

QIIK Alert – 1Q2021 In-Line; Bottom-Line Driven by Non-Funded Income and Cost Containment

- **QIIK's 1Q2021 comes in-line with our estimates.** Qatar International Islamic Bank (QIIK) reported a net income of QR280.7mn in 1Q2021, in-line with our estimate of QR273.1mn (+2.8% variation). Net income increased by 5.1% YoY and 94.4% sequentially. The sequential surge in profitability was mainly driven by a 62.3% drop in provisions and impairments, as expected.
- **QIIK's YoY growth was mainly attributable to fees & commissions and cost containment; large impairment losses on associates restricted further growth in the bottom-line.** Total revenue moved up by 2.5% YoY (+1.5% QoQ) to QR436.5mn, in-line with our estimate of QR426.8mn (+2.3% variation). The growth in revenue was mainly due to strong fees as net interest & investment income exhibited flattish performance. Moreover, net operating income increased by 4.6% YoY (+4.5% sequentially), aided by a reduction in costs.
- **The bank remains cost-efficient, generating positive JAWS.** QIIK's C/I ratio declined to 18.9% vs. 20.5% in 1Q2020 (21.2% in 4Q2020). QIIK generated positive JAWS of 8.2% YoY (11.1% sequentially) in 1Q2021 as revenue grew by 2.5% YoY (+1.5% QoQ) while opex declined by 5.8% (-9.7% sequentially).
- **Asset quality remained healthy.** NPL ratio remained flat at 1.57% in 1Q2021 vs. 1.56% in FY2020. However, NPLs climbed up by 4.3%. Coverage of Stage 3 loans remained stable at 71%.
- **QIIK booked significantly lower credit provisions but booked significant impairment losses on associates.** QIIK booked credit provisions of QR18.1mn vs. QR58.3mn in 1Q2020 (QR91.1mn in 4Q2020). However, the bank booked impairments on associates of QR53.6mn in 1Q2021 vs. none in 1Q2020.
- **Net loans and deposits exhibited healthy performance.** Net loans increased by 3.7% sequentially to QR42.0bn, while deposits gained by 5.0% to QR38.2bn.
- **QIIK maintains a healthy capital position.** Tier-1 ratio improved to 16.4% in 1Q2021 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 2.2x 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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