

QIBK Alert – 2Q2022 Profit Ahead of Estimates; Positive Earnings Trajectory Continues

- **QIBK reports 2Q2022 net profit ahead of our estimates; revenue and net operating in-line.** Qatar Islamic Bank (QIBK) reported a net profit of QR960.2mn in 2Q2022, beating our estimate of QR899.2mn (variation of +6.8%) on lower than expected net provisions and impairments. Net profit gained by 13.6% YoY (+12.3% sequentially). However revenue and net operating income was in-line with our estimates. QIBK reported revenue of QR1.61bn vs. our estimate of QR1.60bn (+1.1% variation). Moreover, net operating income came in at QR1.34bn vs. our estimate of QR1.33bn (+1.0% variation).
- **Strong revenue, cost containment and flat net provisions & impairments drove the bottom-line.** Total revenue increased by 9.0% YoY due to strong net interest & investment income (+7.7% YoY) and fees (+24.1% YoY). In addition, cost containment led to 10.7% YoY growth in net operating income. Flat provisions & impairments led to a 13.6% YoY increase in the bottom-line. Sequentially, a sharp drop in provisions & impairments (-22.5%) resulted in a 12.3% increase in the bottom-line as net operating income was flat.
- **QIBK remains cost-efficient and generated positive JAWS.** The bank's C/I ratio remains at strong levels; the ratio declined to 16.7% in 2Q2022 vs. 18.0% in 2Q2021 (flat QoQ). Furthermore, in 1H2022, QIBK generated positive JAWS of 4.3% YoY.
- **Net loans remained muted, while deposits increased.** Net loans remained flat sequentially at QR126.7bn (-1.3% YTD). On the other hand, deposits expanded by 5.1% QoQ (-1.2% YTD) to QR129.5bn.
- **Asset quality remains at healthy levels.** NPL ratio remained flat QoQ at 1.5%, but improved from 1.8% in FY2021. Moreover, NPLs dropped by 17.9% on a YTD basis.
- **Net credit provisions modestly moved up YoY but dropped sequentially.** Net credit provisions slightly increased by 2.5% YoY (-29.3% sequentially) to QR366.3mn. CoR was more or less flat YoY. 1H2022 (annualized) CoR came in 134bps vs. 139bps in 1H2021.
- **Capitalization remains strong.** CET1 and Tier-1 ratios stood at 14.4% and 17.4%, respectively
- **Recommendation & valuation:** QIBK trades at a 2022e P/E and P/TB of 14.5x and 2.4x. 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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