

24 Jul 2024 06:50:30 ET | 11 pages

Dubai Islamic Bank (DISB.DU)

Model Update

CITI'S TAKE

We add 2Q24 reported financials into our Dubai Islamic Bank model and make adjustments to the 2024-27 forecasts based on the ongoing operating trends and management comments post the results release. Overall, our net profit forecast for 2024 moves up by 3%, boosted by the investment property gains booked in 2Q24. However, for 2025-27, our profit forecasts for the bank moves down by 1-3%, driven mainly by higher expenses. Overall, given the model changes are offset by the roll-forward of our model to the current date, our TP for the stock remains unchanged at AED 6.0. We reiterate our non-consensus Neutral rating on the name.

Neutral

Price (23 Jul 24 14:00)	Dh6.04
Target price	Dh6.00
Expected share price return	-0.7%
Expected dividend yield	6.6%
Expected total return	6.0%
Market Cap	Dh43,734M US\$11,907M

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Dubai Islamic Bank (AED)

Year to 31 Dec	2022A	2023A	2024E	2025E	2026E
Net Income (DhM)	5,049.3	6,373.3	5,819.9	5,323.8	5,597.5
Diluted EPS (Dh)	0.70	0.88	0.81	0.74	0.77
Diluted EPS (Old) (Dh)	0.70	0.88	0.78	0.74	0.80
PE (x)	8.6	6.8	7.5	8.2	7.8
P/BV (x)	1.3	1.2	1.1	1.1	1.0
DPS (Dh)	0.30	0.45	0.40	0.40	0.40
Net Div Yield (%)	5.0	7.5	6.6	6.6	6.6
ROE (%)	15.9	18.4	15.5	13.4	13.4

See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliations

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DISB.DU: Fiscal year end 31-Dec	2022	2023	2024E	2025E	2026E
Valuation Ratios					
P/E adjusted (x)	8.6	6.8	7.5	8.2	7.8
P/E reported (x)	8.6	6.8	7.5	8.2	7.8
P/BV (x)	1.3	1.2	1.1	1.1	1.0
P/Adjusted BV diluted (x)	1.3	1.2	1.1	1.1	1.0
Dividend yield (%)	5.0	7.5	6.6	6.6	6.6
Per Share Data (Dh)					
EPS adjusted	0.70	0.88	0.81	0.74	0.77
EPS reported	0.70	0.88	0.81	0.74	0.77
BVPS	4.57	5.02	5.36	5.63	5.93
Tangible BVPS	4.57	5.02	5.36	5.63	5.93
Adjusted BVPS diluted	4.57	5.02	5.36	5.63	5.93
DPS	0.30	0.45	0.40	0.40	0.40
Profit & Loss (Dhm)					
Net interest income	8,105	8,749	8,635	8,943	9,345
Fees and commissions	1,601	1,795	1,865	1,995	2,132
Other operating Income	633	906	1,205	1,106	1,208
Total operating income	10,339	11,450	11,705	12,044	12,685
Total operating expenses	-2,754	-3,182	-3,390	-3,572	-3,765
Oper. profit bef. provisions	7,585	8,268	8,314	8,472	8,920
Bad debt provisions	-2,103	-1,396	-1,506	-1,754	-1,898
Non-operating/exceptionals	128	215	313	380	430
Pre-tax profit	5,610	7,087	7,121	7,098	7,451
Tax	-79	-98	-649	-1,100	-1,155
Extraord./Min. Int./Pref. Div.	-481	-616	-652	-674	-699
Attributable profit	5,049	6,373	5,820	5,324	5,597
Adjusted earnings	5,049	6,373	5,820	5,324	5,597
Growth Rates (%)					
EPS adjusted	32.7	26.2	-8.7	-8.5	5.1
Oper. profit bef. prov.	12.3	9.0	0.6	1.9	5.3
Balance Sheet (Dhm)					
Total assets	288,238	314,292	333,802	354,156	375,903
Avg interest earning assets	195,226	201,596	210,460	217,209	227,248
Customer loans	186,043	199,453	203,895	212,750	223,084
Gross NPLs	12,986	11,497	10,389	10,597	11,126
Liab. & shar. funds	288,238	314,292	333,802	354,156	375,903
Total customer deposits	198,637	222,054	233,998	245,698	257,983
Reserve for loan losses	8,793	8,903	8,669	9,103	9,558
Shareholders' equity	41,304	44,557	47,027	48,941	51,097
Profitability/Solvency Ratios (%)					
ROE adjusted	15.9	18.4	15.5	13.4	13.4
Net interest margin	4.15	4.34	4.10	4.12	4.11
Cost/income ratio	26.6	27.8	29.0	29.7	29.7
Cash cost/average assets	1.0	1.1	1.0	1.0	1.0
NPLs/customer loans	7.0	5.8	5.1	5.0	5.0
Reserve for loan losses/NPLs	67.7	77.4	83.4	85.9	85.9
Bad debt prov./avg. cust. loans	1.1	0.7	0.7	0.8	0.9
Loans/deposit ratio	93.7	89.8	87.1	86.6	86.5
Tier 1 capital ratio	16.5	16.1	16.3	16.3	16.3
Total capital ratio	17.6	17.3	17.4	17.4	17.3

Dubai Islamic Bank

Valuation

We use a two-stage dividend discount model (DDM) to value DIB, including the present value of 2025-27E dividends and a terminal value assuming 3.00% growth at a 11.0% cost of equity. We set a target price of AED 6.00 based on this methodology. We cross-check this valuation using: (1) justified price to book valuation vs peers; and (2) comparable valuation relative to DIB's historical trading range and growth prospects.

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Appendix A-1

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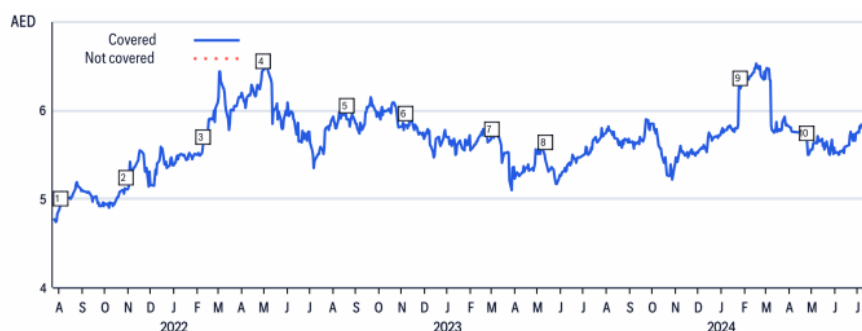
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Dubai Islamic Bank (DISB.DU)

Ratings and Target Price History
Fundamental Research

Analyst: Rahul Bajaj, CFA



Date	Rating	Target Price	Closing Price
1 01-Aug-21 23:55:00	1	*5.80	4.89
2 27-Oct-21 08:46:45	1	*6.00	5.12
3 08-Feb-22 23:00:00	*2	*5.75	5.58
4 28-Apr-22 10:11:56	2	*6.25	6.44

*Indicates Change

Date	Rating	Target Price	Closing Price
5 18-Aug-22 08:26:31	2	*6.45	5.94
6 04-Nov-22 01:00:00	*1	*7.10	5.84
7 27-Feb-23 00:00:23	1	*6.80	5.67
8 09-May-23 00:00:00	*2	*5.80	5.52

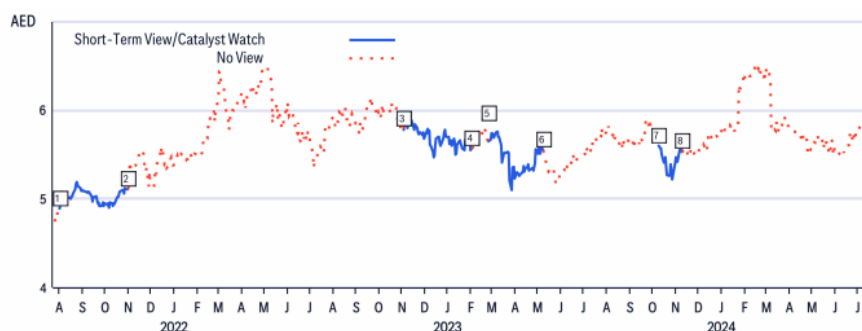
Date	Rating	Target Price	Closing Price
9 25-Jan-24 00:00:00	2	*6.75	6.25
10 24-Apr-24 08:18:56	2	*6.00	5.63

Rating/target price changes above reflect Eastern Time

Dubai Islamic Bank (DISB.DU)

Short-Term View/Catalyst Watch Research

Analyst: Rahul Bajaj, CFA



Date	Action	Expected Direction	Duration	Closing Price
1 01-Aug-21 19:55:00	Add CW	Upside	90 Days	4.89
2 31-Oct-21 02:00:16	Remove CW	Upside	90 Days	5.11
3 03-Nov-22 21:00:00	Add CW	Upside	90 Days	5.78

CW - Catalyst Watch, STV - Short-Term View

Date	Action	Expected Direction	Duration	Closing Price
4 02-Feb-23 00:07:20	Remove CW	Upside	90 Days	5.57
5 26-Feb-23 19:00:23	Add CW	Upside	90 Days	5.65
6 08-May-23 20:00:00	Remove CW	Upside	90 Days	5.55

Date	Action	Expected Direction	Duration	Closing Price
7 09-Oct-23 19:00:00	Add CW	Downside	30 Days	5.60
8 09-Nov-23 00:04:54	Remove CW	Downside	30 Days	5.53

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Data current as of 01 Jul 2024	12 Month Rating			Catalyst Watch		
	Buy	Hold	Sell	Buy	Hold	Sell
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