total assets	20,995	20,895	20,577	20,579	21,379	1.8%
QOQ Change	5.1%	-0.5%	-1.5%	0.0%	3.9%	
Customer deposits	15,191	15,430	15,339	15,185	15,572	2.5%
QOQ Change	6.8%	1.6%	-0.6%	-1.0%	2.6%	
Total equity	2,970	2,929	2,969	3,001	3,046	2.5%
QOQ Change	5.3%	-1.4%	1.4%	1.1%	1.5%	

FABS estimate & Co Data

3Q25 preview: United Arab Bank (UAB)

Strategic transformation initiatives to support profitability

Current Price	12-m Target Price	Upside/Downside (%)	Rating
AED 1.23	AED 1.23	+0.00%	HOLD

3Q25 Estimate

United Arab Bank (UAB) is anticipated to report 40.2% YOY increase in net profit to AED 103 Mn in 3Q25, mainly due to an expected increase in net funded income, non-funded, partially offset by an estimated rise in operating expenses, and tax expense. Funded income is forecasted to rise 15.8% YOY to AED 350 Mn in 3Q25, due to a forecasted increase in average interest-earning assets, partially offset by an anticipated decrease in asset yield. Also, the funded expense is anticipated to decline marginally 0.1% YOY to AED 191 Mn in 3Q25, due to an expected decline in cost of funds, partially offset by an increase in interest-bearing liabilities. Therefore, net funded income is predicted to increase substantially 43.2% YOY to AED 159 Mn in 3Q25. Furthermore, fee and commission income is anticipated to grow 21.9% YOY to AED 27 Mn in 3Q25. Whereas, exchange income is predicted to rise 13.9% YOY to AED 11 Mn in 3Q25. The Bank’s other non-funded income is anticipated to increase 48.5% YOY to AED 12 Mn in 3Q25. Thus, total non-funded income is expected to rise 25.4% YOY to AED 51 Mn in 3Q25. UAB’s operating income is likely to grow 38.4% YOY to AED 210 Mn in 3Q25. The Bank’s operating expense is expected to increase 22.9% YOY to AED 92 Mn in 3Q25. UAB is expected to witness an impairment charge of AED 4 Mn in 3Q25 compared to an impairment reversal of AED 5 Mn in 3Q24. The Bank is expected to pay an income tax expense of AED 10 Mn in 3Q25 compared to AED 7 Mn in 3Q24.

2025 Forecast

UAB's net profit is forecasted to rise 35.1% YOY to AED 407 Mn in 2025, attributed to an expected increase in net funded income and non-funded income, partially offset by an anticipated rise in operating expenses and tax expense. The Bank's funded income is expected to increase 11.1% YOY to AED 1,324 Mn in 2025, primarily due to an expected increase in average interest-earning assets, partially offset by a forecasted reduction in asset yields. On the other hand, funded expense is predicted to rise marginally 1.0% YOY to AED 733 Mn in 2025, owing to solid growth expected in deposits, partially offset by decline in cost of funds. Consequently, net funded income is likely to grow 26.7% YOY to AED 591 Mn in 2025. The Bank’s fees and commission income is predicted to grow 18.0% YOY to AED 107 Mn in 2025. Additionally, exchange income is forecasted to rise 30.0% YOY to AED 45 Mn in 2025. Furthermore, other non-funded income is predicted to increase substantially from AED 14 Mn in 2024 to AED 49 Mn in 2025. Consequently, total non-funded income is likely to grow 44.5% YOY to AED 201 Mn in 2025. The Bank’s operating income is expected to rise 30.7% YOY to AED 792 Mn in 2025. In addition, operating expenses are predicted to increase 15.1% YOY to AED 366 Mn in 2025. UAB’s impairment reversal is expected to decline from AED 43 Mn in 2024 to AED 21 Mn in 2025. The Bank’s income tax expense is anticipated to increase 34.9% YOY to AED 40 Mn in 2025.

2Q25 Outrun

UAB’s interest income grew 14.0% YOY to AED 337 Mn in 2Q25, driven by a strong growth in net advances, asset yield, and a one-time adjustment to net interest income following the implementation of Credit Risk Management Standards issued by the CBUAE. Interest expenses decreased 3.2% YOY to AED 179 Mn in 2Q25 owing to a significant rise in customer deposits and lower cost of funds. UAB’s net funded income rose 42.8% YOY to AED 158 Mn in 2Q25. Fees and commissions income increased 33.5% YOY to AED 26 Mn in 2Q25 alongside exchange income, that grew 67.6% YOY to AED 11 Mn. Similarly, other non-funded income rose from AED 0.1 Mn in 2Q24 to AED 13 Mn in 2Q25. Non-funded income almost doubled from AED 26 Mn in 2Q24 to AED 50 Mn in 2Q25 due to focus on improving cross-selling abilities and gains in FX. Operating expenses increased 26.3% YOY to AED 89 Mn in 2Q25, driven by investments in talent and enhancements to products and systems to strengthen the Bank’s operations along with non-discretionary regulatory expenses while maintaining discipline in discretionary spending. Thus, cost to income ratio decreased from 51.7% in 2Q24 to 42.9% in 2Q25. The Bank recorded an impairment charge of AED 2 Mn in 2Q25, compared to a reversal of AED 11 Mn in 2Q24. Tax expenses increased 52.4% YOY to AED 11 Mn in 2Q25 in line with growth in profit before tax.

Target Price and recommendation

We maintain our HOLD rating on UAB with a target price of AED 1.23. UAB's operational performance underscores the success of its strategic transformation initiatives. Consistent efforts and focus enabled the Bank to record positive retained earnings in 2Q25, effectively wiping out its previously accumulated losses. UAB recorded strong growth in net interest income due to a significant rise in advances and improvement in asset yield, coupled with the one-off adjustment following the adoption of Credit Risk Management Standards introduced by the CBUAE. The Bank efficiently deployed liquidity in high-quality assets to enhance yield on investments. As per our calculation, the Bank's NIMs increased 32 bps YOY and 59 bps QOQ to 2.8% in 2Q25 primarily due to an improvement in asset yield and a one-time gain in interest income. Proficient execution of a robust lending pipeline continued to drive growth in net loans, advances, and Islamic financing, with lending increasing 28.6% YOY and 7.6% QOQ to AED 13.4 Bn in 2Q25. The Bank remains focused on optimizing funding costs to build a favourable mix between deposits and borrowings, aligned with asset growth. UAB's proactive risk management and sustained recovery efforts have significantly improved asset quality over the past three years. As a result, the NPL ratio declined to 2.2% in 2Q25, down from 3.9% at 4Q24 and 11.6% in 4Q21. Meanwhile, provision coverage stood firm at 148% excluding collaterals, and 204% including collaterals in 2Q25. UAB's liquidity moderated in 2Q25, with the loan-to-deposit ratio increasing from 83.5% in 1Q25 to 86.0% in 2Q25 owing to solid growth in advances. CASA deposits constituted 36% of the total deposit in 2Q25 compared to 34% in 4Q24. Moreover, the Bank maintained a healthy capitalization with a CET 1 ratio of 12.1% and CAR of 16.3% in 2Q25. Additionally, UAB completed the rights issue of AED 1.03 Bn, offering one share for every two shares held, increasing total share capital to up to AED 3.09 Bn, strengthening the Bank's capital adequacy. However, the Bank is not expected to pay any dividend in the near future. Thus, based on the above-mentioned factors, we maintain our HOLD rating on the bank.

UAB - Relative valuation

(At CMP)	2020	2021	2022	2023	2024	2025F
PE	NA	36.14	16.40	9.92	8.42	7.46
PB	1.74	1.68	1.69	1.46	1.27	0.90
BVPS	0.705	0.733	0.727	0.844	0.971	1.362
EPS	NM	0.034	0.075	0.124	0.146	0.165
DPS	NA	NA	NA	NA	NA	NA
Dividend Yield	NA	NA	NA	NA	NA	NA

FABS Estimates & Co Data

UAB - P&L

AED Mn	3Q24	2Q25	3Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Interest income	302	337	350	15.8%	3.9%	1,193	1,324	11.1%
Interest expense	-191	-179	-191	-0.1%	6.6%	-726	-733	1.0%
Net interest income	**111**	**158**	**159**	**43.2%**	**0.7%**	**467**	**591**	**26.7%**
Fees and commissions	22	26	27	21.9%	4.0%	91	107	18.0%
Exchange income	10	11	11	13.9%	2.0%	34	45	30.0%
Other non-funded income	8	13	12	48.5%	-5.0%	14	49	NM
Total non-funded income	**41**	**50**	**51**	**25.4%**	**1.2%**	**139**	**201**	**44.5%**
Total operating income	**152**	**208**	**210**	**38.4%**	**0.9%**	**606**	**792**	**30.7%**
Total operating Expenses	-75	-89	-92	22.9%	3.3%	-318	-366	15.1%
Pre provision profit	**77**	**119**	**118**	**53.7%**	**-1.0%**	**288**	**426**	**48.0%**
Impairment	5	-2	-4	NM	94.6%	43	21	NM
Profit before tax	**81**	**117**	**114**	**40.2%**	**-2.7%**	**331**	**447**	**35.1%**
Corporate tax	-7	-11	-10	40.1%	-3.0%	-30	-40	34.9%
Net profit	**74**	**106**	**103**	**40.2%**	**-2.7%**	**301**	**407**	**35.1%**

UAB - P&L KPI

	3Q24	2Q25	3Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	73.3%	75.9%	75.8%	252	-9	77.0%	74.6%	-241
NIM	2.4%	2.8%	2.7%	33	-11	2.5%	2.6%	6
NIS	1.8%	2.4%	2.3%	52	-10	2.0%	2.2%	25
Fees & comms/OI	14.8%	12.6%	13.0%	-176	39	15.0%	13.5%	-146
Exchange income/OI	6.5%	5.3%	5.3%	-115	6	5.7%	5.6%	-3
Cost to income	49.6%	42.9%	44.0%	-555	106	52.5%	46.2%	-627
Impairment/PPP	-5.9%	1.7%	3.4%	932	167	-14.9%	-4.9%	999
NP/OI	48.6%	51.0%	49.2%	60	-178	49.7%	51.4%	167
Cost of risk – Calculated	-0.2%	0.1%	0.0%	19	-3	-0.4%	-0.2%	24
Loan-to-deposit	89.4%	86.0%	86.7%	-268	70	84.9%	84.5%	-40
NPL	4.1%	2.2%	2.5%	-157	34	3.9%	2.5%	-135
Coverage excluding collateral	125.2%	148.0%	140.0%	NM	-796	117.7%	130.0%	NM
CET 1	13.8%	12.1%	17.2%	340	510	12.7%	17.1%	441
Capital adequacy	18.8%	16.3%	20.9%	215	465	17.4%	20.8%	338
ROAE	14.2%	18.1%	14.8%	61	-327	16.1%	15.2%	-92
ROAA	1.5%	1.7%	1.8%	27	6	1.5%	1.7%	15

FABS estimate & Co Data

UAB- Key BS Items

AED Mn	3Q24	4Q24	1Q25	2Q25	3Q25F	YOY Ch.
Net advances	10,754	11,526	12,472	13,418	14,474	34.6%
QOQ Change	3.1%	7.2%	8.2%	7.6%	7.9%	
Total assets	20,016	21,461	23,429	23,921	25,578	27.8%
QOQ Change	1.0%	7.2%	9.2%	2.1%	6.9%	
Customer deposits	12,031	13,577	14,942	15,601	16,830	39.9%
QOQ Change	-0.8%	12.9%	10.1%	4.4%	7.9%	
Total equity	2,577	2,551	2,659	2,781	3,916	51.9%
QOQ Change	6.9%	-1.0%	4.2%	4.6%	40.8%	

FABS estimate & Co Data

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