

Doha Bank (DHBK)

Recommendation	ACCUMULATE	Risk Rating	R-3
Share Price	QR2.500	Target Price	QR2.884
Implied Upside	15.4%	Old Target Price	QR1.883

2Q2025 Falls Short But Headwinds Behind Us; Raising PT to QR2.884

Doha Bank (DHBK) reported a net profit of QR215.7mn in 2Q2025, growing by 7.3% YoY (-14.3% QoQ) on the back of a significant drop in provisions & impairments. Profitability came below our estimate of QR242.1mn (variation of -10.9%). Net operating income dropped by 13.8% YoY (-12.3% QoQ) due to weak investment income and a 29bps/27bps contraction in NIMs YoY/QoQ. NIM came in at 1.74%. The sequential drop in earnings was attributable to soft non-funded income and margin pressure. DHBK still trades at a 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. Having said this, the stock rallied by 27% after announcing its 10% buy-back program on April 20th. The stock went from trading at 0.5x P/B to 0.7x P/B. Moreover, on a TTR basis, DHBK has been the best performing stock, with the name up 82.4%. **The BoD did not announce an interim dividend, which could put pressure on stock performance, in our view. We have increased our PT to QR2.884 on higher estimates (2025, 2026 & 2027) and potentially higher RoE in the terminal year coupled with a lower CoE. We still maintain our Accumulate rating.**

Highlights

- **RoE remains weak and markedly below CoE.** 1H2025 annualized RoE came in at 8.6% vs. 8.3% in 1H2024.
- **1H2025 annualized CoR remained flat vs. 1H2024.** DHBK's 1H2025 annualized CoR came in at 130bps vs. 128bps in 1H2024. Net credit provisions increased by 28.2%/93.1% YoY/QoQ.
- **C/I ratio remains higher than its peers.** C/I ratio increased from 35.6% in 2Q2024 to 40.4% in 2Q2025 (37.9% in 1Q2025). C/I remains elevated due to weak revenue emanating from margin pressure and investment income, with opex increasing at the same time. Revenue declined by 6.9% YoY, while opex moved up by 5.5%. Sequentially, revenue dropped by 8.6%, while opex receded by 2.6%.
- **Asset quality remains under pressure; NPLs moderately moved up.** DHBK's NPLs increased 2.5% YTD to QR5.0bn in 2Q2025. The NPL ratio increased from 7.43% in FY2024 (1Q2025: 7.41%) to 7.66% partially due to a drop in loans. On the other hand, the coverage ratio for Stage 3 loans increased to 79% vs. 75% in FY2024 (1Q2025: 78%), which is positive. Stage 2 loans still contribute 27% to total loans which are still on the high side.
- **Net loans declined sequentially and YTD.** Net loans dropped by 3.0% QoQ to QR60.0bn in 2Q2025 (-1.6% YTD). On the other hand, deposits moved up by 1.5% sequentially (flat YTD) 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 2Q2025 with a CET1 ratio of 13.1% and a Tier-1 ratio of 18.0%.

Catalysts

- **With the stock outperforming its peers 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 increase our price target to QR2.884 but maintain our Accumulate rating.** DHBK is trading at a 2025e/26e P/B and P/E of 0.7x and 10.7/9.2x, respectively.
- **Risks:** 1) Asset quality. 2) Execution risks remain for management's new strategy.

Key Financial Data and Estimates

	2024	2025e	2026e	2027e
EPS (QR)	0.206	0.234	0.271	0.306
Growth	14.3	13.5	15.8	12.7
P/E (x)	12.1	10.7	9.2	8.2
BVPS (QR)	3.49	3.62	3.78	3.97
P/B (x)	0.7	0.7	0.7	0.6
RoE (%)	6.1	6.7	7.5	8.1
DPS (QR)	0.100	0.115	0.120	0.150
Dividend Yield (%)	4.0	4.6	4.8	6.0

Source: Company data, QNB FS Research

Key Data

Current Market Price (QR)	2.500
Dividend Yield (%)	4.0
Bloomberg Ticker	DHBK QD
Reuters Ticker	DOBK.QA
ISIN	QA0006929770
Sector*	Banks & Fin. Svcs.
52wk High/52wk Low	2.555/1.431
3-m Average Volume (mn)	4.4
Mkt. Cap. (\$ bn/QR bn)	2.1/7.8
Shares Outstanding (mn)	3,100.47
FO Limit* (%)	100.0
Current FO* (%)	16.4
1-Year Total Return (%)	+82.38
Fiscal Year End	December 31

Source: Bloomberg (as of July 14, 2025), *Qatar Exchange (as of July 14, 2025); Note: FO is foreign institutional ownership

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Estimates Revisions

(In QR mn)	2025e			2026e			2027e		
	Old	New	Change	Old	New	Change	Old	New	Change
Net Interest Income	2,081	2,091	0.5	2,278	2,254	(1.0)	2,421	2,423	0.1
Non-Interest Income	682	687	0.7	724	726	0.2	763	712	(6.7)
Total Revenue	2,763	2,777	0.5	3,002	2,980	(0.7)	3,184	3,135	(1.5)
Opex	(1,078)	(1,074)	(0.3)	(1,156)	(1,125)	(2.6)	(1,236)	(1,168)	(5.5)
Net Operating Income	1,685	1,703	1.1	1,846	1,855	0.5	1,948	1,967	1.0
Net Provisions & Impairments	716	754	5.2	786	787	0.1	785	790	0.6
Net Income (Reported)	916	940	2.6	1,002	1,057	5.5	1,153	1,167	1.2
Net Income (Attributable)	704	726	3.2	787	841	6.9	935	948	1.4

Source: QNB FS Research

Detailed Financial Statements

Income Statement (In QR mn)	2022	2023	2024	2025e	2026e	2027e
Net Interest Income	2,322	2,116	1,992	2,091	2,254	2,423
Fees & Commissions	371	376	402	424	451	436
FX Income	153	105	140	123	133	130
Other Income	63	55	122	139	142	146
Non-Interest Income	587	536	663	687	726	712
Total Revenue	2,909	2,652	2,655	2,777	2,980	3,135
Operating Expenses	(894)	(930)	(1,010)	(1,074)	(1,125)	(1,168)
Net Operating Income	2,015	1,722	1,645	1,703	1,855	1,967
Net Provisions	(1,201)	(857)	(787)	(754)	(787)	(790)
Net Profit Before Tax	814	865	858	949	1,068	1,177
Tax	(48)	(95)	(7)	(9)	(11)	(11)
Net Profit (Reported/Headline)	765	769	851	940	1,057	1,167
Interest on Tier-1 Note	(190)	(190)	(190)	(190)	(190)	(190)
Social & Sports Contribution Fund	(19)	(19)	(21)	(23)	(26)	(29)
Attributable Net Profit	556	560	640	726	841	948
EPS	0.179	0.181	0.206	0.234	0.271	0.306

Source: Company data, QNB FS Research

Balance Sheet (In QR mn)	2022	2023	2024	2025e	2026e	2027e
Cash & Balances with Central Bank	3,668	4,842	5,888	5,873	6,226	6,039
Interbank Loans	8,651	5,497	6,843	5,769	6,780	5,697
Net Investments	24,964	30,386	34,205	37,232	39,865	42,617
Net Loans	58,079	58,010	60,984	64,100	67,801	71,213
Other Assets	1,618	1,844	1,798	1,723	1,368	1,650
Net PP&E	665	619	530	484	437	401
Total Assets	97,645	101,198	110,247	115,181	122,476	127,616
Liabilities						
Interbank Deposits	19,239	23,908	30,651	30,254	35,468	32,982
Customer Deposits	50,130	51,573	50,852	53,394	56,598	60,390
Term Loans	11,408	8,517	11,229	13,362	12,427	15,534
Other Liabilities	2,790	2,756	2,697	2,937	2,264	2,416
Tier-1 Perpetual Notes	4,000	4,000	4,000	4,000	4,000	4,000
Total Liabilities	87,566	90,754	99,429	103,947	110,757	115,321
Total Shareholders' Equity	10,079	10,444	10,818	11,234	11,719	12,295
Total Liabilities & Shareholders' Equity	97,645	101,198	110,247	115,181	122,476	127,616
Risk Weighted Assets	73,175	78,094	78,168	82,931	89,163	94,563
IEAs	89,136	92,633	98,306	105,769	112,945	118,084
IBLs	71,990	76,254	92,645	96,859	104,316	108,741
Tangible BV/share	3.25	3.37	3.49	3.62	3.78	3.97

Source: Company data, QNB FS Research

Ratios/Financial Indicators	2022	2023	2024	2025e	2026e	2027e
Profitability (%)						
RoE (Attributable)	5.4	5.6	6.1	6.7	7.5	8.1
RoAA (Attributable)	0.8	0.8	0.8	0.8	0.9	0.9
RoRWA (Attributable)	0.8	0.7	0.8	0.9	1.0	1.0
NIM (% of IEAs)	2.57	2.36	2.09	2.05	2.06	2.10
NIM (% of RWAs)	3.20	2.80	2.55	2.60	2.62	2.64
NIM (% of AAs)	2.34	2.16	1.88	1.85	1.90	1.94
Spread	2.1	1.5	1.5	1.8	1.8	1.9
Efficiency (%)						
Cost-to-Income (Headline)	30.7	33.1	38.0	38.7	37.8	37.3
Cost-to-Income (Core)	31.0	35.5	39.5	40.4	39.3	38.8
Liquidity (%)						
LDR (stable sources of funds)	94	97	98	96	98	94
Loans/Assets	59.5	57.3	55.3	55.7	55.4	55.8
Cash & Interbank Loans-to-Total Assets	12.6	10.2	11.5	10.1	10.6	9.2
Deposits to Assets	51.3	51.0	46.1	46.4	46.2	47.3
Wholesale Funding to Loans	52.8	55.9	68.7	68.0	70.6	68.1
IEAs to IBLs	1.2	1.2	1.1	1.1	1.1	1.1
Asset Quality (%)						
NPL Ratio	6.43	7.36	7.43	7.32	7.00	6.50
NPL to Shareholders' Equity	39.3	43.6	45.5	45.9	44.9	42.1
NPL to Tier 1 Capital	40.6	44.9	47.2	47.6	46.6	43.7
Coverage Ratio	87.0	83.2	106.9	122.5	140.6	164.1
ALL/Average Loans	5.4	6.1	8.2	9.2	10.2	11.0
Cost of Risk (%)	153	145	110	108	106	101
Capitalization (%)						
CET1 Ratio	13.3	13.0	13.3	13.1	12.7	12.5
Tier-1 Ratio	18.8	18.1	18.4	17.9	17.2	16.8
CAR	19.9	19.2	19.6	19.0	18.3	17.9
Tier-1 Leverage (x)	14.1	14.0	13.1	12.9	12.5	12.4
Growth (%)						
Net Interest Income	-10.2	-8.9	-5.9	5.0	7.8	7.5
Non-Interest Income	12.4	18.9	-4.9	3.5	5.7	-1.9
Total Revenue	-6.4	-3.3	-5.6	4.6	7.3	5.2
Opex	2.1	4.0	8.6	6.4	4.8	3.8
Net Operating Income	-9.7	-6.5	-12.7	3.5	8.9	6.0
Net Income (Headline/Reported)	8.8	0.5	10.7	10.4	12.5	10.3
Net Income (Attributable)	13.6	0.7	14.3	13.5	15.8	12.7
Loans	-7.3	-0.1	5.1	5.1	5.8	5.0
Deposits	-0.4	2.9	-1.4	5.0	6.0	6.7
Assets	-3.4	3.6	8.9	4.5	6.3	4.2
RWAs	1.8	6.7	0.1	6.1	7.5	6.1

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

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