Commercial Bank of Qatar (CBQK)

Recommendation	OUTPERFORM	Risk Rating	R-3
Share Price	QR4.020	Target Price	QR5.183
Implied Upside	28.9%		

2Q2026 Earnings In-Line; Large CoR Outweighed NIMs Denting Profits

CBQK's 2Q2026 bottom-line comes in-line with our estimates. Commercial Bank of Qatar (CBQK) reported a net profit of QR512.3mn in 2Q2026, decreasing by 16.0% YoY (+2.2% QoQ), in-line with our estimate of QR510.7mn (variation: +0.3%). The drop in the bottom-line was due to material credit provisions & impairments vs. 2Q2025. Excluding provisions and impairments, net operating income grew by 11.0%/6.0% YoY/QoQ to QR973.6mn. Sequentially, the bottom-line increased due to a 63.8% drop in hyperinflation expense; net operating income increased by 6.0%, while provisions & impairments surged 25.0%, hindering the bottom-line. Key positives from the 2nd quarter results were strong net interest income/margin expansion (+16.0%/+9.2% YoY/QoQ) and income from associates (+16.8%/21.1% YoY/QoQ). Key negatives from the 2nd quarter were surge in provisions & impairments both YoY and QoQ and weak non-funded income. Net-net, large provisions/impairments offset strong margin expansion, negatively impacting earnings on a YoY and QoQ basis. For the time being we maintain our PT of QR5.183 and Outperform rating.

Highlights

- **1H2026 tangible RoE declined YoY.** The company generated a RoTE of 9.6% vs. 12.4% in 1H2025, lower than its CoE, which is a concern in our view. We believe the bank could increase its RoE in the medium-term after cleaning/derisking its books in FY2026 and steadily increase it to sustainable13.0% in the future
- **NIMs significantly improved YoY and sequentially.** CBQK's NIMS expanded by 16bps/22bps from 2.16%/2.11% in 2Q2025/1Q2026 to 2.32% because of a lower drop in IEAs vs. CoFs. Consequently, net interest income increased by 16.0%/9.2% YoY/sequentially.
- **Legacy NPLs remain and are mainly real estate in nature and have not shown signs of significant improvement; NPLs decreased sequentially and YTD.** NPLs decreased by 2.1%/0.9% sequentially/YTD to QR6.5bn. The NPL ratio remained broadly stable at 5.97% in 2Q2026 vs. 6.01% in 1Q2026 (FY2025: 6.06%). Coverage of Stage 3 loans remained flat QoQ/YTD at 61%. Stage 2 loans % of total loans remain high at 15%, although it improved from 2024's 19%. Moreover, 35% of ECLs are Stage 2.
- **Increase in CoR and other provisions hindered the bottom-line YoY/QoQ.** CBQK booked credit provisions of QR308.8mn in 2Q2026 vs. QR166.1mn in 2Q2025, surging 85.9% (1Q2026 credit provisions: QR234.1mn; +31.9%). Moreover, other provisions came in at QR76.5mn in 2Q2026 vs. net reversals of QR19.9mn in 2Q2025 (1Q2026 other provisions: QR84.8mn; +5.9%). 1H2026 CoR doubled to 99bps vs. 48bps in 1H2025. We are of the view that this level of CoR is most likely sustainable in the near-to-medium term. Large credit provisions and impairments prevented the bottom-line from increasing YoY; net operating income was up 11.0% (earnings sequentially increased due to a 63.8% drop in hyperinflation cost).
- **Net loans reversed its growth trajectory and receded YTD/QoQ.** Net loans declined 2.6% sequentially (+1.8% YTD) to QR102.7bn. The decline was attributed to halving of bankers' acceptances. On the other hand, deposits remained flat sequentially (-4.9% YTD) at QR85.1bn.
- **CET1/Tier-1 ratio remained at healthy levels.** CBQK generated a CET1/Tier-1 ratios of 12.8%/17.4%.

Catalysts

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

Recommendation, Valuation and Risks

- **Recommendation and valuation: We maintain our PT of QR5.183 and Outperform rating.** CBQK is trading at a 2026e P/TB and P/E of 0.8x and 9.5x, respectively.

Risks: 1) Geoplotical tensions 2) Weakness in Turkish Lira & Hyperinflation 3) Higher than expected CoR.

Key Data

Current Market Price (QR)	4.020
Dividend Yield (%)	7.5
Bloomberg Ticker	CBQK QD
Reuters Ticker	COMB.QA
ISIN	QA0007227752
Sector*	Banks & Fin Svcs.
52wk High/52wk Low (QR)	5.045/3.980
3-m Average Volume (mn)	2.1
Mkt. Cap. ($ bn/QR bn)	4.5/16.3
Shares Outstanding (000)	4,047.25
FO Limit* (%)	100.0
Institutional FO* (%)	25.1
1-Year Total Return (%)	(8.1)
Fiscal Year End	December 31

Source: Bloomberg (as of July 26, 2026), *Qatar Exchange (as of July 26, 2026); Note: FO is foreign 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)	8.7	9.5	8.7	7.2
Tangible BVPS (QR)	5.2	5.3	5.5	5.7
P/TBV (x)	0.8	0.8	0.7	0.7
RoE (%)	9.1	8.2	8.7	10.2
DPS (QR)	0.300	0.300	0.350	0.400
Dividend Yield (%)	7.5	7.5	8.7	10.0

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)	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
Non-Interest Income	**1,916**	**1,569**	**1,779**	**1,755**	**1,910**	**2,253**
Total Revenue	**5,784**	**4,886**	**5,193**	**5,252**	**5,643**	**6,264**
Operating Expenses	(1,441)	(1,273)	(1,411)	(1,540)	(1,644)	(1,747)
Net Operating Income	**4,343**	**3,613**	**3,781**	**3,712**	**3,999**	**4,517**
Net Provisions & Impairments	(917)	(467)	(1,193)	(1,221)	(1,235)	(1,319)
Net Profit Before Taxes	**3,425**	**3,145**	**2,588**	**2,491**	**2,764**	**3,198**
Tax	(80)	18	(252)	(254)	(271)	(313)
Net Profit Before Minority Interest	**3,345**	**3,164**	**2,336**	**2,237**	**2,493**	**2,885**
Minority Interest	0	0	0	0	0	0
Non-Recurring Income/(Loss)	(335)	(132)	(131)	(142)	(155)	(142)
Net Profit (Headline/Reported)	3,010	3,032	2,205	2,094	2,338	2,742
Interest on Tier-1 Note	(284)	(284)	(284)	(323)	(405)	(405)
Social & Sports Contribution Fund	(75)	(76)	(60)	(52)	(58)	(69)
Net Profit (Attributable)	2,651	2,673	1,862	1,719	1,874	2,269
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
Total Assets	**164,376**	**165,678**	**192,913**	**198,225**	**207,714**	**220,981**
Liabilities						
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
Total Liabilities	**145,790**	**145,144**	**171,719**	**176,527**	**185,356**	**197,770**
Total Shareholders' Equity	**18,586**	**20,534**	**21,143**	**21,648**	**22,308**	**23,161**
Total Liabilities & Shareholders' Equity	**164,376**	**165,678**	**192,913**	**198,225**	**207,714**	**220,981**
BVPS	4.59	5.07	5.22	5.35	5.51	5.72
TBVPS	4.58	5.05	5.20	5.32	5.49	5.70
RWAs	121,274	131,654	131,890	132,811	137,091	143,638
RWAs/Total Assets	74%	79%	68%	67%	66%	65%
Average IEAs	142,360	139,212	151,756	165,435	173,182	184,335
Average IEAs/Average Assets	85%	84%	85%	85%	85%	86%
Average IBLs	115,326	115,347	125,548	138,022	147,062	158,003
Average IBLs/Average Liabilities	79%	79%	73%	78%	79%	80%

Source: Company data, QNB FS Research

Ratios/Key Indicators	2023	2024	2025	2026e	2027e	2028e
Profitability (%)						
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
Efficiency (%)						
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
Liquidity (%)						
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
Asset Quality (%)						
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
Capitalization (%)						
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
Growth (%)						
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 *Based on the range for the upside / downside offered by the 12-month target price of a stock versus the current market price*	
OUTPERFORM	Greater than +20%
ACCUMULATE	Between +10% to +20%
MARKET PERFORM	Between -10% to +10%
REDUCE	Between -10% to -20%
UNDERPERFORM	Lower than -20%

Risk Ratings *Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals*	
R-1	Significantly lower than average
R-2	Lower than average
R-3	Medium / In-line with the average
R-4	Above average
R-5	Significantly above average

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