



Press Release:

Dubai Islamic Bank First Quarter 2014 Financial Results

Q1 2014 net profit up by 111 per cent to AED 636.6 million

Dubai, May 1, 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 first quarter results for the period ended March 31, 2014.

Results Highlights

Significant profitability enhancement stemming from core business growth and robust liquidity management

- Q1 2014 Net profit at 636.6 million, up 111% compared with AED 301.7 million in the same period in 2013
- Total revenue increased to AED 1,495 million, a rise of 7.4% from the comparable period in 2013
- Rise in net funded income by 21.6% to AED 822.4 million in the same period in 2013 due to credit growth in both corporate and retail banking during Q1 2014 coupled with measures taken to rationalize high cost funding last year.
- Increase in fee and commission income by 33% to AED 293 million due to a rise in client related activities in all customer segments and products
- Total operating income increased to AED 1,305 million, up by 21.6% from the comparable period in 2013
- Impairment losses at AED 195 million, reduced by 45.9% compared corresponding period in 2013.
- Cost to income ratio – improved to 35.7% in Q1 2014 from 38.2% in corresponding period in 2013 mainly due to increase in total revenue and greater efficiencies and economies of scale

Focused growth in core assets while improving portfolio performance and quality

- Total Assets up by 6.9% to AED 121.2 billion at March 31, 2014 compared with AED 113.3 billion at December 31, 2013.
- Total funds deployed in earning assets stood at AED 104.8 billion, an increase of 7.3% over December 31, 2013.
- Net financing stood at AED 59.9 billion at March 31, 2014, an increase of 6.8% from AED 56.1 billion at December 31, 2013. The increase represents robust growth in high yielding consumer financing and corporate banking assets.
- Net Funded Income Margin – improved to 3.3% from 3% in the same period in 2013

Strong and Stable Funding base: Customer deposits - continue to grow steadily

- Strong liquidity available depicting customer trust and loyalty. Customer deposits up by 8.9% to AED 86.1 billion at March 31, 2014 from AED 79.1 billion at December 31, 2013.
- Financing (including Sukuk) to deposit ratio at 83%
- A large and stable low cost CASA book comprising 46% of total customers' deposit base.
- Net lender to the inter-bank market.

Continued improvement in asset quality

- Non performing finance on a consistent decline with NPL ratio improving to 10.3% in Q1 2014 compared to 11.1% at the end of 2013
- Impaired financing ratio also improved to 8.4% in Q1 2014 from 8.8% at the end of 2013
- Provision coverage improved to nearly 67.4% in Q1 2014 compared to 64% at the end of 2013

Robust Capitalization

- Group continues to maintain strong capital adequacy at 18.1% at March 31, 2014, compared with 18.2% at December 31, 2013.

Enhancing value for shareholders

- Earnings per share improved by 71% to AED 0.12 in Q1 2014 from AED 0.07 in Q1 2013
- Due to significant rise in overall income and improved cost management, return on assets (annualized) improved by 107 bps from 1.1% in Q1 2013 to 2.17% in Q1 2014. Further return on equity (annualized) improved by 714 bps from 10.18% in Q1 2013 to 17.32% in Q1 2014

Recent Awards (Q1 2014)

- “*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.**

Management’s comments on the financial performance of the financial period:

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

- In line with HH Sheikh Mohammed Bin Rashid Al Maktoum, Vice President and Prime Minister of UAE and Ruler of Dubai’s vision to make the Emirate the global capital of Islamic economy, Dubai has already made huge inroads in establishing itself as a major global hub for the Islamic finance industry. Being the largest Islamic bank in the country with rich experience and heritage, DIB is well positioned to play a critical role in furthering this agenda.
- The strong first quarter results reflect the commitment of the board and the management to the strategic agenda of the bank. Clearly in a growth mode, and aligned to Dubai and the UAE’s growth plans, the bank is ready to deliver on its promise to all stakeholders.

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

- DIB’s strong results in the first quarter are clear sign that the difficulties of the crisis are well behind us.
- With the economy improving, we are ready to be a part of the growth forecasted for Dubai and the UAE over the coming years.

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

- DIB clearly is in an enviable position now as all key parameters continue to improve.
- We have shown a strong profitability trend over the last few quarters along with continuously improving asset quality, coverage and core revenue growth.

- With ample liquidity, we are now well on our way to deploy the same effectively across all key sectors of the economy leading to not only higher profitability and asset growth but also to more efficiency across the balance sheet
- The market has already recognized the current and future potential of the bank as seen in the bank's stock performance over the last few quarters. Being fully engaged with the stakeholders also helps us remain aligned to their requirements as well and witnessing strong demand for the stock by foreign investors, we implemented the increase in foreign ownership which now stands at 25%
- As a responsible corporate citizen, we will continue to work towards promoting and enhancing the Islamic finance sector through education, innovation and developing and nurturing entrepreneurship helping Dubai in its vision to become the global capital of the Islamic economy.

Financial Review

Income Statement highlights for the quarter ended 31st March 2014

	Mar-14	Mar-13	(All figures in AED Million) Variance positive / (negative) %
Total Revenue	1,495	1,392	7.4%
Depositors share of profit	(190)	(319)	(40.4%)
Net operating income	1,305	1,073	21.6%
Operating expenses	(466)	(410)	13.7%
Net operating profit	839	663	26.5%
Impairment losses	(195)	(360)	(45.8%)
Income tax	(7)	(1)	425.7%
Group net profit	637	302	110.9%
<u>Key ratios:</u>			
Cost to income ratio %	35.7%	38.2%	(2.5%)
Net Funding Income Margin %	3.3%	3.0%	0.3%
Return on average assets %	2.17%	1.10%	1.07%
Return on average equity %	17.32%	10.18%	7.14%
EPS (AED per share)	0.12	0.07	71.4%

Net operating income

Net operating income for the period ended March 31, 2014 amounted to AED 1,305 million; an increase of 21.6% compared with AED 1,073 million in the same period of 2013. The increase in net operating revenue is mainly due to robust growth in both corporate and consumer banking assets coupled with measures taken to rationalize high cost of funding. Fee and commission have increased by 33% to AED 293 million Q1 2014 from AED 220 million in Q1 2013.

Operating expenses

Operating expenses increased by 13.7% to AED 466 million for the period ended March 31, 2014 from AED 410 million in the same period in 2013. The cost to income ratio improved to 35.7% from 38.2% in the same period of 2013 due to increase in total revenue and enhanced operational efficiency.

Impairment losses

Asset quality continued to improve leading to a sustained decline in non-performing financing. Though asset quality has shown improvement, the bank made additional provisions amounting to AED 195 million during the current period with the aim to improve coverage ratios.

Profit for the period

With continued increase in net operating income and improved asset quality with lower impairment charge, net profit for the period ended March 31, 2014, increased to AED 636.6 million from AED 301.7 million during the same period of 2013, an increase by 111%.

Statement of financial position highlights:

	Mar-14	Dec 2013	(All figures in AED Billion) Variance positive / (negative) %
Financing assets	59.9	56.1	6.8%
Sukuk investments	11.4	11.6	(2.4%)
Interbank placement & CDs	25.8	22.1	16.7%
Equities & Properties Investments	7.6	7.8	(2.2%)
Total Earning Assets	104.7	97.6	7.3%
Cash & Other assets	16.5	15.7	4.6%
Total assets	121.2	113.3	6.9%
Customers' deposits	86.1	79.1	8.9%
Sukuk Financing Instruments	2.8	2.8	-

Total liabilities	105.2	96.9	8.5%
Shareholder Equity	10.2	10.6	(3.8%)
Tier 1 Sukuk	3.7	3.7	-
Non-Controlling Interest	2.1	2.1	-
Total liabilities and equity	121.2	113.3	6.9%
Key ratios:			
Financing (including sukuk) to customers' deposits	82.7%	85.6%	(2.9%)
Tier 1 ratio	17.9%	18.2%	(0.3%)
CAR	18.1%	18.2%	(0.1%)
NPL (including bilateral sukuk)	10.3%	11.1%	(0.8%)
Impaired ratio	8.4%	8.8%	(0.4%)
Coverage ratio	67.4%	64.0%	3.4%

Financing portfolio

Net financing assets grew to AED 59.9 billion at March 31, 2014 from AED 56.1 billion at December 31, 2013, an increase of 6.8%.

Overall credit has grown significantly during Q1 2014 outpacing the market. Consumer banking assets reported a consistent increase by 4% to AED 27.3 billion compared with AED 26.2 billion at 31 December 2013. Corporate banking assets have also grown significantly by 9% to AED 37.4 billion compared with AED 34.4 billion at 31 December 2013.

Non-performing assets have shown a consistent decline with NPL ratio improving to 10.3% in Q1 2014 compared to 11.1% at the end of 2013. Impaired financing ratio also improved to 8.4% in Q1 2014 from 8.8% at the end of 2013. The reduction is mainly due to full or partial settlement of exposures coupled with increase in overall financing portfolio. Provision coverage improved to nearly 67.4% in Q1 2014 compared to 64% at the end of 2013.

Customer Deposits

Customers' deposits as of March 31, 2014 increased by 8.9% to AED 86.1 billion from AED 79.1 billion as of December 31, 2013. The customer deposits have grown largely due to increase in CASA which now comprise 46% of total deposits amounting to AED 39.6 billion at March 31, 2014 compared with AED 33.8

billion at December 31, 2013. Due to increase in customer deposits, financing to deposits ratio reduced from 85.6% as of December 31, 2013 to 82.7% as of March 31, 2014.