

## Doha Bank (DHBK)

<b>Recommendation</b>	<b>MARKET PERFORM</b>	<b>Risk Rating</b>	<b>R-3</b>
<b>Share Price</b>	<b>QR53.00</b>	<b>Target Price</b>	<b>QR55.22</b>
<b>Implied Upside</b>	<b>4.2%</b>		

### 2012 Net Income Misses Estimates on Higher Provisions; Maintain Market Perform Rating

**Higher provisioning but cash DPS maintained.** Doha Bank (DHBK) reported a net profit of QR1.30bn for 2012, up 5.1% YoY from QR1.24bn in 2011. The results were below our estimates of QR1.38bn and Bloomberg consensus of QR1.34bn. The lower bottom-line is due to higher provisions booked in 4Q2012, with the bank increasing its provisions to QR275.6mn for 2012 vs. QR129.6mn in 9M2012, an increase of QR145.9mn in 4Q2012. DHBK maintained cash DPS of QR4.50, same as last year. However, the bank will soon come back to shareholders with a rights issue at QR30.00. On our 2013 estimates, DHBK is trading at a P/E ratio of 7.7x and a P/B ratio of 1.4x. We have updated our assumptions, which lead to a slight revision to our target price of QR55.22 from QR55.94.

- Interest income from financing activities was flat at QR2.28bn, down 0.47% YoY. However, interest expense increased by 9.6% YoY to QR596.8mn, reducing the net interest income to QR1.68bn in 2012 vs. QR1.74bn in 2011, down 3.6% YoY.
- Net income from insurance activities was QR17.6mn, down 24.1% YoY. Net fee and commission income declined by 8.4% YoY to QR349.8mn. Net income from financial investments increased by 210% YoY to QR231.1mn. The latter is the primary reason for the 3.7% YoY improvement in overall net operating income (QR2.42bn) in 2012.
- Combined impairment on loans and advances and financial investments came at QR275.6mn; declining by 10.2% YoY. However, this item increased by QR145.9mn in 4Q2012 vs. QR129.6mn in the first nine months of 2012.
- The loan-to-deposit ratio increased to 98.2% vs. 97.9% at the end of 2011. The loan book improved by 8.9% YoY while deposits increased by 8.5% YoY.

**Near-term catalysts remain restricted by the potential capital increase.** Doha Bank is planning to tap the market with a rights issue and global depository receipts (GDRs). In the first phase, the bank will come out with a 25% rights issue priced at QR30, including a premium of QR20 a share. Further, DHBK will opt for another increase of up to 25% of the current paid-up share capital through the issuance of new shares, in the form of GDRs (premium/discount to be decided later), to be held by a depository bank. The EGM and AGM will be held on February 20, 2013 (according to Bloomberg). In our view, the GDR and rights issue should put a lid on the stock price in the near term.

### Key Financial Data and Estimates

In QR	2011	2012	2013e	2014e
EPS	6.00	6.31	6.87	7.28
EPS Growth	17.7%	5.1%	8.9%	5.9%
P/E (x)	8.8	8.4	7.7	7.3
BVPS	34.26	36.53	38.90	42.18
P/B (x)	1.5	1.5	1.4	1.3
DPS	4.50	4.50	4.00	4.00
Dividend Payout	74.9%	71.3%	58.2%	55.0%
Dividend Yield	8.5%	8.5%	7.5%	7.5%

Source: Company data, QNBFS estimates

### Key Data

Bloomberg Ticker	DHBK QD
ADR/GDR Ticker	N/A
Reuters Ticker	DHBK.QA
ISIN	QA0006929770
Sector*	Banks & Financial Services
52wk High/52wk Low (QR)	66.00/49.70
3-m Average Volume	139,181
Mkt. Cap. (\$ bn/QR bn)	3.1/11.3
Shares Outstanding (mn)	206.7
FO Limit* (%)	18.8
Current FO*	6.3
1-Year Total Return (%)	(9.7)

Fiscal Year End December 31  
 Source: Bloomberg (as of January 20, 2013), \*Qatar Exchange\* (as of January 20, 2013) Note: FO is foreign ownership

### Broker Recommendations

Recommendation	Number
Buy	4
Hold	9
Sell	0

Source: Bloomberg

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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>	
<b>OUTPERFORM</b>	Greater than +20%	<b>R-1</b>	Significantly lower than average
<b>ACCUMULATE</b>	Between +10% to +20%	<b>R-2</b>	Lower than average
<b>MARKET PERFORM</b>	Between -10% to +10%	<b>R-3</b>	Medium / In-line with the average
<b>REDUCE</b>	Between -10% to -20%	<b>R-4</b>	Above average
<b>UNDERPERFORM</b>	Lower than -20%	<b>R-5</b>	Significantly above average

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