

In the Name of ALLAH, Most Gracious, Most Merciful

DIRECTORS REPORT TO THE MEMBERS

On behalf of the Board of Directors' of Dubai Islamic Bank Pakistan Limited (DIBPL), I am pleased to present the un-audited condensed interim statement of financial information for the half year ended June 30, 2017.

ECONOMIC SCENARIO

The inflation expectations in the current period continue to remain within the target. Towards the end of the 1st half of 2017, the Country's headline inflation has softened at 3.9% year-on-year basis as compared to 3.2% year-on-year basis in the previous corresponding period mainly on the back of favorable supply conditions while the Country's foreign exchange reserves stood at USD 21.19 billion. The domestic demand is set to gain further traction as evidenced in the current growth in the real sector, credit to private sector and imports due to a range of factors including low cost of inputs, upbeat economic sentiments, improved energy supplies, and China-Pakistan Economic Corridor (CPEC) related investments. The expansion in economic activity has also translated into significant increase in imports, which along with lack of any sustained improvement in exports and a small decline in remittance has turned the overall balance of payments into deficit of USD 12.1 billion at the end of 1st half of 2017.

As far as the money markets are concerned, market liquidity was able to accommodate strong credit demand from the private sector. In fact, increased economic activity, considerable increase in bank deposits, and low interest rates translated into private sector credit flows in FY17 reaching a decade high of Rs748 billion as compared with Rs 446 billion in FY16. It is encouraging that fixed investments and working capital loans grew by Rs 258.5 billion and Rs 360.5 billion in FY17 compared with an expansion of Rs 171.7 billion and Rs 219.3 billion last year, respectively. Demand for consumer financing, especially for auto and personal loans, also gathered pace during FY17. These trends are set to continue in FY18 given the developments on the real side.

The State Bank of Pakistan (SBP), in its latest monetary policy decision decided to maintain the Policy Rate at 5.75% which has remain unchanged since May, 2016.

FINANCIAL HIGHLIGHTS

-----Rs. in millions -----

Statement of Financial Position	June 30, 2017	December 31, 2016	Growth
Investments	37,048	27,212	36.15%
Islamic financing and related assets	108,241	93,911	15.26%
Deposits and other accounts	146,819	129,265	13.58%
Total assets	172,294	152,133	13.25%
Net equity	14,169	12,107	17.03%
Number of branches	200	200	-

Profit and Loss Account	June 30, 2017	June 30, 2016	Growth
Profit before tax	1,083	733	47.78%
Profit after tax	643	448	43.36%
Earnings per share (Rs.)	0.58	0.64	(9.38%)

KEY ACHIEVEMENTS

By the Grace of Allah, DIBPL has maintained its growth momentum and recorded good results for the period ended June 30, 2017. During the half year ended June 30, 2017, the Bank has increased its balance sheet footing by growing its investments and commercial & consumer financing portfolio which provide higher returns. On the liability side the focus remains on increasing low cost deposits.

The Country's banking industry spreads has remained under pressure due to competitive market conditions and SBP's record-low level policy rate of 5.75%. Despite the challenging conditions, DIBPL attained a growth of 43.36% in profit after tax for the period. The major contributors were net spread earned, which grew by 21% while fee and commission income increased by 11%, as compared to the previous year's corresponding period. This has been achieved due to bank's continuous efforts in strengthening non-funded income streams, further growing consumer and commercial financing and improving its presence in corporate and advisory market.

Subsequent to the half year ended June 30, 2017, the Bank has announced the successful issuance of its rated, unsecured, subordinated and privately placed tier-II Sukuk. The bank has received an overwhelming response from the market and timely approval from State Bank of Pakistan which resulted in closure of this transaction within a record time. The PKR 4 Billion Sukuk issue was oversubscribed by 1.7 times the issue size reflecting strong demand and confidence by the investors in one of the leading global brands in Islamic Banking. This Sukuk issuance will provide the much needed impetus to the bank to continue with its financing activities focusing on Corporate, SME, Commercial and Consumer Banking. The Sukuk has a 10 year tenor and carries expected profit rate of 0.50% over 6 Month KIBOR.

FUTURE OUTLOOK

SBP's decision of maintaining the policy rate at the record lowest level has added to the pressure on the banking sector spreads. However, the Bank will continue to focus on its strategy for long-term sustainable growth. To achieve these objectives, the Bank has a well-managed infrastructure, technology platform and quality human resource. We believe in evolving our business models in-line with customer needs with focus on replacing high cost deposits and low-yield financing with a quality portfolio with improved yield.

CREDIT RATING

Considering the sound performance indicators of the Bank, the JCR-VIS Credit Rating Company Limited has upgraded the Bank's medium to long-term rating to 'AA-' (AA minus) from 'A+' (A-Plus) and the short term rating as 'A-1' (A one) while the outlook has been assigned as "Stable".

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I wish to record my gratitude to our valued Customers, Shareholders, Government of Pakistan, State Bank of Pakistan, Securities and Exchange Commission of Pakistan, our Employees and other Partners in performance.

We are fully convinced that DIBPL has the brand recognition, the commitment and more importantly the 'Team' to achieve the defined 'Objectives' of 2017.

For and on behalf of the Board


Junaid Ahmed
Chief Executive Officer

Dated: August 16, 2017

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