

## 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, 2024.

## ECONOMIC OVERVIEW

The State Bank of Pakistan (SBP), in its recent meeting, reduced the policy rate by 200 basis points to 17.5%, citing a sharper-than-expected decline in inflation due to delayed energy price hikes and favorable global oil and food prices. However, the SBP maintained a cautious stance due to ongoing uncertainties. The tight monetary policy over the past year has been pivotal in reducing inflation, aligning it with the medium-term target of 5-7% and has resulted in policy rate reduction by 4.5% during the period.

The Pakistan Stock Exchange (PSX) also continued its robust ascent, posting significant growth of 30% with the PSX-100 Index closing at 81,114 points at the end of Sep 2024 from 62,451 points in December 2023, emerging as one of the best-performing indices globally, attributed to political stability, improved economic fundamentals and positive market sentiments.

The GDP growth forecast for FY25 remains between 2.5-3.5%, with the industrial and services sectors benefiting from easing inflation and lower policy rates. Pakistan's current account posted a surplus of \$75 million in August 2024 compared to a deficit of \$152 million in the same month of the previous fiscal year. The improvement in the current account is due to remittances which clocked in at \$2.9 billion, up 40% YoY. In 2MFY25, remittances are up 44% YoY.

FBR tax collections grew by 20.5% during July-August FY25, but the pace will need to accelerate to meet the annual target. Fiscal consolidation over the past two years has reduced the public debt-to-GDP ratio from 75% at end-June 2023 to 67.2% at end-June 2024. Reforms, particularly in tax base expansion and energy sector restructuring, are expected to sustain this progress.

Headline inflation dropped to 9.6% in August 2024, down from 12.6% in June, while core inflation declined to 11.9%. This reflects improved food supplies and lower global commodity prices, though risks remain from potential energy price adjustments and additional taxation measures. FY25 inflation could fall below the earlier forecast of 11.5-13.5%, contingent on fiscal discipline and timely external inflows. In Sep-2024, the International Monetary Fund (IMF) approved a 37-month Extended Fund Facility (EFF) for Pakistan, marking the seventh EFF for the country and potentially the largest program to date, amounting to \$7.1 billion. This significant financial support aims to enhance the effectiveness of the government and accelerate economic transformation in Pakistan.

In Aug'2024, Moody's upgraded Pakistan's credit rating from Caa3 to Caa2 and changed the outlook to positive. This decision reflects improving macroeconomic conditions and better government liquidity and external positions, significantly reducing the country's default risk.

## FINANCIAL HIGHLIGHTS

-----Rs. in millions-----			
Statement of Financial Position	30-Sep-24	31-Dec-23	Variance
Investments	146,551	121,362	20.8%
Islamic financing and related assets	221,914	243,068	-8.7%
Total assets	431,391	430,992	0.1%
Deposits and other accounts	327,586	324,877	0.8%
Net equity	44,356	37,165	19.3%
Number of branches	235	235	-

Registered Office: رجسٹرڈ آفس:  
Hassan Chambers, DC-7, Block-7, کھکشان، بلاک 7، ڈی سی 7  
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Profit and Loss Account	30-Sep-24	30-Sep-23	Variance
Profit before tax	12,883	8,832	45.9%
Profit after tax	6,508	4,678	39.1%
Earnings per share (Rs.)	5.59	4.02	39.1%

Dubai Islamic Bank recorded impressive results for the period ended September 30, 2024 by posting a notable increase of 45.9% in profit before tax compared to same period last year. Profit after taxation was recorded at Rs. 6,508 billion, showing a growth of 39.1% compared to the same period last year.

Aggregate net revenues during the period reported at Rs. 23.01 billion, improved by 6.1% from Rs. 21.69 billion compared to the same period last year. The financing book showed a slight decline due to depressed demand on account of challenging economic situation and high policy rate during the period. 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 42.58%.

The non-performing financing portfolio showed a rising trend amidst the current economic situation and high policy rate. The non-performing ratio increased to 8.62%. 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.

#### 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

Dated: 23 OCT 2024

  
Director