

QIIK Alert – 4Q2022 Estimates In-Line; Earnings Driven by Margin Expansion; Stay Market Perform

- **QIIK's 4Q2022 in-line with estimates; 4Q2022 bottom-line increased by 5.9% YoY (-47.7% QoQ) to QR173.2mn.** Qatar International Islamic Bank (QIIK) reported a net income of QR173.2mn in 4Q2022, bang in-line with our estimate of QR172.9mn. The YoY increase in profitability was mainly driven by margin expansion. Sequentially, earnings followed historical trends and dropped on the back of a 281.4% increase in provisions and impairments.
- **4Q2022 non-funded income was mixed.** Fees in 4Q2022 dropped by 8.8%/9.0% YoY/QoQ. On the other hand, f/x income was strong, surging by 160.1% YoY and +7.7% sequentially.
- **Margins expanded in 4Q2022.** Net interest & investment income increased by 9.0%/3.4% YoY/QoQ to QR389.9mn, which was the main contributor to the bottom-line.
- **QIIK upped its DPS and was in-line with our estimate.** The board proposed a DPS of QR0.400 vs. QR0.375 in FY2021, which translates into a yield of 3.7% and a payout ratio of 64%.
- **The bank remains cost-efficient.** QIIK's C/I ratio moved down to 18.7% in 4Q2022 vs. 19.2% in 4Q2021 (3Q2022: 18.4%). The decline in the C/I ratio was due to revenue growth.
- **Asset quality continued to come under pressure.** NPL ratio increased from 2.57% in FY2021 (2.83% in 3Q2022) to 2.80% in 4Q2022. However, coverage of Stage 3 loans improved from 75% in FY2021 to 93% in 3Q2022.
- **FY2022 CoR significantly improved vs. FY2021.** QIIK booked net credit provisions of QR130.9mn in 4Q2022 vs. QR199.7mn in 4Q2021 and QR51.4mn in 3Q2022 (in-line with historical trends, provisions surge sequentially in 4Q). FY2022 CoR dropped to 81bps from 95bps in FY2021.
- **Net loans and deposits declined sequentially and on a YoY basis.** Gross loans in FY2022 receded by 3.8% YoY to QR38.2bn as a result of government repayment of financing facilities; excluding the public sector, private sector loans expanded by 7.2%. Deposits contracted by 0.8% QoQ (-5.0% YoY) to QR36.7bn in FY2022. As such, the bank's LDR (excluding stable sources of funds) was a healthy 95%.
- **QIIK maintains a healthy capital position.** Tier-1 ratio is at 16.3%. CET1 ratio rested at 12.0%.
- **Valuation and recommendation.** QIIK trades at a P/B of 2.2x and a P/E of 16.0x 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 |

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