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, 2025.

ECONOMIC OVERVIEW

The State Bank of Pakistan (SBP), in its recent meeting, decided to maintain the policy rate at 12 percent reflecting easing inflationary pressures and improved growth prospects. Headline inflation further declined to 1.5 percent y/y in February 2025 from 2.4 percent in the preceding month, driven by declining food inflation along with global oil prices, stable exchange rate and a favorable base effect. However, core inflation is still at an elevated level and is proving stickier than anticipated. The SBP reiterated the importance of maintaining a cautious monetary policy stance to stabilize inflation within the target range of 5-7 percent.

Real GDP growth for FY25 is projected at 2.5–3.5% supported by improved agricultural output, robust industrial activity and higher cement, auto, and fertilizer sales. The current account turned into a deficit in January 2025, reducing the July–January surplus to $0.7 billion, mainly due to rising import volumes and higher global commodity prices. However, strong remittances and moderate export growth helped in financing the elevated imports. The SBP maintained its FY25 current account forecast of a surplus to a deficit of 0.5% of GDP. Despite weak net inflows, most debt repayments for the year have been completed. With expected official inflows and lower repayments ahead, SBP's FX reserves are projected to exceed $13 billion by June 2025.

Fiscal indicators improved in H1-FY25, supported by higher non-tax revenues and lower subsidy spending. While FBR tax collection fell short in Jan–Feb 2025, the overall fiscal balance is expected to stay near target. The SBP stressed the need for continued fiscal consolidation and tax base expansion. Broad money (M2) growth stayed at 11.4% YoY. Government borrowing picked up, while private sector credit declined due to earlier aggressive lending by banks during Q2-FY25 to avoid Advance to Deposit Ratio related taxation. Still, SBP noticed that private sector credit growth of 9.4% signals recovering economic activity and impact of ease in financial conditions.

SBP reaffirmed its cautious approach to policy adjustments, ensuring sustainable growth while managing inflation and external account risks.

FINANCIAL HIGHLIGHTS

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

Statement of Financial Position	31-Mar-25	31-Dec-24	Variance
Investments	146,356	143,839	1.7%
Islamic financing and related assets	231,849	203,608	13.9%
Total assets	438,620	452,890	-3.2%
Deposits and other accounts	312,437	346,873	-9.9%
Net equity	46,599	44,947	3.7%
Number of branches	235	235	-

Profit and Loss Account	31-Mar-25	31-Mar-24	Variance
Profit before tax	4,724	4,799	-1.6%
Profit after tax	2,210	2,441	-9.5%
Earnings per share (Rs.)	1.9	2.10	-9.5%

Despite the drastic decline in policy rate, lagged inflationary impact on operating costs and increase in corporate tax rate, the Bank achieved profit after tax of PKR 2.2bln as compared to PKR 2.4bln for the corresponding period. This was achieved due to excellent recoveries of Non-performing financing during the quarter.

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The Bank's financing portfolio showed a healthy growth of approx. PKR 28bln (14%) during the quarter primarily on account of increase in the corporate portfolio, as surplus liquidity was invested to optimize returns. The Bank continued to focus on the mobilization of current and low-cost deposits to offset the impact of declining policy rate on spreads.

Aggregate net revenues for the period stood at Rs 6.47 billion, reflecting a 23.9% decline from Rs. 8.50 billion recorded in the corresponding period last year. This decrease was primarily driven by the repricing impact as the policy rate declined from 21% to 12% compared to same period of last year.

The non-performing financing ratio improved to 7.67%, supported by the Bank's dedicated efforts towards recovery from the classified portfolio and growth of the financing portfolio. The Bank remains focused on close monitoring of the financing book to maintain asset quality.

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 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: 23 APR 2025