DUBAI ISLAMIC BANK
PAKISTAN LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

pwc

A. F. FERGUSON & CO.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed statement of financial position of **Dubai Islamic Bank Pakistan Limited** as at December 31, 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the un-audited certified returns from the branches except for eleven branches which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the bank's management to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards and the requirements of the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, which in the case of Islamic financing and related assets covered more than sixty percent of the total Islamic financing and related assets of the bank, we report that:

(a) in our opinion, proper books of accounts have been kept by the bank as required by the Companies Ordinance, 1984 (XLVII of 1984), and the returns referred to above received from the branches have been found adequate for the purposes of our audit;

(b) in our opinion:

   (i) the statement of financial position and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

   (ii) the expenditure incurred during the year was for the purpose of the bank's business; and

   (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the bank and the transactions of the bank which have come to our notice have been within the powers of the bank;

(c) in our opinion and to the best of our information and according to the explanations given to us the statement of financial position, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the bank's affairs as at December 31, 2015, and its true balance of profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and

(d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

AFF Co

Chartered Accountants

Audit Engagement Partner: **Rashid A. Jafer**

Dated: February 23, 2016

Karachi

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DUBAI ISLAMIC BANK PAKISTAN LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2015

	Note	2015	2014
		------------Rupees in '000------------	
ASSETS			
Cash and balances with treasury banks	6	14,183,630	10,480,052
Balances with other banks	7	3,869,403	529,277
Due from financial institutions	8	11,725,145	10,147,169
Investments	9	18,515,808	18,258,604
Islamic financing and related assets	10	104,953,637	58,840,280
Operating fixed assets	11	1,842,705	1,751,032
Deferred tax assets - net	12	-	62,434
Other assets	13	2,002,857	1,484,151
		157,093,185	101,552,999
LIABILITIES			
Bills payable	14	1,552,219	1,250,385
Due to financial institutions	15	4,551,920	3,567,342
Deposits and other accounts	16	136,743,457	83,844,395
Sub-ordinated loans	17	3,246,971	3,114,976
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net	12	54,040	-
Other liabilities	18	2,968,911	2,336,820
		149,117,518	94,113,918
NET ASSETS		7,975,667	7,439,081
REPRESENTED BY			
Share capital	19	6,976,030	6,976,030
Advance against future issue of share capital		18	18
Reserves	20	233,586	147,475
Unappropriated profit		753,135	406,760
		7,962,769	7,530,283
Surplus / (deficit) on revaluation of assets - net of tax	21	12,898	(91,202)
		7,975,667	7,439,081

CONTINGENCIES AND COMMITMENTS 22

The annexed notes 1 to 44 and Annexure 1 form an integral part of these financial statements.

CHAIRMAN PRESIDENT / CHIEF EXECUTIVE M.A. DIRECTOR DIRECTOR

DUBAI ISLAMIC BANK PAKISTAN LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2015

	Note	2015	2014
		------- Rupees in '000 -------	
Profit / return earned	23	8,725,646	7,523,271
Profit / return expensed	24	4,091,219	3,433,969
Net spread earned		4,634,427	4,089,302
Provision against non-performing Islamic financing and related assets - net	10.8	(187,286)	(291,528)
Provision for diminution in the value of investments		-	-
Bad debts written off directly		-	-
		(187,286)	(291,528)
Net spread earned after provisions		4,447,141	3,797,774
OTHER INCOME			
Fee, commission and brokerage income		1,249,751	806,451
Dividend Income		-	-
Income from dealing in foreign currencies		6,735	122,501
Gain on sale of securities	25	15,946	197,190
Unrealized loss on revaluation of investments classified as 'held for trading'		-	(9,461)
Other income	26	2,023	309
Total other income		1,274,455	1,116,990
		5,721,596	4,914,764
OTHER EXPENSES			
Administrative expenses	27	4,987,933	3,972,258
(Reversal against other provisions) / other provisions / write offs		-	(3,813)
Other charges	28	21,941	20,788
Total other expenses		5,009,874	3,989,233
		711,722	925,531
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		711,722	925,531
Taxation			
- Current	29	(191,099)	(86,494)
- Prior years	29	(29,648)	-
- Deferred	29	(60,420)	(238,524)
		(281,167)	(325,018)
PROFIT AFTER TAXATION		430,555	600,513
		------------ Rupees ------------	
Basic / Diluted earnings per share – Rupees	30	0.6172	0.8608

The annexed notes 1 to 44 and Annexure 1 form an integral part of these financial statements.

CHAIRMAN PRESIDENT / CHIEF EXECUTIVE DIRECTOR DIRECTOR

DUBAI ISLAMIC BANK PAKISTAN LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2015

	2015	2014
	------- Rupees in '000 -------	
Profit after taxation for the year	430,555	600,513
Items that will not be reclassified to profit or loss in subsequent periods:		
Actuarial gains / (losses) on remeasurement of defined benefit plans	2,971	212
Tax effect	(1,040)	(74)
	1,931	138
Comprehensive income transferred to equity	432,486	600,651
Components of comprehensive income not reflected in equity :		
Surplus / (deficit) on revaluation of available for sale investments - net of tax	104,100	(124,003)
Total comprehensive income for the year	536,586	476,648

The annexed notes 1 to 44 and Annexure 1 form an integral part of these financial statements.

CHAIRMAN PRESIDENT / CHIEF EXECUTIVE DIRECTOR DIRECTOR

DUBAI ISLAMIC BANK PAKISTAN LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2015

	Share capital	Advance against future issue of share capital	Statutory Reserves	Unappropriated Profit / (Accumulated loss)	Total
	Rupees in '000				
Balance as at January 01, 2014	6,976,030	18	27,372	(73,788)	6,929,632
Profit after taxation for the year	-	-	-	600,513	600,513
Other comprehensive income for the year					
Remeasurements of defined benefit plan				212	212
Tax on remeasurements of defined benefit plan				(74)	(74)
				138	138
Transfer to statutory reserve	-	-	120,103	(120,103)	-
Balance as at December 31, 2014	6,976,030	18	147,475	406,760	7,530,283
Profit after taxation for the year	-	-	-	430,555	430,555
Other comprehensive income for the year					
Remeasurements of defined benefit plan				2,971	2,971
Tax on remeasurements of defined benefit plan				(1,040)	(1,040)
				1,931	1,931
Transfer to statutory reserve	-	-	86,111	(86,111)	-
Balance as at December 31, 2015	6,976,030	18	233,586	753,135	7,962,769

The annexed notes 1 to 44 and Annexure 1 form an integral part of these financial statements.

CHAIRMAN PRESIDENT / CHIEF EXECUTIVE DIRECTOR DIRECTOR

DUBAI ISLAMIC BANK PAKISTAN LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2015

	Note	2015	2014
		------- Rupees in '000 -------	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		711,722	925,531
Less Dividend Income		-	-
		711,722	925,531
Adjustments:			
Depreciation	27	301,511	250,823
Amortisation	27	90,912	82,271
Provision against non-performing Islamic financing and related assets - net	10.8	187,286	291,528
(Reversal against other provisions) / other provisions / write offs		-	(3,813)
Fixed assets written-off		489	-
Gain on sale of securities	25	(15,946)	(197,190)
Unrealized loss on revaluation of investments classified as held for trading		-	9,461
Charge for defined benefit plan		43,352	33,825
Gain on sale of operating fixed assets	26	(1,939)	(302)
		605,665	466,603
		1,317,387	1,392,134
(Increase) / decrease in operating assets			
Due from financial institutions		(1,577,976)	(406,347)
Islamic financing and related assets		(46,300,643)	(23,591,422)
Other assets (excluding advance taxation)		(530,156)	(369,409)
		(48,408,775)	(24,367,178)
Increase / (decrease) in operating liabilities			
Bills payable		301,834	41,523
Due to financial institutions		984,578	629,342
Deposits and other accounts		52,899,062	16,205,171
Other liabilities (excluding current taxation)		629,454	828,727
		54,814,928	17,704,763
		7,723,540	(5,270,281)
Payments against defined benefit plan		(40,381)	(33,613)
Income tax paid		(207,700)	(86,031)
Net cash generated from / (used in) operating activities		7,475,459	(5,389,925)
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in securities		(81,104)	6,782,630
Dividend received		-	-
Investments in operating fixed assets		(486,671)	(630,947)
Sale proceeds of property and equipment disposed off	11.2.1	4,025	1,039
Net cash (used in) / generated from investing activities		(563,750)	6,152,722
CASH FLOW FROM FINANCING ACTIVITIES			
Sub-ordinated loans		-	3,114,976
Net cash generated from financing activities		-	3,114,976
Effect of exchange difference on translation of foreign currency sub-ordinated loan		131,995	-
		131,995	-
Increase / (Decrease) in cash and cash equivalents		7,043,704	3,877,773
Cash and cash equivalents at beginning of the year		11,009,329	7,131,556
Cash and cash equivalents at end of the year	31	18,053,033	11,009,329

The annexed notes 1 to 44 and Annexure 1 form an integral part of these financial statements.

CHAIRMAN | PRESIDENT / CHIEF EXECUTIVE | DIRECTOR | DIRECTOR

1 STATUS AND NATURE OF BUSINESS

1.1 Dubai Islamic Bank Pakistan Limited (the Bank) was incorporated in Pakistan as an unlisted public limited company on May 27, 2005 under the Companies Ordinance, 1984 to carry out the business of an Islamic Commercial Bank in accordance with the principles of shari'a.

1.2 The State Bank of Pakistan (the SBP) granted a "Scheduled Islamic Commercial Bank" license to the Bank on November 26, 2005 and subsequently the Bank received the Certificate of Commencement of Business from the Securities and Exchange Commission of Pakistan (the SECP) on January 26, 2006. The Bank commenced its operations as a scheduled Islamic Commercial Bank with effect from March 28, 2006 on receiving certificate of commencement of business from the SBP. The Bank is principally engaged in Corporate, Commercial and Consumer banking activities and investing activities.

1.3 Based on the financial statements of the Bank for the year ended December 31, 2014, JCR-VIS Credit Rating Company Limited determined the Bank's medium to long-term rating as 'A+' (A plus) and the short term rating as 'A-1' (A one) while the outlook has been changed to "Positive".

1.4 The Bank is operating through 200 branches as at December 31, 2015 (2014: 175 branches). The registered office of the Bank is situated at Hassan Chambers, DC-7, Block-7 Kehkashan, Clifton, Karachi. The Bank is a wholly owned subsidiary of Dubai Islamic Bank PJSC, UAE (the Holding Company).

1.5 The State Bank of Pakistan (SBP) vide circular no.7 dated April 15, 2009 had set the Minimum Capital Requirement (MCR) for banks of Rs 10 billion to be achieved in a phased manner by December 31, 2013. Accordingly, the MCR (free of losses) of the Bank as at December 31, 2015 should have been Rs 10 billion. The Capital Adequacy Ratio (CAR) requirement inclusive of capital conservation buffer requirement as of December 31, 2015 is 10.25%.

The Bank had various discussions and correspondence with the SBP regarding compliance with the required MCR (free of losses) in prior years and certain time bound extensions were also provided by the SBP to the Bank. The Bank placed a proposal with the SBP for raising FCY subordinated debt from the sponsors of the amount equivalent to the shortfall in MCR (free of losses) of Rs 10 billion and placing the same with SBP in a non-remunerative deposit account.

The SBP vide its letter no. BPRD/BA & CP/623/019653/2013 dated December 28, 2013 allowed the Bank to raise FCY sub-ordinated debt from the sponsors and place the same in a non-remunerative deposit account with SBP. The funds placed as non-remunerative deposit with SBP would be considered for CAR / MCR purposes subject to certain terms and conditions.

During the year ended December 31, 2014, an amount of US$ 31 million (equivalent to Rs 3.273 billion) in respect of FCY subordinated debt from the sponsors was received on January 10, 2014 and was placed in non-remunerative deposit account with SBP. The revalued amount of the subordinated debt amounts to Rs 3.247 billion as at December 31, 2015.

The deposit of USD with SBP in lieu of paid up capital is a short term arrangement and the Bank is required to comply with the MCR (free of losses) of Rs. 10 billion by December 31, 2016. The Bank is also required to initiate the process of share issuance for meeting any shortfall in the MCR of Rs. 10 billion in the first half of 2016.

The paid-up capital of the Bank (free of losses) as of December 31, 2015 amounted to Rs 6.976 billion and its CAR stands at 11.13 percent (2014: 17.08%)

2 BASIS OF PRESENTATION

2.1 The Bank invests and finances mainly through Murabaha, Musharaka, Running Musharaka, Musharaka cum Ijara, Shirkatulmilk, Istisna cum Wakala, Wakala Isthimar, Service Ijarah and other Islamic modes as briefly explained in the notes to these financial statements. The transactions of purchases, sales and leases executed under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of rental / profit thereon. The income on such Islamic financing and related assets is recognised in accordance with the principles of Shari'a. However, income if any, received which does not comply with the principles of Shari'a is recognised as charity payable if so directed by the Shari'a Board / Resident Shari'a Board Member.

3 STATEMENT OF COMPLIANCE

3.1 These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan and such International Financial Reporting Standards (IFRSs), as are notified under the Companies Ordinance, 1984, the provisions and directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). Wherever the requirements of the provisions and directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, the IFAS notified under the Companies Ordinance, 1984 and the directives issued by the SECP and the SBP differ with the requirements of the IFRS, the provisions and directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, the IFAS notified under the Companies Ordinance, 1984 and the requirements of the directives issued by the SECP and SBP prevail.

3.2 The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies in Pakistan through BSD Circular Letter 10 dated August 26, 2002 till further instructions. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7 ' Financial Instruments: Disclosures' through its notification S.R.O 411(I)/2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

3.3 SBP through its BSD Circular 07 dated April 20, 2010 has clarified that for the purpose of preparation of financial statements in accordance with International Accounting Standard - 1 (Revised) 'Presentation of Financial Statements', two statement approach shall be adopted i.e. separate 'Profit and Loss Account' and 'Statement of Comprehensive Income' shall be presented, and Balance Sheet shall be renamed as 'Statement of Financial Position'. Furthermore, the Surplus / (Deficit) on revaluation of Available-For-Sale Securities (AFS) only may be included in the 'Statement of Comprehensive Income' but will continue to be shown separately in the Statement of Financial Position below equity. Accordingly, the above requirements have been adopted in the preparation of these financial statements.

3.4 IFRS 8 'Operating Segments' is effective for the Bank's accounting period beginning on or after January 1, 2009. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2006. The management of the Bank believes that as the SBP has defined the segment categorisation in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these financial statements is based on the requirements laid down by the SBP.

3.5 The Securities and Exchange Commission of Pakistan (SECP) has notified Islamic Financial Accounting Standard (IFAS) 3, 'Profit and Loss Sharing on Deposits' issued by the Institute of Chartered Accountants of Pakistan. IFAS 3 shall be followed with effect from the financial periods beginning after January 1, 2014 in respect of accounting for transactions relating to 'Profit and Loss Sharing on Deposits' as defined by the said standard. The standard has resulted in certain new disclosures in the financial statements of the Bank. The SBP through BPRD Circular Letter No. 4 dated February 25, 2015, has deferred the applicability of IFAS 3 till further instructions and prescribed the Banks to prepare their annual and periodical financial statements as per existing prescribed formats issued vide BSD Circular 04 of 2006 and BSD Circular Letter No. 02 of 2004, as amended from time to time.

3.6 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

3.6.1 IFRS 13 "Fair Value Measurement" was made applicable from period beginning on or after 1 January 2015 vide SECP circular 633(I)/2014 which resulted in additional disclosure requirement which have been given in note 36 to these financial statements.

There are certain other new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2015 but are considered not to be relevant or do not have any significant effect on the Bank's operations and therefore not detailed in these financial statements.

3.7 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

3.7.1 The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 01, 2016:

	Effective date (accounting 'periods beginning on or after)
- IFRS 9 – Financial Instruments: Classification and Measurement	1-Jan-18
- IFRS 15 - Revenue from contracts	1-Jan-18
- IFRS 14 – Regulatory Deferral Accounts	1-Jan-16
- IAS 1 – Presentation of Financial Statements - Disclosure Initiative (Amendment)	1-Jan-16
- IAS 16 Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)	1-Jan-16
- Annual improvements 2014; IFRS 5, 'Non-current assets held for sale and discontinued operations'. IFRS 7, 'Financial instruments: disclosures'. IAS 19, 'Employee benefits'. IAS 34, 'Interim financial reporting'	1-Jan-16

The management anticipate that the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the financial statements other than in presentation / disclosures.

There are certain other new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after January 1, 2016 but are considered not to be relevant or will not have any significant effect on the Bank's operations and therefore not detailed in these financial statements.

3.8 Early adoption of standards

The Bank has not early adopted any new or amended standard in 2015.

4 BASIS OF MEASUREMENT

4.1 Accounting convention

These financial statements have been prepared under the historical cost convention, except that certain investments, foreign currency balances and commitments in respect of foreign exchange contracts have been marked to market and are carried at fair value. In addition, obligation in respect of staff retirement benefits is carried at present value.

4.2 Functional and Presentation Currency

These financial statements have been presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

4.3 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgment in application of its accounting policies. The estimates and associated assumptions are continually evaluated and are based on historical experience and various other factors including expectation of future events that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Actual results may differ from these estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The significant accounting areas where various assumptions and estimates are significant to the Bank's financial statements or where judgment was exercised in the application of accounting policies are as follows:

i) classification and provisioning against investments (notes 5.3 and 9)
ii) classification and provisioning against Islamic financing and related assets (notes 5.4 and 10)
iii) current and deferred taxation (notes 5.7, 12 and 29)
iv) determination of useful lives and depreciation / amortisation (notes 5.5 and 11)
v) accounting for defined benefit plan (notes 5.10 and 33)

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These have been consistently applied to all the years presented.

5.1 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise of cash and balances with treasury banks and balances with other banks in current and deposit accounts.

5.2 Due to/ from financial institutions

Commodity Murabaha

In Commodity Murabaha, the Bank sells commodities on credit to other financial institutions. The credit price is agreed at the time of sale and such proceeds are received at the end of the credit period.

Bai Muajjal

In Bai Muajjal, the Bank sells sukuk on credit to other financial institutions. The credit price is agreed at the time of sale and such proceeds are received at the end of the credit period.

Musharaka / Modaraba

In Musharaka / Modaraba, the Bank invests in the shari'a compliant business pools of the financial institutions at the agreed profit and loss sharing ratio.

Musharaka from State Bank of Pakistan under IERS

Under IERS, the Bank accepts funds from the SBP under Shirkat-ul-Aqd to constitute a pool for investment in export refinance portfolio of the Bank.

5.3 Investments

5.3.1 Classification

Investments of the Bank are classified as follows:

(a) Held-for-trading

These are investments, which are either acquired for generating profits from short-term fluctuations in market prices or are securities included in a portfolio for which there is evidence of a recent actual pattern of short-term profit taking.

(b) Held- to-maturity

These are investments with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold till maturity.

(c) Available-for-sale

These are investments which do not fall under the 'held for trading' or 'held to maturity' categories.

5.3.2 Regular way contracts

All purchases and sales of investments that require delivery within the time frame established by regulation or market convention are recognised at settlement date, which is the date on which the asset is delivered to or by the Bank.

5.3.3 Initial recognition and measurement

Investments other than those categorised as 'held for trading' are initially recognised at fair value which includes transaction costs associated with the investment. Investments classified as 'held for trading' are initially recognised at fair value and transaction costs are expensed in the profit and loss account.

5.3.4 Subsequent measurement

Subsequent to initial recognition investments are valued as follows:

(a) Held-for-trading

These are measured at subsequent reporting dates at fair value. Gains and losses on remeasurement are included in the profit and loss account.

(b) Held-to-maturity

These are measured at amortized cost using the effective profit rate method, less any impairment loss recognized to reflect irrecoverable amount.

(c) **Available for sale**

In accordance with the requirements specified by the SBP, quoted securities other than those classified as 'held to maturity' are subsequently re-measured to market value. Unquoted equity securities are valued at the lower of cost and break-up value. Break-up value of unquoted equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investment in other unquoted securities are valued at cost less impairment losses, if any.

Surplus / deficit arising on revaluation of quoted securities which are classified as 'available for sale', is included in the statement of comprehensive income but is kept in a separate account which is shown in the statement of financial position below equity.

5.3.5 Impairment

Impairment loss in respect of investments classified as available for sale and held to maturity (except sukuk) is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged decline in fair value of an equity investment below its cost is also considered an objective evidence of impairment. Provision for diminution in the value of sukuk is made as per the Prudential Regulations issued by the State Bank of Pakistan. In case of impairment of available for sale securities, the cumulative loss that has been recognised directly in surplus / (deficit) on revaluation of securities on the Statement of Financial Position below equity is removed therefrom and recognised in the profit and loss account. For investments classified as held to maturity, the impairment loss is recognised in the profit and loss account.

5.3.6 Gains or losses on sale of investments are included in the profit and loss account for the year.

5.4 Islamic financing and related assets

These are products originated by the Bank and principally comprise of Murabaha, Musharaka cum Ijara, Running Musharaka, Wakala, Wakala Istithmar, Istisna cum Wakala, Ijara Muntahiya Bil Tamleek, Islamic Export Refinance Scheme, Service Ijarah and Shirkatulmilk. These are stated net of general and specific provisions.

Specific provision

The Bank maintains specific provision for doubtful debts based on the requirements specified in the Prudential Regulations issued by the SBP.

General provision

The Bank is required to maintain general provision at the rate of 5% against unsecured consumer portfolio, 1.5% against secured consumer portfolio except for Musharaka cum Ijara - Autos, 1% against secured small enterprise portfolio and 2% against unsecured small enterprise portfolio in accordance with the requirements of the Prudential Regulations issued by the SBP.

The SBP vide its letter no BPRD / BLRD - 03 / 2009 / 6877 dated October 15, 2009 has allowed relaxation to the Bank from recognising general provision against Musharaka cum Ijara - Autos on the condition that the facility will be categorised as "Loss" on the 180th day from the date of default.

In this regard, the SBP vide its letter no BPRD / BRD - 04 / DIB / 2013 / 1644 dated February 12, 2013 has decided that the exemption from general reserve requirement shall only be valid till classified Auto Financing portfolio of the Bank remains upto 5% i.e. if the classified Auto Financing portfolio increases beyond 5% threshold, the exemption shall stand withdrawn from that point of time.

The net provision made / reversed during the year is charged to the profit and loss account and accumulated provision is netted off against Islamic financing and related assets. Islamic financing and related assets are written off when there are no realistic prospects of recovery.

Murabaha to the purchase orderer is a sale transaction wherein the first party (the Bank) sells to the client / customer a shari'a compliant asset / good for cost plus a pre-agreed profit after getting title and possession of the same. On the basis of an undertaking (Promise-to-Purchase) from the client (the purchase orderer), the Bank purchases the goods / assets subject of the Murabaha from a third party and takes the possession thereof. However, the Bank can appoint the client as its agent to purchase the goods / assets on its behalf. Thereafter, it sells it to the client at cost plus the profit (agreed upon).

Import Murabaha is a product used to finance a commercial transaction which consists of purchase by the Bank (generally through an undisclosed agent) the goods from the foreign supplier and selling them to the customer after getting the title to and possession of the goods. Murabaha financing is extended to all types of trade transactions i.e. under Documentary Credits (LCs) and Documentary Collections.

AHCo

Musharaka is a form of partnership in business with distribution of profit in agreed ratio and distribution of loss in the ratio of capital invested

In Shirkat ul-Milk / Musharaka cum Ijara, the Bank and the customer become co-owners in certain identified assets by acquiring the same from a third party or by purchase of an undivided share of an asset from the customer by the Bank. Thereafter, the customer / co-owner undertakes to purchase the share of the Bank from the Bank in a manner that the Bank would recover its cost plus the desired profit over a period of time (i.e till the maturity of the facility). At the end of the facility term the Bank at its own discretion may sell its share to the customer at a nominal price.

Wakala Istithmar has been developed to facilitate exporters through investment agency where the customer acts as the investment agent of the Bank. This medium is used to cater to the export based customer's financial needs i.e. help the customer to bridge the gap between the commencement of the manufacturing process and the dispatch of goods to the ultimate buyer / buyers.

Istisna cum Wakala product has two legs: first the Bank acquires the described goods by way of Istisna to be manufactured by the customer from raw material of its own and once the goods are delivered to the Bank, the customer through an independent agency contract, sells the same to various end-users as the agent of the Bank.

Ijara Muntahiya Bil Tamleek is a lease contract in which the leased asset's title is transferred at the end of the lease term to the lessee through an independent sale agreement.

Salam is a sale transaction where the seller undertakes to supply some specific goods to the buyer at a future date against an advance price fully paid on spot.

In Service Ijarah financing, the Bank provides financing by acquiring certain agreed services from the customer. After the purchase of services, the Bank appoints the customer to sell these services in the market over a period and provide a sale confirmation of such sale. The profit is only accrued from the date of receipt of such confirmation.

In Running Musharaka financing, the Bank enters into financing with the customer based on Shirkat-ul-Aqd or Business Partnership in customers operating business. Under this mechanism the customer can withdraw and return funds to the Bank subject to his Running Musharakah Financing limit during the Musharakah Period. At the end of each quarter / half year the customer pays the provisional profit as per the desired profit rate which is subject to final settlement based on the relevant quarterly/half-yearly/annual accounts of the customer.

In Musawammah financings, the Bank purchases the goods and after taking the possession, sells them to the customer either in spot or credit transaction, without disclosing the cost.

5.5 Operating fixed assets and depreciation

5.5.1 Property and equipment

These assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is charged to income by applying the straight line method over the estimated useful lives of the assets, using the rates specified in note 11.2 to these financial statements. The depreciation charge for the year is calculated after taking into account residual value, if any. Depreciation is charged from the month of acquisition and upto the month preceding the month of disposal.

The assets residual values, if significant, and their useful lives are reviewed and adjusted, if appropriate, at each reporting date.

Maintenance and normal repairs are charged to income as and when incurred. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably.

Gains and losses on disposal of property and equipment, if any, are taken to the profit and loss account.

5.5.2 Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any.

5.5.3 Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Such intangible assets are amortized using the straight-line method over their estimated useful lives. The useful lives and amortisation method are reviewed and adjusted, if appropriate at each reporting date. Intangible assets having an indefinite useful life are stated at acquisition cost, less impairment loss, if any. Amortisation is charged from the month of acquisition and upto the month preceding the month of deletion.

5.5.4 Impairment

At each reporting date, the Bank reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Recoverable amount is the greater of net selling price and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately in the financial statements in the profit and loss account.

Where an impairment loss reverses subsequently, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. The reversal of impairment loss is recognised as income in the profit and loss account.

5.6 Deferred costs

As allowed by SBP pre-operating / preliminary expenses are included in deferred costs and these are amortised over a maximum period of five years on a straight line basis from the date of commencement of business.

5.7 Taxation

Current

Provision for current taxation is based on taxable income for the year, if any, at current rates of taxation, after taking into consideration available tax credits, rebates and tax losses as required under the seventh schedule to the Income Tax Ordinance, 2001. The charge for current tax also includes adjustments, where considered necessary relating to prior years, which arises from assessments / developments made during the year.

Deferred

Deferred tax is recognised using the balance sheet liability method on all major temporary differences between the carrying amounts of assets and liabilities used for financial reporting purposes and amounts used for taxation purposes. In addition, the Bank also records deferred tax asset on available tax losses. Deferred tax is calculated using the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

The carrying amount of the deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised.

The Bank also recognises deferred tax asset / liability on deficit / surplus on revaluation of securities which is adjusted against the related deficit / surplus in accordance with the requirements of the International Accounting Standard 12 - "Income Taxes".

5.8 Deposits

Deposits are generated on the basis of two modes i.e. Qard and Modaraba.

Deposits taken on Qard basis are classified as 'Current accounts' and Deposits generated on Modaraba basis are classified as 'Savings deposits' and 'Fixed deposits'. No profit or loss is passed on to current account depositors. While the product features of each product differ, there is usually no restriction on withdrawals or number of transactions in current and saving accounts. In case of fixed deposits, pre-mature withdrawals can be made as per approved terms only.

Profits realised in common pool are distributed between the Bank and the depositors in proportion to their respective share in the pool. All Modarba based deposits are fully invested in the Common Pool to produce returns for them. In case where the Bank is unable to utilise all funds available for investment, priority is given to the deposit account holders. Rab-ul-Maal share is distributed among depositors according to weightages assigned at the inception of profit calculation period. Mudarib can distribute its share of profit to Rab-ul-Maal upto a maximum of 60% of their profit as incentive profits (Hiba).

Profits are distributed from the pool such that the depositors (remunerative) only bear the risk of assets in the pool during the profit calculation period. In case of loss in a pool during the profit calculation period, the loss is distributed among the depositors (remunerative) according to their ratio of investments.

5.9 Pool Management

The Bank operates general and special pools for deposits and inter-bank funds accepted / acquired under Modaraba, Wakala and Musharakah modes.

Under the general deposits pool, the Bank accepts funds on Modaraba basis from depositors (Rab-ul-Maal) where the Bank acts as Manager (Mudarib) and invests the funds in the Shari'a compliant modes of financings, investments and placements. When utilising funds and investing funds, the Bank prioritises the funds received from depositors over the funds generated from own sources.

Specific pools are operated for funds acquired / accepted from the State Bank of Pakistan (under the Islamic Export Refinance Scheme), high net-worth individuals/companies/financial instituitions and other banks for investments in Shari'a compliant modes of financing and liquidity management under the Musharakah / Modaraba/ Wakala modes respectively.

The profit of each deposit pool is calculated on all the remunerative assets booked by utilising the funds from the pool after deduction of expenses directly incurred in earning the income of such pool along with related fee income, if any. The directly related costs comprise of tracker related costs, amortisation of premium on sukuk etc. No general or administrative nature of expense is charged to pools. No provisions against any non-performing asset of the pool is passed on to the pool except on the actual loss / write-off of such non-performing asset. Further, provisions passed on to the pool in the prior periods have been credited to pool income in the current period as reduction in expense to the extent of recovery of provision previously charged to the pool. The profit of the pool is shared between equity and other members of the pool on pro-rata basis at gross level (i.e. before charging of mudarib fee) as per the investment ratio of the equity. The profit of the pool is shared among the depositors of the pool on pre-defined mechanism based on the weightages announced before the commencement of profit calculation period after charging mudarib fee. Incentive profits (General Hiba) is allocated to the depositors based on SBP guidelines; across the board.

5.10 Staff retirement benefits

5.10.1 Defined benefit plan

The Bank operates an approved funded gratuity scheme for its permanent employees. The liability recognised in the statement of financial position in respect of defined benefit gratuity scheme, is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets. Contributions to the fund are made on the basis of actuarial recommendations. The defined benefit obligation is calculated periodically by an independent actuary using the projected unit credit method. Last valuation was conducted as on December 31, 2015.

Amounts arising as a result of "Remeasurements", representing the actuarial gains and losses and the difference between the actual investment returns and the return implied by the net interest cost are recognised in the Statement of Financial Position immediately, with a charge or credit to "Other Comprehensive Income" in the periods in which they occur.

5.10.2 Defined contribution plan

The Bank operates an approved funded contributory provident fund for all its permanent employees to which equal monthly contributions are made both by the Bank and the employees at the rate of 10% per annum of basic salary. The Bank has no further payment obligations once the contributions have been paid. The contributions made by the Bank are recognised as employee benefit expense when they are due.

5.11 Revenue recognition

- Profit from Murabaha is accounted for on consummation of Murabaha transaction. However, profit on the portion of revenue not due for payment is deferred by accounting for unearned Murabaha income with a corresponding credit to deferred Murabaha income which is recorded as a liability. The same is then recognised as revenue on a time proportionate basis.In Murabaha transactions, the Bank purchases the goods and after taking the possession, sells them to the customer on cost plus profit basis either in a spot or credit transaction.

- Profit from Istisn'a and salam financings is recorded on an accrual basis commencing from the time of sale of goods till the realisation of proceeds by the Bank.

- Profit on Musharaka cum Ijara, Ijara Muntahiya Bil Tamleek and Shirkatulmilk is recognised on the basis of the reducing balance method on a time apportioned basis that reflects the effective return / profit on the asset.

- Profit on Wakala is accounted for on a time apportioned basis that reflects the effective yield on the asset.

- Profit on Musharaka financing is recognised on an accrual basis. Actual profit / (loss) on Musharaka and Modaraba financing is adjusted after declaration of profit / (loss) by Musharaka partner / modarib or at liquidation of Musharaka / Modaraba.

- Profit on Bai Muajjal transaction is recognised on an accrual basis.

- Profit on Running Musharakah financings is booked on an accrual basis and is adjusted upon declaration of profit by Musharakah partners.

- Gains and losses on sale of investments are included in the profit and loss account.

- Profit on Sukuk is recognised on an accrual basis. Where Sukuk (excluding held for trading securities) are purchased at a premium or discount, those premiums / discounts are amortised through the profit and loss account over the remaining maturity, using the effective yield method.

- Profit on Service Ijarah is recognised on an accrual basis.

- Commission on letters of credit, acceptances and guarantees is recognised on receipt basis.

- Dividend income is recognised when the right to receive dividend is established.

- Fee, commission and brokerage are recognized when earned.

- Profit suspended in compliance with the Prudential Regulations issued by the SBP is recorded on receipt basis. Profit on rescheduled / restructured financings and investments are recognised as permitted by the SBP.

5.12 Financial Instruments

5.12.1 Financial assets and financial liabilities

All financial assets and liabilities are recognised at the time when the Bank becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Bank loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised when they are extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any loss on derecognition of the financial assets and financial liabilities is taken to income directly. Financial assets carried on the balance sheet include cash and bank balances, due from financial institutions, investments, Islamic financing and related assets, certain receivables and financial liabilities include bills payable, due to financial institutions, deposits, sub-ordinated loans and other payables. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

5.12.2 Offsetting of financial instruments

Financial assets and financial liabilities are off-set and the net amount is reported in the financial statements only when there is a legally enforceable right to set-off the recognised amount and the Bank intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also off-set and the net amount is reported in the financial statements.

5.12.3 Derivatives

Derivative financial instruments are recognised at fair value. Derivatives with positive market values (unrealised gains) are included in other receivables and derivatives with negative market values (unrealised losses) are included in other liabilities in the statement of financial position. The resultant gains and losses are taken to profit and loss account.

5.13 Fiduciary assets

Assets held in a fiduciary capacity are not treated as assets of the Bank in these financial statements.

5.14 Foreign currencies

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank operates. The financial statements are reported and converted in Pakistani Rupees, which is the Bank's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are recorded in rupees at exchange rates prevailing on the date of transaction. Monetary assets, monetary liabilities and contingencies and commitments in foreign currencies, except forward promises, at the year end are converted in Rupees at exchange rates prevalent on the reporting date.

Translation gains and losses

Translation gains and losses are included in the profit and loss account.

Commitments

Commitments for outstanding forward foreign exchange promises are disclosed at agreed rates. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the exchange rates ruling on the reporting date.

5.15 Provisions and contingent assets and liabilities

Provisions are recognized when the Bank has a present legal or constructive obligation arising as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimates.

Contingent assets are not recognised, and are also not disclosed unless an inflow of economic benefits is probable and contingent liabilities are disclosed unless the probability of an outflow of resources embodying economic benefits is remote.

5.16 Allocation of profit

Allocation of profits in Mudaraba pool between depositors and shareholders is made according to the Bank's profit distribution policy and is approved by the Resident Shari'a Board Member.

5.17 Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Bank's primary format of reporting is based on business segments.

5.17.1 Business segments

Corporate banking

Corporate banking includes services provided in connection with mergers and acquisitions, underwriting, privatization, securitisation, research, Sukuk (government, high yield), equity, syndication, IPO and secondary private placements, provided they are Shari'a compliant.

Trading and sales

It includes income, equity, foreign exchanges, commodities, credit, funding and own position securities.

Retail banking

It includes retail financing, deposits and banking services offered to retail customers and small and medium sized enterprises.

Commercial banking

Commercial banking includes project finance, real estate, export finance, trade finance, Ijara, financing and issuing guarantees.

5.17.2 Geographical segment

The Bank has 200 branches as at December 31, 2015 (2014: 175 branches) and 42 branchless banking booths (2014: 47 booths) and operates only in Pakistan.

6 CASH AND BALANCES WITH TREASURY BANKS

	Note	2015	2014
		------- Rupees in '000 -------	
In hand			
- local currency		1,502,767	1,121,103
- foreign currency		411,058	394,029
		1,913,825	1,515,132
With the State Bank of Pakistan in			
- local currency current account	6.1	5,846,141	3,565,301
- foreign currency current account		159,405	14,803
- foreign currency capital account		3,246,971	3,114,976
- foreign currency deposit accounts			
Cash Reserve Account	6.2	580,318	451,219
Special Cash Reserve Account	6.3	696,360	541,443
		1,276,678	992,662
With National Bank of Pakistan in			
- local currency current account		1,740,610	1,277,178
		14,183,630	10,480,052

6.1 The local currency current account is maintained with the State Bank of Pakistan (SBP) as per the requirements of Section 36 of the State Bank of Pakistan Act, 1956. This section requires banking companies to maintain a local currency cash reserve in the current account opened with the SBP at a sum not less than such percentage of its time and demand liabilities in Pakistan as may be prescribed by SBP.

6.2 As per BSD Circular No. 15 dated June 21, 2008, cash reserve of 5% is required to be maintained with State Bank of Pakistan on deposits held under the New Foreign Currency Accounts Scheme (FE-25 deposits).

6.3 Special cash reserve of 6% is required to be maintained with the State Bank of Pakistan on FE-25 deposits as specified in BSD Circular No. 15 dated June 21, 2008. During the year this deposit was not remunerated (2014: Nil).

7 BALANCES WITH OTHER BANKS

	Note	2015	2014
		------- Rupees in '000 -------	
In Pakistan			
- in current accounts		49,591	31,384
- in deposit accounts		10	10
		49,601	31,394
Outside Pakistan			
- in current accounts	7.1	3,819,802	497,883
- in deposit accounts		-	-
		3,819,802	497,883
		3,869,403	529,277

7.1 This includes an amount of Rs.1,154 million (2014: Rs 92.305 million) deposited with the holding company.

8 DUE FROM FINANCIAL INSTITUTIONS

	Note	2015	2014
		------- Rupees in '000 -------	
Commodity Murabaha	8.1	6,418,697	3,830,022
Bai Muajjal - State Bank of Pakistan	8.2	-	6,317,147
Bai Muajjal - Government of Pakistan	8.3	5,306,448	-
		11,725,145	10,147,169

8.1 These carry expected profit rates ranging from 6.10% to 6.40% per annum (2014: 9.50% to 9.80% per annum) and are due to mature latest by January 27, 2016.

8.2 These carry expected profit rates ranging from Nil per annum (2014: 9.81% to 9.91%).

8.3 These represent Bai Muajjal deals outstanding as at December 31, 2015 with the SBP who is acting as an agent of the Government of Pakistan. These carry expected profit rates ranging from 5.93% to 5.94% per annum (2014: Nil) and are due to mature latest by November 17, 2016.

		2015	2014
		------- Rupees in '000 -------	
8.4	Commodity Murabaha sale price	471,825,204	387,360,593
	Purchase price	(470,937,425)	(386,475,000)
		887,779	885,593
	Deferred Commodity Murabaha income		
	Opening balance	19,027	24,705
	Arising during the year	887,779	885,593
	Recognised during the year	(894,844)	(891,271)
	Closing balance	11,962	19,027
	Commodity Murabaha		
	Opening balance	3,830,022	9,740,822
	Sales during the year	471,825,204	387,360,593
	Received during the year	(469,236,529)	(393,271,393)
	Closing balance	6,418,697	3,830,022

8.5 Particulars of amounts due from financial institutions with respect to currencies:

	2015	2014
- In local currency	11,725,145	10,147,169
- In foreign currency	-	-
	11,725,145	10,147,169

9 INVESTMENTS

9.1 Investments by types

	Note	2015 Held by the Bank	2015 Given as collateral	2015 Total	2014 Held by the Bank	2014 Given as collateral	2014 Total
		(Rupees in '000)					
Held for trading securities							
Ijarah Sukuk		-	-	-	893,261	-	893,261
Available for sale securities							
Sukuk / Certificates		18,495,965	-	18,495,965	17,515,115	-	17,515,115
Total investment at cost	9.2	18,495,965	-	18,495,965	18,408,376	-	18,408,376
Less: Provision for diminution in value of investments		-	-	-	-	-	-
Investments (net of provisions)		18,495,965	-	18,495,965	18,408,376	-	18,408,376
Surplus on revaluation of							
-available-for-sale securities	21	19,843	-	19,843	(140,311)	-	(140,311)
-held for trading securities		-	-	-	(9,461)		(9,461)
Total investments at market value		18,515,808	-	18,515,808	18,258,604	-	18,258,604

9.2 Investments by segments

	Note	2015	2014
		------- Rupees in '000 -------	
Federal Government Securities			
GOP Ijarah Sukuk	9.3.1	10,146,816	14,710,085
Sukuk			
WAPDA Sukuk	9.3.2	869,019	1,064,452
Other Sukuk	9.2.1 & 9.3.2	7,480,130	2,633,839
		8,349,149	3,698,291
Total investment at cost		18,495,965	18,408,376
Less: Provision for diminution in value of investments		-	-
Investments (net of provisions)		18,495,965	18,408,376
Surplus / (deficit) on revaluation of available-for-sale securities	21	19,843	(140,311)
Deficit on revaluation of held for trading securities		-	(9,461)
Total investments at market value		18,515,808	18,258,604

9.2.1 These include Sukuk of Quetta Textile Mills Limited amounting to PKR 98.6 million which have been placed under non-performing status. However, the forced sale value of the collateral held in respect of these Sukuk is PKR 272.8 million. Therefore, no proivision for impairment has been made in respect of the same. Profit accrued on these Sukuk has been suspended.

9.3 Available for sale securities

9.3.1 Particulars of Federal Government Securities - Unquoted, Secured

Particulars	Collateral	Profit Rate	Profit payment	2015	2014
				Nominal value	
				Rupees in '000	
GOP IJARA SUKUK - 9 Nil (2014: 50) certificates Maturity date: November, 2015	Government of Pakistan Sovereign guarantee	6 months T-Bill plus zero basis points	Semi-annually	-	5,015
GOP IJARA SUKUK - 10 Nil (2014: 7,688) certificates Maturity date: November, 2015	Government of Pakistan Sovereign guarantee	6 months T-Bill plus zero basis points	Semi-annually	-	769,403
GOP IJARA SUKUK - 11 Nil (2014:39,500) certificates Maturity date: November, 2015	Government of Pakistan Sovereign guarantee	6 months T-Bill plus zero basis points	Semi-annually	-	3,950,000
GOP IJARA SUKUK - 12 Nil (2014: 2,770) certificates Maturity date: November, 2015	Government of Pakistan Sovereign guarantee	6 months T-Bill plus zero basis points	Semi-annually	-	277,969
GOP IJARA SUKUK - 14 8,050 (2014: 8,050) certificates Maturity date: March, 2016	Government of Pakistan Sovereign guarantee	6 months T-Bill minus 30 basis points	Semi-annually	806,816	814,437
GOP IJARA SUKUK - 15 78,400 (2014: 80,000) certificates Maturity date: June, 2017	Government of Pakistan Sovereign guarantee	6 months T-Bill minus 200 basis points	Semi-annually	7,840,000	8,000,000
GOP IJARA SUKUK - 16 15,000 (2014: Nil) certificates Maturity date: December, 2018	Government of Pakistan Sovereign guarantee	6 months T-Bill minus 50 basis points	Semi-annually	1,500,000	-
				10,146,816	13,816,824

9.3.2 Particulars of Sukuk Certificates - Unquoted, Secured

Particulars	Collateral	Profit Rate	Profit payment	2015	2014
				Nominal value	
				Rupees in '000	
WAPDA II 60,717 (2014: 91,075) certificates Maturity date: July, 2017	Government of Pakistan Sovereign guarantee	6 months KIBOR minus 25 basis points	Semi-annually	151,793	227,687
WAPDA III 143,445 (2014: 167,353) certificates Maturity date: October, 2021	Government of Pakistan Sovereign guarantee	6 months KIBOR plus 175 basis points	Semi-annually	717,226	836,765
				869,019	1,064,452
ENGRO FERTILIZER LIMITED Nil (2014: 60,000) certificates Maturity date: September, 2015	Tangible Assets	6 months KIBOR plus 150 basis points	Semi-annually	-	300,000
ENGRO FERTILIZER LIMITED Nil (2014: 44,828) certificates Maturity date: December, 2019	Tangible Assets	6 months KIBOR plus 211 basis points	Semi-annually	-	224,141

Particulars	Collateral	Profit Rate	Profit payment	2015	2014
				Nominal value	
				------------ Rupees in '000 ------------	
SUI SOUTHERN GAS COMPANY LIMITED 75,000 (2014: 100,000) certificates Maturity date: May, 2017	Tangible Assets	3 months KIBOR plus 75 basis points	Quarterly	375,000	500,000
SUI SOUTHERN GAS COMPANY LIMITED 300,000 (2014: 300,000) certificates Maturity date: October, 2019	Tangible Assets	3 months KIBOR plus 40 basis points	Quarterly	1,500,000	1,500,000
SUI SOUTHERN GAS COMPANY LIMITED 69,231 (2014: Nil) certificates Maturity date: December, 2022	Tangible Assets	6 months KIBOR plus 50 basis points	Semi-annually	346,154	-
K ELECTRIC LIMITED 384,433 (2014: Nil) certificates Maturity date: June, 2022	Tangible Assets	3 months KIBOR plus 100 basis points	Quarterly	1,922,165	-
QUETTA TEXTILE MILLS LIMITED 19,733 (2014: 21,940) certificates Maturity date: September, 2019	Tangible Assets	6 months KIBOR plus 175 basis points	Semi-annually	98,664	109,698
(*) DUBAI INTERNATIONAL FINANCIAL CENTRE 5,000 (2014: Nil) certificates Maturity date: November, 2024	Tangible Assets	4.325%	Semi-annually	526,993	-
(*) TF VARLIK KIRALAMA AS 13,000 (2014: Nil) certificates Maturity date: April, 2019	Tangible Assets	5.375%	Semi-annually	1,407,361	-
(*) KT KIRA SERTIFIKALARI VARLIK KIRALAMA AS 12,000 (2014: Nil) certificates Maturity date: June, 2019	Tangible Assets	5.162%	Semi-annually	1,303,793	-
				7,480,130	2,633,839
				8,349,149	3,698,291

* These sukuk are being held by Dubai Islamic Bank P.J.S.C on behalf of the Bank in fiduciary capacity.

9.3.3 Quality of Available for Sale Securities

	2015	2014	2015	2014
	Long / Medium Term Rating (Where available)		----------- Rupees in '000 -----------	
Sukuk / Certificates - (at cost)				
Engro Fertilizer Limited	N/A	Unrated	-	224,141
Engro Fertilizer Limited	N/A	Unrated	-	300,000
Sui Southern Gas Company Limited	Unrated	Unrated	375,000	500,000
Sui Southern Gas Company Limited	Unrated	Unrated	1,500,000	1,500,000
Sui Southern Gas Company Limited	Unrated	Unrated	346,154	-
Quetta Textile Mills Limited	Unrated	Unrated	98,664	109,698
			2,319,818	2,633,839
Sukuk / Certificates - (at market value)				
WAPDA Second Sukuk Certificates	AAA	AAA	147,442	228,826
WAPDA Third Sukuk Certificates	AAA	AAA	694,724	836,765
K Electric Limited	AA+	N/A	1,975,025	-
Dubai International Financial Centre	BBB-	N/A	522,461	-
TF Varlik Kiralama AS	BBB	N/A	1,399,058	-
KT Kira Sertifikalari Varlik Kiralama AS	BBB	N/A	1,292,110	-

	2015	2014	2015	2014
	Long / Medium Term Rating (Where available)		----------- Rupees in '000 -----------	
GOP Ijara Sukuk - 9 -Maturity: November, 2015	N/A	Government Guaranteed	-	5,007
GOP Ijara Sukuk - 10 -Maturity: November, 2015	N/A	Government Guaranteed	-	770,057
GOP Ijara Sukuk - 11 -Maturity: November, 2015	N/A	Government Guaranteed	-	3,959,874
GOP Ijara Sukuk - 12 -Maturity: November, 2015	N/A	Government Guaranteed	-	277,665
GOP Ijara Sukuk - 14 -Maturity: March, 2016	Government Guaranteed	Government Guaranteed	808,220	806,771
GOP Ijara Sukuk - 15 -Maturity: June, 2017	Government Guaranteed	Government Guaranteed	7,840,000	7,856,000
GOP Ijara Sukuk - 16 -Maturity: December, 2018	Government Guaranteed	Government Guaranteed	1,516,950	-
			16,195,990	14,740,965
Total - cost / market value of investments			**18,515,808**	**17,374,804**

9.4 Held for Trading Securities

9.4.1 Particulars of Federal Government Sukuk - Unquoted, Secured

Particulars	Collateral	Profit Rate	Profit payment	2015	2014
				Nominal value	
				----------- Rupees in '000 -----------	
GOP IJARA SUKUK - 15 Nil (2014: 9,000) certificates Maturity date: June, 2017	Government of Pakistan Sovereign guarantee	6 months T-Bill minus 200 basis points	Semi-annually	-	893,261
				-	**893,261**

9.4.2 Quality of Held for Trading Securities

	2015	2014		
	Long / Medium Term Rating (Where available)			
GOP Ijara Sukuk - 15 -Maturity: June, 2017	N/A	Government Guaranteed	-	883,800
			-	**883,800**

10 ISLAMIC FINANCING AND RELATED ASSETS

	Note	2015	2014
		---------Rupees in '000---------	
In Pakistan			
- Murabaha	10.1	13,345,105	10,672,621
- Musharaka cum Ijara – Housing		7,352,708	5,609,524
- Musharaka cum Ijara	10.2	10,919,239	8,857,112
- Ijara Muntahiya Bil Tamleek – Autos		413,932	330,272
- Musharaka cum Ijara – Other		112,594	113,628
- Export Refinance under Islamic Scheme - SBP		5,261,901	2,851,393
- Wakala Istithmar – Pre manufacturing		4,807,137	1,200,397
- Wakala Istithmar – Post manufacturing		2,635,829	825,169
- Shirkatulmilk		14,177,621	7,457,312
- Running Musharaka		16,455,769	2,765,000
- Service Ijarah and related assets		593,750	750,000
- Musharaka		12,395,508	3,625,556
- Istisna cum Wakala	10.3	13,754,927	10,840,236
- Salam		4,402,000	4,450,000
- Musawama	10.4	22,954	2,111
Islamic financing and related assets – gross		106,650,974	60,350,331
Less: Provision against non-performing Islamic financing and related assets	10.7 & 10.8	(1,697,337)	(1,510,051)
Islamic financing and related assets – net of provisions		104,953,637	58,840,280

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		Note	2015	2014
			---------Rupees in '000---------	
10.1	**Murabaha**			
	Financings	10.5.2	10,646,065	8,771,269
	Advances		2,699,040	1,901,352
			13,345,105	10,672,621
10.2	**Musharaka cum Ijara**			
	Financings		10,335,898	8,294,011
	Advances		583,341	563,101
			10,919,239	8,857,112
10.3	**Istisna cum Wakala**			
	Financings		7,284,963	6,712,504
	Advances		6,469,964	4,127,732
			13,754,927	10,840,236
10.4	**Musawama**			
	Financings		10,290	2,111
	Advances		12,664	-
			22,954	2,111
10.5	Murabaha sale price		25,643,816	23,860,642
	Murabaha purchase price		(25,004,673)	(23,092,002)
			639,143	768,640
10.5.1	**Deferred Murabaha income**			
	Opening balance		194,234	176,507
	Arising during the year		639,143	768,640
	Recognised during the year		(627,987)	(750,913)
			205,390	194,234
10.5.2	**Murabaha receivable**			
	Opening balance		8,771,269	6,315,680
	Sales during the year		25,643,816	23,860,642
	Received during the year		(23,769,020)	(21,405,053)
			10,646,065	8,771,269
10.6	**Particulars of Islamic financing and related assets (Gross)**			
10.6.1	In local currency		102,298,731	58,592,528
	In foreign currencies		4,352,243	1,757,803
			106,650,974	60,350,331
10.6.2	Short Term (for upto one year)		62,774,218	37,217,933
	Long Term (for over one year)		43,876,756	23,132,398
			106,650,974	60,350,331

10.7 Islamic financing and related assets include Rs. 2,211.992 million (December 31, 2014: 2,368.756 million) which have been placed under non-performing status as detailed below:

Category of Classification	2015								
	Classified Islamic financings and related assets			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000								
Other assets especially mentioned (OAEM)	57,167		57,167	-	-	-	-	-	-
Substandard	79,055	-	79,055	10,335	-	10,335	10,335	-	10,335
Doubtful	223,530	-	223,530	18,297	-	18,297	18,297	-	18,297
Loss	1,852,240	-	1,852,240	1,580,846	-	1,580,846	1,580,846	-	1,580,846
	2,211,992	-	2,211,992	1,609,478	-	1,609,478	1,609,478	-	1,609,478

Category of Classification	2014								
	Classified Islamic financings and related assets			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000								
Other assets especially mentioned (OAEM)	56,197		56,197	-	-	-	-	-	-
Substandard	231,645	-	231,645	18,964	-	18,964	18,964	-	18,964
Doubtful	270,028	-	270,028	77,566	-	77,566	77,566	-	77,566
Loss	1,810,886	-	1,810,886	1,350,646	-	1,350,646	1,350,646	-	1,350,646
	2,368,756	-	2,368,756	1,447,176	-	1,447,176	1,447,176	-	1,447,176

10.8 Particulars of provision against non-performing islamic financing and related assets:

	2015			2014		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	1,447,176	62,875	1,510,051	1,164,697	53,826	1,218,523
Charge for the year	416,262	24,984	441,246	385,543	9,049	394,592
Reversals	(253,960)	-	(253,960)	(103,064)	-	(103,064)
	162,302	24,984	187,286	282,479	9,049	291,528
Write off	-	-	-	-	-	-
Closing balance	1,609,478	87,859	1,697,337	1,447,176	62,875	1,510,051

10.8.1 Particulars of provision against non-performing islamic financing and related assets:

	2015			2014		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
In local currency	1,606,574	87,859	1,694,433	1,444,573	62,875	1,507,448
In foreign currency	2,904	-	2,904	2,603	-	2,603
	1,609,478	87,859	1,697,337	1,447,176	62,875	1,510,051

In accordance with BSD Circular No. 2 dated January 27, 2009 issued by the SBP, the Bank has availed the benefit of Forced Sale Values (FSV) amounting to Rs 368.514 million (2014: Rs 417.926 million) in determining the provisioning requirement against non performing Islamic financings as at December 31, 2015. The additional profit arising from availing the FSV benefit - net of tax at December 31, 2015 which is not available for distribution as either cash or stock dividend to shareholders amounted to Rs 239.534 million (2014: Rs 271.652 million).

10.8.2 General provisioning is held against consumer finance portfolio in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan except for Musharaka cum Ijara - Autos. The SBP vide its letter no BPRD / BLRD - 03 / 2009 / 6877 dated October 15, 2009 has allowed relaxation to the Bank from recognising general provision against Musharaka cum Ijara - Autos on the condition that the facility will be categorised as "Loss" on the 180th day from the date of default. In this regard, the SBP vide its letter no BPRD / BRD - 04 / DIB / 2013 / 1644 dated February 12, 2013 has decided that the exemption from general reserve requirement shall only be valid till classified Auto Financing portfolio of the Bank remains upto 5% i.e. if the classified Auto Financing portfolio increases beyond the 5% threshold, the exemption shall stand withdrawn from that point of time.

10.8.3 Particulars of Islamic financing and related assets to directors, executives or officers of the Bank or any of them either severally or jointly with any other persons:	2015	2014
	Rupees in '000	
Balance at beginning of the year	1,217,449	994,391
Financing granted during the year	590,457	525,400
Repayments	(342,345)	(302,342)
Balance at end of the year	1,465,561	1,217,449

10.9 During the year the Bank had nil (2014: nil) write-offs against any provisions or those charged directly to the profit and loss.

	Note	2015	2014
		Rupees in '000	
11 OPERATING FIXED ASSETS			
Capital work-in-progress - net	11.1	116,346	71,117
Property and equipment	11.2	1,571,473	1,471,132
Intangible assets	11.3	154,886	208,783
		1,842,705	1,751,032

		Note	2015	2014
11.1	**Capital work-in-progress**		--------Rupees in '000--------	
	Civil works		-	-
	Equipment		57,106	20,652
	Advances to suppliers and contractors		74,640	65,865
	Less: Provision against Capital work-in-progress		(15,400)	(15,400)
			116,346	71,117

11.2 Property and equipment

	2015							
	COST			DEPRECIATION				
	As at January 01, 2015	Additions (disposals) / (write-offs)	As at December 31, 2015	As at January 01, 2015	Charge for the year / (disposals) / (write-offs)	As at December 31, 2015	Net book value as at December 31, 2015	Rate of Depreciation (Percentage)
	Rupees in '000							
Leasehold land	47,932	-	47,932	-	-	-	47,932	-
Furniture and fixture	313,110	35,132 (26)	348,216	154,515	33,912 (20)	188,407	159,809	10
Electrical, office and computer equipment	1,577,539	241,769 (8,872) (1,612)	1,808,824	901,170	163,418 (7,166) (1,123)	1,056,299	752,525	10-33.33
Vehicles	45,358	10,328 (1,872)	53,814	22,100	5,712 (1,498)	26,314	27,500	25
Leasehold Improvements	1,134,527	117,198	1,251,725	569,549	98,469	668,018	583,707	5-15
	3,118,466	404,427 (10,770) (1,612)	3,510,511	1,647,334	301,511 (8,684) (1,123)	1,939,038	1,571,473	

	2014							
	COST			DEPRECIATION				
	As at January 01, 2014	Additions (write offs) / (disposals)	As at December 31, 2014	As at January 01, 2014	Charge for the year / (disposals)/ (write offs)	As at December 31, 2014	Net book value as at December 31, 2014	Rate of Depreciation (Percentage)
	Rupees in '000							
Leasehold land	47,932	-	47,932	-	-	-	47,932	-
Furniture and fixture	266,653	46,457	313,110	126,029	28,486	154,515	158,595	10
Electrical, office and computer equipment	1,320,115	262,629 (2,348) (2,857)	1,577,539	780,955	123,689 (1,611) (1,863)	901,170	676,369	10-33.33
Vehicles	27,932	17,426	45,358	18,464	3,636	22,100	23,258	25
Leasehold Improvements	910,656	223,871	1,134,527	474,537	95,012	569,549	564,978	5 - 15
	2,573,288	550,383 (2,348) (2,857)	3,118,466	1,399,985	250,823 (1,611) (1,863)	1,647,334	1,471,132	

11.2.1 Disposal of operating fixed assets

	2015 Cost	Accumulated depreciation	Written down value	Sale price	Gain/(loss)	Mode of disposal	Particulars of buyer
	Rupees in '000						
Items having book value of more than Rs. 250,000 or cost of more than Rs. 1,000,000							
Electrical, office and computer equipment							
Electrical equipment	1,641	1,230	411	430	19	Bidding	Maverick Services
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000							
Electrical, office and computer equipment	7,231	5,936	1,295	2,437	1,142	Bidding	Various
Furniture and fixture	26	20	6	8	2	Bidding	Steel World
Vehicles	1,872	1,498	374	1,150	776	Bidding	Various
	10,770	8,684	2,086	4,025	1,939		
Write-offs	1,612	1,123	489	-	(489)	N/A	N/A
	12,382	9,807	2,575	4,025	1,450		

11.2.2 The cost of fully depreciated fixed assets still in use amounts to Rs. 1,131.312 million (2014: Rs. 674.019 million).

11.3 Intangible assets

	2015							
	COST			AMORTISATION				
	As at January 01, 2015	Additions / (disposals)	As at December 31, 2015	As at January 01, 2015	Amortisation	As at December 31, 2015	Net book value as at December 31, 2015	Rate of amortization (Percentage)
	Rupees in '000							%
Computer software	702,995	37,015	740,010	494,212	90,912	585,124	154,886	11.11 - 33.33

	2014							
	COST			AMORTISATION				
	As at January 01, 2014	Additions / (disposals)	As at December 31, 2014	As at January 01, 2014	Amortisation	As at December 31, 2014	Net book value as at December 31, 2014	Rate of amortization (Percentage)
	Rupees in '000							%
Computer software	686,791	16,204	702,995	411,941	82,271	494,212	208,783	11.11 - 33.33

11.3.1 The cost of fully amortised intangibles still in use amounts to Rs. 91.370 million (2014: Rs. 78.765 million).

12 DEFERRED TAX (LIABILITY) / ASSETS

	2015	2014
	Rupees in '000	
Deferred tax debits arising due to:		
Minimum tax	-	48,756
Provision against non-performing islamic financing and related assets	4,549	22,830
Deficit on revaluation of investments - HFT	-	3,311
Deferred tax credits arising due to:		
Accelerated tax depreciation on operating fixed assets	(51,644)	(61,572)
	(47,095)	13,325
Equity		
Deficit / (surplus) on revaluation of investments - AFS	(6,945)	49,109
	(54,040)	62,434

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13 OTHER ASSETS

	Note	2015	2014
		---------- Rupees in '000 ----------	
Profit / return accrued in local currency		1,002,468	866,355
Profit / return accrued in foreign currency		28,631	2,040
Advances, deposits, advance rent and other prepayments	13.1	713,031	525,457
Advance taxation (payments less provisions)		-	11,450
Receivables from group companies		2,639	6,332
Commission receivable		180,049	43,754
Others		79,629	32,353
		2,006,447	1,487,741
Less: Provision held against other assets	13.2	(3,590)	(3,590)
Other assets (net of provisions)		2,002,857	1,484,151

13.1 This includes Rs 367.653 million (2014: Rs 255.669 million) for advance rent, Rs 226.202 million (2014: Rs164.967 million) against prepaid commission to staff and dealers in respect of auto and house musharaka. The prepaid commission paid to staff and dealers in respect of auto financings is charged over the period of musharaka agreements. However, the prepaid commission paid to staff and dealers in respect of house musharaka is charged over a period of fifteen years. This also includes an amount of Rs 43.969 million (2014: Rs 32.187 million) pertaining to prepaid tracker maintenance cost which is amortised over the period of time.

13.2 Provision held against other assets

	Note	2015	2014
		---------- Rupees in '000 ----------	
Opening balance		3,590	8,397
Charge for the year		-	-
Reversals		-	(4,807)
Closing balance		3,590	3,590

14 BILLS PAYABLE

	Note	2015	2014
In Pakistan		1,546,208	1,247,510
Outside Pakistan		6,011	2,875
		1,552,219	1,250,385

15 DUE TO FINANCIAL INSTITUTIONS

	Note	2015	2014
In Pakistan		4,551,920	3,567,342
Outside Pakistan		-	-
		4,551,920	3,567,342

15.1 Details of due to financial institutions secured / unsecured

	Note	2015	2014
Secured			
Musharaka from State Bank of Pakistan under Islamic Export Refinance Scheme	15.1.1	4,551,920	2,709,342
Unsecured			
Wakala Borrowings		-	858,000
		4,551,920	3,567,342

15.1.1 The Musharaka is on a profit and loss sharing basis having maturity dates between January 26, 2016 to June 27, 2016 (2014: January 19, 2015 to June 29, 2015) and is secured against demand promissory notes executed in favor of the State Bank of Pakistan (SBP). A limit of Rs 5,150 million (2014: 3,650 million) has been allocated to the Bank by the SBP under Islamic Export Refinance Scheme for the financial year ended December 31, 2015.

	Note	2015	2014
		---------- Rupees in '000 ----------	

15.2 Particulars of due to financial institutions with respect to currencies

	2015	2014
In local currency	4,551,920	3,567,342
In foreign currencies	-	-
	4,551,920	3,567,342

16 DEPOSITS AND OTHER ACCOUNTS

	Note	2015	2014
Customers			
Fixed deposits	16.2	46,177,181	29,890,307
Savings deposits	16.2	50,253,380	30,420,418
		96,430,561	60,310,725
Current accounts - non-remunerative		29,986,324	23,224,816
Margin accounts – non-remunerative		100,092	148,064
		126,516,977	83,683,605
Financial Institutions			
Remunerative deposits	16.2	10,137,422	131,935
Non-remunerative deposits		89,058	28,855
		136,743,457	83,844,395

16.1 Particulars of deposits

	2015	2014
In local currency	125,059,808	74,800,249
In foreign currencies	11,683,649	9,044,146
	136,743,457	83,844,395

16.2 Particulars of deposits - remunerative

	2015	2014
Customers		
Fixed deposits	46,177,181	29,890,307
Savings deposits	50,253,380	30,420,418
	96,430,561	60,310,725
Financial Institutions		
Remunerative deposits	10,137,422	131,935
	106,567,983	60,442,660
In local currency		
- Fixed deposits	51,272,623	28,859,816
- Savings deposits	49,153,489	27,323,282
	100,426,112	56,183,098
In foreign currencies		
- Fixed deposits	2,154,558	1,030,491
- Savings deposits	3,987,313	3,229,071
	106,567,983	60,442,660

16.3 Deposits and other accounts include redeemable capital of Rs 106.568 billion (December 31, 2014: Rs 60.443 billion) and deposits on Qard basis of Rs 30.175 million (December 31, 2014: Rs 23.402). Remunerative deposits which are on Modaraba basis are considered as Redeemable capital and non-remunerative deposits are classified as being on Qard basis.

17 SUB-ORDINATED LOANS

As referred to in note 1.5 to these financial statements, the Bank has entered into sub-ordinated loan agreement with the sponsor. In terms of the said agreement, a sub-ordinated loan of USD $ 31 million (equivalent to Rs 3.273 billion) has been provided to the Bank for meeting the shortfall in minimum capital requirement (free of losses) of Rs 10 billion as required by the State Bank of Pakistan (SBP). The amount so required has been placed by the Bank with SBP in a non remunerative account. The loan stands subordinated to all other creditors, depositors and third party obligations of the Bank. The subordinated loan is a short term arrangement, i.e. for a period of three years expiring on December 31, 2016. The Bank is also required to initiate the process of share issuance for meeting any shortfall in the MCR of Rs 10 billion in the first half of 2016. The revalued amount of the loan as at December 31, 2015 amounted to Rs 3.247 billion (2014: Rs. 3.115 billion).

18 OTHER LIABILITIES

	Note	2015	2014
		Rupees in '000	
Profit / return payable in local currency		803,101	708,734
Profit / return payable in foreign currency		10,318	273
Deferred Murabaha Income - Financings	10.5.1	205,390	194,234
Deferred Murabaha Income - IERS		12,406	4,701
Deferred Murabaha Income - Commodity Murabaha	8.4	11,962	19,027
Deferred Murabaha Income - Bai Muajjal		261,287	306,741
Deferred Profit Musawama		7,653	698
Accrued expenses		332,093	236,426
Advances from customers		466,769	367,976
Unrealised loss on forward foreign exchange promises		40,207	31,917
Taxation payable		2,637	-
Payable to group company		48,479	21,333
Security deposits against musharaka cum ijara		56,181	43,639
Retention money		1,862	6,069
Payable to contractors		107,746	75,496
Charity payable	18.1	10,071	11,244
Worker Welfare Fund payable		33,415	35,613
Withholding tax payable		12,499	12,070
Others		544,835	260,629
		2,968,911	2,336,820

		2015	2014
18.1	Opening balance	11,244	8,447
	Additions during the year	4,627	12,797
	Payments during the year	(5,800)	(10,000)
	Closing balance	10,071	11,244

18.1.1 During the year, charity from the Charity Fund of the Bank (in which late payment charges and Shari'a repugnant income of the Bank are credited) was paid to the following individuals / organisations:

	Note	2015	2014
		Rupees in '000	
Shaukat Khanum Memorial Cancer Hospital		500	2,000
The Indus Hospital		700	1,000
Sindh Institute of Urology and Transplantation		1,000	1,000
Chippa Welfare Association		-	1,000
Layton Rahmatulla Benevolent Trust	18.1.2	500	1,000
Children Cancer Hospital		250	500
Child Aid Association		300	500
Nighaban Welfare Organisation		300	-
Afzaal Memorial Thalassemia Foundation		300	-
Patel Hospital		300	-
The Citizen Foundation		250	500
Koohi Goth Hospital		400	500
Bait-ul-Sukoon Cancer Hospital		250	-
Kiran Patients Welfare Society		250	-
Akhuwat		500	1,500
Center for Development of Social Services (CDSS)		-	500
		5,800	10,000

18.1.2 Mr. Naseem Shujaat Mirza, who was a retiring member of the Board of Directors during the year is one of the trustees of the Donee.

18.1.3 Charity was not paid to any active staff of the Bank or to any individual / organisation in which a director or his spouse had any interest at any time during the year except as mentioned in note 18.1.2.

19 SHARE CAPITAL

19.1 Authorised capital

2015	2014		2015	2014
------- Number of Shares -------			------- Rupees in '000 -------	
1,200,000,000	1,200,000,000	Ordinary shares of Rs.10 each	12,000,000	12,000,000

19.2 Issued, subscribed and paid up

Ordinary shares of Rs. 10/- each		Fully paid in cash		
2015	2014		2015	2014
------- Number of Shares -------			------- Rupees in '000 -------	
697,603,000	697,603,000	Opening Balance	6,976,030	6,976,030
-	-	Issued during the year	-	-
697,603,000	697,603,000	Closing Balance	6,976,030	6,976,030

19.3 The Bank's shares are 100 percent held by Dubai Islamic Bank PJSC, UAE – the holding company and its nominee directors.

19.4 The State Bank of Pakistan (SBP) vide BSD Circular No. 7 of 2009 dated April 15, 2009 has revised the Minimum Capital Requirement for banks. As per this circular the Bank was required to have a minimum issued, subscribed and paid-up capital (free of losses) of Rs.10 billion as at December 31, 2015. The paid-up capital of the Bank (free of losses) amounted to Rs. 6.976 billion as at December 31, 2015. As more fully explained in note 1.5 to these financial statements, the SBP vide its letter no. BPRD/BA & CP/623/019653/2013 dated December 28, 2013 allowed the Bank to raise FCY sub-ordinated debt from the sponsors and place the same in non-remunerative deposit account with SBP. The funds placed as non-remunerative deposit with SBP will be considered for CAR / MCR purposes subject to certain terms and conditions.

The deposit of USD 31 million placed with SBP in lieu of paid up capital is a short term arrangement and the bank is required to comply with the MCR (free of losses) of Rs. 10 billion by December 31, 2016. The Bank is also required to initiate the process of share issuance for meeting any shortfall in the MCR of Rs. 10 billion in the first half of 2016.

20 RESERVES	Note	2015	2014
		------- Rupees in '000 -------	
Statutory Reserves	20.1	233,586	147,475

20.1 Under section 21 of the Banking Companies Ordinance, 1962 an amount of not less than 20 percent of the profit is to be transferred to create a reserve fund till such time the reserve fund and the share premium account equal the amount of the paid up capital. Thereafter, an amount of not less than 10 percent of the profit is required to be transferred to such reserve fund. In the prior years, SBP's approval was obtained for transferring back the amount from statutory reserves to offset the accumulated losses in order to reduce Minimum Capital Requirement (MCR) shortfall.

21 SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS	2015	2014
	------- Rupees in '000 -------	
21.1 Surplus on revaluation of available for sale securities		
Sukuk	19,843	(140,311)
Less : Related deferred tax asset / (liability)	(6,945)	49,109
	12,898	(91,202)

22 CONTINGENCIES AND COMMITMENTS

22.1 Transaction - related contingent liabilities

Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favoring		
- Government	752,253	494,549
- Banking companies and other financial institutions	333,996	34,361
- Others	1,928,924	1,659,270
	3,015,173	2,188,180

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		2015	2014
		------- Rupees in '000 -------	
22.2	**Trade-related contingent liabilities**		
	Import Letters of Credit (including acceptances)	10,523,323	4,432,705
22.3	**Claims not acknowledged as debt**	10,000	10,000

22.3.1 The Competition Commission of Pakistan vide its order dated June 28, 2012 had imposed a penalty of Rs 10 million on the Bank. The penalty was imposed upon the CCPs contention that the ATM Service Charges charged by 1-Link member banks was unfair. However, the same order was set aside by the Competition Appellate Tribunal. Consequently, CCP has filed an appeal with the Supreme Court of Pakistan for imposing the order of penalty on every member bank of 1-Link. The management of the Bank is confident that the above matter will be decided in favour of the Bank and, hence, no provision in this respect has been made in these financial statements.

		2015	2014
		------- Rupees in '000 -------	
22.4	**Commitments in respect of promises to**		
	Purchase	16,262,110	8,816,941
	Sell	17,602,752	4,600,480
22.5	**Commitments for the acquisition of operating fixed assets**	157,787	74,504

22.6 Commitments in respect of financing facilities

The Bank makes commitment(s) to extend financing in the normal course of its business. Certain commitments amounting to Rs. 3.585 billion are irrevocable. The remaining are revocable commitments and do not attract any significant penalty or expense if the facility is unilaterally withdrawn except syndicated commitments.

22.7 Penalties imposed by the State Bank of Pakistan

During the current year, an amount of Rs. 10 million has been adjusted / deducted by the State Bank of Pakistan (SBP) from the bank account of Dubai Islamic Bank Pakistan Limited maintained with SBP (based on the order of the Foreign Exchange Operations Division) relating to some instances of non-compliances by the Bank in respect of foreign remittances. The management of the Bank has filed an appeal in respect of the above matter and is expecting a favorable outcome. The Bank, based on the advice of the legal advisor, is quite hopeful based on precedent that the decision will be made in favour of the Bank. Hence, no provision in respect of the above amount has been recognised in the financial statements.

22.8 Tax contingencies

During the current year the Additional Commissioner Inland Revenue (ACIR) amended the assessments of the Bank for the tax years 2010, 2011, 2012 and 2013. The amended assessment orders have been passed by adding / disallowing certain expenses / deductions in each of the tax years resulting in additional tax liability to the Bank. The Bank filed an appeal with the Commissioner Inland Revenue Appeals (CIR-A) against the amended assessment orders and obtained a stay order from the Honourable High Court of Sindh against the recovery of the additional tax liability. The (CIR-A) after hearing the Bank's appeal has passed judgment vide order no.09 to12/A-1 dated November 16, 2015, and has ruled on certain adjustments in favour of the Bank and on certain other adjustments in favour of the ACIR. Out of the adjustments ruled in favour of the ACIR the major adjustment relates to calculation of turnover tax based on treatment of murabaha income at its gross sales value resulting in an additional tax liability amounting to Rs. 3.326 billion and any additional levy / surcharge which may arise thereon.

The management is of the view that the contention of the taxation authorities is not justified based on the fact that Clause (11A) Part IV of the Second Schedule to the Income Tax Ordinance, 2001 specifically excludes Murabaha transactions from the definition of turnover for the purpose of charging minimum tax. Although the relevant clause of the Second Schedule is not applicable for banks, however, the spirit of the law cannot be different for a bank and another entity. Consequently, keeping in view the legal and factual position of the issue the Bank and its tax advisor are confident of a favourable outcome in the higher appellate forums.

The impact of the remaining adjustments ruled in favour of the ACIR amounts to Rs 231.765 million and any additional levy / surcharge which may arise thereon. The Bank, after consulting the issue with it's tax advisor, is confident that these adjustments will also be decided in the Bank's favour in the higher appellate forums.

The Bank has obtained a stay order from the Honourable High Court of Sindh staying the payment of additional tax and other levies rectified by the CIR-A's order and has filed an appeal against the order with the Appellate Tribunal of Inland Revenue (ATIR). No provision has been made in the these financial statements in respect of the above.

		Note	2015	2014
			------- Rupees in '000 -------	
23	**PROFIT / RETURN EARNED**			
	On Islamic financing and related assets to customers		6,062,916	4,573,056
	On Investments in available for sale securities		1,431,737	1,891,841
	On Investments in held for trading securities		36,836	55,762
	On deposits / placements with financial institutions		1,194,157	1,002,612
			8,725,646	7,523,271
24	**PROFIT / RETURN EXPENSED**			
	Deposits and other accounts		3,883,131	3,285,513
	Other short term fund generation		208,088	148,456
			4,091,219	3,433,969
25	**GAIN ON SALE OF SECURITIES**			
	Sukuk certificates			
	- Federal government		15,946	135,506
	- Foreign currency Sukuk		-	61,684
			15,946	197,190
26	**OTHER INCOME**			
	Gain on sale of property and equipment	11.2.1	1,939	302
	Other		84	7
			2,023	309
27	**ADMINISTRATIVE EXPENSES**			
	Salaries, allowances, etc.	27.1	2,039,682	1,610,134
	Remuneration to Sharia advisor		1,564	400
	Charge for defined benefit plan	33.10	43,352	33,825
	Contribution to defined contribution plan	34	66,279	47,175
	Brokerage and commission		147,898	121,156
	Rent, taxes, insurance, electricity, etc.		1,203,997	969,272
	Legal and professional charges		87,374	63,796
	Communications		214,694	181,348
	Repairs and maintenance		284,652	233,606
	Travelling		50,233	39,363
	Stationery and printing		76,048	57,664
	Subscription fees		4,154	3,515
	Advertisement and publicity		76,272	58,416
	Auditors' remuneration	27.2	5,488	5,038
	Depreciation	11.2	301,511	250,823
	Amortization of intangible assets	11.3	90,912	82,271
	Tracker related costs		89,085	87,763
	Others		204,738	126,693
			4,987,933	3,972,258

27.1 This includes Rs 8.080 million (2014: Rs. 6.201 million) in respect of Contribution to Employees' Old Age Benefit Institution.

27.2 Auditors' remuneration

	2015	2014
	------- Rupees in '000 -------	
Audit fee	1,155	1,025
Fee for the review of half yearly financial statements	485	420
Fee for review of compliance with CCG	195	170
Fee for special certifications and group reporting	2,739	2,429
Out-of-pocket expenses	914	994
	5,488	5,038

28 OTHER CHARGES

	2015	2014
Worker Welfare Fund	14,525	18,890
Penalties imposed by the State Bank of Pakistan	6,927	1,898
Fixed assets written-off	489	-
	21,941	20,788

29 TAXATION

	2015	2014
- Current	191,099	86,494
- Prior years	29,648	-
- Deferred	60,420	238,524
	281,167	325,018

29.1 Relationship between tax charge and accounting profit

	2015	2014
Profit before taxation	711,722	925,531
Tax at the applicable rate of 35%	249,103	323,936
Effect of:		
- permanent differences	2,424	664
- prior year charge	29,648	-
- others	(8)	418
Tax charge for the year	281,167	325,018

29.2 Under section 114 of the Income Tax Ordinance, 2001 (Ordinance), the Bank has filed the returns of income for the tax years from 2006 to 2014 on due dates. These returns were deemed assessed under the provisions of the prevailing income tax law as applicable in Pakistan during the relevant accounting years. However, during the current year the taxation authorities have raised demands in respect of the tax years 2010 to 2013 as more fully explained in note 22.8 to these financial statements.

30 BASIC AND DILUTED EARNING PER SHARE

	Note	2015	2014
		------- Rupees in '000 -------	
Profit after taxation for the year		430,555	600,513
		------- Number of shares -------	
Weighted average number of ordinary shares in issue - Number		697,603,000	697,603,000
		------- Rupees -------	
Earning per share - basic and diluted	30.1	0.6172	0.8608

30.1 There were no convertible / dilutive potential ordinary shares outstanding as at December 31, 2015 and December 31, 2014.

31 CASH AND CASH EQUIVALENTS

	Note	2015	2014
		------- Rupees in '000 -------	
Cash and balances with treasury banks	6	14,183,630	10,480,052
Balances with other banks	7	3,869,403	529,277
		18,053,033	11,009,329

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32 STAFF STRENGTH

	2015	2014
	------ Number of employees ------	
Permanent	1,773	1,521
Contractual basis	7	8
Bank's own staff strength at the end of the year	1,780	1,529
Outsourced	1,172	968
Total staff strength	2,952	2,497

33 DEFINED BENEFIT PLAN

33.1 General Description

As mentioned in note 5.10.1, the Bank operates a funded gratuity scheme for all its permanent employees. The benefits under the gratuity scheme are payable on retirement at the age of 60 or earlier cessation of service, in lump sum. The benefit is equal to one month's last drawn basic salary for each year of eligible service with the Bank subject to a minimum qualifying period of service of three years.

33.2 Risks

Through its defined benefit plan, the Bank is exposed to a number of risks, the most significant of which are detailed below:

Investment risks

The risk arises when the actual performance of the investments is lower than expectation thus creating a shortfall in the funding objectives.

Longevity risks

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire population.

Salary increase risk

The most common type of retirement benefit is one where the benefit is linked with the final salary. The risk arises when the actual increase is higher than expectation and impacts the liability accordingly.

Withdrawal risk

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

33.3 Principal actuarial assumptions

The latest actuarial valuation of the Bank's gratuity scheme was carried out as at December 31, 2015 using the Projected unit credit method. The disclosures made in notes 33.1 to 33.16 are based on the information included in the actuarial valuation report of the Bank as of December 31, 2015. The following significant assumptions were used for the valuation of the defined benefit plan:

	2015	2014
Discount rate	10.0%	10.5%
Expected return on plan assets	10.0%	10.5%
Expected rate of salary increase	8.0%	8.5%
Normal retirement age	60 years	60 years

33.4 Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in Pakistan. The rates assumed are based on the SLIC 2001 - 2005 ultimate mortality tables.

33.5 Reconciliation of payable to defined benefit plan

	2015	2014
	-----------(Rupees in '000)-----------	
Present value of defined benefit obligations	168,778	133,264
Fair value of plan assets	(168,778)	(133,264)
	-	-

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		2015	2014
33.6	**Movement in defined benefit plan**	---------(Rupees in '000)---------	
	Obligations at the beginning of the year	133,264	106,951
	Current service cost	47,668	32,760
	Cost of fund	13,245	12,295
	Benefits paid	(14,233)	(17,178)
	Actuarial gain on obligation	(11,166)	(1,564)
	Obligations at the end of the year	168,778	133,264
33.7	**Movement in fair value of plan assets**		
	Fair value at the beginning of the year	133,264	106,951
	Expected return on plan assets	17,561	11,230
	Contributions	40,381	33,613
	Benefits paid	(14,233)	(17,178)
	Actuarial loss on plan assets	(8,195)	(1,352)
	Fair value at the end of the year	168,778	133,264
33.8	**Plan assets consist of the following:**		
	Balance with Bank in deposit accounts	108,727	4,700
	Dubai Islamic Bank Pakistan Limited Savings Plus Accounts	-	18,000
	Sukuk	60,051	110,564
		168,778	133,264
33.9	**Movement in payable to defined benefit plan**		
	Opening balance	-	-
	Charge for the year	43,352	33,825
	Other Comprehensive Income	(2,971)	(212)
	Bank's contribution to the fund made during the year	(40,381)	(33,613)
	Closing balance	-	-
33.10	**Charge for defined benefit plan**		
33.10.1	**Cost recognised in profit or loss**		
	Current service cost	47,668	32,760
	Net (return) / cost	(4,316)	1,065
		43,352	33,825
33.10.2	**Remeasurements recognised in other comprehensive income during the year**		
	Actuarial loss on plan assets	8,195	1,352
	Actuarial gain on obligation	(11,166)	(1,564)
	Net Actuarial (gain) / loss recognised in other comprehensive income	(2,971)	(212)
33.11	**Actual return on plan assets**	9,366	9,878

33.12 Historical information

	2015	2014	2013	2012	2011
	(Rupees in '000)				
Defined benefit obligation	168,778	133,264	106,951	89,470	71,317
Fair value of plan assets	(168,778)	(133,264)	(106,951)	(103,096)	(77,918)
(Surplus) / deficit	-	-	-	(13,626)	(6,601)
Remeasurements of plan liabilities	11,166	1,564	3,251	4,848	759
Remeasurements of plan assets	(8,195)	(1,352)	(4,186)	900	(248)

33.13 The weighted average duration of the defined benefit obligation is 12.932 years.

33.14 Expected maturity analysis of undiscounted defined benefit obligation for the gratuity scheme is as follows:

Less than a year	Between 1 - 2 years	Between 2 - 5 years	Over 5 years	Total
(Rupees in '000)				
8,270	11,097	52,789	415,068	487,224

33.15 The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Change in assumption	Impact on defined benefit obligation - Increase / (Decrease): Increase in assumption	Impact on defined benefit obligation - Increase / (Decrease): Decrease in assumption
		(Rupees in '000)	
Discount rate	0.50%	(11,390)	12,495
Salary growth rate	0.50%	12,433	(11,442)

	Increase by 1 year in assumption	Decrease by 1 year in assumption
	(Rupees in '000)	
Life expectancy / Withdrawal rate	1,721	(1,841)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognised within the Statement of Financial Position.

33.16 Estimated expenses to be charged to profit and loss account for the year ending December 31, 2016

Based on the actuarial advice, the management estimates that charge in respect of defined benefit plans for the year ending December 31, 2016 would be as follows:

	Rupees in '000
Current service cost	45,858
Interest cost on defined benefit obligation	(3,593)
Amount chargeable to profit and loss account	42,265

34 DEFINED CONTRIBUTION PLAN (PROVIDENT FUND)

The Bank operates a contributory provident fund scheme for permanent employees. The employer and employee both contribute 10% of the basic salaries to the funded scheme every month. Equal monthly contributions by the employer and employees during the year amounted to Rs. 66.279 million each (2014: Rs. 47.175 million).

35 COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive		Directors		Executives	
	2015	2014	2015	2014	2015	2014
	Rupees in '000					
Fees	-	-	16,677	15,868	-	-
Managerial remuneration (including Bonus)	39,168	30,597	-	-	402,633	351,678
Charge for defined benefit plan	764	764	-	-	33,552	29,306
Contribution to defined contribution plan	916	916	-	-	40,263	35,167
Rent and house maintenance	6,950	6,950	-	-	162,433	142,951
Utilities	916	916	-	-	40,263	35,167
Medical	64	40	-	-	10,075	7,759
Leave fare assistance	621	621	-	-	24,968	21,540
Car allowance	1,374	1,374	-	-	110,880	94,875
Others	-	-	-	-	45,795	40,258
	50,773	42,178	16,677	15,868	870,862	758,701
Number of persons	1	1	8	8	339	255

The Chief Executive and certain Executives are provided with club membership and mobile telephone facilities and the Chief Executive is also provided with bank maintained car in accordance with the Bank's service rules.

36 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of quoted investments is based on quoted market prices. Unquoted equity securities are valued at lower of cost and break-up value as per the latest available audited financial statements. Other unquoted securities are valued at cost less impairment losses. The provision for impairment in the value of investments has been determined in accordance with the accounting policy as stated in note 5.3.5 to these financial statements.

Fair values of islamic financing and related assets cannot be determined with reasonable accuracy due to absence of current and active market. The provisions against islamic financing and related assets have been calculated in accordance with the accounting policy as stated in note 5.4 to these financial statements. The repricing, maturity profile and effective rates are stated in note 40 to these financial statements.

Fair values of all other financial assets and liabilities cannot be calculated with sufficient accuracy as an active market does not exist for these instruments. In the opinion of the management, fair value of these assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short term in nature and there are frequent repricings in the case of islamic financing and related assets and deposits.

36.1 Off-balance sheet financial instruments

	2015		2014	
	Book value	Fair value	Book value	Fair value
	Rupees in '000			
Forward promise to purchase foreign currency	16,339,028	16,262,110	8,903,647	8,816,941
Forward promise to sell foreign currency	17,639,463	17,602,752	4,655,269	4,600,480

36.2 The table below analyses financial and non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs e.g. estimated future cash flows) (Level 3).

RECURRING FAIR VALUE MEASUREMENTS	2015			
	Level 1	Level 2	Level 3	Total
	Rupees in '000			
INVESTMENTS - NET				
Financial Assets				
Available for sale securities				
GOP Ijara Sukuk	-	10,165,170	-	10,165,170
WAPDA Sukuk	-	842,166	-	842,166
K Electric Limited Sukuk	-	1,975,025	-	1,975,025
Foreign currency Sukuk	3,213,629	-	-	3,213,629

The Bank's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused the transfer occurred.

There were no transfers between levels 1 and 2 during the year.

(a) Financial instruments in level 1

Financial instruments included in level 1 comprise of foreign currency sukuk.

(b) Financial instruments in level 2

Financial instruments included in level 2 comprise of GoP ijarah sukuk, WAPDA sukuk and K Electric Limited sukuk classified as available for sale.

(c) **Financial instruments in level 3**

Currently, no financial instruments are classified in level 3.

Valuation techniques used in determination of fair values within level 2

Item	Valuation approach and input used
GOP Ijara Sukuk	Fair values of GoP Ijarah Sukuk are derived using the PKISRV rates announced by the Financial Market Association (FMA) through Reuters. These rates denote an average of quotes received from eight different pre-defined / approved dealers / brokers.
WAPDA Sukuk K Electric Limited	Investments in sukuk certificates issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan. In the determination of the rates, the MUFAP takes into account the holding pattern of these securities and categorises these as traded, thinly traded and non-traded securities.

37 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment analysis with respect to business activity is as follows:

	2015					
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Others	Total
	Rupees in '000					
Internal Income	-	(1,813,757)	4,447,711	(2,619,687)	(14,267)	-
Total income	95,903	2,216,952	2,977,228	4,695,806	14,212	10,000,101
Total expenses	(47,390)	(341,324)	(7,274,795)	(1,906,104)	67	(9,569,546)
Net income (loss)	48,513	61,871	150,144	170,015	12	430,555
Segment assets (gross)	-	39,684,293	18,607,722	92,971,563	7,545,934	158,809,512
Segment non performing financings and investments	-	-	886,484	1,397,792	26,397	2,310,673
Segment provision required		-	573,704	1,104,022	19,611	1,697,337
Segment liabilities	-	9,008,000	103,143,633	25,329,546	11,636,339	149,117,518
Segment return on net assets (ROA) (%)	-	6.53%	13.45%	8.00%	3.38%	-
Segment cost of funds (%)	-	6.29%	3.79%	5.86%	-	-

	2014					
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Others	Total
	Rupees in '000					
Internal Income	-	(2,441,912)	4,473,770	(2,019,612)	(12,246)	-
Total income	38,460	2,906,397	2,453,647	3,225,502	16,255	8,640,261
Total expenses	(13,499)	(264,870)	(6,388,962)	(1,366,097)	(6,320)	(8,039,748)
Net income / (loss)	24,961	199,615	538,455	(160,207)	(2,311)	600,513
Segment assets (gross)	-	24,627,789	21,498,471	49,607,426	7,348,354	103,082,040
Segment non performing financings and investments	-	-	948,826	1,391,104	28,826	2,368,756
Segment provision required		-	551,825	938,066	20,160	1,510,051
Segment liabilities	-	-	75,771,614	13,602,359	4,739,945	94,113,918
Segment return on net assets (ROA) (%)	-	9.21%	15.44%	10.03%	3.61%	-
Segment cost of funds (%)	-	8.68%	4.54%	4.81%	-	-

38 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and include a subsidiary company, associated companies with or without common directors, retirement benefit funds, directors and key management personnel.

The Bank has related party relationship with Dubai Islamic Bank P.J.S.C, U.A.E, the holding company, shareholders, directors, related group companies and associated undertakings, key management personnel including the Chief Executive Officer and Staff Retirement Funds.

A number of banking transactions are entered into with related parties in the normal course of business. These include financing and deposit transactions. These transactions are executed substantially on the same terms including profit rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal risk.

Contributions to staff retirement benefit plan are made in accordance with the terms of the contribution plan. Remuneration to the executives are determined in accordance with the terms of their appointment.

Transactions with related parties other than remuneration and benefits to key management personnel including the Chief Executive Officer under the terms of the employment as disclosed in note 35 are as follows:

	2015	2014
	(Rupees '000)	
Key management personnel		
Islamic financing and related assets		
At beginning of the year	122,788	88,562
Disbursements	116,130	96,978
Repayments	(68,368)	(62,752)
At the end of the year	170,550	122,788
Profit earned on islamic financing and related assets	5,920	4,027
Remuneration to Key Management Personnel.	212,007	153,589
Deposits		
At beginning of the year	23,550	6,174
Deposits	250,760	205,348
Withdrawals	(239,163)	(187,972)
At the end of the year	35,147	23,550
Return on deposits	618	1,129
Directors		
Deposits		
At beginning of the year	16,170	5,375
Deposits	71,667	55,255
Withdrawals	(80,993)	(44,460)
Adjustment for retiring directors	(2,600)	-
At the end of the year	4,244	16,170
Return on deposits	85	247
Holding company		
Purchase of Foreign Currency Sukuk from Holding Company	3,238,147	690,298
Sale of Foreign Currency Sukuk to Holding Company	-	4,968,012
Gain on sale of foreign currency sukuk	-	61,684
Contingent liabilities in respect of performance bonds	1,107,996	1,047,882
Fee charged by the holding company in respect of outsourcing arrangement	52,633	48,259

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	2015	2014
Deposits	(Rupees '000)	
At beginning of the year	13,701	60,428
Deposits	2,477,242	1,724,930
Withdrawals	(2,445,219)	(1,771,657)
At the end of the year	45,724	13,701
Balance held abroad		
At beginning of the year	92,305	160,875
Deposits	61,346,157	36,526,299
Withdrawals	(60,284,407)	(36,594,869)
At the end of the year	1,154,055	92,305
Other payables	48,479	21,333
Other receivables	2,639	6,332

Employee benefit plans

	2015	2014
Contribution to Employees Gratuity Fund	40,381	33,613
Contribution to Employees Provident Fund	66,279	47,175

Forex transactions - Dubai Islamic Bank P.J.S.C

CURRENCY	2015			
	READY / SPOT / TOM		FORWARD	
	BUY	SELL	BUY	SELL
	(Currency in '000)			
AED	21,200	5,772	712,000	193,846
AUD	240	180	-	-
CAD	150	112	-	-
CHF	880	906	-	-
EUR	11,420	12,639	77,100	85,834
GBP	4,940	7,485	124,400	190,117
JPY	375,000	3,085	-	-
SAR	50	13	-	-
SGD	120	88	-	-
USD	3,421,505	516,398	66,100	11,499

Forex deals outstanding as at year end - Dubai Islamic Bank P.J.S.C

CURRENCY	2015			
	FORWARD			
	BUY		SELL	
	Currency in '000	Rupees in '000	Currency in '000	Rupees in '000
AED	58,000	1,656,072	-	-
EUR	5,800	664,836	-	-
GBP	7,900	1,232,362	-	-
JPY	-	-	-	-
USD	-	-	33,887	3,558,302

Forex transactions - Dubai Islamic Bank P.J.S.C

CURRENCY	2014			
	READY / SPOT / TOM		FORWARD	
	BUY	SELL	BUY	SELL
	(Currency in '000)			
AED	28,000	1,076,600	1,055,700	28,500
AUD	30	-	-	-
CHF	3,450	1,500	-	850
EUR	5,100	113,680	111,500	4,900
GBP	3,330	110,215	110,700	-
JPY	554,600	89,700	169,500	-
USD	629,753	29,268	16,814	621,122

Forex deals outstanding as at year end - Dubai Islamic Bank P.J.S.C

CURRENCY	2014			
	FORWARD			
	BUY		SELL	
	Currency in '000	Rupees in '000	Currency in '000	Rupees in '000
AED	42,000	1,149,603	-	-
EUR	3,600	439,929	120	14,656
GBP	4,300	673,517	-	-
JPY	169,000	145,514	-	-
USD	146	14,655	24,139	2,430,177

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39 CAPITAL ASSESSMENT AND ADEQUACY

39.1 Capital management

Capital Management aims to safeguard the Bank's ability to continue as a going concern so that it could continue to provide adequate returns to shareholders by pricing products and services commensurately with the level of risk. For this the Bank ensures strong capital position and efficient use of capital as determined by the underlying business strategy i.e. maximizing growth on continuing basis. The Bank maintains a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

This process is managed by the Asset Liability Committee (ALCO) of the Bank. The objective of ALCO is to derive the most appropriate strategy in terms of the mix of assets and liabilities given its expectations of the future and the potential consequences of interest rate movement, liquidity constraints and capital adequacy and its implication on risk management policies.

The State Bank of Pakistan (SBP) has prescribed guidelines with respect to disclosure of capital adequacy related information in the financial statements of banks. These guidelines are based on the requirements of Basel III which were introduced earlier by the SBP in August 2013 for implementation by banks in Pakistan. The SBP has specified a transitional period till 2018 for implementation of Basel III. The disclosures below have been prepared on the basis of the SBP's guidelines.

39.2 Goals of managing capital

The goals of managing capital of the Bank are as follows:

- To be an appropriately capitalised institution, considering the requirements set by the regulators of the banking markets where the Bank operates;

- Maintain strong ratings and to protect the Bank against unexpected events; and

- Ensure availability of adequate capital at a reasonable cost so as to enable the Bank to operate adequately and provide reasonable value addition for the shareholders and other stakeholders.

39.3 Statutory minimum capital requirement and management of capital

The State Bank of Pakistan (SBP) vide circular no.7 dated April 15, 2009 had set the Minimum Capital Requirement (MCR) for banks of Rs 10 billion to be achieved in a phased manner by December 31, 2013. Accordingly, the MCR (free of losses) of the Bank as at December 31, 2015 should have been Rs 10 billion. The Capital Adequacy Ratio (CAR) requirement inclusive of Capital Conservation Buffer (CCB) requirement as of December 31, 2015 is 10.25%. As more fully explained in note 1.5 to these financial statements, the SBP vide its letter no. BPRD/BA & CP/623/019653/2013 dated December 28, 2013 had allowed the Bank to raise FCY sub-ordinated debt from the sponsors and place the same in non-remunerative deposit account with SBP. The funds placed as non-remunerative deposit with SBP will be considered for CAR / MCR purposes subject to certain terms and conditions.

The deposit of USD 31 million placed with SBP in lieu of paid up capital is a short term arrangement and the Bank is required to comply with the MCR (free of losses) of Rs. 10 billion by December 31, 2016. The Bank is also required to initiate the process of share issuance for meeting any shortfall in the MCR of Rs. 10 billion in the first half of 2016.

39.4 Capital Structure

Under Basel III framework, the Bank's regulatory capital has been analysed into two tiers as follows:

- Tier 1 capital (going concern capital) which is sub divided into:

a) Common Equity Tier 1 (CET1), which includes fully paid up capital, reserve for bonus issue, general reserves and un-appropriated profits (net of losses), etc. after deductions for investments in the equity of subsidiary companies engaged in banking and financial activities (to the extent of 50%), reciprocal crossholdings and deficit on revaluation of available for sale investments and deduction for book value of intangibles.

b) Additional Tier 1 capital (AT1), which includes instruments issued by the Bank which meet the specified criteria after deduction of remaining 50% investment in the equity of subsidiary companies engaged in banking and financial activities and other specified deductions.

- Tier II capital, which includes general provisions for loan losses (upto a maximum of 1.25% of credit risk weighted assets), reserves on revaluation of fixed assets and available for sale investments after deduction of deficit on available for sale investments.

Banking operations are categorised in either the trading book or the banking book and risk weighted assets are determined according to the specified requirements that seek to reflect the varying levels of risk attached to assets and off balance sheet exposures.

39.5 Capital adequacy ratio

The capital to risk weighted assets ratio, calculated in accordance with the SBP guidelines on capital adequacy, under Basel III and Pre-Basel III treatment using Standardised Approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk is presented below:

Particulars	2015	2014
	------- Rupees in '000 -------	
Common Equity Tier 1 capital (CET1): Instruments and reserves		
Fully Paid-up Capital/ Capital deposited with SBP	6,976,030	6,976,030
Balance in Share Premium Account	-	-
Reserve for issue of Bonus Shares	-	-
Discount on Issue of shares	-	-
General / Statutory Reserves	233,604	147,493
Gain / (Losses) on derivatives held as Cash Flow Hedge	-	-
Unappropriated profits	753,135	406,760
Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-
CET 1 before Regulatory Adjustments	**7,962,769**	**7,530,283**
Total regulatory adjustments applied to CET1 (Note 39.5.1)	**214,126**	**360,201**
Common Equity Tier 1 (a)	**7,748,643**	**7,170,082**
Additional Tier 1 (AT 1) Capital		
Qualifying Additional Tier-1 instruments plus any related share premium	3,246,971	-
of which:		
- *classified as equity*	-	-
- *classified as liabilities*	3,246,971	-
Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)	-	-
- *of which: instrument issued by subsidiaries subject to phase out*	-	-
AT1 before regulatory adjustments	**3,246,971**	-
Total of Regulatory Adjustment applied to AT1 capital (Note 39.5.2)	-	-
Additional Tier 1 capital after regulatory adjustments	**3,246,971**	-
Additional Tier 1 capital recognised for capital adequacy (b)	**1,874,873**	-
Tier 1 Capital (CET1 + admissible AT1) (c=a+b)	**9,623,516**	**7,170,082**
Tier 2 Capital		
Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	-
Tier 2 capital instruments subject to phase out arrangement issued under pre-Basel III rules		3,114,976
Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)	-	-
- *of which: instruments issued by subsidiaries subject to phase out*	-	-
General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	87,859	62,875
Revaluation Reserves (net of taxes)		
of which:	8,642	
- *Revaluation reserves on property*	-	-
- *Unrealized gains/losses on AFS*	8,642	-

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Particulars	2015	2014
	Rupees in '000	
Foreign Exchange Translation Reserves	-	-
Undisclosed / Other Reserves (if any)	-	-
T2 before regulatory adjustments	96,501	3,177,851
Total regulatory adjustment applied to T2 capital (note 39.5.3)		
Tier 2 capital (T2) after regulatory adjustments	96,501	3,177,851
Tier 2 capital recognised for capital adequacy	96,501	3,177,851
Portion of Additional Tier 1 capital recognized in Tier 2 capital	1,372,098	-
Total Tier 2 capital admissible for capital adequacy (d)	**1,468,599**	**3,177,851**
TOTAL CAPITAL (T1 + admissible T2) (e=c+d)	**11,092,115**	**10,347,933**
Total Risk Weighted Assets (RWA) (i) [Note 39.9]	**99,660,797**	**60,587,109**
Capital Ratios and buffers (in percentage of risk weighted assets)		
CET1 to total RWA (a/i)	**7.78%**	**11.83%**
Tier-1 capital to total RWA (c/i)	**9.66%**	**11.83%**
Total capital to total RWA (e/i)	**11.13%**	**17.08%**
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement) of which:		
- *capital conservation buffer requirement*	0.25%	0%
- *countercyclical buffer requirement*	0%	0%
- *D-SIB or G-SIB buffer requirement*	0%	0%
CET1 available to meet buffers (as a percentage of risk weighted assets)	1.78%	6.33%
National minimum capital requirements prescribed by SBP		
CET1 minimum ratio	**6.00%**	**5.50%**
Tier 1 minimum ratio	**7.50%**	**7.00%**
Total capital minimum ratio	**10.00%**	**10.00%**
Total capital minimum ratio plus CCB	**10.25%**	**10.00%**

39.5.1 Common Equity Tier 1 capital: Regulatory adjustments

Particulars	2015 Amount	2015 Pre-Basel III treatment*	2014 Amount	2014 Pre-Basel III treatment*
	Rupees in '000			
Goodwill (net of related deferred tax liability)	-	-	-	-
All other intangibles (net of any associated deferred tax liability)	214,126	-	259,248	-
Shortfall of provisions against classified assets (Note 39.6.2.1)	-	-	-	-
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-	9,751	39,005
Defined-benefit pension fund net assets	-	-	-	-
Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	-	-	-	-
Cash flow hedge reserve	-	-	-	-
Investment in own shares / CET1 instruments	-	-	-	-
Securitization gain on sale	-	-	-	-
Capital shortfall of regulated subsidiaries	-	-	-	-
Deficit on account of revaluation from bank's holdings of property / AFS	-	-	91,202	-
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	-	-
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	-	-
Amount exceeding 15% threshold of which:				
- *significant investments in the common stocks of financial entities*	-	-	-	-
- *deferred tax assets arising from temporary differences*	-	-	-	-
National specific regulatory adjustments applied to CET1 capital	-	-	-	-
Investment in TFCs of other banks exceeding the prescribed limit	-	-	-	-
Any other deduction specified by SBP	-	-	-	-
Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	-	-	-
Total regulatory adjustments applied to CET1	**214,126**	-	**360,201**	**39,005**

* This column highlights items that are still subject to Pre Basel III treatment during the transitional period

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Particulars	2015 Amount	2015 Pre-Basel III treatment*	2014 Amount	2014 Pre-Basel III treatment*
	---------- Rupees in '000 ----------			

39.5.2 Additional Tier 1 Capital: regulatory adjustments

Particulars	2015 Amount	2015 Pre-Basel III treatment*	2014 Amount	2014 Pre-Basel III treatment*
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	-	-	-
Investment in own AT1 capital instruments	-	-	-	-
Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	-	-	-	-
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-	-
Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital	-	-	-	-
Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-	-	-
Total of Regulatory Adjustment applied to AT1 capital	-	-	-	-

39.5.3 Tier 2 Capital: regulatory adjustments

Particulars	2015 Amount	2015 Pre-Basel III treatment*	2014 Amount	2014 Pre-Basel III treatment*
Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-	-	-	-
Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	-	-	-	-
Investment in own Tier 2 capital instrument	-	-	-	-
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-	-
Total regulatory adjustment applied to T2 capital	-	-	-	-

* This column highlights items that are still subject to Pre Basel III treatment during the transitional period

39.5.4 Risk Weighted Assets subject to pre-Basel III treatment

	2015	2014
	------ Rupees in '000 ------	
Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment) of which:	-	39,005
- Deferred tax assets	-	39,005
- Defined-benefit pension fund net assets	-	-
- Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	-	-
Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	-	-
Amounts below the thresholds for deduction (before risk weighting)		
Non-significant investments in the capital of other financial entities	-	-
Significant investments in the common stock of financial entities	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	-	13,678
Applicable caps on the inclusion of provisions in Tier 2		
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	87,859	62,875
Cap on inclusion of provisions in Tier 2 under standardized approach	1,073,479	625,523
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

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39.6 Leverage ratio

According to Basel III instructions issued by State Bank of Pakistan (BPRD circular # 06 dated August 15, 2013), it is mandatory for all the banks to calculate and report the Leverage Ratio on a quarterly basis with the minimum benchmark of 3%.

The reason for calculating leverage ratio is to avoid excessive On- and Off-balance sheet leverage in the banking system, a simple, transparent and non-risk based Ratio has been introduced with the following objectives:

- Constrain the build-up of leverage in the banking sector which can damage the broader financial system and the economy; and
- Reinforce the risk based requirements with an easy to understand and a non-risk based measure.

	Particulars	2015	2014
		Rupees in '000	
	On balance sheet exposures		
1	On-balance sheet items (excluding derivatives but including collateral)	156,966,918	101,581,473
2	Derivatives	37,998	28,474
3	**Total On balance sheet exposures**	**157,004,916**	**101,609,947**
	Off balance sheet exposures		
4	Off-balance sheet items (excluding derivatives)	27,901,273	13,885,013
5	Commitment in respect of derivatives (derivatives having negative fair value are also included)	113,324	97,751
6	**Total Off balance sheet exposures**	**28,014,597**	**13,982,764**
	Capital and total exposures		
7	**Tier 1 capital (Note 39.5)**	**9,623,515**	**7,170,082**
8	**Total exposures (sum of lines 3 and 6)**	**185,019,513**	**115,592,711**
	Basel III leverage ratio	**5.20%**	**6.20%**

The decrease in leverage ratio from the prior period is mainly due to increase in financings given by the Bank. This has been offset due to placement of sub-ordinated debt in Additional Tier 1 Capital instead of Tier 2 Capital in which it was recorded last year.

39.7 Capital Structure Reconciliation

39.7.1 Reconciliation of each financial statement line item to item under regulatory scope of reporting - Step 1

Particulars	Balance sheet as in published financial statements	Under regulatory scope of consolidation
	(Rupees in '000)	
Assets		
Cash and balances with treasury banks	14,183,630	14,183,630
Balances with other banks	3,869,403	3,869,403
Due from financial institutions	11,725,145	11,725,145
Investments	18,515,808	18,515,808
Islamic financing and related assets	104,953,637	104,953,637
Operating fixed assets	1,842,705	1,842,705
Deferred tax assets	-	-
Other assets	2,002,857	2,002,857
Total assets	**157,093,185**	**157,093,185**
Liabilities and Equity		
Bills payable	1,552,219	1,552,219
Due to financial institutions	4,551,920	4,551,920
Deposits and other accounts	136,743,457	136,743,457
Sub-ordinated loans	3,246,971	3,246,971
Liabilities against assets subject to finance leases	-	-
Deferred tax liabilities	54,040	54,040
Other liabilities	2,968,911	2,968,911
Total liabilities	**149,117,518**	**149,117,518**
Share capital	6,976,030	6,976,030
Reserves	233,604	233,604
Unappropriated/ Unremitted profit/ (losses)	753,135	753,135
Minority Interest	-	-
Surplus on revaluation of assets	12,898	12,898
Total liabilities and equity	**157,093,185**	**157,093,185**

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39.7.2 Reconciliation of balance sheet to eligible regulatory capital - Step 2

Particulars	Reference	Balance sheet as in published financial statements	Under regulatory scope of consolidation
		(Rupees in '000)	
Assets			
Cash and balances with treasury banks		14,183,630	14,183,630
Balances with other banks		3,869,403	3,869,403
Due from financial institutions		11,725,145	11,725,145
Investments		18,515,808	18,515,808
of which:			
- *non-significant capital investments in capital of banking, financial and insurance entities exceeding 10% threshold*	a	-	-
- *significant capital investments in capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold*	b	-	-
- *mutual Funds exceeding regulatory threshold*	c	-	-
- *reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)*	d	-	-
- *others*	e	-	-
Islamic financing and related assets		104,953,637	104,953,637
- *shortfall in provisions / excess of total EL amount over eligible provisions under IRB*	f	-	-
- *general provisions reflected in Tier 2 capital*	g	87,859	87,859
Operating fixed assets		1,842,705	1,842,705
- *of which: Intangibles*	k	214,126	214,126
Deferred tax assets		-	-
of which:			
- *DTAs that rely on future profitability excluding those arising from temporary differences*	h	-	-
- *DTAs arising from temporary differences exceeding regulatory threshold*	i	-	-
Other assets		2,002,857	2,002,857
of which:			
- *goodwill*	j	-	-
- *defined-benefit pension fund net assets*	l	-	-
Total assets		**157,093,185**	**157,093,185**
Liabilities and Equity			
Bills payable		1,552,219	1,552,219
Due from financial institutions		4,551,920	4,551,920
Deposits and other accounts		136,743,457	136,743,457
Sub-ordinated loans of which:		3,246,971	3,246,971
- *eligible for inclusion in AT1*	m	3,246,971	3,246,971
- *eligible for inclusion in Tier 2*	n		
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities of which:		54,040	54,040
- *DTLs related to goodwill*	o	-	-
- *DTLs related to intangible assets*	p	-	-
- *DTLs related to defined pension fund net assets*	q	-	-
- *other deferred tax liabilities*	r	-	-
Other liabilities		2,968,911	2,968,911
Total liabilities		**149,117,518**	**149,117,518**
Share capital		6,976,030	6,976,030
- *of which: amount eligible for CET1*	s	6,976,030	6,976,030
- *of which: amount eligible for AT1*	t	-	-
Reserves of which:		233,604	233,604
- *portion eligible for inclusion in CET1 - Statutory reserve*	u	233,586	233,586
- *portion eligible for inclusion in CET1 - General reserve*		18	18
- *portion eligible for inclusion in Tier 2*	v	-	-
Unappropriated profit	w	753,135	753,135
Minority Interest of which:		-	-
- *portion eligible for inclusion in CET1*	x	-	-
- *portion eligible for inclusion in AT1*	y	-	-
- *portion eligible for inclusion in Tier 2*	z	-	-
Surplus on revaluation of assets of which:		12,898	12,898
- *Revaluation reserves on Property*	aa	-	-
- *Unrealized Gains/Losses on AFS*		12,898	12,898
- *In case of Deficit on revaluation (deduction from CET1)*	ab	-	-
Total liabilities and Equity		**157,093,185**	**157,093,185**

39.7.3 Basel III Disclosure (with added column) - Step 3

	Particulars	Source based on reference number from step 2	Component of regulatory capital reported by bank
			(Rupees in '000)
	Common Equity Tier 1 capital (CET1): Instruments and reserves		
1	Fully Paid-up Capital/ Capital deposited with SBP		6,976,030
2	Balance in Share Premium Account	(s)	-
3	Reserve for issue of Bonus Shares		-
4	General / Statutory Reserves	(u)	233,604
5	Gain / (Losses) on derivatives held as Cash Flow Hedge		-
6	Unappropriated / unremitted profits	(w)	753,135
7	Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	(x)	-
8	**CET 1 before Regulatory Adjustments**		**7,962,769**
	Common Equity Tier 1 capital: Regulatory adjustments		
9	Goodwill (net of related deferred tax liability)	(j) - (o)	-
10	All other intangibles (net of any associated deferred tax liability)	(k) - (p)	214,126
11	Shortfall of provisions against classified assets	(f)	-
12	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	{(h) - (r)} * x%	-
13	Defined-benefit pension fund net assets	{(l) - (q)} * x%	-
14	Reciprocal cross holdings in CET1 capital instruments	(d)	-
15	Cash flow hedge reserve		-
16	Investment in own shares / CET1 instruments		-
17	Securitization gain on sale		-
18	Capital shortfall of regulated subsidiaries		-
19	Deficit on account of revaluation from bank's holdings of property / AFS	(ab)	-
20	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10%	(a) - (ac) - (ae)	-
21	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	(b) - (ad) - (af)	-
22	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	(i)	-
23	Amount exceeding 15% threshold of which:		-
	- significant investments in the common stocks of financial entities		
	- deferred tax assets arising from temporary differences		-
24	National specific regulatory adjustments applied to CET1 capital of which:		-
	- *Investment in TFCs of other banks exceeding the prescribed limit*		-
	- *Any other deduction specified by SBP (mention details)*		-
25	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions		-
26	**Total regulatory adjustments applied to CET1 (Sum 9 to 25)**		**214,126**
27	**Common Equity Tier 1**		**7,748,643**
	Additional Tier 1 (AT 1) Capital		
28	Qualifying Additional Tier-1 instruments plus any related share premium *of which:*		3,246,971
29	- *Classified as equity*	(t)	-
30	- *Classified as liabilities*	(m)	3,246,971
31	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	(y)	-
32	- *of which: instrument issued by subsidiaries subject to phase out*		-
33	**AT1 before regulatory adjustments**		**3,246,971**

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	Particulars	Source based on reference number from 39.4.2	Component of regulatory capital reported by bank
			(Rupees in '000)
	Additional Tier 1 Capital: regulatory adjustments		
34	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)		-
35	Investment in own AT1 capital instruments		-
36	Reciprocal cross holdings in Additional Tier 1 capital instruments		-
37	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(ac)	-
38	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(ad)	-
39	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital		-
40	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		-
41	Total of Regulatory Adjustment applied to AT1 capital (Sum 34 to 40)		-
42	Additional Tier 1 capital		-
43	**Additional Tier 1 capital recognised for capital adequacy**		1,874,873
44	**Tier 1 Capital (CET1 + admissible AT1) (27 + 43)**		**9,623,516**
	Tier 2 Capital		
45	Qualifying Tier 2 capital instruments under Basel III plus any related share premium		-
46	Capital instruments subject to phase out arrangement from Tier 2 (Pre-Basel III instruments)	(n)	-
47	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)		
	- *of which: instruments issued by subsidiaries subject to phase out*	(z)	-
48	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	(g)	87,859
49	Revaluation Reserves of which:		
50	- *Revaluation reserves on property*		-
51	- *Unrealized Gains/Losses on AFS*	67% of (aa)	8,642
52	Foreign Exchange Translation Reserves	(v)	-
53	Undisclosed / Other Reserves (if any)		-
54	**T2 before regulatory adjustments**		**96,501**
	Tier 2 Capital: regulatory adjustments		
55	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital		-
56	Reciprocal cross holdings in Tier 2 instruments		-
57	Investment in own Tier 2 capital instrument		-
58	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(ae)	-
59	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(af)	-
60	Amount of Regulatory Adjustment applied to T2 capital		-
61	Tier 2 capital (T2)		96,501
62	Tier 2 capital recognised for capital adequacy		96,501
63	Excess Additional Tier 1 capital recognised in Tier 2 capital		1,372,098
64	Total Tier 2 capital admissible for capital adequacy		1,468,599
	TOTAL CAPITAL (T1 + admissible T2) (44 + 64)		**11,092,115**

39.8 Main features of regulatory capital instruments

	Main Features	Common Shares
1	Issuer	Dubai Islamic Bank Pakistan Limited
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	DIBPL - CDC Symbol
3	Governing law(s) of the instrument	Banking Companies Ordinance, 1962 and the Directives issued by SBP
	Regulatory treatment	
4	Transitional Basel III rules	Common Equity Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible at solo/ group/ group&solo	Solo
7	Instrument type	Ordinary shares
8	Amount recognised in regulatory capital (Currency in PKR thousands, as of reporting date)	6,976,030
9	Par value of instrument	10
10	Accounting classification	Shareholders' equity
11	Original date of issuance	March 21, 2006
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend/ coupon	N/A
18	coupon rate and any related index/ benchmark	N/A
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Nonconvertible
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down feature	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument	Residual interest
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

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39.9 Risk-weighted exposures

	Capital requirements		Risk weighted assets	
	2015	2014	2015	2014
Credit Risk	(Rupees in '000)			
Portfolios subject to on-balance sheet exposure (Simple Approach)				
Cash and cash equivalents	-	-	-	-
Sovereign	24,509	2,220	239,108	22,205
Banks	282,184	115,499	2,753,015	1,154,987
Public sector entities	168,632	330,142	1,645,186	3,301,418
Corporate	6,245,565	3,101,256	60,932,337	31,012,558
Retail	965,545	669,048	9,419,952	6,690,477
Residential mortgage	200,014	173,714	1,951,357	1,737,138
Past due loans	67,020	82,626	653,850	826,256
Operating fixed assets	166,929	149,178	1,628,579	1,491,784
All other assets	205,293	154,590	2,002,857	1,545,899
Portfolios subject to off-balance sheet exposure - non market related (Simple approach)				
Financial guarantees	13,120	274	128,000	2,738
Acceptances	172,895	96,719	1,686,780	967,186
Performance related commitments	123,075	59,751	1,200,733	597,508
Trade related commitments	146,346	58,614	1,427,765	586,141
Commitments in respect of operating fixed asset	16,173	7,450	157,787	74,504
Other Commitments	1,025	1,000	10,000	10,000
Portfolios subject to off-balance sheet exposures - market related (Current exposure method)				
Banks	3,967	2,106	38,699	21,058
Customers	239	-	2,329	-
Market Risk				
Interest rate risk	443,329	163,206	4,325,163	1,632,064
Equity position risk	-	-	-	-
Foreign Exchange risk	24,929	119,970	243,212	1,199,704
Market risk-weighted exposures	468,258	283,176	4,568,375	2,831,768
Capital Requirement for portfolios subject to Standardised Approach				
Operational Risk				
Capital requirement for operational risk	944,444	771,348	9,214,088	7,713,484
TOTAL	10,215,233	6,058,711	99,660,797	60,587,109

Capital Adequacy Ratio	Required	Actual	Required	Actual
	December-15		December-14	
CET1 to total RWA	6.00%	**7.78%**	5.50%	**11.83%**
Tier-1 capital to total RWA	7.50%	**9.66%**	7.00%	**11.83%**
Total capital to total RWA	10.25% *	**11.13%**	10.00%	**17.08%**
Leverage ratio	3.00%	**5.20%**	3.00%	**6.20%**

* Capital adequacy requirement inclusive of CCB

40 RISK MANAGEMENT

The Bank was granted a certificate to commence business in March 2006. 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. Today, for the Bank, Risk Management is a structured approach to managing uncertainty related to an outcome. It is a sequence of activities including: 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.

In the currently competitive banking market the Bank's rate of return is greatly influenced by its risk management capabilities as "Banking is about managing risk and return". Success in the banking business is thus dependent on how well an institution manages its risks. It is not to eliminate or avoid risk altogether but to proactively assess and manage risks for the organization's strategic advantage.

RISK FRAMEWORK

The Bank's Risk management framework is based on three pillars; (a) Risk Principles and strategies, (b) Organizational Structures and Procedures and (c) Prudent Risk Measurement and Monitoring Processes which are closely aligned with the activities of the Bank so as to give maximum value to the shareholders while ensuring that risks are kept within an acceptable level / risk appetite.

The Board determines the overall risk appetite and philosophy for the Bank. The overall risk is monitored by the Board Risk Monitoring Committee (BRMC). The terms of reference of this committee have been approved by the Board. Various Management Committees such as Management Committee, Asset and Liability Management Committee and Credit Committee support these goals.

The Chief Executive Officer (CEO) and Chief Risk Officer (CRO), in close coordination with all business / support functions, ensure that the Risk Management Framework approved by the Board is implemented in true spirit and risk limits are communicated and adhered for quantifiable risks by those who accept risks on behalf of the organization. Further, they also ensure that the non-quantifiable risks are communicated as guidelines and adhered to in management business decisions.

RISK APPETITE

Risk management across the Bank is based on the risk appetite and philosophy set by the Board and the associated risk committees. The Board establishes the parameters for risk appetite for the Bank through:

- Setting strategic direction;
- Contributing to, and ultimately approving plans for each division; and
- Regularly reviewing and monitoring the Bank's performance in relation to risk through related reports.

It is to be ensured that the risk remains within the acceptable level and sufficient capital is available as a buffer to absorb all the risks. It forms the basis of strategies and policies for managing risks and establishing adequate systems and controls to ensure that overall risk remain within acceptable level.

RISK ORGANISATION

The nature of the Bank's businesses requires it to identify, measure and manage risks effectively. The Bank manages these risks through a framework of risk vision, mission, strategy, policies, principles, organizational structures, infrastructures and risk measurement and monitoring processes that are closely aligned with the activities of the Bank. The Bank Risk Management function is independent of the business areas.

In line with best practices, the Bank exercises adequate oversight through the Risk Monitoring Committee and the Bank's Risk Management Group and has developed an elaborate risk identification measurement and management framework.

Along with the above, business heads are also specifically responsible for the management of risk within their respective businesses. As such, they are responsible for ensuring that they are in compliance with appropriate risk management frameworks in line with the standards set by the Bank.

Business heads are supported by the Risk Management Group and the Finance Department. An important element that underpins the Bank's approach to the management of all risk is independence, where the risk monitoring function is independent of the risk taking function.

The Bank also has credit risk, market risk, liquidity risk, operational risk, and investment policies in place.

40.1 Credit Risk

Credit risk arises from the potential that an obligor is either unwilling to perform on an obligation or its ability to perform such obligation is impaired resulting in economic loss to the Bank. The credit risk arises mainly from both direct financing activities as well as contingent liabilities. The objective of credit risk management framework / policies for the Bank is to achieve sustainable and superior risk versus reward performance whilst maintaining credit risk exposure in line with the approved risk appetite.

The Bank has adopted Standardised Approach for calculation of capital charge against credit risk. Therefore, risk weights for the credit risk related assets (on-balance sheet and off-balance sheet - market and non-market related exposures) are assigned on the basis of standardised approach.

The Bank has its own credit rating system (Moody's) in place which takes into account both quantitative and qualitative aspects. In addition, pro-active credit risk management is undertaken through identifying target markets, defining minimum risk acceptance criteria for each industry, annual industry reports on key industries etc. Periodic review process and risk asset review coupled with policies on internal watch listing are capable of identifying problem financings at an early stage. In addition a full-fledged Special assets management (SAM) department has also been set up for dealing with problem accounts.

The Bank also uses various Management Information System generated on regular basis to monitor and control past dues, irregularities, shortfalls etc., and also to view the composition of the portfolio and address any concentration issues in terms of segment, risk ratings, tenor, geography etc.

40.1.1 Segments by class of business

	2015					
	Islamic Financing and Related Assets (Gross)		Deposits		Contingencies and Commitments *	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture	4,000,000	3.75%	88,066	0.06%	-	-
Textile	19,591,983	18.37%	1,007,520	0.74%	1,020,522	7.53%
Chemical and pharmaceuticals	5,011,980	4.70%	2,476,058	1.81%	2,447,755	18.07%
Cement	2,389,619	2.24%	1,080,993	0.79%	248,045	1.83%
Sugar	3,901,692	3.66%	66,307	0.05%	-	-
Food	2,315,922	2.17%	2,752,513	2.01%	1,019,033	7.52%
Footwear and leather garments	704,814	0.66%	-	0.00%	-	-
Automobile and transportation equipment	1,350,104	1.27%	120,475	0.09%	98,306	0.73%
Electronics and electrical appliances	1,096,253	1.03%	1,935,422	1.42%	-	-
Construction	4,601,367	4.31%	3,772	0.00%	2,241,822	16.55%
Power (electricity), gas, water, sanitary	9,732,854	9.13%	166,464	0.12%	2,906,053	21.45%
Wholesale and retail trade	18,504,303	17.35%	1,640,501	1.20%	857,071	6.33%
Exports / imports	-	0.00%	296,110	0.22%	-	-
Transport, storage and communication	2,375,062	2.23%	4,299,016	3.14%	432,809	3.19%
Financial	366,136	0.34%	10,137,422	7.41%	1,055,625	7.79%
Insurance	-	-	3,751,015	2.74%	-	-
Services	1,076,473	1.01%	19,879,855	14.54%	390,635	2.88%
Fertilizer	2,862,453	2.68%	-	-	-	-
Individuals	18,708,833	17.54%	70,620,556	51.64%	497,633	3.67%
Others	8,061,126	7.56%	16,421,392	12.01%	333,187	2.46%
	106,650,974	100%	136,743,457	100%	13,548,496	100%

* Contingent liabilities for the purpose of this note are presented at cost and include direct credit substitutes, transaction related contingent liabilities, trade related contingent liabilities and claims not acknowledged as debt.

	2014					
	Islamic Financing and Related Assets (Gross)		Deposits		Contingencies and Commitments*	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture	-	-	117,461	0.14%	-	-
Textile	12,926,405	21.42%	819,546	0.98%	1,326,777	20.01%
Chemical and pharmaceuticals	5,920,028	9.81%	2,650,114	3.16%	74,558	1.12%
Cement	390,989	0.65%	165,420	0.20%	251,208	3.79%
Sugar	1,450,000	2.40%	213510	0.25%	-	-
Food	10,265,952	17.01%	1,467,282	1.75%	241,572	3.64%
Footwear and leather garments	674,168	1.12%	32,574	0.04%	72,891	1.10%
Automobile and transportation equipment	219,889	0.36%	76,620	0.09%	174,053	2.62%
Electronics and electrical appliances	102,471	0.17%	180,053	0.21%	273,315	4.12%
Construction	1,507,388	2.50%	779	0.00%	102,615	1.55%
Power (electricity), gas, water, sanitary	5,068,019	8.40%	310,295	0.37%	962,553	14.52%
Wholesale and retail trade	1,217,194	2.02%	1,303,289	1.55%	133,797	2.02%
Exports / imports	98,822	0.16%	336,582	0.40%	-	-
Transport, storage and communication	1,393,331	2.31%	1,368,721	1.63%	482,874	7.28%
Financial	-	-	160,791	0.19%	1,197,882	18.07%
Insurance	-	-	1,269,949	1.51%	-	-
Services	1,391,639	2.31%	11,872,599	14.16%	430,234	6.49%
Individuals	14,929,401	24.74%	56,868,804	67.83%	215,443	3.25%
Others	2,794,635	4.63%	4,630,006	5.52%	691,113	10.42%
	60,350,331	100%	83,844,395	100%	6,630,885	100%

* Contingent liabilities for the purpose of this note are presented at cost and include direct credit substitutes, transaction related contingent liabilities and trade related contingent liabilities.

40.1.2 Segment by sector

	2015					
	Islamic Financing and Related Assets (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	18,850,966	17.68%	9,881,145	7.23%	752,253	5.55%
Private	87,800,008	82.32%	126,862,312	92.77%	12,796,243	94.45%
	106,650,974	100%	136,743,457	100%	13,548,496	100%

	2014					
	Islamic Financing and Related Assets (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	6,892,138	11.42%	4,209,968	5.02%	3,735,606	56.34%
Private	53,458,193	88.58%	79,634,427	94.98%	2,895,279	43.66%
	60,350,331	100%	83,844,395	100%	6,630,885	100%

40.1.3 Details of non-performing islamic financing and related assets and specific provisions by class of business segment:

	2015		2014	
	Classified Islamic financing and related assets	Specific provisions held	Classified Islamic financing and related assets	Specific provisions held
	---------- Rupees in '000 ----------			
Textile	355,392	336,630	343,777	290,602
Chemical	686,028	550,024	688,528	407,625
Wholesale and retail trade	81,399	63,380	148,199	64,690
Services	861	861	861	861
Individuals	912,864	506,255	921,455	509,110
Food	146,289	131,295	146,289	123,798
Others	29,159	21,033	119,647	50,490
	2,211,992	1,609,478	2,368,756	1,447,176

40.1.4 Details of non-performing islamic financing and related assets and specific provisions by sector:

	2015		2014	
	Classified financings	Specific provisions held	Classified financings	Specific provisions held
	---------- Rupees in '000 ----------			
Public / Government	-	-	-	-
Private	2,211,992	1,609,478	2,368,756	1,447,176
	2,211,992	1,609,478	2,368,756	1,447,176

40.1.5 Geographical segment analysis

	2015			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments *
	---------- Rupees in '000 ----------			
Pakistan	711,722	157,093,185	7,975,667	13,538,496

	2014			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments *
	---------- Rupees in '000 ----------			
Pakistan	925,531	101,552,999	7,439,081	6,620,885

* Contingent liabilities for the purpose of this note are presented at cost and include direct credit substitutes, transaction related contingent liabilities and trade related contingent liabilities.

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40.1.6 Credit risk - General disclosures

The Bank uses the 'Standardised Approach' in calculation of credit risk and capital requirements throughout its statement of financial position.

Credit Risk: Disclosures for portfolio subject to the Standardised Approach and supervisory risk weights in the IRB Approach

The Bank uses reputable and SBP approved rating agencies for deriving risk weight to specific credit exposures. These are applied consistently across the Bank credit portfolio for both on - balance sheet and off - balance sheet exposures. Details of rating agencies used for different types of bank's exposures are given below:

Types of Exposures and ECAI's used

Exposures	2015 JCR - VIS	2015 PACRA	2015 Moody's
Corporate	✔	✔	N/A
Banks	✔	✔	✔
Sovereigns	N/A	N/A	N/A
SME's	✔	✔	N/A

Credit Exposures subject to Standardised approach

Exposures	Rating Category	2015 Amount Outstanding	2015 Deduction CRM	2015 Net amount	2014 Amount Outstanding	2014 Deduction CRM	2014 Net amount
		Rupees in '000					
Funded							
Corporate	1	11,128,218	-	11,128,218	4,270,981	-	4,270,981
	2	6,298,909	-	6,298,909	9,288,224	-	9,288,224
	3,4	277,728	-	277,728	251,455	-	251,455
	5,6	-	-	-	-	-	-
		17,704,855	-	17,704,855	13,810,660	-	13,810,660
Banks	1	10,871,131	-	10,871,131	5,544,173	-	5,544,173
	2,3	1,157,577	-	1,157,577	92,305	-	92,305
		12,028,708	-	12,028,708	5,636,478	-	5,636,478
Mortgages		5,575,305	-	5,575,305	4,963,252	-	4,963,252
PSEs		18,850,932	-	18,850,932	6,821,290	-	6,821,290
Retail		12,559,936	-	12,559,936	8,920,636	-	8,920,636
Unrated-1		27,442,914	44,700	27,398,214	11,485,397	-	11,485,397
Unrated-2		22,305,037	-	22,305,037	11,980,346	-	11,980,346
		116,467,687	**44,700**	**116,422,987**	**63,618,059**	**-**	**63,618,059**
Non Funded							
Corporate	1	4,579,852	17,205	4,562,647	627,154	8,603	618,551
	2	644,458	773	643,685	162,823	-	162,823
		5,224,310	17,978	5,206,332	789,977	8,603	781,374
Banks	1	-	-	-	150,000	-	150,000
	2,3	1,107,996	-	1,107,996	1,047,882	-	1,047,882
		1,107,996	-	1,107,996	1,197,882	-	1,197,882
PSEs		991,068	-	991,068	-	-	-
Retail		483,089	113,811	369,278	387,807	81,623	306,184
Unrated-1		6,349,612	693,503	5,656,109	2,975,321	70,097	2,905,224
Unrated-2		2,967,059	116,326	2,850,733	1,269,898	43,607	1,226,291
		17,123,134	**941,618**	**16,181,516**	**6,620,885**	**203,930**	**6,416,955**

Credit Risk: Disclosures with respect to Credit Risk Mitigation - Standardized Approach

For Credit Risk Mitigation purposes the Bank uses only the eligible collaterals under Simple Approach of Credit Risk Mitigation under Standardized Approach as prescribed by SBP under BSD Circular No. 8 of 2007.

40.2 Market Risk

Market risk is the risk that the value of the on and off balance sheet positions of the Bank will be adversely affected by movements in market rates or other underlying risk factors.

The Bank manages the market risk in its portfolios through its Market Risk Management framework and methodologies set out in its Board approved Market Risk Policy as per the SBP guidelines. A separate market risk monitoring function has also been set up.

Market Risk at the Bank is controlled by:

- Identifying the relevant market risk factors for a particular product, portfolio or business proposition;
- Applying an appropriate limit structure; and
- Setting and monitoring appropriate levels of limits.

These are adequately supported by stringent operational controls and standards and compliance with internal and regulatory policies.

Standard risk management techniques and tools have been adopted by the risk management group, including the SBP mandated stress testing methodology to monitor and manage market risk.

40.2.1 Foreign Exchange Risk

Currency risk is the risk of loss arising from the fluctuations of exchange rates.

In the normal course of conducting commercial banking business, which ranges from intermediation only to taking on principal risk as dealer or as counterparty, the Bank purchases or sells currencies in today / ready and gives or receives unilateral promises for sale or purchase of FX at future dates in a long or short position in different currency pairs. These positions expose the Bank to foreign exchange risk. To control this risk, the Bank primarily uses principal limits at various levels to control the open position, and ultimately the residual foreign exchange risk of the Bank. The Bank also strictly adheres to all associated regulatory limits.

The analysis below represents the concentration of the Bank's foreign currency risk for on and off-balance sheet items:

	2015			
	Assets	**Liabilities**	**Off-balance Sheet**	**Net foreign currency exposure**
	Rupees in '000			
Pakistan rupee	143,793,508	137,436,693	1,379,554	7,736,369
United States dollar	12,760,624	7,565,193	(4,974,638)	220,793
Great Britain pound	246,736	1,472,283	1,226,617	1,070
Japanese yen	1,713	-	-	1,713
Euro	101,631	817,381	714,533	(1,217)
Swiss franc	7,075	-	-	7,075
U.A.E Dirham	169,315	1,825,968	1,653,934	(2,719)
Canadian Dollar	4,006	-	-	4,006
Singapore Dollar	4,299	-	-	4,299
Saudi Riyal	1,484	-	-	1,484
Australian Dollar	2,794	-	-	2,794
	157,093,185	149,117,518	-	7,975,667

	2014			
	Assets	**Liabilities**	**Off-balance Sheet**	**Net foreign currency exposure**
	Rupees in '000			
Pakistan rupee	97,893,504	85,058,945	(4,210,883)	8,623,676
United States dollar	3,185,374	6,348,818	1,963,940	(1,199,504)
Great Britain pound	161,291	833,305	673,101	1,087
Japanese yen	240	-	(210)	30
Euro	125,650	550,423	424,874	101
Swiss franc	2,227	-	-	2,227
U.A.E Dirham	180,450	1,322,427	1,149,178	7,201
Australian Dollar	4,263	-	-	4,263
	101,552,999	94,113,918	-	7,439,081

40.2.2 Equity Position Risk

The Bank had no exposure to equities as at the balance sheet date.

40.2.3 Yield / Profit Rate Risk

All products dealt in by the Bank are duly approved by the Bank's Resident Shari'a Board Member / Shari'a Executive Committee and the Bank does not conduct any business in interest related products.

The objective of yield / profit rate risk monitoring is to manage the resultant impact on the Bank's statement of financial position due to changes in profit / return on investment and financing products. Yield / profit rate risk review of the statement of financial position is also done monthly in ALCO meetings. Various ratios as prescribed by the SBP are also monitored. The Bank also uses Gap Analysis and Notional Principal Limits to monitor the risks.

40.2.4 MISMATCH OF YIELD / PROFIT RATE SENSITIVE ASSETS AND LIABILITIES

	2015											
			Exposed to Yield / Profit risk									
	Effective Yield / Profit rate	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	Non-profit bearing financial instruments
			Rupees in '000									
On-balance sheet financial instruments												
Assets												
Cash and balances with Treasury Banks	-	14,183,630	-	-	-	-	-	-	-	-	-	14,183,630
Balances with other Banks	-	3,869,403	-	-	-	-	-	-	-	-	-	3,869,403
Due from financial institutions	7.37%	11,725,145	6,418,697	-	-	5,306,448	-	-	-	-	-	
Investments	7.37%	18,515,808	526,792	2,881,909	11,893,478	-	-	-	2,691,168	522,461		-
Islamic financing and related assets	8.99%	104,953,637	15,858,040	27,321,099	51,315,796	8,062,779	16,508	69,998	336,670	94,378	900,254	978,115
Other assets	-	2,002,857	-	-	-	-	-	-	-	-	-	2,002,857
		155,250,480	22,803,529	30,203,008	63,209,274	13,369,227	16,508	69,998	3,027,838	616,839	900,254	21,034,005
Liabilities												
Bills payable		1,552,219	-	-	-	-	-	-	-	-	-	1,552,219
Due to financial institutions	5.01%	4,551,920	109,000	1,299,785	3,143,135	-	-	-	-	-	-	-
Deposits and other accounts	3.79%	136,743,457	106,567,983	-	-	-	-	-	-	-	-	30,175,474
Sub-ordinated loans		3,246,971	-	-	-	-	-	-	-	-	-	3,246,971
Other liabilities	-	2,968,911	-	-	-	-	-	-	-	-	-	2,968,911
		149,063,478	106,676,983	1,299,785	3,143,135	-	-	-	-	-	-	37,943,575
On-balance sheet gap		6,187,002	(83,873,454)	28,903,223	60,066,139	13,369,227	16,508	69,998	3,027,838	616,839	900,254	(16,909,570)
Total Yield / Profit Risk Sensitivity Gap			(83,873,454)	28,903,223	60,066,139	13,369,227	16,508	69,998	3,027,838	616,839	900,254	(16,909,570)
Cumulative Yield/Profit Risk Sensitivity Gap			(83,873,454)	(54,970,231)	5,095,908	18,465,135	18,481,643	18,551,641	21,579,479	22,196,318	23,096,572	6,187,002

	Effective yield / Profit Rate	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	Non-profit bearing financial instruments
	2014											
			Exposed to Yield / Profit risk									
			Rupees in '000									
On-balance sheet financial instruments												
Assets												
Cash and balances with Treasury Banks	-	10,480,052	-	-	-	-	-	-	-	-	-	10,480,052
Balances with other Banks	5.00%	529,277	10	-	-	-	-	-	-	-	-	529,267
Due from financial institutions	9.71%	10,147,169	3,123,454	706,568	3,251,413	3,065,734	-	-	-	-	-	-
Investments	8.83%	18,258,604	1,728,823	3,370,326	13,159,455	-	-	-	-	-	-	-
Islamic financing and related assets	11.29%	58,840,280	9,098,380	16,139,810	27,070,517	4,129,490	39,307	33,774	284,719	68,210	758,173	1,217,900
Other assets	-	926,070	-	-	-	-	-	-	-	-	-	926,070
		99,181,452	13,950,667	20,216,704	43,481,385	7,195,224	39,307	33,774	284,719	68,210	758,173	13,153,289
Liabilities												
Bills payable		1,250,385	-	-	-	-	-	-	-	-	-	1,250,385
Due to financial institutions	7.59%	3,567,342	875,802	1,508,288	1,183,252	-	-	-	-	-	-	-
Deposits and other accounts	4.54%	83,844,395	60,442,660	-	-	-	-	-	-	-	-	23,401,735
Sub-ordinated loans		3,114,976	-	-	-	-	-	-	-	-	-	3,114,976
Other liabilities	-	1,328,824	-	-	-	-	-	-	-	-	-	1,328,824
		93,105,922	61,318,462	1,508,288	1,183,252	-	-	-	-	-	-	29,095,920
On-balance sheet gap		6,075,530	(47,367,795)	18,708,416	42,298,133	7,195,224	39,307	33,774	284,719	68,210	758,173	(15,942,631)
Total Yield / Profit Risk Sensitivity Gap			(47,367,795)	18,708,416	42,298,133	7,195,224	39,307	33,774	284,719	68,210	758,173	(15,942,631)
Cumulative Yield/Profit Risk Sensitivity Gap			(47,367,795)	(28,659,379)	13,638,754	20,833,978	20,873,285	20,907,059	21,191,778	21,259,988	22,018,161	6,075,530

40.3 Liquidity Risk

Liquidity risk is defined as the potential loss arising from the Bank's inability to meet in an orderly way its contractual obligations when due. Liquidity risk arises in the general funding of the Bank's activities and in the management of its assets. The Bank maintains sufficient liquidity to fund its day-to-day operations, meet customer deposit withdrawals either on demand or at contractual maturity, meet customers' demand for new financings, participate in new investments when opportunities arise, and to meet any other commitments. Hence, liquidity is managed to meet known as well as unanticipated cash funding needs.

Liquidity risk is managed within a framework of liquidity policies, controls and limits. These policies, controls and limits ensure that the Bank maintains well diversified sources of funding, as well as sufficient liquidity to meet all its contractual obligations when due. The management of liquidity is carried out using a prudent strategic approach to manage the Bank's funding requirements.

It is the policy of the Bank to maintain adequate liquidity at all times and for all currencies and hence to be in a position, in the normal course of business, to meet all its obligations, to repay depositors, to fulfill commitments, to finance and to meet any other commitments made.

The management of liquidity risk within the Bank is undertaken within limits and other policy parameters set by ALCO, which meets monthly and reviews compliance with policy parameters. Day to day monitoring is done by the treasury while overall compliance is monitored and coordinated by the ALCO and includes reviewing the actual and planned strategic growth of the business and its impact on the statement of financial position from a statement of financial position integrity and sustainability perspective and monitoring the Bank's liquidity profile and associated activities.

40.3.1 MATURITIES OF ASSETS AND LIABILITIES

Maturities Of Assets And Liabilities - Expected Maturity

	2015									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	Rupees in '000									
Assets										
Cash and balances with treasury banks	14,183,630	3,840,228	-	-	3,246,971	7,096,431	-	-	-	-
Balances with other banks	3,869,403	3,869,403	-	-	-	-	-	-	-	-
Due from financial institutions	11,725,145	6,418,697	-	-	5,306,448	-	-	-	-	-
Investments	18,515,808	15,905	876,237	127,786	221,811	8,450,615	2,862,221	4,604,123	1,357,110	-
Islamic financing and related assets	104,953,637	7,932,658	15,815,832	17,653,741	20,235,644	3,277,014	5,455,523	20,236,673	10,405,690	3,940,862
Operating fixed assets	1,842,705	34,073	67,721	148,910	196,278	350,638	243,111	457,859	274,923	69,192
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	2,002,857	643,638	328,905	720,607	107,084	77,961	49,730	48,997	6,943	18,992
	157,093,185	22,754,602	17,088,695	18,651,044	29,314,236	19,252,659	8,610,585	25,347,652	12,044,666	4,029,046
Liabilities										
Bills payable	1,552,219	36,914	70,254	108,358	219,097	279,399	279,399	279,399	279,399	-
Due to financial institutions	4,551,920	109,000	1,299,785	3,143,135	-	-	-	-	-	-
Deposits and other accounts	136,743,457	11,164,098	14,748,810	18,647,679	26,549,044	16,261,441	31,084,086	16,803,205	1,485,094	-
Sub-ordinated loans	3,246,971	-	-	-	3,246,971	-	-	-	-	
Deferred tax liabilities	54,040	2,396	-	-	51,644	-	-	-	-	-
Other liabilities	2,968,911	1,080,846	530,504	667,528	479,302	50,957	48,911	93,427	17,436	-
	149,117,518	12,393,254	16,649,353	22,566,700	30,546,058	16,591,797	31,412,396	17,176,031	1,781,929	-
Net assets	7,975,667	10,361,348	439,342	(3,915,656)	(1,231,822)	2,660,862	(22,801,811)	8,171,621	10,262,737	4,029,046
Share capital	6,976,030									
Reserves	233,586									
Accumulated loss	753,135									
Advance against future issue of share capital	18									
Surplus on revaluation of assets - net of tax	12,898									
	7,975,667									

	2014									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	Rupees in '000									
Assets										
Cash and balances with treasury banks	10,480,052	2,830,162	-	-	-	7,649,890	-	-	-	-
Balances with other banks	529,277	529,277	-	-	-	-	-	-	-	-
Due from financial institutions	10,147,169	3,123,454	706,568	3,251,413	3,065,734	-	-	-	-	-
Investments	18,258,604	43,958	-	55,517	5,517	5,556,123	1,274,274	9,156,443	1,927,696	239,076
Islamic financing and related assets	58,840,280	7,314,730	9,955,931	13,078,992	5,420,111	3,860,430	4,971,184	7,604,484	3,581,217	3,053,201
Operating fixed assets	1,751,032	30,314	64,452	137,947	180,274	321,788	276,103	413,808	266,851	59,495
Deferred tax assets	62,434	10,518	20,890	31,026	-	-	-	-	-	-
Other assets	1,484,151	396,089	219,851	608,545	122,739	43,956	37,002	36,741	13,188	6,040
	101,552,999	14,278,502	10,967,692	17,163,440	8,794,375	17,432,187	6,558,563	17,211,476	5,788,952	3,357,812
Liabilities										
Bills payable	1,250,385	1,250,385	-	-	-	-	-	-	-	-
Due to financial institutions	3,567,342	868,000	1,508,288	1,191,054	-	-	-	-	-	-
Deposits and other accounts	83,844,395	6,128,378	5,431,802	8,153,490	13,366,778	14,907,636	11,091,955	19,790,232	1,765,724	3,208,400
Sub-ordinated loans	3,114,976	-	-	-	-	3,114,976	-	-	-	-
Other liabilities	2,336,820	1,379,753	414,328	218,066	118,034	52,328	40,656	81,708	31,947	-
	94,113,918	9,626,516	7,354,418	9,562,610	13,484,812	18,074,940	11,132,611	19,871,940	1,797,671	3,208,400
Net assets	7,439,081	4,651,986	3,613,274	7,600,830	(4,690,437)	(642,753)	(4,574,048)	(2,660,464)	3,991,281	149,412
Share capital	6,976,030									
Reserves	147,475									
Accumulated loss	406,760									
Advance against future issue of share capital	18									
Surplus on revaluation of assets - net of tax	(91,202)									
	7,439,081									

Regarding behavior of non-maturity deposits (non-contractual deposits), the Bank conducted a behavioral study based on 3 years data. On the basis of its findings 28% of current accounts and saving accounts are bucketed into 'Upto' 1-Year maturity and 72% of current and saving accounts are bucketed in 'Upto' 2 to 5 years.

Maturities Of Assets And Liabilities - Contractual Maturity

	2015									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	Rupees in '000									
Assets										
Cash and balances with treasury banks	14,183,630	3,840,228	-	-	3,246,971	7,096,431	-		-	-
Balances with other banks	3,869,403	3,869,403	-	-	-	-	-		-	-
Due from financial institutions	11,725,145	6,418,697	-	-	5,306,448	-		-	-	-
Investments	18,515,808	15,905	876,237	127,786	221,811	8,450,615	2,862,221	4,604,123	1,357,110	-
Islamic financing and related assets	104,953,637	7,932,658	15,815,832	17,653,741	20,235,644	3,277,014	5,455,523	20,236,673	10,405,690	3,940,862
Operating fixed assets	1,842,705	34,073	67,721	148,910	196,278	350,638	243,111	457,859	274,923	69,192
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	2,002,857	643,638	328,905	720,607	107,084	77,961	49,730	48,997	6,943	18,992
	157,093,185	22,754,602	17,088,695	18,651,044	29,314,236	19,252,659	8,610,585	25,347,652	12,044,666	4,029,046
Liabilities										
Bills payable	1,552,219	36,914	70,254	108,358	219,097	279,399	279,399	279,399	279,399	-
Due to financial institutions	4,551,920	109,000	1,299,785	3,143,135	-	-	-	-	-	-
Deposits and other accounts	136,743,457	89,955,981	505,000	9,739,067	9,377,712	21,250,356	1,256,127	942,594	3,716,620	-
Sub-ordinated loans	3,246,971				3,246,971					
Deferred tax liabilities	54,040	2,396		-	51,644	-	-	-	-	-
Other liabilities	2,968,911	1,080,846	530,504	667,528	479,302	50,957	48,911	93,427	17,436	-
	149,117,518	91,185,137	2,405,543	13,658,088	13,374,726	21,580,712	1,584,437	1,315,420	4,013,455	-
Net assets	7,975,667	(68,430,535)	14,683,152	4,992,956	15,939,510	(2,328,053)	7,026,148	24,032,232	8,031,211	4,029,046

Share capital	6,976,030
Reserves	233,586
Accumulated loss	753,135
Advance against future issue of share capital	18
Surplus on revaluation of assets	12,898
	7,975,667

	2014									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	Rupees in '000									
Assets										
Cash and balances with treasury banks	10,480,052	2,830,162	-	-	-	7,649,890	-	-	-	-
Balances with other banks	529,277	529,277	-	-	-	-	-	-	-	-
Due from financial institutions	10,147,169	3,123,454	706,568	3,251,413	3,065,734	-	-	-	-	-
Investments	18,258,604	43,958	-	55,517	5,517	5,556,123	1,274,274	9,156,443	1,927,696	239,076
Islamic financing and related assets	58,840,280	7,314,730	9,955,931	13,078,992	5,420,111	3,860,430	4,971,184	7,604,484	3,581,217	3,053,201
Operating fixed assets	1,751,032	30,314	64,452	137,947	180,274	321,788	276,103	413,808	266,851	59,495
Deferred tax assets	62,434	10,518	20,890	31,026	-	-	-	-	-	-
Other assets	1,484,151	396,089	219,851	608,545	122,739	43,956	37,002	36,741	13,188	6,040
	101,552,999	14,278,502	10,967,692	17,163,440	8,794,375	17,432,187	6,558,563	17,211,476	5,788,952	3,357,812
Liabilities										
Bills payable	1,250,385	1,250,385	-	-	-	-	-	-	-	-
Due to financial institutions	3,567,342	868,000	1,508,288	1,191,054	-	-	-	-	-	-
Deposits and other accounts	83,844,395	58,661,922	2,728,185	3,983,504	4,935,158	5,600,556	1,784,874	1,176,072	1,765,724	3,208,400
Sub-ordinated loans	3,114,976	-	-	-	-	3,114,976	-	-	-	-
Other liabilities	2,336,820	1,379,753	414,326	218,066	118,034	52,328	40,656	81,708	31,947	-
	94,113,918	62,160,060	4,650,801	5,392,624	5,053,192	8,767,860	1,825,530	1,257,780	1,797,671	3,208,400
Net assets	7,439,081	(47,881,558)	6,316,891	11,770,816	3,741,183	8,664,327	4,733,033	15,953,696	3,991,281	149,412

Share capital	6,976,030
Reserves	147,475
Accumulated loss	406,760
Advance against future issue of share capital	18
Surplus on revaluation of assets	(91,202)
	7,439,081

Current and Saving deposits have been classified under maturity upto one month as these do not have any contracted maturity. Further, the bank estimates that these deposits are a core part of its liquid resources and will not fall below the current year's level.

40.4 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed processes, people and systems or from external events and Sharia non-compliance. In this regard, in-compliance with the Risk Management Guidelines, issued by SBP, an Operational Risk Management Unit has been established within the Risk Management Group, under supervision of the CRO.

The Bank uses Basic Indicator Approach (BIA) for assessing the capital charge for operational risk. To reduce losses arising from operational risk, the Bank has strengthened its risk management framework duly approved by the BOD by developing strategies, polices, guidelines and manuals. It also includes risk and control self-assessment, key risk indicator, loss data management, set up independent fraud risk management unit, enhancing security measures, improving efficiency and effectiveness of operations and improving quality of human resources through trainings.

41 TRUST ACTIVITIES

The Bank commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions including on behalf of certain related parties. These are not assets of the Bank and, therefore, are not included in the Statement of Financial Position. The following is the list of assets held under trust on behalf of Dubai Islamic Bank PJSC:

Category	Type	No. of IPS account		-------Rupees in '000------- Face Value	
		2015	2014	2015	2014
Employee Funds	Government Ijarah Sukuk	1	1	215,000	425,000
Related parties:					
Dubai Islamic Bank PJSC	Shares	1	1	3,347,600	7,009,506
		2	2	3,562,600	7,434,506

42 PROFIT / (LOSS) DISTRIBUTION TO DEPOSITOR'S POOL

The Bank maintained the following pools for profit declaration and distribution during the year ended December 31, 2015:

1) Common Mudaraba Pool;
1a) Musharaka Pool under SBP's Islamic Export Refinance Scheme (sub-pool of common mudaraba pool) ;
2) Special Mudaraba Pools for Depositors and Financial Institutions; and
3) Interbank Wakala Borrowing Pool.

The deposits and funds accepted under the Common Mudaraba Pool, Special Mudaraba pools and Interbank Wakala Borrowing pools are provided to diversified sectors and avenues of the economy / business mainly to 'Consumer Financings', 'Textile & Allied', 'Food & Allied', 'Distribution & Trade' and 'Investment in Government of Pakistan Ijara Sukuk'.

Musharaka investments from the SBP under Islamic Export Refinance Scheme (IERS) are channelled towards the export sector of the economy and other financings as per SBP guidelines.

Key features and risk & reward characteristics of all pools

The 'Common Mudaraba Pool' for both local and foreign currency caters to all DIBPL depositors and provides profit / loss based on Mudaraba except for those that are parked in the special mudaraba deposit pools.

The 'Special Mudaraba Pool' for both local and foreign currency caters to all depositors which are rate sensitive and provides profit / loss based on Mudaraba.

The Interbank Wakala Borrowing Pool caters to the fund generation requirements of Treasury for liquidity management of the Bank.

The IERS Pool caters to the 'Islamic Export Refinance' requirements based on the guidelines issued by the SBP.

The risk characteristic of each pool mainly depends on the asset and liability profile of each pool.

Parameters used for allocation of profit, charging expenses and provisions etc. along with a brief description of their major components:

Income generated from relevant assets tagged to the Islamic Export Refinance Musharaka pool is calculated at the end of each month between the Bank and the State Bank of Pakistan. Income from assets tagged to the Special Modaraba Pools and Interbank Wakala Borrowing Pool net-of the relevant expenses of these pools is then allocated between the participants of the pools as per the agreed profit sharing ratios, weightages and applicable guidelines. The total profit after deduction of income allotted to other pools (as specified above) is allocated to the Common Modaraba Pool which is divided between the Bank and depositors in the ratio of the Bank's average equity and average depositors balances commingled in a pool on pro rata basis. The Depositors share of profit is allocated amongst them on the basis of weightages declared before the start of each profit period, after deduction of a mudarib fee. These weightages are declared by the Bank in compliance with the requirements of the SBP and Shari'a.

The allocation (of income and expenses to different pools) is based on a pre-defined basis and accounting and Shari'a principles / standards. Provisions against any non-performing asset of the pool is not passed on to any pool.

Profit / (loss) distribution to depositor's pool

Mudarba Based Depositor's Pools	Profit Sharing Ratio (Depositor :Mudarib)	Mudarib Share-Net of Hiba and Including Mudarib Fee (Amount In '000)	Mudarib Share-Net of Hiba and Including Mudarib Fee in %age	Amount of Mudarib share transferred to the depositors through Hiba (Amount In '000)	%age of Net Mudarib share transferred to the depositors through Hiba	Profit Rate and weightage announcement period	Percentage of Mudarib Share transferred through Hiba	Profit rate return earned	Profit rate return distributed
Common Mudaraba Pool	72.25% : 27.75%	3,776,139	56.64%	482,723	12.78%	Monthly	11.33%	7.86%	4.71%
Special Mudarba Pools	81.79% 18.21%	578,505	36.83%	138,635	23.96%	NA	19.33%	8.99%	7.09%

Specific pools	Ratio of weightage of Bank to SBP	Share of profit to Fund Providers (Amount In '000)	HIBA (Amount in '000)	Profit rate and weightage announcement period	Profit rate return earned by Fund Providers
Musharaka Pool under SBP's Islamic Export Refinance Scheme	3.35:1	114,882	5,142	Monthly	4.15%
Interbank Wakala Borrowing Pool	NA	93,206	NA	NA	6.17%

43 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 17 FEB 2016 by the Board of Directors of the Bank.

44 GENERAL

44.1 Captions, as prescribed by BSD Circular No. 04 of 2006 dated February 17, 2006 issued by the SBP, in respect of which there are no amounts, have not been reproduced in these financial statements, except for captions of the statement of financial position and profit and loss account.

44.2 The figures in the financial statements are rounded off to the nearest thousand rupee.

44.3 Corresponding figures

Corresponding figures have been re-arranged and reclassified, wherever necessary, to facilitate comparison. There were no significant reclassifications / restatements during the year.

CHAIRMAN | PRESIDENT / CHIEF EXECUTIVE | DIRECTOR | DIRECTOR

ANNEXURE - 1

DUBAI ISLAMIC BANK PAKISTAN LIMITED
STATEMENT SHOWING WRITTEN-OFF ISLAMIC FINANCING AND RELATED ASSETS (IN THE CASE OF THE BANK) OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2015

S. No.	Name and address of the customer		Father/Husband Name	CNIC No.	Outstanding Liabilities at beginning of year				Principal written-off	Profit written-off	Other financial relief provided (Early Settlement charges)	Total (10+11+12)
	Name	Address			Principal	Profit	Others (Early Settlement charges)	Total (6+7+8)				
1	2	3	4	5	6	7	8	9	10	11	12	13
					Rupees in '000							
1	MUHAMMAD INAM	HOUSE# P-19, STREET# 5, HASEEB SHAHEED COLONY # 01 FAISALABAD	KHUSHI MUHAMMAD	33100-5463108-7	3,248	880	-	4,128	-	854	-	854
2	SUALEHA BHATTI	FLAT C-16, FL-5BLOCK-5 CLIFTON KARACHI	GUL HASAN BHATTI	42301-5046607-6	5,278	957	-	6,235	-	956	-	956
3	NISAR AHMAD MUJAHID	112/2, 8TH LANE PHASE-7, D.H.A, KARACHI	MUHAMMAD ISMAIL	42201-4231515-5	12,018	2,251	-	14,269	-	2,301	-	2,301
4	IRSHAD ALI	HOUSE NO.B-168, BLOCK-15, GULISTAN-E-JAUHAR, KARACHI	ABBAS ALI SAHI	42201-0670514-5	12,685	3,411	-	16,096	-	3,405	-	3,405
5	JAMSHED AHMED MUSTAFA ZUBERI	H.NO 49 STREET 21 KORANG TOWN ISLAMABAD	ISLAM MURTAZA KHAN ZUBERI	61101-3137899-3	5,103	941	-	6,044	-	545	-	545
6	RANA DAWOOD AHMAD	71-B A-1 TOWNSHIP LAHORE	FARZAND ALI	35202-9884288-7	6,919	1,882	-	8,801	-	1,499	-	1 499
7	MUHAMMAD YASEEN	H.NO R-277 BLK-17F.B AREA, SAMNABAD KARACHI	SIDDIQUE HUSSAN	42101-6045680-1	3 175	598	-	3,773	-	573	-	573
8	SAQIB MUSHTAQ	HOUSE NO.P-102 KASHMIR ROAD UMAR CHOWK KHAYABAN COLONY# 02 KHAYABAN GENERAL STORE FAISALABAD	SHEIKH MUSHTAQ AHMAD	33100-4631343-5	7,398	1,274	-	8,672	-	1,172	-	1,172
9	MUHAMMAD RASHEED	HOUSE NO. P-21/4ZAFAR STREET, KHAYABAN COLONY NO.2, MADINA TOWN, FAISALABAD	MUHAMMAD SIDDIQUE	33100-0688684-3	9,561	1,757	-	11,318	-	1,757	-	1,757
10	AHMAD USMAN SHABBIR	SUITE NO. 324, EDEN CENTER, 43 JAIL ROAD, LAHORE	SHABIR AHMAD	35202-2969514-5	14,037	2,531	-	16,568	-	2,368	-	2,368
11	MALIK MOBEEN AHMAD	H.NO 609 BLK-D CANAL VIEW LAHORE	KHAWAR ZAMAN	35202-2499789-7	3,587	652	-	4,239	-	652	-	652
12	ZAHID MUSHTAQ	P-149, HAMZA STREET,NEAR WAQAS CHAWK KHAYABAN COLONY NO.1, FAISALABAD	MUSHTAQ AHMAD	33100-0931473-5	2,805	692	-	3,497		627	-	627
13	TARA CHAND	FLAT # 306 3RD FLOOR ABEEDA TOWER PLOT NO 18/2FATIMA JINNAH ROAD CIVIL LINE KARACHI	JASOO MAL	42301-6826017-3	11,135	124	-	11,259		734	-	734
14	ASIM AHMED BUKSH	MENS STORE, 9-K EMPIRE CENTRE, GULBERG-II, LAHORE	SAEED AHMED BUKSH	35202-6702960-9	14 712	3,798	-	18,510		4,059	-	4,059
15	ARIF MANZOOR MALIK	GF-2, PLOT# SVA-1/SAV - IIST# 12-B, PHASE# V D.H.A KARACHI	MANZOOR AHMED MALIK	42000-0382254-9	9,544	1,721	-	11,265	-	864	-	864
					121,205	23,469	-	144,674	-	22,366	-	22,366