

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, 2021.

ECONOMIC OVERVIEW

Pakistan has continued to witness pick-up in economic activity, buoyed by appropriately supportive monetary policy, the SBP temporary refinancing facilities, and targeted fiscal support during the quarter. This can be seen by impressive growth in large scale manufacturing and other high-frequency indicators, including sales of fast-moving consumer goods, automobiles, cement, Petroleum Oil & Lubricants and electricity.

The current account remains in surplus of \$0.9 billion through the first seven months of FY21 on the back of record remittances, relatively subdued domestic demand and a nascent recovery in exports. As the economy recovers, the trade deficit is widening somewhat on the back of imports of capital goods and industrial materials as well as food, together with rising international commodity prices. Nevertheless, the current account deficit in FY21 is still expected to remain below 1 percent of GDP on account of continued strong prospects for remittances which have remained above \$2 billion for the last 9 months and the on-going pickup in exports, especially high value-added textiles. The recent staff-level agreement on the resumption of the IMF program has further boosted prospects and ensured that external financing needs will be comfortably met. Recent Eurobond, and encouraging development on the SBP's initiated Roshan Digital Account (has already attracted over USD800mn) further cements the position. Accordingly, PKR has lately shown strength against the USD and helped SBP to keep foreign exchange reserves around \$13billion, levels last seen three years ago.

Amongst others, inflation remains high and is a cause of major concern. The headline inflation for March recorded at 9.1% Y-o-Y (8.7% in February) – taking the FY average to 8.4%. Inflation remains elevated on food prices while non-food inflation have taken a breather following fall in energy prices. The SBP expects the year to average at the higher end of its target of 7-9%, which will be the case given electricity tariff hikes and seasonal pressures in the holy month of Ramadan. The Central Bank expects the temporary pressure on inflation (mainly supply-side) to subside, thus foresees 5-7% average over the medium term. Considering the uncertainty around the inflation and growth outlook, the Monetary Policy Committee, in its March meeting, continued with accommodative stance of monetary policy – maintaining the status quo.

FINANCIAL HIGHLIGHTS

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

Statement of Financial Position	31-Mar-21	31-Dec-20	Variance
Investments	73,069	66,580	10%
Islamic financing and related assets	204,629	199,416	3%
Deposits and other accounts	245,167	237,553	3%
Total assets	317,354	303,262	5%
Net equity	25,272	24,624	3%
Number of branches	235	235	-

Profit and Loss Account	31-Mar-21	31-Mar-20	Variance
Profit before tax	1,341	1,437	-7%
Profit after tax	800	875	-9%
Earnings per share (Rs.)	0.69	0.75	-8%

The Q1 2020 has been a challenging period on account of COVID 19 pandemic and ensuing slowdown in economy. Despite these conditions, there was steady growth in deposits and financing portfolio whereas fresh investments were made in Global Sukuks. As of March 31, 2021, the liquidity position was comfortable as it remained within the targeted level. The operating profit before provision was higher by 5%. However, in view of the prevalent economic conditions, the NPL charge was higher and non-performing portfolio showed an increasing trend as the infection ratio increased to 3.15% an increase of 0.37% over last quarter while the coverage ratio stood at 79.84%.

On the revenue side, due to repricing of asset portfolio on account of dip in policy rates, net revenue over the corresponding period registered a slight decrease by 4%. Further, the non-funded income increased by 42% mainly on account of increase in foreign exchange revenues and Fees & commission income. Despite high inflation, the operating expenses were contained and remained in line with the corresponding quarter.

FUTURE OUTLOOK

Proactive measures from the government and the SBP since the outbreak has been impressive and has helped the economy pick-up. The country, however, is now faced with the third wave which is proving quite challenging. The cases have already outpaced the second wave and fast approaching the first. Semi-lockdowns are already in place, and the quicker the authorities are able to vaccinate the better it will be for the country. We are cognizant of the evolving situation and foresee that the operating environment will thread on the COVID-19. We will continue to grow our balance sheet through mobilizing low cost deposits and selectively deploying them in good quality financing and investment portfolio. Further, our top priority will remain on keeping the NPL and the operating costs under tight control.

CREDIT RATING

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. These ratings were assigned in 2020 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 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: April 26, 2021