

Press Release:

Dubai Islamic Bank First Quarter 2023 Group Financial Results

- Significant rise in Total Income of 47% YoY to AED 4.4 billion.
- Net profit of AED 1.5 billion, strong growth of 12% YoY.
- Continued improvement in RoTE registering 17.5%, up 50 bps YTD.
- Enhanced cash coverage ratio to 80% up nearly 200 bps YTD.
- Upgraded standalone credit ratings by Moodys driven by improved profitability and strong liquidity.

Dubai, April 18, 2023

Dubai Islamic Bank (DFM: DIB), the largest Islamic bank in the UAE, today announced its results for the period ending March 31, 2023.

Q1 2023 Highlights:

- **Group Net Profit** came in at AED 1,506 million, up 12% YoY compared to AED 1,345 million. Growth was driven by rising core revenues and effective cost management.
- **Net financing and sukuk investments** at AED 240 billion, up 1% YTD with nearly AED 21 billion in new underwriting during Q1 2023 vs AED 15 billion in Q1 2022.
- **Total income** rose to AED 4,431 million compared to AED 3,016 million, a solid expansion of 47% YoY.
- **Net Operating Revenues** showed a robust 12% YoY to reach AED 2,755 million.
- **Net Operating Profit** now at AED 2,013 million, a solid increase of 14% YoY compared to AED 1,770 million in Q1 2022.
- **Balance sheet** expanded by 1.3% YTD to AED 292 billion.
- **Customer deposits** now at AED 198 billion with CASA comprising 40% of DIB's deposit base, a significant achievement given the current rate environment.
- **Impairment charges** registered AED 496 million, down 24% QoQ, highlighting a positive trend.
- **NPF** ratio stable YTD at 6.5% however 20 bps lower compared to Q1 2022.
- **Cost to income** stood at 26.9%, lower 140 bps YoY and well within the annual guidance.
- Liquidity remains healthy with **LCR** at 156% and **NSFR** at 108%.
- Continued improvement on **ROA**, now at 2.1% (+10 bps YTD) and **ROTE** at 17.5% (+50 bps YTD).
- **Capitalization** levels remain robust with **CET1** at 13.3% (+40bps YTD) and **CAR** at 17.9% (+30bps YTD), both well above the minimum regulatory requirement. **Total equity** now stands at AED 43 billion.

Management's comments for the period ending 31st March 2023:



**His Excellency Mohammed
Ibrahim Al Shaibani**

**Director-General of His
Highness The Ruler's
Court of Dubai and
Chairman of Dubai Islamic
Bank**



Dr. Adnan Chilwan

**Group Chief Executive
Officer**

- *The UAE's economy continue to expand at a fast rate supported by high energy prices, increasing business trade and activities and the return of tourism which has boosted domestic retail spending. The banking sector remains well-insulated from the global contagion and continues to be on a solid footing with steady growth in their balance sheets and rising profitability levels with DIB closing the first quarter of the year with very strong and remarkable set of results.*
- *The nation's transition into a green economy is well underway and we at DIB remain fully committed towards sustainable development and have integrated a full-fledged sustainability strategy in our medium- and long-term goals. In addition with this commitment, we also successfully issued our 2nd sustainable sukuk (USD 1 billion) during the quarter which was very well accepted and oversubscribed in the financial markets.*
- *The UAE's operating environment has been steadfast amidst the global economy's complex challenges. The return of trade & tourism, increasing retail spending as well as rising profitability in banking & finance reflect the growing confidence that consumers have on the domestic economy. Accordingly, Government related entities (GREs) continue to maintain strong balance sheets, with cash surplus, on the back of the UAE's stable economy; allowing them to reinvest in the nation's expansionary agendas.*
- *The UAE has also witnessed strong growth in employment, up 38%, in 2022 when compared with 2021, due to 11% growth in new private sector establishments. This is aligned with the country's continuing commitment to establish a broad knowledge-based economy.*

- *In light of the global events, DIB's asset quality has been remained robust with NPF ratio stable at 6.5%. Additionally, our overall coverage ratio and cash coverage ratio have been increasing depicting the bank's prudent approach to risk management.*
- *DIB's profitability during the first quarter continues to impress with net income reaching AED 1.5 billion, up 12% YoY, on the back of stronger margins and ongoing cost controls. Net Profit Margin improved strongly by 50 bps YoY to reach to 3.2% reflecting rising rates globally.*
- *DIB's gross new financing during the quarter registered AED 15.8 billion increase up by a sizeable 35% compared to AED 11.7 billion in Q1 2022. This is fueled by both corporate and retail financing underpinning DIB's strong market position and business appetite for growth. Our fixed income portfolio has now reached AED 55 billion, a 6% YTD growth as the bank continues to invest in primarily highly rated sovereign sukuk instruments*
- *Our sustainability ambitions have been progressing well as we embark on a refreshed strategy with new commitments towards a low carbon economy and a more sustainable future. These commitments are supported by various initiatives and an established well- structured internal governance operating model that will ensure and oversee the execution of this journey.*

Financial Review:

Income statement summary

AED millions	Mar 2023	Mar 2022	YoY % change
Total Income	4,431	3,016	47%
Depositors'/ Sukuk holders share of profit	(1,676)	(549)	205%
Net Operating revenue	2,755	2,467	12%
Operating expenses	(742)	(698)	6%
Profit before impairment losses & income tax	2,013	1,770	14%
Impairment losses	(496)	(417)	19%
Income tax	(11)	(7)	54%
Net profit for the period	1,506	1,345	12%

Key Ratios (%)	Mar 2023	Mar 2022	Change (bps)
Net Profit Margin %	3.2%	2.7%	50 bps
Cost to income ratio %	26.9%	28.3%	(140 bps)
Return on average assets %	2.1%	1.9%	20 bps
Return on tangible equity %	17.5%	16.2%	130 bps

Balance Sheet Summary

AED millions	Mar 2023	Dec 2022	YoY % change
Net Financing and Sukuk Investments	240,146	238,271	1%
Equities & Properties Investments	9,601	9,724	(1%)
Other Assets	8,465	9,147	(8%)
Due from banks and financial institutions	2,103	4,607	(54%)
Cash & CB Balances	31,669	26,489	20%
Total assets	291,984	288,238	1%
Customers' deposits	198,302	198,637	-
Sukuk financing instruments	22,319	22,340	-
Other liabilities	28,321	23,287	22%
Total liabilities	248,942	244,264	2%
Shareholder Equity & Reserve	32,079	33,040	(3%)
Tier 1 Sukuk	8,264	8,264	-
Non-Controlling interest	2,699	2,671	1%
Total liabilities and equity	291,984	288,238	1%

Key Ratios (%)	Mar 2023	Dec 2022	Change (bps)
Liquidity Coverage Ratio (LCR)	156%	150%	600 bps
CET 1	13.3%	12.9%	40 bps
Capital Adequacy Ratio (CAR)	17.9%	17.6%	30 bps
Non-Performing Financing (NPF)	6.5%	6.5%	-
Coverage	80.0%	78%	200 bps

Operating Performance

The bank's **total income** rose to AED 4,431 million in Q1 2023 demonstrating a notable YoY growth of 47% compared to AED 3,016 million primarily driven by strong income from financing assets. This is clearly reflected in the **Net Operating Revenue** which grew by 12% YoY to reach to AED 2,755 million compared to AED 2,467 million last year.

Pre-impairment profit increased by 14% YoY reaching to AED 2,013 million compared to AED 1,770 million. On a QoQ basis **impairment charges** dropped by 24% to AED 496 million.

Operating expenses amounted to AED 742 million during Q1 2023 vs AED 698 million in Q1 2022, exhibiting a 6% YoY increase. The bank's growth plans are well underway including continued enhancements on digital and transactional banking and further improvements on the customer experience journey. Following higher revenue growth and controlled cost growth, **cost income ratio** stood at 26.9%, lower 140 bps YoY, well within the guidance.

As a result, the bank's **Group Net Profit** witnessed a strong increase of 12% YoY to reach AED 1,506 million, the highest quarterly net profit in the banks history vs AED 1,345 million in Q1 2022.

Net profit margin increased to 3.2% (+50bps YoY) with **ROA** and **ROTE** at a healthy 2.1% and 17.5% up by 10 bps and 50 bps YTD respectively.

Balance Sheet Trends

Net financing & Sukuk investments stood at AED 240 billion, up 1% YTD from AED 238 billion in FY 2022, supported by sukuk investments, which grew 5.6% YTD to reach to AED 55 billion.

DIB witnessed healthy overall YoY growth in gross new financing and sukuk in Q1 2023 amounting to nearly AED 21 billion, up 40% compared to AED 15 billion in Q1 2022. Gross corporate financing origination of nearly AED 11 billion (+ 41% YoY) driven mainly by government related entities and large corporates, while new bookings from consumer financing accounted for AED 5 billion (+25% YoY), continued to exhibit DIB's competence in deploying financing assets despite the ongoing market volatilities. Whilst routine repayments of AED 9 billion and AED 4 billion from the corporate and consumer segments respectively were expected, excess liquidity in the market and sustained high rate environment led to early settlements and prepayments of around AED 4 billion which came mainly from the corporate portfolio. Despite this, net movement in the financing & sukuk book was positive coming at AED 2 billion in Q1 2023.

Customer deposits stood at AED 198 billion as of Q1 2023, with **CASA** now standing at AED 80 billion, comprising 40% of deposits. Migration to wakala deposits was apparent during the quarter due to the current global rate scenario. This is reflected through an increase in the wakala portfolio (investment deposits) which is up 6% YTD comprising a higher share of 60% of total deposits versus 56% in YE 2022. **Liquidity coverage ratio** (LCR) at 156%, up from 150% FY 2022, and **NSFR** at 108% up from 106% in FY 2022, both above regulatory requirement, depicting strong liquidity position.

During Q1 2023, DIB further enhanced its funding base by issuing USD 1 billion of sustainable sukuk. This brings the total sustainable sukuk issuance by DIB to USD 1.75 billion.

Non-performing financing (NPF) ratio remained constant YTD to 6.5%, yet down 20 bps compared to Q1 2022 ratio. NPF on an absolute basis has declined by AED 162 million YTD (-1.2% YTD), to AED 12,824 million from AED 12,986 million in FY2022. The main improvement in NPF was due to ongoing recoveries from NMC and NOOR POCI which resulted in a decline of 6% in their NPF accounts. Additionally, coverage ratio on both accounts increased. For NMC coverage increased by 400 bps to 78% YTD and by 600 bps to 34% for the NOOR POCI account. Finally, core DIB NPF account remained intact at AED 10.7 billion flat YTD.

Stage 3 coverage accordingly improved to 62.8%, (+160 bps) from FY2022 on the back of collections. Additionally, asset quality improvement has been depicted across the Stage 2 account on a YTD basis. Stage 2 coverage is also on an upward trajectory to 7.7% compared to 7.5% in FY2022.

Cash coverage ratio improved to 80% (+200 bps YTD, +700 bps vs Q1 2022) and overall coverage including discounted collateral also significantly improved to 113% (+310 bps YTD and 1010 bps vs Q1 2022) underpinning DIB's commitment to enhancing its coverage ratio. **Cost of risk** for Q1 2023 now stands at 80 bps compared to 84 bps for the year 2022, an improvement of 4 bps YTD.

Capital ratios continue to remain strong with **CAR** now at 17.9% (up 30 bps YTD) and **CET 1 ratio** at 13.3% (up 40 bps YTD), both well above the regulatory requirement.

Business Performance (Q1 2023)

Consumer Banking financing portfolio stood at AED 53 billion up 2% from AED 52 billion in FY2022 on the back of Home Finance and Personal Finance. The portfolio's total new underwriting reached AED 5 billion during the quarter compared to AED 4 billion in Q1 2022. The business generated AED 1.2 billion in revenues during the year up 19% YoY from AED 968 million during Q1 2022. Blended yield on consumer financing grew by 77 bps YoY to reach to 6.5%. Separately, on the funding side, it is worth noting consumer deposits witnessed 5% growth YTD underpinning the bank's solid consumer franchise.

Corporate banking financing portfolio now stands at AED 132 billion with government and service sectors contributing 30% to this portfolio. New wholesale lending for 1Q 2023 registered AED 11 billion, while repayments came in at AED 9 billion and unexpected early settlements in the tune of AED 4 billion were witnessed during the quarter. Revenues featured double digit growth reaching AED 1.1 billion, up 47%YoY compared to AED 773 million in Q1 2022. Yield on corporate financing portfolio expanded by 330 bps YoY to 6.1% compared to 2.8%.

Key Business Highlights (Q1 2023)

- Under DIB's Sustainable Finance Framework and aligned to the bank's corporate sustainability strategy, the bank successfully issued USD 1 billion Sustainable Sukuk which was created to facilitate financing of green and social initiatives and projects. The sukuk is a 5.5-year senior issue with a profit rate of 4.80% per annum representing a spread of 102.4 bps over 5-Year US Treasuries. The issuance was successfully 3x oversubscribed and this deal achieved several landmarks including the largest issuance by a Middle East financial institution in the international capital markets since June 2021 and the largest-ever Sustainable issuance by a Middle East Financial Institution.
- DIB successfully concluded its annual general shareholders meeting with the approval of 30% cash dividend aggregating to an amount of AED 2.2 billion. Other agenda items included the election of the bank's Board of Directors for the next three-year term.
- The 2022 DIB Sustainability Report was successfully published by the bank during the quarter. The report continues to showcase the bank's achievements and commitments towards the sustainability space and aligning its longer-term commitments towards the nation's climate agenda and towards achieving the global sustainable development goals.
- The Consumer Banking division launched the 2023 cycle of "Customer Champions" program where the key objective is to take ownership of the customers journey and drive bank wide focus on services. The focus is for these champions to be change agents and positively influence their teams to provide exceptional customer experience across touch points for all customers. In 2022 this program delivered stellar work from living the ICARE values and going above and beyond their call of duty in taking actions to improve the experience for customers.

Awards List (as of Q1 2023)

Date	Award Giving Body	Award Received
March 2023	Islamic Finance News Awards	• Most Innovative Islamic Bank • Best Overall Islamic Bank in UAE • Best Corporate Bank in UAE • Best Overall Islamic Bank in Kenya • Best Investment Bank in Kenya • Best Corporate Bank in Kenya • Most Innovative Bank in Kenya • Syndicated Deal of the Year • Turkey Deal of the Year • Corporate Finance Deal of the Year • Pakistan Deal of the Year Best Overall Islamic Bank
February 2023	16th Annual Best Deal & Solution Awards 2022	Best Sovereign Bond & Best Green Sukuk of the year 2022

About Dubai Islamic Bank:

Established in 1975, Dubai Islamic Bank is the largest Islamic bank in the UAE by assets and a public joint stock company listed on the Dubai Financial Market. Spearheading the evolution of the global Islamic finance industry, DIB is also the world's first full service Islamic bank and the second largest Islamic bank in the world. With Group assets in excess of USD 80bln and market capitalization of nearly USD 9bln, the group operates with a workforce of more than 10,000 employees and around 500 branches in its vast global network across the Middle East, Asia and Africa. Serving over 3 million customers across the Group, DIB offers an increasing range of innovative Shariah compliant products and services to retail, corporate and institutional clients.

In addition to being the first and largest Islamic bank in the UAE, DIB has a significant international presence as a torchbearer in promoting Shariah-compliant financial services across a number of markets worldwide. The bank has established DIB Pakistan Limited, a wholly owned subsidiary which is the first Islamic bank in Pakistan to offer Priority & Platinum Banking, as well as the most extensive and innovative portfolio of Alternate Distribution Channels. The launch of Panin Dubai Syariah Bank in Indonesia early in 2017 marks DIB's first foray in the Far East, the bank owns a nearly 25% stake in the Indonesian bank. Additionally, in May 2017, Dubai Islamic Bank PJSC was given the license by the Central Bank of Kenya (CBK) to operate its subsidiary, DIB Kenya Ltd. DIB has been designated as D-SIB (Domestic Systemically Important Bank) in 2018 in UAE. In early 2020, DIB completed the acquisition of Noor Bank, which solidifies its position as a leading bank in the global Islamic finance industry.

The Bank's ultimate goal is to make Islamic finance the norm, rather than an alternative to conventional banking worldwide. DIB has won a range of accolades that are testament to these efforts across diversified areas, including retail, corporate and

investment banking, as well as CSR and consultancy services. DIB has been named the Best Islamic Bank in various prestigious ceremonies and recognized for its outstanding performance amongst the world's Islamic Banks, marking it a clear indication of the bank's leadership position in the Islamic finance sector.

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For more PR information, please contact:

Dubai Islamic Bank

Kashif Moosa

Head of Investor Relations & Strategic Communication

Direct: +971.4.2075454

Email: kmoosa@dib.ae

Download the DIB Investor Relations (IR) App

Weber Shandwick

Tameem Alkintar

Account Director

Direct: +971 56 149 1094

Email: TAlkintar@webershandwick.com

