

# CBQK Alert – 4Q2022 Profit Beats Estimates on Lower Provisions; Stay Outperform

- **CBQK's 4Q2022 ahead of our estimates:** Commercial Bank of Qatar (CBQK) reported a net income of QR609.8mn in 4Q2022 (above our estimate of QR420.4mn), surging by 253.8% YoY (-20.7% sequentially). Revenue came in at QR1.40bn vs. our estimate of QR1.48bn (variation of -5.5%). *The beat in the bottom-line was mainly due to significantly lower provisions and lower expenses to a certain extent.*
- **Non-cash net monetary loss from Turkish hyperinflation shaved off 13% and 6% from the bottom-line in 4Q2022 and FY2022, respectively.** CBQK booked non-cash net monetary loss of QR90.8mn in 4Q2022, shaving off 13.0% from the bottom-line. In FY2022, the bank booked QR189.4mn, deducting 6.3% from net profit.
- **Bottom-line was driven by a sharp drop in credit provisions & impairments; core banking income was weak as expected.** CBQK booked flattish revenue of QR1.40bn in 4Q2022 (+2.3% sequentially). When we exclude income from associates and investment income/losses, core revenue decreases by 5.6% YoY due to weak fees and f/x income. On the other hand, net interest income is robust. Core revenue also declined QoQ by 8.5% on tepid fees.
- **CBQK upped its DPS and was slightly higher than our estimate.** The board proposed a DPS of QR0.250 vs. QR0.160 in FY2021, ahead of our estimate of QR0.200. This translates into a strong yield of 4.8% and a payout ratio of 31%.
- **Credit provisions significantly dropped in 4Q2022, which was a positive surprise.** Provisions declined YoY (48.3%) to QR281.1mn (+37.3% QoQ). FY2022 CoR improved to 96bps vs. 108bps in FY2021.
- **Legacy NPLs remain; NPL formation in FY2022 was negligible.** NPLs increased YoY by 5.4% to QR5.0bn in FY2022. Moreover, the NPL ratio increased to 4.88% from 4.66% in FY2021. Coverage of Stage 3 loans improved to 71% vs. 62% in FY2021.
- **Gross loans remained flattish YoY as private sector loans increased, while public sector loans receded on government repayments of credit facilities.** Gross loans ticked up by 0.7% YoY to QR103.3bn. Private sector loans increased by 3.6%, while public sector loans declined by 15.3%. Moreover, deposits continued to decline; contracting by 3.6% QoQ (+1.5% YoY) to QR83.2bn.
- **Capital position remained strong.** The bank's CET1 and CAR came in at 11.6% and 17.3% in FY2022, respectively.
- **Valuation and recommendation.** CBQK trades at a P/B and P/E of 1.0x/6.3x on our 2023 estimates. For now, we maintain our PT of QR8.904/share and 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>	
<b>OUTPERFORM</b>	Greater than +20%	<b>R-1</b>	Significantly lower than average
<b>ACCUMULATE</b>	Between +10% to +20%	<b>R-2</b>	Lower than average
<b>MARKET PERFORM</b>	Between -10% to +10%	<b>R-3</b>	Medium / In-line with the average
<b>REDUCE</b>	Between -10% to -20%	<b>R-4</b>	Above average
<b>UNDERPERFORM</b>	Lower than -20%	<b>R-5</b>	Significantly above average

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