

## Dubai Islamic Bank (DIB)

**Current Price**  
AED 7.45

**Target Price**  
AED 8.50

**Upside/Downside (%)**  
+14%

**Rating**  
**ACCUMULATE**

### 1Q25 Net Profit lower than our estimate

- Net funded income grew 2.0% YOY to AED 2.2 Bn in 1Q25, attributed to a 9.6% YOY decline in funded expense owing to lower cost of funds partially offset by contraction in asset yield.
- Reported NIMs contracted 10 bps YOY and 2 bps QOQ to 2.9% in 1Q25.
- Non-funded income witnessed healthy growth, 13.2% YOY to AED 962 Mn in 1Q25, due to higher income from investment properties, income from property under construction, and higher fees and commission income.
- Operating expenses grew 4.0% YOY to AED 883 Mn in 1Q25 owing to investment in DIB's resources and skill development along with campaigns for consumer for digital adoption. However, the calculated cost-to-income ratio declined 33 bps YOY and expanded 477 bps QOQ to 28.0% in 1Q25.
- Impairment further reduced to AED 163 Mn in 1Q25 compared to AED 299 Mn in 1Q24, due to solid asset quality and recoveries of the legacy NPFs.
- Tax charges grew from AED 186 Mn in 1Q24 to AED 311 Mn in 1Q25, owing to higher tax rates in 1Q25.
- Net profit increased 9.2% YOY to AED 1.7 Bn in 1Q25 fueled by growth healthy growth in non-funded income and lower impairment charges, partially offset by a rise in operating expense and higher tax charge
- Net financings grew 10.8% YOY and 4.8% QOQ to AED 222.6 Bn in 1Q25, attributed to an rise in Murabaha and Islamic financing assets.
- The customer deposits grew from AED 248.5 Bn in 4Q24 to AED 264.8 Bn in 1Q25 boosted by corporate banking business. CASA deposits rose 4% YTD to AED 99.0 Bn, accounting for 37% of total deposits.
- The headline loan-to-deposit ratio decreased from 85.5% in 4Q24 to 84.0% in 1Q25.
- The Bank's maintained healthy capitalisation with CET 1 ratio and CAR at 13.4% and 17.3%, respectively, in 1Q25.

### Earnings Call Summary

- The financing and Investment portfolio reached AED 222.6 Bn, boosted by a 26% YOY rise in gross financing of AED 26 Bn in 1Q25.
- The bank experienced a solid growth across all business segment, fuelled by gross new underwriting.
- DIB's expects the asset quality to improve going forward within the stipulated guidance.
- The Banks aim for digital transformation by investing in digital infrastructure, such as cloud computing, advanced data analytics, and AI-driven solutions, to elevate the customer experience.
- DIB is expected to benefit from its fixed income investments in the declining interest rate environment, as the Bank locked in relatively higher rates compared to those anticipated toward the end of the year.
- The Bank expects a net profit margin of 2.8% to 3% in 2025. The bank expects to manage the potential impact of declining interest rates on its margins by repricing both sides of its balance sheet, with a particular focus on its liabilities.
- DIB anticipates that declining interest rates will be advantageous, as a significant portion of its liability book will be repriced sooner.
- The Bank expects a 15% tax rate and looks into any potential deductions for taxation benefits.
- DIB's 95% of the bank portfolio is in the GCC region.
- The Bank's large portion of the portfolio is variable and reprices in 3 to 4 months. In addition, the majority of the repricing for the 2024 rate is already priced in its portfolio.

- The Bank's NIMs rose 2 bps QOQ to 2.9% in 1Q25. Furthermore, it expects a NIM guidance of 2.8-3.0% in 2025 based on the expectation of four rate cuts.
- The loan recoveries are expected in 2025, but not to the extent expected in 2024.
- No changes to guidance or asset quality outlook, despite global macro headwinds or oil price volatility
- Credit growth is spread across the quarter in 1Q25
- Normalized cost of risk guidance of 60-70 bps in 2025
- Corporate loan book grew AED 12 Bn in 1Q25 growth evenly spread across UAE and regional markets
- DIB's outlook for growth in other income is strong in 2Q25
- The Bank's other income (from joint ventures, associates, and real estate) has been strong and is expected to continue growing, further boosting its financial performance.
- Property income expected to remain strong due to market strength and strategic divestments
- Asset recovery stood at AED 96 Mn in 1Q25 and expect strong asset quality coupled with minimal recovery going forward
- Plan to offset NIM pressure through higher lending volume
- 2Q25 pipeline is stronger than 1Q25

**DIB - P&L**

AED mn	1Q24	4Q24	1Q25	1Q25F	Var.	YOY Ch	QOQ Ch
Net funded income	2,148	2,522	2,192	2,570	-14.7%	2.0%	-13.1%
Non-Funded Income	850	1,230	962	954	0.9%	13.2%	-21.7%
<b>Operating income</b>	<b>2,998</b>	<b>3,751</b>	<b>3,154</b>	<b>3,524</b>	<b>-10.5%</b>	<b>5.2%</b>	<b>-15.9%</b>
General expenses	-849	-871	-883	-878	0.5%	4.0%	1.4%
Impairment charges	-299	123	-163	-414	-60.6%	-45.4%	-232.7%
<b>Profit before tax</b>	<b>1,850</b>	<b>3,003</b>	<b>2,108</b>	<b>2,232</b>	<b>-5.5%</b>	<b>13.9%</b>	<b>-29.8%</b>
Tax	-186	-287	-311	-208	49.7%	67.0%	8.4%
<b>Profit for the period</b>	<b>1,593</b>	<b>2,634</b>	<b>1,740</b>	<b>1,964</b>	<b>-11.4%</b>	<b>9.2%</b>	<b>-34.0%</b>

FABS estimate & Co Data

## 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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