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 information for the period ended March 31, 2023.

ECONOMIC OVERVIEW

The State Bank of Pakistan (SBP), in its recent meeting, decided to raise the policy rate further by 100 basis points, taking the policy rate to 21% an increase of 4% this year driven by persistent increase in inflation and global and domestic supply shocks. As anticipated, national CPI inflation further rose to 35.4 percent in March 2023 resulting in average inflation of 27.3 percent during Jul-Mar FY23.

The current account deficit saw a deficit of only $74 million and the cumulative deficit now stands at $3.9 billion in Jul-Feb FY23, about 68 percent lower from the same period last year. This mainly reflects the contraction in imports, which continues to outweigh the combined decline in remittances and exports. Importantly, workers' remittances have slightly recovered on m/m basis in February and the momentum is expected to continue in coming months. However, despite the lower current account deficit, higher loan repayments relative to disbursements are keeping the foreign exchange reserves under pressure. Thus, it is reemphasized that the early conclusion of the 9th review under the IMF program is critical to rebuild the FX reserve buffers.

The fiscal outcomes during Jul-Jan FY23 have been encouraging in the context of achieving macroeconomic stability. The fiscal deficit was contained to 2.3 percent of GDP during Jul-Jan FY23 compared to 2.8 percent in the same period last year, while the primary balance posted a surplus of 1.1 percent of GDP against a deficit of 0.3 percent last year. This improvement in the primary balance was achieved on the back of lower subsidies, grants and development spending. Growth in tax revenues, however, has remained below target, amidst a slowdown in economic activity, reduction in imports and inadequate policy focus on expanding the tax net, while debt servicing has increased.

FINANCIAL HIGHLIGHTS

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

Statement of Financial Position	31-Mar-23	31-Dec-22	Variance
Investments	107,905	103,361	4.4%
Islamic financing and related assets	251,056	247,768	1.3%
Total assets	412,361	445,390	-7.4%
Deposits and other accounts	308,672	345,811	-10.7%
Net equity	31,133	30,107	3.4%
Number of branches	235	235	-
Profit and Loss Account	**31-Mar-23**	**31-Mar-22**	**Variance**
Profit before tax	2,686	1,470	82.7%
Profit after tax	1,524	895	70.2%
Earnings per share (Rs.)	1.31	0.77	70.1%

Dubai Islamic Bank continued its growth trajectory and delivered excellent results – profit before tax for the period ended March 31, 2023 surged to Rs. 2.686 billion compared to the same period last year. Consequently, Profit after taxation shows a healthy growth of 70% compared to the same period last year, reaching the highest quarterly number of Rs. 1.524 billion.

Aggregate net revenues during the period reported at Rs.6.57 billion, improving by 88% from Rs. 3.492 billion compared to same period last year. The increase in net profit / return is mainly driven by higher Kibor on account of significant increase in benchmark Policy rate which increased to 20% from 9.75% compared to same period last year.

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Further considering the economic slowdown, the growth in advances and investments was negligible as the bank continued its focus on managing the health of its portfolio. As a consequence, the surplus liquidity in interbank has been repaid through reduction of high-cost deposits. The operating expenses increase primarily reflected the impact of substantial rise in inflation and a steep Rupee devaluation, however the cost to income ratio improved to 38.49%.

The non-performing financing portfolio showed a rising trend in the backdrop of current economic slowdown and high policy rate. The non-performing ratio increased to 4.5%. However, the Bank continued to maintain a comfortable level of provision against its non-performing financing with a coverage ratio of 112.6%.

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: April 17, 2023