

Qatar Islamic Bank (QIBK)

Recommendation	ACCUMULATE	Risk Rating	R-3
Share Price	QR22.35	Target Price	QR22.45
Implied Upside	0.4%		

2Q2025 Beats On Lower CoR; Interim DPS Upped to QR0.40 Vs. QR0.25

Qatar Islamic Bank's (QIBK) bottom-line comes ahead of our estimates, growing by 7.2% YoY & 20.8% sequentially to Q1,190.1mn. Net-net, QIBK's bottom-line growth was mainly attributable to lower CoR although revenue was generally healthy. QIBK continues to generate robust RoE/RoRWAs, remains cost efficient, maintains healthy asset quality and retains a strong Tier-1 position. We will be shortly revising our estimates for 2025, 2026 & 2027. Moreover, we will not be factoring in the 15% GMT into our forecasts, which should help the bottom-line relative to our previous estimates.

Highlights

- **QIBK's 2Q2025 net profit beat our estimates:** Qatar Islamic Bank (QIBK) reported earnings of QR1,190.1mn in 2Q2025 vs. our estimate of QR1,131.1mn (variation of +5.2%).
- **2Q2025 bottom-line was driven by a decline in credit provisions & impairments and a healthy increase in revenue.** Total revenue increased by 4.8% YoY to QR1,667.4mn (in-line with our estimate of QR1,644.5mn; variation of +1.4%), driven by a 3.7% increase in net interest & investment income and 10.9% increase in non-funded income. Net interest & investment income came in at QR1,391.9mn, in-line with our estimate of QR1,403.5mn (-0.8% variation). Moreover, a 12.8% drop in provisions & impairments led to a 7.2% increase in the bottom-line. Sequentially, earnings increased by 20.8% due to a 46.6% decline in provisions & impairments.
- **The board announced an interim DPS of QR0.40 vs QR0.25 in 1H2024.** This corresponds to an annualized yield of 3.6% and is in-line with our annual forecast.
- **1H2025 annualized RoE remains strong both YoY and sequentially; RoE came in at 16.0% vs. 16.4% in 1H2024 (1Q2024 annualized: 14.5%).** QIBK continues to boast one of the highest RoEs & RoRWAs among its domestic and regional peers.
- **QIBK remains one of the most cost-efficient among banks in the GCC.** The bank reported a C/I ratio of 16.2% in 2Q2025, in-line with 2Q2024 (1Q2025: 16.6%).
- **Net loans edged lower sequentially.** Net loans modestly decreased by 0.7% QoQ to QR130.8bn (+4.4% YTD). On the other hand, deposits moved up by 1.2% QoQ (+8.0% YTD) to QR135.0bn.
- **Net credit provisions significantly dropped both YoY and sequentially.** Net credit provisions declined by 72.0%/78.6% YoY/QoQ to QR56.9mn. 1H2025 CoR (annualized) moved down to 47bps from 151bps in 1H2024. Drop in CoR was one of the main factors in moving the bottom-line YoY & sequentially.
- **Asset quality remains healthy.** NPLs declined by 4.3%/1.4% YTD/QoQ. As such the NPL ratio declined to 1.71% vs. 1.86% in 4Q2024 (1Q2025:1.71%). Moreover, coverage of Stage 3 loans remained strong and flat at 95% vs. 4Q2024 and 1Q2025 (FY2024: 92%). Given management's conservative nature, Stage 1 ECLs contributed 53% to total ECLs.
- **Capitalization remains strong.** QIBK ended 2Q2025 with a robust CET1 and Tier-1 ratios at 18.2% and 20.8%, respectively.

Recommendation, Valuation and Risks

- **Recommendation and valuation: We maintain our Price Target at QR22.45 and our Accumulate rating for the time being.** QIBK is trading at a 2025e/26e P/TB and P/E of 1.8/1.6x and 11.0/9.8x, respectively.
- **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	2.03	2.29	2.44
EPS Growth (%)	7.4	12.4	12.8	6.4
P/E (x)	12.4	11.0	9.8	9.2
Tangible BVPS (QR)	11.5	12.7	14.2	15.8
P/TBV (x)	1.9	1.8	1.6	1.4
RoE (%)	17.0	17.7	18.0	17.2
DPS (QR)	0.800	0.800	0.850	0.900
Dividend Yield (%)	3.6	3.6	3.8	4.0

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

Key Data

Current Market Price (QR)	22.35
1H2025 Annualized DY (%)	3.6
Bloomberg Ticker	QIBK QD
Reuters Ticker	QISB.QA
ISIN	QA0006929853
Sector*	Banks & Fin. Svcs.
52wk High/52wk Low (QR)	22.80/18.90
3-m Average Volume (mn)	1.19
Mkt. Cap. (\$ bn/QR bn)	14.5/52.8
Shares Outstanding (mn)	2,362.93
FO Limit* (%)	100.0
Institutional FO* (%)	15.9
1-Year Total Return (%)	+20.5
Fiscal Year End	December 31

Source: Bloomberg (as of July 16, 2025), *Qatar Exchange (as of July 16, 2025); Note: FO is foreign ownership

Shahan Keushgerian

+974 4476 6509

shahan.keushgerian@qnbfs.com.qa

Saugata Sarkar, CFA, CAIA

+974 4476 6534

saugata.sarkar@qnbfs.com.qa

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

Contacts

QNB Financial Services Co. W.L.L.
 Contact Center: (+974) 4476 6666
info@qnbfs.com.qa
 Doha, Qatar

Saugata Sarkar, CFA, CAIA
 Head of Research
saugata.sarkar@qnbfs.com.qa

Shahan Keushgerian
 Senior Research Analyst
shahan.keushgerian@qnbfs.com.qa

Phibion Makuwerere, CFA
 Senior Research Analyst
phibion.makuwerere@qnbfs.com.qa

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