

## ABQK Alert – 1Q2023 Profit Slightly Above Estimates; Earnings Driven By NIM Expansion; Stay Reduce

- **ABQK's 1Q2022 earnings comes slightly above our estimates.** Ahli Bank's (ABQK) net profit increased by 6.9% YoY (flat QoQ) to QR204.6mn, ahead of our estimate of QR196.3mn (variation of 4.3%).
- **The YoY increase in earnings was due to a large expansion in NIMs.** NIMs expanded by ~52bps to 2.74%. Hence, net interest income increased by 29.4% YoY (-17.1% QoQ). However, the surge in credit provisions capped further gains in the bottom-line.
- **Operating efficiency remained at healthy levels.** The bank's C/I ratio improved to 24.3% in 1Q2023 vs. 26.1% in 1Q2022 (20.1% in 4Q2022). The YoY improvement in the C/I ratio was a result of strong growth in revenue (driven by NIM expansion) and cost containment.
- **Asset quality remains healthy and manageable.** NPLs remained stable vs. FY2022. At the same time, the NPL ratio declined from 2.55% in FY2022 to 2.40% in 1Q2023. Coverage of Stage 3 loans is a healthy 87%.
- **Net credit provisions surged YoY.** ABQK booked provisions of QR68.7mn in 1Q2023 vs. QR48.0mn in 1Q2022 (QR122.0mn in 4Q2022). Moreover, CoR (annualized) elevated from 54bps in 1Q2022 to 71bps in 1Q2023.
- **Net loans and deposits both expanded.** Net loans gained by 7.9% sequentially to QR36.7bn. Deposits also increased sequentially by 5.9% to QR30.7bn.
- **Capitalization remains strong.** ABQK ended 1Q2023 with a CET1 & Tier-1 of 16.6%/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>	
<b>OUTPERFORM</b>	Greater than +20%
<b>ACCUMULATE</b>	Between +10% to +20%
<b>MARKET PERFORM</b>	Between -10% to +10%
<b>REDUCE</b>	Between -10% to -20%
<b>UNDERPERFORM</b>	Lower than -20%

Risk Ratings	
<i>Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals</i>	
<b>R-1</b>	Significantly lower than average
<b>R-2</b>	Lower than average
<b>R-3</b>	Medium / In-line with the average
<b>R-4</b>	Above average
<b>R-5</b>	Significantly above average

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