

|                       |                   |                     |               |
|-----------------------|-------------------|---------------------|---------------|
| <b>Recommendation</b> | <b>OUTPERFORM</b> | <b>Risk Rating</b>  | <b>R-3</b>    |
| <b>Share Price</b>    | <b>QR58.30</b>    | <b>Target Price</b> | <b>QR71.3</b> |
| <b>Implied Upside</b> | <b>22.3%</b>      |                     |               |

## 1Q2012 Net Income Beats on Lower Provisions; Upgrading to Outperform

**1Q2012 results beats estimates; upgrading to Outperform rating.** Doha Bank (DHBK) reported net profit of QR389.9mn for 1Q2012, up 7.4% YoY from QR363.0n in 1Q2011. The results beat Bloomberg consensus net income of QR336mn by 15.9%. However, the improved performance was primarily on the back of lower impairment charges on loans and advances and financial investments as well as net income from financial investments. On YTD basis, the stock has underperformed the Banking & Financial Services Index; the stock is down 2.4% (total return) versus the sector index, which is up 3.1%. Given that DHBK promises more than 22% upside to our price target of QR71.3, we upgrade the stock to an Outperform rating. On the valuation front, the stock is trading at a P/E ratio of 9.3x and P/B ratio of 1.5x on 2012 estimates. Going forward, we feel investors would like to see improvement from operations (net interest income). However, given the liquidity situation of the sector (LTD ratio for the sector stood at 119% at the end of March 2012), we believe any improvement in operating performance will only be visible in the later part of 2012.

### Financial Results and Key Takeaways

- Interest income and income from Islamic financing activities was QR576.0mn, down 5.9% YoY (up 2.2% QoQ). Interest expense and unrestricted investment depositors' share of profit was QR137.2mn, down 20.1% YoY (up 16.5% QoQ). The decline mitigated some of the impact, where the net interest income and income from Islamic financing activities declined by only 0.4% YoY to QR438.7mn for 1Q2012.
- Net income from insurance activities was QR6.7mn, down 19.0% YoY.
- Net income from financial investments was QR41.6mn, up 40.41% YoY. In fact, dividend income, gain on foreign exchange activities and other operating income were up YoY, contributing to the YoY growth in net income for 1Q2012. General and administrative expenses were QR165.1mn, down 6.0% YoY and 14.0% QoQ.
- Combined impairment on loans and advances and financial investments declined by 27.3% YoY and 74.1% QoQ. The lower provision helped the net income to post 7.4% YoY growth for 1Q2012. Total non-performing loans, advances and financing activities at the end of March 2012 stood at QR1,035mn, 3.41% of the total loans. This is slightly down from QR1.055mn (3.35% of total loans) at the end of 2011.
- The loan to deposit ratio declined to 94.2% in 1Q2012 from 98.8% at the end of 2011 (93.1% 1Q2011). Loan book improved by 13.1% YoY while deposits increased by 11.8% YoY. However, on YTD basis, the loan book declined by 3.8% and deposits were also down 1.1%.

### Key Data:

|                           |                            |
|---------------------------|----------------------------|
| Bloomberg ticker          | DHBK QD                    |
| ADR/GDR ticker            | N/A                        |
| Reuters ticker            | QOBK.QA                    |
| ISIN                      | QA0006929770               |
| Sector                    | Banks & Financial Services |
| 52wk high/52wk low (QR)   | 67.20/49.90                |
| 3-m average volume ('000) | 139.4                      |
| Mkt. cap. (USD bn/QR bn)  | 3.3/12.1                   |
| Shares outstanding (mn)   | 206.7                      |
| FOL* (%)                  | 7.0                        |
| FOL Limit* (mn)           | 38.9                       |
| 1-year total return (%)   | 18.95                      |
| Fiscal year end           | Dec. 31                    |

Source: Bloomberg (as of April 19, 2012), \*Qatar Exchange

### Broker Recommendations

| Recommendation | Number |
|----------------|--------|
| Buy            | 5      |
| Hold           | 9      |
| Sell           | 0      |

Source: Bloomberg

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| DHBK Key Stats (In QR mn)  | 1Q2011 | 1Q2012 | Change YoY (%) | Change QoQ (%) |
|--|--------|--------|----------------|----------------|
| Interest income and income from Islamic financing activities               | 612    | 576    | (5.9)          | 2.2            |
| Interest expense and unrestricted investment depositors' share of profit   | (172)  | (137)  | (20.1)         | 16.5           |
| Net interest income and net income from Islamic financing activities       | 441    | 439    | (0.4)          | 10.0           |
| Net fee and commission income  | 87     | 82     | (5.2)          | (26.2)         |
| Net income from insurance activities                                       | 8      | 7      | (19.0)         | 289.1          |
| Net operating Income   | 601    | 613    | 2.0            | 11.8           |
| Impairment losses on loans and advances (net) and on financial investments | (51)   | (37)   | (27.3)         | (74.1)         |
| Net profit   | 363    | 390    | 7.4            | 103.8          |
| Loans, advances and financing activities to customers                      | 26,114 | 29,543 | 13.1           | (3.8)          |
| Total assets   | 46,423 | 52,353 | 12.8           | (0.1)          |
| Customer deposits and unrestricted investment accounts                     | 28,055 | 31,365 | 11.8           | (1.1)          |
| Total shareholders' equity   | 6,163  | 6,573  | 6.7            | (7.2)          |

Source: Company data

| 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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