

QATAR NATIONAL BANK (QNBK.QA)

- Qatar National Bank (QNB) announced a net profit of QR 1.06 billion in 3Q2009, reflecting a 7.5% year-on-year (y-on-y) drop, but nearly flat quarter-on-quarter (q-on-q) growth. QNB's income before provisions stood at QR 1.16 billion in 3Q2009, in line with our QR 1.13 billion forecast (a difference of 2.5%).
- Net interest income reached a record QR 937.6 million in 3Q2009, 14% over 3Q2008 and nearly unchanged compared with 2Q2009. The 14% y-on-y growth rate in net interest income is significantly lower than the 45% growth rate registered in 1H2009. Fee income was rather weak, standing at QR 215 million, 22% below 3Q2008 and 11% below 2Q2009.
- Costs continue to be well-controlled, dropping by 11% y-on-y but expanding by 7% q-on-q. Loan loss provisioning continues to be high reaching QR 105 million in 3Q2009, significantly over the QR 11 million incurred in 3Q2008 but 2% below the provisions taken in 2Q2009. NPLs reached QR 782 million, increasing by QR 57 million (8%) in 3Q2009 to represent 0.8% of total loans compared with 0.7% as of December 2008 and 0.9% as of June 2009.
- QNB's balance sheet grew by 4% in 3Q2009 to reach QR 153 billion, driven by the increase in loans. Net loans and financing activities reached QR 94 billion, expanding by a significant 13% in 3Q2009, and nearly matching our December 2009 forecast of QR 95 billion. For the first time since 3Q2008, deposit growth was lower than loan growth with deposits reaching QR 108 billion, expanding by 5% in 3Q2009, and nearly matching our December 2009 forecast of QR 109 billion.
- Since our initiation of coverage on QNB in July 2009, the share price increased by 34% to close at QR 159.2, nearly reaching our fair value of QR 163.5 per share. With a current difference of about 3%, our new recommendation on the stock is a "Hold".

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