

Target Price : QAR 3.30

Current Price: QAR 3.51

## Executive Summary

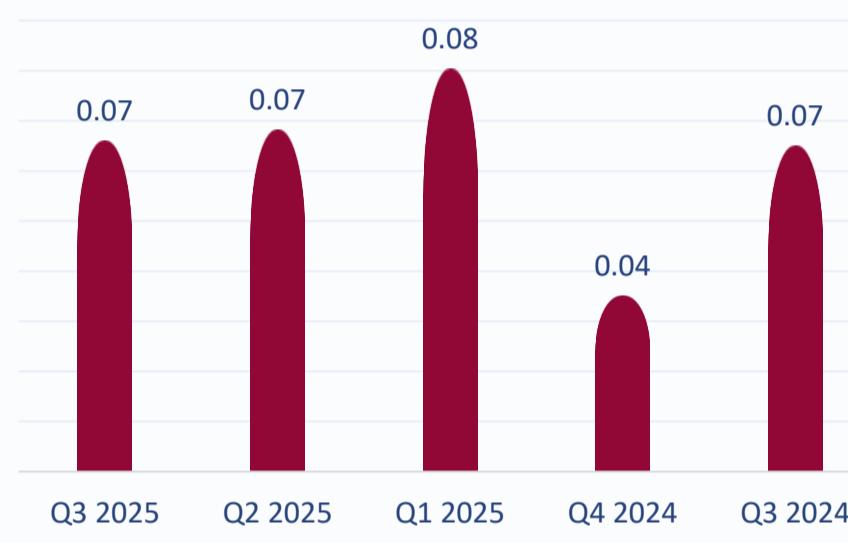
- The bank's profits for the first nine months of 2025 increased by 4.7%, reaching QAR1.12 billion, compared to QAR 1.07 billion during the same period in 2024. Earnings per share were QAR 0.215, up from QAR 0.206.
- Despite experiencing a decline in revenues of over 5% year-on-year for nine consecutive months, and a 5.8% decrease when comparing the third quarters of 2025 and 2024, the bank saw profit growth due to lower financing costs. These costs, which are paid to depositors, decreased by 17.6% during the first nine months of the year. The average interest rate paid to depositors at the end of September 2025 was approximately 2.88%, down from 3.48% at the same time last year.
- Net income generated from financing activities (loans) and investments saw a decline of about 8.7% by the end of September, attributed to reduced returns on sukuk and fixed-income instruments, as well as decreased interest on loans. It is important to highlight that net financing assets fell by 0.60% in comparison to the end of the previous year, yet experienced an increase of roughly 0.93% when compared to September 2024.
- Dukhan Bank may see an improvement in its net interest margin due to reductions in US interest rates. However, domestic growth is subdued, concentrating on large-scale, competitive initiatives like LNG, which restricts credit growth to an annual rate of 2-4% and provides minimal enhancement to net interest income.
- Dukhan depends on fixed-income instruments, which make up about 95% of its overall investment portfolio, and is relying on this strategy to alleviate pressure on its net interest margin. cut interest rates will lead the bank to seek alternative investment opportunities to sustain its profitability.
- Government financing constitutes approximately 22% of the total loan portfolio, while exposure to the real estate sector amounts to approximately 28%. It is noteworthy that Islamic banks have higher exposure to real estate than conventional banks due to their business model, which includes leasing ending with ownership.
- There has been a positive change in the non-performing loan ratio, now at 4.40% compared to 4.53% in the prior quarter and 4.65% in the third quarter of 2024. The total of non-performing loans has also decreased to QAR 3.94 billion from QAR 4.10 billion as of the end of September 2024. The bank is working to enhance the coverage ratio for these loans, which stood at about 74.5% at the conclusion of September, in contrast to 73.1% at the end of 2024.

## Dukhan Bank

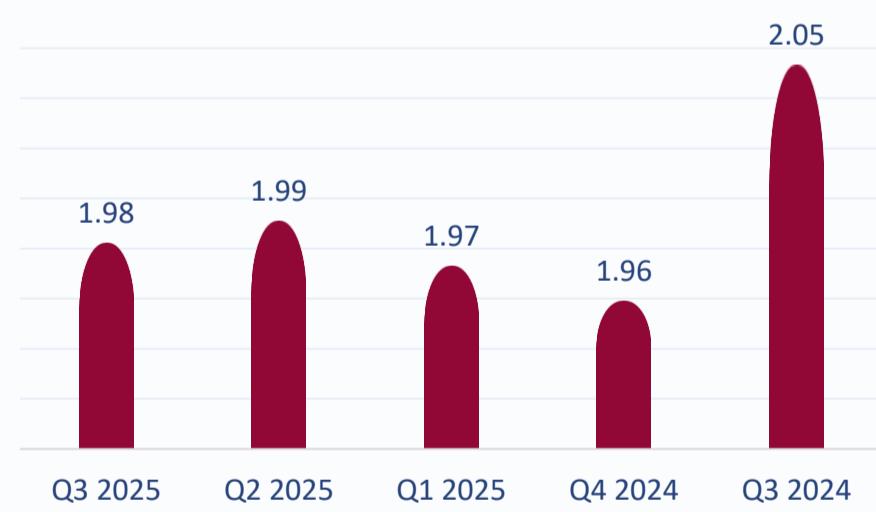
### Quarterly Net Income



### Quarterly EPS



### Net Interest Margin %



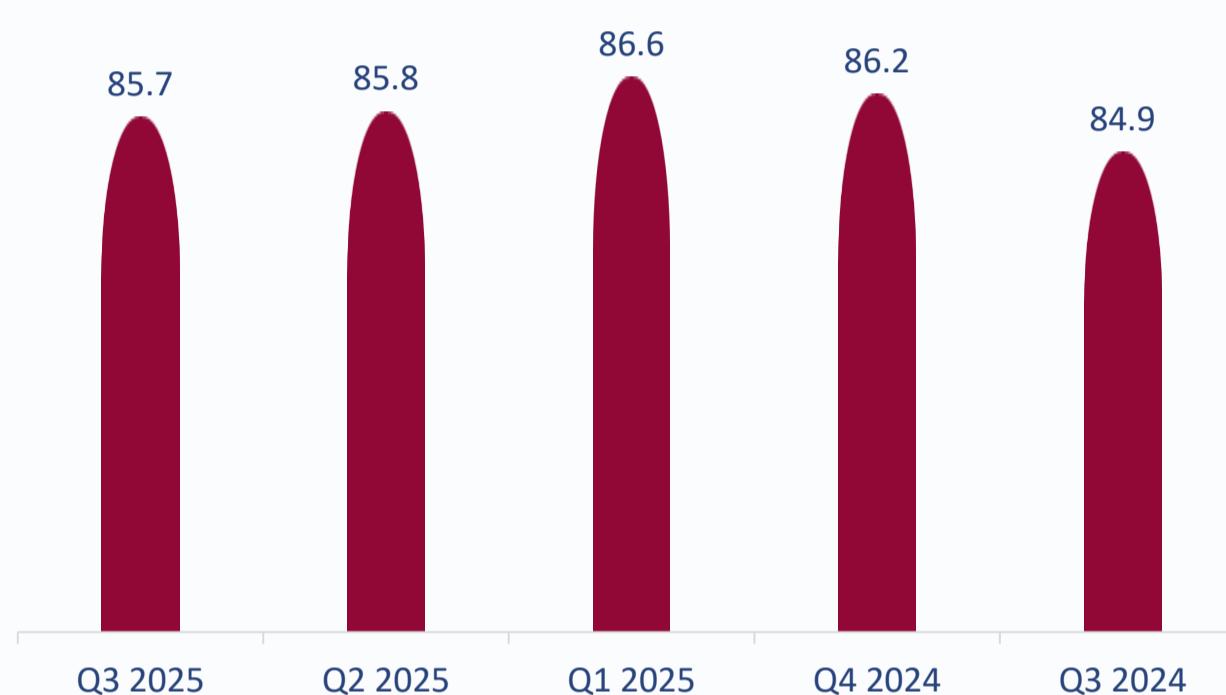
### ROE



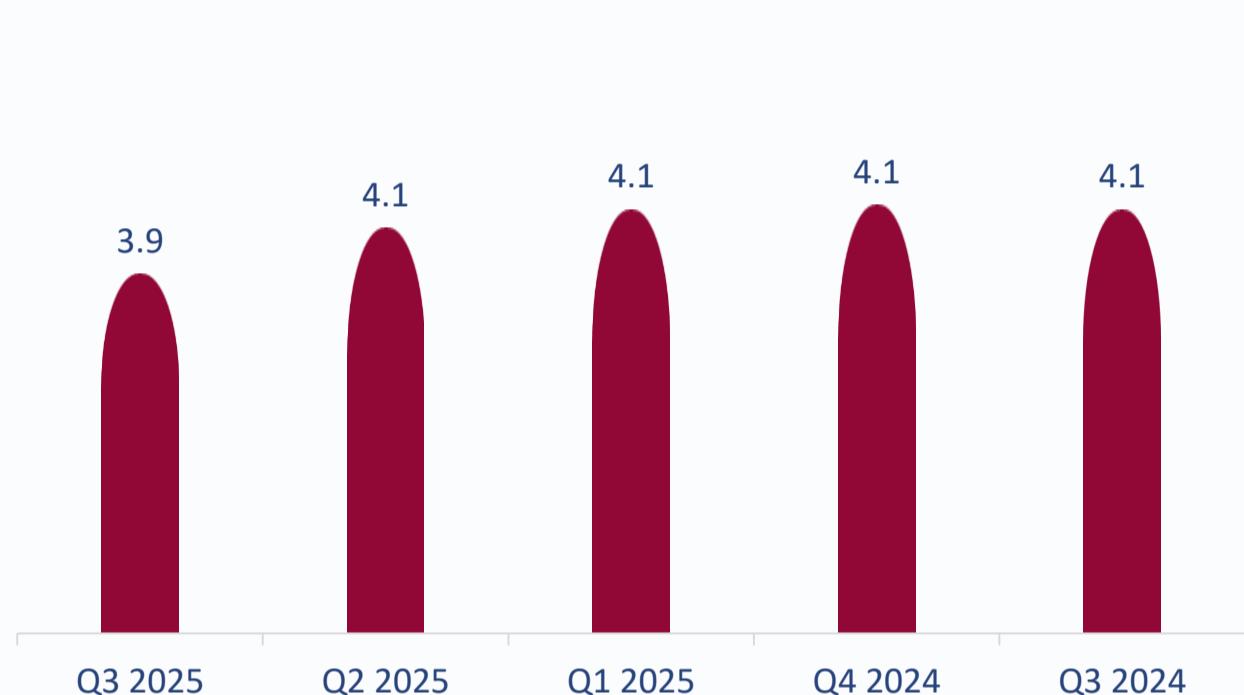
## Asset Quality

- As of the conclusion of September 2025, the total non-performing loans reached around QAR 3.94 billion, a decrease from QAR 4.06 billion in June and QAR 4.10 billion at the close of 2024. The NPL ratio experienced a minor fell to 4.40% from 4.53% in the preceding quarter, although it showed a decline from 4.65% at the end of September 2024.

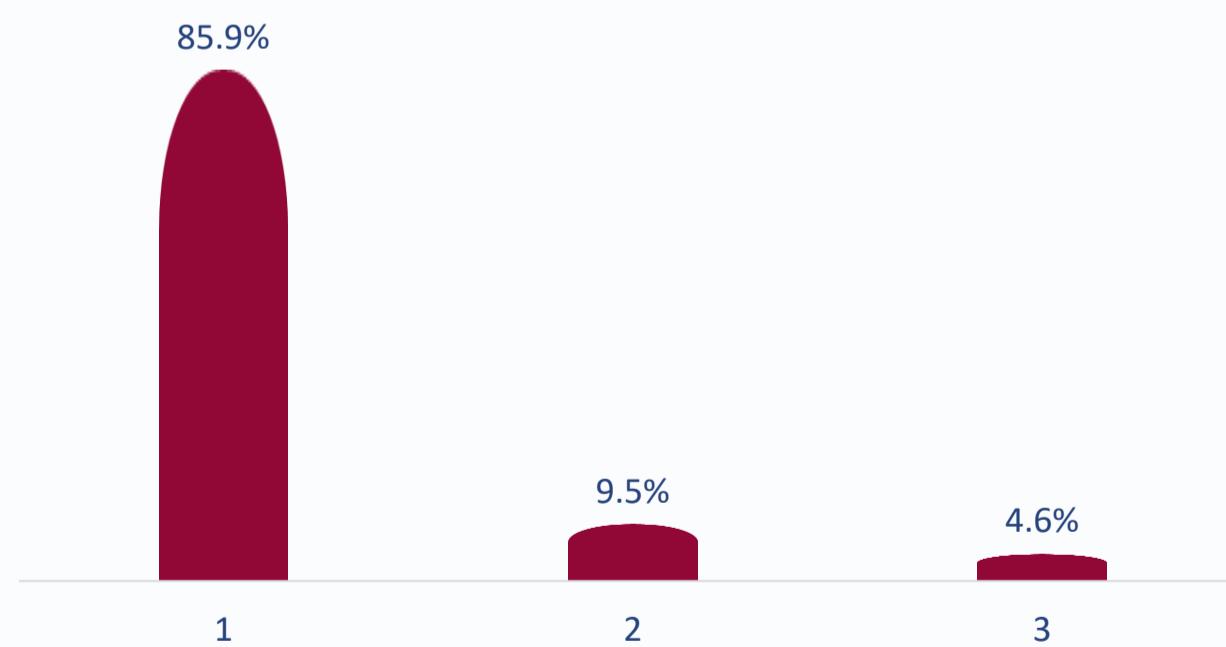
Net loans (billion)



NPL's (billion)



Credit portfolio break-up by stage



NPL's ratio %



# Valuation

## We recommend Holding

We use a residual income model and comparable valuation.

Our analysis indicates the fair value of the stock ranges between  
**QAR 3.29 and 3.46**

### Residual Income Model Assumptions:

- Growth rate: We expect the bank to grow in earnings between 3% and 4%.
- Cost of equity ranging between 9.0% and 9.5%.
- Terminal Value: The growth rate in perpetuity is 3.0%.
- Return on equity between 10% and 12%.

### Key Aspects to Monitor Moving Forward

- How Dukhan oversees its real estate investments, particularly in the event of a downturn in the real estate market.
- Deposit trends: whether customers move deposits out under certain conditions, and competition for deposits.
- The interest rate environment, both locally and globally: cutting rates could drop investment returns.
- Macroeconomic factors: fluctuations in energy prices, inflation rates and credit demand.
- Geopolitical risks in the Middle East that could impact business growth.

# Disclaimer

Qatar Securities Company has prepared this report to provide an unbiased analysis of the business's performance. It's important to note that the assessment is based on assumptions that may vary in interpretation and may not be entirely accurate. This document focuses on evaluating the company's financial status, not as a solicitation to buy or sell. There may be a conflict of interest since this stock is part of investment portfolios managed by Qatar Securities Company.

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