

NBAD: Government deposits supporting growth



EARNINGS FLASH • 3Q12 • UAE/Banking • 24 October 2012

NET INTEREST INCOME

AED1,485m +8%

Q3 2011: AED1,379m

OPERATING INCOME

AED2,251m +12%

Q3 2011: AED2,001m

NET PROFIT

AED1,125m +9%

Q3 2011: AED1,031m

Recommendation	HOLD
Market price (AED)	9.7
Target price (AED)	9.2
Downside potential (%)	4.5%
Free float (%)	22.4%
Foreign ownership limit (%)	25%
Market cap. (AEDm)	37,506
Market cap. (USDm)	10,211
Shares outstanding (m)	3,875
Reuters code	NBAD.AD
Bloomberg code	NBAD UH

National Bank of Abu Dhabi (NBAD) posted a net profit of AED1.12bn in 3Q12 (+7.5% QoQ, +9.1% YoY), well above our estimate of AED850m and market consensus of AED1.07bn. The difference stemmed primarily from much higher-than-expected gain on investments and booking lower provisions during the quarter.

Net interest income (NII) was AED1.49bn in 3Q12, +1.9% QoQ and +7.7% YoY (4.4% below our estimate of AED1.55bn). Annualised net interest margin (NIM) slightly fell QoQ to 2.07% from 2.08% in 2Q12, and was down from 2.26% in 3Q11, due to an increase in short-term secured lending and a more liquid balance sheet, as per management. Net Islamic income was AED68m, -0.6% QoQ and -12.7% YoY, (below our estimate of AED75m). Fee and commission income also fell 1.5% QoQ but was up 17.4% YoY reaching AED380m, 6.7% below our estimate of AED408m. Total operating income rose 8.7% QoQ and 12.5% YoY to AED2.25bn, 7.2% above our estimate of AED2.10bn.

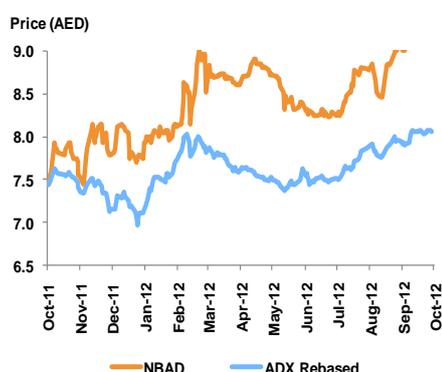
Operating costs were up 3.4% QoQ and 17.9% YoY to AED729m, (3.0% below our estimate), however the cost-to-income ratio fell QoQ to 32.4% in 3Q12 from 34.0% in 2Q12, but above 3Q11's ratio of 30.9%.

Total assets were up 12.8% QoQ and 25.8% YoY to AED305bn in 3Q12, above our estimate of AED274bn. Net loans were flat QoQ at AED163bn, but were up 4.6% YoY (0.9% below our estimate). Deposits were up 20.7% QoQ and 35.8% YoY to AED194bn (19.5% above our estimate), however, this was explained by the bank's management as due to receiving a significant amount of government deposits during the quarter. This resulted in LDR falling to 84% in 3Q12, from 89% in 2Q12 and 109% in 3Q11.

Asset quality continued to weaken in 3Q12 with non-performing loans (NPLs) reaching 3.31% vs. 3.18% in 2Q12 and 2.83% in 3Q11, with provisions covering 96.5% of NPLs. Provisions booked during the quarter was AED367m (+25.7% QoQ and +14.4% YoY), well below our estimate of AED476m.

We will issue further analysis once NBAD releases its full numbers for 3Q12. For the time being, we maintain our HOLD recommendation and TP at AED9.2/share.

NBAD vs. ADX Rebased



Source: Bloomberg, NAEEM Research
Closing price as of 23 October 2012

NBAD: 3Q12 Results Summary

In AEDm	3Q12a	3Q11a	2Q12a	YoY (Δ)	QoQ (Δ)	3Q12e	Variance
Net interest income	1,485	1,379	1,458	7.7%	1.9%	1,554	-4.4%
Total operating income	2,251	2,001	2,071	12.5%	8.7%	2,100	7.2%
Operating cost	729	618	705	17.9%	3.4%	752	-3.0%
Provisions	367	321	292	14.4%	25.7%	476	-22.9%
Net profit	1,125	1,031	1,041	9.1%	7.5%	850	32.3%

Source: Company data, NAEEM Research

Disclosure Appendix

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Rating	Upside/Downside potential	Rating distribution as of 24 October 2012
BUY	>20%	42%
ACCUMULATE	>10% to 20%	13%
HOLD	+10% to -10%	42%
REDUCE	<-10% to -20%	0%
SELL	< -20%	3%

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