

Ahli Bank (ABQK)

Recommendation	Market Perform	Risk Rating	R-4
Share Price	QR3.430	Target Price	QR3.573
Implied Upside	4.2%		

4Q2024 Earnings Moderately Misses Estimates; DPS Flat at QR0.250

ABQK's 4Q2024 earnings moderately misses estimates. Ahli Bank's (ABQK) net profit increased by 10.5% YoY (decreased by 7.4% QoQ) to QR244.5mn, below our estimate of QR251.7mn (variation of -2.9%). A substantial drop in provisions & impairments drove the bottom-line as ABQK faced significant margin pressure, a reduction in its non-funded income and an increase in opex. Sequentially, the bottom-line dropped by 7.4% on the back of margin pressure, lower non-funded income and a rise in opex, which more than offset a 54.3% decline in provisions and impairments.

Highlights

- **The board announced a flat DPS of QR0.250 for FY2024, in-line with our estimate.** This corresponds to a yield of 7.3% and a 77% payout ratio.
- **Margins compressed significantly both YoY and sequentially.** NIM decreased by 33/55bps YoY/QoQ to 2.60%.
- **FY2024 RoE was flat vs. 2023.** ABQK generated 2024 RoE of 11.5% vs. 11.2% in 2023.
- **ABQK remains cost-efficient although the C/I ratio increased YoY/QoQ.** The bank's C/I ratio increased from 19.7% in 4Q2023 to 24.3% in 4Q2024 (19.9% in 3Q2024). The YoY increase in the C/I ratio was a result of growth in opex vs. a drop in revenue.
- **Asset quality remained under pressure, but is manageable for now; majority of provisions were booked to Stage 2 loans.** NPLs increased by 6.9% QoQ (+20.3% vs. FY2023). Hence, the NPL ratio increased from FY2023's 2.48% to 2.87% in FY2024 (3Q2024: 2.75%). Coverage of Stage 3 loans declined from 86% in FY2023 to 78% in 4Q2024. Moreover, ABQK increased its buffers for Stage 2 loans by 14.0% sequentially (48.4% vs. FY2023) and Stage 2 ECLs contribute 59% to total ECLs; coverage of Stage 2 loans is a significant 19%.
- **Credit provisions declined YoY and sequentially.** ABQK's credit provisions in 4Q2024 declined by 0.4% YoY (-23.8% sequentially) to QR101.8mn. If we include other impairments/reversals, net provisions and impairments dropped by 49.4%/54.3% YoY/QoQ. This drop moved the bottom-line up YoY.
- **Net loans increased while deposits declined.** Net loans sequentially increased by 2.1% (+2.6% YoY) to QR35.7bn. On the other hand, deposits declined by 4.7% (+8.5% YoY) to QR32.2bn.
- **Capitalization remains strong and well above the QCB limits.** ABQK ended 4Q2024 with CET1 & Tier-1 ratios of 17.3%/20.2%, 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 FY2024 P/B and P/E of 1.2x and 10.6x, 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	2024
EPS Attributable (QR)	0.278	0.303	0.324
Growth (%)	8.9	8.9	7.0
P/E (x)	12.3	11.3	10.6
BVPS (QR)	2.7	2.8	2.9
P/B (x)	1.3	1.2	1.2
RoE (%)	10.8	11.2	11.5
DPS (QR)	0.200	0.250	0.250
Dividend Yield (%)	5.8	7.3	7.3

Source: Company data; Note: All data is based on current number of shares

Key Data

Current Market Price (QR)	3.430
Dividend Yield (%)	7.3
Bloomberg Ticker	ABQK QD
ADR/GDR Ticker	N/A
Reuters Ticker	AABQ.QA
ISIN	QA0001200748
Sector	Banks & Fin. Svc
52wk High/52wk Low (QR)	4.150/3.303
3-m Average Volume	230,535
Mkt. Cap. (\$ bn/QR bn)	2.4/8.8
Shares Outstanding (mn)	2,551.15
FO Limit* (%)	49.0
Current FO* (%)	0.0
1-Year Total Return (%)	(6.3)
Fiscal Year End	December 31

Source: Bloomberg (as of January 20, 2025), *Qatar Exchange (as of January 20, 2025); Note: FO is foreign ownership

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Detailed Financial Statements

(In QR mn)	2022	2023	2024
Net Interest Income	1,277	1,401	1,644
Fees & Commissions	167	147	135
FX Income	60	34	48
Other Income	(5)	7	13
Non-Interest Income	222	188	196
Total Revenue	1,498	1,589	1,840
Operating Expenses	(336)	(362)	(387)
Net Operating Income	1,162	1,227	1,453
Net Provisions & Impairments	(390)	(391)	(562)
Net Profit (Reported)	772	837	892
Interest Expense on AT1 Perp. Security	(44)	(44)	(44)
Social & Sports Contribution Fund	(19)	(21)	(22)
Net Profit (Attributable)	709	772	826
EPS (Attributable)	0.278	0.303	0.324

Source: Company data, QNB FS Research

(In QR mn)	2022	2023	2024
Cash & Balances with Central Bank	1,807	1,855	2,180
Interbank Loans	3,768	14,760	11,731
Net Investments	8,339	8,382	9,445
Net Loans	34,032	34,754	35,663
Other Assets	398	490	239
Net PP&E	230	223	333
Total Assets	48,575	60,464	59,591
Liabilities			
Interbank Deposits	3,988	15,001	12,829
Customer Deposits	28,954	29,645	32,154
Term Loans	6,941	6,951	5,122
Other Liabilities	718	622	1,033
AT1 Perpetual Securities	1,092	1,092	1,092
Total Liabilities	41,693	53,311	52,230
Total Shareholders' Equity	6,883	7,153	7,361
Total Liabilities & Shareholders' Equity	48,575	60,464	59,591
RWAs	38,337	37,961	38,766
BVPS	2.70	2.80	2.89

Source: Company data, QNB FS Research

Ratios	2022	2023	2024
Profitability (%)			
RoE	10.8	11.2	11.5
RoRWA	1.9	2.0	2.2
RoA	1.5	1.4	1.4
NIM (% of IEAs)	2.8	2.7	2.9
NIM (% of RWAs)	3.4	3.7	4.3
NIM (Risk-Adjusted)	1.7	1.7	1.4
Yield on IEAs	4.5	6.2	6.2
CoFs	2.1	4.9	5.2
Spread	2.4	1.3	1.0
NPM	31.1	22.7	22.1
JAWs	11.5	-1.5	8.9
Efficiency (%)			
Cost-to-Income (Headline)	22.4	22.8	21.0
Cost-to-Income (Core)	22.3	22.8	21.1
Liquidity (%)			
LDR (Headline)	118	117	111
LDR (Stable Sources of Funds)	95	95	96
Loans to Assets	70	57	60
Liquid Assets Ratio	20	34	31
Cash & Interbank Loans-to-Total Assets	11	27	23
Wholesale Funding to Loans	32	63	50
Asset Quality (%)			
NPL Ratio	2.55	2.48	2.87
Coverage Ratio	199	234	238
Cost of Risk	110	100	146
Capitalization (%)			
CET1 Ratio	16.0	16.7	17.3
AT1 Ratio	2.8	2.9	2.8
Tier-1 Ratio	18.8	19.6	20.2
CAR	20.0	20.8	21.3
Growth (%)			
Net Interest Income	18.3	9.7	17.4
Non-Interest Income	-17.4	-15.1	4.2
Revenue	11.2	6.1	15.8
OPEX	-0.3	7.6	6.9
Net Operating Income	15.0	5.6	18.4
Net Income (Attributable)	5.2	8.9	7.0
Loans	1.4	2.1	2.6
Deposits	3.7	2.4	8.5
Assets	1.0	24.5	-1.4
Net Investments	-3.2	0.5	12.7
RWAs	2.1	-1.0	2.1

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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