Dukhan Bank (DUBK)

Recommendation	Market Perform	Risk Rating	R-3
Share Price	QR3.374	Target Price	QR3.662
Implied Upside/(Downside)	8.5%		

2Q2026 Earnings Falls Short Of Estimates; CoR Dented Earnings

DUBK's 2Q2026 came below our estimates. Dukhan Bank (DUBK) reported a net profit of QR383.2mn in 2Q2026, short of our estimate of QR404.0mn (variation of -5.1%). Net income increased by only 2.4% YoY due to large credit provisions. Revenue and net operating income increased 15.2%/12.2% YoY/sequentially due to strong net interest & investment income, non-funded income and cost containment, but a sharp increase in provisions and impairments dampened the bottom-line, growing by only 2.4% YoY and dropping 10.8% QoQ. Key takeaways from 2Q figures: Revenue increased by 15.2% YoY due to net interest & investment income (+15.2%), strong non-funded income (fees: +103.2%; it seems there is a one-off in fees).

Highlights

- **Tangible RoE remained flat YoY.** DUBK generated an annualized RoE of 12.6% in 1H2026 vs. 12.7% in 1H2025, which remains above its cost of equity. We believe the bank could maintain its current RoE in the short-term and steadily increase it to sustainable14.0% in the future.
- **BoD withheld interim DPS.** We believe this was done to shore up cash/capital and protect liquidity given the geopolitical tensions. Having said this, we believe this could weigh negatively on the stock.
- **NIMs remained flattish YoY and QoQ in 2Q2026.** NIMs came in at 1.94% vs. 1.98% in 2Q2025 and 1.89% in 1Q2026. On an annual basis, margins declined by ~6bps to ~1.91%.
- **Positive trajectory in loans' growth continued sequentially and YTD.** Net loans expanded sequentially/YTD by 4.1%/5.2% to QR94.7bn. Growth was mainly driven by the corporate segment with real estate and contracting being the exception. Moreover, deposits followed suit and moved up by 3.4%/7.0% QoQ/YTD to QR94.0bn.
- **Asset quality improved in 2Q2026.** The bank's NPLs declined by 3.8% QoQ/YTD (negative formation which is a positive), resulting in the NPL ratio moving from 4.22% in FY2025 to 3.86% in 2Q2026 (1Q2026: 4.18%). It should be noted that a decent chunk of the NPLs is legacy in nature. Coverage of Stage 3 loans remained flat at 76% in 2Q2026 vs. FY2025/1Q2026. Moreover, Stage 2 loans decreased by 14.2% YTD, while coverage increased from 8.6% in FY2025 to 12.3% in 2Q2026; this is positive in our view. Stage 2 loans only contribute 8.0% to total loans.
- **1H2026 CoR increased although asset quality improved.** DUBK booked net credit provisions of QR163.3mn in 2Q2026 vs. provisions of QR58.3mn in 2Q2025 (1Q2026: QR43.3mn). DUBK booked CoR of 43bps vs. 21bps in H2025. Large majority of ECLs were allocated to Stage 2 loans as precautionary measure. DUBK's net operating income increased by 23.0%/16.1% YoY/QoQ before provisions.
- **The bank's C/I ratio improved both YoY and sequentially.** DUBK's C/I ratio decreased from 34.4% in 2Q2025 to 29.9% in 2Q2026 (1Q2026: 32.2%). The bank generated positive JAWs of 15.2% in 2Q2026 as growth in revenue outpaced growth in opex.
- **DUBK maintains strong capitalization levels.** The bank ended 2Q2026 with CET1/Tier-1 ratios of 15.3%/17.4%.

Recommendation, Valuation and Risks

- **Recommendation and valuation:** ***We maintain our Price Target of QR3.662 and our Market Perform rating.*** DUBK is trading at a 2026e/27e P/TB and P/E of 1.3x/1.2x and 13.0x/11.7x, respectively.
- **Risks:** 1) Geo-political factors and 2) Unexpected asset quality deterioration.

Key Data

Current Market Price (QR)	3.374
Dividend Yield (%)	4.8
Bloomberg Ticker	DUBK QD
Reuters Ticker	DUBK.QA
ISIN	QA000B982PM1
Sector	Banks
52wk High/52wk Low (QR)	3.780/3.321
3-Month Average Volume (mn)	2.4
Mkt. Cap. ($ bn/QR bn)	4.9/17.7
Shares Outstanding (mn)	5,234.1
FOL Limit (%)	49.0
Current Institutional FO* (%)	6.3
12-Month Total Return (%)	(4.8)
Fiscal Year End	December 31

Source: Bloomberg (as of July 08, 2026), *QSE (as of July 08, 2026); Note: FO is foreign institutional ownership

Key Financial Data and Estimates

	2025	2026e	2027e	2028e
Attributable EPS (QR)	0.249	0.260	0.289	0.318
EPS Growth (%)	5.4	4.3	11.3	9.9
P/E (x)	13.5	13.0	11.7	10.6
Tangible BVPS (QR)	2.5	2.6	2.7	2.9
P/TBV (x)	1.3	1.3	1.2	1.2
RoE (%)	10.4	10.4	11.1	11.6
DPS (QR)	0.161	0.161	0.180	0.220
Dividend Yield (%)	4.8	4.8	5.3	6.5

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	2,349	2,531	2,816
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**	**2,957**	**3,211**	**3,517**
Operating Expenses	(807)	(882)	(943)	(961)	(1,008)	(1,041)
Net Operating Income	**1,637**	**1,797**	**1,887**	**1,996**	**2,203**	**2,476**
Net Provisions & Impairments	(333)	(453)	(474)	(526)	(576)	(695)
Net Profit Before Taxes and Non-Recurring Items	**1,303**	**1,343**	**1,412**	**1,470**	**1,627**	**1,781**
Taxes	(1)	(1)	(1)	(1)	(1)	(1)
Non-Recurring Items	-	-	-	-	-	-
Net Profit (Reported/Headline)	1,302	1,343	1,411	1,468	1,626	1,780
Payment on Tier-1 Sukuk	(72)	(72)	(72)	(72)	(72)	(72)
Social & Sports Contribution Fund	(33)	(34)	(35)	(37)	(41)	(44)
Net Profit (Attributable)	1,198	1,237	1,304	1,360	1,513	1,664
EPS (including treasury shares)	0.229	0.236	0.249	0.260	0.289	0.318

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	5,587	4,923	5,775
Net Investments	19,971	19,882	25,017	25,619	27,525	29,977
Net Loans	77,585	86,212	90,013	93,110	98,458	104,998
Investment In Associates	32	10	15	15	16	17
Other Assets	900	663	862	770	745	823
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**	**131,363**	**138,348**	**148,453**
Liabilities						
Interbank Deposits	19,582	14,308	11,222	16,700	17,521	19,223
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**	**117,309**	**123,617**	**132,994**
Total Shareholders' Equity	**12,893**	**12,958**	**13,530**	**14,054**	**14,731**	**15,459**
Total Liabilities & Shareholders' Equity	**114,417**	**117,940**	**123,782**	**131,363**	**138,348**	**148,453**
BVPS	2.46	2.48	2.58	2.69	2.81	2.95
TBVPS	2.38	2.39	2.50	2.60	2.73	2.87
RWAs	80,139	82,942	82,530	89,327	100,994	111,340
RWAs/Total Assets	70%	70%	67%	68%	73%	75%
Average IEAs	101,141	109,037	113,327	119,600	126,991	135,178
Average IEAs/Average Assets	92%	94%	94%	94%	94%	94%
Average IBLs	81,170	83,093	84,136	88,778	98,010	107,223
Average IBLs/Average Liabilities	83%	80%	78%	78%	81%	84%

Source: Company data, QNB FS Research

Ratios/Financial Indicators	2023	2024	2025	2026e	2027e	2028e
Profitability (%)						
RoE	9.9	9.9	10.4	10.4	11.1	11.6
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	1.96	1.99	2.08
NIM (% of RWAs)	2.51	2.59	2.69	2.73	2.66	2.65
NIM (% of AAs)	1.75	1.82	1.84	1.84	1.88	1.96
Yield on IEAs	5.51	5.71	5.09	4.43	4.51	4.66
CoFs	4.50	4.95	4.21	3.33	3.26	3.25
Spread	1.02	0.79	0.90	1.11	1.25	1.41
Efficiency (%)						
Cost-to-Income (Headline)	33.0	32.9	33.3	32.5	31.4	29.6
Cost-to-Income (Core)	33.5	33.6	33.9	33.0	31.9	30.1
Liquidity (%)						
LDR	99	100	99	97	96	96
Loans/Assets	67.8	73.1	72.7	70.9	71.2	70.7
Liquid Assets-to-Total Assets	30.3	24.9	25.2	27.3	27.2	27.7
Deposits to Assets	68.2	70.7	70.9	71.0	71.6	71.8
Wholesale Funding to Loans	25.2	20.0	15.7	21.1	20.8	21.1
IEAs to IBLs	132	131	139	131	128	124
Asset Quality (%)						
NPL Ratio	5.4	4.6	4.2	4.0	3.6	3.5
NPLs to Shareholders' Equity	33.9	31.8	29.3	27.9	25.0	24.8
NPL to Tier-1 Capital	33.4	30.2	27.8	25.4	21.8	20.6
Coverage Ratio	83.7	87.1	99.0	115.1	141.6	154.9
ALL/Average Loans	4.2	3.9	4.0	4.4	4.9	5.2
Cost of Risk (bps)	38	50	54	58	56	55
Capitalization (%)						
CET1 Ratio	14.0	14.2	15.1	15.3	14.9	15.0
Tier-1 Ratio	16.3	16.4	17.3	17.3	16.7	16.7
CAR	17.2	17.3	18.4	18.4	17.9	17.8
Leverage (x)	8.9	9.1	9.1	9.3	9.4	9.6
Growth (%)						
Net Interest Income	-10.1	9.8	5.2	5.6	7.7	11.3
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	5.8	10.4	12.4
Net Income (Attributable)	1.4	3.3	5.4	4.3	11.3	9.9
Loans	2.5	11.1	4.4	3.4	5.7	6.6
Deposits	4.6	6.9	5.3	6.3	6.2	7.5
Assets	7.7	3.1	5.0	6.1	5.3	7.3
RWAs	9.7	3.5	-0.5	8.2	13.1	10.2

Source: Company data, QNB FS Research

Recommendations *Based on the range for the upside / downside offered by the 12-month target price of a stock versus the current market price*		Risk Ratings *Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals*	
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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