

## QIIK Alert – 2Q2023 Estimates In-Line; Earnings Driven by Margin Expansion; Stay Market Perform

- **QIIK's 2Q2023 comes in-line with estimates; 2Q2023 bottom-line increased by 8.3% YoY (-5.3% QoQ) to QR299.2mn.** Qatar International Islamic Bank (QIIK) reported a net income of QR299.2mn in 2Q2023, in-line with our estimate of QR297.1mn. The YoY increase in profitability was mainly driven by margin expansion. Sequentially, earnings followed historical trends and receded by 5.3% on the back of a 10.8% increase in provisions and impairments.
- **Margins expanded in 2Q2023.** Net interest & investment income increased by 12.2%/-3.3% YoY/QoQ to QR378.9mn, which was the main contributor to the bottom-line. NIM expanded by 57bps YoY to 2.80%, but declined by 16bps sequentially.
- **The bank remains cost-efficient.** QIIK's C/I ratio moved up to 19.0% in 2Q2023 vs. 18.6% in 2Q2022 (1Q2023: 18.0%). The slight uptick in the C/I ratio was due to opex growth (+10.5% YoY) vs. a revenue growth of 8.0%.
- **Asset quality remained stable.** NPL ratio decreased sequentially from 3.02% in 1Q2023 to 2.82% in 2Q2023 (FY2022: 2.79%). This was mainly due to a combination of NPLs decreasing by 3.4% while loans expanding. Moreover, coverage of Stage 3 loans was a strong 95% in 2Q2023. Majority of ECLs were allocated to Stage 1 loans.
- **Credit provisions marginally increased YoY.** QIIK booked net credit provisions of QR94.6mn in 2Q2023 vs. QR91.3mn in 2Q2022 (+3.7%/+76.1% YoY/QoQ) and QR53.7mn in 1Q2023. 1H2023 annualized CoR increased to 79bps from 65bps in 1H2022.
- **Net loans and deposits increased sequentially.** Net loans increased by 2.5% sequentially (+2.3% YTD) to QR35.8bn. Deposits increased by 1.9% QoQ (flat YTD) to QR36.5bn in 2Q2023. The bank's LDR (excluding stable sources of funds) was a healthy 98%.
- **QIIK maintains a healthy capital position.** Tier-1 ratio is at 16.5%. CET1 ratio rested at 12.4%.
- **Valuation and recommendation.** QIIK trades at a P/B of 2.1x and a P/E of 15.0x 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>	
<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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