

QIIK Alert – 1Q2023 Estimates In-Line; Earnings Increase Despite a Surge in CoR; Stay Market Perform

- **QIIK's 1Q2023 comes in-line with estimates; 1Q2023 bottom-line increased by 7.1% YoY (82.4% QoQ) to QR315.9mn.** Qatar International Islamic Bank (QIIK) reported a net income of QR315.9mn in 1Q2023, in-line with our estimate of QR310.2mn. The YoY increase in profitability was mainly driven by margin expansion despite a 92.6% surge in provisions and impairments. Sequentially, earnings followed historical trends and surged on the back of a 65.7% drop in provisions and impairments.
- **Margins expanded in 1Q2023.** Net interest & investment income increased by 16.7%/0.5% YoY/QoQ to QR392.0mn, which was the main contributor to the bottom-line.
- **The bank remains cost-efficient.** QIIK's C/I ratio moved down to 18.0% in 1Q2023 vs. 19.3% in 1Q2022 (4Q2022: 18.7%). The decline in the C/I ratio was due to revenue growth.
- **Asset quality continued to come under pressure.** NPL ratio increased from 2.79% in FY2022 to 3.02% in 1Q2023. At the same time, NPLs increased by 8.0%. However, coverage of Stage 3 loans was a healthy 93% in 1Q2023.
- **1Q2023 CoR significantly increased vs. 1Q2022.** QIIK booked net credit provisions of QR53.7mn in 1Q2023 vs. QR28.8mn in 1Q2022 and QR130.8mn in 4Q2022 (in-line with historical trends, provisions sharply drop sequentially in 1Q). 1Q2023 CoR increased to 59bps from 29bps in 1Q2022.
- **Net loans remained flat while deposits declined sequentially.** Net loans remained flat in 1Q2023 at QR35.0bn. Deposits contracted by 2.4% QoQ to QR35.8bn in 1Q2023. The bank's LDR (excluding stable sources of funds) was a healthy 95%.
- **QIIK maintains a healthy capital position.** Tier-1 ratio is at 17.2%. CET1 ratio rested at 12.9%.
- **Valuation and recommendation.** QIIK trades at a P/B of 2.2x and a P/E of 16.1x on our 2023 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

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

Phibion Makuwerere, CFA
 Senior Research Analyst
 +974 4476 6589
 phibion.makuwerere@qnbfs.com.qa

DISCLAIMER: This publication has been prepared by QNB Financial Services Co. WLL (“QNBFS”) a wholly-owned subsidiary of Qatar National Bank Q.P.S.C. (“QNB”). QNBFS is regulated by the Qatar Financial Markets Authority and the Qatar Exchange; QNB is regulated by the Qatar Central Bank. This publication expresses the views and opinions of QNBFS at a given time only. It is not an offer, promotion or recommendation to buy or sell securities or other investments, nor is it intended to constitute legal, tax, accounting, or financial advice. We therefore strongly advise potential investors to seek independent professional advice before making any investment decision. Although the information in this report has been obtained from sources that QNBFS believes to be reliable, we have not independently verified such information and it may not be accurate or complete. While this publication has been prepared with the utmost degree of care by our analysts, QNBFS does not make any representations or warranties as to the accuracy and completeness of the information it may contain, and declines any liability in that respect. QNBFS reserves the right to amend the views and opinions expressed in this publication at any time. It may also express viewpoints or make investment decisions that differ significantly from, or even contradict, the views and opinions included in this report.

COPYRIGHT: No part of this document may be reproduced without the explicit written permission of QNBFS.