

CBQK Alert – 2Q2021 Beats Estimates; Excellent Set of Results

- **CBQK's 2Q2021 profitability beats our estimates across the board; company posted a very strong set of results.** Commercial Bank of Qatar (CBQK) reported net income of QR724.5mn in 2Q2021 (exceeding our estimate of QR628.3mn; variation of +15.3%), increasing by 45.2% YoY (+20.2% sequentially). *The YoY and sequential jump in the bottom-line was driven by strong figures across the board.*
- **Net interest income, non-funded income and the lack of losses from associates drove bottom-line growth YoY.** Net interest income increased by 21.1% (+7.8% QoQ), while non-funded income increased by 181.9% (+19.7% sequentially) to QR397.7mn (QR141.1mn in 2Q2020). Further, CBQK booked income from associates of QR35.8mn vs. a loss of QR187.0mn a year ago (income of QR27.4mn in 1Q2021).
- **Total revenue surged to QR1.32bn vs. QR903.2mn in 2Q2020.** Excluding losses from associates in 2Q2020, core income would have increased by 17.8% YoY to QR1.28bn.
- **Margins expanded both YoY and sequentially.** CBQK's net interest margin increased by 30bps YoY (17bps QoQ) to 2.70% as yields dropped by only 10bps vs. a 40bps drop in CoFs. Sequentially, NIMs climbed up by 17bps due to the same reason mentioned above.
- **Provisions for credit losses surged YoY, but dropped sequentially in-line with estimates; 1H2021 CoR (annualized) increased to 80bps vs. 50bps in 1H2020.** Provisions & impairments surged YoY to QR220.4mn vs. QR107.2mn in 2Q2020 (dropped by 1.7% QoQ), in-line with our estimate of QR215.0mn (+2.5% variation).
- **Asset quality remained stable.** NPLs remained flat sequentially at QR4.3bn, while the NPL ratio decreased to 4.12% vs. 4.21% in 1Q2021 (4.33% in FY2020). Coverage of Stage 3 loans improved from 66% in FY2020 to 74% in 2Q2021. *It should be noted that 66% of ECLs are Stage 3, in-line with FY2020.*
- **Loans and deposits continued its positive trajectory.** Net loans increased by 1.2% QoQ (+4.0% YTD) to QR100.6bn, while deposits inched up by 0.6% sequentially (+8.6% YTD) to QR82.3bn.
- **Capital position improved on optimization of RWAs.** CAR increased from 17.8% in FY2020 to 18.4% in 2Q2021.
- **Valuation and recommendation.** CBQK trades at a P/B of 1.1x on our 2021 estimates. We maintain our PT of QR5.143/share for the time being.

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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