Non-Bank Earnings To Drive 3Q2025 As LNG Expansion Anchor Bullish Sentiment

We expect 3Q2025 earnings to rise 3.0/10.7% YoY/QoQ for our coverage universe. This follows 2Q2025's 3.7%/1.7% YoY/QoQ increase in aggregate QSE earnings. We see most of the growth coming from non-bank earnings, expected to rise 9.7%/12.0% YoY/QoQ while banks' earnings decline by 3.2% YoY but increase 9.2% YoY.

3rd Quarter 2025 Estimates

					Net Income	EPS (QR)			Revenue (QR mn)		
Company Name	Price (QR)	Recommendation	Target (QR)	Return	3Q2025e		YoY	QoQ	3Q2025e	YoY	QoQ
Ahli Bank (ABQK)	3.540	Market Perform	3.573	0.9%	280.47	0.110	6.2%	62.0%	451.82	-12.7%	160.9%
AlRayan Bank (MARK)	2.333	Market Perform	2.623	12.4%	418.75	0.045	-16.1%	1.2%	815.59	-13.1%	-6.9%
Commercial Bank of Qatar (CBQK)	4.532	Outperform	5.884	29.8%	661.03	0.163	-14.2%	8.4%	1,245.09	-1.4%	2.4%
Doha Bank (DHBK)	2.522	Accumulate	2.884	14.4%	219.59	0.071	-14.9%	1.8%	668.28	-4.5%	7.3%
Dukhan Bank (DUBK)	3.509	Market Perform	3.730	6.3%	363.38	0.069	1.7%	-2.9%	686.41	3.8%	2.6%
Qatar International Islamic Bank (QIIK)	10.800	Market Perform	11.260	4.3%	398.92	0.264	3.5%	19.9%	552.07	4.6%	-0.8%
Qatar Islamic Bank (QIBK)	23.320	Accumulate	27.100	16.2%	1,273.58	0.539	6.1%	7.0%	1,735.85	2.2%	4.1%
Gulf International Services (GISS)	3.103	Outperform	3.900	25.7%	191.47	0.103	-11.4%	3.1%	1,113.18	-3.5%	-0.1%
Gulf Warehousing Co. (GWCS)	2.729	Accumulate	3.800	39.2%	29.02	0.050	-37.8%	36.9%	369.87	-16.5%	7.2%
Industries Qatar (IQCD)	12.500	Accumulate	15.200	21.6%	1,246.73	0.206	1.3%	29.5%	4,356.15	20.6%	12.5%
Qatar Electricity & Water (QEWS)	15.770	Accumulate	20.000	26.8%	424.60	0.386	-16.6%	13.3%	846.93	1.5%	10.9%
Qatar Gas & Transport (QGTS)	4.484	Outperform	5.600	24.9%	437.45	0.079	-2.0%	2.6%	950.72	4.7%	0.2%
Qatar Navigation/Milaha (QNNS)	11.020	Outperform	13.300	20.7%	324.32	0.285	12.2%	8.9%	844.77	21.2%	1.3%
Vodafone Qatar (VFQS)	2.440	Outperform	2.600	6.6%	155.77	0.037	22.9%	-6.3%	850.15	6.0%	-5.2%
Mekdam Holdings (MKDM)	2.553	Accumulate	3.400	33.2%	7.59	0.047	-8.1%	1.8%	146.20	14.9%	-7.2%
Baladna (BLDN)	1.628	Accumulate	1.577	-3.1%	208.57	0.104	388.1%	-23.5%	286.81	8.5%	-8.1%
Estithmar Holding (IGRD)	4.300	Accumulate	3.769	-12.3%	358.13	0.096	184.0%	14.6%	1,714.28	31.0%	-2.8%
Medicare Group (MCGS)	6.751	Accumulate	5.962	-11.7%	24.95	0.089	0.8%	27.2%	125.51	1.6%	-3.8%
Meeza (MEZA)	3.293	Outperform	4.009	21.7%	13.45	0.021	11.0%	-13.4%	91.00	13.7%	-11.5%
Qatar Fuel Co (QFLS)	14.830	Accumulate	16.565	11.7%	286.50	0.288	-1.0%	24.6%	6,933.52	-5.5%	12.7%
Qatar National Cement (QNCD)	3.198	Accumulate	4.366	36.5%	25.91	0.040	-45.5%	5.2%	94.59	1.6%	-2.5%
QLM Life & Medical Insurance (QLMI)	2.289	Accumulate	2.371	3.6%	13.14	0.038	2.8%	-52.1%	304.12	1.1%	-28.1%

Source: QNB FS Research

We reiterate our constructive view on Qatari equities as the mainstay LNG/fundamental story anchors the Qatari economy/equities directly/indirectly *with the ramping up of the North Field project – a significant portion of Qatar's expected annual LNG capacity increase is already signed-off in long-term supply contracts. Meanwhile,* ***continued government efforts to grow/diversify the economy provides another platform for more companies to grow their earnings, with the latest September 2025 PMI confirming uninterrupted expansion in the non-oil economy since the beginning of 2024. According to the Bloomberg consensus, Qatar's GDP is expected to grow by 2.6% this year (2.4% in 2024), accelerating to 5.3%/6.2% in 26/27 as the North Field LNG project goes live.***

Meanwhile, ***the global economy has stayed resilient through this phase of multi-decade high interest rates, even with the additional burden of on-again, off-again US tariffs – trade front-loading ahead of US tariffs buoyed the global economy during 1H. The OECD recently upgraded 2025 global growth to 3.2% from 2.9%.*** *Notwithstanding event risks, including the US federal government shutdown, global equities have continued to melt up as investors renewed their focus on a much softer Fed rate policy path, the staying promise of AI and the resurgence of M&A activity. The ACWI rallied 7.3% in 3Q2025 (2Q2025: 11%). Locally,* ***the QSE rose 2.8% in 3Q2025 (2Q2025: 5.0%),*** *while the regional index increased by 3.5% in 3Q2025 (2Q2025: 0.5%).* ***Overall, foreign institutions (excluding GCC/Arab investors) remained bullish during 3Q2025 with a net buying positing of $181mn of Qatari equities vs. $325mn net long in 2Q2025. For 9M2025, FIs were net buyers to the tune of $178mn vs. net sellers of $241mn for all of 2024.***

We note asset price volatility could remain elevated in global markets in the short- to medium-term given risks associated with tariff uncertainty and the shutdown. ***Closer to home, geopolitics and energy prices are additional headwinds for our market.*** *However, we are positive longer term on the Qatari market, and* ***we believe that intermittent market dislocations could present both tactical and long-term opportunities for investors to optimize their portfolios due to the following reasons:***

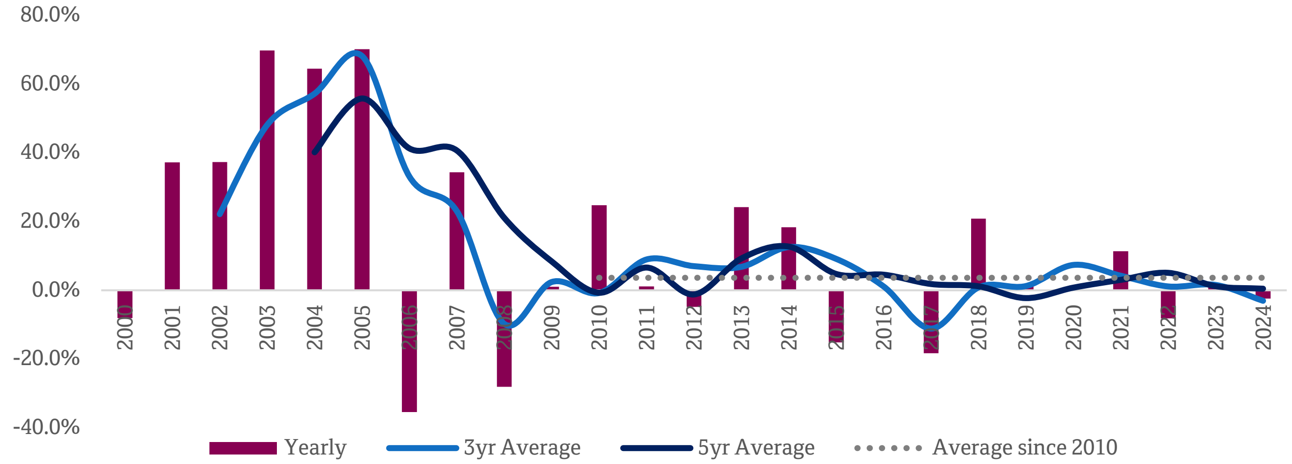
- **The North Field Gas expansion, a growing tourism/sporting/MICE sector and QNV2030 investments to make Qatar an advanced economy,** will continue to be major growth drivers for company earnings. ***The production stage of the first phase of the North Fields LNG project is now imminent, expected to go live mid-next year. The spike in consensus growth projections for Qatar are in sync with this outlook.*** The demand for Qatar's gas should remain strong for the foreseeable future on the back of geopolitical developments, specifically in Europe, with demand for LNG expected to peak between mid-2030s and mid-2040s.
- **DHBK & CBQK followed QNBK & IQCD in announcing/implementing share buybacks; interim dividends & IPOs/listings could add further momentum. With several QSE companies boasting strong balance sheets but beset with lower valuations, we are seeing new initiatives aimed at enhancing shareholder value. QNB Group** approved a QR2.9bn share buyback program in September 2024 – it has bought back more than 119mn shares by 22 September 2025. This was followed by **IQCD's announcement of a QR1.0bn share buyback** program in February 2025. **During 2Q2025, CBQK & DHBK also announced their intentions to buy back** up to 10% of each bank's respective outstanding shares. More companies could also follow the share buyback initiative. Moreover, new rules allowing the distribution of interim dividends by QSE-listed firms could further enhance Qatar's appeal to local and foreign investors. So far, **10 companies have been paying interim dividends since last year: QNBK, QIBK, QIIK, DUBK and QE-affiliated companies (IQCD, MPHC, QAMC, QFLS, QEWS and QGTS). We believe this number could expand in future.** In addition, a resurgence in IPOs could be on the horizon, with **GISS** on track to list a portion of Al Koot, its insurance business, and Amwaj, its 30%-owned catering business.
- **With supply-demand dynamics of oil/gas remaining volatile in the interim, Qatar's conservative public budgeting regime ensures a decent margin of safety.** While OPEC+ continues to ramp up supply despite weak price signals, things could improve in the medium term as sanctions on Russia/Iran and persistent stockpiling by China (world's largest oil importer) could help balance the oil market. Qatar utilizes a conservative oil price forecast ($60/bbl) in its budgeting, below the oil market price on average even at the current depressed levels, which builds natural

buffers in its budgeting and positively serves Qatar's finances. This enables flexibility in government spending and improves credit availability within the economy.

- **Qatar is relatively safe from US tariffs.** Risks to global growth have risen following tariffs announced by the US, though impact has become difficult to ascertain due to their on-again, off-again nature. When it comes to Qatar, we note that the US has a favorable trade balance with Qatar, limiting the direct impact that the new tariffs/baseline 10%-tariffs could have on Qatar. **Furthermore, Qatar has always been a yield play and more so now that interest rates are coming down.** We reckon that Qatari companies have solid financial metrics and strong dividend profiles/yields that will become relatively more attractive as central banks lower interest rates.
- **With the successful hosting of the World Cup, perceived as one of the best editions and putting Qatar in the global spotlight, we are of the view that pockets of the Qatari stock market should benefit from this success.** Qatar has continued to grow its sports & MICE tourism brands. The impact is visible, with Qatar registering record 5.08mn visitor arrivals in 2024 and well on track to hit the 6mn/year visitors target by 2030. Furthermore, **the construction sector has seen recent positive news flow which could eventually revive the sector's fortunes** following the moderation post-2022 World Cup activity. There is a new pipeline of major infrastructure projects, spearheaded by Ashghal, Kahramaa and Simaisma.
- On top of Qatar's macro strengths, **Qatari companies enjoy robust balance sheets backed by low leverage and decent RoEs. Specifically, Qatari banks stand out with their exceptional capital adequacy ratios and strong provision coverage**. The resumption of monetary loosening should further bolster the attractiveness of the Qatari equity market as a yield play.

Anchoring our overall convictions are Qatari valuations, looking attractive historically and relative to peers, especially given that we see earnings continuing to grow for the foreseeable future. We stay bullish longer term on Qatari equities given their defensive characteristics backed by their strong fundamentals. Moreover, from a technical viewpoint, with all three return measures (yearly, 3yr & 5yr) below trend, it is not inconceivable for QSE to end 2025 higher.

Qatar Stock Exchange Historical Price Returns



Source: QSE, Bloomberg, QNB FS Research

Highlights

Banks

- **Stock price performance of banks, YTD, has outperformed the QSE Index; the banking sector index increased by 9.5%, while the QSE Index moved up by 3.0%; the increase in the indices is mainly attributable to an improvement in investor confidence, especially FIs.**
- **We estimate banks under coverage – excluding QNB Group (QNBK), which is not part of our coverage – to experience a 3.2% YoY decline in earnings, mainly due to weak performance from Commercial Bank of Qatar (CBQK). On the other hand, Qatar Islamic Bank (QIBK) is modeled to contribute positively to aggregate earnings (excluding CBQK, aggregate earnings are penciled to be flat).** The YoY aggregate performance is due to a combination of margin compression and weak non-funded income. Sequentially, earnings are expected to follow historical trends; bottom-line is estimated to increase by 9.2% supported by Ahli Bank (ABQK) and QIBK. Excluding ABQK (+62.0%) earnings would increase by 6.3%, mainly attributable to lower credit provisions and impairments.
    - **QIBK is estimated to significantly contribute to aggregate earnings growth.** QIBK continues to enjoy robust fundamentals with strong double-digit RoE generation (FY2025e/26e RoE: 17%), and efficient costs management (2025e/26e C/I: 16.7%/16.3%). **QIBK is modeled to grow its net profit by 6.1% YoY in 3Q2025, driven by healthy revenue and lower CoR.** Sequentially, QIBK's net profit is modeled to jump by 7.0% (in-line with historical trends) on lower CoR and a rise in net interest & investment income. The name is trading at an attractive 2025e/26e P/TB 1.9x/1.7x vs. its 5-year high of 3.0x and average of 2.1x.
    - **CBQK is estimated to contribute negatively to aggregate earnings.** CBQK is expected to witness its 3Q2025 profitability drop 14.2% YoY (base effect) due to lower net interest income and higher provisions and impairments. Sequentially, the bottom-line is modeled to increase by 8.4% on the back of flat margins coupled with higher non-funded income. Based on our estimates, the name trades at 2025e/26e P/B of 0.9x/0.8x and offers a generous 6.6% yield.

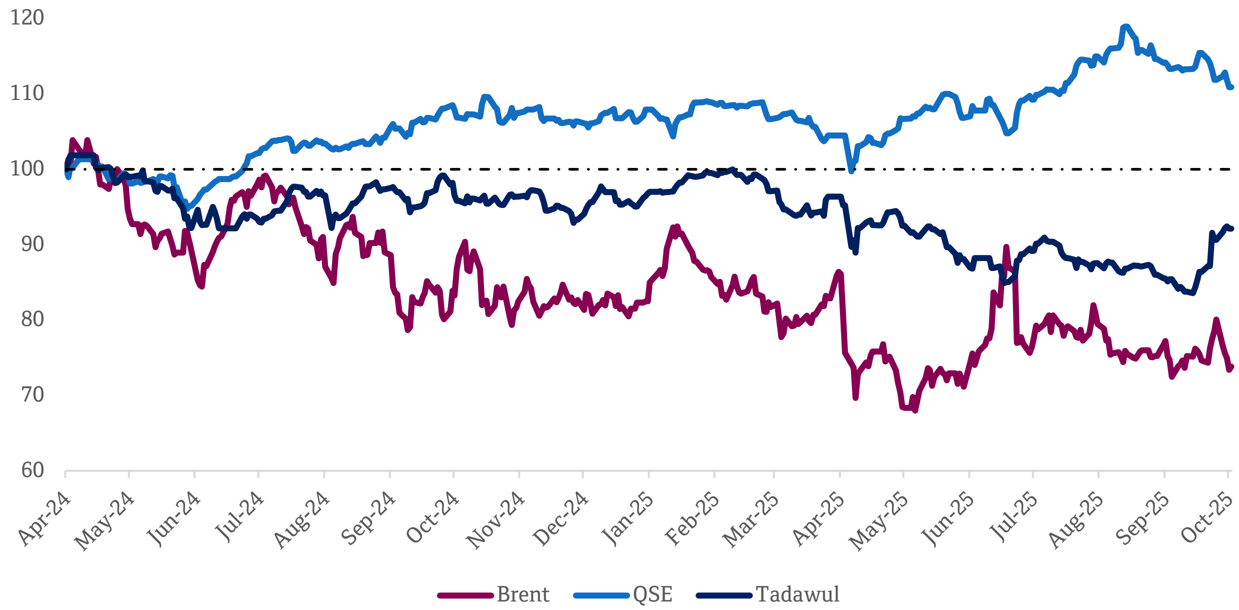
Diversified

- **We estimate a YoY increase of 9.7% (12.0% QoQ) in the bottom-line of diversified non-financials under coverage. The increase is led by Estithmar Holding (IGRD) and Baladna (BLDN), with other notable contributions from Milaha (QNNS) and Vodafone Qatar (VFQS).**

- **Following a blowout 1H2025, we expect IGRD to maintain its strong earnings momentum into 3Q2025**, where earnings could climb more than 212% YoY, again driven by the healthcare unit. The sharp turnaround in the healthcare fortunes is underpinned by a major new services contract signed between IGRD and the government, executed via Hamad Medical Corporation, which can now refer Qatari citizens for treatment. The agreement reflects broader public-private collaboration efforts aimed at expanding access to high-quality healthcare. While the HMC-IGRD contract was signed in 1Q2025, four other private hospitals later entered into similar agreements with HMC in July. This includes Al-Ahli Hospital (MCGS), Al Emadi Hospital, Aman Hospital and Doha Clinic Hospital.
- **Similar with 2Q2025, we expect BLDN to see a spike in YoY earnings by about 414%, again driven by fair value gains emanating from its equity portfolio.** Excluding these gains, however, our model points to a more modest YoY bottom-line growth of just 5%.

- **Risks:** Estimates can be impacted by one-offs, impairments/write-downs for non-financial companies, provisions for banks and investment income/capital gains (losses). Volatile oil & gas prices & geo-political tensions remain major risk factors to regional equities and have a direct detrimental impact on stocks under coverage.

QSE Price Performance Vs. Brent and KSA [Rebased to 100]



Source: Bloomberg, 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*		Risk Ratings *Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals*	
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

Contacts

QNB Financial Services Co. W.L.L.
Contact Center: (+974) 4476 6666
info@qnbfs.com.qa
Doha, Qatar

Saugata Sarkar, CFA, CAIA
Head of Research
saugata.sarkar@qnbfs.com.qa

Shahan Keushgerian
Senior Research Analyst
shahan.keushgerian@qnbfs.com.qa

Phibion Makuwerere, CFA
Senior Research Analyst
phibion.makuwerere@qnbfs.com.qa

Dana Saif Al Sowaidi
Research Analyst
dana.alsowaidi@qnbfs.com.qa