

Commercial Bank of Qatar (CBQK)

Recommendation	OUTPERFORM	Risk Rating	R-3
Share Price	QR4.798	Target Price	QR5.884
Implied Upside	22.6%	Old Target Price	QR5.244

Maintaining 8.8% 5-Year EPS CAGR; Raising PT To QR5.884 On Lower CoE

We still forecast 2024-29e earnings CAGR of 8.8%. However, our sustainable RoE remains unchanged at 13.0% primarily due to a smaller pick up in margins. However, we raise our PT to QR5.844/sh. as we lower our CoE. Hence, CBQK will start generating economic profits (RoE>CoE) from 2027 and onward. We also maintain our Outperform rating. The stock remains attractive with undemanding multiples coupled with an attractive dividend yield. CBQK is trading at a 2025e/26e P/TB of 0.9/0.8x based on our estimates. The stock is also trading at a PEG of 0.8x (which is inexpensive) based on our 5-year earnings CAGR of 8.8%. Moreover, the stock is trading at 7.3x P/E on our 2026 estimates vs. its Franchise P/E of 8.6x (discount of 15.3%). Further, the market is pricing in a sustainable RoE of 11.6%, which is lower than our forecast and management guidance.

Highlights

- Commercial Bank of Qatar's (CBQK) 1H2025 earnings significantly falls on margin compression.** CBQK reported a net profit of QR1.26bn in 1H2025, declining by 19.7% YoY. The drop in the bottom-line was mainly attributable to large margin compression, whereby NIMs contracted by 53bps to 2.10% (net interest income fell by 13.7% YoY). On a positive note, net credit provisions & impairments declined by 30.8% YoY.
- We estimate a flat DPS for 2025 vs. 2024.** We expect DPS of QR0.300 in 2025, in-line with 2024 since we forecast a large drop in earnings. This would yield an attractive DY of 6.3% and a payout ratio of 53%. On the other hand, we increase 2026 DPS to QR0.350. This translates into a strong yield of 7.3%.
- RoE is still estimated to increase from 14.4% in 2024 to 14.5%/15.2% in 2028/2029e.** After a soft 1H2025, we expect RoE to decline to 11.1% in FY2025 before picking up to 12.3% (2026e). Management is targeting 13-15% during 2022-26 strategy/objectives. Our sustainable RoE remains unchanged and is still at the lower end of management's guidance of 13.0%, mainly due to a smaller pick-up in margins.
- NIMs are expected to improve post 2025.** We estimate NIMs to contract by 22bps from 2.38% in 2024 to 2.16% in 2025 before increasing by 6bps to 2.22% in 2026.
- Legacy NPLs remain and are mainly real estate in nature; management is guiding for the NPL ratio to decrease to 2.5% by 2026 but currently it stands at 5.53%. We forecast the NPL ratio to fall to 4.0% by 2029e.** NPL ratio decreased from 5.92% in 1Q2025 to 5.53% in 2Q2025 (FY2024: 6.16%). Coverage of Stage 3 loans declined from 67% in FY2024 to 57% in 2Q2025. ECLs for Stage 2 loans increased by 3.2/5.9% vs. 1Q2025/FY2024. Coverage remained a low of 8%. 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 100%.
- CoR is expected to stabilize at ~50bps beyond 2028; 1H2025 annualized CoR came in at 45bps vs. 60bps in 1H2024.** It should be noted that quarterly annualized CoR is not an indicator for full year CoR. We model in a CoR of 71bp/73bps in 2025/26e and 67bps in 2027. Our CoR estimates reach 56bps by 2029e.
- Diversification of loan book remains on track; management is guiding for 25%/16% public sector/real estate mix.** During 2Q2025, net loans sequentially increased by 9.4% (+13.5% vs. FY2024) to QR103.8bn mainly due to a 25.0% increase from the corporate segment (which includes a large amount of banker's acceptances), excluding real estate and contracting. We estimate net loan growth of +4.9%/+5.2% vs. +4.7%/+5.6% in 2025/26e previously. We broadly maintain our loan growth assumptions; we pencil in a 2024-29e CAGR of 5.5% in loan growth. It should be noted, although credit growth in 1H2025 was robust, we pencil in mid-single digit growth as acceptances are short term in nature.

Catalysts

- 1) With the new CEO Stephen Moss taking the helm next week, investors would be interested in ascertaining the GCEO's vision and 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 raise our PT to QR5.844 but retain our Outperform rating.** CBQK is trading at a 2025/26e P/TB and P/E of 0.9/0.8x and 8.5x/7.3x, 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	0.660	0.565	0.657	0.762
EPS Growth (%)	0.8	-14.5	16.3	16.0
P/E (x)	7.3	8.5	7.3	6.3
Tangible BVPS (QR)	5.1	5.3	5.7	6.1
P/TBV (x)	0.9	0.9	0.8	0.8
RoE (%)	14.4	11.1	12.3	13.4
DPS (QR)	0.300	0.300	0.350	0.400
Dividend Yield (%)	6.3	6.3	7.3	8.3

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

Key Data

Current Market Price (QR)	4.798
Dividend Yield (%)	6.3
Bloomberg Ticker	CBQK QD
Reuters Ticker	COMB.QA
ISIN	QA0007227752
Sector*	Banks & Fin Svcs.
52wk High/52wk Low (QR)	4.929/3.850
3-m Average Volume (mn)	2.07
Mkt. Cap. (\$ bn/QR bn)	5.3/19.4
Shares Outstanding (mn)	4,047.25
FO Limit* (%)	100.0
Current FO* (%)	24.7
1-Year Total Return (%)	23.0
Fiscal Year End	December 31

Source: Bloomberg (as of July 30, 2025), *Qatar Exchange (as of July 30, 2025); Note: FO is foreign institutional ownership

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Detailed Financial Statements

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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