

## Commercial Bank of Qatar (CBQK)

Recommendation	OUTPERFORM	Risk Rating	R-3
Share Price	QR4.350	Target Price	QR5.183
Implied Upside	19.1%	Old Target Price	QR5.884

### Reducing Target/Estimates; Reiterate Outperform on Attractive Upside/DY

We lower our 2025-30e earnings forecast from a CAGR of 9.0% to 8.0% (this CAGR is based on a low base effect). Moreover, we lower our 2026e-30e estimates (page 3) on higher CoR, GMT and lower RoE generation. However, our sustainable /terminal RoE remains unchanged at 13.0%. As such, we lower our PT from QR5.844/sh to QR5.184/sh. as we raise our CoE due to geo-political tensions. CBQK will start generating economic profits (RoE>CoE) from 2031 and onward. Furthermore, we maintain our Outperform rating. The stock remains attractive with undemanding multiples coupled with an attractive dividend yield. CBQK is trading at a 2026e/27e P/TB of 0.8/0.8x based on our estimates. Moreover, the stock is trading at 9.4x P/E on our 2027 estimates vs. its Fundamental P/E of 10.5x (discount of 11.0%). Further, the market is pricing in a sustainable RoE of 10.7%, which is lower than our forecast and management guidance.

### Highlights

- Commercial Bank of Qatar's (CBQK) management unveiled phase 2 (2026-2030) strategy of the bank.** CBQK will focus on 1) improving its digital capabilities and AI 2) maintain cost containment (C/I ratio <27% by 2030) and generate positive jaws from 2027 and onward 3) target a sustainable CoR (70-90bps) by 2030 and onward; reduce Stage 2 loans 4) practice prudent underwriting of loans 5) improving asset quality by targeting an NPL ratio <5.0% by managing legacy exposures 6) targeting an RoE >11.0% 7) aim to capture low-cost deposits in order to improve margins 8) rebalance revenue by deploying capital-light fee based income.
- 1Q2026 bottom-line moderately beats estimates.** CBQK reported a net profit of QR501.4mn in 1Q2026 moderately beating our estimate of QR483.7mn (variation of +3.7%). Net profit declined by 23.0% YoY (+19.6% QoQ). The drop in the bottom-line was mainly attributable to a surge in credit provisions and impairments as revenue grew by a strong 6.8%. Growth in revenue was driven by a 12.6% increase in net interest income (flat NIMs) and a 16.9% increase in fees & commissions. Sequentially, earnings increased by 19.6% on a 46.0% drop in provisions & impairments as net operating income declined by 13.6%.
- We estimate a flat DPS for 2026 vs. 2025; CBQK offers an attractive DY.** We expect DPS of QR0.300 in 2026, in-line with 2025. This would yield an attractive DY of 6.9% and a payout ratio of 71%. On the other hand, we increase 2027 DPS to QR0.350. This translates into a strong yield of 8.0% (payout of 76%).
- RoE is now estimated to increase from 9.1% in 2025 to 10.2%/10.9% in 2028e/29e vs. 14.5%/15.2% previously.** The bank generated a RoTE of 9.1% vs. 14.4% in FY2024 (1Q2026: 9.5%), lower than its CoE, which is a concern in our view. After a weak FY2025, we expect RoE to decline to 8.2% in FY2026 before picking up to 10.2% (2028e). Management is targeting a RoE >11% by the end of 2030. Our sustainable RoE remains unchanged and is still 13.0%.
- NIMs are expected to moderately improve post 2026.** We estimate NIMs to contract by 14bps from 2.25% in 2025 to 2.11% in 2026 before increasing by 4bps to 2.16% in 2027 (2028: 2.18b%).
- Legacy NPLs remain and are mainly real estate in nature; management is guiding for the NPL ratio to decrease below 6% in 2026 and below 5% by 2030. We forecast the NPL ratio to fall to 4.0% by 2030e.** NPL ratio remained flat at 6.01% in 1Q2026 vs. FY2025 (FY2024: 6.16%), while NPL formation was negligible. Coverage of Stage 3 loans was also flat at 61% vs. FY2025 (67% in FY2024). ECLs for Stage 2 loans increased by 71% in 1Q2026 vs. FY2025. Hence, coverage increased from 10% in FY2025 to a healthy 19% in 1Q2026. We still expect asset quality to improve, driven by conservative underwriting and recoveries. Management will also gradually raise the coverage of Stage 3 loans to >62% in FY2026 and >70% by 2030.
- CoR is expected to stabilize at ~80bps by 2030; management is guiding in the range of 70bps-90bps by 2030.** CBQK generated 1Q2026 CoR of 84bps vs. 31bps in 1Q2025. It should be noted that in management's new strategy, net credit provisions will be booked equally across 4 quarters rather than booking the bulk of provisions in the 4<sup>th</sup> quarter. Net credit provisions came in at QR234.1mn in 1Q2026 vs. QR78.0mn in 1Q2025; ~70% of the provisions were booked to Stage 2 loans. We model in a CoR of 87bp/88bps in 2026e/27e and 84bps in 2028. Our CoR estimates reach 80bps by 2030e.
- We broadly maintain our loan growth assumptions.** During 1Q2026, net loans sequentially inched up 0.9% to QR105.5bn mainly due to a 7% increase from the public sector segment. We estimate net loans growth of +3.1%/+5.4% in 2026e/27e; we pencil in a 2025-30e CAGR of 5.6% in loan growth.
- CET1/Tier-1 ratio remains at healthy levels.** CBQK generated a CET1/Tier-1 ratios of 12.4%/16.9% in 1Q2026. We expect these levels to continue in our forecast horizon.

### Catalysts

- 1) Successful implementation of new 5-year strategy. 2) The impending buyback of up to 10% of CBQK's stock could serve as a catalyst.

### Recommendation, Valuation and Risks

- Recommendation and valuation:** We lower our PT to QR5.183 but retain our Outperform rating. CBQK is trading at a 2026e/27e P/TB and P/E of 0.8x/0.8x and 10.2x/9.4x, respectively.
- Risks:** 1) Higher than expected CoR & impairments and 2) lingering geo-political tensions.

### Key Data

Current Market Price (QR)	4.350
Dividend Yield (%)	6.9
Bloomberg Ticker	CBQK QD
Reuters Ticker	COMB.QA
ISIN	QA0007227752
Sector*	Banks & Fin Svcs.
52wk High/52wk Low (QR)	5.049/3.940
3-m Average Volume (mn)	3.14
Mkt. Cap. (\$ bn/QR bn)	4.8/17.6
Shares Outstanding (mn)	4,047.25
FO Limit* (%)	100.0
Current FO* (%)	25.2
1-Year Total Return (%)	10.4
Fiscal Year End	December 31

Source: Bloomberg (as of April 15, 2026), \*Qatar Exchange (as of April 15, 2026); Note: FO is foreign institutional ownership

### Key Financial Data and Estimates

(In QR mn)	2025	2026e	2027e	2028e
EPS	0.460	0.425	0.463	0.561
EPS Growth (%)	-30.3	-7.7	9.0	21.1
P/E (x)	9.5	10.2	9.4	7.8
Tangible BVPS (QR)	5.2	5.3	5.5	5.7
P/TBV (x)	0.8	0.8	0.8	0.8
RoE (%)	9.1	8.2	8.7	10.2
DPS (QR)	0.300	0.300	0.350	0.400
Dividend Yield (%)	6.9	6.9	8.0	9.2

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

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## Valuation

### We value CBQK using the Residual Income Model (RI) based on a fundamental P/B:

We derive CBQK's fair value by employing the RI valuation technique (*based on a fundamental P/B*), which is calculated based on the sum of its beginning book value, present value of interim residuals (net income minus equity charge) and the present value of the terminal value (we apply a fundamental P/B multiple based on the Gordon Growth Model to the ending book value at the end of our forecast horizon). We derive the P/B from the Gordon Growth Model:  $P/B = (RoE-g)/(Ke-g)$ . This model uses sustainable return on equity (RoE) based on the median over our forecast period, cost of equity (Ke) and expected long-term growth in earnings (g) to arrive at fundamental/justified P/B. **Based on this method, we arrive at a fundamental P/B of 1.1x.**

We add Qatar's 10-year CDS rate of 64bps to the 10-year US government bond yield (4.3%) to arrive at a risk-free rate of 4.9%. We factor in an adjusted beta of 1.0x. Finally, we add a local equity risk premium of 7.0% to arrive at a Ke of 12.0%.

### Valuation Methodologies

Fundamental P/B		RI Based on Fundamental P/B	
Sustainable RoE (%)	13.0	Beginning BVPS (2025) (QR)	5.244
Cost of Equity (%)	12.0	Present Value of Interim Residuals (QR)	-0.394
Terminal Growth Rate (%)	5.0	Present Value of Terminal Value (QR)	0.355
Fundamental P/B (x)	1.1	Current Market Price (QR)	4.350
		12-Month Target Price (QR)	5.183
		Upside/(Downside) Potential (%)	+19.1

Source: QNB FS Research

### Forecast

	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	Terminal
Beginning BVPS	5.22	5.35	5.51	5.72	5.95	6.20	6.44	6.67	6.93	7.21
Attributable EPS	0.42	0.46	0.56	0.63	0.70	0.74	0.79	0.83	0.88	0.94
DPS	0.300	0.300	0.350	0.400	0.450	0.500	0.550	0.575	0.600	0.650
Adjustment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ending BVPS	5.35	5.51	5.72	5.95	6.20	6.44	6.67	6.93	7.21	7.50
Equity Charge	0.63	0.64	0.66	0.69	0.71	0.74	0.77	0.80	0.83	0.87
<b>Residual Income</b>	<b>-0.20</b>	<b>-0.18</b>	<b>-0.10</b>	<b>-0.06</b>	<b>-0.02</b>	<b>0.00</b>	<b>0.01</b>	<b>0.03</b>	<b>0.05</b>	<b>0.07</b>
Terminal Value (Based on Fundamental P/B)										1.1
<b>Discounted Interim Residuals</b>	<b>-0.19</b>	<b>-0.15</b>	<b>-0.07</b>	<b>-0.04</b>	<b>-0.01</b>	<b>0.00</b>	<b>0.01</b>	<b>0.01</b>	<b>0.02</b>	<b>0.02</b>
<b>Discounted Terminal Value</b>										<b>0.36</b>
<b>Growth(Net Income)</b>	<b>-7.7%</b>	<b>9.0%</b>	<b>21.1%</b>	<b>11.8%</b>	<b>11.1%</b>	<b>6.4%</b>	<b>6.1%</b>	<b>5.9%</b>	<b>6.0%</b>	<b>6.2%</b>
<b>RoE</b>	<b>8.1%</b>	<b>8.7%</b>	<b>10.2%</b>	<b>10.9%</b>	<b>11.7%</b>	<b>12.0%</b>	<b>12.2%</b>	<b>12.5%</b>	<b>12.7%</b>	<b>13.0%</b>
<b>Implied P/B</b>	<b>1.0x</b>	<b>1.0x</b>	<b>0.9x</b>	<b>0.9x</b>	<b>0.9x</b>	<b>0.8x</b>	<b>0.8x</b>	<b>0.8x</b>	<b>0.7x</b>	<b>0.7x</b>

Source: QNB FS Research

### Sensitivity Analysis

	5.183	11.50%	11.75%	12.00%	12.25%	12.50%
3.5%	5.281	5.200	5.120	5.042	4.965	
4.5%	5.320	5.239	5.159	5.081	5.004	
5.0%	5.344	5.263	<b>5.183</b>	5.105	5.028	
5.5%	5.371	5.290	5.210	5.132	5.055	
6.0%	5.403	5.322	5.242	5.164	5.087	

## Change in Estimates

(In QR mn)	2026e			2027e		
	Old	New	Change (%)	Old	New	Change (%)
Net Interest Income	3,372	3,497	3.7	3,757	3,733	-0.6
Non-Interest Income	2,149	1,755	-18.3	2,266	1,910	-15.7
Total Revenue	5,521	5,252	-4.9	6,023	5,643	-6.3
Opex	1,483	1,540	3.9	1,568	1,644	4.8
Net Operating Income	4,038	3,712	-8.1	4,455	3,999	-10.2
Net Provisions & Impairments	829	1,221	47.2	802	1,235	54.0
Net Income (Reported)	3,018	2,094	-30.6	3,455	2,338	-32.3
Net Income (Attributable)	2,659	1,719	-35.4	3,085	1,874	-39.2

Source: QNB FS Research

## Detailed Financial Statements

Income Statement (In QR mn)	2023	2024	2025	2026e	2027e	2028e
Net Interest Income	3,867	3,317	3,414	3,497	3,733	4,011
Fees & Commissions	805	892	1,088	1,112	1,231	1,294
FX Income	528	(94)	(145)	(120)	(95)	174
Other Income	583	771	836	763	774	786
<b>Non-Interest Income</b>	<b>1,916</b>	<b>1,569</b>	<b>1,779</b>	<b>1,755</b>	<b>1,910</b>	<b>2,253</b>
<b>Total Revenue</b>	<b>5,784</b>	<b>4,886</b>	<b>5,193</b>	<b>5,252</b>	<b>5,643</b>	<b>6,264</b>
Operating Expenses	(1,441)	(1,273)	(1,411)	(1,540)	(1,644)	(1,747)
<b>Net Operating Income</b>	<b>4,343</b>	<b>3,613</b>	<b>3,781</b>	<b>3,712</b>	<b>3,999</b>	<b>4,517</b>
Net Provisions & Impairments	(917)	(467)	(1,193)	(1,221)	(1,235)	(1,319)
<b>Net Profit Before Taxes</b>	<b>3,425</b>	<b>3,145</b>	<b>2,588</b>	<b>2,491</b>	<b>2,764</b>	<b>3,198</b>
Tax	(80)	18	(252)	(254)	(271)	(313)
<b>Net Profit Before Minority Interest</b>	<b>3,345</b>	<b>3,164</b>	<b>2,336</b>	<b>2,237</b>	<b>2,493</b>	<b>2,885</b>
Minority Interest	0	0	0	0	0	0
Non-Recurring Income/(Loss)	(335)	(132)	(131)	(142)	(155)	(142)
<b>Net Profit (Headline/Reported)</b>	<b>3,010</b>	<b>3,032</b>	<b>2,205</b>	<b>2,094</b>	<b>2,338</b>	<b>2,742</b>
Interest on Tier-1 Note	(284)	(284)	(284)	(323)	(405)	(405)
Social & Sports Contribution Fund	(75)	(76)	(60)	(52)	(58)	(69)
<b>Net Profit (Attributable)</b>	<b>2,651</b>	<b>2,673</b>	<b>1,862</b>	<b>1,719</b>	<b>1,874</b>	<b>2,269</b>
Attributable EPS	0.655	0.660	0.460	0.425	0.463	0.561

Source: Company data, QNB FS Research

Balance Sheet (In QR mn)	2023	2024	2025	2026e	2027e	2028e
Cash & Balances with Central Bank	8,631	7,307	11,986	11,163	9,000	9,675
Interbank Loans	20,525	20,705	22,812	23,040	24,584	22,617
Net Investments	30,762	33,229	40,299	42,572	45,549	50,598
Net Loans	91,490	91,480	104,548	107,754	113,548	122,355
Investment In Associates	3,373	3,659	4,523	4,712	4,912	5,125
Other Assets	2,547	2,492	2,049	2,155	3,179	3,548
Net PP&E	3,063	2,925	3,162	3,297	3,409	3,530
OREO	3,921	3,767	3,434	3,434	3,434	3,434
Goodwill & Intangible Assets	62	113	100	98	98	98
<b>Total Assets</b>	<b>164,376</b>	<b>165,678</b>	<b>192,913</b>	<b>198,225</b>	<b>207,714</b>	<b>220,981</b>
<b>Liabilities</b>						
Interbank Deposits	18,805	20,840	22,100	24,272	25,081	29,714
Customer Deposits	76,541	77,007	89,445	93,023	100,000	107,500
Term Loans	34,166	35,465	40,662	42,288	43,134	42,703
Tier-1 Perpetual Notes	5,820	5,820	5,820	7,641	7,641	7,641
Other Liabilities	10,458	6,013	13,692	9,302	9,500	10,212
<b>Total Liabilities</b>	<b>145,790</b>	<b>145,144</b>	<b>171,719</b>	<b>176,527</b>	<b>185,356</b>	<b>197,770</b>
<b>Total Shareholders' Equity</b>	<b>18,586</b>	<b>20,534</b>	<b>21,143</b>	<b>21,648</b>	<b>22,308</b>	<b>23,161</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>164,376</b>	<b>165,678</b>	<b>192,913</b>	<b>198,225</b>	<b>207,714</b>	<b>220,981</b>
<b>RWAs</b>	<b>121,274</b>	<b>131,654</b>	<b>131,890</b>	<b>132,811</b>	<b>137,091</b>	<b>143,638</b>

Source: Company data, QNB FS Research

Ratios/Key Indicators	2023	2024	2025	2026e	2027e	2028e
<b>Profitability (%)</b>						
RoTE (Attributable)	14.5	14.4	9.1	8.2	8.7	10.2
RoAA (Attributable)	1.6	1.6	1.0	0.9	0.9	1.1
RoRWA	2.1	2.1	1.4	1.3	1.4	1.6
NIM (% of IEAs)	2.72	2.38	2.25	2.11	2.16	2.18
NIM (% of RWAs)	3.13	2.62	2.59	2.64	2.77	2.86
NIM (% of AAs)	2.32	2.01	1.90	1.79	1.84	1.87
Spread	1.8	1.5	1.4	1.3	1.6	1.7
<b>Efficiency (%)</b>						
Cost-to-Income (Headline)	24.9	26.1	27.2	29.3	29.1	27.9
Cost-to-Income (Core)	27.7	30.9	32.4	34.3	33.8	31.9
<b>Liquidity (%)</b>						
LDR	120	119	117	116	114	114
LDR (Including Stable Source of Funding)	83	81	80	80	79	81
Loans/Assets	56	55	54	54	55	55
Cash & Interbank Loans-to-Total Assets	17.7	16.9	18.0	17.3	16.2	14.6
Deposits to Assets	47	46	46	47	48	49
Wholesale Funding to Loans	58	62	60	62	60	59
IEAs to IBLs (x)	1.21	1.20	1.21	1.18	1.17	1.16
<b>Asset Quality (%)</b>						
NPL Ratio	5.8	6.1	6.0	6.0	5.0	4.5
NPLs to Shareholders' Equity	30.4	28.6	31.5	31.5	27.2	25.4
NPL to Tier-1 Capital	33.1	28.5	31.2	31.3	27.5	26.2
Coverage Ratio	105	82	89	102	128	146
ALL/Average Loans	5.9	5.0	5.7	6.2	6.6	6.8
Cost of Risk (bps)	99	34	86	87	88	87
<b>Capitalization (%)</b>						
CET1 Ratio	10.7	12.3	12.2	12.5	12.3	12.1
Tier-1 Ratio	14.1	15.7	16.1	16.4	16.1	15.7
CAR	14.9	17.2	17.6	17.9	17.6	17.2
Leverage (x)	8.8	8.1	9.1	9.2	9.3	9.5
<b>Growth (%)</b>						
Net Interest Income	-2.4	-14.2	2.9	2.4	6.8	7.4
Non-Interest Income	23.4	-18.1	13.4	-1.3	8.8	18.0
Total Revenue	4.8	-15.5	6.3	1.1	7.4	11.0
Operating Expenses	26.6	-11.6	10.8	9.1	6.7	6.3
Net Operating Income	-0.8	-16.8	4.7	-1.8	7.7	13.0
Net Provisions & Impairments	-27.4	-49.1	155.4	2.3	1.2	6.8
Net Income (Headline)	7.1	0.7	-27.3	-5.0	11.6	17.3
Net Income (Attributable)	7.9	0.8	-30.3	-7.7	9.0	21.1
Loans	-6.7	0.0	14.3	3.1	5.4	7.8
Deposits	-8.0	0.6	16.2	4.0	7.5	7.5
Assets	-2.7	0.8	16.4	2.8	4.8	6.4
RWAs	-3.3	8.6	0.2	0.7	3.2	4.8

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>	
<b>OUTPERFORM</b>	Greater than +20%	<b>R-1</b>	Significantly lower than average
<b>ACCUMULATE</b>	Between +10% to +20%	<b>R-2</b>	Lower than average
<b>MARKET PERFORM</b>	Between -10% to +10%	<b>R-3</b>	Medium / In-line with the average
<b>REDUCE</b>	Between -10% to -20%	<b>R-4</b>	Above average
<b>UNDERPERFORM</b>	Lower than -20%	<b>R-5</b>	Significantly above average

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