

QNBFS Alert – CBQK 1Q2014 Net Income Up 8.3% YoY

- **1Q2014 profitability QoQ driven by a sharp drop in net provisions and operating expenses.** CBQK posted a net profit of QR548mn, broadly in-line with our estimate of QR532mn (Bloomberg consensus: QR447mn), up by ~8.3% YoY (+ ~82.7% QoQ). Profitability on a QoQ basis was primarily driven by a significant drop in net provisions and operating expenses. The bank's net provisions dropped by ~77.7% QoQ (down 14.7% YoY) to QR59.3mn. Moreover, operating expenses also witnessed a sharp decline, dropping by ~23.2% QoQ (+ ~66.8% YoY) to QR406.9mn. Net Interest income slipped by ~1.8% QoQ (+36.8% YoY) to QR620.8mn. Moreover, operating income was down ~7.8% QoQ (+24.3% YoY) mainly due to muted investment income.
- **Loans grew at a healthy pace YTD.** CBQK's loan book grew by ~2.7% YTD, reaching QR68.7bn. On the other hand, deposits receded by ~2.1% YTD to QR62.1bn. As such, the LDR jumped to 111% in 1Q2014 vs. 106% at the end of 2013. ABank contributed ~17.6% and ~13.8% to overall loans and deposits, respectively.
- **Asset quality marginally improved.** CBQK's NPL ratio marginally improved in 1Q2014 to 3.55% vs. 3.65% at the end of 2013. Moreover, the bank's coverage ratio also improved, climbing to 65.2% vs. 63.0% at the end of 2013.
- **We maintain our target price of QR79.02/share and rate the stock an Accumulate.** CBQK currently trades at a P/E and P/TBV of 11.1x and 1.4x on our 2014 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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