Qatar Islamic Bank (QIBK)

Recommendation	ACCUMULATE	Risk Rating	R-3
Share Price	QR21.71	Target Price	QR26.24
Implied Upside	20.9%		

2Q2026 Beats Estimates Along With Healthy Revenue & Core Income

Qatar Islamic Bank's (QIBK) bottom-line comes ahead of our estimates. The bank reported a net income of QR1.24bn vs. our estimate of QR1.14bn (variation: +8.9%). The bottom-line increased by 4.2% YoY & 25.8% sequentially. Net-net, QIBK's bottom-line growth was mainly attributable to strong revenue (funded and non-funded income); net interest & investment income increased 8.4%, while non-funded income climbed up by 12.0%. The bottom-line only increased by only 4.2% due to an 87.1% surge in provisions and impairments. Earning before provisions & impairments grew by 9.3%. Sequentially, net income surged driven by strong revenue (+11.7%) and a and a 46.4% drop in provisions & impairments. **We are still of the view the stock is trading at undemanding levels. QIBK is trading at attractive P/Bs of 1.6x/1.5x on our 2026e/27e estimates (20% discount to its 3-year average of 2.0x), which implies upside, in our view.** 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 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

- **1H2026 RoE remained strong; RoE came in at 15.0% vs. 14.5% in 1H2025 (1Q2026: 13.3%).** QIBK continues to boast one of the highest RoEs & RoRWAs among its domestic and regional peers. 1H2026 RoRWAs was a robust 3.0%.
- **BoD withheld interim DPS.** We believe this was done to shore up cash/capital and protect liquidity given the geopolitical tensions. However, the bank's dividend policy has not changed.
- **Margins contracted YoY but increased sequentially.** QIBK's net interest & investment income increased +8.4% YoY to QR1.51bn. However, NIMs compressed by 18bps to 2.06% in 2Q2026 as the drop in yields (-52bps) outpaced the drop CoFs (-30bps).
- **QIBK remains one of the most cost-efficient among banks in the GCC.** The bank reported a C/I ratio of 15.9% in 2Q2026 vs. 16.2% in 2Q2025 (1Q2026: 17.0%). QIBK generated JAWs of 1.7%/7.3% YoY/QoQ.
- **Net loans expanded both sequentially and YTD.** Net loans grew by 6.9% QoQ to QR156.4bn (+12.9% YTD). Growth in loans was driven by all segments with contracting loans being the exception. Moreover, deposits also expanded by 5.4%/3.9% QoQ/YoY to QR148.3bn. Simple LDR was a healthy 105%; LDR based on stable sources of funds is well below 100%.
- **QIBK reported large net credit provisions YoY.** Net credit provisions came in at QR128.2mn in 2Q2026 vs. provisions of QR56.9mn in 2Q2025 (1Q2026: QR173.4mn). 1H2026 CoR decreased to 40bps vs. 47bps in 1H2025, which is healthy. Net operating income (before provisions) increased by 9.3%/13.2% YoY/sequentially.
- **Asset quality remains healthy; NPLs stable.** NPLs ticked up by 1.7%/1.5% QoQ/YTD, which is negligible. NPL ratio declined from 1.65% in FY2025 to 1.49% in 2Q2026 (1Q2026: 1.56%) due to a combination of loan growth and stable NPLs. Moreover, coverage of Stage 3 loans remained strong and flat at 95% vs. FY2025/1Q2026 and FY2024. Given management's conservative nature, Stage 1 ECLs contributed 50% to total ECLs. Stage 2 loans and ECLs remain healthy.
- **Capitalization remains strong.** QIBK ended 2Q2026 with a robust CET1 and Tier-1 ratios at 19.7% and 22.2%, respectively.

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 maintain our Price Target at QR26.24 and our Accumulate rating.** QIBK is trading at a 2026e/27e P/TB and P/E of 1.6/1.5x and 10.9x/10.2x, respectively.
- **Risks:** 1) Increase in credit costs 2) Exposure to the real estate segment and 3) Geopolitical tensions

Key Data

Current Market Price (QR)	21.71
DY (%)	4.1
Bloomberg Ticker	QIBK QD
Reuters Ticker	QISB.QA
ISIN	QA0006929853
Sector*	Banks & Fin. Svcs.
52wk High/52wk Low (QR)	25.97/20.65
3-m Average Volume (mn)	1.2
Mkt. Cap. ($ bn/QR bn)	14.1/51.3
Shares Outstanding (mn)	2,362.93
FO Limit* (%)	100.0
Current FO* (%)	16.6
1-Year Total Return (%)	(9.5)
Fiscal Year End	December 31

Source: Bloomberg (as of July 22, 2026), *Qatar Exchange (as of July 22, 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)	11.4	10.9	10.2	9.4
Tangible BVPS (QR)	12.5	13.6	14.8	16.1
P/TBV (x)	1.7	1.6	1.5	1.3
RoE (%)	16.6	15.8	15.6	15.6
DPS (QR)	0.900	0.950	1.000	1.150
Dividend Yield (%)	4.1	4.4	4.6	5.3

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	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 *Based on the range for the upside / downside offered by the 12-month target price of a stock versus the current market price*		**Risk Ratings** *Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals*	
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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