

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, 2020.

ECONOMIC OVERVIEW

The stabilization efforts over the first half of current fiscal year showed signs of improvement in the economy. However, the rapid spread of the COVID-19 virus since February 2020 has brought economic activity to a near-halt. Most of the country has been placed under a partial lockdown. The closure of non-essential businesses and domestic supply chain disruptions are having a significant impact on wholesale and retail trade and transport, storage and communication, the largest sub-sectors of the services sector. The drop in domestic and global demand is also compounding the strains on the industrial sector, which is hit by both supply and demand shocks. In addition, the country's main industrial sector - textiles and apparel - is highly exposed to COVID-19-related disruptions due to its labor-intensity. The Stock market also declined sharply as KSE100 index shed 23% during Mar-20 (-28% return in 1Q20) as foreign investors offloaded their position and most of the hot money was also withdrawn. The exchange rate, which had remained relatively stable through June-February FY20, depreciated by 7.3% in March.

Alike other countries globally, the GoP and the SBP have acted swiftly in addressing the negative impact of COVID-19 on the economy by announcing a PKR1.2trn relief package and delivering 425bps policy rate cut. Furthermore, the SBP has announced multiple measures to facilitate access to financial services such as simplified procedures for exporters and importers, concessional financing to companies that do not lay off workers, one-year extension in principal payments, doubling of the period for rescheduling of loans from 90 to 180 days, concessional financing for hospitals and medical centers and allowed banks leeway in booking losses.

Driven by lower food and oil prices, inflation number softened in March (10.2% vs. 12.4% in February). As per the SBP projections, the inflation number is expected to average in the range of 11-12% in FY20, and c7-9% in FY21. On the external front, considerable improvement was witnessed with Current Account Deficit (CAD) further narrowing down in Feb'20 to USD0.21bn (38% year on year) taking 8MFY20 CAD to USD2.84bn vs. USD9.82bn in 8MFY19. Given the ongoing slump in oil prices, the imports are expected to remain on the lower end, however exports and remittances (from the Gulf) will remain of major significance over the coming quarters as they are also expected to succumb to the global turmoil. Further, as the agriculture sector's performance was lower than expectations, whereas the export-driven growth in Large Scale Manufacturing (LSM) was not sufficient to compensate for the subdued domestic market activity. Unsurprisingly, IMF in its recent issue has scaled down the global growth projections for 2020, Pakistan is expected to post a negative growth of 1.3% in FY20.

Despite the foreign exchange outflows, reserves are coping up much better than they were a year ago. With recent rescheduling of debt from G20 and IMF package of USD 1.4 B to support COVID-19, Pakistan stands relatively comfortable with regards to its foreign exchange reserve.

FINANCIAL HIGHLIGHTS

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

Statement of Financial Position	31-Mar-20	31-Dec-19	Growth
Investments	53,516	49,157	9%
Islamic financing and related assets	181,955	177,922	2%
Deposits and other accounts	226,370	209,952	8%
Total assets	280,455	264,639	6%
Net equity	21,740	22,163	-2%
Number of branches	235	235	-

Registered Office:

ىن چىمىرز،دىسى كەبىلاك ك.، ,Hassan Chambers, DC-7, Block-7 Kehkashan Clifton, Karachi. کهکشان، کلفتن، کراچی، پاکستان پی آج ہی آیکس : 9221) 35360039 (+9221) 35360039 (+9221)

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

Profit and Loss Account	31-Mar-20	31-Mar-19	Growth
Profit before tax	1,437	1,076	33%
Profit after tax	875	556	57%
Earnings per share (Rs.)	0.75	0.48	56%

During the period under review, the Bank has demonstrated excellent results. The Bank posted a notable 57% increase in profit after tax for the quarter ended March 31, 2020 over corresponding quarter. Profit before taxation was recorded at Rs.1.437 billion, an impressive increase of 33% over the corresponding period last year. Earnings per share for the current quarter were reported at Rs.0.75 as against Rs.0.48 for the corresponding quarter.

On the revenue side, net revenue over the corresponding quarter registered a healthy growth of 28% mainly on the back of overall growth in earning assets and improvement in net spreads. Further, the foreign exchange revenues increased by 33% over the corresponding quarter as well.

The Bank also increased its Balance Sheet footing through robust growth of 8% in deposits which were deployed in financing portfolio and fresh investment were made in Global Sukuks. The liquidity position was comfortable as it remained within the targeted level. In view of the prevalent economic conditions, the non-performing portfolio showed an increasing trend as the infection ratio increased to 3.26% an increase of 0.75% over last quarter. However, it is well below the industry average.

FUTURE OUTLOOK

There is high uncertainty about the severity and duration of the COVID-19 pandemic and it is clear that it will impact the growth beyond 2020 and could lead to further downward revision in the outlook for growth and inflation. We are cognizant of the evolving situation and foresee that the operating environment will remain very challenging in the short/ medium term. Our focus, therefore, would remain on protecting the health of our balance sheet, maintaining ample liquidity to fund our assets and ensuring tight control over cost.

CREDIT RATING

VIS Credit Rating Company Limited has assigned the Bank's long-term and short term entity rating 'AA/A-1+' (Double A/A-one Plus) with stable outlook. The Tier II Sukuk and Additional Tier I Sukuk of the Bank has been assigned a credit rating of 'AA-'(Double A minus) and 'A+' (Single A Plus) respectively. These ratings were assigned in 2019 and represents 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 Shareholder 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

Dated: May 28, 2020

Director