



## 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: Market Perform

## NBAD

ST Rating: Market Perform

LT Rating: Outperform

## UNB

ST Rating: Market Perform

LT Rating: Market Perform

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## UAE Banks – Q2 2009 preview

- **For the five banks in our UAE coverage universe, we expect Q2 average net profit to be -27.5% yoy and -9.1% qoq.** The sizable drop in expectations is a factor of a tougher economic environment and continued buildup in provisions in 2009 vs. a hard comparable to last year when regional economies were enjoying robust growth and strong liquidity. We expect a slowdown in Net Interest Income from the previous quarter as some of the asset re-pricing mechanisms undertaken by the banks may have run out of steam. In contrast, the recent partial recovery in capital markets in april and may bode well for a partial recovery in non-interest income as non-funded business lines recover and investment losses diminish or in some cases, change course.
- **Overall loan growth slow (albeit still positive) but personal loans showing some sign of recovery** – Loans for the first 5 months of the year rose by 1% while personal loans shrunk by 8.3 % over the same time period. However, personal loans showing some signs of recovery growing by AED 5.9 billion in May 09, a monthly gain of 2.9%. Although the banks expect increasing defaults from the personal loan segment, the high margins and the lack of growth in the corporate sector are contributing to the renewed focus on this segment. Increasing delinquencies on credit card debt could contribute 0.2% to the NPL ratio for the banking sector. Also of note, some more UAE banks have completed the conversion of Ministry of Finance deposits into Tier II capital in the second quarter and will make the reported Loans/Deposit ratio look more stressed than previously reported. On average, we estimate the ratio to rise from 122% in Q109 to 125% at the end of Q209.
- **Continued concerns on real estate exposure, seasonal expectations of increased defaults, and limited transparency on exposure to stressed regional conglomerates weighing on bank stocks.** We expect the build of loan loss reserves to continue with provisions continuing to rise by 12.0% qoq. This is primarily due to the expected increase in NPL's due to the continued challenging operating environment and continued stresses on real estate developers and personal balance sheets of consumers.
- **The UAE banks have not yet disclosed detailed exposures to the Ghosaibi and Al Saad groups although the Central Bank is aware of the situation.** We believe the impact this quarter will be small and related charges to the reserves and NPL's will probably not be seen till the second half of the year. As a derivative effect the health of large regional family conglomerates that were previously considered stable are now being called into question.

Equity Data	ADCB	ENBD	FGB	NBAD	UNB
Current Price (AED)	1.7	3.2	13.9	9.8	3.4
Target Price (AED)	2.2	4.0	11.6	11.6	4.0
Upside/downside	29%	25%	-16%	18%	18%
YTD performance %	-4.5%	14.7%	51.4%	20.4%	67.5%
Market Cap. (AED bn)	8.2	17.7	19.0	21.3	7.0
Valuation Multiples					
PE '09E	5.6	4.8	7.0	7.4	5.7
BVPS '09E	3.5	5.2	13.8	7.4	4.2
P/BV '09E	0.5	0.6	1.0	1.3	0.8

## Second Quarter 2009 - Earnings Preview

<b>Abu Dhabi Commercial Bank</b>					
(AED Millions)	2Q08	1Q09A	2Q09E	yoy	qoq
Net Interest Income	630	708	694	10.2%	-2.0%
Non-Interest Income	592	299	362	-38.8%	21.0%
Total Income	1222	1007	1008	-17.5%	0.1%
Non-Interest Expense	(345)	(375)	(379)	9.7%	1.0%
Provisions	(219)	(277)	(273)	24.7%	-1.6%
Net Profit	621	355	405	-34.9%	14.0%
Adjusted EPS	0.13	0.07	0.08	-34.9%	14.0%
Net Loans	90,985	110,273	111,596	22.7%	1.2%
Total Assets	128,346	144,297	145,885	13.7%	1.1%
Customer Deposit	63,137	73,236	74,627	18.2%	1.9%
Loans/Deposits	144.1%	150.6%	149.5%		
Efficiency Ratio	-28.3%	-37.3%	-37.6%		
<b>Emirates NBD</b>					
(AED Millions)	2Q08	1Q09A	2Q09E	yoy	qoq
Net Interest Income	1,363	1,928	1,671	22.6%	-13.3%
Non-Interest Income	1,133	685	729	-35.6%	6.5%
Total Income	2496	2612	2401	-3.8%	-8.1%
Non-Interest Expense	(931)	(911)	(938)	0.8%	3.0%
Impairment allowances	(249)	(462)	(579)	133.0%	25.4%
Net Profit	1,452	1,259	917	-36.8%	-27.2%
Adjusted EPS	0.26	0.23	0.17	-36.8%	-27.2%
Net Loans	187,390	214,398	218,364	16.5%	1.9%
Total Assets	285,517	281,429	287,620	0.7%	2.2%
Customer Deposit	157,060	170,494	173,648	10.6%	1.9%
Loans/Deposits	119%	126%	126%		
Efficiency Ratio	-37.3%	-34.9%	-39.1%		
<b>First Gulf Bank</b>					
(AED Millions)	2Q08	1Q09A	2Q09E	yoy	qoq
Net Interest Income	623	875	873	40.0%	-0.3%
Non-Interest Income	590	443	473	-19.9%	6.8%
Total Income	1213	1318	1346	10.9%	2.1%
Non-Interest Expense	(248)	(293)	(274)	10.8%	-6.2%
Provisions	(158)	(275)	(278)	76.4%	1.1%
Net Profit	808	750	793	-1.9%	5.7%
Adjusted EPS	0.59	0.55	0.58	-1.9%	5.6%
Net Loans	65,739	83,640	85,397	29.9%	2.1%
Total Assets	94,325	109,417	112,372	19.1%	2.7%
Customer Deposit	61,172	75,744	77,258	26.3%	2.0%
Loans/Deposits	107%	110%	111%		
Efficiency Ratio	-20.4%	-22.2%	-20.4%		
<b>National Bank Of Abu Dhabi</b>					
(AED Millions)	2Q08	1Q09A	2Q09E	yoy	qoq
Net Interest Income	823	1097	992	20.5%	-9.5%
Non-Interest Income	631	341	356	-43.7%	4.2%
Total Income	1455	1438	1348	-7.3%	-6.3%
Non-Interest Expense	(357)	(435)	(400)	12.2%	-8.0%
Provisions	(77)	(214)	(237)	209.4%	10.8%
Net Profit	1002	770	691	-31.0%	-10.3%
Adjusted EPS	0.46	0.35	0.32	-31.0%	-10.3%
Net Loans	106,460	115,872	117,610	10.5%	1.5%
Total Assets	165,418	161,135	165,002	-0.3%	2.4%
Customer Deposit	89,275	97,868	94,268	5.6%	-3.7%
Loans/Deposits	119%	118%	125%		
Efficiency Ratio	-24.5%	-30.3%	-29.7%		
<b>Union National Bank</b>					
(AED Millions)	2Q08	1Q09A	2Q09E	yoy	qoq
Net Interest Income	367	381	389	6.1%	2.0%
Non-Interest Income	194	115	147	-24.1%	28.1%
Total Income	560	496	536	-4.4%	8.0%
Non-Interest Expense	(158)	(147)	(168)	6.2%	14.1%
Provisions	29	(38)	(50)	-270.8%	32.3%
Net Profit	424	301	317	-25.3%	5.3%
Net Loans	47,317	49,199	50,085	5.8%	1.8%
Total Assets	64,749	72,475	73,265	13.2%	1.1%
Customer Deposit	47,693	53,939	48,352	1.4%	-10.4%
Loans/Deposits	99%	91%	104%		
Efficiency Ratio	-28.3%	-29.7%	-31.4%		
<b>UAE Banks - ADCB, EMIRATES, FGB, NBAD, UNB</b>					
(AED Millions)	2Q08	1Q09A	2Q09E	yoy	qoq
Net Interest Income	3806	4989	4619	21.4%	-7.4%
Non-Interest Income	3139	1883	2067	-34.2%	9.8%
Total Income	6946	6871	6638	-4.4%	-3.4%
Non-Interest Expense	(2039)	(2162)	(2160)	5.9%	-0.1%
Provisions	(673)	(1266)	(1417)	110.7%	12.0%
Net Profit	4307	3436	3123	-27.5%	-9.1%
Net Loans	497,892	573,382	583,051	17.1%	1.7%
Total Assets	738,355	768,754	784,144	6.2%	2.0%
Customer Deposit	418,338	471,280	468,155	11.9%	-0.7%
Loans/Deposits	119%	122%	125%		
Efficiency Ratio	-29.4%	-31.5%	-32.5%		

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