A&M | FINANCIAL SERVICES INDUSTRY GROUP

UAE Banking Pulse

Q3 | 2025

ALVAREZ & MARSAL

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A Message From Our Authors

Alvarez & Marsal Middle East Limited (A&M) is delighted to publish the Q3'25 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 Middle East Financial Services

As we approach the Q4 reporting cycle, our latest UAE Banking Pulse provides an opportunity to reflect on Q3'25 developments across the UAE banking sector, underscored by the country's solid macro fundamentals and reinforced by the IMF's upgraded outlook - which raised the FY25 real GDP growth forecast from 4.0% to 4.8%. We have seen that monetary easing and improved system liquidity continued to support economic momentum throughout Q3'25.

The banking sector delivered another strong quarter, with net lending up 6.5% QoQ and healthy deposit growth of 4.3% QoQ, underscoring sustained balance-sheet expansion. Despite pressure from recent rate cuts, net interest margins remained resilient, edging up to 2.45% in Q3 (from 2.43% in Q2). Aggregate net income rose 4.3% in Q3, accelerating from 2.1% in Q2.

Banks also continued to strengthen asset quality, reflected in an improved aggregate NPL ratio of 2.6%, highlighting the sector's ongoing prudent risk management.

Additionally, forward-looking themes emerging from ADFW 2025 on Abu Dhabi's growing role as a global financial hub point to potential opportunities for banks as regional capital flows and competitiveness dynamics continue to expand.

As we broaden our coverage of key themes shaping the financial services space, I'm pleased to introduce my colleague Zeeshan Mansoor who heads up our risk and regulation capability and shares his thoughts on the changes in the regulatory landscape impacting the sector. Please contact Zeeshan if you have any specific queries regarding Governance, Risk and Compliance matters.

Zeeshan Mansoor

Managing Director
Risk & Reg Financial Services

Banking results in Q3 2025 were solid, with resilient earnings performance, sound capital and liquidity buffers, and a continued improvement in asset quality.

From a regulatory standpoint, the priority is how institutions leverage this period to reinforce capital and liquidity planning, credit underwriting discipline, conduct-risk management, and data-governance controls ahead of a potentially more challenging operating environment.

Supervisory alignment requires continued enhancement of governance and risk-management frameworks, granular monitoring of capital and liquidity adequacy, adherence to credit-risk standards, and timely remediation of supervisory observations to ensure full compliance with CBUAE's prudential and conduct expectations.

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

UAE macro fundamentals remained strong, backed by an upgraded GDP outlook, monetary easing, and improving liquidity

UAE GDP Growth Rate and PMI

- In Oct 2025, the IMF raised UAE's GDP outlook for FY'25 to 4.8% (vs. 4.0% in Apr 2025), which is further expected to grow at 5.0% in FY'26, reflecting stronger-than-expected macro fundamentals
- Fitch affirmed UAE's 'AA-' rating with a Stable Outlook, citing low consolidated government debt, a robust net external asset position, budget surplus, and low fiscal breakeven oil prices as key rating strengths
- The average PMI softened marginally to 53.5 in Q3'25 from 53.6 in Q2'25, signaling a slight moderation in business activity; however, in Oct 2025, PMI touched 53.8, well above threshold, indicating continued economic expansion

Policy Rates

- During Q3'25, the US Fed reduced policy rates by 25bps to 4.25%, followed by an additional 25bps cut in Oct 2025 to 3.75-4.00%, amid slower job creation and rising unemployment, and returning inflation to the long-term target of 2.0%
- The Central Bank of the UAE (CBUAE) mirrored the Fed's monetary stance, lowering its base rate by 25bps to 4.15% during Q3'25, and subsequently cutting it again by 25bps to 3.90% in Oct 2025
- Consequently, short term market rates declined, with EIBOR falling by 33bps QoQ to 4.0% in Q3'25, followed by an additional drop to 3.7% in Oct 2025

Money Supply

- M1 rose 0.2% from Q2'25 in Aug 2025 to AED 1,028.7bn, supported by a 0.7% increase in monetary deposits to AED 884.4bn
- M2 grew by 1.3% over the same period to AED 2,562.9bn, driven by 1.9% growth in quasi-monetary deposits to AED 1,534.2bn
- M3 increased 2.7% to AED 3,079.5bn, mainly due to a 10.8% rise in government deposits to AED 516.6bn

4.8%
Forecasted GDP growth in FY 2025

AA-
Rating affirmed by Fitch (Stable Outlook)

53.8
Oct-2025 PMI

3.75 - 4.00%
Fed cuts rate by 25bps in October, citing rising employment risks

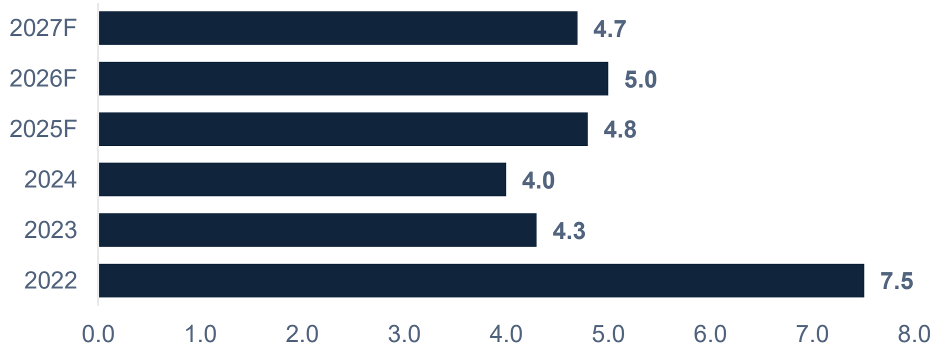
3.90%
CBUAE base rate cut by 25bps in Oct -2025

0.2%
Increase in M1 money supply driven by rise in monetary deposits
(M1 – AED 1,028.7bn)

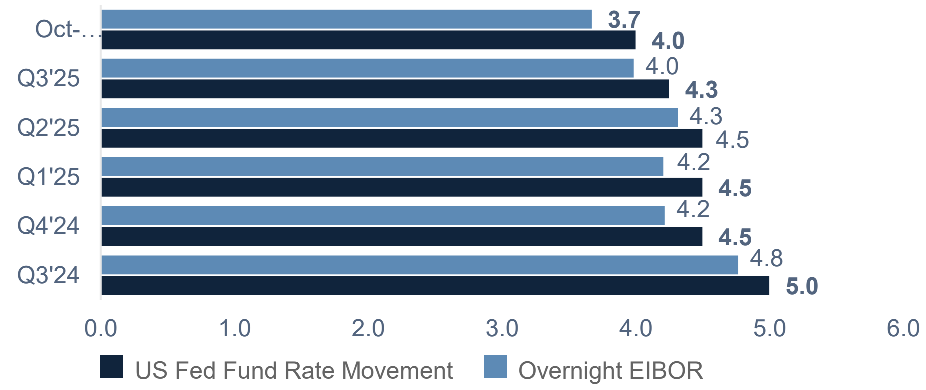
1.3%
Increase in M2 money supply, supported by increase in quasi-monetary deposits
(M2 – AED 2,562.9bn)

2.7%
Increase in M3 money supply
(M3 – AED 3,079.5bn)

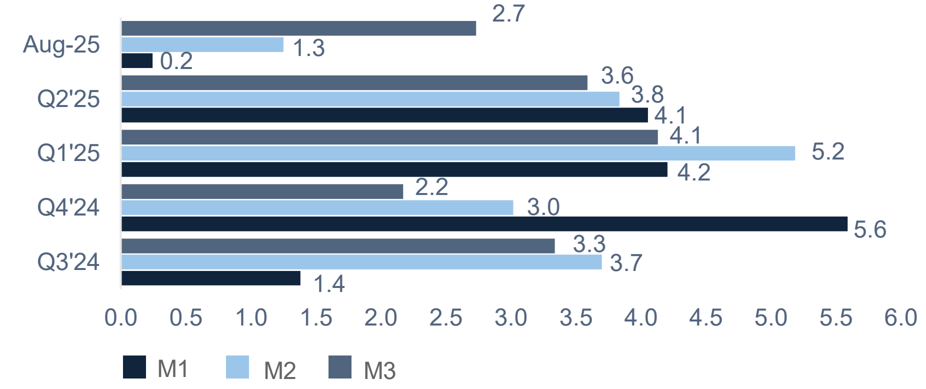
UAE GDP Growth Rate[1] (%)



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

An acceleration in real estate investments, coupled with a favorable credit cycle, enabled UAE banks to deliver strong profitability

UAE Banks' Profitability

- Aggregate total interest income grew by 6.0% QoQ in Q3'25, with net interest income increasing 5.0% QoQ, supported by strong lending momentum
- Fees & commission income rose sharply by 7.3% QoQ, accelerating from 2.5% QoQ in Q2'25, reflecting banks' heightened emphasis on revenue diversification
- Operating income growth moderated to 3.0% QoQ, compared to 5.0% in Q2'25, driven by a 4.9% QoQ decline in other operating income
- Despite slower operating income growth, net income increased by a healthy 4.3% QoQ, supported by a decline in impairment charges and reduced tax expenses

Real Estate & Construction Sector Exposure

- Real estate and construction lending exposure declined further to 12.8% of total lending, yet lending to the sector continued to expand, growing 2.3% QoQ compared to 1.9% QoQ in Q2'25
- During Q3'25, Dubai's real estate market remained robust, with property prices rising 11.5% YoY and transaction value increasing by 20.3% YoY, reflecting sustained demand and strong investor activity
- Abu Dhabi recorded a significant uptick in real estate activity, with transaction value surging by 39.3% YoY in Q3'25, demonstrating growing investment momentum in the Emirate

5.0%
NII growth in Q3'25

4.3%
Aggregate net income growth

(6.9%)
Decrease in impairment charges during Q3'25

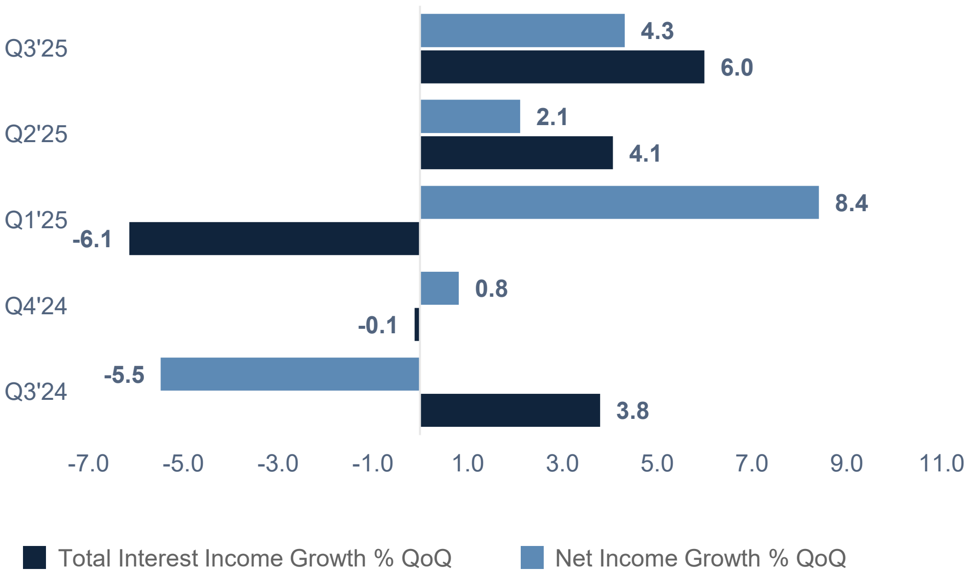
12.8%
Lending exposure to the real estate and construction sector

11.5%
YoY growth in Dubai's real estate prices

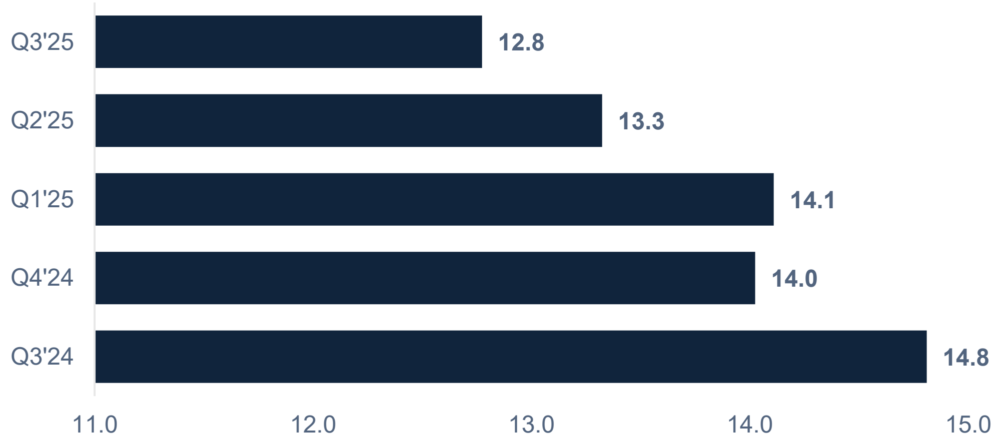
20.3%
YoY increase in total real estate transaction value in Dubai

39.3%
YoY increase in total real estate transaction value in Abu Dhabi

UAE Banks Profitability[1] (%)



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



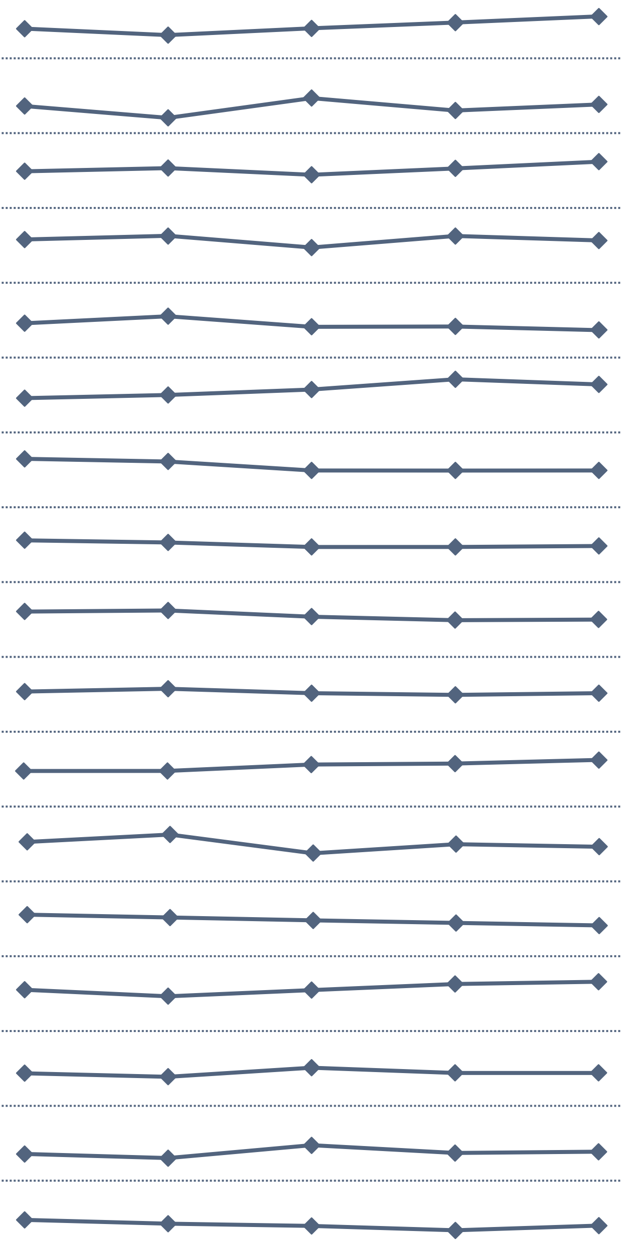
*1 Bloomberg & A&M Analysis, 2 Based on data of 10 banks, weighted average exposure of all banks; for consistency purpose data for all banks is captured from IR presentations * Data for top ten UAE banks by asset size as of September 30th, 2025*

Key Trends Q3'25

Robust growth in aggregate loans and deposits coupled with better risk management

- ↑ **Net L&A** of banks grew **6.5% QoQ**, whereas ↑ **deposit** expanded by **4.3% QoQ**
- ↑ **LDR increased to 77.8% QoQ, improving by 1.6% QoQ**, driven by stronger loan growth relative to deposit accretion
- ↓ **Aggregate operating income growth slowed down to 3.0% QoQ**, due to a decline in other operating income by 4.9% QoQ
- ↑ **NIM slightly increased by 2bps QoQ to 2.45%**
- ↑ **Aggregate C/I ratio deteriorated by 87bps QoQ, reaching 28.1%,** due to operating expenses increasing by 6.3% QoQ
- ↑ **Coverage ratio strengthened further by 4.1% QoQ to 115.2%, while** ↓ **CoR has declined 6bps QoQ to 0.45%,** indicating improved risk efficiency
- ↑ RoE rose by 25bps QoQ to 19.6%, whereas RoA remained steady at 2.1%
- ↑ RoRWA **remained flat at 3.2%,** while **capital adequacy ratio improved by 1.0% QoQ** to 16.6% in Q3'25

	Metric	Q2'25		Q3'25	Q2'24	Q3'24	Q4'24	Q1'25	Q3'25
Size	Net L&A Growth (QoQ)	5.0%	↑	6.5%					
	Deposits Growth (QoQ)	2.8%	↑	4.3%					
Liquidity	Loan-to-Deposit Ratio (LDR)	76.2%	↑	77.8%					
Income and Operating Efficiency	Operating Income Growth (QoQ)	5.0%	↓	3.0%					
	Operating Income/Assets	3.7%	↔	3.7%					
	Non-Interest Income/Operating Income	38.0%	↓	36.8%					
	Yield on Credit (YoC)	10.9%	↔	10.9%					
	Cost of Funds (CoF)	3.9%	↑	4.0%					
	Net Interest Margin (NIM)	2.43%	↑	2.45%					
	Cost-to-Income Ratio (C/I)	27.2%	↑	28.1%					
Risk	Coverage Ratio	111.1%	↑	115.2%					
	Cost of Risk (CoR)	0.51%	↓	0.45%					
	Non-Performing Loans (NPL) %	2.9%	↓	2.6%					
Profitability	Return on Equity (RoE)	19.3%	↑	19.6%					
	Return on Assets (RoA)	2.1%	↔	2.1%					
	Return on Risk-Weighted Assets (RoRWA)	3.2%	↔	3.2%					
Capital	Capital Adequacy Ratio (CAR)	15.6%	↑	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

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Key Sector Developments

UAE banking industry developments

New Entrants 01

- SIB launched "SIB Pay" to boost UAE cashless payments with QR, soft-POS, and e-comm solutions
- Skyro UAE and Fasset signed a MoU at GITEX Global 2025 to develop stable-coin powered cross-border remittance solutions and tokenized asset distribution across the GCC region
- UptexBank plans to launch in the GCC, offering multi-currency digital banking, low-cost cross-border transfers, and next-gen trading/ investment services, aligning with the GCC Vision 2030

New Investments 02

- ENBD is acquiring a 60% stake in India's RBL Bank for USD 3bn, marking the largest FDI in India's banking sector
- FAB partnered with Abu Dhabi Real Estate Centre to digitize its National Housing Loans platform, enabling real-time mortgage validation, faster approvals, and a seamless, sustainable customer experience
- ENBD expands its near real-time cross-border payment network to over 40 countries worldwide

New Business Trends 03

- FAB joined China's Financial Regulatory Advisory Council as the first MENA bank, boosting UAE-China ties via RMB clearing and partnerships in investment, capital markets, and sustainable finance
- RAKBANK partnered with Bitpanda to become the UAE's first conventional bank offering retail crypto trading in AED via its app
- Abu Dhabi Housing Authority partnered with FAB, ADIB, and Al Maryah Bank to offer UAE nationals top-up housing loans of up to AED 500,000 with 50% interest subsidies
- ADIB partnered with Visa to launch real-time cross-border transfers to over 11bn cards, wallets, and accounts worldwide: first bank globally to do so

New Emerging Technologies 04

- ADCB is embedding AI across its operations with 150+ use cases and global partnerships to boost efficiency, growth, customer experience, and unlock over AED 4bn in value
- DIB partnered with HCLTech to accelerate AI adoption, enhancing customer experience and efficiency, while driving responsible, Shariah-aligned, ethical, and future-ready Islamic innovation
- UAE banks are enhancing cyber defense with AI, big data, and biometrics for real-time fraud detection, supported by the UBF's Tasharuk platform to advance collaboration and set global digital banking safety standards

New Regulations 05

- 4most partnered with Reporting Center to boost UAE banks' regulatory reporting using the Elite Reporting Platform and RegTech solutions
- A CBUAE's 2025 Law overhauls UAE's financial framework, expanding regulation to fintech and digital assets, strengthening enforcement powers, and unifying banking and insurance oversight

Expected Challenges 06

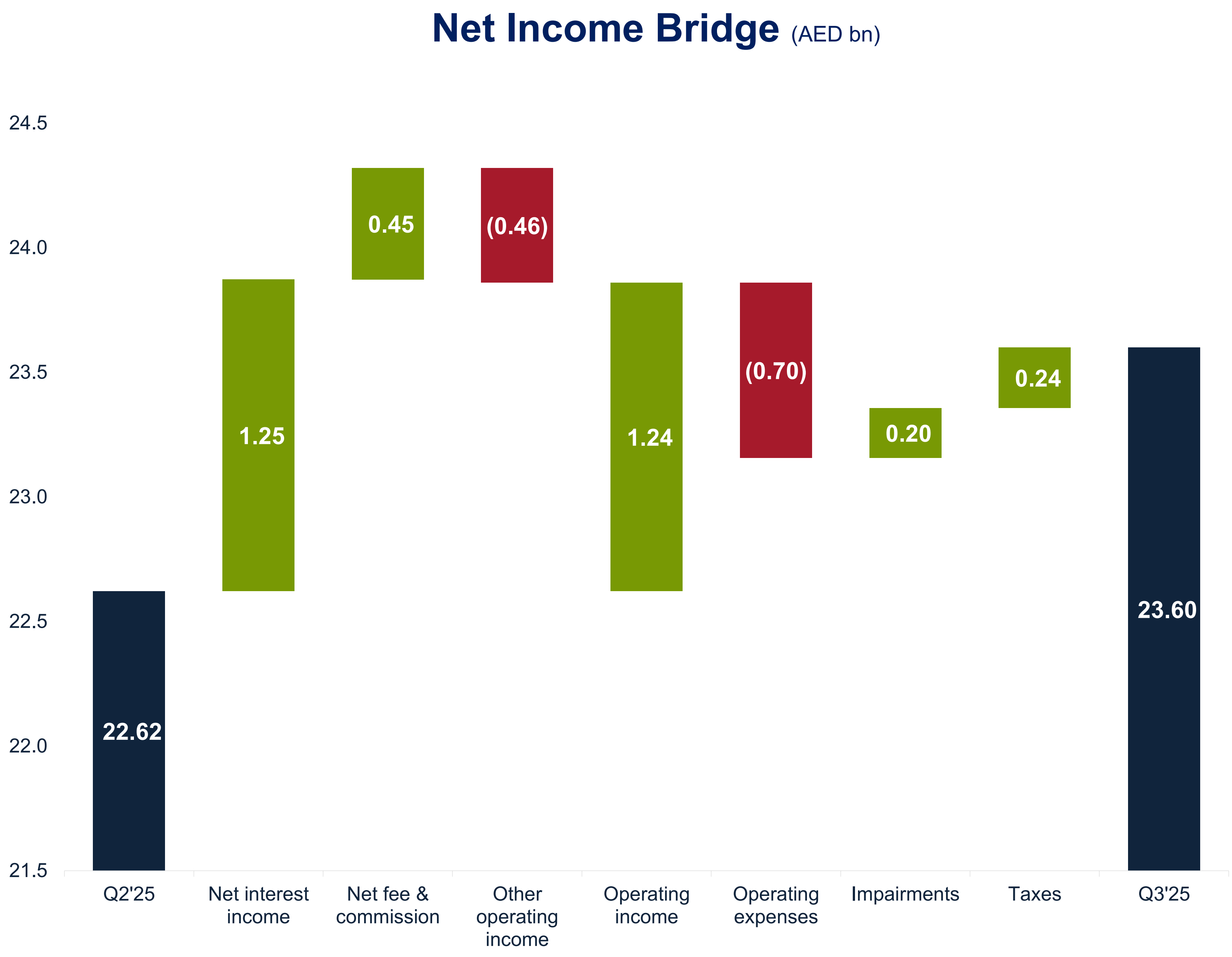
- Meeting evolving customer expectations remains an ongoing challenge for UAE banks, as rapid digital adoption and changing consumer behaviors require continuous enhancement of products, services, and customer engagement strategies
- US federal shutdown is raising the risk of both earlier rate cuts by the Federal Reserve (as growth falters and data is missing) and persistent inflation upside (via supply disruption and uncertainty), which could in turn squeeze the UAE banking sector through tighter global liquidity, weaker US dollar funding costs, and higher inflation risk for Gulf assets

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 strengthened, driven by robust growth in net interest and fee income

Key Takeaways

- Aggregate net income witnessed a healthy growth of 4.3% QoQ to reach AED 23.6bn, driven by strong performance of net interest income and fee income, which grew by 5.0% QoQ and 7.3% QoQ, respectively
  - The growth was partially offset by a 4.9% QoQ decline in other operating income and a 6.3% QoQ rise in operating expenses
  - However, banks sustained profitability as impairment allowances and taxes fell by 6.9% QoQ and 6.0% QoQ, respectively
  - ENBD was the primary driver of the aggregate profitability surge, recording 7.0% QoQ NII growth fueled by record loan growth and 6.9% QoQ fee income growth



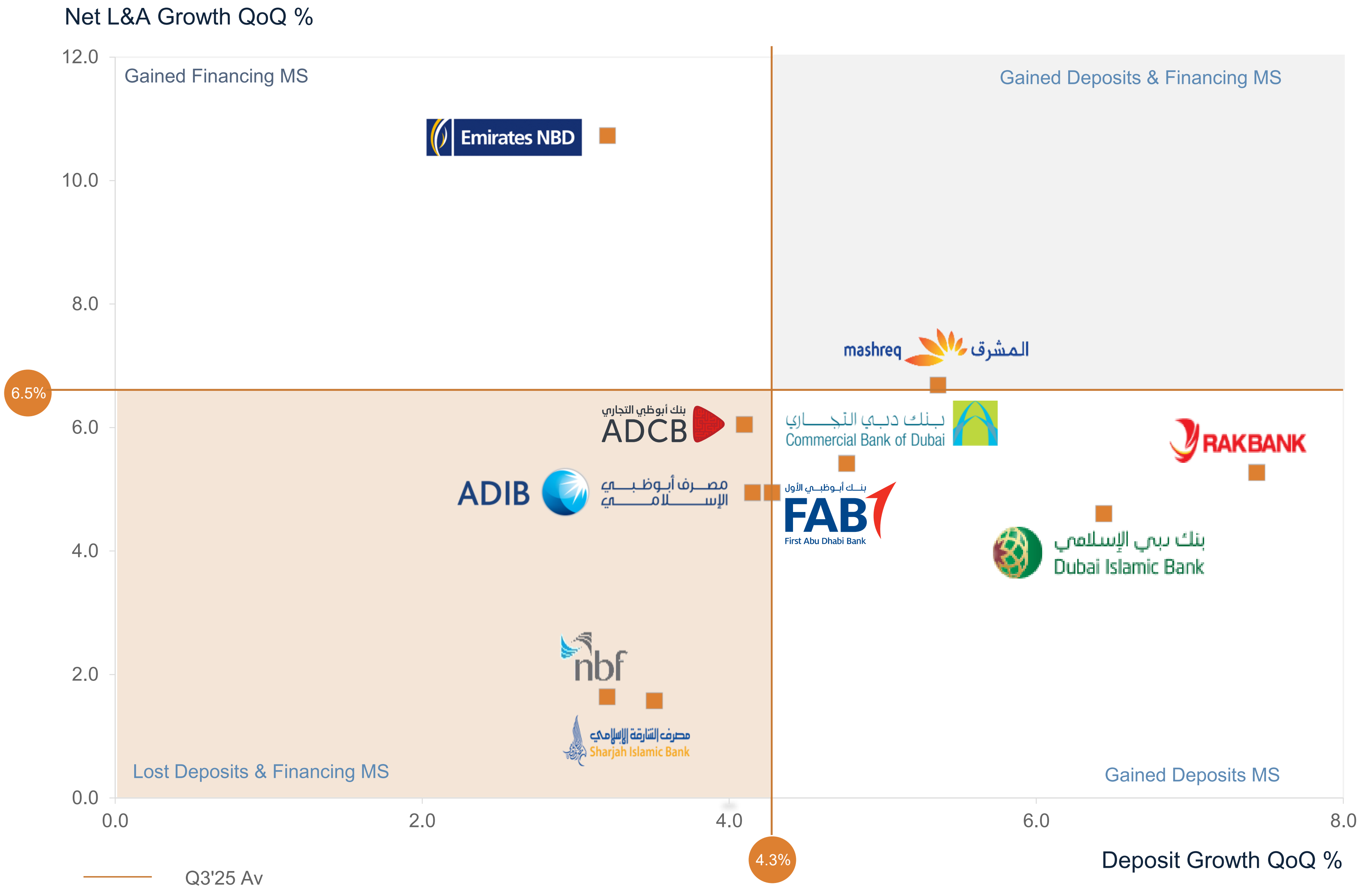
Source: Financial statements, Investor presentations, A&M analysis

Healthy expansion in both loans and deposits underscores resilient credit demand and funding strength

Key Takeaways

- Aggregate net L&A for the banks maintained strong momentum, rising by 6.5% QoQ, compared to 5.0% QoQ growth in Q2’25
  - ENBD led the growth with a record of 10.7% QoQ increase in net loans, supported by robust performance across both domestic and international markets
  - The Corporate and Institutional Banking segment of the bank posted a solid 17.0% QoQ growth, further driving overall performance
- Aggregated deposits mobilization remained strong by recording a 4.3% QoQ growth, compared to a 2.8% QoQ increase in Q2’25
  - RAKBANK reported the highest deposits growth of 7.4% QoQ, while DIB being one of the major banks in the UAE, contributed meaningfully through a healthy 6.4% QoQ increase

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



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

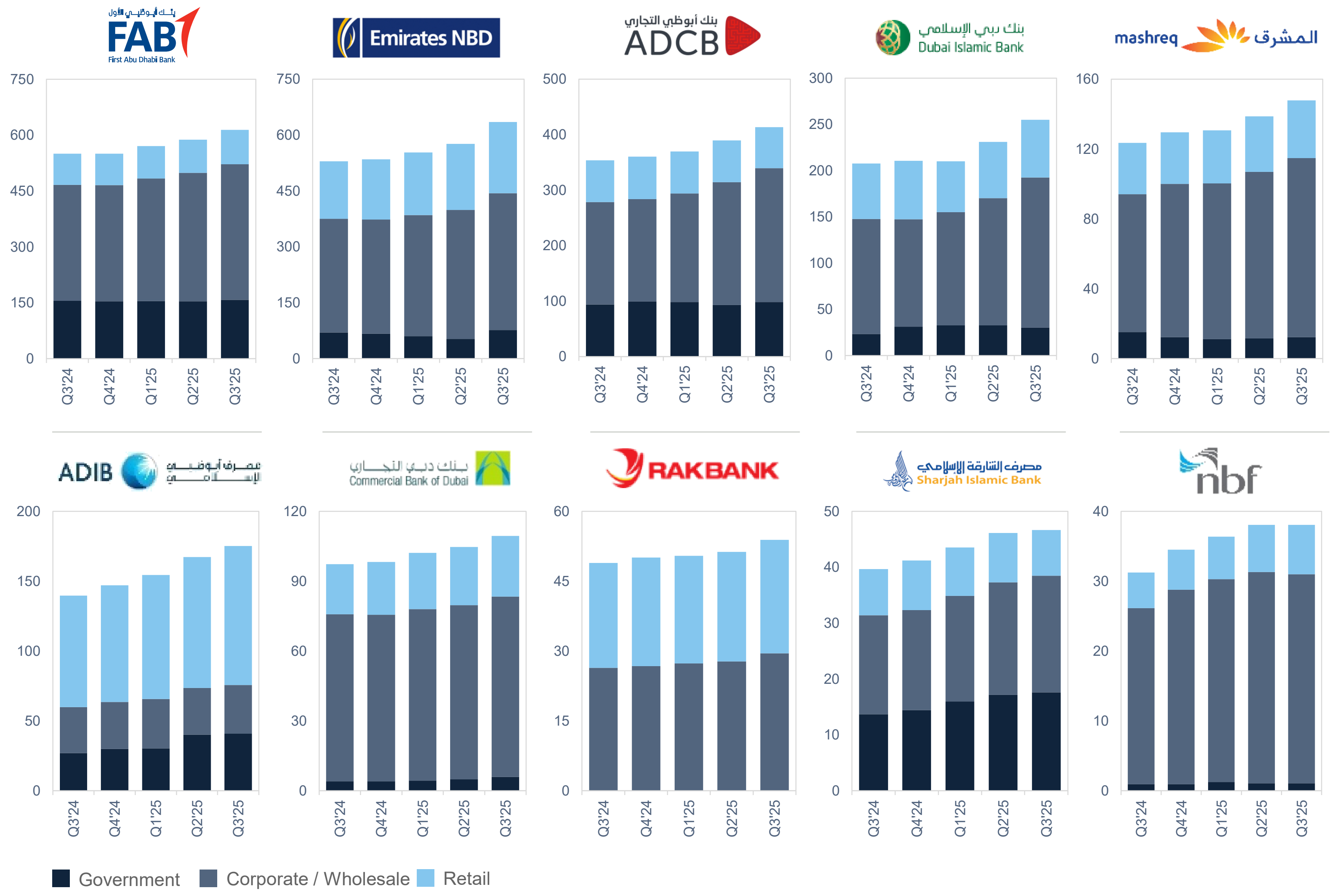
 Source: Financial statements, Investor presentations, A&M analysis

Broad-based loan growth affirms a resilient credit cycle in the UAE

Key Takeaways

- Gross L&A continued their upward trajectory, increasing by 6.8% QoQ, compared to 4.9% QoQ growth in Q2’25, reflecting sustained credit demand across the sector
  - Corporate/wholesale loans, which represent 57.5% of the total loan portfolio, rose by 7.5% QoQ, while retail loans expanded by 4.4% QoQ during the same period
  - Additionally, government loans rebounded strongly, registering a 8.1% QoQ growth
- ENBD represented 25.5% of the total gross loans and advances across the top ten banks, followed by FAB (24.7%) and ADCB (16.6%)

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

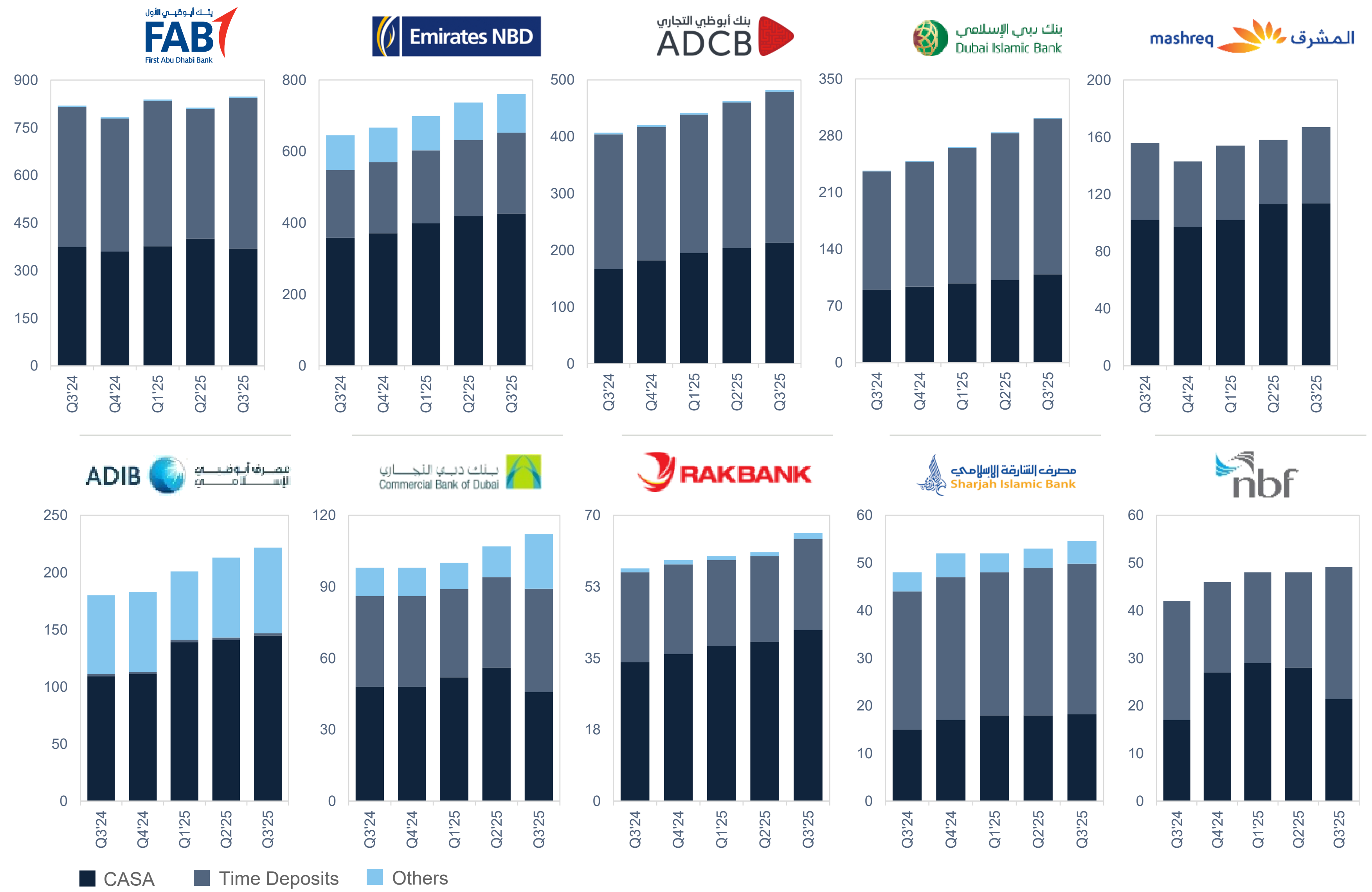
Source: Financial statements, Investor presentations, A&M analysis

Accelerated deposit growth, led by a sharp rebound in time deposits

Key Takeaways

- Aggregate deposits recorded strong growth of 4.3% QoQ (vs. +2.8% QoQ in Q2'25), primarily supported by a rebound in time deposits
  - Time deposits, which accounted for 43.8% of total deposits, expanded by 9.6% QoQ
  - Higher time deposits' expansion over the quarter indicates depositors are taking advantage of elevated interest rates
- On the other hand, CASA deposits witnessed a decline of 0.7% QoQ, compared to 5.4% QoQ growth in Q2'25
- ENBD held 28.3% of total deposits across the top ten banks in the UAE, followed by FAB (24.6%) and ADCB (14.2%)

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

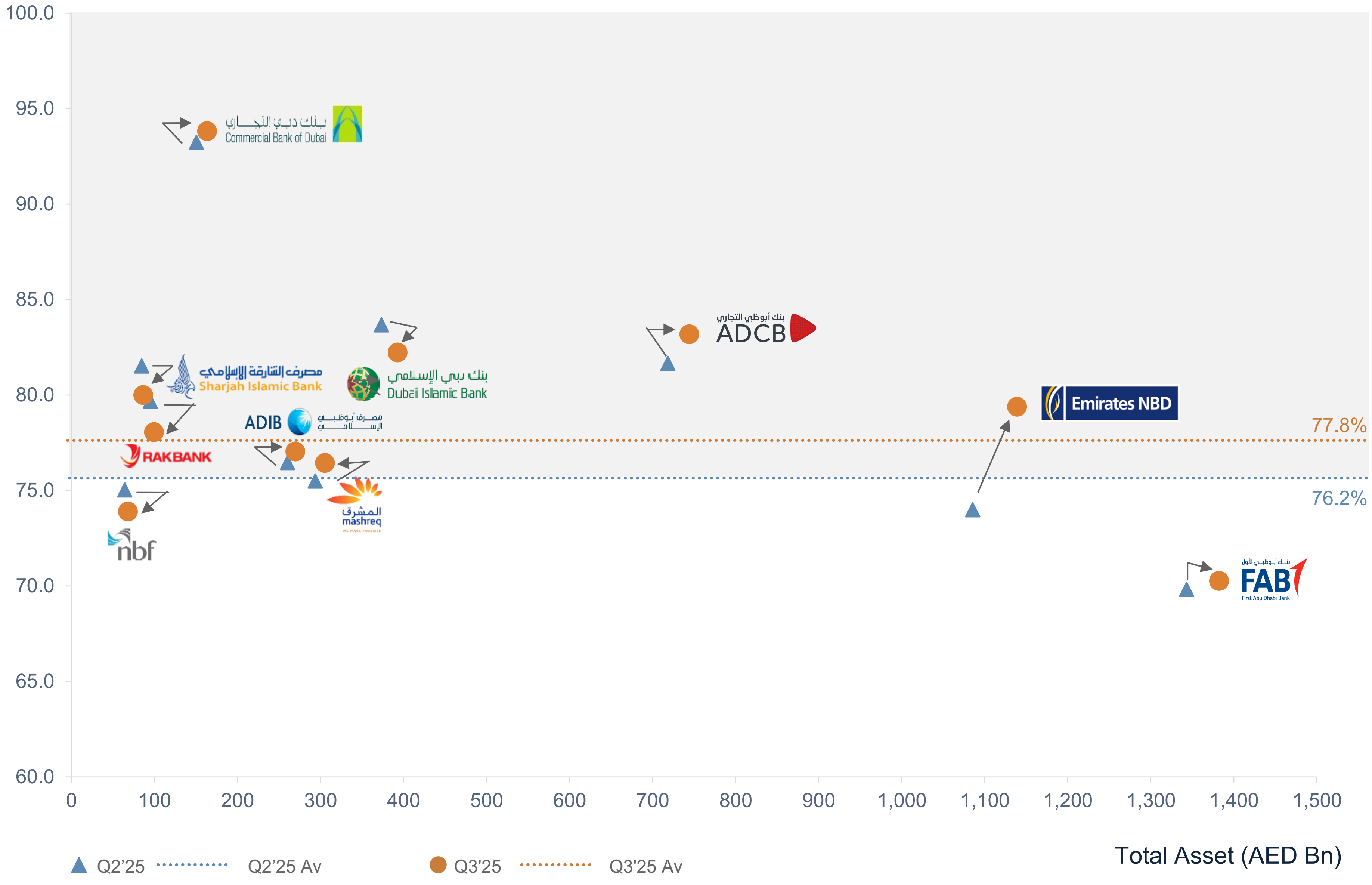
Source: Financial statements, Investor presentations, A&M analysis

Stronger credit demand relative to deposit accretion drove an uptick in LDR

Key Takeaways

- Aggregate loan growth continued to outpace deposit mobilization, resulting in a 1.6% QoQ improvement in the LDR, which reached 77.8%
- ENBD registered the sharpest rise in LDR, increasing by 5.4% QoQ to 79.4%
  - Net L&A of the bank witnessed significant growth of 10.7% QoQ, while deposit base grew by 3.2% QoQ
- Among the top ten banks, CBD recorded the highest LDR at 93.8%, up 58bps QoQ
  - The loan portfolio of the bank grew by 5.4% QoQ, outpacing deposit growth of 4.8% QoQ

Loan to Deposits Ratio (%)



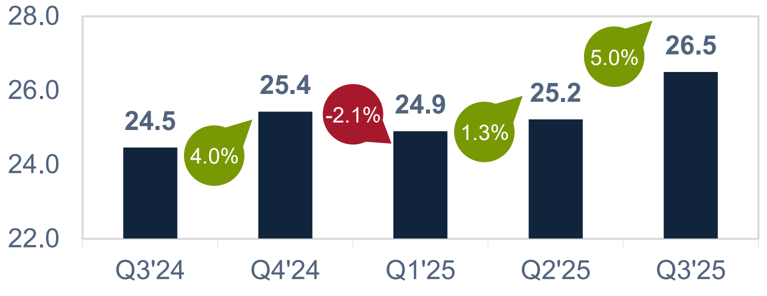
Note: The blue zone is an area of healthy liquidity
Source: Financial statements, A&M analysis

Solid NII and fee income sustained operating income growth, though weaker other income moderated the overall expansion

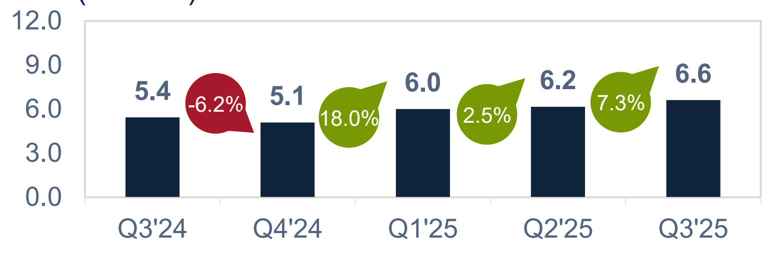
Key Takeaways

- Total operating income rose by 3.0% QoQ (vs. 5.0% QoQ in Q2'25) to AED 41.9bn, reflecting sustained momentum albeit at a moderated pace
  - NII remained the key driver, accelerating by 5.0% QoQ (vs. 1.3% QoQ growth in Q2'25)
  - Fee & commission income posted robust growth of 7.3% QoQ (vs. 2.5% QoQ in Q2'25)
  - However, these gains were partially offset by a 4.9% QoQ decline in other operating income
- ENBD accounted for 30.4% of the total operating income generated by the UAE's top ten banks, followed by FAB at 22.3% and ADCB at 14.0%
- CBD and SIB registered the highest operating income growth of 8.6% and 8.3% QoQ, compared to 6.0% and 18.6% QoQ, respectively in Q2'25
- MASQ, being among the top five major banks, reported operating income growth of 4.4% QoQ, a sharp rebound from its 1.7% QoQ decline in Q2'25

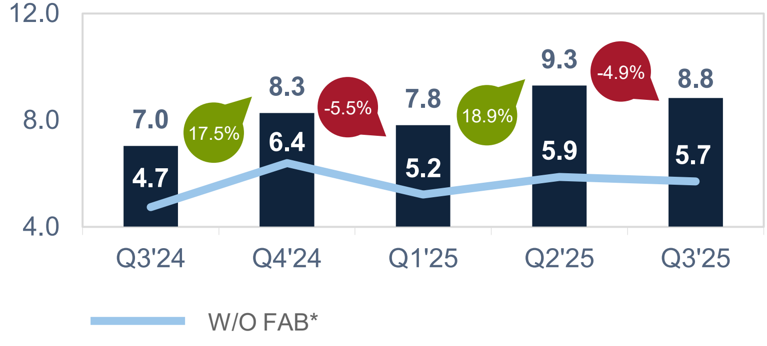
Quarterly NII
(AED bn)



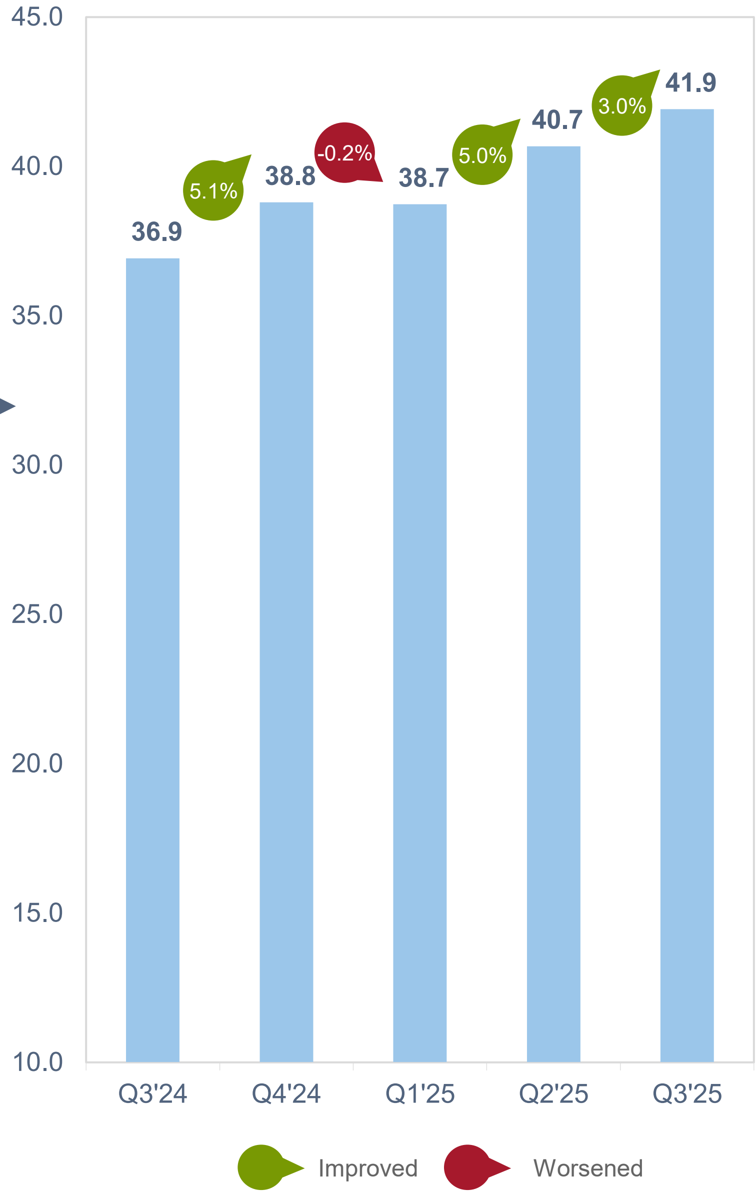
Quarterly Fees & Commission Income
(AED bn)



Quarterly Other operating Income
(AED bn)



Quarterly Operating Income
(AED bn)



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

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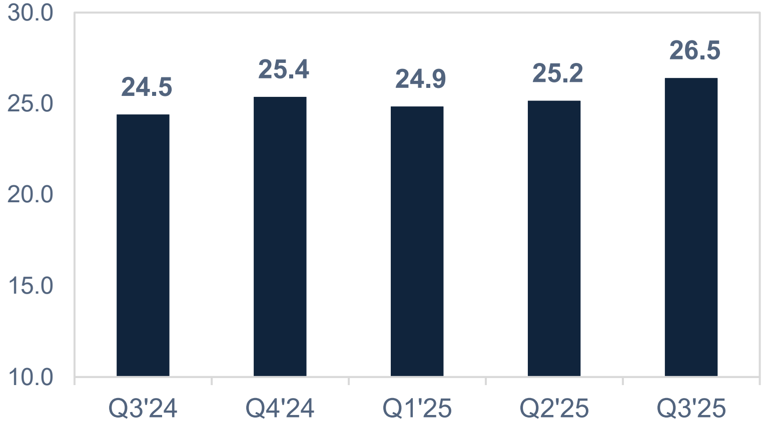
Margins remained resilient amid rate cuts, despite higher funding cost

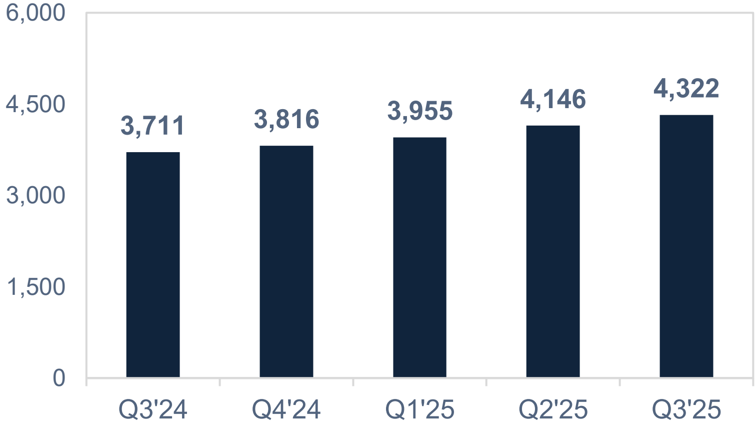
Key Takeaways

- NIM remained broadly stable inching up by 2bps QoQ to 2.45%, indicating sustained margin resilience despite prevailing pressure from recent interest rate cuts
- Net interest income of the banks increased to AED 26.5bn (+5.0% QoQ) alongside rise in net earning assets to AED 4,322bn (+3.9% QoQ)
- During the quarter, spreads narrowed slightly by 9bps QoQ to 6.9%, due to the impact of increased funding cost
  - YoC remained flat at 10.9%, while CoF increased by 11bps QoQ to 4.0%, suggesting a tightening spread environment as deposit repricing continued

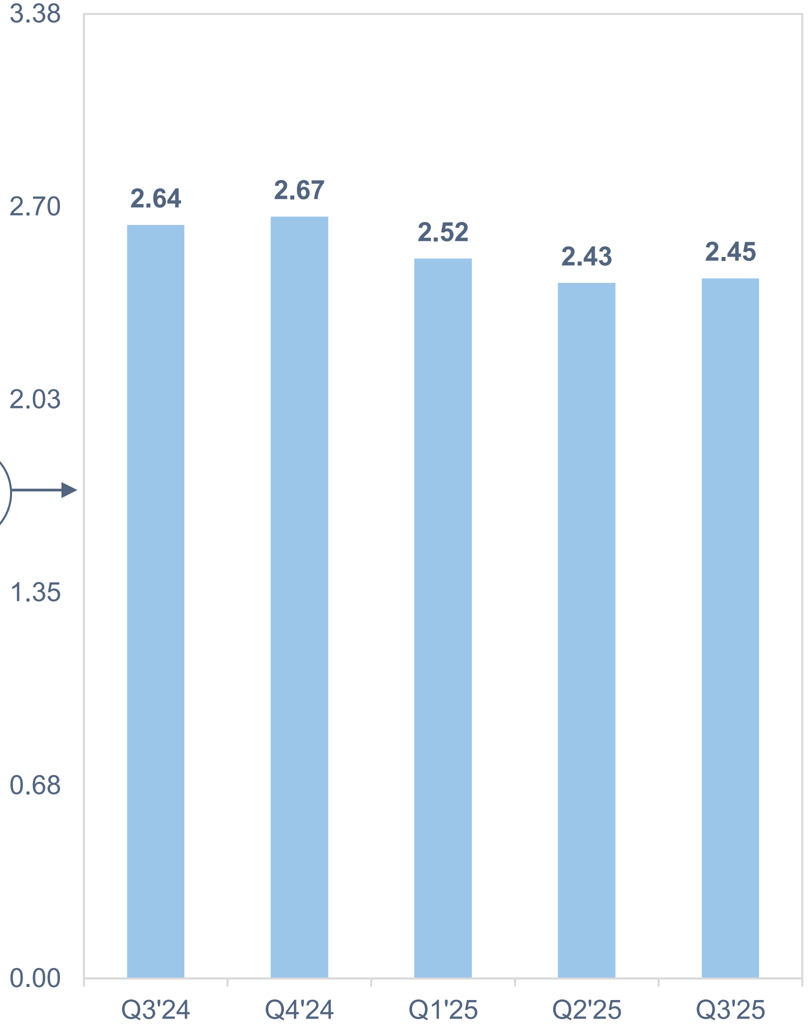
Net Interest Income
(AED bn)



Net Earning Assets**
(AED bn)



Net Interest Margin*
(%)

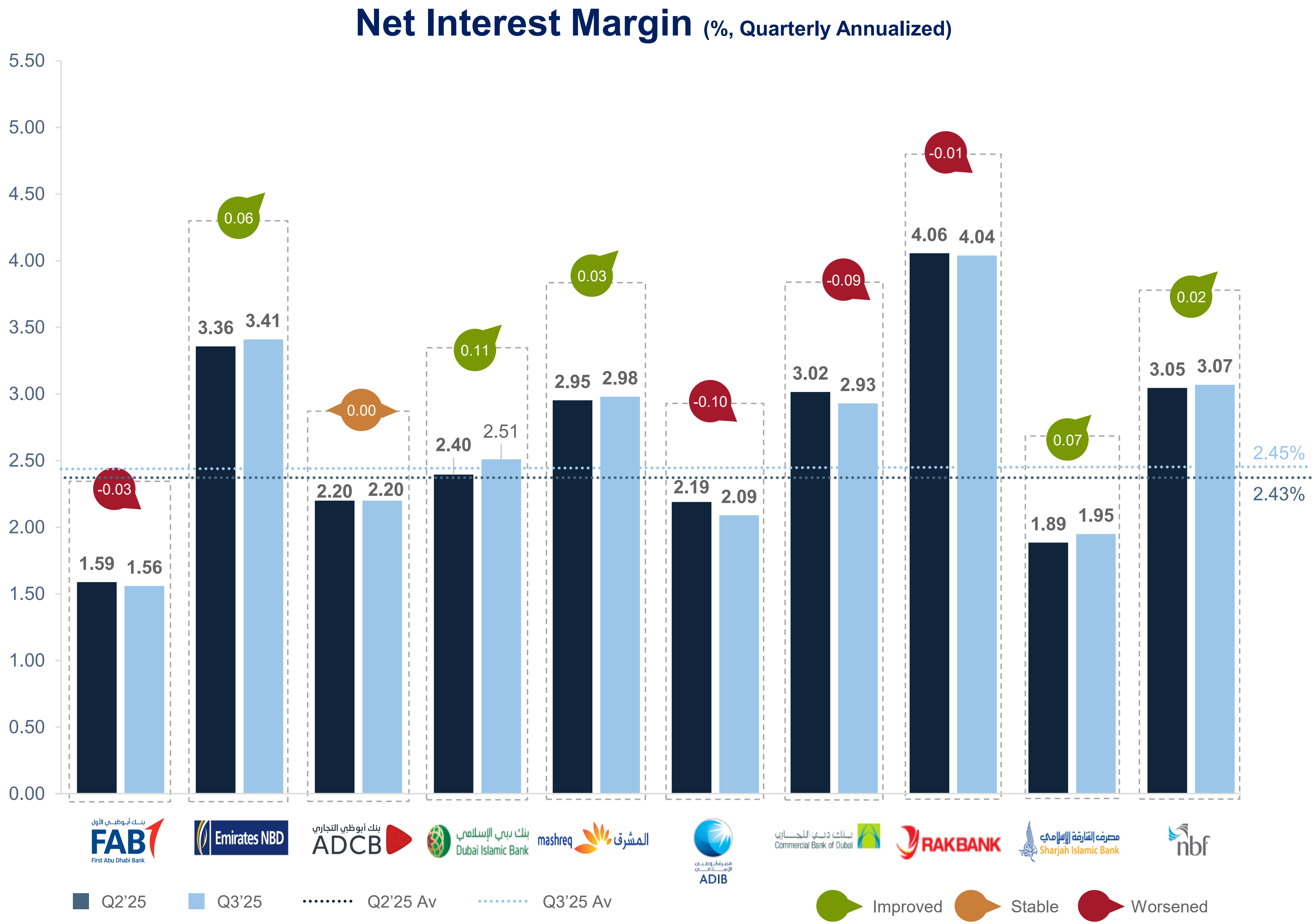


*Notes: *Net Interest Margin calculated as annualized quarterly net interest income divided by quarterly net earning assets, where net earning assets are calculated as average of the current and previous period*
***Net earning assets are calculated as average of the current and previous period*
Source: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

Banks defended margins amid rate cuts

Key Takeaways

- Half of the top ten banks reported an improvement in NIM, reflecting resilient margin management despite the softening interest rate environment
- RAKBANK led the peer group with the highest margin of 4.04%
  - YoC remained flat at 11.4%, while CoF declined marginally by 3bps QoQ to 2.4%
  - The improvement in CoF was driven by a strong 7.1% QoQ growth in CASA deposits which accounted for ~64.0% of total deposits
- DIB witnessed the highest improvement in NIM, rising by 11bps QoQ, to 2.51%
  - YoC improved modestly by 6bps QoQ to 8.3%, while CoF increased by 20bps QoQ to 3.4%, indicating effective asset repricing that more than offset higher funding cost



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

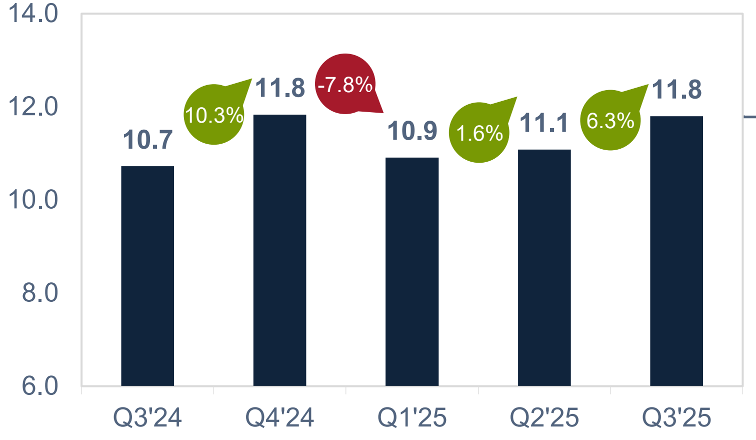
Operating efficiency softened due to higher investments in digital and AI-initiatives aimed at long-term efficiency gains

Key Takeaways

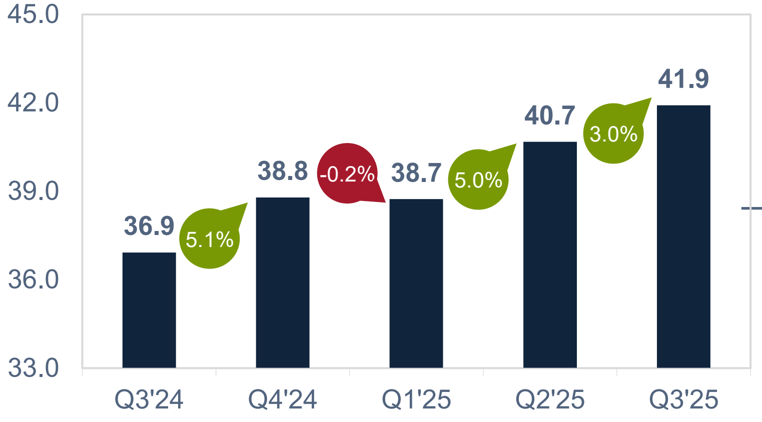
- Aggregate operating efficiency weakened during the quarter, as the C/I ratio rose by 87bps QoQ to 28.1%
  - The deterioration primarily reflected a sharper rise in operating expenses, which increased by 6.3% QoQ (vs. 1.6% QoQ in Q2’25), outpacing the moderated 3.0% QoQ growth in operating income
  - The primary factor for this growth was banks’ increased investment in digital transformation and AI-led innovations to unlock operational and cost efficiencies

- After showing consistent improvements since Q1’25, the aggregate C/I ratio witnessed reversal during the quarter

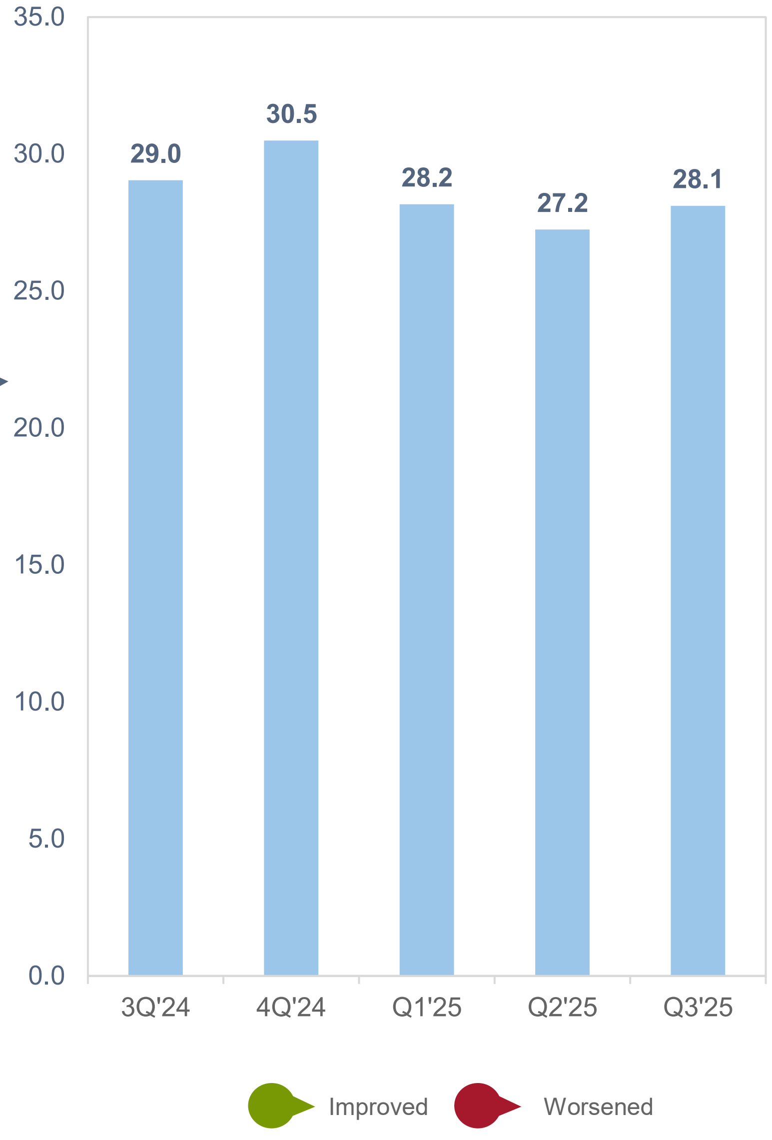
Quarterly Operating Expense
(AED bn)



Quarterly Operating Income
(AED bn)



Cost to Income Ratio
(%, Quarterly Annualized)



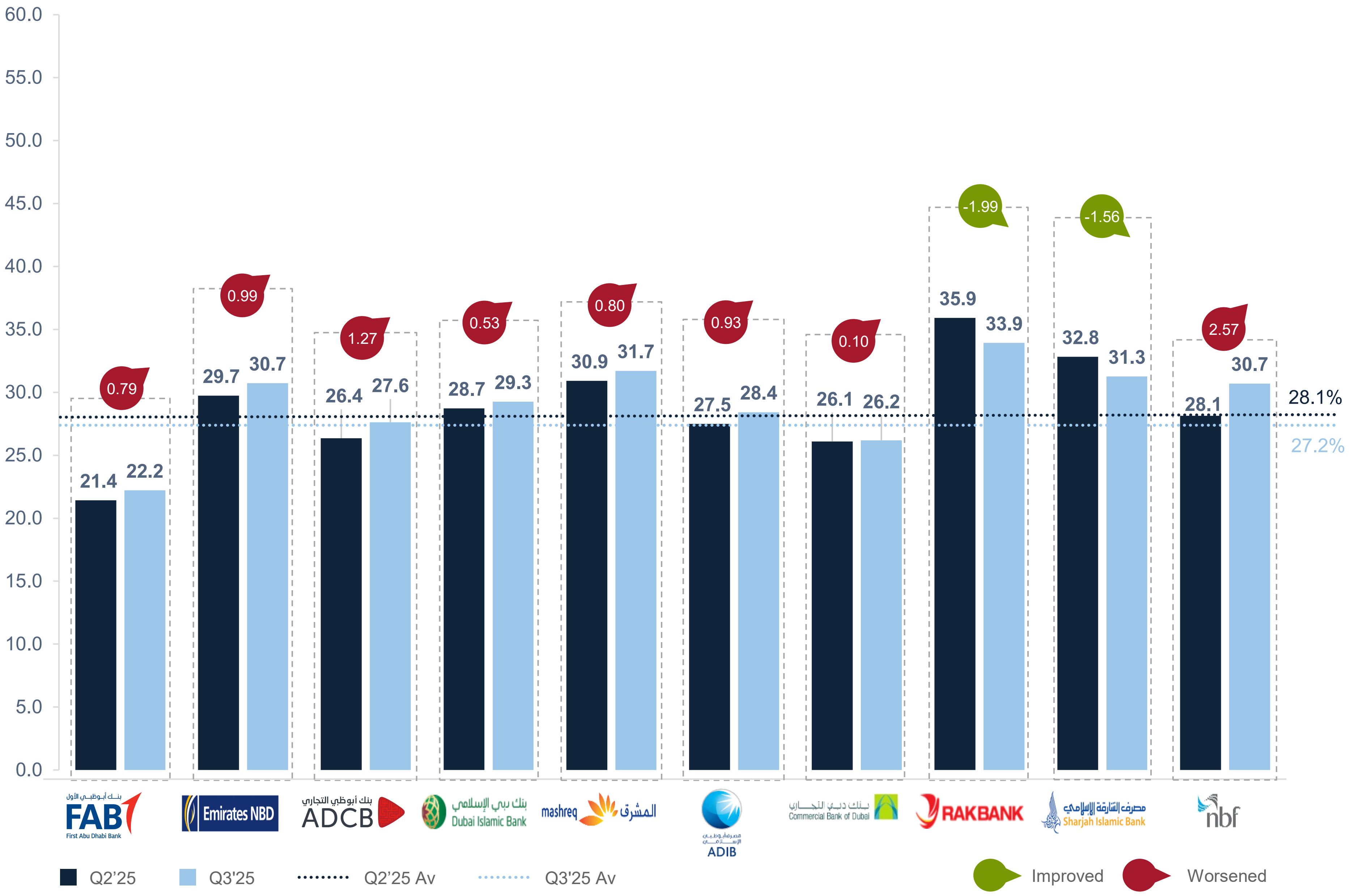
Note: Some numbers might not add up due to rounding
Source: Financial statements, investor presentations, A&M analysis

Broad-based deterioration in operating efficiency

Key Takeaways

- Eight of the top ten banks reported a deterioration in operating efficiency, as reflected in an increasing C/I ratio
- NBF and ADCB recorded the sharpest increase in C/I ratio, rising by 2.6% and 1.3% QoQ, respectively
  - For NBF, operating expenses grew by 5.6% QoQ, while operating income declined by 3.2% QoQ due to a drop in non-funded income (-17.4% QoQ) and moderated NII growth (3.2% QoQ), leading to notable efficiency drag
  - The operating expenses of ADCB grew by 7.5% QoQ, outpacing 2.5% QoQ growth in operating income
- RAKBANK outperformed its peers with a 2.0% QoQ improvement in its C/I ratio, driven by higher operating income (+4.1% QoQ) coupled with lower operating expenses (-1.6% QoQ)

Cost to Income Ratio (%, Quarterly Annualized)



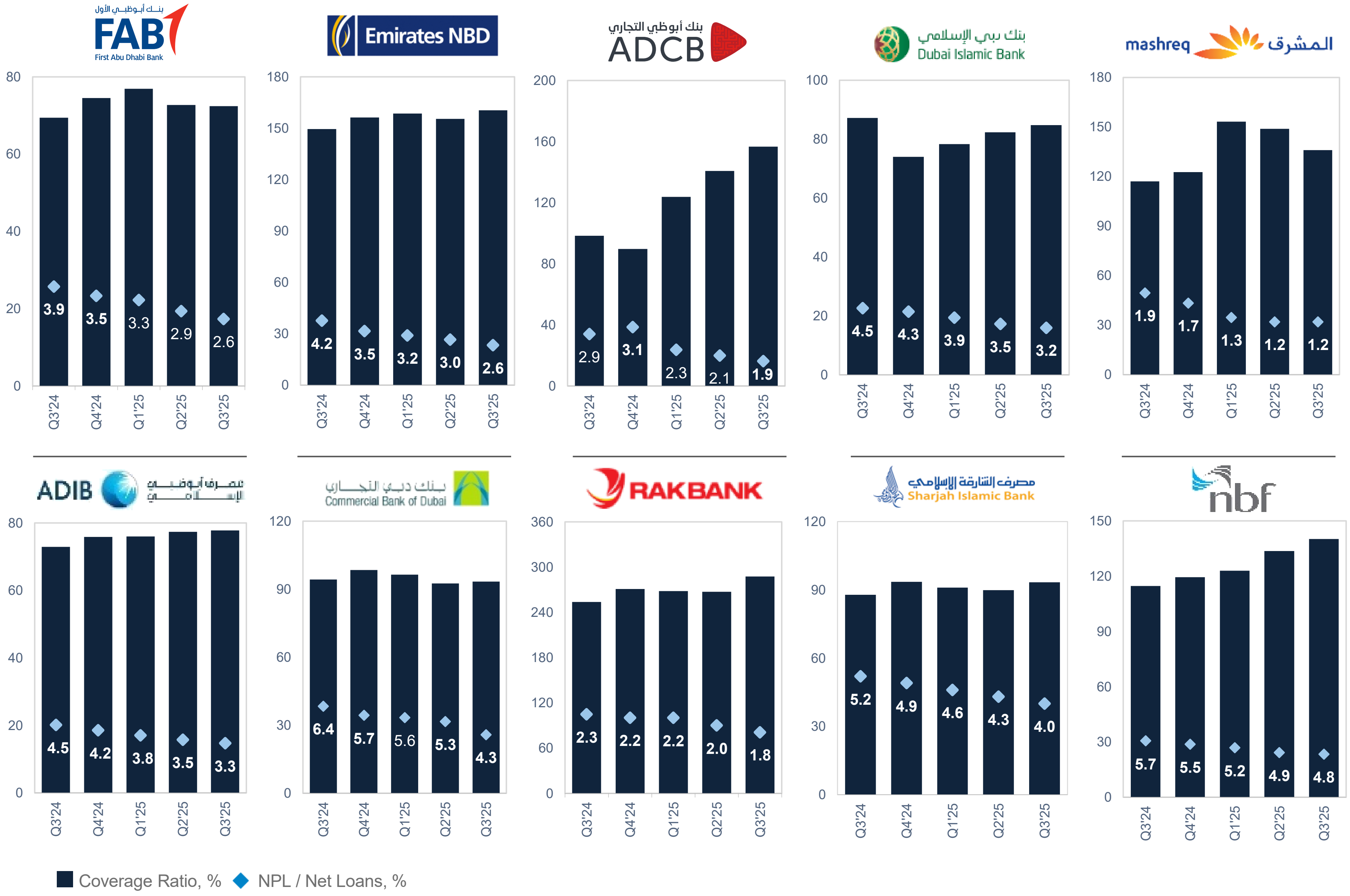
Note: Scaling and some numbers might not add up due to rounding
Source: Financial statements, investor presentations, A&M analysis
*Comparison on QoQ basis

Continued improvement in asset quality, driven by declining NPLs alongside robust loan growth

Key Takeaways

- Aggregate coverage ratio improved by 4.1% QoQ to 115.2%, primarily driven by a 4.5% QoQ decline in NPL, indicating continued strengthening in asset quality
  - Among the top five banks, ADCB posted the sharpest improvement, with its coverage ratio rising by 15.9% QoQ to 156.7%
  - ENBD led the group maintaining the highest coverage ratio at 160.5%
- Aggregate asset quality improved: NPL ratio declined to 2.6% in Q3 2025 from 2.9% in Q2 2025, underscoring resilient credit quality across the sector
  - ENBD reported the largest improvement with NPL ratio decreasing from 3.0% in Q2 to 2.6% in Q3, while MASQ posted the lowest NPL ratio of 1.2%

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



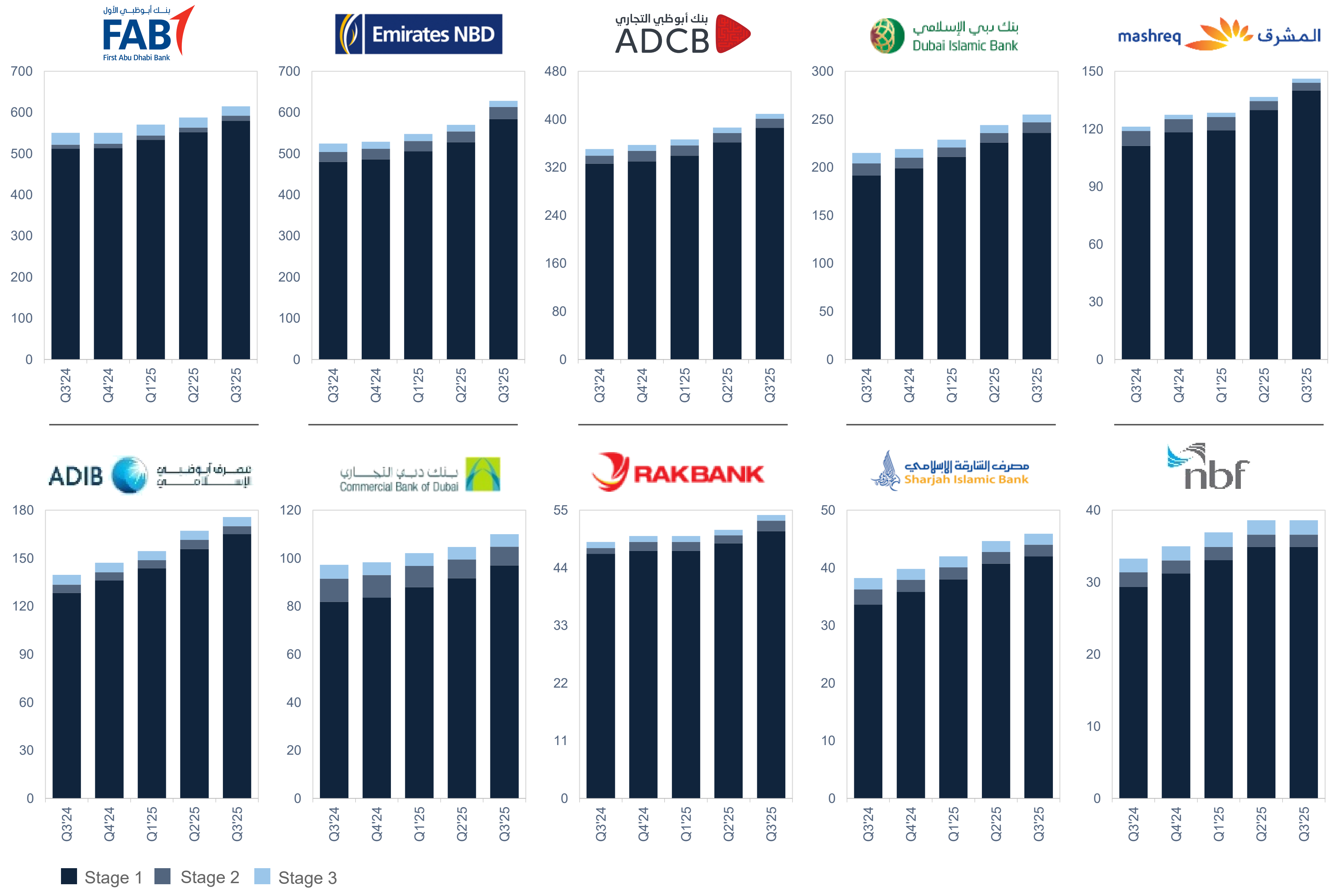
Note: Scaling and some numbers might not add up due to rounding
Source: Financial statements, investor presentations, A&M analysis, 1 accumulated allowance for impairment / NPL

Asset quality strengthened, evidenced by the continuous reduction in the banks' Stage 3 exposure

Key Takeaways

- Stage 2 loans grew by 3.0% in Q3’25 and reached AED 89bn. Its share in gross loans was 3.6% (vs. 3.7% in Q2’25)
- In Q3’25, Stage 3 loans declined by 5.9% QoQ, reducing their contribution to 2.9% from 3.3% in Q2’25
  - FAB had the highest value of Stage 3 loans, as its share in the aggregate Stage 3 loans reached 31.8%
  - The shares of ENBD and ADCB Stage 3 loans were 21.6% and 11.7%, 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: 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

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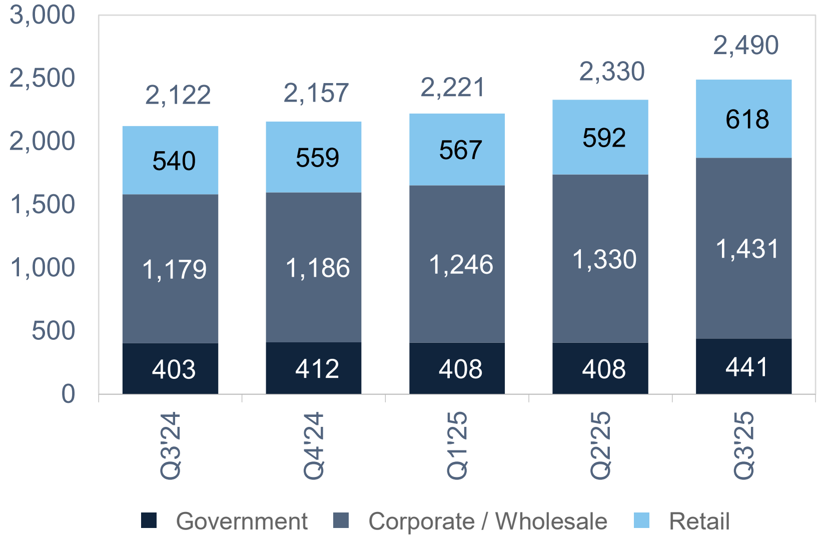
Stronger balance sheets, supported by robust loan growth and prudent provisioning

Key Takeaways

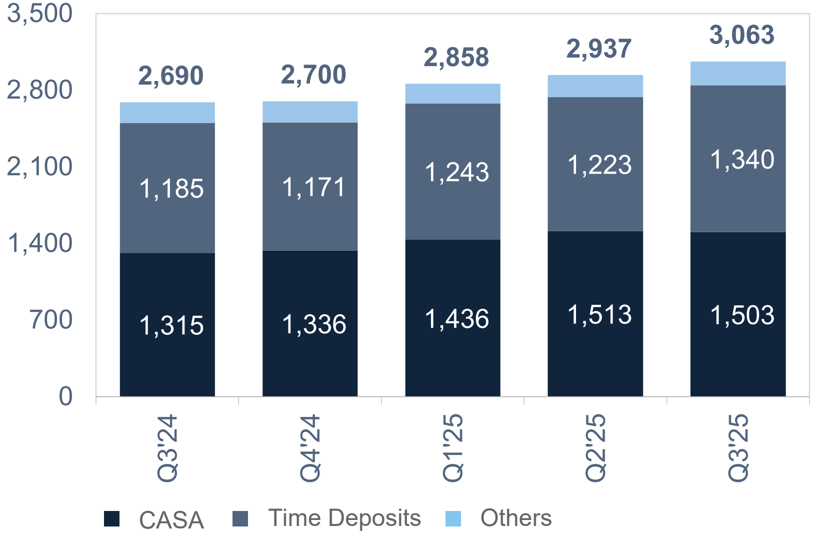
- Banks' balance sheets maintained strong momentum during the quarter, with aggregate gross loans rising by 6.8% QoQ (vs. 4.9% QoQ in Q2'25) and deposits rising by 4.3% QoQ (vs. 2.8% QoQ growth in Q2'25)
  - The softening interest rate environment continued to fuel corporate/wholesale loan growth, which advanced 7.5% QoQ
  - Time deposits – constituting 43.8% of total deposits registered a robust 9.6% QoQ growth
- On the asset quality front, the sector sustained its improvement trajectory as coverage ratio rose by 4.1% QoQ to 115.2% and NPL ratio continued to decline and reached 2.6% during the quarter (down by 30bps QoQ)
- Impaired loans remained well provisioned, with ECL allowance coverage of 60.5%, which increased by 1.2% QoQ

Lending, Deposits and Asset Quality Trends

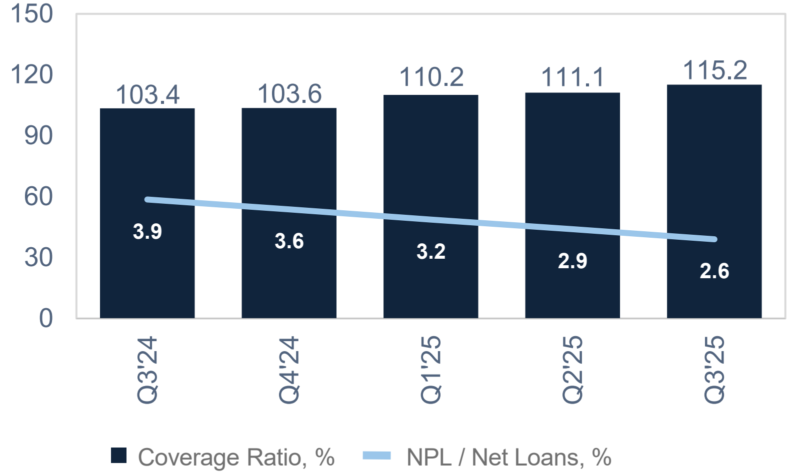
Segment wise Gross L&A
(Aggregate AED bn)



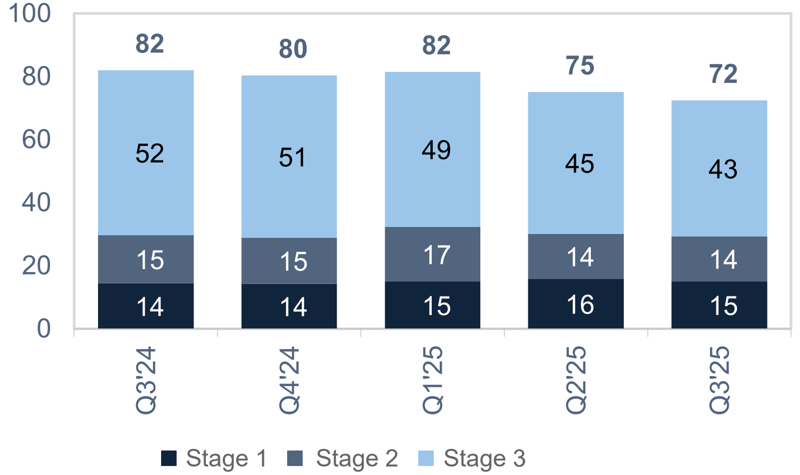
Deposits Mix
(Aggregate AED bn)



Coverage Ratio and NPL Ratio
(Aggregate %)



Aggregate ECL
(Aggregate AED bn)



Improved CoR supported by lower impairments and steady lending momentum

Key Takeaways

- Aggregate CoR improved marginally by 6bps QoQ to 0.45%, driven by a reduction in impairment charges
  - Net loan loss provisions declined by 6.9% QoQ to AED 2.7bn, reflecting stable asset quality and disciplined risk management
  - Meanwhile, average gross loans expanded by 5.4% QoQ, underpinned by sustained credit demand amid a softening interest rate environment

Note: Some numbers might not add up due to rounding,
**CoR is calculated as annualized Quarterly 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*
Source: Financial statements, investor presentations, A&M analysis

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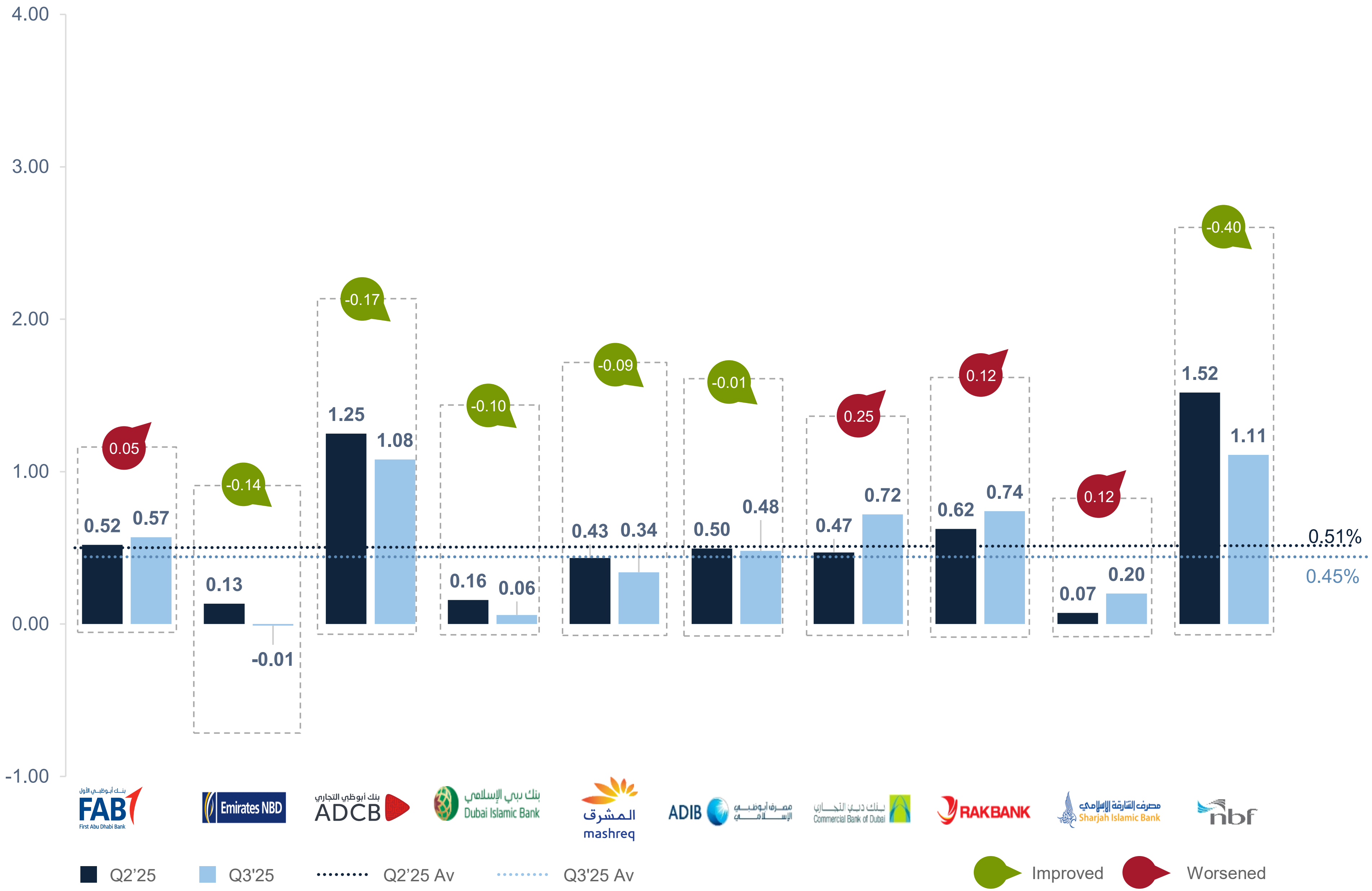
CoR improvement led by NBF and ADCB amid strengthening credit fundamentals

Key Takeaways

- Six out of the top ten banks posted an improvement in CoR during the quarter, with NBF leading the pack:
  - CoR of NBF improved by 40bps QoQ to 1.11%, supported by a 24.3% decline in impairment charges, while gross loans grew modestly by 1.8% QoQ, reflecting effective credit management

- ADCB being one of the top five banks, recorded a 17bps QoQ reduction in CoR to 1.08%, underlining its strong credit quality and well-diversified loan portfolio:
  - The bank's Impairment allowance fell by 8.3% QoQ, accompanied by a 6.1% QoQ increase in gross loans, demonstrating prudent risk practice amid continued loan growth

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



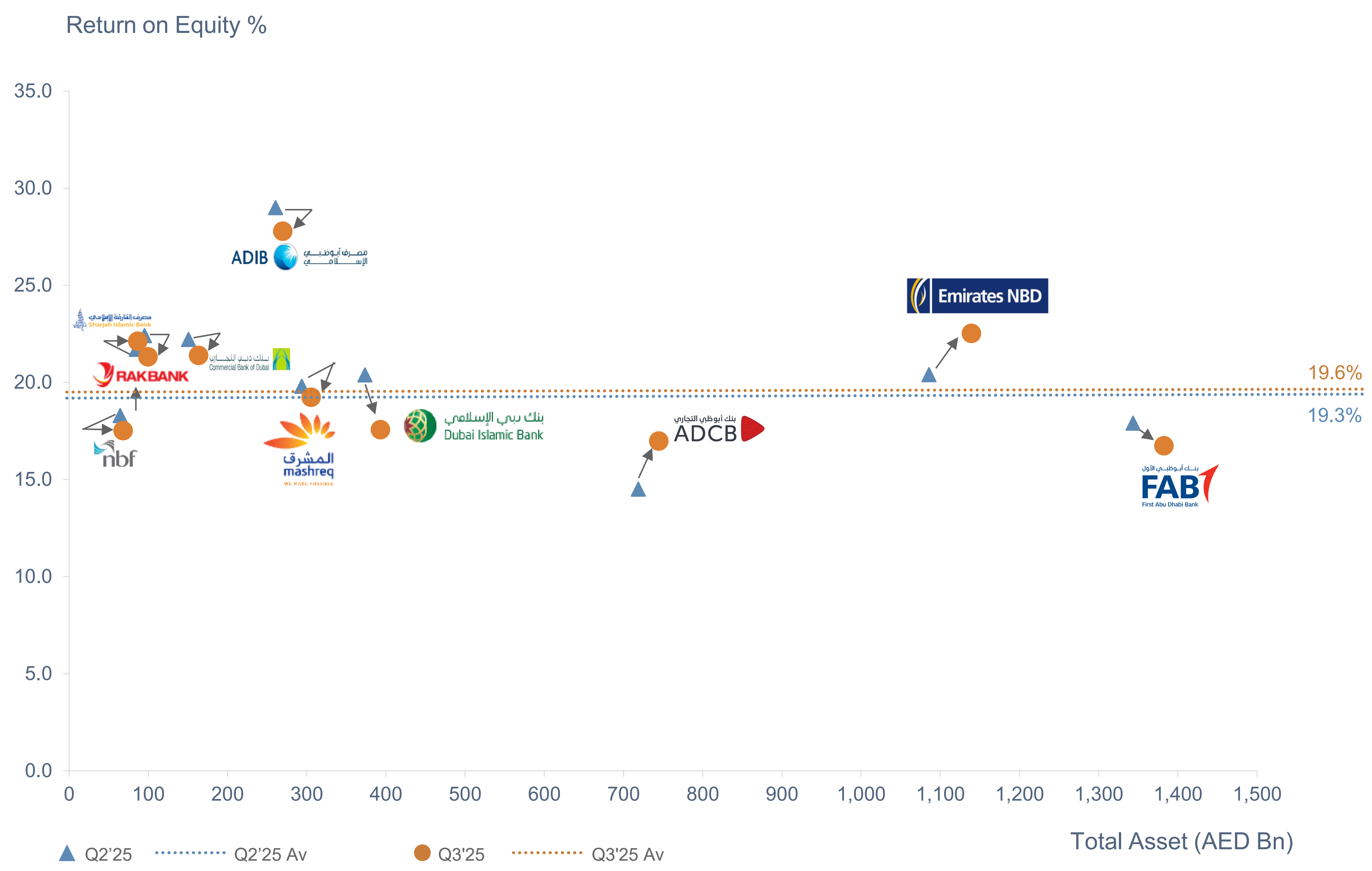
Note: Scaling and some numbers might not add up due to rounding
Source: Financial statements, investor presentations, A&M analysis
*Comparison on QoQ basis

ADCB and ENBD drove profitability momentum, successfully shielding the aggregate RoE from the sector-wide softening

Key Takeaways

- Aggregate RoE for the sector improved to 19.6%, up 25bps QoQ, reflecting sustained profitability and efficient capital utilization
- Despite seven out of the top ten banks registering a decline in RoE, strong performance by ENBD and ADCB offset the downside, resulting in an overall uplift in the sector's return profile:
  - ADCB delivered a RoE of 17.0%, up 2.5% QoQ, driven by stronger bottom-line growth of 20.4% QoQ
  - ENBD posted a RoE of 22.5%, rising 2.1% QoQ, supported by a rebound in net income (+5.6% QoQ) versus a 2.8% contraction in Q2'25
- ADIB continued to lead the sector with the highest RoE at 27.8%; however, it softened by 1.3% QoQ, as net income growth moderated to 2.5% QoQ (vs. 4.1% QoQ growth in Q2'25)

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 benefiting from a healthy credit cycle, driving strong balance sheet expansion and continued improvement in asset quality

Key Takeaways

- Banking sector profitability remained resilient, with sustained bottom line growth across major banks
- According to CBUAE, UAE's real GDP is projected to expand by 4.9% in FY'25, accelerating further to 5.3% in FY'26, underpinned by:
  - Robust growth in non-hydrocarbon activities (4.5% in FY'25 and 4.8% in FY'26), driven by financial services, trade, and tourism
  - Rebound in the hydrocarbon sector (5.8% in FY'25 and 6.5% in FY'26), following the updated OPEC+ production guidance
- Banks are leveraging strong macro tailwinds, with continued balance sheet expansion, while improving asset quality and defending margin

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

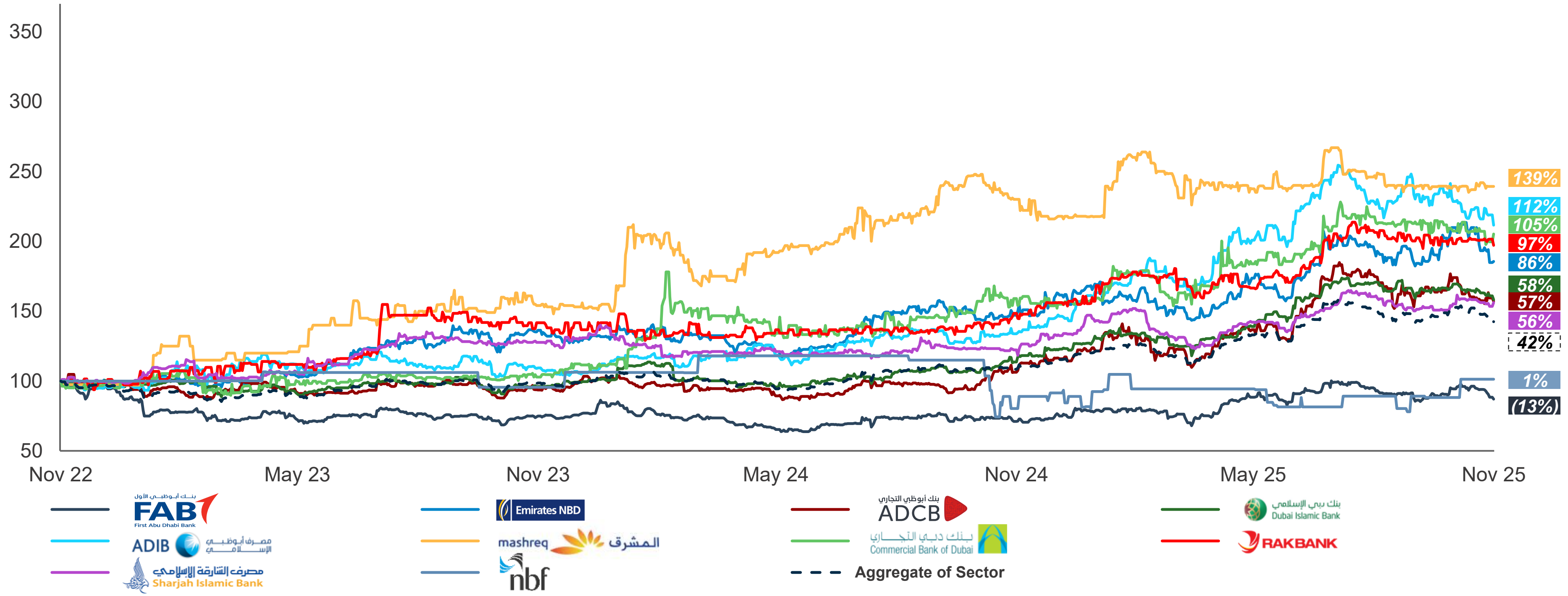
UAE banks continued to outperform their regional peers into Q3'25, supported by strong earnings delivery and sustained non-interest revenue growth

Key Takeaways

- UAE banks extended their rally in Q3'25. The sector gained again in the quarter and is up c. 30% over the past 12 months, making it one of the best performing banking sectors globally, underpinned by a high-teens RoTE and strong capital
- Net interest income growth accelerated QoQ in Q3'25, driven by robust loan demand
- Credit quality stayed benign, with stable credit costs and solid coverage levels, providing an additional anchor for earnings visibility, and investor confidence that double-digit earnings growth and attractive dividend payouts are sustainable

Share Price Evolution Across UAE Banks

L3Y Share Price Evolution (Rebased to 100)



	L3M	Q3	L6M	L1Y	L2Y	L3Y
First Abu Dhabi Bank	(8%)	(6%)	(1%)	22%	16%	(13%)
Emirates NBD	(5%)	5%	7%	26%	36%	86%
Abu Dhabi Commercial Bank	(11%)	10%	15%	48%	68%	57%
Dubai Islamic Bank	(7%)	6%	14%	39%	65%	58%
Abu Dhabi Islamic Bank	(8%)	2%	5%	58%	93%	112%
Mashreqbank	(3%)	1%	1%	4%	55%	139%
Commercial Bank of Dubai	(6%)	9%	12%	29%	100%	105%
National Bank of Ras Al-Khaimah	(5%)	9%	18%	33%	39%	97%
Sharjah Islamic Bank	(3%)	4%	10%	28%	22%	56%
National Bank of Fujairah	14%	10%	7%	26%	6%	1%
Aggregate UAE Banking Sector Market Cap	**(6%)**	**2%**	**7%**	**31%**	**44%**	**42%**
Simple Average based on each bank evolution	**(4%)**	**5%**	**9%**	**31%**	**50%**	**70%**

Source: FactSet as of 24/11/2025.

Q3 underscored the resilience of UAE bank valuations, with solid fundamentals further reinforcing the sector's relative appeal

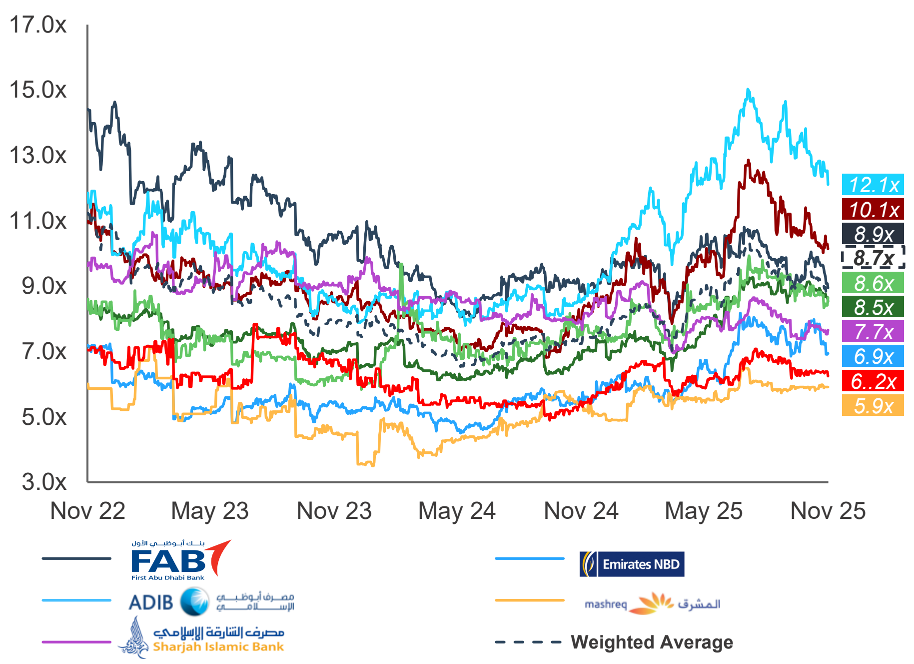
Key Takeaways

- As of Q3'25, UAE banks trade at a simple average of 8.5x P/E and 1.67x P/TBV, keeping them attractively positioned relative to their regional peers and broadly aligned with mid-cycle levels
- Valuations remained supported by ongoing earnings upgrades, with consensus raising 2025–26 forecasts on the back of solid loan growth, resilient fee income and manageable NIM pressure, leaving the sector's earnings yield attractive versus its risk profile
- Capital buffers strengthened further in Q3, helped by solid retained earnings and liquidity improvements, reinforcing valuation floors and supporting higher dividend expectations

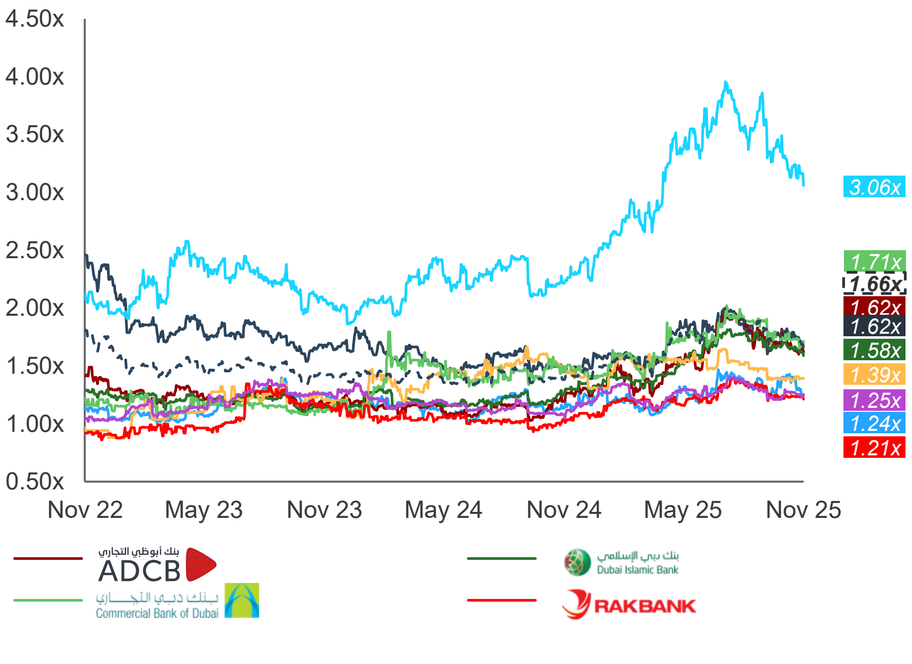
Valuation Snapshot

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

LTM P/E Evolution



LTM P/TBV Evolution



	Q3 – 30th September		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	1.60x	10.3x	1.86x	10.2x	1.83x	8.8x	1.45x	10.6x	1.68x	14.4x	2.46x
Emirates NBD	6.9x	1.23x	7.7x	1.39x	6.6x	1.30x	5.5x	1.14x	5.5x	1.26x	7.2x	1.14x
ADCB	10.6x	1.69x	12.3x	1.91x	9.8x	1.55x	7.9x	1.19x	8.5x	1.17x	11.0x	1.42x
Dubai Islamic Bank	9.0x	1.67x	9.1x	1.78x	7.5x	1.52x	6.8x	1.25x	7.0x	1.14x	8.4x	1.29x
ADIB	13.1x	3.30x	13.5x	3.56x	12.3x	3.37x	8.5x	2.22x	8.6x	2.07x	11.9x	2.13x
mashreq	5.9x	1.40x	6.0x	1.52x	5.5x	1.54x	5.4x	1.49x	4.5x	1.21x	6.0x	0.97x
Commercial Bank of Dubai	8.8x	1.74x	9.5x	1.93x	8.3x	1.72x	7.7x	1.49x	6.1x	1.10x	8.6x	1.22x
RAKBANK	6.3x	1.22x	6.9x	1.36x	5.9x	1.16x	5.5x	1.04x	6.7x	1.17x	7.0x	0.92x
Sharjah Islamic Bank	7.4x	1.22x	8.4x	1.36x	8.0x	1.29x	7.9x	1.08x	9.0x	1.26x	9.6x	1.03x
Weighted Average	**8.9x**	**1.71x**	**9.8x**	**1.90x**	**8.8x**	**1.76x**	**7.2x**	**1.38x**	**7.9x**	**1.43x**	**11.2x**	**1.81x**
Simple Average	**8.5x**	**1.67x**	**9.3x**	**1.85x**	**8.2x**	**1.70x**	**7.1x**	**1.37x**	**7.4x**	**1.34x**	**9.3x**	**1.40x**

Sources: A&M Analysis, FactSet as of 24/11/2025.
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	1,382.3	FAB
Emirates NBD	1,139.1	ENBD
ADCB	744.3	ADCB
Dubai Islamic Bank	393.0	DIB
mashreq	305.5	MASQ
ADIB	269.7	ADIB
Commercial Bank of Dubai	163.4	CBD
RAKBANK	99.5	RAK
Sharjah Islamic Bank	86.6	SIB
nbf	68.0	NBF

Note: Banks are sorted by assets size
** As on Q3 2025*

References / Sources

Section **New Entrants**

Date
06-Nov-25

News
Sharjah Islamic Bank launches SIB Pay to expand digital payments in UAE

Links
Source

Date
17-Oct -25

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Skyro UAE, Fasset sign MoU to enhance digital financial services across GCC

Links
Source

Date
14-Oct -25

News
Revolutionising Finance: UptexBank to transform GCC's digital banking landscape

Links
Source

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18-Oct-25

News
ENBD to acquire 60 per cent stake in RBL Bank in USD 3 billion deal

Links
Source

Date
14-Oct-25

News
FAB Partners with Abu Dhabi Real Estate Centre to Offer Customers Seamless and Sustainable Mortgage Experience

Links
Source

Date
13-Oct-25

News
Emirates NBD expands its near real-time cross-border payment network to over 40 countries worldwide

Links
Source

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Date
03-Nov-25
News
FAB Becomes First MENA Bank to Join China's Top Financial Advisory Council
Links
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20-Aug-25
News
Bitpanda Unveils Its First Major UAE Partnership with The National Bank of Ras Al Khaimah
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08-Aug-25
News
Abu Dhabi Housing Authority expands banking partnerships to provide top-up housing finance for UAE nationals
Links
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News
ADIB Partners with Visa to Become First Bank Globally to Offer Real-Time Transfers to 11 Billion Cards, Wallets and Accounts
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Section **New Emerging Technologies**

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27-Oct-25
News
ADCB Announces AI-Led Transformation To Reinforce Its Strategic Competitiveness
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21-Oct-25
News
DIB and HCLTech Forge Strategic AI Innovation Partnership
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01-Oct-25
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UAE Banks Lead Global Shift in Digital Banking Security with AI and Big Data
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22-Oct-25

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4most and Reporting Center partner to enhance regulatory reporting in banking

Links
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16-Sep-25

News
Federal Decree-Law No. (6) of 2025 Regarding the Central Bank, Regulation of Financial Institutions and Activities, and Insurance Business

Links
Source

Section **Expected Challenges**

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29-Sep-25

News
UAE banks failing to meet customer expectations

Links
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Our Middle East Financial Services Team

Sam Gidoomal
Managing Director
ME Financial Services

sgidoomal@alvarezandmarsal.com
+971 50 298 4917

Hazim Almegren
Managing Director
ME Financial Services

halmegren@alvarezandmarsal.com
+966 50 2263977

Zeeshan Mansoor
Managing Director
EMEA Financial Services

zeeshan.mansoor@alvarezandmarsal.com
+971 50 953 1765

Andy Reid
Managing Director
EMEA Financial Services

areid@alvarezandmarsal.com

Quentin Mulet-Marquis
Managing Director
M&A ME Financial Services

qmulet-marquis@alvarezandmarsal.com
+971 56 235 3867

Tristan Brandt
Managing Director
ME Digital Financial Services

tristan.brandt@alvarezandmarsal.com
+971 56 688 3315

Jeremie Benhaim
Senior Director
M&A ME Financial Services

jbenhaim@alvarezandmarsal.com
+971 56 526 7199

Ankit Uppal
Senior Director
ME Financial Services

auppal@alvarezandmarsal.com
+971 52 903 4576

Dana Abdalhadi
Senior Director
ME Financial Services

dabdalhadi@alvarezandmasal.com
+971 56 546 1319

Aksinya Sorokina Kavanosyan
Director
ME Financial Services

akavanosyan@alvarezandmarsal.com
+971 54 586 6582

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