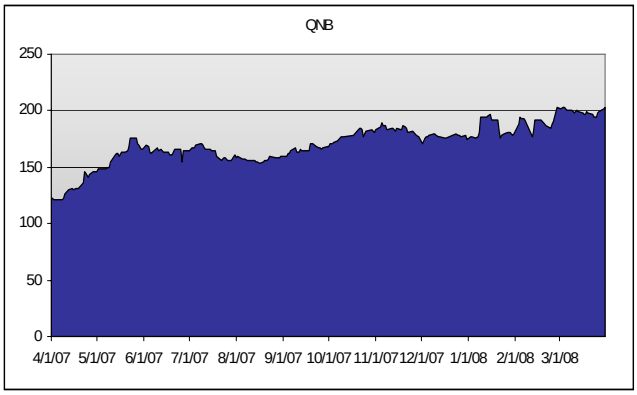
Company's Data	
Company	Qatar National Bank
Code	QNB
Listing	DSM
Sector	Banking
Recommendation	
Fair Price	275.41
*Current Price	244.5
Recommendation	Buy

* Price as of May 11, 2008



	2004	2005	2006	2007
Net Income	827,497	1,536,812	1,997,863	2,506,119
Net operating Income	1,192,426	2,188,851	2,894,896	3,722,256
Net Interest Income	909,063	1,284,811	1,602,389	1,767,551
Total Assets	39,547,543	50,060,156	71,663,033	114,360,668
Loans to Customers	26,590,983	31,477,500	46,226,610	66,064,137
Customers Deposits	29,613,833	36,457,014	51,930,594	74,180,689
Shareholders Equity	6,684,772	8,708,915	8,457,334	13,858,364
EPS	4.8	8.9	11.7	14.5
P/E	20.95	21.34	12.91	12.49
P/Bv	1.56	2.26	2.32	2.38
ROaA	2.23%	3.43%	3.28%	2.69%
ROaE	13.46%	19.97%	23.28%	22.46%

** Figures are in QAR (000)*
** Ratios are calculated at Year-End Price*

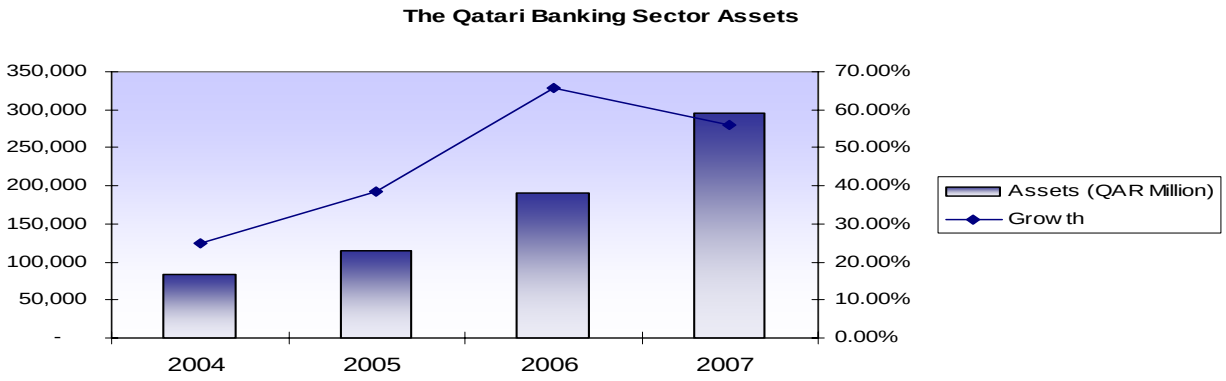
Financial Highlights

- **Net Profit jumped by 25.44% at the end of 2007 reaching QAR 2,506.2 million relative to QAR 1,997.8 million achieved in 2006. Adjusted EPS went up to QAR 14.5 compared to QAR 11.7 recorded in 2006.**
- **Net Interest Income reached QAR 1,767.5 million at the end of 2007, in comparison to QAR 1,602.4 million registered a year earlier.**
- **QNB's balance sheet expanded by a handsome 59.6% in 2007 to stand at QAR 114,360.7 million. Meanwhile, Loans and Advances to customers continued to grow reaching QAR 66,064.1 million at the end of 2007.**
- **Customers Deposits grew by 42.9% by the end of 2007 to reach QAR 74,180.7 million relative to QAR 51,930.6 million registered at the end of 2006.**
- **ROaA & ROaE declined in 2007 despite the increase in profits to stand at 2.7% and 22.4% correspondingly.**
- **We recommend a buy on QNB share price with a fair value of QAR 275.41, representing an upside potential of 12.64% from the current market price of QAR 244.5.**

The Banking Sector

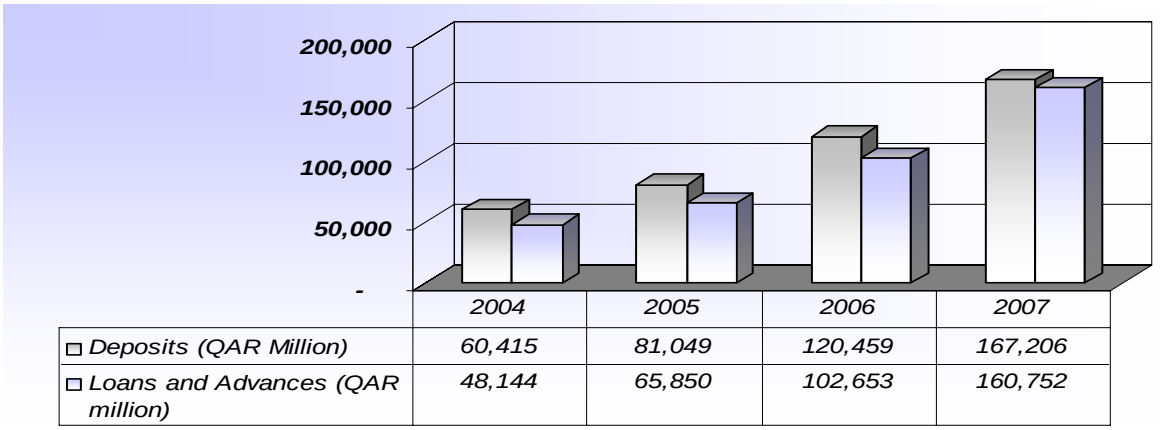
The Qatari banking sector consists of 17 banks, of which seven are local commercial banks, three local Islamic banks, seven foreign banks and one specialized bank.

The sector's total assets stood at QAR 296,045 million in 2007, compared to QAR 189,915 million and QAR 114,632 million registered in 2006 and 2005 correspondingly.



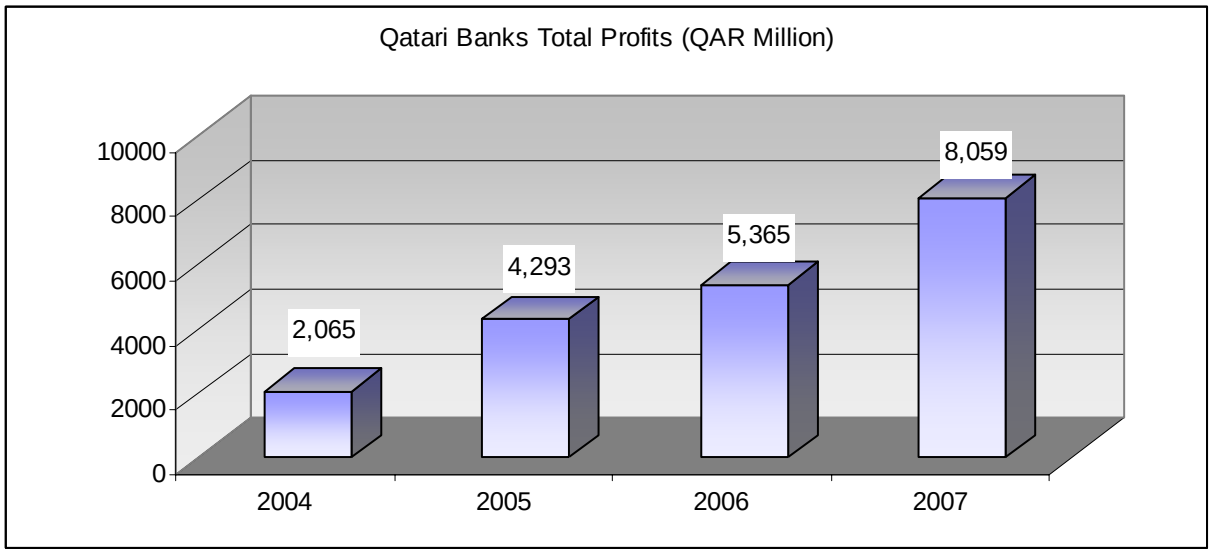
Total deposits for the banking sector grew by 38.81% in 2007 as it reached QAR 167,206 million, in comparison to QAR 120,459 million recorded in 2006. Total deposits growth for 2007 slowed down compared to 2006 growth which was 48.6%

Loans and advances extended by the banking sector in Qatar grew from QAR 65,850 million in 2005 to QAR 160,752 million in 2007; representing an increase of 144.1% between 2005-2007.



	2004	2005	2006	2007
Loans & Advances/Deposits	79.7%	81.3%	85.2%	96.1%

Qatari banks total profits enhanced by 50.2% in 2007 standing at QAR 8,059 million, compared to QAR 5,365 million and QAR 4,293 million registered in 2006 and 2005 respectively.



Overview

Qatar National Bank-QNB first started its operation in 1964 as the first commercial bank operating in Qatar as a joint stock company. The bank's ownership was divided equally between Qatar Investment Authority and the Private Sector.

Bank's operations take place through 42 branches and offices, 11 Islamic branches and a total of 130 ATMs. It offers a wide range of services such as retail, corporate, investment wealth management, treasury, and Islamic banking which provide a broad range of products and services for different segments of the market covering individuals, corporate institutions and government entities. Acting as the dominant leading financial institution in Qatar, QNB received multiple ratings from a number of prominent rating agencies such as Moody's, Standard and Poor's, Fitch and Capital Intelligence.

The bank operates in three main lines of business which comprise of Commercial Banking, Islamic Banking and Wealth Management. QNB was not only the first to set foot in the market but also the first in offering Islamic Banking products and services through QNB Al Islami and also being the lead to initiate equity funds for companies listed in the Doha Securities Market.

QNB's global diversification included operating in existing branches by focusing on Middle East and North African region selected areas. The bank's operations were extended to London, Paris, and Iran in addition to the new branches in Yemen, Oman, Libya, Kuwait and Singapore that started operations in 2007. The bank was also authorized to begin its operation in Sudan and Mauritania; moreover, it received an approval from Qatar Financial center for the establishment of QNB Capital which will be offering investment banking services.

Subsidiaries

Subsidiary Owned	Percentage of Ownership	Location
Ansbacher Group	100%	United Kingdom
Tunisian Qatari Bank	50%	Tunisia
*Qatar National Bank-Syria	49%	Syria
The Housing Bank for Trade & Finance	31.5%	Jordan
Kuwait - Qatari Company for Ijara and Investment	30%	Qatar
Mansour Bank	23%	Iraq
Al-Jazeera Islamic Company	20%	Qatar

Source: Zawya, http://www.zawya.com/cm/profile.cfm/cid5322/ricQNBK.DSM
* The bank is not operational yet.

Main Business Lines

Commercial Banking

Retail

In 2007, QNB's retail banking department invested heavily to enhance customer service by establishing an Automated Customer Feedback System. In addition, a Mystery Shopping Program was established in 2007 to measure customer service performance, such would result in an enhanced customer service.
Retail services include the following:
1. Accounts
2. Credits cards
3. Insurance
4. Loans including mortgage loans
5. Business Banking
6. Payments and Transfers

Corporate

Through its financial institution department, QNB managed to maintain a certain degree of efficiency and improvement into three concentrated areas: Business generation and corporate support, risk management, and the communication of recent developments. In June 2007 QNB entered the syndicated market for the first time raising US$ 1.85 billion at 19.5 basis points above LIBOR. This was the largest and most competitive syndicated loan in the region to date.

QNB also developed business relationships both of corporations and banks to enhance its operations and maintain a close direct contact with its customers.
Corporate division includes Large Corporate which is diversified into treasury department where the bank provides financial instruments to cover the risks of products in diversified sections of the market such as money, capital and foreign exchange markets. Project Finance represents an important field in which QNB is highly involved in the Qatari and larger Arab world. QNB maintains a close corporate relationship within the GCC. By structuring the financing of many projects in Qatar and the region, QNB covers a wide range of sectors such as industrial, power, oil & gas, telecommunications, and infrastructure.

Islamic Banking

First emerged in 2005 operating with less than 10 employees working in one branch; such a line of business grew considerably to advance in offering wide range of Islamic products and services to diversified segments of the market. QNB considers Islamic Banking a vital part of its operations at all levels and is committed to provide the country, individuals and the banking industry with a different Islamic Sharia system. Operating as a unique system within the largest bank in Qatar, it will provide customers with a financial strength and a strong network of services.
The bank uses two techniques in its Islamic Banking Operations: Mudharaba and Murabaha to satisfy the needs of customers but within the range of Islamic rules.

The operations of the Islamic division are operated within the Islamic Sharia set by the Sharia Control Board. Islamic accounts operate under the rules of Financial Accounting Standards.
New services were offered to Al Islami clients such as the introduction of Al Wakala an investment agency that provides working capital finance to corporate clients and Islamic Derivative Trade

In 2007, QNB Al Islami opened five Islamic branches and four offices, bringing up the total number of Islamic branches to 11 and number of employees to 90.

Wealth Management

In November 2004, QNB purchased Ansbacher Holdings; an already established private banking company where it covers the needs of highly net worth individuals to extend and develop QNB's already existing range of Private Banking and wealth Management division. Ansbacher is operated and regulated by the Financial Services Authority in the United Kingdom. The ranges of activities include providing investment solutions and advice, competitively priced banking solutions and related administration services and efficient fiduciary services.

Such an acquisition resulted in QNB's ability to exploit the wealthy sector of the economy. Ansbacher was the first acquired institution given an approval to establish a branch of its London-based in Qatar Financial Center. The new branch first emerged in 2005 at the Dubai Financial International Centre (DIFC).

Strategy

QNB had a five- year strategy that extended through out 2007. The strategy had multiple parameters that were the pillars in deciding the 2008- 2012 business model. Both strategies target expansion and growth which were pursued per the below objectives:

International Expansion

Management pointed out that international presence is a main focus which is to be achieved through branching out and acquisition. The expansion process is reviewed carefully as locations must be of added value to the bank's operations with industry expansion being targeted by many institutions.

The bank already has branches in both London and Paris which were opened in 1976 and 1978 respectively. QNB also has a representative office in Iran that was opened in 2005.

By 2007, the bank established presence in 5 new locations, where for the first time since 1978 new overseas branches were opened in Kuwait, Oman and Yemen, along with representative offices in Libya and Singapore. Moreover, QNB acquired 31% stake in The Housing Bank for Trade and Finance, Jordan's second largest bank and its leading retail. QNB has also bought a 50% stake in Tunisian-Qatari Bank.

Recently, the bank has received regulatory approvals to operate in 3 places; Sudan, Syria and Mauritania that will be the focus for their expansion operations in 2008. The bank management aspires and targets presence in all GCC countries and North Africa.

Widening the Revenue Stream Line

The bank aims at diversifying its revenue lines by increasing its customer base through the regional expansion, offering a wider range of products and reducing reliance on government sector. This also serves their credit and country risk management mandates.
This is seen to be sought with the capacity building programs enforced, the branching out campaign and through the application of the below goals:

- *Providing Value Added Services*

Revenue generating quality of service is one more objective of the strategy as the bank is about to open an investment bank, QNB Capital, at the Qatar Financial Center that will cater to the needs of private institutions and government agencies in terms of financial advisory and consultancy.
An objective to increase reliance on fee based revenue is set within the bank's agenda.

- *Emphasizing Quality as a Competitive Advantage*

Going the extra mile is set within the strategy; the bank aims to enhance its customer's services and its relation with customers by establishing a data base to customize services offered to customers per their preferences and needs.

Market Share

Market share took a blow during 2000- early 2005 in all aspect of assets, owner's equity and capital. Estimated change stood at around a decline of 1.50% a year.
This drew management's attention to the need for drastic measures to flip the situation; thus, remedies applied incorporated but did not restrict to including the retail division into the business model. QNB aims to capture a market share of 30% of the retail business in Qatar.

The bank is considered a corporate bank and which is an image that management aims to capitalize on by attaining more clients. Going forward, the bank will focus on Small and Medium Enterprises (SMEs), an area that is witnessing a strong growth. A study has been conducted to identify companies that meet the bank's criterion.

As of 2007, and excluding operating foreign banks, Assets market share stood at 39% as apposed to 42.7% in 2006. QNB market share from loans and advances extended by local banks dropped to 41% in 2007 relative to 47% recorded in the prior year. The bank's market share from deposits also declined in 2007 to stand at 46%, compared to 48% in 2006.

Islamic Banking

In response to Amwal Invest's inquiry regarding Islamic banking growth, management feels that among local Qatari banks that have established an Islamic window, they stand out in terms of entrepreneurship, leadership and growth as they were the first commercial bank to establish an Islamic window. They intend to widen the spectrum of their Islamic services to include corporate and government in addition to adding new branches as part of their strategy in becoming aggressively involved in Islamic banking.
In 2007, QNB al Islami had an asset market share of 57.8% among conversional banks that have an Islamic window and a market share of 13.3% among all Islamic bank.

Financial Targets

The bank's management set a target for 2008 for key financial Items as follows:

Item	Value (US$ million)	Growth
Net Profit	**810**	**17.5%**
Total Assets	**37.7**	**20%**
Total Loans & Advances	**22.7**	**25%**
Customers Deposits	**27.3**	**25%**

Source: QNB Data

Item	Ratio
Cost to Income	**26%**
Non-Interest Income to Total Income	**43.5%**
NPL to Gross Loans	**Below 1%**

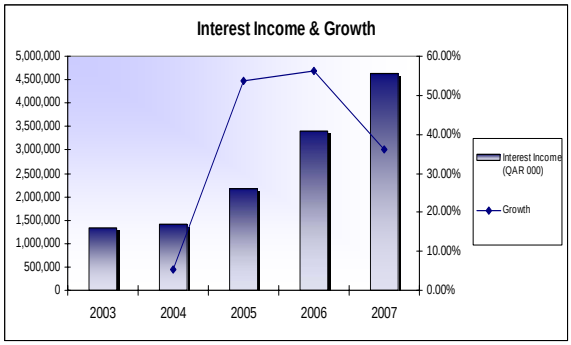
Source: QNB Data

Financial Analysis

Income Statement

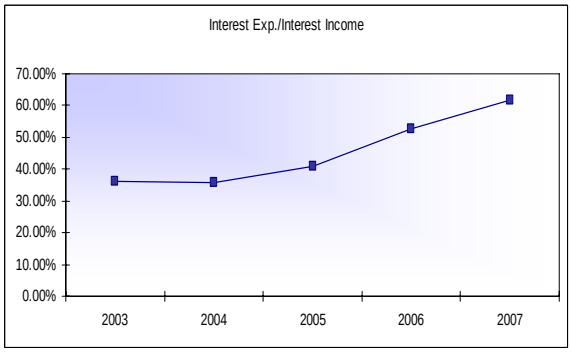
Interest Income – Clinching to the Peak

QNB's interest income has recorded strong growth during the past three years mainly benefiting from the enhancement in the bank's loans portfolio.



Interest Income continued its growth in 2007 but at a slower pace compared to 2006 and 2005 growth. Interest Income reached QAR 4,622.7 million in 2007 in comparison to QAR 3,397 million recorded in 2006.

The main contributor to this rise in interest income is Interest Income from Loans and Advances which grew by 41.47% in 2007 to reach QAR 3,649.6 million, relative to QAR 2,579.7 million registered in 2006. Loans and Advances interest income made up 79.0% of total interest income in 2007, compared to 75.9% and 80.7% recorded in 2006 and 2005 respectively.

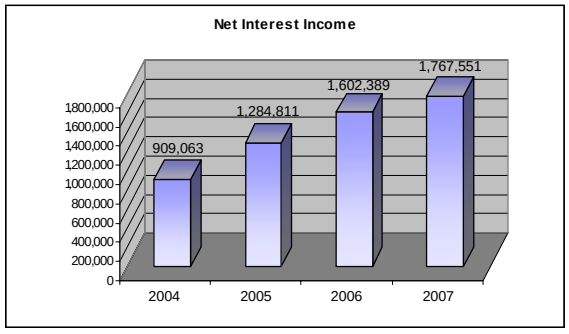


Interest income from due from banks and other financials rose to QAR 591.8 million in comparison to QAR 488.6 million recorded in the prior year.

The contribution of interest income from debt securities to total interest income dropped from 22.1% in 2004 to 7.5% in 2007.

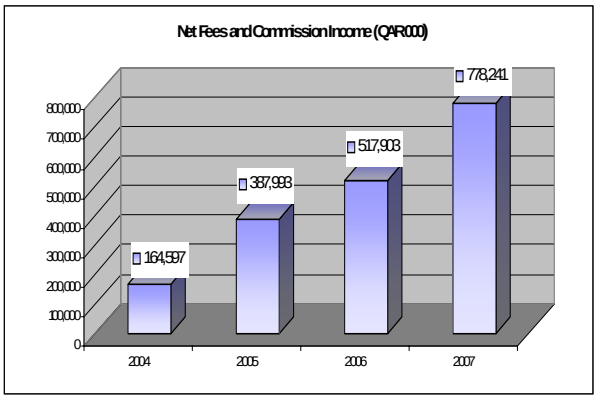
Interest Expense

Interest expense stood at QAR 2,855.1 million in 2007, relative to QAR 1,794.6 million recorded in the prior year; representing an increase of 59.1%. This growth is mainly due to the 70.5% growth in interest expense from customers' deposits which reached QAR 2,103.9 million in 2007 and constituted 70.5% of total interest expenses in 2007.



Net Interest Income

Net interest income growth has slowed down to land at 10.3% in 2007, compared to a growth of 24.7% and 41.3% recorded in 2006 and 2005 respectively. Net interest expense to net interest income ratio has shown an increase since 2004 as it reached 61.8% in 2007, relative to 52.8% and 40.9% registered in 2006 and 2005 respectively.



Fees & Commissions

Income from fees and commissions posted a growth of 334.8% for 2004-2007 period. The difference is mainly attributed to the growth in the bank's loan portfolio in addition to the considerable increase in fees from bank's services, such as guarantees and letter's of credit, which came as a result of enhanced business opportunities in recent years due to Qatar's booming economy.

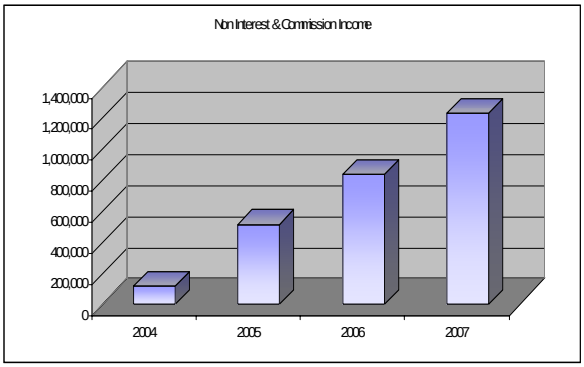
Income from fees and commissions recorded a handsome increase of 50.3% in 2007 to stand at QAR 778.2 million relative to QAR 517.9 million registered during the prior year. This growth came on the back of the increase in fees and commissions from loans and advances which reached QAR 403.1 million in 2007, compared to QAR 222.4 million recorded in the previous year; a growth of 81.2%.

Among all components of income from fees and commissions, fees and commissions income from bank services recorded the highest Y-o-Y growth as it jumped by 114.5% in 2007 to stand at QAR 159.5 million, compared to QAR 74.4 million registered in 2006.

On the other hand, fees and commissions income from investment activities to customers dropped to QAR 117.6 million in 2007 relative to QAR 137.6 million achieved in 2006.

Fees and commissions expenses declined in 2007 by 19.6% to stand at QAR 51.9 million.

As a result of the above, net Income from fees and commissions surged by 60.2% in 2007 reaching QAR 726.3 million, compared to QAR 453.3 million recorded in the prior year.



Non-Interest and Commission Income – Spices to Lure the Dish

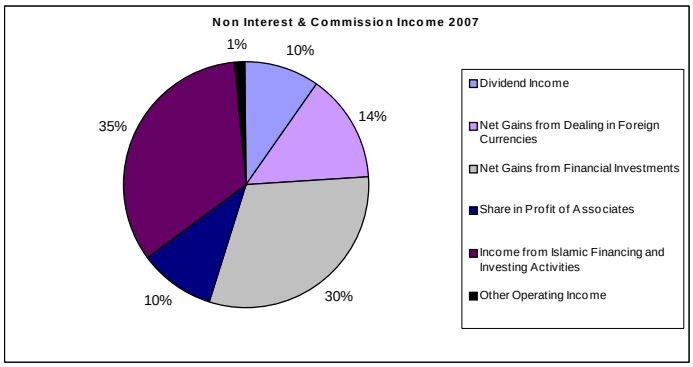
As the bank aims to diversify its revenue lines, non-interest and commission income showed a strong growth in the past three years, with income from Islamic Financing and Investing activities registering the most significant growth.

Non-interest & commission income reached QAR 1,228.4 million in 2007, relative to QAR 839.2 million

and QAR 516 million registered in 2006 and 2005 respectively.

Non-interest & commission income contribution to operating income reached 33.0% in 2007, compared to 29.0% in 2006.

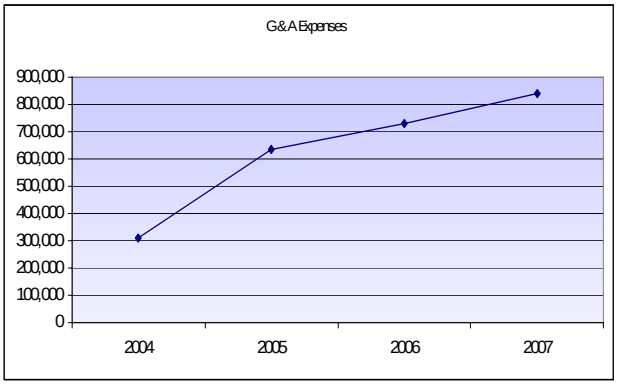
Income from Islamic financing and investing recorded the most notable increase among non-interest components in 2007 as it reached QAR 417.6 million, compared to QAR 277.8 million registered in the prior year; representing a growth of 50.3%.



Income from financial investments' contribution to the total non-interest & commission income has dropped from 39.9% in 2006 to 30.5% in 2007. However, net gains from financial investments increased by 11.7% in 2007 to land at QAR 374.4 million in comparison to QAR 334.5 million registered in 2006.

Dividend income posted a growth of 40.7% in 2007 reaching QAR 122 million relative to QAR 86.7 million registered in the prior year indicating high dividend yield for the bank's equity portfolio.

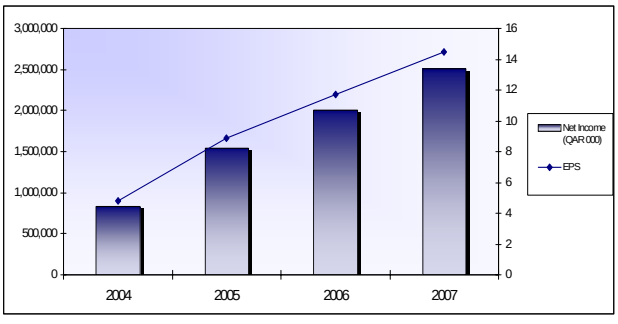
Management targets to maintain non interest income to total income at 43.5% as outlined in their strategy.



General and Administrative Expenses

General and Administrative Expenses reached QAR 842.3 million in 2007, compared to QAR 728.3 million recorded in the prior year. Staff costs, which constitute 61.7% of general and administrative expenses, grew by 19.5% in 2007 to land at QAR 519.9 million, compared to QAR 434.9 million registered in 2006.

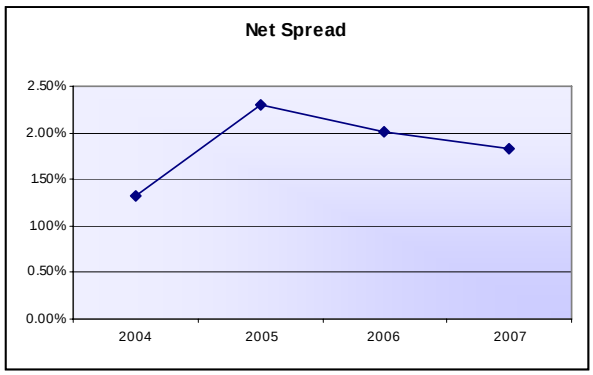
We expect general and administrative expenses to increase by a faster pace in 2008 as a result of the inflationary pressure in Qatar.

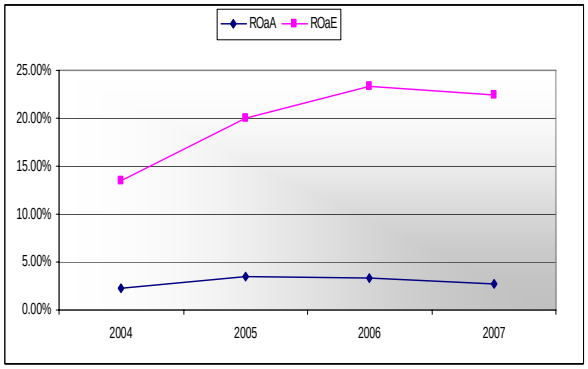


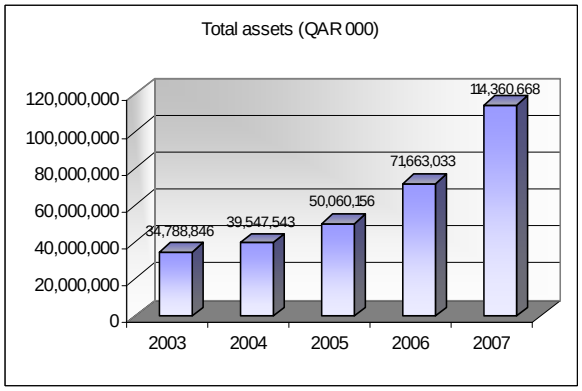
Net Income

The bank's net profit grew by 25.4% to reach QAR 2,506.1 million at the end of 2007, compared to QAR 1,997.8 million recorded in 2006.

The bank's EPS continued to enhance between the years as the adjusted EPS reached QAR 14.5 in 2007, compared to QAR 11.7 and QAR 8.9 registered at the end of 2006 and 2005 respectively.







Net Spread

Net spread has declined in 2006 and 2007 mainly due to the increased cost of interest bearing liabilities.

QNB's net spread stood at 1.8% in 2007, compared to 2.0% and 2.3% recorded at the end of 2006 and 2005 correspondingly.

Profitability

The bank's ROaA ratio has declined in the past two years due to the growth in the bank's assets, which came in a bigger percentage when compared to the growth in QNB's net income. ROaA reached 2.7% in 2007 relative to 3.3% & 3.4% recorded at the end of 2006 and 2005 respectively.

ROaE has steadily increased between 2004-2006 before declining in 2007 as it reached 22.5% compared to 23.3% and 20.0% registered in 2006 and 2005 correspondingly.

Efficiency Ratio

The bank managed to maintain an efficiency ratio of 25.9% in 2007, in comparison to 28.9% and 31.9% recorded in 2006 and 2005 respectively. The bank's management aims at keeping this ratio at 26.0% for 2008.

Balance Sheet

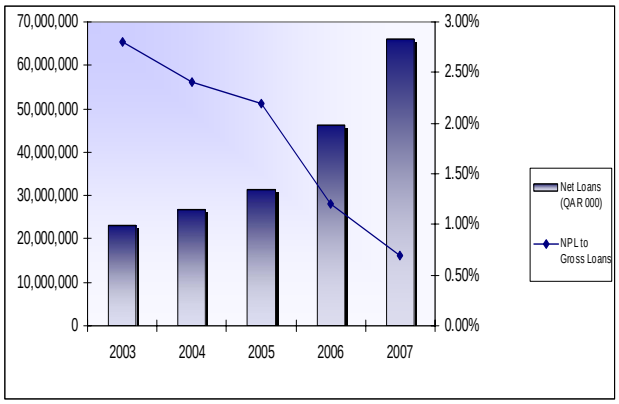
QNB's balance sheet has exhibited a strong growth in the past few years reaching QAR 114,360.7 million in 2007 relative to QAR 71,663 million registered in the prior year. Total assets growth has been accelerating reaching 59.6% in 2007, compared to 43.2% and 26.6% recorded in 2006 and 2005 respectively.

Cash & Balances with Central Banks

Cash and balances with central banks recorded a significant increase of 341.3% in 2007 to land at QAR 10,948.6 million, compared to QAR 2,481.2 million recorded in the prior year. Cash balances with central bank's contribution to the total assets stood at 9.6% in 2007 relative to 3.5% recorded in 2006.

Loans, Advances & Financing Activities

QNB's loan portfolio has shown a notable enhancement in terms of value and quality. The bank provides conventional banking loans and Islamic financing, which backed the increase in the bank's loans and advances portfolio by attracting new customers seeking Shari'ah compliant financing, moreover, the economic boom that Qatar is enjoying has stimulated and attracted a number of real estate and commercial projects in the country, knocking down doors to the bank's credit facilities.
This economic growth in Qatar, also helped in increasing the middle and higher class in the country, as the Qatari GDP per capita is recognized as one of the highest in the world; giving an advantage to the banking and financial industry in producing low payment default rates; i.e. low NPL



Source: QNB Financial Statements.

The bank's loan portfolio reached QAR 66,064.1 million in 2007 relative to QAR 46,226.6 million recorded in 2006; representing a growth of 42.9%. Net loans, advances and financing activities comprised 57.8% of total assets in 2007, compared to 64.5% registered in 2006.

Net Conventional Banking Loans and Advances grew by 39.2% in 2007 to stand at QAR 61,544 million, compared to QAR 44,226.6 million recorded in 2006.
Net Islamic financing reached QAR 4,520.1 million in 2007 relative to QAR 2,000 million registered in 2006. Net Islamic financing contribution to the total loans and advances rose from 4.3% in 2006 to stand at 6.8% in 2007 which is not impressive when considering Islamic Banking growth in the GCC.

Loans, Advances and Financing Activities by Industry

	2005	% of gross loans	2006	% of gross loans	2007	% of gross loans
Government	9,967,759	*31.0%*	9,118,992	*19.4%*	7,060,312	*10.5%*
Government Agencies	4,298,840	*13.4%*	5,998,654	*12.8%*	19,932,386	*29.7%*
Industry	2,009,320	*6.3%*	2,879,838	*6.1%*	3,889,524	*5.8%*
Commercial	852,497	*2.7%*	1,003,707	*2.1%*	2,297,541	*3.4%*
Services	2,099,333	*6.5%*	8,203,068	*17.5%*	8,209,683	*12.2%*
Contracting	423,084	*1.3%*	582,569	*1.2%*	669,131	*1.0%*
Real Estate	5,314,643	*16.6%*	7,847,027	*16.7%*	8,371,029	*12.5%*
Personal	6,662,036	*20.8%*	10,564,725	*22.5%*	16,127,713	*24.0%*
Others	485,989	*1.5%*	819,553	*1.7%*	611,341	*0.9%*
Total	***32,113,501***		***47,018,133***		***67,168,660***	

* Figures are in QAR (000)
Source: QNB Financial Statements

Loans offered to the Government dropped to QAR 7,060.3 million in 2007, compared to QAR 9,118.9 million recorded in 2006, while government agencies' loans jumped from QAR 5,998.6 million in 2006 to QAR 19,932.4 million in 2007; a positive change of 232.3%. Loans to government agencies constituted 29.7% of gross loans in 2007, compared to 12.8% in 2006.

The bank increased its exposure to the retail banking as personal loans have steadily increased in the past four years landing at QAR 16,127.7 million in 2007, in comparison to QAR 10,564.7 million recorded in 2006; representing a growth of 52.7%. Personal loans made up 24.0% of gross loans in 2007 and 22.5% in 2006.

Non-performing loans to gross loans ratio has dropped from 2.2% in 2005 to 1.2% and 0.70% in 2006 and 2007 respectively. The bank's management aims at keeping this ratio below 1% during 2008.

Financial Investments

Financial investments grew by 27.4% in 2007 landing at QAR 11,308.9 million, compared to QAR 8,877.7 million recorded in the prior year. Financial investments contributed by 9.9% to total assets in 2007, compared to 12.4% in 2006. This growth is mainly attributed to the 51.5% increase in the available for sale investments, which reached QAR 7,013.9 million in 2007, compared to QAR 4,630.1 million registered in the prior year. Held to maturity investments marginally increased by 1.1% to reach QAR 4,294.9 million.

Investment in Associates

Investment in Associates notably increased by QAR 2,670.7 million to reach QAR 2,703.5 million, compared to QAR 32.81 million recorded in 2006. During 2007, QNB acquired 30.5% stake in the Housing Bank for Trade and Finance and 20% in Al Jazeera Islamic Company.

Due to Banks & Other Financial Institutions

	2004	2005	2006	2007
Balances to Central Banks	61,352	268,180	103,990	1,047,521
Current Accounts	160,002	273,224	1,403,492	837,424
Deposits	1,932,029	2,057,304	4,747,360	8,043,407
Total	***2,153,383***	***2,598,708***	***6,254,842***	***9,928,352***

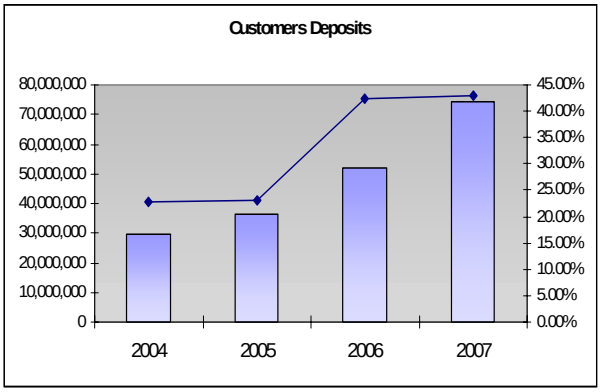
* Figures are in QAR (000)
Source: QNB Financial Statements

Due to Banks & Other Financial Institutions

Due to banks & other financial institutions reached QAR 9,928.3 million in 2007, compared to QAR 6,254.8 million recorded in the prior year; representing an increase of 58.7%. The 40.3% decline in current accounts was offset by 69.4% and 907.3% increase in Deposits and Balances to Central Banks correspondingly.

Customers Deposits – Holding the Winning Card

Customers Deposits stood at QAR 74,180.7 million in 2007, compared to QAR 51,930.6 million registered in 2006. The growth in customers' deposits reached 42.9% in 2007 relative to 42.4% and 23.1% recorded in 2006 and 2005 respectively.



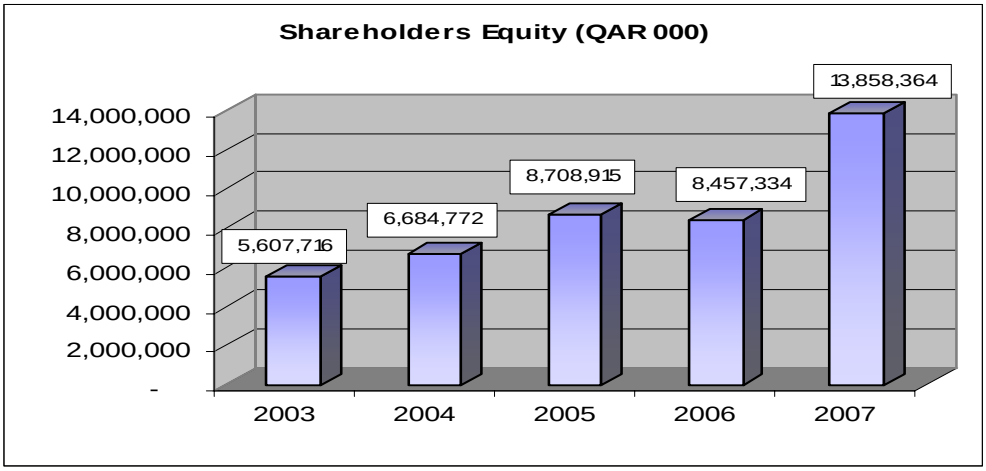
Source: QNB Financial Statements

This growth is mainly attributed to the 80.7% increase in time deposits which reached QAR 48,766.1 million in 2007, compared to QAR 26,982.4 million registered in the prior year. On the other hand, Islamic banking current accounts dropped to QAR 745.3 million, compared to QAR 1,689.5 registered in 2007.

Government and Government agencies deposits grew by 68.8% in 2007 to contribute by 57.6% to total deposits, compared to a contribution of 48.8% in 2006. Government and Government agencies deposits reached QAR 42,739 million in 2007, compared to QAR 25,326.5 million recorded in 2006.

Individuals' deposits witnessed a decline in 2007 as it stood at QAR 14,587.2 million, compared to QAR 16,332.4 million recorded in 2006. Whereas corporate deposits rose by 64.1% reaching QAR 16,854.7 million relative to QAR 10,271.6 million registered in the prior year.

Shareholders Equity



Source: QNB Financial Statements.

QNB increased its capital during 2007 by 40.6% through the distribution of 20% free shares and a through the issuance of a rights issue in two stages. The first stage of the rights issue was in November 2007 included the issuance of 12.5% a rights issue at a price of QAR 120 per share and the second stage was in April 2008 and included the issuance of 10% rights issue at a price of QAR 120 per share.

Total shareholders equity stood at QAR 13,858.3 million in 2007, compared to QAR 8,457.3 million and QAR 8,708.9 million recorded in 2006 and 2005 respectively.

Geographical Distribution

Balance Sheet Geographical Distribution

		2004	2005	2006	2007
Qatar	**Assets**	27,162,781	33,867,485	45,388,516	75,373,698
	Liabilities	25,049,352	33,514,900	51,572,058	72,206,289
Other GCC Countries	**Assets**	1,067,276	3,490,611	8,216,286	9,570,812
	Liabilities	858,813	1,093,231	1,646,863	2,295,369
Europe	**Assets**	7,080,540	7,502,589	12,019,434	19,312,020
	Liabilities	2,490,215	2,591,893	3,078,842	13,860,141
North America	**Assets**	466,032	1,289,961	1,109,933	913,130
	Liabilities	759,568	760,076	1,211,110	485,842
Others	**Assets**	2,485,483	2,870,329	3,664,882	7,158,125
	Liabilities	2,609,268	1,344,773	4,512,960	9,654,553
Other Assets		1,285,431	1,039,181	1,263,982	2,032,883
Other Liabilities		1,095,555	2,046,368	1,183,866	2,000,110

* Figures are in QAR (000)
Source: QNB Financial Statements

The bank's assets are mainly distributed between Qatar, other GCC countries and Europe. Assets in Qatar constituted 65.9% of total assets in 2007 reaching QAR 75,373.7 million. Loans and Advances in Qatar stood at QAR 53,981.1 million in 2007 relative to QAR 35,697.8 million recorded in 2006; an increase of 51.2%.

Total liabilities in Qatar contribution to total liabilities dropped in 2007 to 75.8% in comparison to 86.9% recorded in 2006. Customers deposits in Qatar reached QAR 65,650.3 million in 2007, compared to QAR 46,268.3 million registered in the prior year.

Total assets in other GCC market increased by 16.5% to stand at QAR 9,570.8 million in 2007, compared to QAR 8,216.3 million recorded in the prior year. Loans and advances extended in the GCC countries dropped by 13.4% in 2007 to stand at QAR 2,952.3 million. However, this decline was offset by the 41.5% increase in Due from Banks which reached QAR 5,649.4 million in 2007, compared to QAR 3,993.1 million in 2006.
Liabilities in other GCC countries rose by 39.4% in 2007 to stand at QAR 2,295.7 million. This growth is mainly attributed to the 85.4% increase in customers deposits during 2007.

Assets in Europe made up 16.9% of total assets in 2007, compared to 16.8% recorded in the prior year. It stood at QAR 19,312 million in 2007 relative to QAR 12,019.4 million registered in 2006; representing a positive change of 60.7%. Due from Banks in Europe, which contributed by 67.4% of total assets in Europe in 2007, grew by 93.0% to land at QAR 13,020.6 million, relative to QAR 6,747.7 million registered in the prior year.
Total liabilities in Europe jumped from QAR 3,078.8 million in 2006 to stand at QAR 13,860.1 million in 2007, with the significant increase in Due from Banks being the main driver for this increase, as it reached QAR 9,697.7 million in 2007 relative to QAR 322.5 million recorded in the prior year.

Segment Analysis

2007			
	Assets	**Liabilities**	**Net Profit**
Conventional Banking	105,958,414	90,543,015	2,370,880
Islamic Banking	7,167,949	6,019,605	148,344
Wealth Management	4,801,313	4,402,922	-11,716
2006			
	Assets	**Liabilities**	**Net Profit**
Conventional Banking	64,385,801	53,432,393	1,930,456
Islamic Banking	5,893,331	5,717,763	75,116
Wealth Management	4,993,769	4,591,946	-7,709
2005			
	Assets	**Liabilities**	**Net Profit**
Conventional Banking	45,189,180	35,971,639	1,607,793
Islamic Banking	2,296,290	1,940,226	7,365
Wealth Management	4,248,822	3,881,554	-78,346

* Figures are in QAR (000)
Source: QNB Financial Statements

Conventional Banking assets grew by 64.6% in 2007 reaching QAR 105,958.4 million, compared to QAR 64,385.8 million recorded in the prior year. Liabilities rose in a faster pace reaching QAR 90,543 million relative to QAR 53,432.4 million registered in 2006; an increase of 69.5%.
Conventional Banking ROA has been in a decline during the past three years reaching 2.24% in 2007, compared to 3% and 3.56% recorded in 2006 and 2005 respectively.

Islamic banking assets reached QAR 7,167.9 million in 2007, compared to QAR 5,893.3 million and QAR 2,296.3 million registered in 2006 and 2005 respectively. Islamic Banking liabilities grew in a slower pace reaching QAR 6,019.6 million in 2007, compared to QAR 5,717.8 million registered in the prior year; representing a growth of 5.3%. Islamic Banking ROA has increased since the introduction of Islamic banking services in 2005 as it stood at 2.07% in 2007, compared to 1.3% and 0.3% recorded in 2006 and 2005 respectively.

The bank offers wealth management services through its 100% owned subsidiary Ansbacher Group Holdings Limited. Wealth Management assets dropped in 2007 by 3.9% to stand at QAR 4,801.3 million relative to QAR 4,993.7 million recorded in the prior year.

Price Ratios

P/E

The bank's P/E ratio stood at 12.5 at the end of 2007 relative to 12.9 and 21.3 registered at the end of 2006 and 2005 correspondingly. The enhancement in the bank's profitability is the main driver for the decreased P/E ratio as the EPS reached QAR 14.5 in 2007 in comparison to QAR 11.7 and QAR 8.9 recorded at in 2006 and 2005 respectively.

P/Bv

QNB's P/Bv stood at 2.3 at the end of 2007, compared to 3.1 and 3.8 recorded at the end of 2006 and 2005 respectively. Book value per share jumped to QAR 80.2 in 2007 in comparison to QAR 49.5 recorded in 2006.

Rating

QNB has the widest coverage amongst Qatari banks and the highest ratings. Over the past two years the bank's ratings has improved as a results of the improved liquidity and the enhancement in the bank's balance sheet. In 2007, Standard & Poor Rating Agency upgraded QNB's long-term credit rating to (A+) from the pervious (A) and affirmed the bank's short-term credit rating of (A-1), a rating that is given to a select group of financial institutions in the region.

Capital Intelligence				
Foreign Currency		Financial Strength	Support Rating	Outlook
Long-Term	Short-Term			
A+	A1	A+	1	Stable

Moody's			
Bank Deposits		Financial Strength	Outlook
Long-Term	Short-Term		
Aa3	P-1	C-	Stable

Standard & Poor's		
Bank Credit and Deposits		Outlook
Long-Term	Short-Term	
A+	A-1	Stable

Fitch			
Long-Term	Short-Term	Support	Individual
A+	F1	1	B/C

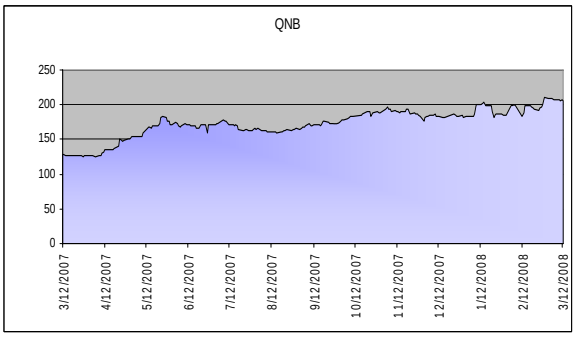
Source: www.qnb.com.qa

Share Performance

2007 Performance

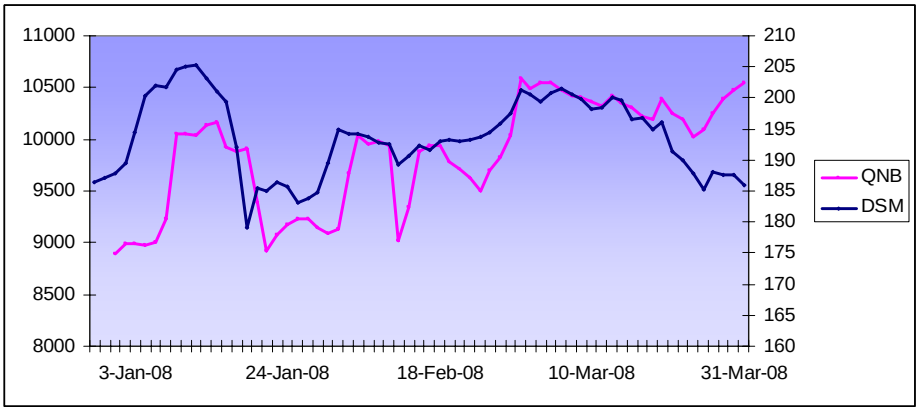
2007 Share Performance	
Closing Price, 2007	**QAR 174.9**
High Price, 2007	**QAR 189.7**
Low Price, 2007	**QAR 120.2**

Source: Zawya.
**Adjusted Prices*



QNB share price gained 19.9% during 2007 closing at QAR 181.1 at the end of the year. The DSM index out-performed QNB's share in 2007 as the index rose by 34.3%. QNB share recorded its highest closing of QAR 189.7 on November 5th, while the lowest closing price of QAR 120.2 was recorded on March 27th.

Q1, 2008 Performance



QNB share price closed the first quarter of 2008 at QAR 202.4, up by 15.7% when compared to last year's closing price. On the other hand, the DSM index lost 0.27% during the first quarter of 2008 closing at 9,554.71 basis points.

SWOT Analysis

Strengths	Weaknesses
• Relatively large balance sheet • A declining NPL • A wide network of local branches and ATM machines • A large corporate customer base • Offering both conventional and Islamic banking services • Regional and international diversification • The ability to meet the strategy set by the management	• An increase in the interest expense/interest income ratio • A high exposure to the public sector • A declining net spread ratio • A losing wealth management segment • A declining market share in the Qatari banking sector
Opportunities	**Threats**
• An opportunity to increase the bank's retail and corporate base, as a result of the booming economy • Growing population that could open an opportunity to expand the bank's customer's base • Entry into new expanding sectors such as Islamic banking and Investment banking	• Increasing competition in the local and regional markets • A relatively high inflation rate in Qatar, which could affect the banks expenses • Fluctuation in interest rate as a result of the pegged Qatari Riyal to the US Dollar

Main Local Competitors

Commercial Bank of Qatar			
	2006	2007	Change
Net Assets	30,357,935	45,397,279	49.5%
Shareholders Equity	5,631,406	6,227,817	10.6%
Loans & Advances	17,359,748	25,021,487	44.1%
Customers Deposits	16,701,103	24,656,692	47.6%
Paid Up Capital	1,401,579	1,401,579	-
Net Income	862,686	1,390,715	61.2%
Operating Income	1,354,697	1,973,237	45.7%
Net Interest Income	675,259	876,027	29.7%
Interest Expense/Interest Income	51.96%	60.96%	17.3%
EPS	6.16	9.92	61.0%
P/E	15.92	20.54	29.0%
P/Bv	2.44	4.58	87.7%
ROA	2.84%	3.06%	7.8%
ROE	15.32%	22.33%	45.8%
NPL/Gross Loans	0.81%	0.84%	3.7%

Doha Bank			
	2006	2007	Change
Net Assets	21,696,260	30,088,112	38.7%
Shareholders Equity	2,767,994	3,618,972	30.7%
Loans & Advances	13,630,059	19,169,914	40.6%
Customers Deposits	14,602,291	19,676,657	34.8%
Paid Up Capital	1,248,175	1,248,175	-
Net Income	743,969	926,464	24.5%
Operating Income	1,073,096	1,494,266	39.3%
Net Interest Income	523,456	683,827	30.6%
Interest Expense/Interest Income	50.77%	59.22%	16.7%
EPS	5.96	7.42	24.5%
P/E	16.7	13.6	-18.6%
P/Bv	4.49	3.48	-22.5%
ROA	3.43%	3.08%	-10.2%
ROE	26.88%	25.60%	-4.8%
NPL/Gross Loans	4.25%	3.12%	-26.6%

Ahli Bank			
	2006	2007	Change
Net Assets	9,556,360	15,576,381	63.0%
Shareholders Equity	1,182,470	1,523,847	28.9%
Loans & Advances	6,294,372	10,105,785	60.6%
Customers Deposits	6,822,507	10,503,900	54.0%
Paid Up Capital	406,250	507,812	25.0%
Net Income	202,241	302,652	49.7%
Operating Income	334,392	458,662	37.2%
Net Interest Income	237,810	263,682	10.9%
Interest Expense/Interest Income	54.06%	66.76%	23.5%
EPS	3.98	5.96	49.8%
P/E	19.22	13.31	-30.8%
P/Bv	3.29	2.64	-19.6%
ROA	2.12%	1.94%	-8.2%
ROE	17.10%	19.86%	16.1%
NPL/Gross Loans	2.55%	1.51%	-40.8%

Qatar Islamic Bank			
	2006	2007	Change
Net Assets	14,888,516	21,335,768	43.3%
Shareholders Equity	4,245,538	4,628,962	9.0%
Due from Financing Activities	7,156,007	11,679,082	63.2%
Customers Deposits	2,363,719	4,384,352	85.5%
Paid Up Capital	1,193,400	1,193,400	-
Net Income	1,003,039	1,255,404	25.2%
Operating Income	1,532,668	1,694,482	10.6%
Total Income from Financing and Investing Activities	1,087,888	1,580,202	45.3%
EPS	8.95	10.52	17.5%
P/E	14.49	15.97	10.2%
P/Bv	3.42	4.33	26.6%
ROA	6.74%	5.88%	-12.7%
ROE	23.63%	27.12%	14.8%
Non-Performing due from Financing Activities/Gross due from Financing Activities	4.00%	2.15%	-46.3%

Source: Banks Financial Statements

Financial Highlights, Q1 2008

- The bank's interest income grew by 41.0% during the first quarter of 2008, compared to the corresponding period of last year. This increase was offset by the 65.9% rise in interest expense. As a result, net interest income increased by 13.4% during the first three months of 2008 standing at QAR 512.9 million in comparison to QAR 452.3 million registered during same period of 2007.

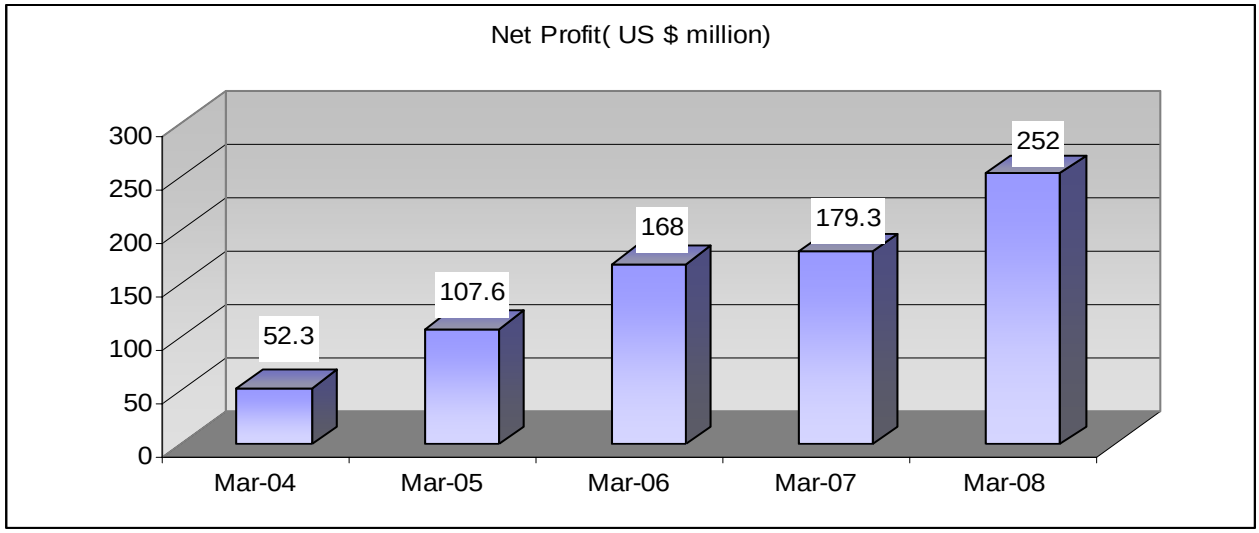
- Net Fees and Commissions income enhanced by 31.2% in the first quarter of 2008 reaching QAR 254.9 million relative to QAR 194.1 million recorded during the corresponding period of 2007.

- Non Interest & commission Income jumped by 70.1% during Q1 2008 reaching QAR 500.5 million, in comparison to QAR 294.2 million registered during the same period of 2007. This handsome increase is mainly attributed to the 457.6% growth in the gains from financial investments, which reached QAR 132.8 million relative to QAR 23.8 million in 2007.

- Income from Islamic Financing and Investing activities exhibited a growth of 14.6% in the first quarter of 2008 as it stood at QAR 119.6 million, compared to QAR 104.4 million registered in the prior period of 2007.

- General & Administrative expenses rose by 46% standing at QAR 260.3 million in the first quarter of 2008, in comparison to QAR 178.3 million recorded during the corresponding period of 2007.

- QNB's net income showed a notably enhancement of 40.5% at the end of Q1, 2008 standing at QAR 917.278 million, compared to QAR 652.7 million recorded during the relative period of 2007. EPS reached QAR 4.2 at the end of first quarter 2008 relative to QAR 3.4 recorded in the corresponding period of 2007.

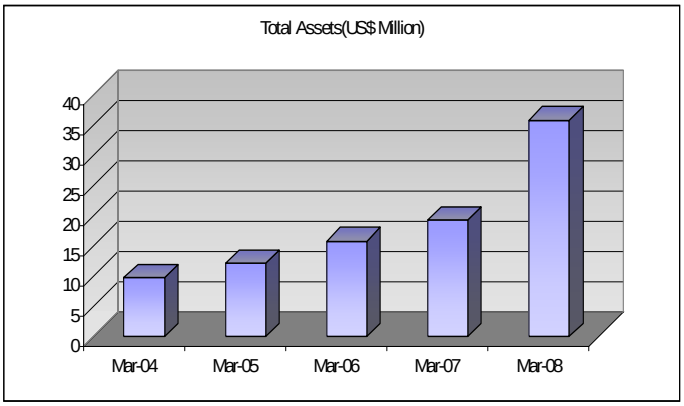


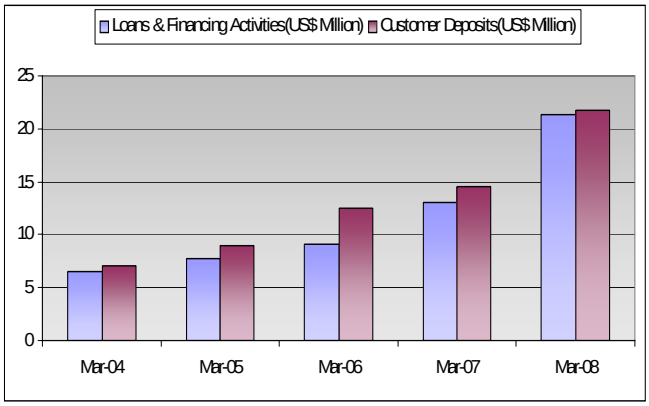
Source: QNB Data

- The bank's balance sheet grew by 13.7% during the first three months of 2008 compared to the end of 2007. Total assets stood at QAR 130 billion, in comparison to QAR 114.3 billion and QAR 69.9 billion registered at the end of 2007 and Q1 2007 correspondingly.

- Loans, Advances and Financing activities rose by 17.2% during the first quarter of 2008 reaching QAR 77.3 billion to make up 59.5% of total assets at the end of Q1 2008.

- Cash & deposits with central banks increased by 31.3% in Q1 2008 to reach QAR 14.3 billion relative to QAR 10.9 billion registered at the end of 2007.





Source: QNB Data

- Due from banks and other financial institutions was the only item to register a decline among all total assets components in the first quarter of 2008 as it dropped by 14.8% to land at QAR 18.1 billion relative to QAR 21.3 billion recorded at the end of 2007.

- Due to banks and other financial institutions notably jumped by 148.6% to reach QAR 24.6 billion relative to QAR 9.9 billion registered at the end of last year.

- Customers deposits marginally declined to QAR 72.7 billion in Q1 2008, in comparison to QAR 74.2 billion recorded at the end of 2007; representing a drop of 1.9%.

- The bank's total equity stood at QAR 13.8 billion at the end of Q1 2008 relative to QAR 13.8 billion and QAR 8.1 billion recorded at the end of 2007 and Q1 2007 respectively.

Valuation

Two valuation methods were used; relative valuation and regression analysis to draw QNB's share fair value. A weight of 55% was given for the relative price to earning per share method, 35% for the price to book value per share method and 10% for the regression method.

Six peers were chosen from across the region based on their assets size and equity size relative to QNB.

Fair Price

QNB Price	Fair Price	Weights	Weighted Fair Price
P/E	288.36	55%	158.60
P/Bv	252.96	35%	88.54
Regression	282.72	10%	28.27
		100%	**275.41**

Price to Earning Relative Valuation

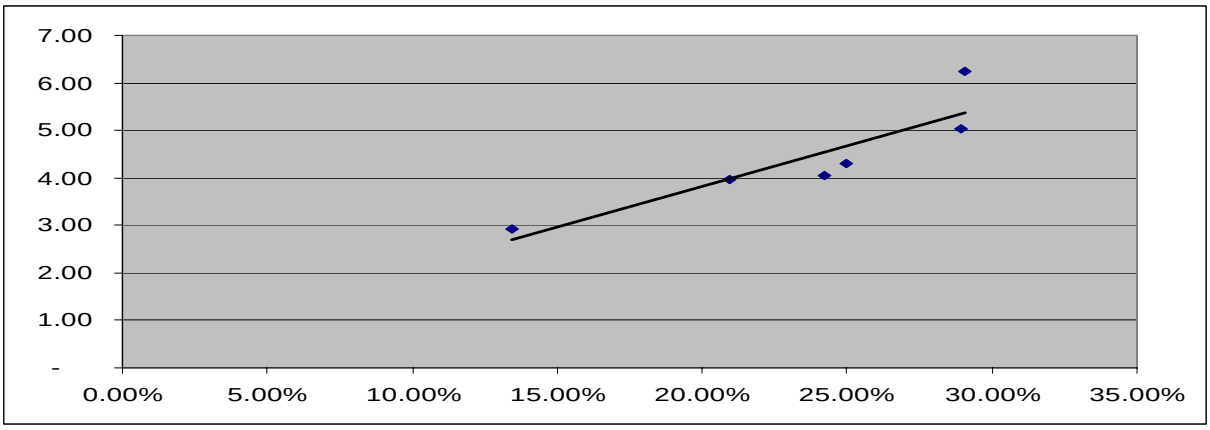
The estimated average forward price to earning ratio for the peers stood at 18.93. Based on the estimates, we arrived to a fair value of QAR 288.36

Price to Book Value Relative Valuation

The estimated average price to book value for the peers stood at 4.42. Given the estimates we used, we arrived to a fair value of QAR 252.96.

Regression

P/Bv=17.135(RoE)+0.3801 **R^2=0.7953**



The least weight of 10% was given to the regression method which came up with a fair value of QAR 282.72

Recommendation

Given the methods used, we recommend a buy on QNB share price with a fair value of QAR 275.41, representing an upside potential of 12.64% from the current market price of QAR 244.5

Disclaimer

This report was prepared by Amwal Invest. It is provided for information purposes only and does not constitute an offer to sell or a solicitation of an offer to buy any securities. The information contained herein is based upon sources we believe to be reliable, but no representation, expressed or implied, is made with respect to the accuracy, completeness or reliability of the information or the opinions in the report.

Amwal Invest accepts no liability for any loss arising from the use of this document. Opinions and estimates constitute our judgment and are subject to change without prior notice.

Amwal Invest has no obligation to update, modify or amend this report or to otherwise notify a reader thereof in the event that any matter stated herein changes or subsequently becomes inaccurate.

This report may not be reproduced or redistributed without the authorization from Amwal Invest.