

DIRECTORS' REPORT TO THE MEMBERS

On behalf of the Board of Directors' of Dubai Islamic Bank Pakistan Limited (DIBPL), we are pleased to present the un-audited condensed interim statement of financial information for the period ended March 31, 2018.

ECONOMIC CONDITION OF PAKISTAN

The prospects of achieving eleven-year high growth rate remains strong with average headline inflation within comfortable bounds for FY18 and FY19. This high growth and low inflation outcome has been accompanied by a higher current account deficit. Alongwith a high fiscal deficit, this could affect medium-term stability of the economy. However, recent adjustments stemming from greater exchange rate flexibility, active monetary management as well as visible improvements in exports and remittances are expected to bear fruit for medium-term in terms of sustaining the growth momentum without posing a risk to stability. CPI inflation has remained moderate during Jan-Feb FY18, averaging 4.1 percent. Going forward, a sticky core inflation along with a moderate outlook of food prices amid abundant grain stocks and the recent increase in policy rate are expected to contain average inflation well below the FY18 target of 6.0 percent.

Improved demand from major trade destinations and the Government's ongoing export package are generating the momentum of growth for Pakistan's exports. During Jul-Feb FY18 exports growth has reached 12.2 percent as compared to the decline of 0.8 percent in the same period last year. However, the growth in imports remains high. Even with a deceleration during the current year due to higher regulatory duties and exchange rate movements, import growth has remained high during Jul-Feb FY18 compared with the growth in the same period last year. As a result, the current account deficit has reached USD 10.8 billion during Jul-Feb FY18 which is about 50 percent more than it was during the same period in FY17. Although the full impact of recent exchange rate depreciations on exports and imports is going to unfold gradually in the coming months, financing of the high current account deficit is challenging. Going forward, along with a focus on narrowing the current account gap, Government's plans to timely mobilize external inflows, both official and commercial, will play a pivotal role in maintaining adequate level of SBP's foreign exchange reserves and anchoring sentiments in the FX markets.

FINANCIAL HIGHLIGHTS

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

Statement of Financial Position	March 31, 2018	December 31, 2017	Growth
Investments	41,198	41,474	-0.67%
Islamic financing and related assets	131,832	119,522	10.30%
Deposits and other accounts	162,702	149,295	8.98%
Total assets	199,780	182,272	9.61%
Net equity	15,108	14,912	1.31%
Number of branches	200	200	-

Profit and Loss Account	March 31, 2018	March 31, 2017	Growth
Profit before tax	864	435	98.56%
Profit after tax	562	282	98.88%
Earnings per share (Rs.)	0.48	0.27	77.78%

Registered Office:

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By the Grace of Allah, DIBPL has sustained its growth momentum during Q1 2018 and recorded impressive results for the period under review. The Bank has achieved impressive growth in its financing portfolio. The Bank has also recorded robust growth in deposits. Despite the challenging conditions, DIBPL attained a record level growth of 99% in profit after tax during the period.

During Q1 – 2018, the major contributors were net spread earned, which grew by 19% while non-funded income increased by 24%, compared to same period last year. This has been achieved through strong growth in commercial & consumer financing portfolio yielding higher returns, and further strengthening of non-funded income streams from trade finance, foreign exchange and corporate advisory services. Further, the Bank has reduced its provision charge by effectively managing its non performing portfolio. The Bank remained MCR and CAR compliant.

FUTURE OUTLOOK

Recently, policy rates have begun to rise, but these are still expected to be below the rates experienced in the past. Nevertheless, it will have positive effect on the profitability of banks. However, 2018 will be challenging on account of upcoming elections. We remain hopeful that new political landscape will pave the way for economic stability and will help Islamic Banking in maintaining its growth trajectory. DIBPL will continue to play its role in growth of Islamic Banking by offering Sharia compliant products and services in line with customer needs through leveraging its IT platform and quality human resource.

CREDIT RATING

JCR-VIS Credit Rating Company Limited has rated the Bank's medium to long-term rating as 'AA-' (AA minus) and the short term rating as 'A-1' (A one) while the outlook has been assigned as "Stable". The JCR-VIS Credit Rating Company Limited has also assigned Tier II Sukuk rating of "A+" (Single A Plus) with Stable outlook.

ACKNOWLEDGEMENT

The Board would like to acknowledge the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan and other regulatory authorities for their guidance and cooperation extended to the Bank. At the same time, the Board would also like to express its sincere gratitude and thanks to the Customers, Staff, Stakeholders, Sharia Board, Sukuk investors and other business partners for their continued support and trust.

For & on behalf of the Board of Directors;



Chief Executive Officer



Director

Dated: April 10, 2018