

Commercial Bank of Qatar (CBQK)

Recommendation	OUTPERFORM	Risk Rating	R-3
Share Price	QR4.518	Target Price	QR5.844
Implied Upside	30.2%		

3Q2025 Earnings Misses Estimates On Higher Than Expected CoR

CBQK's 3Q2025 bottom-line falls short of our estimates. Commercial Bank of Qatar (CBQK) reported a net profit of QR524.2mn in 3Q2025, decreasing by 32.0% YoY (-14.1% QoQ). The drop in the bottom-line was due to a surge in credit provisions & impairments and GMT taxes. Excluding excess provisions and GMT taxes, net operating profit increased by 6.3%/9.9% YoY/QoQ to QR963.8mn, beating our estimate by 4.9%. Key positives from the 3rd quarter results were healthy fee income (+5.9%/0.4% YoY/QoQ), income from associates (+28.7/3.1% YoY/QoQ), flat opex and significantly lower losses from hyperinflation (Turkish operations reported a hyperinflation loss of QR35.3mn in 3Q2025 vs. QR43.0mn in 3Q2024 (2Q2025: loss of QR47.2mn)). Key negatives from the 3rd quarter were sharp margin pressure YoY, surge in provisions & impairment (YoY & QoQ) and further f/x losses. YoY/Sequentially, pre-GMT bottom-line declined by 17.8%/9.2%. Net-net, results were generally negatively swayed earnings on a YoY and QoQ basis. For the time being we maintain our PT of QR5.844 and Outperform rating.

Highlights

- **9M2025 annualized tangible RoE significantly declined YoY.** The company generated a RoE of 11.6% vs. 16.9% in 9M2024, lower than its CoE, which is a concern in our view.
- **NIMs continued to compress YoY but remained flat sequentially.** CBQK's NIMS compressed from 2.52% in 3Q2024 (2Q2025: 2.16%) to 2.12% because of a sharp drop in yields vs. CoFs. Consequently, net interest income retreated by 1.0% YoY. Sequentially, net interest income increased by 5.4% as a result of flat NIMs.
- **Legacy NPLs remain and are mainly real estate in nature and have not shown signs of improvement; NPLs increased sequentially and YTD.** NPLs increased by 5.8%/7.8% sequentially/YTD to QR6.3bn. The NPL ratio declined to 5.83% in 3Q2025 vs. 6.16% in FY2024 (2Q2024: 5.53%); the NPL ratio decreased due to a large YTD increase in the loan book. Coverage of Stage 3 loans worsened YTD (flat QoQ), decreasing from 67% in FY2024 to 57% in 3Q2025. Stage 2 loans % of total loans remain high at 17% but improved from FY2024's 19%. Moreover, 31% of ECLs are Stage 2.
- **CBQK significantly increased credit provisions in 3Q2025 vs 3Q2024.** CBQK booked credit provisions of QR262.5mn vs. QR164.3mn in 3Q2024 (2Q2025: QR166.1mn; +58.0%), a surge of 59.8% YoY. 9M2025 annualized CoR came in at 62bps vs. 63bps in 9M2024; in-line CoR is attributable to the loans expansion YTD. We are of the view that this level of CoR is probably not sustainable in the near-to-medium term. The surge in credit provisions and impairments prevented the bottom-line from increasing.
- **Net loans continued its growth trajectory, which is a positive.** Net loans were sequentially flat (+13.7% YTD) at QR104.0bn. Moreover, deposits moved up by 2.5% QoQ (+11.2% YTD) to QR85.7bn.
- **CET1/Tier-1 ratio remained at healthy levels.** CBQK generated a CET1/Tier-1 ratios of 13.0/16.4%.

Catalysts

- Progress in improvement of asset quality and core-banking income.

Recommendation, Valuation and Risks

- **Recommendation and valuation: We maintain our PT of QR5.844 and Outperform rating.** CBQK is trading at a 2025e/26e P/TB and P/E of 0.8x and 8.0x/6.9x, respectively.
- **Risks:** 1) Weakness in Turkish Lira & Hyperinflation & 2) Higher than expected CoR.

Key Data

Current Market Price (QR)	4.518
Dividend Yield (%)	6.6
Bloomberg Ticker	CBQK QD
Reuters Ticker	COMB.QA
ISIN	QA0007227752
Sector*	Banks & Fin Svcs.
52wk High/52wk Low (QR)	5.049/3.850
3-m Average Volume (mn)	1.8
Mkt. Cap. (\$ bn/QR bn)	5.0/18.3
Shares Outstanding (000)	4,047.25
FO Limit* (%)	100.0
Institutional FO* (%)	24.5
1-Year Total Return (%)	+10.7
Fiscal Year End	December 31

Source: Bloomberg (as of October 14, 2025), *Qatar Exchange (as of October 14, 2025); Note: FO is foreign ownership

Key Financial Data and Estimates

(In QR mn)	2024	2025e	2026e
EPS	0.660	0.565	0.657
EPS Growth (%)	0.8	-14.5	16.3
P/E (x)	6.8	8.0	6.9
Tangible BVPS (QR)	5.1	5.3	5.7
P/TBV (x)	0.9	0.8	0.8
RoE (%)	14.4	11.1	12.3
DPS (QR)	0.300	0.300	0.350
Dividend Yield (%)	6.6	6.6	7.7

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

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Income Statement (In QR mn)	2023	2024	2025e	2026e	2027e
Net Interest Income	3,867	3,317	3,120	3,372	3,757
Fees & Commissions	805	892	990	921	1,019
FX Income	528	(94)	(102)	310	328
Other Income	583	771	847	918	918
Non-Interest Income	1,916	1,569	1,735	2,149	2,266
Total Revenue	5,784	4,886	4,855	5,521	6,023
Operating Expenses	(1,441)	(1,273)	(1,369)	(1,483)	(1,568)
Net Operating Income	4,343	3,613	3,487	4,038	4,455
Net Provisions & Impairments	(917)	(467)	(646)	(829)	(802)
Net Profit Before Taxes	3,425	3,145	2,841	3,208	3,654
Tax	(80)	18	(85)	(96)	(109)
Net Profit Before Minority Interest	3,345	3,164	2,755	3,113	3,545
Minority Interest	0	0	0	0	0
Non-Recurring Income/(Loss)	(335)	(132)	(120)	(95)	(90)
Net Profit (Headline/Reported)	3,010	3,032	2,635	3,018	3,455
Interest on Tier-1 Note	(284)	(284)	(284)	(284)	(284)
Social & Sports Contribution Fund	(75)	(76)	(66)	(75)	(86)
Net Profit (Attributable)	2,651	2,673	2,286	2,659	3,085
Attributable EPS	0.655	0.660	0.565	0.657	0.762

Source: Company data, QNB FS Research

Balance Sheet (In QR mn)	2023	2024	2025e	2026e	2027e
Cash & Balances with Central Bank	8,631	7,307	7,755	8,677	8,395
Interbank Loans	20,525	20,705	20,395	20,843	22,240
Net Investments	30,762	33,229	36,472	39,164	41,190
Net Loans	91,490	91,480	95,962	100,964	106,555
Investment In Associates	3,373	3,659	3,853	4,062	4,283
Other Assets	2,547	2,492	2,687	2,807	2,984
Net PP&E	3,063	3,085	3,165	3,284	3,416
OREO	3,921	3,767	3,767	3,767	3,767
Goodwill & Intangible Assets	62	89	98	98	98
Total Assets	164,376	165,813	174,154	183,667	192,928
Liabilities					
Interbank Deposits	18,805	20,840	19,352	21,605	21,754
Customer Deposits	76,541	77,007	81,627	86,770	93,277
Term Loans	34,166	35,465	35,819	37,610	38,362
Tier-1 Perpetual Notes	5,820	5,820	5,820	5,820	5,820
Other Liabilities	10,458	6,013	9,795	8,677	8,861
Total Liabilities	145,790	145,144	152,414	160,482	168,075
Total Shareholders' Equity	18,586	20,669	21,740	23,185	24,853
Total Liabilities & Shareholders' Equity	164,376	165,813	174,154	183,667	192,928
RWAs	121,274	131,092	139,672	148,770	158,201

Source: Company data, QNB FS Research

Ratios/Key Indicators	2023	2024	2025e	2026e	2027e
Profitability (%)					
RoTE (Attributable)	14.5	14.4	11.1	12.3	13.4
RoAA (Attributable)	1.6	1.6	1.3	1.5	1.6
RoRWA	2.1	2.1	1.7	1.8	2.0
NIM (% of IEAs)	2.72	2.38	2.16	2.22	2.35
NIM (% of RWAs)	3.13	2.63	2.30	2.34	2.45
NIM (% of AAs)	2.32	2.01	1.84	1.88	2.00
Spread	1.8	1.5	1.2	1.5	1.8
Efficiency (%)					
Cost-to-Income (Headline)	24.9	26.1	28.2	26.9	26.0
Cost-to-Income (Core)	27.7	30.9	34.1	32.2	30.7
Liquidity (%)					
LDR	120	119	118	116	114
LDR (Including Stable Source of Funding)	83	81	82	81	81
Loans/Assets	56	55	55	55	55
Cash & Interbank Loans-to-Total Assets	17.7	16.9	16.2	16.1	15.9
Deposits to Assets	47	46	47	47	48
Wholesale Funding to Loans	58	62	57	59	56
IEAs to IBLs (x)	1.21	1.20	1.23	1.19	1.19
Asset Quality (%)					
NPL Ratio	5.8	6.1	5.9	5.5	5.0
NPLs to Shareholders' Equity	30.4	28.4	27.2	25.3	22.7
NPL to Tier-1 Capital	33.1	28.5	26.8	25.4	23.2
Coverage Ratio	105	82	87	98	111
ALL/Average Loans	5.9	5.0	5.2	5.5	5.7
Cost of Risk (bps)	99	34	71	73	67
Capitalization (%)					
CET1 Ratio	10.7	12.3	12.6	12.5	12.6
Tier-1 Ratio	14.1	15.7	15.8	15.5	15.4
CAR	14.9	17.2	17.3	17.0	16.9
Leverage (x)	8.8	8.0	8.0	7.9	7.8
Growth (%)					
Net Interest Income	-2.4	-14.2	-5.9	8.1	11.4
Non-Interest Income	23.4	-18.1	10.6	23.9	5.4
Total Revenue	4.8	-15.5	-0.6	13.7	9.1
Operating Expenses	26.6	-11.6	7.5	8.4	5.7
Net Operating Income	-0.8	-16.8	-3.5	15.8	10.3
Net Provisions & Impairments	-27.4	-49.1	38.3	28.4	-3.3
Net Income (Headline)	7.1	0.7	-13.1	14.5	14.5
Net Income (Attributable)	7.9	0.8	-14.5	16.3	16.0
Loans	-6.7	0.0	4.9	5.2	5.5
Deposits	-8.0	0.6	6.0	6.3	7.5
Assets	-2.7	0.9	5.0	5.5	5.0
RWAs	-3.3	8.1	6.5	6.5	6.3

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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