

Ahli Bank (ABQK)

Recommendation	Market Perform	Risk Rating	R-4
Share Price	QR3.653	Target Price	QR3.573
Implied Upside	(5.5%)		

Maintaining Forecasts & Market Perform Rating Post 2023 Results

Following Ahli Bank's (ABQK) FY2023 results, we maintain our earnings CAGR of 10.0% during 2023-2028e on normalization of CoR at the 90bps levels. As such, our long-term sustainable RoE remains unchanged at 14.0%. As a result, we maintain our target price at QR3.573 and Market Perform rating. ABQK trades at a 1.3x P/B and an 11.5x P/E based on our 2024 estimates. Moreover, the stock trades at a PEG of 1.1x (which is relatively expensive) based on our 5-year earnings CAGR of 10.0%. However, given the lack of liquidity in trading ABQK's shares, these multiples may not be truly reflective.

Highlights

- ABQK reported an attributable net profit of QR771.9mn in FY2023 (in-line with our estimate of QR771.1mn), growing by 8.9% YoY.** The increase in earnings was due to a 9.7% increase in net interest income and flat provisions & impairments. Non-funded income was weak, declining by 15.1% YoY (fees dropped by 11.5%, while f/x income declined by 43.6%). Our 10.0% earnings CAGR (2023-28e) is based on our assumption of net operating income picking up, along with a normalization in CoR.
- Efficiency ratio continues to remain healthy.** C/I ratio moved to 22.8% in FY2023 vs. 22.4% in 2022 (25.6%/25.0% in FY2020 & FY2021). We estimate the efficiency ratio to remain at current levels, penciling in 22.4% (2024e), 22.5% (2025e) and 22.6% (2026e). This is driven by a lock step growth in revenue and opex. Hence, we arrive to mid-single digit positive JAWs.
- Asset quality remained healthy and manageable.** NPLs remained flat vs. FY2022. At the same time, the NPL ratio decreased from 2.55% in FY2022 to 2.48% in FY2023 as a result of an increase in loans and flat NPLs. Coverage of Stage 3 loans is a healthy 86%. Moreover, ABQK increased its buffers for Stage 2 loans by 31%, raising coverage of Stage 2 loans from 14% in FY2022 to 16% in FY2023, which is a positive. We are of the view that management will continue on gradually increasing provisioning levels until the coverage of Stage 3 loans reaches 100%.
- CoR is penciled to remain elevated and we do not foresee it at the historical 44bps levels again over our forecast period.** ABQK generated a CoR of 99bps in FY2023 vs. 110bps in 2022 (44bps in 2018/2019, 70bps in 2020 and 87bps in 2021). We pencil in CoR to normalize around the ~90bps level, unchanged vs. previous estimates.
- Net loans are estimated to grow by a CAGR of 5.6% (2023-28e) vs. 5.7% previously; loan growth is expected from the corporate segment.** Net loans increased by 2.1% to QR34.8bn in 2023 vs. FY2022. Moreover, deposits followed suit and moved up by 2.4% to QR29.6bn vs. FY2022.
- Capitalization is strong and we expect it to remain as such; however, if changes to RWAs regarding open f/x positions is implemented as per Basel, it would have a negligible effect on capital; ABQK would not need to raise capital nor cut dividends.** ABQK ended FY2023 with CET1 & Tier-1 ratios of 16.7%/19.6%, respectively. If QCB implements the new rule, CET1/Tier-1 ratios would move to 16.3%/19.2%. We expect capitalization to remain at these levels in the coming three-to-five years.

Recommendation, Valuation and Risks

- Recommendation and valuation: we maintain our QR3.573/sh target price and Market Perform rating.** ABQK trades at FY2024/25e P/B and P/E of 1.3/1.3x and 11.5/10.6x, respectively.
- Risks:** 1) stale stock price due to lack of liquidity.

Key Financial Data and Estimates

(In QR mn)	2023	2024e	2025e	2026e
EPS Attributable (QR)	0.303	0.329	0.357	0.388
Growth (%)	8.9	8.8	8.5	8.7
P/E (x)	12.5	11.5	10.6	9.7
BVPS (QR)	2.8	2.9	3.0	3.1
P/B (x)	1.3	1.3	1.3	1.2
RoE (%)	11.2	11.7	12.4	13.0
DPS (QR)	0.250	0.250	0.275	0.300
Dividend Yield (%)	6.6	6.6	7.3	7.9

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

Key Data

Current Market Price (QR)	3.653
Dividend Yield (%)	6.6
Bloomberg Ticker	ABQK QD
ADR/GDR Ticker	N/A
Reuters Ticker	AABQ.QA
ISIN	QA0001200748
Sector	Banks & Fin. Svc
52wk High/52wk Low (QR)	4.20/3.50
3-m Average Volume ('000)	39.9
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 (%)	3.2
Fiscal Year End	December 31

Source: Bloomberg (as of March 04, 2024), *Qatar Exchange (as of March 04, 2024); 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	1,401	1,500	1,600	1,705
Fees & Commissions	167	147	157	149	162
FX Income	60	34	45	54	60
Other Income	(5)	7	30	36	38
Non-Interest Income	222	188	231	239	260
Total Revenue	1,498	1,589	1,731	1,839	1,965
Operating Expenses	(336)	(362)	(388)	(413)	(445)
Net Operating Income	1,162	1,227	1,343	1,425	1,521
Net Provisions & Impairments	(390)	(391)	(437)	(446)	(460)
Net Profit (Reported)	772	837	906	979	1,060
Interest Expense on AT1 Perp. Security	(44)	(44)	(44)	(44)	(44)
Social & Sports Contribution Fund	(19)	(21)	(23)	(24)	(27)
Net Profit (Attributable)	709	772	840	911	990
EPS (Attributable)	0.278	0.303	0.329	0.357	0.388

Source: Company data, QNB FS Research

(In QR mn)	2022	2023	2024e	2025e	2026e
Cash & Balances with Central Bank	1,807	1,855	1,966	2,279	2,438
Interbank Loans	3,768	14,760	4,017	3,837	4,484
Net Investments	8,339	8,382	9,010	9,905	10,009
Net Loans	34,032	34,754	36,520	38,369	40,764
Other Assets	398	490	473	491	515
Net PP&E	230	223	215	207	211
Total Assets	48,575	60,464	52,200	55,088	58,422
Liabilities					
Interbank Deposits	3,988	15,001	5,059	5,245	6,323
Customer Deposits	28,954	29,645	30,712	32,555	34,834
Term Loans	6,941	6,951	7,368	7,884	7,490
Other Liabilities	718	622	614	684	766
AT1 Perpetual Securities	1,092	1,092	1,092	1,092	1,092
Total Liabilities	41,693	53,311	44,845	47,459	50,505
Total Shareholders' Equity	6,883	7,153	7,355	7,628	7,917
Total Liabilities & Shareholders' Equity	48,575	60,464	52,200	55,088	58,422
RWAs	38,337	37,961	39,555	42,206	45,244
BVPS	2.70	2.80	2.88	2.99	3.10

Source: Company data, QNB FS Research

Ratios	2022	2023	2024e	2025e	2026e
Profitability (%)					
RoE	10.8	11.2	11.7	12.4	13.0
RoRWA	1.9	2.0	2.2	2.2	2.3
RoA	1.5	1.4	1.5	1.7	1.7
NIM (% of IEAs)	2.8	2.7	2.8	3.2	3.2
NIM (% of RWAs)	3.4	3.7	3.9	3.9	3.9
NIM (Risk-Adjusted)	1.7	1.7	1.8	2.1	2.2
Yield on IEAs	4.5	6.2	5.9	5.4	5.6
CoFs	2.1	4.9	4.5	3.1	3.2
Spread	2.4	1.3	1.4	2.4	2.4
NPM	31.1	22.7	24.9	30.5	30.6
JAWs	11.5	-1.5	1.7	-0.4	-0.7
Efficiency (%)					
Cost-to-Income (Headline)	22.4	22.8	22.4	22.5	22.6
Cost-to-Income (Core)	22.3	22.8	22.8	22.9	23.0
Liquidity (%)					
LDR (Headline)	118	117	119	118	117
LDR (Stable Sources of Funds)	95	95	96	95	96
Loans to Assets	70	57	70	70	70
Liquid Assets Ratio	20	34	20	20	20
Cash & Interbank Loans-to-Total Assets	11	27	11	11	12
Wholesale Funding to Loans	32	63	34	34	34
Asset Quality (%)					
NPL Ratio	2.55	2.48	2.45	2.48	2.45
Coverage Ratio	199	234	266	282	313
Cost of Risk	110	100	105	102	99
Capitalization (%)					
CET1 Ratio	16.0	16.7	16.5	16.1	15.7
AT1 Ratio	2.8	2.9	2.8	2.6	2.4
Tier-1 Ratio	18.8	19.6	19.3	18.7	18.1
CAR	20.0	20.8	20.5	19.9	19.3
Growth (%)					
Net Interest Income	18.3	9.7	7.0	6.7	6.6
Non-Interest Income	-17.4	-15.1	22.9	3.2	9.1
Revenue	11.2	6.1	8.9	6.2	6.9
OPEX	-0.3	7.6	7.2	6.6	7.6
Net Operating Income	15.0	5.6	9.4	6.1	6.7
Net Income (Attributable)	5.2	8.9	8.8	8.5	8.7
Loans	1.4	2.1	5.1	5.1	6.2
Deposits	3.7	2.4	3.6	6.0	7.0
Assets	1.0	24.5	-13.7	5.5	6.1
Net Investments	-3.2	0.5	7.5	9.9	1.1
RWAs	2.1	-1.0	4.2	6.7	7.2

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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