

Commercial Bank of Qatar (CBQK)

| Recommendation | OUTPERFORM | Risk Rating | R-3 |
|----------------|------------|--------------|---------|
| Share Price | QR4.523 | Target Price | QR5.844 |
| Implied Upside | 29.2% | | |

4Q2025 Bottom-Line Weakness Masks Operating Strength; In-Line DPS

CBQK's 4Q2025 bottom-line falls short of our estimates but mostly on provisions; in-line DPS of QR0.30 implies 6.6% DY, the highest among Qatari banks. Commercial Bank of Qatar (CBQK) reported a net profit of QR419.4mn in 4Q2025, decreasing by 39.3% YoY (-20.0% QoQ) and falling short of our estimate of QR603.9mn (variation: -30.6%). The drop in the bottom-line was due to large credit provisions & impairments vs. reversals/recoveries in 4Q2024. Excluding provisions and impairments, net operating profit surged by 69.8%/10.3% YoY/QoQ to QR1,427.1mn. Key positives from the 4th quarter results were strong net interest income/margin expansion (+63.5%/+6.6% YoY/QoQ), fees (+81.7%/+45.7% YoY/sequentially) and income from associates (+18.1%/7.9% YoY/QoQ). Key negatives from the 4th quarter were surge in provisions & impairment both YoY and QoQ. Net-net, large provisions/impairments offset strong operating income, negatively impacting earnings on a YoY and QoQ basis. For the time being we maintain our PT of QR5.844 and Outperform rating.

Highlights

- FY2025 tangible RoE significantly declined YoY.** The company generated a RoTE of 9.1% vs. 14.4% in FY2024, lower than its CoE, which is a concern in our view.
- DPS came in-line with our estimate.** The BoD recommended a DPS of QR0.30, flat vs. 2024. This translates into an attractive DY of 6.6% (highest among domestic banks and one of the highest in the GCC) and a payout ratio of 65%.
- NIMs significantly improved YoY.** CBQK's NIMS expanded by 61bps from 1.60% in 4Q2024 (3Q2025: 2.12%) to 2.21% because of a sharp drop in CoFs. Consequently, net interest income surged by 63.5%/6.6% YoY/sequentially.
- Legacy NPLs remain and are mainly real estate in nature and have not shown signs of improvement; NPLs increased sequentially and YoY.** NPLs increased by 5.0%/13.2% sequentially/YoY to QR6.7bn. The NPL ratio declined to 6.06% in FY2025 vs. 6.16% in FY2024 (3Q2025: 5.83%); the NPL ratio decreased due to a large YoY increase in the loan book. Coverage of Stage 3 loans worsened YoY (flat QoQ), decreasing from 67% in FY2024 to 60% in FY2025. Stage 2 loans % of total loans remain high at 15% but improved from FY2024's 19%. Moreover, 29% of ECLs are Stage 2.
- Increase in CoR and other provisions hindered the bottom-line YoY/QoQ.** CBQK booked credit provisions of QR386.3mn vs. net reversals/recoveries of QR127.6mn in 4Q2024 (3Q2025 credit provisions: QR262.5mn; +47.2%). Moreover, other provisions came in at QR219.5mn vs. QR75.6mn in 4Q2024 (3Q2025: QR40.2mn). FY2025 CoR came in at 86bps vs. 34bps in FY2024. We are of the view that this level of CoR is most likely sustainable in the near-to-medium term. Credit provisions and impairments vs. reversals prevented the bottom-line from increasing YoY (earnings sequentially dropped due to a 91.8% surge in provisions & impairment).
- Net loans continued its growth trajectory, which is a positive.** Net loans inched up 0.5% sequentially (+14.3% YoY) at QR104.5bn. Growth in loans was driven by the corporate segment (+23.2%) and the public sector (+26.4%). The real estate and contracting segments declined. Moreover, deposits expanded by 4.4% QoQ (+16.2% YoY) to QR89.4bn.
- CET1/Tier-1 ratio remained at healthy levels.** CBQK generated a CET1/Tier-1 ratios of 12.2%/16.1%.

Catalysts

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

Recommendation, Valuation and Risks

- Recommendation and valuation:** We maintain our PT of QR5.844 and Outperform rating. CBQK is trading at a 2026e P/TB and P/E of 0.8x and 7.9x, respectively.
- Risks:** 1) Weakness in Turkish Lira & Hyperinflation & 2) Higher than expected CoR.

Key Data

| | |
|---------------------------|-------------------|
| Current Market Price (QR) | 4.523 |
| Dividend Yield (%) | 6.6 |
| Bloomberg Ticker | CBQK QD |
| Reuters Ticker | COMB.QA |
| ISIN | QA0007227752 |
| Sector* | Banks & Fin Svcs. |
| 52wk High/52wk Low (QR) | 5.049/3.850 |
| 3-m Average Volume (mn) | 2.4 |
| Mkt. Cap. (\$ bn/QR bn) | 5.0/18.3 |
| Shares Outstanding (000) | 4,047.25 |
| FO Limit* (%) | 100.0 |
| Institutional FO* (%) | 24.8 |
| 1-Year Total Return (%) | +11.3 |
| Fiscal Year End | December 31 |

Source: Bloomberg (as of January 18, 2026), *Qatar Exchange (as of January 18, 2026); Note: FO is foreign ownership

Key Financial Data and Estimates

| (In QR mn) | 2024 | 2025 | 2026e |
|--------------------|-------|-------|-------|
| EPS | 0.660 | 0.460 | 0.575 |
| EPS Growth (%) | 0.8 | -30.3 | 25.0 |
| P/E(x) | 6.8 | 9.8 | 7.9 |
| Tangible BVPS (QR) | 5.1 | 5.2 | 5.5 |
| P/TBV (x) | 0.9 | 0.9 | 0.8 |
| RoE (%) | 14.4 | 9.1 | 11.1 |
| DPS (QR) | 0.300 | 0.300 | 0.350 |
| Dividend Yield (%) | 6.6 | 6.6 | 7.7 |

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

Shahan Keushgerian

+974 4476 6509

shahan.keushgerian@qnbs.com.qa

Saugata Sarkar, CFA, CAIA

+974 4476 6534

saugata.sarkar@qnbs.com.qa

| 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 |

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 Al Sowaidi
 Research Analyst
dana.al sowaidi@qnbfs.com.qa

Disclaimer and Copyright Notice: This publication has been prepared by QNB Financial Services WLL ("QNB FS") a wholly-owned subsidiary of QNB Q.P.S.C ("QNB"). QNB FS is regulated by the Qatar Financial Markets Authority and the Qatar Exchange QNB Q.P.S.C. is regulated by the Qatar Central Bank. This publication expresses the views and opinions of QNB FS at a given time only. It is not an offer, promotion or recommendation to buy or sell securities or other investments, nor is it intended to constitute legal, tax, accounting, or financial advice. QNB FS accepts no liability whatsoever for any direct or indirect losses arising from use of this report. Any investment decision should depend on the individual circumstances of the investor and be based on specifically engaged investment advice. We therefore strongly advise potential investors to seek independent professional advice before making any investment decision. Although the information in this report has been obtained from sources that QNB FS believes to be reliable, we have not independently verified such information and it may not be accurate or complete. QNB FS does not make any representations or warranties as to the accuracy and completeness of the information it may contain, and declines any liability in that respect. For reports dealing with Technical Analysis, expressed opinions and/or recommendations may be different or contrary to the opinions/recommendations of QNB FS Fundamental Research as a result of depending solely on the historical technical data (price and volume). QNB FS reserves the right to amend the views and opinions expressed in this publication at any time. It may also express viewpoints or make investment decisions that differ significantly from, or even contradict, the views and opinions included in this report. This report may not be reproduced in whole or in part without permission from QNB FS

COPYRIGHT: No part of this document may be reproduced without the explicit written permission of QNB FS.