

Qatar International Islamic Bank (QIIB)

Recommendation	MARKET PERFORM	Risk Rating	R-3
Share Price	QR10.68	Target Price	QR10.44
Implied Upside	(2.3%)		

3Q2024 In-Line With Estimates; Earnings Driven by Lower CoR

Qatar International Islamic Bank (QIIB) reported a net profit of QR385.3mn in 3Q2024 (in-line with our estimate), increasing by 6.5% YoY (sequentially surging by 20.5%). Net-net, the bottom-line increased YoY due to a 53.0% drop in net provisions & impairments, countering a 5.7% drop in net operating income. Sequentially, earnings surged on strong revenue/net operating income and a sharp drop in provisions and impairments. We maintain our TP of QR10.44 and Market Perform rating.

Highlights

- **QIIB's 3Q2024 comes in-line with our estimates.** Qatar International Islamic Bank reported a net income of QR385.3mn in 3Q2024 vs. our estimate of QR385.5mn (0.0% variation), increasing by 6.5% YoY (+20.5% QoQ). Drop in provisions and impairments drove the YoY increase in profitability, as net operating income declined because of margin pressure. Sequentially, earnings surged on the back of a 12.5% increase in net operating income (margin expansion and strong fees) and a large drop in provisions and impairments (-29.1%).
- **Margins compressed YoY but were up sequentially.** NIMs decreased by ~14bps/+36bps in 3Q2023/3Q2024 to 2.89%. This was due to the increase in CoFs outpacing yield on interest-earnings assets.
- **Healthy RoE generator (>CoE):** QIIB generated an annualized 9M2024 RoE of 18.7%, in-line with 9M2023.
- **The bank remains cost efficient.** QIIB posted a cost-to-income ratio of 18.7% in 3Q2024 vs. 16.3% in 3Q2023 (2Q2024: 20.8%).
- **Net loans and deposits both expanded sequentially and YTD.** Net loans gained by 1.2% sequentially (+7.0% YTD) to QR39.0bn. Deposits increased by 1.4% QoQ (+5.3% YTD) to QR41.0bn in 3Q2024. Thus, QIIB's LDR (excluding wholesale stable sources of funds) was a healthy 95%.
- **9M2024 CoR (annualized) significantly dropped vs. 9M2023.** QIIB booked net credit provisions of QR54.9mn in 3Q2024 vs. QR96.5mn in 3Q2023 (2Q2024: QR65.8mn). 9M2024 CoR decreased to 56bps from 85bps in 9M2023.
- **Asset quality continually remains under pressure, but coverage of Stage 3 Loans is strong.** NPL ratio increased from 2.88% in FY2023 to 3.37% in 3Q2024 (2Q2024: 3.29%; FY2021: 2.56%). At the same time, NPLs increased by 3.7% sequentially (+25.7% YTD). On the other hand, coverage of Stage 3 loans remained at 87% in 3Q2024 (still strong). Management allocated the majority of ECLs to Stage 3 loans. Stage 2 loans comprise 11% of total loans, which is relatively healthy.
- **Capitalization remains healthy and above QCB minimum.** QIIB ended 3Q2024 with a CET1/Tier-1 ratio of 14.1/18.1%.

Recommendation, Valuation and Risks

- **Recommendation and valuation:** We maintain our *Market Perform rating and price target of QR10.44*. QIIB is trading at a 2024/25e P/TB and P/E of 2.1/1.9x and 14.3/12.7x, 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	0.748	0.841	0.940
EPS Growth (%)	10.2	9.3	12.3	11.8
P/E (x)	15.6	14.3	12.7	11.4
Tangible BVPS (QR)	4.9	5.2	5.6	6.0
P/TBV (x)	2.2	2.1	1.9	1.8
RoE (%)	14.9	15.3	16.2	16.9
DPS (QR)	0.450	0.475	0.500	0.550
Dividend Yield (%)	4.2	4.4	4.7	5.1

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

Key Data

Current Market Price (QR)	10.68
DY 1H2024 Annualized (%)	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)	11.44/9.094
3-m Average Volume (000)	813.2
Mkt. Cap. (\$ bn/QR bn)	4.4/16.2
Shares Outstanding (000's)	1,513.7
FO Limit* (%)	100.0
Current FO* (%)	19.6
1-Year Total Return (%)	+23.1
Fiscal Year End	December 31

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

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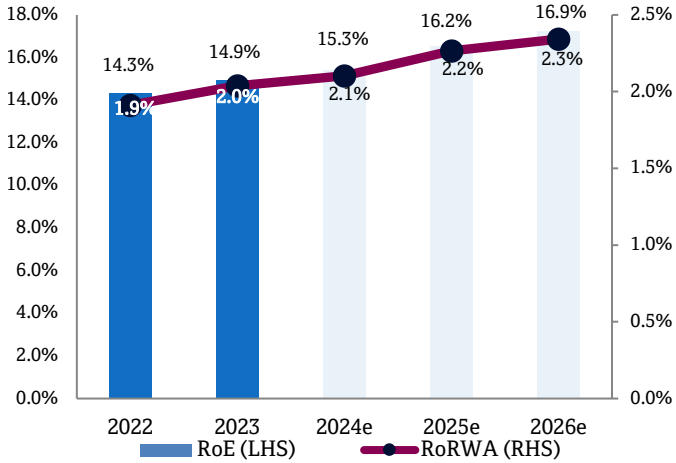
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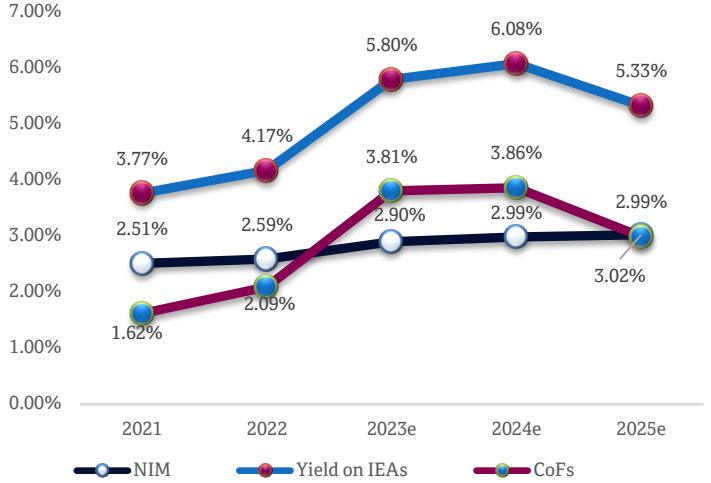
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RoE & RoRWAs to Steadily Improve & Remain Healthy; RoE > CoE

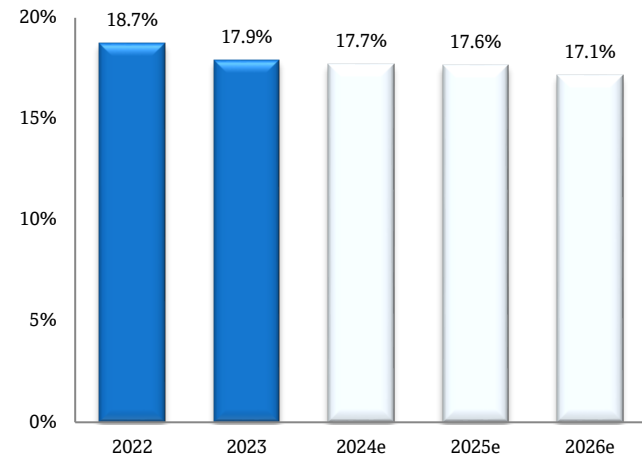


Source: Company data, QNB FS Research

While Margins to Steadily Increase

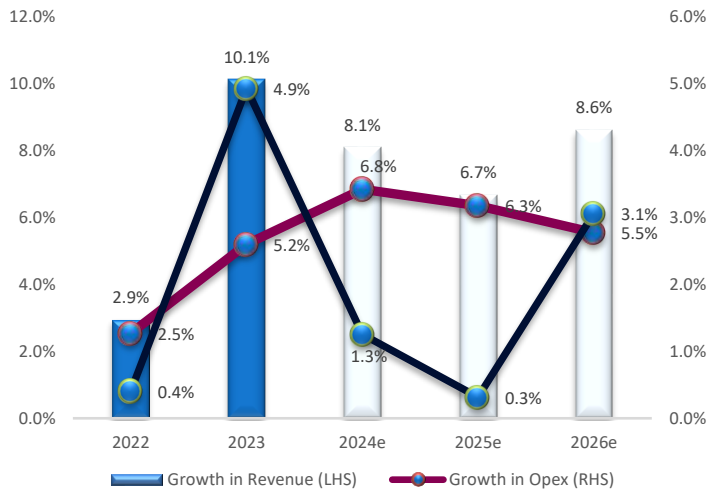


C/I Ratio is One of The Lowest Domestically & Regionally

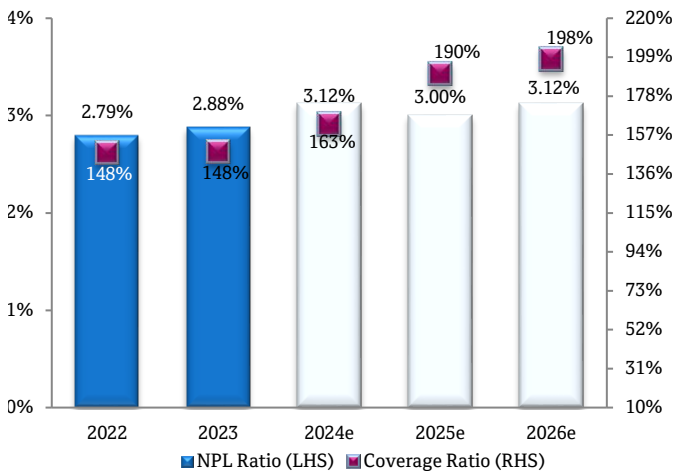


Source: Company data, QNB FS Research

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

1Q2024	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	1,723	1,853	1,999
Fees & Commissions	250	298	292	298	322	361
FX Income	42	85	87	90	87	94
Other Income	16	(13)	17	22	14	19
Non-Interest Income	308	370	396	411	424	473
Total Revenue	1,742	1,793	1,974	2,134	2,276	2,472
Operating Expenses	(328)	(336)	(353)	(378)	(401)	(424)
Net Operating Income	1,414	1,457	1,621	1,757	1,875	2,048
Net Provisions & Impairments	(411)	(382)	(456)	(493)	(468)	(488)
Net Profit (Headline/Reported)	1,003	1,075	1,165	1,264	1,407	1,561
Payment on Tier-1 Sukuk	(108)	(108)	(99)	(99)	(99)	(99)
Social & Sports Contribution Fund	(25)	(27)	(29)	(32)	(35)	(39)
Net Profit (Attributable)	870	940	1,036	1,133	1,272	1,422
EPS	0.575	0.621	0.685	0.748	0.841	0.940

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	14,545	10,973	11,955
Net Investments	7,220	7,752	7,809	8,256	8,845	9,477
Net Loans	37,031	35,022	36,499	38,276	40,642	43,473
Investment In Associates	264	192	154	154	150	148
Other Assets	252	275	207	248	208	252
Net PP&E	231	231	226	238	254	276
Investments In Real Estate	697	669	642	642	642	642
Total Assets	61,792	56,393	61,626	65,742	65,198	69,228
Liabilities						
Interbank Deposits	9,922	5,679	9,468	10,773	7,374	7,986
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	57,877	56,779	60,144
Total Shareholders' Equity	6,610	6,983	7,414	7,865	8,419	9,084
Total Liabilities & Shareholders' Equity	61,792	56,393	61,626	65,742	65,198	69,228
Risk Weighted Assets	49,250	49,109	52,598	55,881	57,375	63,690
TBVPS	4.34	4.59	4.88	5.18	5.56	6.00

Source: Company data, QNB FS Research

Ratios/Indicators	2021	2022	2023	2024e	2025e	2026e
Profitability (%)						
RoE	14.0	14.3	14.9	15.3	16.2	16.9
RoAA	1.4	1.6	1.8	1.8	1.9	2.1
RoRWA	1.8	1.9	2.0	2.1	2.2	2.3
NIM (% of IEAs)	2.51	2.59	2.90	2.99	3.02	3.14
NIM (% of RWAs)	2.97	2.89	3.10	3.18	3.27	3.30
NIM (% of AAs)	2.33	2.41	2.67	2.71	2.83	2.97
Spread	2.15	2.08	1.99	2.22	2.33	2.31
Efficiency (%)						
Cost-to-Income (Headline)	18.8	18.7	17.9	17.7	17.6	17.1
Cost-to-Income (Core)	19.1	18.7	18.1	17.9	17.8	17.3
Liquidity (%)						
LDR	88	86	88	87	88	89
Loans/Assets	59.9	62.1	59.2	58.2	62.3	62.8
Cash & Interbank Loans-to-Total Assets	26.0	21.7	26.1	27.3	22.2	21.6
Deposits to Assets	62.5	67.3	63.2	62.8	66.8	66.8
Wholesale Funding to Loans	36.4	24.2	33.5	35.4	25.0	24.7
IEAs to IBLs	129	136	127	123	137	129
Asset Quality (%)						
NPL Ratio	2.6	2.8	2.9	3.1	3.0	3.1
NPL to Shareholders' Equity	14.8	14.6	14.8	16.0	15.4	15.9
NPL to Tier-1 Capital	12.8	12.8	13.2	14.3	13.9	14.5
Coverage Ratio	123.1	147.7	147.8	162.9	190.2	197.9
ALL/Average Loans	2.9	3.9	4.2	5.0	5.6	6.1
Cost of Risk (bps)	95	81	113	109	98	90
Capitalization (%)						
CET1 Ratio	11.3	12.0	11.9	12.0	12.6	12.4
Tier-1 Ratio	15.6	16.3	15.9	15.7	16.3	15.7
CAR	16.7	17.7	17.0	16.9	17.4	16.9
Leverage (x)	9.3	8.1	8.3	8.4	7.7	7.6
Growth (%)						
Net Interest Income	0.8	-0.8	11.0	9.2	7.5	7.9
Non-Interest Income	21.5	20.2	6.9	3.7	3.2	11.7
OPEX	-3.9	2.5	5.2	6.8	6.3	5.5
Net Operating Income	6.0	3.0	11.3	8.4	6.7	9.3
Net Income (Attributable)	7.9	8.1	10.2	9.3	12.3	11.8
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	6.7	-0.8	6.2
RWAs	4.5	-0.3	7.1	6.2	2.7	11.0

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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