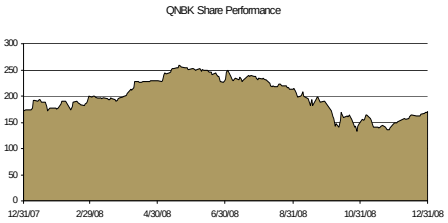
QATAR NATIONAL BANK –EQUITY UPDATE

January 20th, 2009

The Arab Financial Investment Co.
الشركة العربية للإستثمارات المالية

AMWAL INVEST



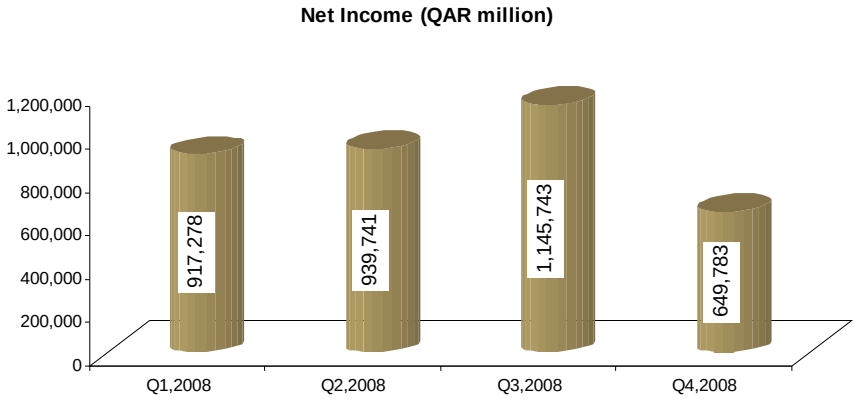
Ticker	QNBK
Listing	DSM
Sector	Banks

Current Price	QAR 118.20
Target Price	QAR 224.68
Upside	90.10%
Recommendation	BUY

Financial Highlight

Qatar National Bank released its 2008 financials showing an enhancement in its bottom line by 45.75% as its net profit reached QAR 3,652.54 million as opposed to 2,506.12 million registered at the end of 2007. On QOQ basis, net income for 4Q2008 plunged by 43.29% standing at QAR 649.78 million, compared to QAR 1,145.74 recorded in 3Q2008. This drop is mainly attributed to the decline in net income from fees and commissions, the increase in provisions and to losses in investments.

We reconfirm our ***Buy*** recommendation on QNB share with a revised long term target price of QAR 224.68 representing an upside potential of 90.10% from the current market price of QAR 118.20



Net interest income reached QAR 2,533 million at the end of 2008 as opposed to QAR 1,767.55 million registered a year earlier; showing a lift of 43.3%. The improvement in interest income from loans and advances during 2008 was the main driver for this increase as it grew by 40.37% to stand at QAR 5,122.98 million and contributed by 83% to gross interest income. Interest expense to interest income ratio dropped in 2008 to 58.93% relative to 61.76% registered a year earlier.

Net interest income contribution to total operating income declined in 2008 to 45.7% as opposed to 47.5% registered in 2007 as the bank continued to diversify its main sources of income.

Net fees and commissions increased by 34.37% to QAR 975.91 million relative to QAR 726.3 million and QAR 453.27 million recorded at the end of 2007 and 2006 correspondingly.

Looking at the 4Q2008, its can be noticed that net interest income showed a minimal quarterly growth of 0.4%, while net fees and commission income declined by 28.58% in the fourth quarter compared to the third quarter of the year. Interest income to interest expense ratio stood at 57.35% in the 4Q2008 as opposed to 56.75% and 58.5% registered in the third and second quarters of the year.

QNB net operating income jumped by 48.83% landing at QAR 5,539.7 million at the end of 2008, compared to QAR 3,722.26 million registered at the end of 2007. Non-interest and commission income to total revenues rose in 2008 to 36.62% compared to 33% recorded a year earlier, indicating higher diversification in sources of income.

Among all components of non-interest and commission income, "other operating income" item posted the highest yearly percentage change of 565% to reach QAR 108 million at the end of 2008. This surge is mainly attributed to net profit on sale and operating leaseback transaction of QAR 76.2 million, which is related to the Ansbacker Holdings Head Office.

QNB gains from dealing in foreign exchange rose by 88.59% in 2008 to QAR 330.36 million, which is mainly attributed to the jump in revaluation of assets and liabilities which reached QAR 179.55 million, compared to QAR 76.52 million registered a year earlier; signifying a raise of 134.65%.

Income from Islamic financing and investing activities posted an augmentation of 64.11% in 2008 reaching 685.29 million with the increase mainly coming during the fourth and third quarters.

Non-Interest and Commission Income

	Q1,2008	Q2,2008	Q3,2008	Q4,2008
Dividend Income	103,141	32,102	1,439	842
Net Gains from Dealing in Foreign Currencies	80,398	78,207	91,271	80,485
Net Gains from Financial Investments	132,772	126,457	191,001	119,056
Share in Profit of Associates	46,072	52,260	63,663	38,304
Income from Islamic Financing and Investing Activities	119,647	131,420	216,025	218,202
Other Operating Income	18,530	6,883	3,150	79,465
Net Operating Income	**1,268,277**	**1,272,829**	**1,552,162**	**1,446,432**

On QOQ basis, net operating income in 4Q2008 declined by 6.81% landing at QAR 1,446.4 million as opposed to QAR 1,552.16 million recorded in 3Q2008. Non-interest and commission income also dropped by 5.33% during 4Q2008 standing at QAR 536.35 million relative to QAR 566.55 million registered in the third quarter of the year. Among all components of non-interest and commission income, dividend income showed the highest percentage decline of 41.5% and was followed by share in profit of associates and net gains from financial investments which dropped by 39.83% and 37.67% respectively.

The bank's total expenses rose by 56.03% in 2008 backed by the surge in provisions and G&A expenses. Total expenses reached QAR 1,867.39 million as opposed to QAR 1,196.8 million registered at the end of 2007. General and Administrative expenses reached QAR 1,023.64 million at the end of 2008, compared to QAR 842.29 million registered in 2007; showing a yearly increase of 21.53%.

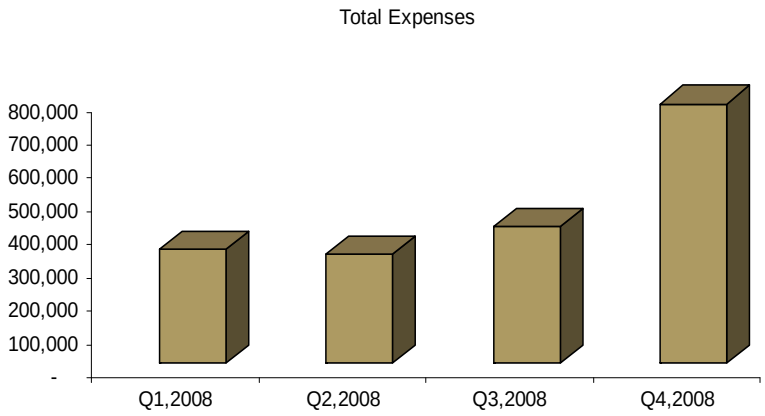
Provisions for credit losses on loans and advances posted the highest change among all components of the banks total expenses as it reached QAR 247.61 million at the end of 2008 as opposed to recoveries of provisions for credit losses on loans and advances of QAR 19.71 million registered a year earlier. Looking at the components of provisions of credit losses, it can be noticed that provisions for consumer lending hiked to QAR 159.4 million, compared to QAR 7.29 million recorded a year earlier. Provisions for corporate lending reached QAR 19.89 million at the end of 2008 relative to recoveries of QAR 27.33 million registered at the end of 2007.
Provisions on residential mortgages were introduced for the period registering QAR 60.21 relative to zero balance for 2007.

Net impairment losses on financial investments increased by 110.37% at the end of 2008 to reach QAR 130.34 million, which is mainly attributed to the QAR 170.4 million net impairment losses on financial investments registered during the fourth quarter.

Total expenses to total revenues ratio slightly increased in 2008 to stand at 33.71%, compared to 32.15% registered in 2007.

As for the fourth quarter of 2008, total expenses ascended by 89.8% on QOQ basis reaching 781.8 million driven by the significant increase in provisions for credit losses on loans, which reached QAR 198.12 million, and by net impairment losses of financial investments, which stood at QAR 170.4 million.

Total expenses to total revenues ratio notably jumped in 4Q2008 to reach 54% as opposed to 26.53% recorded in 3Q2008.



QNB balance sheet expanded by 32.89% in 2008 reaching QAR 151,973.62 million, compared to QAR 114,360.67 million recorded at the end of 2007. During the fourth quarter of 2008 total assets rose by 4.35% compared to 3Q2008.

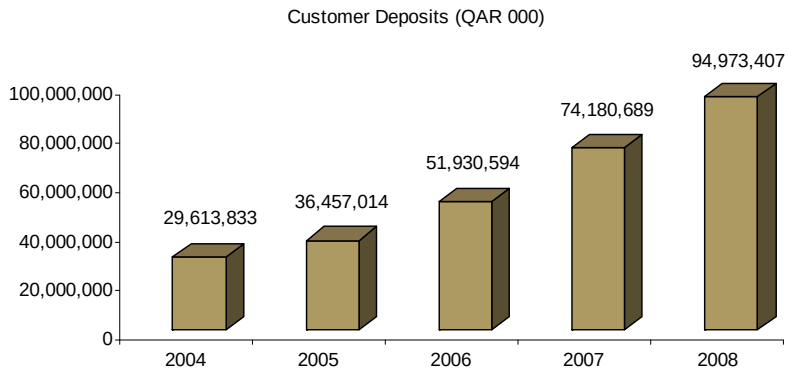
The main contributor to this increase in assets in 2008 is the raise in loans and advances and financing activities which increased by 51.45% in 2008 reaching QAR 100,053.49 million relative to 66,064.14 million recorded in the previous year. Loans and Advances and Financing activities made up 65.84% of total assets in 2008, compared to 57.77% registered a year earlier. On QOQ basis, Loans and Advances and Financing Activities stretched by 9.89% in the fourth quarter relative to the prior quarter.

Conventional banking loans & advances and Islamic financing both posted a healthy growth during 2008 increasing by 51.54% and 50.25% respectively.
In terms of Islamic financing, Murabaha and Musawama constituted the biggest portion of gross financing activities standing at 60% followed by Ijara comprising 30.85%

Loans and advances extended to Government and Government agencies rose in 2008 to stand at QAR 43,502.59 million as opposed to QAR 26,992.7 million registered in 2007; showing a yearly increase of 61.16%. The contribution of loans and advances extended to

Government and Government agencies to net credit portfolio increased in 2008 to land at 43.48% as opposed to 40.86% registered in 2007.
QNB asset quality remained robust in 2008 despite the raise in Non-performing loans, which increased from QAR 451.1 million in 2007 to reach QAR 731.5 million at the end of 2008; posting a yearly increase of 62.16%. NPL to total loans, advances and financing activities stayed flat in 2008 at 0.7%.

The bank's customers' deposits base enhanced by 28% during 2008 to reach QAR 94,973.41 million, compared to QAR 74,180.69 million recorded in 2007. Government and Government Agencies deposits made up 54.46% of total deposits in 2008 relative to 57.61% registered in the prior year.



Loans to deposits ratio notably increased during 2008 reaching 96%, compared to 83.2% registered in 2007.

QNB total equity reached QAR 16,643.23 million at the end of 2008, compared to QAR 13,858.36 million registered in 2007; showing a lift of 20.1%. The bank increased its capital in 2008 to QAR 2,408.966 million from QAR 1,824.975 million in 2007.

QNB share price is currently trading at a PE of 7.8 with a P/BV of 1.71 based on today's closing price of QAR 118.20

The BOD proposed the distribution of 75% cash dividends and 25% bonus shares for 2008.

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