

Dukhan Bank (DUBK)

Recommendation	Market Perform	Risk Rating	R-3
Share Price	QR3.020	Target Price	QR3.662
Implied Upside/(Downside)	21.3%		

3Q2026 Earnings Falls Short Of Estimates On Higher CoR

DUBK's 3Q2026 came below our estimates. Dukhan Bank (DUBK) reported a net profit of QR379.7mn in 3Q2026, short of our estimate of QR394.9mn (variation of -3.9%). Net income was flat YoY due to growth in net credit provisions & impairments moving in lockstep with growth in net operating income. Revenue and net operating income increased 3.5%/1.5% YoY/sequentially due to strong net interest & investment income and other non-core income. Non-funded income was weak due to a sharp drop in fees and commissions. Sequentially, the bottom-line receded due to an 8.9% increase in net credit provisions & impairments. **We maintain our PT of QR3.662 and Market Perform rating for the time being.**

Highlights

- **Tangible RoE remained flattish YoY.** DUBK generated an annualized RoE of 12.3% in 9M2026 vs. 13.0% in 9M2025 (1H2026: 12.6%), 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 a sustainable 14.0% in the future.
- **NIMs compressed YoY but were sequentially flat in 3Q2026.** NIMs came in at 1.95% vs. 2.04% in 3Q2025 and 1.92% in 2Q2026. On an annual basis, margins contracted by ~9bps to ~1.90%.
- **Net loans were stagnant sequentially but up on a YTD basis.** Net loans receded by 0.7% sequentially (+4.5% YTD) to QR94.0bn. YTD Growth was mainly driven by the corporate segment with real estate being the exception. Moreover, deposits followed suit and declined by 4.3% QoQ (+2.5% YTD) to QR90.0bn.
- **Asset quality continued to improve in 3Q2026.** The bank's NPLs declined by 3.2%/6.9% QoQ/YTD (negative formation which is a positive), resulting in the NPL ratio moving from 4.22% in FY2025 to 3.76% in 3Q2026 (2Q2026: 3.86%). It should be noted that a decent chunk of the NPLs is legacy in nature. Coverage of Stage 3 loans improved from 76% in FY2025/2Q2026 to 79% in 3Q2026. Moreover, Stage 2 loans decreased by 13.1% YTD (moved up 1.2% QoQ), while coverage increased from 8.6% in FY2025 to 12.4% in 3Q2026 (2Q2026: 12.3%); this is still positive in our view. Stage 2 loans only contribute 8.2% to total loans.
- **9M2026 CoR slightly increased although asset quality improved.** DUBK booked net credit provisions of QR150.3mn in 3Q2026, decreasing by 11.7%/8.1% YoY/sequentially. DUBK booked CoR of 37bps vs. 40bps in 9M2025. A large majority of ECLs were allocated to Stages 1 & 2 loans as a precautionary measure; Stage 3 Loans experienced reversals/recoveries for the 2nd quarter in a row, which is positive in our view. DUBK booked recoveries of QR26.9mn, shaving off 15.2% of gross provisions.
- **The bank's C/I ratio was flattish both YoY and sequentially.** DUBK's C/I ratio increased from 30.0% in 3Q2025 to 31.4% in 3Q2026 (2Q2026: 31.4%). The bank generated negative JAWs of 4.7%/5.3% YoY/QoQ in 3Q2026 as growth in opex outpaced growth in revenue. Growth in revenue was weak due to fees and commissions.
- **DUBK maintains strong capitalization levels.** The bank ended 3Q2026 with CET1/Tier-1 ratios of 15.6%/18.0%.

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 1.2x/1.1x and 11.6x/10.4x, respectively.
- **Risks:** 1) Geo-political tensions, 2) margin pressure and 3) Unexpected asset quality deterioration resulting from the current geopolitical environment.

Key Data

Current Market Price (QR)	3.020
Dividend Yield (%)	5.3
Bloomberg Ticker	DUBK QD
Reuters Ticker	DUBK.QA
ISIN	QA000B982PM1
Sector	Banks
52wk High/52wk Low (QR)	3.650/3.005
3-Month Average Volume (mn)	2.2
Mkt. Cap. (\$ bn/QR bn)	4.3/15.8
Shares Outstanding (mn)	5,234.1
FOL Limit (%)	49.0
Current Institutional FO* (%)	6.7
12-Month Total Return (%)	(8.2)
Fiscal Year End	December 31

Source: Bloomberg (as of October 07, 2026), *QSE (as of October 07, 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)	12.1	11.6	10.4	9.5
Tangible BVPS (QR)	2.5	2.6	2.7	2.9
P/TBV (x)	1.2	1.2	1.1	1.1
RoE (%)	10.4	10.4	11.1	11.6
DPS (QR)	0.161	0.161	0.180	0.220
Dividend Yield (%)	5.3	5.3	6.0	7.3

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

Shahan Keushgerian

+974 4476 6509

shahan.keushgerian@qnbfs.com.qa

Saugata Sarkar, CFA, CAIA

+974 4476 6534

saugata.sarkar@qnbfs.com.qa

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		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

Contacts

QNB Financial Services Co. W.L.L.
Contact Center: (+974) 4476 6666
info@qnbfs.com.qa
Doha, Qatar

Saugata Sarkar, CFA, CAIA
Head of Research
saugata.sarkar@qnbfs.com.qa

Shahan Keushgerian
Senior Research Analyst
shahan.keushgerian@qnbfs.com.qa

Phibion Makuwerere, CFA
Senior Research Analyst
phibion.makuwerere@qnbfs.com.qa

Dana Al Sowaidi
Research Analyst
dana.alsowaidi@qnbfs.com.qa

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