

Dubai Islamic Bank (DIB)

Current Price	Target Price	Upside/Downside (%)	Rating
AED 7.15	AED 9.20	+29%	BUY

3Q26 Net profit attributable to equity shareholders in line with our estimate

- Net funded income decreased 3.3% YOY to AED 2,256 Mn in 3Q26, due to higher funded expenses, partially offset by an increase in funded income.
- Calculated NIMs contracted 34 bps YOY and 6 bps QOQ to 2.2% in 3Q26.
- Non-funded income declined 9.2% YOY to AED 882 Mn in 3Q26, due to lower fees and commissions, investments measured at fair value, investment properties, income from properties under construction and other operating income, partially offset by a higher share of profit from associates.
- Operating expenses declined 15.6% YOY to AED 816 Mn in 3Q26 due to lower staff costs. Consequently, the calculated cost-to-income ratio declined to 26.0% in 3Q26 from 29.3% in 3Q25 and 29.9% in 2Q26.
- Impairment charges from increased from 36 Mn in 3Q25 to AED 121 Mn in 3Q26.
- Tax expenses declined 5.8% YOY to AED 330 Mn in 3Q26.
- Profit attributable to non-controlling shareholders declined 18.4% YOY to AED 72 Mn in 3Q26.
- Net profit attributable to equity shareholders declined 3.4% YOY to AED 1,800 Mn in 3Q26, in line with our estimate of AED 1,788 Mn. The decline in net profit is primarily driven by lower net funded income, fee and commission income, and other non-funded income, coupled with higher impairment charges, partially offset by lower operating expenses, tax expenses and profit attributable to non-controlling interests.
- Net financings rose 15.6% YOY and 2.2% QOQ to AED 287.1 Bn in 3Q26.
- Customer deposits grew 7.1% YOY but declined 1.1% QOQ to AED 323.5 Bn in 3Q26, with CASA deposits accounting for 34% of total deposits in 3Q26.
- The headline calculated loan-to-deposit ratio increased to 88.7% in 3Q26 from 85.9% in 2Q26.
- The Bank maintained a healthy capital position, with CET 1 and CAR ratios of 13.4% and 16.5%, respectively, in 3Q26.

Earnings Call Summary

- DIB maintained profitability in 3Q26 despite higher sector-wide funding costs, supported by disciplined deposit pricing, a balanced CASA and fixed-deposit mix.
- Financing growth reached 6% YTD, with capital being redeployed from Sukuk investments towards customer financing, offering more attractive risk-adjusted returns.
- Consumer banking growth in 3Q26 was supported by demand across personal, home and auto financing products, alongside 160,000 new digital users added in 9M26.
- Corporate banking benefited from a diversified client base across economic sectors, with higher funded income and healthy financing yields of c. 6% supporting 3Q26 revenue growth.
- Commercial banking continued to expand across SME and mid-corporate customers, with attractive financing yields and a strong CASA deposit base supporting margins and funding stability.
- Net profit margin remained stable at 2.4% in 9M26, supported by an optimized CASA and fixed-deposit mix, disciplined deposit mobilization and effective financing asset pricing.
- The decline in operating expenses in 3Q26 reflected the capitalization of eligible digital transformation expenses including technology infrastructure, AI and payment systems rather than employee headcount reductions.
- Management expects margin pressure in 4Q26 across the industry, and full-year NIM guidance remains at 2.3%.

- Fee and commission income weakened in 3Q26 due to muted wholesale financing, lower FX and trade volumes, fewer arrangement fees and a business mix tilted towards lower fee-generating consumer financing.
- Deposit mobilization remains costly amid liquidity pressures, prompting the Bank to limit additional deposits to protect profitability while maintaining adequate liquidity to support financing growth.
- The Bank is prioritizing funding stability and profitability over aggressive deposit mobilization. Management indicated that attracting additional deposits at higher rates could pressure earnings, while the existing liquidity position remains adequate to support financing growth.
- Prudent underwriting, adequate provisioning and timely recoveries from impaired accounts supported lower credit costs with NPL ratio improving to 2.4% in 3Q26.
- Income from associates remained strong supported by contributions from Bank of Khartoum, Panin Bank and other investments, with further contributions expected to support earnings.
- UAE real estate price corrections are not expected to materially affect earnings, supported by stable rental yields, lower reliance on property-sale gains and adequate collateral buffers. Digital channels are increasingly central to customer onboarding and transaction processing, supporting a more convenient banking experience while improving scalability and operational efficiency.
- DIB is expanding sustainable financing across sectors and strengthening its financing framework and advisory services to better support client's sustainability needs.
- The Bank remained on track towards 2026 guidance, with financing growth of 6% YTD against a 10% target, NPM of 2.4% against 2.3%, and cost-to-income ratio of 28.1% against c. 28%. ROTE stood at 20% versus 21% guidance, while ROA was 2.1% versus 2.2%.

DIB - P&L

AED Mn	3Q25	2Q26	3Q26	3Q26F	Var	YOY Ch	QOQ Ch
Net funded income	2,333	2,291	2,256	2,386	-5.4%	-3.3%	-1.5%
Non-Funded Income	970	956	882	957	-7.9%	-9.2%	-7.8%
Total Operating income	3,303	3,246	3,138	3,343	-6.1%	-5.0%	-3.3%
Operating expenses	-966	-969	-816	-977	-16.5%	-15.6%	-15.8%
Impairment charges	-36	-69	-121	-181	-33.3%	NM	74.5%
Profit before tax	2,301	2,208	2,201	2,185	0.8%	-4.3%	-0.3%
Tax	-351	-270	-330	-317	4.2%	-5.8%	22.1%
Profit for the period	1,863	1,856	1,800	1,788	0.7%	-3.4%	-3.0%

FABS estimate & Co Data

Management Guidance:

 Target Metrics	FY 2026 Guidance	9M'26 Actuals
 Net Financing and Sukuk growth	10%	6%
 Net Profit Margin	2.3%	2.4%
 Cost-to-Income Ratio	28.0%	28.1%
 Return on Tangible Equity (pre-tax)	21%	20%
 Return on Assets (pre-tax)	2.2%	2.1%
 NPF Ratio	2.5%	2.4%
 Total Coverage	160%	155%

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%

FAB Securities Contacts:

Research Analyst

Ahmad Banihani	+971-2-6161629	Ahmad.Banihani@Bankfab.com
Shahrukh Nawaz	+971-2-6161612	Shahrukh.Nawaz@Bankfab.com

Sales & Execution

Abu Dhabi Head Office		
Trading Desk	+971-2-6161700/1 +971-2-6161777	Online Trading Link
Institutional Desk	+971-4-4245765	

DISCLAIMER

This report has been prepared by FAB Securities (FABS), which is authorised by the UAE Securities and Commodities Authority, licensing registration number 604002, and is a member of the Abu Dhabi Securities Exchange and Dubai Financial Market. The information, opinions and materials contained in this report are provided for information purposes only and are not to be used, construed, or considered as an offer or the solicitation of an offer or recommendation to sell or to buy or to subscribe for any investment security or other financial instrument. The information, opinions and material in this report have been obtained and derived from publicly available information and other sources considered reliable without being independently verified for their accuracy or completeness. FABS gives no representation or warranty, express or implied, as to the accuracy and completeness of information and opinions expressed in this report. Opinions expressed are current as of the original publication date appearing on the report only and the information, including the opinions contained herein, are subject to change without notice. FABS is under no obligation to update this report. The investments referred to in this report might not be suitable for all recipients. Recipients should not base their investment decisions on this report and should make their own investigations, and obtain independent advice, as appropriate. Any loss or other consequences arising from the uses of material contained in this report shall be the sole and exclusive responsibility of the recipient and FABS accepts no liability for any such loss or consequence. The value of any investment could fall as well as rise and the investor may receive less than the original amount invested. Some investments mentioned in this report might not be liquid investments, which could be difficult to realise in cash. Some investments discussed in this report could be characterised by high level of volatility, which might result in loss. FABS owns the intellectual property rights and any other material contained in this report. No part of this report may be reproduced, utilised or modified in any form either in whole or in part or by any electronic, mechanical or other means, now known or hereafter invented, including photocopying and recording, or stored in any retrieval system without the prior consent of FABS in writing. While utmost care has been taken to ensure that the information provided is accurate and correct, neither FABS, nor its employees shall, in any way, be responsible for the contents. By accepting this document, the recipient agrees he/she has read the above disclaimer and to be bound by the foregoing limitations/restrictions.