

Dubai Islamic Bank (DIB)

Current Price AED 9.14	Target Price AED 10.50	Upside/Downside (%) +14.8%	Rating ACCUMULATE
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4Q25 Net Profit lower than our estimate

- Net funded income declined 7.8% YOY to AED 2,325 Mn in 4Q25, mainly due to an increase in funded expense, partially offset by an increase in funded income.
- Calculated NIMs contracted 74 bps YOY and 15 bps QOQ to 2.4% in 4Q25.
- Non-funded income witnessed growth of 1.6% YOY to AED 1,250 Mn in 4Q25, primarily due to higher income from investments measured at fair value, income from properties under construction, and other operating income, partially offset by a decline in income from fees and commissions, investment properties and lower profit share from associates.
- Operating expenses grew 13.6% YOY to AED 989 Mn in 4Q25. Thus, the calculated cost-to-income ratio increased 445 bps YOY to 27.7% in 4Q25.
- The Bank recorded impairment charges of AED 194 Mn in 4Q25, compared to impairment reversal of AED 123 Mn in 4Q24, due to higher provisioning for Islamic financing and investing assets.
- Tax expenses declined from AED 287 Mn in 4Q24 to AED 266 Mn in 4Q25.
- Net profit attributable to equity shareholders decreased 22.6% YOY to AED 2.0 Bn, lower than our estimate of AED 2.2 Bn in 4Q25.
- Net financings grew 23.4% YOY and 5.5% QOQ to AED 262.1 Bn in 4Q25, driven by strong momentum in both retail and corporate segments.
- Customer deposits grew 28.8% YOY and 6.0% QOQ to AED 320.2 Bn in 4Q25, with CASA deposits of 34% in 4Q25.
- The headline calculated loan-to-deposit ratio decreased from 85.5% in 4Q24 to 81.8% in 4Q25.
- The Bank maintained healthy capitalization with a CET 1 and CAR ratio of 12.3% and 15.5%, respectively, in 4Q25.

Earnings Call Summary

- DIB achieved c.20% asset growth in 2025, significantly exceeding its initial 10% guidance and revised 15% target
- The Bank's asset quality improved with the nonperforming financing ratio declining to 2.65% and strengthening its total coverage ratio to 160% in 2025, both outperforming earlier guidance and reflecting strong risk discipline.
- Consumer Banking recorded 10% YOY revenue growth to AED 4.9 Bn in 2025 driven by strong volume and fee income levels, while Corporate Banking financing grew by 24% to AED 185 Bn in 2025, supported by robust origination and significant growth in cross-border assets.
- Digital transformation progressed well, with 97% of transactions conducted digitally and 80% of new-to-bank customers onboarded through digital channels.
- The Bank does not follow a fixed dividend policy, with payouts determined by annual earnings, capital requirements, regulatory buffers, and growth plans. The lower dividend for 2025 reflects the introduction of the 50 bps countercyclical buffer, while preserving capital to support growth and safeguard shareholder interests.
- The Bank is increasingly focusing on resilient UAE sectors such as utilities, aviation, and healthcare, while its cross-border expansion across Saudi Arabia and the wider GCC will target sovereign, quasi-sovereign, and high-quality GRE exposures.
- Future growth, including in Saudi Arabia, will prioritize high-quality, capital-light assets to maintain lower RWA density and support stronger profitability.

- The corporate tax rate increased from 9% in 2024 to 15% in 2025, which impacted reported net profit after tax across the sector.
- The decline in 2H25 income from investment properties reflects normal market timing, while full-year performance remained strong.
- Core income from financing and Sukuk portfolios continued to grow, supported by expansion across Consumer, Wholesale, and Treasury businesses despite lower interest rates.
- Net interest margins remain under pressure industry wide, but the bank plans to manage this through better asset yields and optimized funding costs.
- The Board of Directors has proposed a cash dividend of 35 fils per share translating into a total dividend of AED 2,534 Mn for 2025, subject to approval by the Bank's General Assembly.
- In 2026, the Bank expects net financing and Sukuk growth of around 10%, a net profit margin of 2.3%, a cost-to-income ratio of 28%, return on tangible equity of 21%, return on assets of 2.2%, a nonperforming financing ratio of 2.5%, and a total coverage ratio of 160%.

DIB - P&L

AED Mn	4Q24	3Q25	4Q25	4Q25F	Var.	YOY Ch	QOQ Ch
Net funded income	2,522	2,333	2,325	2,414	-3.7%	-7.8%	-0.3%
Non-Funded Income	1,230	970	1,250	1,146	9.0%	1.6%	28.8%
Operating income	3,751	3,303	3,575	3,560	0.4%	-4.7%	8.2%
General expenses	-871	-966	-989	-721	37.2%	13.6%	2.4%
Impairment charges	123	-36	-194	-70	NM	NM	NM
Profit before tax	3,003	2,301	2,392	2,769	-13.6%	-20.3%	3.9%
Tax	-287	-351	-266	-484	-NM	-7.2%	-24.1%
Profit for the period	2,634	1,863	2,040	2,185	-6.7%	-22.6%	9.5%

FABS estimate & Co Data

FY2026 Management Guidance:

Target Metrics	FY 2026 Guidance
 Net Financing and Sukuk growth	10%
 Net Profit Margin	2.3%
 Cost-to-Income Ratio	28%
 Return on Tangible Equity (pre-tax)	21%
 Return on Assets (pre-tax)	2.2%
 NPF Ratio	2.5%
 Total Coverage*	160%

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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