

ABQK Alert – 1Q2022 Profit Broadly In-Line with Estimates; Lower Provisions & Impairments Supports Earnings

- **ABQK's 1Q2022 earnings broadly come in-line with our estimates.** Ahli Bank's (ABQK) net profit increased by 2.6% YoY (+1.3% QoQ) to QR191.4mn, in-line with our estimate of QR200.0mn (variation of -4.3%).
- **The modest increase in earnings was due to a drop in provisions as revenue was subdued (investment income primarily aided revenue both YoY and sequentially).** Total revenue inched up by 1.7% YoY (+2.9% QoQ) to QR326.2mn aided by investment income (1Q2022 QR21.0mn vs. QR8.9mn in 1Q2021) as net interest income disappointed.
- **Operating efficiency remained at healthy levels.** The bank's C/I ratio moved up to 26.1% in 1Q2022 vs. 25.4% in 1Q2021 (25.0% in 4Q2021).
- **Asset quality remains under pressure but remains manageable.** NPLs remained flat at QR1.3bn, while the NPL ratio moved up from 3.74% in FY2021 to 3.76% in 1Q2022. Coverage of Stage 3 loans remained low at 61% in 1Q2022.
- **Net loans remained flat QoQ, while deposits slightly declined.** Net loans remained flat sequentially at QR33.6bn. Deposits declined sequentially by 0.9% to QR27.7bn.
- **Capitalization remains strong.** ABQK ended 1Q2022 with a CET1 & CAR of 16.7%/20.8%, respectively.
- **Recommendation & valuation:** ABQK trades at a P/E and P/TB of 15.1x and 1.5x based on our 2022 estimates, respectively. We maintain our Market Perform rating and PT at QR3.196/share.

Recommendations	
<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>	
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	
<i>Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals</i>	
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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