

# QNBFS Alert – DHBK 1Q2015 Net Profit Surges QoQ

- **DHBK's 1Q2015 QoQ profitability driven by a drop in provisions and opex** – Doha Bank (DHBK) reported a net income of QR420.2mn in 1Q2015 slightly ahead of our estimate of QR401.8mn (4.6% variation). DHBK's Net operating income (QR461.3mn) was in-line with our estimate of QR457.8mn (0.8% variation). Thus, the beat was mainly due to lower provisions vs. our estimate. Net income surged by 92.2% QoQ (+5.2% YoY). QoQ growth is primarily attributed to an 80.8% plunge in net provisions (QR38.5mn in 1Q2015 vs. QR200.4mn in 4Q2014 and QR72.5mn in 1Q2014) followed by a 7.1% decline in opex. As such, the cost-to-income ratio improved QoQ to 35.4% vs. 39.1% in 4Q2014. The bank's net interest income rose 6.2% QoQ (+4.4% YoY) to QR506.7mn. Hence, annualized NIM improved to ~2.94% in 1Q2015 vs. ~2.88% in 4Q2014. Fees and commissions dropped by 22.2% QoQ to QR118.7mn while it grew by 24.9% YoY. Overall, non-interest income declined by 5.1% and 2.4% QoQ and YoY, respectively mainly due to a sharp decline in investment income (-31.8% QoQ and 78.3% YoY).
- **Loans exhibited positive performance.** Net loans grew by 4.7% YTD to QR50.8bn while deposits receded by 1.6% YTD to QR45.2bn. As a result, the LDR was lifted to 112% vs. 106% at the end of 2014.
- **Asset quality seems to have improved.** DHBK's NPL ratio dropped to 2.69% in 1Q2015 vs. 3.10% at the end of 2014. At the same time the coverage ratio also improved to 121% vs. 114% at the end of 2014
- **We maintain our target price of QR62.00/share and rate the stock an Accumulate.** DHBK trades at P/B and P/E of 1.4x and 11.1x on our 2015 estimates, respectively.

### Recommendations

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

<b>OUTPERFORM</b>	Greater than +20%
<b>ACCUMULATE</b>	Between +10% to +20%
<b>MARKET PERFORM</b>	Between -10% to +10%
<b>REDUCE</b>	Between -10% to -20%
<b>UNDERPERFORM</b>	Lower than -20%

### Risk Ratings

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

<b>R-1</b>	Significantly lower than average
<b>R-2</b>	Lower than average
<b>R-3</b>	Medium / In-line with the average
<b>R-4</b>	Above average
<b>R-5</b>	Significantly above average

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