

Ahli Bank (ABQK)

Recommendation	MARKET PERFORM	Risk Rating	R-4
Share Price	QR29.20	Target Price	QR30.00
Implied Upside	2.7%		

In-Line 1Q2019; YoY Bottom-Line Growth Dented by Doubling of Provisions

Ahli Bank (ABQK) reported a net profit of QR177.5mn, in-line with our estimate of QR177.8mn. Growth in net income was dented by doubling of provisions. Total revenue was flattish YoY, while opex dropped by 8.8% leading to net operating income to grow by 4.7%. On the other hand, provisions doubled leading to net income to inch up by 0.8%.

Highlights

- ABQK's 1Q2019 YoY bottom-line growth was dented by doubling of provisions.** ABQK posted a net profit of QR177.5mn (in-line with our estimate of QR177.8mn), inching up by 0.8% YoY (+38.9% sequentially). The sequential surge in the bottom-line was due to an 85.8% drop in provisions, as core banking income was weak.
- Margins continued to compress.** Net interest income decreased by 1.0% YoY (flat QoQ) to QR204.0mn. NIMs declined by 1bps and 3bps YoY and sequentially to 2.19%, respectively. The contraction was attributed to CoFs rising more than yield on assets. CoFs expanded by 25bps YoY (-1bps QoQ) to 3.05%, while yield on assets increased by 20bps YoY (-5bps QoQ) to 4.76%. Moreover, the interest spread contracted by 4bps YoY and QoQ to 1.71%.
- Efficiency ratio remained at acceptable levels; ABQK generated positive JAWS.** In 1Q2019, total revenue was flattish YoY, while opex decreased by 8.8%, resulting in positive JAWS (9.5%). C/I ratio improved YoY to 27.2% vs. 30.0% (26.5% in 4Q2018).
- Asset quality slightly deteriorated.** NPL ratio moved to 1.75% vs. 1.69% in FY2018 (1.00% in FY2017), while the coverage ratio of stage 3 loans was 72%.
- CoR doubled.** ABQK's annualized CoR jumped to 20bps in 1Q2019 vs. 9bps in 1Q2018.
- Capitalization remains strong.** ABQK's CET1 ratio remained unchanged at 17.0% at the end of 1Q2019 vs. FY2018.
- Net loans and deposits expanded sequentially.** ABQK's net loans gained by 1.6% QoQ, while deposits grew by 11.6%. As such, the LDR dropped to 113% vs. 124% in FY2018. However, LDR (based on stable source of funds) was at a healthy level of 90%.

Catalysts

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

Recommendation, Valuation and Risks

- Recommendation and valuation: We maintain ABQK's price target at QR30.00 and its Market Perform Rating.** ABQK trades at a FY2019e P/B and P/E of 1.2x and 9.9x, respectively.
- Risks:** 1) Ahli Bank's market share gains do not materialize and 2) concentration risk and general risks rising from regional socio-political issues.

Key Financial Data and Estimates

	2018	2019e	2020e	2021e
EPS (QR)	2.88	2.94	3.23	3.61
Growth (%)	4.0	2.2	9.7	12.0
P/E (x)	10.2	9.9	9.1	8.1
BVPS (QR)	23.8	24.8	27.0	29.5
P/B (x)	1.2	1.2	1.1	1.0
DPS (QR)	0.91	1.00	1.00	1.50
Dividend Yield (%)	3.1	3.4	3.4	5.1

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

Key Data

Current Market Price (QR)	29.20
Dividend Yield (%)	3.1
Bloomberg Ticker	ABQK QD
ADR/GDR Ticker	N/A
Reuters Ticker	AABQ.QA
ISIN	QA0001200748
Sector	Banks & Financial
52wk High/52wk Low (QR)	30.00/24.82
3-m Average Volume ('000)	4.7
Mkt. Cap. (\$ bn/QR bn)	1.9/6.8
Shares Outstanding (mn)	231.4
FO Limit* (%)	25.0
Current FO* (%)	0.2
1-Year Total Return (%)	+6.7
Fiscal Year End	December 31

Source: Bloomberg (as of April 18, 2019), *Qatar Exchange (as of April 18, 2019); Note: FO is foreign ownership

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Detailed Financial Statements

Key Ratios	2018	2019e	2020e	2021e
Profitability (%)				
RoAE (Attributable)	12.3	12.1	12.4	12.8
NIM	2.2	2.3	2.4	2.5
RoRWA (Attributable)	2.1	2.1	2.2	2.2
Efficiency (%)				
Cost-to-Income (Headline)	28.1	29.0	28.1	27.3
Cost-to-Income (Core)	29.5	29.6	28.5	27.7
Liquidity (%)				
LDR	123.6	124.0	123.5	119.8
Loans/Assets	68.1	71.9	70.2	71.7
Cash & Interbank Loans-to-Total Assets	23.1	17.8	19.4	17.7
Asset Quality (%)				
NPL Ratio	1.69	1.82	1.73	1.51
Coverage Ratio	133.5	122.9	141.7	174.6
Cost of Risk	44	33	31	25
Capitalization (%)				
Tier 1 Ratio	17.2	16.9	17.3	17.1
CAR	18.2	18.0	18.3	18.2
Growth (%)				
Net Interest Income	-0.6	2.5	10.4	9.9
Net Operating Income	9.2	-0.8	9.3	10.2
Net Income	4.0	2.2	9.7	12.0
Loans	-4.9	4.5	6.6	8.7
Deposits	-7.2	4.2	7.0	12.0

Source: Company data, QNB FS Research

Income Statement (In QR mn)	2018	2019e	2020e	2021e
Net Interest Income	829	850	938	1,031
Fees & Commissions	185	197	203	211
FX Income	25	27	28	31
Other Income	62	32	24	30
Non-Interest Income	272	256	255	271
Total Revenue	1,101	1,106	1,193	1,302
Operating Expenses	(309)	(321)	(335)	(356)
Net Operating Income	792	785	858	946
Net Provisions & Investment Impairment	(126)	(105)	(112)	(110)
Net Profit (Headline/Reported)	666	680	746	836
Social & Sports Contribution Fund	(17)	(17)	(19)	(21)
Net Profit (Attributable)	649	663	728	815

Source: Company data, QNB FS Research

Balance Sheet (In QR mn)	2018	2019e	2020e	2021e
Assets				
Cash & Balances with Central Bank	2,406	1,740	1,985	2,224
Interbank Loans	4,102	2,300	3,064	2,331
Net Investments	5,917	6,387	7,133	7,700
Net Loans	27,515	28,752	30,640	33,303
Other Assets	215	575	582	666
Net PP&E	248	239	225	243
Total Assets	40,403	39,993	43,630	46,468
Liabilities				
Interbank Deposits	5,735	3,647	4,770	3,597
Customer Deposits	22,261	23,194	24,818	27,796
Term Loans & Other Borrowings	6,173	6,482	6,936	7,283
Other Liabilities	733	928	869	973
Total Liabilities	34,902	34,251	37,393	39,648
Total Shareholders' Equity	5,501	5,742	6,237	6,820
Total Liabilities & Shareholders' Equity	40,403	39,993	43,630	46,468

Source: Company data, QNB FS Research

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

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