

Dubai Islamic Bank (DIB)

Current Price	Target Price	Upside/Downside (%)	Rating
AED 9.60	AED 10.50	+9%	HOLD

3Q25 Net Profit in line with our estimate

- Net funded income increased 8.8% YOY to AED 2,333 Mn in 3Q25, attributed to a 4.8% YOY rise in funded income mainly due to increased lending and Sukuk portfolio, partially offset by a marginal increase in funded expense.
- NIMs contracted 21 bps YOY but grew 11 bps QOQ to 2.6% in 3Q25.
- Non-funded income witnessed growth of 9.9% YOY to AED 970 Mn in 3Q25, primarily due to higher fees and commissions income, income from investments measured at fair value, income from properties under construction, and other operating income, partially offset by a decline in income from investment properties and lower profit share from associates.
- Operating expenses grew 11.2% YOY to AED 966 Mn in 3Q25. Thus, the calculated cost-to-income ratio increased 55 bps YOY to 29.3% in 3Q25.
- Bank recorded impairment charges of AED 36 Mn in 3Q25, compared to impairment reversal of AED 123 Mn in 3Q24.
- Tax expenses grew from AED 210 Mn in 3Q24 to AED 351 Mn in 3Q25, due to an increase in tax rate.
- Net profit decreased 8.2% YOY to AED 1,863 Mn in 3Q25, mainly due to higher operating expenses and tax charges, partially offset by a rise in net-funded and non-funded income.
- Net financings grew 20.1% YOY and 4.6% QOQ to AED 248.3 Bn in 3Q25, driven by strong momentum in both retail and corporate segments.
- Customer deposits grew 27.5% YOY and 6.4% QOQ to AED 301.9 Bn in 3Q25, with CASA representing 36% of the total deposits in 3Q25.
- The headline loan-to-deposit ratio decreased from 87.3% in 3Q24 to 82.2% in 3Q25.
- The Bank maintained healthy capitalization with a CET 1 and CAR ratio of 13.4% and 16.6%, respectively, in 3Q25.

Earnings Call Summary

- Financing assets grew 17.0% YTD, supported by c. AED 73 Bn in new underwriting during 9M25, while the sukuk portfolio increased 16.0% YTD with AED 18 Bn in new investments. Together, financing and sukuk account for around 87.0% of total assets, with consumer lending comprising roughly 30.0% of the financing book.
- In the Commercial Banking segment, the Bank added c. 230,000 new customers over the past year, driven by strong performance in wealth management.
- The Bank Sukuk portfolio remains focused on high-quality sovereign and financial institution issuers, accounting for 78% of total Sukuk holdings, underscoring a low-risk, high-credit-quality investment strategy.
- DIB continues to invest in digital infrastructure, data analytics, process automation, and cloud migration to enhance scalability and long-term productivity.
- The Bank's reduction in non-performing loans is driven by improved underwriting and better recoveries.
- DIB raised up financing and Sukuk guidance up to 20.0% for 2025, supported by strong underwriting and a healthy pipeline across all segments.
- The Bank's coverage ratios improved, driven by disciplined underwriting, strong recoveries, and effective collections on previously stressed accounts.

- CET1 ratio stands at c. 13.4%, well above regulatory requirements with a 350-bps buffer. The Bank remains comfortable with capital levels but may explore market capital options to support future growth.
- The Bank's decline in the income from investment property in 3Q25 reflects normal quarterly fluctuations; however, on a 2025 YTD basis, the income remains strong.
- The Bank plans to continue its strategic disposals through 4Q25, supporting overall earnings stability.
- DIB's expansion in Saudi Arabia is not expected to dilute NIMs, as sectoral pricing and risk-adjusted returns remain broadly comparable to those in the UAE.
- The Bank's effective tax rate stood at 15.0% for 2025, and the Bank aims to lower it to around 9.0% in 2026, with pending regulatory clarity and necessary approvals.

DIB - P&L

AED Mn	3Q24	2Q25	3Q25	3Q25F	Var.	YOY Ch	QOQ Ch
Net funded income	2,144	2,122	2,333	2,277	2.5%	8.8%	9.9%
Non-Funded Income	883	1,097	970	1,049	-7.5%	9.9%	-11.5%
Operating income	3,027	3,219	3,303	3,325	-0.7%	9.1%	2.6%
General expenses	-869	-925	-966	-868	11.4%	11.2%	4.5%
Impairment charges	123	-93	-36	-246	-85.6%	NM	NM
Profit before tax	2,281	2,201	2,301	2,211	4.1%	0.9%	4.6%
Tax	-210	-268	-351	-325	7.8%	66.7%	30.9%
Profit for the period	2,030	1,858	1,863	1,809	3.0%	-8.2%	0.3%

FABS estimate & Co Data

DIB Guidance:

Target Metrics	9M'25 Performance	FY'25 Guidance
Net Financing & Sukuk growth	17%	15%
Net Profit Margin	2.7%	2.8% - 3.0%
Cost-to-Income Ratio	29%	26%
Return on Tangible Equity (pre-tax)	22%	21%
Return on Assets (pre-tax)	2.4%	2.4%
NPF Ratio	3.13%	3.50%
Total Coverage*	149%	140%

* Including collateral

Research Rating Methodology:

Rating	Upside/Downside potential
BUY	Higher than +15%
ACCUMULATE	Between +10% to +15%
HOLD	Lower than +10% to -5%
REDUCE	Between -5% to -15%
SELL	Lower than -15%

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