

QIIK Alert – 1Q2022 In-Line; Earnings Driven by a Large Drop in Provisions & Impairments

- **QIIK's 1Q2022 is in-line with estimates.** Qatar International Islamic Bank (QIIK) reported a net income of QR294.9mn in 1Q2022, in-line with our estimate of QR296.2mn (-0.4% variation). Net income increased by 5.0% YoY (+80.3% sequentially). The YoY/QoQ increase in profitability was mainly driven by a large drop in credit provisions and impairments as expected.
- **Non-funded income was robust.** Non-funded income (fees and f/x income) surged by 48.6% YoY. Fees grew by 31.1% while f/x income surged by 175.7%. On a quarterly basis, non-funded income remained flat.
- **Large drop in provisions offset margin pressure.** Net interest margin compressed by 38bps YoY (27bps sequentially) as yields experience a large drop while CoFs remained flat YoY.
- **The bank remains cost-efficient, but generated negative JAWs due to margin compression.** QIIK's C/I ratio slightly moved to 19.3% vs. 18.9% in 1Q2021 (flat QoQ). The slight uptick in the C/I ratio was due to weak revenue (mainly margin pressure) as management contained costs. Revenue receded by 5.5% YoY (-3.7% sequentially), while costs declined YoY by 3.2% (-2.8% QoQ).
- **Asset quality continued to come under pressure.** NPL ratio increased from 2.57% in FY2021 to 2.64% in 1Q2022. Moreover, NPLs increased by 5.1% QoQ after surging by 52.0% YoY (2021/2020). Coverage of Stage 3 loans remained flat at 75%.
- **Significant drop in provisions and impairments aided the bottom-line.** QIIK booked net provisions of QR37.7mn vs. QR73.3mn in 1Q2021 and QR182.4mn in 4Q2021.
- **Net loans and deposits increased sequentially after continuously declining since 1Q2021.** Net loans increased by 2.2% sequentially to QR37.8bn, while deposits moved up by 2.9% to QR39.8bn. As such, the bank's LDR (excluding stable sources of funds) was a healthy 95%.
- **QIIK maintains a healthy capital position.** Tier-1 ratio improved from 15.6% in FY2021 to 16.2% in 1Q2022. CET1 ratio rested at 11.9% vs. 11.3% in FY2021.
- **Valuation and recommendation.** QIIK trades at a P/B of 2.7x and a P/E of 19.1x on our 2022 estimates. We maintain our Market Perform rating and PT of QR10.438/share.

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

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