Qatar National Bank

Banking on Economic Growth

July 22, 2009

Key Data

Closing Price*	Avg. Value Traded per Day
QR 118.40	QR 14 million
52-Week High	**Market Cap**
QR 191.12	QR 35.7 billion
52-Week Low	**Shares Outstanding**
QR 72.20	301.1 million
Reuters	**Bloomberg**
QNBK.QA	QNBK QD
Ownership Structure	
Closely Held: 50%	Public: 50%

** As of July 21, 2009. Sources: Reuters, Doha Securities Market, and NBK Capital*

Rebased Performance



Sources: Reuters and NBK Capital

Key Ratios

	2008 a	2009 f	2010 f	2011 f	2012 f
P/B	2.1	1.8	1.6	1.4	1.2
P/E	9.6	8.9	8.1	6.8	5.9
Dividend Yield	6.3%	4.2%	4.6%	5.3%	6.1%
Net Profit Growth	45.7%	9.6%	9.4%	18.9%	15.2%
Net Interest Margin	2.4%	2.7%	3.0%	3.0%	3.1%
RoAE	24.0%	22.0%	20.8%	21.4%	21.3%
RoAA	2.7%	2.6%	2.6%	2.7%	2.7%

1Q2009 IBP a	2Q2009 IBP a
QR 1049 million	QR 1175 million
3Q2009 IBP f	**4Q2009 IBP f**
QR 1132 million	QR 1110 million

IBP = Income before Provisions, a = actual, f = forecast. Sources: Reuters and NBK Capital

Highlights

Fair Value: QR 163.50

Recommendation: Buy – Risk Level: 2**

Reason for Report: Initiation of Coverage

- Qatar National Bank (QNB) is the heavyweight of the Qatari banking sector, with a 35% market share of total assets. The bank is 50% owned by the Government of Qatar (government) and has significant business with it and its various agencies.
- Qatari banks will benefit not only from a favorable economic backdrop with real GDP forecasted to expand by at least 10% in 2009, but also from significant direct support from the government. The latter has already taken three major steps to de-risk and support the banking sector.
- The most important pillar of QNB's strategy is to maintain its current leading market share in Qatar. QNB will continue to focus on the corporate and public sectors, where the bank is already the undisputed market leader. Other elements of the bank's strategy are a focus on Islamic banking via the highly successful QNB Al Islami and on-going regional expansion.
- In 1H2009, QNB's net profit increased by 11% driven by net interest income which soared by 45%. In 2008, QNB managed to increase its net profit by 46%, the highest among its Qatari peers, who, on the whole, recorded a 20% net profit growth during that year. QNB achieved a return on average equity (RoAE) of 24% in 2008, slightly outperforming the average of its peers. The bank also outperformed in terms of cost efficiency, recording a cost-to-income ratio of 22% in 2008, which further dropped to 19% in 1H2009.
- Going forward, we believe QNB's lending growth will witness a significant slowdown, but we still see loans growing by a CAGR of 17% in the coming three years. We forecast the bank's operating income and net profit to grow by 8% and 10%, respectively, in 2009, and by 15% and 9% in 2010.
- Our estimate of QNB's fair value per share stands at QR 163.50, 38% above the share's closing price on July 21—hence, our "Buy" recommendation. We have assigned QNB a risk rating of 2 (on a scale of 1 to 5).

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*** Please refer to page 27 for recommendations and risk ratings.*

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EXECUTIVE SUMMARY

Qatar National Bank (QNB) is the heavyweight of the Qatari banking sector, with a 35% market share of total assets, as of March 2009. The bank is 50% owned by the government through the Qatar Investment Authority (QIA), and has significant business with the government and its various agencies.

Despite the global financial and economic situation, the Qatari economy is expected to grow rapidly, driven by the liquefied natural gas (LNG) industry. Real GDP is forecasted to expand by at least 10% in 2009, at a time when most economies in the world are contracting. Qatari banks will benefit not only from a relatively favorable economic backdrop but also from significant direct support from the government. The government has already taken three major steps to de-risk and support the banking sector. First, the government boosted the banks' capital bases by injecting fresh funds; second, it bought their local equity investments at favorable terms; and finally, it bought some of their vulnerable real estate loans.

The most important pillar of QNB's strategy is to maintain its current leading market share in Qatar. QNB is primarily a corporate bank, and will continue to focus on the corporate and public sectors, through both its conventional business and Islamic business. QNB will also focus on the upscale retail market and on improving cross-selling in the branches. A major element of QNB's strategy is to continue to focus on the Islamic banking business via the highly successful QNB Al Islami. Another element of QNB's strategy is international expansion, which has not been put on hold but will be carried on with extreme caution due to the global economic and financial situation.

In 2Q2009, QNB's net profit increased by 12%, having recorded a similar 10% growth in 1Q2009. Net interest income was the driver of earnings, soaring by 45% in 1H2009. In 2008, QNB managed to increase its net profit by 46%, the highest among its Qatari peers, which recorded a 20% net profit growth during that year. QNB achieved a return on average equity (RoAE) of 24% in 2008, slightly outperforming the average of its peers. The bank also outperformed in terms of cost efficiency, recording a cost-to-income ratio of 22% in 2008, which further dropped to 19% in 1H2009. Asset quality indicators have tended to improve in the past few years. By end-June 2009, NPLs stood at less than 1% of loans, and were 98% covered by specific provisions.

Going forward, we believe lending growth at QNB will witness a significant slowdown compared with the sky-high growth rates witnessed previously. However, we still see loans growing by a CAGR of 17% in the coming three years. We forecast operating income and net profit to grow by 8% and 10%, respectively, in 2009, and by 15% and 9% in 2010.

Our estimate of QNB's fair value per share stands at QR 163.50, 38% above the share's closing price on July 21—hence, our "Buy" recommendation. This value is a weighted average of three estimates reached using three valuation models: the Discounted Equity Cash Flow Model, the Dividend Discount Model, and a peer-based multiples valuation model. We have assigned QNB a risk rating of 2 (on a scale of 1 to 5). This follows our subjective criteria for risk, such as franchise strength, stock price volatility, management expertise, and the overall operating environment.

VALUATION

The purpose of this valuation exercise is to estimate QNB's fair value per share 12 months from now. Although the estimate reached is our best guess of the share's value one year from now, this does not mean we believe the price will actually migrate toward this fair value. Ultimately, it is investor behavior that determines the price of any share. This behavior is a function of a wide array of factors, including sentiment, risk tolerance, objectives, and technical analysis, as well as analyst recommendations.

Our estimate of QNB's fair value per share stands at QR 163.50, 38% above the share's closing price on July 21, 2009. The value is a weighted average of three estimates reached via three valuation models: Discounted Equity Cash Flow (DECF), the Dividend Discount Model (DDM), and a peer-based multiples valuation model (Figure 1).

Our fair value for QNB is QR 163.50 per share

Figure 1 Weighted Average Fair Value per Share

Valuation Method	Value (QR)	Weight (%)
Discounted Equity Cash Flow (DECF)	210.40	40%
Dividend Discount Model (DDM)	134.80	40%
Peer-based Valuation	127.30	20%
Weighted Average Fair Value	**163.50**	**100%**

Source: NBK Capital

Discounted Equity Cash Flow

DECF is a function of the following variables, which we forecast over the next five years:

- Forecasts of Net Attributable Income (NAI) – This is an earnings measure and therefore primarily a function of total income, cost structure, and provisioning levels.
- Forecasts of Changes in Risk-weighted Assets – Globally accepted standards and local Qatari banking regulations mandate that minimum levels of capital adequacy be maintained as growth occurs. Hence, a percentage of income must be reinvested, which is thus not available for distribution. The current minimum capital adequacy ratio (CAR) required by the Qatar Central Bank (QCB) is 10%. However, QNB's management has indicated that they do not wish to fall below a CAR of 12.5% to 13%. Hence, we used a target CAR of 13% for QNB.
- Forecasts of Depreciation – These are primarily a function of the bank's gross fixed assets level.

In addition, estimates of the following two variables are required:

- The long-term expected growth rate in equity cash flows beyond the forecast horizon (that is, beyond the next five years) – This should be a sustainable growth rate that extends in perpetuity and is necessary to estimate QNB's value at the end of the forecast horizon, widely known as the Terminal Value.
- The Cost of Equity for QNB – This is the investors' minimum required return for investing in QNB's shares and hence is used to discount future equity cash flows.

In the DECF valuation (Figure 2), full financial statements are forecasted until 2014. Equity cash flows (ECFs), defined as NAI plus depreciation minus 13% of the increase in risk-weighted assets, are then extracted from those financial statements. In addition, ECFs are assumed to grow at a perpetual rate of 5% in 2015 and beyond. ECFs beyond 2009 are then discounted to

a point in time that is 12 months from now, yielding a total value to shareholders of QR 63.3 billion. Dividing this value by the current number of shares outstanding (301.1 million) yields a fair value of QR 210.40 per share.

The chosen cost of equity (10.5%) is mainly a function of interest rate levels, risks in the operating environment, and the volatility of QNB's share price returns compared with those of the stock market.

The DECF valuation resulted in a fair value of QR 210.40 per share

Figure 2 DECF Valuation

Figures in QR Thousands	Forecast				
Fiscal Year Ends December	2010	2011	2012	2013	2014
Net Attributable Income	4,378,864	5,205,328	5,998,150	6,692,945	7,280,018
Equity Cash Flows	2,219,133	2,823,867	3,718,632	4,063,168	4,137,513
Terminal Value					78,988,891
Total Value of Equity in 12 Months					63,344,805
Number of Shares Outstanding ('000)					301,121
Fair Value per Share (QR)					210.40

Source: NBK Capital

One major drawback of discounted cash flow valuations is that they are highly sensitive to the inputs. This issue is more acute in the case of banks because they are more heavily leveraged than most other companies. To assess the impact of input changes on the valuation output, we performed a sensitivity analysis on two primary inputs of the DECF model: the cost of equity and the perpetual growth rate (Figure 3).

The estimate of fair value is highly sensitive to two primary inputs

Figure 3 DECF Sensitivity

		Perpetual Growth Rate				
		4.0%	4.5%	5.0%	5.5%	6.0%
Cost of Equity	9.5%	216.7	234.9	257.1	284.9	320.6
	10.0%	198.6	213.5	231.4	253.3	280.6
	10.5%	183.3	195.7	210.4	228.0	249.5
	11.0%	170.1	180.6	192.8	207.3	224.6
	11.5%	158.7	167.7	178.0	190.0	204.2

Source: NBK Capital

Dividend Discount Model

The DDM can be used when the dividend stream can be reasonably forecasted, a situation that generally applies to banks. DDM is a function of the following variables:

- Dividends that will be declared and paid during the forecast horizon,
- An assumption regarding the perpetual growth rate in dividends beyond the forecast horizon (similar to the case for the DECF model), and
- QNB's cost of equity.

The DDM yields a total value for shareholders of QR 40.60 billion. Dividing by 301.1 million shares outstanding, we arrived at a fair value of QR 134.80 per share (Figure 4).

The DDM resulted in a fair value of QR 134.80 per share

Figure 4 Dividend Discount Model

Figures in QR Thousands	Forecast				
Fiscal Year Ends December	**2010**	**2011**	**2012**	**2013**	**2014**
Dividend Payout	37.8%	36.6%	36.5%	36.0%	36.4%
Dividends	**1,656,164**	**1,904,589**	**2,190,277**	**2,409,305**	**2,650,235**
Terminal Value					**50,595,400**
Total Value of Equity in 12 Months		**40,594,920**			
Number of Shares Outstanding ('000)		**301,121**			
Fair Value per Share (QR)		**134.80**			

Source: NBK Capital

Peer-based Valuation

We used a peer-based multiples valuation model that is a variant of the Warranted Equity Valuation (WEV) model. We employed this model by comparing the adjusted price-to-book (P/B) multiples of some similarly rated commercial banks operating in countries comparable to Qatar in terms of gross domestic product (GDP) per capita. In fact, since Qatar has one of the highest GDPs per capita in the world, most countries we have chosen have a lower GDP per capita than Qatar.

In this peer-based valuation, we adjust the P/B ratio by correcting for two variables that significantly affect the P/B level, namely, expectations of future earnings growth and future return on equity levels. Specifically, the adjusted P/B is obtained by dividing the raw leading P/B by both the CAGR in earnings per share (EPS) for the coming three or four years and the average return on equity (ROE) for the same period (all based on consensus estimates). The rationale behind this adjustment is that different P/B multiples among banks do not necessarily reflect differences in "valuations," but rather can be a reflection of different growth expectations and potential. The peer-based valuation resulted in a value of QR 127.30 per share for QNB (Figure 5).

Figure 5 Peer-based Valuation

Country	Bank	P/B* (2009 f)	ROE	EPS Growth	WEV	FSR Moody's
Australia	Bendigo and Adelaide Bank	0.8	7.4%	8.0%	129.9	C
Australia	Bank of Queensland	1.1	10.5%	6.0%	174.7	C
Austria	Erste Group Bank	0.8	8.0%	25.2%	38.4	C-
Denmark	Sydbank A/S	1.1	8.0%	28.5%	46.2	C+
Denmark	Danske Bank A/S	0.6	7.5%	34.7%	23.5	C
Denmark	Spar Nord Bank	0.7	4.7%	36.1%	42.3	C
Finland	Pohjola Bank	1.0	10.4%	9.1%	100.3	C+
France	Natixis	0.3	3.9%	29.3%	23.9	D
France	Credit Industriel et Commercial	0.4	8.8%	20.4%	20.0	C-
Germany	Commerzbank AG	0.5	9.3%	87.1%	5.9	C-
Germany	Deutsche Postbank AG	0.8	8.9%	6.3%	142.2	C
Ireland	Allied Irish Banks	0.2	9.1%	17.3%	14.6	D
Norway	SpareBank 1 SR-Bank	0.9	5.7%	4.6%	332.3	C-
Sweden	Skandinaviska Enskilda Banken	0.8	5.5%	46.4%	31.6	C-
Switzerland	Banque Cantonale Vaudoise	1.0	7.1%	1.3%	1122.0	C-
Qatar	Commercial Bank of Qatar	1.3	18.2%	9.8%	72.2	C-
Qatar	Doha Bank	1.4	20.2%	7.1%	99.5	D+
	Average**				**68.5**	
Qatar	**QNB**	**1.9**	**22.9%**	**12.4%**	**68.5**	**C+**
	Fair Value (QR)	**127.30**				

** Prices as of July 20, 2009. ** Excluding outliers. Sources: Reuters Knowledge, Moody's, and NBK Capital*

QNB appeared fairly valued compared to its peers

Risks and Challenges

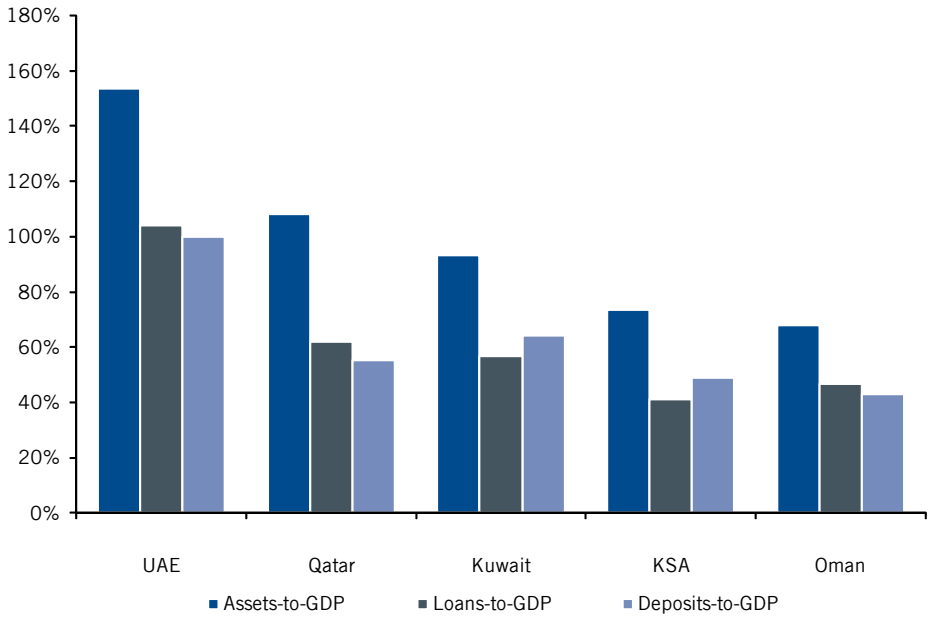
- We believe the current global and regional financial and economic situation represents the most important risk facing any financial institution. The current environment brings with it possible investment losses, lower liquidity, higher risk aversion, worsening asset quality, and, most importantly, a lower price for oil, which will, no doubt, lead to lower economic growth, and, hence, lower profitability for all regional banks, including QNB.
- QNB is very much interested in regional expansion. While meaningful expansion beyond the Qatari borders will help diversify the earning stream, such expansion still has its own risks. There is implementation risk in expanding into countries whose banking sectors are less understood by QNB's management than the Qatari banking sector. In addition, there is the risk of overpaying when acquiring a stake in another bank, thereby penalizing QNB's shareholders. For example, QNB has a 24% stake in the UAE's Commercial Bank International (CBI) where the carrying value of that investment is significantly below its current market value, raising concerns of possible impairment that might need to be taken.
- There is a risk of loss in market share. QNB has long dominated the Qatari banking sector—the bank has enjoyed the lion's share of loans, deposits, and assets. Maintaining the high market share in the face of increased competition from banks with a much smaller base to grow will be a tough task for QNB to achieve.
- QNB is still a domestic Qatari player, despite the regional expansion that has occurred. Hence, the bank is overexposed to the health of the Qatari economy, which is very much tied to a single factor: the oil and gas sector. A significant drop in oil prices or a disruption of gas supplies will have a major effect on capital inflows to Qatar and overall economic growth.
- There is geopolitical risk: This is especially related to the proximity of Qatar's giant North Field gas reservoir to Iran.

QATARI BANKING SECTOR HIGHLIGHTS

The Qatari banking sector is the second smallest in the GCC with total assets reaching USD 110 billion at the end of March 2009. Compared to the size of the economy, however, the Qatari banking sector is at the other end of the spectrum with relatively higher commercial banking penetration rates than its GCC peers, as seen in Figure 6.

Other than in the UAE, penetration rates in the GCC are still relatively low

Figure 6 Banking Penetration Rates* – March 2009



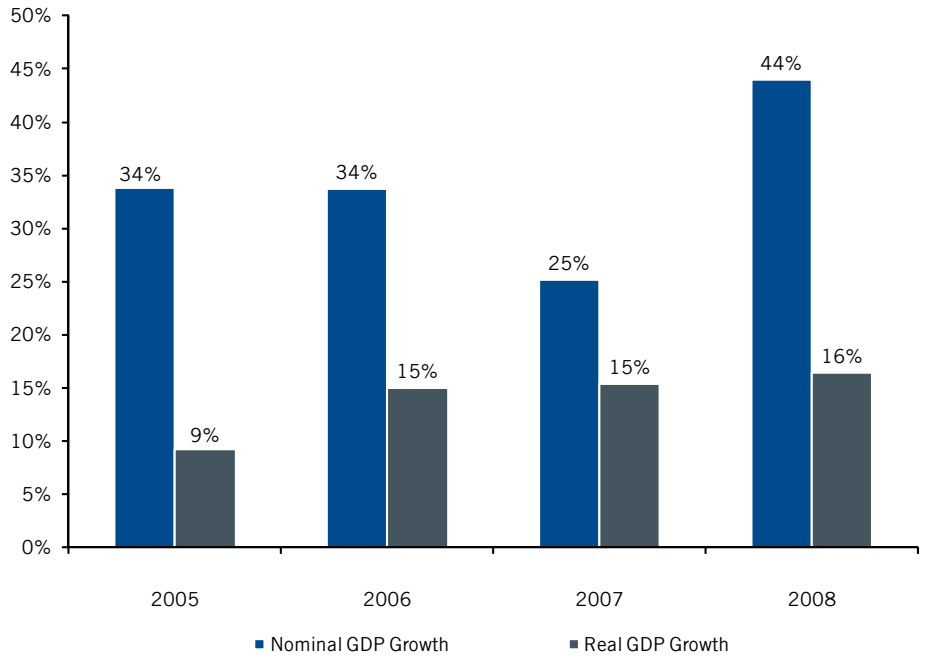
** GDP estimates for 2008. Sources: GCC central banks, International Monetary Fund, and NBK Capital*

The Qatari banking sector is composed of 17 financial institutions, seven of which are branches of foreign banks operating in the country. Nine are local commercial banks, three of which are operating according to Islamic Shari'a. In addition, there is one government-owned specialized bank, Qatar Development Bank, which was established in 1997 to help finance small- and medium-sized industrial projects. The most recently incorporated commercial bank is Al Khaliji Commercial Bank, which began operations in the beginning of 2007.

The Qatari banking sector has been functioning in the midst of a very supportive operating environment where the economy grew robustly, driven by government spending, high investment, and high oil prices. The expansion in the gas industry is the centerpiece of the Qatari economic boom. Qatar holds about 15% of the world's supply of gas reserves, making it the third largest, after Russia and Iran. In 2006, it became the largest liquefied natural gas (LNG) exporter in the world. Qatar currently contributes around 17% of the total world output of LNG. Fuelled by this expansion, Qatar saw its real GDP grow exponentially, recording a CAGR of 14% for the four years ending in 2008 (Figure 7). Similarly, nominal GDP expanded at sky-high rates, in fact more than tripling between 2004 and 2008. This resulted in Qatar boasting one of the highest GDPs per capita in the world, which is estimated to have reached USD 71 thousand in 2008. Similar to its GCC peers, Qatar witnessed significant budget surpluses and current account surpluses that reached an accumulated USD 23.6 billion and USD 40.4 billion, respectively, in the past four years, averaging 9% and 15% of GDP. In 2008, oil and gas activities accounted for nearly 62% of nominal GDP, up from around 57% in 2007. An advantage that Qatar holds over the other GCC countries is the longer-term nature of the LNG contracts and, hence, the lower volatility in prices as compared with oil prices.

Qatar's GDP grew at exponential rates during the past few years

Figure 7 Nominal and Real GDP Growth



Sources: IMF, QCB, and NBK Capital

The rapid growth in the economy, however, took inflation to very high levels, reaching 12%, 14%, and 15% in 2006, 2007, and 2008, respectively. Money supply, as measured by M2, grew by a CAGR of 41% in the three years ending in 2007 before growth moderated to 20% in 2008 to later drop slightly (2.5%) in 1Q2009.

Although Qatar is not immune to the global downturn, the country is expected to be less affected than its GCC peers and to remain the fastest-growing economy in the GCC over the next few years. Estimates of Qatar's 2009 real GDP growth range between 10% and 18%. Qatar is planning to more than double its LNG production within the next two years, which is expected to increase from the current 31 million tons per year to 77 million tons per year by 2010. World demand for LNG is very high, and Standard & Poor's expects it to quadruple by 2020.

Furthermore, the announcement in April 2009 of Qatar's budget for the fiscal year 2009-2010 (which commenced in April) reflects the government's aim to maintain high expenditure in the face of the global economic slowdown. Total expenditures for 2009 are projected to be USD 26 billion, 1.5% lower than last year's budgeted expenditures, but still relatively high, especially considering the drop in hydrocarbon revenues. Of the total expenditures, USD 10.4 billion (40%) is targeted toward infrastructure and development projects. Total revenue is projected at USD 24.4 billion, 14% lower than the USD 28.4 billion revenue projected last year. A lower oil price assumption of USD 40 per barrel this year, compared to USD 55 per barrel last year, has resulted in the lower revenue projections. However, it is important to note that the projected budget deficit of USD 1.6 billion, the first deficit since fiscal 2005-2006, amounts to only 1.6% of total GDP. Moreover, if average oil prices stay above the estimated USD 40 per barrel, the deficit will shrink and could even turn into a surplus.

The government and the QCB have taken swift action to ensure the stability of the banking sector since the outbreak of the global financial crisis. In October 2008, the QIA announced its intention to purchase equity stakes of up to 20% in local banks as a means of providing additional capital. So far, the QIA has purchased a 5% stake in all the local banks (except QNB, in which the government's 50% stake was transferred to the QIA), with plans to purchase another

5% during 2H2009. In 1Q2009, the government went on to purchase most of the banks' local equity portfolios, for a total of around QR 6.5 billion. The sale of local equities, for which the banks received cash and government bonds, was a big relief for the banks. First, it shielded the banks from further investment losses and helped them recuperate some of their previous losses because the purchase price was equal to the original purchase price less impairments taken as of December 2008. More recently, as an additional step to support the banking sector, the Qatari authorities purchased a portion of the local banks' real estate loans. The total planned amount stood at QAR 15 billion. However, no details were announced regarding which banks participated in the plan and how much was allocated for each bank. Overall, we believe the Qatari banking sector benefits from two major points: first, the powerful economic backdrop of the country and, second, the strong and proactive support of the authorities.

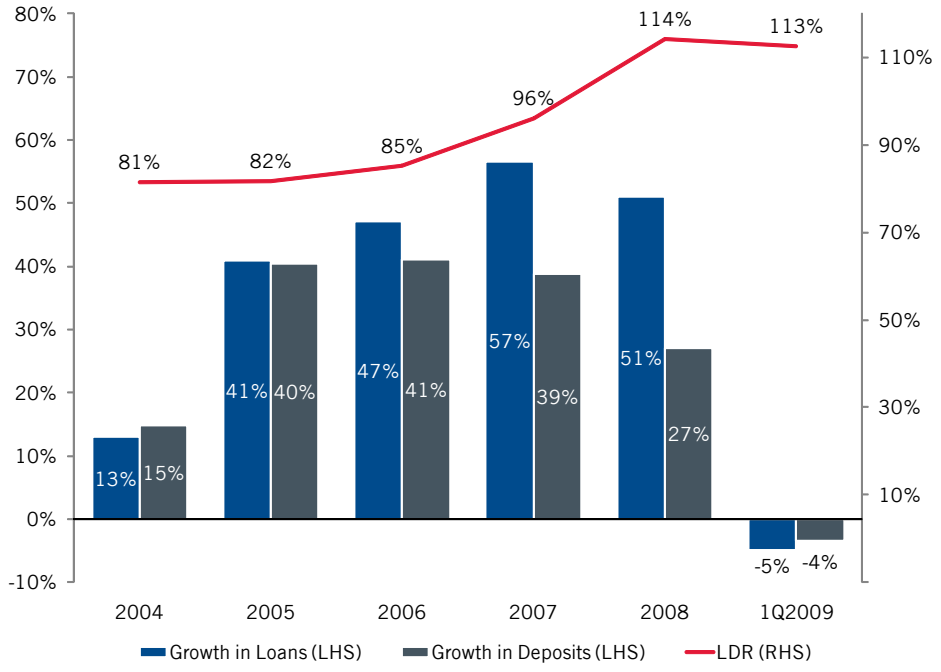
Lending and Deposits

Lending has increased rapidly in Qatar over the past few years. Total sector loans ballooned between 2004 and 2008, recording a 4-year CAGR of 49%, the fastest growth in the GCC (Figure 8). Even after the global financial crisis took hold in the second half of 2008, loan growth remained steadfast, reaching 10% and 9% in 3Q2008 and 4Q2008, respectively. However, sector loans dropped by 5% in 1Q2009 to later witness a marginal increase of 0.9% and 1.5% in April and May, respectively.

Deposit growth, on the other hand, could not match lending growth in the past four years. This led to a gradual increase in the sector's simple loans-to-deposits ratio (LDR) from 81% in 2004 to 114% in 2008. A closer look shows that the LDR jumped significantly in 2007 and 2008 when loans expanded by 57% and 51%, respectively, compared to a slower growth of 39% and 27% in deposits. Similar to loans, deposits dropped in 1Q2009 by 4% to expand later by 1.3% and 2.5% in April and May, respectively.

Quicker growth in lending compared to deposits took the Qatari banking sector's LDR up to 114% by the end of 2008 from 85% two years earlier

Figure 8 Growth in Lending and Deposits

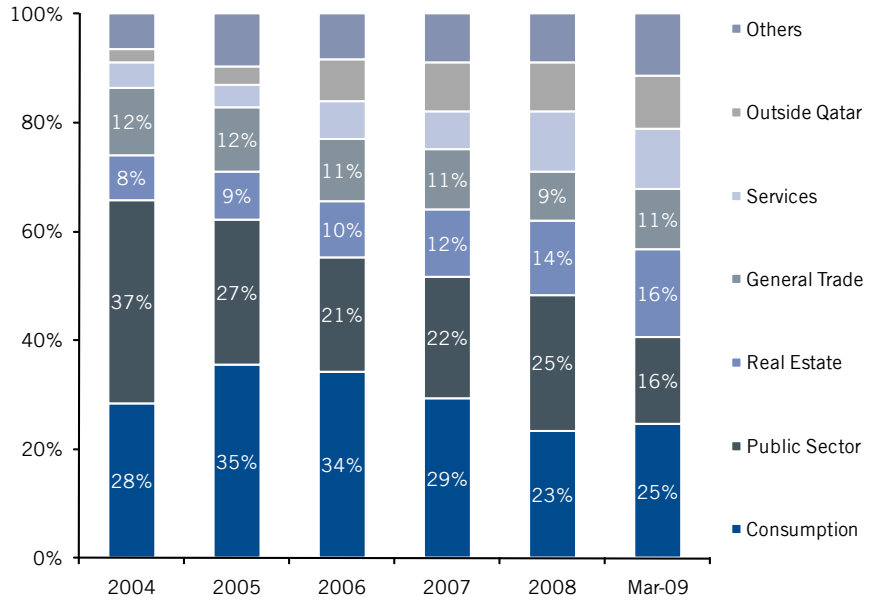


Sources: QCB and NBK Capital

Loans given to the public sector (composed of the government, government institutions, and semi-government institutions) were among the fastest growing, expanding by 67% and 69% in 2007 and 2008, respectively, and accounting for 25% and 30% of the increase in loans in these two years. Nevertheless, public sector loans plummeted by 39% in 1Q2009 to represent 16% of total loans in the Qatari banking sector as of March 2009 (Figure 9). Real estate loans gradually constituted a bigger share of total loans as they grew by 86%, 68%, and 11% in 2007, 2008, and 1Q2009, respectively. However, new figures from the QCB are expected to show a drop in real estate loans to reflect the QR 15 billion purchase of the banks' real estate loans by the Qatari authorities.

Consumption loans dropped as a share of total loans between 2005 and 2008 while the share of real estate loans increased

Figure 9 Breakdown of Total Bank Credit



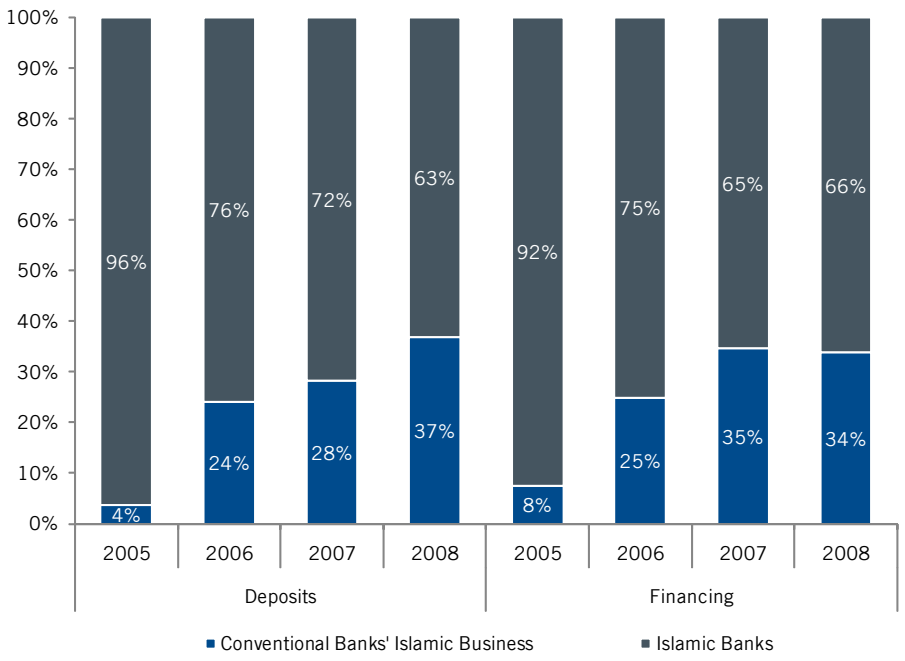
Sources: QCB and NBK Capital

Consumption loans, although growing, consistently dropped as a share of total loans between 2005 and 2008. It is important to note that the QCB amended its regulations on retail lending in 2008, decreasing the maximum monthly debt payment as a share of the salary, decreasing the maximum tenure of loans, as well as dropping the maximum loan value. Finally, Qatari banks increasingly looked abroad for lending opportunities with loans in the "Outside Qatar" category growing rapidly in the past four years to represent 10% of total loans as of March 2009, up from a miniscule 2% at the end of 2004.

The conventional banks in Qatar entered the Islamic banking business in 2005 after they were given permission by the QCB to open "Islamic windows." Since then, they have gained substantial market share from the fully Shari'a-compliant institutions. The conventional banks' Islamic businesses increased the competition in the Islamic banking sub-sector, as they exerted pressure on the Islamic banks to be more service-oriented, technologically sophisticated, and innovative. Figure 10 shows the substantial gains in market share that the conventional Qatari banks were able to reap since 2005, in terms of both deposits and financing.

Conventional banks gained substantial market share of the Islamic banking business in Qatar in the past three years

Figure 10 Conventional Banks' Islamic Business versus the Islamic Banks'



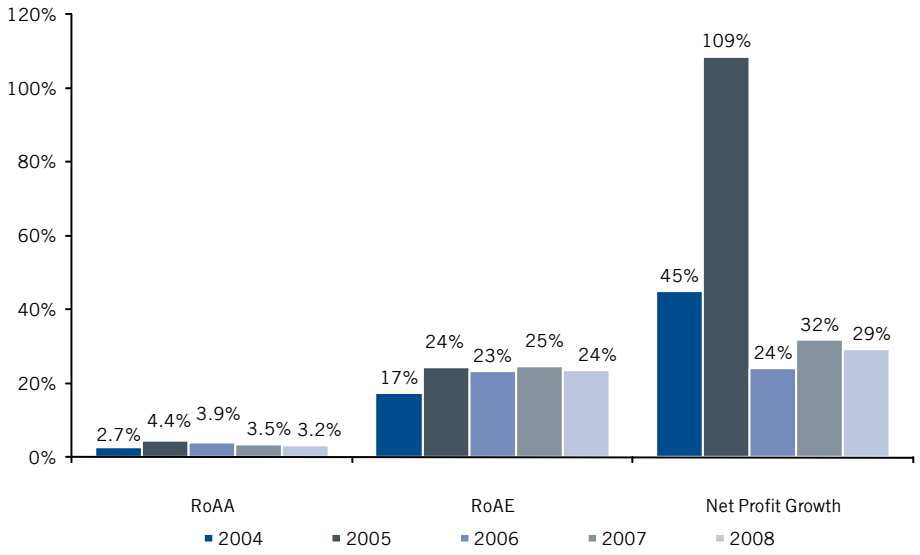
Sources: Banks' financial statements and NBK Capital

Profitability

Qatari banks have been highly profitable in the past four years, as can be seen in Figure 11. The RoAE of the largest six Qatari banks has averaged around 24% in the past four years while the return on average assets (RoAA) was still over a healthy 3.2% in 2008, despite gradually dropping from a high of 4.4% in 2005. These high returns were driven by a robust increase in net profits of the sampled banks where their combined earnings increased by a CAGR of 45% in the five years ending in 2008.

Figure 11 Returns and Net Profit Growth: Six Largest Qatari Banks

Qatari banks have been very profitable with the weighted RoAE averaging around 24% in the past four years

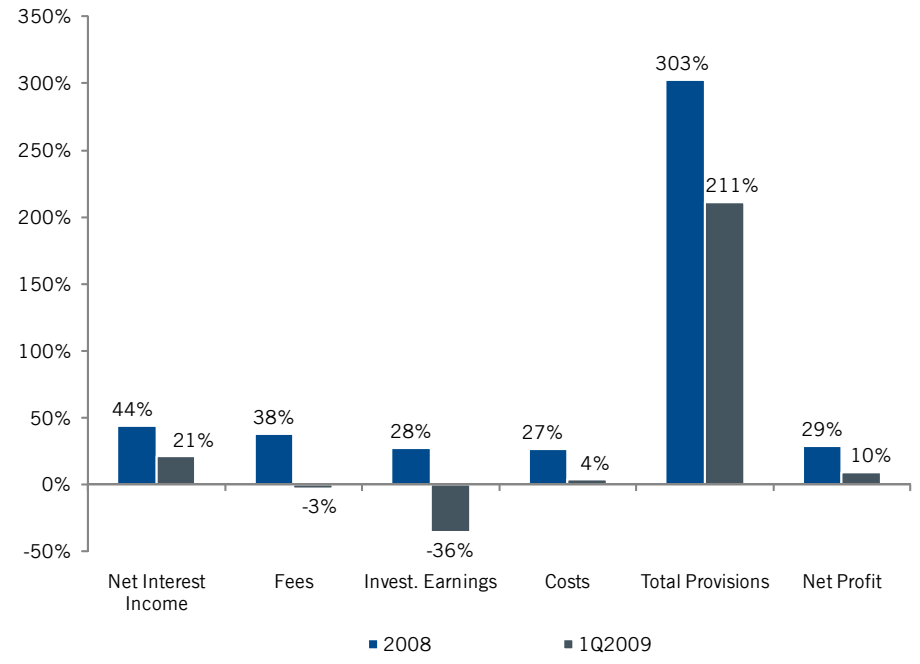


Sources: Banks' financial statements and NBK Capital

In 2008, net interest income of the sampled banks expanded by 44% on the back of a 44% increase in net loans and was the main driver of earnings. Fees and investment earnings were a main boost to operating income as they grew by 38% and 28%, respectively.

Figure 12 Growth in Income Statement Accounts: 2008 and 1Q2009

The combined net profit grew by 29% in 2008 driven by growth in net interest income as well as fees and commissions, and despite a quadrupling in total provisions in that year



Sources: Banks' financial statements and NBK Capital

The combined net profit managed to increase by 29% in 2008 despite a quadrupling of total provisions (both loan loss provisions and investment provisions) as they soared from around QR 300 million in 2007 to around QR 1.2 billion in 2008. A closer look shows that the surge

in provisions was mainly due to the Commercial Bank of Qatar (CBQ), which incurred QR 465 million in impairment losses on its investments in 2008 compared to QR 86 million in 2007.

Growth in net profit dropped in 1Q2009, recording 10% for the sampled banks. Net interest income was the driver of earnings, expanding by 21% in 1Q2009, despite the muted lending growth during that quarter. Fees dropped by 3% compared with 1Q2008 on the back of weak lending growth. Investment earnings and provisioning were a major drag on profitability, with the former dropping by 36% in 1Q2009 while the latter jumped by 211%. Had the government not interfered by buying most of the DSM portfolios of the banks, we could have seen much higher investment losses and provisions, which probably would have resulted in a negative growth in net profit in 1Q2009. Cost expansion, however, stood at a mere 4%, significantly below the 27% witnessed in FY-2008, as banks have strived to be more cost-efficient to preserve their profitability, being helped also by lower inflation and lower real estate prices.

BANK OVERVIEW

Bank Background

QNB is the heavyweight of the Qatari banking sector with a 35% market share of total assets as of March 2009. QNB was the first bank to be established in Qatar, with the QIA currently holding a 50% stake in the bank. The bank offers both conventional and Shari'a-compliant products and services. QNB became the first conventional bank to offer Islamic banking products in Qatar in 2005, when it launched QNB Al Islami. The Islamic banking business grew rapidly, and now QNB Al Islami is by far the largest among its counterparts at the other conventional Qatari banks and enjoys the fourth-largest market share of total Islamic banking assets in Qatar. The bank's operations can be broadly broken down into three segments: conventional banking, Islamic banking, and wealth management, accounting for 83%, 15%, and 2%, respectively, of the bank's operating income in 1H2009. QNB boasts the largest network in the country with 54 branches, 11 of which are dedicated to Islamic banking, and more than 150 ATMs. Abroad, QNB has branches in London, Paris, Kuwait, Oman, Singapore, Sudan, and Yemen, a representative office in Libya, and is expected to launch a branch in Geneva in 4Q2009. In 2008, QNB increased its share in Jordan's Housing Bank for Trade and Finance from 30.5% to 33.2%. In August 2008, QNB acquired a 24% stake in CBI, a small commercial bank based in the UAE, with assets of USD 2.9 billion as of June 2009. QNB also has minority stakes in other financial institutions in Qatar, Kuwait, Iraq, and Tunisia, in addition to full ownership of Ansbacher Group Holdings Limited, a wealth management institution based in the UK. In November 2008, QNB launched a wholly-owned subsidiary, QNB Capital, which specializes in investment banking services. QNB also owns 49% of Qatar National Bank – Syria, which is currently offering 34% of its capital to investors through an IPO, and is supposed to start operations in 4Q2009. QNB is rated by the main international rating agencies, Standard and Poor's, Moody's, and Fitch as A+, Aa3, and A+, respectively.

Strategy

The most important pillar of QNB's strategy is to maintain its current leading market share in Qatar, especially in the face of increased competition as the banking sector has welcomed new players with large capital bases in the past few years. QNB is primarily a corporate bank, and will continue to focus on the corporate and public sectors, through both its conventional business and Islamic business. Dedicated corporate branches are already in operation and QNB plans to add more in the future. QNB will also focus on the upscale retail market and on improving cross-selling in the branches. A major element of QNB's strategy is to continue to focus on the Islamic banking business via QNB Al Islami. As mentioned before, the latter has been very successful since its launch in 2005 and has been able to quickly capture market share in the overall Islamic banking business. QNB Al Islami has 11 dedicated branches and also operates from windows within QNB's conventional branch network that help in targeting the retail segment. Another element of QNB's strategy is international expansion. As mentioned before, QNB already has a meaningful presence abroad through branches and stakes in other institutions. QNB's management has indicated that the international expansion strategy still holds despite the current vulnerable situation in global and regional financial markets. However, the bank will follow a very cautious expansion plan in 2009 and early 2010. QNB's current priority, when it comes to expansion abroad, is to increase the bank's stakes in existing institutions rather than look at new opportunities.

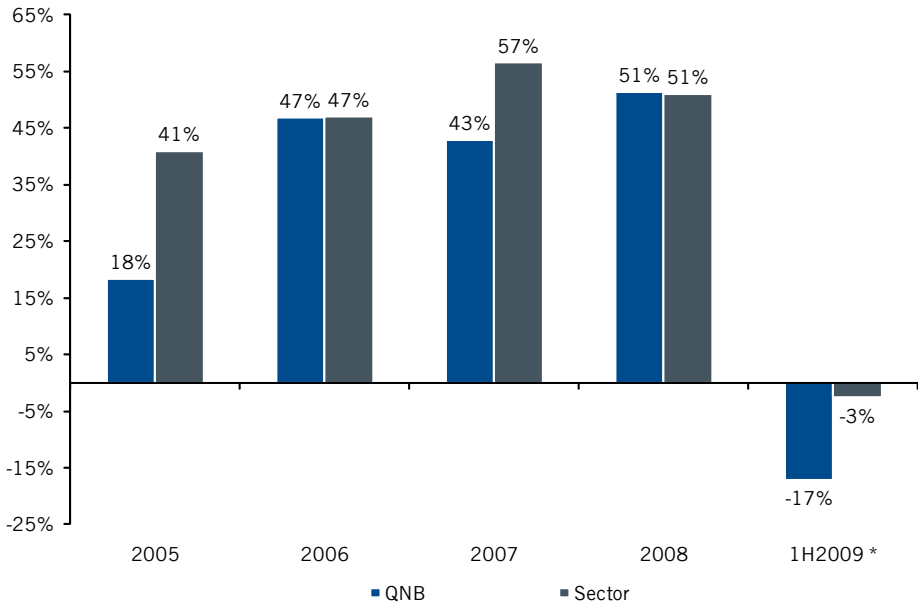
FINANCIAL OVERVIEW AND FORECASTS

Lending

Lending has been very robust, with QNB's net loans expanding by a CAGR of 47% in the three years ending in 2008 (Figure 13). However, this sky-high growth came to an end in 1H2009 when QNB's net loans dropped by 17% while sector loans dropped by 3% by May 2009 (compared with their December 2008 level). However, QNB's management has indicated that this significant drop in loans in 1H2009 was partly due to a balance sheet restructuring that was done in 1Q2009 whereby a USD-denominated loan (around QR 7 billion) of a government entity was converted into a QR-denominated bond. In addition, the drop in loans in 1H2009 also reflects the selling of real estate loans to the Qatari authorities which took place in 2Q2009. We estimate the book value of real estate loans bought from QNB to be in the vicinity of QR 5 billion.

QNB's loans expanded by a CAGR of 47% in the three years ending in 2008

Figure 13 Loan Growth: QNB versus Sector

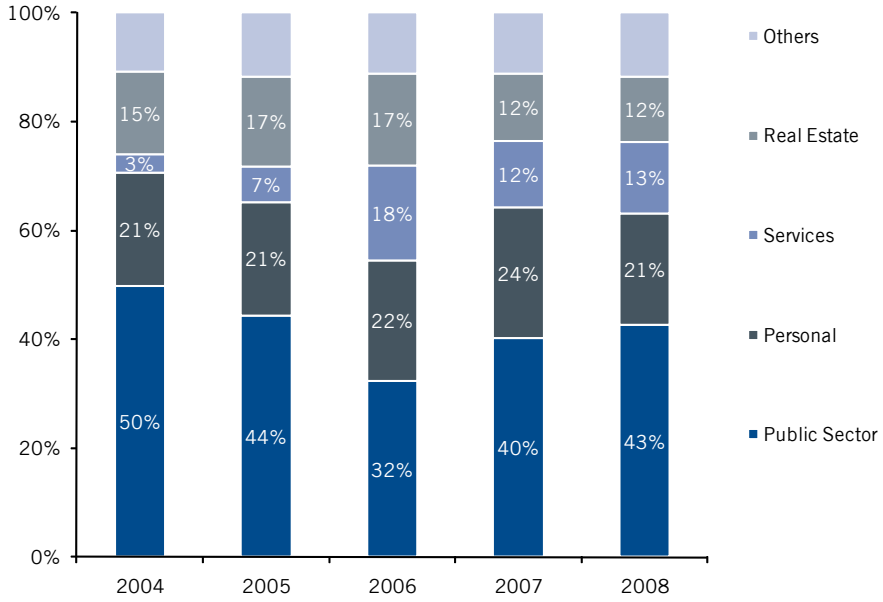


** For Sector, growth till May 2009. Sources: QNB's financial statements, QCB, and NBK Capital*

Figure 14 shows the breakdown of QNB's lending book between 2004 and 2008. The share of public sector (i.e. government and government agencies) loans has always constituted a significant portion of QNB's loans. QNB, being the oldest and by far the largest Qatari financial institution, is the bank of choice of the government and its agencies. At the end of 2008, QNB's public sector loans accounted for 72% of total public sector loans in the Qatari banking sector. In 2008, QNB's public sector loans accounted for nearly half of the total increase in QNB's loans. The share of personal loans in the total is lower than at other Qatari banks as QNB has traditionally been a corporate bank and not very involved in the mass retail business. However, this share has been relatively constant, unlike at the sector level where it has consistently dropped between 2005 and 2008. It is worth mentioning that QNB's real estate loans, although increasing in each of the past four years (up 46% in 2008 alone), have tended to drop as a share of total loans, averaging 17% in 2005 and 2006 but only 12% in 2007 and 2008. This is opposite to the trend in the sector where the share of real estate loans in total loans has increased gradually since 2004 up until March 2009.

Figure 14 Breakdown of QNB's Lending Book

Public sector loans accounted for 47% of the total increase in loans in 2008 to represent 43% of loans at the end of the year

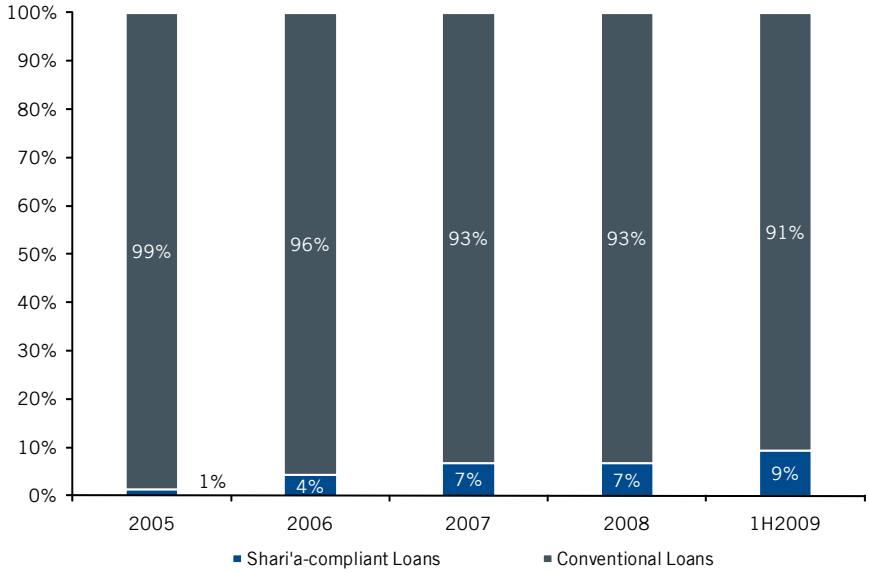


Sources: QNB's financial statements and NBK Capital

We mentioned that QNB Al Islami has been very successful since its launch in 2005 as it has captured market share and has become the fourth-largest Islamic bank in Qatar. Not only has QNB Al Islami captured market share in the Islamic banking business, but the bank has also outperformed QNB's conventional banking business, as can be seen in Figure 15.

Figure 15 QNB's Conventional Loans versus Shari'a-compliant Loans

Shari'a-compliant loans represented 9% of QNB's loans at the end of June 2009, up from 1% in 2005



Sources: QNB's financial statements and NBK Capital

QNB's management has indicated that the capture of market share by QNB Al Islami in the Islamic banking business in Qatar has been due to many factors. Among these have been

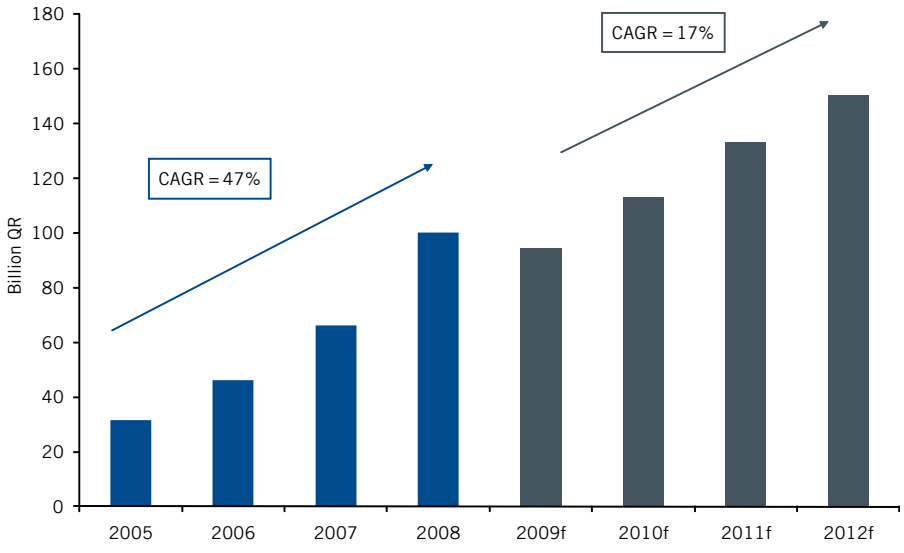
better customer service, more technologically sophisticated infrastructure, and a focus on the underserved corporate segment when the incumbent Islamic banks were primarily targeting the retail segment.

Going forward, we believe that lending growth in Qatar will witness a significant slowdown owing to the tougher (although still favorable) economic conditions than previously witnessed. The ongoing global economic crisis and its decisive effect on the price of oil still casts its shadow on investor confidence and willingness for risk-taking. We believe that fears of asset quality weakening are already playing their part in curbing lending growth (both retail and corporate) for QNB as well as for other Qatari lenders. The financial troubles of large regional groups with billions of bank debt have sent shock waves across the GCC, making regional banks even more cautious in their lending decisions. On the other hand, it is expected that Qatar's economy will continue to grow rapidly, driven by the hydrocarbon sector (especially natural gas) and high government spending. The IMF expects Qatar's real GDP to expand by 18% in 2009, 16% in 2010, and 9% in 2011, before growth drops to lower levels in 2012 and beyond. Other estimates have an even more bullish scenario for Qatar's growth story. We believe that the economic growth, the mounting receipts from LNG exports, and the expected budget surpluses will continue to fuel lending growth in Qatar at higher rates than elsewhere in the GCC. We expect the slowdown will be felt most in consumer and real estate lending due to the higher risks associated with these kinds of lending. We believe QNB Al Islami will continue to play an important role in driving growth going forward as the focus on Islamic banking is a main pillar in QNB's strategy. As has been the case for QNB, we think the public sector and large corporations will drive lending growth going forward.

Commercial banking penetration rates (as measured by loans-to-GDP, for example) have tended to increase in Qatar in the past few years. Nevertheless, with a relatively low loans-to-GDP ratio of 65% (2008 estimate) compared to a sample of peer countries, we believe there is still room for an increase in penetration rates in Qatar. The QCB imposes a 90% cap on the LDR (here, deposits also include borrowings) of banks in Qatar. QNB's ratio was 90% at the end of 2008 but dropped to around 76% in June 2009. QNB's management has indicated that they wish to adhere to QCB's 90% cap on the LDR. Accordingly, we forecast QNB's loan book to drop by 5% in 2009 (but still reflecting a 14% increase in 2H2009) and by a CAGR of 17% in the following three years (Figure 16).

We forecast QNB's net loans to grow by 14% in 2H2009 and by a CAGR of 17% in the three years ending in 2012

Figure 16 QNB's Net Loans



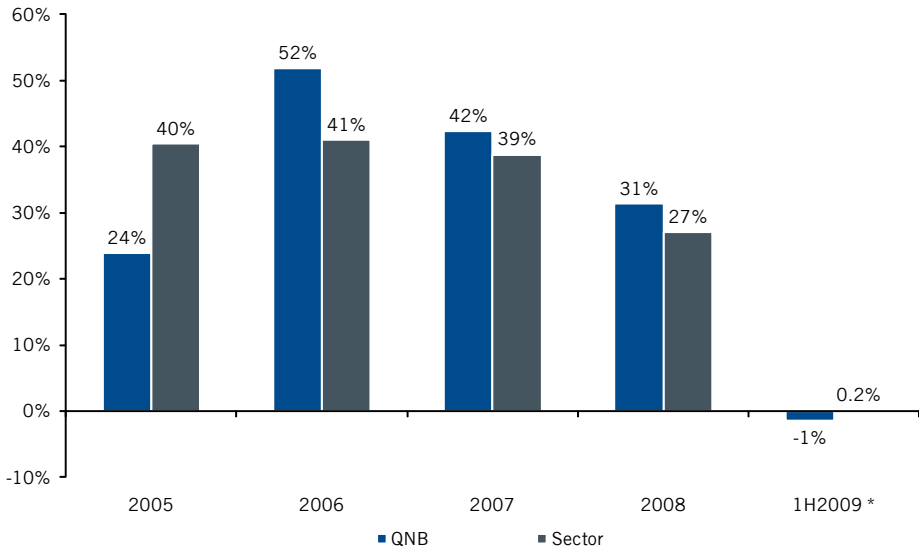
Sources: QNB's financial statements and NBK Capital

Deposit Accumulation

QNB has seen high deposit accumulation in the past few years, although generally falling behind the bank's loan growth. However, QNB tended to outperform the sector in terms of deposit growth, as can be seen in Figure 17. In 1H2009, QNB's deposits dropped by a marginal 1% while sector deposits were nearly flat by May 2009 (compared with their December 2008 level). A closer look shows that QNB's deposits increased by almost QR 11 billion (12%) in 2Q2009 after having dropped by QR 12 billion in 1Q2009. Management indicated that the sharp drop in deposits in 1Q2009 was mainly due to a loan for a government agency (around QR 10 billion) being paid off against existing government deposits.

QNB has outperformed the sector in terms of deposit growth over the past three years

Figure 17 Deposit Growth: QNB versus Sector



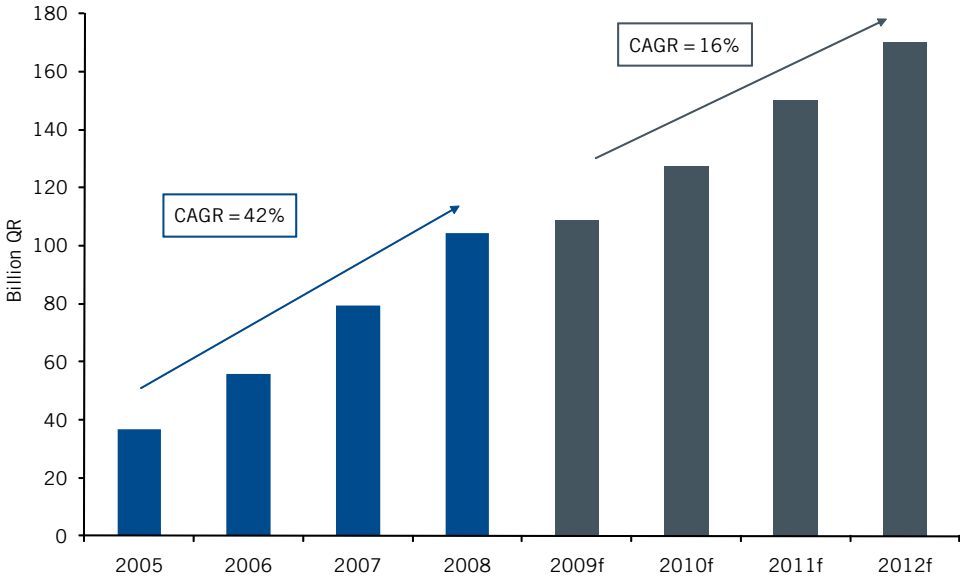
** For Sector, growth till May 2009. Sources: QNB's financial statements, QCB, and NBK Capital*

As expected from "the government's banker," public sector deposits have always accounted for a big chunk of QNB's total deposits. At the end of 2008, public sector deposits represented 54% of total deposits (excluding unrestricted investment accounts), slightly below the 58% share at the end of 2007. The downside to this significant funding from the public sector is more volatility in the deposit base.

Going forward, we expect robust deposit accumulation to keep the LDR in check at below 90%, capitalizing on QNB's extensive branch network and the bank's status as the banker of choice for the government and its agencies. Accordingly, we forecast QNB's deposits to grow by 4% in 2009 and by a CAGR of 16% in the following three years (Figure 18).

We forecast QNB's deposits to grow by 4% in 2009 and by a CAGR of 16% in the following three years

Figure 18 QNB's Deposits



Sources: QNB's financial statements and NBK Capital

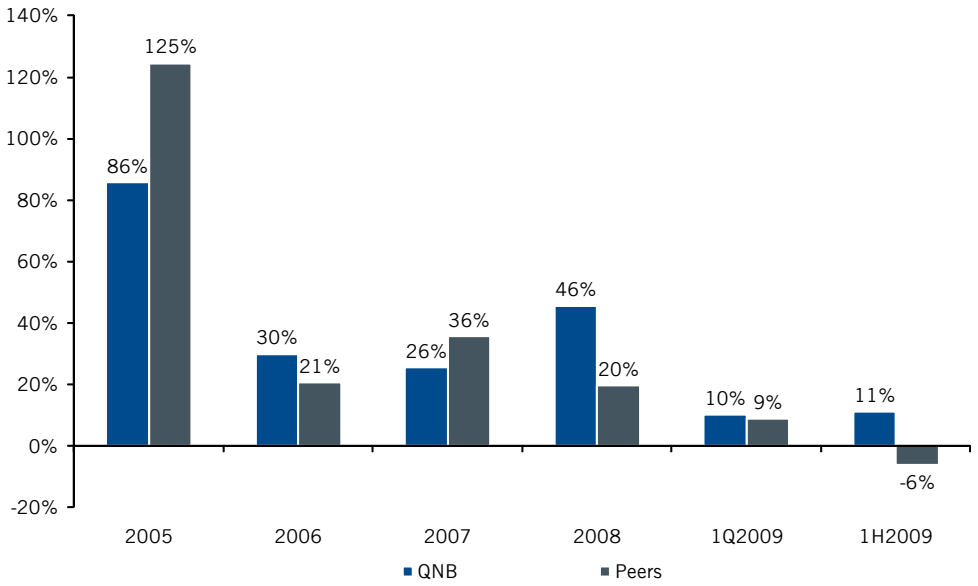
Profitability

QNB's net profit growth has been very robust in the past four years, as seen in Figure 19. In 2008, QNB managed to increase its net profit by 46%, the highest among its Qatari peers, which recorded a 20% net profit growth during that year. All components of income witnessed high growth with net interest income soaring by 48%, the highest among the bank's conventional peers. This was driven by a 51% surge in loans as well as an increase in spreads and margins. The quicker growth in loans compared to deposits (which expanded by 31%) is another reason for this high growth in net interest income. A closer look shows that it was the relatively cheap current and call accounts that accounted for the majority of the growth in deposits and not the more expensive time deposits—hence, the improvement in spreads and margins.

Income from fees and commissions advanced by 34% in 2008 as all fee components witnessed an increase. Growth in fees was largely from core-banking operations, with lending fees up 26%, fees from other bank services increasing 45%, and fees from off-balance sheet items advancing 52%. Together, net interest income and income from fees and commissions accounted for 69% of the total increase in operating income in 2008. Foreign exchange gains were also a boost to operating income in 2008 as they grew by 89%, much higher than did those of QNB's peers. Finally, investment earnings managed to increase by 42% in 2008 while QNB's earnings from associates jumped by 63%.

QNB outperformed its peers by a wide margin in terms of net profit growth in 2008 and 1H2009

Figure 19 Net Profit Growth: QNB versus Peers



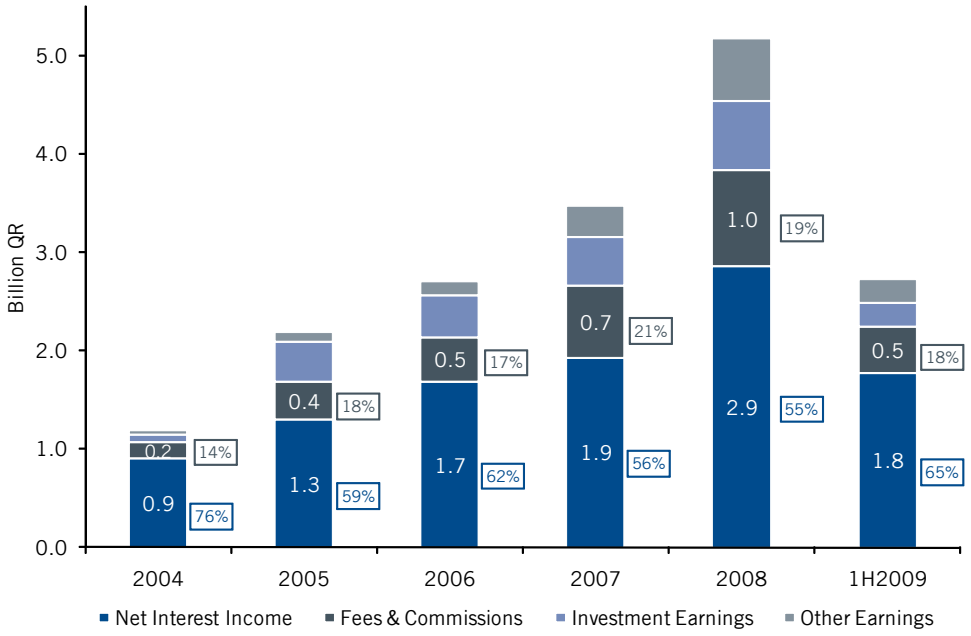
Sources: Banks' financial statements and NBK Capital

In 1H2009, QNB's net profit increased by 11%, outperforming its peers by wide margin, after having recorded a similar 10% growth in 1Q2009. Net interest income was the driver of earnings, soaring by 45% in 1H2009, despite the 17% drop in net loans during the same period. This was driven by an almost doubling of QNB's fixed income investments in 1H2009, but, more importantly, the re-pricing of loans on higher spreads that QNB resorted to. Weak lending growth exerted significant pressure on income from fees and commissions, which still managed to grow by 2% in 1H2009. Net gain from foreign exchange was also under pressure, dropping by 4% in 1H2009. Net gains from investment securities tumbled to QR 60 million in 1H2009, down from QR 259 million in 1H2008, while dividend income grew by 34% to reach QR 182 million.

In Figure 20, we plot the components of QNB's operating income in the past five years. It is important to note that non-interest income has averaged 44% and 45% of total operating income in 2007 and 2008, respectively, up from 38% in 2006. However, non-interest income dropped in 1H2009 while net interest income surged, driving non-interest income down to 35% of total operating income.

Non-interest income reached 45% of operating income in 2008 but dropped sharply in 1H2009 to 35%

Figure 20 Components of QNB's Operating Income



Sources: QNB's financial statements and NBK Capital

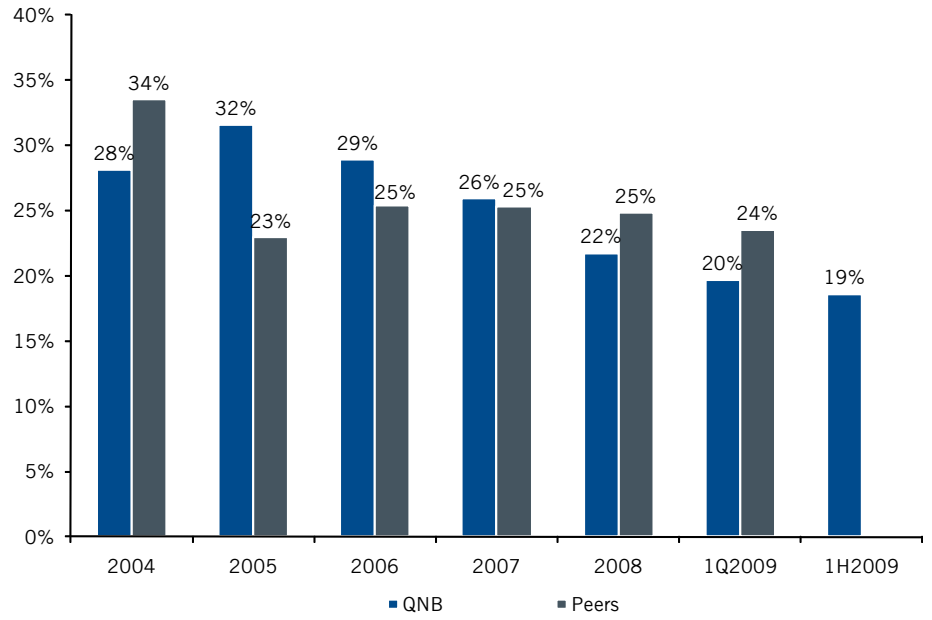
Going forward, we expect net interest income to remain the major income component, and, in fact, to increase its share in operating income to around 72% in our forecast horizon. With the expected slowdown in lending growth, QNB will focus on selective lending, trying as well to defend margins and safeguard asset quality. The re-pricing of the loan book on higher spreads will support net interest income growth. In fact, the results of 1H2009, whereby net interest income increased by 45%, reflect the re-pricing of loans that occurred. Spreads and margins will be supported also if QNB succeeds in accumulating more current and call accounts than time deposits, as was the case in 2008. All in all, we expect net interest income to increase by 32% in 2009 and by a CAGR of 15% between 2009 and 2014. As for fees and commissions, we believe there will be a significant slowdown compared with the growth rates achieved in 2007 (+60%) and 2008 (+34%). In fact, we expect nearly flat income from fees and commissions in 2009 before they grow by a CAGR of 12% between 2009 and 2014.

Cost efficiency has steadily improved in the past few years, with QNB's cost-to-income ratio dropping in each of the past three years and so far in 2009 to stand at a very healthy 19% in 1H2009. Not only did QNB's cost-to-income drop to lower than the average of its peers in 2008 and 1Q2009, but QNB also had the lowest cost-to-income among its conventional Qatari peers in the same period.

Costs expanded by only 2% in 1H2009, having even dropped by 4% in 2Q2009 (q-on-q). Management has indicated that the restructuring of Ansbacher (including the selling of some of its units), which is the bank's fully-owned subsidiary, is a primary factor for the low cost expansion so far in 2009, and that this restructuring will lead to a major improvement in cost efficiency as costs pertaining to that subsidiary have historically been very high.

Figure 21 Cost-to-Income Ratio: QNB versus Peers

QNB has outperformed its peers in terms of cost efficiency in 2008 and 1Q2009 after the bank's cost-to-income ratio dropped in each of the past three years

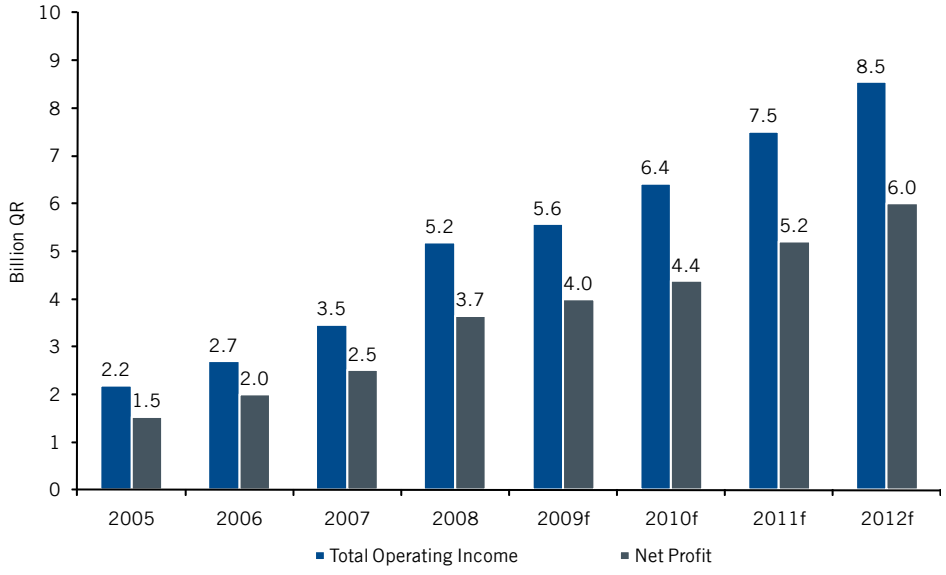


Sources: Banks' financial statements and NBK Capital

Going forward, we expect QNB to continue to exhibit good cost-efficiency indicators, but still, we believe there will be a gradual increase in the bank's cost-to-income ratio from the 19% achieved in 1H2009. However, we do not expect that ratio to surpass the 25% mark during our forecast horizon. All in all, we forecast operating income and net profit to grow by 8% and 10%, respectively, in 2009, and by a CAGR of 15% and 14% in the following three years (Figure 22).

Figure 22 QNB's Total Operating Income and Net Profit

We forecast operating income and net profit to grow by 8% and 10%, respectively, in 2009, and by a CAGR of 15% and 14% in the following three years



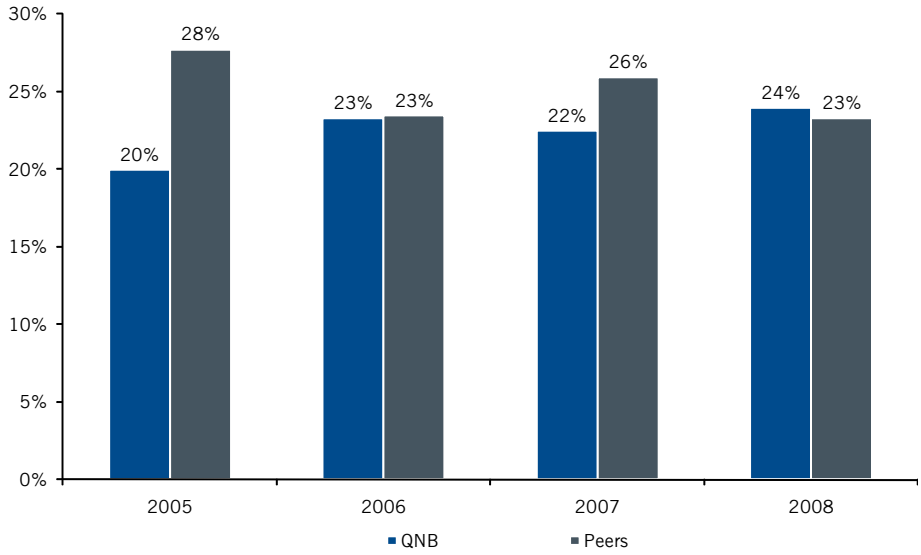
Sources: QNB's financial statements and NBK Capital

As mentioned before, the RoAE in the Qatari banking sector has been relatively high, averaging around 24% in the past four years. QNB's RoAE has tended to increase during the past few

years, reaching 24% in 2008 (slightly better than the average of the peers), up from 20% in 2005. Going forward, we expect a drop in the RoAE but for it to remain over 20% in our forecast horizon.

QNB's RoAE has been over 20% in the past four years with the bank slightly outperforming its peers in 2008, after generally having a lower RoAE in the previous three years

Figure 23 RoAE: QNB versus Peers



Sources: Banks' financial statements and NBK Capital

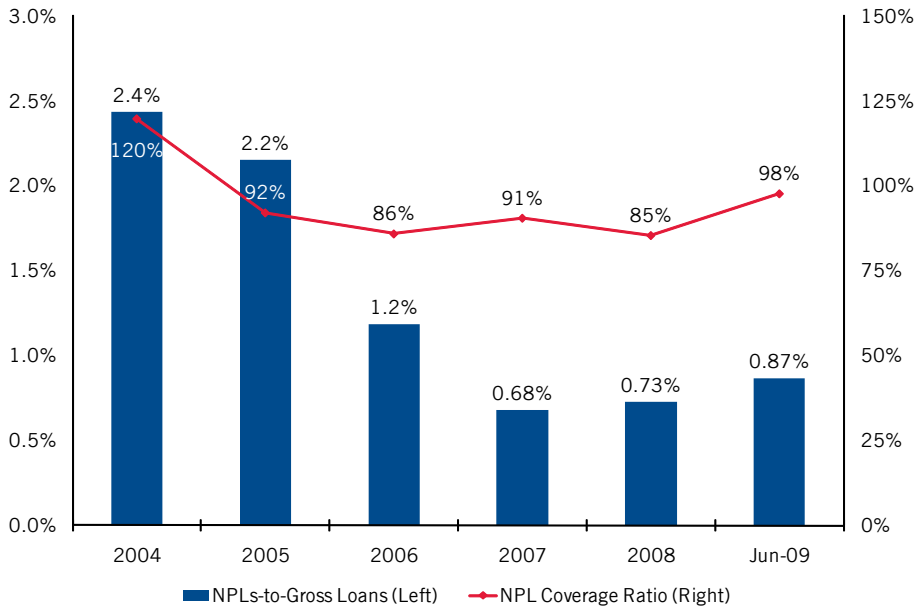
Asset Quality

QNB's asset quality indicators have generally improved between 2004 and 2008. The NPLs-to-gross loans ratio (both NPLs and gross loans including interest in suspense) dropped from 2.4% in 2004 to 0.73% by the end of 2008. More striking is the fact that NPLs increased by only 10% during this time, while gross loans soared by 268%. On the other hand, NPL coverage, defined here as specific provisions-to-NPLs (both specific provisions and NPLs including interest in suspense) has tended to drop, reaching 85% in 2008, down from 120% four years earlier. It is important to mention that Qatari banks' general provisions are taken directly in shareholders' equity and are not a charge to the income statement, as is common for other regional banks. Hence, all else equal, Qatari banks will exhibit lower NPL coverage ratios than the banks' regional peers.

In 1H2009, although NPLs were nearly flat, there was a slight increase in the NPLs-to-gross loans ratio, reflecting the 17% drop in gross loans during the period. However, the specific provisions-to-NPLs ratio improved from 85% in 2008 to 98% in June 2009. Equally important is the Qatari authorities' de-risking move of buying a portion of the real estate loans that Qatari banks have, which, going forward, we believe will lead to less NPLs and provisioning than would have been the case had these real estate loans not been bought. After a pre-emptive move in 4Q2008, when QNB's net provisioning reached QR 198 million, net provisioning was a very low QR 3.4 million in 1Q2009, before it rocketed again to QR 107 million in 2Q2009. Going forward, we expect asset quality to weaken where NPLs will increase to around 2.5% of gross loans by the end of 2013. Both the selling of a portion of real estate loans along with QNB's significant public sector exposure are key factors in limiting the increase in NPLs going forward. We expect heavy provisioning to maintain the specific provisions-to-NPLs ratio over 85% during our forecast horizon.

QNB's NPLs represented 0.9% of gross loans at the end of June 2009, and were nearly fully covered by specific provisions

Figure 24 QNB's Asset Quality Indicators



Sources: QNB's financial statements and NBK Capital

QNB's investment portfolio has been significantly de-risked with the government buying most of the equity securities listed on the DSM in 1Q2009. At the end of June 2009, held-to-maturity investments (the majority of which are State of Qatar debt securities) reached QR 17.7 billion (12% of assets), while the available-for-sale (AFS) portfolio stood at QR 5.5 billion (4% of assets). With the selling of DSM securities (which are part of the AFS portfolio), it is expected that fixed income investments also currently comprise the majority of the AFS portfolio. However, we believe QNB still holds some equity securities and some mutual funds as part of the AFS portfolio. These might result in investment losses going forward, especially if equity markets perform poorly. QNB's management has indicated that there is no exposure to structured finance investments that have been negatively affected by the downturn in the US housing market.

One source of concern is QNB's 24% stake in the UAE's CBI. The latest market value of that investment (QR 528 million) is around 52% below its carrying value (estimated at around QR 1 billion). This wide difference could necessitate an impairment that would have a major impact on the net profit of a given quarter.

QNB's CAR stood at 13.9% at the end of December 2008, comfortably exceeding the 10% required by the QCB and the 12.5% to 13% target range of QNB. We expect an increase in the CAR going forward and a drop in dividend payout from the high of 49% seen in 2008, and for that to average around 36% during our forecast horizon.

FINANCIAL STATEMENTS

Balance Sheet (QR Thousands)	Historical		Forecast				
Fiscal Year Ends December	2007	2008	2009	2010	2011	2012	2013
ASSETS							
Cash and Balances with Central Banks	10,948,569	6,269,596	6,104,164	7,283,008	9,297,994	10,917,533	12,335,224
Due from Banks	21,302,608	27,044,455	24,697,835	25,996,517	27,592,850	29,026,640	30,128,484
Net Investments	14,012,471	16,411,556	27,658,835	30,158,069	33,475,512	38,294,614	42,680,790
Net Loans and Advances	66,064,137	100,053,490	94,578,286	112,942,655	133,032,715	150,622,023	165,621,239
Net Fixed Assets	651,496	618,237	608,387	644,597	685,153	730,575	781,448
Other Assets	1,381,387	1,576,284	1,637,017	1,791,132	1,959,636	2,136,511	2,304,589
Total Assets	**114,360,668**	**151,973,618**	**155,284,523**	**178,815,979**	**206,043,860**	**231,727,896**	**253,851,775**
LIABILITIES & EQUITY							
Due to Banks	9,928,352	19,721,259	15,559,636	17,417,667	17,935,352	18,577,050	20,035,442
Customer Deposits	79,363,881	104,252,637	108,888,825	127,338,984	150,040,263	170,418,473	186,053,549
Other Purchased Funds	6,714,819	6,719,147	6,721,369	6,721,369	6,721,369	6,721,369	6,721,369
Other Liabilities	4,495,252	4,637,350	4,455,173	4,805,177	5,264,930	5,835,497	6,363,239
Total Liabilities	**100,502,304**	**135,330,393**	**135,625,002**	**156,283,197**	**179,961,914**	**201,552,389**	**219,173,599**
Total Shareholders' Equity	**13,857,859**	**16,643,225**	**19,659,521**	**22,532,782**	**26,081,946**	**30,175,507**	**34,678,176**
TOTAL LIABILITIES & EQUITY	**114,360,668**	**151,973,618**	**155,284,523**	**178,815,979**	**206,043,860**	**231,727,896**	**253,851,775**

Income Statement (QR Thousands)	Historical		Forecast				
Fiscal Year Ends December	2007	2008	2009	2010	2011	2012	2013
Net Interest Income	1,932,128	2,855,522	3,770,639	4,626,808	5,353,783	6,159,788	6,878,624
Income from Fees and Commissions	726,300	975,907	975,162	1,144,180	1,323,887	1,454,687	1,564,269
Other Operating Income	810,819	1,345,498	826,474	654,771	825,230	932,788	1,040,468
Total Operating Income	**3,469,247**	**5,176,927**	**5,572,275**	**6,425,759**	**7,502,899**	**8,547,262**	**9,483,361**
Provisions for Credit Losses	19,709	(247,612)	(418,571)	(734,092)	(708,826)	(667,562)	(613,774)
Salaries and Employee Related Expenses	(540,744)	(640,814)	(611,977)	(736,310)	(896,553)	(1,066,175)	(1,236,252)
General and Administrative Expenses	(301,551)	(382,830)	(365,603)	(439,881)	(535,611)	(636,946)	(738,552)
Depreciation	(57,293)	(102,727)	(104,725)	(109,115)	(122,209)	(136,874)	(153,299)
Other Provisions and Operating Expenses	(63,910)	(130,637)	(45,963)	-	-	-	-
Total Operating Expenses	**(943,789)**	**(1,504,620)**	**(1,546,839)**	**(2,019,399)**	**(2,263,199)**	**(2,507,558)**	**(2,741,877)**
Net Operating Profit	**2,525,458**	**3,672,307**	**4,025,436**	**4,406,360**	**5,239,700**	**6,039,703**	**6,741,484**
Other Income / (Expenses)	-	-	-	-	-	-	-
Income Taxes	(19,339)	(19,762)	(23,831)	(27,496)	(34,372)	(41,553)	(48,539)
Minority Interest	1,389	-	-	-	-	-	-
Net Profit	**2,507,508**	**3,652,545**	**4,001,605**	**4,378,864**	**5,205,328**	**5,998,150**	**6,692,945**
EPS (QR)	**9.74**	**12.38**	**13.29**	**14.54**	**17.29**	**19.92**	**22.23**

Key Ratios	Historical		Forecast				
Fiscal Year Ends December	2007	2008	2009	2010	2011	2012	2013
Growth in Loans	42.9%	51.4%	-5.5%	19.4%	17.8%	13.2%	10.0%
Growth in Deposits	42.3%	31.4%	4.4%	16.9%	17.8%	13.6%	9.2%
Growth in Net Profit	25.5%	45.7%	9.6%	9.4%	18.9%	15.2%	11.6%
Growth in Operating Income	28.4%	49.2%	7.6%	15.3%	16.8%	13.9%	11.0%
Loans-to-Assets	57.8%	65.8%	60.9%	63.2%	64.6%	65.0%	65.2%
Loans-to-Deposits	83.2%	96.0%	86.9%	88.7%	88.7%	88.4%	89.0%
NPLs-to-Gross Loans	0.7%	0.7%	1.2%	1.7%	2.1%	2.3%	2.5%
NPL Coverage	90.5%	85.4%	90.4%	88.4%	87.4%	87.4%	87.4%
Capital Adequacy	16.2%	13.9%	16.9%	16.9%	16.9%	17.3%	17.6%
Growth in Costs	15.1%	25.2%	-3.9%	18.8%	20.9%	18.4%	15.7%
Non-Interest Expense-to-Average Assets	1.0%	1.1%	1.0%	1.2%	1.2%	1.1%	1.1%
Cost-to-Income	25.9%	21.8%	19.4%	20.0%	20.7%	21.5%	22.4%
Non-Interest Income-to-Operating Income	44.3%	44.8%	32.3%	28.0%	28.6%	27.9%	27.5%
Dividend Payout	36.4%	49.5%	37.6%	37.8%	36.6%	36.5%	36.0%
Net Interest Margin	2.3%	2.4%	2.7%	3.0%	3.0%	3.1%	3.1%
RoAE	22.5%	24.0%	22.0%	20.8%	21.4%	21.3%	20.6%
RoAA	2.7%	2.7%	2.6%	2.6%	2.7%	2.7%	2.8%

Sources: QNB's financial statements and NBK Capital

RISK AND RECOMMENDATION GUIDE

Recommendation	Upside (Downside) Potential
Buy	more than 20%
Accumulate	between 10% and 20%
Hold	between -5% and 10%
Reduce	between -10% and -5%
Sell	less than -10%

RISK LEVEL				
Low Risk				High Risk
1	2	3	4	5

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