

Research Flash

Investment Ideas

GCC Update: We upgrade QATAR to overweight

Private Banking

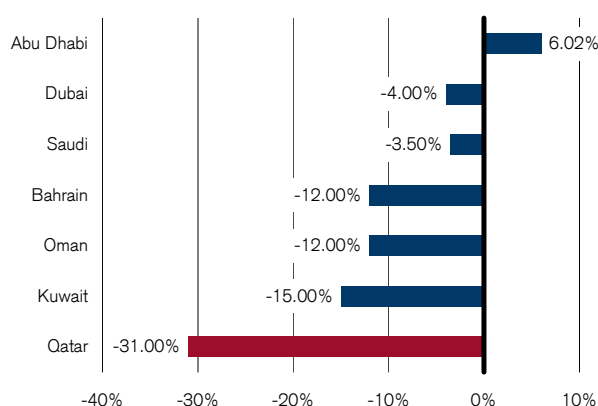
Tough start to 2009, but opportunities have arisen

Economic challenges remain for the Gulf region in 2009. While we have seen crude oil prices starting to stabilize amid sharply lower OPEC production and a consolidation in US demand, we expect prices to trade sideways in the medium term before picking up again over the longer term. In essence, oil is forming a bottom. This undoubtedly bodes well for the Gulf region's finances and sentiment over the longer term. However, the region's stock markets have performed weakly in line with global markets so far this year. Only Abu Dhabi has performed in positive territory (see Figure 1). The major outlier has been Qatar, which, in our opinion, has been unjustifiably hit by low investor sentiment and a 31% negative performance year to date. The policy response has varied by country but the authorities have been active – cutting interest rates, easing reserve requirements for banks (e.g. KSA), offering liquidity and deposit guarantees (UAE), raising lending limits (Kuwait), injecting capital into banks (Qatar/UAE) and establishing stock funds to support the local markets (Oman/Kuwait).

Policy measures introduced in several MENA states should have a positive slow burn impact on market performance, progressively putting an eventual floor under market sentiment and creating conditions for a rebound at some stage; however, we believe selectivity will be key for investors.

Figure 1

YTD 2009 – GCC stock market performances, Qatar underperformed – good entry point (%)



Source: Credit Suisse/ Bloomberg, prices as of March 30 2009

Highlights

- Over the course of Q1 2009, we have seen multiple measures adopted by Gulf countries to tackle the challenging economic conditions.
- On the back of valuations, strong economic growth and recent government measures, we have upgraded our recommendation on Qatar from neutral to overweight.
- The upcoming Qatar Vodafone IPO in early April will make an ideal entry point for investors to build positions on dips, as we expect some short-term weakness in liquidity draw from the secondary to the primary market.

Top investment ideas

Qatar Telecom (BUY)

Strong defensive telecom operator.
High cash flow and compelling valuations.

Industries Qatar (BUY)

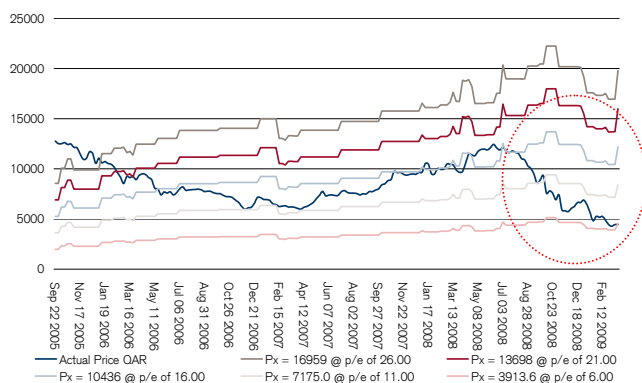
Access to low cost feedstock and market dominance provide a strong story.
Valuations attractive but margin pressure expected.

Qatar National Bank (HOLD)

QNB attracts strong government backing.
Valuations slightly cheap but not enough to change our HOLD rating.

Figure 2

Qatar P/E bands – currently valuations look good (LTM)



Source: Credit Suisse / Bloomberg

Qatar

We upgrade our rating on Qatar from neutral to overweight, based on several factors:

Attractive entry point

Following a 31% correction YTD, we believe this provides investors with the right entry point. As a result, valuations are at an all time low (see Figure 2) with the trailing twelve months P/E ratio of the local stock market at least 2 standard deviations away from the mean.

Strong economic growth

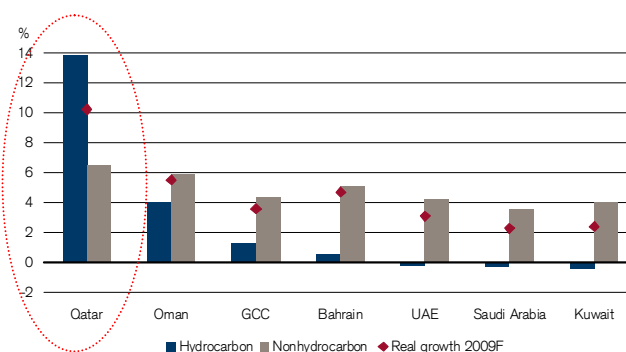
According to the IIF (Institute of International Finance) forecasts, GDP growth for 2009 is expected to be around 10.2%, the highest in the region (see Figure 3). Given the strong top-down dynamics of Qatar's economy, we think this provides an attractive environment for investors to gain exposure via the local stock market.

Government actions

The government's offer to purchase the domestic equity holdings of local banks has reduced selling pressure and begun to restore confidence. The focus on the cleaning up of the banks' balance sheets has provided gulf investors with a reason to look for an environment which creates better lending liquidity. Over the last few months, sentiment has remained poor with regard to Qatari banks and real estate, which probably explains some of the partial underperformance of the Doha equity market in 2009, as well as the now delayed Vodafone Qatar IPO. In our view, the government's latest action has directly tried to tackle investors' worries and concerns by directly helping local banks. Initial investor reaction has been strong, with the local market trading higher by 10% in two business days after the news.

Figure 3

Qatar's GDP growth for 2009E the highest in the region



Source: Credit Suisse / IIF

UAE

The UAE has seen two quite opposite performances with Abu Dhabi (+6%) outperforming its peer Dubai (-4%). On the government front, not only has Abu Dhabi acknowledged Dubai's debt as part of its own liabilities (recent USD 10 bn bond issue by the UAE central bank), but we are now also seeing comments from the central bank about working with the Minister of Finance to bridge a gap of about USD 30 bn between system loans & deposits. On 22 February, the government of Dubai unexpectedly announced a USD 20 bn sovereign bond program. The first USD 10 bn tranche of the program was fully subscribed to by the UAE central bank. The five-year bonds were sold with a coupon of 4%. The UAE has taken steps to boost Tier 1 capital in Abu Dhabi banks and Tier 2 capital across the economy. Liquidity enhancement measures have also been introduced. Support from the federal authorities for the Government of Dubai has eased immediate concerns over a potential default by government-related Dubai corporates. The measures have not led to market recovery, but have increased optimism that the very worst scenario may have been avoided.

Kuwait

Disarray in policy continues, and a week after the rescue plan for investment firms was meant to be ratified, disagreements over all bailout policies will likely lead to the dissolution of the government. In Kuwait, the dissolution of parliament suggests that policymakers are serious about overcoming political obstacles to ensure that the USD 5 bn support package for the financial sector is passed. Long-term challenges are likely to persist, but passage of the legislation may at the very least put a floor under what had been a marked deterioration in market sentiment.

Saudi Arabia

The Tadawul has traded sideways YTD, taking direction from the price of oil and global market sentiment. Liquidity is returning to more normal levels. Although turnover is still some 25% below the three- and six-month averages, the trend is cautiously upward and focused primarily on blue-chip names. Emerging market performance and regulatory changes from the CMA will be significant events to look for driving investor sentiment in Saudi Arabia.

Summary

Interestingly, some of the Gulf equity markets all gained last week but remain down YTD. Volumes are recovering but still down in most markets. Policy measures may put a floor under sentiment. While we have seen an underperformance for most of the regions' stock markets against emerging market peers, opportunities have arisen, in our view. We believe Qatar currently provides investors with the best market to gain exposure, especially after a 25% correction YTD. We believe the upcoming IPO of Qatar Vodafone in early April should create a liquidity draw from the secondary market to the primary markets, thus creating some short-term underperformance, and that this should be a time to gain exposure on dips.

Abbreviations frequently used in reports

Abb.	Description	Abb.	Description	Abb.	Description
CAGR	Compound annual growth rate	EPS	Earnings per share	P/B	Price-to-book value
CFO	Cash from operations	EV	Enterprise value	P/E	Price-earnings ratio
CFROI	Cash flow return on investment	FCF	Free cash flow	PEG	P/E ratio divided by growth in EPS
DCF	Discounted cash flow	FFO	Funds from operations	ROE	Return on equity
EBITDA	Earnings before interest, taxes, depreciation and amortization	IBD	Interest-bearing debt	ROIC	Return on invested capital

Disclosure appendix**Analyst certification**

The analysts identified in this report hereby certify that views about the companies and their securities discussed in this report accurately reflect their personal views about all of the subject companies and securities. The analysts also certify that no part of their compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Important disclosures

Credit Suisse policy is to publish research reports, as it deems appropriate, based on developments with the subject company, the sector or the market that may have a material impact on the research views or opinions stated herein. Credit Suisse policy is only to publish investment research that is impartial, independent, clear, fair and not misleading.

The Credit Suisse Code of Conduct to which all employees are obliged to adhere, is accessible via the website at:

https://www.credit-suisse.com/governance/en/code_of_conduct.html

For more detail, please refer to the information on independence of financial research, which can be found at:

https://www.credit-suisse.com/legal/pb_research/independence_en.pdf

The analyst(s) responsible for preparing this research report received compensation that is based upon various factors including Credit Suisse's total revenues, a portion of which are generated by Credit Suisse Investment Banking business.

Equity rating history as of 01/04/2009

Company	Rating	Date
INDUSTRIES OF QATAR (IQCD QD)	BUY	since 01/04/2009
	HOLD	since 16/03/2009
	HOLD	since 05/01/2009
	HOLD	since 04/09/2008
	BUY	since 28/04/2008
	BUY	since 15/04/2008
QATAR NATIONAL BANK (QNBK QD)	BUY	since 26/02/2008
	HOLD	since 24/02/2009
	HOLD	since 26/01/2009
	HOLD	since 16/09/2008
	BUY	since 21/07/2008
	BUY	since 22/04/2008
QATAR TELECOM (QTEL QD)	BUY	since 15/01/2008
	BUY	since 25/11/2008
	BUY	since 02/04/2008
	BUY	since 12/02/2008

For the following disclosures, references to Credit Suisse include all of the subsidiaries and affiliates of Credit Suisse AG, the Swiss bank, operating under its Investment Banking division.

The subject issuer (INDUSTRIES OF QATAR, QATAR TELECOM) currently is, or was during the 12-month period preceding the date of distribution of this report, a client of Credit Suisse.

Credit Suisse provided investment banking services to the subject company (INDUSTRIES OF QATAR, QATAR TELECOM) within the past 12 months.

Credit Suisse provided non-investment banking services, which may include Sales and Trading services, to the subject issuer (INDUSTRIES OF QATAR) within the past 12 months.

Credit Suisse has managed or co-managed a public offering of securities for the subject issuer (INDUSTRIES OF QATAR) within the past three years.

Credit Suisse has received investment banking related compensation from the subject issuer (INDUSTRIES OF QATAR, QATAR TELECOM) within the past 12 months.

Credit Suisse has received compensation for products and services other than investment banking services from the subject issuer (INDUSTRIES OF QATAR) within the past 12 months.

Credit Suisse expects to receive or intends to seek investment banking related compensation from the subject issuer (INDUSTRIES OF QATAR, QATAR TELECOM) within the next three months.

Credit Suisse holds a trading position in the subject issuer (INDUSTRIES OF QATAR, QATAR NATIONAL BANK, QATAR TELECOM).

Additional disclosures for the following jurisdictions

Hong Kong: Other than any interests held by the analyst and/or associates as disclosed in this report, Credit Suisse Hong Kong Branch does not hold any disclosable interests. **United Kingdom:** For fixed income disclosure information for clients of Credit Suisse (UK) Limited and Credit Suisse Securities (Europe) Limited, please call +41 44 333 33 99.

For further information, including disclosures with respect to any other issuers, please refer to the Credit Suisse Global Research Disclosure site at:

<http://www.credit-suisse.com/research/disclaimer>

Guide to analysis**Equity rating allocation as of 01/04/2009**

	Overall	Investment banking interests only
BUY	32.85%	33.81%
HOLD	59.23%	59.28%
SELL	7.65%	6.60%
RESTRICTED	0.26%	0.31%

Relative stock performance

At the stock level, the selection takes into account the relative attractiveness of individual shares versus the sector, market position, growth prospects, balance-sheet structure and valuation. The sector and country recommendations are "overweight," "neutral", and "underweight" and are assigned according to relative performance against the respective regional and global benchmark indices.

Absolute stock performance

The stock recommendations are BUY, HOLD and SELL and are dependent on the expected absolute performance of the individual stocks, generally on a 6-12 months horizon based on the following criteria:

BUY:	10% or greater increase in absolute share price
HOLD:	variation between -10% and +10% in absolute share price
SELL:	10% or more decrease in absolute share price
RESTRICTED:	In certain circumstances, internal and external regulations exclude certain types of communications, including e.g. an investment recommendation during the course of Credit Suisse engagement in an investment banking transaction.
TERMINATED:	Research coverage has been concluded.

Absolute bond recommendations

The bond recommendations are based fundamentally on forecasts for total returns versus the respective benchmark on a 3-6 month horizon and are defined as follows:

BUY:	Expectation that the bond issue will outperform its specified benchmark
HOLD:	Expectation that the bond issue will perform in line with the specified benchmark
SELL:	Expectation that the bond issue will underperform its specified benchmark

RESTRICTED: In certain circumstances, internal and external regulations exclude certain types of communications, including e.g. an investment recommendation during the course of Credit Suisse engagement in an investment banking transaction.

Credit Suisse HOLT

With respect to the analysis in this report based on the HOLT(tm) methodology, Credit Suisse certifies that (1) the views expressed in this report accurately reflect the HOLT methodology and (2) no part of the Firm's compensation was, is, or will be directly related to the specific views disclosed in this report. The Credit Suisse HOLT methodology does not assign ratings to a security. It is an analytical tool that involves use of a set of proprietary quantitative algorithms and warranted value calculations, collectively called the Credit Suisse HOLT valuation model, that are consistently applied to all the companies included in its database. Third-party data (including consensus earnings estimates) are systematically translated into a number of default variables and incorporated into the algorithms available in the Credit Suisse HOLT valuation model. The source financial statement, pricing, and earnings data provided by outside data vendors are subject to quality control and may also be adjusted to more closely measure the underlying economics of firm performance. These adjustments provide consistency when analyzing a single company across time, or analyzing multiple companies across industries or national borders. The default scenario that is produced by the Credit Suisse HOLT valuation model establishes the baseline valuation for a security, and a user then may adjust the default variables to produce alternative scenarios, any of which could occur. The Credit Suisse HOLT methodology does not assign a price target to a security. The default scenario that is produced by the Credit Suisse HOLT valuation model establishes a warranted price for a security, and as the third-party data are updated, the warranted price may also change. The default variables may also be adjusted to produce alternative warranted prices, any of which could occur. Additional information about the Credit Suisse HOLT methodology is available on request.

CFROI(r), CFROE, HOLT, HOLTfolio, HOLTSelect, HS60, HS40, ValueSearch, AggreGator, Signal Flag and "Powered by HOLT" are trademarks or registered trademarks of Credit Suisse or its affiliates in the United States and other countries. HOLT is a corporate performance and valuation advisory service of Credit Suisse.

For technical research

Where recommendation tables are mentioned in the report, "Close" is the latest closing price quoted on the exchange. "MT" denotes the rating for the medium-term trend (3 – 6 months outlook). "ST" denotes the short-term trend (3 – 6 weeks outlook). The ratings are "+" for a positive outlook (price likely to rise), "0" for neutral (no big price changes expected) and "-" for a negative outlook (price likely to fall). Outperform in the column "Rel perf" denotes the expected performance of the stocks relative to the benchmark. The "Comment" column includes the latest advice from the analyst. In the column "Recom" the date is listed when the stock was recommended for purchase (opening purchase). "P&L" gives the profit or loss that has accrued since the purchase recommendation was given.

For a short introduction to technical analysis, please refer to Technical Analysis Explained at:

https://www.credit-suisse.com/legal/pb_research/technical_tutorial_en.pdf

Global disclaimer / important information

References in this report to Credit Suisse include subsidiaries and affiliates. For more information on our structure, please use the following link:

http://www.credit-suisse.com/who_we_are/en/structure.html

The information and opinions expressed in this report were produced by the Global Research department of the Private Banking division at Credit Suisse as of the date of writing and are subject to change without notice. Views expressed in respect of a particular stock in this report may be different from, or inconsistent with, the observations and views of the Credit Suisse Research department of Division Investment Banking due to the differences in evaluation criteria. The report is published solely for information purposes and does not constitute an offer or an invitation by, or on behalf of, Credit Suisse to buy or sell any securities or related financial instruments or to participate in any particular trading strategy in any jurisdiction. It has been prepared without taking account of the objectives, financial situation or needs of any particular investor. Although the information has been obtained from and is based upon sources that Credit Suisse believes to be reliable, no representation is made that the information is accurate or complete. Credit Suisse does not accept liability for any loss arising from the use of this report. The price and value of investments mentioned and any income that might accrue may fluctuate and may rise or fall. Nothing in this report constitutes investment, legal, accounting or tax advice, or a representation that any investment or strategy is suitable or appropriate to individual circumstances, or otherwise constitutes a personal recommendation to any specific investor. Any reference to past performance is not necessarily indicative

of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any products mentioned in this document. Alternative investments, derivative or structured products are complex instruments, typically involve a high degree of risk and are intended for sale only to investors who are capable of understanding and assuming all the risks involved. Investments in emerging markets are speculative and considerably more volatile than investments in established markets. Risks include but are not necessarily limited to: political risks; economic risks; credit risks; currency risks; and market risks. An investment in the funds described in this document should be made only after careful study of the most recent prospectus and other fund information and basic legal information contained therein. Prospectuses and other fund information may be obtained from the fund management companies and/or from their agents. Before entering into any transaction, investors should consider the suitability of the transaction to individual circumstances and objectives. Credit Suisse recommends that investors independently assess, with a professional financial advisor, the specific financial risks as well as legal, regulatory, credit, tax and accounting consequences. A Credit Suisse company may, to the extent permitted by law, participate or invest in other financing transactions with the issuer of the securities referred to herein, perform services or solicit business from such issuers, and/or have a position or effect transactions in the securities or options thereof.

Distribution of research reports

Except as otherwise specified herein, this report is distributed by Credit Suisse, a Swiss bank, authorized and regulated by the Swiss Financial Market Supervisory Authority. **Australia:** This report is distributed in Australia by Credit Suisse, Sydney Branch (CSSB) (ABN 17 061 700 712 AFSL 226896) only to "Wholesale" clients as defined by s761G of the Corporations Act 2001. CSSB does not guarantee the performance of, nor makes any assurances with respect to the performance of any financial product referred herein. **Bahamas:** This report was prepared by Credit Suisse, the Swiss bank, and is distributed on behalf of Credit Suisse, Nassau Branch, a branch of the Swiss bank, registered as a broker-dealer by the Securities Commission of the Bahamas. **Bahrain:** This report is distributed by Credit Suisse, Bahrain Branch, authorized and regulated by the Central Bank of Bahrain (CBB) as an Investment Firm Category 2. **Dubai:** This information is distributed by Credit Suisse Dubai branch, duly licensed and regulated by the Dubai Financial Services Authority (DFSA). Related financial products or services are only available to wholesale customers with liquid assets of over USD 1 million who have sufficient financial experience and understanding to participate in financial markets in a wholesale jurisdiction and satisfy the regulatory criteria to be a client. **France:** This report is distributed by Credit Suisse (France), authorized by the Comité des Etablissements de Crédit et des Entreprises d'Investissements (CECEI) as an investment service provider. Credit Suisse (France) is supervised and regulated by the Commission Bancaire and the Autorité des Marchés Financiers. **Germany:** Credit Suisse (Deutschland) AG, authorized and regulated by the Bundesanstalt fuer Finanzdienstleistungsaufsicht (BaFin), disseminates research to its clients that has been prepared by one of its affiliates. **Gibraltar:** This report is distributed by Credit Suisse (Gibraltar) Limited. Credit Suisse (Gibraltar) Limited is an independent legal entity wholly owned by Credit Suisse and is regulated by the Gibraltar Financial Services Commission. **Guernsey:** This report is distributed by Credit Suisse (Guernsey) Limited. Credit Suisse (Guernsey) Limited is an independent legal entity wholly owned by Credit Suisse and is regulated by the Guernsey Financial Services Commission. Copies of annual accounts are available on request. **Hong Kong:** This report is issued in Hong Kong by Credit Suisse Hong Kong branch, an Authorized Institution regulated by the Hong Kong Monetary Authority and a Registered Institution regulated by the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). **India:** This report is distributed by Credit Suisse Securities (India) Private Limited ("Credit Suisse India"), regulated by the Securities and Exchange Board of India (SEBI). **Italy:** This report is distributed in Italy by Credit Suisse (Italy) S.p.A., a bank incorporated and registered under Italian law subject to the supervision and control of Banca d'Italia and CONSOB. **Luxembourg:** This report is distributed by Credit Suisse (Luxembourg) S.A., a Luxembourg bank, authorized and regulated by the Commission de Surveillance du Secteur financier (CSSF). **Mexico:** The information contained herein does not constitute a public offer of securities as defined in the Mexican Securities Law. This report will not be advertised in any mass media in Mexico. This report does not contain any advertisement regarding intermediation or providing of banking or investment advisory services in Mexico or to Mexican citizens. **Qatar:** This information has been distributed by Credit Suisse Financial Services (Qatar) L.L.C., which has been authorized and is regulated by the Qatar Financial Centre Regulatory Authority (QFCRA) under QFC No. 00005. All related financial products or services will only be available to Business Customers or Market Counterparties (as defined by the Qatar Financial Centre Regulatory Authority (QFCRA)), including individuals, who have opted to be classified as a Business Customer, with liquid assets in excess of USD 1 million, and who have sufficient financial knowledge, experience and understanding to participate in such products and/or services. **Russia:** The research contained in this report does not constitute any sort of advertisement or promotion for specific securities, or related financial instruments. This research report does not represent a valuation in the meaning of the Federal Law On Valuation Activities in the

Russian Federation and is produced using Credit Suisse valuation models and methodology. **Singapore:** Distributed by Credit Suisse Singapore branch, regulated by the Monetary Authority of Singapore. **Spain:** This report is distributed in Spain by Credit Suisse Spain branch, authorized under number 1460 in the Register by the Banco de España. **United Kingdom:** This report is issued by Credit Suisse (UK) Limited and Credit Suisse Securities (Europe) Limited. Credit Suisse Securities (Europe) Limited and Credit Suisse (UK) Limited, both authorized and regulated by the Financial Services Authority, are associated but independent legal entities within Credit Suisse. The protections made available by the Financial Services Authority for retail clients do not apply to investments or services provided by a person outside the UK, nor will the Financial Services Compensation Scheme be available if the issuer of the investment fails to meet its obligations.

UNITED STATES: NEITHER THIS REPORT NOR ANY COPY THEREOF MAY BE SENT, TAKEN INTO OR DISTRIBUTED IN THE UNITED STATES OR TO ANY US PERSON.

JAPAN: NEITHER THIS REPORT NOR ANY COPY THEREOF MAY BE SENT, TAKEN INTO OR DISTRIBUTED IN JAPAN.

Local law or regulation may restrict the distribution of research reports into certain jurisdictions.

This report may not be reproduced either in whole or in part, without the written permission of Credit Suisse. Copyright © 2009 Credit Suisse Group AG and/or its affiliates. All rights reserved.

9C015A