

Qatar Islamic Bank (QIBK)

Recommendation	ACCUMULATE	Risk Rating	R-3
Share Price	QR20.75	Target Price	QR22.45
Implied Upside	8.2%		

In-Line 4Q With Lower CoR Aiding Earnings; QR0.80 DPS Beats Model

Qatar Islamic Bank's (QIBK) bottom-line came in-line with our estimates, growing by 7.2%/11.7% YoY/QoQ to QR1,340.3mn. Net-net, QIBK's bottom-line growth was mainly attributable to lower CoR. QIBK continues to generate robust RoE/RoRWAs, remains cost efficient, maintains healthy asset quality and retains a strong Tier-1 position.

Highlights

- **QIBK's 4Q2024 net profit comes in-line with our estimates:** Qatar Islamic Bank (QIBK) reported earnings of QR1,340.3mn in 4Q2024 vs. our estimate of QR1,346.1mn (variation of -0.4%).
- **The board announced an interim DPS of QR0.55 for 2H2024 (1H2024: QR0.25), bringing annual DPS to QR0.800.** This corresponds to a yield of 3.9%. DPS beat our annual estimate of QR0.75.
- **4Q2024 bottom-line was driven by a sharp drop in credit provisions & impairments, surge in f/x income and costs containment.** Total revenue increased by 4.4% YoY to QR1,829.1mn (in-line with our estimate; variation of +1.8%), driven by a 2.1% increase in net interest & investment income and strong f/x income; NIMs contracted YoY by 9bps to -2.63%. Opex decreased by 1.1%, resulting in a 5.1% increase net operating income to QR1,533.6mn (also in-line with our estimate of QR1,504.2mn; variation of +2.0%). Finally, a 21.9% drop in provisions & impairments led to a 7.2% increase in the bottom-line. Sequentially, earnings gained by 11.7% on the back of strong non-funded income (+38.1%) and an 18.6% drop in provisions & impairments.
- **Robust RoE trajectory continued; FY2024 RoE came in at 17.0%, in-line with our estimate:** QIBK continues to boast one of the highest RoEs & RoRWAs among its domestic and regional peers. Moreover, RoRWA was an impressive 3.0%.
- **QIBK remained more cost-efficient among banks in the GCC.** The bank reported a C/I ratio of 16.2% in 4Q2024, in-line with 4Q2023 (3Q2024: 16.6%). Moreover, FY2024 efficiency ratio was flat at 17.0% vs. FY2023.
- **Net loans receded sequentially but increased YoY.** Net loans decreased by 1.9% QoQ (+2.4% YoY) to QR125.3bn. Moreover, deposits declined by 1.1% QoQ (+3.4% YoY) to QR125.0bn.
- **Net credit provisions dropped YoY & sequentially.** Net credit provisions declined by 43.6%/44.1% YoY/QoQ to QR107.1mn. FY2024 CoR moved down to 66bps from 83bps in FY2023. *Drop in CoR was the main factor in moving the bottom-line YoY.*
- **Asset quality remains healthy; Stage 2 loans dropped by 25.7% YoY, which is a positive and contributes 13% of total loans.** NPL ratio slightly moved up to 1.86% vs. 1.65% in 3Q2024 (FY2023: 1.67%). Moreover, coverage of Stage 3 loans remained flat at 94% vs. 3Q2024 (FY2023: 88%). *Given management's conservative nature, Stage 1 ECLs contributed 51% to total ECLs.*
- **Capitalization remains strong.** QIBK ended 4Q2024 with robust CET1 and Tier-1 ratios at 17.1% and 19.8%, respectively.

Recommendation, Valuation and Risks

- **Recommendation and valuation: We maintain our Price Target at QR22.45 and our Accumulate rating for the time being.** QIBK is trading at a 2024/25e P/TB and P/E of 1.8/1.6x and 11.5/10.8x, respectively.
- **Risks:** 1) Increase in credit costs and 2) Exposure to the real estate segment.

Key Financial Data and Estimates

(In QR mn)	2023	2024	2025e	2026e
EPS (QR)	1.68	1.81	1.93	2.06
EPS Growth (%)	7.0	7.4	6.5	7.0
P/E (x)	12.3	11.5	10.8	10.1
Tangible BVPS (QR)	10.7	11.5	12.6	13.9
P/TBV (x)	1.9	1.8	1.6	1.5
RoE (%)	17.3	17.0	16.8	16.3
DPS (QR)	0.725	0.800	0.800	0.925
Dividend Yield (%)	3.5	3.9	3.9	4.5

Source: Company data, QNB FS Research; Note: All data based on current number of shares

Key Data

Current Market Price (QR)	20.75
DY (%)	3.9
Bloomberg Ticker	QIBK QD
ADR/GDR Ticker	N/A
Reuters Ticker	QISB.QA
ISIN	QA0006929853
Sector*	Banks & Fin. Svcs.
52wk High/52wk Low (QR)	21.80/16.85
3-m Average Volume (mn)	1.0
Mkt. Cap. (\$ bn/QR bn)	13.5/49.0
Shares Outstanding (mn)	2,362.93
FO Limit* (%)	100.0
Institutional FO* (%)	14.9
1-Year Total Return (%)	+7.7
Fiscal Year End	December 31

Source: Bloomberg (as of January 15, 2025), *Qatar Exchange (as of January 15, 2025); Note: FO is foreign ownership

Shahan Keushgerian

+974 4476 6509

shahan.keushgerian@qnbfs.com.qa

Saugata Sarkar, CFA, CAIA

+974 4476 6534

saugata.sarkar@qnbfs.com.qa

Detailed Financial Statements

Income Statement (In QR mn)	2022	2023	2024	2025e	2026e
Net Interest Income	4,999	5,214	5,309	5,777	6,224
Fees & Commissions	810	889	867	951	908
FX Income	122	50	94	113	130
Other Income	451	367	491	266	306
Non-Interest Income	1,383	1,307	1,452	1,330	1,343
Total Revenue	6,382	6,521	6,761	7,107	7,567
Operating Expenses	(1,112)	(1,117)	(1,149)	(1,185)	(1,240)
Net Operating Income	5,270	5,404	5,612	5,923	6,328
Net Provisions & Impairments	(1,235)	(1,103)	(982)	(996)	(1,070)
Net Profit Before Taxes & Non-Recurring Items	4,034	4,301	4,630	4,926	5,257
Tax	(11)	(13)	(30)	(32)	(34)
Net Profit Before Minority Interest	4,023	4,288	4,600	4,894	5,223
Minority Interest	(18)	17	5	(4)	(4)
Non-Recurring/Unusual Gains/(Losses)	0	0	0	0	0
Net Profit (Headline)	4,005	4,305	4,605	4,891	5,219
Interest On Tier-1 Sukuk	(188)	(219)	(219)	(219)	(219)
Social & Sports Contribution Fund	(100)	(108)	(115)	(122)	(130)
Net Profit (Attributable)	3,717	3,979	4,272	4,550	4,870
EPS	1.57	1.68	1.81	1.93	2.06

Source: Company data, QNB FS Research

Balance Sheet (In QR mn)	2022	2023	2024	2025e	2026e
Assets					
Cash & Balances with Central Bank	7,951	8,037	8,683	7,757	8,667
Interbank Loans	3,188	3,262	2,488	4,056	3,624
Net Investments	45,774	48,013	53,008	54,641	58,160
Net Loans	119,285	122,381	125,274	135,190	144,949
Investment In Associates	1,130	1,128	1,100	1,133	1,169
Other Assets	2,576	2,297	2,214	2,724	2,628
Net PP&E	558	516	356	351	349
Investment In Real Estate	3,321	3,306	2,468	2,265	2,182
Assets of a Subsidiary Held for Sale			5,188		
Goodwill & Intangible Assets	218	218	0	0	0
Total Assets	184,001	189,157	200,780	208,117	221,727
Liabilities					
Interbank Deposits	17,382	20,434	24,017	22,854	22,484
Customer Deposits	122,371	120,835	124,995	133,744	144,444
Sukuk Financing	12,453	14,668	13,742	13,742	13,742
Other Liabilities	3,868	3,203	6,256	3,344	3,640
Tier-1 Sukuk	4,000	4,000	4,000	4,000	4,000
Total Liabilities	160,075	163,140	173,009	177,683	188,309
Minority Interest	669	625	614	617	622
Total Shareholders' Equity	23,257	25,392	27,157	29,817	32,796
Total Liabilities & Shareholders' Equity	184,001	189,157	200,780	208,117	221,727
Risk Weighted Assets	138,570	144,463	151,768	164,413	179,599
BVPS	9.84	10.75	11.49	12.62	13.88

Source: Company data, QNB FS Research

Key Indicators/KPIs	2022	2023	2024	2025e	2026e
Profitability (%)					
RoE (Tangible)	18.1	17.3	17.0	16.8	16.3
RoAA	2.0	2.1	2.2	2.2	2.3
RoRWA	2.8	2.9	3.0	3.0	3.0
NIM (% of IEAs)	2.97	3.14	3.05	3.11	3.14
NIM (% of RWAs)	3.67	3.68	3.58	3.65	3.62
NIM (% of AAs)	2.65	2.79	2.72	2.83	2.90
Spread	2.67	2.56	2.39	2.29	2.14
Efficiency (%)					
Cost-to-Income (Headline)	17.4	17.1	17.0	16.7	16.4
Cost-to-Income (Core)	18.7	18.2	18.3	17.3	17.1
Liquidity (%)					
LDR	97.5	101.3	100.2	101.1	100.3
Loans/Assets	64.8	64.7	62.4	65.0	65.4
Cash & Interbank Loans-to-Total Assets	6.1	6.0	5.6	5.7	5.5
Deposits to Assets	66.5	63.9	62.3	64.3	65.1
Wholesale Funding to Loans	25.0	28.7	30.1	27.1	25.0
IEAs to IBLs	122.2	119.7	122.4	123.3	124.2
Asset Quality (%)					
NPL Ratio	1.5	1.7	1.9	1.8	1.8
NPL to Shareholder's Equity	8.3	8.5	9.1	8.4	8.5
NPL to Tier 1 Capital	7.4	7.8	8.3	7.9	8.2
Coverage Ratio	313	327	313	338	334
ALL/Average Loans	4.2	4.8	5.0	5.2	5.3
Cost of Risk	92	83	66	70	72
Capitalization (%)					
CET1 Ratio	15.8	16.4	17.1	16.9	16.7
Tier-1 Ratio	18.7	19.2	19.8	19.3	18.9
CAR	19.9	20.4	20.9	20.5	20.1
Leverage (x)	7.9	7.4	7.4	7.0	6.8
Growth (%)					
Net Interest Income	4.7	4.3	1.8	8.8	7.7
Non-Interest Income	13.8	-5.5	11.1	-8.4	1.0
Total Revenue	6.5	2.2	3.7	5.1	6.5
OPEX	2.5	0.4	2.9	3.1	4.7
Net Operating Income	7.4	2.6	3.8	5.5	6.8
Net Income (Attributable)	13.7	7.0	7.4	6.5	7.0
Loans	-7.1	2.6	2.4	7.9	7.2
Deposits	-6.7	-1.3	3.4	7.0	8.0
Assets	-5.1	2.8	6.1	3.7	6.5
RWAs	3.4	4.3	5.1	8.3	9.2

Source: Company data, QNB FS Research

Recommendations		Risk Ratings	
<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>		<i>Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals</i>	
OUTPERFORM	Greater than +20%	R-1	Significantly lower than average
ACCUMULATE	Between +10% to +20%	R-2	Lower than average
MARKET PERFORM	Between -10% to +10%	R-3	Medium / In-line with the average
REDUCE	Between -10% to -20%	R-4	Above average
UNDERPERFORM	Lower than -20%	R-5	Significantly above average

Contacts

QNB Financial Services Co. W.L.L.
 Contact Center: (+974) 4476 6666
info@qnbfs.com.qa
 Doha, Qatar

Saugata Sarkar, CFA, CAIA
 Head of Research
saugata.sarkar@qnbfs.com.qa

Shahan Keushgerian
 Senior Research Analyst
shahan.keushgerian@qnbfs.com.qa

Phibion Makuwerere, CFA
 Senior Research Analyst
phibion.makuwerere@qnbfs.com.qa

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