

Dubai Islamic Bank

Strong 2Q bottom line, but is low CoR sustainable? Risk-reward fair – Neutral

Maintain Rating: NEUTRAL | PO: 6.90 AED | Price: 5.96 AED

EPS up for 2024E, marginally down for 2025-27E post 2Q

We change our EPS estimates by +6.3% in 2024E and -1.7/2.1% pa in 2025-27E after the release of 2Q24 results. We raise our PO by 3% to AED6.90 mainly on lower RFR and maintain our Neutral rating. We think risk-reward is fair at 1.1x P/BV and 8.4x P/E in 2025E.

2Q: strong bottom line, weakish core revenue

DIB's strong 2Q profitability (17.7% ROAE) was helped by low provision charges (66bpt CoR under BofA methodology) and a gain from investment properties (AED338mn, 11% of revenue). On core income, 2Q results came in below our and consensus expectations: Net Financing Income went down by 0.6% QoQ due to NPM erosion (-6bpt) and compression of the balance sheet (-1.4% QoQ), fees disappointed (-11% QoQ).

2H could be better for NPM, BS growth; CoR – uncertainty

Management expects NPM dynamics to improve in 2H (helped by a growing CASA ratio) and financing growth may see less pressure from repayments (strong pipeline). We see potential for better NPM and BS growth in 2H, but believe CoR may have to go up over the next few quarters: DIB's NPF ratio (5.0%) and Stage 2 (6.5%) are above the sector average, while Stage 2 coverage (7.9%) is the lowest among our covered UAE banks.

Elevated real estate exposure – opportunity and a risk

DIB owns AED5.1bn in investment properties and AED1.0bn in properties held for development and sale (1.9% of assets, 13% of equity) on the balance sheet. Gains from these accounted for 4.2% of revenue pa on average over the past 15Y, and could reach 7.3% in 2024E. DIB also owns three real estate subsidiaries in Egypt. These come on top of direct financing to real estate – 15% of total financing are corporate loans to real estate, and 11% are mortgages. At the call, DIB confirmed that CBUAE works on new credit risk standards, which are at the consultation stage. It remains uncertain if these can impact provisioning and/or collateral of DIB exposures over the next years.

2024-27 outlook: moderate NPM erosion and BS growth

We forecast 12.6% average ROATE and -2% EPS CAGR for DIB in 2025-27E. We expect NPM erosion to be moderate versus MENA peers (-15bpt over 3Y), but volume growth to stay low (5% pa) and CoR to pick up. Potential gains from NMC are not in our model.

Estimates (Dec) (AED)	2022A	2023A	2024E	2025E	2026E
Net Profit (AEDm)	5,049	6,373	5,760	5,177	5,204
EPS (Reported Diluted)	0.70	0.88	0.80	0.72	0.72
Dividend / Share	0.30	0.45	0.45	0.46	0.47
Valuation (Dec)					
EPS Change (YoY)	32.5%	26.2%	-9.62%	-10.1%	0.53%
Price / BV	1.30x	1.19x	1.11x	1.06x	1.01x
Price / NAV	1.30x	1.19x	1.11x	1.06x	1.01x
Net Yield	5.03%	7.55%	7.55%	7.72%	7.89%
DPS Change (YoY)	20.0%	50.0%	0%	2.22%	2.17%

25 July 2024

Equity

Key Changes

(AED)	Previous	Current
Price Obj.	6.70	6.90
2024E EPS	0.75	0.80
2025E EPS	0.73	0.72
2026E EPS	0.73	0.72

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Stock Data

Price	5.96 AED
Price Objective	6.90 AED
Date Established	24-Jul-2024
Investment Opinion	A-2-7
52-Week Range	5.20 AED-6.55 AED
Mrkt Val / Shares Out (mn)	43,881 AED / 7,362.6
Average Daily Value (mn)	9.22 USD
Free Float	72.5%
BofA Ticker / Exchange	XUIBF / ABU
Bloomberg / Reuters	DIB UH / DISB.DU
ROE (2024E)	15.4%

NPM – Net Profit Margin

CoR – Cost of Risk

BS – Balance Sheet

CASA – Current and Savings Accounts

CBUAE – Central Bank of UAE

NPF – Non-Performing Financing

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Key Income Statement Data (Dec)	2022A	2023A	2024E	2025E	2026E
(AED Millions)	IFRS	IFRS	IFRS	IFRS	IFRS
Financing Income	8,105	8,749	8,651	9,072	9,227
Net Fee Income	1,238	1,425	1,445	1,509	1,602
Securities Gains / (Losses)	439	628	907	742	756
Other Income	557	648	703	724	753
Total Non-financing Income	2,234	2,701	3,055	2,976	3,111
Total Operating Income	10,339	11,450	11,706	12,048	12,338
Operating Expenses	(2,733)	(3,162)	(3,390)	(3,529)	(3,694)
Pre-Provision Profit	7,606	8,289	8,316	8,518	8,645
Provisions Expense	(2,103)	(1,396)	(1,533)	(1,998)	(2,095)
Operating Profit	5,503	6,893	6,783	6,521	6,550
Non-Operating Items	128	215	285	290	296
Pre-Tax Income	5,631	7,108	7,068	6,811	6,846
Net Income to sh/holders	5,049	6,373	5,760	5,177	5,204
Adjusted Cash Earnings	5,049	6,373	5,760	5,177	5,204

Key Balance Sheet Data

Total Assets	288,238	314,292	331,316	347,633	364,725
Average Income Earning Assets	262,643	280,696	302,292	318,191	333,587
Risk Weighted Assets	231,586	248,623	258,290	271,018	284,349
Total Gross Customer Financing	194,835	208,356	213,068	223,480	234,402
Total Customer Deposits	198,637	222,054	239,571	251,160	263,316
Tier 1 Capital	38,111	40,091	45,344	47,269	49,149
Tangible Equity	33,039	36,293	38,703	40,628	42,508
Common Shareholders' Equity	33,039	36,293	38,703	40,628	42,508

Key Metrics

Net Profit Margin	3.09%	3.12%	2.86%	2.85%	2.77%
Tier 1 Ratio	16.5%	16.1%	17.6%	17.4%	17.3%
Effective Tax Rate	1.41%	1.37%	9.59%	15.0%	15.0%
Financing / Assets Ratio	64.5%	63.5%	61.6%	61.5%	61.5%
Financing / Deposit Ratio	93.7%	89.8%	85.1%	85.1%	85.1%
Oper Leverage (Inc Growth - Cost Growth)	3.04%	-4.92%	-4.99%	-1.20%	-2.24%
Gearing (Assets / Equity)	8.72x	8.66x	8.56x	8.56x	8.58x
Tangible Equity / Assets	11.5%	11.5%	11.7%	11.7%	11.7%
Tangible Equity / RWAs	14.3%	14.6%	15.0%	15.0%	14.9%

Business Performance

Revenue Growth	11.1%	10.7%	2.23%	2.92%	2.41%
Operating Expense Growth	8.06%	15.7%	7.22%	4.12%	4.65%
Provisions Expense Growth	-14.1%	-33.6%	9.83%	30.3%	4.86%
Operating Revenue / Average Assets	1.94%	2.29%	2.10%	1.92%	1.84%
Operating Expenses / Average Assets	-0.96%	-1.05%	-1.05%	-1.04%	-1.04%
Pre-Provision ROA	2.68%	2.75%	2.58%	2.51%	2.43%
ROA	1.78%	2.12%	1.78%	1.52%	1.46%
Pre-Provision ROE	23.9%	23.9%	22.2%	21.5%	20.8%
ROE	15.9%	18.4%	15.4%	13.1%	12.5%
RoTE	15.9%	18.4%	15.4%	13.1%	12.5%
RoRWAs	2.19%	2.65%	2.27%	1.96%	1.87%
Dividend Payout Ratio	42.9%	51.0%	56.5%	64.2%	65.3%
Efficiency Ratio (Cost / Income Ratio)	26.4%	27.6%	29.0%	29.3%	29.9%

Quality of Earnings

Total Non-Funded Inc / Operating Inc	21.6%	23.6%	26.1%	24.7%	25.2%
Market-Related Revenue / Total Revenues	0%	0%	0%	0%	0%
Provisioning Burden as % of PPP	27.6%	16.8%	18.4%	23.4%	24.2%
NPFs / Financing	6.48%	5.40%	4.90%	4.90%	4.80%
Impairments / NPFs	73.0%	82.7%	90.9%	91.9%	94.8%
Impairments / Total Financing	4.73%	4.46%	4.46%	4.50%	4.55%
Provisions Expense / Average Financing	1.13%	0.72%	0.76%	0.96%	0.96%

Company Sector

Banks-Multinational/Universal

Company Description

Founded in 1975, DIB is the UAE's largest Islamic bank with a c10% share in domestic financing. The Emirate of Dubai owns 28%, but the dependency on state finance is below UAE peers at 12% of Islamic financing and investing assets and 9% of deposits. Financing is split between corporate (53%), consumer (27%) and real estate (20%). DIB has 55 branches in the UAE, and 16% of its credit is international, with the main presence in Pakistan and Sudan. In 2020, it acquired the Dubai-based Noor Bank.

Investment Rationale

DIB is one of the lowest beta stocks in MENA banks. The bank has low dependency on state finance despite state ownership, and a local funding focus. DIB has made good progress in reduction of its real estate exposure over the past 10Y. We think the stock is fairly valued.

Stock Data

Price to Book Value

1.1x

Quarterly Earnings Estimates

	2023	2024
Q1	0.19A	0.21E
Q2	0.20A	0.22E
Q3	0.22A	0.19E
Q4	0.27A	0.18E



Exhibit 1: DIB quarterly financials - tracker

DIB reported strong ROAE for 2Q thanks to low CoR and gain from properties, but NPM went down and financing book contracted QoQ

	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24
Profitability														
ROAE	9.0%	12.2%	15.3%	15.8%	16.4%	16.0%	16.3%	15.8%	17.1%	17.8%	18.3%	22.1%	17.0%	17.7%
ROATE	9.1%	12.1%	15.0%	15.6%	16.6%	15.8%	16.0%	15.6%	17.4%	17.4%	17.9%	21.6%	17.5%	17.3%
ROAA	0.9%	1.2%	1.5%	1.7%	1.8%	1.7%	1.9%	1.8%	1.9%	2.0%	2.0%	2.5%	1.9%	1.9%
Margins														
Yield on assets	3.34%	3.32%	3.49%	3.39%	3.54%	4.09%	4.83%	5.58%	5.69%	6.05%	6.28%	6.42%	6.34%	6.25%
QoQ, ppt		-0.02%	0.17%	-0.11%	0.15%	0.55%	0.73%	0.75%	0.11%	0.36%	0.23%	0.14%	-0.08%	-0.09%
Cost of funding	1.03%	0.97%	0.96%	0.98%	0.95%	1.17%	1.75%	2.48%	2.85%	3.42%	3.63%	3.87%	3.97%	3.94%
QoQ, ppt		-0.06%	-0.01%	0.02%	-0.03%	0.21%	0.58%	0.73%	0.37%	0.57%	0.21%	0.24%	0.10%	-0.03%
NPM (Net Profit Margin)	2.41%	2.44%	2.62%	2.51%	2.70%	3.06%	3.29%	3.41%	3.21%	3.07%	3.11%	3.05%	2.86%	2.80%
QoQ, ppt		0.03%	0.19%	-0.11%	0.19%	0.37%	0.22%	0.12%	-0.20%	-0.14%	0.04%	-0.07%	-0.18%	-0.06%
Fees, AED mn	304	293	297	218	331	278	222	240	279	327	258	409	343	304
Other non-interest income, AED mn	325	375	448	406	334	274	244	312	271	348	441	368	398	587
Fees, QoQ		-3%	1%	-26%	52%	-16%	-20%	8%	16%	17%	-21%	59%	-16%	-11%
Fees / avg assets	0.48%	0.46%	0.46%	0.37%	0.54%	0.45%	0.37%	0.40%	0.44%	0.51%	0.39%	0.54%	0.48%	0.42%
Asset quality														
NPF ratio (Non-performing Financing)	5.8%	5.9%	6.4%	6.5%	6.3%	6.2%	6.2%	6.2%	6.2%	6.1%	5.8%	5.2%	4.8%	4.8%
QoQ, ppt		0.13%	0.47%	0.17%	-0.20%	-0.10%	0.03%	-0.06%	0.00%	-0.08%	-0.30%	-0.63%	-0.38%	0.07%
Stage 2 ratio	8.4%	9.2%	9.2%	10.1%	9.6%	8.6%	8.5%	8.0%	8.0%	9.2%	8.8%	6.9%	6.9%	6.5%
Stage 3 ratio	6.3%	6.5%	6.9%	7.0%	6.8%	6.7%	6.7%	6.7%	6.6%	6.5%	6.2%	5.5%	5.1%	5.1%
Difference between Stage 3 and NPLs	0.58%	0.58%	0.52%	0.53%	0.50%	0.49%	0.49%	0.48%	0.43%	0.39%	0.38%	0.35%	0.29%	0.26%
Coverage														
Stage 2 ratio	5.3%	5.6%	5.4%	5.2%	5.4%	5.7%	6.3%	7.2%	7.5%	6.7%	7.3%	8.9%	8.0%	7.9%
Stage 3 ratio	52.5%	52.7%	51.8%	50.4%	51.7%	52.6%	53.6%	51.5%	52.8%	53.5%	55.6%	58.1%	58.7%	59.5%
Provisions														
Write-offs / avg gross loans	0.42%	1.04%	0.74%	0.30%	0.31%	0.53%	0.86%	0.30%	0.68%	0.48%	0.21%	0.30%	0.53%	0.10%
CoR - before recoveries	1.30%	1.48%	1.19%	0.19%	0.66%	0.75%	0.81%	0.44%	0.94%	0.90%	0.91%	0.20%	0.60%	0.45%
CoR - after recoveries	1.17%	1.24%	1.19%	0.28%	0.65%	0.83%	0.73%	0.45%	0.86%	0.80%	0.85%	0.17%	0.52%	0.66%
Efficiency														
Cost / Income	27.4%	27.6%	25.1%	28.8%	28.8%	25.7%	26.5%	25.0%	27.3%	26.1%	27.0%	29.9%	29.4%	27.6%
Costs growth YoY	-27%	0%	-5%	10%	14%	4%	9%	6%	6%	11%	15%	30%	14%	15%
BS ratios														
Total financing QoQ	-0.3%	-1.0%	-0.8%	-3.1%	2.2%	1.9%	-3.7%	-0.6%	-0.6%	2.4%	5.0%	0.2%	0.7%	-0.8%
Retail financing QoQ	0.9%	-0.9%	-0.6%	1.5%	1.4%	1.9%	0.2%	-0.8%	3.3%	-1.3%	5.0%	1.0%	3.1%	-4.3%
Corporate financing QoQ	0.0%	0.0%	0.0%	0.0%	2.4%	1.9%	-4.9%	-0.7%	-1.9%	3.8%	5.0%	-0.4%	-0.6%	0.7%
Deposits QoQ	3.9%	2.0%	-1.9%	-3.9%	-0.7%	-1.1%	-7.8%	6.5%	-0.2%	6.2%	4.9%	0.5%	6.2%	-0.7%
Term deposits QoQ	7.9%	-0.7%	1.6%	-11.1%	-3.7%	1.1%	-3.0%	2.4%	5.9%	9.2%	7.1%	1.2%	4.5%	-7.0%
CASA deposits QoQ	-1.5%	6.2%	-6.9%	7.4%	3.2%	-3.8%	-13.8%	12.3%	-7.9%	1.9%	1.3%	-0.6%	9.1%	9.4%
CASA ratio	40%	41%	39%	44%	45%	44%	41%	43%	40%	38%	37%	37%	38%	42%
QoQ, ppt		1.63%	-2.10%	4.58%	1.66%	-1.24%	-2.90%	2.20%	-3.40%	-1.58%	-1.32%	-0.42%	1.00%	3.94%
LDR (headline)	92%	89%	90%	91%	93%	96%	100%	94%	93%	90%	90%	90%	85%	85%
Interbank														
Due from banks, AED bn	3	3	2	3	2	3	3	5	2	3	3	4	4	5
% of assets	0.9%	1.0%	0.8%	1.2%	0.6%	1.1%	1.1%	1.6%	0.7%	0.9%	1.0%	1.4%	1.3%	1.6%
Due to banks, AED bn	5	3	3	1	3	4	7	5	6	5	6	5	4	2
% of assets	2%	1%	1%	0%	1%	2%	2%	2%	2%	2%	2%	2%	1%	1%

Source: BofA Global Research, company

BofA GLOBAL RESEARCH

Exhibit 2: BofA estimates - new vs old

We increase Net Income estimate for 2024E, trim down for 2025-27E

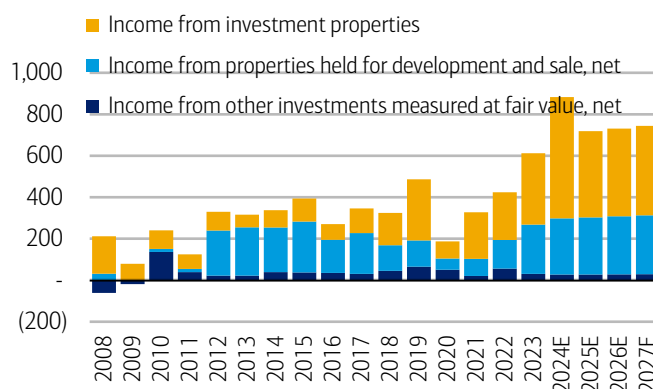
	2024E	2025E	2026E	2027E
Net Financing Income	-2%	-2%	-2%	-2%
Total Non-Financing Income	3%	-4%	-4%	-5%
Revenue	-1%	-3%	-2%	-3%
Total operating expenses	-2%	-2%	-2%	-3%
Pre provisioning profit	-1%	-3%	-2%	-3%
Impairment charges, net	-17%	-2%	-1%	-1%
Share of profit from associates and JV	-7%	-7%	-7%	-7%
Profit before tax	4%	-3%	-3%	-3%
Income tax expense	-4%	-3%	-3%	-3%
Profit after tax	5%	-3%	-3%	-3%
Non-controlling interests	-24%	-30%	-30%	-30%
Net Income to shareholders	6%	-2%	-2%	-2%
Profit attributable to T1 sukuk holders	0%	0%	0%	0%
BofD' remuneration paid	3%	4%	4%	4%
Net attributable diluted profit	6.3%	-1.9%	-1.7%	-2.1%

Source: Bank of America Global Research

BofA GLOBAL RESEARCH

Exhibit 3: DIB other income, AED mn

Income for properties accounted for 4.2% on average pa over the past 15Y



Source: company, BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 4: DIB Gordon Growth valuation model

We increase PO by 3.0% mainly on lower RFR

Cost of equity	10.3%			
Risk free rate (down from 4.8%)	4.3%			
Equity risk premium	5.0%			
Additional risk factor	1.0%			
Beta (from BBG)	1.0			
Long-term Growth rate (unchanged)	3.6%			
Long-term ROAE (equal to 2027E)	12.2%			
	2024E	2025E	2026E	2027E
Shareholders equity, AED mn	38,703	40,628	42,508	44,405
ROAE	15.4%	13.1%	12.5%	12.2%
Fair P/BV ratio	1.28			
Mcap, 2025E	52,067			
Discount factor	10.3%			
Discount period, years	0.4			
Mcap, 12M FW	49,877			
Number of shares, mn	7,227			
PO, AED	6.90			
Current market price, AED	6.04			
Potential upside	14%			
2024E DPS, AED	0.45			
PO change	3.0%			
Dividend yield	7.5%			
Rating	Neutral			
Valuation on our PO				
	2024E	2025E	2026E	2027E
P/E	8.7	9.6	9.6	9.4
P/BV	1.3	1.2	1.2	1.1

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH



Exhibit 5: DIB financials, AED mn

We forecast 12.6% average ROATE and -2% EPS CAGR in 2025-27E

	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E
Income Statement									
Net Financing Income	6,306	6,699	6,639	8,105	8,749	8,651	9,072	9,227	9,483
Total Non-Financing Income	2,903	2,752	2,666	2,234	2,701	3,055	2,976	3,111	3,235
Revenue	9,208	9,451	9,306	10,339	11,450	11,706	12,048	12,338	12,718
Total operating expenses	(2,358)	(2,728)	(2,529)	(2,733)	(3,162)	(3,390)	(3,529)	(3,694)	(3,866)
Pre provisioning profit	6,850	6,723	6,776	7,606	8,289	8,316	8,518	8,645	8,852
Impairment charges, net	(1,764)	(4,552)	(2,448)	(2,103)	(1,396)	(1,533)	(1,998)	(2,095)	(2,197)
Share of profit from associates and JV	58	20	116	128	215	285	290	296	302
Profit before tax	5,145	3,206	4,444	5,631	7,108	7,068	6,811	6,846	6,957
Income tax expense	(42)	(46)	(38)	(79)	(98)	(678)	(1,022)	(1,027)	(1,044)
Profit after tax	5,103	3,160	4,406	5,552	7,010	6,390	5,790	5,819	5,913
Non-controlling interests	88	(134)	15	77	212	199	180	181	184
Net Income to shareholders	5,014	3,294	4,391	5,474	6,798	6,191	5,609	5,638	5,729
Profit attributable to T1 sukuk holders	(449)	(535)	(554)	(404)	(404)	(404)	(404)	(404)	(404)
BofD' remuneration paid	(20)	(20)	(25)	(21)	(20)	(27)	(28)	(29)	(31)
Net attributable diluted profit	4,546	2,739	3,812	5,049	6,373	5,760	5,177	5,204	5,294
YoY %	3%	-40%	39%	32%	26%	-10%	-10%	1%	2%
Ratios									
BS ratios									
Financing / Deposits	92%	96%	91%	94%	90%	85%	85%	85%	85%
Financing / Assets	65%	68%	67%	65%	63%	62%	62%	61%	61%
CASA ratio	33%	42%	44%	43%	37%	41%	41%	41%	40%
RWA / assets	82%	77%	82%	80%	79%	78%	78%	78%	78%
Asset Quality									
NPF Ratio	4.0%	5.3%	6.5%	6.2%	5.2%	4.7%	4.7%	4.6%	4.5%
Coverage Ratio	97.7%	77.5%	70.0%	73.0%	82.7%	90.9%	91.9%	94.8%	97.7%
Cost of risk (on gross financing)	1.08%	2.10%	0.98%	0.68%	0.66%	0.64%	0.75%	0.75%	0.75%
Cost of risk (on other assets)	0.16%	0.29%	0.55%	0.88%	0.07%	0.17%	0.30%	0.30%	0.30%
Provisions on property and equipment	na	9.62%	0.95%	0.00%	0.00%	0.24%	0.63%	0.63%	0.63%
Efficiency									
Cost/income	25.6%	28.9%	27.2%	26.4%	27.6%	29.0%	29.3%	29.9%	30.4%
Costs/average assets	1.0%	1.0%	0.9%	1.0%	1.0%	1.1%	1.0%	1.0%	1.1%
Margins									
NPM	3.0%	2.8%	2.5%	3.1%	3.1%	2.9%	2.9%	2.8%	2.7%
Average yield on IEA	5.2%	4.4%	3.4%	4.5%	6.1%	6.3%	5.5%	4.7%	4.4%
Average cost of funds	2.4%	1.7%	1.0%	1.6%	3.5%	3.9%	3.0%	2.3%	1.9%
Fees / average assets	0.58%	0.51%	0.45%	0.44%	0.47%	0.45%	0.44%	0.45%	0.45%
Earnings									
RoAE	18.3%	10.1%	12.9%	15.9%	18.4%	15.4%	13.1%	12.5%	12.2%
RoAA	2.0%	1.1%	1.3%	1.8%	2.1%	1.8%	1.5%	1.5%	1.4%
RoTE	18.3%	10.1%	12.9%	15.9%	18.4%	15.4%	13.1%	12.5%	12.2%
Non-funded income/revenue	32%	29%	29%	22%	24%	26%	25%	25%	25%
Dividend payout	51%	53%	47%	43%	51%	56%	64%	65%	66%
Per share Ratio									
EPS - basic	0.69	0.38	0.53	0.70	0.88	0.80	0.72	0.72	0.73
EPS - diluted	0.69	0.38	0.53	0.70	0.88	0.80	0.72	0.72	0.73
DPS	0.35	0.20	0.25	0.30	0.45	0.45	0.46	0.47	0.48
BVPS	3.89	3.96	4.23	4.57	5.02	5.36	5.62	5.88	6.14
Valuation Multiples									
P/E	8.74	15.83	11.45	8.64	6.85	7.58	8.43	8.39	8.25
P/BV	1.55	1.53	1.43	1.32	1.20	1.13	1.07	1.03	0.98
Dividend yield	5.8%	3.3%	4.1%	5.0%	7.5%	7.5%	7.6%	7.8%	7.9%
Capital ratios									
CET 1	12.0%	12.0%	12.4%	12.9%	12.8%	14.4%	14.4%	14.4%	14.3%
Tier 1 capital ratio	15.4%	17.3%	16.0%	16.5%	16.1%	17.6%	17.4%	17.3%	17.1%
CAR total	16.5%	18.5%	17.1%	17.6%	17.3%	18.7%	18.5%	18.3%	18.1%
Growth - BS, YoY									
Financing, net	4%	30%	-5%	0%	7%	2%	5%	5%	5%
Deposits	6%	25%	0%	-4%	12%	8%	5%	5%	5%

Exhibit 5: DIB financials, AED mn

We forecast 12.6% average ROATE and -2% EPS CAGR in 2025-27E

	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E
Assets	4%	25%	-4%	3%	9%	5%	5%	5%	5%
Growth - P&L, YoY									
Net Financing income	6%	6%	-1%	22%	8%	-1%	5%	2%	3%
Fee income	0%	11%	1%	-3%	12%	1%	4%	6%	5%
Revenue	14%	3%	-2%	11%	11%	2%	3%	2%	3%
Costs	2%	16%	-7%	8%	16%	7%	4%	5%	5%
Profit before tax	2%	-38%	39%	27%	26%	-1%	-4%	1%	2%
Net income after minorities	3%	-40%	39%	32%	26%	-10%	-10%	1%	2%

Source: Bank of America Global Research

BofA GLOBAL RESEARCH

Exhibit 6: BofA estimates versus Bloomberg consensus, AED mn

We see downside to consensus EPS, upside to DPS in 2024-26E

	BBG Consensus			BofAe			BofA vs consensus		
	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
Net interest income	9,050	9,492	9,700	8,651	9,072	9,227	-4%	-4%	-5%
Net fee income	1,506	1,596	1,692	1,821	1,901	2,018	21%	19%	19%
Other income	1,265	1,260	1,469	1,234	1,075	1,093	-2%	-15%	-26%
PPI	11,821	12,348	12,862	11,706	12,048	12,338	-1%	-2%	-4%
Provisions	-1,545	-1,914	-1,853	-1,533	-1,998	-2,095	-1%	4%	13%
Operating expenses	-3,295	-3,222	-3,649	-3,390	-3,529	-3,694	3%	10%	1%
Pre-tax profit	6,419	7,271	7,660	7,068	6,811	6,846	10%	-6%	-11%
Taxes and deductions	-652	-1,541	-1,706	-1,308	-1,634	-1,642	101%	6%	-4%
Net income	5,767	5,729	5,954	5,760	5,177	5,204	0%	-10%	-13%
EPS, AED	0.80	0.79	0.82	0.80	0.72	0.72	0%	-9%	-12%
DPS, AED	0.44	0.44	0.43	0.45	0.46	0.47	3%	5%	8%
NIM	3.00%	2.88%	2.73%	2.86%	2.85%	2.77%	-0.14	-0.03	0.03
Cost of risk	0.76%	0.89%	0.81%	0.64%	0.75%	0.75%	-0.12	-0.14	-0.06
CIR	27.9%	26.1%	28.4%	28.96%	29.30%	29.93%	1.08	3.21	1.56
ROE	15.8%	14.2%	14.1%	15.4%	13.1%	12.5%	-0.42	-1.15	-1.54
Tier 1	17.8%	17.9%	18.1%	17.6%	17.4%	17.3%	-0.24	-0.46	-0.82
Total CAR	16.4%	16.6%	16.8%	18.7%	18.5%	18.3%	2.25	1.91	1.50
Gross loans	210,319	221,013	235,147	213,068	223,480	234,402	1%	1%	0%
Y-o-Y, %	6%	5%	6%	2%	5%	5%	-	-	-
Deposits	238,788	254,757	271,060	239,571	251,160	263,316	0%	-1%	-3%
Y-o-Y, %	7%	7%	6%	8%	5%	5%	-	-	-

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH



Price objective basis & risk

Dubai Islamic Bank (XUIBF)

We set a AED6.9/share PO for DIB, using a Gordon Growth model. We apply an 12.3% long-term RoAE, 10.4% cost of equity and 3.6% long-term growth rate (G). We calculate target P/BV using a formula $(ROAE - G) / (COE - G)$.

Downside risks:

- A weaker-than-expected macro, including due to lower oil prices, could lead to below-estimated balance sheet growth and higher-than-expected CoR.
- Elevated exposure to real estate and construction leaves DIB vulnerable to asset quality deterioration in the sector and may result in slower Islamic financing and investing asset growth or additional provisions, even if not imminently.
- Direct exposure to real estate could lead to negative revaluation if estate prices fall.
- We see currency risks from DIB's wholesale funding across multiple currencies.
- A weaker operating environment in countries of presence may have a negative impact on financials.

Upside risks:

- The effective tax rate for DIB in the UAE could differ from our assumptions.
- A stronger-than-expected macro, including due to high oil prices, could lead to above-estimated balance sheet growth and lower-than-expected CoR.
- High-for-longer domestic benchmark rates could suggest upside to our NPM forecasts.
- An improved environment and expansion in Egypt could result in a higher-than-expected contribution to the group's P&L from the Egypt subsidiary.

Analyst Certification

I, Olga Veselova, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

EEMEA - Financials Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
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	Akbank	XHRAF	AKBNK TI	David Taranto
	Al Rajhi Bank	XRHJF	RJHI AB	Olga Veselova
	Emirates NBD	XHGGF	EMIRATES UH	Olga Veselova
	Erste Bank	EBKOF	EBS AV	Olga Veselova
	Erste Bank	EBKDY	EBKDY US	Olga Veselova
	Garanti Bank	TKGBF	GARAN TI	David Taranto
	Isbank	TYIBF	ISCTR TI	David Taranto
	Komercni Banka	KMERF	KOMB CP	David Taranto
	Pekao S.A.	BKPKF	PEO PW	David Taranto
	PKO BP	PSZKF	PKO PW	David Taranto
	Riyad Bank	XRYDF	RIBL AB	Olga Veselova
	Saudi Awwal Bank	XBUAF	SABB AB	Olga Veselova
	Yapi Kredi Bank	YKBBF	YKBNK TI	David Taranto
NEUTRAL				
	Abu Dhabi Commercial Bank	XBUDF	ADCB UH	Olga Veselova
	Alinma	XALBF	ALINMA AB	Olga Veselova
	Dubai Islamic Bank	XUIBF	DIB UH	Olga Veselova
	OTP Bank	OTPF	OTP HB	David Taranto
	Qatar National Bank	XQTNF	QNBK QD	Olga Veselova
	Raiffeisen Bank International	RAIFF	RBI AV	Olga Veselova
	Saudi National Bank	XBYNF	SNB AB	Olga Veselova
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	First Abu Dhabi Bank	XNBUF	FAB UH	Olga Veselova



EEMEA - Financials Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
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	National Bank of Kuwait	XPOBF	NBK KK	Olga Veselova
	Vakif Bank	TKYVF	VAKBN TI	David Taranto

iQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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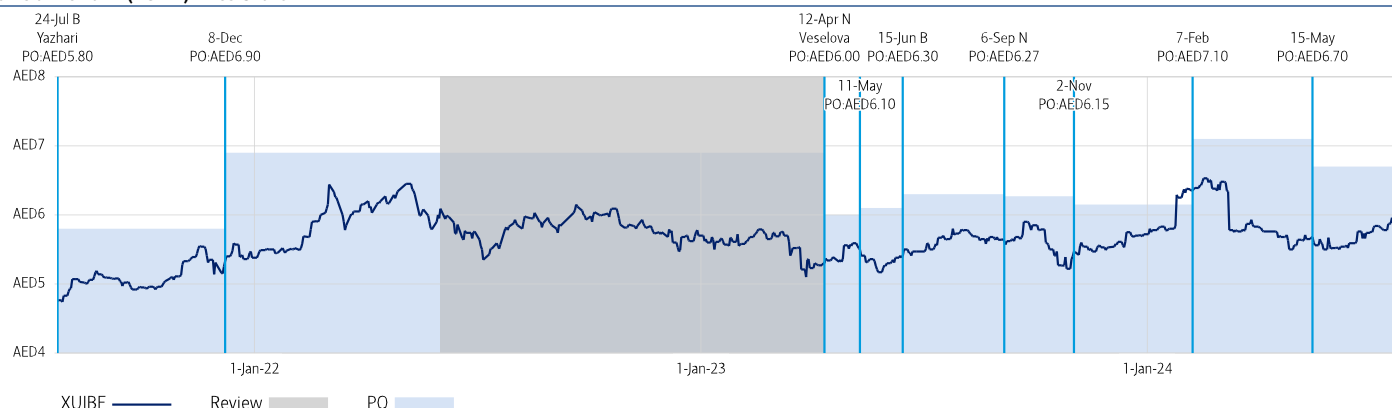
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Dubai Islamic Bank (XUIBF) Price Chart



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Equity Investment Rating Distribution: Banks Group (as of 30 Jun 2024)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	101	50.00%	Buy	85	84.16%
Hold	56	27.72%	Hold	43	76.79%
Sell	45	22.28%	Sell	33	73.33%

Equity Investment Rating Distribution: Global Group (as of 30 Jun 2024)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1857	54.79%	Buy	1084	58.37%
Hold	758	22.37%	Hold	446	58.84%
Sell	774	22.84%	Sell	350	45.22%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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