

# UAE Banking Pulse



Q2 | 2024

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# FOREWORD

Alvarez & Marsal Middle East Limited (A&M) is delighted to publish the Q2'24 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.

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.

In Q2'24, L&A grew moderately (+3.2% QoQ), as retail lending witnessed a surge of 8.0% QoQ. However, deposits mobilization slowed down (+0.4% QoQ) mainly due to decline in time deposits by 2.5%. Consequently, LDR increased by 2.0% points QoQ. Despite stable benchmark interest rates, NII grew by 2.0% QoQ due to the higher LDR effect. Non-interest income (-2.9% QoQ) subdued the growth in total operating income (+0.4% QoQ). Profitability was supported by lower impairment charges (-35.4% QoQ). Net income increased 2.9% QoQ resulting in an RoE improvement of 48bps QoQ to 20.8%.

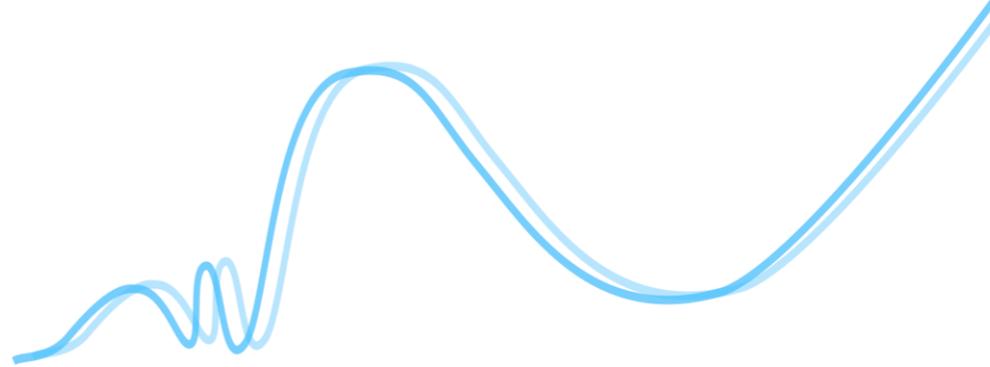
Asset quality improved for the quarter, however bank credit outlay / quality remains sensitive to the high interest rate environment, inflation and regional instability. Oil economy continues to face challenges with price fluctuations and dependence on the OPEC+ decision on quotas. However, the non-oil GDP remains very robust, with CBUAE growth forecast of +5.4% in both FY'24 and FY'25. CBUAE continues to anchor its benchmark rate to the US Fed and maintained the bank rate at 5.4%. US Fed delayed rate cuts as the inflation is still above the target level (2.0%) and the interest rate reversal is now expected in September .

We hope you will find the Pulse useful and informative.

*Disclaimer:*

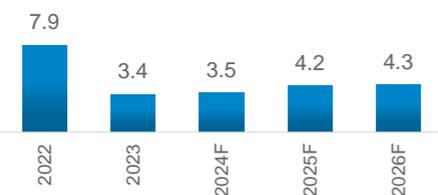
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# UAE macro & sector overview



## Macro overview

UAE GDP Growth Rate<sup>1</sup>, %



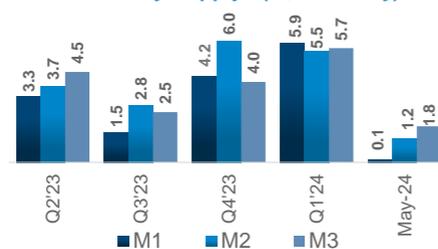
- In April'24, IMF revised its FY'24 GDP growth outlook downwards to 3.5% from 4.0%, however kept the FY'25 growth outlook same at 4.2%
- The UAE's average Q2'24 PMI further decreased to 55.1 compared to 56.9 in Q1'24. Output lost further momentum in Q2'24 due to the overhanging effect of floods in April. Supply chain challenges in the red sea impacted the input prices.

US Fed Funds Rate<sup>2</sup>, EIBOR<sup>3</sup>, %



- The US fed rates remained unchanged at 5.50% since July'23. The FOMC announced that they will not cut rates until they achieve the 2% target inflation rate, which is currently ~2.5% (YoY increase of personal consumption expenditure) as of May'24
- Consequently, CBUAE maintained its base rate at 5.4%. While, EIBOR increased by 4bps to 4.9% during Q2'24

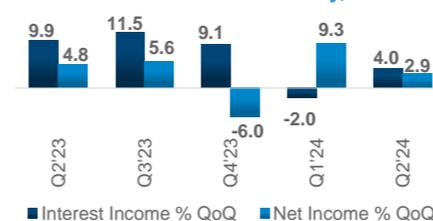
UAE Money Supply<sup>3</sup>, (% Quarterly)



- M1 money supply increased by 0.1% to AED 879.2bn from Q1'24 to May'24. This was due to a 0.2% decrease in Monetary Deposits to AED 749.7bn
- M2 money supply increased by 1.2% to AED 2.2tn from Q1'24 to May'24. The increase in the quasi monetary deposits (+1.9%) supported the M2 growth.
- M3 money supply increased by 1.8% to AED 2.6tn from Q1'24 to May'24

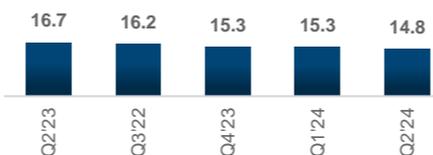
## Banking overview Q2'24

UAE Banks' Profitability, %<sup>4</sup>



- Total interest income of top ten UAE banks increased by 4.0% QoQ in Q2'24; previous quarter witnessed a decline of 2.0% QoQ
- The spread between annualized yield on credit and cost of funds decreased marginally to 7.7% (-5bps QoQ) for Q2'24
- The aggregate net income increased by 2.9% QoQ. This was primarily due to lower impairment charges (-35.4% QoQ)

Real Estate & Construction as % of Total Gross Loans<sup>5</sup>



- The UAE banks' exposure to the real estate and construction sector declined to 14.8% in Q2'24
- However, despite the regional geopolitical tension in the Middle East, the UAE real estate thrives with strong growth
- In the residential market of Dubai, the average prices registered a growth of 21.3% YoY and average residential rents grew by 21.1% YoY in Q2'24

UAE Banking M&A Deals



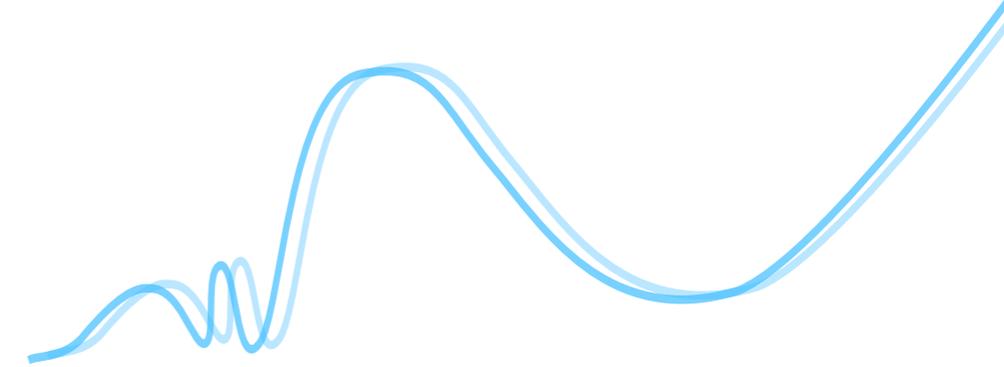
- Banking sector in the UAE did not witness any completed or announced M&A deals in Q2'24
- The deal between FAB potentially acquiring Yapi Ve Kredi Bankasi in Turkey was terminated. FAB was in talks with Koc Group to buy 61.2% stake of the bank for circa USD 8bn

<sup>1</sup> IMF, <sup>2</sup> US Board of Federal Reserve, <sup>3</sup> UAE Central Bank, <sup>4</sup> Bloomberg & A&M Analysis, <sup>5</sup> Based on data of 10 banks, weighted average exposure of all banks; for consistency purpose data for all banks is captured from IR presentations \* Data for top ten UAE banks by asset size as of June 30<sup>th</sup> 2024

# Credit outlay witnessed moderate growth while asset quality improved resulting in a higher profitability

➔ Improved   ➔ Stable   ➔ Worsened

	Metric	Q1'24	Q2'24	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24
Size	Loans and Advances (L&A) Growth (QoQ)	3.4%	3.2%					
	Deposits Growth (QoQ)	5.1%	0.4%					
Liquidity	Loan-to-Deposit Ratio (LDR)	73.8%	75.8%					
Income & Operating Efficiency	Operating Income Growth (QoQ)	4.8%	0.4%					
	Operating Income / Assets	3.8%	3.7%					
	Non-Interest Income (NII) / Operating Income	33.5%	32.5%					
	Yield on Credit (YoC)	12.2%	12.3%					
	Cost of Funds (CoF)	4.4%	4.6%					
	Net Interest Margin (NIM)	2.7%	2.6%					
Risk	Cost-to-Income Ratio (C/I)	27.9%	28.1%					
	Coverage Ratio	112.1%	109.7%					
Profitability	Cost of Risk (CoR)	0.4%	0.3%					
	Return on Equity (RoE)	20.3%	20.8%					
	Return on Assets (RoA)	2.2%	2.2%					
Capital	Return on Risk-Weighted Assets (RoRWA)	3.5%	3.5%					
	Capital Adequacy Ratio (CAR)	17.2%	17.6%					



## Key Trends of Q2'24

- 1 L&A increased by 3.2% QoQ (prior quarter +3.4% QoQ), Deposits however, reported a marginal increase by 0.4% QoQ (previous quarter +5.1% QoQ)
- 2 LDR increased by 2.0% QoQ points to 75.8% in Q2'24 as growth in L&A outpaced deposits growth
- 3 Operating income growth slowed down to 0.4% QoQ solely due to non-interest income (-2.9% QoQ). FAB and ENBD contributed the most to slowdown the non-interest income with a decline 8.7% and 14.7% QoQ, respectively
- 4 NIM contracted slightly by 1bp QoQ for the quarter; YoC increased by 8bps QoQ, although, slower than CoF (+13bps QoQ)
- 5 Aggregate C/I ratio moderated to 28.1% (+19bps QoQ) as operating income increased by 0.4% QoQ and operating expense increased by 1.0% QoQ
- 6 CoR improved by 16bps QoQ as the banks reported lower impairment charges (-35.4% QoQ)
- 7 Net income increased by 2.9% QoQ resulting in an expansion of RoE by 48bps QoQ. However, RoA remained stable at 2.2% for the quarter
- 8 RoRWA was maintained at 3.5% The capital adequacy ratio increased by 34bps QoQ to 17.6% and is above the minimum requirement of 13.0%

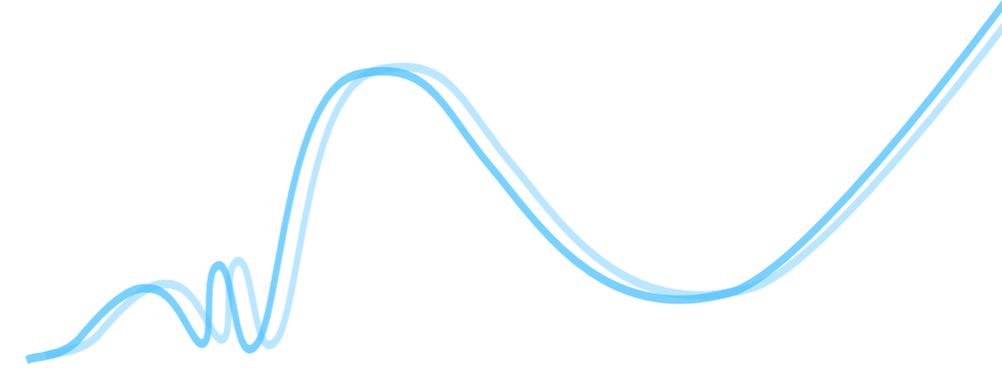
Note 1: QoQ stands for quarter over quarter

Note 2: Growth in loans & advances and deposits are presented QoQ instead of YoY

Note 3: Quarterly income was used in the calculation of operating income growth

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

# UAE banking industry developments



## Key Sector Developments



### New Entrants

- In April'24, a neobank 'Keytom' has been set up in DIFC which allows customers to transact in crypto and offers saving and investment products.
- In May'24, a new open banking startup Thimsa (beta version) was launched in UAE. Thimsa is introducing a range of payment solutions to the market through its new platform, which encompasses B2B, C2B, and cross-border payments
- Ruya Bank, a hybrid digital bank, licensed by CBUAE has announced to launch in the UAE. The bank aims to bridge both a virtual and physical presence
- HSBC has announced the launch of WorldTrader in the UAE, a digital trading platform providing access to a wide range of investments internationally



### New Business Trends

- Blockchain technology has been rapidly adopted in UAE banking sector. Zand Bank has entered into a strategic partnership with Taurus SA. Zand will leverage Taurus' integrated custody and tokenization solutions to expand its digital asset offerings, which include cryptocurrencies, tokenized securities, and digital currencies
- AI (Artificial Intelligence) in UAE banking is gaining traction. FAB, in partnership with Mastercard Centre for Advanced Technology in Dubai organized a challenge inviting seed and startup companies to propose AI-driven solutions for a cash prize of USD 150k



### New Investments

- MoIAT (Ministry of Industry and Advanced Technology) has partnered with Emirates Development Bank to provide a AED 370mn financing solution for the new AI Innovation Program

Source: CBUAE, Fitch Ratings, MoneyControl, Zawya, Bitcoin.com News, The Paypers, Fintech Futures, Retail Banker International  
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## Key Sector Developments



### New Emerging Technologies

- Wio Bank is introducing a new embedded finance service designed especially for the UAE's SMEs. By directly integrating with accounting and financial management systems through APIs, Wio Business facilitates financial workflows, enhancing management and eliminating the need for third-party intermediaries. This integration automates book-keeping, significantly reducing manual labor and allowing businesses to concentrate on their core activities
- MASQ is launching Flexcube, an Oracle FS software across its operations. This software is expected to streamline and enhance operations internationally



### Expected Challenges

- Geopolitical tensions remain elevated in the region, in particular to Abu Dhabi's hydrocarbon infrastructure and to Dubai as a trade, tourism and financial hub
- UAE continues its efforts to strengthen its non-oil economy, however, Fitch Ratings forecasts the non-hydrocarbon sector to slowdown in H2'24 and FY'25

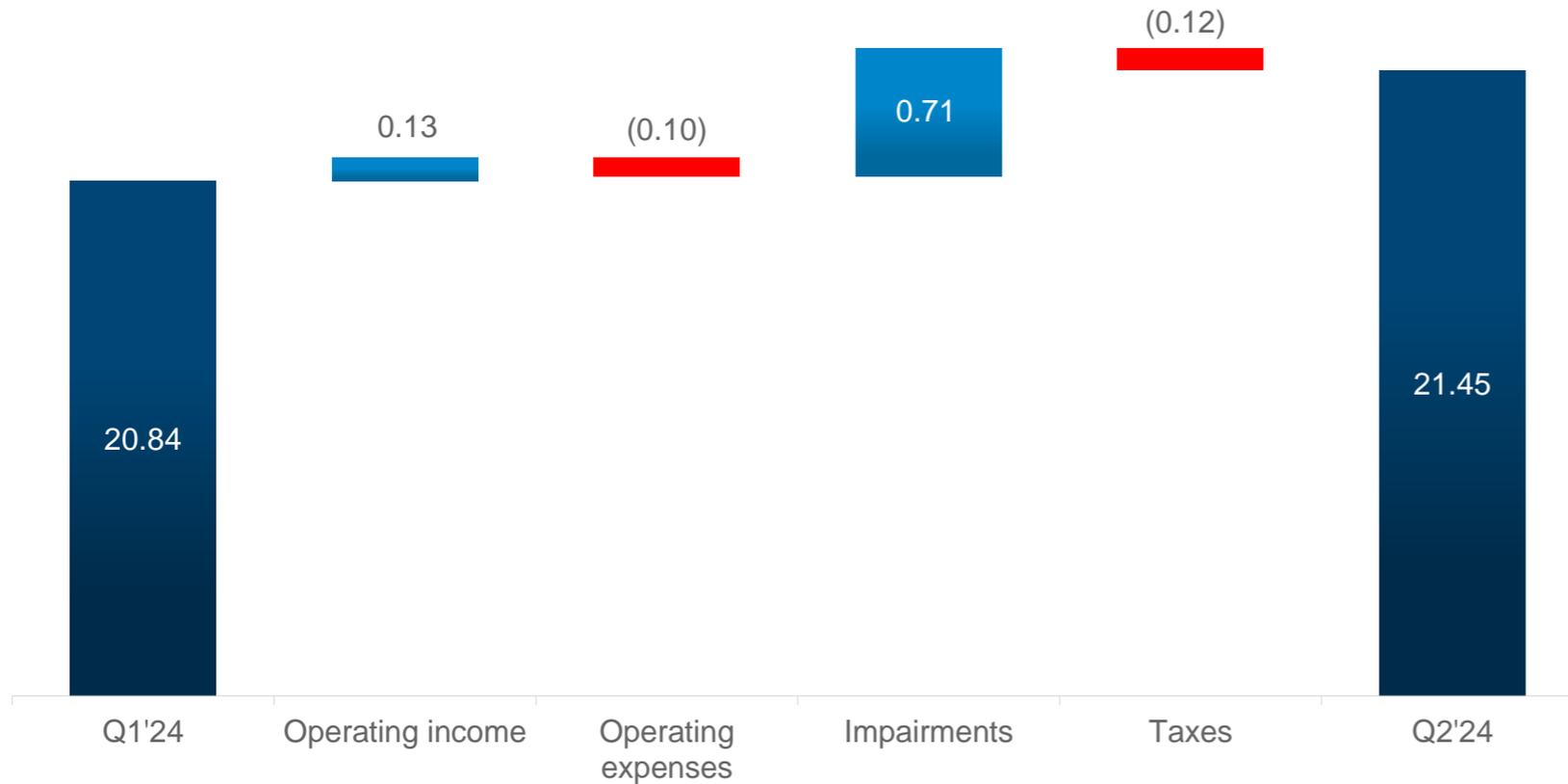


### New Regulations

- In June'24, CBUAE issued the Sandbox Conditions Regulation which aims to attract start-ups and global FinTech businesses. The regulation also outlines the criteria to exempt them from the requirement of obtaining a license to allow them to test innovative business models, products and services within a specified duration
- In June'24, CBUAE issued the Open Finance Regulation to ensure its soundness and efficiency. According to the regulation, the participation in the open finance framework is mandatory, by all financial institutions, which are subject to the supervision of the CBUAE, with respect to the products and services within their scope

# UAE bank's operating income growth slowed; lower impairment charges supported profitability

## Net income bridge – AED Bn

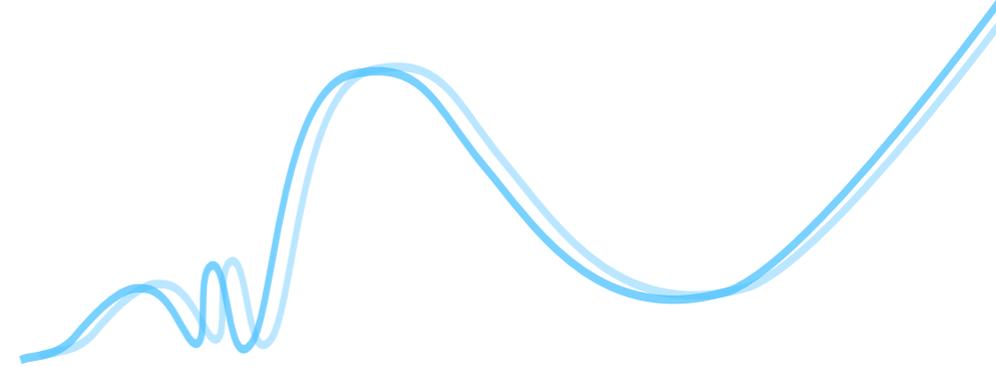


## KEY TAKEAWAYS

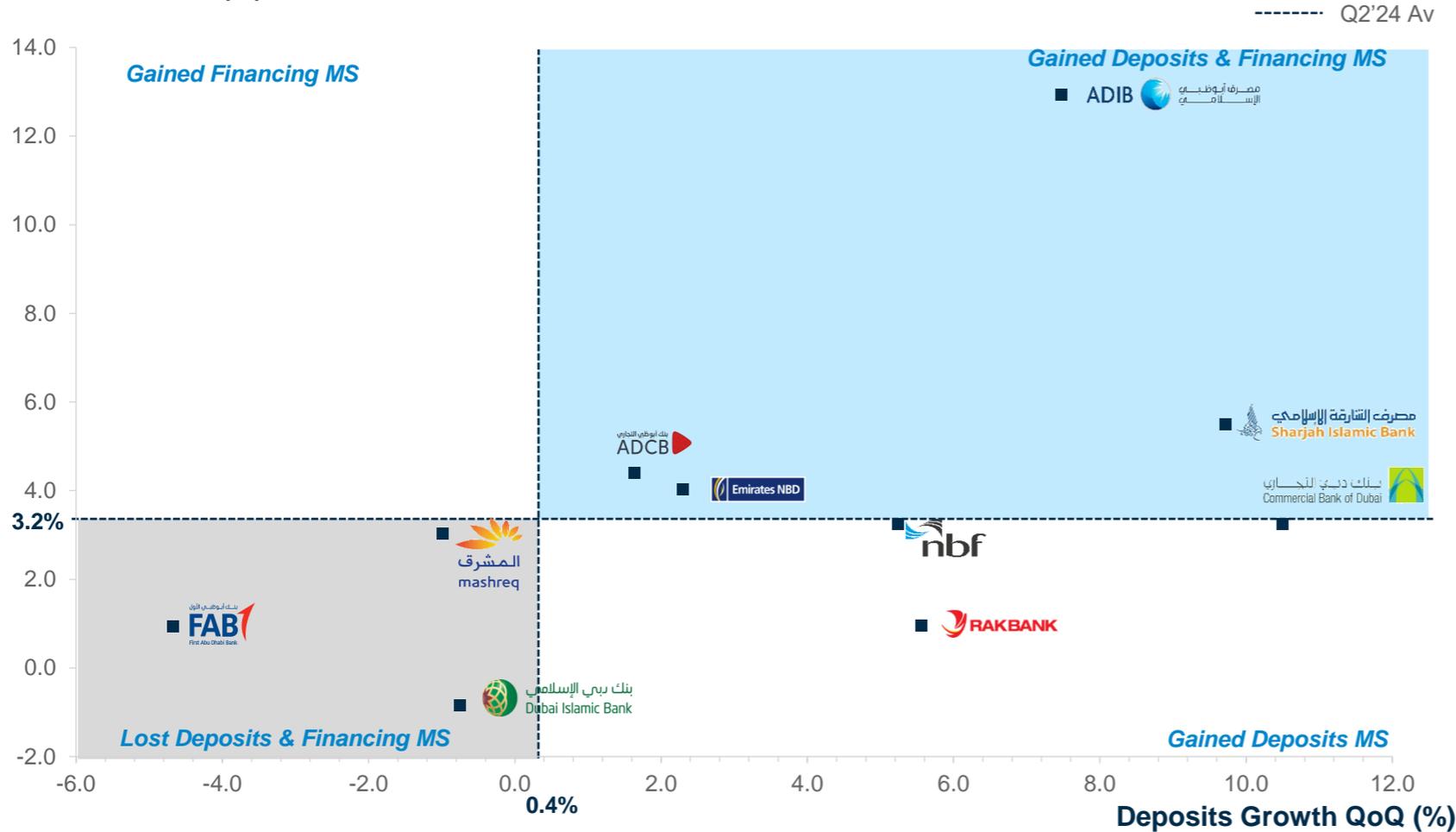
- The aggregate net income for the UAE banks increased by 2.9% QoQ to AED 21.5bn for Q2'24
- Net interest income increased by 2.0% QoQ; this was due to the increased LDR effect despite stable benchmark interest rates
  - CBUAE maintained the policy rate at 5.4% with no movement for the third consecutive quarter
- Operating income increased marginally by 0.4% QoQ as non-interest income declined by 2.9% in Q2'24
- Overall, profitability increased (+2.9% QoQ) on the back of higher NII and lower impairment charges

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

# At peak interest rates, deposits mobilization eased while credit outlay sustained its momentum



## L&A Growth QoQ (%)



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

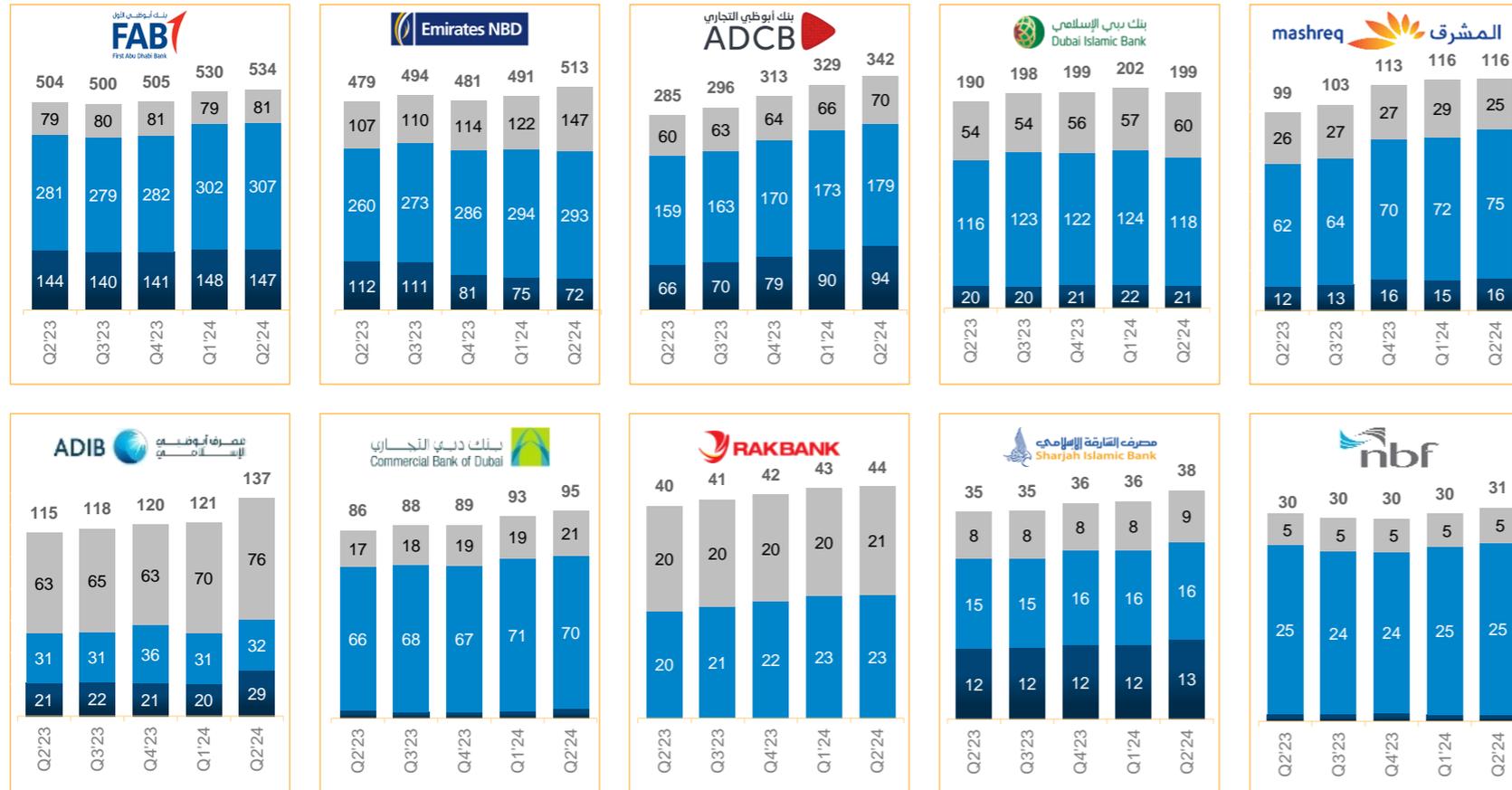
## KEY TAKEAWAYS

- UAE banks kept up with the pace in the credit outlay in Q2'24; L&A increased by 3.2% QoQ; however, slower than the previous quarter
  - ADIB reported the highest increase by 12.9% QoQ, as retail lending book grew by 8.9% QoQ and loans to GREs increased by 40.2% QoQ (primarily one undisclosed big-ticket transaction around AED 4-5bn)
- Deposits grew marginally by 0.4% QoQ in Q2'24, slowest in the past nine quarters
  - FAB drove down the aggregate deposits with a decline of 4.7% QoQ due to a decrease in time deposits by 11.4% QoQ
  - Aggregate share of low cost CASA deposits remained below 50.0% out of the total deposits while time deposits decreased to 43.1% in Q2'24
- CBD reported the highest increase in deposits (+10.5% QoQ), largely driven by time deposits (+17.3% QoQ)

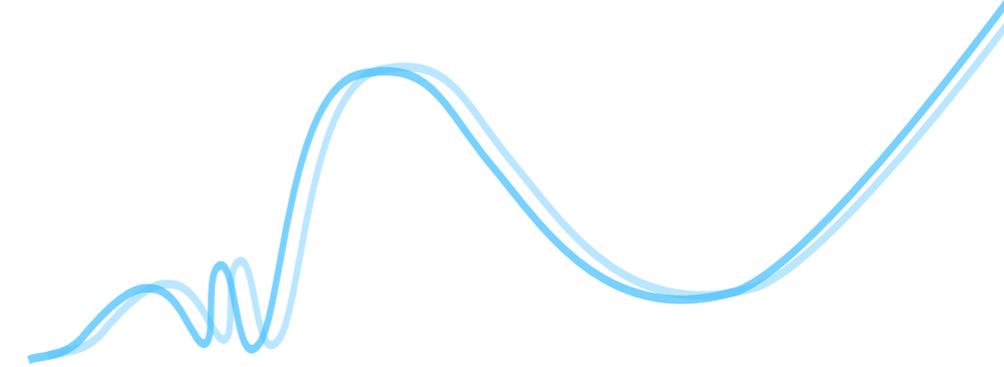
# Banks leveraged the higher interest rate scenario; focused aggressively on retail lending

■ Government ■ Corporate / Wholesale ■ Retail ■ Aggregate L&A

## 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  
 Source: Financial statements, investor presentations, A&M analysis



## KEY TAKEAWAYS

- Growth in retail lending (+8.0% QoQ) was the highest, accounting for ~25.1% of the total loan book; however, corporate / wholesale lending segment increased by 0.8% QoQ
- ENBD contributed the highest to increase in retail lending (+20.7% QoQ). It has gained ~1/3<sup>rd</sup> market share in UAE for credit cards and an increase in the Wealth Management AUM (~41% YoY)

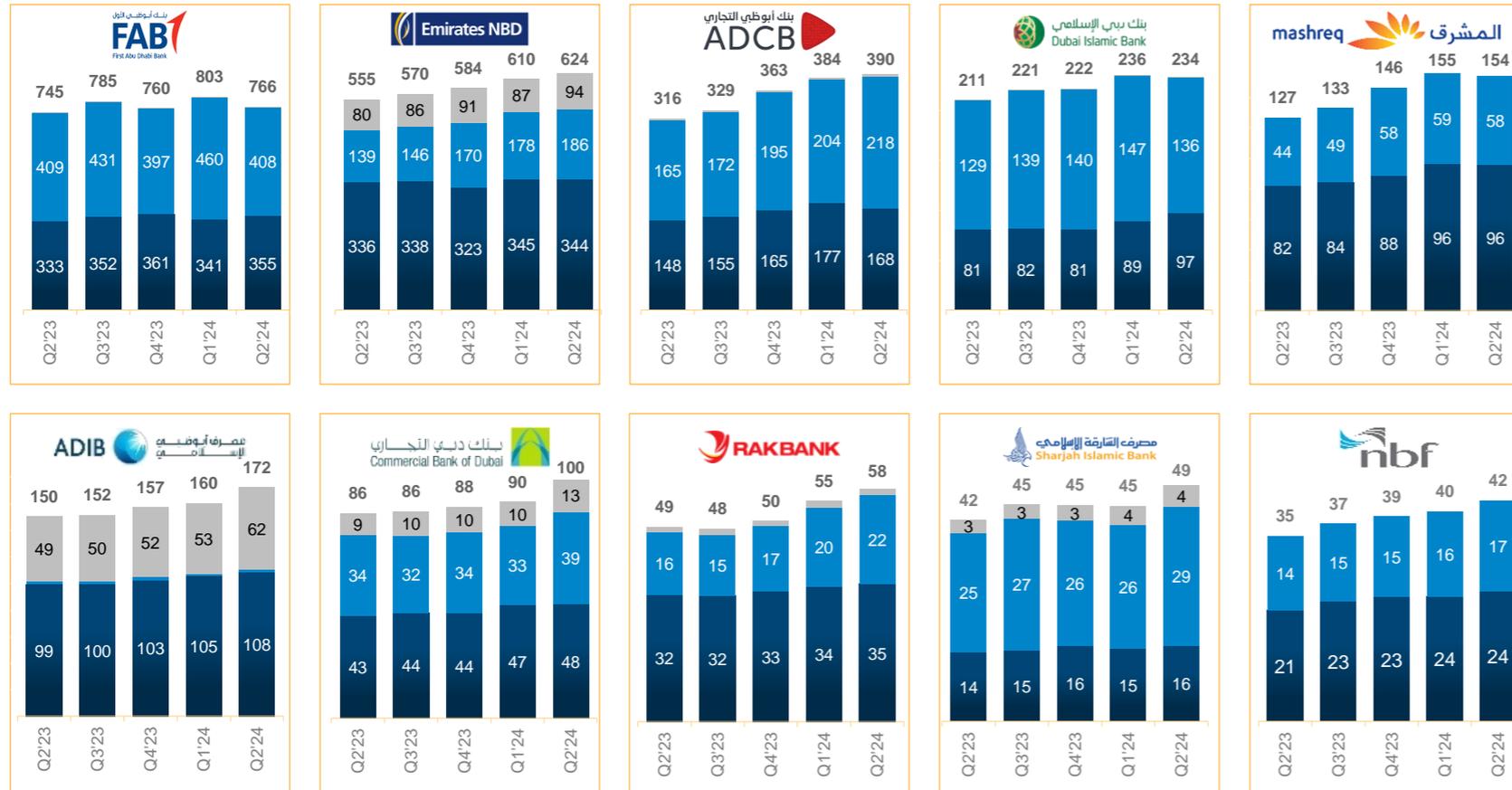
## Segment wise L&A (Aggregate AED bn)



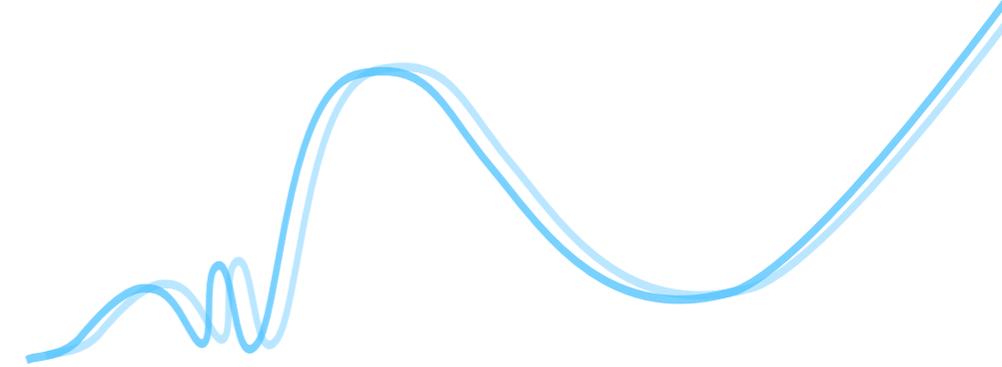
# While deposit mobilization remained moderate, banks successfully reduced higher cost time deposits

■ CASA ■ Time deposits ■ Others

## Customer deposits (AED bn)



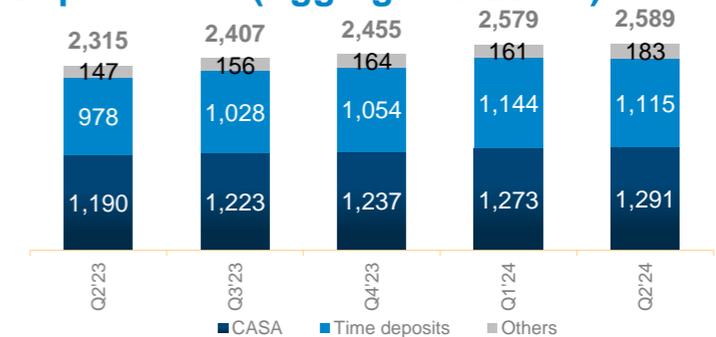
Note 1: Scaling and some numbers might not add up due to rounding off  
 Note 2: For ENBD, "Others" includes DenizBank; For ADIB, "Others" include Wakala deposits, Short Term Investment Accounts and Others  
 Source: Financial statements, investor presentations, A&M analysis



## KEY TAKEAWAYS

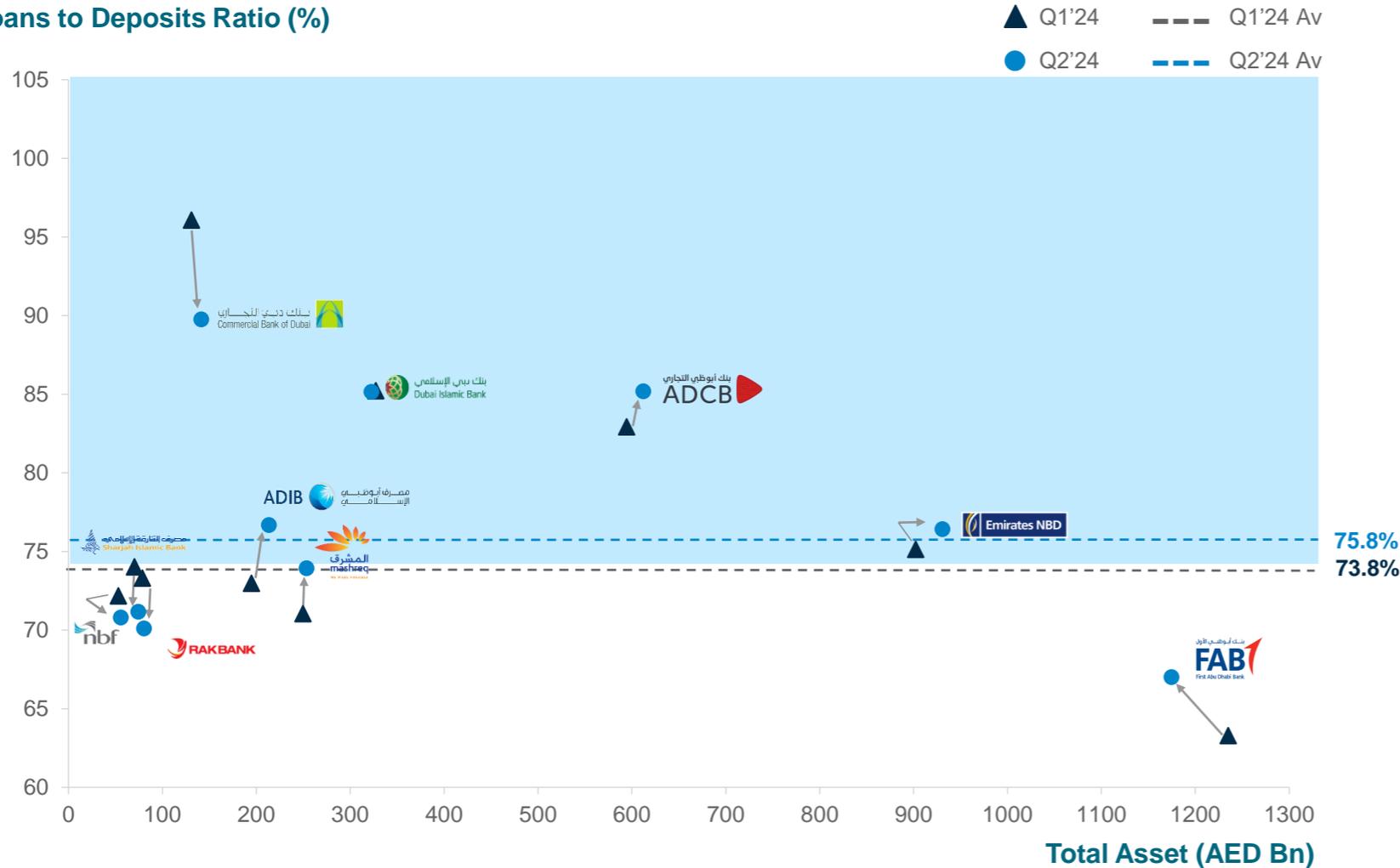
- Time deposits slowed down 2.5% QoQ and accounted for 43.1% of the total deposits
  - Cost of borrowing for banks overall has marginally increased as EIBOR rose by 4bps QoQ in Q2'24
  - FAB saw the highest decline in time deposits with a drop of 11.4% QoQ, while, CBD reported highest growth (+17.3% QoQ)
- CASA registered steady growth sequentially, with an increase of 1.4% QoQ

## Deposits mix (Aggregate AED bn)

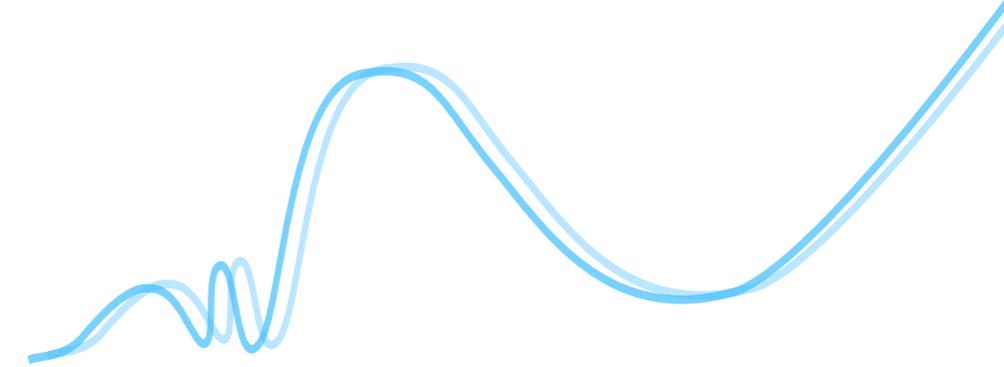


# LDR increased as lending momentum outpaced deposits growth

## Loans to Deposits Ratio (%)



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

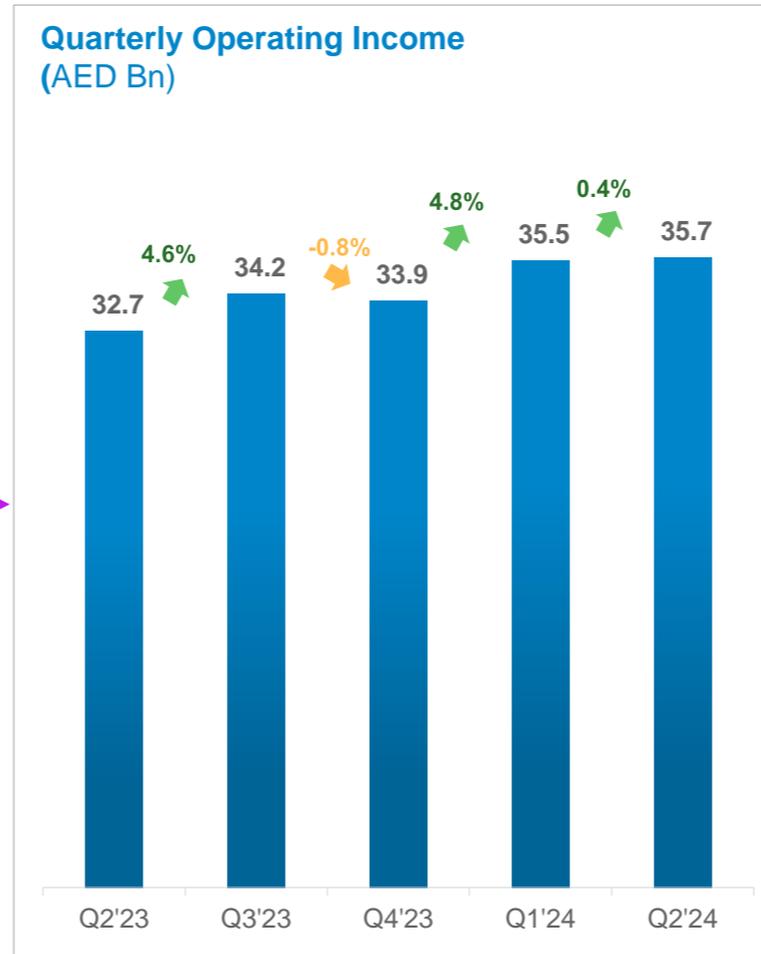
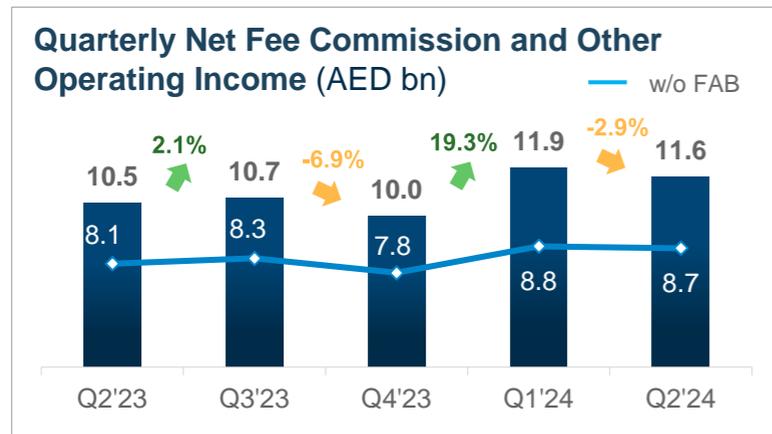
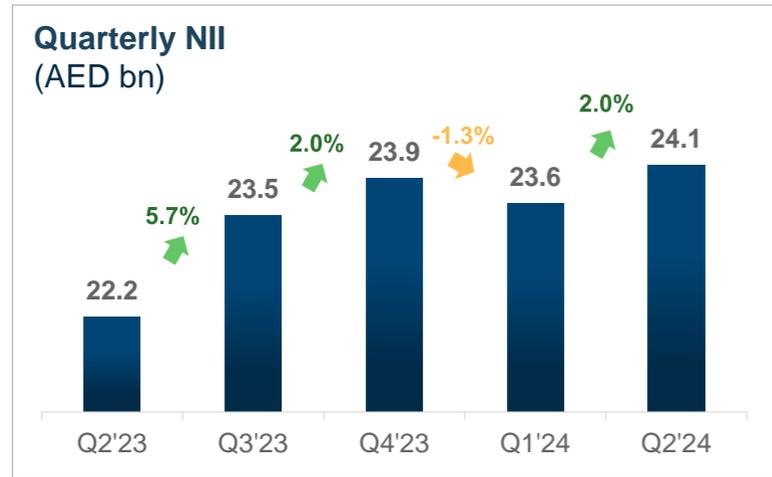


## KEY TAKEAWAYS

- Aggregate LDR increased by 2.0% points QoQ in Q2'24, as L&A increased at a faster pace (+3.2% QoQ) than deposits (+0.4% QoQ)
- LDR increased the most for FAB and ADIB, both by 3.7% points QoQ
  - Time deposits for FAB (accounting for 53.2% of the total deposits) declined by 11.4% QoQ in Q2'24
  - For ADIB, the total loan book grew by 12.5% QoQ driven by lending to government sector (+40.6% QoQ)
- CBD witnessed the highest drop in LDR with a decrease of 6.3% points QoQ
  - CBD's time deposits surged by 17.3% QoQ and L&A increased only by 3.2% QoQ leading to the decline in LDR

# Total operating income moderated due to lower non-interest income which offset the positive impact of NII growth

➔ Improved   ➔ Stable   ➔ Worsened

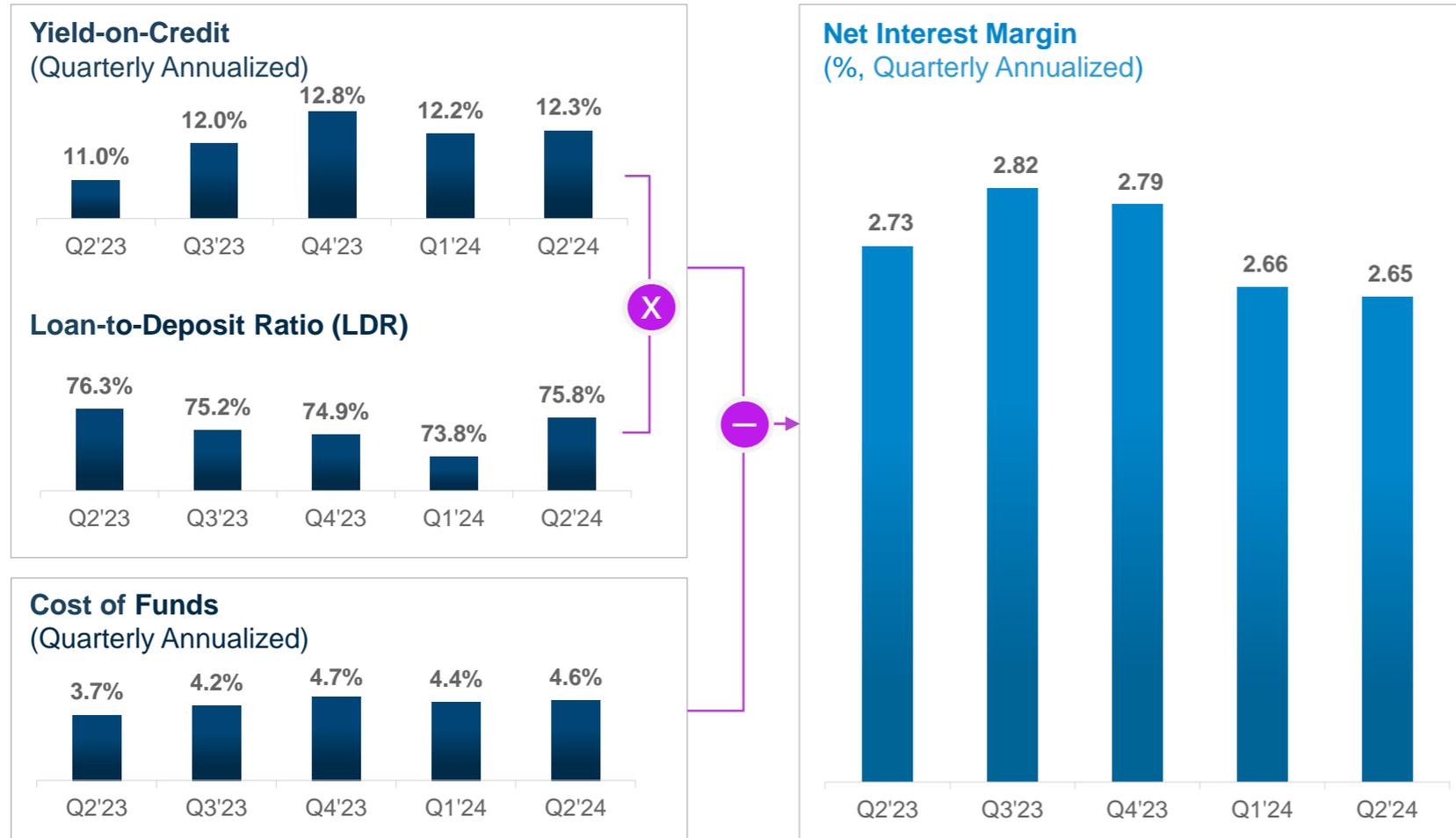
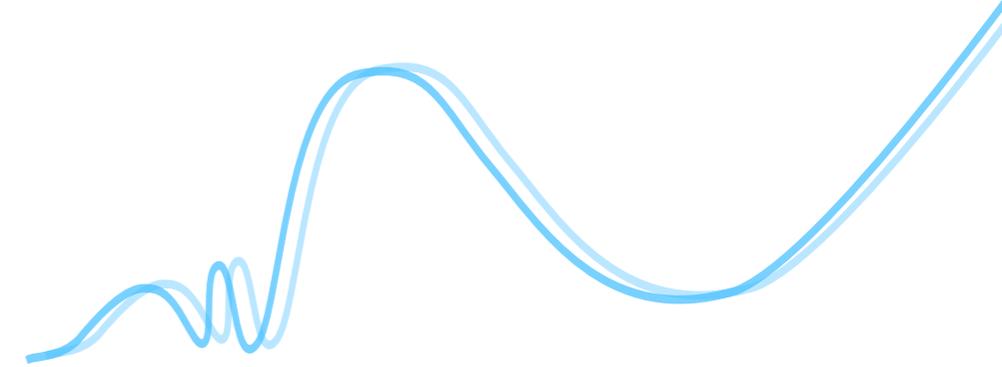


## KEY TAKEAWAYS

- Operating income increased marginally by 0.4% QoQ as non-interest income declined by 2.9% QoQ. The aggregate non-interest income / total operating income ratio stood at 32.5% in Q2'24, up from ~28% level in late FY'22
  - FAB (-8.7% QoQ) and ENBD (-14.7%) impacted the most to the fall in non-interest income
  - For FAB, forex declined by 86.3% QoQ and net fees and commission income fell by 10.4% QoQ
  - For ENBD, higher swap funding costs in Turkey and lower client trading flow activities (-11.0% QoQ) led to decline in other operating income (+40.8% QoQ)
- ADIB reported the highest increase in the operating income (+12.5% QoQ) due to surge in non-interest income (+21.2% QoQ)
  - Other income increased ~21x QoQ in Q2'24 as the bank collected higher fees due to increased transactional activity

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

NIM remained mostly flat in Q2'24 as the benchmark interest rates were stable



## KEY TAKEAWAYS

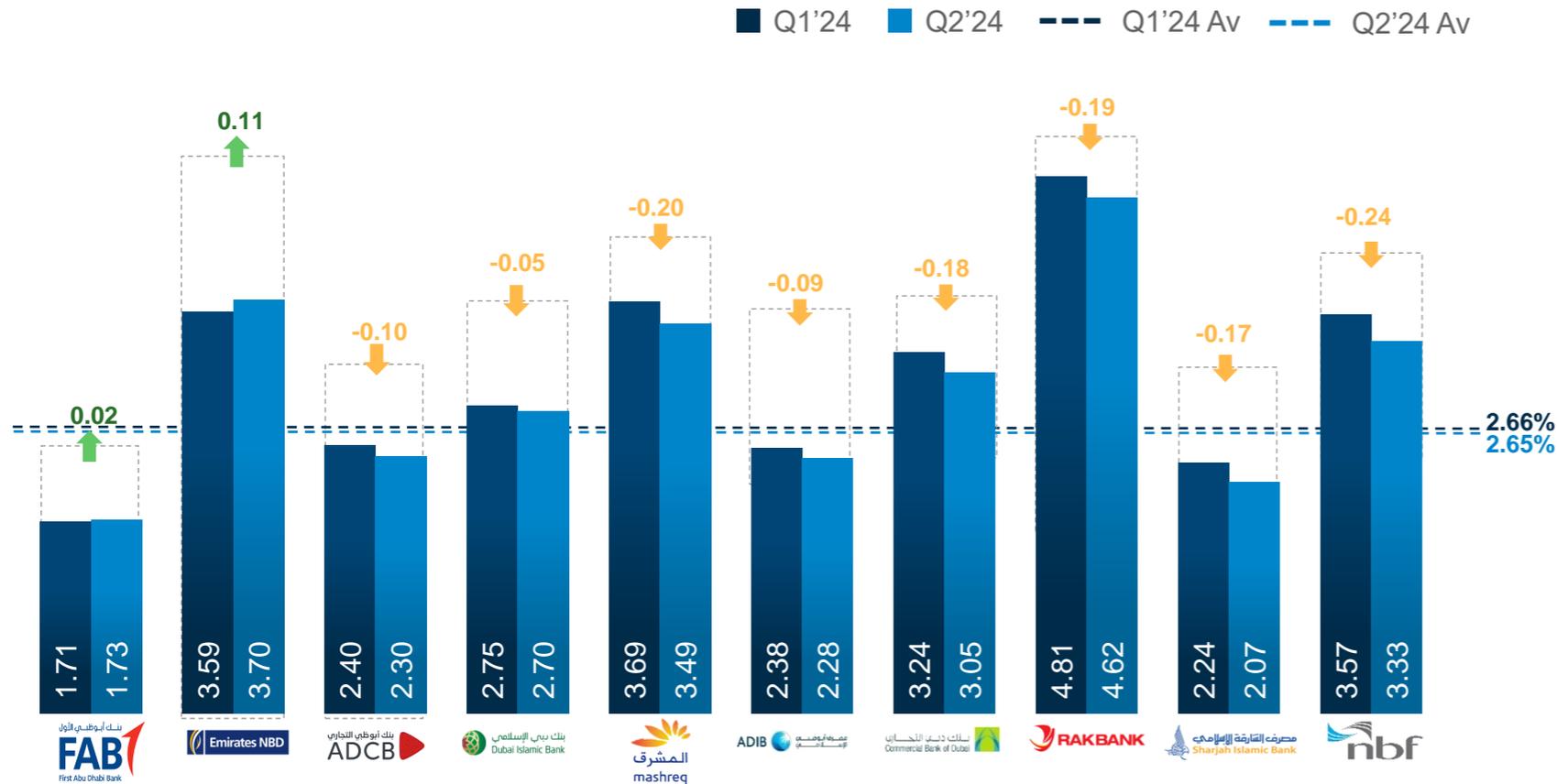
- Aggregate NIMs contracted slightly by 1bp QoQ to 2.65% during Q2'24
- Yield on credit increased by 8bps QoQ to reach 12.3%, whereas cost of funds increased by 13bps QoQ to 4.6% in Q2'24
  - Faster growth in L&A as compared to deposits led the increase in LDR
  - In spite of no change in the benchmark interest rates, larger banks (FAB / ENBD) could increase the yield on credit due to better asset pricing

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

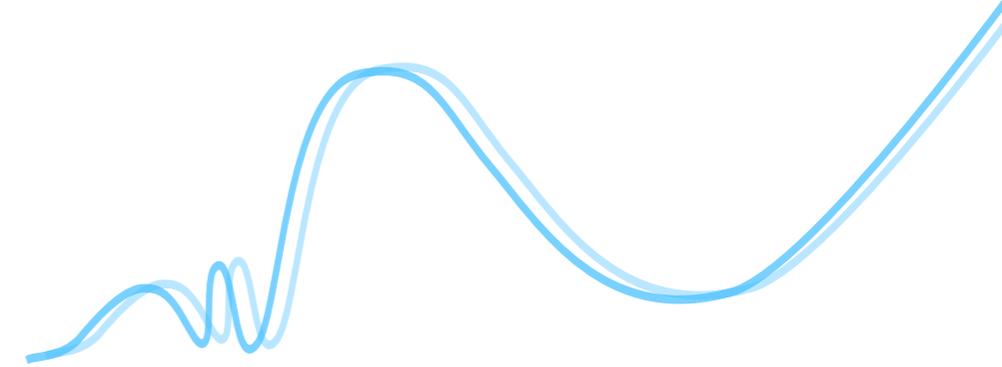
# Eight out of ten banks reported NIM contraction; however, FAB and ENBD supported the aggregate NIM

➔ Improved   ➔ Stable   ➔ Worsened

## Net Interest Margin (% Quarterly)



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

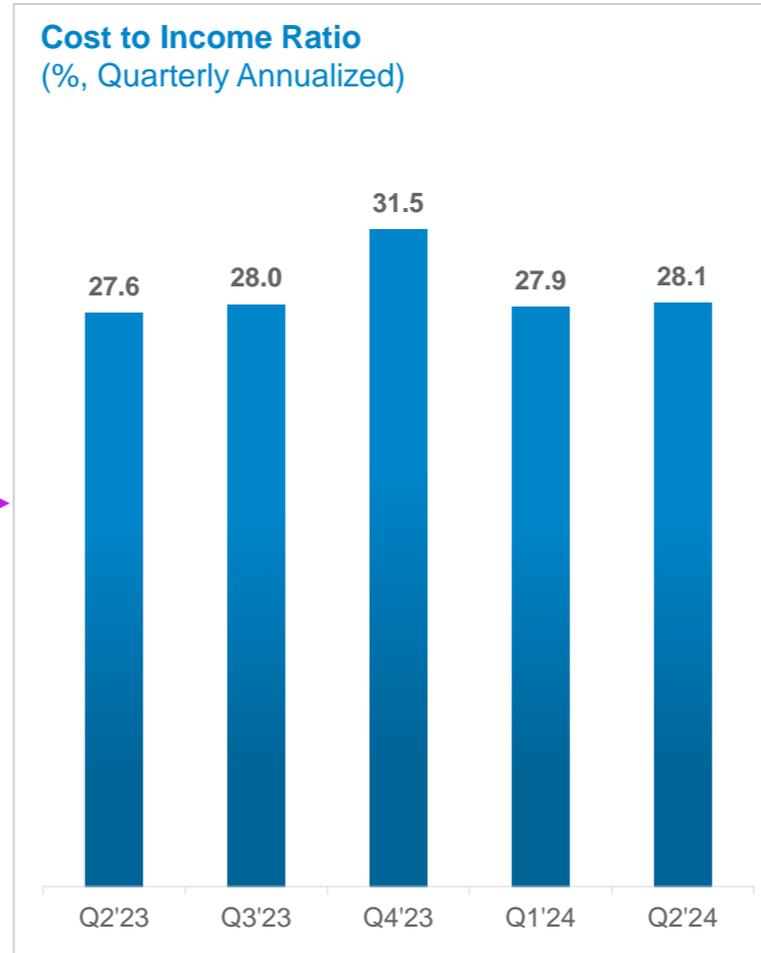
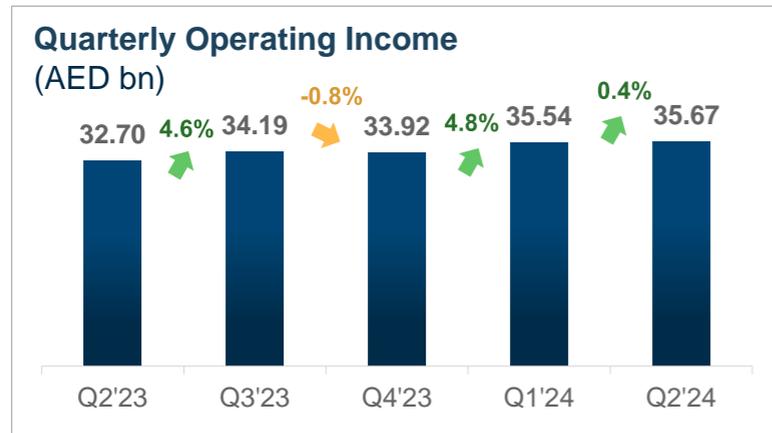
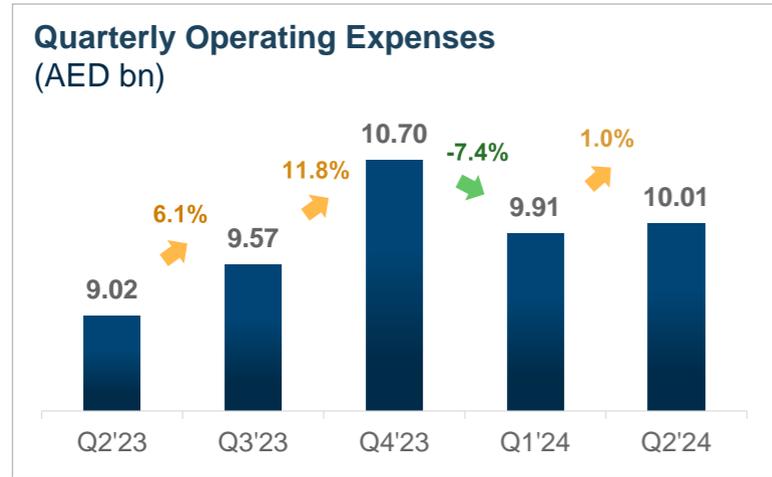


## KEY TAKEAWAYS

- On the aggregate level, banks reported marginal change in NIM (-1bp QoQ) in Q2'24
- FAB and ENBD saw a NIM expansion of 2bps and 11bps QoQ, respectively in Q2'24
- ENBD, ex-DenizBank reported a contraction in NIM by 6bps QoQ as the base of total gross loans increased at a faster pace (~5.0% QoQ) than the NII (~2.0% QOQ) on a standalone basis
  - However, in DenizBank, the NIM expanded by 114bps QoQ due to favorable loan repricing and stabilization of funding costs, leading to an overall expansion on a consolidated basis
- NIM for NBF contracted the most by 24bps QoQ, which was followed by MASQ (-20bps QoQ) in Q2'24

# C/I ratio increased marginally for the quarter; however, still below 30% level

➔ Improved   ➔ Stable   ➔ Worsened



## KEY TAKEAWAYS

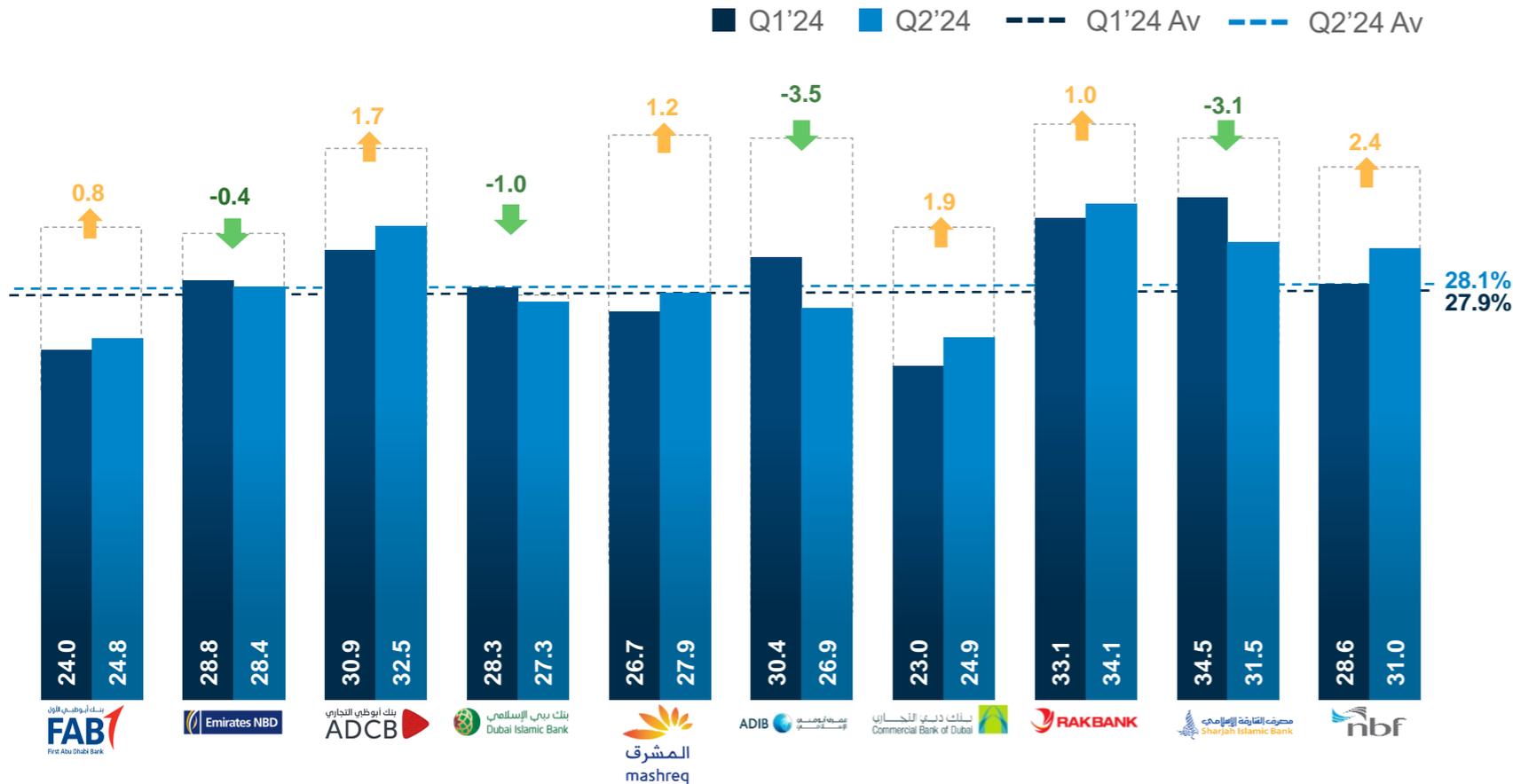
- C/I ratio deteriorated by 19bps QoQ to 28.1% in Q2'24; still below ~30% level
  - Cost efficiencies deteriorated as aggregate total operating income (+0.4% QoQ) increased slower than the total operating expense (1.0% QoQ) in Q2'24
- The overall cost efficiency in the UAE banking sector deteriorated as banks continued to increase spending on digitalization initiatives
  - ADIB has integrated ProgressSoft for its payments hub platform in early FY'24
  - CBD continued to make enhancements in the mobile apps they offer such as CBD – Instant Digital Banking, CBD – Investr and CBD iBusiness App
- ADIB reported the highest improvement by 3.5% points QoQ in Q2'24 on the back of increase in total operating income by 12.5% QoQ

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

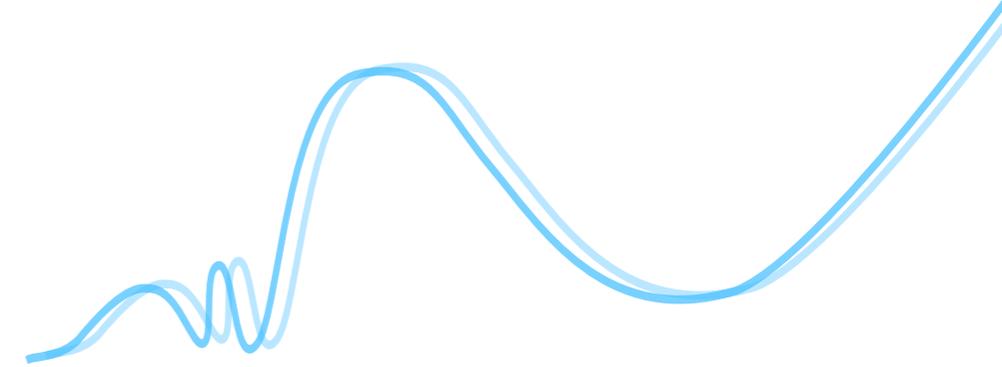
# Six out of the top ten banks reported a deterioration in the cost to income ratio

➔ Improved   ➔ Stable   ➔ Worsened

## Cost to Income Ratio (% Quarterly)



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



## KEY TAKEAWAYS

- Six out of the top ten banks reported deterioration in the cost efficiencies
  - NBF reported the highest deterioration (+2.4% points QoQ)
- ADIB reported the highest improvement in cost to income ratio with a decrease of 3.5% points QoQ in Q2'24
  - In ADIB, the general and administrative costs declined almost 4.9% QoQ in Q2'24
  - That coupled with increase in total operating income improved the operational efficiency of the bank

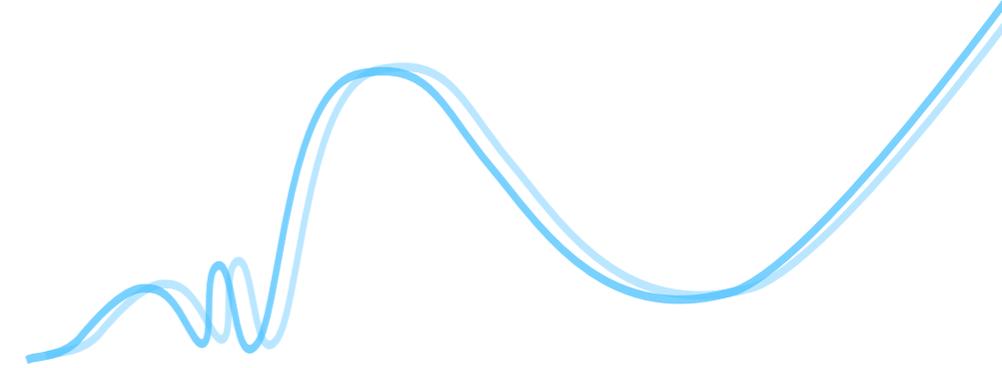
# NPL ratio continued to improve; however 4 banks still below 100% cover

■ Coverage Ratio, % ◆ NPL / Net loans, %

## Coverage Ratio<sup>1</sup> and NPL / Net Loans Ratio (% , Quarterly)



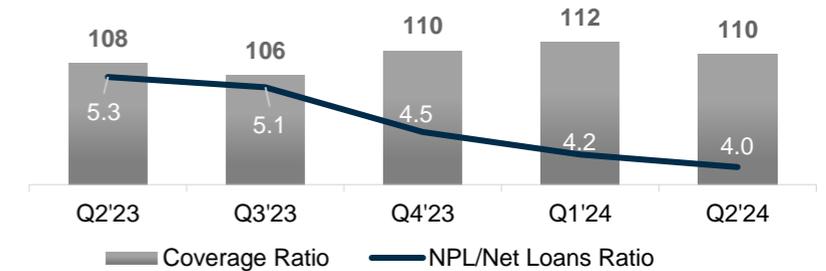
Note: <sup>1</sup> accumulated allowance for impairment / NPL  
 Scaling and some numbers might not add up due to rounding off  
 Source: Financial statements, investor presentations, A&M analysis



## KEY TAKEAWAYS

- Aggregate NPL / Net Loans ratio improved by 0.2% points QoQ to 4.0%, while the coverage ratio decreased by 1.3% points QoQ to 110.8% in Q2'24
  - Coverage ratio for ADCB saw the highest decline of 21.1% QoQ
- NPL / Net loans ratio has been declining since the last six consecutive quarters

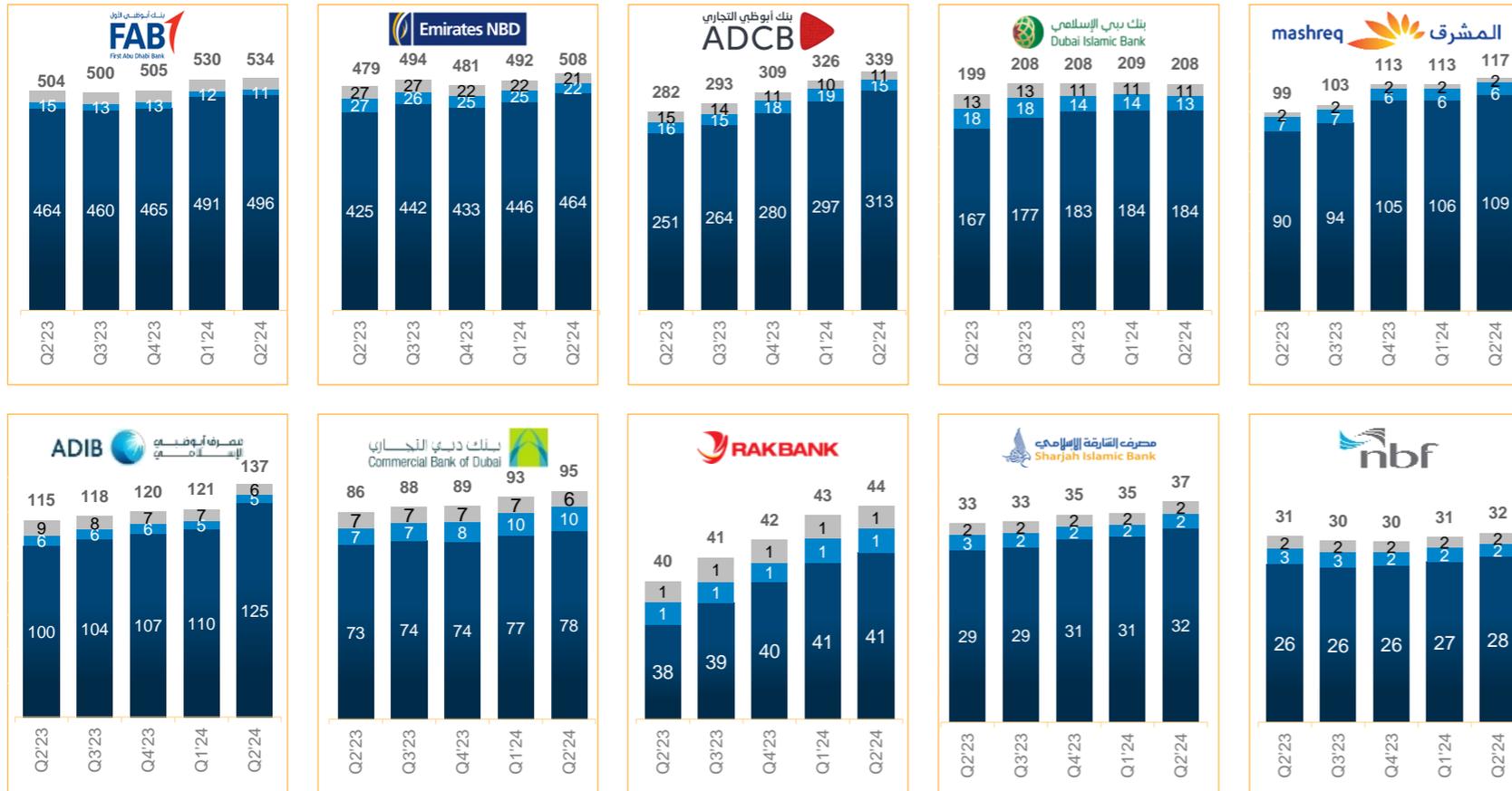
## Coverage Ratio and NPL ratio (Aggregate)



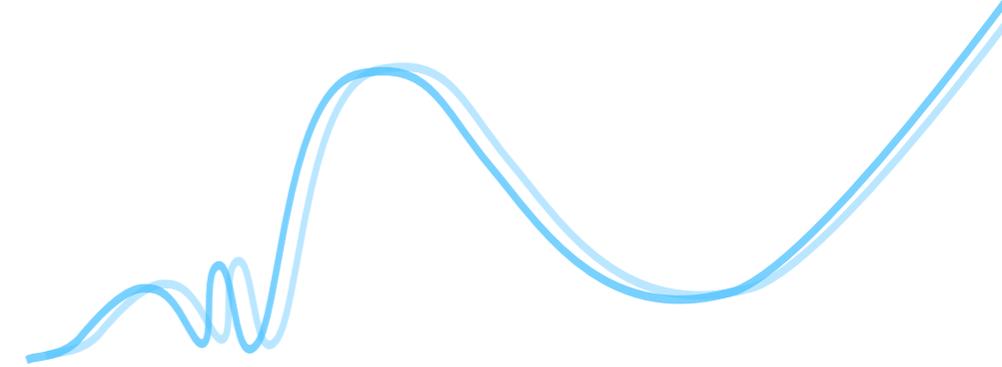
# Although NPL ratio improved, stage 3 loans witnessed a minor deterioration

■ Stage 1 ■ Stage 2 ■ Stage 3

## Stage wise L&A mix (AED bn)



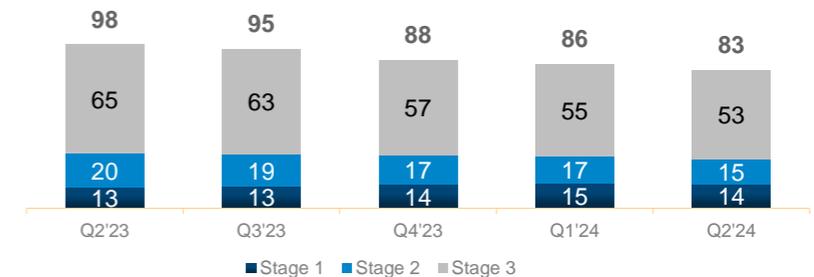
Note 1: Scaling and some numbers might not add up due to rounding off  
 Note 2: DIB reported segment wise L&A mix on net value and stage wise L&A mix on gross value  
 Source: Financial statements, investor presentations, A&M analysis



## KEY TAKEAWAYS

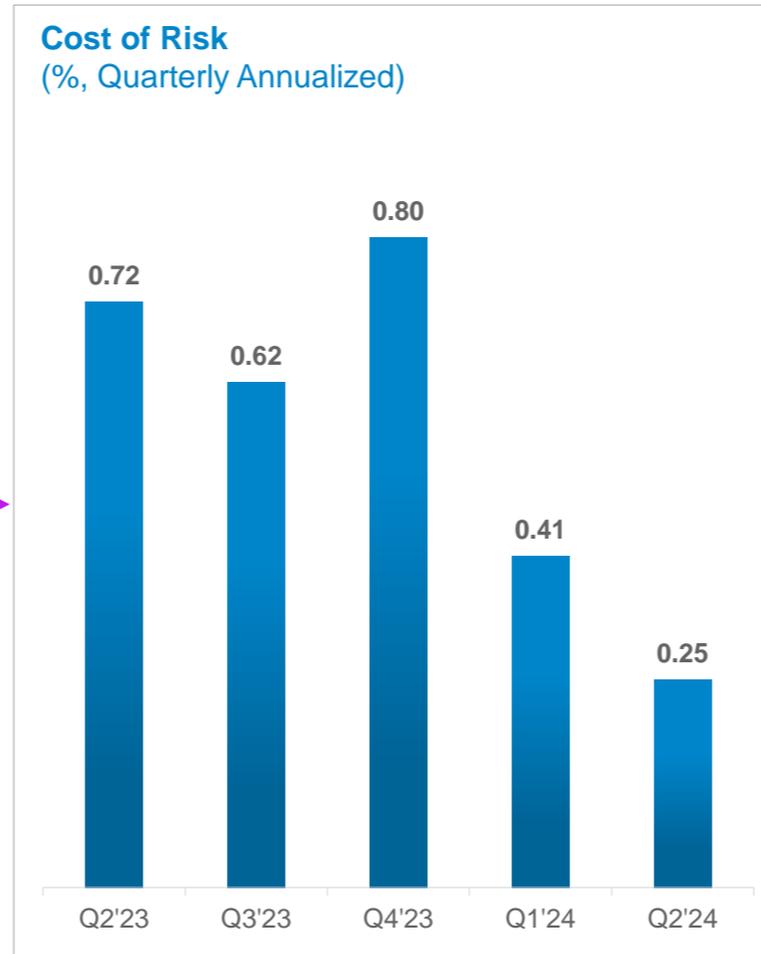
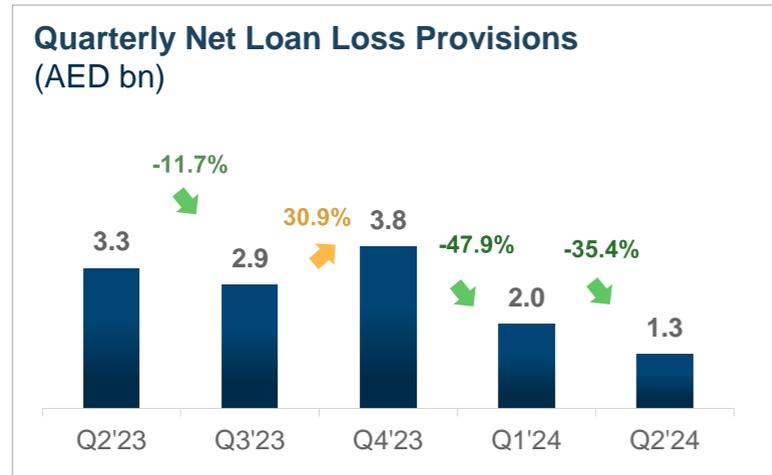
- Stage 1 loans constituted 91.3% (+56bps QoQ and +226bps YoY) of the total L&A which indicated improving asset quality
- Stage 3 loans, however, increased marginally by 0.4% QoQ but are adequately provided for
  - Out of AED 90bn of total stage 3 loans, 59.0% is covered in ECL allowance in Q2'24
- Some deterioration in asset quality may occur given the continued high interest environment; although affected loans appear to be well provisioned

## ECL Stage wise (AED bn)



# Cost of risk continued to improve for the UAE banks reaching a multi-year low

➔ Improved   ➔ Stable   ➔ Worsened



## KEY TAKEAWAYS

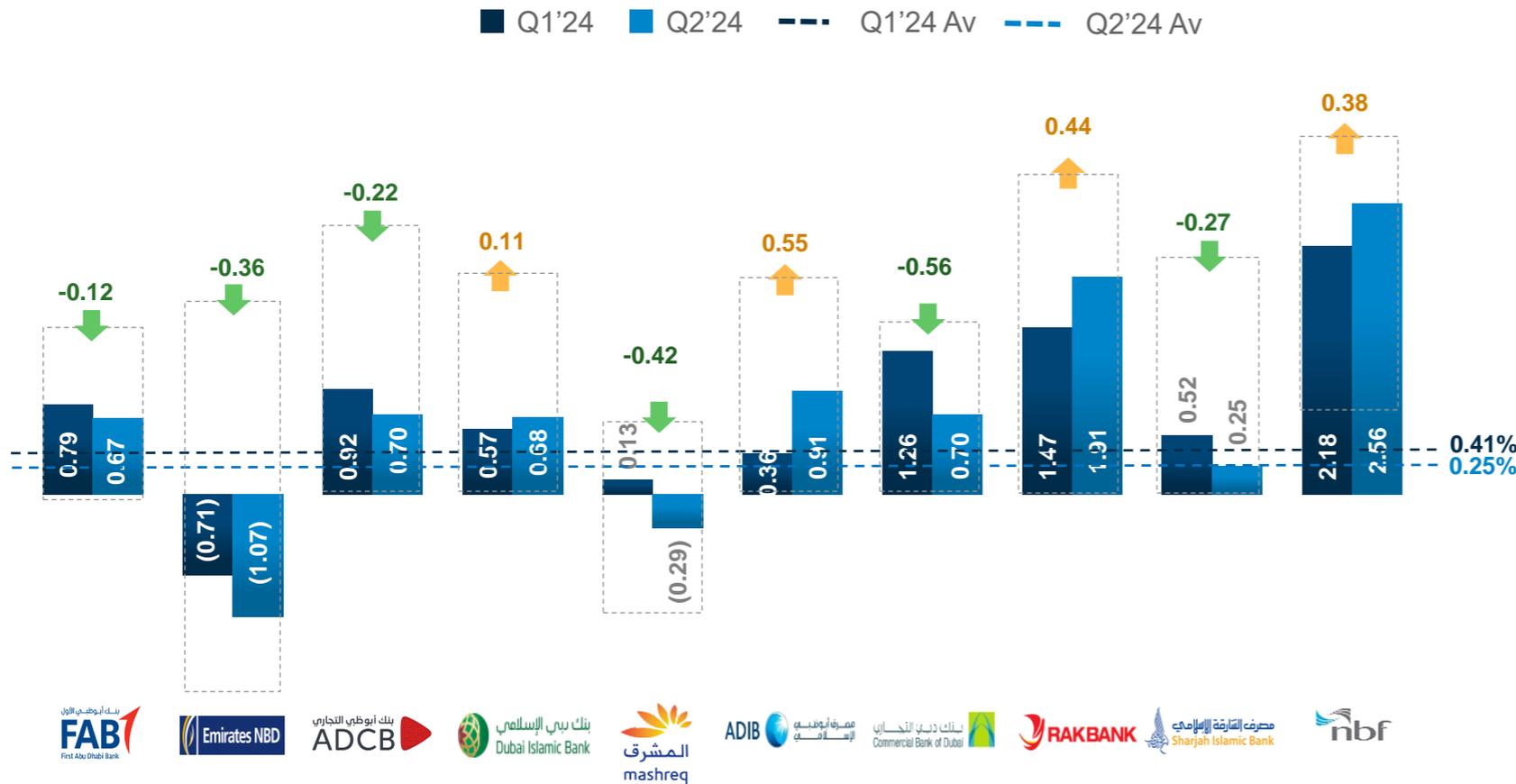
- Aggregate cost of risk improved by 16bps QoQ to 0.25% in Q2'24
  - This was due to a substantial decrease in aggregate impairment charges (-35.4% QoQ) to AED 1.3bn
  - The decrease in aggregate impairment charges was majorly due to ENBD as it registered a reversal of AED 1.4bn in Q2'24
- Banks are expected to take some precautionary provisioning as asset quality remains sensitive at the peak of the interest rate cycle

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

# Six out of top ten banks reported an improvement in cost of risk

➔ Improved   ➔ Stable   ➔ Worsened

## Cost of Risk (bps) – Net of Reversals

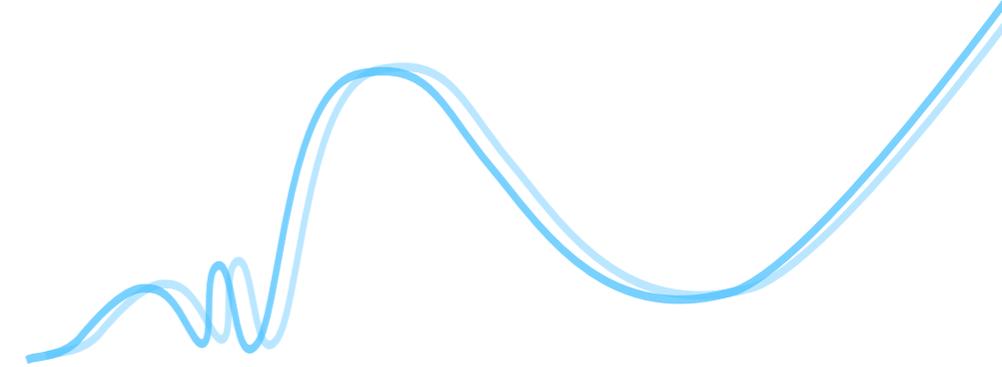


## KEY TAKEAWAYS

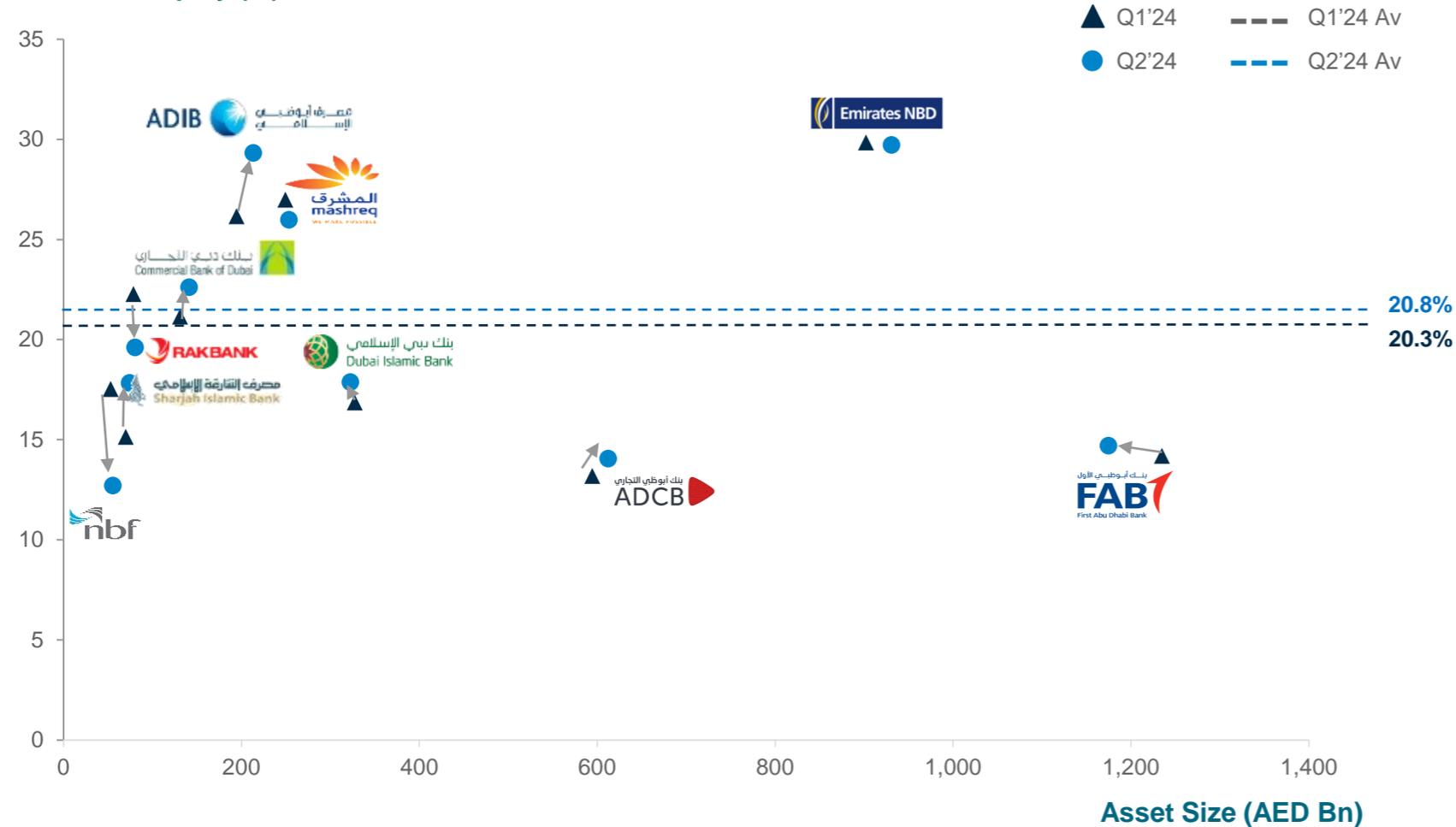
- FAB and ENBD drove the improvement in cost of risk as the impairments for FAB declined by 12.5% QoQ while ENBD reported impairment reversals of AED 1.4bn
- CBD reported the highest improvement in cost of risk by 56bps QoQ in Q2'24
  - This was due to a significant drop of 42.4% in the impairment charges and lower NPL (-3.2% QoQ) in Q2'24
- On the contrary, ADIB reported a deterioration of cost of risk by 55bps QoQ in Q2'24
- This was followed by RAK with a 44bps QoQ increase in cost of risk in Q2'24

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

# Profitability increased on the back of higher NII and lower impairment charges



## Return on Equity (%)



## KEY TAKEAWAYS

- Aggregate RoE improved by 48bps QoQ to 20.8% in Q2'24. This was due to increase in net income by 2.9% QoQ;
  - CBUAE maintained the benchmark rates at 5.4% in Q2'24. The aggregate NII increased with stable rates due to the effect of higher LDR for the quarter
  - Aggregate cost efficiency also deteriorated for the quarter (largely due to spending on digitalization initiatives), negatively impacting the profitability and there by RoE and RoA
- ADIB reported the highest improvement by 3.2% points QoQ to 29.3% whereas, NBF's RoE deteriorated the most by 4.8% points QoQ to 12.7% in Q2'24

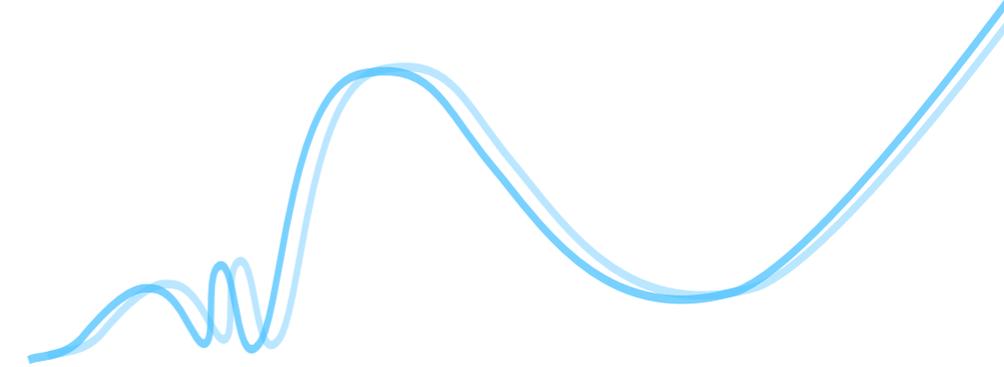
Source: Financial statements, Investor presentations, A&M analysis

# UAE banks' performance continues to remain strong on the back of lending growth and improvement in asset quality

■ Improved 
 ■ Stable 
 ■ Worsened



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

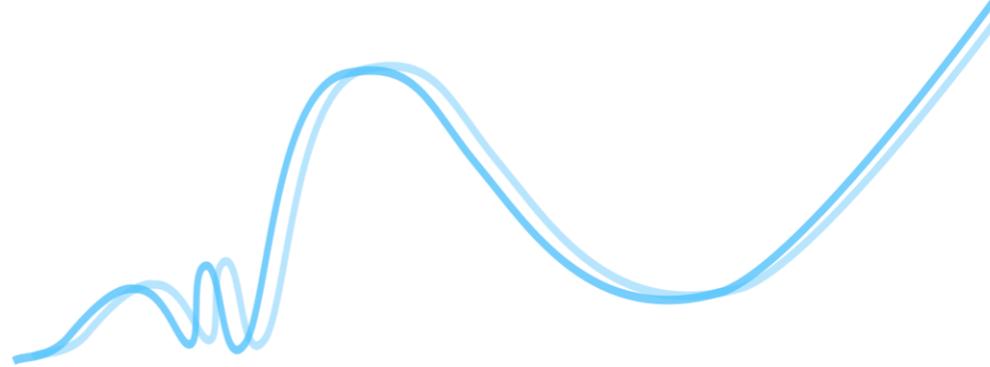


## KEY TAKEAWAYS

- UAE banking sector withstood the geopolitical pressure and reported continued growth in Q2'24
  - RoE increased by 48bps QoQ to settle at 20.8% and RoA remained stable at 2.2% in Q2'24
- UAE remains subject to risks related to fluctuating oil prices, continued dependency on the hydro-carbon sector and high inflation
  - CBUAE projects inflation in the UAE for 2024 at 2.3%, compared to 1.6% in 2023, due to a moderate increase in commodity prices, wages and rents
  - In line with the US Fed, the CBUAE has kept its Base Rate unchanged since July 2023 at 5.4%
- UAE banks remain well capitalized with aggregate CAR levels at 17.6% (+0.34% points QoQ)

# GCC banking consolidation

## GCC list of M&A transactions in banking sector since August 2019



Announcement Date	Target Company	Target Country	Acquirer Company	% Sought	Consideration (AED Mn)	Deal Status*
31-Jul-24	Gulf Bank KSCP	Kuwait	Boubyan Bank KSCP	100.0	NA	Proposed
26-Jun-24	United Gulf Bank BSC	Bahrain	Kuwait Finance House	100.0	2,673	Pending
12-Mar-24	Al Salam Bank Algeria	Algeria	Al Salam Bank BSC	13.6%	NA	Completed
27-Feb-24	United Bank Egypt	Egypt	Kuwait Finance House	100%	NA	Proposed
27-Feb-24	United Bank Egypt	Egypt	Qatar Islamic Bank SAQ	100%	NA	Proposed
27-Feb-23	Ahli United Bank	Kuwait	Kuwait Finance House	100%	5924	Completed
21-Jun-23	Al Salam Bank Algeria	Algeria	Al Salam Bank BSC	15.7%	NA	Completed
05-Jan-23	Abu Dhabi Islamic Bank (Egypt)	Egypt	Abu Dhabi Islamic Bank	2.4%	NA	Completed
20-Aug-23	HSBC Bank Oman	Oman	Sohar International Bank	100%	NA	Completed
25-May-22	National Bank of Kuwait (Banking)	Jordan	Arab Jordan Investment Bank	100%	NA	Completed
20-Jan-21	Bank Audi SAE (Egypt)	Egypt	First Abu Dhabi Bank PJSC	100%	2,203	Completed
16-Sep-20	Ahli United Bank Egypt SAE	Egypt	Ahli United Bank BSC	14.35%	298	Pending
30-Jun-20	Al Khalij Commercial Bank PQSC	Qatar	Masraf Al Rayan QSC	100%	13,717	Completed
25-Jun-20	Samba Financial Group SJSC	Saudi Arabia	National Commercial Bank SJSC	100%	57,252	Completed
31-Dec-19	Alizz Islamic Bank SAOG	Oman	Oman Arab Bank SAOC	100%	NA	Completed
12-Sep-19	Ahli United Bank BSC	Bahrain	Kuwait Finance House KSCP	100%	21,431	Pending
15-Aug-19	Cqur Bank LLC	Qatar	VTB Bank PJSC	19%	NA	Completed
08-Aug-19	DenizBank AS	Turkey	Emirates NBD PJSC	0.15%	NA	Completed

Source: Bloomberg

\*Proposed Status: Board suggests shareholders to consider the acquisition

\*Pending Status: Acquisition has announced \*Completed Status: Acquisition has completed

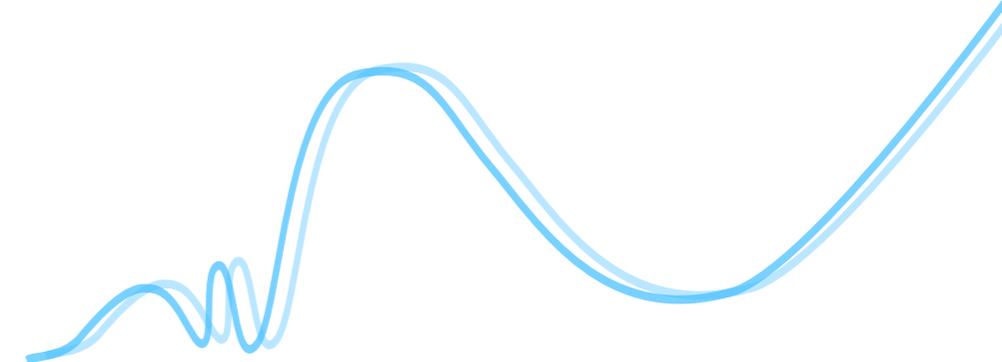
\*Notes: Proposed deal between Yapi ve Kredi Bankası and FAB was terminated in June 2024

# Glossary



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THE EMIRATES

# Glossary



	Metric	Abbreviation	Definition
Size	Loans and Advances Growth		QoQ growth in EOP net loans and advances for the top 10
	Deposits Growth		QoQ 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		QoQ growth in aggregate quarterly operating income generated by the top 10
	Operating Income / Assets		(Annualized quarterly operating income / quarterly average assets) for the top 10
	Non-Interest Income / Operating Income		(Quarterly non-interest income / quarterly operating income) for the top 10
	Net Interest Margin	NIM	(Aggregate annualized quarterly net interest income) / (quarterly 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	(Annualized quarterly gross interest income / quarterly average loans & advances) for the top 10
	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
	Cost-to-Income Ratio	C/I	(Quarterly operating expenses / quarterly operating income) for the top 10
Risk	Coverage Ratio		(Loan loss reserves / non-performing loans) for the top 10
	Cost of Risk	CoR	(Annualized quarterly provision expenses net of recoveries / quarterly average gross loans) for the top 10
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
	Return on Assets	RoA	(Annualized quarterly net profit / quarterly average assets) for the top 10
	Return on Risk-Weighted Assets	RoRWA	(Annualized quarterly net profit generated / quarterly 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

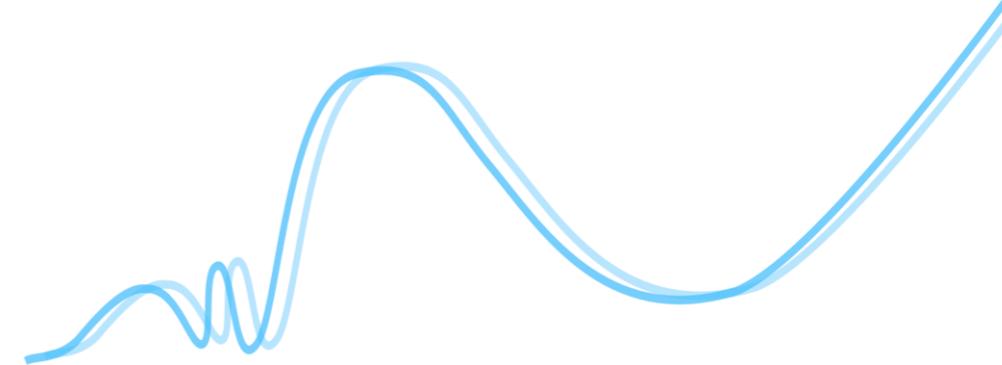
Note: LTM and EOP stand for last twelve months and end of period respectively

## Glossary (continued)

Bank	Assets (AED Bn)*	Abbreviation	Logo
First Abu Dhabi Bank	1,174.6	FAB	
Emirates NBD	930.8	ENBD	
Abu Dhabi Commercial Bank	612.2	ADCB	
Dubai Islamic Bank	322.7	DIB	
Mashreq Bank	253.5	MASQ	
Abu Dhabi Islamic Bank	213.4	ADIB	
Commercial Bank of Dubai	141.3	CBD	
National Bank of Ras Al-Khaimah	80.4	RAK	
Sharjah Islamic Bank	74.2	SIB	
National Bank of Fujairah	55.6	NBF	

Note: Banks are sorted by assets size  
\*As on 30<sup>th</sup> June 2024

## References / Sources



Section	Date	News	Links
New Entrants	18-Apr-24	Digital asset neobank Keytom launches in the UAE	<a href="#">Source</a>
New Entrants	15-May-24	New UAE-based open banking start-up Thimsa launches in beta	<a href="#">Source</a>
New Entrants	24-Jun-24	HSBC launches global wealth trading platform in the UAE	<a href="#">Source</a>
New Entrants	08-Apr-24	Hybrid digital challenger Ruya Bank readies for debut in UAE	<a href="#">Source</a>
New Business trends	18-May-24	UAE's Zand Bank to Offer Crypto Services	<a href="#">Source</a>
New Business trends	11-Jul-24	FAB in partnership with Mastercard	<a href="#">Source</a>
New Investments	27-May-24	MolAT partners with Emirates Development Bank to launch AED 370 million of financing for AI	<a href="#">Source</a>
New emerging technology	24-Jun-24	Wio Bank unveils new embedded finance services in the UAE	<a href="#">Source</a>
New emerging technology	26-Jun-24	Mashreq to roll out Flexcube core banking system across global operations	<a href="#">Source</a>
Expected challenges	27-Jun-24	Fitch report	<a href="#">Source</a>
New Regulations	25-Jun-24	The CBUAE issues Sandbox Conditions Regulation to foster innovation in financial services sector	<a href="#">Source</a>
New Regulations	27-Jun-24	CBUAE issues the Open Finance Regulation to ensure the soundness and efficiency of services	<a href="#">Source</a>

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