

## UAE Banking Sector – June 2026

*Robust Loan Growth and Funding Strength Support 2Q26 Outlook*

Sector Weighting:  
**MARKET WEIGHT**

### Top Picks and Rating Changes

UAE banks are expected to enter 2Q26 from a position of strength, supported by robust balance-sheet growth, healthy liquidity, and resilient operating performance. Despite ongoing geopolitical uncertainty in the region, credit demand remains strong across both corporate and retail segments. Retail lending continued to be a key growth driver, underpinned by solid demand for mortgages, personal finance, and auto loans, while corporate financing benefited from increased activity from government-related entities (GREs), public sector projects, financial institutions, and large corporates. Large-cap banks such as ADCB, ADIB, DIB, and ENBD continue to report strong financing momentum and healthy lending pipelines, reflecting sustained economic activity across the UAE. Demand remains particularly resilient in domestic markets, supported by ongoing investments in infrastructure and development projects. The Banks also highlighted strong visibility on future loan growth, supported by financing pipelines across infrastructure, trade, manufacturing, services, and government-linked projects. While large-cap banks continue to benefit from strong corporate, GRE, and infrastructure-related demand, mid-cap banks are also witnessing healthy lending activity across SME, wholesale, and retail segments. ADIB reaffirmed its gross financing growth guidance of 12%-14% for 2026, while DIB continues to target financing and Sukuk growth of around 10%, supported by strong retail and corporate pipelines. The large-cap banks further suggests that customer activity and financing demand remained resilient into April and early 2Q26, with banks continuing to report healthy origination pipelines across both retail and wholesale segments. Consequently, loan growth is expected to remain the primary driver of earnings expansion in 2Q26, supported by ongoing infrastructure spending, government-linked projects, and favorable economic conditions across the UAE.

On the funding side, UAE banks continue to benefit from strong deposit inflows and stable low-cost funding franchises. Low-cost deposit franchises strengthened further, with ENBD maintaining the highest CASA ratio at 60% in 1Q26, while ADCB, ADIB, and CBD reported healthy CASA growth and inflows, helping contain funding costs despite lower interest rates. Although NIMs moderated across the sector due to the lagged impact of policy rate cuts, lower funding costs, strong loan growth, disciplined pricing, and resilient CASA balances helped contain margin compression. While margin normalization is expected to continue through 2Q26 amid the lagged impact of prior policy rate cuts, UAE Banks generally expect strong balance-sheet growth, resilient CASA franchises, and disciplined funding management to partially offset pressure on NIMs. Liquidity remains strong across UAE banks, with ENBD reporting an LCR of 141% and ADR of 82% in 1Q26, ADCB maintaining an LCR of 124.2%, and ADIB reporting an ELAR of 13.6% and AFR of 87.6% in 1Q26. These healthy liquidity buffers indicate that funding and liquidity risks remain well contained despite heightened geopolitical uncertainty.

Non-funded income is expected to remain a key earnings driver in 2Q26. ADCB recorded strong growth in fee income and other operating income, supported by higher loan-related fees, trade finance activity, wealth management, and treasury-related gains. ADCB further expects this momentum to continue through 2026. Emirates NBD (ENBD) also delivered robust non-funded income<sup>05</sup> growth across products, customer segments, and geographies. Overall, continued business

activity, transaction banking volumes, and expanding product offerings are likely to support fee generation, partially offsetting any pressure from the interest-rate environment in UAE.

Asset quality and provisioning are likely to remain key areas of focus during 2Q26. In response to heightened geopolitical risks and macroeconomic uncertainty, several UAE banks adopted a more cautious stance during 1Q26 by increasing precautionary overlays and incorporating more conservative economic assumptions into their provisioning frameworks. ENBD booked additional management overlays and indicated that its cost-of-risk guidance could be reassessed following updates to macroeconomic assumptions and collateral valuations. Similarly, ADCB increased its macroeconomic overlay provisions and raised downside scenario weightings, reflecting a more prudent risk outlook. DIB also reported higher impairment charges due to a precautionary ECL overlay, while emphasizing that underlying credit performance and portfolio quality remained broadly unchanged. While underlying asset quality remains resilient, provisioning costs could remain elevated in the near term until there is greater clarity on regional developments. Key areas of focus during 2Q26 are likely to include the evolution of precautionary provisioning overlays, margin performance in a lower-rate environment, and any revisions to management guidance as banks reassess the potential impact of regional developments on economic activity and customer confidence. Overall, UAE banks appear well positioned to navigate the current geopolitical environment due to strong loan growth, healthy deposit inflows, robust liquidity buffers, and diversified revenue streams. Consequently, while elevated precautionary provisions may continue to weigh on near-term earnings, resilient asset quality, healthy funding conditions, and strong core business momentum are expected to support earnings resilience across the UAE banking sector in 2Q26.

**Our top picks:**

- 1) **ENBD** (Trades at 8.07x/1.24x 2026E P/E and P/B multiple with a dividend yield of 3.3% and a Target Price (TP) of AED 33.50). ENBD reported strong balance-sheet expansion during 1Q26, with gross lending increasing by AED 45 Bn and customer deposits rising by AED 44 Bn on a YTD basis, supported by healthy demand across both retail and corporate segments. The Bank reiterated its mid-teens loan growth guidance for 2026 and indicated that lending momentum remained strong into April, supported by resilient economic activity and healthy demand across key sectors. ENBD continues to benefit from a high-quality funding profile, maintaining a sector-leading CASA ratio of 60%, which provides flexibility to navigate a lower interest-rate environment. NIMs remained strong at 3.35% in 1Q26, at the upper end of the Bank's 2026 guidance range, while asset quality improved with the NPL ratio declining to 2.3% in 1Q26 from 2.4% in 4Q25. The Bank also maintained a solid capital and liquidity position, with a CAR of 16.4% and CET1 ratio of 14.2% in 1Q26, providing a strong foundation for future growth.
- 2) **ADIB** (Trading at 11.23x/2.60x 2026E P/E and P/B multiple with a dividend yield of 4.8% and Target Price (TP) of AED 26.00). ADIB reaffirmed its 2026 guidance across all key operating metrics and highlighted that financing growth is currently trending ahead of the bank's 12-14% target range, supported by healthy demand across retail, government-related entities, and public sector clients. Retail financing surpassed AED 100 Bn for the first time, supported by strong demand for home, personal, and auto financing, while wholesale financing benefited from government-related projects. Customer deposits increased 19.6% YOY to AED 239.3 Bn, with CASA deposits accounting for a strong 67% of total deposits, reflecting a stable and low-cost funding base. Asset quality remained a key strength, with the NPL ratio improving to a record low of 2.6% and NPL coverage reaching 99% in 1Q26. Furthermore, the Bank indicated that no additional overlays were required following extensive stress-testing exercises, reflecting confidence in the resilience of the loan portfolio and the adequacy of existing provisioning buffers.
- 3) **ADCB** (Trades at 8.94x/1.32x 2026E P/E and P/B multiple with a dividend yield of 4.6% and a Target Price (TP) of AED 18.00) ADCB continues to benefit from a healthy financing pipeline supported by ongoing infrastructure spending, government-related projects, and resilient economic activity across the UAE, with the Bank expecting stronger loan growth momentum in the coming quarters. The Bank's funding profile remains a key strength, with CASA deposits increasing to 46.9% in 1Q26, supporting funding cost optimization and maintaining ample liquidity buffers. In addition, ADCB reported healthy fee income growth and expects momentum in non-funded income to remain supportive, while increasing the share of recurring income from trading activities to approximately 60% from 50% previously, enhancing earnings visibility. Asset quality continued to strengthen, with the NPL ratio improving to 3.55% and the coverage ratio exceeding 100% as of 1Q26, reflecting continued progress in balance sheet de-risking. Despite adopting a more conservative provisioning approach during 1Q26, the Bank maintained a ROE above 20%, underscoring the resilience of its core operating performance and underlying earnings generation capabilities.

## Key Industry Themes

The UAE economy remained resilient in 2025, with real GDP growing 6.2% YOY, supported by a strong expansion in the non-hydrocarbon sector. This performance was led by construction, finance and insurance, and wholesale and retail trade. Despite increased uncertainty surrounding the 2026 outlook due to regional tensions and volatile energy markets, the economy is projected to grow 1.7% in 2026, supported by strong fiscal and external buffers, expansionary government spending, infrastructure investments, and targeted policy support measures. Growth is expected to accelerate to 9.8% in 2027, driven by a normalization and increase in hydrocarbon output alongside sustained momentum in the non-hydrocarbon sector. The UAE's non-oil private sector continued to expand in May 2026, although the pace of growth remained moderate due to regional geopolitical tensions and ongoing supply-chain disruptions. The S&P UAE PMI increased from 52.1 in April 2026 to 52.6 in May 2026, indicating an improvement in business conditions, but remaining below the long-term average of 54.3. Business activity growth reached a three-month high during the month, supported by stronger market demand, project expansions, and government-led initiatives. Export sales declined for the second consecutive month, although the pace of contraction moderated compared to April. Supply-chain conditions deteriorated significantly during May, with supplier delivery times lengthening at the fastest pace since April 2020. Purchasing activity declined for the first time in nine months as businesses reduced procurement due to supply uncertainties and weaker demand conditions. Input cost inflation remained elevated, with costs rising at the second-fastest pace in nearly two years.

The CBUAE forecasts UAE inflation at 2.3% in 2026, supported by moderate housing costs and government price controls despite geopolitical-related supply pressures. Inflation is expected to ease to 1.9% in 2027 as supply conditions improve and energy prices soften. The UAE banking system's domestic advances grew 0.9% MOM to AED 2,156.8 Bn in April 2026, supported by strong lending momentum across public sector (GREs), private sector segments, and lending from government. The increase was primarily driven by the public sector (GREs), which expanded 2.3% MOM to AED 342.0 Bn in April 2026, followed by the government sector lending which grew 1.3% MOM to AED 248.9 Bn in April 2026 and private sector lending which recorded a marginal growth of 0.5% MOM to AED 1,565.9 Bn in April 2026, supported by higher lending to financial institutions. Deposits increased 0.7% MOM to AED 3,469.5 Bn in April 2026, supported by an increase in resident and non-resident deposits. Resident deposits grew 0.7% MOM to AED 3,161.9 Bn in April 2026, driven by the government and private sector. Meanwhile, non-resident deposits rose 0.2% MOM to AED 307.6 Bn in April 2026. Total assets grew 0.2% MOM and 17.3% YOY to AED 5,570.1 Bn in April 2026. However, liquid assets decreased from AED 919.4 Bn in 4Q25 to AED 902.1 Bn in 1Q26, with the liquid assets-to-total assets ratio decreasing from 17.4% in 4Q25, to 16.4% in 1Q26. On the earnings front, gross income decreased from AED 168.0 Bn in 4Q25 to AED 46.3 Bn in 1Q26, while interest margin income declined from AED 110.3 Bn in 4Q25 to AED 28.5 Bn in 1Q26. Profitability metrics remained robust, with the sector delivering a Return on Assets (ROA) of 2.1% and a Return on Equity (ROE) of 19.4% in 1Q26.

In June 2026, the US Federal Reserve maintained the federal funds rate at 3.50%-3.75%, as inflation continued to remain above the central bank's 2% target. The latest policy projections indicate a more cautious stance, with several policymakers anticipating the possibility of a rate hike before the end of 2026, amid persistent inflationary pressures. Following this move, the CBUAE also maintained its Overnight Deposit Facility rate to 3.65%. The prevailing higher interest rate environment is expected to remain supportive for UAE banks, helping sustain healthy NIMs and profitability through elevated lending yields.

The average cost-to-income ratio of UAE banks remained stable with the sector average at 35.0% in 1Q26. FAB and ADCB continued to deliver the strongest efficiency levels, posting cost-to-income ratios of 22.6% and 25.6%, respectively, in 1Q26. On the other hand, CBI Bank recorded highest cost-to-income ratio of 67.9% in 1Q26. RAKBANK recorded the sharpest quarterly improvement, with its ratio declining from 40.3% in 4Q25 to 26.2% in 1Q26. The annualised cost of risk for the UAE banks under our coverage decreased from 0.69 bps in 4Q25 to 0.60 bps in 1Q26. In line with recent trends, only three banks recorded impairment reversals 1Q26, while the remainder continued to report net provisioning charges. Additionally, the UAE banking sector continued to exhibit strong asset quality metrics, with the NPL ratio improving to 2.8% in 1Q26 from 2.9% in 4Q25, supported by robust recoveries and prudent credit underwriting standards. Capital Adequacy Ratio (CAR) declined to 16.8% in 1Q26, compared to 17.0% in 4Q25, remaining comfortably above regulatory requirements. Tier 1 capital ratio decreased from 15.8% in 4Q25 to 15.7% in 1Q26. Common Equity Tier 1 (CET1) capital increased from AED 526.8 Bn in 4Q25, to AED 548.4 Bn in 1Q26, with the CET1 ratio declining to 14.3% in 1Q26, compared to 14.4% in 4Q25. During 1Q26, Risk-Weighted Assets (RWA) expanded to AED 3,840.6 Bn in 1Q26, compared to AED 3,663.4 Bn in 4Q25, reflecting continued growth in lending and balance sheet activity.

## Market Weight

We remain MARKET WEIGHT with 1x HOLD, 2x ACCUMULATE and 8x BUY on the 11 UAE banks under our coverage. UAE systems' total net assets grew 4.1% QOQ to AED 5,556.5 Bn in March 2026. The UAE banking sector's net advances rose 4.4% QOQ to AED 2,138.3 Bn in March 2026. Customer deposits mobilisation increased 4.3% QOQ to AED 3,446.0 Bn in March 2026.

### Target price and rating:

Co. Name	Target Price	Current Market Price	Potential change	Rating
<b>CBI</b>	1.05	0.89	+18.0%	<b>BUY</b>
<b>MASQ</b>	270.00	256.00	+5.5%	<b>HOLD</b>
<b>SIB</b>	3.85	2.98	+29.2%	<b>BUY</b>
<b>AJMANBANK</b>	1.80	1.40	+28.6%	<b>BUY</b>
<b>RAKBANK</b>	10.00	9.07	+10.3%	<b>ACCUMULATE</b>
<b>CBD</b>	10.70	9.30	+15.1%	<b>BUY</b>
<b>ADCB</b>	18.00	15.10	+19.2%	<b>BUY</b>
<b>ADIB</b>	26.00	21.76	+19.5%	<b>BUY</b>
<b>DIB</b>	10.50	7.72	+36.0%	<b>BUY</b>
<b>ENBD</b>	33.50	30.42	+10.1%	<b>ACCUMULATE</b>
<b>UAB</b>	1.60	1.33	+20.3%	<b>BUY</b>

Source: FABS from co data

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## Industry Themes

### **Emirates NBD Raises USD 2.25 Bn in Long-Term Financing Through Syndicated Facilities**

Emirates NBD successfully secured USD 2.25 Bn in long-term funding through a USD 1.75 Bn five-year sustainability-linked syndicated term loan (SLL) and a USD 500 Mn five-year Club Commodity Murabaha facility arranged via Emirates Islamic. The SLL, initially launched at USD 1 Bn, was more than 2x oversubscribed, enabling the bank to increase the facility size to USD 1.75 Bn.

### **CBD Announces Redemption and Delisting of USD 600 Mn AT1 Capital Notes**

Commercial Bank of Dubai (CBD) has announced the redemption of its USD 600 Mn perpetual Additional Tier 1 (AT1) capital securities by exercising the call option on 21 April 2026. Following the redemption, the bank will seek to delist the securities from Euronext Dublin and Nasdaq Dubai. The AT1 bonds were originally issued in 2020, and the bank has not disclosed the reason for the redemption.

### **SAIB Launches AT1 Sukuk Offering Under SAR 5 Bn Programme**

Saudi Investment Bank (SAIB) has launched a private placement of Additional Tier 1 (AT1) sukuk under its SAR 5 Bn sukuk programme to strengthen its capital base. The offering is open to eligible investors until 7 May 2026, with a minimum subscription and par value of SAR 1 Mn per sukuk. The issuance is being jointly managed by Alistithmar Capital and Al Rajhi Capital as lead managers and bookrunners.

### **Emirates NBD Launches Benchmark USD 750 Mn Perpetual AT1 Bond**

Emirates NBD has launched a USD 750 Mn perpetual non-call six-year (PNC6) Additional Tier 1 (AT1) bond, with initial price guidance (IPT) set at around 6.75%. The USD-denominated Regulation S issuance is expected to be priced on 28 April 2026, with settlement scheduled for 5 May 2026. The bond will be listed on Euronext Dublin and Nasdaq Dubai and follows the bank's redemption and delisting of its earlier USD 750 Mn AT1 capital securities due in 2026, supporting the bank's ongoing capital optimization strategy.

### **Central Bank of UAE signed partnership with Norbloc AB to develop an e-KYC platform**

Central Bank of the UAE signed a technical partnership agreement with Norbloc AB to develop a nationwide unified electronic Know Your Customer (KYC) platform under the Financial Infrastructure Transformation Programme. The system will enable customer-consent-based secure data sharing and faster onboarding for individuals, businesses, financial institutions, and fintech companies, with future phases aimed at broader capability expansion and deeper stakeholder integration.

### **FAB Raises USD 700 Mn Through Oversubscribed 5-Year Sukuk**

FAB successfully raised USD 700 Mn through a 5-year senior unsecured sukuk, priced at par with a 4.859% coupon and yield, equivalent to a spread of 85 basis points over US Treasuries, tightening from initial guidance of +115bps. The issuance received strong investor demand, with the orderbook exceeding USD 1.5 Bn, more than 2x oversubscribed. The sukuk will be issued under FAB's USD 5 Bn Trust Certificate Issuance Programme and is rated Aa3 by Moody's and AA- by Fitch.

### **Mal.ai Receives In-Principle Banking Licence Approval from UAE Central Bank**

Abu Dhabi-based fintech startup Mal.ai has received in-principle approval from the Central Bank of the UAE to establish a licensed bank, marking a key step toward launching a global Shariah-compliant

digital banking platform. The approval follows Mal's record USD 230 Mn seed funding round, the largest fintech seed raise in the Middle East and Africa. The proposed bank will operate across banking, wealth management, payments, and embedded finance, targeting the USD 7 Tn global Islamic finance market.

### **Emirates NBD Successfully Completes RBL Bank Acquisition**

Emirates NBD completed the acquisition of a 60% stake in RBL Bank on 18 June 2026 through a preferential equity subscription worth INR 260.2 Bn. Following the completion of the transaction and receipt of all regulatory approvals, RBL Bank became a subsidiary of Emirates NBD, strengthening the bank's presence in the Indian market.

### **Dubai Islamic Bank raised USD 1 Bn through AT1 perpetual non-call 6-year sukuk**

Dubai Islamic Bank priced USD 1 Bn through a perpetual non-call six-year Additional Tier 1 (AT1) sukuk carrying a 6.250% profit rate. Final terms were tightened from the initial guidance of around 6.625%, with the securities priced at par. Demand for the issuance surpassed USD 1.85 Bn, excluding JLM interest, attracting 85 institutional investors from the Middle East, Asia and Europe. The unrated Regulation S Mudaraba-based sukuk was issued through DIB Tier 1 Sukuk (7) Ltd and will be listed on Euronext Dublin and Nasdaq Dubai.

### **FAB launched 3-year euro green bond with IPTs at mid-swap +100-105 bps**

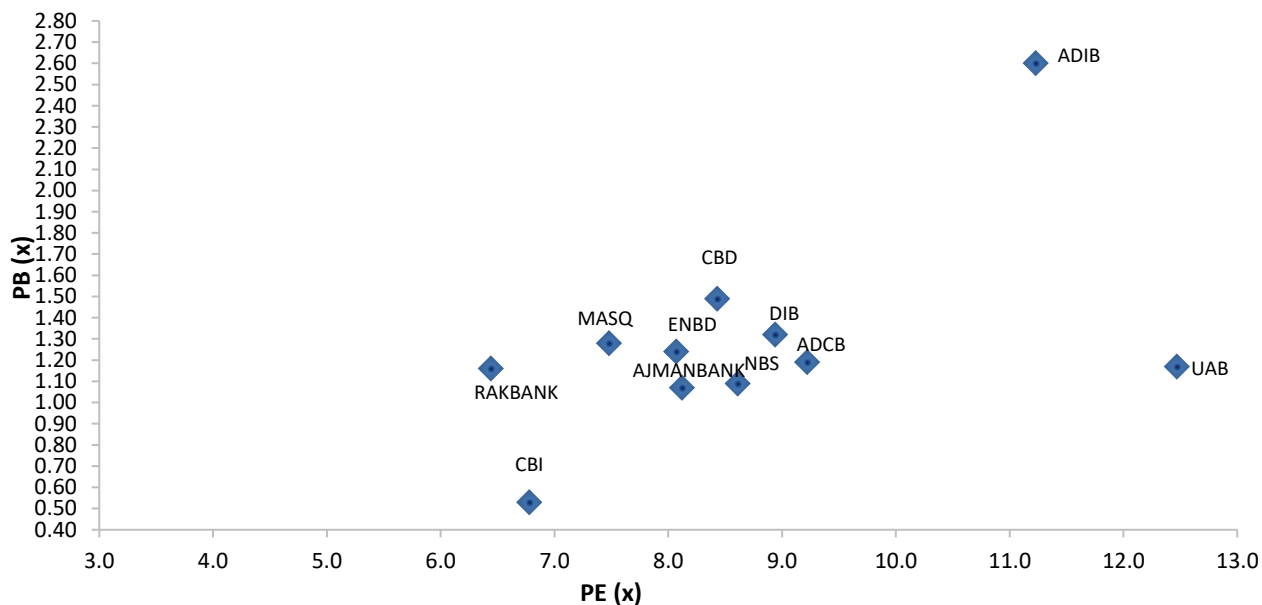
First Abu Dhabi Bank announced a three-year euro-denominated green senior unsecured benchmark offering with initial price guidance set at mid-swap plus 100-105 bps. The Regulation S, Category 2 transaction is being issued under the bank's USD 20 Bn Euro Medium Term Note Programme. BBVA, First Abu Dhabi Bank, HSBC, Industrial and Commercial Bank of China, Societe Generale and Standard Chartered Bank are acting as joint lead managers, with Standard Chartered Bank serving as billing and delivery agent. Net proceeds from the issuance will be allocated to eligible green assets and projects in accordance with FAB's Sustainable Finance Framework, while the notes are expected to be listed on the London Stock Exchange.

**Relative valuation and rating**

**Relative valuation**

Based on our 2026 estimates, eight out of 11 UAE banks are trading below the average book value. Also, except ADIB and UAB all the other UAE banks are trading at a single-digit P/E multiple based on 2026 financials. The P/B ranges between 0.53x (CBI) and 2.60x (ADIB), and the P/E ranges between 6.44x (RAK) and 12.47x (UAB) based on 2026 financials. The UAE banks under our coverage are trading at an average P/E and P/B multiple of 8.71x and 1.29x, respectively, based on 2026 financials.

**FY26 P/E (X-axis) vs. FY26 P/B (Y-axis)**



Source: FABS from Co Data

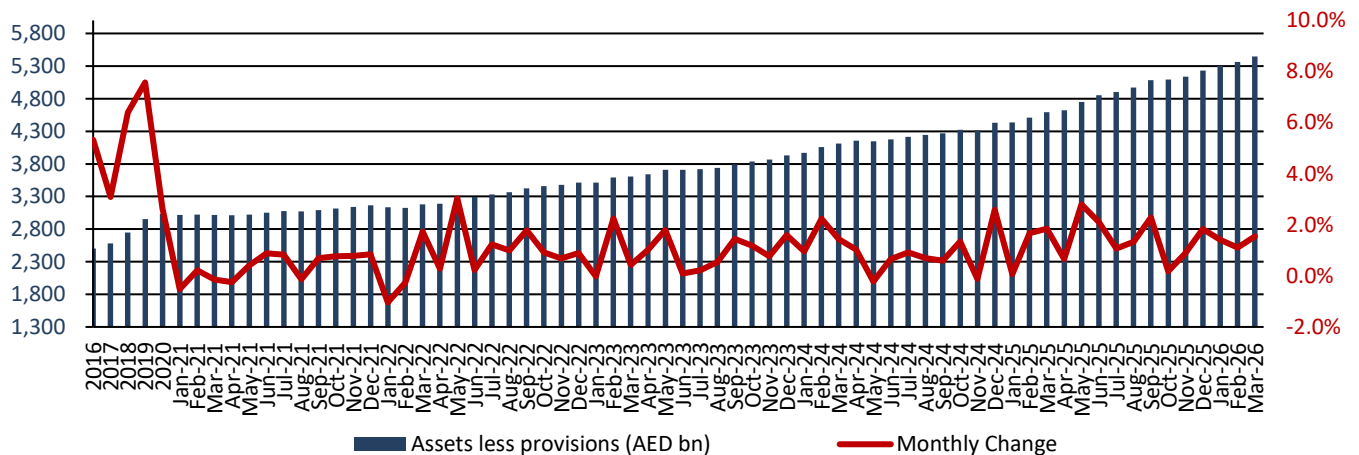
**Banking indicators**

**1. Assets**

**Total net assets rose 1.5% MOM in March 2026**

UAE banking system’s total net assets increased 1.5% MOM to AED 5,556.5 Bn in March 2026.

**UAE banking system assets (AED bn) vs. Monthly change, 2016- March 2026**



Source: FABS from CBUAE

**FAB witnessed the highest growth in total assets on a QOQ basis in 1Q26**

FAB’s total assets recorded the highest growth of 6.2% QOQ to AED 1,490.5 Bn in 1Q26, followed by ADCB with 4.6% QOQ growth to AED 808.9 Bn in 1Q26. Furthermore, ENBD witnessed a 4.5% QOQ rise in total assets to AED 1,216.8 Bn in 1Q26, followed by MASQ with total assets growth of 2.9% on a QOQ basis, reaching to AED 344.3 Bn in 1Q26. ADIB recorded 2.2% QOQ growth in total assets to AED 287.1 Bn, and RAKBANK experienced 2.2% QOQ growth, reaching AED 107.3 Bn in 1Q26. All banks under our coverage reported growth in total assets on a YOY and QOQ basis, except CBD, UAB and AJMANBANK with total assets declining on a QOQ basis. CBD Bank declined the highest with 1.5% on a QOQ basis to AED 157.9 Bn in 1Q26.

**Total assets: UAE Banks**

(AED Mn)	1Q25	2Q25	3Q25	4Q25	1Q26	QOQ ch
CBI	20,577	20,579	20,772	21,945	22,096	0.7%
YOY change	8.3%	3.0%	-1.1%	5.0%	7.4%	
MASQ	272,703	293,635	305,464	334,634	344,305	2.9%
YOY change	9.3%	15.8%	20.1%	25.1%	26.3%	
SIB	82,770	84,708	86,580	90,313	90,867	0.6%
YOY change	18.0%	14.1%	15.8%	14.0%	9.8%	
AJMANBANK	24,497	26,633	28,033	32,863	32,829	-0.1%
YOY change	6.2%	9.9%	14.7%	43.8%	34.0%	
RAKBANK	90,804	94,961	99,459	105,018	107,323	2.2%
YOY change	15.5%	18.1%	18.6%	18.9%	18.2%	
CBD	141,129	150,607	163,409	160,308	157,922	-1.5%
YOY change	7.8%	6.6%	16.5%	14.4%	11.9%	
ADCB	679,716	718,502	744,273	773,654	808,857	4.6%
YOY change	14.4%	17.4%	16.5%	18.5%	19.0%	
ADIB	243,528	260,352	269,734	280,753	287,065	2.2%

YOY change	25.1%	22.0%	21.2%	24.3%	17.9%	
DIB	355,269	373,479	392,953	415,948	419,916	1.0%
YOY change	8.5%	15.8%	19.4%	20.7%	18.2%	
ENBD	1,030,570	1,085,641	1,139,083	1,164,442	1,216,751	4.5%
YOY change	14.2%	16.6%	19.1%	16.8%	18.1%	
UAB	23,429	23,921	24,465	27,000	26,893	-0.4%
YOY change	30.8%	20.7%	22.2%	25.8%	14.8%	
FAB	1,306,568	1,343,387	1,382,281	1,403,864	1,490,540	6.2%
YOY change	5.8%	14.4%	12.4%	15.7%	14.1%	

Source: FABS from co data

### FAB remained the market leader with the highest total assets share in 1Q26.

FAB recorded the highest growth in total asset share, rising by 0.54 pp QOQ to 26.8% in 1Q26. ENBD witnessed the second-highest growth in total asset share, increasing by 0.09 pp QOQ to 21.9% in 1Q26. ADCB also recorded growth, rising by 0.07 pp QOQ to 14.6% in 1Q26. However, DIB recorded the largest decline in total asset share, falling 0.23 pp QOQ to 7.6% in 1Q26, compared with 7.8% in 4Q25, although FAB continued to hold the largest market share among UAE banks. Additionally, CBI held the smallest total assets market share at 0.4% in 1Q26, followed by UAB at 0.5% and AJMANBANK at 0.6% in 1Q26.

#### Total assets share

	1Q25	2Q25	3Q25	4Q25	1Q26	QOQ: pp
CBI	0.4%	0.4%	0.4%	0.4%	0.4%	-0.01%
MASQ	5.8%	5.9%	5.9%	6.3%	6.2%	-0.07%
SIB	1.8%	1.7%	1.7%	1.7%	1.6%	-0.06%
AJMANBANK	0.5%	0.5%	0.5%	0.6%	0.6%	-0.02%
RAKBANK	1.9%	1.9%	1.9%	2.0%	1.9%	-0.04%
CBD	3.0%	3.0%	3.1%	3.0%	2.8%	-0.16%
ADCB	14.4%	14.4%	14.3%	14.5%	14.6%	0.07%
ADIB	5.2%	5.2%	5.2%	5.3%	5.2%	-0.09%
DIB	7.5%	7.5%	7.6%	7.8%	7.6%	-0.23%
ENBD	21.8%	21.8%	21.9%	21.8%	21.9%	0.09%
UAB	0.5%	0.5%	0.5%	0.5%	0.5%	-0.02%
FAB	27.7%	27.0%	26.6%	26.3%	26.8%	0.54%

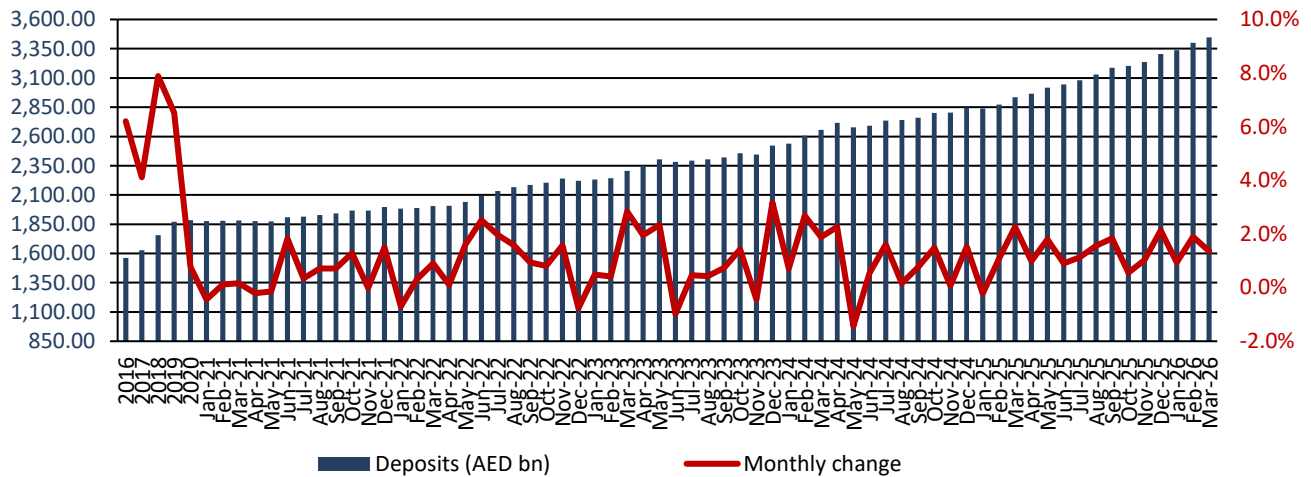
Source: FABS from Co Data, CBUAE

**2. Advances**

**UAE Bank's net advances rose 2.5% MOM in March 2026**

Net advances in the UAE banking sector increased 2.5% MOM to AED 2,138.3 Bn in March 2026.

**UAE banking system net advances (AED bn) vs. Monthly change, 2016 – March 2026**



Source: FABS from CBUAE

**All banks recorded a QOQ growth in net advances during 1Q26**

AJMANBANK recorded the highest net advances growth of 9.7% QOQ to AED 19.5 Bn in 1Q26, followed by FAB with 8.3% QOQ growth to AED 667.5 Bn in 1Q26. ENBD and ADIB net advances rose 7.1% QOQ and 6.9% QOQ to AED 677.8 Bn and AED 193.8 Bn, respectively, in 1Q26. ADCB experienced 4.9% QOQ growth to AED 425.7 Bn, followed by RAKBANK at 4.0% QOQ to AED 55.4 Bn in 1Q26. UAB and DIB recorded growth of 3.6% QOQ and 3.3% QOQ to AED 15.1 Bn and AED 270.7 Bn, respectively in 1Q26. Moreover, SIB's net advances grew 2.6% QOQ to AED 46.7 Bn, followed by MASQ at 2.0% QOQ to AED 167.7 Bn in 1Q26. CBI grew 5.4% QOQ to AED 13.6 Bn, while CBD recorded the lowest QOQ growth of 1.0% to AED 102.1 Bn in 1Q26.

**Net advances: UAE banks**

(AED Mn)	1Q25	2Q25	3Q25	4Q25	1Q26	QOQ ch
CBI	13,362	12,946	12,782	12,928	13,632	5.4%
YOY change	9.6%	3.5%	-1.0%	-4.8%	2.0%	
MASQ	125,817	134,120	143,085	164,349	167,697	2.0%
YOY change	13.9%	17.8%	20.7%	31.7%	33.3%	
SIB	40,309	42,987	43,663	45,550	46,745	2.6%
YOY change	20.8%	22.1%	19.5%	19.6%	16.0%	
AJMANBANK	13,915	14,825	15,207	17,730	19,454	9.7%
YOY change	6.1%	6.6%	13.5%	36.8%	39.8%	
RAKBANK	47,590	48,662	51,228	53,246	55,381	4.0%
YOY change	17.2%	18.7%	10.9%	12.8%	16.4%	
CBD	96,932	99,816	105,223	101,049	102,055	1.0%
YOY change	11.7%	11.4%	14.7%	8.6%	5.3%	
ADCB	359,489	378,465	401,356	405,967	425,720	4.9%
YOY change	13.0%	13.9%	16.7%	15.8%	18.4%	
ADIB	150,133	162,751	170,801	181,376	193,809	6.9%
YOY change	28.4%	23.2%	26.4%	27.2%	29.1%	
DIB	222,553	237,376	248,301	262,055	270,662	3.3%

YOY change	10.8%	19.1%	20.1%	23.4%	21.6%	
ENBD	520,909	545,173	603,648	632,847	677,835	7.1%
YOY change	13.6%	14.3%	22.2%	26.2%	30.1%	
UAB	12,472	13,418	14,112	14,554	15,081	3.6%
YOY change	30.8%	28.6%	31.2%	26.3%	20.9%	
FAB	548,265	568,040	596,136	616,325	667,546	8.3%
YOY change	7.9%	10.7%	12.9%	16.5%	21.8%	

Source: FABS from Co Data

### FAB leads in 1Q26 with the highest growth in the advances market share

FAB witnessed the highest growth in advances market share of 1.14 pp QOQ to 31.2% in 1Q26. ENBD recorded the second-highest growth in advances market share with 0.81 pp QOQ to 31.7%, followed by ADIB with 0.21 pp QOQ to 9.1% in 1Q26. In 1Q26, ENBD recorded the highest advances market share at 31.7%, followed by FAB with 31.2% and ADCB with 19.9%. However, CBI and UAB recorded the lowest advances market share of 0.6% and 0.7% respectively, while MASQ recorded the largest decline of 0.18 pp QOQ to 7.8% in 1Q26.

#### Advances mkt share

	1Q25	2Q25	3Q25	4Q25	1Q26	QOQ: pp
CBI	0.7%	0.7%	0.6%	0.6%	0.6%	0.01%
MASQ	6.7%	7.0%	7.1%	8.0%	7.8%	-0.18%
SIB	2.2%	2.2%	2.2%	2.2%	2.2%	-0.04%
AJMANBANK	0.7%	0.8%	0.8%	0.9%	0.9%	0.04%
RAKBANK	2.5%	2.5%	2.5%	2.6%	2.6%	-0.01%
CBD	5.2%	5.2%	5.2%	4.9%	4.8%	-0.16%
ADCB	19.2%	19.8%	19.9%	19.8%	19.9%	0.10%
ADIB	8.0%	8.5%	8.5%	8.9%	9.1%	0.21%
DIB	11.9%	12.4%	12.3%	12.8%	12.7%	-0.13%
ENBD	27.9%	28.5%	30.0%	30.9%	31.7%	0.81%
UAB	0.7%	0.7%	0.7%	0.7%	0.7%	-0.01%
FAB	29.3%	29.7%	29.6%	30.1%	31.2%	1.14%

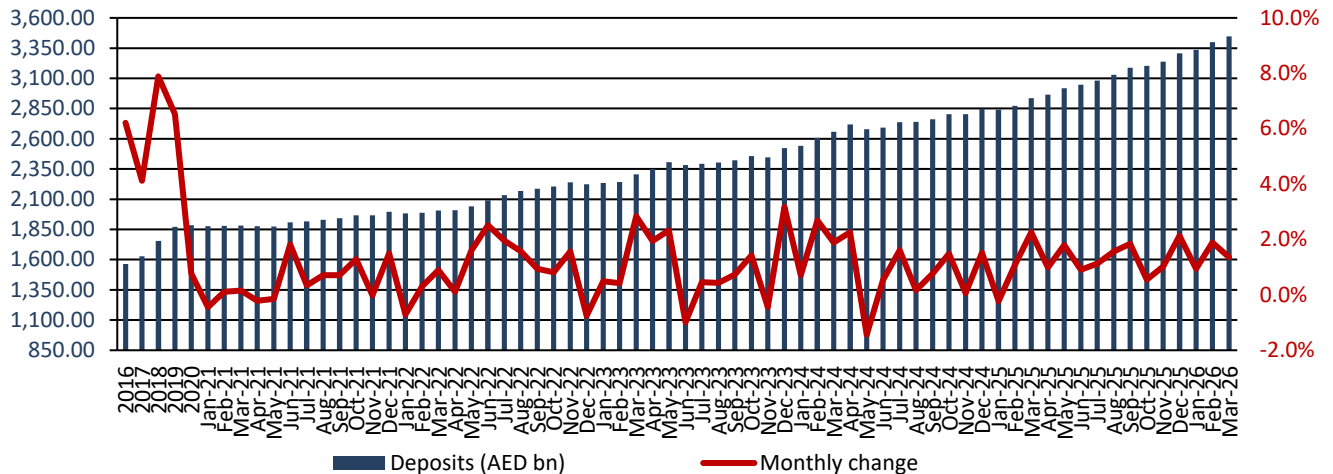
Source: FABS from co data

### 3. Customer Deposit

#### UAE banking system's customer deposits increased 1.4% MOM in March 2026

The UAE banking system's customer deposits rose 1.4% MOM to AED 3,446.0 Bn in March 2026.

#### UAE banking system customer deposits (AED bn) vs. Monthly change, 2016 – March 2026



Source: FABS from CBUAE

#### SIB witnessed the highest QOQ growth in customer deposits during 1Q26

SIB recorded the highest growth in customer deposits of 10.3% QOQ to AED 61.4 Bn in 1Q26, followed by ENBD with a 5.6% QOQ rise to AED 830.0 Bn and RAKBANK with 5.5% QOQ to AED 74.3 Bn in 1Q26. ADCB and ADIB recorded deposit growth of 4.7% QOQ and 4.5% QOQ, reaching AED 523.1 Bn and AED 239.3 Bn, respectively in 1Q26. Furthermore, FAB recorded growth of 3.6% QOQ to AED 870.9 Bn, followed by CBI at 3.0% QOQ to AED 16.4 Bn and MASQ at 2.6% QOQ to AED 210.2 Bn in 1Q26. AJMANBANK and DIB deposits grew 1.4% QOQ and 0.6% QOQ to AED 24.1 Bn and AED 322.0 Bn, respectively in 1Q26. Overall, most banks reported QOQ growth in customer deposits during 1Q26, except UAB, whose deposits recorded the largest decline of 6.5% QOQ to AED 16.7 Bn, and CBD, which declined 1.5% QOQ to AED 109.6 Bn.

#### Customer deposits: UAE banks

(AED Mn)	1Q24	2Q25	3Q25	4Q25	1Q26	QOQ ch
CBI	15,339	15,185	15,774	15,906	16,385	3.0%
YOY change	20.9%	6.7%	3.8%	3.1%	6.8%	
MASQ	171,442	177,645	187,167	204,895	210,171	2.6%
YOY change	10.3%	15.4%	19.9%	27.3%	22.6%	
SIB	52,099	52,721	54,573	55,673	61,390	10.3%
YOY change	15.6%	6.6%	13.7%	7.6%	17.8%	
AJMANBANK	18,511	19,977	20,562	23,746	24,084	1.4%
YOY change	0.4%	3.5%	6.5%	31.5%	30.1%	
RAKBANK	61,038	61,079	65,621	70,460	74,308	5.5%
YOY change	10.2%	4.5%	14.6%	18.1%	21.7%	
CBD	99,624	107,047	112,148	111,353	109,633	-1.5%
YOY change	10.3%	7.2%	13.6%	14.1%	10.0%	
ADCB	441,691	463,442	482,440	499,775	523,095	4.7%

YOY change	15.1%	18.8%	18.6%	18.7%	18.4%	
ADIB	200,095	212,831	221,668	229,096	239,335	4.5%
YOY change	24.9%	23.6%	23.3%	25.4%	19.6%	
DIB	264,847	283,663	301,932	320,184	322,000	0.6%
YOY change	12.3%	21.2%	27.5%	28.8%	21.6%	
ENBD	697,595	736,714	760,351	786,024	830,011	5.6%
YOY change	14.3%	18.0%	17.9%	17.9%	19.0%	
UAB	14,942	15,601	14,369	17,809	16,652	-6.5%
YOY change	40.2%	28.6%	19.4%	31.2%	11.4%	
FAB	838,681	813,469	848,282	840,773	870,905	3.6%
YOY change	4.4%	6.2%	3.5%	7.5%	3.8%	

Source: FABS from co data

### ENBD's customer deposit market share increased the highest during 1Q26

ENBD's deposit market share increased the most by 0.31 pp QOQ to 24.1% in 1Q26, followed by SIB with 0.10 pp QOQ to 1.8% and ADCB by 0.06 pp QOQ to 15.2% in 1Q26. RAKBANK deposits grew 0.02 pp QOQ to 2.2% and ADIB by 0.01 pp QOQ to 6.9% in 1Q26. In total, seven banks witnessed a decline in 1Q26, while five banks experienced a rise in customer deposits.

### Deposits market share

	1Q25	2Q25	3Q25	4Q25	1Q26	QOQ: pp
CBI	0.5%	0.5%	0.5%	0.5%	0.5%	-0.01%
MASQ	5.8%	5.8%	5.9%	6.2%	6.1%	-0.10%
SIB	1.8%	1.7%	1.7%	1.7%	1.8%	0.10%
AJMANBANK	0.6%	0.7%	0.6%	0.7%	0.7%	-0.02%
RAKBANK	2.1%	2.0%	2.1%	2.1%	2.2%	0.02%
CBD	3.4%	3.5%	3.5%	3.4%	3.2%	-0.19%
ADCB	15.0%	15.2%	15.1%	15.1%	15.2%	0.06%
ADIB	6.8%	7.0%	7.0%	6.9%	6.9%	0.01%
DIB	9.0%	9.3%	9.5%	9.7%	9.3%	-0.34%
ENBD	23.8%	24.2%	23.9%	23.8%	24.1%	0.31%
UAB	0.5%	0.5%	0.5%	0.5%	0.5%	-0.06%
FAB	28.6%	26.7%	26.6%	25.4%	25.3%	-0.16%

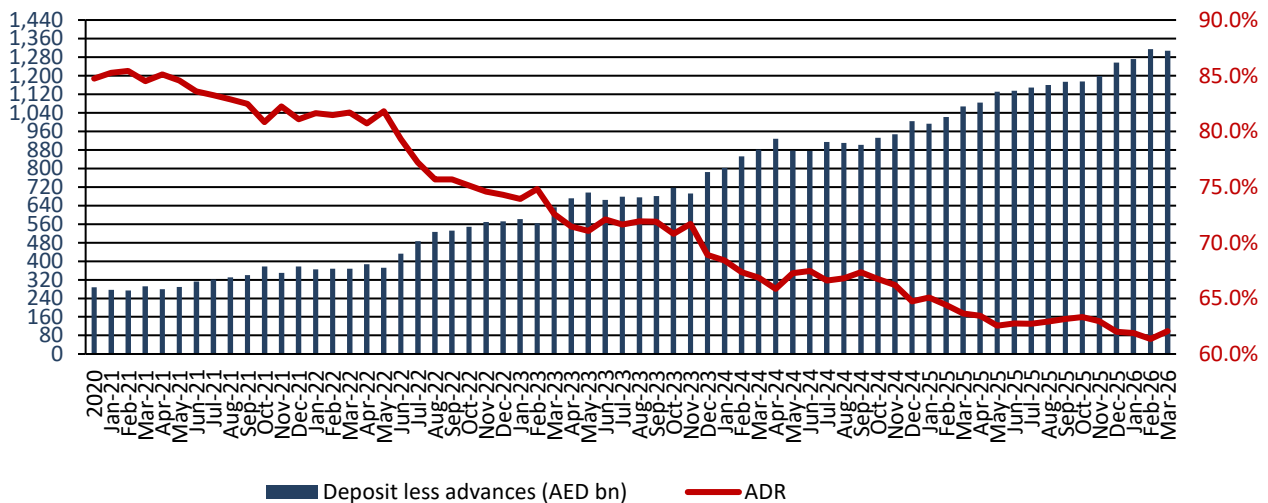
Source: FABS from co data

**4. Liquidity**

**Liquidity in the UAE banking system**

UAE banking system’s headline Advances to Deposits Ratio (ADR) increased 70.0 bps MOM to 62.1% in March 2026. The system’s liquidity decreased from AED 1,314.0 Bn in February 2026 to AED 1,307.7 Bn in March 2026. This view is validated by using deposits less advances as an equivalent indicator to measure liquidity.

**UAE banking system deposits less advances (AED bn) & ADR, 2020 – March 2026**



Source: FABS from CBUAE

**Top key liquidity metrics**

We evaluate and rank the balance sheet liquidity of the UAE banks under our coverage based on three key variables. In 1Q26, eight out of eleven UAE banks under our coverage recorded an increase in ADR on a QOQ basis. UAB recorded the largest increase, with its ADR rising 10.8% QOQ to 90.6% in 1Q26, followed by AJMANBANK with an 8.2% QOQ increase to 80.8%, and DIB, whose ADR increased 2.7% QOQ to 84.1% in 1Q26. Conversely, SIB recorded the largest decline, with its ADR falling 6.9% QOQ to 76.1% in 1Q26. In the deposit surplus/deficit, four out of eleven UAE banks under our coverage reported an increase in deposit surplus in 1Q26, compared to 4Q25. SIB recorded the highest growth in deposit surplus of 44.7% QOQ to AED 14.6 Bn, followed by RAKBANK and MASQ with 10.0% and 4.8% QOQ growth to AED 18.9 Bn and AED 42.5 Bn, respectively, in 1Q26. On the other hand, UAB experienced the highest decline in deposit surplus by 51.7% QOQ to AED 1.6 Bn in 1Q26. Furthermore, in terms of percentage lent, ten out of 11 banks under our coverage witnessed a rise in the percentage lent on a QOQ basis during 1Q26. MASQ's percentage lent declined the by 0.8% QOQ to 48.7% in 1Q26, whereas Ajman Bank experienced the highest growth in percentage lent by 9.8% QOQ to 59.3% in 1Q26, followed by CBI with a rise of 4.7% QOQ to 61.7% in 1Q26.

**ADR: UAE Banks**

	1Q25	2Q25	3Q25	4Q25	1Q26	QOQ ch
CBI	87.1%	85.3%	81.0%	81.3%	83.2%	2.4%
MASQ	73.4%	75.5%	76.4%	80.2%	79.8%	-0.5%
SIB	77.4%	81.5%	80.0%	81.8%	76.1%	-6.9%
AJMANBANK	75.2%	74.2%	74.0%	74.7%	80.8%	8.2%
RAKBANK	78.0%	79.7%	78.1%	75.6%	74.5%	-1.4%
CBD	97.3%	93.2%	93.8%	90.7%	93.1%	2.6%
ADCB	81.4%	81.7%	83.2%	81.2%	81.4%	0.2%
ADIB	75.0%	76.5%	77.1%	79.2%	81.0%	2.3%
DIB	84.0%	83.7%	82.2%	81.8%	84.1%	2.7%
ENBD	74.7%	74.0%	79.4%	80.5%	81.7%	1.4%
UAB	83.5%	86.0%	98.2%	81.7%	90.6%	10.8%
FAB	65.4%	69.8%	70.3%	73.3%	76.6%	4.6%

Source: FABS from co data

**Deposit surplus/-deficit**

AED Mn	1Q25	2Q25	3Q25	4Q25	1Q26	QOQ ch
CBI	1,977	2,239	2,992	2,978	2,753	-7.6%
MASQ	45,625	43,525	44,082	40,546	42,474	4.8%
SIB	11,790	9,734	10,910	10,123	14,645	44.7%
AJMANBANK	4,596	5,152	5,355	6,016	4,630	-23.0%
RAKBANK	13,448	12,417	14,393	17,214	18,927	10.0%
CBD	2,692	7,231	6,925	10,304	7,578	-26.5%
ADCB	82,202	84,977	81,084	93,808	97,375	3.8%
ADIB	49,962	50,080	50,867	47,720	45,526	-4.6%
DIB	42,294	46,287	53,631	58,129	51,338	-11.7%
ENBD	176,686	191,541	156,703	153,177	152,176	-0.7%
UAB	2,470	2,183	257	3,255	1,571	-51.7%
FAB	290,416	245,429	252,146	224,448	203,359	-9.4%

Source: FABS from co data

**Percentage lent**

	1Q25	2Q25	3Q25	4Q25	1Q26	QOQ ch
CBI	64.9%	62.9%	61.5%	58.9%	61.7%	4.7%
MASQ	46.1%	45.7%	46.8%	49.1%	48.7%	-0.8%
SIB	48.7%	50.7%	50.4%	50.4%	51.4%	2.0%
AJMANBANK	56.8%	55.7%	54.2%	54.0%	59.3%	9.8%
RAKBANK	52.4%	51.2%	51.5%	50.7%	51.6%	1.8%
CBD	68.7%	66.3%	64.4%	63.0%	64.6%	2.5%
ADCB	52.9%	52.7%	53.9%	52.5%	52.6%	0.3%
ADIB	61.6%	62.5%	63.3%	64.6%	67.5%	4.5%
DIB	62.6%	63.6%	63.2%	63.0%	64.5%	2.3%
ENBD	50.5%	50.2%	53.0%	54.3%	55.7%	2.5%
UAB	53.2%	56.1%	57.7%	53.9%	56.1%	4.0%
FAB	42.0%	42.3%	43.1%	43.9%	44.8%	2.0%

Source: FABS from co data

## 5. Profitability

### Ten out of 11 banks under our coverage recorded a rise in ROE on a QOQ basis in 1Q26

RAKBANK's ROE grew the highest, rising 311 bps QOQ to 23.6% in 1Q26, followed by ADIB and SIB whose ROE increased by 254 bps and 218 bps QOQ to 28.6% and 18.7% respectively in 1Q26. Conversely, UAB experienced the highest decline of 78 bps QOQ to 15.2% in 1Q26. Furthermore, ADIB recorded the highest ROE of 28.6% in 1Q26, followed by RAKBANK with an ROE of 23.6% in 1Q26. CBI also recorded the lowest ROE of 9.7% in 1Q26.

#### ROE: UAE Banks

	1Q25	2Q25	3Q25	4Q25	1Q26	QOQ ch: bps
CBI	8.6%	8.4%	2.8%	9.6%	9.7%	10
MASQ	28.8%	25.9%	24.0%	18.8%	20.1%	130
SIB	16.2%	16.5%	16.7%	16.5%	18.7%	218
AJMANBANK	14.6%	14.1%	15.4%	15.2%	15.8%	61
RAKBANK	20.2%	20.4%	20.0%	20.5%	23.6%	311
CBD	22.0%	21.6%	21.0%	20.8%	21.9%	114
ADCB	14.5%	14.4%	14.8%	14.7%	16.5%	178
ADIB	28.7%	27.6%	26.4%	26.1%	28.6%	254
DIB	21.1%	20.6%	19.5%	17.2%	17.3%	13
ENBD	20.3%	18.3%	18.3%	18.6%	18.7%	12
UAB	17.0%	18.1%	14.9%	16.0%	15.2%	-78
FAB	15.4%	15.8%	15.9%	16.2%	16.8%	59

Source: FABS from co data

### RAKBANK recorded the highest ROA in 1Q26

RAKBANK recorded the highest ROA in 1Q26. RAKBANK also reported the largest increase in ROA, rising 21 bps QOQ to 2.9% in 1Q26. This was followed by ADCB, which recorded the second-highest increase of 10 bps QOQ to 1.7% in 1Q26. Moreover, SIB and CBI posted 5 bps and 4 bps QOQ increases in ROA, respectively, reaching 1.6% and 1.2% in 1Q26. Overall, six out of eleven banks under coverage reported a decline in ROA in 1Q26. In terms of absolute levels, RAKBANK reported the highest ROA at 2.9%, followed by ADIB at 2.6% in 1Q26.

#### ROA: UAE Banks

	1Q25	2Q25	3Q25	4Q25	1Q26	QOQ ch: bps
CBI	1.0%	1.0%	0.3%	1.2%	1.2%	4
MASQ	3.3%	3.0%	2.9%	2.3%	2.3%	3
SIB	1.5%	1.5%	1.6%	1.6%	1.6%	5
AJMANBANK	1.8%	1.7%	1.9%	1.8%	1.7%	-9
RAKBANK	2.6%	2.7%	2.7%	2.7%	2.9%	21
CBD	2.3%	2.2%	2.2%	2.3%	2.3%	-3
ADCB	1.5%	1.5%	1.5%	1.6%	1.7%	10
ADIB	2.8%	2.6%	2.6%	2.6%	2.6%	-3
DIB	2.4%	2.4%	2.2%	2.0%	1.9%	-7
ENBD	2.3%	2.2%	2.2%	2.2%	2.2%	-2
UAB	1.6%	1.7%	1.8%	1.8%	1.6%	-21
FAB	1.4%	1.5%	1.5%	1.6%	1.5%	-11

Source: FABS from co data

## 6. Efficiency

### RAKBANK once again records the highest NIMs in 1Q26

RAKBANK's NIMs remained the highest at 3.7% in 1Q26, followed by ENBD and MASQ with 3.3% and 3.1%, respectively. SIB's NIM grew the most by 12 bps QOQ to 1.9%, followed by CBI, which grew 1 bps QOQ to 2.1% in 1Q26. On the other hand, ENBD witnessed the highest decline in NIMs of 24 bps QOQ to 3.3% in 1Q26.

#### NIM: UAE Banks

	1Q25	2Q25	3Q25	4Q25	1Q26	QOQ ch: bps
CBI	2.1%	2.1%	2.2%	2.1%	2.1%	1
MASQ	3.6%	3.4%	3.5%	3.3%	3.1%	-18
SIB	1.7%	1.7%	1.8%	1.8%	1.9%	12
AJMANBANK	1.9%	1.9%	1.8%	1.7%	1.6%	-5
RAKBANK	4.0%	4.1%	4.0%	3.9%	3.7%	-21
CBD	3.0%	3.0%	2.9%	2.8%	2.8%	-3
ADCB	2.3%	2.3%	2.3%	2.3%	2.1%	-15
ADIB	3.1%	3.1%	3.0%	3.1%	3.0%	-6
DIB	2.6%	2.5%	2.6%	2.4%	2.3%	-12
ENBD	3.5%	3.3%	3.4%	3.5%	3.3%	-24
UAB	2.2%	2.8%	2.6%	2.5%	2.4%	-7
FAB	2.0%	1.9%	1.8%	1.8%	2.0%	20

Source: FABS from co data

### CBI recorded the highest cost-to-income ratio and quarterly increase in 1Q26

CBI recorded the highest cost-to-income ratio in 1Q26, standing at 67.9%. On the other hand, FAB reported the lowest ratio at 22.6% in 1Q26, followed by ADCB and RAKBANK, with ratios of 25.6% and 26.2%, respectively. RAKBANK recorded the largest decline, with its cost-to-income ratio falling from 40.3% in 4Q25 to 26.2% in 1Q26, followed by SIB, whose ratio declined 721 bps QOQ to 36.3%, and ADCB, which recorded a 398 bps QOQ decline to 25.6% in 1Q26. Conversely, CBI reported the largest increase, with its ratio rising 2,359 bps QOQ to 67.9% in 1Q26, followed by UAB, whose ratio increased 297 bps QOQ to 47.9%, and CBD, which recorded a 111 bps QOQ increase to 26.9% in 1Q26.

#### Cost to Income: UAE Banks

	1Q25	2Q25	3Q25	4Q25	1Q26	QOQ ch: bps
CBI	45.2%	69.1%	59.2%	44.3%	67.9%	2,359
MASQ	29.4%	30.9%	31.7%	31.1%	30.9%	-15
SIB	37.3%	32.8%	31.3%	43.5%	36.3%	-721
AJMANBANK	46.8%	48.0%	40.8%	48.9%	48.6%	-34
RAKBANK	33.4%	35.9%	33.9%	40.3%	26.2%	-1,405
CBD	27.0%	26.1%	26.2%	25.8%	26.9%	111
ADCB	29.2%	26.4%	27.6%	29.6%	25.6%	-398
ADIB	28.9%	27.5%	28.4%	29.8%	29.6%	-18
DIB	28.0%	28.7%	29.3%	27.7%	28.2%	53
ENBD	31.0%	29.7%	30.7%	30.5%	29.2%	-132
UAB	53.0%	42.9%	44.1%	44.9%	47.9%	297
FAB	22.3%	21.4%	22.2%	23.6%	22.6%	-100

Source: FABS from co data

### RAKBANK recorded the highest COR during 1Q26

RAKBANK recorded the highest COR of 1.7% in 1Q26, followed by FAB with 0.7% and DIB with 0.6% in 1Q26. Furthermore, several banks, including MASQ, ADIB and ENBD, reported a decline in COR on a QOQ basis in 1Q26. ENBD recorded the highest decline in COR by 59 bps QOQ to 0.5% in 1Q26, followed by ADIB with a decline of 4 bps QOQ to 0.3% in 1Q26. Conversely, RAKBANK recorded the highest increase of 39 bps QOQ to 1.7%, followed by ADCB with 27 bps QOQ to 0.4% and DIB with 30 bps QOQ to 0.6% in 1Q26.

#### Cost of risk: UAE Banks

	1Q25	2Q25	3Q25	4Q25	1Q26	QOQ ch: bps
CBI	2.4%	NM	1.6%	NM	NM	NM
MASQ	0.4%	0.5%	0.4%	0.2%	0.2%	-2
SIB	NM	0.1%	0.2%	1.8%	NM	NM
AJMANBANK	NM	NM	0.2%	NM	NM	NM
RAKBANK	0.7%	0.6%	0.7%	1.3%	1.7%	39
CBD	0.3%	0.5%	0.7%	0.4%	0.5%	8
ADCB	0.5%	0.9%	0.8%	0.1%	0.4%	27
ADIB	0.3%	0.5%	0.5%	0.4%	0.3%	-4
DIB	0.3%	0.2%	0.1%	0.3%	0.6%	30
ENBD	NM	0.1%	NM	1.1%	0.5%	-59
UAB	NM	0.1%	NM	NM	0.5%	NM
FAB	0.5%	0.5%	0.6%	0.6%	0.7%	6

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

### UAB recorded the highest CAR, while AJMANBANK reported the lowest in 1Q26

UAB recorded the highest CAR of 20.4% in 1Q26, followed by ADCB at 16.9% and CBI at 16.8%. AJMANBANK's CAR was the lowest at 13.8% in 1Q26. Furthermore, MASQ's CAR increased the most by 129 bps QOQ to 15.8%, followed by DIB whose CAR increased by 30 bps QOQ to 15.8% in 1Q26. On the other hand, SIB recorded the highest decline in CAR of 180 bps QOQ to 15.5%, followed by RAKBANK with a 150 bps QOQ decline to 16.6% and UAB with a 111 bps QOQ decline to 20.4% during 1Q26.

#### CAR: UAE Banks

	1Q25	2Q25	3Q25	4Q25	1Q26	QOQ ch: bps
CBI	17.6%	17.6%	17.7%	17.2%	16.8%	-39
MASQ	18.5%	17.5%	16.8%	14.5%	15.8%	129
SIB	15.8%	15.8%	16.3%	17.3%	15.5%	-180
AJMANBANK	18.2%	17.3%	16.9%	14.1%	13.8%	-25
RAKBANK	18.6%	18.7%	19.6%	18.1%	16.6%	-150
CBD	15.3%	15.4%	15.8%	15.5%	15.5%	-2
ADCB	16.1%	15.5%	16.0%	17.0%	16.9%	-11
ADIB	16.2%	16.6%	16.7%	15.7%	15.5%	-21
DIB	17.3%	16.7%	16.6%	15.5%	15.8%	30
ENBD	17.0%	17.0%	16.9%	16.6%	16.4%	-17
UAB	17.1%	16.3%	22.8%	21.5%	20.4%	-111
FAB	17.2%	16.9%	16.8%	16.9%	15.8%	-110

Source: FABS from co data

**Banking stock performance**

Nine out of 13 UAE banks generated positive returns during 2026 on a YTD basis. The average return of the Banking sector in Egypt outperformed every other index, the ADI, DSM, TASI, and DFMGI, along with Qatar, Saudi Arabia, and UAE Banking Sectors. The UAE Banking Sector generated a flat return; however, the Egypt Banking Sector generated a positive average return of 23.2% as of 30 June 2026. Among the UAE Banks, RAKBANK recorded the highest return, followed by ENBD, AJMAN, CBI, SIB, CBD, ADCB, MASQ, UAB, ADIB, FAB, BOS and DIB during the same period.

**27 MENA bank stocks: YE 2025 to 30<sup>th</sup> June 2026, Ranked**

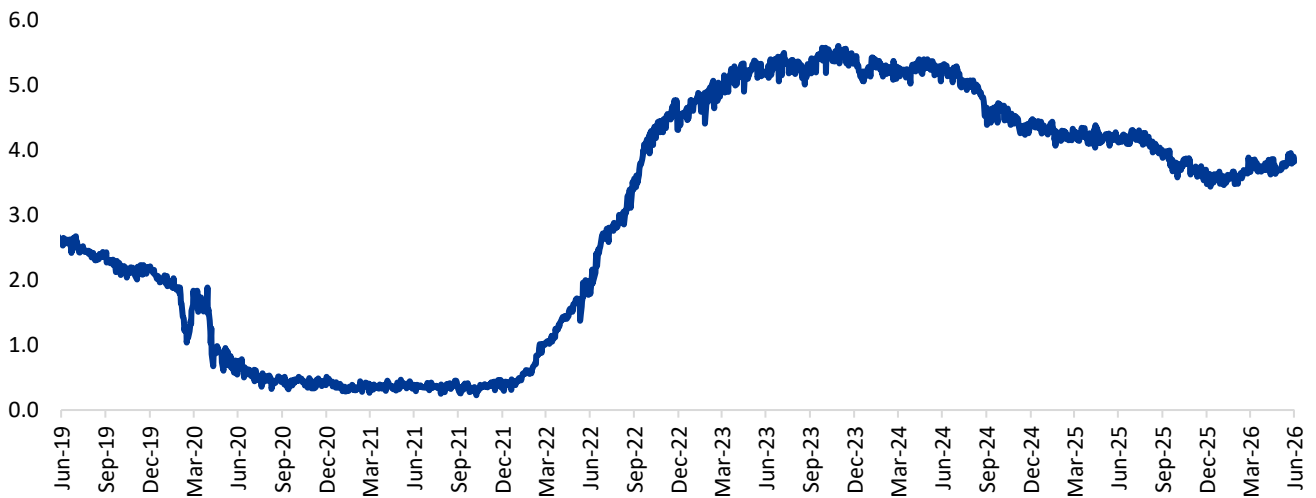
		<b>UAE</b>	<b>KSA</b>	<b>Qatar</b>	<b>Egypt</b>	<b>Ranking</b>
QIBK	-8.2%			-8.2%		30
MARK	-6.0%			-6.0%		29
CBD	1.9%	1.9%				12
MASQ	0.8%	0.8%				15
QNBK	-5.5%			-5.5%		28
UAB	0.8%	0.8%				16
SIB	2.4%	2.4%				10
CBQK	-3.1%			-3.1%		26
<b>DSM</b>	-4.7%					27
RJHI	1.2%		1.2%			14
<b>TASI</b>	2.9%					9
<b>ADI</b>	-1.5%					22
ALINMA	21.1%		21.1%			2
ALBI	-2.5%		-2.5%			25
BSF	14.6%		14.6%			4
RAKBANK	8.5%	8.5%				5
DHBK	-1.0%			-1.0%		20
COMI	23.2%				23.2%	1
FAB	-1.8%	-1.8%				23
<b>EGX30</b>	19.1%					3
BOS	-12.0%	-12.0%				31
NCB	2.0%					11
<b>DFM</b>	-0.9%					19
ARNB	-2.2%		-2.2%			24
RIBL	-1.4%		-1.4%			21
CBI	3.5%	3.5%				8
ENBD	8.1%	8.1%				6
ADIB	-0.1%	-0.1%				18
DIB	-19.1%	-19.1%				32
AJMANBANK	5.3%	5.3%				7
ADCB	1.4%	1.4%				13
SAIB	0.3%		0.3%			17
<b>AVERAGE</b>		<b>0.0%</b>	<b>4.4%</b>	<b>-4.8%</b>	<b>23.2%</b>	

FABS from Bloomberg

**EIBOR**

The Federal Reserve kept its policy interest rate unchanged at 3.50%-3.75% in its June 2026 meeting, as inflation remains above the central bank’s 2% target. Looking ahead, several policymakers expect a rate hike by the end of 2026, reflecting concerns over persistent inflationary pressures. Following this move, the CBUAE also maintained its Overnight Deposit Facility rate to 3.65%. The 3-month EIBOR increased from 3.69% at the end of the May (25<sup>th</sup> May 2026) to 3.82% by end-June 2026. This upward trajectory in rates is expected to increase borrowing costs for consumers and businesses.

**3-month EIBOR (%), June 2019 – June 30, 2026**



Source: FABS from Bloomberg

**2Q26 preview: Emirates NBD (ENBD)**

Slower banking activities to impact profit growth

Current Price	12-m Target Price	Upside/Downside (%)	Rating
AED 30.42	AED 33.50	+10.1%	ACCUMULATE

**2Q26 Estimate**

Emirates National Bank of Dubai (ENBD/the Bank) is expected to report a 4.6% YOY decline in net income attributable to equity shareholders to AED 6,012 Mn in 2Q26, mainly driven anticipated decline in non-funded income, coupled with forecasted rise in operating expenses, impairment charges, hyperinflation charges, and tax expenses, partially offset by an increase in net funded income. ENBD’s funded income is forecasted to increase 9.4% YOY to AED 21,623 Mn in 2Q26, driven by expected growth in average interest-earning assets, partially offset by a forecasted decline in asset yield. Meanwhile, funded expense is estimated to rise marginally 1.1% YOY to AED 11,504 Mn in 2Q26, primarily driven by higher average interest-bearing liabilities, partially offset by a projected decrease in the cost of funds. Thus, net funded income is estimated to increase 20.8% YOY to AED 10,119 Mn in 2Q26. The Bank’s fee and commission income is estimated to rise 21.6% YOY to AED 2,447 Mn in 2Q26, due to expected growth in transaction fees. Trading gains are estimated to decline from AED 502 Mn in 2Q25 to AED 438 Mn in 2Q26. Furthermore, other operating income is expected to decline substantially 60.9% YOY to AED 458 Mn in 2Q26. Thus, total non-funded income is estimated to decline 9.3% YOY to AED 3,343 Mn in 2Q26. ENBD’s total operating income is expected to rise 11.6% YOY to AED 13,462 Mn in 2Q26. The Bank’s operating expenses are expected to increase 20.1% YOY to AED 4,308 Mn in 2Q26. Furthermore, the Bank is expected to incur impairment charges of AED 887 Mn in 2Q26, compared to AED 187 Mn in 2Q25. Moreover, tax expense is expected to rise 2.4% YOY to AED 1,405 Mn in 2Q26. In addition, the Bank is expected to incur a hyperinflation adjustment of AED 845 Mn in 2Q26, compared to AED 611 Mn in 2Q25. Additionally, the Bank’s NCI is anticipated to remain broadly unchanged at AED 5 Mn in 2Q26 compared to 2Q25.

**2026 Forecast**

ENBD’s net profit attributable to equity shareholders is expected to rise marginally 0.2% YOY to AED 24,030 Mn in 2026, mainly attributable to an anticipated increase in net funded and non-funded income, partially offset by a forecasted rise in operating expenses, impairments, hyperinflation adjustments, and tax charges. Funded income is estimated to increase 9.1% YOY to AED 89,443 Mn in 2026, due to an expected rise in average interest-earning assets, partially offset by an anticipated decline in asset yield. Funded expense is forecasted to increase 9.5% YOY to AED 50,875 Mn in 2026, supported by an expected increase in average interest-bearing liabilities, partially offset by an anticipated decrease in the cost of funds. As a result, net funded income is likely to grow 8.6% YOY to AED 38,568 Mn in 2026. The Bank’s fees & commissions income is forecasted to grow 8.0% YOY to AED 8,675 Mn in 2026. Additionally, trading income is expected to increase 2.0% YOY to AED 2,308 Mn in 2026. Furthermore, other operating income is anticipated to rise 3.0% YOY to AED 3,628 Mn in 2026. Thus, non-funded income is likely to grow 5.7% YOY to AED 14,610 Mn in 2026. As a result, ENBD’s operating income is estimated to grow 7.8% YOY to AED 53,179 Mn in 2026. Operating expenses are expected to rise 12.5% YOY to AED 16,911 Mn in 2026. The Bank’s impairment charges are anticipated to increase significantly from AED 1,468 Mn in 2025 to AED 2,967 Mn in 2026. In addition, tax expense is estimated to increase 2.8% YOY to AED 5,994 Mn in 2026. The bank is expected to report a hyperinflation adjustment of AED 3,250 Mn in 2026 compared to AED 2,978 Mn in 2025. The Bank’s NCI is forecast to remain broadly stable at negative AED 27 Mn in 2026 compared to negative AED 26 Mn in 2025.

### 1Q26 Outturn

ENBD's funded income rose 5.8% YOY to AED 20,314 Mn in 1Q26, driven by robust loan growth, partially offset by a decline in asset yield. On the other hand, funded expenses grew marginally 0.8% YOY to AED 10,826 Mn in 1Q26, mainly due to a rise in average interest-bearing liabilities, partially offset by a decline in cost of funds. Thus, net funded income increased 12.2% YOY to AED 9,488 Mn in 1Q26. Fee and commission income increased 27.1% YOY to AED 2,399 Mn in 1Q26, supported by strong asset growth and continued investments in capital markets businesses, including wealth management and investment banking. Trading gains declined 9.8% YOY to AED 175 Mn in 1Q26. Other operating income grew substantially from AED 1,338 Mn in 1Q25 to AED 2,291 Mn in 1Q26. Thus, non-funded income rose from AED 3,420 Mn in 1Q25 to AED 4,865 Mn in 1Q26 driven by sustained benefits from strategic investments in product innovation and expanded customer offerings. As a result, operating income grew 20.9% YOY to AED 14,353 Mn in 1Q26. The Bank's operating expenses expanded 14.0% YOY to AED 4,189 Mn in 1Q26, primarily driven by inflation-related cost pressures in Türkiye. However, cost-to-income improved from 31.0% in 1Q25 to 29.2% in 1Q26, as growth in operating income outpaced the increase in operating expenses. ENBD recorded impairment charges of AED 826 Mn in 1Q26 compared to reversal of AED 465 Mn in 1Q25. ENBD's tax expense increased 17.4% YOY to AED 1,815 Mn in 1Q26. In addition, the Bank's capital neutral hyperinflation adjustment increased 23.6% YOY to AED 1,111 Mn in 1Q26. Profit attributable to non-controlling interests increased to AED 10 Mn in 1Q26 from AED 5 Mn in 1Q25.

### Target price and recommendation

We revised our rating on ENBD from BUY to ACCUMULATE with an unchanged target price of AED 33.50. The Bank's net income increased 3.0% YOY to AED 6,402 Mn in 1Q26, driven by strong growth in operating income, despite recording impairment charges of AED 826 Mn compared with a net impairment reversal of AED 465 Mn in 1Q25. In response to heightened geopolitical uncertainty, management recorded an additional AED 865 Mn ECL overlay, underscoring its prudent approach to safeguarding asset quality and strengthening balance-sheet resilience. The provision was fully allocated to the UAE portfolio, with approximately two-thirds relating to corporate exposures and one-third to the retail book. The Bank's corporate clients remain financially resilient, with no widespread liquidity stress and healthy cash reserves. The Bank continues to see demand for growth-related financing, while the announced USD 10 Bn Gold Line rail project and other infrastructure investments are expected to support future loan growth. The majority of the Bank's hotel-related loan exposures are to government-related entities (GREs) with strong liquidity profiles, leading management to view the hospitality sector as a limited credit risk. The Bank remains committed to international expansion, viewing its overseas operations as an important source of earnings diversification and counter-cyclical growth, thereby maintaining a well-diversified geographic footprint. The Bank's balance sheet continued to expand strongly, surpassing AED 1.2 Tn in 1Q26, supported by robust lending growth, with net advances increasing 30.1% YOY and 7.1% QOQ to AED 677.8 Bn. Based on this resilient loan growth momentum amid ongoing geopolitical uncertainty, management reiterated its mid-teens loan growth guidance for 2026. The Bank's Stage 2 loans increased 41.5% YOY to AED 35.6 Bn. However, management clarified that the increase was largely driven by normal portfolio migration rather than recent geopolitical tensions, with migration levels remaining broadly in line with historical trends. ENBD's customer deposit expanded 19.0% YOY and 5.6% QOQ to AED 830.0 Bn in 1Q26, with CASA deposit accounted for 50.8%, indicating a strong and diversified customer franchise across retail and corporate segments, as well as continued access to low-cost funding. The Bank's strong operational performance was reflected in its improved operating efficiency, with the cost-to-income ratio declining to 29.2% in 1Q26, comfortably outperforming its 2026 guidance of below 33%. Similarly, NIM stood at 3.3% in 1Q26, reaching the upper end of the Bank's FY2026 guidance range of 3.1%–3.3% within the first quarter. This underscores the strength of the Bank's earnings profile, disciplined cost management, and ability to execute its strategic objectives despite an uncertain operating environment. Furthermore, asset quality continued to improve, supported by a sustained decline in the NPL ratio over the past few quarters. The Bank maintained its cost of risk guidance at 30–50 bps for 2026, though management noted this would be reviewed in 2Q26 subject to the evolving economic environment and updates to macroeconomic scenario assumptions. Additionally, ENBD reiterated its NPL ratio guidance of c. 2.5%

for 2026, supported by continued improvement in asset quality and robust provisioning practices. The NPL ratio improved from 2.4% in 4Q25 to 2.3% in 1Q26, reflecting prudent risk management and an improving credit profile. While the provision coverage ratio declined slightly to 157.0% in 1Q26 from 160.0% in 4Q25, asset quality remained well supported by strong collateralization and robust coverage levels, including UAE Stage 3 coverage of approximately 95%, reflecting the Bank's prudent and conservative approach to risk management. The Bank maintained a strong liquidity and capital position in 1Q26, with a CAR of 16.4% and a CET 1 ratio of 14.2%, respectively, both comfortably above regulatory requirements and indicative of a well-capitalized balance sheet. Thus, considering the above-mentioned factors, we revised our rating to ACCUMULATE on the stock.

**ENBD - Relative Valuation**

(at CMP)	2021	2022	2023	2024	2025	2026F
PE	21.76	15.17	9.03	8.43	8.08	8.07
PB	2.55	2.26	1.88	1.62	1.40	1.24
BVPS	11.777	13.309	15.937	18.501	21.463	24.130
EPS	1.379	1.980	3.323	3.559	3.714	3.722
DPS	0.500	0.600	1.200	1.000	1.000	1.000
Dividend Yield	1.6%	2.0%	3.9%	3.3%	3.3%	3.3%

FABS estimate & Co data

**ENBD - P&L**

AED Mn	2Q25	1Q26	2Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Funded income	19,760	20,314	21,623	9.4%	6.4%	81,975	89,443	9.1%
Funded expense	-11,384	-10,826	-11,504	1.1%	6.3%	-46,473	-50,875	9.5%
<b>Net funded income</b>	<b>8,376</b>	<b>9,488</b>	<b>10,119</b>	<b>20.8%</b>	<b>6.7%</b>	<b>35,502</b>	<b>38,568</b>	<b>8.6%</b>
Fees and commissions	2,012	2,399	2,447	21.6%	2.0%	8,032	8,675	8.0%
Trading gain/(loss)	502	175	438	-12.8%	NM	2,263	2,308	2.0%
Other Operating Income	1,173	2,291	458	-60.9%	-80.0%	3,522	3,628	3.0%
<b>Non-funded income</b>	<b>3,687</b>	<b>4,865</b>	<b>3,343</b>	<b>-9.3%</b>	<b>-31.3%</b>	<b>13,817</b>	<b>14,610</b>	<b>5.7%</b>
<b>Operating income</b>	<b>12,063</b>	<b>14,353</b>	<b>13,462</b>	<b>11.6%</b>	<b>-6.2%</b>	<b>49,319</b>	<b>53,179</b>	<b>7.8%</b>
Operating expenses	-3,587	-4,189	-4,308	20.1%	2.8%	-15,035	-16,911	12.5%
<b>Pre-provision profit</b>	<b>8,476</b>	<b>10,164</b>	<b>9,154</b>	<b>8.0%</b>	<b>-9.9%</b>	<b>34,284</b>	<b>36,268</b>	<b>5.8%</b>
Impairment	-187	-826	-887	NM	7.4%	-1,468	-2,967	NM
<b>PBT</b>	<b>8,289</b>	<b>9,338</b>	<b>8,267</b>	<b>-0.3%</b>	<b>-11.5%</b>	<b>32,816</b>	<b>33,300</b>	<b>1.5%</b>
Tax	-1,372	-1,815	-1,405	2.4%	-22.6%	-5,831	-5,994	2.8%
<b>Net profit</b>	<b>6,917</b>	<b>7,523</b>	<b>6,862</b>	<b>-0.8%</b>	<b>-8.8%</b>	<b>26,985</b>	<b>27,306</b>	<b>1.2%</b>
Hyperinflation	-611	-1,111	-845	38.3%	-23.9%	-2,978	-3,250	9.1%
<b>Net Profit adj for hyperinflation</b>	<b>6,306</b>	<b>6,412</b>	<b>6,017</b>	<b>-4.6%</b>	<b>-6.2%</b>	<b>24,007</b>	<b>24,056</b>	<b>0.2%</b>
NCI	-5	-10	-5	0.0%	-50.0%	-26	-27	2.2%
<b>Net profit attributable</b>	<b>6,301</b>	<b>6,402</b>	<b>6,012</b>	<b>-4.6%</b>	<b>-6.1%</b>	<b>23,981</b>	<b>24,030</b>	<b>0.2%</b>

FABS estimate & Co Data

**Emirates NBD - P&L KPI**

	2Q25	1Q26	2Q26F	YOY	QOQ	2025	2026F	Change
Net FI/OI	69.4%	66.1%	75.2%	573	906	72.0%	72.5%	54
NIM	3.3%	3.3%	3.5%	16	12	3.4%	3.3%	-14
NIS	2.4%	2.6%	2.8%	36	15	2.6%	2.5%	-5
Fees & comms/OI	16.7%	16.7%	18.2%	150	146	16.3%	16.3%	3
Other non-funded/OI	9.7%	16.0%	3.4%	-632	NM	7.1%	6.8%	-32
Trading/OI	4.2%	1.2%	3.2%	-91	203	4.6%	4.3%	-25
Cost to income (calculated)	29.7%	29.2%	32.0%	226	281	30.5%	31.8%	131
Impairment/PPP	2.2%	8.1%	9.7%	748	156	4.3%	8.2%	390
Tax/PBT	16.6%	19.4%	17.0%	45	-244	17.8%	18.0%	23
NP/OI	52.2%	44.6%	44.7%	-758	5	48.6%	45.2%	-344
Cost of risk	0.1%	0.5%	0.5%	37	1	0.2%	0.5%	28
Loan-to-deposit	74.0%	81.7%	80.6%	660	-107	80.5%	81.0%	49
NPL - Calculated	2.8%	2.3%	2.4%	-40	17	2.4%	2.5%	13
NPL Coverage - Calculated	155.2%	156.7%	161.0%	582	434	159.6%	163.0%	337
CET1	14.7%	14.2%	14.9%	17	63	14.4%	14.5%	14
Capital Adequacy	17.0%	16.4%	17.0%	4	64	16.6%	16.5%	-8
ROAE	18.3%	18.7%	17.6%	-70	-109	18.6%	16.3%	-225
ROAA	2.2%	2.2%	2.1%	-10	-9	2.2%	2.0%	-26

FABS estimate & Co data

**ENBD - BS Key items**

<b>AED Mn</b>	<b>2Q25</b>	<b>3Q25</b>	<b>4Q25</b>	<b>1Q26</b>	<b>2Q26F</b>	<b>YOY</b>
Net advances	545,173	603,648	632,847	677,835	688,693	26.3%
QOQ change	4.7%	10.7%	4.8%	7.1%	1.6%	
Total Assets	1,085,641	1,139,083	1,164,442	1,216,751	1,233,107	13.6%
QOQ change	5.3%	4.9%	2.2%	4.5%	1.3%	
Customer Deposits	736,714	760,351	786,024	830,011	854,458	16.0%
QOQ change	5.6%	3.2%	3.4%	5.6%	2.9%	
Total Equity	123,881	130,654	135,453	135,068	140,951	13.8%
QOQ change	5.5%	5.5%	3.7%	-0.3%	4.4%	

FABS estimate & Co data

## 2Q26 preview: Dubai Islamic Bank (DIB)

Strong financing momentum continues to support growth

Current Price	12-m Target Price	Upside/Downside (%)	Rating
AED 7.72	AED 10.50	+36.0%	BUY

### 2Q26 estimate

We expect DIB's ("DIB", "the Bank") net profit attributable to equity shareholders to decline by 21.9% YOY to AED 1,451 Mn in 2Q26, mainly driven by lower non-funded income, elevated general expenses, and higher impairment provisions. The decline is likely to be partially mitigated by an increase in net funded income and lower profit attributable to non-controlling interests. DIB's funded income is forecasted to increase 7.2% YOY to AED 5,086 Mn in 2Q26, due to an expected rise in average interest-earning assets, partially offset by an anticipated decline in asset yield. Meanwhile, funded expenses are forecast to increase by 4.9% YOY to AED 2,751 Mn in 2Q26, driven by growth in average interest-bearing liabilities. However, the increase is expected to be partially offset by a decline in the cost of funds. Thus, net funded income is likely to increase 10.0% YOY to AED 2,334 Mn in 2Q26. The Bank's fee and commission income is expected to decline marginally 0.9% YOY to AED 423 Mn in 2Q26. Additionally, other non-funded income is expected to decrease 48.1% YOY to AED 348 Mn in 2Q26. As a result, DIB's non-funded income is expected to decrease 29.7% YOY to AED 771 Mn in 2Q26. The Bank's total operating income is expected to decrease 3.5% YOY to AED 3,105 Mn in 2Q26. DIB's general expenses are anticipated to increase 5.5% YOY to AED 975 Mn in 2Q26. Furthermore, the Bank's impairment charges are expected to increase from AED 93 Mn in 2Q25 to AED 348 Mn in 2Q26. Tax charges are expected to decrease marginally 0.2% YOY to AED 267 Mn in 2Q26. The share of profit attributable to non-controlling interest holders is projected to fall 15.3% YOY to AED 64 Mn in 2Q26.

### 2026 forecast

We expect DIB's net profit attributable to equity shareholders to decrease 16.0% YOY to AED 6,303 Mn in 2026, mainly attributable by decrease in non-funded income and increase in general expenses and high impairment charges, partially offset by higher net funded income, declining tax charges, and lower share to non-controlling interest holders. The Bank's funded income is forecasted to increase 4.5% YOY to AED 20,435 Mn in 2026, supported by a projected increase in loans and advances and investment portfolio. Similarly, funded expense is forecasted to increase 6.8% YOY to AED 11,295 Mn in 2026, due to a projected rise in average interest-bearing liabilities, partially offset by a forecasted decline in the cost of funds. As a result, net funded income is likely to grow 1.9% YOY to AED 9,141 Mn in 2026. Fee and commission income is expected to increase 2.0% YOY to AED 1,911 Mn in 2026. Moreover, other non-funded income is forecasted to decrease by 16.5% YOY to AED 2,008 Mn in 2026. Thus, total non-funded income is likely to decline 8.4% YOY to AED 3,920 Mn in 2026. As a result, DIB's total operating income is expected to decrease 1.4% YOY to AED 13,060 Mn in 2026. General expenses are expected to rise 4.0% YOY to AED 3,913 Mn in 2026. Additionally, impairment charges are projected to increase from AED 485 Mn in 2025 to AED 1,391 Mn in 2026. The Bank's tax charge is expected to fall 2.6% YOY to AED 1,163 Mn in 2026. In addition, the share of profit attributable to non-controlling interest holders is expected to decline 5.6% YOY to AED 290 Mn in 2026.

### 1Q26 outturn

Funded income increased 10.9% YOY to AED 5,047 Mn in 1Q26, supported by higher financing and sukuk investments reflecting broad-based business growth. Funded expenses rose 16.5% YOY to AED 2,748 Mn in 1Q26. However, the Bank's calculated cost of funds declined 14 bps YOY to 3.2% in 1Q26. As a result, net funded income increased 4.9% YOY to AED 2,300 Mn in 1Q26. The calculated NIMs contracted 32 bps YOY and 14 bps QOQ to 2.3% in 1Q26. Fee and commission income grew 15.5% YOY to AED 427 Mn in 1Q26. However, other non-funded income rose from AED 457 Mn in 1Q25 to AED 822 Mn in 1Q26, mainly due to an increase in income from investments measured at fair value, increased income from properties under construction, and increase in other operating income, partially offset by lower income from investment properties and a reduced profit share from

associates. Thus, non-funded income grew 29.8% YOY to AED 1,249 Mn in 1Q26. As a result, total operating income increased by 12.5% YOY to AED 3,548 Mn in 1Q26. Operating expenses increased 13.5% YOY to AED 1,002 Mn in 1Q26. As a result, the calculated cost-to-income ratio increased 25 bps YOY and declined 49 bps QOQ to 28.2% in 1Q26. Furthermore, the Bank recorded impairment charges of AED 420 Mn in 1Q26, compared to AED 163 Mn in 1Q25, primarily due to a higher prudent Expected Credit Loss (ECL) overlay in response to the prevailing operating environment. Tax expenses increased 5.3% YOY to AED 327 Mn in 1Q26. The Bank's share of profit attributable to non-controlling interest holders increased from AED 58 Mn in 1Q25 to AED 83 Mn in 1Q26.

### Target price and recommendation

We maintained our rating to BUY on DIB with a target price of AED 10.50. DIB reported a strong performance in 1Q26, supported by healthy business growth, resilient profitability, improving asset quality, and robust capital and liquidity positions. The Bank's financing book grew by 21.6% YOY and 3.3% QOQ to AED 270.7 Bn in 1Q26, driven by gross new financing of over AED 24 Bn during the quarter. Financing growth remained well diversified across both consumer and corporate segments, with no concentration risks emerging within the portfolio. The consumer financing portfolio increased by 22.1% YOY and 6.4% QOQ to AED 83 Bn, supported by c. AED 11 Bn of new financing originations. Growth was broad-based across home finance, personal finance, auto finance, and cards. Corporate Banking also maintained strong momentum, with net financing assets rising by 21.3% YOY and 2.2% QOQ to AED 188 Bn in 1Q26. New financing exceeded AED 13 Bn during the quarter. In addition, the Bank's Sukuk investment portfolio expanded by 10.7% YOY and 2.2% QOQ to AED 93 Bn in 1Q26, supported by gross new Sukuk investments of more than AED 5 Bn during the quarter. Supported by a robust financing pipeline and continued demand across both consumer and corporate banking segments, the Bank expects the financing and Sukuk portfolio to expand by 10% in 2026. Furthermore, DIB's funding profile remains a key strength, with customer deposits increasing 21.6% YOY to AED 322.0 Bn in 1Q26 and CASA balances growing 6% YTD, supporting funding stability and helping mitigate pressure from a lower interest rate environment. The Bank reported a NIMs of 2.5% in 1Q26 and expects NIMs to moderate to 2.3% in 2026. The cost-to-income ratio increased by 25 bps YOY and 57 bps QOQ to 28.2% in 1Q26, while the Bank has guided for a cost-to-income ratio of 28.0% in 2026. Asset quality continues to improve, with the NPL ratio declining to 2.5% in 1Q26, supported by improving portfolio quality, recoveries and positive stage migration trends. While impairment charges increased during 1Q26, the Bank stated that c. AED 186 Mn related to a prudent management overlay rather than any deterioration in underlying credit quality, highlighting the Bank's conservative risk management approach. Excluding the overlay, the underlying cost of risk remains broadly in line with historical levels. In addition, DIB maintains a strong capital position, with CET1 and capital adequacy ratios improving to 12.6% and 15.8%, respectively during 1Q26. The Bank also recorded strong shareholder return with reported ROA (pre-tax) and ROE (pre-tax) of 2.1% and 21.0%, respectively during 1Q26. DIB further guided for a pre-tax ROTE of 21% and a ROA of 2.2% in 2026, highlighting management's confidence in sustaining strong profitability despite a moderating margin environment. Thus, considering all these factors, we maintained our rating to BUY on the stock.

### DIB - Relative Valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
P/E	14.42	10.88	8.62	7.30	7.77	9.22
P/B	1.80	1.66	1.51	1.38	1.29	1.19
BVPS	4.226	4.563	5.012	5.486	5.878	6.354
EPS	0.526	0.697	0.880	1.039	0.977	0.824
DPS	0.250	0.300	0.450	0.450	0.350	0.350
Dividend yield	3.2%	3.9%	5.8%	5.8%	4.5%	4.5%

FABS estimate

**DIB - P&L**

AED Mn	2Q25	1Q26	2Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Funded income	4,745	5,047	5,086	7.2%	0.8%	19,548	20,435	4.5%
Funded expense	-2,623	-2,748	-2,751	4.9%	0.1%	-10,576	-11,295	6.8%
<b>Net funded income</b>	<b>2,122</b>	<b>2,300</b>	<b>2,334</b>	<b>10.0%</b>	<b>1.5%</b>	<b>8,972</b>	<b>9,141</b>	<b>1.9%</b>
Fees & commissions	426	427	423	-0.9%	-1.0%	1,874	1,911	2.0%
Other non-funded income	670	822	348	-48.1%	NM	2,405	2,008	-16.5%
<b>Non funded Income</b>	<b>1,097</b>	<b>1,249</b>	<b>771</b>	<b>-29.7%</b>	<b>-38.3%</b>	<b>4,279</b>	<b>3,920</b>	<b>-8.4%</b>
<b>Operating income</b>	<b>3,219</b>	<b>3,548</b>	<b>3,105</b>	<b>-3.5%</b>	<b>-12.5%</b>	<b>13,251</b>	<b>13,060</b>	<b>-1.4%</b>
General expenses	-925	-1,002	-975	5.5%	-2.7%	-3,763	-3,913	4.0%
<b>Pre-provisioning profit</b>	<b>2,294</b>	<b>2,546</b>	<b>2,130</b>	<b>-7.2%</b>	<b>-16.4%</b>	<b>9,488</b>	<b>9,148</b>	<b>-3.6%</b>
Impairment charges	-93	-420	-348	NM	-17.1%	-485	-1,391	NM
<b>Profit before tax</b>	<b>2,201</b>	<b>2,126</b>	<b>1,781</b>	<b>-19.1%</b>	<b>-16.2%</b>	<b>9,003</b>	<b>7,756</b>	<b>-13.8%</b>
Tax	-268	-327	-267	-0.2%	-18.4%	-1,195	-1,163	-2.6%
<b>Profit before NCI</b>	<b>1,933</b>	<b>1,799</b>	<b>1,514</b>	<b>-21.7%</b>	<b>-15.8%</b>	<b>7,808</b>	<b>6,593</b>	<b>-15.6%</b>
Non-controlling interests	-75	-83	-64	-15.3%	-23.0%	-307	-290	-5.6%
<b>Profit for the period</b>	<b>1,858</b>	<b>1,716</b>	<b>1,451</b>	<b>-21.9%</b>	<b>-15.5%</b>	<b>7,500</b>	<b>6,303</b>	<b>-16.0%</b>

FABS estimate & Co Data

**DIB - P&L KPI**

	2Q25	1Q26	2Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Net FI/OI	65.9%	64.8%	75.2%	NM	NM	67.7%	70.0%	228
NIM	2.5%	2.3%	2.3%	-15	-1	2.5%	2.2%	-25
NIS	2.0%	1.9%	1.9%	-8	0	2.0%	1.8%	-22
Fees & commissions/OI	13.2%	12.0%	13.6%	36	158	14.1%	14.6%	49
Other non-funded/OI	20.8%	23.2%	11.2%	NM	NM	18.2%	15.4%	-277
Cost to income	28.7%	28.2%	31.4%	268	317	28.4%	30.0%	156
Impairment/PPP	4.1%	16.5%	16.4%	NM	-14	5.1%	15.2%	NM
NCI/PBT	3.9%	4.6%	4.2%	32	-39	3.9%	4.4%	46
NP/OI	57.7%	48.4%	46.7%	NM	-165	56.6%	48.3%	NM
Cost of risk	0.2%	0.6%	0.5%	34	-12	0.2%	0.5%	32
Loan-to-deposit - Calculated	83.7%	84.1%	83.0%	-68	-106	81.8%	83.0%	115
NPL - Calculated	3.4%	2.5%	2.4%	-91	-5	2.7%	2.4%	-20
Coverage - Calculated	86.9%	86.5%	86.5%	-42	0	85.4%	86.5%	107
CET 1	13.0%	12.6%	12.7%	-29	6	12.3%	12.3%	0
Capital adequacy	16.7%	15.8%	15.8%	-95	-5	15.5%	15.3%	-19
ROAA	2.4%	1.9%	1.8%	-62	-17	2.0%	1.5%	-51
ROAE	20.6%	17.3%	15.8%	NM	-155	17.2%	13.4%	-373

FABS estimate & Co Data

**DIB - key B/S items**

AED Mn	2Q25	3Q25	4Q25	1Q26	2Q26F	YOY Ch
Net financings	2,37,376	2,48,301	2,62,055	2,70,662	2,75,207	15.9%
QOQ change	6.7%	4.6%	5.5%	3.3%	1.7%	
Total assets	3,73,479	3,92,953	4,15,948	4,19,916	4,30,539	15.3%
QOQ change	5.1%	5.2%	5.9%	1.0%	2.5%	
Customer deposits	2,83,663	3,01,932	3,20,184	3,22,000	3,31,575	16.9%
QOQ change	7.1%	6.4%	6.0%	0.6%	3.0%	
Shareholders' fund	39,768	41,360	42,562	44,186	45,475	14.4%
QOQ change	4.4%	4.0%	2.9%	3.8%	2.9%	

FABS estimate & Co Data

**2Q26 preview: Abu Dhabi Islamic Bank (ADIB)**

Healthy balance sheet growth to drive earnings expansion

Current Price	12-m Target Price	Upside/Downside (%)	Rating
AED 21.76	AED 26.00	+19.5%	BUY

**2Q26 estimate**

Abu Dhabi Islamic Bank (ADIB/the bank) is expected to record 8.2% YOY increase in net profit to AED 1,739 Mn in 2Q26, primarily driven by an anticipated rise in net funded income and non-funded income, partially offset by a forecasted increase in operating expenses, impairments, and higher NCI & zakat expenses. ADIB's funded income, including income from Islamic financing, is expected to grow 15.8% YOY to AED 3,660 Mn in 2Q26, driven by expected growth in net financing and investment portfolio. Funded expense is anticipated to grow 19.9% YOY to AED 1,565 Mn in 2Q26, mainly due to a projected increase in average interest-bearing liabilities and cost of funds. As a result, ADIB's net funded income is likely to rise 12.9% YOY to AED 2,095 Mn in 2Q26. Fees and commissions income is expected to remain broadly stable at AED 547 Mn in 2Q26, compared to 2Q25. While other non-funded income is expected to grow 2.1% YOY to AED 673 Mn in 2Q26. Thus, the Bank's non-funded income is anticipated to expand 1.1% YOY to AED 1,220 Mn in 2Q26. As a result, the bank's operating income is expected to increase 8.2% YOY to AED 3,314 Mn in 2Q26. ADIB's operating expenses are anticipated to increase 14.4% YOY to AED 963 Mn in 2Q26. Thus, we expect the cost-to-income ratio to increase from 27.5% in 2Q25 to 29.1% in 2Q26. Impairment charges are anticipated to increase from AED 199 Mn in 2Q25 to AED 244 Mn in 2Q26. In addition, NCI & zakat expenses are projected to grow 7.1% YOY to AED 369 Mn in 2Q26.

**2026 forecast**

ADIB's net profit is anticipated to grow 7.2% YOY to AED 7,154 Mn in 2026, driven by the projected increase in net-funded and non-funded income, partially offset by an anticipated rise in operating expenses, impairment charges, and NCI & zakat expenses. Funded income including income from Islamic financing, is expected to grow 11.5% YOY to AED 14,666 Mn in 2026, owing to expected growth in net advances and investments, partially offset by an anticipated decline in assets yield. Funded expense is projected to increase 10.5% YOY to AED 6,193 Mn in 2026, supported by anticipated growth in average interest-bearing liabilities, partially offset by a decline in cost of funds. Thus, net funded income is expected to rise 12.2% YOY to AED 8,472 Mn in 2026. Furthermore, non-funded income is anticipated to grow 6.3% YOY to AED 5,051 Mn in 2026 due to estimated growth in fees & commission income and other non-funded income. Fees & commissions income are anticipated to increase 8.0% YOY to AED 2,268 Mn in 2026, while other non-funded income is forecasted to rise 5.0% YOY to AED 2,783 Mn in 2026. As a result, operating income is anticipated to rise 9.9% YOY to AED 13,524 Mn in 2026. The Bank's operating expenses are expected to rise 10.5% YOY to AED 3,895 Mn in 2026. Impairments are forecasted to increase 41.2% YOY to AED 957 Mn in 2026. NCI & zakat expenses are anticipated to grow 6.3% YOY to AED 1,518 Mn in 2026.

**1Q26 outturn**

ADIB's Islamic financing income grew 20.4% YOY to AED 2,967 Mn in 1Q26. Income from financial institutions increased 12.6% YOY to AED 600 Mn in 1Q26. Thus, total funded income including Islamic financing grew 19.0% YOY to AED 3,567 Mn in 1Q26, supported by robust financing growth, improving asset mix, and sustained customer acquisition. Funded expenses rose 22.5% YOY to AED 1,526 Mn in 1Q26, mainly due to the rise in the interest-bearing liabilities, partially offset by lower cost of funds. Thus, net funded income grew 16.5% YOY to AED 2,041 Mn in 1Q26. However, calculated NIMs fell marginally from 3.1% in 1Q25 to 3.0% in 1Q26. Fees and commission income declined 5.2% YOY to AED 516 Mn in 1Q26. Other non-funded income increased 12.2% YOY to AED 646 Mn in 1Q26. Thus, total non-funded income rose 3.7% YOY to AED 1,162 Mn in 1Q26, supported by continued cross-selling across key products and a diversified revenue base. As a result, total operating income increased 11.6% YOY to AED 3,203 Mn in 1Q26. Furthermore, operating expenses rose 14.4% YOY to AED 949 Mn in 1Q26, due to ongoing investments in people, digital initiatives, and technology infrastructure aimed at supporting future growth. Thus, cost-to-income increased from 28.9% in 1Q25 to 29.6% in 1Q26, reflecting operating expense growth outpacing operating

income growth. ADIB's impairment charges increased significantly from AED 106 Mn in 1Q25 to AED 158 Mn in 1Q26. However, on a sequentially basis, impairment charges declined 5.0%, reflecting stable underlying credit performance and asset quality. Additionally, zakat and profit attributable to non-controlling interest holders increased from AED 320 Mn in 1Q25 to AED 382 Mn in 1Q26.

### Target price and recommendation

We maintain our BUY rating on Abu Dhabi Islamic Bank (ADIB) with a target price of AED 26.00 per share. The Bank reported an ROE of 27.1% in 1Q26, well above management's guidance of above 25%, demonstrating the strength of its diversified business model and disciplined execution. ADIB reported robust financing growth of 29.1% YOY to AED 193.8 Bn in 1Q26, significantly outpacing the sector, driven by broad-based expansion across retail, government, and public sector segments. Retail financing surpassed the AED 100 Bn milestone for the first time, supported by strong demand for home finance, personal finance, and auto finance products, while wholesale financing benefited from increased participation in government-related and public sector projects. The Bank noted that financing growth is currently exceeding its 2026 guidance range of 12-14%, with management signaling the possibility of an upward revision should current growth trends continue, underpinned by a healthy financing pipeline, strong activity from government and public sector entities, and resilient economic conditions in the UAE. Customer deposits increased by 19.6% YOY to AED 239.3 Bn in 1Q26, reflecting continued franchise strength and strong client acquisition trends. The Bank's CASA balances grew by approximately AED 15.0 Bn YOY in 1Q26, resulting in CASA representing 67% of total deposits. The strong growth in low-cost deposits highlights ADIB's ability to deepen customer relationships and maintain a stable funding base despite market volatility. ADIB maintained a resilient reported NIMs of 3.91%, declining only marginally on a sequential basis. The Bank reiterated its 2026 margin guidance of 3.8%-4.0%, supported by a favorable funding mix and strong CASA generation. ADIB continues to distinguish itself through best-in-class asset quality metrics. The bank's reported NPL ratio improved to a record low of 2.6%, while reported NPL coverage of 99% in 1Q26, demonstrating the quality of underwriting and prudent risk management practices. Additionally, the Bank indicated that no additional overlays were required during the quarter despite conducting comprehensive stress-testing exercises. ADIB maintains a robust capital position, with a CET1 ratio of 12.0% and total capital adequacy ratio of 15.5% in 1Q26, comfortably above regulatory requirements. Looking ahead, the Bank reiterated its 2026 guidance across all key operating metrics, including financing growth of 12-14%, net financing margins of 3.8-4.0%, cost of risk of 40-60bps, cost-to-income ratio below 30%, and ROE above 25%. Thus, we maintain our BUY rating on ADIB.

### ADIB - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE	36.94	23.07	16.43	14.13	12.09	11.23
PB	4.85	4.32	3.76	3.39	2.94	2.60
BVPS	4.348	4.881	5.610	6.220	7.177	8.109
EPS	0.571	0.915	1.284	1.493	1.746	1.878
DPS	0.311	0.490	0.715	0.834	0.971	1.040
Dividend Yield	1.4%	2.3%	3.3%	3.8%	4.5%	4.8%

FABS Estimates & Co Data

ADIB-P&L								
(AED Mn)	2Q25	1Q26	2Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Institutions	527	600	576	9.4%	-4.1%	2,277	2,511	10.3%
Islamic financings	2,635	2,967	3,084	17.0%	3.9%	10,880	12,155	11.7%
<b>Funded income</b>	<b>3,161</b>	<b>3,567</b>	<b>3,660</b>	<b>15.8%</b>	<b>2.6%</b>	<b>13,156</b>	<b>14,666</b>	<b>11.5%</b>
Funded expense	-1,305	-1,526	-1,565	19.9%	2.6%	-5,603	-6,193	10.5%
<b>Net funded income</b>	<b>1,856</b>	<b>2,041</b>	<b>2,095</b>	<b>12.9%</b>	<b>2.6%</b>	<b>7,553</b>	<b>8,472</b>	<b>12.2%</b>
Fees and commissions	547	516	547	0.0%	6.0%	2,100	2,268	8.0%
Other non-funded income	660	646	673	2.1%	4.2%	2,650	2,783	5.0%
<b>Non-Funded Income</b>	<b>1,206</b>	<b>1,162</b>	<b>1,220</b>	<b>1.1%</b>	<b>5.0%</b>	<b>4,751</b>	<b>5,051</b>	<b>6.3%</b>
<b>Operating income</b>	<b>3,062</b>	<b>3,203</b>	<b>3,314</b>	<b>8.2%</b>	<b>3.5%</b>	<b>12,304</b>	<b>13,524</b>	<b>9.9%</b>
Operating expenses	-842	-949	-963	14.4%	1.5%	-3,525	-3,895	10.5%
<b>Pre-provisioning income</b>	<b>2,220</b>	<b>2,254</b>	<b>2,351</b>	<b>5.9%</b>	<b>4.3%</b>	<b>8,779</b>	<b>9,629</b>	<b>9.7%</b>
Financing impairment	-199	-158	-244	22.1%	NM	-678	-957	41.2%
<b>Profit before NCI</b>	<b>2,021</b>	<b>2,096</b>	<b>2,108</b>	<b>4.3%</b>	<b>0.6%</b>	<b>8,101</b>	<b>8,672</b>	<b>7.0%</b>
Zakat & NCI.	-344	-382	-369	7.1%	-3.4%	-1,428	-1,518	6.3%
<b>Net profit for the period</b>	<b>1,607</b>	<b>1,714</b>	<b>1,739</b>	<b>8.2%</b>	<b>1.5%</b>	<b>6,674</b>	<b>7,154</b>	<b>7.2%</b>

FABS estimate & Co Data

**ADIB - P&L KPI**

	2Q25	1Q26	2Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Net FI/OI	60.6%	63.7%	63.2%	259	-53	61.4%	62.6%	126
NIM	3.1%	3.0%	3.0%	-6	3	3.1%	3.0%	-12
NIS	2.8%	2.7%	2.8%	-3	6	2.8%	2.7%	-10
Fees & commissions/OI	17.8%	16.1%	16.5%	-136	39	17.1%	16.8%	-30
Other non-funded/OI	21.5%	20.2%	20.3%	-123	14	21.5%	20.6%	-96
Cost to income (calculated)	27.5%	29.6%	29.1%	156	-57	28.6%	28.8%	15
Impairment/PPP	9.0%	7.0%	10.4%	137	333	7.7%	9.9%	222
NP/OI	52.5%	53.5%	52.5%	-2	-104	54.2%	52.9%	-134
Cost of risk	0.48%	0.32%	0.50%	2	18	0.41%	0.50%	9
Loan-to-deposit	76.5%	81.0%	80.0%	354	-96	79.2%	81.5%	233
NPL - Calculated	3.5%	2.6%	3.1%	-32	49	2.8%	2.8%	-4
Coverage excl. collateral	77.4%	80.3%	77.4%	-2	-297	80.1%	85.7%	558
CET1	12.7%	12.0%	11.2%	-147	-75	12.0%	12.3%	32
Capital adequacy	16.6%	15.5%	14.7%	-191	-85	15.7%	15.7%	-5
ROAE	27.6%	28.6%	26.9%	-72	-178	26.1%	24.6%	-149
ROAA	2.6%	2.6%	2.5%	-14	-7	2.6%	2.5%	-15

FABS estimate & Co Data

**ADIB - key B/S items**

AED Mn	2Q25	3Q25	4Q25	1Q26	2Q26F	YOY Ch
Net advances	1,62,751	1,70,801	1,81,376	1,93,809	1,95,896	20.4%
QOQ change	8.4%	4.9%	6.2%	6.9%	1.1%	
Total assets	2,60,352	2,69,734	2,80,753	2,87,065	2,89,668	11.3%
QOQ change	6.9%	3.6%	4.1%	2.2%	0.9%	
Customer deposits	2,12,831	2,21,668	2,29,096	2,39,335	2,44,829	15.0%
QOQ change	6.4%	4.2%	3.4%	4.5%	2.3%	
Shareholders' funds (ex-Tier 1)	22,759	24,453	26,067	23,865	25,603	12.5%
QOQ change	7.9%	7.4%	6.6%	-8.5%	7.3%	

FABS estimate & Co Data

## 2Q26 preview: National Bank of Ras Al Khaimah (RAKBANK)

Higher impairment charges amid geopolitical uncertainty to weigh on earnings

Current Price	12-m Target Price	Upside/Downside (%)	Rating
AED 9.07	AED 10.00	+10.3%	ACCUMULATE

### 2Q26 estimates

National Bank of Ras Al-Khaimah (RAKBANK/the Bank) is expected to report a decline in net income attributable to equity shareholders, anticipated to fall 17.2% YOY to AED 552 Mn in 2Q26. The decline in net profit is primarily driven by anticipated substantial rise in impairment charges, partially offset by projected increase in net funded income, non-funded income, coupled with decline in income tax expenses and non-controlling interest. Interest income, including income from Islamic financing, is projected to rise 2.0% YOY to AED 1,399 Mn in 2Q26, due to forecasted rise in average interest earning assets, partially offset by decline in projected asset yield and yield on Islamic Financing. On the other hand, interest expense is forecasted to increase marginally 1.0% YOY to AED 467 Mn in 2Q26, driven by expected increase in average interest-bearing liabilities, partially offset by an anticipated decline in cost of funds. As a result, net funded income is likely to rise 2.5% YOY to AED 932 Mn in 2Q26. Thus, NIMs is expected to fall 51 bps YOY to 3.5% in 2Q26. The Bank's total non-funded income is anticipated to increase 9.7% YOY to AED 397 Mn in 2Q26, primarily due to forecasted rise in foreign exchange gain, investment Income, and other operating income, partially offset by anticipated decline in net fees and commissions and record of gross insurance underwriting loss compared to profit in 2Q25. Hence, net operating income is expected to grow 4.6% YOY to AED 1,329 Mn in 2Q26. Operating expenses are expected to rise 6.3% YOY to AED 485 Mn in 2Q26. Moreover, we expect the cost-to-income ratio to increase 59 bps YOY to 36.5% in 2Q26, due to increased net operating income and decrease in operating expenses. In addition, impairment expense is forecasted to increase from AED 79 Mn in 2Q25 to AED 235 Mn in 2Q26. The Bank's tax expense is likely to decline 17.8% YOY to AED 54 Mn in 2Q26. Furthermore, non-controlling interest is expected to decreased 4.5% YOY to AED 3 Mn in 2Q26.

### 2026 forecast

RAKBANK's net profit is expected to grow 9.7% YOY to AED 2,853 Mn in 2026, owing to an anticipated increase in net funded income, and non-funded income, partially offset by forecasted rise in operating expenses, impairments charges and income tax expenses. Interest Income, including income from Islamic financing, is projected to rise 9.0% YOY to AED 6,026 Mn in 2026, supported by anticipated growth in average interest earning assets, partially offset by projected decline in asset yield. On the other hand, the Bank's funded expense is also expected to grow 8.5% YOY to AED 1,999 Mn in 2026, due to expected rise in average interest-bearing liabilities, partially offset by forecasted decline in cost of funds. Resultantly, net funded income is likely to expand 9.3% YOY to AED 4,027 Mn in 2026. We expect NIMs to fall 18 bps YOY to 3.8% in 2026. Total non-funded income is expected to grow 38.2% YOY to AED 2,049 Mn in 2026, driven by a forecasted rise in net fees and commission income, foreign exchange gain, investment income, and other operating income, partially offset by anticipated rise in gross insurance underwriting loss. As a result, the Bank's net operating income is likely to increase 17.6% YOY to AED 6,076 Mn in 2026. Operating expenses are anticipated to rise 10.2% YOY to AED 2,041 Mn in 2026. Additionally, we forecast the cost-to-income ratio to decline from 35.8% in 2025 to 33.6% in 2026. Impairments are forecasted to increase from AED 451 Mn in 2025 to AED 890 Mn in 2026. The tax expense is estimated to rise 10.6% YOY to AED 283 Mn in 2026.

### 1Q26 outturn

RAKBANK's interest income from conventional loans and investments grew 10.1% YOY to AED 1,230 Mn in 1Q26, driven by rise in average interest earning assets, partially offset by decline in asset yield. Meanwhile, interest expense on conventional deposits and borrowings rose 14.5% YOY to AED 424 Mn in 1Q26, supported by rise in average interest-bearing liabilities, partially offset by decline in cost of funds. Thus, net interest income from conventional loans and advances increased 7.9% YOY to AED 806 Mn in 1Q26. Income from Islamic financing grew 8.0% YOY to AED 199 Mn in 1Q26,

while Islamic financing expenses declined 9.3% YOY to AED 58 Mn in 1Q26. Therefore, net Islamic financing income increased 17.3% YOY to AED 140 Mn in 1Q26. As a result, total funded income increased 9.8% YOY to AED 1,429 Mn in 1Q26, while total funded expenses grew 11.0% YOY to AED 482 Mn in 1Q26. Thus, net funded income increased 9.2% YOY to AED 947 Mn in 1Q26. Consequently, our calculated NIM contracted from 4.0% in 1Q25 to 3.7% in 1Q26. Net fee and commission income increased 9.3% YOY to AED 206 Mn in 1Q26. While foreign exchange income rose 17.1% YOY to AED 114 Mn in 1Q26. RAKBANK recorded a gross insurance underwriting Profit of AED 4 Mn in 1Q26 compared to the loss of AED 3 Mn in 1Q25. Additionally, investment income decreased substantially from AED 126 Mn in 1Q25 to AED 54 Mn in 1Q26. Other operating income rose significantly from AED 24 Mn in 1Q25 to AED 496 Mn in 1Q26, primarily driven by the sale of merchant acquiring business. Thus, the total non-funded income increased from AED 433 Mn in 1Q25 to AED 873 Mn in 1Q26. As a result, net operating income grew 40.0% YOY to AED 1,820 Mn in 1Q26. Operating expenses rose 9.6% YOY to AED 476 Mn in 1Q26, reflecting higher volume-driven costs and continued strategic investments. Consequently, the cost-to-income ratio improved to 26.2% in 1Q26 from 33.4% in 1Q25, driven by strong growth in operating income that outpaced the increase in operating expenses. Impairment charges expanded significantly from AED 94 Mn in 1Q25 to AED 238 Mn in 1Q26, reflecting a prudent provisioning approach amid ongoing market and regional volatility. Income tax expenses rose 45.0% YOY to AED 98 Mn in 1Q26. Profits attributable to NCI stood at AED 3 Mn in 1Q26 compared to AED 2 Mn in 1Q25.

### Target price and recommendation

We revised our rating on RAKBANK from BUY to ACCUMULATE with an unchanged target price of AED 10.00. RAKBANK delivered strong profitability growth in 1Q26, with net profit increasing 43.0% YOY, supported by its diversified revenue base. This was evidenced by a 101.5% YOY surge in non-interest income, driven by a significant increase in other operating income, alongside higher foreign exchange income and net fee and commission income. The substantial increase in other operating income was primarily driven by the completion of the sale of the Bank's merchant acquiring business to Network International LLC during 1Q26, resulting in a one-off gain of AED 473 Mn that further boosted earnings. Earnings growth was further supported by higher net fee and commission income. RAKBANK's net advances increased 16.4% YOY and 4.0% QOQ to AED 55.4 Bn during 1Q26, driven by strong growth across all the business segments. Retail Banking loans and advances rose 10.1% YOY and 1.9% QOQ to AED 25.4 Bn in 1Q26, driven by mortgages and expatriate lending. Wholesale Banking loans expanded 28.4% YOY and 7.5% QOQ to AED 21.2 Bn in 1Q26, due to increased corporate and financial institution exposures. Similarly, Business Banking loans increased 6.8% YOY and 2.6% QOQ to AED 11.5 Bn in 1Q26, driven by higher SME and commercial lending. This reflects broad-based lending growth across the Bank's key operating segments and highlights the strength of underlying credit demand. RAKBANK's customer deposits rose 21.7% YOY and 5.5% QOQ to AED 74.3 Bn in 1Q26, with a CASA ratio of 65.6%. The higher CASA ratio is expected to support performance in a declining interest rate environment, driven by its lower funding costs. Furthermore, the Bank's risk-adjusted NIM declined to 3.0% in 1Q26 from 3.9% in 1Q25, driven by the impact of interest rate cuts and higher precautionary provisioning amid ongoing regional geopolitical uncertainty. The Bank's asset quality remained resilient, with the calculated NPL ratio stable at 1.9% in 1Q26 compared with 4Q25. However, calculated provision coverage declined from 258.8% in 4Q25 to 252.2% in 1Q26, indicating a modest normalization in provisioning levels, while still remaining at a robust level that provides substantial protection against potential credit losses. The Bank maintained a strong capital position, with a CAR of 16.6% and a CET1 ratio of 15.2% in 1Q26, both comfortably above regulatory requirements. The Bank delivered robust profitability metrics, with ROAA rising to 2.9% and ROAE improving to 23.6% in 1Q26, compared with 2.7% and 20.5%, respectively, in 4Q25. Further, RAKBANK proposed a cash dividend of AED 1.27 Bn (63 fils per share) for 2025, representing 63% of its share capital. Thus, based on our assumptions, we revised our rating to ACCUMULATE on the stock.

**RAKBANK - Relative valuation**

	2021	2022	2023	2024	2025	2026F
(at CMP)						
P/E (x)	24.31	15.70	10.31	8.87	7.07	6.44
P/B (x)	2.20	2.04	1.78	1.71	1.25	1.16
BVPS (AED)	4.147	4.471	5.134	5.352	7.315	7.902
EPS (AED)	0.376	0.582	0.887	1.030	1.293	1.418
DPS (AED)	0.188	0.283	0.310	0.500	0.630	0.706
Dividend Yield	2.1%	3.1%	3.4%	5.5%	6.9%	7.8%

FABS Estimates & Co Data

**RAKBANK P&L**

AED Mn	2Q25	1Q26	2Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Interest Income	1,372	1,429	1,399	2.0%	-2.1%	5,527	6,026	9.0%
Interest expense	-463	-482	-467	1.0%	-3.0%	-1,842	-1,999	8.5%
<b>Net funded income</b>	<b>909</b>	<b>947</b>	<b>932</b>	<b>2.5%</b>	<b>-1.6%</b>	<b>3,686</b>	<b>4,027</b>	<b>9.3%</b>
Net fees and commissions	211	206	208	-1.8%	1.0%	774	836	8.0%
Foreign exchange gain	99	114	109	9.8%	-5.0%	390	410	5.0%
Gross insurance underwriting Profit	0	4	-9	NM	NM	-13	-23	70.0%
Investment Income	30	54	60	NM	11.0%	231	248	7.0%
Other operating income	22	496	30	37.5%	-94.0%	100	578	NM
<b>Total non-funded income</b>	<b>362</b>	<b>873</b>	<b>397</b>	<b>9.7%</b>	<b>-54.6%</b>	<b>1,482</b>	<b>2,049</b>	<b>38.2%</b>
<b>Net operating income</b>	<b>1,271</b>	<b>1,820</b>	<b>1,329</b>	<b>4.6%</b>	<b>-27.0%</b>	<b>5,168</b>	<b>6,076</b>	<b>17.6%</b>
Operating expenses	-456	-476	-485	6.3%	1.9%	-1,852	-2,041	10.2%
<b>Pre-provision profit</b>	<b>814</b>	<b>1,344</b>	<b>844</b>	<b>3.6%</b>	<b>-37.2%</b>	<b>3,316</b>	<b>4,034</b>	<b>21.7%</b>
Impairment	-79	-238	-235	NM	-1.3%	-451	-890	97.4%
<b>Profit before tax</b>	<b>735</b>	<b>1,106</b>	<b>609</b>	<b>-17.2%</b>	<b>-44.9%</b>	<b>2,865</b>	<b>3,145</b>	<b>9.8%</b>
Income tax expense	-66	-98	-54	-17.8%	-44.9%	-256	-283	10.6%
<b>Profit after tax &amp; before NCI</b>	<b>669</b>	<b>1,008</b>	<b>555</b>	<b>-17.1%</b>	<b>-44.9%</b>	<b>2,609</b>	<b>2,862</b>	<b>9.7%</b>
Non-controlling interest	-3	-3	-3	-4.5%	-25.0%	-9	-9	0.2%
<b>Net profit attributable</b>	<b>667</b>	<b>1,004</b>	<b>552</b>	<b>-17.2%</b>	<b>-45.0%</b>	<b>2,600</b>	<b>2,853</b>	<b>9.7%</b>

FABS estimate & Co Data

**RAKBANK - KPI**

	2Q25	1Q26	2Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Net FI/OI	71.5%	52.0%	70.1%	-140	NM	71.3%	66.3%	-504
NIM	4.1%	3.7%	3.5%	-51	-16	4.0%	3.8%	-18
NIS	3.7%	3.7%	3.2%	-46	-42	3.6%	3.5%	-14
Fees & comms/OI	16.6%	11.3%	15.6%	-101	433	15.0%	13.8%	-122
Foreign exchange gain/OI	7.8%	6.3%	8.2%	39	189	7.6%	6.7%	-81
Other operating income/OI	1.7%	27.2%	2.2%	54	NM	1.9%	9.5%	758
Investment Income/OI	2.3%	2.9%	4.5%	214	153	4.5%	4.1%	-40
Cost to income	35.9%	26.2%	36.5%	59	NM	35.8%	33.6%	-224
Impairment/PPP	9.8%	17.7%	27.8%	NM	NM	13.6%	22.0%	846
NP/OI	52.5%	55.2%	41.6%	NM	NM	0.0%	0.0%	0
Cost of risk	0.6%	1.7%	0.4%	-22	-127	0.8%	1.5%	65
Loan-to-deposit	79.7%	74.5%	75.0%	-467	47	75.6%	74.0%	-157
NPL - Calculated	2.1%	1.9%	1.8%	-26	-9	1.9%	1.8%	-6
NPL Coverage - Calculated	242.9%	252.2%	262.0%	NM	981	258.8%	264.0%	524
CET 1	16.4%	15.2%	15.2%	-124	-4	14.5%	14.1%	-44
Capital Adequacy	18.7%	16.6%	18.5%	-20	194	18.1%	17.2%	-86
ROAE	20.4%	23.6%	21.5%	113	-208	19.6%	18.6%	-100
ROAA	2.7%	2.9%	2.7%	3	-22	2.7%	2.6%	-11

FABS estimate & Co data

**RAKBANK - Key B/S items**

AED Mn	2Q25	3Q25	4Q25	1Q26	2Q26F	YOY Ch
Net advances	48,662	51,228	53,246	55,381	56,403	15.9%
QOQ change	2.3%	5.3%	3.9%	4.0%	1.8%	
Total assets	94,961	99,459	105,018	107,323	110,439	16.3%
QOQ change	4.6%	4.7%	5.6%	2.2%	2.9%	
Customer deposits	61,079	65,621	70,460	74,308	75,204	23.1%
QOQ change	0.1%	7.4%	7.4%	5.5%	1.2%	
Total Equity	12,341	14,202	14,756	14,199	14,751	19.5%
QOQ change	6.6%	15.1%	3.9%	-3.8%	3.9%	

FABS estimate & Co data

## 2Q26 preview: Abu Dhabi Commercial Bank (ADCB)

Credit growth, stronger non-funded income to aid profitability

Current Price	12-m Target Price	Upside/Downside (%)	Rating
AED 15.10	AED 18.00	+19.2%	BUY

### 2Q26 estimate

Abu Dhabi Commercial Bank's (ADCB/the Bank) net profit is forecasted to increase 30.3% YOY to AED 3,346 Mn in 2Q26, driven by anticipated growth in net funded and non-funded income and a projected decline in impairment charges and lower tax expense, partially offset by an expected increase in operating expenses. ADCB's funded income is expected to grow marginally by 0.4% YOY to AED 8,671 Mn in 2Q26, due to an anticipated increase in net loans and advances and net investments, partially offset by a forecasted decline in asset yield. Funded expense is projected to decline 2.5% YOY to AED 4,858 Mn in 2Q26, supported by an anticipated decline in the cost of funds, partially offset by an expected increase in average interest-bearing liabilities. Consequently, net funded income is forecasted to increase 4.4% YOY to AED 3,813 Mn in 2Q26. We expect NIMs to decline by 24 bps YOY and 2 bps QOQ to 2.1% in 2Q26. Fee and commission income is forecasted to increase 6.0% YOY to AED 985 Mn in 2Q26. Simultaneously, other operating income is anticipated to grow 11.1% YOY to AED 1,272 Mn in 2Q26. Consequently, non-funded income is likely to rise 8.8% YOY to AED 2,257 Mn in 2Q26. As a result, total operating income is projected to increase 6.0% YOY to AED 6,070 Mn in 2Q26. Furthermore, operating expenses are expected to increase 3.3% YOY to AED 1,560 Mn in 2Q26. Accordingly, the cost-to-income ratio is forecasted to decline 67 bps YOY to 25.7% in 2Q26. Additionally, the Bank's impairments are projected to decrease 36.9% YOY to AED 749 Mn in 2Q26. ADCB's tax expense is expected to decline 11.5% YOY to AED 414 Mn in 2Q26.

### 2026 forecast

ADCB's net profit is expected to grow 16.6% YOY to AED 13.3 Bn in 2026, supported by anticipated growth in net funded and non-funded income, partially offset by forecasted growth in operating expenses, impairment charges, and tax expenses. Funded income is projected to decline 0.5% YOY to AED 34.9 Bn in 2026, due to an expected decline in asset yield, partially offset by anticipated growth in the interest earnings assets. Meanwhile, funded expenses are forecasted to decrease 4.1% YOY to AED 19.6 Bn in 2026, supported by an anticipated decline in the cost of funds, partially offset by expected growth in customer deposits. Consequently, net funded income is expected to rise 4.4% YOY to AED 15.3 Bn in 2026. Fees and commission income is projected to increase 10.0% YOY to AED 4.0 Bn in 2026, while other operating income is forecasted to grow 32.5% YOY to AED 5.2 Bn in 2026. As a result, non-funded income is likely to increase 21.7% YOY to AED 9.1 Bn in 2026. Consequently, total operating income is projected to grow 10.3% YOY to AED 24.5 Bn in 2026. Furthermore, operating expenses are expected to increase marginally by 0.7% YOY to AED 6.3 Bn in 2026. In addition, impairments are anticipated to rise 2.3% YOY to AED 3.2 Bn in 2026. ADCB's tax expense is forecasted to increase 18.0% YOY to AED 1.7 Bn in 2026.

### 1Q26 outturn

ADCB's funded income, including interest income and income from Islamic financing, grew 3.5% YOY to AED 8,546 Mn in 1Q26, primarily due to higher volumes and increase in interest earning assets, partially offset by decline in asset yields. The Bank's funded expenses declined 1.1% YOY to AED 4,808 Mn in 1Q26, mainly due to lower cost of funds, indicating disciplined cost management. As a result, net funded income grew 10.2% YOY to AED 3,738 Mn in 1Q26. ADCB's calculated NIMs declined 14 bps YOY and 14 bps QOQ to 2.1% in 1Q26 due to lower interest rate environment. Fee and commission income grew 14.4% YOY to AED 938 Mn in 1Q26 driven by higher loan related fees, trade finance commissions along with increase in investment services and asset management fees. Meanwhile, other operating income increased 57.4% YOY to AED 1,258 Mn in 1Q26, mainly supported by stronger trading income, through higher gains from derivatives and financial assets at FVTPL.

Resultantly, the non-funded income grew 35.6% YOY to AED 2,196 Mn in 1Q26. Total operating income rose 18.4% YOY to AED 5,934 Mn in 1Q26. Operating expenses increased 3.7% YOY to AED 1,519 Mn in 1Q26, mainly due to continued investments in talent and technology to support growth initiatives. Thus, the calculated cost-to-income ratio improved 363 bps YOY and 397 bps QOQ to 25.6% in 1Q26 driven by higher operating income and significant efficiency gains. Impairments declined 1.2% YOY but increased significantly QOQ to AED 638 Mn in 1Q26, due to provision overlays amid geopolitical risks. Furthermore, tax expense declined 8.7% YOY to AED 420 Mn in 1Q26. Profit attributable to NCI stood nil in 1Q26 compared to AED 1 Mn in 1Q25.

### Target price and recommendation

We maintain our BUY rating on Abu Dhabi Commercial Bank (ADCB) with a target price of AED 18.00. ADCB delivered a strong performance in 1Q26, with profitability supported by robust growth in non-funded income, disciplined cost management, and continued balance sheet expansion. Net loans increased 18.4% YOY to AED 425.7 Bn, driven by solid credit demand across the UAE and key international corridors. Customer deposits grew at a similar pace, rising 18.4% YOY and 4.7% QOQ to AED 523.1 Bn, supported by sustained franchise strength. The funding mix improved, with CASA deposits contributing 46.9% of total deposits, increasing from 46.4% in 4Q25, reflecting strong inflows across corporate, retail, and private banking segments. NIM moderated to 2.1% in 1Q26 compared to 2.3% in 4Q25 amid a lower interest rate environment; however, margins remained relatively resilient despite three benchmark rate cuts since September 2025, supported by an optimized cost of funds and higher CASA contribution. Loan growth was primarily driven by the strong expansion across GREs, financial institutions, trading, and manufacturing, while momentum has shifted towards the domestic market, with c. 70% of lending led by UAE-based, GRE-linked infrastructure financing. It extended AED 10 Bn in gross loans to GREs during the quarter. The Banks also benefit from the strong credit pipeline in the GRE lending due to strong project awards in 1Q26 and also expect retail growth to accelerate during the remainder of 2026. ADCB continues to benefit from a well-diversified loan book, with 48% exposure to Abu Dhabi, 19% to Dubai, 5% to other Emirates, and 28% internationally, supporting a balanced domestic and cross-border growth strategy. Across business segments, ADCB continues to demonstrate strong execution. Private banking and wealth management recorded solid growth, with client base and AUM both increasing by 7% QOQ, supported by continued onboarding and momentum in investment and advisory services. The retail franchise also saw healthy traction, with over 57,000 new customers added in 1Q26, alongside strong growth in digital loan origination and card issuance, reflecting continued investment in digital capabilities and customer experience. ADCB has reaffirmed its 2026 and medium-term guidance, underpinned by diversified earnings streams and ongoing efficiency gains. ADCB reported strong growth in fee income in 1Q26, with management expecting the positive trend to continue, while also revising its view on recurring income contribution from trading activities to c. 60% (vs. previous estimate of c. 50%). It expects pressure on NIMs to persist in 2026, while the management remains focused on maintaining a stable risk-adjusted NIM profile. Management remains confident in navigating the current environment, supported by strong capital and liquidity buffers and disciplined risk management, although any deterioration in geopolitical conditions could prompt a reassessment of guidance post 2Q26. Moreover, business momentum has carried into 2Q26, with no significant changes observed across core operating metrics, including NII, fee income, loan growth, and asset quality. The operating environment remains competitive across both corporate and retail segments; however, ADCB continues to gain market share, supported by its comprehensive product offering spanning trade finance, cash management, treasury solutions, and advisory services. The bank prudently booked AED 596 Mn in management overlays to reflect elevated geopolitical risks and account for potential model limitations in an atypical macroeconomic environment. Overall, ADCB's strong balance sheet, diversified revenue base, improving funding mix, and robust growth pipeline support its ability to sustain earnings momentum, while maintaining resilience amid evolving macroeconomic and geopolitical conditions. Thus, based on our analysis, we maintain our BUY rating on the stock.

**ADCB - Relative Valuation**

(at CMP)	2021	2022	2023	2024	2025	2026F
PE	20.92	16.95	13.57	12.41	10.04	8.94
PB	1.99	1.91	1.70	1.59	1.43	1.32
BVPS (AED)	7.290	7.571	8.537	9.127	10.109	10.964
EPS (AED)	0.692	0.854	1.067	1.167	1.442	1.620
DPS (AED)	0.352	0.171	0.560	0.590	0.630	0.702
Dividend Yield	2.3%	1.1%	3.7%	3.9%	4.2%	4.6%

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

AED Mn	2Q25	1Q26	2Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Funded income	8,637	8,546	8,671	0.4%	1.5%	35,123	34,940	-0.5%
Funded expense	-4,983	-4,808	-4,858	-2.5%	1.0%	-20,435	-19,599	-4.1%
<b>Net funded income</b>	<b>3,654</b>	<b>3,738</b>	<b>3,813</b>	<b>4.4%</b>	<b>2.0%</b>	<b>14,688</b>	<b>15,341</b>	<b>4.4%</b>
Fees & commissions	929	938	985	6.0%	5.0%	3,607	3,968	10.0%
Other operating income	1,145	1,258	1,272	11.1%	1.1%	3,888	5,153	32.5%
<b>Non funded income</b>	<b>2,074</b>	<b>2,196</b>	<b>2,257</b>	<b>8.8%</b>	<b>2.8%</b>	<b>7,495</b>	<b>9,121</b>	<b>21.7%</b>
<b>Operating income</b>	<b>5,728</b>	<b>5,934</b>	<b>6,070</b>	<b>6.0%</b>	<b>2.3%</b>	<b>22,183</b>	<b>24,461</b>	<b>10.3%</b>
Operating expenses	-1,511	-1,519	-1,560	3.3%	2.7%	-6,246	-6,287	0.7%
<b>Pre-provision profit</b>	<b>4,218</b>	<b>4,415</b>	<b>4,510</b>	<b>6.9%</b>	<b>2.2%</b>	<b>15,937</b>	<b>18,175</b>	<b>14.0%</b>
Impairments	-1,186	-638	-749	-36.9%	17.4%	-3,103	-3,174	2.3%
<b>Operating profit</b>	<b>3,032</b>	<b>3,777</b>	<b>3,761</b>	<b>24.1%</b>	<b>-0.4%</b>	<b>12,834</b>	<b>15,001</b>	<b>16.9%</b>
Share of profit of assoc.	3	4	0	NM	NM	9	0	NM
<b>Profit before tax</b>	<b>3,035</b>	<b>3,781</b>	<b>3,761</b>	<b>23.9%</b>	<b>-0.5%</b>	<b>12,843</b>	<b>15,001</b>	<b>16.8%</b>
Overseas tax expense	-467	-420	-414	-11.5%	-1.5%	-1,398	-1,650	18.0%
Non-controlling interest	0	0	-2	NM	NM	1	-7	NM
<b>Profit for the period</b>	<b>2,568</b>	<b>3,361</b>	<b>3,346</b>	<b>30.3%</b>	<b>-0.4%</b>	<b>11,446</b>	<b>13,344</b>	<b>16.6%</b>

**ADCB - P&L KPI**

	2Q25	1Q26	2Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Net FI/OI	63.8%	63.0%	62.8%	-97	-17	66.2%	62.7%	-350
NIM	2.3%	2.1%	2.1%	-24	-2	2.3%	2.1%	-20
NIS	1.9%	1.8%	1.8%	-11	2	1.9%	1.7%	-13
Fees & comms/OI	16.2%	15.8%	16.2%	1	42	16.3%	16.2%	-4
Other non-funded/OI	20.0%	21.2%	21.0%	96	-25	17.5%	21.1%	354
Cost to income	26.4%	25.6%	25.7%	-67	10	28.2%	25.7%	-246
Impairment/PPP	28.1%	14.5%	16.6%	NM	215	19.5%	17.5%	-201
Tax/PBT	15.4%	11.1%	11.0%	-440	-11	10.9%	11.0%	11
NP/OI	44.8%	56.6%	55.1%	NM	-152	51.6%	54.6%	295
Cost of risk – Calculated	0.9%	0.4%	0.5%	-40	6	0.6%	0.5%	-6
Loan-to-deposit – Calculated	83.4%	82.4%	82.5%	-86	8	82.2%	84.0%	177
NPL - calculated	3.0%	2.5%	2.5%	-50	-2	2.7%	2.5%	-18
Coverage (calculated)	115.6%	96.4%	96.8%	NM	37	107.4%	98.5%	-886
CET 1	12.2%	13.8%	14.3%	205	44	13.8%	13.8%	3
Capital adequacy	15.5%	16.9%	17.3%	181	39	17.0%	16.7%	-29
ROAE	14.4%	16.5%	16.9%	255	42	14.7%	15.4%	65
ROAA	1.5%	1.7%	1.7%	20	4	1.6%	1.6%	3

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

AED Mn	2Q25	3Q25	4Q25	1Q26	2Q26F	YOY Ch
Net advances	378,465	401,356	405,967	425,720	435,498	15.1%
QOQ change	5.3%	6.0%	1.1%	4.9%	2.3%	
Total assets	718,502	744,273	773,654	808,857	823,113	14.6%
QOQ change	5.7%	3.6%	3.9%	4.6%	1.8%	
Customer deposits	463,442	482,440	499,775	523,095	538,285	16.1%
QOQ change	4.9%	4.1%	3.6%	4.7%	2.9%	
Total shareholders' equity	76,249	79,509	88,741	85,774	89,006	16.7%
QOQ change	3.2%	4.3%	11.6%	-3.3%	3.8%	

*FABS estimate & Co Data*

## 2Q26 preview: Mashreq Bank (MASQ)

Higher operating income and lower impairments to boost profitability

Current Price	12-m Target Price	Upside/Downside (%)	Rating
AED 256.00	AED 270.00	+5.5%	HOLD

### 2Q26 estimate

We expect Mashreq Bank (MASQ/the Bank) to report a 5.9% YOY increase in net profit attributable to equity shareholders to AED 1,745 Mn in 2Q26, primarily due to anticipated growth in net funded income and non-funded income coupled with decline in impairment charges, partially offset by a forecasted increase in G&A expenses, tax expenses, and NCI. MASQ's funded income, including income from Islamic financing, is expected to rise 10.0% YOY to AED 4,278 Mn in 2Q26, driven by growth in average interest-earning assets, partially offset by lower asset yields. Funded expense is anticipated to increase 17.2% YOY to AED 2,221 Mn in 2Q26, due to an anticipated rise in average interest-bearing liabilities, partially offset by the absence of distribution to depositors - Islamic products and an expected decrease in cost of funds. Resultantly, net funded income is expected to increase 3.1% YOY to AED 2,057 Mn in 2Q26. We anticipate NIMs to decline by 31 bps YOY to 3.1% in 2Q26. Furthermore, the Bank's net fee and commission income is forecasted to increase from AED 296 Mn in 2Q25 to AED 445 Mn in 2Q26. Additionally, income from investment securities is projected to decline from AED 100 Mn in 2Q25 to AED 53 Mn in 2Q26. Other operating income is anticipated to decrease marginally 0.7% YOY to AED 671 Mn in 2Q26. Thus, total other operating income is expected to increase 9.0% YOY to AED 1,169 Mn in 2Q26. General and administrative expenses are anticipated to increase 4.8% YOY to AED 994 Mn in 2Q26. As a result, the cost-to-income ratio is expected to fall 11 bps YOY and 13 bps QOQ to 30.8% in 2Q26. In addition, the Bank impairment charges is expected to decrease 19.5% YOY to AED 116 Mn in 2Q26. Furthermore, tax expense is anticipated to increase 11.2% YOY to AED 328 Mn in 2Q26. MASQ's share attributable to non-controlling interest is expected to increase from AED 32 Mn in 2Q25 to AED 44 Mn in 2Q26.

### 2026 forecast

MASQ's net profit attributable to equity shareholders is expected to increase 3.7% YOY to AED 7,090 Mn in 2026, supported by an anticipated rise in net funded income and non-funded income, partially offset by higher projected operating expenses, impairment charges, non-controlling interest and tax expenses. Funded income, including income from Islamic financing, is expected to increase 8.9% YOY to AED 17,283 Mn in 2026, driven by growth in average interest-earning assets, partially offset by lower asset yields. Funded expense is also expected to rise 17.5% YOY to AED 9,073 Mn in 2026, due to an anticipated rise in average interest-bearing liabilities and cost of funds, partially offset by the absence of distribution to depositors - Islamic products. Thus, net funded income is expected to increase marginally 0.9% YOY to AED 8,211 Mn in 2026. MASQ's net fees and commission income is forecasted to increase 33.0% YOY to AED 1,773 Mn in 2026. Other operating income is also expected to rise 3.0% YOY to AED 2,834 Mn in 2026. However, income from investment securities is anticipated to decline 35.0% YOY to AED 228 Mn in 2026. Thus, non-funded income is expected to increase 9.0% YOY to AED 4,835 Mn in 2026. G&A expenses are projected to increase 2.1% YOY to AED 3,953 Mn in 2026. The Bank is expected to report impairment charges of AED 495 Mn in 2026, compared to AED 444 Mn in 2025. Tax expense is anticipated to increase 3.2% YOY to AED 1,333 Mn in 2026. Additionally, the profit share attributable to non-controlling interest holders is expected to increase from AED 131 Mn in 2025 to AED 175 Mn in 2026.

### 1Q26 outturn

MASQ's interest income rose 9.4% YOY to AED 3,654 Mn in 1Q26 due to increasing interest earning assets, partially offset by decreasing asset yields. Similarly, income from Islamic financing increased 29.3% YOY to AED 544 Mn in 1Q26, driven by higher average Islamic financing assets partially offset by decline in yields. As a result, total funded income grew 11.6% YOY to AED 4,198 Mn in 1Q26. Moreover, funded expenses increased 20.3% YOY to AED 2,160 Mn in 1Q26 led by higher interest expense and distribution of Islamic products. Consequently, net funded income increased 3.6% YOY to AED 2,038 Mn in 1Q26. MASQ's net fee and commission income increased 34.6% YOY to AED 468

Mn in 1Q26. The Bank also recorded decline in income from investment securities to AED 48 Mn in 1Q26 compared to AED 112 Mn in 1Q25. However, MASQ's other operating income increased 25.7% YOY to AED 872 Mn in 1Q26. As a result, the Bank's total non-funded income increased 20.3% YOY to AED 1,388 Mn in 1Q26. Consequently, MASQ's total operating income increased 9.8% YOY to AED 3,426 Mn in 1Q26, driven by broad-based volume expansion, disciplined asset repricing and continued revenue diversification. Furthermore, the Bank's G&A expenses increased 15.4% YOY to AED 1,060 Mn in 1Q26, due to investment in Gen-AI, digital onboarding and the continued build-out of Mashreq's international franchise. The cost-to-income ratio increased 151 bps YOY to 30.9% in 1Q26. MASQ impairment charges decreased 14.4% YOY to AED 87 Mn in 1Q26. Tax expenses increased 14.3% YOY to AED 353 Mn in 1Q26. Meanwhile, the Bank's profit share attributable to non-controlling interest holders increased 19.8% YOY to AED 43 Mn in 1Q26.

### Target price and recommendation

We revised our rating on MASQ from BUY to HOLD with an unchanged target price of AED 270.00. Mashreq started delivered higher operating income and net profit in 1Q26, supported by record balance-sheet growth. Net advances increased by 33.3% YOY and 2.0% QOQ to AED 167.7 Bn, driven by strong loan origination across corporate, institutional, and retail segments. Total lending to customers and banks combined reached AED 226 Bn during the quarter. Customer deposits grew by 22.6% YOY and 2.6% QOQ to AED 210.2 Bn. CASA deposits accounted for 63% of total deposits, continuing to support the Bank's low-cost funding base and helping mitigate the impact of interest rate movements on net interest earnings. The Bank's NIM declined by 47 bps YOY and 17 bps QOQ to 3.1% in 1Q26. However, the pace of margin contraction moderated sequentially, as most of the interest rate cut cycle has already been absorbed through asset repricing. Asset quality continued to strengthen, with the calculated NPL ratio improving to 1.2% in 1Q26 from 1.7% in 1Q25, supported by disciplined credit underwriting and strong portfolio performance across geographies. Liquidity remained robust and comfortably above regulatory requirements. The Bank reported a Liquidity Coverage Ratio (LCR) of 131%, a Liquid Assets Ratio of 27%, and a Loan-to-Deposit Ratio (LDR) of 80%, providing sufficient capacity to support strong lending growth and transaction volumes through 2026. Mashreq's USD 500 Mn AT1 issuance attracted strong global investor demand, supporting the Bank's active capital deployment strategy through 2025. Capitalization remained strong, with a CET1 ratio of 12.7%, Tier 1 ratio of 14.5%, and Capital Adequacy Ratio (CAR) of 15.8%, all comfortably above regulatory minimum requirements and the additional 2.5% capital buffer in 1Q26. The Bank's ROE improved sequentially to 20.1% in 1Q26 from 18.8% in 4Q25, supported by strong revenue growth and balance-sheet expansion, demonstrating its ability to generate consistent and high-quality returns despite the ongoing interest rate cut cycle. Thus, considering the above-mentioned reasons, we revised our rating to HOLD on the stock.

#### MASQ- Relative Valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
P/E(x)	51.24	13.77	6.04	5.86	7.76	7.48
P/B(x)	2.54	2.28	1.76	1.52	1.41	1.28
BVPS	100.839	112.152	145.720	168.367	181.634	199.816
EPS	4.996	18.590	42.349	43.657	32.975	34.225
DPS	1.000	9.000	18.500	21.100	10.200	10.267
Dividend Yield	0.4%	3.5%	7.2%	8.2%	4.0%	4.0%

FABS estimate & Co Data

**MASQ - P&L**

AED Mn	2Q25	1Q26	2Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Interest income	3,426	3,654	3,716	8.5%	1.7%	13,960	15,008	7.5%
Income from Islamic financing	464	544	562	21.0%	3.3%	1,906	2,275	19.4%
<b>Funded income</b>	<b>3,890</b>	<b>4,198</b>	<b>4,278</b>	<b>10.0%</b>	<b>1.9%</b>	<b>15,866</b>	<b>17,283</b>	<b>8.9%</b>
Funded expense	-1,895	-2,160	-2,221	17.2%	2.8%	-7,724	-9,073	17.5%
<b>Net funded income</b>	<b>1,995</b>	<b>2,038</b>	<b>2,057</b>	<b>3.1%</b>	<b>0.9%</b>	<b>8,141</b>	<b>8,211</b>	<b>0.9%</b>
Net Fee and commission income	296	468	445	50.3%	-5.0%	1,333	1,773	33.0%
Inc. from investment securities	100	48	53	-47.2%	10.0%	350	228	-35.0%
Other operating income, net	676	872	671	-0.7%	-23.0%	2,752	2,834	3.0%
<b>Total other OI</b>	<b>1,072</b>	<b>1,388</b>	<b>1,169</b>	<b>9.0%</b>	<b>-15.8%</b>	<b>4,435</b>	<b>4,835</b>	<b>9.0%</b>
<b>Total operating income</b>	<b>3,067</b>	<b>3,426</b>	<b>3,226</b>	<b>5.2%</b>	<b>-5.8%</b>	<b>12,576</b>	<b>13,045</b>	<b>3.7%</b>
General & admin. expenses	-948	-1,060	-994	4.8%	-6.2%	-3,871	-3,953	2.1%
<b>Pre provision profit</b>	<b>2,119</b>	<b>2,367</b>	<b>2,232</b>	<b>5.4%</b>	<b>-5.7%</b>	<b>8,705</b>	<b>9,093</b>	<b>4.5%</b>
Allowances for impairment, net	-144	-87	-116	-19.5%	33.7%	-444	-495	NM
Income tax expense	-295	-353	-328	11.2%	-7.1%	-1,291	-1,333	3.2%
Non-controlling interests	-32	-43	-44	36.4%	1.0%	-131	-175	34.0%
<b>Net Profit</b>	<b>1,648</b>	<b>1,883</b>	<b>1,745</b>	<b>5.9%</b>	<b>-7.4%</b>	<b>6,840</b>	<b>7,090</b>	<b>3.7%</b>

FABS estimate & Co Data

**MASQ - KPI**

	2Q25	1Q26	2Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Net FI/OI	65.0%	59.5%	63.8%	-128	428	64.7%	62.9%	-180
NIM	3.4%	3.1%	3.1%	-31	1	3.4%	3.0%	-38
NIS	3.3%	3.1%	3.2%	-15	9	3.3%	3.0%	-33
Fees & comms/OI	9.7%	13.7%	13.8%	414	12	10.6%	13.6%	299
Trading/OI	3.3%	1.4%	1.6%	-163	24	2.8%	1.7%	-104
Cost to income	30.9%	30.9%	30.8%	-11	-13	30.8%	30.3%	-48
Impairment/PPP	6.8%	3.7%	5.2%	-160	152	5.1%	5.4%	34
NP/OI	53.7%	55.0%	54.1%	35	-88	54.4%	54.4%	NM
Cost of risk - Calculated	0.5%	0.2%	0.3%	-18	8	0.3%	0.3%	NM
Loan-to-deposit	75.5%	79.8%	78.7%	319	-111	80.2%	78.6%	-156
NPL - Calculated	1.6%	1.2%	1.2%	-36	1	1.2%	1.2%	0
Coverage excluding Collateral	116.8%	159.7%	163.8%	NM	413	123.1%	163.9%	NM
CET1	14.8%	12.7%	13.0%	-175	35	12.3%	12.6%	33
Capital Adequacy	17.5%	15.8%	16.1%	-147	29	14.5%	15.5%	98
ROAE	25.9%	20.1%	19.4%	-651	-66	18.8%	17.9%	-90
ROAA	3.0%	2.3%	2.2%	-85	-6	2.3%	2.0%	-25

FABS estimate & Co Data

**MASQ - key BS items**

AED Mn	2Q25	3Q25	4Q25	1Q26	2Q26F	YOY Ch
Net advances	134,120	143,085	164,349	167,697	171,228	27.7%
QOQ changes	6.6%	6.7%	14.9%	2.0%	2.1%	
Total assets	293,635	305,464	334,634	344,305	350,259	19.3%
QOQ changes	7.7%	4.0%	9.5%	2.9%	1.7%	
Customer deposits	177,645	187,167	204,895	210,171	217,614	22.5%
QOQ changes	3.6%	5.4%	9.5%	2.6%	3.5%	
Total equity	36,996	38,924	40,577	41,722	43,411	17.3%
QOQ changes	4.7%	5.2%	4.2%	2.8%	4.0%	

FABS estimate & Co Data

## 2Q26 preview: Sharjah Islamic Bank (SIB)

Decline in fees & commissions income to impact profit

Current Price	12-m Target Price	Upside/Downside (%)	Rating
AED 2.98	AED 3.85	+29.2%	BUY

### 2Q26 Estimate

Sharjah Islamic Bank's (SIB/the Bank) net profit is expected to decline 1.3% YOY to AED 373 Mn in 2Q26, due to an expected decline in non-funded income, coupled with rise in general & admin expenses and provisions, partially offset by anticipated increase in net funded income, and decline in corporate taxes. Funded income is expected to grow 9.9% YOY to AED 1,064 Mn in 2Q26, driven by an expected growth in investment and loan book. Funded expenses are forecasted to increase 1.5% YOY to AED 594 Mn in 2Q26, supported by a projected rise in average interest-bearing liabilities, partially offset by forecasted decline in cost of funds. Hence, net funded income is likely to grow 22.8% YOY to AED 470 Mn in 2Q26. The Bank's fees and commissions income is expected to decline 6.5% YOY to AED 184 Mn in 2Q26, while fee and commission expenses are anticipated to increase 29.9% YOY to AED 37 Mn in 2Q26. Moreover, investment income is expected to decline from AED 21 Mn in 2Q25 to AED 18 Mn in 2Q26. The Bank's foreign exchange income is projected to decline from AED 32 Mn in 2Q25 to AED 26 Mn in 2Q26. SIB's other income is expected to increase 50.7% YOY to AED 40 Mn in 2Q26. Thus, total non-funded income is likely to decrease 6.8% YOY to AED 231 Mn in 2Q26. As a result, total operating income is expected to increase 11.2% YOY to AED 701 Mn in 2Q26. Furthermore, SIB's general and administrative expenses are anticipated to increase 11.7% YOY to AED 231 Mn in 2Q26. SIB is expected to record a provision charge of AED 59 Mn in 2Q26 from AED 8 Mn in 2Q25. The Bank's tax expenses are forecasted to decline 1.7% YOY to AED 37 Mn in 2Q26.

### 2026 Forecast

SIB's net profit is forecasted to increase 9.0% YOY to AED 1,436 Mn in 2026, owing to an expected increase in net funded and non-funded income, partially offset by projected growth in general & admin expenses, provisions, and corporate tax. SIB's funded income is expected to grow 11.5% YOY to AED 4,350 Mn in 2026, due to a forecasted rise in average interest-earning assets. On the other hand, funded expense is projected to grow 5.7% YOY to AED 2,451 Mn in 2026, supported by expected growth in average interest-bearing liabilities. As a result, net funded income is likely to grow 20.0% YOY to AED 1,899 Mn in 2026. SIB's fee and commission income is anticipated to rise 5.0% YOY to AED 763 Mn, while fee and commission expenses are expected to rise 18.4% YOY to AED 151 Mn in 2026. Investment income is projected to grow from AED 22 Mn in 2025 to AED 33 Mn in 2026. Moreover, foreign exchange income is forecasted to decline 10.0% YOY to AED 101 Mn in 2026. In addition, other income is estimated to decline 5.0% YOY to AED 162 Mn in 2026. As a result, total non-funded income is projected to increase marginally 0.5% YOY to AED 908 Mn in 2026. Thus, total operating income is expected to increase 12.9% YOY to AED 2,807 Mn in 2026. G&A expenses are anticipated to increase 11.3% YOY to AED 999 Mn in 2026. Provisions are expected to increase 6.1% YOY to AED 230 Mn in 2026. Furthermore, we expect SIB to record a tax expense of AED 142 Mn in 2026, compared with AED 130 Mn in 2025.

### 1Q26 Outturn

Funded income rose 14.4% YOY to AED 1,046 Mn in 1Q26, supported by robust expansion in net loan and advances, due to strong demand across diversified sectors, coupled with rise in asset yield. Depositors share of profit expanded 6.4% YOY to AED 582 Mn in 1Q26, reflecting strong growth in deposits, partially offset by a decline cost of funds. Consequently, net funded income grew 26.4% YOY to AED 464 Mn in 1Q26, with the NIMs expanding from 1.7% in 1Q25 to 1.9% in 1Q26. Non-funded income grew 9.3% YOY to AED 180 Mn in 1Q26, driven by a rise in net fee and commission income, and other income, partially offset by decline in investment income, and foreign exchange income. Net fees and commission income grew 25.5% YOY to AED 135 Mn in 1Q26, due to higher transaction volumes. Furthermore, the Bank recorded an investment loss of AED 20 Mn in 1Q26 compared to income of AED 2 Mn in 1Q25. Additionally, foreign exchange income declined 12.5% YOY to AED 22 Mn in 1Q26. Similarly, other income grew significantly from AED 29 Mn in 1Q25 to

AED 42 Mn in 1Q26, primarily due to robust higher income from the disposal of properties, coupled with strong growth in income from hospitality, and rental income, partially offset by decline in other income. Thus, the overall contribution of non-funded income to total operating income declined to 27.9% in 1Q26, from 30.9% in 1Q25, as net funded income grew at a faster pace. SIB's total operating income rose 21.1% YOY to AED 644 Mn in 1Q26. G&A expenses increased 17.9% YOY to AED 234 Mn in 1Q26. As a result, the calculated cost-to-income ratio declined to 36.3% in 1Q26, compared to 37.3% in 1Q25. Impairment provision declined substantially from AED 17 Mn in 1Q25 to AED 9 Mn in 1Q26. Corporate tax expenses increased from AED 32 Mn in 1Q25 to AED 38 Mn in 1Q26, owing to higher profit before tax.

### Target Price and recommendation

We revise our rating from HOLD to BUY on SIB with an unchanged target price of AED 3.85. SIB's recorded strong growth in profitability in 1Q26, driven by effective management execution and the successful implementation of its profit-generating strategies. This is evidenced by the Bank's fee-based income performance, which recorded double-digit growth in 1Q26, supported by higher transaction activity. Furthermore, the net advances expanded 16.0% YOY and 2.6% QOQ to AED 46.7 Bn in 1Q26, with strong lending momentum across key sectors. This growth highlights the Bank's continued commitment to providing Islamic financial solutions and supporting sectoral expansion. However, despite strong loan growth and provision releases supported by recoveries and write-offs, asset quality remains mixed. Deposit rose 17.8% YOY and 10.3% QOQ to AED 61.4 Bn in 1Q26, reflecting strong customer relationships as well as the competitiveness of the Group's products and profit rates. Additionally, CASA deposits remained stable at 42.7% of total deposits in 1Q26, compared to 4Q25, indicating a stable and low-cost funding base, thereby supporting margin sustainability and overall funding resilience. Furthermore, the Bank's NIM expanded 22 bps YOY to 1.9% in 1Q26, reflecting improved asset yields and funding dynamics. Additionally, the cost-to-income ratio declined 100 bps YOY to 36.3%, indicating enhanced operating efficiency and positive operating leverage. Furthermore, asset quality continued to improve, with calculated NPLs declining to 3.7% in 1Q26, compared to 3.8% in 4Q25. However, calculated NPL coverage fell to 93.4% in 1Q26 from 97.5% in 4Q25. The Bank's liquid assets accounted for 21.8% of total assets, exceeding its strategic minimum liquidity threshold of 20%, indicating a strong liquidity position to meet short-term obligations. Furthermore, capitalization remained strong, with a CAR of 15.5% and CET1 of 11.5% in 1Q26. Furthermore, calculated ROAA reached 1.6% in 1Q26 compared to 1.5% in 1Q25, reflecting the Bank's efficient utilization of its assets to generate profits. Similarly, ROAE stood at 18.7% in 1Q26 compared to 16.2% in 1Q25. The Bank paid cash dividend of AED 647 Mn for the period of 2025, equivalent to 20 fils per share. Thus, based on these factors, we revised our rating to BUY on the stock.

### SIB - Relative valuation

(At CMP)	2021	2022	2023	2024	2025	2026F
PE (x)	18.38	16.90	12.60	9.77	7.70	8.61
PB (x)	1.61	1.63	1.50	1.38	1.23	1.09
EPS	1.811	1.791	1.944	2.115	2.383	2.689
BVPS	0.159	0.173	0.232	0.299	0.379	0.339
DPS	0.076	0.095	0.100	0.150	0.200	0.220
Dividend Yield	2.6%	3.2%	3.4%	5.0%	6.7%	7.4%

FABS estimate & Co Data

**SIB – P&L**

AED Mn	2Q25	1Q26	2Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Income from fin. & leasing	968	1,046	1,064	9.9%	1.7%	3,900	4,350	11.5%
Depositors' share of profit	-585	-582	-594	1.5%	2.1%	-2,318	-2,451	5.7%
<b>Net funded income</b>	<b>383</b>	<b>464</b>	<b>470</b>	<b>22.8%</b>	<b>1.2%</b>	<b>1,582</b>	<b>1,899</b>	<b>20.0%</b>
Fees and commissions	197	169	184	-6.5%	9.0%	726	763	5.0%
Fee and commission expense	-28	-34	-37	29.9%	9.4%	-127	-151	18.4%
Investment income	21	-20	18	-16.3%	-190.0%	22	33	NM
Foreign exchange income	32	22	26	-17.9%	16.8%	112	101	-10.0%
Other income	27	42	40	50.7%	-4.2%	170	162	-5.0%
<b>Total non-funded income</b>	<b>248</b>	<b>180</b>	<b>231</b>	<b>-6.8%</b>	<b>28.6%</b>	<b>904</b>	<b>908</b>	<b>0.5%</b>
<b>Total operating income</b>	<b>631</b>	<b>644</b>	<b>701</b>	<b>11.2%</b>	<b>8.9%</b>	<b>2,486</b>	<b>2,807</b>	<b>12.9%</b>
General & admin. Expenses	-207	-234	-231	11.7%	-1.0%	-897	-999	11.3%
<b>Pre provision profit</b>	<b>424</b>	<b>410</b>	<b>470</b>	<b>10.9%</b>	<b>14.5%</b>	<b>1,588</b>	<b>1,808</b>	<b>13.8%</b>
Provisions	-8	9	-59	651.4%	-776.3%	-217	-230	6.1%
<b>Profit before tax</b>	<b>416</b>	<b>419</b>	<b>410</b>	<b>-1.3%</b>	<b>-2.1%</b>	<b>1,448</b>	<b>1,578</b>	<b>9.0%</b>
Corporate Tax	-38	-38	-37	-1.7%	-3.9%	-130	-142	9.1%
<b>Net profit</b>	<b>378</b>	<b>381</b>	<b>373</b>	<b>-1.3%</b>	<b>-1.9%</b>	<b>1,317</b>	<b>1,436</b>	<b>9.0%</b>

FABS estimate & Co Data

**SIB – KPI**

	2Q25	1Q26	2Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Net FI/OI	60.7%	72.1%	67.0%	637	-507	63.6%	67.7%	401
NIM	1.7%	1.9%	1.9%	19	0	1.7%	1.8%	13
NIS	1.7%	2.0%	2.0%	22	-3	1.8%	1.9%	11
Fees & comms/OI	31.2%	26.2%	26.2%	-496	3	29.2%	27.2%	-205
Cost to income	32.8%	36.3%	33.0%	17	-329	36.1%	35.6%	-50
Provisions/PPP	1.9%	-2.1%	12.6%	1,078	1,478	13.7%	12.7%	-93
NP/OI	60.0%	59.1%	53.3%	-671	-584	53.0%	51.1%	-185
Cost of risk	0.1%	-0.1%	0.5%	43	57	0.5%	0.5%	-3
Loan-to-deposit	81.5%	76.1%	79.0%	-254	285	81.8%	81.9%	9
NPL – Calculated	4.3%	3.7%	3.7%	-54	0	3.8%	3.7%	-8
NPL Coverage – Calculated	87.4%	93.4%	98.4%	1,101	499	97.5%	99.0%	152
CET 1	11.5%	11.5%	11.7%	18	12	13.0%	13.2%	19
Capital Adequacy	15.8%	15.5%	15.6%	-20	2	17.3%	16.9%	-38
ROAE	16.5%	18.7%	13.8%	-273	-490	16.5%	13.7%	-280
ROAA	1.5%	1.6%	1.5%	5	-5	1.6%	1.5%	-5

FABS estimate & Co Data

**SIB – Key BS Items**

AED Mn	2Q25	3Q25	4Q25	1Q26	2Q26F	YOY Ch
Net advances	42,987	43,663	45,550	46,745	48,289	12.3%
QOQ change	6.6%	1.6%	4.3%	2.6%	3.3%	
Total assets	84,708	86,580	90,313	90,867	94,013	11.0%
QOQ change	2.3%	2.2%	4.3%	0.6%	3.5%	
Customer deposits	52,721	54,573	55,673	61,390	61,127	15.9%
QOQ change	1.2%	3.5%	2.0%	10.3%	-0.4%	
Total equity	10,439	9,000	9,530	9,186	12,728	21.9%
QOQ change	27.9%	-13.8%	5.9%	-3.6%	38.6%	

FABS estimate & Co Data

## 2Q26 preview: Commercial Bank of Dubai (CBD)

Strong financing pipeline supports earnings growth

Current Price	12-m Target Price	Upside/Downside (%)	Rating
AED 9.30	AED 10.70	+15.1%	BUY

### 2Q26 Estimate

Commercial Bank of Dubai's (The Bank/ CBD) net profit is expected to remain flat to AED 867 Mn in 2Q26, compared to 2Q25, mainly driven by a growth in net funded and non-funded income partially offset by higher impairments and operating expenses. Funded income is anticipated to decline marginally 0.8% YOY to AED 1,862 Mn in 2Q26, driven by an expected decline in asset yield, partially offset by a projected increase in average interest-earning assets. Meanwhile, the Bank's funded expense is projected to decline 5.5% YOY to AED 800 Mn in 2Q26, owing to an anticipated decline in the cost of funds, partially offset by an expected increase in average interest-bearing liabilities. Consequently, net funded income is forecasted to grow 3.1% YOY to AED 1,061 Mn in 2Q26. Fees & commission income is expected to decrease 6.0% YOY to AED 305 Mn in 2Q26, while trading income is projected to increase 29.6% YOY to AED 98 Mn in 2Q26. Moreover, other non-funded income is anticipated to increase from AED 24 Mn in 2Q25 to AED 39 Mn in 2Q26. Consequently, total non-funded income is forecasted to grow 4.2% YOY to AED 441 Mn in 2Q26. As a result, total operating income is projected to decline 3.4% YOY to AED 1,502 Mn in 2Q26. CBD's G&A expenses are expected to decrease marginally 0.5% YOY to AED 355 Mn in 2Q26, while depreciation and amortization charges are projected to increase 47.6% YOY to AED 33 Mn in 2Q26. Thus, we expect the cost-to-income ratio to decline 30 bps YOY to 25.8% in 2Q26. Furthermore, the Bank's impairments are forecasted to increase 24.9% YOY to AED 205 Mn in 2Q26, while we project the recoveries to grow 8.3% YOY to AED 45 Mn in 2Q26. Additionally, the Bank's impairment charges on AFS investments are projected to move from a gain of AED 1 Mn in 2Q25 to a loss of AED 2 Mn in 2Q26. The Bank's corporate tax expense is anticipated to grow 1.2% YOY to AED 86 Mn in 2Q26.

### 2026 Forecast

CBD's net profit is expected to decline 2.1% YOY to AED 3,427 Mn in 2026, primarily due to a projected marginal decline in non-funded income and recoveries coupled with increase in impairment allowances on AFS investments and loans & advances. This was partially offset by increase in net funded income coupled with decline in tax charges. Funded income is forecasted to grow 1.3% YOY to AED 7,753 Mn in 2026, driven by a projected increase in loan and investment book, partially offset by anticipated contraction in asset yield. Meanwhile, funded expenses are expected to decrease 0.7% YOY to AED 3,482 Mn in 2026, supported by an anticipated decline in the cost of funds, partially offset by a projected increase in average interest-bearing liabilities. Consequently, net funded income is likely to grow 2.9% YOY to AED 4,271 Mn in 2026. We expect the Bank's non-funded income to decrease 0.8% YOY to AED 1,754 Mn in 2026, mainly due to a forecasted decline in trading income, partially offset by anticipated growth in fees and commissions income and other non-funded income. Fee and commission income is expected to increase 6.0% YOY to AED 1,242 Mn in 2026, while trading income is projected to decline 27.4% YOY to AED 358 Mn in 2026. In addition, other non-funded income is forecasted to rise from AED 103 Mn to AED 155 Mn in 2026. As a result, total operating income is anticipated to decline 0.8% YOY to AED 6,026 Mn in 2026. Furthermore, G&A expenses are projected to decrease 2.0% YOY to AED 1,430 Mn in 2026, whereas depreciation and amortization expenses are expected to increase 37.4% YOY to AED 130 Mn in 2026. Accordingly, the cost-to-income ratio is forecasted to improve by 36 bps YOY to 25.9% in 2026. Impairment charges are anticipated to grow 21.7% YOY to AED 864 Mn in 2026, while recoveries are expected to decrease 1.2% YOY to AED 187 Mn in 2026. Additionally, impairment allowances on AFS investments are projected to increase significantly from AED 1 Mn in 2025 to AED 22 Mn in 2026. In addition, the Bank's corporate tax is expected to decline 1.5% YOY to AED 339 Mn in 2026.

### 1Q26 Outturn

CBD's funded income declined marginally 0.5% YOY to AED 1,821 Mn in 1Q26, owing to decrease in asset yield, partially offset by an increase in the loan and investment portfolio. The funded expenses

fell 3.9% YOY to AED 812 Mn in 1Q26, owing to lower funding costs. Thus, the net funded income grew 2.4% YOY to AED 1,009 Mn in 1Q26, driven by loan and CASA balances growth. CBD's reported NIMs fell 23 bps YOY to 2.83% in 1Q26, mainly due to competitive pressure, slightly higher funding costs late in the quarter, and timing impacts from dividends and recoveries. The Bank's fees and commission income grew 8.0% YOY to AED 296 Mn in 1Q26, due to increase in income from trade finance and others, partially offset by decline in income from investment sales and loan fees. Trading income grew from AED 75 Mn in 1Q25 to AED 111 Mn in 1Q26, while the other non-funded income increased 10.7% YOY to AED 41 Mn in 1Q26. As a result, the Bank's total non-funded income increased 16.0% YOY to AED 447 Mn in 1Q26. CBD's total operating income grew 6.2% YOY to AED 1,456 Mn in 1Q26. Furthermore, the G&A expenses increased 2.5% YOY to AED 359 Mn in 1Q26. D&A expenses grew from AED 20 Mn in 1Q25 to AED 32 Mn in 1Q26. Thus, total operating expenses increased 5.8% YOY to AED 392 Mn in 1Q26, primarily driven by investments in digitisation, technology, business expansion, and regulatory compliance. However, the cost-to-income ratio improved 11 bps YOY to 26.9% in 1Q26, even as the bank continued investing in digitization. Impairments on loans & advances and Islamic financing increased from AED 116 Mn in 1Q25 to AED 180 Mn in 1Q26. While, the recoveries on loans & advances and Islamic financing increased 49.3% YOY to AED 46 Mn in 1Q26. The Bank's impairment allowances on AFS investment increased from AED 5 Mn in 1Q25 to AED 19 Mn in 1Q26. CBD's corporate tax charge increased marginally 0.5% YOY to AED 82 Mn in 1Q26, in line with growth in profit before tax.

### Target price and recommendation

We maintain our rating on CBD to BUY with a target price of AED 10.70. CBD's gross lending reached AED 106.4 Bn, representing c. 4.0% of the UAE loan market share in 1Q26. The Bank further highlighted a healthy financing pipeline, underpinned by ongoing infrastructure projects and sustained economic activity across the UAE and thus expects the loan book to grow mid-to-high single digits, broadly in line with sector trends. CBD's investment securities portfolio rose to AED 21.0 Bn in 1Q26, predominantly comprising fixed-rate government securities (85.6%), followed by other fixed-rate securities (13.6%), while fund of funds and equities accounted for a minimal 0.8% of the total portfolio in the quarter. Furthermore, CBD's funding profile remains a key strength, with CASA deposits accounting for 51.0% of total deposits as of 1Q26, supporting funding stability and mitigating pressure from higher market funding costs. CBD's reported NIMs declined by 23 bps YOY to 2.83% in 1Q26, impacted by competitive pressures and slightly higher funding costs toward the end of the quarter, along with the impact of dividend payouts and timing differences in recoveries. The Bank further expects NIM between 2.70% to 2.80% in 2026. CBD reported 0.57% cost of risk in 1Q26, and increased its 2026 cost of risk guidance to less than 70 bps, driven by conservative macroeconomic overlays, while emphasizing that this is not due to stress in real estate or mortgages and the underlying loan book remains strong. The Bank indicated limited impact on stressed sectors like travel, tourism, and events, with few deferral requests, as disruptions were short-term and offset by strong Jan–Feb performance, while continuing to support clients on a case-by-case basis. Asset quality continues to improve, with the reported NPL ratio declining to a 3.55% and coverage ratio of 104.7% in 1Q26, reflecting the bank's disciplined risk management framework. The Bank maintained 20.6% return on equity after tax (reported) in 1Q26 and expects to maintain more than 18% in 2026. CBD's capital ratios were healthy with the capital adequacy ratio (CAR) at 15.5% and Common Equity Tier 1 (CET1) ratio at 12.5%, all comfortably above the regulatory minimum requirements set by the UAE Central Bank. Thus, based on the above-mentioned factors, we maintain our rating to BUY on the stock.

### CBD - Relative Valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
P/E(x)	21.08	16.40	11.03	9.58	8.24	8.43
P/B(x)	2.44	2.38	2.04	1.82	1.61	1.49
BVPS	3.807	3.912	4.548	5.099	5.768	6.227
EPS	0.441	0.567	0.843	0.971	1.128	1.104
DPS	0.243	0.245	0.444	0.507	0.586	0.574
Dividend Yield	2.6%	2.6%	4.8%	5.5%	6.3%	6.2%

FABS estimate & Co Data

**CBD – P&L**

AED Mn	2Q25	1Q26	2Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Funded income	1,876	1,821	1,862	-0.8%	2.2%	7,657	7,753	1.3%
Funded expense	-847	-812	-800	-5.5%	-1.4%	-3,505	-3,482	-0.7%
<b>Net funded income</b>	<b>1,029</b>	<b>1,009</b>	<b>1,061</b>	<b>3.1%</b>	<b>5.2%</b>	<b>4,151</b>	<b>4,271</b>	<b>2.9%</b>
Fees and commissions	324	296	305	-6.0%	3.0%	1,171	1,242	6.0%
Trading income	75	111	98	29.6%	-11.8%	493	358	-27.4%
Other non-funded income	24	41	39	62.4%	-5.0%	103	155	50.0%
<b>Total non-funded income</b>	<b>423</b>	<b>447</b>	<b>441</b>	<b>4.2%</b>	<b>-1.4%</b>	<b>1,768</b>	<b>1,754</b>	<b>-0.8%</b>
<b>Total operating income</b>	<b>1,453</b>	<b>1,456</b>	<b>1,502</b>	<b>3.4%</b>	<b>3.2%</b>	<b>5,919</b>	<b>6,026</b>	<b>1.8%</b>
General and administrative expenses	-357	-359	-355	-0.5%	-1.2%	-1,459	-1,430	-2.0%
Depreciation and amortization	-22	-32	-33	47.6%	0.7%	-95	-130	37.4%
<b>Operating Expenses</b>	<b>-379</b>	<b>-392</b>	<b>-388</b>	<b>2.3%</b>	<b>-1.0%</b>	<b>1,554</b>	<b>1,560</b>	<b>0.4%</b>
<b>Pre provision profit</b>	<b>1,074</b>	<b>1,065</b>	<b>1,115</b>	<b>3.8%</b>	<b>4.7%</b>	<b>4,365</b>	<b>4,465</b>	<b>2.3%</b>
Impair allow. on loans & adv and Islamic fin	-164	-180	-205	24.9%	14.0%	-710	-864	21.7%
Recoveries	42	46	45	8.3%	-2.7%	189	187	-1.2%
Impairment allowances on AFS investment	1	-19	-2	NM	NM	-1	-22	NM
<b>Profit before tax</b>	<b>952</b>	<b>912</b>	<b>953</b>	<b>0.1%</b>	<b>4.5%</b>	<b>3,844</b>	<b>3,766</b>	<b>-2.0%</b>
Corporate tax	-85	-82	-86	1.2%	4.3%	-344	-339	-1.5%
<b>Net Profit</b>	<b>867</b>	<b>830</b>	<b>867</b>	<b>0.0%</b>	<b>4.5%</b>	<b>3,500</b>	<b>3,427</b>	<b>-2.1%</b>

FABS estimate & Co Data

**CBD - KPI**

AED Mn	2Q25	1Q26	2Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Net FI/OI	70.9%	69.3%	70.6%	-21	136	70.1%	70.9%	75
NIM	3.0%	2.8%	2.9%	-12	16	3.0%	2.8%	-15
NIS	2.7%	2.4%	2.6%	-6	17	2.6%	2.5%	-10
Fees & comms/OI	22.3%	20.3%	20.3%	-204	-3	19.8%	20.6%	82
Trading/OI	5.2%	7.6%	6.5%	131	-111	8.3%	5.9%	-239
Cost to income	26.1%	26.9%	25.8%	-30	-110	26.3%	25.9%	-36
Impairment/PPP	11.3%	14.3%	14.5%	318	19	11.9%	15.7%	371
NP/OI	59.7%	57.0%	57.7%	-197	74	59.1%	56.9%	-225
Cost of Risk	0.5%	0.5%	0.8%	33	30	0.49%	0.60%	11
Loan-to-deposit - Calculated	93.2%	93.1%	93.1%	-16	0	90.7%	93.1%	235
NPL - Calculated	5.0%	4.2%	4.2%	-84	-2	4.3%	4.2%	-11
Coverage excluding collateral	92.6%	96.3%	96.5%	394	23	96.6%	97.0%	43
CET1	12.4%	12.5%	13.0%	57	44	12.5%	13.4%	88
Capital adequacy	15.4%	15.5%	15.9%	49	41	15.5%	16.4%	88
ROAE	21.6%	21.9%	20.8%	-77	-111	20.8%	18.4%	-236
ROAA	2.2%	2.3%	2.3%	1	-9	2.7%	2.4%	-26

FABS estimate & Co Data

**CBD - Key B/S items**

AED Mn	2Q25	3Q25	4Q25	1Q26	2Q26F	YOY Ch
Net advances	99,816	1,05,223	1,01,049	1,02,055	1,03,596	3.8%
QOQ ch	3.0%	5.4%	-4.0%	1.0%	1.5%	
Total assets	1,50,607	1,63,409	1,60,308	1,57,922	1,60,128	6.3%
QOQ ch	6.7%	8.5%	-1.9%	-1.5%	1.4%	
Customer deposits	1,07,047	1,12,148	1,11,353	1,09,633	1,11,289	4.0%
QOQ ch	7.5%	4.8%	-0.7%	-1.5%	1.5%	
Total equity	17,645	18,572	19,422	18,315	19,117	8.3%
QOQ ch	4.9%	5.3%	4.6%	-5.7%	4.4%	

FABS estimate & Co Data

**2Q26 preview: Ajman Bank (AJMANBANK)**

Strong income growth partially outweighed by lower impairment reversals

Current Price	12-m Target Price	Upside/Downside (%)	Rating
AED 1.40	AED 1.80	+28.6%	BUY

**2Q26 estimate**

Ajman Bank's (AJMANBANK/the Bank) net profit is expected to increase 7.5% YOY to AED 119 Mn in 2Q26, primarily due to an anticipated rise in net funded income and non-funded income, partially offset by forecasted higher operating expenses, lower reversal in impairment in 2Q26 compared to reversals in 2Q25, and higher corporate tax expenses. The Bank's funded income is projected to increase 17.9% YOY to AED 331 Mn in 2Q26, supported by expected growth in average interest-earning assets, partially offset by a projected fall in asset yield. Meanwhile, funded expenses are anticipated to rise 19.9% YOY to AED 224 Mn in 2Q26, due to higher average interest-bearing liabilities, partially offset by an anticipated decline in cost of funds. Consequently, net funded income is expected to grow 14.0% YOY to AED 107 Mn in 2Q26. On the non-funded side, fees & commission income is expected to grow 16.7% YOY to AED 69 Mn in 2Q26, while income from investment securities is projected to increase to AED 59 Mn in 2Q26 compared to AED 47 Mn in 2Q25. As a result, total non-funded income is expected to rise 20.3% YOY to AED 128 Mn in 2Q26. Thus, total operating income is likely to increase 17.3% YOY to AED 235 Mn in 2Q26. Furthermore, operating expenses are anticipated to increase 13.0% YOY to AED 109 Mn in 2Q26, resulting in pre-provision profit rising 21.4% YOY to AED 126 Mn in 2Q26. Consequently, the Bank's cost-to-income ratio is expected to decline to 46.2% in 2Q26 from 48.0% in 2Q25. In addition, we expect AJMANBANK to record an impairment reversal of AED 4 Mn in 2Q26 compared to a reversal of AED 16 Mn in 2Q25. Therefore, profit before tax is expected to rise 8.3% YOY to AED 130 Mn in 2Q26, while corporate tax is expected to stand at AED 12 Mn in 2Q26, compared to AED 10 Mn in 2Q25.

**2026 forecast**

Ajman Bank's net profit is expected to decline 7.5% YOY to AED 463 Mn in 2026, mainly due to impairment charges in 2026 compared to a reversal in 2025, along with a forecasted decline in non-funded income and a rise in operating expenses, partially offset by a projected increase in net funded income, coupled with an anticipated decline in corporate tax. The Bank's funded income is projected to increase 20.7% YOY to AED 1,360 Mn in 2026, driven by expected growth in average interest-earning assets, partially offset by anticipated lower asset yield. Meanwhile, funded expenses are anticipated to rise 17.5% YOY to AED 882 Mn in 2026, primarily due to projected growth in interest-bearing liabilities, partially offset by forecasted decline in cost of funds. Consequently, net funded income is expected to increase 27.0% YOY to AED 478 Mn in 2026. On the non-funded side, fees & commission income is expected to increase 3.5% YOY to AED 271 Mn in 2026, while income from investment securities is projected to decline 9.3% YOY to AED 236 Mn. As a result, total non-funded income is forecasted to fall 2.9% YOY to AED 507 Mn in 2026. Accordingly, total operating income is expected to grow 9.6% YOY to AED 985 Mn in 2026. At the same time, operating expenses are anticipated to increase 3.5% YOY to AED 427 Mn in 2026, leading pre-provision profit to rise 14.8% YOY to AED 558 Mn in 2026. In addition, AJMANBANK is expected to record an impairment charge of AED 50 Mn in 2026 compared to a reversal of AED 62 Mn in 2025. Consequently, profit before tax is projected to decline 7.3% YOY to AED 508 Mn in 2026. However, tax expense is expected to decline 5.4% YOY to AED 46 Mn.

**1Q26 outturn**

Ajman Bank's funded income increased 26.3% YOY to AED 321 Mn in 1Q26, driven by higher financing volumes and increased cross-selling activities, partially offset by lower asset yields. Funded expenses increased 34.0% YOY to AED 221 Mn in 1Q26, due to an increase in average interest-earning liabilities, partially offset by a marginal decline in cost of funds. However, net funded income rose 11.9% YOY to AED 100 Mn in 1Q26. Calculated NIMs fell from 1.9% in 1Q25 to 1.6% in 1Q26. The Bank's fees and commission income declined 10.3% YOY to AED 63 Mn in 1Q26, primarily due to lower client volumes and one-off gain on sale of real estate recorded in 1Q25. While income from

investment securities expanded from AED 39 Mn in 1Q25 to AED 59 Mn in 1Q26. Thus, total non-funded income increased from AED 110 Mn in 1Q25 to AED 122 Mn in 1Q26. As a result, total operating income grew from AED 199 Mn in 1Q25 to AED 222 Mn in 1Q26. Furthermore, operating expenses increased 15.8% YOY to AED 108 Mn in 1Q26, mainly due to franchise network expansion and continued investments to support future growth. Thus, the calculated cost-to-income ratio grew from 46.8% in 1Q25 to 48.6% in 1Q26. Impairment reversals declined from AED 39 Mn in 1Q25 to AED 20 Mn in 1Q26, due continued focus on recovery despite ECL build-up. Additionally, income tax expenses declined from AED 10 Mn in 1Q25 to AED 5 Mn in 1Q26.

### Target price and recommendation

We maintain BUY rating on AJMANBANK with a target price of AED 1.80. AJMANBANK delivered strong operating income growth of 11.5% YOY in 1Q26, driven by asset growth and higher contributions from its diversified income streams. The Bank expects the impact of the ongoing geopolitical tensions in the region to remain manageable, supported by proactive client engagement, prudent underwriting standards, and measures introduced under the UAE Central Bank's financial resilience framework. Although AJMANBANK's net profit declined 3.8% YOY in 1Q26, mainly due to the rise in operating expenses, coupled with moderation in impairment reversals. Notably, higher operating expenses were largely a result of franchise expansion activities and growth-related investments, highlighting the Bank's emphasis on building scale and supporting future growth. The Bank's net advances rose 39.8% YOY and 9.7% QOQ to AED 19.5 Bn in 1Q26, reflecting strong financing growth and continued expansion of its asset base. Furthermore, real estate exposure declined to below 35% of risk-weighted assets in 1Q26, compared with 46% in 2023 and 39% in 2024, reinforcing the Bank's efforts to reduce concentration risk within its financing portfolio. Furthermore, customer deposits, which accounted for 81.3% of total liabilities in 1Q26, grew 30.1% YOY and 1.4% QOQ to AED 24.1 Bn. The CASA ratio also increased to 32.7% in 1Q26 from 28.6% in 4Q25, reflecting the Bank's continued efforts to increase the share of low-cost funding sources within its funding base. This will help in bringing down the elevated cost of funds. The loan-to-deposit ratio remained healthy at 80.8% in 1Q26, reflecting a well-balanced liquidity position. Furthermore, AJMANBANK's asset quality continued to improve, supported by a sustained decline in the NPL ratio over the past few quarters. The calculated NPL ratio improved from 8.3% in 4Q25 to 7.7% in 1Q26, reflecting prudent risk management and an improving credit profile. However, the calculated provision coverage ratio decreased from 45.1% in 4Q25 to 43.2% in 1Q26. Despite this, asset quality remained underpinned by strong collateralization, with Stage 3 assets supported by average collateral coverage of c.130% in 1Q26 before provisions. Furthermore, after incorporating provisions, total coverage remained robust at around 175% in 1Q26, highlighting the Bank's conservative risk management framework and strong protection against potential credit losses. The Bank maintained a strong liquidity and capital position in 1Q26, with a CAR of 13.8% and a CET 1 ratio of 12.6%, respectively, both comfortably above regulatory requirements and indicative of a well-capitalized balance sheet. AJMANBANK maintained its 2026 guidance, targeting financing and deposit growth over 15%, cost of risk below 60 bps, and an NPF ratio below 5.5%. However, management indicated that the outlook will be reviewed in 2H26 in line with evolving macroeconomic conditions and the geopolitical environment. Thus, based on our analysis, we maintained BUY rating on the stock.

#### Ajman Bank - Relative valuation

(At CMP)	2021	2022	2023	2024	2025	2026F
P/E (x)	29.31	21.01	NM	9.34	7.52	8.12
P/B (x)	1.29	1.35	1.33	1.20	1.08	1.07
BVPS (AED)	1.076	1.027	1.046	1.156	1.284	1.297
EPS (AED)	0.047	0.066	NA	0.149	0.185	0.171
DPS (AED)	NA	NA	NA	0.073	0.092	0.085
Dividend Yield	NA	NA	NA	5.2%	6.6%	6.1%

FABS Estimates & Co Data

**Ajman Bank - P&L**

AED Mn	2Q25	1Q26	2Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Funded income	281	321	331	17.9%	3.1%	1,127	1,360	20.7%
Funded expenses	-187	-221	-224	19.9%	1.4%	-750	-882	17.5%
<b>Net funded income</b>	<b>94</b>	<b>100</b>	<b>107</b>	<b>14.0%</b>	<b>7.0%</b>	<b>376</b>	<b>478</b>	<b>27.0%</b>
Fees and commissions	60	63	69	16.7%	10.0%	262	271	3.5%
Income from Investment Securities	47	59	59	24.7%	-0.2%	261	236	-9.3%
<b>Total non-funded income</b>	<b>107</b>	<b>122</b>	<b>128</b>	<b>20.3%</b>	<b>5.1%</b>	<b>522</b>	<b>507</b>	<b>-2.9%</b>
<b>Total operating income</b>	<b>200</b>	<b>222</b>	<b>235</b>	<b>17.3%</b>	<b>5.9%</b>	<b>899</b>	<b>985</b>	<b>9.6%</b>
Operating expenses	-96	-108	-109	13.0%	0.7%	-412	-427	3.5%
<b>Pre provision profit</b>	<b>104</b>	<b>114</b>	<b>126</b>	<b>21.4%</b>	<b>10.9%</b>	<b>486</b>	<b>558</b>	<b>14.8%</b>
Impairment	16	20	4	NM	NM	62	-50	NM
<b>Profit before tax</b>	<b>120</b>	<b>134</b>	<b>130</b>	<b>8.3%</b>	<b>-2.7%</b>	<b>548</b>	<b>508</b>	<b>-7.3%</b>
Corporate tax	-10	-5	-12	16.7%	NM	-48	-46	-5.4%
<b>Net profit</b>	<b>110</b>	<b>130</b>	<b>119</b>	<b>7.5%</b>	<b>-8.4%</b>	<b>500</b>	<b>463</b>	<b>-7.5%</b>

FABS estimate & Co Data

**Ajman Bank - KPI**

	2Q25	1Q26	2Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Net FI/OI	46.7%	44.9%	45.4%	-134	45	41.9%	48.5%	662
NIM	1.9%	1.6%	1.6%	-22	9	1.7%	1.8%	5
NIS	2.0%	1.7%	1.8%	-16	12	1.9%	2.0%	7
Fees & comms/OI	29.7%	28.5%	29.6%	-15	109	29.1%	27.5%	-163
Invt Securities/OI	23.6%	26.6%	25.1%	149	-154	29.0%	24.0%	-500
Cost to income	48.0%	48.6%	46.2%	-179	-243	45.9%	43.3%	-256
Impairment/PPP	-15.7%	-17.7%	-3.2%	NM	NM	-12.8%	8.9%	NM
NP/OI	55.1%	58.4%	50.5%	NM	NM	55.6%	47.0%	NM
Cost of risk	-0.4%	-0.4%	0.0%	41	40	-0.4%	0.3%	64
Loan-to-deposit	74.2%	80.8%	79.0%	479	-177	74.7%	75.0%	34
NPL	10.2%	7.7%	7.2%	-296	-49	8.3%	5.5%	-278
Coverage excluding collateral	46.4%	43.2%	44.0%	-237	78	45.1%	46.5%	141
Tier 1	16.1%	12.6%	13.0%	-317	35	12.9%	14.2%	133
Capital adequacy	17.3%	13.8%	14.2%	-307	44	14.1%	15.5%	145
ROAA	1.7%	1.7%	1.7%	-2	-5	1.8%	1.3%	-45
ROAE	14.1%	15.8%	15.4%	128	-38	15.2%	13.2%	-198

FABS estimate & Co Data

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

AED Mn	2Q25	3Q25	4Q25	1Q26	2Q26F	YOY Ch
Net advances	14,825	15,207	17,730	19,454	19,777	33.4%
QOQ change	6.5%	2.6%	16.6%	9.7%	1.7%	
Total assets	26,633	28,033	32,863	32,829	33,470	25.7%
QOQ change	8.7%	5.3%	17.2%	-0.1%	2.0%	
Customer deposits	19,977	20,562	23,746	24,084	25,034	25.3%
QOQ change	7.9%	2.9%	15.5%	1.4%	3.9%	
Total equity	3,224	3,370	3,472	3,204	3,323	3.1%
QOQ change	4.8%	4.5%	3.0%	-7.7%	3.7%	

FABS estimate & Co Data

## 2Q26 preview: Commercial Bank International (CBI)

Funded and non-funded income growth to drive the bottom line

Current Price	12-m Target Price	Upside/Downside (%)	Rating
AED 0.89	AED 1.05	+18.0%	BUY

### 2Q26 estimate

Commercial Bank International's (CBI/the Bank) net profit is expected to grow 30.2% YOY to AED 55 Mn in 2Q26, mainly due to an anticipated growth in funded & non-funded income, partially offset by an increase in operating expenses and taxes, along with impairment charges in 2Q26 compared to a reversal in 2Q25. Funded income is projected to grow 16.6% YOY to AED 240 Mn in 2Q26, primarily due to an expected increase in average interest-earning assets, partially offset by a decline in asset yield. However, we expect income from Islamic financing and investing assets to decline to AED 14 Mn in 2Q26 compared to AED 34 Mn in 2Q25, due to an anticipated decline in Islamic financing assets. Funded expenses are estimated to grow marginally by 0.7% YOY to AED 147 Mn in 2Q26, driven by the forecasted increase in average interest-bearing liabilities, partially offset by a decrease in cost of funds. Consequently, net funded income is expected to grow 13.8% YOY to AED 108 Mn in 2Q26. Fees and commission income are forecast to grow 40.2% YOY to AED 39 Mn in 2Q26, while other operating income is expected to grow 15.2% YOY to AED 25 Mn in 2Q26. Thus, CBI's total non-funded income is projected to expand 29.2% YOY to AED 64 Mn in 2Q26. As a result, total operating income is likely to expand 19.1% YOY to AED 172 Mn in 2Q26. Operating expenses are anticipated to rise 3.5% YOY to AED 103 Mn in 2Q26. However, the cost-to-income ratio is likely to decrease from 69.1% in 2Q25 to 60.0% in 2Q26. The Bank is expected to record an impairment charge of AED 7 Mn in 2Q26 compared to a reversal of AED 3 Mn in 2Q25. The Bank is also expected to record a tax expense of AED 6 Mn in 2Q26, compared to AED 5 Mn in 2Q25.

### 2026 forecast

CBI's net profit is expected to grow 2.8% YOY to AED 256 Mn in 2026, mainly due to a projected growth in net funded income and lower profit attributable to non-controlling interest holders, partially offset by a decline in non-funded income, along with anticipated growth in impairment and corporate tax. Funded income is expected to grow 7.9% YOY to AED 955 Mn in 2026, driven by an increase in average interest-earning assets, partially offset by a decline in asset yield. Income from Islamic financing and investing assets is projected to decrease from AED 106 Mn in 2025 to AED 59 Mn in 2026, primarily due to lower average Islamic financing assets. Funded expenses are forecast to decline 3.6% YOY to AED 579 Mn in 2026, driven by anticipated higher average interest-bearing liabilities, partially offset by a decrease in cost of funds. As a result, net funded income is expected to increase 11.5% YOY to AED 434 Mn in 2026. Fees & commission income is projected to grow 1.0% YOY to AED 168 Mn in 2026, while other operating income is expected to decline 20.0% YOY to AED 194 Mn in 2026. Consequently, total non-funded income is expected to decline 9.9% YOY to AED 362 Mn in 2026. As a result, total operating income is forecast to marginally grow 0.6% YOY to AED 796 Mn in 2026. Operating expenses are anticipated to grow marginally by 0.1% YOY to AED 414 Mn in 2026. Impairment charges are estimated to rise 49.2% YOY to AED 99 Mn in 2026. Tax expenses are expected to grow 56.4% YOY to AED 25 Mn in 2026. Additionally, the profit attributable to non-controlling interest is expected to decline from AED 46 Mn in 2025 to AED 2 Mn in 2026.

### 1Q26 outturn

CBI's funded income rose 5.3% YOY to AED 238 Mn in 1Q26, driven by growth in loans and advances, partially offset by a decline in asset yields. However, income from Islamic financing and investment assets fell 56.9% YOY to AED 14 Mn in 1Q26, mainly driven by a significant decline in average Islamic financing assets, partially offset by an increase in asset yield. Funded expenses shrank 8.7% YOY to AED 148 Mn in 1Q26, owing to lower cost of funds, partially offset by an increase in interest-bearing liabilities. As a result, the net funded income grew 7.3% YOY to AED 104 Mn in 1Q26. The Bank's NIM remained stable at 2.1% in 1Q26 compared with 1Q25. Net fees and commission income declined 16.2% YOY to AED 38 Mn in 1Q26. Other operating income decreased substantially from AED 65 Mn in 1Q25 to AED 6 Mn in 1Q26, mainly due to the absence of property sale gains and lower

foreign exchange income compared to 1Q25. As a result, non-funded income declined significantly from AED 110 Mn in 1Q25 to AED 44 Mn in 1Q26. Thus, total operating income fell 28.7% YOY to AED 148 Mn in 1Q26. Similarly, operating expenses grew 7.3% YOY to AED 101 Mn in 1Q26. As a result, the cost-to-income ratio increased to 67.9% in 1Q26 from 45.2% in 1Q25, owing to a sharp decline in operating income. The Bank recorded a net impairment reversal of AED 5 Mn in 1Q26, compared with impairment charges of AED 68 Mn in 1Q25, due to substantial decline in ECL charge for the year, net of reversals. CBI's tax charges increased 24.3% YOY to AED 5 Mn in 1Q26.

### Target Price and Rating

We maintained our BUY rating on CBI with a target price of AED 1.05. CBI reported 14.1% YOY growth in net profit, reflecting the strength of its transformation strategy, disciplined execution, and continued focus on balance sheet optimization and asset quality improvement. The increase in net profit was also supported by a favorable impairment base effect, as the Bank recorded impairment charges of AED 68 Mn in 1Q25 compared with a net impairment reversal of AED 5 Mn in 1Q26. The Bank's net advances increased 2.0% YOY and 5.4% QOQ to AED 13.6 Bn in 1Q26, driven by solid gross loan growth across both the Retail and Wholesale Banking segments, thereby indicating improving credit demand and continued momentum in the Bank's lending franchise. Furthermore, stage 2 gross loan declined 5.2% QOQ to AED 923.5 Mn in 1Q26, reflecting an improving credit profile and reduced migration of loans into higher-risk categories. Customer deposit expanded 6.8% YOY and 3.0% QOQ to AED 16.4 Bn in 1Q26, demonstrating strong customer confidence and a resilient funding profile. The Bank's NIM remained stable at 2.1% in 1Q26 compared with 1Q25 despite a declining interest rate environment, reflecting effective asset-liability management and a resilient funding profile. Asset quality continued to improve, with the NPL ratio declining to 12.8% in 1Q26 from 13.4% in 4Q25. Meanwhile, the calculated coverage ratio (excluding collateral) increased to 42.4% in 1Q26 from 41.7% in 4Q25, reflecting strengthened provisioning buffers and a prudent approach to credit risk management. Furthermore, capitalisation remains healthy, with CET1 and CAR at 13.2% and 16.8%, respectively, during 1Q26, underscoring strong balance-sheet resilience. Thus, we maintain our BUY rating on the stock.

#### CBI-Relative valuation

(At CMP)	2021	2022	2023	2024	2025	2026F
PE	12.70	13.19	10.05	8.90	6.99	6.78
PB	0.74	0.72	0.67	0.63	0.57	0.53
BVPS	1.200	1.230	1.320	1.422	1.559	1.695
EPS	0.070	0.067	0.089	0.100	0.127	0.131

FABS estimate & Co Data

**CBI - P&L**

AED Mn	2Q25	1Q26	2Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Funded income	206	238	240	16.6%	1.2%	885	955	7.9%
Income from Islamic financing and investing assets	34	14	14	NM	-5.3%	106	59	-44.3%
Funded expenses	-146	-148	-147	0.7%	-0.9%	-601	-579	-3.6%
<b>Net funded income</b>	<b>95</b>	<b>104</b>	<b>108</b>	<b>13.8%</b>	<b>3.1%</b>	<b>390</b>	<b>434</b>	<b>11.5%</b>
Fees and commissions	28	38	39	40.2%	2.0%	166	168	1.0%
Other operating income, net	22	6	25	15.2%	NM	243	194	-20.0%
<b>Total non-funded income</b>	<b>50</b>	<b>44</b>	<b>64</b>	<b>29.2%</b>	<b>46.2%</b>	<b>402</b>	<b>362</b>	<b>-9.9%</b>
<b>Total operating income</b>	<b>144</b>	<b>148</b>	<b>172</b>	<b>19.1%</b>	<b>15.9%</b>	<b>791</b>	<b>796</b>	<b>0.6%</b>
Operating expenses	-100	-101	-103	3.5%	2.3%	-414	-414	0.1%
<b>Pre provision profit</b>	<b>45</b>	<b>48</b>	<b>69</b>	<b>54.0%</b>	<b>44.5%</b>	<b>378</b>	<b>382</b>	<b>1.2%</b>
Impairment	3	5	-7	NM	NM	-67	-99	49.2%
UAE Corporate Tax	-5	-5	-6	9.4%	11.4%	-16	-25	56.4%
Non-controlling interests	0	0	1	NM	NM	46	2	NM
<b>Net profit</b>	<b>43</b>	<b>48</b>	<b>55</b>	<b>30.2%</b>	<b>16.5%</b>	<b>249</b>	<b>256</b>	<b>2.8%</b>

FABS estimate & Co Data

**CBI - P&L KPI**

	2Q25	1Q26	2Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Net FI/OI	65.6%	70.4%	62.7%	-292	-773	49.2%	54.5%	NM
NIM	2.1%	2.1%	2.1%	2	2	2.0%	2.1%	7
NIS	1.8%	1.7%	1.7%	-7	1	1.7%	1.7%	1
Fees & comms/OI	19.3%	25.8%	22.7%	342	-309	21.0%	21.1%	8
Trading/OI	15.1%	3.8%	14.6%	-50	1,082	30.7%	24.4%	NM
Cost to income	69.1%	67.9%	60.0%	-906	-793	52.3%	52.0%	-29
Impairment/PPP	-6.7%	-9.6%	10.4%	NM	NM	17.6%	26.0%	835
NP/OI	29.6%	32.1%	32.3%	275	18	31.4%	32.1%	67
Cost of risk	-0.1%	-0.1%	0.2%	30	33	0.6%	0.7%	12
Loan-to-deposit	85.3%	83.2%	83.0%	-226	-20	81.3%	83.0%	172
NPL - calculated	16.8%	12.8%	12.7%	-404	-3	13.3%	12.6%	-67
Coverage - calculated	44.7%	42.4%	42.6%	-208	19	41.7%	43.0%	129
CET 1	13.7%	13.2%	13.4%	-36	14	13.5%	13.7%	24
Capital Adequacy	17.6%	16.8%	16.9%	-66	11	17.2%	17.2%	5
ROAE	8.4%	9.7%	10.0%	164	32	9.6%	9.0%	-56
ROAA	1.0%	1.2%	1.2%	24	5	1.2%	1.1%	-2

FABS estimate & Co Data

**CBI- Key BS Items**

AED Mn	2Q25	3Q25	4Q25	1Q26	2Q26F	YOY Ch
Net advances	12,946	12,782	12,928	13,632	13,763	6.3%
QOQ Change	-3.1%	-1.3%	1.1%	5.4%	1.0%	
Total assets	20,579	20,772	21,945	22,096	22,308	8.4%
QOQ Change	0.0%	0.9%	5.6%	0.7%	1.0%	
Customer deposits	15,185	15,774	15,906	16,385	16,582	9.2%
QOQ Change	-1.0%	3.9%	0.8%	3.0%	1.2%	
Total equity	2,542	2,560	2,708	2,752	2,807	10.4%
QOQ Change	1.3%	0.7%	5.8%	1.6%	2.0%	

FABS estimate & Co Data

## 2Q26 preview: United Arab Bank (UAB)

Higher provisions and operating costs to weigh on earnings

Current Price	12-m Target Price	Upside/Downside (%)	Rating
AED 1.33	AED 1.60	+20.3%	BUY

### 2Q26 Estimate

United Arab Bank (UAB) is expected to report 19.7% YOY decline in net profit to AED 85 Mn in 2Q26, primarily due to an anticipated decline in non-funded income, coupled with forecasted increases in operating expenses and impairment charges, partially offset by a projected decline in tax expenses. Funded income is forecasted to decline 2.5% YOY to AED 328 Mn in 2Q26, mainly due to an anticipated decline in asset yield, partially offset by a projected increase in interest-earnings asset. Meanwhile, funded expense is expected to decline 4.8% YOY to AED 170 Mn in 2Q26, driven by a forecasted decline in the cost of funds, partially offset by an anticipated increase in average interest-bearing liabilities. Consequently, net funded income is projected to increase marginally 0.1% YOY to AED 158 Mn in 2Q26. Furthermore, fee and commission income is projected to decline 21.1% YOY to AED 21 Mn in 2Q26, while exchange income is forecasted to increase 36.8% YOY to AED 15 Mn in 2Q26. The Bank's other non-funded income is expected to decline 4.0% YOY to AED 12 Mn in 2Q26. As a result, total non-funded income is projected to decrease 4.0% YOY to AED 48 Mn in 2Q26. UAB's operating income is anticipated to increase 0.9% YOY to AED 206 Mn in 2Q26. The Bank's operating expenses are expected to increase 3.9% YOY to AED 93 Mn in 2Q26. Impairment charges are projected to increase significantly from AED 2 Mn in 2Q25 to AED 20 Mn in 2Q26. In addition, the Bank's tax expense is anticipated to decline 20.4% YOY to AED 8 Mn in 2Q26.

### 2026 Forecast

UAB's net profit is expected to decline 24.7% YOY to AED 330 Mn in 2026, mainly attributed to anticipated increases in operating expenses and impairment charges, partially offset by forecasted growth in net funded and non-funded income, along with an expected decline in tax expense. The Bank's funded income is projected to decline 0.4% YOY to AED 1,286 Mn in 2026, primarily driven by a forecasted decline in asset yield, partially offset by an increase in interest-earnings assets. Meanwhile, funded expense is expected to decrease 2.3% YOY to AED 696 Mn in 2026, owing to a projected decline in the cost of funds, partially offset by an anticipated increase in average interest-bearing liabilities. Consequently, net funded income is forecasted to increase 2.0% YOY to AED 590 Mn in 2026. The Bank's fee and commission income is expected to decline 15.0% YOY to AED 87 Mn in 2026. Additionally, exchange income is anticipated to increase 35.0% YOY to AED 64 Mn in 2026, while other non-funded income is projected to grow 5.0% YOY to AED 72 Mn in 2026. As a result, total non-funded income is expected to increase 2.1% YOY to AED 223 Mn in 2026. Accordingly, operating income is forecasted to rise 2.1% YOY to AED 813 Mn in 2026. Furthermore, operating expenses are anticipated to increase 1.2% YOY to AED 370 Mn in 2026. UAB's impairment charges are projected to increase significantly from a reversal of AED 51 Mn in 2025 to charges of AED 81 Mn in 2026. Meanwhile, the Bank's tax expense is expected to decline 25.9% YOY to AED 33 Mn in 2026.

### 1Q26 Outturn

UAB's interest income grew 15.3% YOY to AED 335 Mn in 1Q26, driven by strong growth in lending and investments book, partially offset by a decline in asset yield. Interest expenses grew 2.5% YOY to AED 177 Mn in 1Q26, owing to a rise in customer deposits, medium-term borrowing and deposits & balances due to banks, partially offset by a decline in the cost of funds. Thus, net funded income grew 34.1% YOY to AED 157 Mn in 1Q26. Fees and commissions income decreased 18.9% YOY to AED 20 Mn in 1Q26. While exchange income expanded 26.4% YOY to AED 14 Mn in 1Q26. The Bank recorded other non-funded income of AED 1 Mn in 1Q26, compared to AED 12 Mn in 1Q25, primarily due to the absence of one-off property-related and other gains recorded in 1Q25. Thus, non-funded income decreased 26.5% YOY to AED 35 Mn in 1Q26. As a result, operating income expanded 16.5% YOY to AED 193 Mn in 1Q26, with net interest income accounting for 81.6% and non-funded income contributed 18.4% to total operating income. Operating expenses increased 5.3% YOY to AED 92 Mn

in 1Q26, due to continued investment in growth initiatives across people, products, process and systems. Thus, the cost-to-income ratio decreased from 53.0% in 1Q25 to 47.9% in 1Q26, supported by stronger net funded income growth. The Bank recorded impairment charges of AED 18 Mn in 1Q26 compared to a reversal of AED 34 Mn in 1Q25, due to the absence of one-off recoveries and write-backs recognized in 1Q25. Tax expenses fell 26.9% YOY to AED 7 Mn in 1Q26 in line with the decline in profit before tax.

### Target Price and Recommendation

We maintain our rating to BUY on UAB with a target price of AED 1.60. The Bank delivered a strong operating performance in 1Q26, with a 16.5% YOY increase in operating income, reflecting disciplined strategy execution, robust asset growth, and prudent risk management amid global and regional uncertainties. However, net profit declined 26.1% YOY in 1Q26, primarily due to the absence of one-off property-related gains and other gains recorded in 1Q25, along with impairment charges in 1Q26 compared to reversals in 1Q25. Furthermore, the Bank's 1Q26 performance was supported by continued investment in people, products, systems, and processes, reinforcing ongoing operational progress. The Bank's net advances grew 20.9% YOY and 3.6% QOQ to AED 15.1 Bn in 1Q26, supported by strong demand across corporate and retail segments, along with growth in Islamic financing, indicating sustained lending momentum and continued balance sheet expansion. Similarly, the Bank's investment portfolio expanded 21.5% YOY and 5.3% QOQ to AED 8.3 Bn in 1Q26, driven by the efficient deployment of excess liquidity into high-quality assets, supporting yield improvement. The Bank's resilient performance is also reflected in its NIM (calculated), which increased to 2.4% in 1Q26 from 2.2% in 1Q25. UAB's deposit expanded 11.4% YOY but declined 6.5% QOQ to AED 16.7 Bn in 1Q26, with a growth in CASA deposit of 15.2% YOY to AED 6.2 Bn in 1Q26, accounting for 36.9% of total deposits. This reflects a strengthening low-cost funding mix and supports funding stability. UAB's asset quality improved in 1Q26, with a decline in the NPL ratio from 3.4% in 1Q25 to 2.6% in 1Q26. However, coverage ratio (calculated) fell from 117.6% in 1Q25 to 105.2% in 1Q26, reflecting normalization following elevated recoveries in the prior year, while remaining at a comfortable level to absorb potential credit losses. Additionally, stage 2 loans declined over the past three quarters, signaling improving asset migration trends and reduced credit stress within the portfolio. The Bank's CET1 and CAR stood at 16.4% and 20.4% in 1Q26, respectively, remaining well above regulatory requirements, thus enhancing the Bank's capacity to absorb potential shocks, sustain lending expansion, and maintain financial stability while pursuing strategic growth initiatives. Similarly, UAB's stable resource ratio and eligible liquid asset ratio stood at 73% and 16% respectively in 1Q26, both above the regulatory requirement, thus reflecting the Bank's continued resilience in maintaining a well-balanced funding mix and sufficient liquidity buffers. Furthermore, the Bank paid a cash dividend of AED 109 Mn for 2025 equivalent to 3.5 fils per share. Thus, based on these factors, we maintain our rating to BUY on the stock.

#### UAB - Relative valuation

(At CMP)	2021	2022	2023	2024	2025	2026F
PE (x)	39.08	17.73	10.73	9.10	7.49	12.47
PB (x)	1.81	1.83	1.58	1.37	0.94	1.17
BVPS	0.733	0.727	0.844	0.971	1.411	1.135
EPS	0.034	0.075	0.124	0.146	0.178	0.107
DPS	NA	NA	NA	NA	0.035	0.030
Dividend Yield	NA	NA	NA	NA	2.6%	2.3%

FABS estimate & Co Data

**UAB – P&L**

AED Mn	2Q25	1Q26	2Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Interest income	337	335	328	-2.5%	-1.8%	1,291	1,286	-0.4%
Interest expense	-179	-177	-170	-4.8%	-3.9%	-713	-696	-2.3%
<b>Net interest income</b>	<b>158</b>	<b>157</b>	<b>158</b>	<b>0.1%</b>	<b>0.6%</b>	<b>579</b>	<b>590</b>	<b>2.0%</b>
Fees and commissions	26	20	21	-21.1%	2.0%	102	87	-15.0%
Exchange income	11	14	15	36.8%	10.0%	47	64	35.0%
Other non-funded income	13	1	12	-4.0%	NM	68	72	5.0%
<b>Total non-funded income</b>	<b>50</b>	<b>35</b>	<b>48</b>	<b>-4.0%</b>	<b>36.2%</b>	<b>218</b>	<b>223</b>	<b>2.1%</b>
<b>Total operating income</b>	<b>208</b>	<b>193</b>	<b>206</b>	<b>-0.9%</b>	<b>7.1%</b>	<b>797</b>	<b>813</b>	<b>2.1%</b>
Total operating expenses	-89	-92	-93	3.9%	0.6%	-365	-370	1.2%
<b>Pre provision profit</b>	<b>119</b>	<b>100</b>	<b>113</b>	<b>-4.5%</b>	<b>13.1%</b>	<b>431</b>	<b>443</b>	<b>2.8%</b>
Impairment	-2	-18	-20	NM	10.8%	51	-81	NM
<b>Profit before Tax</b>	<b>117</b>	<b>82</b>	<b>94</b>	<b>-19.8%</b>	<b>13.6%</b>	<b>482</b>	<b>363</b>	<b>-24.8%</b>
Corporate Tax	-11	-7	-8	-20.4%	13.6%	-44	-33	-25.9%
<b>Net profit</b>	<b>106</b>	<b>75</b>	<b>85</b>	<b>-19.7%</b>	<b>13.6%</b>	<b>438</b>	<b>330</b>	<b>-24.7%</b>

FABS estimate & Co Data

**UAB – KPI**

	2Q25	1Q26	2Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Net FI/OI	75.9%	81.6%	76.6%	77	-498	72.6%	72.6%	-2
NIM	2.8%	2.4%	2.4%	-38	-1	2.5%	2.2%	-34
NIS	2.4%	2.0%	2.0%	-38	3	2.0%	1.7%	-31
Fees & comms/OI	12.6%	10.6%	10.0%	-258	-50	12.9%	10.7%	-215
Exchange income/OI	5.3%	7.1%	7.3%	201	19	5.9%	7.9%	192
Cost to income	42.9%	47.9%	45.0%	206	-291	45.9%	45.5%	-38
Impairment/PPP	1.7%	17.8%	17.5%	NM	-36	-11.8%	18.2%	NM
NP/OI	51.0%	39.0%	41.3%	NM	235	55.0%	40.6%	NM
Cost of risk – Calculated	0.1%	0.5%	0.1%	7	-34	-0.4%	0.5%	88
Loan-to-deposit	86.0%	90.6%	90.8%	479	24	81.7%	91.5%	NM
NPL	2.2%	2.6%	2.6%	39	-6	2.8%	2.5%	-30
Coverage Ratio	148.0%	105.2%	105.5%	NM	NM	102.4%	106.0%	360
CET 1	12.1%	16.4%	16.5%	440	10	17.4%	15.7%	-170
Capital adequacy	16.3%	20.4%	20.4%	406	-4	21.5%	19.4%	-213
ROAE	18.1%	15.2%	14.0%	-414	-128	16.0%	9.4%	NM
ROAA	1.7%	1.6%	1.5%	-18	-12	1.8%	1.2%	-63

FABS estimate & Co Data

**UAB – Key BS Items**

AED Mn	2Q25	3Q25	4Q25	1Q25	2Q26F	YOY Ch.
Net advances	13,418	14,112	14,554	15,081	15,618	16.4%
QOQ change	7.6%	5.2%	3.1%	3.6%	3.6%	
Total assets	23,921	24,465	27,000	26,893	27,697	15.8%
QOQ change	2.1%	2.3%	10.4%	-0.4%	3.0%	
Customer deposits	15,601	14,369	17,809	16,652	17,200	10.2%
QOQ change	4.4%	-7.9%	23.9%	-6.5%	3.3%	
Total equity	2,781	3,959	4,032	3,842	3,916	40.8%
QOQ change	4.6%	42.4%	1.8%	-4.7%	1.9%	

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