

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 June 30, 2021.

ECONOMIC OVERVIEW

The latest National Income Accounts data confirm that the economy has rebounded strongly from last year's severe Covid-shocks with GDP increasing to 3.94% over last year, led by services and industrial sectors. The strong rebound is driven by construction and large-scale manufacturing, especially the food, cement, textile and automobile sectors. The recovery has been supported by proactive fiscal measures and aggressive monetary stimulus. The announcement of recent pro-growth budget further presses on government's commitment in this regard.

With global trade picking up and uptick in commodity prices (particularly oil), the external sector has started to normalize. The current account for May posted a sharp deficit of USD600mn – leaving 11MFY21 surplus to a meager USD0.15mn. With the historic high remittances, the reserve build-up has remained strong with a healthy import cover of 4 months. Going forward, the deficit is expected to widen further – consistency in remittances and potential growth in exports will be key to the overall external picture. On top of USD2.5bn raised in the international market in March'21 through an oversubscribed Eurobonds, the country recently further raised USD1bn to support its FX reserves. Encouragingly, SBP's Roshan Digital Account initiative is picking pace and has already attracted additional USD1.5bn by June end through new 181k accounts. PKR witnessed weakness against the USD in the latter part of the quarter owing to usual June outflows, however, given the USD inflows, the pressure is expected to subside.

Inflation for the month of June came in at 9.7%, slightly lower than 10.9% in May. FY21 inflation averaged at 8.9%, which keeps the real rates in the negative territory. Inflation remains elevated on account of food prices, tariff hikes and petroleum prices. The SBP expects the medium term inflation to hover within the range of 5-7%. Considering the uncertainty around the inflation and growth outlook, the Monetary Policy Committee expects monetary policy to remain accommodative in the near term, and any adjustments in the policy rate to be measured and gradual to achieve mildly positive real policy rates over time.

FINANCIAL HIGHLIGHTS

	-----Rs. in millions -----		
Statement of Financial Position	30-June-21	31-Dec-20	Variance
Islamic financing and related assets	215,947	199,416	8%
Total assets	319,025	303,262	5%
Net equity	26,315	24,624	7%
Number of branches	235	235	-
Profit and Loss Account	30-June-21	30-June-20	Variance
Profit before tax	2,867	2,926	-2%
Profit after tax	1,756	1,784	-2%
Earnings per share (Rs.)	1.51	1.53	-1%

In order to cope with prevalent low policy rate scenario and to seize the anticipated GDP growth, the Bank continued its focus to enhance the low cost Deposit base and increase its Financing book, during HY' 21. The Bank is actively supporting SBP's measure for economic revival and has extended financing to its customers under a number of SBP refinance schemes. Despite the recoveries made during the period, non-performing portfolio showed an increasing trend as the infection ratio increased to 3.07% an increase of 0.29% compared to Dec 20. Considering the prevailing economic conditions, the Bank

during the period continued its prudent approach by booking an additional general provision of PKR 250 million in addition to the regulatory requirements. This has improved the overall non-performing financing coverage ratio to 81.06%.

The non-funded income grew by 60% compared to same period last year on account of increase in commission from Trade and Consumer finance, branch banking commission and exchange income. In addition healthy capital gain on disposal of investments was also realized during the period.

Despite increase in financing portfolio the net profit earned declined as the asset book was fully repriced as a result of policy rate cuts last year. Whereas, the deposit portfolio was substantially repriced last year. Despite high inflationary impact, the increase in operating expenses were contained and remained in line with inflation.

FUTURE OUTLOOK

Proactive measures from the government and the SBP since the Covid outbreak has been impressive and has helped the economy pick-up. The government has set an optimistic GDP growth and revenues target for the year, where achievement of GST and Petroleum Levy target will be of key importance. With the uptick in economy, the bank will focus on growth of financing and investment portfolio through mobilization of low cost deposits and generating non-fund based income.

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 2021 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 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: July 27, 2021