

Commercial Bank of Qatar (CBQK)

Recommendation	OUTPERFORM	Risk Rating	R-3
Share Price	QR4.100	Target Price	QR5.244
Implied Upside	27.9%		

1Q2025 Bottom-Line Impacted By Sharp Margin Pressure

CBQK's pre-GMT 1Q2025 beat our estimates. Commercial Bank of Qatar (CBQK) reported a net profit of QR651.4mn in 1Q2025, decreasing by 18.7% YoY (-5.7% QoQ). The drop in the bottom-line was due to sharp margin pressure and significant increase in opex. **Pre-GMT profit (we did not reflect GMT in our 1Q2025 estimate) came in at QR704.1mn vs. our estimate of QR671.4mn (variation of +4.9%).** Key positives from the 1st quarter results were strong fee income (+24.0%/29.0% YoY/QoQ), income from associates (+23.4/4.8% YoY/QoQ), significantly lower CoR and materially lower losses from hyperinflation (Turkish operations reported a hyperinflation loss of QR24.5mn in 1Q2025 vs. QR40.6mn in 1Q2024). Key negatives from the 1st quarter was sharp margin pressure YoY and an increase in f/x losses. Sequentially, GMT rate caused the bottom-line to decline by 5.7% (pre-GMT, earnings were up 5.0% QoQ). **Net-net, results were generally mixed on a YoY and QoQ basis. After updating our estimates, we could revise our rating on the stock.**

Highlights

- 1Q2025 annualized tangible RoE declined YoY.** The company generated a RoE of 12.7% vs. 17.3% in 1Q2024.
- NIMs continued to compress YoY but expanded QoQ.** CBQK's NIMs compressed from 2.72% in 1Q2024 to 2.15% because of a sharp drop in yields vs. CoFs. Consequently, net interest income dropped by 18.4% YoY. Sequentially, NIMs expanded by 55bps, causing net interest income to increase by 37.4%.
- Legacy NPLs remain and are mainly real estate in nature and have not shown signs of improvement; NPLs remained broadly stable sequentially and YoY.** The NPL ratio declined to 5.92% in 1Q2025 vs. 6.18% in FY2024 (1Q2024: 6.04%); the NPL ratio decreased due to stable NPLs and an increase in loans. Coverage of Stage 3 loans worsened, decreasing from 67% in FY2024 to 55% in 1Q2025 (1Q2024: 72%). Stage 2 loans % of total loans remains high at 19%.
- CBQK significantly reduced credit provisions in 1Q2025 vs 1Q2024 (4Q2024: net reversals).** CBQK booked credit provisions of QR78.0mn vs. QR130.4mn in 1Q2024, a drop of 40.2% YoY (4Q2024: net reversals of QR127.6mn). As such, 1Q2025 annualized CoR came in at 31bps vs. 55bps in 1Q2024, which we view positively but is probably not sustainable in the near term.
- Net loans expanded sequentially.** Net loans sequentially increased by 3.7% to QR94.9bn. On the other hand, deposits retreated by 0.8% QoQ to QR76.4bn.
- CET1/Tier-1 ratio remained at healthy levels.** CBQK generated a CET1/Tier-1 ratio of 12.3/15.6%.

Catalysts

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

Recommendation, Valuation and Risks

- Recommendation and valuation: We maintain our PT of QR5.244 and Outperform rating.** CBQK is trading at a 2025/26e P/TB and P/E of 0.8/0.7x and 6.3/5.7x, respectively.
- Risks:** 1) Weakness in Turkish Lira & Hyperinflation & 2) Higher than expected CoR.

Key Financial Data and Estimates

(In QR mn)	2024	2025e	2026e	2027e
EPS	0.661	0.648	0.720	0.827
EPS Growth (%)	0.8	-1.9	11.0	15.0
P/E (x)	6.2	6.3	5.7	5.0
Tangible BVPS (QR)	5.1	5.5	5.8	6.3
P/TBV (x)	0.8	0.8	0.7	0.7
RoE (%)	14.4	12.7	13.2	0.0
DPS (QR)	0.300	0.350	0.400	0.325
Dividend Yield (%)	7.3	8.5	9.8	7.9

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

Key Data

Current Market Price (QR)	4.100
Dividend Yield (%)	7.3
Bloomberg Ticker	CBQK QD
Reuters Ticker	COMB.QA
ISIN	QA0007227752
Sector*	Banks & Fin Svcs.
52wk High/52wk Low (QR)	4.635/3.756
3-m Average Volume (mn)	3.1
Mkt. Cap. (\$ bn/QR bn)	4.6/16.6
Shares Outstanding (000)	4,047.25
FO Limit* (%)	100.0
Institutional FO* (%)	24.3
1-Year Total Return (%)	+3.3
Fiscal Year End	December 31

Source: Bloomberg (as of April 17, 2025), *Qatar Exchange (as of April 16, 2025); Note: FO is foreign ownership

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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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