

Dubai Islamic Bank

Pick-up in volume growth welcome, yet not enough to make us buyers

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DIB UH

Maintain Rating	Price	Price Objective	Upside	Market Cap	Average Daily Value
NEUTRAL	7.45	8.70 ▲ from 8.40 AED	16.8%	53,944 AED(mn)	14.97 USD(mn)

all data as of 28 April 2025

Key takeaways

- We increase our 2025-27E EPS by 3.6% pa and our PO by 3.6% to AED8.70; maintain our Neutral.
- 1Q25 results came in strong on multiple lines, yet NPM disappointed and FY25 ROTE guidance tweaked.
- DIB's 9.0x P/E and 1.3x P/BV look fair for a combination of -5% EPS CAGR and 14.2% average ROAE in 2025-27E.

CASA - Current and Savings Accounts

NFI - Non-Financing Income

NPM - Net Profit Margin

ROA - Return on Assets

ROTE - Return on Tangible Equity

ROAE - Return on Average Assets

Increase EPS and PO, but maintain our Neutral

DIB's 1Q25 results came in strong on multiple lines: financing growth, deposits, non-funded income, provisions. Yet, visibility on drivers of non-funded income remained low, NPM eroded by more than we had expected, and the outlook for cost of risk suggested provisioning should pick up over the next few quarters. We increase our 2025-27E EPS by 3.6% pa and our PO by 3.6% to AED8.70 but maintain our Neutral rating: DIB's 9.0x P/E and 1.3x P/BV look fair for a combination of -5% EPS CAGR and 14.2% average ROAE in 2025-27E.

1Q25: strong volume growth, fees, provisions

DIB delivered 4.8% QoQ growth in net financing in 1Q25 - a strong improvement from a 1.9% CAGR over the past 4Y. Growth was healthy in both the retail (+6.4% QoQ) and corporate (+3.9% QoQ) segments, and was diversified across industries. Fee income was solid for the 2nd consecutive quarter, 22% above the quarterly average in 1Q-3Q24, yet the bank did not disclose its components. Cost of risk came in at 20bpt (under DIB's methodology) versus the 60-70bpt normalized rate, supported by recoveries and falling Non-Performing Assets. These helped to more than offset erosion of NPM, which fell by 13bpt QoQ if we adjust the 4Q level for positive one-offs. NPM was pressured by asset repricing (lower Eibor) and a falling CASA ratio (-1.0ppt YTD).

ROTE guidance tweaked: 22% now pre-tax (was post-tax)

Management reiterated its FY25 guidance for 15% YoY growth in financing + Sukuk (vs +4.1% in 1Q25), 2.8-3.0% NPM (vs 2.9% in 1Q under the bank's methodology), and a 26% Cost / Income ratio (vs 28% in 1Q). It changed the 22% ROTE and 2.4% ROA guidance from being post-tax to pre-tax. This looks hard to achieve: under the bank's methodology ROTE stood at 22% in 1Q pre-tax, while it expects normalization of provisioning and 50-75bpt of policy rate cuts by the end of the year. What could help? Higher-than-expected income from property held for sale (stood at 3% of revenue in 2024), gains from investment properties (4% of revenue in 2024), profit from associates and JV (4% of revenue in 2024), or continued low provision charges helped by solid operating environment in the UAE.

Estimates & Valuation

Estimates (Dec) (AED)	2023A	2024A	2025E	2026E	2027E
Net Profit (AEDm)	6,373	7,511	6,039	6,235	6,471
EPS (Reported Diluted)	0.88	1.04	0.84	0.86	0.90
EPS Change (YoY)	26.2%	17.9%	-19.6%	3.25%	3.77%
DPS	0.45	0.45	0.46	0.47	0.48
Valuation (Dec)					
P/E	8.45	7.17	8.92	8.64	8.32
P/BV	1.48x	1.36x	1.27x	1.19x	1.11x
Dividend Yield	6.04%	6.04%	6.17%	6.31%	6.44%

Quarterly Estimates

Quarterly Earnings Estimates

	2024	2025
Q1	0.21A	0.23A
Q2	0.22A	0.20E
Q3	0.27A	0.20E
Q4	0.35A	0.20E

Key Changes

(AED)	Previous	Current
Price Obj.	8.40	8.70
2025E EPS	0.79	0.84
2026E EPS	0.84	0.86
2027E EPS	0.88	0.90

Stock Data

Price	7.45 AED
Price Objective	8.70 AED

Date Established	28-Apr-2025
Investment Opinion	A-2-7
52-Week Range	5.49 AED-7.93 AED
Mrkt Val / Shares Out	53,944 AED / 7,240.7
(mn)	7
Average Daily Value (mn)	14.97 USD
Free Float	71.1%
BofA Ticker / Exchange	XUIBF / ABU
Bloomberg / Reuters	DIB UH / DISB.DU
ROE (2025E)	14.7%
Price to Book Value	1.3x

Exhibit 1: DIB quarterly financials - tracker

1Q25 results came in strong on financing growth, deposits growth, provisions, non-funded income, disappointed on NPM

	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25
Profitability												
ROAE	16.0%	16.3%	15.8%	17.1%	17.8%	18.3%	22.1%	17.0%	17.7%	21.1%	25.8%	17.0%
ROATE	15.8%	16.0%	15.6%	17.4%	17.4%	17.9%	21.6%	17.5%	17.3%	20.6%	25.2%	17.4%
ROAA	1.7%	1.9%	1.8%	1.9%	2.0%	2.0%	2.5%	1.9%	1.9%	2.4%	3.0%	1.9%
Margins												
Yield on assets	4.09%	4.83%	5.58%	5.69%	6.05%	6.28%	6.42%	6.34%	6.25%	6.30%	6.46%	5.52%
QoQ, ppt	0.55%	0.73%	0.75%	0.11%	0.36%	0.23%	0.14%	-0.08%	-0.09%	0.06%	0.15%	-0.94%
Cost of funding	1.17%	1.75%	2.48%	2.85%	3.42%	3.63%	3.87%	3.97%	3.94%	4.04%	3.80%	3.30%
QoQ, ppt	0.21%	0.58%	0.73%	0.37%	0.57%	0.21%	0.24%	0.10%	-0.03%	0.10%	-0.24%	-0.51%
NIM	3.06%	3.29%	3.41%	3.21%	3.07%	3.11%	3.05%	2.86%	2.80%	2.80%	3.18%	2.66%
QoQ, ppt	0.37%	0.22%	0.12%	-0.20%	-0.14%	0.04%	-0.07%	-0.18%	-0.06%	0.00%	0.38%	-0.52%
Fees, AED mn	278	222	240	279	327	258	409	343	304	234	414	375
Other non-interest income, AED mn	274	244	312	271	348	441	368	398	587	513	609	511
Fees, QoQ	-16%	-20%	8%	16%	17%	-21%	59%	-16%	-11%	-23%	77%	-10%
Fees / avg assets	0.45%	0.37%	0.40%	0.44%	0.51%	0.39%	0.54%	0.48%	0.42%	0.32%	0.53%	0.47%
Asset quality												
NPF ratio	6.2%	6.2%	6.2%	6.2%	6.1%	5.8%	5.2%	4.8%	4.8%	4.9%	3.9%	3.5%
QoQ, ppt	-0.10%	0.03%	-0.06%	0.00%	-0.08%	-0.30%	-0.63%	-0.38%	0.07%	0.01%	-0.93%	-0.38%
Stage 2 ratio	8.6%	8.5%	8.0%	8.0%	9.2%	8.8%	6.9%	6.9%	6.5%	5.8%	5.0%	4.3%
Stage 3 ratio	6.7%	6.7%	6.6%	6.6%	6.5%	6.2%	5.5%	5.1%	5.1%	5.1%	4.2%	3.8%
Difference between Stage 3 and NPLs	0.46%	0.46%	0.45%	0.41%	0.37%	0.35%	0.33%	0.28%	0.24%	0.23%	0.23%	0.23%
Coverage												
Stage 2 ratio	5.7%	6.3%	7.2%	7.5%	6.7%	7.2%	8.9%	8.0%	7.9%	8.3%	7.8%	9.4%
Stage 3 ratio	54.9%	56.0%	53.3%	54.0%	54.6%	56.7%	59.4%	59.3%	60.1%	54.9%	56.1%	57.9%
Provisions												
Write-offs / avg gross loans	0.53%	0.86%	0.30%	0.68%	0.48%	0.21%	0.30%	0.53%	0.10%	0.11%	0.57%	0.06%
CoR - before recoveries	0.75%	0.81%	0.44%	0.94%	0.90%	0.91%	0.20%	0.60%	0.45%	0.05%	-0.65%	0.29%
CoR - after recoveries	0.83%	0.73%	0.45%	0.86%	0.80%	0.85%	0.17%	0.52%	0.66%	-0.11%	-0.27%	0.29%
Efficiency												
Cost / Income	25.7%	26.5%	25.0%	27.3%	26.1%	27.0%	29.9%	29.4%	27.6%	30.1%	24.6%	28.7%
Costs growth YoY	4%	9%	6%	6%	11%	15%	30%	14%	15%	10%	-3%	4%
BS ratios												
Total loans QoQ	1.9%	-3.7%	-0.6%	-0.6%	2.4%	5.0%	0.2%	0.7%	-0.8%	3.8%	2.7%	4.8%
Retail loans QoQ	1.9%	0.2%	-0.8%	3.3%	-1.3%	5.0%	1.0%	3.1%	-4.3%	15.0%	0.3%	6.4%
Corporate loans QoQ	1.9%	-4.9%	-0.7%	-1.9%	3.8%	5.0%	-0.4%	-0.6%	0.7%	-0.8%	2.7%	3.9%
Deposits QoQ	-1.1%	-7.8%	6.5%	-0.2%	6.2%	4.9%	0.5%	6.2%	-0.7%	1.2%	4.9%	6.6%
Term deposits QoQ	1.1%	-3.0%	2.4%	5.9%	9.2%	7.1%	1.2%	4.5%	-7.0%	7.1%	5.5%	8.3%
CASA deposits QoQ	-3.8%	-13.8%	12.3%	-7.9%	1.9%	1.3%	-0.6%	9.1%	9.4%	-7.0%	4.0%	3.8%
CASA ratio	44%	41%	43%	40%	38%	37%	37%	38%	42%	38%	38%	37%
QoQ, ppt	-1.24%	-2.90%	2.20%	-3.40%	-1.58%	-1.32%	-0.42%	1.00%	3.94%	-3.37%	-0.32%	-1.00%
LDR (headline)	96%	100%	94%	93%	90%	90%	90%	85%	85%	87%	85%	84%
Interbank												
Due from banks, AED bn	3	3	5	2	3	3	4	4	5	4	6	5
% of assets	1.1%	1.1%	1.6%	0.7%	0.9%	1.0%	1.4%	1.3%	1.6%	1.3%	1.6%	1.4%
Due to banks, AED bn	4	7	5	6	5	6	5	4	2	3	2	3
% of assets	2%	2%	2%	2%	2%	2%	2%	1%	1%	1%	1%	1%

Source: BofA Global Research, company

BoFA GLOBAL RESEARCH

Exhibit 2: DIB 1Q25 results, AED mn

Net Income for 1Q25 came 5.8/15.1% above consensus/BoFAe

	1Q25	4Q24	QoQ	1Q24	YoY	Consensus	Fact vs consensus	BoFA est.	Fact vs BoFA est.
P&L									
Net Financing Income	2,192	2,522	-13.1%	2,148	2.0%	2,250	-2.6%	2,271	-3.5%
Total Non - financing Income	885	1,023	-13.5%	741	19.5%	762	16.1%	758	16.8%
Total income from operations (Revenues)	3,077	3,545	-13.2%	2,889	6.5%	3,013	2.1%	3,029	1.6%
Operating expenses	-883	-871	1.4%	-849	4.0%	-762	15.8%	-870	1.4%
Impairment losses	-163	123	-232.7%	-299	-45.4%	-299	-45.6%	-423	-61.5%
Net profit for the period(after deducting NCI Share)	1,740	2,634	-34.0%	1,593	9.2%	1,645	5.8%	1,512	15.1%
Balance Sheet									
Net Financing and Sukuk Investments	306,702	294,587	4.1%	276,579	10.9%	299,710	2.3%	301,341	1.8%
Total Assets	355,268	344,687	3.1%	327,314	8.5%	354,453	0.2%	352,997	0.6%
Customers' Deposits	264,847	248,546	6.6%	235,783	12.3%	254,810	3.9%	254,345	4.1%
Shareholder Equity & Reserve excl. T1 Sukuk & NCI	38,084	39,724	-4.1%	34,494	10.4%	38,916	-2.1%	37,875	0.6%
Ratios*									
NPM	2.66%	3.18%	-0.52%	2.86%	-0.20%	2.75%	-0.09%	2.76%	-0.10%
Cost / Income	28.7%	24.6%	4.1%	29.4%	-0.7%	28.4%	0.3%	28.7%	0.0%
ROAA	1.9%	2.97%	-1.08%	1.88%	0.01%	1.76%	0.13%	1.61%	0.28%
ROATE	17.4%	25.2%	-7.8%	17.5%	-0.1%	na	na	14.8%	2.5%

Cost of risk	0.29%	-0.27%	0.55%	0.52%	-0.23%	na	na	0.60%	-0.31%
CET 1	13.4%	13.2%	0.1%	13.1%	0.3%	13.5%	-0.1%	13.5%	-0.1%
NPF Ratio	3.54%	3.93%	-0.38%	4.78%	-1.24%	4.01%	-0.47%	3.97%	-0.42%

Note: * ratios are under BofA methodology
Source: company, BofA Global Research estimates, Visible Alpha (consensus)

BofA GLOBAL RESEARCH

We revise our 2025-27E estimates on the back of 1Q results. We also incorporate lower Fed rate forecast from our macro team: they now expect additional 100bpt policy rate cuts in 2026, see note "[Surfing the tariff wave](https://rsch.baml.com/r?q=JJqrTSB2WfEGB9zykf8hzA) (https://rsch.baml.com/r?q=JJqrTSB2WfEGB9zykf8hzA)". We lower our provision forecasts and now expect them at the lower-end of the guided normalized range.

Exhibit 3: BofA estimates - new vs old

We increase our EPS by 3.6% pa in 2025-27E

	2025E	2026E	2027E
Net Financing Income	-3%	-3%	-3%
Commissions, fees and foreign exchange income	5%	3%	3%
Income from other investments measured at fair value, net	-31%	-31%	-31%
Income from properties held for development and sale, net	15%	15%	15%
Income from investment properties	25%	25%	25%
Share of profit from associates and joint ventures	-19%	-19%	-19%
Other income	-8%	-8%	-8%
Total Non-Financing Income	8%	6%	6%
Revenue	0%	-1%	-1%
Total operating expenses	2%	2%	2%
Pre provisioning profit	-1%	-2%	-2%
Impairment charges, net	-28%	-17%	-16%
Share of profit from associates and JV	-19%	-19%	-19%
Profit before tax	4%	1%	1%
Income tax expense	4%	1%	0%
Profit after tax	4%	1%	1%
Non-controlling interests	13%	9%	9%
Net Income to shareholders	4%	1%	0%
Profit attributable to T1 sukuk holders	-22%	-22%	-22%
BofD remuneration paid	-4%	-3%	-3%
Net attributable diluted profit	6.2%	2.6%	2.0%

Source: Bank of America Global Research

BofA GLOBAL RESEARCH

Exhibit 4: BofA estimates versus VA consensus, AED mn

Our EPS estimates are -2.71/-0.3/+0.1% vs consensus in 2025/26/27E

	VA Consensus			BofAe			BofA vs consensus		
	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Net interest income	9,364	9,734	10,154	9,051	9,823	10,441	-3.3%	0.9%	2.8%
Net fee income	1,899	2,000	2,123	1,885	1,947	2,049	-0.7%	-2.6%	-3.5%
Other income	1,576	1,565	1,620	1,495	1,521	1,547	-5.2%	-2.8%	-4.5%
PPI	12,839	13,298	13,898	12,431	13,291	14,037	-3.2%	-0.1%	1.0%
Provisions	-1,415	-1,671	-1,914	-1,258	-1,575	-1,726	-11.1%	-5.8%	-9.8%
Operating expenses	-3,568	-3,766	-3,979	-3,693	-4,000	-4,313	3.5%	6.2%	8.4%
Pre-tax profit	8,189	8,228	8,434	7,797	8,038	8,327	-4.8%	-2.3%	-1.3%
Taxes and deductions	-1,981	-1,970	-1,965	-1,758	-1,803	-1,856	-11.2%	-8.5%	-5.5%
Net income	6,209	6,258	6,469	6,039	6,235	6,471	-2.7%	-0.4%	0.0%
EPS, AED	0.86	0.87	0.89	0.84	0.86	0.90	-2.7%	-0.3%	0.1%
DPS, AED	0.44	0.45	0.47	0.46	0.47	0.48	4.0%	3.5%	1.3%
NIM	2.76%	2.61%	2.51%	2.62%	2.53%	2.39%	-4.9%	-2.9%	-4.4%
Cost of risk	0.62%	0.67%	0.72%	0.53%	0.60%	0.60%	-14.1%	-10.6%	-16.4%
CIR	27.9%	28.3%	28.5%	29.7%	30.1%	30.7%	6.5%	6.3%	7.7%
ROAE	15.2%	14.3%	13.9%	14.7%	14.2%	13.8%	-3.1%	-0.8%	-0.7%
				14.7%	14.2%	13.8%			
Tier 1	16.9%	16.6%	16.4%	16.3%	15.5%	14.6%	-3.3%	-6.8%	-10.8%
Total CAR	17.9%	17.6%	17.3%	17.4%	16.4%	15.5%	-2.9%	-6.6%	-10.4%
Gross loans	240,488	257,906	275,824	245,546	269,026	294,847	2.1%	4.3%	6.9%
Y-o-Y, %	10%	7%	7%	12%	10%	10%	-	-	-
Deposits	272,595	295,375	317,801	288,133	324,126	364,902	5.7%	9.7%	14.8%
Y-o-Y, %	10%	8%	8%	16%	12%	13%	-	-	-

Source: BofA Global Research, Visible Alpha

BofA GLOBAL RESEARCH

Exhibit 5: DIB financials, AED mn

We forecast 14.2% average ROAE and -5% EPS CAGR in 2025-27E

	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E
Income Statement									
Net Financing Income	6,306	6,699	6,639	8,105	8,749	8,949	9,051	9,823	10,441
Non-Financing Income	2,903	2,752	2,666	2,234	2,701	3,402	3,380	3,468	3,596
Revenue	9,208	9,451	9,306	10,339	11,450	12,351	12,431	13,291	14,037
Total operating expenses	-2,358	-2,728	-2,529	-2,733	-3,162	-3,425	-3,693	-4,000	-4,313
Pre provisioning profit	6,850	6,723	6,776	7,606	8,289	8,926	8,738	9,290	9,724
Impairment charges, net	-1,764	-4,552	-2,448	-2,103	-1,396	-407	-1,258	-1,575	-1,726
Share of profit from associates and JV	58	20	116	128	215	485	317	323	329
Profit before tax	5,145	3,206	4,444	5,631	7,108	9,005	7,797	8,038	8,327
Income tax expense	-42	-46	-38	-79	-98	-840	-1,164	-1,200	-1,243
Profit after tax	5,103	3,160	4,406	5,552	7,010	8,165	6,633	6,838	7,084
Non-controlling interests	88	-134	15	77	212	231	203	209	217
Net Income to shareholders	5,014	3,294	4,391	5,474	6,798	7,934	6,430	6,629	6,867
Profit attributable to T1 sukuk holders	-449	-535	-554	-404	-404	-404	-364	-364	-364
BofD remuneration paid	-20	-20	-25	-21	-20	-19	-28	-30	-33
Net attributable diluted profit	4,546	2,739	3,812	5,049	6,373	7,511	6,039	6,235	6,471
YoY %	3%	-40%	39%	32%	26%	18%	-20%	3%	4%

Ratios

	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E
BS ratios									
Financing / Deposits	92%	96%	91%	94%	90%	85%	83%	81%	79%
Financing / Assets	65%	68%	67%	65%	63%	62%	61%	60%	59%
CASA ratio	33%	42%	44%	43%	37%	38%	37%	36%	36%
RWA / assets	82%	77%	82%	80%	79%	75%	75%	75%	75%
Asset Quality									
NPF Ratio	4.0%	5.3%	6.5%	6.2%	5.2%	3.9%	3.6%	3.5%	3.4%
Coverage Ratio	97.7%	77.5%	70.0%	73.0%	82.7%	78.6%	88.5%	85.7%	83.0%
Cost of risk (on gross financing)	1.08%	2.10%	0.98%	0.68%	0.66%	0.19%	0.53%	0.60%	0.60%
Cost of risk (on other assets)	0.16%	0.29%	0.55%	0.88%	0.07%	0.00%	0.01%	0.01%	0.01%
Provisions on property and equipment	na	9.62%	0.95%	0.00%	0.00%	0.00%	0.38%	0.38%	0.38%
Efficiency									
Cost/Income	25.6%	28.9%	27.2%	26.4%	27.6%	27.7%	29.7%	30.1%	30.7%
Costs/average assets	1.0%	1.0%	0.9%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%

Margins

NPM	3.0%	2.8%	2.5%	3.1%	3.1%	2.9%	2.6%	2.5%	2.4%
Average yield on IEA	5.2%	4.4%	3.4%	4.5%	6.1%	6.3%	5.5%	5.1%	4.1%
Average cost of funds	2.4%	1.7%	1.0%	1.6%	3.5%	3.9%	3.4%	3.0%	1.9%
Fees / average assets	0.58%	0.51%	0.45%	0.44%	0.47%	0.43%	0.42%	0.39%	0.36%
Earnings									
RoAE	18.3%	10.1%	12.9%	15.9%	18.4%	19.8%	14.7%	14.2%	13.8%
RoAA	2.0%	1.1%	1.3%	1.8%	2.1%	2.3%	1.7%	1.5%	1.4%
RoTE	18.3%	10.1%	12.9%	15.9%	18.4%	19.8%	14.7%	14.2%	13.8%
Non-funded income/revenue	32%	29%	29%	22%	24%	28%	27%	26%	26%
Dividend payout	51%	53%	47%	43%	51%	43%	55%	54%	54%
Per share Ratio									
EPS - basic	0.69	0.38	0.53	0.70	0.88	1.04	0.84	0.86	0.90
EPS - diluted	0.69	0.38	0.53	0.70	0.88	1.04	0.84	0.86	0.90
DPS	0.35	0.20	0.25	0.30	0.45	0.45	0.46	0.47	0.48
BVPS	3.89	3.96	4.23	4.57	5.02	5.50	5.88	6.28	6.70
Valuation Multiples									
P/E	10.82	19.60	14.18	10.71	8.48	7.20	8.95	8.67	8.35
P/BV	1.92	1.89	1.77	1.64	1.49	1.36	1.27	1.19	1.12
Dividend yield	4.7%	2.7%	3.3%	4.0%	6.0%	6.0%	6.1%	6.3%	6.4%
Capital ratios									
CET 1	12.0%	12.0%	12.4%	12.9%	12.8%	13.2%	13.8%	13.2%	12.6%
Tier 1 capital ratio	15.4%	17.3%	16.0%	16.5%	16.1%	17.2%	16.3%	15.5%	14.6%
CAR total	16.5%	18.5%	17.1%	17.6%	17.3%	18.3%	17.4%	16.4%	15.5%
Growth - BS, YoY									
Financing, net	4%	30%	-5%	0%	7%	7%	12%	10%	10%
Deposits	6%	25%	0%	-4%	12%	12%	16%	12%	13%
Assets	4%	25%	-4%	3%	9%	10%	12%	12%	12%
Growth - P&L, YoY									
Net Financing income	6%	6%	-1%	22%	8%	2%	1%	9%	6%
Fee income	0%	11%	1%	-3%	12%	-3%	8%	3%	5%
Revenue	14%	3%	-2%	11%	11%	8%	1%	7%	6%
Costs	2%	16%	-7%	8%	16%	8%	8%	8%	8%
Profit before tax	2%	-38%	39%	27%	26%	27%	-13%	3%	4%
Net income after minorities	3%	-40%	39%	32%	26%	18%	-20%	3%	4%

Source: Bank of America Global Research

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Exhibit 6: DIB Gordon Growth valuation model

We increase our PO by 3.6%, maintain Neutral Rating

Cost of equity (down from 10.6%)	10.5%
Risk free rate	4.5%
Equity risk premium	5.0%
Additional risk factor	1.0%
Beta	1.0
Long-term Growth rate	3.5%
Long-term ROAE (up from 13.8%)	14.0%

	2025E	2026E	2027E
Shareholders equity, AED mn	42,469	45,380	48,454
ROAE	14.7%	14.2%	13.8%
ROATE	14.7%	14.2%	13.8%

Fair P/BV ratio	1.49
Mcap, 2026E	67,558
Discount factor	10.5%
Discount period, years	0.7
Mcap, 12M FW	63,073
Number of shares, mn	7,227
PO, AED	8.70
Current market price, AED	7.48
Potential upside	16%
2025E DPS, AED	0.46
PO change	3.6%
Dividend yield	6.1%
Rating	Neutral

	2025E	2026E	2027E
P/E	10.4	10.1	9.7
P/BV	1.5	1.4	1.3

Source: BofA Global Research estimates

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*iQprofile*SM Dubai Islamic Bank

Company Description

Founded in 1975, DIB is the UAE's largest Islamic bank with a c10% share in domestic financing. The Emirate of Dubai owns 28%, but the dependency on state finance is below UAE peers at 12% of Islamic financing and investing assets and 9% of deposits. Financing is split between corporate (53%), consumer (27%) and real estate (20%). DIB has 55 branches in the UAE, and 16% of its credit is international, with the main presence in Pakistan and Sudan. In 2020, it acquired the Dubai-based Noor Bank.

Investment Rationale

DIB is one of the lowest beta stocks in MENA banks. The bank has low dependency on state finance despite state ownership, and a local funding focus. DIB has made good progress in reduction of its real estate exposure over the past 10Y. We think the stock is fairly valued.

Key Income Statement Data (Dec) (AED Millions)	2023A	2024A	2025E	2026E	2027E
	IFRS	IFRS	IFRS	IFRS	IFRS
Financing Income	8,749	8,949	9,051	9,823	10,441
Net Fee Income	1,425	1,430	1,542	1,593	1,676
Securities Gains / (Losses)	628	1,112	1,092	1,111	1,132
Other Income	648	860	747	764	789
Total Non-financing Income	2,701	3,402	3,380	3,468	3,596
Total Operating Income	11,450	12,351	12,431	13,291	14,037
Operating Expenses	(3,162)	(3,425)	(3,693)	(4,000)	(4,313)
Pre-Provision Profit	8,289	8,926	8,738	9,290	9,724
Provisions Expense	(1,396)	(407)	(1,258)	(1,575)	(1,726)
Operating Profit	6,893	8,520	7,480	7,715	7,997
Non-Operating Items	215	485	317	323	329
Pre-Tax Income	7,108	9,005	7,797	8,038	8,327
Net Income to sh/holders	6,373	7,511	6,039	6,235	6,471
Adjusted Cash Earnings	6,373	7,511	6,039	6,235	6,471
Key Balance Sheet Data					
Total Assets	314,292	344,687	387,039	433,402	485,981
Average Income Earning Assets	280,696	309,419	345,166	387,892	435,960
Risk Weighted Assets	248,623	257,208	290,144	324,924	364,367
Total Gross Customer Financing	208,356	219,187	245,546	269,026	294,847
Total Customer Deposits	222,054	248,546	288,133	324,126	364,902
Tier 1 Capital	40,091	44,137	47,366	50,277	53,351
Tangible Equity	36,293	39,724	42,469	45,380	48,454
Common Shareholders' Equity	36,293	39,724	42,469	45,380	48,454
Key Metrics					
Net Profit Margin	3.12%	2.89%	2.62%	2.53%	2.39%
Tier 1 Ratio	16.1%	17.2%	16.3%	15.5%	14.6%
Effective Tax Rate	1.37%	9.33%	14.9%	14.9%	14.9%
Financing / Assets Ratio	63.5%	61.6%	61.4%	60.2%	59.0%
Financing / Deposit Ratio	89.8%	85.5%	82.5%	80.5%	78.5%
Oper Leverage (Inc Growth - Cost Growth)	-4.92%	-0.46%	-7.18%	-1.42%	-2.21%
Gearing (Assets / Equity)	8.66x	8.68x	9.11x	9.55x	10.0x
Tangible Equity / Assets	11.5%	11.5%	11.0%	10.5%	9.97%
Tangible Equity / RWAs	14.6%	15.4%	14.6%	14.0%	13.3%
Business Performance					
Revenue Growth	10.7%	7.87%	0.64%	6.92%	5.61%
Operating Expense Growth	15.7%	8.33%	7.82%	8.34%	7.82%
Provisions Expense Growth	-33.6%	-70.9%	209%	25.2%	9.58%
Operating Revenue / Average Assets	2.29%	2.59%	2.04%	1.88%	1.74%
Operating Expenses / Average Assets	-1.05%	-1.04%	-1.01%	-0.98%	-0.94%
Pre-Provision ROA	2.75%	2.71%	2.39%	2.26%	2.12%
ROA	2.12%	2.28%	1.65%	1.52%	1.41%
Pre-Provision ROE	23.9%	23.5%	21.3%	21.2%	20.7%
ROE	18.4%	19.8%	14.7%	14.2%	13.8%
RoTE	18.4%	19.8%	14.7%	14.2%	13.8%
RoRWAs	2.65%	2.97%	2.21%	2.03%	1.88%
Dividend Payout Ratio	51.0%	43.3%	55.0%	54.5%	53.6%
Efficiency Ratio (Cost / Income Ratio)	27.6%	27.7%	29.7%	30.1%	30.7%
Quality of Earnings					
Total Non-Funded Inc / Operating Inc	23.6%	27.5%	27.2%	26.1%	25.6%
Market-Related Revenue / Total Revenues	0%	0%	0%	0%	0%
Provisioning Burden as % of PPP	16.8%	4.56%	14.4%	17.0%	17.8%
NPFs / Financing	5.40%	4.05%	3.68%	3.58%	3.48%
Impairments / NPFs	82.7%	78.6%	88.5%	85.7%	83.0%
Impairments / Total Financing	4.46%	3.18%	3.26%	3.07%	2.89%
Provisions Expense / Average Financing	0.72%	0.20%	0.56%	0.63%	0.63%

Price Objective Basis & Risk

Dubai Islamic Bank (XUIBF)

We set a AED 8.7/share PO for DIB, using a Gordon Growth model. We apply an 14.0% long-term RoAE, 10.5% cost of equity and 3.5% long-term growth rate (G). We calculate target P/BV using a formula $(ROAE - G) / (COE - G)$.

Downside risks:

- A weaker-than-expected macro, including due to lower oil prices, could lead to below-estimated balance sheet growth and higher-than-expected CoR.
- Elevated exposure to real estate and construction leaves DIB vulnerable to asset quality deterioration in the sector and may result in slower Islamic financing and investing asset growth or additional provisions, even if not imminently.
- Direct exposure to real estate could lead to negative revaluation if estate prices fall.
- Impact on DIB provisioning from new CBUAE NPL regulation remains to be seen.
- A weaker operating environment in countries of presence may have a negative impact on financials.

Upside risks:

- A stronger-than-expected macro, including due to high oil prices, could lead to above-estimated balance sheet growth and lower-than-expected CoR.
- An improved environment and expansion in Egypt could result in a higher-than-expected contribution to the group's P&L from the Egypt subsidiary.

Analyst Certification

I, Olga Veselova, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

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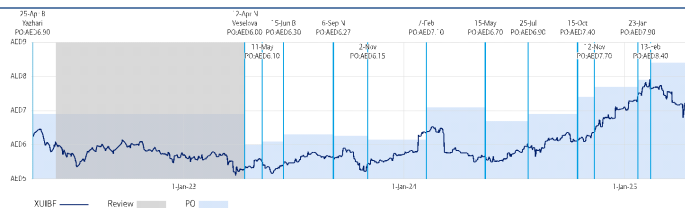
EEMEA - Financials Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
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	Abu Dhabi Islamic Bank	XQPVF	ADIB UH	Olga Veselova
	Akbank	XHRAF	AKBNK TI	David Taranto
	Al Rajhi Bank	XRHJF	RJHI AB	Olga Veselova
	Capitec	CKHGF	CPI SJ	Harry Botha
	Emirates NBD	XHGGF	EMIRATES UH	Olga Veselova
	Erste Bank	EBKOF	EBS AV	David Taranto
	Erste Bank	EBKDY	EBKDY US	David Taranto
	FirstRand	FANDF	FSR SJ	Harry Botha
	Garanti Bank	TKGBF	GARAN TI	David Taranto
	Investec	XBZGF	INWP LN	Harry Botha
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	Isbank	TYIBF	ISCTR TI	David Taranto
	Komercni Banka	KMERF	KOMB CP	David Taranto
	Pekao S.A.	BKPKF	PEO PW	David Taranto
	PKO BP	PSZKF	PKO PW	David Taranto
	Qatar National Bank	XQTNF	QNBK QD	Olga Veselova
	Riyad Bank	XRYPF	RIBL AB	Olga Veselova
Saudi Awwal Bank	XBUAF	SABB AB	Olga Veselova	
Saudi National Bank	XBYNF	SNB AB	Olga Veselova	
Yapi Kredi Bank	YVKBFB	YKBNK TI	David Taranto	
NEUTRAL	Abu Dhabi Commercial Bank	XBUDF	ADCB UH	Olga Veselova
	Alinma	XALBF	ALINMA AB	Olga Veselova
	Dubai Islamic Bank	XUIBF	DIB UH	Olga Veselova
	First Abu Dhabi Bank	XNBUF	FAB UH	Olga Veselova
	Nedbank Group Ltd	NDBKF	NED SJ	Harry Botha
	OTP Bank	OTPBF	OTP HB	David Taranto
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	Halkbank	THBIF	HALKB TI	David Taranto
	National Bank of Kuwait	XPOBF	NBK KK	Olga Veselova
	Raiffeisen Bank International	RAIFF	RBI AV	David Taranto
	Standard Bank	SBGOF	SBK SJ	Harry Botha
	Vakif Bank	TKYVF	VAKBN TI	David Taranto

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Important Disclosures

Dubai Islamic Bank (XUIBF) Price Chart



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Equity Investment Rating Distribution: Banks Group (as of 31 Mar 2025)

Coverage Universe	Count	Percent	Inv. Banking Relationships	Count	Percent
Buy	113	54.85%	Buy	96	84.96%
Hold	45	21.84%	Hold	34	75.56%
Sell	48	23.30%	Sell	38	79.17%

Equity Investment Rating Distribution: Global Group (as of 31 Mar 2025)

Coverage Universe	Count	Percent	Inv. Banking Relationships	Count	Percent
Buy	1867	54.40%	Buy	1108	59.35%
Hold	774	22.55%	Hold	466	60.21%
Sell	791	23.05%	Sell	368	46.52%

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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