

ABQK Alert – 4Q2021 Earnings and DPS In-Line; Drop in CoR Led to the Bottom-Line Growth

- **ABQK's 4Q2021 earnings come in-line with our estimates.** Ahli Bank's (ABQK) net profit increased 5.4% YoY (dropped by 12.6% QoQ) to QR188.9mn, in-line with our estimate of QR190.1mn (variation of -0.6%).
- **The increase in earnings was due to a large drop in provisions as revenue was weak (margin pressure and subdued non-funded income).** Total revenue dropped by 14.2% YoY (-7.6% QoQ) to QR317.0mn, while provisions & impairments declined by 53.6% (+10.8% sequentially) resulting in a YoY 5.4% increase in the bottom-line. Net income declined sequentially (12.6%) due to weak revenue
- **ABQK announced cash DPS and bonus shares.** The bank announced cash DPS of QR0.150/sh. (flat vs. 2020), in-line with our estimate. This corresponds to a decent yield of 3.8% and payout ratio of 54%. Moreover, the also proposed bonus shares of 5.0%.
- **Operating efficiency remained at healthy levels.** The bank's C/I ratio moved up to 25.0% in 4Q2021 vs. 23.0% in 4Q2020 (24.1% in 3Q2021).
- **Asset quality came under pressure but remains manageable.** NPLs increased by 52.3% to QR1.3bn, while the NPL ratio moved up from 2.46% in FY2020 to 3.74% in FY2021. Coverage of Stage 3 loans dropped from 84% in FY2020 to 60% in FY2021.
- **Net loans and deposits declined QoQ.** Net loans receded by 5.9% sequentially (flat YoY) to QR33.6bn. Deposits followed suit, declining sequentially by 2.3% (+3.7% YoY) to QR27.9bn.
- **Capitalization remains strong.** ABQK ended FY2021 with a CET1 & CAR of 15.8%/19.9%, respectively.
- **Recommendation & valuation:** ABQK trades at a P/E and P/TB of 12.1x and 1.5x based on our 2022 estimates, respectively. We maintain our Market Perform rating and PT at QR3.356/sh..

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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