

CBKQ Alert – 1Q2022 Profit In-Line with Estimates; Strong Set of Results

- **CBQK's 1Q2022 profitability in-line with our estimates:** Commercial Bank of Qatar (CBQK) reported a net income of QR702.3mn in 1Q2022 (in-line with our estimate of QR712.6mn; variation of -1.4%), increasing by 16.5% YoY (+307.4% sequentially due to a 67.5% drop in provisions and impairments).
- **RoE improved significantly.** CBQK generated an annualized RoE of 15.4% for 1Q2022 vs. 10.9% in FY2021. We still expect strong RoE generation going forward.
- **CBQK generated strong core banking driven by margin expansion, fees and f/x income.** CBQK booked revenue of QR1.37bn in 1Q2022, increasing by 15.6%% YoY (-1.4% sequentially). When we exclude income from associates and investment income/losses, core revenue increases by 19.6% YoY (it should be noted the bank generated investment losses of QR51.2mn in 1Q2022). Net interest income, fees and f/x income were robust. Core revenue is flat QoQ.
- **Income from associates improved both YoY and sequentially.** Income from associates surged to QR46.7mn vs. QR27.4mn in 1Q2021 (QR32.8mn in 4Q2021).
- **Margins were aided by tight management of CoFs.** CBQK's net interest margin increased by 23bps YoY (receded by 6bps QoQ) to 2.76% as yields increased by 3bps vs. a 20bps drop in CoFs.
- **Credit provisions increased as CBQK exercised prudence.** Provisions increased YoY (11.2%) to QR236.2mn (significantly dropped QoQ by 56.5%). 1Q2022 annualized CoR increased to 92bps vs. 83bps in 1Q2021.
- **Legacy NPLs remain but it seems that there was no new NPL formation.** NPLs decreased QoQ by 2.0% to QR4.69bn in 1Q2022. Moreover, the NPL ratio improved to 4.59% vs. 4.71% in FY2021.
- **Loans exhibited flat performance sequentially, while deposits went up.** Net loans were flat at QR98.4bn sequentially. On the other hand, deposits increased by 3.2% QoQ to QR84.5bn.
- **Capital position remained flat.** The bank's CAR came in at 18.1% in 1Q2022, flat vs. FY2021.
- **Valuation and recommendation.** CBQK trades at a P/B and P/E of 1.5x/12.4x on our 2022 estimates. For now we maintain our PT of QR7.995/share and our Accumulate rating.

Recommendations	
<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>	
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	
<i>Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals</i>	
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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