

## QIBK Alert – 2Q2021 Bests Estimates on Lower Provisions; Accumulate

- **QIBK earnings beat our estimates on lower than expected provisions; strong set of results.** Qatar Islamic Bank (QIBK) reported a net profit of QR845.3mn in 2Q2021, exceeding our estimate of QR783.5mn (variation of +7.9%). Net profit gained by 14.4% YoY (+12.7% sequentially). *Net interest and investment income came bang in-line at QR1.25bn vs. our estimate of QR1.25bn. Moreover, total revenue was also in-line at QR1.48bn vs. our estimate of QR1.45bn.*
- **Net interest & investment income, f/x income and cost containment aided growth in net operating income.** Net interest & investment income and f/x income increased by 3.0% and 291.9% YoY, respectively. Moreover, opex receded by 4.6%, leading to 6.9% growth in net operating income. Sequentially, net operating income declined by 7.5% due to weak non-funded income.
- **QIBK remains cost-efficient and generated positive JAWS.** The bank's C/I ratio improved to 18.0% vs 19.8% in 2Q2020 (17.0% in 1Q2021). Moreover, in 1H2021, QIBK generated positive JAWS of 20.2% YoY, driven by cost containment and robust revenue growth.
- **Net loans continued its positive traction.** Net loans increased sequentially by 1.5% (+6.7% YTD) to QR127.0bn, while deposits were flat at QR125.4bn (+6.1% YTD).
- **Asset quality remains at healthy levels.** NPL ratio remained flat at 1.4% in 2Q2021 vs. FY2020. Moreover, the coverage ratio of Stage 3 loans (NPLs) remained strong at 92%.
- **Net credit provisions dropped YoY & sequentially, which was a positive surprise.** Net credit provisions declined by 6.8% YoY (-35.9% QoQ) to QR357.2mn. On the other hand, CoR remained elevated; 1H2021 annualized CoR jumped to 139bps vs. 104bps in 1H2020 (105bps in FY2020).
- **Capitalization remains strong.** The CAR remained robust at 18.4%.
- **Recommendation & valuation:** QIBK trades at a 2021e P/E and P/TB of 12.9x and 2.0x. We maintain our PT of QR19.696 and Accumulate Rating.

### 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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