

Ahli Bank (ABQK)

Recommendation	Reduce	Risk Rating	R-4
Share Price	QR3.75	Target Price	QR3.28
Implied Upside	(12.5%)		

3Q2023 Earnings In-Line; Bottom-line Driven by a Drop in Provisions

- ABQK reports in-line 3Q2023 earnings.** Ahli Bank's (ABQK) net profit increased by 8.2% YoY (64.7% QoQ) to QR255.6mn, in-line with our estimate of QR256.3mn (variation of -0.3%). The sequential surge in earnings was also due to a large drop in provisions and impairments as growth in revenue was overshadowed by a large increase in operating expenses.
- The YoY increase in earnings was due to significant drop in provisions & impairments, in-line with expectations; however, core-banking income was weak.** Net interest income was flattish, while fee income was down 17.3% and f/x income declined by 35.1%, resulting in revenue falling by 4.6% YoY. Operating income dropped by 9.6% as a result of a 15.1% increase in operating expenses. Sequentially, revenue increased by 11.5%, which was driven by a 15.8% increase in net interest income.
- Cost-to-income elevated, but remains at an acceptable level.** The bank's C/I ratio increased from 20.2% in 3Q2022 to 24.4% in 3Q2023 (23.2% in 2Q2023). The YoY and QoQ increase in the C/I ratio was a result of growth in operating expenses outpacing growth in revenue.
- Asset quality remained healthy and manageable.** NPLs ticked up by 1.3% QoQ (1.2% YTD). At the same time, the NPL ratio increased from 2.46% in 2Q2023 to 2.52% in 3Q2023 (flat vs. FY2022) as a result of a decrease in loans. Coverage of Stage 3 loans is a healthy 87%. Moreover, ABQK increased its buffers for Stage 2 loans by 36.1% YTD, raising coverage of Stage 2 loans from 14% in FY2022 to 16% in 3Q2023.
- 9M2023 CoR came in in-line with 9M2022 (lower vs. FY2022).** ABQK's credit provisions in 3Q2023 decreased by 40.5% YoY (down 50.3% sequentially) to QR62.8mn. Moreover, CoR (annualized) slightly decreased from 99bps in 9M2022 to 94bps in 9M2023.
- Net loans and deposits remained sluggish sequentially.** Net loans declined by 1.4% sequentially (up 1.7% YTD) to QR34.6bn. Moreover, deposits followed suit and receded by 3.7% (up 1.5% YTD) to QR29.4bn.
- Capitalization remains strong and well above the QCB limits.** ABQK ended 3Q2023 with a CET1 & Tier-1 of 16.6%/19.4%, respectively.

Catalysts

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

Recommendation, Valuation and Risks

- Recommendation and valuation: we maintain our target price of QR3.28/sh. and our Reduce rating.** ABQK trades at FY2023e P/B and P/E of 1.3x and 12.2x, 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	2023e	2024e	2025e
EPS Attributable (QR)	0.278	0.307	0.334	0.367
Growth (%)	5.2	10.4	8.8	10.1
P/E (x)	13.5	12.2	11.2	0.0
BVPS (QR)	2.7	2.8	2.9	3.1
P/B (x)	1.4	1.3	1.3	1.2
RoE (%)	10.8	11.4	11.9	12.5
DPS (QR)	0.200	0.200	0.225	0.250
Dividend Yield (%)	5.3	5.3	6.0	6.7

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

Key Data

Current Market Price (QR)	3.75
Dividend Yield (%)	5.3
Bloomberg Ticker	ABQK QD
ADR/GDR Ticker	N/A
Reuters Ticker	AABQ.QA
ISIN	QA0001200748
Sector	Banks & Fin. Svc
52wk High/52wk Low (QR)	4.42/3.70
3-m Average Volume ('000)	145.2
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 (%)	(1.5)
Fiscal Year End	December 31

Source: Bloomberg (as of October 16, 2023), *Qatar Exchange (as of October 16, 2023); 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	1,474	1,592	1,753	1,909
Fees & Commissions	167	161	172	177	174
FX Income	60	48	55	60	73
Other Income	(5)	(5)	35	45	44
Non-Interest Income	222	203	262	282	292
Total Revenue	1,498	1,677	1,854	2,035	2,201
Operating Expenses	(336)	(336)	(356)	(368)	(395)
Net Operating Income	1,162	1,341	1,498	1,667	1,806
Net Provisions & Impairments	(390)	(493)	(581)	(661)	(753)
Net Profit (Reported)	772	847	918	1,006	1,053
Interest Expense on AT1 Perp. Security	(44)	(44)	(44)	(44)	(44)
Social & Sports Contribution Fund	(19)	(21)	(23)	(25)	(26)
Net Profit (Attributable)	709	782	851	937	983

Source: Company data, QNB FS Research

(In QR mn)	2022	2023	2024e	2025e	2026e
Cash & Balances with Central Bank	1,807	1,862	2,159	2,464	2,260
Interbank Loans	3,768	3,760	4,312	3,694	4,297
Net Investments	8,339	8,716	9,747	11,183	10,542
Net Loans	34,032	37,605	39,197	41,049	42,971
Other Assets	398	396	407	420	433
Net PP&E	230	222	213	203	193
Total Assets	48,575	52,562	56,034	59,014	60,697
Liabilities					
Interbank Deposits	3,988	5,687	6,184	5,821	5,104
Customer Deposits	28,954	31,038	33,211	35,204	37,668
Term Loans	6,941	6,906	7,320	8,052	7,650
Other Liabilities	718	683	731	986	979
AT1 Perpetual Securities	1,092	1,092	1,092	1,092	1,092
Total Liabilities	41,693	45,407	48,538	51,155	52,493
Total Shareholders' Equity	6,883	7,155	7,496	7,859	8,204
Total Liabilities & Shareholders' Equity	48,575	52,562	56,034	59,014	60,697

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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