

January 13, 2010

QATAR NATIONAL BANK (QNBK.QA)

- Qatar National Bank (QNB) reported a net profit of QR 4.2 billion for 2009, 15% above 2008, and 5% above our forecast of QR 4 billion. Net profit in 4Q2009 stood at QR 1.07 billion, 1.5% above 3Q2009, and 65% above QR 650 million recorded in 4Q2008. QNB's income before loan loss provisions in 2009 stood at QR 4.48 billion, in line with our forecast of QR 4.42 billion (a difference of 1.4%).
- Net interest income reached QR 3.73 billion in 2009, 31% higher than 2008, and in line with our QR 3.77 billion forecast (a difference of -1%). Fee and commission income posted moderate growth of 6% in 2009, while income from associates expanded by 46% during the year. However, all other components of non-interest income declined in 2009. Thus, total operating income reached QR 5.66 billion in 2009, 11% above 2008, and in line with our forecast of QR 5.57 billion (a difference of 1.5%).
- In terms of efficiency, QNB kept its costs under control during the year, growing by just 5% in 2009, compared with 16% growth recorded in 2008. Loan loss provisions in 4Q2009 were lower than 2Q2009 and 3Q2009, at QR 66 million. Total provisioning charges in 2009 reached QR 281 million, increasing by 14% compared with QR 248 million incurred in 2008.
- Non-performing loans (NPLs) grew by 16% in 2009, to stand at QR 849 million, representing 0.8% of total loans, compared with 0.7% as of December 2008. However, since the end of June 2009, QNB's asset quality indicators have, although marginally, improved, both in terms of the NPLs-to-gross loans ratio and the NPL coverage ratio.
- QNB's balance sheet grew by 18% since December 2008, reaching QR 179.3 billion at the end of December 2009. Loans expanded by 9% during the year, with a majority of the growth occurring during 2H2009, to reach QR 108.8 billion as of December 2009. Total deposits stood at QR 125.9 billion as of December 2009, up 21% compared with 2008.
- The Board of Directors at QNB have recommended the distribution of a cash dividend of QAR 4 per share, which translates into a dividend payout ratio of around 29% for 2009. The board also recommended a stock dividend of 30% of the existing shares, which, if approved by the extraordinary general assembly, will increase the number of outstanding shares from the current 301 million to 391 million.
- Since our initiation of coverage on QNB in July 2009, the share price increased by 27% to close at QR 150.1. Our fair value for QNB (QR 163.5) is now 9% over the bank's latest closing price, hence, our current recommendation on the stock is a "Hold". We will issue an update report on QNB after the release of the full financial statements.

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Related Research

- Qatar National Bank Initiation - 22 July 2009

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