

## QIIK Alert – 4Q2020 Falls Short of Estimates; Provisions Surge; DPS Cut

- **QIIK 4Q2020 misses estimates.** Qatar International Islamic Bank (QIIK) reported net income of QR144.4mn in 4Q2020, falling short of estimates (QR184.8mn; -21.9% variation). Net income dropped by 3.8% YoY and 46.9% sequentially.
- **QIIK generated strong revenue and net operating income YoY; surge in provisions prevented growth in the bottom-line .** Total revenue grew by 17.1% YoY (-4.3% QoQ), driven by strong net interest & investment income coupled with non-funded income. Moreover, net operating income expanded by 23.8% YoY (-8.4% sequentially), aided by a reduction in costs. On the other hand, sequential drop in earnings was attributed to weak revenue, increase in costs and surge in provisions & impairments.
- **QIIK cut DPS, in-line with MARK, QIBK and QNBK.** The bank cut DPS by 24% from QR0.425 in 2019 to 0.325 in 2020, offering a yield of 3.6%.
- **The bank remains cost-efficient, generating positive JAWS.** QIIK's C/I ratio declined to 21.2% vs. 25.5% in 4Q2019 (17.7% in 3Q2020). QIIK generated positive JAWS of 18.5% YoY in FY2020 as revenue grew by 18.3% while opex remained flattish.
- **Asset quality remained healthy.** NPL ratio declined from 1.90% in FY2019 to 1.58% in FY2020. Moreover, NPLs dropped by 9.9%.
- **QIIK booked large provisions as a precautionary measure due to COVID-19 disruptions.** QIIK booked net provisions and impairments of QR194.5mn vs. QR123.8mn in 4Q2019 (QR98.0mn in 3Q2020). CoR surged from 37bps in FY2019 to 59bps in FY2020.
- **Net loans and deposits exhibited strong performance.** Net loans expanded by 3.5% sequentially (+9.5% YoY) to QR40.5bn, while deposits increased by 0.5% (+16.4% YoY) to QR36.4bn.
- **QIIK maintains a healthy capital position despite a decline in Tier-1 ratio.** Tier-1 ratio was a strong 15.6% vs. 17.7% in FY2020.
- **Valuation and recommendation.** QIIK trades at a P/B of 2.0x on our 2020 estimates, respectively. We maintain our Market Perform rating and PT of QR7.95/share for the time being.

### 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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