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 September 30, 2019.

ECONOMIC OVERVIEW

Macro rebalancing has remained the major highlight for over 18 months in running, where the country has witnessed aggressive monetary tightening, currency devaluation, coupled with certain fiscal consolidation measures. While things still remain challenging in the year ahead, the measures have helped in toning down the imbalances and recover overall confidence. Curtailment of Balance of Payment outruns amid external financing support is helping reserve accumulation which in turn has provided stability to PKR. On fiscal front, despite revenue target misses, government is steering towards more sustainable footing through augmenting the tax base and addressing the undocumented economy. Also the entry into IMF's standby arrangement, not only adds scrutiny to economic measures but it also provides access to country to tap international money.

During the quarter, country has also moved to a new base for inflation (2015/16) which came in at 10.5% year on year (11.6% on old base) on the back of higher food prices as at August 2019. Government targets inflation of 11-12% for FY20. On the external front, things continued to improve considerably with a sizeable reduction in Current Account Deficit (CAD) which narrowed c15% year on year to USD614mn in Aug'19. The encouraging growth in exports and a contraction in imports, together with the disbursement of program related inflows and activation of the Saudi oil facility, helped to build SBP's foreign exchange reserves. Despite, the level of reserves have started to pick-up, but due to meager import cover, the upcoming Eurobond issue will be of significant importance.

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. The Monetary Policy Committee in its recent meeting decided to leave the policy rate unchanged at 13.25% based on the developments in the real, external and fiscal sector.

FINANCIAL HIGHLIGHTS

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

Statement of Financial Position	30-Sep-19	31-Dec-18	Growth
Investments	48,977	45,851	7%
Islamic financing and related assets	165,465	153,306	8%
Deposits and other accounts	203,081	182,187	11%
Total assets	251,150	231,823	8%
Net equity	19,587	16,750	17%
Number of branches	200	200	-
Profit and Loss Account	**30-Sep-19**	**30-Sep-18**	**Growth**
Profit before tax	3,992	3,038	31%
Profit after tax	2,301	1,853	24%
Earnings per share (Rs.)	1.97	1.59	24%

The Bank posted a notable 24% increase in profit after tax for the period ended September 30, 2019. Profit before taxation was recorded at Rs. 3.99 billion, an impressive increase of 31% over the corresponding period last year. Earnings per share for the current period were reported at Rs. 1.97 as against Rs. 1.59 for the corresponding period last year.

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Aggregate net revenues for the current nine months are reported at Rs.9.55 billion, improving by 27% from Rs.7.51 billion for the corresponding period last year. The increase in net profit / return was contributed by higher spreads in line with policy rate increases as well as higher average volumes. Further, other income also increased by an impressive 31% during the period under review on account of gain on sale of securities and foreign exchange revenues. Although, operating expenses increased by 11% mainly reflecting the impact of Rupee devaluation and inflationary upsurge, the cost to income ratio improved from 60% to 53% over the corresponding period last year.

The Bank also increased its Balance Sheet footing by 17% through robust growth in deposits which were deployed in financing portfolio which increased by 8% and fresh investment were made in SLR eligible Energy Sukuk. Consequently, advances to deposits ratio stood at 81% at period end. In the backdrop of challenging economic conditions and high policy rate, the financing portfolio has come under stress as reflected in the increase of Non Performing portfolio of the banking sector, and thus requires close monitoring.

FUTURE OUTLOOK

The Bank is cognizant of the fact that the operating environment would remain challenging in the medium term. Our strategy would therefore have a strong focus on maintaining health of financing portfolio and to ensure sustainable revenue generation through booking high quality assets, generating low cost deposits and stringent cost control discipline.

CREDIT RATING

We are pleased to inform you that VIS Credit Rating Company Limited (formerly JCR-VIS Credit Rating Company Limited), has upgraded the Bank's long-term and short term entity rating from 'AA-/A-1'(Double A Minus / A-One) to 'AA/A-1+' (Double A/A-one Plus) with stable outlook. The VIS Credit Rating Company Limited has also upgraded the rating of the Bank's Tier II Sukuk from 'A+' (Single A Plus) to 'AA-'(Double A minus). Rating of Bank's ADT-1 Instrument has also been upgraded from 'A' (Single A) to 'A+' (Single A Plus). The rating indicates sound performance indicators of the Bank along with strong sponsor support.

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: October 10, 2019