

Dubai Islamic Bank (DIB)

Higher impairments and strategic spending impacted profitability

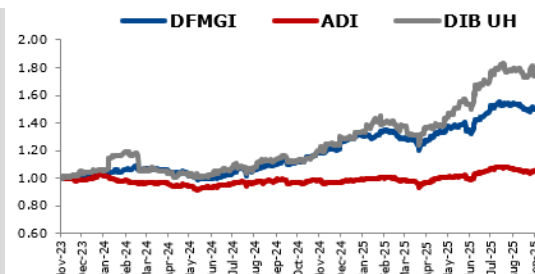
Current Price
AED 9.60

Target Price
AED 10.50

Upside/Downside (%)
+9%

Rating
HOLD

- Based on strong growth in 9M25, the Bank upgraded its 2025 Financing and Sukuk growth guidance upward from 15% to 20%.
- Total deposit expanded 27.5% YOY and 6.4% QOQ to AED 301.9 Bn in 3Q25, driven by growth in retail and corporate segments.
- DIB's reported NPL ratio declined from 3.4% in 2Q25 to 3.1% in 3Q25, driven by decline in stage 3 loans.
- Calculated cost-to-income ratio grew 55 bps YOY to 29.3% in 3Q25, due to continued investment in digital transformation, technology, infrastructure, and human capital.
- DIB reaffirmed its 2025 NIM guidance at 2.8–3.0%, expecting to close near the lower end, while targeting to maintain comparable levels through 2026.



Stock Information

Market Cap (AED, mn)	69,511.15
Paid Up Capital (mn)	7,240.74
52 Week High	10.05
52 Week Low	6.19
3M Avg. daily value(AED)	54,132,340

3Q25 Net Profit in line with our estimate

Dubai Islamic Bank ("DIB", "the Bank") net profit decreased 8.2% YOY to AED 1,863 Mn in 3Q25, in line with our estimate of AED 1,809 Mn. The decline in net profit is mainly driven by higher operating expenses and tax charges, partially offset by a rise in net-funded and non-funded income.

P&L Highlights

Funded income rose 4.8% YOY to AED 5,050 Mn in 3Q25, supported by an increase in financing and Sukuk portfolio. Funded expenses grew marginally by 1.5% YOY to AED 2,717 Mn in 3Q25. However, the Bank's cost of funds declined 62 bps YOY and 7 bps QOQ to 3.4% in 3Q25. As a result, net funded income grew 8.8% YOY to AED 2,333 Mn in 3Q25. However, the calculated NIM contracted 21 bps YOY and grew 11 bps QOQ to 2.6% in 3Q25. Fee and commission income grew significantly from AED 330 Mn in 3Q24 to AED 505 Mn in 3Q25. However, other non-funded income declined 15.9% YOY to AED 465 Mn in 3Q25, mainly due to a decline in investment property and lower profit share from associates, partially offset by an increase in income from investments measured at fair value, income from properties under construction, and other operating income. Thus, non-funded income grew 9.9% YOY to AED 970 Mn in 3Q25. As a result, total operating income rose 9.1% YOY to AED 3,303 Mn in 3Q25. Operating expenses increased 11.2% YOY to AED 966 Mn in 3Q25, due to continued investment in digital transformation, technology, infrastructure, and human capital. As a result, the calculated cost-to-income ratio increased 55 bps YOY to 29.3% in 3Q25. Furthermore, the Bank recorded impairment charges of AED 36 Mn in 3Q25, compared to a reversal of AED 123 Mn in 3Q24; however, impairment charges declined significantly on a QOQ basis, due to stronger asset quality and disciplined risk management. Tax expenses grew from

3Q25 Result Review (AED, Mn)

Total Assets	392,953
Total Liabilities	341,109
Total Equity	51,843
Total Deposits	301,932
Net Profit	1,863

Financial Ratios

Dividend Yield (12m)	4.62
Dividend Pay-out (%)	45.23
Price-Earnings Ratio(x)	9.04
Price-to-Book Ratio (x)	1.68
Book Value (AED)	5.72
Return-on Equity (%)	19.49

Stock Performance

5 Days	-0.10%
1 Months	0.21%
3 Months	-2.54%
6 Months	26.98%
1 Year	52.62%
Month to Date (MTD%)	0.21%
Quarter to Date (QTD%)	0.21%
Year to Date (YTD%)	35.40%

AED 210 Mn in 3Q24 to AED 351 Mn in 3Q25, due to a higher effective tax rate of 15%. The Bank's share of profit attributable to non-controlling interest holders surged significantly from AED 41 Mn in 3Q24 to AED 88 Mn in 3Q25.

Balance Sheet Highlights

The Bank's total assets expanded by 19.4% YOY and 5.2% QOQ to AED 393.0 Bn in 3Q25, supported by strong growth in net financing assets, the Sukuks portfolio. Furthermore, both account for 87% of total assets, ensuring a balanced portfolio structure. Net advances rose 20.1% YOY and 4.6% QOQ to AED 248.3 Bn in 3Q25, driven by strong momentum across retail and corporate segments. In addition, sukuk investments grew 20.4% YOY and 6.5% QOQ to AED 95.1 Bn in 3Q25, driven by a high-quality asset mix. Total deposits grew 27.5% YOY and 6.4% QOQ to AED 301.9 Bn in 3Q25, due to a strong increase in consumer deposits and corporate deposits. The Bank's CASA deposits accounted for 36% of total deposits in 3Q25.

Target Price and Rating

We maintain our HOLD rating on DIB with a revised target price of AED 10.50. DIB recorded a decline in net profit in 3Q25, primarily due to higher expenses from strategic investments in digital transformation, technology, infrastructure, and human capital, as well as impairment charges and the impact of the higher 15% tax rate. DIB's loan book expanded 20.1% YOY and 4.6% QOQ to AED 248.3 Bn in 3Q25, driven by strong underwriting activity. Growth in consumer banking was supported by personal finance, auto finance, home finance, and cards, while corporate financing growth was driven by strong performance across sectors such as energy, utilities, aviation, real estate, manufacturing, trading, and logistics. The Bank's cross-border lending strategy gained momentum, with Saudi Arabia being a key growth market, alongside other GCC and MENA countries. DIB expects this momentum to continue into 4Q25, supported by a strong deal pipeline and diversified exposure across all sectors and geographies. The Bank's Sukuk portfolio expanded 20.4% YOY and 6.5% QOQ to AED 95.1 Bn in 3Q25. The Bank's 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. Based on its strong quarterly performance, DIB revised its 2025 guidance upward, projecting a 20% growth in Net Financing and Sukuk. The Bank's customer deposits increased 27.5% YOY and 6.4% QOQ to AED 301.9 Bn in 3Q25, driven by higher customer acquisition and growth in corporate deposits, particularly in escrow and operating accounts. The Bank's NIMs declined 21 bps YOY but grew 11 bps QOQ to 2.6% in 3Q25. DIB maintained its 2025 NIMs guidance at 2.8-3.0%, expecting to close near the lower end, and aims to sustain similar levels in 2026 despite sector-wide margin pressure. The Bank expects the margin stability to be supported by its fixed-rate portfolio, strong asset growth, and the repricing advantage of fixed deposits. DIB asset quality also improved in 3Q25, with NPLs continuing their downward trend over the last two years. The Bank's reported NPL ratio declined from 3.4% in 2Q25 to 3.1% in 3Q25. The improvement was supported by a reduction in Stage 3 loans, reflecting enhanced origination standards, disciplined credit processes, and prudent sectoral exposure. Furthermore, the reported coverage ratio grew from 103% in 2Q25 to 107% in 3Q25, supported by strong capital buffers and prudent risk management. DIB also maintained the LCR and NSFR ratios at 144% and 108%, respectively, in 3Q25, above regulatory requirements. Moreover, DIB successfully monetized a significant portion of its property portfolio during 2024 and 2025, in line with its long-term strategy of a gradual and profitable exit. Additionally, several real estate transactions in the pipeline are expected to conclude in 4Q25, boosting its non-core income going forward. Thus, considering all these factors, we maintain our HOLD rating on stock with a revised target price.

DIB - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	25.51	18.33	13.84	10.96	9.30	9.52
PB	2.44	2.28	2.11	1.93	1.76	1.59
EPS	0.378	0.526	0.697	0.880	1.037	1.014
BVPS	3.951	4.226	4.563	5.012	5.486	6.052
DPS	0.200	0.250	0.300	0.450	0.450	0.450
Dividend yield	2.1%	2.6%	3.1%	4.7%	4.7%	4.7%

FABS Estimates & Co Data
DIB - P&L

AED Mn	3Q24	2Q25	3Q25	3Q25F	Var.	YOY Ch	QOQ Ch	2024	2025F	Change
Funded income	4,820	4,745	5,050	4,865	3.8%	4.8%	6.4%	19,454	19,579	0.6%
Funded expense	-2,676	-2,623	-2,717	-2,589	4.9%	1.5%	3.6%	-10,505	-10,519	0.1%
Net funded income	2,144	2,122	2,333	2,277	2.5%	8.8%	9.9%	8,949	9,060	1.2%
Fees & commissions	330	426	505	448	12.9%	53.1%	18.5%	1,748	1,958	12.0%
Other non-funded income	553	670	465	601	-22.6%	-15.9%	-30.6%	2,139	2,218	3.7%
Non-funded Income	883	1,097	970	1,049	-7.5%	9.9%	-11.5%	3,887	4,176	7.4%
Operating income	3,027	3,219	3,303	3,325	-0.7%	9.1%	2.6%	12,837	13,236	3.1%
Operating expenses	-869	-925	-966	-868	11.4%	11.2%	4.5%	-3,425	-3,453	0.8%
Pre-provisioning profit	2,158	2,294	2,337	2,458	-4.9%	8.3%	1.9%	9,412	9,783	3.9%
Impairment charges	123	-93	-36	-246	-85.6%	NM	NM	-407	-362	NM
Profit before tax	2,281	2,201	2,301	2,211	4.1%	0.9%	4.6%	9,005	9,421	4.6%
Tax	-210	-268	-351	-325	7.8%	66.7%	30.9%	-840	-1,413	68.3%
Profit before NCI	2,071	1,933	1,951	1,886	3.4%	-5.8%	0.9%	8,165	8,008	-1.9%
Non-controlling interests	-41	-75	-88	-77	13.7%	115.2%	17.1%	-231	-320	38.7%
Profit for the period	2,030	1,858	1,863	1,809	3.0%	-8.2%	0.3%	7,934	7,687	-3.1%

FABS estimate & Co Data
DIB - KPI

	3Q24	2Q25	3Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	70.8%	65.9%	70.6%	-20	470	69.7%	68.5%	-127
NIMs	2.8%	2.5%	2.6%	-21	11	2.9%	2.5%	-32
NIS	2.2%	2.0%	2.1%	-7	13	2.3%	2.0%	-25
Fees & commissions/OI	10.9%	13.2%	15.3%	440	205	13.6%	14.8%	117
Other non-funded/OI	18.3%	20.8%	14.1%	-420	-675	16.7%	16.8%	9
Cost to income	28.7%	28.7%	29.3%	55	53	26.7%	26.1%	-59
Impairment/PPP	-5.7%	4.1%	1.5%	720	-254	4.3%	3.7%	-62
NCI/PBT	2.0%	3.9%	4.5%	253	62	2.8%	4.0%	117
NP/OI	67.1%	57.7%	56.4%	-1,066	-133	61.8%	58.1%	-373
Cost of risk	-0.2%	0.2%	0.1%	29	-10	0.2%	0.2%	-4
Loan-to-deposit (calculated)	87.3%	83.7%	82.2%	-506	-144	85.5%	84.0%	-147
NPL - Reported	4.3%	3.4%	3.1%	-114	-23	3.9%	2.8%	-113
Coverage - Calculated	78.2%	86.9%	89.6%	1,141	271	78.6%	92.0%	1,345
CET 1	13.9%	13.0%	13.4%	-57	39	13.2%	12.5%	-78
Capital adequacy	18.3%	16.7%	16.6%	-165	-8	18.3%	16.8%	-152
ROAA	2.3%	2.4%	2.2%	-6	-13	2.4%	2.1%	-35
ROAE	19.2%	20.6%	19.5%	30	-107	19.8%	17.6%	-219

FABS estimate & Co Data

DIB - Key B/S items

AED Mn	3Q24	4Q24	1Q25	2Q25F	3Q25	YOY Ch
Net financings	206,790	212,427	222,553	237,376	248,301	20.1%
QOQ change	3.8%	2.7%	4.8%	6.7%	4.6%	
Total assets	329,169	344,687	355,269	373,479	392,953	19.4%
QOQ change	2.0%	4.7%	3.1%	5.1%	5.2%	
Customer deposits	236,868	248,546	264,847	283,663	301,932	27.5%
QOQ change	1.2%	4.9%	6.6%	7.1%	6.4%	
Shareholders' fund	37,755	39,724	38,084	39,768	41,360	9.5%
QOQ change	4.8%	5.2%	-4.1%	4.4%	4.0%	

FABS estimate & Co Data

Valuation:

We use Residual Income and Relative Valuation (RV) method to value DIB. We have assigned 70% weight to Residual Income, and 30% to RV method.

Valuation Method	Target	Weight	Weighted Value
Residual Income	10.96	70.0%	7.67
Relative Valuation (RV)	9.45	30.0%	2.83
Weighted Average Valuation (AED)			10.50
Current market price (AED)			9.60
Upside/Downside (%)			+9%

1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 9.0%. Cost of equity is calculated by using the 10-year government bond yield of 5.1%, beta of 0.87 and equity risk premium of 4.6%. Government bond yield is calculated after adding Dubai's 10-year CDS spread over a 10-year US risk-free rate. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	13,072
Terminal value (AED, Mn)	24,916
Book Value of Equity (as of Sept 2025)	41,360
FV to Common shareholders (AED, Mn)	79,347
No. of share (Mn)	7,241
Current Market Price (AED)	9.60
Fair Value per share (AED)	10.96

Residual Income Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Net Profit	7,359	7,467	7,635	7,863	8,132	8,236
(-) Equity Charge	-3,574	-3,943	-4,322	-4,715	-5,130	-5,568
Excess Equity	3,785	3,524	3,314	3,147	3,003	2,667
Discounting Factor	0.99	0.90	0.83	0.76	0.70	0.64
Present Value of Excess Equity	933¹	3,187	2,750	2,396	2,097	1,709

Source: FAB Securities, ¹Adjusted for partial year

2) Relative Valuation:

We have used local and regional peers to value DIB, which is valued using P/B multiple. It is valued at a 2026 P/B multiple of 1.4x, in line with peers.

Company	Market Cap (USD Mn)	P/B (x)		P/E (x)		Dividend Yield (x)	
		2025F	2026F	2025F	2026F	2025F	2026F
Commercial Bank of Dubai	7,801	1.6	1.6	8.4	10.3	5.7%	4.2%
Abu Dhabi Islamic Bank	22,800	3.0	2.7	12.7	11.9	3.9%	4.2%
Emirates NBD	46,943	1.2	1.1	7.2	7.3	3.8%	4.0%
Abu Dhabi Commercial Bank	31,277	1.5	1.4	11.0	10.0	4.1%	4.4%
Alinma Bank	18,868	1.6	1.5	10.1	10.0	4.8%	4.9%
First Abu Dhabi Bank	51,849	1.4	1.3	9.9	9.8	4.8%	4.8%
Average		1.7x	1.6x	9.9x	9.9x	4.5%	4.4%
Median		1.6x	1.4x	10.0x	10.0x	4.4%	4.3%
Max		1.6x	1.5x	10.8x	10.2x	4.8%	4.7%
Min		1.4x	1.3x	8.8x	9.9x	3.9%	4.2%

Source: FAB Securities

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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