

## 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 June 30, 2018.

## ECONOMIC CONDITION OF PAKISTAN

Pakistan's economic growth is provisionally estimated to achieve a thirteen-year high of 5.8% for FY18. Concurrently, headline inflation remains moderate and is expected to stay well below the annual target of 6%. However, with 2018 elections around the corner, political uncertainty may lead to an economic slowdown in the coming months. A significant change in the outlook for international oil prices with its impact on upward adjustments in domestic oil prices, a strong demand, the lagged pass-through of exchange rate adjustments and food inflation will largely determine the inflation path.

On the supply side, the real sector has posted a broad-based healthy growth in FY18. Meanwhile, industrial sector grew by 5.8%. Keeping in view, this strong growth momentum and the upcoming investments in auto and construction allied industries, the government has set the real GDP growth target of 6.2 percent for FY19. The monetary expansion in FY18 is driven by government borrowing for budgetary support and the continuation of well diversified healthy growth in credit to the private sector. Meanwhile, consumer financing also saw a net expansion of Rs. 69 billion, which contributes to higher demand of industrial products, especially of automobiles and consumer durables.

On the external front, the current account deficit widened to US\$ 14.0 billion during the first half of FY18, which is 1.5 times the level of deficit realized during the same period last year. Despite a strong recovery in exports and a moderate increase in workers' remittances, the growing imports to support higher economic activity and the sharp increase in oil prices have pushed the current account deficit to a higher level. Consequently, SBP's liquid FX reserves saw a net reduction of US\$ 5.8 billion to reach US\$ 10.3 billion as of 18th May 2018. Reflecting the increasing pressures in the external sector, PKR has depreciated by 9.3 percent against the USD during first half of 2018.

In its May 2018 Monetary Policy Statement, the SBP has decided to increase the policy rate by 50bps to 6.50%.

## FINANCIAL HIGHLIGHTS

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

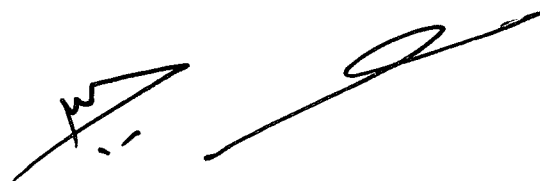
| Statement of Financial Position      | June 30, 2018 | December 31, 2017 | Growth |
|--------------------------------------|---------------|-------------------|--------|
| Investments                          | 43,073        | 41,474            | 4%     |
| Islamic financing and related assets | 145,095       | 119,522           | 21%    |
| Deposits and other accounts          | 175,550       | 149,295           | 18%    |
| Total assets                         | 214,023       | 187,272           | 17%    |
| Net equity                           | 15,575        | 14,912            | 4%     |
| Number of branches                   | 200           | 200               | -      |
| Profit and Loss Account              | June 30, 2018 | June 30, 2017     | Growth |
| Profit before tax                    | 1,975         | 1,083             | 82%    |
| Profit after tax                     | 1,202         | 643               | 87%    |
| Earnings per share (Rs.)             | 1.03          | 0.58              | 78%    |

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DIBPL has further accelerated its growth momentum during first half of 2018 and recorded impressive results for the period under review. The Bank attained a record level growth of 87% in profit after tax during the period compared to 44% increase in same period last year. Earnings per share are reported at Rs. 1.03 per share compared to 0.58 per share for corresponding period last year.

The Bank has achieved impressive growth in its financing portfolio. Asset quality indicators of the bank also witnessed improvement on the back of strong recovery efforts against non-performing assets. Resultantly, the Bank has one of the lowest non-performing financing ratios in the banking industry. The Bank has also recorded robust growth in deposits. The Bank remained MCR and CAR compliant.

The major contributors in high profitability were net spread earned, which grew by 25% while non-funded income increased by 17%, compared to same period last year. This increase was primarily attributed to growth in average earning assets. Despite increase in cost of funds, spreads of the Bank were also reported higher on the back of growth in high yielding corporate, commercial and consumer segments.

### **FUTURE OUTLOOK**

Recently, policy rates have begun to rise, which will have a 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.

### **CREDIT RATING**

JCR-VIS Credit Rating Company Limited has reaffirmed the Bank's medium to long-term rating as 'AA-' (AA minus) and the short term rating as 'A-1' (A one) with stable outlook. 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: July 9, 2018