

CBQK Alert – 4Q2021 Falls Short of Estimates on Larger Provisions; Revenue In-Line

- **CBQK's 4Q2021 profitability falls short of our estimates by a wide margin as result of higher provisions:** Commercial Bank of Qatar (CBQK) reported a net income of QR172.4mn in 4Q2021 (below our estimate of QR239.1mn; variation of -27.9%), increasing by 17.4% YoY (-78.6% sequentially). However, total revenue was broadly in-line at QR1.39bn vs. our estimate of QR1.32bn.
- **DPS came in ahead of our estimate.** Management proposed DPS of QR0.160 vs. our estimate of QR0.150 (FY2020: QR0.100), which translates in to a yield of 2.2% and a payout of 33% (payout is lower than previous years).
- **RoE significantly improved.** CBQK generated RoE of 10.9% for FY2021 vs. 5.9% in FY2020. We expect strong RoE generation going forward and exceeding CoE.
- **Headline revenue was weak but core banking revenue was healthy with the exception of fees (mainly due to Abank).** CBQK booked revenue of QR1.39bn in 4Q2021, dropping by 7.2% YoY (+5.0% QoQ). When we exclude income from associates and investment income/losses, core revenue increases by 21.9% YoY. Net interest income and f/x income were robust.
- **Margins were aided by strong asset repricing and tight management of CoFs.** CBQK's net interest margin increased by 40bps YoY (6bps QoQ) to 2.82% as yields increased by 10bps vs. a 30bps drop in CoFs.
- **Drop in net provisions & impairments boosted the bottom-line YoY as net operating income receded by 12.2%.** Provisions & impairments dropped YoY (17.1%) to QR849.9mn vs. QR1.02bn in 4Q2020 (surged QoQ vs. QR143.1mn in 3Q2021). FY2021 CoR increased to 109bps vs. 88bps in FY2020.
- **Asset quality came under some pressure.** NPLs increased YoY by 10.6% to QR4.8bn in FY2020. Moreover, the NPL ratio increased to 4.71% vs. 4.33% in FY2020 (3.98% in 3Q2021).
- **Loans exhibited subdued performance sequentially due to repayment of public sector facilities.** Net loans declined by 3.1% sequentially (+1.3% YoY) to QR98.0bn. On the other hand, deposits increased by 1.6% QoQ (+8.1% YoY) to QR82.0bn.
- **Capital position improved on optimization of RWAs and an increase in AT1 capital.** The bank's CAR came in at 18.1% at the end of FY2021 vs. 17.8% in FY2020.
- **Valuation and recommendation.** CBQK trades at a P/B and P/E of 1.5x/11.3x on our 2022 estimates. For now we maintain our PT of QR7.42/share.

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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