

Ahli Bank (ABQK)

Recommendation	ACCUMULATE	Risk Rating	R-3
Share Price	QR52.20	Target Price	QR57.17
Implied Upside	9.5%		

Lower Provisions QoQ Increases 1Q2014 Net Income

Net Income surges QoQ on the back of a drop in provisions, robust fees & commissions and investment income. Ahli Bank registered a net profit of QR150.8mn in 1Q2014 (4Q2013: QR112.1mn), surging by 34.5% QoQ and 11.6% YoY. Reported 1Q2014 net income was in line our estimate of QR148.6mn.

Highlights

- 1Q2014 analysis:** ABQK's net profit surged QoQ on the back of a 75.2% QoQ drop in net provisions and impairments. Net interest income dipped by 2.5% QoQ (+14.6 YoY) to reach QR179.0mn. Annualized NIM receded to 2.87% vs. 3.20% in 4Q2013 (1Q2013: 3.11%). Non-interest income increased by 27.3% QoQ (+21.4% YoY) on the back of robust fees & commissions and investment income. Fees grew by 13.5% QoQ (+18.0% YoY) to reach QR33.9mn, while the bank booked investment income of QR10.2mn vs. QR0.3mn in 4Q2013 (1Q2013: QR5.0mn). Operating expenses improved QoQ, decreasing by 3.9% sequentially (+20.0% YoY). Thus, the cost-to-income ratio rested at an acceptable 29.5% in 1Q2014 vs. 31.5% in 4Q2013 (1Q2013: 28.5%).
- Robust loan growth thus far this year.** ABQK's loan book expanded by 11.0% YTD reaching QR19.2bn. Moreover, deposits followed suit and grew by 7.3% YTD reaching QR21.4bn. Thus, the LDR climbed to 90% in 1Q2014 vs. 87% at the end of 2013.
- Asset quality remains healthy.** ABQK's NPL ratio improved to 1.39% in 1Q2014 vs. 1.43% at the end of 2013. The bank's coverage ratio remained at an optimum level of 123% in 1Q2014 vs. 125% at the end of 2013.

Catalysts

- Improvement in liquidity & visible progress in the realization of management's strategy.** The following developments could be perceived positively by the market: 1) a consistent rise in market share; 2) improvement in the stock's trading liquidity and 3) announcements/newsflow on infrastructure projects (QNB Group estimates an annual spend of ~\$30bn during the next three years).

Recommendation, Valuation and Risks

- Recommendation and valuation:** *We rate ABQK an Accumulate with a price target of QR57.17.* ABQK trades at a FY2014e P/B of 2.1x.
- Risks:** 1) Ahli Bank's market share gains do not materialize and 2) concentration risk and general risks rising from regional socio-political issues

Key Financial Data and Estimates

	2012	2013	2014e	2015e
EPS (QR)	2.82	3.18	3.56	4.12
EPS Growth	5.2	13.0	11.9	15.8
P/E (x)	18.5	16.4	14.7	12.7
BVS (QR)	20.8	21.6	25.1	26.3
P/B (x)	2.5	2.4	2.1	2.0
DPS (QR)	2.3	0.0	3.0	3.0
Dividend Yield (%)	4.4	0.0	5.7	5.7

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

Key Data

Current Market Price (QR)	52.20
Dividend Yield (%)	5.7
Bloomberg Ticker	ABQK QD
ADR/GDR Ticker	N/A
Reuters Ticker	AABQ.QA
ISIN	QA0001200748
Sector	Banks & Financial Services
52wk High/52wk Low (QR)	53.80/40.00
3-m Average Volume	32,821
Mkt. Cap. (\$ bn/QR bn)	2.4/8.6
Shares Outstanding (mn)	165.2
FO Limit* (%)	19.1
Current FO* (%)	0.1
1-Year Total Return (%)	21.2
Fiscal Year End	December 31

Source: Bloomberg (as of April 16, 2014), *Qatar Exchange (as of April 16, 2014); Note: FO is foreign ownership

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Detailed Financial Statements

Income Statement (In QR mn)	2012	2013	2014e	2015e
Net Interest Income	536	685	748	870
Fees & Commissions	105	123	130	137
FX Income	26	25	28	30
Dividend Income	9	7	7	8
Income From Investment Gains	9	4	10	12
Other Income	4	4	5	5
Non-Interest Income	154	164	180	192
Operating Income	691	850	928	1,062
Operating Expenses	(214)	(274)	(316)	(349)
Net Provisions & Impairments	(12)	(50)	(24)	(31)
Net Profit	465	526	588	681

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

Balance Sheet (In QR mn)	2012	2013	2014e	2015e
Assets				
Cash & Balances with Central Bank	881	1,195	1,317	1,262
Interbank Loans	1,292	2,206	1,431	1,881
Net Investments	4,120	5,018	5,509	6,054
Net Loans	14,014	17,312	20,442	23,512
Other Assets	117	268	307	353
Net PP&E	183	178	174	170
Total Assets	20,606	26,177	29,181	33,232
Liabilities				
Interbank Deposits	2,533	1,785	2,124	2,582
Customer Deposits	13,953	19,958	21,954	25,247
Term Loans	182	182	182	182
Other Liabilities	496	688	768	884
Total Liabilities	17,165	22,614	25,029	28,895
Shareholder's Equity				
Share Capital	1,271	1,271	1,652	1,652
Statutory Reserves	1,338	1,338	1,338	1,338
Banking Risk Reserve	251	383	388	447
Fair Value Reserve	38	28	28	28
Proposed Bonus Shares	-	381	-	-
Proposed Dividends	381	0	496	496
Retained Earnings	163	162	249	377
Total Shareholder's Equity	3,442	3,563	4,151	4,337
Total Liabilities & Shareholder's Equity	20,606	26,177	29,181	33,232

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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