

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 March 31, 2026.

ECONOMIC OVERVIEW

The State Bank of Pakistan (SBP) observed that the macroeconomic outlook has become quite uncertain following the outbreak of the war in the Middle East, which has led to a sharp increase in global fuel prices as well affecting cross-border trade and travel. The SBP noted that macroeconomic fundamentals, especially in terms of inflation and the country's FX and fiscal buffers are better as compared to early 2022, however, risks to the macroeconomic outlook have increased significantly. In this context, oil prices have risen compared to December 2025 levels, which may add to inflationary pressures and external account risks in a net oil importing economy like Pakistan. Considering the heightened uncertainty and emerging inflationary pressures, market expectations are that the upcoming SBP decision in April 2026 may entail an increase in the policy rate.

Inflation rose to 7 percent in February 2026 with core inflation around 7.6 percent and continued to edge up thereafter. The SBP assessed that inflation may remain above 7 percent in the remaining months of FY26 and into FY27. Economic activity continued to strengthen, supported by higher growth in key high-frequency indicators and improved manufacturing prospects, while agriculture conditions remain favorable. Accordingly, the SBP expects real GDP growth to remain within the earlier projected range of 3.75–4.75 percent in FY26, though the outlook remains subject to risks, particularly from the unfolding geopolitical developments.

The current account posted a surplus in recent months including around \$427 million in February 2026, while the cumulative deficit remained contained at around \$0.7 billion during July–Feb FY26. The current account deficit is expected to remain within 0–1 percent of GDP in FY26. Workers' remittances continued to finance a significant part of the trade deficit, while SBP's FX reserves increased to around \$16.4 billion with total liquid reserves of about \$21.7 billion.

Fiscal indicators indicated continued consolidation with the overall balance registering a surplus close to last year's level led by contained expenditures due to lower profit payments. However, tax collection remained moderate, rising 10.6 percent during July–February FY26, well below the pace required to meet the annual target. Broad money (M2) growth decreased to 16.0 percent as of Feb 2026 due to a sharp reduction in net budgetary borrowing from the banking system, while lower government borrowing along with liquidity generated through the recent CRR reduction, created space for greater private sector lending. Consequently, private sector credit expanded, reflecting growth in both working capital and fixed investment.

FINANCIAL HIGHLIGHTS

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

Statement of Financial Position	31-Mar-26	31-Dec-25	Variance
Investments	146,832	106,409	38.0%
Islamic financing and related assets	256,538	237,283	8.1%
Total assets	471,276	447,109	5.4%
Deposits and other accounts	324,527	334,681	-3.1%
Net equity	48,294	48,178	0.2%
Number of branches	310	310	-

Profit and Loss Account	31-Mar-26	31-Mar-25	Variance
Profit before tax	1,450	4,724	-69.3%
Profit after tax	687	2,210	-68.9%
Earnings per share (Rs.)	0.59	1.90	-68.9%

The Bank reported a profit before tax of Rs. 1,450 million and a profit after tax of Rs. 687 million for the current period, compared to Rs. 4,724 million and Rs. 2,210 million respectively, in the corresponding period last year. The decline in profitability was primarily attributable to the lower policy rate environment, along with an increase in oil prices and inflationary pressures compared to same period last year.

The Bank continued to optimize its funding mix, with a strategic focus on current deposits, which grew strongly by 20%, improving the current account mix from 26% to 32%. This growth was supported by strong performance of new branches opened in last quarter of 2025 as well. However, prevailing market uncertainty due to war led to an increase in the cost of deposits. In response, the Bank availed funding under Open Market Operations (OMO) facility from the State Bank of Pakistan at competitive rates.

The Bank continued to maintain business momentum, with the Islamic financing portfolio growing by 8.1% to Rs. 256.5 billion, driven by fresh corporate disbursements. Asset quality improved during the period, with the non-performing financing ratio declining to 6.80% from 7.57% compared to December 31, 2025, supported by focused recovery efforts and effective portfolio management. The Bank's investment portfolio also increased by 38% to Rs. 146.8 billion, primarily reflecting deployment of maturing funds into GoP Ijarah Sukuks.

The Bank's Capital Adequacy Ratio remains a key strength, providing a comfortable buffer over regulatory requirements and positioning the Bank to absorb potential shocks while supporting 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 APR 2026**