

QNBFS Alert – CBQK Results Will be Adversely Impacted From UAB

- **UAB posts net loss of AED522.69mn in 2016 due to a surge in provisions.** CBQK's 40%-owned UAE associate reported a net loss of AED522.69mn in FY2016 and a loss of AED611mn in 4Q2016 (net loss of AED183.10mn in 2015). Net operating loss came in at AED150.07mn in 2016 vs.net operating profit of AED308.31mn in 2015.
- **CBQK 4Q2016 and full year profitability to be negatively impacted by UAB's 4Q2016 loss.** Commercial Bank of Qatar's UAE-based associate United Arab Bank (UAB) reported a net loss of AED611mn for 4Q2016. This will negatively impact CBQK's 4Q2016 bottom-line.
- **We now estimate CBQK to generate a loss of QR168.5mn in 4Q2016 vs. net profit of QR44.3mn previously, taking into account UAB's 4Q2016 results.** We now expect FY2016 headline/reported bottom-line to decrease to QR330.9mn vs. our previous estimate of QR5441mn. *Note that our modified 4Q2016 estimate factors only results from associates and no other variables.*
- **We expect CBQK's stock to come under pressure because of this negative surprise by UAB.** While we continue to expect a DPS of QR1.00, we would not be surprised if the company opts to reduce or eliminate the dividend for 2016. We rate CBQK a Market Perform with price target of QR30.00/share.

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

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

Mohamed Abo Daff
Senior Research Analyst
+974 4476 6589
mohd.abodaff@qnbfs.com.qa

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

Zaid Al Nafsoosi, CMT, CFTE
Senior Research Analyst
+974 4476 6535
zaid.alnafsoosi@qnbfs.com.qa

DISCLAIMER: This publication has been prepared by QNB Financial Services Co. WLL (“QNBFS”) a wholly-owned subsidiary of Qatar National Bank (“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.