

QNBFS Alert - QIIK 2Q2013 Results Right in Line with Our Estimates

- **2Q2013 net income comes in line with our estimates.** QIIK (Qatar International Islamic Bank) posted a net profit QR180.3mn vs. our estimate of QR180.8mn in 2Q2013, a decline of 2.7% QoQ. However, on a YoY basis, the bottom-line grew by 9.6%. The QoQ drop in earnings was mainly due to the absence of income from associates and a 90% increase in foreign exchange loss on translation of investment in associates. On a positive note, income from financing and investing activities expanded by 11% QoQ (+24.3% YoY) and provisions for financing activities contracted by 65.7% QoQ.
- **The loan book and deposits expanded on a QoQ and YTD basis.** QIIK's loan book grew by 6.6% QoQ (+13.7% YTD), while total deposits inched up by 3.5% QoQ (+7.5% YTD)
- **Recent developments:** Subsequent to the successful issuance of its first sukuk of \$700mn of sukuk in 2012, QIIK has taken an approval for another \$2bn sukuk plan from its shareholders. This is further confirmation of its aggressive intent to increase the bank's balance sheet size and loan book. In fact in 2012, the bank grew its loan book by 38.6% YoY with the bulk of the growth coming from the services & others segment.
- **We maintain our estimates and reiterate our price target of QR57.18.** For 2013 and 2014, we expect QIIK to post earnings of QR729mn and QR782mn, respectively. We feel the bank will increase DPS to QR3.75 for 2013 (QR3.50 DPS for the last two years). Going forward, we expect the dividend payout ratio to be in the vicinity of 75%.
- **Valuation appears fair.** We believe the bank is fairly valued relative to its Qatari peers. The bank trades on P/E and P/B multiples of 11.2x and 1.6x on our 2013 estimates.

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

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