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 June 30, 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 22% an increase of 5% this year driven by persistent increase in inflation and global and domestic supply shocks. As anticipated, national CPI inflation further rose to 38 percent in May 2023 resulting in average inflation of 29.2 percent during Jul-May FY23.

The current account continues to respond to the demand-compression policies and regulatory mix, with the deficit during Jul-Apr FY23 dropping to $3.3 billion, less than one-fourth of last year's deficit. The policy-induced contraction in imports more than offset the drop in exports and remittances. The narrowing of the current account deficit has somewhat contained pressures on the foreign exchange reserves and the interbank exchange rate, which has broadly remained stable since March 2023. However, debt repayments amid lower fresh disbursements and weak investment inflows continue to exert pressure on the FX reserves. Going forward, under the baseline assumptions of relatively favorable outlook for commodity prices and moderate domestic economic recovery next year, the current account deficit will broadly remain in check.

The fiscal position has improved in cumulative terms during Jul-Mar FY23, as the fiscal deficit reduced slightly to 3.6 percent of GDP from 3.9 percent last year, while the primary balance posted a surplus of 0.6 percent of GDP this year against a deficit last year. Notwithstanding this cumulative improvement, there has been some deterioration in fiscal indicators in Q3, largely reflecting an increase in non-interest current expenditures, mainly subsidies, and a significant deceleration in the pace of overall tax revenue. Usual end-year increase in developmental spending and further slowdown in revenue collection amidst substantial slowdown in domestic economic activity and contraction in imports, points to a further increase in the fiscal deficit in Q4. The revised estimates show fiscal deficit at 7.0 percent and primary deficit at 0.5 percent of GDP for FY23.

The recent standby arrangement of USD 3 Billion for 9 months with the IMF and the government adhering to the target of generating a primary surplus in FY24 would help in addressing external sector vulnerabilities and reduce economic uncertainty. The SBP reiterated that it would continue to carefully monitor evolving economic developments and stands ready, if necessary, to take appropriate action to achieve the objective of price stability over the medium term.

FINANCIAL HIGHLIGHTS

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

Statement of Financial Position	30-Jun-23	31-Dec-22	Variance
Investments	111,248	103,361	7.6%
Islamic financing and related assets	252,800	247,768	2.0%
Total assets	436,481	445,390	-2.0%
Deposits and other accounts	331,550	345,811	-4.1%
Net equity	32,769	30,107	8.8%
Number of branches	235	235	-

Profit and Loss Account	30-Jun-23	30-Jun-22	Variance
Profit before tax	5,250	3,811	37.8%
Profit after tax	2,859	2,005	42.6%
Earnings per share (Rs.)	2.45	1.72	42.4%

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Dubai Islamic Bank continued its growth trajectory and delivered excellent results – profit before tax for the period ended June 30, 2023 surged to Rs. 5.25 billion compared to the same period last year. Consequently, Profit after taxation shows a healthy growth of 42.6% compared to the same period last year, reaching the highest six-monthly number of Rs. 2.86 billion.

Aggregate net revenues during the period reported at Rs.13.65 billion, improving by 71.9% from Rs. 7.94 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 22% from 13.75% compared to same period last year.

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. The focus remained on growing current and low-cost deposits to reduce the cost of deposits and improve the spreads. 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 38.26%.

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 5.60%. However, the Bank continued to maintain a comfortable level of provision against its non-performing financing with a coverage ratio of 105.02%.

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 2023 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: July __, 2023 01 AUG 2023