

QIBK Alert – 1Q2022 Profit Broadly In-Line with Estimates; Lower Provisions & Impairments Drive Earnings

- **QIBK reports 1Q2022 net profit in-line with estimates.** Qatar Islamic Bank (QIBK) reported a net profit of QR855.1mn in 1Q2022, in-line with our estimate of QR881.5mn (variation of -3.0%). Net profit gained by 14.0% YoY (-17.0% sequentially).
- **Drop in provisions & impairments led to double-digit growth in earnings.** Total revenue increased by only 1.5% YoY due weak non-funded income as net interest & investment income gained by 8.6% YoY. On the other hand, flat opex YoY led to only +1.5% growth in net operating income. As such, a 14.3% drop in provisions & impairments lead to a 14.0% increase in the bottom-line. Sequentially, strong net operating income (+15.1%) was offset by a surge in provisions (+260.5%), resulting in a 17.0% drop in the bottom-line.
- **QIBK remains cost-efficient and generated neutral JAWS.** The bank's C/I ratio remains at strong levels and was flat YoY at 16.8% (4Q2021: 19.9%). Moreover, in 1Q2022, QIBK generated neutral JAWS of 1.0% YoY.
- **Net loans and deposits declined.** Net loans receded by 1.0% YTD to QR127.1bn, while deposits followed suit and contracted by 6.1% to QR123.2bn.
- **Asset quality remains at healthy levels.** NPL ratio improved from 1.8% in FY2021 to 1.5% in 1Q2022.
- **Net credit provisions dropped YoY but surged sequentially.** Net credit provisions declined by 7.0% YoY (+294% sequentially) to QR518.5mn. On the other hand, CoR decreased from 173bps in 1Q2021 to 157bps in 1Q2022.
- **Capitalization remains strong.** CET1 and Tier-1 ratios stood at 14.6% and 17.7%, respectively
- **Recommendation & valuation:** QIBK trades at a 2022e P/E and P/TB of 16.4x and 2.6x. We maintain our PT of QR24.176 and Outperform Rating for the time being.

Recommendations	
<i>Based on the range for the upside / downside offered by the 12-month target price of a stock versus the current market price</i>	
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	
<i>Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals</i>	
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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