

## QNBFS Alert - QIIK 3Q2014 Net Income up 12.6% QoQ

- **3Q2014 net income slightly ahead of our estimate.** QIIK (Qatar International Islamic Bank) posted a net profit of QR222.8mn in 3Q2014 vs. our estimate of QR209.7mn (higher by 6.2%). QIIK posted QR197.9mn in 2Q2014, implying a growth of 12.6% QoQ. The QoQ growth in earnings was mainly due to lower provisions of QR0.1mn in 3Q2014 vs. QR7.8mn in 2Q2014. Furthermore, there was no foreign exchange loss on translation of investment in associates vs. a loss of QR6.0mn in 2Q2014.
- **The loan book and deposits were flat on QoQ basis.** QIIK's loan book declined by 0.2% QoQ (+10.1% YTD), while total deposits (URIA & current accounts) grew by only 0.6% QoQ (+6.5% YTD). Hence, income from financing activities grew by only 1.1% QoQ. On the other hand, cost of unrestricted investment account holders (URIA) and finance expense combined decreased by 1.7% QoQ. Hence, net financing income grew by 2.7% QoQ. Furthermore, income from investing activities declined by 20.4% QoQ.
- **Catalyst/Key Events in the pipeline:** Going forward, given the appreciation in real estate prices seen this year, we expect QIIK to sell some of its real estate portfolio. This could potentially improve the bottom-line in coming quarters (not incorporated in our estimates) and act as a catalyst for the stock price.
- **We maintain our estimates and our price target of QR89.70; reiterate Market Perform rating.** For 2014 and 2015, we expect QIIK to post earnings of QR820mn and QR903mn, respectively.
- **Valuation appears fair.** The bank trades on P/E and P/B multiples of 15.7x and 2.3x on our 2014 estimates.

# Key Stats

Key Stats Income Statement (In QR mn)	2Q2014	3Q2014	Change
Income From Financing Activities	250.6	253.4	1.1%
Unrestricted Investments Profit Sharing	(90.5)	(89.0)	-1.7%
Net Financing Income	160.1	164.4	2.7%
Income from Investing Activities	89.1	70.9	-20.4%
Net Fees and Commission Income	21.6	29.6	36.9%
Total Operating Income	266.1	278.6	4.7%
Profit for Shareholders	197.9	222.8	12.6%
EPS (QR)	1.31	1.47	12.6%

Key Stats Balance Sheet (In QR mn)	2Q2014	3Q2014	Change
Financial Investments	5,931.7	6,641.1	12.0%
Due from Financing Activities	20,971.0	20,934.7	-0.2%
Total Assets	36,094.1	37,889.8	5.0%
Total Equity Attributable to Equity Holders of the Parent	5,141.7	5,364.2	4.3%
Customers Current Accounts	5,946.6	5,922.8	-0.4%
Unrestricted Investment Depositors Accounts	20,181.3	20,369.1	0.9%
Total Liabilities	30,952.3	32,525.7	5.1%
Equity and Liabilities	36,094.1	37,889.8	5.0%

Source: Company data

### 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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