



KPMG Taseer Hadi & Co.
Chartered Accountants

Dubai Islamic Bank Pakistan Limited

Condensed Interim Financial
Information
For the six-month period ended
30 June 2016



KPMG Taseer Hadi & Co.
Chartered Accountants
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**Independent auditors' review report to the members of
Dubai Islamic Bank Pakistan Limited**

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Dubai Islamic Bank Pakistan Limited** ("the Bank") as at June 30, 2016 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the six-month period then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.


Other Matters

The figures for the quarters ended June 30, 2016 and June 30, 2015 in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

The financial statements of the Bank for the half year ended June 30, 2015 and for the year ended December 31, 2015 were reviewed and audited respectively by A.F. Ferguson & Co., Chartered Accountants, who had expressed an unqualified conclusion and opinion thereon dated August 3, 2015 and February 23, 2016 respectively.

Date: 29 August 2016

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants
Syed Istikhar Anjum

Dubai Islamic Bank Pakistan Limited
 Condensed Interim Statement of Financial Position
 As at June 30, 2016

	Note	(Un-audited) June 30, 2016	(Audited) December 31, 2015 (Restated)
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks	8	13,843,928	14,183,630
Balances with other banks	9	645,404	3,869,403
Due from financial institutions	10	5,731,837	6,418,697
Investments	11	32,890,491	23,822,256
Islamic financing and related assets	12	96,060,840	104,953,637
Operating fixed assets	13	1,856,942	1,842,705
Deferred tax assets		-	-
Other assets		2,461,860	2,002,857
		<u>153,491,302</u>	<u>157,093,185</u>
LIABILITIES			
Bills payable		2,627,271	1,552,219
Due to financial institutions		7,883,983	4,551,920
Deposits and other accounts	14	128,229,127	136,743,457
Sub-ordinated loans	15	3,249,866	3,246,971
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities	16	114,246	54,040
Other liabilities		2,856,141	2,968,911
		<u>144,960,634</u>	<u>149,117,518</u>
NET ASSETS		<u>8,530,668</u>	<u>7,975,667</u>
REPRESENTED BY			
Share capital		6,976,030	6,976,030
Reserves		323,247	233,586
Advance against future issue of share capital		18	18
Unappropriated profit		1,111,779	753,135
		<u>8,411,074</u>	<u>7,962,769</u>
Surplus on revaluation of assets - net of deferred tax		119,594	12,898
		<u>8,530,668</u>	<u>7,975,667</u>

CONTINGENCIES AND COMMITMENTS

17

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

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Chairman


President / Chief Executive


Director


Director

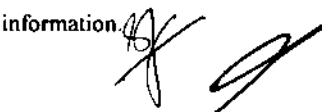
Dubai Islamic Bank Pakistan Limited
Condensed Interim Profit and Loss Account (Un-Audited)
For the half year ended June 30, 2016


	Note	Quarter ended June 30, 2016	Half year ended June 30, 2016	Quarter ended June 30, 2015	Half year ended June 30, 2015
		(Rupees in '000)		(Rupees in '000)	
Profit / return earned		2,322,182	4,803,876	2,223,074	4,343,117
Profit / return expensed		1,053,681	2,261,733	999,299	1,977,491
Net spread earned		<u>1,268,501</u>	<u>2,542,143</u>	<u>1,223,775</u>	<u>2,365,626</u>
(Provision) / reversal against non-performing Islamic financing and related assets - net	12.5	15,730	(12,933)	(42,938)	(59,189)
Provision for diminution in the value of investments		-	-	-	-
Bad debts written off directly		-	-	-	-
		<u>15,730</u>	<u>(12,933)</u>	<u>(42,938)</u>	<u>(59,189)</u>
Net spread earned after provisions		<u>1,284,231</u>	<u>2,529,210</u>	<u>1,180,837</u>	<u>2,306,437</u>
OTHER INCOME					
Fee, commission and brokerage income		429,646	762,863	304,472	538,551
Dividend Income		-	-	-	-
Income / (loss) from dealing in foreign currencies		15,667	11,043	(22,759)	(39,189)
Gain on sale of securities		17,383	27,136	1,096	6,563
Unrealized gain on revaluation of investments classified as held for trading		-	-	(3,346)	(3,346)
Other income		40,901	40,938	125	125
Total other income		<u>503,597</u>	<u>841,980</u>	<u>279,588</u>	<u>502,704</u>
		<u>1,787,828</u>	<u>3,371,190</u>	<u>1,460,425</u>	<u>2,809,141</u>
OTHER EXPENSES					
Administrative expenses		1,319,898	2,623,092	1,242,913	2,391,611
Other provisions / write offs		-	-	-	-
Other charges		9,330	15,226	5,067	9,016
Total other expenses		<u>1,329,228</u>	<u>2,638,318</u>	<u>1,247,980</u>	<u>2,400,627</u>
		<u>458,600</u>	<u>732,872</u>	<u>212,445</u>	<u>408,514</u>
Extra ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		<u>458,600</u>	<u>732,872</u>	<u>212,445</u>	<u>408,514</u>
Taxation					
- Current		(154,194)	(254,398)	(65,964)	(89,606)
- Prior years		(27,412)	(27,412)	(28,564)	(28,564)
- Deferred		(7,183)	(2,757)	(9,473)	(53,613)
		<u>(188,789)</u>	<u>(284,567)</u>	<u>(104,001)</u>	<u>(171,783)</u>
PROFIT AFTER TAXATION		<u>269,811</u>	<u>448,305</u>	<u>108,444</u>	<u>236,731</u>
Basic / Diluted earnings per share – Rupees	18	<u>0.39</u>	<u>0.64</u>	<u>0.16</u>	<u>0.34</u>

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


Chairman


President/Chief Executive


Director

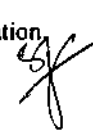


Director

Dubai Islamic Bank Pakistan Limited
Condensed Interim Statement Of Comprehensive Income (Un-Audited)
For the half year ended June 30, 2016

	Quarter ended June 30, 2016 (Rupees in '000)	Half year ended June 30, 2016 (Rupees in '000)	Quarter ended June 30, 2015 (Rupees in '000)	Half year ended June 30, 2015 (Rupees in '000)
Profit after taxation for the period	269,811	448,305	108,444	236,731
Comprehensive income transferred to equity	<u>269,811</u>	<u>448,305</u>	<u>108,444</u>	<u>236,731</u>
Components of comprehensive income not reflected in equity:				
Surplus on revaluation of available for sale investments - net of tax	<u>131,514</u>	<u>106,696</u>	<u>625</u>	<u>41,229</u>

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

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Chairman



President / Chief Executive



Director



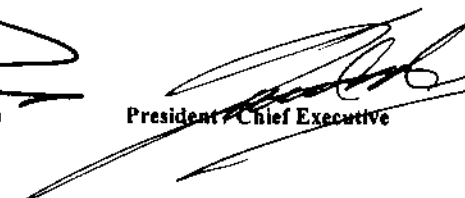
Director

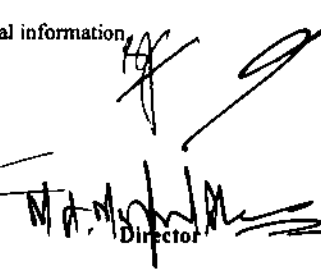
Dubai Islamic Bank Pakistan Limited
 Condensed Interim Statement of Changes in Equity (Un-Audited)
 For the half year ended June 30, 2016

	Share capital	Advance against Future issue of share capital	Statutory Reserve	Unappropriated 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 half year ended June 30, 2015	-	-	-	236,731	236,731
Balance as at June 30, 2015	6,976,030	18	147,475	643,491	7,767,014
Profit after taxation for the half year ended December 31, 2015	-	-	-	193,824	193,824
Remeasurements of the net defined benefit liability / asset - net of tax	-	-	-	1,931	1,931
Other comprehensive income	-	-	-	195,755	195,755
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 half year ended June 30, 2016	-	-	-	448,305	448,305
Transfer to Statutory reserve	-	-	89,661	(89,661)	-
Balance as at June 30, 2016	6,976,030	18	323,247	1,111,779	8,411,074

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 Cash Flow Statement (Un-Audited)

For the half year ended June 30, 2016

Note 2016 2015
(Rupees in '000)

CASH FLOW FROM OPERATING ACTIVITIES

	2016	2015
Profit before taxation	732,872	408,514
Adjustments for:		
Depreciation	149,706	154,937
Amortisation	46,464	45,292
Provision against non-performing Islamic financing and related assets - net	12,933	59,189
Gain on sale of securities	(27,136)	(6,563)
Unrealized loss on revaluation of investment held for trading	-	3,346
Charge for defined benefit plan	21,132	20,226
Gain on sale of operating fixed assets	(40,936)	(118)
	162,163	276,309
	895,035	684,823
(Increase) / decrease in operating assets		
Due from financial institutions	686,860	(12,411,980)
Islamic financing and related assets	8,879,864	(5,793,412)
Others assets (excluding advance taxation)	(459,004)	(137,226)
	9,107,720	(18,342,618)
Increase / (decrease) in operating liabilities		
Bills payable	1,075,052	749,078
Due to financial institutions	3,332,063	(141,756)
Deposits and other accounts	(8,514,330)	22,621,207
Other liabilities (excluding current taxation)	(213,821)	(178,668)
	(4,321,036)	23,049,861
	5,681,719	5,392,066
Payment against defined benefit plan	(21,132)	(20,226)
Income tax paid	(180,761)	(50,156)
Net cash generated from operating activities	5,479,826	5,321,684
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in securities	(8,876,951)	(3,695,481)
Investments in operating fixed assets	(260,292)	(185,723)
Sale proceeds of property and equipment disposed of	90,821	893
Net cash used in investing activities	(9,046,422)	(3,880,311)
CASH FLOW FROM FINANCING ACTIVITIES		
Effect of exchange difference on translation of foreign currency sub-ordinated loan	2,895	40,164
Net cash used in financing activities	2,895	40,164
(Decrease) / Increase in cash and cash equivalents	(3,563,701)	1,481,537
Cash and cash equivalents at beginning of the period	18,053,033	11,009,329
Cash and cash equivalents at end of the period	14,489,332	12,490,866

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

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Chairman

President / Chief Executive

Director

Director

Dubai Islamic Bank Pakistan Limited

Notes to and forming part of the Condensed Interim Financial Information (Un-audited)

For the half year ended June 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

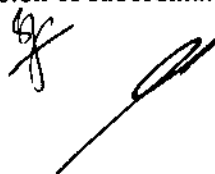
- 1.2 Based on the financial statements of the Bank for the year ended December 31, 2015, JCR-VIS Credit Rating Company Limited determined the Bank's medium to long-term rating as 'A+' (A plus) and the short term rating as 'A-1' (A one) while the outlook has been improved to "Stable".
- 1.3 The Bank is operating through 200 branches as at June 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 June 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 3,250 million as at June 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 22 April 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 30 June 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.

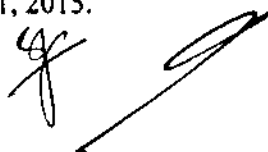
5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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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.

		June 30, 2016 (Un-audited) (Rupees in '000)	December 31, 2015 (Audited)
8 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
- local currency		2,477,054	1,502,767
- foreign currency		421,455	411,058
		<u>2,898,509</u>	<u>1,913,825</u>
With the State Bank of Pakistan in			
- local currency current account		5,128,348	5,846,141
- foreign currency current account		5,777	159,405
- foreign currency subordinated debt	15	3,249,866	3,246,971
- foreign currency deposit accounts			
Cash reserves account		743,328	580,318
Special cash reserve account		891,973	696,360
		<u>1,635,301</u>	<u>1,276,678</u>
With National Bank of Pakistan in			
- local currency current account		926,127	1,740,610
		<u>13,843,928</u>	<u>14,183,630</u>
9 BALANCES WITH OTHER BANKS			
In Pakistan			
- in current accounts		75,361	49,591
- in deposit accounts		10	10
Outside Pakistan			
- in current accounts		570,033	3,819,802
- in deposit accounts		-	-
		<u>645,404</u>	<u>3,869,403</u>
10 DUE FROM FINANCIAL INSTITUTIONS			<i>(Restated)</i>
Commodity Murabaha	10.1	5,731,837	6,418,697
		<u>5,731,837</u>	<u>6,418,697</u>

10.1 This represent amounts due from financial institutions at expected profit rates ranging from 5.70% to 6.25% per annum (31 December 2015: 6.10% to 6.40%) with maturities latest by 19 July 2016 (31 December 2015: 27 January 2016).

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11 INVESTMENTS

11.1 Investments by type

	Note	June 30, 2016 (Un-audited)			December 31, 2015 (Audited) / (Restated)		
		Held by the Bank	Given as collateral	Total	Held by the Bank	Given as collateral	Total
(Rupees in '000)							
Available for sale securities							
GOP Ijarah Sukuk		9,840,000	-	9,840,000	10,146,816	-	10,146,816
WAPDA Sukuk		771,302	-	771,302	869,019	-	869,019
Other Sukuk	11.1.1	16,788,750	-	16,788,750	7,480,130	-	7,480,130
Bai Muajjal with GOP	11.1.2	5,306,448	-	5,306,448	5,306,448	-	5,306,448
Total investments at cost		32,706,500	-	32,706,500	23,802,413	-	23,802,413
Surplus on revaluation of available-for-sale securities		183,991	-	183,991	19,843	-	19,843
Total investments at market value		32,890,491	-	32,890,491	23,822,256	-	23,822,256

11.1.1 These include Sukuk of Quetta Textile Mills Limited amounting to Rs. 96.2 million which have been placed under non-performing status, however the forced sale value of the collateral held in respect of these Sukuk is Rs. 272.8 million. Therefore, no provision for diminution has been made in respect of the same. Profit accrued on these sukuk has been suspended.

11.1.2 These represent Bai Muajjal deals outstanding as at 31 December 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% (31 December 2015: 5.93% to 5.94%) and are due to mature latest by November 17, 2016 (31 December 2015: November 17, 2016).

	Note	June 30, 2016 (Un-audited)	December 31, 2015 (Audited)
(Rupees in '000)			
12 ISLAMIC FINANCING AND RELATED ASSETS			
In Pakistan			
Murabaha	12.1	11,561,325	13,345,105
Musharaka cum Ijara – Housing		8,320,147	7,352,708
Musharaka cum Ijara - Autos	12.2	12,254,418	10,919,239
Ijara Muntahiya Bil Tamleek – Autos		411,539	413,932
Musharaka cum Ijara – Other		73,911	112,594
Export Refinance under Islamic Scheme - SBP		4,934,699	5,261,901
Wakala Istithmar – Pre manufacturing		10,629,915	4,807,137
Wakala Istithmar – Post manufacturing		144,284	2,635,829
Shirkatulmilk		16,815,030	14,177,621
Service Ijarah and related assets		375,000	593,750
Musharaka		17,481,539	12,395,508
Running Musharaka		4,981,301	16,455,769
Istisna cum Wakala	12.3	8,488,263	13,754,927
Salam		1,202,000	4,402,000
Musawama		97,739	22,954
Islamic financing and related assets – gross		97,771,110	106,650,974
Less: Provision against non-performing Islamic financing and related assets	12.4 & 12.5	(1,710,270)	(1,697,337)
Islamic financing and related assets – net of provisions		96,060,840	104,953,637

12.1 Murabaha

Financing	7,434,441	10,646,065
Advances	4,126,884	2,699,040
Total	11,561,325	13,345,105

	June 30, 2016	December 31, 2015
	(Un-audited)	(Audited)
	(Rupees in '000)	
12.2 Musbaraka cum Ijara		
Financing	11,568,788	10,335,898
Advances	685,630	583,341
	<u>12,254,418</u>	<u>10,919,239</u>

12.3 Istisna cum Wakala

Financing	6,726,951	7,284,963
Advances	1,761,312	6,469,964
	<u>8,488,263</u>	<u>13,754,927</u>

12.4 Islamic financings and related assets include Rs. 2,101.987 million (December 31, 2015: 2,211.992 million) which have been placed under non-performing status as detailed below:


Category of classification	June 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	6,942	-	6,942	-	-	-	-	-	-
Substandard	79,713	-	79,713	8,125	-	8,125	8,125	-	8,125
Doubtful	70,688	-	70,688	-	-	-	-	-	-
Loss	1,944,644	-	1,944,644	1,630,591	-	1,630,591	1,630,591	-	1,630,591
	<u>2,101,987</u>	-	<u>2,101,987</u>	<u>1,638,716</u>	-	<u>1,638,716</u>	<u>1,638,716</u>	-	<u>1,638,716</u>

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	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
	<u>2,211,992</u>	-	<u>2,211,992</u>	<u>1,609,478</u>	-	<u>1,609,478</u>	<u>1,609,478</u>	-	<u>1,609,478</u>

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

	June 30, 2016 (Un-audited)			December 31, 2015 (Audited)		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	1,609,478	87,859	1,697,337	1,447,176	62,875	1,510,051
Charge for the period	92,872	-	92,872	416,262	24,984	441,246
Reversals during the period	(63,634)	(16,305)	(79,939)	(253,960)	-	(253,960)
Net charge	29,238	(16,305)	12,933	162,302	24,984	187,286
Write off	-	-	-	-	-	-
Closing balance	<u>1,638,716</u>	<u>71,554</u>	<u>1,710,270</u>	<u>1,609,478</u>	<u>87,859</u>	<u>1,697,337</u>

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- 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. 359.727 million (December 31, 2015: Rs. 368.514 million) in determining the provisioning requirement against non performing Islamic financings as at June 30, 2016. The additional profit arising from availing the FSV benefit - net of tax at June 30, 2016 which is not available for distribution as either cash or stock dividend to shareholders amounted to Rs. 233.822 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.

	June 30, 2016 (Un-audited)	December 31, 2015 (Audited)
	(Rupees in '000)	
13 OPERATING FIXED ASSETS		
Capital work-in-progress - net	82,491	116,346
Property and equipment	1,588,421	1,571,473
Intangible assets	186,030	154,886
	<u>1,856,942</u>	<u>1,842,705</u>
	Half year ended June 30, 2016 (Un-audited)	Half year ended June 30, 2015
	(Rupees in '000)	
13.1 Additions to / (transfers from) operating fixed assets		
Leasehold improvements	19,249	27,314
Furniture and fixtures	17,010	17,542
Electrical, office and computer equipment	180,282	110,331
Vehicles	-	5,079
Capital work-in-progress	(33,856)	6,675
13.2 Addition to Intangibles		
Software	77,607	18,782
13.3 Disposals and write offs of operating fixed assets - cost		
Electrical, Leasehold Improvement, Land (WDV:Rs 49.886 million) June 30, 2015 (WDV:Rs 0.588 million)	53,348	1,989
Vehicles Kiloby	-	936

	June 30, 2016 (Un-audited)	December 31, 2015 (Audited)
	(Rupees in '000)	
14 DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	35,488,140	46,177,181
Savings deposits	48,457,481	50,253,380
Current accounts - non-remunerative	36,756,077	29,986,324
Margin accounts - non-remunerative	191,941	100,092
	<u>120,893,639</u>	<u>126,516,977</u>
Financial Institutions		
Remunerative deposits	7,228,048	10,137,422
Non-remunerative deposits	107,440	89,058
	<u>128,229,127</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. 3,250 million on June 30, 2016 (December 31, 2015: Rs. 3,247 million).

16 DEFERRED TAX LIABILITIES - NET

	June 30, 2016 (Un-audited)	December 31, 2015 (Audited)
	(Rupees in '000)	
Deferred tax debits arising due to:		
Provision against non-performing Islamic financings and related assets	(3,775)	(4,549)
Deferred tax credits arising due to:		
Accelerated tax depreciation on operating fixed assets	53,625	51,644
	<u>49,850</u>	<u>47,095</u>
Equity		
Surplus on revaluation of investments	64,396	6,945
	<u>114,246</u>	<u>54,040</u>

17 CONTINGENCIES AND COMMITMENTS

17.1 Transactions-related contingent liabilities

Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring

- Government	2,566,762	752,253
- Banking companies and other financial institutions	279,007	333,996
- Others	2,219,735	1,928,924
	<u>5,065,504</u>	<u>3,015,173</u>

17.2 Trade-related contingent liabilities

Import Letters of Credit

	<u>14,750,077</u>	<u>10,523,323</u>
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17.3 Claims not acknowledged as debt

2/12/16

	<u>10,000</u>	<u>10,000</u>
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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 I-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 I-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 financial statements.

	June 30, 2016 (Un-audited) (Rupees in '000)	December 31, 2015 (Audited)
17.4 Commitments in respect of promises to		
Purchase	<u>12,926,477</u>	<u>16,339,028</u>
Sale	<u>13,925,461</u>	<u>17,639,463</u>
17.5 Commitments to extend credit	<u>3,192,000</u>	<u>3,584,638</u>
17.6 Commitments for the acquisition of operating fixed assets	<u>102,407</u>	<u>157,787</u>

17.7 During 2015, 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 favourable 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 31 December 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

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. 3,328 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.

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		(Un-audited)			
		Quarter ended June 30, 2016	Half Year ended June 30, 2016	Quarter ended June 30, 2015	Half Year ended June 30, 2015
		(Rupees in '000)			
18	BASIC / DILUTED EARNING PER SHARE				
	Profit after taxation	269,811	448,305	108,444	236,731
		-----Number of shares '000-----			
	Weighted average number of ordinary shares	697,603	697,603	697,603	697,603
		----- (Rupees in '000) -----			
	Basic earning per share	0.39	0.64	0.16	0.34
	Diluted earning per share	0.39	0.64	0.16	0.34

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

		June 30, 2016	June 30, 2015
		(Un-audited)	
		(Rupees in '000)	
19	CASH AND CASH EQUIVALENTS		
	Cash and balances with treasury banks	13,843,928	10,939,203
	Balances with other banks	645,404	1,551,663
		<u>14,489,332</u>	<u>12,490,866</u>

20 **SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES**

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

Half year ended June 30, 2016 (unaudited)						
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Others	Total
	----- (Rupees in '000) -----					
Internal Income	-	(557,528)	2,122,792	(1,573,999)	8,735	-
Total income	57,286	926,582	1,673,165	2,920,453	68,369	5,645,855
Total expenses	(31,275)	(324,757)	(3,549,277)	(1,124,847)	(167,395)	(5,197,551)
Net income (loss)	26,011	44,297	246,680	221,607	(90,290)	448,305
Segment assets (gross)	-	32,157,278	22,281,755	79,582,444	21,199,085	155,220,562
Segment non performing Financings	-	-	815,733	1,259,839	26,415	2,101,987
Segment provision required	-	-	563,335	1,127,969	18,966	1,710,270
Segment liabilities	-	10,560,000	99,503,320	28,677,062	6,220,252	144,960,634
Segment return on net assets (ROA) (%)	-	4.76%	11.26%	7.08%	3.66%	
Segment cost of funds (%)	-	6.26%	2.99%	3.74%	0.00%	

Half year ended June 30, 2015 (unaudited)						
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Others	Total
	----- (Rupees in '000) -----					
Internal Income	-	(1,051,683)	2,339,980	(1,279,484)	(8,813)	-
Total income	30,301	1,223,220	1,435,745	2,148,758	7,797	4,845,821
Total expenses	(21,841)	(131,723)	(3,645,151)	(811,387)	1,012	(4,609,090)
Net income / (loss)	8,460	39,814	130,574	57,887	(4)	236,731
Segment assets (gross)	-	48,248,102	17,541,799	53,986,392	6,787,466	126,563,759
Segment non performing Financings	-	-	931,011	1,299,459	26,651	2,257,121
Segment provision required	-	-	576,897	973,361	18,982	1,569,240
Segment liabilities	-	2,348,000	95,173,490	15,890,909	3,861,489	117,273,888
Segment return on net assets (ROA) (%)	-	7.29%	14.23%	9.09%	3.30%	
Segment cost of funds (%)	-	7.42%	4.09%	5.26%	-	

12/14/16

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.

	June 30, 2016 (Un-Audited)	December 31, 2015 (Audited)
	(Rupees in '000)	
<u>Key management personnel</u>		
Islamic financing and related assets		
At beginning of the period / year	170,550	122,788
Disbursements	20,800	116,130
Payments	(49,907)	(68,368)
Adjustment for outgoing members	(46,685)	
At the end of the period / year	<u>94,758</u>	<u>170,550</u>
Deposits		
At beginning of the period / year	35,147	23,550
Deposits	178,230	250,760
Withdrawals	(158,106)	(239,163)
Adjustment for outgoing members	(6,367)	-
At the end of the period / year	<u>48,904</u>	<u>35,147</u>
<u>Directors</u>		
Deposits		
At beginning of the period / year	4,244	16,170
Deposits	14,786	71,667
Withdrawals	(15,225)	(80,993)
Adjustment for retiring directors	-	(2,600)
At the end of the period / year	<u>3,805</u>	<u>4,244</u>

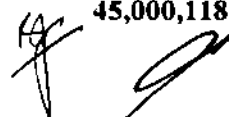
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Holding company

	June 30, 2016 (Un-Audited) (Rupees in '000)	December 31, 2015 (Audited)
Deposits		
At beginning of the period / year	45,724	13,701
Deposits	703,201	2,477,242
Withdrawals	(725,723)	(2,445,219)
At the end of the period / year	<u>23,202</u>	<u>45,724</u>
Balance held abroad		
At beginning of the period / year	1,154,055	92,305
Deposits	54,186,205	61,346,157
Withdrawals	(55,276,327)	(60,284,407)
At the end of the period / year	<u>63,933</u>	<u>1,154,055</u>
Other payables	<u>-</u>	<u>48,479</u>
Other receivables	<u>3,220</u>	<u>2,639</u>
Foreign exchange deals outstanding with Dubai Islamic Bank P.J.S.C.		
Foreign currency purchase contracts	<u>3,178,905</u>	<u>3,557,098</u>
Foreign currency sale contracts	<u>3,178,905</u>	<u>3,557,098</u>
	Half year ended June 30, 2016 (Un-Audited) (Rupees in '000)	Half year ended June 30, 2015
Profit earned on Islamic financing and related assets to key management personnel	3,156	2,888
Return on deposits to key management personnel	478	269
Remuneration to key management personnel	124,751	133,561
Return on deposits to directors	13	95
Remuneration to directors	6,509	10,775
Purchase of foreign currency sukuk from holding company	2,955,682	2,094,800
Sale of foreign currency sukuk to holding company	1,048,000	-
Fee charged by the holding company in respect of outsourcing arrangement	-	25,000
Employee benefit plans		
Contribution to employees gratuity fund	21,132	20,226
Contribution to employees provident fund	37,368	31,181
Foreign exchange deals incurred during the period with Dubai Islamic Bank P.J.S.C.		
Foreign currency purchase contracts	43,323,665	24,480,724
Foreign currency sale contracts	45,000,118	25,717,479

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22. FAIR VALUE OF FINANCIAL INSTRUMENTS

22.1 The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

		June 30, 2016						Fair value		
		Carrying Amounts								
Note	Available for Sale	HTM	Lease and Receivables	Other financial Assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value										
- Investments										
	9,790,264	-	-	-	-	9,790,264	-	9,790,264	-	9,790,264
Government Securities (GOP (Ijara Sukuk))										
	2,746,320	-	-	-	-	2,746,320	2,746,320	-	-	2,746,320
Sukuk Bonds (other than government)										
	11,654,395	-	-	-	-	11,654,395	11,654,395	-	-	11,654,395
Foreign Currency Sukuk (other than government)										
	-	-	-	-	-	-	-	-	-	-
Financial assets not measured at fair value										
- Cash and bank balances with SBP and NBP										
	-	-	-	13,843,928	-	13,843,928	-	-	-	-
- Balances with other banks										
	-	-	-	645,404	-	645,404	-	-	-	-
- Investments										
Bai Musajjal with GOP										
	5,306,447	-	-	-	-	5,306,447	-	-	-	-
Sukuk Bonds (other than government)										
	3,393,865	-	-	-	-	3,393,865	-	-	-	-
- Due from financial institutions										
	-	-	5,731,837	-	-	5,731,837	-	-	-	-
- Islamic Financing and related assets										
	-	-	96,060,840	-	-	96,060,840	-	-	-	-
- Other assets										
	-	-	-	1,512,619	-	1,512,619	-	-	-	-
	32,890,491	-	101,792,677	16,001,951	-	150,685,119	14,400,715	9,790,264	-	24,190,979
Financial liabilities not measured at fair value										
- Bills Payable										
	-	-	-	-	2,627,271	2,627,271	-	-	-	-
- Deposits and other accounts										
	-	-	-	-	128,239,127	128,239,127	-	-	-	-
- Due to financial institutions										
	-	-	-	-	7,883,983	7,883,983	-	-	-	-
- Liabilities against assets subject to finance lease										
	-	-	-	-	3,249,866	3,249,866	-	-	-	-
- Sub-ordinated loans										
	-	-	-	-	1,656,144	1,656,144	-	-	-	-
- Other liabilities										
	-	-	-	-	143,646,391	143,646,391	-	-	-	-

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On balance sheet financial instruments

December 31, 2015

	Note	Carrying Amounts						Fair value												
		Available for Sale	HTM	Loans and Receivables	Other financial Assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total									
												(Rupees in '000)								
Financial assets measured at fair value																				
- Investments																				
Government Securities (GOP Ijara Sukuks)		10,165,170	-	-	-	-	-	-	-	-	10,165,170	-	-	-	10,165,170	-	-	-	-	10,165,170
Sukuk Bonds (other than government)		2,817,191	-	-	-	-	-	-	-	-	2,817,191	-	-	-	2,817,191	-	-	-	-	2,817,191
Foreign Currency Sukuks (other than government)		3,213,629	-	-	-	-	-	-	-	-	3,213,629	-	-	-	3,213,629	-	-	-	-	3,213,629
Financial assets not measured at fair value																				
- Cash and bank balances with SBP and NBP	22.1	-	-	-	14,183,630	-	-	-	-	-	14,183,630	-	-	-	-	-	-	-	-	-
- Balances with other banks	22.1	-	-	-	3,869,403	-	-	-	-	-	3,869,403	-	-	-	-	-	-	-	-	-
- Investments		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bai Muajjal with GOP	22.1	5,306,448	-	-	-	-	-	-	-	-	5,306,448	-	-	-	-	-	-	-	-	-
Sukuk Bonds (other than government)	22.1	2,319,818	-	-	-	-	-	-	-	-	2,319,818	-	-	-	-	-	-	-	-	-
- Due from financial institutions	22.1	-	-	6,418,697	-	-	-	-	-	-	6,418,697	-	-	-	-	-	-	-	-	-
- Islamic Financing and related assets	22.1	-	-	104,953,637	-	-	-	-	-	-	104,953,637	-	-	-	-	-	-	-	-	-
- Other assets	22.1	-	-	-	1,262,628	-	-	-	-	-	1,262,628	-	-	-	-	-	-	-	-	-
		23,822,256	-	111,372,334	19,315,661	-	-	-	-	-	154,510,251	6,030,820	-	-	10,165,170	-	-	-	-	16,195,990
Financial liabilities not measured at fair value																				
- Bills Payable	22.1	-	-	-	-	-	-	-	1,552,219	-	1,552,219	-	-	-	-	-	-	-	-	-
- Deposits and other accounts	22.1	-	-	-	-	-	-	136,743,457	-	-	136,743,457	-	-	-	-	-	-	-	-	-
- Due to financial institutions	22.1	-	-	-	-	-	-	-	4,551,920	-	4,551,920	-	-	-	-	-	-	-	-	-
- Sub - ordinated loans	22.1	-	-	-	-	-	-	-	3,246,971	-	3,246,971	-	-	-	-	-	-	-	-	-
- Liabilities against assets subject to finance lease	22.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Other liabilities	22.1	-	-	-	-	-	-	-	1,890,106	-	1,890,106	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	147,984,673	-	147,984,673	-	-	-	-	-	-	-	-	-



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).

22.2 The Bank has not disclosed the fair values for these financial assets and liabilities, as these are for short term or reprice over short term. Therefore their carrying amounts are reasonable approximation of fair value.

23 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on 29 August 2016 by the Board of Directors of the Bank.

24 RECLASSIFICATIONS

SBP has issued circular regarding the classification of Islamic financing and related assets. Accordingly, prior year numbers have been reclassified as follows:


- Bai Muajjal of Rs. 5,306.448 million have been reclassified from Due from Financial Institutions to Investments.

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.

K/M



Chairman



President/Chief Executive



Director



Director