

## CBQK Alert – Delivers Strong FY2019 Results; Impairs UAB

- **CBQK FY2019 profitability broadly in-line; bottom-line driven by strong core banking income and cost efficiency.** Commercial Bank of Qatar (CBQK) reported attributable net income of QR1.73bn in FY2019 (in-line with our estimate of QR1.80bn; -3.8% variation), rising by 25.3% YoY.
- **Strong growth in revenue drives the bottom-line.** Total revenue increased by 18.0% YoY attributable to net interest income (+19.4% YoY), fees (+20.8%) and f/x (+39.0%).
- **CBQK impairs UAB which prevented the bottom-line from further growth.** The bank booked an impairment of QR413.9mn in 4Q2019 against its UAE based associate, United Arab Bank. This impairment erased ~24% of CBQK's earnings. UAB is reclassified from assets held for sale to investment in associates.
- **CBQK upped dividends.** The bank announced DPS of QR0.20 (vs. QR0.15 in 2018; our estimate was also QR0.15) which translates in to a yield of 4.2%.
- **The bank's operating efficiency further improved, generating positive JAWs.** CBQK's C/I ratio declined to 28.3% vs. 31.9% in 2018 as growth in revenue outpaced that of opex. Moreover, CBQK generated positive JAWs of 13.3% in FY2019 (+11.5% in 2018).
- **Margins significantly improved.** Net Interest Income expanded by 19.4% on the back of a drop in interest expense (CBQK repaid debt). Hence, NIMs moved up by 33bps to 2.45%.
- **Provisions for credit losses drastically improved, CoR dropped.** Provisions declined by 35.9% YoY to QR594.4mn while CoR dropped from 102bps in 2018 to 67bps in 2019.
- **Asset quality improved.** NPLs receded by 8.3% to QR4.5bn, while the NPL ratio followed suit and dropped to 4.9% vs. 5.6% in 2018.
- **Valuation and recommendation.** CBQK trades at a P/B and P/E of 1.0x and 8.7x on our 2020 estimates, respectively. We maintain our Accumulate rating and PT of QR4.95/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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