Dubai Islamic Bank

Press Release:

Dubai Islamic Bank Group First Half 2014

H1 2014 net profit up by 81% to AED 1,337 million

Dubai, July 24, 2014

Dubai Islamic Bank (DFM: DIB), the first Islamic bank in the world and the largest Islamic bank in the UAE by total assets, today announced its 1st Half results for the period ended June 30, 2014.

Results Highlights

Significant enhancement in profitability stemming from growth in core business:

- H1 2014 Net profit at 1,337 million, up 81% compared with AED 739 million in the same period in 2013.
- Gross revenue increased by 12.6% to AED 3,056 million in H1 2014 from AED 2,714 million in H1 2013.
- Net revenue increased by 26% to AED 2,659 million in H1 2014 from AED 2,117 million in H1 2013
  - Net funded income increased by 20% to AED 1,689 million in H1 2014 compared to AED 1,409 million for the same period in 2013.
  - Strong growth in fee and commission income by 34% to AED 581 million in H1 2014 compared to AED 434 million for the same period in 2013.
- Net operating income before impairment charges increased 33% to AED 1,705 million in H1 2014 from AED 1,285 million in H1 2013.
- NPLs continue to decline resulting in reduction in impairment losses from AED 545 million in H1 2013 to AED 355 million in H1 2014.
- With strong growth in profitability, key performance ratios improved in H1 2014 compared to H1 2013:
  - ROA improved from 1.41% to 2.26%
  - ROE improved from 12.4% to 17.8%
  - Cost to income ratio declined from 39.3% to 35.9%
  - Net funded income margin increased from 3.3% to 3.4%

Focused growth in assets in key business segments:

- Total Assets up by 9% to AED 123.2 billion at June 30, 2014 compared with AED 113.3 billion at December 31, 2013.
- Financing portfolio at AED 66.1 billion at June 30, 2014, an increase of 18% from AED 56.1 billion at December 31, 2013
- Investment in Sukuk increased by 20% from AED 11.6 billion at December 31 2013 to AED 13.9 billion at June 30, 2014

Continued improvement in asset quality with increase in provision coverage

- NPLs on a consistent decline with NPL ratio improving to 9.3% in H1 2014 compared to 11.1% at the end of 2013
- Impaired financing ratio also improved to 7.7% in H1 2014 from 8.8% at the end of 2013
- Provision coverage improved to 71% in H1 2014 compared to 64% at the end of 2013

Strong and stable funding base with consistent growth in customers' deposits

- Customer deposits up by 20% to AED 94.8 billion at June 30, 2014 from AED 79.1 billion at December 31, 2013
- Financing to deposit ratio maintained at 70%
- A large and stable low cost CASA book comprising 43% of total customers' deposit base.

Robust Capitalization

- Group continues to maintain strong capital adequacy at 16.4% at June 30, 2014, compared with 18.2% at December 31, 2013.
- The decline on capital adequacy is mainly on account of growth in financing assets and sukuk coupled with change in regulations to maintain higher capital requirement on market and operational risks.

Enhancing value for shareholders

- Earnings per share improved by 61% to AED 0.29 in H1 2014 from AED 0.18 in H1 2013
- Return on assets improved by 85 bps from 1.41% in H1 2013 to 2.26% in H1 2014.
- Return on equity improved by 540 bps from 12.4% in H1 2013 to 17.8% in H1 2014

Recent Awards

- "*Best Sukuk House*" – **EMEA Finance Middle East Banking Awards 2013.**
- "*UAE Deal of the Year*", "*Kuwait Deal of the Year*" and "*Pakistan Deal of the Year*" – **Islamic Finance News Awards 2014.**
    - USD 750 million Sukuk for Dubai DOF (UAE), USD 172 million financing for the Kharafi Group (Kuwait) and the PKR 43.01 billion Ijarah Sukuk for the Pakistan Government (Pakistan).
- "*Best Islamic Card*" for a second consecutive year and "*Best SME Card*" - **Banker Middle East Product Awards 2014.**
- **"***Best Islamic Bank" and "Best Investment Bank"* **– Banker Middle East Industry Awards 2014**
- **"***Islamic Bank of the Year – UAE" and "Most Established Bank of the Year – UAE"* **– 2014 Business Excellence Awards.**

Management's comments on the financial performance of the financial year:

His Excellency Mohammed Ibrahim Al Shaibani, Director-General of His Highness The Ruler's Court of Dubai and Chairman of Dubai Islamic Bank, said:

- The bank is well on its way to post a strong performance in 2014 with consistent and robust first half results underlying the continuously unfolding potential of the unique proposition that the franchise represents
- With DIB's commitment to remain at the forefront of the development of Islamic economy, the alignment to current and future strategy of Dubai remains at the center of its growth agenda.

Dubai Islamic Bank Managing Director, Abdulla Al Hamli, said:

- The bank's first half performance is a solid reflection of the work undertaken towards the end of last year to establish the growth strategy.
- The bank will continue in its drive to penetrate the market and be a strong partner to the resilient and positive outlook of UAE economy.

Dubai Islamic Bank Chief Executive Officer, Dr. Adnan Chilwan, said:

- The recent results are a testament to what we have been highlighting about the bank's direction and growth plans during the various disclosures made in local and international roadshows, roundtables, meetings and publications.
- With 81% growth in first half profits and similar strong performances across other key metrics, we feel that we have done justice to the confidence and faith placed in DIB by the market.

- Our product innovation and business penetration plans are yielding solid results as the financing book has jumped around 18% compared to year end 2013. Despite this, the banks' liquidity remains resilient with deposits primarily stemming from a large and diversified base of retail customers.
- The bank's expansion plans go well beyond the established, and growing local franchise and we hope to have the Indonesian and Kenyan operations ready for launch this year.
- Over the last year or so, we have significantly enhanced our market engagement with the aim to bring greater transparency for all our stakeholders in order to allow for more robust and quality decision making.
- With Dubai GDP estimated to grow at 5% with an additional 150 bps jump close to EXPO, we strongly believe that DIB has a huge opportunity to further entrench its growing franchise in what I feel is one of the most exciting and dynamic economy in the world.

Financial Review

Income Statement highlights for the half year ended 30 June 2014

AED million	June-14	June-13	better/(worse)
Total Revenue	3,056	2,714	***12.6%***
Depositors'/sukukholders share of profit	(397)	(597)	***33.5%***
Net revenue	**2,659**	**2,117**	***25.6%***
Operating expenses	(954)	(832)	***(14.7%)***
Net operating income before of impairment losses	**1,705**	**1,286**	***32.6%***
Impairment losses	(355)	(545)	***34.8%***
Income tax	(13)	(2)	***(530.4%)***
Net profit for the period	**1,337**	**739**	***81.0%***
Key ratios:			
Cost to income ratio %	35.9%	39.3%	***3.4%***
Net Funding Income Margin %	3.4%	3.3%	***0.1%***
Return on average assets %	2.26%	1.41%	***0.85%***
Return on average equity %	17.76%	12.36%	***5.40%***
EPS (AED per share)	**0.29**	**0.18**	***61%***

Total revenue

Total revenue for H1 2014 increased to AED 3,056 million from AED 2,714 million in H1 2013, an increase of 12.6%. The increase is mainly due to robust growth in investing and financing activities in both corporate and consumer businesses by 18% and investment in Sukuk by 20%. Corporate clients have shown significant rise in activities, both funded, non-funded and transactional resulting in higher funded and non-funded income. Consumer banking continues to deliver strong credit and fee income growth. Overall fee and commission have increased by 34% to AED 581 million H1 2014 from AED 434 million in H1 2013 largely due to higher client transactional activities in 2014.

Net revenue

Net revenue for the period ended June 30, 2014 amounted to AED 2,659 million; an increase of 25.6% compared with AED 2,117 million in the same period of 2013. The increase in net revenue is mainly due to higher total revenue coupled savings achieved due to early retirement and maturity of high cost funding resulting in improvement of Net Funded Income Margin by 10 basis points from 3.3% in H1 2013 to 3.4% in H1 2014.

Operating expenses

Operating expenses increased by 14.7% to AED 954 million for the period ended June 30, 2014 from AED 832 million in the same period in 2013. The cost to income ratio improved to 35.9% from 39.3% in the same period of 2013.

Impairment losses

DIB continues to manage asset quality and non-performing assets by cautious lending and conservative provisioning approach. Though asset quality has shown further improvements, the bank continued to build provision amounting to AED 355 million during the current period with the aim to improve provision coverage ratio.

Profit for the period

With significant increase in net revenue and improved asset quality with declining impairment charges, net profit for the period ended June 30, 2014, increased to AED 1,337 million from AED 739 million during the same period of 2013, an increase by 81%.

Statement of financial position highlights:

AED Billion	June-14	Dec-13	Increase / (decrease)%
Financing assets	66.1	56.1	***18%***
Sukuk investments	13.9	11.6	***19.8%***
Interbank placement & CDs	20.6	24.6	***(16.2%)***
Equities & Properties Investments	7.0	7.8	***(9.3%)***
Total Earning Assets:	107.6	100.1	***7.6%***
Cash & Other assets	15.6	13.2	***17.8%***
Total assets	123.2	113.3	***8.8%***
Customers' deposits	94.8	79.1	***19.9%***
Sukuk Financing Instruments	2.8	2.8	**-**
Total liabilities	106.7	96.9	***10.0%***
Shareholder Equity	10.8	10.6	***1.7%***
Tier 1 Sukuk	3.7	3.7	**-**
Non-Controlling Interest	2.1	2.1	**-**
Total liabilities and equity	123.2	113.3	***8.8%***
Key ratios:			
Financing (including sukuk) to customers' deposits	84%	86%	***(2%)***
Tier 1 ratio	16.4%	18.2%	***(1.8%)***
CAR	16.4%	18.2%	***(1.8%)***
NPL	9.3%	11.1%	***1.8%***
Impaired ratio	7.7%	8.8%	***1.1%***
Coverage ratio	71%	64%	***7%***

Financing portfolio

Net financing assets grew to AED 66.1 billion at June 30, 2014 from AED 56.1 billion at December 31, 2013, an increase of 18%. Consumer banking assets increased by 10% to AED 29.0 billion at H1 2014 compared to AED 26.5 billion at 31 December 2013. Corporate banking assets grew significantly by 23% to AED 41.9 billion in H1 2014 compared with AED 34.1 billion at 31 December 2013.

Non-performing assets have shown a consistent decline with NPL ratio improving to 9.3% in H1 2014 compared to 11.1% at the end of 2013. Impaired financing ratio also improved to 7.7% in H1 2014 from 8.8% at the end of 2013. The reduction is mainly due to reduction in NPL coupled with increase in overall performing assets. Provision coverage improved to 70.6% in H1 2014 compared to 64.0% at the end of 2013.

Sukuk Investments

Sukuk investments increased by 20% in H1 2014 to AED 13.9 billion from AED 11.6 billion at end of 2013.

Customer Deposits

Customers' deposits as of June 30, 2014 increased by 20% to AED 94.8 billion from AED 79.1 billion as of December 31, 2013. The customer deposits have grown largely due to increase in CASA which comprise 43% of total deposits amounting to AED 41.0 billion at June 30, 2014 compared with AED 33.8 billion at December 31, 2013.

The increase in customers' deposits is in line with the growth in investing and financing assets resulted maintaining financing to deposit ratio at 70% H1 2014.

Capital and capital adequacy

Capital adequacy ratio reduced from 18.2% at end of 2013 to 16.4% in H1 2014. The decrease is mainly due to growth in investing and financing assets and sukuk coupled with change in regulation to maintain higher capital requirements on market and operational risks.

About Dubai Islamic Bank:

Dubai Islamic Bank (DIB), established in 1975, is the first Islamic bank to have incorporated the principles of Islam in all its practices and is the largest Islamic bank in the UAE. DIB is a public joint stock company, and its shares are listed on the Dubai Financial Market. The bank enjoys a reputation as a leader and innovator in maintaining the quality, flexibility and accessibility of its products and services. The bank currently operates 90 branches in the UAE.

DIB has been proactive in creating partnerships and alliances at both the local and international level. The bank has established DIB Pakistan Limited, a wholly owned subsidiary which has a network of more than 100 branches across 36 major cities in Pakistan. DIB has also started operations in Jordan, with the establishment of Jordan Dubai Islamic Bank.

Alongside its accomplishments as a commercial organisation, DIB has always recognised its wider role in society. The bank supports the communities in which it operates through the DIB Foundation, a non-profit social, humanitarian and charitable organisation which distributes millions of dirhams to good causes at home and abroad each year.

For its contribution to both the banking industry and the wider community, DIB has earned the respect of its peers around the world. The bank's leading position has been reaffirmed by more than 120 local, regional and international accolades that it has won since 2008. DIB has won awards across diversified areas, including retail, corporate and investment banking, as well as CSR and consultancy services. In addition to the "Best Islamic Bank 2013" at the Global Islamic Finance Awards, recent recognition includes being named "Best Islamic Bank" and "Best Investment Bank" at the Banker Middle East Industry Awards, "Best Sukuk House" at the EMEA Finance Middle East Banking Awards, "Best Islamic

Card” and “Best SME Card” at the Banker Middle East Products Awards as well as being chosen as the “Islamic Bank of the Year –UAE” and “Most Established Bank of the Year – UAE” at 2014 Business Excellence Awards. Dubai Islamic Bank has been also declared the winner of the “Best Islamic Bank, UAE – 2014” by World Finance - Islamic Finance Awards 2014.