

Qatar Islamic Bank (QIBK)

Recommendation	OUTPERFORM	Risk Rating	R-3
Share Price	QR18.46	Target Price	QR22.45
Implied Upside	21.6%		

Key Data

Current Market Price (QR)	18.46
Dividend Yield (%)	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)	21.53/17.02
3-m Average Volume ('000)	1,653.0
Mkt. Cap. (\$ bn/QR bn)	12.0/43.6
Shares Outstanding (mn)	2,362.93
FO Limit* (%)	100.0
Institutional FO* (%)	15.7
1-Year Total Return (%)	+7.9
Fiscal Year End	December 31

Source: Bloomberg (as of April 17, 2024), *Qatar Exchange (as of April 17, 2024); Note: FO is foreign ownership

Broadly In-Line 1Q2024; Earnings Driven by NIM Expansion & C/I

Qatar Islamic Bank (QIBK) reports broadly in-line 1Q2024 figures, growing net income by 5.5% YoY (but down 23.6% QoQ) to QR955.1mn. Net-net, QIBK's bottom-line was mainly attributable to margin expansion and costs containment. We maintain our Outperform rating and continue to expect ~8-10% bottom-line growth.

- **QIBK's 1Q2024 earnings come in slightly below our model:** Qatar Islamic Bank (QIBK) reported earnings of QR955.1mn in 1Q2024, moderately below our estimate of QR987.1mn (variation of -3.3%). Bottom-line increased by 5.5% YoY (-23.6% sequentially).
- **1Q2024 bottom-line was driven by margin expansion and costs management.** Total revenue increased by 6.5% YoY to QR1,612.7mn (in-line with our estimate; variation of -1.2%), driven by net interest & investment income and fees. Net interest & investment income increased by 8.7% YoY to QR1,377.0mn, also in-line with our estimate of QR1,380.1mn (variation of -0.2%); NIMs expanded by ~4bps YoY to ~2.6%. At the same time, fees ticked up by 1.5% YoY. Opex increased by only 0.8%, resulting in net operating income increasing by 7.8% to QR1,325.8mn (in-line with our estimate of QR1,341.7mn; variation of -1.2%). Sequentially, earnings declined by 23.6% on the back of a large increase in CoR and margin compression.
- **Robust RoE trajectory continued; 1Q2024 RoE (annualized) came in at 15.2%:** QIBK continues to boast one of the highest RoEs & RoRWAs among its domestic and regional peers. Moreover, RoRWA was an impressive 2.9%.
- **QIBK remained cost-efficient among banks in the GCC & continues to generate positive JAWs.** The bank's C/I ratio dropped from 18.8% in 1Q2023 YoY to 17.8% in 1Q2024 (4Q2023: 16.7%). Moreover, QIBK generated robust JAWs of 5.7% YoY as revenue grew by 6.5%, while opex increased by only 0.8%.
- **Net loans and deposits increased YTD.** Net loans increased by 1.9% to QR124.7bn. Deposits followed suit and moved up by 1.8% QoQ to QR123.1bn.
- **Net credit provisions increased YoY & sequentially.** Net credit provisions increased by 15.0%/90.8% YoY/QoQ to QR364.7mn. CoR increased from 102bps/59bps in 1Q2023/4Q2023 to 110bps in 1Q2024.
- **Asset quality remains healthy.** NPL ratio decreased to 1.64% in 1Q2024 vs 1.67% in FY2023. During the same time, NPLs remained flat. Moreover, coverage of Stage 3 loans increased to 92% vs. 88% in FY2023.
- **Capitalization remains strong.** QIBK ended 1Q2024 with robust CET1 and CAR ratios at 16.8% and 20.7%, respectively.

Recommendation, Valuation and Risks

- **Recommendation and valuation:** We maintain our Price Target at QR22.45 and our Outperform rating. QIBK is trading at a 2024e P/TB and P/E of 1.6x and 10.0x, respectively.
- **Risks:** 1) Increase in credit costs and 2) Exposure to the real estate segment.

Key Financial Data and Estimates

(In QR mn)	2023	2024e	2025e	2026e
EPS (QR)	1.68	1.84	2.06	2.20
EPS Growth (%)	7.0	9.3	11.7	6.9
P/E (x)	11.0	10.0	9.0	8.4
Tangible BVPS (QR)	10.7	11.8	13.1	14.5
P/TBV (x)	1.7	1.6	1.4	1.3
RoE (%)	17.3	17.3	17.5	16.8
DPS (QR)	0.725	0.750	0.800	0.925
Dividend Yield (%)	3.9	4.1	4.3	5.0

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

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Detailed Financial Statements

Income Statement (In QR mn)	2021	2022	2023	2024e	2025e	2026e
Net Interest Income	4,774	4,999	5,214	5,531	5,964	6,417
Fees & Commissions	726	810	889	980	1,127	1,075
FX Income	200	122	50	71	85	97
Other Income	289	451	367	360	384	409
Non-Interest Income	1,215	1,383	1,307	1,410	1,596	1,582
Total Revenue	5,990	6,382	6,521	6,941	7,559	7,998
Operating Expenses	(1,085)	(1,112)	(1,117)	(1,144)	(1,180)	(1,234)
Net Operating Income	4,904	5,270	5,404	5,797	6,380	6,764
Net Provisions & Impairments	(1,342)	(1,235)	(1,103)	(1,096)	(1,153)	(1,192)
Net Profit Before Taxes & Non-Recurring	3,563	4,034	4,301	4,701	5,226	5,572
Tax	(10)	(11)	(13)	(14)	(16)	(17)
Net Profit Before Minority Interest	3,553	4,023	4,288	4,687	5,211	5,556
Minority Interest	2	(18)	17	(3)	(4)	(4)
Non-Recurring/Unusual Gains/(Losses)	0	0	0	0	0	0
Net Profit (Headline)	3,555	4,005	4,305	4,684	5,207	5,551
Interest On Tier-1 Sukuk	(196)	(188)	(219)	(219)	(219)	(219)
Social & Sports Contribution Fund	(89)	(100)	(108)	(117)	(130)	(139)
Net Profit (Attributable)	3,270	3,717	3,979	4,348	4,858	5,194
EPS	1.38	1.57	1.68	1.84	2.06	2.20

Source: Company data, QNB FS Research

Balance Sheet (In QR mn)	2021	2022	2023	2024e	2025e	2026e
Assets						
Cash & Balances with Central Bank	7,177	7,951	8,037	8,404	8,024	8,965
Interbank Loans	7,461	3,188	3,262	3,461	4,125	3,684
Net Investments	44,380	45,774	48,013	50,455	49,792	53,282
Net Loans	128,409	119,285	122,381	128,179	137,507	147,345
Investment In Associates	1,140	1,130	1,128	1,160	1,195	1,232
Other Assets	1,709	2,576	2,297	2,456	2,594	2,496
Net PP&E	570	558	516	504	499	497
Investment In Real Estate	2,854	3,321	3,306	2,990	2,941	2,892
Goodwill & Intangible Assets	218	218	218	218	218	218
Total Assets	193,916	184,001	189,157	197,826	206,895	220,611
Liabilities						
Interbank Deposits	19,856	17,382	20,434	17,202	14,680	13,714
Customer Deposits	131,095	122,371	120,835	129,293	138,343	149,411
Sukuk Financing	14,063	12,453	14,668	14,668	14,668	14,668
Other Liabilities	3,491	3,868	3,203	4,008	3,459	3,765
Tier-1 Sukuk	4,000	4,000	4,000	4,000	4,000	4,000
Total Liabilities	172,504	160,075	163,140	169,171	175,150	185,558
Minority Interest	676	669	625	628	632	637
Total Shareholders' Equity	20,736	23,257	25,392	28,027	31,113	34,416
Total Liabilities & Shareholders' Equity	193,916	184,001	189,157	197,826	206,895	220,611
Risk Weighted Assets	134,045	138,570	144,463	154,305	164,482	178,695
BVPS	8.78	9.84	10.75	11.86	13.17	14.56

Source: Company data, QNB FS Research

Key Indicators/KPIs	2021	2022	2023	2024e	2025e	2026e
Profitability (%)						
RoE (Tangible)	18.2	18.1	17.3	17.3	17.5	16.8
RoAA	1.8	2.0	2.1	2.2	2.4	2.4
RoRWA	2.7	2.8	2.9	3.0	3.1	3.2
NIM (% of IEAs)	2.90	2.97	3.14	3.19	3.28	3.33
NIM (% of RWAs)	3.74	3.67	3.68	3.70	3.74	3.74
NIM (% of AAs)	2.59	2.65	2.79	2.86	2.95	3.00
Spread	2.66	2.67	2.56	2.53	2.45	2.30
Efficiency (%)						
Cost-to-Income (Headline)	18.1	17.4	17.1	16.5	15.6	15.4
Cost-to-Income (Core)	18.9	18.7	18.2	17.4	16.4	16.2
Liquidity (%)						
LDR	98.0	97.5	101.3	99.1	99.4	98.6
Loans/Assets	66.2	64.8	64.7	64.8	66.5	66.8
Cash & Interbank Loans-to-Total Assets	7.5	6.1	6.0	6.0	5.9	5.7
Deposits to Assets	67.6	66.5	63.9	65.4	66.9	67.7
Wholesale Funding to Loans	26.4	25.0	28.7	24.9	21.3	19.3
IEAs to IBLs	117.1	122.2	119.7	120.7	122.2	123.1
Asset Quality (%)						
NPL Ratio	1.8	1.5	1.7	1.8	1.8	1.8
NPL to Shareholder's Equity	11.5	8.3	8.5	8.5	8.4	8.3
NPL to Tier 1 Capital	10.1	7.4	7.8	8.1	8.3	8.5
Coverage Ratio	202	313	327	337	342	347
ALL/Average Loans	3.5	4.2	4.8	5.1	5.3	5.5
Cost of Risk	104	92	83	81	79	78
Capitalization (%)						
CET1 Ratio	14.7	15.8	16.4	16.4	16.6	16.5
Tier-1 Ratio	17.7	18.7	19.2	19.0	19.1	18.8
CAR	18.9	19.9	20.4	20.2	20.3	20.0
Leverage (x)	9.4	7.9	7.4	7.1	6.6	6.4
Growth (%)						
Net Interest Income	9.8	4.7	4.3	6.1	7.8	7.6
Non-Interest Income	11.5	13.8	-5.5	7.9	13.1	-0.9
Total Revenue	10.1	6.5	2.2	6.4	8.9	5.8
OPEX	-0.6	2.5	0.4	2.4	3.1	4.6
Net Operating Income	12.8	7.4	2.6	7.3	10.0	6.0
Net Income (Attributable)	17.5	13.7	7.0	9.3	11.7	6.9
Loans	7.8	-7.1	2.6	4.7	7.3	7.2
Deposits	11.0	-6.7	-1.3	7.0	7.0	8.0
Assets	11.2	-5.1	2.8	4.6	4.6	6.6
RWAs	10.3	3.4	4.3	6.8	6.6	8.6

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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