

### Ahli Bank (ABQK)

Recommendation	MARKET PERFORM	Risk Rating	R-4
Share Price	QR32.80	Target Price	QR33.00
Implied Upside	+0.6%		

### In-Line 4Q2018; Investment Income & Lower Opex Drives YoY Bottom-Line Growth

Ahli Bank is one of Qatar's smallest lenders with a focus on the corporate and retail sectors. ABQK has a ~3% market share of loans and deposits (among listed banks). Focused on Qatar, along with a strategic shareholder (Qatar Foundation), ABQK's management has set forth a strategy targeting a 5% to 7% market share in loans and deposits.

#### Highlights

- ABQK's 4Q2018 YoY growth in bottom-line driven by investment income & lower opex.** ABQK posted a net profit of QR127.7mn (in-line with our estimate of QR127.9mn), gaining by 5.1% YoY (-30.8% sequentially).
- DPS in-line with estimates.** The company announced DPS of QR1.00/sh. (yielding 3.0%), unchanged vs. 2017 and 10% in bonus shares.
- Margins continued to compress.** Net interest income dropped by 3.4% YoY (-0.6% QoQ) to QR204.4mn. NIM compressed by 8bps YoY and sequentially to 2.23%. The contraction was attributed to CoFs rising more than yield on assets. CoFs surged by 76bps YoY (+7bps QoQ) to 3.34%, while yield on assets increased by only 33bps YoY (-12bps QoQ) to 4.83%. ABQK ended 2018 with a NIM of 2.23% (down by 7bps).
- Efficiency ratio remained at acceptable levels, generated positive JAWS.** In 2018, total revenue increased by 5.4% while opex decreased by 3.1%, resulting in positive JAWS (8.5%). Core C/I ratio (excluding investment income) improved YoY at 29.5% vs. 30.8%.
- Asset quality deteriorated.** NPL ratio moved to 1.69% vs. 1.18% in 3Q2018 (1.00% in FY2017), while the coverage ratio of stage 3 loans was 70%.
- CoR almost doubled.** ABQK's CoR jumped to 44bps in 2018 vs. 24bps in 2017.
- Capitalization remains strong.** ABQK's CET1 ratio remained unchanged at 15.8% at the end of 2018 vs. 2017.
- Net loans and deposits contracted YoY and sequentially.** ABQK's net loans dropped by 5.7% YoY (-4.7% QoQ), while deposits contracted by 7.9% YoY (-8.2% QoQ). As such, the LDR moved up to 124% vs. 119% in 3Q2018 (121% in end-2017). However, LDR (based on stable source of funds) was at an optimal level of 97%. The drop in loans and deposits was mainly attributable to the public sector.

#### Catalysts

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

#### Recommendation, Valuation and Risks

- Recommendation and valuation: We maintain ABQK's price target at QR33.00 and its Market Perform Rating.** ABQK trades at a FY2019e P/B and P/E of 1.2x and 10.1x, respectively. *We tweak our estimates. (Page 2)*
- Risks:** 1) Ahli Bank's market share gains do not materialize and 3) concentration risk and general risks rising from regional socio-political issues.

#### Key Financial Data and Estimates

	2018	2019e	2020e	2021e
EPS (QR)	3.16	3.23	3.55	3.97
Growth (%)	-0.2	2.2	9.7	12.0
P/E (x)	10.4	10.1	9.2	8.3
BVPS (QR)	26.1	26.3	28.8	31.6
P/B (x)	1.3	1.2	1.1	1.0
DPS (QR)	1.00	1.00	1.00	1.50
Dividend Yield (%)	3.0	3.0	3.0	4.6

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

#### Key Data

Current Market Price (QR)	32.80
Dividend Yield (%)	3.0
Bloomberg Ticker	ABQK QD
ADR/GDR Ticker	N/A
Reuters Ticker	AABQ.QA
ISIN	QA0001200748
Sector	Banks & Financial
52wk High/52wk Low (QR)	35.71/27.3
3-m Average Volume ('000)	1.6
Mkt. Cap. (\$ bn/QR bn)	1.9/6.9
Shares Outstanding (mn)	210.4
FO Limit* (%)	25.0
Current FO* (%)	0.2
1-Year Total Return (%)	+5.8
Fiscal Year End	December 31

Source: Bloomberg (as of January 20, 2019), \*Qatar Exchange (as of January 17, 2019); Note: FO is foreign ownership

#### Shahan Keushgerian

+974 4476 6509

shahan.keushgerian@qnbfs.com.qa

#### Saugata Sarkar, CFA, CAIA

+974 4476 6534

saugata.sarkar@qnbfs.com.qa

## Change in Estimates

	2019e			2020e			2021e		
	Old	New	Change (%)	Old	New	Change (%)	Old	New	Change (%)
Net Interest Income	854	850	-0.5	926	938	1.3	1,020	1,031	1.1
Non Interest Income	229	256	12.0	234	255	9.1	245	271	10.5
Net Operating Income	754	785	4.1	817	858	5.0	900	946	5.1
Net Income (Headline)	675	680	0.8	719	746	3.8	796	836	5.0

Source: QNBFS Research

## Detailed Financial Statements

Key Ratios	2018	2019e	2020e	2021e
<b>Profitability (%)</b>				
RoAE (Attributable)	12.3	12.3	12.9	13.2
NIM	2.2	2.3	2.4	2.5
RoRWA (Attributable)	2.1	2.1	2.2	2.3
<b>Efficiency (%)</b>				
Cost-to-Income (Headline)	28.1	29.0	28.1	27.3
Cost-to-Income (Core)	29.5	29.6	28.5	27.7
<b>Liquidity (%)</b>				
LDR	123.6	123.0	122.5	118.9
Loans/Assets	67.6	71.9	70.2	71.7
Cash & Interbank Loans-to-Total Assets	23.1	17.8	19.4	17.8
<b>Asset Quality (%)</b>				
NPL Ratio	1.69	1.82	1.73	1.51
Coverage Ratio	133.5	123.6	142.4	175.3
Cost of Risk	44	33	30	24
<b>Capitalization (%)</b>				
Tier 1 Ratio	15.8	16.7	17.1	17.1
CAR	16.9	17.7	18.1	18.1
<b>Growth (%)</b>				
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	-5.7	4.5	6.6	8.7
Deposits	-7.9	5.0	7.0	12.0

Source: Company data, QNBFS 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
<b>Non-Interest Income</b>	<b>272</b>	<b>256</b>	<b>255</b>	<b>271</b>
<b>Total Revenue</b>	<b>1,101</b>	<b>1,106</b>	<b>1,193</b>	<b>1,302</b>
Operating Expenses	(309)	(321)	(335)	(356)
<b>Net Operating Income</b>	<b>792</b>	<b>785</b>	<b>858</b>	<b>946</b>
Net Provisions & Investment Impairment	(126)	(105)	(112)	(110)
<b>Net Profit (Headline/Reported)</b>	<b>666</b>	<b>680</b>	<b>746</b>	<b>836</b>
Social & Sports Contribution Fund	(17)	(17)	(19)	(21)
<b>Net Profit (Attributable)</b>	<b>649</b>	<b>663</b>	<b>728</b>	<b>815</b>

Source: Company data, QNBFS Research

<b>Balance Sheet (In QR mn)</b>	<b>2018</b>	<b>2019e</b>	<b>2020e</b>	<b>2021e</b>
<b>Assets</b>				
Cash & Balances with Central Bank	2,405	1,740	1,985	2,224
Interbank Loans	4,100	2,282	3,040	2,313
Net Investments	5,862	6,328	7,067	7,628
Net Loans	27,301	28,529	30,403	33,046
Other Assets	486	571	578	661
Net PP&E	248	239	225	243
<b>Total Assets</b>	<b>40,403</b>	<b>39,689</b>	<b>43,298</b>	<b>46,116</b>
<b>Liabilities</b>				
Interbank Deposits	5,729	3,602	4,679	3,466
Customer Deposits	22,090	23,194	24,818	27,796
Term Loans & Other Borrowings	6,126	6,432	6,883	7,227
Other Liabilities	957	928	869	973
<b>Total Liabilities</b>	<b>34,902</b>	<b>34,156</b>	<b>37,248</b>	<b>39,461</b>
<b>Shareholder's Equity</b>				
<b>Total Shareholders' Equity</b>	<b>5,501</b>	<b>5,533</b>	<b>6,050</b>	<b>6,655</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>40,403</b>	<b>39,689</b>	<b>43,298</b>	<b>46,116</b>

Source: Company data, QNBFS 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*

<b>OUTPERFORM</b>	Greater than +20%
<b>ACCUMULATE</b>	Between +10% to +20%
<b>MARKET PERFORM</b>	Between -10% to +10%
<b>REDUCE</b>	Between -10% to -20%
<b>UNDERPERFORM</b>	Lower than -20%

### Risk Ratings

*Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals*

<b>R-1</b>	Significantly lower than average
<b>R-2</b>	Lower than average
<b>R-3</b>	Medium / In-line with the average
<b>R-4</b>	Above average
<b>R-5</b>	Significantly above average

#### Contacts

##### **Saugata Sarkar, CFA, CAIA**

Head of Research

Tel: (+974) 4476 6534

[saugata.sarkar@qnbfs.com.qa](mailto:saugata.sarkar@qnbfs.com.qa)

##### **Shahan Keushgerian**

Senior Research Analyst

Tel: (+974) 4476 6509

[shahan.keushgerian@qnbfs.com.qa](mailto:shahan.keushgerian@qnbfs.com.qa)

##### **Zaid Al Nafsoosi, CMT, CFTe**

Senior Research Analyst

Tel: (+974) 4476 6535

[zaid.alnafsoosi@qnbfs.com.qa](mailto:zaid.alnafsoosi@qnbfs.com.qa)

##### **QNB Financial Services Co. WLL**

Contact Center: (+974) 4476 6666

PO Box 24025

Doha, Qatar

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