

## Dubai Islamic Bank (DIB)

**Current Price**  
AED 7.51

**Target Price**  
AED 8.50

**Upside/Downside (%)**  
+13%

**Rating**  
**ACCUMULATE**

### 4Q24 Net Profit higher than our estimate

- Net funded income grew 12.7% YOY to AED 2.5 Bn in 4Q24, primarily due to an 8.5% YOY increase in funded income compared to a 4.8% YOY rise in funded expenses.
- NIMs rose 14 bps YOY and 38 bps QOQ to 3.2%, owing to lower cost of funds and higher asset yield.
- Non-funded income grew strongly, 39.6% YOY to AED 1,2 Bn in 4Q24, primarily because of higher income from other investments, income from property under construction, investment properties, and increase in share of associates profit along with other operating income.
- Operating expenses decline 3.2% YOY to AED 871 Mn in 4Q24. The cost-to-income ratio reduced 565 bps YOY and 549 bps QOQ to 23.2% in 4Q24, attributed to strong growth in operating income coupled with lower expenses.
- Recorded impairment reversal of AED 123 Mn in 4Q24 compared to AED 13 Mn in 4Q23 on the back of healthy recoveries.
- Incurred an income tax expense of AED 287 Mn in 4Q24 compared to AED 44 Mn in 4Q23, owing to the introduction of UAE corporate tax.
- Net profit increased 25.4% YOY to AED 2.6 Bn in 4Q24 driven by strong growth in net funded and non-funded income along with lower operating expenses and impairment reversals.
- Net financings grew 6.5% YOY and 2.7% QOQ to AED 212.4 Bn in 4Q24 primarily due to an increase in Murabaha, Islamic financing assets, and Islamic investing assets.
- The headline loan-to-deposit ratio decreased from 87.3% in 3Q24 to 85.5% in 4Q24.
- The Bank's CET 1 ratio and CAR stood strong at 13.2% and 18.3% in 4Q24.
- Deposits grew 11.9% YOY and 5.2% QOQ to AED 248 Bn. CASA deposits rose 15% YOY to AED 95 Bn accounting for 38% of total deposits.

### Earnings Call Summary

- NIMs benefited from a favorable interest rate environment and disciplined asset pricing strategies.
- DIB is targeting Egypt as a key expansion market, aligning with its Vision 2035 strategy for international diversification.
- Increased investments in digital banking and AI-driven solutions to enhance customer experience and operational efficiency.
- Positive outlook for 2025, with expectations of continued financing growth across key sectors, including real estate and infrastructure.
- DIB's net financing growth in 2024 is mainly driven by strong underwriting of more than AED 100 Bn mainly driven by AED 53 Bn in the wholesale business and AED 27 Bn in the consumer business.
- DIB continues to grow its treasury portfolio to take advantage of opportunities available at a high-interest rate environment.
- Resolution of previous large corporate legacy cases along with settlements in several instances throughout the year significantly contributed to the improvement of NPLs.
- Recommended a dividend of AED 0.45 per share representing a payout ratio of c. 50%.
- Expects the financing portfolio to grow 15.0% in 2025, while NPLs are anticipated to reach 3.5%. NIMs are estimated to range between 2.8-3.0% in 2025.
- Growth in NIMs during 4Q24 is mainly driven by settlements in the Bank's loan portfolio that led to healthy recoveries resulting in reduced provisions.

- Cost of funds declined in 4Q24 due to deposits reprising at lower rates after the interest rate cut. The Bank further expects its cost of funds to benefit from decline in interest rates.

**DIB - P&L**

AED mn	4Q23	3Q24	4Q24	4Q24F	Var.	YOY Ch	QOQ Ch
Net funded income	2,237	2,144	2,522	2,211	14.1%	12.7%	17.6%
Non-Funded Income	881	883	1,230	910	35.2%	39.6%	39.2%
<b>Operating income</b>	<b>3,118</b>	<b>3,027</b>	<b>3,751</b>	<b>3,120</b>	<b>20.2%</b>	<b>20.3%</b>	<b>23.9%</b>
General expenses	-900	-869	-871	-881	-1.1%	-3.2%	0.2%
Impairment charges	13	123	123	-323	NM	NM	NM
<b>Profit before tax</b>	<b>2,230</b>	<b>2,281</b>	<b>3,003</b>	<b>1,917</b>	<b>56.7%</b>	<b>34.6%</b>	<b>31.7%</b>
Tax	-44	-210	-287	-199	44.0%	NM	36.3%
<b>Profit for the period</b>	<b>2,101</b>	<b>2,030</b>	<b>2,634</b>	<b>1,648</b>	<b>59.9%</b>	<b>25.4%</b>	<b>29.8%</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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