

## 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, 2024.

### ECONOMIC OVERVIEW

The State Bank of Pakistan (SBP) reduced the policy rate by 100 basis points to 12 percent, effective January 28, 2025, reflecting easing inflationary pressures and improved growth prospects. Headline inflation decelerated to 4.1 percent in December 2024, driven by declining food inflation and a favorable base effect. However, core inflation remains elevated at 9.7 percent, with consumer inflation expectations still volatile. The SBP expects inflation to stabilize within the target range of 5.5-7.5 percent, supported by a positive real policy rate.

Economic growth showed encouraging signs, with real GDP for FY25 projected in the upper half of 2.5–3.5 percent. Improved agricultural output, robust industrial activity, and favorable high-frequency indicators such as increased cement, auto, and fertilizer sales contributed to this outlook. Strong export performance (8.7 percent growth in July-October FY25) and sustained remittances drove a current account surplus of \$0.2 billion, enabling SBP reserves to rise to \$12 billion and projected to exceed \$13 billion by June 2025.

Favorable global commodity prices supported domestic inflation moderation and limited the import bill despite increased volumes. However, the fiscal side faces challenges, with slower-than-required tax revenue growth despite a 26 percent y/y increase in FBR collections. Government PKR borrowing cost offered some respite due to declining yields on debt instrument, but additional reforms are critical to achieving fiscal consolidation targets.

Private sector credit growth accelerated, primarily on account of banks' compliance with ADR thresholds. Broad money (M2) growth decelerated to 11.3 percent in January 2025 due to reduced government borrowing. The 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-Dec-24	31-Dec-23	Variance
Investments	143,839	121,362	18.5%
Islamic financing and related assets	203,608	243,068	-16.2%
Total assets	452,890	430,992	5.1%
Deposits and other accounts	346,873	324,877	6.8%
Net equity	44,947	37,165	20.9%
Number of branches	235	235	-
Profit and Loss Account	31-Dec-24	31-Dec-23	Variance
Profit before tax	14,303	14,032	1.9%
Profit after tax	6,672	6,719	-0.7%
Earnings per share (Rs.)	5.73	5.77	-0.7%

The Government increased the corporate tax rate on banks by 5%, 4% and 3% for the year 2024, 2025 and 2026 onwards respectively. Despite the increase in the corporate tax rate, the implementation of IFRS 9, and the booking of first-time service fees payable to the holding company, Dubai Islamic Bank successfully recorded profitability comparable to the previous year.



The Bank's investment portfolio in Government of Pakistan (GoP) Ijarah Sukuk grew compared to the previous year, as surplus liquidity was strategically invested in these instruments. The financing book, however, showed a decline due to subdued demand amidst a challenging economic environment and a high policy rate during the first nine months of the year. The Bank focused on growing current and low-cost deposits to reduce the cost of funds and enhance spreads. Operating expenses increased primarily due to substantial inflationary pressures and a steep devaluation of the Rupee. Nonetheless, the cost-to-income ratio remained well-managed at 47.62%.

The non-performing financing (NPF) portfolio exhibited a rising trend, reflecting the ongoing economic slowdown and persistently high policy rates during most of the year. The non-performing ratio increased to 9.31%. However, the Bank maintained a robust provision coverage ratio of 100.14%, ensuring a comfortable level of provisioning against non-performing financing.

### **CORPORATE AWARDS & RECOGNITION**

Dubai Islamic Bank Pakistan continues to be recognized locally and globally. In 2024, the Bank won coveted awards from reputable organizations namely Employers Federation of Pakistan (EFP) & The Professional Forum. The award categories included Community Impact Award and Gender Inclusive Workplace Recognition Award 2024.

### **CORPORATE SOCIAL RESPONSIBILITY & DIVERSITY, EQUITY and INCLUSION (DE&I)**

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 which includes:

- Energy conservation, environmental protection, and providing a safe and healthy work environment.
- Business ethics and anti-corruption measures, requiring all staff members to comply with the Bank's "Code of Conduct" and "Anti-Bribery and Corruption Policy".
- Equal opportunity employment through a transparent procedure without discrimination including employment of special persons.

The Bank participated in multiple fund-raising events for different NGOs and 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 2024 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, 2025.

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## RISK MANAGEMENT FRAMEWORK

The Board sets the overall risk appetite and philosophy for the Bank. The risk management process of the Bank is overseen by the Board Risk Monitoring Committee (BRMC). The Board of Directors provides the strategic direction for effective risk management and ensures that a robust risk management framework is in place. Risk Management function has structured approach which regularly reviews portfolio risk profiles, policies, & procedures. Frameworks are put in place to identify, measure, monitor and control the risks that may be faced and mitigation of those risks using adequate strategy. Various management committees also support these goals which include the Risk Management Committee (RMC), Management Credit Committee (MCC), Asset and Liability Committee (ALCO) and Control Compliance Committee.

The Bank has taken various steps in adopting green banking measures for improving environmental impact, social risk management, and optimizing resource utilization

## 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, 2023 as per the State Bank of Pakistan guidelines.
- Risk assessment framework
- The following directors obtained directors training program certification:
  - (i) Mr. Obaid Khalifa Mohammad Rashed Al Shamsi – Non-Executive Director
  - (ii) Mr. Shabbir Ahmed Shaikh – Independent Director
  - (iii) Ms. Faaria Rehman Salahuddin – Independent Director
  - (iv) Ms. Shabnam Faqir Mohammad – Independent Director (Retired w.e.f. October 30, 2024)
  - (v) Mr. Junaid Ahmed – CEO

## 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: 8

Female: 1

Composition:

- (i) Independent Directors: 3
- (ii) Non-executive Directors: 5
- (iii) Executive Director: 1

The Board appointed an independent entity namely Pakistan Institute of Corporate Governance (PICG) for Board Performance Evaluation for the year 2023. 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:

Number of meetings held	BOD	BAC	BRMC	BNRC	BITC	BCIC
	4	6	8	6	4	6
<b>Name</b>						
Mr. Mohamed Saeed Ahmed Abdulla Al Sharif (Non-Executive)	4	-	-	-	-	6
Mr. Muhammad Saleem (Non-Executive) Retired on October 30, 2024	4	-	-	-	-	5
Mr. Obaid Khalifa Mohammed Rashed Al Shamsi (Non-Executive)	4	-	-	6	-	-
Mr. Muhammad Raza Jessani (Non-Executive)	4	6	-	-	4	-
Mr. Shabbir Ahmed Shaikh (Independent)	4	6	8	6	-	-
Ms. Faaria Rehman Salahuddin (Independent)	4	-	8	-	4	6
Mr. John Stephen Grota Macedo (Non-executive)	4	6	6	-	-	-
Ms. Shabnam Faqir Mohammad (Independent) Retired on October 30, 2024	4	-	-	5	4	-
Mr. Junaid Ahmed - CEO	4	-	-	-	-	-

#### PATTERN OF SHAREHOLDING as of December 31, 2024

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 Mohammad 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
	<b>1,165,228,776</b>	<b>100</b>

#### 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 decline in the policy rate has yielded positive results, as economic indicators have shown an upward trend, with further improvements anticipated. The Bank will continue to cautiously expand its business in targeted segments while closely monitoring the quality of its asset portfolio and maintaining adequate buffers above regulatory requirements.

## SIX YEARS FINANCIAL SUMMARY

*Rupees in 'millions'*

	2024	2023	2022	2021	2020	2019
Investments	143,839	121,362	103,361	84,862	66,580	49,157
Islamic financing and related assets-net of provision	203,608	243,068	247,768	225,365	199,416	177,922
Deposits and other accounts	346,873	324,877	345,811	261,574	237,553	209,952
Net equity	44,947	37,165	30,107	27,567	24,624	22,163
Total assets	452,890	430,992	445,390	351,474	303,262	264,639
Number of branches	235	235	235	235	235	235
Profit before tax	14,303	14,032	7,962	5,055	4,787	5,688
Profit after tax	6,672	6,719	3,916	3,089	2,894	3,346
Earnings per share (Rs.)	5.73	5.77	3.36	2.65	2.48	2.87
CAR (%)	22.20	17.99	15.60	15.51	16.89	17.13

## 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;

  
Chairman

  
Chief Executive Officer

Dated: 19 FEB 2025