

Recommendation	ACCUMULATE	Risk Rating	R-3
Share Price	QAR 79.8	Target Price	QAR 94.6
Implied Upside	18.5%		

2011 Earnings Review

- **Net profit misses expectation by 12.2%.** Qatar Islamic Bank (QIBK) reported net profit of QAR1,365mn for 2011, 8.0% ahead YoY. However, net profit was 12.2% below our expectation (9.3% below Reuters' consensus). The bank declared a dividend of QAR4.5/share for 2011 (payout ratio: 76.7%).

Financial Results and Key Takeaways

- QIBK reported financing and investment income of QAR2.4bn for 2011, 22.0% higher YoY and broadly in-line with our expectation of QAR2.5bn (5.7% variance). Growth was led by investment income, which increased 194.8% YoY to reach QAR631mn from QAR214mn in 2010. We note that the 2010 figures have been restated, as the previously reported investment income for 2010 was QAR174mn.
- Unrestricted investment account holder's share of profit (URIA) and sukuk holders' share of profit cumulatively came in 8.0% ahead of our estimates and 9.5% ahead YoY. URIA had declined 24.2% YoY for 9M2011; however, it recorded a 29.4% QoQ growth in 4Q2011. The quarterly URIA rate increased by 9bps during 4Q2011. URIA at QAR410mn for 2011 was 8.2% lower YoY and 10.0% higher than our estimates.
- The net financing margin declined for 4Q2011 and QIBK in 4Q, probably recorded the lowest net financing margin for 2011. The decline in margin was a combination of declining investment income and higher URIA. Our preliminary expectation is for a decline of 45-50bps during 4Q2011.
- Net profit of QAR1,365mn was 8.0% higher YoY and 12.2% lower than our estimate of QAR1,555mn. The 2010 net income was restated to QAR1,262mn, lower by 5.4% from the earlier reported net income of QAR1,334mn. The decline in net profit for 2011 was a result of increasing total operating expenses, as net operating income grew 18.0% YoY.
- Strong quarterly and annual balance sheet growth resulted in lowering the ROAA to 2.5% in 2011 from 2.8% in 2010. Total assets stood at QAR58.3bn increasing by 12.4% YoY and 10.5% QoQ.
- The flatish growth of 0.8% YoY for net financing activity was a positive surprise. As of 3Q2011, net financing portfolio was down 8.5% year to date and down 0.2% YoY. Strong quarterly growth of 10.2% in 4Q2011, helped net financing portfolio eke out growth for the year.
- Customer deposits grew 4.9% QoQ but declined 8.8% YoY. The net financing to deposit ratio increased further during 4Q2011 to reach 106.9% from 101.7% in 3Q2011.

Key Data:

Bloomberg ticker	QIBK QD
ADR/GDR ticker	N/A
Reuters ticker	QISBK.QA
ISIN	QA0006929853
Sector	Financials
52wk high/52wk low (QAR)	90.6/71.3
3-m average volume ('000)	104.0
Mkt. cap. (USDbn/QARbn)	5.2/18.8
Shares outstanding (mn)	236.3
FOL* (%)	20.6
FOL* (mn)	48.7
1-year total return (%)	1.17
Fiscal year end	Dec 31

Source: Bloomberg as of January 22, 2012, *Qatar Exchange

Broker Recommendations

Recommendation	Number
Buy	4
Hold	7
Sell	1

Source: Bloomberg

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Key Financial Data

QAR mn	Actual		Estimated		Actual vs estimated
	2011	YoY Change	2011e	YoY Change	
Net Financing & Invest. Income	2,400	22.0%	2,538	24%	(5.7%)
Fee Income	300	3.8%	256	(11.5%)	17.2%
Unrest. Invest. Acc. & Sukuk Exp.	516	9.5%	477	1.3%	8.0%
Net Profit	1,365	8.0%	1,555	16.5%	(12.2%)
Total Assets	58,300	12.4%	53,706	3.7%	8.6%
Net Financing Activities	29,600	0.8%	28,324	(3.5%)	4.5%
Customer Deposits	30,258	(8.8%)	27,106	(10.7%)	2.2%

Source: Company Data, QNBFS Estimates