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Sector Coverage Team

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• **Strong Q3 2007 results:** Net income fell by 18% from AED 81.8 mn in Q2 2007 to AED 66.9 mn in Q3 2007. Despite the fall in net income the results are considered strong as Q2 2007 results included AED 74 mn in gain on investments and profit on sale of properties. If we adjust for non mortgage finance related items, net income is up from AED 7.0 mn in Q2 2007 to AED 50.3 mn in Q3 2007.

• **Higher yield resulted from a focus on core business:** The strong results came on the back of a higher yield on financing and investing assets. The annualized yield for the quarter amounted to 9.5% in Q3 2007 up from 7.7% in Q2 2007. We attribute the higher yield to a structural shift within the financing and investing assets whereby Amlak is focusing more on its core business. The focus on mortgage lending as opposed to investments in securities had an immediate impact on income from financing and investing assets, which increased by 34% in Q3 2007. The company also dropped non core products such as car loans and yacht financing.

• **Balance sheet growth exceeds our estimates:** The growth in the balance sheet by 16% came primarily from investment deposits, which increased by AED 761 mn during Q3 2007. The investment deposits raised were utilized to grow the loan portfolio as well as the properties held for sale. Balance sheet growth could significantly beat our estimates if Amlak successfully sells USD 260 mn of Islamic mortgage securitizations in Q4 2007.

• **Amlak will likely beat our net income estimate for 2007:** We will be revising our net income estimate for 2007 of AED 208 mn upwards to reflect: 1) higher yield on financing and investing assets, 2) stronger than expected growth in the balance sheet, and 3) the potential for income from sale of properties in Q4 2007.

Current stock price (AED)	3.72
52-week range (AED)	2.72 - 7.83
Number of shares (000)	1,500,000
Free Float	55%
Market Cap (AED'000)	5,580,000
Market Cap (USD'000)	1,524,590
Div. Yld 2006	0.0%

AED'000	Q3 2006	Q2 2007	Q3 2007	9M 2006	9M 2007
Income from financing and investing assets	73,981	88,602	118,671	195,846	290,024
Depositors' share of profits	(45,419)	(63,763)	(70,506)	(116,350)	(186,703)
Net interest income	28,562	24,839	48,165	79,496	103,321
Total non interest income	26,933	99,385	45,231	95,004	163,869
Total G&A expenses	(20,861)	(42,376)	(26,493)	(59,019)	(94,616)
Net income	34,634	81,848	66,903	115,481	172,574

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