IIRA maintains Credit Ratings of Dubai Islamic Bank; Fiduciary Scores Improved

Manama, October 19, 2022 – Islamic International Rating Agency ("IIRA") has maintained the international scale ratings assigned to Dubai Islamic Bank ("DIB" or "the Bank") at A+/A1 (Single A Plus / A One) while affirming the national scale ratings at AA(ae)/A1+(ae) (Double A / A One Plus). Outlook on the ratings is 'Stable'.

Economic recovery in UAE is expected to accelerate further in the current year due to both elevated oil prices and non-oil growth. Particularly, tourism, aviation, services and real estate sectors are likely to post significant rebound, with favorable implications for asset quality indicators of the banking sector. Overall, the sector is projected to post higher earnings in 2022, vis-a-vis prior year, while maintaining its generally sound capital buffers.

A strong franchise allows DIB ready access to both the deposit and capital markets for funds. A diversified and cost-effective deposit base leads to a healthy liquidity profile, evident also in comfortable LCR and NSFR levels of 117% and 104% respectively as of June 2022. CAR and CET1 ratios improved to 17.9% and 13.2% respectively as of June'22 standing well above regulatory thresholds. IIRA noted the improvement of CET1 particularly positively with strong profit generation, and RWA growth remaining notably below financing growth, due to increase in government & GRE exposures. Overall, asset quality indicators suggest low to moderate risk and are expected to improve by year-end both in terms of lower gross impairment and higher provision coverage, given strong prospects for pre-provision profit generation.

Net earnings of the Bank surged by 39% YoY in 2021, as the decline in impairment charges and lower operating expenses more than compensated for the slight drop in net operating revenue. In H1'22, earnings maintained positive growth momentum with both topline growth and lower impairment charges. In the rest of the year, recovery in net spread income will likely support profitability.

IIRA notched up the Bank's overall fiduciary score to '81-85' from '76-80' while revising the sub-score for Corporate Governance up to '81-85'. The strengthening of control functions in line with local regulations and global best practices has been carried out on an accelerated basis with particular focus on enhanced group level oversight on subsidiary operations. Meanwhile, IIRA observed significant improvement in terms of transparency and disclosures as the Bank issued its first integrated financial and corporate governance report in public domain. Incorporation of ESG into the risk management framework in line with national initiative, are also positive developments. Ratings have however not been directly affected by the bank's management of ESG related risks, if any. The Bank exhibits strong internal Shari'a governance, reflected by an independent Shari'a Committee', adequate Shari'a controls in line with best practices, standardized product structures and sufficient disclosures.

For further information on this rating announcement, please email at iira@iirating.com.