Dukhan Bank – Q3’25 Earnings Call Transcripts

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Time: 1:30 PM Doha Time

Executives from Dukhan Bank:

1. Ahmed Hashem - Acting Group Chief Executive Officer
2. Osama Abu Baker - Group Chief Financial Officer
3. Riaz Khan – Head of Reporting & Budgeting and Investor Relations Officer

QNBFS Chairperson: Shahan Keushgerian

Operator	Hello, and welcome to Dukhan Bank Conference Call. Please note that this call is being recorded. You will have the opportunity to ask questions to our speakers later on during the Q&A session. If you'd like to ask a question by that time, please press star one on your telephone keypad. Thank you. Now, I would like to hand the call over to Shahan. You may begin.
Shahan Keushgerian [QNBFS]	Thank you, Angela, and hello everyone. I want to welcome you to Dukhan Bank's third quarter 2025 financial results conference call. So on this call from management, we have the Bank's Acting CEO, Ahmed Hashem; Group CFO, Osama Abu Baker; and Riaz Khan, Head of Reporting & Budgeting and IR Officer. So as usual, we will conduct this call with first management reviewing the Bank's results followed by a Q&A session. I will turn the call over now to Ahmed. Please go ahead.
Ahmed Hashem [Dukhan Bank]	Good afternoon, everyone, and a warm welcome to all of you joining us. It’s a pleasure to discuss our third-quarter results and the broader economic context of Qatar’s growth story. Over the past few months, Qatar’s economy has continued to perform with resilience and balance, supported by strong fundamentals and forward-looking policies. Let me start with the macro picture. The IMF and Oxford Economics reaffirm that Qatar’s economy remains on a solid trajectory, with growth projected at around 2.7% in 2025, rising to 4–5% by 2026, driven by expanding gas production and a vibrant non-energy sector. In September, the Qatar Central Bank reduced policy rates by 25bps, aligning with the Fed’s easing cycle — a move expected to stimulate lending, encourage private-sector investment, and ensure liquidity.

	Real GDP grew 1.9% year-on-year in Q2, led by 3.4% growth in non-hydrocarbon activities, showing that Qatar's diversification strategy is gaining ground. Non-energy sectors now contribute about two-thirds of national output, particularly in construction, logistics, tourism, and financial services — a testament to the success of the Third National Development Strategy and Qatar National Vision 2030. At the core of the medium-term outlook lies the North Field Expansion, the world's largest LNG project, which will bolster fiscal strength and generate wide economic spillovers. In parallel, Qatar is scaling up renewable investments — ranking among the top five Arab countries for renewable-energy investment, underscoring a balanced and sustainable energy policy. The country's diversification efforts are further reflected in the growing Free Zones (Ras Bufontas and Umm Alhoul), attracting foreign investment in logistics, technology, and manufacturing. Turning to the financial sector — Qatari banks remain in excellent health. QCB data shows commercial bank assets rising 5.5% year-on-year to QR 2.11 trillion, with domestic credit up 5%. Liquidity and profitability remain solid, and the IMF confirms the system is well-capitalized and resilient. On the domestic front, real estate and infrastructure are regaining momentum. Ashghal awarded 13 new projects worth QR 12 billion, integrating AI-based asset management and smart technologies. Visitor spending and luxury retail show double-digit growth, as Doha cements its global reputation as a shopping and cultural destination. The newly launched Qatar Calendar 2025–2026 features a strong lineup — FIFA events and major conferences & events — all supporting hospitality and tourism sector growth. In summary, Qatar's economy continues to show strong momentum across all key pillars. For the banking industry, this translates into healthy demand, robust liquidity, and growing opportunities in digital and sustainable finance. With that, I will now hand over to Osama and Riaz, who will take you through the financial results. Over to you, Osama…
Osama Abu Baker [Dukhan Bank]	Thank you, Ahmed. Good afternoon, everyone, and thank you for joining us. We have delivered a solid nine-months performance, building on the strategic progress made in recent years.

	Our resilience and client-focused innovation have positioned us as a trusted partner in national economic advancement. For the nine-month period ended September 2025: ► Our net profit reached QR 1.19 billion, representing a 4.4% year-on-year increase; ► Our total assets reached a record QR 118.1 billion, underscoring continued growth across our portfolio; ► Liquidity remained strong, with ratios comfortably above regulatory thresholds; ► Our capital adequacy ratio stood at 18.9%, well above the minimum requirement — highlighting the Bank's solid capital base. *Outlook* Looking ahead to the end of financial year 2025: ► We expect mid-single-digit balance sheet growth, aligned with the country's GDP trajectory, led by Wholesale and Private Banking. ► Profitability growth is expected to mirror this trend, supported by stable NIMs in a range of 2.1%. With benchmark rates are expected to reduce further, it may support further margin expansion. ► Asset quality is expected to remain stable, with cost of risk guided at 50–60 bps We will maintain a conservative provisioning approach, continuing to build buffers. I will now turn it over to Riaz for a detailed overview of our mid-year financials.
Riaz Khan [Dukhan Bank]	Thank you Osama… Let me begin with a brief overview of the Group's balance sheet performance as of September 2025. *Balance sheet* Our total assets reached QR 118.1 billion, underpinned primarily by financing assets of QR 85.7 billion, representing 73% of total assets. Investment securities contributed QR 22.4 billion or 19% of the total. We achieved a approximately 1% year-on-year growth in our financing portfolio, reflecting our disciplined approach to capital deployment and market share expansion. The focus remains on building a diversified, high-quality portfolio, prioritizing prudent risk management over volumes. On the funding side, we continued our efforts to diversify, while leveraging long-standing client relationships and maintaining a balanced maturity profile.

As a result, we maintained a regulatory loan-to-deposit ratio of 94.5%, with both the LCR and NSFR comfortably above the regulatory thresholds — demonstrating Bank's sound liquidity management.

Also, non-resident deposits remained minimal at 5.9% of the total deposits. This is in line with our strategy to focus on stable domestic funding sources.

Profitability & Margins
Now turning to profitability…..

Our first-nine months results reflect solid delivery against our strategy, with net profit rising 4.4% to QR 1.19 billion, supported by a 10% growth in net banking income.

This growth was driven by:

- Our continued revenue diversification efforts, with stronger contributions noted from non-profit income streams

- Additionally, despite challenging external conditions, prudent management of funding cost provided further support to the Group's net banking income.

We remained committed to protecting our margins and managing the cost of funds efficiently. Our NIMs slightly inched higher to reach 2.1%.

Operational efficiency also remained a key strategic focus, with continued optimization efforts enhancing overall profitability. These results highlight the Group's resilience and its ability to sustain growth in an evolving operating environment.

Asset Quality
On credit quality…. which improved during the period:

- NPL ratio declined to 4.4%
- Stage 3 coverage ratio stood at 74.5%. The coverage is over 90% when including the effect of eligible collaterals
- Stage 2 loans represented 10.1% of the gross loans, with a solid coverage of 7.3%

Our financing book remained well diversified, encompassing all sectors including Government 22%, Real Estate 22%, Commercial lending 9%, Consumer financing 9%, Contracting 4%, Industry & manufacturing 6% and Services & others about 29%.

GRE exposures accounted for 17% of the total financing book as at the end of September 2025. GRE exposures are currently reported within their respective sector classes.

Capital & Regulatory Developments
Our Capital Adequacy Ratio stood at 18.9%, well above the regulatory minimum requirement of 14.6%. Notably, the impact of the interim dividend has already been factored into the reported CAR.

	Global minimum tax Regarding developments on the topic global minimum tax, Qatar introduced a 15% minimum tax for multinational groups in line with the Pillar Two framework during Q1 2025. While the enabling Executive Regulations are pending, we have conducted an initial assessment and based on the same we do not anticipate the Group to be subject to a Pillar-Two charge. We will continue to closely monitor any developments in this regard and update the markets accordingly. *Closing summary* In summary, our first-nine months performance reflects the strength of our fundamentals, strategic clarity, and prudent financial management. We remain focused on sustainable growth, margin preservation, and long-term value creation for our stakeholders. With that, we now open the floor for your questions. Thank you.
Operator	Thank you. We will now begin the question-and-answer session. If you have dialed in and would like to ask a question, please press star one on your telephone keypad to raise your hand and join the queue. If you would like to withdraw your question, simply press star one again. Your first question comes from the line of Zohaib Pervez with Al Rayan Investment. Your line is now open.
Zohaib Pervez [Al Rayan Investment]	Thank you, gentlemen, for the presentation. I have a question regarding your balance sheet and basically the loan growth. So, you mentioned that you're still looking at a single-digit loan growth or financing book growth for 2025. However, in the first nine months, year-to-date, the loans are lower. So how do you expect this to…what is your strategy to have a growth at the end of this year? Because if you have a growth in mid-single-digit growth, that means your balance sheet or your loan book should grow by at least more than 5% this quarter. How do you expect to achieve this target? Thank you.
Riaz Khan [Dukhan Bank]	Thank you, Zohaib. As we've been consistently highlighting over the past few calls, the expected growth remains in the mid-single-digit range, which typically means around 3% to 5%. While the current trajectory still supports this outlook, the variation is mainly a matter of timing. During the first nine months, we experienced some early repayments and settlements, which temporarily affected the growth pace. However, we continue to have a strong pipeline of deals, including several large-scale transactions we had mentioned in the second-quarter call. Sometimes, the size and administrative handling of these deals influence when they actually close, which can impact the quarter-end numbers. Nevertheless, we remain comfortable with our position and confident that these transactions will materialize before year-end.

	The key drivers are expected to come from wholesale banking, particularly in the government sector, along with private banking deals. While repayments have naturally reduced some balances, we anticipate that the new pipeline will offset these and enable us to achieve our mid-single-digit growth target by year-end.
Zohaib Pervez [Al Rayan Investment]	Sounds good. Okay, thank you. Second and last question is on your net financing income margins. Now that we have one cut after some times, how do you see further cuts, how many further cuts does the bank expect? And how do you see your net financing income margins panning out post these cuts? Thank you.
Riaz Khan [Dukhan Bank]	Regarding margins, if you look at the first nine months, we observed some positive movement even without any recent rate cuts. As we had highlighted earlier, the rate cuts that took place in Q4 of last year have started to feed through, contributing positively to our numbers. Consequently, our NIM improved by around 9 basis points over the nine-month period, primarily due to the lagged impact of those earlier rate cuts. Looking ahead, it's still difficult to predict the exact timing or magnitude of future rate cuts. We have already seen one in September — specifically on the 18th, and there are two more Fed meetings scheduled before year-end. However, much depends on the broader macro environment, which still has several uncertainties. Even if you look at the dot plot on Bloomberg, it continues to shift almost daily, so it's challenging to make a precise forecast. That said, as we've consistently guided, our sensitivity analysis suggests that for every 25 to 30 basis point rate cut, our NIM typically increases by around 6 to 7 basis points on an annualized basis. Of course, this is a theoretical estimate, and the actual impact depends on multiple factors — such as the maturity profile of assets, the repricing of loans, and how deposits are rebooked or repriced over time. I hope this provides clarity on how we view the margin trajectory going forward.
Zohaib Pervez [Al Rayan Investment]	Sounds good. Thank you.
Operator	Your next question comes from the line of Salome Skhirtladze with Bloomberg Intelligence. Your line is now open.
Salome Skhirtladze [Bloomberg Intelligence]	Hello. Thank you for taking my question. I have actually two questions on the NIM again. Just to have a better idea on the sensitivity. Assuming only one rate cut going forward, or the next or up to the year-end, what could that mean for your NIM upside, if you could quantify the sensitivity of NIMs? And what is your medium-term ROE and profit growth target, if you could also give us the number? Thank you.
Riaz Khan [Dukhan Bank]	Thank you, Salome. On your first question regarding NIMs, if we assume a single rate cut, based on our earlier guidance, for every 25-basis-point rate cut, we typically see a 6 to 7 basis point increase in NIM over a 12-month period. Given that, and considering the 9 basis point improvement already achieved during the first nine months of this year, we are in a comfortable position to close the year at a similar NIM level. We don't expect any upward movement in rates in the immediate term, so overall, we anticipate stable margins through year-end.

	On your second question, regarding the medium-term outlook for ROE, our target is aligned with the market benchmark, which currently stands at around 14% to 15%. Over the next five years, this remains our strategic goal, to deliver a sustainable ROE in the 14–15% range.
Salome Skhirtladze [Bloomberg Intelligence]	Thanks. Can I just add one thing to specify on the NIMs side? So if we assume flat rates, so if I correctly understand, your NIMs right now, the level of current NIMs, already incorporate all the results of the rate shifts, right? There is no lag effect, if I correctly understand.
Riaz Khan [Dukhan Bank]	The rate cuts from last year have already been largely incorporated into our numbers. However, the September 18 rate cut will begin to materialize gradually as we move forward. In practice, the timing of the impact depends on when loans and liabilities are repriced. Sometimes loans adjust earlier than deposits, which can influence the overall outcome. On a theoretical basis, we generally observe that for every 25 to 30 basis point rate cut, there is a 6 to 7 basis point increase in NIM on an annualized basis.
Salome Skhirtladze [Bloomberg Intelligence]	I see. Thank you.
Operator	Your next question comes from the line of Abhinav Sinha with Lesha Bank. Your line is now open.
Abhinav Sinha [Lesha Bank]	I'm not sure if it's already answered, but just can you explain to me the drivers behind the net fee and commission income, and how we shall see it for the full year? Thank you.
Riaz Khan [Dukhan Bank]	The fee income performance this year has been quite robust, particularly in the third quarter, where we observed a notable increase. That said, there were a few one-offs, including early settlement fees from customers who opted to repay ahead of schedule, which contributed to the higher numbers this quarter. For a normalized reference point to use in your projections, I would suggest taking Q2 2025 as a clean base, and then factoring in an increase of around 5–6%. That would translate to approximately QR 64–65 million per quarter going forward.
Abhinav Sinha [Lesha Bank]	Understood. Thank you.
Operator	Your next question comes from the line of Andy Brudenell with Ashmore Group. Your line is now open.

Andy Brudenell [Ashmore Group]	Hi there. Great. Thank you very much. Just on the fee side. Just on the non-funded income side, actually, was there a one-off in the third quarter there as well? If you could just talk about what, again, what the normalized level, maybe the normalized level of non-funded is nearer the first half, but that would be useful, please. And then my second question is just a little bit, maybe a little bit more color on the loan growth pipeline that you spoke about from the earlier question. Could you maybe give us a sense of, just so maybe we can have an idea of, what areas are you seeing this kind of activity in this kind of increased credit demand? What particular segments of your business or sectors within industry? It would be interesting. And also, what sort of visibility do you have? Does this pipeline sort of see you clear, as you stated, to the end of the year? Or does it also bode well for, say, maybe the first half of next year as well? That'd be great. Thank you.
Riaz Khan [Dukhan Bank]	Thank you, Andy. On your first question regarding fees, yes, there were indeed a few one-off items this year. For your future calculations or modeling purposes, I would suggest taking Q2 2025 as a clean reference point, since it was largely free from such one-offs. A figure of around QR 64–65 million would be a reasonable base, with an annualized growth assumption of about 5–6%, which reflects the natural underlying trend. That covers the first question, and perhaps Osama can address the second.
Osama Abu Baker [Dukhan Bank]	Yes, regarding the anticipated growth in the loan book, as Riaz earlier mentioned, the 3% to 5%, we are comfortable about this guidance from now to the year-end. As we mentioned earlier, we have been very selective in our expansion or lending policy. We have reduced our exposure, as you can see in the investor presentation, to the real estate sector. So the anticipated growth is going to come from industrial GREs and the government. So it's going to be a very selective kind of deals, supporting the North Field Expansion and supporting the GREs' business relating to Ashghal and the other GREs. I hope this answers your question.
Andy Brudenell [Ashmore Group]	Yes. Great. Okay. Thank you for that. And then, sorry, just on the first question, sorry, I meant the non-funded income. I heard your answer on fees, but also in the third quarter, it looked like there was some non-funded income that was a little bit higher than in prior quarters. I wonder if you could maybe touch on that a little bit, please.
Riaz Khan [Dukhan Bank]	I think yes, you're absolutely right. Forex income nearly doubled compared to previous quarters, primarily driven by a significant increase in volumes. In addition, we also realized gains on certain FX swap positions, which contributed positively to the overall performance. Beyond that, other income also recorded a notable rise, mainly reflecting hedging gains that were realized during the period.
Andy Brudenell [Ashmore Group]	Okay. Great. Thank you.
Operator	There are no further questions. I will now turn the conference back over to Shahan for closing remarks.

Shahan Keushgerian [QNBFS]	Okay. If there are no more questions, we can wrap up this call. And I would like to thank Dukhan Bank's Management for giving us an update on the quarter, and we will pick this up again next quarter. Thank you.
Osama Abu Baker [Dukhan Bank]	Thank you, everyone. And hopefully, we'll get in touch in January to take you through full-year numbers. Thank you, Shahan.
Operator	Ladies and gentlemen, that concludes today's call. Thank you all for joining. You may now disconnect.