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, 2024.

ECONOMIC OVERVIEW

The State Bank of Pakistan (SBP), in its recent meeting decided to reduce the policy rate by 100 bps to 19.5 percent. In approaching the decision, SBP noted that inflation has begun to decline noticeably from H2-FY24. The headline inflation for the month decelerated to 11.8 percent in May 2024 from 17.3 percent in April. Besides the continued tight monetary policy stance, this sharp reduction was also driven by a sizeable decline in prices of food items, along with the downward adjustment in administered energy prices. Core inflation also decelerated to 14.2 percent from 15.6 percent. The SBP anticipates a potential rise in inflation due to FY25 budgetary measures and future energy price adjustments but expects inflation to trend down gradually during FY25.

The current account posted a surplus for the third consecutive month in April on the back of robust growth in remittances and exports, which more than offset the uptick in imports. During July-April FY24, the current account deficit narrowed significantly to $202 million. In the same period, exports grew by 10.6 percent. Conversely, imports decreased by 5.3 percent during the same period due to lower international commodity prices, better domestic agriculture output and moderate economic activity. Workers' remittances also remained robust in recent months, reaching an all-time high of $3.2 billion in May 2024. The resultant lower current account deficit, along with improved FDI and the disbursement of SBA tranche in April, has facilitated ongoing large debt repayments and supported the SBP's FX reserves. The government has also approached the IMF for an Extended Fund Facility program, which is likely to unlock financial inflows that will help in further build-up of FX buffers.

During July-March FY24, the primary surplus increased to 1.5 percent of GDP, while the overall deficit remained almost at last year's level. A large part of this improvement reflected the impact of increase in tax and PDL rates, higher SBP profit, and lower energy sector subsidies. Based on these developments, SBP noted that the real interest rate still remain significantly positive, which is important to continue guiding inflation to the medium-term target of 5 – 7 percent.

FINANCIAL HIGHLIGHTS

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

Statement of Financial Position	30-Jun-24	31-Dec-23	Variance
Investments	137,966	121,362	13.7%
Islamic financing and related assets	239,824	243,068	-1.3%
Total assets	442,143	430,992	2.6%
Deposits and other accounts	326,110	324,877	0.4%
Net equity	41,473	37,165	11.6%
Number of branches	235	235	-

Profit and Loss Account	30-Jun-24	30-Jun-23	Variance
Profit before tax	8,536	5,250	62.6%
Profit after tax	4,337	2,859	51.7%
Earnings per share (Rs.)	3.72	2.45	51.8%

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Dubai Islamic Bank recorded impressive results for the half year ended 2024 by posting a notable increase of 62.6% in profit before tax compared to same period last year. Profit after taxation was recorded at Rs. 4.337 billion, showing a growth of 51.7% compared to the same period last year.

Aggregate net revenues during the period reported at Rs.15.65 billion, improved by 14.6% from Rs. 13.66 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 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 40.78%.

The non-performing financing portfolio showed a rising trend amidst the current economic situation and high policy rate. The non-performing ratio increased to 7.07%. While the Bank is committed to efforts aimed at recovering the classified portfolio and has made healthy recoveries, the focus remains on close monitoring of the financing portfolio. Effective January 1, 2024, the Bank has adopted IFRS 9 – Financial Instruments, resulting in changes in accounting policies and adjustments to the amounts previously recognized in the financial statements. A detailed disclosure in this respect is provided in note 3.3 to the condensed interim financial statements.

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 2024 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: Aug 27, 2024