

CBQK Alert – 1Q2023 Profit In-Line; Bottom-Line Driven by Revenue & Flat Provisions & Impairments

- **CBQK's 1Q2023 comes in-line with our estimates:** Commercial Bank of Qatar (CBQK) reported a net income of QR751.3mn in 1Q2023 (in-line with our estimate of QR737.6mn; variation of 1.9%), increasing by 17.9% YoY (23.2% sequentially).
- **Non-cash net monetary loss from Turkish hyperinflation shaved off 5% from the bottom-line in 1Q2023.** CBQK booked a non-cash net monetary loss of QR42.1mn in 1Q2023, shaving off 5.3% from the bottom-line. In 1Q2022, the bank booked QR65.2mn, deducting 9.3% from net profit.
- **Bottom-line was largely driven by non-funded income and flat provisions & impairments.** CBQK's revenue came in at QR1.53bn in 1Q2023 (up 9.5% sequentially). When we exclude income from associates and investment income/losses, core revenue still increases by 6.9% YoY due to net interest income and strong f/x income. Core revenue also increased QoQ by 13.6% on strong non-funded income (mainly fees and f/x income). Sequentially, net income increased by 23.2% due to a large drop in provisions & impairments as net operating income declined by 12.6%.
- **Credit provisions significantly dropped in 1Q2023 as was expected.** Provisions declined YoY (32.3%) to QR160.0mn (-43.1% QoQ). 1Q2023 CoR (annualized) improved to 65bps vs. 92bps in 1Q2022.
- **Legacy NPLs remain; NPL formation in 1Q2023 was negative.** NPLs decreased YTD by 2.1% to QR4.9bn in 1Q2023. Moreover, the NPL ratio remained flat at 5.0%. Coverage of Stage 3 loans also remained flat at 71%.
- **CBQK allocated all the provisions to Stage 2 loans.** ECLs for Stage 2 loans increased YTD by 10.8% and coverage of Stage 2 loans remained at 9%.
- **Net loans continued its negative trajectory on government repayments of credit facilities.** Net loans receded by 3.6% sequentially to QR94.4bn. Moreover, deposits continued to decline, contracting by 8.5% QoQ to QR76.1bn.
- **Valuation and recommendation.** CBQK trades at a P/B and P/E of 1.0x/7.7x on our 2023 estimates. For now, we maintain our Outperform rating.

Recommendations		Risk Ratings	
<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>		<i>Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals</i>	
OUTPERFORM	Greater than +20%	R-1	Significantly lower than average
ACCUMULATE	Between +10% to +20%	R-2	Lower than average
MARKET PERFORM	Between -10% to +10%	R-3	Medium / In-line with the average
REDUCE	Between -10% to -20%	R-4	Above average
UNDERPERFORM	Lower than -20%	R-5	Significantly above average

Saugata Sarkar, CFA, CAIA
 Head of Research
 +974 4476 6534
 saugata.sarkar@qnbfs.com.qa

Shahan Keushgerian
 Senior Research Analyst
 +974 4476 6509
 shahan.keushgerian@qnbfs.com.qa

Phibion Makuwerere, CFA
 Senior Research Analyst
 +974 4476 6589
 phibion.makuwerere@qnbfs.com.qa

DISCLAIMER: This publication has been prepared by QNB Financial Services Co. WLL (“QNBFS”) a wholly-owned subsidiary of Qatar National Bank Q.P.S.C. (“QNB”). QNBFS is regulated by the Qatar Financial Markets Authority and the Qatar Exchange; QNB is regulated by the Qatar Central Bank. This publication expresses the views and opinions of QNBFS at a given time only. It is not an offer, promotion or recommendation to buy or sell securities or other investments, nor is it intended to constitute legal, tax, accounting, or financial advice. We therefore strongly advise potential investors to seek independent professional advice before making any investment decision. Although the information in this report has been obtained from sources that QNBFS believes to be reliable, we have not independently verified such information and it may not be accurate or complete. While this publication has been prepared with the utmost degree of care by our analysts, QNBFS does not make any representations or warranties as to the accuracy and completeness of the information it may contain, and declines any liability in that respect. QNBFS reserves the right to amend the views and opinions expressed in this publication at any time. It may also express viewpoints or make investment decisions that differ significantly from, or even contradict, the views and opinions included in this report.

COPYRIGHT: No part of this document may be reproduced without the explicit written permission of QNBFS.