

Target Price : QAR 5.44

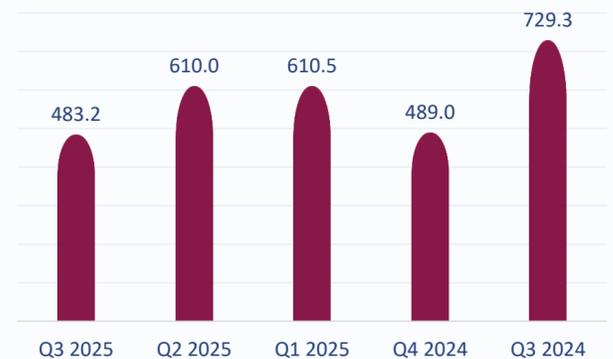
## Commercial Bank

Current Price: QAR 4.42

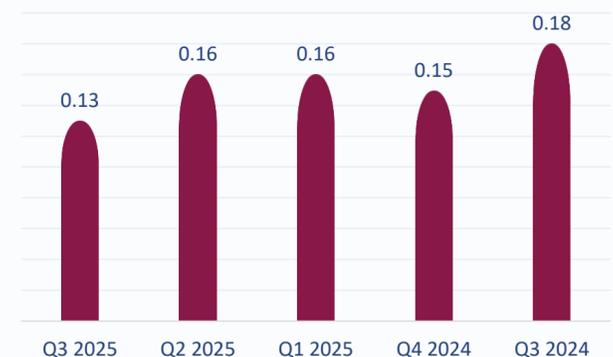
### Executive Summary

- The Commercial Bank saw its profits drop by about 24.5% in the first nine months of 2025, totalling QAR 555.8 million. EPS reached QAR 0.44 versus QAR 0.59. net profit recorded QAR 1.704 B compared to QAR 2.259B. These results are calculated after subtracting the profits from the capital tranche.
- In the third quarter of 2025, profits fell notably by about 33.7% from the same period in 2024 and by 20.8% from the second quarter of this year.
- The reasons for the decline in profits can be summarized as follows:
  - A decrease in net interest income of approximately QAR 265 million.
  - An increase in employee costs of about QAR 125 million.
  - A deduction for income tax, which affected profits by approximately QAR 235.7 million.
- In Q3, the net interest margin decreased to 1.88%, down from 1.96% in Q2 and 0.55% in the same quarter last year (2024). The bank's reliance on high-cost financing sources negatively affected profit margins, contributing to the decline in the net interest margin despite net loans growing by 14%. Additionally, the bank's CASA (Current Account Savings Account) ratio is near 38% versus 42% for the same period in 2024.
- Due to increasing operating costs and a decrease in overall revenues, the cost-to-income ratio has increased to 30.5%, in contrast to 30.1% during the same period last year. This ratio is still near the average for Qatari banks, which stands at 27%.
- One advantage of the bank's business model is the alignment between corporate and individual activities. Revenues from the corporate sector account for approximately 51% of total revenues, while revenues from individuals represent 40%, and external operations make up 9%.
- CBQ's newly appointed management has the chance to realign its strategy. The main objectives involve addressing the challenges related to net-interest margins, rejuvenating the momentum in loans and deposits, and bolstering the struggling operations in Turkey.
- The non-performing loan ratio increased to 5.78% in September 2025, up from 5.49% in June and 5.92% in December 2024. This rise occurred despite growth in the loan portfolio, suggesting that more loans were classified as non-performing during this period. This ratio is one of the highest among banks in Qatar.
- Asset quality remains under pressure, particularly in Turkey. The loan portfolio grew by approximately 14%, coupled with an increase in the non-performing loan ratio, indicating a decline in asset quality. The bank continues to need to allocate more provisions to improve coverage ratios, which reached approximately 57% (before suspended interest) at the end of September.
- The bank's board of directors announced its approval to purchase a maximum of 10% of the capital as treasury shares last May, but nothing new has been announced regarding this matter.
- With the decline in profits, the return on shareholders' equity fell to about 10.5%, which explains why the stock is trading below its book value of QAR 5.19.

Quarterly Net Income( M)



Quarterly EPS



Net Interest Margin %



ROE



Stock Info	
Weight in QSE index	5.57%
Current Market Price	4.42
Shares Outstanding (Mn)	4,047
Market Cap (Mn)	17,889
52-Wk High (14 Aug 25)	5.05
52 Wk Low (6 Apr 25)	3.86
Average Trading Price YTD	4.49

Per Share Data	
EPS Trailing 12M	0.62
EPS Annualized	0.59
EPS expected	0.51
Book Value Per Share	5.19
Dividends Per Share €	0.30

Valuation Ratios	
P/E using TTM EPS	7.13
P/E using Ann EPS	7.54
P/E using expected EPS	8.67
Average PE in a year	7.24
P/BV	0.85
Dividends Yield	6.79%

Key Financials	9M ' 25	9M ' 24
Operating Income (Mn)	3,469	3,677
Net Profit (Mn)	1,704	2,259
Net equity (Mn)	26,883	26,372
Total Assets (Mn)	191,976	163,210
Total Loans (Mn)	109,603	97,634
Total Deposits (Mn)	85,654	77,561

	Q3 '25	Q2 '25	Q3'24
Total Loans/Total Deposits	128.0	130.5	125.5
Total Loans/Total Assets	57.1	59.9	59.7
Customer Deposits (Mn)	85,654	83,539	77,561
Earning Assets (Mn)	176,398	166,112	148,027

Operational ratios	Q3'25	Q2'25	Q3'24
CASA	37.5	41.9	42.1
Cost - Income	30.5	30.3	30.1
Trailing cost of risk	0.62	0.52	0.78

Financials Ratios	9M ' 25	9M ' 24
ROE (LTM)	10.6%	14.5%
ROA	1.1%	1.9%
Tier 1 Common Equity Ratio	13.0	12.9
NPL's	5.8%	5.9%
Total Loans/Total Deposits	128.0%	125.5%

Stock Performance	CBQK	Index
YTD Return	3.9%	1.7%
1 Month Return	-2.6%	-2.8%
6 Month Return	7.5%	5.9%
1 Year	5.3%	2.6%

Share Holdings Pattern	
Qatar Investment Authority	16.32%
Vanguard	3.60%
BlackRock	2.00%

Growth	Q3 '25	Q2 '25	Q3'24
Loan Growth	12.57	10.74	0.06
Deposit Growth	10.43	8.21	3.77
Earning Assets Growth	19.17	13.63	1.90
Assets Growth	17.62	13.23	2.19

Dividends		
22-Mar-25	0.30 QAR	6.6%
1-Apr-24	0.25 QAR	5.1%
15-Mar-23	0.25 QAR	4.1%
16-Mar-22	0.16 QAR	2.2%

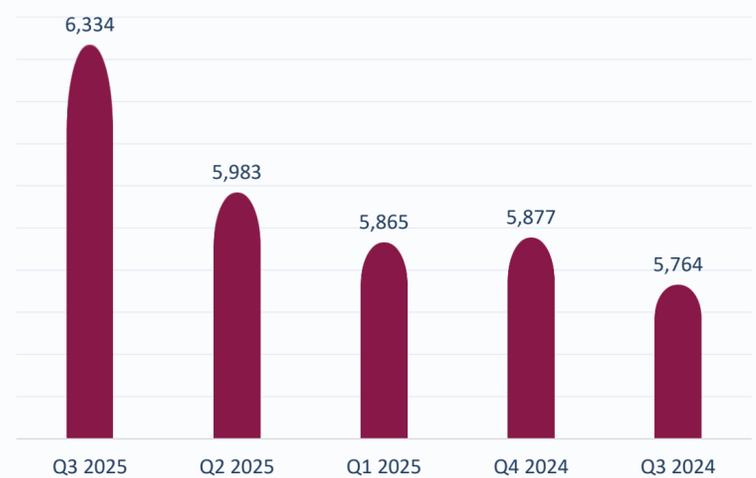
## Asset Quality

- As of the conclusion of September 2025, the total non-performing loans reached around QAR 6.33 billion, an increase from QAR 5.98 billion in June and QAR 5.88 billion at the close of 2024. The NPL ratio experienced rise to 5.78% from 5.49% in the preceding quarter, although it showed a decline from 5.92% at the end of September 2024.
- Banks often deduct the largest portion of their bad debt provisions in the last quarter of each year.

Net loans (million)



NPL's (million)



Actual loan losses (million)



NPL's ratio %



# Valuation

## We recommend Buying

We use a residual income model and comparable valuation.

Our analysis indicates the fair value of the stock ranges between

**QAR 5.44 –QAR 5.68**

### Residual Income Model Assumptions:

- Growth rate: We expect the bank to grow in earnings between 3% and 5%.
- Cost of equity ranging between 8.25% and 9.25%.
- Terminal Value: The growth rate in perpetuity is 3.0%.
- Return on equity between 13.0% and 14.0%.

### Key Risks to Consider

- Challenges from Subsidiaries: Financial performance can suffer due to losses from foreign subsidiaries, such as those in Turkey affected by hyperinflationary accounting.
- Possible pressure on net interest margins if the US Federal Reserve carries out anticipated rate cuts
- Risks associated with currency valuation, especially concerning the Turkish lira.
- A minor upward trend in the NPL ratio, which requires close observation
- Geopolitical risks in the Middle East that could impact business growth

# Disclaimer

Qatar Securities Company has prepared this report to provide an unbiased analysis of the business's performance. It's important to note that the assessment is based on assumptions that may vary in interpretation and may not be entirely accurate. This document focuses on evaluating the company's financial status, not as a solicitation to buy or sell. There may be a conflict of interest since this stock is part of investment portfolios managed by Qatar Securities Company.

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