

Dukhan Bank (DUBK)

Recommendation	Market Perform	Risk Rating	R-3
Share Price	QR3.510	Target Price	QR3.730
Implied Upside/(Downside)	6.3%		

3Q2025 Beats Estimates; Strong YoY Figures Across the Board

DUBK's 3Q2025 beats our estimates. Dukhan Bank (DUBK) reported a net profit of QR380.3mn in 3Q2025, ahead of our estimate of QR363.4mn (variation of +4.7%). Revenue and net operating income was strong, but provisions prevented the bottom-line from growing beyond 6.4% YoY. Key takeaways from 3Q figures: Revenue increased by 17.3%YoY due to strong non-funded income (fees: +40.9%, f/x income: +726.1%) and net interest & investment income (+2.2%). **Sequentially, net income climbed by only 1.6% due to a surge in credit provisions & impairments dwarfing robust net operating income.**

Highlights

- **3Q2025 revenue surged YoY and sequentially.** Revenue increased by 17.3% YoY due to a surge in non-funded income and an increase in net interest & investment income. Sequentially, revenue increased by 15.8% mainly due to non-funded income (specifically fees & f/x income).
- **Tangible annualized RoE remained flattish in 9M2025 vs. 9M2024.** DUBK generated a flat RoE of 13.0% in 9M2025, which is above its cost of equity.
- **NIMs were flat YoY but climbed up QoQ in 2Q2025.** NIMs came in at 2.04% vs 2.04% in 3Q2024 and 1.98% in 2Q2025.
- **Loans exhibited flattish performance sequentially and YTD.** Net loans were flattish sequentially at QR85.7bn. On the other hand, deposits expanded QoQ (+4.2%) and YTD (+3.6%) in 3Q2025 to QR86.3bn.
- **Asset quality improved in 3Q2025.** The bank's NPLs declined by 3.0% sequentially (-4.3% YTD), resulting in the NPL ratio moving from 4.58% in FY2024 to 4.40% in 3Q2025 (2Q2025: 4.53%). However, it should be noted that a decent chunk of the NPLs are legacy in nature. Coverage of Stage 3 loans also remained stable at 75% in 3Q2025 (FY2024: 73%). Moreover, Stage 2 loans increased sequentially. Stage 2 loans only contribute 10% to total loans.
- **9M2025 annualized CoR doubled vs. 9M2024.** DUBK booked net credit provisions of QR170.0mn in 3Q2025 vs. provisions of QR88.3mn in 3Q2024 (2Q2025: QR58.3mn). DUBK booked CoR of 40bps vs. 24bps in 9M2024.
- **The bank's C/I ratio improved both YoY and sequentially.** DUBK's C/I ratio decreased from 33.5% in 3Q2024 to 30.0% in 3Q2025 (2Q2025: 34.4%). The bank generated positive JAWs of 12.0% and 14.6% YoY and QoQ, respectively.
- **DUBK maintains strong capitalization levels.** The bank ended 3Q2025 with CET1/Tier-1 ratios of 15.5%/17.8%.

Recommendation, Valuation and Risks

- **Recommendation and valuation: We maintain our Price Target of QR3.730 and our Market Perform rating.** DUBK is trading at a 2025e/26e P/TB and P/E of 1.4x and 12.6x/11.3x, respectively.
- **Risks:** 1) Geo-political factors and 2) Unexpected asset quality deterioration.

Key Financial Data and Estimates

	2024	2025e	2026e	2027e
Attributable EPS (QR)	0.236	0.249	0.278	0.310
EPS Growth (%)	3.3	5.5	11.5	11.6
P/E (x)	14.9	14.1	12.6	11.3
Tangible BVPS (QR)	2.3	2.5	2.6	2.7
P/TBV (x)	1.5	1.4	1.4	1.3
RoE (%)	10.3	10.7	11.4	12.1
DPS (QR)	0.160	0.170	0.200	0.210
Dividend Yield (%)	4.6	4.8	5.7	6.0

Source: QNB FS Research, Company data; EPS is based on current shares outstanding including treasury shares

Key Data

Current Market Price (QR)	3.510
DY 1H Annualized (%)	4.6
Bloomberg Ticker	DUBK QD
Reuters Ticker	DUBK.QA
ISIN	QA000B982PM1
Sector	Banks
52wk High/52wk Low (QR)	3.830/3.211
3-Month Average Volume (mn)	2.0
Mkt. Cap. (\$ bn/QR bn)	5.0/18.4
Shares Outstanding (mn)	5,234.1
FOL Limit (%)	49.0
Current Institutional FO* (%)	6.4
12-Month Total Return (%)	(1.8)
Fiscal Year End	December 31

Source: Bloomberg (as of October 08, 2025), *QSE (as of October 08, 2025); Note: FO is foreign institutional ownership

Shahan Keushgerian

+974 4476 6509

shahan.keushgerian@qnbfs.com.qa

Saugata Sarkar, CFA, CAIA

+974 4476 6534

saugata.sarkar@qnbfs.com.qa

Detailed Financial Statements

Income Statement (In QR mn)	2022	2023	2024	2025e	2026e	2027e
Net Interest Income	2,143	1,926	2,209	2,414	2,641	2,822
Fees & Commissions	211	256	256	263	259	254
FX Income	223	131	49	68	83	81
Other Income	88	130	165	142	164	153
Non-Interest Income	522	518	469	473	506	488
Total Revenue	2,665	2,444	2,679	2,888	3,147	3,310
Operating Expenses	(750)	(807)	(882)	(935)	(993)	(1,012)
Net Operating Income	1,915	1,637	1,797	1,953	2,154	2,298
Net Provisions & Impairments	(660)	(333)	(453)	(538)	(585)	(557)
Net Profit Before Taxes and Non-Recurring	1,255	1,303	1,343	1,414	1,568	1,741
Taxes	(2)	(1)	(1)	(2)	(3)	(3)
Non-Recurring Items	-	-	-	-	-	-
Net Profit (Reported/Headline)	1,253	1,302	1,343	1,412	1,566	1,738
Payment on Tier-1 Sukuk	(72)	(72)	(72)	(72)	(72)	(72)
Social & Sports Contribution Fund		(33)	(34)	(35)	(39)	(43)
Net Profit (Attributable)	1,181	1,198	1,237	1,305	1,455	1,623
EPS (including treasury shares)	0.226	0.229	0.236	0.249	0.278	0.310

Source: Company data, QNB FS Research

Balance Sheet (In QR mn)	2022	2023	2024	2025e	2026e	2027e	2028e
Cash & Balances with Central Bank	6,425	3,645	3,639	3,781	4,334	4,369	4,962
Interbank Loans	1,500	11,072	5,811	6,488	5,950	6,401	5,684
Net Investments	20,432	19,971	19,882	20,704	22,337	23,992	25,423
Net Loans	75,677	77,585	86,212	92,686	99,165	106,684	113,683
Investment In Associates	64	32	10	11	11	12	12
Other Assets	866	900	663	741	803	875	932
Net PP&E	264	242	830	792	768	774	780
Investments In Real Estate	135	135	135	135	135	135	135
Goodwill	443	443	443	443	443	443	443
Other Intangibles	471	392	314	235	157	78	78
Total Assets	106,276	114,417	117,940	126,016	134,104	143,763	152,133
Liabilities							
Interbank Deposits	14,871	19,582	14,308	15,741	16,830	18,056	19,350
Customer Deposits	74,545	78,002	83,351	90,019	96,320	104,026	110,268
Term Loans	-	-	2,933.14	2,933.14	2,933.14	2,933.14	2,933.14
Tier-1 Perpetual Sukuk	1,821	1,821	1,821	1,821	1,821	1,821	1,821
Other Liabilities	2,523	2,120	2,569	2,070	2,196	2,341	2,481
Total Liabilities	93,761	101,525	104,981	112,584	120,101	129,176	136,852
Total Shareholders' Equity	12,515	12,893	12,958	13,432	14,003	14,587	15,281
Total Liabilities & Shareholders' Equity	106,276	114,417	117,940	126,016	134,104	143,763	152,133
Risk Weighted Assets	73,065	80,139	82,942	90,228	97,896	107,823	117,143
	-	-	-	-	-	-	-
Interest Earning Assets	95,373	106,909	110,904	118,711	126,338	135,900	143,606
Interest Bearing Liabilities	81,165	81,175	85,010	90,689	97,783	109,411	118,216

Source: Company data, QNB FS Research

Ratios/Financial Indicators	2022	2023	2024	2025e	2026e	2027e
Profitability (%)						
RoE	10.6	10.3	10.3	10.7	11.4	12.1
RoAA	1.1	1.1	1.1	1.1	1.1	1.2
RoRWAs	1.6	1.6	1.5	1.5	1.5	1.6
NIM (% of IEAs)	2.21	1.90	2.04	2.11	2.16	2.15
NIM (% of RWAs)	2.97	2.51	2.71	2.79	2.81	2.74
NIM (% of AAs)	1.97	1.75	1.90	1.98	2.03	2.03
Yield on IEAs	4.06	5.51	5.72	5.83	5.93	6.06
CoFs	2.11	4.50	4.83	4.87	4.90	4.95
Spread	1.95	1.02	0.91	0.98	1.02	1.11
Efficiency (%)						
Cost-to-Income (Headline)	28.2	33.0	32.9	32.4	31.6	30.6
Cost-to-Income (Core)	28.6	33.5	33.6	32.9	32.1	31.1
Liquidity (%)						
LDR	102	99	100	100	100	100
Loans/Assets	71.2	67.8	73.1	73.6	73.9	74.2
Liquid Assets-to-Total Assets	26.7	30.3	24.9	24.6	24.3	24.2
Deposits to Assets	70.1	68.2	70.7	71.4	71.8	72.4
Wholesale Funding to Loans	19.7	25.2	20.0	20.1	19.9	19.7
IEAs to IBLs	118	132	130	131	129	124
Asset Quality (%)						
NPL Ratio	5.1	5.4	4.6	4.3	4.0	3.8
NPLs to Shareholders' Equity	32.5	33.9	31.8	30.7	29.8	28.9
NPL to Tier-1 Capital	32.4	33.4	30.2	27.6	25.5	23.5
Coverage Ratio	83.3	83.7	87.1	103.9	121.6	139.3
ALL/Average Loans	4.0	4.2	3.9	4.3	4.8	5.1
Cost of Risk (bps)	85	38	50	57	55	51
Capitalization (%)						
CET1 Ratio	14.7	14.0	14.2	14.5	14.9	15.0
Tier-1 Ratio	17.2	16.3	16.4	16.5	16.7	16.7
CAR	18.3	17.2	17.3	17.5	17.7	17.7
Leverage (x)	8.5	8.9	9.1	9.4	9.6	9.9
Growth (%)						
Net Interest Income	-8.6	-10.1	14.7	9.3	9.4	6.9
Non-Interest Income	3.4	-0.9	-9.3	0.9	6.9	-3.6
OPEX	-4.1	7.6	9.2	6.0	6.3	1.9
Net Operating Income	-7.4	-14.5	9.8	8.7	10.3	6.7
Net Income (Attributable)	1.8	1.4	3.3	5.5	11.5	11.6
Loans	0.6	2.5	11.1	7.5	7.0	7.6
Deposits	-3.7	4.6	6.9	8.0	7.0	8.0
Assets	-4.0	7.7	3.1	6.8	6.4	7.2
RWAs	2.9	9.7	3.5	8.8	8.5	10.1

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

Contacts

QNB Financial Services Co. W.L.L.
Contact Center: (+974) 4476 6666
info@qnbfs.com.qa
Doha, Qatar

Saugata Sarkar, CFA, CAIA
Head of Research
saugata.sarkar@qnbfs.com.qa

Shahan Keushgerian
Senior Research Analyst
shahan.keushgerian@qnbfs.com.qa

Phibion Makuwerere, CFA
Senior Research Analyst
phibion.makuwerere@qnbfs.com.qa

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