

QNBFS Alert – DHBK 2Q2013 Net Income Up 0.9% YoY

- **2Q2013 net income falls somewhat shy of our estimate but operating income broadly in line with our model.** Doha Bank (DHBK) reported a net profit of QR353.1mn for 2Q2013, up 0.9% YoY. On a QoQ basis, net income was down 10.7%. Reported net income fell short of our estimate of QR368.7mn by around 4% with the delta being other charges below the operating income line; operating income came in at QR630.1mn vs. our estimate of QR635.8mn, a difference of just 1%. The QoQ drop in net income was mainly due to a 71.6% contraction in investment income. Nevertheless, Doha Bank's 2Q2013 net interest income expanded by 9.0% QoQ (+13.2% YoY) while net fees and commissions gained by 9.5% QoQ (+25.1% YoY). On the other hand, provisions for loan losses was flattish QoQ but surged by 46.1% YoY. The loan book grew by 5.1% QoQ (+7.1 YTD) while deposits gained by 2.6% QoQ (-1% YTD). This led to a LTD of 106.2% vs. 103.7% in 1Q2012.
- **DHBK raised capital in 1Q2013.** A lack of capital hurt Doha Bank's capacity to grow in 2012. The rights issue will raise the tier-1 capital ratio to ~14.0% by year-end from 10.9% (end-2012). Some market players also believe the bank may opt to cancel its planned GDR offering given the improvement in its tier-1 ratio.
- **We maintain our estimates for now with an unchanged price target of QR48.62.** We estimate EPS of QR5.32 and QR5.75 for 2013 and 2014, respectively; our 2013 cash DPS forecast is QR3.75.
- **DHBK has underperformed the sector index.** On a YTD basis, the stock is up 11.6% (total return) vs. the QE All Share Banks & Financial Services Index, which is also up 24.3%. We continue to rate the stock a Market Perform.

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

Saugata Sarkar
Head of Research
+974 4476 6534
saugata.sarkar@qnbfs.com.qa

Abdullah Amin, CFA
Senior Research Analyst
+974 4476 6569
abdullah.amin@qnbfs.com.qa

Shahan Keushgerian
Senior Research Analyst
+974 4476 6509
Shahan.keushgerian@qnbfs.com.qa

DISCLAIMER: This publication has been prepared by QNB Financial Services SPC ("QNBFS") a wholly-owned subsidiary of Qatar National Bank ("QNB"). QNBFS is regulated by the Qatar Financial Markets Authority and the Qatar Exchange; QNB is regulated by the Qatar Central Bank. This publication expresses the views and opinions of QNBFS at a given time only. It is not an offer, promotion or recommendation to buy or sell securities or other investments, nor is it intended to constitute legal, tax, accounting, or financial advice. We therefore strongly advise potential investors to seek independent professional advice before making any investment decision. Although the information in this report has been obtained from sources that QNBFS believes to be reliable, we have not independently verified such information and it may not be accurate or complete. While this publication has been prepared with the utmost degree of care by our analysts, QNBFS does not make any representations or warranties as to the accuracy and completeness of the information it may contain, and declines any liability in that respect. QNBFS reserves the right to amend the views and opinions expressed in this publication at any time. It may also express viewpoints or make investment decisions that differ significantly from, or even contradict, the views and opinions included in this report.

COPYRIGHT: No part of this document may be reproduced without the explicit written permission of QNBFS.