

Dukhan Bank (DUBK)

Recommendation	Market Perform	Risk Rating	R-3
Share Price	QR3.643	Target Price	QR3.730
Implied Upside/(Downside)	2.4%		

2Q2025 Modestly Falls Below Estimates; Interim DPS of QR0.08

DUBK's 2Q2025 modestly falls below our estimates. Dukhan Bank (DUBK) reported a net profit of QR374.2mn in 2Q2025, modestly short of our estimate of QR380.2mn (variation of -1.6%). Revenue and net operating income was strong, but provisions prevented the bottom-line from growing beyond 3.6% YoY. Key takeaways from 2Q figures: Revenue increased by 7.3%YoY due to strong non-funded (fees: +8.6%, f/x income: +159.5%) and net interest & investment income (+3.0%). **Sequentially, net income declined by 14.4% due to weak non-funded income and a 2-fold increase in provisions.**

Highlights

- **2Q2025 revenue increased YoY but declined sequentially.** Revenue increased by 7.3% YoY due to a surge in non-funded income and an increase in net interest & investment income. Sequentially, revenue declined by 2.8% on lower non-funded income (specifically fees & commissions).
- **The board announced an interim DPS of QR0.08 in-line with 1H2024.** This corresponds to an annualized yield of 4.4% and a payout ratio of 64%, which is attractive in our view.
- **Tangible annualized RoE remained flat in 1H2025 vs. 1H2024.** DUBK generated a flat RoE of 12.8% in 1H2025, which is above its cost of equity.
- **NIMs were flat YoY/QoQ in 2Q2025, as expected.** NIMs came in at 1.98%.
- **Loans exhibited flattish performance sequentially and YTD.** Net loans were flattish sequentially at QR85.8bn. Moreover, deposits were also flattish QoQ and YTD in 2Q2025.
- **Asset quality remained stable sequentially and YoY in 2Q2025.** The bank's NPLs declined by 1.2% sequentially (-1.4% YoY), resulting in the NPL ratio moving from 4.58% in FY2024 to 4.53% in 2Q2025 (1Q2025: 5.55%). 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 74% in 2Q2025 (FY2024: 73%). Moreover, Stage 2 loans remained stable sequentially. Stage 2 loans only contribute 10% to total loans.
- **1H2025 annualized CoR increased slightly over 1H2024.** DUBK booked net credit provisions of QR58.3mn in 2Q2025 vs. provisions of QR43.6mn in 2Q2024 (1Q2025: QR39.8mn). DUBK booked CoR of 22bps vs. 16bps in 1H2024.
- **The bank's C/I ratio increased YoY and QoQ.** DUBK's C/I ratio increased from 33.4% in 2Q2024 to 34.4% in 2Q2025 (1Q2025: 31.4%) as revenue gained by 7.3%, while opex increased by 10.3%, in-line with management guidance
- **DUBK maintains strong capitalization levels.** The bank ended 2Q2025 with CET1/Tier-1 ratios of 15.1%/17.3%.

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 1.5x/1.4x and 14.6x/13.1x, 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	0.277	0.310
EPS Growth (%)	3.3	5.3	11.5	11.6
P/E (x)	15.4	14.6	13.1	11.8
Tangible BVPS (QR)	2.3	2.5	2.6	2.7
P/TBV (x)	1.6	1.5	1.4	1.4
RoE (%)	10.3	10.7	11.4	12.1
DPS (QR)	0.160	0.170	0.200	0.210
Dividend Yield (%)	4.4	4.7	5.5	5.8

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

Key Data

Current Market Price (QR)	3.643
DY 1HAnnualized (%)	4.4
Bloomberg Ticker	DUBK QD
Reuters Ticker	DUBK.QA
ISIN	QA000B982PM1
Sector	Banks
52wk High/52wk Low (QR)	3.899/3.211
3-Month Average Volume (mn)	2.5
Mkt. Cap. (\$ bn/QR bn)	5.3/19.1
Shares Outstanding (mn)	5,234.1
FOL Limit (%)	49.0
Current Institutional FO* (%)	6.4
12-Month Total Return (%)	(0.1)
Fiscal Year End	December 31

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

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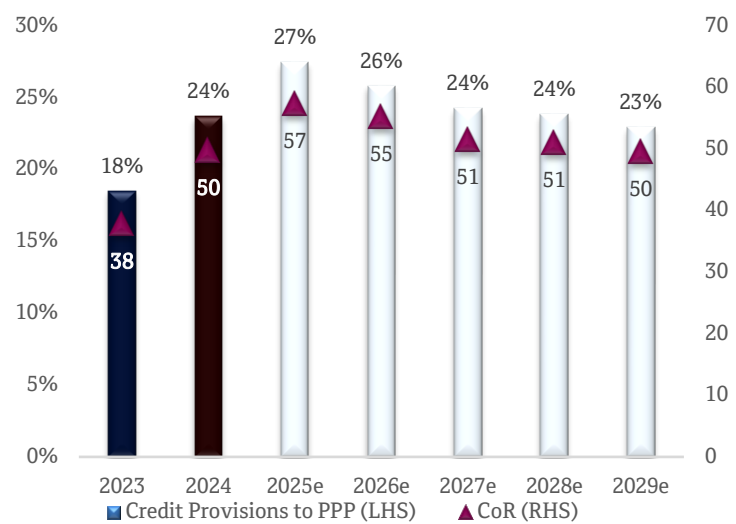
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RoE/RoRWAs to Steadily Improve...

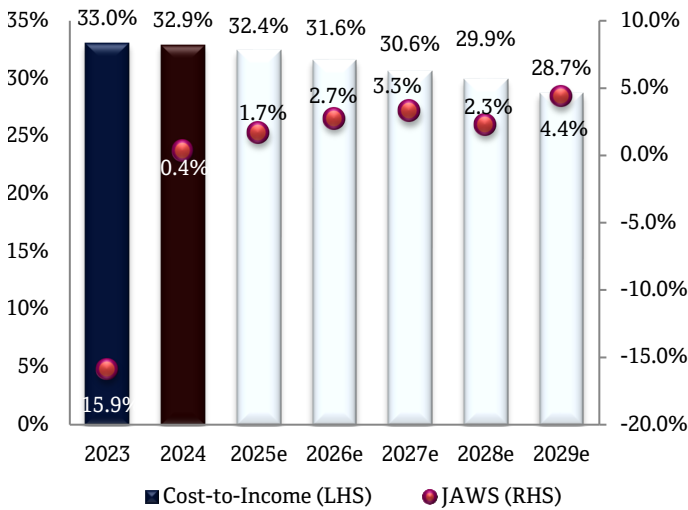


Source: Company data, QNB FS Research

CoR Normalizes at 50bps

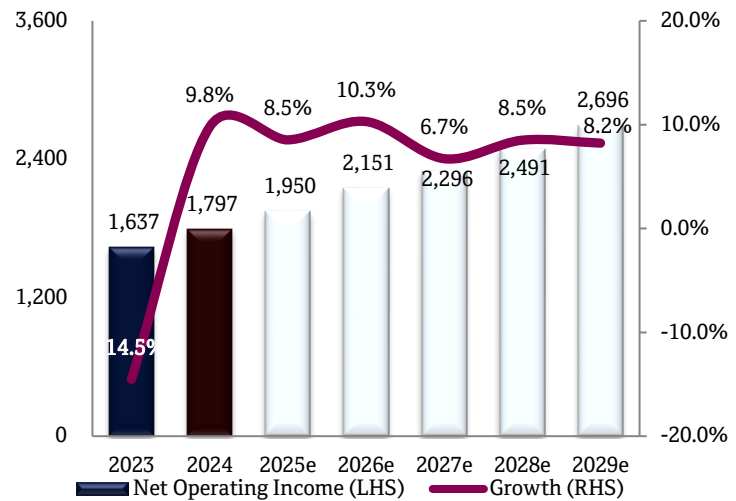


Efficiency to Improve With Positive JAWs

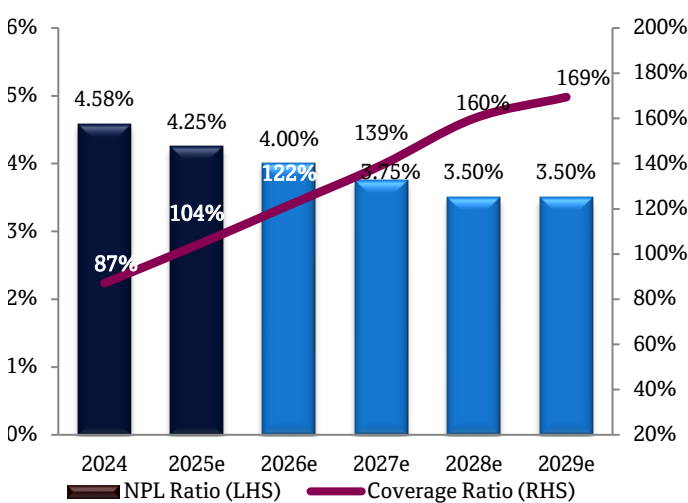


Source: Company data, QNB FS Research

Leading to Healthy Growth in Net Operating Income



NPLs to Improve With Recoveries & Prudent Underwriting



Source: Company data, QNB FS Research

Stage 3 Loans Coverage Improved (Coverage is ~95% incl. Collateral)

FY2024	Stage 1	Stage 2	Stage 3	Total
Gross Loans	77,116,953	8,564,460	4,114,891	89,796,304
ECLs	118,516	456,725	3,008,694	3,583,935
Staging of Loans (%)	85.9%	9.5%	4.58%	
Staging of ECLs (%)	3.3%	12.7%	83.9%	
Coverage Ratio	0.2%	5.3%	73.1%	

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	261	256	252
FX Income	223	131	49	68	83	81
Other Income	88	130	165	142	164	153
Non-Interest Income	522	518	469	471	504	485
Total Revenue	2,665	2,444	2,679	2,885	3,145	3,308
Operating Expenses	(750)	(807)	(882)	(935)	(993)	(1,012)
Net Operating Income	1,915	1,637	1,797	1,950	2,151	2,296
Net Provisions & Impairments	(660)	(333)	(453)	(538)	(585)	(557)
Net Profit Before Taxes and Non-Recurring	1,255	1,303	1,343	1,412	1,566	1,739
Taxes	(2)	(1)	(1)	(2)	(3)	(3)
Non-Recurring Items	-	-	-	-	-	-
Net Profit (Reported/Headline)	1,253	1,302	1,343	1,409	1,563	1,736
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	1,302	1,452	1,620
EPS (including treasury shares)	0.226	0.229	0.236	0.249	0.277	0.310

Source: Company data, QNB FS Research

Balance Sheet (In QR mn)	2022	2023	2024	2025e	2026e	2027e
Cash & Balances with Central Bank	6,425	3,645	3,639	3,781	4,334	4,369
Interbank Loans	1,500	11,072	5,811	6,488	5,950	6,401
Net Investments	20,432	19,971	19,882	20,704	22,337	23,992
Net Loans	75,677	77,585	86,212	92,686	99,165	106,684
Investment In Associates	64	32	10	11	11	12
Other Assets	866	900	663	741	803	875
Net PP&E	264	242	830	792	768	774
Investments In Real Estate	135	135	135	135	135	135
Goodwill	443	443	443	443	443	443
Other Intangibles	471	392	314	235	157	78
Total Assets	106,276	114,417	117,940	126,016	134,104	143,763
Liabilities						
Interbank Deposits	14,871	19,582	14,308	15,743	16,835	18,063
Customer Deposits	74,545	78,002	83,351	90,019	96,320	104,026
Term Loans	-	-	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
Other Liabilities	2,523	2,120	2,569	2,070	2,196	2,341
Total Liabilities	93,761	101,525	104,981	112,587	120,106	129,184
Total Shareholders' Equity	12,515	12,893	12,958	13,429	13,998	14,580
Total Liabilities & Shareholders' Equity	106,276	114,417	117,940	126,016	134,104	143,763
Risk Weighted Assets	73,065	80,139	82,942	90,228	97,896	107,823
Interest Earning Assets	95,373	106,909	110,904	118,711	126,338	135,900
Interest Bearing Liabilities	81,165	81,175	85,010	90,692	97,788	109,419

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	20.2	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	29.0
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	0.3	7.0	-3.6
OPEX	-4.1	7.6	9.2	6.0	6.3	1.9
Net Operating Income	-7.4	-14.5	9.8	8.5	10.3	6.7
Net Income (Attributable)	1.8	1.4	3.3	5.3	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

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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>	
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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