Analyst Comment

July 07, 2010

QATAR NATIONAL BANK (QNBK.QA)

12-Month Fair Value: QR 157.50
Last Close (06 July 2010): QR 134.40
Recommendation: Accumulate - Risk Level: 2

- Qatar National Bank (QNB) announced the highest ever quarterly net profit of QR 1.43 billion in 2Q2010, 36% higher than 2Q2009 and 13% above 1Q2010. Net interest income reached a record high of QR 1.37 billion, 47% above 2Q2009 and 15% above 1Q2010. Income from fees and commissions in 2Q2010 grew by 19% year-on-year (Y-o-Y), and 2% quarter-on-quarter (Q-o-Q) to QR 286 million. Foreign exchange income increased for the fourth quarter in a row to reach QR 90 million in 2Q2010, 28% over 2Q2009, and 4% over 1Q2010.

- Total operating income also reached a record high of QR 1.87 billion in 2Q2010, 32% above 2Q2009, 13% above 1Q2010, and 9% above our forecast of QR 1.72 billion.

- QNB's total assets grew by 2% to QR 186 billion, while lending was flat in 2Q2010. Net loans and financing activities at the end of June 2010 stood at QR 117.6 billion, bringing the year-to-date (YTD) loan growth to 8%. We forecast QNB's loans to grow by 19% in FY2010, driven by growth in the public sector. Deposits, on the other hand, grew by 6% to QR 139.2 billion at the end of June 2010, bringing the YTD deposit growth to 10.6%, slightly higher than the half-way mark of our FY2010 deposit growth forecast of 19%.

- As discussed in our last update dated 05 May, 2010, QNB's plans to expand the branch network in Oman, Sudan, and Syria are in progress. Furthermore, QNB has received approval to increase its stake in QNB-Syria to 55%, from the current 49%. The share capital of QNB-Syria will be raised from USD 100 million to USD 300 million.

- We believe this is a solid set of results for QNB, despite muted lending in 2Q2010. We maintain our fair value estimate for QNB at QR 157.50, which is 17% above the bank's latest closing price. Hence, our recommendation on the stock is "Accumulate".

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Related Research

- QNB Update - 05 May 2010

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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