

Qatar Islamic Bank (QIBK)

| Recommendation | ACCUMULATE | Risk Rating | R-3 |
|----------------|------------|--------------|---------|
| Share Price | QR25.10 | Target Price | QR27.10 |
| Implied Upside | 7.8% | | |

4Q2025 Below Estimates On Lower Revenue; DPS Beats Estimates

Qatar Islamic Bank's (QIBK) bottom-line falls below our estimates. The bank reported a net income of QR1.38bn vs. our estimate of QR1.45bn (variation: -5.8%). The bottom-line increased by 3.0% YoY & 7.8% sequentially. Net-net, QIBK's bottom-line growth was mainly attributable to net credit provision reversals as net operating income declined by 11.3%/6.4% YoY/QoQ. We are still of the view the stock is trading at undemanding levels. QIBK is trading at a low P/B of 1.8x/1.7x on our 2026e/27e estimates (19% discount to its 5-year average of 2.1x), which implies upside, in our view. We also 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 (2023: 17.3%, 2024: 17.0%, 2025: 16.6% and 2026e/27e 16.2%/16.0%); 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

- DPS came in ahead of our estimates.** The BoD recommended 2H2025 DPS of QR0.50 (1H2025: QR0.40) bringing full year DPS to QR0.90 (FY2024: QR0.80) vs. our full year estimate of QR0.85. This translates into a yield of 3.6% and a payout ratio of 47%.
- Margins contracted YoY/sequentially.** QIBK's net interest & investment income declined by 13.8%/5.6% YoY/QoQ to QR1.63bn, leading NIMs to compress by 62bps/16bps to 2.08%. in FY2025, NIMs contracted by 12bps from 3.05% in FY2024 to 2.93%.
- FY2025 RoE remained strong; RoE came in at 16.6% vs. 17.0% in FY2024.** QIBK continues to boast one of the highest RoEs & RoRWAs among its domestic and regional peers. 2025 RoRWAs was 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 16.9% in 4Q2025 vs. 19.3% in 4Q2024 (3Q2025: 15.4%). QIBK's full year C/I ratio improved from 17.0% in 2024 to 16.3% in FY2025.
- Net loans expanded both sequentially and YoY.** Net loans increased by 5.0% QoQ to QR138.5bn (+10.5% YoY). Growth in loans was driven by the corporate, retail and public sector segments, while real estate declined by 4.8%. Moreover, deposits also expanded by 6.6%/14.2% QoQ/YoY to QR142.7bn. Simple LDR was a healthy 97%.
- QIBK reported net credit provision reversals in 4Q2025, while other provisions were booked for GMT.** Net credit provision reversals came in at QR208.8mn in 4Q2025 vs. provisions of QR107.8mn in 4Q2024 (3Q2025: reversals of QR10.7mn). Hence, reversals (negative CoR) were the main factor in moving the bottom-line up YoY & sequentially as net operating income declined both YoY and QoQ on margin pressure and lower non-funded income. QIBK booked net credit provisions of QR103.3mn in FY2025 vs. QR865.3mn in FY2024. As such, CoR moved down to 7bps from 66bps in FY2024. Further, the bank booked QR605.8mn in other provisions of which QR540.4mn was allocated to GMT (89% of other provisions and 76% of total credit provisions & impairments).
- Asset quality remains healthy; NPLs stable.** NPLs receded by 0.5%/2.4% QoQ/YoY. As such the NPL ratio declined to 1.65% vs. 1.74% in 3Q2025 (FY2024: 1.86%). Moreover, coverage of Stage 3 loans remained strong and flat at 95% vs. 3Q2025 and FY2024. Given management's conservative nature, Stage 1 ECLs contributed 53% to total ECLs. Stage 2 loans and ECLs remain healthy.
- Capitalization remains strong.** QIBK ended FY2025 with a robust CET1 and Tier-1 ratios at 18.5% and 21.1%, 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 2026e/27e P/TB and P/E of 1.8/1.7x and 12.4x/11.5x, respectively.
- Risks:** 1) Increase in credit costs and 2) Exposure to the real estate segment.

Key Data

| | |
|---------------------------|--------------------|
| Current Market Price (QR) | 25.15 |
| 1H2025 Annualized DY (%) | 3.6 |
| 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) | 0.92 |
| Mkt. Cap. (\$ bn/QR bn) | 16.3/59.4 |
| Shares Outstanding (mn) | 2,362.93 |
| FO Limit* (%) | 100.0 |
| Current FO* (%) | 16.8 |
| 1-Year Total Return (%) | +26.4 |
| Fiscal Year End | December 31 |

Source: Bloomberg (as of January 14, 2026), *Qatar Exchange (as of January 14, 2026); Note: FO is foreign institutional ownership

Key Financial Data and Estimates

| (In QR mn) | 2025 | 2026e | 2027e |
|--------------------|-------|-------|-------|
| EPS (QR) | 1.90 | 2.04 | 2.18 |
| EPS Growth (%) | 5.2 | 7.0 | 7.3 |
| P/E (x) | 13.2 | 12.4 | 11.5 |
| Tangible BVPS (QR) | 12.5 | 13.7 | 14.9 |
| P/TBV (x) | 2.0 | 1.8 | 1.7 |
| RoE (%) | 16.6 | 16.2 | 16.0 |
| DPS (QR) | 0.900 | 0.950 | 1.000 |
| Dividend Yield (%) | 3.6 | 3.8 | 4.0 |

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

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| 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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