

Dukhan Bank (DUBK)

Recommendation	Market Perform	Risk Rating	R-3
Share Price	QR3.589	Target Price	QR3.730
Implied Upside/(Downside)	3.9%		

Maintaining 5-Year Earnings CAGR; Stay Market Perform

After FY2025 results, we maintain our 5-year (2025-30e) earnings CAGR of 9.7%, in-line with our previous estimate for Dukhan Bank (DUBK). As such, we maintain our QR3.730/share PT and our Market Perform rating.

- **DUBK's FY2025 net income was in-line with our estimates.** Dukhan Bank (DUBK) reported a net profit (attributable) of QR1.30bn in FY2025, in-line with our estimate of QR1.31bn. The bottom-line increased by only 5.4% YoY driven by non-funded income and a marginal uptick in margins.
- **NIMs are expected to remain stable/flat barring any Fed rate cuts in 2026.** NIMs remained flat at 1.97% in 2025 vs. 1.95% in 2024. Our forecast for NIMs remains largely unchanged for 2026 (1.98%), 2027 (2.00%) and 2028 (2.09%).
- **RoE came in at 10.4% in 2025 vs. 9.9% in 2024; RoE is modeled to increase in-line with our previous estimates.** Our estimates lead us to RoEs of 10.6% in 2026, 11.3%/11.8% in 2027/28 and 13% in 2029/30. Management is targeting an RoE of 14%-15% over the coming 5 years.
- **Net loans are modeled to grow by a 5-year CAGR (2025-30e) of 6.2% as lending appetite picks up; we pencil gross loans to increase by 5.2% in 2026.** Net loans expanded by 4.4% in 2025 vs. 2024 to QR90.0bn. The growth in loans was mainly driven by the real estate (+5.2%) and corporate segments (+4.5%). Moreover, deposits increased by 5.3% in 2025 to QR87.8bn.
- **Asset quality improved in 4Q2025.** The bank's NPLs declined by 3.6% YoY (negative formation which is a positive), resulting in the NPL ratio moving from 4.58% in FY2024 to 4.22% in FY2025. However, it should be noted that a decent chunk of the NPLs is legacy in nature. Coverage of Stage 3 loans also improved from 73% in FY2024 to 76% in FY2025 (FY2023: 70%); including eligible collateral, coverage stands at ~95%. On the other hand, Stage 2 loans increased by 8.1% YoY, while coverage increased from 5.3% in FY2024 to 9.0% in FY2025. Stage 2 loans only contribute 10% to total loans. Going forward, we still assume asset quality will improve through a combination of recoveries, reversals and prudent underwriting.
- **Although asset quality improved, CoR increased in FY2025 as a result of lower recoveries; CoR increased from 50bps in 2024 to 54bps in 2025.** DUBK booked net credit provisions of QR499.7mn vs. QR425.1mn in FY2024. DUBK booked gross provisions of QR555.5mn vs. recoveries of QR55.7mn, netting out 10% of gross provisions (recoveries netting 48% of 2024 gross provisions). Management is guiding for a CoR of 50 to 60bps in 2026. As such, we maintain our estimates in-line with management's guidance.
- **We expect the efficiency ratio to improve, declining to 26% by 2030.** DUBK's C/I ratio slightly increased from 32.9% in FY2024 to 33.3% in FY2025 as growth in opex outpaced growth in revenue; the bank has been spending on improving/revamping its IT infrastructure. We still expect the bank to generate mid-digit JAWs from 2026 and onward, driven by a pick-up in revenue and cost control.
- **DUBK maintains healthy capitalization levels and we expect this to remain so.** Management has managed its CET1/Tier-1 position in a steady manner. The bank ended FY2025 with CET1/Tier-1 ratios of 15.1%/17.3%.

Catalysts

- 1) Progress in delivering on growth objectives and earnings acceleration beyond our estimates could drive stock price gains & 2) continuation of recoveries.

Recommendation, Valuation and Risks

- **Recommendation and valuation: We maintain our QR3.730 Price Target and Market Perform rating.** DUBK is trading at a 2026e/27e P/TB and P/E of 1.4x/1.3x and 13.5x/12.2x, respectively.
- **Risks:** 1) Geo-political factors and 2) Unexpected asset quality deterioration.

Key Data

Current Market Price (QR)	3.589
Dividend Yield (%)	4.5
Bloomberg Ticker	DUBK QD
Reuters Ticker	DUBK.QA
ISIN	QA000B982PM1
Sector	Banks
52wk High/52wk Low (QR)	3.820/3.211
3-Month Average Volume (mn)	1.7
Mkt. Cap. (\$ bn/QR bn)	5.2/18.8
Shares Outstanding (mn)	5,234.1
FOL Limit (%)	49.0
Current Institutional FO* (%)	6.6
12-Month Total Return (%)	(1.7)
Fiscal Year End	December 31

Source: Bloomberg (as of February 18, 2026), *QSE (as of February 18, 2026); Note: FO is foreign institutional ownership

Key Financial Data and Estimates

	2025	2026e	2027e	2028e
Attributable EPS (QR)	0.249	0.265	0.293	0.323
EPS Growth (%)	5.4	6.4	10.7	10.0
P/E (x)	14.4	13.5	12.2	11.1
Tangible BVPS (QR)	2.5	2.6	2.7	2.9
P/TBV (x)	1.4	1.4	1.3	1.2
RoE (%)	10.4	10.6	11.3	11.8
DPS (QR)	0.161	0.161	0.180	0.220
Dividend Yield (%)	4.5	4.5	5.0	6.1

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

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Detailed Financial Statements

Income Statement (In QR mn)	2023	2024	2025	2026e	2027e	2028e
Net Interest Income	1,926	2,115	2,224	2,378	2,562	2,850
Fees & Commissions	256	256	325	308	329	390
FX Income	131	143	171	186	203	188
Other Income	130	165	109	115	149	122
Non-Interest Income	518	563	606	608	681	701
Total Revenue	2,444	2,679	2,830	2,986	3,242	3,551
Operating Expenses	(807)	(882)	(943)	(961)	(1,008)	(1,041)
Net Operating Income	1,637	1,797	1,887	2,025	2,235	2,510
Net Provisions & Impairments	(333)	(453)	(474)	(527)	(584)	(702)
Net Profit Before Taxes and Non-Recurring Items	1,303	1,343	1,412	1,498	1,650	1,809
Taxes	(1)	(1)	(1)	(1)	(1)	(1)
Non-Recurring Items	-	-	-	-	-	-
Net Profit (Reported/Headline)	1,302	1,343	1,411	1,497	1,649	1,807
Payment on Tier-1 Sukuk	(72)	(72)	(72)	(72)	(72)	(72)
Social & Sports Contribution Fund	(33)	(34)	(35)	(37)	(41)	(45)
Net Profit (Attributable)	1,198	1,237	1,304	1,387	1,536	1,690
EPS (including treasury shares)	0.229	0.236	0.249	0.265	0.293	0.323

Source: Company data, QNB FS Research

Balance Sheet (In QR mn)	2023	2024	2025	2026e	2027e	2028e
Cash & Balances with Central Bank	3,645	3,639	5,124	4,666	5,154	5,434
Interbank Loans	11,072	5,811	1,094	5,660	4,973	5,833
Net Investments	19,971	19,882	25,017	25,619	27,525	29,977
Net Loans	77,585	86,212	90,013	94,339	99,452	106,053
Investment In Associates	32	10	15	15	16	17
Other Assets	900	663	862	776	749	828
Net PP&E	242	830	845	862	872	852
Investments In Real Estate	135	135	134	134	134	134
Goodwill	443	443	443	443	443	443
Other Intangibles	392	314	235	157	78	0
Total Assets	114,417	117,940	123,782	132,672	139,395	149,571
Liabilities						
Interbank Deposits	19,582	14,308	11,222	17,981	18,518	20,265
Customer Deposits	78,002	83,351	87,793	93,324	99,110	106,543
Term Loans	-	2,933	2,935	2,935	2,935	2,935
Tier-1 Perpetual Sukuk	1,821	1,821	1,821	1,821	1,821	1,821
Other Liabilities	2,120	2,569	6,481	2,529	2,230	2,472
Total Liabilities	101,525	104,981	110,252	118,590	124,614	134,035
Total Shareholders' Equity	12,893	12,958	13,530	14,082	14,781	15,536
Total Liabilities & Shareholders' Equity	114,417	117,940	123,782	132,672	139,395	149,571
BVPS	2.46	2.48	2.58	2.69	2.82	2.97
TBVPS	2.38	2.39	2.50	2.61	2.74	2.88
RWAs	80,139	82,942	82,530	90,217	101,759	112,179
RWAs/Total Assets	70%	70%	67%	68%	73%	75%
Average IEAs	101,141	109,037	113,327	120,251	128,165	136,256
Average IEAs/Average Assets	92%	94%	94%	94%	94%	94%
Average IBLs	81,170	83,093	84,136	89,419	99,150	108,242
Average IBLs/Average Liabilities	83%	80%	78%	78%	82%	84%

Source: Company data, QNB FS Research

Ratios/Financial Indicators	2023	2024	2025	2026e	2027e	2028e
Profitability (%)						
RoE	9.9	9.9	10.4	10.6	11.3	11.8
RoAA	1.1	1.1	1.1	1.1	1.1	1.2
RoRWAs	1.6	1.5	1.6	1.6	1.6	1.6
NIM (% of IEAs)	1.90	1.95	1.97	1.98	2.00	2.09
NIM (% of RWAs)	2.51	2.59	2.69	2.75	2.67	2.66
NIM (% of AAs)	1.75	1.82	1.84	1.85	1.88	1.97
Yield on IEAs	5.51	5.71	5.09	4.43	4.49	4.65
CoFs	4.50	4.95	4.21	3.30	3.22	3.22
Spread	1.02	0.79	0.90	1.13	1.27	1.43
Efficiency (%)						
Cost-to-Income (Headline)	33.0	32.9	33.3	32.2	31.1	29.3
Cost-to-Income (Core)	33.5	33.6	33.9	32.7	31.6	29.8
Liquidity (%)						
LDR	99	100	99	98	97	97
Loans/Assets	67.8	73.1	72.7	71.1	71.3	70.9
Liquid Assets-to-Total Assets	30.3	24.9	25.2	27.1	27.0	27.6
Deposits to Assets	68.2	70.7	70.9	70.3	71.1	71.2
Wholesale Funding to Loans	25.2	20.0	15.7	22.2	21.6	21.9
IEAs to IBLs	132	131	139	131	128	124
Asset Quality (%)						
NPL Ratio	5.4	4.6	4.2	3.9	3.6	3.5
NPLs to Shareholders' Equity	33.9	31.8	29.3	27.0	25.1	24.9
NPL to Tier-1 Capital	33.4	30.2	27.8	24.6	21.9	20.7
Coverage Ratio	83.7	87.1	99.0	118.4	140.3	153.7
ALL/Average Loans	4.2	3.9	4.0	4.4	4.8	5.2
Cost of Risk (bps)	38	50	54	56	56	56
Capitalization (%)						
CET1 Ratio	14.0	14.2	15.1	15.1	14.9	15.0
Tier-1 Ratio	16.3	16.4	17.3	17.2	16.6	16.6
CAR	17.2	17.3	18.4	18.3	17.8	17.7
Leverage (x)	8.9	9.1	9.1	9.4	9.4	9.6
Growth (%)						
Net Interest Income	-10.1	9.8	5.2	6.9	7.8	11.2
Non-Interest Income	-0.9	8.9	7.5	0.4	11.9	3.0
OPEX	7.6	9.2	7.0	1.9	4.9	3.3
Net Operating Income	-14.5	9.8	5.0	7.3	10.4	12.3
Net Income (Attributable)	1.4	3.3	5.4	6.4	10.7	10.0
Loans	2.5	11.1	4.4	4.8	5.4	6.6
Deposits	4.6	6.9	5.3	6.3	6.2	7.5
Assets	7.7	3.1	5.0	7.2	5.1	7.3
RWAs	9.7	3.5	-0.5	9.3	12.8	10.2

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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