

## 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 September 30, 2023.

## ECONOMIC OVERVIEW

The State Bank of Pakistan (SBP), in its recent meeting, decided to maintain the policy rate at 22 percent. This decision takes into account the latest inflation outturn reflecting the continuing declining trend in inflation from its peak of 38 percent in May to 27.4 percent in August 2023. Even though global oil prices have risen recently and are being passed on to consumers through adjustment in administered energy prices, inflation is projected to remain on the downward trajectory, especially from the second half of this year. Moreover, the expected ease in supply constraints owing to better agriculture output and the recent administrative measures against speculative activity in the FX and commodity markets would also support the inflation outlook.

The current account balance recorded a deficit of \$809 million in July 2023 after posting surpluses in the preceding four months. This was largely in line with the earlier full-year current account projection for FY24, which already took into account the withdrawal of import prioritization guidelines and the resultant pickup in import volumes. Nonetheless, the overall imports are expected to remain in check, supported by the favorable trend in non-oil commodity prices, moderate domestic demand and improved cotton production. Moreover, the recent structural reforms related to exchange companies will strengthen their governance structure and improve market functioning.

In the initial two months of FY24, FBR's revenues recorded a 27.2 percent increase over the same period last year. This improvement reflects the impact of both fiscal measures and some recovery in economic activity. The SBP views that achieving the targeted primary surplus of 0.4 percent of GDP is critical to support monetary policy in delivering on its objective of price stability. More importantly, attaining fiscal consolidation through broadening the tax base, providing targeted subsidies only to the most vulnerable, and reducing losses of public sector enterprises through privatization or reforms would help bring inflation down in the targeted range and achieve sustainable economic growth over the medium term.

## FINANCIAL HIGHLIGHTS

-----Rs. in millions -----			
Statement of Financial Position	30-Sep-23	31-Dec-22	Variance
Investments	115,961	103,361	12.2%
Islamic financing and related assets	242,169	247,768	-2.3%
Total assets	425,123	445,390	-4.6%
Deposits and other accounts	321,495	345,811	-7%
Net equity	34,424	30,107	14.3%
Number of branches	235	235	-
Profit and Loss Account	30-Sep-23	30-Sep-22	Variance
Profit before tax	8,832	6,637	33.1%
Profit after tax	4,678	3,415	37.0%
Earnings per share (Rs.)	4.02	2.93	37.2%

The Bank's profit before tax for the period ended September 30, 2023 surged to Rs. 8.83 billion compared to the same period last year. Consequently, Profit after taxation shows a healthy growth of 37% compared to the same period last year, reaching the highest nine-months number of Rs. 4.68 billion.



Aggregate net revenues during the period reported at Rs.21.69 billion, improved by 62.6% from Rs. 13.34 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 15% compared to same period last year.

The Bank's investment portfolio experienced an increase of 12.2% from last year reaching Rs. 115.96 billion. The issuance of Government of Pakistan Ijarah Sukuk at regular intervals has played a significant role in expanding the bank's investment book. 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 37.65%.

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 5.90%. However, the Bank continued to maintain a comfortable level of provision against its non-performing financing with a coverage ratio of 116.81%.

### **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: October 26, 2023