

QIIK Alert – In-Line 1Q2020; Generated Strong Revenue and Net Operating Income

- **QIIK reports in-line 1Q2020.** Qatar International Islamic Bank (QIIK) reported net income of QR267.1mn in 1Q2020 (in-line with our estimate of QR269.7mn; -1.0% variation), flat YoY, but a surge of 78.0% sequentially.
- **QIIK generated strong revenue and net operating income YoY and sequentially; bottom-line was flat YoY due to large provisions vs. net reversals in 1Q2019.** Total revenue grew by 24.9% YoY and 15.9% QoQ, driven by strong net interest & investment income coupled with non-funded income. Moreover, net operating income expanded by 27.6% YoY and 23.6% sequentially, aided by cost containment. On the other hand, flat net income YoY was due to net provisions of QR71.5mn in 1Q2020 vs. net reversals of QR0.8mn during the same period last year. Sequential surge (+78.0) was driven by a 42.3% drop in provisions.
- **Margins significantly improved.** Net interest & investment income expanded by 21.1% YoY (+15.7% QoQ) on the back of strong interest income. Hence, NIMs moved up by ~18bps YoY (+~22bps sequentially) to 2.78%.
- **The bank remains cost-efficient, generating positive JAWS.** QIIK's C/I ratio declined to 20.5% vs. 22.2% in 1Q2019 (25.4% in 4Q2019). QIIK generated positive JAWS of 9.5% and 22.5% YoY and sequentially, respectively.
- **Asset quality remained healthy.** NPL ratio receded from 2.03% in FY2019 to 1.98% in 1Q2020. Coverage ratio also improved from FY2019's 84% to 90% in 1Q2020.
- **Net loans and deposits exhibited strong performance; Liquidity position improved.** Net loans gained up by 4.0% YTD to QR38.5bn, while deposits expanded by 16.4% to QR36.3bn. Hence, LDR dropped from 119% in FY2019 to 106% in 1Q2020.
- **QIIK maintains a robust capital position.** Tier-1 ratio was a strong 17.6% in 1Q2020, in-line with FY2019.
- **Valuation and recommendation.** QIIK trades at a P/B and P/E of 2.0x and 13.9x on our 2020 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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