

Qatar Islamic Bank (QIBK)

Recommendation	ACCUMULATE	Risk Rating	R-3
Share Price	QR21.65	Target Price	QR22.45
Implied Upside	3.7%		

3Q2024 Moderately Beats Estimates; Earnings Driven by Lower CoR

Qatar Islamic Bank (QIBK) moderately beat our estimates, growing net income by 9.1%/8.1% YoY/QoQ to QR1,200.0mn. 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 3Q2024 net profit moderately exceeds our estimates:** Qatar Islamic Bank (QIBK) reported earnings of QR1,200.0mn in 3Q2024 vs. our estimate of QR1,161.8mn (variation of +3.3%).
- 3Q2024 bottom-line was driven by a sharp drop in credit provisions & impairments, countering weak non-funded income.** Total revenue increased by 2.3% YoY to QR1,698.7mn (right in-line with our estimate), driven by a 4.5% increase in net interest & investment income as non-funded income dropped by 9.6%; NIMs remained flat YoY at -2.61%. Opex increased by 2.5%, resulting in a 2.3% increase net operating income to QR1,416.2mn (also in-line with our estimate of QR1,417.4mn). Finally, a 22.1% drop in provisions & impairments led to a 9.1% increase in the bottom-line. Sequentially, earnings moved up by 8.1% on the back of 6bps margin expansion, flat opex and a 2.9% drop in provisions & impairments.
- Robust RoE trajectory continued; 9M2024 RoE (annualized) came in at 17.3%:** 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 more cost-efficient among banks in the GCC.** The bank reported a C/I ratio of 16.6% in 3Q2024, in-line with 3Q2023 (2Q2024: 17.5%). Moreover, 9M2024 efficiency ratio was flat at 17.3% vs. 9M2023.
- Net loans continued their positive trajectory.** Net loans increased by 0.7% sequentially (+4.4% YTD) to QR127.7bn. Moreover, deposits increased by 3.0% QoQ (+4.6% YTD) to QR126.4bn.
- Net credit provisions dropped YoY & sequentially.** Net credit provisions declined by 27.9%/3.6% YoY/QoQ to QR192.8mn. Hence, 9M2024 annualized CoR moved down to 75bps from 90bps in 9M2023. *Drop in CoR was the main factor in moving the bottom-line YoY.*
- Asset quality remains healthy; Stage 2 loans dropped by 25.7% sequentially, which is a positive and contributes 13% of total loans.** NPL ratio remained at 1.65% in 3Q2024 vs 2Q2024 (FY2023:1.67%). During the same time, NPL formation was negligible. Moreover, coverage of Stage 3 loans remained flat at 95% vs. 2Q2024 (FY2023: 88%). *Given management's conservative nature, Stage 1 ECLs contributed 57% to total ECLs.*
- Capitalization remains strong.** QIBK ended 3Q2024 with robust CET1 and Tier-1 ratios at 17.5% and 20.2%, 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 1.8/1.7x and 11.8/10.7x, 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	1.83	2.03	2.18
EPS Growth (%)	7.0	8.9	10.8	7.4
P/E (x)	12.9	11.8	10.7	9.9
Tangible BVPS (QR)	10.7	11.8	13.0	14.4
P/TBV (x)	2.0	1.8	1.7	1.5
RoE (%)	17.3	17.2	17.3	16.7
DPS (QR)	0.725	0.750	0.800	0.925
Dividend Yield (%)	3.3	3.5	3.7	4.3

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

Key Data

Current Market Price (QR)	21.65
DY 1H2024 Annualized (%)	2.3
Bloomberg Ticker	QIBK QD
ADR/GDR Ticker	N/A
Reuters Ticker	QISB.QA
ISIN	QA0006929853
Sector*	Banks & Fin. Svcs.
52wk High/52wk Low (QR)	21.99/16.81
3-m Average Volume (mn)	0.9
Mkt. Cap. (\$ bn/QR bn)	14.1/51.2
Shares Outstanding (mn)	2,362.93
FO Limit* (%)	100.0
Institutional FO* (%)	15.2
1-Year Total Return (%)	+23.8
Fiscal Year End	December 31

Source: Bloomberg (as of October 16, 2024), *Qatar Exchange (as of October 16, 2024); Note: FO is foreign ownership

Shahan Keushgerian

+974 4476 6509

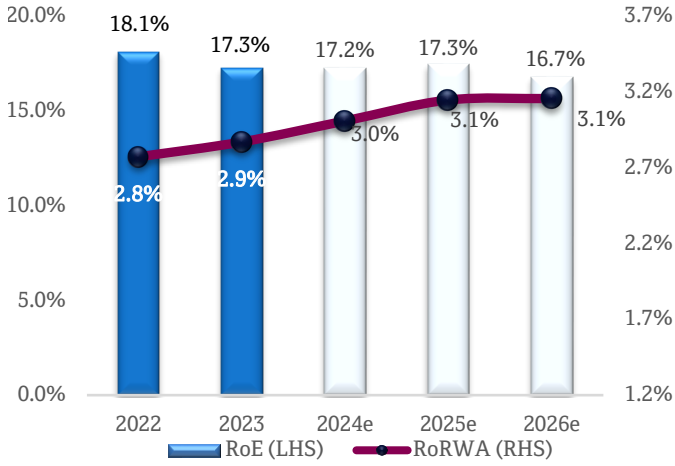
shahan.keushgerian@qnbfs.com.qa

Saugata Sarkar, CFA, CAIA

+974 4476 6534

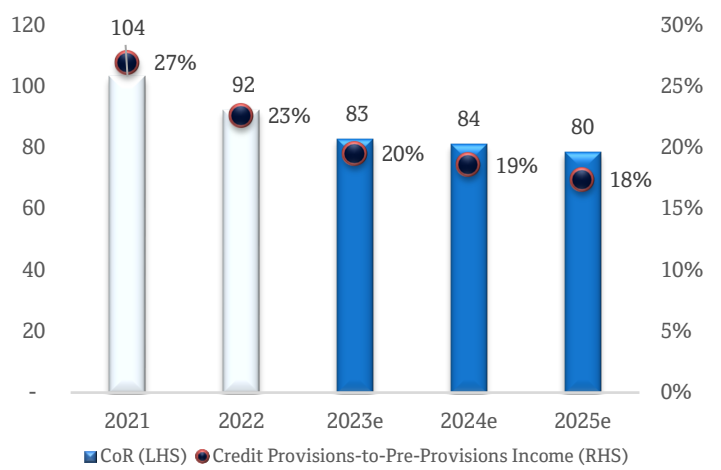
saugata.sarkar@qnbfs.com.qa

Robust RoE and RoRWAs Generator

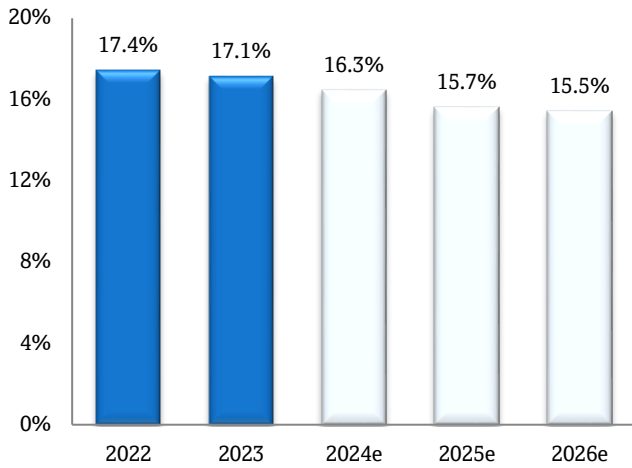


Source: Company data, QNB FS Research

With Healthy CoR Levels

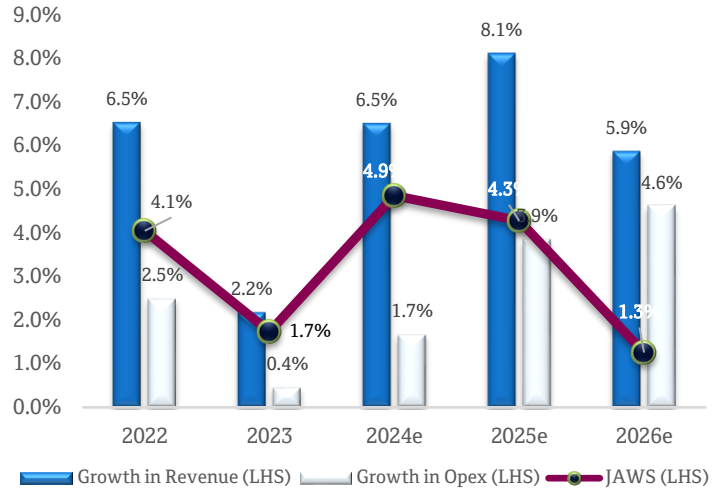


Efficiently Managed Bank

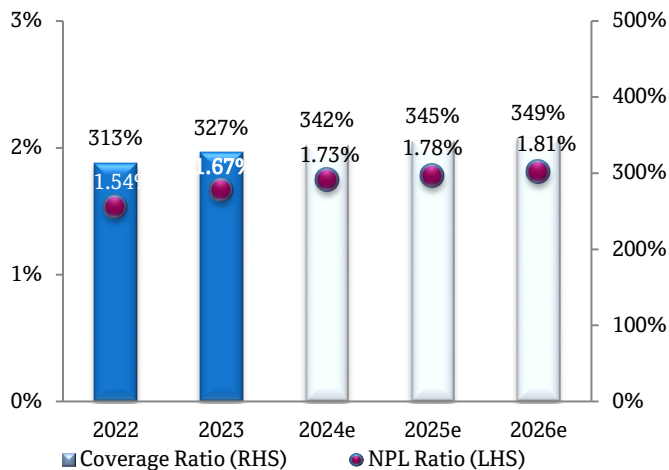


Source: Company data, QNB FS Research

While Generating Strong Revenue Growth and Healthy JAWs



Superior Asset Quality



Source: Company data, QNB FS Research

Strong Coverage of Stage 3 Loans & Manageable Stage 2 Loans

3Q 2024	Stage 1	Stage 2	Stage 3	Total
Gross Loans	114,965,024	18,199,610	2,228,041	135,392,675
ECLs	4,367,882	1,189,494	2,111,823	7,669,199
Stages % of Loans	84.91%	13.44%	1.65%	
Stages % ECLS	57.0%	15.5%	27.5%	
Coverage Ratio	4%	7%	95%	

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	978	1,073	1,024
FX Income	200	122	50	71	85	97
Other Income	289	451	367	368	391	417
Non-Interest Income	1,215	1,383	1,307	1,416	1,549	1,538
Total Revenue	5,990	6,382	6,521	6,947	7,513	7,955
Operating Expenses	(1,085)	(1,112)	(1,117)	(1,136)	(1,180)	(1,234)
Net Operating Income	4,904	5,270	5,404	5,811	6,333	6,721
Net Provisions & Impairments	(1,342)	(1,235)	(1,103)	(1,124)	(1,164)	(1,185)
Net Profit Before Taxes & Non-Recurring Items	3,563	4,034	4,301	4,687	5,169	5,536
Tax	(10)	(11)	(13)	(14)	(16)	(17)
Net Profit Before Minority Interest	3,553	4,023	4,288	4,673	5,154	5,519
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	4,670	5,150	5,515
Interest On Tier-1 Sukuk	(196)	(188)	(219)	(219)	(219)	(219)
Social & Sports Contribution Fund	(89)	(100)	(108)	(117)	(129)	(138)
Net Profit (Attributable)	3,270	3,717	3,979	4,335	4,802	5,158
EPS	1.38	1.57	1.68	1.83	2.03	2.18

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	8,628	7,874	8,797
Interbank Loans	7,461	3,188	3,262	3,588	4,104	3,665
Net Investments	44,380	45,774	48,013	50,536	52,185	55,831
Net Loans	128,409	119,285	122,381	128,151	136,787	146,582
Investment In Associates	1,140	1,130	1,128	1,160	1,195	1,232
Other Assets	1,709	2,576	2,297	2,455	2,589	2,491
Net PP&E	570	558	516	513	508	505
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	198,239	208,400	222,214
Liabilities						
Interbank Deposits	19,856	17,382	20,434	22,467	21,251	20,631
Customer Deposits	131,095	122,371	120,835	126,876	135,758	146,618
Sukuk Financing	14,063	12,453	14,668	12,321	12,321	12,321
Other Liabilities	3,491	3,868	3,203	3,933	3,394	3,695
Tier-1 Sukuk	4,000	4,000	4,000	4,000	4,000	4,000
Total Liabilities	172,504	160,075	163,140	169,597	176,724	187,265
Minority Interest	676	669	625	628	632	637
Total Shareholders' Equity	20,736	23,257	25,392	28,014	31,044	34,312
Total Liabilities & Shareholders' Equity	193,916	184,001	189,157	198,239	208,400	222,214
Risk Weighted Assets	134,045	138,570	144,463	156,212	165,678	179,993
BVPS	8.78	9.84	10.75	11.86	13.14	14.52

Source: Company data, QNB FS Research

Key Indicators/KPIs	2021	2022	2023	2024e	2025e	2026e
Profitability (%)						
RoE (Tangible)	18.2	18.1	17.3	17.2	17.3	16.7
RoAA	1.8	2.0	2.1	2.2	2.4	2.4
RoRWA	2.7	2.8	2.9	3.0	3.1	3.1
NIM (% of IEAs)	2.90	2.97	3.14	3.19	3.26	3.31
NIM (% of RWAs)	3.74	3.67	3.68	3.68	3.71	3.71
NIM (% of AAs)	2.59	2.65	2.79	2.86	2.93	2.98
Spread	2.66	2.67	2.56	2.54	2.46	2.31
Efficiency (%)						
Cost-to-Income (Headline)	18.1	17.4	17.1	16.3	15.7	15.5
Cost-to-Income (Core)	18.9	18.7	18.2	17.3	16.6	16.4
Liquidity (%)						
LDR	98.0	97.5	101.3	101.0	100.8	100.0
Loans/Assets	66.2	64.8	64.7	64.6	65.6	66.0
Cash & Interbank Loans-to-Total Assets	7.5	6.1	6.0	6.2	5.7	5.6
Deposits to Assets	67.6	66.5	63.9	64.0	65.1	66.0
Wholesale Funding to Loans	26.4	25.0	28.7	27.1	24.5	22.5
IEAs to IBLs	117.1	122.2	119.7	120.2	121.7	122.6
Asset Quality (%)						
NPL Ratio	1.8	1.5	1.7	1.7	1.8	1.8
NPL to Shareholder's Equity	11.5	8.3	8.5	8.4	8.4	8.3
NPL to Tier 1 Capital	10.1	7.4	7.8	8.0	8.3	8.5
Coverage Ratio	202	313	327	342	345	349
ALL/Average Loans	3.5	4.2	4.8	5.1	5.3	5.5
Cost of Risk	104	92	83	84	80	78
Capitalization (%)						
CET1 Ratio	14.7	15.8	16.4	16.2	16.5	16.4
Tier-1 Ratio	17.7	18.7	19.2	18.8	18.9	18.6
CAR	18.9	19.9	20.4	20.0	20.1	19.8
Leverage (x)	9.4	7.9	7.4	7.1	6.7	6.5
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	8.4	9.4	-0.7
Total Revenue	10.1	6.5	2.2	6.5	8.1	5.9
OPEX	-0.6	2.5	0.4	1.7	3.9	4.6
Net Operating Income	12.8	7.4	2.6	7.5	9.0	6.1
Net Income (Attributable)	17.5	13.7	7.0	8.9	10.8	7.4
Loans	7.8	-7.1	2.6	4.7	6.7	7.2
Deposits	11.0	-6.7	-1.3	5.0	7.0	8.0
Assets	11.2	-5.1	2.8	4.8	5.1	6.6
RWAs	10.3	3.4	4.3	8.1	6.1	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

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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