

Dubai Islamic Bank

Sharp decline in Impairment charges improved performance

4Q21 Net Profit higher than our estimate

Dubai Islamic Bank (DIB) recorded a significant increase to AED1,332 Mn in 4Q21, up from AED168 Mn in 4Q20, beating our estimate of AED1,198 Mn by 11.3%. This increase was primarily due to a sharp decrease in Impairment charges.

P&L highlights

The Net Funded Income decreased by 2.2% YOY to AED1,650 Mn in 4Q21 as compared to AED1,687 Mn in 4Q20. It was mainly due to a decrease by 7.3% YOY in Funded Income to AED2,227 Mn in 4Q21, down from AED2,403 Mn in 4Q20 outweighing the decrease by 19.3% YOY in Funded Expense to AED577 Mn in 4Q21, down from AED715 Mn in 4Q20. The Non-Funded Income decreased by 26.6% YOY to AED623 Mn in 4Q21, down from AED848 Mn in 4Q20. It was mainly affected by 58.1% YOY decrease in Other Non-Funded Income to AED218 Mn from AED520 Mn in 4Q20. The decrease in Other Non-Funded Income outweighed the 23.4% YOY increase in Fees and Commissions to AED404 Mn, up from AED328 Mn in 4Q20. As a result, the Operating Income decreased by 10.4% YOY to AED2,273 Mn in 4Q21, down from AED2,535 Mn in 4Q20. The General Expenses increased by 10.4% YOY to AED656 Mn in 4Q21, as compared to AED594 Mn in 4Q20. Therefore, the Cost to Income ratio increased by 543 bps to 28.8% in 4Q21, up from 23.4% in 4Q20. Impairment charges significantly declined by 85.6% YOY to AED274 Mn in 4Q21, down from AED1,902 Mn in 4Q20.

Balance sheet highlights

The Net Financing decreased by 5.1% YOY to AED186.7 Bn in 4Q21, down from AED196.7 Bn in 4Q20. The Customer Deposits slightly decreased by 0.04% YOY to AED205.8 Bn in 4Q21, down from AED205.9 Bn in 4Q20. The Total Equity increased by 7% YOY to AED30.6 Bn in 4Q21, up from AED28.6 Bn in 4Q20.

Target price and rating

We maintain our ACCUMULATE rating on DIB with a target price of AED6.30. Dubai Islamic Bank reported a strong performance and maintained resilience in FY2021. The Net Profit improved by 33.3% YOY to AED4.3 Bn in 2021, up from AED3.3 Bn in 2020. It was mainly due to write down in Impairment charges by 46.2% YOY to AED2.4 Bn in 2021, down from AED4.6 Bn in 2020. Furthermore, the Net profit growth is driven by swift underwriting and cost management initiatives. The Cost to Income ratio declined to 26.8% in 2021, down from 28.8% in 2020. The financing portfolio of the bank mainly comprise of Corporate sector (51%), Consumer sector (26%) and Real Estate sector (23%) in 2021. The Sukuk investments grew at 18% YOY and comprise of the high-quality earning assets of the portfolio. The

Rating : ACCUMULATE

First Look Note – 4Q21

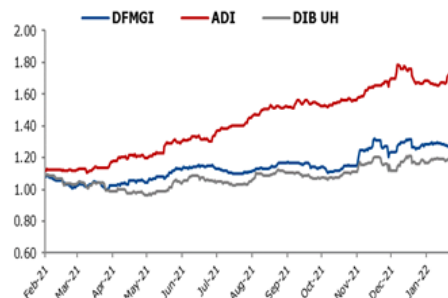
Sector: Banking

Recommendation

Current Price (27-Jan)	5.48
Target Price	6.30
Upside/Downside (%)	+14.9%

Stock Information

Market Cap (AED/mm)	39,462.06
Paid Up Capital (USD)	7,240.74
52 Week High	5.62
52 Week Low	4.44
3M Avg. daily value	51,181,310



Financial Ratios

Dividend Yield (12month)	3.67
Dividend Payout	47.40
Price-Earning Ratio	10.38
Price-to-Book Ratio	1.29
Book Value	4.23
Return-on Equity	12.88
Earning Per Share	0.53
Beta	0.87

Stock Performance

5 Days	-0.91%
1 Months	0.03%
3 Months	6.45%
6 Months	14.98%
1 Year	6.86%
Month to Date (MTD%)	1.30%
Quarter to Date (QTD%)	1.30%
Year to Date (YTD%)	1.30%

Bank records Revenue via four sectors namely – Consumer, Corporate and Treasury of 2021. Under the Consumer portfolio, the gross new consumer financing surged to AED14 Bn in 2021. The bank focuses on CASA deposits that grew by AED2 Bn in 2021. The Corporate portfolio is diversified and witnessed new gross financing up to AED19 Bn. It reduced the impact of early payments received by the Bank. The average yield generated on the corporate portfolio was 2.7%, compared to the low rate environment in 2021. Under the Treasury portfolio, the Sukuks increased significantly by 18% YOY. Around 70% of the portfolio is invested in sovereign funds with strong ratings. The treasury yields stabled at 4% in 2021. The NPL has increased to 6.8% in 2021, up from 5.7% in 2020. It was mainly due to decrease in net financing because of early payments. Recoveries from NMC and Noor POCI investments are likely to reduce the NPLs in the future. The Cost of risk has declined by 38 bps YOY to 99 bps in 2021, down from 137 bps in 2020. The Coverage ratio stood at 72% in 2021. The Bank has reduced its Zero Cost Facility (ZCF) to zero as of 31st December 2021. The Bank continues to demonstrate stable liquidity position with LCR up to 136%, which is up by 700 bps. The NSFR stands at 102% as of 2021 and the Finance to Deposit ratio stands at 91%. The Customer Deposits are stable at AED206 Bn in 2021, with a slight decline compared to 2020. The CASA deposits grew by 4.4% YOY to AED90 Bn in 2021. Overall, CASA deposits comprise of 44% of the Total deposits. The Bank has maintained strong capitalization with CAR at 17.1%. Similarly, the CET 1 stands at 12.4% as of 2021. Both the ratios are above the minimum required level. The Bank has proposed dividends of 25% with dividend yield of 4.6% at current market price, subject to shareholder approval. It comprises of AED0.25 per share of cash dividends as of 2021. On the strategic front, the Bank's digital platform continues to grow with 18% jump in registered users in 2021. Similarly, the internet and mobile transactions are up by 15% and 31%, respectively. The Bank expects a positive outlook for the coming year due to improvement in the macroeconomic outlook and increase in global oil price. Therefore, based on our above analysis, we assign a ACCUMULATE rating.

DIB - Relative Valuation

(At CMP)	2017	2018	2019	2020	2021
P/E	7.9	7.6	7.9	14.4	10.3
P/B	1.6	1.5	1.4	1.4	1.3
Dividend yield	7.3%	6.4%	6.4%	3.6%	4.6%

FABS estimate & Co Data
DIB - P&L

(in AED mm)	4Q20	3Q21	4Q21	4Q21F	Var	YOY	QOQ	2020	2021	Change
Funded income	2,403	2,345	2,227	2,363	-5.8%	-7.3%	-5.0%	10,421	9,033	-13.3%
Funded expense	-715	-583	-577	-590	-2.2%	-19.3%	-1.1%	-3,672	-2,373	-35.4%
Net funded income (NFI)	1,687	1,762	1,650	1,773	-6.9%	-2.2%	-6.4%	6,749	6,660	-1.3%
Fees & commissions	328	415	404	416	-2.7%	23.4%	-2.5%	1,646	1,655	0.6%
Other non-funded income	520	344	218	355	-38.6%	-58.1%	-36.6%	1,076	1,107	2.9%
Non Funded Income	848	759	623	771	-19.2%	-26.6%	-18.0%	2,721	2,762	1.5%
Operating income	2,535	2,521	2,273	2,544	-10.7%	-10.4%	-9.9%	9,471	9,422	-0.5%
General expenses	-594	-628	-656	-647	1.3%	10.4%	4.4%	-2,728	-2,529	-7.3%
Pre-provisioning profit	1,942	1,893	1,617	1,897	-14.7%	-16.7%	-14.6%	6,743	6,892	2.2%
Impairment charges	-1,902	-675.5	-274	-692	-60.4%	-85.6%	-59.4%	-4,552	-2,448	-46.2%
Gain on bargain purchase	0	0	0	0	NA	NA	NA	1,015	0	NM
Profit before tax	40	1,218	1,343	1,205	11.4%	NM	10.3%	3,206	4,444	38.6%
Tax	-5	-12	-5	-11	-50.5%	14.3%	-56.2%	-46	-38	-17.3%
Profit before NCI	35	1,205	1,337	1,194	12.0%	NM	10.9%	3,160	4,406	39.4%
Non-controlling interests	133	0	-5	4	NM	NM	NM	134	-15	NM
Profit for the period	168	1,205	1,332	1,198	11.3%	NM	10.6%	3,294	4,391	33.3%

FABS estimate & Co Data

DIB - P&L KPI

	4Q20	3Q21	4Q21	YOY Ch	QOQ Ch	2020	2021	Change
Net FI/OI	66.6%	69.9%	72.6%	605	271	71.3%	70.7%	-58
NIM	3.2%	2.9%	2.8%	-35	-8	3.1%	2.8%	-31
NIS	3.2%	2.9%	2.8%	-33	-8	3.1%	2.8%	-30
Fees & commissions/OI	12.9%	16.5%	17.8%	487	134	17.4%	17.6%	19
Other non-funded/OI	20.5%	13.6%	9.6%	-1092	-405	11.4%	11.7%	39
Cost to income	23.4%	24.9%	28.8%	543	395	28.8%	26.8%	-196
Impairment/PPP	97.9%	35.7%	17.0%	-8097	-1871	67.5%	35.5%	-3198
Tax/PBT	-378.3%	0.0%	0.4%	37862	32	-4.2%	0.3%	459
NP/OI	6.6%	47.8%	58.6%	5199	1084	34.8%	46.6%	1183
ROAA	0.1%	0.4%	0.5%	40	6	1.3%	1.5%	28
ROAE	0.6%	4.1%	4.5%	388	41	12.2%	14.8%	267

FABS estimate & Co Data
DIB key B/S items

AED MM	4Q20	1Q21	2Q21	3Q21	4Q21	Change
Net financings	196,689	196,181	194,290	192,756	186,691	-5.1%
QOQ change	-0.4%	-0.3%	-1.0%	-0.8%	-3.1%	
Total assets	289,556	291,711	293,782	289,389	279,082	-3.6%
QOQ change	-3.3%	0.7%	0.7%	-1.5%	-3.6%	
Customer deposits	205,925	214,001	218,309	214,124	205,845	-0.04%
QOQ change	-4.1%	3.9%	2.0%	-1.9%	-3.9%	
Shareholders' fund	28,606	27,898	28,664	29,816	30,602	7.0%
QOQ change	-1.5%	-2.5%	2.7%	4.0%	2.6%	

FABS estimate & Co Data

FAB Securities Awards



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Best Brokerage House in UAE
2016, 2017, 2019 and 2020
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Best Research House
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by "IFA"



Best New Mobile Application
in UAE 2016
by "IFA"



Best Equity Finance Company
in UAE 2016
by "IFA"