CREDIT OPINION
30 June 2026

Update

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Dubai Islamic Bank PJSC

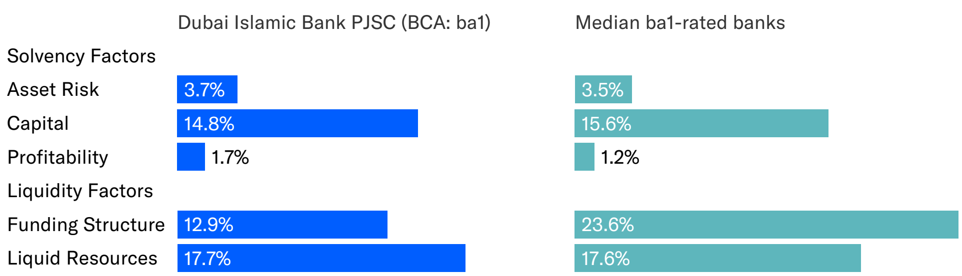
Update following ratings affirmation, outlook remains stable

Summary

The A3 long-term local- and foreign-currency issuer ratings assigned to Dubai Islamic Bank PJSC (DIB) reflect: (1) the bank's standalone creditworthiness, expressed in a ba1 notional Baseline Credit Assessment (BCA) and (2) our assumption of a very high probability of support from the Government of United Arab Emirates(UAE, Aa2 stable), in case of need, which results in four notches of uplift

DIB's ba1 BCA reflects the bank's sound capitalisation, strong profitability backed by its solid Islamic franchise in the UAE, and solid liquidity position. These strengths are balanced by high borrower and sector concentration risks.

Exhibit 1
Rating Scorecard - Key financial ratios



The problem loan and profitability ratios are the weakest of the average three-year ratios and the latest reported ratios. The capital ratio is the latest reported figure. The funding structure and liquid asset ratios are the latest year-end figures.
Source: Moody's Ratings

Credit strengths

» Strong profitability, supported by a solid Islamic franchise

» Sound liquidity

» Solid capital levels

» Very high probability of government support in case of need

Credit challenges

» Rapid loan growth can present unseasoned risks

» High borrower and sector concentrations

Outlook

The stable outlook on DIB's ratings reflects our view that the bank will continue to maintain strong capital and liquidity while asset quality and profitability are expected to return to strong levels after a modest deterioration during the outlook period amid the regional conflict.

Factors that could lead to an upgrade

Upward pressure on DIB's ratings could emerge from (1) sustained improvement in asset quality while maintaining strong capital, high profitability, and liquidity buffers; and (2) significant reduction in borrower and sector concentration risks, particularly in real estate.

Factors that could lead to a downgrade

Downward pressure on DIB's ratings could develop in the event of a sudden and sustained deterioration in the operating environment - including an escalation or expansion of the conflict beyond our central scenario - leading to worse than initially anticipated deterioration in asset quality with significantly lower profitability and strain on core capital as well as a weakening in funding and liquidity.

Key indicators

Exhibit 2

Dubai Islamic Bank PJSC (Consolidated Financials) [1]

	03-26[2]	12-25[2]	12-24[2]	12-23[2]	12-22[2]	CAGR/Avg.[3]
Total Assets (AED Million)	419,916.4	415,948.2	344,686.8	314,291.5	288,238.5	12.3[4]
Total Assets (USD Million)	114,315.8	113,247.9	93,842.1	85,573.9	78,482.4	12.3[4]
Tangible Common Equity (AED Million)	45,285.2	43,758.8	40,985.8	37,609.2	34,018.8	9.2[4]
Tangible Common Equity (USD Million)	12,328.2	11,914.0	11,158.5	10,240.1	9,262.7	9.2[4]
Problem Loans / Gross Loans (%)	2.5	2.7	4.2	5.5	6.7	4.3[5]
Tangible Common Equity / Risk Weighted Assets (%)	14.8	14.6	15.9	15.1	14.7	15.0[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	13.7	14.4	19.1	24.7	30.3	20.5[5]
Net Interest Margin (%)	2.3	2.3	2.7	2.8	2.8	2.6[5]
PPI / Average RWA (%)	3.3	3.1	3.4	3.3	3.1	3.2[6]
Net Income / Tangible Assets (%)	1.7	1.8	2.3	2.1	1.8	1.9[5]
Cost / Income Ratio (%)	28.8	30.2	28.7	28.6	27.5	28.8[5]
Gross Loans / Due to Customers (%)	85.8	83.6	88.2	93.8	98.1	89.9[5]
Core Banking Liquidity (HQLA) / Tangible Banking Assets (%)	17.4	17.7	17.2	--	--	17.4[5]

Less-stable Funds (LCR) / Tangible Banking Assets (%)	13.0	12.9	13.2	--	--	13.0[5]

[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; IFRS. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.
Further to the publication of our revised methodology in November 2025, only ratios from annual 2024 onwards included in this report apply reported risk weights for all exposures, discontinuing our previously applied standard adjustment for certain government securities. Sources: Moody's Ratings and company filings

Profile

DIB had total assets of AED419.9 billion as of the end of March 2026 and is the fourth-largest bank in the UAE, with market shares of 8%, 11% and 10% in terms of assets, net financing and deposits, respectively.

DIB provides a range of retail banking, wholesale banking, treasury and investment banking, and capital markets products and services to individual, corporate and institutional customers. It is represented internationally in Indonesia, Pakistan, Sudan, Bosnia, Kenya and Turkiye.

DIB was established in 1975 as the world's first Islamic bank. Since March 2000, it has been listed on the Dubai Financial Market (DFM: DIB). As of the end of March 2026, the Government of Dubai held a stake of 28% in the bank through the Investment Corporation of Dubai.

In July 2023, DIB acquired a 20% stake in T.O.M group of companies to penetrate the Turkish digital banking and financial technology sector, hence contributing to the geographical diversification of its revenues. As of December 2025, the bank's stake in T.O.M group stood at 25%.

Detailed credit considerations

Solid Islamic banking franchise supports stable profitability, though near-term pressures expected

We assign a baa2 score for profitability that reflects our Net Income to Tangible Assets ratio of 1.7%, which we consider to be Strong, and is negatively adjusted for expected moderation driven by higher credit costs amid a weaker operating environment in 2026.

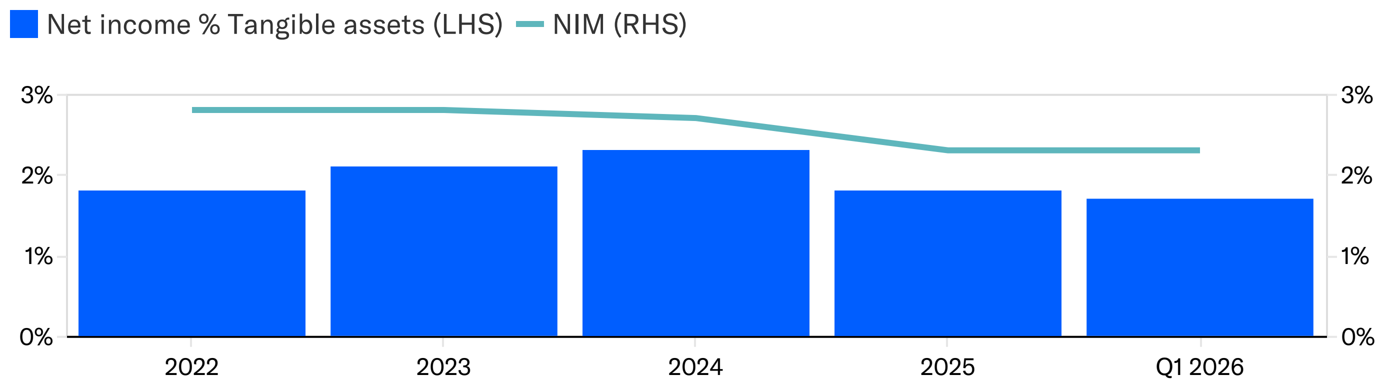
DIB benefits from a well-established Shari'ah-compliant franchise, supporting customer loyalty and franchise resilience across cycles. Its market share increased to 8.0% in 2025 from 4.8% in 2013, driven by expansion in both retail and corporate (including GRE) segments.

Profitability softened in 2025 as margins declined to 2.3% (2.3% in Q1 2026) from 2.7% in 2024, reflecting rapid growth in financing assets (around 20%) and lower yields on the predominantly corporate loan book following rate cuts. Non-funded income remained solid at around 30% of operating income, supported by resilient fees and income generated from investment properties and properties held for sale.

Cost efficiency remained stable, with a cost-to-income ratio of 30% in 2025 (29% in Q1 2026) underpinning DIB's ongoing investments in both human capital and technology infrastructure. Credit costs were contained in 2024–2025, but increased in Q1 2026, with provisions consuming 16.1% of pre-provision income (7.6% a year earlier), reflecting additional ECL overlays amid heightened geopolitical uncertainty.

Overall, return on assets declined to 1.8% in 2025 (1.7% in Q1 2026) from 2.3% in 2024, primarily reflecting dilution effects from a strong 20% expansion in total assets and higher taxation following the introduction of the Qualified Domestic Minimum Top-Up Tax.

Exhibit 3
Strong profitability supported by DIB's Islamic franchise



Source: Moody's Ratings

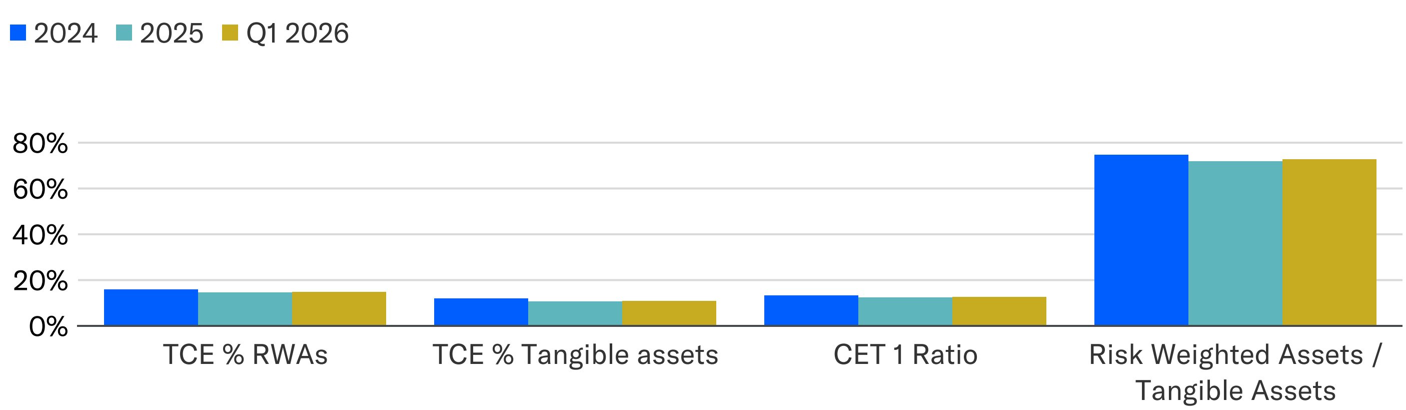
Solid capitalisation

We assign a baa3 score for capital that reflects our Tangible Common Equity to Risk Weighted Assets ratio of 14.8%, which we consider to be Strong, and is adjusted for expected trends.

Sound profitability over the past two years has supported DIB's capitalisation; however, robust balance sheet expansion—reflected in 16% RWA growth in 2025—has exerted downward pressure on capital ratios. The bank's TCE/RWA ratio declined to 14.8% as of March 2026 (14.6% as of December 2025) from 15.9% at year-end 2024. Similarly, the CET1 ratio moderated to 12.6% (12.3% as of December 2025) from 13.2% at year-end 2024. In 2025, DIB redeemed its AED2.8 billion Tier 1 sukuk issued in 2019, reducing outstanding Additional Tier 1 (AT1) capital insutrments to AED7.3 billion, equivalent to around 1.7% of total assets.

We expect capital buffers to remain broadly stable, driven by internal capital generation and subdued loan growth in 2026. This is supported by a lower dividend payout of 32% in 2025, compared with 40% in 2024, enhancing earnings retention.

Exhibit 4
Solid capital buffers



Source: Moody's Ratings

Improving asset quality although credit concentrations remain high

We assign a b2 asset risk score that reflects our Problem loans to Gross Loans ratio of 3.7%, which we consider to be Moderate and is adjusted for high single name and sector concentration.

The bank's loan book is notably exposed to services and others (28%) and real estate (13%) as of December 2025. Additionally, related-party exposures amounted to approximately 4.5% of the bank's tangible common equity as of March 2026. The Government of Dubai—DIB's main shareholder and a key borrower—drives material exposure to government and government-related entities across lending and investment portfolios.

Asset quality has improved with the non-performing financing (NPF) ratio, which includes Purchased or Originated Credit Impaired (POCI) assets from the Noor Bank acquisition completed in 2020, declining to 2.5% as of March 2026, from 2.7% as of December 2025 and 4.2% as of December 2024 and is now broadly in line with the domestic system average. Improvements reflect write-offs, resolution of legacy exposures, and strong financing growth (22% in 2025), although rapid growth could introduce some seasoning risks in newer vintages. Stage 2 financing also declined to 3.2% as of March 2026 (from 5.0% in 2024).

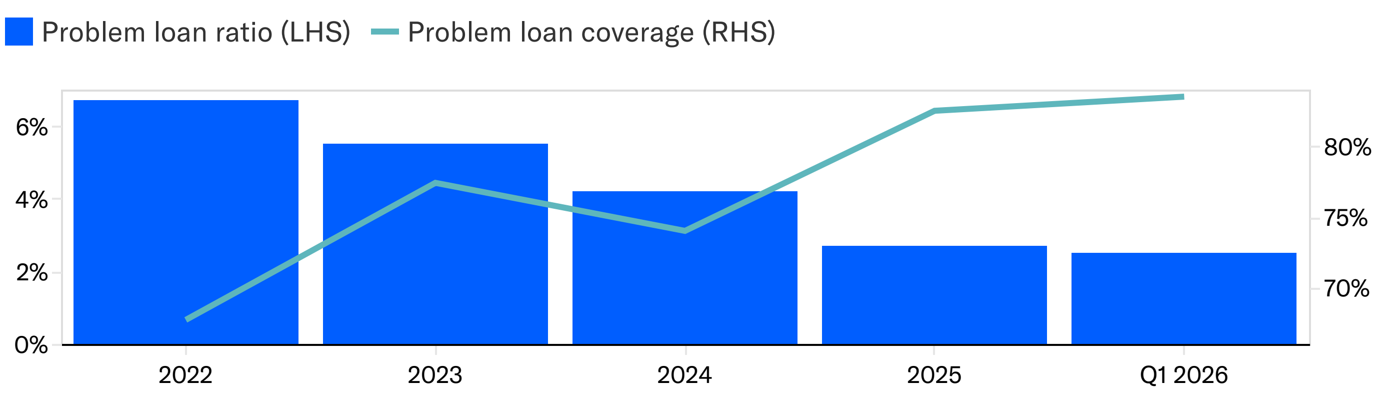
The bank's asset quality could be pressured by the uncovered portion of nonperforming financings, with financing loss reserves covering 84% of nonperforming financings as of March 2026 (83% as of December 2025 and 74.0% as of December 2024).

Against the current geopolitical backdrop, we expect asset quality to be pressured albeit from a stronger starting point following recent improvements.

Although DIB has meaningful exposure to cyclical sectors, including real estate and services, which are among the sectors most vulnerable to current geopolitical tensions in the Middle East, the bank's pre-conflict improvements in asset quality provide a strong starting point to absorb potential credit deterioration. However, we expect the current geopolitical environment to increase credit costs, particularly in more vulnerable sectors, resulting in some upward pressure on the bank's cost of risk.

Exhibit 5

Financing book improvements support asset quality



Source: Moody's Ratings

Solid deposit-funded profile

We assign a baa2 score for funding structure that reflects our Less Stable Funds to Tangible Banking Assets ratio of 12.9%, which we consider to be Strong, and is adjusted for the bank's funding concentration reflecting the high share of government deposits.

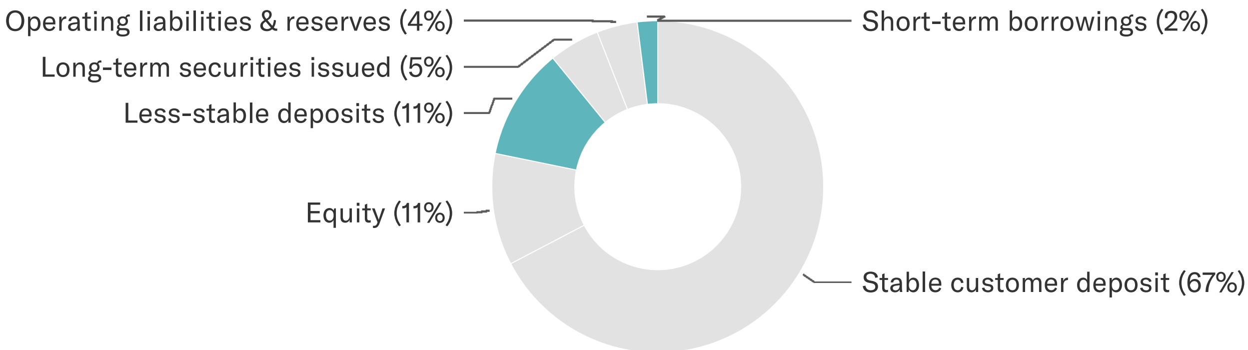
The bank's solid funding profile is supported by its strong Islamic franchise, which has driven robust deposit growth in recent years (29% in 2025 and 12% in 2024). As a result, the bank remains predominantly deposit-funded, with deposits accounting for 77% of total assets as of March 2026 (unchanged from December 2025 and up from 72% in December 2024).

The improvement in funding metrics is also reflected in the net financings-to-deposit ratio, which declined to 84.0% as of March 2026, from 85.5% in December 2024 and 95.5% in December 2020. This trend was driven by deposit growth outpacing financing expansion, with deposits rising by 29% year-on-year in 2025 compared to 23% growth in net financings.

However, the share of zero- or low-cost current and savings accounts remains modest at 35% of total deposits as of March 2026 (34% as of December 2025 and 38% as of December 2024), below the local peer average, resulting in a relatively more volatile cost of funds.

In addition, government deposits constitute a high share of total deposits, leading to a concentrated profile. This risk is partly mitigated by the historically stable and sticky nature of public-sector deposits in the GCC, which have generally been resilient during periods of stress.

Exhibit 6
Stable deposit funding profile, underpinned by its strong Islamic franchise
As of March 2026



Source: Moody's Ratings

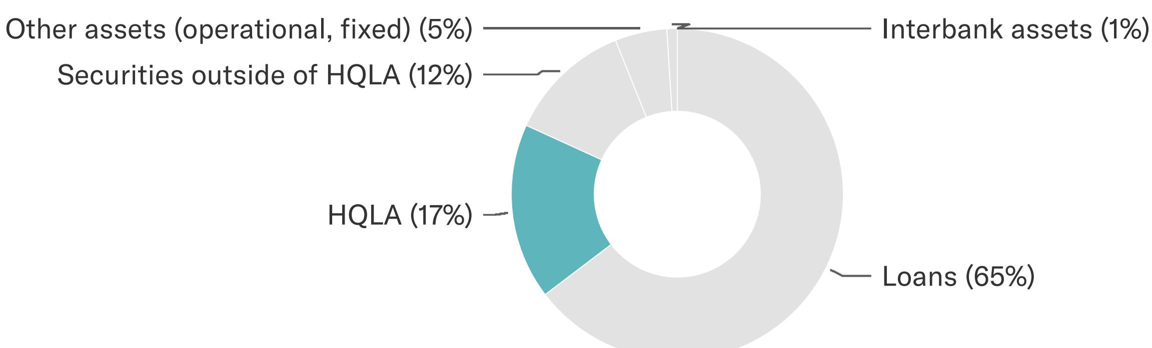
Sound liquid asset buffers

We assign a baa3 score for liquid resources that reflects our Core Banking Liquidity to Tangible Banking Assets ratio of 17.7%, which we consider to be Moderate.

The average liquidity coverage ratio was 157% in the first quarter of 2026, well above the 100% regulatory minimum. Core liquidity provides a buffer against less stable funding, which represented 12.9% of tangible banking assets over the same period. The bank maintains a solid stock of liquid assets, with cash accounting for around 9% of total assets and investment securities—predominantly high-quality sovereign instruments—representing 22% as of December 2025.

We expect DIB to maintain solid liquidity levels buffers mitigating risks related to the ongoing Middle East conflict.

Exhibit 7
Sound liquid asset buffers
As of March 2026

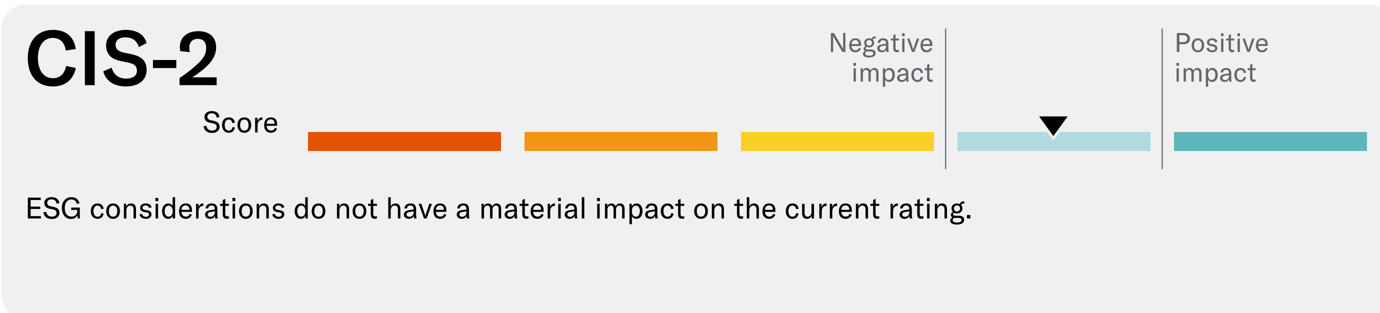


Source: Moody's Ratings

ESG considerations

Dubai Islamic Bank PJSC's ESG credit impact score is CIS-2

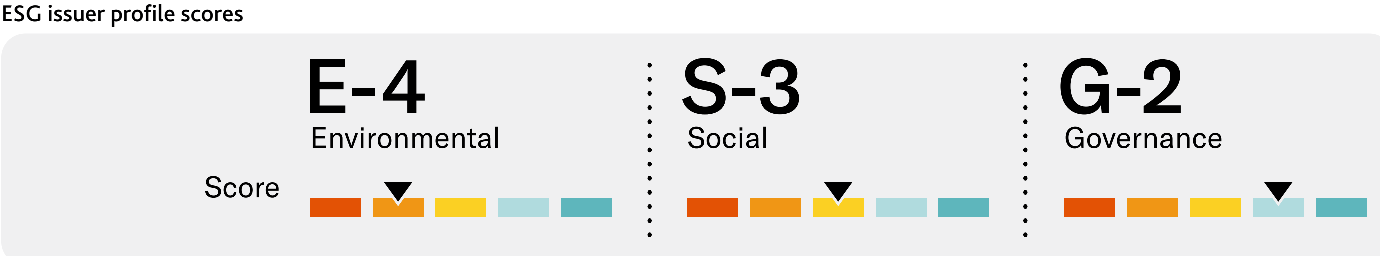
Exhibit 8
ESG credit impact score



Source: Moody's Ratings

DIB's **CIS-2** indicates that ESG considerations are not material to the rating because the very high level of government support mitigates the impact of environmental, social and governance risks on the ratings.

Exhibit 9
ESG issuer profile scores



Source: Moody's Ratings

Environmental

DIB faces high exposure to environmental risks, mainly because of carbon transition risk. The UAE's economic dependence on the hydrocarbon sector (although low hydrocarbon production costs provide a degree of insulation to carbon transition), as well as its dependence on desalinated water and exposure to rising sea levels, increases its vulnerability to environmental risks, potentially affecting the creditworthiness of the bank's counterparties.

Social

DIB faces moderate social risks related to regulatory and litigation risks, requiring high compliance standards, as well as in the areas of data security and customer privacy. DIB and UAE banks are generally focused on intermediation with simpler product ranges and counterparties. Consumer protection regulation partially mitigates mis-selling and mis-representation risks.

Governance

DIB has established governance practices as a listed firm and a track record of broadly meeting its annual guidance on financial targets. The bank's financial strategy is transparent and hosts regular investor/analyst update calls with timely reporting on financial statements (quarterly and annually). Finally, although the Dubai government maintains a 28% ownership stake in DIB, which is also reflected in the composition of its board of directors, this does not result in incremental governance risks because of the country's developed institutional framework.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Support and structural considerations

Government support

we incorporate a Very high probability of government support for DIB's A3 issuer ratings, which results in four notches of uplift. This reflects our view on (1) the UAE's strong capacity to support, (2) DIB's importance within the UAE's banking system, with its dominant flagship Islamic franchise (the oldest Islamic bank in the UAE), (3) DIB's government ownership (28% by the Government of Dubai), and (4) past evidence of systemic support that has been provided to banks in case of need.

Source of facts and figures cited in this report

Unless otherwise stated, the local system averages quoted in the report are updated as of September 2025. The global medians quoted in the report are updated using the most recent financial data. Unless noted otherwise, other data related to systemwide trends are sourced from the central bank. Bank-specific figures originate from the bank's reports and Moody's Banking Financial Metrics. All figures are based on our own chart of account and may be adjusted for analytical purposes. Please refer to the document Financial Statement Adjustments in the Analysis of Financial Institutions published on 29 April 2026.

Methodology and scorecard

About Moody's Bank Scorecard

Our scorecard is designed to capture, express and explain in summary form our Rating Committee's judgement. When read in conjunction with our research, a fulsome presentation of our judgement is expressed. As a result, the output of our scorecard may materially differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

Rating methodology and scorecard factors

Exhibit 10
Rating Factors

Macro Factors		
Weighted Macro Profile	**Strong -**	**100%**

Factor	**Historic Ratio**	**Initial Score**	**Expected Trend**	**Assigned Score**	**Key driver #1**	**Key driver #2**
Solvency						
Asset Risk						
Problem Loans / Gross Loans	3.7%	baa2	↓	b2	Single name concentration	Sector concentration
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	14.8%	a3	↓	baa3	Expected trend	
Profitability						
Net Income / Tangible Assets	1.7%	a3	↓	baa2	Expected trend	
Combined Solvency Score		baa1		ba2		
Liquidity						
Funding Structure						
Less-stable Funds / Tangible Banking Assets	12.9%	a3	↔	baa2	Funding concentration	Deposit quality
Liquid Resources						
Core Banking Liquidity / Tangible Banking Assets	17.7%	baa2	↔	baa3	Quality of liquid assets	
Combined Liquidity Score		baa1		baa2		
Financial Profile		baa1		ba1		
Qualitative Adjustments				Adjustment		
Business and Geographic Diversification				0		
Complexity and Opacity				0		
Strategy, Risk Appetite and Governance				0		
Total Qualitative Adjustments				0		
Sovereign or Affiliate constraint				Aa2		
BCA Scorecard-indicated Outcome - Range				baa3 - ba2		
Assigned BCA				ba1		
Affiliate Support notching				0		
Adjusted BCA				ba1		

Instrument Class	**Loss Given Failure notching**	**Additional notching**	**Preliminary Rating Assessment**	**Government Support notching**	**Local Currency Rating**	**Foreign Currency Rating**
Counterparty Risk Rating	1	0	baa3	4	A2	A2
Counterparty Risk Assessment	1	0	baa3 (cr)	4	A2(cr)	
Senior unsecured bank debt	0	0	ba1	4	A3	A3

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.
Source: Moody's Ratings

Ratings

Exhibit 11

Category	Moody's Rating
DUBAI ISLAMIC BANK PJSC	
Outlook	Stable
Counterparty Risk Rating	A2/P-1
Baseline Credit Assessment	ba1
Adjusted Baseline Credit Assessment	ba1
Counterparty Risk Assessment	A2(cr)/P-1(cr)
Issuer Rating	A3
ST Issuer Rating	P-2
DIB SUKUK LIMITED	
Outlook	Stable
Bkd Senior Unsecured	A3
Bkd Senior Unsecured MTN	(P)A3

Source: Moody's Ratings

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