

QNBFS Alert – QIBK 1Q2014 Results Beat Estimates Slightly

- **1Q2014 net profit results beat estimates slightly:** QIBK posted a net profit (to equity) of QR335.4mn in 1Q2014 vs. BBG consensus estimate of QR322.2mn. On a QoQ basis, the net income was down 6.9%. However, on a YoY basis the net income was up 15.2%.
- **1Q2014 analysis:** QIBK's loan book expanded by 4.4% year-to-date (YTD) to QR49.2bn from QR47.1bn in 2013. However, equity of unrestricted investment account holders (URIA) jumped by 17.4% YTD to QR44.5bn from QR37.9bn. Furthermore, customers deposits in current accounts increased by 14.2% YTD to QR 14.2bn vs. QR12.5bn at the end of 2013. Hence, the loan-to-deposit ratio dropped 83.8% vs. 93.6% at the end of 2013. In terms of the investment book, total investments decreased by 20.0% YTD. The decline primary came in debt securities, especially the State of Qatar debt, which declined by 28.2%. In our discussions with management of various banks, we have learnt that the recently matured government debt has not yet been fully reinvested. Furthermore, the rate of return is lower than earlier terms.
- **We maintain our estimates; retaining our Market Perform rating and target price of QR73.27.** We expect QIBK to post EPS of QR6.19 and QR6.96 for 2014 and 2015, respectively. Furthermore, we maintain QIBK's target price at QR73.27 and Market Perform rating.
- **Valuation appears fair.** QIBK is trading at a P/E and a P/B of 13.2x and 1.6x on our 2014 estimates, respectively.
- **QIBK has underperformed the sector index.** In 2014 (YTD), the stock is up 18.4% vs. the QE All Share Banks & Financial Services Index, which is up 24.8%.

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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