



SHUAACAPITAL_{PSC}

Union National Bank (UNB.AD)

Equity Research

Q3 2007 Results Note

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Sector Coverage Team

Mohamed El Nabarawy, CFA
+9714 3199 756
melnabarawy@shuaacapital.com

Sofia El Boury
+9714 3199 533
selboury@shuaacapital.com

- **Q3 2007 profit 11% above our estimate:** UNB's Q3 2007 net profit increased from AED 285mn in Q2 2007 to AED 295 mn in Q3 2007. The results exceeded our estimate for the quarter by 11% on the back of lower than expected provisioning. Net profit for 9M 2007 amounted to AED 833mn, compared to our full year estimate of AED 999mn.
- **Tighter liquidity position:** Loans increased by 27% during 9M 2007 while customer deposits remained almost flat. As a result, liquidity position tightened with loans to deposits increasing from 91% as of December 31st, 2006, to 111% as of September 30th, 2007. The strong loans growth was supported by increased loan syndication activity and fast growing Islamic products.
- **G&A expenses in line with estimates:** UNB reported operating expenses of AED 124mn in Q3 2007 and AED 357mn in 9M 2007. Operating expenses, which are in line with our full year 2007 estimate of AED 462mn, include the consolidation impact of the two new subsidiaries (Al Wifak Finance Company and Alexandria Commercial & Maritime Bank).
- **Lower than expected provisions:** Provisions charged in 9M 2007 amounted to AED 7mn, vs. AED 55mn in 9M 2006. We expect UNB to boost provisions expense in Q4 2007.
- **Operating income likely to outperform:** UNB is likely to outperform our estimate for operating income in 2007 riding on strong lending activity. The bank reported AED 1.20bn in operating income in 9M 2007, compared to our full year estimate of AED 1.54bn.
- **We maintain our estimates:** While UNB is likely to beat our operating income estimate, we expect higher provisioning to take place in Q4 2007. This is bound to put pressure on net income and limit the potential of UNB, lagging our estimate for 2007 of AED 999 mn.

Current stock price (AED)	9.15
52-week range (AED)	5.95-11.25
Number of shares ('000)	1,562,500
Free Float	40%
Market Cap (AED '000)	14,296,875
Market Cap (USD '000)	3,893,697
Div. Yld 2006	3.83%

AED (millions)	Q3 2006	Q2 2007	Q3 2007	9M 2006	9M 2007
Net interest income	214	262	290	645	788
Non interest income	83	164	138	524	417
Operating income	297	426	428	1,169	1,205
Total G & A expenses	(96)	(125)	(124)	(279)	(357)
Provision charge	6	(11)	(8)	(55)	(7)
Tax expense	-	(2)	3	-	-
Minority interest	1	3	4	1	8
Net profit	206	285	295	834	833

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