

UAE Banks

More gain, less pain

Equities Commercial Banks

United Arab Emirates

- ◆ Growth outlook improves as public sector loan repayments ease. We forecast combined loan growth of 7% in 2023e
- ◆ We see limited downside risks to NIM as rates should stabilise '24e. Demand deposit ratios quite resilient despite high rates
- ◆ Upgrade DIB to Buy from Hold. Maintain Buy on ENBD & ADCB. Raise TPs at ADIB, DIB, Emirates NBD and FAB

Growth outlook better than at the start of the year. Latest disclosures show public sector loan growth improved to 0.2% y-o-y in Q2 23 from -6% in Q1 23 and -3% in Q4 22. Public loans contribute c30% to total loans. We expect loans to grow c7% in 2023e vs our previous forecast of 6% as repayments ease further. ADCB and EmiratesNBD gained market share in retail loans in H1 23 and showed corresponding improvement in fee income. ADIB's loan market share has been stable, but unlike ENBD and ADCB, its domestic fee income fell 2% y-o-y in H1 23.

Limited NIM contraction when interest rates stabilise. Except ADIB, UAE banks we cover had minor attrition in CASA deposit ratios since 2020 (Exhibit 7). The main reason is the high ratio of operational accounts in both retail and corporate segments. We believe off-plan real estate escrow deposits to be one of the important drivers. Such trend makes UAE banks less sensitive to funding costs compared to their peers in Saudi Arabia and Qatar. We view this as a bonus while interest rates remain high in the short term. Our revisions to NIM '24e are positive at EmiratesNBD, neutral at ADCB, DIB and FAB. ADIB is the only bank where we expect NIM to improve in 2024e (Exhibit 10). The average NIM contraction for others should be just 4bp, we estimate.

Stock preferences. We maintain Buy ratings on ADCB and ENBD. Both offer attractive value relative to ROTE '24e, in our view. We upgrade DIB to Buy from Hold. DIB should be a beneficiary of gradual Fed rate cuts due to increased share of fixed rate assets. We cut UAE tax rate to 9% from 15% from 2024e, across our coverage. We raise our combined net income estimates by 9% in 2023e and 10% in 2024e. Maintain Hold ratings on ADIB and FAB. Key concern at ADIB centres on cash coverage deficit: 225bp of assets as at Q2 23. FAB's active interest in acquisitions and lower revenue quality are likely to keep valuation in check. The main positive is the improvement in core revenue growth since 2021.

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Register

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

Company	Ticker	CP (AED)	TP		Rating		Upside/ downside	PE (x)		P/BV (x)		ROTE. 2024e (%)	Div. yld. 2023e (%)
			New	Old	New	Old		2023e	2024e	2023e	2024e		
ADCB	ADCB UH	8.66	10.9	10.9	Buy	Buy	25.9%	8.7	8.6	1.2	1.1	12.7	2.3
ADIB	ADIB UH	10.4	11.5	11.1	Hold	Hold	10.6%	9.0	9.0	2.0	1.8	21.2	6.0
DIB	DIB UH	5.64	6.5	5.9	Buy	Hold	15.2%	7.7	7.9	1.1	1.1	14.0	6.5
ENBD	EMIRATES UH	16.6	19.7	17.6	Buy	Buy	18.7%	5.2	5.9	1.2	1.0	18.5	6.7
FAB	FAB UH	13.22	13.4	12.7	Hold	Hold	1.4%	10.1	10.3	1.6	1.4	14.8	4.2

Source: Bloomberg, HSBC, pricing as at close on 7 September 2023.

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

- ◆ We believe banks can sustain recovery in loan growth as pressure of public sector loan repayments eases further
- ◆ We see limited downside risk to NIMs as interest rates stabilise and / or start to decline gradually. We explain the key reasons
- ◆ We raise our combined net income estimates by 9% in '23e & 10% in '24e. Core fee income growth partly mitigates pressure on NIM

Stock preferences and revisions

Abu Dhabi Commercial Bank: Maintain Buy, TP AED10.90 unchanged

We believe ADCB will be able to maintain strong fee income growth in H2 23, helped by market share gains in the public and retail loan segments in H1 23. ADCB showed its strength in driving card and loan processing fees higher so far this year. We see low downside risk to ADCB's NIM as interest rates stabilise due to the bank's ability to retain CASA deposit ratios. Attrition in CASA deposit ratio was just 3ppt since 2020. ADCB's cash coverage deficit is low at 65bp as at Q2 23, in the context of recurring cost of risk of 100-110bp. We keep our 2023-25e net income estimates unchanged. We expect net income to rise 16% in 2023e and by 1% in 2024e as ADCB absorbs a one-off corporate tax introduction next year. Our unchanged target price of AED10.9 implies c26% upside and therefore we maintain our Buy rating on the stock.

Abu Dhabi Islamic Bank: Maintain Hold, raise TP to AED11.5 from AED11.1

ADIB maintained loan market share in retail and public sector in H1 23. We raise our 2023e loan growth forecast by 2ppt to 7% in 2023e. ADIB is the only bank in our coverage where we expect NIMs to continue to improve in 2024e. We forecast NIMs to increase 93bp to 4.43% in 2023e and 9bp to 4.52% in 2024e. We believe bank needs to improve its cash coverage of Stage 2 and 3 loans. ADIB's stage 3 coverage at 51% is the lowest amongst UAE banks we cover. We forecast cost of risk to gradually rise to 1% in 2025e from c0.65% in 2023e. We estimate net income to grow 27% in 2023e and then remain flat in 2024e.

Dubai Islamic Bank: Upgrade to Buy, raise TP to AED6.5 from AED5.9

DIB increased exposure to fixed-rate sukuk investments; 20% of assets in Q2 23 vs 15% in Q4 21, should hedge NIM in a falling interest rate cycle which we estimate to be 3-4 quarters away. We forecast NIMs to increase 2bp to 3.07% in 2023e and then decline by 4bp to 3.03% in 2024e. We look for an accelerated increase in term deposit ratio during H1 23 (Exhibit 9). We raise our net income estimates by 9% in 2024e and 12% in 2025e as we revise corporate tax rate to 9% from 15% previously. We now forecast net income to grow 14% in 2023e and then decline by 2% in 2024e.

Emirates NBD: Maintain Buy, raise TP to AED19.7 from AED17.6

ENBD reported the highest increase in retail loan market share with a gain of 0.5ppt to 21.4% during H1 23. We now forecast loan growth of 8% in 2023e and 7% in 2024e. We raise ENBD's NIM by 13bp to 4.25% in 2023e and 5bp to 4.18% as we incorporate stronger-than-expected domestic NIM performance in H1 23. We believe ENBD should have the lowest pressure on the cost of risk due to strong provision coverage ratios. ENBD is the only bank to have a provision surplus among the UAE banks we cover. We cut our cost of risk forecast by 19bp to 51bp for 2023e. We raise our net income estimates by 19% in 2023e and 17% in 2024e. Based on our revised net income forecasts, we now forecast net income to grow 61% in 2023e and then decline by 11% in 2024e.

First Abu Dhabi Bank: Maintain Hold, raise TP to AED13.4 from AED12.7

FAB improved CASA deposit mix by 2ppt year-to-date to 45% in Q2 23. We raise our 2023e NIM forecast by 4bp to 1.78%. However, public sector loan market share fell 1.5ppt to 29.9% during H1 23. We cut our loan growth forecast by 1ppt in 2023-25e. We now forecast loan growth of 6% in 2023e and 7% in 2024e. Revenue quality is diluted by reliance on FX and investment-related gains. We forecast ROTE to decline to 14.2% by 2025e from 16.4% in 2023e on the back of lower ROA and asset to equity multiples. Raise TP to AED13.4 from AED12.7 due to positive earnings revisions. Maintain Hold rating on valuation grounds.

1: Summary of net income revisions

	New			Growth (%)			New vs old (%)		
	2023e	2024e	2025e	2023e	2024e	2025e	2023e	2024e	2025e
ADCB	7,286	7,333	7,995	17	1	9	0	0	(0)
ADIB	4,213	4,213	3,951	27	(0)	(6)	4	4	(0)
DIB	5,282	5,190	5,452	14	(2)	5	1	9	12
ENBD	19,973	17,786	18,035	61	(11)	1	19	17	16
FAB	14,416	14,200	14,694	11	(1)	3	6	10	3
Total	51,169	48,723	50,127	29	(5)	3	9	10	8

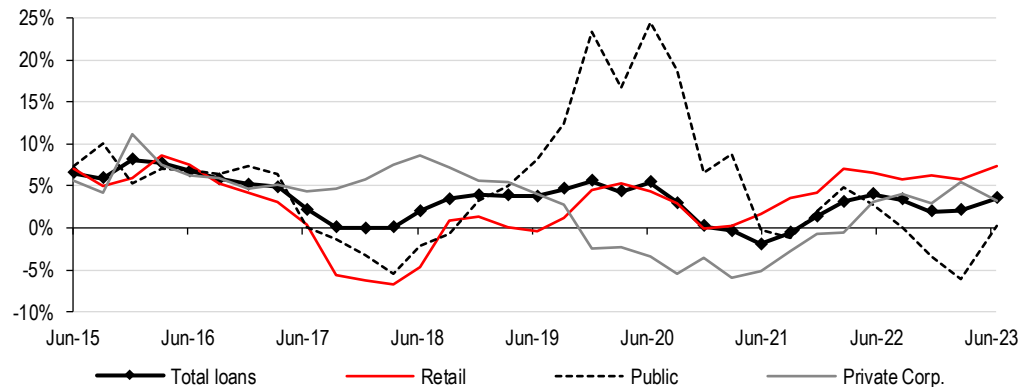
Source: HSBC estimates

Loan growth outlook better than at the start of the year

We see signs of easing of public sector repayments in Q2 23. Sector loan growth improved to c4% in Q2 23 from 2% in Q4 22. The improvement in loan growth was on the back of reducing public sector loan repayments and a sustained retail loan growth momentum.

Year-on-year public sector loan growth improved to 0.2% in Q2 23 from -6% in Q1 23 and -3% in Q4 22. Public sector loans stood at 28% of sector loans as at Q2 23 and were a drag on overall loan growth during last year. Latest feedback from investor conference calls with the banks suggests that pressure from public sector repayments should continue to ease in H2 23.

2: Sector loan growth improved to c4% in Q2 23 from 2% in Q4 21



Source: Central Bank of UAE, HSBC Research

ADCB and ADIB improved public loan market share during H1 23. FAB continues to have a leading market share in public sector loans at c30%, although down marginally since the end of last year.

Public sector loan repayments impacted ENBD and DIB during H1 23. Market share of both declined by c1ppt since Q4 22.

3: Public loan market share trend

(%)	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22	Q2 22	Q3 22	Q4 22	Q1 23	Q2 23	Chg. since Q4 22
ADCB	11.6	11.9	12.8	13.9	13.5	12.8	13.3	13.2	13.0	13.7	0.5
ADIB	3.0	3.0	3.0	3.3	3.5	3.3	3.9	4.3	4.3	4.3	0.1
DIB	5.5	5.4	5.4	3.6	4.2	5.6	5.5	5.1	4.6	4.2	(0.9)
ENBD	34.0	34.0	33.8	31.7	28.4	25.6	24.3	24.2	25.1	23.3	(1.0)
FAB	27.2	27.8	26.9	28.5	29.6	31.2	32.3	31.4	31.3	29.9	(1.5)

Source: Company data, HSBC estimates

Retail loan growth momentum remains strong. We expect retail loan growth to continue benefiting from the increase in the UAE population base by c12% during 2022. Sector retail loan growth improved to 7% in Q2 23 from 6% in Q4 22. Retail loans are 29% of sector loans as of Q2 23.

ENBD reported the highest increase in retail loan market share with a gain of 0.5ppt to 21.4% during H1 23, followed by ADCB at 0.3ppt to 12%. FAB was the laggard as its market share declined by 0.3ppt to 15.8%. ADIB's retail loan market share was stable at c12.7%.

4: Retail loan market share trend

	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22	Q2 22	Q3 22	Q4 22	Q1 23	Q2 23	Chg. since Q4 22
ADCB	12.7	12.5	12.0	12.0	11.6	11.6	11.6	11.7	11.8	12.0	0.3
ADIB	12.3	12.1	12.0	12.1	12.0	12.2	12.2	12.7	12.6	12.7	(0.0)
DIB	11.6	11.4	11.5	11.4	11.3	11.1	11.0	11.0	10.9	10.8	(0.2)
ENBD	17.7	18.4	18.7	19.1	19.4	19.7	20.7	20.9	21.5	21.4	0.5
FAB	17.0	17.5	18.0	17.4	17.9	17.3	16.5	16.1	15.8	15.8	(0.3)

Source: Company data, HSBC estimates

We forecast loan growth at ENBD, ADCB and ADIB to outperform other UAE banks in 2023e. We forecast ENBD's customer loans to grow 8% in 2023e, 7% in 2024e and 6% in 2025e. We expect ADCB and ADIB's loan growth to reach 7% in 2023e and 6% in 2024e.

We cut FAB's loan growth forecast by 1ppt to 6% in 2023e as we incorporate weaker-than-expected loan growth in H1 23. We expect DIB's loan growth to remain at 4% during 2023-25e.

5: Summary of revisions to loan growth

	New			Chg. In growth rates new vs old (ppt)			Old		
(%)	2023e	2024e	2025e	2023e	2024e	2025e	2023e	2024e	2025e
ADCB	7	6	4	-	-	-	7	6	4
ADIB	7	6	6	2	0	(0)	5	6	6
DIB	4	4	4	(0)	(0)	(0)	4	4	4
ENBD	8	7	6	1	1	1	7	5	5
FAB	6	7	6	(1)	(1)	(1)	8	8	7
Average	7	6	5	0	0	(0)	6	6	5

Source: HSBC Research estimates

Limited downside risk to NIMs as interest rates stabilise

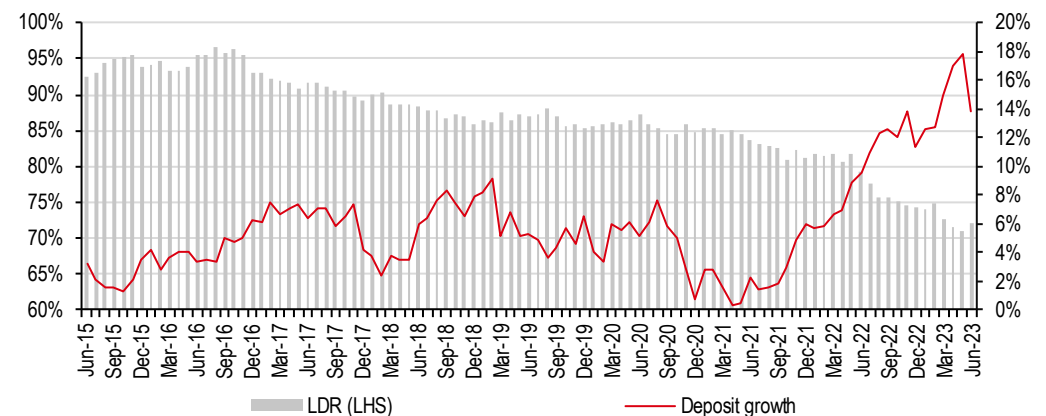
UAE banks are less liability sensitive, compared to banks in Saudi Arabia and Qatar.

Liquidity conditions in the UAE banking sector have improved consistently since 2020. Loan to deposit ratio declined to 72% in Q2 23 from 79% in Q2 22.

There are two main drivers of surplus liquidity in the banking system. First, healthy inflow of public and private sector deposits. Most recent UAE Central bank data show that sector deposit growth accelerated to 14% in Q2 23 from 11% in Q4 22 and 10% in Q2 22. Second, low single digit loan growth which boosts sector liquidity further.

We argued in our report on the UAE banks [Dealing with over-funding](#), 21st November 2022, that surplus liquidity gives banks better deposit pricing power. This is opposite to Saudi Arabia and Qatar where banks are a lot more sensitive to funding costs.

6: Liquidity conditions in the UAE banking sector have been easier since 2020



Source: Central Bank of UAE, HSBC Research

Sticky CASA deposit base a strong positive. Operational accounts dominate retail and corporate deposits in the UAE. Such accounts are usually less sensitive to high interest rates.

This is one of the reasons which explains why CASA deposit ratios held up better among UAE banks compared to their peers in Saudi Arabia since 2020. ADIB is the only exception as its CASA deposit ratio fell to 66% in H1 23 from 76% in 2020.

We forecast CASA ratio to improve marginally to 52% in 2024e and 53% in 2025e from 51% in H1 23 on average for banks we cover as interest rates stabilise.

7: Share of CASA deposits among UAE banks held up better...

(%)	2020	H1 23	Chg. 2020-H1 23
ADCB	50	47	(3)
ADIB	76	66	(10)
DIB	42	38	(3)
ENBD	54	61	7
FAB	42	45	3
Average	53	51	(1)

Source: Company data

8: ... compared to their peers in Saudi Arabia

(%)	2020	H1 23	Chg. 2020-H1 23
Alinma	58	48	(10)
Alrajhi	87	64	(23)
ANB	59	48	(11)
BSF	63	57	(6)
Riyad	58	46	(12)
SNB	70	74	4
Average	66	56	(10)

Source: Company data

FAB and ENBD managed to improve the share of CASA deposits despite rising interest rates since 2020. DIB on the other hand saw a significant inflow of time deposits in H1 23. A rapid shift in the deposit mix during H1 23 leaves DIB's CASA deposit ratio just 3ppt lower relative to 2020 at 38%.

9: CASA ratio trend

(%)	2019	2020	2021	2022	H1 23	2023e	2024e	2025e
ADCB	38	50	57	49	47	48	50	51
ADIB	69	76	75	68	66	66	66	67
DIB	NA	42	44	43	38	38	39	40
ENBD	44	54	64	64	61	62	62	62
FAB	34	42	47	43	45	43	44	45
Average	46	53	57	53	51	51	52	53

Source: Company data, HSBC research estimates

Downside risk to NIMs in 2024e-2025e should be limited. We forecast average NIMs to decline 2bp to 3.19% in 2024e and 8bp to 3.11% in 2025e as interest rates stabilise.

ADIB is the only bank in our coverage where we expect NIMs to improve in 2024e due to a more gradual increase in asset spreads. We now forecast NIMs to improve 93bp to 4.43% in 2023e and 9bp to 4.52% in 2024e.

We raise ENBD's NIM by 13bp to 4.25% in 2023e and 5bp to 4.18% as we incorporate stronger than expected domestic NIM performance in H1 23.

10: Summary of NIM revisions

	NIM (%)			y-o-y change (bp)			New vs Old (bp)		
	2023e	2024e	2025e	2023e	2024e	2025e	2023e	2024e	2025e
ADCB	2.50%	2.47%	2.45%	11	(3)	(2)	0	0	(0)
ADIB	4.43%	4.52%	4.28%	93	9	(24)	(1)	(12)	(12)
DIB	3.07%	3.03%	2.99%	2	(4)	(4)	(8)	(0)	4
ENBD	4.25%	4.18%	4.08%	46	(7)	(11)	13	5	11
FAB	1.78%	1.77%	1.74%	26	(1)	(3)	4	(0)	(3)
Average	3.21%	3.19%	3.11%	36	(2)	(8)	2	(2)	(0)

Source: HSBC Research estimates

As we illustrate in the following exhibit, the funding costs at UAE banks increased in line with the Qatari and the Saudi peers since the trough of 2021. We expect banks in Qatar and UAE to show the biggest decline in the cost of funds until 2025e.

11: Change in funding costs and asset yields

(ppt.)	Chg. in funding costs		Chg. in asset yields	
	21-23e	23e-25e	21-23e	23e-25e
CBQ	2.34	(1.31)	2.02	(1.25)
Doha	3.16	(1.27)	2.24	(0.97)
Masraf	2.92	(1.11)	1.91	(0.94)
QIB	1.73	(1.19)	1.83	(1.22)
QNB	3.44	(1.29)	3.42	(1.22)
Qatar	2.72	(1.23)	2.29	(1.12)
ANB	2.89	(0.04)	3.10	(0.25)
Alrajhi	2.46	(0.18)	1.00	0.00
Alinma	2.83	0.28	2.76	0.16
BSF	2.55	(0.03)	2.71	(0.31)
Riyad	2.36	(0.03)	2.93	(0.23)
SNB	2.48	0.06	2.27	0.02
Saudi	2.60	0.01	2.46	(0.10)
ADCB	3.05	(0.63)	2.90	(0.61)
ADIB	1.74	(0.47)	2.55	(0.59)
DIB	2.40	(0.68)	2.61	(0.69)
ENBD	2.31	(0.58)	3.57	(0.73)
FAB	3.74	(0.85)	3.85	(0.82)
UAE	2.65	(0.64)	3.10	(0.69)

Source: Company data, HSBC Research estimates

Re-balancing in the funding mix in-line with the regulatory requirements should be the key catalyst for lower cost of funding in Qatar. Surplus deposit funding should help UAE banks reduce their cost of funding as interest rates stabilise in 2024e. We believe the funding costs of the Saudi banks will be less elastic until 2025e due to shortage of funding relative to asset growth.

On the asset yields side, UAE banks have had the biggest improvement since 2021. Banks in Saudi and Qatar lagged in asset yields gains during this period. We expect asset yields to be more stable in Saudi Arabia until 2025e. We estimate asset yields to fall nearly in line with the cost of funding in Qatar and UAE.

Focus on core revenue

ADCB: strong strides in retail market. ADCB showed strength in card and loan processing fees in Q2 23 which were consistent with year-to-date retail loan market share gains (Exhibit 4). ADCB's fee income increased 27% y-o-y in H1 23. ENBD is a runner-up with 13% y-o-y growth in fee income in H1 23. The financials of ENBD make it difficult to break out Turkey from the group fee income.

ADIB's fee income looks strong on the surface, +15% y-o-y in H1 23. But excluding the impact of consolidation of ADIB Egypt, domestic fee income fell 2% y-o-y in H1 23, which surprises us.

Recent increase in the UAE population should continue to feed H2 23 fee income. The positive effect, we estimate, will fade next year, leading to average fee income growth of 6%.

12: Fee income growth trend

(%)	2015	2016	2017	2018	2019	2020	2021	2022	H1 23	2023e	2024e	2025e
ADCB	9	1	7	(15)	(4)	(22)	22	11	27	25	5	6
ADIB	23	(8)	23	3	2	(8)	(3)	43	15	2	5	5
DIB	34	14	5	1	4	(27)	1	(3)	0	15	5	5
ENBD	9	2	3	(3)	38	(7)	5	6	13	10	6	6
FAB	(4)	2	(13)	1	(7)	(8)	4	(8)	5	11	6	6
Average	9	3	0	(3)	8	(14)	6	5	11	13	6	6

Source: Company data, HSBC Research estimates

We forecast core revenue growth of 5% in 2024-25e on average for banks we cover. This is a deceleration from 22% in 2023e as we expect NIMs to decline from 2024e onwards and fee income to slow.

13: Core revenue growth trend

(%)	2015	2016	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e
ADCB	10	(4)	6	1	(6)	(9)	(4)	14	16	6	5
ADIB	12	4	2	3	3	(9)	(2)	23	39	11	1
DIB	26	5	12	10	5	(15)	(1)	20	8	5	4
ENBD	8	(0)	6	15	28	5	(2)	37	26	2	7
FAB	1	(1)	(6)	(1)	(3)	(4)	(3)	17	22	6	5
Average	8	(0)	3	5	6	(4)	(2)	25	22	5	5

Source: Company data, HSBC Research estimates

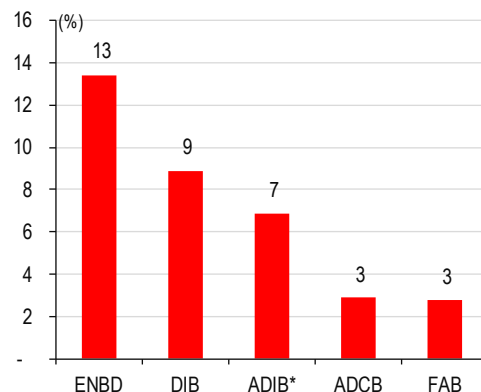
Historically, ENBD, DIB and ADIB delivered the strongest core revenue CAGR 13/23e at 13%, 9% and 7%, respectively.

ENBD's core revenue CAGR 2013/23e of 13% includes the impact of Denizbank acquisition in 2019. In case of ENBD, we add the net interest income, fee income, FX related income and then deduct loss from monetary position to calculate core revenue.

ADCB and FAB delivered core revenue CAGR 2013-23e of just 3%. We prefer exposure to ADCB over FAB due to better revenue quality of the former. FX and investment related gains, gain on sale of non-core assets diluted the quality of revenue at FAB.

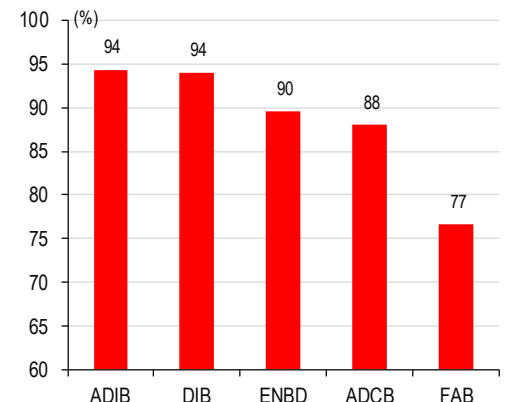
As we show in Exhibit 11, the ratio of core revenue to total revenue for FAB at 77% in H1 23 is lowest amongst UAE banks we cover.

14: Core revenue growth CAGR 2013-23e



Source: Company data, HSBC Research estimates. *We exclude ADIB Egypt core revenue in 2023e to calculate CAGR '13/23e

15: Revenue quality* (H1 2023)



Source: Company data, HSBC Research estimates. *We take the sum of NII and fee income as a percentage of total revenue to estimate the revenue quality.

Valuation and risks

Valuation		Risks
<div>ADCB ADCB UH</div> <div>Buy</div>	<div>Current price: AED8.66</div> <div>Target price: AED10.90</div> <div>Up/downside: +25.9%</div>	<div>We derive our target price 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 (3.5%) and the inflation differential between Abu Dhabi and the US (0.3%) plus the equity risk premium (5.5%) multiplied by the stock's beta of 1. This gives us a cost of equity of 9.3% for ADCB. All these assumptions are unchanged. Our unchanged target price of AED10.90 implies 25.9% upside and therefore we maintain Buy rating on the stock.</div> <div>Aybek Islamov* aybek.islamov@hsbc.com +971 4423 6921</div>
<div>ADIB ADIB UH</div> <div>Hold</div>	<div>Current price: AED10.40</div> <div>Target price: AED11.50</div> <div>Up/downside: +10.6%</div>	<div><div>Downside risks:</div>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; and 4) a greater-than-expected investment in digital initiatives resulting in higher operating costs.</div> <div><div>Upside risks:</div>1) higher-than-expected asset yields resulting in better-than-expected NIMs; 2) improvement in Stage 2 and 3 loan ratio resulting in a lower-than-expected cost of risk; and 3) higher-than-expected dividend payout ratio.</div>
<div>Dubai Islamic Bank DIB UH</div> <div>Buy</div>	<div>Current price: AED5.64</div> <div>Target price: AED6.50</div> <div>Up/downside: +15.2%</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 (3.5% vs 2% previously) and the inflation differential between the country and the US (0.5% vs 1% previously) plus the equity risk premium (6% vs 7% for Dubai previously) multiplied by the stock's unchanged beta of 1.0. We revise our risk-free rate and equity risk premium as we reflect updated assumptions from HSBC's equity strategy team. We lower our inflation differential to 0.5% from 1% previously as we incorporate low realised historical inflation in Dubai. This gives us a cost of equity of 10% for DIB (unchanged). We increase our target price to AED6.5 from AED5.90 on the back of positive net income revisions. Our revised target price implies 15.2% upside. We upgrade the stock to Buy from Hold as we believe DIB should be a beneficiary of gradual Fed rate cuts due to an increased share of fixed rate assets.</div> <div>Aybek Islamov* aybek.islamov@hsbc.com +971 4423 6921</div> <div><div>Downside risks:</div>1) higher-than-expected corporate loan repayments resulting in lower-than-expected loan growth; 2) a further increase in the Group 2 loan ratio, resulting in higher-than-expected cost of risk and lower coverage; and 3) a deterioration in the deposit mix, resulting in lower-than-expected NIMs.</div>

	Valuation	Risks
Emirates NBD EMIRATES UH Buy	<p>Current price: AED16.60</p> <p>Target price: AED19.70</p> <p>Up/downside: +18.7%</p> <p>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 (3.5% vs 2% previously) and the inflation differential between the country and the US (0.5% vs 1% previously) plus the equity risk premium (6.5% vs 7.5% previously), multiplied by the stock's unchanged beta of 1.0. We revise our risk-free rate and equity risk premium as we reflect updated assumptions from HSBC's equity strategy team. We lower our inflation differential to 0.5% from 1% previously as we incorporate low realised historical inflation in Dubai. This gives us a cost of equity of 10.5% for ENBD (unchanged). We increase our target price to AED19.7 from AED17.6 on the back of positive net income revisions. Our revised target price implies 18.7% upside. We maintain a Buy rating on the stock as we believe ENBD should have the lowest pressure on the cost of risk among our covered UAE banks due to strong provision coverage ratios. ENBD is the only bank to have a provision surplus among the UAE banks we cover.</p>	<p>Downside risks: 1) slower-than-expected balance sheet growth as a result of weaker public sector loan demand; 2) weaker-than-expected performance of Turkish subsidiary; 3) higher-than-expected operating costs resulting in lower pre-provision income; and 4) rising 10-year US yields may present a downside risk to valuations.</p>
Aybek Islamov* aybek.islamov@hsbc.com +971 4423 6921		
First Abu Dhabi Bank FAB UH Hold	<p>Current price: AED13.22</p> <p>Target price: AED13.40</p> <p>Up/downside: +1.4%</p> <p>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 (3.5% vs 2.0% previously) and the inflation differential between Abu Dhabi and the US (0.3% vs 0.8% previously) plus the equity risk premium (6% vs 7% previously) multiplied by the stock's unchanged beta of 1. We revise our risk-free rate and equity risk premium as we reflect updated assumptions from HSBC's equity strategy team. We lower our inflation differential to 0.3% from 0.8% previously as we incorporate low realised historical inflation in UAE. This gives us a cost of equity of 9.8% for FAB (unchanged). We increase our target price to AED13.4 from AED12.7 on the back of positive net income revisions. Our revised target price implies 1.4% upside and therefore we maintain our Hold rating on the stock.</p>	<p>Upside risks: 1) stronger-than-expected improvement in asset yields resulting in higher NIMs; 2) lower-than-expected cost growth; and 3) disposals of securities, non-core assets and/or spin-off of subsidiary businesses at a gain.</p> <p>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.</p>
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Priced at 7 September 2023

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

Source: Bloomberg, HSBC estimates

16: 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	2022a	2023e	2024e	2022-24e	2022a	2023e	2024e	COE	2022a	2023e	2024e	2022a	2023e	2024e	
CEE Banks																					
Bank Pekao	PEO PW	PLN	6.0	99.02	147.00	Buy	15.1	4.7	6.0	58%	1.3	1.0	0.9	9%	7.4%	21.4%	21.4%	3%	11%	8%	
Komerčni Banca	KOMB CP	CZK	5.8	695.50	850.00	Buy	7.6	8.1	8.2	-4%	1.2	1.2	1.1	9%	14.2%	13.2%	13.2%	9%	8%	8%	
OTP Bank	OTP HB	HUF	11.0	14,290.00	18,000.00	Buy	6.8	6.2	5.6	10%	1.3	1.1	0.9	10%	18.6%	17.8%	17.8%	2%	3%	3%	
PKO BP	PKO PW	PLN	12.5	35.26	46.00	Buy	13.3	7.0	6.2	47%	1.4	1.1	1.0	9%	9.0%	15.8%	15.8%	0%	7%	12%	
Moneta	MONET CP	CZK	1.9	84.70	90.00	Hold	8.3	8.9	8.5	-1%	1.6	1.5	1.5	9%	17.1%	15.5%	15.5%	9%	9%	9%	
Weighted average							10.5	6.7	6.4	28%	1.3	1.1	1.0	9%	12.8%	16.9%	16.9%	3%	7%	8%	
Egypt Banks																					
CIB	CBKD LI	USD	5.8	1.29	1.45	Buy	12.4	7.0	6.0	43%	2.6	2.4	1.8	20%	21.1%	35.5%	33.5%	2%	2%	3%	
EFG Hermes	HRHO EY	EGP	0.8	15.90	15.60	Hold	12.6	7.3	7.2	32%	1.2	1.1	1.0	21%	10.9%	15.6%	13.9%	0%	1%	3%	
Weighted average							12.4	7.0	6.2	42%	2.5	2.2	1.7	20%	19.9%	33.2%	31.3%	2%	2%	3%	
Kenyan Banks																					
Equity Group	EQBNK KN	KES	1.0	37.53	58.00	Buy	3.2	2.9	2.5	12%	0.8	0.7	0.6	19%	25.1%	24.8%	24.8%	11%	11%	11%	
Kenya Commercial Bank	KNCB KN	KES	0.5	23.41	50.00	Buy	1.8	1.7	1.6	7%	0.4	0.3	0.3	18%	22.0%	20.6%	20.6%	9%	11%	11%	
Weighted average							2.7	2.5	2.2	10%	0.7	0.6	0.5	19%	24.0%	23.3%	23.3%	10%	11%	11%	
Kuwait Banks																					
Kuwait Finance House	KFH KK	KWD	35.6	0.75	0.50	Reduce	25.8	21.4	19.4	15%	3.8	3.5	3.3	10%	13.5%	14.8%	16.5%	2%	2%	3%	
National Bank of Kuwait	NBK KK	KWD	23.6	0.92	0.76	Reduce	14.3	13.8	13.2	4%	2.4	2.2	2.0	10%	16.2%	17.0%	16.3%	4%	4%	5%	
Weighted average							21.2	18.4	16.9	11%	3.2	3.0	2.8	10%	14.6%	15.7%	16.4%	3%	3%	3%	
Frontier Banks																					
Bank Muscat	BKMB OM	OMR	5.5	0.28	0.27	Hold	10.9	11.1	10.6	1%	1.2	1.2	1.1	10%	10.3%	10.6%	10.6%	5%	5%	6%	
Weighted average							10.9	11.1	10.6	1%	1.2	1.2	1.1	10%	10.3%	10.6%	10.6%	5%	5%	6%	
Qatar Banks																					
Commercial Bank Of Qatar	CBQK QD	QAR	6.2	5.60	6.70	Hold	9.0	8.4	8.4	3%	1.2	1.1	1.0	9%	13.4%	12.6%	12.0%	4%	4%	5%	
Doha Bank Ltd	DHBK QD	QAR	1.4	1.67	1.90	Hold	9.0	11.6	9.3	-2%	0.5	0.5	0.5	9%	5.7%	4.4%	5.3%	4%	3%	4%	
Masraf Al-Rayan	MARK QD	QAR	5.4	2.12	1.70	Reduce	15.2	17.2	17.2	-6%	0.9	0.8	0.8	9%	6.0%	5.1%	5.8%	5%	4%	4%	
Qatar Islamic Bank	QIBK QD	QAR	12.3	19.05	23.30	Buy	11.8	10.6	10.0	9%	2.1	1.8	1.7	9%	17.5%	16.8%	16.5%	3%	4%	4%	
Qatar National Bank	QNBK QD	QAR	38.4	15.18	20.20	Buy	10.6	9.9	9.2	7%	1.7	1.7	1.6	9%	16.7%	16.8%	16.8%	4%	4%	5%	
Weighted average							11.0	10.5	10.0	6%	1.6	1.6	1.5	9%	15.4%	15.1%	15.1%	4%	4%	5%	

Note: Latest prices as at 7 September 2023
Source: Refinitiv Datastream, HSBC estimates

16: 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	2022a	2023e	2024e	2022-24e	2022a	2023e	2024e	COE	2022a	2023e	2024e	2022a	2023e	2024e	
Saudi Banks																					
Arab National Bank	ARNB AB	SAR	9.8	24.60	28.20	Hold	12.0	9.3	9.6	12%	1.2	1.1	1.0	9%	9.9%	12.2%	11.2%	4%	6%	6%	
Alrajhi	RJHI AB	SAR	75.5	70.80	59.20	Reduce	16.7	18.3	18.3	-4%	3.6	3.2	2.8	9%	23.2%	18.4%	16.3%	2%	2%	2%	
Alinma Bank	ALINMA AB	SAR	18.8	35.25	30.80	Reduce	20.3	15.8	14.7	18%	2.7	2.5	2.3	9%	13.6%	16.5%	16.4%	3%	3%	4%	
Banque Saudi Fransi	BSFR AB	SAR	11.9	37.10	45.00	Buy	13.3	10.4	9.8	16%	1.4	1.3	1.2	9%	10.1%	12.7%	12.8%	4%	5%	6%	
Riyad	RIBL AB	SAR	23.2	29.00	29.70	Hold	12.5	10.7	10.0	12%	1.8	1.7	1.6	10%	14.9%	16.3%	16.1%	4%	5%	5%	
SNB	SNB AB	SAR	55.7	35.10	32.90	Reduce	11.1	10.6	10.5	3%	1.8	1.7	1.6	10%	17.4%	17.5%	16.1%	4%	4%	4%	
Weighted average							14.5	14.0	13.8	4%	2.5	2.3	2.1	9%	18.2%	17.0%	15.8%	3%	3%	3%	
Saudi Diversified Financials																					
Nayifat Finance Co.	NAYIFAT AB	SAR	0.5	14.90	11.00	Reduce	10.4	14.4	12.7	-9%	1.4	1.3	1.2	13%	13.8%	9.4%	10.1%	4%	3%	4%	
Saudi Tadawul			6.1	190.80	165.00	Hold	NA	57.6	44.5	10%	7.2	6.9	6.5	8%	14.2%	12.8%	15.8%	1%	1%	1%	
South African Banks																					
ABSA	ABG SJ	ZAR	7.7	178.32	227.00	Buy	7.4	6.8	6.1	10%	1.2	1.1	1.0	14%	15.1%	15.5%	15.5%	7%	8%	9%	
FirstRand	FSR SJ	ZAR	20.9	71.42	85.00	Buy	12.3	10.7	9.8	12%	2.6	2.4	2.1	13%	20.6%	21.9%	21.9%	7%	6%	6%	
Nedbank	NED SJ	ZAR	5.0	206.81	296.00	Buy	7.4	6.6	6.0	10%	1.1	1.0	0.9	13%	13.8%	14.4%	14.4%	8%	9%	10%	
Standard Bank	SBK SJ	ZAR	16.5	190.62	243.00	Buy	9.4	7.5	6.8	17%	1.6	1.4	1.3	14%	16.2%	18.6%	18.6%	6%	8%	9%	
Weighted average							10.1	8.6	7.9	13%	1.9	1.7	1.5	13%	17.7%	19.1%	19.1%	7%	7%	8%	
Turkish Banks																					
Akbank	AKBNK TI	TRY	6.3	32.62	20.50	Hold	2.8	3.8	2.8	0%	1.1	0.9	0.7	35%	52.3%	26.2%	26.2%	0%	0%	0%	
Garanti Bankasi	GARAN TI	TRY	8.2	52.40	31.20	Hold	3.8	5.8	3.7	1%	1.4	1.2	0.9	35%	50.5%	22.5%	22.5%	0%	0%	0%	
Halkbank	HALKB TI	TRY	4.2	15.75	5.00	Reduce	5.3	6.7	6.3	-8%	1.0	0.8	0.7	28%	23.7%	13.4%	13.4%	0%	0%	0%	
Is Bankasi	ISCTR TI	TRY	20.3	24.56	21.65	Buy	4.0	4.5	3.1	14%	1.3	1.1	0.8	35%	44.2%	25.8%	25.8%	4%	3%	6%	
Vakifbank	VAKBN TI	TRY	5.7	15.44	9.90	Hold	4.7	7.2	2.8	29%	1.1	0.8	0.6	28%	31.1%	13.1%	13.1%	0%	0%	0%	
Yapi Kredi Bankasi	YKBNK TI	TRY	5.4	17.24	19.10	Buy	2.8	2.9	2.3	9%	1.2	0.9	0.7	35%	55.6%	34.4%	34.4%	0%	0%	0%	
Weighted average							3.9	5.0	3.3	10%	1.2	1.0	0.8	34%	44.3%	23.7%	23.7%	2%	1%	3%	
UAE Banks																					
Abu Dhabi Comm Bank	ADCB UH	AED	17.3	8.66	10.9	Buy	9.6	8.7	8.6	6%	1.2	1.2	1.1	9%	13.3%	14.2%	12.7%	2%	2%	2%	
Abu Dhabi Islamic Bank	ADIB UH	AED	10.3	10.4	11.5	Hold	11.4	9.0	9.0	13%	2.2	2.0	1.8	9%	20.4%	23.5%	21.2%	5%	6%	6%	
Dubai Islamic Bank	DIB UH	AED	11.1	5.64	6.5	Buy	8.8	7.7	7.9	6%	1.2	1.1	1.1	10%	14.5%	15.4%	14.0%	5%	6%	6%	
Emirates NBD	EMIRATES UH	AED	28.5	16.6	19.7	Buy	8.4	5.4	5.9	20%	1.3	1.2	1.0	11%	16.9%	23.6%	18.5%	4%	7%	6%	
First Abu Dhabi Bank	FAB UH	AED	39.7	13.22	13.4	Hold	11.2	10.1	10.3	4%	1.7	1.6	1.4	10%	15.8%	16.4%	14.8%	4%	4%	5%	
Weighted average							10.0	8.3	8.5	10%	1.5	1.4	1.3	10%	16.0%	18.5%	16.0%	4%	5%	5%	
Wtd. average all banks							12.1	11.6	11.0	9%	2.1	1.9	1.7	12%	18.6%	17.3%	16.6%	3%	4%	4%	
Wtd. average MENA							13.9	12.8	12.5	6%	2.3	2.1	1.9	10%	16.8%	16.7%	15.7%	3%	4%	4%	

Note: priced as at 7 September 2023
Source: Refinitiv Datastream, HSBC estimates

Financials & valuation: ADCB

Buy

Financial statements

Year to	12/2022a	12/2023e	12/2024e	12/2025e
P&L summary (AEDm)				
Net Interest Income	10,194	11,734	12,411	12,956
Non-interest Income	4,142	4,344	4,513	4,777
Net fees/commission	2,110	2,638	2,770	2,936
Trading profits	0	0	0	0
Other	2,032	1,706	1,743	1,841
Total Operating income	14,336	16,079	16,924	17,733
Operating expense	-4,888	-5,200	-5,455	-5,670
PPOP	9,448	10,879	11,469	12,064
Provisions	-2,779	-3,056	-3,119	-3,003
Bad debt	-2,779	-3,056	-3,119	-3,003
Other	0	0	0	0
Other non-oper profit(loss)	0	0	0	0
HSBC PBT	6,669	7,822	8,350	9,061
Exceptionals	-100	0	0	0
Profit-before tax	6,569	7,822	8,350	9,061
Taxation	-135	-227	-751	-816
PAT	6,434	7,595	7,598	8,246
Minorities + pref dividend	-181	-310	-265	-251
Attributable profit	6,253	7,286	7,333	7,995
HSBC attributable profit	6,253	7,286	7,333	7,995
Balance sheet summary (AEDm)				
Total assets	497,842	530,878	562,178	590,910
Customer loans (net)	258,493	277,561	294,333	306,254
Debt investment assets	116,499	136,991	145,545	153,726
Other assets	122,850	116,326	122,301	130,930
Total Liabilities	442,416	469,419	494,843	517,046
Customer deposits	308,931	324,377	343,840	361,032
Debt securities issued	75,870	88,389	94,497	99,222
Other liabilities	57,615	56,653	56,506	56,792
Total capital	55,426	61,459	67,335	73,864
Ordinary equity	55,426	61,459	67,335	73,864
Minorities + other capital	0	0	0	0
IEA (avg)	426,417	468,700	502,143	528,768
IBL (avg)	372,738	409,474	437,506	462,031
Capital (%)				
RWA (AEDm)	358,239	390,810	420,824	438,047
CET 1	13.0	13.8	14.2	14.6
Total tier 1	14.6	15.3	15.6	15.9
Total Capital	15.8	16.4	16.6	16.9
Per share data (AED)				
EPS	0.90	1.00	1.00	1.09
HSBC EPS (fully diluted)	0.90	1.00	1.00	1.09
DPS	0.18	0.20	0.20	0.55
NAV (incl intangibles)	7.97	8.40	9.20	10.09
NAV (tangible)	6.94	7.42	8.22	9.11
ROA analysis (%)				
Net interest income	2.2	2.3	2.3	2.2
Total interest income	3.5	5.2	5.2	4.7
Total interest expense	-1.3	-3.0	-2.9	-2.5
Net fees & commission	0.4	0.5	0.5	0.5
Other income	0.4	0.3	0.3	0.3
Operating income	3.1	3.1	3.1	3.1
Operating expenses	-1.0	-1.0	-1.0	-1.0
PPOP	2.0	2.1	2.1	2.1
Provisions	-0.6	-0.6	-0.6	-0.5
Non-op items	0.0	0.0	0.0	0.0
PBT	1.4	1.5	1.5	1.6
Taxation	0.0	0.0	-0.1	-0.1
Minorities + int. on AT1 notes	0.0	-0.1	0.0	0.0
PAT	1.4	1.4	1.3	1.4

Growth, ratios and valuation data

Year to	12/2022a	12/2023e	12/2024e	12/2025e
Y-on-y % change				
Net interest income	15.0	15.1	5.8	4.4
Non-interest income	21.7	4.9	3.9	5.9
Operating expense	14.8	6.4	4.9	3.9
PPOP	18.0	15.1	5.4	5.2
Provisions	5.0	10.0	2.1	-3.7
PBT	24.3	17.3	6.7	8.5
PAT	23.4	16.5	0.7	9.0
Net loans	5.8	7.4	6.0	4.1
Total assets	13.1	6.6	5.9	5.1
RWA	7.6	9.1	7.7	4.1
Customer deposits	16.6	5.0	6.0	5.0
Ratios (%)				
NIM	2.39	2.50	2.47	2.45
Gross yield	3.85	5.75	5.61	5.14
Cost of funds	1.67	3.72	3.60	3.08
Spread	2.18	2.03	2.01	2.06
NPL/gross loans	4.6	4.7	5.0	4.8
Credit cost	-1.06	-1.09	-1.04	-0.95
Coverage	94	101	98	106
Provision/RWA	-0.80	-0.82	-0.77	-0.70
NPL/NAV	25.9	25.2	25.7	23.0
Net loans/assets	51.9	52.3	52.4	51.8
RWA/assets	72.0	73.6	74.9	74.1
Loans/deposits	83.7	85.6	85.6	84.8
Avg IEA/avg assets	90.9	91.1	91.9	91.7
Avg IBL/avg liabilities	89.9	89.8	90.7	91.3
Cost/income	34.1	32.3	32.2	32.0
Non-int inc/total inc	28.9	27.0	26.7	26.9
ROAA	1.4	1.4	1.3	1.4
ROTE	13.3	14.2	12.7	12.5
Return on avg tier 1	14.0	14.5	12.9	12.9
Dividend payout	20.0	20.0	20.0	50.0
Leverage (x)	9.8	10.0	9.5	9.0
Valuation data				
PE (diluted EPS)	9.6	8.7	8.6	7.9
P/POP	6.4	5.8	5.5	5.3
P/BVPS	1.2	1.2	1.1	1.0
Dividend yield (%)	2.1	2.3	2.3	6.3
P/Deposit	0.2	0.2	0.2	0.2
P/Asset	0.1	0.1	0.1	0.1

* Based on HSBC EPS (diluted)

Issuer information

Share price (AED)	8.66	Target price (AED)	10.90
Reuters (Equity)	ADCB.AD	Bloomberg (Equity)	ADCB.UH
Market cap (USDm)	17,080	Market cap (AEDm)	64,049
Country/Reg	UAE	Sector	Commercial Banks
Analyst	Aybek Islamov	Contact	+971 4 423 6921

Notes: Priced at close of 7 September 2023

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

Hold

Financial statements

Year to	12/2022a	12/2023e	12/2024e	12/2025e
P&L summary (AEDm)				
Net Interest Income	4,670	6,988	7,777	7,835
Non-interest Income	1,250	1,854	1,908	2,004
Net fees/commission	1,368	1,400	1,470	1,545
Trading profits				
Other	-119	455	437	459
Total Operating income	5,920	8,843	9,685	9,839
Operating expense	-2,387	-2,908	-3,058	-3,179
Staff costs	-1,541	-1,787	-1,913	-2,008
Other operating costs	-846	-1,120	-1,146	-1,170
PPOP	3,533	5,935	6,626	6,661
Provisions	-769	-937	-1,100	-1,407
Bad debt	-659	-762	-1,000	-1,332
Other	-110	-175	-100	-75
Other non-oper profit(loss)	915	68	70	70
HSBC PBT	3,680	5,066	5,596	5,324
Exceptionals				
Profit-before tax	3,680	5,066	5,596	5,324
Taxation	-60	-244	-783	-745
PAT	3,619	4,822	4,813	4,578
Minorities + int on capital notes	-297	-609	-600	-628
Attributable profit	3,322	4,213	4,213	3,951
HSBC attributable profit	3,322	4,213	4,213	3,951
Balance sheet summary (AEDm)				
Total assets	168,517	187,659	200,963	213,298
Customer loans (net)	107,717	115,045	122,206	129,348
Debt investment assets	19,432	25,069	27,454	29,479
Other assets	41,368	47,544	51,302	54,471
Total Liabilities	150,791	167,999	179,371	189,903
Customer deposits	138,137	153,332	164,065	173,909
Debt securities issued	4,754	4,754	4,754	4,754
Other liabilities	7,900	9,913	10,551	11,240
Total capital	17,726	19,659	21,592	23,394
Ordinary equity	17,726	19,659	21,592	23,394
Minorities + other capital	0	0	0	0
IEA (avg)	148,973	166,511	177,696	188,547
IBL (avg)	140,971	157,158	168,274	178,538
Capital (%)				
RWA (AEDm)	119,857	133,015	143,391	152,807
CET 1	12.1	12.3	12.8	13.2
Total tier 1	16.0	15.9	16.1	16.3
Total Capital	17.2	16.9	17.0	17.2
Per share data (AED)				
EPS	0.91	1.16	1.16	1.09
HSBC EPS (fully diluted)	0.91	1.16	1.16	1.09
DPS	0.49	0.63	0.63	0.59
NAV (incl intangibles)	4.88	5.41	5.95	6.44
NAV (tangible)	4.66	5.20	5.74	6.24
ROA analysis (%)				
Net interest income	3.1	3.9	4.0	3.8
Total interest income	3.6	5.6	5.6	5.1
Total interest expense	-0.6	-1.7	-1.6	-1.3
Net fees & commission	0.9	0.8	0.8	0.7
Other income	-0.1	0.3	0.2	0.2
Operating income	3.9	5.0	5.0	4.8
Operating expenses	-1.6	-1.6	-1.6	-1.5
Staff costs	-1.0	-1.0	-1.0	-1.0
Other operating costs	-0.6	-0.6	-0.6	-0.6
PPOP	2.3	3.3	3.4	3.2
Provisions	-0.5	-0.5	-0.6	-0.7
Non-op items	0.6	0.0	0.0	0.0
PBT	2.4	2.8	2.9	2.6
Taxation	0.0	-0.1	-0.4	-0.4
Minorities + int on capital notes	-0.2	-0.3	-0.3	-0.3
PAT	2.2	2.4	2.2	1.9

Growth, ratios and valuation data

Year to	12/2022a	12/2023e	12/2024e	12/2025e
Y-on-y % change				
Net interest income	17.2	49.6	11.3	0.7
Non-interest income	-0.6	48.4	2.9	5.1
Operating expense	5.6	21.8	5.2	3.9
PPOP	18.4	68.0	11.7	0.5
Provisions	-19.4	21.8	17.4	27.9
PBT	56.9	37.7	10.5	-4.9
PAT	60.2	26.8	0.0	-6.2
Net loans	22.1	6.8	6.2	5.8
Total assets	23.1	11.4	7.1	6.1
RWA	14.8	11.0	7.8	6.6
Customer deposits	26.0	11.0	7.0	6.0
Ratios (%)				
NIM	3.51	4.43	4.52	4.28
Gross yield	4.17	6.36	6.35	5.76
Cost of funds	0.70	2.04	1.93	1.57
Spread	3.47	4.32	4.41	4.20
NPL/gross loans	7.7	7.6	7.0	6.5
Credit cost	0.64	0.65	0.80	1.00
Coverage	65	65	76	90
Provision/RWA	0.59	0.60	0.72	0.90
NPL/NAV	49.1	46.8	41.8	38.2
Net loans/assets	63.9	61.3	60.8	60.6
RWA/assets	71.1	70.9	71.4	71.6
Loans/deposits	78.0	75.0	74.5	74.4
Avg IEA/avg assets	87.3	88.6	88.6	88.4
Avg IBL/avg liabilities	93.5	93.5	93.7	93.9
Cost/income	40.3	32.9	31.6	32.3
Non-int inc/total inc	21.1	21.0	19.7	20.4
ROAA	2.2	2.4	2.2	1.9
ROTE	20.4	23.5	21.2	18.2
Return on avg tier 1	17.7	20.9	19.0	16.5
Dividend payout	49.6	50.0	50.0	50.0
Leverage (x)	9.4	9.9	9.8	9.5
Valuation data				
P/E (diluted EPS)	11.4	9.0	9.0	9.6
P/PPOP	10.7	6.4	5.7	5.7
P/BVPS	2.2	2.0	1.8	1.7
Dividend yield (%)	4.7	6.0	6.0	5.7
P/Deposit	0.3	0.2	0.2	0.2
P/Asset	0.2	0.2	0.2	0.2

* Based on HSBC EPS (diluted)

Issuer information

Share price (AED)	10.40	Target price (AED)	11.50
Reuters (Equity)	ADIB.AD	Bloomberg (Equity)	ADIB.UH
Market cap (USDm)	10,185	Market cap (AEDm)	38,195
Country	UAE	Sector	Commercial Banks
Analyst	Aybek Islamov	Contact	+971 4 423 6921

Notes: Priced at close of 7 September 2023

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	12/2022a	12/2023e	12/2024e	12/2025e
P&L summary (AEDm)				
Net Interest Income	8,105	8,596	9,019	9,384
Non-interest Income	2,234	2,483	2,564	2,706
Net fees/commission	1,601	1,836	1,929	2,028
Trading profits	203	227	195	196
Other	430	421	440	481
Total Operating income	10,339	11,079	11,583	12,089
Operating expense	-2,733	-2,949	-3,083	-3,223
PPOP	7,606	8,130	8,501	8,866
Provisions	-2,103	-1,926	-1,894	-1,964
Bad debt	-2,103	-1,926	-1,894	-1,964
Other				
Other non-oper profit(loss)	128	130	130	130
HSBC PBT	5,631	6,335	6,736	7,032
Exceptionals				
Profit-before tax	5,631	6,335	6,736	7,032
Taxation	-79	-89	-606	-633
PAT	5,552	6,245	6,130	6,399
Minorities + Others	-931	-964	-940	-947
Attributable profit	4,621	5,282	5,190	5,452
HSBC attributable profit	4,621	5,282	5,190	5,452
Balance sheet summary (AEDm)				
Total assets	288,238	307,141	322,883	339,448
Customer loans (net)	186,043	193,625	200,813	208,067
Debt investment assets	53,253	64,743	72,390	79,526
Other assets	48,943	48,773	49,681	51,855
Total Liabilities	255,199	271,461	284,608	298,447
Customer deposits	198,637	212,541	223,169	234,327
Debt securities issued	30,604	29,487	31,185	33,018
Other liabilities	25,958	29,432	30,255	31,101
Total capital	33,039	35,680	38,275	41,001
Ordinary equity	33,039	35,680	38,275	41,001
Minorities + other capital				
IEA (avg)	270,392	289,826	306,315	322,362
IBL (avg)	233,786	248,367	261,422	275,181
Capital (%)				
RWA (AEDm)	231,586	247,973	259,657	271,634
CET 1	12.9	13.1	13.5	13.9
Total tier 1	16.5	16.4	16.7	17.0
Total Capital	17.6	17.5	17.7	17.9
Per share data (AED)				
EPS (reported)	0.64	0.73	0.72	0.75
HSBC EPS (fully diluted)	0.64	0.73	0.72	0.75
DPS	0.30	0.37	0.36	0.38
NAV (incl intangibles)	4.56	4.93	5.29	5.66
NAV (tangible)	4.56	4.93	5.29	5.66
ROA analysis (%)				
Net interest income	2.8	2.6	2.5	2.6
Total interest income	4.4	6.0	5.9	5.3
Total interest expense	-1.6	-3.4	-3.4	-2.7
Net fees & commission	0.6	0.6	0.6	0.6
Other income	0.2	0.5	0.5	0.5
Operating income	3.6	3.7	3.7	3.7
Operating expenses	-1.0	-1.0	-1.0	-1.0
PPOP	2.7	2.7	2.7	2.7
Provisions	-0.7	-0.6	-0.6	-0.6
Non-op items	0.0	0.0	0.0	0.0
PBT	2.0	2.1	2.1	2.1
Taxation	0.0	0.0	-0.2	-0.2
Minorities + Others	-0.3	-0.3	-0.3	-0.3
PAT	1.6	1.8	1.6	1.6

Growth, ratios and valuation data

Year to	12/2022a	12/2023e	12/2024e	12/2025e
Y-on-y % change				
Net interest income	22.1	6.1	4.9	4.0
Non-interest income	-16.2	11.1	3.3	5.5
Operating expense	8.1	7.9	4.5	4.5
PPOP	12.2	6.9	4.6	4.3
Provisions	-12.2	-8.4	-1.6	3.7
PBT	26.7	12.5	6.3	4.4
PAT	33.9	14.3	-1.7	5.0
Net loans	-0.3	4.1	3.7	3.6
Total assets	3.3	6.6	5.1	5.1
RWA	1.2	7.1	4.7	4.6
Customer deposits	-3.5	7.0	5.0	5.0
Ratios (%)				
NIM	3.05	3.07	3.03	2.99
Gross yield	4.42	6.01	5.91	5.32
Cost of funds	1.57	3.42	3.37	2.74
Spread	2.85	2.59	2.54	2.58
NPL/gross loans	6.1	6.0	5.8	5.5
Credit cost	1.06	0.95	0.90	0.90
Coverage	73	74	78	84
Provision/RWA	-0.91	-0.80	-0.75	-0.74
NPL/NAV	36.5	34.8	32.2	29.8
Net loans/assets	64.5	63.0	62.2	61.3
RWA/assets	80.3	80.7	80.4	80.0
Loans/deposits	93.7	91.1	90.0	88.8
Avg IEA/avg assets	95.3	97.4	97.2	97.3
Avg IBL/avg liabilities	92.8	94.3	94.0	94.4
Cost/income	26.4	26.6	26.6	26.7
Non-int inc/total inc	21.6	22.4	22.1	22.4
ROAA	1.6	1.8	1.6	1.6
ROTE	14.5	15.4	14.0	13.8
Return on avg tier 1	12.4	13.4	12.3	12.2
Dividend payout	47.0	50.0	50.0	50.0
Leverage (x)	8.9	8.7	8.5	8.4
Valuation data				
PE (diluted EPS)	8.8	7.7	7.9	7.5
P/PPOP	5.4	5.0	4.8	4.6
P/BVPS	1.2	1.1	1.1	1.0
Dividend yield (%)	5.3	6.5	6.4	6.7
P/Deposit	0.2	0.2	0.2	0.2
P/Asset	0.1	0.1	0.1	0.1

* Based on HSBC EPS (diluted)

Issuer information

Share price (AED)	5.64	Target price (AED)	6.50
Reuters (Equity)	DISB.DU	Bloomberg (Equity)	DIB UH
Market cap (USDm)	10,960	Market cap (AEDm)	41,100
Country/Reg	UAE	Sector	Commercial Banks
Analyst	Aybek Islamov	Contact	+971 4 423 6921

Notes: Priced at close of 7 September 2023

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	12/2022a	12/2023e	12/2024e	12/2025e
P&L summary (AEDm)				
Net Interest Income	23,222	28,363	30,216	30,997
Non-interest Income	9,285	11,850	9,579	9,701
Net fees/commission	4,081	4,473	4,729	4,997
Trading profits	52	54	55	57
Other	5,152	7,324	4,795	4,646
Total Operating income	32,507	40,213	39,796	40,697
Operating expense	-9,255	-11,501	-12,470	-13,326
Staff costs	-5,351	-6,581	-7,108	-7,534
Other oper expenses	-3,905	-4,920	-5,363	-5,792
PPOP	23,252	28,712	27,325	27,372
Provisions	-8,279	-5,357	-6,580	-6,344
Bad debt	-5,184	-2,407	-4,070	-5,225
Other	-3,095	-2,949	-2,510	-1,120
Other non-oper profit(loss)	0	0	0	0
HSBC PBT	14,973	23,355	20,745	21,027
Exceptionals	0	0	0	0
Profit-before tax	14,973	23,355	20,745	21,027
Taxation	-1,964	-2,686	-2,282	-2,313
PAT	13,010	20,670	18,463	18,714
Minorities + int. on tier 1	-593	-697	-677	-679
Attributable profit	12,417	19,973	17,786	18,035
HSBC attributable profit	12,417	19,973	17,786	18,035
Balance sheet summary (AEDm)				
Total assets	741,962	825,374	872,471	913,163
Customer loans (net)	416,604	450,536	479,957	507,779
Debt investment assets	125,000	145,000	153,700	161,385
Other assets	200,357	229,838	238,814	243,999
Total Liabilities	657,786	728,702	764,690	794,761
Customer deposits	502,953	557,645	590,794	618,998
Debt securities issued	0	0	0	0
Other liabilities	154,833	171,057	173,897	175,762
Total capital	84,175	96,672	107,781	118,403
Ordinary equity	84,070	96,566	107,675	118,297
Minorities + other capital	106	106	106	106
IEA (avg)	612,325	667,483	722,222	760,267
IBL (avg)	582,345	629,379	679,829	713,968
Capital (%)				
RWA	498,870	544,491	590,937	637,011
CET 1	15.4	15.8	16.5	17.0
Total tier 1	17.2	18.1	18.7	19.1
Total Capital	18.3	19.1	19.6	20.0
Per share data (AED)				
EPS	1.97	3.16	2.82	2.86
HSBC EPS (fully diluted)	1.97	3.16	2.82	2.86
DPS	0.60	1.11	0.99	1.00
NAV (incl intangibles)	13.32	15.29	17.05	18.73
NAV (tangible)	12.41	14.37	16.13	17.81
ROA analysis (%)				
Net interest income	3.2	3.6	3.6	3.5
Total interest income	4.9	6.8	6.6	6.2
Total interest expense	-1.6	-3.2	-3.1	-2.7
Net fees & commission	0.6	0.6	0.6	0.6
Other income	0.7	0.9	0.6	0.5
Operating income	4.5	5.1	4.7	4.6
Operating expenses	-1.3	-1.5	-1.5	-1.5
Staff costs	-0.7	-0.8	-0.8	-0.8
Other oper exp	-0.5	-0.6	-0.6	-0.6
PPOP	3.3	3.7	3.2	3.1
Provisions	-1.2	-0.7	-0.8	-0.7
Non-op items	0.0	0.0	0.0	0.0
PBT	2.1	3.0	2.4	2.4
Taxation	-0.3	-0.3	-0.3	-0.3
Minorities + int. on tier 1	-0.1	-0.1	-0.1	-0.1
PAT	1.7	2.5	2.1	2.0

Growth, ratios and valuation data

Year to	12/2022a	12/2023e	12/2024e	12/2025e
Y-on-y % change				
Net interest income	37.2	22.1	6.5	2.6
Non-interest income	40.7	27.6	-19.2	1.3
Operating expense	15.8	24.3	8.4	6.9
PPOP	49.7	23.5	-4.8	0.2
Provisions	40.3	-35.3	22.8	-3.6
PBT	51.1	56.0	-11.2	1.4
PAT	43.8	60.9	-10.9	1.4
Net loans	-1.3	8.1	6.5	5.8
Total assets	7.9	11.2	5.7	4.7
RWA	11.8	9.1	8.5	7.8
Customer deposits	10.2	10.9	5.9	4.8
Ratios (%)				
NIM	3.79	4.25	4.18	4.08
Gross yield	5.69	8.00	7.80	7.27
Cost of funds	1.99	3.98	3.84	3.40
Spread	3.69	4.02	3.96	3.87
NPL/gross loans	5.9	5.5	5.8	5.8
Credit cost	-1.13	-0.51	-0.80	-0.97
Coverage	145	147	137	134
Provision/RWA	-1.75	-1.03	-1.16	-1.03
NPL/NAV	39.5	34.0	33.6	32.2
Net loans/assets	56.1	54.6	55.0	55.6
RWA/assets	67.2	66.0	67.7	69.8
Loans/deposits	82.8	80.8	81.2	82.0
Avg IEA/avg assets	85.7	85.2	85.1	85.2
Avg IBL/avg liabilities	91.7	90.8	91.0	91.6
Cost/income	28.5	28.6	31.3	32.7
Non-int inc/total inc	28.6	29.5	24.1	23.8
ROAA	1.7	2.5	2.1	2.0
ROTE	16.9	23.6	18.5	16.8
Return on avg tier 1	15.2	22.8	18.2	16.3
Dividend payout	30.5	35.0	35.0	35.0
Leverage (x)	9.7	9.3	8.8	8.3
Valuation data				
PE (diluted EPS)	8.4	5.2	5.9	5.8
P/PPOP	4.0	3.2	3.4	3.4
P/BVPS	1.3	1.2	1.0	0.9
Dividend yield (%)	3.6	6.7	5.9	6.0
P/Deposit	0.2	0.2	0.2	0.1
P/Asset	0.1	0.1	0.1	0.1

* Based on HSBC EPS (diluted)

Issuer information

Share price (AED)	16.60	Target price (AED)	19.70
Reuters (Equity)	ENBD.DU	Bloomberg (Equity)	EMIRATES UH
Market cap (USDm)	28,463	Market cap (AEDm)	106,735
Country/Reg	UAE	Sector	Commercial Banks
Analyst	Aybek Islamov	Contact	+971 4 423 6921

Notes: Priced at close of 7 September 2023

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	12/2022a	12/2023e	12/2024e	12/2025e
P&L summary (AEDm)				
Net Interest Income	14,386	18,053	19,176	20,049
Non-interest Income	9,548	8,215	7,823	7,635
Net fees/commission	2,781	3,094	3,286	3,468
Trading profits	2,063	2,500	2,200	1,800
Other	4,705	2,620	2,337	2,366
Total Operating income	23,934	26,268	26,999	27,683
Operating expense	-6,705	-6,965	-7,168	-7,377
PPOP	17,229	19,303	19,831	20,307
Provisions	-2,839	-3,070	-3,429	-3,361
Bad debt	-2,839	-3,070	-3,429	-3,361
Other	0	0	0	0
Other non-oper profit(loss)	0	0	0	0
HSBC PBT	14,390	16,233	16,402	16,946
Exceptionals	0	0	0	0
Profit-before tax	14,390	16,233	16,402	16,946
Taxation	-968	-1,092	-1,476	-1,525
PAT	13,422	15,142	14,926	15,421
Minorities + int on capital notes	-387	-726	-726	-726
Attributable profit	13,035	14,416	14,200	14,694
HSBC attributable profit	13,035	14,416	14,200	14,694
Balance sheet summary (AEDm)				
Total assets	1,110,056	1,179,613	1,246,779	1,312,230
Customer loans (net)	459,593	488,621	521,626	551,561
Debt investment assets	205,726	216,504	228,513	244,944
Other assets	444,737	474,488	496,640	515,724
Total Liabilities	1,005,761	1,067,160	1,126,833	1,185,412
Customer deposits	700,573	770,631	839,987	907,186
Debt securities issued	105,549	81,955	79,832	78,459
Other liabilities	199,638	214,574	207,013	199,767
Total capital	104,295	112,452	119,946	126,818
Ordinary equity	104,295	112,452	119,946	126,818
Minorities + other capital	0	0	0	0
IEA (avg)	949,112	1,015,128	1,082,678	1,153,401
IBL (avg)	867,209	921,678	979,985	1,044,424
Capital (%)				
RWA (AEDm)	571,890	602,389	626,987	658,641
CET 1	12.6	13.3	14.0	14.4
Total tier 1	14.5	15.1	15.7	16.0
Total Capital	15.6	16.2	16.7	17.0
Per share data (AED)				
EPS	1.18	1.31	1.29	1.33
HSBC EPS (fully diluted)	1.18	1.31	1.29	1.33
DPS	0.52	0.56	0.60	0.70
NAV (incl intangibles)	9.45	10.18	10.86	11.49
NAV (tangible)	7.75	8.49	9.17	9.79
ROA analysis (%)				
Net interest income	1.4	1.6	1.6	1.6
Total interest income	2.9	5.2	5.1	4.6
Total interest expense	-1.5	-3.7	-3.5	-3.0
Net fees & commission	0.3	0.3	0.3	0.3
Other income	0.6	0.4	0.4	0.3
Operating income	2.3	2.3	2.2	2.2
Operating expenses	-0.6	-0.6	-0.6	-0.6
PPOP	1.6	1.7	1.6	1.6
Provisions	-0.3	-0.3	-0.3	-0.3
Non-op items	0.0	0.0	0.0	0.0
PBT	1.4	1.4	1.4	1.3
Taxation	-0.1	-0.1	-0.1	-0.1
Minorities + int on capital notes	0.0	-0.1	-0.1	-0.1
PAT	1.2	1.3	1.2	1.1

Growth, ratios and valuation data

Year to	12/2022a	12/2023e	12/2024e	12/2025e
Y-on-y % change				
Net interest income	23.4	25.5	6.2	4.6
Non-interest income	-4.7	-14.0	-4.8	-2.4
Operating expense	14.9	3.9	2.9	2.9
PPOP	8.7	12.0	2.7	2.4
Provisions	6.8	8.1	11.7	-2.0
PBT	9.1	12.8	1.0	3.3
PAT	7.1	10.6	-1.5	3.5
Net loans	12.2	6.3	6.8	5.7
Total assets	10.9	6.3	5.7	5.2
RWA	-1.2	5.3	4.1	5.0
Customer deposits	14.0	10.0	9.0	8.0
Ratios (%)				
NIM	1.52	1.78	1.77	1.74
Gross yield	3.19	5.91	5.72	5.09
Cost of funds	1.83	4.55	4.36	3.70
Spread	1.36	1.36	1.36	1.39
NPL/gross loans	4.4	4.4	4.5	4.3
Credit cost	-0.63	-0.62	-0.65	-0.60
Coverage	66	66	63	65
Provision/RWA	-0.50	-0.51	-0.55	-0.51
NPL/NAV	24.4	24.0	24.2	22.6
Net loans/assets	41.4	41.4	41.8	42.0
RWA/assets	51.5	51.1	50.3	50.2
Loans/deposits	65.6	63.4	62.1	60.8
Avg IEA/avg assets	89.9	88.7	89.2	90.1
Avg IBL/avg liabilities	91.0	88.9	89.3	90.3
Cost/income	28.0	26.5	26.5	26.6
Non-int inc/total inc	39.9	31.3	29.0	27.6
ROAA	1.2	1.3	1.2	1.1
ROTE	15.8	16.4	14.8	14.2
Return on avg tier 1	15.7	16.6	15.0	14.4
Dividend payout	44.1	43.4	47.2	53.2
Leverage (x)	12.8	13.0	12.6	12.4
Valuation data				
P/E (diluted EPS)	11.2	10.1	10.3	9.9
P/PPOP	8.5	7.6	7.4	7.2
P/BVPS	1.7	1.6	1.4	1.3
Dividend yield (%)	3.9	4.2	4.5	5.3
P/Deposit	0.2	0.2	0.2	0.2
P/Asset	0.1	0.1	0.1	0.1

* Based on HSBC EPS (diluted)

Issuer information

Share price (AED)	13.22	Target price (AED)	13.40
Reuters (Equity)	FAB.AD	Bloomberg (Equity)	FAB.UH
Market cap (USDm)	39,500	Market cap (AEDm)	148,126
Country/Reg	UAE	Sector	Commercial Banks
Analyst	Aybek Islamov	Contact	+971 4 423 6921

Notes: Priced at close of 7 September 2023

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.

Our ratings are re-calibrated against these bands at the time of any 'material change' (initiation or resumption of coverage, change in target price or estimates).

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 June 2023, the distribution of all independent ratings published by HSBC is as follows:

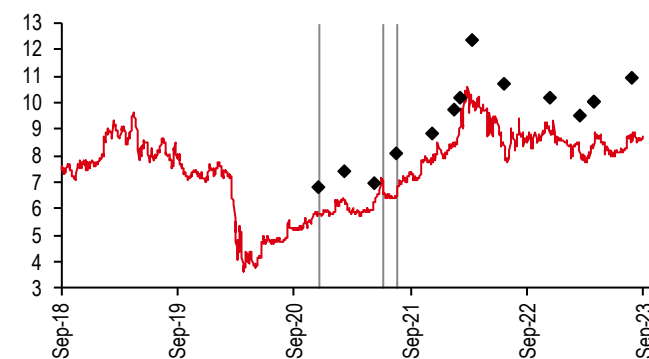
Buy	61%	(13% of these provided with Investment Banking Services in the past 12 months)
Hold	33%	(13% of these provided with Investment Banking Services in the past 12 months)
Sell	6%	(7% of these provided with Investment Banking Services in the past 12 months)

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



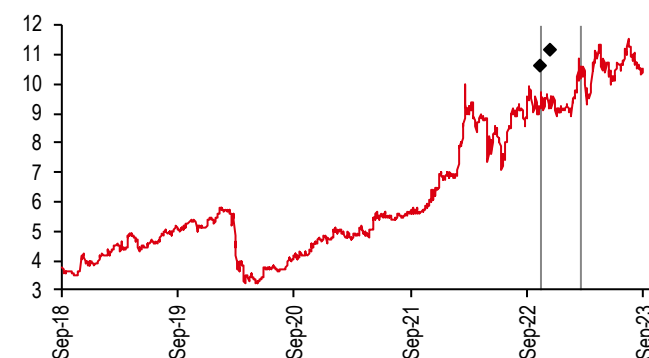
Source: HSBC

Rating & target price history

From	To	Date	Analyst
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	6.75	23 Nov 2020	Aybek Islamov
Price 2	7.41	11 Feb 2021	Aybek Islamov
Price 3	6.94	20 May 2021	Aybek Islamov
Price 4	8.08	27 Jul 2021	Aybek Islamov
Price 5	8.84	17 Nov 2021	Aybek Islamov
Price 6	9.69	24 Jan 2022	Aybek Islamov
Price 7	10.17	10 Feb 2022	Aybek Islamov
Price 8	12.36	22 Mar 2022	Aybek Islamov
Price 9	10.65	29 Jun 2022	Aybek Islamov
Price 10	10.17	21 Nov 2022	Aybek Islamov
Price 11	9.50	23 Feb 2023	Aybek Islamov
Price 12	10.00	05 Apr 2023	Aybek Islamov
Price 13	10.00	06 Apr 2023	Aybek Islamov
Price 14	10.90	31 Jul 2023	Aybek Islamov

Source: HSBC

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



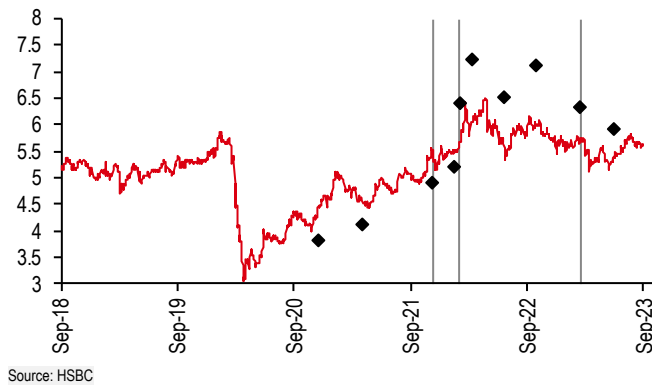
Source: HSBC

Rating & target price history

From	To	Date	Analyst
N/A	Buy	19 Oct 2022	Aybek Islamov
Buy	Hold	23 Feb 2023	Aybek Islamov
Target price	Value	Date	Analyst
Price 1	10.60	19 Oct 2022	Aybek Islamov
Price 2	11.10	21 Nov 2022	Aybek Islamov

Source: HSBC

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

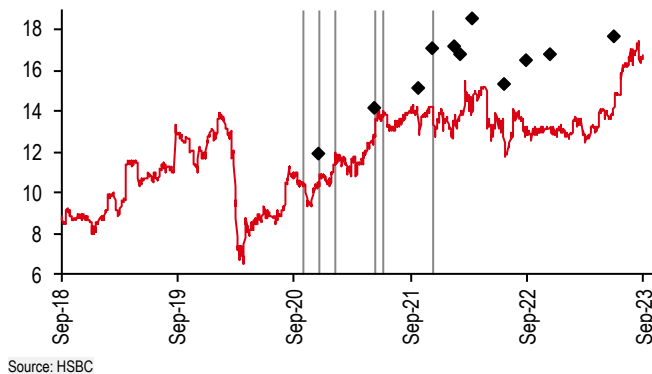


Rating & target price history

From	To	Date	Analyst
Reduce	Hold	17 Nov 2021	Aybek Islamov
Hold	Buy	10 Feb 2022	Aybek Islamov
Buy	Hold	23 Feb 2023	Aybek Islamov
Target price	Value	Date	Analyst
Price 1	3.80	23 Nov 2020	Aybek Islamov
Price 2	4.10	08 Apr 2021	Aybek Islamov
Price 3	4.90	17 Nov 2021	Aybek Islamov
Price 4	5.20	24 Jan 2022	Aybek Islamov
Price 5	6.40	10 Feb 2022	Aybek Islamov
Price 6	7.20	22 Mar 2022	Aybek Islamov
Price 7	6.50	29 Jun 2022	Aybek Islamov
Price 8	7.10	06 Oct 2022	Aybek Islamov
Price 9	6.30	23 Feb 2023	Aybek Islamov
Price 10	5.90	08 Jun 2023	Aybek Islamov

Source: HSBC

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



Rating & target price history

From	To	Date	Analyst
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	11.90	23 Nov 2020	Aybek Islamov
Price 2	14.10	20 May 2021	Aybek Islamov
Price 3	15.10	04 Oct 2021	Aybek Islamov
Price 4	17.10	17 Nov 2021	Aybek Islamov
Price 5	17.20	24 Jan 2022	Aybek Islamov
Price 6	16.80	10 Feb 2022	Aybek Islamov
Price 7	18.50	22 Mar 2022	Aybek Islamov
Price 8	15.30	29 Jun 2022	Aybek Islamov
Price 9	16.50	06 Sep 2022	Aybek Islamov
Price 10	16.80	21 Nov 2022	Aybek Islamov
Price 11	17.60	08 Jun 2023	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	20 May 2021	Aybek Islamov
Reduce	Hold	29 Jun 2022	Aybek Islamov
Target price	Value	Date	Analyst
Price 1	12.16	23 Nov 2020	Aybek Islamov
Price 2	12.55	11 Feb 2021	Aybek Islamov
Price 3	13.05	04 Oct 2021	Aybek Islamov
Price 4	13.74	17 Nov 2021	Aybek Islamov
Price 5	14.83	24 Jan 2022	Aybek Islamov
Price 6	13.05	10 Feb 2022	Aybek Islamov
Price 7	18.10	22 Mar 2022	Aybek Islamov
Price 8	16.60	29 Jun 2022	Aybek Islamov
Price 9	12.70	23 Feb 2023	Aybek Islamov

Source: HSBC

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ABU DHABI COMM BANK	ADCB.AD	8.70	08 Sep 2023	6, 7
ABU DHABI ISLAMIC BANK	ADIB.AD	10.54	08 Sep 2023	7
DUBAI ISLAMIC BANK	DISB.DU	5.62	08 Sep 2023	1, 5, 6, 7
EMIRATES NBD	ENBD.DU	16.75	08 Sep 2023	1, 5, 6, 7
FIRST ABU DHABI BANK	FAB.AD	13.36	08 Sep 2023	1, 5, 6, 7

Source: HSBC

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