

QNBFS Alert – QIBK 2Q2014 Results Beat Estimates

- **2Q2014 net profit results beat estimates:** QIBK posted a net profit (to equity) of QR389.8mn in 2Q2014 vs. BBG consensus estimate of QR351.6mn (Reuters QR348.8mn). On a QoQ basis, the net income is up 16.2% (up 15.1% YoY).
- **2Q2014 analysis:** QIBK's loan book expanded by 10.7% QoQ to QR54.5bn vs. QR49.2bn at the end of 1Q2014. However, equity of unrestricted investment account holders (URIA) jumped by 5.7% QoQ to QR 47.0bn vs. QR44.5bn (term deposits stand at QR32.3bn vs. QR28.9bn at the end of 1Q2014). We note that customers deposits in current accounts increased by only 0.6% QoQ (QR14.3bn vs. QR 14.2bn). Hence, the loan-to-deposit ratio jumped to 88.9% vs. 83.8% (93.6% at the end of 2013). Thus, net interest income increased to QR423.1mn (up 4.0% QoQ). In terms of the investment book, total investments increased by 28.7% QoQ (after a decline of 20.0% QoQ in 1Q2014). The growth came from debt securities, especially the State of Qatar debt, which increased by 38.9% QoQ (it declined by 28.2% QoQ in 1Q2014). This led to a 21.0% QoQ growth in investment income and was the primary driver for the bottom-line growth in the 2nd quarter.
- **We maintain our estimates; retaining our Market Perform rating and target price of QR94.30.** We expect QIBK to post EPS of QR6.19 and QR6.96 for 2014 and 2015, respectively.
- **Valuation appears fair.** QIBK is trading at a P/E and a P/B of 16.4x and 1.9x on our 2014 estimates, respectively. QIBK offers a dividend yield of 4.4% on our 2014 estimates.
- **QIBK has outperformed the sector index.** In 2014 (YTD), the stock is up 47.1% (total return of 54.8%) vs. the QE All Share Banks & Financial Services Index, which is up 28.9%.

Recommendations

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

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

Risk Ratings

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

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

Saugata Sarkar
Head of Research
+974 4476 6534
saugata.sarkar@qnbfs.com.qa

Abdullah Amin, CFA
Senior Research Analyst
+974 4476 6569
abdullah.amin@qnbfs.com.qa

Shahan Keushgerian
Senior Research Analyst
+974 4476 6509
Shahan.keushgerian@qnbfs.com.qa

DISCLAIMER: This publication has been prepared by QNB Financial Services SPC ("QNBFS") a wholly-owned subsidiary of Qatar National Bank ("QNB"). QNBFS is regulated by the Qatar Financial Markets Authority and the Qatar Exchange; QNB is regulated by the Qatar Central Bank. This publication expresses the views and opinions of QNBFS at a given time only. It is not an offer, promotion or recommendation to buy or sell securities or other investments, nor is it intended to constitute legal, tax, accounting, or financial advice. We therefore strongly advise potential investors to seek independent professional advice before making any investment decision. Although the information in this report has been obtained from sources that QNBFS believes to be reliable, we have not independently verified such information and it may not be accurate or complete. While this publication has been prepared with the utmost degree of care by our analysts, QNBFS does not make any representations or warranties as to the accuracy and completeness of the information it may contain, and declines any liability in that respect. QNBFS reserves the right to amend the views and opinions expressed in this publication at any time. It may also express viewpoints or make investment decisions that differ significantly from, or even contradict, the views and opinions included in this report.

COPYRIGHT: No part of this document may be reproduced without the explicit written permission of QNBFS.