



# UAE Banking Pulse

Q1 | 2025

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## A Message from Our Authors



**Sam Gidoomal**  
Managing Director  
Head of ME  
Financial Services

Welcome to A&M's latest edition of The UAE Banking Pulse (*"The Pulse – UAE"*) covering Q1, 2025 – A&M's definitive guide to the UAE's top 10 largest listed banks\*.

As the UAE financial markets evolve, The Pulse provides C-suite executives with sharp, actionable insights on current trends in the banking sector. In this edition, we have added to our M&A analysis with a focus on valuations and share price movements amongst the peer group.

I hope you enjoy the content, and I look forward to offering a range of new special features on the most salient trends in future editions.

Please do reach out to me and my team of subject matter experts should you wish to explore any of the issues raised in our report.



**Asad Ahmed**  
Managing Director  
ME Financial  
Services

Q1'25 saw mounting pressures in banks as Net Interest Margin (NIM) fell to 2.5 percent due to a sharp decline in loan yields. However, a decline in the Cost of Funds (CoF) to 3.9 percent helped offset some of the impact. Overall operational efficiency improved, with the cost-to-income ratio dropping to 28.2 percent, leading to an 8.4 percent rise in net income to AED 22.2 billion.

We also observed an improvement in profitability metrics with Return on Equity (RoE) rising to 18.6 percent and Return on Assets (RoA) edging up to 2.1 percent. The lending momentum gained pace with net loans up 3.6 percent QoQ, led by strong corporate and retail loan growth. Deposits grew by 5.8 percent QoQ, driven by a 7.6 percent increase in low-cost CASA deposits, which now make up 51 percent of total deposits.

Despite flat operating income and the decline in Net Interest Income (NII) due to prior rate cuts, the sector remained relatively resilient, supported by efficiency gains and healthy balance sheet growth.

Overall, the Q1'25 pulse reflects a positive trajectory for Middle East banks, marked by solid profitability, expanding loan books, and improving return ratios, setting a strong tone for the year ahead.

\* Top 10 by assets

Disclaimer:

The information and data contained in this document is of a general nature and has been obtained from publicly available information plus market insights. Methodologies used for calculations are outlined in the glossary, and metrics have been updated where necessary to ensure relevant comparisons. The information in this document is not intended to address the specific circumstances of an individual or institution, and there is no guarantee that it is accurate at the date received by the recipient or that it will be accurate in the future. All parties should seek appropriate professional advice to analyse their particular situation before acting on any of the information contained herein.

# Macro overview

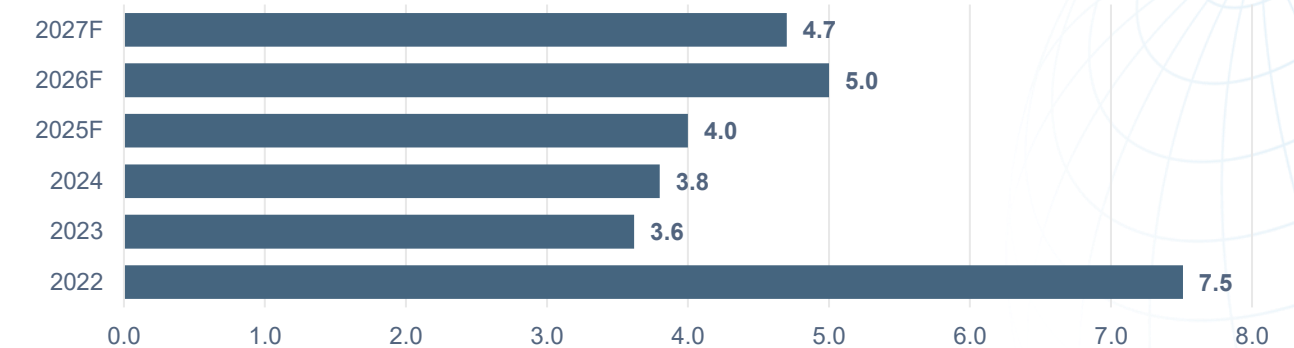
- In April 2025, IMF lowered UAE GDP growth forecast for 2024 to 3.8% (vs. 4.0% in Oct'24 report). For 2025, economic growth was revised down to 4.0% in April update (from 5.1% in Oct'24)
- UAE economy is expected to be supported by strong non-oil activity and diversification efforts, but remains constrained overall due to extended OPEC+ production cuts and persistent conflicts affecting oil-importing countries
- The UAE's average Q1'25 PMI remained steady at 54.7 compared to 54.6 in Q4'24

- The US fed cut rates by 25bps to 4.25%-4.50% in Q4'24 and has maintained their stance through Q1'25
- Policymakers signal a cautious approach to further easing due to persistent economic uncertainties like slower economic growth
- The CBUAE reduced its base rate to 4.40% during Q4'24, aligning with the Fed Reserve to support favorable funding and liquidity conditions
- EIBOR remained constant at 4.20% during Q1'25, due to looser liquidity conditions and potential rate cut expectations in line with global trends

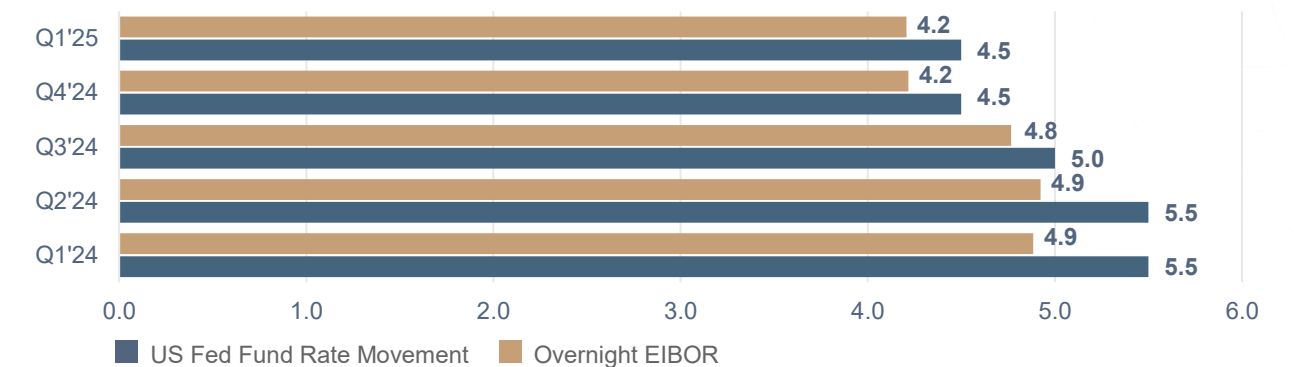
- M1 money supply increased by 3.9% to AED 982.9bn in Feb'25 from AED 946.4bn in Q4'24, due to a 3.4% increase in monetary deposits to AED 840.9bn from AED 813.3bn in Q4'24
- M2 money supply also increased by 1.9% from AED 2,317.5bn in Q4'24 to AED 2,361.9bn in Feb'25 as quasi-monetary deposits also increased marginally by 0.6% from AED 1,371.1bn in Q4'24 to AED 1,379.0bn in Feb'25
- M3 money supply increased by 1.2% to AED 2,813.4bn in Feb'25 from AED 2,778.9bn in Q4'24

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

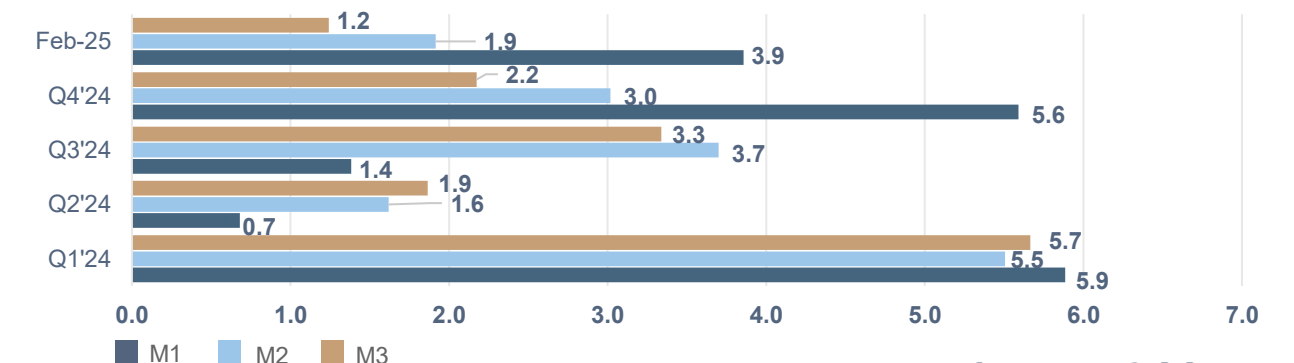
## UAE GDP Growth Rate<sup>1</sup> (%)



## US Fed Fund Rate<sup>2</sup>, EIBOR (%)



## UAE Money Supply<sup>3</sup> (% Quarterly)





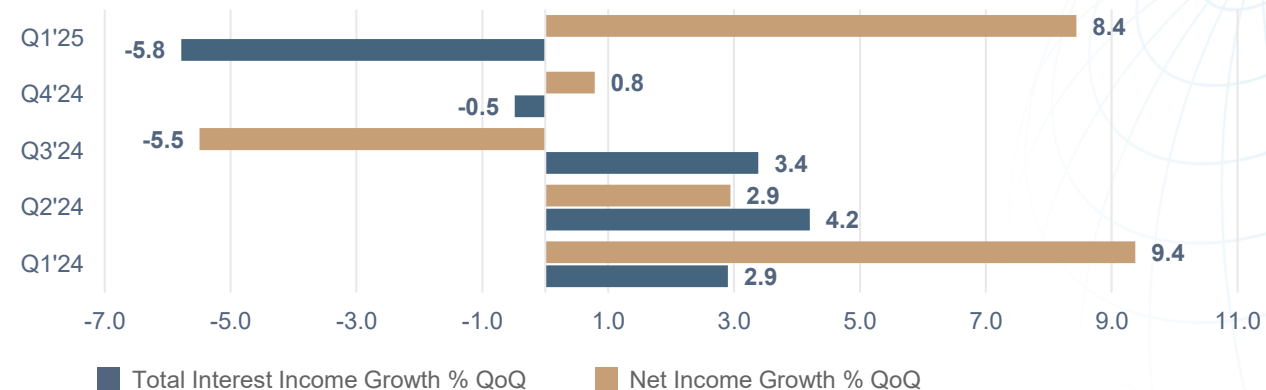
# Banking overview Q1'25

- Aggregate total interest income decreased by 5.8% QoQ in Q1'25, declining for the second time in the last four quarters, as NII declined 2.1% QoQ
- Aggregate net profit increased by 8.4% QoQ, which was the highest growth witnessed in the last three quarters of 2024
- Operating expenses (-7.8% QoQ) and impairment charges (-59.3% QoQ) decreased significantly, resulting in an increase in profitability

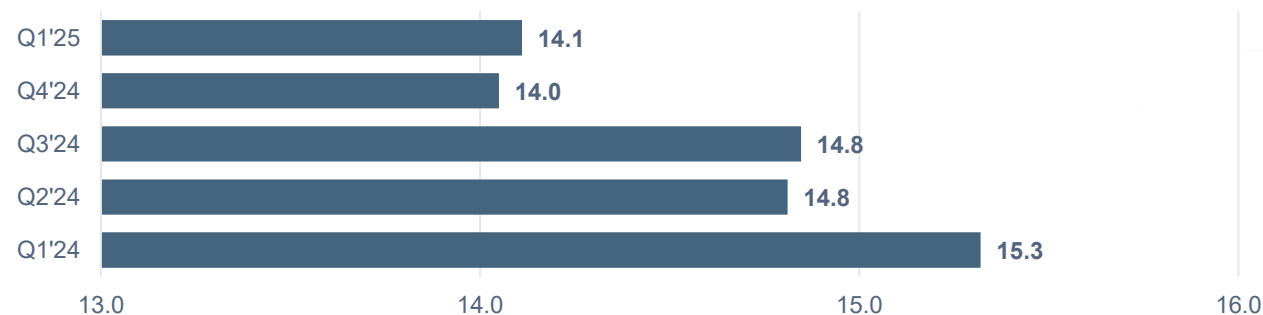
- The UAE banks' exposure to the real estate and construction sector increased to 14.4% in Q1'25 (vs. 14.0% in Q4'24), indicating that banks have increased their lending exposure to these sectors
- In Q1'25, the value of transactions in Dubai's real estate market exceeded USD 31 bn, with total number of transactions jumping by 23.1% YoY to 42,269
- Total transaction value grew by 34.5% to USD 6.9bn across 6,896 deals in the first quarter of 2025 in Abu Dhabi

- UAE banks started the year with a cautious stance in terms of M&A deals with only one transaction in Q1'25
  - Emirates NBD made a mandatory cash offer to acquire remaining stake in Emirates Islamic Bank (EIB)
  - Emirates NBD already owns 99.89% of shares in EIB. The remaining 0.1% of shares will now be acquired at AED 11.95 per share

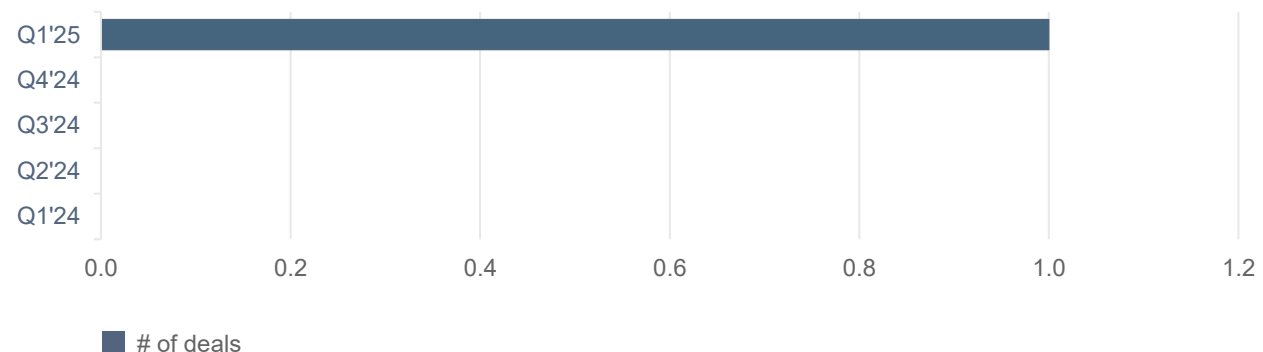
## UAE Banks Profitability<sup>1</sup> (%)



## Real Estate & Construction as a % of Total Gross Loans<sup>2</sup>



## UAE Banks M&A Deals (% Quarterly Annualized)



<sup>1</sup> Bloomberg & A&M Analysis, <sup>2</sup> 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 December 31<sup>st</sup> 2024

# UAE banking industry developments

## Key Sector Developments

### New Entrants



- The **UAE** has **launched** “Jaywan,” its **first domestic card** scheme, to expand digital payments and reduce costs with broad local and global acceptance
- **Emirates NBD** has **launched** a **crypto service** on its Liv X app, enabling digital asset transactions in partnership with Aquanow and Zodia Custody
- **ADCB** has launched Meedaf, a **new fintech** venture to **enhance financial services efficiency** using AI, blockchain, and digital innovation
- **Tap Payments** obtained a **licence** to provide **commercial payment services** from the CBUAE to strengthen the company's presence in the UAE

### New Investments



- **Emirates NBD** got **approval** to begin **due diligence** for acquiring Egypt's **Banque du Caire**, ~USD 1bn deal aligned with Egypt's IMF reform program
- **Commercial Bank of Dubai** and **Emirates NBD** (through ‘Confirm’ application) have **integrated** J.P. Morgan's **Kinexys Liink** to enhance cross-border payment speed, security, and accuracy
- **Dubai Islamic Bank** increased **stake** in Türkiye's **T.O.M. Group from 20% to 25%**, strengthening its presence in the country's financial sector

### New Business Trends



- Abu Dhabi sovereign wealth fund **ADQ**, conglomerate **IHC** and **First Abu Dhabi Bank** are planning to **launch** a new **stablecoin** backed by dirhams as the Gulf country deepens its investment in cryptocurrencies
- **Emirates NBD** is **partnering** with **global payment card** companies to enhance **digital payment solutions and security**
  - **Partnered** with **Mastercard** to integrate its Mastercard Gateway and Brighterion AI technology, **enhancing digital payment solutions & security** across key regional markets
  - **Integrated Visa's Cybersource platform**, **enhancing digital payments** with advanced fraud management and AI-driven compliance

### New Emerging Technologies



- **ADIB** is the **first Islamic bank** to adopt **Swift's Alliance Cloud**, boosting financial messaging, payment processing, and digital transformation under its Vision 2035 strategy
- **ADIB** has **also launched** the region's **first personal finance management tool** on its mobile app, in partnership **with fintech Lune**, to help customers track, manage, and plan their finances
- Invest Bank onboarded Veefin Solutions to digitize its Supply Chain Finance offerings to replace the bank's existing manual processes with a digital platform

### New Regulations



- **CBUAE** announced its **intention to issue** a retail central bank **digital currency (CBDC)**, a digital version of dirham during Q4'24 to drive financial inclusion and achieve a cashless society
- The **UAE Central Bank** has **revoked** Dynamics Insurance Brokers' **license** for failing to meet regulatory requirements, **signaling stricter oversight** in the country's insurance sector

### Expected Challenges



- **Despite CBUAE** initiating **rate cuts**, lending **appetite** remains **subdued** due to the lagged impact of previous monetary tightening
- With the **U.S. Fed** **expected** to implement **two rate cuts** in **FY'25**, corresponding moves by CBUAE could further **compress net interest margins (NIMs)**
- The **global banking** sector **outlook** remains **uncertain** amid prospects of a **trade war** **concerns about potential trade tensions**, a **slowdown** in the global economy and **volatility** in crude prices



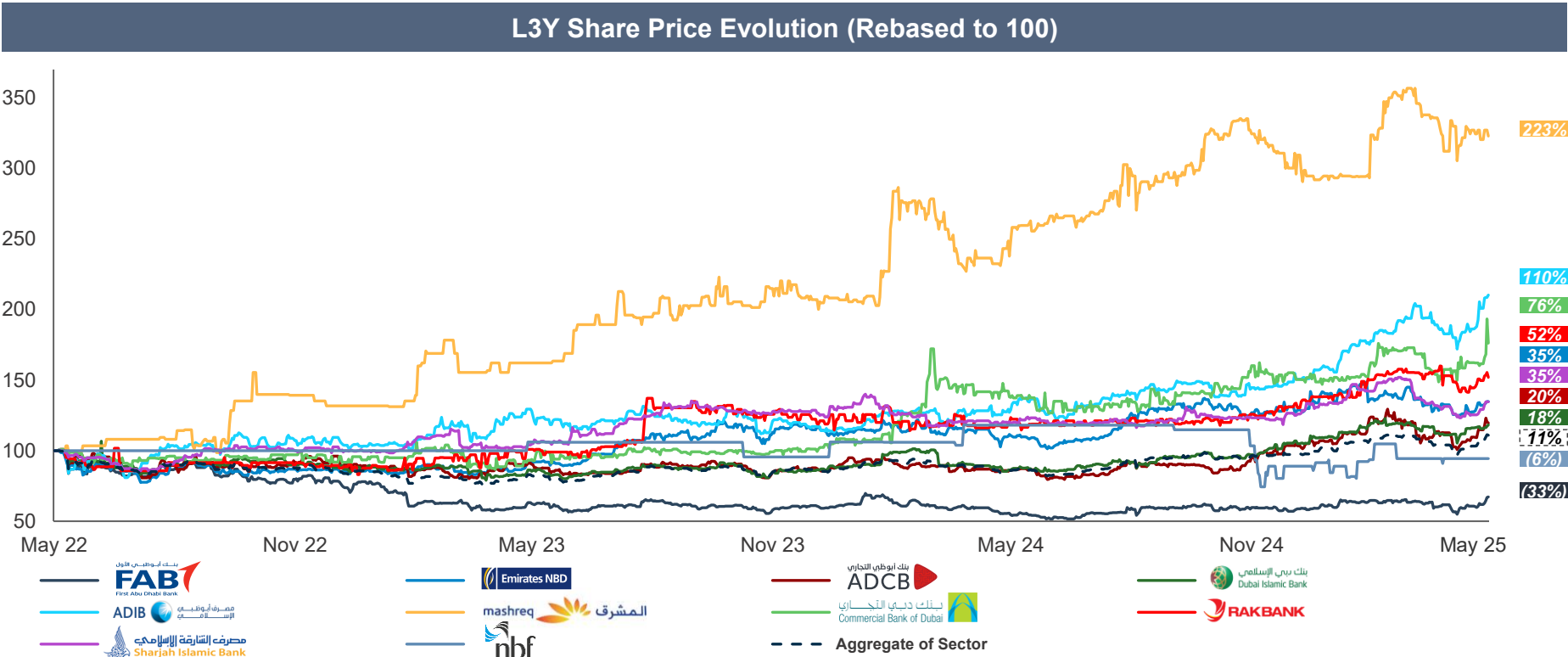
UAE banks have recently exhibited varied share price performances, influenced by strong financial results, fluctuating oil prices, and global economic factors



Key takeaways

- UAE Banks share price performance reflects rate support, oil-driven sentiment shifts, and greater foreign participation (notably driven by the inclusion in global EM indices which enhanced visibility and supported rerating of liquid names)
- In recent months and years, strong loan growth and high-interest rate environment (tracking Fed hikes) supported UAE banks' net interest margins, ROE expansion and attractive dividend payouts, contributing to sustained share price gains across the sector
- Geopolitical tensions and global trade uncertainties (e.g., U.S.-China tariffs, Red Sea disruptions) 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



	L3M	Q1	L6M	L1Y	L2Y	L3Y
First Abu Dhabi Bank	4%	1%	13%	24%	8%	(33%)
Emirates NBD	(1%)	(6%)	6%	22%	47%	35%
Abu Dhabi Commercial Bank	(3%)	5%	26%	39%	32%	20%
Dubai Islamic Bank	(1%)	1%	22%	37%	38%	18%
Abu Dhabi Islamic Bank	18%	16%	45%	63%	64%	110%
Mashreqbank	(0%)	6%	(0%)	30%	99%	223%
Commercial Bank of Dubai	8%	4%	10%	28%	88%	76%
National Bank of Ras Al-Khaimah	1%	11%	21%	23%	51%	52%
Sharjah Islamic Bank	(5%)	(2%)	9%	13%	28%	35%
National Bank of Fujairah	1%	12%	(9%)	(20%)	(11%)	(6%)
Aggregate UAE Banking Sector Market Cap	2%	2%	15%	29%	35%	11%
Simple Average based on each bank evolution	2%	5%	(14%)	26%	44%	53%

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

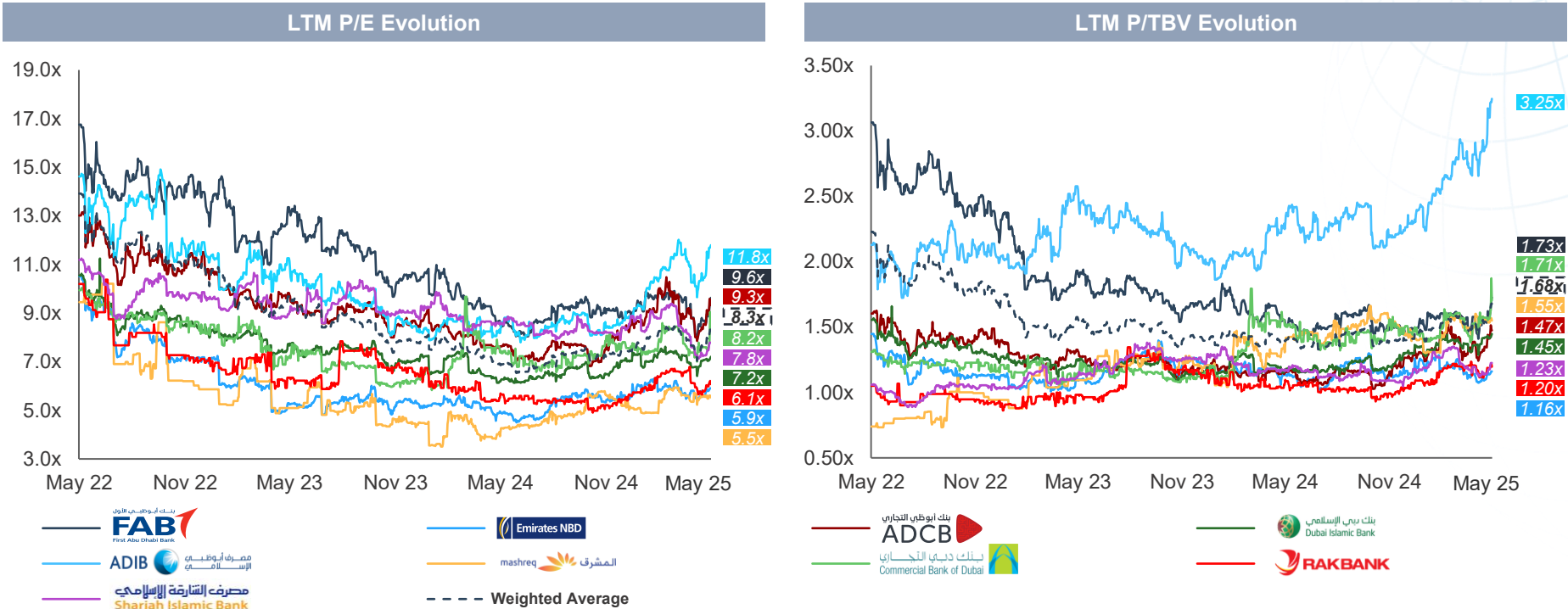


Key takeaways

- As of Q1 2025, on (simple) average, UAE banks trade at a P/E of 7.4x and P/TBV of 1.52x, positioning them attractively versus regional peers
- Record profitability underpins these solid valuations; in 2024, UAE banks achieved a combined net income of over AED 80 billion, marking an all-time high, and despite the introduction of the new UAE corporate tax regime
- In 2024, Return on Average Equity (ROAE) reached a sector-wide peak of c. 19%, with institutions like Mashreq and ADIB surpassing 25%, reflecting robust earnings performance
- 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 Banks in UAE<sup>(1)</sup>



Spot	Q1 – 31st March		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	8.8x	1.58x	9.8x	1.61x	9.2x	1.51x	8.5x	1.52x	13.2x	1.91x	16.8x	3.06x
Emirates NBD	5.8x	1.14x	5.9x	1.18x	5.4x	1.13x	4.9x	1.14x	5.2x	1.09x	10.5x	1.45x
ADCB	8.8x	1.39x	10.0x	1.46x	7.7x	1.16x	7.6x	1.15x	9.7x	1.31x	13.0x	1.60x
Dubai Islamic Bank	6.8x	1.36x	7.4x	1.40x	6.5x	1.20x	6.2x	1.16x	7.7x	1.24x	10.5x	1.56x
ADIB	10.3x	2.82x	10.4x	2.55x	8.5x	2.20x	8.3x	2.28x	11.1x	2.55x	14.6x	2.13x
mashreq	5.3x	1.50x	5.4x	1.44x	5.6x	1.56x	4.1x	1.37x	5.1x	1.10x	9.4x	0.74x
Commercial Bank of Dubai	7.4x	1.53x	7.9x	1.51x	8.1x	1.56x	7.4x	1.51x	7.2x	1.15x	9.9x	1.31x
RAKBANK	6.1x	1.21x	6.4x	1.16x	5.2x	0.99x	5.7x	1.10x	6.3x	0.98x	10.2x	1.05x
Sharjah Islamic Bank	7.6x	1.20x	8.8x	1.26x	8.2x	1.09x	8.5x	1.17x	9.1x	1.13x	11.2x	1.06x
Weighted Average	7.7x	1.54x	8.3x	1.53x	7.3x	1.40x	6.9x	1.39x	9.6x	1.56x	13.9x	2.23x
Simple Average	7.4x	1.52x	8.0x	1.51x	7.1x	1.38x	6.8x	1.38x	8.3x	1.38x	11.8x	1.55x

Source: A&M Analysis, FactSet as of 01/05/2025  
Notes:  
1) National Bank of Fujairah is excluded due to being an outlier.

# Lending and deposits gained momentum, giving profitability a boost

## Key Trends of Q1'25

- 1
- Net L&A for banks increased by 3.6% QoQ while deposits grew at a faster pace at 5.8% QoQ in Q1'25
- 2
- LDR declined to 74.7% QoQ, lower by 157bps from Q4'24
- 3
- Aggregate operating income decreased marginally by 0.2% QoQ, due to fall in NII (-2.1% QoQ) which was offset by an 18% QoQ growth in Fee Income
- 4
- NIM deteriorated by 15bps QoQ; YoC decreased by 99bps, whereas CoF further fell 52bps QoQ on back of lower rates
- 5
- Aggregate C/I ratio improved by 234bps QoQ as aggregate Opex decreased by 7.8% QoQ
- 6
- Coverage ratio improved by 650bps QoQ and CoR further improved by 45bps QoQ to 0.29%
- 7
- RoE increased by 72bps QoQ to 18.6%, whereas RoA improved marginally by 10bps QoQ
- 8
- RoRWA increased marginally by 17bps QoQ to 3.3% while capital adequacy ratio deteriorated to 16.6% in Q1'25

	Metric	Q4'24	Q1'25	Q1'24	Q2'24	Q3'24	Q4'24	Q1'25
Size	Net L&A Growth (QoQ)	2.0%	↑ 3.6%					
	Deposits Growth (QoQ)	1.0%	↑ 5.8%					
Liquidity	Loan-to-Deposit Ratio (LDR)	76.2%	↓ 74.7%					
Income & Operating Efficiency	Operating Income Growth (QoQ)	5.1%	↓ -0.2%					
	Operating Income / Assets	3.9%	↓ 3.7%					
	Non-Interest Income / Operating Income	34.4%	↑ 35.7%					
	Yield on Credit (YoC)	11.9%	↓ 10.9%					
	Cost of Funds (CoF)	4.4%	↓ 3.9%					
	Net Interest Margin (NIM)	2.67%	↓ 2.52%					
	Cost-to-Income Ratio (C/I)	30.5%	↓ 28.2%					
Risk	Coverage Ratio	104.0%	↑ 110.5%					
	Cost of Risk (CoR)	0.74%	↓ 0.29%					
Profitability	Return on Equity (RoE)	17.9%	↑ 18.6%					
	Return on Assets (RoA)	2.0%	↑ 2.1%					
	Return on Risk-Weighted Assets (RoRWA)	3.1%	↑ 3.3%					
Capital	Capital Adequacy Ratio (CAR)	17.1%	↓ 16.6%					

↑ 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



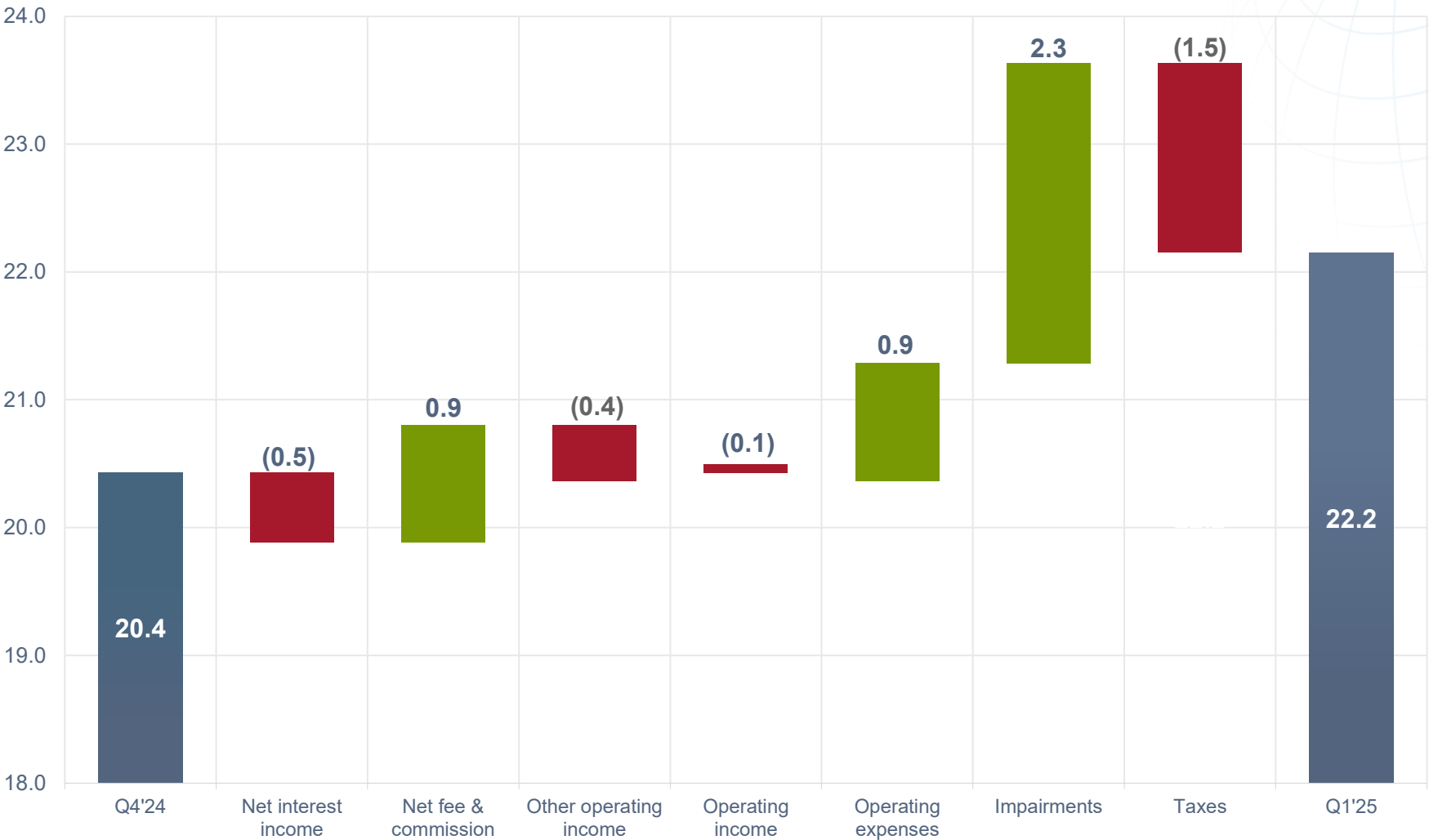
# Banks' strong earnings offset NII pressure through fee income, cost optimization, and asset quality



## Key takeaways

- Aggregate net income increased by 8.4% QoQ to AED 22.2bn
  - Primarily due to 18% QoQ rise in net fees and commission income, 7.8% QoQ decline in opex and 59.3% QoQ decline in impairment charges
- Net interest income, on the other hand, declined by 2.1% QoQ, whereas other operating income declined by 5.3% QoQ

## Net Income Bridge (AED bn)



# Aggregate deposits mobilization outpaced credit growth with FAB, ADIB and DIB gaining market share

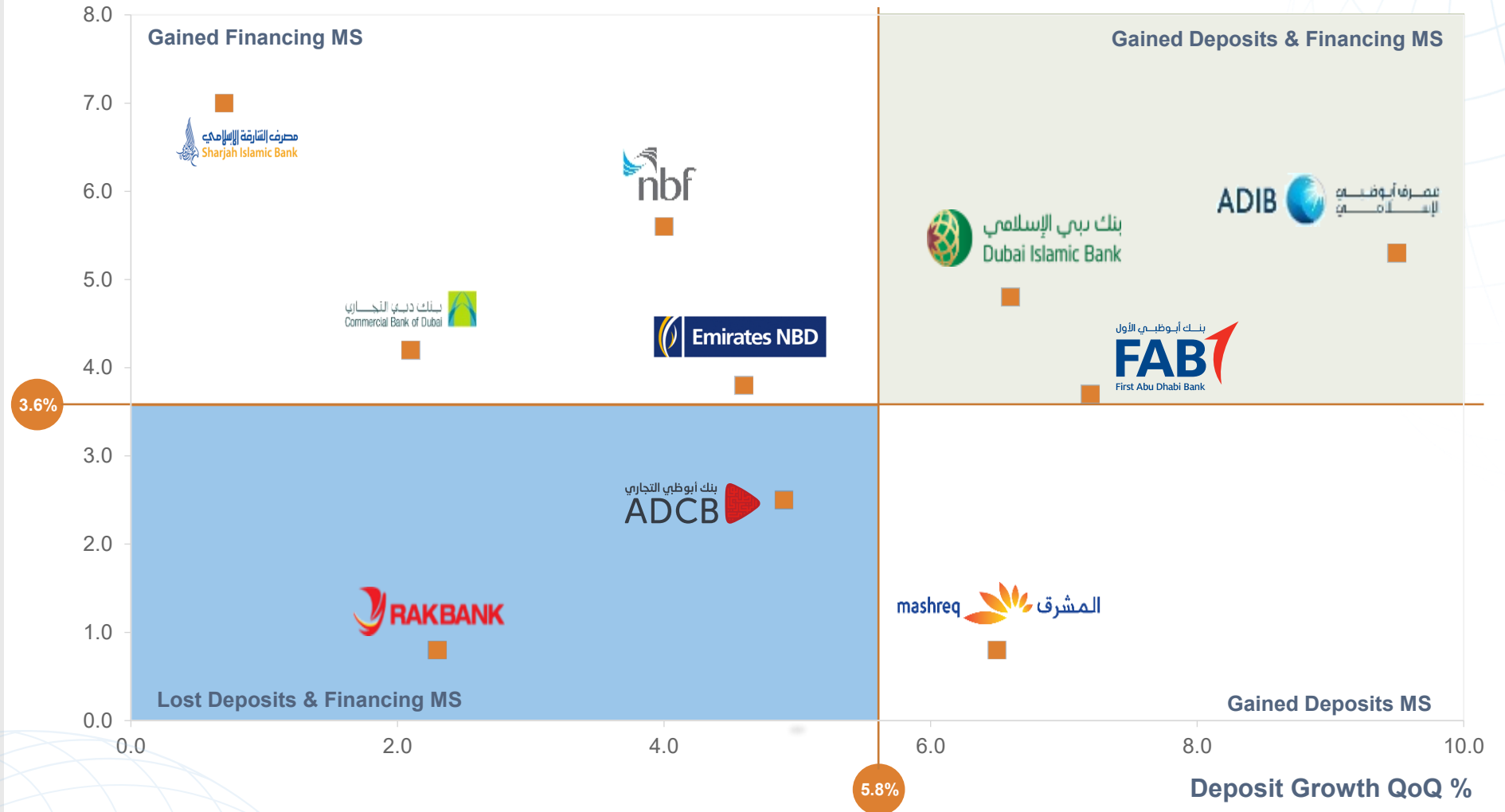


## Key takeaways

- Aggregate net L&A of the top ten banks improved by 3.6% QoQ vs. 2.0% at the end of Q4'24
  - Among the major banks, ADIB and DIB reported high growth in net L&A by 5.3% and 4.8% QoQ, respectively, followed by ENBD 3.8% QoQ growth
  - Lending growth was driven by corporate and wholesale loans (+5.1% QoQ), which account for over half of the total loan portfolio
- Aggregate bank deposits grew by 5.8% QoQ
  - ADIB, FAB and DIB reported highest growth in deposits among the major banks with an increase of 9.5%, 7.2% and 6.6% QoQ, respectively

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

### Net L&A Growth QoQ %



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



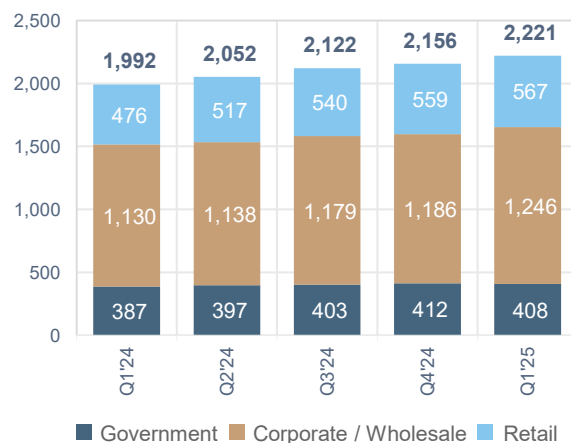
# Corporate loans rebound while government and retail lending both remained subdued



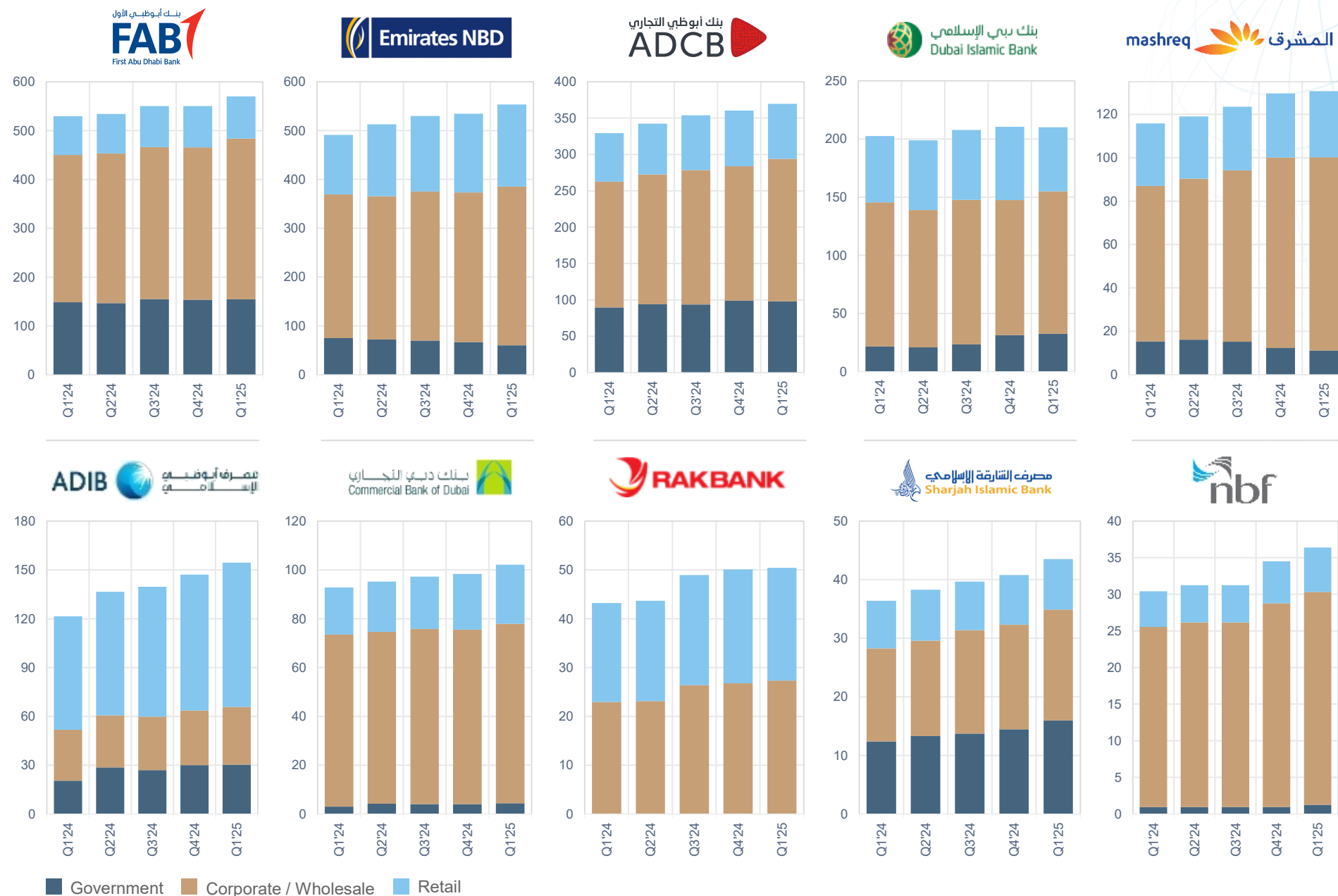
## Key takeaways

- Gross L&A growth regained momentum after a sluggish Q4'24
  - Primarily due to an increase in corporate / wholesale (+5.1% QoQ) which outpaced retail lending (+1.5% QoQ)
- Among the top banks, ADIB, DIB and FAB reported the highest loan book growth of 5.0%, 4.6% and 3.6% respectively

## Segment wise Gross L&A (Aggregate AED bn)



## 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

# Uptick in both CASA deposits and time deposits drives growth in aggregate deposit base

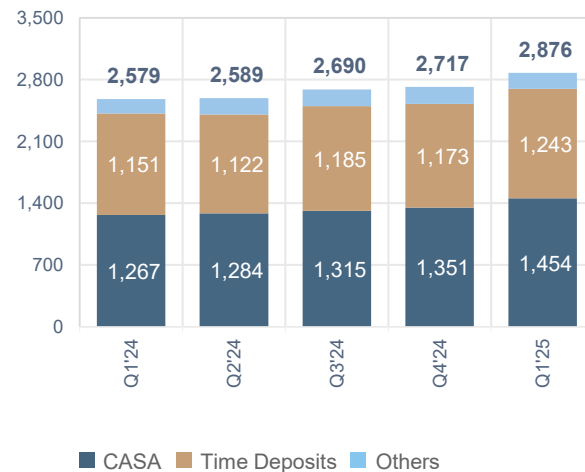


## Key takeaways

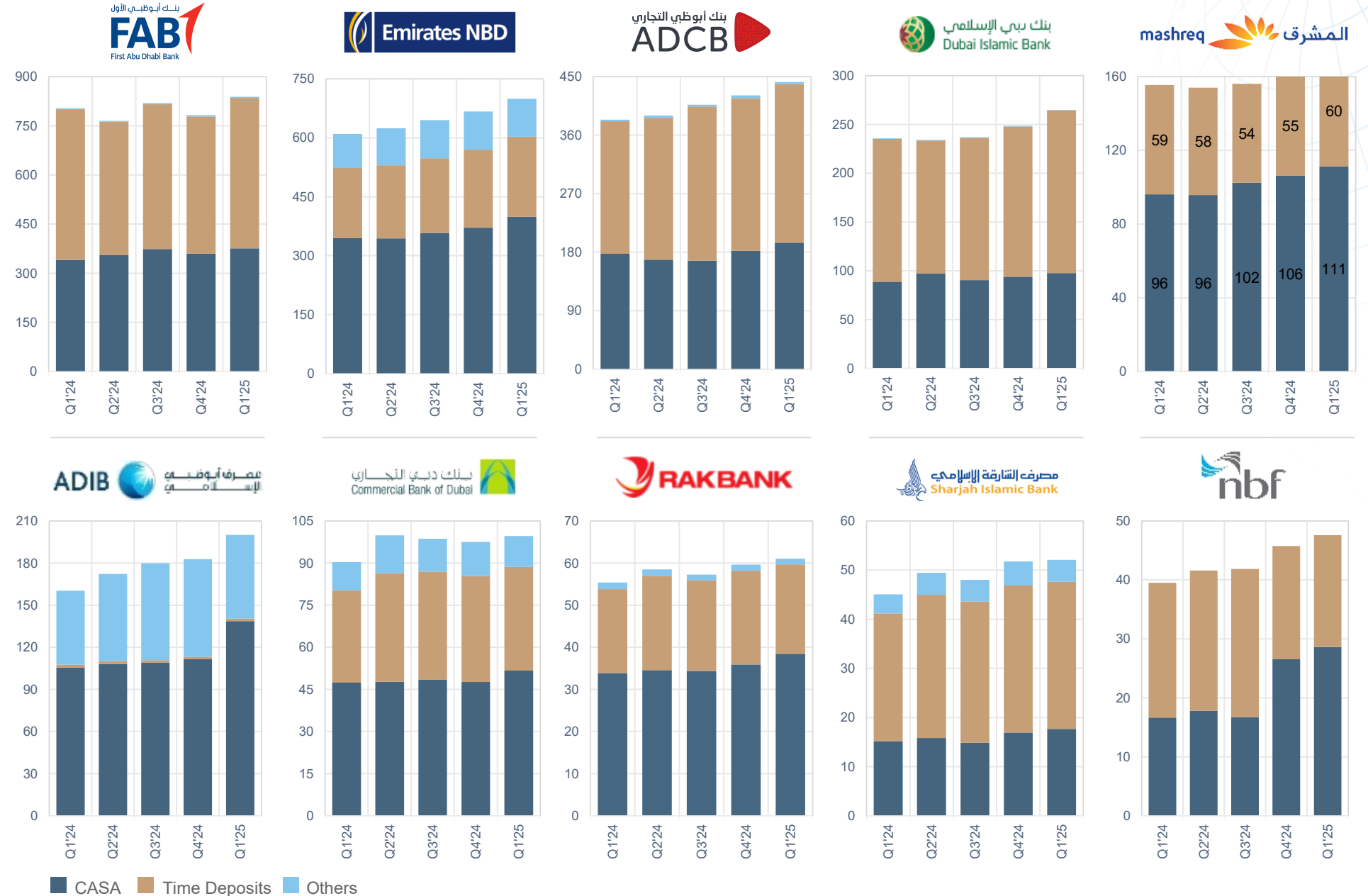
- Aggregate deposits growth of the banks improved by 5.8% driven by higher CASA (+7.6% QoQ) and time deposits (+6.0% QoQ)
  - ADIB registered the highest increase of 24.5% QoQ in CASA reflecting the continued focus on retail lending
  - Whereas, FAB, DIB and MASQ reported an increase in time deposits for the quarter by 9.5%, 8.3% and 9.8%, respectively

## Deposits Mix

(Aggregate AED bn)



## 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



# Sector LDR declined as deposits mobilization outpaced loan growth for most banks

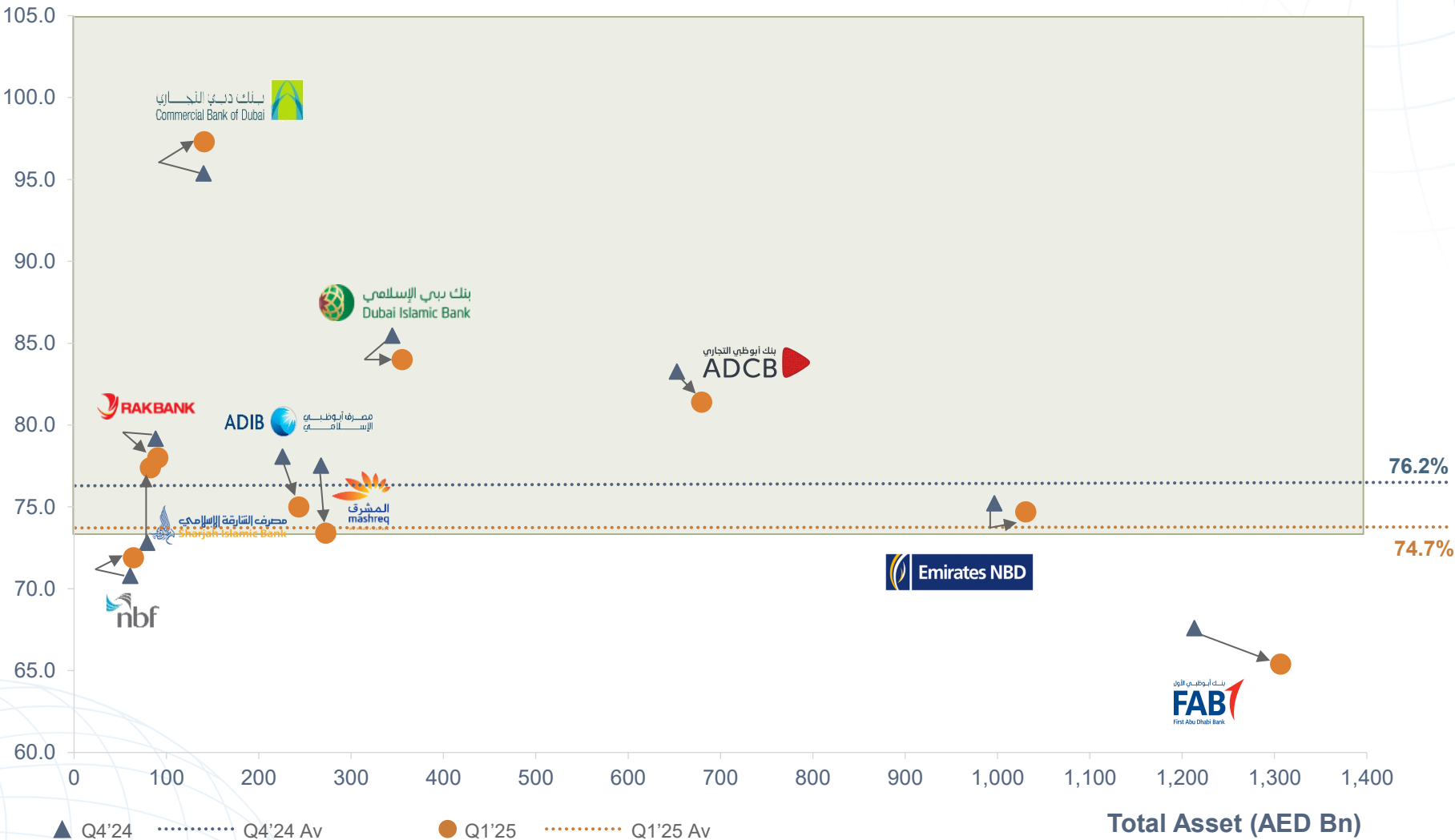


## Key takeaways

- Aggregate LDR declined 157bps QoQ to 74.7% in Q1'25, as seven out of the ten banks reported a decrease in LDR
- MASQ reported the highest decrease in LDR (-413bps QoQ) to 73.4% in Q1'25
  - Net L&A grew marginally by 0.8% QoQ, while deposits grew by 6.5% QoQ
- SIB witnessed the increase in LDR (+456bps QoQ) to 77.4%
  - Deposits grew marginally by 0.7% QoQ, while net L&A gained pace with growth of 7.0% QoQ

## Loan to Deposits Ratio (%)

### Loan-to-Deposit Ratio %



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

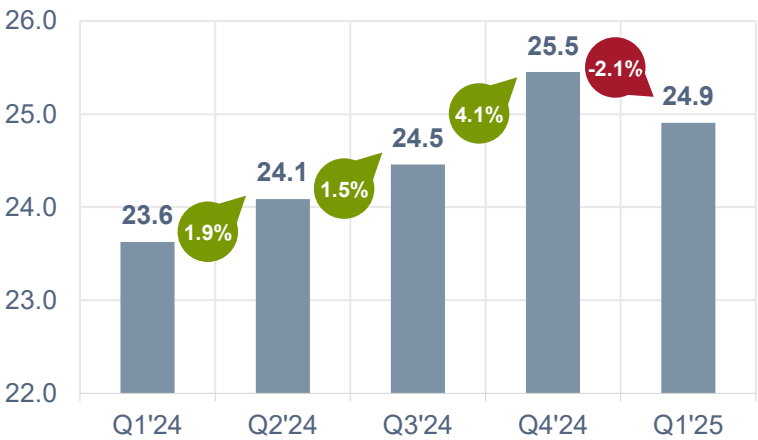
# Operating income declined marginally as rate environment impacted NII partly offset by higher fee and commission income



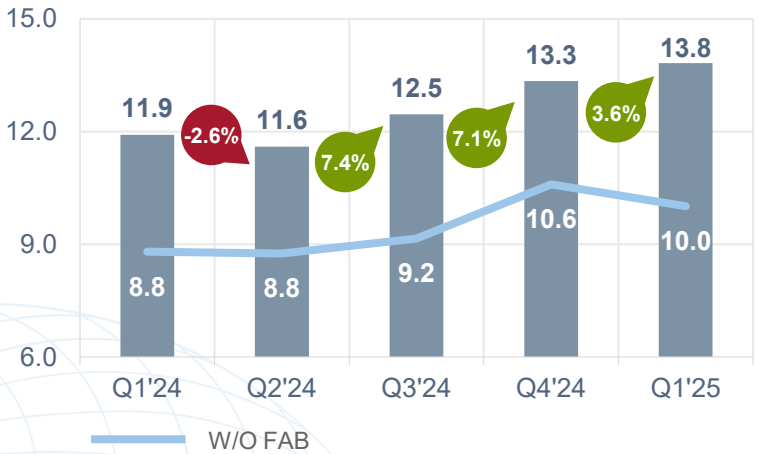
## Key takeaways

- Total operating income decreased marginally by 0.2% QoQ
  - NII declined by 2.1% QoQ, following the rate cut of 25bps in Q4'24, with DIB witnessing the biggest decline of 13.1% QoQ among the top five banks
  - Non-interest income grew by 3.6% QoQ primarily due to a higher contribution from investment banking, wealth management and trade finance business
- Aggregate other operating income declined by 5.3% due to the decrease in other operating income for ADCB, DIB, Mashreq (-35.5%, -36.9% and 58.9% QoQ respectively) in Q1'25

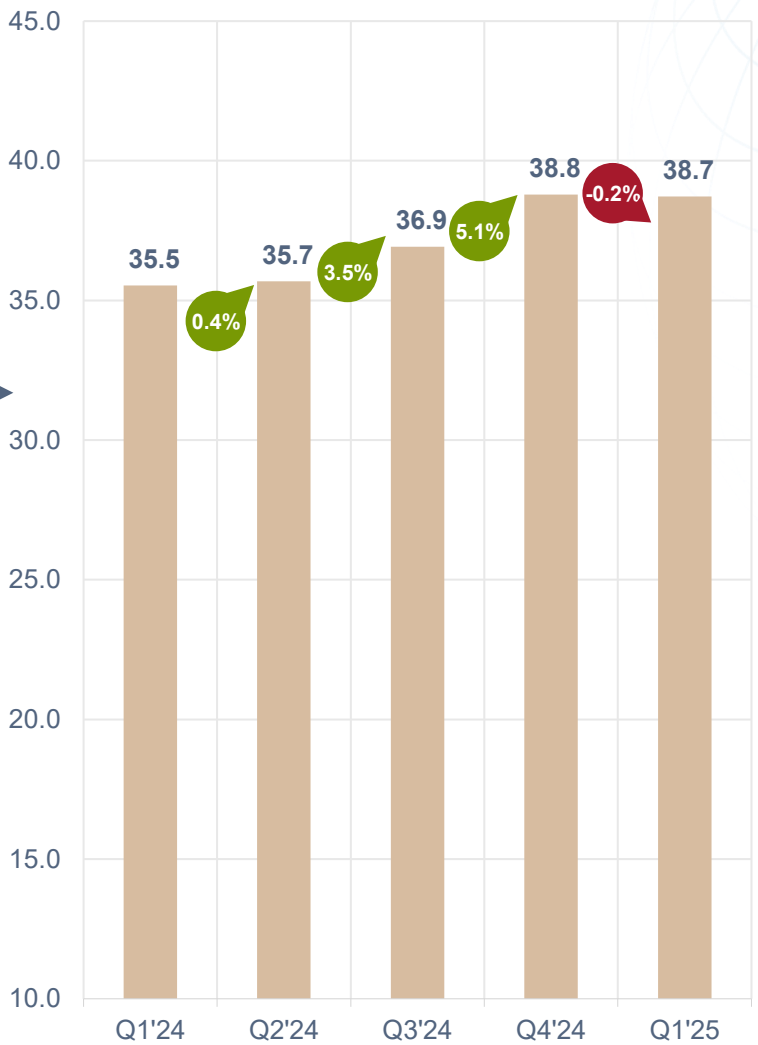
Quarterly NII  
(AED bn)



Quarterly Net Fee & Commission  
and Other operating Income  
(AED bn)



Quarterly Operating Income  
(AED bn)



Improved Stable Worsened



# Despite improved liquidity, NIM came under pressure due to lower benchmark rates



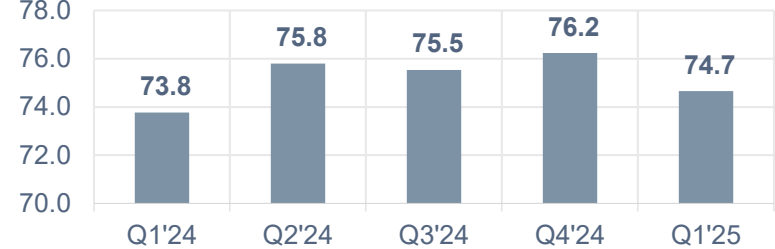
## Key takeaways

- NIM declined by 15bps QoQ to 2.52%. This was primarily driven by a fall in NIM for DIB, MASQ and ENBD, due to the rate cuts by CBUAE
- Spreads during the quarter narrowed
  - YoC decreased by 99bps QoQ, with all the ten banks registering a deterioration in YoC
  - CoF decreased by 52bps QoQ, in line with the CBUAE's December rate cut, which helped lower banks' overall funding costs

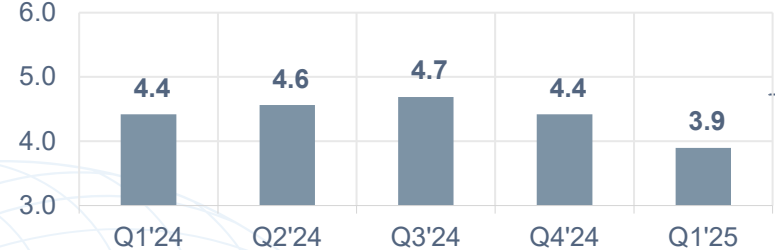
**Yield on Credit**  
(%, Quarterly Annualized)



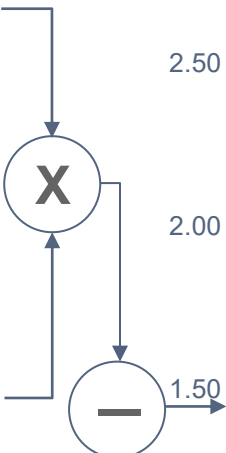
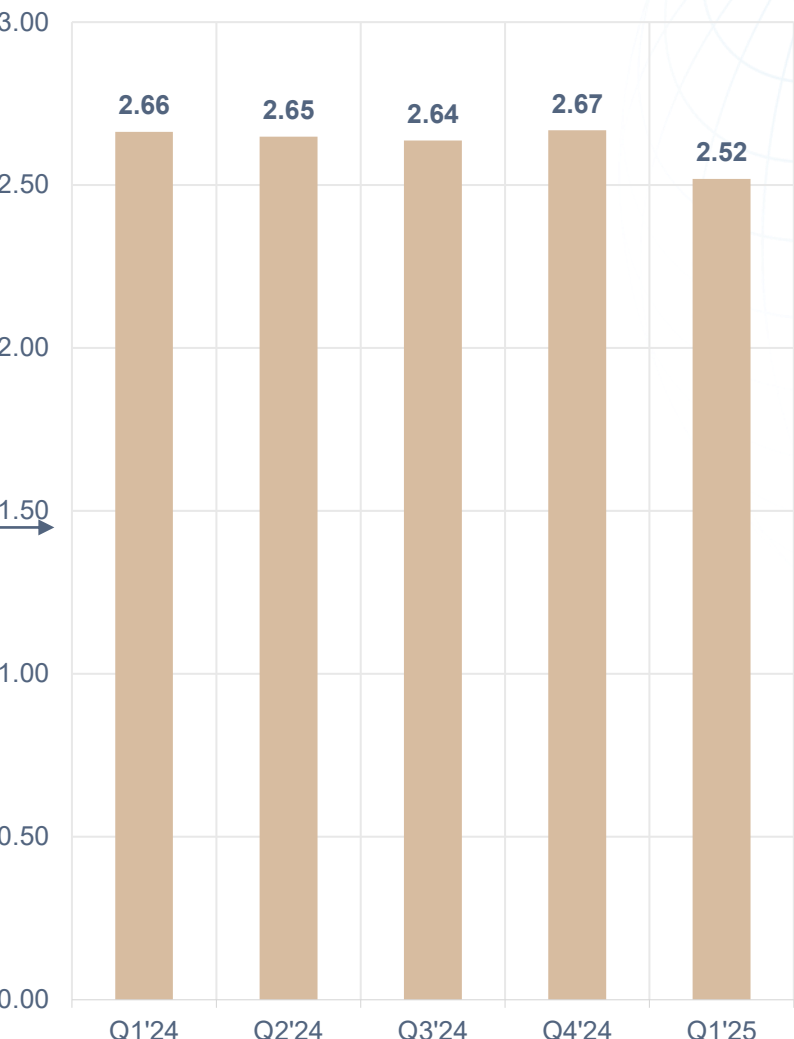
**Loan-to-Deposit Ratio**  
(%)



**Cost of Funds**  
(%, Quarterly Annualized)



**Net Interest Margin**  
(%, Quarterly Annualized)



Note: Relation between elements above represents a functionality and not necessarily an exact mathematical formula  
Source: Financial statements, Investor presentations, A&M analysis

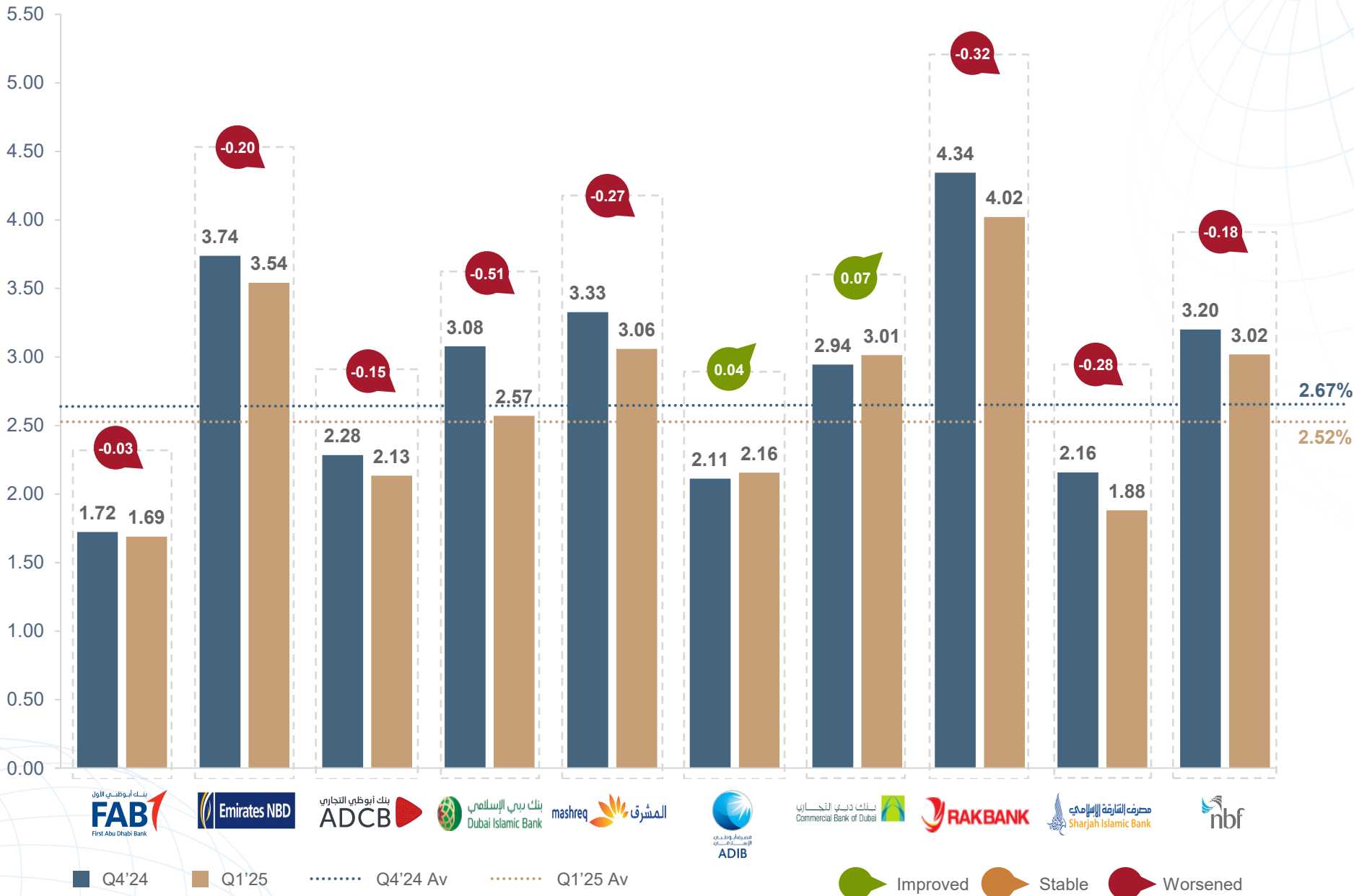
Disciplined pricing, loan portfolio rebalancing and focus on CASA helped the banks limit NIM contraction



Key takeaways

- Aggregate NIM for UAE banks decreased in Q1'25 as net interest income declined 2.1% QoQ
  - Net earning assets growth gained pace to 5.0% QoQ (+2.2% QoQ in Q4'24)
- ADIB (+4bps) and CBD (+7bps) were the only banks that saw an improvement in NIM
- Banks focused on disciplined pricing and tapped low-cost CASA deposits to maneuver the lower benchmark rate scenario
- Among the top five banks, DIB, MASQ, and ENBD recorded the sharpest NIM contractions QoQ, declining by 51bps, 27bps, and 20bps, respectively

Net Interest Margin (% Quarterly Annualized)



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



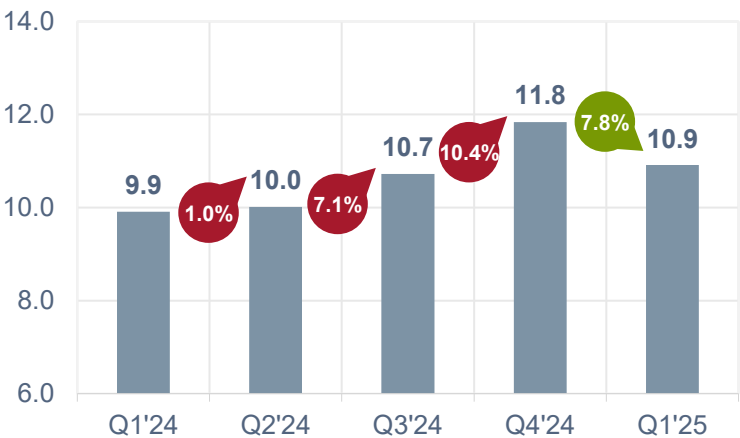
C/I ratio improved for the first time in the last four quarters, benefitting from past investments resulting in operating efficiencies



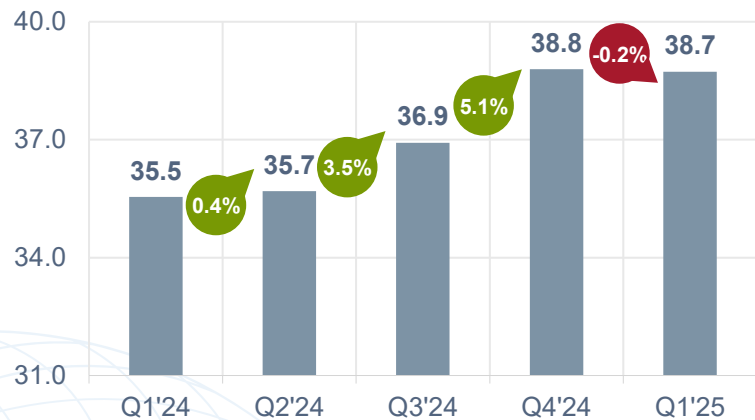
Key takeaways

- C/I ratio improved by 234bps QoQ to 28.2% in Q1'25, the first time since Q1'24
- Cost efficiencies improved as aggregate total operating income (-0.2% QoQ) decreased slower than the total operating expense (-7.8% QoQ) in Q1'25;
  - DIB and MASQ, on the other hand reported a significant decline in total operating income for the quarter (-15.9% and -27.7% QoQ, respectively)
  - Among the leading banks, ENBD (-545bps) and FAB (-329bps) witnessed the largest improvement in C/I ratio
- MASQ and ENBD recorded the largest QoQ reductions in operating expenses, declining by 20.5% and 10.3%, respectively
  - ENBD witnessed an improvement in cost efficiencies due to strong business growth and digital / international investment
  - Cost efficiencies improved for FAB amid ongoing operating efficiencies

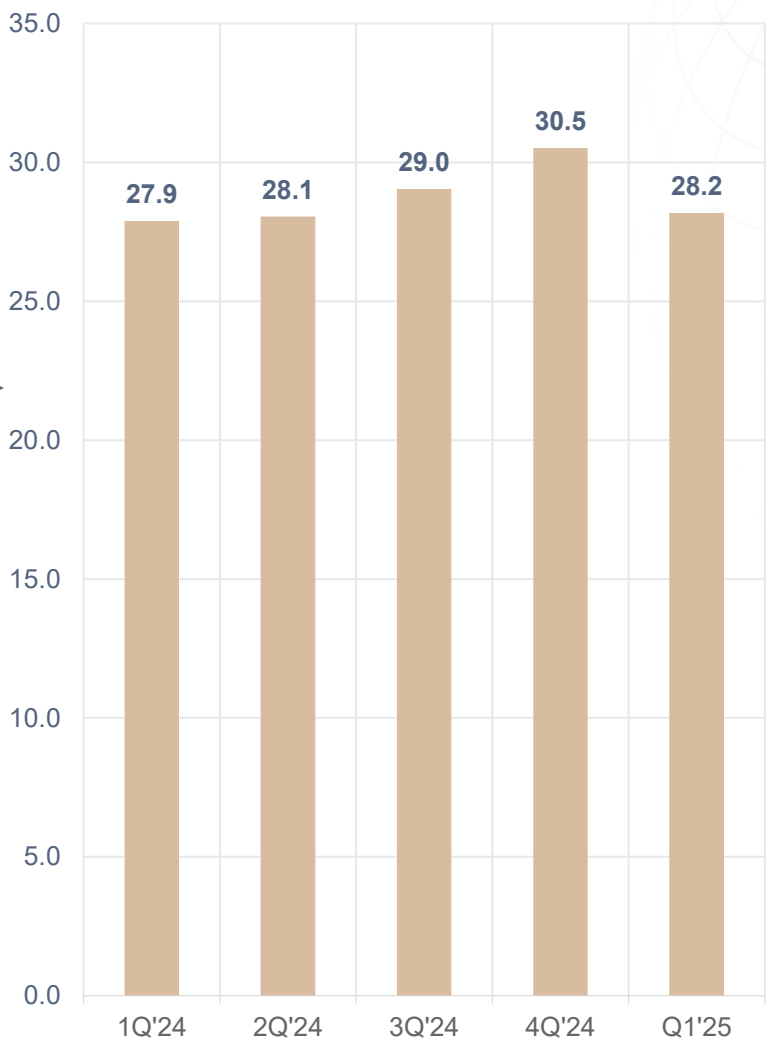
Quarterly Operating Expense  
(AED bn)



Quarterly Operating Income  
(AED bn)



Cost to Income Ratio  
(%, Quarterly Annualized)



Improved Stable Worsened

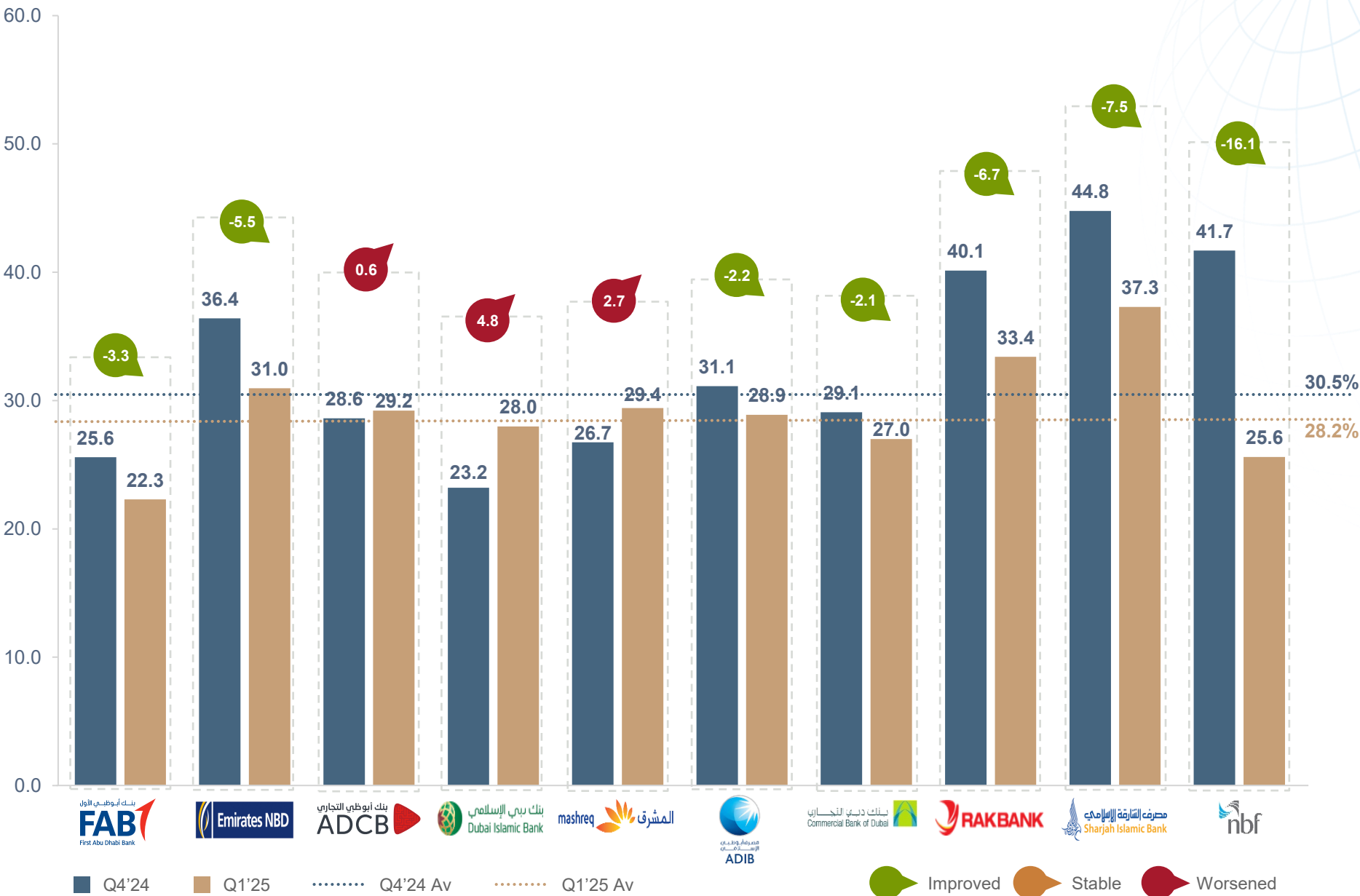
# Seven of the ten banks reported an improvement in cost efficiencies



## Key takeaways

- Seven out of the top ten banks reported an improvement in cost efficiencies
  - NBF (-1,609bps QoQ), SIB (-748bps QoQ), RAK (-673bps) and Emirates NBD (-545bps QoQ) saw the highest improvement in C/I ratio
  - ADCB (+60bps QoQ), DIB (+477bps QoQ), and MASQ (+268bps QoQ) were the only banks that reported a decline in cost efficiency

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

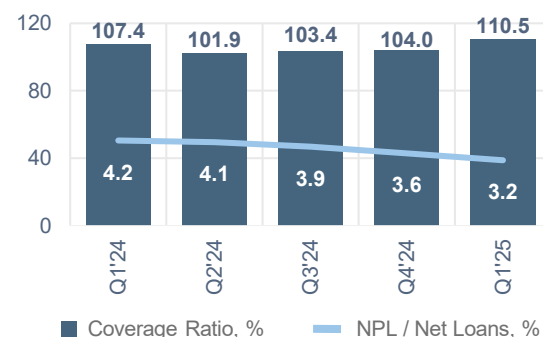
# Asset quality and coverage ratio improved for most of the banks; NPL ratio on a steady decline



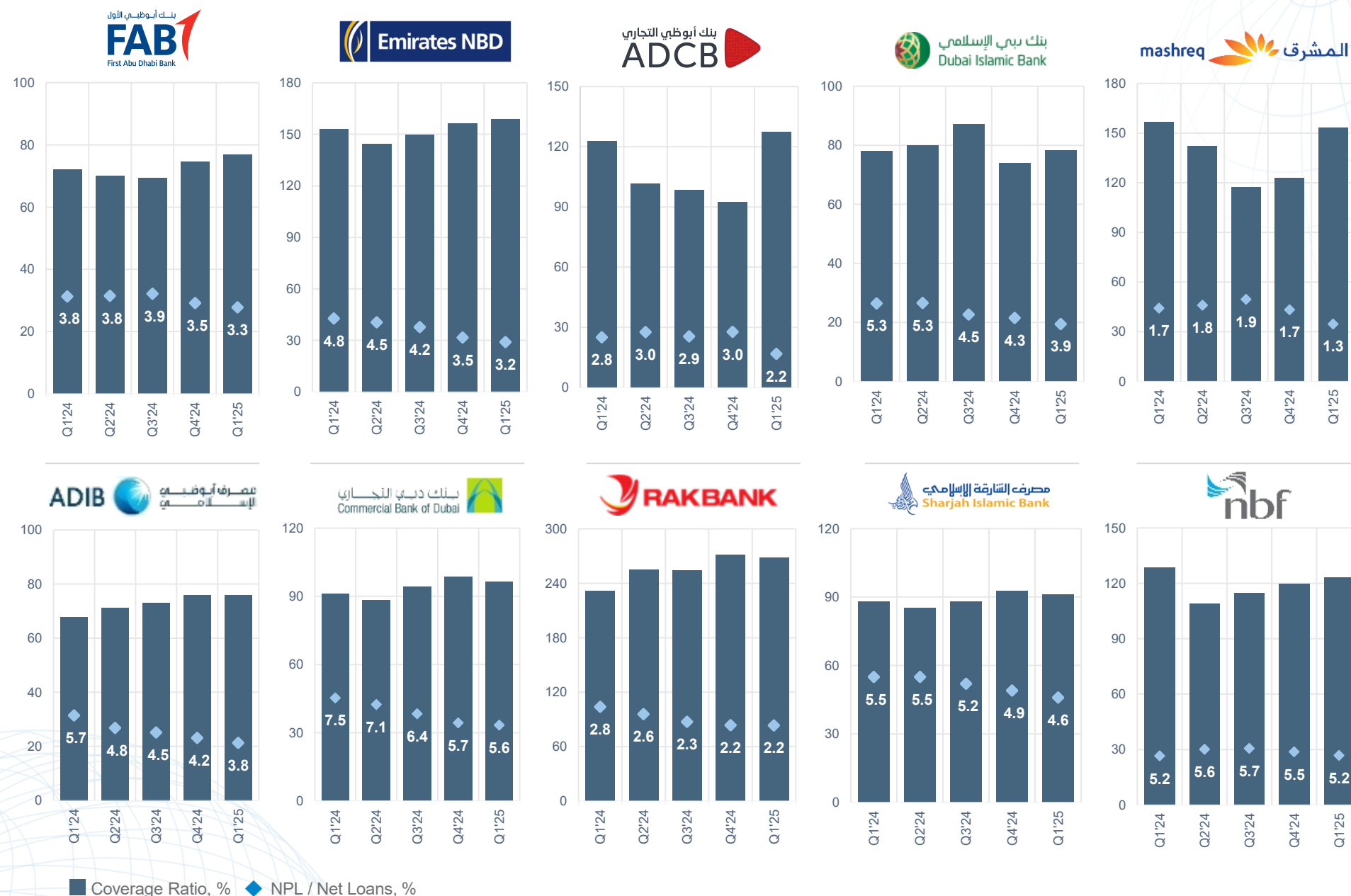
## Key takeaways

- Aggregate NPL / Net Loans ratio improved by 34bps QoQ to 3.2%, while the coverage ratio increased by 650bps QoQ to 110.5% in Q1'25
  - Seven out of the 10 banks reported an increase in coverage ratio
  - ADCB and MASQ witnessed the highest increase in the coverage ratio in Q1'25
  - The downtrend for aggregate NPL / Net loans ratio continued in Q1'25
  - ADCB and DIB reported the highest improvement (-80bps and -41bps QoQ respectively) in the NPL ratio among the peers

## Coverage Ratio and NPL Ratio (Aggregate)



## Coverage Ratio<sup>1</sup> 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



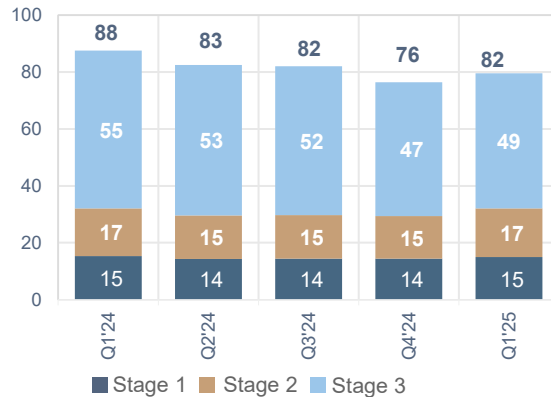
# Asset quality strengthened as stage 1 loans increased and stage 3 loans decreased



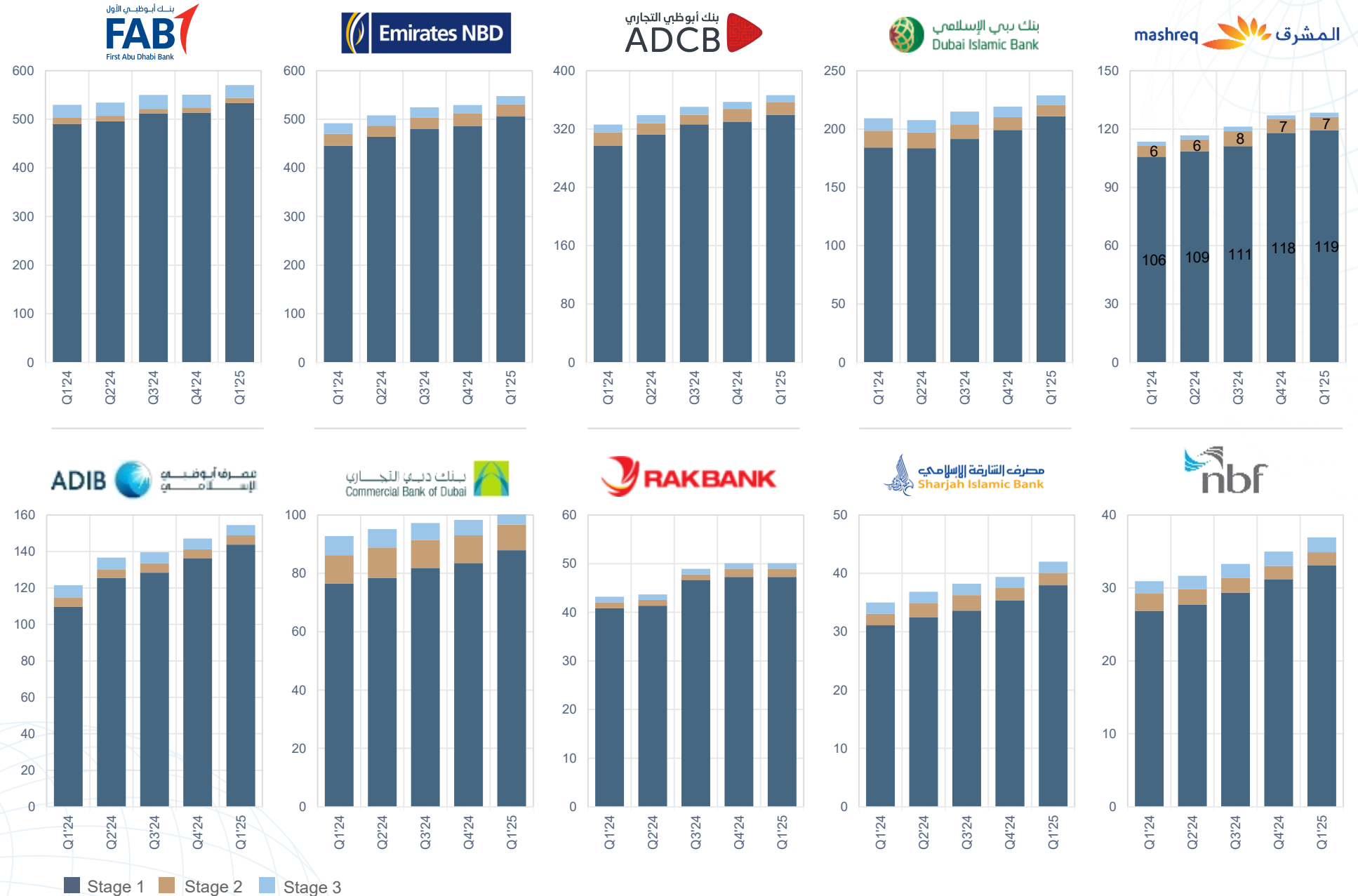
## Key takeaways

- Stage 1 loans comprising of 92.4% of the total gross loan book, witnessed highest growth of 3.9% QoQ in Q1'25 compared to 2.1% QoQ in the previous quarter
  - Stage 2 and stage 3 loans declined by 2.3% and 1.8% QoQ, respectively
- Aggregate stage 3 loans declined by 1.8% in Q1'25, compared to 9.9% in Q4'24
  - This was primarily due to FAB registering a rise of 0.6% QoQ in Q1'25 compared to a fall of 7.8% in Q4'24
  - ADCB registered a rise of 2.8% QoQ in Q2'25 (vs. -10.9% in Q4'24) in stage 3 loans

## Aggregate ECL (AED bn)



## 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

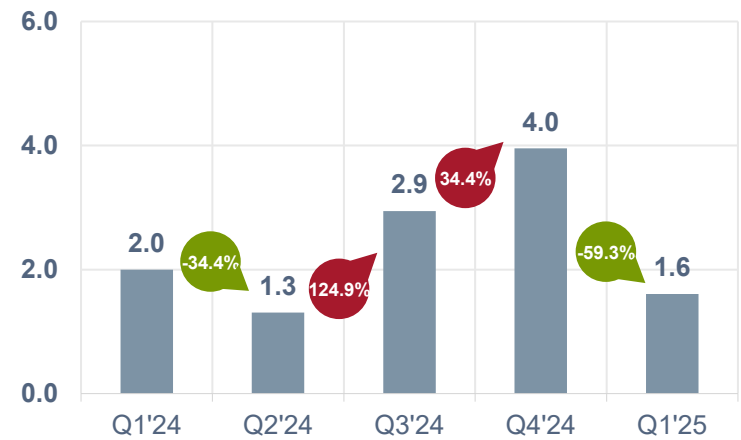
Asset quality improved due to significant decline in loan loss provisions, reflecting strong asset quality



Key takeaways

- Aggregate Cost of Risk declined by 45bps QoQ
  - This was due to a fall in loan loss provisions by 59.3% QoQ in Q1'25
  - FAB and RAK witnessed the largest decline in loan loss provisions (33.9% QoQ and 65.3% QoQ respectively)
- RAK witnessed an improvement in credit quality because of the strategic shift in business lending mix to secure, low risk assets

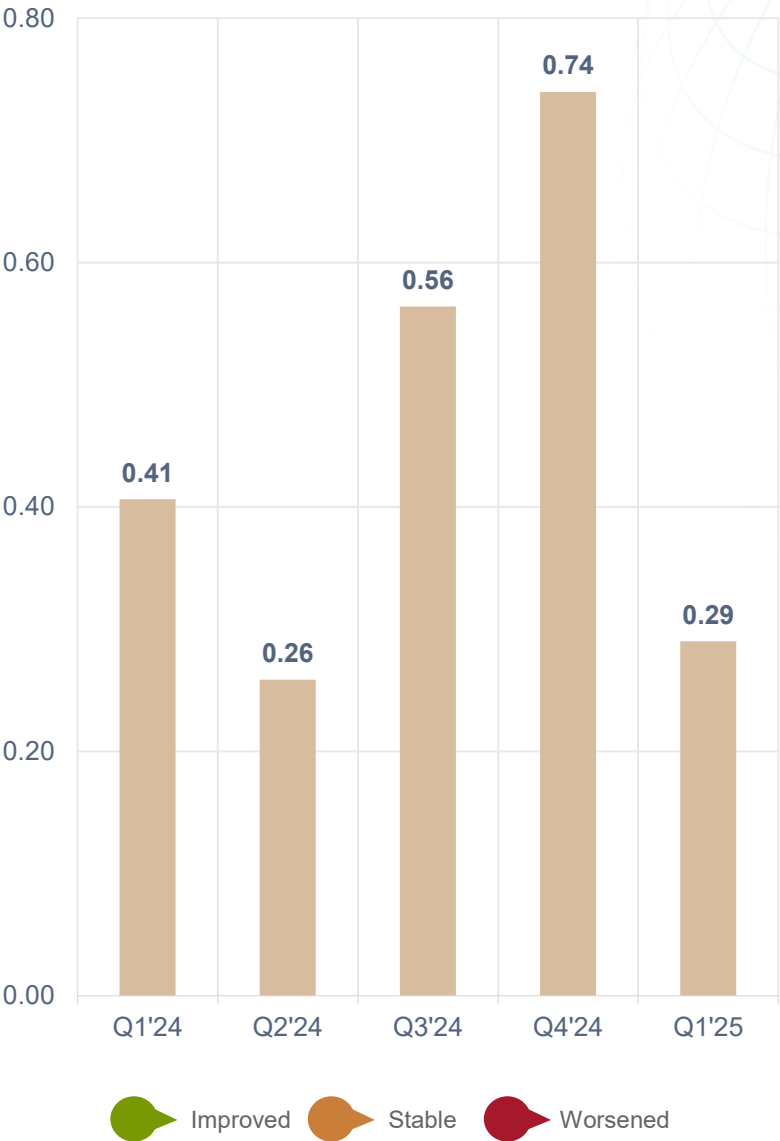
Quarterly Net Loan Loss Provisions (AED bn)



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

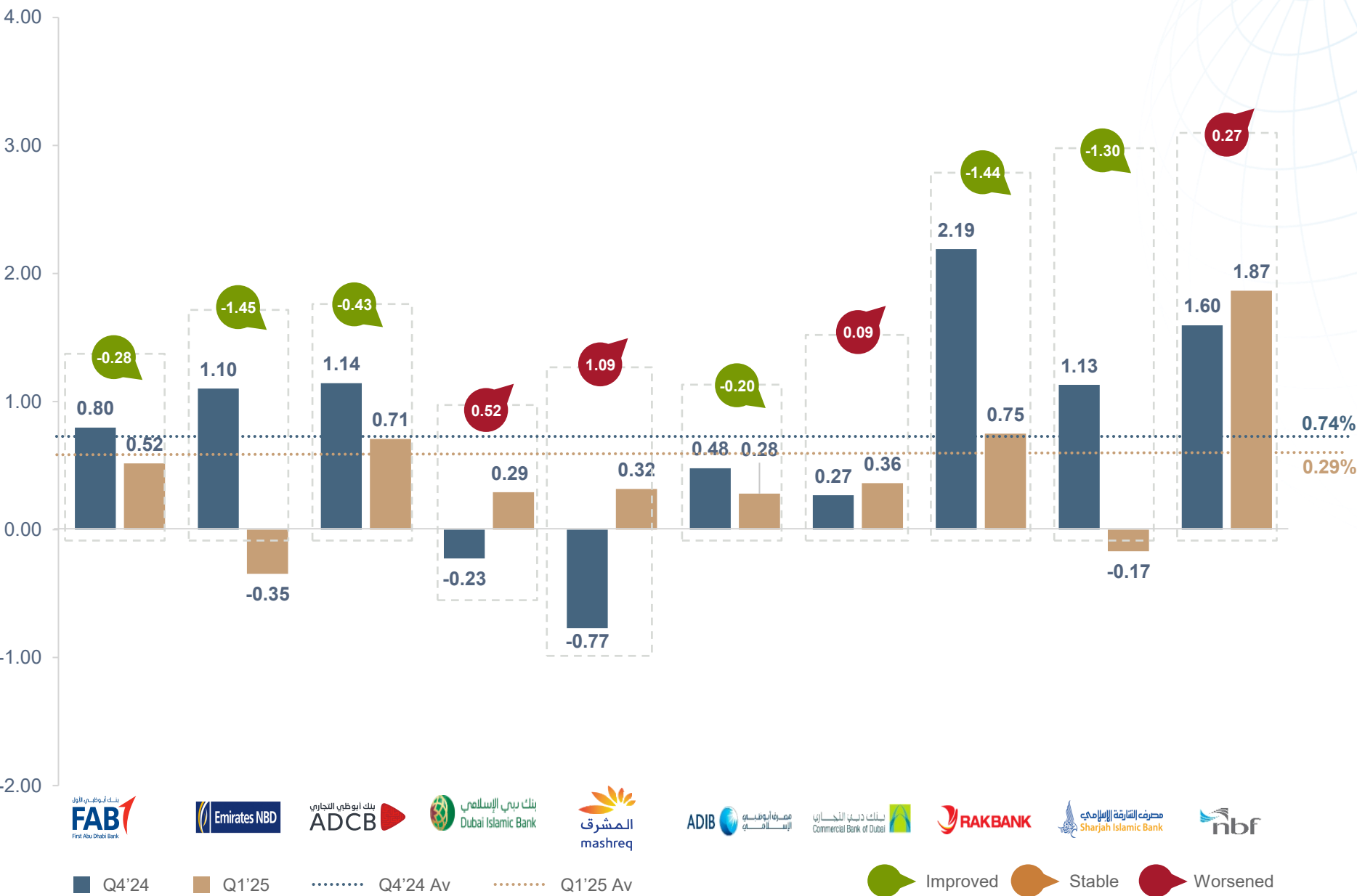
# Aggregate cost of risk improved primarily due to improved loan recoveries and lower new provisions during Q1



## Key takeaways

- Aggregate CoR declined by 45bps QoQ to 0.29% in Q1'25
- ENBD, RAK and SIB witnessed the biggest QoQ decline in CoR (145 bps, 144 bps, 130 bps respectively) in Q1'25
  - ENBD reported an improvement in cost of risk as impairments declined amid strong loan recoveries
  - RAK witnessed an improvement in CoR, on the back of increased lending to low-risk assets
- MASQ, DIB, NBF and CBD on the other hand, reported an increase in CoR by 109bps, 52bps, 27bps and 9bps QoQ, respectively

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 improvement driven by higher fee and commission income, cost efficiencies and lower impairments

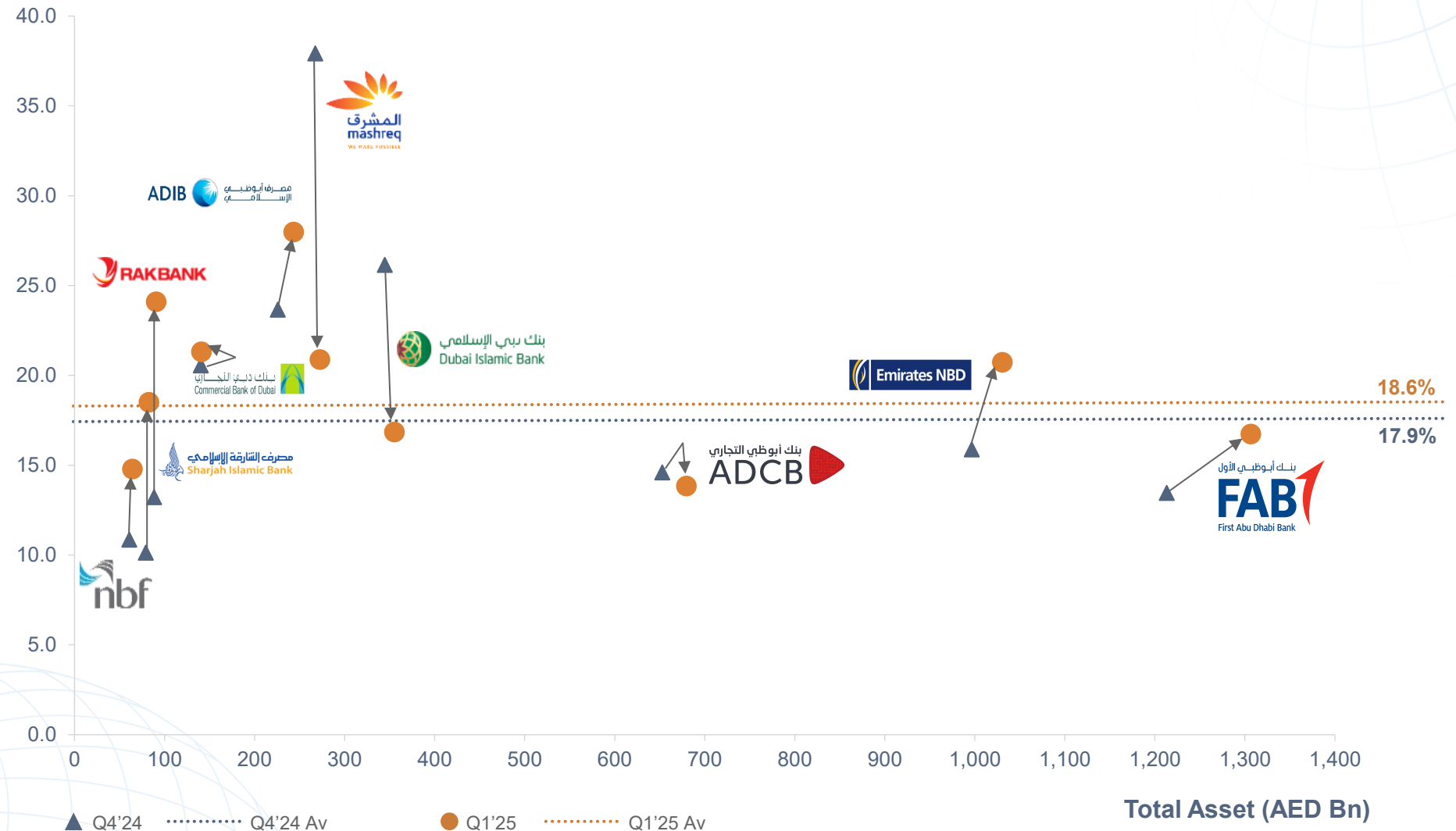


## Key takeaways

- Aggregate RoE improved by 72bps QoQ to 18.6% in Q1'25, due to 8.4% QoQ growth in net income in Q1'25
- Net fee and commission income increased by 18% QoQ in Q1'25 led by strong performance from ADIB, FAB and ENBD
  - ADIB's strong performance on retail business resulted in higher fees from cards
  - FAB witnessed an increase in fees & commission from strong origination and deal execution
  - For ENBD, fee income was supported by higher contribution from the retail card business and an increase in investment banking, trade finance and wealth management income

## Return on Equity (% , Quarterly Annualized)

### Return on Equity %



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 witnessed an increase in topline due to rise in non-operating income as well as cost efficiencies due to fall in impairment provisions



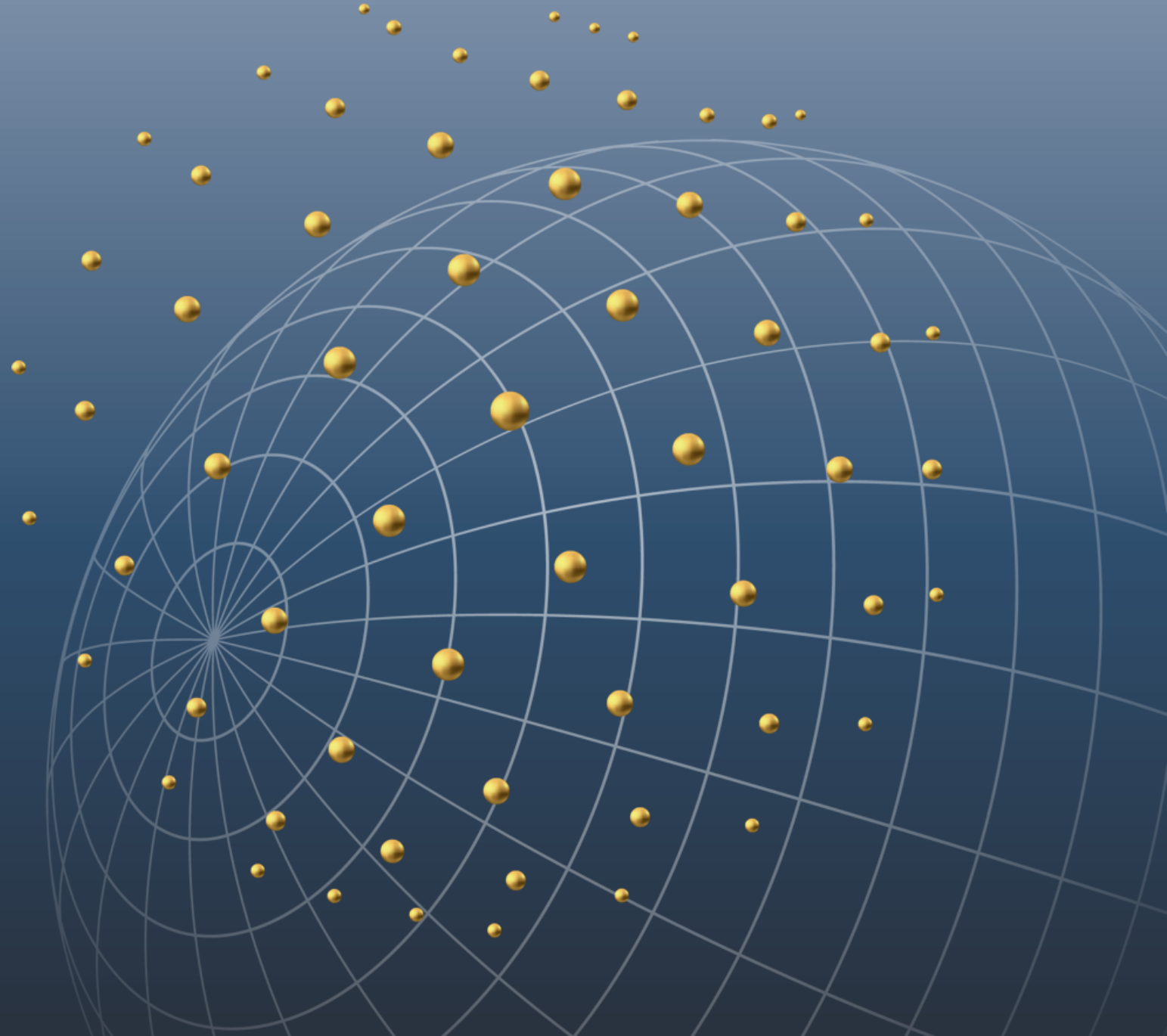
## Key takeaways

- Profitability ratios for the UAE banks improved with RoE rising by 72bps QoQ while RoA improved by 10bps in Q1'25
- CBUAE GDP Forecasts GDP growth of 4.7% in 2025, further accelerating to 5.7% in 2026
  - While OPEC+ decisions on oil production quotas will influence overall growth, the non-hydrocarbon sector remains robust, with forecasted growth of 5.1% and 4.8% in 2025 and 2026, respectively
- CBUAE is expected to continue anchoring its key rate along with US Fed while UAE banks are well positioned to navigate through the rate reversal cycle
- UAE banks investment into digital readiness is paying off with visible cost efficiencies during the quarter, positioning banks to compete with fintech / neobanks
- While near term challenges remain on the geopolitical / macro front, UAE banks are well positioned through disciplined lending, focus on asset quality and better management of their operating cost



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

# 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)



Assets (AED Bn)\*

1,306.6

Abbreviation

FAB



Assets (AED Bn)\*

1,030.6

Abbreviation

ENBD



Assets (AED Bn)\*

679.7

Abbreviation

ADCB



Assets (AED Bn)\*

355.3

Abbreviation

DIB



Assets (AED Bn)\*

272.7

Abbreviation

MASQ



Assets (AED Bn)\*

243.5

Abbreviation

ADIB



Assets (AED Bn)\*

141.1

Abbreviation

CBD



Assets (AED Bn)\*

90.8

Abbreviation

RAK



Assets (AED Bn)\*

82.8

Abbreviation

SIB



Assets (AED Bn)\*

64.5

Abbreviation

NBF

Note: Banks are sorted by assets size  
\* As on Q1 2025

Section **New Entrants**

Date

**27-Feb-25**

News

UAE launches first domestic card scheme, Jaywan through its subsidiary Al Etihad Payments

Links

[Source](#)

Date

**07-Mar-25**

News

ENBD entered in the digital asset space by offering crypto on its Liv X App

Links

[Source](#)

Date

**07-Apr-25**

News

ADCB unveils 'Meedaf', a ground-breaking venture to transform financial services operations across the GCC region

Links

[Source](#)

Date

**08-Apr-25**

News

Tap Payments received payment services license from Central Bank of the UAE

Links

[Source](#)



Section **New Investments**

Date

**20-Jan-25**

News

DIB increases its stake to 25% in Digital Bank in Türkiye

Links

[Source](#)

Date

**16-Mar-25**

News

ENBD to acquire stake in Egypt's Banque du Caire

Links

[Source](#)

Date

**17-Mar-25**

News

Commercial Bank of Dubai becomes the first bank in the Middle East to Integrate Liink, Kinexys by J.P. Morgan for Global Account Validation

Links

[Source](#)

Date

**21-Apr-25**

News

ENBD's strategic collaboration with Kinexys by J.P. Morgan set to enhance cross-border payment security

Links

[Source](#)

Section **New Business Trends**

Date

**27-Feb-25**

News

Mastercard collaborated with ENBD to accelerate digital payment adoption through innovative acceptance solutions

Links

[Source](#)

Date

**20-Mar-25**

News

Visa and ENBD Pay collaborated to launch advanced payment gateway 'Cybersource', to enhance digital acceptance for merchants

Links

[Source](#)

Date

**29-Apr-25**

News

Abu Dhabi doubles down on crypto as wealth fund, FAB, IHC join forces for new stablecoin

Links

[Source](#)

Section **New Emerging Technologies**

Date

**06-Jan-25**

**News**

ADIB becomes the first Islamic bank to adopt Swifts Alliance Cloud Platform

**Links**

[Source](#)

Date

**19-Feb-25**

**News**

Invest Bank expands digital trade finance with Veefin Solutions partnership

**Links**

[Source](#)

Date

**21-Feb-25**

**News**

ADIB partnered with Lune, to launch personal finance management tool

**Links**

[Source](#)

Section **New Regulations**

Date

**01-Apr-25**

**News**

UAE aiming to launch retail central bank digital currency this year

**Links**

[Source](#)

Date

**03-Apr-25**

**News**

Central Bank of the UAE revoked license of Dubai based Dynamic Insurance Brokers after the firm had failed to meet regulatory requirements

**Links**

[Source](#)

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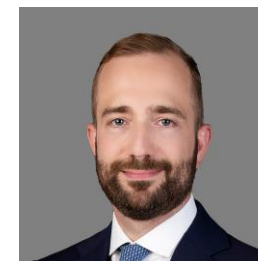
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