

Emirates NBD

Higher interest rate and favorable deposit mix boost NIMs outlook

1Q22 estimate

Emirates NBD (ENBD) is forecasted to report a net Profit of AED2,354 Mn in 1Q22 compared to a profit of AED2,322 Mn in 1Q21. The improvement in performance is mainly due to increase in net funded income and decline in impairment & taxes which is somewhat offset by a decline in non-funded income and rise in operating expenses. Funded income including, income from Islamic financing and investing is anticipated to increase 0.7% YOY to AED6,616 Mn in 1Q22. Funded Expense will decline 10.4% YOY to AED2,224 Mn in 1Q22. Resultantly, funded income will increase 7.4% YOY to AED4,392 Mn in 1Q22. Non-Funded Income is expected to decline to AED1,366 Mn in 1Q22, driven by a decline in fee & commission and other operating income. As a result, Total Operating Income is likely to decline 6.6% YOY to AED5,758 Mn in 1Q22. Operating expense will grow from AED1,868 Mn in 1Q21 to AED1,982 Mn in 1Q22 and cost-to-income ratio to rise from 30.3% in 1Q21 to 34.4% in 1Q22.

2022 forecast

We forecast ENBD's net profit to increase 22.6% to AED11,403 in from FY22. The rise is mainly driven by increase in net funded income and decline in impairment charge which is somewhat offset by a decline in non-funded income and increase in operating expenses. Net interest income including income from Islamic assets is expected to increase 10.0% to AED29,123 Mn in 2022 primarily due to Fed rate hike expected to take place in 2022. Similarly, funded expense is expected to rise 11.3% to AED10,642 Mn in 2022. Non-funded income will decline 3.3% to AED6,668 Mn in 2022 mainly due to one-time gain recognized in 2021 which is not expected to repeat in 2022. Consequently, total operating income will rise 5.6% to AED25,149 Mn in 2022. Impairment expense will decline 16.5% to 4,926 Mn in 2022 boosting net line.

4Q21 outturn

Emirates NBD reported a 7% YOY increase in Net Funded Income to AED4,329 Mn in 4Q21, up from AED4,044 Mn in 4Q20. It was mainly due to 6.4% YOY decrease in Funded Expense to AED2,226 Mn in 4Q21 as compared to AED2,378 Mn in 4Q20. Furthermore, Funded income increased by 2.1% YOY to AED6,555 Mn in 4Q21, up from AED6,422 Mn in 4Q20. On the other hand, the Non-Funded Income has significantly increased reaching AED2,193 Mn in 4Q21, up from AED890 Mn in 4Q20. It was mainly impacted by strong increase in Other Operating Income to AED1,379 Mn in 4Q21, from AED83 Mn in 4Q20. The Fees and Commissions increased by 3.1% YOY to AED801 Mn in 4Q21, from AED777 Mn in 4Q20. While, the Trading Gain decreased by 56.8% YOY to AED13 Mn in 4Q21, down from AED29 Mn in 4Q20. Therefore, Operating Income increased by 32.2% YOY to AED6,521 Mn in 4Q21, as compared to AED4,934 Mn in 4Q20. Similarly, the Operating Expenses increased by 11% YOY to AED2,272 Mn in 4Q21, up from AED2,047 Mn in 4Q20. Im-

Rating : BUY

Preview Note – 1Q22

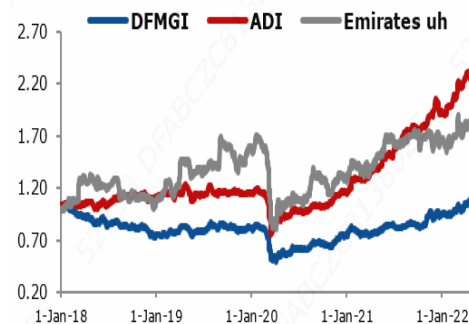
Sector: Banking

Recommendation

Current Price (20 - Apr)	15.05
Target Price	18.00
Upside/Downside (%)	+20%

Stock Information

Market Cap (mm)	94,748.97
Paid Up Capital (mm)	6,316.60
52 Week High	15.50
52 Week Low	11.80
3M Avg. daily value (AED)	61,923,260



Financial Ratios

Dividend Yield (12m)	3.33
Dividend Pay-out (%)	36.28
Price-Earnings Ratio (x)	10.88
Price-to-Book Ratio (x)	1.27
Book Value (AED)	11.78
Return-on Equity (%)	11.72
Earning Per Share (AED)	1.38
Beta	1.02

Stock Performance

5 Days	-0.33%
1 Months	8.70%
3 Months	18.11%
6 Months	8.70%
1 Year	24.48%
Month to Date (MTD)	0.00%
Quarter to Date (QTD)	0.00%
Year to Date (YTD)	10.70%

pairments increased by 38.4% YOY to AED2,179 Mn in 4Q21 as compared to AED1,575 Mn in 4Q20. Due to the abovementioned changes, the Net Profit increased strongly by 52.9% YOY to AED2,012 Mn in 4Q21, up from AED1,316 Mn in 4Q20.

Target price and recommendation

We maintain BUY rating on Emirates NBD (ENBD) with a revised target price of AED 18.00. The revision in target price is mainly due to increase in profit estimate for 2022-24 as we expect the bank to benefit in a rising interest rate scenario. The bank balance sheet is positively geared in a rising interest rate scenario. This means greater amount of assets priced at a higher rate as compared to liabilities benefitting NIMs. The bank deposit mix also improved in FY2021 with AED38 Bn increase in CASA deposits replacing high-cost time deposits. This too positions ENBD well in a rising interest rate scenario. ENBD is also expected to benefit from economic recovery in UAE and higher oil prices. We expect ENBD to gain from demand of credit from corporate sector which is sluggish now. We expect non-performing to witness a moderate decline going forward and provisioning to decline helping net line. Provisioning buffer also shield bank from any rise in loan losses. Given all these aforementioned factors, we maintain our positive rating on the stock.

ENBD - Relative valuation

(at CMP)	2018	2019	2020	2021	2022F
P/E (x)	8.85	8.96	15.06	10.91	8.34
P/B (x)	1.74	1.32	1.28	1.28	1.17
Dividend Yield (%)	2.66	2.66	2.66	3.32	4.32

FABS Estimates & Co Data

ENBD - P&L

AED mm	1Q21	4Q21	1Q22F	YOY Ch	QOQ Ch	2021	2022F	Change
Funded income	6,570	6,555	6,616	0.9%	0.7%	26,486	29,123	10.0%
Funded expenses	-2,482	-2,226	-2,224	-0.1%	-10.4%	-9,561	-10,642	11.3%
Net funded income	4,088	4,329	4,392	1.5%	7.4%	16,925	18,481	9.2%
Fees and commissions	1,102	801	824	2.8%	-25.2%	3,836	3,942	2.8%
Trading gain/(loss)	60	13	10	-21.3%	-83.3%	151	102	-32.4%
Other operating income, net	914	1,379	532	-61.4%	-41.8%	2,910	2,624	-9.8%
Total non-funded income	2,075	2,193	1,366	-37.7%	-34.2%	6,897	6,668	-3.3%
Total operating income	6,163	6,521	5,758	-11.7%	-6.6%	23,822	25,149	5.57%
Operating expenses	-1,868	-2,272	-1,982	-12.8%	6.1%	-7,992	-8,102	1.4%
Pre provision profit	4,296	4,249	3,776	-11.1%	-12.1%	15,830	17,047	7.7%
Impairment	-1,763	-2,179	-1,342	-38.4%	-23.9%	-5,899	-4,926	-16.5%
PBT	2,542	2,070	2,434	17.6%	-4.2%	9,910	12,121	22.3%
TAX	-220	-54	-80	48.2%	-63.3%	-604	-718	18.8%
Net profit	2,322	2,012	2,354	17.0%	1.4%	9,298	11,403	22.6%

ENBD - P&L KPI

AED mm	1Q21	4Q21	1Q22	YOY Ch	QOQ Ch	2021	2022F	Change
Net FI/OI	66.3%	66.4%	76.3%	990	994	71.0%	73.5%	244
NIM	2.8%	2.7%	2.8%	3	-6	2.9%	3.1%	17
NIS	3.0%	2.8%	2.9%	2	-20	2.9%	3.1%	20
Fees & comms/OI	17.9%	12.3%	14.3%	202	-356	16.1%	15.7%	-43
Other operating income/OI	14.8%	21.1%	9.2%	-1,190	-558	12.2%	10.4%	-178
Trading/OI	1.0%	0.2%	0.2%	-2	-80	0.6%	0.4%	-23
Cost to income	30.3%	34.8%	34.4%	-42	412	33.5%	32.2%	-133
Impairment/PPP	41.0%	51.3%	35.5%	-1,574	-550	37.3%	28.9%	-837
NP/OI	8.6%	2.6%	3.3%	68	-533	6.1%	5.9%	-17
ROAE	37.7%	30.8%	40.9%	1,003	321	39.0%	45.3%	631
ROAA	12.8%	10.7%	12.5%	177	-39	12.7%	14.3%	162

FABS estimate & Co Data

ENBD- Key BS Items

AED mm	1Q21	2Q21	3Q21	4Q21	1Q22	YOY Ch
Net advances	436,102	438,227	438,318	422,272	424,384	-2.7%
QOQ Change	-1.7%	0.5%	0.0%	-3.7%	0.5%	
Total assets	695,059	693,783	699,067	687,437	688,812	-0.9%
QOQ Change	-0.4%	-0.2%	0.8%	-1.7%	0.2%	
Customer deposits	459,092	457,886	466,508	456,484	457,397	-0.4%
QOQ Change	-1.1%	-0.3%	1.9%	-2.1%	0.2%	
Total equity	72,288	74,445	76,232	74,391	76,745	6.2%
QOQ Change	0.0%	3.0%	2.4%	-2.4%	3.2%	

FABS estimate & Co Data

FAB Securities Awards



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by "Banker Middle East"



Best Brokerage House in UAE
2016, 2017, 2019 and 2020
by "IFA"



Best Brokerage in the UAE
2016 By "Global Investor/
ISF ME Awards"



Best Research House
in UAE 2016 and 2020
by "IFA"



Best New Mobile Application
in UAE 2016
by "IFA"



Best Equity Finance Company
in UAE 2016
by "IFA"