

## Qatar International Islamic Bank (QIIB)

Recommendation	MARKET PERFORM	Risk Rating	R-3
Share Price	QR10.670	Target Price	QR10.438
Implied Upside	(2.2%)		

### 4Q2023 In-Line With Estimates & Historical Trends; Market Perform

Qatar International Islamic Bank (QIIB) reported a net profit of QR187.8mn in 4Q2023 (in-line with our estimate), increasing by 8.4% YoY (sequentially dropped by 48.1%); the results were not surprising as QIIB tends to follow historical trends as it reports larger credit provisions in 4Q vs. 3Q, thus resulting in a large decrease in the bottom-line. Net-net, the bottom-line increased YoY due to a more than 50% drop in other impairments as net operating income grew by only 3.4%.

#### Highlights

- **QIIB's 4Q2023 comes in-line with our estimates and historical trends.** Qatar International Islamic Bank reported a net income of QR187.8mn in 4Q2023 vs. our estimate of QR183.7mn (+2.2% variation), increasing by 8.4% YoY (-48.1% QoQ). A 61.3% drop in other impairments mainly drove the YoY increase in profitability as net operating income increased by only 3.4%. Sequentially, earnings followed historical trends and dropped on the back of margin compression, weak non-funded income (mainly fees) and a surge credit provisions & impairments (4Q2023: QR210.2mn; 3Q2023: QR93.0mn).
- **Margins compressed YoY and sequentially.** NIMs compressed by ~15bps/31bps in 4Q2022/3Q2023 to 2.72%. This was due to the increase in CoFs outpacing yield on interest-earnings assets. Hence, the portion of interest bearing deposits as a % of deposits increased from 79% in FY2022 to 84% in FY2023.
- **Non-funded income was mixed.** Fees declined by 1.4%/23.3% YoY/QoQ, while f/x income increased by 2.4%/33.8% YoY/sequentially.
- **DPS came in ahead of our estimates.** The Board recommended a DPS of QR0.450 vs. QR0.400 in FY2022 (beating our estimate of QR0.425), which translates in to a yield of 4.2% and a payout ratio of 66%.
- **Healthy RoE generator (>CoE):** QIIB generated a RoE of 14.9% in FY2023 vs. 14.3% in FY2022.
- **The bank remains cost efficient.** QIIB posted a cost-to-income ratio of 18.5% in 4Q2023 vs. 18.7% in 4Q2022 (3Q2023: 16.3%). Moreover, growth in revenue slightly outpaced growth in opex, resulting in 1% JAWs.
- **Net loans modestly declined QoQ, but increased YoY.** Net loans declined by 0.8% sequentially (+4.2% YoY) to QR36.5bn. The YoY growth in loans was driven by the corporate sector (excluding real estate and contracting segments), while retails loans remained flat. Deposits increased by 2.5% QoQ (+2.6 YoY) to QR38.9bn in FY2023. Thus, QIIB's LDR (excluding wholesale stable sources of funds) was a healthy 94%.
- **FY2023 CoR increased vs. FY2022.** QIIB booked net credit provisions of QR178.9mn in 4Q2023 (FY2023: QR423.8mn) vs. QR130.9mn in 4Q2022 (FY2022: QR302.3mn) and QR96.5mn in 3Q2023. FY2023 CoR increased to 113bps from 81bps in FY2022.
- **Asset quality remains healthy.** NPL ratio increased from 2.79% in FY2022 to 2.88% in FY2023 (3Q2023: 3.16%; FY2021: 2.56%), while NPLs decreased by 10.0% QoQ (+7.5% vs. FY2022). Moreover, coverage of Stage 3 loans declined to 87% (although still strong) vs. 90% in 3Q2023 (FY2022: 93%). It seems management reclassified some Stage 1 and 3 loans to Stage 2. Moreover, coverage of Stage 2 loans increased to 11% from 7%/8% in 3Q2023/FY2022. Stage 2 loans comprise 10% of total loans.
- **Capitalization remains healthy and above QCB minimum.** QIIB ended FY2023 with a CET1/Tier-1 ratio of 11.9%/15.9%.

#### 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 2.1x/1.9x and 13.9x/11.9x, 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

	2022	2023	2024e	2025e
Attributable EPS (QR)	0.621	0.685	0.766	0.894
EPS Growth (%)	8.1	10.2	11.8	16.8
P/E (x)	17.2	15.6	13.9	11.9
Tangible BVPS (QR)	4.6	4.9	5.2	5.6
P/TBV (x)	2.3	2.2	2.1	1.9
RoE (%)	14.3	14.9	15.7	17.2
DPS (QR)	0.400	0.450	0.475	0.500
Dividend Yield (%)	3.7	4.2	4.5	4.7

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

#### Key Data

Current Market Price (QR)	10.670
Dividend Yield (%)	4.2
Bloomberg Ticker	QIIB QD
ADR/GDR Ticker	N/A
Reuters Ticker	QIIB.QA
ISIN	QA0006929879
Sector*	Banks & Fin. Svcs.
52wk High/52wk Low (QR)	11.06/8.66
3-m Average Volume (mn)	1.1
Mkt. Cap. (\$ bn/QR bn)	4.4/16.2
Shares Outstanding (000's)	1,513.7
FO Limit* (%)	100.0
Current FO* (%)	19.9
1-Year Total Return (%)	+4.1
Fiscal Year End	December 31

Source: Bloomberg (as of February 06, 2024), \*Qatar Exchange (as of February 06, 2024); Note: FO is foreign institutional ownership

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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>	
<b>OUTPERFORM</b>	Greater than +20%	<b>R-1</b>	Significantly lower than average
<b>ACCUMULATE</b>	Between +10% to +20%	<b>R-2</b>	Lower than average
<b>MARKET PERFORM</b>	Between -10% to +10%	<b>R-3</b>	Medium / In-line with the average
<b>REDUCE</b>	Between -10% to -20%	<b>R-4</b>	Above average
<b>UNDERPERFORM</b>	Lower than -20%	<b>R-5</b>	Significantly above average

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