

Doha Bank (DHBK)

Recommendation	ACCUMULATE	Risk Rating	R-3
Share Price	QR2.036	Target Price	QR1.883
Implied Upside	(7.5%)		

4Q2024 Falls Short of Estimates; DPS Increased to QR0.10 (DY: 4.9%) vs. QR.075

Doha Bank (DHBK) reported a net profit of QR161.0mn in 4Q2024, growing by 12.9% YoY (-37.6% QoQ). Profitability came below our estimate of QR212.7mn (variation of -24.3%) with weakness across the board. The absence of litigation expenses in the 4th quarter of 2024 vs. 4Q2023 (QR161.6mn) drove YoY bottom-line as revenue declined due to margin compression and investment and insurance losses. Excluding litigation expenses from 4Q2023, the bottom-line would have dropped by 47.1% YoY. Net operating income dropped by 19.8% due to a 48bps margin compression and 7.5% increase in opex. The sequential drop in earnings was attributable to 18.5% decline in net operating (margin compression, losses from investments and insurance, increase in opex and an increase in credit provisions & impairments). DHBK trades at a deep discount to its BV, as the bank is not expected to generate economic profits in the medium-term with RoE still expected to be below CoE over 2025 to 2028. The stock trades at a 42% discount to its 2024 BV. We maintain our Accumulate rating and QR1.883 PT for the time being. While results were weak, investors are likely to appreciate the 33.3% YoY growth in DPS to QR0.10, which boosts the dividend yield to 4.9%.

Highlights

- **DHBK reported net profit of QR161.0mn in 4Q2024, growing by 12.9% YoY (-37.6% QoQ).** Profitability fell below our estimate of QR212.7mn (variation of -24.3%).
- **The board announced a DPS of QR0.10 for 2024 vs. QR0.075 in 2023, which is a positive; DPS beat our estimate of QR0.075.** This corresponds to a DY of 4.9% and a payout of 48%.
- **Margins continued to compress YoY.** NIMs contracted by 48bps YoY (-6bps QoQ) to 2.00%. Net interest income declined by 11.2%/1.3% YoY/sequentially.
- **FY2024 CoR significantly improved YoY.** DHBK's FY2024 CoR improved from 145bps in FY2023 to 110bps (FY2022: 145bps). Net credit provisions declined by 3.8% YoY (-33.0% QoQ). When we factor in other impairments, net credit provisions & impairments increased by 66.8%/10.0% YoY/QoQ, which does not benefit the bottom-line.
- **RoE remains weak and markedly below CoE.** 2024 RoE came in at 6.1% vs. 5.6% in FY2023.
- **C/I ratio remains higher than its peers.** C/I ratio increased from 36.5% in 4Q2023 to 43.5% in 4Q2024 (38.0% in 3Q2024). C/I remains elevated due to weak revenue emanating from margin compression and investment losses, with opex increasing at the same time.
- **Asset quality remains under pressure; NPLs continue to increase.** DHBK's NPLs increased 0.6%/8.1% to QR4.92bn in 4Q2024 vs. 3Q2024/FY2023. The NPL ratio remained flat vs. the past 3 quarters of FY2024 (FY2023: 7.36%). On the other hand, the coverage ratio for Stage 3 loans increased sequentially to 75% vs. 67% in 3Q2024 (FY2023: 59%), which is a positive. Stage 2 loans contribute 29% to total loans (still remains on the high side), which remains a concern; coverage of Stage 2 loans is a low 7%.
- **Net loans were sequentially flat, but up 5.1% YoY.** Net loans exhibited flat performance QoQ (+5.1% YoY) at QR61.0bn in 4Q2024. On the other hand, deposits fell by 2.0% sequentially (-1.4% YoY) to QR50.9bn.
- **De-risking the loan book along with optimization of RWAs is helping DHBK maintain its CET1 and Tier-1 positions.** DHBK ended 4Q2024 with a CET1 ratio of 13.3% and a Tier-1 ratio of 18.4%.

Catalysts

- **With the stock up over the last 12 months, future gains are incumbent on the management delivering on its growth objectives.** Investors would need to see significant improvements in RoEs and NPLs for the stock to close the gap to its BV.

Recommendation, Valuation and Risks

- **Recommendation and valuation: We maintain our QR1.883 price target and our Accumulate rating.** DHBK is trading at a 2024/25e P/B and P/E of 0.6x and 9.9/8.1x, respectively.
- **Risks:** 1) Asset quality. 2) Execution risks remain for management's new strategy.

Key Financial Data and Estimates

	2022	2023	2024	2025e
EPS (QR)	0.179	0.181	0.206	0.251
Growth	0.7	0.7	14.3	21.4
P/E (x)	11.3	11.3	9.9	8.1
BVPS (QR)	3.25	3.37	3.49	3.64
P/B (x)	0.6	0.6	0.6	0.6
RoE (%)	5.4	5.6	6.1	7.2
DPS (QR)	0.075	0.075	0.100	0.100
Dividend Yield (%)	3.7	3.7	4.9	4.9

Source: Company data, QNB FS Research

Key Data

Current Market Price (QR)	2.036
Dividend Yield (%)	4.9
Bloomberg Ticker	DHBK QD
ADR/GDR Ticker	N/A
Reuters Ticker	DOBK.QA
ISIN	QA0006929770
Sector*	Banks & Fin. Svcs.
52wk High/52wk Low	2.080/1.333
3-m Average Volume (mn)	4.4
Mkt. Cap. (\$ bn/QR bn)	1.7/6.3
Shares Outstanding (mn)	3,100.47
FO Limit* (%)	100.0
Current FO* (%)	15.5
1-Year Total Return (%)	+27.3
Fiscal Year End	December 31

Source: Bloomberg (as of January 19, 2025), *Qatar Exchange (as of January 19, 2025); Note: FO is foreign institutional ownership

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Detailed Financial Statements

Income Statement (In QR mn)	2022	2023	2024	2025e
Net Interest Income	2,322	2,148	1,992	2,212
Fees & Commissions	371	376	402	426
FX Income	153	105	140	146
Other Income	63	39	122	122
Non-Interest Income	587	520	663	695
Total Revenue	2,909	2,668	2,655	2,907
Operating Expenses	(894)	(946)	(1,010)	(1,068)
Net Operating Income	2,015	1,722	1,645	1,839
Net Provisions	(1,201)	(857)	(787)	(789)
Net Profit Before Tax	814	865	858	1,050
Tax	(48)	(95)	(7)	(58)
Net Profit (Reported/Headline)	765	769	851	992
Interest on Tier-1 Note	(190)	(190)	(190)	(190)
Social & Sports Contribution Fund	(19)	(19)	(21)	(25)
Attributable Net Profit	556	560	640	777
EPS	0.179	0.181	0.206	0.251

Source: Company data, QNB FS Research

Balance Sheet (In QR mn)	2022	2023	2024	2025e
Cash & Balances with Central Bank	3,668	4,842	5,888	3,972
Interbank Loans	8,651	5,497	6,843	5,802
Net Investments	24,964	30,386	34,205	39,107
Net Loans	58,079	58,010	60,984	64,462
Other Assets	1,618	1,844	1,798	1,623
Net PP&E	665	619	530	586
Total Assets	97,645	101,198	110,247	115,551
Liabilities				
Interbank Deposits	19,239	23,908	30,651	30,765
Customer Deposits	50,130	51,573	50,852	54,411
Term Loans	11,408	8,517	11,229	12,913
Other Liabilities	2,790	2,756	2,697	2,176
Tier-1 Perpetual Notes	4,000	4,000	4,000	4,000
Total Liabilities	87,566	90,754	99,429	104,266
Total Shareholders' Equity	10,079	10,444	10,818	11,285
Total Liabilities & Shareholders' Equity	97,645	101,198	110,247	115,551
Risk Weighted Assets	73,175	78,094	78,168	86,201
IEAs	89,136	92,633	98,306	106,185
IBLs	71,990	72,806	92,645	88,532
Tangible BV/share	3.25	3.37	3.49	3.64

Source: Company data, QNB FS Research

Ratios/Financial Indicators	2022	2023	2024	2025e
Profitability (%)				
RoE (Attributable)	5.4	5.6	6.1	7.2
RoAA (Attributable)	0.8	0.8	0.8	0.9
RoRWA (Attributable)	0.8	0.7	0.8	0.9
NIM (% of IEAs)	2.57	2.36	2.15	2.16
NIM (% of RWAs)	3.20	2.84	2.55	2.69
NIM (% of AAs)	2.34	2.16	1.94	1.96
Spread	2.1	1.4	1.4	1.5
Efficiency (%)				
Cost-to-Income (Headline)	30.7	33.4	38.0	36.7
Cost-to-Income (Core)	31.0	35.7	39.5	38.1
Liquidity (%)				
LDR (stable sources of funds)	94	97	98	96
Loans/Assets	59.5	57.3	55.3	55.8
Cash & Interbank Loans-to-Total Assets	12.6	10.2	11.5	8.5
Deposits to Assets	51.3	51.0	46.1	47.1
Wholesale Funding to Loans	52.8	55.9	68.7	67.8
IEAs to IBLs	1.2	1.3	1.1	1.2
Asset Quality (%)				
NPL Ratio	6.43	7.36	7.43	6.53
NPL to Shareholders' Equity	39.3	43.6	45.5	41.0
NPL to Tier 1 Capital	40.6	44.9	47.2	42.5
Coverage Ratio	87.0	83.2	106.9	137.3
ALL/Average Loans	5.4	6.1	8.2	9.3
Cost of Risk (%)	153	145	110	113
Capitalization (%)				
CET1 Ratio	13.3	13.0	13.3	12.6
Tier-1 Ratio	18.8	18.1	18.4	17.3
CAR	19.9	19.2	19.6	18.4
Tier-1 Leverage (x)	14.1	14.0	13.1	12.9
Growth (%)				
Net Interest Income	-10.2	-7.5	-7.3	11.0
Non-Interest Income	12.4	16.2	-2.7	4.8
Total Revenue	-6.4	-2.7	-6.2	9.5
Opex	2.1	5.8	6.8	5.7
Net Operating Income	-9.7	-6.5	-12.7	11.8
Net Income (Headline/Reported)	8.8	0.5	10.7	16.5
Net Income (Attributable)	13.6	0.7	14.3	21.4
Loans	-7.3	-0.1	5.1	5.7
Deposits	-0.4	2.9	-1.4	7.0
Assets	-3.4	3.6	8.9	4.8
RWAs	1.8	6.7	0.1	10.3

Source: Company data, QNB FS Research

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

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