

Dubai Islamic Bank

Improved margins and lower cost of risk boosted net line

1Q22 Net Profit in-line with estimate

Dubai Islamic Bank (DIB) recorded a significant increase to AED 1,360 Mn in 1Q22, up from AED860 Mn in 1Q21, in-line with our estimate of AED 1,346 Mn. This increase primarily driven by increase in total operating income and decline in impairment charges somewhat offset by increase in operating expenses .

P&L highlights

Net funded income rose 9.5% YOY to AED 1,755 Mn in 1Q22. The improvement was mainly due to increase in funded income which rose 3.6% YOY to AED 2,304 Mn and decline in funded expense 11.7% YOY to AED 549 Mn. Growth in funded income was led by robust growth in financing asset by AED 16 Bn on YTD basis. Decline in funded expense is supported by strong growth in CASA deposit of 3.2% on YTD basis and made up 45% of total customer deposits. Non-Funded Income increased 14.5% YOY to AED 712 Mn in 1Q22. The improvement was mainly due to an increase in net fees and commissions which rose 15.7% YOY to AED 492 Mn in 1Q22. Growth in fee and commission driven by growth from consumer segment offset by decline from corporate segment. As a result, total operating income increased 10.9% YOY to AED 2,467 Mn in 1Q22. General expenses increased by 14.1% YOY to AED698 Mn in 1Q22. Thus, cost-to-income ratio increased to 28.3% in 1Q22 from 27.5% in 1Q21. Impairment charges significantly declined by 44.5% YOY to AED 417 Mn in 1Q22 .

Balance sheet highlights

Net financing and investing decreased 2.8% YOY to AED 190.7 Bn in 1Q22. Customer deposit declined 4.5% YOY to AED 204.4 Bn in 1Q22. Total equity rose 7.4% YOY to AED 29.9 Bn in 1Q22 .

Target price and rating

We maintain our ACCUMULATE rating on DIB with a revised target price of AED 7.00. The bank's net interest margin is expected to benefit in a rising interest rate environment due to the positive interest rate sensitivity gap. In a rising interest rate scenario, the positive gap will push the NIM upwards and vice versa. A positive gap happens when rate-sensitive assets are greater than rate-sensitive liabilities. DIB also maintains a stable funding profile largely funded by customer deposits reflecting a strong franchise. Low-cost CASA deposits make up 45% of total deposits in 1Q22. NIMs improved 28 basis point (bps) YOY

Rating : ACCUMULATE

First Look Note – 1Q22

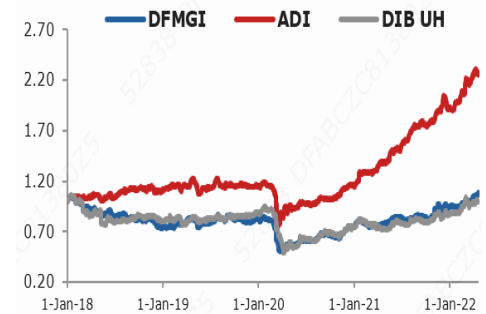
Sector: Banking

Recommendation

Current Price (10-May-22)	6.36
Target Price	7.00
Upside/Downside (%)	+10%

Stock Information

Market Cap (mm)	46,051.13
Paid Up Capital (mm)	7,240.74
52 Week High	6.63
52 Week Low	4.51
3M Avg. daily value (AED)	53,961,620



Financial Ratios

Dividend Yield (12m)	3.93
Dividend Pay-out (%)	47.40
Price-Earnings Ratio (x)	10.51
Price-to-Book Ratio (x)	1.53
Book Value (AED)	4.15
Return-on Equity (%)	15.28
Earning Per Share (AED)	0.61
Beta	0.94

Stock Performance

5 Days	-1.24%
1 Months	3.41%
3 Months	11.78%
6 Months	18.44%
1 Year	39.78%
Month to Date (MTD)	-1.55%
Quarter to Date (QTD)	2.92%
Year to Date (YTD)	18.03%

and 18 bps QOQ to 2.66% in 1Q22 and further expected 12 bps to 2.63% in FY2022. The bank is expected to maintain healthy balance sheet growth rate through deeper penetration of existing customer base. Additionally, asset quality is also anticipated to remain stable in 2022 given improving macroeconomic outlook. However, the bank's exposure to Russian asset and high stage 2 loans will keep valuation in check in the near-term leading us to maintain ACCUMULATE rating .

DIB - Relative valuation

(at CMP)	2018	2019	2020	2021	2022F
P/E	6.6	6.9	12.6	12.0	9.5
P/B	1.3	1.2	1.2	1.5	1.4
Dividend yield	7.3%	7.3%	4.2%	3.9%	3.9%

FABS Estimates & Co Data

DIB - P&L

AED mm	1Q21	4Q21	1Q22A	1Q22F	VAR	YOY Ch	QOQ Ch	2021	2022F	Change
Funded income	2,225	2,226	2,304	2,536	-9.1%	3.6%	3.5%	9,013	10,563	17.2%
Funded expense	-621	-577	-549	-565	-2.7%	-11.7%	-4.8%	-2,373	-3,453	45.5%
Net funded income (NFI)	1,604	1,649	1,755	1,972	-	9.5%	6.4%	6,639	7,109	7.1%
Fees & commissions	425	404	492	429	14.5%	15.7%	21.6%	1,655	1,739	5.1%
Other non-funded income	197	219	220	124	77.0%	11.9%	0.5%	1,127	992	-12.0%
Non Funded Income	622	623	712	554	28.6%	14.5%	14.2%	2,782	2,731	-1.8%
Operating income	2,226	2,273	2,467	2,526	-2.3%	10.9%	8.6%	9,422	9,840	4.4%
General expenses	-612	-656	-698	-671	4.0%	14.1%	6.5%	-2,529	-2,548	0.7%
Pre-provisioning profit	1,614	1,617	1,770	1,854	-4.6%	9.6%	9.4%	6,892	7,292	5.8%
Impairment charges	-751	-274	-417	-491	-15.1%	-44.5%	52.0%	-2,448	-2,138	-12.7%
Profit before tax	863	1,343	1,352	1,363	-0.8%	56.8%	0.7%	4,444	5,154	16.0%
Tax	-10	-6	-7	-18	-57.9%	-22.2%	27.8%	-38	-76	99.5%
Profit before NCI	853	1,337	1,345	1,346	0.0%	57.7%	0.6%	4,406	5,078	15.3%
Non-controlling interests	7	5	15	0	NM	106.1%	208.4%	15	-10	NM
Profit for the period	860	1,342	1,360	1,346	1.0%	58.1%	1.3%	4,421	5,068	14.6%

FABS estimate & Co Data

DIB - P&L KPI

	1Q21	4Q21	1Q22	YoY Ch	QoQ Ch	2021	2022F	Change
Net FI/OI	72.1%	72.6%	71.1%	-91	-143	70.5%	72.2%	178
NIM	2.4%	2.5%	2.7%	28	18	2.5%	2.6%	12
NIS	2.3%	2.4%	2.5%	28	18	2.4%	2.4%	4
Fees & commissions/OI	19.1%	17.8%	19.9%	83	214	17.6%	17.7%	11
Other non-funded/OI	8.8%	9.6%	8.9%	8	-71	12.0%	10.1%	-189
Cost to income	27.5%	28.8%	28.3%	80	-56	26.8%	25.9%	-95
Impairment/PPP	46.6%	17.0%	23.6%	-2298	660	35.5%	29.3%	-620
NCI/PBT	-0.8%	-0.4%	-1.1%	-25	-73	-0.3%	0.2%	54
NP/OI	38.6%	59.0%	55.1%	1646	-393	46.9%	51.5%	458
ROAA	1.0%	1.6%	1.7%	69	18	1.6%	1.7%	19
ROAE	10.8%	14.6%	14.6%	383	-4	14.9%	15.9%	95

FABS estimate & Co Data

DIB- Key BS Items

AED mm	1Q21	2Q21	3Q21	4Q21	1Q22	YOY Ch
Net financings	196,181	194,290	192,756	186,691	190,715	-2.8%
QOQ change	-0.3%	-1.0%	-0.8%	-3.1%	2.2%	
Total assets	291,711	293,782	289,389	279,082	287,226	-1.5%
QOQ change	0.7%	0.7%	-1.5%	-3.6%	2.9%	
Customer deposits	214,001	218,309	214,124	205,845	204,476	-4.5%
QOQ change	3.9%	2.0%	-1.9%	-3.9%	-0.7%	
Shareholders' fund	27,898	28,664	29,816	30,602	29,958	7.4%
QOQ change	-2.5%	2.7%	4.0%	2.6%	-2.1%	

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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