

## QIBK Alert – 4Q2022 Profit Broadly In-Line With Moderate Upside in DPS; Upgrading to Accumulate

- **QIBK reports 4Q2022 net profit broadly in-line with estimates; revenue & net operating income also in-line.** Qatar Islamic Bank (QIBK) reported earnings of QR1,155.0mn in 4Q2022, ahead of our estimate of QR1,103.1mn (variation of +4.7%) on lower-than-expected net provisions and impairments. Net profit increased by 12.1% YoY (+11.6% QoQ). Revenue and net operating income was in-line with our estimates. QIBK reported revenue of QR1,588.5mn vs. our estimate of QR1,580.7mn. Moreover, net operating income came in at QR1,302.1mn vs. our estimate of QR1,300.7mn.
- **Strong revenue, cost containment and a drop in net provisions & impairments drove the bottom-line.** Total revenue grew 9.8% YoY due to strong net interest & investment income (+9.7% YoY) and strong fees (+12.7% YoY). In addition, a sharp drop in provisions & impairments (-21.0%) led to a 12.1% YoY increase in the bottom-line. Sequentially, a large drop in provisions & impairments (-34.2%) resulted in a 11.6% increase in the bottom-line as net operating income was flattish.
- **DPS came in slightly ahead of our estimate.** QIBK proposed a DPS of QR0.625 vs. our estimate of QR0.600 (+4.2% variation), which translates into a yield of 3.3% and a payout ratio of 40%. 2021 DPS was QR0.575.
- **The bank generated robust RoE.** FY2022 RoE came in 18.2%, one of the highest both domestically and regionally.
- **QIBK remains cost-efficient.** The bank's generated a C/I ratio of 18.0% and 17.4% in 4Q2022/FY2022, respectively
- **Net loans contracted both sequentially and YoY due to government repayments of credit facilities; deposits also receded.** Net loans fell by 1.4% QoQ to QR119.3bn (-7.1% YoY); gross loans, excluding public sector loans, expanded by 11.8%. Deposits followed suit and moved down by 0.4% QoQ (-6.7% YoY) to QR122.4bn. QIBK's simple LDR was a healthy 97%.
- **Asset quality remains superior.** NPL ratio declined from 1.8% in FY2021 to 1.5% in FY2022. Moreover, NPLs dropped by 19.5% on a YoY basis. Moreover coverage of Stage 3 loans was a strong 91%.
- **Net credit provisions dropped both YoY and sequentially.** Net credit provisions sharply dropped by 39.3% YoY (-65.1% sequentially) to QR80.0mn. FY2022 CoR improved from 104bps in FY2021 to 92bps in FY2022.
- **Capitalization remains strong and well above the QCB minimum.** CET1 and Tier-1 ratios stood flat (vs. FY2022) at 15.7% and 18.4%, respectively.
- **Recommendation & valuation:** QIBK trades at a 2023e P/E and P/TB of 11.3x and 1.8x. We maintain our PT of QR24.176 and upgrade the stock to Accumulate from Market Perform. We will update our model, estimates and potentially our target price in the near future.

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>	
<b>OUTPERFORM</b>	Greater than +20%
<b>ACCUMULATE</b>	Between +10% to +20%
<b>MARKET PERFORM</b>	Between -10% to +10%
<b>REDUCE</b>	Between -10% to -20%
<b>UNDERPERFORM</b>	Lower than -20%

Risk Ratings	
<i>Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals</i>	
<b>R-1</b>	Significantly lower than average
<b>R-2</b>	Lower than average
<b>R-3</b>	Medium / In-line with the average
<b>R-4</b>	Above average
<b>R-5</b>	Significantly above average

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