Analyst Comment

July 19, 2011

DOHA BANK (DHBK.QA)

12-Month Fair Value: QR 68.00
Recommendation: Buy - Risk Level: 4
Last Close (19 July 2011): QR 51.10

- **Doha Bank reported a net profit of QR 339 million in 2Q2011, up 13% YoY**, but 7% below the record high net profit (QR 363 million) recorded in 1Q2011. 1H2011 net profit stood at QR 702 million, 14% above 1H2010.

- **Total operating income in 2Q2011 was in-line with our forecast (a difference of 0.4%)** at QR 580 million, 11% above 2Q2010 but 3% below the record high operating income posted in 1Q2011. The growth in operating income was driven by robust net interest income, which grew by 23% YoY in 2Q2011 on the back of **improved net interest margin and strong growth (+6%) in loans in 2Q2011.**

- **Fee and commission income, remained under pressure, as expected**, declining by 21% YoY in 1H2011. We expect the new consumer loan regulations to have an impact on Doha, and accordingly expect fee and commission income to decline by 18% in FY2011.

- **Total costs increased by 19% YoY in 1H2011**, putting the bank's cost-to-income ratio (CIR) at 32% in 1H2011, compared with 34.5% in FY2010.

- **Loan growth outpaced deposit growth; LDR increased to 95% as of June 2011.** Net loans stood at QR 27.7 billion as of June 2011, up 4.4% YTD. Total deposits, on the other hand, increased by 4% in 2Q2011, following a 9% decline in 1Q2011, to stand at QR 29.2 billion as of June 2011 (down 5% YTD).

- **Asset quality indicators improved.** Non-performing loans (NPLs) were nearly flat in 2Q2011 at QR 1.18 billion as of June 2011. Doha's NPL ratio dropped to 4.11% in June 2011 from 4.35% in March 2011. Loan loss provisioning charges fell in 2Q2011, as expected, by 58% YoY and 14% QoQ. The NPL coverage ratio improved to a record high of 93% in June 2011 from 89% in March 2011.

- **Overall, we believe this is a strong set of results for Doha**, with operating income in-line with our forecast. Furthermore, the decline in provisioning and balance sheet growth are also broadly in-line with our view for Doha.

- **We expect Doha to remain a dividend play** with the 2011 dividend yield forecasted to be a generous 9.8%, the highest in our coverage universe. Our fair value per share for Doha stands at QR 68.00 per share, which is 33% above the bank's last closing price. **Hence, our recommendation on the stock is "Buy."**

Munira Mukadam

T. +971 4365 2858
E. munira.mukadam@nbkcapital.com

Related Research

- Qatari Banking Sector Update - 19 May 2011
- Banking Strategy Note - 05 April 2011

RISK AND RECOMMENDATION GUIDE

RECOMMENDATION	UPSIDE (DOWNSIDE) POTENTIAL
BUY	MORE THAN 20%
ACCUMULATE	BETWEEN 5% AND 20%
HOLD	BETWEEN -10% AND 5%
REDUCE	BETWEEN -25% AND -10%
SELL	LESS THAN -25%

RISK LEVEL				
LOW RISK				HIGH RISK
1	2	3	4	5

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NBK CAPITAL

Kuwait

Head Office
38th Floor, Arraya II
Al Shuhada Street, Block 6, Sharq
P.O.Box 4950, Safat 13050
Kuwait
T. +965 2224 6900
F. +965 2224 6905

MENA Research
35th Floor, Arraya II
Al Shuhada Street, Block 6, Sharq
P.O.Box 4950, Safat 13050, Kuwait
T. +965 2224 6663
F. +965 2224 6905
E. menaresearch@nbkcapital.com.kw

Brokerage
37th Floor, Arraya II
Al Shuhada Street, Block 6, Sharq
P.O.Box 4950, Safat 13050, Kuwait
T. +965 2224 6964
F. +965 2224 6978
E. brokerage@nbkcapital.com

United Arab Emirates

NBK Capital Limited
Precinct Building 3, Office 404
Dubai International Financial Center
P.O.Box 506506
Dubai, UAE
T. +971 4 365 2800
F. +971 4 365 2805

Turkey

NBK Capital
Arastima ve Musavirlik AS,
Sun Plaza, 30th Floor,
Dereboyu Sk. No.24
Maslak 34398, Istanbul, Turkey
T. +90 212 276 5400
F. +90 212 276 5401

NATIONAL BANK OF KUWAIT

Kuwait

National Bank of Kuwait SAK
Abdullah Al-Ahmed Street
P.O. Box 95, Safat 13001
Kuwait City, Kuwait
T. +965 2242 2011
F. +965 2243 1888
Telex: 22043-22451 NATBANK

INTERNATIONAL NETWORK

Bahrain

National Bank of Kuwait SAK
Bahrain Branch
Seef Tower, Al-Seef District
P.O. Box 5290, Manama, Bahrain
T. +973 17 583 333
F. +973 17 587 111

Saudi Arabia

National Bank of Kuwait SAK
Jeddah Branch
Al-Andalus Street, Red Sea Plaza
P.O. Box 15385
Jeddah 21444, Saudi Arabia
T. +966 2 653 8600
F. +966 2 653 8653

United Arab Emirates

National Bank of Kuwait SAK
Dubai Branch
Sheikh Rashed Road, Port Saeed
Area, ACICO Business Park
P.O. Box 88867, Dubai
United Arab Emirates
T. +971 4 2929 222
F. +971 4 2943 337

Jordan

National Bank of Kuwait SAK
Head Office
Al Hajj Mohd Abdul Rahim Street
Hijazi Plaza, Building # 70
P.O.Box 941297,
Amman -11194, Jordan
T. +962 6 580 0400
F. +962 6 580 0441

Lebanon

National Bank of Kuwait
(Lebanon) SAL
Sanayeh Head Office
BAC Building, Justinian Street
P.O. Box 11-5727, Riyad El Solh
1107 2200 Beirut, Lebanon
T. +961 1 759 700
F. +961 1 747 866

Iraq

Credit Bank of Iraq
Street 9, Building 187
Sadoon Street, District 102
P.O.Box 3420, Baghdad, Iraq
T. +964 1 7182198/7191944
+964 1 7188406/7171673
F. +964 1 7170156

Egypt

Al Watany Bank of Egypt
13 Al Themar Street
Gameat Al Dowal AlArabia
Fouad Mohie El Din Square
Mohandessin, Giza, Egypt
T. +202 333 888 16/17
F. +202 333 79302

United States of America

National Bank of Kuwait SAK
New York Branch
299 Park Avenue, 17th Floor
New York, NY 10171, USA
T. +1 212 303 9800
F. +1 212 319 8269

United Kingdom

National Bank of Kuwait (Intl.) Plc
Head Office
13 George Street,
London W1U 3QJ, UK
T. +44 20 7224 2277
F. +44 20 7224 2101

NBK Investment
Management Limited
13 George Street
London W1U 3QJ, UK
T. +44 20 7224 2288
F. +44 20 7224 2102

France

National Bank of Kuwait (Intl.) Plc
Paris Branch
90 Avenue des Champs-Elysees
75008 Paris, France
T. +33 1 5659 8600
F. +33 1 5659 8623

Singapore

National Bank of Kuwait SAK
Singapore Branch
9 Raffles Place #51-01/02
Republic Plaza, Singapore 048619
T. +65 6222 5348
F. +65 6224 5438

Vietnam

National Bank of Kuwait SAK
Vietnam Representative Office
Room 2006, Sun Wah Tower
115 Nguyen Hue Blvd, District 1
Ho Chi Minh City, Vietnam
T. +84 8 3827 8008
F. +84 8 3827 8009

China

National Bank of Kuwait SAK
Shanghai Representative Office
Suite 1003, 10th Floor,
Azia Center, 1233 Lujiazui Ring Rd.
Shanghai 200120, China
T. +86 21 6888 1092
F. +86 21 5047 1011

ASSOCIATES

Qatar

International Bank of Qatar (QSC)
Suhaim bin Hamad Street
P.O.Box 2001
Doha, Qatar
T. +974 447 3700
F. +974 447 3710

Turkey

Turkish Bank
Head Office
Valikonagl Avenue No. 1
P.O.Box 34371 Nisantasi,
Istanbul, Turkey
T. +90 212 373 6373
F. +90 212 225 0353