

QIBK Alert – 2Q2023 Broadly In-Line With Estimates; Earnings Were Driven by Low CoR; Stay Accumulate

- **QIBK reports 2Q2023 broadly in-line with estimates.** Qatar Islamic Bank (QIBK) reported earnings of QR1,049.99mn in 2Q2023, broadly in-line with our estimate of QR996.1mn (variation of +5.4%). The slight beat was mainly due to lower-than-expected provisions & impairments. Net profit increased by 9.3% YoY (+16.0% QoQ).
- **Large drop in net provisions & impairments drove the bottom-line YoY.** Total revenue (QR1.59bn vs our estimate of QR1.57bn) receded by 1.1% YoY due to a drop in non-funded income (14.1%) and soft net interest & investment income. On the other hand, a sharp drop in provisions & impairments (-24.7%) led to a 9.3% YoY increase in the bottom-line. Sequentially, net operating income (+8.1%), opex (-7.0%) and a 16.1% drop in provisions & impairments resulted in a 16.0% increase in the bottom-line.
- **QIBK remains cost-efficient; generated neutral JAWs.** The bank generated a C/I ratio of 16.6% in 2Q2023 vs. 16.7% in 2Q2022 (1Q2023: 18.8%). Opex decreased by 1.8%/7.0% YoY/QoQ.
- **Net loans increased sequentially, while deposits retreated.** Net loans increased by 1.7% QoQ (0.2%YTD) to QR119.6bn. On the other hand, deposits slightly declined by 0.8% (-4.5% YTD) to QR116.9bn. QIBK's simple LDR stood at 102% vs. 97% in FY2022.
- **Asset quality remains superior.** NPL ratio remained flat at 1.5% vs. 1Q2023/FY2022. Moreover, NPLs remained flat on a YTD basis. Furthermore, coverage of Stage 3 loans was a strong 96%.
- **Net credit provisions dropped significantly YoY and sequentially.** Net credit provisions dropped by 22.9% YoY (-11.0% sequentially) to QR282.3mn. 1H2023 CoR (annualized) improved from 134bps in 1H2022 to 95bps.
- **Capitalization remains strong and well above the QCB minimum.** CET1 and Tier-1 ratios stood at 15.2% and 18.1%, respectively.
- **Recommendation & valuation:** QIBK trades at a 2023e P/E and P/TB of 10.2x and 1.6x. We maintain our PT of QR24.176 and Accumulate rating on the stock.

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.