

QNBFS Alert – CBQK Results Will be Negatively Impacted From UAB

- **UAB reports much higher than expected loss for 4Q2015; negative read-through for CBQK's 4Q2015 results.** For the second quarter in a row, CBQK's 40%-owned UAE associate reported significantly worse than expected 4Q2015 results. As a result, we are lowering CBQK's 4Q2015 and FY2015 net income estimates. We also put our future estimates for CBQK under review pending our conversation with CBQK's management.
- **CBQK 4Q2015 and FY2015 to be adversely impacted by UAB's FY2015 loss.** Commercial Bank of Qatar's UAE-based associate United Arab Bank (UAB) reported a net loss of AED166mn for 2015 and a net loss of AED238mn in 4Q2015. This will negatively impact CBQK's 4Q2015 and FY2015 bottom-line. On a positive note, CBQK's 35% associate National Bank of Oman (NBO) reported a net profit of OMR60.1mn for FY2015, increasing by 20% YoY.
- **UAB reported a net loss AED 166mn in 2015.** The loss was primarily driven by provisions taken on defaulting SME loans. UAB's total Income came in at AED1,213mn, dropping by 12% YoY, with operating expenses increasing to AED491mn. Thus, UAB's cost to income ratio increased to 40.5% in 2015 versus 28.7% for FY 2014. The Bank's NPLs ratio of 4.01% was broadly in line with 3.93% in 3Q2015, but surged when compared to 2014's 2.56%. UAB ended 2015 with a coverage ratio of 124%.
- **We now estimate CBQK's 4Q2015 at QR198.7mn, taking into account UAB's and NBO's 2015 results.** Our previous estimate for 4Q2015 was QR443.4mn. We now expect 4Q2015 bottom-line to tumble by 28.0% QoQ and 46.3% YoY.
- **Recommendation and valuation:** We put our 2016 and 2017 estimates under review.

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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