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## IIRA Maintains Fiduciary Ratings on Dubai Islamic Bank

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**Manama, October 04, 2018** – Islamic International Rating Agency (“IIRA”) has reaffirmed ratings on Dubai Islamic Bank (“DIB” or “the bank”) with international scale ratings of A / A1 (Single A / A One) and national scale ratings of AA-(ae) / A1+(ae) (Double A Minus / A One Plus). DIB operates as the leading Islamic bank in the United Arab Emirates (“UAE” or “the country”) in terms of assets, and has been designated as one of the Domestic - Systemically Important Banks (“D-SIB) in 2017.

Outlook on the assigned ratings has been maintained at ‘Stable’; however IIRA remains cautious amidst the risks facing the operating business environment in the country. Despite initiatives taken to diversify the economy and the government’s revenue streams, and akin to other Gulf States, UAE’s dependence on oil-based earnings remains considerable. The country is facing pressures, particularly in the real estate sector that has implications for the local banking system, given its about noteworthy to the sector.

Despite economic constraints, DIB has remained resilient, having maintained growth momentum over the last couple of years. Although net spreads have narrowed, continued growth in business assets and strong cost controls, have allowed the bank to post enhanced profitability. DIB enjoys significant retail franchise in the domestic market and its overall risk profile remains sound, with strong financial metrics. The bank’s capitalization level is well above the minimum regulatory requirement, and has been further reinforced with the recent rights issue, which enabled compliance with the enhanced capital requirements for D-SIBs. The bank’s liquidity indicators are also well above regulatory requirements.

Asset quality indicators have also been improving over time. The financing portfolio still features considerable exposure to real estate sector, which may increase the bank’s vulnerability to economic stress, if prevailing industry conditions persist.

DIB’s ratings also derive strength from its association with the Dubai Government through the lead sponsor – Investment Corporation of Dubai (“ICD”) that holds 28.3% stake in the bank.

IIRA’s assessment on DIB’s fiduciary score ranges between ‘76 – 80’, reflecting strong fiduciary standards, wherein rights of various stakeholders are well defined and protected. The bank’s self-regulation framework is considered relatively strong. However, DIB’s current corporate and Shari’a governance infrastructure may be further improved by enhancing the non-financial public disclosures.

For further information on this rating announcement, please email at [iira@iirating.com](mailto:iira@iirating.com).