Qatar International Islamic Bank (QIIK)

Recommendation	MARKET PERFORM	Risk Rating	R-3
Share Price	QR11.04	Target Price	QR11.26
Implied Upside	2.0%		

2Q2026 In-Line With Estimates; Stay Market Perform

Qatar International Islamic Bank (QIIK) reported a net profit of QR345.6mn in 2Q2026, increasing by 3.8% YoY (sequentially dropping by 6.0%). The bottom-line came in-line with our estimate of QR348.6mn (variation: -0.9%). Net-net, the bottom-line increased due to a 41.2% sharp drop in provisions/impairments as net operating income declined by 8.1% YoY due to weak non-funded income (fees and f/x income declined by 3.1% and 1.1%, respectively) and a drop in net interest & investment income (NIM compressed 39bps to 2.73%). Sequentially, earnings dropped by 6.0% (in-line with historical trends) on the back of margin pressure, increase in opex and a 44.2% surge in net credit provisions and impairments; net operating income was flat. **We maintain our TP of QR11.26 and Market Perform rating.**

Highlights

- **Strong RoE generator (>CoE):** QIIK generated 1H2026 RoE of 18.0% vs. 18.4% in 1H2025 (FY2025: 16.2%). Moreover, RoRWAs was a strong 2.8% in 1H2026.
- **BoD withheld interim DPS.** We believe this was done to shore up cash/capital and protect liquidity given the geopolitical tensions.
- **2Q2026 margins compressed both YoY and sequentially.** NIMs contracted by 39bps/8bps YoY/QoQ to 2.73%. The compression was attributed to a significant drop in yield on IEAs vs. CoFs.
- **The bank remains cost-efficient and enjoys one of the lowest C/I ratios domestically and regionally.** QIIK posted a cost-to-income ratio of 20.0% in 2Q2026 vs. 18.7% in 2Q2025 (1Q2026: 19.4%).
- **Net loans remained flat sequentially but increased YTD.** Net loans were flat sequentially at QR44.1bn (+5.0% YTD). Growth in loans was attributed to the public sector as loans to the real estate segment contracted by 9.7%. Deposits decreased by 1.6%/0.4% QoQ/YTD to QR43.1bn in 2Q2026. Thus, QIIK's LDR (excluding wholesale stable sources of funds) was a healthy 102%.
- **1H2026 CoR significantly improved vs. 1H2025**. QIIK booked net credit provisions of QR66.3mn in 2Q2026 vs. QR112.3mn in 2Q2025 (1Q2026: QR13.5mn). Hence, 1H2026 CoR decreased from 65bps in 1H2025 to 35bps (FY2025: 96bps). Although the CoR was low in 1H2026 we expect the CoR to increase as QIIK books the bulk of provisions in the 4^{th} quarter. The 41.2% drop in provisions & impairments led to a 3.8% YoY growth in the bottom-line as net operating income was down by 8.1%. Sequentially, the bottom-line dropped due to a 44.2% surge in provisions & impairments.
- **Asset quality improved with strong coverage of Stage 3 loans.** NPL ratio decreased from 2.88% in FY2025 to 2.54% in 2Q2026 (1Q2026: 2.56%). At the same time, NPLs decreased by 7.6% YTD, while remaining flat sequentially. Moreover, coverage of Stage 3 loans was a strong 93%. Stage 2 loans comprise 9.5% of total loans with a 21% coverage, which is robust and conservative. Moreover, QIIK allocated the majority of ECLs to Stage 2 loans, which is very conservative.
- **Capitalization remains healthy/strong and above the QCB minimum.** QIIK ended 2Q2026 with CET1/Tier-1 ratios of 16.2%/20.3%.

Recommendation, Valuation and Risks

- **Recommendation and valuation: We maintain our Market Perform rating and price target of QR11.26.** QIIK is trading at a 2026e/27e P/TB and P/E of 2.0x/1.9x and 12.8x/11.7x, respectively.
- **Risks**: 1) Exposure to the real estate and consumer segments creates concentration risk, which could result in further impairments and 2) Geopolitical risks.

Key Data

Current Market Price (QR)	11.04
DY (%)	4.8
Bloomberg Ticker	QIIK QD
Reuters Ticker	QIIB.QA
ISIN	QA0006929879
Sector*	Banks & Fin. Svcs.
52wk High/52wk Low (QR)	12.18/10.10
3-m Average Volume (mn)	0.64
Mkt. Cap. ($ bn/QR bn)	4.6/16.7
Shares Outstanding (000's)	1,513.7
FO Limit* (%)	100.0
Current Institutional FO*	19.1
1-Year Total Return (%)	+2.6
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

	2025	2026e	2027e	2028e
Attributable EPS (QR	0.800	0.864	0.944	1.006
EPS Growth (%)	6.9	7.9	9.2	6.6
P/E (x)	13.8	12.8	11.7	11.0
Tangible BVPS (QR)	5.2	5.6	6.0	6.3
P/TBV (x)	2.1	2.0	1.9	1.7
RoE (%)	16.2	16.5	16.9	16.9
DPS (QR)	0.530	0.575	0.625	0.675
Dividend Yield (%)	4.8	5.2	5.7	6.1

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)	2024	2025	2026e	2027e	2028e	2029e
Net Interest Income	1,547	1,702	1,867	2,019	2,187	2,390
Fees & Commissions	378	394	420	457	447	479
FX Income	73	55	66	72	71	77
Other Income	35	31	32	33	41	40
Non-Interest Income	**486**	**479**	**519**	**562**	**559**	**596**
Total Revenue	2,032	2,181	2,386	2,581	2,746	2,986
Operating Expenses	(383)	(405)	(433)	(460)	(494)	(526)
Net Operating Income	1,650	1,776	1,953	2,121	2,252	2,461
Net Provisions & Impairments	(389)	(425)	(503)	(548)	(582)	(631)
Net Profit (Headline/Reported)	1,260	1,351	1,449	1,573	1,670	1,830
Payment on Tier-1 Sukuk	(95)	(106)	(106)	(106)	(106)	(106)
Social & Sports Contribution Fund	(32)	(34)	(36)	(39)	(42)	(46)
Net Profit (Attributable)	1,134	1,212	1,308	1,428	1,523	1,678
EPS	0.749	0.800	0.864	0.944	1.006	1.109

Source: Company data, QNB FS Research

Balance Sheet (In QR mn)	2024	2025	2026e	2027e	2028e	2029e
Cash & Balances with Central Bank	3,453	2,587	3,200	3,714	3,834	4,083
Interbank Loans	8,599	5,836	7,551	7,061	8,507	8,035
Net Investments	7,425	10,979	11,744	12,651	13,587	14,267
Net Loans	39,326	41,966	44,419	47,073	50,042	53,565
Investment In Associates	135	144	149	155	161	169
Other Assets	198	303	223	233	170	187
Net PP&E	228	225	221	217	212	206
Investments In Real Estate	616	589	589	589	589	589
Total Assets	**59,979**	**62,629**	**68,096**	**71,693**	**77,103**	**81,102**
Liabilities						
Interbank Deposits	5,186	3,077	4,275	3,444	5,229	4,770
Customer Deposits	41,383	43,290	45,714	48,229	51,122	54,445
Term Loans	2,798	5,129	6,412	7,694	7,771	8,159
Tier-1 Perpetual Sukuk	2,092	2,092	2,092	2,092	2,092	2,092
Other Liabilities	1,012	1,079	1,143	1,215	1,293	1,383
Total Liabilities	**52,472**	**54,667**	**59,636**	**62,675**	**67,508**	**70,850**
Total Shareholders' Equity	**7,508**	**7,961**	**8,460**	**9,018**	**9,595**	**10,252**
Total Liabilities & Shareholders' Equity	**59,979**	**62,629**	**68,096**	**71,693**	**77,103**	**81,102**
BVPS	4.96	5.26	5.59	5.96	6.34	6.77
TBVPS	4.93	5.23	5.57	5.95	6.34	6.77
RWAs	50,573	50,665	54,477	56,996	60,911	63,665
RWAs/Total Assets	84%	81%	80%	80%	79%	79%
Average IEAs	55,899	56,854	61,025	65,066	69,270	73,798
Average IEAs/Average Assets	92%	93%	93%	93%	93%	93%
Average IBLs	43,714	43,665	46,697	50,214	53,623	57,103
Average IBLs/Average Liabilities	82%	82%	82%	82%	82%	83%

Source: Company data, QNB FS Research

Ratios/Indicators	2024	2025	2026e	2027e	2028e	2029e
Profitability (%)						
RoE	15.4	16.2	16.5	16.9	16.9	17.5
RoAA	1.9	2.0	2.0	2.0	2.0	2.1
RoRWA	2.2	2.4	2.5	2.6	2.6	2.7
NIM (% of IEAs)	2.77	2.99	3.06	3.10	3.16	3.24
NIM (% of RWAs)	3.00	3.36	3.55	3.62	3.71	3.84
NIM (% of AAs)	2.54	2.78	2.86	2.89	2.94	3.02
Spread	1.80	2.17	2.42	2.47	2.51	2.57
Efficiency (%)						
Cost-to-Income (Headline)	18.9	18.6	18.1	17.8	18.0	17.6
Cost-to-Income (Core)	19.2	18.9	18.5	18.1	18.3	17.9
Liquidity (%)						
LDR	89	87	85	84	85	86
Loans/Assets	65.6	67.0	65.2	65.7	64.9	66.0
Cash & Interbank Loans-to-Total Assets	20.1	13.4	15.8	15.0	16.0	14.9
Deposits to Assets	69.0	69.1	67.1	67.3	66.3	67.1
Wholesale Funding to Loans	20.3	19.6	24.1	23.7	26.0	24.1
IEAs to IBLs	129	132	130	129	129	129
Asset Quality (%)						
NPL Ratio	3.3	2.9	2.8	2.8	2.8	2.7
NPL to Shareholders' Equity	18.1	16.1	15.7	15.5	15.4	14.9
NPL to Tier-1 Capital	14.8	13.3	13.1	13.1	13.1	12.8
Coverage Ratio	144.2	182.3	205.6	224.8	242.2	264.6
ALL/Average Loans	4.7	5.2	5.7	6.2	6.6	7.0
Cost of Risk (bps)	83	96	88	86	85	85
Capitalization (%)						
CET1 Ratio	14.0	14.8	14.7	15.1	15.0	15.4
Tier-1 Ratio	18.2	19.0	18.6	18.7	18.5	18.7
CAR	19.3	20.1	19.7	19.8	19.6	19.8
Leverage (x)	8.0	7.9	8.0	7.9	8.0	7.9
Growth (%)						
Net Interest Income	-2.0	10.0	9.7	8.2	8.3	9.3
Non-Interest Income	19.9	0.9	8.2	8.3	-0.4	6.6
OPEX	8.4	5.8	6.9	6.3	7.5	6.3
Net Operating Income	1.1	8.4	9.9	8.6	6.2	9.3
Net Income (Attributable)	9.4	6.9	7.9	9.2	6.6	10.2
Loans	7.7	6.7	5.8	6.0	6.3	7.0
Deposits	6.3	4.6	5.6	5.5	6.0	6.5
Assets	-2.7	4.4	8.7	5.3	7.5	5.2
RWAs	-3.9	0.2	7.5	4.6	6.9	4.5

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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