

Banking

Ahli Bank

First Cut – Ahli Bank

Operating revenue in line with our estimates: ABOB reported 1Q24 operating revenue of RO 24.4mn, registering a growth of +4.4% YoY. The operating revenue of RO 24.4mn was in line with our estimates of RO 24.3mn. On a QoQ basis, the operating revenue declined by 2.1%.

Operating expenses grow at 8.6% YoY: ABOB reported 1Q24 operating expenses of RO 11.0mn was +8.6% higher than 1Q23, however on a sequential basis this was lower by 15.2%. The cost to income ratio stood at 45.3% in 1Q24 as compared to 43.5% in 1Q23. On a sequential basis, the cost to income ratio improved from 52.3% in 4Q23 to 45.3% in 1Q24.

Impairment charge decline: ABOB's impairments for 1Q24 was at RO 3.1mn, declining both sequentially and annually at 7.0% and 7.1% respectively. The decline in impairments help improve cost of credit from 0.52% in 1Q23 to 0.44% in 1Q24.

Net income higher than our estimates: ABOB reported 1Q24 net profit of RO 8.6mn much higher than our estimates of RO 7.8mn. The reported net profit increased by 3.4% YoY and 20.4% QoQ. The sequential improvement was largely on account of higher operating profits and lower provisions.

Direction of loan and deposit growth divergent from industry: ABOB's loan book grew by 9.0% YoY and 4.0% QoQ, while the deposit growth was at 6.7% YoY and 0.8% QoQ. This is divergent from the industry trend where other banks have seen a faster or similar pace of growth in deposits as compared to loans. ABOB is an outlier with higher growth in loans.

At current prices, ABOB shares are trading at 9x 2024 EPS and at 0.9x 2024e P/B. Given the outperformance on the profitability front, we would revisit our model once the detailed numbers are published. Until then we retain our HOLD rating with TP of RO 0.176/Share.

in RO mn	1Q24	4Q23	QoQ (%)	1Q23	YoY (%)	2023A	2022A	YoY	2024E	2023A
Operating Income	24.4	24.9	-2.1%	23.3	4.4%	98.5	91.7	7.5%	101.8	98.5
Operating Expenses	11.0	13.0	-15.2%	10.2	8.6%	43.1	40.2	7.2%	42.6	43.1
Operating Profit	13.3	11.9	12.3%	13.2	1.1%	55.4	51.5	7.7%	59.3	55.4
Provision Expenses	3.1	3.3	-7.0%	3.3	-7.1%	13.1	13.1	0.2%	13.6	13.1
Profit before tax	10.2	8.5	19.9%	9.8	3.9%	42.3	38.4	10.2%	45.7	42.3
Taxation	1.6	1.3	17.6%	1.5	7.2%	5.9	5.3	10.4%	6.9	5.9
Profit after tax	8.6	7.2	20.4%	8.4	3.4%	36.5	33.1	10.2%	38.8	36.5
Loan Book	2,802	2,694	4.0%	2,572	9.0%	2,694	2,500	7.7%	2,906	2,694
Deposits	2,496	2,476	0.8%	2,340	6.7%	2,476	2,296	7.8%	2,649	2,476
Total Equity	368	372	-1.3%	300	22.7%	372	312	19.4%	383	372
Cost to Income	45.30%	52.32%		43.54%		43.77%	43.87%		41.80%	43.77%
Cost of credit	0.44%	0.50%		0.52%		0.49%	0.52%		0.47%	0.49%
Loan to Deposit	112.25%	108.83%		109.91%		108.83%	108.89%		109.71%	108.83%
Reported ROE	9.39%	7.70%		11.14%		9.79%	10.61%		10.13%	9.79%
Earnings Per Share (2024E)						0.016			0.017	
Book Value Per Share (2024E)						0.158			0.163	
PE						9.67			9.07	
PB						0.95			0.92	

*excluding Tier 1 bonds/interest

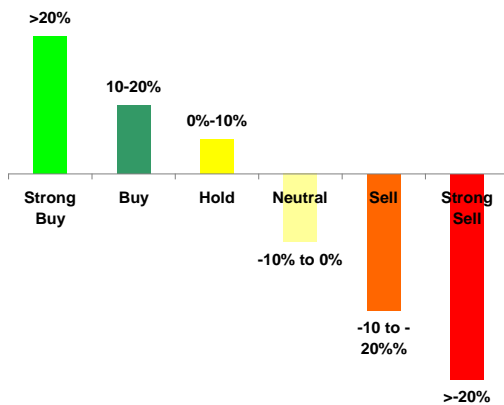
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Rating Criteria and Definitions

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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