

Qatar Islamic Bank (QIBK)

Recommendation	OUTPERFORM	Risk Rating	R-3
Share Price	QR20.22	Target Price	QR24.18
Implied Upside	19.6%		

In-Line 4Q2023; Earnings Driven by Margin Expansion & Fees

Qatar Islamic Bank (QIBK) reports in-line 4Q2023 figures, growing net income by 8.2%/13.6% YoY/QoQ to QR1,250.0mn. Moreover, the board announced a DPS of QR0.725 vs. QR 0.625 in FY2022, which is an increase of 16.0% and a yield of 3.6%. Net-net, QIBK's bottom-line was mainly attributable to margin expansion, fees and cost containment. We maintain our Outperform rating and continue to expect ~8-10% bottom-line growth.

- **QIBK reported in-line 4Q2023 net profit:** Qatar Islamic Bank (QIBK) reported earnings of QR1,250.0mn in 4Q2023, in-line with our estimate of QR1,281.1mn (variation of -2.4%). Bottom-line increased by 8.2% YoY (+13.6% sequentially).
- **In-line with 3Q2023, bottom-line was driven by core banking income and cost management.** Total revenue increased by 10.3% YoY to QR1,752.1mn (in-line with our estimate of QR1,705.2mn; variation of +2.7%), driven by net interest & investment income and fees. Net interest & investment income increased by 8.8% YoY to QR1,480.9mn, also in-line with our estimate of QR1,445.3mn (variation of +2.5%); NIMs expanded by ~28bps YoY to ~3.4%. At the same time, fees surged by 34.5% YoY. Opex increased by only 2.1%, resulting in net operating income increasing by 12.1% to QR1,459.8mn (in-line with our estimate of QR1,426.9mn; variation of +2.3%). Sequentially, earnings grew by 13.6% on the back of a large drop in net credit provisions (down 28.5%).
- **DPS beat our estimates.** The board announced a DPS of QR0.725 vs. our estimate of QR0.675, which results in a yield of 3.6% and payout ratio of 43.1%. DPS grew 16.0% YoY.
- **Robust RoE and RoRWA trajectory continued; FY2023 RoE came in at 17.8% vs. 17.3% in 2022:** 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 18.0% in 4Q2022 YoY to 16.7% in 4Q2023 (3Q2023: 16.7%). Moreover, QIBK generated robust JAWs of 8.2% YoY as revenue grew by 10.3%, while opex increased by only 2.1%.
- **Net loans remained flattish QoQ but increased by 2.6% YTD.** Net loans increased to QR122.4bn, driven mainly by the corporate segment (excluding RE and contracting). Deposits declined by 0.6%/1.3% QoQ/YTD to QR120.8bn.
- **Net credit provisions increased YoY but dropped QoQ (in-line with historical trends).** Net credit provisions increased YoY to QR191.2mn but declined by 28.5% sequentially. On a positive note, CoR improved from 92bps in FY2022 to 83bps in FY2023 (FY2021: 104bps).
- **Asset quality came under pressure but remains healthy.** NPL ratio increased to 1.67% in FY2023 vs 1.45%/1.54% in 3Q2023/FY2022. During the same time, NPLs increased by 16.5%/12.6% sequentially/YTD. Moreover, Stage 2 ECLS increased by 18.1% and 36.5% QoQ and YTD, respectively. Further, coverage of Stage 3 loans declined to 88% vs. 95% in 3Q2023/FY2022.
- **Capitalization remains strong.** QIBK ended FY2023 with robust CET1 and Tier-1 ratios at 16.4% and 19.2%, respectively.

Recommendation, Valuation and Risks

- **Recommendation and valuation: We maintain our Price Target at QR24.18 and our Outperform rating.** QIBK is trading at a 2024e P/TB and P/E of 1.7x and 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)	2022	2023	2024e	2025e
EPS (QR)	1.57	1.68	1.89	2.13
EPS Growth (%)	13.7	7.0	12.5	12.3
P/E (x)	12.9	12.0	10.7	9.5
Tangible BVPS (QR)	9.8	10.7	11.8	13.2
P/TBV (x)	2.1	1.9	1.7	1.5
RoE (%)	18.1	17.3	17.8	18.0
DPS (QR)	0.625	0.725	0.725	0.800
Dividend Yield (%)	3.1	3.6	3.6	4.0

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

Key Data

Current Market Price (QR)	20.22
Dividend Yield (%)	3.6
Bloomberg Ticker	QIBK QD
ADR/GDR Ticker	N/A
Reuters Ticker	QISB.QA
ISIN	QA0006929853
Sector*	Banks & Fin. Svcs.
52wk High/52wk Low (QR)	22.09/16.81
3-m Average Volume ('000)	1,653.0
Mkt. Cap. (\$ bn/QR bn)	13.2/47.8
Shares Outstanding (mn)	2,362.93
FO Limit* (%)	100.0
Institutional FO* (%)	15.7
1-Year Total Return (%)	+13.3
Fiscal Year End	December 31

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

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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	5,669	6,300	7,037
Fees & Commissions	726	810	889	980	991	1,075
FX Income	200	122	50	61	56	65
Other Income	289	451	367	345	341	362
Non-Interest Income	1,215	1,383	1,307	1,386	1,388	1,501
Total Revenue	5,990	6,382	6,521	7,055	7,688	8,539
Operating Expenses	(1,085)	(1,112)	(1,117)	(1,137)	(1,173)	(1,241)
Net Operating Income	4,904	5,270	5,404	5,917	6,515	7,298
Net Provisions & Impairments	(1,342)	(1,235)	(1,103)	(1,086)	(1,117)	(1,349)
Net Profit Before Taxes & Non-Recurring Items	3,563	4,034	4,301	4,831	5,398	5,949
Tax	(10)	(11)	(13)	(15)	(16)	(18)
Net Profit Before Minority Interest	3,553	4,023	4,288	4,816	5,382	5,931
Minority Interest	2	(18)	17	(3)	(4)	(5)
Non-Recurring/Unusual Gains/(Losses)	0	0	0	0	0	0
Net Profit (Headline)	3,555	4,005	4,305	4,813	5,378	5,926
Interest On Tier-1 Sukuk	(196)	(188)	(219)	(219)	(219)	(219)
Social & Sports Contribution Fund	(89)	(100)	(108)	(120)	(134)	(148)
Net Profit (Attributable)	3,270	3,717	3,979	4,474	5,025	5,559

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	7,729	7,799	9,149
Interbank Loans	7,461	3,188	3,262	3,461	4,145	2,992
Net Investments	44,380	45,774	48,013	49,645	49,018	52,483
Net Loans	128,409	119,285	122,381	128,179	138,183	149,596
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	2,600	2,512
Net PP&E	570	558	516	501	493	487
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	196,338	206,592	221,562
Liabilities						
Interbank Deposits	19,856	17,382	20,434	19,325	18,001	18,241
Customer Deposits	131,095	122,371	120,835	125,668	134,465	145,222
Sukuk Financing	14,063	12,453	14,668	14,668	14,668	14,668
Other Liabilities	3,491	3,868	3,203	3,896	3,362	3,660
Tier-1 Sukuk	4,000	4,000	4,000	4,000	4,000	4,000
Total Liabilities	172,504	160,075	163,140	167,557	174,495	185,791
Minority Interest	676	669	625	628	633	637
Total Shareholders' Equity	20,736	23,257	25,392	28,153	31,464	35,133
Total Liabilities & Shareholders' Equity	193,916	184,001	189,157	196,338	206,592	221,562
Risk Weighted Assets	134,045	138,570	144,463	158,052	169,405	188,327

Source: Company data, QNB FS Research

Key Indicators/KPIs	2021	2022	2023	2024e	2025e	2026e
Profitability (%)						
RoE (Tangible)	18.2	18.1	17.3	17.8	18.0	17.8
RoAA	1.8	2.0	2.1	2.3	2.5	2.6
RoRWA	2.7	2.8	2.9	3.1	3.2	3.3
NIM (% of IEAs)	2.90	2.97	3.14	3.28	3.48	3.65
NIM (% of RWAs)	3.74	3.67	3.68	3.75	3.85	3.93
NIM (% of AAs)	2.59	2.65	2.79	2.94	3.13	3.29
Spread	2.66	2.67	2.56	2.63	2.68	2.70
Efficiency (%)						
Cost-to-Income (Headline)	18.1	17.4	17.1	16.1	15.3	14.5
Cost-to-Income (Core)	18.9	18.7	18.2	16.9	16.0	15.2
Liquidity (%)						
LDR	98.0	97.5	101.3	102.0	102.8	103.0
Loans/Assets	66.2	64.8	64.7	65.3	66.9	67.5
Cash & Interbank Loans-to-Total Assets	7.5	6.1	6.0	5.7	5.8	5.5
Deposits to Assets	67.6	66.5	63.9	64.0	65.1	65.5
Wholesale Funding to Loans	26.4	25.0	28.7	26.5	23.6	22.0
IEAs to IBLs	117.1	122.2	119.7	120.9	122.1	122.8
Asset Quality (%)						
NPL Ratio	1.8	1.5	1.7	1.4	1.3	1.3
NPL to Shareholder's Equity	11.5	8.3	8.5	6.5	6.1	5.8
NPL to Tier 1 Capital	10.1	7.4	7.8	6.2	6.1	5.9
Coverage Ratio	202.4	313.0	327.1	436.5	462.8	480.4
ALL/Average Loans	3.5	4.2	4.8	5.1	5.3	5.4
Cost of Risk	104	92	83	81	79	73
Capitalization (%)						
CET1 Ratio	14.7	15.8	16.4	16.1	16.3	16.1
Tier-1 Ratio	17.7	18.7	19.2	18.7	18.7	18.2
CAR	18.9	19.9	20.4	19.8	19.9	19.4
Leverage (x)	9.4	7.9	7.4	7.0	6.6	6.3
Growth (%)						
Net Interest Income	9.8	4.7	4.3	8.7	11.1	11.7
Non-Interest Income	11.5	13.8	-5.5	6.0	0.1	8.2
Total Revenue	10.1	6.5	2.2	8.2	9.0	11.1
OPEX	-0.6	2.5	0.4	1.8	3.1	5.8
Net Operating Income	12.8	7.4	2.6	9.5	10.1	12.0
Net Income (Attributable)	17.5	13.7	7.0	12.5	12.3	10.6
Loans	7.8	-7.1	2.6	4.7	7.8	8.3
Deposits	11.0	-6.7	-1.3	4.0	7.0	8.0
Assets	11.2	-5.1	2.8	3.8	5.2	7.2
RWAs	10.3	3.4	4.3	9.4	7.2	11.2

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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