

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 June 30, 2025.

ECONOMIC OVERVIEW

During FY25, Pakistan's economy showed signs of gradual recovery with real GDP growth provisionally estimated at 2.7% driven mainly by industry and services, while agriculture underperformed. Growth momentum picked up notably in H2-FY25 and is expected to strengthen further with GDP targeted at 4.2% in FY26, supported by monetary easing and improved business sentiments. Reflecting growing confidence in Pakistan's economic trajectory, Fitch Ratings has upgraded Pakistan's Long-Term Foreign-Currency Issuer Default Rating (IDR) to 'B-' from 'CCC+' with a Stable outlook. The upgrade underscores the progress made in fiscal consolidation and external sector stabilization.

Inflation increased to 3.5% y/y in May, as base effects faded, though core inflation edged down and expectations moderated. Going forward, inflation is projected to stabilize within the 5-7% target range, despite potential risks from geopolitical tensions and commodity price volatility.

The external account remained resilient, recording a current account surplus of \$1.81 billion during July-May FY25, supported by robust remittances, though the trade deficit widened. Liquid FX reserves improved to \$20 billion by early July, aided by IMF Extended Fund Facility disbursements. However, the external outlook remains sensitive to global developments, import demand, and realization of planned inflows.

On the fiscal side, both overall and primary balances improved in FY25, with the primary surplus reaching 2.2% of GDP. Further, a surplus of 2.4% of GDP is targeted for FY26 underpinned by revenue growth and expenditure discipline. Monetary expansion moderated with broad money growth easing to 12.6% whereas private sector credit grew by around 11% reflecting supportive financial conditions.

The State Bank of Pakistan maintained the policy rate at 11% to anchor price stability while supporting growth. It stressed timely foreign inflows, fiscal consolidation and structural reforms as critical for sustaining macroeconomic stability and fostering durable growth.

FINANCIAL HIGHLIGHTS

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

| Statement of Financial Position | 30-Jun-25 | 31-Dec-24 | Variance |
|--------------------------------------|-----------|-----------|----------|
| Investments | 156,496 | 143,839 | 8.8% |
| Islamic financing and related assets | 243,939 | 203,884 | 19.6% |
| Total assets | 470,379 | 453,166 | 3.8% |
| Deposits and other accounts | 358,334 | 346,873 | 3.3% |
| Net equity | 46,771 | 44,947 | 4.1% |
| Number of branches | 235 | 235 | - |

| Profit and Loss Account | 30-Jun-25 | 30-Jun-24 | Variance |
|--------------------------|-----------|-----------|----------|
| Profit before tax | 6,341 | 8,616 | (26.4%) |
| Profit after tax | 2,723 | 4,368 | (37.7%) |
| Earnings per share (Rs.) | 2.34 | 3.75 | (37.6%) |

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During the first half of 2025, Dubai Islamic Bank Pakistan Limited (DIBPL) continued to execute its strategic priorities aimed at sustainable growth and strengthening its financial position. The Bank received Board approval to add 75 new branches during CY25, reinforcing its commitment to expand geographic outreach, mobilize low-cost deposits, particularly current accounts, and deepen retail market penetration.

The decline in profitability of 1H25 as compared to the corresponding period last year was primarily attributable to reduction in spreads resulting from drastic reduction in policy rate from 21% to 11% and lagged inflationary impact on operating costs. However, significant recoveries in the non-performing portfolio contributed positively to the bottom line.

As market conditions normalized in early 2025, the Bank's financing & investment portfolio registered healthy growth of approximately Rs. 40 bln (19.6%) and Rs 12.6bln (8.8%) respectively. The non-performing financing ratio improved to 7.62%, supported by the Bank's dedicated recovery efforts and growth in the financing portfolio. The Bank remains focused on closely monitoring its financing book to uphold asset quality. Liquidity indicators remain strong, underpinned by a substantial buffer of high-quality liquid assets, enabling the Bank to comfortably meet and, in most cases, exceed regulatory liquidity requirements reflecting sound liquidity risk management.

The Bank's capital adequacy ratio continues to be a key strength, providing ample headroom over regulatory thresholds and enabling the Bank to absorb potential shocks and support future growth.

CREDIT RATING

VIS Credit Rating Company Limited has reaffirmed the entity rating at 'AA/A-1+' (Double A/A-one Plus). Outlook on the assigned ratings has been changed to 'Positive' from 'Stable'. 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 2025 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: 29 JUL 2025