

Qatar Islamic Bank (QIBK)

Recommendation	ACCUMULATE	Risk Rating	R-3
Share Price	QR24.00	Target Price	QR27.10
Implied Upside	12.9%		

3Q2025 In-Line; EPS Driven By Non-Funded Income & Lower CoR

Qatar Islamic Bank's (QIBK) bottom-line comes in-line with our estimates, growing by 6.7% YoY & 7.6% sequentially to Q1,279.9mn. Net-net, QIBK's bottom-line growth was mainly attributable to net credit provision reversals although revenue was generally healthy. 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 remains 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 3Q2025 net profit come in-line with our estimates:** Qatar Islamic Bank (QIBK) reported earnings of QR1,279.9mn in 3Q2025 vs. our estimate of QR1,273.6mn (variation of +0.5%).
- **3Q2025 bottom-line was driven by non-funded income and net credit provision reversals.** Total revenue increased by 2.1% YoY to QR1,716.8mn (modestly below our estimate of QR1,735.8mn; variation of -1.1%), driven by a 19.1% increase in non-funded income (fees income: +11.4% and f/x income: +83.7%). Net interest & investment income declined by 0.6% to QR1,443.8mn due to 36bps compression in NIMs (2.23%). However, reversals of credit provisions led to a 6.7% increase in the bottom-line. Sequentially, earnings increased by 7.6% due to a 3.7% increase in net interest & investment income (flat NIMs), reversals in net credit provisions and a decline in opex.
- **9M2025 annualized RoE remains strong both YoY and sequentially; RoE came in at 17.0% vs. 17.3% in 9M2024 (1H2025 annualized: 16.0%).** QIBK continues to boast one of the highest RoEs & RoRWAs among its domestic and regional peers. Annualized RoRWAs were a robust 3.0%.
- **QIBK remains one of the most cost-efficient among banks in the GCC.** The bank reported a C/I ratio of 15.4% in 3Q2025, in-line with 3Q2024 (2Q2025: 16.2%).
- **Net loans edged higher sequentially.** Net loans increased by 0.9% QoQ to QR131.9bn (+5.3% YTD). On the other hand, deposits moved down by 0.9% QoQ (+7.1% YTD) to QR133.8bn. Simple LDR was a healthy 99%.
- **QIBK reported net provision reversals in 3Q2025.** Net provision reversals came in at QR10.7mn in 3Q2025 vs. provisions of QR192.8 in 3Q2024 (2Q2025: QR56.9mn). 9M2025 CoR (annualized) moved down to 30bps from 75bps in 9M2024. Drop in CoR was one of the main factors in moving the bottom-line YoY & sequentially, although net operating income was relatively healthy. It should be noted with QIBK, movements in quarterly CoR do not provide significant indication for annual CoR.
- **Asset quality remains healthy; NPLs stable.** NPLs ticked up by 2.6%/-1.8% QoQ/YTD. As such the NPL ratio declined to 1.74% vs. 1.86% in 4Q2024 (2Q2025:1.71%). Moreover, coverage of Stage 3 loans remained strong and flat at 95% vs. 2Q2025 and 3Q2024 (FY2024: 92%). Given management's conservative nature, Stage 1 ECLs contributed 51% to total ECLs.
- **Capitalization remains strong.** QIBK ended 3Q2025 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 QR27.10 and our Accumulate rating.** QIBK is trading at a 2025e/26e P/TB and P/E of 1.9/1.7x and 12.3/11.4x, respectively.
- **Risks:** 1) Increase in credit costs and 2) Exposure to the real estate segment.

Key Data

Current Market Price (QR)	24.00
1H2025 Annualized DY (%)	3.3
Bloomberg Ticker	QIBK QD
Reuters Ticker	QISB.QA
ISIN	QA0006929853
Sector*	Banks & Fin. Svcs.
52wk High/52wk Low (QR)	25.97/19.25
3-m Average Volume (mn)	1.04
Mkt. Cap. (\$ bn/QR bn)	15.6/56.7
Shares Outstanding (mn)	2,362.93
FO Limit* (%)	100.0
Current FO* (%)	16.7
1-Year Total Return (%)	+23.9
Fiscal Year End	December 31

Source: Bloomberg (as of October 22, 2025), *Qatar Exchange (as of October 22, 2025); Note: FO is foreign institutional ownership

Key Financial Data and Estimates

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

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

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Detailed Financial Statements

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

Source: Company data, QNB FS Research

Balance Sheet (In QR mn)	2023	2024	2025e	2026e	2027e	2028e
Assets						
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
Total Assets	189,157	200,780	215,678	228,463	241,781	256,687
Liabilities						
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
Total Liabilities	163,140	173,009	185,210	195,044	204,846	215,827
Minority Interest	625	614	605	601	605	611
Total Shareholders' Equity	25,392	27,157	29,863	32,818	36,330	40,250
Total Liabilities & Shareholders' Equity	189,157	200,780	215,678	228,463	241,781	256,687
Risk Weighted Assets	144,463	151,768	161,112	171,347	183,754	207,917
BVPS	10.75	11.49	12.64	13.89	15.38	17.03

Source: Company data, QNB FS Research

Key Indicators/KPIs	2023	2024	2025e	2026e	2027e	2028e
Profitability (%)						
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
Efficiency (%)						
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
Liquidity (%)						
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
Asset Quality (%)						
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
Capitalization (%)						
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
Growth (%)						
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>	
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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