

Target Price : QAR 26.45

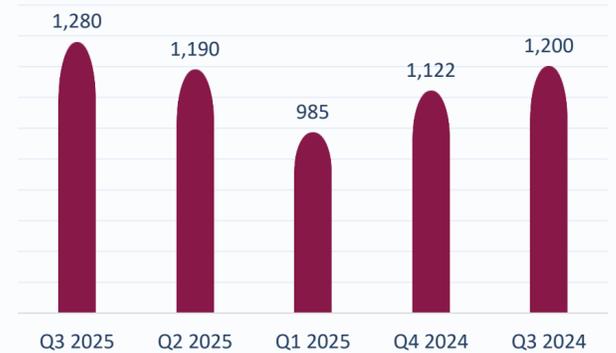
Current Price: QAR 23.99

Qatar Islamic Bank

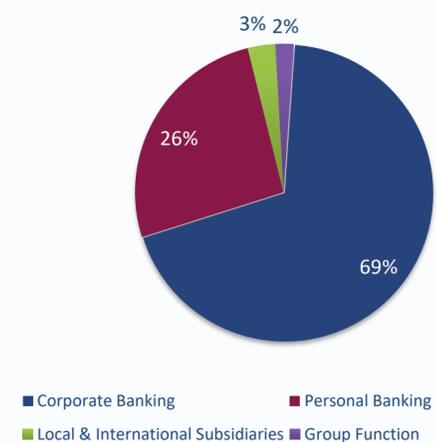
Executive Summary

- The bank's profits for the initial nine months rose by approximately 5.8%, equating to around QAR 190 million, totaling QAR 3,455 million, while EPS reached QAR 1.46, up from QAR 1.38.
- Profits in the third quarter increased by approximately 6.5% in comparison to the same quarter of 2024, and by around 7.5% when compared to the second quarter of this year.
- The primary factor contributing to the increase in profits is the reduction in financing costs (payments made to investment account holders) by roughly QAR 170 million. Furthermore, there is also a decrease in the expense associated with the provision deducted from profits due to the decline in financial assets (loans) by about QAR 87.1 million.
- Net financing activities revenue saw a decrease of about 3.25% by the end of September, even with a 3.25% rise in net loans. Nonetheless, the effects of the interest rate reduction started to manifest in the outcomes. Consequently, we observe that the net interest margin fell to 2.92%, in contrast to 3.07% during the same timeframe in 2024. This resulted in a 1.3% drop in net financing and investment revenue, despite a 16% growth in investment activities revenue.
- The bank aims to optimize investment returns; however, it allocates around 97.5% of its investment portfolio to fixed-income assets, with about 88% of that in debt securities issued by the Qatari government. This indicates that the bank's investment strategy is quite conservative regarding risk tolerance. As interest rates continue to fall, the bank might need to diversify its investment portfolio to enhance returns.
- During this period, ancillary activities saw an improvement, increasing by around 10.5%. This growth was fueled by higher commission fees, a greater share of profits from associates, and various other revenue sources. Supporting revenues account for about 9% of the total revenue.
- The cost to income ratio increased to 15.7%, up from 15.5% during the same period in 2024, maintaining the best ratio in the Qatari banking sector.
- The net loan portfolio experienced a growth of 3.26% in comparison to September 2024 and around 5.28% relative to the end of 2024.
- Net loans make up about 61.5% of total assets and roughly 64.3% of earning assets.
- The bank persists in holding the lowest NPL's ratio within the sector, achieving 1.78% by the end of September, in contrast to 1.70% for the corresponding period in 2024, and around 1.75% at the conclusion of the second quarter of 2025. The asset quality remains robust, showing a minor increase in Stage 2 loans.
- In terms of funding, the conditions are stable, with a CASA ratio close to 30%, while QIB exhibits a relatively stronger liquidity position compared to domestic competitors.

Quarterly Net Income (m)



Revenue by segment



Net Interest Margin %



Cost- Income %



Stock Info

Weight in QSE index	15.32%
Current Market Price	24.00
Shares Outstanding (Mn)	2,363
Market Cap (Mn)	56,710
52-Wk High (14 Aug 25)	25.97
52 Wk Low (7 Apr 25)	19.25
Average Trading Price YTD	22.47

Per Share Data

EPS Trailing 12M	1.94
EPS Annualized	1.95
EPS expected	1.88
Book Value Per Share	12.03
Dividends Per Share	0.80

Valuation Ratios

P/E using TTM EPS	12.37
P/E using Ann EPS	12.31
P/E using expected EPS	12.77
Average PE in a year	11.58
P/BV	2.00
Dividends Yield	3.33%

Key Financials

	9M ' 25	9M ' 24
Operating Income (Mn)	8,541	8,571
Net Profit (Mn)	3,455	3,266
Net equity (Mn)	28,435	26,338
Total Assets (Mn)	214,688	197,545
Total Loans (Mn)	139,896	135,393
Customer Deposits (Mn)	133,835	126,413

Financials Ratios

	9M ' 25	9M ' 24
ROE (LTM)	16.7%	16.9%
ROA	2.3%	2.4%
Tier 1 Common Equity Ratio	18.5	17.5
NPL's	1.8%	1.7%
Total Loans/Total Deposits	104.5%	107.1%

Stock Performance

	QIB	Index
YTD Return	12.4%	2.9%
1 Month Return	-0.5%	-1.6%
6 Month Return	20.0%	6.6%
1 Year	15.1%	1.3%

Share Holdings Pattern

Qatar Investment Authority	16.67%
Sh. Hamad Bin Jasim AL- Thani	6.54%
Vangard	3.36%

Geographic ownership

Qatar	52.00%
Unknwon	20.00%
USA	17.70%

Ownership Type

Sovereign Wealth Fund	51.00%
Investment Advisor	26.00%
Individual	20.00%

	Q3'25	Q2' 25	Q3' 24
Growth			
Loan Growth	3.33	3.30	5.26
Deposit Growth	5.87	10.01	4.03
Earning Assets Growth	6.09	7.96	5.98
Assets Growth	8.68	10.29	5.72
Net Interest Income Growth	-0.62	3.65	3.39
Net Revenue Growth	2.82	5.33	3.11

Liquidity

	Q3' 25	Q2' 25	Q3' 24
Total Loans/Total Deposits	104.53	102.78	107.10
Total Loans/Total Assets	65.16	65.44	68.54
Deposits/Assets	62.34	63.67	63.99
Deposits/Funding	76.59	78.05	77.06

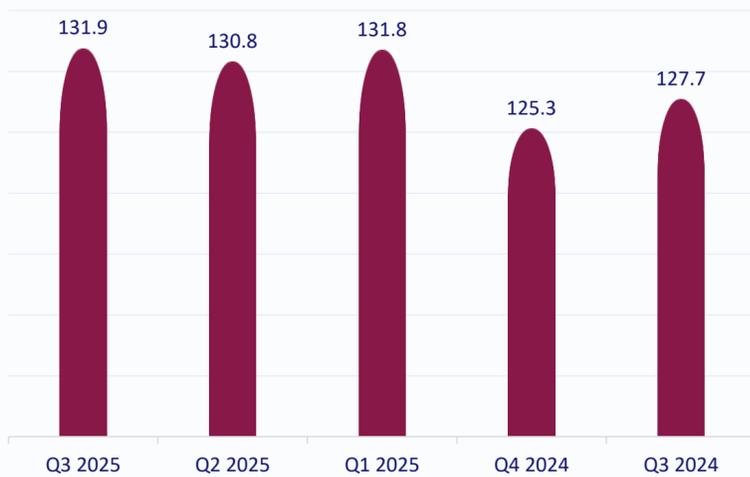
Year

Year	DPS	Div. YLD	Pay out
2025 e	0.88	3.66%	47.0%
2024	0.80	2.34%	43.1%
2023	0.73	2.91%	42.0%
2022	0.63	3.10%	39.1%
2021	0.58	2.18%	40.5%

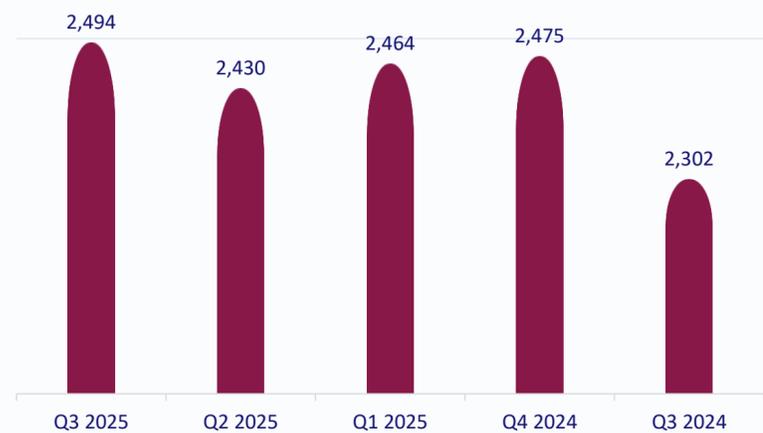
Asset Quality

- As of the conclusion of September 2025, the total non-performing loans reached around QAR 2.50 billion, an increase from QAR 2.43 billion in June and QAR 2.46 billion at the close of 2024. The NPL ratio increased to 1.78% from 1.75% in the preceding quarter, marking a rise from 1.70% at the end of September 2024.
- The bank has the lowest non-performing loan ratio in the banking sector.
- The total coverage ratios of provisions for non-performing loans are more than 3 times, and the provisions for stage 3 exceed 95%.
- Banks often deduct the largest portion of their bad debt provisions in the last quarter of each year.

Net loans (Billion)



NPL's (Million)



NPL's Coverage ratio %

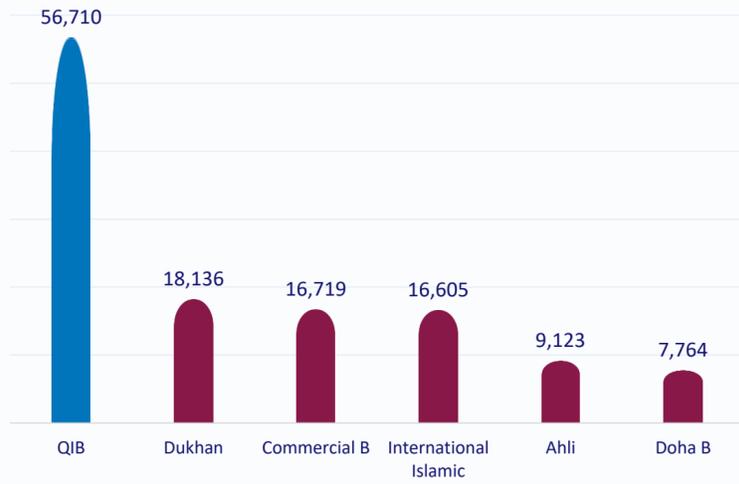


NPL's ratio %

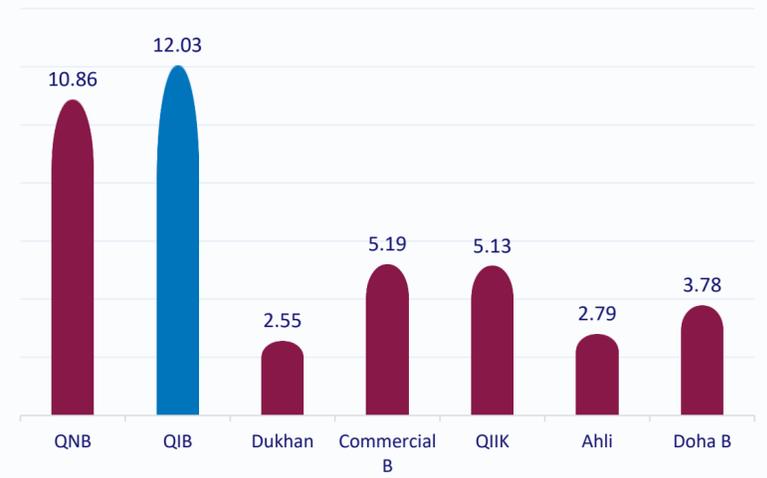


Comparison

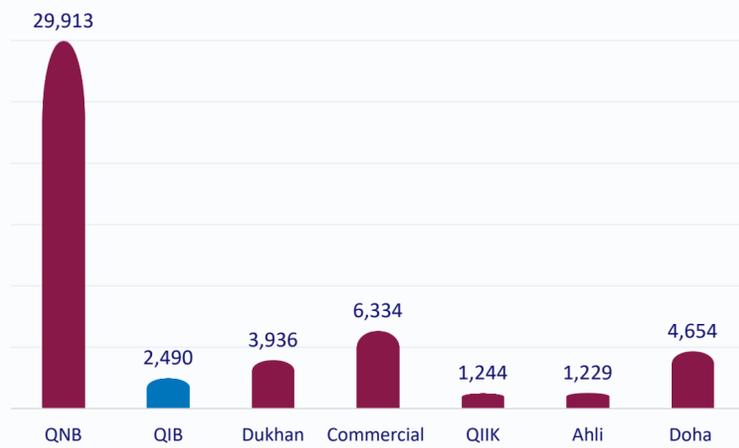
Market Cap (m)



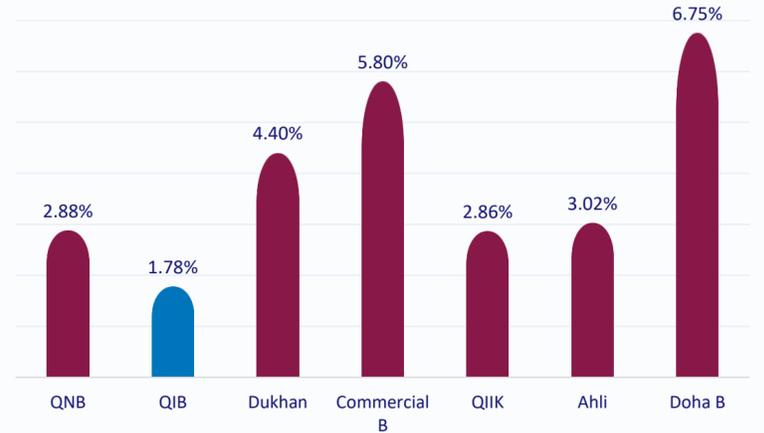
Book Value Per Share (QAR)



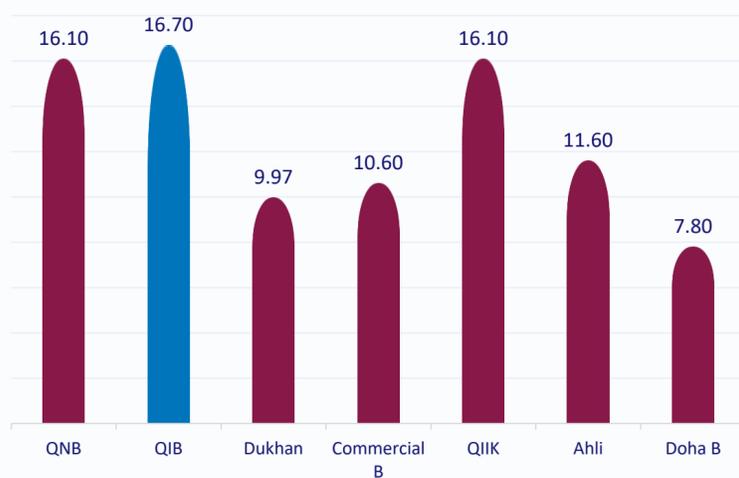
NPL's (m)



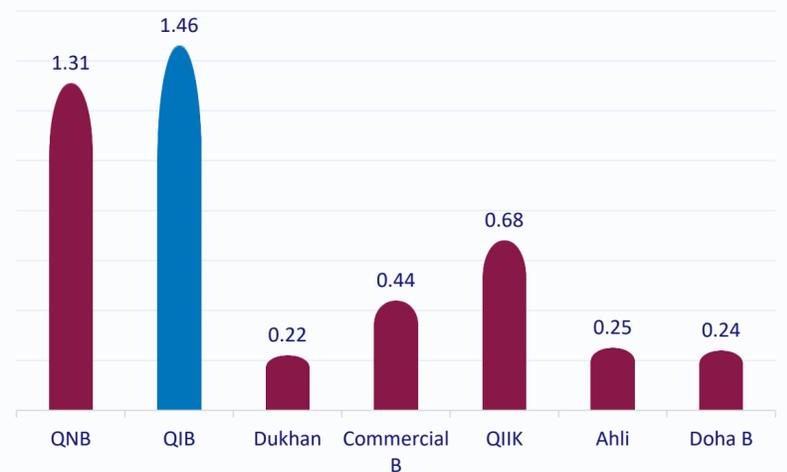
NPL's %



ROE (LTM)%



EPS for 9M (QAR)



Valuation

We recommend **Buying**

We use a residual income model and comparable valuation.

Our analysis indicates the fair value of the stock ranges between
QAR 25.80 and 27.10

Residual Income Model Assumptions:

- Growth rate: We expect the bank to grow in earnings between 3% and 5%.
- Cost of equity ranging between 8.5% and 9.5%.
- Terminal Value: The growth rate in perpetuity is 3.0%.
- Return on equity between 16.5% and 17.5%.

Key Risks to Consider

- Significant exposure to the real estate and contracting industry(30% of loans), which is sensitive to economic fluctuations. (
- Possible pressure on net interest margins if the US Federal Reserve implements expected rate cuts.
- The risk of concentration arises from providing loans to a limited number of large corporations.
- Geopolitical risks in the Middle East that could impact business growth.

Disclaimer

Qatar Securities Company has prepared this report to provide an unbiased analysis of the business's performance. It's important to note that the assessment is based on assumptions that may vary in interpretation and may not be entirely accurate. This document focuses on evaluating the company's financial status, not as a solicitation to buy or sell. There may be a conflict of interest since this stock is part of investment portfolios managed by Qatar Securities Company.

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