

DHBK Alert – 4Q2020 Net Loss; Announces DPS QR0.075

- **DHBK's reports a net loss in 4Q2020 on the back of elevated provisions.** Doha Bank (DHBK) reported a net loss of QR68.5mn vs. a net loss of QR64.6mn in 4Q2019 (net profit of QR270.8mn in 3Q2020), falling short of our estimate of net income QR14.9mn. The miss was due to higher than expected provisions & impairments. However, net operating income was in-line at QR527.6mn vs. our estimate of QR510.7mn (variation: +3.3%).
- **DHBK announces cash DPS, which was a positive surprise as its domestic peers cut 2020 DPS.** The bank announced a DPS of QR0.075/share (nil in 2019), yielding 3.2%.
- **Cost control is aiding the bank's operations; generated positive JAWS.** DHBK's opex dropped by 18.7% YoY while revenue increased by 9.2%, resulting in a 24.7% increase in net operating income. C/I ratio improved, declining from 36% in 4Q2019 to 27% in 4Q2020 (29% in 3Q2020). Moreover, in FY2020 the company generated positive JAWS of 14.4% (28% in 4Q2020).
- **CoR remains elevated.** DHBK reported provisions for credit losses of QR658.3mn in 4Q2020 vs. QR439.3mn in 4Q2019 (QR300.0mn in 3Q2020). Moreover, FY2020 CoR moved up to 196bps vs 164bps in FY2019.
- **Asset quality remains a concern.** DHBK's NPLs increased QoQ by 8.5% (flat YoY) to QR4.1bn. Moreover, the NPL ratio decreased to 5.98% vs. 5.63% in 3Q2020 (5.81% FY2019). However, the coverage ratio for Stage 3 loans dropped to 54% vs. 73% in the previous quarter (86% in FY2019). Stage 2 & 3 ECLs contribute 29% and 66% (96% collectively) to total ECLs. DHBK wrote off ~50% of its contracting portfolio, which contributes 8% to total loans vs. 14% in 2019. *DHBK wrote off QR4.0bn of loans which is equivalent to ~6% of total loans.*
- **Net loans continued to pick up sequentially but remains flattish YoY.** Net loans increased by 3.7% QoQ (-0.5% YoY) to QR65.4bn. On the other hand, deposits declined sequentially (-5.8% YoY) to QR55.0bn.
- **CET1 position improved due to a 9% drop in RWAs.** DHBK ended 2020 with CET1 ratio of 13.0% vs. 11.5% in 2019.
- **Recommendation and valuation:** DHBK trades at a P/B of 0.7x on our 2021 estimates. For the time being, we maintain our PT of QR2.305. *However, we will change our estimates shortly.*

Recommendations

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

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

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

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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