RATING REPORT

Dubai Islamic Bank Pakistan Limited

REPORT DATE:
June 30, 2025

RATING ANALYSTS:

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RATING DETAILS				
Rating Category	**Latest Rating**		**Previous Rating**	
	Long-term	**Short-term**	**Long-term**	**Short-term**
Entity Rating	AA	A1+	AA	A1+
Outlook/Rating Watch	Positive		Stable	
Rating Action	*Maintained*		*Reaffirmed*	
Sukuk 2 (ADT-1)	A+		A+	
Outlook/Rating Watch	Positive		Stable	
Rating Action	*Maintained*		*Reaffirmed*	
Sukuk 3 (Tier-2)	AA-		AA-	
Outlook/Rating Watch	Positive		Stable	
Rating Action	*Maintained*		*Reaffirmed*	
Rating Date	*June 30, 2025*		*June 27, 2024*	

COMPANY INFORMATION	
Established in 2005	**External auditors:** KPMG Taseer Hadi & Co.
Public Limited Unlisted Company	**Chairman of the Board:** Mr. Mohamed Saeed Ahmed Abdulla Al Sharif
Key Shareholders (with stake more than 5%):	**President & CEO:** Mr. Muhammad Ali Gulfaraz
Dubai Islamic Bank PJSC, United Arab Emirates – 99.99%	

APPLICABLE METHODOLOGY

Financial Institution
https://docs.vis.com.pk/Methodologies%202024/Financial-Institution-v2.pdf

Rating The Issue
https://docs.vis.com.pk/docs/Rating-the-Issue-Aug-2023.pdf

VIS Rating Scale
https://docs.vis.com.pk/docs/VISRatingScales.pdf

Dubai Islamic Bank Pakistan Limited

OVERVIEW OF THE INSTITUTION

Incorporated in Pakistan as an unlisted public limited bank, Dubai Islamic Bank Pakistan Limited (DIBPL) operates as an Islamic commercial bank in accordance with Shari'a principles.

Profile of Chairman

Mr. Mohamed Saeed Ahmed Abdulla Al Sharif serves as Chairperson of the Board. Currently, Mr. Sharif serves as Chief of International Business and Real Estate at DIB, UAE; his experience spans over 31 years.

Profile of CEO

Mr. Muhammad Ali Gulfaraz is a seasoned banking executive with over 25 years of international and domestic experience spanning Corporate & Investment Banking, Strategy, Risk Management, and Digital Transformation. He has held key leadership roles at renowned institutions, including CEO of Bank of Khyber and Managing Director at Mizuho Corporate Bank (UK). His earlier career includes over a decade at Bank of America (London), culminating in the role of Principal in Global Corporate & Investment Banking. Mr. Gulfaraz holds a B.A. and M.Sc. in Economics from the University of California, Davis.

RATING RATIONALE

The ratings assigned to Dubai Islamic Bank Pakistan Limited (DIBPL or "the Bank") reflects the Banks's robust sponsor profile. The Bank operates as a wholly owned subsidiary of Dubai Islamic Bank PJSC, UAE, one of the leading and established Islamic financial institutions, rated 'A+' by Islamic International Rating Agency (IIRA) on International Scale. The parent bank's strong capitalization, extensive experience in Islamic banking, and global presence provide both strategic oversight and financial backing to DIBPL, underpinning its long-term sustainability and credibility in the local market.

Ratings also take into account Shari'ah compliance framework of the Bank maintained through a robust governance framework: an independent Shari'ah Board, a dedicated compliance department and regular internal / external audits ensure adherence. Looking ahead, the Bank is set to expand significantly, with Board approval for adding 75 new branches in CY25 as part of a broader strategy to expand the branch network. The expansion aims to enhance geographic outreach, mobilize low-cost deposits—particularly current accounts—and deepen retail market penetration. Branch rollout will focus on commercially active areas, while the Bank also plans to strengthen its brand by leveraging the global brand of Dubai Islamic Bank, which till date has not been fully leveraged.

During CY24, DIBPL's balance sheet reflected the Bank's de-risking strategy, by reducing its Financing-to-Deposit Ratio to 58.7% (CY23: 71.3%), reflecting a shift away from aggressive lending amid industry-wide efforts to meet the 50% minimum ADR threshold. DIBPL maintained pricing discipline and strategically scaled back its financing book in favor of expanding its investment portfolio and preserving asset quality. This conservative asset allocation, marked by increased exposure to low-risk sovereign instruments, contributed to a more resilient and liquid balance sheet. Although overall asset growth remained modest at 5.1%, the approach reinforced funding stability and reduced risk exposure. As market conditions normalized in early 2025 and discounted exposures matured, DIBPL cautiously resumed financing activities, with ADR rising to 68.9% in 1QCY25—signaling a controlled return toward its historical asset mix.

The Bank's asset quality profile deteriorated modestly, with an uptick in non-performing financings and a decline in provisioning coverage. While management anticipates some recoveries in the near term, Bank's focus on credit risk mitigation and prudent portfolio management will remain key.

DIBPL's investment portfolio remains conservatively positioned, comprising primarily of sovereign and government-guaranteed securities. Liquidity indicators remain healthy, supported by a strong buffer of high-quality liquid assets. The Bank continues to comfortably meet and, in most cases, exceed regulatory liquidity thresholds, reflecting sound liquidity risk management. Despite a relatively lower share of current accounts in the deposit mix compared to peers, the Bank has successfully contained its cost of deposits. Furthermore, planned expansion of the branch network is expected to bolster deposit mobilization efforts, enhance funding diversification, and improve franchise outreach.

Despite pressures on core earnings from declining spreads, profitability indicators remained stable during the review period. Declining benchmark rates led to compression in asset yields, while rising funding costs—due to changes in deposit composition—further narrowed margins. However, lower provisioning charges and stable non-markup income helped maintain the bottom line. Future earnings will depend on the Bank's ability to optimize deposit mix, maintain cost discipline, and diversify income sources.

The Bank's capitalization remains a key rating strength. Capital adequacy ratios have improved, with ample headroom over regulatory thresholds, enabling the Bank to absorb shocks and support growth. The quality of capital remains sound, with Tier-1 capital constituting the majority of total eligible capital.

Banking Sector

In 2024, Pakistan's banking sector demonstrated resilience amid improving macroeconomic conditions, including lower inflation, currency stability, and fiscal consolidation. The sector's balance sheet expanded by 15.8%, with deposits growing 9.1% to PKR 31.8 tn, supported by favorable interest rates and financial inclusion initiatives. A major portion of deposits flowed into government securities, though private-sector lending picked up in Q4 due to regulatory advances-to-deposit ratio (ADR) requirements. By year-end, the Gross ADR stood at 53.2%.

Profitability remained stable, with after-tax profits marginally increasing to PKR 644 bn. While net interest margins held steady, monetary easing and higher provisioning slightly pressured returns. Asset quality improved as NPLs declined to 6.3%, and provisioning coverage increased, supported by the implementation of IFRS-9. The Capital Adequacy Ratio (CAR) rose to 20.4%, reflecting strong capitalization.

Going into 2025, the sector remains well-capitalized with improved asset quality and liquidity. However, declining policy rates (from 22% to ~11%) may compress margins. Credit growth is expected to rebound, especially to SMEs and consumer, driven by lower rates, economic recovery and regulatory support. Continued digitalization and financial inclusion efforts are likely to enhance efficiency and outreach. While macroeconomic risks persist, the sector in 2025 continues to demonstrate cautious optimism, supported by resilient fundamentals

Dubai Islamic Bank Pakistan Limited — Appendix I

FINANCIAL SUMMARY				(PKR in millions)
BALANCE SHEET	**31-Dec-22**	**31-Dec-23**	**31-Dec-24**	**31-Mar-25**
Total Investments	103,361.14	121,361.64	143,838.51	146,355.61
Islamic financing and related assets - Gross	259,282.94	261,768.47	224,548.62	251,316.97
Islamic financing and related assets - Net	247,767.95	243,067.94	203,608.46	231,848.62
Total Assets	445,390.46	430,992.38	452,889.70	438,619.80
Due to financial institutions	35,875.06	33,908.83	24,008.64	47,436.77
Deposits & other accounts	345,811.21	324,876.78	346,872.76	312,436.80
Subordinated Sukuks	7,120.00	7,120.00	7,120.00	7,120.00
Total Liabilities	415,283.65	393,827.50	407,943.14	392,021.24
Paid Up Capital	11,652.29	11,652.29	11,652.29	11,652.29
Tier-1 Equity	32,820.89	38,202.38	45,338.85	47,383.39
Net Shareholders Equity (excl. revaluation surplus)	30,780.87	37,479.24	44,294.94	46,505.23
INCOME STATEMENT	**CY22**	**CY23**	**CY24**	**1QCY25**
Net Spread Earned	19,449.90	30,436.05	30,363.38	6,467.24
Net Provisioning	4,629.85	7,372.02	3,613.82	-1,491.68
Total Other Income	3,499.71	3,795.36	3,841.55	1,101.07
Operating Expenses	10,132.05	12,405.41	15,839.59	4,240.85
Profit Before Tax	7,962.12	14,031.92	14,303.04	4,724.39
Profit After Tax	3,915.57	6,719.18	6,671.60	2,210.28
RATIO ANALYSIS	**CY22**	**CY23**	**CY24**	**1QCY25**
Market Share (Financings) (%)	2.18%	2.12%	1.40%	1.87%
Market Share (Deposits) (%)	1.54%	1.17%	1.15%	0.99%
Gross Infection (%)	3.79%	6.13%	9.31%	7.67%
Net Infection (%)	0.59%	0.21%	1.24%	1.06%
Specific Provisioning Coverage (%)	84.93%	96.78%	87.77%	87.14%
General Provisioning Coverage (%)	1.27%	1.29%	1.27%	1.15%
Net NPFs to Tier-1 Capital (%) (adj. for general prov.)	4.11%	1.25%	5.34%	4.95%
Cost of Deposits (%)	6.74%	8.62%	9.03%	5.49%
Spread (%)	5.43%	8.41%	7.97%	6.62%
Efficiency (%)	44.10%	36.24%	46.17%	56.07%
ROAA* (%)	0.98%	1.53%	1.51%	1.98%
ROAE* (%) (excl. revaluation surplus)	13.58%	19.69%	16.32%	19.47%
Liquid Coverage Ratio (%)	125.42%	178.91%	247.34%	267.91%
Net Stable Funding Ratio (%)	131.28%	140.13%	153.78%	141.25%
Liquid Assets to Deposits & Borrowings** (%)	44.98%	43.50%	58.37%	48.35%
Gross Financings to Deposits Ratio*** (%)	65.47%	71.34%	58.74%	68.86%
Tier-1 CAR (%)	12.94%	15.36%	19.29%	19.89%
Capital Adequacy Ratio (%)	15.60%	17.99%	22.20%	22.56%

**Annualized*

*** Adjusted for repo and collateral*

**** Adjusted for SBP refinancing schemes*

REGULATORY DISCLOSURES — Appendix II

Name of Rated Entity	Dubai Islamic Bank Pakistan Limited
Sector	Commercial Banks
Type of Relationship	Solicited
Purpose of Rating	Entity & Instrument Ratings

Rating History

Rating Date	Medium to Long Term	Short Term	Outlook/ Rating Watch	Rating Action
		RATING TYPE: ENTITY		
30-Jun-25	**AA**	**A1+**	**Positive**	**Maintained**
27-Jun-24	AA	A1+	Stable	Reaffirmed
26-Jun-23	AA	A1+	Stable	Reaffirmed
29-Jun-22	AA	A1+	Stable	Reaffirmed
30-Jun-21	AA	A1+	Stable	Reaffirmed
30-Jun-20	AA	A1+	Stable	Reaffirmed
28-Jun-19	AA	A1+	Stable	Upgrade
29-Jun-18	AA-	A1	Stable	Reaffirmed
17-May-17	AA-	A1	Stable	Upgrade
30-Jun-16	A+	A1	Stable	Maintained
30-Jun-15	A+	A1	Positive	Maintained

Rating Date	Medium to Long Term	Outlook/ Rating Watch	Rating Action
	RATING TYPE: Sukuk 2 (ADT-1)		
30-Jun-25	**A+**	**Positive**	**Maintained**
27-Jun-24	A+	Stable	Reaffirmed
26-Jun-23	A+	Stable	Reaffirmed
29-Jun-22	A+	Stable	Reaffirmed
30-Jun-21	A+	Stable	Reaffirmed
30-Jun-20	A+	Stable	Reaffirmed
28-Jun-19	A+	Stable	Upgrade
09-Jan-19	A	Stable	Final
07-Dec-18	A	Stable	Preliminary

Rating Date	Medium to Long Term	Outlook/ Rating Watch	Rating Action
	RATING TYPE: Sukuk 3 (Tier-2)		
30-Jun-25	**AA-**	**Positive**	**Maintained**
27-Jun-24	AA-	Stable	Reaffirmed
26-Jun-23	AA-	Stable	Reaffirmed
02-Dec-22	AA-	Stable	Final
28-Nov-22	AA-	Stable	Preliminary

Instrument Structure (Tier 1)	Basel 3 compliant Additional Tier-1 Sukuk of Rs. 3.12b. The Sukuk is Shariah compliant rated unsecured and sub-ordinated Sukuk.
Instrument Structure (Tier 2)	Basel 3 compliant Tier-2 Sukuk of Rs. 4b. The Sukuk is Shariah compliant rated unsecured, sub-ordinated and privately placed Sukuk.
Statement by the Rating Team	VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.
Probability of Default	VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit

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Due Diligence Meetings Conducted

	Name	Designation	Date
1	Mr. Mujahid Zuberi	Head Corporate & Investment Banking	10-Jun-25
2	Mr. Naveed Malik	Head Consumer Banking	
3	Dr. Naim Abdullah	Head of Treasury	
4	Mr. Yameen Ghani	Chief Credit Officer	
5	Mr. Syed Farhan Ahmed	Chief Financial Officer	