

QNBFS Alert – DHBK 1Q2014 Net Income up by 1.0% YoY

- **DHBK posts net income of 399.3mn in 1Q2014.** DHBK reported a net profit of QR399.3mn vs. our estimate of QR379.2mn (BBG consensus: QR362.6mn). On a QoQ basis Net profit expanded by 69.5% due to a sharp drop in provisions (down 45.8%), reaching QR72.5mn. Doha Bank posted gains from investment income of QR74.4mn vs. QR5.7mn in 4Q2013. Operating expenses improved QoQ, dropping by 18.3%. As such the bank's cost-to-income ratio improved to 32.2% vs. 42.6% in 4Q2013 (30.7% in 1Q2013). On a YoY basis, net income was marginally up by 1.0%. This was mainly driven by net interest income, which expanded by 14.0% (+3.0% QoQ). Furthermore DHBK's annualized NIM contracted to 3.09% vs. 3.17% in 4Q2013 and 3.32% in 1Q2013.
- **Loans exhibited healthy growth YTD.** Doha Bank's loans and deposits grew by 5.6% and 2.2% YTD, respectively. Thus, Doha Bank's LDR rested at 100% at the end of 1Q2014 vs. 97% at the end of 2013. On the other hand, the bank's investment portfolio receded by 14.0% YTD. The decline could be due to debt securities, especially the State of Qatar debt. In our discussions with management of various banks, we have learnt that the recently matured government debt has not yet been fully reinvested. Furthermore, the rate of return is lower than earlier terms.
- **We maintain our target price of QR73.80/share and rate the stock an Accumulate.** DHBK trades at P/B and P/E of 1.7x and 11.6x on our 2014 estimates, respectively.
- **DHBK has underperformed the sector index YTD (2014):** On a YTD basis, the stock is up 8.2% (total return of 16.2%) vs. the QE All Share Banks & Financial Services Index which is up 26.7% for the same period.

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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