

Qatar International Islamic Bank (QIIB)

Recommendation	MARKET PERFORM	Risk Rating	R-3
Share Price	QR10.75	Target Price	QR11.26
Implied Upside	4.7%	Old Target Price	QR10.44

Increasing Price Target to QR11.26 on Better Earnings Outlook

We model 5-year (2024-29e) earnings CAGR of 8.1% for Qatar International Islamic Bank (QIIB), increasing our 2025, 2026 and 2027 estimates (see page 4). As such, we increase our PT from QR10.44 to QR11.26. The stock is now trading at 2025 P/B of 2.0x vs. its 5-year average of 2.3x. As a result, we see limited upside from these levels as reflected in our price target. **At these levels, it would imply that QIIB is trading at a 20% premium to QIBK (2025e P/TB 1.7x) and it should be noted that QIBK has better profitability and asset quality indicators.** Further, the market is pricing in a sustainable RoE of 16.2%, slightly lower than our 16.5%.

Highlights

- **QIIB's FY2024 comes in-line with our estimates.** Qatar International Islamic Bank reported an attributable net income of QR1.13bn in 2024 vs. our estimate of QR1.12bn (+1.2% variation), increasing by 9.4% YoY. Lower credit provisions mainly drove the YoY increase in profitability as net operating income increased by only 1.1% because of margin pressure. NIMs compressed by 13bps, resulting in a 2.2% decline in net interest income.
- **Based on our 2025 DPS estimate, the stock offers an attractive yield.** We estimate DPS to increase by 10.0% from QR0.500 in 2024 to QR0.550 in 2025, which translates into a yield of 5.1% and payout ratio of 67%.
- **Healthy RoE generator (>CoE); strong RoRWAs:** QIIB generated a FY2024 RoE of 15.4% vs. 14.9% in FY2023. We forecast RoE to reach 16.6%/16.7% in 2025e/26e. Moreover, we estimate RoRWAs to increase from 2.2% in 2024 (2.0% in 2023) to a strong 2.4% by 2025e/26e.
- **We model margins to moderately increase on strong competition.** We expect NIMs to increase from 2.77% in 2024 to 2.80% (2025), 2.82% (2026) and 2.87% (2027).
- **The bank remains cost efficient and has one of the lowest C/I ratios domestically and in the GCC.** QIIB posted a cost-to-income ratio of 18.9% in FY2024 vs. 17.9% in FY2023.
- **Net loans are expected to grow by a 5-year CAGR (2024-29e) of 6.6% as lending appetite picks up.** Net loans increased by 7.7% YoY to QR39.3bn in FY2024. The growth in loans was driven by various segments with the exception of real estate and contracting. Deposits increased by 6.3% YoY to QR41.4bn in FY2024. Thus, QIIB's LDR (excluding wholesale stable sources of funds) was a healthy 95%. We still expect the LDR to hover around these levels.
- **FY2024 CoR significantly dropped vs. FY2023.** QIIB booked net credit provisions of QR328.7mn in FY2024 vs. QR423.8mn in FY2023. Hence, FY2024 CoR decreased to 83bps from 113bps in FY2023. After the improvement in CoR and strong coverage of Stage 3 loans, we expect CoR to remain in the vicinity of 82bps-84bps during 2025-29e.
- **Asset quality continually remains under pressure, but coverage of Stage 3 loans is strong.** NPL ratio increased from 2.88% in FY2023 to 3.28% in FY2024 (FY2022: 2.79%). At the same time, NPLs increased by 23.4% YoY. On the other hand, coverage of Stage 3 loans improved from 87% in FY2023 to 92% in FY2024 (strong coverage). Management allocated the majority of ECLs to Stage 3 loans. Stage 2 loans comprise 10% of total loans with a coverage of 10%, which is relatively healthy.
- **Capitalization remains healthy and above QCB minimum.** QIIB ended FY2024 with CET1/Tier-1 ratios of 14.0%/18.2%.

Catalysts

- 1) We need to see increasing momentum in reported results, in our view (historical 5-year earnings CAGR was only 6.0%).

Recommendation, Valuation and Risks

- **Recommendation and valuation: We maintain our Market Perform rating, but increase our PT from QR10.44 to QR11.26.** QIIB is trading at a 2025/26e P/TB and P/E of 2.0x/1.9x and 13.1x/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

	2024	2025e	2026e	2027e
Attributable EPS (QR)	0.749	0.818	0.878	0.944
EPS Growth (%)	9.4	9.3	7.3	7.5
P/E (x)	14.4	13.1	12.2	11.4
Tangible BVPS (QR)	4.9	5.3	5.6	6.0
P/TBV (x)	2.2	2.0	1.9	1.8
RoE (%)	15.4	16.6	16.7	16.9
DPS (QR)	0.500	0.550	0.600	0.625
Dividend Yield (%)	4.7	5.1	5.6	5.8

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

Key Data

Current Market Price (QR)	10.75
Dividend Yield (%)	4.7
Bloomberg Ticker	QIIB QD
Reuters Ticker	QIIB.QA
ISIN	QA0006929879
Sector*	Banks & Fin. Svcs.
52wk High/52wk Low (QR)	11.40/9.11
3-m Average Volume (mn)	0.6
Mkt. Cap. (\$ bn/QR bn)	4.5/16.3
Shares Outstanding (000's)	1,513.7
FO Limit* (%)	100.0
Current FO* (%)	19.5
1-Year Total Return (%)	+3.4
Fiscal Year End	December 31

Source: Bloomberg (as of March 11, 2025), *Qatar Exchange (as of March 11, 2025); Note: FO is foreign institutional ownership

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Valuation

We value QIIK using the Residual Income Model (RI) based on a fundamental P/B:

We derive QIIK's fair value by employing the RI valuation technique (*based on a fundamental P/B*), which is calculated based on the sum of its beginning book value, present value of interim residuals (net income minus equity charge) and the present value of the terminal value (we apply a fundamental P/B multiple based on the Gordon Growth Model to the ending book value at the end of our forecast horizon). We derive the P/B from the Gordon Growth Model: $P/B = (RoE-g)/(Ke-g)$. This model uses sustainable return on equity (RoE) based on the median over our forecast period, cost of equity (Ke) and expected long-term growth in earnings (g) to arrive at fundamental/justified P/B. **Based on this method, we arrive at a fundamental P/B of 2.1x.**

We add Qatar's 10-year CDS rate of 0.66% to the 10-year US government average bond yield (4.20%) to arrive at a risk free rate of 4.9%. We factor in an adjusted beta of 0.9x. Finally, we add a local equity risk premium of 6.5% to arrive at a Ke of 10.82%. However, we use a Ke of 10.5% for the terminal year.

Valuation Methodologies

Fundamental P/B		RI Based on Fundamental P/B	
Sustainable RoE (%)	16.5	Beginning Tangible BVPS (2025) (QR)	4.96
Terminal Cost of Equity (%)	10.50	Present Value of Interim Residuals (QR)	2.35
Terminal Growth Rate (%)	5.0	Present Value of Terminal Value (QR)	3.95
Fundamental P/B	2.1x	Current Market Price (QR)	10.75
		12-Month Target Price (QR)	11.26
		Upside/(Downside) Potential (%)	4.7

Source: QNB FS Research

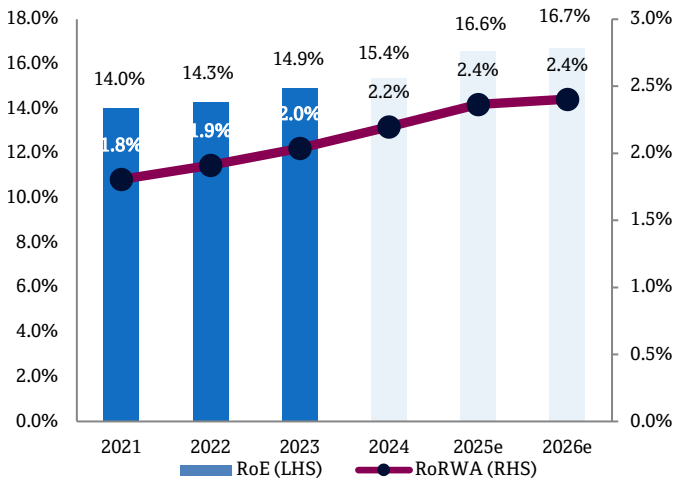
Forecast

	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	Terminal
Beginning BVPS	4.96	5.28	5.61	5.95	6.34	6.80	7.28	7.79	8.36	8.98
Attributable EPS	0.82	0.88	0.94	1.02	1.11	1.17	1.24	1.32	1.39	1.48
DPS	0.500	0.550	0.600	0.625	0.650	0.700	0.725	0.750	0.775	0.800
Adjustment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ending BVPS	5.28	5.61	5.95	6.34	6.80	7.28	7.79	8.36	8.98	9.66
Equity Charge	0.54	0.57	0.61	0.64	0.69	0.74	0.79	0.84	0.90	0.94
Residual Income	0.28	0.31	0.34	0.37	0.42	0.44	0.45	0.47	0.49	0.54
Terminal Value (Based on Fundamental P/B)										10.54
Discounted Interim Residuals	0.26	0.25	0.25	0.25	0.26	0.24	0.23	0.21	0.20	0.20
Discounted Terminal Value										3.95

Growth	9.3%	7.3%	7.5%	7.8%	8.8%	6.0%	5.8%	5.9%	6.0%	6.2%
RoE	16.5%	16.6%	16.8%	17.1%	17.5%	17.3%	17.1%	16.9%	16.7%	16.5%
Implied P/B	2.0x	1.9x	1.8x	1.6x	1.5x	1.4x	1.3x	1.2x	1.2x	1.1x

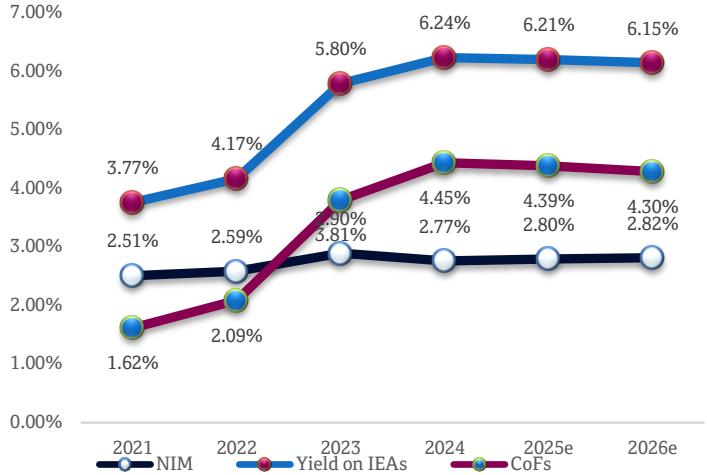
Source: QNB FS Research

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

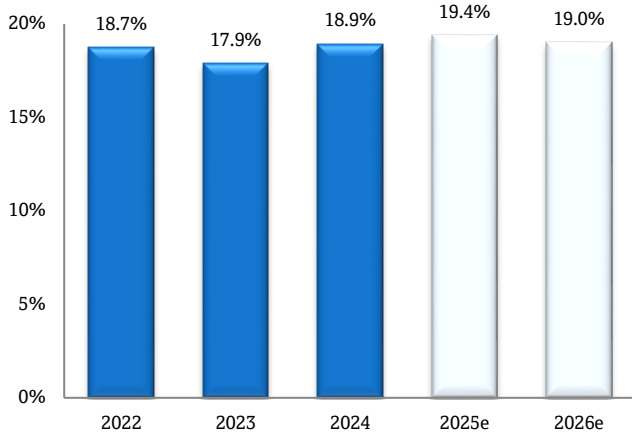


Source: Company data, QNB FS Research

While Margins to Steadily Increase

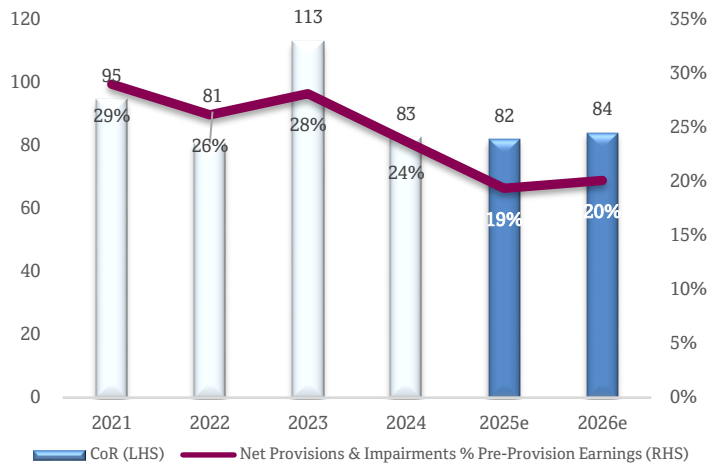


C/I Ratio is One of The Lowest Domestically & Regionally

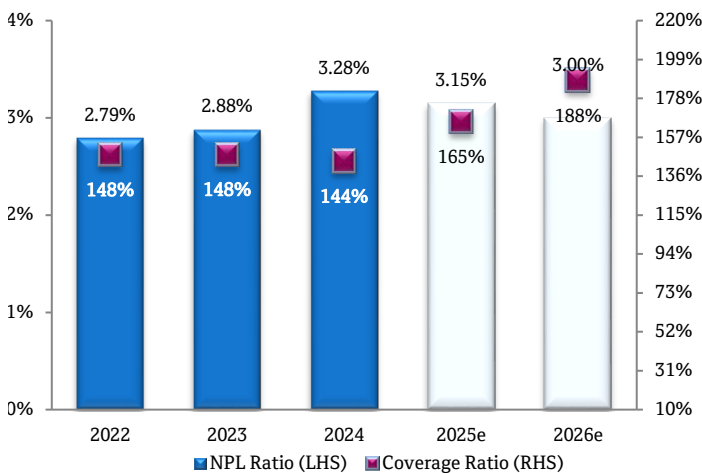


Source: Company data, QNB FS Research

CoR to Normalize at Healthy Levels



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



Source: Company data, QNB FS Research

Coverage of Stage 2 and 3 Loans is Strong

FY2024	Stage 1	Stage 2	Stage 3	Total
Gross Loans	35,737,317	4,294,954	1,355,590	41,387,861
ECLs	272,086	436,318	1,246,332	1,954,736
Stages % Loans	86.35%	10.38%	3.28%	
Stages % ECLs	13.9%	22.3%	63.8%	
Coverage Ratio	0.8%	10.2%	92%	

Change in Estimates

QRmn	2025			2026			2027		
	Old	New	Change (%)	Old	New	Change (%)	Old	New	Change (%)
Net Interest Income	1,660	1,624	-2.2	1,780	1,743	-2.1	1,912	1,886	-1.4
Non Interest Income	464	482	3.8	506	516	1.9	511	520	1.7
Total Revenue	2,124	2,105	-0.9	2,286	2,259	-1.2	2,423	2,406	-0.7
Opex	411	409	-0.6	434	430	-1.0	444	462	4.2
Net Operating Income	1,713	1,697	-0.9	1,852	1,829	-1.3	1,979	1,943	-1.8
Net Income (Attributable)	1,211	1,239	2.3	1,207	1,329	10.1	1,320	1,429	8.3

Source: Company data, QNB FS Research

Detailed Financial Statements

Income Statement (In QR mn)	2022	2023	2024	2025e	2026e	2027e
Net Interest Income	1,423	1,578	1,547	1,624	1,743	1,886
Fees & Commissions	298	292	378	385	415	406
FX Income	85	87	73	79	85	74
Other Income	(13)	17	35	18	16	39
Non-Interest Income	370	396	486	482	516	520
Total Revenue	1,793	1,974	2,032	2,105	2,259	2,406
Operating Expenses	(336)	(353)	(383)	(409)	(430)	(462)
Net Operating Income	1,457	1,621	1,650	1,697	1,829	1,943
Net Provisions & Impairments	(382)	(456)	(389)	(329)	(368)	(380)
Net Profit (Headline/Reported)	1,075	1,165	1,260	1,368	1,461	1,563
Payment on Tier-1 Sukuk	(108)	(99)	(95)	(95)	(95)	(95)
Social & Sports Contribution Fund	(27)	(29)	(32)	(34)	(37)	(39)
Net Profit (Attributable)	940	1,036	1,134	1,239	1,329	1,429
EPS	0.621	0.685	0.749	0.818	0.878	0.944

Source: Company data, QNB FS Research

Balance Sheet (In QR mn)	2022	2023	2024	2025e	2026e	2027e
Cash & Balances with Central Bank	2,491	3,624	3,453	3,604	3,874	3,496
Interbank Loans	9,760	12,465	8,599	11,304	9,444	11,980
Net Investments	7,752	7,809	7,425	7,943	8,503	9,009
Net Loans	35,022	36,499	39,326	41,868	44,971	47,922
Investment In Associates	192	154	135	137	139	142
Other Assets	275	207	198	194	202	168
Net PP&E	231	226	228	228	233	238
Investments In Real Estate	669	642	616	616	616	616
Total Assets	56,393	61,626	59,979	65,894	67,981	73,571
Liabilities						
Interbank Deposits	5,679	9,468	5,186	8,000	6,865	9,323
Customer Deposits	37,945	38,934	41,383	43,949	46,674	49,241
Term Loans	2,794	2,772	2,798	2,798	2,798	2,798
Tier-1 Perpetual Sukuk	2,092	2,092	2,092	2,092	2,092	2,092
Other Liabilities	900	947	1,012	1,064	1,064	1,108
Total Liabilities	49,411	54,213	52,472	57,902	59,493	64,562
Total Shareholders' Equity	6,983	7,414	7,508	7,991	8,488	9,009
Total Liabilities & Shareholders' Equity	56,393	61,626	59,979	65,894	67,981	73,571
Risk Weighted Assets	49,109	52,598	50,573	54,165	56,424	61,505
TBVPS	4.59	4.88	4.93	5.26	5.59	5.95

Source: Company data, QNB FS Research

Ratios/Indicators	2022	2023	2024	2025e	2026e	2027e
Profitability (%)						
RoE	14.3	14.9	15.4	16.6	16.7	16.9
RoAA	1.6	1.8	1.9	2.0	2.0	2.0
RoRWA	1.9	2.0	2.2	2.4	2.4	2.4
NIM (% of IEAs)	2.59	2.90	2.77	2.80	2.82	2.87
NIM (% of RWAs)	2.89	3.10	3.00	3.10	3.15	3.20
NIM (% of AAs)	2.41	2.67	2.54	2.58	2.60	2.66
Spread	2.08	1.99	1.80	1.82	1.86	1.94
Efficiency (%)						
Cost-to-Income (Headline)	18.7	17.9	18.9	19.4	19.0	19.2
Cost-to-Income (Core)	18.7	18.1	19.2	19.6	19.2	19.6
Liquidity (%)						
LDR	86	88	89	90	91	92
Loans/Assets	62.1	59.2	65.6	63.5	66.2	65.1
Cash & Interbank Loans-to-Total Assets	21.7	26.1	20.1	22.6	19.6	21.0
Deposits to Assets	67.3	63.2	69.0	66.7	68.7	66.9
Wholesale Funding to Loans	24.2	33.5	20.3	25.8	21.5	25.3
IEAs to IBLs	136	127	129	129	129	129
Asset Quality (%)						
NPL Ratio	2.8	2.9	3.3	3.2	3.0	3.2
NPL to Shareholders' Equity	14.6	14.8	18.1	17.5	16.9	18.2
NPL to Tier-1 Capital	12.8	13.2	14.8	14.4	14.1	15.3
Coverage Ratio	147.7	147.8	144.2	165.3	187.9	189.7
ALL/Average Loans	3.9	4.2	4.7	5.1	5.6	6.0
Cost of Risk (bps)	81	113	83	82	84	83
Capitalization (%)						
CET1 Ratio	12.0	11.9	14.0	14.0	14.3	14.0
Tier-1 Ratio	16.3	15.9	18.2	17.8	18.0	17.4
CAR	17.7	17.0	19.3	19.0	19.1	18.5
Leverage (x)	8.1	8.3	8.0	8.2	8.0	8.2
Growth (%)						
Net Interest Income	-0.8	11.0	-2.0	5.0	7.3	8.2
Non-Interest Income	20.2	6.9	19.9	1.5	7.1	0.8
OPEX	2.5	5.2	8.4	6.7	5.2	7.6
Net Operating Income	3.0	11.3	1.1	3.6	7.8	6.3
Net Income (Attributable)	8.1	10.2	9.4	9.3	7.3	7.5
Loans	-5.4	4.2	7.7	6.5	7.4	6.6
Deposits	-1.8	2.6	6.3	6.2	6.2	5.5
Assets	-8.7	9.3	-2.7	9.9	3.2	8.2
RWAs	-0.3	7.1	-3.9	7.1	4.2	9.0

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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