

## CBQK Alert – 1Q2021 Bests Estimates; Core Revenue Remains Strong; Maintain Outperform

- **CBQK's 1Q2021 profitability beats our estimates on higher-than-expected net interest income.** Commercial Bank of Qatar (CBQK) reported net income of QR602.7mn in 1Q2021 (exceeding our estimate of QR552.3mn; variation of 9.1%), increasing by 49.9% YoY (+310.5% sequentially). *The QoQ surge was mainly driven by a 78.1% drop in provisions & impairments as non-funded income was weak.*
- **Net interest income, strong fees and the lack of investment losses/losses from associates drove bottom-line growth YoY.** Net interest income increased by 5.9% (+10.2% QoQ), while fees surged to QR265.8mn (QR128.0mn in 1Q2020). Moreover, the bank generated investment income of QR8.95mn vs. a loss of QR116.5mn in 1Q2020 (income of QR36.4mn in 4Q2020). Further, CBQK booked income from associates of QR27.4mn vs. a loss of QR133.7mn a year ago (income of QR339.7mn in 4Q2020).
- **Total revenue surged to QR1.19bn vs. QR773.3mn in 1Q2020.** Excluding losses from associates and investments in 1Q2020, core income would have increased by 13.9% YoY to QR1.14bn.
- **Margins remained flat YoY but increased sequentially.** CBQK's net interest margin remained unchanged YoY at 2.53% as the drop in yields matched the drop in CoFs. Sequentially, NIMs climbed up by 10bps as yields increased by 5bps, while CoFs dropped by 6bps.
- **Provisions for credit losses moved up YoY, but dropped significantly sequentially in-line with estimates; 1Q2021 CoR (annualized) remained flat vs. 1Q2020.** Provisions increased by 12.9% YoY to QR212.5mn (dropped by 39.2% QoQ), in-line with our estimate of QR215.4mn (-1.4% variation). On the other hand, CoR remained unchanged at 82bps in 1Q2021 vs. 1Q2020.
- **Asset quality remained stable.** NPLs remained flat sequentially at QR4.3bn, while the NPL ratio decreased to 4.21% vs. 4.33% in FY2020. Coverage of Stage 3 loans slightly improved from 66% in FY2020 to 69% in 1Q2021. *It should be noted that 65% of ECLs are Stage 3, in-line with FY2020.*
- **Loans and deposits expanded sequentially.** Net loans increased by 2.8% QoQ to QR99.4bn, while deposits jumped by 8.0% sequentially to QR81.8bn.
- **Capital position improved on optimization of RWAs.** CAR increased from 17.8% in FY2020 to 18.3% in 1Q2021.
- **Valuation and recommendation.** CBQK trades at a P/B of 1.1x on our 2021 estimates. We maintain our Outperform rating and PT of QR5.143/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*

<b>OUTPERFORM</b>	Greater than +20%
<b>ACCUMULATE</b>	Between +10% to +20%
<b>MARKET PERFORM</b>	Between -10% to +10%
<b>REDUCE</b>	Between -10% to -20%
<b>UNDERPERFORM</b>	Lower than -20%

### Risk Ratings

*Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals*

<b>R-1</b>	Significantly lower than average
<b>R-2</b>	Lower than average
<b>R-3</b>	Medium / In-line with the average
<b>R-4</b>	Above average
<b>R-5</b>	Significantly above average

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