

## 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 condensed interim un-audited financial statements for the nine months period ended September 30, 2018.

## ECONOMIC OVERVIEW

Since July 2018, Pakistan has witnessed notable changes on the political front. This has had a positive impact on the business and consumer confidence in the country. The smooth transition between governments addresses the political uncertainty, but concerns on the economic front continue to exist on the back of rising inflation and persistent twin deficits, that are likely to compromise the sustainability of the high real economic growth path.

Inflation is inching up as the headline CPI inflation in the first two months of FY19 averaged 5.8 percent as compared to 3.2 percent for the corresponding months of FY18. The average headline inflation is expected to fall in the revised forecast range of 6.5-7.5 percent. This assessment takes consideration of key factors like anticipated increase in international oil prices, upward revision in domestic gas prices, further increase in regulatory duties on imports and the continuing impact of previous exchange rate depreciations.

The economic activity is likely to slowdown in FY19 as the general macroeconomic policy mix is focusing towards stabilization. Specifically, the transmission of SBP's policy rate hikes since January 2018 is still unfolding. The revised GDP growth for FY19 is projected at 5% as against 5.8% for FY18.

On the external front, the current account deficit continues to pose a challenge. Despite some growth in workers' remittances and exports in the first two months of FY19, a notable increase in the value of oil imports has kept the current account deficit at US\$2.7 billion, as compared to US\$2.5 billion, in the corresponding period last year despite non-oil imports declining during the period.

Given the challenges on the external account front, the SBP, in its monetary policy statement announced on September 29, 2018 increased the policy rate by 100bps taking the benchmark rate to 8.5%. This marks the fourth rate hike in the current year.

## FINANCIAL HIGHLIGHTS

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

| Statement of Financial Position      | Sep 30, 2018 | Dec 31, 2017 | Growth |
|--------------------------------------|--------------|--------------|--------|
| Investments                          | 45,771       | 41,474       | 10%    |
| Islamic financing and related assets | 149,224      | 119,522      | 25%    |
| Deposits and other accounts          | 187,311      | 149,295      | 25%    |
| Total assets                         | 223,241      | 182,272      | 22%    |
| Net equity                           | 16,034       | 14,912       | 8%     |
| Number of branches                   | 200          | 200          | -      |
| Profit and Loss Account              | Sep 30, 2018 | Sep 30, 2017 | Growth |
| Profit before tax                    | 3,038        | 1,820        | 67%    |
| Profit after tax                     | 1,853        | 1,122        | 65%    |
| Earnings per share (Rs.)             | 1.59         | 0.99         | 61%    |

DIBPL has further accelerated its growth momentum during the nine months ended September 2018 and recorded impressive results for the period under review. The Bank attained a record level growth of 65% in profit after tax during the period compared to 55% increase in same period last year. Earnings per share are reported at Rs. 1.59 per share compared to 0.99 per share for corresponding period last year.

The Bank has achieved impressive growth in its financing portfolio. Asset quality indicators of the bank are very healthy and 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 24% while non-funded income increased by 12%, 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**

Going forward we expect fiscal and monetary policies to work in tandem in order to contain overall balance of payment and currency crisis. We remain hopeful that new political landscape and materialization of any investment flows will further strengthen country's reserve position and thus create more sustainable basis for growth which 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**

We take this opportunity to express our gratitude to our customers and business partners for entrusting us with their business and to our shareholders for their support and confidence. We offer sincere appreciation to the State Bank of Pakistan for their guidance and cooperation extended to the Bank. We also acknowledge the efforts demonstrated by our employees towards the growth of DIBPL and thank them for their commitment and dedication.

For & on behalf of the Board of Directors;



**Chief Executive Officer**



**Director**

Dated: October 08, 2018