

QNBFS Alert – CBQK 3Q2017 Negative Read-Through

- **CBQK 3Q2017 bottom-line is expected to take a hit.** Commercial Bank of Qatar's (CBQK) 40% owned UAE lender United Arab Bank reported a loss while 30% owned National Bank of Oman (NBO) reported lackluster profitability. *As a result, we expect CBQK's 3Q2017 net profit to fall short of our estimate (profit of QR90.46mn).*
- **UAB returns back to losses.** UAB reported a loss AED5mn in 3Q2017 vs. a profit of AED27mn in 2Q2017. The loss was attributed to net provisions. The bank reported net provisions of AED94mn vs. AED60mn in 2Q2017. Aside from provisions, UAB's total revenue was weak (declining by 4.0% QoQ). This comes as a surprise since the market was expecting that the bank's operations had improved. *According to recent news reports, it comes as no surprise that CBQK is looking to offload its stake in the UAE based lender, given that UAB has been a persistent negative overhang.*
- **NBO exhibited a disappointing 3Q.** NBO reported a net profit of OMR8mn, dropping by 31% and 34% QoQ and YoY, respectively. The weak results were led by a 262% QoQ and 85% YoY jump in provisions.
- **Valuation and recommendation.** CBQK trades at a P/B and P/E of 0.7x and 25.2x on our 2017 estimates, respectively.

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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