

Dubai Islamic Bank (DIB)

Higher expenses and moderate-income growth weigh on profitability

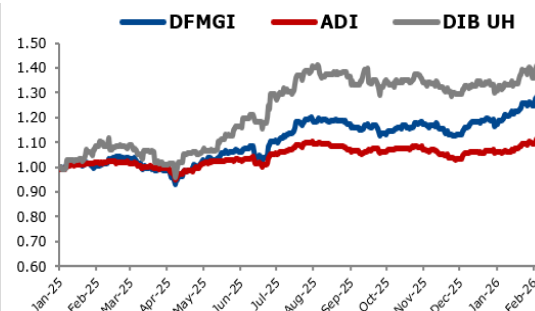
Current Price
AED 9.23

Target Price
AED 10.50

Upside/Downside (%)
+14%

Rating
ACCUMULATE

- The Bank's financing book expanded 23.4% YOY and 5.5% QOQ to AED 262.1 Bn in 4Q25, supported by robust underwriting activity.
- Total deposits increased 28.8% YOY to AED 320.1 Bn in 4Q25, underpinned by a 17% rise in CASA balances.
- The reported NPL ratio declined from 3.1% in 3Q25 to 2.7% in 4Q25, supported by a reduction in Stage 3 exposures and disciplined credit underwriting.
- Board proposed a cash dividend of 35 fils per share, amounting to AED 2,534 Mn for 2025, subject to shareholder approval at the General Assembly.



Stock Information

Market Cap (AED, mn)	65,963.18
Paid Up Capital (mn)	7,240.74
52 Week High	10.20
52 Week Low	6.55
3M Avg. daily value(AED)	48,617,510

4Q25 Net Profit lower than our estimate

Dubai Islamic Bank ("DIB", "the Bank") net profit decreased 22.6% YOY to AED 2,040 Mn in 4Q25, lower than our estimate of AED 2,185 Mn. The decline in net profit is mainly driven by higher funded and operating expenses, impairment charges, coupled with lower fees and commission income, partially offset by an increase in funded and other non-funded income, and lower tax charges.

P&L Highlights

Funded income increased 1.7% YOY to AED 5,203 Mn in 4Q25, supported by higher financing and sukuk investments reflecting broad-based business growth. Funded expenses rose 10.9% YOY to AED 2,878 Mn in 4Q25. However, the Bank's cost of funds declined 38 bps YOY to 3.4% in 4Q25, while remaining unchanged on a QOQ basis. As a result, net funded income declined 7.8% YOY to AED 2,325 Mn in 4Q25, due to higher funded expenses offsetting growth in funded income. The calculated NIMs contracted 74 bps YOY and 15 bps QOQ to 2.4% in 4Q25. Fee and commission income declined from AED 506 Mn in 4Q24 to AED 437 Mn in 4Q25. However, other non-funded income rose 12.4% YOY to AED 813 Mn in 4Q25, mainly due to an increase in income from investments measured at fair value, increased income from properties under construction, and increase in other operating income partially offset by lower income from investment properties and a reduced profit share from associates. Thus, non-funded income grew 1.6% YOY to AED 1,250 Mn in 4Q25. As a result, total operating income declined by 4.7% YOY to AED 3,575 Mn in 4Q25. Operating expenses increased 13.6% YOY to AED 989 Mn in 4Q25. As a result, the calculated cost-to-income ratio increased 445 bps YOY to 27.7% in 4Q25. Furthermore, the Bank recorded impairment charges of AED 194 Mn in 4Q25, compared to a reversal of AED 123 Mn in 4Q24. Tax expenses declined from AED 287 Mn in

4Q25 Result Review (AED, Mn)

Total Assets	415,948
Total Liabilities	362,813
Total Equity	42,562
Total Deposits	320,184
Net Profit	2,040

Financial Ratios

Dividend Yield (12m)	4.94
Dividend Pay-out (%)	45.90
Price-Earnings Ratio(x)	9.46
Price-to-Book Ratio (x)	1.57
Book Value (AED)	5.89
Return-on Equity (%)	17.22

Stock Performance

5 Days	-8.90%
1 Months	-4.51%
3 Months	-3.70%
6 Months	-6.56%
1 Year	19.87%
Month to Date (MTD%)	-5.69%
Quarter to Date (QTD%)	-1.73%
Year to Date (YTD%)	-1.73%

4Q24 to AED 266 Mn in 4Q25, despite changes in the effective tax rate from 9% to 15%. The Bank's share of profit attributable to non-controlling interest holders increased from AED 82 Mn in 4Q24 to AED 87 Mn in 4Q25.

Balance Sheet Highlights

The Bank's total assets expanded 20.7% YOY and 5.9% QOQ to AED 416.0 Bn in 4Q25, driven by broad-based and accelerated growth across core businesses. Net advances rose 23.4% YOY and 5.5% QOQ to AED 262.1 Bn in 4Q25, driven by strong momentum across retail and corporate segments. In addition, sukuk investments grew 10.3% YOY and declined 4.8% QOQ to AED 90.6 Bn in 4Q25, maintaining a high-quality sovereign and financial institution positioning. Total deposits grew 28.8% YOY and 6.0% QOQ to AED 320.2 Bn in 4Q25, due to a strong increase in consumer deposits and corporate deposits. The Bank's CASA deposits accounted for 34% of total deposits in 4Q25.

Target Price and Rating

We maintain our ACCUMULATE rating on DIB with a target price of AED 10.50. DIB reported a decline in net profit in 4Q25, primarily impacted by lower net funded income, reduced fees and commission income, and higher impairment charges. Despite earnings softness in the quarter, the Bank's balance sheet growth remained strong. The Bank's financing book expanded 23.4% YOY and 5.5% QOQ to AED 262.1 Bn in 4Q25, supported by robust underwriting activity. Consumer banking continued to demonstrate solid momentum with net financing assets growing 22.0% YOY to AED 77 Bn in 2025, driven by expansion across home finance, personal finance, and auto finance, alongside steady card contributions. The home finance portfolio remained well diversified across Emirates, further strengthened through strategic partnerships, including its tie-up with Mohammed Bin Rashid Housing Establishment (MBRHE). The Local and Cross-Border Wholesale net financing portfolio grew 24.0% YOY to AED 185 Bn in 2025, led by growth across real estate, government, services, and aviation sectors. Furthermore, DIB's Sukuk investment grew 10.3% YOY and declined 4.8% QOQ to AED 90.6 Bn in 4Q25. DIB expects the net financing and Sukuk investment portfolio to grow 10% in 2026. DIB added c. 90K customers during the year, taking its total UAE customer base beyond 1.6 Mn. The Bank's total deposits increased 28.8% YOY to AED 320.1 Bn in 4Q25, underpinned by a 17% rise in CASA balances, reinforcing a stable and diversified funding base. However, the Bank's reported NIMs stood at 2.6% below its full year guidance of 2.8%-3.0% in 2025. DIB further expects the NIMs to stand at 2.5% in 2026, amid margin pressure. The Bank's cost-to-income ratio grew 445 bps YOY but declined 159 bps QOQ to 27.7% in 4Q25. The Bank further expects the cost-to-income ratio of 28.0% in 2026. Asset quality continued to improve, positioning DIB among the stronger performers in the UAE banking sector. The reported non-performing financing (NPF) ratio declined from 3.1% in 3Q25 to 2.7% in 4Q25, supported by a reduction in Stage 3 exposures and disciplined credit underwriting. The reported total coverage ratio strengthened from 149% in 3Q25 to 160% in 4Q25, reflecting prudent provisioning and active portfolio management. The Bank guides for a further improvement in the NPL ratio to c. 2.5% in 2026 while maintaining coverage at 160%, reinforcing its strong and improving credit quality profile. Liquidity remained strong, with LCR and NSFR at 157% and 109% in 4Q25, respectively, well above regulatory requirements. The Bank also recorded strong shareholders returns with a ROTE (before tax) of 22% and ROA (before tax) of 2.4% in 2025. DIB has also guided a before tax ROTE and ROA of 21% and 2.2% for 2026. The Bank's board also proposed a cash dividend of 35 fils per share, amounting to AED 2,534 Mn for 2025, subject to shareholder approval. Thus, considering all these factors, we maintain our ACCUMULATE rating on the stock.

DIB - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE	17.36	13.11	10.38	8.79	9.35	8.69
PB	2.16	2.00	1.82	1.67	1.55	1.39
EPS	0.526	0.697	0.880	1.039	0.977	1.052
BVPS	4.226	4.563	5.012	5.486	5.878	6.583
DPS	0.250	0.300	0.450	0.450	0.350	0.350
Dividend yield	2.7%	3.3%	4.9%	4.9%	3.8%	3.8%

FABS Estimates & Co Data

DIB - P&L

AED Mn	4Q24	3Q25	4Q25	4Q25F	Var.	YOY Ch	QOQ Ch	2024	2025	Change
Funded income	5,116	5,050	5,203	5,235	-0.6%	1.7%	3.0%	19,454	19,548	0.5%
Funded expense	-2,595	-2,717	-2,878	-2,821	2.0%	10.9%	5.9%	-10,505	-10,576	0.7%
Net funded income	2,522	2,333	2,325	2,414	-3.7%	-7.8%	-0.3%	8,949	8,972	0.3%
Fees & commissions	506	505	437	521	-16.2%	-13.7%	-13.6%	1,748	1,874	7.2%
Other non-funded income	723	465	813	625	30.0%	12.4%	74.8%	2,139	2,405	12.5%
Non-funded Income	1,230	970	1,250	1,146	9.0%	1.6%	28.8%	3,887	4,279	10.1%
Operating income	3,751	3,303	3,575	3,560	0.4%	-4.7%	8.2%	12,837	13,251	3.2%
Operating expenses	-871	-966	-989	-721	37.2%	13.6%	2.4%	-3,425	-3,763	9.9%
Pre-provisioning profit	2,880	2,337	2,586	2,839	-8.9%	-10.2%	10.7%	9,412	9,488	0.8%
Impairment charges	123	-36	-194	-70	NM	NM	444.6%	-407	-485	19.3%
Profit before tax	3,003	2,301	2,392	2,769	-13.6%	-20.3%	3.9%	9,005	9,003	0.0%
Tax	-287	-351	-266	-484	-45.0%	-7.2%	-24.1%	-840	-1,195	42.3%
Profit before NCI	2,717	1,951	2,126	2,285	-6.9%	-21.7%	9.0%	8,165	7,808	-4.4%
Non-controlling interests	-82	-88	-87	-100	-13.1%	5.2%	-1.5%	-231	-307	33.0%
Profit for the period	2,634	1,863	2,040	2,185	-6.7%	-22.6%	9.5%	7,934	7,500	-5.5%

FABS estimate & Co Data

DIB - KPI

	4Q24	3Q25	4Q25	YOY Ch	QOQ Ch	2024	2025	Change
Net FI/OI	67.2%	70.6%	65.0%	-218	-558	69.7%	67.7%	-201
NIMs	3.2%	2.6%	2.4%	-74	-15	2.9%	2.5%	-38
NIS	2.6%	2.1%	2.0%	-60	-14	2.3%	2.0%	-27
Fees & commissions/OI	13.5%	15.3%	12.2%	-128	-308	13.6%	14.1%	52
Other non-funded/OI	19.3%	14.1%	22.7%	346	867	16.7%	18.2%	149
Cost to income	23.2%	29.3%	27.7%	445	-159	26.7%	28.4%	172
Impairment/PPP	-4.3%	1.5%	7.5%	NM	597	4.3%	5.1%	79
NCI/PBT	3.0%	4.5%	4.1%	104	-43	2.8%	3.9%	111
NP/OI	70.2%	56.4%	57.1%	NM	65	61.8%	56.6%	-521
Cost of risk	-0.2%	0.1%	0.3%	NM	24	0.2%	0.2%	0
Loan-to-deposit (calculated)	85.5%	82.2%	81.8%	-362	-39	85.5%	81.8%	-362
NPL - Reported	4.0%	3.1%	2.7%	-135	-48	4.0%	2.7%	-135
Coverage - Calculated	78.6%	89.6%	85.4%	685	-420	78.6%	85.4%	685
CET 1	13.2%	13.4%	12.3%	-89	-102	13.2%	12.3%	-89
Capital adequacy	18.3%	16.6%	15.5%	-280	-112	18.3%	15.5%	-280
ROAA	2.4%	2.2%	2.0%	-44	-27	2.4%	2.0%	-44
ROAE	19.8%	19.5%	17.2%	-259	-232	19.8%	17.2%	-259

FABS estimate & Co Data

DIB - Key B/S items

AED Mn	4Q24	1Q25	2Q25	3Q25	4Q25	YOY Ch
Net financings	212,427	222,553	237,376	248,301	262,055	23.4%
QOQ change	2.7%	4.8%	6.7%	4.6%	5.5%	
Total assets	344,687	355,269	373,479	392,953	415,948	20.7%
QOQ change	4.7%	3.1%	5.1%	5.2%	5.9%	
Customer deposits	248,546	264,847	283,663	301,932	320,184	28.8%
QOQ change	4.9%	6.6%	7.1%	6.4%	6.0%	
Shareholders' fund	39,724	38,084	39,768	41,360	42,562	7.1%
QOQ change	5.2%	-4.1%	4.4%	4.0%	2.9%	

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	10.83	70.0%	7.58
Relative Valuation (RV)	9.74	30.0%	2.92
Weighted Average Valuation (AED)			10.50
Current market price (AED)			9.23
Upside/Downside (%)			+13.8%

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 4.5%. 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)	13,004
Terminal value (AED, Mn)	22,715
Book Value of Equity (as of Dec 2025)	42,562
FV to Common shareholders (AED, Mn)	78,281
No. of share (Mn)	7,227
Current Market Price (AED)	9.23
Fair Value per share (AED)	10.83

Residual Income Method

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Net Profit	7,639	8,100	8,170	8,217	8,230
(-) Equity Charge	-3,844	-4,305	-4,808	-5,317	-5,830
Excess Equity	3,795	3,794	3,362	2,900	2,400
Discounting Factor	0.93	0.85	0.78	0.71	0.66
Present Value of Excess Equity	3,515	3,223	2,619	2,072	1,573

Source: FAB Securities

2) Relative Valuation:

We have used local and regional peers to value DIB, which is valued using the PB multiple. It is valued at a 2026 PB multiple of 1.5x, in line with peers.

Company	Market Cap (USD Mn)	P/B (x)		P/E (x)		Dividend Yield (x)	
		2026F	2027F	2026F	2027F	2026F	2027F
Commercial Bank of Dubai	7,761	1.5	1.4	10.1	9.5	NA	NA
Abu Dhabi Islamic Bank	22,664	2.9	2.5	12.3	10.8	4.2%	4.6%
Emirates NBD	52,622	1.3	1.1	8.2	7.7	3.6%	3.9%
Abu Dhabi Commercial Bank	30,362	1.4	1.3	9.9	8.8	4.5%	4.8%
Alinma Bank	17,800	1.7	1.5	10.7	9.9	4.3%	4.9%
First Abu Dhabi Bank	55,951	1.5	1.3	9.7	9.4	4.6%	5.0%
Average		1.7x	1.5x	10.2x	9.3x	3.5%	3.9%
Median		1.5x	1.4x	10.0x	9.5x	4.3%	4.7%
Max		1.6x	1.5x	10.5x	9.8x	4.4%	4.8%
Min		1.4x	1.3x	9.8x	8.9x	3.8%	4.1%

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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