

Qatar International Islamic Bank (QIIB)

Recommendation	MARKET PERFORM	Risk Rating	R-3
Share Price	QR69.00	Target Price	QR67.04
Implied Upside	(2.8%)		

Strong Loan Book Growth in 2013

QIIB posted strong results in 2013. QIIB increased its loan book by 29.6% YoY versus a 13.3% increase by the banking industry. On the other hand, QIIB's deposits (including URIA) grew by 24.6%, as compared 19.7% for the overall banking sector. The strong loan book translated into a growth of 10.5% YoY in net income to shareholders vs. a 4.0% YoY growth in 2012. The bank announced cash DPS of QR3.75 for 2013 vs. QR3.50 for 2012. *Going forward, we expect strong double-digit loan book and bottom-line growth in 2014 and 2015, respectively.*

Highlights

- **2013 analysis:** Income from financing activities increased to QR950.1mn from QR785.9mn in 2012, a strong growth of 20.9% YoY. Investment income (primarily from debt-type instruments) increased by 27.2% YoY to QR370.2mn. However, provisions increased to QR66.1mn vs. QR24.5mn in 2012, restricting the bottom-line growth to 10.5% YoY (QR750.3mn vs. QR679.0mn in 2012).
- **4Q2013 analysis:** The bank posted a net profit (to equity) of QR181.8mn in 4Q2013 vs. our estimate of QR191.4mn. Profitability was dented by an impairment loss in investment securities of QR51.7mn in 4Q2013 vs. QR4.8mn in the first nine months of 2013.
- **Outlook for 2014 & 2015:** In 2013, the bank increased its net loan book to public sector to QR2,838.5mn vs. QR116.5mn, up 23.3 times YoY. We expect QIIB to participate actively in the infrastructure spending growth expected in Qatar (the bank is already part of a consortium involved in the QRail project). Hence, we expect the loan overall book to grow by 16.5% and 14.0% in 2014 and 2015, respectively. This will allow the bottom-line to increase by 18.8% and 13.2% in 2014 and 2015, respectively. We also expect QIIB to increase its cash DPS to QR4.00 and QR4.50 in 2014 and 2015, respectively (previous: QR3.50). The updated model and higher DPS estimates lead to a slight increase in our target price to QR67.04 from QR64.06.

Catalysts

- **Limited near-term catalysts.** QIIB has been trying to diversify away from real estate and into the public sector. If QIIB continues to take market share in the public sector, this could be a long-term positive for the stock.

Recommendation, Valuation and Risks

- **Recommendation and valuation:** *We rate QIIB a Market Perform with a price target of QR67.04.* QIIB trades on a 2014e P/E ratio of 11.7x.
- **Risks:** 1) Exposure to the real estate segment creates concentration risk and 2) Diversification might lead to lower spreads.

Key Financial Data and Estimates

	2012	2013e	2014e	2015e
EPS (QR)	4.49	4.96	5.89	6.67
EPS Growth	4.0%	10.5%	18.8%	13.2%
P/E (x)	15.4	13.9	11.7	10.4
BVS (QR)	33.27	35.11	39.15	41.81
P/B (x)	2.1	2.0	1.8	1.7
DPS (QR)	3.50	3.75	4.00	4.50
Dividend Yield	5.1%	5.4%	5.8%	6.5%

Source: Company data, QNBFS estimates; Note: All data based on current number of shares

Key Data

Current Market Price (QR)	69.00
Dividend Yield (%)	5.8
Bloomberg Ticker	QIIB QD
ADR/GDR Ticker	N/A
Reuters Ticker	QIIB.QA
ISIN	QA0006929879
Sector	Banks & Financial Services
52wk High/52wk Low (QR)	71.50/50.40
3-m Average Volume ('000)	157.0
Mkt. Cap. (\$ bn/QR bn)	2.9/10.4
Shares Outstanding (mn)	142.1
FO Limit* (%)	19.4
Current FO* (%)	2.8
1-Year Total Return (%)	33.4
Fiscal Year End	December 31

Source: Bloomberg (as of January 27, 2014), *Qatar Exchange (as of January 27, 2014); Note: FO is foreign ownership

Abdullah Amin, CFA
+974 4476 6569
abdullah.amin@qnbfs.com.qa

Saugata Sarkar
+974 4476 6534
saugata.sarkar@qnbfs.com.qa

Detailed Financial Statements

Income Statement (In QR mn)	2012	2013	2014e	2015e
Income from Financing Activities	786	950	1,138	1,312
Income from Investing Activities	291	370	389	408
Total Income from Financing and Investing Activities	1,077	1,320	1,527	1,721
Commission and Fees Income	79	78	82	81
Commission and Fees Expense	(20)	(22)	(24)	(23)
Income from Commission and Fees	59	55	58	58
Gain from Foreign Exchange Operations & Share of Associates' Results	47	82	91	100
Net Operating Income	1,183	1,458	1,676	1,878
General and Administrative Expenses & Others	(175)	(223)	(246)	(270)
Depreciation and Amortization	(14)	(14)	(14)	(15)
Impairment of Financial Investments	(25)	(56)	(62)	(68)
Impairment of Receivables and Financing Activities	-	(10)	(11)	(12)
Others	(69)	(146)	(154)	(161)
Sub Total	(283)	(450)	(487)	(527)
Net Profit Before URIS	901	1,008	1,189	1,351
Share of Holders of Unrestricted Investment Account	(222)	(258)	(298)	(342)
Net Profit Attributable to Shareholders	679	750	891	1,009
EPS (QR)	4.49	4.96	5.89	6.67

Source: Company data, QNBFS estimates; ; Note: All data based on current number of shares

Balance Sheet (In QR mn)	2012	2013	2014e	2015e
Cash and Balances with Qatar Central Bank	1,354	1,669	1,836	2,020
Balances and Investments with Banks and Other Financial Institutions	5,450	4,849	5,225	6,119
Receivables and Balances from Financing Activities	14,675	19,021	22,166	25,280
Financial Investments	5,004	6,760	7,436	8,180
Investment in Associates	382	372	361	351
Investment Properties Held for Leasing	262	182	173	164
Investment properties Held for Trading	903	791	692	606
Property and Equipment (Net)	210	402	771	1,478
Other Assets	319	376	443	522
Total Assets	28,559	34,421	39,104	44,720
Current Accounts from Banks and Financial Institutions	815	1,396	2,392	4,099
Customers' Current Accounts	5,639	5,671	5,784	5,900
Other Liabilities	2,897	3,022	3,151	3,286
Total Liabilities	9,351	10,088	11,327	13,285
Holdings of Unrestricted Investment Accounts	14,172	19,019	21,851	25,106
Total Liabilities	23,523	29,108	33,178	38,391
Share Capital	1,514	1,514	1,514	1,514
Legal Reserves	2,452	2,452	2,452	2,452
Fair Value Reserves	107	183	98	98
Risk Reserves	273	413	413	413
Foreign Currency Translation Reserve	-	-	-	-
Other Reserve	67	126	126	126
Proposed Cash Dividends	530	568	605	681
Retained Earnings	93	58	718	1,045
Total Shareholders' Equity	5,036	5,314	5,926	6,329
Total Liabilities and Shareholders' Equity	28,559	34,421	39,104	44,720

Source: Company data, QNBFS 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

Contacts

Saugata Sarkar

Head of Research

Tel: (+974) 4476 6534

saugata.sarkar@qnbfs.com.qa**Ahmed M. Shehada**

Head of Trading

Tel: (+974) 4476 6535

ahmed.shehada@qnbfs.com.qa**Keith Whitney**

Head of Sales

Tel: (+974) 4476 6533

keith.whitney@qnbfs.com.qa**Sahbi Kasraoui**

Manager - HNWI

Tel: (+974) 4476 6544

sahbi.alkasraoui@qnbfs.com.qa**QNB Financial Services SPC**

Contact Center: (+974) 4476 6666

PO Box 24025

Doha, Qatar

DISCLAIMER: This publication has been prepared by QNB Financial Services SPC ("QNBFS") a wholly-owned subsidiary of Qatar National Bank ("QNB"). QNBFS is regulated by the Qatar Financial Markets Authority and the Qatar Exchange; QNB is regulated by the Qatar Central Bank. This publication expresses the views and opinions of QNBFS at a given time only. It is not an offer, promotion or recommendation to buy or sell securities or other investments, nor is it intended to constitute legal, tax, accounting, or financial advice. We therefore strongly advise potential investors to seek independent professional advice before making any investment decision. Although the information in this report has been obtained from sources that QNBFS believes to be reliable, we have not independently verified such information and it may not be accurate or complete. While this publication has been prepared with the utmost degree of care by our analysts, QNBFS does not make any representations or warranties as to the accuracy and completeness of the information it may contain, and declines any liability in that respect. QNBFS reserves the right to amend the views and opinions expressed in this publication at any time. It may also express viewpoints or make investment decisions that differ significantly from, or even contradict, the views and opinions included in this report.

COPYRIGHT: No part of this document may be reproduced without the explicit written permission of QNBFS.