

## QNBFS Alert – DHBK Reports a Weak Set of Results in 2Q2015

- **2Q2015 earnings falls short of estimates.** Doha Bank (DHBK) reported a net profit of QR381.4mn in 2Q2015, falling short of our expectations (QR414.5.0mn) and consensus (BBG: QR390.4mn, Reuters: QR395.5mn). Net income dropped by 9.2% and 1.6% QoQ and YoY, respectively. The miss was across the board.
- **Surge in provisions and a drop in non-interest income led to a weak bottom-line.** Non-interest income dropped by 11.9% and 30.8% QoQ and YoY, respectively. Fees & commissions, FX income and other income dragged non-interest income down. Fees declined by 2.5% QoQ (down 15.6%), FX receded by 3.2% QoQ (+1.7% YoY) and other income plummeted by 38.2% QoQ (down 47.8% YoY). On the other hand, DHBK managed opex well, reporting QR253.0mn. Opex was flat QoQ (down 5.1% YoY). Finally, provisions surged by 41.7% QoQ (down 57.6%) to QR40.5mn.
- **Net interest income exhibited weak performance despite solid loan growth; margins further weakened.** DHBK reported net interest income of 500.3mn in 2Q2015 vs. our estimate of QR520.9mn (-4.0 diversion). Net interest income receded by 1.3% QoQ (+2.1% YoY). Annualized NIMs sequentially dropped to ~2.81% vs. ~2.94% in 1Q2015 (3.00% in 2Q2014).
- **Deposits outpaced Loans growth.** Net loans increased by 4.4% QoQ (+9.3 YTD) to QR53.1bn. Deposits followed suit and expanded by 14.4% QoQ (+12.6% YTD) to QR51.7bn. Hence, the LDR dropped to 103% vs. 112% in 1Q2015 (106% at the end of 2014). It seems that DHBK is raising expensive deposits in order to be compliant with QCB's 100% LDR rule. At the same time this has put pressure on margins.
- **Asset quality stable.** DHBK's NPL ratio remained flat sequentially at 2.68% in 2Q2015 (3.10% at the end of 2014). Moreover, the coverage ratio also remained flat at 120%.
- **Recommendation and valuation:** DHBK trades at a P/E and P/TB of 10.0x and 1.4x on our 2015 estimates respectively.

### Recommendations

*Based on the range for the upside / downside offered by the 12-month target price of a stock versus the current market price*

<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

*Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals*

<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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