

QNBFS Alert – QIBK 3Q2013 Results In Line with Our Estimates

- **3Q2013 net profit broadly in line with our expectations:** QIBK posted a net profit (to equity) of QR345.1mn in 3Q2013 vs. our estimate of QR350.8mn (BBG consensus: QR358.2mn). Net income increased by 1.8% QoQ. Profitability was driven by net financing income (+9.6% QoQ). Moreover, income from investing activities (QR226.7mn) expanded by 11.8% QoQ. However, net fees & commissions contracted by 9.9% QoQ.
- **The loan book expanded but deposit book was down slightly (QoQ).** QIBK's loan book expanded by 4.9% QoQ (+0.5% YTD). Equity of unrestricted investment account holders (URIA) ticked up by 1.3% QoQ (-1.9% YTD). However, customers deposits in current account dropped by 8.5% QoQ (+33.7% YTD). Customer deposits and URIA combined declined by 1.5% QoQ (+5.6% YTD). Hence, the loan-to-deposit ratio increased to 95% vs. 89% at the end of 2Q2013. In terms of the investment book, total investments increased by 2.1% QoQ. Growth was driven by fixed income securities (+2.6% QoQ) while equity investments receded by 2% QoQ.
- **We maintain our estimates for 2013; retain our Market Perform rating and target price of QR71.39.** We expect the bank to post EPS of QR5.55 for 2013. On the DPS front, we expect QIBK to pay a cash DPS of QR4.00 for 2013. QIBK has been trying to diversify away from real estate and newsflow regarding disposal (s) of real estate assets can act as catalyst (s).
- **Valuation appears fair.** QIBK is trading at a P/E and a P/B of 12.2x and 1.4x 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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