

## QNBFS Alert – DHBK 3Q2014 Net Income Falls Short of Expectations

- **DHBK's 3Q2014 net income drops by 10.2% QoQ on the back of weak non-interest income.** DHBK reported a net profit of QR348.1mn vs. our estimate of QR369.7mn, falling short of our expectations as well as Bloomberg consensus. On a QoQ basis net profit declined by 10.2% (+5.9% YoY) due to a substantial drop in non-interest income (down 14.5%), reaching QR225.1mn. Doha Bank registered a net interest income of QR488.7mn, exhibiting flat performance QoQ (+6.0 YoY). Thus, the annualized NIM was flat QoQ at ~3.01% vs. ~3.09% in 1Q2014 and ~3.29% in 3Q2013. Fees & commissions stood at QR131.2mn, sliding by 4.3% QoQ (+42.7% YoY). Moreover, FX income dropped by 17.6% QoQ (down 6.3% YoY). Investment income aided in driving bottomline growth on a YoY basis. DHBK reported gains from investment securities of QR53.8mn, surging by 85.4% YoY (down 15.0% QoQ). Operating expenses improved QoQ, dropping by 1.6% (+20.6% YoY). However, the bank's cost-to-income ratio deteriorated to 36.7% vs. 35.4% in 2Q2014 (34.9% in 3Q2013). DHBK reported provisions of QR100.0mn (inline with our expectations)
- **Loans receded QoQ.** Doha Bank's loan book declined by 1.5% QoQ (+8.6% YTD). Moreover, deposits followed suit, declining by 1.1% QoQ (+3.4% YTD). Thus, Doha Bank's LDR rested at 101% at the end of 3Q2014 vs. 102% in 2Q2014 (2013: 97%). As far as asset quality is concerned, the bank's NPLs increased QoQ and YTD with the NPL ratio increasing to 3.27% vs. 2.87% in 2Q2014 (2013: 3.01%). However, the coverage ratio remained intact at 103% vs. 107% in 2Q2014 (2013: 97%).
- **We maintain our target price of QR74.00/share and rate the stock an Outperform.** DHBK trades at P/B and P/E of 1.6x and 10.6x on our 2014 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*

<b>OUTPERFORM</b>	Greater than +20%
<b>ACCUMULATE</b>	Between +10% to +20%
<b>MARKET PERFORM</b>	Between -10% to +10%
<b>REDUCE</b>	Between -10% to -20%
<b>UNDERPERFORM</b>	Lower than -20%

### Risk Ratings

*Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals*

<b>R-1</b>	Significantly lower than average
<b>R-2</b>	Lower than average
<b>R-3</b>	Medium / In-line with the average
<b>R-4</b>	Above average
<b>R-5</b>	Significantly above average

**Saugata Sarkar**  
Head of Research  
+974 4476 6534  
saugata.sarkar@qnbfs.com.qa

**Abdullah Amin, CFA**  
Senior Research Analyst  
+974 4476 6569  
abdullah.amin@qnbfs.com.qa

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

**DISCLAIMER:** This publication has been prepared by QNB Financial Services SPC (“QNBFS”) a wholly-owned subsidiary of Qatar National Bank (“QNB”). QNBFS 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 QNBFS 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 QNBFS 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, QNBFS 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. QNBFS 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 QNBFS.