

DHBK Alert – 1Q2022 In-Line Earnings; Bottom-Line Driven by Drop in CoR; Stay Accumulate

- **DHBK's 1Q2022 earnings and revenue in-line with estimates:** Doha Bank (DHBK) reported a net profit of QR401.4mn, increasing by 5.6% YoY (net loss of QR188.2mn in 4Q2021), in-line with our net profit estimate of QR393.4mn (+2.0% variation). Moreover, revenue came in-line at QR825.7mn vs. our estimate of QR834.9mn (variation: -1.1%). *The bottom-line was driven by a sharp drop in provisions. On a sequential basis, earnings were driven by non-funded income and a significant drop in provisions (in-line with historical trends).*
- **Growth in non-funded income was mainly attributable to gains from investment securities and fees.** Non-funded income aided revenue as net interest income was subdued. Net interest income declined by 2.7% YoY (-0.9% QoQ), while non-funded income increased by 12.3% (+60.0% sequentially; mainly due to investment losses incurred in 4Q2021) leading to flat revenue YoY (+8.1% sequentially due to investment income).
- **Margins.** DHBK's NIMs increased by 8bps YoY (flat sequentially) to 2.79%. *DHBK was able to achieve this by managing CoFs.*
- **CoR and provisions declined, which is a positive.** 1Q2022 CoR receded to 120bps (124bps in 1Q2021), while credit provisions declined by 17.9% YoY to QR189.2mn vs. QR230.6mn in 1Q2021 (QR597.9mn in 4Q2021).
- **Asset quality remains a concern; NPLs appear to be legacy as there is no new NPL formation.** DHBK's NPLs decreased QoQ by 1.4% to QR3.8bn. We believe this is a result of write-offs. On the other hand, the NPL ratio increased to 5.97% vs. 5.83% in FY2021 as a result of a continuous drop in loans. Further, the coverage ratio for Stage 3 loans remained low at 57%.
- **DHBK continues on de-risking its loan book.** Net loans continued to contract, declining by 2.9% sequentially to QR60.0bn. On the other hand, deposits expanded by 8.2% QoQ to QR54.5bn.
- **CET1 and Tier-1 position improved remains healthy.** DHBK ended 1Q2022 with CET1 ratio of 13.1% and a Tier-1 ratio of 18.7%.
- **Recommendation and valuation:** DHBK trades at a P/B of 0.7x on our 2022 estimates. For the time being, we maintain our PT of QR3.151 and Accumulate rating.

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Recommendations	
<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>	
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	
<i>Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals</i>	
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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