NetRoadshow Event Transcript

Emirates NBD FY 2025 Results Announcement Analyst Call And Webcast

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Sarah (Moderator)

Ladies and gentlemen, welcome to Emirates NBD's Results Call and Webcast for the Fourth Quarter of 2025. 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 CEO)

Thank you, Sarah, and welcome to our full year results call for the year of 2025.

2025 marked yet another year of strong performance, translating our strategic priorities into record financial results. This performance reflects the strength of our customer-centric diversified business model across our core markets, anchored in long-term focus on sustainable and high-quality growth. We delivered our highest ever profit before tax of AED 29.8 billion, growing by 10% year-on-year. Our income grew by 12% to an impressive AED 49.3 billion, driven by outstanding loan growth, resilient margins and strong non-funded income. In light of the group's excellent performance, the Board of Directors are proposing a 100fils dividend.

Lending surged by a record 24% in 2025, adding almost AED 130 billion to our loan book as we continue to grow our market share in the UAE and across our regional core markets. Supporting this growth, deposits jumped to AED 119 billion in 2025, boosted by AED 69 billion of low-cost CASA. As a result, our balance sheet has now surpassed AED 1 trillion, hitting a phenomenal milestone. The resilience and strength of our performance is an outcome of our clear strategic direction. I will touch on a few of the strategic focus areas that have been central to this progress.

First, you all know the customer focus remains central to how we operate. We continue to simplify journeys, enhance our service quality across segments and offerings, supported by our digital capabilities and data-led insights. This allows us to serve customers in a more personalized and seamless way.

Second, we are focused on strengthening our position as the leading bank in the UAE. Momentum across our core franchises remains strong, supported by robust compliance and risk frameworks that are fundamental to sustaining long-term growth. To illustrate this, I'm really pleased with Emirates Islamic's performance, delivering a record AED 3.9 billion profit before tax in 2025, reinforcing its position as a leader in the Islamic finance space. Another key example is our 35% market share in UAE credit card spend, reinforcing Emirates NBD's position as the #1 credit card issuer in the Middle East and Africa.

Third, our international diversification strategy continues to support strong and sustainable growth for the group. We've made further progress across our network, building a more connected and resilient regional franchise. Our business in the Kingdom of Saudi Arabia continues to impressively outperform with lending up 48% in 2025. And the main case in point is our investment in RBL, which will further accelerate our growth in one of the world's most dynamic markets.

Fourth, we've been advancing our digital and AI agenda in a meaningful way. This is not a stand-alone program and is embedded in how we run the group, enhancing customer journeys, strengthening controls and enabling more efficient operations. On the AI front, specifically, what began several years ago as an investment in advanced analytics has now matured into a fully scaled operating model. We're running over 50 AI initiatives across the organization, ranging from enhanced credit decisioning to strengthening fraud and compliance controls. AI is no longer in experimental phase at Emirates NBD. It is operational, governed, and delivering tangible value. A key secret to our success is a strong data foundational layer that we've built, which puts us in an excellent position to leverage new technologies. And a couple of examples being our mobile platform now serves 2.5 million active users across the UAE and KSA, up 25% year-on-year. Our digital wealth platform surpassed AED 40 billion in trading volumes, increasing fourfold compared to last year.

Finally, I'm pleased to see the commercially positive outcome of our sustainable agenda with sustainable finance funding being part of our growth strategy. To put that into perspective, we financed and facilitated more than USD 9.9 billion in sustainable finance transactions, supporting the UAE's long-term sustainable vision. And now we are ranked as #1 in the MENA region for sustainable issuances.

I think 2025 was a landmark year that demonstrated our clear strategic focus, coupled with execution capabilities. We've delivered another record financial result, building on the momentum of recent years despite the declining interest rate environment and higher tax charge. Going into 2026, we are really well positioned to capture the future growth opportunities in front of us and continue to deliver strong, sustainable shareholder value.

I'll now hand over to Patrick to go through the results in more detail. Patrick.

Patrick Sullivan (Group CFO)

Thank you, Shayne, and good afternoon to all of you.

We have closed the year on a strong note with broad-based growth across all our business segments. Building on the impressive 2025 results, we've updated the guidance for 2026, which I'll come to shortly. But first, let me take you through the results summary before we then move on to more details by component.

Starting with the performance summary there on Page 5.

The group's diversified business model continues to demonstrate resilience and growth, delivering another record set of results. Record total income of AED 49.3 billion, up 12% on last year. Within that, net interest income grew by 10% with impressive asset growth, offsetting the impact of lower interest rates. And non-funded income, up 18%, driven by strong growth in client flows and resilient growth across all segments, geographies and products. And with that, you can see the operating profit is 13% higher year-on-year, supported by strong income growth and continued cost discipline with a cost-to-income ratio of 30.5%, well within our guidance of lower than 33%. Profit before tax grew by 10% to a record AED 29.8 billion despite a higher impairment allowance year-on-year. In the bottom table, you can see the balance sheet metrics are in really great shape with total assets crossing the AED 1 trillion milestone in the year. This is supported by lending and deposits growing exceptionally well through the year on strong underlying business momentum. Capital, liquidity and credit quality metrics all remain as solid as ever.

Now for a bit more detail on each line, starting with net interest margins on Slide 6. The overall full year NIMs at 3.46% landed nicely at the top end of our guidance. In fact, you can see in the top left chart that the Q4 NIMs actually strengthened to 3.52%, mainly on the back of continued rate cuts in Türkiye, and that's evidenced in the bottom right chart. There was, however, before the flow-through impact of the Fed rate cuts in the latter part of 2025. So, thinking ahead to 2026, our NIM guidance is 3.1% to 3.3%, lower year-on-year by just 26 basis points if you take the midpoint. On one hand, we have the 75 basis points rate cuts made last year coming through and for the baseline, we have factored in three further cuts in 2026. Partially offsetting that, we expect ongoing rate cuts in Türkiye, which in the near term will continue to boost the DenizBank NIMs. Happily, inflation is coming down and with that, so are interest rates. There was a 100 basis point rate cut last week. So the 50% peak has now fallen to 37% and market consensus expects the rates may decrease to 29% by end 2026.

Moving on to Slide 7. Strong momentum in non-funded income continued with fee and commission income up 18% year-on-year with a very strong trend across all of the group's customer-driven businesses and products. Credit cards were a key contributor, benefiting from the permitted higher interchange income to counter the interest rate caps in Türkiye. We also saw solid growth across trade finance, lending, wealth management and investment banking. Total other non-funded income, which includes the other operating income line and trading securities, up 17% in 2025 on increased client flow-related income. I do want to just point out a change we've made to the bottom right chart that shows the strength of our core client and trading flow income. We have now aggregated into this chart the gains and losses on trading securities line to better match gains and losses on client transactions that have two legs reported in two different lines as that better represents the real economic value of the client relationship. And since I mentioned that chart, you can see that we had a particularly strong Q3 and then lower client activity in Q4, which can be fairly typical. And I can already see that our January client derivative sales have got off to a very strong start.

On Slide 8, we see that gross lending surged by a record 24% in 2025 despite the government of Dubai repayments.

Retail grew 25%, adding AED 85 billion of new loan origination on the back of diversified digital offerings and a comprehensive product suite. C&IB also delivered a record year with lending up an outstanding AED 100 billion, exceeding 40% growth year-on-year with AED 135 billion of new lending in 2025. There's strong financing demand across almost all industry sectors throughout our domestic and international network, especially non-banking financial institutions, trade and manufacturing. KSA continues to outperform with gross lending growing 48% in 2025. Growth was well balanced with 48% of the total gross loans coming from retail and 52% from corporate, reflecting the strength of the diversified franchise we are building there.

As we look into 2026, following the exceptional growth in 2025, we are starting the year with group loan guidance growth of mid-teens. A few factors relative to 2025 - With continued tight liquidity in KSA, we may see some moderation of the growth rate, but growth will still be strong. We expect further government repayments, and we also have base effects when it comes to percentage growth rate. However, the pipeline for Q1 is looking strong.

On the liability side, total deposits increased by an excellent AED 119 billion, up 18%. Within that, the strong CASA growth trajectory continues with AED 69 billion of the total AED 119 billion being additional low-cost CASA. This has been a key strength of the group over the years, backed by our market-leading retail franchise and best-in-class digital capabilities, APIs, virtual accounts, and escrow. This maintained the group's CASA ratio to an extremely robust 60%. It's worth noting that DenizBank's CASA ratio is typically 25% or so, so ENBD's CASA ratio is more like 65%.

On Slide 9, we see that the NPL ratio improved to 2.4% in 2025, reflecting the continued trend of recoveries supported by the buoyant property market and an increased lending denominator. Coverage is extremely strong at 160% with Stage 3 coverage close to 90%. Stage 2 coverage declined from 25% to 19% due to a mix of repayments and staging transfers. Overall, cost of risk for 2025 stood at a fairly modest 24 basis points at the lower end of our 20 to 40 basis points guidance. The cost of risk for Q4 itself was 110 basis points as expected with anticipated lower recoveries in the UAE and continued elevated credit risk in DenizBank as the impact of the higher interest rates flows through.

We are guiding to 30 to 50 basis points of cost of risk for 2026. Within that, ENBD should remain fairly low in the 20s or 30s, while Deniz will remain elevated somewhere between 150 and 200 basis points.

On Slide 10, the cost-to-income ratio is 30.5%, and we're still maintaining our long-term guidance of lower than 33% for 2026. The year-on-year increase landed at 9%, around what I indicated at Q3. You can see that our cost is down 6% in Q4 year-on-year as we continue to take a disciplined approach to cost management, ensuring we allocate resources efficiently. Most of the full year cost increase is in staff costs with international investment and Deniz inflation not being offset by currency depreciation.

Slide 11 shows that the group maintains healthy liquidity with an AD ratio of 81% and an LCR of 152%.

In 2025, the group has issued AED 33.4 billion of term debt and Sukuk at highly competitive pricing, reflecting the overall credit quality and strength of the franchise. And even into 2026, we've already landed a number of landmark issuances.

Slide 12 shows that we have maintained our consistently strong CET1 ratio at 14.3%. Our strong earnings generated capital growth supported a 20% growth in risk-weighted assets and 100 fils proposed dividend. It is worth noting from January 2026, our capital minima has increased by 30 basis points in line with the Central Bank of UAE counter cyclical buffer requirements.

Slide 13 contains divisional highlights, just to mention a few of these. Retail's robust momentum continues with the highest ever profit before tax of AED 11.8 billion, very strong loan growth of 25% and record CASA growth of AED 58 billion.

C&IB also delivered very strong result in 2025 with lending growing a record 42% and significantly growing CASA backed by tech upgrades and APIs, virtual accounts, and escrow. Global Markets and Treasury delivered an outstanding AED 2.3 billion despite falling interest rates and DenizBank bounced back, delivering a healthy profit of AED 1.5 billion and income jumped 25% year-on-year as Türkiye inflation eases, interest rates fall and market conditions improve.

We have a couple of extra slides in the appendix containing more granular detail and the dollar convenience translation. But with that, we can open up the call for questions.

Sarah (Moderator)

Thank you Patrick. We will now begin the question and answer session. If you wish to ask a question, please press star followed by one on your telephone, and wait for your name to be announced. If you wish to cancel your request, please press star followed by two. To participate in our written Q&A, just type your question into the ask a question text area then click the submit button. Once again, press star one 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)

Thank you. Good afternoon. Congratulations on the strong results. First question is, please, could you say a little bit more on the merger, your expected closing date, if you've got any update on your thoughts on the capital impact, EPS accretion, synergies, restructuring charges, et cetera? And could you just confirm whether your guidance includes or excludes the RBL acquisition? If it excludes, and I think loan growth might exclude it, what might it look like on a pro forma basis? And then could I just also ask about your thoughts around the dividend? What was your sort of thinking in deciding to hold it flat given the sort of strong finish to the year and the still relatively high capital levels? I'm just thinking how we should think about dividend growth going forward? Thank you.

Patrick Sullivan (Group CFO)

Yes, Jon, welcome to the call. Thanks for joining. Maybe I can just pick up a few points there, and I think Shayne might want to add something to it. Just to your point about whether this guidance includes or excludes, everything here is on a BAU excluding RBL basis. So whether it's the loan growth, margins, et cetera, it's all without RBL. In respect of RBL, look, we did say at Q3 that we'd come back in Q2 this year with some sort of pro-formas and the overall impact. I think they had some results out fairly recently that they're 9 months. So those numbers are out there. You can see the size of the loan book is around $11 billion or so, which is comparable to our business size in KSA and I think we have said before that the overall CET1 capital impact is expected to be somewhere between 80 and 100 basis points.

And we'll be coming back later on capital synergies and all of those things that you have been mentioning. And really, just on the dividend, that is an annual Board decision that's been made. You'll see that we've guided some strong loan growth, mid-teens, and that's including government repayments. So if I strip that out, it's probably narrow to the high teens for the underlying business growth. So we do see a very strong opportunity for organic growth. And so part of the thinking would be making sure that we're able to seize all of that opportunity as well. Anything you want to add, Shayne?

Shayne Nelson (Group CEO)

Yes. On the merger timing, I'd say we're still confident we can get it closed in the second quarter this year. You probably would have read in the press, we've got one approval, but we've got quite a few to go. So I think we're on track. Everything has been submitted, all the information. It's just a matter of process with any M&A that we get from the regulators. But we think second quarter, we should get a closure on that one.

I think on the dividend, what I would say about the discussion with the Board is we see ourselves as a growth company. And you saw the massive growth we had in lending this year, 24% and Patrick just explained how much we think we'll get a deduction from the RBL transaction. So the decision was to keep the dividend flat given the growth that we're getting and the effect that we will have with the RBL consolidation. So I think the Board was supportive of keeping it at 100 fils, and we see ourselves that we can use that capital for growth.

Sarah (Moderator)

Our next question is from Olga Veselova from Bank of America. Please, go ahead.

Olga Veselova (Analyst)

Thank you. Good day, and thank you for taking my question, I have several. One question is your net interest margin guidance for this year. You expect a relatively material erosion. Do you take into account the recovery of margins in Türkiye? And if yes, then which impact from Türkiye is incorporated into your net interest margin outlook? And if it is incorporated, then are there any other margin erosive factors other than policy rate cuts in business outside of Türkiye? So that's more of questions on net interest margin.

My second question is on capital and dividend. What is your view on comfortable CET1 buffer above regulatory minimum? Do you prefer to have it a bit elevated because you have big international presence? Or because you're not sure if your D-SIB buffer might be increased. So what's the logic on the minimum comfortable CET1 above minimum? And my third question is on SRT. Do you consider significant risk transfers or maybe moving to advanced from standardized approach in capital management? And if yes, then how long may it take all these discussions with Central Bank and implementation?

Patrick Sullivan (Group CFO)

Thanks, Olga. Thanks for joining. Maybe I can just take three of those from the top. Just on NIMs, yes, look, we have factored in what we are seeing and the expected interest rates to close out towards the end of this year. And in fact, in the appendix, we do show the margins by quarter split between ENBD and DenizBank. So we've factored all of that into the guidance. Look, I think overall, for ENBD, what we're expecting is we closed out at about 2.8% for Q4. The full year for ENBD landed right within that verbal guidance I've been giving of 2.9% to 3%, so we landed at 2.93%. And I think the interest rate erosion or the margin erosion profile for ENBD ex-Deniz will be very similar to what we saw through 2025. So we had 100 basis points cut and no further rate cuts until later in the year, and that basically reduced us to that 2.93%. And I think if you take the Q4 closeout rate of 2.8%. we're sort of thinking that the margins for ENBD will be around the 2.5% to 2.6%. So, if you take it down to the midpoint, that's 25 basis points reduction. We've had 75 basis points rate cut in the latter part of last year as well and then we are expecting more this year. So broadly, it will be a similar interest rate profile. So that will be 25 basis points down. The upside, yes, is with Türkiye. We were needing them to come in at somewhere over 6% for the full year 2025. And then the guidance we've factored in is somewhere between 7% and 8%. So they closed out the fourth quarter at 7.78%.

So that gain that we make on the margins when rates are coming down, that doesn't last forever. It's a fairly short 3 to 4-month per rate cut increase in the margins as the cost of funding goes down a lot faster than the repricing of assets. So look, we'll see what the upside of that plays out through the year, but we think we've given pretty balanced guidance on that one. On the capital with the CET1, yes, our regulatory minima is now 11.37%. We closed out the year at 14.3% for the CET1. We've typically operated at a fairly high level. That means that we can grow at the pace that we have been and that gives us options if we want to do something else or other opportunities come along.

And I think there has been an occasion in the market in 2025, where a number of regulatory things crept up on another bank and they had to do a rights issue, and that's not a position we ourselves would want to be in. And just on your point about AIRB, I think you were asking about the RWA basis, whether we have not moved to an advanced model. We're currently regulated on a standardized model. Internally, we use capital metrics to ensure that we're getting the returns on the capital we're deploying. But in the near term, we're not necessarily expecting to move away from that. I think that covers those three questions, Olga?

Olga Veselova (Analyst)

Yes, thank you. And also on SRT, significant risk transfers, is that something you might consider or might be discussing with Central Bank as a potential scenario?

Patrick Sullivan (Group CFO)

No, Olga. That's not something I'm looking at, at the moment.

Olga Veselova (Analyst)

Thank you. Thank you.

Sarah (Moderator)

Thank you. Our next question is from Naresh Bilandani from Jefferies. please, go ahead.

Naresh Bilandani (Analyst)

Hi, thank you very much. It's Naresh Bilandani from Jefferies. Thanks for the presentation. Three questions, please. First is, Patrick, going back to the chart on Page 7, where you show the split of income between flow and the prop book. Would you please be able to elaborate on the reasons for the negative performance of the prop book over the past 5 quarters or so? Any insight there would be very helpful.

My second question is on impairments. And now if I take a look at the impairment reserves to loans at 3.8%, this ratio is still nearly double of many banks that we have in Middle East. So you're clearly in a very comfortable position. And the cost of risk that you're guiding at 30 to 50 bps is still optically low, considering your growing international presence in geographies like Türkiye, India and Egypt. So if I were to think of a medium-term modeling for ENBD, should we project a continuing decline in these reserves, the impairment reserve to loans ratio as we've seen over the past year? Or is there a certain level that you would typically prefer to hold? I'm trying to think of how we should be thinking of the cost of risk 3 years out beyond just focusing on 2026 itself.

And my third and final question is for Shayne, please. Would be very keen to hear your thoughts on the risks and impact to the business growth outlook in Saudi Arabia following the recent pickup that we've seen in the geopolitical risk and if there have been any regulatory developments that you would like to highlight in this regard, if at all? Thank you so much.

Patrick Sullivan (Group CFO)

Thanks for joining the call, Naresh. Yes. So just on Page 7, when you asked about that dynamics between other operating income and also trading securities and why we have merged them together is because when you have certain transactions, for example, write a total return swap, where the bank holds the bonds and the bonds are in the money, you get a gain on that, but the underlying derivative that you've written to the client is basically out of the money, but those two legs are almost equal and opposite, but reported in two different lines. And that's why on trading securities, you see we have significant increases. But the other side of that is we're seeing significant decreases in the FX and derivative line that's within the other operating income line there. So that's why we merge those two together to better match those legs.

And then when you recognize your day one P&L, that's the actual customer relationship gain that you make on that. So that gives a much clearer trend in the quality of our earnings by combining that. The reason we have done it now and not earlier is we've just seen a lot of clients demanding those products. Some of them are locking in high interest rates. So it's something as we've gone into this more falling interest rate environment, we've seen a noticeable step-up in that business. And that's what's really driving a lot of that non-funded income as well. Hopefully, that explains that one.

And just on the cost of risk, I know you're thinking 3 years out, but the guidance we provide is 1 year out. Look, we're very happy with the coverage levels that we have, as soon as we see any issues, we downgrade promptly. We also maintain the highest levels of coverage in the market, okay, maybe one or two other smaller banks come close to us. And it's partly the reason we've been making these strong recoveries is that we've made the very strong provisions in the first place.

So that's been baked into our capital base and still driving the returns on our capital that we have. We're not going to give something that's 3 years out. But overall, I guess, the strong recoveries has been reducing the level of the cost of risk overall. The last 5 years, the rolling average for our cost of risk is something around 65 basis points, whereas 5 or 6 years ago, the cost of risk even without DenizBank might have been around the 80 to 90 basis points. So I think just with the very buoyant economy, strong property market, et cetera, and continued recoveries but maybe not at the same rate as before. I'm anticipating overall a broadly more moderate level than historical trends for the cost of risk. Of course, DenizBank is still seeing elevated cost of risk just as part of the fallout from the 50% interest rates. So that's why we also call that out.

Shayne Nelson (Group CEO)

But frankly, I'll repeat what I said before, if you look at where rates were in Türkiye and they're falling now quite a bit, but it's still quite elevated to have the cost of risk where we are at the moment in what is a big retail market for us is surprisingly low, if I might say, because I think in most markets, you have rates like that, your retail book would fall apart, but it's not happened in Türkiye at all. So I think, yes, it's elevated, but well within our risk tolerance that we were expecting.

Patrick Sullivan (Group CFO)

I think there was a third question, Shayne.

Shayne Nelson (Group CEO)

On the Saudi outlook, and I'm not going to comment on the geopolitics between the country because that's not my job. But I think on the business side of it, we've seen no effect on our business. It's still growing very well. And please remember that Saudi is short of liquidity. We have a lot of liquidity. And we've been helping raise liquidity for Saudi itself, and we continue to do it. So from a business perspective, at this stage, we've seen no effect on us.

Naresh Bilandani (Analyst)

Understood. Thank you very much.

Sarah (Moderator)

Thank you. Our next question is from Murad Ansari from GTN. Please, go ahead.

Murad Ansari (Analyst)

Yes, good afternoon. Thanks for the presentation. So a couple of quick questions -- One is on provisioning. So you're guiding to around 200 basis points of cost of risk for Türkiye. I'm just trying to get a sense of when do you think this provisioning cycle is going to normalize and at what levels? We've seen interest rates come off. Obviously, I mean, not as fast as some people expected at the start of -- or mid of last year. But I mean, when you think of Türkiye's business, how do you see…

Shayne Nelson (Group CEO)

Murad, you mean normalized higher, right?

Murad Ansari (Analyst)

I'm sorry.

Shayne Nelson (Group CEO)

You mean normalized higher?

Murad Ansari (Analyst)

No, no, normalized lower. I mean you said Türkiye is elevated, right? So I'm thinking that where do you see this cost of risk going down to when interest rates normalize over the next, let's say, 12, 18 months. And then on recoveries, I mean, you're guiding towards about 20-25 basis points cost of risk on UAE. So clearly, as you mentioned as well, I think there's some level of recoveries that you're building in. But I mean, 2025 was a good year in terms of recoveries, 2024 was a good year on recovery as well. I mean, I understand you said that you're seeing that cost of risk going to moderate or recoveries are going to moderate.

But I mean, could we see that continued strength in recoveries sustain over 2026 as well? And if this is largely real estate-driven? And my second question is on margins on Türkiye. You mentioned that this quarter obviously benefited from the cut in interest rates, and you see those short periods of higher NIMs. Where do you see, again, on NIMs, if you could give any guidance for 2026 for Türkiye? Thank you.

Shayne Nelson (Group CEO)

Maybe I'll have a shot at the provisioning.

Shayne Nelson (Group CEO)

I think just on the recovery side, I can assure you, I've personally been through every exposure that we've got sitting in our workout group. There's no big ones left. So the large lumpy tickets that we've had historically, they're basically gone. That doesn't mean there's not a 200 million there or 100 million there or 50 million there. There are. But some of the benefit we've had over the last couple of years has been we've got back quite a few of those lumpy ones. So, I think the recoveries will be made up of a lot more of smaller transactions than they will out of big lumpy ones because we've worked through the majority of those lumpy ones.

I think the provisioning we see is pretty low in the UAE, but it's offset by Turkiye, yes. So I think we're going to go through a cycle in Türkiye for a while until we see rates really normalize down from where they are now. Rates are still 37%, so there's still a long way to go in that inflation cycle there where they need to break the back of it and get rates further down. So I wouldn't expect us to see a substantial decrease, especially in retail provisioning in Türkiye until we can get rates down in Türkiye. And that we're sort of projecting inflation is going to be in sort of the low 20s in all likelihood by the end of '26. And I think the Central Bank is 16%, while market consensus is around 22% or something.

So, I think it's going to be a while before we get to normalization in Türkiye. Having said that, one of the things that I think you should think about in your modeling is when does hyperinflation come off? And there is a chance hyperinflation could come off at the back end of 2027. Now if you look at our numbers, that's a 3 billion deduction we're currently taking off with hyperinflation. So that's an important deduction that we're getting at the moment that hopefully, by the end of 2027, we can come back. So, I'm just mentioning that so when you're building your models, think about when hyperinflation is going to come back because that's a really important bottom-line event for us.

Patrick Sullivan (Group CFO)

And Shayne, just on top of that for Türkiye rates, as the rates come down, that doesn't mean all the pain is over. There will still be the credit risk following through with a bit of a lag effect. And the cost of risk in Deniz is the last 5 years average is about 170 basis points, compared to ENBD's average of 45 basis points or so. But they are just averages with lots of things going on in between there. So we would expect it to remain elevated until we can see clear signs that it's a lot lower than that.

Shayne Nelson (Group CEO)

And Murad, the other thing I would add, when you're comparing us with some of our competitors, you just got to also remember how much we have in retail and how big our cards business is against our competitors. And there's a high cost of risk of doing that revolving credit card. Now it's very profitable, but there's a higher cost of risk that's going to flow naturally. That's just the cost of doing business when you're doing revolving credit cards.

Patrick Sullivan (Group CFO)

And can you remind me what the third question on NIMs was?

Shayne Nelson (Group CEO)

Margins in Türkiye.

Patrick Sullivan (Group CFO)

Yes. I mean, actually, what we've seen since the interest rates peaked at 50%, the margin in DenizBank got down to 3.3% for one quarter. And ever since then and the rate cuts and cuts totaling to 13% now, I guess, we've seen every quarter a recovery in that margin with the exception of Q2 when they temporarily put the rates up in the range of 3.5%. But we have seen that good progression. They went through the 6% and then closing off the year, it was at 7.78% for the quarter. So just within the guidance I've given, I'm sort of between 7% and 8% because it is relatively dynamic with the timing of cuts and pricing of the books, et cetera.

So that's where we are. There's some upside because of the ongoing conditions. It's not going to be a permanent baking in of that high margin because over time, the assets will then reprice down and come back to a more normalized margin. What that normalized margin is, I couldn't tell you right now because the spreads are so wide as we get closer, we'll have a better idea of that. Hopefully, that helps on that one.

Murad Ansari (Analyst)

Great. Thank you so much.

Patrick Sullivan (Group CFO)

Thanks. All right.

Sarah (Moderator)

Thank you. Our next question is from Jitendra Singh from Al Rayyan. Please, go ahead.

Jitendra Singh (Analyst)

Hi, thank you. Thank you for the opportunity. So, my first question is probably on -just a follow-up on NIM guidance. So your 2026 NIM guidance range is 3.1% to 3.3%, which is fairly wide from 3.46% for the full year. I mean you spoke about improvement in Türkiye and some stability or slight pressure at ENBD. But just curious to know, so what would need to happen for margins to reach to the lower end of your NIM guidance, which is 3.1%. And can you just remind us your current sensitivity to rate cuts? That's one. And second, maybe on your non-funded income, you mentioned it is related to non-client income.

But could you just give us some sort of guidance? How should we think about non-interest income -- I mean, 2026, particularly from the global market products. Should it be similar to the level what we have seen in 2026 in terms of growth or 2025 in terms of growth, low single-digit growth or double-digit growth, something like this? Any guidance would be helpful. Thank you.

Patrick Sullivan (Group CFO)

Well, officially, we don't give any guidance on the NFI. We do loan growth and the margins, and that's the biggest part of that. Look, it was a particularly strong year with absolutely every country, every product, every client segment doing well. We hope to continue to perform strongly. One part I can see just within fees and commissions, a strong part of that has been the increase in the interchange fees in Türkiye that I think we have discussed before, whereas caps went on the interest rates for credit cards, the regulators allowed the banks to double actually the interchange rates. As inflation comes down, interest rates come down, it may be that we see that interchange rate in Türkiye come down. So that may put a little bit of pressure on the pace of growth there, just as an example.

But otherwise, we continue to grow, but we're not giving a specific percentage range or guidance for that one. And just to your point about the NIMs and being wide at 3.1% to 3.3%, I think for quite some years now, we've given a sort of a wider range because of the variability of the margins at DenizBank, which is understandable. But also in the last couple of years, I've been presenting the progress on the quarterly NIMs by ex-Deniz and Deniz that we put in the appendix there. And I think I ran through on an earlier question, some of the mathematics about the ENBD, excluding Deniz dynamics with the interest rate erosion, I think we framed it as this year being on a similar profile as it was last year. It will be nice if there were fewer rate cuts, obviously, but we've factored in three rate cuts for this year. And then for Deniz, we've said the margin to be around 7% to 8%. Hopefully, that covers that off unless you had something more specific on that.

Jitendra Singh (Analyst)

Yes, thank you. Can you just remind us your current sensitivity to rate cuts?

Patrick Sullivan (Group CFO)

So for every 25 basis points, it's about AED 480 million, or about $130 million, so you can apply that. I mean that is a reference sensitivity. Obviously, as the rate cut happens, it takes time for the full impact. So that's on a steady-state basis when the full impact of a rate cut has come through. And that works out at about 5 to 6 basis points for the group NIM as a whole. And if it was ENBD stand-alone, it would be like 6 or 7 basis points on the stand-alone margin.

Jitendra Singh (Analyst)

Thank you so much. very helpful.

Sarah (Moderator)

Thank you. Our next question is from Shabbir Malik from Morgan Stanley. Please, go ahead.

Shabbir malik (Analyst)

Hi, thank you very much. Can you hear me?

Shayne Nelson (Group CEO)

We can, Shabbir, indeed.

Shabbir malik (Analyst)

Thank you very much for the presentation. I have a question regarding your cost trend. So fourth quarter cost trend was pretty -- it showed that you demonstrated a lot of cost discipline. And I think your jaws widened this year. I just want to get a sense for 2026, how should we think about costs? Is a similar kind of trend of high single digit? Is that something that we could expect for this year?

My next question is about your minimum capital requirements. I think you've mentioned in your presentation that your capital requirements are expected to go up by about 30 basis points because of the countercyclical buffer. What does it take your minimum capital levels to? And my understanding was that the countercyclical buffer was coming in at 50 basis points. So what's the reason that it's going up by just 30 basis points? And maybe another question on your exposure to the sovereign. Any color on the outlook for Dubai sovereign? Do you expect further repayments from that account in 2026? Thank you.

Patrick Sullivan (Group CFO)

Yes, Shabbir, welcome to the call with your MS hat on. So yes, costs Q4, thank you. Yes, we have always been very focused on the cost base that we have. We're very happy that we've been able to close the year at 9% growth. By far and away, the majority of the year-on-year increase at 9% for last year was staff costs, including staff cost inflation in Deniz not being offset by FX, plus also the flow-through of pay increments, hiring and international expansion within the rest of the group. And thirdly, we're sort of guiding that we'll keep the cost-income ratio around that 31% mark, which implicitly means that, yes, the cost as a percentage would be in the single digits, and we'll let you know if it's going over that, if there's any particular opportunity that means we feel we need to increase that cost.

Just on the minimum capital, yes, it is 50 basis points, but then that gets pro rata across the private corporate exposure in the UAE.

So for us, when you pro rata that across our whole book, it actually works out at only 30 basis points that we have to apply because you see consolidated numbers, but it's really only 3/5 of the countercyclical in the UAE itself. And the other 7 basis points is from the U.K. So that's why it adds 30 basis points, not 50 basis points entirely because we've got that international diversification.

Shayne Nelson (Group CEO)

On the sovereign, I think if you remember, Dubai was at one stage, it was affecting our rating, the concentration there, and we're about AED 160.5 billion exposure and it's dropped now below AED 40 billion. So, I think forward-looking, to be honest, we don't know. We build in our model for repayments because it's been happening now for a few years, but we don't know. To be honest, we'd rather they not repay it because it's zero risk weighted on capital, but given how solid the financial position of Dubai is and the amount that they're collecting in stamp duty, tolls, hotel fees, et cetera. I've never seen Dubai in such good fiscal position.

And every GRE, we bank, and we bank them all out of Dubai, they're financially super, super strong. So I think we anticipate additional repayments in 2026. That's what we're budgeting for. But I'll be frank with you and say, we don't know exactly how much. We hope they don't, but we're pretty sure they will.

Patrick Sullivan (Group CFO)

There's AED 21 billion repaid last year from Govt. of Dubai.

Shabbir malik (Analyst)

Thank you, that's very helpful. Thank a lot.

Sarah (Moderator)

Thank you. Our next question is from Aybek Islamov from HSBC. Please, go ahead.

Aybek Islamov (Analyst)

Yes, thank you for the conference call. Thank you for the answers so far. I would like to ask you about your Turkish return on equity. Where do you see - what ROE do you think you can achieve under stable macro conditions? I appreciate we're still far from there. But obviously, I'm talking about this inflation coming to an end, right, stable FX. Is 16%, 17%, 18% achievable in Türkiye, and I'm counting in Dirham terms in your local currency.

Shayne Nelson (Group CEO)

You mean after hyperinflation goes?

Aybek Islamov (Analyst)

Yes, after hyperinflation goes, I mean, what's your assessment of sustainable ROE after interest rates normalize, right? And I appreciate we are far from there. So...

Patrick Sullivan (Group CFO)

Look, before hyperinflation came along, they were delivering around the 20% mark actually. With the hyperinflation charge at Q3, what that was, 6.5%, I think that's 7.5% or so for the full year. But that's after AED 3 billion deductions. If you added that back, and that's not how you should actually do it, it works out at about 23- 24% for their return on equity, which is higher than group. But when hyperinflation comes off, you get less of a grossing up of your top line income and costs from the indexing and the very fact that prices are going up so fast. So you'll see a moderation across each line. It's not as simple as just adding $3 billion to see what the future may hold. But operating in that country and the business potential they have, there's no reason that they can't have strong returns on equity getting close to that 20% mark.

Aybek Islamov (Analyst)

Yes, thank you. Very helpful. And just a follow-up on Türkiye. Assuming that they continue to cut rates in 2026 and 2027, would it be fair to expect your margin improve continually in Türkiye? I guess, is that a fair expectation? That's my question, and probably the last one, yes.

Patrick Sullivan (Group CFO)

No, it's not a perpetual increase in the margin. You do reach ultimately a plateau at a point in time as each rate cut comes through. The benefit of the previous rate cut starts fading.

You get the shorter-term impact of the next one and so on and so on. So that's why we're thinking 7% to 8% is where it will sit through the rest of the year. It might be if there are bigger rate cuts relative to prior rate cuts, you may get a 3- or 4-month boost in that margin. But I'm not being too presumptuous about that. So don't get carried away with putting too much upside on that Turkish NIM guidance that we've given.

Aybek Islamov (Analyst)

All right. Very helpful. Thank you. And last question, what kind of deceleration in loan growth in Saudi Arabia in start of '26 would make you more concerned about the asset quality outlook or asset quality outlook of your loans in that country? And from your seat, I mean, where do you see loan growth kind of settling for Saudi this year?

Patrick Sullivan (Group CFO)

Yes, we're not going to put a specific number on that. Obviously, it was super strong at 48% this year. As we go into next year, a couple of factors. Yes, there is tighter liquidity in the market. Because we are funding this entirely onshore, unlike a number of other banks, it means for us to compete in that market, we have a higher proportion of time deposits, means you have to be in the right sector to price for risk, et cetera. So we're quite disciplined around that. We're not going to grow in KSA at any cost to the overall margins.

And actually, our asset yields are really strong within that market. But on the other hand, yes, our cost of funding is one of the higher ones as well given that market positioning. And putting on top of that, we've also got the base effects where as the books got better, you're dividing by a bigger denominator. So it's going to moderate. It's not going to be as high as it is this year, but I'm not going to put a number on to what rate it is. It will still be much stronger than the rest of the group is the expectation.

Shayne Nelson (Group CEO)

But having said that, I mean, as much as we do have the largest balance sheet of any foreign bank there, it's relatively small. I mean if we were 5x larger, we'd get to the bottom of the smallest Saudi bank. So there's a lot of runway for growth there. But as we said, disciplined from a cost of funds perspective to make sure that we're getting the right returns out of that. And with the cost of funding there, it makes it hard to compete against the local banks at that top end of town, the top ones there. So that's really not our focus.

Aybek Islamov (Analyst)

Thank you. Very helpful. Thank you.

Shayne Nelson (Group CEO)

Thanks Aybek.

Sarah (Moderator)

We currently don't have any audio questions. I'll turn the call over to Karan to go through to our text question.

Karan Goyal (Group Managing Director)

Thank you, Sarah. I think Shayne and Patrick have covered pretty much all the written questions in one way or the other. So Shayne, over to you for the closing remarks.

Shayne Nelson (Group CEO)

Well, if there's no further questions. I'd like to thank you all for participating in today's call. And as you can see, we continued our growth momentum, delivering yet another record set of results. Our well-diversified portfolio and continued strategic investments positions Emirates NBD on a clear pathway to grow sustainably across our core markets. And I'll now hand you back to Sarah to provide further details in case you have any follow-up questions and to close the call. Sarah.

Sarah (Moderator)

Thank you. For any further questions, please contact our Investor Relations department. The 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.