

## Qatar Islamic Bank (QIBK)

Recommendation	ACCUMULATE	Risk Rating	R-3
Share Price	QR24.02	Target Price	QR27.10
Implied Upside	12.8%	Old Target Price	QR22.45

### Raising PT To QR27.10 On Higher RoE Outlook & Lower CoR & CoE

**Factoring in Qatar Islamic Bank's (QIBK) 1H2025 and positive outlook, we increase our estimates for 2025, 2026 and 2027 (see page 2). Hence, we arrive at a 5-year earnings CAGR of 9.0% (2024-29). Moreover, our sustainable RoE increases from 15.5% previously to 16.5%. Furthermore, we lower the stock's CoE. As such, we raise our PT to QR27.10 and maintain our Accumulate rating. We are still of the view that the stock is trading at undemanding levels. QIBK is trading at a low P/B of 1.9x/1.7x on our 2025e/26e estimates (18% discount to its 5-year average of 2.1x), which implies upside, in our view. We note that the stock's 5-year median P/B is 2.0x (5-year high of 3.0x). Our thesis stays unchanged: QIBK's fundamentals continue to remain robust with strong RoE generation (2022: 18.1%, 2023: 17.3%, 2024: 17.0% and 2025e/26e 16.9%/16.6%); moreover, the bank is cost efficient, has a strong Tier-1 position and a superior asset quality profile vs. its peers. As such, we believe the stock still warrants a premium.**

### Highlights

- **QIBK's 1H2025 earnings comes ahead of our model:** Qatar Islamic Bank (QIBK) reported earnings of QR2,175.21mn in 1H2025, moderately ahead our estimate of QR2,116.21mn (variation of +2.8%). The bottom-line increased by 5.3% YoY driven by non-funded income and lower credit provisions.
- **Robust RoE trajectory continued; 1H2025 RoE (annualized) came in at 16.0%, while RoRWAs was a strong 2.8%:** QIBK boasts one of the highest RoEs & RoRWAs among its domestic and regional peers. Moreover, RoRWAs were an impressive 2.8%. The bank's RoTE jumped from 15.2% in FY2016 to 17.0% in FY2024, despite conservative/prudent provisioning. QIBK also has superior RoRWAs, which are well above 2.0%. QIBK generated RoRWAs of 2.9%/3.0% in 2023/2024 and we still expect this metric to increase to 3.2%/3.3% by 2027e/2028e.
- **We estimate NIMs to moderately decrease in 2025e/26e before picking up; QIBK has consistently expanded its margins with 2024 being the exception.** We expect NIMs to decrease from 2024's 3.05% to 2.97% in 2025, 2.95% (2026) and increase to 3.01%/3.06% in 2027/28.
- **QIBK remains one of the most cost-efficient banks in the GCC & continues to generate positive JAWs.** The bank's C/I ratio continuously dropped from 30.8% in 2015 to 17.0% in 2024 (1H2025: 16.4%). Moreover, QIBK generated robust JAWs of 6.1% on average (2019-2024) and 0.6% in 1H2025 YoY. We still pencil in C/I ratios of 16.7%/16.3% in 2025e/2026e before normalizing to 15.0% in 2028.
- **Growth in net loans improved, driven by the corporate and retail segments (ex. RE and contracting); loans to the public sector were negligible as QIBK is a private sector focused bank.** Net loans increased by 4.4% to QR130.8bn vs. FY2024. Moreover, deposits followed suit and expanded by 8.0% to QR135.0bn. We increase our growth forecast for net loans from 3.2% to 5.6% in 2025 but maintain our 6.7% CAGR (2024-2029e).
- **CoR to remain at acceptable levels given management's conservative risk management nature. Moreover, we do not expect it to be > ~100bps level.** We estimate a CoR of 58bps in 2025e vs. 66bps in 2024. We model CoR to normalize at ~50bps levels by 2027e/28e. A decent chunk of CoR (72%) is coming from Stages 1 & 2 loans as management is upping its buffers.
- **Asset quality remains healthy and manageable.** NPLs declined by 4.3%/1.4% YTD/QoQ. As such the NPL ratio declined to 1.71% vs. 1.86% in FY2024 (flat 1Q2025). Moreover, coverage of Stage 3 loans remained strong and flat at 95% vs. FY2024 and 1Q2025 (FY2024: 92%). Given management's conservative nature, Stage 1 ECLs contributed 53% to total ECLs. We still expect asset quality to remain strong.
- **Capitalization remains strong;** QIBK ended 1H2025 with robust CET1/Tier-1 ratios of 18.2% and 20.8%, respectively. We expect QIBK to maintain these ratios at current levels.

### Catalysts

- We need to see a dividend upside with a higher DY.

### Recommendation, Valuation and Risks

- **Recommendation and valuation:** We raise our PT from QR22.45 to QR27.10 and maintain our Accumulate rating. QIBK is trading at a 2025e/26e P/TB of 1.9/1.7x.
- **Risks:** 1) Increase in credit costs and 2) Exposure to the real estate segment.

### Key Financial Data and Estimates

(In QR mn)	2024	2025e	2026e	2027e
EPS (QR)	1.81	1.95	2.10	2.34
EPS Growth (%)	7.4	7.6	8.0	11.2
P/E (x)	13.3	12.3	11.4	10.3
Tangible BVPS (QR)	11.5	12.6	13.9	15.4
P/TBV (x)	2.1	1.9	1.7	1.6
RoE (%)	17.0	16.9	16.6	16.8
DPS (QR)	0.800	0.850	0.850	0.900
Dividend Yield (%)	3.3	3.5	3.5	3.7

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

### Key Data

Current Market Price (QR)	24.02
1H2025 Annualized DY (%)	3.3
Bloomberg Ticker	QIBK QD
Reuters Ticker	QISB.QA
ISIN	QA0006929853
Sector*	Banks & Fin. Svcs.
52wk High/52wk Low (QR)	24.99/18.90
3-m Average Volume (mn)	1.20
Mkt. Cap. (\$ bn/QR bn)	15.6/56.8
Shares Outstanding (mn)	2,362.93
FO Limit* (%)	100.0
Current FO* (%)	16.1
1-Year Total Return (%)	27.8
Fiscal Year End	December 31

Source: Bloomberg (as of August 04, 2025), \*Qatar Exchange (as of August 04, 2025); Note: FO is foreign institutional ownership

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## Change in Estimates

(In QR mn)	2025			2026			2027		
	Old	New	Change (%)	Old	New	Change (%)	Old	New	Change (%)
Net Interest Income	5,646	5,534	-2.0	6,028	5,891	-2.3	6,484	6,396	-1.4
Non Interest Income	1,552	1,527	-1.6	1,688	1,610	-4.6	1,651	1,597	-3.2
Total Revenue	7,198	7,061	-1.9	7,716	7,501	-2.8	8,135	7,994	-1.7
Opex	1,187	1,176	-0.9	1,232	1,223	-0.7	1,298	1,270	-2.1
Net Operating Income	6,011	5,885	-2.1	6,484	6,278	-3.2	6,837	6,724	-1.7
Net Provisions & Impairments	759	885	16.6	815	895	9.8	819	797	-2.6
Net Income (Reported/Headline)	4,591	4,938	7.6	4,956	5,315	7.3	5,261	5,886	11.9
Net Income (Attributable)	4,372	4,596	5.1	4,737	4,964	4.8	5,042	5,520	9.5

Source: QNB FS Research

## Detailed Financial Statements

Income Statement (In QR mn)	2023	2024	2025e	2026e	2027e	2028e
<b>Net Interest Income</b>	<b>5,214</b>	<b>5,309</b>	<b>5,534</b>	<b>5,891</b>	<b>6,396</b>	<b>6,945</b>
Fees & Commissions	889	867	883	980	956	1,046
FX Income	50	94	97	103	106	112
Other Income	367	491	547	527	536	512
<b>Non-Interest Income</b>	<b>1,307</b>	<b>1,452</b>	<b>1,527</b>	<b>1,610</b>	<b>1,597</b>	<b>1,670</b>
<b>Total Revenue</b>	<b>6,521</b>	<b>6,761</b>	<b>7,061</b>	<b>7,501</b>	<b>7,994</b>	<b>8,616</b>
Operating Expenses	(1,117)	(1,149)	(1,176)	(1,223)	(1,270)	(1,303)
<b>Net Operating Income</b>	<b>5,404</b>	<b>5,612</b>	<b>5,885</b>	<b>6,278</b>	<b>6,724</b>	<b>7,313</b>
Net Provisions & Impairments	(1,103)	(982)	(885)	(895)	(797)	(850)
<b>Net Profit Before Taxes &amp; Non-Recurring Items</b>	<b>4,301</b>	<b>4,630</b>	<b>5,000</b>	<b>5,383</b>	<b>5,926</b>	<b>6,463</b>
Tax	(13)	(30)	(25)	(32)	(36)	(32)
<b>Net Profit Before Minority Interest</b>	<b>4,288</b>	<b>4,600</b>	<b>4,975</b>	<b>5,351</b>	<b>5,891</b>	<b>6,431</b>
Minority Interest	17	5	8	4	(5)	(5)
<b>Non-Recurring/Unusual Gains/(Losses)</b>	<b>0</b>	<b>0</b>	<b>(45)</b>	<b>(40)</b>	<b>0</b>	<b>0</b>
<b>Net Profit (Headline)</b>	<b>4,305</b>	<b>4,605</b>	<b>4,938</b>	<b>5,315</b>	<b>5,886</b>	<b>6,426</b>
Interest On Tier-1 Sukuk	(219)	(219)	(219)	(219)	(219)	(219)
Social & Sports Contribution Fund	(108)	(115)	(123)	(133)	(147)	(161)
<b>Net Profit (Attributable)</b>	<b>3,979</b>	<b>4,272</b>	<b>4,596</b>	<b>4,964</b>	<b>5,520</b>	<b>6,046</b>
<b>EPS</b>	<b>1.68</b>	<b>1.81</b>	<b>1.95</b>	<b>2.10</b>	<b>2.34</b>	<b>2.56</b>

Source: Company data, QNB FS Research

Balance Sheet (In QR mn)	2023	2024	2025e	2026e	2027e	2028e
<b>Assets</b>						
Cash & Balances with Central Bank	8,037	8,683	8,840	9,319	8,797	8,775
Interbank Loans	3,262	2,488	1,985	2,120	2,112	1,621
Net Investments	48,013	53,008	60,833	63,949	68,156	72,245
Net Loans	122,381	125,274	132,316	141,303	150,878	162,134
Investment In Associates	1,128	1,100	1,137	1,176	1,213	1,252
Other Assets	2,297	2,214	2,172	2,278	2,306	2,339
Net PP&E	516	356	392	389	389	391
Investment In Real Estate	3,306	2,468	2,543	2,468	2,468	2,468
Assets of a Subsidiary Held for Sale		5,188	5,462	5,462	5,462	5,462
Goodwill & Intangible Assets	218	0	0	0	0	0
<b>Total Assets</b>	<b>189,157</b>	<b>200,780</b>	<b>215,678</b>	<b>228,463</b>	<b>241,781</b>	<b>256,687</b>
<b>Liabilities</b>						
Interbank Deposits	20,434	24,017	31,355	30,484	28,866	27,296
Customer Deposits	120,835	124,995	129,994	139,094	149,109	159,546
Sukuk Financing	14,668	13,742	13,742	15,116	16,325	18,284
Other Liabilities	3,203	6,256	6,119	6,351	6,546	6,701
Tier-1 Sukuk	4,000	4,000	4,000	4,000	4,000	4,000
<b>Total Liabilities</b>	<b>163,140</b>	<b>173,009</b>	<b>185,210</b>	<b>195,044</b>	<b>204,846</b>	<b>215,827</b>
<b>Minority Interest</b>	<b>625</b>	<b>614</b>	<b>605</b>	<b>601</b>	<b>605</b>	<b>611</b>
Total Shareholders' Equity	25,392	27,157	29,863	32,818	36,330	40,250
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>189,157</b>	<b>200,780</b>	<b>215,678</b>	<b>228,463</b>	<b>241,781</b>	<b>256,687</b>
<b>Risk Weighted Assets</b>	<b>144,463</b>	<b>151,768</b>	<b>161,112</b>	<b>171,347</b>	<b>183,754</b>	<b>207,917</b>
<b>BVPS</b>	<b>10.75</b>	<b>11.49</b>	<b>12.64</b>	<b>13.89</b>	<b>15.38</b>	<b>17.03</b>

Source: Company data, QNB FS Research

Key Indicators/KPIs	2023	2024	2025e	2026e	2027e	2028e
<b>Profitability (%)</b>						
RoE (Tangible)	17.3	17.0	16.9	16.6	16.8	16.6
RoAA	2.1	2.2	2.2	2.2	2.3	2.4
RoRWA	2.9	3.0	3.0	3.1	3.2	3.3
NIM (% of IEAs)	3.14	3.05	2.97	2.95	3.01	3.06
NIM (% of RWAs)	3.68	3.58	3.54	3.54	3.60	3.55
NIM (% of AAs)	2.79	2.72	2.66	2.65	2.72	2.79
Spread	2.56	2.39	2.35	2.44	2.60	2.62
<b>Efficiency (%)</b>						
Cost-to-Income (Headline)	17.1	17.0	16.7	16.3	15.9	15.1
Cost-to-Income (Core)	18.2	18.3	18.0	17.5	17.0	16.1
<b>Liquidity (%)</b>						
LDR	101.3	100.2	101.8	101.6	101.2	101.6
Loans/Assets	64.7	62.4	61.3	61.8	62.4	63.2
Cash & Interbank Loans-to-Total Assets	6.0	5.6	5.0	5.0	4.5	4.1
Deposits to Assets	63.9	62.3	60.3	60.9	61.7	62.2
Wholesale Funding to Loans	28.7	30.1	34.1	32.3	30.0	28.1
IEAs to IBLs	119.7	122.4	122.3	122.3	124.4	126.0
<b>Asset Quality (%)</b>						
NPL Ratio	1.7	1.9	1.7	1.7	1.7	1.9
NPL to Shareholder's Equity	8.5	9.1	8.1	7.8	7.6	7.9
NPL to Tier 1 Capital	7.8	8.3	7.6	7.5	7.5	8.0
Coverage Ratio	327	313	345	351	352	329
ALL/Average Loans	4.8	5.0	5.1	5.2	5.2	5.3
Cost of Risk	83	66	58	58	51	50
<b>Capitalization (%)</b>						
CET1 Ratio	16.4	17.1	17.3	17.5	17.8	17.2
Tier-1 Ratio	19.2	19.8	19.8	19.8	19.9	19.1
CAR	20.4	20.9	20.9	21.0	21.1	20.2
Leverage (x)	7.4	7.4	7.2	7.0	6.7	6.4
<b>Growth (%)</b>						
Net Interest Income	4.3	1.8	4.2	6.5	8.6	8.6
Non-Interest Income	-5.5	11.1	5.2	5.4	-0.8	4.6
Total Revenue	2.2	3.7	4.4	6.2	6.6	7.8
OPEX	0.4	2.9	2.4	4.0	3.9	2.6
Net Operating Income	2.6	3.8	4.9	6.7	7.1	8.8
Net Income (Attributable)	7.0	7.4	7.6	8.0	11.2	9.5
Loans	2.6	2.4	5.6	6.8	6.8	7.5
Deposits	-1.3	3.4	4.0	7.0	7.2	7.0
Assets	2.8	6.1	7.4	5.9	5.8	6.2
RWAs	4.3	5.1	6.2	6.4	7.2	13.1

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>	
<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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