A&M | FINANCIAL SERVICES INDUSTRY GROUP

UAE Banking Pulse

Q2 | 2025

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A message from our authors

Alvarez & Marsal Middle East Limited (A&M) is delighted to publish the Q2'25 edition of the UAE Banking Pulse ("The Pulse – UAE").

In this quarterly series, we share results from our research examining the top ten largest listed UAE banks by assets and highlight key performance indicators of the sector. The Pulse aims to help banking executives and board members stay current on industry trends.

Sam Gidoomal

Managing Director Head of ME Financial Services

As we approach the reporting cycle for Q3, we take this opportunity to reflect on key developments across the UAE banking sector in Q2 2025 - a quarter marked by continued resilience in macro fundamentals, robust lending activity, and growing momentum in real estate.

Despite a slight cooling in business momentum, as reflected in a softer PMI of 53.6, the UAE's macroeconomic outlook remains strong. The IMF projects GDP growth of 4.0% in FY2025 and 5.0% in FY2026, underpinned by Fitch's reaffirmation of the country's AA- rating.

In the banking sector, lending outpaced deposits, with net loans rising 5.0% quarter-on-quarter, driven by continued strength in both corporate and retail demand. In contrast, deposit growth moderated to 2.8%. Meanwhile, the real estate sector continued its upward trajectory - with Dubai residential prices rising ~20.5% year-on-year, and transaction volumes jumping 44.0%.

Although rising impairment charges put some pressure on asset quality, stable income streams and disciplined cost/risk management supported overall bank performance.

As we broaden our coverage of key themes shaping the financial services space, I'm pleased to introduce a new section led by Quentin, Head of our FIG M&A practice, exploring recent banking-sector transactions and deal activity.

Quentin Mulet-Marquis

Managing Director

M&A ME Financial Services

UAE banks entered H2 2025 from a position of strength – the overall market reaction to UAE banks' Q2 2025 earnings has been positive, supported by strong profit generation driving notable year on year improvements.

Meanwhile, foreseeable pressure on banks' profitability stemming from lower rates – which to-date have been offset by growth in non-interest income and strong cost discipline – coupled with comfortable capital buffers and valuation multiples above historical averages support a gradual increase in M&A activity in the sector.

With a fully-staffed team of Financial Services M&A professionals in the Middle East, we are ideally positioned to assist banks in exploring and executing on their inorganic strategy.

All the data used in this report has been obtained from publicly available sources and the methodology for the calculations is discussed in the glossary. Calculation of metrics has been updated, where required, to reflect appropriate comparative information.

Macro Overview

The UAE economy remains resilient with stable fiscal buffers, moderate growth and steady liquidity despite global and regional headwinds

- IMF projected a positive outlook for the UAE economy estimating a growth of 5.0% in FY 2026 compared to 4.0% for FY 2025
- Fitch affirmed UAE's 'AA-' rating with a Stable Outlook, citing strong external buffers and fiscal surpluses, despite high oil dependence and regional risks
- The UAE's average Q2'25 PMI declined to 53.6 compared to 54.7 in Q1'25, due to softer new order growth amid heightened regional tensions dampening demand

- The US Fed kept policy rates unchanged in Q2'25 after a 50bps cut to 4.25%-4.50% in Q4'24
- Policymakers remain cautious on further easing amid slower growth, with consensus pointing to another 50bps cut by end of FY25
- CBUAE mirrored the Fed, holding its base rate at 4.40%. While US tariff-driven inflation risks persist, labor market weakness could push the Fed to cut rates at its 17 Sep meeting
- EIBOR rose ~11bps QoQ in Q2'25 to 4.31% (from 4.20% in Q1'25), reflecting tighter liquidity despite expectations of rate cuts ahead

- M1 rose by 4.1% to AED 1,026.2bn in Q2'25 from AED 986.2bn in Q1'25, driven by a 4.7% increase in monetary deposits to AED 878.3bn
- M2 also increased by 3.8% to AED 2,531.2bn in Q2'25 from AED 2,437.7bn in Q1'25, with quasi-monetary deposits rising by 3.7% to AED 1,505.0bn
- M3 increased by 3.6% to AED 2,997.6bn in Q2'25 from AED 2,893.7bn in Q1'25

5.0%
GDP growth in FY 2026

AA-
Rating affirmed by Fitch (Stable Outlook)

53.6
Q2'25 average PMI

4.15%
Maintained base rate, mirroring the US Fed's decision to hold rates steady

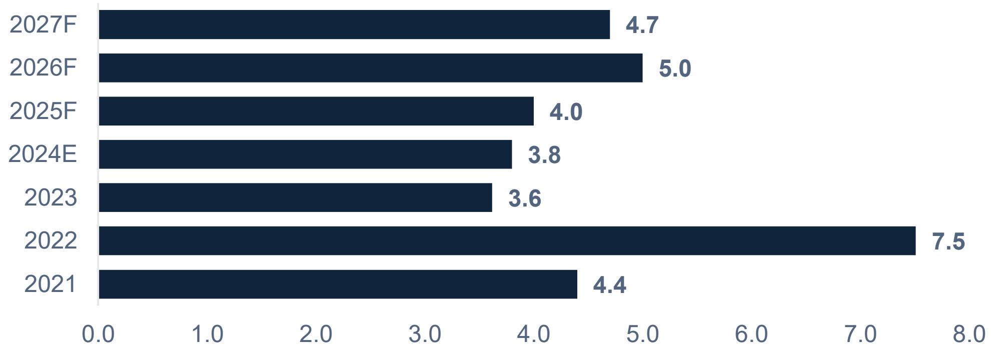
4.31%
EIBOR rose ~11bps QoQ in Q2'25

4.1%
Increase in M1 money supply driven by rise in monetary deposits
(M1 – AED 1,026.2bn)

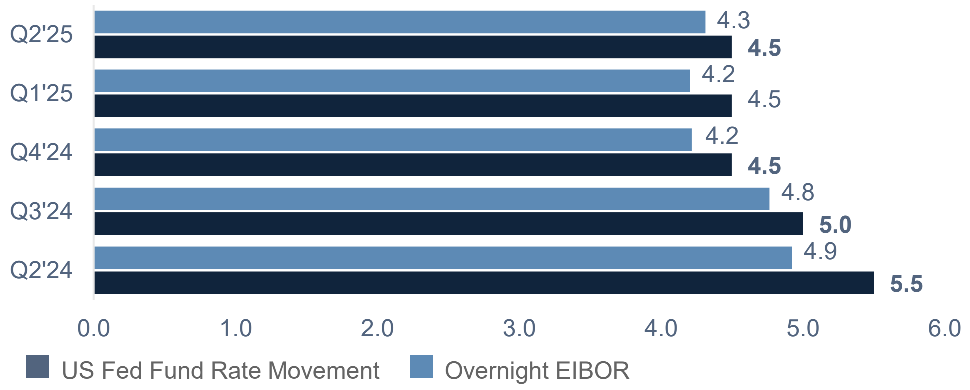
3.8%
Increase in M2 money supply, supported by increase in quasi-monetary deposits
(M2 – AED 2,531.2bn)

3.6%
Increase in M3 money supply
(M3 – AED 2,997.6bn)

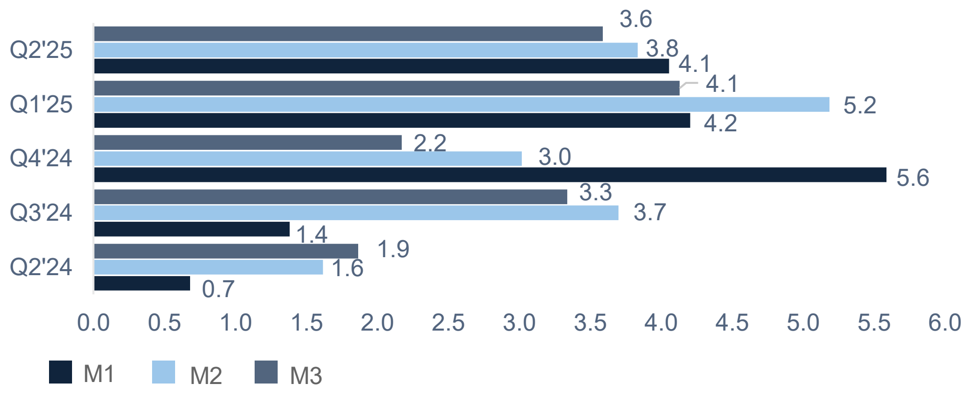
UAE GDP Growth Rate[1] (%)



US Fed Fund Rate[2], EIBOR (%)



UAE Money Supply[3] (%, Quarterly)



1 IMF, 2 US Board of Federal Reserve, 3 UAE Central Bank,

Banking Overview

Stable profitability and robust real estate transactions underpinned UAE banks' performance in Q2'25, even as impairments rise The UAE economy remains resilient with stable fiscal buffers, moderate growth and steady liquidity despite global and regional headwinds

- Aggregate total interest income increased by 4.1% QoQ in Q2'25, with NII rising 1.3% QoQ as lending momentum gathered pace for the UAE banks.
- Aggregate net income was broadly flat (0.2% QoQ), despite an 8.7% decline in total non-interest income.
- Higher operating expenses (1.6% QoQ) and impairment charges (81.1% QoQ) impacted the UAE bank's profitability during the quarter.

- Lending exposure to the real estate and construction sector declined to 13.3% in Q1'25 (vs. 14.1% in Q1'25) a sharp decline since last quarter.
- However, Dubai's real estate market demonstrated robust growth through Q2'25, with residential property prices rising about 20.5% YoY.
- Total residential transaction value grew by 44.0% YoY and 23.0% YoY for Dubai and Abu Dhabi, respectively in the second quarter.

1.3%
NII growth in Q225

0.2%
Aggregate net income growth

81.1%
Increase in impairment charges during Q2'25

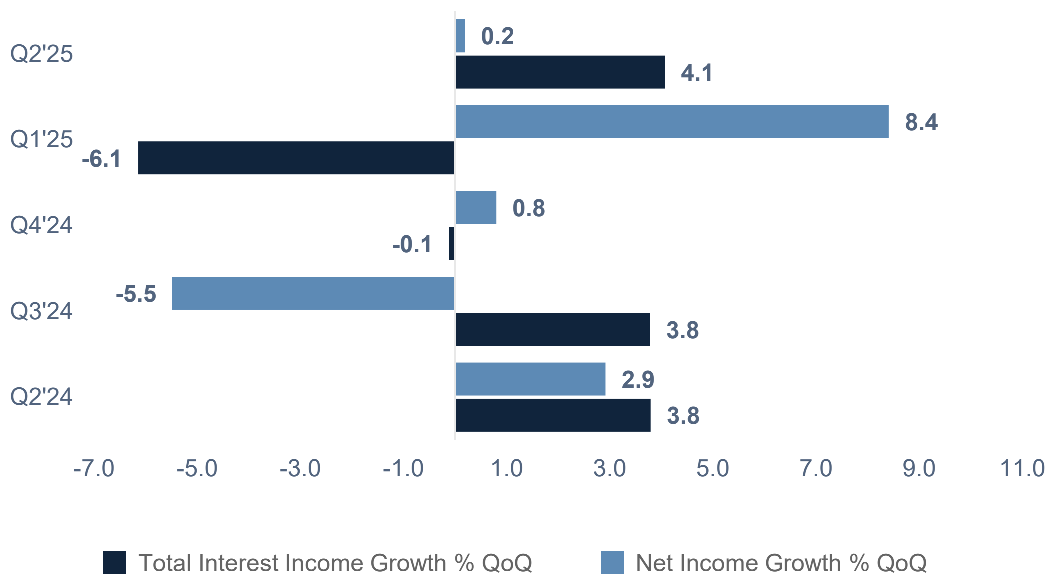
13.3%
Lending exposure to the real estate and construction sector

20.5%
YoY growth in Dubai's real estate prices

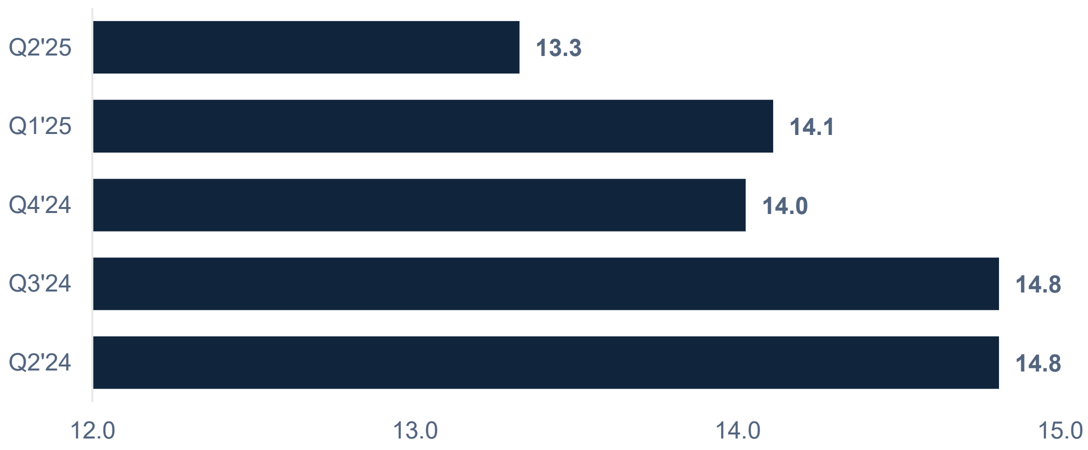
44.0%
YoY increase in total residential transaction value in Dubai

23%
YoY increase in total residential transaction value in Abu Dhabi

UAE Banks Profitability[1] (%)



Real Estate & Construction as a % of Total Gross Loans[2]



1 Bloomberg & A&M Analysis, 2 Based on data of 10 banks, weighted average exposure of all banks; for consistency purpose data for all banks is captured from IR presentations * Data for top ten UAE banks by asset size as of June 30th 2025

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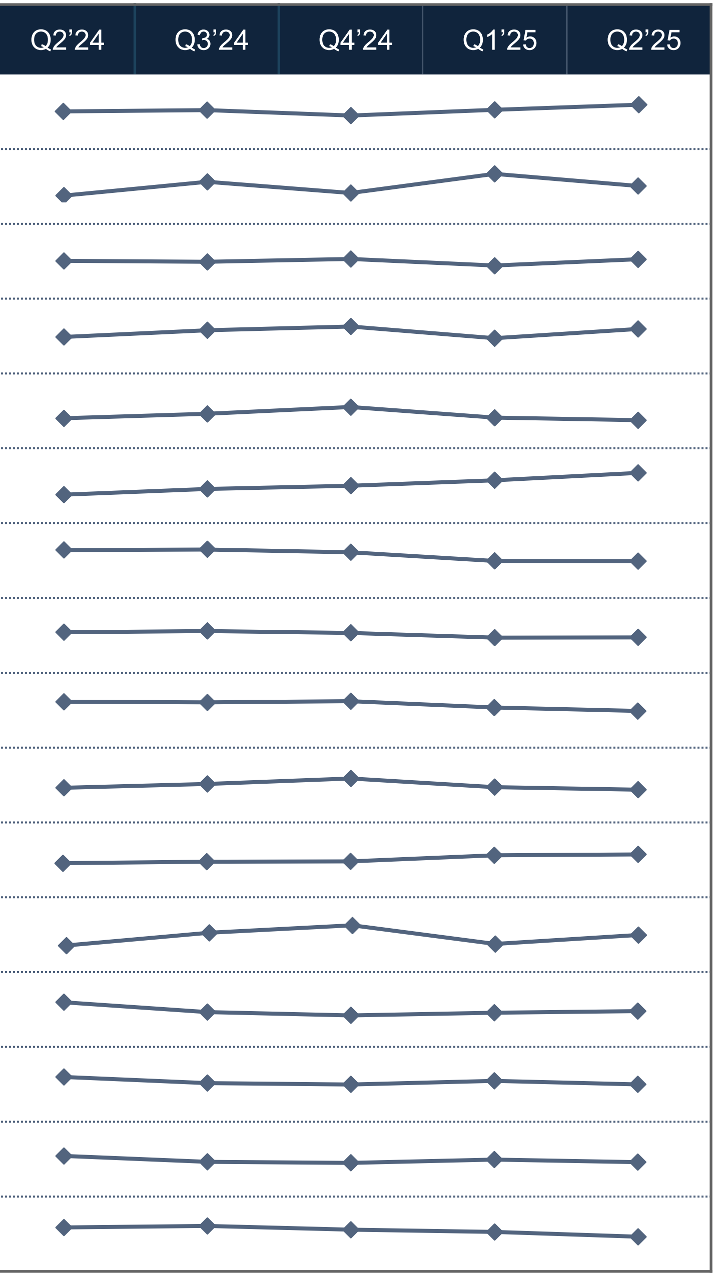
Key Trends Q2’25

Accelerating loan growth, improving operating income, and better cost efficiencies mark the quarter

- Net L&A for banks increased by 5.0% QoQ, while deposits growth slowed down to **2.8% QoQ in Q2’25**
- LDR **increased to 76.2%** QoQ, improving by 156bps QoQ in Q2’25
- Aggregate operating income **increased by 3.9%** QoQ, primarily due to **19.0% QoQ increase in other operating income**
- **NIM** further **deteriorated by 9bps QoQ**; whereas YoC and CoF remained largely the same
- Aggregate C/I ratio further declined by 64bps QoQ indicating improved cost efficiencies
- Coverage ratio for banks **improved by 99bps** QoQ while **CoR deteriorated** by 22bps QoQ **to 0.51%**
- RoE **increased by 36bps** QoQ, whereas RoA **declined marginally** by 9bps QoQ
- RoRWA **decreased by 13bps** QoQ to **3.2%** while **capital adequacy ratio** further **deteriorated by 108bps** to 15.5% in Q2’25

	Metric	Q1’25		Q2’25
Size	Net L&A Growth (QoQ)	3.6%	↑	5.0%
	Deposits Growth (QoQ)	5.8%	↓	2.8%
Liquidity	Loan-to-Deposit Ratio (LDR)	74.7%	↑	76.2%
Income and Operating Efficiency	Operating Income Growth (QoQ)	-0.2%	↑	3.9%
	Operating Income / Assets	3.7%	↔	3.7%
	Non-Interest Income / Operating Income	35.7%	↑	37.3%
	Yield on Credit (YoC)	10.9%	↔	10.9%
	Cost of Funds (CoF)	3.9%	↔	3.9%
	Net Interest Margin (NIM)	2.52%	↓	2.43%
	Cost-to-Income Ratio (C/I)	28.2%	↓	27.5%
Risk	Coverage Ratio	110.2%	↑	111.1%
	Cost of Risk (CoR)	0.29%	↑	0.51%
Profitability	Return on Equity (RoE)	18.6%	↑	18.9%
	Return on Assets (RoA)	2.1%	↓	2.0%
	Return on Risk-Weighted Assets (RoRWA)	3.3%	↓	3.2%
Capital	Capital Adequacy Ratio (CAR)	16.6%	↓	15.5%



➡ Improved ⬌ Stable ➡ Worsened

Note 1: Growth in loans & advances and deposits were presented QoQ instead of YoY
Note 2: Quarterly income was used in the calculation of operating income growth
Source: Financial statements, Investor presentations, A&M analysis

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Key Sector Developments

UAE banking industry development

New Entrants
01

- Botim partnered with Mbank to become UAE's first fintech to enable Jaywan card issuance, integrating the national card scheme into PayBy services
- Emirates Development Bank launches AED 1bn Emirates Growth Fund to back high-potential UAE SMEs with AED 10–50mn equity investments, driving industrial growth
- Deutsche Bank attained ADGM license in UAE, allowing it to offer regulated services, reinforcing its long-term regional commitment
- MoneyHash and Lean Technologies partnered to enable instant account-to-account (A2A) "pay-by-bank" payments for UAE merchants
- Tarabut became the first MENA fintech to secure Open Finance licences in Bahrain, KSA, and the UAE, following the UAE's new Open Finance regulation

New Investments
02

- Emirates NBD partnered with Appro to cut retail onboarding time to three minutes through streamlining KYC, credit checks, and due diligence
- FAB committed AED 10 bn in partnership with MoIAT to boost UAE industry through competitive financing for manufacturers, supporting innovation and the "Make it in the Emirates" initiative
- RAKEZ signs MoU with ADIB to fast-track account opening and provide investors instant access to Sharia-compliant business banking
- CBUAE and fintech Mercury launch Unitey Business Services, a public-private JV under the FIT programme to modernize UAE payments infrastructure

New Business Trends
03

- MoIAT secured over AED 40 bn in partnerships with five UAE banks—FAB, Emirates NBD, ADCB, ADIB, and Wio Bank—boosting industrial innovation, SME growth, and tech adoption
- FAB became the first bank in MENA region to join China's official cross-border Interbank Payment System as a direct participant
- MASQ opened a representative office in Turkey, aiming to boost cross-border trade and expand its regional footprint in key growth markets
  - With this move, MASQ became the 3rd bank to establish presence in the region, following FAB and ENBD

New Emerging Technologies
04

- Ripple, a provider of blockchain cross-border payment solutions, partnered with Zand Bank and fintech startup Mamo to expand blockchain-powered payment network in the UAE
- UAE banks have adopted 'Agentic AI' to handle credit sanctioning, marking a significant leap in their digital banking transformation
- ENBD partnered with iPiD to enable real-time beneficiary validation for cross-border payments
  - This system aims to reduce fraud and improve payment accuracy
- FAB, in collaboration with HSBC and the ADX, has initiated the issuance of MENA's first blockchain-based digital bond
  - Uses HSBCs' Orion and distributed ledger technology to enable faster, transparent, and secure settlements for institutional investors

New Regulations
05

- CBUAE has suspended plans to raise the minimum personal bank account balance from AED 3,000 to AED 5,000, pending a policy review
- CBUAE introduced a new Open Finance regulation to enable secure data sharing and boost innovation and competition in the financial sector
- CBUAE will phase out SMS and email OTP authentication by March 2026 in favor of stronger digital authentication methods

Expected Challenges
06

- A projected price correction of up to 15% in Dubai's residential real estate market (through H2 2025 into FY 2026) may affect property-linked lending
  - Although sector exposure has decreased (from 20% to 14%), some banks—especially those still heavily involved—could face asset quality deterioration or capital adequacy pressure
- With U.S. Federal Reserve likely to begin cutting rates in H2 2025, the CBUAE is expected to follow, compressing NIMs and profitability for banks

Source: Zawya, Mashreq website, DIB website, Gulf News, ADCB website, Fintech Futures, Emirates NBD website, Egyptian Streets, CBUAE, ADIB website, The Paypers, DDNews, Cryptodns, Arabian Business, Open banking expo, Techafrican news

Profitability remained unchanged primarily due to the rise in operating income being offset by a rise in impairments

Key Takeaways

Aggregate net income rose 0.2% QoQ to AED 22.2bn in Q2’25, as higher impairments offset operating income growth:

- Net interest income increased by 1.3% QoQ while other operating income increased by 19.0% QoQ in Q2’25
- However, net fees and commission income contracted by 4.6% QoQ in Q2’25
- Impairment allowances witnessed a substantial increase of 81.1% QoQ in Q2’25
- This was due to substantial rise in impairments for ADCB, MASQ and ADIB

Net Income Bridge (AED bn)

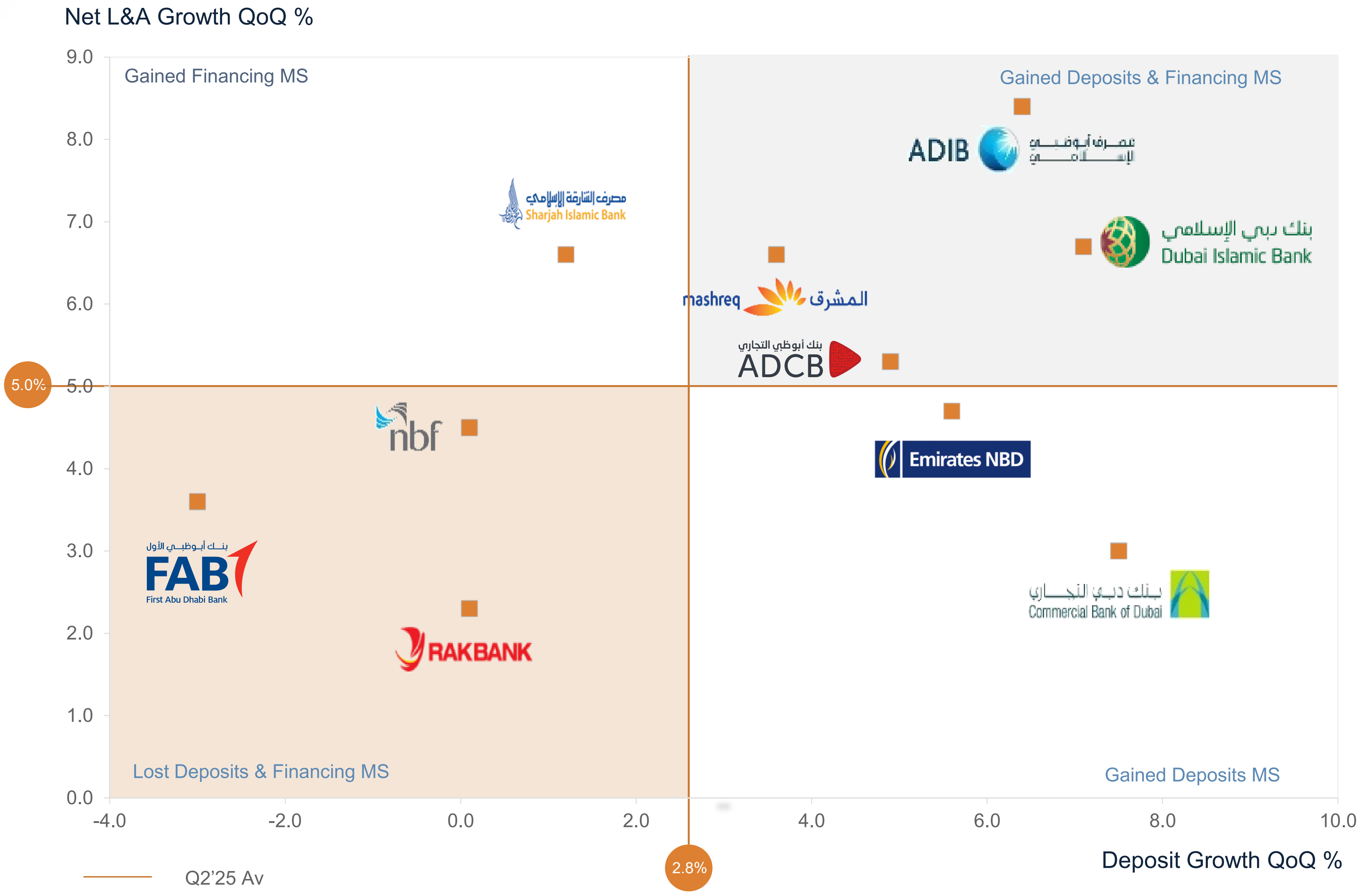
Source: Financial statements, Investor presentations, A&M analysis

Loan growth accelerated across major banks, while deposit mobilization weakened due to a decline in time deposits

Key Takeaways

- Aggregate net L&A for the top ten banks increased by 5.0% QoQ in Q2'25 vs. 3.6% in Q1'25.
  - Among the major banks, ADIB, DIB and MASQ reported high growth in net L&A by 8.4%, 6.7% and 6.6% QoQ, respectively.
  - Growth was driven by increased financing momentum in the retail, wholesale and corporate segments.
  - Residential mortgages, manufacturing, construction and financial institution sectors also witnessed growth.
- Aggregate bank deposits increased by 2.8% QoQ in Q2'25 compared to 5.8% QoQ in Q1'25.
  - This was primarily due to a decline in the QoQ deposit growth rate for FAB (1,020bps), ADIB (317bps) and MASQ (291bps).
  - The decline in deposit growth rate was primarily due to fall in time deposits for FAB and MASQ.

Net L&A and Deposit Growth (%, Quarterly)



Note: MS stands for market share
Source: Financial statements, Investor presentations, A&M analysis

Source: Financial statements, Investor presentations, A&M analysis

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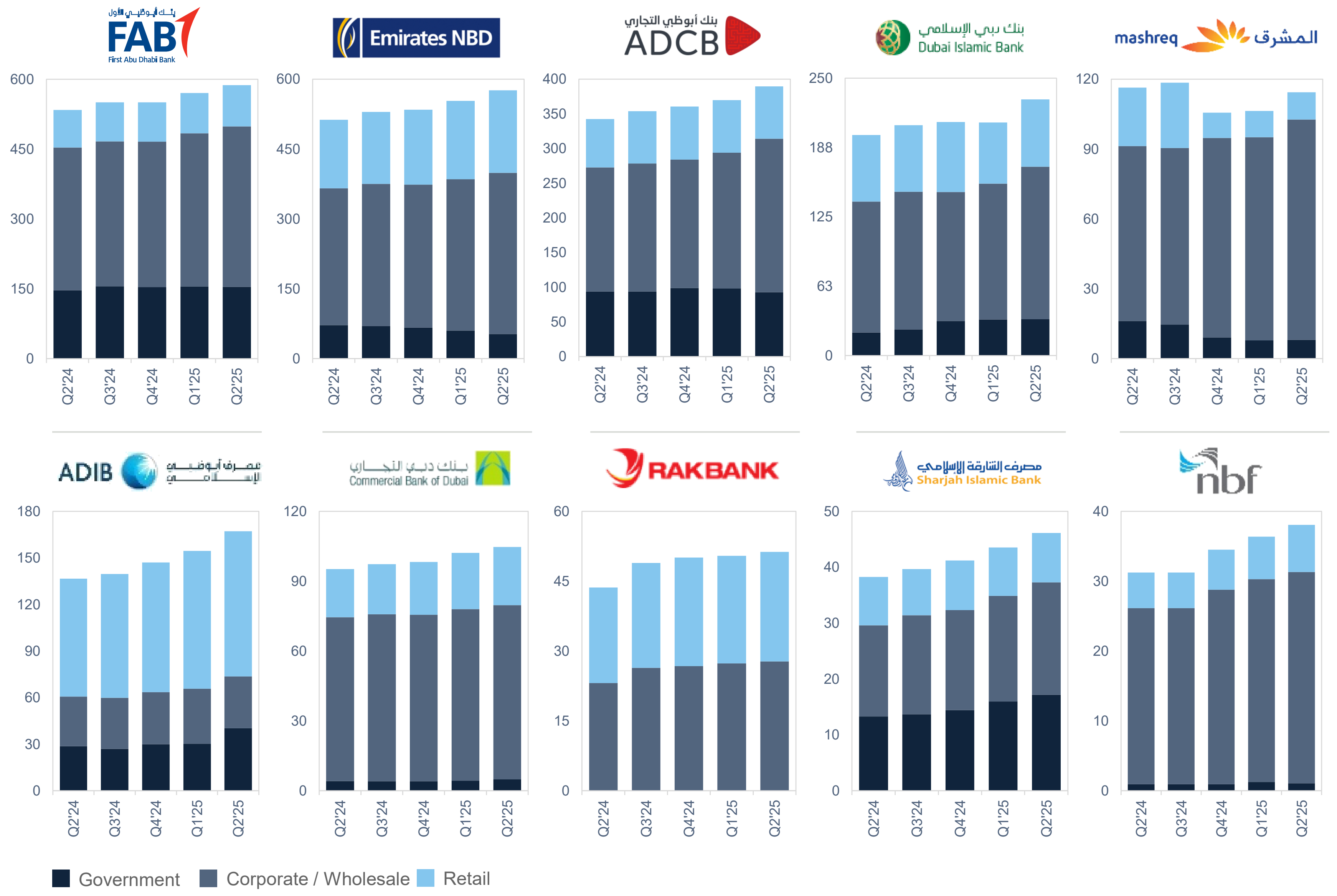
Corporate loan growth outpaced retail as UAE banks benefitted from demand for business loans given easing rates

Key Takeaways

- Gross L&A growth sustained its upward trajectory in Q2’25
  - UAE banks are rapidly expanding lending portfolios as falling interest rates spur loan demand
  - Corporate / wholesale loans, accounting for 57.7% of total loan portfolio, increased by 6.9% QoQ
  - Retail loans grew 4.4% QoQ during same period
- Among major banks, DIB and MASQ reported the highest QoQ gross loan book growth of 9.9%, and 7.6%, respectively

Gross Loans and Advances (AED bn)



Note 1: Scaling and some numbers might not add up due to rounding off. Note 2: DIB reported segment wise L&A mix on net value and stage wise L&A mix on gross value.
Note 3: For RAKBANK, corporate / wholesale lending includes government loans
Source: Financial statements, Investor presentations, A&M analysis

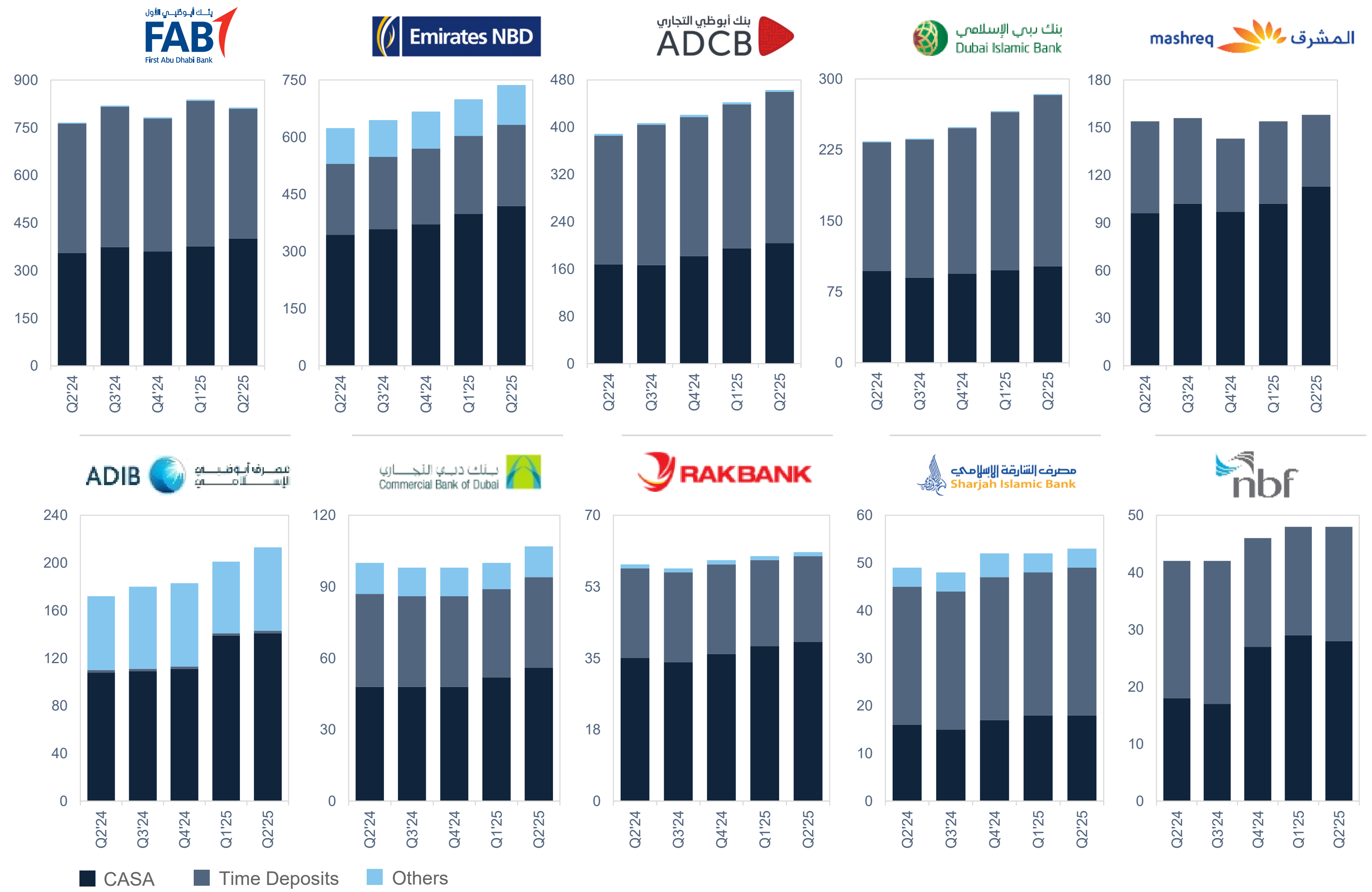
Source: Financial statements, Investor presentations, A&M analysis

CASA growth slowed, while time deposits contracted, resulting in a deceleration of aggregate deposit expansion

Key Takeaways

- Aggregate deposits growth slowed down to 2.8% QoQ, as CASA growth rate slowed down (5.3% QoQ vs. 7.6% QoQ in Q1'25) while time deposits fell 1.5% QoQ.
  - Between the top five banks MASQ (10.4% QoQ) and FAB (6.6% QoQ) saw the highest CASA growth.
  - While ADIB and DIB reported an increase in time deposits for the quarter by 23.5% QoQ and 8.7% QoQ, respectively.

Customer Deposits (AED bn)



Note 1: Scaling and some numbers might not add up due to rounding off
Note 2: For ENBD, "Others" includes DenizBank; For ADIB, "Others" include Wakala deposits, Short Term Investment Accounts and Others
Source: Financial statements, Investor presentations, A&M analysis

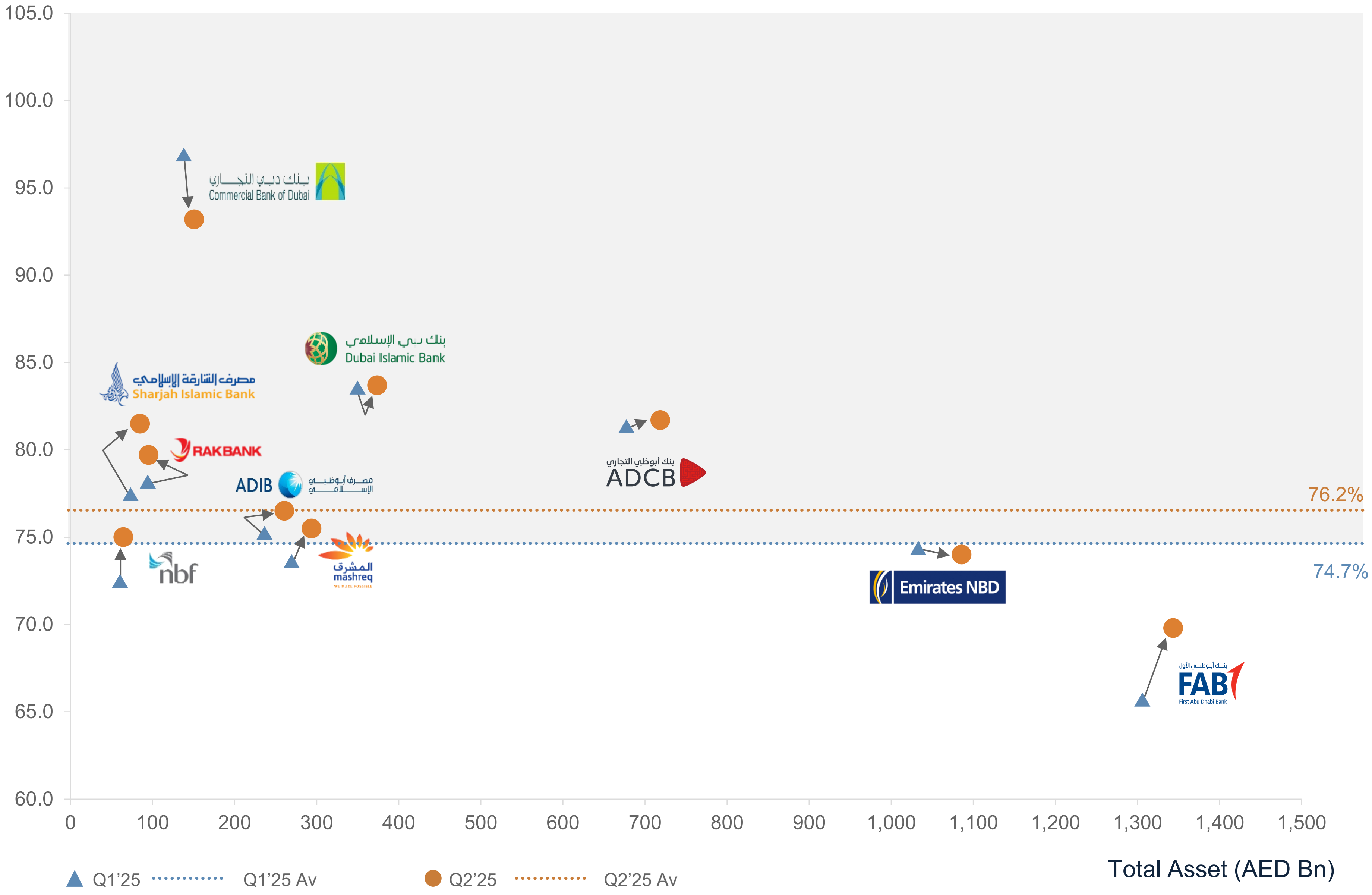
 Source: Financial statements, Investor presentations, A&M analysis

LDR increased on the back of stronger lending momentum which outpaced deposit growth

Key Takeaways

- Aggregate LDR improved 156bps QoQ to 76.2% in Q2’25, as three out of top five banks reported an increase in LDR for the quarter.
- FAB reported the highest increase in LDR (446bps QoQ) to 69.8% in Q2’25.
  - Net L&A grew by 3.6% QoQ, while deposits declined by 3.0% QoQ.
- CBD witnessed the highest decrease in LDR (-405bps QoQ) to 93.2%.

Loan to Deposits Ratio (%)



Note: The blue zone is an area of healthy liquidity
Source: Financial statements, A&M analysis

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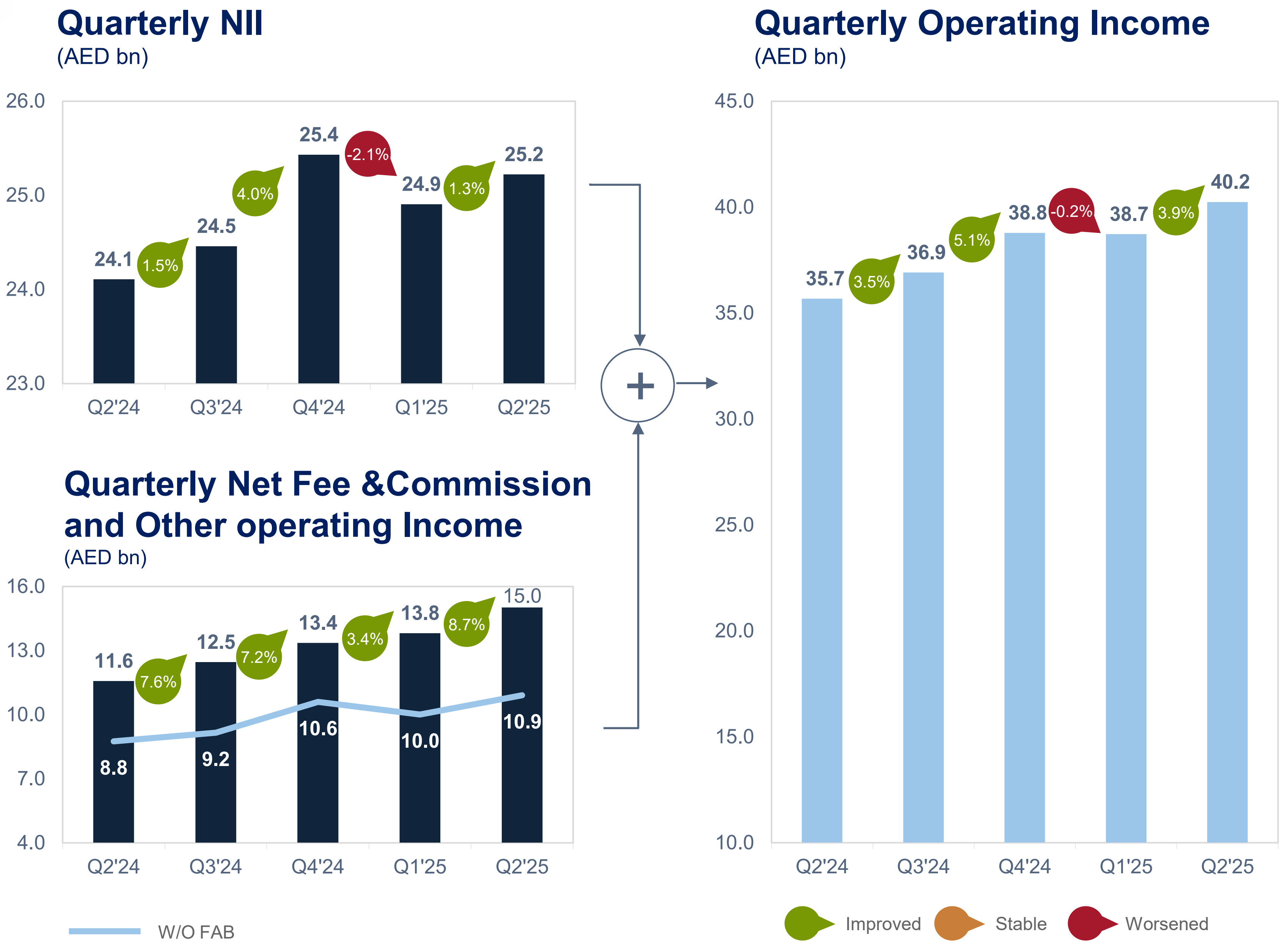
Operating income rose as both NII and non-interest income showed growth

Key Takeaways

- Total operating income increased by 3.9% QoQ driven by higher lending volumes alongside an expansion of non-interest revenue streams.
  - NII increased by 1.3% QoQ, while non-interest income increased by 8.7% QoQ.
  - ADCB and FAB reported the highest increase in operating income among the top five major banks by 14.3%, QoQ and 7.7% QoQ, respectively.
  - This was attributable to stronger lending volumes and robust growth in fee, FX, and investment income.

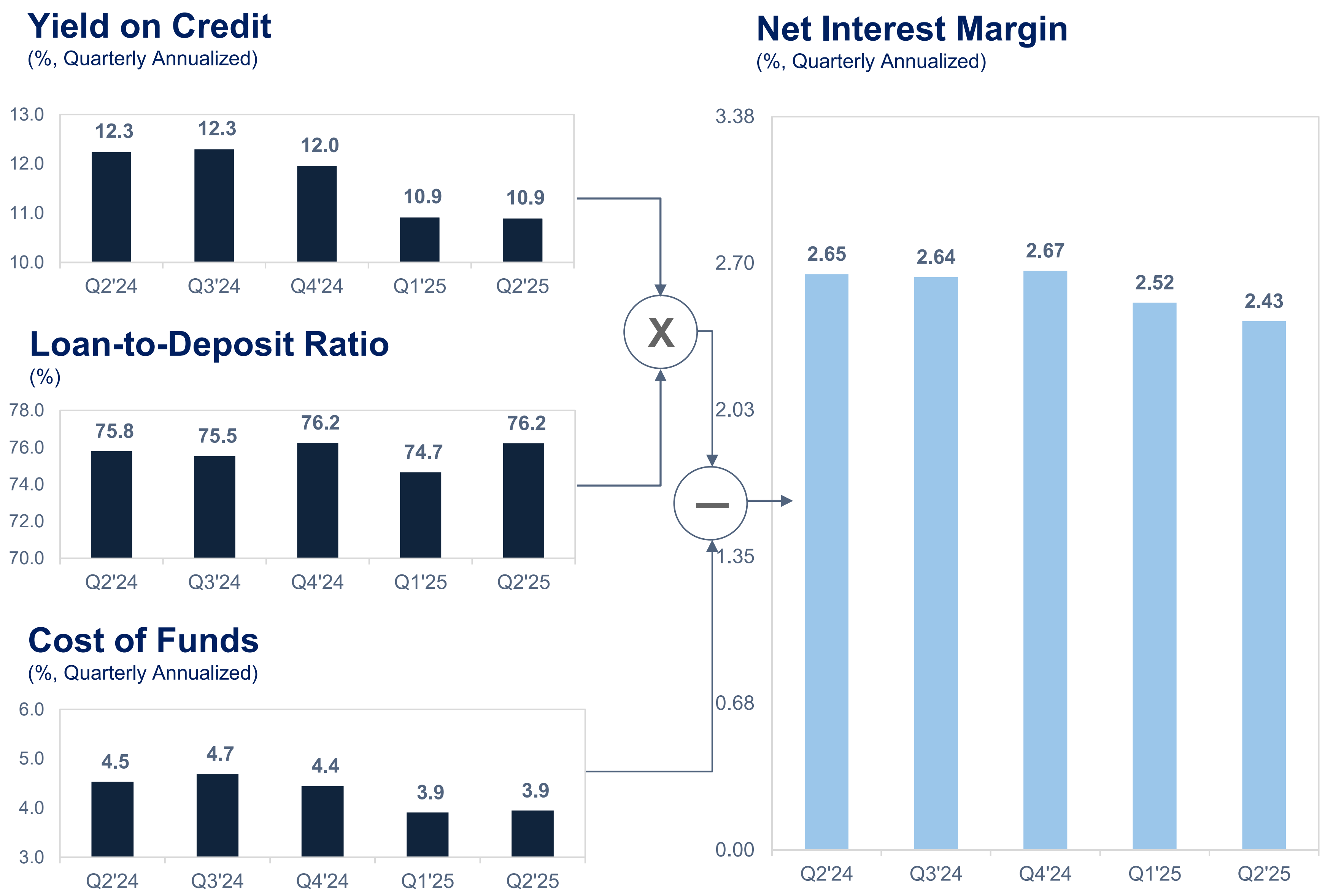


Note: Some numbers might not add up due to rounding
Source: Financial statements, investor presentations, A&M analysis

NIM declined despite stable spreads and improved funding conditions

Key Takeaways

- NIM declined marginally by 9bps QoQ to 2.43% impacted by earlier rate cuts.
- Spreads during the quarter remained stagnant:
  - YoC remained flat at 10.9% QoQ, reflecting sustained pricing pressure across lending portfolios.
  - CoF also remained unchanged at 3.9% QoQ, supported by the CBUAE's earlier rate cuts that continued to ease funding costs.

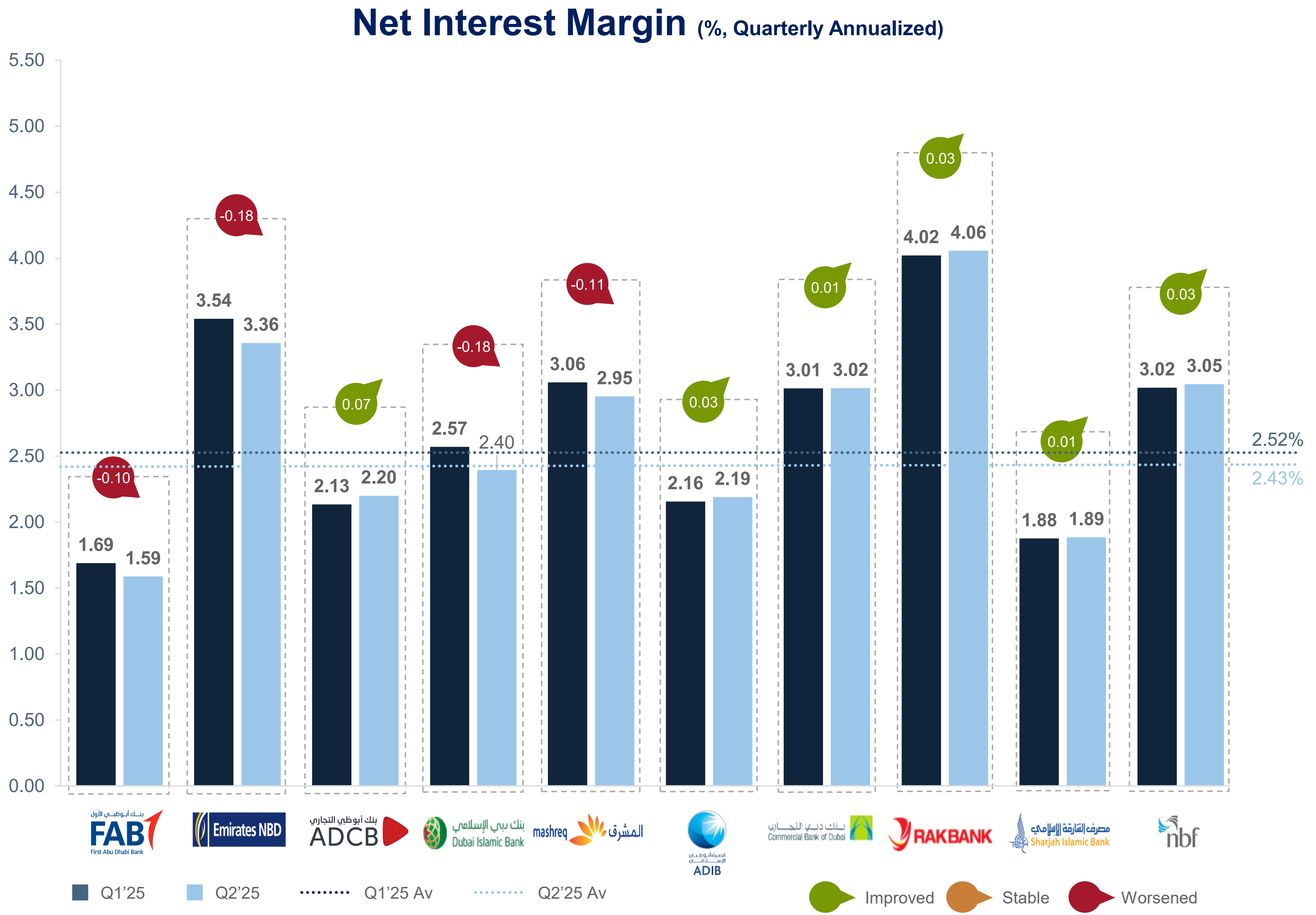


Note: Some numbers might not add up due to rounding
Source: Financial statements, investor presentations, A&M analysis

Large-bank performance dragged down aggregate NIM levels despite positive cues at most peers

Key Takeaways

- Aggregate NIM for UAE banks further declined in Q2’25, continuing margin pressure seen in earlier quarters.
  - NIM declined despite six of the top ten banks registering a positive NIM.
  - However, aggregate was affected by larger banks such as FAB, ENBD, DIB and MASQ reporting a contraction in NIM.



Note: Some numbers might not add up due to rounding
Source: Financial statements, investor presentations, A&M analysis

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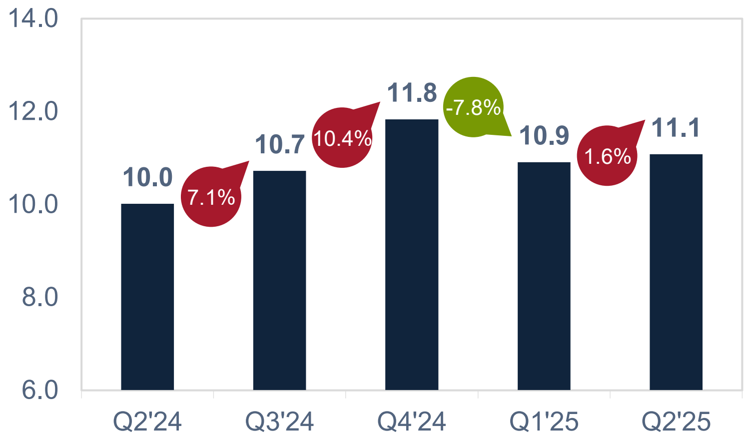
C/I ratio strengthened due to disciplined expense management across the large banks

Key Takeaways

- Operating efficiency further strengthened in Q2'25, with the C/I ratio improving by 64bps QoQ to 27.5%.
  - Six banks posted improvements, led by ADCB, ADIB, and SIB.
- Cost efficiencies improved as total operating income (+3.9% QoQ) outpaced growth in operating expenses (+1.6% QoQ).
- Most of the major banks reported an increase in operating expenses, led by RAK (5.1% QoQ) and NBF (11.3% QoQ).

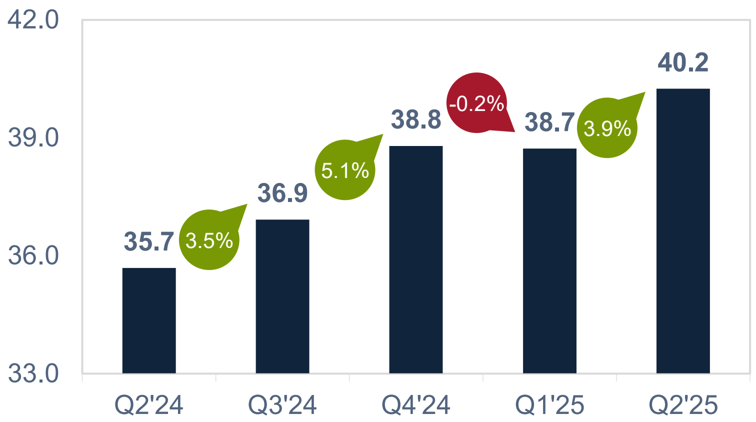
Quarterly Operating Expense

(AED bn)



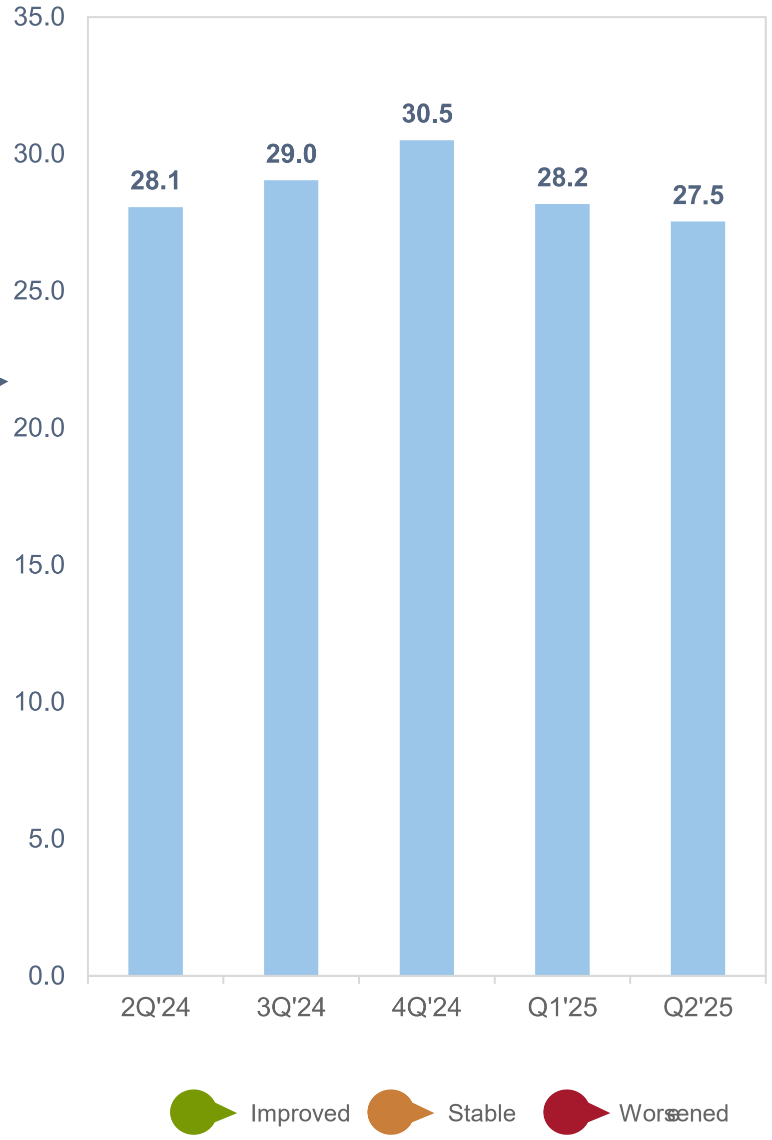
Quarterly Operating Income

(AED bn)



Cost to Income Ratio

(%, Quarterly Annualized)



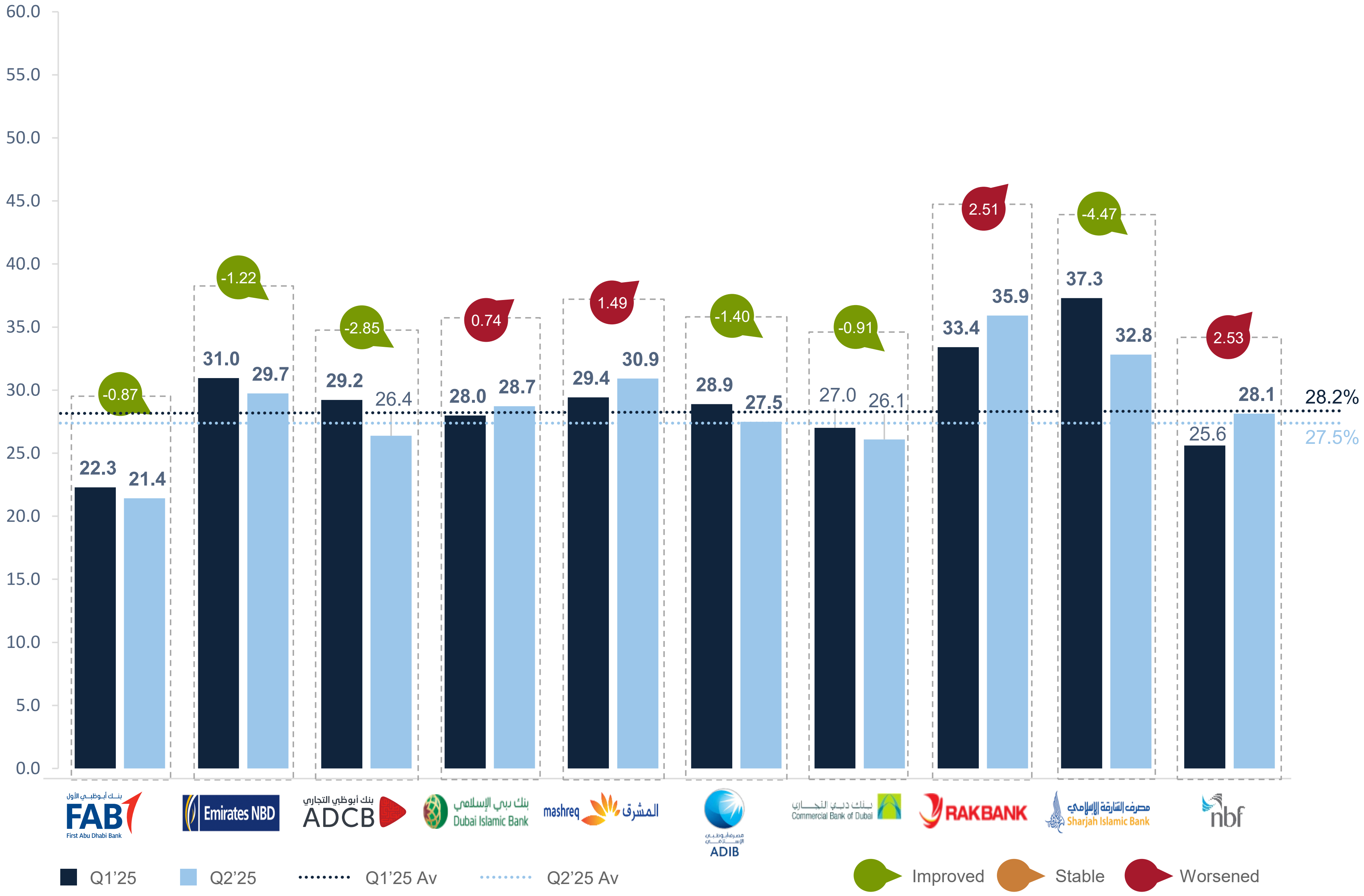
Note: Some numbers might not add up due to rounding
Source: Financial statements, investor presentations, A&M analysis

Cost efficiency improved across six of ten UAE banks

Key Takeaways

- Majority of UAE banks improved their C/I ratios in Q2'25, where notable changes were seen for SIB (-447bps QoQ), ADCB (-285bps QoQ), and ADIB (-140bps QoQ).
- FAB, CBD and ADCB maintained industry-leading efficiency levels, with C/I ratios at 21.4%, 26.1% and 26.4%, respectively.
- RAK (+251bps) and NBF (+253bps), saw C/I ratios worsen, due to slower income growth and higher expense bases.

Cost to Income Ratio (%, Quarterly Annualized)



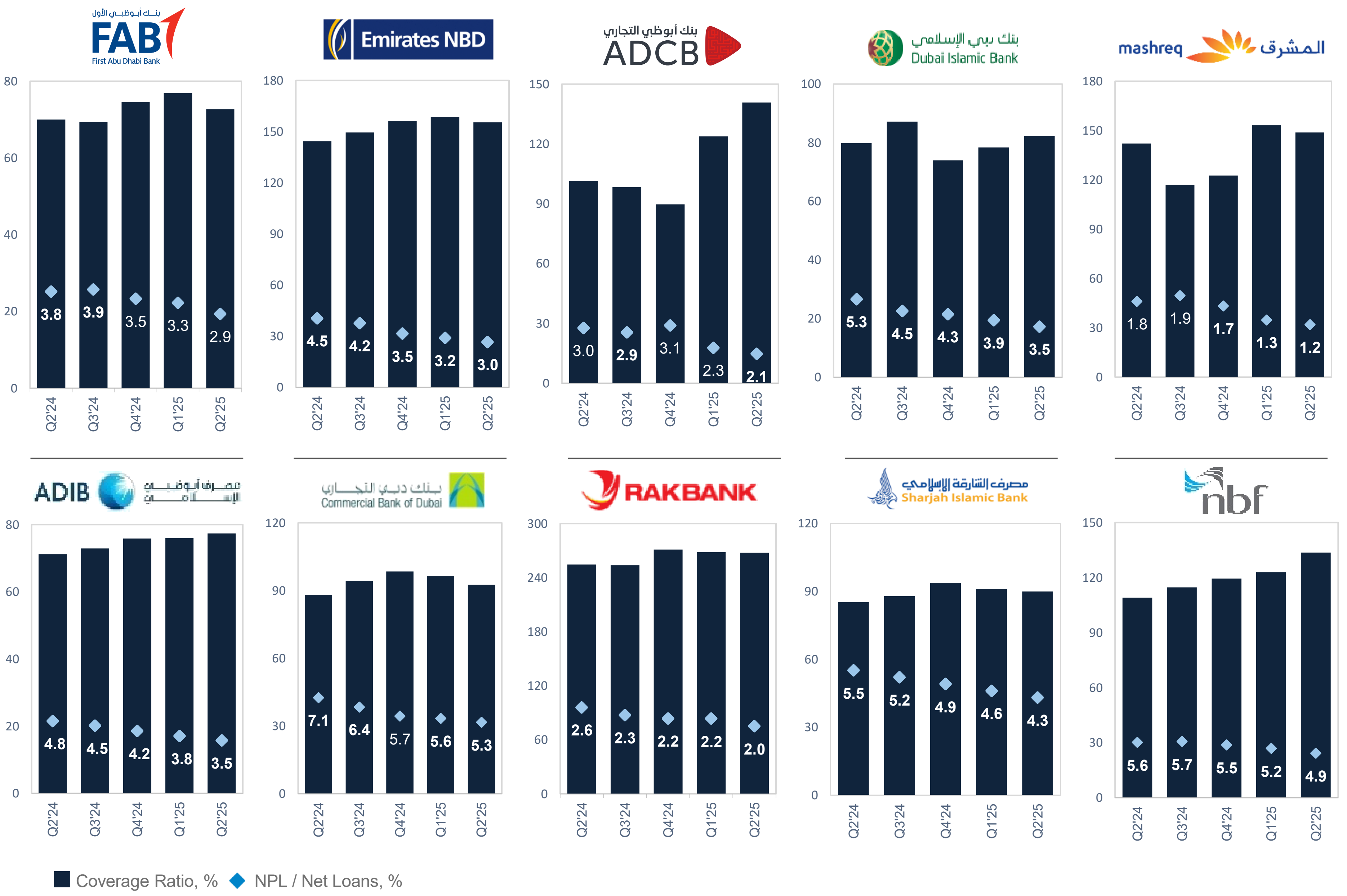
Note: Scaling and some numbers might not add up due to rounding
Source: Financial statements, investor presentations, A&M analysis
*Comparison on QoQ basis

Overall asset quality improved with continued reduction in the NPL ratio and improvement in the coverage ratio

Key Takeaways

- Aggregate asset quality strengthened in Q2’25, with the NPL/Net Loans ratio declining by 32bps QoQ to 2.9%, marking a continued downtrend.
  - DIB (-44bps QoQ) and FAB (-43bps QoQ) recorded the largest improvements among the top 10 banks.
  - NPL Coverage ratios improved, rising 99bps QoQ to 111.1%, supported by stronger provisioning levels.
  - Four of the ten banks posted an increase in coverage ratios QoQ, with ADCB and NBF driving the increase.

Coverage Ratio[1] and NPL/Net Loans Ratio (%, Quarterly)



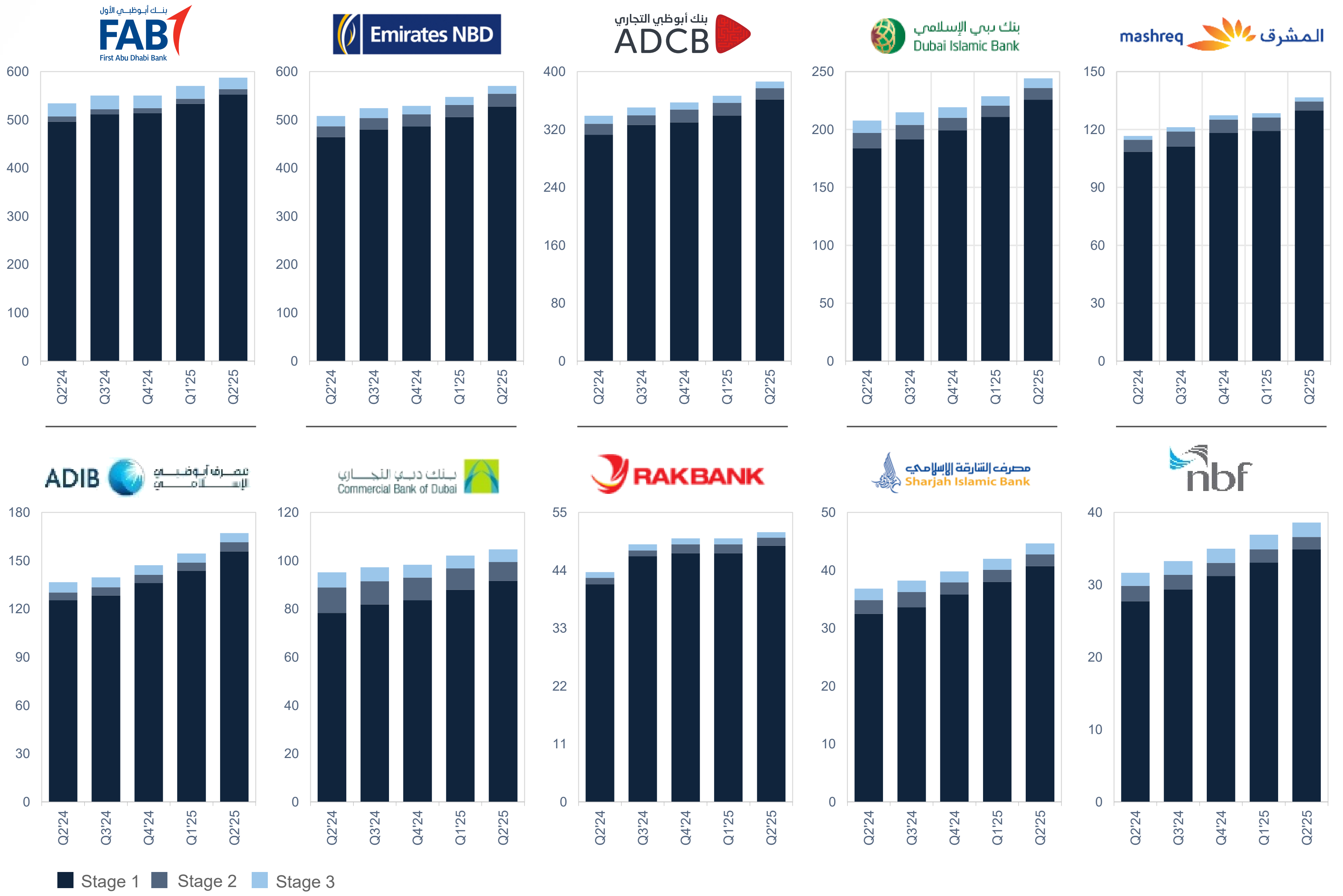
Note: Scaling and some numbers might not add up due to rounding
Source: Financial statements, investor presentations, A&M analysis, 1 accumulated allowance for impairment / NPL

Loan book quality strengthened as Stage 1 loans grew, while Stage 3 declined for a healthier asset mix

Key Takeaways

- Stage 1 loans, accounting for 93.0% of the total gross loan portfolio, grew by 5.4% QoQ in Q2'25, accelerating from 3.9% QoQ growth in the previous quarter.
  - In contrast, Stage 2 loans contracted by 3.0% QoQ, following a 2.3% drop in Q1'25.
  - While Stage 3 loans declined sharply by 5.1% QoQ versus a 1.8% fall in the previous quarter.
- Aggregate Stage 3 loans recorded a decline of 5.1% QoQ, reflecting improved asset quality trends.
  - Driven largely by significant declines at FAB (-9.6% QoQ), and ADCB (-6.8% QoQ), underscoring an overall improvement in asset quality across the sector.

Stage Wise Gross L&A mix (AED bn)



Note 1: Scaling and some numbers might not add up due to rounding off
Note 2: DIB reported segment wise L&A mix on net value and stage wise L&A mix on gross value
Source: Financial statements, investor presentations, A&M analysis

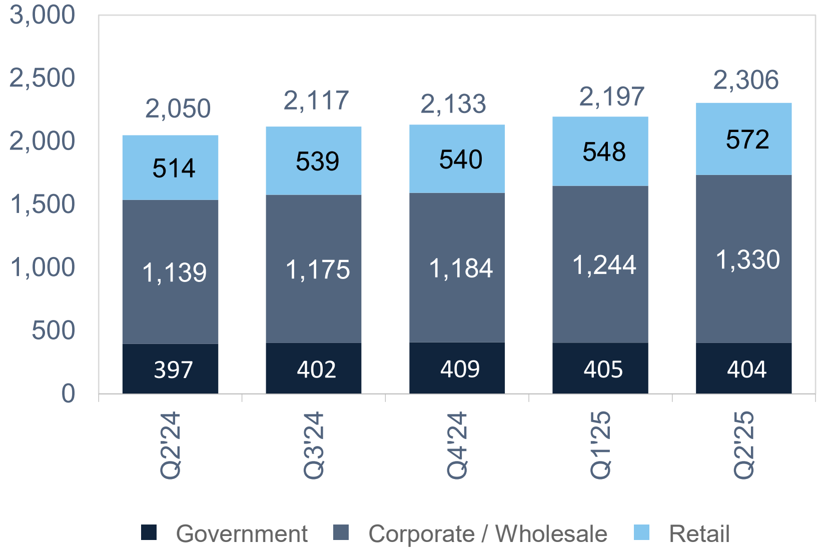
Loan book expansion remained robust while asset quality continued to strengthen despite slowdown in deposits

Key Takeaways

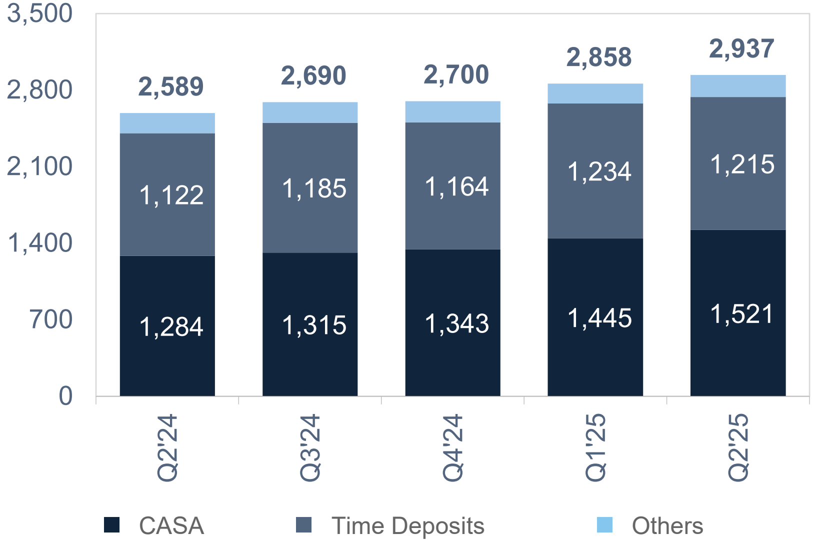
- The Aggregate gross loan book expanded by 5.0% QoQ accelerating from 3.0% QoQ in Q1’25.
- The corporate/wholesale segment remained the key driver with 6.9% QoQ growth (vs. 5.1% QoQ in Q1’25).
- The retail segment also posted healthy growth of 4.4% QoQ, higher than 1.4% QoQ growth in Q1’25.
- On the funding side, aggregate deposits witnessed moderation, rising by 2.8% QoQ compared to 5.9% QoQ in Q1’25.
- The slowdown was largely attributable to a 1.5% QoQ decline in time deposits.
- CASA deposits continued to expand by 5.3% QoQ, however, with slower pace than the 7.6% QoQ growth recorded in Q1’25.
- Asset quality trends continued to improve with NPL ratio declining to 2.9%, from 3.2% in Q1’25.
- With non-performing loans declining by 5.2% QoQ, the aggregate coverage ratio improved by 99bps QoQ to 111.1%.

Lending, Deposits and Asset Quality Trends

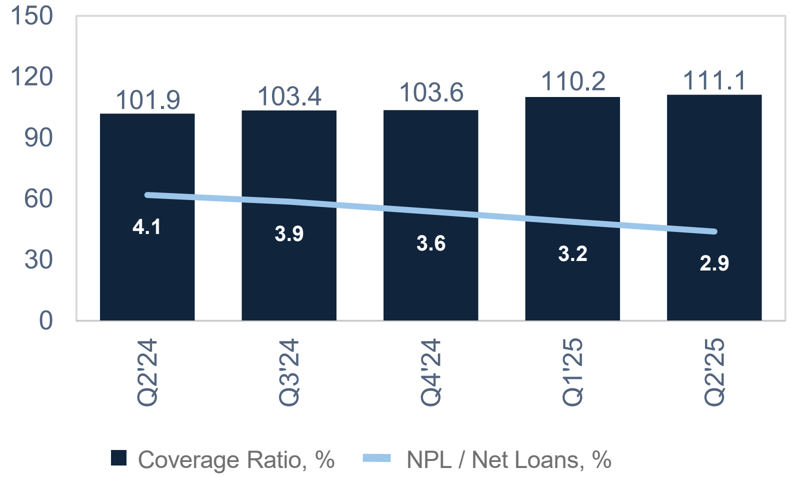
Segment wise Gross L&A
(Aggregate AED bn)



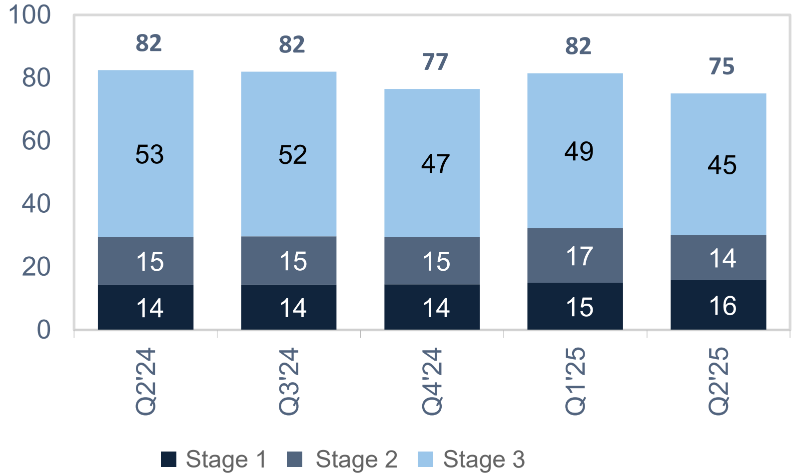
Deposits Mix
(Aggregate AED bn)



Coverage Ratio and NPL Ratio
(Aggregate %)



Aggregate ECL
(Aggregate AED bn)



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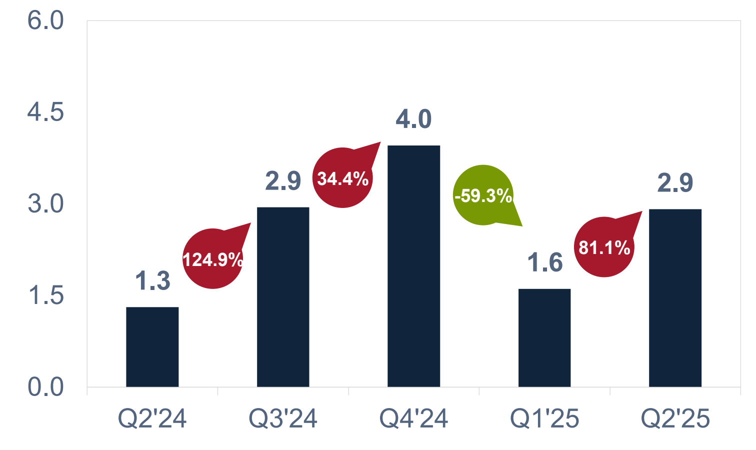
Cost of Risk increased sharply due to higher loan loss provisions

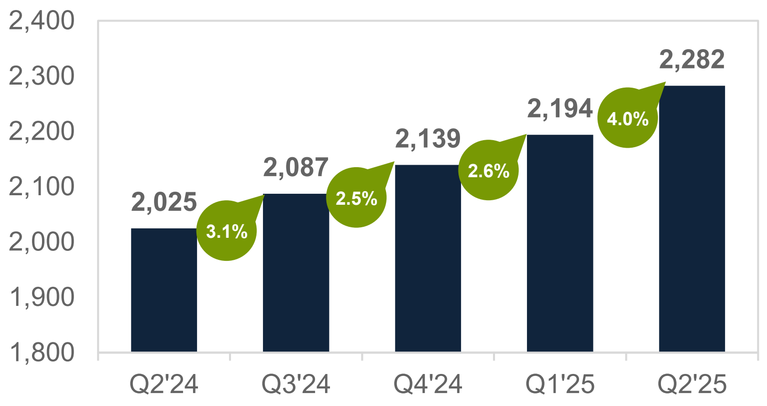
Key Takeaways

- CoR climbed to 0.51% from 0.29% in Q1’25 (+22bps QoQ).
  - Net loan loss provisions rose sharply to AED 2.9bn from AED 1.6bn in Q1’25.
  - DIB witnessed the largest decline in loan loss provisions (-42.8% QoQ).
  - Among the top five, MASQ and ADCB reported the highest increase in impairment charges in Q2’25.

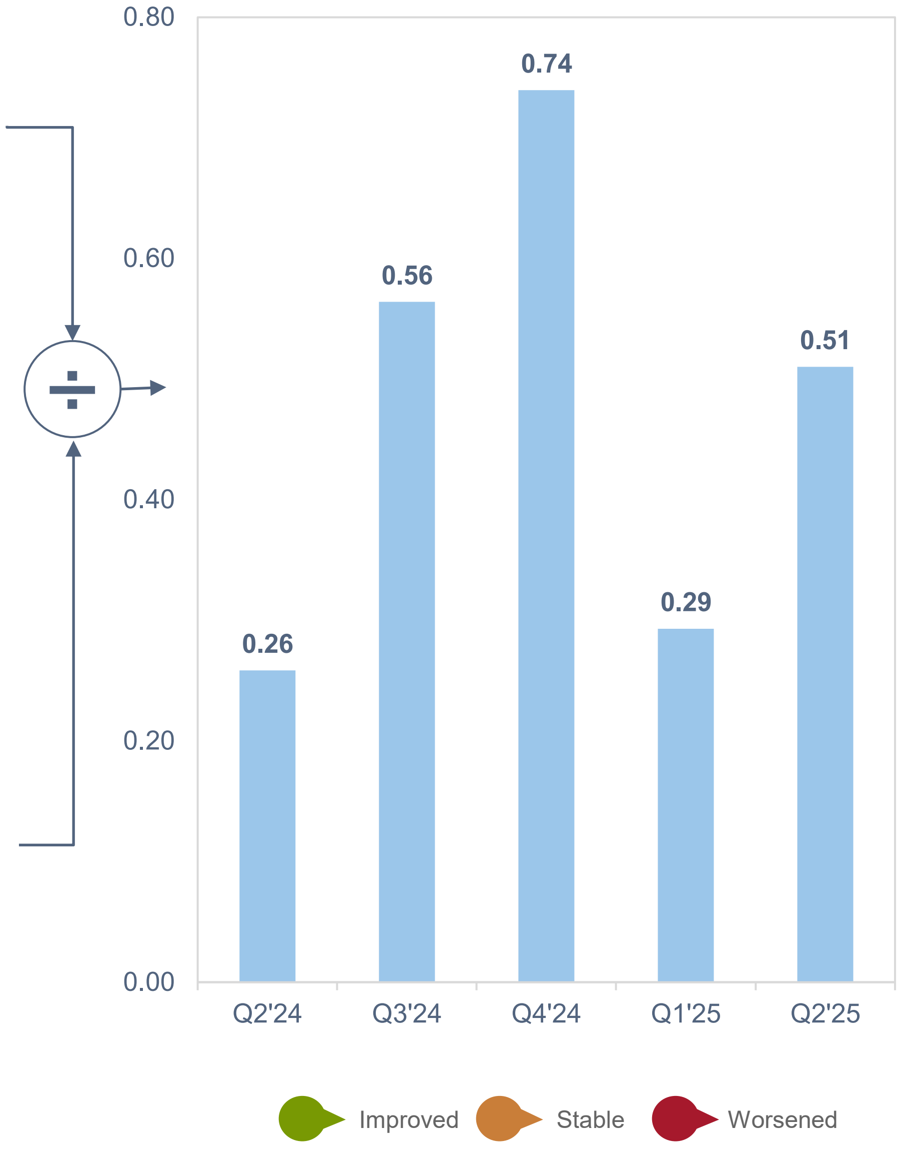
Quarterly Net Loan Loss Provisions (AED bn)



Average Gross Loans
(AED bn)



Cost of Risk (%, Quarterly Annualized)



Note: Some numbers might not add up due to rounding
Source: Financial statements, investor presentations, A&M analysis

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Majority of the UAE banks saw pressure on the risk costs due to higher impairments charges

Key Takeaways

- Aggregate CoR for the sector rose 22bps QoQ to 0.51%, reversing the prior quarter's decline.
- Most peers saw a deterioration in CoR, led by ADCB (+54bps QoQ), ENBD (+48bps QoQ) and SIB (+24bps QoQ), reflecting higher impairments from both retail and corporate exposures.
- FAB held their asset quality steady, backed by a strong liquidity profile and capital position.
- Only three banks – NBF, DIB and RAK – reported an improvement in CoR in Q2'25, with NBF recording the largest drop (-35bps QoQ) on the back of lower provisioning needs.

Cost of Risk - Net of Reversals (%, Quarterly Annualized)

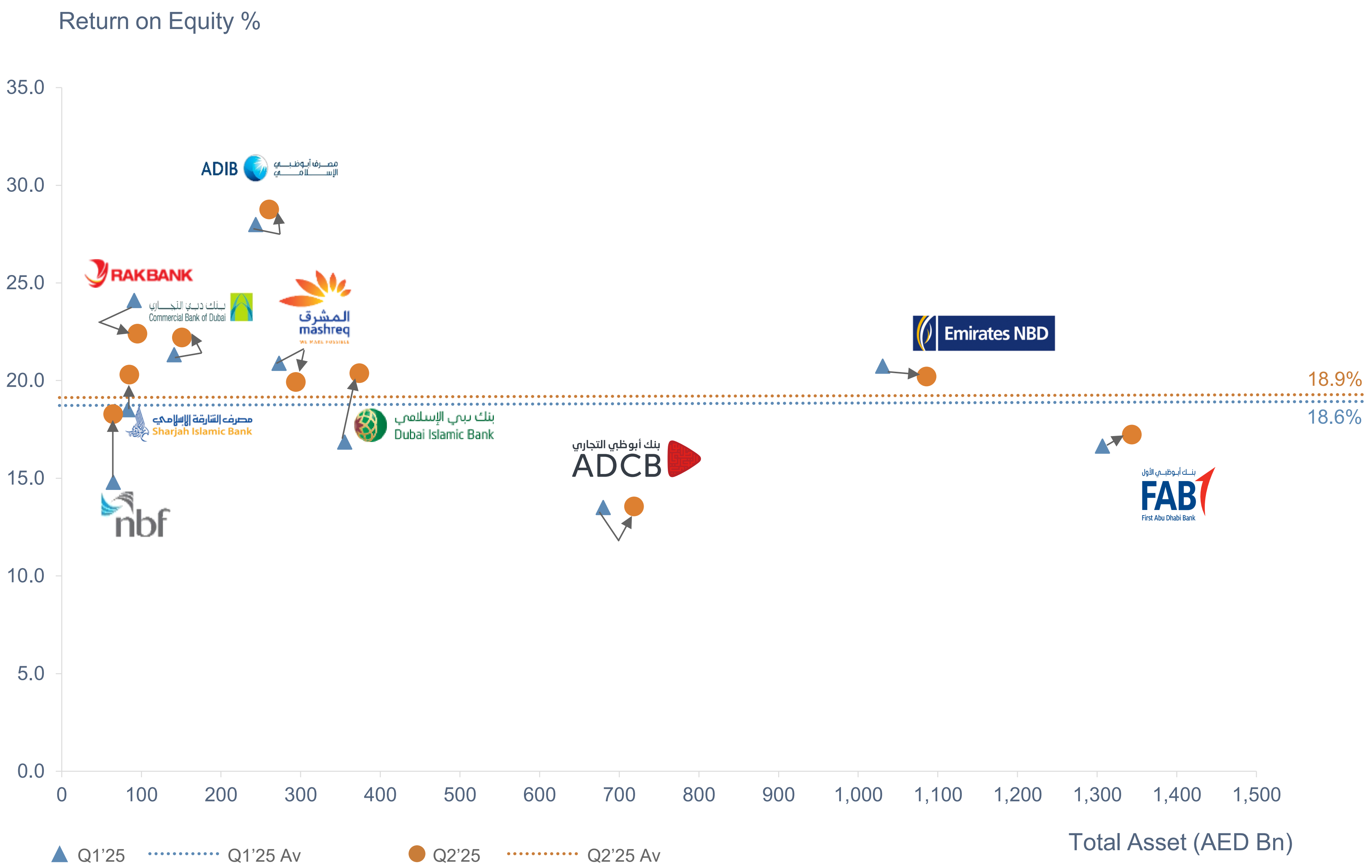
Note: Scaling and some numbers might not add up due to rounding
Source: Financial statements, investor presentations, A&M analysis
*Comparison on QoQ basis

Aggregate profitability improved as higher non-interest income and better cost efficiencies offset impact of higher risk cost

Key Takeaways

- Aggregate RoE for the sector improved by 36bps QoQ to 18.9% in Q2’25, supported by resilient profitability despite higher provisions during the quarter.
  - ADIB continued to lead the sector with RoE above 28.0%, aided by strong retail performance and higher fee income from card usage and personal finance products.
  - NBF (+350bps QoQ) and DIB (+353bps QoQ) posted notable gains in RoE, driven by solid non-interest income growth.
  - While bigger players like FAB (+60bps QoQ), ENBD (-53bps QoQ) and ADCB (+5bps QoQ) maintained stable returns through sustained momentum in origination, investment banking, and retail card businesses.

Return on Equity (%, Quarterly Annualized)



Note: Scaling and some numbers might not add up due to rounding
Source: Financial statements, investor presentations, A&M analysis
*Comparison on QoQ basis

UAE banks navigated the rate cycle with cost and lending discipline, positioning to benefit from economic growth

Key Takeaways

- Profitability ratios for UAE banks improved in Q2'25, with RoE rising, supported by a lower C/I ratio and higher non-interest income.
- CBUAE marginally revised its GDP growth forecast, from 4.7% for FY'25 in Q1'25 to 4.4%, further accelerating to 5.4% (vs. 5.7% in Q1'25) in 2026.
- The non-hydrocarbon sector remains a key engine of growth, projected to expand by 4.5% in both FY'25 and FY'26, driven by diversification policies and strong activity in tourism, manufacturing, transport, and digital service.
- The hydrocarbon sector is also rebounding, with growth forecasted at 4.1% in FY'25 and surging to 8.1% in 2026, supported by OPEC+ output increases and upstream investments.
- UAE banks remain well-positioned amid easing interest rates and macroeconomic shifts, owing to its strong capital base and disciplined risk management.

Note: All the charts above are based on L3M numbers
Op Income stands for Operating Income
and some numbers might not add up due to rounding
Source: Financial statements, Investor presentations, A&M analysis

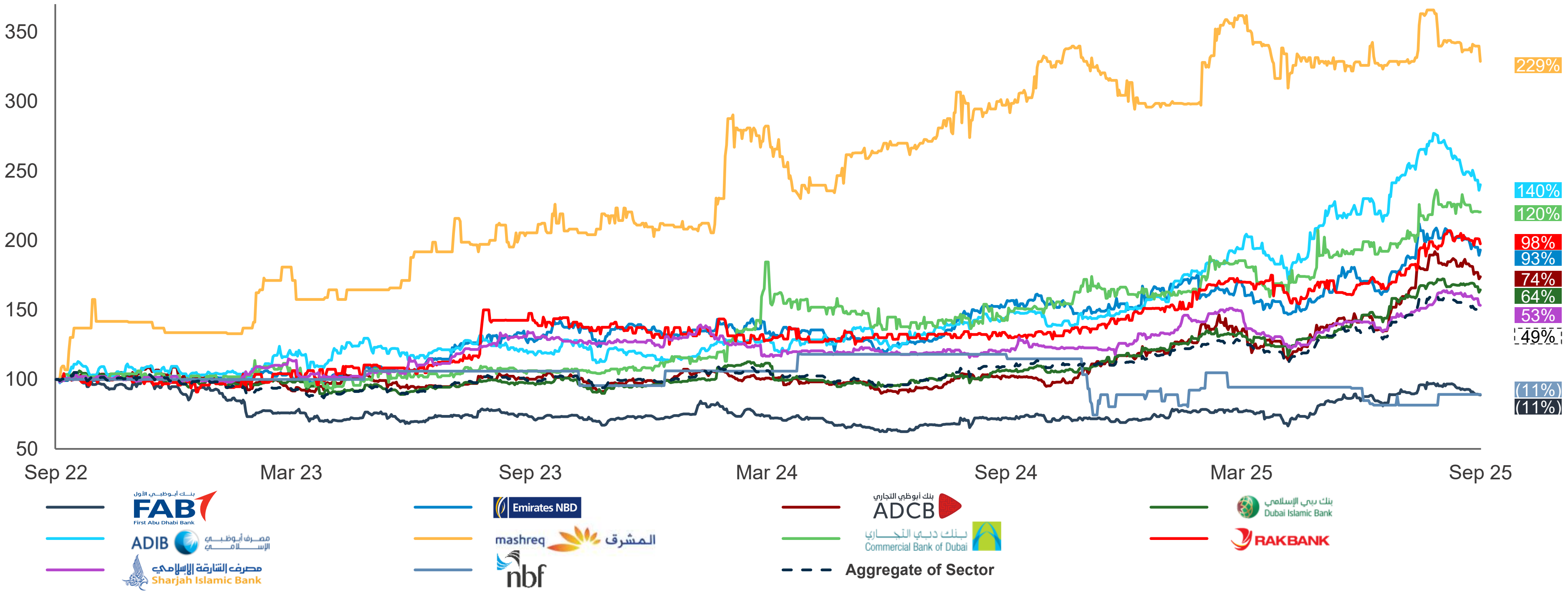
The overall market reaction to UAE banks' Q2 2025 earnings has been positive, supported by strong profit generation driving notable YoY improvements

Key Takeaways

- UAE banks' share prices have performed strongly, supported by high-teens YoY earnings growth, leading to outperformance versus emerging market peers. Earnings growth has outpaced MENA banks due to stronger lending, higher non-interest income, and improved cost of risk.
- Foreign lending by UAE banks has accelerated in recent years. Increased cross-border activity is expected to support continued earnings growth.
- Geopolitical tensions and global trade uncertainties introduced episodic volatility but had limited long-term drag on UAE banks due to strong domestic buffers and regional capital inflows.

Share Price Evolution Across UAE Banks

L3Y Share Price Evolution (Rebased to 100)



	L3M	Q2	L6M	L1Y	L2Y	L3Y
First Abu Dhabi Bank	5%	20%	16%	23%	21%	(11%)
Emirates NBD	13%	13%	13%	25%	50%	93%
Abu Dhabi Commercial Bank	23%	24%	30%	71%	74%	74%
Dubai Islamic Bank	16%	26%	23%	54%	69%	64%
Abu Dhabi Islamic Bank	10%	34%	24%	67%	101%	140%
Mashreqbank	1%	4%	(9%)	11%	60%	229%
Commercial Bank of Dubai	14%	15%	19%	52%	107%	120%
National Bank of Ras Al-Khaimah	17%	4%	16%	49%	34%	98%
Sharjah Islamic Bank	8%	13%	3%	27%	15%	53%
National Bank of Fujairah	(5%)	(7%)	(5%)	(24%)	(16%)	(11%)
Aggregate UAE Banking Sector Market Cap	11%	19%	16%	35%	50%	49%
Simple Average based on each bank evolution	10%	15%	13%	35%	51%	85%

Source: FactSet as of 02/092025.

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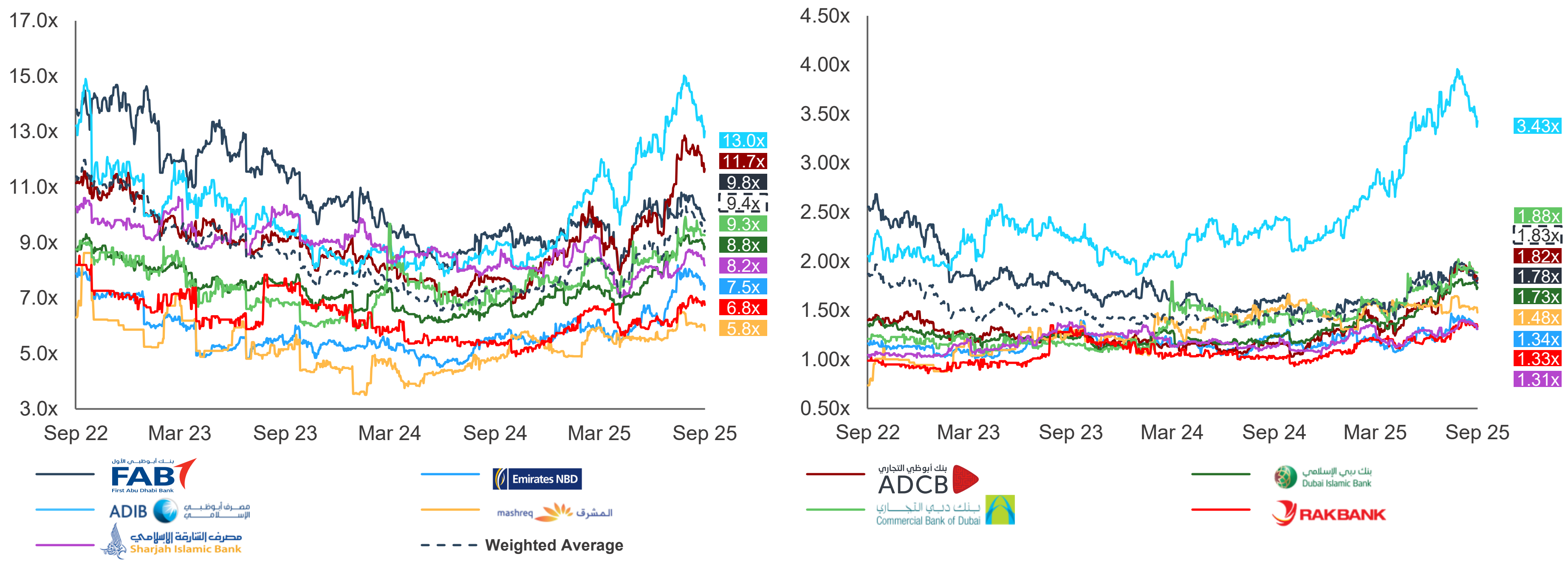
UAE Banks’ valuation multiples remain solid compared to regional and global peers, backed by strong earnings and capital strength

Key Takeaways

- As of Q2 2025, on (simple) average, UAE banks trade at a P/E of 8.5x and P/TBV of 1.71x, positioning them attractively versus regional peers.
- Earnings resilience and consistency, quarter on quarter, supported by strong non-interest income growth and positive operating jaws, has allowed UAE banks to trade at a premium to last 2 years P/E and P/TBV multiples.
- Excess capital at UAE banks is forecasted to grow, presenting opportunities for organic expansion, higher dividend payouts, and increased M&A activity.

Valuation Snapshot

LTM P/E and P/TBV Evolution for UAE Banks[1]



Spot	Q2 – 30th June		3 Months Ago		6 Months Ago		1 Years Ago		2 Years Ago		3 Years Ago	
	P/E	P/TBV	P/E	P/TBV	P/E	P/TBV	P/E	P/TBV	P/E	P/TBV	P/E	P/TBV
FAB	9.9x	1.79x	10.0x	1.79x	9.6x	1.57x	9.3x	1.61x	11.5x	1.76x	13.8x	2.56x
Emirates NBD	6.8x	1.22x	6.4x	1.25x	6.2x	1.25x	5.6x	1.24x	5.4x	1.26x	7.9x	1.16x
ADCB	10.6x	1.65x	9.7x	1.54x	9.6x	1.40x	7.7x	1.16x	9.0x	1.24x	11.1x	1.40x
Dubai Islamic Bank	8.4x	1.65x	7.8x	1.56x	7.4x	1.41x	6.8x	1.24x	7.5x	1.22x	8.8x	1.35x
ADIB	13.3x	3.50x	12.3x	3.38x	11.4x	2.78x	8.7x	2.36x	9.4x	2.23x	13.2x	2.05x
mashreq	5.8x	1.48x	5.5x	1.54x	5.9x	1.59x	4.8x	1.50x	5.2x	1.26x	6.3x	0.73x
Commercial Bank of Dubai	8.2x	1.67x	8.4x	1.75x	8.4x	1.61x	7.0x	1.40x	6.8x	1.16x	8.7x	1.21x
RAKBANK	6.0x	1.18x	6.2x	1.22x	6.6x	1.20x	5.4x	1.03x	7.7x	1.32x	8.2x	0.99x
Sharjah Islamic Bank	7.9x	1.26x	8.1x	1.29x	9.2x	1.34x	8.1x	1.13x	10.3x	1.37x	10.3x	1.04x
Weighted Average	9.1x	1.79x	8.7x	1.75x	8.4x	1.57x	7.3x	1.46x	8.6x	1.50x	11.4x	1.87x
Simple Average	8.5x	1.71x	8.3x	1.70x	8.3x	1.57x	7.0x	1.41x	8.1x	1.42x	9.8x	1.39x

Sources: A&M Analysis, FactSet as of 02/09/2025.
Note: 1. National Bank of Fujairah is excluded due to being an outlier.

Glossary

Glossary

	Metric	Abbreviation	Definition
Size	Loans and Advances Growth		QoQ growth in EOP net loans and advances for the top 10 banks
	Deposits Growth		QoQ growth in EOP customer deposits for the top 10 banks
Liquidity	Loan-to-Deposit Ratio	LDR	(Net EOP loans and advances / EOP customer deposits) for the top 10 banks
Income & Operating Efficiency	Operating Income Growth		QoQ growth in aggregate quarterly operating income generated by the top 10 banks
	Operating Income / Assets		(Annualized quarterly operating income / quarterly average assets) for the top 10 banks
	Non-Interest Income / Operating Income		(Quarterly non-interest income / quarterly operating income) for the top 10 banks
	Net Interest Margin	NIM	(Aggregate annualized quarterly net interest income) / (quarterly average earning assets) for the top 10 banks Earnings assets are defined as total assets excluding goodwill, intangible assets, and property and equipment
	Yield on Credit	YoC	(Annualized quarterly gross interest income / quarterly average loans & advances) for the top 10 banks
	Cost of Funds	CoF	(Annualized quarterly interest expense + annualized quarterly capital notes & tier I sukuk interest) / (quarterly average interest-bearing liabilities + quarterly average capital notes & tier I sukuk interest) for the top 10 banks
	Cost-to-Income Ratio	C/I	(Quarterly operating expenses / quarterly operating income) for the top 10 banks
Risk	Coverage Ratio		(Loan loss reserves / non-performing loans) for the top 10 banks
	Cost of Risk	CoR	(Annualized quarterly provision expenses net of recoveries / quarterly average gross loans) for the top 10 banks
Profitability	Return on Equity	RoE	(Annualized quarterly net profit attributable to the equity holders of the banks – annualized quarterly capital notes & tier I sukuk interest) / (quarterly average equity excluding capital notes) for the top 10 banks
	Return on Assets	RoA	(Annualized quarterly net profit / quarterly average assets) for the top 10 banks
	Return on Risk-Weighted Assets	RoRWA	(Annualized quarterly net profit generated / quarterly average risk-weighted assets) for the top 10 banks
Capital	Capital Adequacy Ratio	CAR	(EOP tier I capital + tier II capital) / (EOP risk-weighted assets) for the top 10 banks

Note: LTM and EOP stand for last twelve months and end of period respectively

Glossary (continued)

Bank	Assets (AED Bn)*	Abbreviation
First Abu Dhabi Bank	1,343.4	FAB
Emirates NBD	1,085.6	ENBD
ADCB	718.5	ADCB
Dubai Islamic Bank	373.5	DIB
mashreq	293.6	MASQ
ADIB	260.4	ADIB
Commercial Bank of Dubai	150.6	CBD
RAKBANK	95.0	RAK
Sharjah Islamic Bank	84.7	SIB
nbf	64.3	NBF

Note: Banks are sorted by assets size
** As on Q2 2025*

References / Sources

Section **New Entrants**

Date	News	Links
13-May-25	Botim, Mbank launch UAE's first fintech-integrated Jaywan card scheme	Source
19-May-25	Emirates Development Bank launches AED1 bn Emirates Growth Fund to accelerate growth of UAE-based SMEs	Source
21-May-25	Deutsche Bank Expands Its UAE Presence with a New ADGM License	Source
23-May-25	MoneyHash and Lean partner to bring instant bank payments to UAE merchants	Source
05-Aug-25	Open banking platform Tarabut gets in-principle nod from UAE central bank	Source

Section **New Investments**

Date	News	Links
20-May-25	Emirates NBD partners with Appro to revolutionize retail banking onboarding	Source
22-May-25	FAB Supports UAE Industry with AED 10 billion Total Commitment in Partnership with MoIAT	Source
07-Jul-25	RAKEZ and ADIB sign strategic partnership to simplify banking for investors and support business growth	Source
25-Jul-25	UAE central bank partners with Mercury to launch new joint venture	Source

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References / Sources

Section **New Business Trends**

Date
21-May-25

News
MoIAT secures over AED 40 billion in bank partnerships to drive industrial innovation

Links
Source

Date
24-Jun-25

News
FAB Becomes First Bank in MENA to Join China's Cross-Border Payment Network

Links
Source

Date
25-Jun-25

News
Mashreq Expands Global Footprint with opening of a Representative Office in Türkiye

Links
Source

Section **New Emerging Technologies**

Date
20-May-25

News
Ripple, US-based tech firm has formed alliances with Zand Bank and fintech startup Mamo to expand blockchain-powered payment network in UAE

Links
Source

Date
27-May-25

News
Agentic AI' takes over credit sanctions role as UAE banks make major strides in digital banking

Links
Source

Date
28-May-25

News
Emirates NBD Partners with iPiD to Enhance Payment Safety with Global Payee Verification

Links
Source

Date
03-Jul-25

News
FAB, ADX start on Middle East's first 'digital bond'

Links
Source

References / Sources

Section **New Regulations**

Date
27-May-25

News
UAE Central Bank orders halt to minimum balance hike

Links
Source

Date
03-Jun-25

News
Central Bank of UAE issues new Open Finance regulation

Links
Source

Date
24-Jun-25

News
UAE Central Bank mandates phase-out of SMS and email OTP authentication by March 2026

Links
Source

Section **Expected Challenges**

Date
29-May-25

News
Dubai real estate prices likely to face double-digit fall after years of boom, Fitch says

Links
Source

Date
11-Jun-25

News
UAE Banks start 2025 with strong profit growth, but margin pressures persist

Links
Source

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