VIS Credit Rating Company Limited (Formerly JCR-VIS Credit Rating Company Limited) www.vis.com.pk
International Affiliates: Islamic International Rating Agency - Bahrain, Credit Rating Information & Services Ltd. - Bangladesh
Borhan Credit Rating Company Ltd. - Iran

Press Release

VIS Reaffirms Ratings of Dubai Islamic Bank Pakistan Limited

Karachi, June 30, 2021: VIS Credit Rating Company Limited (VIS) has reaffirmed the entity ratings of Dubai Islamic Bank Pakistan Limited ('DIBPL' or 'the Bank') at 'AA/A-1+' (Double A/A-One Plus). The rating assigned to the Bank's Tier II Sukuk and Additional Tier-1 (ADT-1) Sukuk has been reaffirmed at 'AA-' (Double A Minus) and 'A+' (Single A Plus) respectively. Outlook on the assigned ratings is 'Stable'. The previous entity rating action was announced on June 30, 2020.

The assigned ratings incorporate strong financial profile and track record of demonstrated support of the sponsor, Dubai Islamic Bank PJSC, UAE (DIB). Subsequent to its acquisition of Noor Bank, DIB has established itself as one of the two largest Islamic Banking Institutions in the world.

In 2020, DIBPL posted moderate asset growth, roughly in line with the preceding year. Akin to the industry, DIBPL has also shifted its asset mix towards the investment portfolio, thus rationalizing its financings to deposits ratio on a timeline. Nevertheless, despite the change in asset base composition, DIBPL's financing growth continued to exceed the industry, with the Bank's market share, in terms of advances, posting consistent increase over the past 2-year period (2019-20). The Bank's asset quality indicators, depicted slight adverse trend, which was in line with the industry. Furthermore, overall ratio of Covid relief related deferrals to total financings portfolio was in line with the industry. At present, gross infection is aligned with peers.

During the period under review, the Bank managed to notably improve its deposit composition, while growing roughly in line with the industry and maintaining market share. The change in deposit composition is viewed favorably from ratings perspective. In line with industry, DIBPL's profitability indicators were affected, mainly been precipitated by lower prevailing benchmark rates during the period, lower other income - given the pandemic-induced lockdown, which affected fee & commission income across the sector - and higher provisioning burden.

DIBPL's equity base has continued to post improvement on the back of internal capital generation and profit retention. During the period under review, the Bank has continued with full profit retention policy. DIBPL's capital adequacy remains adequate, at present, in view of the quantum of cushion above the minimum requirement.

The assigned ratings remain dependent on maintenance of asset quality, profitability and capitalization metrics, while continued improvement of liquidity metrics is considered important from a rating perspective.

For further information on this rating announcement, please contact Mr. Arsal Ayub, CFA (Ext: 216) at 92-21-35311861 or fax to 92-21-35311873.

Faryal Ahmad Faheem
Deputy CEO

Applicable Rating Criteria: Commercial Banks Methodology – June 2020
https://s3-us-west-2.amazonaws.com/backupsqlvis/docs/Meth-CommercialBanks202006.pdf

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