

## QIBK Alert – 1Q2023 Falls Short of Expectations on Lower Net Operating Income; Stay Accumulate

- **QIBK reports 1Q2023 net profit blow our estimates.** Qatar Islamic Bank (QIBK) reported earnings of QR905.3mn in 1Q2023, short of our estimate of QR976.0mn (variation of -7.2%) on lower-than-expected revenue and higher opex. Net profit increased by 5.9% YoY (-21.6% QoQ).
- **Large drop in net provisions drove the bottom-line YoY.** Total revenue receded 5.6% YoY due to a drop in net interest & investment income (-5.6% YoY) and decline in non-funded income (-4.2% YoY), while opex increased by 5.4% YoY. On the other hand, a sharp drop in provisions & impairments (-38.8%) led to a 5.9% YoY increase in the bottom-line. Sequentially, a surge in provisions & impairments (up 107.2%) and a 7.0% drop in net interest & investment income resulted in a 21.6% decrease in the bottom-line.
- **QIBK remains cost-efficient.** The bank's generated a C/I ratio of 18.0% in 1Q2023 vs. 16.8% in 1Q2022 (4Q2022: 18.0%).
- **Net loans and deposits both declined YTD.** Net loans receded by 1.4% YTD to QR117.6bn. Deposits followed suit and moved down by 3.7% to QR117.9bn. QIBK's simple LDR stood at 100% vs. 97% in FY2022.
- **Asset quality remains superior.** NPL ratio remained flat at 1.6% vs. 4Q2022. Moreover, NPLs dropped by 1.2% on a YTD basis. Furthermore, coverage of Stage 3 loans was a strong 95%.
- **Net credit provisions dropped significantly YoY but surged sequentially.** Net credit provisions sharply dropped by 38.3% YoY (+296.6% sequentially) to QR317.2mn. CoR improved from 157bps in 1Q2022 to 102bps in 1Q2023.
- **Capitalization remains strong and well above the QCB minimum.** CET1 and Tier-1 ratios stood flat (vs. FY2022) at 15.6% and 18.5%, respectively.
- **Recommendation & valuation:** QIBK trades at a 2023e P/E and P/TB of 10.4x and 1.7x. 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>	
<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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