

Dubai Islamic Bank Pakistan Limited
Capital Adequacy, Leverage Ratio & Liquidity Requirements Disclosures
As at December 31, 2018

1 Capital Adequacy

1.1 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 SBP has specified a transitional period till 2018 for implementation of Basel III. The disclosures below have been prepared on the basis of the SBP's guidelines.

1.2 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.

1.3 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 Bank has met its minimum capital requirement by conversion of FCY sub-ordinated debt from the sponsors placed in non-remunerative deposit account with SBP to paid up capital. The capital adequacy ratio (CAR) of the Bank is subject to the Basel III capital adequacy guidelines stipulated by the State Bank of Pakistan through its BPRD Circular No. 06 of 2013 dated August 15, 2013. The Capital Adequacy Ratio (CAR) requirement as of December 31, 2018 is 11.90% whereas DIBPL's CAR stood at 14.00%

1.4 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 1 (CET1), which includes fully paid up capital, reserve for bonus issue, general reserves and unappropriated profits (net of losses), etc after deductions for investments in the equity of subsidiary companies engaged in banking and financial activities (to the extent of 50%), reciprocal crossholdings and deficit on revaluation of available for sale investments and deduction for book value of intangibles.
 - b) Additional Tier 1 capital (AT1), which includes instruments issued by the Bank which meet the specified criteria after deduction of remaining 50% investment in the equity of subsidiary companies engaged in banking and financial activities and other specified deductions.
- Tier II capital, which includes general provisions for loan losses (upto a maximum of 1.25% of credit risk weighted assets), reserves on revaluation of fixed assets and available for sale investments after deduction of deficit on available for sale

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.

1.5 Capital adequacy ratio

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

	2018	2017
	----- (Rupees in '000) -----	
Common Equity Tier 1 capital (CET1): Instruments and reserves		
Fully Paid-up Capital/ Capital deposited with SBP	11,652,288	11,652,288
Balance in Share Premium Account	-	-
Reserve for issue of Bonus Shares	-	-
Discount on Issue of shares	-	-
General / Statutory Reserves	1,227,055	725,101
Gain / (Losses) on derivatives held as Cash Flow Hedge	-	-
Unappropriated profits	4,692,002	2,677,047
Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-
CET 1 before Regulatory Adjustments	17,571,345	15,054,436
Total regulatory adjustments applied to CET1 (Note 39.5.1)	988,370	346,394
Common Equity Tier 1 (a)	16,582,975	14,708,042
Additional Tier 1 (AT 1) Capital		
Qualifying Additional Tier-1 instruments plus any related share premium of which:	3,120,000	-
- <i>classified as equity</i>	-	-
- <i>classified as liabilities</i>	3,120,000	-
Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)	-	-
- <i>of which: instrument issued by subsidiaries subject to phase out</i>	-	-
AT1 before regulatory adjustments	3,120,000	-
Total of Regulatory Adjustment applied to AT1 capital (Note 39.5.2)	-	-
Additional Tier 1 capital after regulatory adjustments	3,120,000	-
Additional Tier 1 capital recognised for capital adequacy (b)	3,120,000	-
Tier 1 Capital (CET1 + admissible AT1) (c=a+b)	19,702,975	14,708,042
Tier 2 Capital		
Qualifying Tier 2 capital instruments under Basel III plus any related share premium	4,000,000	4,000,000
Tier 2 capital instruments subject to phase out arrangement issued under pre-Basel III rules	-	-
Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)	-	-
- <i>of which: instruments issued by subsidiaries subject to phase out</i>	-	-
General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	99,733	76,844
Revaluation Reserves (net of taxes)	-	-
of which:	-	-
- <i>Revaluation reserves on property</i>	-	-
- <i>Unrealized gains/losses on AFS</i>	-	-
Foreign Exchange Translation Reserves	-	-
Undisclosed / Other Reserves (if any)	-	-
T2 before regulatory adjustments	4,099,733	4,076,844
Total regulatory adjustment applied to T2 capital (note 39.5.3)	-	-
Tier 2 capital (T2) after regulatory adjustments	4,099,733	4,076,844
Tier 2 capital recognised for capital adequacy	4,099,733	4,076,844
Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
Total Tier 2 capital admissible for capital adequacy (d)	4,099,733	4,076,844
TOTAL CAPITAL (T1 + admissible T2) (e=c+d)	23,802,708	18,784,886
Total Risk Weighted Assets (RWA) (i) [Note 39.9]	170,026,357	140,298,270

	2018	2017
	----- (Rupees in '000) -----	
Capital Ratios and buffers (in percentage of risk weighted assets)		
CET1 to total RWA (a/i)	9.75%	10.48%
Tier-1 capital to total RWA (c/i)	11.59%	10.48%
Total capital to total RWA (e/i)	14.00%	13.39%
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement) of which:	7.90%	7.28%
- <i>capital conservation buffer requirement</i>	1.90%	1.28%
- <i>countercyclical buffer requirement</i>	0%	0%
- <i>D-SIB or G-SIB buffer requirement</i>	0%	0%
CET1 available to meet buffers (as a percentage of risk weighted assets)	1.85%	3.21%
National minimum capital requirements prescribed by SBP		
CET1 minimum ratio	6.00%	6.00%
Tier 1 minimum ratio	7.50%	7.50%
Total capital minimum ratio	11.90%	11.28%

1.5.1 Common Equity Tier 1 capital: Regulatory adjustments

	2018		2017	
	Amount	Pre-Basel III treatment*	Amount	Pre-Basel III treatment*
	----- (Rupees in '000) -----			
Goodwill (net of related deferred tax liability)	-	-	-	-
All other intangibles (net of any associated deferred tax liability)	167,703	-	204,129	-
Shortfall of provisions against classified assets (Note 39.6.2.1)	-	-	-	-
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-	-	-
Defined-benefit pension fund net assets	-	-	-	-
Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	-	-	-	-
Cash flow hedge reserve	-	-	-	-
Investment in own shares / CET1 instruments	-	-	-	-
Securitization gain on sale	-	-	-	-
Capital shortfall of regulated subsidiaries	-	-	-	-
Deficit on account of revaluation from bank's holdings of property / AFS	820,667	-	142,265	-
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	-	-
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	-	-
Amount exceeding 15% threshold of which:				
- <i>significant investments in the common stocks of financial entities</i>	-	-	-	-
- <i>deferred tax assets arising from temporary differences</i>	-	-	-	-
National specific regulatory adjustments applied to CET1 capital	-	-	-	-
Investment in TFCs of other banks exceeding the prescribed limit	-	-	-	-
Any other deduction specified by SBP	-	-	-	-
Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	-	-	-
Total regulatory adjustments applied to CET1	988,370	-	346,394	-

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

	2018		2017	
	Amount	Pre-Basel III treatment*	Amount	Pre-Basel III treatment*
	----- (Rupees in '000) -----			
1.5.2 Additional Tier 1 Capital: regulatory adjustments				
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	-	-	-
Investment in own AT1 capital instruments	-	-	-	-
Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	-	-	-	-
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-	-
Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital	-	-	-	-
Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-	-	-
Total of Regulatory Adjustment applied to AT1 capital	-	-	-	-

1.5.3 Tier 2 Capital: regulatory adjustments

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

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

	2018	2017
	----- (Rupees in '000) -----	
1.5.4 Risk Weighted Assets subject to pre-Basel III treatment		
Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment) of which:	-	-
- <i>Deferred tax assets</i>	-	-
- <i>Defined-benefit pension fund net assets</i>	-	-
- Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	-	-
Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	-	-
Amounts below the thresholds for deduction (before risk weighting)		
Non-significant investments in the capital of other financial entities	-	-
Significant investments in the common stock of financial entities	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
Applicable caps on the inclusion of provisions in Tier 2		
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	99,733	76,843
Cap on inclusion of provisions in Tier 2 under standardized approach	1,921,049	1,403,163
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

2 Leverage ratio

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

The leverage ratio of the Bank for the year ended December 31, 2018 stood at 7.05% (2017: 6.22%) above the minimum requirement set by SBP.

	2018	2017
	----- (Rupees in '000) -----	
On balance sheet exposures		
1 On-balance sheet items (excluding derivatives but including collateral)	229,182,812	181,954,382
2 Derivatives	516,849	189,853
3 Total On balance sheet exposures	229,699,661	182,144,235
Off balance sheet exposures		
4 Off-balance sheet items (excluding derivatives)	49,472,149	54,050,916
5 Commitment in respect of derivatives (derivatives having negative fair value are also included)	264,792	194,959
6 Total Off balance sheet exposures	49,736,941	54,245,875
Capital and total exposures		
7 Tier 1 capital (Note 39.5)	19,702,975	14,708,042
8 Total exposures (sum of lines 3 and 6)	279,436,602	236,390,110
Basel III leverage ratio	7.05%	6.22%

3 Capital Structure Reconciliation

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

	Balance sheet as in published financial statements	Under regulatory scope of consolidation
	----- (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	45,850,970
Islamic financing and related assets	153,307,223	153,307,223
Operating fixed assets	1,550,924	1,550,924
Deferred tax assets	460,313	460,313
Other assets	7,659,406	7,659,406
Total assets	231,823,596	231,823,596
Liabilities and Equity		
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
Sub-ordinated loans	7,120,000	7,120,000
Deferred tax liabilities	-	-
Other liabilities	10,284,302	10,284,302
Total liabilities	215,072,918	215,072,918
Share capital	11,652,288	11,652,288
Reserves	1,227,055	1,227,055
Unappropriated/ Unremitted profit/ (losses)	4,692,002	4,692,002
Minority Interest	-	-
Surplus on revaluation of assets	(820,667)	(820,667)
Total liabilities and equity	231,823,596	231,823,596

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

	Reference	Balance sheet as in published financial statements	Under regulatory scope of consolidation
		------(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	45,850,970
of which:			
- non-significant capital investments in capital of banking, financial and insurance entities exceeding 10% threshold	a	-	-
- significant capital investments in capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold	b	-	-
- mutual Funds exceeding regulatory threshold	c	-	-
- reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)	d	-	-
- others	e	-	-
Islamic financing and related assets		153,307,223	153,307,223
- shortfall in provisions / excess of total EL amount over eligible provisions under IRB (Note 39.6.2.1)	f	-	-
- general provisions reflected in Tier 2 capital	g	99,733	99,733
Operating fixed assets		1,550,924	1,550,924
- of which: Intangibles	k	169,752	169,752
Deferred tax assets		460,313	460,313
of which:			
- DTAs that rely on future profitability excluding those arising from temporary differences	h	-	-
- DTAs arising from temporary differences exceeding regulatory threshold	i	-	-
Other assets		7,659,406	7,659,406
of which:			
- goodwill	j	-	-
- defined-benefit pension fund net assets	l	-	-
Total assets		231,823,596	231,823,596
Liabilities and Equity			
Bills payable		2,811,457	2,811,457
Due from financial institutions		12,670,525	12,670,525
Deposits and other accounts		182,186,634	182,186,634
Sub-ordinated loans of which:		7,120,000	7,120,000
- eligible for inclusion in AT1	m	3,120,000	3,120,000
- eligible for inclusion in Tier 2	n	4,000,000	4,000,000
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities of which:		-	-
- DTLs related to goodwill	o	-	-
- DTLs related to intangible assets	p	-	-
- DTLs related to defined pension fund net assets	q	-	-
- other deferred tax liabilities	r	-	-
Other liabilities		10,284,302	10,284,302
Total liabilities		215,072,918	215,072,918
Share capital		11,652,288	11,652,288
- of which: amount eligible for CET1	s	11,652,288	11,652,288
- of which: amount eligible for AT1	t	-	-
Reserves of which:		1,227,055	1,227,055
- portion eligible for inclusion in CET1 - Statutory reserve	u	1,227,055	1,227,055
- portion eligible for inclusion in CET1 - General reserve		-	-
- portion eligible for inclusion in Tier 2	v	-	-
Unappropriated profit	w	4,692,002	4,692,002
Minority Interest of which:		-	-
- portion eligible for inclusion in CET1	x	-	-
- portion eligible for inclusion in AT1	y	-	-
- portion eligible for inclusion in Tier 2	z	-	-
Surplus on revaluation of assets of which:		(820,667)	(820,667)
- Revaluation reserves on Property	aa	-	-
- Unrealized Gains/Losses on AFS		-	-
- In case of Deficit on revaluation (deduction from CET1)	ab	(820,667)	(820,667)
Total liabilities and Equity		231,823,596	231,823,596

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

	Source based on reference number from step 2	Component of regulatory capital reported by bank (Rupees in '000)
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1 Fully Paid-up Capital/ Capital deposited with SBP	(s)	11,652,288
2 Balance in Share Premium Account		-
3 Reserve for issue of Bonus Shares		-
4 General / Statutory Reserves	(u)	1,227,055
5 Gain / (Losses) on derivatives held as Cash Flow Hedge		-
6 Unappropriated / unremitted profits	(w)	4,692,002
7 Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	(x)	-
8 CET 1 before Regulatory Adjustments		17,571,345
Common Equity Tier 1 capital: Regulatory adjustments		
9 Goodwill (net of related deferred tax liability)	(j) - (o)	-
10 All other intangibles (net of any associated deferred tax liability)	(k) - (p)	167,703
11 Shortfall of provisions against classified assets (Note 39.6.2.1)	(f)	-
12 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	{(h) - (r)} * x%	-
13 Defined-benefit pension fund net assets	{(l) - (q)} * x%	-
14 Reciprocal cross holdings in CET1 capital instruments	(d)	-
15 Cash flow hedge reserve		-
16 Investment in own shares / CET1 instruments		-
17 Securitization gain on sale		-
18 Capital shortfall of regulated subsidiaries		-
19 Deficit on account of revaluation from bank's holdings of property / AFS	(ab)	820,667
20 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(a) - (ac) - (ae)	-
21 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	(b) - (ad) - (af)	-
22 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	(i)	-
23 Amount exceeding 15% threshold of which:		-
- significant investments in the common stocks of financial entities		-
- deferred tax assets arising from temporary differences		-
24 National specific regulatory adjustments applied to CET1 capital of which:		-
- Investment in TFCs of other banks exceeding the prescribed limit		-
- Any other deduction specified by SBP (mention details)		-
25 Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions		-
26 Total regulatory adjustments applied to CET1 (Sum 9 to 25)		988,370
27 Common Equity Tier 1		16,582,975
Additional Tier 1 (AT 1) Capital		
28 Qualifying Additional Tier-1 instruments plus any related share premium of which:		3,120,000
29 - Classified as equity	(t)	-
30 - Classified as liabilities	(m)	3,120,000
31 Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	(y)	-
32 - of which: instrument issued by subsidiaries subject to phase out		-
33 AT1 before regulatory adjustments		3,120,000

	Source based on reference number from step 2	Component of regulatory capital reported by bank (Rupees in '000)
Additional Tier 1 Capital: regulatory adjustments		
34 Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)		-
35 Investment in own AT1 capital instruments		-
36 Reciprocal cross holdings in Additional Tier 1 capital instruments		-
37 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(ac)	-
38 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(ad)	-
39 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital		-
40 Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		-
41 Total of Regulatory Adjustment applied to AT1 capital (Sum 34 to 40)		-
42 Additional Tier 1 capital		-
43 Additional Tier 1 capital recognised for capital adequacy		3,120,000
44 Tier 1 Capital (CET1 + admissible AT1) (27 + 43)		19,702,975
Tier 2 Capital		
45 Qualifying Tier 2 capital instruments under Basel III plus any related share premium	(n)	4,000,000
46 Capital instruments subject to phase out arrangement from Tier 2 (Pre-Basel III instruments)		-
47 Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2) - of which: instruments issued by subsidiaries subject to phase out	(z)	-
48 General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	(g)	99,733
49 Revaluation Reserves of which:		
50 - Revaluation reserves on property	89% of (aa)	-
51 - Unrealized Gains/Losses on AFS		-
52 Foreign Exchange Translation Reserves	(v)	-
53 Undisclosed / Other Reserves (if any)		-
54 T2 before regulatory adjustments		-
		4,099,733
Tier 2 Capital: regulatory adjustments		
55 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital		-
56 Reciprocal cross holdings in Tier 2 instruments		-
57 Investment in own Tier 2 capital instrument		-
58 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(ae)	-
59 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(af)	-
60 Amount of Regulatory Adjustment applied to T2 capital		-
61 Tier 2 capital (T2)		4,099,733
62 Tier 2 capital recognised for capital adequacy		4,099,733
63 Excess Additional Tier 1 capital recognised in Tier 2 capital		-
64 Total Tier 2 capital admissible for capital adequacy		4,099,733
TOTAL CAPITAL (T1 + admissible T2) (44 + 64)		23,802,708

4 Main features of Regulatory Capital Instruments

	Main Features	Common Shares	Additional Tier I Sukuk	Tier II Sukuk
1	Issuer	Dubai Islamic Bank Pakistan Limited	Dubai Islamic Bank Pakistan Limited	Dubai Islamic Bank Pakistan Limited
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	DIBPL - CDC Symbol	DIBPL - Additional Tier I Sukuk	DIBPL - Tier II Mudaraba Sukuk
3	Governing law(s) of the instrument	Banking Companies Ordinance, 1962 and the Directives issued by SBP	Banking Companies Ordinance, 1962 and the Directives issued by SBP	Banking Companies Ordinance, 1962 and the Directives issued by SBP
	Regulatory treatment			
4	Transitional Basel III rules	Common Equity Tier 1	Additional Tier I	Tier II
5	Post-transitional Basel III rules	Common Equity Tier 1	Additional Tier I	Tier II
6	Eligible at solo/ group/ group&solo	Solo	Solo	Solo
7	Instrument type	Ordinary shares	Subordinated debt	Subordinated debt
8	Amount recognised in regulatory capital (Currency in PKR thousands, as of reporting date)	Rs. 11652288	Rs. 3,120,000	Rs. 4,000,000
9	Par value of instrument	10	Rs. 5,000	Rs. 1,000,000
10	Accounting classification	Shareholders' equity	Liability - Subordinated Sukuk	Liability - Subordinated Sukuk
11	Original date of issuance	March 21, 2006	December 24, 2018	July 14, 2017
12	Perpetual or dated	Perpetual	Perpetual	Dated
13	Original maturity date	N/A	N/A	July 2027
14	Issuer call subject to prior supervisory approval	No	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	N/A	Callable with prior approval of SBP on or after five years from the date of issue	Callable with prior approval of SBP on or after five years from the date of issue
16	Subsequent call dates, if applicable	N/A	N/A	N/A
	Coupons / dividends			
17	Fixed or floating dividend/ coupon	N/A	Floating coupon	Floating coupon
18	coupon rate and any related index/ benchmark	N/A	Expected three months Kibor plus 1.75% per annum	Expected six months Kibor plus 50 bps
19	Existence of a dividend stopper	No	N/A	N/A
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Partially discretionary	Partially discretionary
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	Noncumulative	Non-Cumulative	Cumulative
23	Convertible or non-convertible	Nonconvertible	Convertible	Convertible
24	If convertible, conversion trigger (s)	N/A	Occurrence of a non-viability trigger event (the "PONV")	Occurrence of a non-viability trigger event (the "PONV")
25	If convertible, fully or partially	N/A	Fully/partially	Fully
26	If convertible, conversion rate	N/A	It will be converted into ordinary shares of the Bank and the number of shares to be issued to Sukuk holders at the time of conversion will be equal to the 'Outstanding value of the Sukuk' (Face value minus attributable profit/loss) divided by the market value per share of the Bank's common share on the date of PONV as declared by SBP	As per SBP BPRD circular 6 of 2013 the conversion pricing formula is linked to the Fair Value per share of the common shares on the day preceding the date of PONV trigger event or, incase where market price is not available, the break up value of share duly certified by the independent auditor and the fair value of the sukuk.
27	If convertible, mandatory or optional conversion	N/A	Option of SBP	Option of SBP
28	If convertible, specify instrument type convertible into	N/A	Ordinary Shares	Common Shares
29	If convertible, specify issuer of instrument it converts into	N/A	DIBPL	DIBPL
30	Write-down feature	No	No	No
31	If write-down, write-down trigger(s)	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument	Residual interest	Residual interest	Residual interest
36	Non-compliant transitioned features	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A

5 Risk-weighted Exposures

Credit Risk

Portfolios subject to on-balance sheet exposure (Simple Approach)

	Capital requirements		Risk weighted assets	
	2018	2017	2018	2017
	------(Rupees in '000)-----			
Cash and cash equivalents	-	-	-	-
Sovereign	459,956	895	3,865,172	7,936
Banks	255,566	168,833	2,147,610	1,497,414
Public sector entities	163,171	98,945	1,371,186	877,561
Corporate	12,224,102	8,376,745	102,723,548	74,294,855
Retail	2,328,203	1,868,658	19,564,728	16,573,461
Residential mortgage	391,241	332,942	3,287,739	2,952,919
Past due loans	107,960	46,996	907,228	416,812
Deferred Tax Assets	136,943	20,227	1,150,780	179,398
Operating fixed assets	164,360	169,086	1,381,172	1,499,655
All other assets	911,469	342,992	7,659,406	3,042,056

Portfolios subject to off-balance sheet exposure - non market related (Simple approach)

Financial guarantees	1,408	506	11,836	4,487
Acceptances	325,480	419,166	2,735,128	3,717,660
Performance related commitments	451,932	415,663	3,797,748	3,686,593
Trade related commitments	342,109	369,029	2,874,863	3,272,986
Commitments in respect of operating fixed asset	182	9,337	1,526	82,815
Other Commitments	7,762	1,128	65,231	10,000

Portfolios subject to off-balance sheet exposures - market related (Current exposure method)

Banks	14,341	14,709	120,510	130,453
Customers	2,201	674	18,498	5,975

Market Risk

Interest rate risk	24,295	1,194,623	303,687	14,932,787
Equity position risk	-	-	-	-
Foreign Exchange risk	12,356	1,532	154,446	19,152
Market risk-weighted exposures	36,651	1,196,155	458,133	14,951,939

Capital Requirement for portfolios subject to Standardised Approach

Operational Risk

Capital requirement for operational risk	1,270,745	1,047,464	15,884,313	13,093,295
TOTAL	19,595,782	14,900,150	170,026,357	140,298,271

	December 31, 2018		December 31, 2017	
Capital Adequacy Ratio	Required	Actual	Required	Actual
CET1 to total RWA	6.00%	9.75%	6.00%	10.48%
Tier-1 capital to total RWA	7.50%	11.59%	7.50%	10.48%
Total capital to total RWA	11.90%	14.00%	11.28%	13.39%
Leverage ratio	3.00%	7.05%	3.00%	6.22%

6 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.

7 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), Operational Risk Management Committee (ORMC), Management Credit Committee (MCC) and Asset and Liability Committee (ALCO) support these goals.

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

7.1 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.

7.2 Risk Organization

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

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

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

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

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

7.3 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.

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

8 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.

8.1 Liquidity Coverage Ratio

The Bank calculates the Liquidity Coverage Ratio (LCR) on monthly basis as per Basel III Liquidity Standards issued under BPRD Circular No.08 dated June 23, 2016. The objective of the LCR is to promote the short-term resilience of the liquidity risk profile of the Bank and this standard requires Bank to maintain sufficient High Quality Liquid Assets (HQLA) to meet stressed cash outflows over a prospective 30-calendar days period.

Main drivers of LCR results are High Quality Liquid Assets and Net Cash outflows. Outflows are mainly deposit outflow net of cash inflows which consist of inflows from financing and money market placements upto 1 month. The inputs for calculation of LCR are as prescribed by the regulator.

High Quality Liquid Assets composed of Level-1 Assets which can be included in the stock of liquid assets at 100% of their market value and Bank has taken Cash & treasury balances and Investments GoP Ijara Sukuk. Furthermore, Level 2A and 2B assets have been taken by the Bank which can meet the SBP criteria.

Liquidity Coverage Ratio				
	2018		2017	
	Total Unweighteda Value (Average)	Total Weightedb Value (Average)	Total Unweighteda Value (Average)	Total Weightedb Value (Average)
	---(Rupees in '000)---	---(Rupees in '000)---	---(Rupees in '000)---	---(Rupees in '000)---
High Quality Liquid Assets				
1 Total high quality liquid assets (HQLA)	52,893,246	42,022,758	42,591,646	34,146,061
Cash Outflows				
2 Retail deposits and deposits from small business customers of which:	150,365,051	15,036,505	105,499,286	10,549,929
2.1 stable deposit	-	-	-	-
2.2 Less stable deposit	150,365,051	15,036,505	105,499,286	10,549,929
3 Unsecured wholesale funding of which:	26,191,305	11,595,253	36,888,302	15,371,518
3.1 Operational deposits (all counterparties)	924,431	231,108	972,779	243,195
3.2 Non-operational deposits (all counterparties)	23,171,215	9,268,486	34,645,334	13,858,134
3.3 Unsecured debt	2,095,659	2,095,659	1,270,189	1,270,189
4 Secured wholesale funding	552,762	-	-	-
5 Additional requirements of which:	197,055,281	1,777,465	176,755,965	9,352,877
5.1 Outflows related to derivative exposures & other collateral requirements	284,236	284,236	7,980,384	7,980,384
5.2 Outflows related to loss of funding on debt products	-	-	-	-
5.3 Credit and Liquidity facilities	196,771,046	1,493,229	168,775,581	1,372,493
6 Other contractual funding obligations	3,110,475	311,047	1,518,208	151,821
7 Other contingent funding obligations	8,264,454	8,264,454	6,568,018	6,568,018
8 Total Cash Outflows		36,984,725		41,994,163
Cash Inflows				
9 Secured lending	-	-	3,879,460	3,312,817
10 Inflows from fully performing exposures	13,968,784	7,864,689	7,711,056	3,855,528
11 Other Cash inflows	7,663,803	6,460,351	7,389,025	6,720,288
12 Total Cash Inflows		14,325,040		13,888,633
Total High Quality Liquid Assets (HQLA)		42,022,758		34,146,061
Total Net Cash Outflows		22,659,685		28,105,530
Liquidity Coverage Ratio		185.45%		121.49%

a. Unweighted values must be calculated as outstanding balances maturing or callable within 30 days (for inflows and outflows).

b. Weighted values must be calculated after the application of respective haircuts (for HQLA) or inflow and outflow rates (for inflows and outflows).

8.2 Net Stable Funding Ratio

The objective of Net Stable Funding Ratio (NSFR) is to reduce funding risk over a longer time horizon by requiring banks to fund their activities with sufficiently stable sources of funding in order to mitigate the risk of future funding stress.

2018					
Unweighted Value by Residual Maturity					Weighted Value
No Maturity	< 6 months	6 months to < 1 yr	≥ 1 yr		
(Rupees in '000)					
Available Stable Funding					
1	Capital:				
2	Regulatory capital	17,570,841	-	-	17,570,841
3	Other capital instruments	7,120,000	-	-	7,120,000
4	Retail deposits & deposit from small business customers:				
5	Stable deposits	-	-	-	-
6	Less stable deposits	108,437,339	8,373,929	3,928,652	118,650,460
7	Wholesale funding:	-	-	-	-
8	Operational deposits	1,336,805	-	-	668,403
9	Other wholesale funding	21,187,747	26,231,614	9,365,543	37,192,023
10	Other liabilities:				
11	NSFR derivative liabilities			233,595	-
12	All other liabilities & equity not included in other categories	-	25,201,712	560,238	280,119
13	Total ASF				181,481,846
Required Stable Funding					
14	Total NSFR high-quality liquid assets (HQLA)				9,733,717
15	Deposits held at other financial institutions for operational purposes	-	1,241,840	-	620,920
16	Performing loans and securities:				
17	Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-
18	Performing loans to financial institutions secured by non-financial institutions	-	4,000,000	-	600,000
19	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	62,249,925	7,929,045	115,848,582
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	243,979	1,717,312	19,287,380
21	Securities that are not in default and do not qualify as HQLA including exchange-traded equities.	-	-	-	-
22	Other assets:				
23	Physical traded commodities, including gold				
24	Assets posted as initial margin for derivative contracts				
25	NSFR derivative assets			229,600	-
26	NSFR derivative liabilities before deduction of variation margin posted			46,719	46,719
27	All other assets not included in the above categories	14,011,005	230,157	230,157	14,240,981
28	Off-balance sheet items		191,749,294	4,311,791	9,816,840
29	Total RSF			275,718	170,195,139
30	Net Stable Funding Ratio (%)				106.63%

2017					
Unweighted Value by Residual Maturity					Weighted Value
No Maturity	< 6 months	6 months to < 1 yr	≥ 1 yr		
----- (Rupees in '000) -----					
Available Stable Funding					
1	Capital:				
2	Regulatory capital	15,054,435	-	-	15,054,435
3	Other capital instruments	4,000,000	-	-	4,000,000
4	Retail deposits & deposit from small business customers:				
5	Stable deposits	-	-	-	-
6	Less stable deposits	96,456,136	6,445,409	3,331,095	108,438,602
7	Wholesale funding:	-	-	-	-
8	Operational deposits	1,722,176	-	-	861,088
9	Other wholesale funding	4,284,534	11,765,525	7,257,968	25,346,575
10	Other liabilities:				
11	NSFR derivative liabilities			133,403	-
12	All other liabilities & equity not included in other categories	-	13,546,001	517,894	258,947
13	Total ASF				153,959,647

Required Stable Funding					
14	Total NSFR high-quality liquid assets (HQLA)				10,028,842
15	Deposits held at other financial institutions for operational purposes	-	1,173,266	-	586,633
16	Performing loans and securities:				
17	Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	4,860,272	-	729,041
19	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	41,365,193	6,903,031	89,983,053
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	391,271	628,637	14,545,269
21	Securities that are not in default and do not qualify as HQLA including exchange-traded equities.	-	-	-	-
22	Other assets:				
23	Physical traded commodities, including gold				
24	Assets posted as initial margin for derivative contracts				
25	NSFR derivative assets			189,853	189,853
26	NSFR derivative liabilities before deduction of variation margin posted			26,681	26,681
27	All other assets not included in the above categories	9,144,532	35,880	35,880	9,180,411
28	Off-balance sheet items		213,650,140	3,447,638	10,953,809
29	Total RSF				136,223,591
30	Net Stable Funding Ratio (%)				113.02%