

QIBK Alert – QIBK Beats 4Q2018 Estimates; DPS Remains Unchanged at QR5 vs. 2017

- **QIBK reported double digit growth YoY.** Qatar Islamic Bank (QIBK) reported a net profit of QR750.0mn in 4Q2018, gaining by 19.0% YoY (+10.3% QoQ), beating our estimate of QR656.7mn. *However, the beat was driven by positive minority interest & tax credit. Having said this, net income before tax credit and minority interest came in-line at QR665.4mn vs. our estimate of QR658.2mn.*
- **QIBK DPS remains unchanged, slightly below our estimate.** The bank announced DPS of QR5.00/sh. lower than our estimate of QR5.25/sh, yielding 3.1%.
- **Total revenue and net operating significantly increased, driven by non-funded income and net interest income.** Total revenue increased by 23.1% YoY (+1.2% QoQ) to QR1.14bn while net operating income jumped by 28.8% YoY (flat YoY) to QR838.4mn. Non-funded income surged due to unprecedented gains in fees and f/x income which we believe is not sustainable.
- **Net loans dropped QoQ, deposits followed suit.** Net loans dropped by 3.9% QoQ (flat YoY) to QR102.2bn. Drop in loans was mainly attributable to the public sector. Moreover, Deposits contracted by 2.2% QoQ (-1.2 YoY) to QR100.6bn. Thus, QIBK's LDR position remained flat at 102% vs. 2017 (101%).
- **Asset quality remained healthy.** NPL ratio marginally increased to 1.21% vs. 1.16%% in FY2017. During the same time, NPLs increased insignificantly by 4.2% YoY to QR1.26bn. However, the coverage ratio of Stage 3 loans (NPLs) was a strong 100%. *Having said this, coverage ratio including risk reserves was a robust 284%.*
- **Capitalization remains strong.** The bank's CET-1 and Tier-1 ratios improved to 13.9% (13.3% in 2017) and 17.8% (16.9% in 2017), respectively. Moreover, QIBK ended 2018 with a CAR of 17.3%.
- **Recommendation & valuation:** QIBK trades at 2019 P/E and P/TB of 14.1x and 2.3x. We retain our Market Perform rating for now. *We will update our estimates shortly.*

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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