

April 07, 2010

## QATAR NATIONAL BANK (QNBK.QA)

**12-Month Fair Value: QR 125.80**

**Last Close (06 April 2010): QR 138.20**

**Recommendation: Hold - Risk Level: 2**

- Qatar National Bank (QNB) reported a net profit of QR 1,265.8 million in 1Q2010, 25% over 1Q2009 and 18% over 4Q2009. QNB's income before provisions (IBP) stood at QR 1,358.6 million, 29% above 1Q2009 and 6% above our forecast.
- Net interest income was the main driver of earnings, reaching QR 1,189.3 million, 43% above 1Q2009 and 17% above 4Q2009. Income from fees and commissions was also robust, reaching QR 281.6 million, 19% above 1Q2009 and 2% above 4Q2009. Total operating income stood at QR 1,658.5 million, 26% above 1Q2009 and 11% above 4Q2009. Costs were well-controlled, growing by 15% compared with 1Q2009 but dropping by 10% compared with 4Q2009, resulting in a cost-to-income ratio of 18% in 1Q2010 compared with 19.6% in FY2009.
- Loan loss provisioning charges stood at QR 92.3 million in 1Q2010 compared with an average quarterly figure of QR 70.3 million in FY2009. Non-performing loans (NPLs) increased by 4.7% in 1Q2010 to represent 0.75% of gross loans as of March 2010 compared with 0.77% as of December 2009.
- QNB's loans reached QR 117.7 billion, growing by 8% compared with December 2009. Total deposits reached QR 131.9 billion, growing by 5% compared with December 2009.
- We believe this is a solid set of results in terms of earnings as well as growth in loans and deposits, continuing the good performance that QNB achieved in FY2009. Our fair value for QNB (QR 125.80) is now 9% below the bank's latest closing price, hence, our current recommendation on the stock is a "Hold". We will issue an update report on QNB after further discussions with the bank's management.

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### Related Research

- QNB Analyst Comment - 14 February 2010
- QNB Analyst Comment - 13 January 2010
- QNB Analyst Comment - 08 October 2009
- QNB Initiation of Coverage - 22 July 2009

**RISK AND RECOMMENDATION: GUIDE**

RECOMMENDATION		UPSIDE (DOWNSIDE) POTENTIAL		
BUY		MORE THAN 20%		
ACCUMULATE		BETWEEN 5% AND 20%		
HOLD		BETWEEN -10% AND 5%		
REDUCE		BETWEEN -25% AND -10%		
SELL		LESS THAN -25%		
RISK LEVEL				
LOW RISK			HIGH RISK	
1	2	3	4	5

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