

## QNBFS Alert – QIBK 3Q2015 Earnings Driven by Strong Fees, Cost Control & Lower Investment Impairments

- **3Q2015 earnings in-line with our expectations.** Qatar Islamic Bank (QIBK) reported a net profit of QR515.24mn in 3Q2015, gaining by 4.2% QoQ (+27.3% YoY), in-line with our estimate of QR494.01mn (+4.3% variation) vs. BBG consensus of QR487.25mn. The bank generated net interest and investment income of QR708.78mn, also in-line with our estimate (QR705.05mn).
- **3Q2015 QoQ net income growth driven by strong fees, cost control and lower investment provisions.** Net interest and investment income declined by 3.3% QoQ (+24.5% YoY). The QoQ appreciation in net income was aided by robust fees & commissions (+24.2% and +38.1% QoQ and YoY, respectively), cost control (opex down by 2.6% QoQ while the cost to income ratio improved to 29.1% vs. 29.9% and 32.9% in 2Q2015 and 3Q2014, respectively) and lower investment provisions (down 18.0% QoQ).
- **Balance sheet exhibited robust growth.** net loans expanded by 7.1% QoQ (+37.5% YTD) to QR82.05bn while deposits gained by 2.2% QoQ (+30.1% YTD) to QR86.63bn. As such QIBK's LDR moved to 95% vs. 90% in 2Q2015 (101% in 3Q2014).
- **Asset quality appears good.** The bank's NPL ratio improved to 0.7% vs. 0.9% at the end of 2014. Moreover QIBK's coverage ratio also improved to 106% vs. 94% at the end of 2014. QIBK's CAR stood at 14.2% at the end of 3Q2015
- **Recommendation and valuation:** QIBK trades at a P/E and P/TB of 15.0x and 2.2x on our 2015 estimates respectively. For now we maintain our Market Perform rating.

### Recommendations

*Based on the range for the upside / downside offered by the 12-month target price of a stock versus the current market price*

<b>OUTPERFORM</b>	Greater than +20%
<b>ACCUMULATE</b>	Between +10% to +20%
<b>MARKET PERFORM</b>	Between -10% to +10%
<b>REDUCE</b>	Between -10% to -20%
<b>UNDERPERFORM</b>	Lower than -20%

### Risk Ratings

*Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals*

<b>R-1</b>	Significantly lower than average
<b>R-2</b>	Lower than average
<b>R-3</b>	Medium / In-line with the average
<b>R-4</b>	Above average
<b>R-5</b>	Significantly above average

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