

UAE Banks

Dealing with over-funding

- ◆ UAE banks accumulated surplus funding, placing it in foreign assets. Not all banks are managing funding spreads well
- ◆ ADIB and ENBD lead, FAB is a clear laggard. We believe that there's room to improve EPS by optimising funding mix
- ◆ Maintain Buy ratings on ADCB, ADIB, DIB & ENBD and Hold rating on FAB. Revise TPs at ADCB, ADIB, and ENBD

Surplus deposit funding nearly doubled to AED527bn in August 2022 from AED276bn in 2019, we estimate, driven by strong corporate deposit inflows. Our analysis shows that not all UAE banks we cover are managing funding costs well. ADIB and ENBD improved their funding spreads better than other competitors. We are surprised to see FAB as the main laggard, despite it having a leading deposit market share of 34%. FAB doesn't appear to have strong pricing power with its depositors. ADCB and DIB are in the middle. Banks increasingly placed deposit surpluses in foreign assets (Exhibit 14). As the public sector deleverages further, surplus deposits should allow banks to optimise funding mix.

Funding mix optimisation can lift EPS. Strong deposit inflows should allow banks to reduce more expensive wholesale funding. ADCB shows the highest reliance on wholesale funding, at 17% of assets in Q3 22, followed by FAB and ENBD at 8%. We estimate FAB can improve EPS '22e by as much as 10% if it were to replace wholesale funding with term deposits. DIB and ENBD are runners-up with 9% and 8% EPS accretion, respectively. ENBD has the widest difference between the cost of term deposits and wholesale funds, at 224bps. ADCB EPS '22e can potentially improve by 4%. ADIB hardly relies on wholesale funding.

Revisions and valuation. Lower NIM forecasts lead us to cut EPS '23e at ADCB and FAB by 8% and 7%, respectively. We raise ENBD and ADIB EPS '23e by 24% and 11%, respectively, driven by more optimistic NIM forecasts. 84% of positive EPS '23e revision at ENBD comes from its UAE domestic operations. We make minor changes to DIB EPS '23e, TP AED7.1 unchanged. We revise TPs at ENBD, ADIB, ADCB and ENBD (see table below). UAE banks we cover trade at 11.6x '23e EPS on average, at a 9% discount to the average of EEMEA banks we cover.

Equities Commercial Banks

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UAE Banks: summary of changes to ratings and target prices (AED)

Company	Ticker	CP (AED)		TP		Rating		Upside/downside		PE (x)		P/BV (x)		Div. yld. 2022e (%)	ROTE 2023e (%)
		Old	New	Old	New	Old	New	2022e	2023e	2022e	2023e	2022e	2023e		
ADCB	ADCB UH	9.56	10.70	11.20	Buy	Buy	11.9%	11.2	9.9	1.5	1.4	4.5	14.4		
ADIB	ADIB UH	9.31	11.10	10.60	Buy	Buy	19.2%	11.0	10.0	2.2	2.0	4.9	20.9		
DIB	DIB UH	5.81	7.10	7.10	Buy	Buy	22.2%	9.3	8.3	1.3	1.2	5.2	14.8		
ENBD	EMIRATES UH	13.20	16.80	16.50	Buy	Buy	27.3%	7.3	6.9	1.1	1.0	5.5	15.1		
FAB	FAB UH	17.88	16.60	16.60	Hold	Hold	-7.2%	14.7	15.1	2.5	2.4	3.4	16.5		

Source: Bloomberg, HSBC, pricing as at close on 16 November 2022.

Disclosures & Disclaimer

This report must be read with the disclosures and the analyst certifications in the Disclosure appendix, and with the Disclaimer, which forms part of it.

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Investment summary

- ◆ Strong corporate deposit inflows coupled with relatively weaker demand for loans has resulted in accumulation of surplus deposits. ADCB & FAB have the highest surplus deposits
- ◆ The ability to maintain CASA ratio differs amongst UAE banks we cover. ADIB and ENBD lead in funding spread improvement due to the presence of strong retail liability franchises. FAB is a laggard
- ◆ Our analysis suggests NIM dynamics can be different from what consensus may expect. We trim NIM estimates of ADCB and FAB in 2023 and 2024

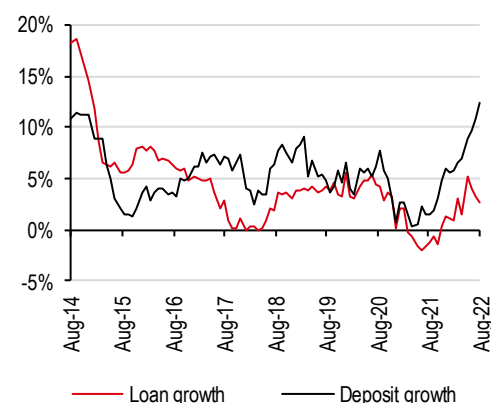
Ample liquidity

A period of strong deposit accumulation. Unlike Saudi and Qatari banks, liquidity conditions in the UAE banking sector have been easier since 2020. There are two main drivers of overfunding in the banking system.

First, there is strong public sector and private corporate deposit inflows. Most recent UAE Central Bank data show that sector deposit growth accelerated to 12% y/y in August 2022 from just 2% during same period last year.

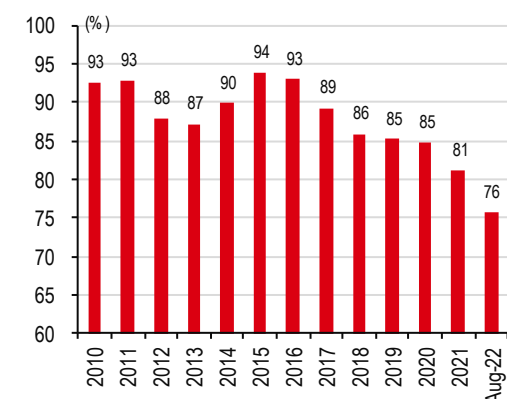
Second, weak loan growth boosted surplus liquidity conditions further. Sector loans grew just 2.6% y/y in August 2022. Public sector repayments continue to be a drag on overall sector loan growth. Public sector loans, 28% of total loans, declined 2.2% y/y in August 2022.

1: Loan and deposit growth trend



Source: Central Bank of UAE, HSBC Research

2: Sector loan-to-deposit ratio is in steady decline from 2020 onwards



Source: Central Bank of UAE, HSBC Research

After Qatar, UAE is the second-most leveraged economy in MENA, with a credit/GDP ratio of 95% in 2022e. A stronger current account, fiscal surplus and privatisation of state-owned companies via IPOs are conducive to loan repayments.

3: Current account and fiscal balance in strong surplus since 2021

(% GDP)	2014	2015	2016	2017	2018	2019	2020	2021	2022e	2023e	2024e
Current account	13.3	4.9	3.7	7.1	9.6	9	5.9	12.1	13.1	8.6	7.0
Fiscal balance	5.2	-3.4	-1.3	-0.2	5.8	2.3	-0.2	4.7	10.2	7.6	6.3

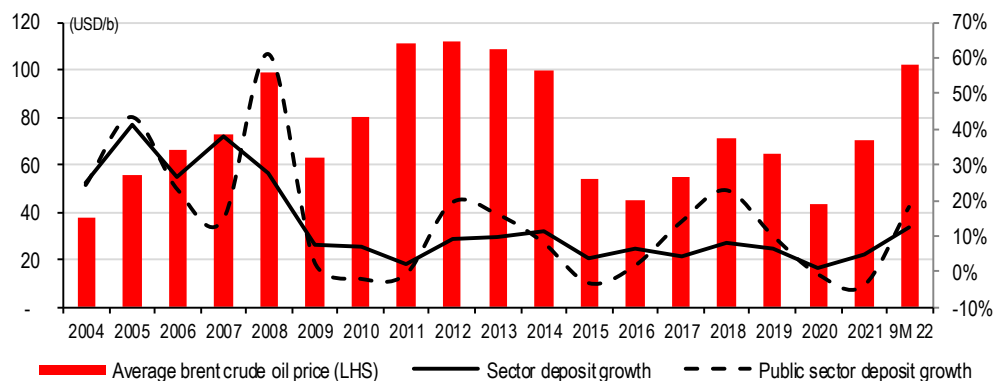
Source: UAE Central Bank, HSBC Research estimates

Strong pass-through from high oil prices. UAE banks' deposit growth shows a 36% correlation coefficient with Brent prices in the last 19 years, based on our calculations. The correlation increases to 41% when we only consider public sector deposits.

Public sector deposits grew 18% y/y in August 2022 and are now 28% of total deposits.

The loan-to-deposit ratio fell to 76% in August 2022, the lowest level in the last 20 years. We estimate sector surplus liquidity at AED527bn, 15% of banking sector assets.

4: Long-term public sector deposit growth vs oil price shows c41% correlation



Source: Bloomberg, UAE Central Bank, HSBC Research

ADCB and FAB have the highest surplus deposits among UAE banks we cover. As we show in Exhibit 5 below, the loan to deposit ratio (LDR) declined to 62% in Q3 22 from 67% in 2021 at FAB. This is despite FAB reporting one of the strongest loan growth figures in Q3 22, of 15% y/y, amongst UAE banks we cover.

We raise our deposit growth forecast by 12ppt to 22% in 2022e for FAB as we expect the bank to continue to see strong public sector deposit inflows. FAB has a market share of 57% in government deposits and 34% in overall deposits as of Q3 22.

ADCB saw LDR decline by 9ppt to 83% in 9M 22. Funding mix deteriorated with the share of CASA (current and savings account) deposits declining to 52% in Q3 22 from 57% in Q4 21.

5: Loan to deposit ratios of UAE banks we cover

(%)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Q3 22
ADCB	107	107	103	105	105	98	100	96	91	95	95	92	83
ADIB	85	89	83	82	86	83	79	77	78	80	82	81	83
DIB	90	79	83	72	79	85	93	91	92	91	96	91	100
ENBD	98	105	102	99	95	94	93	93	94	93	96	93	87
FAB	105	104	90	89	87	95	88	83	76	79	71	67	62
Average	97	97	92	89	90	91	91	88	86	87	88	85	83

Source: Company data, HSBC Research

DIB is the only bank which saw significant attrition in deposits in 9M 22. Customer deposits are now down 9% year-to-date.

With a backdrop of higher oil prices, we expect liquidity conditions to remain favourable in 2023-24e. HSBC's oil & gas team forecasts Brent crude oil at USD100.6/b in '22e and USD95/b in '23e. We summarise our deposit growth expectations for the stocks we cover in the following exhibit.

6: Deposit growth forecasts by banks we cover

	New				Old			Change new vs old (ppt)		
	2021	2022e	2023e	2024e	2022e	2023e	2024e	2022e	2023e	2024e
ADCB	5	15	5	5	7	5	5	8	-	-
ADIB	8	11	9	7	8	7	7	3	2	(1)
DIB	(0)	(5)	8	7	5	6	6	(10)	2	1
ENBD	(2)	6	4	4	5	4	4	1	-	-
FAB	14	22	8	6	9	8	6	13	-	-
Average	5	10	7	6	7	6	6	3	1	0

Source: Company data, HSBC Research estimates

Not all banks are managing funding costs well. FAB surprised us

ADIB and ENBD show biggest improvement in funding spreads in 9M 22. FAB is a laggard. We are surprised to see FAB as a main laggard, despite it having a leading deposit market share of 34%. The funding spreads at FAB improved by only 107bp to 0.68% during 9M 22. As we discuss further the deposit inflows at FAB are coming mostly on a term basis. We believe that FAB does not have strong pricing power with its corporate depositors. ADCB is the second-worst performer when it comes to funding spreads.

Funding spreads at ADIB improved 225bp to 2.31% in 9M 22, highest among UAE banks we cover. As highlighted in our initiation report [Building on strong foundations](#), 19 October 2022, ADIB has a strong moat in the form of its retail-driven low-cost funding franchise. 68% of deposits come from retail customers as of Q3 22.

ENBD is a runner-up, with funding spread improvement of 184bp to 0.64% in 9M 22. The share of retail liabilities is relatively low at 27% but share of CASA deposits remains high at 63%.

DIB's funding spread improvement, of 168bp to 1.05% in 9M 22, is almost in line with the sector average of 162bp.

7: Quarterly trend of funding spreads

(%)	Funding spreads				_q/q change in funding spreads_			Cumulative chg. in 9M 22
	Q4 21	Q1 22	Q2 22	Q3 22	Q1 22	Q2 22	Q3 22	
ADCB	(0.29)	(0.07)	0.49	0.97	0.22	0.56	0.48	1.26
ADIB	0.06	0.30	1.19	2.31	0.24	0.89	1.12	2.25
DIB	(0.62)	(0.35)	0.31	1.05	0.28	0.66	0.74	1.68
ENBD	(1.20)	(0.89)	(0.26)	0.64	0.31	0.63	0.91	1.84
FAB	(0.39)	(0.18)	0.34	0.68	0.21	0.52	0.34	1.07
Average	(0.49)	(0.24)	0.41	1.13	0.25	0.65	0.72	1.62

Source: Company data, Bloomberg, HSBC Research

CASA ratios declined by 3ppt to 54% during 9M 22 on average for banks we cover. ENBD is the only bank which managed to improve its CASA deposit mix. Its CASA ratio improved by 2ppt year-to-date to 63% in Q3 22. ADIB's CASA ratio declined only by 1ppt to 74% during 9M 22, and remains significantly above the peer group.

FAB and ADCB on the other hand saw significant inflows of time deposits. FAB saw the biggest drop in its CASA ratio with a 7ppt decline to 41%, followed by ADCB with a decline of 5ppt year-to-date to 52% in Q3 22. Both these banks reduced wholesale funding exposure.

DIB's CASA ratio declined by 2ppt to 41% during 9M 22, well below the sector average of 53%.

8: CASA deposit mix

(%)	2013	2014	2015	2016	2017	2018	2019	2020	2021	Q3 22
ADCB	30	37	39	34	37	36	38	50	57	52
ADIB	NA	NA	NA	NA	NA	NA	69	76	75	74
DIB	NA	NA	NA	NA	NA	NA	NA	42	44	41
ENBD	53	59	56	54	54	51	43	52	61	63
FAB	25	26	27	29	39	35	34	42	47	41
Average	36	40	41	39	44	41	46	52	57	54

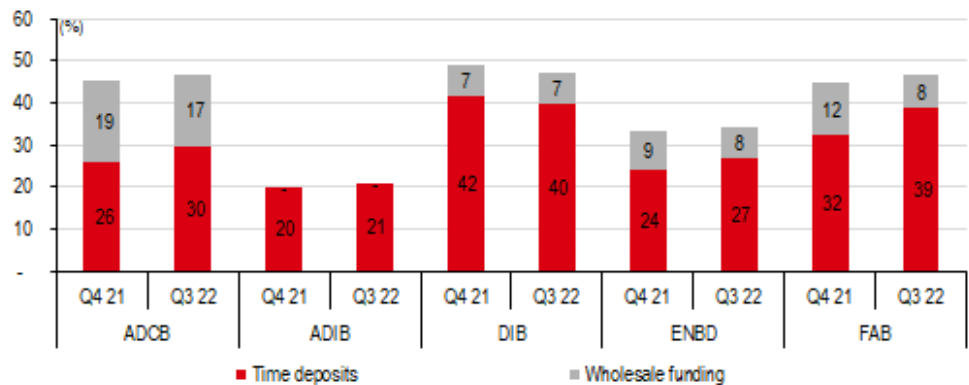
Source: Company data, HSBC Research

Banks can optimise surplus funding position

Less wholesale. Surplus deposit positions should help banks optimise their funding mix away from wholesale. As we show in Exhibit 9 below, ADCB, FAB and ENBD reduced their reliance on wholesale funding by shifting their funding mix towards time deposits during 9M 22.

The ratio of interest-earning assets backed by wholesale funding declined to 19% in Q3 22 from 21% at ADCB, and to 17% from 22% at FAB.

9: Funding mix: Time deposits and wholesale funding as % of total assets



Source: Company data, HSBC Research

We believe there is further room to reduce the share of wholesale funding at FAB and ADCB if public sector deposit inflows remain strong. This should help both the banks improve deposit spreads.

10: Ratio of interest earning assets backed by wholesale funding*

(%)	2013	2014	2015	2016	2017	2018	2019	2020	2021	Q3 22	2022e	2023e	2024e
ADCB	16	17	16	17	16	17	16	20	21	19	20	20	20
ADIB	20	14	8	7	5	4	2	4	3	2	2	3	3
DIB	7	2	6	9	11	12	11	13	9	15	15	13	12
ENBD	5	4	5	8	8	8	7	11	10	9	10	8	7
FAB	17	19	25	22	20	18	18	24	22	17	18	18	18
Average	13	11	12	13	12	12	11	14	13	12	13	12	12

Source: Company data, HSBC Research estimates. *(IEA-deposits-equity)/IEA.

As we show in Exhibit 11 below, the difference in cost of wholesale funding and time deposits is highest at ENBD at 224bp, and lowest at ADCB at 30bp in 2022e.

11: Funding cost differential between term deposits and wholesale funding (2022e)

	ADCB	DIB	ENBD*	FAB
Time deposits (a)	2.43	2.01	3.39	1.98
Wholesale funding (b)	2.73	4.01	5.63	3.63
Funding cost differential (b-a)	0.30	2.00	2.24	1.65

Source: HSBC Research estimates. *For ENBD, we show funding cost of domestic operations (UAE). ADIB doesn't have wholesale funding and therefore we exclude the bank from this exhibit.

Change in funding mix can improve EPS. We estimate FAB should see the biggest accretion to EPS of 10% if banks replace wholesale funding with term deposits. DIB and ENBD are runners-up with 9% and 8% accretion to EPS respectively. We exclude Denizbank deposits and wholesale funding from ENBD Group numbers.

Even though share of wholesale funding is highest at 17% of assets at ADCB, we estimate EPS accretion of just 4%. This is due to a very low funding cost differential between wholesale funding and time deposits (Exhibit 11).

12: There's room to improve EPS if banks were to replace wholesale funding with term deposits

(AEDm)	ADCB	DIB	ENBD*	FAB
Wholesale funding	76,010	19,592	42,603	80,962
Funding cost differential*	0.30%	2.00%	2.24%	1.65%
Potential savings in interest cost	228	392	956	1,336
% of net income (2022e)	4%	9%	8%	10%

Source: HSBC Research estimates. *We take the funding cost difference of wholesale funding and time deposits. ADIB doesn't have wholesale funding and therefore we exclude the bank from this exhibit.

In reality full pay-down of wholesale funding could be tough because banks need such funding to manage duration and currency risks.

We increase our funding cost forecasts on average for UAE banks we cover by 24bp in 2022e and by 70bp in 2023e. We now forecast average funding cost to increase 63bp to 1.52% in 2022e, 155bp to 3.07% in 2023, and 15bp to 3.22% in 2024. Our revised forecasts reflect higher EIBOR, surplus funding position and changes in deposit mix.

13: Funding cost revisions

New					Chg. y-o-y (bps)			Change new vs old (bps)		
	2021	2022e	2023e	2024e	2022e	2023e	2024e	2022e	2023e	2024e
(%)										
ADCB	0.66	1.62	3.45	3.65	95	183	20	21	75	66
ADIB	0.30	0.47	1.23	1.31	16	76	9	17	52	51
DIB	1.02	1.61	3.59	3.75	60	198	16	16	91	89
ENBD	1.67	2.21	3.53	3.63	54	132	10	14	52	50
FAB	0.81	1.69	3.54	3.74	88	185	20	52	78	56
Average	0.89	1.52	3.07	3.22	63	155	15	24	70	62

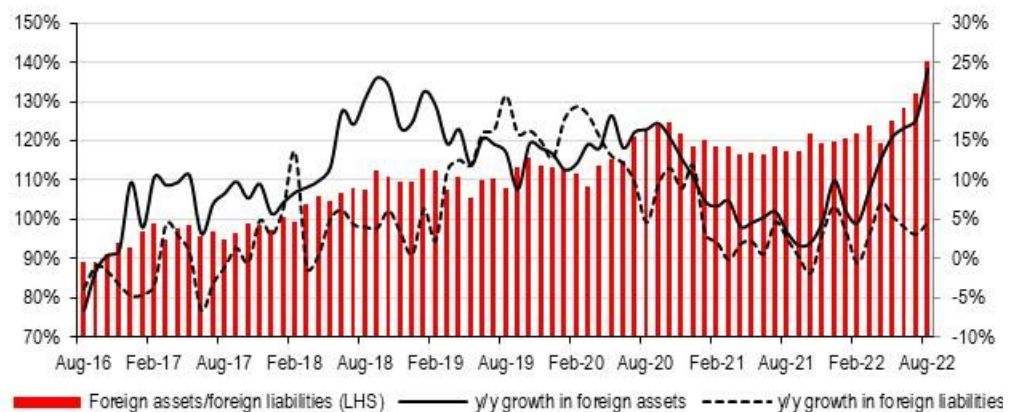
Source: Company data, HSBC Research estimates

Latest spike in net foreign assets dilutive to NIMs

Banks placed excess funding into foreign assets. The latest Central Bank data shows growth in foreign assets accelerated to 24% y/y in August 2022, from just 3% a year ago. Foreign liabilities were up just 5% y/y. Such dynamics will likely dilute asset spreads as yields on foreign placements are lower compared to local currency options.

The problem of the UAE banks is the scarcity of local currency liquidity instruments, in our view. Typically banks place surplus liquidity in Certificates of Deposits (CDs) with the UAE Central Bank. The volume of CDs fell to AED146bn in August 2022 from AED160bn in 2019. This compares to our surplus deposit funding estimate of AED527bn in August 2022 and AED276bn in 2019.

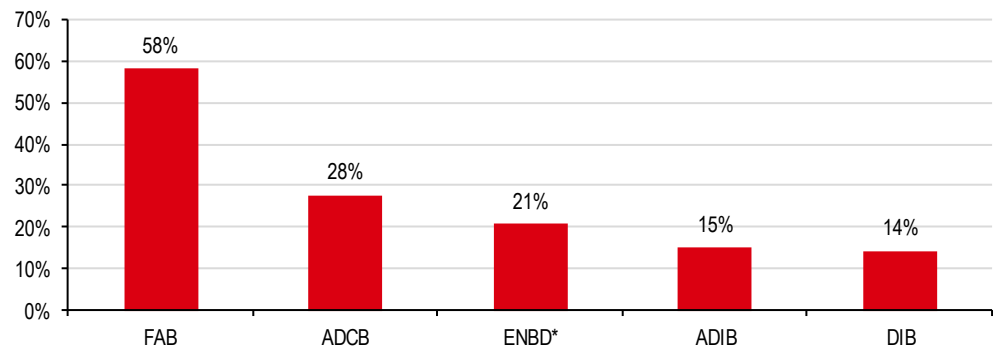
14: Ratio of foreign assets / foreign liabilities reached a high of 140% in August 2022



Source: Central Bank of UAE, HSBC Research

FAB's foreign asset position dominates. We attribute 60% of AED933bn of sector foreign assets to FAB alone. This doesn't surprise us as the bank acts as a liquidity manager for the public sector. The flip side is the disappointing NIM performance at FAB, at a time when interest rates are rising.

15: Foreign assets (% total assets, 2021)



Source: Company data; *We exclude Denizbank from ENBD Group

FAB placed 58% of its total assets abroad in 2021, according to the latest reported data.

ADCB and ENBD are runners-up, however they are materially behind FAB. We attribute 13% of sector foreign assets to each bank. ADCB placed 28% of total assets outside UAE in 2021. Excluding Denizbank, foreign assets are 21% of total assets at ENBD as at 2021.

ADIB and DIB asset spreads should be least impacted by foreign asset placements.

We trim NIM estimates for ADCB and FAB in 2022e-24e as we incorporate deterioration in deposit mix in 9M 22. We now forecast cumulative NIM improvement of 16bp during 2022e-24e at ADCB. We expect FAB's NIMs to improve by 4bp to 1.49% in 2023e, and 9bp to 1.58% in 2024e. We believe public sector deposit inflows should continue to put pressure on FAB's NIM.

We expect ENBD to show the biggest NIM improvement among UAE banks we cover, followed by ADIB. The high share of CASA deposits at both these banks should cushion the decline in funding cost.

16: NIM revisions

New	Chg. y-o-y (bps)				Change new vs old (bps)		
	2021	2022e	2023e	2024e	2022e	2023e	2024e
ADCB	2.27	2.32	2.36	2.42	5	5	6
ADIB	3.52	3.59	3.78	3.85	8	18	7
DIB	2.51	3.03	3.17	3.18	53	14	1
ENBD	2.83	3.52	3.89	4.06	70	36	17
FAB	1.33	1.45	1.49	1.58	12	4	9
Average	2.49	2.78	2.94	3.02	29	15	8

Source: Company data, HSBC Research estimates

Revisions and valuation

- ◆ We increase our combined net income estimates by 4% in 2022e and 3% in 2023e. Our estimate revisions imply combined net income growth of 5% in 2023e and 9% in 2024e
- ◆ EPS estimate revisions are negative at ADCB and FAB, driven by lower NIMs. Our revised 2023 EPS estimates are 5% and 8% below consensus at ADCB and FAB, respectively
- ◆ We maintain Buy ratings on ADCB, ADIB, DIB & ENBD, and Hold rating on FAB. Revise TPs for ADCB, ADIB, and ENBD. UAE banks we cover trade at 11.6x EPS '23e and yield 4%

Stock-specific views

17: Summary of net income estimate revisions

(AEDm)	New			Growth (%)			New vs old (%)		
	2022e	2023e	2024e	2022e	2023e	2024e	2022e	2023e	2024e
ADCB	5,959	6,696	7,038	18	12	5	(1)	(8)	(8)
ADIB	3,072	3,384	3,441	48	10	2	14	11	8
DIB	4,532	5,053	5,516	31	12	9	1	(3)	(3)
ENBD	11,364	12,136	13,367	32	7	10	13	24	12
FAB	13,454	13,099	14,544	11	(3)	11	(1)	(7)	(0)
Total	38,380	40,367	43,906	22	5	9	4	3	2

Source: HSBC Research estimates

ADCB (ADCB UH, Buy, TP AED10.7 from AED11.2): Following our earnings estimate reductions, we expect net income to grow 18% in 2022e and 12% in 2023e. We believe the increase in the cost of funding should lead to cumulative NIM improvement of 16bp during 2022e-24e. The bank carries surplus wholesale funding, not just deposits. There's room to optimise funding cost, in our view. We cut our target price to AED10.7 from AED11.20 on negative net income estimate revisions. We maintain our Buy rating on the stock. The stock trades at 9.9x 2023e EPS, a 32% discount to the average of EEMEA banks we cover. While consensus may cut EPS estimates, we believe valuation in the context of expected ROTE '23e of 14.4% remains attractive.

ADIB (ADIB UH, Buy, TP AED11.1 from AED10.6): We expect ADIB to deliver net income growth of 48% in 2022e and 10% in 2023e. We increase our net income estimates by 14% in 2022e and 11% in 2023e. We like strong stability in CASA deposit ratios despite increased interest rates. Unlike ADCB and FAB, there is very low wholesale carry at 2% as of Q3 22. We now forecast NIM to improve 8bp to 3.59% in 2022e and by 18bp to 3.78% in 2023e. We increase our target price to AED11.1 from AED10.60 on positive net income estimate revisions. Maintain Buy rating on the stock.

DIB (DIB UH, Buy, TP AED7.1): We expect DIB's net income to grow 31% in 2022e and 12% in 2023e. We make minor changes to our net income estimates: +1% in 2022e and -3% in 2023e-

24e. Our revised 2023 net income estimate is 3% below consensus. DIB is the only bank which saw significant attrition in deposits in 9M 22. Customer deposits are down 9% year-to-date. As a result, there is an increase in sensitivity to wholesale funding cost. The share of interest earnings assets funded by wholesale borrowings increased to 15% in Q3 22, up from 9% in Q4 21. DIB should see EPS accretion of 9% if the entire wholesale funding were to be replaced with term deposits. We raise our NIM forecast by 13bp to 2.03% in 2022e and by 20bp to 3.17% in 2023e. Target price unchanged at AED7.1. We maintain our Buy rating on the stock.

ENBD (EMIRATES UH, Buy, TP AED16.8 from AED16.5): We expect ENBD to deliver net income growth of 32% in 2022e and 7% in 2023e. We increase our net income estimates by 13% in 2022e and 24% in 2023e on the back of positive revisions to NIM. Our revised 2023e EPS estimate is in line with consensus. UAE domestic operations are the main driver of positive EPS estimate revisions at ENBD. Turkey contributes just 16% of the total positive EPS estimate revision in 2023e. Strong growth in nominal earnings at Denizbank is partly offset by a higher monetary loss estimate.

ENBD is managing its excess funding better than FAB and ADCB, in our view. It is the only bank which managed to improve its CASA deposit mix during 9M 22. Wholesale funding carry is relatively low at 9% as of Q3 22. We expect ENBD to show the biggest NIM improvement among UAE banks we cover. We raise our NIM forecast by 19bp to 3.52% in 2022e and by 42bp to 3.89% in 2023e. We increase our target price to AED16.8 from AED16.5 due to positive net income estimate revisions. We maintain our Buy rating on the stock.

FAB (FAB UH, Hold, TP AED16.6): We expect FAB's net income to grow 11% in 2022e and then decline 3% in 2023e. We cut our net income estimates by 1% in 2022e and 7% in 2023e. Our revised 2023e net income estimate is 8% below consensus. We are surprised to see that FAB can't manage its funding spread better amidst strong deposit inflow in 9M 2022. CASA deposit ratio fell to 41%, -7ppt during 9M 22, the steepest drop among banks we cover. We believe FAB has the strongest potential to improve its EPS, by as much as 10% we estimate, if it were to replace wholesale funding with term deposits. Increased investments in foreign assets dilutes asset spreads as USD instruments tend to have lower return compared local currency equivalents. We forecast FAB's NIM to improve 12bp to 1.45% in 2022e and by 4bp to 1.49% in 2023e. Target price unchanged at AED16.6. We maintain our Hold rating on the stock as we believe FAB has the strongest potential to improve its EPS, by as much as 10% we estimate, if it were to replace wholesale funding with term deposits.

Valuation and risks

Valuation		Risks
<div>ADCB ADCB UH</div> <div>Buy</div>	<div>Current price: AED9.56</div> <div>Target price: AED10.70</div> <div>Up/downside: +11.9%</div>	<div>We derive our fair value target for ADCB using a residual income methodology, which comprises three stages. For ADCB, we use an inflation differential model to calculate the cost of equity. To this end, we assume the cost of equity to be the sum of the US risk-free rate (2.0%) and the inflation differential between Abu Dhabi and the US (0.8%), plus the equity risk premium (6.5%) multiplied by the stock beta of 1. This gives us a cost of equity of 9.3% for ADCB. We cut our target price to AED10.7 from AED11.2 due to negative net income estimate revisions. Our revised target price implies 11.9% upside. We maintain our Buy rating on the stock as we believe there is room to optimise funding cost, in our view. We believe valuation in the context of expected ROTE '23e of 14.4% remains attractive.</div> <div>Aybek Islamov* aybek.islamov@hsbc.com +971 4423 6921</div> <div>Downside risks: (1) potential exposure to Russian assets which face a high risk of impairment (2) risk of corporate repayments pushing loan growth below our expectations; (3) higher-than-expected cost of risk resulting in lower-than-expected net income growth and (4) higher-than-expected operating costs due to increased investments in digital initiatives.</div>
<div>ADIB ADIB UH</div> <div>Buy</div>	<div>Current price: AED9.31</div> <div>Target price: AED11.10</div> <div>Up/downside: +19.2%</div>	<div>We derive our fair value target for ADIB using a residual income methodology, which comprises three stages. For ADIB, we use an inflation differential model to calculate the cost of equity. To this end, we assume the cost of equity to be the sum of the US risk-free rate (2.0%) and the inflation differential between Abu Dhabi and the US (0.8%), plus the equity risk premium (6.5%) multiplied by the stock beta of 1. This gives us a cost of equity of 9.3% for ADIB. We increase our target price to AED11.1 from AED10.6 due to positive net income estimate revisions. Our revised target price implies 19.2% upside. We maintain our Buy rating on the stock as we like strong stability in CASA deposit ratios despite increased interest rates.</div> <div>Aybek Islamov* aybek.islamov@hsbc.com +971 4423 6921</div> <div>Downside risks: 1) deterioration in asset quality resulting in higher than expected cost of risk, 2) a weaker than expected NIM resulting in lower net interest income growth, 3) a decline in the CASA ratio resulting in a deterioration in the funding mix, 4) higher than expected investment in digital initiatives resulting in higher operating costs, and 5) a lower than expected dividend payout ratio.</div>
<div>Dubai Islamic Bank DIB UH</div> <div>Buy</div>	<div>Current price: AED5.81</div> <div>Target price: AED7.10</div> <div>Up/downside: +22.2%</div>	<div>We derive our fair value target for DIB using a residual income methodology, which comprises three stages. For DIB, we use an inflation differential model to calculate the cost of equity. To this end, we assume the cost of equity to be the sum of the US risk-free rate (2%) and the inflation differential between the country and the US (1%), plus the equity risk premium (7% for Dubai) multiplied by the stock beta of 1.0. This gives us a cost of equity of 10% for DIB. We keep our target price unchanged as net income estimate revisions are minor. Our unchanged target price of AED7.10 implies 22.2% upside and therefore we maintain Hold rating on the stock.</div> <div>Aybek Islamov* aybek.islamov@hsbc.com +971 4423 6921</div> <div>Downside risks: (1) higher-than-expected corporate loan repayments and lack of demand post Expo 2020; (2) lower-than-expected dividend payout ratio and (3) a further increase in the Group 2 loan ratio resulting in higher-than-expected cost of risk.</div>
<div>Emirates NBD EMIRATES UH</div> <div>Buy</div>	<div>Current price: AED13.20</div> <div>Target price: AED16.80</div> <div>Up/downside: +27.3%</div>	<div>We derive our fair value target for ENBD using a residual income methodology, which comprises three stages. For ENBD, we use an inflation differential model to calculate the cost of equity. To this end, we assume the cost of equity to be the sum of the US risk-free rate (2%) and the inflation differential between the country and the US (1%), plus the equity risk premium (7% for Dubai) multiplied by the stock beta of 1.0. This gives us a cost of equity of 10% for ENBD. We increase our target price to AED16.8 from AED16.5 due to positive net income estimate revisions. Our revised target price implies 27.3% upside and therefore we maintain our Buy rating on the stock.</div> <div>Aybek Islamov* aybek.islamov@hsbc.com +971 4423 6921</div> <div>Downside risks: (1) slower-than-expected balance sheet growth as a result of weaker public sector loan demand; (2) higher-than-expected operating costs resulting in lower pre-provision income and (3) rising 10-year US yields may present a downside risk to valuations.</div>

Valuation		Risks
First Abu Dhabi Bank FAB UH Hold	Current price: AED17.88	Upside risks: (1) small bolt-on acquisitions which may boost market sentiment; (2) stronger organic capital generation may lead to a higher dividend payout ratio and (3) disposals of securities, non-core assets and/or spin-off of subsidiary businesses at a gain. Downside risks: (1) slower-than-expected loan growth resulting in weaker net interest income growth, (2) higher-than-expected increase in funding costs resulting in weaker-than-expected NIMs and (3) higher-than-expected cost of risk as a result of deterioration in asset quality.
	Target price: AED16.60	
	Up/downside: -7.2%	
We derive our fair value target for FAB using a residual income methodology, which comprises three stages. For FAB, we use an inflation differential model to calculate the cost of equity. To this end, we assume the cost of equity to be the sum of the US risk-free rate (2.0%) and the inflation differential between Abu Dhabi and the US (0.8%), plus the equity risk premium (6.5%) multiplied by the stock beta of 1. This gives us a cost of equity of 9.3% for FAB. We keep our target price unchanged at AED16.6 as net income estimate revisions are minor. Our unchanged target price implies 7.2% downside. We maintain Hold rating on the stock as we believe FAB has the strongest potential to improve its EPS, by as much as 10% we estimate, if it were to replace wholesale funding with term deposits.		
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Priced at 16 November 2022

Source: Bloomberg, HSBC estimates

* Employed by a non-US affiliate of HSBC Securities (USA) Inc, and is not registered/qualified pursuant to FINRA regulations

18: EEMEA banks – valuation summary

	BB		Mkt cap	Latest	Target		PE (x)			EPS CAGR	P/B (x)					ROTE			Div yield		
Bank	code	CCY	(USDbn)	price	price	Rating	2021a	2022e	2023e	2021-23e	2021a	2022e	2023e	COE	2021a	2022e	2023e	2021a	2022e	2023e	
CEE Banks																					
Bank Pekao	PEO PW	PLN	5.0	86.0	120.0	Buy	10.4	9.7	5.0	44%	1.0	1.0	0.9	9%	8.8%	9.5%	16.8%	5%	5%	10%	
Komerčni Banca	KOMB CP	CZK	6.0	750.0	1,100.0	Buy	11.5	8.3	8.3	17%	1.3	1.2	1.2	9%	10.5%	13.4%	13.2%	6%	16%	8%	
OTP Bank	OTP HB	HUF	7.4	10,490.0	18,800.0	Buy	5.9	5.7	6.5	-5%	1.0	0.9	0.9	10%	17.8%	16.4%	13.1%	0%	2%	2%	
PKO BP	PKO PW	PLN	12.5	28.61	46.00	Buy	7.3	9.9	5.0	22%	1.0	1.1	1.0	9%	12.6%	9.9%	18.9%	6%	5%	10%	
Moneta	MONET CP	CZK	1.5	70.9	81.0	Hold	9.1	7.3	8.4	4%	1.4	1.3	1.3	9%	14.1%	16.5%	13.8%	10%	10%	9%	
Weighted average							8.3	8.5	6.1	17%	1.1	1.1	1.0	9%	12.9%	12.3%	16.0%	5%	7%	8%	
Egypt Banks																					
CIB	COMI EY	EGP	4.4	36.14	45.00	Buy	9.1	7.4	6.1	21%	1.6	1.7	1.4	16%	18.6%	22.1%	24.5%	3%	3%	4%	
EFG Hermes	HRHO EY	EGP	0.6	13.60	20.30	Buy	10.9	11.1	9.8	6%	1.1	1.0	0.9	17%	10.1%	9.2%	9.7%	0%	0%	1%	
Weighted average							9.3	7.8	6.6	19%	1.5	1.6	1.3	16%	17.5%	20.4%	22.6%	2%	3%	4%	
Kenyan Banks																					
Equity Group	EQBNK KN	KES	1.4	45.68	55.00	Buy	4.4	4.1	3.7	9%	1.0	0.9	0.8	19%	24.9%	21.8%	20.8%	7%	8%	9%	
Kenya Commercial Bank	KNCB KN	KES	1.0	39.53	48.00	Buy	3.7	3.7	3.4	5%	0.8	0.7	0.6	18%	21.8%	18.8%	18.2%	8%	9%	10%	
Weighted average							4.1	3.9	3.6	7%	0.9	0.8	0.7	19%	23.6%	20.5%	19.7%	7%	8%	9%	
Kuwait Banks																					
Kuwait Finance House	KFH KK	KWD	36.9	0.86	0.54	Reduce	28.9	26.4	26.8	4%	3.4	3.3	3.2	10%	11.9%	12.6%	12.0%	2%	2%	2%	
National Bank of Kuwait	NBK KK	KWD	27.6	1.12	0.80	Reduce	24.7	17.6	16.4	23%	2.9	2.6	2.5	10%	11.9%	15.5%	15.4%	3%	4%	4%	
Weighted average							27.1	22.6	22.3	12%	3.2	3.0	2.9	10%	11.9%	13.8%	13.5%	2%	3%	3%	
Frontier Banks																					
Bank Muscat	BKMB OM	OMR	5.4	0.28	0.28	Hold	11.5	10.8	10.2	6%	1.0	1.0	1.0	10%	9.3%	9.4%	9.6%	5%	6%	6%	
Habib Bank Ltd	HBL PA	PKR	0.5	69.2	92.0	Buy	2.9	3.4	2.2	15%	0.4	0.5	0.4	17%	13.4%	12.0%	18.3%	11%	9%	11%	
Weighted average							10.9	10.3	9.6	7%	1.0	1.0	0.9	10%	9.6%	9.6%	10.3%	6%	6%	6%	
Qatar Banks																					
Commercial Bank Of Qatar	CBQK QD	QAR	6.7	6.05	7.10	Hold	12.0	10.5	9.8	11%	1.3	1.2	1.1	9%	11.3%	12.3%	12.0%	3%	3%	3%	
Doha Bank Ltd	DHBK QD	QAR	1.9	2.20	2.40	Hold	13.4	9.3	8.8	23%	0.7	0.6	0.6	9%	5.1%	7.0%	7.0%	3%	4%	5%	
Masraf Al-Rayan	MARK QD	QAR	9.6	3.74	2.10	Reduce	15.9	29.7	27.8	-24%	1.5	1.5	1.5	9%	10.9%	5.5%	5.8%	5%	2%	3%	
Qatar Islamic Bank	QIBK QD	QAR	15.9	24.52	21.00	Reduce	17.3	15.6	15.1	7%	2.8	2.5	2.3	9%	17.5%	17.2%	16.1%	2%	3%	3%	
Qatar National Bank	QNBK QD	QAR	49.2	19.40	22.00	Hold	14.7	13.4	12.7	8%	2.4	2.5	2.2	9%	16.4%	17.8%	18.1%	3%	3%	4%	
Weighted average							15.1	15.4	14.6	4%	2.2	2.2	2.0	9%	15.3%	15.6%	15.6%	3%	3%	3%	

Note: Latest prices as at 16 November 2022
Source: Refinitiv Datastream, HSBC estimates

18: EEMEA banks – valuation summary (continued)

	BB		Mkt cap	Latest Target			PE (x)			EPS CAGR	P/B (x)					ROTE			Div yield		
Bank	code	CCY	(USDbn)	price	price	Rating	2021a	2022e	2023e	2021-23e	2021a	2022e	2023e	COE	2021a	2022e	2023e	2021a	2022e	2023e	
Saudi Banks																					
Arab National Bank	ARNB AB	SAR	13.1	32.90	36.10	Buy	22.7	17.1	13.5	30%	1.6	1.6	1.5	9%	7.2%	9.3%	11.2%	2%	3%	4%	
Alrajhi	RJHI AB	SAR	90.0	84.60	71.10	Reduce	22.9	19.5	16.1	19%	5.0	4.2	3.6	9%	23.5%	23.5%	24.2%	1%	1%	2%	
Alinma Bank	ALINMA AB	SAR	19.7	36.95	29.20	Reduce	28.2	21.0	16.9	29%	2.9	2.7	2.5	9%	10.4%	13.2%	15.4%	2%	3%	4%	
Banque Saudi Fransi	BSFR AB	SAR	12.9	40.40	45.00	Hold	14.9	14.0	10.8	18%	1.4	1.4	1.3	9%	9.6%	10.0%	12.3%	4%	4%	5%	
Riyad	RIBL AB	SAR	28.8	36.10	38.20	Buy	18.0	15.4	12.7	19%	2.4	2.2	2.0	9%	13.4%	14.8%	16.4%	3%	3%	4%	
SNB	SNB AB	SAR	63.5	53.80	64.80	Buy	19.5	12.9	11.4	31%	2.1	2.2	2.0	9%	11.0%	17.6%	19.5%	3%	4%	5%	
Weighted average							21.4	16.9	14.0	24%	3.3	2.9	2.6	9%	15.9%	18.3%	19.7%	2%	3%	4%	
Saudi Diversified Financials																					
Nayifat Finance Co.	NAYIFAT AB	SAR	0.6	22.08	24.70	Hold	9.8	12.4	11.8	-9%	1.9	1.8	1.7	12%	19.5%	14.7%	15.1%	7%	6%	7%	
South African Banks																					
ABSA	ABG SJ	ZAR	9.5	197.17	224.00	Buy	9.2	7.6	6.8	16%	1.4	1.3	1.2	14%	14.5%	16.0%	16.6%	4%	7%	8%	
FirstRand	FSR SJ	ZAR	21.0	64.54	80.00	Buy	13.6	11.1	9.8	18%	2.6	2.3	2.1	13%	18.4%	20.6%	21.5%	4%	7%	6%	
Nedbank	NED SJ	ZAR	6.1	216.15	273.00	Buy	9.2	7.7	6.6	18%	1.2	1.1	1.0	13%	12.4%	13.5%	14.7%	6%	8%	9%	
Standard Bank	SBK SJ	ZAR	16.9	176.79	197.00	Buy	11.3	8.8	7.7	21%	1.5	1.4	1.3	14%	13.3%	15.8%	16.3%	5%	6%	7%	
Weighted average							11.6	9.4	8.3	19%	1.9	1.7	1.6	13%	15.4%	17.5%	18.2%	4%	7%	7%	
Turkish Banks																					
Akbank	AKBNK TI	TRY	4.7	16.67	15.10	Hold	7.1	1.5	2.0	91%	1.1	0.6	0.5	27%	17.5%	54.3%	27.7%	1%	7%	5%	
Garanti Bankasi	GARAN TI	TRY	6.0	26.38	21.40	Hold	8.5	1.9	2.3	92%	1.4	0.7	0.6	27%	18.5%	51.5%	28.1%	1%	5%	4%	
Halkbank	HALKB TI	TRY	2.7	10.28	5.85	Reduce	33.9	3.4	1.7	340%	0.6	0.7	0.5	28%	3.5%	24.8%	31.7%	0%	0%	0%	
Is Bankasi	ISCTR TI	TRY	11.8	9.92	8.85	Hold	7.4	1.9	1.7	109%	0.5	0.6	0.5	27%	17.4%	43.8%	32.3%	0%	5%	6%	
Vakifbank	VAKBN TI	TRY	3.9	10.29	7.40	Hold	17.5	2.0	1.9	203%	0.8	0.7	0.5	28%	8.5%	46.6%	30.2%	0%	0%	0%	
Yapi Kredi Bankasi	YKBNK TI	TRY	5.0	10.97	8.05	Hold	8.8	1.6	2.3	94%	1.5	0.7	0.6	27%	18.9%	58.0%	26.7%	1%	6%	4%	
Weighted average							11.0	1.9	2.0	131%	0.9	0.7	0.5	27%	15.7%	47.5%	29.8%	1%	5%	4%	
UAE Banks																					
Abu Dhabi Comm Bank	ADCB UH	AED	18.1	9.56	10.70	Buy	13.1	11.2	9.9	15%	1.4	1.5	1.4	9%	11.2%	13.1%	14.4%	4%	4%	5%	
Abu Dhabi Islamic Bank	ADIB UH	AED	9.2	9.31	11.10	Buy	16.3	11.0	10.0	28%	2.2	2.2	2.0	9%	13.9%	19.6%	20.9%	3%	5%	6%	
Dubai Islamic Bank	DIB UH	AED	11.4	5.81	7.10	Buy	12.2	9.3	8.3	21%	1.4	1.3	1.2	10%	11.7%	14.3%	14.8%	4%	5%	6%	
Emirates NBD	EMIRATES UH	AED	22.7	13.20	16.80	Buy	9.6	7.3	6.9	19%	1.2	1.1	1.0	10%	12.7%	15.9%	15.1%	4%	5%	6%	
First Abu Dhabi Bank	FAB UH	AED	53.7	17.88	16.60	Hold	16.0	14.7	15.1	3%	2.3	2.5	2.4	9%	15.2%	17.0%	16.5%	3%	3%	4%	
Weighted average							14.0	11.8	11.6	12%	1.9	1.9	1.8	10%	13.6%	16.1%	16.1%	3%	4%	5%	
Wtd. average all banks							17.2	14.1	12.7	22%	2.4	2.3	2.1	11%	14.7%	18.0%	17.8%	3%	4%	4%	
Wtd. average MENA							19.3	16.2	14.6	16%	2.8	2.6	2.4	9%	14.8%	16.8%	17.4%	3%	3%	4%	

Note: priced as at 16 November 2022
Source: Refinitiv Datastream, HSBC estimates

Financials & valuation: ADCB

Buy

Financial statements

Year to	12/2021a	12/2022e	12/2023e	12/2024e
P&L summary (AEDm)				
Net Interest Income	8,864	9,834	10,830	11,639
Non-interest Income	3,403	3,576	3,782	4,001
Net fees/commission	1,899	2,004	2,124	2,251
Trading profits	0	0	0	0
Other	1,504	1,572	1,658	1,749
Total Operating income	12,267	13,409	14,612	15,640
Operating expense	-4,257	-4,839	-5,076	-5,325
PPOP	8,010	8,570	9,535	10,314
Provisions	-2,646	-2,315	-2,529	-2,382
Bad debt	-2,646	-2,315	-2,529	-2,382
Other	0	0	0	0
Other non-oper profit(loss)	0	0	0	0
HSBC PBT	5,363	6,255	7,006	7,932
Exceptionals	0	0	0	0
Profit-before tax	5,363	6,255	7,006	7,932
Taxation	-116	-116	-130	-714
PAT	5,247	6,139	6,876	7,218
Minorities + pref dividend	-180	-180	-181	-181
Attributable profit	5,067	5,959	6,696	7,038
HSBC attributable profit	5,067	5,959	6,696	7,038
Balance sheet summary (AEDm)				
Total assets	440,278	491,798	512,766	534,569
Customer loans (net)	244,282	254,435	266,890	282,515
Debt investment assets	98,056	114,958	122,060	128,445
Other assets	97,940	122,405	123,815	123,609
Total Liabilities	386,908	440,417	457,669	475,783
Customer deposits	265,052	304,810	320,051	336,053
Debt securities issued	84,698	83,131	85,142	87,253
Other liabilities	37,158	52,476	52,476	52,476
Total capital	53,370	51,381	55,097	58,786
Ordinary equity	53,370	51,381	55,097	58,786
Minorities + other capital	0	0	0	0
IEA (avg)	390,619	424,716	458,211	481,251
IBL (avg)	340,362	371,492	400,654	418,337
Capital (%)				
RWA (AEDm)	333,026	357,270	373,816	394,255
CET 1	12.9	12.9	13.2	13.4
Total tier 1	14.7	14.6	14.8	15.0
Total Capital	16.0	15.7	15.9	16.0
Per share data (AED)				
EPS	0.73	0.86	0.96	1.01
HSBC EPS (fully diluted)	0.73	0.86	0.96	1.01
DPS	0.37	0.43	0.48	0.51
NAV (incl intangibles)	7.67	7.39	7.92	8.45
NAV (tangible)	6.62	6.34	6.87	7.40
ROA analysis (%)				
Net interest income	2.1	2.1	2.2	2.2
Total interest income	2.6	3.4	4.9	5.1
Total interest expense	-0.5	-1.3	-2.8	-2.9
Net fees & commission	0.4	0.4	0.4	0.4
Other income	0.4	0.3	0.3	0.3
Operating income	2.9	2.9	2.9	3.0
Operating expenses	-1.0	-1.0	-1.0	-1.0
PPOP	1.9	1.8	1.9	2.0
Provisions	-0.6	-0.5	-0.5	-0.5
Non-op items	0.0	0.0	0.0	0.0
PBT	1.3	1.3	1.4	1.5
Taxation	0.0	0.0	0.0	-0.1
Minorities + int. on AT1 notes	0.0	0.0	0.0	0.0
PAT	1.2	1.3	1.3	1.3

Growth, ratios and valuation data

Year to	12/2021a	12/2022e	12/2023e	12/2024e
Y-on-y % change				
Net interest income	-9.4	10.9	10.1	7.5
Non-interest income	25.8	5.1	5.8	5.8
Operating expense	-5.9	13.7	4.9	4.9
PPOP	0.6	7.0	11.3	8.2
Provisions	-33.7	-12.5	9.3	-5.8
PBT	35.1	16.6	12.0	13.2
PAT	43.6	17.6	12.4	5.1
Net loans	2.2	4.2	4.9	5.9
Total assets	7.1	11.7	4.3	4.3
RWA	8.7	7.3	4.6	5.5
Customer deposits	5.4	15.0	5.0	5.0
Ratios (%)				
NIM	2.27	2.32	2.36	2.42
Gross yield	2.85	3.73	5.38	5.59
Cost of funds	0.66	1.62	3.45	3.65
Spread	2.18	2.11	1.93	1.94
NPL/gross loans	5.8	5.0	5.3	5.0
Credit cost	-1.05	-0.89	-0.93	-0.83
Coverage	73	87	82	84
Provision/RWA	-0.83	-0.67	-0.69	-0.62
NPL/NAV	32.4	30.2	30.6	28.6
Net loans/assets	55.5	51.7	52.0	52.8
RWA/assets	75.6	72.6	72.9	73.8
Loans/deposits	92.2	83.5	83.4	84.1
Avg IEA/avg assets	91.8	91.1	91.2	91.9
Avg IBL/avg liabilities	91.1	89.8	89.2	89.6
Cost/income	34.7	36.1	34.7	34.1
Non-int inc/total inc	27.7	26.7	25.9	25.6
ROAA	1.2	1.3	1.3	1.3
ROTE	11.2	13.1	14.4	14.0
Return on avg tier 1	12.1	13.4	14.0	13.7
Dividend payout	50.8	50.0	50.0	50.0
Leverage (x)	9.4	10.2	10.8	10.4
Valuation data				
PE (diluted EPS)	13.1	11.2	9.9	9.5
P/PPOP	8.3	7.8	7.0	6.4
P/BVPS	1.4	1.5	1.4	1.3
Dividend yield (%)	3.9	4.5	5.0	5.3
P/Deposit	0.3	0.2	0.2	0.2
P/Asset	0.2	0.1	0.1	0.1

* Based on HSBC EPS (diluted)

Issuer information

Share price (AED)	9.56	Target price (AED)	10.70
Reuters (Equity)	ADCB.AD	Bloomberg (Equity)	ADCB.UH
Market cap (USDm)	18,487	Market cap (AEDm)	67,291
Country/Reg	UAE	Sector	Commercial Banks
Analyst	Aybek Islamov	Contact	+971 4 423 6921

Notes: Priced at close of 16 November 2022

ESG metrics (2021)

Environmental Indicators		Governance Indicators	
GHG Intensity (kg/USD)	0.010	No. of board members	10
Energy Intensity (kWh/USD)	0.012	Average board experience (years)	7
CO2 reduction policy	Yes	Female board members (%)	10
Social Indicators		Board members Independence (%)	90
Employee costs as % of sales	20.4		
Employee turnover (%)	NA		
Diversity policy	Yes		

Source: Company data, HSBC

Financials & valuation: Abu Dhabi Islamic Bank

Buy

Financial statements

Year to	12/2021a	12/2022e	12/2023e	12/2024e
P&L summary (AEDm)				
Net Interest Income	3,986	4,466	5,175	5,686
Non-interest Income	1,258	1,494	1,640	1,804
Net fees/commission	958	1,110	1,228	1,360
Trading profits				
Other	299	383	413	444
Total Operating income	5,244	5,959	6,815	7,490
Operating expense	-2,260	-2,299	-2,332	-2,394
Staff costs	-1,439	-1,525	-1,571	-1,618
Other operating costs	-821	-774	-761	-776
PPOP	2,984	3,660	4,483	5,096
Provisions	-954	-591	-870	-1,083
Bad debt	-936	-516	-820	-1,053
Other	-19	-75	-50	-30
Other non-oper profit(loss)	316	280	50	50
HSBC PBT	2,345	3,349	3,663	4,063
Exceptionals				
Profit-before tax	2,345	3,349	3,663	4,063
Taxation	-15	-22	-24	-366
PAT	2,330	3,327	3,640	3,697
Minorities + int on capital notes	-256	-256	-256	-256
Attributable profit	2,074	3,072	3,384	3,441
HSBC attributable profit	2,074	3,072	3,384	3,441
Balance sheet summary (AEDm)				
Total assets	136,868	149,459	162,576	173,023
Customer loans (net)	88,252	100,237	108,990	116,403
Debt investment assets	13,691	19,243	21,273	22,644
Other assets	34,925	29,979	32,312	33,977
Total Liabilities	121,075	133,728	145,643	154,867
Customer deposits	109,611	121,668	132,618	141,239
Debt securities issued	4,754	4,754	4,754	4,754
Other liabilities	6,710	7,305	8,270	8,874
Total capital	15,793	15,732	16,933	18,156
Ordinary equity	15,793	15,732	16,933	18,156
Minorities + other capital	0	0	0	0
IEA (avg)	117,499	131,044	143,101	152,542
IBL (avg)	113,147	124,851	136,437	145,439
Capital (%)				
RWA (AEDm)	104,443	121,533	131,529	140,104
CET 1	12.9	12.3	12.2	12.4
Total tier 1	17.5	16.2	15.9	15.8
Total Capital	18.6	17.1	16.7	16.6
Per share data (AED)				
EPS	0.57	0.85	0.93	0.95
HSBC EPS (fully diluted)	0.57	0.85	0.93	0.95
DPS	0.31	0.46	0.60	0.61
NAV (incl intangibles)	4.35	4.33	4.66	5.00
NAV (tangible)	4.31	4.30	4.63	4.97
ROA analysis (%)				
Net interest income	3.0	3.1	3.3	3.4
Total interest income	3.3	3.5	4.3	4.5
Total interest expense	-0.2	-0.4	-1.0	-1.1
Net fees & commission	0.7	0.8	0.8	0.8
Other income	0.2	0.3	0.3	0.3
Operating income	4.0	4.2	4.4	4.5
Operating expenses	-1.7	-1.6	-1.5	-1.4
Staff costs	-1.1	-1.1	-1.0	-1.0
Other operating costs	-0.6	-0.5	-0.5	-0.5
PPOP	2.3	2.6	2.9	3.0
Provisions	-0.7	-0.4	-0.6	-0.6
Non-op items	0.2	0.2	0.0	0.0
PBT	1.8	2.3	2.3	2.4
Taxation	0.0	0.0	0.0	-0.2
Minorities + int on capital notes	-0.2	-0.2	-0.2	-0.2
PAT	1.6	2.1	2.2	2.1

Growth, ratios and valuation data

Year to	12/2021a	12/2022e	12/2023e	12/2024e
Y-on-y % change				
Net interest income	-1.7	12.0	15.9	9.9
Non-interest income	-2.7	18.8	9.8	10.0
Operating expense	-7.8	1.7	1.4	2.7
PPOP	3.0	22.7	22.5	13.7
Provisions	-27.4	-38.1	47.2	24.6
PBT	47.1	42.8	9.4	10.9
PAT	57.0	48.1	10.2	1.7
Net loans	5.8	13.6	8.7	6.8
Total assets	7.1	9.2	8.8	6.4
RWA	4.8	16.4	8.2	6.5
Customer deposits	8.2	11.0	9.0	6.5
Ratios (%)				
NIM	3.52	3.59	3.78	3.85
Gross yield	3.81	4.04	4.94	5.10
Cost of funds	0.30	0.47	1.23	1.31
Spread	3.51	3.57	3.72	3.79
NPL/gross loans	8.9	8.4	6.8	5.8
Credit cost	1.04	0.52	0.75	0.90
Coverage	59	58	56	63
Provision/RWA	0.92	0.46	0.65	0.78
NPL/NAV	52.5	56.2	45.2	38.3
Net loans/assets	64.5	67.1	67.0	67.3
RWA/assets	76.3	81.3	80.9	81.0
Loans/deposits	80.5	82.4	82.2	82.4
Avg IEA/avg assets	85.6	86.8	87.9	88.1
Avg IBL/avg liabilities	93.0	93.4	93.5	93.8
Cost/income	43.1	38.6	34.2	32.0
Non-int inc/total inc	24.0	25.1	24.1	24.1
ROAA	1.6	2.1	2.2	2.1
ROTE	13.9	19.6	20.9	19.7
Return on avg tier 1	11.6	16.2	16.7	16.0
Dividend payout	48.5	50.0	60.0	60.0
Leverage (x)	8.9	9.2	9.6	9.6
Valuation data				
P/E (diluted EPS)	16.3	11.0	10.0	9.8
P/PPOP	11.3	9.2	7.5	6.6
P/BVPS	2.2	2.2	2.0	1.9
Dividend yield (%)	3.3	4.9	6.5	6.6
P/Deposit	0.3	0.3	0.3	0.2
P/Asset	0.2	0.2	0.2	0.2

* Based on HSBC EPS (diluted)

Issuer information

Share price (AED)	9.31	Target price (AED)	11.20
Reuters (Equity)	ADIB.AD	Bloomberg (Equity)	ADIB.UH
Market cap (USDm)	9,473	Market cap (AEDm)	34,481
Country	UAE	Sector	Commercial Banks
Analyst	Aybek Islamov	Contact	+971 4 423 6921

Notes: Priced at close of 16 November 2022

ESG metrics (2021)

Environmental Indicators		Governance Indicators	
GHG Intensity (kg/USD)	15.6	No. of board members	7
Energy Intensity (kWh/USD)	NA	Average board experience (years)	NA
CO2 reduction policy	Yes	Female board members (%)	14
Social Indicators		Board members Independence (%)	71
Employee costs as % of sales	27.4		
Employee turnover (%)	NA		
Diversity policy	Y		

Source: Company data, HSBC

Financials & valuation: Dubai Islamic Bank

Buy

Financial statements

Year to	12/2021a	12/2022e	12/2023e	12/2024e
P&L summary (AEDm)				
Net Interest Income	6,639	8,033	8,768	9,321
Non-interest Income	2,666	2,240	2,335	2,485
Net fees/commission	1,655	1,604	1,670	1,755
Trading profits	519	200	222	278
Other	493	435	443	452
Total Operating income	9,306	10,273	11,103	11,805
Operating expense	-2,529	-2,737	-2,909	-3,042
PPOP	6,776	7,536	8,194	8,764
Provisions	-2,394	-2,018	-2,094	-2,085
Bad debt	-2,394	-2,018	-2,094	-2,085
Other				
Other non-oper profit(loss)	62	110	100	100
HSBC PBT	4,444	5,628	6,201	6,779
Exceptionals				
Profit-before tax	4,444	5,628	6,201	6,779
Taxation	-38	-93	-102	-112
PAT	4,406	5,535	6,098	6,667
Minorities + Others	-954	-1,003	-1,046	-1,151
Attributable profit	3,452	4,532	5,053	5,516
HSBC attributable profit	3,452	4,532	5,053	5,516
Balance sheet summary (AEDm)				
Total assets	279,082	286,502	300,951	318,366
Customer loans (net)	186,691	191,137	200,571	210,625
Debt investment assets	43,024	51,383	55,395	59,728
Other assets	49,367	43,982	44,985	48,013
Total Liabilities	248,480	253,544	265,466	280,123
Customer deposits	205,845	195,553	211,197	225,981
Debt securities issued	28,827	28,827	30,883	32,693
Other liabilities	13,808	29,164	23,386	21,450
Total capital	30,602	32,958	35,485	38,243
Ordinary equity	30,602	32,958	35,485	38,243
Minorities + other capital				
IEA (avg)	261,098	268,629	284,876	301,802
IBL (avg)	228,992	233,116	244,016	257,549
Capital (%)				
RWA (AEDm)	228,820	234,270	245,833	258,156
CET 1	12.4	13.1	13.5	13.9
Total tier 1	16.0	16.6	16.8	17.1
Total Capital	17.1	17.7	17.9	18.1
Per share data (AED)				
EPS (reported)	0.48	0.63	0.70	0.76
HSBC EPS (fully diluted)	0.48	0.63	0.70	0.76
DPS	0.25	0.30	0.35	0.38
NAV (incl intangibles)	4.23	4.55	4.90	5.28
NAV (tangible)	4.23	4.55	4.90	5.28
ROA analysis (%)				
Net interest income	2.4	2.8	2.7	2.6
Total interest income	3.4	4.4	6.3	6.4
Total interest expense	-1.0	-1.6	-3.6	-3.8
Net fees & commission	0.6	0.6	0.6	0.6
Other income	0.3	0.2	0.5	0.6
Operating income	3.3	3.6	3.8	3.8
Operating expenses	-0.9	-1.0	-1.0	-1.0
PPOP	2.4	2.7	2.8	2.8
Provisions	-0.8	-0.7	-0.7	-0.7
Non-op items	0.0	0.0	0.0	0.0
PBT	1.6	2.0	2.1	2.2
Taxation	0.0	0.0	0.0	0.0
Minorities + Others	-0.3	-0.4	-0.4	-0.4
PAT	1.2	1.6	1.7	1.8

Growth, ratios and valuation data

Year to	12/2021a	12/2022e	12/2023e	12/2024e
Y-on-y % change				
Net interest income	-0.9	21.0	9.1	6.3
Non-interest income	-3.1	-16.0	4.3	6.4
Operating expense	-7.3	8.2	6.3	4.6
PPOP	0.8	11.2	8.7	6.9
Provisions	-40.4	-15.7	3.7	-0.4
PBT	38.6	26.6	10.2	9.3
PAT	44.5	31.3	11.5	9.2
Net loans	-5.1	2.4	4.9	5.0
Total assets	-3.6	2.7	5.0	5.8
RWA	2.1	2.4	4.9	5.0
Customer deposits	0.0	-5.0	8.0	7.0
Ratios (%)				
NIM	2.51	3.03	3.17	3.18
Gross yield	3.40	4.44	6.26	6.38
Cost of funds	1.02	1.61	3.59	3.75
Spread	2.39	2.83	2.67	2.63
NPL/gross loans	6.4	6.2	6.0	5.5
Credit cost	1.17	1.00	1.00	0.95
Coverage	70	75	77	83
Provision/RWA	-1.06	-0.87	-0.87	-0.83
NPL/NAV	41.7	38.5	36.2	32.3
Net loans/assets	66.9	66.7	66.6	66.2
RWA/assets	82.0	81.8	81.7	81.1
Loans/deposits	90.7	97.7	95.0	93.2
Avg IEA/avg assets	91.8	95.0	97.0	97.5
Avg IBL/avg liabilities	89.9	92.9	94.0	94.4
Cost/income	27.2	26.6	26.2	25.8
Non-int inc/total inc	28.7	21.8	21.0	21.0
ROAA	1.2	1.6	1.7	1.8
ROTE	11.7	14.3	14.8	15.0
Return on avg tier 1	9.2	12.0	12.6	12.9
Dividend payout	52.4	48.0	50.0	50.0
Leverage (x)	9.6	8.9	8.6	8.4
Valuation data				
PE (diluted EPS)	12.2	9.3	8.3	7.6
P/PPPOP	6.2	5.6	5.1	4.8
P/BVPS	1.4	1.3	1.2	1.1
Dividend yield (%)	4.3	5.2	6.0	6.6
P/Deposit	0.2	0.2	0.2	0.2
P/Asset	0.2	0.1	0.1	0.1

* Based on HSBC EPS (diluted)

Issuer information

Share price (AED)	5.81	Target price (AED)	7.10
Reuters (Equity)	DISB.DU	Bloomberg (Equity)	DIB UH
Market cap (USDm)	11,668	Market cap (AEDm)	42,470
Country/Reg	UAE	Sector	Commercial Banks
Analyst	Aybek Islamov	Contact	+971 4 423 6921

Notes: Priced at close of 16 November 2022

ESG metrics (2021)

Environmental Indicators		Governance Indicators	
GHG Intensity (kg/USD)	NA	No. of board members	9
Energy Intensity (kWh/USD)	NA	Average board experience (years)	NA
CO2 reduction policy	Yes	Female board members (%)	0
Social Indicators		Board members Independence (%)	NA
Employee costs as % of sales	18.0		
Employee turnover (%)	NA		
Diversity policy	Yes		

Source: Company data, HSBC

Financials & valuation: Emirates NBD

Buy

Financial statements

Year to	12/2021a	12/2022e	12/2023e	12/2024e
P&L summary (AEDm)				
Net Interest Income	16,925	21,504	24,816	26,839
Non-interest Income	6,597	9,159	8,880	8,555
Net fees/commission	3,836	4,131	4,431	4,694
Trading profits	151	0	0	0
Other	2,610	5,028	4,449	3,861
Total Operating income	23,522	30,664	33,696	35,394
Operating expense	-7,992	-8,836	-9,455	-10,117
Staff costs	-4,566	-5,205	-5,569	-5,959
Other oper expenses	-3,426	-3,631	-3,886	-4,158
PPOP	15,530	21,827	24,241	25,277
Provisions	-5,899	-7,749	-9,383	-9,169
Bad debt	-5,899	-4,852	-5,108	-5,084
Other	0	-2,897	-4,276	-4,085
Other non-oper profit(loss)	279	-21	-21	-21
HSBC PBT	9,910	14,058	14,836	16,087
Exceptionals	0	0	0	0
Profit-before tax	9,910	14,058	14,836	16,087
Taxation	-604	-1,933	-1,929	-1,930
PAT	9,306	12,125	12,908	14,156
Minorities + int. on tier 1	-673	-761	-772	-789
Attributable profit	8,633	11,364	12,136	13,367
HSBC attributable profit	8,633	11,364	12,136	13,367
Balance sheet summary (AEDm)				
Total assets	687,437	731,190	758,317	787,880
Customer loans (net)	422,272	423,438	437,798	456,759
Debt investment assets	105,343	121,145	125,990	131,030
Other assets	159,821	186,608	194,528	200,091
Total Liabilities	612,986	650,372	666,821	686,572
Customer deposits	456,484	483,050	503,692	525,240
Debt securities issued	0	0	0	0
Other liabilities	156,502	167,322	163,129	161,332
Total capital	74,451	80,819	91,495	101,308
Ordinary equity	74,391	80,759	91,436	101,249
Minorities + other capital	60	60	60	60
IEA (avg)	598,194	610,099	638,336	661,721
IBL (avg)	571,671	575,685	594,391	615,487
Capital (%)				
RWA	446,382	501,180	543,236	577,627
CET 1	15.1	14.5	15.2	15.8
Total tier 1	17.2	16.6	16.7	17.0
Total Capital	18.3	17.6	17.6	17.8
Per share data (AED)				
EPS	1.37	1.80	1.92	2.12
HSBC EPS (fully diluted)	1.37	1.80	1.92	2.12
DPS	0.50	0.72	0.77	0.95
NAV (incl intangibles)	11.79	12.79	14.48	16.03
NAV (tangible)	10.84	11.84	13.53	15.08
ROA analysis (%)				
Net interest income	2.4	3.0	3.3	3.5
Total interest income	3.8	4.8	6.1	6.4
Total interest expense	-1.4	-1.8	-2.8	-2.9
Net fees & commission	0.6	0.6	0.6	0.6
Other income	0.4	0.7	0.6	0.5
Operating income	3.4	4.3	4.5	4.6
Operating expenses	-1.2	-1.2	-1.3	-1.3
Staff costs	-0.7	-0.7	-0.7	-0.8
Other oper exp	-0.5	-0.5	-0.5	-0.5
PPOP	2.2	3.1	3.3	3.3
Provisions	-0.9	-1.1	-1.3	-1.2
Non-op items	0.0	0.0	0.0	0.0
PBT	1.4	2.0	2.0	2.1
Taxation	-0.1	-0.3	-0.3	-0.2
Minorities + int. on tier 1	-0.1	-0.1	-0.1	-0.1
PAT	1.2	1.6	1.6	1.7

Growth, ratios and valuation data

Year to	12/2021a	12/2022e	12/2023e	12/2024e
Y-on-y % change				
Net interest income	-3.2	27.1	15.4	8.2
Non-interest income	15.3	38.8	-3.0	-3.7
Operating expense	1.7	10.6	7.0	7.0
PPOP	1.1	40.5	11.1	4.3
Provisions	-25.7	31.4	21.1	-2.3
PBT	33.4	41.9	5.5	8.4
PAT	38.9	31.6	6.8	10.1
Net loans	-4.8	0.3	3.4	4.3
Total assets	-1.5	6.4	3.7	3.9
RWA	0.0	12.3	8.4	6.3
Customer deposits	-1.7	5.8	4.3	4.3
Ratios (%)				
NIM	2.83	3.52	3.89	4.06
Gross yield	4.43	5.61	7.17	7.43
Cost of funds	1.67	2.21	3.53	3.63
Spread	2.76	3.40	3.64	3.80
NPL/gross loans	6.3	5.9	6.0	5.8
Credit cost	-1.25	-1.05	-1.08	-1.04
Coverage	128	141	139	143
Provision/RWA	-1.32	-1.64	-1.80	-1.64
NPL/NAV	48.4	41.6	38.3	34.6
Net loans/assets	61.4	57.9	57.7	58.0
RWA/assets	64.9	68.5	71.6	73.3
Loans/deposits	92.5	87.7	86.9	87.0
Avg IEA/avg assets	86.3	86.0	85.7	85.6
Avg IBL/avg liabilities	92.4	91.1	90.3	91.0
Cost/income	34.0	28.8	28.1	28.6
Non-int inc/total inc	28.0	29.9	26.4	24.2
ROAA	1.2	1.6	1.6	1.7
ROTE	12.7	15.9	15.1	14.8
Return on avg tier 1	11.6	14.1	14.5	14.7
Dividend payout	36.6	40.0	40.0	45.0
Leverage (x)	10.2	9.9	9.3	8.6
Valuation data				
PE (diluted EPS)	9.6	7.3	6.9	6.2
P/PPOP	4.7	3.4	3.0	2.9
P/BVPS	1.2	1.1	1.0	0.9
Dividend yield (%)	3.8	5.5	5.8	7.2
P/Deposit	0.2	0.2	0.1	0.1
P/Asset	0.1	0.1	0.1	0.1

* Based on HSBC EPS (diluted)

Issuer information

Share price (AED)	13.20	Target price (AED)	16.80
Reuters (Equity)	ENBD.DU	Bloomberg (Equity)	EMIRATES.UH
Market cap (USDm)	22,614	Market cap (AEDm)	82,993
Country/Reg	UAE	Sector	Commercial Banks
Analyst	Aybek Islamov	Contact	+971 4 423 6921

Notes: Priced at close of 16 November 2022

ESG metrics (2021)

Environmental Indicators		Governance Indicators	
GHG Intensity (kg/USD)	6.66	No. of board members	9
Energy Intensity (kWh/USD)	13.3	Average board experience (years)	NA
CO2 reduction policy	Yes	Female board members (%)	0
Social Indicators		Board members Independence (%)	NA
Employee costs as % of sales	19.9		
Employee turnover (%)	8		
Diversity policy	Yes		

Source: Company data, HSBC

Financials & valuation: First Abu Dhabi Bank

Hold

Financial statements

Year to	12/2021a	12/2022e	12/2023e	12/2024e
P&L summary (AEDm)				
Net Interest Income	11,658	14,139	15,980	18,138
Non-interest Income	10,023	9,325	7,604	7,950
Net fees/commission	3,035	2,746	3,000	3,236
Trading profits	6,454	2,800	3,500	3,500
Other	534	3,780	1,105	1,213
Total Operating income	21,681	23,464	23,584	26,087
Operating expense	-5,836	-6,330	-6,575	-6,766
PPOP	15,845	17,134	17,009	19,321
Provisions	-2,658	-2,392	-2,588	-2,834
Bad debt	-2,658	-2,392	-2,588	-2,834
Other	0	0	0	0
Other non-oper profit(loss)	0	0	0	0
HSBC PBT	13,187	14,742	14,421	16,487
Exceptionals	0	0	0	0
Profit-before tax	13,187	14,742	14,421	16,487
Taxation	-644	-885	-865	-1,484
PAT	12,542	13,858	13,556	15,003
Minorities + int on capital notes	-367	-404	-457	-459
Attributable profit	12,175	13,454	13,099	14,544
HSBC attributable profit	12,175	13,454	13,099	14,544
Balance sheet summary (AEDm)				
Total assets	1,001,096	1,143,982	1,195,414	1,248,560
Customer loans (net)	409,590	470,990	522,175	566,381
Debt investment assets	191,060	205,328	224,927	242,600
Other assets	400,446	467,664	448,312	439,578
Total Liabilities	899,021	1,047,274	1,092,789	1,139,124
Customer deposits	614,670	749,897	809,889	858,482
Debt securities issued	122,512	89,119	89,119	89,119
Other liabilities	161,840	208,258	193,781	191,523
Total capital	102,075	96,707	102,625	109,435
Ordinary equity	102,075	96,707	102,625	109,435
Minorities + other capital	0	0	0	0
IEA (avg)	876,411	972,496	1,071,415	1,145,556
IBL (avg)	793,544	887,723	969,673	1,029,536
Capital (%)				
RWA (AEDm)	578,995	588,293	625,443	656,531
CET 1	12.4	12.4	12.6	13.1
Total tier 1	14.3	14.2	14.3	14.7
Total Capital	15.4	15.3	15.3	15.6
Per share data (AED)				
EPS	1.12	1.22	1.19	1.32
HSBC EPS (fully diluted)	1.12	1.22	1.19	1.32
DPS	0.49	0.60	0.65	0.70
NAV (incl intangibles)	9.35	8.76	9.30	9.91
NAV (tangible)	7.64	7.07	7.60	8.22
ROA analysis (%)				
Net interest income	1.2	1.3	1.4	1.5
Total interest income	1.9	2.7	4.3	4.6
Total interest expense	-0.7	-1.4	-2.9	-3.2
Net fees & commission	0.3	0.3	0.3	0.3
Other income	0.7	0.6	0.4	0.4
Operating income	2.3	2.2	2.0	2.1
Operating expenses	-0.6	-0.6	-0.6	-0.6
PPOP	1.7	1.6	1.5	1.6
Provisions	-0.3	-0.2	-0.2	-0.2
Non-op items	0.0	0.0	0.0	0.0
PBT	1.4	1.4	1.2	1.3
Taxation	-0.1	-0.1	-0.1	-0.1
Minorities + int on capital notes	0.0	0.0	0.0	0.0
PAT	1.3	1.3	1.1	1.2

Growth, ratios and valuation data

Year to	12/2021a	12/2022e	12/2023e	12/2024e
Y-on-y % change				
Net interest income	-4.9	21.3	13.0	13.5
Non-interest income	58.7	-7.0	-18.5	4.5
Operating expense	15.3	8.5	3.9	2.9
PPOP	17.3	8.1	-0.7	13.6
Provisions	1.5	-10.0	8.2	9.5
PBT	21.0	11.8	-2.2	14.3
PAT	20.2	10.5	-2.6	11.0
Net loans	5.9	15.0	10.9	8.5
Total assets	8.9	14.3	4.5	4.4
RWA	14.6	1.6	6.3	5.0
Customer deposits	13.6	22.0	8.0	6.0
Ratios (%)				
NIM	1.33	1.45	1.49	1.58
Gross yield	2.06	3.00	4.70	4.95
Cost of funds	0.81	1.69	3.54	3.74
Spread	1.25	1.31	1.15	1.20
NPL/gross loans	3.9	3.6	3.8	3.6
Credit cost	-0.64	-0.52	-0.50	-0.50
Coverage	82	78	71	73
Provision/RWA	-0.46	-0.41	-0.41	-0.43
NPL/NAV	20.2	22.7	24.3	23.4
Net loans/assets	40.9	41.2	43.7	45.4
RWA/assets	57.8	51.4	52.3	52.6
Loans/deposits	66.6	62.8	64.5	66.0
Avg IEA/avg assets	91.3	90.7	91.6	93.7
Avg IBL/avg liabilities	92.3	91.2	90.6	92.3
Cost/income	26.9	27.0	27.9	25.9
Non-int inc/total inc	46.2	39.7	32.2	30.5
ROAA	1.3	1.3	1.1	1.2
ROTE	15.2	17.0	16.5	16.9
Return on avg tier 1	15.2	16.2	15.1	15.6
Dividend payout	43.9	49.3	54.8	53.2
Leverage (x)	12.0	13.6	14.7	14.2
Valuation data				
P/E (diluted EPS)	16.0	14.7	15.1	13.6
P/PPOP	12.3	11.5	11.6	10.2
P/BVPS	2.3	2.5	2.4	2.2
Dividend yield (%)	2.7	3.4	3.6	3.9
P/Deposit	0.3	0.3	0.2	0.2
P/Asset	0.2	0.2	0.2	0.2

* Based on HSBC EPS (diluted)

Issuer information

Share price (AED)	17.88	Target price (AED)	16.60
Reuters (Equity)	FAB.AD	Bloomberg (Equity)	FAB.UH
Market cap (USDm)	55,309	Market cap (AEDm)	202,986
Country/Reg	UAE	Sector	Commercial Banks
Analyst	Aybek Islamov	Contact	+971 4 423 6921

Notes: Priced at close of 16 November 2022

ESG metrics (2021)

Environmental Indicators		Governance Indicators	
GHG Intensity (kg/USD)	8.86	No. of board members	11
Energy Intensity (kWh/USD)	18.54	Average board experience (years)	3
CO2 reduction policy	Yes	Female board members (%)	0
Social Indicators		Board members Independence (%)	78%
Employee costs as % of sales	15		
Employee turnover (%)	NA		
Diversity policy	Yes		

Source: Company data, HSBC

Disclosure appendix

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The target price is based on the analyst's assessment of the stock's actual current value, although we expect it to take six to 12 months for the market price to reflect this. When the target price is more than 20% above the current share price, the stock will be classified as a Buy; when it is between 5% and 20% above the current share price, the stock may be classified as a Buy or a Hold; when it is between 5% below and 5% above the current share price, the stock will be classified as a Hold; when it is between 5% and 20% below the current share price, the stock may be classified as a Hold or a Reduce; and when it is more than 20% below the current share price, the stock will be classified as a Reduce.

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Upside/Downside is the percentage difference between the target price and the share price.

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For each stock we set a required rate of return calculated from the cost of equity for that stock's domestic or, as appropriate, regional market established by our strategy team. The target price for a stock represented the value the analyst expected the stock to reach over our performance horizon. The performance horizon was 12 months. For a stock to be classified as Overweight, the potential return, which equals the percentage difference between the current share price and the target price, including the forecast dividend yield when indicated, had to exceed the required return by at least 5 percentage points over the succeeding 12 months (or 10 percentage points for a stock classified as Volatile*). For a stock to be classified as Underweight, the stock was expected to underperform its required return by at least 5 percentage points over the succeeding 12 months (or 10 percentage points for a stock classified as Volatile*). Stocks between these bands were classified as Neutral.

*A stock was classified as volatile if its historical volatility had exceeded 40%, if the stock had been listed for less than 12 months (unless it was in an industry or sector where volatility is low) or if the analyst expected significant volatility. However, stocks which we did not consider volatile may in fact also have behaved in such a way. Historical volatility was defined as the past month's average of the daily 365-day moving average volatilities. In order to avoid misleadingly frequent changes in rating, however, volatility had to move 2.5 percentage points past the 40% benchmark in either direction for a stock's status to change.

Rating distribution for long-term investment opportunities

As of 30 September 2022, the distribution of all independent ratings published by HSBC is as follows:

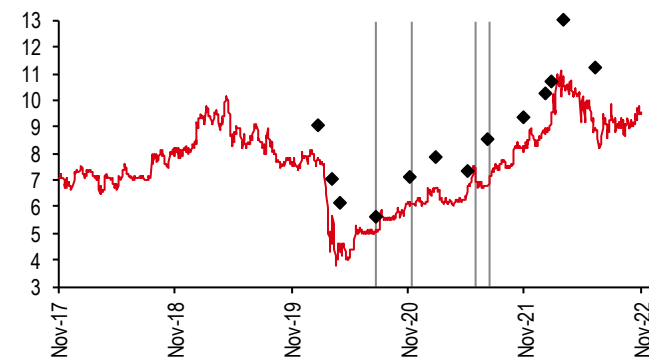
Buy	59%	(16% of these provided with Investment Banking Services in the past 12 months)
Hold	35%	(14% of these provided with Investment Banking Services in the past 12 months)
Sell	6%	(7% of these provided with Investment Banking Services in the past 12 months)

For the purposes of the distribution above the following mapping structure is used during the transition from the previous to current rating models: under our previous model, Overweight = Buy, Neutral = Hold and Underweight = Sell; under our current model Buy = Buy, Hold = Hold and Reduce = Sell. For rating definitions under both models, please see "Stock ratings and basis for financial analysis" above.

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Share price and rating changes for long-term investment opportunities

Abu Dhabi Comm Bank (ADCB.AD) share price performance AED Vs HSBC rating history



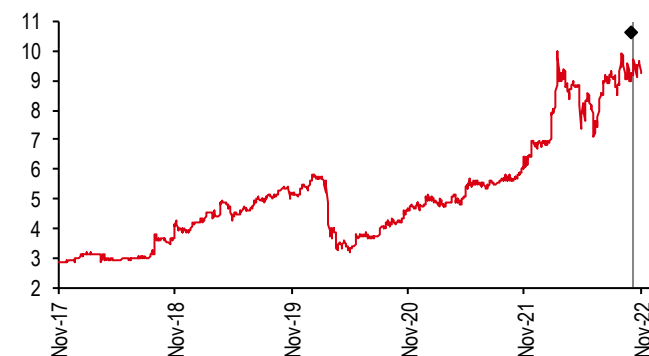
Source: HSBC

Rating & target price history

From	To	Date	Analyst
Buy	Hold	05 Aug 2020	Aybek Islamov
Hold	Buy	23 Nov 2020	Aybek Islamov
Buy	Hold	16 Jun 2021	Aybek Islamov
Hold	Buy	27 Jul 2021	Aybek Islamov
Target price	Value	Date	Analyst
Price 1	9.00	09 Feb 2020	Aybek Islamov
Price 2	7.00	25 Mar 2020	Aybek Islamov
Price 3	6.10	16 Apr 2020	Aybek Islamov
Price 4	5.60	05 Aug 2020	Aybek Islamov
Price 5	7.10	23 Nov 2020	Aybek Islamov
Price 6	7.80	11 Feb 2021	Aybek Islamov
Price 7	7.30	20 May 2021	Aybek Islamov
Price 8	8.50	27 Jul 2021	Aybek Islamov
Price 9	9.30	17 Nov 2021	Aybek Islamov
Price 10	10.20	24 Jan 2022	Aybek Islamov
Price 11	10.70	10 Feb 2022	Aybek Islamov
Price 12	13.00	22 Mar 2022	Aybek Islamov
Price 13	11.20	29 Jun 2022	Aybek Islamov

Source: HSBC

Abu Dhabi Islamic Bank Su (ADIB.AD) share price performance AED Vs HSBC rating history



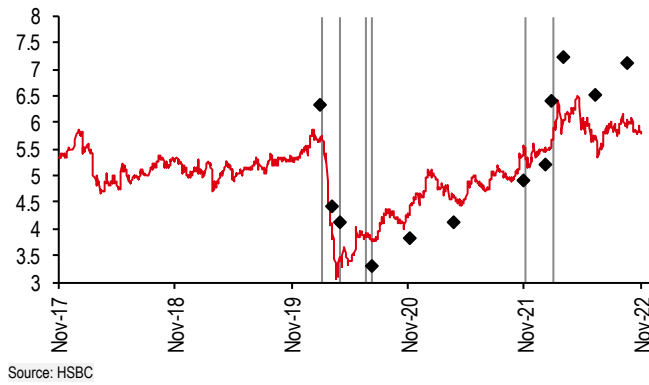
Source: HSBC

Rating & target price history

From	To	Date	Analyst
N/A	Buy	19 Oct 2022	Aybek Islamov
Target price	Value	Date	Analyst
Price 1	10.60	19 Oct 2022	Aybek Islamov

Source: HSBC

Dubai Islamic Bank (DISB.DU) share price performance AED Vs HSBC rating history

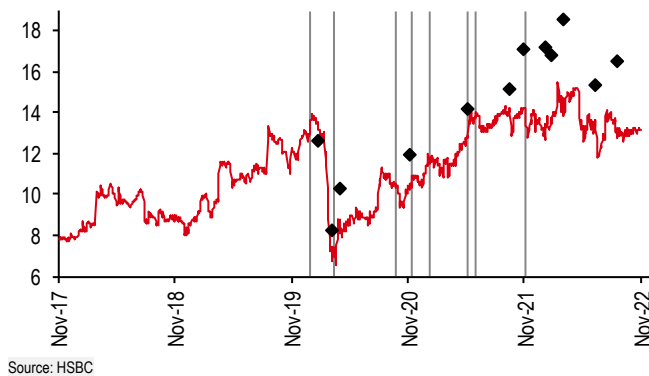


Rating & target price history

From	To	Date	Analyst
Restricted	Hold	17 Feb 2020	Aybek Islamov
Hold	Buy	16 Apr 2020	Aybek Islamov
Buy	Hold	07 Jul 2020	Aybek Islamov
Hold	Reduce	26 Jul 2020	Aybek Islamov
Reduce	Hold	17 Nov 2021	Aybek Islamov
Hold	Buy	10 Feb 2022	Aybek Islamov
Target price	Value	Date	Analyst
Price 1	6.30	17 Feb 2020	Aybek Islamov
Price 2	4.40	25 Mar 2020	Aybek Islamov
Price 3	4.10	16 Apr 2020	Aybek Islamov
Price 4	3.30	26 Jul 2020	Aybek Islamov
Price 5	3.80	23 Nov 2020	Aybek Islamov
Price 6	4.10	08 Apr 2021	Aybek Islamov
Price 7	4.90	17 Nov 2021	Aybek Islamov
Price 8	5.20	24 Jan 2022	Aybek Islamov
Price 9	6.40	10 Feb 2022	Aybek Islamov
Price 10	7.20	22 Mar 2022	Aybek Islamov
Price 11	6.50	29 Jun 2022	Aybek Islamov
Price 12	7.10	06 Oct 2022	Aybek Islamov

Source: HSBC

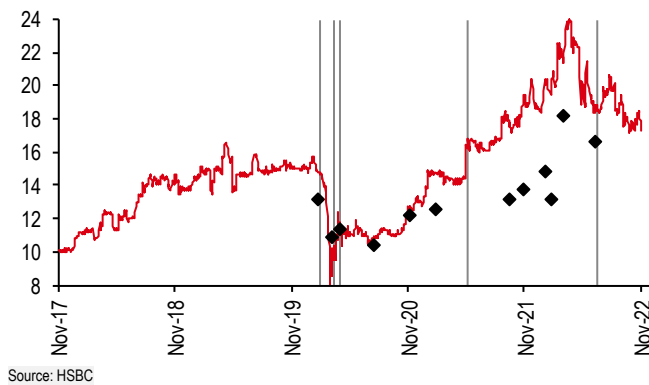
Emirates NBD (ENBD.DU) share price performance AED Vs HSBC rating history



Rating & target price history

From	To	Date	Analyst
Buy	Hold	12 Jan 2020	Aybek Islamov
Hold	Buy	25 Mar 2020	Aybek Islamov
Buy	Hold	06 Oct 2020	Aybek Islamov
Hold	Buy	23 Nov 2020	Aybek Islamov
Buy	Hold	18 Jan 2021	Aybek Islamov
Hold	Buy	20 May 2021	Aybek Islamov
Buy	Hold	16 Jun 2021	Aybek Islamov
Hold	Buy	17 Nov 2021	Aybek Islamov
Target price	Value	Date	Analyst
Price 1	12.60	09 Feb 2020	Aybek Islamov
Price 2	8.20	25 Mar 2020	Aybek Islamov
Price 3	10.20	16 Apr 2020	Aybek Islamov
Price 4	11.90	23 Nov 2020	Aybek Islamov
Price 5	14.10	20 May 2021	Aybek Islamov
Price 6	15.10	04 Oct 2021	Aybek Islamov
Price 7	17.10	17 Nov 2021	Aybek Islamov
Price 8	17.20	24 Jan 2022	Aybek Islamov
Price 9	16.80	10 Feb 2022	Aybek Islamov
Price 10	18.50	22 Mar 2022	Aybek Islamov
Price 11	15.30	29 Jun 2022	Aybek Islamov
Price 12	16.50	06 Sep 2022	Aybek Islamov

Source: HSBC

**First Abu Dhabi Bank (FAB.AD) share price performance
 AED Vs HSBC rating history**

Rating & target price history

From	To	Date	Analyst
Hold	Reduce	09 Feb 2020	Aybek Islamov
Reduce	Buy	25 Mar 2020	Aybek Islamov
Buy	Hold	16 Apr 2020	Aybek Islamov
Hold	Reduce	20 May 2021	Aybek Islamov
Reduce	Hold	29 Jun 2022	Aybek Islamov
Target price	Value	Date	Analyst
Price 1	13.05	09 Feb 2020	Aybek Islamov
Price 2	10.77	25 Mar 2020	Aybek Islamov
Price 3	11.27	16 Apr 2020	Aybek Islamov
Price 4	10.38	04 Aug 2020	Aybek Islamov
Price 5	12.16	23 Nov 2020	Aybek Islamov
Price 6	12.55	11 Feb 2021	Aybek Islamov
Price 7	13.05	04 Oct 2021	Aybek Islamov
Price 8	13.74	17 Nov 2021	Aybek Islamov
Price 9	14.83	24 Jan 2022	Aybek Islamov
Price 10	13.05	10 Feb 2022	Aybek Islamov
Price 11	18.10	22 Mar 2022	Aybek Islamov
Price 12	16.60	29 Jun 2022	Aybek Islamov

Source: HSBC

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ABU DHABI ISLAMIC BANK	ADIB.AD	9.22	17 Nov 2022	7
DUBAI ISLAMIC BANK	DISB.DU	5.78	17 Nov 2022	1, 2, 5, 6, 7
EMIRATES NBD	ENBD.DU	13.15	17 Nov 2022	1, 2, 5, 6, 7
FIRST ABU DHABI BANK	FAB.AD	17.30	17 Nov 2022	5, 6, 7

Source: HSBC

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