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Unfazed by macro concerns on non-oil growth

Bank of America Merrill Lynch

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A quality play rather than a growth story

Our macro view is that Qatar is a quality play rather than a growth story. We see GDP growth staying around 10% on average until 2012 thanks to LNG expansion. Despite our concerns on the non-oil economy, we are bullish on the Qatari banks, as our analysis shows strong loan growth off a low base driven by government spending. QNB remains our preferred pick. We upgrade CBQ to Buy with a 12M PO of QAR79, offering 31% total return given attractive valuation (1.2x 2010E book, 6.7x 2011E PE, 8% sustainable yield). Despite secular concerns, we expect bank shares to rally driven by Qatar's record FY10 budget and improving liquidity

Strong sovereign balance sheet, weak non-oil growth

The macro outlook remains strong in the ST, with external and budget surpluses adding up to the sovereign wealth. Our concern for Qatar's weak non-oil growth outlook in the medium-term is four folds as follows:

- As the least diversified economy in GCC with its vast hydrocarbon sector and small population, private sector has a low absorption capacity.
- Strong non-oil performance of the last decade came with LNG projects and foreign labour. A reversal is likely once these projects are completed by 2012.
- Only 40% of Qatar's large project pipeline is under construction and the total pipeline may be halved, with the biggest cuts are likely in real estate sector.
- Qatar's becoming the Luxembourg of the Middle East, a wealthy state with low and stable growth, where companies are looking to expand abroad.

Qatar Inc will continue to expand: QNB best proxy

We are very comfortable with Qatar's strong sovereign balance sheet and QNB's 72% market share in financing Qatar Inc makes it best LT leveraged proxy.

- QNB's growth is a leveraged play on sovereign wealth, which we see increasing uninterruptedly thanks to steady gas revenues
- An increasing proportion of QNB's corporate loan demand will be dominated by the expansion of Qatar Inc. abroad rather than domestic non-oil economy.
- Even if the investment pipeline is halved to c.US$100bn, this is an ample opportunity set for banks. Consider that total bank equity base is just US$17bn today.
- Qatari banks currently trade on 9.3x 2010E PE (7.2x 2011E PE) with strong earnings visibility. Valuations are not pricing in secular growth potential while equity risk premiums are simply too high vs bond yields & low CDS spreads.

Table 1: Qatar - main economic indicators

	'08	'09E	'10E	'11E
Real GDP (% yoy)	16.4	10.1	12.6	9.5
Nominal GDP (US$bn)	102	85	115	130
GDP per capita (US$)	93,204	51,574	67,445	72,408
CPI (average, % yoy)	15.0	-4.9	1.2	3.4
Fiscal bal. (% GDP)	10.4	2.1	5.4	7.5
Public debt (% GDP)	6.7	8.4	11.0	10.1
CA balance (US$bn)	28.6	5.5	23.4	37.3
CA balance (% GDP)	28.0	6.5	20.4	28.6
Gross ext. debt (US$bn)	60.7	72.9	75.0	78.0
Gross ext. debt (%GDP)	59.3	86.2	65.4	59.8
FX reserves (US$bn)	9.6	19.9	18.3	20.7

Source: IMF, national statistics, Haver, BofA Merrill Lynch Global Research

This note should be read in conjunction with our upgrade of CBQ published concurrently

Commercial Bank of Qatar, 18 February 2010

Doha Bank, 18 February 2010

We also advise investors to consult our MENA quarterly for our latest macro and cross-asset views.

MENA Strategy, 15 February 2010

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Refer to important disclosures on page 11 to 15. Analyst Certification on Page 9. Price Objective Basis/Risk on page 8.

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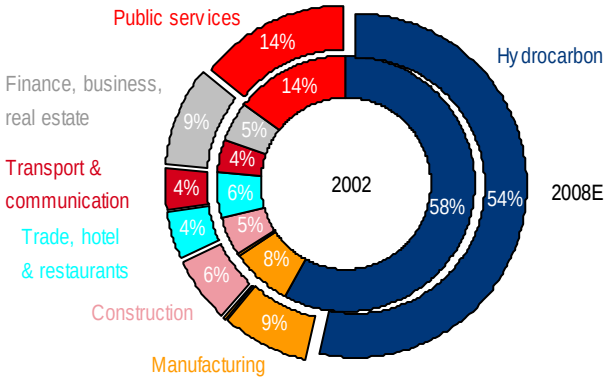
Macro: non-oil growth, where art thou?

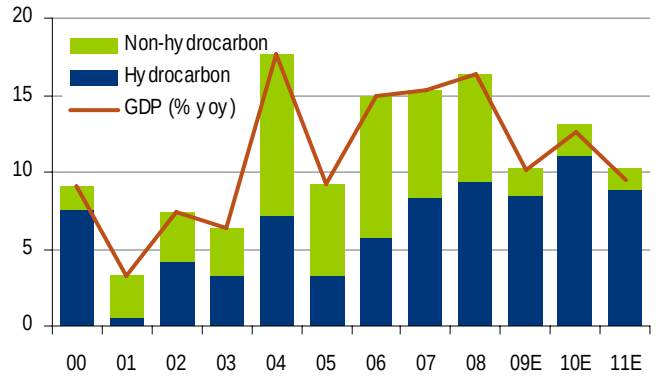
There are only a few consensus views as strong as the comfort with the Qatar's macro outlook. After all the small country is one of the fastest growing in the world and it is one of the richest nations. That's why we've been getting such a big pushback for our sceptic macro view on Qatar. As emerging market economists, we chase income growth and convergence. We see limited scope for that in Qatar despite its expanding LNG production, capital intensive investment spending and its wealthy state. We believe the opportunities for Qatar or Qatari corporates will be abroad rather than at home due to Qatar's limited absorption capacity (ie. the "Luxembourg of the Middle East"). On the other hand, the solid stream of gas revenues builds a very strong sovereign balance sheet. Overall, our macro view is that Qatar is a quality play rather than a growth story.

Chart 1: Qatar - Real GDP by industry



Source: Haver, BofA Merrill Lynch Global Research

Chart 2: Qatar - real GDP, oil and non oil sectors (contribution, ppt)



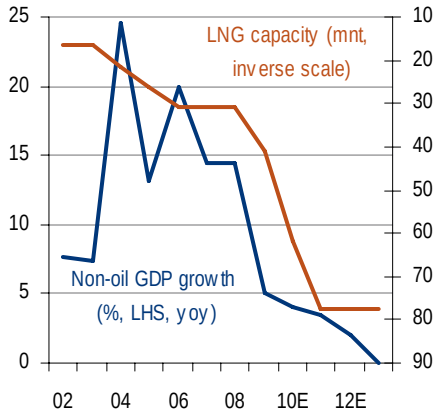
Source: QCB, IMF, Haver, BofA Merrill Lynch Global Research

The least diversified GCC economy

Qatari economy is heavily dominated by oil and gas sector, which accounts for more than half of the value-added created domestically. Hydrocarbons, construction, finance and real estate sectors add up to 70% of GDP. While the government's plan has been to diversify the economy away from hydrocarbon sector, finance and real estate sectors were the only significantly growing non-oil segments of the economy over the last decade.

A comparison with Dubai makes the picture more illustrative. While the share of finance and real estate in Qatar's non-oil GDP is 20% (23% in Dubai), the share of trade and services (hotel and restaurants) is only 9% of non-oil GDP (42% in Dubai). The construction sector in Qatar constitutes 13% of non-oil GDP compared to 10% in Dubai. Hence, although lacking Dubai's dynamism in the non-oil sectors, Qatar has been building the infrastructure and a smaller-sized real estate bubble, hoping that business and expatriates will flow in sooner or later. This leads us to take a closer look into demographics.

Chart 3: Qatar: Non-oil GDP growth and LNG capacity

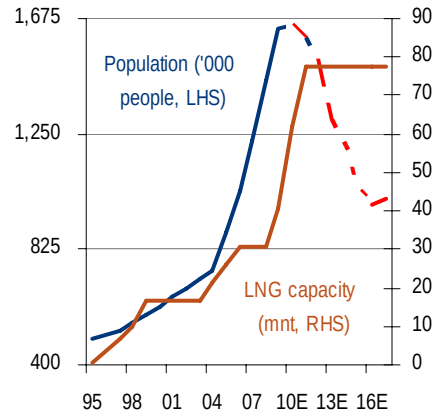


Source: Qatar petroleum, BofA Merrill Lynch Global Research

LNG expansion came with foreign labour & non-oil growth

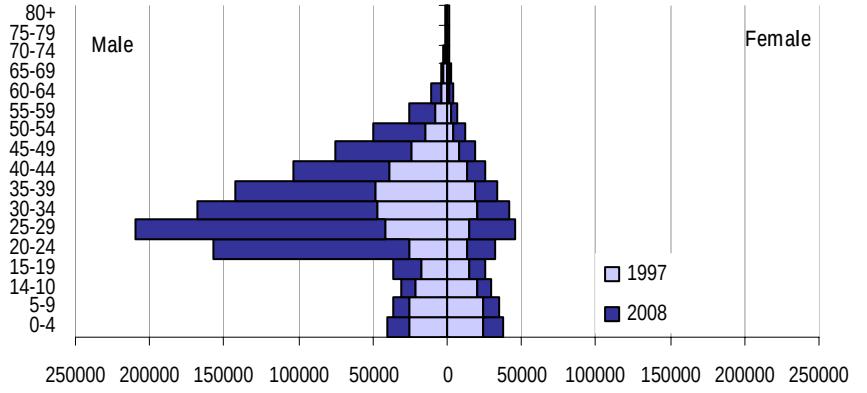
Since the first LNG train of Qatargas commenced production in 1996, Qatari economy has posted an average annual real GDP growth of 11.5%. While Qatar's hydrocarbon production increased by an average 13% annually since 1996 thanks to its successful LNG expansion plan, the average real non-oil growth was also a staggering 10%. But one should also take into account the demographics, as Qatari population growth averaged 10% annually in the same period, leaving only a little per capita non-oil growth.

Chart 5: Qatar: risk of emigration as LNG projects mature



Source: Qatar Statistics Agency, BofA Merrill Lynch Global Research forecasts

Chart 4: Qatar: Population pyramid (2008 population 1.5mn)



Source: Qatar Statistics Authority

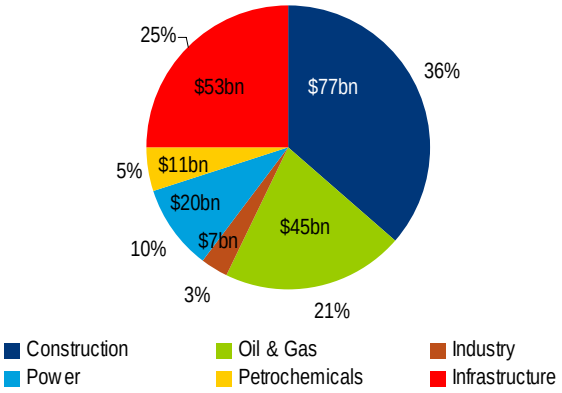
Life after LNG expansion….

While the total population was only half a million people in 1997, it is likely to have reached 1.6mn in 2009. Chart 3-5 makes it clear that Qatar's aggressive expansion in LNG not only sky-rocketed the hydrocarbon production, but also pushed non-oil growth above 10% with the large inflow of foreign labour force. Since 90% of the labour force is non-Qataris, the critical question is what will happen to these foreign workers, once the LNG projects mature in 2011.

…may be much less crowded

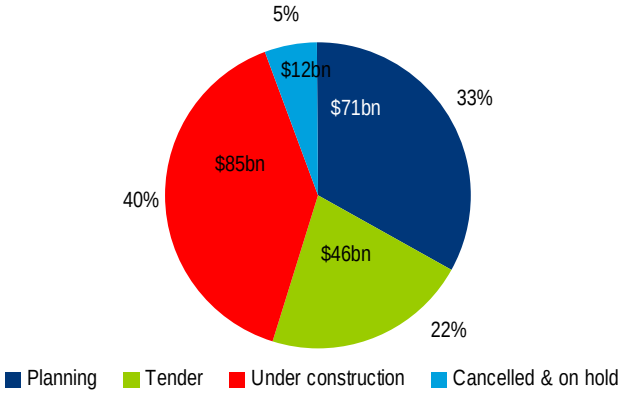
The increase in Qatari population over the last decade was mainly driven by the immigration of young, male and mostly blue-collared workers (Chart 4). As a result, the male/female ratio has increased to 3.4 in 2009 from 2.0 in 1995. While "import brides from the motherland" is quite a common immigration story in EM, we do not believe that is going to happen in Qatar's case. A more likely scenario is an outflow of unskilled foreign workers from this wealthy country as LNG projects mature. Looking into similar LNG expansions elsewhere, though much smaller in scale, we've found that on average only one third of peak labour keep their jobs once the projects are completed. A similar pattern may leave Qatar with approximately a population of 1mn by 2017, which will also bring the male/female ratio back to its historical average of 2 (Chart 5).

Chart 6: Qatar: project pipeline (total- US$213bn)



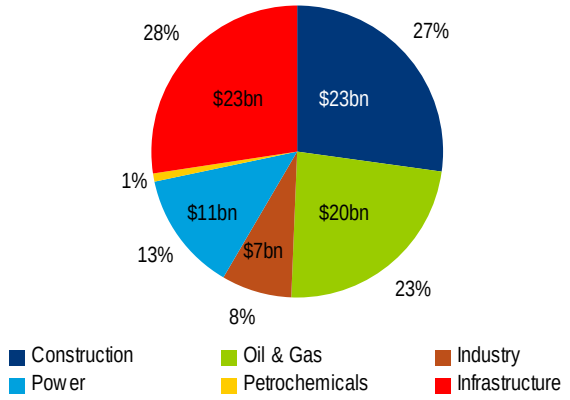
Source: MEED projects, BofA Merrill Lynch Global Research

Chart 7: Qatar: project pipeline (total- US$213bn)



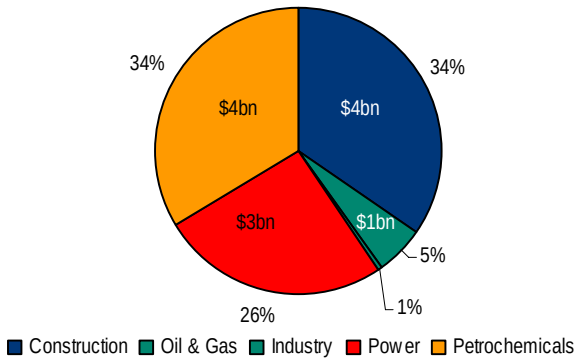
Source: MEED projects, BofA Merrill Lynch Global Research

Chart 8: Qatar: project pipeline (under construction, US$85bn)



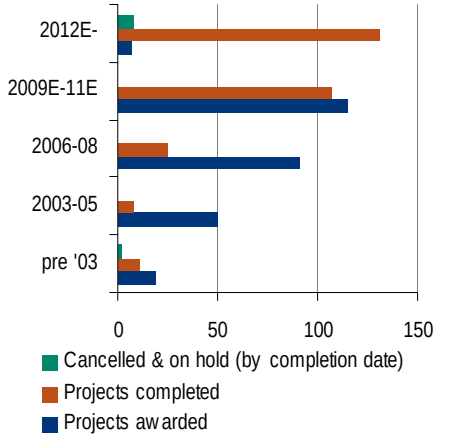
Source: MEED projects, BofA Merrill Lynch Global Research

Chart 9: Qatar: project pipeline (cancelled or on hold, US$12bn)



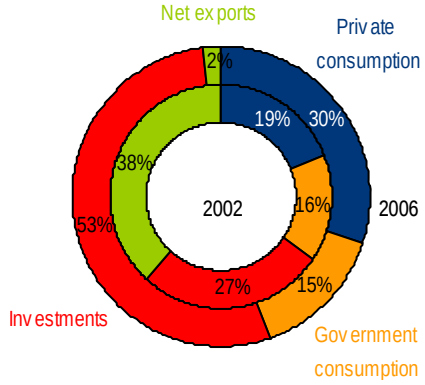
Source: MEED projects, BofA Merrill Lynch Global Research

Chart 10: Qatar: project pipeline ($281bn including completed projects)



Source: MEED projects, BofA Merrill Lynch Global Research

Chart 11: Real GDP by expenditures



Source: Qatar Central Bank

Investment pipeline is likely to be shaved off

Qatar's project pipeline is more than just hydrocarbons and likely to continue generate jobs for some of the idle labour force once the LNG projects are completed. But the overall pipeline is maturing rapidly. The expected completion of projects in 2009-11 will account for 38% of the total pipeline. While another 45% of projects are expected to be completed after 2012, we are sceptic on that. Some rationalisation of these investments in the aftermath of the global crisis and the regional problems seems inevitable.

As of end 2009, Qatari project pipeline stands at US$213bn, 30% of which is projects in hydrocarbon, petrochemicals and gas intensive industries. The biggest share in project pipeline is residential and commercial construction projects (36% of the pipeline). Infrastructure projects accounts for 25% of the pipeline.

Given our concerns regarding demographics and the burst of real estate bubble in the region, we believe that biggest haircut to this project pipeline will come from real estate / construction sector. Note that only 40% of this pipeline is currently under construction, while the rest is either in planning or tender stage, if not already has been cancelled or put on hold. Looking into details of these pending projects, we would not be surprised if the total pipeline will almost be halved. Given that the projects are expected to be completed in 5-7 years, an average US$15bn annual investment spending still seems likely.

Luxembourg of the Middle East

All in, the medium-term outlook suggests a stable but low GDP growth. Firstly, the capital intensive infrastructure will require much less people to run it compared to those had built. Therefore, emigration will be the main drag on growth, also causing headaches for real estate and banking sector. Second, from a convergence perspective, world's wealthiest state with abundant capital spending will grow much slower in the medium to long-term once the infrastructure / gas story matures (i.e. diminishing returns to scale). Though the long-term gas contracts secures a healthy cash flow, Qatar may end up being the Luxembourg of the Middle East, a wealthy state that enjoys low and stable growth with its small population, where companies are looking to expand abroad.

Short-term macro outlook is still strong…

With the last LNG trains of Qatargas and RasGas become operational in 2010 and 2011, Qatar's total LNG capacity is likely to increase to 77.5mtn by 2011 from the current 40.8mtn (Table 2). Even pencilling in a weak non-oil growth around 4%, the headline real GDP growth is likely to increase 12.4% in 2010 and 9% in

2011. With the budget and CA surpluses staying around 10% of GDP even in 2009, we see reserve accumulation to carry on unabated. We pencilled in an average CA surplus of 20% and a budget surplus of 11% of GDP for 2010-11.

Table 2: Qatar: LNG projects (in millions of tons)*

	2009A	2010E	2011E	2012E	2013E
Qatargas projects:					
Capacity	14.8	25.1	40.2	40.5	40.5
Commitments	14.2	24.6	39.3	40.0	40.0
RasGas projects					
Capacity	26.1	36.7	37.2	36.9	37.0
Commitments[1]	26.1	29.3	29.3	29.3	29.3
Total LNG capacity	40.9	61.8	77.4	77.4	77.5
Total LNG commitments[1]	40.3	53.9	68.6	69.3	69.3

[1] The sale of up to an additional 7.0 mta of LNG from RasGas 3 starting in 2010 is under negotiation
Source: Qatar Petroleum *All volumes are projected estimates

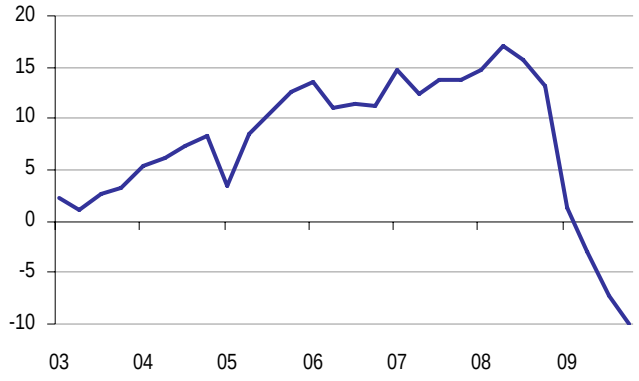
…regardless of the weaker non-oil economy

Qatar's GDP is heavily dominated by the investment spending (53% of GDP), while private consumption spending accounts for only 30% (the latest official data is for 2006). Hence, regardless of what's happening in the non-oil economy, hydrocarbon related investments keep headline GDP growth well supported. While we lack high-frequency short-term indicators for the economic activity, the CPI inflation report, money supply and domestic credit growth suggest that there is a significant slowdown on non-oil economy, after growing 17.5% on average between 2004 and 2008.

Don't be puzzled: deflation with a 10% GDP growth

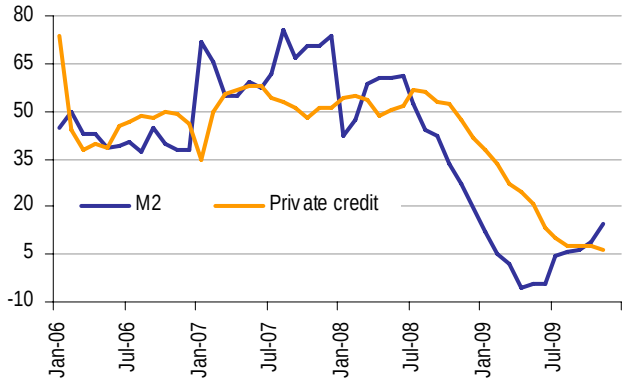
While real GDP is likely to have reached to 10% in 2009, the CPI inflation was deeply in negative, reaching -10% at the year-end (-4.9% on average). While lower rental prices and food inflation dragged down headline CPI inflation across the region, it is eye-catching in Qatar's case that prices in all sub-segments of the CPI, excluding the medical services, was deflating. Although it initially sounds puzzling to have by far the highest GDP growth in the region and the deepest deflation at the same time, this anomaly points at the limited absorption capacity in the economy and the problems/excesses in the non-oil sectors in our view. The lagging private credit growth despite the recovery in M2 also tells a similar story.

Chart 12: Qatar: CPI inflation (%, yoy)



Source: GSDP

Chart 13: Qatar: money and credit (%, yoy)



Source: IMF IFS

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Qatar banks: sovereign wealth matters

We expect Qatari banks' growth prospects to be relatively resilient to the normalization in investment spending and demographic flows. Considering the depths of pessimism in early 2009 – the subsequent financial performance of Qatari banks was extraordinary – pre-provision profitability was robust, asset quality deterioration was shallow and government support mechanisms were decisive in quelling systemic risks.

Table 3: Summary valuation and ROE

QNB	2009	2010E	2011E
P/E	11.2x	9.2x	7.8x
P/BV	2.4x	2.0x	1.7x
Gross Dividend Yield	2.6%	3.3%	4.5%
ROE	22.9%	23.3%	23.1%
CBQ			
P/E	9.1x	9.0x	6.8x
P/BV	1.2x	1.2x	1.1x
Gross Dividend Yield	9.4%	7.8%	7.8%
ROE	13.9%	13.1%	16.8%
Doha			
P/E	9.8x	9.5x	7.7x
P/BV	1.6x	1.6x	1.5x
Gross Dividend Yield	9.2%	7.5%	7.5%
ROE	18.1%	17.6%	19.9%

Source: BofA Merrill Lynch Global Research estimates

Focus on valuation & quality, worry about demographics later

Admittedly, Qatar's capex driven growth has a less secular quality compared to other under penetrated GEM markets. We think this is more than in the price. Moreover, financial vulnerability 'through the cycle' is low. Consider that QNB has now reported over 13 years of earnings growth, with little correlation to regional macro volatility.

FY10 budget will unleash a wave of liquidity, improve momentum

Nevertheless, share price momentum was weak in 2009 after outperformance in 2008, although volatility was low. Admittedly, liquidity has been 'sucked out' of the market due to 1. governments' purchase of banks' legacy equity books and 2. retail investors' deleveraging with tight credit conditions, However, we expect sovereign measures to raise retail salaries as part of the April FY10 budget announcements, which should be supportive of domestic sentiment

Upgrading CBQ to Buy – oversold on cyclical concerns

We upgrade CBQ to buy given attractive valuations post recent underperformance. We think the stock is oversold on cyclical asset quality/growth concerns and from a medium term view – there is plenty of value to be unlocked from CBQ's underleveraged balance sheet (21% equity/assets, 18.9% CAR). Please refer to our upgrade note published concurrently.

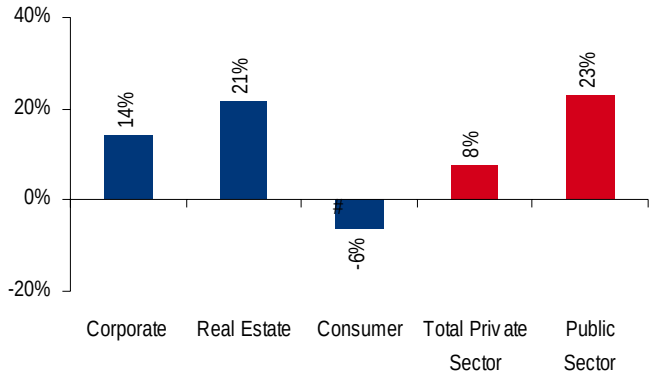
Prefer QNB: prime beneficiary of Qatar Inc's expansion drive

QNB remains our preferred peak in Qatar. We think the market is incorrectly overlaying fears on limited domestic absorption capacity on QNB's long-term growth prospects. An increasing proportion of QNB's corporate loan demand will be dominated by the external expansion of Qatar Inc, where the bank enjoys 72% market share (both loans and deposits). As such the bank should be valued on the strength of its 'monopoly' financing relationships with 'Qatar Inc'. With national champion status, QNB's growth is a leveraged play on sovereign wealth as opposed to Qatar's 'dynamism' or capacity to broaden its domestic economic base. This is a much broader opportunity set than currently assumed.

Credit growth has taken off despite weak non-oil growth

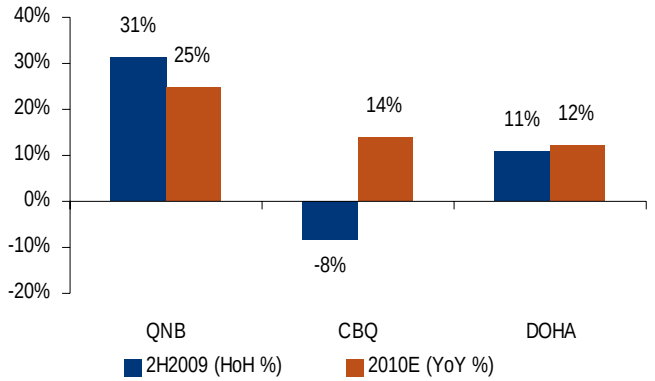
As we argued in our Sep-2009 report ("From resilience to buoyancy at a bargain"), Qatari banks witnessed a sharp credit recovery with credit growth printing 11% in 2009, despite US$4bn of loan sales to the government. This is the strongest print within the MENA region. We expect lending to accelerate to 17-19% in 2010, with QNB leading the pack at 26%. Admittedly most of the growth was driven by government sponsored projects & investments which may not be correlated with broader economic activity. But this has stimulated liquidity and allowed selective banks to sustain balance sheet growth inspite of excesses in the private sector.

Chart 14: System loan growth by segment (FY09, % YoY)



Source: QCB

Chart 15: QNB's loan growth – stronger for longer



Source: BofA Merrill Lynch Global Research estimates

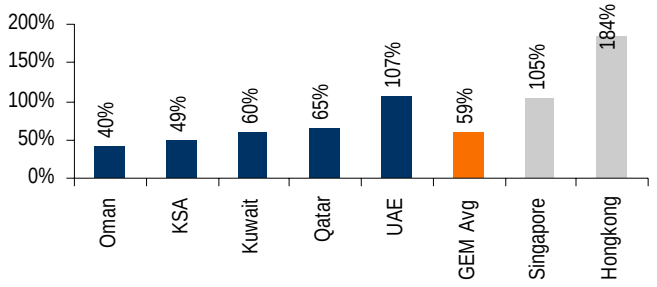
Banks' can grow even if population and project flows slow down

The growth in 2009, even if not universally spread across the banking system, was particularly striking to us considering that Qatar's LNG and core hydrocarbon projects are now closer to maturity compared to the growth spurt in 2002-05 (Qatar was the top project finance market in 2006, for instance). **This growth is not inconsistent with a relatively less sanguine view on Qatar's demographic concerns.** We try to reconcile this below:

First, it is the absolute scale and volume of projects, availability of funding and banks' participation relative to capital markets that determines the size of the financing pie. With US$213bn of projects planned and under construction (>200% of GDP), even halving this pool to c.US$100bn – this compares favourably to a current equity base of US$17bn.

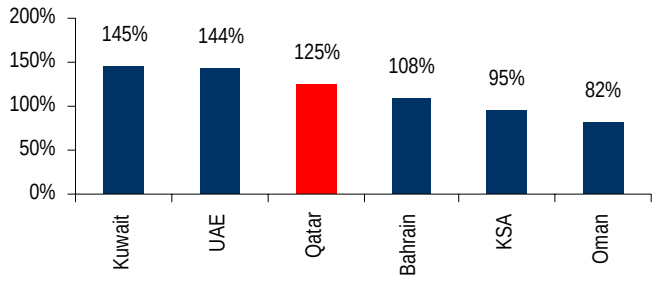
Moreover, scarcer external financing compared to the peak years has also increased banks' slice of the financing pie, even future growth in government-sponsored projects does not reach historic levels.

Chart 16: Loans/nominal GDP – FY2008



Source: Central bank data, BofA Merrill Lynch Global Research estimates

Chart 17: Private sector loans/non-hydrocarbon GDP - FY2008

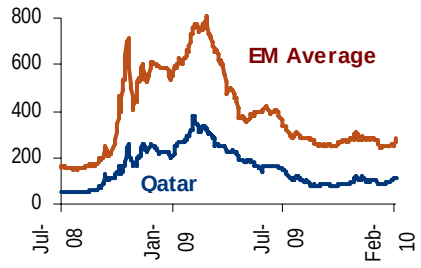


Source: Central bank data, BofA Merrill Lynch Global Research estimates

Banking penetration: shift from non-oil to government projects

Banking penetration also suggests that the medium term outlook for corporate lending remains favourable, as local banks' have historically been under-represented in financing government sponsored projects. Banking penetration looks over-extended relative to non-oil GDP – suggesting some degree of private sector risk-taking excesses. Private sector loans relative to non-oil GDP at 125%

Chart 18: Qatar Sovereign 5 year CDS vs EM – equity risk premiums are too high



Source: Bloomberg

is dangerously close to UAE or Kuwait. However, looking at overall banking penetration, at 60% Loans/Nominal GDP – this is some distance away from the UAE and closer to Kuwait, despite the latter being tremendously under-invested.

Qatar bank equity risk premiums look mispriced

Qatari banks currently trade on 9.3x 2010E PE, falling to 7.2x 2011E PE with strong earnings visibility. Banks' earnings yields at 12% are simply inconsistent with 10 year Qatar sovereign bond yields of 5.2%, while CDS spreads have barely budged despite regional credit events. Moreover, both CBQ and Doha are offering dividend yields of 8%. Qatar bank stocks look simply cheap considering the sovereign backstop and earnings visibility, in our view.

Even acknowledging longer-term concerns on growth, the equity market is simply mispricing risk premiums. Simply put – if Qatar is perceived as Luxemburg – then, at the very least, equity risk premiums should converge to lower levels.

Table 4: Companies mentioned table

Name	Symbol	Opinion	Q-R-Q	Price
Doha Bank	DOHAF	NEUTRAL	C-1-8	53
CBQ	XQTBF	BUY	C-2-8	64.1
QNB	XQTNF	BUY	C-1-8	118.9

Source: BofA Merrill Lynch Global Research

Price objective basis & risk

Commercial Bank of Qatar (XQTBF)

Our QAR79 12M price objective is based on our distributable cashflow valuation methodology. We utilise a 13.2% cost of equity and a 2% terminal growth rate - we use a higher beta relative to the sector given greater asset quality risks. At our target price CBQ would trade at 1.3x 2011E book and 8.4x 2011E EPS. At our target price, CBQ would trade at a PBV discount to peers QNB and Doha which reflects poorer capital efficiency and low leverage. Downside risks to our PO are (1) loan concentration risks creating prolonged asset quality strains, (2) failure to maintain deposit and funding growth. Upside risks are (1) broader pick up in non-oil sectors, (2) better capital efficiency and (3) resilient operating earnings driven by margin expansion and strong fee income.

Doha Bank (DOHAF)

Our QAR60 price objective is based on our distributable cashflow methodology. At our target price, Doha would trade at 1.7x 2011E book and 8.8x 2010 PE - this is at a modest PE discount to QNB, which we think accounts for lower medium term growth. Downside risks to our price objective are (1) Deeper than expected asset quality stress on the retail portfolio (2) Investment write-downs. Upside risks are better operating performance from volume growth and asset quality improvement from government support for the retail sector

Qatar National Bank (XQTNF)

Our QAR157 price objective is based on our distributable cashflow valuation methodology. At our target price, QNB would trade at 2.7x 2010E book and 12.2x 2010E EPS. We expect QNB to command premium valuation to peers, given the bank's high-quality funding & capital profile, low-risk loanbook and sovereign ownership. Risks to our price objective are unanticpated deterioration in asset quality, margin contraction, and weakness in sovereign liquidity and revenues

Analyst Certification

I, Karthik Sankaran, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

Emerging EMEA - Middle East Coverage Cluster

Investment rating	Company	BofAML ticker	Bloomberg symbol	Analyst
BUY				
	Aldar	XALDF	ALDAR UH	Karthik Sankaran
	Arab National Bank	XRNBF	ARNB AB	Munir Shahin
	Bank Muscat	XMCUF	BKMB OM	Karthik Sankaran
	Bank Muscat	XBKMF	BKM LI	Karthik Sankaran
	CIB	CMGJF	COMI EY	Munir Shahin
	Commercial Bank of Qatar	XQTBF	CBQK QD	Karthik Sankaran
	EFG-Hermes	EFGHF	HRHO EY	Munir Shahin
	First Gulf Bank	XFGSF	FGB UH	Munir Shahin
	Orascom Construction Industries	ORSCF	OCIC EY	Karim Khalil
	Qatar Electricity & Water Company	XQARF	QEWS QD	Karim Khalil
	Qatar National Bank	XQTNF	QNBK QD	Karthik Sankaran
	Samba Financial Group	XMABF	SAMBA AB	Munir Shahin
	Saudi Basic Industries Corporation	XAUBF	SABIC AB	Karim Khalil
	Sorouh	XSUGF	SOROUH UH	Karthik Sankaran
	Union National Bank (UNB)	XUNBF	UNB UH	Munir Shahin
NEUTRAL				
	Al Rajhi Bank	XRHJF	RJHI AB	Munir Shahin
	Doha Bank	DOHAF	DHBK QD	Karthik Sankaran
	DP World	DPWRF	DPW DU	Samantha Gleave
	National Bank of Abu Dhabi	XNBUF	NBAD UH	Munir Shahin
	Saudi Arabian Fertilizer Co	XDUAF	SAFCO AB	Karim Khalil
UNDERPERFORM				
	ADCB	XBUDF	ADCB UH	Munir Shahin
	Burgan Bank	XBBKF	BURG KK	Karthik Sankaran
	Dubai Financial Market	XBDUF	DFM UH	Munir Shahin
	Dubai Islamic Bank	XUIBF	DIB UH	Munir Shahin
	GFH	XGHUF	GFH BI	Karthik Sankaran
	GFH	XUGLF	GFH LI	Karthik Sankaran
	Industries Qatar	XQITF	IQCD QD	Karim Khalil
	National Bank of Kuwait	XPOBF	NBK KK	Karthik Sankaran
RVW				
	Emaar PJSC	XMARF	EMAAR UH	Bernd Stahli
	United Development Company	XUDCF	UDCD QD	Karim Khalil

iQmethod℠ Measures Definitions

Business Performance	Numerator	Denominator
Return On Capital Employed	NOPAT = (EBIT + Interest Income) * (1 - Tax Rate) + Goodwill Amortization	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5-Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
Quality of Earnings		
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt, Less Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit		
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap. = Current Share Price * Current Basic Shares
Enterprise Value / Sales	EV = Current Share Price * Current Shares + Minority Equity + Net Debt + Other LT Liabilities	Sales
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

iQmethod℠ is the set of BofA Merrill Lynch standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

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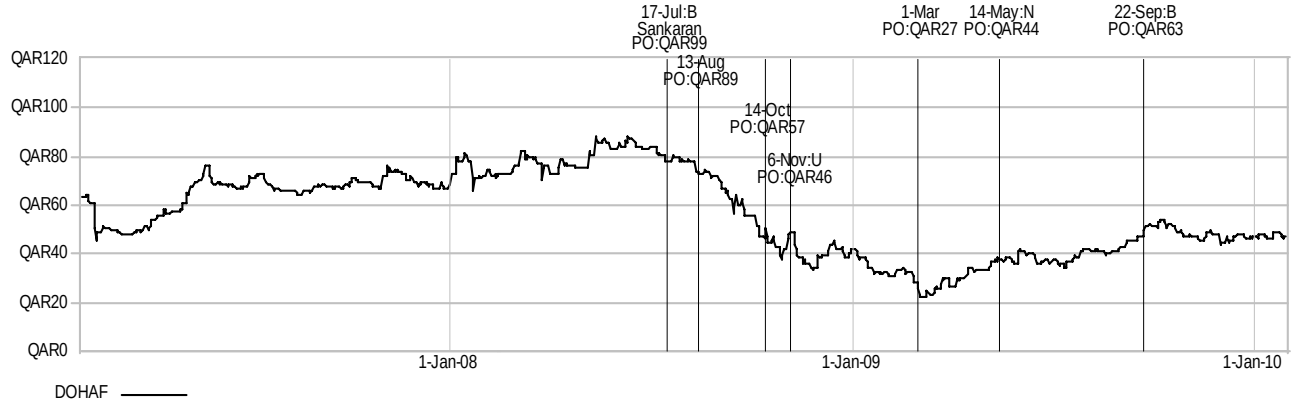
Important Disclosures

DOHAF Price Chart



B : Buy, N : Neutral, S : Sell, U : Underperform, PO : Price objective, NA : No longer valid

"Prior to May 31, 2008, the investment opinion system included Buy, Neutral and Sell. As of May 31, 2008, the investment opinion system includes Buy, Neutral and Underperform. Dark Grey shading indicates that a security is restricted with the opinion suspended. Light grey shading indicates that a security is under review with the opinion withdrawn. The current investment opinion key is contained at the end of the report. Chart is current as of January 31, 2010 or such later date as indicated.

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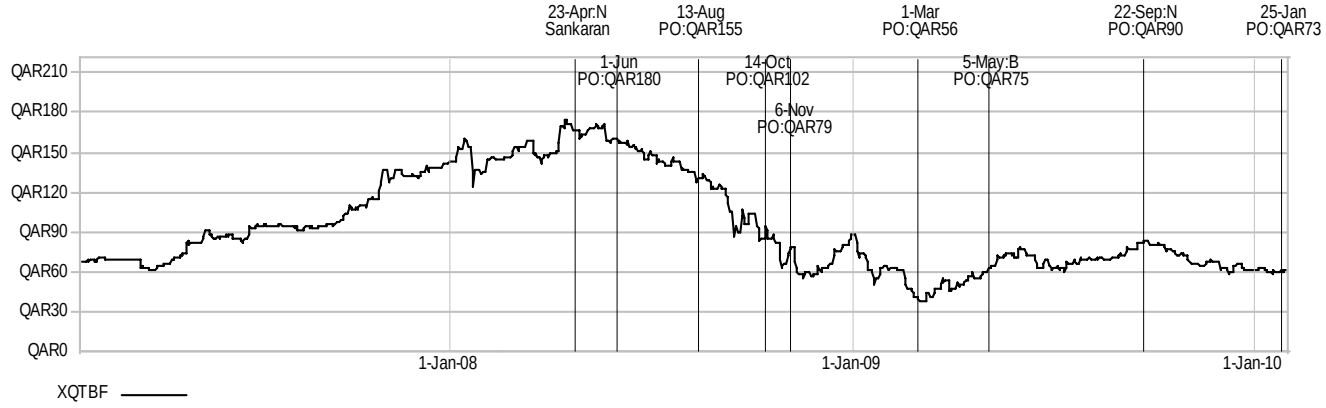
XQTBF Price Chart



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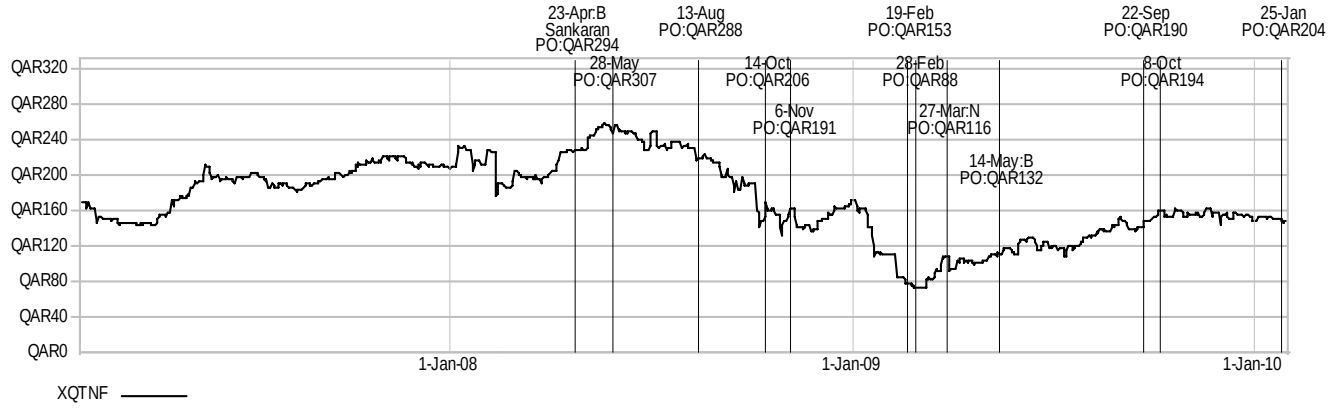
XQTNF Price Chart



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Investment Rating Distribution: Banks Group (as of 01 Jan 2010)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	120	48.98%	Buy	63	63.00%
Neutral	65	26.53%	Neutral	43	75.44%
Sell	60	24.49%	Sell	34	60.71%

Investment Rating Distribution: Financial Services Group (as of 01 Jan 2010)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	140	48.78%	Buy	86	64.66%
Neutral	98	34.15%	Neutral	72	75.00%
Sell	49	17.07%	Sell	28	58.33%

Investment Rating Distribution: Global Group (as of 01 Jan 2010)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1699	50.78%	Buy	904	58.82%
Neutral	841	25.13%	Neutral	491	65.03%
Sell	806	24.09%	Sell	368	49.80%

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

* Ratings dispersions may vary from time to time where BofAML Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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