

QNBFS Alert – DHBK 3Q2013 Net Income down 6.9% QoQ

- **3Q2013 net income misses estimates.** Doha Bank (DHBK) reported a net profit of QR328.6mn for 3Q2013, down 6.9% QoQ. This missed our estimate of QR358.1mn and the Bloomberg consensus estimate of QR357.3mn on the back of higher interest expense and provisions.
- **Interest expense for the quarter was up 13.7% QoQ.** Our channels checks had suggested that DHBK was initially a borrower in the overnight market in 3Q2013, which could have contributed to its increased interest expense. The stellar growth in deposits (17.7% QoQ) also contributed to higher interest expenses, in our view. On the other hand, interest income only increased by 2.5% QoQ. Net fees and commissions declined by 9.4% QoQ. On the provisions front, the bank recorded combined provisions (loans and investments) of QR75.0mn in 3Q2013 vs. QR48.6mn in 2Q2013.
- **Customer deposits increase by 17.7% QoQ.** The loan book grew by 7.6% QoQ (+15.3% YTD) while deposits gained by 17.7% QoQ (16.6% YTD). This led to a LTD of 97% at the end of 3Q2013 vs. 106% at the end of 2Q2013. However, as mentioned earlier, the increase in deposits come at the expense of higher interest costs.
- **We maintain our estimates and price target of QR48.62.** The recent rights issue had improved Doha Bank's capacity to grow its loan book in 2013. However, to sustain its loan book momentum, DHBK will need to raise more capital (Tier I bonds). Furthermore, we expect the bank to reduce its cash DPS to QR3.50 (lower than market consensus) and pay a 10% stock dividend for FY2013.
- **DHBK has outperformed the sector index.** On a YTD basis, the stock is up 28.0% (total return) vs. the QE All Share Banks & Financial Services Index, which is up 20.2%.

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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