

## QIIK Alert – 3Q2022 Beats Estimates; Earnings Driven by Strong Revenue; Stay Market Perform

- **QIIK's 3Q2022 ahead of estimates; 3Q2022 bottom-line increased by 11.8% YoY (+19.8% QoQ) to QR230.9mn and 9M2022 net profit came in at QR902.0mn vs. QR836.8mn in 9M2021, increasing by 7.4%.** Qatar International Islamic Bank (QIIK) reported a net income of QR230.9mn in 3Q2022, besting our estimate of QR308.1mn (+7.4% variation). Net income increased by 11.8% YoY (+19.8% sequentially). The YoY increase in profitability was mainly driven by margin expansion and non-funded income. Sequentially, earnings were aided by 27.9% drop in provisions & impairments, despite net operating income growing by 9.4%. YoY/QoQ, direction of earnings were in-line with historical trends.
- **3Q2022 non-funded income remained robust and helped drive growth in revenue and net operating income.** Non-funded income (fees and f/x income) for 3Q2022 gained by 42.6% YoY. YoY, for 3Q2022, fees grew by 38.5% while f/x income surged by 59.5%. On a quarterly basis, non-funded income was up 5.0%.
- **Margins expanded in 3Q2022 (on asset repricing) after contracting over few quarters.** Net interest margin expanded by 19bps YoY in 3Q2022 (+39bps sequentially) to 2.62% as growth in yields outpaced growth in CoFs. However, on a 9M annualized basis, margins remain depressed; NIM compressed by 20bps to 2.44%.
- **The bank remains cost-efficient.** QIIK's C/I ratio moved down 18.4% in 3Q2022 vs. 19.6% in 3Q2021 (2Q2022: 18.6%). The decline in the C/I ratio was due to strong revenue growth.
- **Asset quality continued to come under pressure.** NPL ratio increased from 2.57% in FY2021 (2.73% in 2Q2022) to 2.85% in 3Q2022. However, coverage of Stage 3 loans improved from 75% in FY2021 to 84% in 3Q2022.
- **9M2022 annualized CoR is not that high, but we expect FY2022 CoR of 90bps.** QIIK booked net credit provisions of QR51.4mn in 3Q2022 vs. QR37.1mn in 3Q2021 and QR91.3mn in 2Q2022. 9M2022 (annualized) CoR slightly moved up to 62bps from 59bps in 9M2021. We expect large provisions in 4Q2022, in-line with historical trends.
- **Net loans and deposits declined sequentially and on a YTD basis.** Net loans in 3Q2022 receded by 0.8% sequentially (-5.0% YTD) to QR35.2bn, while deposits contracted by 5.7% QoQ (-4.2% YTD) to QR37.0bn in 3Q2022. 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 robust at 15.9%. CET1 ratio rested at 11.7%.
- **Valuation and recommendation.** QIIK trades at a P/B of 2.5x and a P/E of 18.7x on our 2022 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>	
<b>OUTPERFORM</b>	Greater than +20%
<b>ACCUMULATE</b>	Between +10% to +20%
<b>MARKET PERFORM</b>	Between -10% to +10%
<b>REDUCE</b>	Between -10% to -20%
<b>UNDERPERFORM</b>	Lower than -20%

Risk Ratings	
<i>Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals</i>	
<b>R-1</b>	Significantly lower than average
<b>R-2</b>	Lower than average
<b>R-3</b>	Medium / In-line with the average
<b>R-4</b>	Above average
<b>R-5</b>	Significantly above average

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