

Doha Bank (DHBK)

Recommendation	MARKET PERFORM	Risk Rating	R-3
Share Price	QR65.20	Target Price	QR63.95
Implied Upside	(1.9%)		

Significant Loan Growth But Muted Bottom-line

2013 has been an eventful year for DHBK. DHBK increased its loan book by 21.8% YoY versus a 13.3% increase for the banking sector. Moreover, DHBK's deposits grew by 23.6% versus a 19.7% growth for the overall banking sector. However, net interest income only grew by 8.5% YoY to QR1.82bn versus QR1.68bn in 2012. Furthermore, provisions increased to QR306.2mn from QR275.6mn in 2012, up 11.1% YoY. Hence, net income to shareholders grew by 0.6% YoY versus a 5.1% YoY growth in 2012. The bank announced cash DPS of QR4.50 for 2013 versus QR3.60 (adjusted) for 2012. *Going forward, as project mobilizations pick up, we expect the bank's bottom-line to increase by 11.2% and 15.3% in 2014 and 2015, respectively. We also expect DHBK to increase cash DPS to QR5.00 and QR5.50 in 2014 and 2015, respectively.*

Highlights

- 2013 analysis:** On the balance sheet front, DHBK benefited from its well-entrenched presence in the contractors' segment, increasing the loans to this segment by 44.9% to QR7.59bn in 2013. The bank also increased its exposure to the real estate segment by 35.7% YoY (QR9.25bn). Going forward, we expect the growth to continue as DHBK's real estate segment is 100% of its Tier-1 capital versus the QCB-established limit of 150%. However, income from financing activities grew to QR2.39bn from QR2.26bn in 2012, up 5.2% YoY. On the other hand, cost of funds decreased to QR572.2mn vs. QR596.8mn in 2012, down 4.1% YoY. Furthermore, investment income declined to QR122.1mn vs. QR212.6mn in 2012, down 42.6% YoY. Furthermore, provisions increased to QR306.2mn vs. QR275.6mn in 2012, reducing the flow to the bottom-line, which went up by only 0.6%.
- Outlook for 2014 & 2015:** We expect DHBK to increase its loan book by 18.1% and 15.2% in 2014 and 2015, respectively. We expect the bank's loan-to-deposit ratio to increase to 97.8% in 2015 from 96.7% in 2013. This along with relatively stable NIMs should allow the bottom-line to improve by 11.2% and 15.3% in 2014 and 2015, respectively. After updating our model, our 12-month price target increases to QR63.95 from QR62.82.

Catalysts

- Improved balance sheet to aid near-term growth.** DHBK enhanced its balance sheet by raising Tier-1 capital through the issuance of a 25% rights and QR2bn in Tier-1 notes in 2013. We have incorporated the above in our model. As such, we expect improved performance in 2014.

Recommendation, Valuation and Risks

- Recommendation and valuation:** *We rate DHBK a Market Perform with a price target of QR63.95.*
- Risks:** 1) DHBK will need to raise more capital given its high payout ratio and 2) International expansion strategy does not add value.

Key Financial Data and Estimates

	2012	2013	2014e	2015e
EPS (QR)	5.05	5.08	5.65	6.52
EPS Growth (%)	5.1	0.6	11.2	15.3
P/E (x)	12.9	12.8	11.5	10.0
DPS (QR)	3.60	4.50	5.00	5.50
Dividend Yield (%)	5.5	6.9	7.7	8.4

Source: Company data, QNBFS estimates; Note: All data based on current number of shares

Key Data

Current Market Price (QR)	65.20
Dividend Yield (%)	7.7
Bloomberg Ticker	DHBK QD
ADR/GDR Ticker	N/A
Reuters Ticker	DHBK.QA
ISIN	QA0006929770
Sector	Banks & Financial Services
52wk High/52wk Low (QR)	66.00/42.00
3-m Average Volume ('000)	227.5
Mkt. Cap. (\$ bn/QR bn)	4.6/16.8
Shares Outstanding (mn)	258.4
FO Limit* (%)	25.0
Current FO* (%)	10.7
1-Year Total Return (%)	36.57
Fiscal Year End	December 31

Source: Bloomberg (as of January 23, 2014), *Qatar Exchange (as of January 23, 2014); Note: FO is foreign ownership

Shahan Keushgerian

+974 4476 6509

shahan.keushgerian@qnbfs.com.qa

Saugata Sarkar

+974 4476 6534

saugata.sarkar@qnbfs.com.qa

Detailed Financial Statements

Income Statement (In QR mn)	2012	2013	2014e	2015e
Net Interest Income	1,679	1,822	1,912	2,139
Fees & Commissions	350	405	446	482
FX Income	84	89	94	99
Dividend Income	18	27	26	29
Income From Investment Gains	213	122	147	149
Other Income	76	76	77	68
Non-Interest Income	740	719	790	826
Operating Income	2,419	2,541	2,701	2,965
Operating Expenses	(835)	(917)	(975)	(1,046)
Net Provisions	(276)	(306)	(260)	(228)
Net Profit Before Tax	1,309	1,318	1,466	1,691
Tax	(4)	(5)	(6)	(7)
Net Profit	1,305	1,313	1,460	1,684

Source: Company data, QNBFS estimates

Balance Sheet (In QR mn)	2012	2013	2014e	2015e
Assets				
Cash & Balances with Central Bank	2,598	3,436	3,668	3,433
Interbank Loans	7,787	9,180	10,687	11,746
Net Investments	9,581	11,704	12,796	14,303
Net Loans	33,775	41,132	48,575	55,935
Other Assets	677	781	981	1,128
Net PP&E	795	759	739	717
Total Assets	55,212	66,993	77,445	87,262
Liabilities				
Interbank Deposits	8,716	7,720	11,132	12,038
Customer Deposits	34,401	42,522	48,901	57,214
Term Loans	2,572	3,031	3,031	2,759
Other Liabilities	1,972	2,448	2,812	3,290
Tier 1 Perpetual Notes		2,000	2,000	2,000
Total Liabilities	47,661	57,722	67,876	77,301
Shareholder's Equity				
Share Capital	2,067	2,584	2,584	2,584
Statutory Reserves	3,284	4,311	4,311	4,311
Banking Risk Reserve	774	961	1,117	1,287
Other Reserves	123	(48)	(48)	(48)
Proposed Dividends	930	1,163	1,292	1,421
Retained Earnings	373	301	313	407
Total Shareholder's Equity	7,551	9,271	9,569	9,961
Total Liabilities & Shareholder's Equity	55,212	66,993	77,445	87,262

Source: Company data, QNBFS estimates

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

Contacts

Saugata Sarkar

Head of Research

Tel: (+974) 4476 6534

saugata.sarkar@qnbfs.com.qa

Ahmed M. Shehada

Head of Trading

Tel: (+974) 4476 6535

ahmed.shehada@qnbfs.com.qa

Keith Whitney

Head of Sales

Tel: (+974) 4476 6533

keith.whitney@qnbfs.com.qa

Sahbi Kasraoui

Manager - HNWI

Tel: (+974) 4476 6544

sahbi.alkasraoui@qnbfs.com.qa

QNB Financial Services SPC

Contact Center: (+974) 4476 6666

PO Box 24025

Doha, Qatar

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