

Dukhan Bank (DUBK)

Recommendation	Market Perform	Risk Rating	R-3
Share Price	QR3.645	Target Price	QR3.810
Implied Upside/(Downside)	4.5%		

4Q2024 Moderately Misses Estimates On Impairments; DPS In-Line

DUBK's 4Q2024 moderately falls short of our estimates. Dukhan Bank (DUBK) reported a net profit of QR201.2mn in 4Q2024, below our estimate of QR207.9mn (variation of -3.2%), mainly due to higher-than-expected credit provisions. Overall, the results were mixed. Key takeaways from 4Q figures: the bottom-line increased by 3.3%YoY due to non-funded income offsetting margin compression (fees and other non-core income). **The sequential 43.7% drop in the bottom-line was due to a surge in net credit provisions and impairments.**

Highlights

- 4Q2024 revenue increased both YoY and sequentially.** Revenue increased by 6.1%/11.8% YoY/QoQ due to a surge in non-funded income. Margins declined YoY/sequentially.
- The board announced an interim DPS of QR0.08 for 2H2024 (1H2024: QR0.08), bringing annual DPS to QR0.160, in-line with our estimate.** This corresponds to a yield of 4.4%.
- Tangible RoE remained flat in FY2024 vs. FY2023.** DUBK generated a flat RoE of 10.3% in FY2024, which is slightly lower than its cost of equity.
- NIMs compressed YoY/QoQ in 4Q2024.** NIMs compressed by 30bps YoY (+2bps sequentially) to -2.02% on the back of yields dropping more than CoFs.
- Loans continued its positive trajectory.** Net loans went up by 1.6% sequentially (+11.1% YoY) to QR86.2bn. Moreover, deposits increased by 1.3% QoQ (+6.9% YoY) to QR83.4bn in 3Q2024. Loan growth was driven by the retail and corporate segments (ex. real estate and contracting). Real estate/contracting loans decreased by 7.7%/16.2%.
- Asset quality remained stable sequentially but improved YoY in 4Q2024.** The bank's NPLs remained flat sequentially (-5.8% YoY), resulting in the NPL ratio moving from 4.65% in 3Q2024 to 4.58% in 4Q2024 (FY2023: 5.38%). However, it should be noted that a decent chunk of the NPLs are legacy in nature. Coverage of Stage 3 loans improved from 69% in 3Q2024 to 73% in 4Q2024 (FY2023: 70%). Moreover, Stage 2 loans improved, dropping by 24.1%/27.8% QoQ/YoY. Stage 2 loans now contribute 10% to total loans.
- CoR increased in 4Q2024 as DUBK provided buffers across all stages of loans.** DUBK booked net credit provisions of QR268.5mn in 4Q2024 vs. provisions of QR252.8mn in 4Q2023 (3Q2024: QR88.3mn). DUBK's CoR increased from 38bps in FY2023 to 50bps in FY2024.
- The bank's efficiency ratio improved YoY, but remained flat sequentially.** DUBK's C/I ratio remained flattish at 34.8% in 4Q2024 vs. 35.0% in 4Q2023 (3Q2024: 33.5%) as revenue gained by 6.1%, while opex increased by 5.3%. Sequentially, C/I ratio increased as revenue grew by 11.8%, while opex gained by 16.2%.
- DUBK maintains healthy capitalization levels.** The bank ended FY2024 with CET1/Tier-1 ratios of 14.2%/16.4%.

Recommendation, Valuation and Risks

- Recommendation and valuation: We maintain our Price Target of QR3.810 and our Market Perform rating.** DUBK is trading at a 2024/25e P/TB and P/E of 1.6x/1.5x and 15.4x/13.8x, respectively.
- Risks:** 1) Geo-political factors and 2) Unexpected asset quality deterioration.

Key Financial Data and Estimates

	2023	2024	2025e	2026e
Attributable EPS (QR)	0.229	0.236	0.265	0.306
EPS Growth (%)	1.4	3.3	12.1	15.4
P/E (x)	15.9	15.4	13.8	11.9
Tangible BVPS (QR)	2.3	2.3	2.5	2.6
P/TBV (x)	1.6	1.6	1.5	1.4
RoE (%)	10.3	10.3	11.4	12.5
DPS (QR)	0.160	0.160	0.180	0.200
Dividend Yield (%)	4.4	4.4	4.9	5.5

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

Key Data

Current Market Price (QR)	3.645
DY 1H2024 Annualized (%)	4.4
Bloomberg Ticker	DUBK QD
ADR/GDR Ticker	N/A
Reuters Ticker	DUBK.QA
ISIN	QA000B982PM1
Sector	Banks
52wk High/52wk Low (QR)	4.200/3.279
3-Month Average Volume (mn)	4.7
Mkt. Cap. (\$ bn/QR bn)	5.2/19.1
Shares Outstanding (mn)	5,234.1
FOL Limit (%)	49.0
Current Institutional FO* (%)	5.7
12-Month Total Return (%)	(2.5)
Fiscal Year End	December 31

Source: Bloomberg (as of January 16, 2025), *QSE (as of January 16, 2025); Note: FO is foreign institutional ownership

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Detailed Financial Statements

Income Statement (In QR mn)	2022	2023	2024	2025e	2026e
Net Interest Income	2,143	1,926	2,209	2,420	2,673
Fees & Commissions	211	256	256	294	319
FX Income	223	131	49	68	83
Other Income	88	130	165	127	161
Non-Interest Income	522	518	469	489	564
Total Revenue	2,665	2,444	2,679	2,909	3,237
Operating Expenses	(750)	(807)	(882)	(935)	(986)
Net Operating Income	1,915	1,637	1,797	1,974	2,251
Net Provisions & Impairments	(660)	(333)	(453)	(475)	(533)
Net Profit Before Taxes and Non-Recurring	1,255	1,303	1,343	1,499	1,718
Taxes	(2)	(1)	(1)	(3)	(3)
Non-Recurring Items	-	-	-	-	-
Net Profit (Reported/Headline)	1,253	1,302	1,343	1,496	1,715
Payment on Tier-1 Sukuk	(72)	(72)	(72)	(72)	(72)
Social & Sports Contribution Fund		(33)	(34)	(37)	(43)
Net Profit (Attributable)	1,181	1,198	1,237	1,387	1,600
EPS (including treasury shares)	0.226	0.229	0.236	0.265	0.306

Source: Company data, QNB FS Research

Balance Sheet (In QR mn)	2022	2023	2024	2025e	2026e
Cash & Balances with Central Bank	6,425	3,645	3,639	4,418	5,672
Interbank Loans	1,500	11,072	5,811	6,422	4,894
Net Investments	20,432	19,971	19,882	19,741	21,279
Net Loans	75,677	77,585	86,212	91,737	97,874
Investment In Associates	64	32	10	8	6
Other Assets	866	900	663	1,009	1,077
Net PP&E	264	242	830	796	775
Investments In Real Estate	135	135	135	135	135
Goodwill	443	443	443	443	443
Other Intangibles	471	392	314	235	157
Total Assets	106,276	114,417	117,940	124,942	132,311
Liabilities					
Interbank Deposits	14,871	19,582	14,308	19,223	19,619
Customer Deposits	74,545	78,002	83,351	88,352	94,537
Term Loans	-	-	2,933.14	-	-
Tier-1 Perpetual Sukuk	1,821	1,821	1,821	1,821	1,821
Other Liabilities	2,523	2,120	2,569	2,032	2,155
Total Liabilities	93,761	101,525	104,981	111,428	118,132
Total Shareholders' Equity	12,515	12,893	12,958	13,514	14,178
Total Liabilities & Shareholders' Equity	106,276	114,417	117,940	124,942	132,311
Risk Weighted Assets	73,065	80,139	82,942	93,082	111,141
	-	-	-	-	-
Interest Earning Assets	94,321	106,016	109,924	114,998	120,960
Interest Bearing Liabilities	81,165	81,175	85,010	96,973	103,757

Source: Company data, QNB FS Research

Ratios/Financial Indicators	2022	2023	2024	2025e	2026e
Profitability (%)					
RoE	10.6	10.3	10.3	11.4	12.5
RoAA	1.1	1.1	1.1	1.1	1.2
RoRWAs	1.6	1.6	1.5	1.6	1.6
NIM (% of IEAs)	2.21	1.90	2.04	2.14	2.24
NIM (% of RWAs)	2.97	2.51	2.71	2.75	2.62
NIM (% of AAs)	1.97	1.75	1.90	1.99	2.08
Yield on IEAs	4.11	5.57	5.77	5.26	5.46
CoFs	2.11	4.50	4.83	3.84	3.76
Spread	1.95	1.02	0.91	1.39	1.65
Efficiency (%)					
Cost-to-Income (Headline)	28.2	33.0	32.9	32.2	30.5
Cost-to-Income (Core)	28.6	33.5	33.6	32.7	31.0
Liquidity (%)					
LDR	102	99	100	104	104
Loans/Assets	71.2	67.8	73.1	73.4	74.0
Liquid Assets-to-Total Assets	26.7	30.3	24.9	24.5	24.1
Deposits to Assets	70.1	68.2	70.7	70.7	71.5
Wholesale Funding to Loans	19.7	25.2	20.0	21.0	20.0
IEAs to IBLs	116	131	129	119	117
Asset Quality (%)					
NPL Ratio	5.1	5.4	4.6	4.3	4.0
NPLs to Shareholders' Equity	32.5	33.9	31.8	30.2	29.0
NPL to Tier-1 Capital	32.4	33.4	30.2	27.2	24.8
Coverage Ratio	83.3	83.7	87.1	103.7	120.9
ALL/Average Loans	4.0	4.2	3.9	4.3	4.7
Cost of Risk (bps)	85	38	50	46	52
Capitalization (%)					
CET1 Ratio	14.7	14.0	14.2	14.2	13.3
Tier-1 Ratio	17.2	16.3	16.4	16.1	14.9
CAR	18.3	17.2	17.3	17.1	15.9
Leverage (x)	8.5	8.9	9.1	9.2	9.3
Growth (%)					
Net Interest Income	-8.6	-10.1	14.7	9.5	10.4
Non-Interest Income	3.4	-0.9	-9.3	4.2	15.3
OPEX	-4.1	7.6	9.2	6.1	5.4
Net Operating Income	-7.4	-14.5	9.8	9.8	14.0
Net Income (Attributable)	1.8	1.4	3.3	12.1	15.4
Loans	0.6	2.5	11.1	6.4	6.7
Deposits	-3.7	4.6	6.9	6.0	7.0
Assets	-4.0	7.7	3.1	5.9	5.9
RWAs	2.9	9.7	3.5	12.2	19.4

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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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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