

QIIK Alert – In-Line 3Q2020; Strong Revenue & Cost Containment Drove Earnings

- **QIIK reports in-line 3Q2020.** Qatar International Islamic Bank (QIIK) reported net income of QR272.0mn in 3Q2020 (in-line with our estimate of QR264.7mn; +2.7% variation). Net income climbed up by 2.1% YoY and 7.0% sequentially.
- **QIIK generated strong revenue and net operating income YoY; surge in provisions prevented further growth in the bottom-line .** Total revenue grew by 23.1% YoY (+21.5% QoQ), driven by strong net interest & investment income coupled with non-funded income (fees and f/x income were a positive surprise). Moreover, net operating income expanded by 31.9% YoY (+28.8% sequentially), aided by a reduction in costs. Moreover, sequential gains in earnings was also driven by the above mentioned factors.
- **The bank remains cost-efficient, generating positive JAWS.** QIIK's C/I ratio declined to 17.7% vs. 23.2% in 3Q2019 (22.3% in 2Q2020). QIIK generated positive JAWS of 18.1% YoY in 9M2020 as revenue grew by 18.8% while opex remained flattish.
- **Asset quality remained healthy.** NPL ratio declined from 1.90% in FY2019 to 1.65% in 3Q2020.
- **QIIK booked large provisions as a precautionary measure due to COVID-19 disruptions.** QIIK booked net provisions and impairments of QR98.0mn vs. QR14.0mn in 3Q2019 (QR104.5mn in 1H2020). CoR surged from 7bps in 9M2019 (annualized) to 47bps in 9M2020 (37bps in FY2019).
- **Net loans and deposits exhibited strong performance.** Net loans expanded by 11.7% sequentially (+5.8% YTD) to QR39.1bn, while deposits increased by 3.5% (+15.3% YTD) to QR36.0bn.
- **QIIK maintains a healthy capital position.** Tier-1 ratio was a strong 16.2% vs. 17.5% in 2Q2020.
- **Valuation and recommendation.** QIIK trades at a P/B and P/E of 2.0x and 14.7x 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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