



Results Review

Emirates NBD
ST Rating: Underperform
LT Rating: Market Perform

Emirates NBD – 3Q09 results review

- Emirates NBD reported Q309 Net Income of AED1.05bn (+3.4%yoy, +23.6%qoq), beating consensus estimates by 45%. **While revenues dropped by 4.2% qoq (primarily due to lower non-interest income), lower provisioning and strong cost controls helped lift the bottom line.** Net Interest income continues to be strong due to widening margins (2.9% ytd vs. 2.5% in 08) and is coming in at a run rate of AED1.8bn a quarter in 2009 vs. 1.5bn in 2008. Non-interest income weakened to AED 923mm (-23.1% qoq), primarily due to lower fee income (-17.8% qoq) but also due to lower mtm adjustments on CDS and investments. ENBD indicates that core non-interest income should stabilize in the future to AED800-850mm (806mm in Q2 and 662mm in Q3)
- Loan growth was flat qoq but quarterly deposits grew by AED 13.0bn (+7.7%qoq) alleviating the loans/deposit ratio to a 6-quarter low of 118%. **YTD deposit growth has far outpaced loan growth – rising by 13.1% vs. 4.9%, respectively.** Of interest, deposits from the ultimate parent only rose by AED390mm this quarter, so the major portion of deposit growth was customer oriented. Deposits in both the consumer and wholesale business lines have increased by 23% since year end.
- ENBD continues to build up its loan loss reserves, taking another AED762mm (0.32% provision charge) in provisions in Q309 versus AED1.1bn (0.52% charge) in 2Q09. YTD provisions in 2009 are AED2.3bn vs. AED1.6bn in the FY2008. Specific provisions accounted for 70% of the provision charge in Q3. NPL's rose by an estimated AED678mm, lifting the NPL ratio to 1.82% from 1.56% at the end of Q2, while the loss coverage ratio weakened to 109% from 110% in Q2
- **Operating costs continue to be driven downwards (-5.2% qoq),** coming in at AED850mm for the quarter, down from an average of AED900mm in the first two quarters. With the smaller drop in revenues (-4.2%), the cost efficiency ratio has dropped to 30.7%. The ytd core cost efficiency ratio is 34.5% in-line with the banks previous full year guidance of 35%.
- With quarterly revenue run-rate in 2009 of AED 2.8bn and strong cost control (efficiency ratio down to 30.7%), the bank's core operations continue to be healthy. While the Dubai exposure is high, the growth in NPL's continues to be well provisioned for. **The banks previous guidance of full year NPL's at 2.0% is probably too optimistic and we now expect this to rise to 2.2%. However, the bank is well-capitalized (CAR at 19.9%) and interest income has held up well in light of flat loan growth and improving margins.** We are inclined to view these results positively and will be reviewing our estimates.

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Equity Data					
Current Price (AED)	4.44				
Target Price (AED)	4.00				
Upside/downside	-10%				
Short-Term Rating	Underperform				
Long-Term Rating	Market Perform				
YTD Performance	60.1%				
52-Week Range (AED)	2.40-5.98				
Market Cap. (AED bn.)	24.7				
RIC	ENBD.AD				
Bloomberg	EMIRATES.UH				

AED Millions, except per share data					
Net Interest Income	3Q08	2Q09	3Q09	yoy	qoq
	1399	1716	1845	31.9%	7.5%
Non-Interest Income	586	1173	922	57.4%	-21.3%
Total Income	1985	2888	2768	39.4%	-4.2%
Non-Interest Expense	(774)	(896)	(850)	9.9%	-5.2%
Provisions	(298)	(1149)	(762)	156.0%	-33.7%
Net Profit	1018	852	1053	3.4%	23.6%
Net Loans	202,166	216,631	217,110	7.4%	0.2%
Total Assets	285,328	281,893	291,045	2.0%	3.2%
Customer Deposit	165,918	170,540	183,641	10.7%	7.7%
Loans/Deposits	122%	127%	118%		
Efficiency Ratio	-39.0%	-31.0%	-30.7%		

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