

Press Release

VIS Reaffirms Ratings to Dubai Islamic Bank Pakistan Limited

Karachi, June 26, 2023: VIS Credit Rating Company Ltd. (VIS) has reaffirmed entity ratings of 'AA/A-1+' (Double A / A-One Plus) to Dubai Islamic Bank Pakistan Limited ('DIBPL' or 'the Bank'). Outlook on the assigned ratings is 'Stable'. The rating assigned to the Bank's Tier II Sukuk and Additional Tier I (ADT-1) Sukuk has been reaffirmed at 'AA-' (Double A Minus) and 'A+' (Single A Plus) respectively. The previous entity rating action was announced on June 29, 2022.

Ratings assigned to DIBPL incorporate sound profile and demonstrated track record of the sponsor, Dubai Islamic Bank (DIB), the largest Islamic bank operating in UAE. Parent support has been witnessed over time both in the form of financial support and technical knowledge transfer. Ratings also draw strength from the standalone financial profile of DIB, rated A+/A1 (Single A Plus / A One) on international scale ratings and AA (ae)/A1+(ae) on national scale ratings.

Although the Advances to Deposits Ratio (ADR) has been reduced over the years, however compared to its peers, DIBPL continued to maintain a higher ADR. The Bank's asset quality indicators have experienced some deterioration while remaining more favorable compared to peers. Maintaining asset quality metrics in a challenging economic environment will be crucial for future profitability.

DIBPL has higher spreads compared to its peers and the industry average. With further increase in interest rates in Q1 2023, spreads may rise in 2024 contributing to greater profitability. However, potential provisioning requirements in the future may offset the gains. Market risk is considered manageable for the Bank due to a significant portion of investments being in floating rate government securities. The Bank is currently facing a deficit on foreign securities, the quantum remains small. Liquidity profile of DIBPL experienced some erosion in 2022, primarily due to increase in wholesale deposit concentration with lower granularity. Liquidity metrics need to improve to be in line with peers. DIBPL's capitalization indicators remained fairly stable, with a Capital Adequacy Ratio (CAR) of 15.83% as of March 2023 (Dec'22: 15.60%, Dec'21: 15.51%).

For further information on this rating announcement, please contact Mr. Saeb Jafri (Ext: 202) or the undersigned (Ext: 201) at (021) 35311861-64 or email info@vis.com.pk.

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VIS Financial Institution Rating:
<https://docs.vis.com.pk/docs/FinancialInstitution.pdf>

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