NetRoadshow Event Transcript

Emirates NBD H1 2026 Results Announcement Analyst Call And Webcast

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Adam (Moderator)

Ladies and gentlemen, welcome to the Emirates NBD Results Call and Webcast for the first half of 2026. Today's call is being recorded. Please note that this call is open to analysts and investors only. Any media personnel should now disconnect. I will now pass the call over to our host, Mr. Shayne Nelson, Group CEO of Emirates NBD.

Shayne Nelson (Group Chief Executive Officer)

Thank you, Adam, and welcome to our results call for the first half of 2026. I'm pleased to report that our outstanding results reflect the remarkable strength, resilience and confidence in the UAE economy, which continues to create exceptional growth opportunities for businesses and individuals while reinforcing its position as one of the world's most dynamic growth markets. With that, Emirates NBD reported record financial performance with an H1 profit before tax of AED 16.2 billion.

Customer confidence and business momentum remain robust with business volumes across most of our products and services returning to pre-conflict levels. During the first half of 2026, our impressive double-digit lending and deposit growth driven by healthy growth momentum in the UAE and the consolidation of RBL drove our balance sheet beyond AED 1.3 trillion. We are well positioned to deliver another strong year of performance while creating the momentum for future growth.

Liquidity remains one of Emirates NBD's greatest competitive strengths, underpinning our ability to capture growth opportunities while maintaining a strong funding profile.

Further to our USD 2.25 billion long-term syndicate financing deal in Q1, in April, we successfully reopened the GCC debt capital markets with a USD 750 million AT1 capital issuance at highly competitive pricing, the first public debt capital markets transaction by a GCC issuer since the start of the conflict. The transaction was oversubscribed more than three times the issuance size from a diversified global investor base, enabling us to tighten pricing, demonstrating strong international investor confidence in Emirates NBD and the UAE.

The UAE continues to attract capital and talent from around the world, reinforcing its position as a global destination of wealth. Our leading wealth management platform and compelling product offering continue to position us as a trusted partner of choice for clients seeking to grow and preserve their wealth. This is evident from our USD105 billion in assets under management, as we delivered double-digit growth in the UAE since April.

Through Emirates NBD's Islamic window and Emirates Islamic, the Group has established one of the region's leading Islamic banking franchises with combined Islamic assets surpassing AED 250 billion. As the UAE continues to strengthen its position as the world's leading center for Islamic Finance and builds on the global leadership in Islamic capital markets.

We're also delighted to finally welcome RBL Bank to the Emirates NBD family, marking a defining milestone in our international growth story, expanding our presence into one of the world's fastest-growing markets and creating opportunities to deliver long-term value for our customers and shareholders.

Our long-term strategy remains focused on expanding our presence in our identified core markets and the successful integration of RBL clearly represents that focused approach. India is a strategically important market for Emirates NBD and the UAE, and RBL has already contributed AED 44 billion of loans, AED 43 billion of deposits to the Group, representing about 6% of Group assets.

Our relentless focus on innovation, AI and digital leadership continues to unlock new avenues for growth. We are proud to be ranked the number one bank in the Evident AI Index for banks in the Middle East and Africa, independently recognizing NBD's lead for AI maturity and reinforcing the strength of our investments in talent, innovation and technology.

We entered the second half with healthy growth momentum, robust financial strength and absolute confidence in our ability to capture growth opportunities, deepen our customer relationships and continue delivering outstanding value for our shareholders. I'll now hand you over to Patrick to go through the results in more detail. Patrick?

Patrick Sullivan (Group Chief Financial Officer)

Thank you, Shayne, and good afternoon, everyone. Thanks for joining.

We have delivered another strong quarter and a record first half performance, reflecting the continued strength and resilience of the UAE economy and our diversified business model. We are also pleased with the milestone consolidation of RBL in the second quarter results.

Before I walk through the numbers, I'd like to highlight that our 2026 guidance is excluding RBL. The appendix does set out a few pages on RBL, so you can see the magnitude of the balance sheet and P&L and how much has been included for the last two weeks of June post-acquisition, alongside some pro-forma H1 2026 and 2025 numbers for reference, albeit on a local GAAP basis.

Let me start with the overall H1 performance on Slide 3.

Record total income of AED 27.9 billion, up 16% year-on-year, reflecting strong growth across business segments and geographies.

Within that, net interest income rose 13% year-on-year to AED 19 billion, driven by continued robust asset growth momentum and resilient margins.

Non-funded income grew by an impressive 25% year-on-year, driven by strong customer activity, and diversified product offerings across all of our businesses.

Our cost-to-income ratio came in at 29.9%, comfortably below our long-standing guidance of ‘below 33%’, reflecting continued focus on investing to grow income, while maintaining cost discipline. And with that, we delivered a solid 17% increase in operating profit for the first half.

Despite the higher impairment charge and higher hyperinflation adjustment, profit before tax came in at a record AED 16.2 billion, up 5% year-on-year, demonstrating the strength of our underlying business.

On a quarterly basis against the current geopolitical backdrop, we are very pleased to have delivered a broadly stable quarterly profit at AED 6.4 billion. Income was down quarter-on-quarter, mostly as a function of the seasonally super strong Q1 FX and structured product client sales that we discussed in April, and I'll show again shortly.

In the bottom table, you can see the balance sheet metrics are all in really great shape. With gross lending up 17%, total assets surpassed AED 1.3 trillion, further boosted by the consolidation of RBL for the first time. Capital, liquidity and credit quality metrics all remain extremely healthy.

So let me turn to a bit more detail by component, starting with net interest margins on Slide 4.

The overall margin at 3.25% in H1 is well within our full year guidance of 3.1% to 3.3%.

Within that, ENBD (ex-Deniz) NIMs remained resilient at 2.61% in H1, declining quarter-on-quarter due to the flow-through impact of rate cuts in late 2025, together with a competitive pricing environment for deposits across the UAE banking sector. We're still in a good position with respect to margins, especially given the quality of our market-leading deposit franchise in the UAE and tracking well to our verbal guidance of 2.5% to 2.6% margin.

DenizBank reported a net interest margin of 6.99% in H1. As I indicated in the first quarter, we did see some pressure on margins in DenizBank reflecting higher overnight borrowing rates and the read across to retail deposit rates. The quarterly NIM for Deniz stand-alone dropped 25 basis points, but we continue to expect the full year margin to be around the 7% mark.

Overall, we remain comfortable with our full-year guidance.

Just moving to Slide 5.

The 25% H1 year-on-year growth in non-funded income was a key driver for overall income growth, as our continued focus on investing in client-led fee-generating businesses and products continues to pay off.

The bottom left chart highlights the continued strength and consistency of our fee and commission income, driven by our continued robust asset growth and strong performance from businesses like wealth management and credit cards, which have been a key strategic focus for us over the last couple of years. Even trade finance and investment banking is up year-on-year, albeit we did observe a quarter-on-quarter drop for Q2, as these two businesses have seen lower volumes.

Total other non-funded income increased 28% year-on-year, and we have split that out by quarter in the bottom right chart. We've seen strong client flow income, particularly in FX and structured sales.

As I indicated at Q1, the Q2 income has moderated somewhat after a blistering start for January and February, which was more seasonal rather than conflict related. Actually, the Q2 client flows were a bit above the average for the prior four quarters.

Turning to Slide 6.

Gross lending is up 17%, of which 6% is from the first-time consolidation of RBL. Peeling that back a bit, the same store gross lending is up 11%. We had a strong start in Q1, up 7% and 4% in Q2. So, we're tracking nicely to our full year guidance of ‘mid-teens’.

Retail is up 9%, adding AED 38 billion of new originations with growth coming across our diversified product suite, as we continue to leverage our digital capabilities to enhance origination efficiency and customer experience journey.

Corporate is up 12%, with an excellent AED 60 billion of new lending in the first half of 2026. We continue to see healthy demand across most sectors in our core markets, particularly in the UAE.

On the liability side, deposits increased by a further AED 106 billion during the first half, including AED 43 billion from RBL. So, excluding RBL, deposits rose AED 63 billion in the first half, of which AED 19 billion was in Q2 alone. I think that shows as a leading UAE bank, we continue to attract new funds, albeit more is coming in through time deposits. A part of that is corporate clients seeking higher yields when deploying their strong cash buffers.

That has, in turn, diluted our CASA ratio to 57% and implicitly adds to our overall cost of funding, which is already factored into our margin guidance.

On Slide 7, we see the NPL ratio improved to 2.1% in the first half, well within our guidance of circa 2.5%.

Overall coverage is strong at 152% with Stage 3 coverage of 82%.

In H1, we have AED 1.4 billion impairment charge, which equates to a 42 basis point Cost of Risk, trending close to the middle of our full year guidance range of '30 to 50' basis points.

As I said we would on the Q1 call, we have now updated our new macroeconomic variables in our expected credit loss models and remain comfortable with the AED 865 million overlay we had taken in Q1.

ENBD (ex-Deniz) cost of risk came in at 8 basis point credit, benefiting from good cash recovery flows and overall credit quality of the book remaining robust.

DenizBank had a 321 basis point impairment charge in the first half, which remained at elevated levels as the effect of higher-for-longer interest rates continues to create a flow-through impact on the Retail, SME and Agri books in Türkiye.

On Slide 8, the cost-to-income ratio is at 29.9% for H1, comfortably within the long-term guidance of 'less than 33%'.

Our continued investments in digital capabilities, GenAI, product innovation and the expansion of our international network is translating into stronger customer activity, broader product penetration and sustainable income growth. We remain focused on investing where we see clear opportunities to enhance long-term returns and improve operating efficiency.

We are tracking to around 31% cost/income for the full year, and with RBL that may be around the 32% mark.

Moving to Slide 9.

The Group maintains very strong liquidity, with an AD ratio of 84% and an LCR of 135%. The LCR did decrease in Q2, mostly from the funding of the USD 2.75 billion RBL acquisition.

ENBD issued 30 billion of term debt and Sukuk in H1 2026. As Shayne mentioned already, we successfully closed a USD 2.25 billion long-term syndicated financing at the end of March and then called and replaced our AT1 note of USD 750 million in April. These marquee deals highlight our strong credit profile and market appetite for our debt and capital instruments.

Speaking of capital, slide 10 shows our healthy capital position with a CET-1 ratio of 13.6%. This is after the RBL acquisition impact, which came in at 77 basis points, a bit better than the lower end of the soft guidance of 80 to 100 basis points we had given to the market earlier.

Our strong capital base is a pillar of strength that allows us to continue healthy growth and support our customers in the current environment.

In Q2, we also had all three rating agencies conduct their annual review, post which, they maintained our credit ratings with a stable outlook. Their reports highlighted the strength of our liquidity position, market-leading credit coverage and capital ratios, and the underlying strength of our business model.

Slide 11 contains divisional highlights, just to mention a few of these.

Retail delivered another record performance, reporting the highest ever operating profit of AED 7.5 billion in H1, and as I mentioned earlier, strong loan growth of 9%, with AED 38 billion of new originations, and an impressive CASA ratio of 74%.

C&IB continued its outstanding performance, delivering another set of excellent results with profit before tax up 16% year-on-year, continued growth momentum in lending of 12% and strong new originations of AED 60 billion, and a strong deposit growth of 12% year-to-date.

Global Markets & Treasury delivered very strong results, generating AED 1.4 billion of income for the first half. The team led the reopening of the regional debt capital markets with our USD 750 million AT1 issuance, reaffirming our ability to attract global investors at competitive pricing.

And finally, DenizBank delivered AED 3.0 billion profit before tax and hyperinflation during the first half, up 2% despite elevated impairment.

With that, we can now open the call for questions.

Questions and answers

Adam (Moderator)

Thank you. We would now begin today's question and answer session. If you wish to ask a question today, please press star followed by 1 on your telephone and wait for your name to be announced. If you wish to cancel your request, please press star followed by 2. To participate in our written Q&A, please type your question in to the Q&A box provided. Once again that's star followed by 1 to ask your question today. And our first question comes from Naresh Bilandani from Jefferies. Naresh please go ahead your line is open.

Naresh Bilandani (Analyst)

Thank you. Hi Shayne and Patrick I'm Naresh Bilandani from Jefferies. Just three questions, please, on asset quality and NIM. The first one on impairment, can I take the extent to which, if at all you saw the benefits of [indiscernible] (00:17:22).

Shayne Nelson (Group Chief Executive Officer)

Naresh, you're breaking up really badly.

Naresh Bilandani (Analyst)

Is it any better now?

Shayne Nelson (Group Chief Executive Officer)

No.

Adam (Moderator)

Naresh, can I ask you to disconnect and rejoin so you can get a stronger connection and we can take your question once you've done so. Perfect. In the meantime, we'll move to the next question for now, which will be from Jon Peace at UBS. Jon, please go ahead.

Jon Peace (Analyst)

Hi, thank you and well done on the…

Karan Goyal (Head of Investor Relations)

Sorry, we have lost you.

Adam (Moderator)

We do seem to have lost Jon. We will move forward with Rahul Bajaj from Citi. Rahul, please go ahead.

Rahul Bajaj (Analyst)

Hello, am I audible?

Adam (Moderator)

You are.

Rahul Bajaj (Analyst)

Good to see you. Two questions from my side, Patrick, Shayne. The first one is on margins. The second one is on RBL.

On margins, what you've seen is the bank has basically been very good loan growth, but margins have come down. Is this kind of an intentional strategy of the bank to gain market share even if it is coming at the cost of some margin compression. Is that the sort of strategy? And linked to the margin question, we've seen some banks in the market over the last few months roll out some very lucrative time deposit sort of products, 6%-6.5% products. Are you seeing kind of some liquidity squeeze, maybe not at Emirates NBD's sort of end, but maybe some smaller banks who are facing squeeze and they are kind of trying to get these CASA deposits or time deposits into their fold. So, are you seeing anything like that? And that is also impacting, as you might mentioned earlier, I think, competition impacting your cost of funding? So that's my question on the margins basically.

The second question on RBL. Just wanted to clarify based on IFRS like-for-like basis, what is RBLs as of end of 2Q NPL ratio and NPL coverage? And are you comfortable with those levels of coverage, i.e., I recall when you acquired DenizBank, you've kind of provisioned over the next several quarters to get DenizBank's coverage at par with what you wanted it to be. Is that something that you are planning to do with RBL as well? So that's the first part of the question. The second part of the question around synergies. We haven't heard much in terms of KPIs on synergies that you expect from RBL. Any specific numbers that you could provide would be useful. Thank you.

Patrick Sullivan (Group Chief Financial Officer)

Maybe I'll start off with those, and Shayne, you might want to add a few points here and there. But just look, Rahul, just on the NIM side and growth strategy, nothing has changed. We've had a very strong pipeline. We had super strong growth in Q4 last year. You saw Q1 was up 7%. We've stuck with our guidance, albeit guidance when I said mid-teens, let's call it, 15%-

16% or so. I think that may have been taken as sort of the lower end of what the market consensus was expecting. I think the market was expecting somewhere in the 20s. Then obviously, at Q1 with the reset

Shayne Nelson (Group Chief Executive Officer)

Reset of growth numbers.

Patrick Sullivan (Group Chief Financial Officer)

Yes. We actually stayed with that guidance and maybe that's taken as probably the top end of that guidance, but nothing has really changed from that. When it comes to loan pricing, we are very disciplined about that. So, we're not reducing loan pricing to try and compete and take market share. It's on the funding side, across the market since March, it has been competitive for funding. Happily, we're in a very strong position with our CASA, and we're seeing more like corporates taking the opportunity with their treasuries to convert from CASA and get more yield on the term side of things. Anything you wanted to add to that, Shayne?

Shayne Nelson (Group Chief Executive Officer)

I think on the pricing, you've obviously been getting some text or WhatsApp about deposit pricing. And all I want to say is make sure you read the fine print because they normally have lots of caveats on those deals, and they're not as attractive as the prime safety. But I think there's no doubt that pricing in deposits has gone up. Now we've still managed to grow. And actually, we have lost some large deposits because we've been unwilling to pay up what some of the market has been prepared to pay because we don't need to. So, we're not being irrational when it comes to pricing on our deposits. But we are lending into the interbank market every day, which shows you that some of the small, medium-sized banks have got liquidity tightness, and we can lend to the market with quite decent spreads at that time because we've got the liquidity there. So, are we seeing pressure on pricing on deposits? I think the answer is absolutely yes. It's there.

If you look at the overall from the Central Bank statistics on liquidity since the conflict started, there's still primary facing ample liquidity in the market, but it appears to me anyway, I'll have to dig out the numbers, but it appears to me it's concentrated on a few banks. And therefore, others that aren't as lucky as us to have such a robust funding base need to either attract or borrow to actually increase their liquidity.

Patrick Sullivan (Group Chief Financial Officer)

And Shayne, I'll just add to that, that it's important to note we haven't changed our margin guidance. Yes, there are fewer rate cuts than we were expecting, and that is offsetting the expected increase in that cost of funding that will have some effect. So, we've kept the actual guidance range.

Where were we, on RBL, IFRS, et cetera. So, we haven't gone back and converted their accounts from prior to acquisition to IFRS in that sense. As we go through the next quarters, you'll get a much better sense of what those metrics look like for the Group. They reported their results at the end of last week. That was just over AED 90 million equivalent of profit, and that is before the benefit that they will have of the USD 2.7 billion of investment. So, there's further yield on that, but I'm not going to tell you what that amount is. We have to also remember that they remain a listed company. And so, we will be then aligning to guidance and some of those metrics as well.

Shayne Nelson (Group Chief Executive Officer)

I think that's important for the analysts to know. We're not going to be able to give you a lot of forward guidance as we could, for example, on DenizBank as much on RBL because they're a listed entity, and they have their own regulator and rules to follow. So, we don't want to be cagey about it, but at the same time. we need to be very mindful of the regulatory rules in India.

Patrick Sullivan (Group Chief Financial Officer)

Yes. And Rahul, I'll just add that also they're not on IFRS 9 in India that's coming in April next year. But we have made all the appropriate adjustments in the day one acquisition accounting. And I think you mentioned DenizBank. And it's a similar situation there, where you actually have to book all your assets at fair value. So, you're recording your Stage 3 assets net of the impairment rather than gross. They actually do publish some of the coverage numbers. So they are available there as well, and then we'll assess as we go through the next quarter if that's about the right level. And by the way, the POCI, the P-O-C-I is a very small adjustment in these accounts. So even after all of that, it's just over AED 100 million. So nowhere of the magnitude from DenizBank.

Shayne Nelson (Group Chief Executive Officer)

And across the book ended up at about 1.1 billion?

Patrick Sullivan (Group Chief Financial Officer)

Just on 1.1, yes. And there's a note in the accounts that sets out the acquisition accounting for you. You also mentioned synergies. This acquisition is not about cost synergies going into trying to make saves from that point of view. It's very much a strategic focus on growing revenue, taking advantage of the cross-border on the corporate side, building out the wealth capabilities on the retail side. So, there will be more of that in time to come, but it's not a critical part of these results.

Shayne Nelson (Group Chief Executive Officer)

And I mean, the merger of our existing operation with RBL would hardly change the dial. It's only three branches. So, it's not a big synergy from that merger of those three branches into RBL. I think technology, we're probably looking at 12 months to 24 months out before we can get our tech stack into them, even though they've got a lot of the same core systems as us, which is very unusual. They've got Calypso, they've got Finacle, they've got Oracle. But there's a different version, for example, of Finacle, there's an Indian version of Finacle and an international version. So, they're very similar, but not identical. So, there's a road map that we need to build to actually start putting in our app, et cetera, into that market. But obviously, it's also going to be tailored for the Indian regulatory requirements and also it's got to work in India and what the customers demand there.

Patrick Sullivan (Group Chief Financial Officer)

Should we see if we've got Naresh or Jon back.

Adam (Moderator)

We return to the line of Naresh from Jefferies. Naresh, please go ahead.

Naresh Bilandani (Analyst)

Yes, hi. Can you hear me now?

Adam (Moderator)

Unfortunately no. Naresh, can you put your question in writing.

Patrick Sullivan (Group Chief Financial Officer)

Just put in writing and Karan will bring it up. What about Jon from UBS.

Adam (Moderator)

We return to the line of Jon from UBS. Jon, please go ahead.

Jon Peace (Analyst)

Hi. Let's try again. Can you hear me now?

Patrick Sullivan (Group Chief Financial Officer)

Yes, Jon. We got you.

Jon Peace (Analyst)

Great. Sorry about that earlier. Yes. So, the first question then would please be on the outlook for the cost of risk in the second half. Do you think it can continue to trend at these kind of levels? Or will the recoveries sort of normalize and it will start to trend higher? And it sounds like there's no sort of delayed provisioning that you need to take on the RBL book that might see any upward pressure?

And second question is just around how should we think about the capital and the dividend and your comfort levels there? Do you want to build it up a little further? And I appreciate you'll update us at the end of the year, but do you see room to grow the dividend this year? Thank you.

Patrick Sullivan (Group Chief Financial Officer)

Okay. Jon, look, I'll just catch that first one first. So, just on the outlook for the H2 cost of risk. So we're currently at that 42 basis points right in the middle of guidance. At Q1, we were at the 50 basis points at the top end. Net-net, the overall charge we have is entirely from DenizBank, where we've seen that elevated charge coming through in Q1 and Q2. A lot of that's coming from 2024 vintages. We're hoping to see that recede somewhat in the second half and have a reduced overall cost of risk so that they land somewhere between 250 and 300 basis points rather than over 300 basis points. So, some relief on the overall there.

And then for the UAE and the rest of the bank, we took that AED 865 million provision in the first quarter. We haven't seen a significant change come through when we updated the MEVs. But we're not seeing anything, and it does take time for facilities to flow through to Stage 3 if they are going to flow through. On the retail side, we're actually seeing the delinquency rates have held pretty well in the last couple of months. There's been no sharp elevation of those. So, we'll keep an eye on that. And on the corporate side and when it comes to deferrals, we're seeing really quite few deferral requests coming relative to the overall size of the book and relative to what we saw back in 2020 during COVID. So, look, we'll keep an eye on it for the rest of the year. But for the time being, we don't see a need to change our cost of risk guidance, albeit it's more likely to be at the top of that range.

And maybe on the second one, Shayne, any thoughts on dividends and capital?

Shayne Nelson (Group Chief Executive Officer)

Well, we're always pretty conservative on dividends. As I always say to you analysts, that's not my decision. That's the Board's decision as to what we're going to announce. But we've always maintained pretty robust buffers in our CET-1 ratio, as you all know, we have for years and years and years. I think we've been over 14% for about six, seven years now. So, we are a company that I think has demonstrated by not paying out high dividends. We've been able to expand internationally in our core markets and deliver substantial shareholder value through capital appreciation. So, I think we've demonstrated that we've used the capital well and given the returns to the shareholders, not in cash, but in implied stock value. So, I think we've done a pretty good job there.

We don't have a minimum capital tier that we announced to the public. Obviously, we will never breach the regulatory. But obviously, we also want to always have a buffer above that regulatory floor.

Jon Peace (Analyst)

Got it. Thank you.

Shayne Nelson (Group Chief Executive Officer)

Sorry, Jon, I wasn't very forthcoming.

Jon Peace (Analyst)

Just got it right. Thank you.

Patrick Sullivan (Group Chief Financial Officer)

We're very happy with the returns on equity. It's over 18%.

Adam (Moderator)

The next question comes from Shabbir Malik from Morgan Stanley. Shabbir, please go ahead, your line is open.

Shabbir Malik (Analyst)

Hi, thank you very much. Congratulations on the results. Congratulations on the consolidation of RBL. A couple of questions from my side. If you can give us some colour on the potential exit NIM for this year? How do you see that? I think you've given a guidance, but directionally, how you see NIM kind of playing out for the rest of this year? I think that can be very helpful. Secondly, when I look at your international exposure and if I just look at RBL and DenizBank, it now makes up about 20% of your assets.

When you think about your next three to five years, where do you see this level rising to? Is this the kind of level you think is going to be sustainable longer term? Or there is scope for this to increase further? So, if you can provide any colour on that would be pretty useful. And maybe just a point on corporate tax with India consolidation, where do you see your effective tax rate for the Group? Thank you.

Patrick Sullivan (Group Chief Financial Officer)

Maybe I'll just work through those backwards, Shabbir. Look, I don't think the effective tax rate will be really significantly changed just given the size of RBL and the current level of earnings. So, we'll see what that looks like in the next quarter. DenizBank has the highest corporate tax rate at 30%, and they're the ones that typically have more frequent changes in tax rules. So, they sort of more materially affect the tax rate.

On international targets, so overall, we've got about what, 30%, 31%, including DenizBank, of our assets internationally. We don't set a specific target. We'd like to grow that as much as possible. It just happens that we're also growing very rapidly in the UAE and adding on India is obviously going to mean we're going to have some more growth internationally as well. Shayne, do you have any thoughts on that one …

Shayne Nelson (Group Chief Executive Officer)

To be honest, I thought that the offshore would be a bigger percentage than it is by now. But the reality behind that is not that the offshore hasn't grown well, it really has. It's that the UAE has been growing at a massively fast pace. So as much as we've had good growth from the offshore markets, it's really that the UAE has been offsetting that percentage growth.

So, in dollar, dirham terms, it's good growth. It's just a matter of the UAE's loan demand has been so strong, and it continues to be. Sitting in the management credit committees in the last couple of them, the volume of deals is still very robust, very robust, surprisingly robust, if I must say. So that’s why we're exerting confidence because we can see what's coming at us.

Patrick Sullivan (Group Chief Financial Officer)

Yes. And Shabbir, just on your first question was on NIM, just the exit rate. For the Group as a whole, you can see we're at 3.16%. But obviously, that's significantly dependent on the Deniz margin. They are at just on 7% now. We're still expecting that around for the full year. There are a couple of rate cuts that we would expect through the rest of the year, currently at 37%. I think out in the market, there's an expectation maybe another 200 basis points cut. So not huge, but that will support the margin there a bit.

And then if I just take ex-Deniz, we have that guidance continuing at 2.5% to 2.6%. The second quarter was 2.53%. That should now have the effect of last year's rate cuts come through. It's also got the impact of the change in mix in time deposits. So, by the way, we haven't been paying up for time deposits. It's just that there is a bigger percentage of our funding from time deposits. So, we're still good with the 2.5% to 2.6%, albeit I expect it to be very much at the lower end of that range by the year-end.

Shabbir Malik (Analyst)

So, 2.53% is where you think it can sustain for the ENBD ex-Deniz business?

Patrick Sullivan (Group Chief Financial Officer)

Yes, well, it's going to lose some of that, just mainly from the big variable there is the change in the funding mix profile. We just saw particularly strong levels of time deposits in Q2. If we stay around that same mix level, then we should be able to maintain that margin at that level. Obviously, we have to maintain discipline on the asset pricing side of things as well.

Obviously, there may be some changes in the market if liquidity tightens further. You saw EIBOR near the end of June actually stepped up. I think it was over 10 basis points. So, if you get more step-up, steps up like that, there is potential for change in that margin. But I'm not going to guess what that is now.

Shabbir Malik (Analyst)

Fair enough. Maybe, if I can ask just one more question. On your growth, year-to-date, you've been at about 11% without RBL and you're talking about mid-teens. Considering what Shayne has said, it looks like that looks a bit conservative. Is that still .. you're comfortable with that mid-teens kind of guidance?

Patrick Sullivan (Group Chief Financial Officer)

Well, I like the consistency, actually, you may remember back in January that it was the first time I went above high single digit for loan growth. And as I said earlier, that even when I said mid-teens, that was taken by the market to be much higher than that. So, something around that level. I think there's a bit of a band in there.

We've seen 4% growth in the second quarter. There is a good pipeline. It does depend on companies and their CFOs drawing down on the facilities. So, the timing of that may be a variable as well. And so, we'll just have to see how that pans out for the rest of the year.

Shayne Nelson (Group Chief Executive Officer)

I mean there's only two areas that we've seen some downturn in our volumes. I mean everything is back to normal in retail, for example. There's only two main areas we've seen a downturn. One is trade finance, which you probably expect given the conflict and two is car loans. And again, I think you'd expect that because getting car supply is quite difficult. So, I think there's only two areas that I think are being negatively impacted in volumes. Even wealth, as I said in my opening, has grown really well.

So, some of the stuff we're hearing about, well, wealth is leaving the UAE and going to Switzerland and Singapore, that's not our experience, it continues to grow for us. So, I don't know what the others are doing, but we're doing pretty well with it. So, there's growth right across our portfolio. I mean, obviously, the other thing that is on the backburner at the moment is IPOs. But investment banks are going gangbusters with whether it be Sukuks, AT1s, et cetera, they're leading most league tables across the Middle East area.

Adam (Moderator)

The next question comes from Olga Veselova from Bank of America. Olga, please go ahead, your line is open.

Olga Veselova (Analyst)

Thank you for hosting this presentation and for taking my questions. I have several remaining.

One is on domestic net interest margin. Are there any measures which you can take to protect domestic net interest margin? Or would you rather prefer to see this combination of solid loan growth and a moderate ongoing margin erosion going forward?

My second question is on cost of risk. Do you think India could be a risk for your provisioning even if not imminently, but in the next, let's say, 12-18 months? And wouldn't you rather add provisions sooner than later given the exposure to SMEs and cards?

And third, if you could help us to summarize your outlook or a picture on minimum capital requirements, when does the Central Bank bring back the reduced or postponed buffers? Do you think the risk of higher D-SIB buffer is now higher? So, the risk is higher given that you are a bigger bank and a more complex bank. So how should we think about this minimum real minimum, not the reported minimum? Thank you.

Patrick Sullivan (Group Chief Financial Officer)

Thanks, Olga. Thanks for joining. Just on the domestic NIM, I think we've got a long track record of being disciplined on the asset pricing. We've never gone for volume growth by pricing down and giving away the credit spread, it's well understood if you're in a falling rate environment and you've got the base rate and the credit spread falling, you're going to have a margin jam later.

Shayne Nelson (Group Chief Executive Officer)

Yes. I mean Olga, every deal we look at in corporate, for example, we have a return on risk capital calculation for it. So, we're very mindful of making sure we get the right return on capital. Now that return may not be pure lending spread. It could be ancillary business that we're picking up from a client, for example, cash management, trade, derivatives, et cetera. So, when we look at the overall customer pricing and what is the return on risk capital.

Patrick Sullivan (Group Chief Financial Officer)

Yes. And also, the shape of the overall portfolio, Olga, affects that. If you're in the middle of the PD curve, you can price for the credit spread and get the ancillary business. Obviously, if it's more government related, even though you might get a good return on risk-weighted assets, the margins can be compressed because the spreads will be lower. So, the good news for us is that over 2/3 of the origination growth we've seen in this half has come from the private sector. So, we're not government or GRE dependent. So that's positive from a margins point of view. We do have those opportunities for growth that we were talking about earlier. So, the other variable there is then the funding mix that we were discussing just a moment ago. And that, I would say, is probably the main variable for protecting the margins. But you've got the asset growth opportunity, it has to be funded. Market liquidity is tighter. We're not going to use that as an excuse for not growing the asset-side of things.

Just on the cost of risk, particularly for India and RBL, I think the cost of risk on a local basis and their results that they published last week was about 50 to 55 basis points. So from where we are today, that's relatively neutral. And I think we discussed a bit earlier, once we have done the consolidation, and we've already taken the books on at fair value, both on the nonperforming loan side, then also on the Stage 1 and 2 equivalent, we've made adjustments for that. Any future lending then does have to be on a Group modeled basis. The coverage level that they have, they do put that in their accounts, albeit on a local GAAP basis. So, I'm not expecting that we would have to do a whole lot to beef up their Stage 3 equivalent. At the moment, they don't themselves have Stage 3 as such. So we'll have to look at that over the next six months. And remembering they apply IFRS 9 from April next year. Obviously, when we consolidate, we have to convert that into an IFRS basis.

And just on the minimum capital levels, the Central Bank did update the FIRP. A couple of changes in there was mainly around liquidity, a bit of an extension of the timing. But specifically for capital, there is still the 1% relief on the conservation buffer. Actually, there has been, while the countercyclical buffer was released, it came in on January and then was released in March or early April, but we still do have the U.K. and now a new KSA countercyclical buffer. So, the theoretical minimum capital is 10.16% for us. We still operate towards a minimum at the 11.16% level. So in our minds, we are not needing to avail ourselves of the conservation buffer relief that is permitted. And at 13.6%, you can see that we don't need to. So, we've remained above the fray when it comes to capital adequacy as you know well that we have for many years.

Shayne Nelson (Group Chief Executive Officer)

I mean I would hope that they won't increase the capital requirements of banks, we are already on an international comparison, very high level from a regulatory perspective.

Olga Veselova (Analyst)

Thank you very much. Thank you.

Adam (Moderator)

The next question comes from Aybek Islamov from HSBC. Aybek, your line is open. Please go ahead.

Aybek Islamov (Analyst)

Yes, thank you for the conference call. And thank you for all the outlook so far. I wanted to just ask a few clarifications on asset quality. Can you please explain whether the stage mix currently, the loan stage mix reflects the regional conflicts in February, right? That's the first question.

Secondly, I'm looking at your NPL ratio guidance, which is 2.5% for 2026. Obviously, your NPL ratio so far improved, right? What are you factoring in, in terms of the slippage in asset quality towards the year-end? That's the second part.

And thirdly, when I look at your financial statements, right, in your footnotes, you say that you continue to monitor your loan portfolios and whether the financial difficulties are temporary and liquidity driven or it's from the extraordinary circumstances that started at the end of February, right? So, I just wanted to clarify, are we in for some potential review of asset quality towards the end of the year? How likely is that, right?

And I think relating to that, I also noted that the scenario weighting within your ECL models, they are back to like 40% probability for the baseline, 30% for downside and upside scenarios, right? And that's a big difference, a big improvement from first quarter when you factored in, I think, 100% downside weighting for retail, 80% for corporate. Can you explain which specific macro variables improved enough to justify this normalization?

Patrick Sullivan (Group Chief Financial Officer)

Thanks Aybek. I'll take those in order. Just on the stage mix, I think you've been looking at Note 23 of the accounts. But what struck me as very positive is that the first half of this year, the profile of the downgrades from Stage 1 to Stage 2 and Stage 2 to Stage 3 is very similar to H1 last year. And so when it comes to the actual migration from stage to stage, there has been nothing that's stopping us or holding us back from applying those downgrades for a significant change in the credit risk based on IFRS 9. Yes, there have been some deferrals when they are for good credits, that doesn't mean you automatically downgrade to Stage 2 for that forbearance. But where there are credit issues, yes, indeed, we have been downgrading. And even so after that, we just haven't seen any outsized changes between the stages related to the conflict. And I did refer to in an earlier question, just what we're seeing in delinquency rates in retail. Yes, there'll be a few hotspots here and there. But the good news is the very substantial AED 865 million overlay we took in Q1 puts us in very good shape going into the second quarter.

Just on the NPLs, the 2.5%, we started out at circa, could have said less or around, 2.1% at present is good news. Obviously, as we grow the portfolio, that means the denominator in that calculation goes up. We did see an increase in the NPL base during the quarter, but it's more coming down from a function of the growing portfolio. But the good news there is that, therefore, the flows ultimately of NPLs relative to the rest of the portfolio is coming down. Without RBL, that ratio would have been 2.2% versus 2.1%. Are we seeing slippage? I don't think that language was designed to be a sort of a caveat or a statement that we're positively expecting further slippage. We just don't know at this stage, if I knew already, I would have had to have downgraded it, but it's just a statement that things can and do downgrade, but it's not with any foresight or knowledge of what we'll downgrade.

And just on the footnotes and your reference to the macroeconomic variables going back to 30 for upside, 40 for base, 30 for downside. Look, we are doing exactly what we said we would at Q1. Stage 1, just put all of the models down to the worst-case scenario, take a big overlay, update all the model data in Q2 and then see what comes out of that and revert back to the usual mix. It's what we did exactly through the first half in 2020. And I think we got it just about right then, and I think we're getting it just about right now.

And you asked about some of the specific MEVs. Actually, what we found was many of them were not in bad shape. Remembering it's not all about the current year, it's about the forward-looking projections as well. I think if there was one MEV that affected the corporate side more than anything, it was actually around hotels and room rates and how some of that feeds into the models and therefore, what that does for corporate earnings, et cetera. And I don't think that would come as much of a surprise. But also what it showed is the domestic economy outside of tourism is much deeper and more resilient than it might have been five years ago. So, I think that's quite a positive thing we took from that.

Shayne Nelson (Group Chief Executive Officer)

And if we look at our credit and debit card spend, onboarding of new clients, it's actually growing quite well. So, I think we're in a pretty good spot there. I think just on looking forward, I'd say one thing that is our strength is our Stage 3 coverage. And the good thing about our Stage 3 coverage is we're not sorting out historical problems. In most of our Stage 3s, any recovery is a write-back, so that's an inherent strength from our conservatism.

So, we're not dealing with the past. We're only dealing with which is coming at us. So, I think we're in a very strong position to weather any storm that comes at us. At the moment, we don't see the storm, at the moment, it's blue skies. But if the storm comes, we've got the resilience to take it. We've cured our past.

Adam (Moderator)

And I will now hand to Karan for any text questions.

Karan Goyal (Head of Investor Relations)

Thank you, Adam. I think I've checked the questions, Patrick and Shayne, you've pretty much answered all of them. We even got Naresh's question. It was around the same staging point. So, we've covered that also. So, Shayne, over to you for the closing remarks.

Shayne Nelson (Group Chief Executive Officer)

I'd like to thank you all for participating in today's call.

Looking ahead, we are highly confident in the UAE's leadership, the enduring strength of our economy and our ability at Emirates NBD to navigate uncertainty, capture growth opportunities and continue delivering value for our customers and shareholders.

I'll now hand you back to Adam to provide details in case you have any follow-up questions and close the call. Adam?

Adam (Moderator)

For any further questions, please contact our Investor Relations department, whose contact details can be found on the Emirates NBD website and on the results press release. A replay of this call and webcast will also be available on the Emirates NBD website next week. Ladies and gentlemen, that concludes today's conference call. Thank you for your participation. You may now disconnect your lines.