

## Doha Bank (DHBK)

Recommendation	Market Perform	Risk Rating	R-3
Share Price	QR1.696	Target Price	QR1.883
Implied Upside	11.0%		

### 4Q2023 Beats Estimates on Lower Provisions & Impairments; Flat DPS QR0.075

**Doha Bank (DHBK) reports QR142.6mn net profit in 4Q2023 vs. a net loss of QR167.5mn (3Q2023: QR234.9mn; drop of 39.3%).** 4Q2023 bottom-line was mainly driven by 79.0% drop in credit provisions and impairments while growth in opex outweighed growth in revenue. The company recommended a flat DPS of QR.075, which yields 4.4% (highest among reported banks so far). Net-net, DHBK beat estimates due to a sharp drop in provisions and impairments vs. our estimates as revenue and net operating income were in-line. **We remain Market Perform.**

### Highlights

- DHBK 4Q2023 beats estimates because of lower provisions and impairments; revenue in-line.** DHBK reported a net profit of QR142.6mn vs. a loss of QR167.5mn in 4Q2022 (39.3% drop sequentially), beating our estimate of QR36.9mn. Revenue came in-line at QR682.7mn vs. our estimate of QR687.1mn (variation of -0.6%).
- 4Q2023's bottom-line YoY growth was attributable to a material drop in provisions and impairments as growth in opex dwarfed that of revenue.** Total revenue increased by 8.2% as result of a 15.5% increase in net interest income; NIMs expanded by 23bps to 2.43% in 4Q2023. Non-funded income declined by 15.7% YoY as a result of a 54.2% drop in f/x income, while fees inched up by only 0.9%. Opex grew by 14.4%, resulting in net operating income gaining by 5.0% to QR441.3mn (-4.7% difference vs. our estimate). On the other hand, the bulk of the profitability was driven by a 79.0% drop in provisions and impairments. Sequentially, the bottom-line declined by 39.3% due to a litigation loss in 4Q2023; excluding the litigation loss earnings would have increased by 29.6%, solely attributable to a 60.9% decline in provisions & impairments.
- DPS came in-line with estimates.** The Board announced flat DPS of QR0.075, yielding 4.4% with payout ratio of 42% (in-line with 2022).
- RoE will remain weak and significantly below CoE.** FY2023 RoE came in at 5.6% vs. 5.4% in FY2022, in-line with 2018-2022.
- Litigation loss dented 4Q2023 bottom-line.** DHBK booked a litigation loss of QR161.6mn, shaving off 53% from its bottom-line.
- FY2023 CoR slightly improved, but remains very high, which is expected.** FY2023 CoR declined from 153bps in 2022 to 145bps. 4Q2023 credit provisions declined by 57.3% YoY from QR289.2mn in 4Q2022 to QR123.4mn (3Q2023: QR297.2mn).
- Asset quality remains a concern; NPLs still on the rise.** DHBK's NPLs increased 21.3%/15.0% to QR4.5bn in FY2023 vs. 3Q2023/FY2022. Moreover, the NPL ratio increased from 6.4%/6.2% in FY2022/3Q2023 to 7.4% in FY2023. Further, the coverage ratio for Stage 3 loans dropped from 61%/72% in FY2022/3Q2023 to 59% in FY2023 (vs. 51% in FY2021). Stage 2 loans contribute 31% to total loans (highest vs. its peers), which is concerning. In FY2023, the bank wrote-off QR924mn, shaving of 1.5% of loans. On average (2019-2023), DHBK wrote-off 15.0% of loans (QR9.8bn).
- Net loans again increased sequentially after numerous quarterly declines, but ended the year flat.** Net loans increased by 2.3% QoQ to QR58.0bn in 4Q2023 (-0.1% vs. FY2022). Private sector loans gained by 6.4% vs. FY2022, while public sector loans declined by 82.1% on repayment of credit facilities. Deposits expanded by 13.8% sequentially (+2.9% YoY). Growth in deposits was attributable to the public sector.
- CET1/Tier-1 ratios are healthy but CET1 may require some improvement.** DHBK ended 4Q2023 with a CET1 ratio of 13.0% and a Tier-1 ratio of 18.1%, slightly lower than the 2022 figures.

### Catalysts

- Future stock price gains depend on a resumption of confidence in the bank's performance and realization of management's goals & objectives.

### Recommendation, Valuation and Risks

- Recommendation and valuation: We maintain our QR1.883 price target and Market Perform.** DHBK is trading at a 2024e P/B and P/E of 0.5x and 8.9x respectively.
- Risks:** 1) Asset quality. 2) Execution risks remain for management's new strategy.

### Key Financial Data and Estimates

	2022	2023	2024e	2025e
EPS (QR)	0.179	0.181	0.190	0.237
Growth	13.6	0.7	5.1	24.7
P/E (x)	9.5	9.4	8.9	7.2
BVPS (QR)	3.25	3.37	3.50	3.63
P/B (x)	0.5	0.5	0.5	0.5
RoE (%)	5.4	5.6	6.0	7.3
DPS (QR)	0.075	0.075	0.125	0.175
Dividend Yield (%)	4.4	4.4	7.4	10.3

Source: Company data, QNB FS Research

### Key Data

Current Market Price (QR)	1.696
Dividend Yield (%)	4.4
Bloomberg Ticker	DHBK QD
ADR/GDR Ticker	N/A
Reuters Ticker	DOBK.QA
ISIN	QA0006929770
Sector*	Banks & Fin. Svcs.
52wk High/52wk Low	1.979/1.407
3-m Average Volume (mn)	4.1
Mkt. Cap. (\$ bn/QR bn)	1.4/5.3
Shares Outstanding (mn)	3,100.47
FO Limit* (%)	100.0
Current FO* (%)	13.9
1-Year Total Return (%)	(8.0)
Fiscal Year End	December 31

Source: Bloomberg (as of January 24, 2024), \*Qatar Exchange (as of January 24, 2024); Note: FO is foreign institutional ownership

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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>	
<b>OUTPERFORM</b>	Greater than +20%	<b>R-1</b>	Significantly lower than average
<b>ACCUMULATE</b>	Between +10% to +20%	<b>R-2</b>	Lower than average
<b>MARKET PERFORM</b>	Between -10% to +10%	<b>R-3</b>	Medium / In-line with the average
<b>REDUCE</b>	Between -10% to -20%	<b>R-4</b>	Above average
<b>UNDERPERFORM</b>	Lower than -20%	<b>R-5</b>	Significantly above average

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