المجموعة المالية - هيرميس
EFG HERMES

QATAR NATIONAL BANK

Adding Clarification!

12 MARCH 2009

QATAR | BANKING

Short-Term Rec.: Buy	Current Price*: QAR 84.3
Long-Term Rec. : Buy	LT Fair Value : QAR 208.6

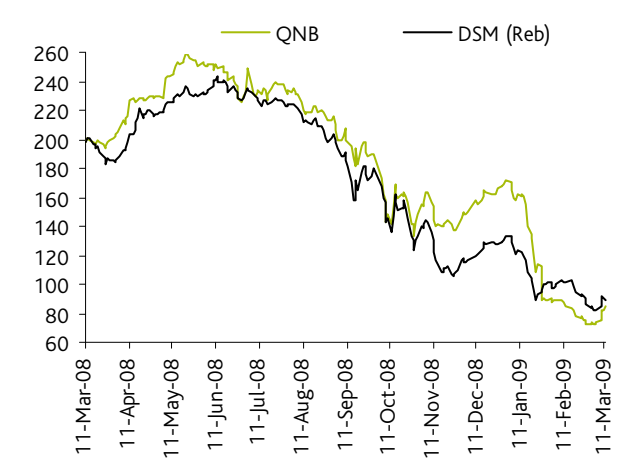
We issued a flash note on 10 March stating that we were upgrading our recommendation on QNB to ST/LT Buy based on the improved valuations and the reduced risk associated with QNB after the Qatari government indicated it would be making an offer for the DSM-listed shares in the banks' investment portfolios.

Today we have had a further clarification from QNB that suggests our generally positive comments on the offer from the government were in fact on the conservative side. We had understood that the sale price of the DSM-listed portfolios would be at year end levels so that any losses YTD would be taken on by the government. In fact, according to the management of QNB, the sale price will be at the original purchase price less accounting impairments already booked through the income statement, indicating a much better outcome for the banks. Payment will be made half in cash and half with a 5 year bond paying a 5.5% coupon. In addition, the banks will be given a 5-year repurchase option on the amounts sold, allowing the banks to buy back any or all of the shares sold at the same price they are now selling the investments.

In our original commentary we had understood that the sale price would be adjusted downwards for both impairment and negative movements in the fair value reserve. Impairments have already been booked to the income statement, but negative movements in the fair value reserve were booked also to equity. Since the sale price has been reduced only by impairment, the negative movement in the fair value reserve will be unwound, and there will be no impact on the income statement in 1Q2009. The higher price received also indicates a slightly higher transfer of value to the bank than we had indicated previously.

As before, we caution that our forecasts are still pending adjustments for increased provisions, and lower growth.

FLASH NOTE



	2008a	2009e	2010e
EPS	12.50	12.42	15.22
P/E* (x)	6.7	6.8	5.5
DPS	6.00	3.77	5.94
Div. Yield*	7.1%	4.5%	7.1%
BVPS	50.12	66.26	75.54
P/BV* (x)	1.7	1.3	1.1

Figures in QAR unless otherwise stated
Figures adjusted for bonus issue, but not updated

Stock Data	
Last Ex-Div Date	QAR6.0 on 9 Feb 2009
Mkt. Val. (mn)	QAR24,258 / 297
Av. Mthly Liqdty (mn)	QAR 194.5
52-Week High / Low	258.4 / 132.6
Bloomberg / Reuters	QNBK QD / QNBK.QA
Est. Free Float	50%

** Price at 11 March 2009*

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I. BREAKDOWN OF THE INVESTMENT PORTFOLIO (EXCLUDING ASSOCIATES)

AFS Portfolio	QNB		CBQ		QIB	
Y/E 2008	QAR	% MCAP	QAR	% MCAP	QAR	% MCAP
Listed Equity	***3,398***	***14%***	***827***	***8%***	***222***	***2%***
Unlisted Equity	371	2%	483	4%	648	5%
Government Debt	2,546	10%	2,042	19%	65	1%
Other Debt	3,778	16%	809	7%	1,295	11%
Mutual / Investment Funds	1,722	7%	615	6%	731	6%
Total	**11,815**	**49%**	**4,775**	**44%**	**2,961**	**24%**

Source: Annual Reports, EFG-Hermes

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