

QNBFS Alert – QIBK 2Q2013 Results Broadly in Line with Our Estimates

- **2Q2013 net profit broadly in line with our expectations:** QIBK posted a net profit (to equity) of QR338.9mn in 2Q2013 vs. our estimate of QR335.2mn (BBG consensus: QR328mn). Net income increased 16.4% QoQ but slipped by 2.9% YoY. Profitability was driven by net financing income (+3.3% QoQ). Moreover, income from investing activities (QR202.7mn) expanded by 6.1% and 15.7% QoQ and YoY, respectively. Fees & commissions expanded by 46.5% QoQ. Furthermore, a 28.4% QoQ drop in provisions for financial investments significantly aided the bank in achieving growth in 2Q2013.
- **The loan book and deposit book expanded QoQ.** QIBK's loan book expanded by 9.3% QoQ (-4.1% YTD). Equity of unrestricted investment account holders followed suit and gained by 7.5% QoQ (-3.2% YTD).
- **Market leader in Shari'ah compliant segment.** We have a Market Perform rating on the stock. QIBK is the largest Islamic bank in the country with a 10.2% market share in terms of total assets (listed banks, 2012).
- **Recent developments:** Qatar Islamic Bank has raised \$750mn from a sukuk sale. We believe the bank will tap the market with new sukuks. Furthermore, QIBK has been trying to diversify away from real estate and newsflow regarding disposal (s) of real estate assets can act as catalyst (s).
- **We maintain our estimates for 2013, target price remains at QR74.96.** We expect the bank to post EPS of QR6.32 and QR6.71 for 2013 and 2014, respectively. On the DPS front, we expect the bank to pay a cash DPS of QR4.50 and 4.75 for 2013 and 2014, respectively.
- **Valuation appears fair.** QIBK is trading at a P/E and a P/B of 10.8x and 1.3x on our 2013 estimates, respectively.

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

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