

DHBK Alert – 3Q2022 In-Line With Estimates; Revenue Subdued As Loan Book Declines

- **DHBK's 3Q2022 earnings came in in-line with our estimates:** Doha Bank (DHBK) reported a net profit of QR267.9mn, decreasing by 3.4% YoY (+1.7% QoQ), in-line with our estimate estimate of QR278.7mn (-3.9% variation). *YoY, the bottom-line was affected by a sharp drop net interest income (-9.9%). On a sequential basis, earnings inched up as result of narrowing investment losses.* Revenue declined by 5.0% YoY (+3.9% QoQ) to QR739.9mn, attributed to a decline in net interest income.
- **Fees remained strong:** Fee income moved up by 23.3% YoY (up 3.9% sequentially).
- **Margins:** DHBK's 9M2022 (annualized) NIMs increased by 15bps YoY to 2.78% as a result of management shedding expensive deposits.
- **CoR and provisions continued to decline, which is a positive.** 9M2022 CoR (annualized) receded to 146bps (152bps in 9M2021), while credit provisions declined by 15.7% YoY to QR244.1mn vs. QR289.7mn in 3Q2021. Sequentially, credit provisions receded by 1.2%
- **Asset quality remains a concern; NPLs are legacy as there is no new NPL formation, which is a positive.** DHBK's NPLs marginally declined QoQ by 7.0% to QR3.6bn (-7.1% YTD). Moreover, the NPL ratio remained flat at 5.95% vs. 2Q2022 (5.89% in FY2021). Further, the coverage ratio for Stage 3 loans remained flat at 64% vs. 2Q2022 (FY2021: 54%). *DHBK is allocating more provisions to Stage 2. Allocation to Stage 2 loans increased by 27.9% sequentially and 19.8% YTD. Coverage of Stage 2 loans increased to 6% from 5% in 2Q2022 and FY2021. DHBK has the largest share of Stage 2 loans as a % of total loans among domestic banks; Stage 2 loans stood at 32% of total loans.*
- **Net loans and deposits contracted:** Net loans dropped by 7.4% sequentially to QR56.2bn (-10.2% YTD). Moreover, deposits contracted by 8.6% QoQ (-2.5% YTD) to QR49.1bn.
- **CET1 and Tier-1 position remains healthy.** DHBK ended 3Q2022 with CET1 ratio of 12.8% and a Tier-1 ratio of 18.4%.
- **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 Outperform rating.

Shahan Keushgerian

+974 4476 6509 | shahan.keushgerian@qnbfs.com.qa

Recommendations		Risk Ratings	
<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>		<i>Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals</i>	
OUTPERFORM	Greater than +20%	R-1	Significantly lower than average
ACCUMULATE	Between +10% to +20%	R-2	Lower than average
MARKET PERFORM	Between -10% to +10%	R-3	Medium / In-line with the average
REDUCE	Between -10% to -20%	R-4	Above average
UNDERPERFORM	Lower than -20%	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

Phibion Makuwerere, CFA
 Senior Research Analyst
 +974 4476 6589
 phibion.makuwerere@qnbfs.com.qa

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