

Event Update

HOLD: 12M TP @ 0.187

Valuation Summary (TTM)

Price (RO)	0.200
PER TTM (x)	15.1
P/Book (x)	1.3
Dividend Yield (%)	4.5
Free Float (%)	41%
Shares O/S (mn)	1,950
YTD Return (%)	17%
Beta	0.8

(mn)	OMR	USD
Market Cap	390	1,013
Total assets	3,075	7,988

Price performance (%)	1M	3M	12M
Ahli Bank SAOG	4%	15%	50%
MSX 30 Index	0%	1%	5%
Financial Index	0%	2%	7%

Trading liquidity (,000)	1M	3M	6M
Avg daily turnover (RO ,000)	90	50	30
Avg Daily Volume (,000)	307	260	162

52 week	High	Low	CTL*
Price (RO)	0.200	0.127	57.5

* CTL is % change in CMP to 52wk low

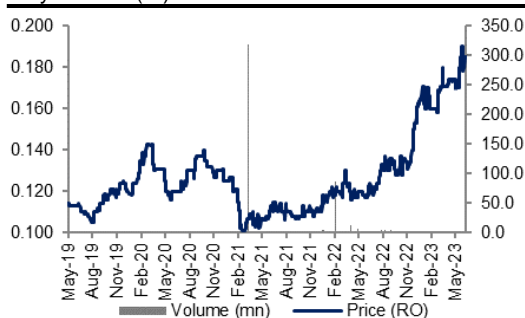
Major shareholders

Ahli United Bank	35.0%
Al Hosn investment	23.8%
Jabreen Capital	8.63%
Others	41.2%

Other details

Exchange	MSX
Sector	Banks
Index weight (%)	7.16%

Key ratios	2020	2021	2022
EPS (RO)	0.009	0.010	0.012
BVPS (RO)	0.160	0.155	0.453
DPS (RO)	0.005	0.008	0.009
Payout ratio (%)	56%	75%	75%



Ahli Bank Oman – Rights Issue

Ahli Bank Oman announced rights issue of 400mn shares at RO 0.126 per share (including 1bz/share towards issue expenses), amounting to RO 50mn. This follows the board's decision earlier in January to raise capital via rights issue subject to regulatory approvals. ABOB obtained CMA approval for the issue on 25 July 2023. Record date for the rights issue is 03 August 2023, and subscription period is between 16 August and 30 August 2023. Shareholders will be entitled to subscribe for 1 rights share for every 4.874 shares held by them as on the record date. The rights issue is priced at 37% discount to ABOB's current price, and 21% below its 1H23 book value. The rights is priced at significantly lower levels than we had originally anticipated. As the rights issue is priced at significant discount to CMP, book value, and acquisition offer price, we recommend investors to subscribe to the issue. In order to reflect the right issue, we adjust our post-rights target price on the stock to RO 0.187/Share while maintaining HOLD rating.

Following ABOB's rights issue announcement, OMINVEST withdrew its acquisition offer and said that the company could not secure CBO's approval for ownership limit exemptions. Bank Dhofar, on the other hand, announced that it is in advanced discussions with the CBO, despite the latter's rejection of request for approval of acquisition.

We assume that it is under this circumstance that ABOB is proceeding with its earlier approved rights issue plan to support the bank's growth strategy. The bank's loan book grew by 6.5% in 1H23, causing CET1 ratio reaching 9.90%, and it continues to grow at increasing pace. In the absence of a regulatory approval for the proposed acquisitions, we feel that the bank had decided to enhance standalone capital ratios to support future loan addition.

A successful completion of the rights issue will lead to ABOB's share capital reaching RO 245mn split into 2.35bn shares. Shareholder equity will reach RO 360mn, resulting in book value per share of RO 0.153 as compared to RO 0.159 as at 1H23. ABOB reported annualised adjusted ROE of 9.2% for 1H23, which leads us to believe that the proposed rights issue targets to achieve 11.5% returns once the funds are fully deployed .

In view of the rights issue, we expect BKDB, if it obtains CBO approval for the merger, is likely to adjust its acquisition offer to reflect new capital infusion by shareholders. BKDB had offered cash consideration of RO 0.215/share for up to 51.3% of ABOB's share capital and a swap ratio of 1.291 for the remaining stake, which values ABOB shares at RO 0.223/Share. We would be keenly watching if BKDB would be willing to maintain the price premium it offered earlier. Also, the offer structure also would be of significant interest to existing shareholders of both the banks.

ABOB had a stellar performance during 1H23, which beat our estimates by a significant margin. Due to the distractions related to acquisition and rights issue, we expect the bank's growth to take a pause in 3Q23 and resume from 4Q23 onwards. As the rights issue is priced at significant discount to CMP, book value, and acquisition offer price, we recommend investors to subscribe to the issue. In order to reflect the right issue, we adjust our post-rights target price on the stock to RO 0.187/Share while maintaining HOLD rating.



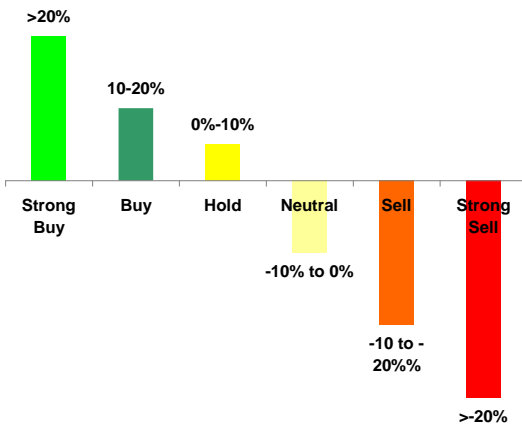
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Rating Criteria and Definitions

Rating



Rating Definitions

Strong Buy	This recommendation is used for stocks whose current market price offers a deep discount to our 12-Month target price and has an upside potential in excess of 20%
Buy	This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 10% to 20%
Hold	This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 0% to 10%
Neutral	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between 0% to -10%
Sell	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between -10% to -20%
Strong Sell	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential in excess of 20%
Not rated	This recommendation used for stocks which does not form part of Coverage Universe

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