

DUBAI ISLAMIC BANK PAKISTAN LIMITED

**Condensed Interim Financial Information for the Period Ended
SEPTEMBER 30, 2016**

DUBAI ISLAMIC BANK PAKISTAN LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2016

		(Un-audited) September 30, 2016	(Audited) December 31, 2015 (Restated)
	Note		(Rupees in '000)
ASSETS			
Cash and balances with treasury banks	8	13,365,410	14,183,630
Balances with other banks	9	725,345	3,869,403
Due from financial institutions	10	18,044,559	6,418,697
Investments	11	25,930,296	23,822,256
Islamic financing and related assets	12	89,606,272	104,953,637
Operating fixed assets	13	1,922,093	1,842,705
Deferred tax assets		-	-
Other assets		2,566,645	2,002,857
		152,160,620	157,093,185
LIABILITIES			
Bills payable		1,748,514	1,552,219
Due to financial institutions		5,572,844	4,551,920
Deposits and other accounts	14	129,265,173	136,743,457
Sub-ordinated loans	15	3,243,263	3,246,971
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities	16	58,325	54,040
Other liabilities		3,569,790	2,968,911
		143,457,909	149,117,518
NET ASSETS			
		8,702,711	7,975,667
REPRESENTED BY			
Share capital		6,976,030	6,976,030
Reserves		378,426	233,586
Advance against future issue of share capital		18	18
Unappropriated profit		1,332,496	753,135
		8,686,970	7,962,769
Surplus on revaluation of assets - net of deferred tax		15,741	12,898
		8,702,711	7,975,667

CONTINGENCIES AND COMMITMENTS

17

The annexed notes 1 to 25 form an integral part of this condensed interim financial information.

CHAIRMAN

PRESIDENT / CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

DUBAI ISLAMIC BANK PAKISTAN LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2016

	Note	Quarter ended Sep 30, 2016	Nine months ended Sep 30, 2016	Quarter ended Sep 30, 2015	Nine months ended Sep 30, 2015
		(Rupees in '000)	(Rupees in '000)	(Rupees in '000)	(Rupees in '000)
Profit / return earned		2,323,150	7,127,026	2,098,726	6,441,843
Profit / return expensed		1,005,240	3,266,973	1,007,361	2,984,852
Net spread earned		1,317,910	3,860,053	1,091,365	3,456,991
Reversal / (provision) against non-performing Islamic financing and related assets - net	12.5	26,140	13,207	(33,625)	(92,814)
Provision for diminution in the value of investments		(16,846)	(16,846)	-	-
Bad debts written off directly		-	-	-	-
		9,294	(3,639)	(33,625)	(92,814)
Net spread earned after provisions		1,327,204	3,856,414	1,057,740	3,364,177
OTHER INCOME					
Fee, commission and brokerage income		297,519	1,060,382	343,857	882,408
Dividend Income		-	-	-	-
(Loss) / Income from dealing in foreign currencies		(24,465)	(13,422)	9,016	(30,173)
Gain on sale of securities		136,065	163,201	6,403	12,966
Unrealized (loss) / gain on revaluation of investments classified as held-for-trading		(1)	(1)	3,346	-
Other income		633	41,571	375	500
Total other income		409,751	1,251,731	362,997	865,701
		1,736,955	5,108,145	1,420,737	4,229,878
OTHER EXPENSES					
Administrative expenses		1,303,215	3,926,307	1,274,241	3,665,852
Other provisions / write offs		-	-	-	-
Other charges		8,647	23,873	2,953	11,969
Total other expenses		1,311,862	3,950,180	1,277,194	3,677,821
		425,093	1,157,965	143,543	552,057
Extra ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		425,093	1,157,965	143,543	552,057
Taxation					
- Current		(149,197)	(403,595)	(52,843)	(142,449)
- Prior years		-	(27,412)	-	(28,564)
- Deferred		-	(2,757)	2,597	(51,016)
		(149,197)	(433,764)	(50,246)	(222,029)
PROFIT AFTER TAXATION		275,896	724,201	93,297	330,028
Basic / diluted earnings per share – Rupees					
	18	0.40	1.04	0.13	0.47

The annexed notes 1 to 25 form an integral part of this condensed interim financial information.

CHAIRMAN

PRESIDENT / CHIEF EXECUTIVE

DIRECTOR

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DUBAI ISLAMIC BANK PAKISTAN LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2016

	Quarter ended Sep 30, 2016	Nine months ended Sep 30, 2016	Quarter ended Sep 30, 2015	Nine months ended Sep 30, 2015
	(Rupees in '000)		(Rupees in '000)	
Profit after taxation for the period	275,896	724,201	93,297	330,028
Comprehensive income transferred to equity	<u>275,896</u>	<u>724,201</u>	<u>93,297</u>	<u>330,028</u>
Components of comprehensive income not reflected in equity:				
(Deficit) / surplus on revaluation of available-for-sale investments - net of tax	<u>(103,853)</u>	<u>2,843</u>	<u>46,683</u>	<u>87,912</u>

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DUBAI ISLAMIC BANK PAKISTAN LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2016

	Note	September 30, 2016 (Rupees in '000)	September 30, 2015
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		1,157,965	552,057
Adjustments for:			
Depreciation		227,462	230,131
Amortisation		73,905	68,567
(Reversal) / provision against non-performing Islamic financing and related assets - net	12.5	(13,207)	92,814
Provision for diminution in the value of investments		16,846	-
Gain on sale of securities		(163,201)	(12,966)
Unrealized loss on revaluation of investment classified as held-for-trading		1	-
Charge for defined benefit plan		31,698	30,339
Gain on sale of operating fixed assets		(41,063)	(418)
		132,441	408,467
		1,290,406	960,524
(Increase) / decrease in operating assets			
Due from financial institutions		(11,625,862)	(2,577,024)
Islamic financing and related assets		15,360,572	(18,352,017)
Others assets (excluding advance taxation)		(563,789)	(803,136)
		3,170,921	(21,732,177)
Increase / (decrease) in operating liabilities			
Bills payable		196,295	447,225
Due to financial institutions		1,020,924	(262,662)
Deposits and other accounts		(7,478,284)	25,242,833
Other liabilities (excluding current taxation)		522,701	(169,649)
		(5,738,364)	25,257,747
		(1,277,037)	4,486,094
Payment against defined benefit plan		(31,698)	(30,339)
Income tax paid		(353,333)	(106,090)
Net cash (used in) / generated from operating activities		(1,662,068)	4,349,665
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in securities		(1,956,811)	(3,740,129)
Investments in operating fixed assets		(432,165)	(244,761)
Proceeds from sale of operating fixed assets		92,474	1,306
Net cash used in investing activities		(2,296,502)	(3,983,584)
CASH FLOW FROM FINANCING ACTIVITIES			
Effect of exchange difference on translation of FCY sub-ordinated loan		(3,708)	124,887
Net cash (generated) / used in from financing activities		(3,708)	124,887
(Decrease) / increase in cash and cash equivalents		(3,962,278)	490,968
Cash and cash equivalents at beginning of the period		18,053,033	11,009,329
Cash and cash equivalents at end of the period	19	14,090,755	11,500,297

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DUBAI ISLAMIC BANK PAKISTAN LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2016

	Share capital	Advance against future issue of share capital	Statutory Reserve	Unappro- priated profit	Total
	----- Rupees in '000 -----				
Balance as at January 01, 2015	6,976,030	18	147,475	406,760	7,530,283
Profit after taxation for the nine months ended September 30, 2015	-	-	-	330,028	330,028
Balance as at September 30, 2015	6,976,030	18	147,475	736,788	7,860,311
Profit after taxation for the three months ended December 31, 2015	-	-	-	100,527	100,527
Remeasurements of the net defined benefit liability / asset - net of tax	-	-	-	1,931	1,931
Other comprehensive income	-	-	-	102,458	102,458
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
Profit after taxation for the nine months ended September 30, 2016	-	-	-	724,201	724,201
Transfer to statutory reserve	-	-	144,840	(144,840)	-
Balance as at September 30, 2016	6,976,030	18	378,426	1,332,496	8,686,970

The annexed notes 1 to 25 form an integral part of this condensed interim financial information.

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DUBAI ISLAMIC BANK PAKISTAN LIMITED
NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2016

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 Sharia.

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 its commencement of business from the SBP. The Bank is principally engaged in Corporate, Commercial and Consumer banking activities and investing activities.

- 1.2** Based on the financial statements of the Bank for the year ended December 31, 2015, 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 assigned as "Stable".
- 1.3** The Bank is operating through 200 branches as at September 30, 2016 (December 31, 2015: 200 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).
- 1.4** 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 September 30, 2016 should have been Rs. 10 billion. The Capital Adequacy Ratio (CAR) required inclusive of capital conservation buffer requirement as of December 31, 2015 was 10.25% and the Bank's Capital Adequacy Ratio as at that date was 11.36%.

The SBP vide its letter no. BPRD/BA & CP/623/019653/2013 dated December 28, 2013 allowed the Bank to raise foreign currency 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 will be considered for CAR / MCR purposes subject to certain terms and conditions as mentioned in above letter.

Accordingly, an amount of US\$ 31 million (equivalent to Rs. 3,273 million) was received on January 10, 2014 as foreign currency subordinated debt from the sponsors. This amount has been placed in non-remunerative deposit account with SBP. The revalued amount of the subordinated debt amounts to Rs. 3,243 million as at September 30, 2016.

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. Board of Directors in their meeting held on April 22, 2016 decided to start the process for conversion of subordinated debt into paid up capital to make the Bank MCR compliant.

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 Istithmar, Service Ijarah and other Islamic modes. 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 Shariah Board Member.
- 2.2** The disclosures made in this condensed interim financial information have been limited based on the format prescribed by the State Bank of Pakistan through BSD Circular Letter No. 2 dated May 12, 2004 and the requirements of International Accounting Standard 34, "Interim Financial Reporting". They do not include all of the information required for the full annual financial statements and this condensed interim financial information should be read in conjunction with the annual financial statements of the Bank for the year ended December 31, 2015.

3 STATEMENT OF COMPLIANCE

The condensed interim financial information of the Bank for the period ended September 30, 2016 has been prepared in accordance with the requirements of International Accounting Standard 34 - Interim Financial Reporting, provisions of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. In case where the requirements differ, the provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the said directives have been followed.

4 FUNCTIONAL AND PRESENTATION CURRENCY

This condensed interim financial information is presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2015.

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis and the methods used for critical accounting estimates and judgments adopted in this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2015.

7 FINANCIAL RISK MANAGEMENT

The Bank's Financial Risk Management objectives and policies are consistent with those disclosed in the annual financial statements for the year ended December 31, 2015.

		September 30, 2016 (Un-audited)	December 31, 2015 (Audited)
	Note	----- Rupees in '000 -----	
8 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
- local currency		1,818,490	1,502,767
- foreign currency		675,580	411,058
		<u>2,494,070</u>	<u>1,913,825</u>
With the State Bank of Pakistan in			
- local currency current account		5,126,054	5,846,141
- foreign currency current account		4,504	159,405
- foreign currency subordinated debt	15	3,243,263	3,246,971
- foreign currency deposit accounts			
Cash reserves account		787,851	580,318
Special cash reserve account		945,401	696,360
		<u>1,733,252</u>	<u>1,276,678</u>
With National Bank of Pakistan in			
- local currency current account		764,267	1,740,610
		<u>13,365,410</u>	<u>14,183,630</u>
9 BALANCES WITH OTHER BANKS			
In Pakistan			
- in current accounts		34,741	49,591
- in deposit accounts		10	10
Outside Pakistan			
- in current accounts		690,594	3,819,802
- in deposit accounts		-	-
		<u>725,345</u>	<u>3,869,403</u>
10 DUE FROM FINANCIAL INSTITUTIONS			(Restated)
Commodity Murabaha	10.1	18,044,559	6,418,697
		<u>18,044,559</u>	<u>6,418,697</u>

- 10.1** This represent amounts due from financial institutions at expected profit rates ranging from 5.75% to 6% per annum (December 31, 2015: 6.10% to 6.40%) with maturities latest by November 04, 2016 (December 31, 2015: January 27, 2016).

11 INVESTMENTS

11.1 Investments by type

	September 30, 2016			December 31, 2015		
	(Un-audited)			(Audited) / (Restated)		
	Held by the Bank	Given as collateral	Total	Held by the Bank	Given as collateral	Total
Note	----- Rupees in '000 -----					
Held-for-trading securities						
GOP Ijarah Sukuk	500	-	500	-	-	-
Available-for-sale securities						
GOP Ijarah Sukuk	9,340,007	-	9,340,007	10,146,816	-	10,146,816
WAPDA Sukuk	733,354	-	733,354	869,019	-	869,019
Other Sukuk	10,527,519	-	10,527,519	7,480,130	-	7,480,130
Bai Muajjal receivable with Government of Pakistan (GOP)	5,306,448	-	5,306,448	5,306,448	-	5,306,448
Units of open-end mutual fund	15,097	-	15,097	-	-	-
	25,922,425	-	25,922,425	23,802,413	-	23,802,413
Total investments at cost	25,922,925	-	25,922,925	23,802,413	-	23,802,413
Less: Provision for diminution in value of investments	(16,846)	-	(16,846)	-	-	-
Total investments (net of provisions)	25,906,079	-	25,906,079	23,802,413	-	23,802,413
Surplus on revaluation of investments classified as available-for-sale securities - net	24,218	-	24,218	19,843	-	19,843
Deficit on revaluation of investments classified as held-for-trading securities - net	(1)	-	(1)	-	-	-
Total investments at market value	25,930,296	-	25,930,296	23,822,256	-	23,822,256

11.1.1 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% (December 31, 2015: 5.93% to 5.94%) and are due to mature latest by November 17, 2016 (December 31, 2015: November 17, 2016).

	Note	September 30, 2016	December 2015
		(Un-audited)	(Audited)
		(Rupees in '000)	
12 ISLAMIC FINANCING AND RELATED ASSETS			
In Pakistan			
Murabaha	12.1	11,828,815	13,345,105
Musharaka cum Ijara – Housing		8,489,851	7,352,708
Musharaka cum Ijara – Autos	12.2	12,850,357	10,919,239
Ijara Muntahiya Bil Tamleek – Autos		398,349	413,932
Musharaka cum Ijara – Other		73,910	112,594
Export Refinance under Islamic Scheme - SBP		3,697,873	5,261,901
Wakala Istithmar – Pre manufacturing		9,914,365	4,807,137
Wakala Istithmar – Post manufacturing		131,901	2,635,829
Shirkatulmilk		17,097,616	14,177,621
Service Ijarah and related assets		625,000	593,750
Musharaka		13,314,682	12,395,508
Running Musharaka		4,896,030	16,455,769
Istisna cum Wakala	12.3	7,031,727	13,754,927
Salam		702,000	4,402,000
Musawama		237,926	22,954
Islamic financing and related assets – gross		91,290,402	106,650,974
Less: Provision against non-performing Islamic financing and related assets	12.4 & 12.5	(1,684,130)	(1,697,337)
Islamic financing and related assets – net of provisions		89,606,272	104,953,637

	September 30, 2016 (Un-audited) (Rupees in '000)	December 2015 (Audited)
12.1 Murabaha		
Financing	6,238,342	10,646,065
Advances	5,590,473	2,699,040
	11,828,815	13,345,105
12.2 Musharaka cum Ijara		
Financing	11,912,962	10,335,898
Advances	937,395	583,341
	12,850,357	10,919,239
12.3 Istisna cum Wakala		
Financing	6,209,365	7,284,963
Advances	822,362	6,469,964
	7,031,727	13,754,927

12.4 Islamic financings and related assets include Rs. 2,037.124 million (December 31, 2015: Rs. 2,211.992 million) which have been placed under non-performing status as detailed below:

Category of classification	September 30, 2016 (Un-audited)								
	Classified Islamic financing and related assets			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	----- Rupees in '000 -----								

Other Assets

Especially

Mentioned	8,609	-	8,609	-	-	-	-	-	-
Substandard	63,014	-	63,014	9,896	-	9,896	9,896	-	9,896
Doubtful	44,667	-	44,667	-	-	-	-	-	-
Loss	1,920,834	-	1,920,834	1,595,082	-	1,595,082	1,595,082	-	1,595,082
	2,037,124	-	2,037,124	1,604,978	-	1,604,978	1,604,978	-	1,604,978

Category of classification	December 31, 2015 (Audited)								
	Classified Islamic financing and related assets			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	----- Rupees in '000 -----								

Other Assets

Especially

Mentioned	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

12.5 Particulars of provision against non-performing Islamic financing and related assets

	September 30, 2016 (Un-audited)			December 31, 2015 (Audited)		
	Specific	General	Total	Specific	General	Total
Opening balance	1,609,478	87,859	1,697,337	1,447,176	62,875	1,510,051
Charge for the period / year	76,560	-	76,560	416,262	24,984	441,246
Reversals during the period / year	(81,060)	(8,707)	(89,767)	(253,960)	-	(253,960)
Net (reversal) / charge	(4,500)	(8,707)	(13,207)	162,302	24,984	187,286
Write off	-	-	-	-	-	-
Closing balance	1,604,978	79,152	1,684,130	1,609,478	87,859	1,697,337

- 12.6** 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. 348.184 million (December 31, 2015: Rs. 368.514 million) in determining the provisioning requirement against non performing Islamic financings as at September 30, 2016. The additional profit arising from availing the FSV benefit - net of tax at September 30, 2016 which is not available for distribution as either cash or stock dividend to shareholders amounted to Rs. 226.320 million (December 31, 2015: Rs. 239.534 million).

- 12.7** General provisioning is held against consumer finance portfolio and small enterprise financings 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.

	September 30, 2016 (Un-audited) (Rupees in '000)	December 31, 2015 (Audited)
13 OPERATING FIXED ASSETS		
Capital work-in-progress - net	195,625	116,346
Property and equipment	1,567,880	1,571,473
Intangible assets	158,588	154,886
	<u>1,922,093</u>	<u>1,842,705</u>
14 DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	35,679,324	46,177,181
Savings deposits	51,363,361	50,253,380
Current accounts - non-remunerative	35,871,808	29,986,324
Margin accounts - non-remunerative	126,713	100,092
	<u>123,041,206</u>	<u>126,516,977</u>
Financial Institutions		
Remunerative deposits	6,092,010	10,137,422
Non-remunerative deposits	131,957	89,058
	<u>129,265,173</u>	<u>136,743,457</u>
15 SUB-ORDINATED LOANS		
As referred to in note 1.4 to this condensed interim financial information, 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 million) has been provided to the Bank on January 10, 2014 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 revalued amount of the loan is Rs. 3,243 million on September 30, 2016 (December 31, 2015: Rs. 3,247 million).		
16 DEFERRED TAX LIABILITIES		
	September 30, 2016 (Un-audited) (Rupees in '000)	December 31, 2015 (Audited)
Deferred tax debits arising due to:		
Provision against non-performing Islamic financings and related assets	(4,157)	(4,549)
Deferred tax credits arising due to:		
Accelerated tax depreciation on operating fixed assets	54,006	51,644
	<u>49,849</u>	<u>47,095</u>
Equity		
Surplus on revaluation of investments	8,476	6,945
	<u>58,325</u>	<u>54,040</u>

	September 30, 2016 (Un-audited) (Rupees in '000)	December 31, 2015 (Audited)
17 CONTINGENCIES AND COMMITMENTS		
17.1 Transactions-related contingent liabilities		
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favoring		
- Government	2,797,478	752,253
- Banking companies and other financial institutions	313,744	333,996
- Others	1,716,198	1,928,924
	4,827,420	3,015,173
17.2 Trade-related contingent liabilities		
Import Letters of Credit	13,496,805	10,523,323
17.3 Claims not acknowledged as debt	10,000	10,000
17.3.1 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 CCPs contentions 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 their favour and hence, no provision against any liability which may arise in this respect has been made in these condensed interim financial information.		
	September 30, 2016 (Un-audited) (Rupees in '000)	December 31, 2015 (Audited)
17.4 Commitments in respect of forward exchange promises to		
Purchase	12,192,202	16,339,028
Sale	5,313,088	17,639,463
17.5 Commitments to extend credit	2,607,500	3,584,638
17.6 Commitments for the acquisition of operating fixed assets	57,078	157,787
17.7 During the previous period, 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 condensed interim financial information.		
17.8 During the year ended December 31, 2015, 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 (CIRA) against the amended assessment orders and obtained a stay order from Honourable High Court of Sindh against the recovery of the additional tax liability. The CIRA after hearing the Bank's appeal has passed judgement vide order No. 9 to 12/A-1 dated November 16, 2015, and has ruled on certain 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 million and any additional / surcharge which may arise thereon.		

The management is of the view that the contention of the taxation authorities is not justified based on various grounds including 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 Bank had filed an appeal against the order with the Appellate Tribunal of Inland Revenue (ATIR). During the period, ATIR has passed its order dated 13 June 2016 and on the issue of tax levy over Murabaha transactions amounting to Rs. 3,326 million has remanded back the order to the department.

The impact of the remaining adjustments amounts to Rs. 280.78 million which are also pending before the relevant authorities and any additional levy / surcharge which may arise thereon. The Bank, after consulting the issue with its tax advisor, is confident that these adjustments will also be decided in the Bank's favour. Accordingly, no provision has been made in the condensed interim financial information in respect of these matters.

18 BASIC / DILUTED EARNING PER SHARE

	<div>----- (Un-audited) -----</div>			
	Quarter ended Sep 30, 2016	Nine months ended Sep 30, 2016	Quarter ended Sep 30, 2015	Nine months ended Sep 30, 2015
	<div>----- (Rupees in '000) -----</div>			
BASIC / DILUTED EARNING PER SHARE				
Profit after taxation	<div>275,896</div>	<div>724,201</div>	<div>93,297</div>	<div>330,028</div>
	<div>-----Number of shares '000-----</div>			
Weighted average number of ordinary shares	<div>697,603</div>	<div>697,603</div>	<div>697,603</div>	<div>697,603</div>
	<div>----- (Rupees) -----</div>			
Basic earning per share	<div>0.40</div>	<div>1.04</div>	<div>0.13</div>	<div>0.47</div>
Diluted earning per share	<div>0.40</div>	<div>1.04</div>	<div>0.13</div>	<div>0.47</div>

18.1 There were no convertible / dilutive potential ordinary shares as at September 30, 2016 and September 30, 2015.

19 CASH AND CASH EQUIVALENTS

	September 30, 2016	September 30, 2015
	(Un-audited)	
	(Rupees in '000)	
Cash and balances with treasury banks	13,365,410	10,842,594
Balances with other banks	725,345	657,703
	14,090,755	11,500,297

20 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

Nine months ended September 30, 2016 (Un-audited)						
Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Others	Total	
----- (Rupees in '000) -----						
Internal Income	-	(770,630)	3,173,459	(2,343,912)	(58,918)	-
Total income	57,286	1,448,695	2,350,469	4,281,019	241,288	8,378,757
Total expenses	(35,789)	(544,645)	(4,959,909)	(1,646,589)	(467,624)	(7,654,556)
Net income (loss)	21,497	133,421	564,301	290,236	(285,254)	724,201
Segment assets (gross)	-	38,396,614	36,979,260	71,537,248	6,931,628	153,844,750
Segment non performing						
Financings	-	-	764,628	1,246,082	26,414	2,037,124
Segment provision required	-	-	537,503	1,127,491	19,136	1,684,130
Segment liabilities	-	7,591,000	100,584,055	29,141,584	6,141,270	143,457,909
Segment return on net						
assets (ROA) (%)	-	4.50%	11.06%	7.00%	3.56%	
Segment cost of funds (%)	-	6.23%	2.86%	3.76%	0.00%	

Nine months ended September 30, 2015 (Un-audited)						
Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Others	Total	
----- (Rupees in '000) -----						
Internal Income	-	(1,460,168)	3,387,115	(1,915,273)	(11,674)	-
Total income	42,537	1,752,856	2,002,854	3,310,584	197,579	7,306,410
Total expenses	(29,019)	(233,219)	(5,250,183)	(1,262,904)	(201,057)	(6,976,382)
Net income / (loss)	13,518	59,469	139,786	132,407	(15,152)	330,028
Segment assets (gross)	-	30,235,109	27,910,664	65,269,545	5,630,581	129,045,899
Segment non performing						
Financings	-	-	947,349	1,284,647	26,379	2,258,375
Segment provision required	-	-	566,362	1,017,725	18,778	1,602,865
Segment liabilities	-	2,750,000	94,755,172	17,452,540	4,628,230	119,585,942
Segment return on net						
assets (ROA) (%)	-	6.83%	13.79%	8.32%	3.56%	
Segment cost of funds (%)	-	4.11%	3.87%	3.95%	0.00%	

21 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.

Usual transactions with related parties include deposits, financing, returns and provision of other banking services.

Transactions with executives are undertaken at terms in accordance with employment agreements and service rules.

	September 30, 2016 (Un-audited) (Rupees in '000)	December 31, 2015 (Audited)
<u>Key management personnel</u>		
Islamic financing and related assets		
At beginning of the period / year	170,550	122,788
Disbursements	38,346	116,130
Payments	(55,876)	(68,368)
Adjustment for outgoing members	(56,142)	-
At the end of the period / year	96,878	170,550
Deposits		
At beginning of the period / year	35,147	23,550
Deposits	237,539	250,760
Withdrawals	(218,092)	(239,163)
Adjustment for outgoing members	(12,350)	-
At the end of the period / year	42,244	35,147
<u>Directors</u>		
Deposits		
At beginning of the period / year	4,244	16,170
Deposits	17,937	71,667
Withdrawals	(17,469)	(80,993)
Adjustment for retiring directors	-	(2,600)
At the end of the period / year	4,712	4,244
<u>Holding company</u>		

- 21.1 The bank usually enters into transactions pertaining to sale and purchase of foreign currencies (in ready / spot / tom and forward markets) with Dubai Islamic Bank PJSC in the ordinary course of business.

Deposits		
At beginning of the period / year	45,724	13,701
Deposits	933,527	2,477,242
Withdrawals	(952,002)	(2,445,219)
At the end of the period / year	27,249	45,724

	September 30, 2016 (Un-audited) (Rupees in '000)	December 31, 2015 (Audited)
Balance held abroad		
At beginning of the period / year	1,154,055	92,305
Deposits	83,402,682	61,346,157
Withdrawals	(84,142,623)	(60,284,407)
At the end of the period / year	414,114	1,154,055
Other payables	-	48,479
Other receivables	4,689	2,639
Foreign exchange deals outstanding with Dubai Islamic Bank P.J.S.C.		
Foreign currency purchase contracts	5,105,675	3,557,098
Foreign currency sale contracts	5,105,675	3,557,098
	September 30, 2016 (Un-audited) (Rupees in '000)	September 30, 2015
Profit earned on Islamic financing and related assets to key management personnel	4,316	4,291
Return on deposits to key management personnel	717	445
Remuneration to key management personnel	162,490	172,958
Return on deposits to directors	20	108
Remuneration to directors	9,509	10,775
Purchase of foreign currency sukuk from holding company	2,531,281	3,238,008
Sale of foreign currency sukuk to holding company	7,093,759	-
Fee charged by the holding company in respect of outsourcing arrangement	-	37,500
Employee benefit plans		
Contribution to employees gratuity fund	31,698	30,339
Contribution to employees provident fund	55,144	48,551
Foreign exchange deals incurred during the period with Dubai Islamic Bank P.J.S.C.		
Foreign currency purchase contracts	65,773,047	38,379,116
Foreign currency sale contracts	68,029,103	40,888,862

22 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

22.1 Fair value hierarchy

September 30, 2016 (Un-audited)

	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
<u>RECURRING FAIR VALUE MEASUREMENTS</u>				
On-Balance Sheet Financial Instruments				
INVESTMENTS				
Held for trading securities				
Government Securities (GOP Ijara Sukuks)	-	499	-	499
Available for sale securities				
Government Securities (GOP Ijara Sukuks)	-	9,306,333	-	9,306,333
Sukuk Bonds (other than government)	-	5,889,173	79,333	5,968,506
Foreign Currency Sukuks (other than government)	-	5,333,413	-	5,333,413
Units of open-end mutual fund	15,097	-	-	15,097
	15,097	20,528,919	79,333	20,623,349
	15,097	20,529,418	79,333	20,623,848
Off-Balance Sheet Financial Instruments				
Forward purchase of foreign exchange	-	12,192,202	-	12,192,202
Forward sale of foreign exchange	-	5,313,088	-	5,313,088

December 31, 2015

	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
<u>RECURRING FAIR VALUE MEASUREMENTS</u>				
On-Balance Sheet Financial Instruments				
INVESTMENTS				
Held for trading securities				
Government Securities (GOP Ijara Sukuks)	-	-	-	-
Available for sale securities				
Government Securities (GOP Ijara Sukuks)	-	10,165,170	-	10,165,170
Sukuk Bonds (other than government)	-	2,718,527	98,664	2,817,191
Foreign Currency Sukuks (other than government)	-	3,213,629	-	3,213,629
Units of open-end mutual fund	-	-	-	-
	-	16,097,326	98,664	16,195,990
	-	16,097,326	98,664	16,195,990
Off-Balance Sheet Financial Instruments				
Forward purchase of foreign exchange	-	16,339,028	-	16,339,028
Forward sale of foreign exchange	-	17,639,463	-	17,639,463

23 RECLASSIFICATIONS

Pursuant to BPRD Circular Letter No. 05 dated February 29, 2016 of State Bank of Pakistan, following re-classification has been made:

- Bai Muajjal with Government of Pakistan (GOP) of Rs. 5,306.448 million have been reclassified from Due from Financial Institutions to Investments.

24 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on _____ by the Board of Directors of the Bank.

25 GENERAL

25.1 Captions, as prescribed by BSD Circular Letter No. 2 dated May 12, 2004 issued by the SBP, in respect of which there are no amounts, have not been reproduced in this condensed interim financial information, except for captions of the statement of financial position and profit and loss account.

25.2 Figures have been rounded off to the nearest thousand Rupees, unless otherwise stated.

CHAIRMAN**PRESIDENT / CHIEF EXECUTIVE****DIRECTOR****DIRECTOR**