FitchRatings

Banks
Islamic Banks
United Arab Emirates

Dubai Islamic Bank (Public Joint Stock Company)

Ratings

Foreign Currency

Long-Term IDR	A
Short-Term IDR	F1
Long-Term IDR (xgs)	BB+(xgs)
Short-Term IDR (xgs)	B(xgs)
Viability Rating	bb+
Government Support Rating	a

Sovereign Risk (United Arab Emirates)

Long-Term Foreign-Currency IDR	AA-
Long-Term Local-Currency IDR	AA-
Country Ceiling	AA+

Outlooks

Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

Applicable Criteria

Bank Rating Criteria (September 2023)

Related Research

Fitch Affirms Dubai Islamic Bank at 'A'; Outlook Stable (October 2023)

Strong Operating Conditions for GCC Banks; UAE Outperforming (September 2023)

UAE Banks' Strong Performance to Continue (September 2023)

Fitch Affirms the United Arab Emirates at 'AA-'; Outlook Stable (July 2023)

Global Banks Mid-Year Outlook 2023 (June 2023)

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Key Rating Drivers

Dubai Islamic Bank (Public Joint Stock Company)'s (DIB) Issuer Default Ratings (IDRs) are driven by potential support from the UAE (AA-/Stable) authorities, if needed, as reflected in its Government Support Rating (GSR) of 'a'. Its GSR reflects the authorities' strong ability for, and record of, supporting the banking system, if needed. The GSR is at the level of the UAE domestic systemically important banks' GSR given the bank's high systemic importance in the UAE.

The bank's Viability Rating (VR) reflects weaker-than-peers asset quality, and high concentration risks, in light of which capitalisation is only adequate. The VR also reflects DIB's solid domestic franchise, healthy profitability, and sound funding and liquidity. DIB's 'bb+' VR is one notch below the 'bbb-' implied VR due to the following adjustment reason: asset quality.

Favourable Operating Environment: Operating conditions are solid for UAE banks in 2023. The sector's credit growth will remain modest, at about 5%, in 2023, on weak credit demand, tighter underwriting standards and higher interest rates, but the latter may result in stronger profitability, particularly for banks with high shares of current and savings accounts (CASAs).

Solid Domestic Islamic Franchise: DIB is the fourth-largest bank in the UAE and the largest Islamic bank, accounting for 9% of total sector assets at end-1H23. It offers a full range of banking products and services.

High Concentration Persists: DIB has a high, but stable, exposure to the real estate and contracting sectors (end-1H23: 21% of gross financing). Retail financing comprised 27% of total financing, of which around 40% is to UAE nationals and, in the case of unsecured financing, against salary assignments, which lowers risks. Single-obligor concentration remains high, similar to peers (20 largest funded exposures constituting 35% of gross financing at end-1H23).

Stable Asset Quality: DIB's impaired financing ratio declined slightly to 6.5% at end-1H23 (end-2022: 6.7%), supported by some write-offs and low impaired financing generation (1H23: annualised 0.5%), but remains above Fitch-rated peers. Coverage of impaired financing by total provisions remains fairly weak (70%, compared to 100% sector average) reflecting the bank's reliance on collateral. We forecast DIB's impaired financing ratio to decline to 6% by end-2024.

Healthy Profitability: The bank's operating profit/risk-weighted assets (RWAs) ratio increased to 2.6% year-on-year in 1H23, from 2.4%, supported by a 13% increase in net financing income, stable impairment charges and strong cost control. The former was driven by a 30bp expansion in the bank's net financing margin (NFM) on the back of higher rates and DIB's substantial share of CASA deposits. Fitch expects the NFM to contract again in 2024, driving a slight decline in the operating profit/RWAs ratio.

Only Adequate Capital: DIB's common equity Tier 1 (CET1) ratio increased to 13.4% at end-1H23 (end-1H22: 13.2%) supported by healthy internal capital generation and muted financing growth. Its capital ratios are only adequate given the bank's high concentration, asset-quality risks and generally weaker than peers' reserve coverage of impaired loans. Fitch expects DIB to maintain its CET1 ratio at above 13% in 2H23–2024.

Sound Funding and Liquidity: The funding profile remained stable, with customer deposits accounting for 83% of total non-equity funding at end-1H23, of which a healthy 39% were CASAs. Deposit concentration remains high, but is below peers' reflecting DIB's strong retail franchise, and largely relates to government-related entities where balances have been stable.

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

DIB's Long-Term IDR would be downgraded following a downgrade of its GSR. The latter would likely stem from either a weaker ability of the sovereign to support the bank, which would be reflected in a UAE sovereign downgrade, or a weaker propensity to support banks.

A material deterioration in DIB's asset quality metrics, affecting the bank's capitalisation or profitability, would likely lead to a downgrade of the VR.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

An upgrade of DIB's Long-Term IDR could come from an upgrade of its GSR. The latter would likely stem from a stronger ability of the UAE authorities to provide support, as reflected in a UAE sovereign upgrade, although this is unlikely in the near term, given the Stable Outlook on the sovereign rating. An upgrade of the GSR is also unlikely given its already high level.

An upgrade of DIB's VR could come from a track record of sound, improved asset quality (with the impaired loans ratio sustainably below 4%) and a reduction in single-name and sector concentration.

Other Debt and Issuer Ratings

Debt Rating Classes
DIB Sukuk Limited

	Rating
Senior unsecured: long term	A
Senior unsecured: long term(xgs)	BB+(xgs)

Source: Fitch Ratings

DIB's Short-Term IDR of 'F1' is the lower of the two options corresponding to an 'A' Long Term IDR, as described in Fitch's Rating Definitions. This is because a significant proportion of UAE banking sector funding is related to the government and, therefore, stress on DIB would likely come at a time when the sovereign itself is experiencing some form of stress.

DIB's Long-Term IDR (xgs) is driven by its VR, and its Short-Term IDR (xgs) is driven by its Long-Term IDR (xgs).

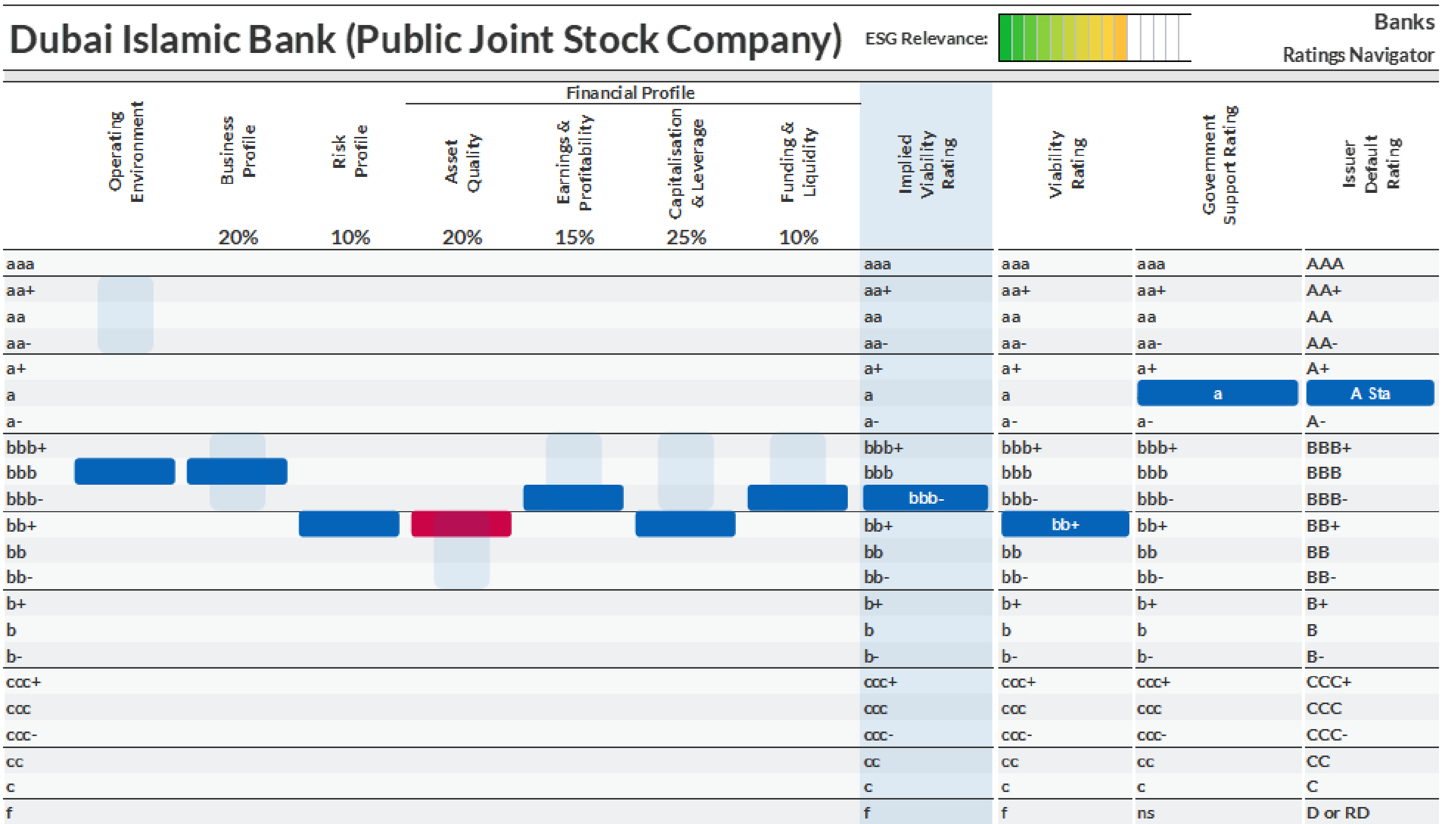
The ratings of DIB's senior unsecured sukuk programme, housed under a special-purpose vehicle, DIB Sukuk Limited, are in line with the bank's Long-Term IDR and Long-Term IDR (xgs) because Fitch views the likelihood of default on any senior unsecured obligation as the same as that of the bank.

Significant Changes from Last Review

Ex-Government Support Ratings Assigned

Fitch assigned a Long-Term IDR (xgs) of 'BB+(xgs)' and a Short-Term (xgs) of 'B(xgs)' to DIB on 2 May 2023, following the April publication of the Bank Ex-Government Support Rating Criteria, which has now been assimilated into the latest Bank Rating Criteria. Ex-government support ratings have been assigned to banks that are not rated as public-sector policy banks, but whose Long-Term IDRs incorporate assumptions of government support.

Ratings Navigator



The Key Rating Driver (KRD) weightings used to determine the implied VR are shown as percentages at the top. In cases where the implied VR is adjusted upwards or downwards to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD.

VR - Adjustments to Key Rating Drivers

The operating environment score of 'bbb' has been assigned below the 'aa' category implied score for the UAE due to the following adjustment reasons: size and structure of economy (negative), financial market development (negative) and regulatory and legal framework (negative).

The capitalisation & leverage score of 'bb+' has been assigned below the implied category score of 'bbb' due to the following adjustment reason: reserve coverage and asset valuation (negative).

Company Summary and Key Qualitative Factors

Operating Environment

Strong Operating Conditions for UAE Banks

UAE banks are benefitting from strong operating conditions, supported by high oil prices, contained inflation and rising interest rates. This was evidenced by the banks' strong performance in 1H23, which we expect to be generally sustained in 2H23, but to moderate in 2024. Most UAE banks are well-positioned for higher interest rates and, since 2021, their earning assets yields have risen more than their funding costs due to a still-high share of cheap current and savings accounts, and a large percentage of floating lending on their loan books.

We expect the strong business and operating environment for UAE banks will remain supportive through to end-2024, underpinned by high oil prices (2023F: USD80/barrel; 2024F:USD75/barrel). Fitch forecasts real GDP growth to be slower in 2023 (2.1%; 2024F: 3.6%) after a high 7.9% in 2022, and expects non-oil growth (2023F: 3.4%) to slow to 2.7% in 2024, although this will still be strong in the face of global challenges, supported by government and GRE spending, a robust real estate sector, dynamic population growth and GCC demand.

The average NIM for UAE banks improved by 50bp, to 3.3%, in 1H23, due to large proportions of low-cost CASA, while a large share of earning assets are under floating rates. The NIM is also underpinned by healthy liquidity conditions in the sector, as the increase in deposits (about 7% in 1H23) exceeded lending growth (4%) and the average loans-to-deposits ratio for Fitch-rated banks was 80% at end-1H23 (end-2022: 83%).

The sector average cost of risk decreased by 20bp, to about 70bp, in 1H23, and impairment charges consumed 14% of pre-impairment operating profit, on average (2022: 24%). The sector average annualised return on equity was therefore a healthy 20% (2020: 14.5%). The average impaired loans ratio for Fitch-rated banks (represented 96% of total sector assets at end-1H23) declined to 5.7% at end-1H23 from 6% at end-2022 on the back of limited new impairment cases and favourable economic conditions. We expect the average impaired loans ratio to decrease further to 5% in 2024.

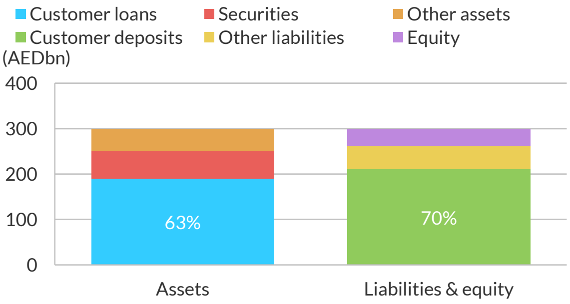
The average CET1 ratio improved by about 70bp in 1H23, to 14.5%. We expect sector capitalisation will remain overall stable in 2023 as banks grow in line with internal capital generation.

Business Profile

DIB's business is concentrated in the UAE (end-1H23: 95% of financing), where it has a competitive advantage within the Islamic banking segment, being the largest Islamic bank in the country and operating through a network of 56 branches. Internationally, the bank has presence in regional markets, mainly in Pakistan, Sudan and Bosnia, and has recently entered the Turkish market by acquiring a 20% stake in T.O.M. Group of Companies, which owns a Turkish digital retail bank. DIB is 28% owned by the Investment Corporation of Dubai, the investment arm of the Dubai government, with the remaining shares publicly traded.

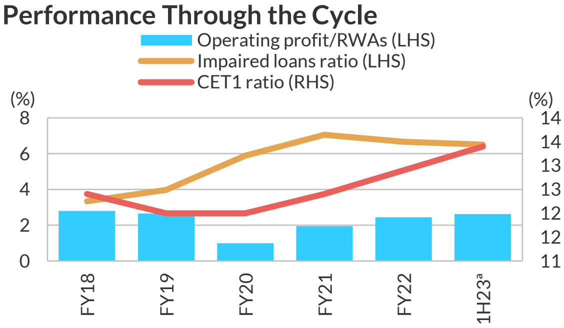
Net financing made up 63% of DIB's total assets at end-1H23, split between corporate (73%) and retail (27%) customers. As an Islamic bank, DIB has a high exposure to the real estate sector given the asset-based nature of Islamic banking, either through direct financing (19% of total financing portfolio at end-1H23), or through investment and development properties (2% of total assets). Revenues are reliant on net financing income (1H23: 78% of operating income), and fees and commission income is moderate (16%). DIB is mainly funded by customer deposits (end-1H23: 83% of total non-equity funding).

Balance Sheet
End-1H23



Source: Fitch Ratings, DIB

Performance Through the Cycle



[a] Annualised
Source: Fitch Ratings, DIB

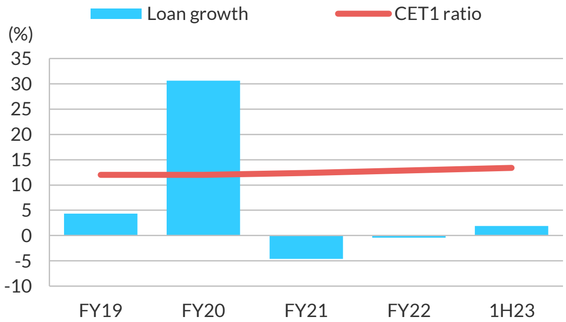
Risk Profile

DIB has a high exposure to the real estate and contracting sectors (end-1H23: 21% of gross financing), although these declined in recent years following efforts by the bank to decrease this concentration and tighten its underwriting standards. The rest of the corporate portfolio is fairly diversified by sector. The retail book represented 27% of total financing, split across home financing (45% of total retail financing), personal financing (34%), auto (16%) and credit cards (5%). Around 40% of retail financing is to UAE nationals and, in the case of unsecured financing, against salary assignments which lowers risks.

Single-obligor concentration remains high, with the 20-largest funded exposures constituting 35% of gross financing at end-1H23 (2.1x of CET1), although this is common for the UAE banks with corporate focus due to the concentrated economy. However, most of the largest exposures were predominantly to well-performing Abu Dhabi and Dubai GREs. DIB's financing growth has been more contained in recent years and was below the sector average in 1H23 as higher interest rates and ample cash flows in the favourable environment drove higher early settlements in the corporate segment.

Securities represented a substantial 21% of DIB's total assets at end-1H23, mostly accounted at amortised cost with the majority originating from the UAE and GCC countries. DIB's market risk is limited and represented 2% of RWAs at end-1H23.

Loan Growth



Source: Fitch Ratings, DIB

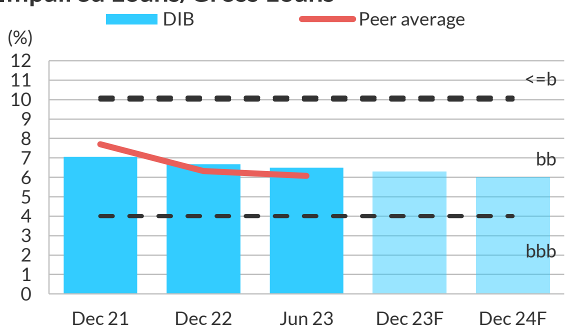
Financial Profile

Asset Quality

DIB's asset quality metrics have been stable in recent years after deteriorating during the pandemic due to operating environment pressures and large-ticket impairments. The banks impaired financing ratio (Stage 3 + purchased originated credit impaired; POCI) declined slightly to 6.5% at end-1H23 (end-2022: 6.7%, end-2021: 7.0%), supported by some write-offs and low impaired financing generation (1H23: 0.5%; annualised), but remained above Fitch-rated peers (end-1H23: 5.7% average for rated UAE banks).

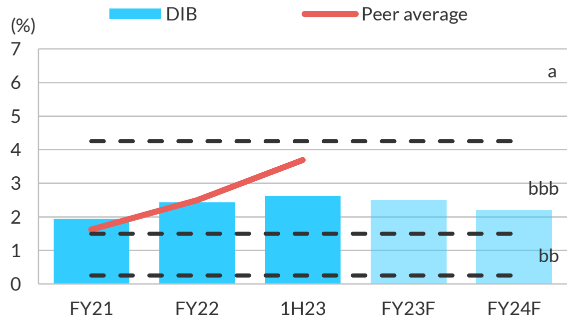
DIB's Stage 2 ratio is high (end-1H23: 9.2%), but has been broadly stable in recent years. Total reserve coverage of impaired financing remains fairly weak (end-1H23: 70%) and below Fitch-rated peers (100%). Fitch expects DIB's asset quality to improve further in 2H23 and 2024, supported by solid operating conditions and tighter underwriting standards. We forecast the impaired loans ratio to decline to around 6% by end-2024. High sector and single-obligor concentrations remain downside risks.

Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions, banks

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions, banks

Earnings and Profitability

DIB's operating profit increased by 15% year-on-year in 1H23, supported by higher net financing income. The bank's NFM increased by 30bp over the same period, driven by higher profit rates and supported by a substantial share of low-cost CASAs. Net fees and commission income growth was flat, and comprised a moderate 16% of 1H23 operating income, albeit that is broadly in line with the UAE banks average.

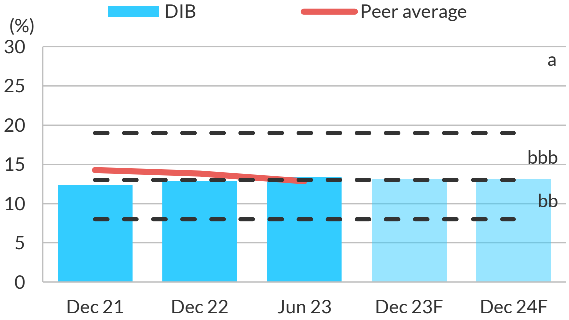
Financing impairment charges remained stable yoy and consumed 23% of 1H23 pre-impairment operating profit. DIB's profitability benefits from strong cost controls as the bank maintained its cost/income ratio at 27%, among the lowest in the sector. Fitch expects DIB's NFM to decline slightly in 2024 from its peak in 2023; thus, under Fitch's base case the operating profit/RWAs ratio will decline below 2.5%.

Capital and Leverage

DIB's CET1 ratio slightly increased to 13.4% at end-1H23 (end-1H22: 13.2%) as internal capital generation outpaced RWA growth. The bank's total CAR was higher (17.9%), benefitting from AED8.3 billion of additional Tier 1 sukuk.

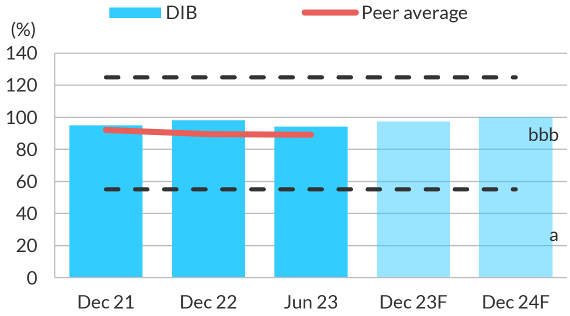
DIB's core capitalisation is viewed by Fitch as only adequate given the bank's high concentration and only moderate coverage of some impaired exposures (end-1H23: net impaired financing was at 12% of CET1). However, the bank' healthy profitability, as well as conservative growth appetite, underpin its capitalisation. Fitch expects DIB's CET1 ratio to remain above 13% in the medium term.

CET1 Ratio



Source: Fitch Ratings, Fitch Solutions, banks

Gross Loans/Customer Deposits



Source: Fitch Ratings, Fitch Solutions, banks

Funding and Liquidity

DIB is mainly customer-deposit-funded (83% of total non-equity funding at end-1H23). The bank's retail franchise supports its funding profile, reflected in its solid share of CASAs (39%), although this is lower than some of its peers. Other sources of funding include senior unsecured sukuk (8%) – which the bank uses to diversify its funding – deposits from banks (5%), and AT1 sukuk (3%). DIB maintains good access to the capital markets and issued a USD1 billion sukuk in 1Q23.

Deposit concentration is below peers, but remains high, with the largest 20 depositors accounting for 30% of total deposits at end-1H23. These largely relate to GRE entities and have proven stable. DIB's gross financing/customer deposits ratio decreased to 94% at end-1H23 (end-1H22: 101%) as the financing book contracted by 2%. The bank's liquidity profile is sound, with a liquidity coverage ratio of 159% at end-1H23 and a net stable funding ratio of 108%.

Additional Notes on Charts

The forecasts in the charts in this section reflect Fitch's forward view on the bank's core financial metrics per Fitch's Bank Rating Criteria. They are based on a combination of Fitch's macro-economic forecasts, outlook at the sector level and company-specific considerations. As a result, Fitch's forecasts may materially differ from the guidance provided by the rated entity to the market.

To the extent Fitch is aware of material non-public information with respect to future events, such as planned recapitalisations or merger and acquisition activity, Fitch will not reflect these non-public future events in its published forecasts. However, where relevant, such information is considered by Fitch as part of the rating process.

Black dashed lines represent indicative quantitative ranges and implied scores for Fitch's core financial metrics for banks operating in the environments that Fitch scores in the 'bbb' category. Light-blue columns represent Fitch's forecasts.

Peer average includes Abu Dhabi Islamic Bank PJSC (VR: bb), Mashreqbank PSC (bbb-), Commercial Bank of Dubai PSC (bb+), Emirates Islamic Bank PJSC (bb+).

Financials

Financial Statements

	2Q23 (USDm) Reviewed - unqualified	2Q23 (AEDm) Reviewed - unqualified	YE22 (AEDm) Audited - unqualified	YE21 (AEDm) Audited - unqualified	YE20 (AEDm) Audited - unqualified
Net financing & dividend income	1,174	4,312	8,161	6,660	6,749
Net fees and commissions	247	907	1,253	1,279	1,339
Other operating income	98	361	1,056	1,469	1,378
Total operating income	1,519	5,580	10,470	9,408	9,465
Operating costs	401	1,471	2,733	2,583	3,264
Pre-impairment operating profit	1,119	4,109	7,737	6,825	6,201
Financing & other impairment charges	261	959	2,103	2,394	4,015
Operating profit	858	3,150	5,634	4,431	2,186
Other non-operating items (net)	—	—	-3	13	1,020
Tax	11	40	79	38	46
Net income	847	3,111	5,552	4,406	3,160
Other comprehensive income	-69	-254	-377	-7	-397
Fitch comprehensive income	778	2,857	5,175	4,399	2,763
Assets					
Gross financing	54,051	198,503	194,836	195,617	205,090
- Ow impaired	3,512	12,898	12,986	13,784	12,062
Financing loss allowances	2,451	9,002	8,793	8,926	8,401
Net financing	51,600	189,502	186,043	186,691	196,689
Interbank	744	2,733	4,607	3,303	6,449
Islamic derivatives	352	1,294	1,831	1,498	1,889
Other securities and earning assets	19,292	70,850	61,952	52,039	45,743
Total earning assets	71,989	264,379	254,432	243,531	250,769
Cash and due from banks	7,661	28,134	26,489	28,080	29,206
Other assets	1,974	7,249	7,317	7,471	9,582
Total assets	81,623	299,762	288,239	279,082	289,557
Liabilities					
Customer deposits	57,368	210,684	198,637	205,845	205,925
Interbank and other short-term funding	3,538	12,994	12,810	2,584	13,496
Other long-term funding	5,576	20,479	22,340	20,563	18,744
Trading liabilities and Islamic derivatives	326	1,198	1,578	1,422	1,704
Total funding and Islamic derivatives	66,809	245,354	235,364	230,414	239,870
Other liabilities	2,708	9,946	8,899	7,204	6,556
Preference shares and hybrid capital	2,250	8,264	8,264	8,264	11,937
Total equity	9,856	36,197	35,711	33,200	31,193
Total liabilities and equity	81,623	299,762	288,239	279,082	289,557
Exchange rate		USD1 = AED3.6725	USD1 = AED3.6725	USD1 = AED3.6725	USD1 = AED3.6725

Source: Fitch Ratings, Fitch Solutions, DIB

Key Ratios

	2Q23	YE22	YE21	YE20
Ratios (%; annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	2.6	2.4	1.9	1.0
Net financing income/average earning assets	3.4	3.3	2.7	2.8
Non-financing expense/gross revenue	26.7	26.4	27.8	34.6
Net Income/average equity	17.6	16.3	13.9	10.4
Asset Quality				
Impaired financing ratio	6.5	6.7	7.1	5.9
Growth in gross financing	1.9	-0.4	-4.6	30.6
Financing loss allowances/impaired financing	69.8	67.7	64.8	69.7
Financing impairment charges/average gross financing	0.8	0.7	1.0	2.0
Capitalisation				
Common equity Tier 1 ratio	13.4	12.9	12.4	12.0
Total Capital Ratio	17.9	17.6	17.1	18.5
Fitch Core Capital ratio	—	—	14.4	13.8
Tangible common equity/tangible assets	12.1	12.4	11.8	10.7
Net impaired financing/common equity Tier 1	12.1	14.1	17.2	13.6
Funding & liquidity				
Gross financing/customer deposits	94.2	98.1	95.0	99.6
Liquidity coverage ratio	159	150.0	158.2	129.0
Customer deposits/total non-equity funding	83.5	82.1	86.8	82.3
Net stable funding ratio	108	106.0	102.1	—

Source: Fitch Ratings, Fitch Solutions, DIB

Support Assessment

Commercial Banks: Government Support	
Typical D-SIB GSR for sovereign's rating level (assuming high propensity)	a or a-
Actual jurisdiction D-SIB GSR	a
Government Support Rating	a
Government ability to support D-SIBs	
Sovereign Rating	AA-/ Stable
Size of banking system	Negative
Structure of banking system	Negative
Sovereign financial flexibility (for rating level)	Positive
Government propensity to support D-SIBs	
Resolution legislation	Neutral
Support stance	Positive
Government propensity to support bank	
Systemic importance	Neutral
Liability structure	Neutral
Ownership	Neutral

The colours indicate the weighting of each KRD in the assessment.
Higher influence Moderate influence Lower influence

DIB's GSR reflects an extremely high probability of support available to the bank from the UAE authorities (AA-/Stable), if needed. Fitch's assessment of potential state support, if needed, factors in the sovereign's strong ability to support the banking system, underpinned by its solid net external asset position, still-strong fiscal metrics and recurring hydrocarbon revenues.

Fitch expects the UAE authorities' propensity to support the banking sector to remain high given its very strong, timely and predictable record of supporting domestic banks. This view also reflects the sovereign's close ties with, and part government ownership in a number of banks.

DIB's GSR is at the UAE domestic systemically important banks' GSR of 'a', reflecting the bank's systemic importance in the UAE, and in particular in Dubai.

Environmental, Social and Governance Considerations

Overall ESG

5	
4	
3	
2	
1	

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

Environmental (E)

General Issues	Score	Impact	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	1		n.a.	n.a.
Energy Management	1		n.a.	n.a.
Water & Wastewater Management	1		n.a.	n.a.
Waste & Hazardous Materials Management; Ecological Impacts	1		n.a.	n.a.
Exposure to Environmental Impacts	2		Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality

E Scale: 5, 4, 3, 2, 1

Social (S)

General Issues	Score	Impact	Sector-Specific Issues	Reference
Human Rights, Community Relations, Access & Affordability	2		Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile
Customer Welfare - Fair Messaging, Privacy & Data Security	3		Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile (incl. Management & governance); Risk Profile
Labor Relations & Practices	2		Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)
Employee Wellbeing	1		n.a.	n.a.
Exposure to Social Impacts	3		Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile

S Scale: 5, 4, 3, 2, 1

Governance (G)

General Issues	Score	Impact	Sector-Specific Issues	Reference
Management Strategy	3		Operational implementation of strategy	Business Profile (incl. Management & governance)
Governance Structure	4		Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage
Group Structure	3		Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)
Financial Transparency	3		Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)

G Scale: 5, 4, 3, 2, 1

As an Islamic bank DIB needs to ensure compliance of its entire operations and activities with sharia principles and rules. This entails additional costs, processes, disclosures, regulations, reporting and sharia audit. This results in a Governance Structure relevance score of '4' for the bank, which has a negative impact on the bank's credit profile and is relevant to the rating in combination with other factors.

In addition, Islamic banks have an ESG Relevance Score of '3' for Exposure to Social Impacts, above sector guidance for an ESG Relevance Score of '2' for comparable conventional banks, which reflects that Islamic banks have certain sharia limitations embedded in their operations and obligations, although this only has a minimal credit impact on the entities.

Except for the matters discussed above, the highest level of ESG credit relevance, if present, is a score of '3' - ESG issues are credit neutral or have only a minimal credit impact on DIB, either due to their nature or the way in which they are being managed by DIB. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

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