

**Dubai Islamic Bank
Pakistan Limited**

Financial Statements
for the year ended
December 31, 2019

Dubai Islamic Bank Pakistan Limited

Statement of Financial Position

As at December 31, 2019

	Note	2019 --- (Rupees in '000) ---	2018
ASSETS			
Cash and balances with treasury banks	5	19,417,428	17,752,920
Balances with other banks	6	1,246,953	1,241,840
Due from financial institutions	7	5,590,405	4,000,000
Investments	8	49,157,269	45,850,970
Islamic financing and related assets - net	9	177,921,837	153,306,380
Fixed assets	10	4,288,414	1,381,172
Intangible assets	11	204,062	169,752
Deferred tax assets	17	-	460,313
Other assets	12	6,812,250	7,659,406
		264,638,618	231,822,753
LIABILITIES			
Bills payable	13	2,972,307	2,811,457
Due to financial institutions	14	9,813,903	12,670,525
Deposits and other accounts	15	209,952,073	182,186,634
Subordinated sukuk	16	7,120,000	7,120,000
Deferred tax liabilities	17	750,167	-
Other liabilities	18	11,867,534	10,283,963
		242,475,984	215,072,579
NET ASSETS		22,162,634	16,750,174
REPRESENTED BY			
Share capital	19	11,652,288	11,652,288
Reserves	20	1,896,073	1,226,954
Surplus / (deficit) on revaluation of investments	21	1,265,224	(820,667)
Unappropriated profit		7,349,049	4,691,599
		22,162,634	16,750,174
CONTINGENCIES AND COMMITMENTS	22		

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

President & CEO

Chief Financial Officer

Director

Director

Director

Dubai Islamic Bank Pakistan Limited

Profit and Loss Account

For the year ended December 31, 2019

	Note	2019 --- (Rupees in '000) ---	2018
Profit / return earned	23	26,138,948	14,901,469
Profit / return expensed	24	(15,615,070)	(6,778,333)
Net Profit / return		10,523,878	8,123,136
OTHER INCOME			
Fee and commission income	25	1,679,676	1,682,033
Dividend income		-	-
Foreign Exchange income		709,722	562,923
Gain on securities	26	367,270	-
Other income	27	2,989	3,407
Total other income		2,759,657	2,248,363
Total income		13,283,535	10,371,499
OTHER EXPENSES			
Operating expenses	28	(6,658,707)	(5,942,917)
Workers Welfare Fund		(116,083)	(86,568)
Other charges	29	(99,043)	(239)
Total other expenses		(6,873,833)	(6,029,724)
Profit before provisions		6,409,702	4,341,775
Provisions and write offs - net	30	(721,628)	(221,788)
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		5,688,074	4,119,987
Taxation	31	(2,342,477)	(1,610,722)
PROFIT AFTER TAXATION		3,345,597	2,509,265
--- (Rupees) ---			
Basic & diluted earnings per share	32	2.87	2.15

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

President & CEO

Chief Financial Officer

Director

Director

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Dubai Islamic Bank Pakistan Limited

Statement of Comprehensive Income

For the year ended December 31, 2019

	2019	2018
	--- (Rupees in '000) ---	
Profit after taxation for the year	3,345,597	2,509,265
Other comprehensive income		
Items that may be reclassified to profit and loss account in subsequent periods:		
Movement in surplus / (deficit) on revaluation of investments - net of tax	2,085,891	(678,402)
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement (loss) / gain on defined benefit obligation - net of tax	(19,028)	7,140
Total comprehensive income	5,412,460	1,838,003

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Dubai Islamic Bank Pakistan Limited
Statement of Changes in Equity
For the year ended December 31, 2019

	Share capital	Statutory reserve	Surplus / (deficit) on revaluation of investments	Unappropriated profit	Total
			(Rupees in '000)		
Balance as at January 01, 2018	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 loss - 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
Profit after taxation for the year	-	-	-	3,345,597	3,345,597
Other comprehensive income - net of tax	-	-	2,085,891	(19,028)	2,066,863
	-	-	2,085,891	3,326,569	5,412,460
Transfer to statutory reserve	-	669,119	-	(669,119)	-
Balance as at December 31, 2019	11,652,288	1,896,073	1,265,224	7,349,049	22,162,634

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

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Dubai Islamic Bank Pakistan Limited

Cash Flow Statement

For the year ended December 31, 2019

	Note	2019 ----- (Rupees in '000) -----	2018
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		5,688,074	4,119,987
Adjustments for:			
Depreciation	10.2	316,018	315,892
Depreciation on right-of-use assets	28	665,051	-
Amortisation	11.2	58,623	73,357
Finance cost on Ijarah (lease) liabilities	24	323,628	-
Gain on securities	26	(367,270)	-
Gain on sale of fixed assets	27	(2,989)	(3,407)
Provisions and write offs - net	30	721,628	221,788
		<u>1,714,689</u>	<u>607,630</u>
		7,402,763	4,727,617
(Increase) / decrease in operating assets			
Due from financial institutions		(1,590,405)	860,272
Islamic financing and related assets		(25,330,477)	(33,982,511)
Others assets		(1,202,072)	(1,182,520)
		<u>(28,122,954)</u>	<u>(34,304,759)</u>
Increase / (decrease) in operating liabilities			
Bills payable		160,850	(866,443)
Due to financial institutions		(2,850,847)	7,409,108
Deposits and other accounts		27,765,439	32,891,177
Other liabilities (excluding current taxation, etc.)		586,581	1,674,682
		<u>25,662,023</u>	<u>41,108,524</u>
		4,941,832	11,531,382
Income taxes paid		(2,276,906)	(1,582,745)
Net cash flow generated from operating activities		<u>2,664,926</u>	<u>9,948,637</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		262,648	(5,443,935)
Payment of Ijarah (lease) liabilities against right-of-use assets		(904,825)	-
Investments in fixed assets		(283,298)	(202,722)
Proceeds from sale of fixed assets		28,878	8,720
Investments in intangibles		(92,933)	(38,980)
Net cash flow used in investing activities		<u>(989,530)</u>	<u>(5,676,917)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Subordinated sukuk		-	3,120,000
Net cash flow generated from financing activities		<u>-</u>	<u>3,120,000</u>
Increase in cash and cash equivalents		<u>1,675,396</u>	<u>7,391,720</u>
Cash and cash equivalents at beginning of the year		18,988,985	11,597,265
Cash and cash equivalents at end of the year	33	<u>20,664,381</u>	<u>18,988,985</u>

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

President & CEO

Chief Financial Officer

Director

Director

Director

Dubai Islamic Bank Pakistan Limited
Notes to and forming part of the Financial Statements
For the year ended December 31, 2019

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 Islamic 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, investing and retail banking activities.
- 1.3** VIS Credit Rating Company Limited (formerly JCR-VIS Credit Rating Company Limited) on June 28, 2019 has upgraded the Bank's medium to long-term rating as 'AA' (Double A) and the short term rating as 'A-1+' (A-One Plus) with stable outlook.
- 1.4** The Bank is operating through 235 branches (including 25 sub-branches) as at December 31, 2019 (2018: 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 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 of the Bank.

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 SBP and the SECP.

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 SBP through BPRD Circular Letter No. 4 dated February 25, 2015, has clarified that the reporting requirements of IFAS 3, 'Profit and Loss Sharing on Deposits', for Islamic Banking Institutions (IBIs) relating to annual, half-yearly and quarterly financial statements would be notified by the SBP through issuance of specific instructions and uniform disclosure formats in consultation with IBIs. Accordingly, the disclosure requirements under IFAS 3 have not been considered in preparation of these Financial Statements.

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

During the current year, the SBP vide BPRD Circular Letter No. 08 of 2019 has adopted IFRS 16, "Leases". The impacts of adopting IFRS 16 are detailed in note 4.1 of these financial statements.

There are certain new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 01, 2019 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.

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, 2020:

- 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 01, 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 standard 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 01, 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.
- On March 29, 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of January 01, 2020, unless the new guidance contains specific scope outs.
- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after July 01, 2018 and January 01, 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 yet been updated to December 31, 2019. The State Bank of Pakistan through its circular no. 4 of 2019 dated October 23, 2019, has extended the effective date of the standard on Banks to January 01, 2021 and have required Banks to have a parallel run of IFRS 9 from January 01, 2020. The Banks are also required to prepare a pro-forma financial statements which includes the impact of IFRS 9 from the year ended December 31, 2019.
- IFRS 14 - Regulatory Deferral Accounts (effective for the annual periods beginning on or after July 01, 2019). The standard provide interim guidance on accounting for regulatory deferral account balances by first-time adopters of IFRS while IASB considers more comprehensive guidance on the accounting for the effects of rate regulation. In order to apply the interim standard, an entity has to be to rate-regulated i.e. the establishment of prices that can be charged to its customers for goods and services is subject to oversight and/or approval by an authorized body.

The above amendments are effective from annual periods beginning on or after January 01, 2020 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, if any, 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, 17 and 31)
- iv) determination of useful lives and depreciation / amortisation (notes 4.6, 10 and 11)
- v) accounting for defined benefit plan (notes 4.13 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 IFRS 16 - Leases

The Bank has adopted IFRS 16, "Leases" based on the SBP BPRD Circular Letter No. 08 of 2019.

The Bank has not restated comparatives for the year ended 2018, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising therefrom are therefore recognised in the opening statement of financial position on January 01, 2019.

On adoption of IFRS 16, the Bank recognised Ijarah (lease) liabilities in relation to leases, which had previously been classified as 'operating leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 01, 2019. The weighted average incremental borrowing rate of the Bank applied to Ijarah (lease) liabilities on January 01, 2019 was 13.32%.

The effect of this change in accounting policy is as follows:

	December 31, 2019	January 01, 2019
	----- (Rupees in '000) -----	
Impact on Statement of Financial Position		
Increase in fixed assets - right-of-use assets	2,965,851	2,992,413
Decrease in other assets - advances, deposits, advance rent and other prepayments	(412,719)	(345,085)
(Increase) / decrease in other liabilities:		
- Ijarah (lease) liabilities against right-of-use assets	(2,704,620)	(2,647,328)
- Current taxation	57,899	-
- Workers welfare fund	3,030	-
Decrease in net assets	<u><u>(90,559)</u></u>	<u><u>-</u></u>

Impact on Profit and Loss account

Increase in Profit / return expensed - Finance cost on Ijarah (lease) liabilities	(323,628)
(Increase) / decrease in administrative expenses:	
- Depreciation on right-of-use assets	(665,051)
- Rent expense	837,191
Decrease in Workers Welfare Fund	3,030
Decrease in profit before tax	<u>(148,458)</u>
Decrease in taxation expense	57,899
Decrease in profit after tax	<u><u>(90,559)</u></u>
	---- (Rupees) ----
Decrease in earnings per share - basic & diluted	<u><u>(0.08)</u></u>

4.2 Cash and cash equivalents

Cash and cash equivalents for the purpose of statement of cash flow 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 / Mudaraba

In Musharaka / Mudaraba, 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 Islmaic Export Refinance Scheme (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 trade date, which is the date on which the Bank commits to purchase or sell the investments.

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 recognised 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. On derecognition of available-for-sale investments, the cumulative gain / loss, if any, previously reported in other comprehensive income is transferred to profit and loss account for the period within statement of comprehensive income.

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 SBP. In case of impairment of available for sale securities, the cumulative loss that previously reported in other comprehensive income is transferred to profit and loss account for the year. 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 Musharaka Financing limit during the Musharaka 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 or 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 9.14.3), the Bank maintains general provisions as follows:

	Secured	Unsecured
Consumer financings (including housing finance)	0.5% - 1.5%	5.0%

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 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 Right-of-Use (RoU) assets

At the commencement date of the lease, the right-of-use asset is initially measured at the present value of lease liability. Subsequently, RoU assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any premeasurement of lease liabilities and prepayments. RoU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

4.6.3 Capital work-in-progress

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

4.6.4 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.

4.6.5 Impairment

The Bank assesses at each reporting date whether there is any indication that the fixed assets and intangibles may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment charge is recognised in the profit and loss account.

4.7 Taxation

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

Deposits taken on Qard basis are classified as 'Current accounts' and deposits generated on mudaraba 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 Mudaraba 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 Musharaka 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 prioritises 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 SBP under IERS, high net-worth individuals / companies / financial institutions and other banks for investments in Shari'a compliant modes of financing and liquidity management under the Musharaka / mudaraba/ 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 expense of general or administrative nature 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 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 Musharaka. Profit is shared among Mudaraba 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 Mudaraba.

Islamic Export Refinance - Musharaka 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 Musharaka arrangement with the Bank for onward financing to exporters and other blue chip companies on the basis of Shari'a compliant modes such as Murabaha, Istisna, etc. Under the scheme, SBP is required to share in profit and loss of the Bank's IERS Musharaka 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 Musharaka/Mudaraba 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 characteristics 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 a 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 by placing 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 Ijarah (lease) Liability

At the commencement date of the ijarah (lease), the Bank recognises ijarah (lease) liability measured at the present value of the consideration (ijarah payments) to be made over the Ijarah (lease) term. The lease payments are discounted using the effective rate implicit in the ijarah (lease), unless it is not readily determinable, in which case the Mustajir (lessee) may use the incremental rate of financing. After the commencement date, the carrying amount of ijarah (lease) liability is increased to reflect the accretion of finance cost and reduced for the ijarah (lease) payments made.

4.12 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.

4.13 Staff Retirement Benefits

4.13.1 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 reporting 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, 2019.

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 years in which they occur.

4.13.2 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.

4.14 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 time basis after acquisition of assets. 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 mudaraba financing is adjusted after declaration of profit / (loss) by Musharaka partner / mudarib or at liquidation of Musharaka / mudaraba.
- Profit on Bai Muajjal transaction is recognised on an accrual basis.
- Profit on Running Musharaka financings is booked on an accrual basis and is adjusted upon declaration of profit by Musharaka 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 recognised 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.

4.15 Financial Instruments

4.15.1 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.

4.15.2 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.

4.15.3 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.

4.16 Fiduciary Assets

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

4.17 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.

4.18 Foreign Currencies

Foreign currency transactions and balances

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.

4.19 Provisions and Contingent Assets and Liabilities

Provisions are recognised 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.

4.20 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.

4.20.1 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.

4.20.2 Geographical segment

The Bank operates only in Pakistan.

	Note	2019 ----- (Rupees in '000) -----	2018
5 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
- local currency		2,614,985	2,629,526
- foreign currencies		875,744	816,475
		<u>3,490,729</u>	<u>3,446,001</u>
With State Bank of Pakistan in			
- local currency current accounts	5.1	11,957,210	10,938,070
- foreign currency current accounts		6,824	3,423
- foreign currency deposit accounts			
- Cash reserve account	5.2	1,502,099	1,305,371
- Special cash reserve account	5.2	1,802,411	1,566,348
		<u>3,304,510</u>	<u>2,871,719</u>
With National Bank of Pakistan in			
- local currency current accounts		658,155	493,707
		<u>19,417,428</u>	<u>17,752,920</u>

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 5% of its demand and time liabilities in Pakistan.

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	2019 ----- (Rupees in '000) -----	2018
6 BALANCES WITH OTHER BANKS			
In Pakistan			
- in local currency current accounts		773,233	589,720
- in foreign currency current account		448	-
- in local currency deposit account		10	10
		<u>773,691</u>	<u>589,730</u>
Outside Pakistan			
- in foreign currencies current accounts	6.1	473,262	652,110
		<u>1,246,953</u>	<u>1,241,840</u>

6.1 This includes an amount of Rs. 36.61 million (2018: Rs. 43.13 million) deposited with the holding company.

	Note	2019 ----- (Rupees in '000) -----	2018
7 DUE FROM FINANCIAL INSTITUTIONS			
Bai Muajjal receivable from Scheduled Banks - secured	7.1 & 7.1.1	3,590,405	-
Musharaka - unsecured	7.2	2,000,000	4,000,000
		<u>5,590,405</u>	<u>4,000,000</u>

7.1 These carry expected yield of 12.25% (2018: Nil) per annum and are due to mature latest by January 23, 2020 (2018: Nil).

	2019 ----- (Rupees in '000) -----	2018
7.1.1 Bai Muajjal receivable	3,590,405	-
Less: Deferred income	(26,238)	-
Profit receivable net of deferred income	(10,733)	-
Bai Muajjal placements	<u>3,553,434</u>	<u>-</u>

7.2 These carry expected profit rate of 9% (2018: 9.5%) per annum and are due to mature latest by January 07, 2020 (2018: January 02, 2019).

	2019 ----- (Rupees in '000) -----	2018
7.3 Particulars of amounts due from financial institutions		
In local currency	5,590,405	4,000,000
In foreign currencies	-	-
	<u>5,590,405</u>	<u>4,000,000</u>

8 INVESTMENTS

8.1 Investments by types:

		2019				2018			
Note		Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value	Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value
----- (Rupees in '000) -----									
Available-for-sale securities									
Federal Government securities	8.4.1	9,898,236	-	(98,982)	9,799,254	14,497,645	-	(178,047)	14,319,598
Non-Government debt securities	8.4.2	22,639,475	(77,881)	2,208,716	24,770,310	10,825,946	(70,495)	332,813	11,088,264
Foreign securities	8.4.3	10,750,940	-	(163,235)	10,587,705	17,860,438	-	(1,417,330)	16,443,108
		43,288,651	(77,881)	1,946,499	45,157,269	43,184,029	(70,495)	(1,262,564)	41,850,970
Held-to-maturity securities									
Federal Government securities	8.5	4,000,000	-	-	4,000,000	4,000,000	-	-	4,000,000
Total investments		47,288,651	(77,881)	1,946,499	49,157,269	47,184,029	(70,495)	(1,262,564)	45,850,970

		2019				2018			
		Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value	Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value
8.2	Investments by segments:	----- (Rupees in '000) -----							
	Federal Government securities								
	GOP Ijarah sukuk	13,898,236	-	(98,982)	13,799,254	18,497,645	-	(178,047)	18,319,598
	Non-Government debt securities								
	Listed	18,837,659	-	2,208,716	21,046,375	5,786,630	-	332,813	6,119,443
	Unlisted	3,801,816	(77,881)	-	3,723,935	5,039,316	(70,495)	-	4,968,821
		22,639,475	(77,881)	2,208,716	24,770,310	10,825,946	(70,495)	332,813	11,088,264
	Foreign securities								
	Government debt securities	3,871,190	-	63,100	3,934,290	8,334,672	-	(611,175)	7,723,497
	Non-Government debt securities	6,879,750	-	(226,335)	6,653,415	9,525,766	-	(806,155)	8,719,611
		10,750,940	-	(163,235)	10,587,705	17,860,438	-	(1,417,330)	16,443,108
	Total investments	47,288,651	(77,881)	1,946,499	49,157,269	47,184,029	(70,495)	(1,262,564)	45,850,970

8.2.1 Investments given as collateral

There were no investments given as collateral at December 31, 2019 (2018: Nil).

8.3 Provision for diminution in value of investments

	Note	2019	2018
		(Rupees in '000)	
8.3.1 Opening balance		70,495	47,102
Charge for the year		7,386	23,393
Closing balance	8.3.2	77,881	70,495

8.3.2 This represent sukuk of Quetta Textile Mills Limited amounting to Rs. 89.32 million (2018: Rs. 89.32 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. 11.44 million (2018: Rs. 18.82 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, 2019 amounting to Rs. 6.98 million (2018: Rs. 11.48 million) is not available for distribution as either cash or stock dividend.

8.3.3 Particulars of provision against debt securities

Category of classification	2019		2018	
	*NPI	Provision	*NPI	Provision
(Rupees in '000)				
Domestic				
Other Assets Especially Mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	89,316	77,881	89,316	70,495
	89,316	77,881	89,316	70,495
Overseas	-	-	-	-
Total	89,316	77,881	89,316	70,495

* NPI stands for non-performing investments.

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

Details regarding quality of AFS securities are as follows:

8.4.1 Federal Government securities - Government guaranteed

GOP Ijara sukuk - XVII
 GOP Ijara sukuk - XVIII
 GOP Ijara sukuk - XIX

Cost / amrotised cost	
2019	2018
----- (Rupees in '000) -----	
-	3,898,475
-	700,934
9,898,236	9,898,236
9,898,236	14,497,645

8.4.2 Non-Government debt securities

Listed

AAA
 AA+, AA, AA-
 A+, A, A-
 Unrated

3,489,076	4,108,614
961,083	1,345,516
237,500	332,500
14,150,000	-
18,837,659	5,786,630

Unlisted

Unrated

3,801,816	5,039,316
22,639,475	10,825,946

Rating		Cost / amrotised cost	
2019	2018	2019	2018
----- (Rupees in '000) -----			

8.4.3 Foreign securities

Government securities

Dubai International Financial Center - related party
 Perusahaan SBSN Indonesia
 Government of the Sultanate of Oman

- BBB-
 - Baa2
Ba1 Baa3

-	1,290,092
-	3,573,033
3,871,190	3,471,547
3,871,190	8,334,672

Non-Government debt securities

Listed

BBB+ / Baa1, BBB / Baa2, BBB- / Baa3
 BB+ / Ba1, BB / Ba2, BB- / Ba3
 B+ / B1, B / B2, B- / B3

2,629,748	5,683,596
-	1,719,500
4,250,002	2,122,670
6,879,750	9,525,766
10,750,940	17,860,438

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

Federal Government securities - Government guaranteed

GOP Ijarah sukuk - XIX

4,000,000	4,000,000
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8.5.1 The market value of securities classified as held-to-maturity as at December 31, 2019 amounted to Rs. 3,960 million (2018: Rs. 3,928 million).

9 ISLAMIC FINANCING AND RELATED ASSETS

	Note	Performing		Non-Performing		Total	
		2019	2018	2019	2018	2019	2018
		(Rupees in '000) -----					
Murabaha	9.1	24,946,574	30,777,169	523,325	197,450	25,469,899	30,974,619
Musawamah	9.2	2,340,333	1,680,357	87,295	38,472	2,427,628	1,718,829
Tijarah cum wakala	9.3	4,730,303	5,233,529	-	-	4,730,303	5,233,529
Istisna cum Wakala	9.4	11,462,103	10,576,752	546,980	649,773	12,009,083	11,226,525
Salam	9.5	1,438,986	289,498	-	-	1,438,986	289,498
Islamic Export Refinance Scheme - SBP	9.6	7,057,242	6,483,750	-	-	7,057,242	6,483,750
Islamic Long Term Financing Facility - SBP	9.7	938,963	-	-	-	938,963	-
Wakala Istithmar		19,593,584	14,480,002	167,765	135,972	19,761,349	14,615,974
Running Musharaka financing		27,179,165	10,480,970	-	-	27,179,165	10,480,970
Shirkatulmilk - Housing	9.8	9,254,227	9,706,066	378,671	289,404	9,632,898	9,995,470
Shirkatulmilk - Autos	9.9	16,979,101	18,331,125	316,301	298,290	17,295,402	18,629,415
Shirkatulmilk - Fleet financing	9.10	7,649,095	7,833,852	182,486	146,139	7,831,581	7,979,991
Shirkatulmilk - Others	9.11	14,958,776	17,501,522	2,207,427	1,137,555	17,166,203	18,639,077
Diminishing Musharaka - Others		25,771,325	17,307,175	76,930	-	25,848,255	17,307,175
Staff financing		1,953,559	1,842,761	52,984	45,440	2,006,543	1,888,201
Islamic financing and related assets (gross)		176,253,336	152,524,528	4,540,164	2,938,495	180,793,500	155,463,023

Provision against Islamic financing and related assets

Specific	9.14	-	-	(2,738,605)	(2,056,910)	(2,738,605)	(2,056,910)
General		(133,058)	(99,733)	-	-	(133,058)	(99,733)
		(133,058)	(99,733)	(2,738,605)	(2,056,910)	(2,871,663)	(2,156,643)
Islamic financing and related assets - net of provision		176,120,278	152,424,795	1,801,559	881,585	177,921,837	153,306,380

		Note	2019	2018
			--- (Rupees in '000) ---	
9.1 Murabaha				
Financing		9.1.1	8,678,014	9,890,353
Inventory			16,082,423	19,980,138
Advance			709,462	1,104,128
			<u>25,469,899</u>	<u>30,974,619</u>
9.1.1 Murabaha financings		9.1.3	8,678,014	9,890,353
Less: Deferred murabaha income		9.1.4	(1,222,885)	(1,617,656)
Profit receivable net of deferred income			(801,153)	(744,320)
Murabaha financings - net			<u>6,653,976</u>	<u>7,528,377</u>
9.1.2 The movement in Murabaha financing during the year is as follows:				
Opening balance			7,528,377	7,901,169
Sales during the year			38,895,915	33,926,925
Adjusted during the year			(39,770,316)	(34,299,717)
Closing balance			<u>6,653,976</u>	<u>7,528,377</u>
9.1.3 Murabaha sale price			8,678,014	9,890,353
Murabaha purchase price			(6,653,976)	(7,528,377)
			<u>2,024,038</u>	<u>2,361,976</u>
9.1.4 Deferred murabaha income				
Opening balance			1,617,656	972,695
Arising during the year			3,365,535	2,817,759
Less: Recognised during the year			(3,760,306)	(2,172,798)
Closing balance			<u>1,222,885</u>	<u>1,617,656</u>
9.2 Musawamah				
Financing		9.2.1	2,374,564	1,683,843
Advance			53,064	34,986
			<u>2,427,628</u>	<u>1,718,829</u>
9.2.1 Musawamah receivable		9.2.3	2,374,564	1,683,843
Less: Deferred Musawama income		9.2.4	(714,198)	(503,290)
Profit receivable net of deferred income			(33,024)	(27,463)
Musawamah financings - net			<u>1,627,342</u>	<u>1,153,090</u>
9.2.2 The movement in Musawamah financing during the year is as follows:				
Opening balance			1,153,090	695,354
Sales during the year			968,154	730,838
Adjusted during the year			(493,902)	(273,102)
Closing balance			<u>1,627,342</u>	<u>1,153,090</u>

		2019	2018
		--- (Rupees in '000) ---	
9.2.3	Musawamah sale price	2,374,564	1,683,843
	Musawamah purchase price	(1,627,342)	(1,153,090)
		747,222	530,753
9.2.4	Deferred Musawamah income		
	Opening balance	503,290	308,243
	Arising during the year	570,558	416,110
	Less: Recognised during the year	(359,650)	(221,063)
	Closing balance	714,198	503,290
9.3	Tijarah cum wakala		
	Financing	3,780,540	4,996,704
	Inventory	949,763	236,825
		4,730,303	5,233,529
9.4	Istisna cum Wakala		
	Financing	8,144,766	10,150,038
	Advance	3,864,317	1,076,487
		12,009,083	11,226,525
9.5	Salam		
	Financing	288,986	289,498
	Advance	1,150,000	-
		1,438,986	289,498
9.6	Islamic Export Refinance Scheme - SBP		
	Istisna - Advance	363,000	56,000
	Running Musharaka - Financing	3,429,900	3,686,900
	Wakala Istithmar - Financing	3,264,342	2,740,850
		7,057,242	6,483,750
9.7	Islamic Long Term Financing Facility - SBP		
	Financing	938,963	-
9.8	Shirkatulmilk - Housing		
	Financing	9,578,338	9,904,350
	Advance	54,560	91,120
		9,632,898	9,995,470
9.9	Shirkatulmilk - Autos		
	Financing	16,943,616	18,057,537
	Advance	351,786	571,878
		17,295,402	18,629,415
9.10	Shirkatulmilk - Fleet financing		
	Financing	7,628,398	7,407,445
	Advance	203,183	572,546
		7,831,581	7,979,991
9.11	Shirkatulmilk - Others		
	Financing	17,166,203	18,639,077
9.12	Particulars of Islamic financing and related assets (gross)		
	In local currency	179,838,524	155,419,905
	In foreign currencies	954,976	43,118
		180,793,500	155,463,023
9.13	Islamic financing and related assets include Rs. 4,540.164 million (2018: Rs. 2,938.495 million) which have been placed under non-performing status as detailed below:		

Category of Classification	2019		2018	
	Non-Performing	Provision held	Non-Performing	Provision held
	----- (Rupees in '000) -----			
Domestic				
Other Assets Especially Mentioned	53,990	-	19,704	-
Substandard	467,090	57,317	423,956	96,435
Doubtful	856,995	80,302	686,151	358,849
Loss	3,162,089	2,600,986	1,808,684	1,601,626
	4,540,164	2,738,605	2,938,495	2,056,910

9.14 Particulars of provision against Islamic financing and related assets:

	2019			2018		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
Opening balance	2,056,910	99,733	2,156,643	1,881,404	76,844	1,958,248
Charge for the year	766,561	33,325	799,886	293,505	22,889	316,394
Reversals during the year	(84,866)	-	(84,866)	(117,999)	-	(117,999)
	681,695	33,325	715,020	175,506	22,889	198,395
Amounts written-off	-	-	-	-	-	-
Closing balance	2,738,605	133,058	2,871,663	2,056,910	99,733	2,156,643

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

	2019			2018		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
In local currency	2,737,450	133,058	2,870,508	2,051,667	99,733	2,151,400
In foreign currency	1,155	-	1,155	5,243	-	5,243
	2,738,605	133,058	2,871,663	2,056,910	99,733	2,156,643

9.14.2 As allowed by the SBP, the Bank has availed benefit of Forced Sale Value (FSV) amounting to Rs. 961.903 million (2018: Rs. 280.116 million) in determining the provisioning against non performing Islamic financings as at December 31, 2019. The additional profit arising from availing the FSV benefit - net of tax as at December 31, 2019 which is not available for distribution as either cash or stock dividend to shareholders amounted to Rs. 625.237 million (2018: Rs. 182.075 million).

9.14.3 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	2019	2018
		--- (Rupees in '000) ---	
10 FIXED ASSETS			
Capital work-in-progress	10.1	78,326	18,237
Property and equipment	10.2	1,244,237	1,362,935
Right-of-use assets	10.3	2,965,851	-
		<u>4,288,414</u>	<u>1,381,172</u>
10.1 Capital work-in-progress			
Civil works		38,485	-
Equipment		39,841	18,237
		<u>78,326</u>	<u>18,237</u>

10.2 Property and equipment

	2019				
	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Leasehold Improvements	Total
	----- (Rupees in '000) -----				
As at January 1,					
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	<u>111,037</u>	<u>787,627</u>	<u>24,428</u>	<u>439,843</u>	<u>1,362,935</u>
Year ended December 31,					
Opening net book value	111,037	787,627	24,428	439,843	1,362,935
Additions	3,098	155,950	44,107	20,054	223,209
Cost of assets disposed off	(496)	(180,441)	(21,442)	(284)	(202,663)
Cost of assets written off	-	-	-	-	-
	2,602	(24,491)	22,665	19,770	20,546
Depreciation charge	(23,047)	(187,386)	(11,139)	(94,446)	(316,018)
Accumulated depreciation of disposals	450	158,997	17,153	174	176,774
Accumulated depreciation of assets written-off	-	-	-	-	-
	(22,597)	(28,389)	6,014	(94,272)	(139,244)
Closing net book value	<u>91,042</u>	<u>734,747</u>	<u>53,107</u>	<u>365,341</u>	<u>1,244,237</u>
As at December 31,					
Cost	385,869	2,366,379	85,289	1,387,446	4,224,983
Accumulated depreciation	(294,827)	(1,631,632)	(32,182)	(1,022,105)	(2,980,746)
Net book value	<u>91,042</u>	<u>734,747</u>	<u>53,107</u>	<u>365,341</u>	<u>1,244,237</u>
Rate of depreciation	<u>10%</u>	<u>10%-33.33%</u>	<u>25%</u>	<u>5%-15%</u>	
	2018				
	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Leasehold Improvements	Total
	----- (Rupees in '000) -----				
As at January 1,					
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	<u>128,213</u>	<u>837,704</u>	<u>19,438</u>	<u>514,054</u>	<u>1,499,409</u>
Year ended December 31,					
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	<u>111,037</u>	<u>787,627</u>	<u>24,428</u>	<u>439,843</u>	<u>1,362,935</u>
As at December 31,					
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	<u>111,037</u>	<u>787,627</u>	<u>24,428</u>	<u>439,843</u>	<u>1,362,935</u>
Rate of depreciation	<u>10%</u>	<u>10%-33.33%</u>	<u>25%</u>	<u>5%-15%</u>	

10.2.1 Details of disposal of fixed assets to related parties or other persons having net book value of Rs. 500,000 or above are as follows:

	2019						Particulars of buyer
	Cost	Accumulated depreciation	Net book value	Sale price	Gain / (loss)	Mode of disposal	
	(Rupees in '000)						
Items having book value of more than Rs. 500,000							
Electrical, office and computer equipment	177,590	156,693	20,897	17,616	(3,281)	Bank's Policy	Various
<u>Vehicles</u>							
Toyota Land Cruiser	17,426	13,941	3,485	7,243	3,758	As per contract	Mr. Junaid Ahmed (CEO)
Toyota Corolla XLI	1,540	1,232	308	1,410	1,102	Bank's Policy	Mr. Ali Afzal
Toyota Corolla XLI	1,540	1,232	308	1,550	1,242	Bank's Policy	Mr. Rauf Waheed
Honda City	936	748	188	748	560	Bank's Policy	Ms. Asmat Khan Sherani

10.2.2 The cost of fully depreciated fixed assets still in use amounts to Rs. 2,043.099 million (2018: Rs. 1,850.313 million).

Note **2019** 2018
--- (Rupees in '000) ---

10.3 Right-of-use assets

Building on leasehold land	10.3.1	<u><u>2,965,851</u></u>	<u><u>-</u></u>
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10.3.1 Right-of-use assets - building on leasehold land

As at January 01,			
Cost		-	-
Accumulated depreciation		-	-
Net book value		<u><u>-</u></u>	<u><u>-</u></u>
Year ended December 31,			
Opening net book value		-	-
Adjustment due to adoption of IFRS 16	4.1	2,992,413	-
Additions		638,489	-
Depreciation charge		(665,051)	-
Closing net book value		<u><u>2,965,851</u></u>	<u><u>-</u></u>
As at December 31,			
Cost		3,630,902	-
Accumulated depreciation		(665,051)	-
Net book value		<u><u>2,965,851</u></u>	<u><u>-</u></u>

	<i>Note</i>	2019	2018
11 INTANGIBLE ASSETS		--- (Rupees in '000) ---	
Capital work-in-progress	<i>11.1</i>	54,767	50,503
Intangible assets	<i>11.2</i>	149,295	119,249
		204,062	169,752
11.1 Capital work-in-progress			
Advance to suppliers		54,767	65,903
Less: Provision against capital work-in-progress	<i>11.1.1</i>	-	(15,400)
		54,767	50,503
11.1.1 Provision held against capital work-in-progress			
Opening balance		15,400	15,400
write-off during the year		(15,400)	-
Closing balance		-	15,400
11.2 Intangible assets - computer software			
As at January 01,			
Cost		1,022,494	1,020,081
Accumulated amortisation		(903,245)	(829,888)
Net book value		119,249	190,193
Year ended December 31,			
Opening net book value		119,249	190,193
Additions		88,669	2,413
Amortisation expense		(58,623)	(73,357)
Closing net book value		149,295	119,249
As at December 31,			
Cost		1,111,163	1,022,494
Accumulated amortisation		(961,868)	(903,245)
Net book value		149,295	119,249
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. 833.944 million (2018: Rs. 751.051 million).		
12 OTHER ASSETS	<i>Note</i>	2019	2018
		--- (Rupees in '000) ---	
Profit / return accrued in local currency - net		3,993,851	2,016,364
Profit / return accrued in foreign currencies - net		74,051	137,800
Advances, deposits, advance rent and other prepayments		635,908	1,114,221
Mark to market gain on forward foreign exchange contracts		87,102	757,969
Acceptances		1,718,925	3,423,846
Commission receivable		178,978	120,098
Defined benefit plan	<i>35.4</i>	-	10,984
Others		125,181	80,648
		6,813,996	7,661,930
Less: Provision held against other assets	<i>12.1</i>	(1,746)	(2,524)
		6,812,250	7,659,406

	<i>Note</i>	2019 --- (Rupees in '000) ---	2018
12.1 Provision held against other assets			
Others - Trackers	<i>12.1.1</i>	<u>1,746</u>	<u>2,524</u>
12.1.1 Provision held against other assets			
Opening balance		2,524	2,524
Reversals during the year		(778)	-
Closing balance		<u>1,746</u>	<u>2,524</u>
13 BILLS PAYABLE			
In Pakistan		2,963,411	2,799,251
Outside Pakistan		8,896	12,206
		<u>2,972,307</u>	<u>2,811,457</u>
14 DUE TO FINANCIAL INSTITUTIONS			
Secured			
Musharaka from the State Bank of Pakistan under Islamic Export Refinance Scheme	<i>14.1</i>	6,897,280	6,389,750
Investment from the State Bank of Pakistan under Islamic Long Term Financing Facility	<i>14.2</i>	916,623	-
Unsecured			
Musharaka borrowings	<i>14.3</i>	1,500,000	3,275,000
Wakala borrowings	<i>14.4</i>	500,000	3,000,000
Overdrawn nostro		-	5,775
		<u>9,813,903</u>	<u>12,670,525</u>
14.1 These Musharaka are on a profit and loss sharing basis having maturity between January 07, 2020 to June 23, 2020 (2018: January 01, 2019 to June 24, 2019) and are secured against demand promissory notes executed in favor of the SBP. A limit of Rs. 8,107 million (2018: Rs. 6,550 million) has been allocated to the Bank by SBP under Islamic Export Refinance Scheme.			
14.2 These are on a profit and loss sharing basis having maturity between February 02, 2024 to December 08, 2026 (2018: Nil) and are secured against demand promissory notes executed in favor of the SBP. A limit of Rs. 2,471 million (2018: Nil) has been allocated to the Bank by SBP under Islamic Long Term Finance Facility.			
14.3 These carry expected profit rates of 12.15% (2018: 9.25% to 9.6%) per annum and are due to mature latest by January 03, 2020 (2018: January 10, 2019).			
14.4 These carry expected profit rates of 10% (2018: 9.90% to 10.70%) per annum and are due to mature latest by January 10, 2020 (2018: February 13, 2019).			
		2019 --- (Rupees in '000) ---	2018
14.5 Particulars of due to financial institutions with respect to currencies			
In local currency		9,813,903	12,664,750
In foreign currencies		-	5,775
		<u>9,813,903</u>	<u>12,670,525</u>

15 DEPOSITS AND OTHER ACCOUNTS

	2019			2018		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	----- (Rupees in '000) -----					
Customers						
Current deposits	40,074,829	11,994,495	52,069,324	40,186,572	10,919,720	51,106,292
Savings deposits	64,831,358	6,610,954	71,442,312	55,818,854	8,232,595	64,051,449
Term deposits	46,860,066	11,225,086	58,085,152	40,738,315	6,743,377	47,481,692
Others	7,203,371	-	7,203,371	3,316,505	-	3,316,505
	158,969,624	29,830,535	188,800,159	140,060,246	25,895,692	165,955,938
Financial institutions						
Current deposits	479,337	14,087	493,424	423,584	16,801	440,385
Savings deposits	16,134,765	-	16,134,765	12,007,261	-	12,007,261
Term deposits	4,523,725	-	4,523,725	3,743,050	-	3,743,050
Others	-	-	-	40,000	-	40,000
	21,137,827	14,087	21,151,914	16,213,895	16,801	16,230,696
	180,107,451	29,844,622	209,952,073	156,274,141	25,912,493	182,186,634

15.1 Composition of deposits

	2019	2018
	---- (Rupees in '000) ----	
Individuals	101,599,819	89,313,917
Government (Federal and Provincial)	23,122,606	16,803,075
Public Sector Entities	5,715,798	10,979,939
Banking Companies	257	56,469
Non-Banking Financial Institutions	21,151,657	16,174,227
Private Sector	58,361,936	48,859,007
	209,952,073	182,186,634

15.2 This includes deposits eligible to be covered under takaful arrangements amounting to Rs. 63,536 million (2018: Rs. 75,168 million)

16 SUBORDINATED SUKUK

	Note	2019	2018
		---- (Rupees in '000) ----	
Additional Tier I Sukuk	16.1	3,120,000	3,120,000
Tier II Sukuk	16.2	4,000,000	4,000,000
		7,120,000	7,120,000

16.1 In December 2018, the Bank issued regulatory Shari'a compliant perpetual, unsecured, subordinated privately placed Additional Tier I Sukuk based on Mudaraba 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-Plus) by VIS Credit Rating Company Limited (formerly 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 15.60% 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.

16.2 In July 2017, the Bank issued regulatory Shariah compliant unsecured, subordinated privately placed Tier II Sukuk based on Mudaraba 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	AA- (Double A-Minus) by VIS Credit Rating Company Limited (formerly JCR-VIS Credit Rating Company Limited).
Tenor	10 years from 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 13.65% 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.

17	DEFERRED TAX LIABILITIES / (ASSETS)	2019			
		At Jan 1, 2019	Recognised in P&L	Recognised in OCI	At Dec 31, 2019
		----- (Rupees in '000) -----			
	Taxable temporary differences on:				
	Accelerated tax depreciation and amortisation	36,007	(18,979)	-	17,028
	Provision against non-performing Islamic financing and related assets	(34,893)	110,870	-	75,977
	Surplus / (deficit) on revaluation of investments	(441,897)	-	1,123,172	681,275
		<u>(440,783)</u>	<u>91,891</u>	<u>1,123,172</u>	<u>774,280</u>
	Deductible temporary differences on:				
	Provision for diminution in the value of investments	-	-	-	-
	Provision against other assets	(6,273)	5,662	-	(611)
	Deficit on defined benefit plan	(13,257)	-	(10,245)	(23,502)
		<u>(19,530)</u>	<u>5,662</u>	<u>(10,245)</u>	<u>(24,113)</u>
		<u>(460,313)</u>	<u>97,553</u>	<u>1,112,927</u>	<u>750,167</u>
		2018			
		At Jan 1, 2018	Recognised in P&L	Recognised in OCI	At Dec 31, 2018
		----- (Rupees in '000) -----			
	Taxable temporary differences on:				
	Accelerated tax depreciation and amortisation	48,408	(12,401)	-	36,007
	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)
		<u>(120,167)</u>	<u>(14,704)</u>	<u>(361,449)</u>	<u>(496,320)</u>
		<u>(71,759)</u>	<u>(27,105)</u>	<u>(361,449)</u>	<u>(460,313)</u>
18	OTHER LIABILITIES	Note		2019	2018
				--- (Rupees in '000) ---	
	Profit / return payable in local currency			2,113,271	1,296,837
	Profit / return payable in foreign currencies			51,664	35,891
	Deferred profit murabaha / musawamah income			1,972,074	2,120,946
	Accrued expenses			723,721	553,049
	Advance from financing customers			958,530	877,280
	Mark to market loss on forward foreign exchange contracts			540,182	761,963
	Acceptances			1,718,925	3,423,846
	Current taxation (provisions less payments)			84,958	116,940
	Security deposits against Islamic financing and related assets			38,872	51,748
	Retention money			365	711
	Payable to dealers, contractors, etc.			175,114	318,937
	Ijarah (lease) liabilities	18.1		2,704,620	-
	Charity payable	18.2		891	154
	Workers welfare fund payable	18.3		290,973	174,890
	Payable to defined benefit plan	35.4		23,948	-
	Payable to Employees Old Age Benefit Institution (EOBI)			92,509	72,508
	Others			376,917	478,263
				<u>11,867,534</u>	<u>10,283,963</u>

Note

2019 2018
--- (Rupees in '000) ---

18.1 Ijarah (lease) liabilities

The contractual maturity analysis of these is presented below:

Current

- Not later than one month
- Later than one month but not later than six months
- Later than six months but not later than one year

24,385	-
201,032	-
226,744	-
452,161	-

Non-current

- Later than one year but not later than three years
- Later than three years but not later than five years
- Later than five years

1,130,190	-
443,317	-
678,952	-
2,252,459	-
2,704,620	-

18.2 Charity Fund

Opening balance

154 16

Additions during the year

- Received from customers on account of delayed payment, etc.
- Profit on charity fund

11,482	4,010
55	28
11,537	4,038

Payments / utilisation during the year

18.2.1

- Health
- Education

(6,450)	(2,900)
(4,350)	(1,000)
(10,800)	(3,900)
891	154

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

2019 2018
--- (Rupees in '000) ---

Sindh Institute of Urology and Transplantation	1,850	700
Baitussalam Welfare Trust	1,650	700
Ihsan Trust	1,500	-
KPSS Secondary School Saigolabad	1,200	200
The Indus Hospital	1,150	700
Pink Ribbon - Breast Cancer Hospital	1,000	-
Aga Khan Hospital and Medical College Foundation	800	-
The Citizen Foundation	800	-
Centre for development of social services - Project of Infaq Foundation	500	-
Layton Rahmatulla Benevolent Trust	200	-
Help - Balochistan	150	-
Shaukat Khanum Memorial Trust	-	700
Nigahban Welfare Association	-	600
Child Aid Association	-	200
IBA - CEIF	-	100
	10,800	3,900

18.2.2 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.

18.3 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 Authorised Capital

2019	2018		2019	2018
----- Number -----			---- (Rupees in '000) ----	
<u>1,800,000,000</u>	<u>1,800,000,000</u>	Ordinary shares of Rs.10 each	<u>18,000,000</u>	<u>18,000,000</u>

19.2 Issued, subscribed and paid up

2019	2018			
----- Number -----		Ordinary shares		
<u>1,165,228,776</u>	<u>1,165,228,776</u>	Fully paid in cash	<u>11,652,288</u>	<u>11,652,288</u>

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	2019	2018
	---- (Rupees in '000) ----	
Statutory reserve	20.1 <u>1,896,073</u>	<u>1,226,954</u>

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 SURPLUS / (DEFICIT) ON REVALUATION OF INVESTMENTS

	Note	2019	2018
		---- (Rupees in '000) ----	
Surplus / (deficit) on revaluation of Available-for-sale securities			
Sukuk certificates	8.1	<u>1,946,499</u>	(1,262,564)
Less: Related deferred tax (liability) / asset		<u>(681,275)</u>	441,897
		<u>1,265,224</u>	<u>(820,667)</u>

22	CONTINGENCIES AND COMMITMENTS	Note	2019 --- (Rupees in '000) ---	2018
	Guarantees	22.1	14,823,737	11,093,915
	Commitments	22.2	45,469,480	25,814,249
			60,293,217	36,908,164
	Other commitments	22.3	-	4,654,873
			60,293,217	41,563,037
22.1	Guarantees			
	Financial guarantees		24,534	28,370
	Performance guarantees		4,080,568	3,737,662
	Other guarantees		10,718,635	7,327,883
			14,823,737	11,093,915
22.2	Commitments			
	Documentary credits and short-term trade-related transactions			
	Import letters of credit		24,588,918	18,874,140
	Commitments in respect of:			
	- Forward foreign exchange contracts - net	22.2.1	14,540,146	3,723,053
	- Islamic financing and related assets		5,930,387	3,083,701
	Commitments for acquisition of:			
	- Fixed assets		283,704	60,000
	- Intangible assets		126,325	73,355
			45,469,480	25,814,249
22.2.1	Commitments in respect of forward foreign exchange contracts - net			
	Purchase		29,644,778	13,226,270
	Sale		15,104,632	9,503,217
			14,540,146	3,723,053
22.3	Commitments in respect of operating leases			
	Not later than one year		-	809,033
	Later than one year but not later than 5 years		-	2,977,030
	Later than 5 years		-	868,810
			-	4,654,873
22.4	Tax contingencies			

The income tax authorities have amended assessment orders of the Bank for prior years including the tax year 2019. The disallowances were mainly due to reversal of provision against financing, provision against investments and Workers Welfare Fund. The Bank has filed appeals before the various appellate forums against these amendments. For the tax year 2015, tax authorities have issued a notice to amend assessment against the adjustment of minimum tax paid in prior years amounting to Rs. 211.48 million. The management of the Bank approached Sindh High Court and subsequently the Honorable Supreme Court of Pakistan against the order of the Sindh High Court. The Honorable Supreme Court of Pakistan has granted leave to appeal. The appeal is expected to be fixed soon. The management of the Bank is confident that the appeals will be decided in favor of the Bank in respect of the aforementioned matters.

	2019	2018
	--- (Rupees in '000) ---	
23 PROFIT / RETURN EARNED		
On Islamic financing and related assets to customers	20,915,575	11,951,773
On investments in available-for-sale securities	3,993,343	2,256,405
On investments in held-to-maturity securities	209,600	209,600
On deposits / placements with financial institutions	1,020,430	483,691
	<u>26,138,948</u>	<u>14,901,469</u>
24 PROFIT / RETURN EXPENSED		
Deposits and other accounts	12,943,415	6,153,546
Subordinated sukuk	921,814	292,851
Due to financial institutions	631,183	215,321
Finance cost on Ijarah (lease) liabilities	323,628	-
Cost of foreign currency swaps	795,030	116,615
	<u>15,615,070</u>	<u>6,778,333</u>
25 FEE & COMMISSION INCOME		
Consumer finance related fees	634,007	698,941
Credit related fees	127,917	80,587
Investment banking fees	97,712	104,690
Branch banking customer fees	104,558	98,460
Card related fees	216,780	253,989
Commission on trade	205,862	204,336
Commission on guarantees	61,055	50,452
Commission on cash management	57,096	46,295
Commission on remittances including home remittances	16,837	24,816
Commission on bancassurance	55,681	37,777
Rebate income	99,372	79,532
Others	2,799	2,158
	<u>1,679,676</u>	<u>1,682,033</u>
26 GAIN ON SECURITIES		
Realised		
- Foreign securities	<u>367,270</u>	<u>-</u>
27 OTHER INCOME		
Gain on sale of fixed assets - net	<u>2,989</u>	<u>3,407</u>

28 OPERATING EXPENSES	Note	2019	2018
		--- (Rupees in '000) ---	
Total compensation expense	28.1	2,957,427	2,618,331
Property expense			
Utilities cost		300,699	257,785
Security		158,575	160,794
Repair & maintenance (including janitorial charges)		94,382	73,358
Rent & taxes		-	761,384
Takaful charges		1,443	2,117
Depreciation		94,446	91,195
Depreciation on right-of-use assets		665,051	-
		1,314,596	1,346,633
Information technology expenses			
Software maintenance		220,446	174,456
Hardware maintenance		78,927	83,486
Depreciation		95,542	96,934
Amortisation		58,623	73,357
Networking and connectivity charges		99,168	82,995
Outsourced services cost		24,438	21,825
Takaful charges		1,185	1,540
Others		1,451	434
		579,780	535,027
Other operating expenses			
Directors' fee and allowances		7,325	6,441
Fees and allowances to Sharia'h Board members		14,784	4,017
Legal and professional charges		35,565	24,879
Outsourced services cost	28.2	89,459	72,605
Travelling and conveyance		42,971	28,867
NIFT clearing charges		31,042	27,196
Depreciation		126,030	127,763
Training and development		6,011	4,661
Postage and courier charges		31,330	31,429
Communications		158,360	144,221
Stationary and printing		92,026	73,709
Marketing, advertising and publicity		99,891	50,806
Auditors' remuneration	28.3	7,127	7,127
Brokerage, commission and bank charges		292,891	274,126
Tracker related charges		171,441	163,703
Cash transportation charges		100,984	91,285
Repair and maintenance		81,415	57,107
Subscription fees		20,116	14,325
Takaful charges		39,759	34,836
Deposit premium cost		120,269	53,432
Others		238,108	150,391
		1,806,904	1,442,926
		6,658,707	5,942,917

	<i>Note</i>	2019	2018
28.1 Total compensation expense		--- (Rupees in '000) ---	
Managerial remuneration - fixed		1,112,804	987,915
Managerial remuneration - variable (including bonus)		287,200	250,000
Allowances		511,052	435,911
Contribution to provident fund	36	101,230	89,216
Contribution to gratuity fund	35.8.1	61,575	54,325
Rent & house maintenance		449,366	397,057
Utilities		112,213	99,055
Medical		57,721	53,026
EOBI - employer contribution		16,914	14,888
Staff takaful expense		41,307	33,734
Outsourced services - third party staff		200,711	199,741
Staff antecedent verification		5,334	3,463
		2,957,427	2,618,331

28.2 Total cost for the year included in other operating expenses relating to outsourced activities pertaining to companies incorporated in Pakistan is Rs. 35.058 million (2018: Rs. 30.916 million). This includes payments other than outsourced services costs, which are disclosed above.

	<i>Note</i>	2019	2018
28.3 Auditors' remuneration		--- (Rupees in '000) ---	
Audit fee		1,271	1,271
Fee for other statutory certifications		534	534
Special certifications and sundry other reporting		4,875	4,875
Out-of-pocket expenses		447	447
		7,127	7,127

29 OTHER CHARGES

Penalties imposed by State Bank of Pakistan	99,043	220
Penalties imposed by Sindh Board of Revenue	-	19
	99,043	239

30 PROVISIONS & WRITE OFFS - NET

Provision for diminution in the value of investments	8.3	7,386	23,393
Provision against Islamic financing and related assets	9.14	715,020	198,395
Reversal of provision against other assets	12.1.1	(778)	-
		721,628	221,788

		2019	2018
		--- (Rupees in '000) ---	
31	TAXATION		
	Current	2,146,557	1,637,827
	Prior years	98,367	-
	Deferred	97,553	(27,105)
		<u>2,342,477</u>	<u>1,610,722</u>

31.1 Relationship between tax charge and accounting profit

Profit before taxation	5,688,074	4,119,987
Effect of:		
Tax at the applicable rate of 35 %	1,990,826	1,441,995
Permanent differences	34,665	178
Super tax charge	220,120	169,673
Prior years	98,367	-
Others	(1,501)	(1,124)
Tax charge for the year	<u>2,342,477</u>	<u>1,610,722</u>

31.2 The Finance Supplementary (Second Amendment) Act, 2019 has reversed the phase-wise reduction in rate of super tax for banking companies from 4% to 3% and further levied an additional super tax charge at 4% for tax year 2018 (accounting year 2017), which was previously not chargeable resulting in additional super tax charge of Rs. 98.37 million in the current year. The aggregate super tax charged for the year ended December 31, 2019 is Rs. 318.49 million.

		2019	2018
		--- (Rupees in '000) ---	
32	BASIC AND DILUTED EARNINGS PER SHARE		
	Profit for the year	3,345,597	2,509,265
		----- (Number) -----	
	Weighted average number of ordinary shares	1,165,228,776	1,165,228,776
		----- (Rupees) -----	
	Earning per share - basic and diluted	2.87	2.15

		--- (Rupees in '000) ---	
33	CASH AND CASH EQUIVALENTS		
	Cash and balance with treasury banks	19,417,428	17,752,920
	Balance with other banks	1,246,953	1,241,840
	Overdrawn nostro	-	(5,775)
		<u>20,664,381</u>	<u>18,988,985</u>

Note

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

	2019										
	Liabilities					Equity					
	Bills payable	Due to financial institutions	Deposits and other accounts	Subordinated sukuk	Deferred tax liabilities	Other liabilities	Share capital	Reserves	(Deficit) / surplus on revaluation of investments	Unappropriated profit	Total
	----- (Rupees in '000) -----										
Balance as at January 1, 2019	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
Changes from financing cash flows											
Proceeds from subordinated sukuk	-	-	-	-	-	-	-	-	-	-	-
Total changes from financing cash flows	-	-	-	-	-	-	-	-	-	-	-
Other changes											
Liability - related											
Changes in bills payable	160,850	-	-	-	-	-	-	-	-	-	160,850
Changes in due to financial institution											
- Cash based	-	(2,850,847)	-	-	-	-	-	-	-	-	(2,850,847)
- Overdrawn nostro (shown in cash and cash equivalent)		(5,775)									(5,775)
Changes in deposits and other accounts	-	-	27,765,439	-	-	-	-	-	-	-	27,765,439
Changes in deferred tax liabilities	-	-	-	-	750,167	-	-	-	-	-	750,167
Changes in other liabilities											
- Cash based	-	-	-	-	-	586,581	-	-	-	-	586,581
- Non-cash based											
Movement in acceptances	-	-	-	-	-	(1,704,921)	-	-	-	-	(1,704,921)
Movement in current taxation (shown separately)	-	-	-	-	-	(31,982)	-	-	-	-	(31,982)
Movement in lease liabilities (shown separately)	-	-	-	-	-	2,704,620	-	-	-	-	2,704,620
Movement in actuarial loss on remeasurements of defined benefit plan	-	-	-	-	-	29,273	-	-	-	(19,028)	10,245
Surplus on revaluation of investments	-	-	-	-	-	-	-	2,085,891	-	-	2,085,891
Transfer of profit to reserve	-	-	-	-	-	-	-	669,119	-	(669,119)	-
Profit after tax	-	-	-	-	-	-	-	-	-	3,345,597	3,345,597
	160,850	(2,856,622)	27,765,439	-	750,167	1,583,571	-	669,119	2,085,891	2,657,450	32,815,865
Balance as at December 31, 2019	2,972,307	9,813,903	209,952,073	7,120,000	750,167	11,867,534	11,652,288	1,896,073	1,265,224	7,349,049	264,638,618

	2018										
	Liabilities					Equity					Total
	Bills payable	Due to financial institutions	Deposits and other accounts	Subordinated sukuk	Deferred tax liabilities	Other liabilities	Share capital	Reserves	(Deficit) / surplus on revaluation of investments	Unappropriated profit	
	(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 deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-
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

	2019	2018
	----- (Number of staff) -----	
34 STAFF STRENGTH		
In Pakistan		
Permanent	2,288	1,962
On Bank contract	8	7
Others - third party staff	799	805
Bank's own staff strength at the end of the year	<u>3,095</u>	<u>2,774</u>

34.1 In addition to the above, 45 (2018: 43) 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 4.13.1, 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 scheme are:

	2019	2018
	----- (Number) -----	
Gratuity fund	<u>2,288</u>	<u>1,962</u>

35.3 Principal actuarial assumptions

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

	2019	2018
	----- Per annum -----	
Discount rate	12.5%	10.0%
Expected rate of return on plan assets	12.5%	10.0%
Expected rate of salary increase	10.5%	8.0%

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

	2019	2018
	--- (Rupees in '000) ---	
Present value of obligations	358,428	273,800
Fair value of plan assets	(334,480)	(284,784)
Payable to / (receivable from) defined benefit plan	<u>23,948</u>	<u>(10,984)</u>

35.5	Movement in defined benefit obligation	<i>Note</i>	2019	2018
			--- (Rupees in '000) ---	
	Obligation at beginning of the year		273,800	254,858
	Current service cost		65,469	54,500
	Cost of funds		26,038	21,395
	Benefits paid		(26,836)	(37,642)
	Actuarial loss / (gain) on obligation		19,957	(19,311)
	Obligations at the end of the year		358,428	273,800
35.6	Movement in fair value of plan assets			
	Fair value at beginning of the year		284,784	205,999
	Expected return on plan assets		29,932	21,570
	Bank's contribution to the fund made during the year		55,916	103,184
	Benefits paid		(26,836)	(37,642)
	Actuarial loss on plan assets		(9,316)	(8,327)
	Fair value at end of the year		334,480	284,784
35.7	Movement in payable to / (receivable from) defined benefit scheme			
	Opening balance		(10,984)	48,859
	Charge for the year	28.1	61,575	54,325
	Re-measurements recognised in OCI during the year	35.8.2	29,273	(10,984)
	Bank's contribution to the fund made during the year		(55,916)	(103,184)
	Closing balance		23,948	(10,984)
35.8	Charge for defined benefit plan			
35.8.1	Cost recognised in profit and loss			
	Current service cost		65,469	54,500
	Net return		(3,894)	(175)
			61,575	54,325
35.8.2	Re-measurements recognised in OCI during the year			
	Loss / (gain) on obligation - Experience adjustment		19,957	(19,311)
	Return on plan assets over expected income		9,316	8,327
	Total re-measurements recognised in OCI		29,273	(10,984)
35.9	Components of plan assets			
	Cash and cash equivalents - net		34,480	284,784
	Term deposit receipts		300,000	-
			334,480	284,784

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:

	2019 (Rupees in '000)
1% increase in discount rate	329,254
1% decrease in discount rate	388,004
1 % increase in expected rate of salary increase	388,039
1 % decrease in expected rate of salary increase	328,787
1 year increase in Life expectancy / Withdrawal rate	356,269
1 year decrease in Life expectancy / Withdrawal rate	356,719
35.11 Expected contributions to be paid to the fund in the next financial year	72,381
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, 2020 would be as follows:

Current service cost	75,886
Net cost	(3,505)
Amount chargeable to profit and loss account	72,381

35.13 Maturity profile

The weighted average duration of the defined benefit obligation is 9.14 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 with 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 number of employees eligible for the scheme at the end of the reporting year is 2,288 (2018: 1,962). 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. 101.23 million (2018: Rs. 89.216 million) each.

37 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

37.1 Total Compensation Expense

2019							
Directors			Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers	
Chairman	Executives (other than CEO)	Non- Executives					
----- (Rupees in '000) -----							
Fees and allowances	-	-	7,325	14,784	-	-	-
Managerial							
remuneration - fixed	-	-	-	453	29,343	88,163	99,626
Managerial remuneration							
- variable (including bonus)	-	-	-	150	30,000	31,675	27,249
Contribution to provident fund	-	-	-	45	2,934	8,816	9,963
Contribution to gratuity fund	-	-	-	38	2,445	7,347	8,302
Rent & house maintenance	-	-	-	181	19,809	35,268	39,854
Utilities	-	-	-	45	2,931	8,807	9,952
Medical	-	-	-	30	-	425	1,375
Conveyance	-	-	-	-	1,380	11,255	26,413
Others	-	-	-	38	2,445	8,206	8,167
	-	-	-	38	2,445	8,206	8,167
	-	-	7,325	15,764	91,287	199,962	230,901

(Number)						
Number of persons	1	-	6	4	1	10
	1	-	6	4	1	10

2018							
Directors			Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers	
Chairman	Executives (other than CEO)	Non- Executives					
----- (Rupees in '000) -----							
Fees and allowances	-	-	6,441	4,017	-	-	-
Managerial remuneration - fixed	-	-	-	5,039	27,119	78,400	87,029
Managerial remuneration - variable (including bonus)	-	-	-	1,400	25,000	19,038	23,116
Contribution to provident fund	-	-	-	504	2,712	7,840	8,703
Contribution to gratuity fund	-	-	-	420	2,260	6,533	7,252
Rent & house maintenance	-	-	-	2,016	19,253	31,362	34,814
Utilities	-	-	-	504	2,712	7,834	8,696
Medical	-	-	-	40	-	413	1,262
Conveyance	-	-	-	1,012	1,374	10,795	23,608
Others	-	-	-	453	2,260	6,822	7,660
	-	-	6,441	15,405	82,690	169,037	202,140

(Number)						
Number of persons	1	-	7	4	1	10
	1	-	7	4	1	10

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.

37.2 Fees and allowances paid to Directors for participation in Board and Committee meetings

2019								
Sr. No.	Name of Director	Meeting Fees Paid						
		For Board Meetings	For Board Committees					Total Amount Paid
			Audit Committee	Risk Monitoring Committee	Remunerations and Nominations Committee	Board Credit and Investment Committee*	IT Committee**	
----- (Rupees in '000) -----								
1	Muhammad Maqbool Alam	2,207	593	-	341	-	234	3,375
2	Naved A. Khan	1,811	-	236	341	-	313	2,701
3	Abbas Saifuddin Bhujwala	934	-	315	-	-	-	1,249
		4,952	593	551	682	-	547	7,325

2018								
Sr. No.	Name of Director	Meeting Fees Paid						
		For Board Meetings	For Board Committees					
			Audit Committee	Risk Monitoring Committee	Remunerations and Nominations Committee	Board Credit and Investment Committee*	IT Committee**	Total Amount Paid
----- (Rupees in '000) -----								
1	Muhammad Maqbool Alam	1,474	491	-	369	-	-	2,334
2	Naved A. Khan	1,076	-	269	269	-	-	1,614
3	Aman Aziz Siddiqui	1,474	368	368	283	-	-	2,493
		4,024	859	637	921	-	-	6,441

* No meeting held during the years 2018 and 2019.

** Committee formed during the year 2019.

37.3 Remuneration paid to Shariah Board Members

	2019			2018		
	Chairman	Resident Member	Non-Resident Member(s)	Chairman	Resident Member	Non-Resident Member(s)
(Rupees in '000)						
Fees and allowances	1,740	11,671	1,373	1,423	1,645	949
Managerial remuneration - fixed	-	453	-	-	5,039	-
Managerial remuneration - variable (including bonus)	-	150	-	-	1,400	-
Contribution to provident fund	-	45	-	-	504	-
Contribution to gratuity fund	-	38	-	-	420	-
Rent & house maintenance	-	181	-	-	2,016	-
Utilities	-	45	-	-	504	-
Medical	-	30	-	-	40	-
Conveyance	-	-	-	-	1,012	-
Others	-	38	-	-	453	-
	<u>1,740</u>	<u>12,651</u>	<u>1,373</u>	<u>1,423</u>	<u>13,033</u>	<u>949</u>
(Number)						
Number of persons	<u>1</u>	<u>2</u>	<u>1</u>	<u>1</u>	<u>2</u>	<u>1</u>

38 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	2019					
	Corporate Banking	SME & Commercial Banking	Consumer Banking	Treasury	Other	Total
	(Rupees in '000)					
Profit and Loss						
Net profit earned	7,556,653	2,053,274	(2,165,122)	2,514,155	564,918	10,523,878
Inter segment revenue - net	(6,860,292)	72,936	10,066,263	(2,708,980)	(569,927)	-
Other income	405,889	507,478	1,220,534	622,767	2,989	2,759,657
Total income	1,102,250	2,633,688	9,121,675	427,942	(2,020)	13,283,535
Segment direct expenses	(466,844)	(1,042,496)	(4,456,910)	(139,707)	-	(6,105,957)
Inter segment expense allocation	(92,244)	(89,795)	(542,136)	(43,701)	-	(767,876)
Total expenses	(559,088)	(1,132,291)	(4,999,046)	(183,408)	-	(6,873,833)
Provisions	(442,953)	(104,081)	(169,228)	(7,386)	2,020	(721,628)
Profit before tax	100,209	1,397,316	3,953,401	237,148	-	5,688,074
Balance Sheet						
Cash and bank balances	-	458,849	3,031,880	1,246,953	15,926,699	20,664,381
Due from financial institutions	-	-	-	-	5,590,405	5,590,405
Investments	-	-	-	36,019,275	13,137,994	49,157,269
Net inter segment lending	-	6,386,966	103,762,990	-	-	110,149,956
Islamic financings and related assets - performing	99,881,434	38,181,355	36,237,008	-	1,953,539	176,253,336
- non-performing - net	525,803	937,519	184,711	-	20,468	1,668,501
Others	3,710,689	2,876,985	3,664,459	941,411	111,182	11,304,726
Total Assets	104,117,926	48,841,674	146,881,048	38,207,639	36,740,287	374,788,574
Due to financial institutions	5,402,741	2,411,162	-	2,000,000	-	9,813,903
Deposits & other accounts	27,993,604	43,155,769	138,679,832	122,868	-	209,952,073
Net inter segment borrowing	67,988,683	-	-	34,240,681	7,920,592	110,149,956
Subordinated sukuk	-	-	-	-	7,120,000	7,120,000
Others	2,732,898	3,274,743	8,201,216	514,528	866,623	15,590,008
Total liabilities	104,117,926	48,841,674	146,881,048	36,878,077	15,907,215	352,625,940
Equity	-	-	-	1,329,562	20,833,072	22,162,634
Total Equity and liabilities	104,117,926	48,841,674	146,881,048	38,207,639	36,740,287	374,788,574
Contingencies and Commitments						
	24,419,414	18,465,114	2,875,661	14,533,028	-	60,293,217

	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
Net inter segment lending	-	3,186,126	86,393,276	-	-	89,579,402
Islamic financings and related assets - performing	74,590,062	38,461,690	37,630,015	-	1,842,761	152,524,528
- non-performing - net	467,666	144,880	158,402	-	10,904	781,852
Others	2,701,998	2,789,644	2,312,801	1,474,360	391,840	9,670,643
Total Assets	77,759,726	45,031,474	129,491,360	34,247,572	34,872,023	321,402,155
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
Net inter segment borrowing	51,549,421	-	-	27,805,577	10,224,404	89,579,402
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	77,759,726	45,031,474	129,491,360	34,952,508	17,416,913	304,651,981
Equity	-	-	-	(704,936)	17,455,110	16,750,174
Total Equity and liabilities	77,759,726	45,031,474	129,491,360	34,247,572	34,872,023	321,402,155
Contingencies and Commitments						
	16,283,663	17,714,584	3,837,744	3,727,046	-	41,563,037

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 shares		--- (Rupees in '000) ---	
		Face Value			
		2019	2018	2019	2018
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:

On-Balance sheet Financial Instruments	2019						Fair Value			
	Carrying Value									
	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										
Federal Government securities	-	9,799,254	-	-	-	9,799,254	-	9,799,254	-	9,799,254
Non-Government debt securities	-	24,770,310	-	-	-	24,770,310	21,046,375	3,712,500	11,435	24,770,310
Foreign securities	-	10,587,705	-	-	-	10,587,705	10,587,705	-	-	10,587,705
Other assets										
Unrealized gain on foreign exchange contracts	-	-	-	87,102	-	87,102	-	87,102	-	87,102
Financial assets - not measured at fair value										
Cash and balances with treasury banks	-	-	-	19,417,428	-	19,417,428				
Balances with other banks	-	-	-	1,246,953	-	1,246,953				
Due from financial institution	-	-	-	5,590,405	-	5,590,405				
Investments	4,000,000	-	-	-	-	4,000,000				
Islamic financings and related assets - net	-	-	177,921,837	-	-	177,921,837				
Other asset	-	-	-	6,098,972	-	6,098,972				
	4,000,000	45,157,269	177,921,837	32,440,860	-	259,519,966				
Financial liabilities - measured at fair value										
Other liabilities										
Unrealized loss on foreign exchange contracts	-	-	-	-	540,182	540,182	-	540,182	-	540,182
Financial liabilities - not measured at fair value										
Bills payable	-	-	-	-	2,972,307	2,972,307				
Due to financial institutions	-	-	-	-	9,813,903	9,813,903				
Deposits and other accounts	-	-	-	-	209,952,073	209,952,073				
Subordinated sukuk	7,120,000	-	-	-	-	7,120,000				
Other liabilities	-	-	-	-	8,838,504	8,838,504				
	7,120,000	-	-	-	232,116,969	239,236,969				
Off-balance sheet financial instruments - measured at fair value										
Forward foreign exchange contracts - net	-	-	-	14,540,146	-	14,540,146	-	14,087,066	-	14,087,066
(Rupees in '000)										
On-Balance sheet Financial Instruments	2018						Fair Value			
	Carrying Value									
	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										
Federal Government securities	-	14,319,598	-	-	-	14,319,598	-	14,319,598	-	14,319,598
Non-Government debt securities	-	11,088,264	-	-	-	11,088,264	6,119,443	4,950,000	18,821	11,088,264
Foreign securities	-	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 - net	-	-	-	3,723,053	-	3,723,053	-	3,719,059	-	3,719,059

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, associated companies, 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:

	2019						2018					
	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,	-	43,126	-	-	-	43,126	-	140,147	-	-	-	140,147
Deposited during the year	-	83,983,617	-	-	-	83,983,617	-	39,615,427	-	-	-	39,615,427
Withdrawals during the year	-	(83,990,135)	-	-	-	(83,990,135)	-	(39,712,448)	-	-	-	(39,712,448)
Closing balance	-	36,608	-	-	-	36,608	-	43,126	-	-	-	43,126
Investments												
As at January 1,	1,290,092	-	-	-	-	1,290,092	1,031,293	-	-	-	-	1,031,293
Investments made during the year	-	-	-	-	-	-	-	-	-	-	-	-
Investments disposed-off during the year	(1,290,092)	-	-	-	-	(1,290,092)	-	-	-	-	-	-
Others	-	-	-	-	-	-	258,799	-	-	-	-	258,799
Closing balance	-	-	-	-	-	-	1,290,092	-	-	-	-	1,290,092
Islamic financing and related assets												
As at January 1,	-	-	-	184,341	-	184,341	-	-	-	98,552	-	98,552
Disbursed during the year	-	-	-	34,365	-	34,365	-	-	-	139,002	-	139,002
Repaid during the year	-	-	-	(46,365)	-	(46,365)	-	-	-	(53,983)	-	(53,983)
Adjustments *	-	-	-	(2,442)	-	(2,442)	-	-	-	770	-	770
Closing balance	-	-	-	169,899	-	169,899	-	-	-	184,341	-	184,341
Due to Financial Institutions												
As at January 1,	-	-	-	-	-	-	-	-	-	-	-	-
Borrowed during the year	-	13,918,700	-	-	-	13,918,700	-	-	-	-	-	-
Repaid during the year	-	(15,618,330)	-	-	-	(15,618,330)	-	-	-	-	-	-
Exchange adjustment	-	1,699,630	-	-	-	1,699,630	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts												
As at January 1,	-	43,932	5,929	259,166	1,070,790	1,379,817	-	32,058	7,198	128,186	861,396	1,028,838
Received during the year	-	2,975,721	235,914	648,021	1,540,482	5,400,138	-	1,573,159	17,962	725,835	1,041,223	3,358,179
Withdrawals during the year	-	(2,949,425)	(236,197)	(804,934)	(1,279,757)	(5,270,313)	-	(1,561,285)	(19,231)	(601,154)	(831,829)	(3,013,499)
Adjustments *	-	-	-	(22,079)	-	(22,079)	-	-	-	6,299	-	6,299
Closing balance	-	70,228	5,646	80,174	1,331,515	1,487,563	-	43,932	5,929	259,166	1,070,790	1,379,817
Transactions during the period												
Fees and allowances	-	-	7,325	11,671	-	18,996	-	-	6,441	1,645	-	8,086
Remuneration to key management personnel (including bonus)	-	-	-	289,403	-	289,403	-	-	-	254,230	-	254,230
Profit expensed on borrowing	-	340,614	-	-	-	340,614	-	-	-	-	-	-
Profit earned on investments	51,838	-	-	-	-	51,838	48,572	-	-	-	-	48,572
Profit earned on financings	-	-	-	16,840	-	16,840	-	-	-	5,580	-	5,580
Profit expensed on deposits	-	-	84	4,847	144,166	149,097	-	-	65	4,831	59,455	64,351
Purchase of global sukuk	-	1,085,222	-	-	-	1,085,222	-	-	-	-	-	-
Sale of global sukuk	-	10,631,863	-	-	-	10,631,863	-	-	-	-	-	-
Proceeds from sale of fixed asset	-	-	-	7,243	-	7,243	-	-	-	-	-	-
Contribution made to gratuity fund	-	-	-	-	55,916	55,916	-	-	-	-	54,325	54,325
Contribution made to provident fund	-	-	-	-	101,230	101,230	-	-	-	-	89,216	89,216
Contingencies and commitments												
Foreign currency purchase contracts	-	5,813,164	-	-	-	5,813,164	-	5,815,026	-	-	-	5,815,026
Foreign currency sale contracts	-	150,556	-	-	-	150,556	-	47,708	-	-	-	47,708

* 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, 2019.

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

42 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

2019 2018
--- (Rupees in '000) ---

Minimum Capital Requirement (MCR):

Paid-up capital	11,652,288	11,652,288
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Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier I (CET I) Capital	20,709,655	16,582,471
Eligible Additional Tier I (ADT I) Capital	3,120,000	3,120,000
Total Eligible Tier I Capital	23,829,655	19,702,471
Eligible Tier II Capital	5,398,283	4,099,733
Total Eligible Capital (Tier I + Tier II)	29,227,938	23,802,204

Risk Weighted Assets (RWAs):

Credit Risk	150,016,588	153,683,178
Market Risk	819,371	458,133
Operational Risk	19,820,569	15,884,313
Total	170,656,528	170,025,624

Common Equity Tier I Capital Adequacy ratio

12.14%	9.75%
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Tier I Capital Adequacy Ratio

13.96%	11.59%
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Total Capital Adequacy Ratio

17.13%	14.00%
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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, 2019 stands at Rs. 11.65 billion (2018: 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, 2019 is 12.50%.

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 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 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.

	2019	2018
	---- (Rupees in '000) ----	
Leverage Ratio (LR):		
Eligible Tier I Capital	23,829,655	19,702,471
Total Exposures	311,597,281	279,436,498
Leverage Ratio	7.65%	7.05%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	55,984,443	42,022,758
Total Net Cash Outflow	27,417,495	22,659,685
Liquidity Coverage Ratio	204.19%	185.45%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	212,998,329	181,481,846
Total Required Stable Funding	195,663,912	170,195,139
Net Stable Funding Ratio	108.86%	106.63%

- 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>.

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	
	2019	2018	2019	2018	2019	2018
(Rupees in '000)						
Public / Government	-	-	-	-	-	-
Private	5,590,405	4,000,000	-	-	-	-
	5,590,405	4,000,000	-	-	-	-

43.1.2 Investment

Credit risk by industry sector

	Gross		Non-performing		Provision held	
	2019	2018	2019	2018	2019	2018
(Rupees in '000)						
Chemical and Pharmaceuticals	239,281	335,825	-	-	-	-
Construction	1,552,347	1,245,452	-	-	-	-
Financial	1,890,689	1,614,186	-	-	-	-
Government	13,799,254	18,319,598	-	-	-	-
Other Sovereign	3,934,290	7,723,499	-	-	-	-
Power (electricity), Gas, Water, Sanitary	24,519,594	10,733,617	-	-	-	-
Real Estate	2,102,056	1,723,623	-	-	-	-
Textile	89,316	89,316	89,316	89,316	77,881	70,495
Transport, Storage and Communication	-	683,895	-	-	-	-
Services	1,108,323	3,452,454	-	-	-	-
	49,235,150	45,921,465	89,316	89,316	77,881	70,495

Credit risk by public / private sector

	Gross		Non-performing		Provision held	
	2019	2018	2019	2018	2019	2018
(Rupees in '000)						
Public / Government	37,352,085	23,638,073	-	-	-	-
Private	11,883,065	22,283,392	89,316	89,316	77,881	70,495
	49,235,150	45,921,465	89,316	89,316	77,881	70,495

43.1.3 Islamic Financing and related assets

Credit risk by industry sector

	Gross		Non-performing		Provision held - Specific	
	2019	2018	2019	2018	2019	2018
(Rupees in '000)						
Agriculture, Forestry, Hunting and Fishing	296,698	1,095,955	-	-	-	-
Automobile and transportation equipment	1,309,550	1,228,705	-	-	-	-
Cement	2,563,359	1,799,002	-	-	-	-
Chemical and Pharmaceuticals	12,498,698	6,086,131	718,880	694,073	628,039	607,806
Construction	3,265,408	2,497,382	21,454	-	21,454	-
Electronics and electrical appliances	2,523,652	414,836	-	-	-	-
Food and Beverages	34,520,432	23,176,754	437,989	447,989	437,989	189,464
Footwear and Leather garments	443,873	706,969	-	-	-	-
Individuals	31,362,471	32,879,617	835,251	671,802	518,781	478,681
Iron / Steel	10,578,028	9,226,909	372,675	-	47,019	-
Machinery and Equipment	-	1,681,185	-	-	-	-
Mining and Quarrying	999,200	472,826	-	-	-	-
Paper, Board and Packaging	2,143,642	2,328,785	-	-	-	-
Power (electricity), Gas, Water, Sanitary	21,353,916	15,699,185	-	-	-	-
Real Estate	1,303,695	5,356,988	53,302	-	-	-
Rubber and plastic	1,900,457	1,749,686	308,912	-	27,605	-
Services	7,242,323	4,672,631	-	-	-	-
Ship Breaking and Waste / Scrape	-	2,798,340	-	-	-	-
Textile	16,512,311	15,044,230	956,716	447,909	461,845	375,654
Transport, Storage and Communication	9,020,112	10,392,993	557,362	527,053	534,340	370,406
Wholesale and Retail Trade	19,157,612	16,045,125	107,730	115,965	27,827	1,193
Others	1,798,063	108,789	169,893	33,704	33,706	33,706
	180,793,500	155,463,023	4,540,164	2,938,495	2,738,605	2,056,910

Credit risk by public / private sector

	Gross		Non-performing		Provision held - Specific	
	2019	2018	2019	2018	2019	2018
Public / Government	22,638,931	11,965,108	-	-	-	-
Private	158,154,569	143,497,915	4,540,164	2,938,495	2,738,605	2,056,910
	180,793,500	155,463,023	4,540,164	2,938,495	2,738,605	2,056,910

43.1.4 Contingencies and Commitments

Credit risk by industry sector	2019	2018
	----- (Rupees in '000) -----	
Agriculture, Forestry, Hunting and Fishing	1,661,333	2,948,749
Automobile and transportation equipment	321,724	930,150
Cement	1,271,876	1,126,072
Chemical and Pharmaceuticals	4,025,997	2,551,575
Commerce and Trade	6,324,557	3,102,335
Construction	744,231	993,286
Electronics and electrical appliances	1,658,866	404,150
Financial	15,730,067	4,167,421
Food and Beverages	2,214,434	999,921
Footwear and Leather garments	-	7,886
Iron / Steel	4,988,070	5,348,332
Machinery and Equipment	189,688	48,671
Paper, Board and Packaging	225,582	240,798
Power (electricity), Gas, Water, Sanitary	3,044,903	2,749,612
Rubber and plastic	35,577	1,500,010
Services	3,624,553	1,150,057
Textile	3,047,218	1,340,295
Transport, Storage and Communication	769,097	920,474
Wholesale, Retail and Trade	8,251,131	5,634,497
Others	1,754,284	610,518
	<u>59,883,188</u>	<u>36,774,809</u>
Credit risk by public / private sector		
Public / Government	14,859,497	7,039,333
Private	45,023,691	29,735,476
	<u>59,883,188</u>	<u>36,774,809</u>

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. 41,204 million (2018: Rs. 22,915 million) are as following:

	2019	2018
	----- (Rupees in '000) -----	
Funded	31,414,511	18,028,504
Non Funded	9,789,344	4,886,449
Total Exposure	<u>41,203,855</u>	<u>22,914,953</u>

The sanctioned limits against these top 10 exposures aggregated to Rs. 53,503 million (2018: Rs. 30,188 million). Further, none of the top 10 customers have been placed under non-performing status as at December 31, 2019 and December 31, 2018.

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

		2019					
		Utilization					
Province / Region	Disbursements	Punjab	Sindh	KPK including FATA	Baluchistan	Islamabad	AJK
----- (Rupees in '000) -----							
Punjab	87,057,561	83,945,685	3,109,661	-	-	2,215	-
Sindh	187,183,904	23,297,590	153,621,578	128,395	9,120,686	961,338	54,317
KPK including FATA	5,200	-	-	5,200	-	-	-
Baluchistan	-	-	-	-	-	-	-
Islamabad	18,200,736	3,165,410	-	849,962	500,000	13,685,364	-
AJK	-	-	-	-	-	-	-
Total	292,447,401	110,408,685	156,731,239	983,557	9,620,686	14,648,917	54,317
		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

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

	2019			2018		
	Banking Book	Trading Book	Total	Banking Book	Trading Book	Total
	(Rupees in '000)			(Rupees in '000)		
Cash and balances with treasury banks	19,417,428	-	19,417,428	17,752,920	-	17,752,920
Balances with other banks	1,246,953	-	1,246,953	1,241,840	-	1,241,840
Due from financial institutions	5,590,405	-	5,590,405	4,000,000	-	4,000,000
Investments	49,157,269	-	49,157,269	45,850,970	-	45,850,970
Islamic financing and related assets	177,921,837	-	177,921,837	153,306,380	-	153,306,380
Fixed assets	4,288,414	-	4,288,414	1,381,172	-	1,381,172
Intangible assets	204,062	-	204,062	169,752	-	169,752
Deferred tax assets	-	-	-	460,313	-	460,313
Other assets	6,812,250	-	6,812,250	7,659,406	-	7,659,406
	264,638,618	-	264,638,618	231,822,753	-	231,822,753

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:

	2019				2018			
	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)				(Rupees in '000)			
United States Dollar	15,582,240	(23,689,032)	8,313,301	206,509	23,723,661	(21,033,416)	(2,555,136)	135,109
Great Britain Pound	221,816	(1,318,536)	1,098,611	1,891	417,343	(2,951,213)	2,529,612	(4,258)
Japanese Yen	28,879	-	(25,659)	3,220	9,137	-	-	9,137
Euro	220,721	(683,117)	463,477	1,081	256,463	(765,322)	508,279	(580)
Swiss Franc	5,402	-	-	5,402	2,151	-	-	2,151
U.A.E Dirham	158,475	(4,060,479)	3,899,486	(2,518)	184,672	(3,431,314)	3,232,293	(14,349)
Australian Dollar	2,598	-	-	2,598	1,688	-	-	1,688
Canadian Dollar	2,851	-	-	2,851	1,034	-	-	1,034
Saudi Riyal	28,483	-	-	28,483	2,008	-	-	2,008
Chinese Yen	1,190	-	-	1,190	11,960	(17,735)	6,209	434
Singapore Dollar	9,890	-	(5,752)	4,138	2,885	-	-	2,885
	16,262,545	(29,751,164)	13,743,464	254,845	24,613,002	(28,199,000)	3,721,257	135,259

	Trading book		Banking book	
	2019	2018	2019	2018
	(Rupees in '000)		(Rupees in '000)	
Impact of 1% change in foreign exchange rates on				
- Profit and loss account	-	-	4,156	15,512
- Other comprehensive income	-	-	(1,633)	(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.

	2019		2018	
	Banking Book	Trading Book	Banking Book	Trading Book
	(Rupees in '000)			
Impact of 1% change in profit rates on				
- Profit and loss account	380,153	-	286,539	-

43.2.5 Mismatch of Yield Rate Sensitive Assets and Liabilities

2019											
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	
----- (Rupees in '000) -----											
On-balance sheet financial instruments											
<u>Assets</u>											
Cash and balances with treasury banks	-	19,417,428	-	-	-	-	-	-	-	-	19,417,428
Balances with other banks	4.51%	1,246,953	10	-	-	-	-	-	-	-	1,246,943
Due from financial institutions	10.67%	5,590,405	5,590,405	-	-	-	-	-	-	-	-
Investments	7.95%	49,157,269	-	17,471,469	21,086,660	-	1,890,690	2,102,056	3,934,290	1,552,347	11,435
Islamic financing and related assets- net	13.25%	177,921,837	38,817,489	58,872,319	42,211,440	6,469,489	308,179	451,753	1,097,375	921,415	27,522,881
Other assets	-	6,186,074	-	-	-	-	-	-	-	-	6,186,074
		259,519,966	44,407,904	76,343,788	63,298,100	6,469,489	2,198,869	2,553,809	5,031,665	2,473,762	54,384,761
<u>Liabilities</u>											
Bills payable	-	2,972,307	-	-	-	-	-	-	-	-	2,972,307
Due to financial institutions	4.14%	9,813,903	2,234,917	4,912,726	1,749,637	-	-	-	173,817	742,806	-
Deposits and other accounts	6.36%	209,952,073	150,185,954	-	-	-	-	-	-	-	59,766,119
Subordinated sukuk	12.95%	7,120,000	4,000,000	3,120,000	-	-	-	-	-	-	-
Other liabilities	-	9,378,686	-	-	-	-	-	-	-	-	9,378,686
		239,236,969	156,420,871	8,032,726	1,749,637	-	-	-	173,817	742,806	72,117,112
On-balance sheet gap		20,282,997	(112,012,967)	68,311,062	61,548,463	6,469,489	2,198,869	2,553,809	4,857,848	1,730,956	(17,732,351)
Off-balance sheet financial instruments											
Commitments in respect of:											
Guarantees		14,823,737	-	-	-	-	-	-	-	-	14,823,737
Forward purchase		29,644,778	-	-	-	-	-	-	-	-	29,644,778
Forward sale		(15,104,632)	-	-	-	-	-	-	-	-	(15,104,632)
Import letters of credit		24,588,918	-	-	-	-	-	-	-	-	24,588,918
Islamic financing and related assets		5,930,387	-	-	-	-	-	-	-	-	5,930,387
Commitments for acquisition of:											
- Fixed assets		283,704	-	-	-	-	-	-	-	-	283,704
- Intangible assets		126,325	-	-	-	-	-	-	-	-	126,325
Off-balance sheet gap		60,293,217	-	-	-	-	-	-	-	-	60,293,217
Total yield / profit rate risk sensitivity gap			(112,012,967)	68,311,062	61,548,463	6,469,489	2,198,869	2,553,809	4,857,848	1,730,956	(78,025,568)
Cumulative Yield / Profit Rate Risk Sensitivity Gap			(112,012,967)	(43,701,905)	17,846,558	24,316,047	26,514,916	29,068,725	33,926,573	35,657,529	(40,010,220)

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		
----- (Rupees in '000) -----												
On-balance sheet financial instruments												
<u>Assets</u>												
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	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	53,119,708	
<u>Liabilities</u>												
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	(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	
Acquisition of:												
- Fixed assets		60,000	-	-	-	-	-	-	-	-	60,000	
- Intangible assets		73,355	-	-	-	-	-	-	-	-	73,355	
Off-balance sheet gap		36,908,164	-	-	-	-	-	-	-	-	36,908,164	
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	(51,400,259)	
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	(22,746,315)	
											2019	2018
											---- (Rupees in '000) ----	
Total financial asset as per note 43.2.5											259,519,966	228,847,629
Add: Non-financial assets											4,288,414	1,381,172
Fixed asset											204,062	169,752
Intangibles											-	460,313
Deferred tax assets											626,176	963,887
Other asset											264,638,618	231,822,753
Total assets as per statement of financial position												
Total financial liabilities as per note 43.2.5											239,236,969	214,685,780
Add: Non-financial liabilities											750,167	-
Deferred tax liabilities											2,488,848	386,799
Other liabilities											242,475,984	215,072,579
Total liabilities as per statement of financial position												

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.

43.4 Liquidity Risk

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

[illegible]

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
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(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	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	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	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	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	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	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	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	-
	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	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	26,602,210

Share capital	11,652,288
Reserves	1,226,954
Deficit on revaluation of investments	(820,667)
Unappropriated profit	4,691,599
	16,750,174

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

2019									
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	19,417,428	19,417,428	-	-	-	-	-	-	-
Balances with other banks	1,246,953	1,246,953	-	-	-	-	-	-	-
Due from financial institutions	5,590,405	5,590,405	-	-	-	-	-	-	-
Investments	49,157,269	11,435	120,605	14,575,099	896,449	3,683,589	3,530,252	5,708,265	19,523,253
Islamic financing and related assets - net	177,921,837	16,279,678	24,937,462	38,701,150	21,277,645	14,367,711	15,761,218	29,212,939	9,852,743
Fixed assets	4,288,414	122,139	164,482	273,824	490,057	838,553	692,178	1,102,952	602,983
Intangible assets	204,062	6,022	7,734	13,326	21,557	42,721	40,977	40,971	30,754
Deferred tax assets	-	-	-	-	-	-	-	-	-
Other assets	6,812,250	1,533,748	2,811,432	2,052,095	95,100	122,679	86,222	69,677	41,297
	264,638,618	44,207,808	28,041,715	55,615,494	22,780,808	19,055,253	20,110,847	36,134,804	30,051,030
									8,640,859
Liabilities									
Bills payable	2,972,307	2,972,307	-	-	-	-	-	-	-
Due to financial institutions	9,813,903	2,234,917	4,912,726	1,749,637	-	-	173,817	742,806	-
Deposits and other accounts	209,952,073	13,753,738	20,366,534	22,464,189	39,992,598	28,678,520	28,584,656	56,019,451	92,387
Subordinated sukuk	7,120,000	-	-	-	-	-	-	4,000,000	3,120,000
Deferred tax liabilities	750,167	63,539	122,978	186,517	377,133	-	-	-	-
Other liabilities	11,867,534	3,549,007	2,349,316	2,038,082	629,959	942,067	857,728	822,423	678,952
	242,475,984	22,573,508	27,751,554	26,438,425	40,999,690	29,620,587	29,442,384	57,015,691	5,514,145
									3,120,000
Net assets	22,162,634	21,634,300	290,161	29,177,069	(18,218,882)	(10,565,334)	(9,331,537)	(20,880,887)	24,536,885
									5,520,859
Share capital	11,652,288								
Reserves	1,896,073								
Surplus on revaluation of investments	1,265,224								
Unappropriated profit	7,349,049								
	<u>22,162,634</u>								

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

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

2019								
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	6.25%	50.00%	1,732,041	55.80%	369,377	17.58%	3.54%
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%
2019								
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	3.97%	50.00%	354,273	75.06%	1,036	0.29%	2.00%
Inter-bank Wakala / Musharaka borrowing pool	As required	5.24% - 15.68%	*	*	-	N/A	-	4.53% - 13.18%
Other Mudaraba Pools	As required	3.96% - 16.86%	*	4,515,163	28.11%	493,752	9.86%	1% - 14%
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 / Musharaka 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%

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

45 DATE OF AUTHORISATION FOR ISSUE

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.

President & CEO	Chief Financial Officer	Director	Director	Director
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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, 2019

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	ARIF HUSSAIN	HOUSE# R-7,10TH EAST STREET,PHASE# I, D.H.A,KARACHI	SHAHID HUSSAIN	42301-4845269-5	8,355	516	-	8,871	-	567	-	567
2	AMBREEN MANSOOR	X NINE COMMUNICATION PVT LTD 30 C/11, 24TH COMMERCIAL STREETDHA PHASE II EXT KARACHI	MAKHDOOM MANSOOR AHMED HASHMI	42301-2697408-4	15,595	837	-	16,432	-	904	-	904
3	NASEER	PLOT NO F 515-A SITE RASHEEDABAD KARACHI	BASHIR	42301-5519531-3	26,624	210	-	26,834	-	958	-	958
4	MUHAMMAD DAWOOD	DSU 39 DOWN STREAM INDUSTRIAL ESTATE BIN QASIM KARACHI	MUHAMMAD ISMAIL (LATE)	42201-9207672-5	7,104	747	-	7,851	-	1,314	-	1,314
5	MOHAMMAD ISMAIL	HOUSE NO.11/4,STREET NO.3, MUSLIMABAD, KARACHI.	MOHD IBRAHIM (LATE)	42000-7288434-5	9,250	1,395	-	10,645	-	1,352	-	1,352
6	SYED ZAHID HUSSAIN	SHOP NO A-56 3RD FLOOR KARIM CENTRE ZAIBUN-NISA-STREET SADDAR KARACHI BUTTERFLY GARMENTS	SYED AMIR HUSSAIN	42201-5923151-9	33,438	201	-	33,639	-	1,365	-	1,365
7	MALIK NAEEM AZAM	HOUSE NO 123/1 KHAYABAN E SHAHEEN DHA PHASE 6 NEAR MISREE SHAH MAZAR KARACHI	MALIK MOHAMMAD AZAM	42201-2687362-5	28,618	253	-	28,871	-	1,525	-	1,525
8	YASIR FUZAIL	H.NO L-13 BLOCK-17 BAITUL MUKARRAM MASJID GULSHAN E IQBAL KARACHI	MUHAMMAD ABDUL WAHAB	42201-9229995-9	11,928	3,309	-	15,237	-	3,309	-	3,309
					140,912	7,468	-	148,380	-	11,294	-	11,294