

Commercial Bank of Qatar (CBQK)

Recommendation	OUTPERFORM	Risk Rating	R-3
Share Price	QR4.314	Target Price	QR5.244
Implied Upside	21.6%		

4Q2024 Beats Estimates; DPS Increased by 20% to QR0.30 (DY: 7.0%)

CBQK's 4Q2024 beats our estimates. Commercial Bank of Qatar (CBQK) reported a net profit of QR690.8mn in 4Q2024, ahead of our estimate of QR664.6mn (variation: +3.9%). The bottom-line declined by 5.8% YoY (-10.3% QoQ) because of sharp margin pressure, weak investment income and f/x losses. Key positives from the 4th quarter results were strong fee income (+51.8% YoY), income from associates (+38.0/17.6% YoY/QoQ), drop in opex, reversal of credit provisions and materially lower losses from hyperinflation (Turkish operations reported a hyperinflation loss of QR8.4mn in 4Q2024 vs. QR109.5mn in 4Q2023). **Net-net, core-banking income was weak because of f/x losses and significant margin pressure. On a positive note, the bank upped its DPS from QR0.25 to QR0.30 (DY: 7.0%), which investors could take positively. On a valuation basis, the stock is trading at attractive levels with 15/22% discount to its 2024/25e BV. Hence, we retain our QR5.244 PT and Outperform rating.**

Highlights

- **The board announced a DPS of QR0.30 for 2024 vs. QR0.25 in 2023, which is a positive; DPS beat our estimate of QR0.25.** This corresponds to a DY of 7.0% (highest among banks) and a payout ratio of 45%. DPS increased by 20.0% YoY.
- **FY2024 tangible RoE was healthy and in-line with 2023.** The company generated a RoE of 14.4%, greater than its CoE.
- **NIMs continued to compress YoY and QoQ.** CBQK's NIMS compressed from 2.87%/2.52% in 4Q2023/3Q2024 to 1.60% because of continued pressure from CoFs. Consequently, net interest income dropped by 42.5%/35.5% YoY/sequentially. FY2024 NIMs compressed by 33bps to 2.38%.
- **Legacy NPLs remain and are mainly real estate in nature; NPLs remained broadly stable sequentially and YoY.** The NPL ratio was slightly higher at 6.15% in 4Q2024 vs. 5.98% in 3Q2024 (FY2023: 5.85%); the NPL ratio increased due to muted loan growth. Coverage of Stage 3 loans decreased from 79% in 3Q2024 to 67% in 4Q2024 (FY2023: 70%). Stage 2 loans improved, dropping by 10.3% QoQ and 4.9% YoY. Thus, Stage 2 loans % of total loans improved from 21% in 3Q2024 to 19% in 4Q2024 (FY2023: 20%).
- **CBQK did not book credit provisions in 4Q2024.** CBQK booked reversals of QR127.6mn in 4Q2024 vs. credit provisions of QR320.9mn/QR164.3mn in 4Q2023/3Q2024. As such, overall FY2024 credit provisions dropped by 66.7% YoY. Moreover, this led to a FY2024 CoR of 34bps vs. 99bps in FY2023, which we view positively but is probably not sustainable in the near term. Having said this, total allowance for loans losses in FY2024 dropped by 18.7% on the back of large write-offs. CBQK wrote-off QR2.3bn in loans, which equates to 2.3% of total loans.
- **Net loans were stable sequentially and YoY.** Net loans sequentially inched up by 0.8% to QR91.5bn (flat YoY). On the other hand, deposits retreated by 0.7% QoQ (+0.6% YoY) to QR77.0bn.
- **CET1/Tier-1 ratio strengthened, which is a positive.** CBQK generated a CET1/Tier-1 ratio of 12.3/15.7%.

Catalysts

- Progress in improvement of asset quality and core-banking income.

Recommendation, Valuation and Risks

- **Recommendation and valuation: We maintain our PT of QR5.244 and Outperform rating.** CBQK is trading at a 2024/25e P/TB and P/E of 0.8/0.8x and 6.5/6.0x, respectively.
- **Risks:** 1) Weakness in Turkish Lira & Hyperinflation & 2) Higher than expected CoR.

Key Financial Data and Estimates

(In QR mn)	2022	2023	2024e	2025e
EPS	0.607	0.655	0.661	0.722
EPS Growth (%)	23.9	7.9	0.8	9.3
P/E (x)	7.1	6.6	6.5	6.0
Tangible BVPS (QR)	4.5	4.6	5.1	5.5
P/TBV (x)	1.0	0.9	0.8	0.8
RoE (%)	13.5	14.5	14.4	14.2
DPS (QR)	0.250	0.250	0.300	0.350
Dividend Yield (%)	5.8	5.8	7.0	8.1

Source: Company data, QNB FS Research; Note: All data based on current number of shares

Key Data

Current Market Price (QR)	4.341
Dividend Yield (%)	7.0
Bloomberg Ticker	CBQK QD
Reuters Ticker	COMB.QA
ISIN	QA0007227752
Sector*	Banks & Fin Svcs.
52wk High/52wk Low (QR)	5.730/3.756
3-m Average Volume (mn)	2.7
Mkt. Cap. (\$ bn/QR bn)	4.8/17.5
Shares Outstanding (000)	4,047.25
FO Limit* (%)	100.0
Institutional FO* (%)	24.3
1-Year Total Return (%)	(17.9)
Fiscal Year End	December 31

Source: Bloomberg (as of January 21, 2025), *Qatar Exchange (as of January 21, 2025); Note: FO is foreign ownership

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Detailed Financial Statements

Income Statement (In QR mn)	2022	2023	2024	2025e
Net Interest Income	3,963	3,867	3,317	3,842
Fees & Commissions	1,152	805	892	1,017
FX Income	415	528	(94)	309
Other Income	(14)	583	771	703
Non-Interest Income	1,553	1,916	1,569	2,029
Total Revenue	5,516	5,784	4,886	5,871
Operating Expenses	(1,138)	(1,441)	(1,273)	(1,327)
Net Operating Income	4,378	4,343	3,613	4,544
Net Provisions & Impairments	(1,263)	(917)	(467)	(1,054)
Net Profit Before Taxes	3,115	3,425	3,145	3,490
Tax	(114)	(80)	18	(84)
Net Profit Before Minority Interest	3,000	3,345	3,164	3,406
Minority Interest	0	0	0	0
Non-Recurring Income/(Loss)	(189)	(335)	(132)	(120)
Net Profit (Headline/Reported)	2,811	3,010	3,032	3,286
Interest on Tier-1 Note	(284)	(284)	(283)	(283)
Social & Sports Contribution Fund	(70)	(75)	(76)	(82)
Net Profit (Attributable)	2,457	2,651	2,674	2,922
Attributable EPS	0.607	0.655	0.661	0.722

Source: Company data, QNB FS Research

Balance Sheet (In QR mn)	2022	2023	2024	2025e
Cash & Balances with Central Bank	8,030	8,631	7,307	8,810
Interbank Loans	20,844	20,525	20,705	20,395
Net Investments	29,835	30,762	33,229	34,650
Net Loans	98,016	91,490	91,480	95,711
Investment In Associates	3,102	3,373	3,659	3,839
Other Assets	2,395	2,547	2,492	2,871
Net PP&E	3,050	3,063	3,085	3,207
OREO	3,564	3,921	3,767	3,767
Goodwill & Intangible Assets	66	62	89	2
Total Assets	168,902	164,376	165,813	173,252
Liabilities				
Interbank Deposits	24,054	18,805	20,840	17,766
Customer Deposits	83,167	76,541	77,007	80,087
Term Loans	27,786	34,166	35,465	37,592
Tier-1 Perpetual Notes	5,820	5,820	5,820	5,820
Other Liabilities	9,724	10,458	6,013	9,610
Total Liabilities	150,551	145,790	145,144	150,875
Total Shareholders' Equity	18,351	18,586	20,669	22,376
Total Liabilities & Shareholders' Equity	168,902	164,376	165,813	173,252
RWAs	125,475	121,274	131,092	138,601

Source: Company data, QNB FS Research

Ratios/Key Indicators	2022	2023	2024	2025e
Profitability (%)				
RoTE (Attributable)	13.5	14.5	14.4	14.2
RoAA (Attributable)	1.5	1.6	1.6	1.7
RoRWA	2.0	2.1	2.1	2.2
NIM (% of IEAs)	2.81	2.72	2.38	2.64
NIM (% of RWAs)	3.28	3.13	2.63	2.85
NIM (% of AAs)	2.37	2.32	2.01	2.27
Spread	2.4	1.8	1.7	1.8
Efficiency (%)				
Cost-to-Income (Headline)	20.6	24.9	26.1	22.6
Cost-to-Income (Core)	20.6	27.7	30.9	25.7
Liquidity (%)				
LDR	118	120	119	120
LDR (Including Stable Source of Funding)	88	83	81	81
Loans/Assets	58	56	55	55
Cash & Interbank Loans-to-Total Assets	17.1	17.7	16.9	16.9
Deposits to Assets	49	47	46	46
Wholesale Funding to Loans	53	58	62	58
IEAs to IBLs (x)	1.26	1.21	1.20	1.25
Asset Quality (%)				
NPL Ratio	4.9	5.8	6.1	5.5
NPLs to Shareholders' Equity	27.5	30.4	28.4	24.9
NPL to Tier-1 Capital	25.9	33.1	28.5	25.3
Coverage Ratio	105	105	82	97
ALL/Average Loans	5.2	5.9	5.0	5.5
Cost of Risk (bps)	96	99	34	109
Capitalization (%)				
CET1 Ratio	11.6	10.7	12.3	12.7
Tier-1 Ratio	15.6	14.1	15.7	15.9
CAR	17.3	14.9	17.2	17.3
Leverage (x)	9.2	8.8	8.0	7.7
Growth (%)				
Net Interest Income	7.1	-2.4	-14.2	15.8
Non-Interest Income	1.6	23.4	-18.1	29.4
Total Revenue	5.5	4.8	-15.5	20.2
Operating Expenses	-23.1	26.6	-11.6	4.2
Net Operating Income	16.7	-0.8	-16.8	25.8
Net Provisions & Impairments	-12.1	-27.4	-49.1	125.7
Net Income (Headline)	22.0	7.1	0.7	8.4
Net Income (Attributable)	23.9	7.9	0.8	9.3
Loans	0.0	-6.7	0.0	4.6
Deposits	1.5	-8.0	0.6	4.0
Assets	2.1	-2.7	0.9	4.5
RWAs	8.2	-3.3	8.1	5.7

Source: Company data, QNB FS Research

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

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