Analyst Comment

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.

Raja Ghoussoub, CFA

T. +971 4365 2857
E. raja.ghoussoub@nbkcapital.com

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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NBK CAPITAL

Kuwait

Head Office
38th Floor, Arraya II
Al Shuhada Street, Block 6, Sharq
P.O.Box 4950, Safat 13050
Kuwait
T. +965 2224 6900
F. +965 2224 6905

MENA Research
35th Floor, Arraya II
Al Shuhada Street, Block 6, Sharq
P.O.Box 4950, Safat 13050, Kuwait
T. +965 2224 6663
F. +965 2224 6905
E. menaresearch@nbkcapital.com.kw

Brokerage
37th Floor, Arraya II
Al Shuhada Street, Block 6, Sharq
P.O.Box 4950, Safat 13050, Kuwait
T. +965 2224 6964
F. +965 2224 6978
E. brokerage@nbkcapital.com

United Arab Emirates

NBK Capital Limited
Precinct Building 3, Office 404
Dubai International Financial Center
P.O.Box 506506
Dubai, UAE
T. +971 4 365 2800
F. +971 4 365 2805

Turkey

NBK Capital
Arastima ve Musavirlik AS,
Sun Plaza, 30th Floor,
Dereboyu Sk. No.24
Maslak 34398, Istanbul, Turkey
T. +90 212 276 5400
F. +90 212 276 5401

NATIONAL BANK OF KUWAIT

Kuwait

National Bank of Kuwait SAK
Abdullah Al-Ahmed Street
P.O. Box 95, Safat 13001
Kuwait City, Kuwait
T. +965 2242 2011
F. +965 2243 1888
Telex: 22043-22451 NATBANK

INTERNATIONAL NETWORK

Bahrain

National Bank of Kuwait SAK
Bahrain Branch
Seef Tower, Al-Seef District
P.O. Box 5290, Manama, Bahrain
T. +973 17 583 333
F. +973 17 587 111

Saudi Arabia

National Bank of Kuwait SAK
Jeddah Branch
Al-Andalus Street, Red Sea Plaza
P.O. Box 15385
Jeddah 21444, Saudi Arabia
T. +966 2 653 8600
F. +966 2 653 8653

United Arab Emirates

National Bank of Kuwait SAK
Dubai Branch
Sheikh Rashed Road, Port Saeed
Area, ACICO Business Park
P.O. Box 88867, Dubai
United Arab Emirates
T. +971 4 2929 222
F. +971 4 2943 337

Jordan

National Bank of Kuwait SAK
Head Office
Al Hajj Mohd Abdul Rahim Street
Hijazi Plaza, Building # 70
P.O.Box 941297,
Amman -11194, Jordan
T. +962 6 580 0400
F. +962 6 580 0441

Lebanon

National Bank of Kuwait
(Lebanon) SAL
Sanayeh Head Office
BAC Building, Justinian Street
P.O. Box 11-5727, Riyad El Solh
1107 2200 Beirut, Lebanon
T. +961 1 759 700
F. +961 1 747 866

Iraq

Credit Bank of Iraq
Street 9, Building 187
Sadoon Street, District 102
P.O.Box 3420, Baghdad, Iraq
T. +964 1 7182198/7191944
+964 1 7188406/7171673
F. +964 1 7170156

Egypt

Al Watany Bank of Egypt
13 Al Themar Street
Gameat Al Dowal AlArabia
Fouad Mohie El Din Square
Mohandessin, Giza, Egypt
T. +202 333 888 16/17
F. +202 333 79302

United States of America

National Bank of Kuwait SAK
New York Branch
299 Park Avenue, 17th Floor
New York, NY 10171, USA
T. +1 212 303 9800
F. +1 212 319 8269

United Kingdom

National Bank of Kuwait (Intl.) Plc
Head Office
13 George Street,
London W1U 3QJ, UK
T. +44 20 7224 2277
F. +44 20 7224 2101

NBK Investment
Management Limited
13 George Street
London W1U 3QJ, UK
T. +44 20 7224 2288
F. +44 20 7224 2102

France

National Bank of Kuwait (Intl.) Plc
Paris Branch
90 Avenue des Champs-Elysees
75008 Paris, France
T. +33 1 5659 8600
F. +33 1 5659 8623

Singapore

National Bank of Kuwait SAK
Singapore Branch
9 Raffles Place #51-01/02
Republic Plaza, Singapore 048619
T. +65 6222 5348
F. +65 6224 5438

Vietnam

National Bank of Kuwait SAK
Vietnam Representative Office
Room 2006, Sun Wah Tower
115 Nguyen Hue Blvd, District 1
Ho Chi Minh City, Vietnam
T. +84 8 3827 8008
F. +84 8 3827 8009

China

National Bank of Kuwait SAK
Shanghai Representative Office
Suite 1003, 10th Floor,
Azia Center, 1233 Lujiazui Ring Rd.
Shanghai 200120, China
T. +86 21 6888 1092
F. +86 21 5047 1011

ASSOCIATES

Qatar

International Bank of Qatar (QSC)
Suhaim bin Hamad Street
P.O.Box 2001
Doha, Qatar
T. +974 447 3700
F. +974 447 3710

Turkey

Turkish Bank
Head Office
Valikonagl Avenue No. 1
P.O.Box 34371 Nisantasi,
Istanbul, Turkey
T. +90 212 373 6373
F. +90 212 225 0353