

Qatar Islamic Bank (QIBK)

Recommendation	ACCUMULATE	Risk Rating	R-3
Share Price	QR23.02	Target Price	QR26.24
Implied Upside	14.0%	Old Target Price	QR27.10

Lowering PT/Estimates; Reiterate Accumulate On Attractive Valuation

We lower our 2025-30e earnings forecast from a CAGR of 9.0% to 8.0%. Moreover, we lower our 2026e-30e estimates (page 2) on lower revenue (margin contraction & lower non-funded income) and GMT. However, our sustainable /terminal RoE remains unchanged at 16.5%. As such, we lower our PT from QR27.10/sh. to QR26.24/sh. as we raise our CoE due to geo-political tensions. We are still of the view that the stock is trading at undemanding levels. QIBK is trading at a low P/B of 1.7x/1.6x on our 2026e/27e estimates (15% discount to its 5-year average of 2.0x), which implies upside, in our view. We note that the stock's 5-year median P/B is 2.0x (5-year high of 2.9x). Our thesis remains unchanged: QIBK's fundamentals continue to remain robust with strong RoE generation (2022: 18.1%, 2023: 17.3%, 2024: 17.0%, 2025: 16.6% and 2026e/27e 15.8%/15.6%); 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

- **Qatar Islamic Bank's (QIBK) 1Q2026 earnings comes below our model:** Qatar Islamic Bank (QIBK) reported earnings of QR985.6mn in 1Q2026, missing our estimate of QR1,033.5mn (variation of -4.8%). The bottom-line was flat YoY as a result of lower credit provisions. Sequentially earnings dropped by 28.6% on subdued non-funded income and credit provisions vs. reversals in 4Q2025.
- **1Q2026 RoE (annualized) came in at 13.3% (1st quarter RoE is not indicative of full year RoE), while RoRWAs was a strong 2.6%:** QIBK boasts one of the highest RoEs & RoRWAs among its domestic and regional peers. Moreover, RoRWAs were an impressive 2.6%. The bank's RoTE moved up from 15.2% in FY2016 to 16.6% in FY2025, despite conservative/prudent provisioning. QIBK also has superior RoRWAs, which are well above 2.0%. QIBK generated RoRWAs of 3.0% in 2024/2025 and we still expect this metric to remain above 3.0% in our forecast horizon. Moreover, we estimate RoE of 15.8% (2026) and 15.6% (2027), increasing to 16.3% by 2030.
- **We estimate NIMs to moderately decrease in 2026e/27e before picking up; QIBK has consistently expanded its margins with 2024 and 2025 being the exception.** We expect NIMs to decrease from 2025's 2.93% to 2.78% in 2026 and 2.75% (2027); however, we expect NIMs to recover to 2.78%/2.94% in 2028/29 (2030: 3.00%).
- **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 16.3% in 2025 (1Q2026: 17.0%). Moreover, QIBK generated robust JAWs of 6.7% on average (2019-2025). We still pencil further improvement in the C/I ratio going forward.
- **Growth in net loans was driven by the corporate, retail and real estate segments; loans to the public sector were negligible as QIBK is a private sector focused bank.** Net loans increased by 5.7% to QR146.4bn vs. FY2025. On the other hand, deposits retreated by 1.4% to QR140.7bn vs. FY2025. We maintain our 5.9% growth forecast for net loans in 2026 and maintain our 7.0% CAGR (2025-2030e).
- **CoR to remain at acceptable levels given management's conservative risk management nature.** We estimate a CoR of 25bps in 2026e vs. 7bps in 2025. We model CoR to normalize at ~40bps levels by 2030. A large chunk of CoR (71%) is coming from Stages 1 & 2 loans as management is upping its buffers. Management booked provisions for Stage 1 and 2 loans, while Stage 3 loans remain flat vs. FY2025.
- **Asset quality remained healthy.** NPLs remained flat vs. FY2025. On the other hand, the NPL ratio declined to 1.56% vs. 1.65% in FY2025. Moreover, coverage of Stage 3 loans remained strong at 95% vs. FY2025 (FY2024: 94%). Given management's conservative nature, Stage 1 ECLs contributed 50% to total ECLs. We still expect asset quality to remain strong.
- **Capitalization remains strong;** QIBK ended 1Q2026 with robust CET1/Tier-1 ratios of 19.2% and 21.8%, respectively. We expect QIBK to maintain these ratios at current levels.

Catalysts

- 1) We need to see a dividend upside with a higher DY and 2) easing of geo-political tensions.

Recommendation, Valuation and Risks

- **Recommendation and valuation:** We lower our PT from QR27.10 to QR26.24 and maintain our Accumulate rating. QIBK is trading at a 2026e/27e P/TB of 1.7/1.6x.
- **Risks:** 1) Geo-political tensions 2) Increase in credit costs and 3) Exposure to the real estate segment.

Key Data

Current Market Price (QR)	23.02
DY (%)	3.9
Bloomberg Ticker	QIBK QD
Reuters Ticker	QISB.QA
ISIN	QA0006929853
Sector*	Banks & Fin. Svcs.
52wk High/52wk Low (QR)	25.97/19.93
3-m Average Volume (mn)	1.24
Mkt. Cap. (\$ bn/QR bn)	14.9/54.4
Shares Outstanding (mn)	2,362.93
FO Limit* (%)	100.0
Current FO* (%)	16.9
1-Year Total Return (%)	19.2
Fiscal Year End	December 31

Source: Bloomberg (as of April 20, 2026), *Qatar Exchange (as of April 20, 2026); Note: FO is foreign institutional ownership

Key Financial Data and Estimates

(In QR mn)	2025	2026e	2027e	2028e
EPS (QR)	1.90	1.98	2.12	2.31
EPS Growth (%)	5.2	4.2	7.1	8.7
P/E (x)	12.1	11.6	10.8	10.0
Tangible BVPS (QR)	12.5	13.6	14.8	16.1
P/TBV (x)	1.8	1.7	1.6	1.4
RoE (%)	16.6	15.8	15.6	15.6
DPS (QR)	0.900	0.950	1.000	1.150
Dividend Yield (%)	3.9	4.1	4.3	5.0

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

Shahan Keushgerian

+974 4476 6509

shahan.keushgerian@qnbfs.com.qa

Saugata Sarkar, CFA, CAIA

+974 4476 6534

saugata.sarkar@qnbfs.com.qa

Valuation

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

We derive QIBK'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 1.9x.**

We add Qatar's 10-year CDS rate of 64bps to the 10-year US government bond yield (4.3%) to arrive at a risk-free rate of 4.9%. We factor in an adjusted beta of 1.0x. Finally, we add a local equity risk premium of 7.0% to arrive at a Ke of 11.9%. However, we assume a terminal CoE of 11.0%

Valuation Methodologies

Fundamental P/B		RI Based on Fundamental P/B	
Sustainable RoE (%)	16.5	Beginning BVPS (2025) (QR)	12.54
Cost of Equity (%)	11.0	Present Value of Interim Residuals (QR)	4.36
Terminal Growth Rate (%)	5.0	Present Value of Terminal Value (QR)	9.35
Fundamental P/B (x)	1.9	Current Market Price (QR)	23.02
		12-Month Target Price (QR)	26.24
		Upside/(Downside) Potential (%)	+14.0

Source: QNB FS Research

Forecast

	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2034e	2035e	Terminal
Beginning BVPS	12.54	13.62	14.79	16.10	17.58	19.18	20.80	22.45	24.17	26.15
Attributable EPS	1.983	2.123	2.307	2.627	2.850	3.121	3.396	3.678	3.975	4.314
DPS	0.900	0.950	1.000	1.150	1.250	1.500	1.750	1.950	2.000	2.250
Adjustment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ending BVPS	13.62	14.79	16.10	17.58	19.18	20.80	22.45	24.17	26.15	28.21
Equity Charge	1.50	1.63	1.77	1.92	2.10	2.29	2.48	2.68	2.89	2.88
Residual Income	0.49	0.50	0.54	0.70	0.75	0.83	0.91	1.00	1.09	1.44
Terminal Value (Based on Fundamental P/B)										25.86
Discounted Interim Residuals	0.45	0.41	0.40	0.46	0.44	0.43	0.43	0.42	0.41	0.52
Discounted Terminal Value										9.35

EPS (Growth)	4.2%	7.1%	8.7%	13.9%	8.5%	9.5%	8.8%	8.3%	8.1%	8.5%
RoE	15.8%	15.6%	15.6%	16.3%	16.2%	16.3%	16.3%	16.4%	16.4%	16.5%
Implied P/B	1.9x	1.8x	1.6x	1.5x	1.4x	1.3x	1.2x	1.1x	1.0x	0.9x

Source: QNB FS Research

Change in Estimates

(In QR mn)	2026			2027			2028			
	Old	New	Change (%)	Old	New	Change (%)	Old	New	New	Change (%)
Net Interest Income	5,891	5,704	-3.2	6,396	6,051	-5.4	6,396	6,945	6,593	-5.1
Non Interest Income	1,610	1,419	-11.9	1,597	1,508	-5.6	1,597	1,670	1,565	-6.3
Total Revenue	7,501	7,123	-5.0	7,993	7,558	-5.4	7,993	8,615	8,158	-5.3
Opex	1,223	1,094	-10.6	1,270	1,130	-11.0	1,270	1,303	1,179	-9.5
Net Operating Income	6,278	6,029	-4.0	6,723	6,428	-4.4	6,723	7,312	6,979	-4.6
Net Provisions & Impairments	895	421	-53.0	797	440	-44.8	797	850	493	-42.0
Net Income (Reported/Headline)	5,315	5,030	-5.4	5,886	5,370	-8.8	5,886	6,431	5,816	-9.6
Net Income (Attributable)	4,964	4,686	-5.6	5,520	5,017	-9.1	5,520	6,046	5,452	-9.8

Source: QNB FS Research

Detailed Financial Statements

Income Statement (In QR mn)	2023	2024	2025	2026e	2027e	2028e
Net Interest Income	5,214	5,309	5,543	5,704	6,051	6,593
Fees & Commissions	889	867	904	877	962	1,002
FX Income	50	94	60	62	67	73
Other Income	367	491	132	480	479	489
Non-Interest Income	1,307	1,452	1,096	1,419	1,508	1,565
Total Revenue	6,521	6,761	6,639	7,123	7,558	8,158
Operating Expenses	(1,117)	(1,149)	(1,080)	(1,094)	(1,130)	(1,179)
Net Operating Income	5,404	5,612	5,559	6,029	6,428	6,979
Net Provisions & Impairments	(1,103)	(982)	(168)	(421)	(440)	(493)
Net Profit Before Taxes & Non-Recurring Items	4,301	4,630	5,391	5,608	5,988	6,486
Tax	(13)	(30)	(561)	(583)	(623)	(675)
Net Profit Before Minority Interest	4,288	4,600	4,830	5,025	5,366	5,811
Minority Interest	17	5	5	6	4	5
Non-Recurring/Unusual Gains/(Losses)	0	0	0	0	0	0
Net Profit (Headline)	4,305	4,605	4,835	5,030	5,370	5,816
Interest On Tier-1 Sukuk	(219)	(219)	(219)	(219)	(219)	(219)
Social & Sports Contribution Fund	(108)	(115)	(121)	(126)	(134)	(145)
Net Profit (Attributable)	3,979	4,272	4,496	4,686	5,017	5,452
EPS	1.68	1.81	1.90	1.98	2.12	2.31

Source: Company data, QNB FS Research

Balance Sheet (In QR mn)	2023	2024	2025	2026e	2027e
Assets					
Cash & Balances with Central Bank	8,037	8,683	8,971	8,906	9,866
Interbank Loans	3,262	2,488	5,796	2,201	3,147
Net Investments	48,013	53,008	60,249	62,928	70,472
Net Loans	122,381	125,274	138,482	146,736	157,368
Investment In Associates	1,128	1,100	2,134	2,183	2,237
Other Assets	2,297	2,214	1,513	1,504	1,558
Net PP&E	516	356	576	585	596
Investment In Real Estate	3,306	2,468	3,330	2,468	2,468
Assets of a Subsidiary Held for Sale		5,188	0	0	0
Goodwill & Intangible Assets	218	0	0	0	0
Total Assets	189,157	200,780	221,051	227,512	247,711
Liabilities					
Interbank Deposits	20,434	24,017	24,008	18,727	23,596
Customer Deposits	120,835	124,995	142,727	148,436	159,123
Sukuk Financing	14,668	13,742	11,074	13,954	15,070
Other Liabilities	3,203	6,256	9,493	10,094	10,852
Tier-1 Sukuk	4,000	4,000	4,000	4,000	4,000
Total Liabilities	163,140	173,009	191,302	195,210	212,641
Minority Interest	625	614	124	118	114
Total Shareholders' Equity	25,392	27,157	29,625	32,184	34,956
Total Liabilities & Shareholders' Equity	189,157	200,780	221,051	227,512	247,711
Risk Weighted Assets	144,463	151,768	153,935	154,253	164,728
BVPS	10.75	11.49	12.54	13.62	14.79

Source: Company data, QNB FS Research

Key Indicators/KPIs	2023	2024	2025	2026e	2027e	2028e
Profitability (%)						
RoE (Tangible)	17.3	17.0	16.6	15.8	15.6	15.6
RoAA	2.1	2.2	2.1	2.1	2.1	2.1
RoRWA	2.9	3.0	3.0	3.0	3.3	3.3
NIM (% of IEAs)	3.14	3.05	2.93	2.78	2.75	2.78
NIM (% of RWAs)	3.68	3.58	3.63	3.70	3.79	3.93
NIM (% of AAs)	2.79	2.72	2.63	2.54	2.55	2.58
Spread	2.56	2.39	2.28	2.13	2.16	2.13
Efficiency (%)						
Cost-to-Income (Headline)	17.1	17.0	16.3	15.4	15.0	14.4
Cost-to-Income (Core)	18.2	18.3	16.6	16.4	15.9	15.3
Liquidity (%)						
LDR	101.3	100.2	97.0	98.9	98.9	99.4
Loans/Assets	64.7	62.4	62.6	64.5	63.5	64.3
Cash & Interbank Loans-to-Total Assets	6.0	5.6	6.7	4.9	5.3	4.5
Deposits to Assets	63.9	62.3	64.6	65.2	64.2	64.7
Wholesale Funding to Loans	28.7	30.1	25.3	22.3	24.6	23.1
IEAs to IBLs	119.7	122.4	124.3	128.8	128.3	129.7
Asset Quality (%)						
NPL Ratio	1.7	1.9	1.7	1.6	1.5	1.6
NPL to Shareholder's Equity	8.5	9.1	8.2	7.7	7.2	7.3
NPL to Tier 1 Capital	7.8	8.3	7.4	7.5	7.4	7.8
Coverage Ratio	327	313	321	325	338	325
ALL/Average Loans	4.8	5.0	4.7	4.6	4.6	4.5
Cost of Risk	83	66	7	25	27	29
Capitalization (%)						
CET1 Ratio	16.4	17.1	18.5	18.9	18.2	18.3
Tier-1 Ratio	19.2	19.8	21.1	21.5	20.7	20.6
CAR	20.4	20.9	22.2	22.6	21.8	21.7
Leverage (x)	7.4	7.4	7.5	7.1	7.1	6.9
Growth (%)						
Net Interest Income	4.3	1.8	4.4	2.9	6.1	9.0
Non-Interest Income	-5.5	11.1	-24.5	29.4	6.3	3.8
Total Revenue	2.2	3.7	-1.8	7.3	6.1	7.9
OPEX	0.4	2.9	-6.0	1.3	3.3	4.3
Net Operating Income	2.6	3.8	-0.9	8.5	6.6	8.6
Net Income (Attributable)	7.0	7.4	5.2	4.2	7.1	8.7
Loans	2.6	2.4	10.5	6.0	7.2	7.6
Deposits	-1.3	3.4	14.2	4.0	7.2	7.0
Assets	2.8	6.1	10.1	2.9	8.9	6.2
RWAs	4.3	5.1	1.4	0.2	6.8	3.8

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

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

Dana Al Sowaidi
 Research Analyst
dana.alsowaidi@qnbfs.com.qa

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