

Press Release:

Dubai Islamic Bank First Half 2021 Group Financial Results

- Improving profitability with **total income** of AED 5.8 bln and **net profit** of AED 1.9 bln, up 5% and 18% QoQ respectively.
- **Net operating profit before impairments** reaches AED 3.4 bln, up 4% YoY and 10% QoQ.
- Robust growth in **customer deposits** of 6% year to date to reach to AED 218.3 bln.
- Efficiency build up continues with **OPEX** declining by 15% YoY to AED 1.2 bln.
- Sector leading **cost income ratio** of 26.9%.

Dubai, July 27, 2021

Dubai Islamic Bank (DFM: DIB), the largest Islamic bank in the UAE and the second largest Islamic bank in the world, today announced its results for the period ending June 30, 2021.

First Half 2021 highlights:

- **Total income** increased by 5% QoQ to reach AED 5.8 billion YTD despite the challenging economic environment.
- Robust growth of 8% QoQ in **net operating revenues** now at AED 4.6 billion YTD, supported by low cost liquidity.
- Strong cost discipline led to further significant reduction in **operating expense**, down nearly 15% YoY from AED 1.47 billion to AED 1.25 billion.
- **Impairment** charge lower by 29% compared to same period last year, denoting improving credit quality trend.
- **Net profits** on an improving trend with an 18% QoQ jump to reach AED 1.9 billion YTD as a result of strong cost management, continued core income growth and lower impairment provisions.
- **Earning assets** remained stable with net financing and sukuk investment at nearly AED 233 billion despite significant corporate prepayments.
- Strong growth of 6% in **customer deposits** now at AED 218.3 billion, supported the **balance sheet** growth of nearly 1.5% to AED 293.7 billion.
- With **CASA** at a significant 41% of deposit base, liquidity remain strong with **finance to deposit ratio** of 89% and **LCR** of 152%.
- Healthy quarter on quarter improvements on **ROA** and **ROE** now at 1.3% and 10.4% respectively.
- **Capitalization** levels remained comfortably above minimum regulatory requirements, with CET1 at 12.3% and CAR at 17.0%.

Management's comments for the second quarter ending June 2021:



**His Excellency Mohammed
Ibrahim Al Shaibani**

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

- As the world slowly comes out of the shadows of the pandemic, the GCC region is well on its way to return to normalcy. UAE in particular has been phenomenal in the way it has managed the COVID-19 situation, right from the time it erupted until today, when the country holds the proud distinction of having administered the most vaccines in the world per capita. Based on the guidance of the leadership, the UAE has worked hard to ensure recovery during the first half of the year in key economic sectors such as travel, tourism and real estate with consumers and investors maintaining their confidence in the UAE's successful pandemic response. At DIB, we remain optimistic of the continued positive outlook in the months to come and look forward to unequivocally supporting the major UAE events lined up for this year.
- This year is special for all of us in the UAE, citizens and residents alike, as we celebrate 50 glorious years of this young progressive nation. For a country still in its first half a century of existence, the United Arab Emirates is recognized today as the fastest growing nation in the world – it is a matter of great pride for DIB to be part of this journey all through the bank's more than 45 years of existence.
- DIB's core revenue generation has been on a steady positive trend since the peak of the pandemic with reported figure of AED 5.8 billion during the first half of 2021. This was a 5% increase over the previous quarter clearly depicting the bank's resilience to and the robust strategy adapted in a challenging and changing environment.



Abdulla Ali Obaid Al Hamli

**Board Member and
Managing Director**

- Dubai Islamic Bank's commitments to impacted customers remained strong during the first half of the year with total instalment deferrals now reaching AED 9.5 billion across more than 54,000 customers. These relief measures are part of our strategy to ensure that economic activities in the UAE remains sound as the country gears up for one of the fastest economic recoveries in the world.
- With the introduction of DIB's new business banking proposition, our customers whose businesses are now returning to normalcy, can benefit from further enhanced experiences and services across all the delivery channels reinforced by a robust digital platform in place.
- The re-energized dynamic values of the organization focused on customer care are going to be the key driving force for the bank in 2021 and the years to follow. This strategy is aimed at enhancing DIB's customer acquisition across all major segments, both on the consumer and corporate banking side.



Dr. Adnan Chilwan

**Dubai Islamic Bank Group
Chief Executive Officer**

- *DIB's profitability remained strong despite the challenging last eighteen months, with a net profit of AED 1.9 billion during the first half of 2021. Driven by stronger top line growth (due to volumes) and declining impairments trend, DIB remains on the planned steady recovery path the bank has outlined in its strategy . The first half of the year also saw a strong 18% rise in net profits over the previous quarter, as our core businesses witnessed a steady recovery and operational efficiencies buildup continues. The balance sheet is poised for further enhancement in net margins in line with any increase in interest rates in the markets.*
- *Funding and liquidity continue to be a strength of the bank with customer deposits growing by 6% YTD to now reach AED 218 billion. With LCR remains well above regulatory requirement at 152%, customer deposits continue to remain our prime source of funding, now accounting for more than 70% of the total base. This indicates DIB's ability to raise liquidity almost at will to support the credit growth. Alternate sources of funding also remain open for DIB despite the challenging global environment as evidenced by the latest sukuk issuance of USD 1bln at a lowest ever pricing of 1.959% which was subscribed 3 times.*
- *With integration synergies fully realized, our focus on cost management continues to drive the bank's operational efficiencies with cost income ratio now at a sector leading 26.9% and OPEX seeing a decline of 15% YoY.*
- *We remain committed to applying digital tech in every aspect of banking. From product offering to servicing, extensive changes are being put in place with the introduction of new tools and initiatives with a singular focus to make remote banking easier for our customers.*
- *The global pandemic has further underlined the importance of sustainability. We believe ESG to be an integral part of our long-term strategy to create and unlock further value for us as well as the industry we operate in. Today, our vision, purpose and values are fully aligned with the bank's sustainability journey ensuring that our people remain committed to delivering on the promise of sustainable economic growth and prosperity*

Financial Review:

Income statement summary

AED millions	H1 2021	Q1 2021	QoQ % change	H1 2020	YoY % change
Total Income	5,842	2,847	5%	6,824	(14%)
Depositors' / Sukuk holders share of profit	(1,214)	(621)	(5%)	(2,101)	(42%)
Net Operating revenue	4,628	2,226	8%	4,723	(2%)
Operating expenses	(1,246)	(612)	4%	(1,471)	(15%)
Profit before impairment losses & income tax	3,382	1,614	10%	3,252	4%
Impairment losses	(1,498)	(751)	(1%)	(2,120)	(29%)
Gain on bargain purchase	-	-	-	1,015	-
Income tax	(20)	(10)	10%	(30)	(32%)
Net profit for the period	1,864	853	18%	2,118	(12%)

Key Ratios (%)	H1 2021	Q1 2021	H1 2020
Net Profit Margin %	2.5%	2.5%	2.8%
Cost to income ratio %	26.9%	27.5%	29.4%
Return on average assets %	1.3%	1.2%	1.9%
Return on average equity %	10.4%	9.6%	15.5%

Balance Sheet Summary

AED millions	Jun 2021	Dec 2020	YTD % change
Net Financing and Sukuk Investments	232,807	232,044	0.3%
Interbank placement & CDs	28,309	23,949	18%
Equities & Properties Investments	10,408	10,388	-
Cash & Other assets	22,259	23,176	(4%)
Total assets	293,782	289,556	1.5%
Customers' deposits	218,309	205,925	6%
Sukuk financing instruments	20,594	18,744	10%
Total liabilities	254,259	246,426	3%
Shareholder Equity & Reserve	28,664	28,606	-
Tier 1 Sukuk	8,264	11,937	(31%)
Non-Controlling interest	2,595	2,587	-
Total liabilities and equity	293,782	289,556	1.5%

Key Ratios (%)	Jun 2021	Dec 2020	Jun 2020
Net Financing to customer deposit	89.0%	96.0%	97.0%
CET 1 ratio	12.3%	12.0%	12.3%
CAR	17.0%	18.5%	16.7%
NPF ratio	6.3%	5.7%	4.5%
Coverage ratio	74.0%	76.0%	80.5%

Operating Performance

The bank's **total income** in the first half of 2021 grew by 5% QoQ to reach to AED 5,842 million. The steady increase in total income over the past few quarters reflects the gradual re opening of the economy and business activities supported by well-managed vaccination rollout across the emirate whilst adhering to pre cautionary safety measures. **Net operating revenue**, however remained largely stable year on year to reach AED 4,628 million.

Operating expenses declined to AED 1,246 million compared to AED 1,471 million in the same period of last year, an improvement of over 15%. The reduction in operating expenses is attributed to the continued integration synergies achieved as well as a disciplined approach to cost management. The lower expenses have led to an improvement in cost to income ratio by nearly 250 bps year to date, which now stands at 26.9% vs 29.4% for FY2020, clearly a market leading position on this metric.

As a result, **pre-impairment profit** during the first half increased by 4% YoY and 10% QoQ reaching to AED 3,382 million compared to AED 3,253 million in the same period of last year.

Impairment charges declined by 29% year on year to AED 1,498 million, reflecting the bank's continued prudent approach to underwriting risk given the current market conditions.

The **net profit** of the bank for the first half of 2021 reached to AED 1,864 million. The bank has sustained a strong growth of 18% on a quarterly basis despite the subdued operating environment.

Net profit margin continues to be stable at 2.5% despite the low-rate environment. ROA and ROE continue to remain healthy at 1.3% and 10.4% respectively.

Balance Sheet Trends

Net financing & Sukuk investments remained stable at AED 232.8 billion in the first half of 2021, despite early settlements from large corporates during the first half amounting to more than AED 8 billion. Sukuk investments now stands at AED 38.5 billion depicting a YTD growth of 9%.

Customer deposits increased to AED 218.3 billion in the first half of 2021, from AED 205.9 billion at year-end 2020 reflecting a robust rise of 6% YTD. **CASA** now stands at AED 90.2 billion representing about 41% of customer deposits. **Liquidity** coverage ratio (LCR) at 152% remains well above regulatory requirement which along with the finance to deposit ratio of 89% denotes an extremely healthy liquidity position.

Non-performing financing (NPF) ratio stood at 6.3%, with impaired financing at AED 13.1 billion vs AED 12.1 billion in end of 2020. The **coverage ratio** stands at 74% and overall coverage including collateral at 103%. **Cost of risk** on gross financing assets continue to be on a downward trend and now stands at 103 bps compared from 137 bps in year-end 2020.

Capital ratios continue to be stable with **CAR ratio** at 17.0% and **CET 1 ratio** is stable at 12.3% during the first half of 2021, both well above the regulatory requirement.

Business Performance

The bank's business model remains well diversified with consumer banking contributing 36% to the bank's H1 2021 net operating revenue whilst the corporate banking generated 40%. The latter continues to be the largest business segment within DIB comprising nearly 50% of the bank's asset base followed by consumer and treasury combined at to about 31% as of H1 2021.

Gross new consumer financing of more than AED 6.5 billion during the first half was achieved driven by a healthy growth in the mortgage and personal financing portfolio while another AED 12 billion came from corporate.

A new business banking proposition was introduced during the quarter which provides a suite of variants for a diverse range of clients and customers from small businesses to medium-sized establishments. The proposition is also designed to evolve and provide complete digital eco-system to the SMEs in the UAE in order to become the transactional bank of choice.

In June, the bank successfully closed the lowest priced USD 1 billion senior sukuk which was 3x oversubscribed. The landmark success is a testament to the bank's strong credit profile and standing with the international and regional investors.

Year to Date Industry Awards (2021)

Date	Award Giving Body	Award Received
June 2021	Forbes ME	DIB ranked 15th amongst Top 100 Companies in the Middle East 2021
June 2021	Emirates Institute for Banking and Financial Studies	Dubai Islamic Bank was recognized for its efforts in the Emiratisation domain
January 2021	Islamic Finance News Awards	Best Islamic Retail Bank
January 2021	Islamic Finance News Awards	Commodity Murabahah / Tawarruq Deal of the Year
January 2021	Islamic Finance News Awards	Indonesia Deal of the Year
January 2021	Islamic Finance News Awards	Mudarabah Deal of the Year
January 2021	Islamic Finance News Awards	Perpetual Deal of the Year
January 2021	Islamic Finance News Awards	UAE Deal of the Year
January 2021	Islamic Finance News Awards	Best Islamic Bank in Kenya
January 2021	Islamic Finance News Awards	Structured Finance Deal of the Year (DIB Pakistan)

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 Shari'ah-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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