A&M | FINANCIAL SERVICES INDUSTRY GROUP

UAE Banking Pulse

Q2 | 2026

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UAE Banking: performance today, priorities for tomorrow

Alvarez & Marsal Middle East Limited (A&M) is delighted to publish the Q2 2026 edition of the UAE Banking Pulse (“The Pulse – UAE”).

In this quarterly series, we share results from our research examining the 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

Welcome to our Q2 UAE Banking Pulse report.

UAE banks delivered a mixed set of results during Q2 2026, characterized by continued balance sheet expansion, resilient asset quality and solid capital buffers. Profitability, however, showed a moderate increase amid elevated funding and operating costs. The backdrop of ongoing geopolitical tensions and related business disruption during the quarter has heightened concerns over potential asset quality deterioration and the potential for increased credit provisioning in the second half of 2026.

Despite a challenging macroeconomic and geopolitical environment during Q2, aggregate loans grew by 4.2% QoQ, while customer deposits increased by 2.3% QoQ, resulting in the aggregate sector loan-to-deposit ratio (LDR) increasing to 81.9%. Asset quality metrics continued to show resilience, with the average non-performing loan (NPL) ratio remaining historically low at 2.3%. Despite the evolving macro environment, the average provision coverage ratio remained comfortably above 100% at 108.8%. This reflects the preemptive provisioning measures undertaken by banks in Q1.

On profitability, banks generally reported a modest improvement overall. Net income increased by 2.7% QoQ; however, this was primarily driven by a 35.3% reduction in impairment charges, partly reflecting the CBUAE loan deferral measures for borrowers affected by the conflict in the region. This decline in impairment charges helped offset a 1.2% decrease in operating income, with sector-wide RoE improving marginally to 18.9% (from 18.7%).

Looking ahead, key areas to watch in Q3 2026 include:

- **Lending momentum:** The sustainability of credit growth as corporates and consumers continue to assess investment and financing decisions amid sustained geopolitical uncertainty
- **Liquidity conditions:** Banks' ability to maintain resilient funding profiles and liquidity levels against potential deposit volatility and changing customer behavior
- **Provisioning outlook:** The pace of incremental credit impairment charges, together with the effectiveness of the CBUAE’s support measures in preserving sector resilience

We hope this report will serve as a practical reference point for leadership teams as they navigate the uncertainty and strike an appropriate balance between prudence, continued 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.

Key Takeaways

1

UAE GDP Growth Rate, PMI and CBUAE Measures

- The IMF lowered its FY2026 UAE GDP growth forecast to 3.1% in April 2026, reflecting the economic impact of continued geopolitical tensions in the Middle East.
- UAE business activity moderated during Q2 2026, with PMI averaging 51.8 and declining to 50.8 in June, the lowest level since November 2020, as geopolitical uncertainty weakened economic sentiment and constrained demand. Non-oil growth slowed to the weakest pace in the period, due to weakness in tourism and elevated price pressures.
- To support financial stability, the CBUAE introduced a five-pillar resilience framework aimed at preserving liquidity and sustaining credit growth.
- The CBUAE's financial institution resilience package deferred AED 13.5bn of loan repayments (0.24% of total bank assets), for over 135,000 customers, reducing near-term credit risk and supporting continued loan growth and lower NPLs as at end-July 2026.

2

Policy Rates

- The U.S. Federal Reserve maintained the federal funds rate at 3.75% at its July-end meeting, citing persistent inflation risks arising from geopolitical tensions and elevated energy prices.
- In line with the dirham's peg to the U.S. dollar, the CBUAE has kept its base rate unchanged at 3.65%, mirroring the Federal Reserve's policy decision.
- The stable interest rate environment is expected to support banks' net interest margins and earnings performance while limiting funding cost volatility amid ongoing geopolitical uncertainty.

3

Money Supply

- M1 contracted by 1.8% to AED 1,053.5bn in May 2026 compared to March 2026, led by a 2% decline in monetary deposits (the largest component of M1) to AED 885.9bn.
- M2 declined marginally by 0.5% to AED 2,853.9bn, offset by a 0.2% increase in quasi-monetary deposits to AED 1,800.4bn.
- M3 declined by 0.4% to AED 3,393.4bn, while government deposits increased 0.4% to AED 539.5bn, helping to moderate the overall decline.

UAE Macro Overview

UAE's resilience package and monetary policy shielding the economy amid geopolitical headwinds

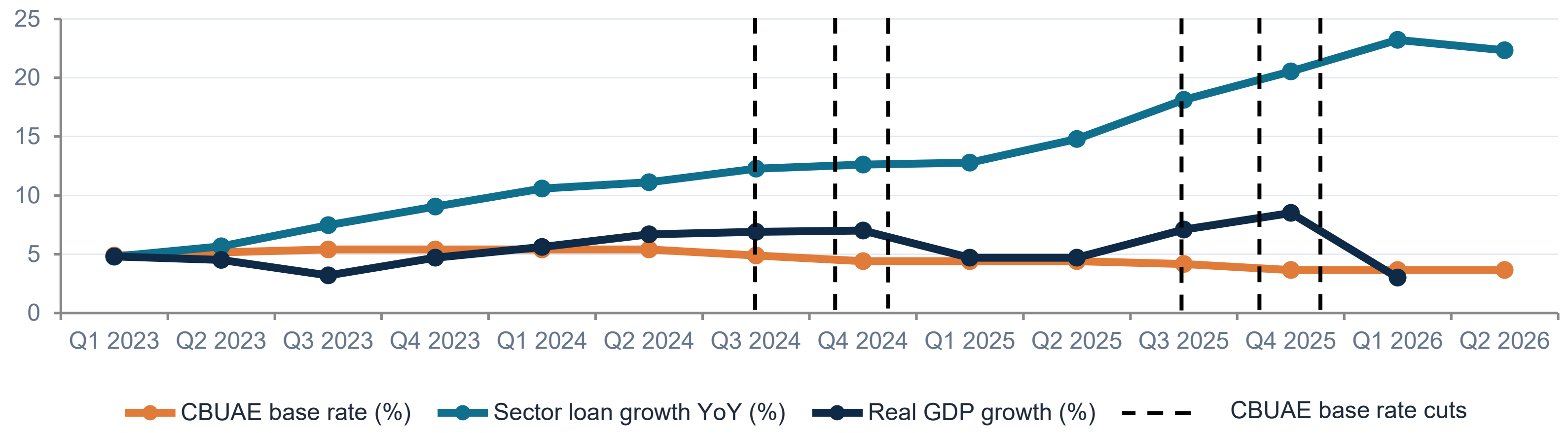
5.8%
Real GDP growth 2025

3.1%
Forecast GDP 2026

3.65%
CBUAE base rate (Q2 2026)

50.8
June 2026 PMI

UAE macro indicators



Implications

Slowing economic activity and heightened geopolitical risks are likely to weigh on credit growth and place downward pressure on asset quality, particularly within SME and trade finance exposures. Nevertheless, timely regulatory support from the CBUAE and stable interest rates are expected to preserve liquidity, support profitability and reinforce the resilience of the UAE banking sector.

Sources: IMF, U.S. Federal Reserve, UAE Central Bank, UAE.Stat, CBUAE, A&M Analysis, Official Announcements

Key Takeaways

1
Growth & Funding
Lending activity moderated during Q2 2026; however, credit growth continued to outpace deposit mobilization, as CASA and time deposits declined by 0.1% and increased by 1.0% respectively, resulting in an increase in the sector loan-to-deposit ratio (LDR) to 81.9%.

2
Income & Efficiency
Income performance remained under pressure during the quarter, with operating income declining 1.2% QoQ and net interest margin (NIM) contracting marginally to 2.34%, as an increase in cost of funds largely offset the benefits of higher yields. Nevertheless, lower credit impairment charges supported earnings, driving a 2.7% QoQ increase in sector net income.

3
Returns
Profitability metrics remained resilient during Q2 2026, with return on equity (RoE) improving marginally to 18.9% (a 20-bps uplift), while the return on assets (RoA) and return on risk-weighted assets (RoRWA) remained broadly stable.

4
Risk
Asset quality remained resilient during the quarter, with lower impairment charges, higher recoveries, and robust underwriting standards reducing the cost of risk, while non-performing loan (NPL) levels remained broadly stable.

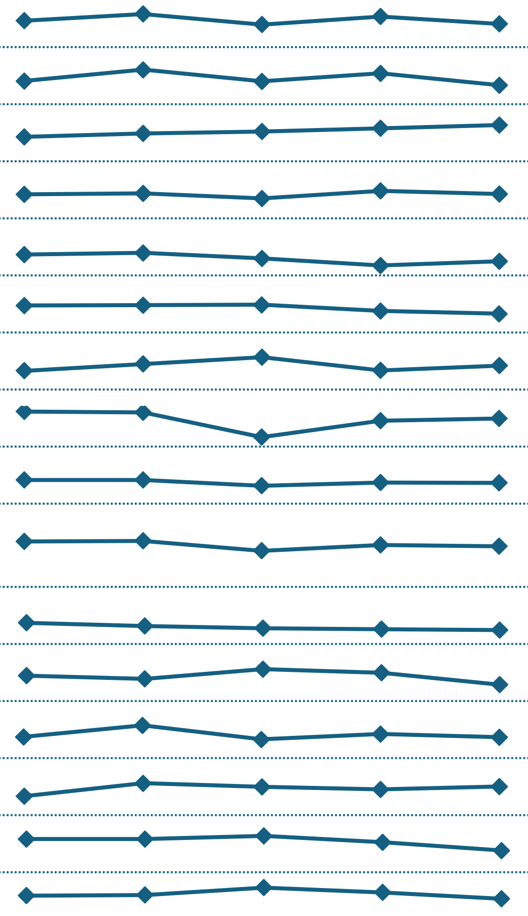
5
Capital & liquidity
Capitalization levels remained robust during Q2 2026, while liquidity metrics moderated on a sequential basis. Despite this, both capital and liquidity buffers remained comfortably above regulatory minimums, indicating the sector's financial resilience.

Implications
The sector maintained good lending momentum and resilient profitability during Q2 2026. Although operating income and liquidity softened sequentially, lower provisioning requirements supported earnings, while strong capitalization continued to provide ample capacity for future growth.

UAE Banking Sector Overview

UAE banks delivered modest growth, supported by lending momentum and sound asset quality

	Metric	Q1 2026		Q2 2026	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026
Growth and Funding	Net L&A Growth (QoQ)	5.9%	↓	4.2%					
	Deposits Growth (QoQ)	3.8%	↓	2.3%					
	Loan-to-Deposit Ratio (LDR)	80.4%	↑	81.9%					
Income and Efficiency	Net Income Growth (QoQ)	11.1%	↓	2.7%					
	Cost of Funds (CoF)	3.4%	↑	3.6%					
	Net Interest Margin (NIM)	2.37%	↓	2.34%					
	Cost-to-Income Ratio (C/I)	27.3%	↑	27.9%					
Returns	Return on Equity (RoE)	18.7%	↑	18.9%					
	Return on Assets (RoA)	2.0%	↔	2.0%					
	Return on Risk-Weighted Assets (RoRWA)	3.0%	↔	3.0%					
Risk	Non-Performing Loans (NPL) %	2.3%	↔	2.3%					
	Cost of Risk (CoR)	0.56%	↓	0.35%					
	Coverage Ratio	110.0%	↓	108.8%					
Capital & Liquidity	Capital Adequacy Ratio (CAR)	16.2%	↑	16.4%					
	LCR[1]	141.6%	↓	134.3%					
	ELAR[1]	20.0%	↓	18.6%					



↑ Improved ↓ Worsened ↔ Stable

Sources: Financial statements, Investor presentations, Pillar III disclosures, A&M analysis,
Note: 1Under the applicable regulatory framework, Domestic Systemically Important Banks (D-SIBs), including FAB, ENBD, ADCB, DIB, and MASQ, report the Liquidity Coverage Ratio (LCR), while the remaining banks, including ADIB, CBD, RAK, SIB, and NBF, disclose the Eligible Liquid Asset Ratio (ELAR)

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Key Sector Developments

UAE banking industry developments

Market Liquidity

- Lending growth moderated in relative terms, though funding requirements increased amid greater competition, higher spread expectations and a migration from CASA to time deposits, even as liquidity remained resilient with regulatory ratios comfortably above minimum requirements.
- Well-established deposit franchises and diversified funding profiles continued to support balance-sheet expansion across the UAE banking sector.

Costs

- Investment in talent, digitalization, governance and operational capabilities remained a strategic priority, supporting sustainable growth and business transformation across the sector.
- Cost efficiency remained resilient, underpinned by disciplined expense management despite continued investment in technology, business expansion and strategic initiatives.

Asset Quality

- Asset quality remained resilient, with improving NPL ratios, disciplined underwriting and Stage 1 exposures above 94% of total loans, while lower impairment charges and reduced Stage 2 exposures reflect an improved cost of risk and contained credit stress.
- Robust capitalization, strong provision coverage and prudent risk management continued to underpin balance-sheet resilience across the UAE banking sector.

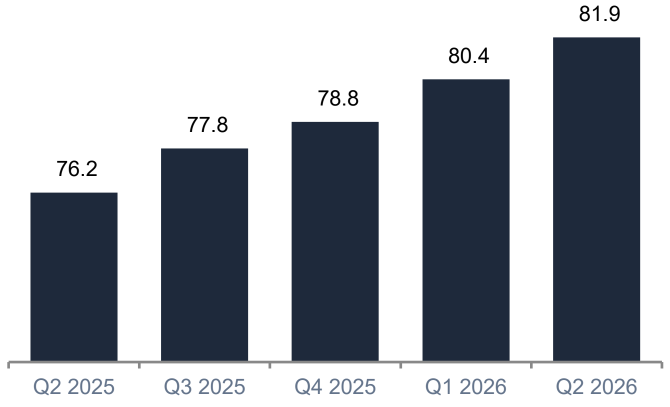
New Technologies

- Binance introduced a regulated AED on- and-off-ramp through direct integration with ADCB, strengthening the link between the UAE's traditional banking infrastructure and the digital asset ecosystem.
- Banks and fintechs continued to expand AI-driven capabilities, with Alaan launching an AI-native business banking platform integrating payments, expense management and accounting.

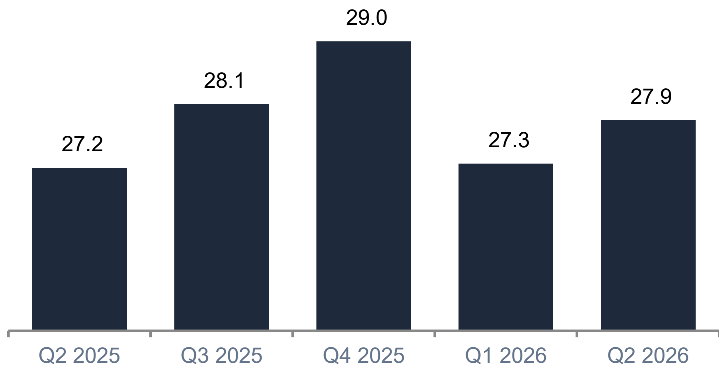
Expected Challenges

- Regional geopolitical challenges and disruptions in the Strait of Hormuz have contributed to tighter liquidity, disrupted trade finance, increased supply chain pressures, and created near-term headwinds for commercial activity.
- Moody's expects UAE economic growth to moderate in 2026, with tourism, logistics, transport, real estate and foreign investment likely to face pressure from weaker business confidence and ongoing supply chain disruptions.

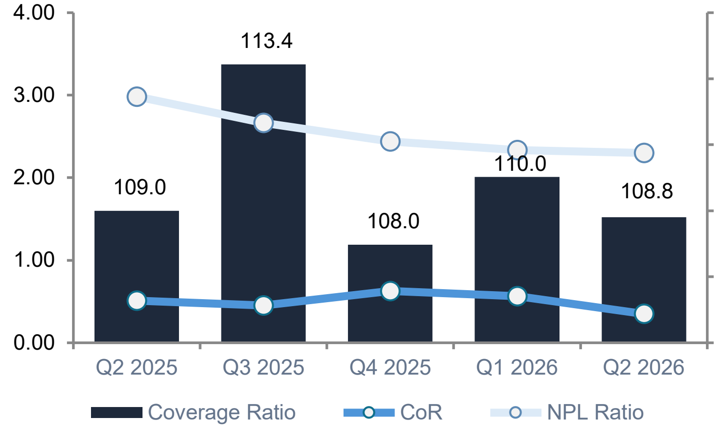
Loan-to-deposit ratio



Cost-to-income ratio



Asset quality



Sources: Financial statements, Investor presentations, A&M Analysis, CBUAE, S&P, news sources

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Peer Archetypes

Scale leaders

ENBD, FAB

ENBD continued to demonstrate strong lending momentum during Q2 2026, supported by solid loan and deposit growth alongside resilient net interest margins, while FAB took a cautious approach toward balance-sheet growth and focused on cost containment.

Strong asset quality

ADCB, MASQ

Strong asset quality was maintained across both banks, underpinned by low non-performing loan (NPL) ratios. In particular, MASQ reported a negative CoR, as recoveries exceeded new provisioning.

Islamic universal

DIB, SIB

A higher cost-to-income ratio weighed on operating efficiency, while disciplined credit provisioning supported lower credit costs.

Outperformers across market segments[1]

ADIB, NBF

ADIB delivered a performance profile broadly comparable to ENBD among the mid-cap banks, while NBF prioritized margin preservation through disciplined cost management and maintained best-in-class capital adequacy within the small-cap peer group.

UAE Banks – Relative Performance Analysis

Performance across key operating and financial metrics remained mixed, with ENBD and MASQ ranking strongly across multiple indicators, while FAB recorded comparatively weaker performance on selected metrics.

Banks	Asset Size (AED Bn)	Net loan Growth QoQ %	Deposit Growth QoQ %	NIM %	RoE %	C/I %	NPL %	CoR %	CAR %
FAB	1,409	-1.0%	-2.1%	1.70%	17.1%	21.0%	2.2%	0.56%	17.1%
ENBD	1,322	10.1%	7.5%	3.19%	20.3%	30.7%	2.1%	0.32%	15.6%
ADCB	833	4.4%	0.7%	1.93%	16.4%	28.0%	1.8%	0.48%	16.5%
DIB	423	3.8%	1.5%	2.23%	16.2%	29.9%	2.4%	0.10%	16.1%
MASQ	366	0.8%	8.1%	2.60%	21.9%	31.9%	1.2%	-0.49%	16.9%
ADIB	304	6.4%	2.6%	2.07%	27.9%	28.3%	2.2%	0.28%	15.6%
CBD	155	2.1%	-1.8%	2.76%	20.6%	26.5%	4.2%	0.33%	14.1%
RAK	109	4.9%	1.1%	3.54%	19.3%	33.7%	1.8%	0.61%	19.3%
SIB	95	6.7%	-3.3%	2.18%	17.9%	31.9%	3.8%	0.40%	19.5%
NBF	71	-2.7%	4.0%	2.88%	17.5%	27.3%	3.9%	1.17%	17.4%

Top 30% Middle Bottom 30%

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

Note: 1. Banks are categorized based on market capitalization. Banks with a market capitalization above USD 10bn are considered large cap; those between USD 2bn and USD 10bn – mid-cap and those below USD 2bn – small cap

Voice of the CEO (1/2)

Margin & funding outlook

FAB guided for its full-year 2026 NIM in the range of 1.8% to 1.9%, with a focus on targeted repricing across assets and liabilities, active treasury, and balance sheet management

ENBD reported H1 2026 margins of 3.25% in line with 2026 NIM guidance of 3.1–3.3%, and commented on a decline in QoQ margin due to the impact of rate cuts in 2025

CBD expects 2026 NIMs in the range of 2.7–2.8%, driven by growth in commercial, SME and cross-border business backed by a diversified funding profile

Loan growth ambition

FAB has reaffirmed its 2026 guidance for loan growth in the upper range of the low-to-mid teens, while ENBD expressed confidence in its full-year guidance in the mid-teens range

ADCB has guided for 2026 loan growth in mid-teens range, while ADIB raised its growth outlook at 18%–20% on a gross loans' basis

Asset quality view

ENBD guided for a CoR of 30–50 bps and an NPL ratio of around 2.5% for 2026; management noted that the 2026 outlook remains well within the provided range after Q2 performance

ADIB expects CoR to remain between 40–60 bps and an NPL ratio below 3.8%, while DIB guided for its NPL ratio to be around 2.5% in 2026

Capital deployment

ADCB reported CET1 of 13.7%, ensuring robust capital position and adequate deployment

DIB maintained strong CET1 of 13.0% and CAR of 16.1% after a USD 1bn Tier 1 Sukuk, supporting capital deployment, capital adequacy, and liquidity coverage

MASQ achieved CET1 of 13.8% and strengthened CAR at 16.9%, improving by 114 basis points over Q1 2026

Sources: Investor presentations, Earnings calls, Management discussion & analysis

Voice of the CEO (2/2)

Digital & AI transformation

- FAB delivered a ~20% productivity uplift and reduced manual effort by up to 70%–80%, while ENBD aims to become a data-first, digital-focused bank by scaling 50+ AI initiatives and integrating 187 APIs
- DIB reported 83% digital onboarding of new CASA customers and committed to making sizable investments in technology infrastructure and building AI/ML capabilities
- ADIB announced plans to embed GenAI and advanced analytics under Vision 2035, improving personalization and balancing digital and human-led service models

ESG & sustainable finance

- FAB committed to AED 500bn of sustainable, green, and transition finance by 2030, with AED 389bn already facilitated
- ADIB aims to mobilize AED 60bn in sustainable finance by 2030 under Vision 2035, alongside setting financed emissions targets to strengthen its leadership in Islamic banking sustainability
- NBF's outlook includes fully integrating Climate Risk Regulations into its Enterprise Risk Framework and expanding sustainable finance limits beyond the current AED 3.88bn

Geographic expansion

- FAB is expanding its international presence through the conversion of its French operations into a subsidiary and announced plans to double its physical office space in Hong Kong
- ENBD signed a definitive agreement to acquire HSBC Egypt's retail banking business and also received regulatory approval to acquire a majority stake in India's RBL Bank

Regulatory & macro view

- FAB views the CBUAE's proactive policy framework and relief measures as a structural strength, supporting long-term sector resilience and sustainable performance across market cycles
- CBD noted that economic disruption in the UAE has eased, with activity expected to recover gradually through the remainder of 2026

Key Takeaways

1 **Net income increased despite lower operating income**
Despite a decline in operating income, sector net income grew 2.7% QoQ during Q2 2026. Lower credit impairment charges more than offset the decline in operating income, emerging as the key driver of sector earnings during Q2 2026.

2 **Net interest income remained supportive of profitability**
Growth in net interest income continued to support sector profitability during the quarter, partially offsetting weaker contributions from non-interest income streams.

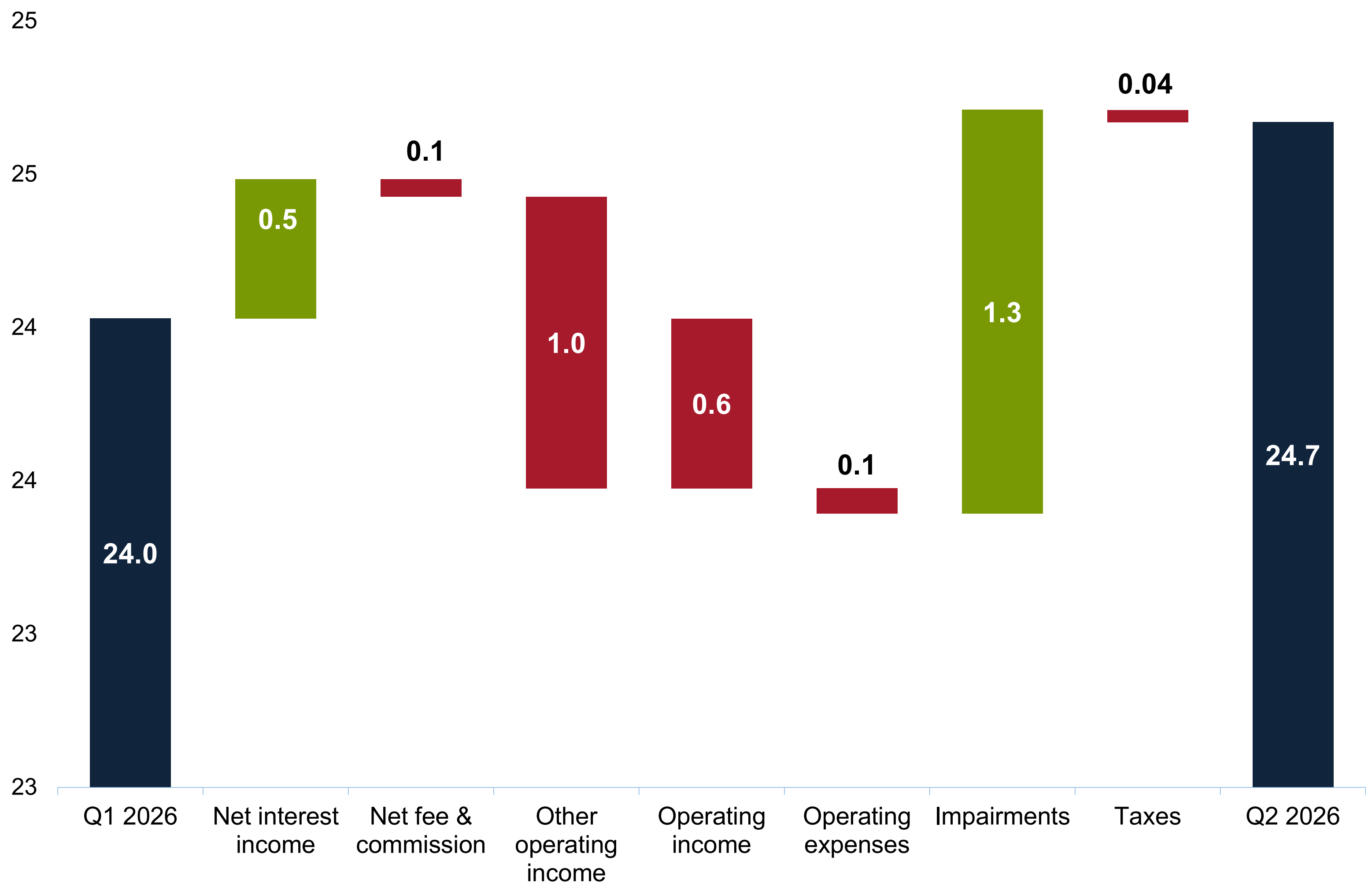
3 **Credit cost trends outpaced changes in risk metrics**
The scale of the reduction in impairment charges exceeded the movement observed in NPLs, suggesting that provisioning trends contributed more meaningfully to earnings performance than headline risk metrics would imply.

Implications

Sector profitability improved during Q2 2026 despite weaker operating income, supported by a marked decline in impairment charges. The reduction in credit costs significantly outpaced the improvement in reported asset quality metrics, indicating that lower provisioning was the primary driver of earnings growth during the quarter.

Income and Profitability (1/4)

Net Income Bridge (AED bn)



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

Key Takeaways

1 **Revenue mix rebalanced in favor of net interest income**
The revenue mix shifted modestly toward net interest income during Q2 2026 as other operating income declined, while the contribution from fee and commission income remained broadly unchanged.

2 **Funding costs outpaced yield improvement**
Despite a modest improvement in credit yields to 9.6%, sector net interest margin (NIM) marginally contracted to 2.34% during Q2 2026 (from 2.37% in Q1 2026), as the increase in funding costs largely offset the benefit of higher asset yields.

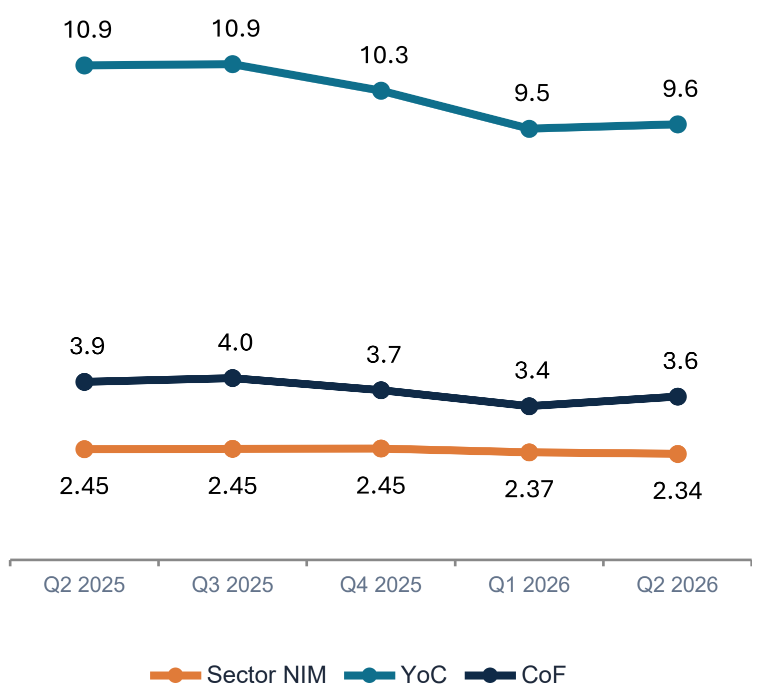
3 **Earnings profile remained broadly resilient**
Net interest income remained the primary earnings driver during Q2 2026, while resilient fee and commission income supported the sector's diversified revenue base.

Implications

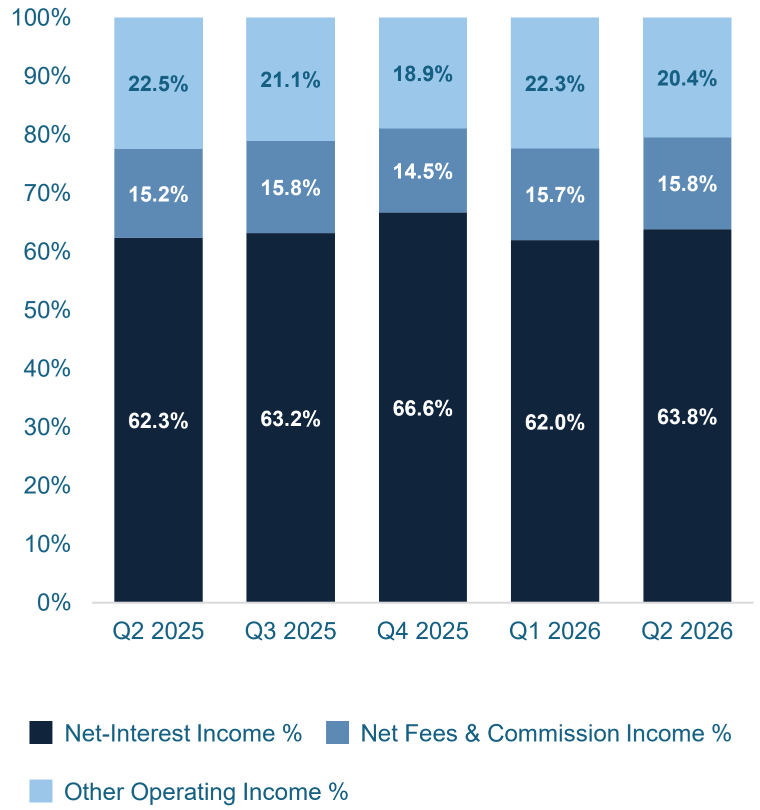
Revenue diversification remained broadly intact during Q2 2026; however, the weaker contribution from other operating income increased reliance on core banking revenues, underscoring the importance of stable lending spreads and recurring fee income in sustaining future earnings growth.

Income and Profitability (2/4)

NIM trajectory (%)



UAE Banks Operating Income Mix



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

Key Takeaways

1 **Sector-wide NIM pressure**

Six of the ten largest UAE banks reported sequential NIM contraction during Q2 2026, with ENBD, RAKBANK and NBF recording the sharpest declines as margin pressure continued to weigh on lending spreads.

2 **Sector impact**

Aggregate sector NIM eased by only 3 bps QoQ from 2.37% to 2.34% in Q2 2026, despite significant variation across individual banks; however, the NIM trend warrants monitoring in the coming quarters amid the ongoing geopolitical crisis.

3 **Divergent NIM trends underscore uneven margin pressure across the sector**

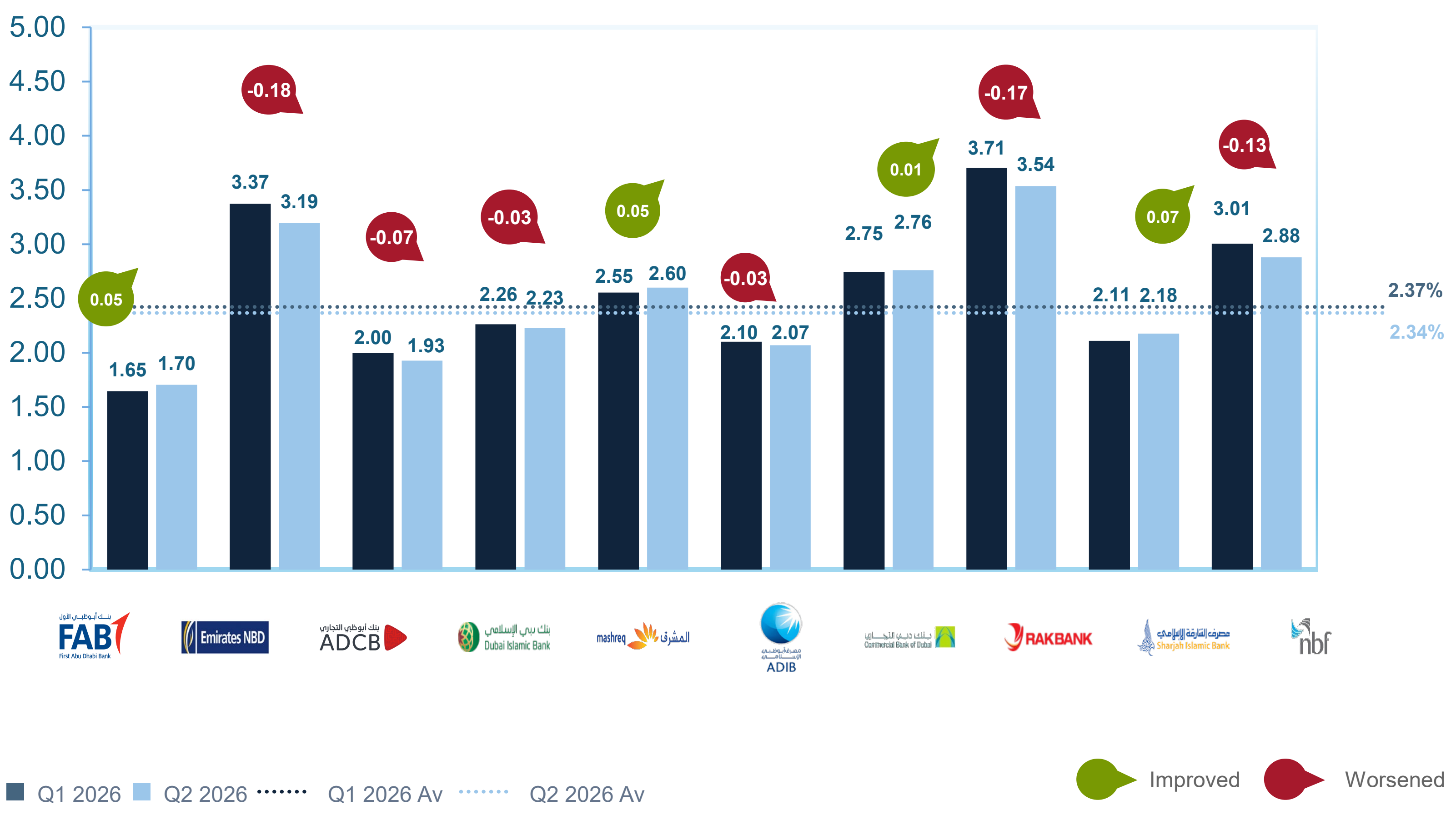
SIB, MASQ, FAB, and CBD were the only banks to record sequential NIM expansion during the quarter, with the increase remaining modest across all four institutions.

Implications

Aggregate sector NIM marginally contracted in Q2 2026, considering margin compression at select large banks, indicating that a diversified revenue mix, funding mix, balance-sheet size, and flexibility ensured a better cushion for NIM for banks during Q2 2026 amid an unfavorable environment.

Income and Profitability (3/4)

Net Interest Margin (%, Quarterly)



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

Key Takeaways

1 **Steady growth in core revenue**
Aggregate net interest income increased 1.7% QoQ to AED 28.0bn during Q2 2026, continuing to underpin sector revenues and partially offsetting weaker contributions from non-interest income.

2 **Weaker non-interest income drove decline in operating income**
Aggregate non-interest income decreased by 6.0% QoQ, primarily driven by a 9.6% decline in other operating income (20.4% of total operating income). The weakness in this non-interest income stream reflects the challenging earnings environment. Excluding other operating income, underlying operating income growth moderated to 1.2% QoQ in Q2 2026, compared with 3.2% in Q1 2026.

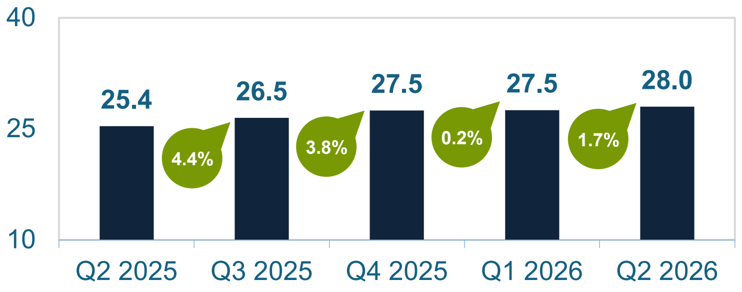
3 **Revenue diversification**
Despite a sharp decline in other operating income, stable fee and commission income and continued expansion in net interest income helped contain the decline in aggregate operating income to 1.2% QoQ.

Implications

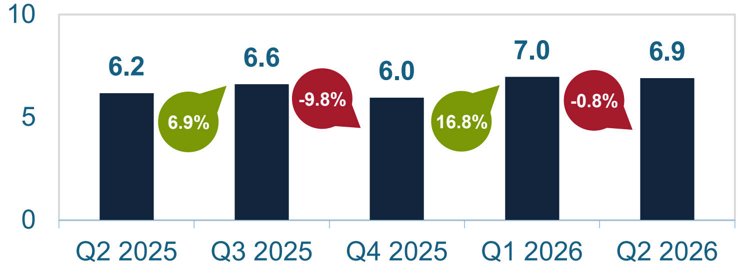
The decline in other operating income weighed on sector revenues; however, resilient net interest income and stable fee income helped preserve operating income. This underscores the sector's continued reliance on core banking activities, with recurring income streams offsetting weaker contributions from non-core revenues.

Income and Profitability (4/4)

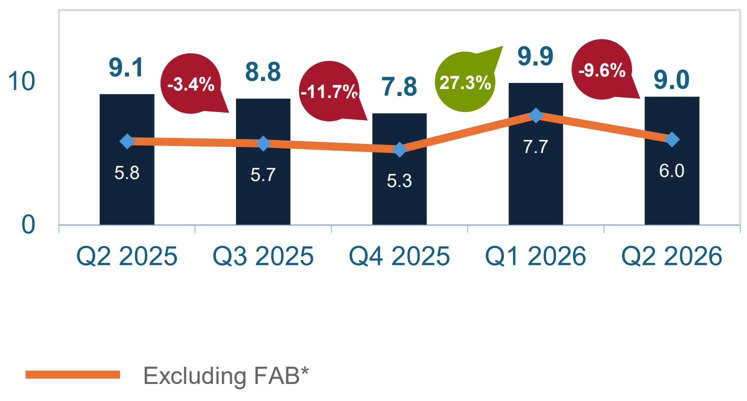
Net Interest Income (AED bn)



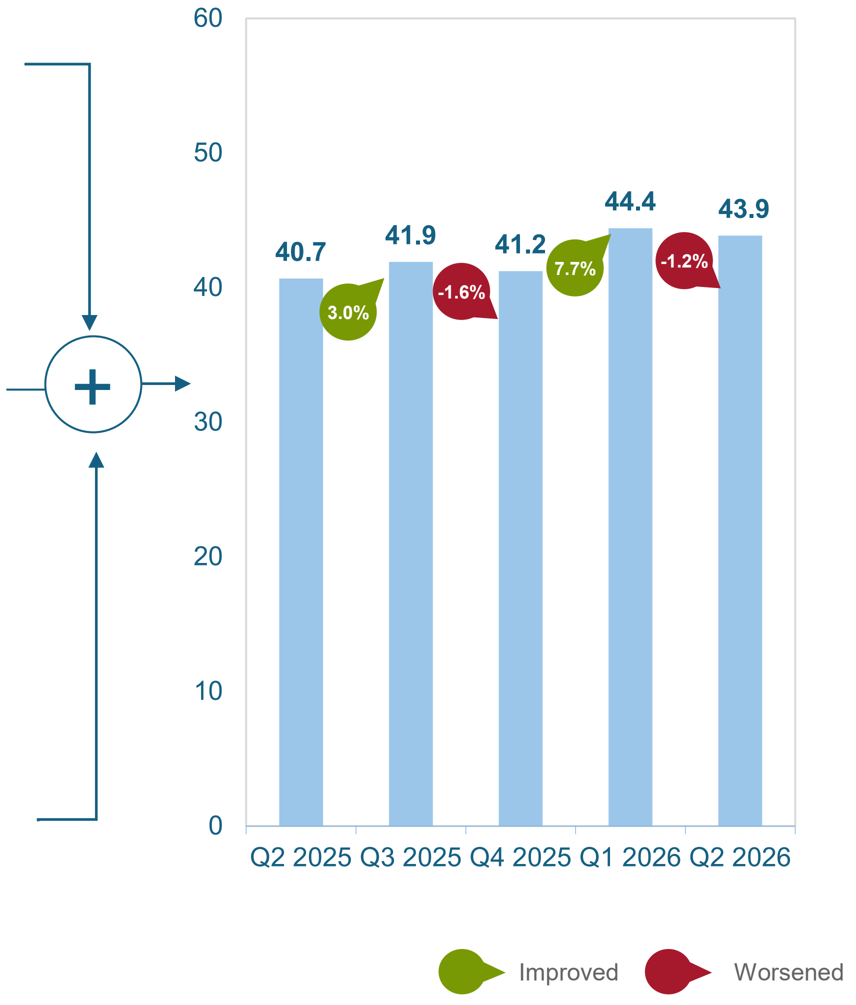
Fees & Commission Income (AED bn)



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 is presented separately, as its large contribution to other operating income distorts the aggregate. Other operating income consists of foreign exchange gain, derivative gains and gain on sale of trading securities, share of profit from associates and JVs etc.*
Sources: Financial statements, Investor presentations, A&M analysis

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Key Takeaways

1. **Balanced technology investments and cost containment**
Operating expense growth was contained at 0.7% QoQ during Q2 2026, despite continued investment in technology, AI, regulatory compliance, and business expansion initiatives.

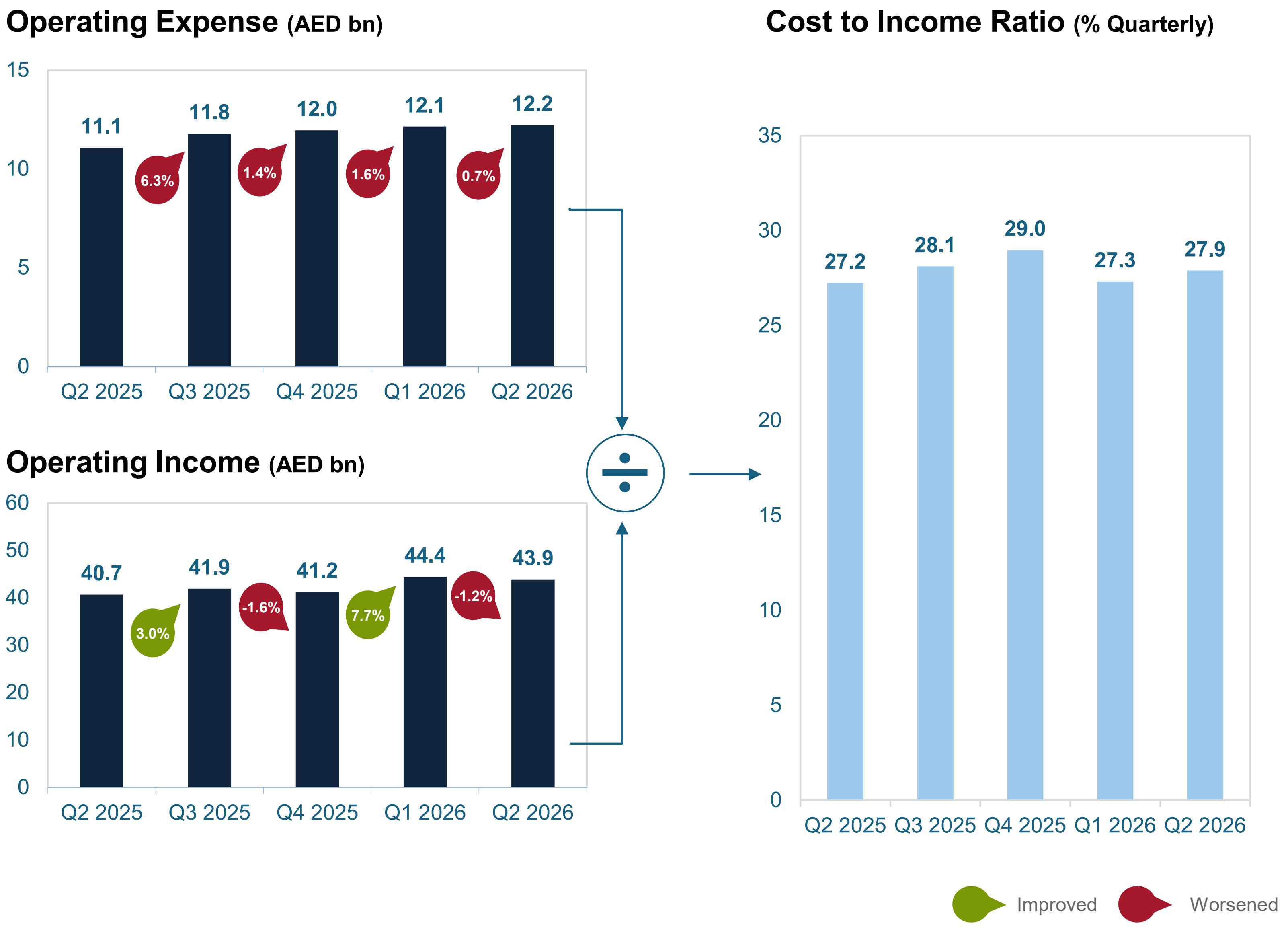
2. **Operating income and cost dynamics pressured efficiency metrics**
The combination of weaker operating income and continued growth in operating expenses weighed on sector efficiency during Q2 2026, resulting in a modest deterioration in cost-to-income dynamics.

3. **Focus on cost discipline yet limited efficiency gains visible**
Management commentary remained focused on disciplined cost management; however, weaker revenue generation diluted the impact of these initiatives on aggregate sector efficiency metrics during Q2 2026.

Implications

The increase in the cost-to-income ratio was impacted by both slower operating income generation and higher cost inflation. Management efforts to implement robust cost discipline are not yet fully reflected in operating income.

Cost and Efficiency (1/2)



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

Key Takeaways

1

Mixed efficiency outcomes across major banks

Efficiency trends were mixed during Q2 2026, with five of the ten UAE banks reporting lower C/I ratios. However, higher C/I ratios at the other five banks (ENBD, ADCB, DIB, MASQ, and RAK) outweighed these improvements, resulting in a higher aggregate sector C/I ratio.

2

Income growth absorbed investment spending

Efficiency outcomes were driven largely by revenue generation rather than cost containment, as banks with stronger top-line growth were better positioned to absorb ongoing investments while maintaining lower cost-to-income ratios.

3

Revenue weakness and inflated costs

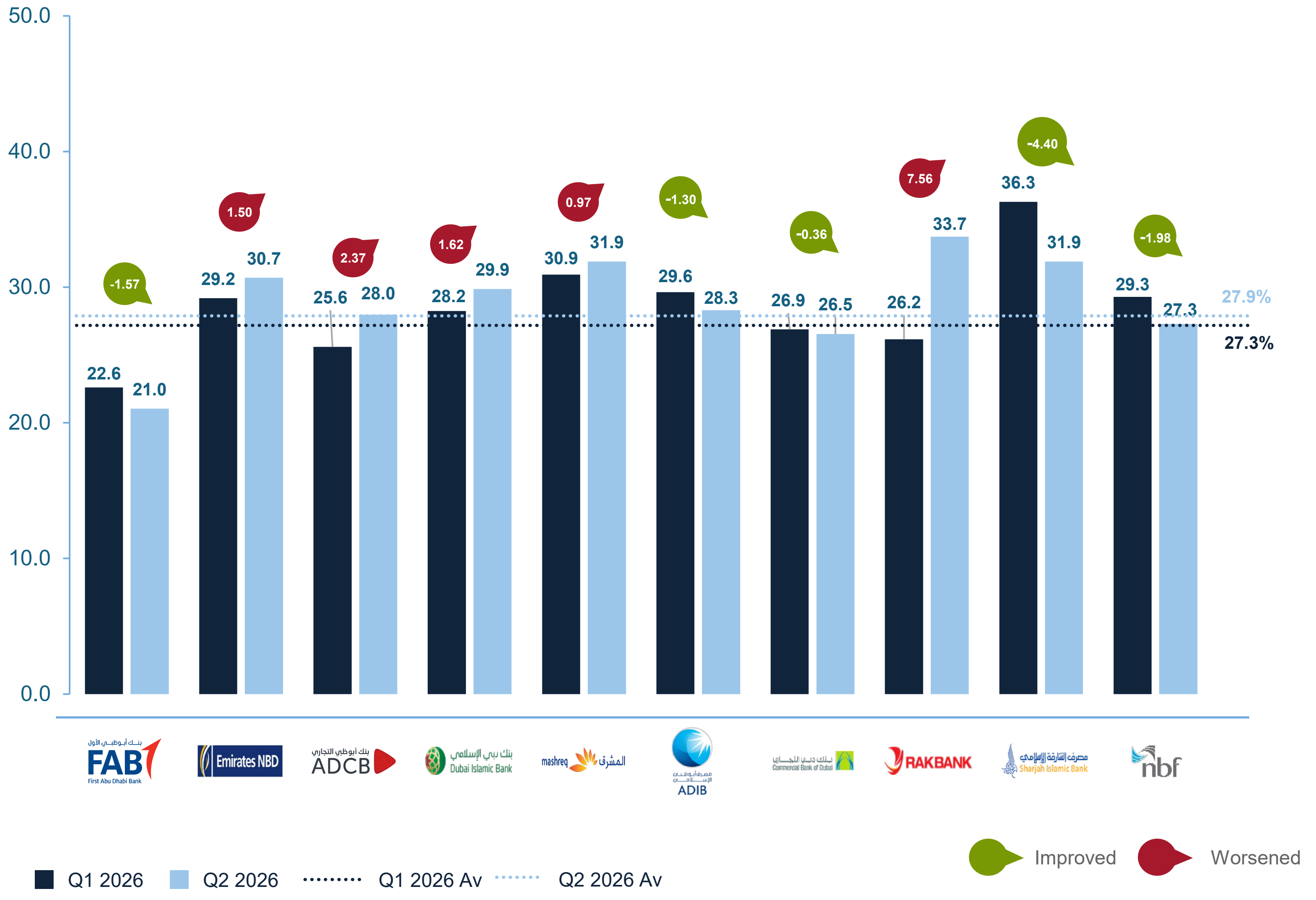
Five of the ten largest banks reported weaker cost-to-income ratios. ENBD and DIB experienced efficiency deterioration primarily due to lower operating income, while ADCB and MASQ were largely affected by higher operating expenses during the quarter.

Implications

Aggregate sector efficiency weakened during Q2 2026 due to the weaker performance at five banks despite selective efficiency improvements across the other five banks.

Cost and Efficiency (2/2)

Cost to Income Ratio (%, Quarterly)



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

Peer Archetypes

1 **Cost discipline differentiated**
FAB remained the sector's efficiency leader, suggesting that strategic investments in technology, digitalization and business growth were supported by sufficient revenue generation and cost discipline, resulting in stronger operating efficiency relative to its peers.

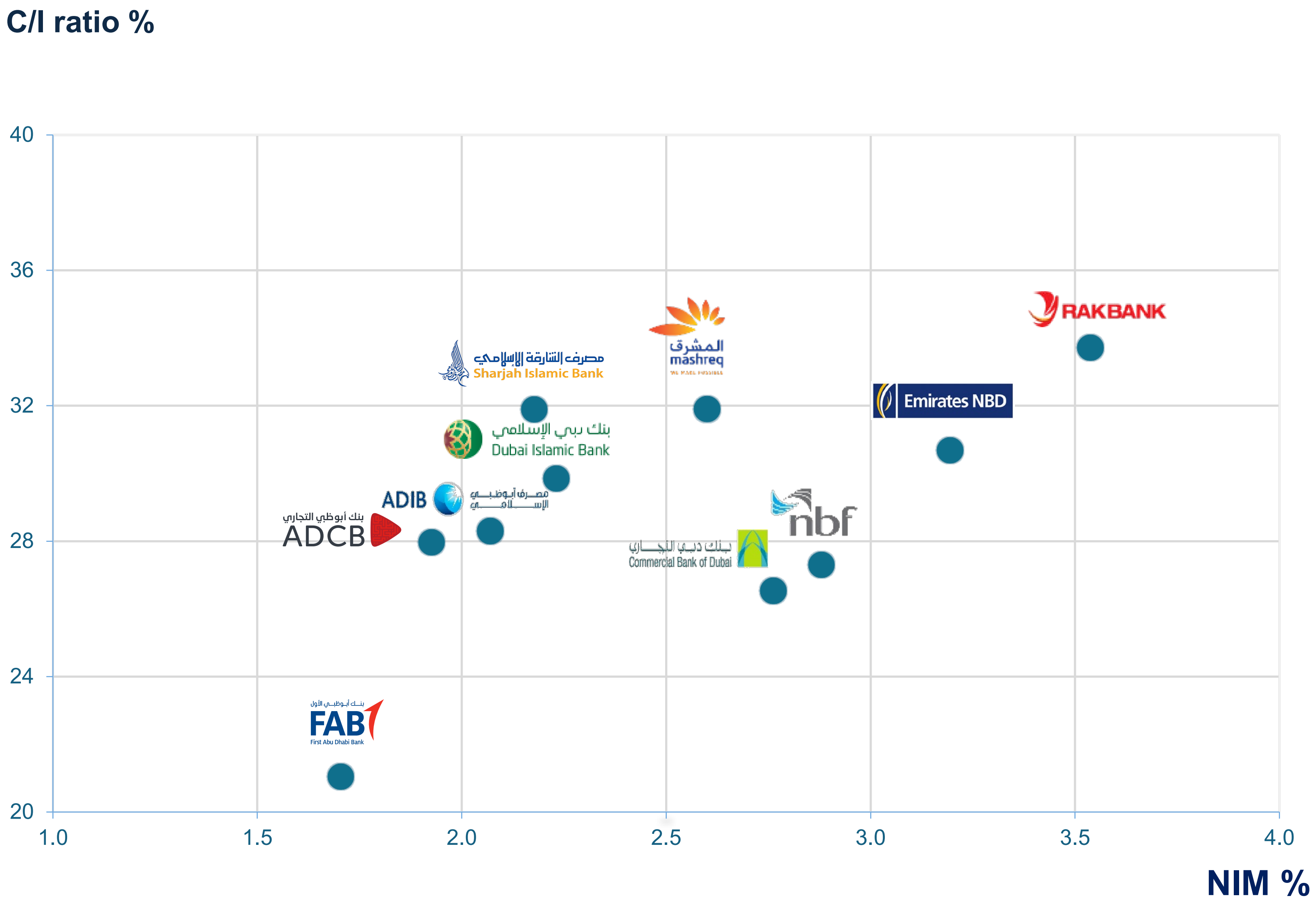
2 **Top margin performers**
ENBD and RAKBANK continued to report the strongest margin profile among peers; however, both banks experienced NIM contraction during Q2 2026.

3 **Outliers to watch**
FAB remained the sector benchmark for cost efficiency, while RAKBANK continued to outperform on margin generation. However, the marked increase in RAKBANK's cost-to-income ratio during Q2 2026 indicates that margin leadership did not fully translate into operating efficiency, highlighting a potential divergence to monitor in the coming quarters.

Implications

The distribution across the matrix indicates that UAE banks during Q2 2026 focused on different strategic strengths rather than a single driver. While some banks focused more on stronger margin generation, others achieved superior cost efficiency, underscoring the importance of balancing revenue growth and operating efficiency as market conditions evolve.

Margin Economics vs Operating Efficiency



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

Key Takeaways

1 **Healthy credit growth**
Lending activity remained robust during Q2 2026, with most UAE banks reporting continued growth in gross loans and advances, supported by resilient credit demand despite a more challenging macroeconomic and geopolitical backdrop.

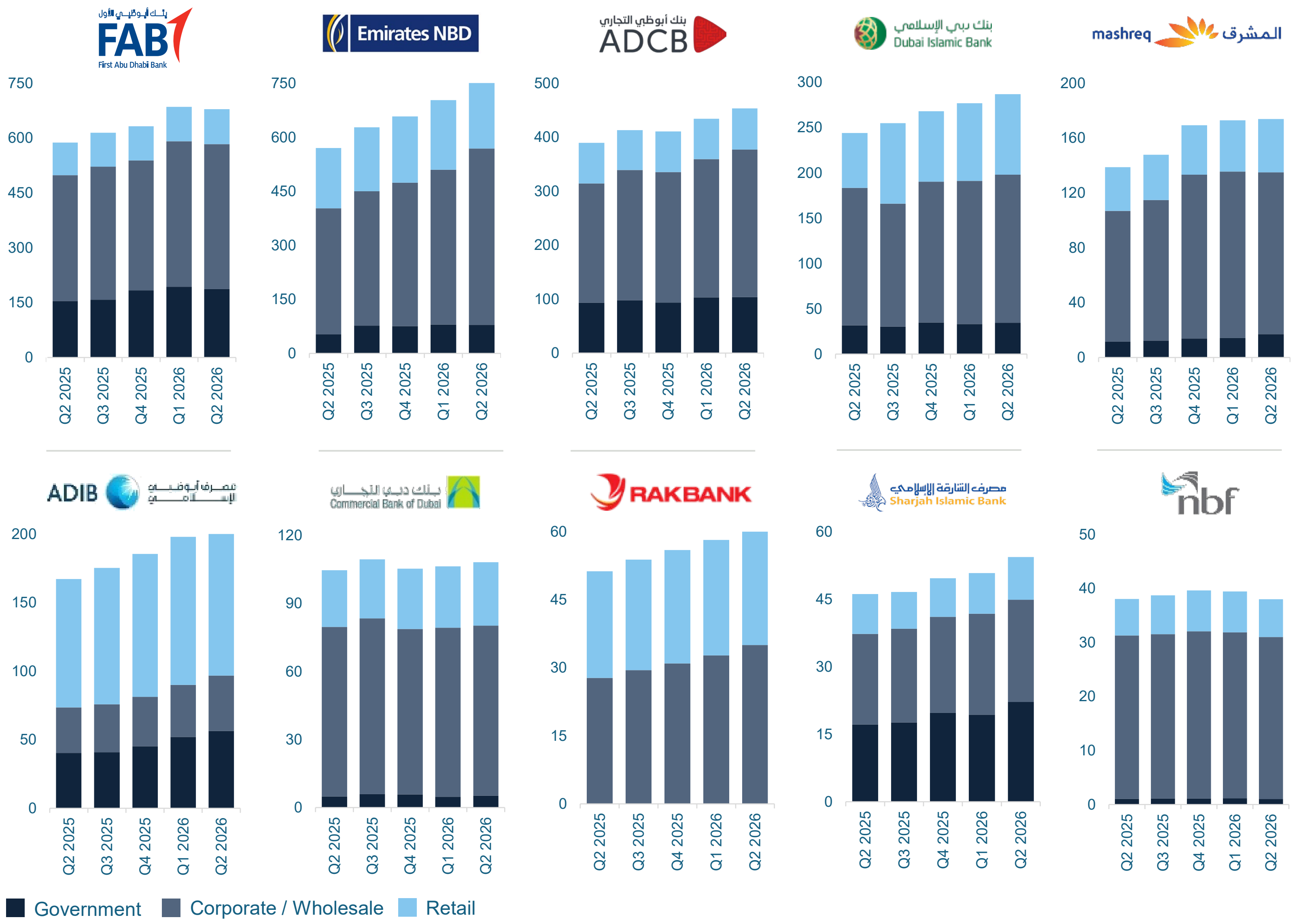
2 **Select banks continued to lead loan growth**
ENBD (+9.7%), ADCB (+4.4%) and ADIB (+6.1%) continued to report among the strongest lending growth across the sector, supported by broad-based loan origination across the retail, corporate and wholesale banking segments.

3 **Diversified lending growth**
Corporate / wholesale loans grew at 5.3% vs 6.7% QoQ; retail loan growth largely remained stable at 3.6% QoQ; however, government segment loan growth slowed to 1.0% from 6.1% QoQ. Loans to Government/GRE's has fallen as a proportion of total lending to 17.9% in Q2 2026 vs 24.3% in Q1 2026, with lending to the corporate / wholesale segment picking up the majority of this.

Implications

The quarter's lending performance points to resilient underlying credit demand, although the contribution of different customer segments has changed; however, aggregate loan growth is still supporting continued balance sheet expansion despite heightened geopolitical uncertainty.

Gross Loans and Advances (AED bn)



Note 1: Scaling and some numbers might not add up due to rounding off.
Note 2: MASQ's 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's reported segment wise total L&A mix does not match with gross L&A mix, as gross L&A is adjusted with deferred profits.
Sources: Financial statements, Investor presentations, A&M analysis

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Key Takeaways

1 **Stable deposit balances, supported by a sharp increase in other deposits**
Customer deposits increased by 2.3% QoQ during Q2 2026, driven primarily by a sharp increase in other deposits (+26.6% QoQ), which account for 8.6% of total customer deposits. Time deposits recorded modest growth (+1.0% QoQ), while CASA balances declined marginally by 0.1% QoQ.

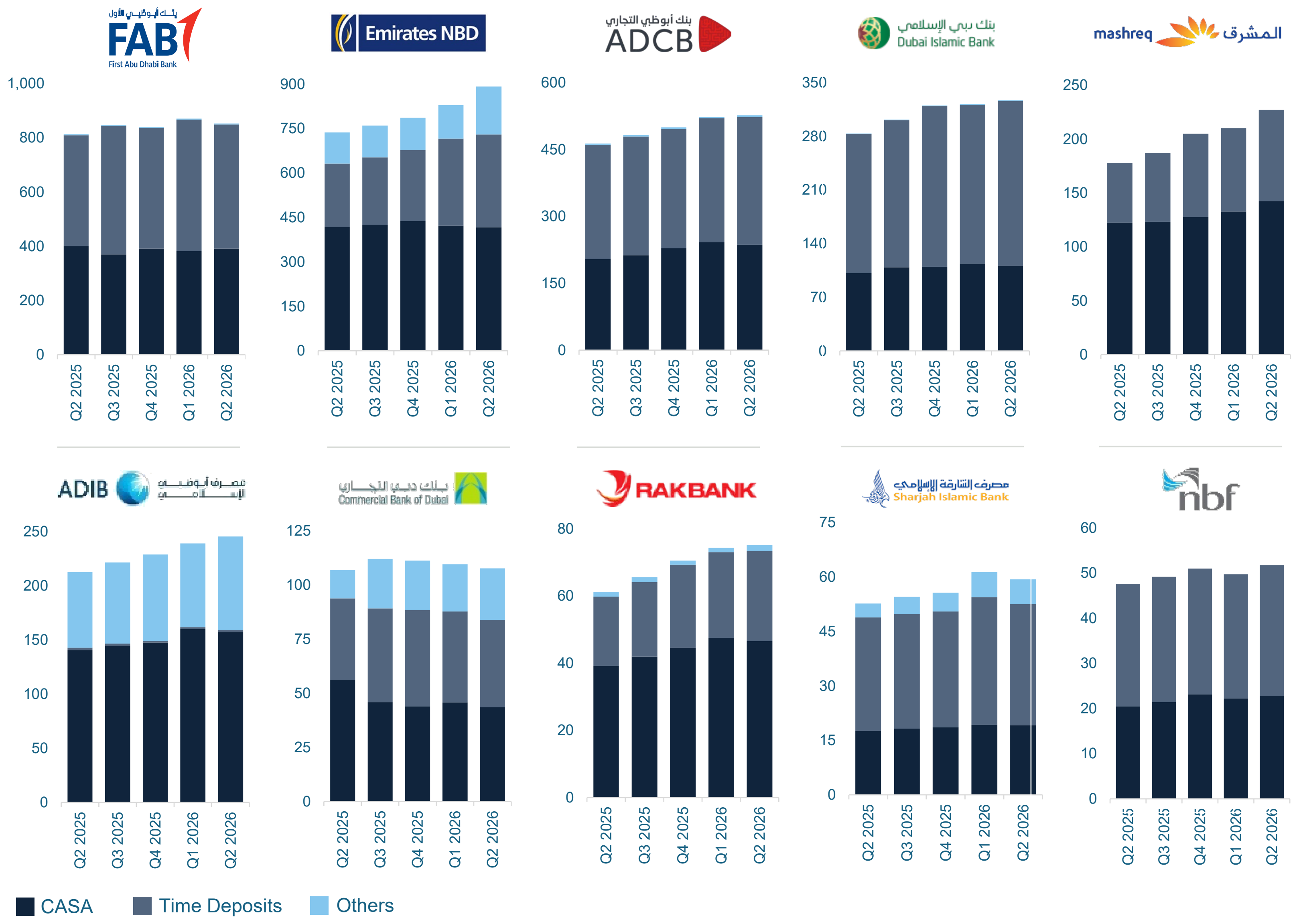
2 **Funding profile differentiated by bank**
ENBD reported a gradual shift from CASA to time deposits, strengthening funding duration and enhancing liquidity resilience. In contrast, MASQ maintained a high CASA ratio of 68%, supporting a stable, low-cost funding base and a predominantly deposit-funded balance sheet.

3 **Funding mix proportions changed**
The share of time deposits slightly decreased to 44.2% (from 44.7% in Q1 2026); the share of CASA deposits decreased to 47.2% (from 48.3% in Q1 2026). However, the share of other deposits increased to 8.6% in Q2 2026, from 7.0% in Q1 2026.

Implications

The sector's resilient deposit base and strong liquidity position are expected to support continued lending growth. However, the ongoing migration toward higher-yielding deposits may gradually increase funding costs and exert modest pressure on net interest margins.

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" includes Wakala deposits, Short Term Investment Accounts and Others
Sources: Financial statements, Investor presentations, A&M analysis, S&P

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Key Takeaways

1. **Higher loan-to-deposit ratio**
The aggregate sector LDR increased to 81.9% during Q2 2026 from 80.4% in the previous quarter, reflecting higher growth in loans and advances relative to customer deposits.

2. **Healthy loan growth across the UAE banking sector**
ENBD reported the strongest net loan growth (10.1% QoQ), followed by SIB (6.7% QoQ) and ADIB (6.4% QoQ). FAB and NBF underperformed relative to peers in gross loans and advances: -0.9% and -2.6% QoQ, respectively.

3. **Increased deposit flows**
Deposit flows increased at the sector level, with MASQ displaying the highest growth (8.1% QoQ), followed by ENBD (7.5% QoQ) and NBF (4.0% QoQ).

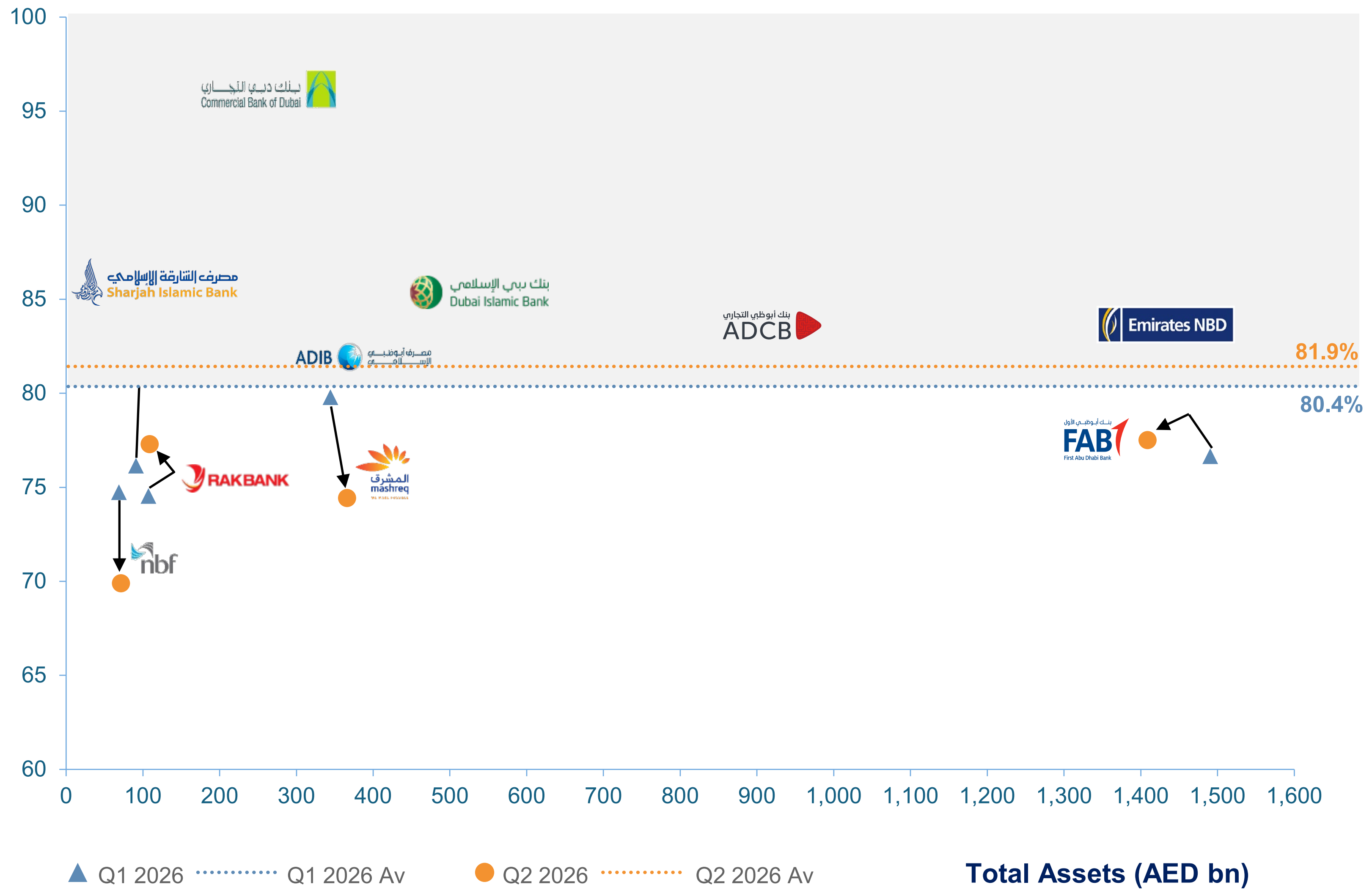
4. **Robust lending outlook**
ADCB maintained its high-teens loan growth guidance, citing a healthy domestic lending pipeline and more than AED 90bn of committed international lending. Management identified investments in supply chain diversification, transport infrastructure, ports and pipelines as important structural drivers of medium-term credit demand.

Implications

Healthy credit growth is expected to remain supportive of sector earnings and balance-sheet expansion. However, as lending continues to outpace deposit growth, increased competition for customer funding is likely to place upward pressure on funding costs, partially offsetting the benefits of higher loan volumes through modest NIM compression.

Loan-to-Deposit Ratio (%)

Loan-to-Deposit Ratio %



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

Key Takeaways

1 **Strong lending growth**

Aggregate net loans and advances increased by 4.2% QoQ, outpacing customer deposit growth of 2.3% QoQ, reflecting continued credit demand across the UAE banking sector despite heightened regional uncertainty.

2 **FAB's portfolio optimization strategy**

Management noted that the moderation in FAB's loan growth was a strategic outcome of its ongoing portfolio optimization strategy, under which the bank continues to exit lower-return lending relationships, particularly within its international franchise, while redeploying capital towards higher-return businesses such as SMEs.

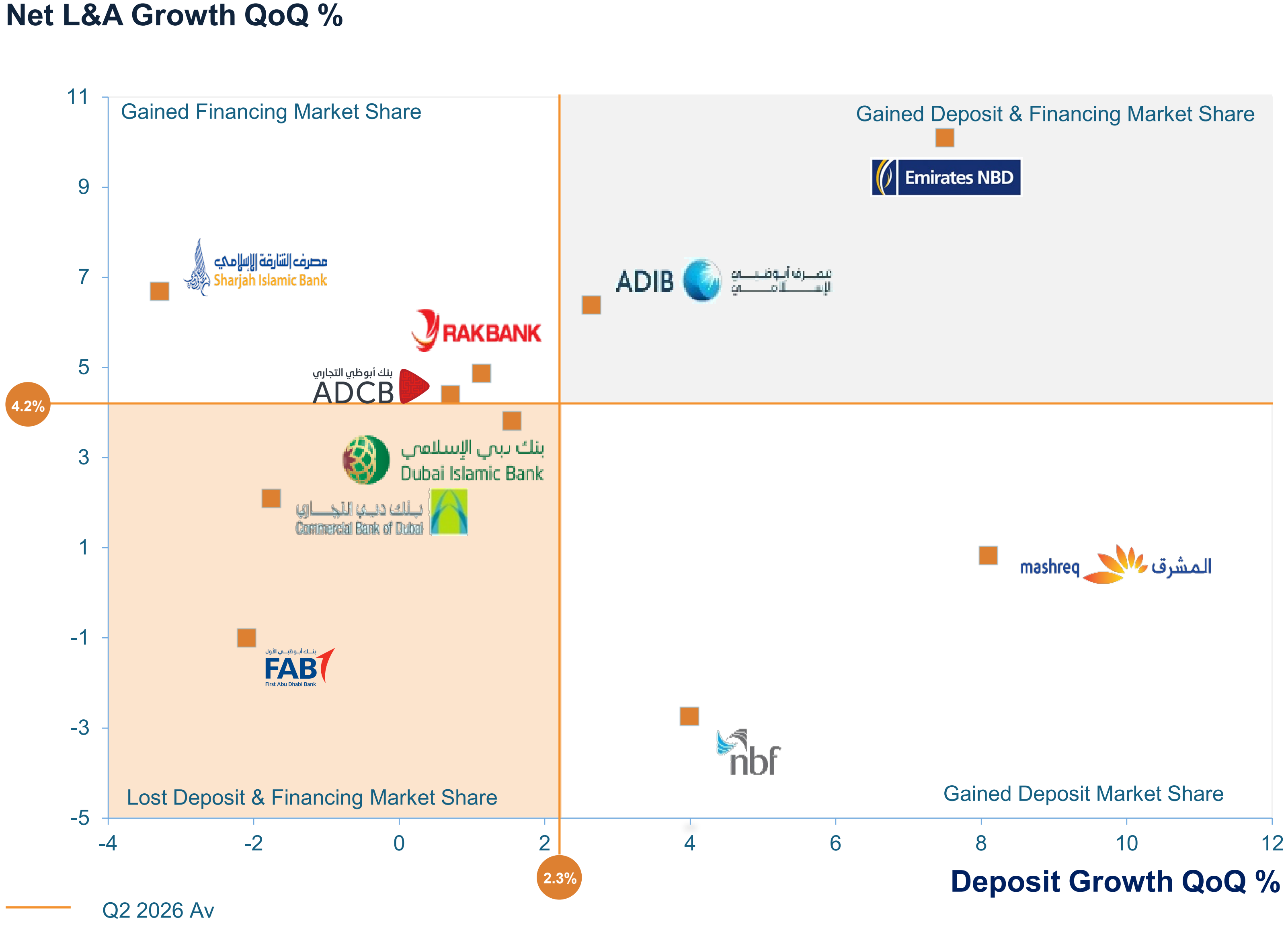
3 **Deposit growth driven by select banks**

Four banks (ENBD, ADIB, NBF and MASQ) witnessed deposit growth, while the remaining six banks lost market share of deposits.

Implications

The divergence between lending and deposit growth suggests that banks will increasingly focus on strengthening deposit growth while maintaining disciplined lending to support sustainable balance-sheet growth.

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



Note: 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

Key Takeaways

1 **Asset quality remained resilient**
During the quarter, the aggregate NPL ratio remained broadly stable at 2.3%, with Stage 1 loans continuing to account for 94.1% of gross loans, indicating resilient overall asset quality.

2 **Regulatory support complemented resilient asset quality**
The CBUAE facilitated AED 13.5bn in loan repayment deferrals for over 135,000 customers. This, combined with historically low NPL levels and limited stress reported by banks, suggests minimal near-term impact on asset quality despite the regional conflict.

3 **Improving asset quality drives lower CoR**
The aggregate CoR declined during Q2 2026, with most UAE banks reporting lower or stable provisioning levels, supported by higher recoveries, disciplined underwriting and resilient asset quality.

Implications

Resilient asset quality, reflected in historically low NPL ratios and a high proportion of Stage 1 loans, contributed to lower provisioning requirements and a reduced cost of risk, supporting continued balance sheet expansion. This is further supported by proactive CBUAE regulatory measures and positive signals from UAE banks regarding overall asset quality and the negligible impact on loan portfolios amid the ongoing crisis.

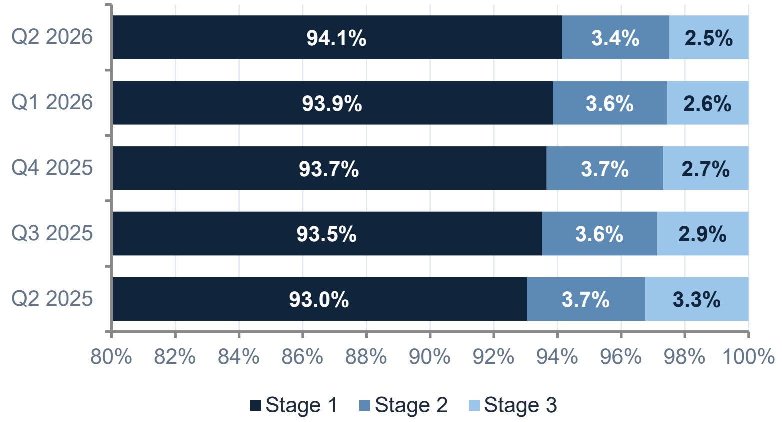
NPL and Coverage Ratio

2.3%
Aggregate NPL

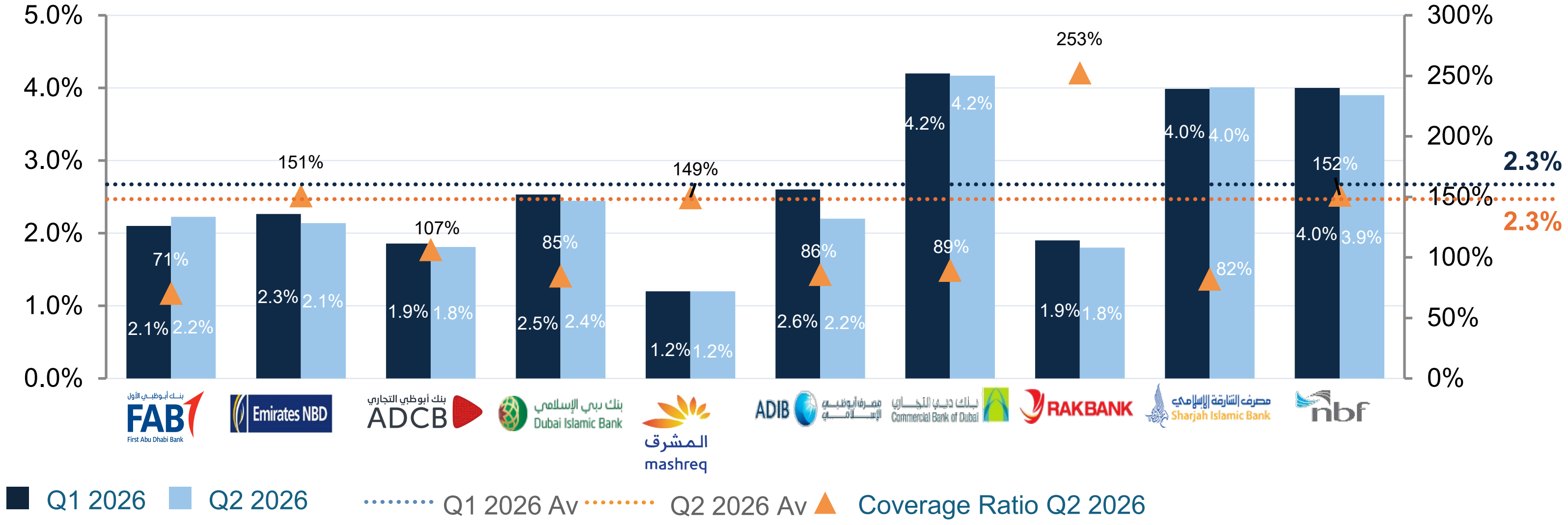
108.8%
Coverage ratio

0.35%
Aggregate CoR

Loan book IFRS 9 Stage mix (% of gross loans)



NPL ratio by bank – Q2 2026 vs Q1 2026 (%)



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

Key Takeaways

1 **Resilient asset quality metrics**
The aggregate NPL ratio remained broadly stable QoQ at 2.3%, while the coverage ratio moderated to 108.8% from 110.0%, reflecting resilient asset quality despite a marginal decline in provisioning coverage.

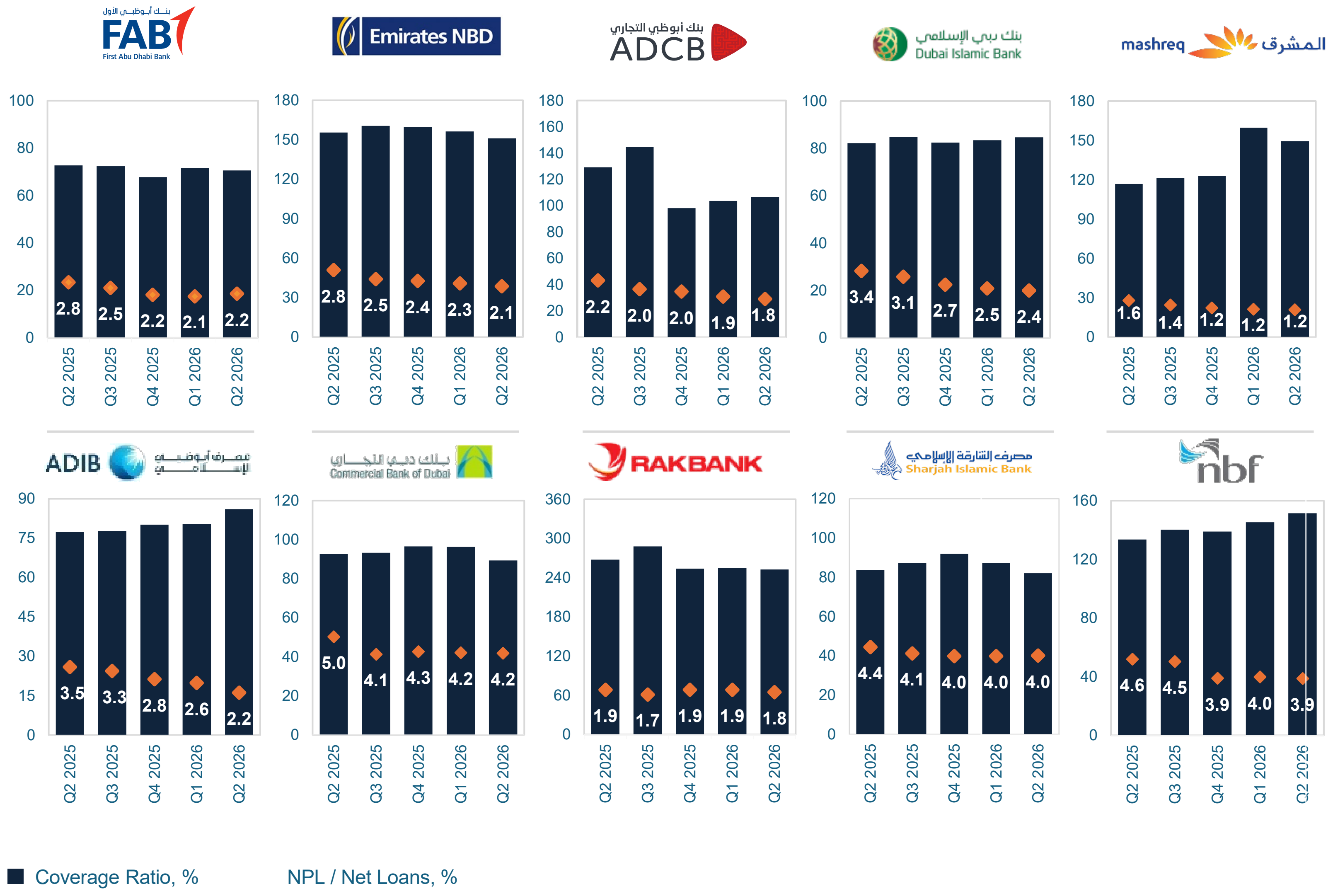
2 **Improving Credit Fundamentals**
Declining NPL ratios and a lower cost of risk indicate continued improvement in the sector's credit profile. Although the aggregate coverage ratio moderated slightly, it remained comfortably above 100%, highlighting the strength of provisioning buffers against potential credit losses.

3 **Regulatory flexibility supports lending**
Healthy asset quality, coupled with the CBUAE's temporary regulatory flexibility on loan deferrals, provides banks with greater capacity to support borrowers while preserving balance sheet resilience.

Implications

Resilient asset quality, lower provisioning requirements, and continued regulatory support are expected to sustain lending growth while reinforcing the resilience of UAE banks' balance sheets.

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



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

Key Takeaways

1. **Improving loan mix**
Stage 1 loans increased by 4.5% QoQ, raising their share of total loans to 94.1%, indicating that sector credit growth remained concentrated in performing assets. The share of Stage 1 loans has consistently moved up as a proportion of total loans in the last few quarters, aiding resilient asset quality.

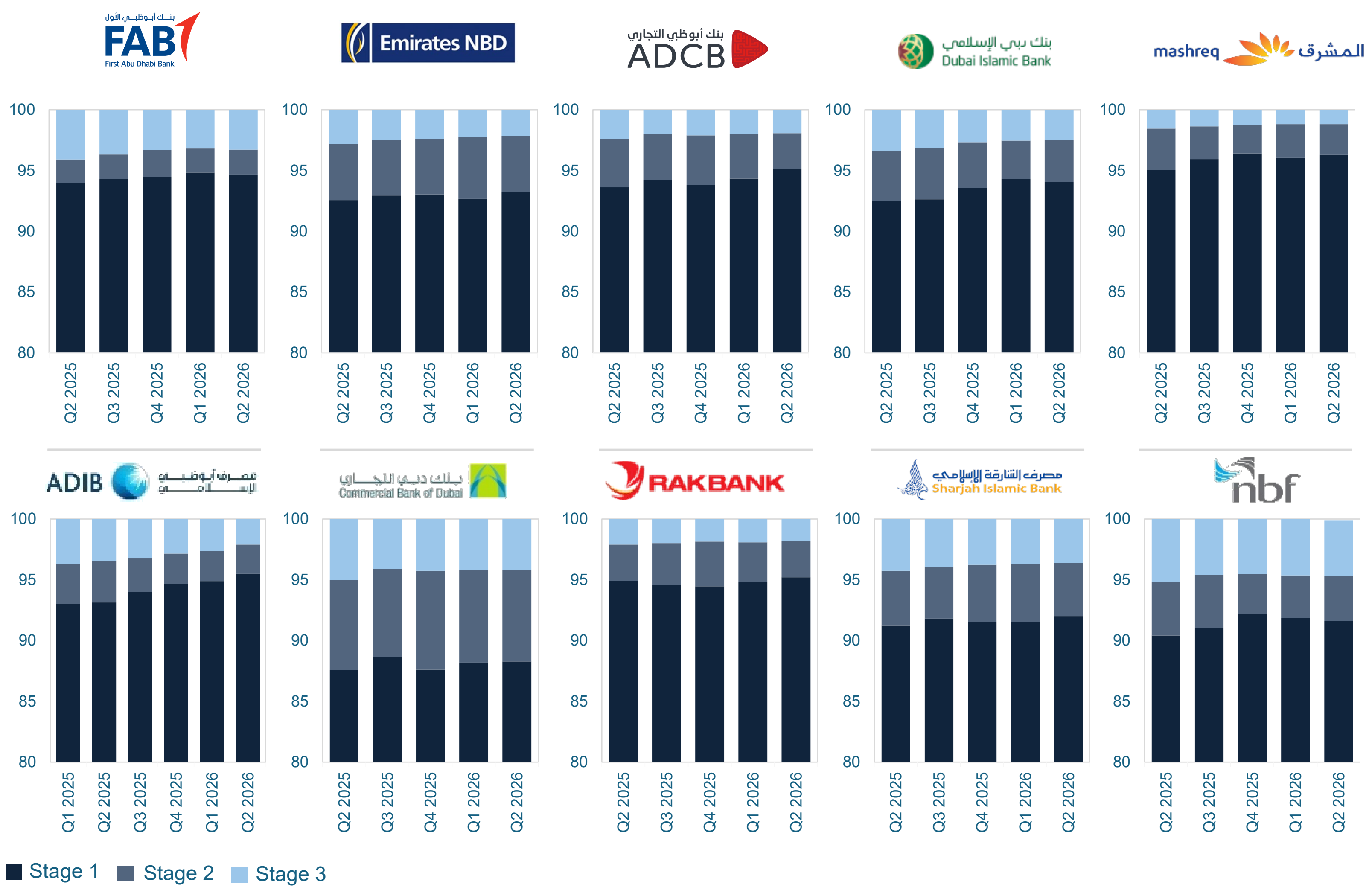
2. **Early stress indicators improved**
The decline in Stage 2 balances indicates that credit stress remained broadly contained despite continued loan growth across the sector.

3. **Share of Stage 3 loans declined marginally**
While Stage 3 loans increased marginally by 0.7% QoQ, their share of total loans declined to 2.5% from 2.6%, as overall portfolio growth outpaced the increase in impaired exposures.

Implications

The higher proportion of Stage 1 loans, together with a lower Stage 2 share, indicates that sector loan growth was achieved without compromising portfolio quality. However, the Stage composition continued to vary across banks, reflecting differences in portfolio mix, customer franchises, and risk appetite.

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 excluding L&A at fair value through profit and loss
Sources: Financial statements, investor presentations, A&M analysis

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Key Takeaways

1 **Considerable improvement in CoR**
Sector-wide CoR improved by 21 bps QoQ from 0.56% to 0.35%, driven by 35.3% QoQ decline in impairment costs and increased recoveries, led by MASQ, DIB, and ENBD, among others.

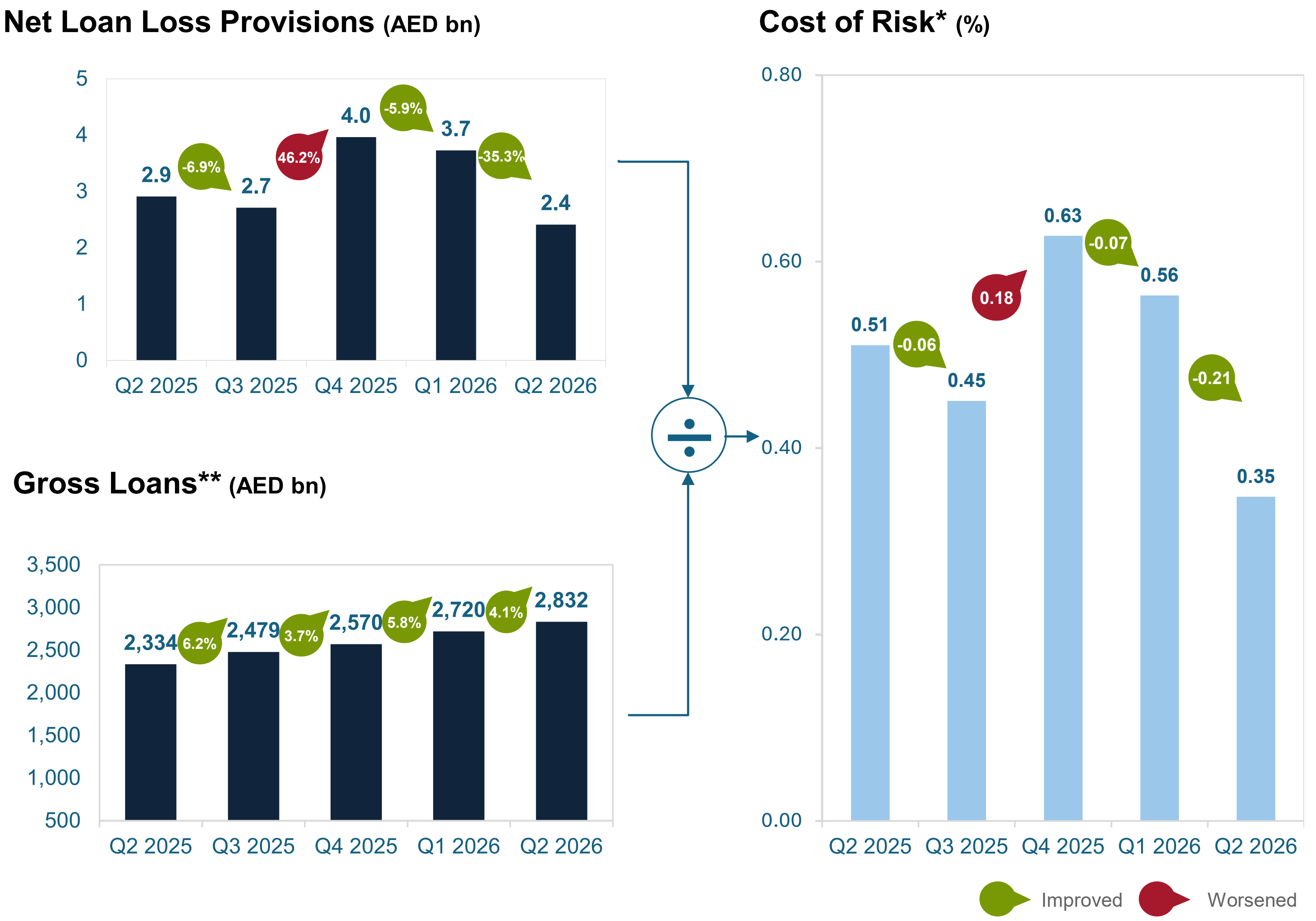
2 **Watchful on impact of Middle East crisis in coming quarters**
The positive CoR trend in H1 2026 warrants further monitoring to assess whether it is driven primarily by recoveries or lower loan losses amid uncertainty surrounding the regional conflict in the Middle East.

3 **CBUAE provisioning support**
The CBUAE's reclassification flexibility related to the bad loans or write-backs offers a structural cushion, reducing the risk of sudden impairment charges even if credit conditions deteriorate further.

Implications

Against a more subdued economic backdrop and continued geopolitical uncertainty, the CBUAE's proactive support measures should help mitigate near-term provisioning volatility and preserve banking sector resilience.

Cost of Risk (1/2)



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 periods*
*** Gross loans are calculated as the average of the current and previous periods*
Sources: Financial statements, investor presentations, A&M analysis

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Key Takeaways

1 **Broad-based CoR improvement**
Nine of the ten banks reported an improvement in CoR during the quarter.

2 **Top five banks led improvement**
MASQ, DIB, ENBD, ADCB, and FAB (top five banks) posted a meaningful improvement that helped the sector achieve lower CoR, primarily driven by lower provisions and some recoveries, rather than by a significant structural improvement in book quality.

3 **Recoveries- and provisioning-driven landscape**
At sector level, asset quality remained broadly stable this quarter, contributing to lower CoR, but the recovery-led nature of the CoR move means the sustainability of the improvement in CoR remains uncertain going forward.

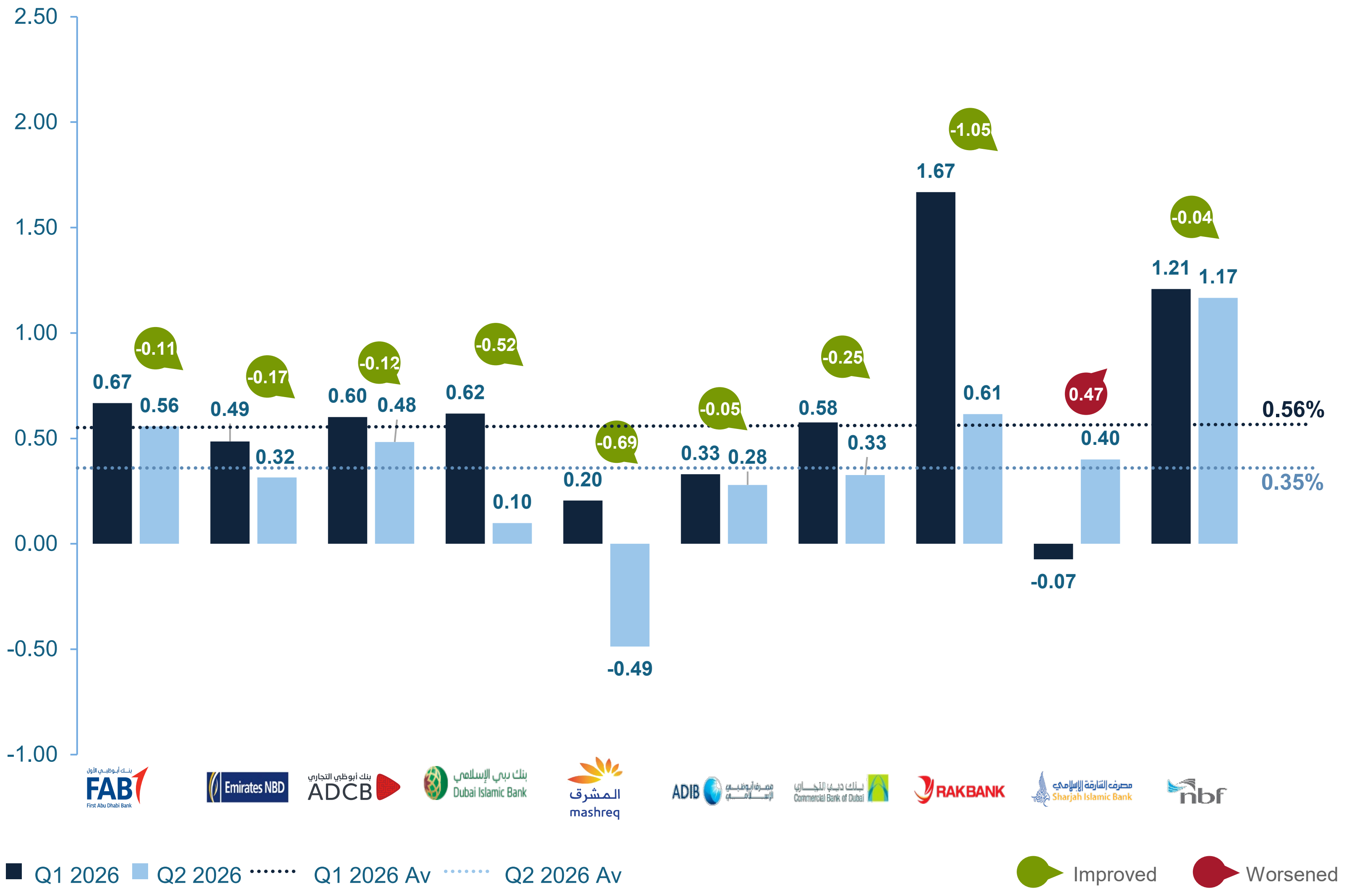
4 **Conditional CoR outlook**
Given recoveries, lower impairments, and the ongoing impact of the Middle East crisis, the CoR outlook remains conditional in the coming quarters.

Implications

The broad-based improvement in cost of risk during Q2 2026 was driven by lower impairment charges and higher recoveries. The sustainability of this trend will depend on future impairment requirements, recovery levels, and the economic impact of the regional conflict in the Middle East.

Cost of Risk (2/2)

Cost of Risk (%, Quarterly)



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

Peer Archetypes

1 **High growth and high return (top-right)**
ADIB, MASQ, ENBD, and RAK combined profitability and balance sheet expansion, resulting in a strong RoEs reaching 27.9%, 21.9%, 20.3% and 19.3%, respectively.

2 **Low growth but high return (top-left)**
CBD reported a high RoE; however, asset growth remained comparatively moderate at 2.6%.

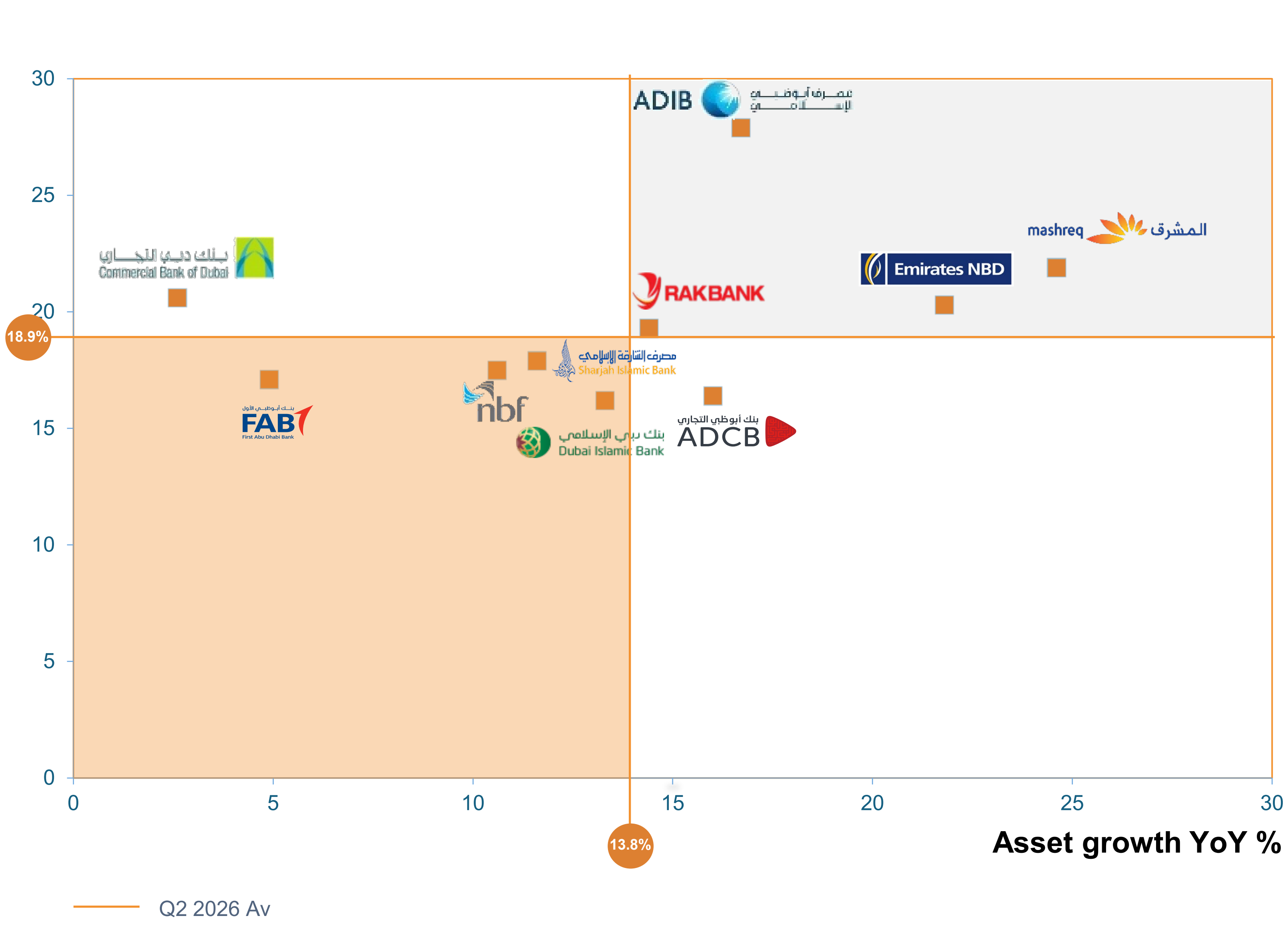
3 **High growth but lower return (bottom-right)**
ADCB reported healthy balance sheet expansion with relatively lower RoE levels of 17.9%.

4 **Low growth and lower return (bottom-left)**
FAB, DIB, NBF, and SIB have grown assets at close to the system average but translated less of that growth into returns. Positioning in this quadrant is driven less by asset growth than by funding mix and fee income.

Implications

Banks combining strong returns with healthy balance sheet expansion, such as ADIB, MASQ, ENBD, and RAK, appear better positioned to sustain long-term earnings growth. In contrast, banks delivering balance sheet growth with comparatively lower returns may face increasing pressure on capital efficiency and long-term shareholder value creation.

Profitable Growth: RoE vs Asset Growth



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

Key Takeaways

1 **Moderate RoE expansion, driven by lower CoR**
RoE was supported by an increase in NII and lower CoR due to higher recoveries and lower impairment charges. Increasing LDR contributed to a strong balance sheet and supported resilient RoE.

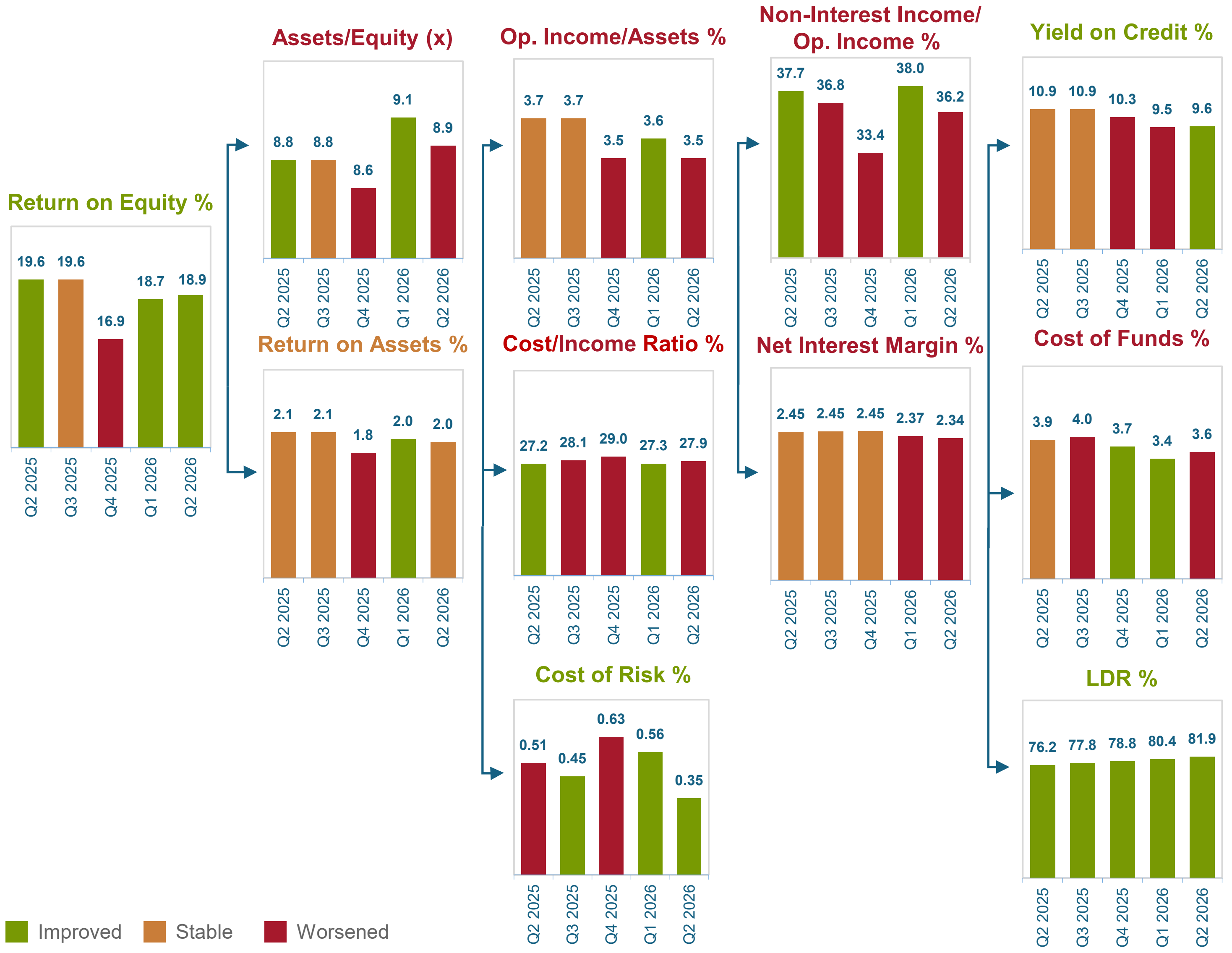
2 **Earnings outlook**
Following the CBUAE's decision to keep policy rates unchanged, future earnings growth and returns are likely to be driven increasingly by balance sheet expansion rather than further margin expansion from higher spreads.

3 **CBUAE support measures**
The CBUAE's financial institution resilience package deferred AED 13.5bn of loan repayments for over 135,000 customers, reducing near-term credit risk and supporting continued loan growth and lower NPLs.

Implications

Given the lower CoR, the record-low NPL ratio, lower impairments, and stable profitability, the UAE banking sector remains confident in its ability to generate sustained returns. However, pre-provision operating income declined, implying that RoE was primarily provision-led during Q2 2026 and might not be sustainable in the coming quarters.

RoE Composition



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

Key Takeaways

1

Liquidity buffers well above regulatory thresholds

D-SIBs1 (FAB, ENBD, ADCB, DIB, and MASQ) reported an average LCR of 134.3% (vs. the regulatory minimum of 100.0%); legacy banks[1] (ADIB, CBD, RAK, SIB, and NBF) reported an average ELAR of 18.6% (vs. the regulatory minimum of 10.0%). All ten banks operated well above their respective regulatory floors.

2

LCR compression QoQ

The sector average LCR declined from 141.6% to 134.3% in Q2 2026, with four of the five D-SIBs reporting lower liquidity buffers as balance sheet growth exceeded the accumulation of high-quality liquid assets. MASQ remained the only exception, posting a marginal increase.

3

Funding structures vary across banks

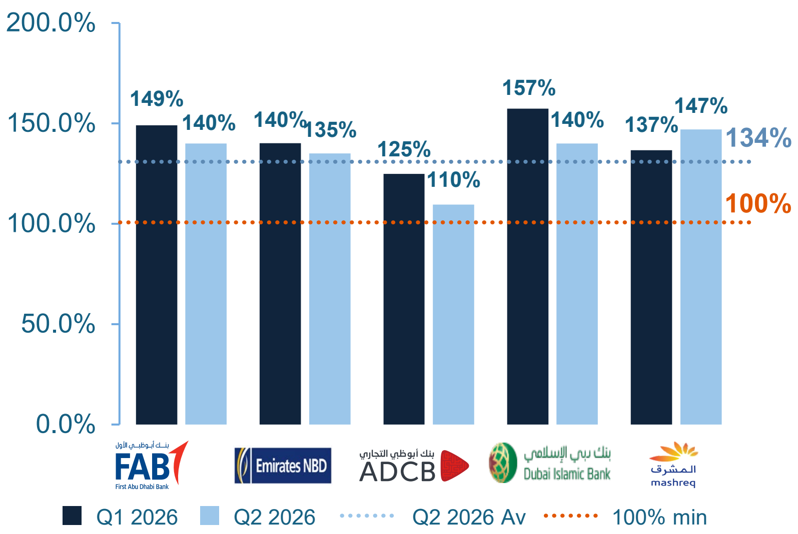
ADIB, RAK, and MASQ retained the highest CASA deposit shares (52%, 43% and 39% of the balance sheet, respectively), supporting a low-cost funding base. FAB and SIB had the largest wholesale funding shares (23% and 22%, respectively), while DIB and SIB rely more heavily on time deposits (51% and 43% of the balance sheet, respectively).

Implications

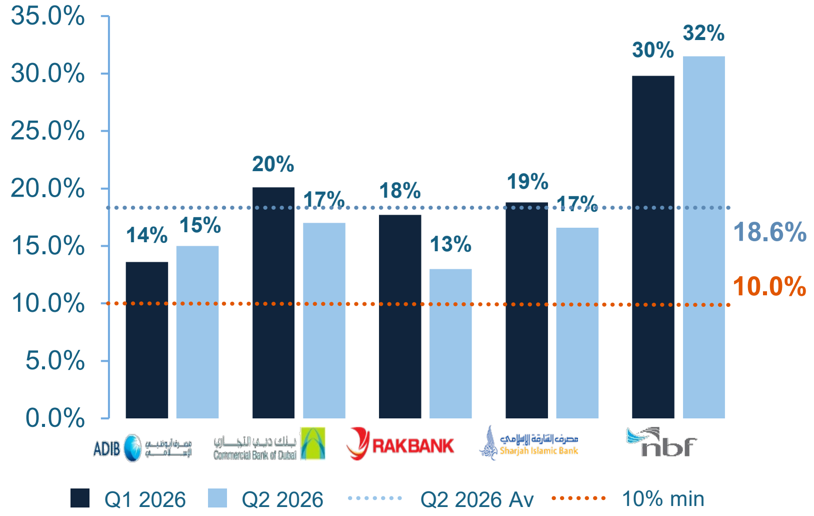
Liquidity across the UAE banking sector remains strong, with regulatory buffers providing ample headroom. However, as loan growth continues to outpace liquidity build-up, banks will need to maintain disciplined funding and liquidity management to support sustainable growth.

Liquidity

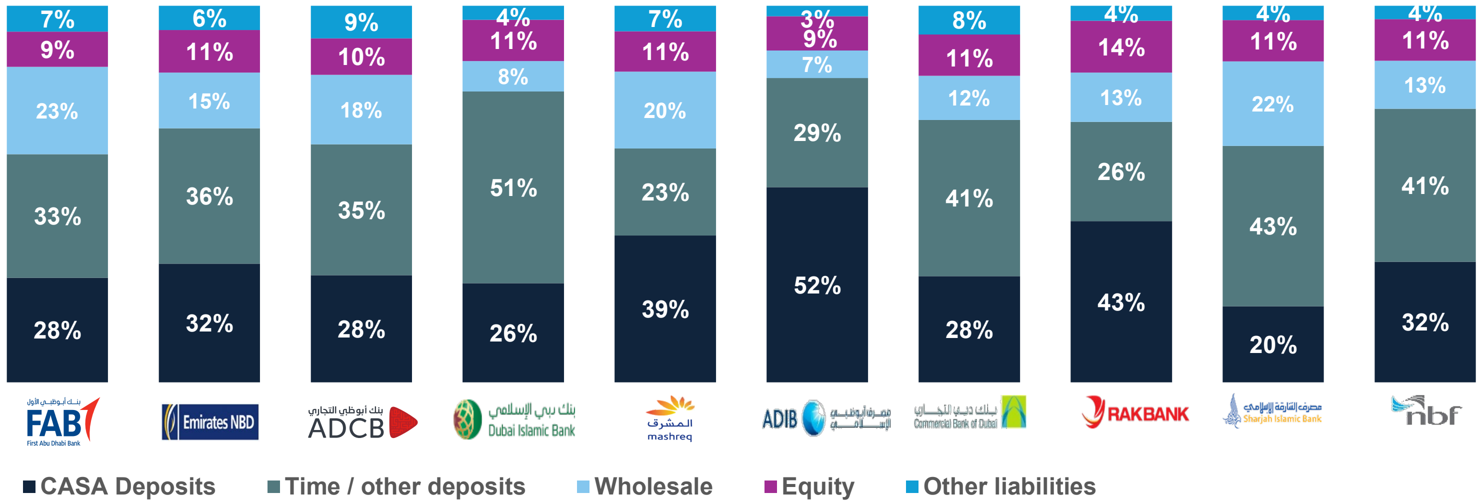
Liquidity Coverage Ratio (LCR)



Eligible Liquid Assets Ratio (ELAR)



Funding Structure



Sources: Financial statements and Pillar III Reports
Note: 1Under the applicable regulatory framework, Domestic Systemically Important Banks (D-SIBs), including FAB, ENBD, ADCB, DIB, and MASQ, report the Liquidity Coverage Ratio (LCR), while legacy banks, including ADIB, CBD, RAK, SIB, and NBF, disclose the Eligible Liquid Asset Ratio (ELAR)

Key Takeaways

1 **Stable capital base**
Aggregate CAR increased slightly to 16.4% in Q2 2026 (vs 16.2% in Q1 2026). All ten banks were comfortably above their respective CBUAE minimum capital requirements.

2 **Sector range changed**
CAR ranged from 14.1% (CBD) to 19.5% (SIB), with RAKBANK, SIB and NBF maintaining the strongest capital positions. The sharp contraction in CBD's CAR was due to the redemption of Additional Tier 1 (AT1) securities in April 2026; the bank subsequently issued replacement securities in July 2026, which is expected to reverse the decline in CAR.

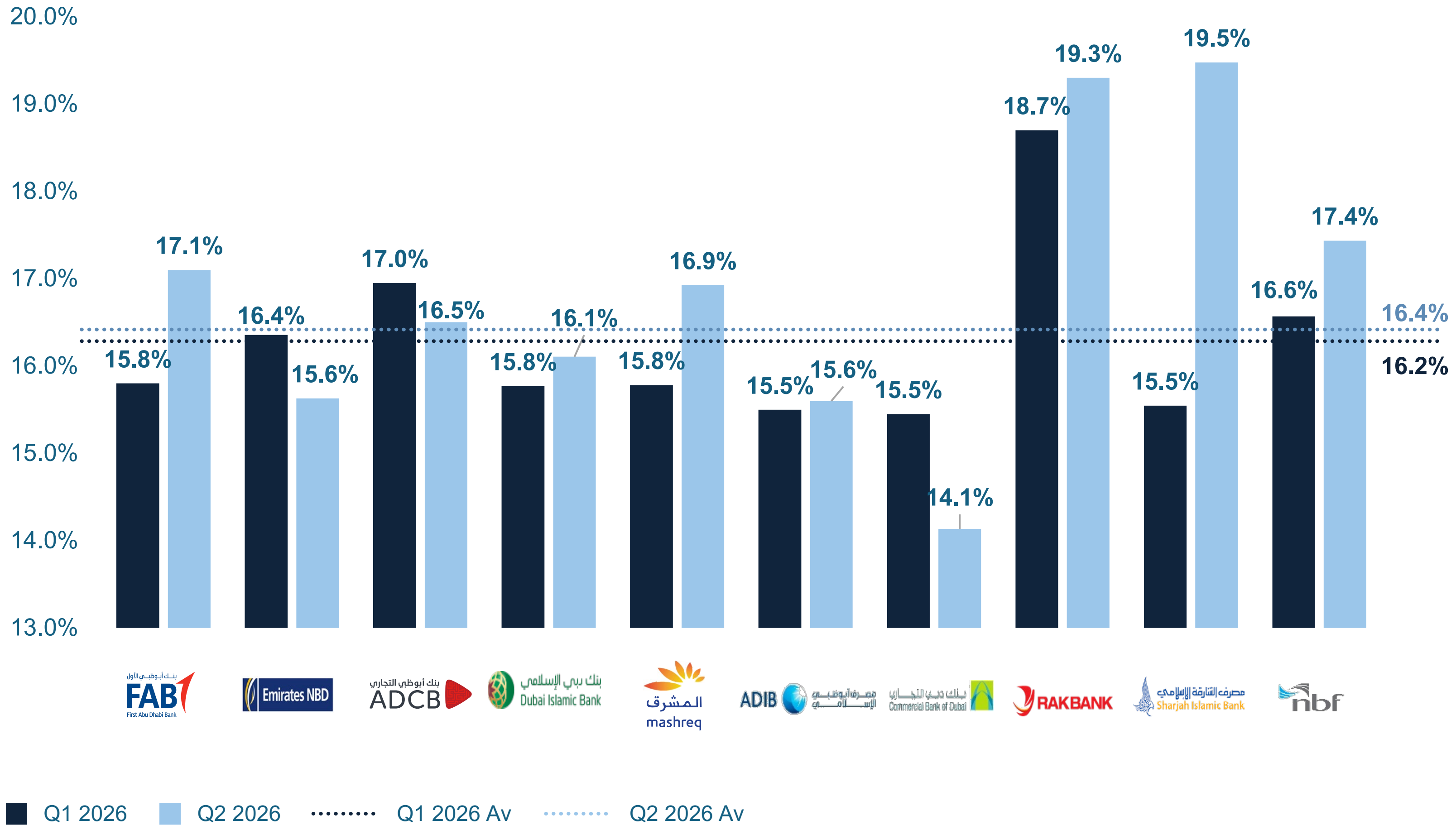
3 **SIB's capital position strengthened following a rights issue**
Management attributed SIB's higher capital adequacy ratio to a successful rights issue, which strengthened the bank's equity base and enhanced its capital position.

Implications

The UAE banking sector remains well capitalized, providing sufficient capacity to support continued loan growth while maintaining regulatory capital buffers. However, sustained balance-sheet expansion will require continued prudent capital management.

Capital

Capital Adequacy Ratio (%, Quarterly)



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

Key Takeaways

UAE bank shares recover in Q2 as resilient fundamentals offset continued geopolitical volatility

1. UAE banks equities recovered during Q2 despite continued geopolitical volatility, with aggregate sector market cap up approximately 3% in the quarter, while longer-term performance remains strong at approximately 67% over the last three years.

2. Q2 fundamentals remained sound, supported by healthy lending and deposit growth and stable asset quality, while margin compression and softer liquidity metrics remained key areas to monitor.

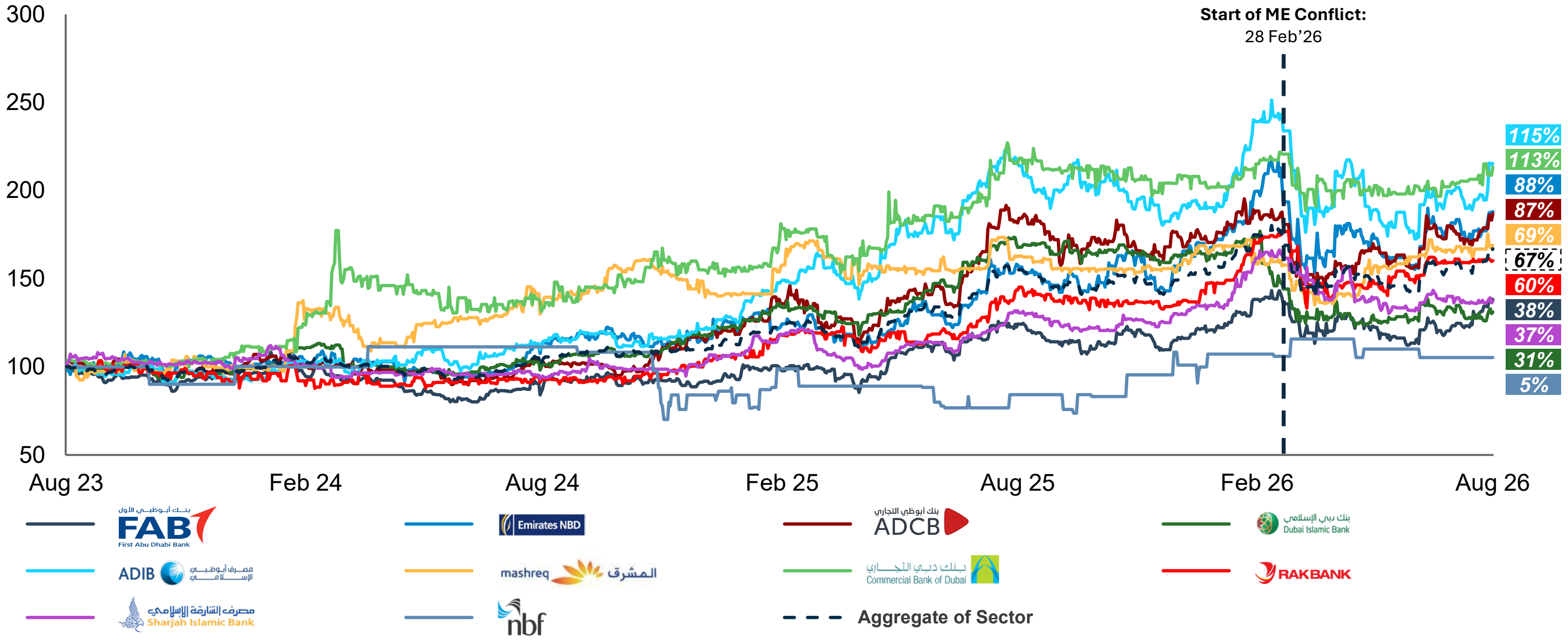
3. UAE banks remain on track with FY2026 guidance following solid H1 performance; Q3 results will provide an important read-through on the sustainability of lending momentum, margins, and asset quality amid continued geopolitical uncertainty.

Implications

Recent share-price volatility appears largely sentiment-driven, while underlying banking fundamentals remain resilient. A sustained valuation re-rating will likely depend on continued earnings and asset-quality delivery, alongside an easing in regional geopolitical tensions.

Share Price Evolution Across UAE Banks

L3Y Share Price Evolution (Rebased to 100)



	L3M	Q2	L6M	L1Y	L2Y	L3Y
First Abu Dhabi Bank	12%	(6%)	0%	11%	58%	38%
Emirates NBD	7%	5%	(6%)	19%	65%	88%
Abu Dhabi Commercial Bank	10%	14%	(1%)	3%	81%	87%
Dubai Islamic Bank	1%	0%	(25%)	(22%)	28%	31%
Abu Dhabi Islamic Bank	14%	(1%)	(10%)	0%	90%	115%
Mashreqbank	8%	21%	7%	4%	24%	69%
Commercial Bank of Dubai	7%	1%	(1%)	(1%)	60%	113%
National Bank of Ras Al-Khaimah	8%	9%	(6%)	11%	73%	60%
Sharjah Islamic Bank	(1%)	(0%)	(15%)	4%	45%	37%
National Bank of Fujairah	(4%)	(9%)	(2%)	25%	(5%)	5%
Aggregate UAE Banking Sector Market Cap	**9%**	**3%**	**(5%)**	**8%**	**61%**	**67%**
Simple Average Based on Each Bank Evolution	**6%**	**4%**	**(6%)**	**6%**	**52%**	**64%**

Sources: A&M Analysis, FactSet as of August 7, 2026.
The recent recovery appears supported by resilient fundamentals despite continued geopolitical uncertainty; a sustained re-rating will likely depend on further de-escalation and continued delivery of earnings, margins, and asset quality.

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Key Takeaways

UAE bank valuations show a modest recovery, with further upside tied to earnings delivery

1. As of Q2 2026, UAE banks traded at a simple average of 8.3x P/E and 1.60x P/TBV, with P/E recovering from 7.9x in Q1 while P/TBV remained broadly flat at 1.60x, indicating a modest recovery in earnings-based valuations.

2. Resilient profitability, continued loan growth, and sound asset quality continue to underpin sector valuations, with asset-quality resilience further supported by proactive CBUAE measures; Q2 2026 RoE remained strong, and cost of risk improved sequentially.

3. Valuation performance will likely remain driven by continued earnings delivery, margin trends, and asset quality, alongside the evolution of the regional geopolitical backdrop.

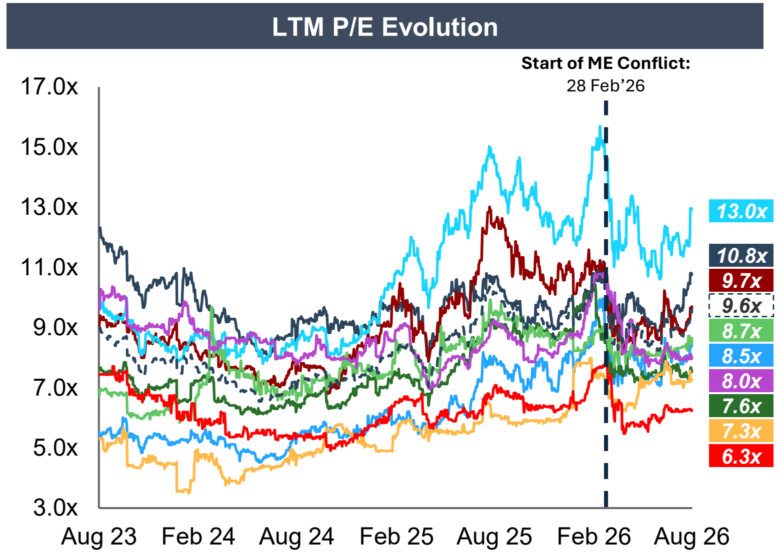
4. Strong capitalization and liquidity, which remain comfortably above regulatory minimums despite sequential moderation, provide downside support to valuation multiples by mitigating balance-sheet risk and preserving banks' capacity to absorb shocks and support future growth.

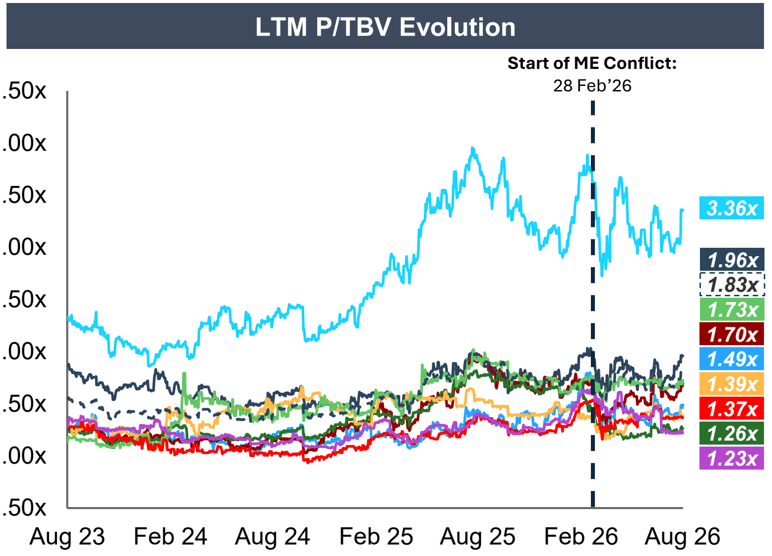
Implications

UAE bank valuations remain supported by resilient fundamentals, strong capitalization and adequate liquidity buffers. Further re-rating potential will likely depend on sustained profitability, stable asset quality and improved visibility on margins, alongside the geopolitical backdrop.

Valuation Snapshot

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





FAB — Emirates NBD — ADCB — Dubai Islamic Bank — ADIB — mashreq — Commercial Bank of Dubai — RAKBANK — Sharjah Islamic Bank — Weighted Average

	Q2 – June 30		3 Months Ago		6 Months Ago		1 Year 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	9.2x	1.67x	9.7x	1.85x	10.8x	1.96x	10.7x	1.94x	8.8x	1.51x	12.2x	1.87x
Emirates NBD	7.9x	1.37x	8.0x	1.46x	9.2x	1.66x	8.0x	1.44x	5.5x	1.21x	5.5x	1.29x
ADCB	8.9x	1.57x	9.3x	1.62x	11.2x	1.72x	12.3x	1.90x	7.8x	1.18x	9.1x	1.24x
Dubai Islamic Bank	7.5x	1.25x	7.6x	1.22x	10.2x	1.70x	9.0x	1.76x	6.4x	1.18x	7.7x	1.24x
ADIB	11.4x	2.96x	11.6x	3.19x	14.9x	3.70x	14.5x	3.82x	8.5x	2.31x	9.7x	2.31x
mashreq	7.1x	1.36x	7.1x	1.36x	7.3x	1.36x	6.1x	1.54x	4.6x	1.45x	5.3x	1.29x
Commercial Bank of Dubai	8.2x	1.64x	8.1x	1.70x	8.8x	1.72x	9.4x	1.92x	6.7x	1.34x	6.7x	1.13x
RAKBANK	6.2x	1.36x	5.9x	1.35x	7.5x	1.48x	7.0x	1.38x	5.4x	1.02x	7.4x	1.28x
Sharjah Islamic Bank	8.1x	1.24x	8.2x	1.42x	10.5x	1.59x	9.2x	1.40x	7.9x	1.11x	9.6x	1.28x
Weighted Average	**8.6x**	**1.64x**	**8.9x**	**1.75x**	**10.5x**	**1.96x**	**10.1x**	**1.97x**	**7.1x**	**1.41x**	**8.9x**	**1.55x**
Simple Average	**8.3x**	**1.60x**	**8.4x**	**1.69x**	**10.0x**	**1.88x**	**9.6x**	**1.90x**	**6.8x**	**1.37x**	**8.1x**	**1.44x**

Sources: A&M Analysis, FactSet as of August 7, 2026.
Note: 1. National Bank of Fujairah is excluded as an outlier.

Key Takeaways

1 **Profitability outperformance**
UAE banks continued to outperform their GCC peers during Q2 2026, delivering a sector RoE of 18.9%, ahead of Saudi banks at 15.0%. Cost efficiency also remained strong with a cost-to-income ratio of 27.9%, marginally better than Saudi banks (28.6%) and well ahead of most other GCC banking systems (excluding Qatar).

2 **UAE banks trail GCC peers on the margin front**
UAE banks reported a sector NIM of 2.34%, remaining below the 2.85% recorded by banks in Saudi Arabia, Qatar, and the rest of the GCC countries. Despite this margin gap, stronger profitability and cost efficiency enabled UAE banks to maintain a superior return profile across the GCC.

3 **Strong balance sheet expansion continues**
UAE banks continued to deliver stronger balance sheet growth than their GCC peers, with loan and deposit growth of 22.4% and 13.8% YoY, respectively, significantly outperforming Saudi banks, which reported growth of 6.9% and 8.9%, respectively.

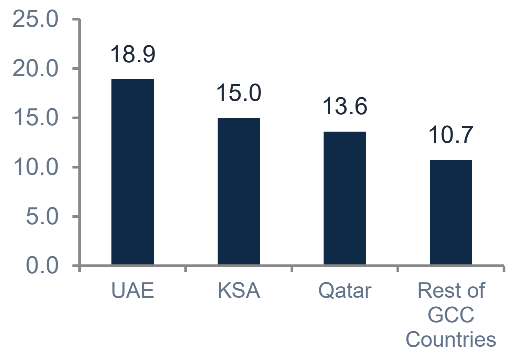
4 **Resilient asset quality despite high lending growth**
UAE banks continued to demonstrate resilient asset quality despite high double-digit lending growth, with a sector NPL ratio of 2.3%. While this compares favorably with regional peers, Saudi banks maintained best-in-class asset quality, reporting an NPL ratio of 0.9%.

Implications

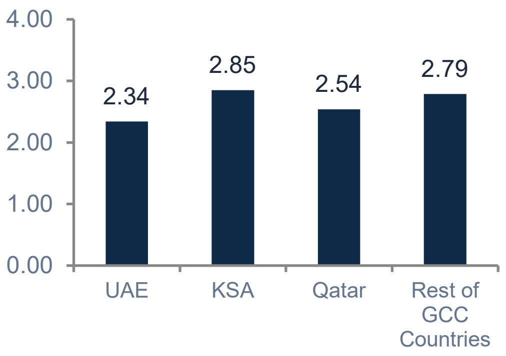
UAE banks remain better positioned for earnings growth, although regional geopolitical tensions may moderate trade, tourism, and real estate activity, tempering credit demand. KSA banks continue to benefit from comparatively stronger asset quality and margin stability.

GCC Peer Review

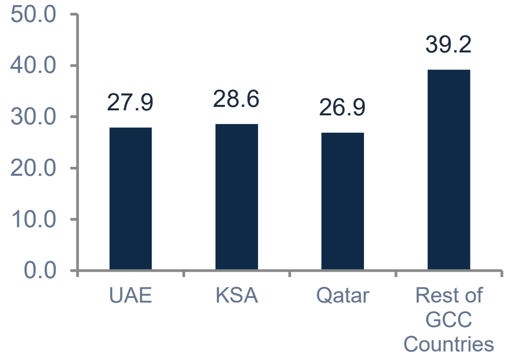
RoE (%)



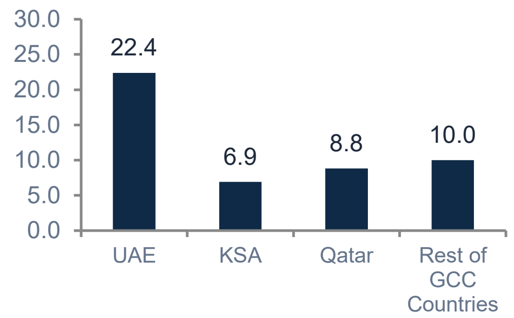
NIM (%)



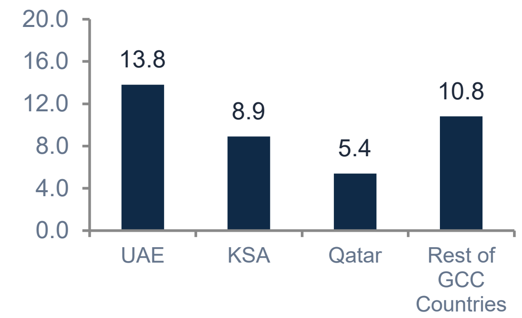
Cost-to-Income (%)



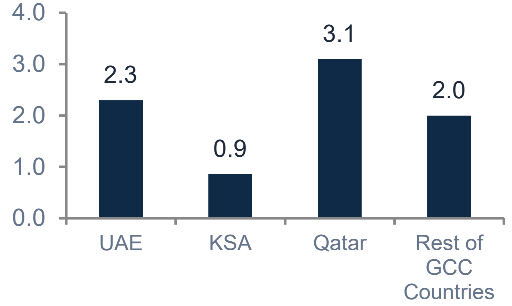
Net Loan growth (% YoY)



Deposit growth (% YoY)



NPL (%)



Note: "Rest of GCC countries" category comprises Oman, Bahrain, and Kuwait, with all metrics calculated as asset-weighted averages of the respective countries
Sources: Financial statements, Bloomberg

Glossary

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 Earning 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 tier 1 notes) 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
	Non-Performing Loans	NPL	(Non-performing loans / total gross loans and advances) 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
	Liquidity Coverage Ratio*	LCR	(High-quality liquid assets / total net cash outflows over the 30 calendar days)
	Eligible Liquid Asset Ratio	ELAR	(Eligible liquid assets / total liabilities)

Note: EOP stands for End of Period

Glossary

Bank	Assets (AED Bn)*	Abbreviation
First Abu Dhabi Bank	1,408.7	FAB
Emirates NBD	1,322.5	ENBD
ADCB	833.2	ADCB
Dubai Islamic Bank	423.2	DIB
mashreq	365.7	MASQ
ADIB	303.9	ADIB
Commercial Bank of Dubai	154.5	CBD
RAKBANK	108.6	RAK
Sharjah Islamic Bank	94.5	SIB
nbf	71.2	NBF

As of Q2 2026

References / Sources

Reference	Data	Source
Size	Loans and Advances Growth	A&M Analysis
IMF	Gross Domestic Product (GDP) data - IMF	Source
Federal Competitiveness and Statistics Centre / Verified Sources	UAE Quarterly GDP Growth Rate YoY – Constant Prices	Source
U.S. Federal Reserve	U.S. Fed Rate Data	Source
Central Bank of the UAE	CBUAE Base Rate	Source
	Money Supply	Source
	Financial Institutions Resilience Package	Source
	Financial institutions Resilience Package (Outcome)	Source
S&P / Moody's	S&P Global UAE Purchasing Managers' Index (PMI)	Source
	Expected Challenges	Source Source
Key Sector Developments	New Technologies	Source Source Source
Other Sources:	Financial Statements, Investor Presentations, Earnings Call Transcripts, Management Discussion and Analysis (MD&A) Reports, Pillar III Disclosures, FactSet, Bloomberg, and A&M Analysis	

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