A&M | FINANCIAL SERVICES INDUSTRY GROUP

UAE Banking Pulse

FY | 2025

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UAE Banking: performance today, priorities for tomorrow

Alvarez & Marsal Middle East Limited (A&M) is delighted to publish the FY 2025 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 Middle East Financial Services

FY 2025 marked another strong year for the UAE banking sector. Strong credit demand drove double-digit loan and deposit growth, while disciplined risk management continued to strengthen balance-sheet resilience with the NPL ratio declining to 2.4%. Despite geopolitical headwinds, sector performance was underpinned by a supportive macro backdrop and sustained business activity.

Despite the shift toward a lower-rate environment, profitability remained resilient, supported by diversified income streams and continued cost discipline. Returns, while lower than in FY 2024, remained healthy, with NIM at 2.5% and RoE at 18%.

Looking ahead to FY 2026, we anticipate an increasingly competitive environment and associated margin pressure. We expect five themes to shape bank strategies and performance:

- **Funding and liquidity** will stay in focus as loan growth continues to outpace deposit mobilization
- **Fee and non-interest income** will become increasingly critical as margin pressures persist
- **Digital and AI-led transformation** will accelerate, driving step-change improvements in productivity, risk management, and customer experience
- **Asset quality** is expected to remain resilient, though credit costs may normalize as the cycle matures
- **Sustainable finance** will continue to scale, positioning UAE banks as regional leaders in ESG-linked lending and transition finance

This report provides a concise, data-driven view of how UAE banks performed in FY 2025 and the strategic priorities that will define winners in FY 2026. We hope it serves as a practical reference for leadership teams as they navigate the next phase of growth, profitability, and transformation.

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. The calculation of certain metrics has been updated, where required, to reflect appropriate comparative information. As a result, historical numbers may not match with those reported in previously published reports.

Macro Overview

UAE's macro backdrop remains supportive, aided by easing monetary conditions and resilient growth

UAE GDP Growth Rate and PMI

- The IMF retained its FY 2026 UAE GDP growth forecast at 5.0%, underscoring sustained economic resilience and diversification, while projecting a moderation to 4.7% in FY 2027
- According to the CBUAE, UAE's real GDP growth is expected to be supported by a 4.9% YoY expansion in the non-hydrocarbon sector and a 5.4% YoY rebound in the hydrocarbon segment
- Business activity indicators remained strong, with the S&P Global UAE PMI averaging 54.3 in Q4 2025, marking the fastest expansion of the year, while 27% of surveyed firms reported month-on-month output growth, signaling sustained underlying demand
- Greenfield foreign direct investment into the UAE rose to a record USD 33.2bn in FY 2025, representing a 78% YoY increase from USD 18.7bn in FY 2024

Policy Rates

- Global and domestic monetary conditions eased further in Q4 2025, with policy actions aimed at supporting growth amid rising downside risks
- The US Federal Reserve cut its policy rate by 50bps during Q4 2025 to 3.50–3.75%, citing increasing labor market risks, while reaffirming its objective of guiding inflation back toward the 2.0% long-term target.
- In line with the Fed's stance, the CBUAE reduced its base rate by 50bps to 3.65% in Q4 2025
- As a result, short-term market rates softened, with EIBOR declining to 3.56% in Q4 2025, reflecting improved liquidity conditions

Money Supply

- M1 rose by 13.2% YoY to AED 1,071.5bn, supported by a 13.1% YoY increase in monetary deposits to AED 919.7bn
- M2 increased by 19.0% to AED 2,754.7bn, mainly due to a substantial rise of 23.0% in quasi-monetary deposits to AED 1,683.2bn
- M3 grew by 17.2% in FY 2025 to AED 3,255.4bn, as government deposits reported growth of 8.5% YoY to reach at AED 500.7bn

5.0%

Forecasted GDP growth in FY 2026

54.2

Dec 2025 PMI

3.50 – 3.75%

US Fed Rate
(Q4 2025 rate cut by 50bps;
FY 2025 rate cut by 75bps)

3.65%

CBUAE Base Rate
(Q4 2025 rate cut by 50bps;
FY 2025 rate cut by 75bps)

78%

Increase in greenfield foreign direct investments

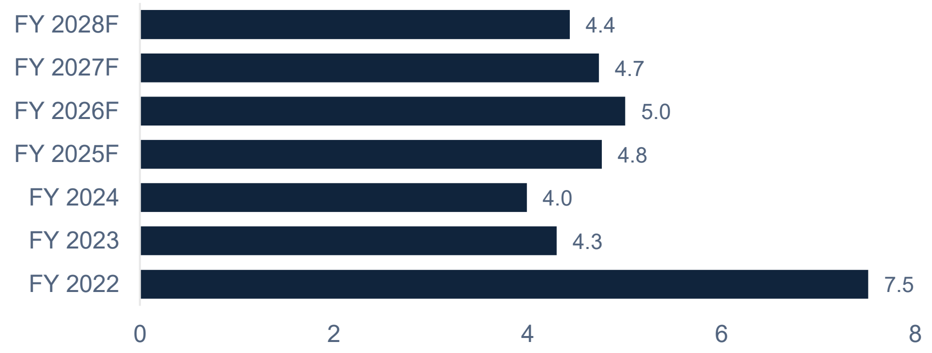
19.0%

Increase in M2 money supply, supported by an increase in quasi-monetary deposits
(M2 – AED 2,754.7bn)

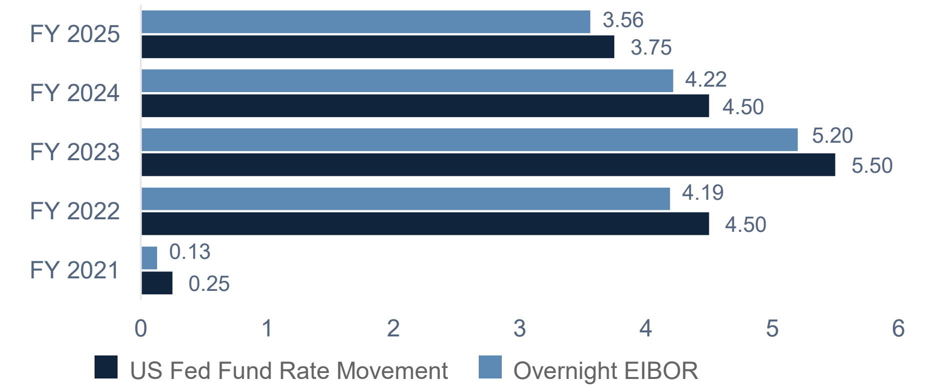
17.2%

Increase in M3 money supply
(M3 – AED 3,255.4bn)

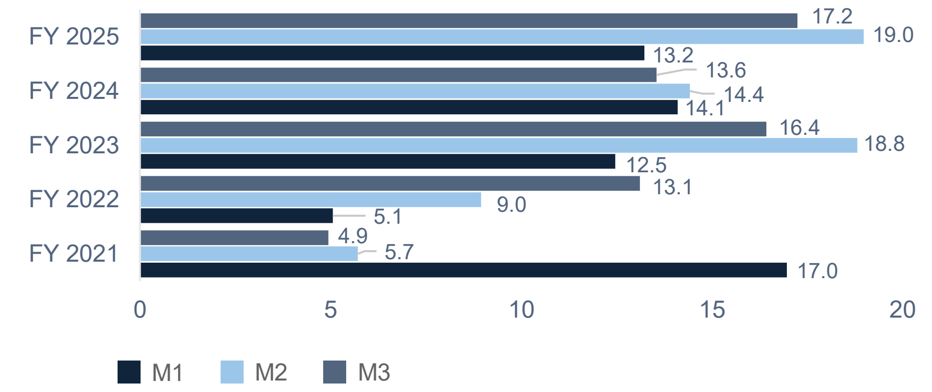
UAE GDP Growth Rate[1] (%)



US Fed Fund Rate[2], EIBOR[3] (%)



UAE Money Supply[3] (%, Annual)



Sources: 1 IMF, 2 US Board of Federal Reserve, 3 UAE Central Bank, ENBD Research

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Banking Overview

UAE banks grew their balance sheets in a sustainable manner; earnings resilience sustained through income diversification

Credit Growth and Asset Quality

- UAE banks delivered strong lending growth of 20.7% YoY (vs. 12.6% in the prior year), which supported the interest income growth
- While credit expanded rapidly, asset quality remained resilient: the NPL ratio declined to 2.4% (3.6% in FY 2024) and CoR improved to 0.47% (0.5% in FY 2024)
- In addition, the coverage ratio strengthened to 109.4% from 104.0% in FY 2024, underscoring prudent risk management and provisioning

Income diversification

- Net income of banks increased by 8.5% YoY in FY 2025, supported by steady operating income growth, which grew by 10.6% YoY
- Net interest income increased 6.7% YoY, supported by 2.3% YoY growth in total interest income and a 0.8% YoY decline in total interest expense
- Non-interest income remained a key earnings driver, growing by 18.3% YoY, which further cushioned the impact of declining interest rates and supported overall operating performance

Cost Optimization

- Banks' operating efficiency improved as operating expense growth slowed down to 7.6% YoY (vs. 11.7% YoY in FY 2024), and C/I ratio declined to 28.1% from 28.9% in FY 2024
- The slowdown in expense growth was driven primarily by tighter cost controls and productivity gains from sustained investments in technology and AI

Interest Rates and Margin Impact

- The cumulative 75bps rate cut by the CBUAE during the year materially weighed on margins as aggregate NIM declined to 2.48% (2.66% in FY 2024)
- Banks' asset yields were pressured by the declining interest rate, with YoC easing to 8.0%, down by 1.0% YoY, while the impact was partially mitigated by a 61bps YoY decline in CoF to 3.9%

8.5%
Net income growth in FY 2025

10.6%
Operating income growth in FY 2025

6.7%
Net interest Income growth in FY 2025

18.3%
Non-interest income growth in FY 2025

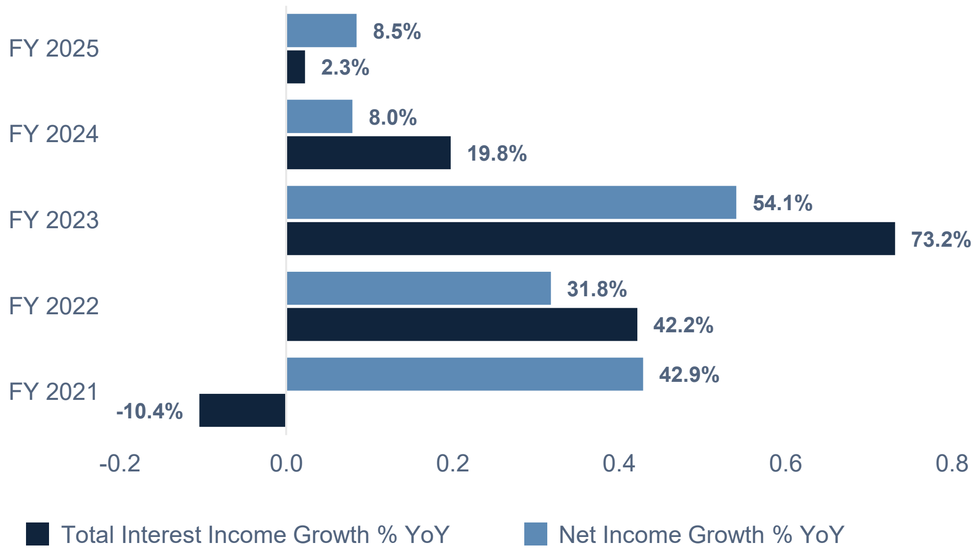
28.1%
C/I ratio improved by 78bps YoY

2.48%
NIM declined by 19bps YoY

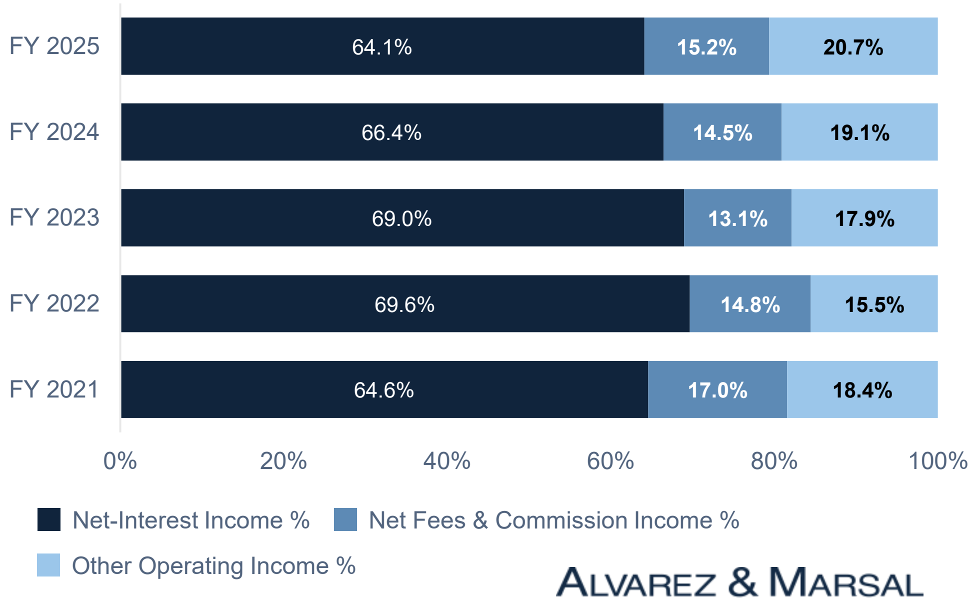
20.7%
Total net L&A growth in FY 2025

2.4%
NPL ratio improved by 1.2% YoY

UAE Banks Profitability[1] (%)



UAE Banks Operating Income Mix[1] (%)



Sources: 1 A&M Analysis based on data of top 10 banks

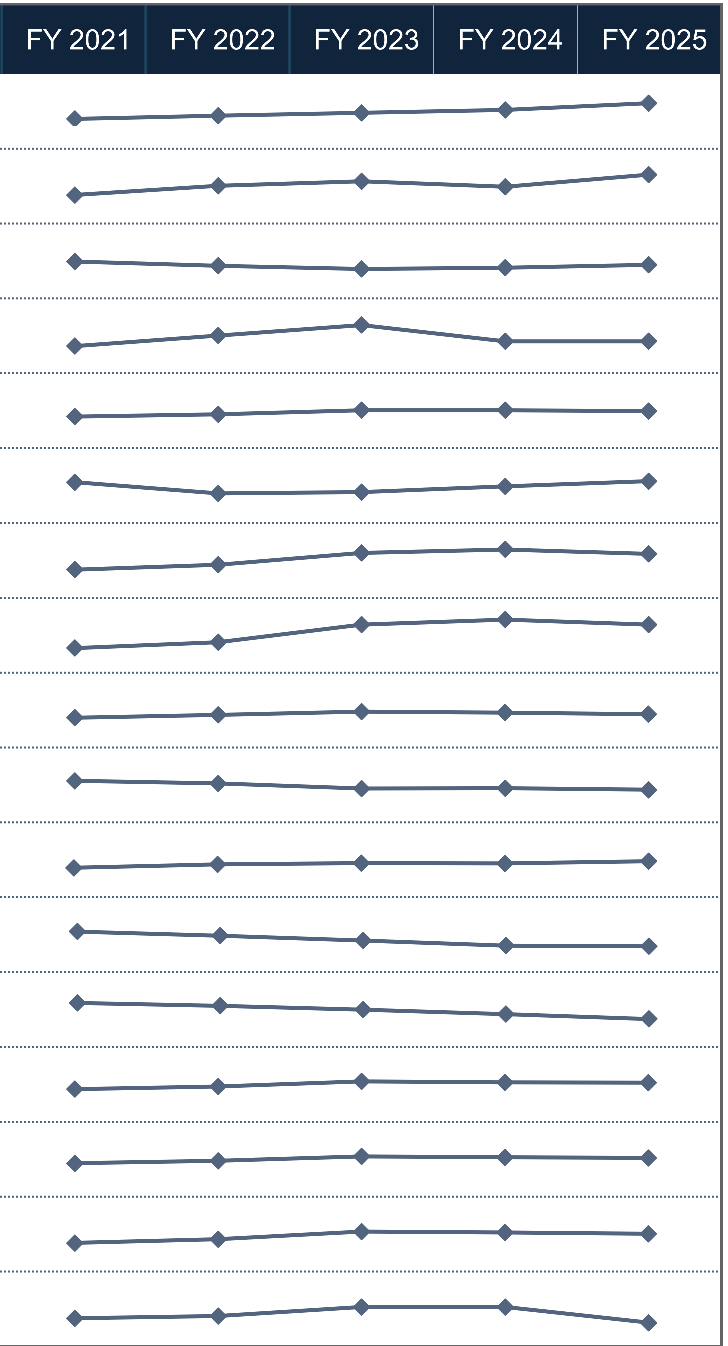
Performance Metrics

UAE banks delivered healthy balance sheet growth and better credit quality, though earnings momentum was constrained by successive rate cuts

Key Takeaways

- Banks reported solid lending activity, reflecting healthy credit demand across key segments, while deposit growth broadly kept pace, helped contain liquidity risk
- As loan growth marginally outpaced deposit mobilization, the LDR edged higher; however, there are no signs of liquidity constraints at this stage
- Asset quality continued to strengthen, with the NPL ratio maintaining a downward trajectory, supported by prudent underwriting and a supportive macro environment
- This improvement translated into a lower cost of risk, underscoring a more resilient credit profile
- On the earnings front, operating income growth remained steady, with increased contribution from non-interest income, which helped partially offset margin pressures
- Continued emphasis on cost discipline and productivity gains from AI- and technology-led initiatives further improved operating efficiency
- However, the rate-cut environment continued to weigh on net interest margins and overall bank profitability

	Metric	FY 2024		FY 2025
Size	Net L&A Growth (YoY)	12.6%	↑	20.7%
	Deposits Growth (YoY)	10.7%	↑	16.6%
Liquidity	Loan-to-Deposit Ratio (LDR)	76.2%	↑	78.9%
Income and Operating Efficiency	Operating Income Growth (YoY)	10.7%	↓	10.6%
	Operating Income / Assets	3.8%	↓	3.7%
	Non-Interest Income / Operating Income	33.6%	↑	35.9%
	Yield on Credit (YoC)	9.0%	↓	8.0%
	Cost of Funds (CoF)	4.5%	↓	3.9%
	Net Interest Margin (NIM)	2.66%	↓	2.48%
	Cost-to-Income Ratio (C/I)	28.9%	↓	28.1%
Risk	Coverage Ratio	104.0%	↑	109.4%
	Cost of Risk (CoR)	0.50%	↓	0.47%
	Non-Performing Loans (NPL) %	3.6%	↓	2.4%
Profitability	Return on Equity (RoE)	18.9%	↓	18.3%
	Return on Assets (RoA)	2.1%	↓	2.0%
	Return on Risk-Weighted Assets (RoRWA)	3.3%	↓	3.1%
Capital	Capital Adequacy Ratio (CAR)	17.1%	↓	16.4%



Improved Stable Worsened

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

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Key Sector Developments

UAE banking industry development

New Entrants
01

- Lean Technologies and Ziina announced the launch of the country's first live customer-initiated Open Finance payment experience under the CBUAE's Open Finance framework
- Tamara received a restricted finance license from the CBUAE
- Wise has obtained regulatory approval from the CBUAE to offer stored value facilities and retail payment services in the UAE
- Revolut received in-principle approval for its Stored Value Facilities and Retail Payment Services (Category II) licenses from the CBUAE

New Investments
02

- The competition commission of India has approved ENBD's proposal to acquire a majority stake in RBL Bank Ltd.
- ENBD has entered into an agreement with the DIFC to empower family businesses and ultra-high-net-worth clients with tailored governance, succession planning and wealth preservation services to safeguard legacies
- Network International has agreed to acquire RAK's merchant acquiring business, bringing the bank's merchant payments operations into its own ecosystem to expand its payments footprint in UAE

New Business Trends
03

- ADIB has become the first Islamic bank in the UAE to implement Open Finance under the AlTareq initiative
- FAB and T. Rowe Price entered a strategic partnership to enhance investment offering across the GCC
- RAK has received in-principle approval from the CBUAE to issue an AED-backed stablecoin
- ENBD launched a bank-branded gold bar in UAE designed for savers and investors
- FAB and Amundi entered a strategic partnership to expand Investment Solutions across the GCC
- ADIB and UAE's Ministry of Finance launched the first AED-denominated sovereign Sukuk for individual investors via ADIB's smart sukuk platform

New Emerging Technologies
04

- NEO PAY and Wio Bank have partnered to launch a new point-of-sale (POS) lending solution to offer flexible credit options to merchants across the UAE
- MASQ has launched an instant digital home loan pre-approval service to streamline and transform the mortgage experience for homebuyers in the UAE
- ENBD has partnered with the UAE's General Civil Aviation Authority to deploy its Host-to-Host (H2H) digital platform for fully automated, secure payment processing across the Authority's aviation ecosystem
- Finshape, a digital banking technology company, has partnered with Dubai Islamic Bank (DIB) to accelerate the bank's digital transformation and redefine customer engagement in the era of Shariah-compliant digital banking

New Regulations
05

- UAE banks have replaced SMS and email OTPs with secure in-app alerts and biometric or push approvals for transactions, in line with CBUAE's new authentication rules to enhance digital security
- CBUAE introduced a new central bank law to consolidate the regulation of banks, payment service providers, and insurers under a single legislative umbrella

Expected Challenges
06

- UAE banks are expected to remain stable supported by strong external buffers, but prolonged geopolitical tensions could still pressure liquidity, funding conditions and market sentiment
- According to S&P Global Ratings, heightened geopolitical tensions could disrupt trade flows, weaken investor sentiment, and affect tourism, and while the UAE's strong external asset position and diversified economy provide buffers, prolonged instability could still weigh on economic activity and borrower confidence

Sources: Zawya, TechAfrica News, Wise website, Revolut website, Economic Times, Emirates NBD website, FAB website, Times of India, ADIB website, Gulf News, IBS Intelligence, Khaleej Times, CBUAE website, S&P Global, EY website

UAE banks' earnings remained resilient amid rate cuts, supported by robust non-interest income growth

Key Takeaways

- Aggregate net income grew by 8.5% YoY to AED 90.0bn (vs. 8.0% in FY 2024), supported by strong non-interest income growth & operating leverage
  - Non-interest income, comprising of net fees & commission income and other operating income, increased by 18.3% YoY (vs. 19.7% YoY in FY 2024), offsetting pressure from a softer interest rate environment
- Net interest income growth remained stable at 6.7% YoY, as lower funding costs partially offset the decline in asset yields
  - Total interest expense declined by 0.8% YoY (vs. + 30.9% YoY in FY 2024), offsetting the sharp moderation in total interest income growth to 2.3% YoY (vs. 19.8% YoY in FY 2024), reflecting the impact of continued rate cuts
- Operating income grew 10.6% YoY, while operating expense growth moderated to 7.6% YoY (vs. 11.7% in FY 2024), resulting in positive operating leverage
- Overall, despite NII headwinds from rate cuts, banks' focus on fee- and commission-led income streams supported sustained profitability growth

Net Income Bridge (AED bn)

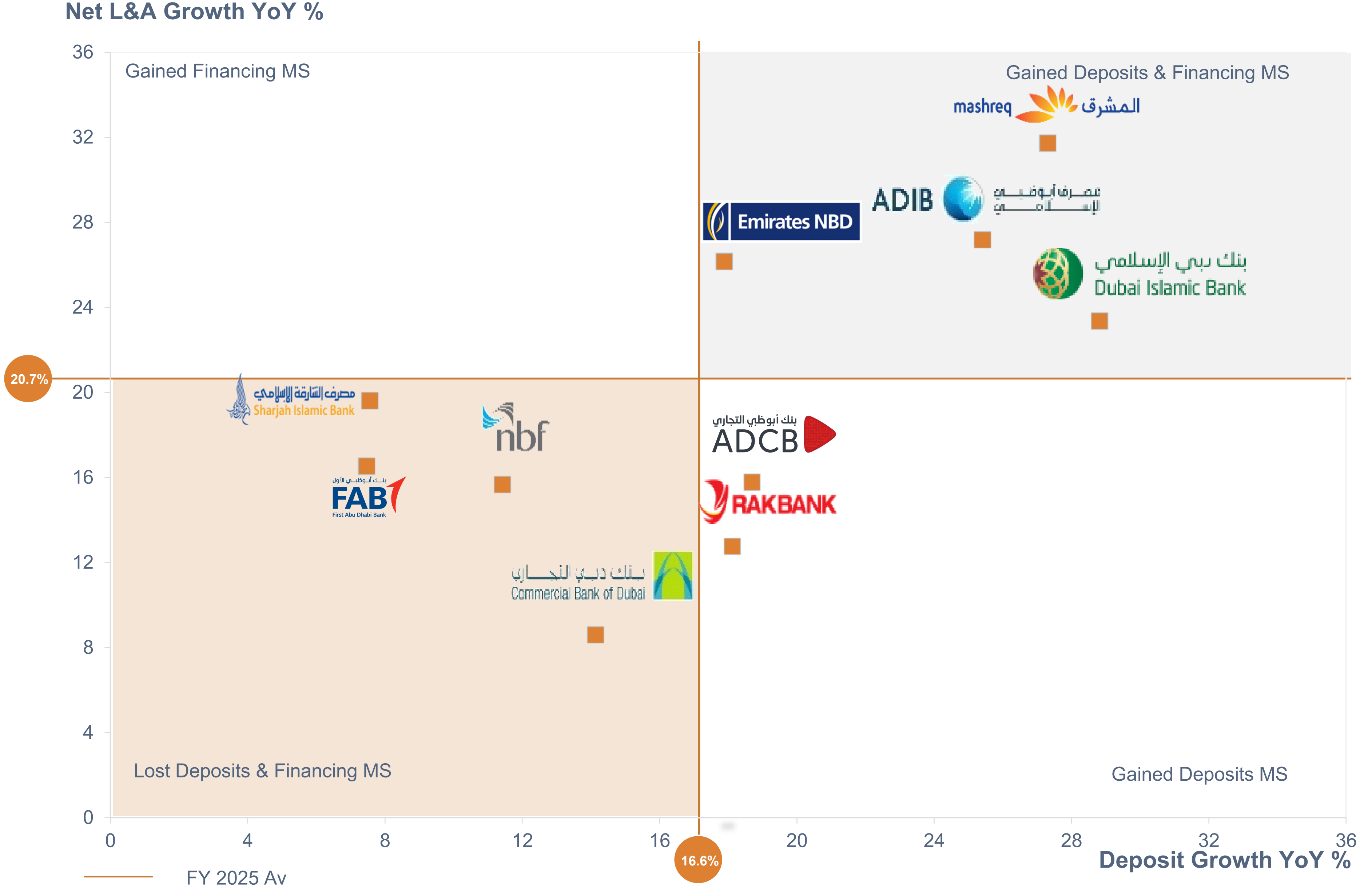
Sources: Financial statements, Investor presentations, A&M analysis
Note: Non-operating income change is not considered because of negligible change compared to other metrics

Broad-based balance sheet growth, driven by corporate lending and strong deposit inflows, supported liquidity and funding profile

Key Takeaways

- Aggregate net L&A of the banks expanded at a record pace of 20.7% YoY (vs. 12.6% YoY in FY 2024), primarily driven by strong balance sheet momentum at MASQ (+31.7% YoY), ENBD (26.2% YoY), and DIB (23.4% YoY)
  - Strong L&A growth indicated increased lending activity, reflecting robust credit demand across key segments, specifically government and corporate segment and banks' willingness to expand balance sheets amid supportive macro conditions
- On the funding side, aggregated deposits growth remained healthy, rising 16.6% YoY (vs. 10.7% YoY in FY 2024), driven by DIB (28.8% YoY) and MASQ (27.3% YoY)
  - Healthy deposit growth supported rapid asset expansion and helped mitigate liquidity risk; however, any shift in the funding mix toward higher-cost deposits could pressure margins
- In FY 2026, we anticipate the continued trend of loan growth outpacing deposit mobilization

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



Note: MS refers to Market Share. A bank growing faster than the sector gains market share, while slower growth indicates a loss of market share
Sources: Financial statements, Investor presentations, A&M analysis

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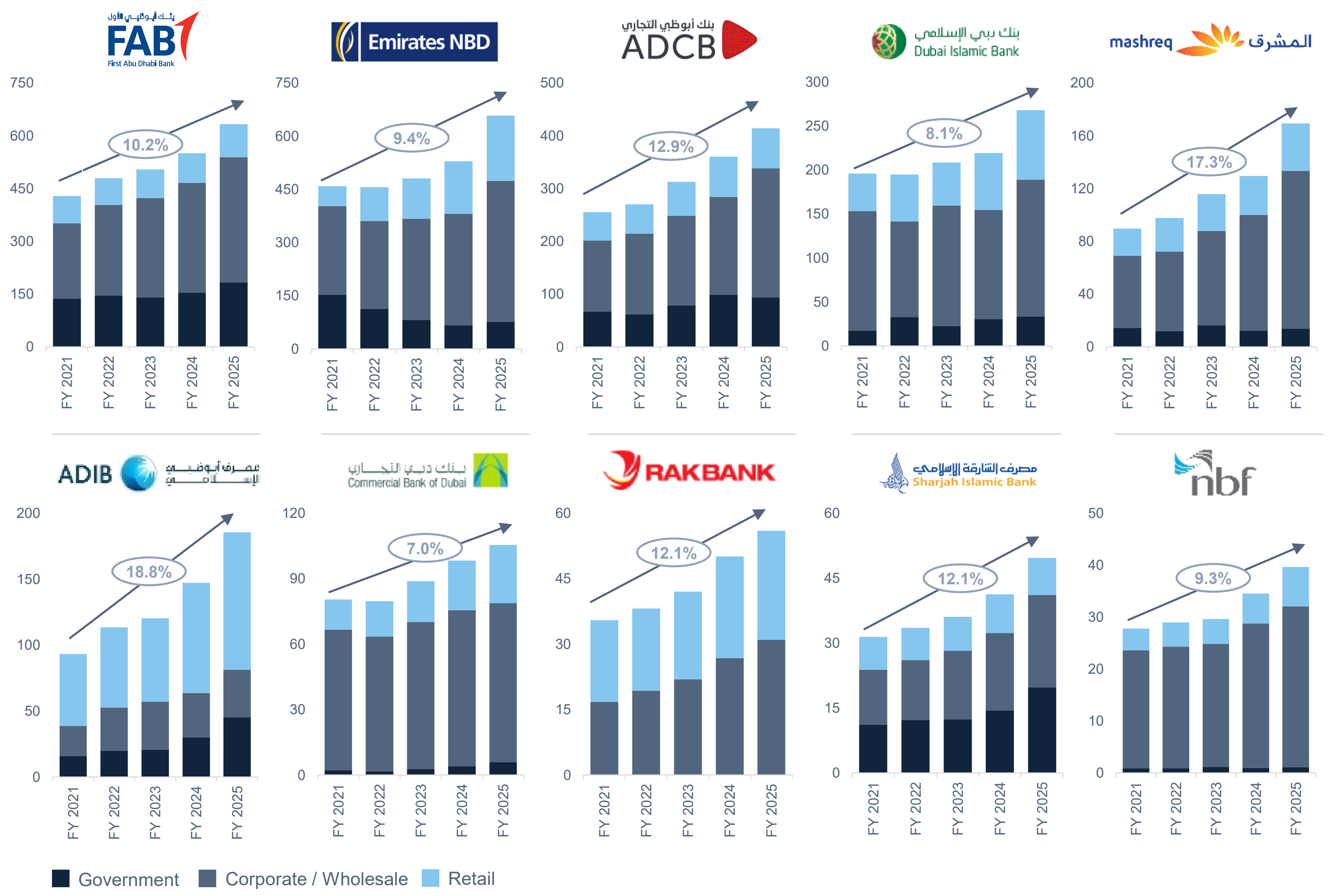
Credit growth momentum strengthened with corporate loans emerging as the key driver

Key Takeaways

- Gross loans and advances accelerated to 19.4% YoY growth, higher than 11.4% YoY in FY 2024, reflecting robust system-wide credit demand
  - Corporate/wholesale lending, accounted for 56.9% of total loans, led expansion with 22.1% YoY growth (vs. 8.1% YoY in FY 2024), driven by strong business activity
  - Retail loan growth moderated to 17.0% YoY from 21.4% YoY in FY 2024, which accounted for 24.8% of total gross loans
  - Government loans accounted for 18.3% of total loans, increased by 14.6% YoY (vs. 9.2% YoY in FY 2024)
- In terms of market share, ENBD held 25.5% of total gross loans among the top ten banks, overtaking FAB that accounted for 24.5%, followed by ADCB at 16.1%
- ENBD surpassed AED 1tn in balance sheet size, driven by strong lending momentum, including a 48% YoY growth in KSA, which may accelerate further after receiving regulatory approval to acquire a majority stake in RBL Bank in India

Gross Loans and Advances (AED bn)



Note 1: Scaling and some numbers might not add up due to rounding off.
Note 2: MASQ reported segment wise total L&A mix does not match with gross L&A, as gross L&A is adjusted with unearned income of Islamic financing.
Note 3: SIB reported segment wise total L&A mix does not match with gross L&A mix, as gross L&A is adjusted with differed profits.
Sources: Financial statements, Investor presentations, A&M analysis

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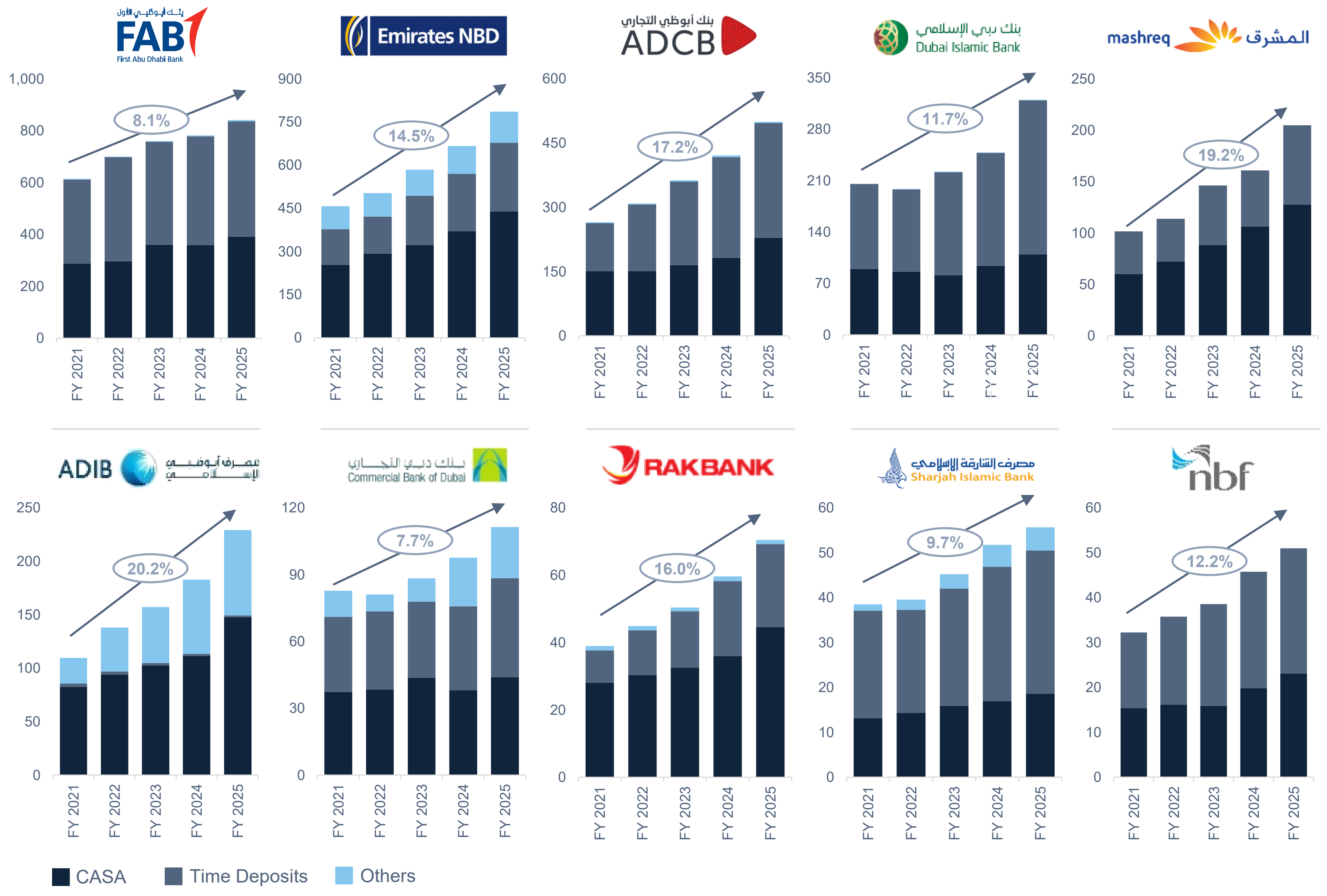
Deposit growth accelerated on strong CASA flow, strengthening funding profile

Key Takeaways

- Aggregate deposits grew by 16.6% YoY, accelerating from 10.7% YoY in FY 2024, driven by strong traction in both CASA and time deposits
  - CASA deposits, accounting for 49.7% of total deposits, increased by 18.0% YoY (vs. 8.6% YoY in FY 2024), supporting a stable and low-cost funding mix
  - Time deposits, representing 43.2% of total deposits, recorded 16.1% YoY growth, up from 11.1% YoY in FY 2024, despite a declining rate environment
- In terms of market share among the top ten banks, FAB held the largest share at 26.5%, followed by ENBD at 24.8% and ADCB at 15.8%

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

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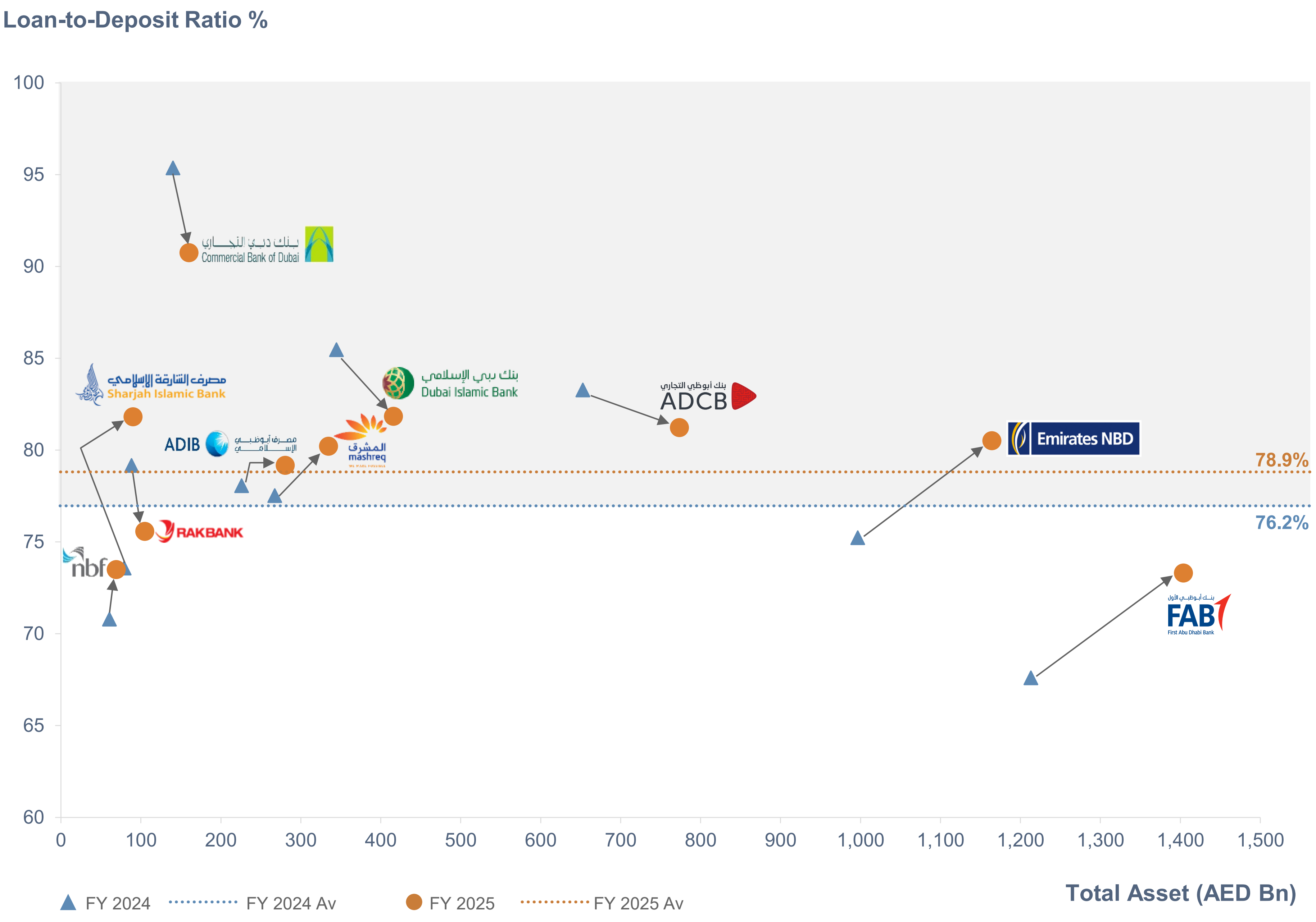
LDRs trend higher as loan expansion exceeds deposit mobilization

Key Takeaways

- Aggregate net loan growth of 20.7% YoY continued to outpace deposit growth (16.6% YoY), driving a 2.6% bps YoY increase in LDR to 78.9%
- SIB recorded the sharpest LDR expansion, up 8.2% YoY to 81.8%, driven by strong loan growth of 19.6% YoY amid subdued deposit growth of 7.6% YoY
  - SIB's deposit growth moderated due to slower time deposit accretion (+6.6% YoY vs. 14.6% YoY in FY 2024), which accounted for 57.3% of total funding
- Following SIB, FAB and ENBD also reported meaningful LDR expansion of 5.7% YoY to 73.3% and 5.3% YoY to 80.5%, respectively
  - FAB's lending grew by 16.5% YoY, driven by government (19.1% YoY) and corporate loans (13.9% YoY), while deposits grew by 7.5% YoY
  - ENBD's loan book expanded by 26.2% YoY, underpinned by strong growth in corporate (+26.7% YoY) and retail (24.3% YoY) segment, along with strong deposit mobilization of 17.9%

Loan to Deposits Ratio (%)



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

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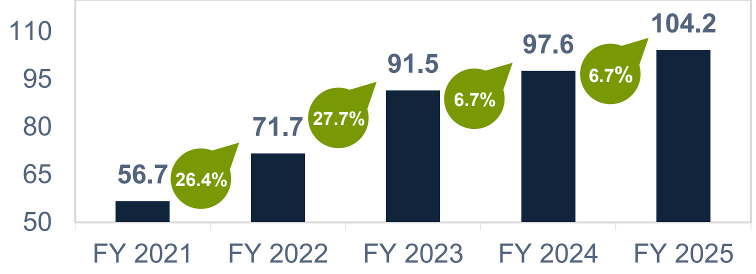
Stable operating income growth reflected resilient non-interest income amid rate cut headwinds

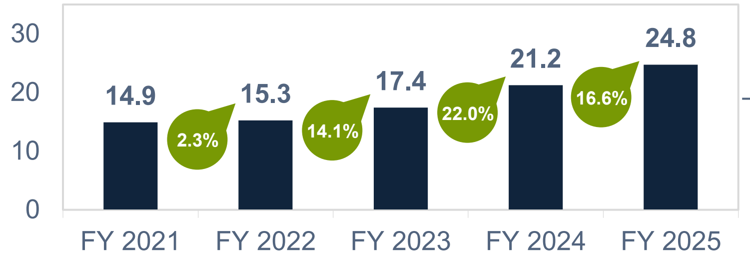
Key Takeaways

- Total operating income increased 10.6% YoY to AED 162.5bn, broadly in line with 10.7% YoY growth in FY 2024, indicating steady topline momentum amid a softer rate environment
  - Net interest income growth remained stable at 6.7% YoY, reflecting resilience amid rate cuts
  - Fee and commission income grew by 16.6% YoY (vs. 22.0% YoY in FY 2024), while other operating income accelerated to 19.6% YoY (vs. 18.0% YoY in FY 2024), reinforcing the role of non-interest income in supporting operating performance
- The share of net interest income in operating income declined by 2.3% YoY to 64.1%, while the share of net fees and commission income increased to 15.2% (+0.8% YoY)
- Going forward, we expect banks will continue to diversify income sources and increase fee & commission income to mitigate pressure on net interest margins

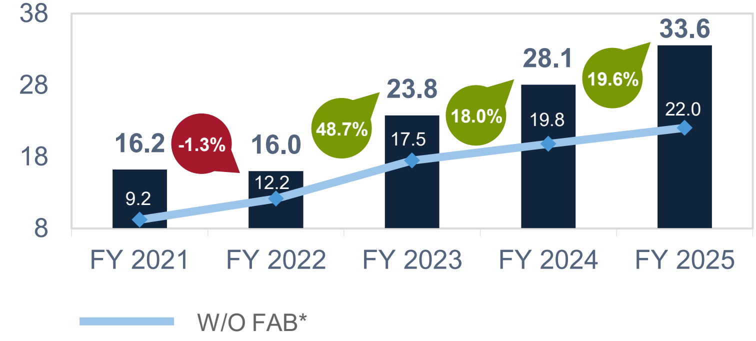
Net Interest Income
(AED bn)



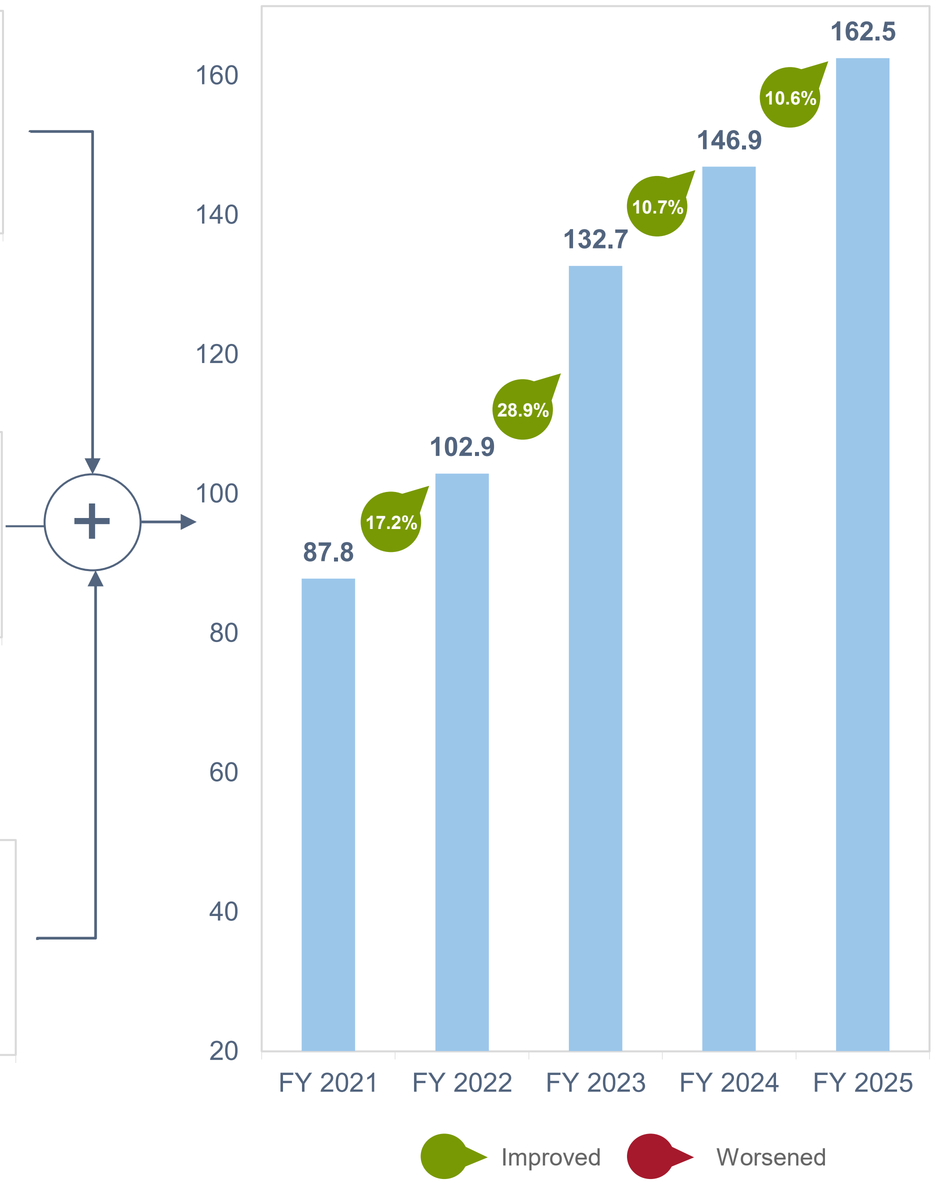
Fees & Commission Income
(AED bn)



Other Operating Income
(AED bn)



Operating Income
(AED bn)



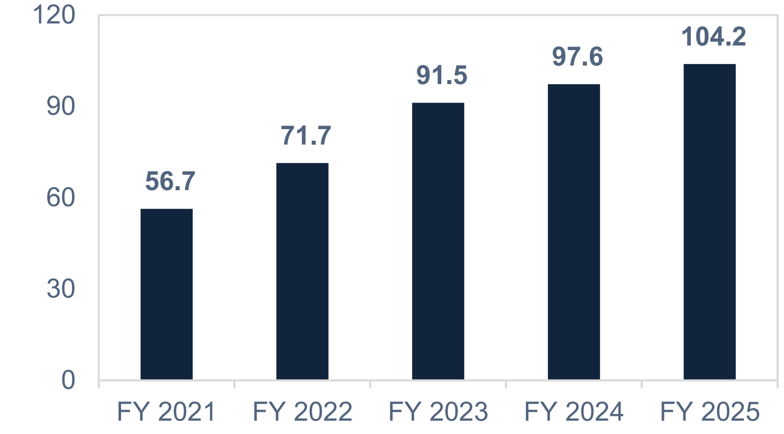
Note: Some numbers might not add up due to rounding
** Other operating income without FAB numbers are presented separately, as its large contribution to other operating income distorts the aggregate*
Sources: Financial statements, investor presentations, A&M analysis

NIM remained under pressure amid rate cuts and following asset yield compression

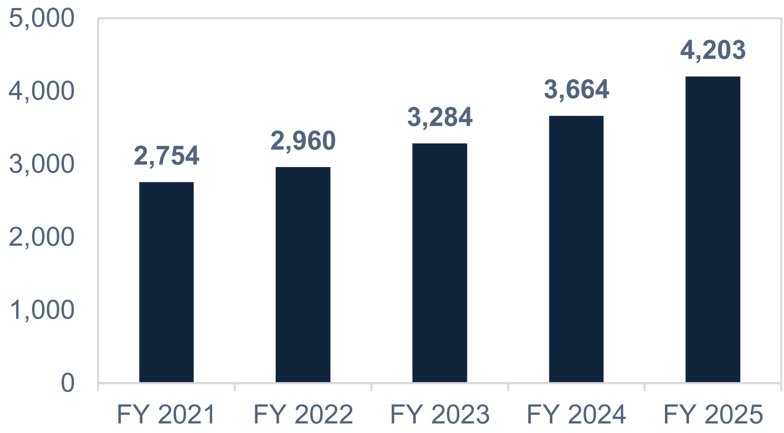
Key Takeaways

- Lower benchmark rates continued to exert pressure on aggregate NIM, which compressed to 2.48% from 2.66% in the previous year
  - The substantial rate cut of 75bps by CBUAE during the year materially impacted the aggregate NIM
- Net interest income of the banks grew by 6.7% YoY to AED 104.2bn, while average net earning assets witnessed growth of 14.7% YoY, compared to 11.6% YoY growth in the prior year
- YoC declined by 1.0% YoY to 8.0%, while CoF decreased by 61bps YoY to 3.9%
  - As a result, spreads compressed by 40bps YoY to 4.1%

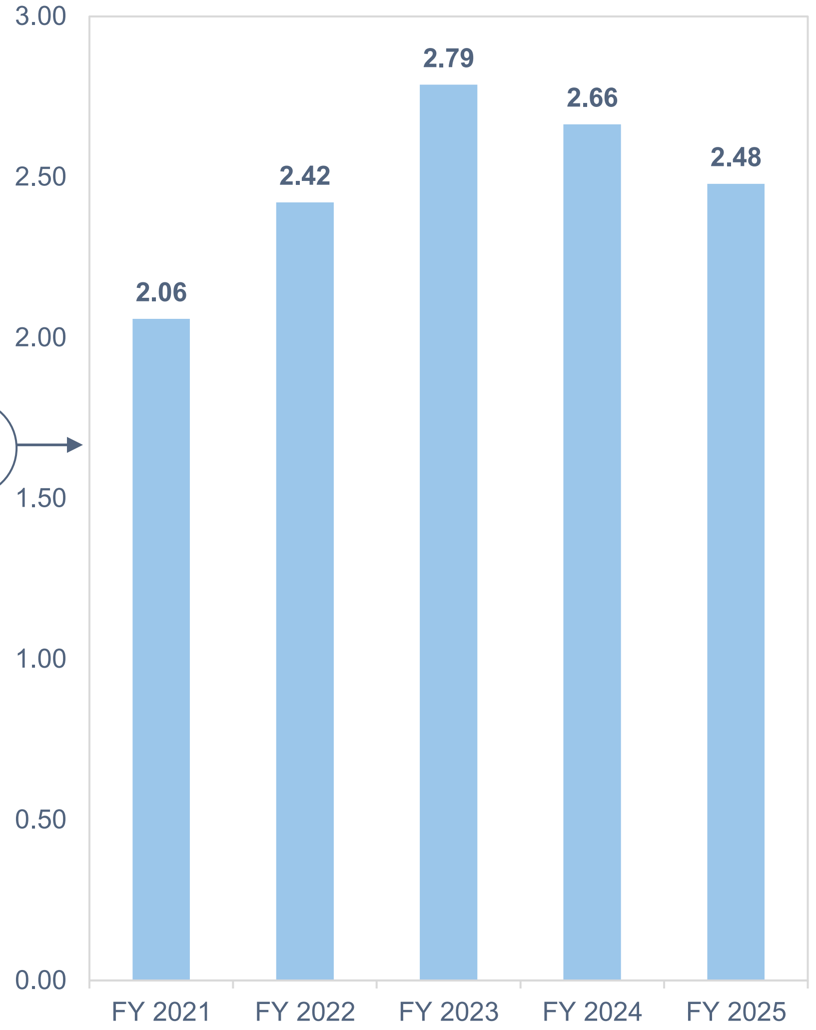
Net Interest Income
(AED bn)



Net Earning Assets**
(AED bn)



Net Interest Margin*
(%)



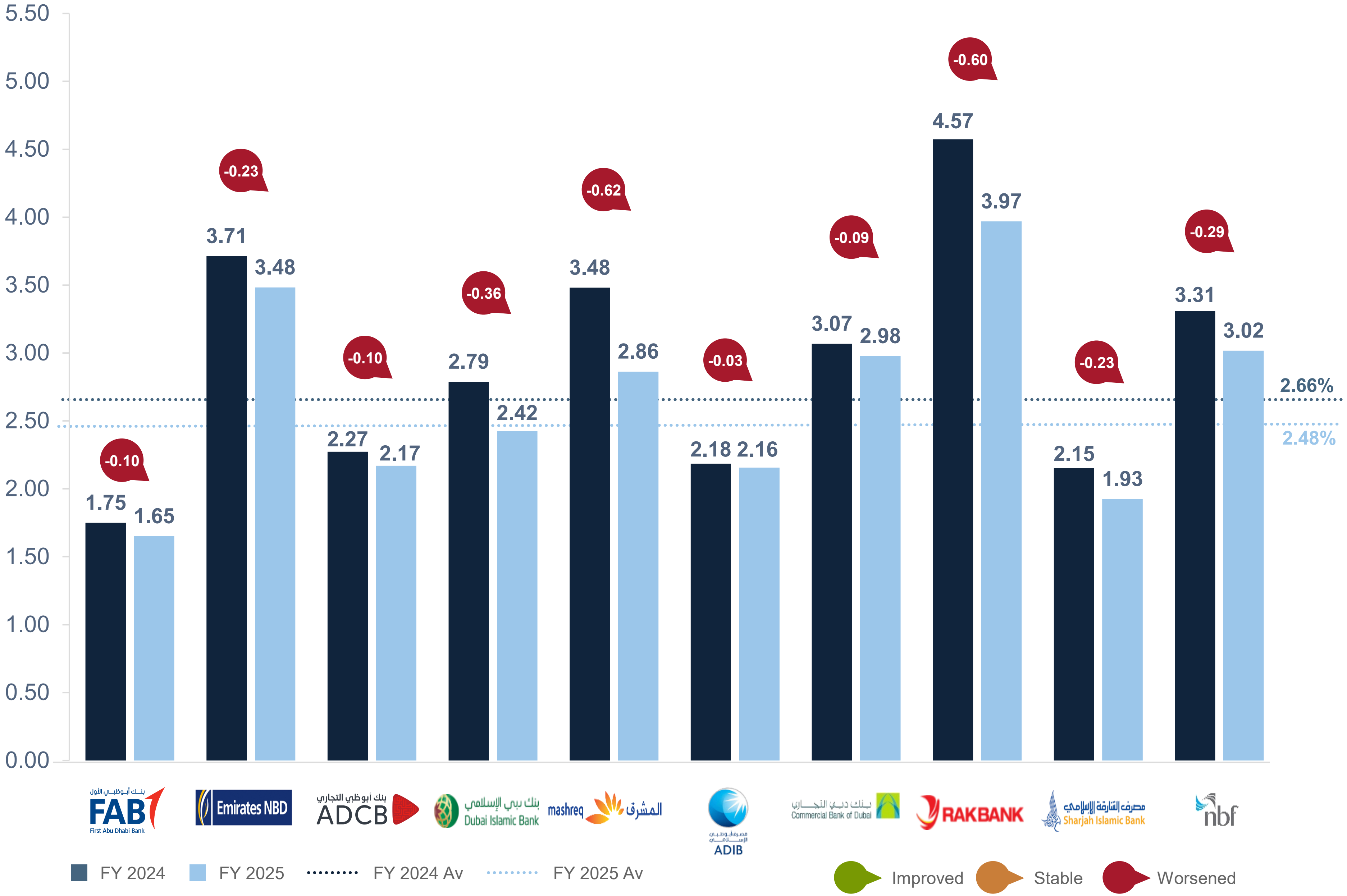
*Notes: *Net Interest Margin calculated as annual net interest income divided by annual net earning assets, where net earning assets are calculated as average of the current and previous period*
***Net earning assets are calculated as average of the current and previous period*
Sources: Financial statements, investor presentations, A&M analysis

Net Interest Margins are pressured due to continued rate cuts

Key Takeaways

- All leading banks in the Emirates reported margin compression during the period, reflecting continued pressure on asset yields amid a moderating rate environment
- Among the top five banks, MASQ saw the sharpest impact, with NIM contracting 62bps YoY to 2.86%
  - Despite robust net loan growth of 31.7% YoY, net interest income declined 2.9% YoY
- DIB's NIM narrowed by 36bps YoY to 2.42%, primarily driven by a 1.1% YoY decline in YoC to 6.1%
  - Although cost of funds improved, falling 53bps YoY to 3.4%, the benefit was outweighed by asset-side repricing pressure

Net Interest Margin (%, Annual)

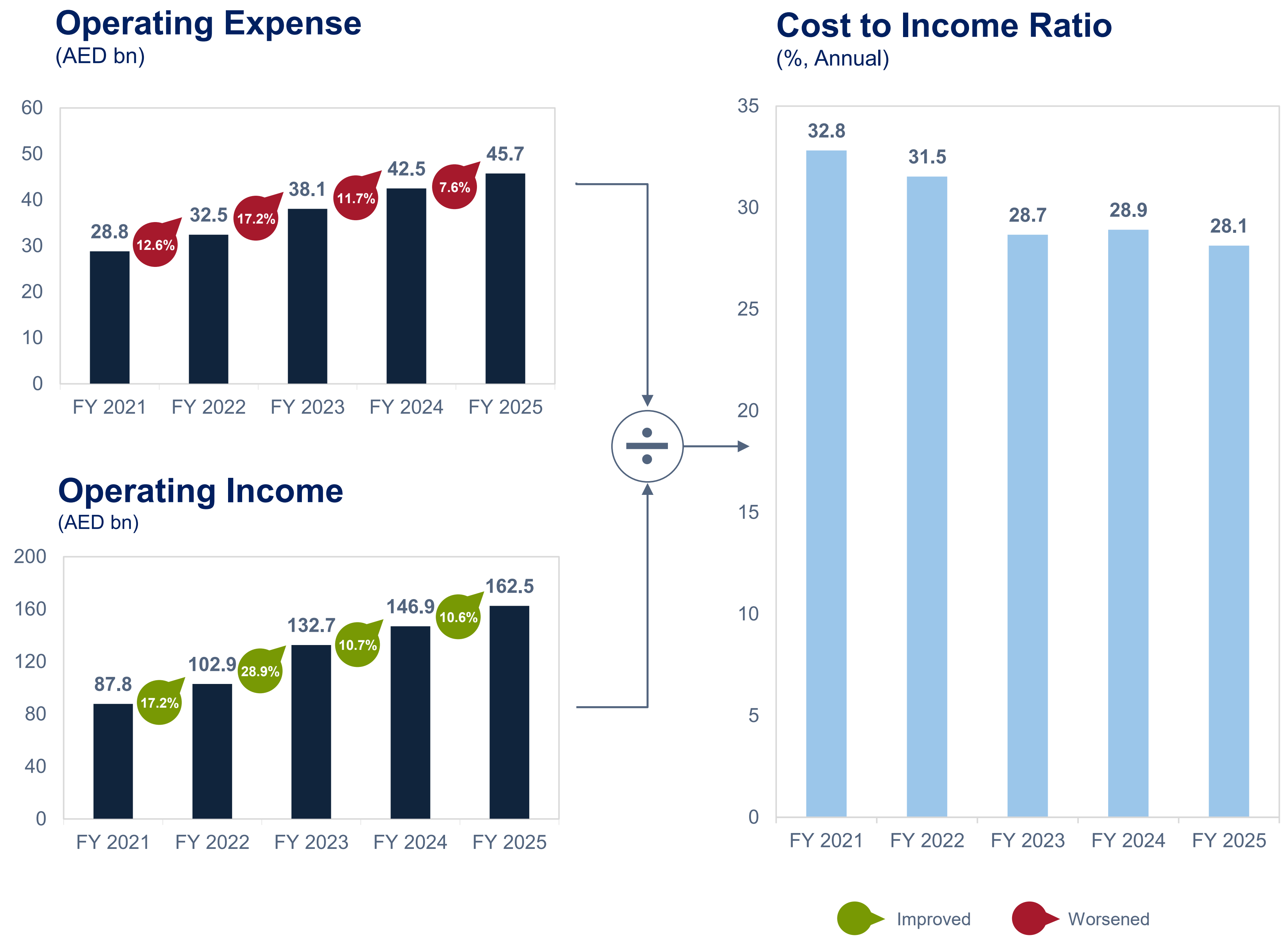


Note: Some numbers might not add up due to rounding
Sources: Financial statements, investor presentations, A&M analysis

Sustained cost discipline and technology led productivity gains drove an improvement in cost efficiency

Key Takeaways

- Aggregate operating efficiency of banks improved over the period and the C/I ratio fell to 28.1% (vs. 28.9% in the prior year)
  - Operating income increased by 10.6% YoY (vs. 10.7% YoY in FY 2024) outpacing operating expense growth of 7.6% YoY (vs. 11.7% YoY in FY 2024), resulting in a lower C/I ratio
  - The moderation in the operating expense growth was primarily attributable to tighter cost controls and productivity gains stemming from sustained investments in technology and AI



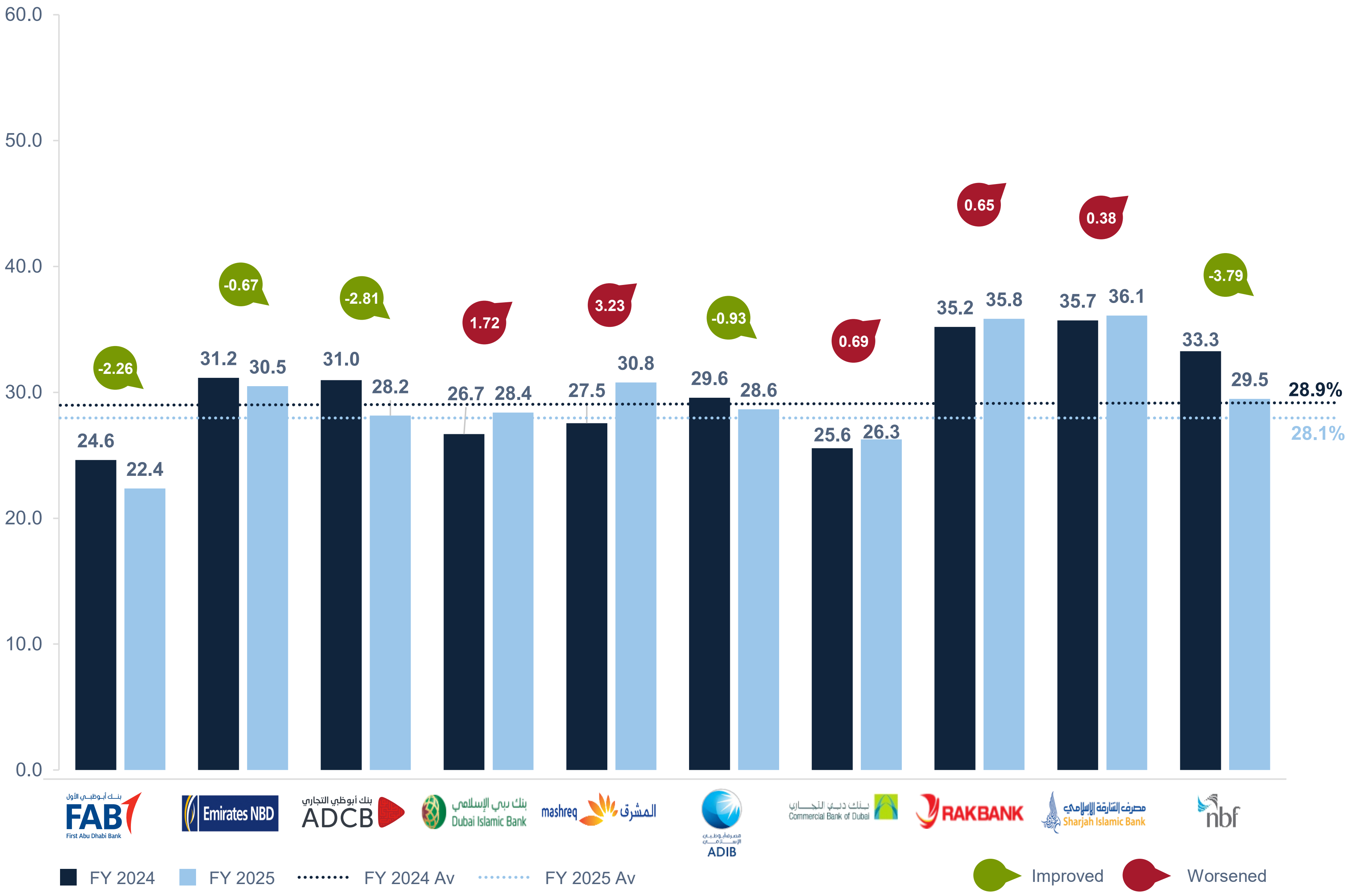
Note: Some numbers might not add up due to rounding
Sources: Financial statements, investor presentations, A&M analysis

Select banks are translating technology investments into tangible efficiency gains

Key Takeaways

- Of the ten leading UAE banks, five reported improvement in operating efficiency, with NBF, ADCB, and FAB emerging as key outperformers
- NBF delivered notable enhancement in efficiency, with its C/I ratio improving to 29.5% from 33.3% in the previous year, supported by strategic focus on cost optimization and digitalization initiatives
  – Operating expense of the bank decreased by 3.1% YoY, while operating income grew by 9.3% YoY
- ADCB reported C/I ratio of 28.2%, improving by 2.8% YoY
  – The improvement was driven by sustained cost discipline alongside ongoing groupwide AI and digital transformation initiatives, which enhanced productivity and supported efficiency gains
- FAB also demonstrated improved cost efficiency, with its C/I ratio declining by 2.3% YoY to 22.4%
  – Groupwide AI initiatives, including the rollout of Microsoft Copilot and 30+ agentic solutions, are driving measurable efficiency gains & stronger operational performance across the group

Cost to Income Ratio (%, Annual)



Note: Scaling and some numbers might not add up due to rounding
Sources: Financial statements, investor presentations, A&M analysis

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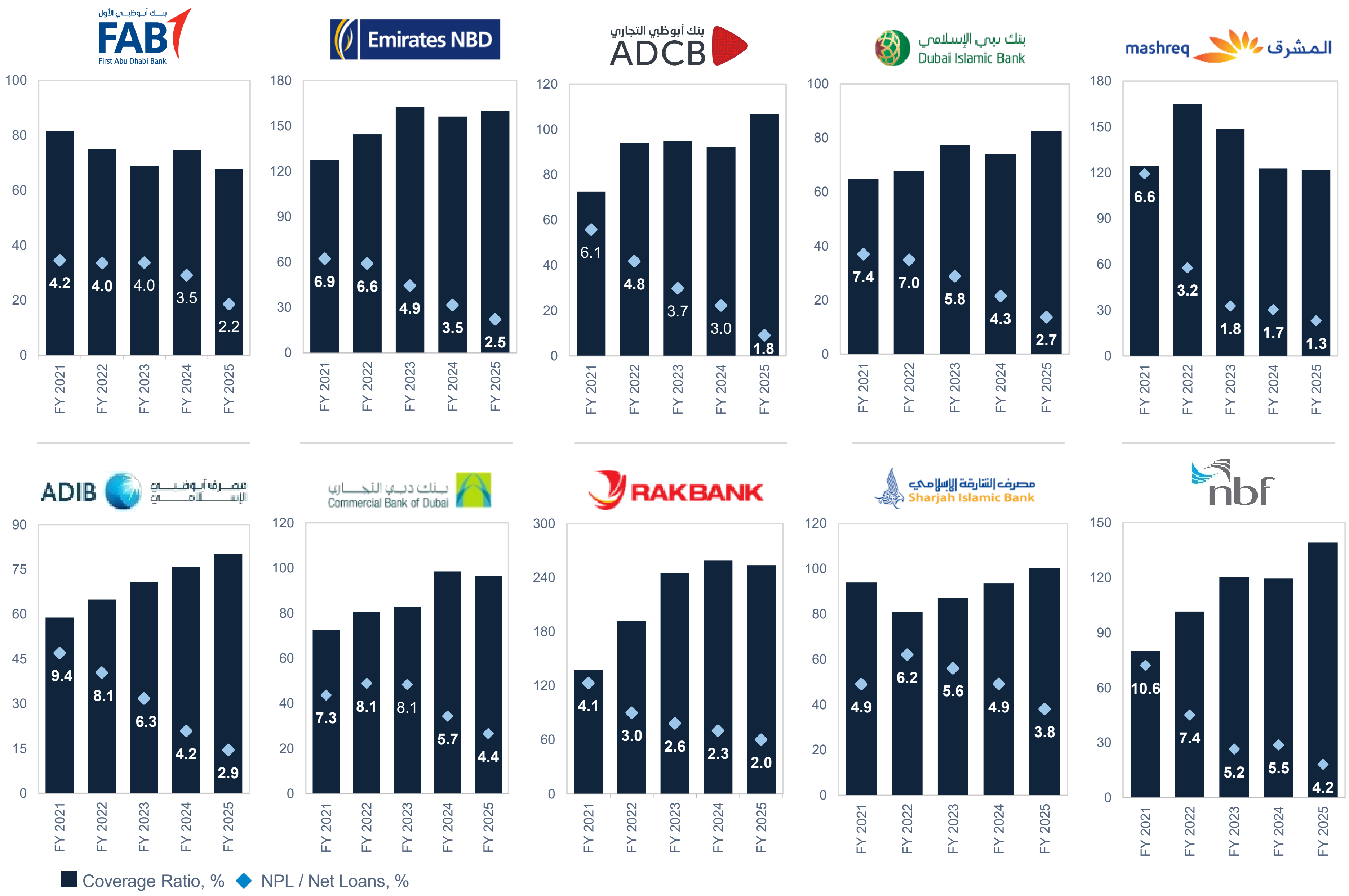
Strong credit discipline and proactive provisioning drive continued improvement in banks' asset quality and balance sheet resilience

Key Takeaways

- Aggregate coverage ratio improved by 5.4% YoY to 109.4%, supported by reduction in NPLs and corresponding decline in allowance for impairment
  - NPLs fell by 18.7% YoY, while allowance for impairment reduced by 14.5% YoY, driven by a combination of better recoveries and additional write-offs
  - Overall, the NPL ratio declined to 2.4% from 3.6% in the previous year
- Among the leading ten banks, ADCB and MASQ reported the lowest NPL ratio at 1.8% and 1.3%, respectively, reaching record low levels
- The sustained improvement in asset quality metrics reflects banks' disciplined credit risk management and focus on maintaining a fundamentally strong balance sheet
- We expect asset quality and balance-sheet resilience to remain strong in the year ahead, supported by robust risk management practices and effective regulatory oversight

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



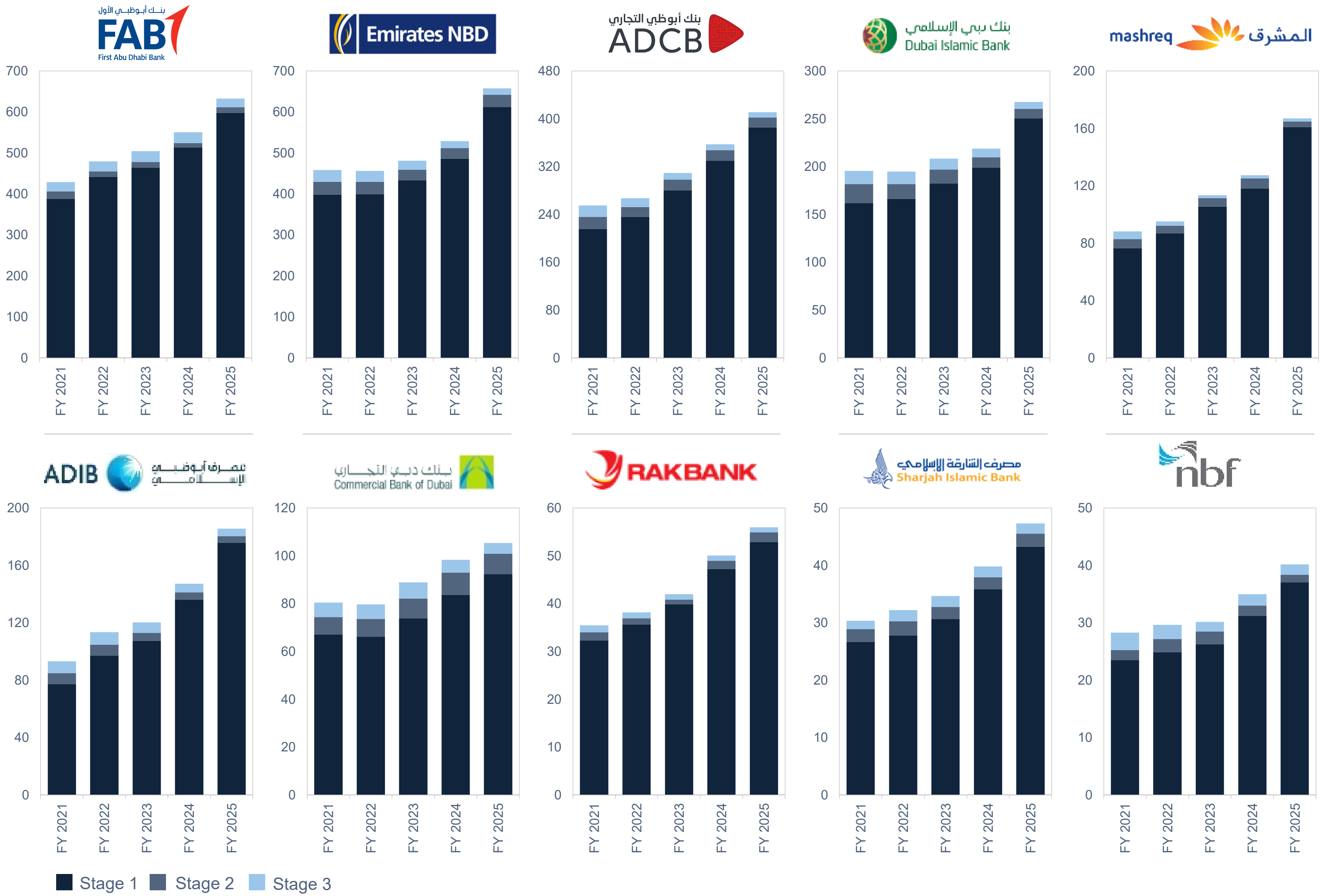
Note: Scaling and some numbers might not add up due to rounding
Sources: Financial statements, investor presentations, A&M analysis,
[1] Coverage Ratio is calculated as accumulated allowance for impairment divided by NPL

Improving asset quality mix supported a more resilient and lower-risk balance sheet

Key Takeaways

- The asset quality mix improved materially, reflected in continued decline in riskier loan buckets and higher proportion of Stage 1 loans
  - Stage 3 loans reported a decline of 15.4% YoY, reflecting improving asset quality
  - As a result, share of Stage 3 loans declined to 2.7% from 3.8% in the previous year, indicating meaningful reduction in impaired assets
  - Stage 2 loans rose by 3.1% YoY, yet their share of the loan book fell to 3.7% from 4.2% a year earlier
- Among the top five banks, DIB and FAB recorded the most significant improvement in high-risk exposures, with Stage 3 loans decreasing by 21.6% YoY and 20.8% YoY, respectively

Stage Wise Gross L&A mix (AED bn)



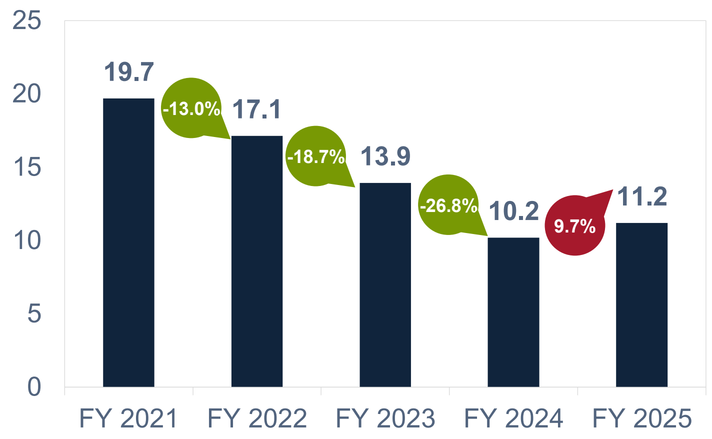
Note 1: Scaling and some numbers might not add up due to rounding off
Note 2: ADCB reported stage wise L&A mix without including L&A at fair value through profit and loss
Sources: Financial statements, investor presentations, A&M analysis

Lower provisioning requirement, coupled with robust credit growth underpinned the sustained improvement in CoR

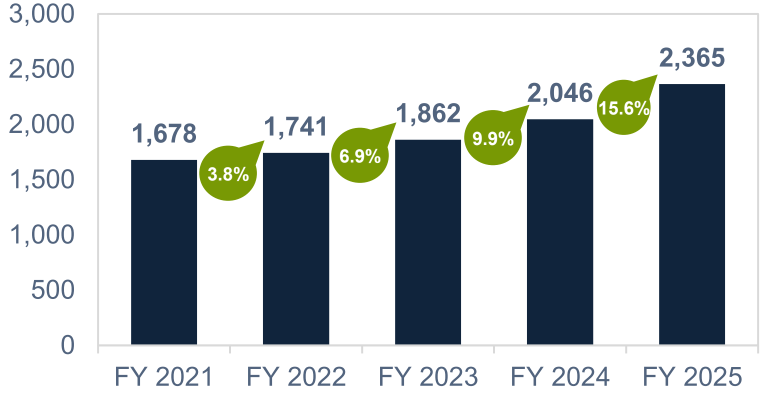
Key Takeaways

- The aggregate CoR continue its downward trajectory, reflecting reduced requirement for loan loss provisioning amid increasing impaired loan loss across the portfolio
  - The aggregate CoR improved to 0.47% from 0.50% in the FY 2024, supported by strengthening asset quality trends
  - The average gross loan growth of 15.6% YoY outpaced the 9.7% YoY growth of net loan loss provision, further compressing the CoR and indicating improved credit performance alongside balance sheet expansion
- Real estate loans of banks increased by 19.4% YoY, compared to 12.0% YoY growth in the previous year, while its contribution to the total loan book reduced to 12.7% from 14.0% in FY 2024
- Regulatory caps on real estate exposure, alongside strong capital buffers and ample liquidity, limit downside transmission to lenders' asset quality, even in the event of a moderation in property market conditions

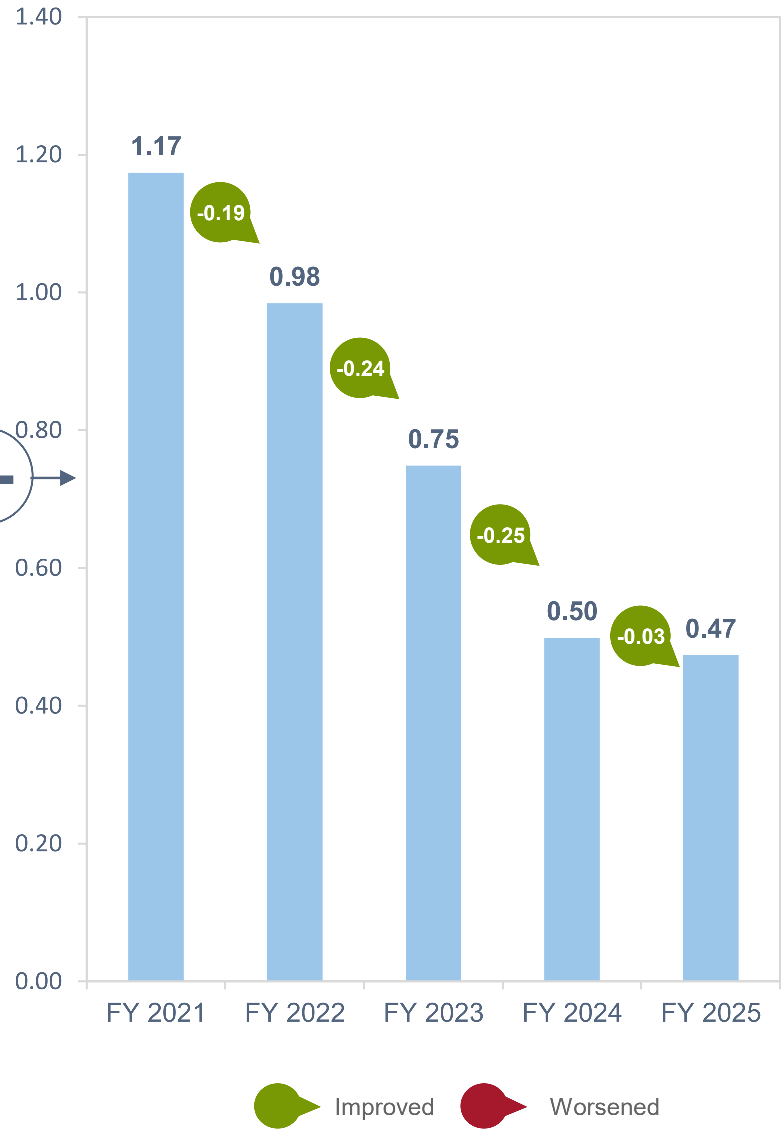
Net Loan Loss Provisions
(AED bn)



Gross Loans**
(AED bn)



Cost of Risk*
(%)

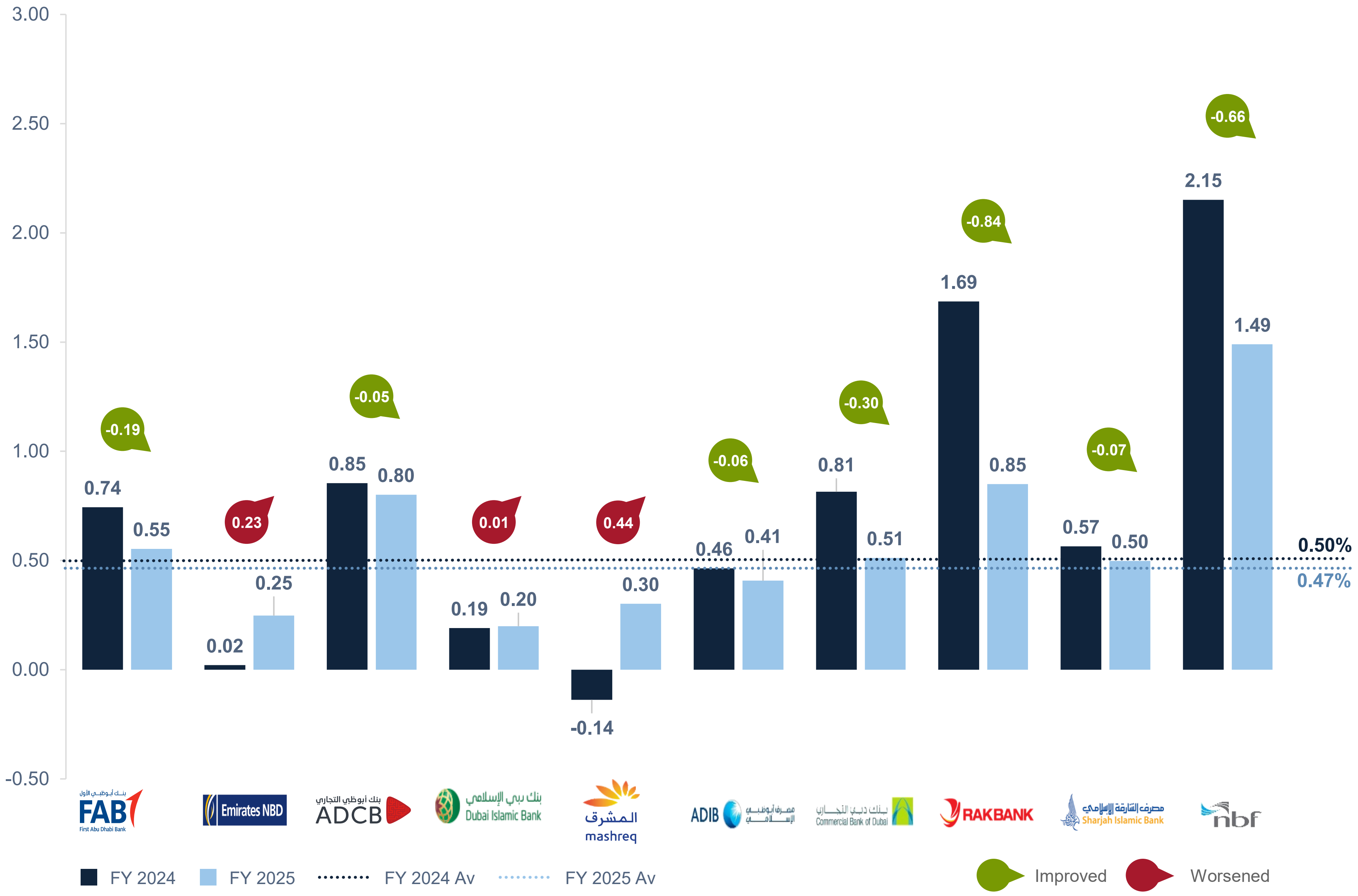


Note: Some numbers might not add up due to rounding,
**CoR is calculated as annual Net Loan Loss Provisions divided by the Gross Loans, where gross loans are calculated as average of the current and previous period*
*** Gross loans are calculated as average of the current and previous period*
Sources: Financial statements, investor presentations, A&M analysis

Most UAE banks saw an improvement in the cost of risk

Key Takeaways

- Seven out of ten banks reported an improvement in the CoR, with RAK and NBF emerging as the strongest performers
  - RAK recorded a sharp decline in CoR to 0.85% (vs. 1.69% in FY 2024), supported by substantial decline of net loan loss provision by 41.9% YoY
  - NBF also delivered meaningful improvement, with CoR declining by 66bps YoY to 1.49%
- Among the top five banks, FAB registered the largest improvement, with CoR decreasing by 19bps YoY to 0.55%, supported by continued asset quality strengthening
- In contrast, ENBD reported a 23bps YoY increase in CoR to 0.25%; however, this remains within its guided range of 20–40bps
  - For FY 2026, ENBD has guided for a CoR range of 30–50bps, while FAB expects less than 70bps, indicating rising pressure on asset quality



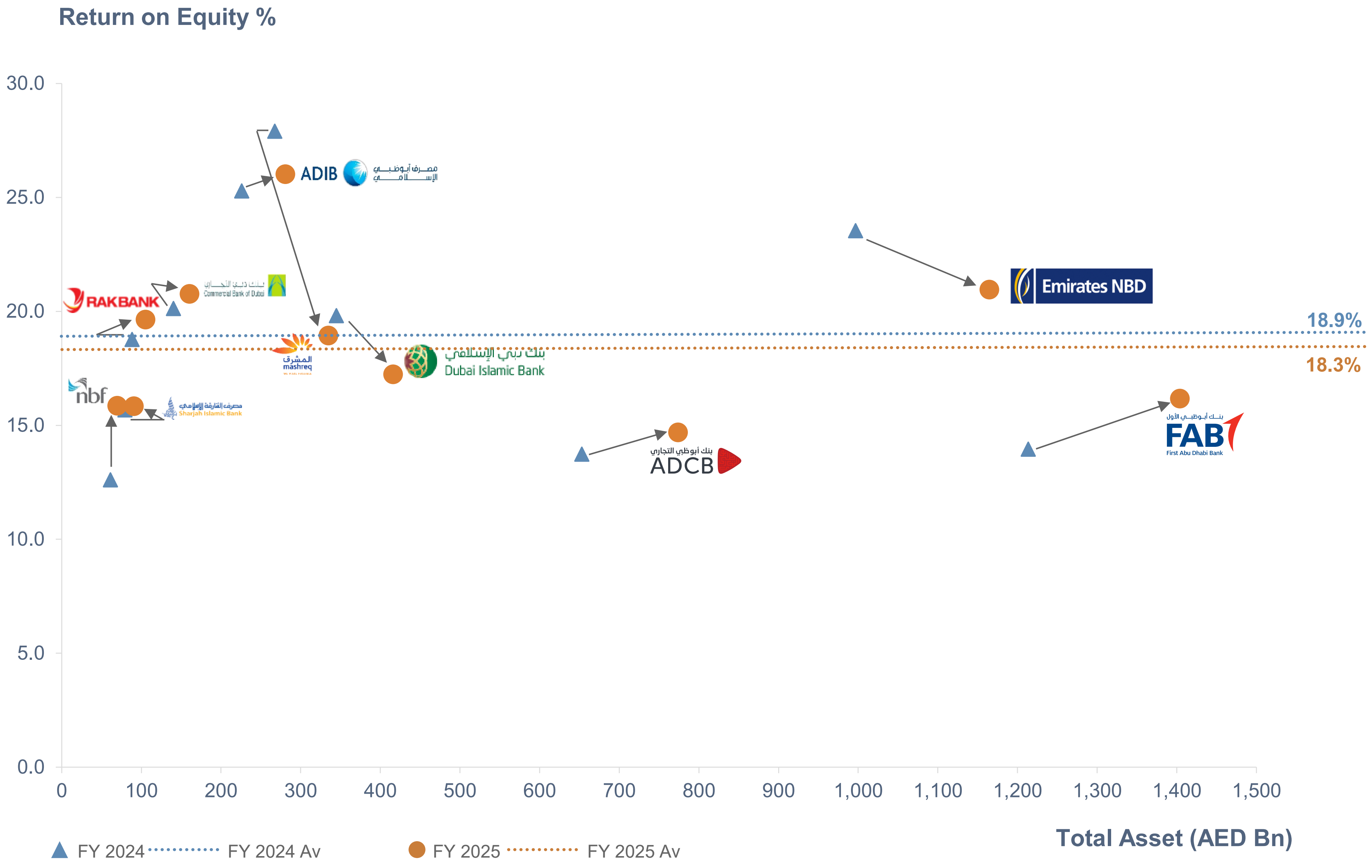
Note: Scaling and some numbers might not add up due to rounding
Sources: Financial statements, investor presentations, A&M analysis

Banks' RoE moderated as capital growth outpaced earnings expansion, with select large banks weighing on aggregate returns

Key Takeaways

- Aggregate RoE moderated by 63bps YoY to 18.3%, as net income growth* of 8.3% YoY was outpaced by a 13.7% YoY increase in aggregate shareholders' equity, reflecting capital accretion and balance sheet expansion
- While seven out of ten banks reported an improvement in RoE, overall sector returns were weighed down by MASQ, DIB, and ENBD
  - These banks recorded RoE of 18.9% (-9.0% YoY), 17.2% (-2.6% YoY), and 21.0% (2.6% YoY), respectively
- The marginal dip in RoE along with slight softening in capital adequacy in FY 2025 highlights a deliberate shift in balance-sheet strategy, where banks are seen optimizing capital preservation and sustaining profitability

Return on Equity (%, Annual)

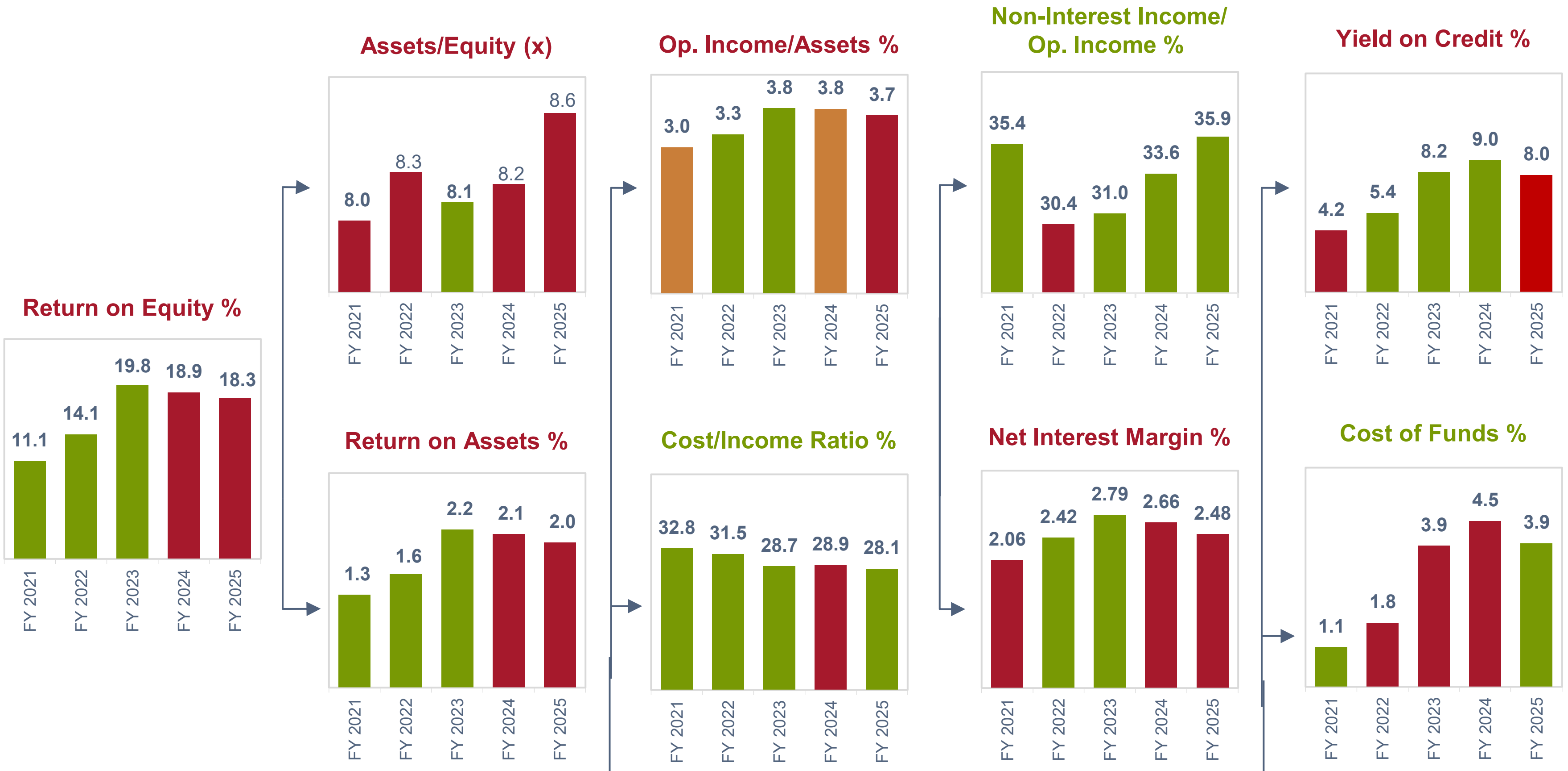


Note: Scaling and some numbers might not add up due to rounding,
*Net income refers to net income attributable to equity shareholders
Sources: Financial statements, investor presentations, A&M analysis

Stronger asset quality, balance sheet growth, and cost efficiency underpin resilience, though rate cuts may pressure profitability

Key Takeaways

- Banking profitability moderated during the period, with aggregate RoE easing to 18.3% from 18.9%, as capital base expansion outpaced the net income growth*, resulting in mild dilution of returns
- According to the CBUAE, UAE's real GDP is projected to grow by 5.0% in FY 2025, underpinned by 4.9% expansion in the non-hydrocarbon sector and 5.4% rebound in the hydrocarbon segment
- Growth momentum is expected to strengthen further in FY 2026, with GDP forecast to accelerate to 5.2%, driven by robust performance across both segments: non-hydrocarbon at 4.7% and hydrocarbon at 6.7%
- UAE banks remain well-capitalized, with continued balance sheet expansion and improving asset quality metrics providing structural support and on the other hand technology led investments resulting cost efficiency gains
- However, a potential easing cycle and rate cuts could exert incremental pressure on net interest margins and overall profitability



Note: All the charts above are based on annual numbers
Op Income stands for Operating Income
and some numbers might not add up due to rounding
**Net income refers to net income attributable to equity shareholders*
Sources: Financial statements, Investor presentations, A&M analysis

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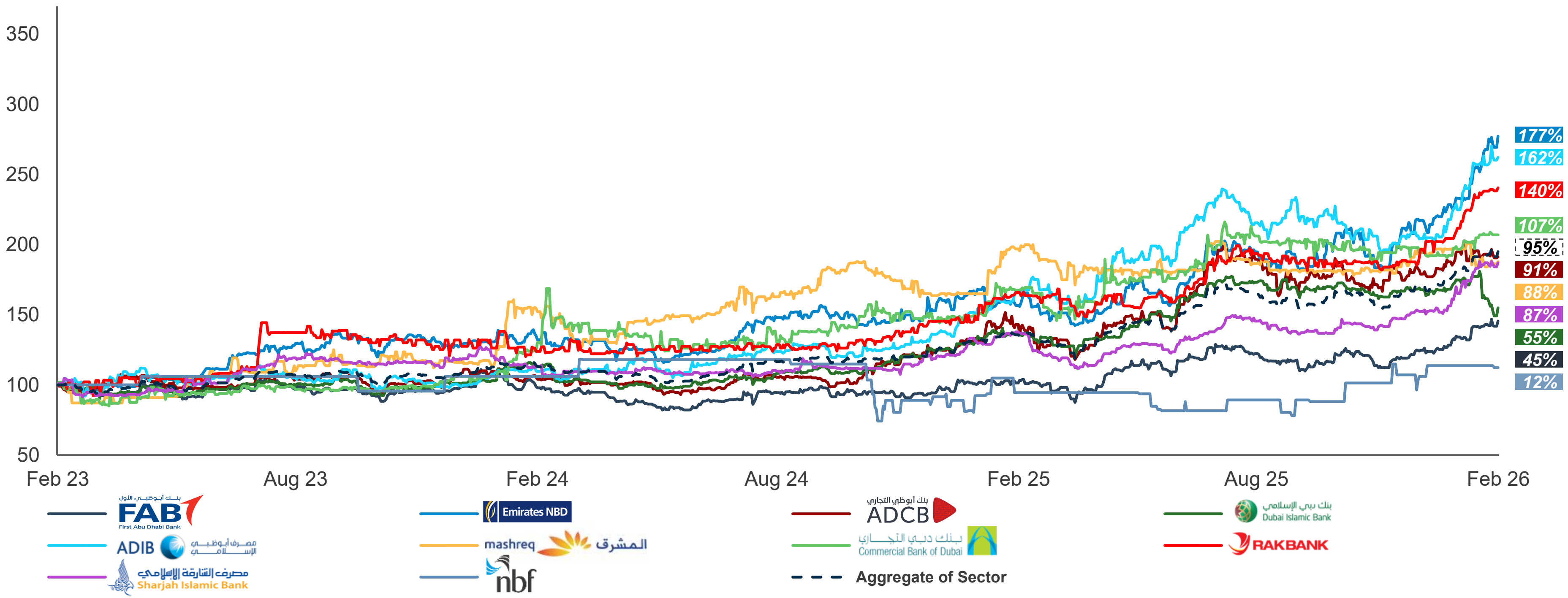
UAE banks extended their outperformance through FY 2025, driven by resilient fundamentals and diversified income growth

Key Takeaways

- FY 2025 outperformance (>30% share price increase over the last twelve months) was driven by strong loan growth, resilient margins despite rate normalization, and sustained momentum in non-interest income, led by fees, trading, and treasury activities
- Credit growth remains the core earnings' driver, with leading UAE banks guiding to low-to-mid teens loan growth supported by diversified pipelines. Margins are normalizing but remain resilient, supported by strong CASA and a structurally higher non-interest income base
- Asset quality remains sound, although early signs of normalization are emerging as provisioning and write-offs rise from cycle lows, sharpening investor focus on earnings quality

Share Price Evolution Across UAE Banks

L3Y Share Price Evolution (Rebased to 100)



	L3M	Q4	L6M	L1Y	L2Y	L3Y
First Abu Dhabi Bank	28%	10%	19%	43%	49%	45%
Emirates NBD	51%	11%	42%	77%	110%	177%
Abu Dhabi Commercial Bank	12%	1%	1%	34%	84%	91%
Dubai Islamic Bank	(6%)	(2%)	(11%)	14%	37%	55%
Abu Dhabi Islamic Bank	27%	(6%)	22%	57%	139%	162%
Mashreqbank	4%	7%	1%	(5%)	23%	88%
Commercial Bank of Dubai	9%	(6%)	0%	24%	59%	107%
National Bank of Ras Al-Khaimah	28%	11%	24%	45%	94%	140%
Sharjah Islamic Bank	34%	9%	29%	36%	65%	87%
National Bank of Fujairah	11%	28%	26%	19%	6%	12%
Aggregate UAE Banking Sector Market Cap	**25%**	**6%**	**18%**	**44%**	**73%**	**95%**
Simple Average based on each bank evolution	**20%**	**6%**	**15%**	**34%**	**67%**	**97%**

Sources: FactSet as of 23/02/2026.

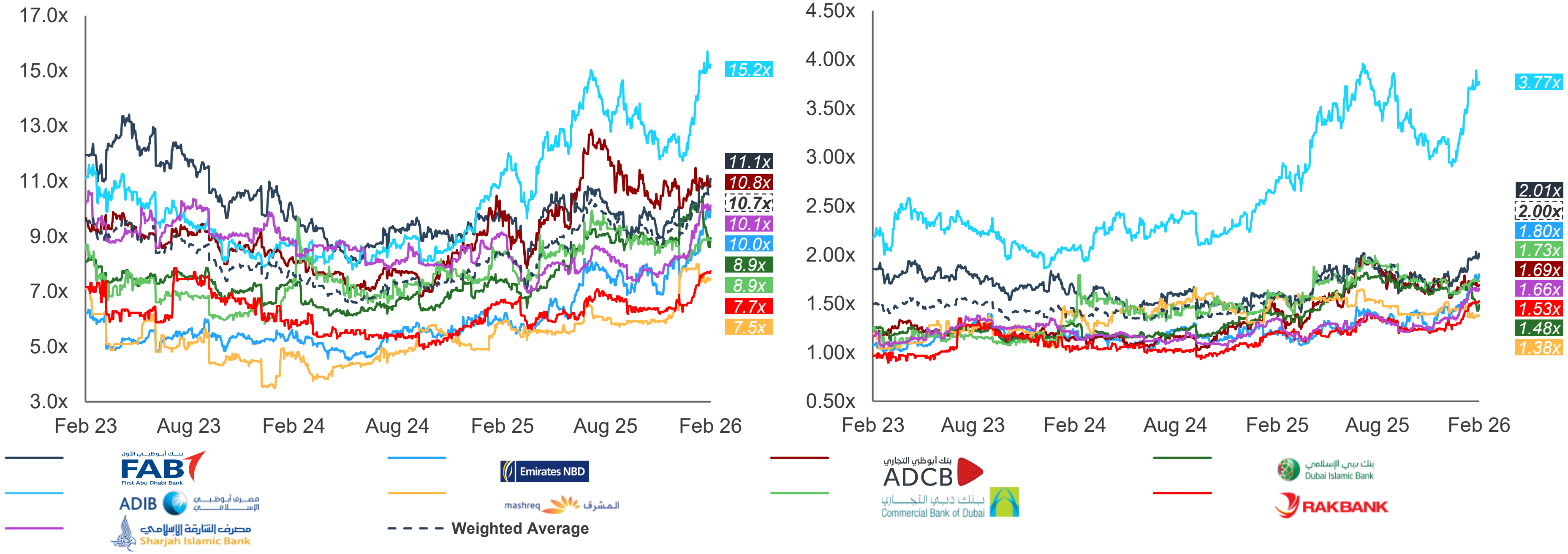
FY 2025 reaffirmed the resilience of UAE bank valuations, with earnings delivery, capital strength, and visibility into dividends underpinning relative appeal

Key Takeaways

- As of year-end 2025, UAE banks trade at c.8.8x P/E and 1.64x P/TBV, remaining attractively positioned versus regional peers
- Return metrics remain structurally strong, with leading banks delivering mid-to high-teens RoTE on solid loan growth, resilient fee income, and manageable NIM pressure
- Capital buffers strengthened further into Q4, underpinned by retained earnings and liquidity improvements, supporting valuation floors and dividend visibility, with capital deployment (payouts vs reinvestment/M&A) being an increasing focus for investors

Valuation Snapshot

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



	Q4 – 31st December		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	9.4x	1.71x	9.1x	1.65x	10.3x	1.86x	9.7x	1.58x	9.7x	1.61x	11.9x	1.85x
Emirates NBD	7.5x	1.35x	6.9x	1.24x	7.7x	1.39x	5.9x	1.19x	5.3x	1.17x	6.2x	1.08x
ADCB	10.0x	1.56x	10.3x	1.64x	12.3x	1.91x	9.9x	1.44x	8.0x	1.14x	9.7x	1.25x
Dubai Islamic Bank	9.5x	1.57x	8.7x	1.62x	9.1x	1.78x	7.4x	1.40x	7.2x	1.27x	8.1x	1.24x
ADIB	11.9x	2.94x	12.5x	3.16x	13.5x	3.56x	11.3x	2.76x	8.7x	2.05x	11.1x	2.17x
mashreq	7.6x	1.41x	5.9x	1.39x	6.0x	1.52x	5.8x	1.56x	4.7x	1.40x	7.1x	1.19x
Commercial Bank of Dubai	8.2x	1.61x	8.4x	1.67x	9.5x	1.93x	8.3x	1.59x	7.5x	1.39x	8.5x	1.24x
RAKBANK	6.5x	1.28x	6.4x	1.24x	6.9x	1.36x	6.7x	1.22x	5.8x	1.04x	7.2x	0.97x
Sharjah Islamic Bank	8.2x	1.35x	7.5x	1.23x	8.4x	1.36x	9.1x	1.35x	8.8x	1.21x	10.2x	1.16x
Weighted Average	**9.1x**	**1.68x**	**8.8x**	**1.69x**	**9.8x**	**1.90x**	**8.3x**	**1.56x**	**7.6x**	**1.41x**	**9.5x**	**1.50x**
Simple Average	**8.8x**	**1.64x**	**8.4x**	**1.65x**	**9.3x**	**1.85x**	**8.2x**	**1.57x**	**7.3x**	**1.36x**	**8.9x**	**1.35x**

Sources: A&M Analysis, FactSet as of 23/02/2026.
Note: 1. National Bank of Fujairah is excluded due to being an outlier.

Glossary

Glossary

	Metric	Abbreviation	Definition
Size	Loans and Advances Growth		YoY growth in EOP net loans and advances for the top 10
	Deposits Growth		YoY growth in EOP customer deposits for the top 10
Liquidity	Loan-to-Deposit Ratio	LDR	(Net EOP loans and advances / EOP customer deposits) for the top 10
Income & Operating Efficiency	Operating Income Growth		YoY growth in aggregate annual operating income generated by the top 10
	Operating Income / Assets		(Annual operating income / annual average assets) for the top 10
	Non-Interest Income / Operating Income		(Annual non-interest income / annual operating income) for the top 10
	Net Interest Margin	NIM	(Aggregate annual net interest income) / (annual average earning assets) for the top 10 Earnings assets are defined as total assets excluding goodwill, intangible assets, and property and equipment
	Yield on Credit	YoC	(Annual gross interest income from financing activities) / annual average loans & advances) for the top 10
	Cost of Funds	CoF	(Annual interest expense + average annual capital notes & tier I sukuk interest) / (annual average interest-bearing liabilities + annual average tier 1 notes) for the top 10
	Cost-to-Income Ratio	C/I	(Annual operating expenses / annual operating income) for the top 10
Risk	Coverage Ratio		(Loan loss reserves / non-performing loans) for the top 10
	Cost of Risk	CoR	(Annual provision expenses net of recoveries / annual average gross loans) for the top 10
Profitability	Return on Equity	RoE	(Annual net profit attributable to the equity holders of the banks – annual capital notes & tier I sukuk interest) / (annual average equity excluding capital notes) for the top 10
	Return on Assets	RoA	(Annual net profit / annual average assets) for the top 10
	Return on Risk-Weighted Assets	RoRWA	(Annual net profit generated / annual average risk-weighted assets) for the top 10
Capital	Capital Adequacy Ratio	CAR	(EOP tier I capital + tier II capital) / (EOP risk-weighted assets) for the top 10

Note: EOP stand for End of Period

Glossary (continued)

Bank	Assets (AED Bn)*	Abbreviation
First Abu Dhabi Bank	1,403.9	FAB
Emirates NBD	1,164.4	ENBD
ADCB	773.7	ADCB
Dubai Islamic Bank	415.9	DIB
mashreq	334.6	MASQ
ADIB	280.8	ADIB
Commercial Bank of Dubai	160.3	CBD
RAKBANK	105.0	RAK
Sharjah Islamic Bank	90.3	SIB
nbf	69.4	NBF

Note: Banks are sorted by assets size
** As on 31st December 2025*

References / Sources

Section **New Entrants**

Date
15-Jan-26

News
Lean Technologies and Ziina, announced the launch of the country's first live customer-initiated Open Finance payment experience

Links
Source

Date
20-Oct-25

News
Tamara received restricted finance license from the CBUAE

Links
Source

Date
14-Oct-25

News
Wise secures Central Bank final approval for Stored Value Facilities and Retail Payment Services licenses in the UAE

Links
Source

Date
09-Sept-25

News
Revolut received in-principle approval for its Stored Value Facilities and Retail Payment Services (Category II) licenses from the CBUAE

Links
Source

Section **New Investments**

Date
20-Jan-26

News
Emirates NBD Bank gets CCI's nod to acquire majority stake in RBL bank

Links
Source

Date
03-Dec-25

News
Emirates NBD enters strategic agreement with DIFC to empower families and safeguard legacies

Links
Source

Date
29-Nov-25

News
Network International announces the acquisition of RAK's merchant acquiring business

Links
Source

References / Sources

Section **New Business Trends**

Date
19-Jan-26

News
ADIB becomes first Islamic bank to implement Open Finance

Links
Source

Date
12-Jan-26

News
First Abu Dhabi Bank and T. Rowe Price Enter into a Strategic Partnership to Enhance Investment Offering across the GCC

Links
Source

Date
07-Jan-26

News
RAK receives in-principle approval to launch an AED-backed stablecoin

Links
Source

Date
15-Dec-25

News
ENBD launches UAE's first bank-branded gold bar

Links
Source

Date
08-Dec-25

News
First Abu Dhabi Bank and Amundi Enter into a Strategic Partnership to Expand Investment Solutions across the GCC

Links
Source

Date
13-Oct-25

News
ADIB and UAE Ministry of Finance Launch First AED-Denominated Sovereign Sukuk for Individual Investors via ADIB Smart Sukuk Platform

Links
Source

References / Sources

Section **New Emerging Technologies**

Date
19-Jan-26

News
NEO PAY and Wio Bank collaborate to launch PoS lending solution for merchants across the UAE

Links
Source

Date
15-Jan-26

News
Mashreq launches fully digital home loan pre-approval for UAE buyers

Links
Source

Date
24-Nov-25

News
ENBD partners with General Civil Aviation Authority to provide fully automated payment solutions through its Host-to-Host (H2H) platform

Links
Source

Date
17-Oct-25

News
Finshape supports DIB's vision for modern Islamic banking

Links
Source

Section **New Regulations**

Date
19-Jan-26

News
UAE banks have shifted from SMS/email OTPs to secure in-app alerts with biometric or push approvals, aligning with CBUAE's enhanced digital authentication requirements.

Links
Source

Date
16-Sept-25

News
CBUAE introduced new central bank law to consolidate the regulations of banks, payment service provider and insurers

Links
Source

References / Sources

Section **Expected Challenges**

Date

15-Feb-26

News

UAE banks are expected to remain stable supported by strong external buffers, but prolonged geopolitical tensions could still pressure liquidity and market sentiment

Links

Source

Date

13-Jan-26

News

UAE banks are likely to remain resilient in 2026, with performance hinging on effective management of external macroeconomic, credit, and regulatory risks

Links

Source

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