

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, 2022.

ECONOMIC OVERVIEW

The State Bank of Pakistan (SBP), in its November'22 meeting, delivered a surprise hike of 100 basis points – taking policy rate to 16 percent. This is on the back of continued inflationary pressures (which has remained upward sticky), and depleting forex reserves amid Current Account Deficit. Inflation is being driven by persistent global and domestic supply shocks. Apart from increase in headline inflation, Food prices have also accelerated significantly due to crop damage from the recent floods, also core inflation has risen further. A sharp decline in imports driven by government's curbing measures led to a handsome moderation in the current account deficit, which still exists.

The fiscal deficit increased from 0.7 to 1 percent of GDP, with the primary surplus declining from 0.3 to 0.2 percent of GDP. This deterioration was largely due to a decline in non-tax revenues and higher interest payments. At the same time, growth in FBR tax revenues more than halved to 16.6 percent during the first four months of FY23. In response to the floods, the government has implemented relief measures for the agriculture sector, including mark-up subsidies for farmers and the provision of subsidized inputs. The floods could make it challenging to achieve the aggressive fiscal consolidation budgeted for this year, but it is important to minimize slippages by meeting additional spending needs largely through expenditure re-allocation and foreign grants, while limiting transfers only to the most vulnerable. After incorporating the Post-Disaster Needs Assessment of the floods and latest developments, the FY23 projections for GDP growth of around 2 percent and a current account deficit of around 3 percent of GDP are re-affirmed whereas core-inflation projections for FY23 have been revised upwards to 22-23percent.

Forex reserves remain a key concern for the country, considering the financial commitments it has to adhere to over the coming year. The reserves have already depleted to multi-years low – reserves with SBP stood at \$5.58 billion as of December 30th, 2022. The country is in dire need of FX inflows to shore up reserves and has been committed various inflows from friendly countries in recent week – inflows of which are expected to support the net position. 2023 will also be a crucial year politically, as general elections are scheduled. Considering the political chaos of 2022, a smooth election this year would add significant certainty to the political and economic landscape.

FINANCIAL HIGHLIGHTS

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

Statement of Financial Position	31-Dec-22	31-Dec-21	Variance
Investments	103,361	84,862	22%
Islamic financing and related assets	247,768	225,365	10%
Total assets	445,390	351,474	27%
Deposits and other accounts	345,811	261,574	32%
Net equity	30,107	27,567	9%
Number of branches	235	235	-
Profit and Loss Account	31-Dec-22	31-Dec-21	Variance
Profit before tax	7,962	5,055	58%
Profit after tax	3,916	3,089	27%
Earnings per share (Rs.)	3.36	2.65	27%

Registered Office:

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Dubai Islamic Bank continued its growth trajectory and recorded excellent results for the year 2022 by posting a notable increase of 58% in profit before tax for the year ended December 31, 2022. Profit after taxation was recorded at Rs. 3.92 billion, showing a growth of 27% compared to last year. This was achieved despite the fact that the bank had to take additional tax charge of PKR 924 million on account of 10% corporate and super tax levied on the bank income for the year 2022. Earnings per share for the year reported at Rs. 3.36 as against Rs. 2.65 compared to last year.

Aggregate net revenues during the year reported at Rs.19.45 billion, improving by 64% from Rs. 11.9 billion compared to last year. The increase in net profit / return is driven by solid growth in earning assets and a higher benchmark Policy rate which increased during the year by 6.25%. Further, fee and commission income and foreign exchange revenues also increased by 7% and 27% on account of improved trade flow and market volatility. The operating expenses increase primarily reflected the impact of substantial rise in inflation and a steep Rupee devaluation, however the cost to income ratio improved to 45.13%. With Country going through a high cycle of inflation, the Bank announced a monthly inflation allowance for its low and middle cadre staff to provide a measure of relief to them in these testing times; it's a proof of Bank's commitment to take care of its employees' well-being.

The Balance sheet footing grew by 27% through robust growth in financing and investment portfolio led by impressive growth in customer deposit by 32% and SBP refinance schemes. The non-performing financing portfolio showed a rising trend in the backdrop of current economic slowdown, recent unprecedented floods and high policy rate. The non-performing ratio increased to 3.79%. However, the Bank continued to maintain a comfortable level of provision against its non-performing financing with a coverage ratio of 117%.

The Bank raised PKR 4 billion through an issue of subordinated Tier II Sukuk and at the same time redeemed its earlier Tier II Sukuk during the year. The Bank was able to issue the Sukuk at a very attractive pricing under Mudaraba arrangement which indicates the strong brand value and standing of the Bank.

Due to improved profitability and growth in low-risk assets, Capital Adequacy Ratio (CAR) stood at 15.60% as compared to 15.51% as at December 31, 2021.

CORPORATE AWARDS & RECOGNITION

Dubai Islamic Bank Pakistan continues to be recognized locally and globally. In 2022, the Bank won eight awards in multiple categories from reputable institutions namely Employers Federation of Pakistan, 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 Investment Bank of the Year, Islamic Finance Deal of the year, Islamic Finance Deal of the Year, Winner in Innovation offering and Employer of the Year.

CORPORATE SOCIAL RESPONSIBILITY

Dubai Islamic Bank Pakistan 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. Dubai Islamic Bank Pakistan participated in flood relief efforts via different NGOs and contributed to reduce the impact. The Bank also contributed funds to various NGOs for educational and health purposes. 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 present auditors, Yousuf Adil, Chartered Accountants have retired. The Board of Directors and the Audit Committee place on record their appreciation for the services rendered by the retiring Auditors.

On recommendation of the Audit Committee, the Board recommends appointment of KPMG Taseer Hadi & Co., Chartered Accountants, as the statutory auditors of the Bank for the year ending December 31, 2023.

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), Asset and Liability Committee (ALCO) and Control and Compliance Committee to 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
- Statement made by the Management relating to Internal Controls over Financial reporting along with overall internal controls. The external auditors issued the Long Form Report for the year ended December 31, 2021 as per the State Bank of Pakistan guidelines.
- The Bank has arranged online Directors' Orientation Workshop on October 14, 2022 through Pakistan Institute of Corporate Governance in compliance with the Code of Corporate Governance.

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 is as follows:

Total number of Directors: 8

Male: 6

Female: 2

Composition:

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



SIX YEARS FINANCIAL SUMMARY

Rupees in 'mill

	2022	2021	2020	2019	2018	2017
Investments	103,361	84,862	66,580	49,157	45,851	41,474
Islamic financing and related assets-net of provision	247,768	225,365	199,416	177,922	153,306	119,522
Deposits and other accounts	345,811	261,574	237,553	209,952	182,187	149,295
Net equity	30,107	27,567	24,624	22,163	16,750	14,912
Total assets	445,390	351,474	303,262	264,639	231,823	184,994
Number of branches	235	235	235	235	200	200
Profit before tax	7,962	5,055	4,787	5,688	4,120	2,564
Profit after tax	3,916	3,089	2,894	3,346	2,509	1,602
Earnings per share (Rs.)	3.36	2.65	2.48	2.87	2.15	1.41

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;

Chairman

Chief Executive Officer

Dated: February 16, 2023