

Qatar Islamic Bank (QIBK)

Recommendation	ACCUMULATE	Risk Rating	R-3
Share Price	QR20.60	Target Price	QR22.45
Implied Upside	9.0%		

1Q2025 Falls Short of Estimates On Higher CoR

Qatar Islamic Bank's (QIBK) bottom-line fell short our estimates, growing by 3.1% YoY, but dropping by 26.0% sequentially to QR985.1mn. 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 1Q2025 net profit comes below our estimates:** Qatar Islamic Bank (QIBK) reported earnings of QR985.1mn in 1Q2025 vs. our estimate of QR1,019.7mn (variation of -3.4%).
- **1Q2025 bottom-line was driven by a decline in credit provisions & impairments and a slight increase in net interest & investment income.** Total revenue increased by 1.8% YoY to QR1,618.7mn, driven by a 1.8% increase in net interest & investment income. Moreover, a 1.1% drop in provisions & impairments led to a 3.1% increase in the bottom-line. Sequentially, earnings dropped by 26.0% due to weak net operating income coupled with a surge in provisions & impairments, which is in-line with historical trends.
- **1Q2025 annualized RoE remains strong although it declined both YoY and sequentially; RoE came in at 14.5% vs. 15.2% in 1Q2024:** QIBK continues to boast one of the highest RoEs & RoRWAs among its domestic and regional peers. Moreover, annualized RoRWA was an impressive 2.6%.
- **QIBK remains one of the most cost-efficient among banks in the GCC.** The bank reported a C/I ratio of 16.6% in 1Q2025, in-line with 1Q2024 (4Q2024: 17.3%).
- **Net loans expanded sequentially.** Net loans increased by 5.2% QoQ to QR131.8bn. Moreover, deposits followed suit and expanded by 6.8% QoQ to QR133.5bn.
- **Net credit provisions dropped YoY, but increased sequentially.** Net credit provisions declined by 27.1% YoY, but significantly increased QoQ to QR265.8mn. 1Q2025 CoR (annualized) moved down to 76bps from 110bps in 1Q2024. *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% to total loans.** NPL ratio declined to 1.72% vs. 1.86% in 4Q2024 (1Q2024:1.64%). Moreover, coverage of Stage 3 loans remained strong and flat at 95% vs. 4Q2024 (FY2024: 92%). *Given management's conservative nature, Stage 1 ECLs contributed 51% to total ECLs.*
- **Capitalization remains strong.** QIBK ended 1Q2022 with a robust CET1 and Tier-1 ratios at 17.6% and 20.3%, 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 2025e/26e P/TB and P/E of 1.6/1.5x and 11.1/10.3x, respectively.
- **Risks:** 1) Increase in credit costs and 2) Exposure to the real estate segment.

Key Financial Data and Estimates

(In QR mn)	2024	2025e	2026e	2026e
EPS (QR)	1.81	1.85	2.00	2.13
EPS Growth (%)	7.4	2.4	8.3	6.4
P/E (x)	11.4	11.1	10.3	9.7
Tangible BVPS (QR)	11.5	12.5	13.7	14.9
P/TBV (x)	1.8	1.6	1.5	1.4
RoE (%)	17.0	16.1	16.0	15.6
DPS (QR)	0.800	0.850	0.925	1.000
Dividend Yield (%)	3.9	4.1	4.5	4.9

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

Key Data

Current Market Price (QR)	20.60
DY (%)	3.9
Bloomberg Ticker	QIBK QD
Reuters Ticker	QISB.QA
ISIN	QA0006929853
Sector*	Banks & Fin. Svcs.
52wk High/52wk Low (QR)	21.80/16.85
3-m Average Volume (mn)	1.13
Mkt. Cap. (\$ bn/QR bn)	13.4/48.7
Shares Outstanding (mn)	2,362.93
FO Limit* (%)	100.0
Institutional FO* (%)	15.2
1-Year Total Return (%)	+16.0
Fiscal Year End	December 31

Source: Bloomberg (as of April 16, 2025), *Qatar Exchange (as of April 16, 2025); Note: FO is foreign ownership

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Detailed Financial Statements

Income Statement (In QR mn)	2022	2023	2024	2025e	2026e	2027e
Net Interest Income	4,999	5,214	5,309	5,646	6,028	6,484
Fees & Commissions	810	889	867	951	1,056	1,030
FX Income	122	50	94	113	130	104
Other Income	451	367	491	487	502	518
Non-Interest Income	1,383	1,307	1,452	1,552	1,688	1,651
Total Revenue	6,382	6,521	6,761	7,197	7,715	8,135
Operating Expenses	(1,112)	(1,117)	(1,149)	(1,187)	(1,232)	(1,298)
Net Operating Income	5,270	5,404	5,612	6,010	6,483	6,837
Net Provisions & Impairments	(1,235)	(1,103)	(982)	(759)	(815)	(819)
Net Profit Before Taxes & Non-Recurring Items	4,034	4,301	4,630	5,251	5,668	6,017
Tax	(11)	(13)	(30)	(656)	(709)	(752)
Net Profit Before Minority Interest	4,023	4,288	4,600	4,595	4,960	5,265
Minority Interest	(18)	17	5	(4)	(4)	(4)
Non-Recurring/Unusual Gains/(Losses)	0	0	0	0	0	0
Net Profit (Headline)	4,005	4,305	4,605	4,591	4,956	5,261
Interest On Tier-1 Sukuk	(188)	(219)	(219)	(219)	(219)	(219)
Social & Sports Contribution Fund	(100)	(108)	(115)	0	0	0
Net Profit (Attributable)	3,717	3,979	4,272	4,372	4,737	5,042
EPS	1.57	1.68	1.81	1.85	2.00	2.13

Source: Company data, QNB FS Research

Balance Sheet (In QR mn)	2022	2023	2024	2025e	2026e	2027e
Assets						
Cash & Balances with Central Bank	7,951	8,037	8,683	9,100	9,555	8,577
Interbank Loans	3,188	3,262	2,488	2,927	2,159	2,162
Net Investments	45,774	48,013	53,008	55,931	59,395	63,284
Net Loans	119,285	122,381	125,274	133,046	143,955	154,448
Investment In Associates	1,130	1,128	1,100	1,134	1,170	1,206
Other Assets	2,576	2,297	2,214	2,308	2,290	2,322
Net PP&E	558	516	356	351	349	349
Investment In Real Estate	3,321	3,306	2,468	2,468	2,468	2,468
Assets of a Subsidiary Held for Sale			5,188	5,188	5,188	5,188
Goodwill & Intangible Assets	218	218	0	0	0	0
Total Assets	184,001	189,157	200,780	212,452	226,529	240,004
Liabilities						
Interbank Deposits	17,382	20,434	24,017	25,821	29,064	29,220
Customer Deposits	122,371	120,835	124,995	129,994	136,494	145,366
Sukuk Financing	12,453	14,668	13,742	16,078	17,685	19,100
Other Liabilities	3,868	3,203	6,256	6,303	6,296	6,468
Tier-1 Sukuk	4,000	4,000	4,000	4,000	4,000	4,000
Total Liabilities	160,075	163,140	173,009	182,196	193,540	204,154
Minority Interest	669	625	614	617	621	625
Total Shareholders' Equity	23,257	25,392	27,157	29,639	32,368	35,225
Total Liabilities & Shareholders' Equity	184,001	189,157	200,780	212,452	226,529	240,004
Risk Weighted Assets	138,570	144,463	151,768	161,464	174,427	189,603
BVPS	9.84	10.75	11.49	12.54	13.70	14.91

Source: Company data, QNB FS Research

Key Indicators/KPIs	2022	2023	2024	2025e	2026e	2027e
Profitability (%)						
RoE (Tangible)	18.1	17.3	17.0	16.1	16.0	15.6
RoAA	2.0	2.1	2.2	2.1	2.2	2.2
RoRWA	2.8	2.9	3.0	2.9	2.9	2.9
NIM (% of IEAs)	2.97	3.14	3.05	3.06	3.06	3.07
NIM (% of RWAs)	3.67	3.68	3.58	3.60	3.59	3.56
NIM (% of AAs)	2.65	2.79	2.72	2.73	2.75	2.78
Spread	2.67	2.56	2.39	2.46	2.57	2.69
Efficiency (%)						
Cost-to-Income (Headline)	17.4	17.1	17.0	16.5	16.0	16.0
Cost-to-Income (Core)	18.7	18.2	18.3	17.7	17.1	17.0
Liquidity (%)						
LDR	97.5	101.3	100.2	102.3	105.5	106.2
Loans/Assets	64.8	64.7	62.4	62.6	63.5	64.4
Cash & Interbank Loans-to-Total Assets	6.1	6.0	5.6	5.7	5.2	4.5
Deposits to Assets	66.5	63.9	62.3	61.2	60.3	60.6
Wholesale Funding to Loans	25.0	28.7	30.1	31.5	32.5	31.3
IEAs to IBLs	122.2	119.7	122.4	122.6	122.1	123.8
Asset Quality (%)						
NPL Ratio	1.5	1.7	1.9	1.8	1.9	1.8
NPL to Shareholder's Equity	8.3	8.5	9.1	8.6	8.7	8.5
NPL to Tier 1 Capital	7.4	7.8	8.3	8.1	8.5	8.5
Coverage Ratio	313	327	313	324	314	321
ALL/Average Loans	4.2	4.8	5.0	5.0	5.0	5.1
Cost of Risk	92	83	66	53	55	51
Capitalization (%)						
CET1 Ratio	15.8	16.4	17.1	17.0	16.8	16.4
Tier-1 Ratio	18.7	19.2	19.8	19.5	19.1	18.5
CAR	19.9	20.4	20.9	20.7	20.2	19.7
Leverage (x)	7.9	7.4	7.4	7.2	7.0	6.8
Growth (%)						
Net Interest Income	4.7	4.3	1.8	6.4	6.8	7.6
Non-Interest Income	13.8	-5.5	11.1	6.8	8.8	-2.2
Total Revenue	6.5	2.2	3.7	6.5	7.2	5.4
OPEX	2.5	0.4	2.9	3.3	3.8	5.4
Net Operating Income	7.4	2.6	3.8	7.1	7.9	5.5
Net Income (Attributable)	13.7	7.0	7.4	2.4	8.3	6.4
Loans	-7.1	2.6	2.4	6.2	8.2	7.3
Deposits	-6.7	-1.3	3.4	4.0	5.0	6.5
Assets	-5.1	2.8	6.1	5.8	6.6	5.9
RWAs	3.4	4.3	5.1	6.4	8.0	8.7

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

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