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, 2024.

ECONOMIC OVERVIEW

The State Bank of Pakistan (SBP), in its recent meeting, decided to maintain the policy rate at 22 percent. In approaching the decision, SBP noted that inflation has begun to decline noticeably from H2-FY24. The headline inflation registered a broad-based and considerable y/y decline from 28.3 percent in January to 23.1 percent in February. While food inflation continued to trend down, core inflation, which had been sticky, also decelerated to 18.1 percent in February from 20.5 percent in January. On the global front, while the broader trend in commodity prices remained benign, oil prices have increased partly reflecting the continued tense situation in the Red Sea.

The current account recorded a deficit of $269 million in January 2024. This resulted in a cumulative deficit of $1.1 billion during July-January FY24, which is down by around 71 percent y/y. The improvement largely owes to narrowing of the trade deficit, driven by both an increase in exports and a decline in imports. The exports have risen on the back of higher food exports, whereas import payments have remained subdued due to better domestic agriculture output, moderate domestic demand and supportive global commodity prices. Moreover, workers' remittances have been rising consistently on y/y basis since October 2023, supported by incentives and regulatory reforms to channelize inflows via formal channels. Financial inflows showed a modest decline in January amidst continuing public debt repayments in the absence of significant official and private sector inflows. Based on SBP assessment, the current account deficit is likely to remain closer to the lower bound of 0.5 to 1.5 percent of GDP forecast range for FY24, which will support the FX reserves position.

During H1-FY24, the primary surplus improved to 1.7 percent of GDP from 1.1 percent in the same period last year, while the overall fiscal deficit deteriorated to 2.3 percent of GDP from 2.0 percent in H1-FY23. Improvement in the primary surplus to GDP ratio is mainly contributed by better revenue collection, primarily from non-tax sources, and relatively contained non-interest expenditures. Sizeable increase in interest payments amidst high debt levels and increasing reliance on costly domestic financing led to an expansion in the overall deficit.

FINANCIAL HIGHLIGHTS

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

Statement of Financial Position	31-Mar-24	31-Dec-23	Variance
Investments	124,396	121,362	2.5%
Islamic financing and related assets	239,418	243,068	-1.5%
Total assets	427,400	430,992	-0.8%
Deposits and other accounts	316,306	324,877	-2.6%
Net equity	39,651	37,165	6.7%
Number of branches	235	235	-

Profit and Loss Account	31-Mar-24	31-Mar-23	Variance
Profit before tax	4,799	2,686	78.7%
Profit after tax	2,441	1,524	60.2%
Earnings per share (Rs.)	2.10	1.31	60.3%

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Dubai Islamic Bank recorded excellent results for the First quarter 2024 by posting a notable increase of 78.7% in profit before tax compared to same period last year. Profit after taxation was recorded at Rs. 2.441 billion, showing a growth of 60.2% compared to the same period last year.

Aggregate net revenues during the period reported at Rs.8.5 billion, improved by 29.3% from Rs. 6.57 billion compared to the same period last year primarily due to the impact of increase in the policy rate. The financing book showed a slight decline due to depressed demand on account of challenging economic situation and high policy rate. The Bank's investment portfolio of Government of Pakistan (GoP) Ijarah Sukuk grew slightly from last year as the surplus liquidity was invested in GoP Ijarah Sukuk. 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 stood at 38.05%.

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 6.27%. However, the Bank continued to maintain a comfortable level of provision against its non-performing financing.

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: April 26, 2024