

Dubai Islamic Bank (DIB)

Higher net funded and non-funded income coupled with impairment reversal boosted profitability

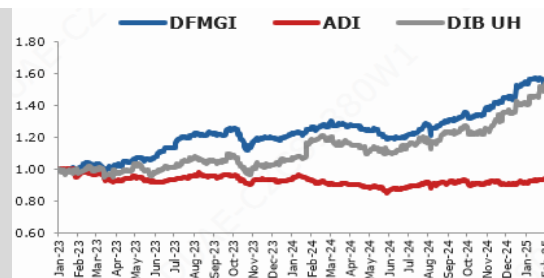
Current Price
AED 7.65

Target Price
AED 8.50

Upside/Downside (%)
+11%

Rating
ACCUMULATE

- The Bank's NIMs increased 14 bps YOY and 38 bps QOQ to 3.2% in 4Q24. The NIMs for FY2025 are anticipated to be in the range of 2.8-3.0%.
- Asset quality improved as the reported NPL ratio improved to 4.0% in 4Q24 from to 4.3% in 3Q24.
- DIB's net advances grew 6.5% YOY and 2.7% QOQ to AED 212.4 Bn in 4Q24, mainly driven by robust growth in retail and corporate segments.
- The Bank proposed a cash dividend of AED 0.45 per share for 2024 equivalent to AED 3.3 Bn with a dividend yield of 5.9%.



4Q24 Net Profit higher than our estimate

Dubai Islamic Bank ("DIB", "The Bank") net profit grew 25.4% YOY to AED 2,634 Mn in 4Q24, higher than our estimate of AED 1,648 Mn. The growth in net profit was driven by an increase in funded and non-funded income coupled with higher impairment reversals, partially offset by a rise in tax charges.

P&L Highlights

Funded income grew 8.5% YOY to AED 5,116 Mn in 4Q24, mainly due to an increase in interest earning assets coupled with an expansion in asset yield. Funded expenses rose from AED 2,477 Mn in 4Q23 to AED 2,595 Mn in 4Q24. Thus, net funded income increased 12.7% YOY to AED 2,522 Mn in 4Q24. NIMs increased 14 bps YOY and 38 bps QOQ to 3.2% in 4Q24 due to a fall in cost of funds and a rise in asset yield. The Bank's fees and commission income marginally increased 0.8% YOY to AED 506 Mn in 4Q24. Other non-funded income grew strongly from AED 378 Mn in 4Q23 to AED 723 Mn in 4Q24, attributed to an increase in share of associates profit, higher income from property under construction and investment properties and other operating income. Thus, non-funded income recorded a strong growth of 39.6% YOY to AED 1,230 Mn in 4Q24. As a result, operating income grew significantly 20.3% YOY to AED 3,751 Mn in 4Q24. General expenses declined 3.2% YOY to AED 871 Mn in 4Q24. Resultantly, the cost-to-income ratio declined 565 bps YOY and 549 bps QOQ to 23.2% in 4Q24. Furthermore, the Bank reported a higher impairment recovery of AED 123 Mn in 4Q24 compared to AED 13 Mn in 4Q23. Tax expenses grew from AED 44 Mn in 4Q23 to AED 287 Mn in 4Q24 owing to the introduction of UAE corporate tax. Share of profit attributable to non-controlling interest holders declined 3.8% YOY to AED 82 Mn in 4Q24.

Stock Information	
Market Cap (AED, mn)	55,536.51
Paid Up Capital (mn)	7,240.74
52 Week High	7.93
52 Week Low	5.49
3M Avg. daily value(AED)	49,051,530

4Q24 Result Review (AED, mn)	
Total Assets	344,687
Total Liabilities	291,834
Total Equity	52,852
Total Deposits	248,546
Net Profit	2,634

Financial Ratios	
Dividend Yield (12m)	5.87
Dividend Pay-out (%)	45.23
Price-Earnings Ratio(x)	7.38
Price-to-Book Ratio (x)	1.40
Book Value (AED)	5.50
Return-on Equity (%)	19.76

Stock Performance	
5 Days	-1.16%
1 Months	4.92%
3 Months	16.92%
6 Months	29.78%
1 Year	17.46%
Month to Date (MTD%)	-0.39%
Quarter to Date (QTD%)	8.18%
Year to Date (YTD%)	8.18%

Balance Sheet Highlights

DIB's net advances grew 6.5% YOY and 2.7% QOQ to AED 212.4 Bn in 4Q24, mainly driven by robust growth in retail and corporate segments. The Bank's net financing & sukuk investments grew 10% YOY and 3% QOQ to reach AED 295 Bn in 4Q24. The Bank's total assets grew 9.7% YOY and 4.7% QOQ to AED 344.7 Bn in 4Q24. Customer deposits grew 11.9% YOY and 4.9% QOQ to AED 248.5 Bn in 4Q24 with CASA representing 38% of the total deposits. In addition, total equity grew 9.5% YOY and 5.2% QOQ to AED 39.7 Bn in 4Q24.

Target Price and Rating

We maintain our ACCUMULATE rating on DIB with a revised target price of AED 8.50. The Bank's financial performance was driven by strong growth in other non-funded income and net funded income in 4Q24. The NIMs for FY2025 are anticipated to be recorded in the range of 2.8-3.0%. Moreover, its loan portfolio is projected to grow 15.0% YOY in 2025, which is likely to benefit the funded income. DIB continues to grow its treasury portfolio to take advantage of opportunities available at a high-interest rate environment. DIB's cost-to-income ratio fell 565 bps YOY to 23.2% in 4Q24 due to a decline in operating expenses owing to the Bank's focus on automation and digitalization which is likely to benefit the profitability. Furthermore, the Bank's asset quality improved as the reported NPL ratio improved to 4.0% in 4Q24 compared to 4.3% in 3Q24, mainly due to the ongoing recoveries. Resolution of previous large corporate legacy cases along with settlements in several instances throughout the year significantly contributed to the improvement of NPLs. Meanwhile, reported coverage ratio remained steady QOQ at 97% in 4Q24. The Bank proposed a cash dividend of AED 0.45 per share for 2024 equivalent to AED 3.3 Bn with a dividend yield of 5.9%. DIB's capital ratios remained healthy, with a capital adequacy ratio of 18.3% and a CET 1 ratio of 13.2% in 4Q24. Considering all these factors, we assign an ACCUMULATE rating on the stock.

DIB - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	20.22	14.53	10.97	8.69	7.37	7.83
PB	1.94	1.81	1.68	1.53	1.39	1.26
Dividend yield	2.6%	3.3%	3.9%	5.9%	5.9%	5.9%

FABS Estimates & Co Data

DIB - P&L

AED mn	4Q23	3Q24	4Q24	4Q24F	Var.	YOY Ch	QOQ Ch	2023	2024	Change
Funded income	4,714	4,820	5,116	4,809	6.4%	8.5%	6.1%	17,227	19,454	12.9%
Funded expense	-2,477	-2,676	-2,595	-2,599	-0.1%	4.8%	-3.0%	-8,477	-10,505	23.9%
Net funded income	2,237	2,144	2,522	2,211	14.1%	12.7%	17.6%	8,749	8,949	2.3%
Fees & commissions	502	330	506	463	9.4%	0.8%	53.4%	1,795	1,748	-2.6%
Other non-funded income	378	553	723	447	61.9%	91.2%	30.8%	1,121	2,139	90.8%
Non-Funded Income	881	883	1,230	910	35.2%	39.6%	39.2%	2,916	3,887	33.3%
Operating income	3,118	3,027	3,751	3,120	20.2%	20.3%	23.9%	11,665	12,837	10.0%
General expenses	-900	-869	-871	-881	-1.1%	-3.2%	0.2%	-3,162	-3,425	8.3%
Pre-provisioning profit	2,218	2,158	2,880	2,239	28.6%	29.9%	33.4%	8,503	9,412	10.7%
Impairment charges	13	123	123	-323	NM	NM	NM	-1,396	-407	-70.9%
Profit before tax	2,230	2,281	3,003	1,917	56.7%	34.6%	31.7%	7,108	9,005	26.7%
Tax	-44	-210	-287	-199	44.0%	NM	36.3%	-98	-840	NM
Profit before NCI	2,186	2,071	2,717	1,718	58.2%	24.2%	31.2%	7,010	8,165	16.5%
Non-controlling interests	-86	-41	-82	-70	17.7%	-3.8%	101.6%	-212	-231	8.8%
Profit for the period	2,101	2,030	2,634	1,648	59.9%	25.4%	29.8%	6,798	7,934	16.7%

FABS estimate & Co Data

DIB - KPI

	4Q23	3Q24	4Q24	YOY Ch	QOQ Ch	2023	2024	Change
Net FI/OI	71.8%	70.8%	67.2%	-453	-361	75.0%	69.7%	-529
NIM	3.0%	2.8%	3.2%	14	38	3.1%	2.9%	-22
NIS	2.5%	2.2%	2.6%	12	39	2.6%	2.3%	-31
Fees & commissions/OI	16.1%	10.9%	13.5%	-262	259	15.4%	13.6%	-176
Other non-funded/OI	12.1%	18.3%	19.3%	715	101	9.6%	16.7%	705
Cost to income	28.9%	28.7%	23.2%	-565	-549	27.1%	26.7%	-42
Impairment/PPP	-0.6%	-5.7%	-4.3%	-369	142	16.4%	4.3%	-1,209
NCI/PBT	3.9%	2.0%	3.0%	-88	106	3.0%	2.8%	-20
NP/OI	67.4%	67.1%	70.2%	284	317	58.3%	61.8%	353
Cost of risk - Reported	0.2%	-0.2%	-0.2%	-43	1	0.7%	0.2%	-48
Loan-to-deposit (calculated)	89.8%	87.3%	85.5%	-435	-183	89.8%	85.5%	-435
NPL - Reported	5.4%	4.3%	4.0%	-140	-27	5.2%	3.9%	-124
Coverage - Reported	90.0%	97.0%	97.0%	NM	0	90.0%	78.6%	-1,145
CET 1	12.8%	13.9%	13.2%	43	-70	12.8%	13.2%	43
Capital adequacy	17.3%	18.3%	18.3%	103	2	17.3%	18.3%	103
ROAA	2.3%	2.3%	2.4%	15	10	2.3%	2.4%	15
ROAE	18.4%	19.2%	19.8%	138	57	18.4%	19.8%	138

FABS estimate & Co Data

DIB - Key B/S items

AED mn	4Q23	1Q24	2Q24	3Q24	4Q24	YOY Ch
Net financings	199,453	200,927	199,251	206,790	212,427	6.5%
QOQ change	0.2%	0.7%	-0.8%	3.8%	2.7%	
Total assets	314,292	327,314	322,651	329,169	344,687	9.7%
QOQ change	0.3%	4.1%	-1.4%	2.0%	4.7%	
Customer deposits	222,054	235,783	234,018	236,868	248,546	11.9%
QOQ change	0.5%	6.2%	-0.7%	1.2%	4.9%	
Shareholders' fund	36,293	34,494	36,011	37,755	39,724	9.5%
QOQ change	3.9%	-5.0%	4.4%	4.8%	5.2%	

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	8.80	70.0%	6.16
Relative Valuation (RV)	7.79	30.0%	2.34
Weighted Average Valuation (AED)			8.50
Current market price (AED)			7.65
Upside/Downside (%)			+11%

1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 8.9%. Cost of equity is calculated by using 10-year government bond yield of 5.4%, beta of 0.85 and equity risk premium of 4.1%. 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)	9,447
Terminal value (AED, Mn)	14,572
Book Value of Equity (as of Dec 2024)	39,724
FV to Common shareholders (AED, Mn)	63,743
No. of share (Mn)	7,241
Current Market Price (AED)	7.65
Fair Value per share (AED)	8.80

Residual Income Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
Net Profit	7,092	7,175	7,167	7,201	6,970
(-) Equity Charge	(3,921)	(4,314)	(4,706)	(5,101)	(5,475)
Excess Equity	3,171	2,861	2,462	2,100	1,495
Discounting Factor	0.93	0.85	0.78	0.72	0.66
Present Value of Excess Equity	2,590	2,437	1,925	1,508	986

Source: FAB Securities

2) Relative Valuation:

We have used local and international peers to value DIB, which is valued using the PB multiple. It is valued at a 2025 PB multiple of 1.3x, in line with peers.

Company	Market (USD Mn)	P/B (x)		P/E (x)		Dividend Yield (x)	
		2025F	2026F	2025F	2026F	2025F	2026F
Commercial Bank of Dubai	6,640	1.4	1.3	7.5	7.9	6.3	5.8
Abu Dhabi Islamic Bank	15,208	2.2	2.0	10.7	10.3	5.3	5.3
Emirates NBD	35,597	1.0	0.9	6.3	6.1	5.3	6.1
Abu Dhabi Commercial Bank	23,669	0.9	0.9	7.7	8.0	6.6	6.4
Alinma Bank	20,571	2.1	1.9	13.1	11.9	3.9	3.8
First Abu Dhabi Bank	40,406	1.2	1.2	9.1	9.6	5.7	5.4
Average		1.5x	1.4x	9.1x	9.0x	5.2%	5.3%
Median		1.3x	1.2x	8.4x	8.8x	5.3%	5.3%
Max		1.9x	1.7x	10.3x	10.2x	5.6%	5.7%
Min		1.1x	1.0x	7.5x	7.9x	5.0%	5.2%

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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