

QIBK Alert – 1Q2020 Modestly Falls Short of Estimates; Provisions Prevent Growth in Bottom-Line

- **QIBK reported flat earnings in 1Q2020.** Qatar Islamic Bank (QIBK) reported a net profit of QR687.5mn in 1Q2020, modestly short of our estimate of QR721.4mn (variation of -4.7%) due to higher than expected provisions and impairments. Net income dropped by 18.2% sequentially. As in the recent past, QIBK continues to benefit from positive contribution of minority interest with net income before minority interest decreasing 4.6% YoY.
- **Net operating income bang in-line with our estimate.** Net operating income increased by 4.5% to QR921.6mn as a result of cost containment and strong non-funded income.
- **Margins remain under pressure as expected.** QIBK's net interest margin compressed by ~21bps and ~15bps YoY and QoQ to ~2.66%. Net interest & investment income remained flat YoY at QR976.1mn (declined by 9.2% sequentially).
- **QIBK remains cost-efficient, generated positive JAWS.** The bank's C/I ratio improved to 22.7% vs 23.2% in 1Q2019 (21.2% in 4Q2019). Moreover, QIBK generated positive JAWS of 3.0% YoY in 1Q2020.
- **Net loans were flat; deposits declined YTD.** Net loans remained flat sequentially at QR114.0bn, while deposits declined 1.2% QoQ to QR110.2bn. Thus, QIBK's LDR position remained flat at 103%.
- **Asset quality remained healthy.** NPL ratio remained flat at 1.3% vs FY2019. During the same time, NPLs increased modestly by 4.0% QoQ to QR1.58bn. However, the coverage ratio of Stage 3 loans (NPLs) remained strong at 96%.
- **Net provisions and impairments jumped YoY as the bank took precautionary measures against COVID-19.** Net provisions and impairments gained by 36.6% YoY (+56.1% QoQ) to QR276.3mn.
- **Capitalization remains strong.** The bank's CET-1 and Tier-1 ratios remained robust at 14.1% and 17.7%, respectively.
- **Recommendation & valuation:** QIBK trades at a 2020e P/E and P/TB of 11.8x and 2.0x. We maintain our PT of QR15.70 and Market Perform 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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