



Earnings Preview

ADCB

ST Rating: Underperform

LT Rating: Market Perform

ENBD

ST Rating: Underperform

LT Rating: Market Perform

FGB

ST Rating: Market Perform

LT Rating: Outperform

NBAD

ST Rating: Market Perform

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UNB

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UAE Banks – Q1 2009 preview

- **Estimate average net profit +2%, on a yoy basis** - For the banks in our coverage universe, we are expecting a tale of two extremes. On average, we expect interest income to be higher by 29% compared to Q108, but non-interest income to drop by 23%. Primary reasons for expansion in interest income is a) re-pricing loans to reflect increased credit costs and b) full year income impact of loans originated last year (avg. loan growth of 41%). However, non-interest income will continue to be impacted by lower fee and commission income, lower foreign exchange trading income and a reduction in real estate related revaluation gains.
- **Regional deleveraging likely to continue** – Reflecting the increased risk aversion we estimate that loan growth will have slowed in Q109 in certain cases, and actual shrinkage in loans in most cases. Deposits have become expensive to attract, and although interbank borrowing rates have dropped off the highs of Q408, they are still higher compared to the first half of last year. QOQ loan growth should be minimal in Q109, as banks look to a) pass on some of the higher funding costs to customers and b) become selective on doling out credit while they get comfortable with the quality of the existing loan book. Also of note – the recent conversion of Ministry of Finance deposits into Tier II capital by the UAE banks, will make the reported Loans/Deposit ratio look more stressed than at the end of 2008. On average, we estimate the ratio to rise from 118% in 2008 to 124% at the end of Q109
- **Provisions to rise yoy, but lower qoq** - We believe the banks will be prudent and continue to build up reserves, albeit at a slower pace than Q408, while they await a fallout to emerge via NPL's due to the continued challenging operating environment and continued stresses on real estate developers and personal balance sheets of consumers.
- The recent release of **positive Q1 results from big regional banks**, along with continued efforts of the UAE Central Bank to build confidence in the banking system, has created expectations that the UAE banks will also have faced down the credit crisis. The bank stocks in our coverage universe are up 20.4% on average YTD, compared to 1.8% and 9.8% for the DFM and ADX. However, we caution against the sizeable exposure to a slowing real estate and construction sector, pressure on personal loans due to the economic crisis, potential for increase in delinquencies and continued build up of loss reserves. We will revisit our targets once detailed results are made available but for now maintain our ratings.

Equity Data	ADCB	ENBD	FGB	NBAD	UNB
Current Price (AED)	1.7	2.9	12.0	10.3	2.9
Target Price (AED)	1.9	3.5	10.1	10.3	2.7
Upside/downside	15%	19%	-16%	0%	-4%
YTD performance %	1.0%	5.0%	31.1%	23.5%	41.2%
Market Cap. (AED bn)	8.1	16.3	16.5	22.1	5.9
Valuation Multiples					
PE '09E	5.5	4.4	6.1	7.7	4.8
BVPS '09E	3.5	5.2	13.8	7.5	4.2
P/BV '09E	0.5	0.6	0.9	1.4	0.7



First Quarter 2009 - Earnings Preview

Abu Dhabi Commercial Bank							
(AED Millions)	1Q08	2Q08	3Q08	4Q08	1Q09E	yoy	qoq
Net Interest Income	506	630	651	693	669	32%	-3%
Non-Interest Income	415	592	488	415	381	-8%	-8%
Non-Interest Expense	(321)	(345)	(377)	(481)	(410)	28%	-15%
Provisions	(79)	(219)	(312)	(888)	(201)	153%	-77%
Net Profit	460	621	420	-264	439	-5%	-266%
Adjusted EPS	0.10	0.13	0.09	(0.05)	0.09	-5%	-266%
Gross Loans	80,002	90,985	103,144	108,813	110,772	38%	2%
Customer Deposit	59,227	63,137	70,069	84,361	80,441	36%	-5%
Loans/Deposits	135%	144%	147%	129%	138%		

Emirates NBD							
(AED Millions)	1Q08	2Q08	3Q08	4Q08	1Q09E	yoy	qoq
Net Interest Income	1,381	1,363	1,399	1,691	1,531	11%	-9%
Non-Interest Income	818	1,133	586	77	634	-22%	725%
Non-Interest Expense	(835)	(931)	(774)	(816)	(809)	-3%	-1%
Provisions	(263)	(249)	(298)	(843)	(265)	1%	-69%
Net Profit	1,196	1,452	1,018	14	1,223	2%	8629%
Adjusted EPS	0.22	0.26	0.18	0.00	0.22	2%	8629%
Gross Loans	175,427	187,390	202,166	208,930	205,569	17%	-2%
Customer Deposit	114,188	157,060	165,918	162,315	155,277	36%	-4%
Loans/Deposits	154%	119%	122%	129%	132%		

First Gulf Bank							
(AED Millions)	1Q08	2Q08	3Q08	4Q08	1Q09E	yoy	qoq
Net Interest Income	424	623	753	780	746	76%	-4%
Non-Interest Income	602	590	434	492	372	-38%	-24%
Non-Interest Expense	(209)	(248)	(267)	(411)	(313)	50%	-24%
Provisions	(142)	(158)	(69)	(192)	(102)	-28%	-47%
Net Profit	676	808	850	671	704	4%	5%
Adjusted EPS	0.50	0.59	0.62	0.49	0.52	4%	5%
Gross Loans	54,320	65,739	75,991	79,363	78,569	45%	-1%
Customer Deposit	50,823	61,172	66,679	73,963	70,880	39%	-4%
Loans/Deposits	107%	107%	114%	107%	111%		

National Bank Of Abu Dhabi							
(AED Millions)	1Q08	2Q08	3Q08	4Q08	1Q09E	yoy	qoq
Net Interest Income	777	823	845	1162	992	28%	-15%
Non-Interest Income	509	631	368	186	403	-21%	117%
Non-Interest Expense	(328)	(357)	(364)	(444)	(374)	14%	-16%
Provisions	(68)	(77)	(178)	(394)	(116)	71%	-70%
Net Profit	875	1002	651	492	886	1%	80%
Adjusted EPS	0.40	0.46	0.30	0.23	0.41	1%	80%
Gross Loans	92,770	106,460	112,536	111,764	113,745	23%	2%
Customer Deposit	92,181	89,275	97,234	103,481	97,455	6%	-6%
Loans/Deposits	101%	119%	116%	108%	117%		

Union National Bank							
(AED Millions)	1Q08	2Q08	3Q08	4Q08	1Q09E	yoy	qoq
Net Interest Income	282	367	394	455	393	39%	-14%
Non-Interest Income	205	194	385	13	163	-20%	1125%
Non-Interest Expense	(139)	(158)	(166)	(177)	(167)	21%	-5%
Provisions	(8)	29	0	(225)	(30)	261%	-87%
Net Profit	336	424	582	63	349	4%	450%
Adjusted EPS	0.16	0.21	0.28	0.03	0.17	4%	450%
Gross Loans	40,089	47,317	50,981	50,429	49,899	24%	-1%
Customer Deposit	40,839	47,693	43,894	49,473	46,284	13%	-6%
Loans/Deposits	98%	99%	116%	102%	108%		


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