

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 period ended March 31, 2019.

ECONOMIC OVERVIEW

Challenges for the country continued in 1Q19, both on geo-political and economic front. While the incumbent government is addressing the situation, economic worries continue to test business and consumer confidence. The headline CPI inflation hit a five-year high of 9.4% yoy in Mar 19, taking average year to date (fiscal) inflation to 6.8%. This is expected to fall in the range of 7.0-7.5%. While effect of weaker PKR and hike in utility tariffs are major tailwinds for inflation, strong international oil prices can further push inflation up in FY19.

The State Bank of Pakistan in its recent monetary policy announcement has raised policy rate by 50bps taking policy rate to 10.75. This is in addition to 25bps hike in Jan-19. As expected, the economic activity is likely to slow down. In this regard SBP have revised down their growth targets for Pakistan, where the GDP growth for FY19 is projected around 3.5% as against 5.2% for FY18.

Improvements continued on the external front, where Current account deficit declined 22.6% yoy to USD8.8bn during 8MFY19 owing to increased remittances and curtailment of imports. However, despite considerable currency devaluation, exports continue to lag behind as they decreased by 0.5%.

Pakistan stays in transition phase where aggressive macro measures have started to reap results, however economy will face slowdown and further macro tightening can't be ruled out. But, it will help place country on a more sustainable footing.

FINANCIAL HIGHLIGHTS

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

Statement of Financial Position	March 31, 2019	Dec 31, 2018	Growth
Investments	55,827	45,851	22%
Islamic financing and related assets	158,489	153,306	3%
Deposits and other accounts	197,845	182,187	9%
Total assets	257,722	231,823	11%
Net equity	17,666	16,750	5%
Number of branches	200	200	-
Profit and Loss Account	March 31, 2019	March 31, 2018	Growth
Profit before tax	1,129	864	31%
Profit after tax	589	562	5%
Earnings per share (Rs.)	0.51	0.48	6%

By the Grace of Allah, DIBPL has recorded good results for the period under review. The Bank posted profit before tax of Rs 1.13 billion compared to Rs 0.86 billion in same period last year. The Bank's net spread before provisions also increased by 31%, while non-funded income increased by 6%, compared to same period last year.

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The Bank also increased its Balance Sheet footing by 11% through robust growth in deposits. The investment portfolio grew sharply as investments were made in SLR eligible Energy Sukuk. In the backdrop of challenging economic conditions, the quality of financing portfolio is of paramount importance and the focus is on booking high quality assets.

Despite PKR devaluation and rising inflation, the Bank was able to contain expenses growth by 9% from the last corresponding period. Further, through Finance Supplementary (Second Amendment) Act 2019 dated March 12, 2019, the government has also reinstated the Super tax applicability for which the bank paid an additional 4% tax on FY17 earnings in 1Q19 resulting in additional tax charge of Rs. 98.4Mln.

FUTURE OUTLOOK

The near term challenges to Pakistan's economy continue to persist with the rising inflation, an elevated fiscal deficit and low foreign exchange reserves which have impacted the economic growth. 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.

CREDIT RATING

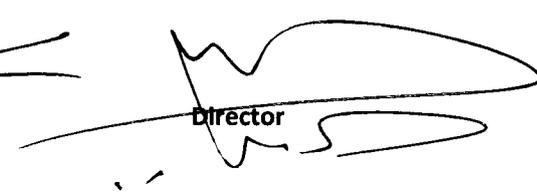
JCR-VIS Credit Rating Company Limited has reaffirmed the Bank's medium to long-term rating as 'AA-' (AA minus) and the short term rating as 'A-1' (A one) with stable outlook. The JCR-VIS Credit Rating Company Limited has also assigned Tier II Sukuk rating of "A+" (Single A Plus) with stable outlook.

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 its support and confidence. We offer sincere thanks to the State Bank of Pakistan for their guidance and cooperation extended to the Bank. We also acknowledge the efforts, commitment and dedication of our employees towards the growth of DIBPL.

For & on behalf of the Board of Directors;


Chief Executive Officer


Director

Dated: April 22, 2019