

QNBFS Alert – QIBK Reports In-Line 4Q2017 Net Income/Ups DPS to QR5; Market Perform

- **QIBK reported in-line headline net income.** Qatar Islamic Bank (QIBK) reported a net profit of QR630.2mn in 4Q2017, gaining by 3.3% QoQ (+14.6% YoY), in-line with our estimate of QR615.3mn. *Net income before minority interest came at QR486.9mn vs. our estimate of QR614.8mn with the differential being made up by a positive contribution of minority interest to the tune of QR145.8mn.*
- **QIBK upped DPS, in-line with our estimate.** The bank announced DPS of QR5.00/sh. vs. QR4.75/sh. in 2016, yielding 5.1%.
- **Total revenue and Net operating declined due to weak net interest & investment income.** Total revenue declined by 13.9% QoQ (+2.6% YoY) to QR925.6mn while net operating income receded by 17.7% QoQ (+1.6% YoY) to QR650.9mn. The decline was due net interest & investment income (dropped by 18.5% QoQ, +1.5% YoY)
- **Margins contracted QoQ.** QIBK's net interest margin contracted by 30bps QoQ to 2.62% but expanded by 44bps YoY. This was a result of yield on loans dipping by 3bps QoQ (+49bps YoY) while cost of funds moved up by 15bps QoQ (+2bps YoY).
- **Net loans grew in the 4th quarter after dropping in the 3rd quarter, deposits followed suit.** Net loans increased by 3.4% QoQ (+4.5% YoY) to QR102.6bn. Growth in loans was mainly attributable to the public sector, real estate sector and retail. On the other hand, corporate loans receded. Deposits moved up by 3.2% QoQ (+6.7 YoY) to QR101.8bn. Thus, QIBK's LDR position remained flat at 101% vs. 3Q2017 (103% in FY2016). *Growth in deposits was significantly driven from the public sector. Govt. injected QR11.0bn into QIBK.*
- **Asset quality continued on facing pressure.** NPL ratio increased to 1.16% vs. 1.01%% in FY2016. During the same time, NPLs increased by 21.4% YoY to QR1.21bn. However, the coverage ratio improved to 107% vs. 87% in FY2017. *Having said this, coverage ratio including risk reserves was a very strong 294%.*
- **Capitalization remains healthy.** The bank's CAR moved up to 17.3% vs. 16.7% in FY2016.
- **Recommendation & valuation:** QIBK trades at 2018 P/E and P/TB of 9.1x and 1.4x. We retain our PT at QR104 and Market Perform rating for now.

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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