

QNBFS Alert – QIBK Reports Broadly In-Line 1Q2017 Earnings, Elevated Provisioning Prevented Strong Growth QoQ

- **1Q2017 earnings broadly in-line with our expectations.** Qatar Islamic Bank (QIBK) reported a net profit of QR555.35mn in 1Q2017, moving up by 1.0% QoQ (+12.8% YoY), broadly in-line with our estimate of QR522.64mn (+6% variation) and BBG consensus QR524.6mn.
- **The bottom-line growth QoQ was muted due to provisions while YoY growth was driven by robust net interest & investment income.** Net interest & investment income grew by 17.3% QoQ (16.3% YoY) to QR741.73mn. On the other hand, non-funded income remained weak, dropping by 7.3% QoQ (down 5.1% YoY) as a result of f/x income. Fees remained healthy growing by 8.8% QoQ (flat YoY). On the other hand, net provisions & investment impairments were on the high side, growing by 96.4% QoQ (+56.2% YoY) to QR176.01mn
- **QIBK's operating efficiency improved.** The bank's C/I ratio receded to 26% from 29% in 4Q2016 (31% in 1Q2016).
- **Deposits growth outpaced loans growth.** Net loans moved up to QR99.51bn (+1.4 YTD), while customer deposits expanded by 9.0% (YTD) to QR103.94bn. As such, QIBK's LDR improved by dropping to 96% vs. 103% in 4Q2016.
- **Asset quality remains strong.** The bank's NPL ratio remained unchanged at 1.0%, while the coverage ratio improved to 89% vs. 80% at the end of 2016.
- **Capitalization remains strong.** The banks CAR remained strong at 16.6%.
- **Recommendation and valuation:** QIBK trades at a P/E and P/TB of 11.9x and 1.6x on our 2017 estimates, respectively. For now we maintain our 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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