

QIBK Alert – 3Q2022 Profit Broadly In-Line with Estimates; RoE Remains Superior; Stay Market Perform

- **QIBK reports 3Q2022 net profit broadly in-line with our estimates; revenue and net operating in-line.** Qatar Islamic Bank (QIBK) reported a net profit of QR1,034.9mn in 3Q2022, ahead of our estimate of QR987.7mn (variation of +4.8%) on lower than expected net provisions and impairments. Net profit increased by 11.3% YoY (+7.8% sequentially). Revenue and net operating income was in-line with our estimates. QIBK reported revenue of QR1,577.0mn vs. our estimate of QR1,595.0mn (-1.1% variation). Moreover, net operating income came in at QR1,290.7mn vs. our estimate of QR1,328.6mn (-2.9% variation).
- **Healthy revenue and a drop in net provisions & impairments drove the bottom-line.** Total revenue increased by 6.3% YoY due to decent net interest & investment income (+4.4% YoY) and strong fees (+22.7% YoY). In addition, a sharp drop in provisions & impairments led to a 11.3% YoY increase in the bottom-line. Sequentially, a large drop in provisions & impairments (-34.2%) resulted in a 7.8% increase in the bottom-line as net operating income declined.
- **The bank generated robust RoE.** 9M2022 (annualized) RoE came in 18.3%.
- **QIBK remains cost-efficient.** The bank's C/I ratio remains at strong levels although it ticked up YoY and sequentially; the ratio increased to 18.2% in 3Q2022 vs. 17.6% in 3Q2021 (16.7% in 2Q2022). Furthermore, in 9M2022, QIBK generated neutral JAWS YoY.
- **Net loans contracted both sequentially and YTD, most likely due to government repayments of credit facilities; deposits also receded.** Net loans declined by 4.5% sequentially to QR121.0bn (-5.7% YTD). Moreover, deposits followed suit and contracted by 5.1% QoQ (-6.3% YTD) to QR122.9bn. QIBK's simple LDR was a healthy 98%.
- **Asset quality remains at healthy levels.** NPL ratio remained flat QoQ at 1.5% vs. 1.8% in FY2021. Moreover, NPLs dropped by 18.9% on a YTD basis. Moreover coverage of Stage 3 loans was a strong 95%.
- **Net credit provisions dropped both YoY and sequentially.** Net credit provisions declined by 17.9% YoY (-37.4% sequentially) to QR229.5mn. CoR was more or less flat YoY. 9M2022 (annualized) CoR came in 118bps vs. 121bps in 9M2021 (FY2021: 104bps).
- **Capitalization remains strong and well above the QCB minimum.** CET1 and Tier-1 ratios stood unchanged (vs. 1H2022) at 14.4% and 17.4%, respectively.
- **Recommendation & valuation:** QIBK trades at a 2022e/23e P/E and P/TB of 16.2x/14.7x and 2.5x/2.3x. We maintain our PT of QR24.176 and Market Perform Rating for the time being.

Shahan Keushgerian, Senior Research Analyst
+974 4476 6509
shahan.keushgerian@qnbfs.com.qa

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

Saugata Sarkar, CFA, CAIA
 Head of Research
 +974 4476 6534
 saugata.sarkar@qnbfs.com.qa

Shahan Keushgerian
 Senior Research Analyst
 +974 4476 6509
 shahan.keushgerian@qnbfs.com.qa

Phibion Makuwerere, CFA
 Senior Research Analyst
 +974 4476 6589
 phibion.makuwerere@qnbfs.com.qa

DISCLAIMER: This publication has been prepared by QNB Financial Services Co. WLL (“QNB FS”) a wholly-owned subsidiary of Qatar National Bank (“Q.P.S.C.”). QNBFS is regulated by the Qatar Financial Markets Authority and the Qatar Exchange; QNB is regulated by the Qatar Central Bank. This publication expresses the views and opinions of QNB FS at a given time only. It is not an offer, promotion or recommendation to buy or sell securities or other investments, nor is it intended to constitute legal, tax, accounting, or financial advice. We therefore strongly advise potential investors to seek independent professional advice before making any investment decision. Although the information in this report has been obtained from sources that QNB FS believes to be reliable, we have not independently verified such information and it may not be accurate or complete. While this publication has been prepared with the utmost degree of care by our analysts, QNB FS does not make any representations or warranties as to the accuracy and completeness of the information it may contain, and declines any liability in that respect. QNB FS reserves the right to amend the views and opinions expressed in this publication at any time. It may also express viewpoints or make investment decisions that differ significantly from, or even contradict, the views and opinions included in this report.

COPYRIGHT: No part of this document may be reproduced without the explicit written permission of QNB FS.