



W A S A T A

FINANCIAL SECURITIES

Qatar Islamic Bank

Investment Summary

for 2023 Results

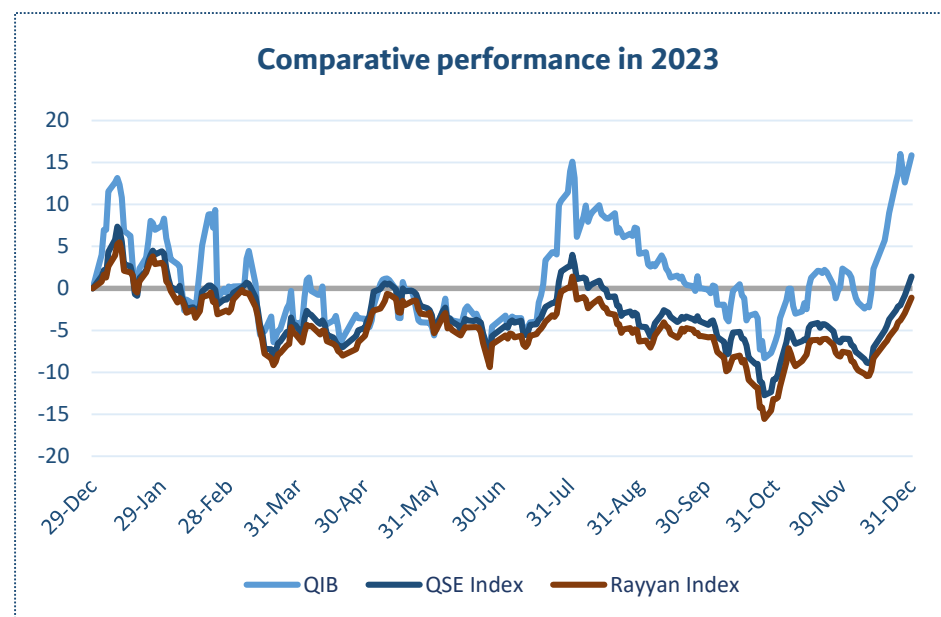


Fair Value(QAR) : 22.10

### Executive Summary

- QIB reported net profits in 2023 of approximately QAR 4,086.6 mn (after deducting bondholder returns), compared to QAR 3,817.5 mn in 2022, and with a growth rate of 7% and approximately QAR 269 mn, and earnings per share reached 1.73 riyals compared to 1.62 riyals in 2022.
- In Q4 of 2023, the bank's profits grew by 8.2% to around QAR 1,250 mn, versus QAR 1,155 mn in Q4 of 2022. Compared to Q3 2023, profits expanded by 13.6% to near QAR 1,100 mn.
- The net revenues generated by the companies' sector accounted for approximately 70%, while revenues from the individual amounted to approximately 19%. This is compared to 66% and 25% at the end of 2022, respectively.
- QIB's margin momentum may be challenged by rising funding needs, but any easing by the Federal Reserve would be welcome news.
- In the last quarter, loans increased by 3.4%, which is in line with 3-4% guidance for 2023. However, deposits dropped by 1.3%, which resulted in the loan-to-deposit ratio being pushed to 101%. Despite rising expenses, the cost-to-income ratio was stable at 16.8% in 4Q due to better-than-expected revenue.
- Although CASA's ratio declined from 29% to 28% in the latest quarter, the bank's net interest margin of 3.3% surpassed the projections, owing in part to lower funding costs.

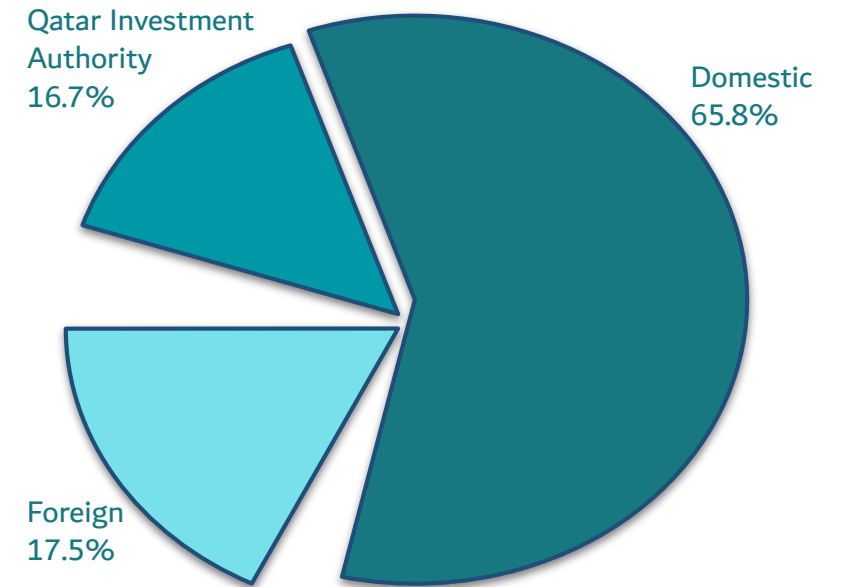
Stock Info	
Shares outstanding(M)	2,362.9
Free float ratio	76.6%
52 WK H (1 Aug 23)	22.09
53 WK L (29 Oct 23)	16.81
YTD Chg.%	-6.09%
Weight in DSM	15.19%
Weight in QEAS	11.83%



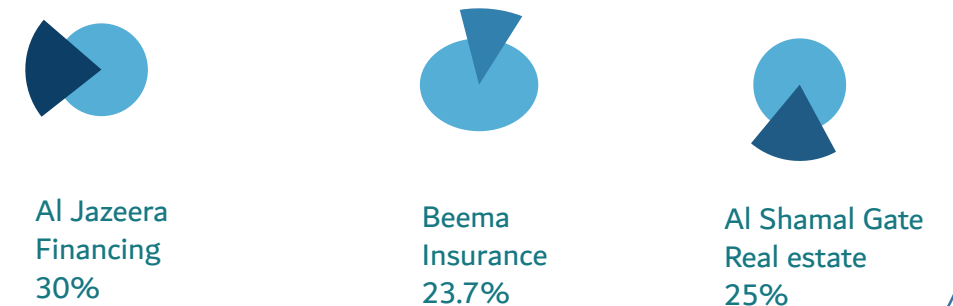
## Executive Summary

- QIB's dividend-to-payout ratio is currently around 42% in 2023 and is expected to remain close to the mid-term range as construction projects continue to contribute to private-sector credit expansion. If QIB decides to pursue a more risk-averse lending strategy, it could potentially weigh on the RWA ratio, but QIB's capital ratios are strong enough to support its primary lending role in the private sector and maintain its high credit standing.
- In 2023, The NPL's rose by about QAR 243 mn, with 237 mn reported in the last quarter, bringing the total amount of NPL's at the end of the year to about QAR 2,168 mn, compared to 1,925 mn at the end of 2022. The percentage of NPL's for the year 2023 was 1.68%, which is higher than 1.54% in 2022 and 1.50% at the end of September 2023.
- The coverage ratios for the NPL's (provisions to NPL's) have increased to 3.24 times compared to 3.10 times at the end of 2022. This is one of the best ratios in the Qatari banking sector.
- We forecast that the QIB will persist in upholding the quality of its assets and credit portfolio, necessitating the continual deduction of provisions.
- It's expected that the QIB's revenues might be affected by the anticipated decrease in interest rates by 2024. Nevertheless, it is expected that the growth of the financing portfolio will mitigate this effect to some extent. Additionally, it's worth mentioning that the government financing assets only accounted for 6.5% of the total financing portfolio by the end of 2023, down from 7.5% in 2022, as the government repaid some of its loans throughout the year.

## Shareholder structure



## Associates



### Revenues per Business

	2022	Weight	2023	Weight	Chg.%
Corporate	4,166	66%	5,257	81%	26%
Personal	1,604	25%	1,128	17%	-30%
Group Function	431	7%	291	4%	-33%
Subsidiaries	108	2%	-214	-3%	-298%

### Valuation Matrix

	2021	2022	2023	2024 Est	2025 Est
P/E (X)	12.9	11.6	12.4	12.0	12.5
P/BV (X)	2.1	1.9	2.0	1.8	1.7
DPS (QAR)	0.575	0.625	0.725	0.775	0.825
Div. Yld	3.14%	3.33%	3.38%	3.51%	3.55%
Div. Cov	40.49%	38.58%	41.91%	42.12%	44.35%

### Trading Info

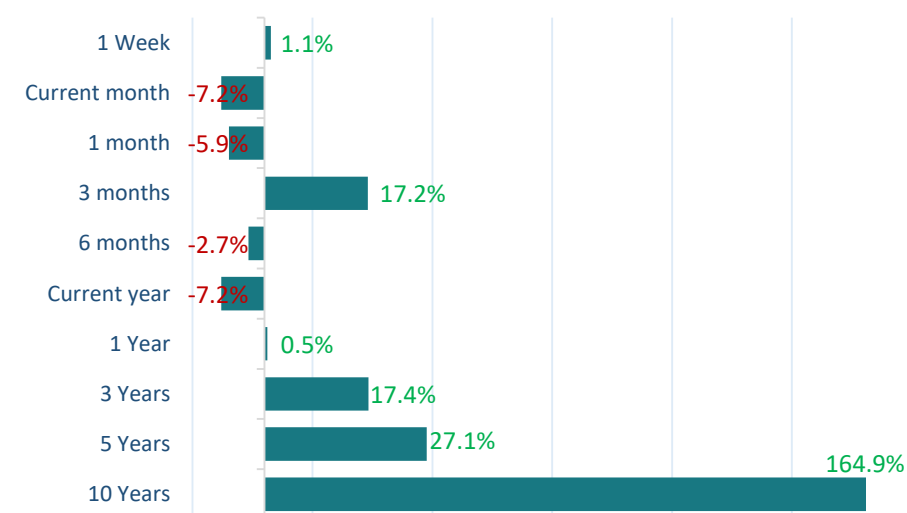
Outstanding shares	2.36 B
Float	1.79 B
Beta (5Y Monthly)	0.44
52- Wk Chg.	-1.88%
QSE Index 52 WK Chg.	-8.77%
50 Day Mov Avg.	19.39
100 Day Mov Avg.	19.61
Avg. Volume 3 months	1.64 M

### year

### DPS

2023	0.725
2022	0.625
2021	0.575
2020	0.400
2019	0.525
2018	0.500
2017	0.500
2016	0.475
2015	0.475
2014	0.425

### Stock Performance



As the end of 25<sup>th</sup> Jan 2024

## CAMELS Analysis

In Millions of QAR except Per Share	2023	2022	2021	2020	2019
<b>Profitability</b>					
Return on Assets	2.31	2.12	1.93	1.81	1.93
Return on Common Equity	16.80	17.36	17.21	16.14	17.51
Net Interest Margin	2.94	2.78	2.82	2.89	2.84
Net Interest Spread	1.84	2.20	2.40	2.36	2.21

<b>Basel Capital Ratio</b>					
Tier 1 Common Equity Ratio	16.40	15.80	14.70	14.90	14.70
Tier 1 Risk-Based Capital Ratio	20.40	18.70	17.70	18.20	18.30
Total Risk-Based Capital Ratio	20.40	19.90	18.90	19.40	19.50
Liquidity Coverage Ratio	312.10	339.30	118.90	101.90	105.30

<b>Other Capital</b>					
Common Equity/Total Assets	13.42	12.64	10.69	10.50	10.48
Assets/Equity	6.30	6.59	7.63	7.51	7.38
Book Value per Share	10.75	9.84	8.78	7.75	7.25
Price/Book Value per Share	2.00	1.89	2.09	2.21	2.11
Tangible Book Value per Share	10.65	9.75	8.62	7.59	7.08
Price/Tangible Book Value per Share	2.02	1.90	2.13	2.25	2.16
Tangible Common Equity	25,173.9	23,039.4	20,375.8	17,933.5	16,732.7
Tang Com Equity/Risk-Wtd Assets	17.43	16.63	15.20	14.75	15.16
Tier 1 Common Equity	23,717.5	21,877.0	19,716.4	18,090.6	16,179.0
Tier 1 Capital	27,773.9	25,930.5	23,765.5	22,140.5	20,220.0

	2023	2022	2021	2020	2019
<b>Assets Quality</b>					
Provision for Loan Losses	1,058.00	1,194.30	1,326.10	1,262.70	624.1
Reserve for Loan Losses	7,019.30	5,962.20	4,782.60	3,901.10	2,698.70
Res for Loan Losses/Tot Loans	5.42	4.76	3.59	3.17	2.32
Loan Loss Res/Non-Perf Assets	323.77	309.72	266.14	222.67	178.13
Non-Performing Loans	2,168.00	1,925.00	1,797.00	1,752.00	1,515.00
Non-Perf Loans/Total Loans	1.68	1.54	1.35	1.42	1.30

	2023	2022	2021	2020	2019
<b>Liquidity</b>					
Total Loans/Total Deposits	107.09	102.35	101.6	104.09	104.33
Total Loans/Total Assets	68.41	68.07	68.68	70.53	71.22
Deposits/Assets	63.88	66.51	67.6	67.76	68.26
Total Assets	189,157.10	184,000.60	193,915.90	174,356.20	163,519.20
Total Loans	129,400.10	125,246.80	133,191.10	122,973.50	116,452.30
Customer Deposits	120,834.50	122,370.90	131,094.80	118,144.00	111,620.60
Earning Assets	183,981.10	177,529.60	187,885.60	165,997.40	155,669.80
Earning Assets/Int Bear Liab	131.73	136.03	129.85	132.61	129.75

	2023	2022	2021	2020	2019
<b>Growth Analysis</b>					
Loan Growth	3.32	-5.96	8.31	5.6	11.61
Deposit Growth	-1.26	-6.65	10.96	5.84	10.96
Earning Assets Growth	3.63	-5.51	13.19	6.63	8.75
Assets Growth	2.8	-5.11	11.22	6.63	6.71
Net Interest Income Growth	4.32	4.7	9.76	12.7	8.97
Dividend Payout Ratio	41.92	38.68	40.45	33.05	43.52
Net Revenue Growth	3.03	6.67	10.48	13.53	9.77



## CAMELS Analysis

- Although the private sector would benefit greatly from LNG expansion, small and medium-sized enterprises may still only have limited access to financing because borrowing is still quite expensive.
- In light of the potential downgrade of its large exposure to Stage 2 restructured loans, QIB may be able to ease cost-of-risk pressure through its provision-build-up strategy.
- Despite some bad loans being formed, the proportion of Stage 1 loans rose to 79.8% from 79.4% in 3Q. In combination with the provision buffer for Stage 1, the cost of risk was 59 basis points for 4Q (83 basis points for 2023, exceeding our expectations).
- In 2024, QIB's net interest margin (NIM) may decrease by 5- 7 basis points due to asset yield peaks, but interest expenses would still rise as a result of funding mix optimization. With the help of private sector activity fueled by Qatar's strategic projects, QIB hopes to expand loans by 4-7%.
- The cost of risk will likely remain high at 83 to 88 basis points compared to about 50 basis points pre-pandemic, assuming a still-high risk due to high-interest rates and oversupply of the housing market. As a result of strategic spending, there are few opportunities for cost savings, providing a cost-to-income ratio of around 18%.

	2023	2022	2021	2020	2019
Net Interest Income	5,214.30	4,998.60	4,774.30	4,349.50	3,859.40
Total Revenue	12,363.10	9,531.40	8,423.60	8,311.20	8,135.60
Income Islamic Financing-Murabaha	8,579.70	6,502.00	5,998.60	5,956.20	5,867.20
Operating Margin	62.81	60.45	57.32	54.86	61.19
Profit Margin	63.77	61.12	57.87	55.13	62.38
T12 Net Interest Margin	2.94	2.78	2.74	2.75	2.61
Dividends per Share	0.725	0.625	0.575	0.400	0.525
Total Cash Common Dividends	1,713.10	1,476.80	1,358.70	945.2	1,240.50
Pre-Tax Pre-Provision Profit	5,298.80	5,155.50	4,847.10	4,313.10	3,621.00
Efficiency Ratio	17.41	17.75	18.29	20.2	23.32
Net Income	4,305.20	4,005.20	3,555.30	3,065.10	3,055.40