

Doha Bank (DHBK)

Recommendation	ACCUMULATE	Risk Rating	R-3
Share Price	QR1.976	Target Price	QR1.883
Implied Upside	(4.7%)		

1Q2025 Moderately Below Estimates; BoD Announces Max 10% Share Buyback

Doha Bank (DHBK) reported a net profit of QR251.6mn in 1Q2025, growing by 8.8% YoY (+56.2% QoQ) on the back of impairment reversals. Profitability came moderately below our estimate of QR257.9mn (variation of -2.4%). Net operating income retreated by 0.5% due to investment losses and a 10.5% increase in opex. The sequential surge in earnings was attributable to 33.7% increase in non-funded income and reversal of other impairments. DHBK trades at a deep discount to its BV, as the bank is not expected to generate economic profits in the medium-term with RoE still expected to be below CoE over 2025 to 2028. The stock trades at a 52% discount to its 2025 BV. We maintain our Accumulate rating and QR1.883 PT for the time being. We believe investors will react positively to the announced 10% (maximum) share buyback, as it is by far the largest announced buyback (as a percentage of market cap) by a Qatari company. Moreover, the share buyback is attractive at current valuation, in our view.

Highlights

- Doha Bank's Board of Directors announced a maximum 10% share buyback program.** At a current price of QR1.976 and market cap of QR6.1bn, this would translate to the buyback program worth ~QR613mn. This is the third buyback announced by a Qatari company (after QNB Group and Industries Qatar) and is by far the largest announced buyback as a percentage of market cap. At current valuation levels, this program is attractive as the stock is trading at 52% discount to its 2025 book value. Moreover, with a cash balance of QR5.6bn and Tier-1 ratio of 18.1%, DHBK is well positioned to conduct a share buyback.
- 1Q2025 annualized CoR increased YoY and QoQ as DHBK is building buffers against Stage 2 & 3 loans.** DHBK's 1Q2025 annualized CoR increased from 115bps in 1Q2024 to 136bps. Net credit provisions increased by 28.2%/93.1% YoY/QoQ.
- RoE remains weak and markedly below CoE.** 1Q2025 annualized RoE came in at 9.3% vs. 8.9% in 1Q2024.
- C/I ratio remains higher than its peers.** C/I ratio increased from 35.5% in 1Q2024 to 37.9% in 1Q2025 (43.5% in 4Q2024). C/I remains elevated due to weak revenue emanating from investment losses, with opex increasing at the same time. Revenue only increased by 3.4% YoY, while opex moved up by 10.5%.
- Asset quality remains under pressure; NPLs were sequentially stable.** DHBK's NPLs increased 1.6% QoQ to QR5.0bn in 1Q2025. The NPL ratio remained flat at 7.41% vs. the past 3 quarters of FY2024 (FY2023: 7.36%). On the other hand, the coverage ratio for Stage 3 loans increased sequentially to 78% vs. 75% in FY2024 (FY2023: 59%), which is a positive. Stage 2 loans contribute 27% to total loans (still on the high side), which remains a concern.
- Net loans were up sequentially.** Net loans increased by 1.4% QoQ to QR61.8bn in 1Q2025. On the other hand, deposits receded by 1.3% sequentially to QR50.2bn.
- De-risking the loan book along with optimization of RWAs is helping DHBK maintain its CET1 and Tier-1 positions.** DHBK ended 1Q2025 with a CET1 ratio of 13.1% and a Tier-1 ratio of 18.1%.

Catalysts

- With the stock up over the last 12 months, future gains are incumbent on the management delivering on its growth objectives.** Investors would need to see significant improvements in RoEs and NPLs for the stock to close the gap to its BV. **The announced buyback could also boost investor sentiment and stock price momentum.**

Recommendation, Valuation and Risks

- Recommendation and valuation: We maintain our QR1.883 price target and our Accumulate rating.** DHBK is trading at a 2025/26e P/B and P/E of 0.5x and 6.5/7.0x, respectively.
- Risks:** 1) Asset quality. 2) Execution risks remain for management's new strategy.

Key Financial Data and Estimates

	2024	2025e	2026e	2027e
EPS (QR)	0.206	0.227	0.254	0.301
Growth	14.3	9.9	11.9	18.8
P/E (x)	9.6	8.7	7.8	6.6
BVPS (QR)	3.49	3.62	3.75	3.94
P/B (x)	0.6	0.5	0.5	0.5
RoE (%)	6.1	6.5	7.0	8.0
DPS (QR)	0.100	0.115	0.120	0.150
Dividend Yield (%)	5.1	5.8	6.1	7.6

Source: Company data, QNB FS Research

Key Data

Current Market Price (QR)	1.976
Dividend Yield (%)	5.1
Bloomberg Ticker	DHBK QD
Reuters Ticker	DOBK.QA
ISIN	QA0006929770
Sector*	Banks & Fin. Svcs.
52wk High/52wk Low	2.140/1.333
3-m Average Volume (mn)	4.4
Mkt. Cap. (\$ bn/QR bn)	1.7/6.1
Shares Outstanding (mn)	3,100.47
FO Limit* (%)	100.0
Current FO* (%)	14.9
1-Year Total Return (%)	+37.9
Fiscal Year End	December 31

Source: Bloomberg (as of April 17, 2025), *Qatar Exchange (as of April 17, 2025); Note: FO is foreign institutional ownership

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Detailed Financial Statements

Income Statement (In QR mn)	2022	2023	2024	2025e	2026e	2027e
Net Interest Income	2,322	2,116	1,992	2,081	2,278	2,421
Fees & Commissions	371	376	402	426	444	452
FX Income	153	105	140	146	159	174
Other Income	63	55	122	109	122	137
Non-Interest Income	587	536	663	682	724	763
Total Revenue	2,909	2,652	2,655	2,763	3,002	3,184
Operating Expenses	(894)	(930)	(1,010)	(1,078)	(1,156)	(1,236)
Net Operating Income	2,015	1,722	1,645	1,686	1,846	1,949
Net Provisions	(1,201)	(857)	(787)	(716)	(786)	(785)
Net Profit Before Tax	814	865	858	970	1,059	1,164
Tax	(48)	(95)	(7)	(53)	(57)	(10)
Net Profit (Reported/Headline)	765	769	851	916	1,002	1,153
Interest on Tier-1 Note	(190)	(190)	(190)	(190)	(190)	(190)
Social & Sports Contribution Fund	(19)	(19)	(21)	(23)	(25)	(29)
Attributable Net Profit	556	560	640	704	787	935
EPS	0.179	0.181	0.206	0.227	0.254	0.301

Source: Company data, QNB FS Research

Balance Sheet (In QR mn)	2022	2023	2024	2025e	2026e	2027e
Cash & Balances with Central Bank	3,668	4,842	5,888	3,972	4,614	4,923
Interbank Loans	8,651	5,497	6,843	5,808	5,469	5,034
Net Investments	24,964	30,386	34,205	39,107	41,483	43,475
Net Loans	58,079	58,010	60,984	64,536	68,366	71,911
Other Assets	1,618	1,844	1,798	1,624	1,379	1,450
Net PP&E	665	619	530	531	536	538
Total Assets	97,645	101,198	110,247	115,578	121,848	127,332
Liabilities						
Interbank Deposits	19,239	23,908	30,651	30,866	31,372	31,704
Customer Deposits	50,130	51,573	50,852	54,411	57,676	61,540
Term Loans	11,408	8,517	11,229	12,913	14,850	15,593
Other Liabilities	2,790	2,756	2,697	2,176	2,307	2,462
Tier-1 Perpetual Notes	4,000	4,000	4,000	4,000	4,000	4,000
Total Liabilities	87,566	90,754	99,429	104,367	110,206	115,298
Total Shareholders' Equity	10,079	10,444	10,818	11,212	11,642	12,034
Total Liabilities & Shareholders' Equity	97,645	101,198	110,247	115,578	121,848	127,332
Risk Weighted Assets	73,175	78,094	78,168	83,216	98,331	104,413
IEAs	89,136	92,633	98,306	108,242	114,062	119,240
IBLs	71,990	72,806	92,645	97,881	103,585	108,520
Tangible BV/share	3.25	3.37	3.49	3.62	3.75	3.88

Source: Company data, QNB FS Research

Ratios/Financial Indicators	2022	2023	2024	2025e	2026e	2027e
Profitability (%)						
RoE (Attributable)	5.4	5.6	6.1	6.5	7.0	8.0
RoAA (Attributable)	0.8	0.8	0.8	0.8	0.8	0.9
RoRWA (Attributable)	0.8	0.7	0.8	0.9	0.9	0.9
NIM (% of IEAs)	2.57	2.36	2.09	2.02	2.05	2.08
NIM (% of RWAs)	3.20	2.80	2.55	2.58	2.51	2.39
NIM (% of AAs)	2.34	2.16	1.88	1.84	1.92	1.94
Spread	2.1	1.4	1.4	1.7	1.6	1.6
Efficiency (%)						
Cost-to-Income (Headline)	30.7	33.1	38.0	39.0	38.5	38.8
Cost-to-Income (Core)	31.0	35.5	39.5	40.3	39.8	40.2
Liquidity (%)						
LDR (stable sources of funds)	94	97	98	96	94	93
Loans/Assets	59.5	57.3	55.3	55.8	56.1	56.5
Cash & Interbank Loans-to-Total Assets	12.6	10.2	11.5	8.5	8.3	7.8
Deposits to Assets	51.3	51.0	46.1	47.1	47.3	48.3
Wholesale Funding to Loans	52.8	55.9	68.7	67.8	67.6	65.8
IEAs to IBLs	1.2	1.3	1.1	1.1	1.1	1.1
Asset Quality (%)						
NPL Ratio	6.43	7.36	7.43	7.37	7.00	6.00
NPL to Shareholders' Equity	39.3	43.6	45.5	46.6	45.5	40.0
NPL to Tier 1 Capital	40.6	44.9	47.2	48.3	47.2	41.5
Coverage Ratio	87.0	83.2	106.9	120.3	137.2	171.6
ALL/Average Loans	5.4	6.1	8.2	9.2	9.9	10.6
Cost of Risk (%)	153	145	110	102	91	87
Capitalization (%)						
CET1 Ratio	13.3	13.0	13.3	13.0	11.4	11.1
Tier-1 Ratio	18.8	18.1	18.4	17.8	15.5	14.9
CAR	19.9	19.2	19.6	18.9	16.6	16.1
Tier-1 Leverage (x)	14.1	14.0	13.1	12.8	12.5	12.3
Growth (%)						
Net Interest Income	-10.2	-8.9	-5.9	4.5	9.5	6.3
Non-Interest Income	12.4	18.9	-4.9	2.9	6.1	5.5
Total Revenue	-6.4	-3.3	-5.6	4.1	8.6	6.1
Opex	2.1	4.0	8.6	6.7	7.3	6.9
Net Operating Income	-9.7	-6.5	-12.7	2.5	9.5	5.6
Net Income (Headline/Reported)	8.8	0.5	10.7	7.6	9.3	15.1
Net Income (Attributable)	13.6	0.7	14.3	9.9	11.9	18.8
Loans	-7.3	-0.1	5.1	5.8	5.9	5.2
Deposits	-0.4	2.9	-1.4	7.0	6.0	6.7
Assets	-3.4	3.6	8.9	4.8	5.4	4.5
RWAs	1.8	6.7	0.1	6.5	18.2	6.2

Source: Company data, QNB FS Research

Recommendations		Risk Ratings	
<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>		<i>Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals</i>	
OUTPERFORM	Greater than +20%	R-1	Significantly lower than average
ACCUMULATE	Between +10% to +20%	R-2	Lower than average
MARKET PERFORM	Between -10% to +10%	R-3	Medium / In-line with the average
REDUCE	Between -10% to -20%	R-4	Above average
UNDERPERFORM	Lower than -20%	R-5	Significantly above average

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