

Qatar International Islamic Bank (QIIB)

Recommendation	MARKET PERFORM	Risk Rating	R-3
Share Price	QR10.470	Target Price	QR10.438
Implied Upside	(0.3%)		

1Q2024 In-Line With Estimates; Stay Market Perform

Qatar International Islamic Bank (QIIB) reported a net profit of QR335.2mn in 1Q2024 (in-line with our estimate), increasing by 6.1% YoY (sequentially surging by 78.5%); the results were not surprising as QIIB tends to follow historical trends as it reports lower credit provisions in 1Q vs. 4Q, thus resulting in an increase in the bottom-line. Net-net, the bottom-line increased YoY due 39.8% drop in provisions and other impairments as net operating income decreased by only 2.5%/4.8% YoY/QoQ.

Highlights

- **QIIB's 1Q2024 comes in-line with our estimates.** Qatar International Islamic Bank reported a net income of QR335.2mn in 1Q2024 vs. our estimate of QR336.4mn (-0.3% variation), increasing by 6.1% YoY (+78.5% QoQ). Reversals in other impairments mainly drove the YoY increase in profitability as net operating income decreased by 2.5% as result of margin pressure. Sequentially, earnings followed historical trends and surged on the back of a significant drop in provisions and impairments.
- **Margins compressed YoY and sequentially.** NIMs compressed by ~47bps/22bps in 1Q2023/4Q2023 to 2.50%. This was due to the increase in CoFs outpacing yield on interest-earnings assets.
- **Non-funded income was mixed.** Fees increased by 33.6%/12.9% YoY/QoQ, while f/x income decreased by 27.7%/37.6% YoY/sequentially.
- **Healthy RoE generator (>CoE):** QIIB generated an annualized 1Q2024 RoE of 18.2%, flat with 1Q2023.
- **The bank remains cost efficient.** QIIB posted a cost-to-income ratio of 19.2% in 1Q2024 vs. 18.0% in 1Q2023 (4Q2023: 15.5%).
- **Net loans and deposits both expanded sequentially and YoY.** Net loans gained by 2.6% sequentially (+7.2% YoY) to QR37.5bn. Deposits increased by 2.0% QoQ (+10.8% YoY) to QR39.7bn in 1Q2024. Thus, QIIB's LDR (excluding wholesale stable sources of funds) was a healthy 94%.
- **1Q2024 CoR was flattish vs. 1Q2023.** QIIB booked net credit provisions of QR52.2mn in 1Q2024 vs. QR53.7mn in 1Q2023 (4Q2023: QR179.0mn). 1Q2024 CoR decreased to 53bps from 59bps in 1Q2023.
- **Asset quality remains manageable, but NPLs remain on the rise.** NPL ratio increased from 2.88% in FY2023 to 3.20% in 1Q2024 (3Q2023: 3.16%; FY2021: 2.56%). At the same time, NPLs increased by 14.4% QoQ. On the other hand, coverage of Stage 3 loans remained 87% (still strong). It seems management allocated the majority of ECLS to stage 3 loans. Stage 2 loans comprise 10% of total loans, which is relatively healthy.
- **Capitalization remains healthy and above QCB minimum.** QIIB ended 1Q2024 with a CET1/Tier-1 ratio of 13.4%/17.4%.

Recommendation, Valuation and Risks

- **Recommendation and valuation:** *We maintain our Market Perform rating and price target of QR10.438.* QIIB is trading at a 2024/25e P/TB and P/E of 2.0x/1.9x and 13.9x/12.2x, respectively.
- **Risks:** 1) Exposure to the real estate and consumer segments creates concentration risk, which could result in further impairments and 2) Geopolitical risks.

Key Financial Data and Estimates

	2023	2024e	2025e	2026e
Attributable EPS (QR)	0.685	0.751	0.859	0.963
EPS Growth (%)	10.2	9.7	14.4	12.1
P/E (x)	15.3	13.9	12.2	10.9
Tangible BVPS (QR)	4.9	5.2	5.6	6.0
P/TBV (x)	2.1	2.0	1.9	1.7
RoE (%)	14.9	15.4	16.6	17.3
DPS (QR)	0.450	0.475	0.500	0.550
Dividend Yield (%)	4.3	4.5	4.8	5.3

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

Key Data

Current Market Price (QR)	10.470
Dividend Yield (%)	4.3
Bloomberg Ticker	QIIB QD
ADR/GDR Ticker	N/A
Reuters Ticker	QIIB.QA
ISIN	QA0006929879
Sector*	Banks & Fin. Svcs.
52wk High/52wk Low (QR)	11.44/8.66
3-m Average Volume (000)	966.3
Mkt. Cap. (\$ bn/QR bn)	4.4/15.8
Shares Outstanding (000's)	1,513.7
FO Limit* (%)	100.0
Current FO* (%)	19.8
1-Year Total Return (%)	+12.5
Fiscal Year End	December 31

Source: Bloomberg (as of April 29, 2024), *Qatar Exchange (as of April 29, 2024); Note: FO is foreign institutional ownership

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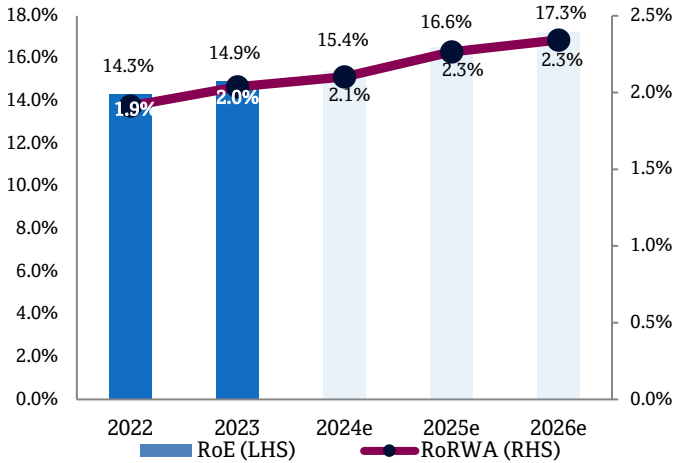
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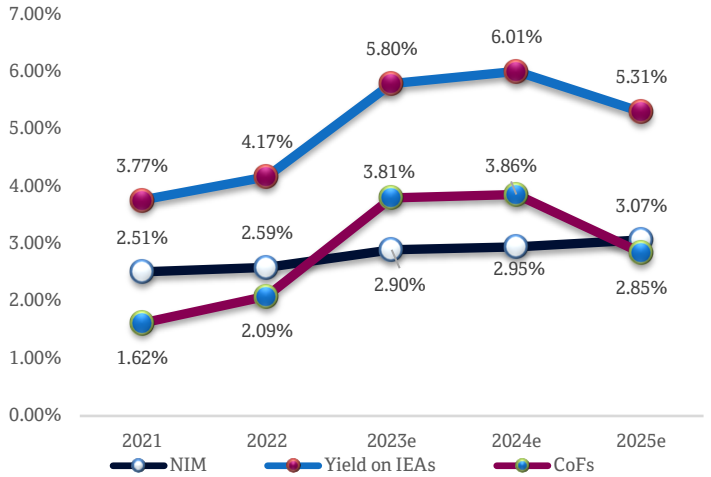
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RoE & RoRWAs to Steadily Improve & Remain Healthy; RoE > CoE

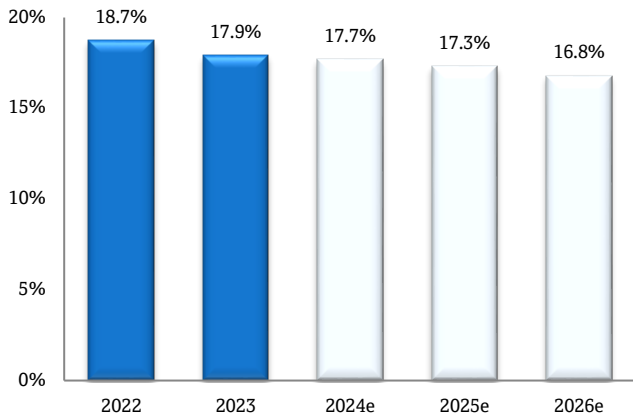


Source: Company data, QNB FS Research

While Margins to Steadily Increase

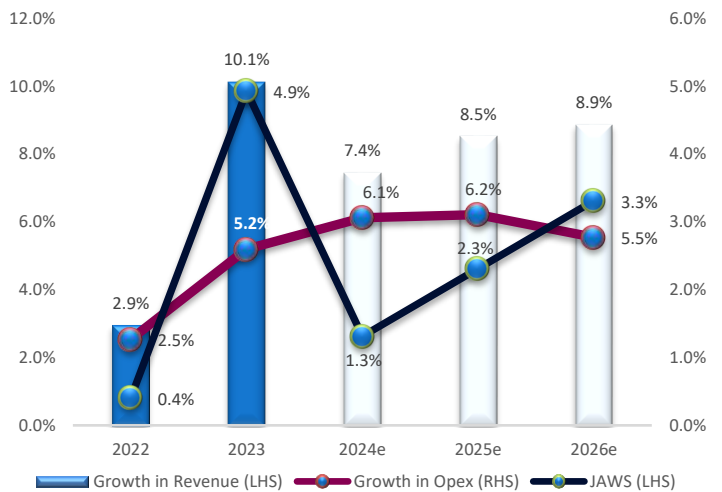


C/I Ratio is One of The Lowest Domestically & Regionally

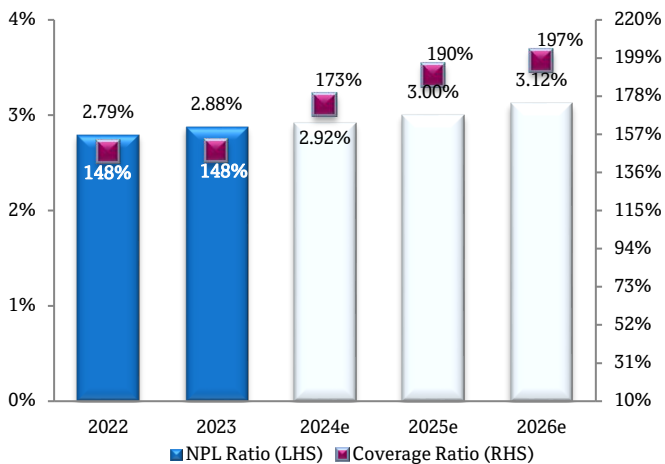


Source: Company data, QNB FS Research

While Generating Positive JAWS



NPL Ratio Spiked Mainly on The Back of a Few SME Loans



Source: Company data, QNB FS Research

Coverage of Stage 3 Loans is 87%; >100% With Collateral

FY2023	Stage 1	Stage 2	Stage 3	Total
Gross Loans	34,109,064	3,876,625	1,256,330	39,242,019
ECLs	188,687	401,500	1,086,570	1,676,757
Stages % Loans	86.9%	9.9%	3.20%	
Stages % ECLs	11.3%	23.9%	64.8%	
Coverage Ratio	0.6%	10.4%	86.5%	

Detailed Financial Statements

Income Statement (In QR mn)	2021	2022	2023	2024e	2025e	2026e
Net Interest Income	1,434	1,423	1,578	1,705	1,868	2,018
Fees & Commissions	250	298	292	300	324	363
FX Income	42	85	87	93	90	97
Other Income	16	(13)	17	23	19	28
Non-Interest Income	308	370	396	416	433	488
Total Revenue	1,742	1,793	1,974	2,121	2,302	2,506
Operating Expenses	(328)	(336)	(353)	(375)	(398)	(420)
Net Operating Income	1,414	1,457	1,621	1,746	1,904	2,085
Net Provisions & Impairments	(411)	(382)	(456)	(479)	(469)	(489)
Net Profit (Headline/Reported)	1,003	1,075	1,165	1,268	1,435	1,597
Payment on Tier-1 Sukuk	(108)	(108)	(99)	(99)	(99)	(99)
Social & Sports Contribution Fund	(25)	(27)	(29)	(32)	(36)	(40)
Net Profit (Attributable)	870	940	1,036	1,137	1,300	1,458
EPS	0.575	0.621	0.685	0.751	0.859	0.963

Source: Company data, QNB FS Research

Balance Sheet (In QR mn)	2021	2022	2023	2024e	2025e	2026e
Cash & Balances with Central Bank	2,670	2,491	3,624	3,384	3,483	3,006
Interbank Loans	13,426	9,760	12,465	13,399	13,008	13,479
Net Investments	7,220	7,752	7,809	8,355	8,943	9,574
Net Loans	37,031	35,022	36,499	38,284	40,650	43,479
Investment In Associates	264	192	154	155	151	148
Other Assets	252	275	207	248	208	252
Net PP&E	231	231	226	237	254	276
Investments In Real Estate	697	669	642	642	642	642
Total Assets	61,792	56,393	61,626	64,704	67,339	70,856
Liabilities						
Interbank Deposits	9,922	5,679	9,468	9,731	9,483	9,547
Customer Deposits	38,646	37,945	38,934	41,270	43,540	46,239
Term Loans	3,543	2,794	2,772	2,772	2,772	2,772
Tier-1 Perpetual Sukuk	2,092	2,092	2,092	2,092	2,092	2,092
Other Liabilities	979	900	947	970	1,001	1,054
Total Liabilities	55,182	49,411	54,213	56,835	58,889	61,705
Total Shareholders' Equity	6,610	6,983	7,414	7,869	8,450	9,151
Total Liabilities & Shareholders' Equity	61,792	56,393	61,626	64,704	67,339	70,856
Risk Weighted Assets	49,250	49,109	52,598	55,516	59,258	65,187
TBVPs	4.34	4.59	4.88	5.19	5.58	6.05

Source: Company data, QNB FS Research

Ratios/Indicators	2021	2022	2023	2024e	2025e	2026e
Profitability (%)						
RoE	14.0	14.3	14.9	15.4	16.6	17.3
RoAA	1.4	1.6	1.8	1.8	2.0	2.1
RoRWA	1.8	1.9	2.0	2.1	2.3	2.3
NIM (% of IEAs)	2.51	2.59	2.90	2.95	3.07	3.14
NIM (% of RWAs)	2.97	2.89	3.10	3.15	3.26	3.24
NIM (% of AAs)	2.33	2.41	2.67	2.70	2.83	2.92
Spread	2.15	2.08	1.99	2.15	2.46	2.44
Efficiency (%)						
Cost-to-Income (Headline)	18.8	18.7	17.9	17.7	17.3	16.8
Cost-to-Income (Core)	19.1	18.7	18.1	17.9	17.5	17.0
Liquidity (%)						
LDR	88	86	88	87	88	89
Loans/Assets	59.9	62.1	59.2	59.2	60.4	61.4
Cash & Interbank Loans-to-Total Assets	26.0	21.7	26.1	25.9	24.5	23.3
Deposits to Assets	62.5	67.3	63.2	63.8	64.7	65.3
Wholesale Funding to Loans	36.4	24.2	33.5	32.7	30.1	28.3
IEAs to IBLs	129	136	127	125	129	129
Asset Quality (%)						
NPL Ratio	2.6	2.8	2.9	2.9	3.0	3.1
NPL to Shareholders' Equity	14.8	14.6	14.8	15.0	15.3	15.8
NPL to Tier-1 Capital	12.8	12.8	13.2	13.4	13.8	14.4
Coverage Ratio	123.1	147.7	147.8	173.3	189.6	197.4
ALL/Average Loans	2.9	3.9	4.2	5.0	5.6	6.1
Cost of Risk (bps)	95	81	113	107	98	90
Capitalization (%)						
CET1 Ratio	11.3	12.0	11.9	12.1	12.3	12.2
Tier-1 Ratio	15.6	16.3	15.9	15.8	15.8	15.5
CAR	16.7	17.7	17.0	17.0	17.0	16.6
Leverage (x)	9.3	8.1	8.3	8.2	8.0	7.7
Growth (%)						
Net Interest Income	0.8	-0.8	11.0	8.0	9.6	8.0
Non-Interest Income	21.5	20.2	6.9	5.2	4.1	12.6
OPEX	-3.9	2.5	5.2	6.1	6.2	5.5
Net Operating Income	6.0	3.0	11.3	7.7	9.0	9.5
Net Income (Attributable)	7.9	8.1	10.2	9.7	14.4	12.1
Loans	-8.6	-5.4	4.2	4.9	6.2	7.0
Deposits	6.3	-1.8	2.6	6.0	5.5	6.2
Assets	0.8	-8.7	9.3	5.0	4.1	5.2
RWAs	4.5	-0.3	7.1	5.5	6.7	10.0

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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