

## DHBK Alert – 4Q2021 Loss Due to Large Provisions; Revenue In-Line; Flat DPS; Stay Accumulate

- **DHBK's 4Q2021 earnings misses estimates, but revenue in-line:** Doha Bank (DHBK) reported a net loss of QR188.0mn vs. a net loss of QR68.5mn in 4Q2020, below our net profit estimate of QR140.7mn. On the other hand, revenue came in-line at QR763.6mn vs. our estimate of QR767.5mn (variation: -0.5%). *The loss in 4Q2021 was due to a surge in provisions and impairments. The bank booked provisions and impairments of QR695.5mn vs. QR596.0mn in 4Q2020 and QR277.3mn in 3Q2021 (+150.8%). Net operating income (before provisions) increased by 3.5% YoY (-1.6% sequentially).*
- **Total revenue was healthy and primarily driven by net interest income, fess and f/x income.** Revenue increased by 6.1% YoY (-2.0% sequentially) to QR763.6mn as a result of net interest income (+5.1%), fees (+41.2%) and f/x income (+27.3%).
- **Company proposed a flat DPS vs. 2020 but below our estimate.** The company proposed a DPS of QR0.075 (vs. our estimate of QR0.100), which translates into a yield of 2.6% and a payout ratio of 47.5% (in-line with 2020).
- **RoE remains weak and below CoE.** FY2020's RoE came in at 5.0% (5.2% in 2020).
- **Margins.** DHBK's NIMs increased by 12bps and 7bps YoY/sequentially to 2.78%. *DHBK was able to achieve this by managing CoFs and a drop in deposits.*
- **CoR came in higher than expected.** FY2021 CoR moved up to 211bps (196bps in FY2020) above our estimate of 194bps.
- **Asset quality remains a concern.** DHBK's NPLs decreased QoQ by 11.8% (-14.6% YoY) to QR3.5bn. We believe this is a result of write-offs (as of FY2021, DHBK has written off QR2.31bn in loans which is ~3.4% of total loans). Moreover, the NPL ratio decreased to 5.36% vs. 5.98% in FY2020 as a result of a sharp drop in loans. Further, the coverage ratio for Stage 3 loans remained low at 54%, flat vs, FY2020.
- **Net loans were weak.** Net loans contracted by 3.3% sequentially to QR62.7bn (-4.3% YoY). Deposits followed suit, dropping by 15.9% QoQ (-8.5% YoY) to QR50.4bn.
- **CET1 and Tier-1 position improved.** DHBK ended FY2021 with CET1 ratio of 13.5% (13.0% FY2020) and a Tier-1 ratio of 19.1%.
- **Recommendation and valuation:** DHBK trades at a P/B of 0.9x on our 2022 estimates. For the time being, we maintain our PT of QR3.151 and Accumulate rating.

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### 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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