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, 2020.

ECONOMIC OVERVIEW

After a tough 2Q, COVID-19 cases have receded considerably in the country. With easing in lockdown together with timely measures adopted by the SBP and Government, business confidence and outlook for growth has improved. Large Scale Manufacturing index have restarted to expand, with impressive demand indicators including auto sales, cement, POL sales amongst others.

On top of the government's relief package announced in 2Q (incl. Ehsaas emergency cash program, commodity financing, facilities for SMEs etc.), the State Bank of Pakistan (SBP) has remained proactive throughout the period where it has not only rolled out significant policy rate cuts to help the deteriorating demand but has also taken measures to inject liquidity and support business and household. As per the SBP, it has injected an estimated stimulus of PKR 1.58 trillion (3.8% of GDP).

These measures proved extremely helpful for borrowers and is evident from the fact that till September 25, PKR651 billion of principal amount of loans were deferred up to 1 year, PKR187 billion of loans were restructured and PKR217 billion financing was approved under SBP refinance scheme for salaries and wages by the banking sector.

The SBP in its Monetary Policy Committee (MPC) meeting of September decided to keep the policy rate unchanged at 7%. Things have improved considerably like business confidence, economic activity and receding COVID-19 cases in particular, which is the focal of status quo stance. Inflation for September has recorded higher (9.04%) due to supply-side factors resulting in higher food prices. As per the SBP, average inflation for FY21 is expected to fall within 7-9%, translating into negative real rates on forward basis. Given uncertain operating environment, both locally and globally, there are key upside (continuous food supply-shocks following monsoon showers, oil prices and utility tariff hikes) and downside risks (re-escalation of COVID-19 and lower than expected pick up in domestic activity) to inflation which would eventually direct the central bank's policy going forward.

On the external front, Pakistan witnessed further improvement in its Current Account balance. As such, the country has started FY21 on a strong note with a surplus of USD0.3bn in Aug'20 vs. a deficit of USD0.6bn in Aug'19 – surplus for 2MFY21 now stands at USD0.8bn vs. a deficit of USD1.2bn in 2MFY20. Alike earlier months, import compression and robust remittances have driven the surplus. While the surplus has further supported the SBP reserves which have risen to pre-pandemic level of around USD 12.8 billion, Government is reported to be eyeing Eurobond Issue to further beef-up the forex reserves and provide additional comfort to the currency. The SBP have also recently launched the Roshan Account through which it targets the Overseas Pakistanis by providing them access to capital markets and real estate sector (lucrative yielding Naya Pakistan Certificates, quick access to Stock Exchange). The initial response is very encouraging and it is expected to attract further USD inflows.

Registered Office: رجسٹرڈ آفس:
Hassan Chambers, DC-7, Block-7, حسن چیمبرز، ڈی سی۔ ۷، بلاک ۷،
Kehkashan Clifton, Karachi. کہکشاں، کلفٹن، کراچی، پاکستان
PABX: (+9221) 35360039 پی اے بی ایکس: (+9221) 35360039
www.dibpak.com

FINANCIAL HIGHLIGHTS

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

Statement of Financial Position	30-Sep-20	31-Dec-19	Growth
Investments	70,949	49,157	44%
Islamic financing and related assets	187,809	177,922	6%
Deposits and other accounts	234,808	209,952	12%
Total assets	297,787	264,639	13%
Net equity	23,598	22,163	6%
Number of branches	235	235	-

Profit and Loss Account	30-Sep-20	30-Sep-19	Growth
Profit before tax	4,097	3,992	3%
Profit after tax	2,499	2,301	9%
Earnings per share (Rs.)	2.14	1.97	9%

During the period under review, the Bank posted a 9% increase in profit after tax for the period ended September 30, 2020 over corresponding period. Profit before taxation was recorded at Rs.4.1 billion, an increase of 3% over the corresponding period last year. Earnings per share for the current period were reported at Rs.2.14 as against Rs.1.97 for the corresponding period.

On the revenue side, net revenue over the corresponding period registered a healthy growth of 22% mainly on the back of overall growth in earning assets. Given strong growth in recurring income, the Bank's efficiency ratio has continued to depict improvement, and stands comfortably below the peer median. The Bank has also increased its Balance Sheet footing through robust growth of 12% in deposits which were deployed in financing portfolio and fresh investment were made in Global Sukuks and Pakistan Energy Sukuk II. In view of the prevalent economic conditions, the non-performing portfolio showed an increasing trend as the infection ratio increased to 3.08% an increase of 0.49% over same period last year. However, it is well below the industry average. In order to improve the NPL coverage, the Bank has also created general provision of PKR 764 million in addition to the existing requirements under the SBP prudential regulations.

FUTURE OUTLOOK

Fortunately, government efforts to curtail COVID-19 outbreak and rejuvenate economy is faring well. With falling cases, lockdown has been withdrawn countrywide and economic activity is now nearing the pre-COVID level. We are hopeful that the country does not experience the second wave of the pandemic in the upcoming winter season, the severity and duration of which would be detrimental. We are cognizant of the evolving situation and foresee that the operating environment will thread on the COVID-19. Our focus, therefore, would remain on selectively growing the balance sheet whilst protecting the health of financing & investment portfolio. Further, we will continue our efforts to mobilize low cost deposits to offset the negative impact of policy rate cuts on spreads and to maintain tight control over costs.

CREDIT RATING

During the period, VIS Credit Rating Company Limited has reaffirmed the entity rating at 'AA/A-1+' (Double A/A-one Plus) with stable outlook. The rating assigned to the Bank's Tier II Sukuk and Additional Tier I Sukuk has been reaffirmed at 'AA-'(Double A minus) and 'A+' (Single A Plus) respectively. The assigned ratings incorporate 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 continued support and confidence. We offer sincere thanks to the State Bank of Pakistan for their proactive measures to support the economy and providing necessary guidance. We also acknowledge the efforts, commitment and dedication of our employees, under very difficult conditions resulting from COVID 19 pandemic, to serve the customers and contribute towards the growth of DIBPL.

For & on behalf of the Board of Directors;

Chief Executive Officer

Director

Dated: October 19, 2020