

Ahli Bank (ABQK)

Recommendation	MARKET PERFORM	Risk Rating	R-3
Share Price	QR48.50	Current Target Price	QR49.00
Implied Upside	1.0%	Old Target Price	QR54.00

Adjusting Target Price on account of Stock Dividends

Ahli Bank is one of Qatar's smallest lenders with a focus on the corporate and retail sectors. As of FY2014, ABQK had 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 5-year strategy targeting a 5% to 7% market share in loans and deposits.

Highlights

- **We estimate net income to grow by a CAGR of 12.4% (2014-2018e).** We expect net interest income along with help from net fees and commissions to drive future growth in profitability. We pencil in CAGRs (2014-2018e) of 13.6% and 4.6% for net interest income and fees and commissions, respectively. We base our assumptions on NIM compression in 2015, a stable 2016 and an increase from 2017 and onward. Fees are expected to grow as the bank generates more business given planned and ongoing infrastructure projects. We expect ABQK to end 2015 with a net income of QR642.5mn, or a healthy growth of 6.9%. This growth comes on the back of a 8.1% growth in net interest income and a 5.0% growth in fees after a decent growth of 13.0% in 2014. However, we expect net provisions to increase by 18.1% which is holding back stronger growth. Moreover, we foresee core banking income (excluding investment income and dividends) growing by a healthy 7.6% in 2015. Going forward, we estimate stable NIMs in 2016 due to expectations of NIMs stabilizing after being under pressure over the past few years. Furthermore, we estimate loans could expand by 19.9% in 2016 vs. 14.0% in 2015. As such, net interest income is forecasted to grow by 16.8%. Hence, we forecast a growth of 15.7% in 2016's bottom-line. Regarding 2017, net income is modeled to grow by 18.0% on the back of an expansion in NIMs and a slowdown in provisions. On the efficiency side, we maintain the cost-to-income ratio at an average of 28.2% as growth in total revenue outpaces growth in operating expenses.
- **We expect healthy loan growth during 2014-2018e.** We foresee ABQK expanding its loans and deposits by CAGRs (2014-2018e) of 13.8% and 13.0%, respectively. Thus, we assume an average LDR of 98.3% during this time frame (in-line with QCB's 100% LDR ceiling)

Catalysts

- **Beyond a stabilization/recovery in oil prices, the following developments could be perceived positively by the market:** 1) Improvement in the stock's trading liquidity; 2) Visible progress in the realization of management's strategy and 3) A consistent rise in market share.

Recommendation, Valuation and Risks

- **Recommendation and valuation:** *We maintain ABQK a Market Perform but we adjust the price target to QR49.00 to account for 10% stock dividend.* ABQK trades at a FY2015e P/B and P/E of 1.9x and 13.7x, respectively.
- **Risks:** 1) Declining oil prices remains the biggest risk to ABQK and the banking sector; 2) 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

	2013	2014	2015e	2016e
EPS (QR)	2.89	3.31	3.54	4.09
EPS Growth (%)	13.0	14.4	6.9	15.7
P/E (x)	16.8	14.7	13.7	11.9
BVPS (QR)	19.6	23.0	25.0	27.5
P/B (x)	2.5	2.1	1.9	1.8
DPS (QR)	0.0	1.36	1.50	2.00
Dividend Yield (%)	0.0	2.8	3.1	4.1

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

Key Data

Current Market Price (QR)	48.50
Dividend Yield (%)	3.1
Bloomberg Ticker	ABQK QD
ADR/GDR Ticker	N/A
Reuters Ticker	AABQ.QA
ISIN	QA0001200748
Sector	Banks & Financial Services
52wk High/52wk Low (QR)	54.45/42.14
3-m Average Volume ('000)	7.3
Mkt. Cap. (\$ bn/QR bn)	2.4/8.8
Shares Outstanding (mn)	181.7
FO Limit* (%)	25.0
Current FO* (%)	0.1
1-Year Total Return (%)	6.1
Fiscal Year End	December 31

Source: Bloomberg (as of April 07, 2015), *Qatar Exchange (as of April 07, 2015); Note: FO is foreign ownership

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Detailed Financial Statements

Income Statement (In QR mn)	2013	2014	2015e	2016e
Net Interest Income	685	751	812	949
Fees & Commissions	123	139	146	161
FX Income	25	20	21	24
Dividend Income	7	3	5	6
Gains from Investment Securities	4	16	16	18
Other Income	4	4	5	5
Non-Interest Income	164	182	193	213
Total Income	850	934	1,005	1,162
Operating Expenses	(274)	(280)	(300)	(333)
Net Operating Income	575	654	705	830
Net Provisions & Investment Impairment	(50)	(53)	(62)	(86)
Net Profit (Headline/Reported)	526	601	643	744
Social & Sports Contribution Fund	(13)	(15)	(16)	(19)
Net Profit (Attributable)	513	586	626	725

Source: Company data, QNBFS estimates

Balance Sheet (In QR mn)	2013	2014	2015e	2016e
Assets				
Cash & Balances with Central Bank	1,195	2,036	1,524	1,461
Interbank Loans	2,206	2,558	2,914	3,787
Net Investments	5,018	4,934	5,369	5,881
Net Loans	17,312	21,308	24,287	29,130
Other Assets	268	293	340	437
Net PP&E	178	252	252	250
Total Assets	26,177	31,380	34,686	40,945
Liabilities				
Interbank Deposits	1,785	2,528	2,233	4,045
Customer Deposits	19,958	22,286	25,406	29,217
Term Loans & Other Borrowings	182	1,659	1,659	1,659
Other Liabilities	688	737	838	1,023
Total Liabilities	22,614	27,209	30,136	35,943
Shareholder's Equity				
Share Capital	1,271	1,652	1,817	1,817
Statutory Reserves	1,338	1,398	1,398	1,398
Risk Reserves	383	491	560	672
Fair Value Reserves	28	50	50	50
Proposed Bonus Shares	381	165	-	-
Proposed Dividends	0	248	273	363
Retained Earnings	162	167	452	702
Total Shareholder's Equity	3,563	4,171	4,550	5,002
Total Liabilities & Shareholder's Equity	26,177	31,380	34,686	40,945

Source: Company data, QNBFS estimates

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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