

Dubai Islamic Bank (DIB)

Current Price
AED 6.30

Target Price
AED 7.25

Upside/Downside (%)
+15.1%

Rating
BUY

3Q24 Net Profit higher than our estimate

- Net funded income declined by 3.9% YOY to AED 2,144 Mn, primarily due to increased funded expenses.
- NIMs declined 30 bps YOY to 2.8%, owing to higher cost of funds.
- Non-funded income grew 19.8% YOY to AED 883 Mn in 3Q24, attributed to higher income from investment property, increase in share of associates profit and higher income from property under construction.
- Total general expenses rose 9.9% YOY to AED 869 Mn in 3Q24.
- The cost-to-income ratio grew 205 bps YOY to 28.7% in 3Q24.
- DIB recorded impairment reversals of AED 123 Mn in 3Q24, primarily due to the settlement of some key legacy accounts and improving macro-economic environments in the country.
- The Bank incurred an income tax expense of AED 210 Mn in 3Q24, owing to the introduction of UAE corporate tax.
- Total assets grew 5.0% YOY to AED 329 Bn in 3Q24. It also rose 2.0% QOQ primarily due to increased financing and investment portfolio.
- NPL declined from 5.0% in 2Q24 to 4.3%, mainly due to the ongoing recoveries. In addition, total coverage (including collateral) grew from 127% in 2Q24 to 138% in 3Q24.
- Gross customer financing grew 3.2% YOY and 3.5% QOQ to AED 215 Bn in 3Q24.
- Deposits grew 2.2% YOY and 1.2% QOQ to AED 237 Bn. CASA deposits contribution remained flat from 37% in 3Q23 to 38% in 3Q24.

Earnings Call Summary

- The Bank recorded strong growth in all its business segments owing to healthy business volumes and a robust pipeline.
- DIB recorded a gross underwriting of AED 69 Bn on a 2024 YTD basis across all its business segments.
- Treasury portfolio grew 16% on a 2024 YTD basis, aligning with the Bank's strategy to focus on long-term investments amid a high-interest rate environment.
- DIB recorded a Return on Tangible Equity (ROTE) of 20% in 9M24, exceeding the 2024 year-end guidance of 18%.
- The Bank recorded a cost-to-income of 28.1% in 9M24 and expects it to be around 27% in 2024.
- The Bank surpassed its year-end targets for financing and Sukuk investments, recording a 7% on a 2024 YTD basis compared to its 5% guidance for 2024. It is further revising its year-end guidance to around 10% or more.
- DIB expects its normalized cost of risk for 2025 to range between 70-80 basis points, excluding recoveries and settlements.
- The Bank anticipates its NIMs to accelerate in 2025, driven by its strategy to focus on fixed-rate business, including consumer and fixed-income portfolios.
- DIB's other income mainly comprises the income from the Bank's subsidiaries and associates and the income from the sale of its Sukuk book.
- The Bank's investment properties grew in 3Q24, mainly due to its strategy of selling real estate assets.
- DIB's assets reprice faster than its liabilities, which takes approximately 6-9 months, which gives the Bank an advantage in sustaining or improving its NIMs.

DIB - P&L

AED mn	3Q23	2Q24	3Q24	3Q24F	Var	YOY Ch	QOQ Ch
Funded income	4,501	4,760	4,820	4,769	1.1%	7.1%	1.3%
Funded expense	-2,271	-2,625	-2,676	-2,611	2.5%	17.8%	2.0%
Net funded income	2,230	2,135	2,144	2,157	-0.6%	-3.9%	0.4%
Fees & commissions	385	429	330	433	-23.8%	-14.4%	-23.1%
Other non-funded income	352	496	553	301	84.0%	57.3%	11.6%
Non-Funded Income	737	924	883	734	20.4%	19.8%	-4.5%
Operating income	2,967	3,060	3,027	2,891	4.7%	2.0%	-1.1%
General expenses	-791	-836	-869	-838	3.7%	9.9%	3.9%
Pre-provisioning profit	2,177	2,224	2,158	2,054	5.1%	-0.8%	-2.9%
Impairment charges	-450	-354	123	-367	-133.4%	-127.3%	-134.7%
Profit before tax	1,727	1,870	2,281	1,687	35.2%	32.1%	22.0%
Tax	-14	-157	-210	-143	46.6%	NM	34.0%
Profit before NCI	1,713	1,713	2,071	1,543	34.2%	20.9%	20.9%
Non-controlling interests	-65	-36	-41	-39	5.9%	-37.1%	12.9%
Profit for the period	1,648	1,677	2,030	1,505	34.9%	23.2%	21.1%

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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