

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, 2022.

ECONOMIC OVERVIEW

In response to significant uncertainty around the outlook for international commodity prices and global financial conditions, which had been exacerbated by the Russia-Ukraine conflict, the Monetary Policy Committee (MPC) in its last meeting raised the policy rate by 250 basis points to 12.25percent. The MPC was of the view that this action would help to safeguard external and price stability.

Since the last MPC meeting, the outlook for inflation has deteriorated and risks to external stability have risen. Externally, futures markets suggest that global commodity prices, including oil, are likely to remain elevated for longer and the Federal Reserve is likely to increase interest rates more quickly than previously anticipated, likely leading to a sharper tightening of global financial conditions. On the domestic front, the inflation out-turn in March surprised on the upside, with core inflation in both urban and rural areas also rising significantly. While timely demand-moderating measures and strong exports and remittances saw the February current account deficit shrink to \$0.5 billion, its lowest level this fiscal year, heightened domestic political uncertainty contributed to a 5 percent depreciation in the rupee and a sharp rise in domestic secondary market yields as well as Pakistan's Eurobond yields and CDS spreads since the last MPC meeting. In addition, there has been a decline in the SBP's foreign exchange reserves largely due to debt repayments and government payments pertaining to settlement of an arbitration award related to a mining project. Some of this decline in reserves is expected to be reversed as official creditors renew their loans.

As a result of these developments, average inflation forecasts have been revised upwards to slightly above 11 percent in FY22 before moderating in FY23. The current account deficit is still expected to be around 4 percent of GDP in FY22. While the non-oil current account balance has continued to improve, the overall current account remains dependent on global commodity prices. FBR tax collections grew strongly by 30 percent (y/y) during Jul-Feb FY22, in part due to a depreciated exchange rate and higher imports than last year as well as strengthened tax collection efforts. This offsets declines in non-tax revenues due to lower petroleum development levy revenues and increased spending, including on subsidies and grants.

Further, SBP is in the process of taking further actions to reduce pressures on inflation and the current account, namely an increase in the interest rate on the export refinance scheme (EFS) and widening the set of import items subject to cash margin requirements. Looking ahead, the increase in policy rate, together with a reduction in domestic political uncertainty and prudent fiscal policies, should help ensure that Pakistan's robust economic recovery from Covid-19 remains sustainable.

FINANCIAL HIGHLIGHTS

-----Rs. in millions -----			
Statement of Financial Position	31-Mar-22	31-Dec-21	Variance
Islamic financing and related assets	238,629	225,365	6%
Total assets	361,681	351,474	3%
Deposits and other accounts	264,467	261,574	1%
Net equity	28,057	27,567	2%
Number of branches	235	235	-
Profit and Loss Account	31-Mar-22	31-Mar-21	Variance
Profit before tax	1,470	1,341	10%
Profit after tax	895	800	12%
Earnings per share (Rs.)	0.77	0.69	12%

The Bank posted a notable 12% increase in profit after tax for the period ended March 31, 2022. Profit before taxation was recorded at Rs. 1.47 billion, showing a healthy growth of 10% over the corresponding period last year. Earnings per share for the current period were reported at Rs. 0.77 as against Rs. 0.69 for the corresponding period last year.

The Corporate and Consumer financing portfolio showed strong growth on the back of robust economic recovery duly supported by both monetary and fiscal stimulus provided by State Bank of Pakistan (SBP) and the Government. The Bank maintains a comfortable level of provision against its non-performing financing with a coverage ratio of 104% while its non performing ratio stood lower at 2.92%.

Aggregate net revenues for the current period are reported at Rs.3.49 billion, improving by 25% from Rs.2.80 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 volumes. Further, other income also increased during the period under review on account of foreign exchange revenues by 12%. Although, operating expenses increased mainly reflecting the impact of Rupee devaluation and inflationary upsurge, the cost to income ratio remained at 54%.

FUTURE OUTLOOK

Pakistan was able to see through the fifth wave of COVID, alike the previous waves. However, the current political uncertainty and upsurge in international commodity prices have hurt the external position of the country. Considering the recent demand indicators, increase in international commodity prices and rise in current account deficit, the SBP measures of increasing the policy rate and macroprudential tightening of consumer finance to moderate demand growth are part of the move towards gradually normalizing monetary conditions. Looking ahead, the bank will focus on mobilizing low-cost deposits and selectively growing its financing portfolio to enhance its funded and non-funded 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 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 18, 2022