

QIBK Alert – 1Q2021 In-Line; Strong Operating Results; CoR However, Remains Elevated; Market Perform

- **QIBK reported in-line earnings for 1Q2021.** Qatar Islamic Bank (QIBK) reported a net profit of QR750.0mn in 1Q2021, in-line with our estimate of QR758.5mn (variation of -1.1%). Net profit gained by 9.1% YoY but declined by 11.6% sequentially (in-line with historical trends).
- **Hefty provisions offset strong growth in net operating income.** Net operating income increased by 42.3% YoY (+13.0% sequentially) to QR1.58bn as a result of strong revenue (margin expansion & robust non-funded income) and cost containment. On the other hand, a surge in provisions outweighed the growth in net operating income, resulting in 9.1% growth in earnings YoY.
- **Non-funded income displayed strong performance.** Non-funded income surged by 57.6% and 73.3% YoY and sequentially, respectively. F/X income and fees & commissions both grew YoY and QoQ.
- **QIBK remains cost-efficient and generated positive JAWS.** The bank's C/I ratio improved to 17.0% vs 22.7% in 1Q2020 (18.9% in 4Q2020). Moreover, in 1Q2021, QIBK generated positive JAWS of 33.4% and 10.9% YoY and QoQ, respectively, driven by cost containment and robust revenue growth.
- **Net loans and deposits continued its positive traction.** Net loans expanded sequentially by 5.1% to QR125.1bn, while deposits expanded by 6.6% to QR126.0bn.
- **Asset quality came under some pressure, but remains at healthy levels.** NPL ratio increased from 1.4% in FY2020 to 1.5% in 1Q2021. During the same time, NPLs increased by 5.6% QoQ to QR1.88bn. However, the coverage ratio of Stage 3 loans (NPLs) remained strong at 92%. Stage 1 loans increased, while Stage 2 loans remained stable.
- **Net provisions/impairments and CoR surged YoY as the bank continued to book precautionary measures against COVID-19.** Net provisions and impairments surged by 99% YoY (+79% QoQ) to QR549.8mn. Moreover, 1Q2021 annualized CoR jumped to 173bps vs. 75bps in 1Q2020 (105bps in FY2020).
- **Capitalization remains strong.** The bank's CET1 and Tier-1 ratios remained robust at 14.5% and 17.8%, respectively.
- **Recommendation & valuation:** QIBK trades at a 2021e P/E and P/TB of 12.6x and 2.0x. We maintain our PT of QR15.70 and Market Perform Rating for the time being.

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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