

QIIK Alert – 2Q2021 Slightly Falls Short of Estimates; Bottom-Line Driven by Margin Expansion, Fees and Cost Containment

- **QIIK's 2Q2021 slightly falls short of estimates.** Qatar International Islamic Bank (QIIK) reported a net income of QR263.2mn in 2Q2021, slightly lower than our estimate of QR274.1mn (-4.0% variation). Net income increased by 3.5% YoY (-6.2% sequentially). The sequential drop in profitability was mainly driven by a surge in credit provisions.
- **QIIK's YoY growth was mainly attributable to strong revenue and cost containment; large credit provisions restricted further growth in the bottom-line.** Total revenue increased by 26.4% YoY (+7.1% QoQ) to QR467.5mn. The growth in revenue was mainly due to margin expansion and strong fees. Moreover, net operating income increased by 33.9% YoY (+8.6% sequentially), aided by flat costs.
- **The bank remains cost-efficient, generating positive JAWS.** QIIK's C/I ratio declined to 17.7% vs. 22.3% in 2Q2020 (18.9% in 1Q2021). QIIK generated positive JAWS of 16.3% YoY in 1H2021 as revenue grew by 13.6% YoY, while opex declined by 2.7%.
- **Asset quality remained healthy.** NPL ratio remained flat at 1.58% in 2Q2021 vs. 1.56% in FY2020. However, NPLs receded by 2.3% sequentially. Coverage of Stage 3 loans improved to 77% vs. 71% in 1Q2021 and FY2020.
- **QIIK booked significantly large credit provisions.** QIIK booked credit provisions of QR122.3mn vs. QR27.6mn in 2Q2020 (QR18.1mn in 1Q2021). 1H2021 annualized CoR stood at 67bps vs. 56bps in FY2020.
- **Net loans declined while deposits exhibited healthy performance.** Net loans decreased by 3.3% sequentially to QR40.6bn (flat YTD), while deposits gained by 1.7% (+6.8% YTD) to QR38.8bn.
- **QIIK maintains a healthy capital position.** Tier-1 ratio improved to 16.3% in 2Q2021 vs. 15.6% in FY2020. CET1 ratio also climbed up to 11.9% vs. 11.2% in FY2020.
- **Valuation and recommendation.** QIIK trades at a P/B of 2.1x on our 2021 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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