

## DHBK Alert – 1Q2021 Bests Estimates; Maintain Market Perform

- **DHBK's 1Q2021 earnings beats our estimates.** Doha Bank (DHBK) reported a net profit of QR380.19mn, gaining by 17.3% (vs. a net loss of QR68.5mn in 4Q2020), besting our estimate of net income QR339.97mn (+11.8% variation). The beat was across the board.
- **Net interest income and cost containment was the main driver behind earnings.** DHBK's net interest income soared by 20.7% YoY (+7.0% sequentially), while opex declined by 5.4%.
- **Margins improved.** DHBK's NIMs increased by 47bps and 4bps YoY and sequentially to 2.70%, respectively, on the back of CoFs management.
- **Cost control is aiding the bank's operations; generated positive JAWS.** DHBK's opex dropped by 5.4% YoY while revenue increased by 9.9%, resulting in a 16.7% increase in net operating income. C/I ratio improved, declining from 30.8% in 1Q2020 to 26.5% in 1Q2021 (26.7% in 4Q2020). Moreover, the company generated positive JAWS of 15.3% YoY (neutral JAWS sequentially).
- **CoR remains elevated, credit provisions increased by 28.1% YoY.** DHBK reported provisions for credit losses of QR230.6mn in 1Q2021 vs. QR180.0mn in 1Q2020 (QR658.3mn in 4Q2020). Moreover, 1Q2021 CoR (annualized) moved up to 124bps vs 106bps in 1Q2020 (164bps in FY2020).
- **Asset quality remains a concern, however NPL ratio decreased.** DHBK's NPLs increased QoQ by 2.2% to QR4.2bn. On the other hand, the NPL ratio decreased to 5.67% vs. 5.98% in 4Q2020 as a result of an increase in loans. However, the coverage ratio for Stage 3 loans increased to 59% vs. 54% in the previous quarter, despite being still low. Stage 2 & 3 ECLs contribute 28% and 69% (96% collectively) to total ECLs.
- **Net loans and deposits significantly expanded sequentially.** Net loans increased by 7.8% QoQ to QR70.5bn, while deposits expanded by 15.7% to QR63.7bn.
- **CET1 position remained unchanged vs. FY2020.** DHBK ended 1Q2021 with CET1 ratio of 13.0% and a CAR of 18.5%.
- **Recommendation and valuation:** DHBK trades at a P/B of 0.7x on our 2021 estimates. For the time being, we maintain our PT of QR2.305. *However, we will change our estimates shortly.*

### 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, CFA, CAIA**  
Head of Research  
+974 4476 6534  
saugata.sarkar@qnbfs.com.qa

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

**Mehmet Aksoy, PhD**  
Senior Research Analyst  
+974 4476 6589  
mehmet.aksoy@qnbfs.com.qa

**DISCLAIMER:** This publication has been prepared by QNB Financial Services Co. WLL ("QNB FS") a wholly-owned subsidiary of Qatar National Bank Q.P.S.C. ("QNB"). QNB FS 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 QNB FS 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 QNB FS 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, QNB FS 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. QNB FS 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 QNB FS.