

DHBK Alert – 2Q2022 Falls Short of Estimates on Muted Revenue

- **DHBK's 2Q2022 earnings came in below our estimates:** Doha Bank (DHBK) reported a net profit of QR263.5mn, increasing by 12.5% YoY (-34.4% QoQ), short of our net profit estimate of QR337.1mn (-21.8% variation). *YoY, the bottom-line was driven by a sharp drop in provisions & impairments (-23.0%). On a sequential basis, earnings dropped as result of weak revenue and an increase in provisions.* Revenue declined by 3.9% YoY (-13.8% QoQ) to QR712.1mn, attributed to a decline in net interest income and investment losses.
- **Fees were strong, while net interest income declined; drop in credit provisions helped the bottom-line on a yearly basis.** Fee income moved up by 34.8% YoY (up 15.8% sequentially), while net interest income declined by 1.9% YoY (-7.4% QoQ). Net operating income declined by 7.4 YoY (-18.1% sequentially), countered by a 23.0% YoY decline in provisions & impairments. Sequentially, numbers were weak coupled with a rise in provisions & impairments.
- **Investment losses hurt revenue.** DHBK reported investment losses of QR27.3mn vs. gains of QR14.9mn in 2Q2021 (investment gains of QR33.8mn in 1Q2022).
- **Margins.** DHBK's NIMs increased by 23bps YoY (compressed by 19bps sequentially) to 2.60%.
- **CoR and provisions continued to decline, which is a positive.** 1H2022 CoR (annualized) receded to 115bps (166bps in 1H2021), while credit provisions declined by 18.0% YoY to QR247.1mn vs. QR301.3mn in 2Q2021. However, sequentially, credit provisions jumped by 30.6%
- **Asset quality remains a concern; NPLs are legacy as there is no new NPL formation.** DHBK's NPLs marginally increased QoQ by 1.3% to QR3.8bn (flat YTD). Moreover, the NPL ratio remained flat at 5.95% vs. 5.97% in 1Q2022 (5.83% in FY2021). Further, the coverage ratio for Stage 3 loans improved from 57% in 1Q2022 to 63% in 2Q2022 . DHBK is allocating more provisions tot Stage 2 and Stage 3 loans.
- **Net loans ticked up while deposits declined.** Net loans inched up by 1.2% sequentially to QR60.7bn (-3.1% YTD). On the other hand, deposits receded by 1.4% QoQ (+6.6% YTD) to QR53.7bn.
- **CET1 and Tier-1 position remains healthy.** DHBK ended 2Q2022 with CET1 ratio of 12.6% and a Tier-1 ratio of 18.1%.
- **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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