

## QNBFS Alert - QIIK 3Q2013 Net Income up 12.5% QoQ

- **3Q2013 net income up 12.5% QoQ.** QIIK (Qatar International Islamic Bank) posted a net profit of QR202.9mn in 3Q2013 vs. our estimate of QR187.9mn and Bloomberg consensus estimate of QR185.0mn. QIIK posted QR180.3mn in 2Q2013, implying a growth of 12.5% QoQ. The QoQ growth in earnings was mainly due to higher income from share of results from associates, lower foreign exchange loss on translation of investment in associates and lower provisions vs. our estimates.
- **The loan book and deposits expanded on a QoQ and YTD basis.** QIIK's loan book grew by 9.3% QoQ (+44.5% YTD), while total deposits (URIA & current accounts) grew by 12.9% QoQ (+24.9% YTD). However, the improved loan book did not make a significant impact on income from financing activities, which expanded by only 1.9% (QIIK has been aggressively targeting the public sector in the last few quarters). On the other hand, share of unrestricted investment account holders (URIA) increased by 13.0% QoQ. Hence, net financing income declined by 2.3% QoQ. Furthermore, income from investing activities declined by 18.8% QoQ.
- **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 11.8x 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*

<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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