

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, 2023.

ECONOMIC OVERVIEW

The State Bank of Pakistan (SBP), in its recent meeting, decided to maintain the policy rate at 22 percent. The decision does consider the impact of the recent hike in gas prices on inflation in November, which contributed 3.2 percentage points to the 29.2 percent y/y inflation in November 2023. Whereas, core inflation remained sticky at 21.5 percent, only slightly lower from its peak of 22.7 percent in May 2023. Inflation expectation of both consumers and businesses, though improving in recent months, remain at an elevated level.

The current account balance depicted a significant improvement as the deficit narrowed by 65.9 percent y/y to \$1.1 billion during Jul-Oct FY24. While imports declined, exports inched up on the back of food items, especially rice. Further, workers' remittances also improved in October and November 2023 as compared to corresponding months last year, incentivized by SBP and government initiatives to transfer funds through formal channels. However, tepid official inflows since July and ongoing debt repayments have led to a gradual decline in the SBP's FX reserves. In this regard, it is expected that the successful completion of the first review of the ongoing IMF program is likely to improve financial inflows as well as the FX reserves position.

The fiscal indicators showed improvement as both tax and non-tax revenues have shown strong growth. During Jul-Nov FY24, FBR tax collection grew by 29.6 percent, while non-tax revenues also increased amidst substantial growth in petroleum development levy and transfer of sizable SBP profit. Further, overall expenditures in Q1-FY24 were contained at last year's levels.

Considering the political uncertainty, 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-23	31-Dec-22	Variance
Investments	121,362	103,361	17.4%
Islamic financing and related assets	243,068	247,768	-1.9%
Total assets	430,992	445,390	-3.2%
Deposits and other accounts	324,877	345,811	-6.1%
Net equity	37,165	30,107	23.4%
Number of branches	235	235	-
Profit and Loss Account	31-Dec-23	31-Dec-22	Variance
Profit before tax	14,032	7,962	76.2%
Profit after tax	6,719	3,916	71.6%
Earnings per share (Rs.)	5.77	3.36	71.7%

Dubai Islamic Bank continued its growth trajectory and recorded excellent results for the year 2023 by posting a notable increase of 76% in profit before tax for the year ended December 31, 2023. Profit after taxation was recorded at Rs. 6,719 billion, showing a growth of 71.6% compared to last year. This was achieved despite the fact that the bank had to take additional tax charge of PKR 588 million on account of tax levied on incremental Foreign Exchange income for the year 2021 & 2022. Earnings per share for the year reported at Rs. 5.77 as against Rs. 3.36 compared to last year.

Aggregate net revenues during the year reported at Rs.30.44 billion, improved by 56.5% from Rs. 19.45 billion compared to last year. The increase in net profit / return is mainly driven by higher Kibor on account of significant increase in benchmark Policy rate which increased to 22% from 16% as compared to last year.

The Bank's investment portfolio of Government of Pakistan (GoP) Ijarah Sukuk grew from last year as the issuance of GoP Ijarah Sukuk at regular intervals has played a significant role in expanding the bank's investment book. 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 improved to 37.47%.

The non-performing financing portfolio showed a rising trend in the backdrop of current economic slowdown and high policy rate. The non-performing ratio increased to 6.13%. However, the Bank continued to maintain a comfortable level of provision against its non-performing financing with a coverage ratio of 116.56%.

Due to improved profitability and growth in low-risk assets, Capital Adequacy Ratio (CAR) stood at 17.99% as compared to 15.60% as at December 31, 2023.

CORPORATE AWARDS & RECOGNITION

Dubai Islamic Bank Pakistan continues to be recognized locally and globally. In 2023, the Bank won coveted awards from reputable organizations namely Asian Development Bank (ADB) and Employers Federation of Pakistan (EFP). The award categories included Best SME Deal – Issuing Bank (TSCEP Awards 2023), Disability Inclusion at Workplace (1st Pakistan Disability Inclusion Excellence Awards 2023).

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. The Bank participated in multiple fund raising events for different NGOs and also contributed funds for educational, health and social uplift areas.

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 2023 and represents sound performance indicators of the Bank along with strong sponsor support.

AUDITORS

The retiring auditors, KPMG Taseer Hadi & Co. 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 KPMG Taseer Hadi & Co. Chartered Accountants as auditors of the Bank for the year ending December 31, 2024.

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 are in place 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, 2022 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:	9
Male:	7
Female:	2
Composition:	
(i) Independent Directors:	3
(ii) Non-executive Directors:	5
(iii) Executive Director:	1

The Board appointed Pakistan Institute of Corporate Governance (PICG) for Board Performance Evaluation for the year 2022. PICG has completed the performance evaluation and issued its report. PICG employed an online assessment tool for assessing Board's performance against best practices for board effectiveness. The performance evaluation covered 13 specific areas of Board performance including Strategic Planning, Board Composition, Board & CEO Effectiveness, Control Environment and Environment Social & Governance.

The Board has constituted the following five Committees with defined Terms of Reference (ToRs):

1. Board Audit Committee
2. Board Risk Management Committee
3. Board Nomination & Remuneration Committee
4. Board Information Technology Committee
5. Board Credit & Investment Committee

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

	BOD	BAC	BRMC	BNRC	BITC
Number of Meetings held	4	6	8	7	4
NAME					
Mr. Mohamed Saeed Ahmed Abdulla Al Sharif (Non-Executive)	4	-	-	-	-
Mr. Muhammad Saleem (Non-Executive)	4	-	-	-	-
Mr. Obaid Khalifa Mohammed Rashed Al Shamsi (Non-Executive)	4	-	-	7	-
Mr. Muhammad Raza Jessani (Non-Executive)	4	5	-	-	4
Mr. Shabbir Ahmed Shaikh (Independent)	4	6	8	7	-
Ms. Faaria Rehman Salahuddin (Independent)	4	-	8	-	4
Mr. John Stephen Grota Macedo (Non-executive)	4	5	7	-	-
Ms. Shabnam Faqir Mohammad (Independent)	4	-	-	7	4
Mr. Junaid Ahmed - CEO	4	-	-	-	-

PATTERN OF SHAREHOLDING As Of December 31, 2023

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. Shabbir Ahmed Shaikh	100	0.00001
Ms. Faaria Rehman Salahuddin	100	0.00001
Ms. Shabnam Faqir Mohammad	100	0.00001
	1,165,228,776	100

DIRECTORS' REMUNERATION

The Board Nomination & Remuneration 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.

OUTLOOK

The Bank is cognizant of the challenges the country is facing on the external front coupled with increasing inflationary pressures, political instability and economic uncertainty. The Bank remains committed to contributing to the economic growth and stability of the country by strengthening the Islamic Banking Industry (IBI) and assisting the government to shift toward Shariah-compliant banking solutions. The Bank will continue to cautiously grow the business in the targeted segment and closely monitor the quality of its asset portfolio while maintaining adequate buffers over regulatory requirements.

SIX YEARS FINANCIAL SUMMARY*Rupees in 'millions'*

	2023	2022	2021	2020	2019	2018
Investments	121,362	103,361	84,862	66,580	49,157	45,851
Islamic financing and related assets-net of provision	243,068	247,768	225,365	199,416	177,922	153,306
Deposits and other accounts	324,877	345,811	261,574	237,553	209,952	182,187
Net equity	37,165	30,107	27,567	24,624	22,163	16,750
Total assets	430,992	445,390	351,474	303,262	264,639	231,823
Number of branches	235	235	235	235	235	200
Profit before tax	14,032	7,962	5,055	4,787	5,688	4,120
Profit after tax	6,719	3,916	3,089	2,894	3,346	2,509
Earnings per share (Rs.)	5.77	3.36	2.65	2.48	2.87	2.15

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: Jan 19, 2024