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- **Q3 2007 results in line with estimates:** Net income fell by 1.4% from AED 584 mn in Q2 2007 to AED 576 mn in Q3 2007. The results are in line with our estimates of AED 565 mn for the quarter. 9M 2007 net income amounted to AED 1.76 bn which is also in line with our estimate of AED 2.36 bn for the full year of 2007.
- **Volatility in customer deposits:** Customer deposits, which are the major funding source for the bank (over 66% of the bank's liabilities), fell from AED 77 bn as of June 30th, 2007, to AED 70 bn as of September 30th 2007. The movement highlights NBAD's funding concentration which causes such volatility. The bank is heavily dependant on its majority shareholder, the government of Abu Dhabi, for deposits with the government deposits typically account for 40% of total funding. It is worth noting that similar quarterly volatility in customer deposits took place in 2006.
- **Strong growth in loans:** Loans grew from AED 57 bn on December 31st, 2006, to AED 73 bn on September 30th, 2007. The growth in loans is strong and has already exceeded our 26% loans growth estimate for 2007.
- **Tighter liquidity position:** The drop in customer deposits and the strong growth in loans led to a tighter liquidity position for the bank. Loans to deposits reached 103%, up from 81% on December 31st, 2006.
- **Operating income may beat estimates:** Total operating income amounted to AED 2.56 bn. This level is in line with our estimate of AED 3.34 bn for the full year of 2007. Operating income may beat our estimate if the strong growth in loans continues in Q4 2007.
- **Higher provisioning expected in Q4 2007:** Provisions expense amounted to AED 21 mn in 9M 2007. If NBAD is targeting a provisions charge similar to that of last year then it will have to take a charge of around AED 80 mn in Q4 2007. It is worth noting that total provisions expense amounted to AED 99 mn in 2006.
- **We maintain our net income estimate for 2007 of AED 2.36 bn:** The strong growth in loans witnessed in 9M 2007 is likely to result in higher than expected operating income in 2007. On the other hand, we expect NBAD to boost provisions in Q4 2007, hence limiting the potential of beating our net income estimate for 2007 of AED 2.36 bn.

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|---------------------------|------------|
| Current stock price (AED) | 24.00 |
| 52-week range (AED) | 14.2-24.5 |
| Number of shares ('000) | 1,591,304 |
| Free Float (%) | 27% |
| Market Cap (AED '000) | 38,191,296 |
| Market Cap (USD '000) | 10,401,246 |
| Div. Yld 2006 (%) | 1.28% |

| AED (millions) | Q3 2006 | Q2 2007 | Q3 2007 | 9M 2006 | 9M 2007 |
|---------------------|---------|---------|---------|---------|---------|
| Net interest income | 502 | 573 | 606 | 1,493 | 1,718 |
| Non interest income | 202 | 286 | 252 | 723 | 837 |
| Operating income | 704 | 858 | 858 | 2,216 | 2,555 |
| Total G& A expenses | (177) | (249) | (252) | (504) | (726) |
| Provision charge | (9) | (8) | (14) | (37) | (21) |
| Tax expense | (13) | (17) | (16) | (37) | (47) |
| Net income | 505 | 584 | 576 | 1,637 | 1,761 |

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