

QIBK Alert – 4Q2021 Earnings Beat Estimates but Net Operating Income In-Line; DPS a Positive Surprise

- **QIBK posts record-high bottom-line and beats our estimate on lower-than-expected provisions.** Qatar Islamic Bank (QIBK) reported a net profit of QR1.03bn in 4Q2021, exceeding our estimate of QR855.3mn (variation of +20.4%). Net profit gained by 21.4% YoY (+10.8% sequentially). *Net interest and investment income came in-line at QR1.24bn vs. our estimate of QR1.29bn. Moreover, total net operating income was also in-line at QR1.16bn vs. our estimate of QR1.19bn.*
- **Increase in costs offset the small growth in revenue YoY.** Total revenue increased by only 1.2% YoY due to strong fees and f/x income as net interest & investment income remained flattish. On the other hand, opex jumped by 7.0% YoY, leading to flat net operating income. As such, a 57.4% drop in provisions & impairments lead to a 21.4% increase in the bottom-line. Sequentially, net profit increased by 10.8% due to a 56.0% drop in provisions & impairments as net operating income was subdued.
- **Management proposed a higher-than-anticipated DPS, which is a positive surprise.** The company proposed a DPS of QR0.575/share (beating our estimate of QR0.425/share), which translates into a yield of 2.8%. Dividend payout came in at 41.5% for 2021.
- **QIBK remains cost-efficient and generated positive JAWS.** The bank's C/I ratio remains at strong levels although it slightly moved up from 18.9% in 4Q2020 to 19.9% in 4Q2021 (17.6% in 3Q2021). Moreover, in FY2021, QIBK generated positive JAWS of 10.7% YoY, driven by cost containment and robust revenue growth.
- **Net loans ticked up sequentially.** Net loans increased by 1.0% QoQ (+7.8% YoY) to QR128.4bn, while deposits followed suit and climbed up by 1.8% to QR131.1bn (+11.0% YoY).
- **Asset quality remains at healthy levels.** NPL ratio improved from 1.34% in 2020 to 1.28% in FY2021.
- **Net credit provisions dropped YoY & sequentially, which was a positive surprise.** Net credit provisions declined by 56.4% YoY (-52.9% sequentially) to QR131.7mn. Moreover, CoR decreased slightly from 105bps in FY2020 to 103bps in 2021.
- **Capitalization remains strong.** The CAR remained robust at 18.9%.
- **Recommendation & valuation:** QIBK trades at a 2022e P/E and P/TB of 14.3x and 2.1x. We maintain our PT of QR19.696 and Accumulate Rating for the time being.

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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