

CLIENT SPOTLIGHT: Dubai Islamic Bank



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Syed Munawar
Head of Credit
Policy & Portfolio
Risk Management

Preparing for compliance with Basel II Foundation IRB

When Dubai Islamic Bank – the award-winning Islamic Bank – began preparing for the IRB Foundation approach under Basel II as well as the targeted capital savings, the bank realised that it needed an efficient and proven internal credit risk rating solution. After an extensive selection process, the bank chose Moody's Analytics Risk Analyst – a market standard, decision-making tool that is already used by some of the largest banks in the Middle East and globally.

The Challenges Facing Dubai Islamic Bank

Dubai Islamic Bank had previously been using a legacy system that offered limited integration and scalability – two essential features that Dubai Islamic Bank needed in order to take its credit assessment process to the next level. In addition, their tool lacked key capabilities such as data aggregation and validation as well as access to default data and to single-obligor exposure information. Given the regulatory scrutiny of banks' internal credit risk rating system under the IRB approach, it was essential that DIB acquired a system that provides solutions that are in line with the prescribed specifications for capital calculation under this approach. Moody's Analytics Risk Analyst tool emerged at the forefront of DIB's evaluation process, which included an independent review by a large consulting firm as well as by DIB's internal Risk Management Committee.

The Benefit of Partnering with Moody's Analytics

Using Moody's Analytics Risk Analyst, DIB was able to significantly improve its ability to assess the quality of its credit relationships across multiple market segments, which comprise Large Corporates, Contracting, SME and Commercial Real Estate. "The tool is now a key component of the bank's credit initiation process for commercial financing, both in terms of credit origination and for ongoing exposure management", explains Syed Munawar, Head of Credit Policy & Portfolio Risk Management at DIB. Moody's Analytics Risk Analyst is a well managed credit risk rating system which promotes the bank's safety and soundness by generating risk ratings at the customer level. This allows DIB's management to closely monitor changes and trends in risk levels and optimize its risk/return ratio. DIB has identified the following Risk Analyst capabilities as core to their process:

- » Credit approval or rejection
- » Guidance on pricing, covenants, provisioning and capital requirement/planning
- » Better understanding and management of the bank's risk appetite
- » Compliance with the IRB approach under the Basel II regulatory capital accord

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The Future for DIB and Moody's Analytics

DIB expects to continue to work closely with Moody's Analytics as part of its preparation for the Advanced IRB approach and its internal goal to achieve greater capital savings. In line with these objectives, DIB and Moody's are currently working towards developing several complex models, implementing LGDs to arrive at Expected Loss calculations at the portfolio level. The two companies are also working together towards conducting customized internal training programmes.

"Our experience of Moody's Analytics customer support has been impeccable so far," says Syed Munawar, Head of Credit Policy & Portfolio Risk Management. "The response time was very fast, their understanding of our issues is spot on and their solutions have fully satisfied our requirements. Overall, our organisation has derived significant benefits from the collaboration with Moody's Analytics," adds Mr. Munawar.

Corporate Profile: About DIB

Dubai Islamic Bank (DIB), established in 1975, is the first Islamic bank to have incorporated the principles of Islam in all its practices. DIB is a public joint stock company and its share is quoted on the Dubai Financial Market. The bank enjoys a reputation as a leader and innovator in maintaining the quality, flexibility and accessibility of its products and services. In a very short space of time it has created market leading services and products that are setting benchmarks for the rest of the sector.

Contact Us

To learn more about Moody's Analytics solutions for the Middle East, please contact Wael Jadallah at mena@moodys.com or +971.4401.9545. You can also visit our website at moodysmiddleeast.com.

ABOUT MOODY'S ANALYTICS

Moody's Analytics provides strategic solutions for measuring and managing risk. We assemble best practices across credit, economics and financial risk management, helping you compete in an evolving marketplace. In addition to distributing the credit ratings and proprietary research of Moody's Investors Service, we offer quantitative models and enterprise risk management software as well as training and professional services that are tuned to your business challenges.

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