Dubai Islamic Bank بنك دبي الإسلامي

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, 2022.

ECONOMIC OVERVIEW

The State Bank of Pakistan (SBP), in its recent meeting, decided to maintain the policy rate at 15 percent on account of the continued deceleration in economic activity as well as the decline in headline inflation and the current account deficit. It also noted that the recent floods have altered the macroeconomic outlook and a fuller assessment of their impact is underway. However, based on current statistics, GDP growth could fall to around 2 percent in FY23, compared to the previous forecast of 3-4 percent before the floods. Meanwhile, higher food prices could raise average headline inflation in FY23 somewhat above the pre-flood projection of 18-20 percent. As of September, the headline inflation reached to 23.2% (y/y). The impact on the current account deficit is likely to be muted, with pressures from higher food and cotton imports and lower textile exports largely offset by slower domestic demand and lower global commodity prices.

The current account deficit shrank for the second consecutive month in August to only $0.7 billion, almost half the level in July. In September, the trade deficit contracted sharply by 30.6 percent (y/y) to reach $2.9 billion, reflecting a decline in both energy and non-energy imports amid stable exports. During the period, imports have declined by 12.7 percent (y/y) to $16.3 billion while exports have grown by 1.8 percent (y/y) to $7 billion. In addition, as experienced after previous natural disasters in Pakistan, the impact on the current account could be further cushioned by international assistance in the form of current transfers. Given secured external financing and additional commitments in the wake of the floods, FX reserves should improve through the course of the year.

Resumption of the IMF program stays the key part with recent Government measures of increasing the Corporate and individual tax rates as well as doing away with several tax credits and curtailing expenditures to increase the revenues and reducing the budget deficit.

FINANCIAL HIGHLIGHTS

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

Statement of Financial Position	30-Sep-22	31-Dec-21	Variance
Investments	103,789	84,862	22%
Islamic financing and related assets	284,865	225,365	26%
Total assets	434,054	351,474	23%
Deposits and other accounts	301,590	261,574	15%
Net equity	29,442	27,567	7%
Number of branches	235	235	-
Profit and Loss Account	**30-Sep-22**	**30-Sep-21**	**Variance**
Profit before tax	6,637	4,346	53%
Profit after tax	3,415	2,656	29%
Earnings per share (Rs.)	2.93	2.28	29%

The Bank delivered exceptional results during the period by posting a notable increase of 53% in profit before tax for the period ended September 30, 2022. Profit after taxation was recorded at Rs. 3.4 billion, showing a growth of 29% over the corresponding period last year. This is despite the fact that the bank had to take additional tax charge of PKR 618 million on account of 10% corporate and super tax levied on the bank income for the year 2022. Earnings per share for the current period were reported at Rs. 2.93 as against Rs. 2.28 for the corresponding period last year.

Aggregate net revenues for the current period are reported at Rs.13.3 billion, improving by 52% from Rs.8.8 billion for the corresponding period last year. The increase in net profit / return is driven by solid growth in net earning assets and increase in spread resulting from re-pricing of the asset book in line with policy rate increases during the period. Further, other income also increased during the period under review on account of increase in foreign exchange revenues by 62% on account of improved trade flow and market volatility. The operating expenses increase primarily reflected the impact of inflationary upsurge and Rupee devaluation, however the cost to income ratio improved to 46.5%.

The Balance sheet footing grew by 23% through robust growth in financing and investment portfolio led by impressive growth in customer deposit by 15% and SBP refinance and Mudarabah facility. The non-performing financing portfolio showed a rising trend in the backdrop of challenging economic conditions and high policy rate. However, the non-performing ratio improved to 2.84%. The Bank continued to maintain a comfortable level of provision against its non-performing financing with a coverage ratio of 106.7%.

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 2022 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: October 27, 2022