



NBAD 1Q09 Results

NBAD

ST Rating: Market Perform

LT Rating: Outperform

NBAD – Results impacted by provisions

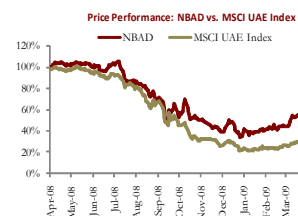
- NBAD reported 1Q09 net profit of AED 770mm vs. AED 875mm last year, a drop of 12% yoy** (vs. our estimate of AED 886mm). The primary reasons for the drop were lower non-interest income and a rise in provisioning charges. However, considering that 1Q08 results had benefited from investment property related gains of AED 165mm, the comparable non-interest income was flat in Q109 yoy. Interest income for the quarter was higher by 41.2% yoy but lower by 5.7% compared to 4Q08 and we estimate a small improvement in NIM to 2.68% from 2.61% in 2008. In addition, although non-interest costs dropped by 2% qoq, they were 32.6% higher than 1Q08, resulting in a cost/income ratio of 30.3%, higher than the 28.8% registered in 2008.
- NBAD continues to build up provisions** - NPL's increased by 16% over the quarter ending at AED 1.24 billion, representing 1.1% of the loan book compared to NPL's at 0.97% at the end of 2008. In line with this weakness, the bank recognized additional charges to build up reserves by another AED 191mm (net of 23mm in recoveries) and end the quarter at AED 1.75 billion. With the AED 175mm rise in NPL's and impairment charges of AED 214mm, the loan loss reserve to NPL ratio dropped to 140.3% from 144.6% at the end of 2008. The provisioning charge represents an estimated annualized charge level of 0.73% vs. 0.82% for 2008.
- Loans and deposits moving in opposite directions** - The bank continued to expand its loan book which grew by 3.7% from the end of the quarter. However, deposits dropped by AED 5.6bn pushing the loans/deposit ratio higher – to 118% from 108% at the end of 2008. In addition, NBAD has not yet completed its conversion of Ministry of Finance deposits (in the amount of AED 5.6bn) into Tier II capital, a fact that will stress the ratio further in 2Q09.
- First quarter results displayed a continued weakness in the loan book and continued build up of provisions.** Although core business operations – both funded and non-funded - seemed to have stabilized, along with lower investment losses (AED 55mm vs. AED 209mm in 4Q08), the quality of the loan book should come under sharp focus this year. We have estimated a provisioning level similar to 2008 for this year (AED 700mm), and a worsening of NPL's to 1.24% by the end of the year. We continue to monitor the loan book for further deterioration but for now maintain our ST 'Market Perform' and LT 'Outperform' on the stock.

Deepak Tolani
 T+971 4 360 11 52
 Deepak.tolani@almalcapital.com

Downtown Burj Dubai
 Emaar Square
 Building 4, Office 302
 Sheikh Zayed Road
 P. O. Box 119930, Dubai, UAE
 T +971 4 360 1111
 F +971 4 360 1122
 www.almalcapital.com

Equity Data

Current Price (AED)	8.66
Target Price (AED)	10.25
Upside/downside	18%
Short-Term Rating	Market Perform
Long-Term Rating	Outperform
YTD Performance	6.4%
52-Week Range (AED)	6.3-20.2
Market Cap. (AED bn.)	18.8
RIC	NBAD.AD
Bloomberg	NBAD UH



AED Millions, except per share data	1Q08	4Q08	1Q09	yoy	qoq
Net Interest Income	777	1162	1097	41.2%	-5.7%
Non-Interest Income	509	186	341	-32.9%	83.8%
Total Income	1286	1348	1438	11.9%	6.7%
Non-Interest Expense	(328)	(444)	(435)	32.6%	-2.0%
Provisions	(68)	(394)	(214)	214.0%	-45.6%
Net Profit	875	492	770	-11.9%	56.6%
Net Loans	92,770	111,764	115,872	24.9%	3.7%
Total Assets	157,231	164,654	161,135	2.5%	-2.1%
Customer Deposit	92,181	103,481	97,868	6.2%	-5.4%
Loans/Deposits	101%	108%	118%		
Efficiency Ratio	-25.5%	-32.9%	-30.3%		

**Al Mal Securities Group****Institutional Sales & Trading**

Ashraf Abu Shakra +971 4 369 66 01

Khamis Shennawi +971 4 360 11 10

Hassan El Salah +971 4 360 11 09

Kamal Samarrai +971 4 360 11 05

Jalal Faruki +971 4 360 11 03

Portfolio Advisory

Akram Annous +971 4 360 11 12

All Desks Numbers +971 4 360 11 00**Al Mal Capital Research****Managing Director**

Robert McKinnon +971 4 360 11 17

Equity Research Analysts

Irfan Ellam +971 4 360 11 53

Bobby Sarkar +971 4 360 11 68

Deepak Tolani, CFA +971 4 360 11 52

Mala Pancholia +971 4 360 11 54

Disclaimer: This report is not an offer to buy or sell nor a solicitation to buy or sell any of the securities mentioned within. The information and recommendations contained in this report were prepared using information available to the public and sources Al Mal Capital believes to be reliable. Al Mal Capital PSC does not guarantee the accuracy of the information contained within this report and accepts no responsibility or liability for losses or damages incurred as a result of investment decisions taken based on information provided or referred to in this report. Any analysis of historical facts and data is for information purposes only and past performance of any company or security is no guarantee or indication of future results. Al Mal Capital PSC, or its "related group companies" (which may include any of its branches, affiliates and subsidiaries) or any director(s) or employee(s) of the said companies, individually or collectively, may from time to time take positions or effect transactions related to companies mentioned in this report. Al Mal Capital PSC and its related group companies may have performed or seek to perform investment banking or any other financial or