

QIBK Alert – 3Q2021 Earnings Beat Estimates but Net Operating Income In-Line; Accumulate

- **QIBK earnings beat our earnings estimate on lower-than-expected provisions; posts record high bottom-line.** Qatar Islamic Bank (QIBK) reported a net profit of QR929.9mn in 3Q2021, exceeding our estimate of QR849.4mn (variation of +9.5%). Net profit gained by 17.7% YoY (+10.0% sequentially). *Net interest and investment income came bang in-line at QR1.26bn vs. our estimate of QR1.26bn. Moreover, total net operating income was also in-line at QR1.22bn vs. our estimate of QR1.19bn.*
- **Net interest & investment income, non-funded income and cost containment drove growth in net operating income.** Net interest & investment income and f/x income increased by 3.1% and 85.5% YoY, respectively. Moreover, opex declined by 3.6%, leading to 8.0% growth in net operating income. Sequentially, net operating income remained flattish, aided by cost management.
- **QIBK remains cost-efficient and generated positive JAWS.** The bank's C/I ratio improved to 17.6% vs 19.3% in 3Q2020 (18.0% in 2Q2021). Moreover, in 9M2021, QIBK generated positive JAWS of 16.4% YoY, driven by cost containment and robust revenue growth.
- **Net loans remained flat sequentially.** Net loans exhibited flat performance QoQ at (+6.7% YTD) to QR127.1bn, while deposits climbed up by 2.7% to QR128.8bn (+9.0% YTD).
- **Asset quality remains at healthy levels.** NPL ratio remained flat at 1.4% in 3Q2021 vs. FY2020. Moreover, the coverage ratio of Stage 3 loans (NPLs) remained strong at 95%.
- **Net credit provisions dropped YoY & sequentially, which was a positive surprise.** Net credit provisions declined by 21.9% YoY (-21.7% QoQ) to QR279.6mn. On the other hand, CoR remained elevated; 9M2021 annualized CoR jumped to 121bps vs. 110bps in 9M2020 (105bps in FY2020).
- **Capitalization remains strong.** The CAR remained robust at 18.0%.
- **Recommendation & valuation:** QIBK trades at a 2021e P/E and P/TB of 14.1x and 2.2x. We maintain our PT of QR19.696 and Accumulate 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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