

ABQK Alert – 4Q2022 Profit Slightly Below Estimates; 2022 DPS of QR0.20 A Positive Surprise; Stay Reduce

- **ABQK's 4Q2022 earnings slightly misses our estimates.** Ahli Bank's (ABQK) net profit increased by 8.4% YoY (-13.2% QoQ) to QR204.9mn, short of our estimate of QR217.6mn (variation of -5.8%). The sequential drop in the bottom-line is consistent with ABQK's historical trends.
- **The YoY increase in earnings was due to a large expansion in NIM.** NIM expanded by ~90bps to 3.38%. The repricing of loans outpaced the repricing of liabilities. Hence, net interest income increased by 52.1% YoY and 6.5% QoQ. However, the surge in credit provisions capped further gains in the bottom-line.
- **DPS ahead of our estimates.** The bank proposed DPS of QR0.200 vs. QR0.150 in 2021, which translates into a yield of 5.0% and payout of 72.0%.
- **Operating efficiency remained at healthy levels.** The bank's C/I ratio improved to 20.1% in 4Q2022 vs. 25.0% in 4Q2021 (20.2% in 3Q2022). The YoY improvement in the C/I ratio was a result of strong growth in revenue (driven by NIM expansion).
- **Asset quality improved in FY2022 as management reclassified Stage 3 loans to Stage 2.** NPLs dropped by 29.5% to QR915.6mn vs. QR1.3bn in FY2021 (remained flat vs. 3Q2022/2Q2022). At the same time, the NPL ratio declined from 3.71% in FY2021 to 2.55% in FY2022. Coverage of Stage 3 loans improved to 87% vs. 84% in 3Q2022 (61% in FY2021).
- **Net credit provisions surged YoY.** ABQK booked provisions of QR122.0mn in 4Q2022 vs. QR57.6mn in 4Q2021 (QR105.5mn in 3Q2022). Moreover, CoR elevated from 88bps in FY2021 to 110bps in FY2022.
- **Net loans remained flat QoQ, while deposits gained.** Net loans remained flat sequentially (+1.4% YoY) at QR34.0bn. Deposits increased sequentially by 5.7% (+3.7% YoY) to QR28.9bn.
- **Capitalization remains strong.** ABQK ended FY2022 with a CET1 & Tier-1 of 16.7%/19.4%, respectively.
- **Recommendation & valuation:** ABQK trades at a P/TB of 1.4x based on our 2023 estimates. We maintain our Reduce rating and PT at QR3.196/share.

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Recommendations	
<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>	
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	
<i>Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals</i>	
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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