NetRoadshow Event Transcript

Emirates NBD Q3 2026 Results Announcement Analyst Call And Webcast

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Drew (Moderator)

Ladies and gentlemen, welcome to the Emirates NBD Results Call and Webcast for the third quarter 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, Drew, and welcome to our results call for the first 9 months of 2026. I'm pleased to report that our outstanding results continue to reflect the remarkable strength and confidence in the UAE economy, which remains one of the world's most dynamic growth markets and is supported by visionary leadership, strong domestic demand and continued investment across key sectors. Against this backdrop, Emirates NBD delivered record income of AED 42.2 billion with profit before tax reaching AED 24.3 billion.

Customer confidence and business momentum remained robust in UAE and across our other core markets with strong broad-based growth driving our balance sheet to AED 1.38 trillion, up 18% year-to-date. This growth was supported by an impressive 27% growth in gross loans and 19% growth in deposits, reflecting the strength of our franchise and our ability to support customers as financing demand remains robust. It also now includes RBL in India.

As loan growth continues to outpace deposit growth, the market liquidity conditions have become more competitive. Our market-leading deposit franchise and diversified funding base provide a significant advantage in this environment and remains an important strength of Emirates NBD. This gives us the flexibility to manage funding carefully, continue supporting our customers and capture profitable growth opportunities in the UAE and across our other core markets.

We continue to play a pivotal role in UAE's ambition of becoming a global hub for wealth management and capital markets. Our leading wealth management platform, comprehensive product offerings and international network positions Emirates NBD as a trusted partner of choice for clients seeking to grow and preserve their wealth. This momentum is evident in the strong client activity and investment flows, underpinned by double-digit AUM growth delivered in the UAE since February. On the capital markets front, Emirates NBD Capital, our investment banking arm, led debt capital markets activity by executing more than 70 deals in 2026 so far, supporting our clients across 13 countries, raising over USD 60 billion.

International expansion remains a core part of our long-term strategy. In July, we signed an agreement to acquire HSBC Egypt’s retail banking business, which is an exciting step

forward in our regional growth story. The transaction will expand our customer base and distribution network in Egypt, positioning us as one of the leading retail and wealth franchises in the country.

Together with our investment in RBL Bank in India, this reflects our strategy-led approach to expanding our existing core markets where we see attractive long-term growth opportunities. We are already seeing real tangible value being created, including RBL's rating upgrade, its successful first-ever EMTN issuance and the ability to capture FCNR flows from UAE to India within the group. Our relentless focus on innovation continues to unlock new avenues for growth. Since launching our mobile banking app, ENBD X in 2023, we have expanded the number of services available in the app from 150 to 237 today, making banking simpler, faster and more intuitive for our customers.

Our digital capabilities improve customer experience, enhance productivity and build a real competitive edge for the future. We continue to invest in technology, data and artificial intelligence, accelerating our ambitions to build a world-class, customer-first digital banking franchise. Looking ahead, Emirates NBD is well positioned to capture opportunities presented by growing populations and continue investment across UAE and our other core markets, delivering sustainable long-term value for our shareholders. I will now hand over to Patrick to go through the results in more detail.

Patrick Sullivan (Group Chief Financial Officer)

Thank you, Shayne, and good afternoon, everyone.

We have delivered another impressive set of results, achieving both record income and profitability. This is our first full quarter with RBL, boosting our balance sheet and P&L and where possible throughout the presentation, we have called out the impact of that, particularly if there is material year-on-year or year-to-date asymmetry.

Let me start with the overall 9-month performance on Slide 3.

Record total income of AED 42.2 billion, up 16% year-on-year. Within that, net interest income rose 14% year-on-year to AED 29.4 billion, driven by continued strong asset growth momentum and resilient margins. Non-funded income grew by a remarkable 18% year-on-year, driven by broad-based segment growth and the strength of our diversified product offering. Our cost-to-income ratio came in at 31.4%, comfortably below our long-term and long-standing guidance of below 33%.

And with that, we delivered a solid 14% increase in operating profit for the first 9 months. Despite the higher impairment charge and a higher hyperinflation adjustment, profit before

tax came in at a record AED 24.3 billion, up 4% year-on-year, demonstrating the strength of our underlying business.

On a quarterly basis, we were pleased to deliver 6% growth in total income, while quarterly profit of AED 6.4 billion is tracking well against Q1 and Q2.

In the bottom table, you can see the balance sheet metrics are all in really great shape with gross lending up 27%. Total assets are closing in on the AED 1.4 trillion mark, further boosted by the consolidation of RBL. Capital, liquidity and credit quality metrics all remain extremely healthy.

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

The overall margin is 3.24% year-to-date, so tracking well to our full year guidance of 3.1% to 3.3%. Just breaking that up a bit, ENBD ex Deniz and RBL NIMs remained resilient at 2.6% year-to-date and 2.58% in Q3, increasing 4 basis points quarter-on-quarter. Through Q3, we have seen EIBOR rates rise around 50 basis points, including the 25 basis point Fed rate hike. This, combined with the increased mix of time deposits, has indeed increased our cost of funding, but we have continued to maintain our disciplined asset pricing approach, more than offsetting the funding cost increase. So, we're still in a very good position with respect to margins, tracking well to our verbal guidance of 2.5% to 2.6% margin.

DenizBank reported a net interest margin of 6.87% year-to-date. As I had indicated in the previous quarter, we did see some pressure on margins in DenizBank, reflecting the impact of higher overnight rates on funding costs. That continued into Q3 as rates remained elevated. The good news is that we have seen overnight rates come down in the latter part of Q3. I think we are still tracking close enough to the 7% full year NIM that I have mentioned in earlier quarters. Further rate cuts are expected in Q4, which will help.

RBL NIMs stood at 4.06% for the consolidated period on an IFRS basis with a positive contribution of 6 basis points to the Group's quarterly NIM, as you can see in the bottom right chart. Overall, our strong deposit franchise and solid liquidity position provides us with the flexibility to remain disciplined in deposit pricing while we continue to price asset yields appropriately.

Moving to nonfunded income on Page 5.

We delivered another strong quarter with total NFI increasing 18% year-on-year to AED 12.8 billion for the first 9 months. This reflects the strength and diversification of our revenue base with broad-based growth across segments and product lines. Net fee and commission income is up 22% year-on-year to AED 7.4 billion, supported by continued strong fee-generating asset growth and robust customer activity across cards, wealth management, trade finance and transaction banking.

Total other non-funded income increased 12% year-on-year to AED 5.4 billion year-to-date, driven by strong client flow income, particularly in FX and derivatives as we continue to enhance our global markets product offerings and deepen client engagement.

Turning to costs on Page 6.

Our Group cost-to-income ratio stood at 31.4% for the first 9 months, that does include RBL with the first full quarter of results. So without that, it is 30.8% and tracking to an expected full year outcome of around the 31% mark. With RBL, I think we'll be around 33% or just over. RBL has a 50% cost-to-income ratio, so just going forward, that will mean we are typically higher than before. I'll come back in January to give you a better idea of what that means for long-term guidance overall.

For Q3, in the bottom left-hand table, I have called out the RBL cost base. Without that, costs were up 6% quarter-on-quarter and 11% for Q3 year-on-year, which is almost entirely the inflation pressure in DenizBank. We have been maintaining our strict cost discipline, but having said that, we do continue to invest in technology, digital capabilities and strategic growth initiatives, ensuring that our infrastructure supports our future growth.

Turning to Page 7.

Loan growth was exceptionally strong in Q3. Gross loans increased 27% year-to-date. Excluding RBL, loans were up 18%, which is a particularly strong outcome and has led us to revise positively our full year guidance to 'low 20s' from 'mid-teens'. Retail loan growth is across all products, driving the 17% increase year-to-date. And corporate loan growth of 22% has exceeded expectations and is across almost every industry sector, perhaps with the one exception of hotels. It's also well balanced between GREs, governments and the private sector, particularly in the UAE, where business activity remains strong.

On the liability side, deposits increased AED 149 billion during the first 9 months. Excluding RBL, deposits grew 12% year-to-date, while RBL added AED 55 billion of deposits, representing around 6% of Group deposits. While we continue to observe CASA migration to time deposits, primarily from corporate customers, we expect this to be a trend broadly consistent with the overall market.

That said, there is clearly higher competition for liquidity across the market, particularly on the back of continued strong loan demand. Our approach has been to remain disciplined on deposit pricing while maintaining business momentum and protecting the overall sustainability of our funding base. Importantly, our market-leading deposit franchise and strong liquidity position gives us the flexibility to continue to be selective in attracting deposits.

Turning to Page 8 on credit quality.

The NPL ratio improved to 2.0%, mainly as a function of the larger lending denominator and no net material change in the NPL stock balance. We have tightened our full year guidance to circa 2.0% from circa 2.5% to reflect this. Touching on cost of risk, as we did in Q2, we have again updated our macroeconomic variables used in our ECL models to reflect the evolving operating environment, which was on the positive side.

DenizBank's cost of risk remained elevated at 307 basis points as we have seen the flow-through from the impact from inflationary pressure in segments like agri, SME and credit cards. However, elevated risk costs continue to be supported by strong lending margins, allowing the bank to maintain healthy risk-adjusted returns. Overall, the cost of risk for the group landed at 37 basis points year-to-date, which remains within our full year guidance of 30 to 50 basis points.

Looking ahead to Q4, we expect the full year cost of risk to land towards the upper end of our guidance and potentially marginally above as we may not see the positive impact from MEVs repeat and possibly lower recoveries than the first 3 quarters.

Just moving to Slide 9.

Funding and liquidity remain clear strengths for the group with an AD ratio of 87% and an LCR of 147%, providing substantial flexibility to support balance sheet growth. During the first 9 months, Emirates NBD issued AED 34.8 billion of term debt and Sukuk. Q3, we successfully issued our inaugural CHF 150 million public green bond, reopening the Swiss franc market for GCC issuers, and RBL completed its first ever $350 million EMTN issuance. These transactions demonstrate the strength of our funding franchise and our continued ability to access diversified markets on attractive terms.

Turning to capital. Our position remains solid with a CET1 ratio of 13.4%, absorbing the RBL investment and consolidation, and continued strong balance sheet growth impact. Strong retained earnings in Q3 helped absorb 4% quarter-on-quarter growth in total risk-weighted assets with total RWAs reaching AED 1 trillion. Our capital base remains a key pillar of strength, giving us the capacity to support healthy customer growth, balance sheet expansion and continue creating long-term shareholder value.

Slide 11 shows continued strong performance across our key businesses. Retail delivered an excellent performance with record operating profit of AED 11.2 billion. This momentum was evident across the business with lending growing 17%, complemented by AED 29 billion of deposit growth year-to-date and a strong 71% CASA ratio. C&IB delivered a 7% year-on-year increase in profit before tax. Lending momentum was particularly strong with loans up 22%, while the business remained focused on liquidity and high-quality client relationships.

Global Markets and Treasury delivered AED 1.9 billion of income, supported by our enhanced product suite and strong client activity. The team also maintains its market-leading position in term debt markets, issuing AED 34.8 billion of term debt and Sukuk. And finally, DenizBank delivered AED 1.8 billion profit before tax with strong local currency loan and deposit growth continuing to support performance.

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

Drew (Moderator)

Thank you, Patrick. We will now begin the question-and-answer session. If you wish to ask a question, please press star 1 on your telephone and wait for your name to be announced. If for you wish to cancel your request, please press star 2. For participants, to participate in our written question, just type your question into the ask a question text area then click the submit button. Once again, press star 1 on your telephone if you wish to ask a question.

Our first question comes from Jon Peace from UBS. Please go ahead.

Jon Peace (Analyst)

Hi. Thank you. Well done on the results. First question, please, is just on loan growth. I appreciate that you'll give us next year's guidance with the Q4 results. But given the momentum you've got at the moment, would it be reasonable to assume at least mid-teens growth for next year? Or is there something that might slow it more than that? I can just see consensus is about 11%, 12% at the moment. It seems on the lower end.

And then second question, please, about asset quality. Did you release any of your overlays in the quarter? And can you remind us where those stand at the moment? And as we think out to next year, is the potential to release overlays along with the potential to get more recoveries that might see the cost of risk again quite a bit below the through-the-cycle rate? Thank you.

Patrick Sullivan (Group Chief Financial Officer)

Jon, thank you very much. Thanks for joining. Just briefly on those. Just for the loan growth, 2027, you're right, we do come back typically in January to give guidance on that. We're in the budget setting cycle at the moment, and that's when we sort of look out across the five core markets, what the potential is, and that is including also RBL and then bring that together and provide the updated guidance.

In the meantime, the momentum has been strong so far this year and perhaps surprised a little on the upside, particularly on the corporate side, and that has been genuinely across all sectors. There were a few standout sectors like manufacturing and management companies and FIs, et cetera. So I think time will tell as we go through the next quarter, how much that momentum continues. But there's nothing we are seeing that means there is reduced appetite. Obviously, geopolitics and those sorts of things may have some factor on the pace of investment in the year to come. But that's one of the unknowns for the future.

Shayne Nelson (Group Chief Executive Officer)

And what I would say, Jon, is that the pipeline for the management and board credit committees, obviously, and the pipeline is strong. The question is, are we getting enough return for the asks. And we are being a lot more particular about returns and making sure we're getting the right returns on risk capital, especially given the tightness of liquidity in the market, we can be more picky and push pricing a bit better than historical given the increased cost of liquidity.

Patrick Sullivan (Group Chief Financial Officer)

And Jon, just on the second one around asset quality and the overlays, yes, we made that AED 865 million overlay provision in Q1. We updated, I think we are one of the few banks to actually update the ECL models with the macroeconomic variables in Q2, and we've done that yet again. A number of the key variables that actually supported that overlay have improved significantly over the last two quarters. So we have around half that original overlay left from some of those releases effectively in the model that we have been able to do.

Jon Peace (Analyst)

Got it. Thank you.

Drew (Moderator)

Thank you. Our next question comes from Naresh Bilandani from Jefferies. Your line is now open. Please proceed.

Naresh Bilandani (Analyst)

Thank you very much. It's Naresh from Jefferies. Congrats on the results. Three quick questions, please. One, would you say that there is a scope for the UAE segment to outperform further on the net interest margin given that the EIBOR only rose meaningfully in September, so the full loan book has not been repriced? Or should the benefits kind of be

tempered by the risk of a rise in the funding costs as we've seen some erosion in the CASA mix? So that's the first question.

My second question is on the asset quality. Can you please guide the extent to which the central bank support package that was offered in March concluded or not, i.e., are there any measures still in place or that has firmly concluded across the board? And with that conclusion happening at 30th September, should this have any impact on the Q4 impairment charges or not? That's the second question.

And my third and final question is again on asset quality. We've seen that your industry-leading provisions to loans ratio, which is right now at 2.93%, it rose somewhat as you have enjoyed recoveries in the recent quarters. For our medium-term modeling, is there a level that you can guide us to refine the impairment charges estimates more precisely through the medium term? Thank you.

Shayne Nelson (Group Chief Executive Officer)

Sorry, Naresh, you mean on the last question, you mean Stage 3 coverage ratios?

Naresh Bilandani (Analyst)

So the overall provision to loans ratio. So overall provisions to loans is 2.93%, which was, I think, 4.9% or so in the recent peak about six to eight quarters in the past, but that has come off as we've had recoveries. So I'm just trying to ask that for us to model the impairment charges for the medium term, is there a level that you can guide us on this ratio at all?

Patrick Sullivan (Group Chief Financial Officer)

Yes. Naresh, just on the NIMs and the sensitivity around that, yes, EIBOR has gone up 50 basis points, including the 25 basis point Fed rate hike. There may be another rate hike this year, but one of the key thing is that's not all going to be upside for us. We are tracking nicely to our target NIM margin. So on one hand, you have some of the upside from the rate sensitivity, but also there is the competition for liquidity. And with that, we have changed the mix in our book significantly from the CASA to time deposits, so that does cost more. So that then blunts some of that upside.

In fact, the Fed rate sensitivity has shifted somewhat where the upside is now more like AED 160 million for a rate rise and AED 250 million for a rate cut for ENBD standalone. So because of that mix in the funding book, the bank is now a lot less rate sensitive than we might have been in the past. But with that pressure on liquidity, we are really focused on making sure we're not overpaying for time deposits. Yes, the mix is changing, but we're not

outcompeting the market. And then on the asset side, we're making sure we're being very disciplined around the pricing for the assets as we look to help maintain margins. Having said that, there is an aspect of if there is more GRE or government-related lending, inevitably, the gross client spread of that because it's at the better end of the PD curve means a lower overall customer spread, and that can actually reduce margins net-net a bit, but you are still getting strong returns on risk assets.

Just on the asset quality part and the central bank, the FIRP has been rolled forward to the 15th of January. Happily, that's mid-month after a year-end rather than being on the day of a period end, which helps enormously. But in respect of asset quality part of it, the intention of the central bank guidance there was to say, yes, please support your customers with deferrals. If customers are availing themselves of deferrals, that doesn't mean in your models, you have to automatically downgrade someone for forbearance from Stage 1 to Stage 2, for example.

But if you actually look in Note 23 of our accounts, you will see that we have actually been downgrading from Stage 1 to Stage 2, so you have seen a slight step-up in that flow. And to me, that really just demonstrates that we are not holding back from downgrading customers from a credit quality point of view as opposed to just because there is temporary relief. And as we know from during COVID, having the deferrals actually avoid significant amount of impairments in the future.

And just on the coverage side of things, coverage will reduce due to a higher loan base, so that's a big factor in the dilution of some of those ratios. Even in the presentation, when we're looking at both the Stage 3 and the overall coverage on Page 8, the actual impaired loan stock has not been moving a lot over the last couple of years.

We've had significant recoveries and then some new inflows from that. And with that, because you then have a higher denominator, you also end up with some of the dilution and some of the other key coverage ratios as well. So it might be better to look at some of the absolutes from numerator and denominator rather than a target ratio per se.

Drew (Moderator)

Thank you. Our next question comes from Shabbir Malik from Morgan Stanley. Your line is now open. Please proceed.

Shabbir Malik (Analyst)

Hi. Thank you very much. I just wanted to get one clarification. So you said that sensitivity on rates has changed. So can you please repeat what's the sensitivity now? That's my first question. My second question is around your revenue mix. What percentage of revenue now does the bank generate from outside the UAE? So that will be pretty helpful. And thirdly, I

think just in terms of margins going into the fourth quarter, I think this quarter, in the third quarter, we saw Deniz's margins coming off a bit but given the way interest rates are shaping up in Turkey, there's a possibility of NIM expansion in the fourth quarter, and you've kind of alluded to the favorable sensitivity to rates for the UAE business. So the signs seems to suggest that NIM should expand going into the fourth quarter. Is that a reasonable assumption? Or you think there are risks to that thesis? And maybe finally, RBL benefited from a capital injection from Emirates NBD, but it also saw inflow of NRI deposits. How does that play out in terms of its NIM trajectory going into the fourth quarter and into 2027? Thank you.

Patrick Sullivan (Group Chief Financial Officer)

Okay. Shabbir, four things there, okay, right? Just on the rate sensitivity, just to repeat that. Actually, from an ENBD standalone basis, for 25 basis points up, it's AED 160 million, and 25 basis points down, it's AED 250 million, and that's the factor of the mix of time deposits, means it's lower than it was before. As a group as a whole, it's AED 215 million for 25 basis points up and about AED 300 on the downside. So that's just the update on the change in rate sensitivity.

Just on the revenue mix, I think you were talking about for international. So just for the pure international, excluding Deniz and RBL, it's around 6 or so percent. And if I included all of international outside of the UAE, it's about 38% [Editor's Note: the number mentioned on the call was 27% accidentally] of our overall revenue.

On the Deniz NIMs, what's that looking like for Q4? So very similar to last year. You may recall, they had a rate hike or a pause in the rate cutting near the end of Q1. We knew then that Q2 NIMs would have a short-term negative impact this year and then last year, they continued the rate cut into Q3 and Q4. This year, the rate cutting has paused for longer. And indeed, I think the overnight rates were up around the 40% versus the more usual 37%, so it was a bit higher for longer, and that continued into Q3. In the latter part of Q3, though, they did reduce that overnight rate, and we are expecting more rate cuts. So it won't have a material impact for this year's financials, but will be positive into Q1 for next year, so I'll keep an eye on the exit rate for Q4, which I am expecting to be slightly better than Q3. And even if it stayed where it is today, it's close enough to the 7% verbal guidance, I think I gave earlier as part of the overall group target of 3.1% to 3.3%. And you can see us at 3.24% year-to-date as a whole group. We're right in the middle of that guidance, so I'm quite comfortable with that.

And then RBL capital injection and deposit inflows from FCNR. Yes, the good thing about the FCNR was that anything that was either originated in the UAE or originated onshore by RBL,

all of that funding has been kept inside our banking group, which is a significant benefit from a funding point of view.

And the capital injection, yes, we will have a benefit from that and from the FCNR injection by being able to retire some of the more expensive term funding that they had pre-acquisition, so that's also showing some real benefits. I am not breaking out at the moment the monetary value of that, but you will see some of that upside coming through more in Q4 and in Q1. I think that covers anything you wanted to add to that, Shayne?

Shayne Nelson (Group Chief Executive Officer)

I think the other thing just to remember, from the analysts is we're also going to be a bit careful about how we guide you on RBL because it's a publicly listed company and that's separately regulated, so we also need to be mindful of our governance requirements when it comes to RBL on giving a forward outlook given that they are publicly listed as an entity.

Patrick Sullivan (Group Chief Financial Officer)

Okay. Thanks Shabbir.

Drew (Moderator)

Our next question comes from Rahul Bajaj from Citibank. Your line is now open. Please proceed.

Rahul Bajaj (Analyst)

Yes. Hi. Thanks for taking my question. Rahul Bajaj from Citi. I have three questions mainly. The first one is on the comment you made earlier around international expansion, which said international expansion remains a core part of the long-term strategy. I just wanted to understand, given we are done with the RBL acquisition now and the Egypt kind of acquisition is also in the process, what next? What next is on ENBD's radar? What are you thinking in terms of the strategy, which remains very core, as you said earlier? So that's my first question.

My second question is on Slide 6, actually, and maybe a technical clarification here. If I see the bottom right-hand side chart on Slide 6, I see the non-client income has been negative for every quarter for the last five-six quarters, why? I mean, why are you not able to generate positive non-client income? What is going on here? That's kind of my second question. And my third and final question is on FCNR again. I just wanted to understand the loan growth that you have shown in the ENBD ex. RBL business, I think, 7% Q-on-Q. To what extent that incorporates an uplift coming because of the leveraged FCNR, where ENBD over here was taking part as the leverage provider for the FCNR deposits. So is that leverage part

of the ENBD number or part of the RBL number? What I'm trying to get to is basically how much is the underlying UAE growth, excluding the leverage part of this FCNR? Thank you.

Patrick Sullivan (Group Chief Financial Officer)

Okay, Rahul. Maybe international expansion, Shayne, do you want to touch on that?

Shayne Nelson (Group Chief Executive Officer)

Sure. I think what we said many times is that, obviously, RBL was our focus to get that deal closed, which we have. What I would say on India is we've got a hell of a lot of work to do when it comes to integration, technology, et cetera. So, there's a lot of work to do there to get that one finished.

On Egypt, I've said quite a few times on this call, in our minds, we're far too small. We've looked at other acquisitions in Egypt historically, never got them over the line for the price that we wanted, et cetera. Then this one came along, and it's relatively cheap as an acquisition and gives us a big boost especially in our deposit franchise and our wealth franchise in Egypt. So I think that made a lot of sense for us to actually expand and acquire there.

We would continue to look for bolt-ons in our core markets. Do I see us going out and doing a massive offshore acquisition in the foreseeable future? I think the answer to that is unlikely unless something magical comes along, given that our CET1 is down to 13.4%, we need some rebuild there. RBL took about 1% capital impact till date in total with the RWAs growth.

So we do generate strong capital pretty quickly. But I think from a strategic perspective, bolt-ons and bulking up where we are in our five core markets is always important to us. That's been our strategy for years now, and we continue to execute on that strategy, and we look for opportunities. But we're very picky and we're very price sensitive as to what actual transactions we end up with, and we end up losing more than we get.

So I think these two came along the way I say with acquisitions, it's like waiting in London for a bus, you wait for hours and then three come along at the same time. Well, I think that's a bit what happened with RBL and Egypt, two buses came along. But so we're mindful that we need to give returns to our shareholders. We're mindful that we need to maintain our capital and liquidity, but we're also mindful that we need scale in these markets and certainly, in the five core markets that we've nominated, we want scale in all of those markets. We don't want to be a tiny percent market share participant. That doesn't work because you need scale in banking these days.

Patrick Sullivan (Group Chief Financial Officer)

Thanks, Shayne. I'll take the second and third one maybe. Actually, Rahul, I think you're referring to Page 5 for the non-funded income rather than Page 6, if we can just turn to that one. Okay. There we go. So Rahul, I think you're referring to the pale blues at the bottom right-hand corner there for the non-client flow component of other non-funded income.

The most substantial part of that is two things. One is the swap funding cost in DenizBank in Türkiye, so that's when they're swapping their foreign currency through the central bank into local currency for lending. That swap funding cost component of the derivative cost goes through that line, so that's what that is. Some quarters actually, that has been rising or it has been coming down for a number of quarters as interest rates were coming down, but then when the rate cuts paused and then temporarily, I guess, the overnight rate went up from 37% to 40%, that increased it a bit. But then from quarter-to-quarter, we can sometimes see small one-off gains on property sales from time to time as part of the inventory that we would have historically had from recovered credits. And when the property market is right, then you sell those from time to time. So that's why it can be a little bit up and down and lumpy. But that's the whole point of this chart is to pull out for you what the real recurring client-related flow income is and how consistent and steady that typically is quarter-to-quarter. That's for the question two.

Question three, just on loan growth and how much did the FCNR leverage contribute to that and which part of it is, so that's on Slide 7 when we're looking at the Q2 to Q3 movement. We're not going to break out that in detail either in total quantum or between which line it's in. I will help you figure out a total number, but it is partly in the RBL growth. You can see they went up AED 10 billion, from AED 44 billion to AED 54 billion, so they will have worked with some of their international customers and some of that leverage in their retail business. And then in the retail component going from 202bn to 216bn, that's up about 14bn, a part of that would have been also the UAE working with customers doing leverage in that. So that would have been a component of that.

Shayne Nelson (Group Chief Executive Officer)

But I think strategically for us, this made a lot of sense. One, there's obviously money to be made in the leverage that we provide in the UAE and the swap costs because you don't want to leave the interest rate risk on the table for highly leveraged deposits. But the advantage for us versus some other banks is we were putting it into ourselves, so we weren't giving that skin in the game to one of the other Indian banks, we were actually consuming it ourselves to lower the cost of funding in RBL itself. So I think for us, it was a win-win when we get growth and profitability from the loans and the swaps here. And two, we injected into RBL as long-term deposits, thereby lowering their borrowing costs. So for us, it was a win-win structure. We're pretty happy with it. I think half the staff wanted to know how they could get Indian passports given the yield you were getting on those deposits.

Patrick Sullivan (Group Chief Financial Officer)

And Rahul, just on - I know that's not particularly helpful if we don't tell you the overall quantum, and if that was a one-off, how much of the growth was that...

Shayne Nelson (Group Chief Executive Officer)

RBL has declared how much...

Patrick Sullivan (Group Chief Financial Officer)

Well, they've said what they have done in total, but that doesn't correlate to exactly how much leverage we would have provided customers to do that. So they did make a public statement on that saying that overall that they had attracted $3.4 billion of FCNR and a substantial part, or I think they said maybe the majority of that was from within the group. That's why we have updated the guidance to low 20s. So if you took 20%, 21%, just say, for the loan growth, I think you can work back to then what we're expecting Q4 growth to be. And if that is a lower amount than what you saw in Q3, a little bit of that will be attributable to FCNR, but not everything. That's the best way I can frame that one, I'm afraid. Hope that helps a little bit. Thanks, Rahul.

Drew (Moderator)

Our next question comes from Rahul Rajan from Bank of America. You may now proceed.

Rahul Rajan (Analyst)

Yes. Hi. Good evening. Thank you for taking my question. This is Rahul Rajan from Bank of America. A few questions from my side, please. Firstly is on the pricing benefits that you commented upon that is coming through on the asset side. Could you shed some light as to where is it coming from and how durable this is? That's number one.

Secondly is on your Türkiye business for the acquisition of some of the assets of HSBC Egypt, will this require further capital infusion into Egypt [Editor's Note: during the call, analyst accidently made reference to Türkiye in place of Egypt]? Or does it happen through the existing capital at DenizBank itself? And thirdly is from a loan growth in third quarter, we saw strong loan growth from sovereign as well as personal loans. I'm assuming some part of personal loans is this FCNR that you have been talking about. But if there are any other particular sources within that, and also within sovereign, is this more Abu Dhabi? Or is it any other Emirates that you could probably shed some light on? Thank you so much.

Patrick Sullivan (Group Chief Financial Officer)

Thanks, Rahul. Just on pricing benefits of assets, that's more around - it's more a discipline of making sure that you're pricing correctly for risk at the point of origination, and I think I said a little bit earlier, yes, if you skew significantly towards GREs and sovereign, your margins will compress because the credit spread will be lower even if the returns on a risk-adjusted basis are just as good as something else in the middle of the PD curve.

Shayne Nelson (Group Chief Executive Officer)

I'll just add to that, Patrick. When we look at pricing for our corporate customers, we're also looking at the overall returns, not just lending, we're looking at cash management, trade, FX, derivatives, et cetera. So for us, when we're looking at where we'll go on pricing, what is the overall return on risk capital for that client, including all the ancillary products that they utilize. So now if we've just got a borrowing-only relationship from a client, they don't give us ancillaries, therefore, the pricing is going to be quite different to someone that's giving us their full suite of products and utilizing us as their main bank. So we do price for risk on a relationship basis, not just purely on a credit basis.

Patrick Sullivan (Group Chief Financial Officer)

Yes. And Rahul, you can also see clearly the evidence of that is on Page 4 on the bottom right-hand corner of the chart, if we can pop that back up. You can see that the asset yield just in the quarter has gone up 16 basis points while the funding cost has increased by 11 basis points. So that's what I was referring to in the presentation as well. Now sure, if your funding cost is going up, you have to pass that cost on to the clients and customers, unfortunately. But it's about that discipline because while there's a lot of appetite and demand for loan growth, it's at what price you do it is really the key thing. So hopefully, that's the evidence that we've been able to achieve that.

Your second question, I think there must be some confusion. You mentioned something about Türkiye. Shayne has been referring solely to Egypt, so I don't know if you want to clarify the question or maybe that's just a mix up.

Shayne Nelson (Group Chief Executive Officer)

But on Egypt, I think our forecast is we're probably - it's largely a deposit franchise, but those deposits are also invested into government securities, et cetera. So the estimation on the capital impact is about 30 to 40 basis points CET1 once that is completed. We probably don't think that will be complete until the third quarter of 2027. We need to switch all the systems over at the same time, so I think we're on track to cut over on a systems basis by the third quarter of 2027.

Patrick Sullivan (Group Chief Financial Officer)

And I think the third question there was on sovereign up AED 12 billion for the quarter. I think it's up AED 16 billion so far for the year. None of that is related party sovereign, so it's in other Emirates. We have strong presence across all the Emirates, so we are very much at the table when it comes to any of the economic activity outside the Emirates of Dubai as well. I think that was the main part of the question.

Drew (Moderator)

Thank you. I'll now hand over to Karan Goyal for the written questions.

Karan Goyal (Head of Investor Relations)

Thank you, Drew. I think Patrick and Shayne, we have already covered most of the questions on the numbers, but a lot of people are asking about also the underlying customer activity. The loan growth has been very strong. Shayne and Patrick, what are you seeing on the corporate and retail side?

Shayne Nelson (Group Chief Executive Officer)

I mean on the corporate side, the pipeline coming through is very significant, so we're not seeing a slowdown in seeing proposals in the management credit committee and flows are large and the requests are large, so I think on pipeline on the corporate side, I'd say it's very, very strong. I think on the retail side, there would probably be 85% approximately of pre-war volumes, so not much difference.

On car loans a bit down because of logistics of getting cars in, but not that much off as the logistics have improved over time. So I think that you've got population growth in Dubai, which generally, we get at least our market share of that population growth, hopefully more than the normal market share for new arrivals. So we are seeing account openings are strong, loan demand is strong, and we are getting deposit growth.

So I think across the board, if I said in activity, the one thing that we're not seeing and it will surprise no one who lives in Dubai is new launches of property. So we've probably got about 1/3 of escrow accounts in the country. And with our escrow function, we know every individual counterparty within that project's sales, so we can see if people are paying and they are paying. So generally, we're only up at the upper tier of developers and those developers demand big upfront payments, and we're seeing the continuity of those payments coming through as milestones are hit and the clients need to pay more. So people ask, so are people dropping out? The answer is no. No more than we would have seen pre-war of people that can't meet the payments. We're still seeing cash flow coming from those. On new developments, that's where we're not seeing a lot of new launches. And I think if we - when I talk to our big developer clients, they're completely focused on delivering on time, if not in front of time, the developments that they've largely presold and they've got big

profit margins on them, and they want to release that cash, right? So they're really focused on that.

On hospitality, this is one that Patrick mentioned that we haven't had a lot of growth in there. But when I talk to my hospitality clients, I spoke to one the other day who has a large number of hotels. They're running at about 70% of pre-war in cost per room. So the room rate is about 70% of pre-war, which if you remember, pre-war, the rates were pretty outstanding, so 70%, that's a good recovery. And the hotels are running, and I'm talking a number of hotels, not one or two, are running between 60% and 75% occupancy and profitable, so the hotels are profitable. So even though hospitality absolutely has been affected, it's coming off what was a very high occupancy, very high rates to be more affordable, but still generating substantial cash for our clients. So I think from our perspective, even the hospitality section that we were a bit concerned about seems to have recovered pretty well, and to get 60% to 75% occupancy in summer is not bad. It's not bad at all. So that one surprised me quite considerably.

And if anyone's tried to get on a plane with Emirates Airlines, you'll find it, one, it's very expensive; and two, it's full. So I think the airlines are doing well. Hospitality has recovered quite well from the lows that they were at. Restaurants are back to being packed again. So I think the population is growing. Business travel has certainly not stopped at all. In fact, it's increased into the country, so I think we're seeing some pretty good signs there.

Patrick Sullivan (Group Chief Financial Officer)

And Shayne, there's been quite a lot of economic data coming out recently on population growth, the GDP numbers, while overall, it's moderated, there are some sectors that are still growing very strongly, and that's born out in the activity we're seeing. And particularly when you look at loan growth, more than half our loan origination and actual growth is coming from the private sector. It's not just all skewed towards government activity.

And even some things on the more of the retail side, we continue to see strong new-to-country, new-to-bank customers coming, that means deposits activity. And I think that's also borne out in some of the school...

Shayne Nelson (Group Chief Executive Officer)

School numbers are good.

Patrick Sullivan (Group Chief Financial Officer)

Over 4% year on year growth in school enrollment. So the activity, I think, was the question, Karan, is very strong. And I think overall, our balance sheet growth bears that out.

Karan Goyal (Head of Investor Relations)

Thank you. That's very clear. With that, Shayne, over to you for the closing remarks.

Shayne Nelson (Group Chief Executive Officer)

I'd like to thank you all for joining us in today's call. Building on this strong foundation, we enter the final quarter with clear momentum and confidence in our ability to continue delivering sustainable long-term value for shareholders. I'll now hand you back to Drew to provide further details in case you have any follow-up questions and to close the call. Over to you, Drew.

Drew (Moderator)

Thank you. 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 does conclude today's conference call. Thank you for your participation.