

Ahli Bank (ABQK)

Recommendation	Market Perform	Risk Rating	R-4
Share Price	QR3.780	Target Price	QR3.573
Implied Upside	(5.5%)		

4Q2023 Earnings In-Line; Bottom-line Driven by Investment Income

ABQK reports in-line 4Q2023 earnings. Ahli Bank's (ABQK) net profit increased by 8.0% YoY (declined by 13.5% QoQ) to QR221.2mn, in-line with our estimate of QR226.5mn (variation of -2.4%). Net-net, the bottom-line was in-line with historical trends.

- The YoY increase in earnings was due to Investment income & net interest income; however, fees and f/x income was weak.** Net interest income increased by 5.5%, while investment income of QR6.4mn vs. a loss of QR26.3mn in 4Q2022, resulted in revenue increasing by 11.3% YoY. On the other hand, fees and f/x income declined by 4.1% and 40.1% YoY and QoQ, respectively. Sequentially, revenue increased by 11.7%, which was driven by an 11.5% increase in net interest income and investment income vs. an investment loss in 3Q2023.
- DPS came in ahead of estimates.** The Board announced a DPS of QR0.250 (2022: QR0.200) vs. our estimate of QR0.200, which translates into a yield of 6.6% and a payout of 83%.
- ABQK remains cost-efficient.** The bank's C/I ratio decreased from 20.1% in 4Q2022 to 19.7% in 4Q2023 (24.4% in 3Q2023). The YoY and QoQ decrease in the C/I ratio was a result of growth in revenue.
- Asset quality remained healthy and manageable.** NPLs receded by 1.3% QoQ (flat YoY). At the same time, the NPL ratio decreased from 2.52% in 3Q2023 to 2.48% in 4Q2023 (FY2022: 2.55%). Coverage of Stage 3 loans is a healthy 86%. Moreover, ABQK increased its buffers for Stage 1 and 2 loans by 31.3% and 30.1% YoY, respectively.
- FY2023 CoR decreased.** ABQK's credit provisions in 4Q2023 decreased by 16.2% YoY (+62.8% sequentially) to QR102.2mn. Moreover, FY2023 CoR decreased from 110bps in FY2022 to 100bps in FY2023.
- Net loans and deposits improved.** Net loans remained flat sequentially (up 2.1% YoY) at QR34.8bn. Moreover, deposits increased by 0.9% (up 2.4% YoY) to QR29.6bn.
- Capitalization remains strong and well above the QCB limits.** ABQK ended 4Q2023 with a CET1 & Tier-1 of 16.7%/19.6%, respectively.

Catalysts

- 1) Improvement in the stock's trading liquidity.

Recommendation, Valuation and Risks

- Recommendation and valuation: we maintain our target price of QR3.573/sh. and our Market Perform rating.** ABQK trades at FY2024e P/B and P/E of 1.3x and 11.0x, respectively.
- Risks:** 1) Oil price volatility and 2) stale stock price due to lack of liquidity.

Key Financial Data and Estimates

(In QR mn)	2022	2023	2024e	2025e
EPS Attributable (QR)	0.278	0.303	0.345	0.384
Growth (%)	5.2	8.9	14.0	11.4
P/E (x)	13.6	12.5	11.0	9.8
BVPS (QR)	2.7	2.8	2.9	3.1
P/B (x)	1.4	1.3	1.3	1.2
RoE (%)	10.8	11.2	12.3	13.3
DPS (QR)	0.200	0.250	0.225	0.250
Dividend Yield (%)	5.3	6.6	6.0	6.6

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

Key Data

Current Market Price (QR)	3.780
Dividend Yield (%)	6.6
Bloomberg Ticker	ABQK QD
ADR/GDR Ticker	N/A
Reuters Ticker	AABQ.QA
ISIN	QA0001200748
Sector	Banks & Fin. Svc
52wk High/52wk Low (QR)	4.42/3.50
3-m Average Volume ('000)	39.8
Mkt. Cap. (\$ bn/QR bn)	2.6/9.6
Shares Outstanding (mn)	2,551.15
FO Limit* (%)	49.0
Current FO* (%)	0.0
1-Year Total Return (%)	(4.5)
Fiscal Year End	December 31

Source: Bloomberg (as of January 17, 2024), *Qatar Exchange (as of January 17, 2024); Note: FO is foreign ownership

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Detailed Financial Statements

(In QR mn)	2022	2023	2024e	2025e	2026e
Net Interest Income	1,277	1,401	1,523	1,641	1,768
Fees & Commissions	167	147	162	177	174
FX Income	60	34	41	45	50
Other Income	(5)	7	41	52	58
Non-Interest Income	222	188	244	273	282
Total Revenue	1,498	1,589	1,767	1,914	2,050
Operating Expenses	(336)	(362)	(377)	(393)	(418)
Net Operating Income	1,162	1,227	1,389	1,520	1,632
Net Provisions & Impairments	(390)	(391)	(442)	(470)	(453)
Net Profit (Reported)	772	837	947	1,050	1,179
Interest Expense on AT1 Perp. Security	(44)	(44)	(44)	(44)	(44)
Social & Sports Contribution Fund	(19)	(21)	(24)	(26)	(29)
Net Profit (Attributable)	709	772	880	980	1,106
EPS (Attributable)	0.278	0.303	0.345	0.384	0.433

Source: Company data, QNB FS Research

(In QR mn)	2022	2023	2024e	2025e	2026e
Cash & Balances with Central Bank	1,807	1,855	3,685	3,255	2,438
Interbank Loans	3,768	14,760	4,016	3,834	3,668
Net Investments	8,339	8,382	9,743	9,388	10,595
Net Loans	34,032	34,754	36,509	38,339	40,757
Other Assets	398	490	473	491	515
Net PP&E	230	223	215	207	202
Total Assets	48,575	60,464	54,642	55,515	58,176
Liabilities					
Interbank Deposits	3,988	15,001	7,460	5,500	5,726
Customer Deposits	28,954	29,645	30,712	32,555	34,834
Term Loans	6,941	6,951	7,368	7,884	7,490
Other Liabilities	718	622	614	684	766
AT1 Perpetual Securities	1,092	1,092	1,092	1,092	1,092
Total Liabilities	41,693	53,311	47,247	47,714	49,908
Total Shareholders' Equity	6,883	7,153	7,395	7,801	8,268
Total Liabilities & Shareholders' Equity	48,575	60,464	54,642	55,515	58,176
RWAs	38,337	37,961	39,859	42,251	45,631
BVPS	2.70	2.80	2.90	3.06	3.24

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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