KPMG Taseer Hadi & Co.

Dubai Islamic Bank Pakistan Limited

Financial Statements

For the year ended December 31, 2018

KPMG Taseer Hadi & Co.
Chartered Accountants
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INDEPENDENT AUDITOR'S REPORT

To the Members of Dubai Islamic Bank Pakistan Limited

Opinion

We have audited the annexed financial statements of **Dubai Islamic Bank Pakistan Limited** (the Bank), which comprise the statement of financial position as at December 31, 2018, and profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, notes to the financial statements, including a summary of significant accounting policies and other explanatory information in which are incorporated the unaudited certified returns received from the branches except for thirty 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 the audit.

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 the statement of changes in equity together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and, give the information required by the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at December 31, 2018 and of the profit and other comprehensive income, its cash flows and the changes in equity for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. Other information comprises the information included in the Director's Report for the year ended December 31, 2018, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Banking Companies Ordinance, 1962 and Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Board of Directors are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG Taseer Hadi & Co.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Bank as required by the Companies Act, 2017 (XIX of 2017) and the returns referred above from the branches have been found adequate for the purposes of our audit;

b) the statement of financial position, profit and loss account, statement of comprehensive income, cash flow statement and the statement of changes in equity together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 and Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were in accordance with the object and powers of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank; and

d) 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.

We confirm that for the purpose of our audit we have covered more than sixty percent of the total Islamic financing and related assets of the Bank.

Other Matter

The engagement partner on the audit resulting in this independent auditor's report is Syed Iftikhar Anjum.

KPMG Taseer Hadi & Co

Date: 29 January 2019

KPMG Taseer Hadi & Co.
Chartered Accountants

Karachi

Dubai Islamic Bank Pakistan Limited
Statement of Financial Position
As at December 31, 2018

	Note	2018	2017 (Restated)
		--- (Rupees in '000) ---	
ASSETS			
Cash and balances with treasury banks	5	**17,752,920**	10,423,998
Balances with other banks	6	**1,241,840**	1,173,267
Due from financial institutions	7	**4,000,000**	4,860,272
Investments	8	**45,850,970**	41,474,123
Islamic financing and related assets - net	9	**153,306,380**	119,522,264
Fixed assets	10	**1,381,172**	1,499,655
Intangible assets	11	**169,752**	204,129
Deferred tax assets	12	**460,313**	71,759
Other assets	13	**7,659,406**	5,764,414
		231,822,753	184,993,881
LIABILITIES			
Bills payable	14	**2,811,457**	3,677,900
Due to financial institutions	15	**12,670,525**	5,255,642
Deposits and other accounts	16	**182,186,634**	149,295,457
Subordinated sukuk	17	**7,120,000**	4,000,000
Deferred tax liabilities		**-**	-
Other liabilities	18	**10,283,963**	7,852,711
		215,072,579	170,081,710
NET ASSETS		**16,750,174**	14,912,171
REPRESENTED BY			
Share capital	19	**11,652,288**	11,652,288
Reserves	20	**1,226,954**	725,101
Deficit on revaluation of investments	21	**(820,667)**	(142,265)
Unappropriated profit		**4,691,599**	2,677,047
		16,750,174	14,912,171
CONTINGENCIES AND COMMITMENTS	22		

The annexed notes 1 to 46 and Annexure I form an integral part of these financial statements.

KPMG

President/Chief Executive | **Chief Financial Officer** | **Director** | **Director** | **Director**

Dubai Islamic Bank Pakistan Limited
Profit and Loss Account
For the year ended December 31, 2018

	Note	2018	2017 (Restated)
		--- (Rupees in '000) ---	
Profit / return earned	23	14,901,469	10,797,894
Profit / return expensed	24	(6,778,333)	(4,370,422)
Net Profit / return		8,123,136	6,427,472
OTHER INCOME			
Fee and commission income	25	1,682,033	1,695,661
Dividend income		-	-
Foreign exchange income		562,923	301,541
Gain on securities	26	-	77,722
Other income	27	3,407	474
Total other income		2,248,363	2,075,398
Total income		10,371,499	8,502,870
OTHER EXPENSES			
Operating expenses	28	(5,942,917)	(5,693,223)
Workers welfare fund		(86,568)	(52,318)
Other charges	29	(239)	(8,973)
Total other expenses		(6,029,724)	(5,754,514)
Profit before provisions		4,341,775	2,748,356
Provisions and write offs - net	30	(221,788)	(184,791)
PROFIT BEFORE TAXATION		4,119,987	2,563,565
Taxation	31	(1,610,722)	(961,529)
PROFIT AFTER TAXATION		2,509,265	1,602,036
		--- (Rupees) ---	
Basic & diluted earnings per share	32	2.15	1.41

The annexed notes 1 to 46 and Annexure I form an integral part of these financial statements.

KPMG

President/Chief Executive | **Chief Financial Officer** | **Director** | **Director** | **Director**

Dubai Islamic Bank Pakistan Limited
Statement of Comprehensive Income
For the year ended December 31, 2018

	2018	2017 *(Restated)*
	--- (Rupees in '000) ---	
Profit after taxation for the year	**2,509,265**	1,602,036
Other comprehensive income		
Items that may be reclassified to profit and loss account in subsequent periods:		
Movement in deficit on revaluation of investments - net of tax	**(678,402)**	(203,076)
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement gain / (loss) on defined benefit obligation - net of tax	**7,140**	(17,459)
Total comprehensive income	**1,838,003**	1,381,501

The annexed notes 1 to 46 and Annexure I form an integral part of these financial statements.

President/Chief Executive	Chief Financial Officer	Director	Director	Director

Dubai Islamic Bank Pakistan Limited

Statement of Changes in Equity

For the year ended December 31, 2018

	Share capital	Advance against share subscription	Statutory reserve	(Deficit) / surplus on revaluation of investments	Unappro-priated profit	Total
	(Rupees in '000)					
Balance as at January 01, 2017 - Restated	10,225,567	-	404,694	60,811	1,416,263	12,107,335
Profit after taxation for the year	-	-	-	-	1,602,036	1,602,036
Other comprehensive income - net of tax	-	-	-	(203,076)	(17,459)	(220,535)
	-	-	-	(203,076)	1,584,577	1,381,501
Transfer to statutory reserve	-	-	320,407	-	(320,407)	-
Transaction with owners recognised directly in equity						
Advance against further issuance of share capital	-	1,426,721	-	-	-	1,426,721
Issuance of right shares at par	1,426,721	(1,426,721)	-	-	-	-
Transaction costs on issuance of right shares	-	-	-	-	(3,386)	(3,386)
	1,426,721	-	-	-	(3,386)	1,423,335
Balance as at December 31, 2017 - Restated	**11,652,288**	**-**	**725,101**	**(142,265)**	**2,677,047**	**14,912,171**
Profit after taxation for the year	-	-	-	-	**2,509,265**	**2,509,265**
Other comprehensive income - net of tax	-	-	-	**(678,402)**	**7,140**	**(671,262)**
	-	-	-	**(678,402)**	**2,516,405**	**1,838,003**
Transfer to statutory reserve	-	-	**501,853**	-	**(501,853)**	-
Balance as at December 31, 2018	**11,652,288**	**-**	**1,226,954**	**(820,667)**	**4,691,599**	**16,750,174**

The annexed notes 1 to 46 and Annexure I form an integral part of these financial statements.

KPMG

President/Chief Executive | **Chief Financial Officer** | **Director** | **Director** | **Director**

Dubai Islamic Bank Pakistan Limited
Cash Flow Statement
For the year ended December 31, 2018

	Note	2018	2017 (Restated)
		------ (Rupees in '000) ------	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		4,119,987	2,563,565
Adjustments for:			
Depreciation	10.2	315,892	319,140
Amortization	11.2	73,357	140,192
Gain on securities	26	-	(77,722)
Gain on sale of fixed assets	27	(3,407)	(474)
Fixed assets written-off	29	-	249
Provisions and write offs - net	30	221,788	184,791
		607,630	566,176
		4,727,617	3,129,741
(Increase) / decrease in operating assets			
Due from financial institutions		860,272	7,675,789
Islamic financing and related assets		(33,982,511)	(25,766,963)
Others assets		(1,182,520)	(990,342)
		(34,304,759)	(19,081,516)
Increase / (decrease) in operating liabilities			
Bills payable		(866,443)	1,458,921
Due to financial institutions		7,409,108	(413,327)
Deposits and other accounts		32,891,177	20,030,944
Other liabilities (excluding current taxation)		1,674,682	2,275,529
		41,108,524	23,352,067
		11,531,382	7,400,292
Income taxes paid		(1,582,745)	(959,055)
Net cash flow generated from operating activities		9,948,637	6,441,237
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		(5,443,935)	(10,527,423)
Net investments in held to maturity securities		-	(4,000,000)
Investments in fixed assets		(202,722)	(225,099)
Proceeds from sale of fixed assets		8,720	2,187
Investments in intangibles		(38,980)	(69,919)
Net cash flow used in investing activities		(5,676,917)	(14,820,254)
CASH FLOW FROM FINANCING ACTIVITIES			
Subordinated sukuk		3,120,000	4,000,000
Issuance of share capital		-	1,426,721
Net cash flow generated from financing activities		3,120,000	5,426,721
Increase/ (decrease) in cash and cash equivalents		7,391,720	(2,952,296)
Cash and cash equivalents at beginning of the year		11,597,265	14,549,561
Cash and cash equivalents at end of the year	33	18,988,985	11,597,265

The annexed notes 1 to 46 and Annexure I form an integral part of these financial statements.

President/Chief Executive **Chief Financial Officer** **Director** **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 Act, 2017 (Previously 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, Consumer Islamic banking activities and investing activities.

1.3 JCR-VIS Credit Rating Company Limited on June 29, 2018 has reaffirmed the Bank's medium to long-term rating as 'AA-' (AA minus) and the short term rating as 'A-1' (A one) with stable outlook.

1.4 The Bank is operating through 200 branches as at December 31, 2018 (2017: 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).

2 BASIS OF PRESENTATION

The Bank provides Islamic financing and makes investments mainly through Murabaha, Musharaka, Running Musharaka, Shirkatulmilk, Istisna cum Wakala, Wakala Istithmar and export refinance under Islamic export refinance scheme of State Bank of Pakistan (SBP) 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.

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan, as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan.

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of the IFRS or IFAS, requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

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.

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 on or 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 BPRD Circular 02 of 2018, as amended from time to time.

2.2 Standards, interpretations and amendments to accounting and reporting standards as applicable in Pakistan that are effective in the current year

There are certain new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2018 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.

State Bank of Pakistan prescribed a new format for financial statements of banks effective from the year ended December 31, 2018. Accordingly, these financial statements are prepared in accordance with the new format. The changes impacting (other than certain presentation changes) these financial statements include:

- Recording of acceptances on-balance sheet item (previously disclosed as off-balance sheet item) (note 13 and 18).
- Inclusion of surplus / deficit on revaluation of investments as part of equity (previously shown below equity).
- Foreign currency swap costs have been grossed up from income from dealing in foreign currencies and included in profit / return expensed (note 24).
- Other reversal of provisions / write offs have now been combined under provisions & write off - net (note 30).

In addition, Companies Act 2017 also became effective for the financial statements for the year ended December 31, 2017. As the Bank's financial statements are prepared in accordance with the format prescribed by SBP, it did not have a direct impact on the financial statements except that for disclosure of related parties transactions, as required by fifth schedule of Companies Act 2017 the definition of related parties as given in IAS 24 - Related parties has been followed.

2.3 Standards, interpretations and amendments to accounting and reporting standards as applicable in Pakistan that are not yet effective

The following standards, amendments and interpretations of accounting and reporting standards as applicable in Pakistan will be effective for accounting periods beginning on or after January 01, 2019:

- IFRS 16 ‘Leases’ (effective for annual period beginning on or after January 1, 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 ‘Leases’, IFRIC 4 ‘Determining whether an Arrangement contains a Lease’, SIC-15 ‘Operating Leases- Incentives’ and SIC-27 ‘Evaluating the Substance of Transactions Involving the Legal Form of a Lease’. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases.

  The Bank has completed an initial assessment of the potential impact on its financial statements but has not yet completed its detailed assessment. The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, the development of the Bank's leases portfolio, the Bank's assessment of whether it will exercise any lease renewal options and the extent to which the Bank chooses to use practical expedients and recognition exemptions. The nature of expenses related to these leases will now change because IFRS 16 replaces the straight line operating lease expense with a depreciation charge for right-of-use assets and profit expense on lease liabilities.

  The Bank plans to apply IFRS 16 initially on January 1, 2019, using a modified retrospective approach. Based on Bank's initial assessment as at January 1, 2019, the Bank is estimated to record a right-of-use asset and lease liability of Rs. 3 billion.

- IFRIC 23 ‘Uncertainty over Income Tax Treatments’ (effective for annual periods beginning on or after January 1, 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on the Bank’s financial statements.

- IFRS 15 ‘Revenue from contracts with customers’ (effective for annual periods beginning on or after July 1, 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 ‘Revenue’, IAS 11 ‘Construction Contracts’ and IFRIC 13 ‘Customer Loyalty Programmes’. The Bank is currently in the process of assessing the impact of this standard on the financial statements of the Bank and expects that the amendments are not likely to have an impact on the Bank’s financial statements.

- IFRS 9 ‘Financial Instruments’ and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after July 1, 2018 and January 1, 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Bank has carried out an impact assessment as at December 31, 2017 which has been submitted to State Bank of Pakistan. However, this assessment has not been updated to December 31, 2018 pending notification as to date the standard is applicable for banks.

- Amendment to IAS 28 ‘Investments in Associates and Joint Ventures’ - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after January 1, 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or ‘LTI’). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The application of this amendment is not likely to have impact on the Bank's financial statements.

- Amendments to IAS 19 ‘Employee Benefits’- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after January 1, 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on the Bank's financial statements.

- Amendment to IFRS 3 ‘Business Combinations’ – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after January 1, 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The amendment is effective for transactions in the future and therefore would not have an impact on past financial statements.

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after January 1, 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

- Annual Improvements to IFRS Standards 2015–2017 Cycle. The new cycle of improvements addresses improvements to following accounting and reporting standards:

    - IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

    - IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

    - IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

  The above amendments are effective from annual periods beginning on or after January 1, 2019 and are not likely to have an impact on Bank's financial statements.

3 BASIS OF MEASUREMENT

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention, except that held for trading and available for sale investments and derivative financial instruments are carried at fair value.

3.2 Functional and presentation currency

These financial statements have been presented in Pakistani Rupees, which is the Bank's functional and presentation currency. The amounts are rounded to the nearest thousand rupees except as stated otherwise.

3.3 Critical accounting estimates and judgments

The preparation of financial statements in conformity with accounting and reporting 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 4.4 and 8)
ii) classification and provisioning against Islamic financing and related assets (notes 4.5 and 9)
iii) current and deferred taxation (notes 4.7, 12 and 31)
iv) determination of useful lives and depreciation / amortisation (notes 4.6, 10 and 11)
v) accounting for defined benefit plan (notes 4.12 and 35)

4 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 except for changes explained in note 4.1.

4.1 SBP revised the format for presentation of Banks financial statements for the year ended December 31, 2018. This requires a change in accounting policy for deficit / surplus on revaluation of investments which is now required to be shown as part of equity. Previously, it was shown below the equity. Furthermore, acceptances which were previously reported as an off-balance sheet item are now being reported on the balance sheet (note 4.16, 13 and 18).

4.2 Cash and cash equivalents

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

4.3 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 under guidelines issued by SBP.

4.4 Investments

4.4.1 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.

4.4.2 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.

4.4.3 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.

4.4.4 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 and is shown in the statement of financial position as part of equity.

4.4.5 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 is removed there-from 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.

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

4.5 Islamic financing and related assets

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

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.

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, 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.

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 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 Musawamah 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.

Inventory

The Bank values its inventories at the lower of cost and net realisable value. The net realisable value is the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale. Cost of inventories represents actual purchases made by the Bank / customers as an agent of the Bank for subsequent sale.

Specific provision

The Bank maintains specific provision for non performing Islamic financing based on the requirements specified in the Prudential Regulations issued by the SBP.

General provision

In accordance with the Prudential Regulations issued by SBP, unless specific exemption is available from SBP (note 9.13.3), the Bank maintains general provisions as follows:

	Secured	Unsecured
Consumer financings (including housing finance)	0.5% - 1.5%	5.0%
Small enterprise financings	1.0%	2.0%

The SBP vide its letter no. BPRD/BLRP-04/DIB 2013/1644 dated October 15, 2009 has allowed relaxation to the Bank for recognizing general provision against Musharaka cum Ijara-Autos on the condition that the facility will be categorized as 'Loss' on the 180th day from the date of default.

In this regard, the SBP vide its letter no. BPRD/BLRP-04/DIB 2013/1644 dated February 15, 2013 has decided that the exemption from general reserve requirement shall only be valid till classified Auto financing portfolio of the Bank remain up to 5% of total auto financing of the Bank 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.

4.6 Operating fixed assets and intangibles

4.6.1 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 10.2 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.

4.6.2 Capital work-in-progress

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

4.6.3 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 using the rates specified in note 11.2 to these financial statements.

4.6.4 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.

4.7 Taxation

Income tax expense comprises of current, prior and deferred tax. Income tax expense is recognized in the profit and loss account except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current

Provision for current taxation is based on taxable income for the year, 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. 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 at 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.

4.8 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 (General 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.

When foreign currency deposits are swapped for investment in local currency, the swap element is separated from foreign exchange income and is charged to profit / return expensed account directly (note 24).

4.9 Pool Management

The Bank operates general and specific pools for deposits and inter-bank funds accepted / acquired under Mudaraba and Musharakah modes.

Under the general deposits pool, the Bank accepts funds on Mudaraba basis from depositors (Rab-ul-Maal) where the Bank acts as Manager (Mudarib) and invests the funds in the Shari'a Compliant modes of financing, investments and placements. When utilising and investing funds, the Bank prioritizes the funds received from depositors over the funds generated from own sources after meeting the regulatory requirement relating to such deposits.

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 institutions 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 and similar related costs. No general or administrative nature of expense is charged to pools. No provision 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.

General Pool

For General Pool, the Bank allocates financing to Corporate, SME and Consumer Finance customers in diversified sectors and avenues of the economy / business as mentioned in note 44. All remunerative deposits are tagged to these general pool and their funds generated from the depositors are invested on priority basis. Depositors are Rabb-ul-Maal as they are the provider of capital while the Bank acts as Mudarib by investing these funds in business. Since there are more than one Rabb-ul-Maal (depositor), their mutual relationship is that of Musharakah. Profit is shared among Mudarabah partners (Bank and depositors) as per pre-agreed profit sharing ratio. Whereas, profit sharing among the depositors is based on pre-assigned weightages. Loss, if any, is borne by Rabb-ul-Maal as per the principles of Mudarabah.

Islamic Export Refinance - Musharka Pool

The IERS pool assets comprise of Sovereign Guarantee Sukuk, and financing to / sukuk of blue chip companies and exporters as allowed under the applicable laws and regulations, and as such are exposed to lower credit risk. In this Scheme, SBP enters into a Musharakah arrangement with the Bank for onward financing to exporters and other blue chip companies on the basis of Shari'a compliant modes such as Murabahah, Istisna, etc. Under the scheme, SBP is required to share in profit and loss of the Bank's IERS Musharakah pool.

Interbank Musharaka / Mudaraba Pools

The pool assets generally comprise of Sovereign Guarantee Sukuk only and the related liability of the FI pool comprise of Musharakah/Mudarabah from other banks and financial institutions. These pools are created to meet the liquidity requirements of the Bank.

Key features and risk & reward characteristics of all pools

The risk characteristic of each pool mainly depends on the assets and liability profile of each pool. As per the Bank's policy, relatively low risk / secured financing transactions and assets are allocated to general depositors pool. The Bank maintains General Pool, FI Pools, IERS pool and Equity pool. The general pool are exposed to general credit risk, asset ownership risk and profit rate risk of the underlying assets involved.

The pool is exposed to Asset Risk which is the risk that is associated with Islamic mode of finance(s) applied / used under the transaction structure(s). The Bank is well equipped to identify and properly mitigate such risk. The Bank also analyses transaction structure of each customer to further ensure proper safeguard of depositors' interest. The review is done by experienced team of professionals having considerable experience in the field of Islamic banking and finance. Nevertheless since Islamic banking is a growing industry, we believe that the process of further improvement will continue as the business grows.

Credit Risk is the risk which is associated with financing that is mitigated through safeguards through available standards within Shari'a guidelines as disclosed in note 43.1 to these financial statements.

Gross income (Revenue less cost of goods sold and after deduction of other direct expenses), generated from relevant assets is calculated at the end of the month. The income is shared between the Bank and the depositors as per agreed profit sharing ratio after deduction of commingled Bank's equity share on pro rata basis. The residual is shared among depositors as per agreed weightages. These weightages and profit sharing ratios 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 pre-defined basis and accounting principles / standards. Provisions against any non-performing assets of the pool is not passed on to the pool.

4.10 Subordinated Sukuk

The Bank records subordinated sukuk initially at the amount of proceeds received. Profit accrued on subordinated sukuk is charged to the profit and loss account.

4.11 Earnings Per Share

Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

4.12 Staff Retirement Benefits

4.12.1 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, 2018.

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.

4.12.2 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.

4.13 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 Istisna cum wakala 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 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 Running 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.

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

- 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 per the guidance in prudential regulations.

4.14 Financial Instruments

4.14.1 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 expires. Any loss on derecognition of the financial assets and financial liabilities is taken to income directly. Financial assets carried on the statement of financial position 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 debt 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.

4.14.2 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.

4.14.3 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.

4.15 Fiduciary Assets

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

4.16 Acceptances

Acceptances comprise undertakings by the Bank to pay bill of exchange drawn on customers. Acceptances are recognised as financial liability in the statement of financial position with a contractual right of reimbursement from the customer as a financial asset. Therefore, commitments in respect of acceptances have been accounted for as financial assets and financial liabilities.

4.17 Foreign Currencies

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 commitments for forward promises, at the year end are converted in Rupees through exchange rates prevalent on the reporting date.

Forward contracts relating to foreign currency promises are valued at forward rates applicable to the respective maturities of the relevant foreign exchange contracts.

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.

4.18 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.

4.19 Segment Reporting

A segment is a distinguishable component of the Bank that is engaged in business activities (business segment), within a particular economic environment (geographical segment). The Bank's chief operating decision maker reviews the results and assesses performance of these segments separately.

4.19.1 Business segments

Corporate Banking

Principally handling financing, other credit facilities, deposits, current accounts, cash management and risk management products for corporate and institutional customers.

SME & Commercial Banking

Principally handling financing, other credit facilities, deposits, current accounts, cash management and risk management products for customers of small and medium enterprises and commercial enterprises.

Consumer banking

Principally handling individual customers' deposits, providing consumer musawamah, home finance, car finance and other banking products.

Treasury

Principally responsible for managing the Bank's overall liquidity and market risk and provides treasury services to customers.

Others

Others includes functions which cannot be classified in any of the above segments.

4.19.2 Geographical segment

The Bank operates only in Pakistan.

	Note	2018	2017
		------ (Rupees in '000) ------	

5 CASH AND BALANCES WITH TREASURY BANKS

	Note	2018	2017
In hand			
- local currency		**2,629,526**	2,338,026
- foreign currencies		**816,475**	653,361
		3,446,001	2,991,387
With State Bank of Pakistan in			
- local currency current accounts	*5.1*	**10,938,070**	4,678,341
- foreign currency current accounts		**3,423**	7,936
- foreign currency deposit accounts			
- Cash reserve account	*5.2*	**1,305,371**	1,040,737
- Special cash reserve account	*5.2*	**1,566,348**	1,248,918
		2,871,719	2,289,655
With National Bank of Pakistan in			
- local currency current accounts		**493,707**	456,679
		17,752,920	10,423,998

5.1 The local currency current account is maintained with the State Bank of Pakistan (SBP) as per the requirements of Section 22 of the Banking Companies Ordinance, 1962. 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 demand and time liabilities in Pakistan as may be prescribed by SBP.

5.2 As per BSD Circular No. 15 dated June 21, 2008, cash reserve of 5% and special cash reserve of 6% are required to be maintained with SBP on deposits held under the New Foreign Currency Accounts Scheme (FE-25 deposits). These accounts are non-remunerative in nature.

	Note	2018	2017
		------ (Rupees in '000) ------	

6 BALANCES WITH OTHER BANKS

	Note	2018	2017
In Pakistan			
- in current accounts		**589,720**	499,396
- in deposit account		**10**	-
		589,730	499,396
Outside Pakistan			
- in current accounts	*6.1*	**652,110**	673,871
		1,241,840	1,173,267

6.1 This includes an amount of Rs. 43.126 million (2017: Rs.140.147 million) deposited with the holding company.

7 DUE FROM FINANCIAL INSTITUTIONS

	Note	2018	2017
Unsecured			
Commodity Murabaha	*7.1 & 7.2*	**-**	2,860,272
Musharaka	*7.3*	**4,000,000**	2,000,000
		4,000,000	4,860,272

7.1 Commodity Murabaha

	Note	2018	2017
Commodity Murabaha	*7.1.1*	**-**	2,860,272

7.1.1

	Note	2018	2017
Commodity Murabaha receivable - gross	*7.1.3*	-	2,860,272
Less: Deferred Commodity Murabaha income	*7.1.4*	-	(5,106)
Less: Profit receivable net of deferred income		-	(5,166)
Commodity Murabaha financing		-	2,850,000

7.1.2 The movement in Commodity Murabaha placements during the year is as follows:

	2018	2017
Opening balance	**2,850,000**	12,500,000
Sales during the year	**109,125,000**	329,397,000
Adjusted during the year	**(111,975,000)**	(339,047,000)
Closing balance	**-**	2,850,000

7.1.3

	2018	2017
Commodity Murabaha sale price	-	2,860,272
Commodity Murabaha purchase price	-	(2,850,000)
	-	10,272

7.1.4 Deferred Commodity Murabaha income

	2018	2017
Opening balance	**5,106**	31,074
Arising during the year	**92,656**	3,081,151
Less: Recognised during the year	**(97,762)**	(3,107,119)
Closing balance	**-**	5,106

7.2 These carry expected profit rates ranging from Nil (2017: 5.85% to 6.25%) per annum and are due to mature latest by Nil (2017: January 18, 2018).

7.3 These carry expected profit rate of 9.5% (2017: 5.85%) per annum and are due to mature latest by January 02, 2019 (2017: January 04, 2018).

7.4 Particulars of amounts due from financial institutions

	2018	2017
In local currency	**4,000,000**	4,860,272
In foreign currencies	**-**	-
	4,000,000	4,860,272

8 INVESTMENTS

8.1 Investments by types:

	Note	2018 Cost / amortised cost	2018 Provision for diminution	2018 (Deficit) / surplus	2018 Carrying value	2017 Cost / amortised cost	2017 Provision for diminution	2017 (Deficit) / surplus	2017 Carrying value
		---------- (Rupees in '000) ----------							
Available-for-sale securities									
Federal Government securities	8.4.1	**21,606,259**	**-**	**135,693**	**21,741,952**	18,181,241	-	36,080	18,217,321
Non-Government debt securities	8.4.2	**3,717,332**	**(70,495)**	**19,073**	**3,665,910**	5,301,128	(47,102)	42,011	5,296,037
Foreign securities	8.4.3	**17,860,438**	**-**	**(1,417,330)**	**16,443,108**	14,257,725	-	(296,960)	13,960,765
		43,184,029	**(70,495)**	**(1,262,564)**	**41,850,970**	37,740,094	(47,102)	(218,869)	37,474,123
Held-to-maturity securities									
Federal Government securities	8.5	**4,000,000**	**-**	**-**	**4,000,000**	4,000,000	-	-	4,000,000
Total investments		**47,184,029**	**(70,495)**	**(1,262,564)**	**45,850,970**	41,740,094	(47,102)	(218,869)	41,474,123

8.2 Investments by segments:

	2018 Cost / amortised cost	2018 Provision for diminution	2018 (Deficit) / surplus	2018 Carrying value	2017 Cost / amortised cost	2017 Provision for diminution	2017 (Deficit) / surplus	2017 Carrying value
	---------- (Rupees in '000) ----------							
Federal Government securities								
GOP Ijarah sukuk	**18,497,645**	**-**	**(178,047)**	**18,319,598**	16,103,089	-	14,638	16,117,727
Sui Southern Gas Company - IV	**3,000,000**	**-**	**-**	**3,000,000**	3,000,000	-	-	3,000,000
Neelum Jehlum Hydro Power Company (Private) Limited	**3,750,000**	**-**	**303,878**	**4,053,878**	2,600,000	-	-	2,600,000
Wapda sukuk - III	**358,614**	**-**	**9,862**	**368,476**	478,152	-	21,442	499,594
	25,606,259	**-**	**135,693**	**25,741,952**	22,181,241	-	36,080	22,217,321
Non-Government debt securities								
Listed corporate sukuk	**1,678,016**	**-**	**19,073**	**1,697,089**	2,204,949	-	42,011	2,246,960
Unlisted corporate sukuk	**2,039,316**	**(70,495)**	**-**	**1,968,821**	3,096,179	(47,102)	-	3,049,077
	3,717,332	**(70,495)**	**19,073**	**3,665,910**	5,301,128	(47,102)	42,011	5,296,037
Foreign securities								
Government debt securities	**8,334,672**	**-**	**(611,175)**	**7,723,497**	6,642,639	-	(28,373)	6,614,266
Non-Government debt securities	**9,525,766**	**-**	**(806,155)**	**8,719,611**	7,615,086	-	(268,587)	7,346,499
	17,860,438	**-**	**(1,417,330)**	**16,443,108**	14,257,725	-	(296,960)	13,960,765
Total investments	**47,184,029**	**(70,495)**	**(1,262,564)**	**45,850,970**	41,740,094	(47,102)	(218,869)	41,474,123

8.2.1 Investments given as collateral

There were no investments given as collateral at December 31, 2018 (2017: Nil).

8.3 Provision for diminution in value of investments

		Note	2018	2017
			------ (Rupees in '000) ------	
8.3.1	Opening balance		**47,102**	16,846
	Charge for the year		**23,393**	30,256
	Closing balance	8.3.2	**70,495**	47,102

8.3.2 This represent sukuk of Quetta Textile Mills Limited amounting to Rs. 89.32 million (2017: Rs. 96.18 million) which have been placed under non-performing status. The forced sale value (FSV) benefit of the collateral held in respect of this sukuk is Rs. 18.82 million (2017: Rs. 49.08 million). Therefore, provision for diminution has been made in respect of the same. Profit accrued on this sukuk has been suspended. The additional profit arising from availing the FSV benefit - net of tax as at December 31, 2018 amounting to Rs. 12.23 million (2017: Rs. 31.9 million) is not available for distribution as either cash or stock dividend.

8.3.3 Particulars of provision against debt securities

Category of classification	2018 *NPI	2018 Provision	2017 *NPI	2017 Provision
	---------- (Rupees in '000) ----------			
Domestic				
Other Assets Especially Mentioned	**-**	**-**	-	-
Substandard	**-**	**-**	-	-
Doubtful	**-**	**-**	-	-
Loss	**89,316**	**70,495**	96,179	47,102
	89,316	**70,495**	96,179	47,102
Overseas	**-**	**-**	-	-
Total	**89,316**	**70,495**	96,179	47,102

* NPI stands for non-performing investments.

8.4 Quality of Available-For-Sale (AFS) Securities

Details regarding quality of AFS securities are as follows:

	Rating 2018	Rating 2017	Cost 2018	Cost 2017
8.4.1 Federal Government securities - Government guaranteed			------ (Rupees in '000) ------	
GOP Ijara sukuk - XVII	**Govt.**	Govt.	**3,898,475**	1,500,000
GOP Ijara sukuk - XVIII	**Govt.**	Govt.	**700,934**	704,853
GOP Ijara sukuk - XIX	**Govt.**	Govt.	**9,898,236**	9,898,236
Sui Southern Gas Company - IV	**Unrated**	Unrated	**3,000,000**	3,000,000
Wapda sukuk - III	**AAA**	AAA	**358,614**	478,152
Neelum Jehlum Hydro Power Company (Private) Limited	**AAA**	AAA	**3,750,000**	2,600,000
At amortised cost			**21,606,259**	18,181,241
Surplus on revaluation of available-for-sale securities			**135,693**	36,080
At market value			**21,741,952**	18,217,321
8.4.2 Non-Government debt securities				
Listed				
AA+, AA, AA-			**1,345,516**	1,729,949
A+, A, A-			**332,500**	475,000
			1,678,016	2,204,949
Unlisted				
Unrated			**2,039,316**	3,096,179
At amortised cost			**3,717,332**	5,301,128
Less: provision for diminution in value of investment			**(70,495)**	(47,102)
At carrying value			**3,646,837**	5,254,026
Surplus on revaluation of available-for-sale securities			**19,073**	42,011
At market value			**3,665,910**	5,296,037
8.4.3 Foreign securities				
Government guranteed				
Dubai International Financial Center - related party	**BBB-**	BBB	**1,290,092**	1,031,293
Perusahaan SBSN Indonesia	**Baa2**	Baa3	**3,573,033**	2,850,916
Government of the Sultanate of Oman	**Baa3**	Baa2	**3,471,547**	2,760,430
			8,334,672	6,642,639
Non-Government debt securities				
Listed				
BBB+ / Baa1, BBB / Baa2, BBB- / Baa3			**5,683,596**	5,917,534
BB+ / Ba1, BB / Ba2, BB- / Ba3			**1,719,500**	1,697,552
B+ / B1, B / B2, B- / B3			**2,122,670**	-
			9,525,766	7,615,086
At amortised cost			**17,860,438**	14,257,725
Deficit on revaluation of available-for-sale securities - Government guranteed			**(611,175)**	(28,373)
Deficit on revaluation of available-for-sale securities - Non-Government guranteed			**(806,155)**	(268,587)
			(1,417,330)	(296,960)
At market value			**16,443,108**	13,960,765

8.5 Particulars relating to Held-To-Maturity (HTM) securities

Federal Government securities - Government guaranteed

	2018	2017
GOP Ijarah sukuk - XIX	**4,000,000**	4,000,000

8.5.1 The market value of securities classified as held to maturity as at December 31, 2018 amounted to Rs. 3,928 million (2017: Rs. 3,997 million).

9 ISLAMIC FINANCING AND RELATED ASSETS

	Note	Performing		Non-Performing		Total	
		2018	2017	**2018**	2017	**2018**	2017
		---------- (Rupees in '000) ----------					
Murabaha	*9.1*	**30,777,169**	21,401,213	**197,450**	102,320	**30,974,619**	21,503,533
Musawamah	*9.2*	**1,680,357**	1,034,322	**38,472**	10,641	**1,718,829**	1,044,963
Tijarah cum wakala	*9.3*	**5,233,529**	3,105,982	**-**	-	**5,233,529**	3,105,982
Istisna cum Wakala	*9.4*	**10,576,752**	7,589,988	**649,773**	435,045	**11,226,525**	8,025,033
Salam	*9.5*	**289,498**	1,100,337	**-**	-	**289,498**	1,100,337
Islamic Export Refinance Scheme - SBP	*9.6*	**6,483,750**	5,424,642	**-**	-	**6,483,750**	5,424,642
Wakala Istithmar – Pre manufacturing		**14,393,072**	11,323,489	**196,433**	-	**14,589,505**	11,323,489
Wakala Istithmar – Post manufacturing		**16,930**	205,490	**9,539**	7,585	**26,469**	213,075
Running Musharaka financing		**10,480,970**	5,821,842	**-**	-	**10,480,970**	5,821,842
Shirkatulmilk - Housing	*9.7*	**9,706,066**	8,768,077	**289,404**	339,547	**9,995,470**	9,107,624
Shirkatulmilk - Autos	*9.8*	**18,331,125**	16,637,803	**298,290**	305,714	**18,629,415**	16,943,517
Shirkatulmilk - Fleet financing	*9.9*	**7,833,852**	5,945,862	**146,139**	-	**7,979,991**	5,945,862
Shirkatulmilk - Others	*9.10*	**17,571,522**	17,221,999	**1,067,555**	1,068,082	**18,639,077**	18,290,081
Diminishing Musharaka - Autos		**-**	30,793	**-**	-	**-**	30,793
Diminishing Musharaka - Others		**17,307,175**	12,087,846	**-**	-	**17,307,175**	12,087,846
Staff financing		**1,842,761**	1,472,973	**45,440**	38,920	**1,888,201**	1,511,893
Islamic fiancing and related assets (gross)		**152,524,528**	119,172,658	**2,938,495**	2,307,854	**155,463,023**	121,480,512
Provision against Islamic fiancing and related assets	*9.13*						
Specific		**-**	-	**(2,056,910)**	(1,881,404)	**(2,056,910)**	(1,881,404)
General		**(99,733)**	(76,844)	**-**	-	**(99,733)**	(76,844)
		(99,733)	(76,844)	**(2,056,910)**	(1,881,404)	**(2,156,643)**	(1,958,248)
Islamic financing and related assets - net of provision		**152,424,795**	119,095,814	**881,585**	426,450	**153,306,380**	119,522,264

		Note	2018	2017
			--- (Rupees in '000) ---	
9.1	**Murabaha**			
	Financing	*9.1.1*	**9,890,353**	9,279,560
	Inventory		**19,980,138**	11,588,650
	Advance		**1,104,128**	635,323
			30,974,619	21,503,533
9.1.1	Murabaha financings	*9.1.3*	**9,890,353**	9,279,560
	Less: Deferred murabaha income	*9.1.4*	**(1,617,656)**	(972,695)
	Less: Profit receivable net of deferred income		**(744,320)**	(405,696)
	Murabaha financings - net		**7,528,377**	7,901,169
9.1.2	The movement in Murabaha financing during the year is as follows:			
	Opening balance		**7,901,169**	4,708,957
	Sales during the year		**33,926,925**	25,649,023
	Adjusted during the year		**(34,299,717)**	(22,456,811)
	Closing balance		**7,528,377**	7,901,169
9.1.3	Murabaha sale price		**9,890,353**	9,279,560
	Murabaha purchase price		**(7,528,377)**	(7,901,169)
			2,361,976	1,378,391
9.1.4	Deferred murabaha income			
	Opening balance		**972,695**	190,904
	Arising during the year		**2,817,759**	2,210,050
	Less: Recognised during the year		**(2,172,798)**	(1,428,259)
	Closing balance		**1,617,656**	972,695
9.2	**Musawamah**			
	Financing	*9.2.1*	**1,683,843**	1,017,693
	Advance		**34,986**	27,270
			1,718,829	1,044,963
9.2.1	Musawama receivable	*9.2.3*	**1,683,843**	1,017,693
	Less: Deferred Musawama income	*9.2.4*	**(503,290)**	(308,243)
	Less: Profit receivable net of deferred income		**(27,463)**	(14,096)
	Musawama financings - net		**1,153,090**	695,354
9.2.2	The movement in Musawama financing during the year is as follows:			
	Opening balance		**695,354**	240,615
	Sales during the year		**730,838**	586,170
	Adjusted during the year		**(273,102)**	(131,431)
	Closing balance		**1,153,090**	695,354

		2018	2017
		--- (Rupees in '000) ---	
9.2.3	Musawama sale price	**1,683,843**	1,017,693
	Musawama purchase price	**(1,153,090)**	(695,354)
		530,753	322,339
9.2.4	Deferred Musawama income		
	Opening balance	**308,243**	127,686
	Arising during the year	**416,110**	294,348
	Less: Recognised during the year	**(221,063)**	(113,791)
	Closing balance	**503,290**	308,243
9.3	**Tijarah cum wakala**		
	Financing	**4,996,704**	1,176,072
	Inventory	**236,825**	1,929,910
		5,233,529	3,105,982
9.4	**Istisna cum Wakala**		
	Financing	**10,150,038**	6,053,266
	Advance	**1,076,487**	1,971,767
		11,226,525	8,025,033
9.5	**Salam**		
	Financing	**289,498**	250,198
	Advance	**-**	850,139
		289,498	1,100,337
9.6	**Islamic Export Refinance Scheme - SBP**		
	Istisna - Advance	**56,000**	-
	Running Musharaka - Financing	**3,686,900**	3,105,400
	Wakala Istithmar - Financing	**2,740,850**	2,319,242
		6,483,750	5,424,642
9.7	**Shirkatulmilk - Housing**		
	Financing	**9,904,350**	9,035,189
	Advance	**91,120**	72,435
		9,995,470	9,107,624
9.8	**Shirkatulmilk - Autos**		
	Financing	**18,057,537**	15,622,881
	Advance	**571,878**	1,320,636
		18,629,415	16,943,517
9.9	**Shirkatulmilk - Fleet financing**		
	Financing	**7,407,445**	4,992,743
	Advance	**572,546**	953,119
		7,979,991	5,945,862
9.10	**Shirkatulmilk - Others**		
	Financing	**18,639,077**	18,290,081
9.11	**Particulars of Islamic financing and related assets (gross)**		
	In local currency	**155,419,905**	121,108,442
	In foreign currencies	**43,118**	372,070
		155,463,023	121,480,512

9.12 Islamic financing and related assets include Rs. 2,938.496 million (2017: Rs. 2,307.854 million) which have been placed under non-performing status as detailed below:

Category of Classification	2018		2017	
	Non-Performing	**Provision**	Non-Performing	Provision
	---------------------- (Rupees in '000) ----------------------			
Domestic				
Other Assets Especially Mentioned	**19,704**	**-**	49,835	-
Substandard	**423,956**	**96,435**	35,926	7,340
Doubtful	**686,151**	**358,849**	395,205	255,304
Loss	**1,808,684**	**1,601,626**	1,826,888	1,618,760
	2,938,495	**2,056,910**	2,307,854	1,881,404

9.13 Particulars of provision against Islamic financing and related assets:

	Note	2018 Specific	2018 General	2018 Total	2017 Specific	2017 General	2017 Total
		---------- (Rupees in '000) ----------					
Opening balance		**1,881,404**	**76,844**	**1,958,248**	1,716,328	86,319	1,802,647
Charge for the year		**293,505**	**22,889**	**316,394**	235,024	-	235,024
Reversals during the year		**(117,999)**	**-**	**(117,999)**	(69,948)	(9,475)	(79,423)
	30	**175,506**	**22,889**	**198,395**	165,076	(9,475)	155,601
Amounts written-off		-	-	-	-	-	-
Closing balance		**2,056,910**	**99,733**	**2,156,643**	1,881,404	76,844	1,958,248

9.13.1 Particulars of provision against Islamic financing and related assets in respect of currencies:

	2018 Specific	2018 General	2018 Total	2017 Specific	2017 General	2017 Total
	---------- (Rupees in '000) ----------					
In local currency	**2,051,667**	**99,733**	**2,151,400**	1,878,111	76,844	1,954,955
In foreign	**5,243**	**-**	**5,243**	3,293	-	3,293
	2,056,910	**99,733**	**2,156,643**	1,881,404	76,844	1,958,248

9.13.2 As allowed by the SBP, the Bank has availed benefit of Forced Sale Value (FSV) amounting to Rs. 280.116 (2017: Rs. 231.352 million) in determining the provisioning against non performing Islamic financings as at December 31, 2018. The additional profit arising from availing the FSV benefit - net of tax as at December 31, 2018 which is not available for distribution as either cash or stock dividend to shareholders amounted to Rs. 182.075 million (2017: Rs. 150.379 million).

9.13.3 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 Shirkatulmilk financing - 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 Shirkatulmilk financing - 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.

	Note	2018	2017
		--- (Rupees in '000) ---	
10 FIXED ASSETS			
Capital work-in-progress	*10.1*	**18,237**	246
Property and equipment	*10.2*	**1,362,935**	1,499,409
		1,381,172	1,499,655

10.1 Capital work-in-progress

	2018	2017
Civil works	**-**	246
Equipment	**18,237**	-
	18,237	246

10.2 Property and equipment

	2018				
	Furniture and fixture	**Electrical, office and computer equipment**	**Vehicles**	**Leasehold Improvements**	**Total**
	(Rupees in '000)				
As at January 1, 2018					
Cost	**376,806**	**2,258,996**	**55,469**	**1,353,621**	**4,044,892**
Accumulated depreciation	**(248,593)**	**(1,421,292)**	**(36,031)**	**(839,567)**	**(2,545,483)**
Net book value	**128,213**	**837,704**	**19,438**	**514,054**	**1,499,409**
Year ended December 31, 2018					
Opening net book value	**128,213**	**837,704**	**19,438**	**514,054**	**1,499,409**
Additions	**6,736**	**147,833**	**12,036**	**18,126**	**184,731**
Cost of assets disposed off	**(275)**	**(15,959)**	**(4,881)**	**(4,071)**	**(25,186)**
Cost of assets written off	**-**	**-**	**-**	**-**	**-**
	6,461	**131,874**	**7,155**	**14,055**	**159,545**
Depreciation charge	**(23,815)**	**(195,300)**	**(5,582)**	**(91,195)**	**(315,892)**
Accumulated depreciation of disposals	**178**	**13,349**	**3,417**	**2,929**	**19,873**
Accumulated depreciation of assets written-off	**-**	**-**	**-**	**-**	**-**
	(23,637)	**(181,951)**	**(2,165)**	**(88,266)**	**(296,019)**
Closing net book value	**111,037**	**787,627**	**24,428**	**439,843**	**1,362,935**
As at December 31, 2018					
Cost	**383,267**	**2,390,870**	**62,624**	**1,367,676**	**4,204,437**
Accumulated depreciation	**(272,230)**	**(1,603,243)**	**(38,196)**	**(927,833)**	**(2,841,502)**
Net book value	**111,037**	**787,627**	**24,428**	**439,843**	**1,362,935**
Rate of depreciation	**10%**	**10%-33.33%**	**25%**	**5%-15%**	

	2017				
	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Leasehold Improvements	Total
	(Rupees in '000)				
As at January 1, 2017					
Cost	369,538	2,093,061	55,469	1,302,861	3,820,929
Accumulated depreciation	(220,536)	(1,230,593)	(28,709)	(750,263)	(2,230,101)
Net book value	149,002	862,468	26,760	552,598	1,590,828
Year ended December 31, 2017					
Opening net book value	149,002	862,468	26,760	552,598	1,590,828
Additions	7,268	168,796	-	53,619	229,683
Cost of assets disposed-off	-	(2,166)	-	(2,859)	(5,025)
Cost of assets written-off	-	(695)	-	-	(695)
	7,268	165,935	-	50,760	223,963
Depreciation charge	(28,057)	(193,069)	(7,322)	(90,692)	(319,140)
Accumulated depreciation of disposals	-	1,924	-	1,388	3,312
Accumulated depreciation of assets written-off	-	446	-	-	446
	(28,057)	(190,699)	(7,322)	(89,304)	(315,382)
Closing net book value	128,213	837,704	19,438	514,054	1,499,409
As at December 31, 2017					
Cost	376,806	2,258,996	55,469	1,353,621	4,044,892
Accumulated depreciation	(248,593)	(1,421,292)	(36,031)	(839,567)	(2,545,483)
Net book value	128,213	837,704	19,438	514,054	1,499,409
Rate of depreciation	10%	10%-33.33%	25%	5%-15%	

10.2.1 Disposal / write-off of fixed assets

	2018						
	Cost	**Accumulated depreciation**	**Net book value**	**Sale price**	**Gain**	**Mode of disposal**	**Particulars of buyer**
	(Rupees in '000)						
Items having book value of more than Rs. 500,000							
Electrical, office and computer equipment	**3,866**	**3,093**	**773**	**794**	**21**	**Bank's Policy**	**Cooling Point**
Vehicle	**1,723**	**890**	**833**	**1,450**	**617**	**Insurance Claim**	**EFU General Insurance**

10.3 The cost of fully depreciated fixed assets still in use amounts to Rs. 1,630.10 million (2017: Rs. 1,616.03 million).

		Note	**2018**	2017
11	**INTANGIBLE ASSETS**		**--- (Rupees in '000) ---**	
	Capital work-in-progress	*11.1*	**50,503**	13,936
	Intangible assets	*11.2*	**119,249**	190,193
			169,752	204,129

		2018	2017
11.1	**Capital work-in-progress**		
	Advance to suppliers	**65,903**	29,336
	Less: Provision against capital work-in-progress	**(15,400)**	(15,400)
		50,503	13,936

		2018	2017
11.2	**Intangible assets - computer software**		
	As at January 01, 2018		
	Cost	**1,020,081**	914,645
	Accumulated amortisation	**(829,888)**	(689,696)
	Net book value	**190,193**	224,949
	Year ended December 31, 2018		
	Opening net book value	**190,193**	224,949
	Additions	**2,413**	105,436
	Amortisation expense	**(73,357)**	(140,192)
	Closing net book value	**119,249**	190,193
	As at December 31, 2018		
	Cost	**1,022,494**	1,020,081
	Accumulated amortisation	**(903,245)**	(829,888)
	Net book value	**119,249**	190,193
	Rate of amortisation	**11.11%. - 33.33%**	11.11%. - 33.33%
	Useful life (years)	**3-9**	3-9

11.3 The cost of fully amortised intangible assets still in use amounts to Rs. 751.051 million (2017: Rs. 725.480 million).

		2018			
12	**DEFERRED TAX ASSETS**	**At Jan 1, 2018**	**Recognised in P&L**	**Recognised in OCI**	**At Dec 31, 2018**
		------------------- (Rupees in '000) -------------------			
	Deductible temporary differences on:				
	Provision for diminution in the value of investments	**16,486**	**(16,486)**	**-**	**-**
	Provision against non-performing Islamic financing and related assets	**3,703**	**31,190**	**-**	**34,893**
	Provision against other assets	**6,273**	**-**	**-**	**6,273**
	Deficit on revaluation of investments	**76,604**	**-**	**365,293**	**441,897**
	Deficit on defined benefit plan	**17,101**	**-**	**(3,844)**	**13,257**
		120,167	**14,704**	**361,449**	**496,320**
	Taxable temporary differences on:				
	Accelerated tax depreciation and amortisation	**(48,408)**	**12,401**	**-**	**(36,007)**
		71,759	**27,105**	**361,449**	**460,313**

	2017			
	At Jan 1, 2017	Recognised in P&L	Recgonised in OCI	At Dec 31, 2017
	------------------- (Rupees in '000) -------------------			
Deductible temporary differences on				
Provision for diminution in the value of investments	5,896	10,590	-	16,486
Provision against non-performing Islamic financing and related assets	53,682	(49,979)	-	3,703
Provision against other assets	6,647	(374)	-	6,273
(Surplus) / deficit on revaluation of investments	(32,745)	-	109,349	76,604
Deficit on defined benefit plan	7,699	-	9,402	17,101
	41,179	(39,763)	118,751	120,167
Taxable temporary differences on				
Accelerated tax depreciation and amortisation	(57,963)	9,555	-	(48,408)
	(16,784)	(30,208)	118,751	71,759

13 OTHER ASSETS

	Note	**2018**	2017
		--- (Rupees in '000) ---	
Profit / return accrued in local currency - net		**2,016,364**	1,101,350
Profit / return accrued in foreign currencies - net		**137,800**	106,209
Advances, deposits, advance rent and other prepayments	*13.1*	**1,114,221**	1,404,253
Mark to market gain on forward foreign exchange contracts		**757,969**	189,853
Acceptances		**3,423,846**	2,722,358
Commission receivable		**120,098**	209,743
Defined benefit plan	*35.4*	**10,984**	-
Others		**80,648**	33,172
		7,661,930	5,766,938
Less: Provision held against other assets	*13.2*	**(2,524)**	(2,524)
		7,659,406	5,764,414

13.1 This includes Rs. 345.085 million (2017: Rs. 353.958 million) for advance rent, Rs. 428.672 million (2017 Rs. 389.639 million) in respect of prepaid commission to staff and dealers for auto and house musharaka. This also includes an amount of Rs. 74.928 million (2017: Rs. 60.591 million) pertaining to prepaid tracker maintenance cost.

13.2 Provision held against other assets

	2018	2017
	--- (Rupees in '000) ---	
Others - Trackers	**2,524**	2,524

		Note	**2018**	2017
			--- (Rupees in '000) ---	
13.2.1	**Provision held against other assets**			
	Opening balance		**2,524**	3,590
	Reversals during the year		**-**	(1,066)
	Closing balance		**2,524**	2,524

14	**BILLS PAYABLE**			
	In Pakistan		**2,799,251**	3,670,313
	Outside Pakistan		**12,206**	7,587
			2,811,457	3,677,900

15	**DUE TO FINANCIAL INSTITUTIONS**			
	Secured			
	Musharaka from the State Bank of Pakistan (SBP) under Islamic Export Refinance Scheme	*15.1*	**6,389,750**	5,255,642
	Unsecured			
	Musharka borrowings	*15.2*	**3,275,000**	-
	Wakala borrowings	*15.3*	**3,000,000**	-
	Overdrawn nostro		**5,775**	-
			12,670,525	5,255,642

15.1 These Musharka are on a profit and loss sharing basis having maturity between January 01, 2019 to June 24, 2019 (2017: January 06, 2018 to June 27, 2018) and are secured against demand promissory notes executed in favor of the SBP. A limit of Rs. 7,150 million (2017: Rs. 7,150 million) has been allocated to the Bank by SBP under Islamic Export Refinance Scheme.

15.2 These carry expected profit rates of 9.25% to 9.6% (2017: Nil) per annum and are due to mature latest by January 10, 2019 (2017: Nil).

15.3 These carry expected profit rates ranging from 9.90% to 10.70% (2017: Nil) per annum and are due to mature latest by February 13, 2019 (2017: Nil).

		2018	2017
		--- (Rupees in '000) ---	
15.4	**Particulars of due to financial institutions with respect to currencies**		
	In local currency	**12,664,750**	5,255,642
	In foreign currencies	**5,775**	-
		12,670,525	5,255,642

16 DEPOSITS AND OTHER ACCOUNTS

	2018			2017		
	In local currency	**In foreign currencies**	**Total**	**In local currency**	**In foreign currencies**	**Total**
	---------- (Rupees in '000) ----------					
Customers						
Current deposits	**42,255,738**	**10,919,720**	**53,175,458**	37,307,787	8,633,196	45,940,983
Savings deposits	**55,818,854**	**8,232,595**	**64,051,449**	43,183,440	5,759,929	48,943,369
Term deposits	**40,738,315**	**6,743,377**	**47,481,692**	33,883,667	6,528,340	40,412,007
Margin accounts	**1,247,339**	**-**	**1,247,339**	1,477,875	-	1,477,875
	140,060,246	**25,895,692**	**165,955,938**	115,852,769	20,921,465	136,774,234
Financial institutions						
Current deposits	**423,584**	**16,801**	**440,385**	328,751	60	328,811
Savings deposits	**12,007,261**	**-**	**12,007,261**	5,731,809	-	5,731,809
Term deposits	**3,743,050**	**-**	**3,743,050**	6,420,603	-	6,420,603
Margin accounts	**40,000**	**-**	**40,000**	40,000	-	40,000
	16,213,895	**16,801**	**16,230,696**	12,521,163	60	12,521,223
	156,274,141	**25,912,493**	**182,186,634**	128,373,932	20,921,525	149,295,457

16.1 Composition of deposits

	2018	2017
	---- (Rupees in '000) ----	
Individuals	**89,313,917**	82,080,752
Government (Federal and Provincial)	**16,803,075**	11,928,570
Public Sector Entities	**10,979,939**	4,313,586
Banking Companies	**56,469**	810,331
Non-Banking Financial Institutions	**16,174,227**	11,710,892
Private Sector	**48,859,007**	38,451,326
	182,186,634	149,295,457

16.2 This includes deposits eligible to be covered under takaful arrangements amounting to Rs. 75,168 million (2017: Rs. 66,790 million)

17 SUBORDINATED SUKUK

	Note	2018	2017
		---- (Rupees in '000) ----	
Additional Tier I Sukuk	*17.1*	**3,120,000**	-
Tier II Sukuk	*17.2*	**4,000,000**	4,000,000
		7,120,000	4,000,000

17.1 In December 2018, the Bank issued regulatory Shari'a compliant perpetual, unsecured, subordinated privately placed Additional Tier I Sukuk based on Modaraba of Rs. 3,120 million as instrument of redeemable capital under section 66 of the Companies Act, 2017. The brief description of sukuk is as follows:

Credit rating	A (Single A) by JCR-VIS Credit Rating Company Limited
Tenor	Perpetual
Profit payment frequency	Monthly in arrears
Redemption	Perpetual
Expected periodic profit amount (Mudaraba profit amount)	The Mudaraba Profit is computed under General Pool on the basis of profit sharing ratio and monthly weightages announced by the Bank under the SBP guidelines of pool management. Last announced profit rate on the Sukuk is 11.20% per annum.
Call option	The Bank may call Additional Tier I Sukuk with prior approval of SBP on or after five years from the date of issue.
Loss absorbency	The Additional Tier I Sukuk, at the option of the SBP, will be fully and permanently converted into common shares upon the occurrence of a point of non-viability trigger event as determined by SBP or for any other reason as may be directed by SBP.
Lock-in-clause	Profit and/or redemption amount can be held back in respect of the Additional Tier I Sukuk, if such payment will result in a shortfall in the Issuer's minimum capital or capital adequacy ratio requirement.

17.2 In July 2017, the Bank issued regulatory Shariah compliant unsecured, subordinated privately placed Tier II Sukuk based on Modaraba of Rs. 4,000 million as instrument of redeemable capital under section 66 of the Companies Act, 2017. The brief description of sukuk is as follows:

Credit rating	A+ (Single A plus) by JCR-VIS Credit Rating Company Limited
Tenor	10 years form the issue date
Profit payment frequency	Semi-annually in arrears
Redemption	On the tenth anniversary from the issue date of sukuk
Expected periodic profit amount (Mudaraba profit amount)	The Mudaraba Profit is in accordance with the agreed profit sharing ratios / weightages assigned by the bank from time-to-time coinciding with the relevant profit distribution frequency for the relevant profit distribution period. Last announced profit rate on the sukuk is 7.56% per annum.
Call option	The Bank may call Tier II Sukuk with prior approval of SBP on or after five years from the date of issue.
Loss absorbency	The Tier II Sukuk, at the option of the SBP, will be fully and permanently converted into common shares upon the occurrence of a point of non-viability trigger event as determined by SBP or for any other reason as may be directed by SBP.
Lock-in-clause	Profit and/or redemption amount can be held back in respect of the Tier II Sukuk, if such payment will result in a shortfall in the Issuer's minimum capital or capital adequacy ratio requirement.

18 OTHER LIABILITIES

	Note	2018	2017
		--- (Rupees in '000) ---	
Profit / return payable in local currency		**1,296,837**	997,782
Profit / return payable in foreign currencies		**35,891**	36,541
Deferred profit murabaha / musawamah income		**2,120,946**	1,286,044
Accrued expenses		**553,049**	511,183
Advance from financing customers		**877,280**	815,070
Mark to market loss on forward foreign exchange contracts		**761,963**	133,403
Acceptances		**3,423,846**	2,722,358
Current taxation (provisions less payments)		**116,940**	61,858
Security deposits against Islamic financing and related assets		**51,748**	83,567
Retention money		**711**	962
Payable to dealers, contractors, etc.		**318,937**	662,171
Charity payable	*18.1*	**154**	16
Workers welfare fund payable	*18.2*	**174,890**	88,322
Withholding tax payable		**16,986**	26,709
Payable to defined benefit plan	*35.4*	**-**	48,859
Payable to Employees Old Age Benefit Institution (EOBI)		**72,508**	54,642
Unclaimed deposits, pay orders etc.		**99,615**	113,044
Others		**361,662**	210,180
		10,283,963	7,852,711

18.1 Charity Fund

	Note	2018	2017
Opening balance		**16**	3,373
Additions during the year			
Received from customers on account of delayed payment		**4,010**	1,891
Profit on charity fund		**28**	52
		4,038	1,943
Payments / utilization during the year	*18.1.1*		
Health		**(2,900)**	(3,850)
Education		**(1,000)**	(1,450)
		(3,900)	(5,300)
		154	16

18.1.1 During the year, charity from the Charity Fund of the Bank was paid to the following organisations:

	2018	2017
	--- (Rupees in '000) ---	
The Indus Hospital	**700**	1,000
Sindh Institute of Urology and Transplantation	**700**	750
Shaukat Khanum Memorial Trust	**700**	700
Baitussalam Welfare Trust	**700**	450
Nigahban Welfare Association	**600**	300
Child Aid Association	**200**	300
KPSS Secondary School Saigolabad	**200**	-
IBA - CEIF	**100**	-
The Citizen Foundation	**-**	500
Akhuwat Foundation	**-**	500
Koohi Goth Hospital	**-**	400
Layton Rahmatulla Benevolent Trust	**-**	200
Kashif Iqbal Thalassaemia Care Centre (KITCC)	**-**	200
	3,900	5,300

18.1.2 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.

18.2 Workers welfare fund

Supreme Court of Pakistan vide its order dated November 10, 2016 has held that the amendments made in the law introduced by the Federal Government in respect of levy of Workers Welfare Fund (WWF) were not lawful. The Federal Board of Revenue (FBR) challenged the said order by way of review petition before Supreme Court. While the petition is still pending, however, the outcome is expected to be in favor of the Bank.

Further, consequent to the 18th amendment to the Constitution, the Government of Sindh levied its WWF (Sindh WWF) which was effective from January 01, 2014. The definition of industrial undertakings under the aforesaid Sindh WWF law covers banks and financial institutions as well. The Bank has challenged applicability of the said law on Banks before the Sindh High Court.

19 SHARE CAPITAL

19.1 Authorized Capital

2018	2017		**2018**	2017
---------- **Number** ----------			---- **(Rupees in '000)** ----	
1,800,000,000	1,500,000,000	Ordinary shares of Rs.10 each	**18,000,000**	15,000,000

19.2 Issued, subscribed and paid up

2018	2017		**2018**	2017
---------- **Number** ----------				
		Ordinary shares		
1,165,228,776	1,165,228,776	Fully paid in cash	**11,652,288**	11,652,288
1,165,228,776	1,165,228,776		**11,652,288**	11,652,288

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

20 RESERVES

	Note	**2018**	2017
		---- **(Rupees in '000)** ----	
Statutory reserve	*20.1*	**1,226,954**	725,101

20.1 Under section 21 of the Banking Companies Ordinance, 1962 an amount of not less than 20% 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.

21 DEFICIT ON REVALUATION OF INVESTMENTS

	Note	**2018**	2017
		---- **(Rupees in '000)** ----	
Deficit on revaluation of Available-for-sale securities			
Sukuk certificates	*8.1*	**(1,262,564)**	(218,869)
Less: Related deferred tax asset		**441,897**	76,604
		(820,667)	(142,265)

22 CONTINGENCIES AND COMMITMENTS

	Note	2018	2017
		--- (Rupees in '000) ---	
Guarantees	*22.1*	**11,093,915**	9,974,211
Commitments	*22.2*	**25,748,183**	25,701,662
		36,842,098	35,675,873
Other commitments	*22.3*	**4,654,873**	5,473,765
		41,496,971	41,149,638

22.1 Guarantees

	2018	2017
Financial guarantees	**28,370**	24,534
Performance guarantees	**3,737,662**	5,188,500
Other guarantees	**7,327,883**	4,761,177
	11,093,915	9,974,211

22.2 Commitments

	Note	2018	2017
Documentary credits and short-term trade-related transactions			
Import letters of credit		**18,874,140**	21,587,436
Commitments in respect of:			
- Forward foreign exchange contracts - net	*22.2.1*	**3,723,053**	2,513,102
- Islamic financing and related assets		**3,083,701**	1,524,915
Commitments for acquisition of:			
- Fixed assets		**1,526**	50,066
- Intangible assets		**65,763**	26,143
		25,748,183	25,701,662

22.2.1 Commitments in respect of forward foreign exchange contracts - net

	2018	2017
Purchase	**13,226,270**	12,172,781
Sale	**9,503,217**	9,659,679
	3,723,053	2,513,102

22.3 Commitments in respect of operating leases

	2018	2017
Not later than one year	**809,033**	803,726
Later than one year but not later than 5 years	**2,977,030**	3,242,209
Later than 5 years	**868,810**	1,427,830
	4,654,873	5,473,765

The commitments in respect of operating leases represent future rent payments of 200 branches and Bank’s registered Head office as of December 31, 2018. These payments are disclosed based on the terms and conditions mentioned in the respective branches and head office rent agreements.

22.4 Tax contingencies

Tax authorities have raised a demand of Rs. 18.725 million regarding tax not deducted by the Bank on profit accrued on balances of certain customers has been issued by the tax authorities for which the Bank has filed an appeal with the Appellate Tribunal Inland Revenue, and is confident that the matter will be decided in favour of the Bank.

		2018	2017
23	**PROFIT / RETURN EARNED**	**--- (Rupees in '000) ---**	
	On Islamic financing and related assets to customers	**11,951,773**	8,609,249
	On investments in available-for-sale securities	**2,256,405**	1,661,058
	On investments in held-to-maturity securities	**209,600**	106,236
	On deposits / placements with financial institutions	**483,691**	421,351
		14,901,469	10,797,894
24	**PROFIT / RETURN EXPENSED**		
	Deposits and other accounts	**6,153,546**	3,922,144
	Subordinated sukuk	**292,851**	124,432
	Due to financial institutions	**215,321**	151,145
	Cost of foreign currency swaps	**116,615**	172,701
		6,778,333	4,370,422
25	**FEE & COMMISSION INCOME**		
	Consumer finance related fees	**698,941**	592,382
	Credit related fees	**80,587**	57,551
	Investment banking fees	**104,690**	124,761
	Branch banking customer fees	**98,460**	80,801
	Card related fees	**253,989**	257,475
	Commission on trade	**204,336**	171,424
	Commission on guarantees	**50,452**	55,097
	Commission on cash management	**46,295**	40,635
	Commission on remittances including home remittances	**24,816**	37,195
	Commission on bancassurance	**37,777**	215,700
	Rebate income	**79,532**	60,479
	Others	**2,158**	2,161
		1,682,033	1,695,661
26	**GAIN ON SECURITIES**		
	Realised		
	- Federal Government securities	**-**	385
	- Foreign securities	**-**	77,337
		-	77,722
27	**OTHER INCOME**		
	Gain on sale of fixed assets	**3,407**	474

28 OPERATING EXPENSES

	Note	2018	2017
		--- (Rupees in '000) ---	
Total compensation expense	*28.1*	**2,619,976**	2,292,095
Property expense			
Rent & taxes		**761,384**	752,301
Takaful charges		**2,117**	2,120
Utilities cost		**257,785**	290,876
Security		**160,794**	172,132
Repair & maintenance (including janitorial charges)		**73,358**	75,952
Depreciation		**91,195**	90,692
		1,346,633	1,384,073
Information technology expenses			
Software maintenance		**174,456**	149,773
Hardware maintenance		**83,486**	49,551
Depreciation		**96,934**	97,133
Amortisation		**73,357**	140,192
Networking and connectivity charges		**82,995**	77,284
Outsourced services cost		**21,825**	19,132
Takaful charges		**1,540**	1,586
Others		**434**	2,431
		535,027	537,082
Other operating expenses			
Directors' fee and allowances		**6,441**	12,364
Fees and allowances to Sharia'h Board members		**2,372**	2,105
Legal and professional charges		**24,879**	39,625
Outsourced services cost	*28.2*	**72,605**	55,073
Travelling and conveyance		**28,867**	33,669
NIFT clearing charges		**27,196**	25,120
Depreciation		**127,763**	131,315
Training and development		**4,661**	4,976
Postage and courier charges		**31,429**	43,481
Communications		**144,221**	143,469
Stationary and printing		**73,709**	76,507
Marketing, advertising and publicity		**50,806**	81,185
Auditors' remuneration	*28.3*	**7,127**	6,729
Brokerage, commission and bank charges		**274,126**	276,039
Tracker related charges		**163,703**	137,978
Cash transportation charges		**91,285**	126,385
Repair and maintenance		**57,107**	72,093
Subscription fees		**14,325**	13,669
Takaful charges		**88,268**	27,188
Others		**150,391**	171,003
		1,441,281	1,479,973
		5,942,917	5,693,223

	Note	2018	2017
28.1 Total compensation expense		**--- (Rupees in '000) ---**	
Salaries and allowances		**436,172**	378,558
Managerial remuneration - fixed		**988,833**	886,000
Managerial remuneration - variable (including bonus)		**250,000**	154,286
Contribution to provident fund		**89,216**	76,637
Contribution to gratuity fund	*35.8.1*	**54,325**	49,705
Rent & house maintenance		**397,424**	354,257
Utilities		**99,147**	88,564
Medical		**53,033**	48,600
EOBI - employer contribution		**14,888**	13,985
Staff takaful expense		**33,734**	40,073
Outsourced services - third party staff		**199,741**	200,974
Staff antecedent verification		**3,463**	456
		2,619,976	2,292,095

28.2 Total cost for the year included in other operating expenses relating to outsourced activities pertaining to companies incorporated in Pakistan is Rs. 30.916 million (2017: Rs. 25.716 million). This includes payments other than outsourced services costs, which are disclosed above.

	Note	2018	2017
28.3 Auditors' remuneration		**--- (Rupees in '000) ---**	
Audit fee		**1,271**	1,155
Fee for other statutory certifications		**534**	485
Special certifications and sundry other reporting		**4,875**	4,641
Out-of-pocket expenses		**447**	448
		7,127	6,729

29 OTHER CHARGES

	Note	2018	2017
Penalties imposed by State Bank of Pakistan		**220**	8,372
Penalties imposed by Sindh Board of Revenue		**19**	352
Fixed assets written-off		**-**	249
		239	8,973

30 PROVISIONS & WRITE OFFS - NET

	Note	2018	2017
Provision for diminution in the value of investments	*8.3*	**23,393**	30,256
Provision against Islamic financing and related assets	*9.13*	**198,395**	155,601
Reversal of provision against other assets	*13.2.1*	**-**	(1,066)
		221,788	184,791

31 TAXATION

	2018	2017
	--- (Rupees in '000) ---	
Current	**1,654,313**	870,066
Prior years	**(16,486)**	61,255
Deferred	**(27,105)**	30,208
	1,610,722	961,529

31.1 Relationship between tax charge and accounting profit

	2018	2017
Profit before taxation	**4,119,987**	2,563,565
Effect of:		
Tax at the applicable rate of 35 %	**1,441,995**	897,248
Permanent differences	**178**	3,053
Super tax charge	**169,673**	61,255
Others	**(1,124)**	(27)
Tax charge for the year	**1,610,722**	961,529

32 BASIC AND DILUTED EARNINGS PER SHARE

	2018	2017
	--- (Rupees in '000) ---	
Profit for the year	**2,509,265**	1,602,036
	------- (Number) -------	
Weighted average number of ordinary shares	**1,165,228,776**	1,139,039,675
	------- (Rupees) -------	
Earning per share - basic and diluted	**2.15**	1.41

33 CASH AND CASH EQUIVALENTS

	Note	2018	2017
		--- (Rupees in '000) ---	
Cash and balance with treasury banks	*5*	**17,752,920**	10,423,998
Balance with other banks	*6*	**1,241,840**	1,173,267
Overdrawn nostro	*15*	**(5,775)**	-
		18,988,985	11,597,265

33.1 **Reconciliation of movement of liabilities to cash flows arising from financing activities**

	2018									
	Liabilities					Equity				
	Bills payable	Due to financial institutions	Deposits and other accounts	Subordinated sukuk	Other liabilities	Share capital	Reserves	(Deficit) / surplus on revaluation of investments	Unappropriated profit	Total
	---------- (Rupees in '000) ----------									
Balance as at January 1, 2018	3,677,900	5,255,642	149,295,457	4,000,000	7,852,711	11,652,288	725,101	(142,265)	2,677,047	184,993,881
Changes from financing cash flows										
Proceeds from subordinated sukuk	-	-	-	3,120,000	-	-	-	-	-	3,120,000
Total changes from financing cash flows	-	-	-	3,120,000	-	-	-	-	-	3,120,000
Other changes										
Liability - related										
Changes in bills payable	(866,443)	-	-	-	-	-	-	-	-	(866,443)
Changes in due to financial institution										
- Cash based	-	7,409,108	-	-	-	-	-	-	-	7,409,108
- Overdrawn nostro (shown in cash and cash equivalent)		5,775								5,775
Changes in deposits and other accounts	-	-	32,891,177	-	-	-	-	-	-	32,891,177
Changes in other liabilities										
- Cash based	-	-	-	-	1,674,682	-	-	-	-	1,674,682
- Non-cash based										
Movement in acceptances	-	-	-	-	701,488	-	-	-	-	701,488
Movement in current taxation (shown separately)	-	-	-	-	55,082	-	-	-	-	55,082
Movement in actuarial loss on remeasurements of defined benefit plan	-	-	-	-	-	-	-	-	7,140	7,140
Deficit on revaluation of investments	-	-	-	-	-	-	-	(678,402)	-	(678,402)
Transfer of profit to reserve	-	-	-	-	-	-	501,853	-	(501,853)	-
Profit after tax	-	-	-	-	-	-	-	-	2,509,265	2,509,265
	(866,443)	7,414,883	32,891,177	-	2,431,252	-	501,853	(678,402)	2,014,552	43,708,872
Balance as at December 31, 2018	2,811,457	12,670,525	182,186,634	7,120,000	10,283,963	11,652,288	1,226,954	(820,667)	4,691,599	231,822,753

	2017									
	Liabilities					Equity				
	Bills payable	Due to financial institutions	Deposits and other accounts	Subordinated sukuk	Other liabilities	Share capital	Reserves	(Deficit) / surplus on revaluation of investments	Unappropriated profit	Total
	-- (Rupees in '000) --									
Balance as at January 1, 2017	2,218,979	5,668,969	129,264,513	-	5,897,276	10,225,567	404,694	60,811	1,416,263	155,157,072
Changes from financing cash flows										
Proceeds from subordinated sukuk	-	-	-	4,000,000	-	-	-	-	-	4,000,000
Issuance of share capital	-	-	-	-	-	1,426,721	-	-	-	1,426,721
Total changes from financing cash flows	-	-	-	4,000,000	-	1,426,721	-	-	-	5,426,721
Other changes										
Liability - related										
Changes in bills payable	1,458,921	-	-	-	-	-	-	-	-	1,458,921
Changes in due to financial institution	-	(413,327)	-	-	-	-	-	-	-	(413,327)
Changes in deposits and other accounts	-	-	20,030,944	-	-	-	-	-	-	20,030,944
Changes in other liabilities										
- Cash based	-	-	-	-	2,275,529	-	-	-	-	2,275,529
- Non-cash based										
Movement in acceptances	-	-	-	-	(319,221)	-	-	-	-	(319,221)
Movement in current taxation (shown separately)	-	-	-	-	(27,734)	-	-	-	-	(27,734)
Movement in actuarial loss on remeasurements of defined benefit plan	-	-	-	-	26,861	-	-	-	(17,459)	9,402
Deficit on revaluation of investments	-	-	-	-	-	-	-	(203,076)	-	(203,076)
Transfer of profit to reserve	-	-	-	-	-	-	320,407	-	(320,407)	-
Profit after tax	-	-	-	-	-	-	-	-	1,602,036	1,602,036
Transaction cost on issuance of right shares	-	-	-	-	-	-	-	-	(3,386)	(3,386)
	1,458,921	(413,327)	20,030,944	-	1,955,435	-	320,407	(203,076)	1,260,784	24,410,088
Balance as at December 31, 2017	3,677,900	5,255,642	149,295,457	4,000,000	7,852,711	11,652,288	725,101	(142,265)	2,677,047	184,993,881

34	**STAFF STRENGTH**	**2018**	2017
		------ (Number of staff) ------	
	In Pakistan		
	Permanent	**1,962**	1,863
	On Bank contract	**7**	7
	Others - third party staff	**805**	742
	Bank's own staff strength at the end of the year	**2,774**	2,612

34.1 In addition to the above, 43 (2017: 40) employees of outsourcing services companies were assigned to the Bank as at the end of the year to perform services other than security and janitorial services.

35 DEFINED BENEFIT PLAN

35.1 General description

As mentioned in note 4.12.1, 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 years 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.

35.2 Number of Employees under the scheme

The number of employees covered under the following defined benefit schemes are:

	2018	2017
	------------ (Number) ------------	
Gratuity fund	**1,962**	1,863

35.3 Principal actuarial assumptions

The actuarial valuations were carried out at the year end using the following significant assumptions:

	2018	2017
	---------- Per annum ----------	
Discount rate	**10.0%**	9.0%
Expected rate of return on plan assets	**10.0%**	9.0%
Expected rate of salary increase	**8.0%**	7.0%

35.4 Reconciliation of (receivable from) / payable to defined benefit plan

	2018	2017
	--- (Rupees in '000) ---	
Present value of obligations	**273,800**	254,858
Fair value of plan assets	**(284,784)**	(205,999)
(Receivable from) / payable to defined benefit plan	**(10,984)**	48,859

35.5 Movement in defined benefit obligation

	Note	2018	2017
		--- (Rupees in '000) ---	
Obligation at beginning of the year		**254,858**	206,675
Current service cost		**54,500**	50,571
Cost of funds		**21,395**	16,457
Benefits paid		**(37,642)**	(30,031)
Actuarial (gain) / loss on obligation		**(19,311)**	11,186
Obligations at the end of the year		**273,800**	254,858

35.6 Movement in fair value of plan assets

Fair value at beginning of the year		**205,999**	184,677
Expected return on plan assets		**21,570**	17,323
Bank's contribution to the fund made during the year		**103,184**	49,705
Benefits paid		**(37,642)**	(30,031)
Actuarial loss on plan assets		**(8,327)**	(15,675)
Fair value at end of the year		**284,784**	205,999

35.7 Movement in (receivable from) / payable to defined benefit scheme

Opening balance		**48,859**	21,998
Charge for the year	*28.1*	**54,325**	49,705
Re-measurements recognised in OCI during the year	*35.8.2*	**(10,984)**	26,861
Bank's contribution to the fund made during the year		**(103,184)**	(49,705)
Closing balance		**(10,984)**	48,859

35.8 Charge for defined benefit plan

35.8.1 Cost recognised in profit and loss

Current service cost		**54,500**	50,571
Net return		**(175)**	(866)
		54,325	49,705

35.8.2 Re-measurements recognised in OCI during the year

(Gain) / loss on obligation - Experience adjustment		**(19,311)**	11,186
Return on plan assets over interest income		**8,327**	15,675
Total re-measurements recognised in OCI		**(10,984)**	26,861

35.9 Components of plan assets

Cash and cash equivalents - net		**284,784**	205,999

35.9.1 Risks

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

Investment risk

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 retiree population.

Salary increase risk

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.

35.10 Sensitivity analysis

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

	2018 (Rupees in '000)
1% increase in discount rate	250,247
1% decrease in discount rate	301,186
1 % increase in expected rate of salary increase	301,457
1 % decrease in expected rate of salary increase	249,635
1 year increase in Life expectancy / Withdrawal rate	274,062
1 year decrease in Life expectancy / Withdrawal rate	273,705

35.11 Expected contributions to be paid to the fund in the next financial year	**61,200**

35.12 Estimated expenses to be charged to profit and loss account

Based on the actuarial advice, the management estimates that charge in respect of defined benefit plan for the year ending December 31, 2019 would be as follows:

Current service cost	66,681
Net cost	(5,481)
Amount chargeable to profit and loss account	61,200

35.13 Maturity profile

The weighted average duration of the defined benefit obligation is 17.41 years.

35.14 Funding Policy

The activities of the gratuity scheme are governed by Dubai Islamic Bank Pakistan Limited Gratuity Fund established in 2006 under the provisions of a trust deed. Plan assets held in trust are governed by the Trust Deed as is the nature of the relationship between the Bank and the trustees and their composition. Responsibility for governance of the plan including the investment decisions lies with the Trustees. Funding levels are monitored on an annual basis and are based on actuarial recommendations.

35.15 Following are the significant risks associated wit the gratuity fund scheme:

Asset volatility	All the plan assets are placed in a remunerative bank account. The Fund believes that due to long-term nature of the plan liabilities and the strength of the Bank's support, the current investment strategy manages this risk adequately.
Inflation risk	The majority of the plans' benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities. However, plan assets are based on variable rate and are re-priced at regular intervals to off-set inflationary impacts.
Life expectancy / Withdrawal rate	The majority of the plans' obligations are to provide benefits on severance with the Bank on achieving retirement. Any change in life expectancy / withdrawal rate would impact plan liabilities.

36 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 contribution by employer and employees during the year amounted to Rs. 89.22 million each (2017: Rs. 76.64 million).

37 COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive		Directors		Executive	
	2018	2017	**2018**	2017	**2018**	2017
	(Rupees in '000)					
Fees	**-**	-	**6,441**	12,364	**-**	-
Managerial remuneration (including Bonus)	**52,119**	46,674	**-**	-	**350,734**	284,576
Charge for defined benefit plan	**2,260**	2,223	**-**	-	**23,843**	19,973
Contribution to defined contribution plan	**2,712**	2,667	**-**	-	**28,611**	23,968
Rent and house maintenance	**19,253**	19,142	**-**	-	**114,812**	96,111
Utilities	**2,712**	2,667	**-**	-	**28,588**	23,968
Medical	**-**	-	**-**	-	**3,725**	3,118
Leave fare assistance	**2,260**	2,223	**-**	-	**23,668**	19,442
Car allowance	**1,374**	1,374	**-**	-	**65,147**	55,237
Others	**-**	-	**-**	-	**1,095**	-
	82,690	76,970	**6,441**	12,364	**640,223**	526,393
	(Number)					
Number of persons	**1**	1	**8**	8	**110**	93

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.

38 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	2018					
	Corporate Banking	**SME & Commercial Banking**	**Consumer Banking**	**Treasury**	**Other**	**Total**
	(Rupees in '000)					
Profit and Loss						
Net profit earned	**3,841,695**	**1,393,841**	**391,292**	**1,936,505**	**559,803**	**8,123,136**
Inter segment revenue - net	**(3,296,728)**	**84,984**	**5,343,197**	**(1,574,622)**	**(556,831)**	**-**
Other income	**431,170**	**438,049**	**1,234,527**	**144,617**	**-**	**2,248,363**
Total income	**976,137**	**1,916,874**	**6,969,016**	**506,500**	**2,972**	**10,371,499**
Segment direct expenses	**(369,963)**	**(913,200)**	**(3,980,257)**	**(115,040)**	**-**	**(5,378,460)**
Inter segment expense allocation	**(82,021)**	**(75,413)**	**(455,232)**	**(38,598)**	**-**	**(651,264)**
Total expenses	**(451,984)**	**(988,613)**	**(4,435,489)**	**(153,638)**	**-**	**(6,029,724)**
Provisions	**(134,695)**	**14,292**	**(75,020)**	**(23,393)**	**(2,972)**	**(221,788)**
Profit before tax	**389,458**	**942,553**	**2,458,507**	**329,469**	**-**	**4,119,987**
Balance Sheet						
Cash and bank balances	**-**	**449,134**	**2,996,866**	**1,241,840**	**14,306,920**	**18,994,760**
Due from financial institutions	**-**	**-**	**-**	**4,000,000**	**-**	**4,000,000**
Investments	**-**	**-**	**-**	**27,531,372**	**18,319,598**	**45,850,970**
Islamic financings and related assets - net	**75,057,728**	**38,606,570**	**37,788,417**	**-**	**1,853,665**	**153,306,380**
Others	**2,701,998**	**2,789,644**	**2,312,801**	**1,474,360**	**391,840**	**9,670,643**
Total Assets	**77,759,726**	**41,845,348**	**43,098,084**	**34,247,572**	**34,872,023**	**231,822,753**
Due to financial institutions	**4,839,950**	**1,549,800**	**-**	**6,280,775**	**-**	**12,670,525**
Deposits & other accounts	**19,906,060**	**38,365,675**	**123,863,921**	**50,978**	**-**	**182,186,634**
Subordinated sukuk	**-**	**-**	**-**	**-**	**7,120,000**	**7,120,000**
Others	**1,464,295**	**5,115,999**	**5,627,439**	**815,178**	**72,509**	**13,095,420**
Total liabilities	**26,210,305**	**45,031,474**	**129,491,360**	**7,146,931**	**7,192,509**	**215,072,579**
Equity	**-**	**-**	**-**	**(704,936)**	**17,455,110**	**16,750,174**
Total Equity and liabilities	**26,210,305**	**45,031,474**	**129,491,360**	**6,441,995**	**24,647,619**	**231,822,753**
Contingencies and Commitments	**16,279,200**	**16,750,339**	**88,463**	**3,724,096**	**-**	**36,842,098**

	2017					
	Corporate Banking	SME & Commercial Banking	Consumer Banking	Treasury	Other	Total
	(Rupees in '000)					
Profit and Loss						
Net profit earned	3,461,682	830,316	279,522	1,390,255	465,697	6,427,472
Inter segment revenue - net	(2,669,158)	66,869	4,266,074	(1,201,578)	(462,207)	-
Other income	320,371	313,566	1,239,589	201,872	-	2,075,398
Total income	1,112,895	1,210,751	5,785,185	390,549	3,490	8,502,870
Segment direct expenses	(362,206)	(687,696)	(3,892,075)	(110,013)	-	(5,051,990)
Inter segment expense allocation	(86,679)	(82,180)	(493,185)	(40,480)	-	(702,524)
Total expenses	(448,885)	(769,876)	(4,385,260)	(150,493)	-	(5,754,514)
Provisions	(152,891)	11,142	(9,296)	(30,256)	(3,490)	(184,791)
Profit before tax	511,119	452,017	1,390,629	209,800	-	2,563,565
Balance Sheet						
Cash and bank balances	-	414,391	2,576,996	1,173,267	7,432,611	11,597,265
Due from financial institutions	-	-	-	4,860,272	-	4,860,272
Investments	-	-	-	25,356,396	16,117,727	41,474,123
Islamic financings and related assets - net	62,854,541	22,494,390	32,731,825	-	1,441,508	119,522,264
Others	1,557,924	2,430,227	2,410,396	502,951	638,459	7,539,957
Total Assets	64,412,465	25,339,008	37,719,217	31,892,886	25,630,305	184,993,881
Due to financial institutions	4,066,542	1,189,100	-	-	-	5,255,642
Deposits & other accounts	16,166,859	20,358,376	112,732,966	37,256	-	149,295,457
Subordinated sukuk	-	-	-	-	4,000,000	4,000,000
Others	2,027,688	2,980,569	6,259,063	159,790	103,501	11,530,611
Total liabilities	22,261,089	24,528,045	118,992,029	197,046	4,103,501	170,081,710
Equity	-	-	-	(151,779)	15,063,950	14,912,171
Total Equity and liabilities	22,261,089	24,528,045	118,992,029	45,267	19,167,451	184,993,881
Contingencies and Commitments	16,714,032	16,365,924	82,815	2,513,102	-	35,675,873

39 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:

Category	**Security type**	**Number of IPS account**		**--- (Rupees in '000) --- Face Value**	
		2018	2017	**2018**	2017
Financial Institutions	Government Ijarah Sukuk	-	1	-	1,000

Category	**Security type**	**Number of shares**		**--- (Rupees in '000) --- Face Value**	
		2018	2017	**2018**	2017
Related parties:					
Dubai Islamic Bank PJSC	Shares	**3,347,600**	3,347,600	**33,476**	33,476

40 FAIR VALUE OF FINANCIAL INSTRUMENTS

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:

	2018									
	Carrying Value						Fair Value			
On-Balance sheet Financial Instruments	**Held to Maturity**	**Available for Sale**	**Financing 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										
GOP Ijara sukuk	-	14,319,598	-	-	-	14,319,598	-	14,319,598	-	14,319,598
Other sukuk certificates	-	11,088,264	-	-	-	11,088,264	6,119,443	4,950,000	18,821	11,088,264
Global sukuk	-	16,443,108	-	-	-	16,443,108	16,443,108	-	-	16,443,108
Other assets										
Unrealized gain on foreign exchange contracts	-	-	-	757,969	-	757,969	-	757,969	-	757,969
Financial assets - not measured at fair value										
Cash and balances with treasury banks	-	-	-	17,752,920	-	17,752,920				
Balances with other banks	-	-	-	1,241,840	-	1,241,840				
Due from financial institution	-	-	-	4,000,000	-	4,000,000				
Investments	4,000,000	-	-	-	-	4,000,000				
Islamic financings and related assets - net	-	-	153,306,380	-	-	153,306,380				
Other asset	-	-	-	6,695,519	-	6,695,519				
	4,000,000	41,850,970	153,306,380	30,448,248	-	229,605,598				
Financial liabilities - measured at fair value										
Other liabilities										
Unrealized loss on foreign exchange contracts	-	-	-	-	761,963	761,963	-	761,963	-	761,963
Financial liabilities - not measured at fair value										
Bills payable	-	-	-	-	2,811,457	2,811,457				
Due to financial institutions	-	-	-	-	12,670,525	12,670,525				
Deposits and other accounts	-	-	-	-	182,186,634	182,186,634				
Subordinated sukuk	7,120,000	-	-	-	-	7,120,000				
Other liabilities	-	-	-	-	9,897,164	9,897,164				
	7,120,000	-	-	-	208,327,743	215,447,743				
Off-balance sheet financial instruments - measured at fair value										
Forward foreign exchange contracts	-	-	-	3,723,053	-	3,723,053	-	3,719,059	-	3,719,059

	2017									
	Carrying Value						Fair Value			
On-Balance sheet Financial Instruments	Held to Maturity	Available for Sale	Financing 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										
GOP Ijara sukuk	-	12,117,727	-	-	-	12,117,727	-	12,117,727	-	12,117,727
Other sukuk certificates	-	11,395,631	-	-	-	11,395,631	2,746,554	8,600,000	49,077	11,395,631
Global sukuk	-	13,960,765	-	-	-	13,960,765	13,960,765	-	-	13,960,765
Other assets										
Unrealized gain on foreign exchange contracts	-	-	-	189,853	-	189,853	-	189,853	-	189,853
Financial assets - not measured at fair value										
Cash and balances with treasury banks	-	-	-	10,423,998	-	10,423,998				
Balances with other banks	-	-	-	1,173,267	-	1,173,267				
Due from financial institution	-	-	-	4,860,272	-	4,860,272				
Investments	4,000,000	-	-	-	-	4,000,000				
Islamic financings and related assets - net	-	-	119,522,264	-	-	119,522,264				
Other asset	-	-	-	4,853,336	-	4,853,336				
	4,000,000	37,474,123	119,522,264	21,500,726	-	182,497,113				
Financial liabilities - measured at fair value										
Other liabilities										
Unrealized loss on foreign exchange contracts	-	-	-	-	133,403	133,403	-	133,403	-	133,403
Financial liabilities - not measured at fair value										
Bills payable	-	-	-	-	3,677,900	3,677,900				
Due to financial institutions	-	-	-	-	5,255,642	5,255,642				
Deposits and other accounts	-	-	-	-	149,295,457	149,295,457				
Subordinated sukuk	4,000,000	-	-	-	-	4,000,000				
Other liabilities	-	-	-	-	7,659,682	7,659,682				
	4,000,000	-	-	-	166,022,084	170,022,084				
Off-balance sheet financial instruments - measured at fair value										
Forward foreign exchange contracts	-	-	-	2,513,102	-	2,513,102	-	2,569,552	-	2,569,552

During the year 2018, Neelum Jhelum Hydro Power Company's sukuk balance has been transferred from level 2 to level 1 upon availability of market price on MUFAP.

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).

41 RELATED PARTY TRANSACTIONS

The Bank has related party relationship with Dubai Islamic Bank P.J.S.C, U.A.E, the holding company, directors, related group companies and associated undertakings, key management personnel 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 and other benefits 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.

The details of transactions with related parties and balances with them are given below:

	2018						2017					
	Associated companies	**Holding Company**	**Directors**	**Key management personnel**	**Others****	**Total**	Associated companies	Holding Company	Directors	Key management personnel	Others**	Total
	(Rupees in '000)											
Balances with other banks												
As at January 1,	**-**	**140,147**	**-**	**-**	**-**	**140,147**	-	53,113	-	-	-	53,113
Deposited during the year	**-**	**39,615,427**	**-**	**-**	**-**	**39,615,427**	-	61,267,830	-	-	-	61,267,830
Withdrawals during the year	**-**	**(39,712,448)**	**-**	**-**	**-**	**(39,712,448)**	-	(61,180,796)	-	-	-	(61,180,796)
Closing balance (amortised cost)	**-**	**43,126**	**-**	**-**	**-**	**43,126**	-	140,147	-	-	-	140,147
Investments												
As at January 1,	**1,031,293**	**-**	**-**	**-**	**-**	**1,031,293**	1,588,330	-	-	-	-	1,588,330
Investments made during the year	**-**	**-**	**-**	**-**	**-**	**-**	660,913	-	-	-	-	660,913
Investments redeemed during the year	**-**	**-**	**-**	**-**	**-**	**-**	(1,217,950)	-	-	-	-	(1,217,950)
Others	**258,799**	**-**	**-**	**-**	**-**	**258,799**	-	-	-	-	-	-
Closing balance	**1,290,092**	**-**	**-**	**-**	**-**	**1,290,092**	1,031,293	-	-	-	-	1,031,293
Islamic financing and related assets												
As at January 1,	**-**	**-**	**-**	**98,552**	**-**	**98,552**	-	-	-	141,721	-	141,721
Disbursed during the year	**-**	**-**	**-**	**139,002**	**-**	**139,002**	-	-	-	27,847	-	27,847
Payments during the year	**-**	**-**	**-**	**(53,983)**	**-**	**(53,983)**	-	-	-	(52,416)	-	(52,416)
Adjustments *	**-**	**-**	**-**	**770**	**-**	**770**	-	-	-	(18,600)	-	(18,600)
Closing balance	**-**	**-**	**-**	**184,341**	**-**	**184,341**	-	-	-	98,552	-	98,552
Deposits and other accounts												
As at January 1,	**-**	**32,058**	**7,198**	**128,186**	**861,396**	**1,028,838**	-	29,362	6,214	46,818	756,716	839,110
Received during the year	**-**	**1,573,159**	**17,962**	**725,835**	**1,041,223**	**3,358,179**	-	1,815,991	172,020	725,731	248,203	2,961,945
Withdrawals during the year	**-**	**(1,561,285)**	**(19,231)**	**(601,154)**	**(831,829)**	**(3,013,499)**	-	(1,813,295)	(171,036)	(627,323)	(143,523)	(2,755,177)
Adjustments *	**-**			**6,299**	**-**	**6,299**	-	-	-	(17,040)	-	(17,040)
Closing balance	**-**	**43,932**	**5,929**	**259,166**	**1,070,790**	**1,379,817**	-	32,058	7,198	128,186	861,396	1,028,838

	2018						2017					
	Associated companies	**Holding Company**	**Directors**	**Key management personnel**	**Others****	**Total**	Associated companies	Holding Company	Directors	Key management personnel	Others**	Total
	(Rupees in '000)											
Transactions during the period												
Fees to directors	**-**	**-**	**6,441**	**-**	**-**	**6,441**	-	-	12,364	-	-	12,364
Remuneration to key management												-
personnel (including bonus)	**-**	**-**	**-**	**255,875**	**-**	**255,875**	-	-	-	202,681	-	202,681
Profit earned on investments	**48,572**	**-**	**-**	**-**	**-**	**48,572**	12,436	-	-	-	-	12,436
Profit earned on financings	**-**	**-**	**-**	**5,580**	**-**	**5,580**	-	-	-	4,935	-	4,935
Profit expensed on deposits	**-**	**-**	**65**	**4,831**	**59,455**	**64,351**	-	-	61	1,246	43,784	45,091
Purchase of global sukuk	**-**	**-**	**-**	**-**	**-**	**-**	-	13,581,316	-	-	-	13,581,316
Sale of global sukuk	**-**	**-**	**-**	**-**	**-**	**-**	-	6,940,494	-	-	-	6,940,494
Capital loss on sale of global sukuk	**-**	**-**	**-**	**-**	**-**	**-**	-	(6,353)	-	-	-	(6,353)
Contribution made to gratuity fund	**-**	**-**	**-**	**-**	**54,325**	**54,325**	-	-	-	-	49,705	49,705
Contribution made to provident fund	**-**	**-**	**-**	**-**	**89,216**	**89,216**	-	-	-	-	76,637	76,637
Contingencies and commitments												
Foreign currency purchase contracts	**-**	**5,815,026**	**-**	**-**	**-**	**5,815,026**	-	66,377,718	-	-	-	66,377,718
Foreign currency sale contracts	**-**	**47,708**	**-**	**-**	**-**	**47,708**	-	64,596,653	-	-	-	64,596,653

* Primarily relates to those directors, associates and key management personnel who are no longer related parties or have become related parties of the Bank as at December 31, 2018.

** Represents Dubai Islamic Bank Pakistan Limited's Provident & Gratuity Funds.

42 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	2018	2017
	--- (Rupees in '000) ---	
Minimum Capital Requirement (MCR):		
Paid-up capital	**11,652,288**	11,652,288
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier I (CET I) Capital	**16,582,471**	14,708,042
Eligible Additional Tier I (ADT I) Capital	**3,120,000**	-
Total Eligible Tier I Capital	**19,702,471**	14,708,042
Eligible Tier II Capital	**4,099,733**	4,076,844
Total Eligible Capital (Tier I + Tier II)	**23,802,204**	18,784,886
Risk Weighted Assets (RWAs):		
Credit Risk	**153,683,178**	112,253,036
Market Risk	**458,133**	14,951,939
Operational Risk	**15,884,313**	13,093,295
Total	**170,025,624**	140,298,270
Common Equity Tier I Capital Adequacy ratio	**9.75%**	10.48%
Tier I Capital Adequacy Ratio	**11.59%**	10.48%
Total Capital Adequacy Ratio	**14.00%**	13.39%

42.1 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.

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 disclosures below have been prepared on the basis of the SBP's guidelines.

42.2 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.

42.3 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. The paid up capital of the Bank for the year ended December 31, 2018 stands at Rs. 11.65 billion (2017: Rs. 11.65 billion) and is in compliance with the SBP requirement for the said year. The Capital Adequacy Ratio (CAR) requirement as of December 31, 2018 is 11.90%.

42.4 Capital Structure

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

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

a) Common Equity Tier I (CET I), 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 I capital (AT I), 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.

	2018	2017
	---- (Rupees in '000) ----	
Leverage Ratio (LR):		
Eligible Tier I Capital	**19,702,471**	14,708,042
Total Exposures	**279,436,498**	236,390,110
Leverage Ratio	**7.05%**	6.22%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	**42,022,758**	34,146,061
Total Net Cash Outflow	**22,659,685**	28,105,530
Liquidity Coverage Ratio	**185.45%**	121.49%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	**181,481,846**	153,959,647
Total Required Stable Funding	**170,195,139**	136,223,591
Net Stable Funding Ratio	**106.63%**	113.02%

42.5 The full disclosures on the capital adequacy, leverage ratio & liquidity requirements as per SBP instructions issued from time to time is available at http://www.dibpak.com/financial statements.

(*) The impact of acceptances being accounted for as financial asset and financial liability for the purpose of calculation of Capital Adequacy Ratio, Liquidity Coverage Ratio and Net Stable Funding Ratio is taken in 2018 only.

43 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 manage 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 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 BRMC have been approved by the Board. Various Management Committees such as Risk Management Committee (RMC), Management Credit Committee (MCC) and Asset and Liability Committee (ALCO) to support these goals.

The Chief Executive Officer (CEO) and Chief Risk Officer (CRO), in close coordination with all businesses / 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 Management 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.

43.1 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 taking into consideration external rating(s) of counterparty(s) for the purpose of calculating Risk Weighted Assets.

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 risk concentration, counterparty limits, counterparty group limits and industry concentration limits, defining minimum risk acceptance criteria for each industry. 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.

43.1.1 ***Due from financial institutions***

Credit risk by public / private sector

	Gross		Non-performing		Provision held	
	2018	2017	**2018**	2017	**2018**	2017
	(Rupees in '000)					
Public / Government	**-**	-	**-**	-	**-**	-
Private	**4,000,000**	4,860,272	**-**	-	**-**	-
	4,000,000	4,860,272	**-**	-	**-**	-

43.1.2 ***Investment***

Credit risk by industry sector

	Gross		Non-performing		Provision held	
	2018	2017	**2018**	2017	**2018**	2017
	(Rupees in '000)					
Chemical and Pharmaceuticals	**335,825**	478,088	**-**	-	**-**	-
Construction	**1,245,452**	1,076,568	**-**	-	**-**	-
Financial	**1,614,186**	1,351,507	**-**	-	**-**	-
Government	**18,319,598**	16,117,727	**-**	-	**-**	-
Other Sovereign	**7,723,499**	6,614,266	**-**	-	**-**	-
Power (electricity), Gas, Water, Sanitary	**10,733,617**	10,868,466	**-**	-	**-**	-
Real Estate	**5,176,077**	4,355,959	**-**	-	**-**	-
Textile	**89,316**	96,179	**89,316**	96,179	**70,495**	47,102
Transport, Storage and Communication	**683,895**	562,465	**-**	-	**-**	-
	45,921,465	41,521,225	**89,316**	96,179	**70,495**	47,102

Credit risk by public / private sector	Gross		Non-performing		Provision held	
	2018	2017	**2018**	2017	**2018**	2017
	(Rupees in '000)					
Public / Government	**23,638,073**	22,217,320	**-**	-	**-**	-
Private	**22,283,392**	19,303,905	**89,316**	96,179	**70,495**	47,102
	45,921,465	41,521,225	**89,316**	96,179	**70,495**	47,102

43.1.3 ***Islamic Financing and related assets***

Credit risk by industry sector	Gross		Non-performing		Provision held - Specific	
	2018	2017	**2018**	2017	**2018**	2017
	(Rupees in '000)					
Agriculture, Forestry, Hunting and Fishing	**1,095,955**	1,104,918	**-**	-	**-**	-
Automobile and transportation equipment	**1,228,705**	156,065	**-**	-	**-**	-
Cement	**1,799,002**	858,411	**-**	-	**-**	-
Chemical and Pharmaceuticals	**6,086,131**	4,995,186	**694,073**	725,836	**607,806**	593,404
Construction	**2,497,382**	2,969,786	**-**	-	**-**	-
Electronics and electrical appliances	**414,836**	598,344	**-**	-	**-**	-
Food and Beverages	**23,176,754**	18,490,030	**447,989**	122,289	**189,464**	122,289
Footwear and Leather garments	**706,969**	560,154	**-**	-	**-**	-
Individuals	**32,879,617**	29,232,406	**671,802**	694,031	**478,681**	496,459
Iron / Steel	**9,226,909**	5,869,979	**-**	-	**-**	-
Machinery and Equipment	**1,681,185**	1,868,874	**-**	-	**-**	-
Mining and Quarrying	**472,826**	648,176	**-**	-	**-**	-
Paper, Board and Packaging	**2,328,785**	1,654,535	**-**	-	**-**	-
Power (electricity), Gas, Water, Sanitary	**15,699,185**	14,627,502	**-**	-	**-**	-
Real Estate	**5,356,988**	3,962,096	**-**	-	**-**	-
Rubber and plastic	**1,749,686**	944,147	**-**	-	**-**	-
Services	**4,672,631**	2,865,395	**-**	-	**-**	-
Ship Breaking and Waste / Scrape	**2,798,340**	263,276	**-**	-	**-**	-
Textile	**15,044,230**	10,049,319	**447,909**	349,886	**375,654**	337,017
Transport, Storage and Communication	**10,392,993**	8,160,988	**527,053**	380,914	**370,406**	297,337
Wholesale and Retail Trade	**16,045,125**	11,442,188	**115,965**	1,193	**1,193**	1,193
Others	**108,789**	158,737	**33,704**	33,705	**33,706**	33,705
	155,463,023	121,480,512	**2,938,495**	2,307,854	**2,056,910**	1,881,404

Credit risk by public / private sector	Gross		Non-performing		Provision held - Specific	
	2018	2017	**2018**	2017	**2018**	2017
Public / Government	**11,965,108**	13,772,044	**-**	-	**-**	-
Private	**143,497,915**	107,708,468	**2,938,495**	2,307,854	**2,056,910**	1,881,404
	155,463,023	121,480,512	**2,938,495**	2,307,854	**2,056,910**	1,881,404

43.1.4 ***Contingencies and Commitments***

Credit risk by industry sector	**2018**	2017
	------- (Rupees in '000) -------	
Agriculture, Forestry, Hunting and Fishing	**2,948,749**	2,599,956
Automobile and transportation equipment	**930,150**	1,045,749
Cement	**1,126,072**	1,284,547
Chemical and Pharmaceuticals	**2,551,575**	3,121,822
Commerce and Trade	**3,102,335**	3,510,367
Construction	**993,286**	957,224
Electronics and electrical appliances	**404,150**	144,359
Financial	**4,167,421**	2,513,102
Food and Beverages	**999,921**	400,767
Footwear and Leather garments	**7,886**	10,542
Iron / Steel	**5,348,332**	4,781,419
Machinery and Equipment	**48,671**	97,337
Paper, Board and Packaging	**240,798**	96,347
Power (electricity), Gas, Water, Sanitary	**2,749,612**	560,650
Rubber and plastic	**1,500,010**	1,121,266
Services	**1,150,057**	781,082
Textile	**1,340,295**	2,267,245
Transport, Storage and Communication	**920,474**	558,325
Wholesale, Retail and Trade	**5,634,497**	7,797,782
Others	**677,807**	2,025,985
	36,842,098	35,675,873

Credit risk by public / private sector

Public / Government	**7,039,333**	5,727,374
Private	**29,802,765**	29,948,499
	36,842,098	35,675,873

43.1.5 **Concentration of Islamic financing and related assets**

The bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 22,915 million (2017: Rs. 25,257 million) are as following:

	2018	2017
	------- (Rupees in '000) -------	
Funded	**18,028,504**	18,186,343
Non Funded	**4,886,449**	7,070,657
Total Exposure	**22,914,953**	25,257,000

The sanctioned limits against these top 10 exposures aggregated to Rs. 30,188 million (2017: Rs. 30,839 million). Further, none of the top 10 customers have been placed under non-performing status as at December 31, 2018 and December 31, 2017.

43.1.6 **Islamic financing and related assets - Province / Region-wise Disbursement & Utilization**

	2018						
		Utilization					
Province / Region	**Disbursements**	**Punjab**	**Sindh**	**KPK including FATA**	**Baluchistan**	**Islamabad**	**AJK**
	------ (Rupees in '000) ------						
Punjab	**53,975,549**	**51,488,096**	**1,984,211**	-	-	**503,242**	-
Sindh	**157,169,985**	**22,143,770**	**118,409,657**	**271,590**	**13,960,623**	**2,295,083**	**89,262**
KPK including FATA	-	-	-	-	-	-	-
Baluchistan	-	-	-	-	-	-	-
Islamabad	**7,916,841**	**2,357,358**	-	**300,000**	**49,000**	**5,210,483**	-
AJK	-	-	-	-	-	-	-
Total	**219,062,375**	**75,989,224**	**120,393,868**	**571,590**	**14,009,623**	**8,008,808**	**89,262**

	2017						
		Utilization					
Province / Region	Disbursements	Punjab	Sindh	KPK including FATA	Baluchistan	Islamabad	AJK
	------ (Rupees in '000) ------						
Punjab	45,150,789	42,850,722	1,928,483	-	-	371,585	-
Sindh	120,876,814	16,427,818	95,044,133	119,598	6,330,775	2,907,341	47,149
KPK including FATA	-	-	-	-	-	-	-
Baluchistan	-	-	-	-	-	-	-
Islamabad	10,907,644	4,463,440	500,000	300,000	-	5,644,204	-
AJK	-	-	-	-	-	-	-
Total	176,935,247	63,741,980	97,472,616	419,598	6,330,775	8,923,130	47,149

43.2 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. The Bank has adopted Standardised Approach for calculation of capital charge against market risk charge.

43.2.1 Balance sheet split by trading and banking books

	2018			2017		
	Banking Book	**Trading Book**	**Total**	Banking Book	Trading Book	Total
	(Rupees in '000)			(Rupees in '000)		
Cash and balances with treasury banks	**17,752,920**	**-**	**17,752,920**	10,423,998	-	10,423,998
Balances with other banks	**1,241,840**	**-**	**1,241,840**	1,173,267	-	1,173,267
Due from financial institutions	**4,000,000**	**-**	**4,000,000**	4,860,272	-	4,860,272
Investments	**45,850,970**	**-**	**45,850,970**	4,000,000	37,474,123	41,474,123
Islamic financing and related assets	**153,306,380**	**-**	**153,306,380**	119,522,264	-	119,522,264
Fixed assets	**1,381,172**	**-**	**1,381,172**	1,499,655	-	1,499,655
Intangible assets	**169,752**	**-**	**169,752**	204,129	-	204,129
Deferred tax assets	**460,313**	**-**	**460,313**	71,759	-	71,759
Other assets	**7,659,406**	**-**	**7,659,406**	5,764,414	-	5,764,414
	231,822,753	**-**	**231,822,753**	147,519,758	37,474,123	184,993,881

43.2.2 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 following is a summary of the assets of the Bank subject to foreign exchange risk:

	2018				2017			
	Foreign Currency Assets	**Foreign Currency Liabilities**	**Off-balance sheet items**	**Net foreign currency exposure**	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure
	(Rupees in '000)							
United States Dollar	**23,723,661**	**21,033,416**	**(2,555,136)**	**135,109**	16,077,383	12,554,894	(3,532,793)	(10,304)
Great Britain Pound	**417,343**	**2,951,213**	**2,529,612**	**(4,258)**	55,859	2,986,404	2,929,636	(909)
Japanese Yen	**9,137**	**-**	**-**	**9,137**	7,387	2,798	-	4,589
Euro	**256,463**	**765,322**	**508,279**	**(580)**	214,261	783,406	570,559	1,414
Swiss Franc	**2,151**	**-**	**-**	**2,151**	3,487	685	-	2,802
U.A.E Dirham	**184,672**	**3,431,314**	**3,232,293**	**(14,349)**	(118,039)	2,482,752	2,600,173	(618)
Australian Dollar	**1,688**	**-**	**-**	**1,688**	1,520	-	-	1,520
Canadian Dollar	**1,034**	**-**	**-**	**1,034**	1,638	8,958	-	(7,320)
Saudi Riyal	**2,008**	**-**	**-**	**2,008**	1,202	191	-	1,011
Chinese Yen	**11,960**	**17,735**	**6,209**	**434**	287	-	-	287
Singapore Dollar	**2,885**	**-**	**-**	**2,885**	5,583	2,161	-	3,422
	24,613,002	**28,199,000**	**3,721,257**	**135,259**	16,250,568	18,822,249	2,567,575	(4,106)

	Trading book		**Banking book**	
	2018	2017	**2018**	2017
Impact of 1% change in foreign exchange rates on	**--- (Rupees in '000) ---**		**--- (Rupees in '000) ---**	
- Profit and loss account	**-**	-	**15,512**	2,929
- Other comprehensive income	**-**	(2,970)	**(14,173)**	-

43.2.3 Equity position Risk

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

43.2.4 Yield / Profit Rate Risk

All products dealt in by the Bank are duly approved by the Bank's Shari'a Board / Resident Shari'a Board Member 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.

	2018		2017	
	Banking Book	**Trading Book**	Banking Book	Trading Book
	(Rupees in '000)			
Impact of 1% change in profit rates on				
- Profit and loss account	**286,539**	**-**	10,531	374,250

43.2.5 Mismatch of Yield Rate Sensitive Assets and Liabilities

2018

	Effective Yield / profit rate	**Total**	**Exposed to Yield / Profit risk**									**Non-profit bearing financial instruments**
			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**	
On-balance sheet financial instruments			**(Rupees in '000)**									
Assets												
Cash and balances with treasury banks	**-**	**17,752,920**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**17,752,920**
Balances with other banks	**3.24%**	**1,241,840**	**10**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,241,830**
Due from financial institutions	**6.56%**	**4,000,000**	**4,000,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Investments	**5.53%**	**45,850,970**	**750,000**	**6,295,628**	**8,622,353**	**-**	**13,721,058**	**1,614,186**	**2,407,518**	**12,421,406**	**-**	**18,821**
Islamic financing and related assets- net	**8.81%**	**153,306,380**	**19,427,378**	**34,607,341**	**63,414,263**	**6,571,044**	**32,386**	**47,151**	**455,657**	**179,967**	**1,160,575**	**27,410,618**
Other assets	**-**	**6,695,519**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6,695,519**
		228,847,629	**24,177,388**	**40,902,969**	**72,036,616**	**6,571,044**	**13,753,444**	**1,661,337**	**2,863,175**	**12,601,373**	**1,160,575**	**53,119,708**
Liabilities												
Bills payable	**-**	**2,811,457**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,811,457**
Due to financial institutions	**3.04%**	**12,670,525**	**4,698,416**	**6,005,272**	**1,966,837**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Deposits and other accounts	**3.53%**	**182,186,634**	**127,283,452**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**54,903,182**
Subordinated sukuk	**7.20%**	**7,120,000**	**4,000,000**	**3,120,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other liabilities	**-**	**9,897,164**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**9,897,164**
		214,685,780	**135,981,868**	**9,125,272**	**1,966,837**	**-**	**-**	**-**	**-**	**-**	**-**	**67,611,803**
On-balance sheet gap		**14,161,849**	**(111,804,480)**	**31,777,697**	**70,069,779**	**6,571,044**	**13,753,444**	**1,661,337**	**2,863,175**	**12,601,373**	**1,160,575**	**(14,492,095)**
Off-balance sheet financial instruments												
Commitments in respect of:												
Guarantees		**11,093,915**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**11,093,915**
Forward purchase		**13,226,270**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**13,226,270**
Forward sale		**(9,503,217)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(9,503,217)**
Import letters of credit		**18,874,140**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**18,874,140**
Islamic financing and related assets		**3,083,701**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,083,701**
Commitments for acquisition of:												
- Fixed assets		**1,526**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,526**
- Intangible assets		**65,763**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**65,763**
Off-balance sheet gap		**36,842,098**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**36,842,098**
Total yield / profit rate risk sensitivity gap			**(111,804,480)**	**31,777,697**	**70,069,779**	**6,571,044**	**13,753,444**	**1,661,337**	**2,863,175**	**12,601,373**	**1,160,575**	**(51,334,193)**
Cumulative Yield / Profit Rate Risk Sensitivity Gap			**(111,804,480)**	**(80,026,783)**	**(9,957,004)**	**(3,385,960)**	**10,367,484**	**12,028,821**	**14,891,996**	**27,493,369**	**28,653,944**	**(22,680,249)**

	Effective Yield / profit rate	Total	Exposed to Yield / Profit risk: 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
			2017									
On-balance sheet financial instruments			(Rupees in '000)									
Assets												
Cash and balances with treasury banks	-	10,423,998	-	-	-	-	-	-	-	-	-	10,423,998
Balances with other banks	-	1,173,267	-	-	-	-	-	-	-	-	-	1,173,267
Due from financial institutions	5.78%	4,860,272	4,860,272	-	-	-	-	-	-	-	-	-
Investments	5.23%	41,474,123	1,500,000	2,246,959	7,599,594	-	2,225,430	13,892,297	2,850,421	11,110,345	-	49,077
Islamic financing and related assets- net	7.79%	119,522,264	9,717,854	18,230,500	22,948,685	49,426,379	1,163,930	78,998	290,565	115,871	983,394	16,566,088
Other assets	-	4,853,336	-	-	-	-	-	-	-	-	-	4,853,336
		182,307,260	16,078,126	20,477,459	30,548,279	49,426,379	3,389,360	13,971,295	3,140,986	11,226,216	983,394	33,065,766
Liabilities												
Bills payable	-	3,677,900	-	-	-	-	-	-	-	-	-	3,677,900
Due to financial Institutions	2.79%	5,255,642	546,625	2,302,686	2,406,331	-	-	-	-	-	-	-
Deposits and other accounts	2.82%	149,295,457	101,507,788	-	-	-	-	-	-	-	-	47,787,669
Subordinated sukuk	6.64%	4,000,000	4,000,000	-	-	-	-	-	-	-	-	-
Other liabilities	-	7,659,682	-	-	-	-	-	-	-	-	-	7,659,682
		169,888,681	106,054,413	2,302,686	2,406,331	-	-	-	-	-	-	59,125,251
On-balance sheet gap		12,418,579	(89,976,287)	18,174,773	28,141,948	49,426,379	3,389,360	13,971,295	3,140,986	11,226,216	983,394	(26,059,485)
Off-balance sheet financial instruments												
Commitments in respect of:												
Guarantees		9,974,211	-	-	-	-	-	-	-	-	-	9,974,211
Forward purchase		12,172,781	-	-	-	-	-	-	-	-	-	12,172,781
Forward sale		(9,659,679)	-	-	-	-	-	-	-	-	-	(9,659,679)
Import letters of credit		21,587,436	-	-	-	-	-	-	-	-	-	21,587,436
Islamic financing and related assets		1,524,915	-	-	-	-	-	-	-	-	-	1,524,915
Acquisition of:												
- Fixed assets		50,066	-	-	-	-	-	-	-	-	-	50,066
- Intangible assets		26,143	-	-	-	-	-	-	-	-	-	26,143
Off-balance sheet gap		35,675,873	-	-	-	-	-	-	-	-	-	35,675,873
Total yield / profit rate risk sensitivity gap			(89,976,287)	18,174,773	28,141,948	49,426,379	3,389,360	13,971,295	3,140,986	11,226,216	983,394	(61,735,358)
Cumulative Yield / Profit Rate Risk Sensitivity Gap			(89,976,287)	(71,801,514)	(43,659,566)	5,766,813	9,156,173	23,127,468	26,268,454	37,494,670	38,478,064	(23,257,294)

	2018	2017
	---- (Rupees in '000) ----	
Total financial asset as per note 43.2.5	**228,847,629**	182,307,260
Add: Non-financial assets		
Fixed asset	**1,381,172**	1,499,655
Intangibles	**169,752**	204,129
Deferred tax assets	**460,313**	71,759
Other asset	**963,887**	911,078
Total assets as per statement of financial position	**231,822,753**	184,993,881
Total financial liabilities as per note 43.2.5	**214,685,780**	169,888,681
Add: Non-financial liabilities		
Other liabilities	**386,799**	193,029
Total liabilities as per statement of financial position	**215,072,579**	170,081,710

43.3 Operational Risk

43.3.1 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.

43.3.2 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.

43.4 ***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.

43.4.1 ***Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Bank***

	2018													
	Total	**Upto 1 Day**	**Over 1 to 7 days**	**Over 7 to 14 days**	**Over 14 days to 1 Month**	**Over 1 to 2 Months**	**Over 2 to 3 Months**	**Over 3 to 6 Months**	**Over 6 to 9 Months**	**Over 9 months to 1 year**	**Over 1 to 2 years**	**Over 2 to 3 years**	**Over 3 to 5 Years**	**Over 5 Years**
	---- (Rupees in '000) ----													
Assets														
Cash and balances with treasury banks	17,752,920	17,752,920	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	1,241,840	1,241,840	-	-	-	-	-	-	-	-	-	-	-	-
Due from financial institutions	4,000,000	-	4,000,000	-	-	-	-	-	-	-	-	-	-	-
Investments	45,850,970	15,334	-	-	187,500	3,900,780	820,143	791,554	309,883	977,892	15,544,282	3,437,411	4,780,993	15,085,198
Islamic financing and related assets - net	153,306,380	6,017,760	2,244,884	1,990,392	5,788,253	14,258,354	14,687,253	24,675,539	4,843,064	8,555,472	13,530,768	15,631,788	22,421,571	18,661,282
Fixed assets	1,381,172	853	5,089	5,937	13,571	25,295	65,011	101,794	70,302	70,302	236,722	187,088	464,690	134,518
Intangible assets	169,752	236	1,418	1,654	3,780	7,019	7,016	16,123	14,686	14,686	33,806	28,289	22,818	18,221
Deferred tax assets	460,313	1,261	7,567	8,828	21,439	35,312	39,095	114,763	116,024	116,024	-	-	-	-
Other assets	7,659,406	230,397	858,729	438,115	1,202,714	1,942,432	741,823	1,705,690	99,410	56,471	172,106	97,239	74,751	39,529
	231,822,753	25,260,601	7,117,687	2,444,926	7,217,257	20,169,192	16,360,341	27,405,463	5,453,369	9,790,847	29,517,684	19,381,815	27,764,823	33,938,748
Liabilities														
Bills payable	2,811,457	2,811,457	-	-	-	-	-	-	-	-	-	-	-	-
Due to financial institutions	12,670,525	34,775	2,275,000	2,122,555	266,086	2,197,500	3,807,772	1,966,837	-	-	-	-	-	-
Deposits and other accounts	182,186,634	131,299,473	2,081,558	3,651,087	8,353,834	3,170,120	7,251,644	12,071,181	5,674,991	5,307,742	693,338	1,884,710	530,418	216,538
Subordinated sukuk	7,120,000	-	-	-	-	-	-	-	-	-	-	-	-	7,120,000
Deferred tax liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	10,283,963	651,615	1,298,691	447,139	2,054,568	1,854,936	853,481	2,046,122	158,610	220,575	130,834	305,724	261,668	-
	215,072,579	134,797,320	5,655,249	6,220,781	10,674,488	7,222,556	11,912,897	16,084,140	5,833,601	5,528,317	824,172	2,190,434	792,086	7,336,538
Net assets	16,750,174	(109,536,719)	1,462,438	(3,775,855)	(3,457,231)	12,946,636	4,447,444	11,321,323	(380,232)	4,262,530	28,693,512	17,191,381	26,972,737	26,602,210
Share capital	11,652,288													
Reserves	1,226,954													
Deficit on revaluation of investments	(820,667)													
Unappropriated profit	4,691,599													
	16,750,174													

	2017													
	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
	(Rupees in '000)													
Assets														
Cash and balances with treasury banks	10,423,998	10,423,998	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	1,173,267	1,173,267	-	-	-	-	-	-	-	-	-	-	-	-
Due from financial institutions	4,860,272	-	3,002,404	501,122	1,356,746	-	-	-	-	-	-	-	-	-
Investments	41,474,123	23,750	-	-	197,956	-	101,626	522,644	312,877	792,497	4,580,658	15,384,866	5,725,581	13,831,668
Islamic financing and related assets - net	119,522,264	297,668	1,786,010	2,083,679	4,762,698	8,782,685	9,271,552	18,596,532	10,709,675	10,183,363	12,772,473	21,864,918	6,689,495	11,721,516
Fixed assets	1,499,655	1,251	7,507	8,758	18,768	37,674	37,674	113,023	100,119	100,119	400,480	266,523	405,103	2,656
Intangible assets	204,129	1,022	1,022	1,511	2,555	5,128	5,128	15,384	13,628	13,628	54,514	35,107	55,141	361
Deferred tax assets	71,759	199	1,195	1,395	3,189	5,980	5,980	17,940	17,940	17,941	-	-	-	-
Other assets	5,764,414	254,251	389,943	684,826	1,377,461	896,108	550,709	1,077,992	96,061	49,136	159,040	115,082	81,909	31,896
	184,993,881	12,175,406	5,188,081	3,281,291	7,719,373	9,727,575	9,972,669	20,343,515	11,250,300	11,156,684	17,967,165	37,666,496	12,957,229	25,588,097
Liabilities														
Bills payable	3,677,900	3,677,900	-	-	-	-	-	-	-	-	-	-	-	-
Due to financial institutions	5,255,642	-	8,650	-	229,500	308,475	2,302,686	2,406,331	-	-	-	-	-	-
Deposits and other accounts	149,295,457	102,848,072	1,216,899	1,646,689	2,750,658	4,715,412	6,054,312	13,634,847	6,467,236	6,196,600	899,858	828,573	1,838,523	197,778
Subordinated sukuk	4,000,000	-	-	-	-	-	-	-	-	-	-	-	-	4,000,000
Deferred tax liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	7,852,711	280,658	550,764	876,103	2,220,794	1,090,846	782,825	1,066,108	263,193	175,294	157,236	129,630	259,260	-
	170,081,710	106,806,630	1,776,313	2,522,792	5,200,952	6,114,733	9,139,823	17,107,286	6,730,429	6,371,894	1,057,094	958,203	2,097,783	4,197,778
Net assets	14,912,171	(94,631,224)	3,411,768	758,499	2,518,421	3,612,842	832,846	3,236,229	4,519,871	4,784,790	16,910,071	36,708,293	10,859,446	21,390,319

Share capital	11,652,288
Reserves	725,101
Deficit on revaluation of investments	(142,265)
Unappropriated profit	2,677,047
	14,912,171

43.4.2 **Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Bank**

	2018									
	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	17,752,920	17,752,920	-	-	-	-	-	-	-	-
Balances with other banks	1,241,840	1,241,840	-	-	-	-	-	-	-	-
Due from financial institutions	4,000,000	4,000,000	-	-	-	-	-	-	-	-
Investments	45,850,970	202,834	4,720,923	791,554	1,287,775	15,544,282	3,437,411	4,780,993	15,085,198	-
Islamic financing and related assets - net	153,306,380	16,041,288	28,945,607	24,675,539	13,398,536	13,530,768	15,631,788	22,421,571	11,646,755	7,014,528
Fixed assets	1,381,172	25,450	90,306	101,794	140,604	236,722	187,088	464,690	134,518	-
Intangible assets	169,752	7,088	14,035	16,123	29,372	33,806	28,289	22,818	18,221	-
Deferred tax assets	460,313	39,095	74,407	114,763	232,048	-	-	-	-	-
Other assets	7,659,406	2,729,955	2,684,255	1,705,690	155,881	172,106	97,239	74,751	39,529	-
	231,822,753	42,040,470	36,529,533	27,405,463	15,244,216	29,517,684	19,381,815	27,764,823	26,924,221	7,014,528
Liabilities										
Bills payable	2,811,457	2,811,457	-	-	-	-	-	-	-	-
Due to financial institutions	12,670,525	4,698,416	6,005,272	1,966,837	-	-	-	-	-	-
Deposits and other accounts	182,186,634	17,538,441	16,349,135	21,213,398	29,468,094	24,314,883	25,441,716	47,644,429	216,538	-
Subordinated sukuk	7,120,000	-	-	-	-	-	-	-	4,000,000	3,120,000
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	10,283,963	4,452,009	2,708,417	2,046,121	379,190	130,834	305,724	261,668	-	-
	215,072,579	29,500,323	25,062,824	25,226,356	29,847,284	24,445,717	25,747,440	47,906,097	4,216,538	3,120,000
Net assets	16,750,174	12,540,147	11,466,709	2,179,107	(14,603,068)	5,071,967	(6,365,625)	(20,141,274)	22,707,683	3,894,528
Share capital	11,652,288									
Reserves	1,226,954									
Deficit on revaluation of investments	(820,667)									
Unappropriated profit	4,691,599									
	16,750,174									

	2017									
	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	10,423,998	10,423,998	-	-	-	-	-	-	-	-
Balances with other banks	1,173,267	1,173,267	-	-	-	-	-	-	-	-
Due from financial institutions	4,860,272	4,860,272	-	-	-	-	-	-	-	-
Investments	41,474,123	221,708	101,625	522,644	1,105,373	4,580,658	15,384,866	5,725,581	13,831,668	-
Islamic financing and related assets - net	119,522,264	8,930,055	18,054,237	18,596,532	20,893,038	12,772,473	21,864,918	6,689,495	5,192,872	6,528,644
Fixed assets	1,499,655	36,285	75,349	113,023	200,238	400,478	266,523	405,103	2,656	-
Intangible assets	204,129	4,939	10,257	15,384	27,256	54,512	36,278	55,141	362	-
Deferred tax assets	71,759	5,981	11,959	17,939	35,880	-	-	-	-	-
Other assets	5,764,414	2,706,480	1,446,817	1,077,992	145,198	159,040	115,082	81,909	17,312	14,584
	184,993,881	28,362,985	19,700,244	20,343,514	22,406,983	17,967,161	37,667,667	12,957,229	19,044,870	6,543,228
Liabilities										
Bills payable	3,677,900	3,677,900	-	-	-	-	-	-	-	-
Due to financial institutions	5,255,642	238,150	2,611,161	2,406,331	-	-	-	-	-	-
Deposits and other accounts	149,295,457	8,436,122	15,407,221	20,787,596	27,126,536	19,343,171	19,271,885	38,725,148	197,778	-
Subordinated sukuk	4,000,000	-	-	-	-	-	-	-	4,000,000	-
Deferred tax liability	-	-	-	-	-	-	-	-	-	-
Other liabilities	7,852,711	3,928,317	1,873,672	1,066,108	438,488	157,235	129,630	259,261	-	-
	170,081,710	16,280,489	19,892,054	24,260,035	27,565,024	19,500,406	19,401,515	38,984,409	4,197,778	-
Net assets	14,912,171	12,082,496	(191,810)	(3,916,521)	(5,158,041)	(1,533,245)	18,266,152	(26,027,180)	14,847,092	6,543,228
Share capital	11,652,288									
Reserves	725,101									
Surplus on revaluation of investments	(142,265)									
Unappropriated profit	2,677,047									
	14,912,171									

44 PROFIT / (LOSS) DISTRIBUTION TO DEPOSITOR'S POOL & SPECIFIC POOLS

The Bank managed following general and specific pools during the year:

2018

General Depositors Mudaraba Pool	Profit rate and weightages announcement period	Profit rate return earned	Profit Sharing Ratio of Mudarib	Mudarib Share-Net of Hiba and Mudarib Fee ('000)	Mudarib Share-Net of Hiba and Mudarib Fee (%)	Mudarib Share transferred to the depositors through Hiba ('000)	Mudarib Share transferred to the depositors through Hiba (%)	Profit rate return distributed
Common mudaraba pool	Monthly	4.36%	50.00%	1,103,790	51.05%	132,649	10.73%	2.63%

2017

General Depositors Mudaraba Pool	Profit rate and weightages announcement period	Profit rate return earned	Profit Sharing Ratio of Mudarib	Mudarib Share-Net of Hiba and Mudarib Fee ('000)	Mudarib Share-Net of Hiba and Mudarib Fee (%)	Mudarib Share transferred to the depositors through Hiba ('000)	Mudarib Share transferred to the depositors through Hiba (%)	Profit rate return distributed
Common mudaraba pool	Monthly	4.90%	50.00%	1,262,953	52.14%	54,232	4.12%	2.54%

2018

Specific Pools	Profit rate and weightages announcement period	Profit rate return earned	Profit Sharing Ratio of Mudarib	Mudarib Share-Net of Hiba and Mudarib Fee ('000)	Mudarib Share-Net of Hiba and Mudarib Fee (%)	Mudarib Share transferred to the depositors through Hiba ('000)	Mudarib Share transferred to the depositors through Hiba (%)	Profit rate return distributed
Islamic Export Refinance - Musharaka Pool	Monthly	3.95%	50.00%	365,262	76.43%	1,037	0.28%	2.00%
Inter-bank wakala borrowing pool	As required	5.24% - 10.90%	*	*	-	N/A	-	5.50% - 9.60%
Other Mudaraba Pools	As required	3.60% - 13.29%	*	3,240,528	40.62%	487,017	13.07%	1% - 12.27%

2017

Specific Pools	Profit rate and weightages announcement period	Profit rate return earned	Profit Sharing Ratio of Mudarib	Mudarib Share-Net of Hiba and Mudarib Fee ('000)	Mudarib Share-Net of Hiba and Mudarib Fee (%)	Mudarib Share transferred to the depositors through Hiba ('000)	Mudarib Share transferred to the depositors through Hiba (%)	Profit rate return distributed
Islamic Export Refinance - Musharaka Pool	Monthly	3.96%	50.00%	204,070	71.46%	531	0.26%	2.00%
Inter-bank wakala borrowing pool	As required	6.67% - 10.66%	*	*	-	N/A	-	5.22% - 5.80%
Other Mudaraba Pools	As required	3.57% - 8.80%	*	2,176,275	45.83%	236,120	9.79%	1% - 7.78%

* The profit sharing ratio and the investment ratio varies case to case basis.

45 DATE OF AUTHORISATION FOR ISSUE

29 JAN 2019

These financial statements were authorised for issue on ______________ by the Board of Directors of the Bank.

46 GENERAL

46.1 Captions, as prescribed by BPRD Circular No.2 of 2018 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.

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

46.3 Corresponding figures

Comparative information has been re-classified, re-arranged or additionally incorporated in these financial statements wherever necessary to facilitate comparison and better presentation in accordance with the new format prescribed by State Bank of Pakistan vide BPRD circular no. 2 of 2018.

President/Chief Executive	Chief Financial Officer	Director	Director	Director

ANNEXURE - 1

DUBAI ISLAMIC BANK PAKISTAN LIMITED
STATEMENT SHOWING WRITTEN-OFF ISLAMIC FINANCING AND RELATED ASSETS OR ANY OTHER FINANCIAL RELIEF OF RUPEES 500,000/- OR ABOVE DURING THE YEAR ENDED DECEMBER 31, 2018

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 BILAL	PLOT# 5E-14/19, BASHIN CENTRE, NEAR KHILAFAT CHOWK, NAZIMABAD, KARACHI	MOZAN MUHAMMAD HANIF (LATE)	42101-7787492-7	5,811	975	-	6,786	-	563	-	563
2	UMER SHARIF	H NO B 45 BLOCK 16, GULISTAN-E-JOHAR, KARACHI	SEIKH MOHAMMAD SULEMAN	35202-6915162-7	29,582	1,288	-	30,870	-	1,400	-	1,400
3	MUHAMMAD KHALID	ST NO 3, RAJAY WALA GREEN VIEW COLONY, FAISALABAD	ASMAT ULLAH (LATE)	33100-4801952-1	6,480	1,431	-	7,911	-	1,411	-	1,411
4	GULRAIZ JAHANGIR	HOUSE# 1126-B, PEOPLES COLONY# 02, NEAR FAWARA CHOWK, FAISALABAD	MUHAMMAD JANAHGIR	33100-4185894-3	11,631	2,098	-	13,729	-	2,098	-	2,098
5	MUHAMMAD ABDUL WAHAB	H NO L-13, BLK-17, GULSHAN-E-IQBAL, KARACHI	MOHAMMAD HAIDER	42201-6296308-1	14,346	4,081	-	18,427	-	4,081	-	4,081
					67,850	**9,873**	**-**	**77,723**	**-**	**9,553**	**-**	**9,553**