

QNBFS Alert – DHBK 4Q2016 Profitability Falls Short of Estimates On the Back of Excess Provisions

- **4Q2016 earnings falls short of estimates.** Doha Bank (DHBK) reported a net profit of QR35mn in 4Q2016, falling short of our expectations (QR211.7mn) and consensus (BBG: QR214.3mn; Reuters: 215.6mn). Net income dropped by 89% and 83% QoQ and YoY, respectively. Although the financial statements are not available yet, we believe the miss was mainly due to a spike in provisions and impairments.
- **DHBK maintained a flat DPS of QR3.00/share in 2016 vs. 2015.** A DPS of QR3.00/share translates into payout ratio of 93% and an attractive yield of 7.9%. *Management has decided to maintain the yield despite less than ideal results.*
- **Loans exhibited decent performance.** Net loans increased by 6.5% YoY to QR59.2bn. Deposits followed suit and grew by 5.5% YoY to QR55.7bn. Thus, the LDR remained elevated at 106% vs. 105% in 2015.
- **Recommendation and valuation:** We maintain our Price Target of QR42.00 for now. DHBK trades at a P/E and P/TB of 9.7x and 1.0x on our 2017 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

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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