

# Press Release

## VIS Upgrades Ratings of Dubai Islamic Bank Pakistan Limited

**Karachi, June 28, 2019:** VIS Credit Rating Company Limited (VIS) has upgraded the entity ratings of Dubai Islamic Bank Pakistan Limited (DIBPL) from 'AA-/A-1' (Double A Minus/A-One) to 'AA/A-1+' (Double A/A-One Plus). In line with VIS' standard notching criteria, rating of Bank's Tier II Sukuk instrument (Sukuk I) has also been upgraded from A+ (Single A Plus) to 'AA-' (Double A Minus). Rating of Bank's Additional Tier-1 (ADT-1) Sukuk Instrument has also been upgraded from A (Single A) to A+ (Single A Plus). Outlook on the assigned ratings is 'Stable'. The previous entity rating action was announced on June 29, 2018.

The rating upgrade incorporates improved financial performance metrics in terms of profitability, capitalization and liquidity while asset quality in terms of gross infection compares favorably to peer Banks. However, deposit mix and concentration have room for improvement. In line with VIS' credit rating criteria, strong financial profile and track record of demonstrated support of the sponsor, Dubai Islamic Bank PJSC, UAE (DIB), has been incorporated in the standalone ratings of DIBPL. DIB is the largest Islamic bank operating in United Arab Emirates and has a well-established franchise. The Islamic International Rating Agency has assigned rating of 'A/A-1' (Single A/A-One) to DIB on the international scale. Ratings remain dependent on maintaining profitability, liquidity and capitalization indicators in line with rating benchmarks while improving IT infrastructure, as planned, is essential. Given the challenging macroeconomic outlook, maintaining asset quality indicators in line with rating benchmarks is considered important.

In 2018, the management continued with its growth strategy as sizeable increase was witnessed in the financing portfolio. With focus on increasing yield, a sizeable portion of growth was undertaken in high yielding consumer, SME and commercial segments. While infection in the financing portfolio has increased in the ongoing year due to accretion of fresh non-performing financings, gross infection still compares favorably to peer Banks. Management has pursued a more prudent asset deployment strategy in 2019 with investment in Pakistan Energy Sukuk (PES). Resultantly, liquidity buffer has improved in the ongoing year and will further increase as additional funds are planned to be deployed in PES.

Profitability of the bank was reported higher in Q1'19 and 2018 vis-à-vis the corresponding periods in the preceding year. This increase was primarily attributed to volumetric growth in average earning assets and uptick in spreads due to increasing interest rate and tilt in financing mix towards higher yielding segments. With growth in topline outpacing increase in expenses, cost to income ratio continued to improve and compares favorably to peer banks. VIS expects operating profitability to continue to grow on the back of spread improvement and volumetric growth in earning assets. However, quantum of overall profitability will depend on provisioning charges on financing portfolio. Despite significant growth in risk weighted assets (RWAs), Tier-1 capital adequacy ratio (CAR) and CAR have depicted improvement on account of profit retention and issuance of Basel 3 Tier-1 instrument in the outgoing year.

For further information on this rating announcement, please contact Mr. Talha Iqbal (Ext: 213) at 92-21-35311861 or fax to 92-21-35311873.



Faryal Ahmad Faheem  
Deputy CEO

Applicable Rating Criteria: Commercial Banks Methodology – March 2018  
<http://www.vis.com.pk/kc-meth.aspx>

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