



CHAIRMAN'S REVIEW & DIRECTORS' REPORT TO THE MEMBERS

On behalf of the Board of Directors, we are pleased to present the annual report along with the annual audited financial statements and auditors' report thereon of Dubai Islamic Bank Pakistan Limited – DIBPL ('the Bank') for the year ended December 31, 2021.

ECONOMIC OVERVIEW

The pace of Pakistan's economic recovery performed well as high frequency indicators of domestic demand have remained robust while inflation and the trade deficit have risen further due to rising global prices and domestic economic growth.

Despite strong exports and remittances, the current account deficit has increased sharply this year due to rise in imports, and recent outturns have been higher than earlier expected. Imports rose to \$32.9 billion during July-November FY22, compared to \$19.5 billion during the same period last year. Around 70 percent of this increase in imports stems from the sharp rise in global commodity prices, while the rest is attributable to stronger domestic demand. As a result, the current account deficit is projected at around 4 percent of GDP, somewhat higher than earlier projected. While in the near term monthly current account and trade deficit figures are likely to remain high, they are expected to gradually moderate in the second half of FY22 as global prices normalize with the easing of supply disruptions and tightening of monetary policy by major central banks. Moreover, the current account deficit is expected to be fully financed from external inflows. As a result, foreign exchange reserves should remain at adequate levels through the rest of the fiscal year and resume their growth trajectory as global commodity prices ease and import demand moderates. During July-November FY22, fiscal revenue growth has been strong, driven by a broad-based and above-target increase in FBR tax collections (36.5 percent (y/y)). However, lower petroleum development levy collection led to a decline in non-tax revenues (22.6 percent (y/y) in Q1 FY22). On the expenditure side, development spending and subsidies and grants have increased significantly during this period.

The momentum in inflation has continued as recently headline inflation increased to 11.5 percent (y/y). Core inflation in urban and rural areas also rose to 7.6 and 8.2 percent, respectively, reflecting domestic demand growth. Looking ahead, based on this momentum and the expected path of energy tariffs, SBP expects inflation to average 9 – 11 percent this fiscal year. Subsequently, as global commodity prices retrench, administered price increases dissipate, and the impact of demand-moderating policies materializes, inflation is expected to decline toward the medium-term target range of 5-7 percent during FY23.

Recently, the Monetary Policy Committee of State Bank of Pakistan decided to raise the policy rate by 150 and 100 basis points in November 2021 and December 2021 respectively. The policy rate stood at 9.75% as of December 31, 2021. The goal of this decision is to counter inflationary pressures and ensure that growth remains sustainable.

Registered Office:

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FINANCIAL HIGHLIGHTS

	-----Rupees in millions-----		
	2021	2020	Variance
Investments	84,862	66,580	27%
Islamic financing and related assets	225,365	199,416	13%
Total assets	351,474	303,262	16%
Deposits and other accounts	261,574	237,553	10%
Net equity	27,567	24,624	12%
Number of branches	235	235	-
Profit before tax	5,055	4,787	6%
Profit after tax	3,089	2,894	7%
Earnings per share (Rs.)	2.65	2.48	7%

Dubai Islamic Bank continued its growth trajectory and recorded impressive results for the year 2021. The Bank posted profit after tax of Rs. 3.1 billion compared to Rs. 2.9 billion in the previous year, showing a growth of 7%. Earnings per share for the year stood at Rs. 2.65 per share compared to Rs. 2.48 per share for 2020.

Despite the challenging conditions, the Bank grew its balance sheet through robust growth of 10% in deposits. The CASA deposits ratio showed healthy improvement as it stood 80% compared to 74% of last year. On the asset side, the Corporate and Consumer financing portfolio showed strong growth on the back of robust economic recovery duly supported by both monetary and fiscal stimulus provided by State Bank of Pakistan (SBP) and the Government. The investment portfolio also grew impressively as fresh investment were made in Government Ijarah and Global Sukuks compared to last year.

The total income grew steadily inspite of major policy rate cuts last year, which had a negative impact on the net funded margin for the year 2020. This was primarily on account of excellent growth of 47% over last year in the non-funded income through healthy increase in investment banking fees, commission from Trade and Consumer finance, branch banking commission and exchange income. In addition, healthy capital gain on disposal of investments was also realized during the year. Despite recoveries made during the year, the non-performing portfolio showed an increasing trend. The infection ratio increased slightly to 2.81% as compared to 2.78% of last year. However, it is far better than the overall banking sector infection ratio of over 8%. The bank continued its strategy of improving its NPL coverage by taking additional specific and general provision of PKR 2,090M during the year. Accordingly, the coverage ratio stood at 106%.

The operating expenses increase was contained and remained in line with inflation and PKR devaluation.

CORPORATE AWARDS & RECOGNITION

DIBPL continues to be recognized locally and globally. In 2021, the Bank won seven awards in multiple categories from reputable institutions namely Cambridge IFA-UK (IRBA - Islamic Retail Banking Awards), CFA Society - Pakistan & IFFSA Sri Lanka (Islamic Finance Forum of South Asia). The award categories included Islamic Bank of the Year, Islamic Finance Entity of the Year, Islamic Bank of the Year (Large Category) Islamic Finance Deal of the year, Best Islamic Retail Bank in Pakistan 2021 and IRBA Excellence Award for Auto Finance 2021.

CORPORATE SOCIAL RESPONSIBILITY

DIBPL considers itself as a Corporate Social Responsible entity and keeps it as an integral element of its value system. The Bank remains committed to its objective of paying back to the society – both directly and indirectly, and in this regard have contributed through various initiatives. To counter the persistent

challenges including COVID-19, Dubai Islamic Bank Pakistan participated in relief efforts via different NGOs and contributed to reduce the impact, also facilitating its employees and their families for mass vaccination at our Head Office and Regional offices nationwide. The Bank also contributed funds to various NGOs for educational and health purposes.

CREDIT RATING

During the year, 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. The assigned ratings incorporate sound performance indicators of the Bank along with strong sponsor support.

AUDITORS

The retiring auditors, Yousuf Adil, Chartered Accountants being eligible, have offered themselves for reappointment. As required under Code of Corporate Governance the Board and the Audit Committee have recommended the appointment and remuneration of Yousuf Adil, Chartered Accountants as auditors of the Bank for the year ending December 31, 2022.

RISK MANAGEMENT FRAMEWORK

The Bank is progressively implementing the guidelines issued by the SBP on risk management while keeping in sight the current and future scale and scope of its activities. The Bank has adopted a structured risk management approach which entails risk assessment, policies, procedures and strategies development which are put in place to identify, measure, monitor and control the risk faced and mitigation of risk using adequate and relevant resources. The overall responsibility of risk management rests with the Board of Directors and it has constituted Board Risk Monitoring Committee (BRMC) comprising of Board members with clear terms of reference. Various Management Committees such as Risk Management Committee (RMC), Management Credit Committee (MCC) and Asset and Liability Committee (ALCO) support these goals.

OTHER MATTERS

The Board of Directors is pleased to endorse the following statements in the Annual Report:

- Statement of Compliance with Code of Corporate Governance Regulations (CCG), 2019
- Risk Management Framework of the Bank
- Statement made by the Management relating to Internal Controls over Financial reporting along with overall internal controls. Further, the Bank has submitted the external auditors' Long Form Report for the period ended December 31, 2020, to the State Bank of Pakistan.
- Bank appointed Pakistan Institute of Corporate Governance (PICG) to conduct Board Performance evaluation for the year 2020.

BOARD COMPOSITION & MEETINGS

In line with the requirements of the CCG, the Bank encourages representation of independent and non-executive directors on the Board. The composition of the Board subject to FPT approval by SBP will be as follows:

Total number of Directors 8

Composition:

- | | | |
|-------|--------------------------|-----|
| (i) | Independent Directors: | 3 |
| (ii) | Non-executive Directors: | 5 |
| (iii) | Executive Director: | Nil |
| (iv) | Female Directors: | 2 |

The number of meetings of the Board and its Committees attended by each of the respective Director, during the year is shown below:

Number of Meetings held	BOD	BAC	BRMC	REMCO	BITC
	4	4	4	6	4
NAME					
Mr. Mohamed Saeed Ahmed Abdulla Al Sharif (Non-Executive)	4	-	-	-	-
Mr. Muhammad Saleem (Non-Executive)	4	-	-	6	-
Mr. Obaid Khalifa Mohammed Rashed Al Shamsi (Non-Executive)	3	-	-	5	-
Mr. Muhammad Raza Jessani (Non-Executive) – <i>Appointed on 31-05-2021.</i>	2	-	1	-	-
Mr. Salman Liaqat (Non-Executive) – <i>Resigned on 31-05-2021.</i>	2	-	2	-	1
Mr. Muhammad Maqbool Alam (Independent Director) – Retired on October 30, 2021.	4	4	-	-	4
Mr. Naved A. Khan (Independent Director)- Retired on October 30, 2021.	4	-	4	-	4
Mr. John Stephen Grota Macedo (Non-executive)	4	4	4	-	-
Ms. Shabnam Faqir Mohammad (Independent Director)	4	4	-	6	-
Mr. Junaid Ahmed - CEO	4	-	-	-	-

PATTERN OF SHAREHOLDING AS OF December 31, 2021

Name of Shareholders	No. of Shares	%
Dubai Islamic Bank PJSC, UAE - the Holding Company (Sponsor)	1,165,227,976	99.99993
Mr. Mohamed Saeed Ahmed Abdulla Al Sharif	100	0.00001
Mr. Obaid Khalifa Mohammed Rashed Al Shamsi	100	0.00001
Mr. Muhammad Saleem	100	0.00001
Mr. Muhammad Raza Jessani	100	0.00001
Mr. John Stephen Grota Macedo	100	0.00001
Mr. Muhammad Maqbool Alam	100	0.00001
Mr. Naved A. Khan	100	0.00001
Ms. Shabnam Faqir Mohammad	100	0.00001
	1,165,228,776	100

DIRECTORS' REMUNERATION

The Board Remunerations and Nominations Committee of the Bank has approved the Nomination and Remuneration Policy and Procedures for the directors in accordance with the Companies Act, 2017 and applicable regulations. Independent directors are entitled for the fee for attending the Board and its sub-committee meetings. The levels of remuneration are appropriate and commensurate with the level of responsibility and expertise required to govern in the best interest of the Bank and its Shareholders.

FUTURE OUTLOOK

Pakistan had successfully coped with multiple waves of the COVID-19 with the economic growth rebounding to 3.94% for FY21. The outlook for the economy is positive and the Government has set a GDP growth target of 4.8% for FY2022. However, the emergence of the new Coronavirus variant, Omicron, poses some concerns, but at this stage there is limited information about its severity. Considering the recent demand indicators, increase in international commodity prices and rise in current account deficit, the SBP measures of increasing the policy rate and macroprudential tightening

of consumer finance to moderate demand growth are part of the move towards gradually normalizing monetary conditions. Looking ahead, the Bank will focus on mobilizing low-cost deposits and maximizing its risk adjusted returns through selectively growing its financing & investment portfolio. In addition, focus will remain on increasing its non-funded income and keeping NPLs and operating cost increases under tight control.

SIX YEARS FINANCIAL SUMMARY

Rupees in 'millions'

	2021	2020	2019	2018	2017	2016
Investments	84,862	66,580	49,157	45,851	41,474	27,212
Islamic financing and related assets-net of provision	225,365	199,416	177,922	153,306	119,522	93,911
Deposits and other accounts	261,574	237,553	209,952	182,187	149,295	129,265
Net equity	27,567	24,624	22,163	16,750	14,912	12,107
Total assets	351,474	303,262	264,639	231,823	184,994	152,133
Number of branches	235	235	235	200	200	200
Profit before tax	5,055	4,787	5,688	4,120	2,564	1,371
Profit after tax	3,089	2,894	3,346	2,509	1,602	856
Earnings per share (Rs.)	2.65	2.48	2.87	2.15	1.41	1.22

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, under difficult conditions resulting from COVID 19 pandemic, to serve the customers and contribute towards the growth of DIBPL.

For & on behalf of the Board of Directors;


Chairman


Chief Executive Officer

Dated: 20-Jan-2022