

## QIIK Alert – 4Q2021 In-Line With Estimates and Historical Trends; Ups DPS to QR0.375

- **QIIK's 4Q2021 is in-line with estimates.** Qatar International Islamic Bank (QIIK) reported a net income of QR163.5mn in 4Q2021, in-line with our estimate of QR158.9mn (+2.9% variation). Net income increased by 6.8% YoY (-44.8% sequentially). Revenue and net operating income also were in-line. Revenue came in at QR428.0mn vs. our estimate of QR427.8mn (0.0% variation), while net operating was at QR346.0mn vs. our estimate of QR341.9mn (+1.2% variation). The YoY increase in profitability was mainly driven by a large drop in costs, while the sequential drop in earnings was led by a surge in credit provisions.
- **Management upped the DPS, which was a positive surprise.** Management proposed DPS of QR0.375 vs. QR0.325 in 2020, beating our estimate of QR0.325. The DPS translates into a strong yield of 3.7% and a payout ratio of 65%.
- **Positive RoE trajectory continues.** QIIK generated an RoE of 14.0% in 2021 vs. 13.3% in 2020.
- **The bank remains cost-efficient and generated JAWs.** QIIK's C/I ratio decreased to 19.2% vs. 21.2% in 4Q2020 (19.6% in 3Q2021). The drop in the C/I ratio was due to weak revenue as management contained costs. Revenue receded by 0.5% YoY (+4.5% sequentially), while costs declined YoY by 10.1% (+2.4% QoQ).
- **Asset quality continued to come under pressure.** NPL ratio increased from 1.56% in FY2020 to 2.56% in FY2021. Moreover, NPLs surged by 52.0% YoY.
- **QIIK booked significantly higher credit provisions in 4Q2021 vs 4Q2020 and 3Q2021, generally in-line with historical trends.** QIIK booked credit provisions of QR199.7mn vs. QR82.4mn in 4Q2020 and QR37.1mn in 3Q2021. FY2021 CoR increased to 95bps vs. 59bps in FY2020.
- **Net loans continued to decline.** Net loans decreased by 0.9% sequentially to QR37.0bn (down 8.6% YoY), while deposits receded by 1.8% (+6.3% YoY) to QR38.6bn. As such, the bank's LDR dropped below 2020's 111% to 96%.
- **QIIK maintains a healthy capital position.** Tier-1 ratio remained flat at 15.6% in FY2021 vs. FY2020. CET1 ratio was also flat at 11.3% vs. 11.2% in FY2020.
- **Valuation and recommendation.** QIIK trades at a P/B of 2.2x on our 2022 estimates. We maintain our Market Perform rating but could review our PT of QR8.379/share.

### 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

**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

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