Dubai Islamic Bank
Pakistan Limited

Financial Statements
For the year ended December 31, 2016

KPMG

KPMG Taseer Hadi & Co.
Chartered Accountants
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Auditors' Report to the Members

We have audited the annexed statement of financial position of **Dubai Islamic Bank Pakistan Limited** ("the Bank") as at 31 December 2016 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, and in which are incorporated the unaudited certified returns from the branches except for thirty branches which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Bank's Board of Directors to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with approved accounting standards and the requirements of the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, which in the case of loans and advances covered more than 60% of the total loans and advances of the bank, we report that:

a) in our opinion, proper books of account have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984) and the returns referred to above received from the branches have been found adequate for the purposes of our audit;

b) in our opinion:

    i) the statement of financial position and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied,

    ii) the expenditure incurred during the year was for the purpose of the Bank's business; and

    iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;

c) in our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at 31 December 2016 and its true balance of profit, its cash flows and changes in equity for the year then ended; and

d) in our opinion Zakat deductible at source, under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Other matter

The financial statements of the Bank for the year ended 31 December 2015 were audited by A.F. Ferguson & Co. Chartered Accountants, who had expressed an unqualified opinion thereon vide their report dated 23 February 2016.

KPMG Taseer Hadi

Date: 16 February 2017

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Syed Iftikhar Anjum

Dubai Islamic Bank Pakistan Limited

Statement of Financial Position

As at December 31, 2016

	Note	2016	2015 (Restated)
		------ (Rupees in '000) ------	
ASSETS			
Cash and balances with treasury banks	*6*	**14,007,320**	14,183,630
Balances with other banks	*7*	**543,363**	3,869,403
Due from financial institutions	*8*	**12,536,061**	6,418,697
Investments	*9*	**27,211,659**	23,822,256
Islamic financing and related assets	*10*	**93,910,902**	104,953,637
Operating fixed assets	*11*	**1,870,060**	1,842,705
Deferred tax assets		**-**	-
Other assets	*12*	**2,054,034**	2,040,854
		152,133,399	157,131,182
LIABILITIES			
Bills payable	*13*	**2,218,979**	1,552,219
Due to financial institutions	*14*	**5,670,091**	4,551,920
Deposits and other accounts	*15*	**129,264,513**	136,743,457
Sub-ordinated loans	*16*	**-**	3,246,971
Deferred tax liabilities	*17*	**16,784**	54,040
Other liabilities	*18*	**2,855,697**	3,006,908
		140,026,064	149,155,515
NET ASSETS		**12,107,335**	7,975,667
REPRESENTED BY			
Share capital	*19*	**10,225,567**	6,976,030
Reserves	*20*	**404,694**	233,586
Advance against further issue of share capital		**-**	18
Unappropriated profit		**1,416,263**	753,135
		12,046,524	7,962,769
Surplus on revaluation of investments - net of tax	*21*	**60,811**	12,898
		12,107,335	7,975,667
CONTINGENCIES AND COMMITMENTS	*22*		

The annexed notes 1 to 44 and Annexure I form an integral part of these financial statements.

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

Dubai Islamic Bank Pakistan Limited
Profit and Loss Account
For the year ended December 31, 2016

	Note	2016	2015
		------ (Rupees in '000) ------	
Profit / return earned	23	**9,486,289**	8,725,646
Profit / return expensed	24	**4,273,598**	4,091,219
Net spread earned		**5,212,691**	4,634,427
Provision against non-performing Islamic financing and related assets - net	10.7	**(111,734)**	(187,286)
Provision for diminution in the value of investments - net	9.8	**(16,846)**	-
Bad debts written off directly		**-**	-
		(128,580)	(187,286)
Net spread earned after provisions		**5,084,111**	4,447,141
OTHER INCOME			
Fee, commission and brokerage income		**1,402,601**	1,249,751
Dividend income		**-**	-
(Loss) / income from dealing in foreign currencies		**(41,795)**	6,735
Gain on sale of securities	25	**163,286**	15,946
Other income	26	**42,436**	2,023
Total other income		**1,566,528**	1,274,455
		6,650,639	5,721,596
OTHER EXPENSES			
Administrative expenses	27	**5,264,089**	4,987,933
Other provisions / write offs		**-**	-
Other charges	28	**15,519**	21,941
Total other expenses		**5,279,608**	5,009,874
		1,371,031	711,722
Extra ordinary / unusual items		**-**	-
PROFIT BEFORE TAXATION		**1,371,031**	711,722
Taxation	29		
- Current		**(535,978)**	(191,099)
- Prior years		**(34,868)**	(29,648)
- Deferred		**55,355**	(60,420)
		(515,491)	(281,167)
PROFIT AFTER TAXATION		**855,540**	430,555
		------ (Rupees) ------	
Basic & diluted earnings per share	30	**1.219**	0.617

The annexed notes 1 to 44 and Annexure I form an integral part of these financial statements.

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

Dubai Islamic Bank Pakistan Limited
Statement of Comprehensive Income
For the year ended December 31, 2016

	2016	2015
	------ (Rupees in '000) ------	
Profit after taxation for the year	**855,540**	430,555
Other comprehensive income		
Items that may not be reclassified to profit and loss account		
Actuarial (loss) / gains on remeasurements of defined benefit plans	**(21,998)**	2,971
Tax on remeasurements of defined benefit plans	**7,699**	(1,040)
	(14,299)	1,931
Comprehensive income transferred to equity	**841,241**	432,486
Components of comprehensive income not reflected in equity		
Surplus on revaluation of investments	**73,713**	160,154
Related deferred tax liability	**(25,800)**	(56,054)
	47,913	104,100

The annexed notes 1 to 44 and Annexure I form an integral part of these financial statements.

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

9.5 Particulars of global sukuk

Face value of USD 1,000 each unless otherwise stated.

Particulars	Collateral	Profit Rate	Profit payment	Carrying value 2016	Carrying value 2015
				(Rupees in '000)	
Dubai International Financial Centre (*) 3,000 (2015: 5,000) certificates Maturity date: November 12, 2024	Tangible Assets	4.325%	Semi-annually	**324,613**	526,993
TF Varlik Kiralama AS (*) 13,000 (2015: 13,000) certificates Maturity date: April 24, 2019	Tangible Assets	5.375%	Semi-annually	**1,391,622**	1,407,361
KT Kira Sertifikalari Varlik Kiralama AS (*) 12,000 (2015: 12,000) certificates Maturity date: June 26, 2019	Tangible Assets	5.162%	Semi-annually	**1,288,542**	1,303,793
EIB Sukuk Company Limited (*) 5,000 (2015: Nil) certificates Maturity date: May 31, 2021	Tangible Assets	3.542%	Semi-annually	**522,992**	-
ICD Sukuk Company Limited (*) 11,995 (2015: Nil) certificates Maturity date: May 21, 2020	Tangible Assets	3.508%	Semi-annually	**1,263,718**	-
Majid AL Futtaim (*) 9,000 (2015: Nil) certificates Maturity date: Nov 3, 2025	Tangible Assets	4.50%	Semi-annually	**973,116**	-
Saudi Electricity Company (*) 3,000 (2015: Nil) certificates Maturity date: April 3, 2022	Tangible Assets	4.211%	Semi-annually	**327,819**	-
				6,092,422	3,238,147

* These sukuks are being held by Dubai Islamic Bank P.J.S.C on behalf of the Bank in fiduciary capacity.

9.6 Particulars of investments in mutual fund

2016	2015		Carrying value 2016	Carrying value 2015
Number of units			(Rupees in '000)	
		Mutual fund - Face value of Rs. 50		
320,602	-	Meezan Sovereign Fund	**16,623**	-

Dubai Islamic Bank Pakistan Limited

Statement of Changes in Equity

For the year ended December 31, 2016

	Share capital	Advance against share subscription	Statutory reserve	Unappro-priated profit	Total
	(Rupees in '000)				
Balance as at January 01, 2015	6,976,030	18	147,475	406,760	7,530,283
Profit after taxation for the year	-	-	-	430,555	430,555
Other Comprehensive income for the year					
Remeasurements of defined benefit plan	-	-	-	2,971	2,971
Tax on remeasurements of defined benefit plan	-	-	-	(1,040)	(1,040)
	-	-	-	1,931	1,931
Transfer to statutory reserve	-	-	86,111	(86,111)	-
Balance as at December 31, 2015	6,976,030	18	233,586	753,135	7,962,769
Profit after taxation for the year	-	-	-	855,540	855,540
		-			
Other Comprehensive income for the year					
Remeasurements of defined benefit plan	-	-	-	(21,998)	(21,998)
Tax on remeasurements of defined benefit plan	-	-	-	7,699	7,699
	-	-	-	(14,299)	(14,299)
Transaction with owners recognised directly in equity					
Conversion of subordinated loan	-	3,249,519	-	-	3,249,519
Issuance of right shares at par	3,249,537	(3,249,537)	-	-	
Transaction costs on issuance of right shares				(7,005)	(7,005)
Transfer to statutory reserve	-	-	171,108	(171,108)	-
Balance as at December 31, 2016	**10,225,567**	**-**	**404,694**	**1,416,263**	**12,046,524**

The annexed notes 1 to 44 and Annexure I form an integral part of these financial statements.

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

Dubai Islamic Bank Pakistan Limited
Cash Flow Statement
For the year ended December 31, 2016

	Note	2016	2015
		------ (Rupees in '000) ------	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		**1,371,031**	711,722
Adjustments for:			
Depreciation	*27*	**308,708**	301,511
Amortisation	*27*	**104,572**	90,912
Provision against non-performing Islamic financing and related assets - net	*10.7*	**111,734**	187,286
Fixed assets written-off	*28*	**375**	489
Provision for diminution in the value of investments	*9.8*	**16,846**	-
Gain on sale of securities	*25*	**(163,286)**	(15,946)
Charge for defined benefit plan	*27*	**43,671**	43,352
(Gain) / loss on sale of operating fixed assets	*26*	**(42,436)**	(1,939)
		380,184	605,665
		1,751,215	1,317,387
Decrease / (increase) in operating assets			
Due from financial institutions		**(6,117,364)**	(1,577,976)
Islamic financing and related assets		**10,931,001**	(46,300,643)
Others assets (excluding advance taxation)		**(13,180)**	(530,156)
		4,800,457	(48,408,775)
(Decrease) / increase in operating liabilities			
Bills payable		**666,760**	301,834
Due to financial institutions		**1,117,049**	984,578
Deposits and other accounts		**(7,478,944)**	52,899,062
Other liabilities (excluding current taxation)		**(246,124)**	629,454
		(5,941,259)	54,814,928
		610,413	7,723,540
Payments against defined benefit plan		**(43,738)**	(40,381)
Income taxes paid		**(502,323)**	(207,700)
Net cash (used in) / generated from operating activities		**64,352**	7,475,459
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in securities		**(3,169,250)**	(81,104)
Investments in operating fixed assets		**(495,077)**	(486,671)
Proceeds from sale of operating fixed assets		**96,503**	4,025
Net cash used in investing activities		**(3,567,824)**	(563,750)
CASH FLOW FROM FINANCING ACTIVITIES			
Effect of exchange difference on translation of foreign currency sub-ordinated loan		-	131,995
Net cash (generated) / used in from financing activities		-	131,995
(Decrease) / increase in cash and cash equivalents		**(3,503,472)**	7,043,704
Cash and cash equivalents at beginning of the period		**18,053,033**	11,009,329
Cash and cash equivalents at end of the period	*31*	**14,549,561**	18,053,033

The annexed notes 1 to 44 and Annexure I form an integral part of these financial statements.

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

1 STATUS AND NATURE OF BUSINESS

1.1 Dubai Islamic Bank Pakistan Limited (the Bank) was incorporated in Pakistan as an unlisted public limited company on May 27, 2005 under the Companies Ordinance, 1984 to carry out the business of an Islamic Commercial Bank in accordance with the principles of Shari'a.

1.2 The State Bank of Pakistan (the SBP) granted a "Scheduled Islamic Commercial Bank" license to the Bank on November 26, 2005 and subsequently the Bank received the Certificate of Commencement of Business from the Securities and Exchange Commission of Pakistan (the SECP) on January 26, 2006. The Bank commenced its operations as a scheduled Islamic Commercial Bank with effect from March 28, 2006 on receiving certificate of commencement of business from the SBP. The Bank is principally engaged in Corporate, Commercial and Consumer Islamic banking activities and investing activities.

1.3 Based on the financial statements of the Bank for the year ended December 31, 2015, JCR-VIS Credit Rating Company Limited determined the Bank's medium to long-term rating as 'A+' (A plus) and the short term rating as 'A-1' (A one) while the outlook has been assigned as "Stable".

1.4 The Bank is operating through 200 branches as at December 31, 2016 (2015: 200 branches). The registered office of the Bank is situated at Hassan Chambers, DC-7, Block-7 Kehkashan, Clifton, Karachi. The Bank is a wholly owned subsidiary of Dubai Islamic Bank PJSC, UAE (the Holding Company).

2 BASIS OF PRESENTATION

2.1 The Bank provides Islamic financing and makes investments mainly through Murabaha, Musharaka, Running Musharaka, Musharaka cum Ijara, Shirkatulmilk, Istisna cum Wakala, Wakala Isthimar, Service Ijarah and export refinance under Islamic export refinance scheme of State Bank of Pakistan (SBP) and other Islamic modes as briefly explained in the notes to these financial statements. The transactions of purchases, sales and leases executed under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of rental / profit thereon. The income on such Islamic financing and related assets is recognised in accordance with the principles of Shari'a. However, income if any, received which does not comply with the principles of Shari'a is recognised as charity payable if so directed by the Shari'a Board / Resident Shari'a Board Member.

3 STATEMENT OF COMPLIANCE

3.1 These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan and such International Financial Reporting Standards (IFRSs), as are notified under the Companies Ordinance, 1984, the provisions and directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). Wherever the requirements of the provisions and directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, the IFAS notified under the Companies Ordinance, 1984 and the directives issued by the SECP and the SBP differ with the requirements of the IFRS, the provisions and directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, the IFAS notified under the Companies Ordinance, 1984 and the requirements of the directives issued by the SECP and SBP shall prevail.

3.2 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.

3.3 The Securities and Exchange Commission of Pakistan (SECP) has notified Islamic Financial Accounting Standard (IFAS) 3, 'Profit and Loss Sharing on Deposits' issued by the Institute of Chartered Accountants of Pakistan. IFAS 3 shall be followed with effect from the financial periods beginning after January 1, 2014 in respect of accounting for transactions relating to 'Profit and Loss Sharing on Deposits' as defined by the said standard. The standard has resulted in certain new disclosures in the financial statements of the Bank. The SBP through BPRD Circular Letter No. 4 dated February 25, 2015, has deferred the applicability of IFAS 3 till further instructions and prescribed the Banks to prepare their annual and periodical financial statements as per existing prescribed formats issued vide BSD Circular 04 of 2006 and BSD Circular Letter No. 02 of 2004, as amended from time to time.

3.4 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

There are certain new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2016 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.

3.5 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2017:

- Amendments to IAS 12 ‘Income Taxes’ are effective for annual periods beginning on or after January 1, 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have an impact on Bank’s financial statements.

- Amendments to IAS 7 ‘Statement of Cash Flows’ are part of IASB’s broader disclosure initiative and are effective for annual periods beginning on or after January 1, 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

- Amendments to IFRS 2 - Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after January 1, 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Bank’s financial statements.

  Annual improvements to IFRS standards 2014-2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:

  Amendments to IFRS 12 ‘Disclosure of Interests in Other Entities’ (effective for annual periods beginning on or after January 1, 2017) clarify that the requirements of IFRS 12 apply to an entity’s interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 – ‘Non-current Assets Held for Sale and Discontinued Operations’. The amendments are not likely to have an impact on Bank’s financial statements.

  Amendments to IAS 28 ‘Investments in Associates and Joint Ventures’ (effective for annual periods beginning on or after January 1, 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Bank’s financial statements.

- IFRIC 22 ‘Foreign Currency Transactions and Advance Consideration’ (effective for annual periods beginning on or after January 1, 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

4 BASIS OF MEASUREMENT

4.1 Accounting convention

These financial statements have been prepared under the historical cost convention, except that certain investments, foreign currency balances and commitments in respect of foreign exchange contracts have been marked to market and are carried at fair value. In addition, obligation in respect of staff retirement benefits is carried at present value.

4.2 Functional and Presentation Currency

These financial statements have been presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

4.3 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgment in application of its accounting policies. The estimates and associated assumptions are continually evaluated and are based on historical experience and various other factors including expectation of future events that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Actual results may differ from these estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The significant accounting areas where various assumptions and estimates are significant to the Bank's financial statements or where judgment was exercised in the application of accounting policies are as follows:

i) classification and provisioning against investments (notes 5.3 and 9)
ii) classification and provisioning against Islamic financing and related assets (notes 5.4 and 10)
iii) current and deferred taxation (notes 5.6, 17, 22.7 and 29)
iv) determination of useful lives and depreciation / amortisation (notes 5.5 and 11)
v) accounting for defined benefit plan (notes 5.9 and 33)

5 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.

5.1 Cash and cash equivalents

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

5.2 Due to/ from financial institutions

Commodity Murabaha

In Commodity Murabaha, the Bank sells commodities on credit to other financial institutions. The credit price is agreed at the time of sale and such proceeds are received at the end of the credit period.

Bai Muajjal

In Bai Muajjal, the Bank sells sukuk on credit to other financial institutions. The credit price is agreed at the time of sale and such proceeds are received at the end of the credit period.

Musharaka / Modaraba

In Musharaka / Modaraba, the Bank invests in the shari'a compliant business pools of the financial institutions at the agreed profit and loss sharing ratio.

Musharaka from State Bank of Pakistan under IERS

Under IERS, the Bank accepts funds from the SBP under Shirkat-ul-Aqd to constitute a pool for investment in export refinance portfolio of the Bank under guidelines issued by SBP.

5.3 Investments

5.3.1 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.

5.3.2 Regular way contracts

All purchases and sales of investments that require delivery within the time frame established by regulation or market convention are recognised at settlement date, which is the date on which the asset is delivered to or by the Bank.

5.3.3 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.

5.3.4 Subsequent measurement

Subsequent to initial recognition investments are valued as follows:

(a) Held-for-trading

These are measured at subsequent reporting dates at fair value. Gains and losses on remeasurement are included in the profit and loss account.

(b) Held-to-maturity

These are measured at amortized cost using the effective profit rate method, less any impairment loss recognized to reflect irrecoverable amount.

(c) Available for sale

In accordance with the requirements specified by the SBP, quoted securities other than those classified as 'held to maturity' are subsequently re-measured to market value. Unquoted equity securities are valued at the lower of cost and break-up value. Break-up value of unquoted equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investment in other unquoted securities are valued at cost less impairment losses, if any.

Surplus / deficit arising on revaluation of quoted securities which are classified as 'available for sale', is included in the statement of comprehensive income but is kept in a separate account which is shown in the statement of financial position below equity.

5.3.5 Impairment

Impairment loss in respect of investments classified as available for sale and held to maturity (except sukuk) is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged decline in fair value of an equity investment below its cost is also considered an objective evidence of impairment. Provision for diminution in the value of sukuk is made as per the Prudential Regulations issued by the State Bank of Pakistan. In case of impairment of available for sale securities, the cumulative loss that has been recognised directly in surplus / (deficit) on revaluation of securities on the Statement of Financial Position below equity is removed there-from and recognised in the profit and loss account. For investments classified as held to maturity, the impairment loss is recognised in the profit and loss account.

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

5.4 Islamic financing and related assets

These are products originated by the Bank and principally comprise of Murabaha, Musharaka cum Ijara, Running Musharaka, Wakala, Wakala Istithmar, Istisna cum Wakala, Ijara Muntahiya Bil Tamleek, Islamic Export Refinance Scheme, Service Ijarah 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 / Musharaka cum Ijara, 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.

Ijara Muntahiya Bil Tamleek is a lease contract in which the leased asset’s title is transferred at the end of the lease term to the lessee through an independent sale agreement.

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 Service Ijarah financing, the Bank provides financing by acquiring certain agreed services from the customer. After the purchase of services, the Bank appoints the customer to sell these services in the market over a period and provide a sale confirmation of such sale. The profit is only accrued from the date of receipt of such confirmation.

In Running Musharaka financing, the Bank enters into financing with the customer based on Shirkat-ul-Aqd or Business Partnership in customers operating business. Under this mechanism the customer can withdraw and return funds to the Bank subject to his Running Musharakah Financing limit during the Musharakah Period. At the end of each quarter / half year the customer pays the provisional profit as per the desired profit rate which is subject to final settlement based on the relevant quarterly/half-yearly/annual accounts of the customer.

In Musawammah 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.

Specific provision

The Bank maintains specific provision for doubtful debts 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 (refer note 10.8.2), the Bank maintains general provisions as follows:

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

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

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

5.5 Operating fixed assets and depreciation

5.5.1 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 11.2 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.

5.5.2 Capital work-in-progress

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

5.5.3 Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Such intangible assets are amortized using the straight-line method over their estimated useful lives. The useful lives and amortisation method are reviewed and adjusted, if appropriate at each reporting date. Intangible assets having an indefinite useful life are stated at acquisition cost, less impairment loss, if any. Amortisation is charged from the month of acquisition and upto the month preceding the month of deletion.

5.5.4 Impairment

At each reporting date, the Bank reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Recoverable amount is the greater of net selling price and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately in the financial statements in the profit and loss account.

18 OTHER LIABILITIES

	Note	2016	2015
		------ (Rupees in '000) ------	
Profit / return payable in local currency		**626,314**	803,101
Profit / return payable in foreign currencies		**35,634**	10,318
Deferred profit murabaha / musawama income		**360,761**	498,698
Accrued expenses		**344,733**	332,093
Advance from customers		**615,685**	466,769
Unrealised loss on forward foreign exchange contracts		**59,384**	78,204
Taxation payable		**89,592**	2,637
Payable to group company		**-**	48,479
Security deposits against musharaka cum ijara		**81,415**	56,181
Retention money		**947**	1,862
Payable to Contractors		**2,757**	107,746
Charity Payable	*18.1*	**3,373**	10,071
Worker Welfare Fund Payable		**62,930**	33,415
Withholding tax payable		**23,490**	12,499
Others		**548,682**	544,835
		2,855,697	3,006,908

18.1 Reconciliation of charity payable

	2016	2015
Opening balance	**10,071**	11,244
Additions during the year	**3,352**	4,627
Payments during the year	**(10,050)**	(5,800)
Closing balance	**3,373**	10,071

18.1.1 During the year, charity from the Charity Fund of the Bank (in which late payment charges and Shari'a repugnant income of the Bank are credited) was paid to the following individual / organisations:

	2016	2015
	------- (Rupees in '000) -------	
Hina Gul	**3,000**	-
Sindh Institute of Urology and Transplantation	**700**	1,000
The Indus Hospital	**700**	700
Shaukat Khanum Memorial Cancer Hospital	**700**	500
Layton Rahmatulla Benevolent Trust	**700**	500
Akhuwat	**500**	500
The Citizen Foundation	**500**	250
Koohi Goth Hospital	**400**	400
Nighaban Welfare Organization	**400**	300
Child Aid Association	**300**	300
Afzaal Memorial Thalassemia Foundation	**300**	300
Patel Hospital	**300**	300
Kiran Patients Welfare Society	**300**	250
Bait-ul-Sukoon Cancer Hospital	**300**	250
Burns Centre	**300**	-
Children Cancer Hospital	**250**	250
Kashif Iqbal Thalassemia Care Centre	**200**	-
Marie Adelaide Leprosy Centre	**200**	-
	10,050	5,800

18.1.3 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.

Where an impairment loss reverses subsequently, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. The reversal of impairment loss is recognised as income in the profit and loss account.

5.6 Taxation

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

Current

Provision for current taxation is based on taxable income for the year, if any, 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. In addition, the Bank also records deferred tax asset on available tax losses. 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 by 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.

The Bank also recognises deferred tax asset / liability on deficit / surplus on revaluation of securities which is adjusted against the related deficit / surplus in accordance with the requirements of the International Accounting Standard 12 - "Income Taxes".

5.7 Deposits

Deposits are generated on the basis of two modes i.e. Qard and Modaraba.

Deposits taken on Qard basis are classified as 'Current accounts' and Deposits generated on Modaraba basis are classified as 'Savings deposits' and 'Fixed deposits'. No profit or loss is passed on to current account depositors. While the product features of each product differ, there is usually no restriction on withdrawals or number of transactions in current and saving accounts. In case of fixed deposits, pre-mature withdrawals can be made as per approved terms only.

Profits realised in common pool are distributed between the Bank and the depositors in proportion to their respective share in the pool. All Modarba based deposits are fully invested in the Common Pool to produce returns for them. In case where the Bank is unable to utilise all funds available for investment, priority is given to the deposit account holders. Rab-ul-Maal share is distributed among depositors according to weightages assigned at the inception of profit calculation period. Mudarib can distribute its share of profit to Rab-ul-Maal upto a maximum of 60% of their profit as incentive profits (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.

5.8 Pool Management

The Bank operates general and special pools for deposits and inter-bank funds accepted / acquired under Modaraba, Wakala and Musharakah modes.

Under the general deposits pool, the Bank accepts funds on Modaraba basis from depositors (Rab-ul-Maal) where the Bank acts as Manager (Mudarib) and invests the funds in the Shari'a compliant modes of financings, investments and placements. When utilising funds and investing funds, the Bank prioritises the funds received from depositors over the funds generated from own

Specific pools are operated for funds acquired / accepted from the State Bank of Pakistan (under the Islamic Export Refinance Scheme), high net-worth individuals/companies/financial instituitions and other banks for investments in Shari'a compliant modes of financing and liquidity management under the Musharakah / Modaraba/ Wakala modes respectively.

The profit of each deposit pool is calculated on all the remunerative assets booked by utilising the funds from the pool after deduction of expenses directly incurred in earning the income of such pool along with related fee income, if any. The directly related costs comprise of tracker related costs, amortisation of premium on sukuk etc. No general or administrative nature of expense is charged to pools. No provisions against any non-performing asset of the pool is passed on to the pool except on the actual loss / write-off of such non-performing asset. Further, provisions passed on to the pool in the prior periods have been credited to pool income in the current period as reduction in expense to the extent of recovery of provision previously charged to the pool. The profit of the pool is shared between equity and other members of the pool on pro-rata basis at gross level (i.e. before charging of mudarib fee) as per the investment ratio of the equity. The profit of the pool is shared among the depositors of the pool on pre-defined mechanism based on the weightages announced before the commencement of profit calculation period after charging mudarib fee. Incentive profits (General Hiba) is allocated to the depsitors based on SBP guidelines; across the board.

5.9 Staff retirement benefits

5.9.1 Defined benefit plan

The Bank operates an approved funded gratuity scheme for its permanent employees. The liability recognised in the statement of financial position in respect of defined benefit gratuity scheme, is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets. Contributions to the fund are made on the basis of actuarial recommendations. The defined benefit obligation is calculated periodically by an independent actuary using the projected unit credit method. Last valuation was conducted as on December 31, 2016.

Amounts arising as a result of "Remeasurements", representing the actuarial gains and losses and the difference between the actual investment returns and the return implied by the net interest cost are recognised in the Statement of Financial Position immediately, with a charge or credit to "Other Comprehensive Income" in the periods in which they occur.

5.9.2 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.

5.10 Revenue recognition

- Profit from Murabaha is accounted for on consummation of Murabaha transaction. However, profit on the portion of revenue not due for payment is deferred by accounting for unearned Murabaha income with a corresponding credit to deferred Murabaha income which is recorded as a liability. The same is then recognised as revenue on a time proportionate basis. In Murabaha transactions, the Bank purchases the goods and after taking the possession, sells them to the customer on cost plus profit basis either in a spot or credit transaction.

- Profit from Istisn'a 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 Musharaka cum Ijara, Ijara Muntahiya Bil Tamleek and 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 Musharaka financing is recognised on an accrual basis. Actual profit / (loss) on Musharaka and Modaraba financing is adjusted after declaration of profit / (loss) by Musharaka partner / modarib or at liquidation of Musharaka / Modaraba.

- Profit on Bai Muajjal transaction is recognised on an accrual basis.

- Profit on Running Musharakah financings is booked on an accrual basis and is adjusted upon declaration of profit by Musharakah partners.

- Gains and losses on sale of investments are included in the profit and loss account.

- Profit on Sukuk is recognised on an accrual basis. Where Sukuk (excluding held for trading securities) are purchased at a premium or discount, those premiums / discounts are amortised through the profit and loss account over the remaining maturity, using the effective yield method.

- Profit on Service Ijarah is recognised on an accrual basis.

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

- Fee, commission and brokerage are recognized when earned.

- Profit suspended in compliance with the Prudential Regulations issued by the SBP is recorded on receipt basis. Profit on rescheduled / restructured financings and investments are recognised as permitted by the SBP.

5.11 Financial Instruments

5.11.1 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 loans 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.

5.11.2 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.

5.11.3 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.

5.12 Fiduciary assets

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

5.13 Foreign currencies

Foreign currency transactions

Foreign currency transactions are recorded in rupees at exchange rates prevailing on the date of transaction. Monetary assets, monetary liabilities and contingencies and commitments in foreign currencies, except forward promises, at the year end are converted in Rupees at exchange rates prevalent on the reporting date.

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.

5.14 Provisions and contingent assets and liabilities

Provisions are recognized when the Bank has a present legal or constructive obligation arising as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimates.

Contingent assets are not recognised, and are also not disclosed unless an inflow of economic benefits is probable and contingent liabilities are disclosed unless the probability of an outflow of resources embodying economic benefits is remote.

5.15 Allocation of profit

Allocation of profits in Mudaraba pool between depositors and shareholders is made according to the Bank's profit distribution policy and is approved by the Resident Shari'a Board Member.

5.16 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.

5.16.1 Business segments

Corporate banking

Corporate banking includes services provided in connection with mergers and acquisitions, underwriting, privatization, securitisation, research, Sukuk (government, high yield), equity, syndication, IPO and secondary private placements, provided they are Shari'a compliant.

Trading and sales

It includes income, equity, foreign exchanges, commodities, credit, funding and own position securities.

Retail banking

It includes retail financing, deposits and banking services offered to retail customers and small and medium sized enterprises.

Commercial banking

Commercial banking includes project finance, real estate, export finance, trade finance, Ijara, financing and issuing guarantees.

Others

Others includes internal audit, shariah compliance, human resources and finance departments.

5.16.2 Geographical segment

The Bank operates only in Pakistan.

			Note	2016	2015
6	**CASH AND BALANCES WITH TREASURY BANKS**			**------- (Rupees in '000) -------**	
	In hand				
	- local currency			**1,825,449**	1,502,767
	- foreign currencies			**666,844**	411,058
				2,492,293	1,913,825
	With the State Bank of Pakistan in				
	- local currency current accounts		*6.1*	**8,506,372**	5,846,141
	- foreign currency current accounts			**22,637**	159,405
	- foreign currency sub-ordinated debt			**-**	3,246,971
	- foreign currency deposit accounts				
	Cash reserve account		*6.2*	**805,984**	580,318
	Special cash reserve account		*6.3*	**967,160**	696,360
				1,773,144	1,276,678
	With National Bank of Pakistan in				
	- local currency current accounts			**1,212,874**	1,740,610
				14,007,320	14,183,630

6.1 The local currency current account is maintained with the State Bank of Pakistan (SBP) as per the requirements of Section 22 of the Banking Companies Ordinance, 1962. This section requires banking companies to maintain a local currency cash reserve in the current account opened with the SBP at a sum not less than such percentage of its time and demand liabilities in Pakistan as may be prescribed by SBP.

6.2 As per BSD Circular No. 15 dated June 21, 2008, cash reserve of 5% is required to be maintained with SBP on deposits held under the New Foreign Currency Accounts Scheme (FE-25 deposits). This account is non-remunerative in nature.

6.3 Special cash reserve of 6% is required to be maintained with the SBP on FE-25 deposits as specified in BSD Circular No. 15 dated June 21, 2008. This account is non-remunerative in nature.

		Note	2016	2015
7	**BALANCES WITH OTHER BANKS**		**------- (Rupees in '000) -------**	
	In Pakistan			
	- in current accounts		**49,241**	49,591
	- in deposit accounts		**49,938**	10
			99,179	49,601
	Outside Pakistan			
	- in current accounts	*7.1*	**444,184**	3,819,802
	- in deposit accounts		**-**	-
			444,184	3,819,802
			543,363	3,869,403

7.1 This includes an amount of Rs. 53.112 million (2015: Rs.1,154 million) deposited with the holding company.

		Note	2016	2015 Restated
8	**DUE FROM FINANCIAL INSTITUTIONS**		**------- (Rupees in '000) -------**	
	Commodity Murabaha	*8.1*	**12,536,061**	6,418,697

8.1 These carry expected profit rates ranging from 5.75% to 6.25% (2015: 6.10% to 6.40%) per annum and are due to mature latest by January 30, 2017 (2015: January 27, 2016).

8.2	Particulars of amounts due from financial institutions	**2016**	2015
		------- (Rupees in '000) -------	
	In local currency	**12,536,061**	6,418,697
	In foreign currencies	**-**	-
		12,536,061	6,418,697

9 INVESTMENTS

	Note	**2016**			2015 - Restated		
		Held by the Bank	**Given as collateral**	**Total**	Held by the Bank	Given as collateral	Total
9.1 Investments by types		------------------------------------- (Rupees in '000) -------------------------------------					
Available-for-sale securities							
GOP Ijarah sukuks	*9.3*	**12,608,975**	**-**	**12,608,975**	10,146,816	-	10,146,816
Other sukuks certificates	*9.4*	**8,416,929**	**-**	**8,416,929**	5,111,002	-	5,111,002
Global sukuk certificates	*9.5*	**6,092,422**	**-**	**6,092,422**	3,238,147	-	3,238,147
Bai Muajjal - Government of Pakistan (GOP)		**-**	**-**	**-**	5,306,448	-	5,306,448
Units of open-end mutual fund	*9.6*	**16,623**	**-**	**16,623**	-	-	-
		27,134,949	**-**	**27,134,949**	23,802,413	-	23,802,413
Less: Provision for diminution in value of investments	*9.8*	**(16,846)**	**-**	**(16,846)**	-	-	-
Investments (net of provisions)		**27,118,103**	**-**	**27,118,103**	23,802,413	-	23,802,413
Surplus on revaluation of available-for-sale securities	*21*	**93,556**	**-**	**93,556**	19,843	-	19,843
Total investments		**27,211,659**	**-**	**27,211,659**	23,822,256	-	23,822,256

	Note	**2016**	2015 Restated
9.2 Investments by segments		------- (Rupees in '000) -------	
Federal Government securities			
GOP Ijarah Sukuks	*9.3*	**12,608,975**	10,146,816
Bai Muajjal - Government Of Pakistan (GOP)	*9.2.1*	**-**	5,306,448
		12,608,975	15,453,264
Other Sukuk certificates			
Other sukuks	*9.4*	**8,416,929**	5,111,002
Global sukuk certificates	*9.5*	**6,092,422**	3,238,147
		14,509,351	8,349,149
Units of open-end mutual fund	*9.6*	**16,623**	-
		27,134,949	23,802,413
Less: Provision for diminution in value of investments		**(16,846)**	-
Investments (net of provisions)		**27,118,103**	23,802,413
Surplus on revaluation of available-for-sale securities	*21*	**93,556**	19,843
Total investments		**27,211,659**	23,822,256

9.2.1 These represents Bai Muajjal receivable from GOP carrying rate of return 5.93%-5.94% (2015: 5.93%-5.94%). The transaction matured on November 17, 2016. This has been reclassified in investments as required by SBP BPRD Circular Letter number 05 of 2016. Previously, these were classified as due from financial institutions.

9.3 Particulars of Federal Government securities

Face value of Rs. 100,000 each unless otherwise stated.

Particulars	Collateral	Profit Rate	Profit payment	Carrying value 2016	Carrying value 2015
				----------- (Rupees in '000) -----------	
GOP IJARA SUKUK - XIV Nil (2015: 8,050) certificates Maturity date: March 28, 2016	Government of Pakistan Sovereign guarantee	6 months T-Bill plus zero basis points	Semi-annually	**-**	806,816
GOP IJARA SUKUK - XV 111,070 (2015: 78,400) certificates Maturity date: June 25, 2017	Government of Pakistan Sovereign guarantee	6 months T-Bill minus 200 basis points	Semi-annually	**11,108,975**	7,840,000
GOP IJARA SUKUK - XVI Nil (2015: 15,000) certificates Maturity date: December 18, 2018	Government of Pakistan Sovereign guarantee	6 months T-Bill minus 50 basis points	Semi-annually	**-**	1,500,000
GOP IJARA SUKUK - XVII 15,000 (2015: Nil) certificates Maturity date: Feburary 15, 2019	Government of Pakistan Sovereign guarantee	6.10%	Semi-annually	**1,500,000**	-
				12,608,975	10,146,816

9.4 Particulars of other sukuk certificates

Face value of Rs. 5,000 each unless otherwise stated.

Particulars	Collateral	Profit Rate	Profit payment	Carrying value 2016	Carrying value 2015
				----------- (Rupees in '000) -----------	
WAPDA II 91,075 (2015: 91,075) certificates Maturity date: July 13, 2017	Government of Pakistan Sovereign guarantee	6 months KIBOR minus 25 basis points	Semi-annually	**75,896**	151,793
WAPDA III 167,353 (2015:167,353) certificates Maturity date: October 14, 2021 Face value: Rs. 5,000	Government of Pakistan Sovereign guarantee	6 months KIBOR plus 175 basis points	Semi-annually	**597,689**	717,226
Sui Southern Gas Company Limited 100,000 (2015: 100,000) certificates Maturity date: May 17, 2017	Tangible Assets	3 months KIBOR plus 75 basis points	Quarterly	**125,000**	375,000
Sui Southern Gas Company Limited 300,000 (2015: 300,000) certificates Maturity date: October 30, 2019	Tangible Assets	3 months KIBOR plus 40 basis points	Quarterly	**1,500,000**	1,500,000
Sui Southern Gas Company Limited 300,000 (2015: 300,000) certificates Maturity date: December 13, 2022	Tangible Assets	6 months KIBOR plus 50 basis points	Semi-annually	**1,500,000**	346,154
Quetta Textile Mills Limited* 40,000 (2015: 40,000) certificates Maturity date: Sep 26, 2019 (Refer note 9.8.1)	Tangible Assets	6 months KIBOR plus 175 basis points	Semi-annually	**96,179**	98,664
K-Electric Limited 384,433 (2015: 384,433) certificates Maturity date: June 17, 2022	Tangible Assets	3 months KIBOR plus 100 basis points	Quarterly	**1,922,165**	1,922,165
Neelum Jhelum Hydro Power Company (Private) Limited 26,000 (2015: Nil) certificates Maturity date: June 27, 2026 Face value: Rs. 100,000	Government of Pakistan Sovereign guarantee	6 months KIBOR plus 108 basis points	Semi-annually	**2,600,000**	-
				8,416,929	5,111,002

* Non performing Sukuk certificates

		Entity rating Long / medium term		2016	2015 Restated
9.7	**Quality of available-for-sale securities**	**2016**	2015	---------- (Rupees in '000) ----------	
	Sukuk certificates - (at market value)				
	GOP Ijara Sukuk - XIV	**N/A**	Govt.	-	808,220
	GOP Ijara Sukuk - XV	**Govt.**	Govt.	**11,113,664**	7,840,000
	GOP Ijara Sukuk - XVI	**N/A**	Govt.	-	1,516,950
	GOP Ijara Sukuk - XVII	**Govt.**	N/A	**1,548,900**	-
	WAPDA II	**AAA**	AAA	**74,978**	147,442
	WAPDA III	**AAA**	AAA	**624,116**	694,724
	Sui Southern Gas Company Limited	**Unrated**	Unrated	**125,000**	375,000
	Sui Southern Gas Company Limited	**Unrated**	Unrated	**1,500,000**	1,500,000
	Sui Southern Gas Company Limited	**Unrated**	Unrated	**1,500,000**	346,154
	Quetta Textile Mills Limited	**-***	Unrated	**96,179**	98,664
	K-Electric Limited	**AA+**	AA+	**1,981,129**	1,975,025
	Neelum Jhelum Hydro Power Company (Private) Limited	**AAA**	N/A	**2,600,000**	-
	Dubai International Financial Centre	**BBB**	BBB	**322,043**	522,461
	TF Varlik Kiralama AS	**BBB**	BBB	**1,387,547**	1,399,058
	KT Kira Sertifikalari Varlik Kiralama AS	**BBB**	BBB	**1,280,888**	1,292,110
	EIB Sukuk Company Limited	**A+**	N/A	**525,827**	-
	ICD Sukuk Company Limited	**Unrated**	N/A	**1,246,817**	-
	Majid AL Futtaim	**BBB**	N/A	**953,182**	-
	Saudi Electricity Company	**A-**	N/A	**331,365**	-
				27,211,635	18,515,808
	Bai muajjal receivable from GOP			-	5,306,448
	Units of open-end mutual fund (at market value)				
	Meezan Sovereign Fund			**16,870**	-
				27,228,505	23,822,256
	Less: Provision for diminution in the value of investments (note 9.8)			**(16,846)**	-
				27,211,659	23,822,256

* Non-performing sukuk certificates

		Note	2016	2015
9.8	**Particulars of provision for diminution in the value of investments**		---------- (Rupees in '000) ----------	
	Opening balance		-	-
	Charge for the year		**16,846**	-
	Reversals during the year		-	-
			16,846	-
	Closing balance	*9.8.1*	**16,846**	-

9.8.1	**Particulars of provision for diminution in the value of investments by type and segment**		
	Unlisted sukuk certificate - available for sale	**16,846**	-

9.8.2 These include Sukuk of Quetta Textile Mills Limited amounting to Rs. 96.2 million which have been placed under non-performir status. The forced sale value (FSV) of the collateral held in respect of these Sukuk is Rs. 79.33 million. Therefore, provision for diminution has been made in respect of the same. Profit accrued on these sukuk has been suspended. The additional profit arising from availing the FSV benefit - net of tax at December 31, 2016 amounting to Rs. 79.33 million (2015: Rs. 108.490 million) is not available for distribution as either cash or stock dividend.

10	ISLAMIC FINANCING AND RELATED ASSETS	*Note*	**2016**	2015
			------- (Rupees in '000) -------	
	In Pakistan			
	- Murabaha	*10.2*	**14,361,521**	13,345,105
	- Musharaka cum Ijara – Housing		**8,639,739**	7,352,708
	- Musharaka cum Ijara - Autos	*10.3*	**13,495,621**	10,919,239
	- Ijara Muntahiya Bil Tamleek – Autos		**408,507**	413,932
	- Musharaka cum Ijara – Other		**69,910**	112,594
	- Export Refinance under Islamic Scheme - SBP		**3,778,120**	5,261,901
	- Wakala Istithmar – Pre manufacturing		**10,335,916**	4,807,137
	- Wakala Istithmar – Post manufacturing		**147,449**	2,635,829
	- Shirkatulmilk		**17,874,089**	14,177,621
	- Service Ijarah and related assets		**718,750**	593,750
	- Musharaka		**13,576,303**	12,395,508
	- Running Musharaka		**4,718,026**	16,455,769
	- Istisna cum Wakala	*10.4*	**5,545,267**	13,754,927
	- Salam		**1,656,000**	4,402,000
	- Musawama	*10.5*	**388,331**	22,954
	Islamic financings and related assets – gross		**95,713,549**	106,650,974
	Less: Provision against non-performing Islamic financing & related assets	*10.6 & 10.7*	**(1,802,647)**	(1,697,337)
	Islamic financings and related assets – net of provisions		**93,910,902**	104,953,637

10.1 Particulars of Islamic financings and related asset (Gross)

10.1.1	In local currency	**94,267,607**	102,298,731
	In foreign currencies	**1,445,942**	4,352,243
		95,713,549	106,650,974
10.1.2	Short Term (for upto one year)	**35,720,151**	62,774,218
	Long Term (for over one year)	**59,993,398**	43,876,756
		95,713,549	106,650,974

10.2	**Murabaha**		
	Financings	**8,308,279**	10,646,065
	Advances	**6,053,242**	2,699,040
		14,361,521	13,345,105
10.3	**Musharaka cum Ijara – Autos**		
	Financings	**12,430,918**	10,335,898
	Advances	**1,064,703**	583,341
		13,495,621	10,919,239
10.4	**Istisna cum Wakala**		
	Financings	**5,517,062**	7,284,963
	Advances	**28,205**	6,469,964
		5,545,267	13,754,927
10.5	**Musawama**		
	Financings	**133,087**	10,290
	Advances	**255,244**	12,664
		388,331	22,954

10.6 Islamic financing and related assets include Rs 2,414.427 million (2015: Rs. 2,211.992 million) which have been placed under non-performing status as detailed below:

Category of Classification	**2016**								
	Classified Islamic financing and related			**Provision Required**			**Provision Held**		
	Domestic	**Overseas**	**Total**	**Domestic**	**Overseas**	**Total**	**Domestic**	**Overseas**	**Total**
	(Rupees in '000)								
Other Assets Especially Mentioned	**52,946**	**-**	**52,946**	**-**	**-**	**-**	**-**	**-**	**-**
Substandard	**429,743**	**-**	**429,743**	**150,504**	**-**	**150,504**	**150,504**	**-**	**150,504**
Doubtful	**37,795**	**-**	**37,795**	**1,854**	**-**	**1,854**	**1,854**	**-**	**1,854**
Loss	**1,893,943**	**-**	**1,893,943**	**1,563,970**	**-**	**1,563,970**	**1,563,970**	**-**	**1,563,970**
	2,414,427	**-**	**2,414,427**	**1,716,328**	**-**	**1,716,328**	**1,716,328**	**-**	**1,716,328**

Category of Classification	2015								
	Classified Islamic financing and related			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Other Assets Especially Mentioned	57,167	-	57,167	-	-	-	-	-	-
Substandard	79,055	-	79,055	10,335	-	10,335	10,335	-	10,335
Doubtful	223,530	-	223,530	18,297	-	18,297	18,297	-	18,297
Loss	1,852,240	-	1,852,240	1,580,846	-	1,580,846	1,580,846	-	1,580,846
	2,211,992	-	2,211,992	1,609,478	-	1,609,478	1,609,478	-	1,609,478

10.7 Particulars of provision against non-performing Islamic financings and related assets:

		2016			2015		
		Specific	**General**	**Total**	Specific	General	Total
	Note	**(Rupees in '000)**					
Opening balance		**1,609,478**	**87,859**	**1,697,337**	1,447,176	62,875	1,510,051
Charge for the year		**269,814**	**-**	**269,814**	416,262	24,984	441,246
Reversals		**(156,540)**	**(1,540)**	**(158,080)**	(253,960)	-	(253,960)
		113,274	**(1,540)**	**111,734**	162,302	24,984	187,286
Amount written-off	*10.7.3*	**(6,424)**	**-**	**(6,424)**	-	-	-
Closing balance		**1,716,328**	**86,319**	**1,802,647**	1,609,478	87,859	1,697,337

10.7.1 Particulars of provision against non-performing Islamic financings and related assets:

	2016			2015		
	Specific	**General**	**Total**	Specific	General	Total
	(Rupees in '000)					
In local currency	**1,716,328**	**86,319**	**1,802,647**	1,606,574	87,859	1,694,433
In foreign currencies	**-**	**-**	**-**	2,904	-	2,904
	1,716,328	**86,319**	**1,802,647**	1,609,478	87,859	1,697,337

As allowed by the SBP, the Bank has availed benefit of forced sale values amounting to Rs. 329.763 million (2015: Rs. 368.514 million) in determining the provisioning against non performing Islamic financings as at December 31, 2016. The additional profit arising from availing the Forced Sales Value (FSV) benefit - net of tax at December 31, 2016 which is not available for distribution as either cash or stock dividend to shareholders amounted to Rs. 214.347 million (2015: Rs. 239.534 million).

10.7.2 General provisioning is held against consumer finance portfolio and small enterprise financings in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan except for Musharaka cum Ijara - Autos. The SBP vide its letter no BPRD / BLRD - 03 / 2009 / 6877 dated October 15, 2009 has allowed relaxation to the Bank from recognising general provision against Musharaka cum Ijara - Autos on the condition that the facility will be categorised as "Loss" on the 180th day from the date of default. In this regard, the SBP vide its letter no BPRD / BRD - 04 / DIB / 2013 / 1644 dated February 12, 2013 has decided that the exemption from general reserve requirement shall only be valid till classified Auto Financing portfolio of the Bank remains upto 5% i.e. if the classified Auto Financing portfolio increases beyond the 5% threshold, the exemption shall stand withdrawn from that point of time.

10.7.3 Particulars of write-offs	**2016**	2015
	(Rupees in '000)	
Against provisions	**6,424**	-
Directly charged to profit and loss account	**-**	-
	6,424	-
Write-offs of Rs. 500,000 and above	**-**	-
Write-offs of below Rs. 500,000	**6,424**	-
	6,424	-

10.7.3.1 Details of Islamic financing write-offs of Rs 500,000 and above

In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written off financings or any other financial relief of five hundred thousand rupees or above allowed to a person(s) during the year ended December 31, 2016 is given in Annexure - I to these financial statements.

10.7.4 Particulars of Islamic financing and related assets to directors, executives or officers of the Bank or any of them either severally or jointly with any other persons:	**2016**	2015
	(Rupees in '000)	
Balance at beginning of the year	**1,465,561**	1,217,449
Disbursements during the year	**455,504**	590,457
Repayments made during the year	**(474,038)**	(342,345)
Balance at end of the year	**1,447,027**	1,465,561

11 OPERATING FIXED ASSETS

	Note	2016	2015
		------- (Rupees in '000) -------	
Capital work-in-progress - net	*11.1*	**54,283**	116,346
Property and equipment	*11.2*	**1,590,828**	1,571,473
Intangible assets	*11.3*	**224,949**	154,886
		1,870,060	1,842,705

11.1 Capital work-in-progress

	2016	2015
Equipment	**4,830**	57,106
Advances to suppliers and contractors	**64,853**	74,640
Less: Provision against Capital work-in-progress	**(15,400)**	(15,400)
	54,283	116,346

11.2 Property and equipment

2016

	COST			ACCUMULATED DEPRECIATION			Net book value as at December 31, 2016	Rate of Depreciation
	As at January 01, 2016	Additions (disposals)/ (write-offs)	As at December 31, 2016	As at January 01, 2016	Charge for the year / (disposals)/ (write-offs)	As at December 31, 2016		
	---- (Rupees in '000) ----							%
Leasehold land	**47,932**	**(47,932)**	-	-	-	-	-	-
Furniture and fixture	**348,216**	**21,363 (41)**	**369,538**	**188,407**	**32,132 (3)**	**220,536**	**149,002**	**10**
Electrical, office and computer equipment	**1,808,824**	**295,847 (10,611) (999)**	**2,093,061**	**1,056,299**	**183,925 (9,007) (624)**	**1,230,593**	**862,468**	**10-33.33**
Vehicles	**53,814**	**7,851 (6,196)**	**55,469**	**26,314**	**7,352 (4,957)**	**28,709**	**26,760**	**25**
Leasehold improvements	**1,251,725**	**57,444 (6,308)**	**1,302,861**	**668,018**	**85,299 (3,054)**	**750,263**	**552,598**	**5-15**
	3,510,511	**382,505 (71,088) (999)**	**3,820,929**	**1,939,038**	**308,708 (17,021) (624)**	**2,230,101**	**1,590,828**	

2015

	COST			ACCUMULATED DEPRECIATION			Net book value as at December 31, 2016	Rate of Depreciation
	As at January 01, 2015	Additions (disposals)/ (write-offs)	As at December 31, 2015	As at January 01, 2015	Charge for the year / (disposals)/ (write-offs)	As at December 31, 2015		
	---- (Rupees in '000) ----							%
Leasehold land	47,932	-	47,932	-	-	-	47,932	-
Furniture and fixture	313,110	35,132 (26)	348,216	154,515	33,912 (20)	188,407	159,809	10
Electrical, office and computer equipment	1,577,539	241,769 (8,872) (1,612)	1,808,824	901,170	163,418 (7,166) (1,123)	1,056,299	752,525	10-33.33
Vehicles	45,358	10,328 (1,872)	53,814	22,100	5,712 (1,498)	26,314	27,500	25
Leasehold improvements	1,134,527	117,198	1,251,725	569,549	98,469	668,018	583,707	5-15
	3,118,466	404,427 (10,770) (1,612)	3,510,511	1,647,334	301,511 (8,684) (1,123)	1,939,038	1,571,473	

26 OTHER INCOME

	Note	2016	2015
		------- (Rupees in '000) -------	
Gain on sale of operating fixed assets - net		**42,436**	1,939
Others		**-**	84
		42,436	2,023

27 ADMINISTRATIVE EXPENSES

	Note	2016	2015
Salaries, allowances, etc.	*27.1*	**2,079,383**	2,039,682
Remuneration to Shariah Board		**2,530**	1,564
Charge for defined benefit plan	*33.10.1*	**43,671**	43,352
Contribution to defined contribution plan		**73,998**	66,279
Brokerage and commission		**199,073**	147,898
Rent, taxes, insurance, electricity, etc.		**1,311,421**	1,203,997
Legal and professional charges		**44,035**	87,374
Communications		**241,746**	214,694
Repairs and maintenance		**367,016**	284,652
Traveling		**53,268**	50,233
Stationery and printing		**90,902**	76,048
Subscription fees		**5,400**	4,154
Advertisement and publicity		**47,055**	76,272
Auditors' remuneration	*27.2*	**5,615**	5,488
Depreciation	*11.2*	**308,708**	301,511
Amortization	*11.3*	**104,572**	90,912
Tracker related costs		**112,378**	89,085
Others		**173,318**	204,738
		5,264,089	4,987,933

27.1 This includes Rs. 11.739 million (2015: Rs. 8.080 million) in respect of Contribution to Employees' Old Age Benefit Institution.

27.2 Auditors' remuneration

	2016	2015
	------- (Rupees in '000) -------	
Audit fee	**1,155**	1,155
Fee for interim review of half yearly financial statements	**485**	485
Special certifications and sundry advisory services	**2,934**	2,934
Out-of-pocket expenses	**1,041**	914
	5,615	5,488

28 OTHER CHARGES

	Note	2016	2015
Worker Welfare Fund	*28.1*	**4,907**	14,525
Penalties imposed by the State Bank of Pakistan		**10,237**	6,927
Operating fixed assets written-off		**375**	489
		15,519	21,941

28.1 During the current year, the Supreme Court of Pakistan has declared that the amendments in the Worker's Welfare Fund (WWF) Ordinance made through finance acts of 2006 and 2008 are unconstitutional. Accordingly, the Bank has reversed WWF paid during the years 2009 to 2012 amounting to Rs. 26.345 million.

29 TAXATION

	2016	2015
Current	**535,978**	191,099
Prior years	**34,868**	29,648
Deferred	**(55,355)**	60,420
	515,491	281,167

29.1 Relationship between tax charge and accounting profit

	2016	2015
	------- (Rupees in '000) -------	
Profit before taxation	**1,371,031**	711,722
Effect of:		
Tax at the applicable rate of 35 %	**479,861**	249,103
Permanent differences	**5,456**	2,424
Prior year charge	**34,868**	29,648
Others	**(4,694)**	(8)
Tax Charge for the year	**515,491**	281,167

30 BASIC AND DILUTED EARNING PER SHARE

	Note	2016	2015
		------- (Rupees in '000) -------	
Profit after taxation for the period		**855,540**	430,555
		------- Number of shares -------	
Weighted average number of ordinary shares		**702,042,258**	697,603,000
		------- (Rupees) -------	
Earning per share - basic and diluted	*30.1*	**1.219**	0.617

30.1 There were no convertible / dilutive potential ordinary shares outstanding as at December 31, 2016 and December 31, 2015.

31 CASH AND CASH EQUIVALENTS

	Note	2016	2015
		------- (Rupees in '000) -------	
Cash and balances with treasury banks	*6*	**14,007,320**	14,183,630
Balances with other banks	*7*	**543,363**	3,869,403
Overdrawn nostro		**(1,122)**	-
		14,549,561	18,053,033

32 STAFF STRENGTH

	2016	2015
	------ (Number of employees)------	
Permanent	**1,768**	1,773
Contractual basis	**10**	7
Bank's own staff strength at end of the year	**1,778**	1,780
Outsourced	**1,050**	1,172
Total staff strength	**2,828**	2,952

33 DEFINED BENEFIT PLAN

33.1 General Description

As mentioned in note 5.9.1, 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 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.

11.2.1 Disposal / write off of operating fixed assets

	2016						
	Cost	Accumulated depreciation	Net book value	Sale price	Gain/(loss)	Mode of disposal	Particulars of buyer
	---------- (Rupees in '000) ----------						
Items having book value of more than Rs. 250,000 or cost of more than Rs. 1,000,000							
Electrical, office and computer equipment	**999**	**624**	**375**	**-**	**(375)**	Write-off	N/A
Leasehold Land	**47,932**	**-**	**47,932**	**88,500**	**40,568**	Bank's Policy	Mr. Riaz Ahmed
Vehicles	**6,196**	**4,957**	**1,239**	**1,850**	**611**	Bank's Policy	New Car Complex
Electrical, office and computer equipment	**5,412**	**4,145**	**1,267**	**1,622**	**355**	Bank's Policy	Various
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000							
Electrical, office and computer equipment	**5,199**	**4,862**	**337**	**953**	**616**	Bank's Policy	Various
Furniture and fixture	**41**	**3**	**38**	**35**	**(3)**	Bank's Policy	Khambhati Furniture
Leasehold Improvement	**6,308**	**3,054**	**3,254**	**3,543**	**289**	Bank's Policy	Signs Now
	72,087	**17,645**	**54,442**	**96,503**	**42,061**		

11.2.2 The cost of fully depreciated fixed assets still in use amounts to Rs. 1,354.83 million (2015: Rs. 1,131.31 million).

11.3 Intangible asset

	2016							
	COST			ACCUMULATED AMORTISATION			Net book value as at December 31, 2016	Rate of amortization
	As at January 01, 2016	Additions / (disposals)	As at December 31, 2016	As at January 01, 2016	Amortisation	As at December 31, 2016		
	---------- (Rupees in '000) ----------							%
Computer software	**740,010**	**174,635**	**914,645**	**585,124**	**104,572**	**689,696**	**224,949**	**11.11 - 33.33**

	2015							
	COST			ACCUMULATED AMORTISATION			Net book value as at December 31, 2015	Rate of amortization
	As at January 01, 2015	Additions / (disposals)	As at December 31, 2015	As at January 01, 2015	Amortisation	As at December 31, 2015		
	---------- (Rupees in '000) ----------							%
Computer software	702,995	37,015	740,010	494,212	90,912	585,124	154,886	11.11 - 33.33

11.3.1 The cost of fully amortized intangibles still in use amounts to Rs. 116.333 million (2015: Rs. 91.370 million).

		Note	2016	2015
12	**OTHER ASSETS**		**------- (Rupees in '000) -------**	
	Profit / return accrued in local currency		**833,366**	1,002,468
	Profit / return accrued in foreign currencies		**32,472**	28,631
	Advances, deposits, advance rent and other prepayments	*12.1*	**857,852**	713,031
	Unrealised gain on forward foreign exchange promises		**24,397**	37,997
	Receivables from group company		**4,719**	2,639
	Commission receivable		**206,891**	180,049
	Others		**97,927**	79,629
			2,057,624	2,044,444
	Less: Provision held against other assets	*12.2*	**(3,590)**	(3,590)
	Other assets (net of provisions)		**2,054,034**	2,040,854

12.1 This includes Rs. 411.551 million (2015: Rs. 367.653 million) for advance rent, Rs. 304.74 million (2015: Rs. 226.202 million) in respect of prepaid commission to staff and dealers for auto and house musharaka. The prepaid commission paid to staff and dealers in respect of auto financings is charged over the period of musharaka agreements. However, the prepaid commission paid to staff and dealers in respect of house musharaka is charged over a period of fifteen years. This also includes an amount of Rs. 51.837 million (2015: Rs. 43.969 million) pertaining to prepaid tracker maintenance cost which is amortised over the period of time.

		Note	2016	2015
12.2	**Provision held against other assets**		**--------- (Rupees in '000) ---------**	
	Opening balance		**3,590**	3,590
	Charge for the year		**-**	-
	Reversals during the year		**-**	-
	Closing balance		**3,590**	3,590

13	**BILLS PAYABLE**			
	In Pakistan		**2,212,620**	1,546,208
	Outside Pakistan		**6,359**	6,011
			2,218,979	1,552,219
14	**DUE TO FINANCIAL INSTITUTIONS**			
	In Pakistan		**5,668,969**	4,551,920
	Outside Pakistan		**1,122**	-
			5,670,091	4,551,920
14.1	**Details of due to financial institutions secured / unsecured**			
	Secured			
	Musharaka from the State Bank of Pakistan (SBP) under Islamic Export Refinance Scheme	*14.1.1*	**3,693,969**	4,551,920
	Unsecured			
	Wakala borrowings		**1,975,000**	-
	Overdrawn nostro		**1,122**	-
			5,670,091	4,551,920

14.1.1 These Musharka are on a profit and loss sharing basis having maturity between January 23, 2017 to June 27, 2017 (2015: January 26, 2016 to June 27, 2016) and are secured against demand promissory notes executed in favor of the SBP. A limit of Rs. 7,150 million (2015: Rs. 5,150 million) has been allocated to the Bank by SBP under Islamic Export Refinance Scheme for the financial year ending December 31, 2016.

		2016	2015
		------- (Rupees in '000) -------	
14.2	**Particulars of due to financial institutions with respect to currencies**		
	In local currency	**5,670,091**	4,551,920
	In foreign currencies	-	-
		5,670,091	4,551,920

15 DEPOSITS AND OTHER ACCOUNTS

	2016	2015
Customers		
Fixed deposits	**35,240,781**	46,177,181
Savings deposits	**50,042,301**	50,253,380
Current accounts - non-remunerative	**40,674,001**	29,986,324
Margin accounts – non-remunerative	**275,101**	100,092
	126,232,184	126,516,977
Financial Institutions		
Remunerative deposits	**2,916,170**	10,137,422
Non-remunerative deposits	**116,159**	89,058
	129,264,513	136,743,457

15.1 Particulars of deposits

	2016	2015
In local currency	**113,071,611**	125,059,808
In foreign currencies	**16,192,902**	11,683,649
	129,264,513	136,743,457

16 SUB-ORDINATED LOAN

This represented a subordinated loan of USD 31 million provided to the Bank by the sponser to meet the shortfall in minimum capital requirement (free of losses) of Rs. 10 billion as required by the State Bank of Pakistan. The Board of Directors (the 'Board') of the Bank in its meeting held on October 26, 2016 approved the issuance of right shares against this loan.

17	**DEFERRED TAX LIABILITY - NET**	**2016**	2015
		------ (Rupees in '000) ------	
	Deferred tax (debits) / credits recognised in Profit or loss arising due to:		
	Provision for diminution in value of investments	**(5,896)**	-
	Provision against non-performing Islamic financings and related assets	**(53,682)**	(4,549)
	Provision against other assets	**(6,647)**	-
	Accelerated tax depreciation and amortization on operating fixed assets	**57,963**	51,644
		(8,262)	47,095
	Deferred tax (debits) / credits recognised in other comprehensive income arising due to:		
	Deficit on defined benefit plan	**(7,699)**	-
	Surplus on revaluation of investments	**32,745**	6,945
		25,046	6,945
		16,784	54,040

19 SHARE CAPITAL

19.1 Authorised capital

2016	2015		2016	2015
------- Number of Shares -------			------- (Rupees in '000) -------	
1,200,000,000	1,200,000,000	Ordinary shares of Rs.10 each	**12,000,000**	12,000,000

19.2 Issued, subscribed and paid up

2016	2015		2016	2015
------- Number of Shares -------		**Ordinary shares**	------- (Rupees in '000) -------	
1,022,556,710	697,603,000	Fully paid in cash	**10,225,567**	6,976,030

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

20 RESERVES

	Note	2016	2015
		------- (Rupees in '000) -------	
Statutory Reserve	*20.1*	**404,694**	233,586

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 ON REVALUATION OF INVESTMENTS

21.1 Surplus on revaluation of investments

	2016	2015
	------- (Rupees in '000) -------	
Sukuk certificates	**93,309**	19,843
Units of open ended mutual fund	**247**	-
	93,556	19,843
Less : Related deferred tax liability	**(32,745)**	(6,945)
	60,811	12,898

22 CONTINGENCIES AND COMMITMENTS

22.1 Transaction-related contingent liabilities

	2016	2015
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favoring		
- Government	**3,833,623**	752,253
- Banking companies and other financial institutions	**333,921**	333,996
- Others	**1,812,141**	1,928,924
	5,979,685	3,015,173

22.2 Trade-related contingent liabilities

	2016	2015
Import Letters of Credit (including acceptances)	**16,543,664**	10,523,323

	2016	2015
22.3 Claims not acknowledged as debt	**10,000**	10,000

22.3.1 The Competition Commission of Pakistan vide its order dated June 28, 2012 had imposed a penalty of Rs 10 million on the Bank. The penalty was imposed upon CCPs contentions that the ATM Service Charges charged by 1-Link member banks was unfair. However, the same order was set aside by the Competition Appellate Tribunal. Consequently, CCP has filed an appeal with the Supreme Court of Pakistan for imposing the order of penalty on every member bank of 1-Link. The management of the Bank is confident that the above matter will be decided in their favour and hence, no provision against any liability which may arise in this respect has been made in these financial statements.

22.4	**Commitments in respect of promises to**	**2016**	2015
		------- (Rupees in '000) -------	
	Purchase	**17,958,966**	16,262,110
	Sale	**11,895,409**	17,602,752
22.5	**Commitments for the acquisition of operating fixed assets**	**86,885**	157,787
22.6	**Commitments in respect of financing facilities**	**1,230,000**	3,584,638

The Bank makes commitment(s) to extend financing in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

22.7 Tax contingencies

During the year ended December 31, 2015, the Additional Commissioner Inland Revenue (ACIR) amended the assessments of the Bank for the tax years 2010, 2011, 2012 and 2013. The amended assessment orders have been passed by adding / disallowing certain expenses / deductions in each of the tax years and calculation of turnover tax based on treatment of murabaha income at its gross value resulting in additional tax liability to the Bank.

The Bank's appeal with the Appellate Tribunal of Inland Revenue (ATIR) against the above order were decided during the year. On the issue of turnover tax levy over Murabaha transactions amounting to Rs. 3,326 million, the issue has been remanded back to the department.

The management is of the view that the contention of the taxation authorities is not justified based on the fact that Clause (11A) Part IV of the Second Schedule to the Income Tax Ordinance, 2001 specifically excludes Murabaha transactions from the definition of turnover for the purpose of charging minimum tax. Although the relevant clause of the Second Schedule is not applicable for banks, however, the spirit of the law cannot be different for a bank and another entity. Consequently, keeping in view the legal and factual position of the issue, the Bank and its tax advisor are confident of a favourable outcome in the higher appellate forums.

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

23	**PROFIT / RETURN EARNED**	**2016**	2015
		------- (Rupees in '000) -------	
	On Islamic financings and related assets to customers	**7,282,667**	6,062,916
	On Investments in available for sale securities	**1,358,093**	1,431,737
	On Investments in held for trading securities	**14,915**	36,836
	On deposits / placements with financial institutions	**830,614**	1,194,157
		9,486,289	8,725,646
24	**PROFIT / RETURN EXPENSED**		
	Deposits and other accounts	**4,084,813**	3,883,131
	Other short term fund generation	**188,785**	208,088
		4,273,598	4,091,219
25	**GAIN ON SALE OF SECURITIES**		
	Sukuk certificates	**163,206**	15,946
	Units of open ended mutual fund	**80**	-
		163,286	15,946

33.2 Risks

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

Investment risks

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 most common type of retirement benefit is one where the benefit is linked with the final salary. 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.

33.3 Principal actuarial assumptions

The latest actuarial valuation of the Bank's gratuity scheme was carried out as at December 31, 2016 using the Projected unit credit method. The disclosures made in notes 33.1 to 33.16 are based on the information included in the actuarial valuation report of the Bank as of December 31, 2016. The following significant assumptions were used for the valuation of the defined benefit plan:

	2016	2015
Discount rate	**9.0%**	10.0%
Expected return on plan assets	**9.0%**	10.0%
Expected rate of salary increase	**7.0%**	8.0%
Normal retirement age	**60 years**	60 years

33.4 Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in Pakistan. The rates assumed are based on the SLIC 2001 - 2005 ultimate mortality tables.

33.5 The amount recognized in the statement of financial position are determined as follows

	2016	2015
	------- (Rupees in '000) -------	
Present value of defined benefit obligations	**206,608**	168,778
Fair value of plan assets	**(184,677)**	(168,778)
	21,931	-

		2016	2015
		-------- (Rupees in '000) --------	
33.6	**Movement in defined benefit obligation**		
	Obligations at the beginning of the year	**168,777**	133,264
	Current service cost	**45,858**	47,668
	Cost of funds	**15,159**	13,245
	Benefits paid	**(34,376)**	(14,233)
	Actuarial loss / (gain) on obligation	**11,190**	(11,166)
	Obligations at end of the year	**206,608**	168,778
33.7	**Movement in fair value of plan assets**		
	Fair value at the beginning of the year	**168,777**	133,264
	Expected return on plan assets	**17,346**	17,561
	Contributions	**43,738**	40,381
	Benefits paid	**(34,376)**	(14,233)
	Actuarial loss on plan assets	**(10,808)**	(8,195)
	Fair value at end of the year	**184,677**	168,778
33.8	**Plan assets consist of the following:**		
	Balance with Bank in deposit accounts	**24,678**	108,727
	Term Deposit Receipts	**160,000**	-
	Sukuk certificates	**-**	60,051
		184,678	168,778
33.9	**Movement in payable to defined benefit plan**		
	Opening balance	**-**	-
	Charge for the year	**43,671**	43,352
	Other Comprehensive Income	**21,998**	(2,971)
	Bank's contribution to the fund made during the year	**(43,738)**	(40,381)
	Closing balance	**21,931**	-
33.10	**Charge for defined benefit plan**		
33.10.1	**Cost recognised in profit or loss**		
	Current service cost	**45,858**	47,668
	Net return	**(2,187)**	(4,316)
		43,671	43,352
33.10.2	**Remeasurements recognised in other comprehensive income during the year**		
	Gain/ (loss) on obligation		
	Actuarial (gain) / loss on plan assets	**10,808**	8,195
	Actuarial loss / (gain) on obligation	**11,190**	(11,166)
	Net Actuarial gain recognised in other comprehensive income	**21,998**	(2,971)
33.11	**Actual return on plan assets**	**6,538**	9,366

33.12 Historical information

	2016	2015	2014	2013	2012
	---------- (Rupees in '000) ----------				
Defined benefit obligation	**206,608**	168,778	133,264	106,951	89,470
Fair value of plan assets	**(184,677)**	(168,778)	(133,264)	(106,951)	(103,096)
Deficit / (surplus)	**21,931**	-	-	-	(13,626)
Remeasurements of plan liabilities	**11,190**	(11,166)	(1,564)	(3,251)	(4,848)
Remeasurements of plan assets	**(10,808)**	(8,195)	(1,352)	(4,186)	900

33.13 The weighted average duration of the defined benefit obligation is 17.52 years.

33.14 Expected maturity analysis of undiscounted defined benefit obligation for the gratuity scheme is as follows:

Less than a year	**Between 1 - 2 years**	**Between 2 - 5 years**	**Over 5 years**	**Total**
---------- (Rupees in '000) ----------				
11,731	30,186	77,565	156,100	275,582

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

	Impact on defined benefit obligation - Increase / (Decrease)		
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	**0.50%**	**9,404**	**(10,190)**
Salary growth rate	**0.50%**	**(11,348)**	**10,533**

	Increase by 1 year in assumption	**Decrease by 1 year in assumption**
	-------- (Rupees in '000) --------	
Life expectancy / Withdrawal rate	**189**	**(126)**

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognised within the Statement of Financial Position.

33.16 Estimated expenses to be charged to profit and loss account for the year ending December 31, 2017

Based on the actuarial advice, the management estimates that charge in respect of defined benefit plans for the year ending December 31, 2017 would be as follows:

	(Rupees in '000)
Current service cost	**51,253**
Interest cost on defined benefit obligation	**(1,463)**
Amount chargeable to profit and loss account	**49,790**

34 DEFINED CONTRIBUTION PLAN (PROVIDENT FUND)

The Bank operates a contributory provident fund scheme for permanent employees. The employer and employee both contribute 10% of the basic salaries to the funded scheme every month. Equal monthly contribution by employer and employees during the year amounted to Rs. 73.998 million each (2015: Rs. 66.279 million).

35 COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive		Directors		Executives	
	2016	2015	**2016**	2015	**2016**	2015
	(Rupees in '000)					
Fees	**-**	-	**13,635**	16,667	**-**	-
Managerial remuneration (including Bonus)	**41,674**	39,168	**-**	-	**483,748**	402,633
Charge for defined benefit plan	**2,223**	764	**-**	-	**35,337**	33,552
Contribution to defined contribution plan	**2,667**	916	**-**	-	**42,404**	40,263
Rent and house maintenance	**19,142**	6,950	**-**	-	**169,841**	162,433
Utilities	**2,667**	916	**-**	-	**42,404**	40,263
Medical	**133**	64	**-**	-	**11,320**	10,075
Leave fare assistance	**2,223**	621	**-**	-	**36,838**	24,968
Car allowance	**1,374**	1,374	**-**	-	**117,071**	110,880
Others	**-**	-	**-**	-	**19,623**	45,795
	72,103	50,773	**13,635**	16,667	**958,586**	870,862
Number of persons	**1**	1	**8**	8	**370**	339

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.

36 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of quoted investments is based on quoted market prices. Other unquoted securities are valued at cost less impairment losses. The provision for impairment in the value of investments has been determined in accordance with the accounting policy as stated in note 5.3.5 to these financial statements.

Fair values of islamic financing and related assets cannot be determined with reasonable accuracy due to absence of current and active market. The provisions against islamic financing and related assets have been calculated in accordance with the accounting policy as stated in note 5.4 to these financial statements. The repricing, maturity profile and effective rates are stated in note 40 to these financial statements.

In the opinion of the management, fair value of remaining assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short term in nature and there are frequent repricings in the case of islamic financing and related assets and deposits.

The table below analyses financial and non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

- Inputs for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs e.g. estimated future cash flows) (Level 3).

RECURRING FAIR VALUE MEASUREMENTS

	2016			
On-Balance Sheet Financial Instruments	**Level 1**	**Level 2**	**Level 3**	**Total**
	-------------------------- (Rupees in '000) --------------------------			
INVESTMENTS				
Available for sale securities				
GOP Ijara Sukuk	**-**	**12,662,564**	**-**	**12,662,564**
Other Sukuk Certificates	**-**	**8,484,556**	**-**	**8,484,556**
Global Sukuk	**6,047,669**	**-**	**-**	**6,047,669**
Bai muajjal receivable from GOP	**-**	**-**	**-**	**-**
Units of open-end mutual funds	**16,870**	**-**	**-**	**16,870**
	6,064,539	**21,147,120**	**-**	**27,211,659**
Off-Balance Sheet Financial Instruments				
Forward promise to purchase foreign currencies	**-**	**17,886,578**	**-**	**17,886,578**
Forward promise to sell foreign currencies	**-**	**11,858,008**	**-**	**11,858,008**

RECURRING FAIR VALUE MEASUREMENTS

	2015			
On-Balance Sheet Financial Instruments	Level 1	Level 2	Level 3	Total
	-------------------------- (Rupees in '000) --------------------------			
INVESTMENTS				
Available for sale securities				
GOP Ijara Sukuk	-	10,165,170	-	10,165,170
Other Sukuk Certificates	-	5,137,009	-	5,137,009
Global Sukuk	3,213,629	-	-	3,213,629
Bai muajjal receivable from GOP		5,306,448		5,306,448
Units of open-end mutual funds	-	-	-	-
	3,213,629	20,608,627	-	23,822,256
Off-Balance Sheet Financial Instruments				
Forward promise to purchase foreign currencies	-	16,262,110	-	16,262,110
Forward promise to sell foreign currencies	-	17,602,752	-	17,602,752

37 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	2016					
	Corporate Banking	**Trading & Sales**	**Retail Banking**	**Commercial Banking**	**Others**	**Total**
	(Rupees in '000)					
External revenue						
Profit earned	**-**	**1,809,759**	**2,332,184**	**5,291,150**	**53,196**	**9,486,289**
Fee, commission and brokerage	**100,535**	**53,286**	**1,033,939**	**336,757**	**42,011**	**1,566,528**
Other income	**-**	**-**	**-**	**-**	**-**	**-**
Intersegment revenue	**-**	**(1,010,137)**	**4,147,086**	**(3,038,913)**	**(98,036)**	**-**
Total revenue	**100,535**	**852,908**	**7,513,209**	**2,588,994**	**(2,829)**	**11,052,817**
Depreciation and amortisation	**-**	**(1,856)**	**(188,718)**	**(8,991)**	**(213,715)**	**(413,280)**
Impairment of assets	**-**	**-**	**39,239**	**(158,523)**	**(9,296)**	**(128,580)**
Other immaterial non cash items	**-**	**-**	**-**	**-**	**-**	**-**
Other expenses	**(19,868)**	**(595,646)**	**(6,340,276)**	**(1,937,692)**	**(246,444)**	**(9,139,926)**
Total expenses	**(19,868)**	**(597,502)**	**(6,489,755)**	**(2,105,206)**	**(469,455)**	**(9,681,786)**
Reportable segment profit	**80,667**	**255,406**	**1,023,454**	**483,788**	**(472,284)**	**1,371,031**
Tax expense	**30,113**	**94,422**	**394,035**	**187,926**	**(191,005)**	**515,491**
Segment assets	**-**	**31,820,655**	**38,885,716**	**77,096,182**	**6,169,329**	**153,971,882**
Segment liabilities	**-**	**4,800,000**	**99,622,490**	**33,182,345**	**2,421,229**	**140,026,064**
Segment average return on net assets	**-**	**4.40%**	**10.89%**	**6.99%**	**3.66%**	
Segment cost of funds	**-**	**6.19%**	**2.76%**	**3.82%**		

	2015					
	Corporate Banking	Trading & Sales	Retail Banking	Commercial Banking	Others	Total
	(Rupees in '000)					
External revenue						
Profit earned		2,265,267	2,013,488	4,401,555	45,336	8,725,646
Fee, commission and brokerage	95,903	(48,855)	831,461	381,735	14,212	1,274,455
Other income						
Intersegment revenue		(1,813,757)	4,447,711	(2,619,687)	(14,267)	-
Total revenue	95,903	402,655	7,292,660	2,163,603	45,281	10,000,101
Depreciation and amortisation		(5,600)	(221,869)	(14,395)	(150,559)	(392,423)
Impairment of assets			(20,516)	(167,319)	549	(187,287)
Other immaterial non cash items						
Other expenses	(15,882)	(295,317)	(6,935,654)	(1,611,898)	150,082	(8,708,669)
Total expenses	(15,882)	(300,917)	(7,178,039)	(1,793,612)	72	(9,288,379)
Reportable segment profit	80,021	101,737	114,621	369,990	45,353	711,722
Tax expense	31,508	40,407	96,756	112,492	5	281,167
Segment assets	-	39,684,293	18,607,722	92,971,563	7,545,934	158,809,512
Segment liabilities	-	9,008,000	103,143,633	25,329,546	11,636,339	149,117,518
Segment average return on net assets	-	6.53%	13.45%	8.00%	3.38%	
Segment cost of funds	-	6.29%	3.79%	5.86%		

38 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and include a subsidiary company, associated companies with or without common directors, retirement benefit funds, directors, and key management personnel.

The Bank has related party relationship with Dubai Islamic Bank P.J.S.C, U.A.E, the holding company, shareholder, directors, related group companies and associated undertakings, key management personnel including Chief Executive Officer and Staff Retirement Funds.

A number of banking transactions are entered into with related parties in the normal course of business. These include financing and deposit transactions. These transactions are executed substantially on the same terms including profit rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal risk.

Contributions to staff retirement benefit plan are made in accordance with the terms of the contribution plan. Remuneration to the executives are determined in accordance with the terms of their appointment.

Transactions with related parties other than remuneration and benefits to key management personnel including Chief Executive Officer under the terms of the employment as disclosed in note 35 are as follows:

Key management personnel	2016	2015
	------- (Rupees in '000) -------	
Islamic financing and related assets		
At beginning of the year	**170,550**	122,788
Disbursements	**107,610**	116,130
Payments	**(112,311)**	(68,368)
Adjustment for incoming members	**20,515**	-
Adjustment for outgoing members	**(44,643)**	-
At the end of the year	**141,721**	170,550
Deposits		
At beginning of the year	**35,147**	23,550
Deposits	**327,349**	250,760
Withdrawals	**(312,011)**	(239,163)
Adjustment for incoming members	**1,513**	
Adjustment for outgoing members	**(5,985)**	-
At the end of the year	**46,013**	35,147
Directors		
Deposits		
At beginning of the year	**4,244**	16,170
Deposits	**19,926**	71,667
Withdrawals	**(17,956)**	(80,993)
Adjustment for retiring directors	**-**	(2,600)
At the end of the year	**6,214**	4,244
Holding company		
Deposits		
At beginning of the year	**45,724**	13,701
Deposits	**1,204,939**	2,477,242
Withdrawals	**(1,221,301)**	(2,445,219)
At the end of the year	**29,362**	45,724
Balance held abroad		
At beginning of the year	**1,154,055**	92,305
Deposits	**98,380,691**	61,346,157
Withdrawals	**(99,481,633)**	(60,284,407)
At the end of the year	**53,113**	1,154,055
Other payables	**-**	48,479
Other receivables	**4,719**	2,639
Foreign exchange deals outstanding with Dubai Islamic Bank P.J.S.C.		
Foreign currency purchase contracts	**5,818,314**	3,557,098
Foreign currency sale contracts	**5,818,314**	3,557,098
Profit earned on Islamic financing and related assets to key management personnel	**8,763**	5,920
Return on deposits to key management personnel	**980**	618
Remuneration to key management personnel	**173,193**	212,007
Return on deposits to directors	**25**	85
Remuneration to directors	**13,635**	16,667
Purchase of foreign currency sukuk from holding company	**9,915,938**	3,238,147
Sale of foreign currency sukuk to holding company	**7,092,301**	-
Fee charged by the holding company in respect of outsourcing arrangement	**-**	52,663
Employee benefit plans		
Contribution to employees gratuity fund	**43,738**	40,381
Contribution to employees provident fund	**73,998**	66,279
Foreign exchange deals entered during the year with Dubai Islamic Bank P.J.S.C.		
Foreign currency purchase contracts	**82,103,573**	38,379,116
Foreign currency sale contracts	**84,718,389**	40,888,862

39 CAPITAL ASSESSMENT AND ADEQUACY

39.1 Capital management

Capital Management aims to safeguard the Bank's ability to continue as a going concern so that it could continue to provide adequate returns to shareholders by pricing products and services commensurately with the level of risk. For this the Bank ensures strong capital position and efficient use of capital as determined by the underlying business strategy i.e. maximizing growth on continuing basis. The Bank maintains a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The State Bank of Pakistan (SBP) has prescribed guidelines with respect to disclosure of capital adequacy related information in the financial statements of banks. These guidelines are based on the requirements of Basel III which were introduced earlier by the SBP in August 2013 for implementation by banks in Pakistan. The SBP has specified a transitional period till 2018 for implementation of Basel III. The disclosures below have been prepared on the basis of the SBP's guidelines.

39.2 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.

39.3 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, 2016 stands at Rs. 10.23 billion (2015: Rs. 6.97 billion) and is in compliance with the SBP requirement for the said year. The Bank has met its minimum caital requirement by conversion of FCY sub-ordinated debt from the sponsors placed in non-remunerative deposit account with SBP to paid up capital.The capital adequacy ratio (CAR) of the Bank is subject to the Basel III capital adequacy guidelines stipulated by the State Bank of Pakistan through its BPRD Circular No. 06 of 2013 dated August 15, 2013.The Capital Adequacy Ratio (CAR) requirement as of December 31, 2016 is 10.65%.

39.4 Capital Structure

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

- Tier 1 capital (going concern capital) which is sub divided into:

a) Common Equity Tier 1 (CET1), which includes fully paid up capital, reserve for bonus issue, general reserves and un-appropriated profits (net of losses), etc after deductions for investments in the equity of subsidiary companies engaged in banking and financial activities (to the extent of 50%), reciprocal crossholdings and deficit on revaluation of available for sale investments and deduction for book value of intangibles.

b) Additional Tier 1 capital (AT1), which includes instruments issued by the Bank which meet the specified criteria after deduction of remaining 50% investment in the equity of subsidiary companies engaged in banking and financial activities and other specified deductions.

- Tier II capital, which includes general provisions for loan losses (upto a maximum of 1.25% of credit risk weighted assets), reserves on revaluation of fixed assets and available for sale investments after deduction of deficit on available for sale

Banking operations are categorised in either the trading book or the banking book and risk weighted assets are determined according to the specified requirements that seek to reflect the varying levels of risk attached to assets and off balance sheet exposures.

39.5 Capital adequacy ratio

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

	2016	2015
	----------- (Rupees in '000) ----------	
Common Equity Tier 1 capital (CET1): Instruments and reserves		
Fully Paid-up Capital/ Capital deposited with SBP	**10,225,567**	6,976,030
Balance in Share Premium Account	-	-
Reserve for issue of Bonus Shares	-	-
Discount on Issue of shares	-	-
General / Statutory Reserves	**404,694**	233,604
Gain / (Losses) on derivatives held as Cash Flow Hedge	-	-
Unappropriated profits	**1,416,262**	753,135
Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-
CET 1 before Regulatory Adjustments	**12,046,523**	7,962,769
Total regulatory adjustments applied to CET1 (Note 39.5.1)	**262,144**	214,126
Common Equity Tier 1 (a)	**11,784,379**	7,748,643
Additional Tier 1 (AT 1) Capital		
Qualifying Additional Tier-1 instruments plus any related share premium	-	3,246,971
of which:		
- *classified as equity*	-	-
- *classified as liabilities*	-	3,246,971
Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)	-	-
- *of which: instrument issued by subsidiaries subject to phase out*	-	-
AT1 before regulatory adjustments	-	3,246,971
Total of Regulatory Adjustment applied to AT1 capital (Note 39.5.2)	-	-
Additional Tier 1 capital after regulatory adjustments	-	3,246,971
Additional Tier 1 capital recognised for capital adequacy (b)	-	1,874,873
Tier 1 Capital (CET1 + admissible AT1) (c=a+b)	**11,784,379**	9,623,516
Tier 2 Capital		
Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	-
Tier 2 capital instruments subject to phase out arrangement issued under pre-Basel III rules		
Tier 2 capital instruments issued to third parties by consolidated subsidiaries	-	-
(amount allowed in group tier 2)		
- *of which: instruments issued by subsidiaries subject to phase out*	-	-
General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	**86,319**	87,859
Revaluation Reserves (net of taxes)		
of which:	**47,433**	8,642
- *Revaluation reserves on property*	-	-
- *Unrealized gains/losses on AFS*	**47,433**	8,642
Foreign Exchange Translation Reserves	-	-
Undisclosed / Other Reserves (if any)	-	-
T2 before regulatory adjustments	**133,752**	96,501
Total regulatory adjustment applied to T2 capital (note 39.5.3)		
Tier 2 capital (T2) after regulatory adjustments	**133,752**	96,501
Tier 2 capital recognised for capital adequacy	**133,752**	96,501
Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	1,372,098
Total Tier 2 capital admissible for capital adequacy (d)	**133,752**	1,468,599
TOTAL CAPITAL (T1 + admissible T2) (e=c+d)	**11,918,131**	11,092,115
Total Risk Weighted Assets (RWA) (i) [Note 39.9]	**106,226,724**	99,660,797

	2016	2015
	----------- (Rupees in '000) -----------	
Capital Ratios and buffers (in percentage of risk weighted assets)		
CET1 to total RWA (a/i)	**11.09%**	7.78%
Tier-1 capital to total RWA (c/i)	**11.09%**	9.66%
Total capital to total RWA (e/i)	**11.22%**	11.13%
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement) of which:	**6.65%**	6.25%
- *capital conservation buffer requirement*	**0.65%**	0.25%
- *countercyclical buffer requirement*	**0%**	0%
- *D-SIB or G-SIB buffer requirement*	**0%**	0%
CET1 available to meet buffers (as a percentage of risk weighted assets)	**4.44%**	1.78%
National minimum capital requirements prescribed by SBP		
CET1 minimum ratio	**6.00%**	6.00%
Tier 1 minimum ratio	**7.50%**	7.50%
Total capital minimum ratio	**10.65%**	10.25%

39.5.1 Common Equity Tier 1 capital: Regulatory adjustments

	2016		2015	
	Amount	**Pre-Basel III treatment***	Amount	Pre-Basel III treatment*
	------------------------- (Rupees in '000) -------------------------			
Goodwill (net of related deferred tax liability)	-	-	-	-
All other intangibles (net of any associated deferred tax liability)	**262,144**	-	214,126	-
Shortfall of provisions against classified assets (Note 39.6.2.1)	-	-	-	-
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-	-	-
Defined-benefit pension fund net assets	-	-	-	-
Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	-	-	-	-
Cash flow hedge reserve	-	-	-	-
Investment in own shares / CET1 instruments	-	-	-	-
Securitization gain on sale	-	-	-	-
Capital shortfall of regulated subsidiaries	-	-	-	-
Deficit on account of revaluation from bank's holdings of property / AFS	-	-	-	-
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	-	-
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	-	-
Amount exceeding 15% threshold of which:				
- *significant investments in the common stocks of financial entities*	-	-	-	-
- *deferred tax assets arising from temporary differences*	-	-	-	-
National specific regulatory adjustments applied to CET1 capital	-	-	-	-
Investment in TFCs of other banks exceeding the prescribed limit	-	-	-	-
Any other deduction specified by SBP	-	-	-	-
Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	-	-	-
Total regulatory adjustments applied to CET1	**262,144**	-	214,126	-

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

	2016		2015	
	Amount	**Pre-Basel III treatment***	Amount	Pre-Basel III treatment*
	------------------------- (Rupees in '000) -------------------------			

39.5.2 Additional Tier 1 Capital: regulatory adjustments

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

39.5.3 Tier 2 Capital: regulatory adjustments

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

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

39.5.4 Risk Weighted Assets subject to pre-Basel III treatment

	2016	2015
	----------- (Rupees in '000) -----------	
Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment) of which:	-	-
- *Deferred tax assets*	-	-
- *Defined-benefit pension fund net assets*	-	-
- Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	-	-
Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	-	-
Amounts below the thresholds for deduction (before risk weighting)		
Non-significant investments in the capital of other financial entities	-	-
Significant investments in the common stock of financial entities	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
Applicable caps on the inclusion of provisions in Tier 2		
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	**86,319**	87,859
Cap on inclusion of provisions in Tier 2 under standardized approach	**1,106,163**	1,073,490
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

39.6 Leverage ratio

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

The leverage ratio of the Bank for the year ended December 31, 2016 stood at 6.11% (2015: 5.20%) above the minimum requirement set by SBP.

		2016	2015
		----------- (Rupees in '000) ----------	
	On balance sheet exposures		
1	On-balance sheet items (excluding derivatives but including collateral)	**151,945,318**	156,966,918
2	Derivatives	**24,397**	37,998
3	**Total On balance sheet exposures**	**151,969,716**	157,004,916
	Off balance sheet exposures		
4	Off-balance sheet items (excluding derivatives)	**40,778,655**	27,901,273
5	Commitment in respect of derivatives (derivatives having negative fair value are also included)	**244,975**	113,324
6	**Total Off balance sheet exposures**	**41,023,630**	28,014,597
	Capital and total exposures		
7	**Tier 1 capital (Note 39.5)**	**11,784,379**	9,623,515
8	**Total exposures (sum of lines 3 and 6)**	**192,993,346**	185,019,513
	Basel III leverage ratio	**6.11%**	5.20%

39.7 Capital Structure Reconciliation

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

	Balance sheet as in published financial statements	Under regulatory scope of consolidation
	------------(Rupees in '000)----------	
Assets		
Cash and balances with treasury banks	14,007,320	14,007,320
Balances with other banks	543,363	543,363
Due from financial institutions	12,536,061	12,536,061
Investments	27,211,659	27,211,659
Islamic financing and related assets	93,910,902	93,910,902
Operating fixed assets	1,870,060	1,870,060
Deferred tax assets	-	-
Other assets	2,054,034	2,054,034
Total assets	**152,133,399**	**152,133,399**
Liabilities and Equity		
Bills payable	2,218,979	2,218,979
Due to financial institutions	5,670,091	5,670,091
Deposits and other accounts	129,264,513	129,264,513
Sub-ordinated loans	-	-
Deferred tax liabilities	16,784	16,784
Other liabilities	2,855,698	2,855,698
Total liabilities	**140,026,065**	**140,026,065**
Share capital	10,225,567	10,225,567
Reserves	404,694	404,694
Unappropriated/ Unremitted profit/ (losses)	1,416,262	1,416,262
Minority Interest	-	-
Surplus on revaluation of assets	60,811	60,811
Total liabilities and equity	**152,133,399**	**152,133,399**

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

	Reference	Balance sheet as in published financial statements	Under regulatory scope of consolidation
		------------(Rupees in '000)----------	
Assets			
Cash and balances with treasury banks		14,007,320	14,007,320
Balances with other banks		543,363	543,363
Due from financial institutions		12,536,061	12,536,061
Investments		27,211,659	27,211,659
of which:			
- *non-significant capital investments in capital of banking, financial and insurance entities exceeding 10% threshold*	a	-	-
- *significant capital investments in capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold*	b	-	-
- *mutual Funds exceeding regulatory threshold*	c	-	-
- *reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)*	d	-	-
- *others*	e	-	-
Islamic financing and related assets		93,910,902	93,910,902
- *shortfall in provisions / excess of total EL amount over eligible provisions under IRB (Note 39.6.2.1)*	f	-	-
- *general provisions reflected in Tier 2 capital*	g	86,319	86,319
Operating fixed assets		1,870,060	1,870,060
- *of which: Intangibles*	k	262,144	262,144
Deferred tax assets		-	-
of which:			
- *DTAs that rely on future profitability excluding those arising from temporary differenc*	h	-	-
- *DTAs arising from temporary differences exceeding regulatory threshold*	i	-	-
Other assets		2,054,034	2,054,034
of which:			
- *goodwill*	j	-	-
- *defined-benefit pension fund net assets*	l	-	-
Total assets		**152,133,399**	**152,133,399**
Liabilities and Equity			
Bills payable		2,218,979	2,218,979
Due from financial institutions		5,670,091	5,670,091
Deposits and other accounts		129,264,513	129,264,513
Sub-ordinated loans of which:		-	-
- *eligible for inclusion in AT1*	m	-	-
- *eligible for inclusion in Tier 2*	n		
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities of which:		16,784	16,784
- *DTLs related to goodwill*	o	-	-
- *DTLs related to intangible assets*	p	-	-
- *DTLs related to defined pension fund net assets*	q	-	-
- *other deferred tax liabilities*	r	-	-
Other liabilities		2,855,698	2,855,698
Total liabilities		**140,026,065**	**140,026,065**
Share capital		10,225,567	10,225,567
- *of which: amount eligible for CET1*	s	10,225,567	10,225,567
- *of which: amount eligible for AT1*	t	-	-
Reserves of which:		404,694	404,694
- *portion eligible for inclusion in CET1 - Statutory reserve*	u	404,694	404,694
- *portion eligible for inclusion in CET1 - General reserve*		-	-
- *portion eligible for inclusion in Tier 2*	v	-	-
Unappropriated profit	w	1,416,262	1,416,262
Minority Interest of which:		-	-
- *portion eligible for inclusion in CET1*	x	-	-
- *portion eligible for inclusion in AT1*	y	-	-
- *portion eligible for inclusion in Tier 2*	z	-	-
Surplus on revaluation of assets of which:		60,811	60,811
- *Revaluation reserves on Property*	aa	-	-
- *Unrealized Gains/Losses on AFS*		60,811	60,811
- *In case of Deficit on revaluation (deduction from CET1)*	ab	-	-
Total liabilities and Equity		**152,133,399**	**152,133,399**

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

		Source based on reference number from step 2	Component of regulatory capital reported by bank (Rupees in '000)
	Common Equity Tier 1 capital (CET1): Instruments and reserves		
1	Fully Paid-up Capital/ Capital deposited with SBP	(s)	10,225,567
2	Balance in Share Premium Account		-
3	Reserve for issue of Bonus Shares		-
4	General / Statutory Reserves	(u)	404,694
5	Gain / (Losses) on derivatives held as Cash Flow Hedge		-
6	Unappropriated / unremitted profits	(w)	1,416,262
7	Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	(x)	-
8	**CET 1 before Regulatory Adjustments**		**12,046,523**
	Common Equity Tier 1 capital: Regulatory adjustments		
9	Goodwill (net of related deferred tax liability)	(j) - (o)	-
10	All other intangibles (net of any associated deferred tax liability)	(k) - (p)	262,144
11	Shortfall of provisions against classified assets (Note 39.6.2.1)	(f)	-
12	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	{(h) - (r)} * x%	-
13	Defined-benefit pension fund net assets	{(l) - (q)} * x%	-
14	Reciprocal cross holdings in CET1 capital instruments	(d)	-
15	Cash flow hedge reserve		-
16	Investment in own shares / CET1 instruments		-
17	Securitization gain on sale		-
18	Capital shortfall of regulated subsidiaries		-
19	Deficit on account of revaluation from bank's holdings of property / AFS	(ab)	-
20	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(a) - (ac) - (ae)	-
21	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	(b) - (ad) - (af)	-
22	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	(i)	-
23	Amount exceeding 15% threshold of which:		-
	- significant investments in the common stocks of financial entities		
	- deferred tax assets arising from temporary differences		-
24	National specific regulatory adjustments applied to CET1 capital of which:		-
	- *Investment in TFCs of other banks exceeding the prescribed limit*		-
	- *Any other deduction specified by SBP (mention details)*		-
25	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions		-
26	**Total regulatory adjustments applied to CET1 (Sum 9 to 25)**		**262,144**
27	**Common Equity Tier 1**		**11,784,379**
	Additional Tier 1 (AT 1) Capital		
28	Qualifying Additional Tier-1 instruments plus any related share premium		-
	of which:		
29	- *Classified as equity*	(t)	-
30	- *Classified as liabilities*	(m)	-
31	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	(y)	-
32	- *of which: instrument issued by subsidiaries subject to phase out*		-
33	**AT1 before regulatory adjustments**		**-**

		Source based on reference number from 39.4.2	Component of regulatory capital reported by bank (Rupees in '000)
	Additional Tier 1 Capital: regulatory adjustments		
34	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)		-
35	Investment in own AT1 capital instruments		-
36	Reciprocal cross holdings in Additional Tier 1 capital instruments		-
37	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(ac)	-
38	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(ad)	-
39	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital		-
40	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		-
41	Total of Regulatory Adjustment applied to AT1 capital (Sum 34 to 40)		-
42	Additional Tier 1 capital		-
43	**Additional Tier 1 capital recognised for capital adequacy**		-
44	**Tier 1 Capital (CET1 + admissible AT1) (27 + 43)**		**11,784,379**
	Tier 2 Capital		
45	Qualifying Tier 2 capital instruments under Basel III plus any related share premium	(n)	-
46	Capital instruments subject to phase out arrangement from Tier 2 (Pre-Basel III instruments)		-
47	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)		
	- *of which: instruments issued by subsidiaries subject to phase out*	(z)	-
48	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	(g)	86,319
49	Revaluation Reserves of which:		
50	- *Revaluation reserves on property*	78% of (aa)	-
51	- *Unrealized Gains/Losses on AFS*		47,433
52	Foreign Exchange Translation Reserves	(v)	-
53	Undisclosed / Other Reserves (if any)		-
54	**T2 before regulatory adjustments**		-
			133,752
	Tier 2 Capital: regulatory adjustments		
55	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital		-
56	Reciprocal cross holdings in Tier 2 instruments		-
57	Investment in own Tier 2 capital instrument		-
58	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(ae)	-
59	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(af)	-
60	Amount of Regulatory Adjustment applied to T2 capital		-
61	Tier 2 capital (T2)		133,752
62	Tier 2 capital recognised for capital adequacy		133,752
63	Excess Additional Tier 1 capital recognised in Tier 2 capital		-
64	Total Tier 2 capital admissible for capital adequacy		133,752
	TOTAL CAPITAL (T1 + admissible T2) (44 + 64)		**11,918,131**

39.8 Main features of regulatory capital instruments

	Main Features	Common Shares
1	Issuer	Dubai Islamic Bank Pakistan Limited
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	DIBPL - CDC Symbol
3	Governing law(s) of the instrument	Banking Companies Ordinance, 1962 and the Directives issued by SBP
	Regulatory treatment	
4	Transitional Basel III rules	Common Equity Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible at solo/ group/ group&solo	Solo
7	Instrument type	Ordinary shares
8	Amount recognised in regulatory capital (Currency in PKR thousands, as of reporting date)	10,225,567
9	Par value of instrument	10
10	Accounting classification	Shareholders' equity
11	Original date of issuance	March 21, 2006
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend/ coupon	N/A
18	coupon rate and any related index/ benchmark	N/A
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Nonconvertible
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down feature	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument	Residual interest
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

39.9 Risk-weighted exposures

	Capital requirements		Risk weighted assets	
	2016	2015	**2016**	2015
Credit Risk	--------------------------(Rupees in '000)--------------------------			
Portfolios subject to on-balance sheet exposure (Simple Approach)				
Cash and cash equivalents	**-**	-	**-**	-
Sovereign	**3,616**	24,509	**33,955**	239,108
Banks	**306,263**	282,184	**2,875,705**	2,753,015
Public sector entities	**83,984**	168,632	**788,581**	1,645,186
Corporate	**6,138,512**	6,245,565	**57,638,607**	60,932,337
Retail	**1,322,829**	965,545	**12,420,929**	9,419,952
Residential mortgage	**252,119**	200,014	**2,367,311**	1,951,357
Past due loans	**72,713**	67,020	**682,751**	653,850
Operating fixed assets	**169,938**	166,929	**1,595,658**	1,628,579
All other assets	**218,755**	205,293	**2,054,034**	2,002,857
Portfolios subject to off-balance sheet exposure - non market related (Simple approach)				
Financial guarantees	**16,960**	13,120	**159,250**	128,000
Acceptances	**395,832**	172,895	**3,716,733**	1,680,990
Performance related commitments	**212,780**	123,075	**1,997,932**	1,211,381
Trade related commitments	**210,054**	146,346	**1,972,339**	1,423,754
Commitments in respect of operating fixed asset	**9,253**	16,173	**86,885**	157,787
Other Commitments	**1,065**	1,025	**10,000**	10,000
Portfolios subject to off-balance sheet exposures - market related (Current exposure method)				
Banks	**9,376**	3,967	**88,036**	38,699
Customers	**459**	239	**4,307**	2,329
Market Risk				
Interest rate risk	**517,144**	443,329	**6,464,299**	4,325,163
Equity position risk	**2,699**	-	**33,739**	-
Foreign Exchange risk	**20,893**	24,929	**261,159**	243,212
Market risk-weighted exposures	**540,736**	468,258	**6,759,197**	4,568,375
Capital Requirement for portfolios subject to Standardised Approach				
Operational Risk				
Capital requirement for operational risk	**877,961**	944,444	**10,974,513**	9,214,088
TOTAL	**10,843,205**	10,215,232	**106,226,723**	99,661,645

	December 31, 2016		December 31, 2015	
Capital Adequacy Ratio	**Required**	**Actual**	Required	Actual
CET1 to total RWA	**6.00%**	**11.09%**	6.00%	7.78%
Tier-1 capital to total RWA	**7.50%**	**11.09%**	7.50%	9.66%
Total capital to total RWA	**10.65%**	**11.22%**	10.25%	11.13%
Leverage ratio	**3.00%**	**6.11%**	3.00%	5.20%

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

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

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 Monitoring Committee and the Bank's Risk Management Group and has developed an elaborate risk identification measurement and management framework.

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

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

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

40.1 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.

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

40.1.1 Segments by class of business

	2016					
	Islamic Financing and Related Assets (Gross)		**Deposits**		**Contingencies and Commitments ***	
	(Rupees in '000)	**%**	**(Rupees in '000)**	**%**	**(Rupees in '000)**	**%**
Agriculture	**-**	**-**	**3,270**	**0.00%**	**-**	**-**
Textile	**9,919,773**	**10.36%**	**328,998**	**0.74%**	**845,030**	**3.75%**
Chemical and pharmaceuticals	**6,417,128**	**6.70%**	**2,051,621**	**1.81%**	**2,482,502**	**11.02%**
Cement	**1,448,808**	**1.51%**	**80,250**	**0.79%**	**59,127**	**0.26%**
Sugar	**-**	**-**	**1,059,920**	**0.05%**	**-**	**0.00%**
Food	**13,679,108**	**14.29%**	**1,186,459**	**2.08%**	**2,271,808**	**10.09%**
Footwear and leather garments	**817,556**	**0.85%**	**294,839**	**0.00%**	**-**	**-**
Automobile and transportation equipment	**88,710**	**0.09%**	**164,787**	**0.09%**	**-**	**-**
Electronics and electrical appliances	**146,582**	**0.15%**	**1,515,016**	**1.42%**	**1,537,639**	**6.83%**
Construction	**652,223**	**0.68%**	**13,750**	**0.00%**	**-**	**-**
Power (electricity), gas, water, sanitary	**4,212,134**	**4.40%**	**87,381**	**0.12%**	**-**	**-**
Wholesale and retail trade	**3,549,665**	**3.71%**	**1,567,776**	**1.20%**	**4,915,173**	**21.82%**
Exports / imports	**2,547,365**	**2.66%**	**233,234**	**0.22%**	**-**	**0.00%**
Transport, storage and communication	**4,929,154**	**5.15%**	**1,973,222**	**3.14%**	**122,601**	**0.54%**
Financial	**-**	**-**	**2,916,169**	**7.41%**	**1,055,245**	**4.69%**
Insurance	**-**	**-**	**2,019,957**	**2.74%**	**-**	**-**
Services	**2,139,377**	**2.24%**	**21,689,665**	**14.54%**	**-**	**-**
Fertilizer	**-**	**-**	**-**	**-**	**81,111**	**0.36%**
Individuals	**22,932,199**	**23.96%**	**77,702,954**	**51.64%**	**16,175**	**0.07%**
Others	**22,233,767**	**23.23%**	**14,375,245**	**12.01%**	**9,136,938**	**40.57%**
	95,713,549	**100%**	**129,264,513**	**100%**	**22,523,349**	**100%**

* Contingent liabilities for the purpose of this note are presented at cost and include direct credit substitutes, transaction related contingent liabilities, trade related contingent liabilities and claims not acknowledged as debt.

	2015					
	Islamic Financing and Related Assets (Gross)		Deposits		Contingencies and Commitments*	
	(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%
Agriculture	4,000,000	3.75%	88,066	0.06%	-	-
Textile	19,591,983	18.37%	1,007,520	0.74%	1,020,522	7.53%
Chemical and pharmaceuticals	5,011,980	4.70%	2,476,058	1.81%	2,447,755	18.07%
Cement	2,389,619	2.24%	1,080,993	0.79%	248,045	1.83%
Sugar	3,901,692	3.66%	66,307	0.05%	-	-
Food	2,315,922	2.17%	2,752,513	2.01%	1,019,033	7.52%
Footwear and leather garments	704,814	0.66%	-	-	-	-
Automobile and transportation equipment	1,350,104	1.27%	120,475	0.09%	98,306	0.73%
Electronics and electrical appliances	1,096,253	1.03%	1,935,422	1.42%	-	-
Construction	4,601,367	4.31%	3,772	0.00%	2,241,822	16.55%
Power (electricity), gas, water, sanitary	9,732,854	9.13%	166,464	0.12%	2,906,053	21.45%
Wholesale and retail trade	18,504,303	17.35%	1,640,501	1.20%	857,071	6.33%
Exports / imports	-	-	296,110	0.22%	-	0.00%
Transport, storage and communication	2,375,062	2.23%	4,299,016	3.14%	432,809	3.19%
Financial	366,136	0.34%	10,137,422	7.41%	1,055,625	7.79%
Insurance	-	-	3,751,015	2.74%	-	-
Services	1,076,473	1.01%	19,879,855	14.54%	390,635	2.88%
Fertilizer	2,862,453	2.68%	-	-	-	-
Individuals	18,708,833	17.54%	70,620,556	51.64%	497,633	3.67%
Others	8,061,126	7.56%	16,421,392	12.01%	333,187	2.46%
	106,650,974	100%	136,743,457	100%	13,548,496	100%

* Contingent liabilities for the purpose of this note are presented at cost and include direct credit substitutes, transaction related contingent liabilities and trade related contingent liabilities.

40.1.2 Segment by sector

	2016					
	Islamic Financing and Related Assets (Gross)		**Deposits**		**Contingencies and Commitments**	
	Rupees in '000	**%**	**Rupees in '000**	**%**	**Rupees in '000**	**%**
Public / Government	**9,955,006**	**10.40%**	**12,127,108**	**9.38%**	**8,373,440**	**37.18%**
Private	**85,758,543**	**89.60%**	**117,137,405**	**90.62%**	**14,149,909**	**62.82%**
	95,713,549	**100.00%**	**129,264,513**	**100.00%**	**22,523,349**	**100.00%**

	2015					
	Islamic Financing and Related Assets (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Public / Government	18,850,966	17.68%	9,881,145	7.23%	752,253	5.55%
Private	87,800,008	82.32%	126,862,312	92.77%	12,796,243	94.45%
	106,650,974	100.00%	136,743,457	100.00%	13,548,496	100.00%

40.1.3 Details of non-performing islamic financing and related assets and specific provisions by class of business segment:

	2016		2015	
	Classified Islamic financing and related assets	**Specific provisions held**	Classified Islamic financing and related assets	Specific provisions held
	(Rupees in '000)			
Textile	**340,910**	**336,610**	355,392	336,630
Chemical	**686,028**	**597,301**	686,028	550,024
Wholesale and retail trade	**36,424**	**11,378**	81,399	63,380
Services	**861**	**861**	861	861
Individuals	**797,500**	**471,416**	912,864	506,255
Food	**138,289**	**122,289**	146,289	131,295
Telecommunication	**380,712**	**142,768**	-	-
Others	**33,703**	**33,705**	29,159	21,033
	2,414,427	**1,716,328**	2,211,992	1,609,478

40.1.4 Details of non-performing islamic financing and related assets and specific provisions by sector:

	2016		2015	
	Classified financings	**Specific provisions held**	Classified financings	Specific provisions held
	(Rupees in '000)			
Public / Government	**-**	**-**	-	-
Private	**2,414,427**	**1,716,328**	2,211,992	1,609,478
	2,414,427	**1,716,328**	2,211,992	1,609,478

40.1.5 Geographical segment analysis

	2016			
	Profit before taxation	**Total assets employed**	**Net assets employed**	**Contingencies and**
	(Rupees in '000)			
Pakistan	**1,371,031**	**152,133,399**	**12,107,335**	**22,533,349**

	2015			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and
	(Rupees in '000)			
Pakistan	711,722	157,093,185	7,975,667	13,538,496

* Contingent liabilities for the purpose of this note are presented at cost and include direct credit substitutes, transaction related contingent liabilities and trade related contingent liabilities.

40.1.6 Credit risk - General disclosures

The Bank uses the 'Standardised Approach' in calculation of credit risk and capital requirements throughout its statement of financial position.

Credit Risk: Disclosures for portfolio subject to the Standardised Approach and supervisory risk weights in the IRB Approach

External Credit Assessment Institutions (ECAIs) Pakistan Credit Rating Agency Limited (PACRA) and JCR-VIS Credit Rating Company Limited (JCR-VIS) are used for domestic claims as recommended by the SBP. Moody's is used for cliams on foreign banks. Details of rating agencies used for different types of bank's exposures are given below:

Types of Exposures and ECAI's used

	2016		
Exposures	**JCR - VIS**	**PACRA**	**Moody's**
Corporate	✔	✔	N/A
Banks	✔	✔	✔
Sovereigns	N/A	N/A	N/A
SME's	✔	✔	N/A

Credit Exposures subject to Standardised approach

		2016			2015		
Exposures	**Rating Category**	**Amount Outstanding**	**Deduction CRM**	**Net amount**	Amount Outstanding	Deduction CRM	Net amount
				(Rupees in '000)			
Funded							
Corporate	1	**5,193,670**	**-**	**5,193,670**	11,128,218	-	11,128,218
	2	**4,233,905**	**-**	**4,233,905**	6,298,909	-	6,298,909
	3,4	**289,292**	**53,422**	**235,869**	277,728	-	277,728
	5,6	**-**	**-**	**-**	-	-	-
		9,716,867	**53,422**	**9,663,444**	17,704,855	-	17,704,855
Banks	1	**14,234,812**	**-**	**14,234,812**	10,871,131	-	10,871,131
	2,3	**57,486**	**-**	**57,486**	1,157,577	-	1,157,577
		14,292,298	**-**	**14,292,298**	12,028,708	-	12,028,708
Mortgages		**6,763,746**	**-**	**6,763,746**	5,575,305	-	5,575,305
PSEs		**10,379,790**	**-**	**10,379,790**	18,850,932	-	18,850,932
Retail		**16,666,194**	**104,955**	**16,561,239**	12,559,936	-	12,559,936
Unrated-1		**28,424,413**	**862,502**	**27,561,912**	27,442,914	44,700	27,398,214
Unrated-2		**21,348,111**	**-**	**21,348,111**	22,305,037	-	22,305,037
		107,591,419	**1,020,879**	**106,570,540**	116,467,687	44,700	116,422,987
Non Funded							
Corporate	1	**1,431,000**	**-**	**1,431,000**	4,579,852	17,205	4,562,647
	2	**226,825**	**-**	**226,825**	644,458	773	643,685
		1,657,825	**-**	**1,657,825**	5,224,310	17,978	5,206,332
Banks	1	**-**	**-**	**-**	-	-	-
	2,3	**1,157,544**	**-**	**1,157,544**	1,107,996	-	1,107,996
		1,157,544	**-**	**1,157,544**	1,107,996	-	1,107,996
PSEs		**4,872,607**	**-**	**4,872,607**	991,068	-	991,068
Retail		**991,357**	**344,871**	**646,486**	483,089	113,811	369,278
Unrated-1		**10,276,295**	**941,341**	**9,334,953**	6,349,612	693,503	5,656,109
Unrated-2		**4,797,721**	**209,767**	**4,587,954**	2,967,059	116,326	2,850,733
		23,753,349	**1,495,979**	**22,257,369**	17,123,134	941,618	16,181,516

Credit Risk: Disclosures with respect to Credit Risk Mitigation - Standardized Approach

For Credit Risk Mitigation purposes the Bank uses only the eligible collaterals as specified for Simple Approach of Credit Risk Mitigation under Standardized Approach prescribed by SBP under BSD Circular No. 8 of 2007.

40.2 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

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.

40.2.1 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

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

	2016			
	Assets	**Liabilities**	**Off-balance Sheet**	**Net foreign currency exposure**
	(Rupees in '000)			
Pakistan Rupee	**141,669,923**	**123,817,369**	**(5,992,187)**	**11,860,367**
United States Dollar	**9,929,314**	**9,978,730**	**299,719**	**250,303**
Great Britain Pound	**266,189**	**2,985,720**	**2,719,306**	**(225)**
Japanese Yen	**-**	**1,122**	**1,791**	**669**
Euro	**114,727**	**747,023**	**636,265**	**3,969**
Swiss Franc	**2,117**	**-**	**-**	**2,117**
U.A.E Dirham	**147,028**	**2,496,100**	**2,335,106**	**(13,966)**
Australian Dollar	**-**	**-**	**-**	**-**
Canadian Dollar	**1,638**	**-**	**-**	**1,638**
Saudi Riyal	**1,202**	**-**	**-**	**1,202**
Singapore Dollar	**1,261**	**-**	**-**	**1,261**
	152,133,399	**140,026,064**	**-**	**12,107,335**

	2015			
	Assets	Liabilities	Off-balance Sheet	Net foreign currency exposure
	(Rupees in '000)			
Pakistan Rupee	143,793,508	137,436,693	1,379,554	7,736,369
United States Dollar	12,760,624	7,565,193	(4,974,638)	220,793
Great Britain Pound	246,736	1,472,283	1,226,617	1,070
Japanese Yen	1,713	-	-	1,713
Euro	101,631	817,381	714,533	(1,217)
Swiss Franc	7,075	-	-	7,075
U.A.E Dirham	169,315	1,825,968	1,653,934	(2,719)
Australian Dollar	4,006	-	-	4,006
Canadian Dollar	4,299	-	-	4,299
Saudi Riyal	1,484	-	-	1,484
Singapore Dollar	2,794	-	-	2,794
	157,093,185	149,117,518	-	7,975,667

40.2.2 Equity Position Risk

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

40.2.3 Yield / Profit Rate Risk

All products dealt in by the Bank are duly approved by the Bank's Shari'a Advisor / Shari'a Executive Committee 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.

40.2.4 MISMATCH OF YIELD / PROFIT RATE SENSITIVE ASSETS AND LIABILITIES

	2016											
	Effective Yield / Profit rate	Total	Exposed to Yield / Profit risk									
			Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	Non-profit bearing financial instruments
			(Rupees in '000)									
On-balance sheet financial instruments												
Assets												
Cash and balances with Treasury Banks	-	14,007,320	-	-	-	-	-	-	-	-	-	14,007,320
Balances with other Banks	-	543,363	-	-	-	-	-	-	-	-	-	543,363
Due from financial institutions	5.85%	12,536,061	12,536,061	-	-	-	-	-	-	-	-	-
Investments	5.13%	27,211,659	1,574,980	2,185,461	15,837,781	-	-	4,217,335	1,772,645	1,606,587	-	16,870
Islamic financing and related assets	7.86%	93,910,902	10,401,102	18,842,893	47,923,498	6,612,405	32,827	76,495	272,837	114,483	907,077	8,727,285
Other assets	-	1,163,234	-	-	-	-	-	-	-	-	-	1,163,234
		149,372,539	24,512,143	21,028,354	63,761,279	6,612,405	32,827	4,293,830	2,045,482	1,721,070	907,077	24,458,072
Liabilities												
Bills payable	-	2,218,979	-	-	-	-	-	-	-	-	-	2,218,979
Due to financial institutions	3.27%	5,670,091	201,122	3,648,273	1,820,696	-	-	-	-	-	-	-
Deposits and other accounts	3.13%	129,264,513	88,199,251	-	-	-	-	-	-	-	-	41,065,262
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	2,241,119	-	-	-	-	-	-	-	-	-	2,241,119
		139,394,702	88,400,373	3,648,273	1,820,696	-	-	-	-	-	-	45,525,360
On-balance sheet gap		9,977,837	(63,888,230)	17,380,081	61,940,583	6,612,405	32,827	4,293,830	2,045,482	1,721,070	907,077	(21,067,288)
Total Yield / Profit Risk Sensitivity Gap			(63,888,230)	17,380,081	61,940,583	6,612,405	32,827	4,293,830	2,045,482	1,721,070	907,077	(21,067,288)
Cumulative Yield/Profit Risk Sensitivity Gap			(63,888,230)	(46,508,149)	15,432,434	22,044,839	22,077,666	26,371,496	28,416,978	30,138,048	31,045,125	9,977,837

	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	
	2015											
			---------- (Rupees in '000) ----------									
On-balance sheet financial instruments												
Assets												
Cash and balances with Treasury Banks	-	14,183,630	-	-	-	-	-	-	-	-	-	14,183,630
Balances with other Banks	-	3,869,403	-	-	-	-	-	-	-	-	-	3,869,403
Due from financial institutions	7.37%	11,725,145	6,418,697	-	-	5,306,448	-	-	-	-	-	-
Investments	7.37%	18,515,808	526,792	2,881,909	11,893,478	-	-	-	2,691,168	522,461		-
Islamic financing and related assets	8.99%	104,953,637	15,858,040	27,321,099	51,315,796	8,062,779	16,508	69,998	336,670	94,378	900,254	978,115
Other assets	-	2,002,857	-	-	-	-	-	-	-	-	-	2,002,857
		155,250,480	22,803,529	30,203,008	63,209,274	13,369,227	16,508	69,998	3,027,838	616,839	900,254	21,034,005
Liabilities												
Bills payable	-	1,552,219	-	-	-	-	-	-	-	-	-	1,552,219
Due to financial institutions	5.01%	4,551,920	109,000	1,299,785	3,143,135	-	-	-	-	-	-	-
Deposits and other accounts	3.79%	136,743,457	106,567,983	-	-	-	-	-	-	-	-	30,175,474
Sub-ordinated loans	-	3,246,971	-	-	-	-	-	-	-	-	-	3,246,971
Other liabilities	-	2,968,911	-	-	-	-	-	-	-	-	-	2,968,911
		149,063,478	106,676,983	1,299,785	3,143,135	-	-	-	-	-	-	37,943,575
On-balance sheet gap		6,187,002	(83,873,454)	28,903,223	60,066,139	13,369,227	16,508	69,998	3,027,838	616,839	900,254	(16,909,570)
Total Yield / Profit Risk Sensitivity Gap			(83,873,454)	28,903,223	60,066,139	13,369,227	16,508	69,998	3,027,838	616,839	900,254	(16,909,570)
Cumulative Yield/Profit Risk Sensitivity Gap			(83,873,454)	(54,970,231)	5,095,908	18,465,135	18,481,643	18,551,641	21,579,479	22,196,318	23,096,572	6,187,002

40.3 Liquidity Risk

Liquidity risk is defined as the potential loss arising from the Bank's inability to meet in an orderly way its contractual obligations when due. Liquidity risk arises in the general funding of the Bank's activities and in the management of its assets. The Bank maintains sufficient liquidity to fund its day-to-day operations, meet customer deposit withdrawals either on demand or at contractual maturity, meet customers' demand for new financings, participate in new investments when opportunities arise, and to meet any other commitments. Hence, liquidity is managed to meet known as well as unanticipated cash funding needs.

Liquidity risk is managed within a framework of liquidity policies, controls and limits. These policies, controls and limits ensure that the Bank maintains well diversified sources of funding, as well as sufficient liquidity to meet all its contractual obligations when due. The management of liquidity is carried out using a prudent strategic approach to manage the Bank's funding requirements.

It is the policy of the Bank to maintain adequate liquidity at all times and for all currencies and hence to be in a position, in the normal course of business, to meet all its obligations, to repay depositors, to fulfill commitments, to finance and to meet any other commitments made.

The management of liquidity risk within the Bank is undertaken within limits and other policy parameters set by ALCO, which meets monthly and reviews compliance with policy parameters. Day to day monitoring is done by the treasury while overall compliance is monitored and coordinated by the ALCO and includes reviewing the actual and planned strategic growth of the business and its impact on the statement of financial position from a statement of financial position integrity and sustainability perspective and monitoring the Bank’s liquidity profile and associated activities.

40.3.1 MATURITIES OF ASSETS AND LIABILITIES

Maturities Of Assets And Liabilities - Expected Maturity

2016

	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	14,007,320	14,007,320	-	-	-	-	-	-	-	-
Balances with other banks	543,363	543,363	-	-	-	-	-	-	-	-
Due from financial institutions	12,536,061	12,536,061	-	-	-	-	-	-	-	-
Investments	27,211,659	65,065	67,075	11,243,151	307,165	1,358,581	5,575,916	2,966,930	5,627,776	-
Islamic financing and related assets	93,910,902	6,666,740	10,900,043	12,461,983	5,691,385	3,583,014	8,494,594	21,518,165	18,276,764	6,318,214
Operating fixed assets	1,870,060	43,487	86,971	130,457	206,631	413,262	417,975	492,685	78,592	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	2,054,034	267,438	627,315	748,479	104,224	127,128	86,190	60,268	8,932	24,060
	152,133,399	34,129,474	11,681,404	24,584,070	6,309,405	5,481,985	14,574,675	25,038,048	23,992,064	6,342,274
Liabilities										
Bills payable	2,218,979	2,218,979	-	-	-	-	-	-	-	-
Due to financial institutions	5,670,091	201,122	3,648,273	1,820,696	-	-	-	-	-	-
Deposits and other accounts	129,264,513	10,435,157	10,841,340	15,878,148	21,234,182	18,009,394	17,389,745	34,979,696	496,851	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	16,784	1,399	2,797	4,196	8,392	-	-	-	-	-
Other liabilities	2,855,697	1,329,889	563,583	399,602	392,335	46,702	37,891	78,631	7,064	-
	140,026,064	14,186,546	15,055,993	18,102,642	21,634,909	18,056,096	17,427,636	35,058,327	503,915	-
Net assets	12,107,335	19,942,928	(3,374,589)	6,481,428	(15,325,504)	(12,574,111)	(2,852,961)	(10,020,279)	23,488,149	6,342,274

Share capital	10,225,567
Reserves	404,694
Accumulated profit	1,416,263
Advance against shares subscription	-
Surplus on revaluation of assets - net of tax	60,811
	12,107,335

2015

	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	14,183,630	3,840,228	-	-	3,246,971	7,096,431	-	-	-	-
Balances with other banks	3,869,403	3,869,403	-	-	-	-	-	-	-	-
Due from financial institutions	6,418,697	6,418,697	-	-	-	-		-	-	-
Investments	23,822,256	15,905	876,237	127,786	5,528,259	8,450,615	2,862,221	4,604,123	1,357,110	-
Islamic financing and related assets	104,953,637	7,932,658	15,815,832	17,653,741	20,235,644	3,277,014	5,455,523	20,236,673	10,405,690	3,940,862
Operating fixed assets	1,842,705	34,073	67,721	148,910	196,278	350,638	243,111	457,859	274,923	69,192
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	2,040,854	681,635	328,905	720,607	107,084	77,961	49,730	48,997	6,943	18,992
	157,131,182	22,792,599	17,088,695	18,651,044	29,314,236	19,252,659	8,610,585	25,347,652	12,044,666	4,029,046
Liabilities										
Bills payable	1,552,219	1,552,219	-	-	-	-	-	-	-	-
Due to financial institutions	4,551,920	109,000	1,299,785	3,143,135	-	-	-	-	-	-
Deposits and other accounts	136,743,457	11,164,098	14,748,810	18,647,679	26,549,044	16,261,441	31,084,086	16,803,205	1,485,094	-
Sub-ordinated loans	3,246,971	-	-	-	3,246,971	-	-	-	-	
Deferred tax liabilities	54,040	2,396	-	-	51,644	-	-	-	-	-
Other liabilities	3,006,908	1,118,843	530,504	667,528	479,302	50,957	48,911	93,427	17,436	-
	149,155,515	13,946,556	16,579,099	22,458,342	30,326,961	16,312,398	31,132,997	16,896,632	1,502,530	-
Net assets	7,975,667	8,846,043	509,596	(3,807,298)	(1,012,725)	2,940,261	(22,522,412)	8,451,020	10,542,136	4,029,046

Share capital	6,976,030
Reserves	233,586
Accumulated Profit	753,135
Advance against shares subscription	18
Surplus on revaluation of assets - net of tax	12,898
	7,975,667

Regarding behavior of non-maturity deposits (non-contractual deposits), the Bank conducted a behavioral study based on 3 years data. On the basis of its findings 31% of current accounts saving accounts are bucketed into 'Upto' 1-Year maturity and 61% of current and saving accounts are bucketed in 'Upto' 2 to 5 years.

Maturities Of Assets And Liabilities - Contractual Maturity

	2016									
	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	**14,007,320**	**14,007,320**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balances with other banks	**543,363**	**543,363**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Due from financial institutions	**12,536,061**	**12,536,061**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Investments	**27,211,659**	**65,065**	**67,075**	**11,243,151**	**307,165**	**1,358,581**	**5,575,916**	**2,966,930**	**5,627,776**	**-**
Islamic financing and related assets	**93,910,902**	**6,666,740**	**10,900,043**	**12,461,983**	**5,691,385**	**3,583,014**	**8,494,594**	**21,518,165**	**18,276,764**	**6,318,214**
Operating fixed assets	**1,870,060**	**43,487**	**86,971**	**130,457**	**206,631**	**413,262**	**417,975**	**492,685**	**78,592**	**-**
Deferred tax assets	**-**									
Other assets	**2,054,034**	**267,438**	**627,315**	**748,479**	**104,224**	**127,128**	**86,190**	**60,268**	**8,932**	**24,060**
	152,133,399	**34,129,474**	**11,681,404**	**24,584,070**	**6,309,405**	**5,481,985**	**14,574,675**	**25,038,048**	**23,992,064**	**6,342,274**
Liabilities										
Bills payable	**2,218,979**	**2,218,979**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Due to financial institutions	**5,670,091**	**201,122**	**3,648,273**	**1,820,696**	**-**	**-**	**-**	**-**	**-**	**-**
Deposits and other accounts	**129,264,513**	**99,465,114**	**6,713,660**	**9,511,726**	**8,361,417**	**1,593,621**	**973,972**	**2,148,152**	**496,851**	**-**
Sub-ordinated loans	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Deferred tax liabilities	**16,784**	**1,399**	**2,797**	**4,196**	**8,392**	**-**	**-**	**-**	**-**	**-**
Other liabilities	**2,855,697**	**1,329,889**	**563,583**	**399,602**	**392,335**	**46,702**	**37,891**	**78,631**	**7,064**	**-**
	140,026,064	**103,216,503**	**10,928,313**	**11,736,220**	**8,762,144**	**1,640,323**	**1,011,863**	**2,226,783**	**503,915**	**-**
Net assets	**12,107,335**	**(69,087,029)**	**753,091**	**12,847,850**	**(2,452,739)**	**3,841,662**	**13,562,812**	**22,811,265**	**23,488,149**	**6,342,274**
Share capital	**10,225,567**									
Reserves	**404,694**									
Accumulated profit	**1,416,263**									
Advance against shares subscription	**-**									
Surplus on revaluation of assets	**60,811**									
	12,107,335									

	2015									
	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	14,183,630	3,840,228	-	-	3,246,971	7,096,431	-	-	-	-
Balances with other banks	3,869,403	3,869,403	-	-	-	-	-	-	-	-
Due from financial institutions	6,418,697	6,418,697	-	-	-	-		-	-	-
Investments	23,822,256	15,905	876,237	127,786	5,528,259	8,450,615	2,862,221	4,604,123	1,357,110	-
Islamic financing and related assets	104,953,637	7,932,658	15,815,832	17,653,741	20,235,644	3,277,014	5,455,523	20,236,673	10,405,690	3,940,862
Operating fixed assets	1,842,705	34,073	67,721	148,910	196,278	350,638	243,111	457,859	274,923	69,192
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	2,040,854	681,635	328,905	720,607	107,084	77,961	49,730	48,997	6,943	18,992
	157,131,182	22,792,599	17,088,695	18,651,044	29,314,236	19,252,659	8,610,585	25,347,652	12,044,666	4,029,046
Liabilities										
Bills payable	1,552,219	1,552,219	-	-	-	-	-	-	-	-
Due to financial institutions	4,551,920	109,000	1,299,785	3,143,135	-	-	-	-	-	-
Deposits and other accounts	136,743,457	89,955,981	505,000	9,739,067	9,377,712	21,250,356	1,256,127	942,594	3,716,620	-
Sub-ordinated loans	3,246,971	-	-	-	3,246,971	-	-	-	-	-
Deferred tax liabilities	54,040	2,396		-	51,644	-	-	-	-	-
Other liabilities	3,006,908	1,118,843	530,504	667,528	479,302	50,957	48,911	93,427	17,436	-
	149,155,515	92,738,439	2,335,289	13,549,730	13,155,629	21,301,313	1,305,038	1,036,021	3,734,056	-
Net assets	7,975,667	(69,945,840)	14,753,406	5,101,314	16,158,607	(2,048,654)	7,305,547	24,311,631	8,310,610	4,029,046
Share capital	6,976,030									
Reserves	233,586									
Accumulated profit	753,135									
Advance against shares subscription	18									
Surplus on revaluation of assets	12,898									
	7,975,667									

Current and Saving deposits have been classified under maturity upto one month as these do not have any contracted maturity. Further, the bank estimates that these deposits are a core part of its liquid resources and will not fall below the current year's level.

40.4 Operational Risk

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.

The Bank uses Basic Indicator Approach (BIA) for assessing the capital charge for operational risk. To reduce losses arising from operational risk, the Bank has strengthened its risk management framework duly approved by the BOD by developing strategies, polices, guidelines and manuals. It also includes risk and control self-assessment, key risk indicator, loss data management, set up independent fraud risk management unit, enhancing security measures, improving efficiency and effectiveness of operations and improving quality of human resources through trainings.

41 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 on behalf of Dubai Islamic Bank PJSC:

Category	Type	No. of IPS account		-------Rupees in '000------ Face Value	
		2016	2015	**2016**	2015
Employee Funds / NGO's	Government Ijarah Sukuk	1	1	-	215,000
Individuals	Government Ijarah Sukuk	-	-	-	-
Related parties:					
Dubai Islamic Bank PJSC	Shares	1	1	33,476	33,476
		2	2	33,476	248,476

42 PROFIT / (LOSS) DISTRIBUTION TO DEPOSITOR'S POOL

The Bank maintained the following pools for profit declaration and distribution during the year ended December 31, 2016:

i) Common Mudaraba Pool;
ii) Musharaka Pool under SBP's Islamic Export Refinance Scheme.
iii) Special Mudaraba Pools for Depositors and Financial Institutions
iv) Interbank Wakala Borrowing Pool

The deposits and funds accepted under the Common Mudaraba Pool are provided to diversified sectors and avenues of the economy / business mainly to 'Consumer Financings', 'Textile & Allied', 'Food & Allied', 'Distribution & Trade' and 'Investment in Government of Pakistan Ijara Sukuk'.

Musharaka investments from the SBP under Islamic Export Refinance Scheme (IERS) are channelled towards the export sector of the economy and other financings as per SBP guidelines.

Key features and risk & reward characteristics of all pools

The 'Common Mudaraba Pool' for both local and foreign currency caters to all DIBPL depositors and provides profit / loss based on Modaraba.

The Musharaka Pool under IERS caters to the 'Islamic Export Refinance' requirements based on the guidelines issued by the SBP.

The risk characteristic of each pool mainly depends on the asset and liability profile of each pool.

Parameters used for allocation of profit, charging expenses and provisions etc. along with a brief description of their major components:

Income generated from relevant assets, calculated at the end of each month is first set aside for the Musharaka pool arrangement between the Bank and the State Bank of Pakistan. It is then allocated between the participants of the pool as per the agreed weightages and rates. The Common Mudaraba Pool profit is divided between the Bank and depositors in ratio of Bank's average equity and average depositors balances commingled in the pool on pro rata basis. The depositors' share of profit is allocated amongst them on the basis of weightages declared before start of each month, after deduction of a mudarib fee. During the year ended December 31, 2016, the Bank charged 50% of the profit as Mudarib fee. These weightages are declared by the Bank in compliance with the requirements of the SBP and Shariah.

The allocation (of income and expenses to different pools) is based on pre-defined basis and accounting principles / standards. Provisions against any non-performing asset of the pool is not passed on to the pool.

General Remunerative Depositor's Pools	Profit Sharing Ratio	Mudarib Share- Net of Hiba and Including Mudarib Fee (Amount in '000)	Mudarib Share- Net of Hiba and Including Mudarib Fee in %age	Amount of Mudarib share transferred to the depositors through Hiba (Amount in '000)	%age of Net Mudarib share transferred to the depositors through Hiba	Profit Rate and weightage announcement period	Percentage of Mudarib Share transferred through Hiba	Profit rate return earned	Profit rate return distributed
Common mudaraba pool	50% : 50%	1,658,836	55.31%	28,886	1.74%	Monthly	2.15%	5.26%	2.67%
Special nudarba pools	65%:35%	1,620,656	39.40%	179,342	11.07%	N/A	18.39%	7.15%	6.31%

* SBP regulations and Internal Policy allow for monthly change of weightages, however, the bank has not changed them on a monthly basis.

Specific pools	Ratio of weightage of Bank to SBP	Share of profit to SBP (Amount in '000)	HIBA (Amount in '000)	Profit rate and weightage announcement period	Profit rate return earned by SBP
Musharaka Pool under SBP's Islamic Export Refinance Scheme	3.35:1	109,129	6,091	Monthly	2.48%
Inter-bank wakala borrowing pool	N/A	79,656	N/A	N/A	5.46%

43 DATE OF AUTHORISATION FOR ISSUE

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

44 GENERAL

44.1 Captions, as prescribed by BSD Circular No. 04 of 2006 dated February 17, 2006 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.

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

44.3 Corresponding figures

Corresponding figures have been re-arranged and reclassified, wherever necessary, to facilitate comparison. There were no significant reclassifications / restatements during the year except for Bai Muajjal receivable from GOP reclassified from Due from financial institutions to Investments.

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

ANNEXURE - 1

DUBAI ISLAMIC BANK PAKISTAN LIMITED
STATEMENT SHOWING WRITTEN-OFF ISLAMIC FINANCING AND RELATED ASSETS (IN THE CASE OF THE BANK) OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2016

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	YOUNAS SHOAIB	HOUSE# P-196 MAIN ROAD AL-MASOOM TOWN NEAR MASJID ABU BAKAR SADIQ FAISALABAD	MUHAMMAD SHOAIB	33100-3777929-1	9,076	83	-	9,159	-	537	-	537
2	AKHTAR HAYAT	HOUSE #P-205-B,CANAL ROAD, AYESHA BLOCK,ABDULLAH GARDEN, FAISALABAD	KHIZAT HAYAT (LATE)	33100-0671232-1	7,582	416	-	7,998	-	569	-	569
3	JAVED AHMED	HOUSE# 9, BLOCK COPP: AL-SHIFA PHARMACY,OFFICER COLONY# 2, FAISALABAD	SHEIKH ABDUL RASHEED (LATE)	33100-6310595-7	6,882	236	-	7,118	-	624	-	624
4	MALIK IJAZ WAHEED	H # P-6ST # 40 KOTHIAN SAFE HOMESHADMAN COLONY PEOPLES COLONY FAISALABAD	MALIK GHULAM RASOOL	33100-7814114-7	4,050	727	-	4,777	-	727	-	727
5	ANJUM IKRAM	HOUSE NO. 472BLOCK-EJOHAR TOWN, LAHORE	MUHAMMAD IKRAM	35202-4218255-9	5,578	885	-	6,463	-	863	-	863
6	ASIF IRSHAD	ASIF PUBLIC SCHOOL SYSTEM20-C, BLOCK# C SATELLITE TOWN FAZAIA HOUSING SCHEME RAWALPINDI	MUHAMMAD IRSHAD	37405-4340010-7	8,309	2,115	-	10,424	-	1,924	-	1,924
7	TARIQ ALI QURESHI	BUNGLOW NO.107DEFENCE OFFICERS HOUSING SOCIETYSCHEME-II, MALIR CANTT KARACHI	ABDUL KHALIQ	42501-8577791-9	10,981	2,857	-	13,838	-	2,857	-	2,857
8	TAUSEEF KARIM	HOUSE # B-19 STREET NO 2 BLOCK N NORTH NAZIMABAD KARACHI	FAREED UDDIN KHAN	42101-8761944-9	12,694	2,574	-	15,267	-	2,889	-	2,889
9	MUHAMMAD YOUNAS	HOUSE# 113/3,BLOCK# C,MODEL TOWN, LAHORE	GHULAM HUSSAIN (LATE)	35202-5416786-9	12,091	3,265	-	15,356	-	3,256	-	3,256
10	SHABBIR AHMAD	HOUSE# 4 BLOCK "B" WAPDA TOWN EMPLOYEES COOPERATIVE HOUSING SOCIETY LAHORE	M.A DEAN (LATE)	35202-7166638-3	37,948	6,390	-	44,338	-	6,338	-	6,338
					115,189	**19,549**	**-**	**134,738**	**-**	**20,584**	**-**	**20,584**

Dubai Islamic Bank
Pakistan Limited

Financial Statements
For the year ended December 31, 2016

Dubai Islamic Bank Pakistan Limited

Statement of Financial Position

As at December 31, 2016

	Note	2016	2015 (Restated)
		------ (Rupees in '000) ------	
ASSETS			
Cash and balances with treasury banks	6	**14,007,320**	14,183,630
Balances with other banks	7	**543,363**	3,869,403
Due from financial institutions	8	**12,536,061**	6,418,697
Investments	9	**27,211,659**	23,822,256
Islamic financing and related assets	10	**93,910,902**	104,953,637
Operating fixed assets	11	**1,870,060**	1,842,705
Deferred tax assets		**-**	-
Other assets	12	**2,054,034**	2,040,854
		152,133,399	157,131,182
LIABILITIES			
Bills payable	13	**2,218,979**	1,552,219
Due to financial institutions	14	**5,670,091**	4,551,920
Deposits and other accounts	15	**129,264,513**	136,743,457
Sub-ordinated loans	16	**-**	3,246,971
Deferred tax liabilities	17	**16,784**	54,040
Other liabilities	18	**2,855,697**	3,006,908
		140,026,064	149,155,515
NET ASSETS		**12,107,335**	7,975,667
REPRESENTED BY			
Share capital	19	**10,225,567**	6,976,030
Reserves	20	**404,694**	233,586
Advance against further issue of share capital		**-**	18
Unappropriated profit		**1,416,263**	753,135
		12,046,524	7,962,769
Surplus on revaluation of investments - net of tax	21	**60,811**	12,898
		12,107,335	7,975,667
CONTINGENCIES AND COMMITMENTS	22		

The annexed notes 1 to 44 and Annexure I form an integral part of these financial statements.

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

Dubai Islamic Bank Pakistan Limited

Profit and Loss Account

For the year ended December 31, 2016

	Note	2016	2015
		------ (Rupees in '000) ------	
Profit / return earned	23	**9,486,289**	8,725,646
Profit / return expensed	24	**4,273,598**	4,091,219
Net spread earned		**5,212,691**	4,634,427
Provision against non-performing Islamic financing and related assets - net	10.7	**(111,734)**	(187,286)
Provision for diminution in the value of investments - net	9.8	**(16,846)**	-
Bad debts written off directly		**-**	-
		(128,580)	(187,286)
Net spread earned after provisions		**5,084,111**	4,447,141
OTHER INCOME			
Fee, commission and brokerage income		**1,402,601**	1,249,751
Dividend income		**-**	-
(Loss) / income from dealing in foreign currencies		**(41,795)**	6,735
Gain on sale of securities	25	**163,286**	15,946
Other income	26	**42,436**	2,023
Total other income		**1,566,528**	1,274,455
		6,650,639	5,721,596
OTHER EXPENSES			
Administrative expenses	27	**5,264,089**	4,987,933
Other provisions / write offs		**-**	-
Other charges	28	**15,519**	21,941
Total other expenses		**5,279,608**	5,009,874
		1,371,031	711,722
Extra ordinary / unusual items		**-**	-
PROFIT BEFORE TAXATION		**1,371,031**	711,722
Taxation	29		
- Current		**(535,978)**	(191,099)
- Prior years		**(34,868)**	(29,648)
- Deferred		**55,355**	(60,420)
		(515,491)	(281,167)
PROFIT AFTER TAXATION		**855,540**	430,555
		------ (Rupees) ------	
Basic & diluted earnings per share	30	**1.219**	0.617

The annexed notes 1 to 44 and Annexure I form an integral part of these financial statements.

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

Dubai Islamic Bank Pakistan Limited
Statement of Comprehensive Income
For the year ended December 31, 2016

	2016	2015
	------ (Rupees in '000) ------	
Profit after taxation for the year	**855,540**	430,555
Other comprehensive income		
Items that may not be reclassified to profit and loss account		
Actuarial (loss) / gains on remeasurements of defined benefit plans	**(21,998)**	2,971
Tax on remeasurements of defined benefit plans	**7,699**	(1,040)
	(14,299)	1,931
Comprehensive income transferred to equity	**841,241**	432,486
Components of comprehensive income not reflected in equity		
Surplus on revaluation of investments	**73,713**	160,154
Related deferred tax liability	**(25,800)**	(56,054)
	47,913	104,100

The annexed notes 1 to 44 and Annexure I form an integral part of these financial statements.

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

Dubai Islamic Bank Pakistan Limited

Statement of Changes in Equity

For the year ended December 31, 2016

	Share capital	Advance against share subscription	Statutory reserve	Unappropriated profit	Total
	----------	----------	(Rupees in '000)	----------	----------
Balance as at January 01, 2015	6,976,030	18	147,475	406,760	7,530,283
Profit after taxation for the year	-	-	-	430,555	430,555
Other Comprehensive income for the year					
Remeasurements of defined benefit plan	-	-	-	2,971	2,971
Tax on remeasurements of defined benefit plan	-	-	-	(1,040)	(1,040)
	-	-	-	1,931	1,931
Transfer to statutory reserve	-	-	86,111	(86,111)	-
Balance as at December 31, 2015	6,976,030	18	233,586	753,135	7,962,769
Profit after taxation for the year	-	-	-	855,540	855,540
		-			
Other Comprehensive income for the year					
Remeasurements of defined benefit plan	-	-	-	(21,998)	(21,998)
Tax on remeasurements of defined benefit plan	-	-	-	7,699	7,699
	-	-	-	(14,299)	(14,299)
Transaction with owners recognised directly in equity					
Conversion of subordinated loan	-	3,249,519	-	-	3,249,519
Issuance of right shares at par	3,249,537	(3,249,537)	-	-	
Transaction costs on issuance of right shares				(7,005)	(7,005)
Transfer to statutory reserve	-	-	171,108	(171,108)	-
Balance as at December 31, 2016	**10,225,567**	**-**	**404,694**	**1,416,263**	**12,046,524**

The annexed notes 1 to 44 and Annexure I form an integral part of these financial statements.

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

Dubai Islamic Bank Pakistan Limited
Cash Flow Statement
For the year ended December 31, 2016

	Note	2016	2015
		------ (Rupees in '000) ------	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		**1,371,031**	711,722
Adjustments for:			
Depreciation	*27*	**308,708**	301,511
Amortisation	*27*	**104,572**	90,912
Provision against non-performing Islamic financing and related assets - net	*10.7*	**111,734**	187,286
Fixed assets written-off	*28*	**375**	489
Provision for diminution in the value of investments	*9.8*	**16,846**	-
Gain on sale of securities	*25*	**(163,286)**	(15,946)
Charge for defined benefit plan	*27*	**43,671**	43,352
(Gain) / loss on sale of operating fixed assets	*26*	**(42,436)**	(1,939)
		380,184	605,665
		1,751,215	1,317,387
Decrease / (increase) in operating assets			
Due from financial institutions		**(6,117,364)**	(1,577,976)
Islamic financing and related assets		**10,931,001**	(46,300,643)
Others assets (excluding advance taxation)		**(13,180)**	(530,156)
		4,800,457	(48,408,775)
(Decrease) / increase in operating liabilities			
Bills payable		**666,760**	301,834
Due to financial institutions		**1,117,049**	984,578
Deposits and other accounts		**(7,478,944)**	52,899,062
Other liabilities (excluding current taxation)		**(246,124)**	629,454
		(5,941,259)	54,814,928
		610,413	7,723,540
Payments against defined benefit plan		**(43,738)**	(40,381)
Income taxes paid		**(502,323)**	(207,700)
Net cash (used in) / generated from operating activities		**64,352**	7,475,459
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in securities		**(3,169,250)**	(81,104)
Investments in operating fixed assets		**(495,077)**	(486,671)
Proceeds from sale of operating fixed assets		**96,503**	4,025
Net cash used in investing activities		**(3,567,824)**	(563,750)
CASH FLOW FROM FINANCING ACTIVITIES			
Effect of exchange difference on translation of foreign currency sub-ordinated loan		**-**	131,995
Net cash (generated) / used in from financing activities		**-**	131,995
(Decrease) / increase in cash and cash equivalents		**(3,503,472)**	7,043,704
Cash and cash equivalents at beginning of the period		**18,053,033**	11,009,329
Cash and cash equivalents at end of the period	*31*	**14,549,561**	18,053,033

The annexed notes 1 to 44 and Annexure I form an integral part of these financial statements.

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

1 STATUS AND NATURE OF BUSINESS

1.1 Dubai Islamic Bank Pakistan Limited (the Bank) was incorporated in Pakistan as an unlisted public limited company on May 27, 2005 under the Companies Ordinance, 1984 to carry out the business of an Islamic Commercial Bank in accordance with the principles of Shari'a.

1.2 The State Bank of Pakistan (the SBP) granted a "Scheduled Islamic Commercial Bank" license to the Bank on November 26, 2005 and subsequently the Bank received the Certificate of Commencement of Business from the Securities and Exchange Commission of Pakistan (the SECP) on January 26, 2006. The Bank commenced its operations as a scheduled Islamic Commercial Bank with effect from March 28, 2006 on receiving certificate of commencement of business from the SBP. The Bank is principally engaged in Corporate, Commercial and Consumer Islamic banking activities and investing activities.

1.3 Based on the financial statements of the Bank for the year ended December 31, 2015, JCR-VIS Credit Rating Company Limited determined the Bank's medium to long-term rating as 'A+' (A plus) and the short term rating as 'A-1' (A one) while the outlook has been assigned as "Stable".

1.4 The Bank is operating through 200 branches as at December 31, 2016 (2015: 200 branches). The registered office of the Bank is situated at Hassan Chambers, DC-7, Block-7 Kehkashan, Clifton, Karachi. The Bank is a wholly owned subsidiary of Dubai Islamic Bank PJSC, UAE (the Holding Company).

2 BASIS OF PRESENTATION

2.1 The Bank provides Islamic financing and makes investments mainly through Murabaha, Musharaka, Running Musharaka, Musharaka cum Ijara, Shirkatulmilk, Istisna cum Wakala, Wakala Isthimar, Service Ijarah and export refinance under Islamic export refinance scheme of State Bank of Pakistan (SBP) and other Islamic modes as briefly explained in the notes to these financial statements. The transactions of purchases, sales and leases executed under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of rental / profit thereon. The income on such Islamic financing and related assets is recognised in accordance with the principles of Shari'a. However, income if any, received which does not comply with the principles of Shari'a is recognised as charity payable if so directed by the Shari'a Board / Resident Shari'a Board Member.

3 STATEMENT OF COMPLIANCE

3.1 These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan and such International Financial Reporting Standards (IFRSs), as are notified under the Companies Ordinance, 1984, the provisions and directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). Wherever the requirements of the provisions and directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, the IFAS notified under the Companies Ordinance, 1984 and the directives issued by the SECP and the SBP differ with the requirements of the IFRS, the provisions and directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, the IFAS notified under the Companies Ordinance, 1984 and the requirements of the directives issued by the SECP and SBP shall prevail.

3.2 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.

3.3 The Securities and Exchange Commission of Pakistan (SECP) has notified Islamic Financial Accounting Standard (IFAS) 3, 'Profit and Loss Sharing on Deposits' issued by the Institute of Chartered Accountants of Pakistan. IFAS 3 shall be followed with effect from the financial periods beginning after January 1, 2014 in respect of accounting for transactions relating to 'Profit and Loss Sharing on Deposits' as defined by the said standard. The standard has resulted in certain new disclosures in the financial statements of the Bank. The SBP through BPRD Circular Letter No. 4 dated February 25, 2015, has deferred the applicability of IFAS 3 till further instructions and prescribed the Banks to prepare their annual and periodical financial statements as per existing prescribed formats issued vide BSD Circular 04 of 2006 and BSD Circular Letter No. 02 of 2004, as amended from time to time.

3.4 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

There are certain new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2016 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.

3.5 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2017:

- Amendments to IAS 12 ‘Income Taxes’ are effective for annual periods beginning on or after January 1, 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have an impact on Bank’s financial statements.

- Amendments to IAS 7 ‘Statement of Cash Flows’ are part of IASB’s broader disclosure initiative and are effective for annual periods beginning on or after January 1, 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

- Amendments to IFRS 2 - Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after January 1, 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Bank’s financial statements.

  Annual improvements to IFRS standards 2014-2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:

  Amendments to IFRS 12 ‘Disclosure of Interests in Other Entities’ (effective for annual periods beginning on or after January 1, 2017) clarify that the requirements of IFRS 12 apply to an entity’s interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 – ‘Non-current Assets Held for Sale and Discontinued Operations’. The amendments are not likely to have an impact on Bank’s financial statements.

  Amendments to IAS 28 ‘Investments in Associates and Joint Ventures’ (effective for annual periods beginning on or after January 1, 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Bank’s financial statements.

- IFRIC 22 ‘Foreign Currency Transactions and Advance Consideration’ (effective for annual periods beginning on or after January 1, 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

4 BASIS OF MEASUREMENT

4.1 Accounting convention

These financial statements have been prepared under the historical cost convention, except that certain investments, foreign currency balances and commitments in respect of foreign exchange contracts have been marked to market and are carried at fair value. In addition, obligation in respect of staff retirement benefits is carried at present value.

4.2 Functional and Presentation Currency

These financial statements have been presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

4.3 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgment in application of its accounting policies. The estimates and associated assumptions are continually evaluated and are based on historical experience and various other factors including expectation of future events that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Actual results may differ from these estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The significant accounting areas where various assumptions and estimates are significant to the Bank's financial statements or where judgment was exercised in the application of accounting policies are as follows:

i) classification and provisioning against investments (notes 5.3 and 9)
ii) classification and provisioning against Islamic financing and related assets (notes 5.4 and 10)
iii) current and deferred taxation (notes 5.6, 17, 22.7 and 29)
iv) determination of useful lives and depreciation / amortisation (notes 5.5 and 11)
v) accounting for defined benefit plan (notes 5.9 and 33)

5 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.

5.1 Cash and cash equivalents

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

5.2 Due to/ from financial institutions

Commodity Murabaha

In Commodity Murabaha, the Bank sells commodities on credit to other financial institutions. The credit price is agreed at the time of sale and such proceeds are received at the end of the credit period.

Bai Muajjal

In Bai Muajjal, the Bank sells sukuk on credit to other financial institutions. The credit price is agreed at the time of sale and such proceeds are received at the end of the credit period.

Musharaka / Modaraba

In Musharaka / Modaraba, the Bank invests in the shari'a compliant business pools of the financial institutions at the agreed profit and loss sharing ratio.

Musharaka from State Bank of Pakistan under IERS

Under IERS, the Bank accepts funds from the SBP under Shirkat-ul-Aqd to constitute a pool for investment in export refinance portfolio of the Bank under guidelines issued by SBP.

5.3 Investments

5.3.1 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.

5.3.2 Regular way contracts

All purchases and sales of investments that require delivery within the time frame established by regulation or market convention are recognised at settlement date, which is the date on which the asset is delivered to or by the Bank.

5.3.3 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.

5.3.4 Subsequent measurement

Subsequent to initial recognition investments are valued as follows:

(a) Held-for-trading

These are measured at subsequent reporting dates at fair value. Gains and losses on remeasurement are included in the profit and loss account.

(b) Held-to-maturity

These are measured at amortized cost using the effective profit rate method, less any impairment loss recognized to reflect irrecoverable amount.

(c) Available for sale

In accordance with the requirements specified by the SBP, quoted securities other than those classified as 'held to maturity' are subsequently re-measured to market value. Unquoted equity securities are valued at the lower of cost and break-up value. Break-up value of unquoted equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investment in other unquoted securities are valued at cost less impairment losses, if any.

Surplus / deficit arising on revaluation of quoted securities which are classified as 'available for sale', is included in the statement of comprehensive income but is kept in a separate account which is shown in the statement of financial position below equity.

5.3.5 Impairment

Impairment loss in respect of investments classified as available for sale and held to maturity (except sukuk) is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged decline in fair value of an equity investment below its cost is also considered an objective evidence of impairment. Provision for diminution in the value of sukuk is made as per the Prudential Regulations issued by the State Bank of Pakistan. In case of impairment of available for sale securities, the cumulative loss that has been recognised directly in surplus / (deficit) on revaluation of securities on the Statement of Financial Position below equity is removed there-from and recognised in the profit and loss account. For investments classified as held to maturity, the impairment loss is recognised in the profit and loss account.

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

5.4 Islamic financing and related assets

These are products originated by the Bank and principally comprise of Murabaha, Musharaka cum Ijara, Running Musharaka, Wakala, Wakala Istithmar, Istisna cum Wakala, Ijara Muntahiya Bil Tamleek, Islamic Export Refinance Scheme, Service Ijarah 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 / Musharaka cum Ijara, 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.

Ijara Muntahiya Bil Tamleek is a lease contract in which the leased asset’s title is transferred at the end of the lease term to the lessee through an independent sale agreement.

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 Service Ijarah financing, the Bank provides financing by acquiring certain agreed services from the customer. After the purchase of services, the Bank appoints the customer to sell these services in the market over a period and provide a sale confirmation of such sale. The profit is only accrued from the date of receipt of such confirmation.

In Running Musharaka financing, the Bank enters into financing with the customer based on Shirkat-ul-Aqd or Business Partnership in customers operating business. Under this mechanism the customer can withdraw and return funds to the Bank subject to his Running Musharakah Financing limit during the Musharakah Period. At the end of each quarter / half year the customer pays the provisional profit as per the desired profit rate which is subject to final settlement based on the relevant quarterly/half-yearly/annual accounts of the customer.

In Musawammah 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.

Specific provision

The Bank maintains specific provision for doubtful debts 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 (refer note 10.8.2), the Bank maintains general provisions as follows:

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

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

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

5.5 Operating fixed assets and depreciation

5.5.1 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 11.2 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.

5.5.2 Capital work-in-progress

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

5.5.3 Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Such intangible assets are amortized using the straight-line method over their estimated useful lives. The useful lives and amortisation method are reviewed and adjusted, if appropriate at each reporting date. Intangible assets having an indefinite useful life are stated at acquisition cost, less impairment loss, if any. Amortisation is charged from the month of acquisition and upto the month preceding the month of deletion.

5.5.4 Impairment

At each reporting date, the Bank reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Recoverable amount is the greater of net selling price and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately in the financial statements in the profit and loss account.

Where an impairment loss reverses subsequently, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. The reversal of impairment loss is recognised as income in the profit and loss account.

5.6 Taxation

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

Current

Provision for current taxation is based on taxable income for the year, if any, 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. In addition, the Bank also records deferred tax asset on available tax losses. 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 by 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.

The Bank also recognises deferred tax asset / liability on deficit / surplus on revaluation of securities which is adjusted against the related deficit / surplus in accordance with the requirements of the International Accounting Standard 12 - "Income Taxes".

5.7 Deposits

Deposits are generated on the basis of two modes i.e. Qard and Modaraba.

Deposits taken on Qard basis are classified as 'Current accounts' and Deposits generated on Modaraba basis are classified as 'Savings deposits' and 'Fixed deposits'. No profit or loss is passed on to current account depositors. While the product features of each product differ, there is usually no restriction on withdrawals or number of transactions in current and saving accounts. In case of fixed deposits, pre-mature withdrawals can be made as per approved terms only.

Profits realised in common pool are distributed between the Bank and the depositors in proportion to their respective share in the pool. All Modarba based deposits are fully invested in the Common Pool to produce returns for them. In case where the Bank is unable to utilise all funds available for investment, priority is given to the deposit account holders. Rab-ul-Maal share is distributed among depositors according to weightages assigned at the inception of profit calculation period. Mudarib can distribute its share of profit to Rab-ul-Maal upto a maximum of 60% of their profit as incentive profits (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.

5.8 Pool Management

The Bank operates general and special pools for deposits and inter-bank funds accepted / acquired under Modaraba, Wakala and Musharakah modes.

Under the general deposits pool, the Bank accepts funds on Modaraba basis from depositors (Rab-ul-Maal) where the Bank acts as Manager (Mudarib) and invests the funds in the Shari'a compliant modes of financings, investments and placements. When utilising funds and investing funds, the Bank prioritises the funds received from depositors over the funds generated from own

Specific pools are operated for funds acquired / accepted from the State Bank of Pakistan (under the Islamic Export Refinance Scheme), high net-worth individuals/companies/financial instituitions and other banks for investments in Shari'a compliant modes of financing and liquidity management under the Musharakah / Modaraba/ Wakala modes respectively.

The profit of each deposit pool is calculated on all the remunerative assets booked by utilising the funds from the pool after deduction of expenses directly incurred in earning the income of such pool along with related fee income, if any. The directly related costs comprise of tracker related costs, amortisation of premium on sukuk etc. No general or administrative nature of expense is charged to pools. No provisions against any non-performing asset of the pool is passed on to the pool except on the actual loss / write-off of such non-performing asset. Further, provisions passed on to the pool in the prior periods have been credited to pool income in the current period as reduction in expense to the extent of recovery of provision previously charged to the pool. The profit of the pool is shared between equity and other members of the pool on pro-rata basis at gross level (i.e. before charging of mudarib fee) as per the investment ratio of the equity. The profit of the pool is shared among the depositors of the pool on pre-defined mechanism based on the weightages announced before the commencement of profit calculation period after charging mudarib fee. Incentive profits (General Hiba) is allocated to the depsitors based on SBP guidelines; across the board.

5.9 Staff retirement benefits

5.9.1 Defined benefit plan

The Bank operates an approved funded gratuity scheme for its permanent employees. The liability recognised in the statement of financial position in respect of defined benefit gratuity scheme, is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets. Contributions to the fund are made on the basis of actuarial recommendations. The defined benefit obligation is calculated periodically by an independent actuary using the projected unit credit method. Last valuation was conducted as on December 31, 2016.

Amounts arising as a result of "Remeasurements", representing the actuarial gains and losses and the difference between the actual investment returns and the return implied by the net interest cost are recognised in the Statement of Financial Position immediately, with a charge or credit to "Other Comprehensive Income" in the periods in which they occur.

5.9.2 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.

5.10 Revenue recognition

- Profit from Murabaha is accounted for on consummation of Murabaha transaction. However, profit on the portion of revenue not due for payment is deferred by accounting for unearned Murabaha income with a corresponding credit to deferred Murabaha income which is recorded as a liability. The same is then recognised as revenue on a time proportionate basis. In Murabaha transactions, the Bank purchases the goods and after taking the possession, sells them to the customer on cost plus profit basis either in a spot or credit transaction.

- Profit from Istisn'a 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 Musharaka cum Ijara, Ijara Muntahiya Bil Tamleek and 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 Musharaka financing is recognised on an accrual basis. Actual profit / (loss) on Musharaka and Modaraba financing is adjusted after declaration of profit / (loss) by Musharaka partner / modarib or at liquidation of Musharaka / Modaraba.

- Profit on Bai Muajjal transaction is recognised on an accrual basis.

- Profit on Running Musharakah financings is booked on an accrual basis and is adjusted upon declaration of profit by Musharakah partners.

- Gains and losses on sale of investments are included in the profit and loss account.

- Profit on Sukuk is recognised on an accrual basis. Where Sukuk (excluding held for trading securities) are purchased at a premium or discount, those premiums / discounts are amortised through the profit and loss account over the remaining maturity, using the effective yield method.

- Profit on Service Ijarah is recognised on an accrual basis.

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

- Fee, commission and brokerage are recognized when earned.

- Profit suspended in compliance with the Prudential Regulations issued by the SBP is recorded on receipt basis. Profit on rescheduled / restructured financings and investments are recognised as permitted by the SBP.

5.11 Financial Instruments

5.11.1 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 loans 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.

5.11.2 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.

5.11.3 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.

5.12 Fiduciary assets

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

5.13 Foreign currencies

Foreign currency transactions

Foreign currency transactions are recorded in rupees at exchange rates prevailing on the date of transaction. Monetary assets, monetary liabilities and contingencies and commitments in foreign currencies, except forward promises, at the year end are converted in Rupees at exchange rates prevalent on the reporting date.

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.

5.14 Provisions and contingent assets and liabilities

Provisions are recognized when the Bank has a present legal or constructive obligation arising as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimates.

Contingent assets are not recognised, and are also not disclosed unless an inflow of economic benefits is probable and contingent liabilities are disclosed unless the probability of an outflow of resources embodying economic benefits is remote.

5.15 Allocation of profit

Allocation of profits in Mudaraba pool between depositors and shareholders is made according to the Bank's profit distribution policy and is approved by the Resident Shari'a Board Member.

5.16 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.

5.16.1 Business segments

Corporate banking

Corporate banking includes services provided in connection with mergers and acquisitions, underwriting, privatization, securitisation, research, Sukuk (government, high yield), equity, syndication, IPO and secondary private placements, provided they are Shari'a compliant.

Trading and sales

It includes income, equity, foreign exchanges, commodities, credit, funding and own position securities.

Retail banking

It includes retail financing, deposits and banking services offered to retail customers and small and medium sized enterprises.

Commercial banking

Commercial banking includes project finance, real estate, export finance, trade finance, Ijara, financing and issuing guarantees.

Others

Others includes internal audit, shariah compliance, human resources and finance departments.

5.16.2 Geographical segment

The Bank operates only in Pakistan.

		Note	2016	2015
6	**CASH AND BALANCES WITH TREASURY BANKS**		**------- (Rupees in '000) -------**	
	In hand			
	- local currency		**1,825,449**	1,502,767
	- foreign currencies		**666,844**	411,058
			2,492,293	1,913,825
	With the State Bank of Pakistan in			
	- local currency current accounts	*6.1*	**8,506,372**	5,846,141
	- foreign currency current accounts		**22,637**	159,405
	- foreign currency sub-ordinated debt		**-**	3,246,971
	- foreign currency deposit accounts			
	Cash reserve account	*6.2*	**805,984**	580,318
	Special cash reserve account	*6.3*	**967,160**	696,360
			1,773,144	1,276,678
	With National Bank of Pakistan in			
	- local currency current accounts		**1,212,874**	1,740,610
			14,007,320	14,183,630

6.1 The local currency current account is maintained with the State Bank of Pakistan (SBP) as per the requirements of Section 22 of the Banking Companies Ordinance, 1962. This section requires banking companies to maintain a local currency cash reserve in the current account opened with the SBP at a sum not less than such percentage of its time and demand liabilities in Pakistan as may be prescribed by SBP.

6.2 As per BSD Circular No. 15 dated June 21, 2008, cash reserve of 5% is required to be maintained with SBP on deposits held under the New Foreign Currency Accounts Scheme (FE-25 deposits). This account is non-remunerative in nature.

6.3 Special cash reserve of 6% is required to be maintained with the SBP on FE-25 deposits as specified in BSD Circular No. 15 dated June 21, 2008. This account is non-remunerative in nature.

		Note	2016	2015
7	**BALANCES WITH OTHER BANKS**		**------- (Rupees in '000) -------**	
	In Pakistan			
	- in current accounts		**49,241**	49,591
	- in deposit accounts		**49,938**	10
			99,179	49,601
	Outside Pakistan			
	- in current accounts	*7.1*	**444,184**	3,819,802
	- in deposit accounts		**-**	-
			444,184	3,819,802
			543,363	3,869,403

7.1 This includes an amount of Rs. 53.112 million (2015: Rs.1,154 million) deposited with the holding company.

		Note	2016	2015 Restated
8	**DUE FROM FINANCIAL INSTITUTIONS**		**------- (Rupees in '000) -------**	
	Commodity Murabaha	*8.1*	**12,536,061**	6,418,697

8.1 These carry expected profit rates ranging from 5.75% to 6.25% (2015: 6.10% to 6.40%) per annum and are due to mature latest by January 30, 2017 (2015: January 27, 2016).

	2016	2015
8.2 Particulars of amounts due from financial institutions	------- (Rupees in '000) -------	
In local currency	**12,536,061**	6,418,697
In foreign currencies	**-**	-
	12,536,061	6,418,697

9 INVESTMENTS

9.1 Investments by types

	Note	2016 Held by the Bank	2016 Given as collateral	2016 Total	2015 - Restated Held by the Bank	2015 - Restated Given as collateral	2015 - Restated Total
		----	----	(Rupees in '000)	----	----	----
Available-for-sale securities							
GOP Ijarah sukuks	*9.3*	**12,608,975**	**-**	**12,608,975**	10,146,816	-	10,146,816
Other sukuks certificates	*9.4*	**8,416,929**	**-**	**8,416,929**	5,111,002	-	5,111,002
Global sukuk certificates	*9.5*	**6,092,422**	**-**	**6,092,422**	3,238,147	-	3,238,147
Bai Muajjal - Government of Pakistan (GOP)		**-**	**-**	**-**	5,306,448	-	5,306,448
Units of open-end mutual fund	*9.6*	**16,623**	**-**	**16,623**	-	-	-
		27,134,949	**-**	**27,134,949**	23,802,413	-	23,802,413
Less: Provision for diminution in value of investments	*9.8*	**(16,846)**	**-**	**(16,846)**	-	-	-
Investments (net of provisions)		**27,118,103**	**-**	**27,118,103**	23,802,413	-	23,802,413
Surplus on revaluation of available-for-sale securities	*21*	**93,556**	**-**	**93,556**	19,843	-	19,843
Total investments		**27,211,659**	**-**	**27,211,659**	23,822,256	-	23,822,256

9.2 Investments by segments

	Note	2016	2015 Restated
		------- (Rupees in '000) -------	
Federal Government securities			
GOP Ijarah Sukuks	*9.3*	**12,608,975**	10,146,816
Bai Muajjal - Government Of Pakistan (GOP)	*9.2.1*	**-**	5,306,448
		12,608,975	15,453,264
Other Sukuk certificates			
Other sukuks	*9.4*	**8,416,929**	5,111,002
Global sukuk certificates	*9.5*	**6,092,422**	3,238,147
		14,509,351	8,349,149
Units of open-end mutual fund	*9.6*	**16,623**	-
		27,134,949	23,802,413
Less: Provision for diminution in value of investments		**(16,846)**	-
Investments (net of provisions)		**27,118,103**	23,802,413
Surplus on revaluation of available-for-sale securities	*21*	**93,556**	19,843
Total investments		**27,211,659**	23,822,256

9.2.1 These represents Bai Muajjal receivable from GOP carrying rate of return 5.93%-5.94% (2015: 5.93%-5.94%). The transaction matured on November 17, 2016. This has been reclassified in investments as required by SBP BPRD Circular Letter number 05 of 2016. Previously, these were classified as due from financial institutions.

9.3 Particulars of Federal Government securities

Face value of Rs. 100,000 each unless otherwise stated.

Particulars	Collateral	Profit Rate	Profit payment	Carrying value 2016	Carrying value 2015
				----------- (Rupees in '000) -----------	
GOP IJARA SUKUK - XIV Nil (2015: 8,050) certificates Maturity date: March 28, 2016	Government of Pakistan Sovereign guarantee	6 months T-Bill plus zero basis points	Semi-annually	-	806,816
GOP IJARA SUKUK - XV 111,070 (2015: 78,400) certificates Maturity date: June 25, 2017	Government of Pakistan Sovereign guarantee	6 months T-Bill minus 200 basis points	Semi-annually	**11,108,975**	7,840,000
GOP IJARA SUKUK - XVI Nil (2015: 15,000) certificates Maturity date: December 18, 2018	Government of Pakistan Sovereign guarantee	6 months T-Bill minus 50 basis points	Semi-annually	-	1,500,000
GOP IJARA SUKUK - XVII 15,000 (2015: Nil) certificates Maturity date: Feburary 15, 2019	Government of Pakistan Sovereign guarantee	6.10%	Semi-annually	**1,500,000**	-
				12,608,975	10,146,816

9.4 Particulars of other sukuk certificates

Face value of Rs. 5,000 each unless otherwise stated.

Particulars	Collateral	Profit Rate	Profit payment	Carrying value 2016	Carrying value 2015
				----------- (Rupees in '000) -----------	
WAPDA II 91,075 (2015: 91,075) certificates Maturity date: July 13, 2017	Government of Pakistan Sovereign guarantee	6 months KIBOR minus 25 basis points	Semi-annually	**75,896**	151,793
WAPDA III 167,353 (2015:167,353) certificates Maturity date: October 14, 2021 Face value: Rs. 5,000	Government of Pakistan Sovereign guarantee	6 months KIBOR plus 175 basis points	Semi-annually	**597,689**	717,226
Sui Southern Gas Company Limited 100,000 (2015: 100,000) certificates Maturity date: May 17, 2017	Tangible Assets	3 months KIBOR plus 75 basis points	Quarterly	**125,000**	375,000
Sui Southern Gas Company Limited 300,000 (2015: 300,000) certificates Maturity date: October 30, 2019	Tangible Assets	3 months KIBOR plus 40 basis points	Quarterly	**1,500,000**	1,500,000
Sui Southern Gas Company Limited 300,000 (2015: 300,000) certificates Maturity date: December 13, 2022	Tangible Assets	6 months KIBOR plus 50 basis points	Semi-annually	**1,500,000**	346,154
Quetta Textile Mills Limited* 40,000 (2015: 40,000) certificates Maturity date: Sep 26, 2019 (Refer note 9.8.1)	Tangible Assets	6 months KIBOR plus 175 basis points	Semi-annually	**96,179**	98,664
K-Electric Limited 384,433 (2015: 384,433) certificates Maturity date: June 17, 2022	Tangible Assets	3 months KIBOR plus 100 basis points	Quarterly	**1,922,165**	1,922,165
Neelum Jhelum Hydro Power Company (Private) Limited 26,000 (2015: Nil) certificates Maturity date: June 27, 2026 Face value: Rs. 100,000	Government of Pakistan Sovereign guarantee	6 months KIBOR plus 108 basis points	Semi-annually	**2,600,000**	-
				8,416,929	5,111,002

* Non performing Sukuk certificates

9.5 Particulars of global sukuk

Face value of USD 1,000 each unless otherwise stated.

Particulars	Collateral	Profit Rate	Profit payment	Carrying value 2016	Carrying value 2015
				---------- (Rupees in '000) ----------	
Dubai International Financial Centre (*) 3,000 (2015: 5,000) certificates Maturity date: November 12, 2024	Tangible Assets	4.325%	Semi-annually	**324,613**	526,993
TF Varlik Kiralama AS (*) 13,000 (2015: 13,000) certificates Maturity date: April 24, 2019	Tangible Assets	5.375%	Semi-annually	**1,391,622**	1,407,361
KT Kira Sertifikalari Varlik Kiralama AS (*) 12,000 (2015: 12,000) certificates Maturity date: June 26, 2019	Tangible Assets	5.162%	Semi-annually	**1,288,542**	1,303,793
EIB Sukuk Company Limited (*) 5,000 (2015: Nil) certificates Maturity date: May 31, 2021	Tangible Assets	3.542%	Semi-annually	**522,992**	-
ICD Sukuk Company Limited (*) 11,995 (2015: Nil) certificates Maturity date: May 21, 2020	Tangible Assets	3.508%	Semi-annually	**1,263,718**	-
Majid AL Futtaim (*) 9,000 (2015: Nil) certificates Maturity date: Nov 3, 2025	Tangible Assets	4.50%	Semi-annually	**973,116**	-
Saudi Electricity Company (*) 3,000 (2015: Nil) certificates Maturity date: April 3, 2022	Tangible Assets	4.211%	Semi-annually	**327,819**	-
				6,092,422	3,238,147

* These sukuks are being held by Dubai Islamic Bank P.J.S.C on behalf of the Bank in fiduciary capacity.

9.6 Particulars of investments in mutual fund

Number of units 2016	Number of units 2015		Carrying value 2016	Carrying value 2015
			---------- (Rupees in '000) ----------	
		Mutual fund - Face value of Rs. 50		
320,602	-	Meezan Sovereign Fund	**16,623**	-

		Entity rating Long / medium term		2016	2015 Restated
9.7	**Quality of available-for-sale securities**	**2016**	2015	---------- (Rupees in '000) ----------	
	Sukuk certificates - (at market value)				
	GOP Ijara Sukuk - XIV	**N/A**	Govt.	**-**	808,220
	GOP Ijara Sukuk - XV	**Govt.**	Govt.	**11,113,664**	7,840,000
	GOP Ijara Sukuk - XVI	**N/A**	Govt.	**-**	1,516,950
	GOP Ijara Sukuk - XVII	**Govt.**	N/A	**1,548,900**	-
	WAPDA II	**AAA**	AAA	**74,978**	147,442
	WAPDA III	**AAA**	AAA	**624,116**	694,724
	Sui Southern Gas Company Limited	**Unrated**	Unrated	**125,000**	375,000
	Sui Southern Gas Company Limited	**Unrated**	Unrated	**1,500,000**	1,500,000
	Sui Southern Gas Company Limited	**Unrated**	Unrated	**1,500,000**	346,154
	Quetta Textile Mills Limited	**-***	Unrated	**96,179**	98,664
	K-Electric Limited	**AA+**	AA+	**1,981,129**	1,975,025
	Neelum Jhelum Hydro Power Company (Private) Limited	**AAA**	N/A	**2,600,000**	-
	Dubai International Financial Centre	**BBB**	BBB	**322,043**	522,461
	TF Varlik Kiralama AS	**BBB**	BBB	**1,387,547**	1,399,058
	KT Kira Sertifikalari Varlik Kiralama AS	**BBB**	BBB	**1,280,888**	1,292,110
	EIB Sukuk Company Limited	**A+**	N/A	**525,827**	-
	ICD Sukuk Company Limited	**Unrated**	N/A	**1,246,817**	-
	Majid AL Futtaim	**BBB**	N/A	**953,182**	-
	Saudi Electricity Company	**A-**	N/A	**331,365**	-
				27,211,635	18,515,808
	Bai muajjal receivable from GOP			**-**	5,306,448
	Units of open-end mutual fund (at market value)				
	Meezan Sovereign Fund			**16,870**	-
				27,228,505	23,822,256
	Less: Provision for diminution in the value of investments (note 9.8)			**(16,846)**	-
				27,211,659	23,822,256

* Non-performing sukuk certificates

		Note	2016	2015
9.8	**Particulars of provision for diminution in the value of investments**		---------- (Rupees in '000) ----------	
	Opening balance		**-**	-
	Charge for the year		**16,846**	-
	Reversals during the year		**-**	-
			16,846	-
	Closing balance	*9.8.1*	**16,846**	-

9.8.1 Particulars of provision for diminution in the value of investments by type and segment

Unlisted sukuk certificate - available for sale	**16,846**	-

9.8.2 These include Sukuk of Quetta Textile Mills Limited amounting to Rs. 96.2 million which have been placed under non-performir status. The forced sale value (FSV) of the collateral held in respect of these Sukuk is Rs. 79.33 million. Therefore, provision for diminution has been made in respect of the same. Profit accrued on these sukuk has been suspended. The additional profit arising from availing the FSV benefit - net of tax at December 31, 2016 amounting to Rs. 79.33 million (2015: Rs. 108.490 million) is not available for distribution as either cash or stock dividend.

10 ISLAMIC FINANCING AND RELATED ASSETS

		Note	2016	2015
			------- (Rupees in '000) -------	
	In Pakistan			
	- Murabaha	*10.2*	**14,361,521**	13,345,105
	- Musharaka cum Ijara – Housing		**8,639,739**	7,352,708
	- Musharaka cum Ijara - Autos	*10.3*	**13,495,621**	10,919,239
	- Ijara Muntahiya Bil Tamleek – Autos		**408,507**	413,932
	- Musharaka cum Ijara – Other		**69,910**	112,594
	- Export Refinance under Islamic Scheme - SBP		**3,778,120**	5,261,901
	- Wakala Istithmar – Pre manufacturing		**10,335,916**	4,807,137
	- Wakala Istithmar – Post manufacturing		**147,449**	2,635,829
	- Shirkatulmilk		**17,874,089**	14,177,621
	- Service Ijarah and related assets		**718,750**	593,750
	- Musharaka		**13,576,303**	12,395,508
	- Running Musharaka		**4,718,026**	16,455,769
	- Istisna cum Wakala	*10.4*	**5,545,267**	13,754,927
	- Salam		**1,656,000**	4,402,000
	- Musawama	*10.5*	**388,331**	22,954
	Islamic financings and related assets – gross		**95,713,549**	106,650,974
	Less: Provision against non-performing Islamic financing & related assets	*10.6 & 10.7*	**(1,802,647)**	(1,697,337)
	Islamic financings and related assets – net of provisions		**93,910,902**	104,953,637
10.1	**Particulars of Islamic financings and related asset (Gross)**			
10.1.1	In local currency		**94,267,607**	102,298,731
	In foreign currencies		**1,445,942**	4,352,243
			95,713,549	106,650,974
10.1.2	Short Term (for upto one year)		**35,720,151**	62,774,218
	Long Term (for over one year)		**59,993,398**	43,876,756
			95,713,549	106,650,974
10.2	**Murabaha**			
	Financings		**8,308,279**	10,646,065
	Advances		**6,053,242**	2,699,040
			14,361,521	13,345,105
10.3	**Musharaka cum Ijara – Autos**			
	Financings		**12,430,918**	10,335,898
	Advances		**1,064,703**	583,341
			13,495,621	10,919,239
10.4	**Istisna cum Wakala**			
	Financings		**5,517,062**	7,284,963
	Advances		**28,205**	6,469,964
			5,545,267	13,754,927
10.5	**Musawama**			
	Financings		**133,087**	10,290
	Advances		**255,244**	12,664
			388,331	22,954

10.6 Islamic financing and related assets include Rs 2,414.427 million (2015: Rs. 2,211.992 million) which have been placed under non-performing status as detailed below:

Category of Classification	2016								
	Classified Islamic financing and related			**Provision Required**			**Provision Held**		
	Domestic	**Overseas**	**Total**	**Domestic**	**Overseas**	**Total**	**Domestic**	**Overseas**	**Total**
	(Rupees in '000)								
Other Assets Especially Mentioned	**52,946**	**-**	**52,946**	**-**	**-**	**-**	**-**	**-**	**-**
Substandard	**429,743**	**-**	**429,743**	**150,504**	**-**	**150,504**	**150,504**	**-**	**150,504**
Doubtful	**37,795**	**-**	**37,795**	**1,854**	**-**	**1,854**	**1,854**	**-**	**1,854**
Loss	**1,893,943**	**-**	**1,893,943**	**1,563,970**	**-**	**1,563,970**	**1,563,970**	**-**	**1,563,970**
	2,414,427	**-**	**2,414,427**	**1,716,328**	**-**	**1,716,328**	**1,716,328**	**-**	**1,716,328**

Category of Classification	2015								
	Classified Islamic financing and related			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Other Assets Especially Mentioned	57,167	-	57,167	-	-	-	-	-	-
Substandard	79,055	-	79,055	10,335	-	10,335	10,335	-	10,335
Doubtful	223,530	-	223,530	18,297	-	18,297	18,297	-	18,297
Loss	1,852,240	-	1,852,240	1,580,846	-	1,580,846	1,580,846	-	1,580,846
	2,211,992	-	2,211,992	1,609,478	-	1,609,478	1,609,478	-	1,609,478

10.7 Particulars of provision against non-performing Islamic financings and related assets:

		2016			2015		
		Specific	**General**	**Total**	Specific	General	Total
	Note	**(Rupees in '000)**					
Opening balance		**1,609,478**	**87,859**	**1,697,337**	1,447,176	62,875	1,510,051
Charge for the year		**269,814**	**-**	**269,814**	416,262	24,984	441,246
Reversals		**(156,540)**	**(1,540)**	**(158,080)**	(253,960)	-	(253,960)
		113,274	**(1,540)**	**111,734**	162,302	24,984	187,286
Amount written-off	*10.7.3*	**(6,424)**	**-**	**(6,424)**	-	-	-
Closing balance		**1,716,328**	**86,319**	**1,802,647**	1,609,478	87,859	1,697,337

10.7.1 Particulars of provision against non-performing Islamic financings and related assets:

	2016			2015		
	Specific	**General**	**Total**	Specific	General	Total
	(Rupees in '000)					
In local currency	**1,716,328**	**86,319**	**1,802,647**	1,606,574	87,859	1,694,433
In foreign currencies	**-**	**-**	**-**	2,904	-	2,904
	1,716,328	**86,319**	**1,802,647**	1,609,478	87,859	1,697,337

As allowed by the SBP, the Bank has availed benefit of forced sale values amounting to Rs. 329.763 million (2015: Rs. 368.514 million) in determining the provisioning against non performing Islamic financings as at December 31, 2016. The additional profit arising from availing the Forced Sales Value (FSV) benefit - net of tax at December 31, 2016 which is not available for distribution as either cash or stock dividend to shareholders amounted to Rs. 214.347 million (2015: Rs. 239.534 million).

10.7.2 General provisioning is held against consumer finance portfolio and small enterprise financings in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan except for Musharaka cum Ijara - Autos. The SBP vide its letter no BPRD / BLRD - 03 / 2009 / 6877 dated October 15, 2009 has allowed relaxation to the Bank from recognising general provision against Musharaka cum Ijara - Autos on the condition that the facility will be categorised as "Loss" on the 180th day from the date of default. In this regard, the SBP vide its letter no BPRD / BRD - 04 / DIB / 2013 / 1644 dated February 12, 2013 has decided that the exemption from general reserve requirement shall only be valid till classified Auto Financing portfolio of the Bank remains upto 5% i.e. if the classified Auto Financing portfolio increases beyond the 5% threshold, the exemption shall stand withdrawn from that point of time.

10.7.3 Particulars of write-offs	**2016**	2015
	(Rupees in '000)	
Against provisions	**6,424**	-
Directly charged to profit and loss account	**-**	-
	6,424	-
Write-offs of Rs. 500,000 and above	**-**	-
Write-offs of below Rs. 500,000	**6,424**	-
	6,424	-

10.7.3.1 Details of Islamic financing write-offs of Rs 500,000 and above

In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written off financings or any other financial relief of five hundred thousand rupees or above allowed to a person(s) during the year ended December 31, 2016 is given in Annexure - I to these financial statements.

10.7.4 Particulars of Islamic financing and related assets to directors, executives or officers of the Bank or any of them either severally or jointly with any other persons:	**2016**	2015
	(Rupees in '000)	
Balance at beginning of the year	**1,465,561**	1,217,449
Disbursements during the year	**455,504**	590,457
Repayments made during the year	**(474,038)**	(342,345)
Balance at end of the year	**1,447,027**	1,465,561

11 OPERATING FIXED ASSETS

	Note	2016	2015
		------- (Rupees in '000) -------	
Capital work-in-progress - net	*11.1*	**54,283**	116,346
Property and equipment	*11.2*	**1,590,828**	1,571,473
Intangible assets	*11.3*	**224,949**	154,886
		1,870,060	1,842,705

11.1 Capital work-in-progress

	2016	2015
Equipment	**4,830**	57,106
Advances to suppliers and contractors	**64,853**	74,640
Less: Provision against Capital work-in-progress	**(15,400)**	(15,400)
	54,283	116,346

11.2 Property and equipment

2016

	COST			ACCUMULATED DEPRECIATION			Net book value as at December 31, 2016	Rate of Depreciatio n
	As at January 01, 2016	Additions (disposals)/ (write-offs)	As at December 31, 2016	As at January 01, 2016	Charge for the year / (disposals)/ (write-offs)	As at December 31, 2016		
	---------- (Rupees in '000) ----------							%
Leasehold land	**47,932**	**(47,932)**	**-**	**-**	**-**	**-**	**-**	**-**
Furniture and fixture	**348,216**	**21,363** **(41)**	**369,538**	**188,407**	**32,132** **(3)**	**220,536**	**149,002**	**10**
Electrical, office and computer equipment	**1,808,824**	**295,847** **(10,611)** **(999)**	**2,093,061**	**1,056,299**	**183,925** **(9,007)** **(624)**	**1,230,593**	**862,468**	**10-33.33**
Vehicles	**53,814**	**7,851** **(6,196)**	**55,469**	**26,314**	**7,352** **(4,957)**	**28,709**	**26,760**	**25**
Leasehold improvements	**1,251,725**	**57,444** **(6,308)**	**1,302,861**	**668,018**	**85,299** **(3,054)**	**750,263**	**552,598**	**5-15**
	3,510,511	**382,505** **(71,088)** **(999)**	**3,820,929**	**1,939,038**	**308,708** **(17,021)** **(624)**	**2,230,101**	**1,590,828**	

2015

	COST			ACCUMULATED DEPRECIATION			Net book value as at December 31, 2016	Rate of Depreciation
	As at January 01, 2015	Additions (disposals)/ (write-offs)	As at December 31, 2015	As at January 01, 2015	Charge for the year / (disposals)/ (write-offs)	As at December 31, 2015		
	---------- (Rupees in '000) ----------							%
Leasehold land	47,932	-	47,932	-	-	-	47,932	-
Furniture and fixture	313,110	35,132 (26)	348,216	154,515	33,912 (20)	188,407	159,809	10
Electrical, office and computer equipment	1,577,539	241,769 (8,872) (1,612)	1,808,824	901,170	163,418 (7,166) (1,123)	1,056,299	752,525	10-33.33
Vehicles	45,358	10,328 (1,872)	53,814	22,100	5,712 (1,498)	26,314	27,500	25
Leasehold improvements	1,134,527	117,198	1,251,725	569,549	98,469	668,018	583,707	5-15
	3,118,466	404,427 (10,770) (1,612)	3,510,511	1,647,334	301,511 (8,684) (1,123)	1,939,038	1,571,473	

11.2.1 Disposal / write off of operating fixed assets

	2016						
	Cost	**Accumulated depreciation**	**Net book value**	**Sale price**	**Gain/(loss)**	**Mode of disposal**	**Particulars of buyer**
	---------- (Rupees in '000) ----------						
Items having book value of more than Rs. 250,000 or cost of more than Rs. 1,000,000							
Electrical, office and computer equipment	**999**	**624**	**375**	**-**	**(375)**	Write-off	N/A
Leasehold Land	**47,932**	**-**	**47,932**	**88,500**	**40,568**	Bank's Policy	Mr. Riaz Ahmed
Vehicles	**6,196**	**4,957**	**1,239**	**1,850**	**611**	Bank's Policy	New Car Complex
Electrical, office and computer equipment	**5,412**	**4,145**	**1,267**	**1,622**	**355**	Bank's Policy	Various
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000							
Electrical, office and computer equipment	**5,199**	**4,862**	**337**	**953**	**616**	Bank's Policy	Various
Furniture and fixture	**41**	**3**	**38**	**35**	**(3)**	Bank's Policy	Khambhati Furniture
Leasehold Improvement	**6,308**	**3,054**	**3,254**	**3,543**	**289**	Bank's Policy	Signs Now
	72,087	**17,645**	**54,442**	**96,503**	**42,061**		

11.2.2 The cost of fully depreciated fixed assets still in use amounts to Rs. 1,354.83 million (2015: Rs. 1,131.31 million).

11.3 Intangible asset

	2016							
	COST			**ACCUMULATED AMORTISATION**			**Net book value as at December 31, 2016**	**Rate of amortization**
	As at January 01, 2016	**Additions / (disposals)**	**As at December 31, 2016**	**As at January 01, 2016**	**Amortisation**	**As at December 31, 2016**		
	---------- (Rupees in '000) ----------							**%**
Computer software	**740,010**	**174,635**	**914,645**	**585,124**	**104,572**	**689,696**	**224,949**	**11.11 - 33.33**

	2015							
	COST			ACCUMULATED AMORTISATION			Net book value as at December 31, 2015	Rate of amortization
	As at January 01, 2015	Additions / (disposals)	As at December 31, 2015	As at January 01, 2015	Amortisation	As at December 31, 2015		
	---------- (Rupees in '000) ----------							%
Computer software	702,995	37,015	740,010	494,212	90,912	585,124	154,886	11.11 - 33.33

11.3.1 The cost of fully amortized intangibles still in use amounts to Rs. 116.333 million (2015: Rs. 91.370 million).

		Note	2016	2015
12	**OTHER ASSETS**		**------- (Rupees in '000) -------**	
	Profit / return accrued in local currency		**833,366**	1,002,468
	Profit / return accrued in foreign currencies		**32,472**	28,631
	Advances, deposits, advance rent and other prepayments	*12.1*	**857,852**	713,031
	Unrealised gain on forward foreign exchange promises		**24,397**	37,997
	Receivables from group company		**4,719**	2,639
	Commission receivable		**206,891**	180,049
	Others		**97,927**	79,629
			2,057,624	2,044,444
	Less: Provision held against other assets	*12.2*	**(3,590)**	(3,590)
	Other assets (net of provisions)		**2,054,034**	2,040,854

12.1 This includes Rs. 411.551 million (2015: Rs. 367.653 million) for advance rent, Rs. 304.74 million (2015: Rs. 226.202 million) in respect of prepaid commission to staff and dealers for auto and house musharaka. The prepaid commission paid to staff and dealers in respect of auto financings is charged over the period of musharaka agreements. However, the prepaid commission paid to staff and dealers in respect of house musharaka is charged over a period of fifteen years. This also includes an amount of Rs. 51.837 million (2015: Rs. 43.969 million) pertaining to prepaid tracker maintenance cost which is amortised over the period of time.

		Note	2016	2015
12.2	**Provision held against other assets**		**--------- (Rupees in '000) ---------**	
	Opening balance		**3,590**	3,590
	Charge for the year		**-**	-
	Reversals during the year		**-**	-
	Closing balance		**3,590**	3,590

13	**BILLS PAYABLE**			
	In Pakistan		**2,212,620**	1,546,208
	Outside Pakistan		**6,359**	6,011
			2,218,979	1,552,219
14	**DUE TO FINANCIAL INSTITUTIONS**			
	In Pakistan		**5,668,969**	4,551,920
	Outside Pakistan		**1,122**	-
			5,670,091	4,551,920
14.1	**Details of due to financial institutions secured / unsecured**			
	Secured			
	Musharaka from the State Bank of Pakistan (SBP) under Islamic Export Refinance Scheme	*14.1.1*	**3,693,969**	4,551,920
	Unsecured			
	Wakala borrowings		**1,975,000**	-
	Overdrawn nostro		**1,122**	-
			5,670,091	4,551,920

14.1.1 These Musharka are on a profit and loss sharing basis having maturity between January 23, 2017 to June 27, 2017 (2015: January 26, 2016 to June 27, 2016) and are secured against demand promissory notes executed in favor of the SBP. A limit of Rs. 7,150 million (2015: Rs. 5,150 million) has been allocated to the Bank by SBP under Islamic Export Refinance Scheme for the financial year ending December 31, 2016.

		2016	2015
		------- (Rupees in '000) -------	
14.2	**Particulars of due to financial institutions with respect to currencies**		
	In local currency	**5,670,091**	4,551,920
	In foreign currencies	**-**	-
		5,670,091	4,551,920

15	**DEPOSITS AND OTHER ACCOUNTS**		
	Customers		
	Fixed deposits	**35,240,781**	46,177,181
	Savings deposits	**50,042,301**	50,253,380
	Current accounts - non-remunerative	**40,674,001**	29,986,324
	Margin accounts – non-remunerative	**275,101**	100,092
		126,232,184	126,516,977
	Financial Institutions		
	Remunerative deposits	**2,916,170**	10,137,422
	Non-remunerative deposits	**116,159**	89,058
		129,264,513	136,743,457

15.1	**Particulars of deposits**		
	In local currency	**113,071,611**	125,059,808
	In foreign currencies	**16,192,902**	11,683,649
		129,264,513	136,743,457

16 SUB-ORDINATED LOAN

This represented a subordinated loan of USD 31 million provided to the Bank by the sponser to meet the shortfall in minimum capital requirement (free of losses) of Rs. 10 billion as required by the State Bank of Pakistan. The Board of Directors (the 'Board') of the Bank in its meeting held on October 26, 2016 approved the issuance of right shares against this loan.

		2016	2015
17	**DEFERRED TAX LIABILITY - NET**		
		------ (Rupees in '000) ------	
	Deferred tax (debits) / credits recognised in Profit or loss arising due to:		
	Provision for diminution in value of investments	**(5,896)**	-
	Provision against non-performing Islamic financings and related assets	**(53,682)**	(4,549)
	Provision against other assets	**(6,647)**	-
	Accelerated tax depreciation and amortization on operating fixed assets	**57,963**	51,644
		(8,262)	47,095
	Deferred tax (debits) / credits recognised in other comprehensive income arising due to:		
	Deficit on defined benefit plan	**(7,699)**	-
	Surplus on revaluation of investments	**32,745**	6,945
		25,046	6,945
		16,784	54,040

18 OTHER LIABILITIES

	Note	2016	2015
		------ (Rupees in '000) ------	
Profit / return payable in local currency		**626,314**	803,101
Profit / return payable in foreign currencies		**35,634**	10,318
Deferred profit murabaha / musawama income		**360,761**	498,698
Accrued expenses		**344,733**	332,093
Advance from customers		**615,685**	466,769
Unrealised loss on forward foreign exchange contracts		**59,384**	78,204
Taxation payable		**89,592**	2,637
Payable to group company		**-**	48,479
Security deposits against musharaka cum ijara		**81,415**	56,181
Retention money		**947**	1,862
Payable to Contractors		**2,757**	107,746
Charity Payable	*18.1*	**3,373**	10,071
Worker Welfare Fund Payable		**62,930**	33,415
Withholding tax payable		**23,490**	12,499
Others		**548,682**	544,835
		2,855,697	3,006,908

18.1 Reconciliation of charity payable

	2016	2015
Opening balance	**10,071**	11,244
Additions during the year	**3,352**	4,627
Payments during the year	**(10,050)**	(5,800)
Closing balance	**3,373**	10,071

18.1.1 During the year, charity from the Charity Fund of the Bank (in which late payment charges and Shari'a repugnant income of the Bank are credited) was paid to the following individual / organisations:

	2016	2015
	------- (Rupees in '000) -------	
Hina Gul	**3,000**	-
Sindh Institute of Urology and Transplantation	**700**	1,000
The Indus Hospital	**700**	700
Shaukat Khanum Memorial Cancer Hospital	**700**	500
Layton Rahmatulla Benevolent Trust	**700**	500
Akhuwat	**500**	500
The Citizen Foundation	**500**	250
Koohi Goth Hospital	**400**	400
Nighaban Welfare Organization	**400**	300
Child Aid Association	**300**	300
Afzaal Memorial Thalassemia Foundation	**300**	300
Patel Hospital	**300**	300
Kiran Patients Welfare Society	**300**	250
Bait-ul-Sukoon Cancer Hospital	**300**	250
Burns Centre	**300**	-
Children Cancer Hospital	**250**	250
Kashif Iqbal Thalassemia Care Centre	**200**	-
Marie Adelaide Leprosy Centre	**200**	-
	10,050	5,800

18.1.3 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.

19 SHARE CAPITAL

19.1 Authorised capital

2016	2015		2016	2015
------- Number of Shares -------			------- (Rupees in '000) -------	
1,200,000,000	1,200,000,000	Ordinary shares of Rs.10 each	**12,000,000**	12,000,000

19.2 Issued, subscribed and paid up

2016	2015		2016	2015
------- Number of Shares -------		**Ordinary shares**	------- (Rupees in '000) -------	
1,022,556,710	697,603,000	Fully paid in cash	**10,225,567**	6,976,030

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

20 RESERVES

	Note	2016	2015
		------- (Rupees in '000) -------	
Statutory Reserve	*20.1*	**404,694**	233,586

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 ON REVALUATION OF INVESTMENTS

	2016	2015
	------- (Rupees in '000) -------	
21.1 Surplus on revaluation of investments		
Sukuk certificates	**93,309**	19,843
Units of open ended mutual fund	**247**	-
	93,556	19,843
Less : Related deferred tax liability	**(32,745)**	(6,945)
	60,811	12,898

22 CONTINGENCIES AND COMMITMENTS

22.1 Transaction-related contingent liabilities

	2016	2015
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favoring		
- Government	**3,833,623**	752,253
- Banking companies and other financial institutions	**333,921**	333,996
- Others	**1,812,141**	1,928,924
	5,979,685	3,015,173

22.2 Trade-related contingent liabilities

	2016	2015
Import Letters of Credit (including acceptances)	**16,543,664**	10,523,323

	2016	2015
22.3 Claims not acknowledged as debt	**10,000**	10,000

22.3.1 The Competition Commission of Pakistan vide its order dated June 28, 2012 had imposed a penalty of Rs 10 million on the Bank. The penalty was imposed upon CCPs contentions that the ATM Service Charges charged by 1-Link member banks was unfair. However, the same order was set aside by the Competition Appellate Tribunal. Consequently, CCP has filed an appeal with the Supreme Court of Pakistan for imposing the order of penalty on every member bank of 1-Link. The management of the Bank is confident that the above matter will be decided in their favour and hence, no provision against any liability which may arise in this respect has been made in these financial statements.

22.4	**Commitments in respect of promises to**	**2016**	2015
		------- (Rupees in '000) -------	
	Purchase	**17,958,966**	16,262,110
	Sale	**11,895,409**	17,602,752
22.5	**Commitments for the acquisition of operating fixed assets**	**86,885**	157,787
22.6	**Commitments in respect of financing facilities**	**1,230,000**	3,584,638

The Bank makes commitment(s) to extend financing in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

22.7 Tax contingencies

During the year ended December 31, 2015, the Additional Commissioner Inland Revenue (ACIR) amended the assessments of the Bank for the tax years 2010, 2011, 2012 and 2013. The amended assessment orders have been passed by adding / disallowing certain expenses / deductions in each of the tax years and calculation of turnover tax based on treatment of murabaha income at its gross value resulting in additional tax liability to the Bank.

The Bank's appeal with the Appellate Tribunal of Inland Revenue (ATIR) against the above order were decided during the year. On the issue of turnover tax levy over Murabaha transactions amounting to Rs. 3,326 million, the issue has been remanded back to the department.

The management is of the view that the contention of the taxation authorities is not justified based on the fact that Clause (11A) Part IV of the Second Schedule to the Income Tax Ordinance, 2001 specifically excludes Murabaha transactions from the definition of turnover for the purpose of charging minimum tax. Although the relevant clause of the Second Schedule is not applicable for banks, however, the spirit of the law cannot be different for a bank and another entity. Consequently, keeping in view the legal and factual position of the issue, the Bank and its tax advisor are confident of a favourable outcome in the higher appellate forums.

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

23	**PROFIT / RETURN EARNED**	**2016**	2015
		------- (Rupees in '000) -------	
	On Islamic financings and related assets to customers	**7,282,667**	6,062,916
	On Investments in available for sale securities	**1,358,093**	1,431,737
	On Investments in held for trading securities	**14,915**	36,836
	On deposits / placements with financial institutions	**830,614**	1,194,157
		9,486,289	8,725,646
24	**PROFIT / RETURN EXPENSED**		
	Deposits and other accounts	**4,084,813**	3,883,131
	Other short term fund generation	**188,785**	208,088
		4,273,598	4,091,219
25	**GAIN ON SALE OF SECURITIES**		
	Sukuk certificates	**163,206**	15,946
	Units of open ended mutual fund	**80**	-
		163,286	15,946

26 OTHER INCOME

	Note	2016	2015
		------- (Rupees in '000) -------	
Gain on sale of operating fixed assets - net		**42,436**	1,939
Others		**-**	84
		42,436	2,023

27 ADMINISTRATIVE EXPENSES

	Note	2016	2015
Salaries, allowances, etc.	*27.1*	**2,079,383**	2,039,682
Remuneration to Shariah Board		**2,530**	1,564
Charge for defined benefit plan	*33.10.1*	**43,671**	43,352
Contribution to defined contribution plan		**73,998**	66,279
Brokerage and commission		**199,073**	147,898
Rent, taxes, insurance, electricity, etc.		**1,311,421**	1,203,997
Legal and professional charges		**44,035**	87,374
Communications		**241,746**	214,694
Repairs and maintenance		**367,016**	284,652
Traveling		**53,268**	50,233
Stationery and printing		**90,902**	76,048
Subscription fees		**5,400**	4,154
Advertisement and publicity		**47,055**	76,272
Auditors' remuneration	*27.2*	**5,615**	5,488
Depreciation	*11.2*	**308,708**	301,511
Amortization	*11.3*	**104,572**	90,912
Tracker related costs		**112,378**	89,085
Others		**173,318**	204,738
		5,264,089	4,987,933

27.1 This includes Rs. 11.739 million (2015: Rs. 8.080 million) in respect of Contribution to Employees' Old Age Benefit Institution.

27.2 Auditors' remuneration

	2016	2015
	------- (Rupees in '000) -------	
Audit fee	**1,155**	1,155
Fee for interim review of half yearly financial statements	**485**	485
Special certifications and sundry advisory services	**2,934**	2,934
Out-of-pocket expenses	**1,041**	914
	5,615	5,488

28 OTHER CHARGES

	Note	2016	2015
Worker Welfare Fund	*28.1*	**4,907**	14,525
Penalties imposed by the State Bank of Pakistan		**10,237**	6,927
Operating fixed assets written-off		**375**	489
		15,519	21,941

28.1 During the current year, the Supreme Court of Pakistan has declared that the amendments in the Worker's Welfare Fund (WWF) Ordinance made through finance acts of 2006 and 2008 are unconstitutional. Accordingly, the Bank has reversed WWF paid during the years 2009 to 2012 amounting to Rs. 26.345 million.

29 TAXATION

	2016	2015
Current	**535,978**	191,099
Prior years	**34,868**	29,648
Deferred	**(55,355)**	60,420
	515,491	281,167

29.1 Relationship between tax charge and accounting profit

	2016	2015
	------- (Rupees in '000) -------	
Profit before taxation	**1,371,031**	711,722
Effect of:		
Tax at the applicable rate of 35 %	**479,861**	249,103
Permanent differences	**5,456**	2,424
Prior year charge	**34,868**	29,648
Others	**(4,694)**	(8)
Tax Charge for the year	**515,491**	281,167

30 BASIC AND DILUTED EARNING PER SHARE

	Note	2016	2015
		------- (Rupees in '000) -------	
Profit after taxation for the period		**855,540**	430,555
		------- Number of shares -------	
Weighted average number of ordinary shares		**702,042,258**	697,603,000
		------- (Rupees) -------	
Earning per share - basic and diluted	*30.1*	**1.219**	0.617

30.1 There were no convertible / dilutive potential ordinary shares outstanding as at December 31, 2016 and December 31, 2015.

31 CASH AND CASH EQUIVALENTS

	Note	2016	2015
		------- (Rupees in '000) -------	
Cash and balances with treasury banks	*6*	**14,007,320**	14,183,630
Balances with other banks	*7*	**543,363**	3,869,403
Overdrawn nostro		**(1,122)**	-
		14,549,561	18,053,033

32 STAFF STRENGTH

	2016	2015
	------ (Number of employees)------	
Permanent	**1,768**	1,773
Contractual basis	**10**	7
Bank's own staff strength at end of the year	**1,778**	1,780
Outsourced	**1,050**	1,172
Total staff strength	**2,828**	2,952

33 DEFINED BENEFIT PLAN

33.1 General Description

As mentioned in note 5.9.1, 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 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.

33.2 Risks

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

Investment risks

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 most common type of retirement benefit is one where the benefit is linked with the final salary. 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.

33.3 Principal actuarial assumptions

The latest actuarial valuation of the Bank's gratuity scheme was carried out as at December 31, 2016 using the Projected unit credit method. The disclosures made in notes 33.1 to 33.16 are based on the information included in the actuarial valuation report of the Bank as of December 31, 2016. The following significant assumptions were used for the valuation of the defined benefit plan:

	2016	2015
Discount rate	**9.0%**	10.0%
Expected return on plan assets	**9.0%**	10.0%
Expected rate of salary increase	**7.0%**	8.0%
Normal retirement age	**60 years**	60 years

33.4 Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in Pakistan. The rates assumed are based on the SLIC 2001 - 2005 ultimate mortality tables.

33.5 The amount recognized in the statement of financial position are determined as follows

	2016	2015
	------- (Rupees in '000) -------	
Present value of defined benefit obligations	**206,608**	168,778
Fair value of plan assets	**(184,677)**	(168,778)
	21,931	-

		2016	2015
		-------- (Rupees in '000) --------	
33.6	**Movement in defined benefit obligation**		
	Obligations at the beginning of the year	**168,777**	133,264
	Current service cost	**45,858**	47,668
	Cost of funds	**15,159**	13,245
	Benefits paid	**(34,376)**	(14,233)
	Actuarial loss / (gain) on obligation	**11,190**	(11,166)
	Obligations at end of the year	**206,608**	168,778
33.7	**Movement in fair value of plan assets**		
	Fair value at the beginning of the year	**168,777**	133,264
	Expected return on plan assets	**17,346**	17,561
	Contributions	**43,738**	40,381
	Benefits paid	**(34,376)**	(14,233)
	Actuarial loss on plan assets	**(10,808)**	(8,195)
	Fair value at end of the year	**184,677**	168,778
33.8	**Plan assets consist of the following:**		
	Balance with Bank in deposit accounts	**24,678**	108,727
	Term Deposit Receipts	**160,000**	-
	Sukuk certificates	**-**	60,051
		184,678	168,778
33.9	**Movement in payable to defined benefit plan**		
	Opening balance	**-**	-
	Charge for the year	**43,671**	43,352
	Other Comprehensive Income	**21,998**	(2,971)
	Bank's contribution to the fund made during the year	**(43,738)**	(40,381)
	Closing balance	**21,931**	-
33.10	**Charge for defined benefit plan**		
33.10.1	**Cost recognised in profit or loss**		
	Current service cost	**45,858**	47,668
	Net return	**(2,187)**	(4,316)
		43,671	43,352
33.10.2	**Remeasurements recognised in other comprehensive income during the year**		
	Gain/ (loss) on obligation		
	Actuarial (gain) / loss on plan assets	**10,808**	8,195
	Actuarial loss / (gain) on obligation	**11,190**	(11,166)
	Net Actuarial gain recognised in other comprehensive income	**21,998**	(2,971)
33.11	**Actual return on plan assets**	**6,538**	9,366

33.12 Historical information

	2016	2015	2014	2013	2012
	(Rupees in '000)				
Defined benefit obligation	**206,608**	168,778	133,264	106,951	89,470
Fair value of plan assets	**(184,677)**	(168,778)	(133,264)	(106,951)	(103,096)
Deficit / (surplus)	**21,931**	-	-	-	(13,626)
Remeasurements of plan liabilities	**11,190**	(11,166)	(1,564)	(3,251)	(4,848)
Remeasurements of plan assets	**(10,808)**	(8,195)	(1,352)	(4,186)	900

33.13 The weighted average duration of the defined benefit obligation is 17.52 years.

33.14 Expected maturity analysis of undiscounted defined benefit obligation for the gratuity scheme is as follows:

Less than a year	Between 1 - 2 years	Between 2 - 5 years	Over 5 years	Total
(Rupees in '000)				
11,731	30,186	77,565	156,100	275,582

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

	Impact on defined benefit obligation - Increase / (Decrease)		
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	**0.50%**	**9,404**	**(10,190)**
Salary growth rate	**0.50%**	**(11,348)**	**10,533**

	Increase by 1 year in assumption	**Decrease by 1 year in assumption**
	(Rupees in '000)	
Life expectancy / Withdrawal rate	**189**	**(126)**

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognised within the Statement of Financial Position.

33.16 Estimated expenses to be charged to profit and loss account for the year ending December 31, 2017

Based on the actuarial advice, the management estimates that charge in respect of defined benefit plans for the year ending December 31, 2017 would be as follows:

	(Rupees in '000)
Current service cost	**51,253**
Interest cost on defined benefit obligation	**(1,463)**
Amount chargeable to profit and loss account	**49,790**

34 DEFINED CONTRIBUTION PLAN (PROVIDENT FUND)

The Bank operates a contributory provident fund scheme for permanent employees. The employer and employee both contribute 10% of the basic salaries to the funded scheme every month. Equal monthly contribution by employer and employees during the year amounted to Rs. 73.998 million each (2015: Rs. 66.279 million).

35 COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive		Directors		Executives	
	2016	2015	**2016**	2015	**2016**	2015
	(Rupees in '000)					
Fees	**-**	-	**13,635**	16,667	**-**	-
Managerial remuneration (including Bonus)	**41,674**	39,168	**-**	-	**483,748**	402,633
Charge for defined benefit plan	**2,223**	764	**-**	-	**35,337**	33,552
Contribution to defined contribution plan	**2,667**	916	**-**	-	**42,404**	40,263
Rent and house maintenance	**19,142**	6,950	**-**	-	**169,841**	162,433
Utilities	**2,667**	916	**-**	-	**42,404**	40,263
Medical	**133**	64	**-**	-	**11,320**	10,075
Leave fare assistance	**2,223**	621	**-**	-	**36,838**	24,968
Car allowance	**1,374**	1,374	**-**	-	**117,071**	110,880
Others	**-**	-	**-**	-	**19,623**	45,795
	72,103	50,773	**13,635**	16,667	**958,586**	870,862
Number of persons	**1**	1	**8**	8	**370**	339

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.

36 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of quoted investments is based on quoted market prices. Other unquoted securities are valued at cost less impairment losses. The provision for impairment in the value of investments has been determined in accordance with the accounting policy as stated in note 5.3.5 to these financial statements.

Fair values of islamic financing and related assets cannot be determined with reasonable accuracy due to absence of current and active market. The provisions against islamic financing and related assets have been calculated in accordance with the accounting policy as stated in note 5.4 to these financial statements. The repricing, maturity profile and effective rates are stated in note 40 to these financial statements.

In the opinion of the management, fair value of remaining assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short term in nature and there are frequent repricings in the case of islamic financing and related assets and deposits.

The table below analyses financial and non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

- Inputs for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs e.g. estimated future cash flows) (Level 3).

RECURRING FAIR VALUE MEASUREMENTS

	2016			
On-Balance Sheet Financial Instruments	**Level 1**	**Level 2**	**Level 3**	**Total**
	(Rupees in '000)			
INVESTMENTS				
Available for sale securities				
GOP Ijara Sukuk	**-**	**12,662,564**	**-**	**12,662,564**
Other Sukuk Certificates	**-**	**8,484,556**	**-**	**8,484,556**
Global Sukuk	**6,047,669**	**-**	**-**	**6,047,669**
Bai muajjal receivable from GOP	**-**	**-**	**-**	**-**
Units of open-end mutual funds	**16,870**	**-**	**-**	**16,870**
	6,064,539	**21,147,120**	**-**	**27,211,659**
Off-Balance Sheet Financial Instruments				
Forward promise to purchase foreign currencies	**-**	**17,886,578**	**-**	**17,886,578**
Forward promise to sell foreign currencies	**-**	**11,858,008**	**-**	**11,858,008**

RECURRING FAIR VALUE MEASUREMENTS

	2015			
On-Balance Sheet Financial Instruments	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
INVESTMENTS				
Available for sale securities				
GOP Ijara Sukuk	-	10,165,170	-	10,165,170
Other Sukuk Certificates	-	5,137,009	-	5,137,009
Global Sukuk	3,213,629	-	-	3,213,629
Bai muajjal receivable from GOP		5,306,448		5,306,448
Units of open-end mutual funds	-	-	-	-
	3,213,629	20,608,627	-	23,822,256
Off-Balance Sheet Financial Instruments				
Forward promise to purchase foreign currencies	-	16,262,110	-	16,262,110
Forward promise to sell foreign currencies	-	17,602,752	-	17,602,752

37 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Corporate Banking	Trading & Sales	Retail Banking	Commercial Banking	Others	Total
	2016					
	(Rupees in '000)					
External revenue						
Profit earned	**-**	**1,809,759**	**2,332,184**	**5,291,150**	**53,196**	**9,486,289**
Fee, commission and brokerage	**100,535**	**53,286**	**1,033,939**	**336,757**	**42,011**	**1,566,528**
Other income	**-**	**-**	**-**	**-**	**-**	**-**
Intersegment revenue	**-**	**(1,010,137)**	**4,147,086**	**(3,038,913)**	**(98,036)**	**-**
Total revenue	**100,535**	**852,908**	**7,513,209**	**2,588,994**	**(2,829)**	**11,052,817**
Depreciation and amortisation	**-**	**(1,856)**	**(188,718)**	**(8,991)**	**(213,715)**	**(413,280)**
Impairment of assets	**-**	**-**	**39,239**	**(158,523)**	**(9,296)**	**(128,580)**
Other immaterial non cash items	**-**	**-**	**-**	**-**	**-**	**-**
Other expenses	**(19,868)**	**(595,646)**	**(6,340,276)**	**(1,937,692)**	**(246,444)**	**(9,139,926)**
Total expenses	**(19,868)**	**(597,502)**	**(6,489,755)**	**(2,105,206)**	**(469,455)**	**(9,681,786)**
Reportable segment profit	**80,667**	**255,406**	**1,023,454**	**483,788**	**(472,284)**	**1,371,031**
Tax expense	**30,113**	**94,422**	**394,035**	**187,926**	**(191,005)**	**515,491**
Segment assets	**-**	**31,820,655**	**38,885,716**	**77,096,182**	**6,169,329**	**153,971,882**
Segment liabilities	**-**	**4,800,000**	**99,622,490**	**33,182,345**	**2,421,229**	**140,026,064**
Segment average return on net assets	**-**	**4.40%**	**10.89%**	**6.99%**	**3.66%**	
Segment cost of funds	**-**	**6.19%**	**2.76%**	**3.82%**		

	Corporate Banking	Trading & Sales	Retail Banking	Commercial Banking	Others	Total
	2015					
	(Rupees in '000)					
External revenue						
Profit earned		2,265,267	2,013,488	4,401,555	45,336	8,725,646
Fee, commission and brokerage	95,903	(48,855)	831,461	381,735	14,212	1,274,455
Other income						
Intersegment revenue		(1,813,757)	4,447,711	(2,619,687)	(14,267)	-
Total revenue	95,903	402,655	7,292,660	2,163,603	45,281	10,000,101
Depreciation and amortisation		(5,600)	(221,869)	(14,395)	(150,559)	(392,423)
Impairment of assets			(20,516)	(167,319)	549	(187,287)
Other immaterial non cash items						
Other expenses	(15,882)	(295,317)	(6,935,654)	(1,611,898)	150,082	(8,708,669)
Total expenses	(15,882)	(300,917)	(7,178,039)	(1,793,612)	72	(9,288,379)
Reportable segment profit	80,021	101,737	114,621	369,990	45,353	711,722
Tax expense	31,508	40,407	96,756	112,492	5	281,167
Segment assets	-	39,684,293	18,607,722	92,971,563	7,545,934	158,809,512
Segment liabilities	-	9,008,000	103,143,633	25,329,546	11,636,339	149,117,518
Segment average return on net assets	-	6.53%	13.45%	8.00%	3.38%	
Segment cost of funds	-	6.29%	3.79%	5.86%		

38 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and include a subsidiary company, associated companies with or without common directors, retirement benefit funds, directors, and key management personnel.

The Bank has related party relationship with Dubai Islamic Bank P.J.S.C, U.A.E, the holding company, shareholder, directors, related group companies and associated undertakings, key management personnel including Chief Executive Officer and Staff Retirement Funds.

A number of banking transactions are entered into with related parties in the normal course of business. These include financing and deposit transactions. These transactions are executed substantially on the same terms including profit rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal risk.

Contributions to staff retirement benefit plan are made in accordance with the terms of the contribution plan. Remuneration to the executives are determined in accordance with the terms of their appointment.

Transactions with related parties other than remuneration and benefits to key management personnel including Chief Executive Officer under the terms of the employment as disclosed in note 35 are as follows:

	2016	2015
Key management personnel	------- (Rupees in '000) -------	
Islamic financing and related assets		
At beginning of the year	**170,550**	122,788
Disbursements	**107,610**	116,130
Payments	**(112,311)**	(68,368)
Adjustment for incoming members	**20,515**	-
Adjustment for outgoing members	**(44,643)**	-
At the end of the year	**141,721**	170,550
Deposits		
At beginning of the year	**35,147**	23,550
Deposits	**327,349**	250,760
Withdrawals	**(312,011)**	(239,163)
Adjustment for incoming members	**1,513**	
Adjustment for outgoing members	**(5,985)**	-
At the end of the year	**46,013**	35,147
Directors		
Deposits		
At beginning of the year	**4,244**	16,170
Deposits	**19,926**	71,667
Withdrawals	**(17,956)**	(80,993)
Adjustment for retiring directors	**-**	(2,600)
At the end of the year	**6,214**	4,244
Holding company		
Deposits		
At beginning of the year	**45,724**	13,701
Deposits	**1,204,939**	2,477,242
Withdrawals	**(1,221,301)**	(2,445,219)
At the end of the year	**29,362**	45,724
Balance held abroad		
At beginning of the year	**1,154,055**	92,305
Deposits	**98,380,691**	61,346,157
Withdrawals	**(99,481,633)**	(60,284,407)
At the end of the year	**53,113**	1,154,055
Other payables	**-**	48,479
Other receivables	**4,719**	2,639
Foreign exchange deals outstanding with Dubai Islamic Bank P.J.S.C.		
Foreign currency purchase contracts	**5,818,314**	3,557,098
Foreign currency sale contracts	**5,818,314**	3,557,098
Profit earned on Islamic financing and related assets to key management personnel	**8,763**	5,920
Return on deposits to key management personnel	**980**	618
Remuneration to key management personnel	**173,193**	212,007
Return on deposits to directors	**25**	85
Remuneration to directors	**13,635**	16,667
Purchase of foreign currency sukuk from holding company	**9,915,938**	3,238,147
Sale of foreign currency sukuk to holding company	**7,092,301**	-
Fee charged by the holding company in respect of outsourcing arrangement	**-**	52,663
Employee benefit plans		
Contribution to employees gratuity fund	**43,738**	40,381
Contribution to employees provident fund	**73,998**	66,279
Foreign exchange deals entered during the year with Dubai Islamic Bank P.J.S.C.		
Foreign currency purchase contracts	**82,103,573**	38,379,116
Foreign currency sale contracts	**84,718,389**	40,888,862

39 CAPITAL ASSESSMENT AND ADEQUACY

39.1 Capital management

Capital Management aims to safeguard the Bank's ability to continue as a going concern so that it could continue to provide adequate returns to shareholders by pricing products and services commensurately with the level of risk. For this the Bank ensures strong capital position and efficient use of capital as determined by the underlying business strategy i.e. maximizing growth on continuing basis. The Bank maintains a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The State Bank of Pakistan (SBP) has prescribed guidelines with respect to disclosure of capital adequacy related information in the financial statements of banks. These guidelines are based on the requirements of Basel III which were introduced earlier by the SBP in August 2013 for implementation by banks in Pakistan. The SBP has specified a transitional period till 2018 for implementation of Basel III. The disclosures below have been prepared on the basis of the SBP's guidelines.

39.2 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.

39.3 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, 2016 stands at Rs. 10.23 billion (2015: Rs. 6.97 billion) and is in compliance with the SBP requirement for the said year. The Bank has met its minimum caital requirement by conversion of FCY sub-ordinated debt from the sponsors placed in non-remunerative deposit account with SBP to paid up capital.The capital adequacy ratio (CAR) of the Bank is subject to the Basel III capital adequacy guidelines stipulated by the State Bank of Pakistan through its BPRD Circular No. 06 of 2013 dated August 15, 2013.The Capital Adequacy Ratio (CAR) requirement as of December 31, 2016 is 10.65%.

39.4 Capital Structure

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

- Tier 1 capital (going concern capital) which is sub divided into:

a) Common Equity Tier 1 (CET1), which includes fully paid up capital, reserve for bonus issue, general reserves and un-appropriated profits (net of losses), etc after deductions for investments in the equity of subsidiary companies engaged in banking and financial activities (to the extent of 50%), reciprocal crossholdings and deficit on revaluation of available for sale investments and deduction for book value of intangibles.

b) Additional Tier 1 capital (AT1), which includes instruments issued by the Bank which meet the specified criteria after deduction of remaining 50% investment in the equity of subsidiary companies engaged in banking and financial activities and other specified deductions.

- Tier II capital, which includes general provisions for loan losses (upto a maximum of 1.25% of credit risk weighted assets), reserves on revaluation of fixed assets and available for sale investments after deduction of deficit on available for sale

Banking operations are categorised in either the trading book or the banking book and risk weighted assets are determined according to the specified requirements that seek to reflect the varying levels of risk attached to assets and off balance sheet exposures.

39.5 Capital adequacy ratio

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

	2016	2015
	----------- (Rupees in '000) -----------	
Common Equity Tier 1 capital (CET1): Instruments and reserves		
Fully Paid-up Capital/ Capital deposited with SBP	**10,225,567**	6,976,030
Balance in Share Premium Account	-	-
Reserve for issue of Bonus Shares	-	-
Discount on Issue of shares	-	-
General / Statutory Reserves	**404,694**	233,604
Gain / (Losses) on derivatives held as Cash Flow Hedge	-	-
Unappropriated profits	**1,416,262**	753,135
Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-
CET 1 before Regulatory Adjustments	**12,046,523**	7,962,769
Total regulatory adjustments applied to CET1 (Note 39.5.1)	**262,144**	214,126
Common Equity Tier 1 (a)	**11,784,379**	7,748,643
Additional Tier 1 (AT 1) Capital		
Qualifying Additional Tier-1 instruments plus any related share premium	-	3,246,971
of which:		
- *classified as equity*	-	-
- *classified as liabilities*	-	3,246,971
Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)	-	-
- *of which: instrument issued by subsidiaries subject to phase out*	-	-
AT1 before regulatory adjustments	-	3,246,971
Total of Regulatory Adjustment applied to AT1 capital (Note 39.5.2)	-	-
Additional Tier 1 capital after regulatory adjustments	-	3,246,971
Additional Tier 1 capital recognised for capital adequacy (b)	-	1,874,873
Tier 1 Capital (CET1 + admissible AT1) (c=a+b)	**11,784,379**	9,623,516
Tier 2 Capital		
Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	-
Tier 2 capital instruments subject to phase out arrangement issued under pre-Basel III rules		
Tier 2 capital instruments issued to third parties by consolidated subsidiaries	-	-
(amount allowed in group tier 2)		
- *of which: instruments issued by subsidiaries subject to phase out*	-	-
General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	**86,319**	87,859
Revaluation Reserves (net of taxes)		
of which:	**47,433**	8,642
- *Revaluation reserves on property*	-	-
- *Unrealized gains/losses on AFS*	**47,433**	8,642
Foreign Exchange Translation Reserves	-	-
Undisclosed / Other Reserves (if any)	-	-
T2 before regulatory adjustments	**133,752**	96,501
Total regulatory adjustment applied to T2 capital (note 39.5.3)		
Tier 2 capital (T2) after regulatory adjustments	**133,752**	96,501
Tier 2 capital recognised for capital adequacy	**133,752**	96,501
Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	1,372,098
Total Tier 2 capital admissible for capital adequacy (d)	**133,752**	1,468,599
TOTAL CAPITAL (T1 + admissible T2) (e=c+d)	**11,918,131**	11,092,115
Total Risk Weighted Assets (RWA) (i) [Note 39.9]	**106,226,724**	99,660,797

	2016	2015
	---------- (Rupees in '000) ----------	
Capital Ratios and buffers (in percentage of risk weighted assets)		
CET1 to total RWA (a/i)	**11.09%**	7.78%
Tier-1 capital to total RWA (c/i)	**11.09%**	9.66%
Total capital to total RWA (e/i)	**11.22%**	11.13%
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement) of which:	**6.65%**	6.25%
- *capital conservation buffer requirement*	**0.65%**	0.25%
- *countercyclical buffer requirement*	**0%**	0%
- *D-SIB or G-SIB buffer requirement*	**0%**	0%
CET1 available to meet buffers (as a percentage of risk weighted assets)	**4.44%**	1.78%
National minimum capital requirements prescribed by SBP		
CET1 minimum ratio	**6.00%**	6.00%
Tier 1 minimum ratio	**7.50%**	7.50%
Total capital minimum ratio	**10.65%**	10.25%

39.5.1 Common Equity Tier 1 capital: Regulatory adjustments

	2016		2015	
	Amount	**Pre-Basel III treatment***	Amount	Pre-Basel III treatment*
	------------------------- (Rupees in '000) -------------------------			
Goodwill (net of related deferred tax liability)	-	-	-	-
All other intangibles (net of any associated deferred tax liability)	**262,144**	-	214,126	-
Shortfall of provisions against classified assets (Note 39.6.2.1)	-	-	-	-
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-	-	-
Defined-benefit pension fund net assets	-	-	-	-
Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	-	-	-	-
Cash flow hedge reserve	-	-	-	-
Investment in own shares / CET1 instruments	-	-	-	-
Securitization gain on sale	-	-	-	-
Capital shortfall of regulated subsidiaries	-	-	-	-
Deficit on account of revaluation from bank's holdings of property / AFS	-	-	-	-
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	-	-
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	-	-
Amount exceeding 15% threshold of which:				
- *significant investments in the common stocks of financial entities*	-	-	-	-
- *deferred tax assets arising from temporary differences*	-	-	-	-
National specific regulatory adjustments applied to CET1 capital	-	-	-	-
Investment in TFCs of other banks exceeding the prescribed limit	-	-	-	-
Any other deduction specified by SBP	-	-	-	-
Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	-	-	-
Total regulatory adjustments applied to CET1	**262,144**	-	214,126	-

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

	2016		2015	
	Amount	**Pre-Basel III treatment***	Amount	Pre-Basel III treatment*
	------------------------- (Rupees in '000) -------------------------			

39.5.2 Additional Tier 1 Capital: regulatory adjustments

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

39.5.3 Tier 2 Capital: regulatory adjustments

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

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

39.5.4 Risk Weighted Assets subject to pre-Basel III treatment

	2016	2015
	----------- (Rupees in '000) -----------	
Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment) of which:	-	-
- *Deferred tax assets*	-	-
- *Defined-benefit pension fund net assets*	-	-
- Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	-	-
Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	-	-
Amounts below the thresholds for deduction (before risk weighting)		
Non-significant investments in the capital of other financial entities	-	-
Significant investments in the common stock of financial entities	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
Applicable caps on the inclusion of provisions in Tier 2		
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	**86,319**	87,859
Cap on inclusion of provisions in Tier 2 under standardized approach	**1,106,163**	1,073,490
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

39.6 Leverage ratio

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

The leverage ratio of the Bank for the year ended December 31, 2016 stood at 6.11% (2015: 5.20%) above the minimum requirement set by SBP.

		2016	2015
		----------- (Rupees in '000) ----------	
	On balance sheet exposures		
1	On-balance sheet items (excluding derivatives but including collateral)	**151,945,318**	156,966,918
2	Derivatives	**24,397**	37,998
3	**Total On balance sheet exposures**	**151,969,716**	157,004,916
	Off balance sheet exposures		
4	Off-balance sheet items (excluding derivatives)	**40,778,655**	27,901,273
5	Commitment in respect of derivatives (derivatives having negative fair value are also included)	**244,975**	113,324
6	**Total Off balance sheet exposures**	**41,023,630**	28,014,597
	Capital and total exposures		
7	**Tier 1 capital (Note 39.5)**	**11,784,379**	9,623,515
8	**Total exposures (sum of lines 3 and 6)**	**192,993,346**	185,019,513
	Basel III leverage ratio	**6.11%**	5.20%

39.7 Capital Structure Reconciliation

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

	Balance sheet as in published financial statements	**Under regulatory scope of consolidation**
	------------(Rupees in '000)----------	
Assets		
Cash and balances with treasury banks	14,007,320	14,007,320
Balances with other banks	543,363	543,363
Due from financial institutions	12,536,061	12,536,061
Investments	27,211,659	27,211,659
Islamic financing and related assets	93,910,902	93,910,902
Operating fixed assets	1,870,060	1,870,060
Deferred tax assets	-	-
Other assets	2,054,034	2,054,034
Total assets	**152,133,399**	**152,133,399**
Liabilities and Equity		
Bills payable	2,218,979	2,218,979
Due to financial institutions	5,670,091	5,670,091
Deposits and other accounts	129,264,513	129,264,513
Sub-ordinated loans	-	-
Deferred tax liabilities	16,784	16,784
Other liabilities	2,855,698	2,855,698
Total liabilities	**140,026,065**	**140,026,065**
Share capital	10,225,567	10,225,567
Reserves	404,694	404,694
Unappropriated/ Unremitted profit/ (losses)	1,416,262	1,416,262
Minority Interest	-	-
Surplus on revaluation of assets	60,811	60,811
Total liabilities and equity	**152,133,399**	**152,133,399**

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

	Reference	Balance sheet as in published financial statements	Under regulatory scope of consolidation
		------------(Rupees in '000)----------	
Assets			
Cash and balances with treasury banks		14,007,320	14,007,320
Balances with other banks		543,363	543,363
Due from financial institutions		12,536,061	12,536,061
Investments		27,211,659	27,211,659
of which:			
- *non-significant capital investments in capital of banking, financial and insurance entities exceeding 10% threshold*	a	-	-
- *significant capital investments in capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold*	b	-	-
- *mutual Funds exceeding regulatory threshold*	c	-	-
- *reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)*	d	-	-
- *others*	e	-	-
Islamic financing and related assets		93,910,902	93,910,902
- *shortfall in provisions / excess of total EL amount over eligible provisions under IRB (Note 39.6.2.1)*	f	-	-
- *general provisions reflected in Tier 2 capital*	g	86,319	86,319
Operating fixed assets		1,870,060	1,870,060
- *of which: Intangibles*	k	262,144	262,144
Deferred tax assets		-	-
of which:			
- *DTAs that rely on future profitability excluding those arising from temporary differenc*	h	-	-
- *DTAs arising from temporary differences exceeding regulatory threshold*	i	-	-
Other assets		2,054,034	2,054,034
of which:			
- *goodwill*	j	-	-
- *defined-benefit pension fund net assets*	l	-	-
Total assets		**152,133,399**	**152,133,399**
Liabilities and Equity			
Bills payable		2,218,979	2,218,979
Due from financial institutions		5,670,091	5,670,091
Deposits and other accounts		129,264,513	129,264,513
Sub-ordinated loans of which:		-	-
- *eligible for inclusion in AT1*	m	-	-
- *eligible for inclusion in Tier 2*	n		
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities of which:		16,784	16,784
- *DTLs related to goodwill*	o	-	-
- *DTLs related to intangible assets*	p	-	-
- *DTLs related to defined pension fund net assets*	q	-	-
- *other deferred tax liabilities*	r	-	-
Other liabilities		2,855,698	2,855,698
Total liabilities		**140,026,065**	**140,026,065**
Share capital		10,225,567	10,225,567
- *of which: amount eligible for CET1*	s	10,225,567	10,225,567
- *of which: amount eligible for AT1*	t	-	-
Reserves of which:		404,694	404,694
- *portion eligible for inclusion in CET1 - Statutory reserve*	u	404,694	404,694
- *portion eligible for inclusion in CET1 - General reserve*		-	-
- *portion eligible for inclusion in Tier 2*	v	-	-
Unappropriated profit	w	1,416,262	1,416,262
Minority Interest of which:		-	-
- *portion eligible for inclusion in CET1*	x	-	-
- *portion eligible for inclusion in AT1*	y	-	-
- *portion eligible for inclusion in Tier 2*	z	-	-
Surplus on revaluation of assets of which:		60,811	60,811
- *Revaluation reserves on Property*	aa	-	-
- *Unrealized Gains/Losses on AFS*		60,811	60,811
- *In case of Deficit on revaluation (deduction from CET1)*	ab	-	-
Total liabilities and Equity		**152,133,399**	**152,133,399**

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

		Source based on reference number from step 2	Component of regulatory capital reported by bank (Rupees in '000)
	Common Equity Tier 1 capital (CET1): Instruments and reserves		
1	Fully Paid-up Capital/ Capital deposited with SBP	(s)	10,225,567
2	Balance in Share Premium Account		-
3	Reserve for issue of Bonus Shares		-
4	General / Statutory Reserves	(u)	404,694
5	Gain / (Losses) on derivatives held as Cash Flow Hedge		-
6	Unappropriated / unremitted profits	(w)	1,416,262
7	Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	(x)	-
8	**CET 1 before Regulatory Adjustments**		**12,046,523**
	Common Equity Tier 1 capital: Regulatory adjustments		
9	Goodwill (net of related deferred tax liability)	(j) - (o)	-
10	All other intangibles (net of any associated deferred tax liability)	(k) - (p)	262,144
11	Shortfall of provisions against classified assets (Note 39.6.2.1)	(f)	-
12	Deferred tax assets that rely on future profitability excluding those arising		-
	from temporary differences (net of related tax liability)	{(h) - (r)} * x%	-
13	Defined-benefit pension fund net assets	{(l) - (q)} * x%	-
14	Reciprocal cross holdings in CET1 capital instruments	(d)	-
15	Cash flow hedge reserve		-
16	Investment in own shares / CET1 instruments		-
17	Securitization gain on sale		-
18	Capital shortfall of regulated subsidiaries		-
19	Deficit on account of revaluation from bank's holdings of property / AFS	(ab)	-
20	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(a) - (ac) - (ae)	-
21	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	(b) - (ad) - (af)	-
22	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	(i)	-
23	Amount exceeding 15% threshold of which:		-
	- significant investments in the common stocks of financial entities		
	- deferred tax assets arising from temporary differences		-
24	National specific regulatory adjustments applied to CET1 capital of which:		-
	- *Investment in TFCs of other banks exceeding the prescribed limit*		-
	- *Any other deduction specified by SBP (mention details)*		-
25	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions		-
26	**Total regulatory adjustments applied to CET1 (Sum 9 to 25)**		**262,144**
27	**Common Equity Tier 1**		**11,784,379**
	Additional Tier 1 (AT 1) Capital		
28	Qualifying Additional Tier-1 instruments plus any related share premium		-
	of which:		
29	- *Classified as equity*	(t)	-
30	- *Classified as liabilities*	(m)	-
31	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	(y)	-
32	- *of which: instrument issued by subsidiaries subject to phase out*		-
33	**AT1 before regulatory adjustments**		**-**

		Source based on reference number from 39.4.2	Component of regulatory capital reported by bank (Rupees in '000)
	Additional Tier 1 Capital: regulatory adjustments		
34	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)		-
35	Investment in own AT1 capital instruments		-
36	Reciprocal cross holdings in Additional Tier 1 capital instruments		-
37	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(ac)	-
38	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(ad)	-
39	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital		-
40	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		-
41	Total of Regulatory Adjustment applied to AT1 capital (Sum 34 to 40)		-
42	Additional Tier 1 capital		-
43	**Additional Tier 1 capital recognised for capital adequacy**		-
44	**Tier 1 Capital (CET1 + admissible AT1) (27 + 43)**		**11,784,379**
	Tier 2 Capital		
45	Qualifying Tier 2 capital instruments under Basel III plus any related share premium	(n)	-
46	Capital instruments subject to phase out arrangement from Tier 2 (Pre-Basel III instruments)		-
47	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)		
	- *of which: instruments issued by subsidiaries subject to phase out*	(z)	-
48	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	(g)	86,319
49	Revaluation Reserves of which:		
50	- *Revaluation reserves on property*	78% of (aa)	-
51	- *Unrealized Gains/Losses on AFS*		47,433
52	Foreign Exchange Translation Reserves	(v)	-
53	Undisclosed / Other Reserves (if any)		-
54	**T2 before regulatory adjustments**		-
			133,752
	Tier 2 Capital: regulatory adjustments		
55	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital		-
56	Reciprocal cross holdings in Tier 2 instruments		-
57	Investment in own Tier 2 capital instrument		-
58	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(ae)	-
59	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(af)	-
60	Amount of Regulatory Adjustment applied to T2 capital		-
61	Tier 2 capital (T2)		133,752
62	Tier 2 capital recognised for capital adequacy		133,752
63	Excess Additional Tier 1 capital recognised in Tier 2 capital		-
64	Total Tier 2 capital admissible for capital adequacy		133,752
	TOTAL CAPITAL (T1 + admissible T2) (44 + 64)		**11,918,131**

39.8 Main features of regulatory capital instruments

	Main Features	Common Shares
1	Issuer	Dubai Islamic Bank Pakistan Limited
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	DIBPL - CDC Symbol
3	Governing law(s) of the instrument	Banking Companies Ordinance, 1962 and the Directives issued by SBP
	Regulatory treatment	
4	Transitional Basel III rules	Common Equity Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible at solo/ group/ group&solo	Solo
7	Instrument type	Ordinary shares
8	Amount recognised in regulatory capital (Currency in PKR thousands, as of reporting date)	10,225,567
9	Par value of instrument	10
10	Accounting classification	Shareholders' equity
11	Original date of issuance	March 21, 2006
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend/ coupon	N/A
18	coupon rate and any related index/ benchmark	N/A
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Nonconvertible
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down feature	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument	Residual interest
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

39.9 Risk-weighted exposures

	Capital requirements		Risk weighted assets	
	2016	2015	**2016**	2015
Credit Risk	---------------------------(Rupees in '000)---------------------------			
Portfolios subject to on-balance sheet exposure (Simple Approach)				
Cash and cash equivalents	**-**	-	**-**	-
Sovereign	**3,616**	24,509	**33,955**	239,108
Banks	**306,263**	282,184	**2,875,705**	2,753,015
Public sector entities	**83,984**	168,632	**788,581**	1,645,186
Corporate	**6,138,512**	6,245,565	**57,638,607**	60,932,337
Retail	**1,322,829**	965,545	**12,420,929**	9,419,952
Residential mortgage	**252,119**	200,014	**2,367,311**	1,951,357
Past due loans	**72,713**	67,020	**682,751**	653,850
Operating fixed assets	**169,938**	166,929	**1,595,658**	1,628,579
All other assets	**218,755**	205,293	**2,054,034**	2,002,857
Portfolios subject to off-balance sheet exposure - non market related (Simple approach)				
Financial guarantees	**16,960**	13,120	**159,250**	128,000
Acceptances	**395,832**	172,895	**3,716,733**	1,680,990
Performance related commitments	**212,780**	123,075	**1,997,932**	1,211,381
Trade related commitments	**210,054**	146,346	**1,972,339**	1,423,754
Commitments in respect of operating fixed asset	**9,253**	16,173	**86,885**	157,787
Other Commitments	**1,065**	1,025	**10,000**	10,000
Portfolios subject to off-balance sheet exposures - market related (Current exposure method)				
Banks	**9,376**	3,967	**88,036**	38,699
Customers	**459**	239	**4,307**	2,329
Market Risk				
Interest rate risk	**517,144**	443,329	**6,464,299**	4,325,163
Equity position risk	**2,699**	-	**33,739**	-
Foreign Exchange risk	**20,893**	24,929	**261,159**	243,212
Market risk-weighted exposures	**540,736**	468,258	**6,759,197**	4,568,375
Capital Requirement for portfolios subject to Standardised Approach				
Operational Risk				
Capital requirement for operational risk	**877,961**	944,444	**10,974,513**	9,214,088
TOTAL	**10,843,205**	10,215,232	**106,226,723**	99,661,645

	December 31, 2016		December 31, 2015	
Capital Adequacy Ratio	**Required**	**Actual**	Required	Actual
CET1 to total RWA	**6.00%**	**11.09%**	6.00%	7.78%
Tier-1 capital to total RWA	**7.50%**	**11.09%**	7.50%	9.66%
Total capital to total RWA	**10.65%**	**11.22%**	10.25%	11.13%
Leverage ratio	**3.00%**	**6.11%**	3.00%	5.20%

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

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

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 Monitoring Committee and the Bank's Risk Management Group and has developed an elaborate risk identification measurement and management framework.

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

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

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

40.1 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.

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

40.1.1 Segments by class of business

	2016					
	Islamic Financing and Related Assets (Gross)		**Deposits**		**Contingencies and Commitments ***	
	(Rupees in '000)	**%**	**(Rupees in '000)**	**%**	**(Rupees in '000)**	**%**
Agriculture	**-**	**-**	**3,270**	**0.00%**	**-**	**-**
Textile	**9,919,773**	**10.36%**	**328,998**	**0.74%**	**845,030**	**3.75%**
Chemical and pharmaceuticals	**6,417,128**	**6.70%**	**2,051,621**	**1.81%**	**2,482,502**	**11.02%**
Cement	**1,448,808**	**1.51%**	**80,250**	**0.79%**	**59,127**	**0.26%**
Sugar	**-**	**-**	**1,059,920**	**0.05%**	**-**	**0.00%**
Food	**13,679,108**	**14.29%**	**1,186,459**	**2.08%**	**2,271,808**	**10.09%**
Footwear and leather garments	**817,556**	**0.85%**	**294,839**	**0.00%**	**-**	**-**
Automobile and transportation equipment	**88,710**	**0.09%**	**164,787**	**0.09%**	**-**	**-**
Electronics and electrical appliances	**146,582**	**0.15%**	**1,515,016**	**1.42%**	**1,537,639**	**6.83%**
Construction	**652,223**	**0.68%**	**13,750**	**0.00%**	**-**	**-**
Power (electricity), gas, water, sanitary	**4,212,134**	**4.40%**	**87,381**	**0.12%**	**-**	**-**
Wholesale and retail trade	**3,549,665**	**3.71%**	**1,567,776**	**1.20%**	**4,915,173**	**21.82%**
Exports / imports	**2,547,365**	**2.66%**	**233,234**	**0.22%**	**-**	**0.00%**
Transport, storage and communication	**4,929,154**	**5.15%**	**1,973,222**	**3.14%**	**122,601**	**0.54%**
Financial	**-**	**-**	**2,916,169**	**7.41%**	**1,055,245**	**4.69%**
Insurance	**-**	**-**	**2,019,957**	**2.74%**	**-**	**-**
Services	**2,139,377**	**2.24%**	**21,689,665**	**14.54%**	**-**	**-**
Fertilizer	**-**	**-**	**-**	**-**	**81,111**	**0.36%**
Individuals	**22,932,199**	**23.96%**	**77,702,954**	**51.64%**	**16,175**	**0.07%**
Others	**22,233,767**	**23.23%**	**14,375,245**	**12.01%**	**9,136,938**	**40.57%**
	95,713,549	**100%**	**129,264,513**	**100%**	**22,523,349**	**100%**

* Contingent liabilities for the purpose of this note are presented at cost and include direct credit substitutes, transaction related contingent liabilities, trade related contingent liabilities and claims not acknowledged as debt.

	2015					
	Islamic Financing and Related Assets (Gross)		Deposits		Contingencies and Commitments*	
	(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%
Agriculture	4,000,000	3.75%	88,066	0.06%	-	-
Textile	19,591,983	18.37%	1,007,520	0.74%	1,020,522	7.53%
Chemical and pharmaceuticals	5,011,980	4.70%	2,476,058	1.81%	2,447,755	18.07%
Cement	2,389,619	2.24%	1,080,993	0.79%	248,045	1.83%
Sugar	3,901,692	3.66%	66,307	0.05%	-	-
Food	2,315,922	2.17%	2,752,513	2.01%	1,019,033	7.52%
Footwear and leather garments	704,814	0.66%	-	-	-	-
Automobile and transportation equipment	1,350,104	1.27%	120,475	0.09%	98,306	0.73%
Electronics and electrical appliances	1,096,253	1.03%	1,935,422	1.42%	-	-
Construction	4,601,367	4.31%	3,772	0.00%	2,241,822	16.55%
Power (electricity), gas, water, sanitary	9,732,854	9.13%	166,464	0.12%	2,906,053	21.45%
Wholesale and retail trade	18,504,303	17.35%	1,640,501	1.20%	857,071	6.33%
Exports / imports	-	-	296,110	0.22%	-	0.00%
Transport, storage and communication	2,375,062	2.23%	4,299,016	3.14%	432,809	3.19%
Financial	366,136	0.34%	10,137,422	7.41%	1,055,625	7.79%
Insurance	-	-	3,751,015	2.74%	-	-
Services	1,076,473	1.01%	19,879,855	14.54%	390,635	2.88%
Fertilizer	2,862,453	2.68%	-	-	-	-
Individuals	18,708,833	17.54%	70,620,556	51.64%	497,633	3.67%
Others	8,061,126	7.56%	16,421,392	12.01%	333,187	2.46%
	106,650,974	100%	136,743,457	100%	13,548,496	100%

* Contingent liabilities for the purpose of this note are presented at cost and include direct credit substitutes, transaction related contingent liabilities and trade related contingent liabilities.

40.1.2 Segment by sector

	2016					
	Islamic Financing and Related Assets (Gross)		**Deposits**		**Contingencies and Commitments**	
	Rupees in '000	**%**	**Rupees in '000**	**%**	**Rupees in '000**	**%**
Public / Government	**9,955,006**	**10.40%**	**12,127,108**	**9.38%**	**8,373,440**	**37.18%**
Private	**85,758,543**	**89.60%**	**117,137,405**	**90.62%**	**14,149,909**	**62.82%**
	95,713,549	**100.00%**	**129,264,513**	**100.00%**	**22,523,349**	**100.00%**

	2015					
	Islamic Financing and Related Assets (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Public / Government	18,850,966	17.68%	9,881,145	7.23%	752,253	5.55%
Private	87,800,008	82.32%	126,862,312	92.77%	12,796,243	94.45%
	106,650,974	100.00%	136,743,457	100.00%	13,548,496	100.00%

40.1.3 Details of non-performing islamic financing and related assets and specific provisions by class of business segment:

	2016		2015	
	Classified Islamic financing and related assets	**Specific provisions held**	Classified Islamic financing and related assets	Specific provisions held
	(Rupees in '000)			
Textile	**340,910**	**336,610**	355,392	336,630
Chemical	**686,028**	**597,301**	686,028	550,024
Wholesale and retail trade	**36,424**	**11,378**	81,399	63,380
Services	**861**	**861**	861	861
Individuals	**797,500**	**471,416**	912,864	506,255
Food	**138,289**	**122,289**	146,289	131,295
Telecommunication	**380,712**	**142,768**	-	-
Others	**33,703**	**33,705**	29,159	21,033
	2,414,427	**1,716,328**	2,211,992	1,609,478

40.1.4 Details of non-performing islamic financing and related assets and specific provisions by sector:

	2016		2015	
	Classified financings	**Specific provisions held**	Classified financings	Specific provisions held
	(Rupees in '000)			
Public / Government	**-**	**-**	-	-
Private	**2,414,427**	**1,716,328**	2,211,992	1,609,478
	2,414,427	**1,716,328**	2,211,992	1,609,478

40.1.5 Geographical segment analysis

	2016			
	Profit before taxation	**Total assets employed**	**Net assets employed**	**Contingencies and**
	(Rupees in '000)			
Pakistan	**1,371,031**	**152,133,399**	**12,107,335**	**22,533,349**

	2015			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and
	(Rupees in '000)			
Pakistan	711,722	157,093,185	7,975,667	13,538,496

* Contingent liabilities for the purpose of this note are presented at cost and include direct credit substitutes, transaction related contingent liabilities and trade related contingent liabilities.

40.1.6 Credit risk - General disclosures

The Bank uses the 'Standardised Approach' in calculation of credit risk and capital requirements throughout its statement of financial position.

Credit Risk: Disclosures for portfolio subject to the Standardised Approach and supervisory risk weights in the IRB Approach

External Credit Assessment Institutions (ECAIs) Pakistan Credit Rating Agency Limited (PACRA) and JCR-VIS Credit Rating Company Limited (JCR-VIS) are used for domestic claims as recommended by the SBP. Moody's is used for cliams on foreign banks. Details of rating agencies used for different types of bank's exposures are given below:

Types of Exposures and ECAI's used

	2016		
Exposures	**JCR - VIS**	**PACRA**	**Moody's**
Corporate	✔	✔	N/A
Banks	✔	✔	✔
Sovereigns	N/A	N/A	N/A
SME's	✔	✔	N/A

Credit Exposures subject to Standardised approach

		2016			2015		
Exposures	**Rating Category**	**Amount Outstanding**	**Deduction CRM**	**Net amount**	Amount Outstanding	Deduction CRM	Net amount
		-- (Rupees in '000) --					
Funded							
Corporate	1	**5,193,670**	**-**	**5,193,670**	11,128,218	-	11,128,218
	2	**4,233,905**	**-**	**4,233,905**	6,298,909	-	6,298,909
	3,4	**289,292**	**53,422**	**235,869**	277,728	-	277,728
	5,6	**-**	**-**	**-**	-	-	-
		9,716,867	**53,422**	**9,663,444**	17,704,855	-	17,704,855
Banks	1	**14,234,812**	**-**	**14,234,812**	10,871,131	-	10,871,131
	2,3	**57,486**	**-**	**57,486**	1,157,577	-	1,157,577
		14,292,298	**-**	**14,292,298**	12,028,708	-	12,028,708
Mortgages		**6,763,746**	**-**	**6,763,746**	5,575,305	-	5,575,305
PSEs		**10,379,790**	**-**	**10,379,790**	18,850,932	-	18,850,932
Retail		**16,666,194**	**104,955**	**16,561,239**	12,559,936	-	12,559,936
Unrated-1		**28,424,413**	**862,502**	**27,561,912**	27,442,914	44,700	27,398,214
Unrated-2		**21,348,111**	**-**	**21,348,111**	22,305,037	-	22,305,037
		107,591,419	**1,020,879**	**106,570,540**	116,467,687	44,700	116,422,987
Non Funded							
Corporate	1	**1,431,000**	**-**	**1,431,000**	4,579,852	17,205	4,562,647
	2	**226,825**	**-**	**226,825**	644,458	773	643,685
		1,657,825	**-**	**1,657,825**	5,224,310	17,978	5,206,332
Banks	1	**-**	**-**	**-**	-	-	-
	2,3	**1,157,544**	**-**	**1,157,544**	1,107,996	-	1,107,996
		1,157,544	**-**	**1,157,544**	1,107,996	-	1,107,996
PSEs		**4,872,607**	**-**	**4,872,607**	991,068	-	991,068
Retail		**991,357**	**344,871**	**646,486**	483,089	113,811	369,278
Unrated-1		**10,276,295**	**941,341**	**9,334,953**	6,349,612	693,503	5,656,109
Unrated-2		**4,797,721**	**209,767**	**4,587,954**	2,967,059	116,326	2,850,733
		23,753,349	**1,495,979**	**22,257,369**	17,123,134	941,618	16,181,516

Credit Risk: Disclosures with respect to Credit Risk Mitigation - Standardized Approach

For Credit Risk Mitigation purposes the Bank uses only the eligible collaterals as specified for Simple Approach of Credit Risk Mitigation under Standardized Approach prescribed by SBP under BSD Circular No. 8 of 2007.

40.2 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

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.

40.2.1 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

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

	2016			
	Assets	**Liabilities**	**Off-balance Sheet**	**Net foreign currency exposure**
	(Rupees in '000)			
Pakistan Rupee	**141,669,923**	**123,817,369**	**(5,992,187)**	**11,860,367**
United States Dollar	**9,929,314**	**9,978,730**	**299,719**	**250,303**
Great Britain Pound	**266,189**	**2,985,720**	**2,719,306**	**(225)**
Japanese Yen	**-**	**1,122**	**1,791**	**669**
Euro	**114,727**	**747,023**	**636,265**	**3,969**
Swiss Franc	**2,117**	**-**	**-**	**2,117**
U.A.E Dirham	**147,028**	**2,496,100**	**2,335,106**	**(13,966)**
Australian Dollar	**-**	**-**	**-**	**-**
Canadian Dollar	**1,638**	**-**	**-**	**1,638**
Saudi Riyal	**1,202**	**-**	**-**	**1,202**
Singapore Dollar	**1,261**	**-**	**-**	**1,261**
	152,133,399	**140,026,064**	**-**	**12,107,335**

	2015			
	Assets	Liabilities	Off-balance Sheet	Net foreign currency exposure
	(Rupees in '000)			
Pakistan Rupee	143,793,508	137,436,693	1,379,554	7,736,369
United States Dollar	12,760,624	7,565,193	(4,974,638)	220,793
Great Britain Pound	246,736	1,472,283	1,226,617	1,070
Japanese Yen	1,713	-	-	1,713
Euro	101,631	817,381	714,533	(1,217)
Swiss Franc	7,075	-	-	7,075
U.A.E Dirham	169,315	1,825,968	1,653,934	(2,719)
Australian Dollar	4,006	-	-	4,006
Canadian Dollar	4,299	-	-	4,299
Saudi Riyal	1,484	-	-	1,484
Singapore Dollar	2,794	-	-	2,794
	157,093,185	149,117,518	-	7,975,667

40.2.2 Equity Position Risk

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

40.2.3 Yield / Profit Rate Risk

All products dealt in by the Bank are duly approved by the Bank's Shari'a Advisor / Shari'a Executive Committee 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.

40.2.4 MISMATCH OF YIELD / PROFIT RATE SENSITIVE ASSETS AND LIABILITIES

	2016											
	Effective Yield / Profit rate	Total	Exposed to Yield / Profit risk									
			Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	Non-profit bearing financial instruments
			(Rupees in '000)									
On-balance sheet financial instruments												
Assets												
Cash and balances with Treasury Banks	-	14,007,320	-	-	-	-	-	-	-	-	-	14,007,320
Balances with other Banks	-	543,363	-	-	-	-	-	-	-	-	-	543,363
Due from financial institutions	5.85%	12,536,061	12,536,061	-	-	-	-	-	-	-	-	-
Investments	5.13%	27,211,659	1,574,980	2,185,461	15,837,781	-	-	4,217,335	1,772,645	1,606,587	-	16,870
Islamic financing and related assets	7.86%	93,910,902	10,401,102	18,842,893	47,923,498	6,612,405	32,827	76,495	272,837	114,483	907,077	8,727,285
Other assets	-	1,163,234	-	-	-	-	-	-	-	-	-	1,163,234
		149,372,539	24,512,143	21,028,354	63,761,279	6,612,405	32,827	4,293,830	2,045,482	1,721,070	907,077	24,458,072
Liabilities												
Bills payable	-	2,218,979	-	-	-	-	-	-	-	-	-	2,218,979
Due to financial institutions	3.27%	5,670,091	201,122	3,648,273	1,820,696	-	-	-	-	-	-	-
Deposits and other accounts	3.13%	129,264,513	88,199,251	-	-	-	-	-	-	-	-	41,065,262
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	2,241,119	-	-	-	-	-	-	-	-	-	2,241,119
		139,394,702	88,400,373	3,648,273	1,820,696	-	-	-	-	-	-	45,525,360
On-balance sheet gap		9,977,837	(63,888,230)	17,380,081	61,940,583	6,612,405	32,827	4,293,830	2,045,482	1,721,070	907,077	(21,067,288)
Total Yield / Profit Risk Sensitivity Gap			(63,888,230)	17,380,081	61,940,583	6,612,405	32,827	4,293,830	2,045,482	1,721,070	907,077	(21,067,288)
Cumulative Yield/Profit Risk Sensitivity Gap			(63,888,230)	(46,508,149)	15,432,434	22,044,839	22,077,666	26,371,496	28,416,978	30,138,048	31,045,125	9,977,837

	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	
		2015										
			------------------ (Rupees in '000) ------------------									
On-balance sheet financial instruments												
Assets												
Cash and balances with Treasury Banks	-	14,183,630	-	-	-	-	-	-	-	-	-	14,183,630
Balances with other Banks	-	3,869,403	-	-	-	-	-	-	-	-	-	3,869,403
Due from financial institutions	7.37%	11,725,145	6,418,697	-	-	5,306,448	-	-	-	-	-	-
Investments	7.37%	18,515,808	526,792	2,881,909	11,893,478	-	-	-	2,691,168	522,461		-
Islamic financing and related assets	8.99%	104,953,637	15,858,040	27,321,099	51,315,796	8,062,779	16,508	69,998	336,670	94,378	900,254	978,115
Other assets	-	2,002,857	-	-	-	-	-	-	-	-	-	2,002,857
		155,250,480	22,803,529	30,203,008	63,209,274	13,369,227	16,508	69,998	3,027,838	616,839	900,254	21,034,005
Liabilities												
Bills payable	-	1,552,219	-	-	-	-	-	-	-	-	-	1,552,219
Due to financial institutions	5.01%	4,551,920	109,000	1,299,785	3,143,135	-	-	-	-	-	-	-
Deposits and other accounts	3.79%	136,743,457	106,567,983	-	-	-	-	-	-	-	-	30,175,474
Sub-ordinated loans	-	3,246,971	-	-	-	-	-	-	-	-	-	3,246,971
Other liabilities	-	2,968,911	-	-	-	-	-	-	-	-	-	2,968,911
		149,063,478	106,676,983	1,299,785	3,143,135	-	-	-	-	-	-	37,943,575
On-balance sheet gap		6,187,002	(83,873,454)	28,903,223	60,066,139	13,369,227	16,508	69,998	3,027,838	616,839	900,254	(16,909,570)
Total Yield / Profit Risk Sensitivity Gap			(83,873,454)	28,903,223	60,066,139	13,369,227	16,508	69,998	3,027,838	616,839	900,254	(16,909,570)
Cumulative Yield/Profit Risk Sensitivity Gap			(83,873,454)	(54,970,231)	5,095,908	18,465,135	18,481,643	18,551,641	21,579,479	22,196,318	23,096,572	6,187,002

40.3 Liquidity Risk

Liquidity risk is defined as the potential loss arising from the Bank's inability to meet in an orderly way its contractual obligations when due. Liquidity risk arises in the general funding of the Bank's activities and in the management of its assets. The Bank maintains sufficient liquidity to fund its day-to-day operations, meet customer deposit withdrawals either on demand or at contractual maturity, meet customers' demand for new financings, participate in new investments when opportunities arise, and to meet any other commitments. Hence, liquidity is managed to meet known as well as unanticipated cash funding needs.

Liquidity risk is managed within a framework of liquidity policies, controls and limits. These policies, controls and limits ensure that the Bank maintains well diversified sources of funding, as well as sufficient liquidity to meet all its contractual obligations when due. The management of liquidity is carried out using a prudent strategic approach to manage the Bank's funding requirements.

It is the policy of the Bank to maintain adequate liquidity at all times and for all currencies and hence to be in a position, in the normal course of business, to meet all its obligations, to repay depositors, to fulfill commitments, to finance and to meet any other commitments made.

The management of liquidity risk within the Bank is undertaken within limits and other policy parameters set by ALCO, which meets monthly and reviews compliance with policy parameters. Day to day monitoring is done by the treasury while overall compliance is monitored and coordinated by the ALCO and includes reviewing the actual and planned strategic growth of the business and its impact on the statement of financial position from a statement of financial position integrity and sustainability perspective and monitoring the Bank’s liquidity profile and associated activities.

40.3.1 MATURITIES OF ASSETS AND LIABILITIES

Maturities Of Assets And Liabilities - Expected Maturity

	2016									
	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	**14,007,320**	**14,007,320**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balances with other banks	**543,363**	**543,363**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Due from financial institutions	**12,536,061**	**12,536,061**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Investments	**27,211,659**	**65,065**	**67,075**	**11,243,151**	**307,165**	**1,358,581**	**5,575,916**	**2,966,930**	**5,627,776**	**-**
Islamic financing and related assets	**93,910,902**	**6,666,740**	**10,900,043**	**12,461,983**	**5,691,385**	**3,583,014**	**8,494,594**	**21,518,165**	**18,276,764**	**6,318,214**
Operating fixed assets	**1,870,060**	**43,487**	**86,971**	**130,457**	**206,631**	**413,262**	**417,975**	**492,685**	**78,592**	**-**
Deferred tax assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other assets	**2,054,034**	**267,438**	**627,315**	**748,479**	**104,224**	**127,128**	**86,190**	**60,268**	**8,932**	**24,060**
	152,133,399	**34,129,474**	**11,681,404**	**24,584,070**	**6,309,405**	**5,481,985**	**14,574,675**	**25,038,048**	**23,992,064**	**6,342,274**
Liabilities										
Bills payable	**2,218,979**	**2,218,979**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Due to financial institutions	**5,670,091**	**201,122**	**3,648,273**	**1,820,696**	**-**	**-**	**-**	**-**	**-**	**-**
Deposits and other accounts	**129,264,513**	**10,435,157**	**10,841,340**	**15,878,148**	**21,234,182**	**18,009,394**	**17,389,745**	**34,979,696**	**496,851**	**-**
Sub-ordinated loans	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Deferred tax liabilities	**16,784**	**1,399**	**2,797**	**4,196**	**8,392**	**-**	**-**	**-**	**-**	**-**
Other liabilities	**2,855,697**	**1,329,889**	**563,583**	**399,602**	**392,335**	**46,702**	**37,891**	**78,631**	**7,064**	**-**
	140,026,064	**14,186,546**	**15,055,993**	**18,102,642**	**21,634,909**	**18,056,096**	**17,427,636**	**35,058,327**	**503,915**	**-**
Net assets	**12,107,335**	**19,942,928**	**(3,374,589)**	**6,481,428**	**(15,325,504)**	**(12,574,111)**	**(2,852,961)**	**(10,020,279)**	**23,488,149**	**6,342,274**
Share capital	**10,225,567**									
Reserves	**404,694**									
Accumulated profit	**1,416,263**									
Advance against shares subscription	**-**									
Surplus on revaluation of assets - net of tax	**60,811**									
	12,107,335									

	2015									
	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	14,183,630	3,840,228	-	-	3,246,971	7,096,431	-	-	-	-
Balances with other banks	3,869,403	3,869,403	-	-	-	-	-	-	-	-
Due from financial institutions	6,418,697	6,418,697	-	-	-	-		-	-	-
Investments	23,822,256	15,905	876,237	127,786	5,528,259	8,450,615	2,862,221	4,604,123	1,357,110	-
Islamic financing and related assets	104,953,637	7,932,658	15,815,832	17,653,741	20,235,644	3,277,014	5,455,523	20,236,673	10,405,690	3,940,862
Operating fixed assets	1,842,705	34,073	67,721	148,910	196,278	350,638	243,111	457,859	274,923	69,192
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	2,040,854	681,635	328,905	720,607	107,084	77,961	49,730	48,997	6,943	18,992
	157,131,182	22,792,599	17,088,695	18,651,044	29,314,236	19,252,659	8,610,585	25,347,652	12,044,666	4,029,046
Liabilities										
Bills payable	1,552,219	1,552,219	-	-	-	-	-	-	-	-
Due to financial institutions	4,551,920	109,000	1,299,785	3,143,135	-	-	-	-	-	-
Deposits and other accounts	136,743,457	11,164,098	14,748,810	18,647,679	26,549,044	16,261,441	31,084,086	16,803,205	1,485,094	-
Sub-ordinated loans	3,246,971	-	-	-	3,246,971	-	-	-	-	
Deferred tax liabilities	54,040	2,396	-	-	51,644	-	-	-	-	-
Other liabilities	3,006,908	1,118,843	530,504	667,528	479,302	50,957	48,911	93,427	17,436	-
	149,155,515	13,946,556	16,579,099	22,458,342	30,326,961	16,312,398	31,132,997	16,896,632	1,502,530	-
Net assets	7,975,667	8,846,043	509,596	(3,807,298)	(1,012,725)	2,940,261	(22,522,412)	8,451,020	10,542,136	4,029,046
Share capital	6,976,030									
Reserves	233,586									
Accumulated Profit	753,135									
Advance against shares subscription	18									
Surplus on revaluation of assets - net of tax	12,898									
	7,975,667									

Regarding behavior of non-maturity deposits (non-contractual deposits), the Bank conducted a behavioral study based on 3 years data. On the basis of its findings 31% of current accounts saving accounts are bucketed into 'Upto' 1-Year maturity and 61% of current and saving accounts are bucketed in 'Upto' 2 to 5 years.

Maturities Of Assets And Liabilities - Contractual Maturity

	2016									
	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	**14,007,320**	**14,007,320**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balances with other banks	**543,363**	**543,363**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Due from financial institutions	**12,536,061**	**12,536,061**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Investments	**27,211,659**	**65,065**	**67,075**	**11,243,151**	**307,165**	**1,358,581**	**5,575,916**	**2,966,930**	**5,627,776**	**-**
Islamic financing and related assets	**93,910,902**	**6,666,740**	**10,900,043**	**12,461,983**	**5,691,385**	**3,583,014**	**8,494,594**	**21,518,165**	**18,276,764**	**6,318,214**
Operating fixed assets	**1,870,060**	**43,487**	**86,971**	**130,457**	**206,631**	**413,262**	**417,975**	**492,685**	**78,592**	**-**
Deferred tax assets	**-**									
Other assets	**2,054,034**	**267,438**	**627,315**	**748,479**	**104,224**	**127,128**	**86,190**	**60,268**	**8,932**	**24,060**
	152,133,399	**34,129,474**	**11,681,404**	**24,584,070**	**6,309,405**	**5,481,985**	**14,574,675**	**25,038,048**	**23,992,064**	**6,342,274**
Liabilities										
Bills payable	**2,218,979**	**2,218,979**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Due to financial institutions	**5,670,091**	**201,122**	**3,648,273**	**1,820,696**	**-**	**-**	**-**	**-**	**-**	**-**
Deposits and other accounts	**129,264,513**	**99,465,114**	**6,713,660**	**9,511,726**	**8,361,417**	**1,593,621**	**973,972**	**2,148,152**	**496,851**	**-**
Sub-ordinated loans	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Deferred tax liabilities	**16,784**	**1,399**	**2,797**	**4,196**	**8,392**	**-**	**-**	**-**	**-**	**-**
Other liabilities	**2,855,697**	**1,329,889**	**563,583**	**399,602**	**392,335**	**46,702**	**37,891**	**78,631**	**7,064**	**-**
	140,026,064	**103,216,503**	**10,928,313**	**11,736,220**	**8,762,144**	**1,640,323**	**1,011,863**	**2,226,783**	**503,915**	**-**
Net assets	**12,107,335**	**(69,087,029)**	**753,091**	**12,847,850**	**(2,452,739)**	**3,841,662**	**13,562,812**	**22,811,265**	**23,488,149**	**6,342,274**
Share capital	**10,225,567**									
Reserves	**404,694**									
Accumulated profit	**1,416,263**									
Advance against shares subscription	**-**									
Surplus on revaluation of assets	**60,811**									
	12,107,335									

	2015									
	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	14,183,630	3,840,228	-	-	3,246,971	7,096,431	-	-	-	-
Balances with other banks	3,869,403	3,869,403	-	-	-	-	-	-	-	-
Due from financial institutions	6,418,697	6,418,697	-	-	-	-		-	-	-
Investments	23,822,256	15,905	876,237	127,786	5,528,259	8,450,615	2,862,221	4,604,123	1,357,110	-
Islamic financing and related assets	104,953,637	7,932,658	15,815,832	17,653,741	20,235,644	3,277,014	5,455,523	20,236,673	10,405,690	3,940,862
Operating fixed assets	1,842,705	34,073	67,721	148,910	196,278	350,638	243,111	457,859	274,923	69,192
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	2,040,854	681,635	328,905	720,607	107,084	77,961	49,730	48,997	6,943	18,992
	157,131,182	22,792,599	17,088,695	18,651,044	29,314,236	19,252,659	8,610,585	25,347,652	12,044,666	4,029,046
Liabilities										
Bills payable	1,552,219	1,552,219	-	-	-	-	-	-	-	-
Due to financial institutions	4,551,920	109,000	1,299,785	3,143,135	-	-	-	-	-	-
Deposits and other accounts	136,743,457	89,955,981	505,000	9,739,067	9,377,712	21,250,356	1,256,127	942,594	3,716,620	-
Sub-ordinated loans	3,246,971	-	-	-	3,246,971	-	-	-	-	-
Deferred tax liabilities	54,040	2,396		-	51,644	-	-	-	-	-
Other liabilities	3,006,908	1,118,843	530,504	667,528	479,302	50,957	48,911	93,427	17,436	-
	149,155,515	92,738,439	2,335,289	13,549,730	13,155,629	21,301,313	1,305,038	1,036,021	3,734,056	-
Net assets	7,975,667	(69,945,840)	14,753,406	5,101,314	16,158,607	(2,048,654)	7,305,547	24,311,631	8,310,610	4,029,046
Share capital	6,976,030									
Reserves	233,586									
Accumulated profit	753,135									
Advance against shares subscription	18									
Surplus on revaluation of assets	12,898									
	7,975,667									

Current and Saving deposits have been classified under maturity upto one month as these do not have any contracted maturity. Further, the bank estimates that these deposits are a core part of its liquid resources and will not fall below the current year's level.

40.4 Operational Risk

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.

The Bank uses Basic Indicator Approach (BIA) for assessing the capital charge for operational risk. To reduce losses arising from operational risk, the Bank has strengthened its risk management framework duly approved by the BOD by developing strategies, polices, guidelines and manuals. It also includes risk and control self-assessment, key risk indicator, loss data management, set up independent fraud risk management unit, enhancing security measures, improving efficiency and effectiveness of operations and improving quality of human resources through trainings.

41 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 on behalf of Dubai Islamic Bank PJSC:

Category	Type	No. of IPS account		-------Rupees in '000------	
				Face Value	
		2016	2015	**2016**	2015
Employee Funds / NGO's	Government Ijarah Sukuk	1	1	-	215,000
Individuals	Government Ijarah Sukuk	-	-	-	-
Related parties:					
Dubai Islamic Bank PJSC	Shares	1	1	33,476	33,476
		2	2	33,476	248,476

42 PROFIT / (LOSS) DISTRIBUTION TO DEPOSITOR'S POOL

The Bank maintained the following pools for profit declaration and distribution during the year ended December 31, 2016:

i) Common Mudaraba Pool;
ii) Musharaka Pool under SBP's Islamic Export Refinance Scheme.
iii) Special Mudaraba Pools for Depositors and Financial Institutions
iv) Interbank Wakala Borrowing Pool

The deposits and funds accepted under the Common Mudaraba Pool are provided to diversified sectors and avenues of the economy / business mainly to 'Consumer Financings', 'Textile & Allied', 'Food & Allied', 'Distribution & Trade' and 'Investment in Government of Pakistan Ijara Sukuk'.

Musharaka investments from the SBP under Islamic Export Refinance Scheme (IERS) are channelled towards the export sector of the economy and other financings as per SBP guidelines.

Key features and risk & reward characteristics of all pools

The 'Common Mudaraba Pool' for both local and foreign currency caters to all DIBPL depositors and provides profit / loss based on Modaraba.

The Musharaka Pool under IERS caters to the 'Islamic Export Refinance' requirements based on the guidelines issued by the SBP.

The risk characteristic of each pool mainly depends on the asset and liability profile of each pool.

Parameters used for allocation of profit, charging expenses and provisions etc. along with a brief description of their major components:

Income generated from relevant assets, calculated at the end of each month is first set aside for the Musharaka pool arrangement between the Bank and the State Bank of Pakistan. It is then allocated between the participants of the pool as per the agreed weightages and rates. The Common Mudaraba Pool profit is divided between the Bank and depositors in ratio of Bank's average equity and average depositors balances commingled in the pool on pro rata basis. The depositors' share of profit is allocated amongst them on the basis of weightages declared before start of each month, after deduction of a mudarib fee. During the year ended December 31, 2016, the Bank charged 50% of the profit as Mudarib fee. These weightages are declared by the Bank in compliance with the requirements of the SBP and Shariah.

The allocation (of income and expenses to different pools) is based on pre-defined basis and accounting principles / standards. Provisions against any non-performing asset of the pool is not passed on to the pool.

General Remunerative Depositor's Pools	Profit Sharing Ratio	Mudarib Share- Net of Hiba and Including Mudarib Fee (Amount in '000)	Mudarib Share- Net of Hiba and Including Mudarib Fee in %age	Amount of Mudarib share transferred to the depositors through Hiba (Amount in '000)	%age of Net Mudarib share transferred to the depositors through Hiba	Profit Rate and weightage announcement period	Percentage of Mudarib Share transferred through Hiba	Profit rate return earned	Profit rate return distributed
Common mudaraba pool	50% : 50%	1,658,836	55.31%	28,886	1.74%	Monthly	2.15%	5.26%	2.67%
Special nudarba pools	65%:35%	1,620,656	39.40%	179,342	11.07%	N/A	18.39%	7.15%	6.31%

* SBP regulations and Internal Policy allow for monthly change of weightages, however, the bank has not changed them on a monthly basis.

Specific pools	Ratio of weightage of Bank to SBP	Share of profit to SBP (Amount in '000)	HIBA (Amount in '000)	Profit rate and weightage announcement period	Profit rate return earned by SBP
Musharaka Pool under SBP's Islamic Export Refinance Scheme	3.35:1	109,129	6,091	Monthly	2.48%
Inter-bank wakala borrowing pool	N/A	79,656	N/A	N/A	5.46%

43 DATE OF AUTHORISATION FOR ISSUE

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

44 GENERAL

44.1 Captions, as prescribed by BSD Circular No. 04 of 2006 dated February 17, 2006 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.

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

44.3 Corresponding figures

Corresponding figures have been re-arranged and reclassified, wherever necessary, to facilitate comparison. There were no significant reclassifications / restatements during the year except for Bai Muajjal receivable from GOP reclassified from Due from financial institutions to Investments.

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

ANNEXURE - 1

DUBAI ISLAMIC BANK PAKISTAN LIMITED
STATEMENT SHOWING WRITTEN-OFF ISLAMIC FINANCING AND RELATED ASSETS (IN THE CASE OF THE BANK) OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2016

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	YOUNAS SHOAIB	HOUSE# P-196 MAIN ROAD AL-MASOOM TOWN NEAR MASJID ABU BAKAR SADIQ FAISALABAD	MUHAMMAD SHOAIB	33100-3777929-1	9,076	83	-	9,159	-	537	-	537
2	AKHTAR HAYAT	HOUSE #P-205-B,CANAL ROAD, AYESHA BLOCK,ABDULLAH GARDEN, FAISALABAD	KHIZAT HAYAT (LATE)	33100-0671232-1	7,582	416	-	7,998	-	569	-	569
3	JAVED AHMED	HOUSE# 9, BLOCK COPP: AL-SHIFA PHARMACY,OFFICER COLONY# 2, FAISALABAD	SHEIKH ABDUL RASHEED (LATE)	33100-6310595-7	6,882	236	-	7,118	-	624	-	624
4	MALIK IJAZ WAHEED	H # P-6ST # 40 KOTHIAN SAFE HOMESHADMAN COLONY PEOPLES COLONY FAISALABAD	MALIK GHULAM RASOOL	33100-7814114-7	4,050	727	-	4,777	-	727	-	727
5	ANJUM IKRAM	HOUSE NO. 472BLOCK-EJOHAR TOWN, LAHORE	MUHAMMAD IKRAM	35202-4218255-9	5,578	885	-	6,463	-	863	-	863
6	ASIF IRSHAD	ASIF PUBLIC SCHOOL SYSTEM20-C, BLOCK# C SATELLITE TOWN FAZAIA HOUSING SCHEME RAWALPINDI	MUHAMMAD IRSHAD	37405-4340010-7	8,309	2,115	-	10,424	-	1,924	-	1,924
7	TARIQ ALI QURESHI	BUNGLOW NO.107DEFENCE OFFICERS HOUSING SOCIETYSCHEME-II, MALIR CANTT KARACHI	ABDUL KHALIQ	42501-8577791-9	10,981	2,857	-	13,838	-	2,857	-	2,857
8	TAUSEEF KARIM	HOUSE # B-19 STREET NO 2 BLOCK N NORTH NAZIMABAD KARACHI	FAREED UDDIN KHAN	42101-8761944-9	12,694	2,574	-	15,267	-	2,889	-	2,889
9	MUHAMMAD YOUNAS	HOUSE# 113/3,BLOCK# C,MODEL TOWN, LAHORE	GHULAM HUSSAIN (LATE)	35202-5416786-9	12,091	3,265	-	15,356	-	3,256	-	3,256
10	SHABBIR AHMAD	HOUSE# 4 BLOCK "B" WAPDA TOWN EMPLOYEES COOPERATIVE HOUSING SOCIETY LAHORE	M.A DEAN (LATE)	35202-7166638-3	37,948	6,390	-	44,338	-	6,338	-	6,338
					115,189	**19,549**	**-**	**134,738**	**-**	**20,584**	**-**	**20,584**

Dubai Islamic Bank
Pakistan Limited

Financial Statements
For the year ended December 31, 2016

Dubai Islamic Bank Pakistan Limited
Statement of Financial Position
As at December 31, 2016

	Note	2016	2015 (Restated)
		------ (Rupees in '000) ------	
ASSETS			
Cash and balances with treasury banks	6	**14,007,320**	14,183,630
Balances with other banks	7	**543,363**	3,869,403
Due from financial institutions	8	**12,536,061**	6,418,697
Investments	9	**27,211,659**	23,822,256
Islamic financing and related assets	10	**93,910,902**	104,953,637
Operating fixed assets	11	**1,870,060**	1,842,705
Deferred tax assets		**-**	-
Other assets	12	**2,054,034**	2,040,854
		152,133,399	157,131,182
LIABILITIES			
Bills payable	13	**2,218,979**	1,552,219
Due to financial institutions	14	**5,670,091**	4,551,920
Deposits and other accounts	15	**129,264,513**	136,743,457
Sub-ordinated loans	16	**-**	3,246,971
Deferred tax liabilities	17	**16,784**	54,040
Other liabilities	18	**2,855,697**	3,006,908
		140,026,064	149,155,515
NET ASSETS		**12,107,335**	7,975,667
REPRESENTED BY			
Share capital	19	**10,225,567**	6,976,030
Reserves	20	**404,694**	233,586
Advance against further issue of share capital		**-**	18
Unappropriated profit		**1,416,263**	753,135
		12,046,524	7,962,769
Surplus on revaluation of investments - net of tax	21	**60,811**	12,898
		12,107,335	7,975,667
CONTINGENCIES AND COMMITMENTS	22		

The annexed notes 1 to 44 and Annexure I form an integral part of these financial statements.

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

Dubai Islamic Bank Pakistan Limited

Profit and Loss Account

For the year ended December 31, 2016

	Note	2016	2015
		------ (Rupees in '000) ------	
Profit / return earned	23	**9,486,289**	8,725,646
Profit / return expensed	24	**4,273,598**	4,091,219
Net spread earned		**5,212,691**	4,634,427
Provision against non-performing Islamic financing and related assets - net	10.7	**(111,734)**	(187,286)
Provision for diminution in the value of investments - net	9.8	**(16,846)**	-
Bad debts written off directly		**-**	-
		(128,580)	(187,286)
Net spread earned after provisions		**5,084,111**	4,447,141
OTHER INCOME			
Fee, commission and brokerage income		**1,402,601**	1,249,751
Dividend income		**-**	-
(Loss) / income from dealing in foreign currencies		**(41,795)**	6,735
Gain on sale of securities	25	**163,286**	15,946
Other income	26	**42,436**	2,023
Total other income		**1,566,528**	1,274,455
		6,650,639	5,721,596
OTHER EXPENSES			
Administrative expenses	27	**5,264,089**	4,987,933
Other provisions / write offs		**-**	-
Other charges	28	**15,519**	21,941
Total other expenses		**5,279,608**	5,009,874
		1,371,031	711,722
Extra ordinary / unusual items		**-**	-
PROFIT BEFORE TAXATION		**1,371,031**	711,722
Taxation	29		
- Current		**(535,978)**	(191,099)
- Prior years		**(34,868)**	(29,648)
- Deferred		**55,355**	(60,420)
		(515,491)	(281,167)
PROFIT AFTER TAXATION		**855,540**	430,555
		------ (Rupees) ------	
Basic & diluted earnings per share	30	**1.219**	0.617

The annexed notes 1 to 44 and Annexure I form an integral part of these financial statements.

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

Dubai Islamic Bank Pakistan Limited
Statement of Comprehensive Income
For the year ended December 31, 2016

	2016	2015
	------ (Rupees in '000) ------	
Profit after taxation for the year	**855,540**	430,555
Other comprehensive income		
Items that may not be reclassified to profit and loss account		
Actuarial (loss) / gains on remeasurements of defined benefit plans	**(21,998)**	2,971
Tax on remeasurements of defined benefit plans	**7,699**	(1,040)
	(14,299)	1,931
Comprehensive income transferred to equity	**841,241**	432,486
Components of comprehensive income not reflected in equity		
Surplus on revaluation of investments	**73,713**	160,154
Related deferred tax liability	**(25,800)**	(56,054)
	47,913	104,100

The annexed notes 1 to 44 and Annexure I form an integral part of these financial statements.

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

Dubai Islamic Bank Pakistan Limited

Statement of Changes in Equity

For the year ended December 31, 2016

	Share capital	Advance against share subscription	Statutory reserve	Unappro-priated profit	Total
	----------	----------	(Rupees in '000)	----------	----------
Balance as at January 01, 2015	6,976,030	18	147,475	406,760	7,530,283
Profit after taxation for the year	-	-	-	430,555	430,555
Other Comprehensive income for the year					
Remeasurements of defined benefit plan	-	-	-	2,971	2,971
Tax on remeasurements of defined benefit plan	-	-	-	(1,040)	(1,040)
	-	-	-	1,931	1,931
Transfer to statutory reserve	-	-	86,111	(86,111)	-
Balance as at December 31, 2015	6,976,030	18	233,586	753,135	7,962,769
Profit after taxation for the year	-	-	-	855,540	855,540
		-			
Other Comprehensive income for the year					
Remeasurements of defined benefit plan	-	-	-	(21,998)	(21,998)
Tax on remeasurements of defined benefit plan	-	-	-	7,699	7,699
	-	-	-	(14,299)	(14,299)
Transaction with owners recognised directly in equity					
Conversion of subordinated loan	-	3,249,519	-	-	3,249,519
Issuance of right shares at par	3,249,537	(3,249,537)	-	-	
Transaction costs on issuance of right shares				(7,005)	(7,005)
Transfer to statutory reserve	-	-	171,108	(171,108)	-
Balance as at December 31, 2016	**10,225,567**	**-**	**404,694**	**1,416,263**	**12,046,524**

The annexed notes 1 to 44 and Annexure I form an integral part of these financial statements.

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

Dubai Islamic Bank Pakistan Limited
Cash Flow Statement
For the year ended December 31, 2016

	Note	2016	2015
		------ (Rupees in '000) ------	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		**1,371,031**	711,722
Adjustments for:			
Depreciation	*27*	**308,708**	301,511
Amortisation	*27*	**104,572**	90,912
Provision against non-performing Islamic financing and related assets - net	*10.7*	**111,734**	187,286
Fixed assets written-off	*28*	**375**	489
Provision for diminution in the value of investments	*9.8*	**16,846**	-
Gain on sale of securities	*25*	**(163,286)**	(15,946)
Charge for defined benefit plan	*27*	**43,671**	43,352
(Gain) / loss on sale of operating fixed assets	*26*	**(42,436)**	(1,939)
		380,184	605,665
		1,751,215	1,317,387
Decrease / (increase) in operating assets			
Due from financial institutions		**(6,117,364)**	(1,577,976)
Islamic financing and related assets		**10,931,001**	(46,300,643)
Others assets (excluding advance taxation)		**(13,180)**	(530,156)
		4,800,457	(48,408,775)
(Decrease) / increase in operating liabilities			
Bills payable		**666,760**	301,834
Due to financial institutions		**1,117,049**	984,578
Deposits and other accounts		**(7,478,944)**	52,899,062
Other liabilities (excluding current taxation)		**(246,124)**	629,454
		(5,941,259)	54,814,928
		610,413	7,723,540
Payments against defined benefit plan		**(43,738)**	(40,381)
Income taxes paid		**(502,323)**	(207,700)
Net cash (used in) / generated from operating activities		**64,352**	7,475,459
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in securities		**(3,169,250)**	(81,104)
Investments in operating fixed assets		**(495,077)**	(486,671)
Proceeds from sale of operating fixed assets		**96,503**	4,025
Net cash used in investing activities		**(3,567,824)**	(563,750)
CASH FLOW FROM FINANCING ACTIVITIES			
Effect of exchange difference on translation of foreign currency sub-ordinated loan		**-**	131,995
Net cash (generated) / used in from financing activities		**-**	131,995
(Decrease) / increase in cash and cash equivalents		**(3,503,472)**	7,043,704
Cash and cash equivalents at beginning of the period		**18,053,033**	11,009,329
Cash and cash equivalents at end of the period	*31*	**14,549,561**	18,053,033

The annexed notes 1 to 44 and Annexure I form an integral part of these financial statements.

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

1 STATUS AND NATURE OF BUSINESS

1.1 Dubai Islamic Bank Pakistan Limited (the Bank) was incorporated in Pakistan as an unlisted public limited company on May 27, 2005 under the Companies Ordinance, 1984 to carry out the business of an Islamic Commercial Bank in accordance with the principles of Shari'a.

1.2 The State Bank of Pakistan (the SBP) granted a “Scheduled Islamic Commercial Bank” license to the Bank on November 26, 2005 and subsequently the Bank received the Certificate of Commencement of Business from the Securities and Exchange Commission of Pakistan (the SECP) on January 26, 2006. The Bank commenced its operations as a scheduled Islamic Commercial Bank with effect from March 28, 2006 on receiving certificate of commencement of business from the SBP. The Bank is principally engaged in Corporate, Commercial and Consumer Islamic banking activities and investing activities.

1.3 Based on the financial statements of the Bank for the year ended December 31, 2015, JCR-VIS Credit Rating Company Limited determined the Bank's medium to long-term rating as 'A+' (A plus) and the short term rating as 'A-1' (A one) while the outlook has been assigned as "Stable".

1.4 The Bank is operating through 200 branches as at December 31, 2016 (2015: 200 branches). The registered office of the Bank is situated at Hassan Chambers, DC-7, Block-7 Kehkashan, Clifton, Karachi. The Bank is a wholly owned subsidiary of Dubai Islamic Bank PJSC, UAE (the Holding Company).

2 BASIS OF PRESENTATION

2.1 The Bank provides Islamic financing and makes investments mainly through Murabaha, Musharaka, Running Musharaka, Musharaka cum Ijara, Shirkatulmilk, Istisna cum Wakala, Wakala Isthimar, Service Ijarah and export refinance under Islamic export refinance scheme of State Bank of Pakistan (SBP) and other Islamic modes as briefly explained in the notes to these financial statements. The transactions of purchases, sales and leases executed under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of rental / profit thereon. The income on such Islamic financing and related assets is recognised in accordance with the principles of Shari'a. However, income if any, received which does not comply with the principles of Shari'a is recognised as charity payable if so directed by the Shari'a Board / Resident Shari'a Board Member.

3 STATEMENT OF COMPLIANCE

3.1 These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan and such International Financial Reporting Standards (IFRSs), as are notified under the Companies Ordinance, 1984, the provisions and directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). Wherever the requirements of the provisions and directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, the IFAS notified under the Companies Ordinance, 1984 and the directives issued by the SECP and the SBP differ with the requirements of the IFRS, the provisions and directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, the IFAS notified under the Companies Ordinance, 1984 and the requirements of the directives issued by the SECP and SBP shall prevail.

3.2 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.

3.3 The Securities and Exchange Commission of Pakistan (SECP) has notified Islamic Financial Accounting Standard (IFAS) 3, 'Profit and Loss Sharing on Deposits' issued by the Institute of Chartered Accountants of Pakistan. IFAS 3 shall be followed with effect from the financial periods beginning after January 1, 2014 in respect of accounting for transactions relating to 'Profit and Loss Sharing on Deposits' as defined by the said standard. The standard has resulted in certain new disclosures in the financial statements of the Bank. The SBP through BPRD Circular Letter No. 4 dated February 25, 2015, has deferred the applicability of IFAS 3 till further instructions and prescribed the Banks to prepare their annual and periodical financial statements as per existing prescribed formats issued vide BSD Circular 04 of 2006 and BSD Circular Letter No. 02 of 2004, as amended from time to time.

3.4 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

There are certain new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2016 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.

3.5 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2017:

- Amendments to IAS 12 ‘Income Taxes’ are effective for annual periods beginning on or after January 1, 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have an impact on Bank’s financial statements.

- Amendments to IAS 7 ‘Statement of Cash Flows’ are part of IASB’s broader disclosure initiative and are effective for annual periods beginning on or after January 1, 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

- Amendments to IFRS 2 - Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after January 1, 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Bank’s financial statements.

  Annual improvements to IFRS standards 2014-2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:

  Amendments to IFRS 12 ‘Disclosure of Interests in Other Entities’ (effective for annual periods beginning on or after January 1, 2017) clarify that the requirements of IFRS 12 apply to an entity’s interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 – ‘Non-current Assets Held for Sale and Discontinued Operations’. The amendments are not likely to have an impact on Bank’s financial statements.

  Amendments to IAS 28 ‘Investments in Associates and Joint Ventures’ (effective for annual periods beginning on or after January 1, 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Bank’s financial statements.

- IFRIC 22 ‘Foreign Currency Transactions and Advance Consideration’ (effective for annual periods beginning on or after January 1, 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

4 BASIS OF MEASUREMENT

4.1 Accounting convention

These financial statements have been prepared under the historical cost convention, except that certain investments, foreign currency balances and commitments in respect of foreign exchange contracts have been marked to market and are carried at fair value. In addition, obligation in respect of staff retirement benefits is carried at present value.

4.2 Functional and Presentation Currency

These financial statements have been presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

4.3 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgment in application of its accounting policies. The estimates and associated assumptions are continually evaluated and are based on historical experience and various other factors including expectation of future events that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Actual results may differ from these estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The significant accounting areas where various assumptions and estimates are significant to the Bank's financial statements or where judgment was exercised in the application of accounting policies are as follows:

i) classification and provisioning against investments (notes 5.3 and 9)
ii) classification and provisioning against Islamic financing and related assets (notes 5.4 and 10)
iii) current and deferred taxation (notes 5.6, 17, 22.7 and 29)
iv) determination of useful lives and depreciation / amortisation (notes 5.5 and 11)
v) accounting for defined benefit plan (notes 5.9 and 33)

5 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.

5.1 Cash and cash equivalents

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

5.2 Due to/ from financial institutions

Commodity Murabaha

In Commodity Murabaha, the Bank sells commodities on credit to other financial institutions. The credit price is agreed at the time of sale and such proceeds are received at the end of the credit period.

Bai Muajjal

In Bai Muajjal, the Bank sells sukuk on credit to other financial institutions. The credit price is agreed at the time of sale and such proceeds are received at the end of the credit period.

Musharaka / Modaraba

In Musharaka / Modaraba, the Bank invests in the shari'a compliant business pools of the financial institutions at the agreed profit and loss sharing ratio.

Musharaka from State Bank of Pakistan under IERS

Under IERS, the Bank accepts funds from the SBP under Shirkat-ul-Aqd to constitute a pool for investment in export refinance portfolio of the Bank under guidelines issued by SBP.

5.3 Investments

5.3.1 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.

5.3.2 Regular way contracts

All purchases and sales of investments that require delivery within the time frame established by regulation or market convention are recognised at settlement date, which is the date on which the asset is delivered to or by the Bank.

5.3.3 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.

5.3.4 Subsequent measurement

Subsequent to initial recognition investments are valued as follows:

(a) Held-for-trading

These are measured at subsequent reporting dates at fair value. Gains and losses on remeasurement are included in the profit and loss account.

(b) Held-to-maturity

These are measured at amortized cost using the effective profit rate method, less any impairment loss recognized to reflect irrecoverable amount.

(c) Available for sale

In accordance with the requirements specified by the SBP, quoted securities other than those classified as 'held to maturity' are subsequently re-measured to market value. Unquoted equity securities are valued at the lower of cost and break-up value. Break-up value of unquoted equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investment in other unquoted securities are valued at cost less impairment losses, if any.

Surplus / deficit arising on revaluation of quoted securities which are classified as 'available for sale', is included in the statement of comprehensive income but is kept in a separate account which is shown in the statement of financial position below equity.

5.3.5 Impairment

Impairment loss in respect of investments classified as available for sale and held to maturity (except sukuk) is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged decline in fair value of an equity investment below its cost is also considered an objective evidence of impairment. Provision for diminution in the value of sukuk is made as per the Prudential Regulations issued by the State Bank of Pakistan. In case of impairment of available for sale securities, the cumulative loss that has been recognised directly in surplus / (deficit) on revaluation of securities on the Statement of Financial Position below equity is removed there-from and recognised in the profit and loss account. For investments classified as held to maturity, the impairment loss is recognised in the profit and loss account.

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

5.4 Islamic financing and related assets

These are products originated by the Bank and principally comprise of Murabaha, Musharaka cum Ijara, Running Musharaka, Wakala, Wakala Istithmar, Istisna cum Wakala, Ijara Muntahiya Bil Tamleek, Islamic Export Refinance Scheme, Service Ijarah 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 / Musharaka cum Ijara, 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.

Ijara Muntahiya Bil Tamleek is a lease contract in which the leased asset’s title is transferred at the end of the lease term to the lessee through an independent sale agreement.

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 Service Ijarah financing, the Bank provides financing by acquiring certain agreed services from the customer. After the purchase of services, the Bank appoints the customer to sell these services in the market over a period and provide a sale confirmation of such sale. The profit is only accrued from the date of receipt of such confirmation.

In Running Musharaka financing, the Bank enters into financing with the customer based on Shirkat-ul-Aqd or Business Partnership in customers operating business. Under this mechanism the customer can withdraw and return funds to the Bank subject to his Running Musharakah Financing limit during the Musharakah Period. At the end of each quarter / half year the customer pays the provisional profit as per the desired profit rate which is subject to final settlement based on the relevant quarterly/half-yearly/annual accounts of the customer.

In Musawammah 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.

Specific provision

The Bank maintains specific provision for doubtful debts 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 (refer note 10.8.2), the Bank maintains general provisions as follows:

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

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

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

5.5 Operating fixed assets and depreciation

5.5.1 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 11.2 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.

5.5.2 Capital work-in-progress

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

5.5.3 Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Such intangible assets are amortized using the straight-line method over their estimated useful lives. The useful lives and amortisation method are reviewed and adjusted, if appropriate at each reporting date. Intangible assets having an indefinite useful life are stated at acquisition cost, less impairment loss, if any. Amortisation is charged from the month of acquisition and upto the month preceding the month of deletion.

5.5.4 Impairment

At each reporting date, the Bank reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Recoverable amount is the greater of net selling price and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately in the financial statements in the profit and loss account.

Where an impairment loss reverses subsequently, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. The reversal of impairment loss is recognised as income in the profit and loss account.

5.6 Taxation

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

Current

Provision for current taxation is based on taxable income for the year, if any, 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. In addition, the Bank also records deferred tax asset on available tax losses. 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 by 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.

The Bank also recognises deferred tax asset / liability on deficit / surplus on revaluation of securities which is adjusted against the related deficit / surplus in accordance with the requirements of the International Accounting Standard 12 - "Income Taxes".

5.7 Deposits

Deposits are generated on the basis of two modes i.e. Qard and Modaraba.

Deposits taken on Qard basis are classified as 'Current accounts' and Deposits generated on Modaraba basis are classified as 'Savings deposits' and 'Fixed deposits'. No profit or loss is passed on to current account depositors. While the product features of each product differ, there is usually no restriction on withdrawals or number of transactions in current and saving accounts. In case of fixed deposits, pre-mature withdrawals can be made as per approved terms only.

Profits realised in common pool are distributed between the Bank and the depositors in proportion to their respective share in the pool. All Modarba based deposits are fully invested in the Common Pool to produce returns for them. In case where the Bank is unable to utilise all funds available for investment, priority is given to the deposit account holders. Rab-ul-Maal share is distributed among depositors according to weightages assigned at the inception of profit calculation period. Mudarib can distribute its share of profit to Rab-ul-Maal upto a maximum of 60% of their profit as incentive profits (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.

5.8 Pool Management

The Bank operates general and special pools for deposits and inter-bank funds accepted / acquired under Modaraba, Wakala and Musharakah modes.

Under the general deposits pool, the Bank accepts funds on Modaraba basis from depositors (Rab-ul-Maal) where the Bank acts as Manager (Mudarib) and invests the funds in the Shari'a compliant modes of financings, investments and placements. When utilising funds and investing funds, the Bank prioritises the funds received from depositors over the funds generated from own

Specific pools are operated for funds acquired / accepted from the State Bank of Pakistan (under the Islamic Export Refinance Scheme), high net-worth individuals/companies/financial instituitions and other banks for investments in Shari'a compliant modes of financing and liquidity management under the Musharakah / Modaraba/ Wakala modes respectively.

The profit of each deposit pool is calculated on all the remunerative assets booked by utilising the funds from the pool after deduction of expenses directly incurred in earning the income of such pool along with related fee income, if any. The directly related costs comprise of tracker related costs, amortisation of premium on sukuk etc. No general or administrative nature of expense is charged to pools. No provisions against any non-performing asset of the pool is passed on to the pool except on the actual loss / write-off of such non-performing asset. Further, provisions passed on to the pool in the prior periods have been credited to pool income in the current period as reduction in expense to the extent of recovery of provision previously charged to the pool. The profit of the pool is shared between equity and other members of the pool on pro-rata basis at gross level (i.e. before charging of mudarib fee) as per the investment ratio of the equity. The profit of the pool is shared among the depositors of the pool on pre-defined mechanism based on the weightages announced before the commencement of profit calculation period after charging mudarib fee. Incentive profits (General Hiba) is allocated to the depsitors based on SBP guidelines; across the board.

5.9 Staff retirement benefits

5.9.1 Defined benefit plan

The Bank operates an approved funded gratuity scheme for its permanent employees. The liability recognised in the statement of financial position in respect of defined benefit gratuity scheme, is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets. Contributions to the fund are made on the basis of actuarial recommendations. The defined benefit obligation is calculated periodically by an independent actuary using the projected unit credit method. Last valuation was conducted as on December 31, 2016.

Amounts arising as a result of "Remeasurements", representing the actuarial gains and losses and the difference between the actual investment returns and the return implied by the net interest cost are recognised in the Statement of Financial Position immediately, with a charge or credit to "Other Comprehensive Income" in the periods in which they occur.

5.9.2 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.

5.10 Revenue recognition

- Profit from Murabaha is accounted for on consummation of Murabaha transaction. However, profit on the portion of revenue not due for payment is deferred by accounting for unearned Murabaha income with a corresponding credit to deferred Murabaha income which is recorded as a liability. The same is then recognised as revenue on a time proportionate basis. In Murabaha transactions, the Bank purchases the goods and after taking the possession, sells them to the customer on cost plus profit basis either in a spot or credit transaction.

- Profit from Istisn'a 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 Musharaka cum Ijara, Ijara Muntahiya Bil Tamleek and 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 Musharaka financing is recognised on an accrual basis. Actual profit / (loss) on Musharaka and Modaraba financing is adjusted after declaration of profit / (loss) by Musharaka partner / modarib or at liquidation of Musharaka / Modaraba.

- Profit on Bai Muajjal transaction is recognised on an accrual basis.

- Profit on Running Musharakah financings is booked on an accrual basis and is adjusted upon declaration of profit by Musharakah partners.

- Gains and losses on sale of investments are included in the profit and loss account.

- Profit on Sukuk is recognised on an accrual basis. Where Sukuk (excluding held for trading securities) are purchased at a premium or discount, those premiums / discounts are amortised through the profit and loss account over the remaining maturity, using the effective yield method.

- Profit on Service Ijarah is recognised on an accrual basis.

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

- Fee, commission and brokerage are recognized when earned.

- Profit suspended in compliance with the Prudential Regulations issued by the SBP is recorded on receipt basis. Profit on rescheduled / restructured financings and investments are recognised as permitted by the SBP.

5.11 Financial Instruments

5.11.1 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 loans 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.

5.11.2 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.

5.11.3 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.

5.12 Fiduciary assets

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

5.13 Foreign currencies

Foreign currency transactions

Foreign currency transactions are recorded in rupees at exchange rates prevailing on the date of transaction. Monetary assets, monetary liabilities and contingencies and commitments in foreign currencies, except forward promises, at the year end are converted in Rupees at exchange rates prevalent on the reporting date.

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.

5.14 Provisions and contingent assets and liabilities

Provisions are recognized when the Bank has a present legal or constructive obligation arising as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimates.

Contingent assets are not recognised, and are also not disclosed unless an inflow of economic benefits is probable and contingent liabilities are disclosed unless the probability of an outflow of resources embodying economic benefits is remote.

5.15 Allocation of profit

Allocation of profits in Mudaraba pool between depositors and shareholders is made according to the Bank’s profit distribution policy and is approved by the Resident Shari'a Board Member.

5.16 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.

5.16.1 Business segments

Corporate banking

Corporate banking includes services provided in connection with mergers and acquisitions, underwriting, privatization, securitisation, research, Sukuk (government, high yield), equity, syndication, IPO and secondary private placements, provided they are Shari’a compliant.

Trading and sales

It includes income, equity, foreign exchanges, commodities, credit, funding and own position securities.

Retail banking

It includes retail financing, deposits and banking services offered to retail customers and small and medium sized enterprises.

Commercial banking

Commercial banking includes project finance, real estate, export finance, trade finance, Ijara, financing and issuing guarantees.

Others

Others includes internal audit, shariah compliance, human resources and finance departments.

5.16.2 Geographical segment

The Bank operates only in Pakistan.

		Note	2016	2015
6	**CASH AND BALANCES WITH TREASURY BANKS**		**------- (Rupees in '000) -------**	
	In hand			
	- local currency		**1,825,449**	1,502,767
	- foreign currencies		**666,844**	411,058
			2,492,293	1,913,825
	With the State Bank of Pakistan in			
	- local currency current accounts	*6.1*	**8,506,372**	5,846,141
	- foreign currency current accounts		**22,637**	159,405
	- foreign currency sub-ordinated debt		**-**	3,246,971
	- foreign currency deposit accounts			
	Cash reserve account	*6.2*	**805,984**	580,318
	Special cash reserve account	*6.3*	**967,160**	696,360
			1,773,144	1,276,678
	With National Bank of Pakistan in			
	- local currency current accounts		**1,212,874**	1,740,610
			14,007,320	14,183,630

6.1 The local currency current account is maintained with the State Bank of Pakistan (SBP) as per the requirements of Section 22 of the Banking Companies Ordinance, 1962. This section requires banking companies to maintain a local currency cash reserve in the current account opened with the SBP at a sum not less than such percentage of its time and demand liabilities in Pakistan as may be prescribed by SBP.

6.2 As per BSD Circular No. 15 dated June 21, 2008, cash reserve of 5% is required to be maintained with SBP on deposits held under the New Foreign Currency Accounts Scheme (FE-25 deposits). This account is non-remunerative in nature.

6.3 Special cash reserve of 6% is required to be maintained with the SBP on FE-25 deposits as specified in BSD Circular No. 15 dated June 21, 2008. This account is non-remunerative in nature.

		Note	2016	2015
7	**BALANCES WITH OTHER BANKS**		**------- (Rupees in '000) -------**	
	In Pakistan			
	- in current accounts		**49,241**	49,591
	- in deposit accounts		**49,938**	10
			99,179	49,601
	Outside Pakistan			
	- in current accounts	*7.1*	**444,184**	3,819,802
	- in deposit accounts		**-**	-
			444,184	3,819,802
			543,363	3,869,403

7.1 This includes an amount of Rs. 53.112 million (2015: Rs.1,154 million) deposited with the holding company.

		Note	2016	2015 Restated
8	**DUE FROM FINANCIAL INSTITUTIONS**		**------- (Rupees in '000) -------**	
	Commodity Murabaha	*8.1*	**12,536,061**	6,418,697

8.1 These carry expected profit rates ranging from 5.75% to 6.25% (2015: 6.10% to 6.40%) per annum and are due to mature latest by January 30, 2017 (2015: January 27, 2016).

8.2 Particulars of amounts due from financial institutions

	2016	2015
	------- (Rupees in '000) -------	
In local currency	**12,536,061**	6,418,697
In foreign currencies	**-**	-
	12,536,061	6,418,697

9 INVESTMENTS

9.1 Investments by types

	Note	2016 Held by the Bank	2016 Given as collateral	2016 Total	2015 - Restated Held by the Bank	2015 - Restated Given as collateral	2015 - Restated Total
		------------------------------------- (Rupees in '000)					-------------------------------------
Available-for-sale securities							
GOP Ijarah sukuks	*9.3*	**12,608,975**	**-**	**12,608,975**	10,146,816	-	10,146,816
Other sukuks certificates	*9.4*	**8,416,929**	**-**	**8,416,929**	5,111,002	-	5,111,002
Global sukuk certificates	*9.5*	**6,092,422**	**-**	**6,092,422**	3,238,147	-	3,238,147
Bai Muajjal - Government of Pakistan (GOP)		**-**	**-**	**-**	5,306,448	-	5,306,448
Units of open-end mutual fund	*9.6*	**16,623**	**-**	**16,623**	-	-	-
		27,134,949	**-**	**27,134,949**	23,802,413	-	23,802,413
Less: Provision for diminution in value of investments	*9.8*	**(16,846)**	**-**	**(16,846)**	-	-	-
Investments (net of provisions)		**27,118,103**	**-**	**27,118,103**	23,802,413	-	23,802,413
Surplus on revaluation of available-for-sale securities	*21*	**93,556**	**-**	**93,556**	19,843	-	19,843
Total investments		**27,211,659**	**-**	**27,211,659**	23,822,256	-	23,822,256

9.2 Investments by segments

	Note	2016	2015 Restated
		------- (Rupees in '000) -------	
Federal Government securities			
GOP Ijarah Sukuks	*9.3*	**12,608,975**	10,146,816
Bai Muajjal - Government Of Pakistan (GOP)	*9.2.1*	**-**	5,306,448
		12,608,975	15,453,264
Other Sukuk certificates			
Other sukuks	*9.4*	**8,416,929**	5,111,002
Global sukuk certificates	*9.5*	**6,092,422**	3,238,147
		14,509,351	8,349,149
Units of open-end mutual fund	*9.6*	**16,623**	-
		27,134,949	23,802,413
Less: Provision for diminution in value of investments		**(16,846)**	-
Investments (net of provisions)		**27,118,103**	23,802,413
Surplus on revaluation of available-for-sale securities	*21*	**93,556**	19,843
Total investments		**27,211,659**	23,822,256

9.2.1 These represents Bai Muajjal receivable from GOP carrying rate of return 5.93%-5.94% (2015: 5.93%-5.94%). The transaction matured on November 17, 2016. This has been reclassified in investments as required by SBP BPRD Circular Letter number 05 of 2016. Previously, these were classified as due from financial institutions.

9.3 Particulars of Federal Government securities

Face value of Rs. 100,000 each unless otherwise stated.

Particulars	Collateral	Profit Rate	Profit payment	Carrying value 2016	Carrying value 2015
				----------- (Rupees in '000) -----------	
GOP IJARA SUKUK - XIV Nil (2015: 8,050) certificates Maturity date: March 28, 2016	Government of Pakistan Sovereign guarantee	6 months T-Bill plus zero basis points	Semi-annually	**-**	806,816
GOP IJARA SUKUK - XV 111,070 (2015: 78,400) certificates Maturity date: June 25, 2017	Government of Pakistan Sovereign guarantee	6 months T-Bill minus 200 basis points	Semi-annually	**11,108,975**	7,840,000
GOP IJARA SUKUK - XVI Nil (2015: 15,000) certificates Maturity date: December 18, 2018	Government of Pakistan Sovereign guarantee	6 months T-Bill minus 50 basis points	Semi-annually	**-**	1,500,000
GOP IJARA SUKUK - XVII 15,000 (2015: Nil) certificates Maturity date: Feburary 15, 2019	Government of Pakistan Sovereign guarantee	6.10%	Semi-annually	**1,500,000**	-
				12,608,975	10,146,816

9.4 Particulars of other sukuk certificates

Face value of Rs. 5,000 each unless otherwise stated.

Particulars	Collateral	Profit Rate	Profit payment	Carrying value 2016	Carrying value 2015
				----------- (Rupees in '000) -----------	
WAPDA II 91,075 (2015: 91,075) certificates Maturity date: July 13, 2017	Government of Pakistan Sovereign guarantee	6 months KIBOR minus 25 basis points	Semi-annually	**75,896**	151,793
WAPDA III 167,353 (2015:167,353) certificates Maturity date: October 14, 2021 Face value: Rs. 5,000	Government of Pakistan Sovereign guarantee	6 months KIBOR plus 175 basis points	Semi-annually	**597,689**	717,226
Sui Southern Gas Company Limited 100,000 (2015: 100,000) certificates Maturity date: May 17, 2017	Tangible Assets	3 months KIBOR plus 75 basis points	Quarterly	**125,000**	375,000
Sui Southern Gas Company Limited 300,000 (2015: 300,000) certificates Maturity date: October 30, 2019	Tangible Assets	3 months KIBOR plus 40 basis points	Quarterly	**1,500,000**	1,500,000
Sui Southern Gas Company Limited 300,000 (2015: 300,000) certificates Maturity date: December 13, 2022	Tangible Assets	6 months KIBOR plus 50 basis points	Semi-annually	**1,500,000**	346,154
Quetta Textile Mills Limited* 40,000 (2015: 40,000) certificates Maturity date: Sep 26, 2019 (Refer note 9.8.1)	Tangible Assets	6 months KIBOR plus 175 basis points	Semi-annually	**96,179**	98,664
K-Electric Limited 384,433 (2015: 384,433) certificates Maturity date: June 17, 2022	Tangible Assets	3 months KIBOR plus 100 basis points	Quarterly	**1,922,165**	1,922,165
Neelum Jhelum Hydro Power Company (Private) Limited 26,000 (2015: Nil) certificates Maturity date: June 27, 2026 Face value: Rs. 100,000	Government of Pakistan Sovereign guarantee	6 months KIBOR plus 108 basis points	Semi-annually	**2,600,000**	-
				8,416,929	5,111,002

* Non performing Sukuk certificates

9.5 Particulars of global sukuk

Face value of USD 1,000 each unless otherwise stated.

Particulars	Collateral	Profit Rate	Profit payment	Carrying value 2016	Carrying value 2015
				---------- (Rupees in '000) ----------	
Dubai International Financial Centre (*) 3,000 (2015: 5,000) certificates Maturity date: November 12, 2024	Tangible Assets	4.325%	Semi-annually	**324,613**	526,993
TF Varlik Kiralama AS (*) 13,000 (2015: 13,000) certificates Maturity date: April 24, 2019	Tangible Assets	5.375%	Semi-annually	**1,391,622**	1,407,361
KT Kira Sertifikalari Varlik Kiralama AS (*) 12,000 (2015: 12,000) certificates Maturity date: June 26, 2019	Tangible Assets	5.162%	Semi-annually	**1,288,542**	1,303,793
EIB Sukuk Company Limited (*) 5,000 (2015: Nil) certificates Maturity date: May 31, 2021	Tangible Assets	3.542%	Semi-annually	**522,992**	-
ICD Sukuk Company Limited (*) 11,995 (2015: Nil) certificates Maturity date: May 21, 2020	Tangible Assets	3.508%	Semi-annually	**1,263,718**	-
Majid AL Futtaim (*) 9,000 (2015: Nil) certificates Maturity date: Nov 3, 2025	Tangible Assets	4.50%	Semi-annually	**973,116**	-
Saudi Electricity Company (*) 3,000 (2015: Nil) certificates Maturity date: April 3, 2022	Tangible Assets	4.211%	Semi-annually	**327,819**	-
				6,092,422	3,238,147

* These sukuks are being held by Dubai Islamic Bank P.J.S.C on behalf of the Bank in fiduciary capacity.

9.6 Particulars of investments in mutual fund

Number of units 2016	Number of units 2015		Carrying value 2016	Carrying value 2015
			---------- (Rupees in '000) ----------	
		Mutual fund - Face value of Rs. 50		
320,602	-	Meezan Sovereign Fund	**16,623**	-

9.7 Quality of available-for-sale securities	Entity rating Long / medium term 2016	2015	2016	2015 Restated
			---------- (Rupees in '000) ----------	
Sukuk certificates - (at market value)				
GOP Ijara Sukuk - XIV	**N/A**	Govt.	**-**	808,220
GOP Ijara Sukuk - XV	**Govt.**	Govt.	**11,113,664**	7,840,000
GOP Ijara Sukuk - XVI	**N/A**	Govt.	**-**	1,516,950
GOP Ijara Sukuk - XVII	**Govt.**	N/A	**1,548,900**	-
WAPDA II	**AAA**	AAA	**74,978**	147,442
WAPDA III	**AAA**	AAA	**624,116**	694,724
Sui Southern Gas Company Limited	**Unrated**	Unrated	**125,000**	375,000
Sui Southern Gas Company Limited	**Unrated**	Unrated	**1,500,000**	1,500,000
Sui Southern Gas Company Limited	**Unrated**	Unrated	**1,500,000**	346,154
Quetta Textile Mills Limited	**-***	Unrated	**96,179**	98,664
K-Electric Limited	**AA+**	AA+	**1,981,129**	1,975,025
Neelum Jhelum Hydro Power Company (Private) Limited	**AAA**	N/A	**2,600,000**	-
Dubai International Financial Centre	**BBB**	BBB	**322,043**	522,461
TF Varlik Kiralama AS	**BBB**	BBB	**1,387,547**	1,399,058
KT Kira Sertifikalari Varlik Kiralama AS	**BBB**	BBB	**1,280,888**	1,292,110
EIB Sukuk Company Limited	**A+**	N/A	**525,827**	-
ICD Sukuk Company Limited	**Unrated**	N/A	**1,246,817**	-
Majid AL Futtaim	**BBB**	N/A	**953,182**	-
Saudi Electricity Company	**A-**	N/A	**331,365**	-
			27,211,635	18,515,808
Bai muajjal receivable from GOP			**-**	5,306,448
Units of open-end mutual fund (at market value)				
Meezan Sovereign Fund			**16,870**	-
			27,228,505	23,822,256
Less: Provision for diminution in the value of investments (note 9.8)			**(16,846)**	-
			27,211,659	23,822,256

* Non-performing sukuk certificates

9.8 Particulars of provision for diminution in the value of investments	Note	2016	2015
		---------- (Rupees in '000) ----------	
Opening balance		**-**	-
Charge for the year		**16,846**	-
Reversals during the year		**-**	-
		16,846	-
Closing balance	*9.8.1*	**16,846**	-

9.8.1 Particulars of provision for diminution in the value of investments by type and segment

Unlisted sukuk certificate - available for sale	**16,846**	-

9.8.2 These include Sukuk of Quetta Textile Mills Limited amounting to Rs. 96.2 million which have been placed under non-performir status. The forced sale value (FSV) of the collateral held in respect of these Sukuk is Rs. 79.33 million. Therefore, provision for diminution has been made in respect of the same. Profit accrued on these sukuk has been suspended. The additional profit arising from availing the FSV benefit - net of tax at December 31, 2016 amounting to Rs. 79.33 million (2015: Rs. 108.490 million) is not available for distribution as either cash or stock dividend.

		2016	2015
		------- (Rupees in '000) -------	
14.2	**Particulars of due to financial institutions with respect to currencies**		
	In local currency	**5,670,091**	4,551,920
	In foreign currencies	**-**	-
		5,670,091	4,551,920

15 DEPOSITS AND OTHER ACCOUNTS

	2016	2015
Customers		
Fixed deposits	**35,240,781**	46,177,181
Savings deposits	**50,042,301**	50,253,380
Current accounts - non-remunerative	**40,674,001**	29,986,324
Margin accounts – non-remunerative	**275,101**	100,092
	126,232,184	126,516,977
Financial Institutions		
Remunerative deposits	**2,916,170**	10,137,422
Non-remunerative deposits	**116,159**	89,058
	129,264,513	136,743,457

15.1 Particulars of deposits

	2016	2015
In local currency	**113,071,611**	125,059,808
In foreign currencies	**16,192,902**	11,683,649
	129,264,513	136,743,457

16 SUB-ORDINATED LOAN

This represented a subordinated loan of USD 31 million provided to the Bank by the sponser to meet the shortfall in minimum capital requirement (free of losses) of Rs. 10 billion as required by the State Bank of Pakistan. The Board of Directors (the 'Board') of the Bank in its meeting held on October 26, 2016 approved the issuance of right shares against this loan.

17 DEFERRED TAX LIABILITY - NET

	2016	2015
	------ (Rupees in '000) ------	
Deferred tax (debits) / credits recognised in Profit or loss arising due to:		
Provision for diminution in value of investments	**(5,896)**	-
Provision against non-performing Islamic financings and related assets	**(53,682)**	(4,549)
Provision against other assets	**(6,647)**	-
Accelerated tax depreciation and amortization on operating fixed assets	**57,963**	51,644
	(8,262)	47,095
Deferred tax (debits) / credits recognised in other comprehensive income arising due to:		
Deficit on defined benefit plan	**(7,699)**	-
Surplus on revaluation of investments	**32,745**	6,945
	25,046	6,945
	16,784	54,040

18 OTHER LIABILITIES

	Note	2016	2015
		------ (Rupees in '000) ------	
Profit / return payable in local currency		**626,314**	803,101
Profit / return payable in foreign currencies		**35,634**	10,318
Deferred profit murabaha / musawama income		**360,761**	498,698
Accrued expenses		**344,733**	332,093
Advance from customers		**615,685**	466,769
Unrealised loss on forward foreign exchange contracts		**59,384**	78,204
Taxation payable		**89,592**	2,637
Payable to group company		**-**	48,479
Security deposits against musharaka cum ijara		**81,415**	56,181
Retention money		**947**	1,862
Payable to Contractors		**2,757**	107,746
Charity Payable	*18.1*	**3,373**	10,071
Worker Welfare Fund Payable		**62,930**	33,415
Withholding tax payable		**23,490**	12,499
Others		**548,682**	544,835
		2,855,697	3,006,908

18.1 Reconciliation of charity payable

	2016	2015
Opening balance	**10,071**	11,244
Additions during the year	**3,352**	4,627
Payments during the year	**(10,050)**	(5,800)
Closing balance	**3,373**	10,071

18.1.1 During the year, charity from the Charity Fund of the Bank (in which late payment charges and Shari'a repugnant income of the Bank are credited) was paid to the following individual / organisations:

	2016	2015
	------- (Rupees in '000) -------	
Hina Gul	**3,000**	-
Sindh Institute of Urology and Transplantation	**700**	1,000
The Indus Hospital	**700**	700
Shaukat Khanum Memorial Cancer Hospital	**700**	500
Layton Rahmatulla Benevolent Trust	**700**	500
Akhuwat	**500**	500
The Citizen Foundation	**500**	250
Koohi Goth Hospital	**400**	400
Nighaban Welfare Organization	**400**	300
Child Aid Association	**300**	300
Afzaal Memorial Thalassemia Foundation	**300**	300
Patel Hospital	**300**	300
Kiran Patients Welfare Society	**300**	250
Bait-ul-Sukoon Cancer Hospital	**300**	250
Burns Centre	**300**	-
Children Cancer Hospital	**250**	250
Kashif Iqbal Thalassemia Care Centre	**200**	-
Marie Adelaide Leprosy Centre	**200**	-
	10,050	5,800

18.1.3 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.

10 ISLAMIC FINANCING AND RELATED ASSETS

		Note	2016	2015
			------- (Rupees in '000) -------	
	In Pakistan			
	- Murabaha	*10.2*	**14,361,521**	13,345,105
	- Musharaka cum Ijara – Housing		**8,639,739**	7,352,708
	- Musharaka cum Ijara - Autos	*10.3*	**13,495,621**	10,919,239
	- Ijara Muntahiya Bil Tamleek – Autos		**408,507**	413,932
	- Musharaka cum Ijara – Other		**69,910**	112,594
	- Export Refinance under Islamic Scheme - SBP		**3,778,120**	5,261,901
	- Wakala Istithmar – Pre manufacturing		**10,335,916**	4,807,137
	- Wakala Istithmar – Post manufacturing		**147,449**	2,635,829
	- Shirkatulmilk		**17,874,089**	14,177,621
	- Service Ijarah and related assets		**718,750**	593,750
	- Musharaka		**13,576,303**	12,395,508
	- Running Musharaka		**4,718,026**	16,455,769
	- Istisna cum Wakala	*10.4*	**5,545,267**	13,754,927
	- Salam		**1,656,000**	4,402,000
	- Musawama	*10.5*	**388,331**	22,954
	Islamic financings and related assets – gross		**95,713,549**	106,650,974
	Less: Provision against non-performing Islamic financing & related assets	*10.6 & 10.7*	**(1,802,647)**	(1,697,337)
	Islamic financings and related assets – net of provisions		**93,910,902**	104,953,637
10.1	**Particulars of Islamic financings and related asset (Gross)**			
10.1.1	In local currency		**94,267,607**	102,298,731
	In foreign currencies		**1,445,942**	4,352,243
			95,713,549	106,650,974
10.1.2	Short Term (for upto one year)		**35,720,151**	62,774,218
	Long Term (for over one year)		**59,993,398**	43,876,756
			95,713,549	106,650,974
10.2	**Murabaha**			
	Financings		**8,308,279**	10,646,065
	Advances		**6,053,242**	2,699,040
			14,361,521	13,345,105
10.3	**Musharaka cum Ijara – Autos**			
	Financings		**12,430,918**	10,335,898
	Advances		**1,064,703**	583,341
			13,495,621	10,919,239
10.4	**Istisna cum Wakala**			
	Financings		**5,517,062**	7,284,963
	Advances		**28,205**	6,469,964
			5,545,267	13,754,927
10.5	**Musawama**			
	Financings		**133,087**	10,290
	Advances		**255,244**	12,664
			388,331	22,954

10.6 Islamic financing and related assets include Rs 2,414.427 million (2015: Rs. 2,211.992 million) which have been placed under non-performing status as detailed below:

Category of Classification	2016								
	Classified Islamic financing and related			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Other Assets Especially Mentioned	**52,946**	**-**	**52,946**	**-**	**-**	**-**	**-**	**-**	**-**
Substandard	**429,743**	**-**	**429,743**	**150,504**	**-**	**150,504**	**150,504**	**-**	**150,504**
Doubtful	**37,795**	**-**	**37,795**	**1,854**	**-**	**1,854**	**1,854**	**-**	**1,854**
Loss	**1,893,943**	**-**	**1,893,943**	**1,563,970**	**-**	**1,563,970**	**1,563,970**	**-**	**1,563,970**
	2,414,427	**-**	**2,414,427**	**1,716,328**	**-**	**1,716,328**	**1,716,328**	**-**	**1,716,328**

Category of Classification	2015								
	Classified Islamic financing and related			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Other Assets Especially Mentioned	57,167	-	57,167	-	-	-	-	-	-
Substandard	79,055	-	79,055	10,335	-	10,335	10,335	-	10,335
Doubtful	223,530	-	223,530	18,297	-	18,297	18,297	-	18,297
Loss	1,852,240	-	1,852,240	1,580,846	-	1,580,846	1,580,846	-	1,580,846
	2,211,992	-	2,211,992	1,609,478	-	1,609,478	1,609,478	-	1,609,478

10.7 Particulars of provision against non-performing Islamic financings and related assets:

	Note	2016 Specific	2016 General	2016 Total	2015 Specific	2015 General	2015 Total
		(Rupees in '000)					
Opening balance		**1,609,478**	**87,859**	**1,697,337**	1,447,176	62,875	1,510,051
Charge for the year		**269,814**	**-**	**269,814**	416,262	24,984	441,246
Reversals		**(156,540)**	**(1,540)**	**(158,080)**	(253,960)	-	(253,960)
		113,274	**(1,540)**	**111,734**	162,302	24,984	187,286
Amount written-off	*10.7.3*	**(6,424)**	**-**	**(6,424)**	-	-	-
Closing balance		**1,716,328**	**86,319**	**1,802,647**	1,609,478	87,859	1,697,337

10.7.1 Particulars of provision against non-performing Islamic financings and related assets:

	2016 Specific	2016 General	2016 Total	2015 Specific	2015 General	2015 Total
	(Rupees in '000)					
In local currency	**1,716,328**	**86,319**	**1,802,647**	1,606,574	87,859	1,694,433
In foreign currencies	**-**	**-**	**-**	2,904	-	2,904
	1,716,328	**86,319**	**1,802,647**	1,609,478	87,859	1,697,337

As allowed by the SBP, the Bank has availed benefit of forced sale values amounting to Rs. 329.763 million (2015: Rs. 368.514 million) in determining the provisioning against non performing Islamic financings as at December 31, 2016. The additional profit arising from availing the Forced Sales Value (FSV) benefit - net of tax at December 31, 2016 which is not available for distribution as either cash or stock dividend to shareholders amounted to Rs. 214.347 million (2015: Rs. 239.534 million).

10.7.2 General provisioning is held against consumer finance portfolio and small enterprise financings in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan except for Musharaka cum Ijara - Autos. The SBP vide its letter no BPRD / BLRD - 03 / 2009 / 6877 dated October 15, 2009 has allowed relaxation to the Bank from recognising general provision against Musharaka cum Ijara - Autos on the condition that the facility will be categorised as "Loss" on the 180th day from the date of default. In this regard, the SBP vide its letter no BPRD / BRD - 04 / DIB / 2013 / 1644 dated February 12, 2013 has decided that the exemption from general reserve requirement shall only be valid till classified Auto Financing portfolio of the Bank remains upto 5% i.e. if the classified Auto Financing portfolio increases beyond the 5% threshold, the exemption shall stand withdrawn from that point of time.

10.7.3 Particulars of write-offs	**2016**	2015
	(Rupees in '000)	
Against provisions	**6,424**	-
Directly charged to profit and loss account	**-**	-
	6,424	-
Write-offs of Rs. 500,000 and above	**-**	-
Write-offs of below Rs. 500,000	**6,424**	-
	6,424	-

10.7.3.1 Details of Islamic financing write-offs of Rs 500,000 and above

In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written off financings or any other financial relief of five hundred thousand rupees or above allowed to a person(s) during the year ended December 31, 2016 is given in Annexure - I to these financial statements.

10.7.4 Particulars of Islamic financing and related assets to directors, executives or officers of the Bank or any of them either severally or jointly with any other persons:	**2016**	2015
	(Rupees in '000)	
Balance at beginning of the year	**1,465,561**	1,217,449
Disbursements during the year	**455,504**	590,457
Repayments made during the year	**(474,038)**	(342,345)
Balance at end of the year	**1,447,027**	1,465,561

		Note	2016	2015
12	**OTHER ASSETS**		**------- (Rupees in '000) -------**	
	Profit / return accrued in local currency		**833,366**	1,002,468
	Profit / return accrued in foreign currencies		**32,472**	28,631
	Advances, deposits, advance rent and other prepayments	*12.1*	**857,852**	713,031
	Unrealised gain on forward foreign exchange promises		**24,397**	37,997
	Receivables from group company		**4,719**	2,639
	Commission receivable		**206,891**	180,049
	Others		**97,927**	79,629
			2,057,624	2,044,444
	Less: Provision held against other assets	*12.2*	**(3,590)**	(3,590)
	Other assets (net of provisions)		**2,054,034**	2,040,854

12.1 This includes Rs. 411.551 million (2015: Rs. 367.653 million) for advance rent, Rs. 304.74 million (2015: Rs. 226.202 million) in respect of prepaid commission to staff and dealers for auto and house musharaka. The prepaid commission paid to staff and dealers in respect of auto financings is charged over the period of musharaka agreements. However, the prepaid commission paid to staff and dealers in respect of house musharaka is charged over a period of fifteen years. This also includes an amount of Rs. 51.837 million (2015: Rs. 43.969 million) pertaining to prepaid tracker maintenance cost which is amortised over the period of time.

		Note	2016	2015
12.2	**Provision held against other assets**		**--------- (Rupees in '000) ---------**	
	Opening balance		**3,590**	3,590
	Charge for the year		**-**	-
	Reversals during the year		**-**	-
	Closing balance		**3,590**	3,590
13	**BILLS PAYABLE**			
	In Pakistan		**2,212,620**	1,546,208
	Outside Pakistan		**6,359**	6,011
			2,218,979	1,552,219
14	**DUE TO FINANCIAL INSTITUTIONS**			
	In Pakistan		**5,668,969**	4,551,920
	Outside Pakistan		**1,122**	-
			5,670,091	4,551,920
14.1	**Details of due to financial institutions secured / unsecured**			
	Secured			
	Musharaka from the State Bank of Pakistan (SBP) under Islamic Export Refinance Scheme	*14.1.1*	**3,693,969**	4,551,920
	Unsecured			
	Wakala borrowings		**1,975,000**	-
	Overdrawn nostro		**1,122**	-
			5,670,091	4,551,920

14.1.1 These Musharka are on a profit and loss sharing basis having maturity between January 23, 2017 to June 27, 2017 (2015: January 26, 2016 to June 27, 2016) and are secured against demand promissory notes executed in favor of the SBP. A limit of Rs. 7,150 million (2015: Rs. 5,150 million) has been allocated to the Bank by SBP under Islamic Export Refinance Scheme for the financial year ending December 31, 2016.

11 OPERATING FIXED ASSETS

	Note	2016	2015
		------- (Rupees in '000) -------	
Capital work-in-progress - net	*11.1*	**54,283**	116,346
Property and equipment	*11.2*	**1,590,828**	1,571,473
Intangible assets	*11.3*	**224,949**	154,886
		1,870,060	1,842,705

11.1 Capital work-in-progress

	2016	2015
Equipment	**4,830**	57,106
Advances to suppliers and contractors	**64,853**	74,640
Less: Provision against Capital work-in-progress	**(15,400)**	(15,400)
	54,283	116,346

11.2 Property and equipment

2016

	COST			ACCUMULATED DEPRECIATION			Net book value as at December 31, 2016	Rate of Depreciation
	As at January 01, 2016	Additions (disposals)/ (write-offs)	As at December 31, 2016	As at January 01, 2016	Charge for the year / (disposals)/ (write-offs)	As at December 31, 2016		
	------- (Rupees in '000) -------							%
Leasehold land	**47,932**	**(47,932)**	**-**	**-**	**-**	**-**	**-**	**-**
Furniture and fixture	**348,216**	**21,363** **(41)**	**369,538**	**188,407**	**32,132** **(3)**	**220,536**	**149,002**	**10**
Electrical, office and computer equipment	**1,808,824**	**295,847** **(10,611)** **(999)**	**2,093,061**	**1,056,299**	**183,925** **(9,007)** **(624)**	**1,230,593**	**862,468**	**10-33.33**
Vehicles	**53,814**	**7,851** **(6,196)**	**55,469**	**26,314**	**7,352** **(4,957)**	**28,709**	**26,760**	**25**
Leasehold improvements	**1,251,725**	**57,444** **(6,308)**	**1,302,861**	**668,018**	**85,299** **(3,054)**	**750,263**	**552,598**	**5-15**
	3,510,511	**382,505** **(71,088)** **(999)**	**3,820,929**	**1,939,038**	**308,708** **(17,021)** **(624)**	**2,230,101**	**1,590,828**	

2015

	COST			ACCUMULATED DEPRECIATION			Net book value as at December 31, 2016	Rate of Depreciation
	As at January 01, 2015	Additions (disposals)/ (write-offs)	As at December 31, 2015	As at January 01, 2015	Charge for the year / (disposals)/ (write-offs)	As at December 31, 2015		
	------- (Rupees in '000) -------							%
Leasehold land	47,932	-	47,932	-	-	-	47,932	-
Furniture and fixture	313,110	35,132 (26)	348,216	154,515	33,912 (20)	188,407	159,809	10
Electrical, office and computer equipment	1,577,539	241,769 (8,872) (1,612)	1,808,824	901,170	163,418 (7,166) (1,123)	1,056,299	752,525	10-33.33
Vehicles	45,358	10,328 (1,872)	53,814	22,100	5,712 (1,498)	26,314	27,500	25
Leasehold improvements	1,134,527	117,198	1,251,725	569,549	98,469	668,018	583,707	5-15
	3,118,466	404,427 (10,770) (1,612)	3,510,511	1,647,334	301,511 (8,684) (1,123)	1,939,038	1,571,473	

26 OTHER INCOME

	Note	2016	2015
		------- (Rupees in '000) -------	
Gain on sale of operating fixed assets - net		**42,436**	1,939
Others		**-**	84
		42,436	2,023

27 ADMINISTRATIVE EXPENSES

	Note	2016	2015
Salaries, allowances, etc.	*27.1*	**2,079,383**	2,039,682
Remuneration to Shariah Board		**2,530**	1,564
Charge for defined benefit plan	*33.10.1*	**43,671**	43,352
Contribution to defined contribution plan		**73,998**	66,279
Brokerage and commission		**199,073**	147,898
Rent, taxes, insurance, electricity, etc.		**1,311,421**	1,203,997
Legal and professional charges		**44,035**	87,374
Communications		**241,746**	214,694
Repairs and maintenance		**367,016**	284,652
Traveling		**53,268**	50,233
Stationery and printing		**90,902**	76,048
Subscription fees		**5,400**	4,154
Advertisement and publicity		**47,055**	76,272
Auditors' remuneration	*27.2*	**5,615**	5,488
Depreciation	*11.2*	**308,708**	301,511
Amortization	*11.3*	**104,572**	90,912
Tracker related costs		**112,378**	89,085
Others		**173,318**	204,738
		5,264,089	4,987,933

27.1 This includes Rs. 11.739 million (2015: Rs. 8.080 million) in respect of Contribution to Employees' Old Age Benefit Institution.

27.2 Auditors' remuneration

	2016	2015
	------- (Rupees in '000) -------	
Audit fee	**1,155**	1,155
Fee for interim review of half yearly financial statements	**485**	485
Special certifications and sundry advisory services	**2,934**	2,934
Out-of-pocket expenses	**1,041**	914
	5,615	5,488

28 OTHER CHARGES

	Note	2016	2015
Worker Welfare Fund	*28.1*	**4,907**	14,525
Penalties imposed by the State Bank of Pakistan		**10,237**	6,927
Operating fixed assets written-off		**375**	489
		15,519	21,941

28.1 During the current year, the Supreme Court of Pakistan has declared that the amendments in the Worker's Welfare Fund (WWF) Ordinance made through finance acts of 2006 and 2008 are unconstitutional. Accordingly, the Bank has reversed WWF paid during the years 2009 to 2012 amounting to Rs. 26.345 million.

29 TAXATION

	2016	2015
Current	**535,978**	191,099
Prior years	**34,868**	29,648
Deferred	**(55,355)**	60,420
	515,491	281,167

		2016	2015
		-------- (Rupees in '000) --------	
33.6	**Movement in defined benefit obligation**		
	Obligations at the beginning of the year	**168,777**	133,264
	Current service cost	**45,858**	47,668
	Cost of funds	**15,159**	13,245
	Benefits paid	**(34,376)**	(14,233)
	Actuarial loss / (gain) on obligation	**11,190**	(11,166)
	Obligations at end of the year	**206,608**	168,778
33.7	**Movement in fair value of plan assets**		
	Fair value at the beginning of the year	**168,777**	133,264
	Expected return on plan assets	**17,346**	17,561
	Contributions	**43,738**	40,381
	Benefits paid	**(34,376)**	(14,233)
	Actuarial loss on plan assets	**(10,808)**	(8,195)
	Fair value at end of the year	**184,677**	168,778
33.8	**Plan assets consist of the following:**		
	Balance with Bank in deposit accounts	**24,678**	108,727
	Term Deposit Receipts	**160,000**	-
	Sukuk certificates	**-**	60,051
		184,678	168,778
33.9	**Movement in payable to defined benefit plan**		
	Opening balance	**-**	-
	Charge for the year	**43,671**	43,352
	Other Comprehensive Income	**21,998**	(2,971)
	Bank's contribution to the fund made during the year	**(43,738)**	(40,381)
	Closing balance	**21,931**	-
33.10	**Charge for defined benefit plan**		
33.10.1	**Cost recognised in profit or loss**		
	Current service cost	**45,858**	47,668
	Net return	**(2,187)**	(4,316)
		43,671	43,352
33.10.2	**Remeasurements recognised in other comprehensive income during the year**		
	Gain/ (loss) on obligation		
	Actuarial (gain) / loss on plan assets	**10,808**	8,195
	Actuarial loss / (gain) on obligation	**11,190**	(11,166)
	Net Actuarial gain recognised in other comprehensive income	**21,998**	(2,971)
33.11	**Actual return on plan assets**	**6,538**	9,366

11.2.1 Disposal / write off of operating fixed assets

	2016						
	Cost	Accumulated depreciation	Net book value	Sale price	Gain/(loss)	Mode of disposal	Particulars of buyer
	(Rupees in '000)						
Items having book value of more than Rs. 250,000 or cost of more than Rs. 1,000,000							
Electrical, office and computer equipment	**999**	**624**	**375**	**-**	**(375)**	Write-off	N/A
Leasehold Land	**47,932**	**-**	**47,932**	**88,500**	**40,568**	Bank's Policy	Mr. Riaz Ahmed
Vehicles	**6,196**	**4,957**	**1,239**	**1,850**	**611**	Bank's Policy	New Car Complex
Electrical, office and computer equipment	**5,412**	**4,145**	**1,267**	**1,622**	**355**	Bank's Policy	Various
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000							
Electrical, office and computer equipment	**5,199**	**4,862**	**337**	**953**	**616**	Bank's Policy	Various
Furniture and fixture	**41**	**3**	**38**	**35**	**(3)**	Bank's Policy	Khambhati Furniture
Leasehold Improvement	**6,308**	**3,054**	**3,254**	**3,543**	**289**	Bank's Policy	Signs Now
	72,087	**17,645**	**54,442**	**96,503**	**42,061**		

11.2.2 The cost of fully depreciated fixed assets still in use amounts to Rs. 1,354.83 million (2015: Rs. 1,131.31 million).

11.3 Intangible asset

	2016							
	COST			ACCUMULATED AMORTISATION			Net book value as at December 31, 2016	Rate of amortization
	As at January 01, 2016	Additions / (disposals)	As at December 31, 2016	As at January 01, 2016	Amortisation	As at December 31, 2016		
	(Rupees in '000)							%
Computer software	**740,010**	**174,635**	**914,645**	**585,124**	**104,572**	**689,696**	**224,949**	**11.11 - 33.33**

	2015							
	COST			ACCUMULATED AMORTISATION			Net book value as at December 31, 2015	Rate of amortization
	As at January 01, 2015	Additions / (disposals)	As at December 31, 2015	As at January 01, 2015	Amortisation	As at December 31, 2015		
	(Rupees in '000)							%
Computer software	702,995	37,015	740,010	494,212	90,912	585,124	154,886	11.11 - 33.33

11.3.1 The cost of fully amortized intangibles still in use amounts to Rs. 116.333 million (2015: Rs. 91.370 million).

19 SHARE CAPITAL

19.1 Authorised capital

2016	2015		2016	2015
------- Number of Shares -------			------- (Rupees in '000) -------	
1,200,000,000	1,200,000,000	Ordinary shares of Rs.10 each	**12,000,000**	12,000,000

19.2 Issued, subscribed and paid up

2016	2015		2016	2015
------- Number of Shares -------		**Ordinary shares**	------- (Rupees in '000) -------	
1,022,556,710	697,603,000	Fully paid in cash	**10,225,567**	6,976,030

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

20 RESERVES

	Note	2016	2015
		------- (Rupees in '000) -------	
Statutory Reserve	*20.1*	**404,694**	233,586

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 ON REVALUATION OF INVESTMENTS

	2016	2015
	------- (Rupees in '000) -------	
21.1 Surplus on revaluation of investments		
Sukuk certificates	**93,309**	19,843
Units of open ended mutual fund	**247**	-
	93,556	19,843
Less : Related deferred tax liability	**(32,745)**	(6,945)
	60,811	12,898

22 CONTINGENCIES AND COMMITMENTS

22.1 Transaction-related contingent liabilities

	2016	2015
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favoring		
- Government	**3,833,623**	752,253
- Banking companies and other financial institutions	**333,921**	333,996
- Others	**1,812,141**	1,928,924
	5,979,685	3,015,173

22.2 Trade-related contingent liabilities

	2016	2015
Import Letters of Credit (including acceptances)	**16,543,664**	10,523,323
22.3 Claims not acknowledged as debt	**10,000**	10,000

22.3.1 The Competition Commission of Pakistan vide its order dated June 28, 2012 had imposed a penalty of Rs 10 million on the Bank. The penalty was imposed upon CCPs contentions that the ATM Service Charges charged by 1-Link member banks was unfair. However, the same order was set aside by the Competition Appellate Tribunal. Consequently, CCP has filed an appeal with the Supreme Court of Pakistan for imposing the order of penalty on every member bank of 1-Link. The management of the Bank is confident that the above matter will be decided in their favour and hence, no provision against any liability which may arise in this respect has been made in these financial statements.

22.4 Commitments in respect of promises to

	2016	2015
	------- (Rupees in '000) -------	
Purchase	**17,958,966**	16,262,110
Sale	**11,895,409**	17,602,752

	2016	2015
22.5 Commitments for the acquisition of operating fixed assets	**86,885**	157,787
22.6 Commitments in respect of financing facilities	**1,230,000**	3,584,638

The Bank makes commitment(s) to extend financing in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

22.7 Tax contingencies

During the year ended December 31, 2015, the Additional Commissioner Inland Revenue (ACIR) amended the assessments of the Bank for the tax years 2010, 2011, 2012 and 2013. The amended assessment orders have been passed by adding / disallowing certain expenses / deductions in each of the tax years and calculation of turnover tax based on treatment of murabaha income at its gross value resulting in additional tax liability to the Bank.

The Bank's appeal with the Appellate Tribunal of Inland Revenue (ATIR) against the above order were decided during the year. On the issue of turnover tax levy over Murabaha transactions amounting to Rs. 3,326 million, the issue has been remanded back to the department.

The management is of the view that the contention of the taxation authorities is not justified based on the fact that Clause (11A) Part IV of the Second Schedule to the Income Tax Ordinance, 2001 specifically excludes Murabaha transactions from the definition of turnover for the purpose of charging minimum tax. Although the relevant clause of the Second Schedule is not applicable for banks, however, the spirit of the law cannot be different for a bank and another entity. Consequently, keeping in view the legal and factual position of the issue, the Bank and its tax advisor are confident of a favourable outcome in the higher appellate forums.

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

23 PROFIT / RETURN EARNED

	2016	2015
	------- (Rupees in '000) -------	
On Islamic financings and related assets to customers	**7,282,667**	6,062,916
On Investments in available for sale securities	**1,358,093**	1,431,737
On Investments in held for trading securities	**14,915**	36,836
On deposits / placements with financial institutions	**830,614**	1,194,157
	9,486,289	8,725,646

24 PROFIT / RETURN EXPENSED

	2016	2015
Deposits and other accounts	**4,084,813**	3,883,131
Other short term fund generation	**188,785**	208,088
	4,273,598	4,091,219

25 GAIN ON SALE OF SECURITIES

	2016	2015
Sukuk certificates	**163,206**	15,946
Units of open ended mutual fund	**80**	-
	163,286	15,946

29.1 Relationship between tax charge and accounting profit

	2016	2015
	------- (Rupees in '000) -------	
Profit before taxation	**1,371,031**	711,722
Effect of:		
Tax at the applicable rate of 35 %	**479,861**	249,103
Permanent differences	**5,456**	2,424
Prior year charge	**34,868**	29,648
Others	**(4,694)**	(8)
Tax Charge for the year	**515,491**	281,167

30 BASIC AND DILUTED EARNING PER SHARE

	Note	2016	2015
		------- (Rupees in '000) -------	
Profit after taxation for the period		**855,540**	430,555
		------- Number of shares -------	
Weighted average number of ordinary shares		**702,042,258**	697,603,000
		------- (Rupees) -------	
Earning per share - basic and diluted	*30.1*	**1.219**	0.617

30.1 There were no convertible / dilutive potential ordinary shares outstanding as at December 31, 2016 and December 31, 2015.

31 CASH AND CASH EQUIVALENTS

	Note	2016	2015
		------- (Rupees in '000) -------	
Cash and balances with treasury banks	*6*	**14,007,320**	14,183,630
Balances with other banks	*7*	**543,363**	3,869,403
Overdrawn nostro		**(1,122)**	-
		14,549,561	18,053,033

32 STAFF STRENGTH

	2016	2015
	------ (Number of employees)------	
Permanent	**1,768**	1,773
Contractual basis	**10**	7
Bank's own staff strength at end of the year	**1,778**	1,780
Outsourced	**1,050**	1,172
Total staff strength	**2,828**	2,952

33 DEFINED BENEFIT PLAN

33.1 General Description

As mentioned in note 5.9.1, 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 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.

	2016 Amount	2016 Pre-Basel III treatment*	2015 Amount	2015 Pre-Basel III treatment*
	------------------------- (Rupees in '000) -------------------------			

39.5.2 Additional Tier 1 Capital: regulatory adjustments

	2016 Amount	2016 Pre-Basel III treatment*	2015 Amount	2015 Pre-Basel III treatment*
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	-	-	-
Investment in own AT1 capital instruments	-	-	-	-
Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	-	-	-	-
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-	-
Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital	-	-	-	-
Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-	-	-
Total of Regulatory Adjustment applied to AT1 capital	-	-	-	-

39.5.3 Tier 2 Capital: regulatory adjustments

	2016 Amount	2016 Pre-Basel III treatment*	2015 Amount	2015 Pre-Basel III treatment*
Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-	-	-	-
Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	-	-	-	-
Investment in own Tier 2 capital instrument	-	-	-	-
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-	-
Total regulatory adjustment applied to T2 capital	-	-	-	-

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

39.5.4 Risk Weighted Assets subject to pre-Basel III treatment

	2016	2015
	----------- (Rupees in '000) -----------	
Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment) of which:	-	-
- *Deferred tax assets*	-	-
- *Defined-benefit pension fund net assets*	-	-
- Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	-	-
Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	-	-
Amounts below the thresholds for deduction (before risk weighting)		
Non-significant investments in the capital of other financial entities	-	-
Significant investments in the common stock of financial entities	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
Applicable caps on the inclusion of provisions in Tier 2		
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	**86,319**	87,859
Cap on inclusion of provisions in Tier 2 under standardized approach	**1,106,163**	1,073,490
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

33.2 Risks

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

Investment risks

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 most common type of retirement benefit is one where the benefit is linked with the final salary. 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.

33.3 Principal actuarial assumptions

The latest actuarial valuation of the Bank's gratuity scheme was carried out as at December 31, 2016 using the Projected unit credit method. The disclosures made in notes 33.1 to 33.16 are based on the information included in the actuarial valuation report of the Bank as of December 31, 2016. The following significant assumptions were used for the valuation of the defined benefit plan:

	2016	2015
Discount rate	**9.0%**	10.0%
Expected return on plan assets	**9.0%**	10.0%
Expected rate of salary increase	**7.0%**	8.0%
Normal retirement age	**60 years**	60 years

33.4 Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in Pakistan. The rates assumed are based on the SLIC 2001 - 2005 ultimate mortality tables.

33.5 The amount recognized in the statement of financial position are determined as follows	**2016**	2015
	------- (Rupees in '000) -------	
Present value of defined benefit obligations	**206,608**	168,778
Fair value of plan assets	**(184,677)**	(168,778)
	21,931	-

33.12 Historical information

	2016	2015	2014	2013	2012
	(Rupees in '000)				
Defined benefit obligation	**206,608**	168,778	133,264	106,951	89,470
Fair value of plan assets	**(184,677)**	(168,778)	(133,264)	(106,951)	(103,096)
Deficit / (surplus)	**21,931**	-	-	-	(13,626)
Remeasurements of plan liabilities	**11,190**	(11,166)	(1,564)	(3,251)	(4,848)
Remeasurements of plan assets	**(10,808)**	(8,195)	(1,352)	(4,186)	900

33.13 The weighted average duration of the defined benefit obligation is 17.52 years.

33.14 Expected maturity analysis of undiscounted defined benefit obligation for the gratuity scheme is as follows:

Less than a year	**Between 1 - 2 years**	**Between 2 - 5 years**	**Over 5 years**	**Total**
(Rupees in '000)				
11,731	30,186	77,565	156,100	275,582

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

	Impact on defined benefit obligation - Increase / (Decrease)		
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	**0.50%**	**9,404**	**(10,190)**
Salary growth rate	**0.50%**	**(11,348)**	**10,533**

	Increase by 1 year in assumption	**Decrease by 1 year in assumption**
	(Rupees in '000)	
Life expectancy / Withdrawal rate	**189**	**(126)**

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognised within the Statement of Financial Position.

33.16 Estimated expenses to be charged to profit and loss account for the year ending December 31, 2017

Based on the actuarial advice, the management estimates that charge in respect of defined benefit plans for the year ending December 31, 2017 would be as follows:

	(Rupees in '000)
Current service cost	**51,253**
Interest cost on defined benefit obligation	**(1,463)**
Amount chargeable to profit and loss account	**49,790**

34 DEFINED CONTRIBUTION PLAN (PROVIDENT FUND)

The Bank operates a contributory provident fund scheme for permanent employees. The employer and employee both contribute 10% of the basic salaries to the funded scheme every month. Equal monthly contribution by employer and employees during the year amounted to Rs. 73.998 million each (2015: Rs. 66.279 million).

35 COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive		Directors		Executives	
	2016	2015	**2016**	2015	**2016**	2015
	(Rupees in '000)					
Fees	**-**	-	**13,635**	16,667	**-**	-
Managerial remuneration (including Bonus)	**41,674**	39,168	**-**	-	**483,748**	402,633
Charge for defined benefit plan	**2,223**	764	**-**	-	**35,337**	33,552
Contribution to defined contribution plan	**2,667**	916	**-**	-	**42,404**	40,263
Rent and house maintenance	**19,142**	6,950	**-**	-	**169,841**	162,433
Utilities	**2,667**	916	**-**	-	**42,404**	40,263
Medical	**133**	64	**-**	-	**11,320**	10,075
Leave fare assistance	**2,223**	621	**-**	-	**36,838**	24,968
Car allowance	**1,374**	1,374	**-**	-	**117,071**	110,880
Others	**-**	-	**-**	-	**19,623**	45,795
	72,103	50,773	**13,635**	16,667	**958,586**	870,862
Number of persons	**1**	1	**8**	8	**370**	339

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.

36 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of quoted investments is based on quoted market prices. Other unquoted securities are valued at cost less impairment losses. The provision for impairment in the value of investments has been determined in accordance with the accounting policy as stated in note 5.3.5 to these financial statements.

Fair values of islamic financing and related assets cannot be determined with reasonable accuracy due to absence of current and active market. The provisions against islamic financing and related assets have been calculated in accordance with the accounting policy as stated in note 5.4 to these financial statements. The repricing, maturity profile and effective rates are stated in note 40 to these financial statements.

In the opinion of the management, fair value of remaining assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short term in nature and there are frequent repricings in the case of islamic financing and related assets and deposits.

The table below analyses financial and non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs e.g. estimated future cash flows) (Level 3).

RECURRING FAIR VALUE MEASUREMENTS

	2016			
On-Balance Sheet Financial Instruments	**Level 1**	**Level 2**	**Level 3**	**Total**
	-------------------------- (Rupees in '000) --------------------------			
INVESTMENTS				
Available for sale securities				
GOP Ijara Sukuk	**-**	**12,662,564**	**-**	**12,662,564**
Other Sukuk Certificates	**-**	**8,484,556**	**-**	**8,484,556**
Global Sukuk	**6,047,669**	**-**	**-**	**6,047,669**
Bai muajjal receivable from GOP	**-**	**-**	**-**	**-**
Units of open-end mutual funds	**16,870**	**-**	**-**	**16,870**
	6,064,539	**21,147,120**	**-**	**27,211,659**
Off-Balance Sheet Financial Instruments				
Forward promise to purchase foreign currencies	**-**	**17,886,578**	**-**	**17,886,578**
Forward promise to sell foreign currencies	**-**	**11,858,008**	**-**	**11,858,008**

RECURRING FAIR VALUE MEASUREMENTS

	2015			
On-Balance Sheet Financial Instruments	Level 1	Level 2	Level 3	Total
	-------------------------- (Rupees in '000) --------------------------			
INVESTMENTS				
Available for sale securities				
GOP Ijara Sukuk	-	10,165,170	-	10,165,170
Other Sukuk Certificates	-	5,137,009	-	5,137,009
Global Sukuk	3,213,629	-	-	3,213,629
Bai muajjal receivable from GOP		5,306,448		5,306,448
Units of open-end mutual funds	-	-	-	-
	3,213,629	20,608,627	-	23,822,256
Off-Balance Sheet Financial Instruments				
Forward promise to purchase foreign currencies	-	16,262,110	-	16,262,110
Forward promise to sell foreign currencies	-	17,602,752	-	17,602,752

37 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	2016					
	Corporate Banking	**Trading & Sales**	**Retail Banking**	**Commercial Banking**	**Others**	**Total**
	(Rupees in '000)					
External revenue						
Profit earned	**-**	**1,809,759**	**2,332,184**	**5,291,150**	**53,196**	**9,486,289**
Fee, commission and brokerage	**100,535**	**53,286**	**1,033,939**	**336,757**	**42,011**	**1,566,528**
Other income	**-**	**-**	**-**	**-**	**-**	**-**
Intersegment revenue	**-**	**(1,010,137)**	**4,147,086**	**(3,038,913)**	**(98,036)**	**-**
Total revenue	**100,535**	**852,908**	**7,513,209**	**2,588,994**	**(2,829)**	**11,052,817**
Depreciation and amortisation	**-**	**(1,856)**	**(188,718)**	**(8,991)**	**(213,715)**	**(413,280)**
Impairment of assets	**-**	**-**	**39,239**	**(158,523)**	**(9,296)**	**(128,580)**
Other immaterial non cash items	**-**	**-**	**-**	**-**	**-**	**-**
Other expenses	**(19,868)**	**(595,646)**	**(6,340,276)**	**(1,937,692)**	**(246,444)**	**(9,139,926)**
Total expenses	**(19,868)**	**(597,502)**	**(6,489,755)**	**(2,105,206)**	**(469,455)**	**(9,681,786)**
Reportable segment profit	**80,667**	**255,406**	**1,023,454**	**483,788**	**(472,284)**	**1,371,031**
Tax expense	**30,113**	**94,422**	**394,035**	**187,926**	**(191,005)**	**515,491**
Segment assets	**-**	**31,820,655**	**38,885,716**	**77,096,182**	**6,169,329**	**153,971,882**
Segment liabilities	**-**	**4,800,000**	**99,622,490**	**33,182,345**	**2,421,229**	**140,026,064**
Segment average return on net assets	**-**	**4.40%**	**10.89%**	**6.99%**	**3.66%**	
Segment cost of funds	**-**	**6.19%**	**2.76%**	**3.82%**		

	2015					
	Corporate Banking	Trading & Sales	Retail Banking	Commercial Banking	Others	Total
	(Rupees in '000)					
External revenue						
Profit earned		2,265,267	2,013,488	4,401,555	45,336	8,725,646
Fee, commission and brokerage	95,903	(48,855)	831,461	381,735	14,212	1,274,455
Other income						
Intersegment revenue		(1,813,757)	4,447,711	(2,619,687)	(14,267)	-
Total revenue	95,903	402,655	7,292,660	2,163,603	45,281	10,000,101
Depreciation and amortisation		(5,600)	(221,869)	(14,395)	(150,559)	(392,423)
Impairment of assets			(20,516)	(167,319)	549	(187,287)
Other immaterial non cash items						
Other expenses	(15,882)	(295,317)	(6,935,654)	(1,611,898)	150,082	(8,708,669)
Total expenses	(15,882)	(300,917)	(7,178,039)	(1,793,612)	72	(9,288,379)
Reportable segment profit	80,021	101,737	114,621	369,990	45,353	711,722
Tax expense	31,508	40,407	96,756	112,492	5	281,167
Segment assets	-	39,684,293	18,607,722	92,971,563	7,545,934	158,809,512
Segment liabilities	-	9,008,000	103,143,633	25,329,546	11,636,339	149,117,518
Segment average return on net assets	-	6.53%	13.45%	8.00%	3.38%	
Segment cost of funds	-	6.29%	3.79%	5.86%		

38 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and include a subsidiary company, associated companies with or without common directors, retirement benefit funds, directors, and key management personnel.

The Bank has related party relationship with Dubai Islamic Bank P.J.S.C, U.A.E, the holding company, shareholder, directors, related group companies and associated undertakings, key management personnel including Chief Executive Officer and Staff Retirement Funds.

A number of banking transactions are entered into with related parties in the normal course of business. These include financing and deposit transactions. These transactions are executed substantially on the same terms including profit rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal risk.

Contributions to staff retirement benefit plan are made in accordance with the terms of the contribution plan. Remuneration to the executives are determined in accordance with the terms of their appointment.

Transactions with related parties other than remuneration and benefits to key management personnel including Chief Executive Officer under the terms of the employment as disclosed in note 35 are as follows:

39.9 Risk-weighted exposures

	Capital requirements		Risk weighted assets	
	2016	2015	**2016**	2015
Credit Risk	--------------------------(Rupees in '000)--------------------------			
Portfolios subject to on-balance sheet exposure (Simple Approach)				
Cash and cash equivalents	**-**	-	**-**	-
Sovereign	**3,616**	24,509	**33,955**	239,108
Banks	**306,263**	282,184	**2,875,705**	2,753,015
Public sector entities	**83,984**	168,632	**788,581**	1,645,186
Corporate	**6,138,512**	6,245,565	**57,638,607**	60,932,337
Retail	**1,322,829**	965,545	**12,420,929**	9,419,952
Residential mortgage	**252,119**	200,014	**2,367,311**	1,951,357
Past due loans	**72,713**	67,020	**682,751**	653,850
Operating fixed assets	**169,938**	166,929	**1,595,658**	1,628,579
All other assets	**218,755**	205,293	**2,054,034**	2,002,857
Portfolios subject to off-balance sheet exposure - non market related (Simple approach)				
Financial guarantees	**16,960**	13,120	**159,250**	128,000
Acceptances	**395,832**	172,895	**3,716,733**	1,680,990
Performance related commitments	**212,780**	123,075	**1,997,932**	1,211,381
Trade related commitments	**210,054**	146,346	**1,972,339**	1,423,754
Commitments in respect of operating fixed asset	**9,253**	16,173	**86,885**	157,787
Other Commitments	**1,065**	1,025	**10,000**	10,000
Portfolios subject to off-balance sheet exposures - market related (Current exposure method)				
Banks	**9,376**	3,967	**88,036**	38,699
Customers	**459**	239	**4,307**	2,329
Market Risk				
Interest rate risk	**517,144**	443,329	**6,464,299**	4,325,163
Equity position risk	**2,699**	-	**33,739**	-
Foreign Exchange risk	**20,893**	24,929	**261,159**	243,212
Market risk-weighted exposures	**540,736**	468,258	**6,759,197**	4,568,375
Capital Requirement for portfolios subject to Standardised Approach				
Operational Risk				
Capital requirement for operational risk	**877,961**	944,444	**10,974,513**	9,214,088
TOTAL	**10,843,205**	10,215,232	**106,226,723**	99,661,645

	December 31, 2016		December 31, 2015	
Capital Adequacy Ratio	**Required**	**Actual**	Required	Actual
CET1 to total RWA	**6.00%**	**11.09%**	6.00%	7.78%
Tier-1 capital to total RWA	**7.50%**	**11.09%**	7.50%	9.66%
Total capital to total RWA	**10.65%**	**11.22%**	10.25%	11.13%
Leverage ratio	**3.00%**	**6.11%**	3.00%	5.20%

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

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

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 Monitoring Committee and the Bank's Risk Management Group and has developed an elaborate risk identification measurement and management framework.

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

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

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

40.1 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.

Key management personnel	2016	2015
	------- (Rupees in '000) -------	
Islamic financing and related assets		
At beginning of the year	**170,550**	122,788
Disbursements	**107,610**	116,130
Payments	**(112,311)**	(68,368)
Adjustment for incoming members	**20,515**	-
Adjustment for outgoing members	**(44,643)**	-
At the end of the year	**141,721**	170,550
Deposits		
At beginning of the year	**35,147**	23,550
Deposits	**327,349**	250,760
Withdrawals	**(312,011)**	(239,163)
Adjustment for incoming members	**1,513**	
Adjustment for outgoing members	**(5,985)**	-
At the end of the year	**46,013**	35,147
Directors		
Deposits		
At beginning of the year	**4,244**	16,170
Deposits	**19,926**	71,667
Withdrawals	**(17,956)**	(80,993)
Adjustment for retiring directors	**-**	(2,600)
At the end of the year	**6,214**	4,244
Holding company		
Deposits		
At beginning of the year	**45,724**	13,701
Deposits	**1,204,939**	2,477,242
Withdrawals	**(1,221,301)**	(2,445,219)
At the end of the year	**29,362**	45,724
Balance held abroad		
At beginning of the year	**1,154,055**	92,305
Deposits	**98,380,691**	61,346,157
Withdrawals	**(99,481,633)**	(60,284,407)
At the end of the year	**53,113**	1,154,055
Other payables	**-**	48,479
Other receivables	**4,719**	2,639
Foreign exchange deals outstanding with Dubai Islamic Bank P.J.S.C.		
Foreign currency purchase contracts	**5,818,314**	3,557,098
Foreign currency sale contracts	**5,818,314**	3,557,098
Profit earned on Islamic financing and related assets to key management personnel	**8,763**	5,920
Return on deposits to key management personnel	**980**	618
Remuneration to key management personnel	**173,193**	212,007
Return on deposits to directors	**25**	85
Remuneration to directors	**13,635**	16,667
Purchase of foreign currency sukuk from holding company	**9,915,938**	3,238,147
Sale of foreign currency sukuk to holding company	**7,092,301**	-
Fee charged by the holding company in respect of outsourcing arrangement	**-**	52,663
Employee benefit plans		
Contribution to employees gratuity fund	**43,738**	40,381
Contribution to employees provident fund	**73,998**	66,279
Foreign exchange deals entered during the year with Dubai Islamic Bank P.J.S.C.		
Foreign currency purchase contracts	**82,103,573**	38,379,116
Foreign currency sale contracts	**84,718,389**	40,888,862

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

		Source based on reference number from step 2	Component of regulatory capital reported by bank (Rupees in '000)
	Common Equity Tier 1 capital (CET1): Instruments and reserves		
1	Fully Paid-up Capital/ Capital deposited with SBP	(s)	10,225,567
2	Balance in Share Premium Account		-
3	Reserve for issue of Bonus Shares		-
4	General / Statutory Reserves	(u)	404,694
5	Gain / (Losses) on derivatives held as Cash Flow Hedge		-
6	Unappropriated / unremitted profits	(w)	1,416,262
7	Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	(x)	-
8	**CET 1 before Regulatory Adjustments**		**12,046,523**
	Common Equity Tier 1 capital: Regulatory adjustments		
9	Goodwill (net of related deferred tax liability)	(j) - (o)	-
10	All other intangibles (net of any associated deferred tax liability)	(k) - (p)	262,144
11	Shortfall of provisions against classified assets (Note 39.6.2.1)	(f)	-
12	Deferred tax assets that rely on future profitability excluding those arising		-
	from temporary differences (net of related tax liability)	{(h) - (r)} * x%	-
13	Defined-benefit pension fund net assets	{(l) - (q)} * x%	-
14	Reciprocal cross holdings in CET1 capital instruments	(d)	-
15	Cash flow hedge reserve		-
16	Investment in own shares / CET1 instruments		-
17	Securitization gain on sale		-
18	Capital shortfall of regulated subsidiaries		-
19	Deficit on account of revaluation from bank's holdings of property / AFS	(ab)	-
20	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(a) - (ac) - (ae)	-
21	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	(b) - (ad) - (af)	-
22	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	(i)	-
23	Amount exceeding 15% threshold of which:		-
	- significant investments in the common stocks of financial entities		
	- deferred tax assets arising from temporary differences		-
24	National specific regulatory adjustments applied to CET1 capital of which:		-
	- *Investment in TFCs of other banks exceeding the prescribed limit*		-
	- *Any other deduction specified by SBP (mention details)*		-
25	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions		-
26	**Total regulatory adjustments applied to CET1 (Sum 9 to 25)**		**262,144**
27	**Common Equity Tier 1**		**11,784,379**
	Additional Tier 1 (AT 1) Capital		
28	Qualifying Additional Tier-1 instruments plus any related share premium		-
	of which:		
29	- *Classified as equity*	(t)	-
30	- *Classified as liabilities*	(m)	-
31	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	(y)	-
32	- *of which: instrument issued by subsidiaries subject to phase out*		-
33	**AT1 before regulatory adjustments**		**-**

39 CAPITAL ASSESSMENT AND ADEQUACY

39.1 Capital management

Capital Management aims to safeguard the Bank's ability to continue as a going concern so that it could continue to provide adequate returns to shareholders by pricing products and services commensurately with the level of risk. For this the Bank ensures strong capital position and efficient use of capital as determined by the underlying business strategy i.e. maximizing growth on continuing basis. The Bank maintains a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The State Bank of Pakistan (SBP) has prescribed guidelines with respect to disclosure of capital adequacy related information in the financial statements of banks. These guidelines are based on the requirements of Basel III which were introduced earlier by the SBP in August 2013 for implementation by banks in Pakistan. The SBP has specified a transitional period till 2018 for implementation of Basel III. The disclosures below have been prepared on the basis of the SBP's guidelines.

39.2 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.

39.3 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, 2016 stands at Rs. 10.23 billion (2015: Rs. 6.97 billion) and is in compliance with the SBP requirement for the said year. The Bank has met its minimum caital requirement by conversion of FCY sub-ordinated debt from the sponsors placed in non-remunerative deposit account with SBP to paid up capital.The capital adequacy ratio (CAR) of the Bank is subject to the Basel III capital adequacy guidelines stipulated by the State Bank of Pakistan through its BPRD Circular No. 06 of 2013 dated August 15, 2013.The Capital Adequacy Ratio (CAR) requirement as of December 31, 2016 is 10.65%.

39.4 Capital Structure

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

- Tier 1 capital (going concern capital) which is sub divided into:

a) Common Equity Tier 1 (CET1), which includes fully paid up capital, reserve for bonus issue, general reserves and un-appropriated profits (net of losses), etc after deductions for investments in the equity of subsidiary companies engaged in banking and financial activities (to the extent of 50%), reciprocal crossholdings and deficit on revaluation of available for sale investments and deduction for book value of intangibles.

b) Additional Tier 1 capital (AT1), which includes instruments issued by the Bank which meet the specified criteria after deduction of remaining 50% investment in the equity of subsidiary companies engaged in banking and financial activities and other specified deductions.

- Tier II capital, which includes general provisions for loan losses (upto a maximum of 1.25% of credit risk weighted assets), reserves on revaluation of fixed assets and available for sale investments after deduction of deficit on available for sale

Banking operations are categorised in either the trading book or the banking book and risk weighted assets are determined according to the specified requirements that seek to reflect the varying levels of risk attached to assets and off balance sheet exposures.

39.5 Capital adequacy ratio

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

	2016	2015
	----------- (Rupees in '000) -----------	
Common Equity Tier 1 capital (CET1): Instruments and reserves		
Fully Paid-up Capital/ Capital deposited with SBP	**10,225,567**	6,976,030
Balance in Share Premium Account	-	-
Reserve for issue of Bonus Shares	-	-
Discount on Issue of shares	-	-
General / Statutory Reserves	**404,694**	233,604
Gain / (Losses) on derivatives held as Cash Flow Hedge	-	-
Unappropriated profits	**1,416,262**	753,135
Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-
CET 1 before Regulatory Adjustments	**12,046,523**	7,962,769
Total regulatory adjustments applied to CET1 (Note 39.5.1)	**262,144**	214,126
Common Equity Tier 1 (a)	**11,784,379**	7,748,643
Additional Tier 1 (AT 1) Capital		
Qualifying Additional Tier-1 instruments plus any related share premium	-	3,246,971
of which:		
- *classified as equity*	-	-
- *classified as liabilities*	-	3,246,971
Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)	-	-
- *of which: instrument issued by subsidiaries subject to phase out*	-	-
AT1 before regulatory adjustments	-	3,246,971
Total of Regulatory Adjustment applied to AT1 capital (Note 39.5.2)	-	-
Additional Tier 1 capital after regulatory adjustments	-	3,246,971
Additional Tier 1 capital recognised for capital adequacy (b)	-	1,874,873
Tier 1 Capital (CET1 + admissible AT1) (c=a+b)	**11,784,379**	9,623,516
Tier 2 Capital		
Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	-
Tier 2 capital instruments subject to phase out arrangement issued under pre-Basel III rules		
Tier 2 capital instruments issued to third parties by consolidated subsidiaries	-	-
(amount allowed in group tier 2)		
- *of which: instruments issued by subsidiaries subject to phase out*	-	-
General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	**86,319**	87,859
Revaluation Reserves (net of taxes)		
of which:	**47,433**	8,642
- *Revaluation reserves on property*	-	-
- *Unrealized gains/losses on AFS*	**47,433**	8,642
Foreign Exchange Translation Reserves	-	-
Undisclosed / Other Reserves (if any)	-	-
T2 before regulatory adjustments	**133,752**	96,501
Total regulatory adjustment applied to T2 capital (note 39.5.3)		
Tier 2 capital (T2) after regulatory adjustments	**133,752**	96,501
Tier 2 capital recognised for capital adequacy	**133,752**	96,501
Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	1,372,098
Total Tier 2 capital admissible for capital adequacy (d)	**133,752**	1,468,599
TOTAL CAPITAL (T1 + admissible T2) (e=c+d)	**11,918,131**	11,092,115
Total Risk Weighted Assets (RWA) (i) [Note 39.9]	**106,226,724**	99,660,797

	2016	2015
	----------- (Rupees in '000) -----------	
Capital Ratios and buffers (in percentage of risk weighted assets)		
CET1 to total RWA (a/i)	**11.09%**	7.78%
Tier-1 capital to total RWA (c/i)	**11.09%**	9.66%
Total capital to total RWA (e/i)	**11.22%**	11.13%
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement) of which:	**6.65%**	6.25%
- *capital conservation buffer requirement*	**0.65%**	0.25%
- *countercyclical buffer requirement*	**0%**	0%
- *D-SIB or G-SIB buffer requirement*	**0%**	0%
CET1 available to meet buffers (as a percentage of risk weighted assets)	**4.44%**	1.78%
National minimum capital requirements prescribed by SBP		
CET1 minimum ratio	**6.00%**	6.00%
Tier 1 minimum ratio	**7.50%**	7.50%
Total capital minimum ratio	**10.65%**	10.25%

39.5.1 Common Equity Tier 1 capital: Regulatory adjustments

	2016		2015	
	Amount	**Pre-Basel III treatment***	Amount	Pre-Basel III treatment*
	------------------------- (Rupees in '000) -------------------------			
Goodwill (net of related deferred tax liability)	-	-	-	-
All other intangibles (net of any associated deferred tax liability)	**262,144**	-	214,126	-
Shortfall of provisions against classified assets (Note 39.6.2.1)	-	-	-	-
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-	-	-
Defined-benefit pension fund net assets	-	-	-	-
Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	-	-	-	-
Cash flow hedge reserve	-	-	-	-
Investment in own shares / CET1 instruments	-	-	-	-
Securitization gain on sale	-	-	-	-
Capital shortfall of regulated subsidiaries	-	-	-	-
Deficit on account of revaluation from bank's holdings of property / AFS	-	-	-	-
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	-	-
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	-	-
Amount exceeding 15% threshold of which:				
- *significant investments in the common stocks of financial entities*	-	-	-	-
- *deferred tax assets arising from temporary differences*	-	-	-	-
National specific regulatory adjustments applied to CET1 capital	-	-	-	-
Investment in TFCs of other banks exceeding the prescribed limit	-	-	-	-
Any other deduction specified by SBP	-	-	-	-
Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	-	-	-
Total regulatory adjustments applied to CET1	**262,144**	-	214,126	-

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

		Source based on reference number from 39.4.2	Component of regulatory capital reported by bank (Rupees in '000)
	Additional Tier 1 Capital: regulatory adjustments		
34	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)		-
35	Investment in own AT1 capital instruments		-
36	Reciprocal cross holdings in Additional Tier 1 capital instruments		-
37	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(ac)	-
38	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(ad)	-
39	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital		-
40	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		-
41	Total of Regulatory Adjustment applied to AT1 capital (Sum 34 to 40)		-
42	Additional Tier 1 capital		-
43	**Additional Tier 1 capital recognised for capital adequacy**		-
44	**Tier 1 Capital (CET1 + admissible AT1) (27 + 43)**		**11,784,379**
	Tier 2 Capital		
45	Qualifying Tier 2 capital instruments under Basel III plus any related share premium	(n)	-
46	Capital instruments subject to phase out arrangement from Tier 2 (Pre-Basel III instruments)		-
47	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)		
	- *of which: instruments issued by subsidiaries subject to phase out*	(z)	-
48	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	(g)	86,319
49	Revaluation Reserves of which:		
50	- *Revaluation reserves on property*	78% of (aa)	-
51	- *Unrealized Gains/Losses on AFS*		47,433
52	Foreign Exchange Translation Reserves	(v)	-
53	Undisclosed / Other Reserves (if any)		-
54	**T2 before regulatory adjustments**		-
			133,752
	Tier 2 Capital: regulatory adjustments		
55	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital		-
56	Reciprocal cross holdings in Tier 2 instruments		-
57	Investment in own Tier 2 capital instrument		-
58	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(ae)	-
59	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(af)	-
60	Amount of Regulatory Adjustment applied to T2 capital		-
61	Tier 2 capital (T2)		133,752
62	Tier 2 capital recognised for capital adequacy		133,752
63	Excess Additional Tier 1 capital recognised in Tier 2 capital		-
64	Total Tier 2 capital admissible for capital adequacy		133,752
	TOTAL CAPITAL (T1 + admissible T2) (44 + 64)		**11,918,131**

	2015											
	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												
Assets												
Cash and balances with Treasury Banks	-	14,183,630	-	-	-	-	-	-	-	-	-	14,183,630
Balances with other Banks	-	3,869,403	-	-	-	-	-	-	-	-	-	3,869,403
Due from financial institutions	7.37%	11,725,145	6,418,697	-	-	5,306,448	-	-	-	-	-	-
Investments	7.37%	18,515,808	526,792	2,881,909	11,893,478	-	-	-	2,691,168	522,461		-
Islamic financing and related assets	8.99%	104,953,637	15,858,040	27,321,099	51,315,796	8,062,779	16,508	69,998	336,670	94,378	900,254	978,115
Other assets	-	2,002,857	-	-	-	-	-	-	-	-	-	2,002,857
		155,250,480	22,803,529	30,203,008	63,209,274	13,369,227	16,508	69,998	3,027,838	616,839	900,254	21,034,005
Liabilities												
Bills payable	-	1,552,219	-	-	-	-	-	-	-	-	-	1,552,219
Due to financial institutions	5.01%	4,551,920	109,000	1,299,785	3,143,135	-	-	-	-	-	-	-
Deposits and other accounts	3.79%	136,743,457	106,567,983	-	-	-	-	-	-	-	-	30,175,474
Sub-ordinated loans	-	3,246,971	-	-	-	-	-	-	-	-	-	3,246,971
Other liabilities	-	2,968,911	-	-	-	-	-	-	-	-	-	2,968,911
		149,063,478	106,676,983	1,299,785	3,143,135	-	-	-	-	-	-	37,943,575
On-balance sheet gap		6,187,002	(83,873,454)	28,903,223	60,066,139	13,369,227	16,508	69,998	3,027,838	616,839	900,254	(16,909,570)
Total Yield / Profit Risk Sensitivity Gap			(83,873,454)	28,903,223	60,066,139	13,369,227	16,508	69,998	3,027,838	616,839	900,254	(16,909,570)
Cumulative Yield/Profit Risk Sensitivity Gap			(83,873,454)	(54,970,231)	5,095,908	18,465,135	18,481,643	18,551,641	21,579,479	22,196,318	23,096,572	6,187,002

40.3 Liquidity Risk

Liquidity risk is defined as the potential loss arising from the Bank's inability to meet in an orderly way its contractual obligations when due. Liquidity risk arises in the general funding of the Bank's activities and in the management of its assets. The Bank maintains sufficient liquidity to fund its day-to-day operations, meet customer deposit withdrawals either on demand or at contractual maturity, meet customers' demand for new financings, participate in new investments when opportunities arise, and to meet any other commitments. Hence, liquidity is managed to meet known as well as unanticipated cash funding needs.

Liquidity risk is managed within a framework of liquidity policies, controls and limits. These policies, controls and limits ensure that the Bank maintains well diversified sources of funding, as well as sufficient liquidity to meet all its contractual obligations when due. The management of liquidity is carried out using a prudent strategic approach to manage the Bank's funding requirements.

It is the policy of the Bank to maintain adequate liquidity at all times and for all currencies and hence to be in a position, in the normal course of business, to meet all its obligations, to repay depositors, to fulfill commitments, to finance and to meet any other commitments made.

The management of liquidity risk within the Bank is undertaken within limits and other policy parameters set by ALCO, which meets monthly and reviews compliance with policy parameters. Day to day monitoring is done by the treasury while overall compliance is monitored and coordinated by the ALCO and includes reviewing the actual and planned strategic growth of the business and its impact on the statement of financial position from a statement of financial position integrity and sustainability perspective and monitoring the Bank’s liquidity profile and associated activities.

39.6 Leverage ratio

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

The leverage ratio of the Bank for the year ended December 31, 2016 stood at 6.11% (2015: 5.20%) above the minimum requirement set by SBP.

		2016	2015
		----------- (Rupees in '000) ----------	
	On balance sheet exposures		
1	On-balance sheet items (excluding derivatives but including collateral)	**151,945,318**	156,966,918
2	Derivatives	**24,397**	37,998
3	**Total On balance sheet exposures**	**151,969,716**	157,004,916
	Off balance sheet exposures		
4	Off-balance sheet items (excluding derivatives)	**40,778,655**	27,901,273
5	Commitment in respect of derivatives (derivatives having negative fair value are also included)	**244,975**	113,324
6	**Total Off balance sheet exposures**	**41,023,630**	28,014,597
	Capital and total exposures		
7	**Tier 1 capital (Note 39.5)**	**11,784,379**	9,623,515
8	**Total exposures (sum of lines 3 and 6)**	**192,993,346**	185,019,513
	Basel III leverage ratio	**6.11%**	5.20%

39.7 Capital Structure Reconciliation

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

	Balance sheet as in published financial statements	**Under regulatory scope of consolidation**
	------------(Rupees in '000)----------	
Assets		
Cash and balances with treasury banks	14,007,320	14,007,320
Balances with other banks	543,363	543,363
Due from financial institutions	12,536,061	12,536,061
Investments	27,211,659	27,211,659
Islamic financing and related assets	93,910,902	93,910,902
Operating fixed assets	1,870,060	1,870,060
Deferred tax assets	-	-
Other assets	2,054,034	2,054,034
Total assets	**152,133,399**	**152,133,399**
Liabilities and Equity		
Bills payable	2,218,979	2,218,979
Due to financial institutions	5,670,091	5,670,091
Deposits and other accounts	129,264,513	129,264,513
Sub-ordinated loans	-	-
Deferred tax liabilities	16,784	16,784
Other liabilities	2,855,698	2,855,698
Total liabilities	**140,026,065**	**140,026,065**
Share capital	10,225,567	10,225,567
Reserves	404,694	404,694
Unappropriated/ Unremitted profit/ (losses)	1,416,262	1,416,262
Minority Interest	-	-
Surplus on revaluation of assets	60,811	60,811
Total liabilities and equity	**152,133,399**	**152,133,399**

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

	Reference	Balance sheet as in published financial statements	Under regulatory scope of consolidation
		------------(Rupees in '000)----------	
Assets			
Cash and balances with treasury banks		14,007,320	14,007,320
Balances with other banks		543,363	543,363
Due from financial institutions		12,536,061	12,536,061
Investments		27,211,659	27,211,659
of which:			
- *non-significant capital investments in capital of banking, financial and insurance entities exceeding 10% threshold*	a	-	-
- *significant capital investments in capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold*	b	-	-
- *mutual Funds exceeding regulatory threshold*	c	-	-
- *reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)*	d	-	-
- *others*	e	-	-
Islamic financing and related assets		93,910,902	93,910,902
- *shortfall in provisions / excess of total EL amount over eligible provisions under IRB (Note 39.6.2.1)*	f	-	-
- *general provisions reflected in Tier 2 capital*	g	86,319	86,319
Operating fixed assets		1,870,060	1,870,060
- *of which: Intangibles*	k	262,144	262,144
Deferred tax assets		-	-
of which:			
- *DTAs that rely on future profitability excluding those arising from temporary differenc*	h	-	-
- *DTAs arising from temporary differences exceeding regulatory threshold*	i	-	-
Other assets		2,054,034	2,054,034
of which:			
- *goodwill*	j	-	-
- *defined-benefit pension fund net assets*	l	-	-
Total assets		**152,133,399**	**152,133,399**
Liabilities and Equity			
Bills payable		2,218,979	2,218,979
Due from financial institutions		5,670,091	5,670,091
Deposits and other accounts		129,264,513	129,264,513
Sub-ordinated loans of which:		-	-
- *eligible for inclusion in AT1*	m	-	-
- *eligible for inclusion in Tier 2*	n		
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities of which:		16,784	16,784
- *DTLs related to goodwill*	o	-	-
- *DTLs related to intangible assets*	p	-	-
- *DTLs related to defined pension fund net assets*	q	-	-
- *other deferred tax liabilities*	r	-	-
Other liabilities		2,855,698	2,855,698
Total liabilities		**140,026,065**	**140,026,065**
Share capital		10,225,567	10,225,567
- *of which: amount eligible for CET1*	s	10,225,567	10,225,567
- *of which: amount eligible for AT1*	t	-	-
Reserves of which:		404,694	404,694
- *portion eligible for inclusion in CET1 - Statutory reserve*	u	404,694	404,694
- *portion eligible for inclusion in CET1 - General reserve*		-	-
- *portion eligible for inclusion in Tier 2*	v	-	-
Unappropriated profit	w	1,416,262	1,416,262
Minority Interest of which:		-	-
- *portion eligible for inclusion in CET1*	x	-	-
- *portion eligible for inclusion in AT1*	y	-	-
- *portion eligible for inclusion in Tier 2*	z	-	-
Surplus on revaluation of assets of which:		60,811	60,811
- *Revaluation reserves on Property*	aa	-	-
- *Unrealized Gains/Losses on AFS*		60,811	60,811
- *In case of Deficit on revaluation (deduction from CET1)*	ab	-	-
Total liabilities and Equity		**152,133,399**	**152,133,399**

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

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.

40.2.1 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

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

	2016			
	Assets	**Liabilities**	**Off-balance Sheet**	**Net foreign currency exposure**
	(Rupees in '000)			
Pakistan Rupee	**141,669,923**	**123,817,369**	**(5,992,187)**	**11,860,367**
United States Dollar	**9,929,314**	**9,978,730**	**299,719**	**250,303**
Great Britain Pound	**266,189**	**2,985,720**	**2,719,306**	**(225)**
Japanese Yen	**-**	**1,122**	**1,791**	**669**
Euro	**114,727**	**747,023**	**636,265**	**3,969**
Swiss Franc	**2,117**	**-**	**-**	**2,117**
U.A.E Dirham	**147,028**	**2,496,100**	**2,335,106**	**(13,966)**
Australian Dollar	**-**	**-**	**-**	**-**
Canadian Dollar	**1,638**	**-**	**-**	**1,638**
Saudi Riyal	**1,202**	**-**	**-**	**1,202**
Singapore Dollar	**1,261**	**-**	**-**	**1,261**
	152,133,399	**140,026,064**	**-**	**12,107,335**

	2015			
	Assets	Liabilities	Off-balance Sheet	Net foreign currency exposure
	(Rupees in '000)			
Pakistan Rupee	143,793,508	137,436,693	1,379,554	7,736,369
United States Dollar	12,760,624	7,565,193	(4,974,638)	220,793
Great Britain Pound	246,736	1,472,283	1,226,617	1,070
Japanese Yen	1,713	-	-	1,713
Euro	101,631	817,381	714,533	(1,217)
Swiss Franc	7,075	-	-	7,075
U.A.E Dirham	169,315	1,825,968	1,653,934	(2,719)
Australian Dollar	4,006	-	-	4,006
Canadian Dollar	4,299	-	-	4,299
Saudi Riyal	1,484	-	-	1,484
Singapore Dollar	2,794	-	-	2,794
	157,093,185	149,117,518	-	7,975,667

40.2.2 Equity Position Risk

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

39.8 Main features of regulatory capital instruments

	Main Features	Common Shares
1	Issuer	Dubai Islamic Bank Pakistan Limited
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	DIBPL - CDC Symbol
3	Governing law(s) of the instrument	Banking Companies Ordinance, 1962 and the Directives issued by SBP
	Regulatory treatment	
4	Transitional Basel III rules	Common Equity Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible at solo/ group/ group&solo	Solo
7	Instrument type	Ordinary shares
8	Amount recognised in regulatory capital (Currency in PKR thousands, as of reporting date)	10,225,567
9	Par value of instrument	10
10	Accounting classification	Shareholders' equity
11	Original date of issuance	March 21, 2006
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend/ coupon	N/A
18	coupon rate and any related index/ benchmark	N/A
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Nonconvertible
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down feature	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument	Residual interest
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

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

40.1.1 Segments by class of business

	2016					
	Islamic Financing and Related Assets (Gross)		**Deposits**		**Contingencies and Commitments ***	
	(Rupees in '000)	**%**	**(Rupees in '000)**	**%**	**(Rupees in '000)**	**%**
Agriculture	**-**	**-**	**3,270**	**0.00%**	**-**	**-**
Textile	**9,919,773**	**10.36%**	**328,998**	**0.74%**	**845,030**	**3.75%**
Chemical and pharmaceuticals	**6,417,128**	**6.70%**	**2,051,621**	**1.81%**	**2,482,502**	**11.02%**
Cement	**1,448,808**	**1.51%**	**80,250**	**0.79%**	**59,127**	**0.26%**
Sugar	**-**	**-**	**1,059,920**	**0.05%**	**-**	**0.00%**
Food	**13,679,108**	**14.29%**	**1,186,459**	**2.08%**	**2,271,808**	**10.09%**
Footwear and leather garments	**817,556**	**0.85%**	**294,839**	**0.00%**	**-**	**-**
Automobile and transportation equipment	**88,710**	**0.09%**	**164,787**	**0.09%**	**-**	**-**
Electronics and electrical appliances	**146,582**	**0.15%**	**1,515,016**	**1.42%**	**1,537,639**	**6.83%**
Construction	**652,223**	**0.68%**	**13,750**	**0.00%**	**-**	**-**
Power (electricity), gas, water, sanitary	**4,212,134**	**4.40%**	**87,381**	**0.12%**	**-**	**-**
Wholesale and retail trade	**3,549,665**	**3.71%**	**1,567,776**	**1.20%**	**4,915,173**	**21.82%**
Exports / imports	**2,547,365**	**2.66%**	**233,234**	**0.22%**	**-**	**0.00%**
Transport, storage and communication	**4,929,154**	**5.15%**	**1,973,222**	**3.14%**	**122,601**	**0.54%**
Financial	**-**	**-**	**2,916,169**	**7.41%**	**1,055,245**	**4.69%**
Insurance	**-**	**-**	**2,019,957**	**2.74%**	**-**	**-**
Services	**2,139,377**	**2.24%**	**21,689,665**	**14.54%**	**-**	**-**
Fertilizer	**-**	**-**	**-**	**-**	**81,111**	**0.36%**
Individuals	**22,932,199**	**23.96%**	**77,702,954**	**51.64%**	**16,175**	**0.07%**
Others	**22,233,767**	**23.23%**	**14,375,245**	**12.01%**	**9,136,938**	**40.57%**
	95,713,549	**100%**	**129,264,513**	**100%**	**22,523,349**	**100%**

* Contingent liabilities for the purpose of this note are presented at cost and include direct credit substitutes, transaction related contingent liabilities, trade related contingent liabilities and claims not acknowledged as debt.

	2015					
	Islamic Financing and Related Assets (Gross)		Deposits		Contingencies and Commitments*	
	(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%
Agriculture	4,000,000	3.75%	88,066	0.06%	-	-
Textile	19,591,983	18.37%	1,007,520	0.74%	1,020,522	7.53%
Chemical and pharmaceuticals	5,011,980	4.70%	2,476,058	1.81%	2,447,755	18.07%
Cement	2,389,619	2.24%	1,080,993	0.79%	248,045	1.83%
Sugar	3,901,692	3.66%	66,307	0.05%	-	-
Food	2,315,922	2.17%	2,752,513	2.01%	1,019,033	7.52%
Footwear and leather garments	704,814	0.66%	-	-	-	-
Automobile and transportation equipment	1,350,104	1.27%	120,475	0.09%	98,306	0.73%
Electronics and electrical appliances	1,096,253	1.03%	1,935,422	1.42%	-	-
Construction	4,601,367	4.31%	3,772	0.00%	2,241,822	16.55%
Power (electricity), gas, water, sanitary	9,732,854	9.13%	166,464	0.12%	2,906,053	21.45%
Wholesale and retail trade	18,504,303	17.35%	1,640,501	1.20%	857,071	6.33%
Exports / imports	-	-	296,110	0.22%	-	0.00%
Transport, storage and communication	2,375,062	2.23%	4,299,016	3.14%	432,809	3.19%
Financial	366,136	0.34%	10,137,422	7.41%	1,055,625	7.79%
Insurance	-	-	3,751,015	2.74%	-	-
Services	1,076,473	1.01%	19,879,855	14.54%	390,635	2.88%
Fertilizer	2,862,453	2.68%	-	-	-	-
Individuals	18,708,833	17.54%	70,620,556	51.64%	497,633	3.67%
Others	8,061,126	7.56%	16,421,392	12.01%	333,187	2.46%
	106,650,974	100%	136,743,457	100%	13,548,496	100%

* Contingent liabilities for the purpose of this note are presented at cost and include direct credit substitutes, transaction related contingent liabilities and trade related contingent liabilities.

40.1.2 Segment by sector

	2016					
	Islamic Financing and Related Assets (Gross)		**Deposits**		**Contingencies and Commitments**	
	Rupees in '000	**%**	**Rupees in '000**	**%**	**Rupees in '000**	**%**
Public / Government	**9,955,006**	**10.40%**	**12,127,108**	**9.38%**	**8,373,440**	**37.18%**
Private	**85,758,543**	**89.60%**	**117,137,405**	**90.62%**	**14,149,909**	**62.82%**
	95,713,549	**100.00%**	**129,264,513**	**100.00%**	**22,523,349**	**100.00%**

	2015					
	Islamic Financing and Related Assets (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Public / Government	18,850,966	17.68%	9,881,145	7.23%	752,253	5.55%
Private	87,800,008	82.32%	126,862,312	92.77%	12,796,243	94.45%
	106,650,974	100.00%	136,743,457	100.00%	13,548,496	100.00%

40.1.3 Details of non-performing islamic financing and related assets and specific provisions by class of business segment:

	2016		2015	
	Classified Islamic financing and related assets	**Specific provisions held**	Classified Islamic financing and related assets	Specific provisions held
	(Rupees in '000)			
Textile	**340,910**	**336,610**	355,392	336,630
Chemical	**686,028**	**597,301**	686,028	550,024
Wholesale and retail trade	**36,424**	**11,378**	81,399	63,380
Services	**861**	**861**	861	861
Individuals	**797,500**	**471,416**	912,864	506,255
Food	**138,289**	**122,289**	146,289	131,295
Telecommunication	**380,712**	**142,768**	-	-
Others	**33,703**	**33,705**	29,159	21,033
	2,414,427	**1,716,328**	2,211,992	1,609,478

40.1.4 Details of non-performing islamic financing and related assets and specific provisions by sector:

	2016		2015	
	Classified financings	**Specific provisions held**	Classified financings	Specific provisions held
	(Rupees in '000)			
Public / Government	**-**	**-**	-	-
Private	**2,414,427**	**1,716,328**	2,211,992	1,609,478
	2,414,427	**1,716,328**	2,211,992	1,609,478

40.1.5 Geographical segment analysis

	2016			
	Profit before taxation	**Total assets employed**	**Net assets employed**	**Contingencies and**
	(Rupees in '000)			
Pakistan	**1,371,031**	**152,133,399**	**12,107,335**	**22,533,349**

	2015			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and
	(Rupees in '000)			
Pakistan	711,722	157,093,185	7,975,667	13,538,496

* Contingent liabilities for the purpose of this note are presented at cost and include direct credit substitutes, transaction related contingent liabilities and trade related contingent liabilities.

40.1.6 Credit risk - General disclosures

The Bank uses the 'Standardised Approach' in calculation of credit risk and capital requirements throughout its statement of financial position.

Credit Risk: Disclosures for portfolio subject to the Standardised Approach and supervisory risk weights in the IRB Approach

External Credit Assessment Institutions (ECAIs) Pakistan Credit Rating Agency Limited (PACRA) and JCR-VIS Credit Rating Company Limited (JCR-VIS) are used for domestic claims as recommended by the SBP. Moody's is used for cliams on foreign banks. Details of rating agencies used for different types of bank's exposures are given below:

Types of Exposures and ECAI's used

	2016		
Exposures	**JCR - VIS**	**PACRA**	**Moody's**
Corporate	✔	✔	N/A
Banks	✔	✔	✔
Sovereigns	N/A	N/A	N/A
SME's	✔	✔	N/A

Credit Exposures subject to Standardised approach

		2016			2015		
Exposures	**Rating Category**	**Amount Outstanding**	**Deduction CRM**	**Net amount**	Amount Outstanding	Deduction CRM	Net amount
		-- (Rupees in '000) --					
Funded							
Corporate	1	**5,193,670**	**-**	**5,193,670**	11,128,218	-	11,128,218
	2	**4,233,905**	**-**	**4,233,905**	6,298,909	-	6,298,909
	3,4	**289,292**	**53,422**	**235,869**	277,728	-	277,728
	5,6	**-**	**-**	**-**	-	-	-
		9,716,867	**53,422**	**9,663,444**	17,704,855	-	17,704,855
Banks	1	**14,234,812**	**-**	**14,234,812**	10,871,131	-	10,871,131
	2,3	**57,486**	**-**	**57,486**	1,157,577	-	1,157,577
		14,292,298	**-**	**14,292,298**	12,028,708	-	12,028,708
Mortgages		**6,763,746**	**-**	**6,763,746**	5,575,305	-	5,575,305
PSEs		**10,379,790**	**-**	**10,379,790**	18,850,932	-	18,850,932
Retail		**16,666,194**	**104,955**	**16,561,239**	12,559,936	-	12,559,936
Unrated-1		**28,424,413**	**862,502**	**27,561,912**	27,442,914	44,700	27,398,214
Unrated-2		**21,348,111**	**-**	**21,348,111**	22,305,037	-	22,305,037
		107,591,419	**1,020,879**	**106,570,540**	116,467,687	44,700	116,422,987
Non Funded							
Corporate	1	**1,431,000**	**-**	**1,431,000**	4,579,852	17,205	4,562,647
	2	**226,825**	**-**	**226,825**	644,458	773	643,685
		1,657,825	**-**	**1,657,825**	5,224,310	17,978	5,206,332
Banks	1	**-**	**-**	**-**	-	-	-
	2,3	**1,157,544**	**-**	**1,157,544**	1,107,996	-	1,107,996
		1,157,544	**-**	**1,157,544**	1,107,996	-	1,107,996
PSEs		**4,872,607**	**-**	**4,872,607**	991,068	-	991,068
Retail		**991,357**	**344,871**	**646,486**	483,089	113,811	369,278
Unrated-1		**10,276,295**	**941,341**	**9,334,953**	6,349,612	693,503	5,656,109
Unrated-2		**4,797,721**	**209,767**	**4,587,954**	2,967,059	116,326	2,850,733
		23,753,349	**1,495,979**	**22,257,369**	17,123,134	941,618	16,181,516

Credit Risk: Disclosures with respect to Credit Risk Mitigation - Standardized Approach

For Credit Risk Mitigation purposes the Bank uses only the eligible collaterals as specified for Simple Approach of Credit Risk Mitigation under Standardized Approach prescribed by SBP under BSD Circular No. 8 of 2007.

40.2 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.

40.2.3 Yield / Profit Rate Risk

All products dealt in by the Bank are duly approved by the Bank's Shari'a Advisor / Shari'a Executive Committee 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.

40.2.4 MISMATCH OF YIELD / PROFIT RATE SENSITIVE ASSETS AND LIABILITIES

	2016											
	Effective Yield / Profit rate	Total	Exposed to Yield / Profit risk									
			Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	Non-profit bearing financial instruments
			(Rupees in '000)									
On-balance sheet financial instruments												
Assets												
Cash and balances with Treasury Banks	-	14,007,320	-	-	-	-	-	-	-	-	-	14,007,320
Balances with other Banks	-	543,363	-	-	-	-	-	-	-	-	-	543,363
Due from financial institutions	5.85%	12,536,061	12,536,061	-	-	-	-	-	-	-	-	-
Investments	5.13%	27,211,659	1,574,980	2,185,461	15,837,781	-	-	4,217,335	1,772,645	1,606,587	-	16,870
Islamic financing and related assets	7.86%	93,910,902	10,401,102	18,842,893	47,923,498	6,612,405	32,827	76,495	272,837	114,483	907,077	8,727,285
Other assets	-	1,163,234	-	-	-	-	-	-	-	-	-	1,163,234
		149,372,539	24,512,143	21,028,354	63,761,279	6,612,405	32,827	4,293,830	2,045,482	1,721,070	907,077	24,458,072
Liabilities												
Bills payable	-	2,218,979	-	-	-	-	-	-	-	-	-	2,218,979
Due to financial institutions	3.27%	5,670,091	201,122	3,648,273	1,820,696	-	-	-	-	-	-	-
Deposits and other accounts	3.13%	129,264,513	88,199,251	-	-	-	-	-	-	-	-	41,065,262
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	2,241,119	-	-	-	-	-	-	-	-	-	2,241,119
		139,394,702	88,400,373	3,648,273	1,820,696	-	-	-	-	-	-	45,525,360
On-balance sheet gap		9,977,837	(63,888,230)	17,380,081	61,940,583	6,612,405	32,827	4,293,830	2,045,482	1,721,070	907,077	(21,067,288)
Total Yield / Profit Risk Sensitivity Gap			(63,888,230)	17,380,081	61,940,583	6,612,405	32,827	4,293,830	2,045,482	1,721,070	907,077	(21,067,288)
Cumulative Yield/Profit Risk Sensitivity Gap			(63,888,230)	(46,508,149)	15,432,434	22,044,839	22,077,666	26,371,496	28,416,978	30,138,048	31,045,125	9,977,837

40.3.1 MATURITIES OF ASSETS AND LIABILITIES

Maturities Of Assets And Liabilities - Expected Maturity

	2016									
	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	14,007,320	14,007,320	-	-	-	-	-	-	-	-
Balances with other banks	543,363	543,363	-	-	-	-	-	-	-	-
Due from financial institutions	12,536,061	12,536,061	-	-	-	-	-	-	-	-
Investments	27,211,659	65,065	67,075	11,243,151	307,165	1,358,581	5,575,916	2,966,930	5,627,776	-
Islamic financing and related assets	93,910,902	6,666,740	10,900,043	12,461,983	5,691,385	3,583,014	8,494,594	21,518,165	18,276,764	6,318,214
Operating fixed assets	1,870,060	43,487	86,971	130,457	206,631	413,262	417,975	492,685	78,592	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	2,054,034	267,438	627,315	748,479	104,224	127,128	86,190	60,268	8,932	24,060
	152,133,399	34,129,474	11,681,404	24,584,070	6,309,405	5,481,985	14,574,675	25,038,048	23,992,064	6,342,274
Liabilities										
Bills payable	2,218,979	2,218,979	-	-	-	-	-	-	-	-
Due to financial institutions	5,670,091	201,122	3,648,273	1,820,696	-	-	-	-	-	-
Deposits and other accounts	129,264,513	10,435,157	10,841,340	15,878,148	21,234,182	18,009,394	17,389,745	34,979,696	496,851	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	16,784	1,399	2,797	4,196	8,392	-	-	-	-	-
Other liabilities	2,855,697	1,329,889	563,583	399,602	392,335	46,702	37,891	78,631	7,064	-
	140,026,064	14,186,546	15,055,993	18,102,642	21,634,909	18,056,096	17,427,636	35,058,327	503,915	-
Net assets	12,107,335	19,942,928	(3,374,589)	6,481,428	(15,325,504)	(12,574,111)	(2,852,961)	(10,020,279)	23,488,149	6,342,274
Share capital	10,225,567									
Reserves	404,694									
Accumulated profit	1,416,263									
Advance against shares subscription	-									
Surplus on revaluation of assets - net of tax	60,811									
	12,107,335									

	2015									
	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	14,183,630	3,840,228	-	-	3,246,971	7,096,431	-	-	-	-
Balances with other banks	3,869,403	3,869,403	-	-	-	-	-	-	-	-
Due from financial institutions	6,418,697	6,418,697	-	-	-	-		-	-	-
Investments	23,822,256	15,905	876,237	127,786	5,528,259	8,450,615	2,862,221	4,604,123	1,357,110	-
Islamic financing and related assets	104,953,637	7,932,658	15,815,832	17,653,741	20,235,644	3,277,014	5,455,523	20,236,673	10,405,690	3,940,862
Operating fixed assets	1,842,705	34,073	67,721	148,910	196,278	350,638	243,111	457,859	274,923	69,192
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	2,040,854	681,635	328,905	720,607	107,084	77,961	49,730	48,997	6,943	18,992
	157,131,182	22,792,599	17,088,695	18,651,044	29,314,236	19,252,659	8,610,585	25,347,652	12,044,666	4,029,046
Liabilities										
Bills payable	1,552,219	1,552,219	-	-	-	-	-	-	-	-
Due to financial institutions	4,551,920	109,000	1,299,785	3,143,135	-	-	-	-	-	-
Deposits and other accounts	136,743,457	11,164,098	14,748,810	18,647,679	26,549,044	16,261,441	31,084,086	16,803,205	1,485,094	-
Sub-ordinated loans	3,246,971	-	-	-	3,246,971	-	-	-	-	
Deferred tax liabilities	54,040	2,396	-	-	51,644	-	-	-	-	-
Other liabilities	3,006,908	1,118,843	530,504	667,528	479,302	50,957	48,911	93,427	17,436	-
	149,155,515	13,946,556	16,579,099	22,458,342	30,326,961	16,312,398	31,132,997	16,896,632	1,502,530	-
Net assets	7,975,667	8,846,043	509,596	(3,807,298)	(1,012,725)	2,940,261	(22,522,412)	8,451,020	10,542,136	4,029,046
Share capital	6,976,030									
Reserves	233,586									
Accumulated Profit	753,135									
Advance against shares subscription	18									
Surplus on revaluation of assets - net of tax	12,898									
	7,975,667									

Regarding behavior of non-maturity deposits (non-contractual deposits), the Bank conducted a behavioral study based on 3 years data. On the basis of its findings 31% of current accounts saving accounts are bucketed into 'Upto' 1-Year maturity and 61% of current and saving accounts are bucketed in 'Upto' 2 to 5 years.

Maturities Of Assets And Liabilities - Contractual Maturity

2016	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	14,007,320	14,007,320	-	-	-	-	-	-	-	-
Balances with other banks	543,363	543,363	-	-	-	-	-	-	-	-
Due from financial institutions	12,536,061	12,536,061	-	-	-	-	-	-	-	-
Investments	27,211,659	65,065	67,075	11,243,151	307,165	1,358,581	5,575,916	2,966,930	5,627,776	-
Islamic financing and related assets	93,910,902	6,666,740	10,900,043	12,461,983	5,691,385	3,583,014	8,494,594	21,518,165	18,276,764	6,318,214
Operating fixed assets	1,870,060	43,487	86,971	130,457	206,631	413,262	417,975	492,685	78,592	-
Deferred tax assets	-									
Other assets	2,054,034	267,438	627,315	748,479	104,224	127,128	86,190	60,268	8,932	24,060
	152,133,399	34,129,474	11,681,404	24,584,070	6,309,405	5,481,985	14,574,675	25,038,048	23,992,064	6,342,274
Liabilities										
Bills payable	2,218,979	2,218,979	-	-	-	-	-	-	-	-
Due to financial institutions	5,670,091	201,122	3,648,273	1,820,696	-	-	-	-	-	-
Deposits and other accounts	129,264,513	99,465,114	6,713,660	9,511,726	8,361,417	1,593,621	973,972	2,148,152	496,851	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	16,784	1,399	2,797	4,196	8,392	-	-	-	-	-
Other liabilities	2,855,697	1,329,889	563,583	399,602	392,335	46,702	37,891	78,631	7,064	-
	140,026,064	103,216,503	10,928,313	11,736,220	8,762,144	1,640,323	1,011,863	2,226,783	503,915	-
Net assets	12,107,335	(69,087,029)	753,091	12,847,850	(2,452,739)	3,841,662	13,562,812	22,811,265	23,488,149	6,342,274
Share capital	10,225,567									
Reserves	404,694									
Accumulated profit	1,416,263									
Advance against shares subscription	-									
Surplus on revaluation of assets	60,811									
	12,107,335									

2015	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	14,183,630	3,840,228	-	-	3,246,971	7,096,431	-	-	-	-
Balances with other banks	3,869,403	3,869,403	-	-	-	-	-	-	-	-
Due from financial institutions	6,418,697	6,418,697	-	-	-	-		-	-	-
Investments	23,822,256	15,905	876,237	127,786	5,528,259	8,450,615	2,862,221	4,604,123	1,357,110	-
Islamic financing and related assets	104,953,637	7,932,658	15,815,832	17,653,741	20,235,644	3,277,014	5,455,523	20,236,673	10,405,690	3,940,862
Operating fixed assets	1,842,705	34,073	67,721	148,910	196,278	350,638	243,111	457,859	274,923	69,192
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	2,040,854	681,635	328,905	720,607	107,084	77,961	49,730	48,997	6,943	18,992
	157,131,182	22,792,599	17,088,695	18,651,044	29,314,236	19,252,659	8,610,585	25,347,652	12,044,666	4,029,046
Liabilities										
Bills payable	1,552,219	1,552,219	-	-	-	-	-	-	-	-
Due to financial institutions	4,551,920	109,000	1,299,785	3,143,135	-	-	-	-	-	-
Deposits and other accounts	136,743,457	89,955,981	505,000	9,739,067	9,377,712	21,250,356	1,256,127	942,594	3,716,620	-
Sub-ordinated loans	3,246,971	-	-	-	3,246,971	-	-	-	-	-
Deferred tax liabilities	54,040	2,396		-	51,644	-	-	-	-	-
Other liabilities	3,006,908	1,118,843	530,504	667,528	479,302	50,957	48,911	93,427	17,436	-
	149,155,515	92,738,439	2,335,289	13,549,730	13,155,629	21,301,313	1,305,038	1,036,021	3,734,056	-
Net assets	7,975,667	(69,945,840)	14,753,406	5,101,314	16,158,607	(2,048,654)	7,305,547	24,311,631	8,310,610	4,029,046
Share capital	6,976,030									
Reserves	233,586									
Accumulated profit	753,135									
Advance against shares subscription	18									
Surplus on revaluation of assets	12,898									
	7,975,667									

Current and Saving deposits have been classified under maturity upto one month as these do not have any contracted maturity. Further, the bank estimates that these deposits are a core part of its liquid resources and will not fall below the current year's level.

40.4 Operational Risk

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.

The Bank uses Basic Indicator Approach (BIA) for assessing the capital charge for operational risk. To reduce losses arising from operational risk, the Bank has strengthened its risk management framework duly approved by the BOD by developing strategies, polices, guidelines and manuals. It also includes risk and control self-assessment, key risk indicator, loss data management, set up independent fraud risk management unit, enhancing security measures, improving efficiency and effectiveness of operations and improving quality of human resources through trainings.

41 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 on behalf of Dubai Islamic Bank PJSC:

Category	Type	No. of IPS account		-------Rupees in '000------ Face Value	
		2016	2015	**2016**	2015
Employee Funds / NGO's	Government Ijarah Sukuk	1	1	-	215,000
Individuals	Government Ijarah Sukuk	-	-	-	-
Related parties:					
Dubai Islamic Bank PJSC	Shares	1	1	33,476	33,476
		2	2	33,476	248,476

42 PROFIT / (LOSS) DISTRIBUTION TO DEPOSITOR'S POOL

The Bank maintained the following pools for profit declaration and distribution during the year ended December 31, 2016:

i) Common Mudaraba Pool;
ii) Musharaka Pool under SBP's Islamic Export Refinance Scheme.
iii) Special Mudaraba Pools for Depositors and Financial Institutions
iv) Interbank Wakala Borrowing Pool

The deposits and funds accepted under the Common Mudaraba Pool are provided to diversified sectors and avenues of the economy / business mainly to 'Consumer Financings', 'Textile & Allied', 'Food & Allied', 'Distribution & Trade' and 'Investment in Government of Pakistan Ijara Sukuk'.

Musharaka investments from the SBP under Islamic Export Refinance Scheme (IERS) are channelled towards the export sector of the economy and other financings as per SBP guidelines.

Key features and risk & reward characteristics of all pools

The 'Common Mudaraba Pool' for both local and foreign currency caters to all DIBPL depositors and provides profit / loss based on Modaraba.

The Musharaka Pool under IERS caters to the 'Islamic Export Refinance' requirements based on the guidelines issued by the SBP.

The risk characteristic of each pool mainly depends on the asset and liability profile of each pool.

Parameters used for allocation of profit, charging expenses and provisions etc. along with a brief description of their major components:

Income generated from relevant assets, calculated at the end of each month is first set aside for the Musharaka pool arrangement between the Bank and the State Bank of Pakistan. It is then allocated between the participants of the pool as per the agreed weightages and rates. The Common Mudaraba Pool profit is divided between the Bank and depositors in ratio of Bank's average equity and average depositors balances commingled in the pool on pro rata basis. The depositors' share of profit is allocated amongst them on the basis of weightages declared before start of each month, after deduction of a mudarib fee. During the year ended December 31, 2016, the Bank charged 50% of the profit as Mudarib fee. These weightages are declared by the Bank in compliance with the requirements of the SBP and Shariah.

The allocation (of income and expenses to different pools) is based on pre-defined basis and accounting principles / standards. Provisions against any non-performing asset of the pool is not passed on to the pool.

General Remunerative Depositor's Pools	Profit Sharing Ratio	Mudarib Share- Net of Hiba and Including Mudarib Fee (Amount in '000)	Mudarib Share- Net of Hiba and Including Mudarib Fee in %age	Amount of Mudarib share transferred to the depositors through Hiba (Amount in '000)	%age of Net Mudarib share transferred to the depositors through Hiba	Profit Rate and weightage announcement period	Percentage of Mudarib Share transferred through Hiba	Profit rate return earned	Profit rate return distributed
Common mudaraba pool	50% : 50%	1,658,836	55.31%	28,886	1.74%	Monthly	2.15%	5.26%	2.67%
Special nudarba pools	65%:35%	1,620,656	39.40%	179,342	11.07%	N/A	18.39%	7.15%	6.31%

* SBP regulations and Internal Policy allow for monthly change of weightages, however, the bank has not changed them on a monthly basis.

Specific pools	Ratio of weightage of Bank to SBP	Share of profit to SBP (Amount in '000)	HIBA (Amount in '000)	Profit rate and weightage announcement period	Profit rate return earned by SBP
Musharaka Pool under SBP's Islamic Export Refinance Scheme	3.35:1	109,129	6,091	Monthly	2.48%
Inter-bank wakala borrowing pool	N/A	79,656	N/A	N/A	5.46%

43 DATE OF AUTHORISATION FOR ISSUE

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

44 GENERAL

44.1 Captions, as prescribed by BSD Circular No. 04 of 2006 dated February 17, 2006 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.

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

44.3 Corresponding figures

Corresponding figures have been re-arranged and reclassified, wherever necessary, to facilitate comparison. There were no significant reclassifications / restatements during the year except for Bai Muajjal receivable from GOP reclassified from Due from financial institutions to Investments.

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

ANNEXURE - 1

DUBAI ISLAMIC BANK PAKISTAN LIMITED
STATEMENT SHOWING WRITTEN-OFF ISLAMIC FINANCING AND RELATED ASSETS (IN THE CASE OF THE BANK) OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2016

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	YOUNAS SHOAIB	HOUSE# P-196 MAIN ROAD AL-MASOOM TOWN NEAR MASJID ABU BAKAR SADIQ FAISALABAD	MUHAMMAD SHOAIB	33100-3777929-1	9,076	83	-	9,159	-	537	-	537
2	AKHTAR HAYAT	HOUSE #P-205-B,CANAL ROAD, AYESHA BLOCK,ABDULLAH GARDEN, FAISALABAD	KHIZAT HAYAT (LATE)	33100-0671232-1	7,582	416	-	7,998	-	569	-	569
3	JAVED AHMED	HOUSE# 9, BLOCK COPP: AL-SHIFA PHARMACY,OFFICER COLONY# 2, FAISALABAD	SHEIKH ABDUL RASHEED (LATE)	33100-6310595-7	6,882	236	-	7,118	-	624	-	624
4	MALIK IJAZ WAHEED	H # P-6ST # 40 KOTHIAN SAFE HOMESHADMAN COLONY PEOPLES COLONY FAISALABAD	MALIK GHULAM RASOOL	33100-7814114-7	4,050	727	-	4,777	-	727	-	727
5	ANJUM IKRAM	HOUSE NO. 472BLOCK-EJOHAR TOWN, LAHORE	MUHAMMAD IKRAM	35202-4218255-9	5,578	885	-	6,463	-	863	-	863
6	ASIF IRSHAD	ASIF PUBLIC SCHOOL SYSTEM20-C, BLOCK# C SATELLITE TOWN FAZAIA HOUSING SCHEME RAWALPINDI	MUHAMMAD IRSHAD	37405-4340010-7	8,309	2,115	-	10,424	-	1,924	-	1,924
7	TARIQ ALI QURESHI	BUNGLOW NO.107DEFENCE OFFICERS HOUSING SOCIETYSCHEME-II, MALIR CANTT KARACHI	ABDUL KHALIQ	42501-8577791-9	10,981	2,857	-	13,838	-	2,857	-	2,857
8	TAUSEEF KARIM	HOUSE # B-19 STREET NO 2 BLOCK N NORTH NAZIMABAD KARACHI	FAREED UDDIN KHAN	42101-8761944-9	12,694	2,574	-	15,267	-	2,889	-	2,889
9	MUHAMMAD YOUNAS	HOUSE# 113/3,BLOCK# C,MODEL TOWN, LAHORE	GHULAM HUSSAIN (LATE)	35202-5416786-9	12,091	3,265	-	15,356	-	3,256	-	3,256
10	SHABBIR AHMAD	HOUSE# 4 BLOCK "B" WAPDA TOWN EMPLOYEES COOPERATIVE HOUSING SOCIETY LAHORE	M.A DEAN (LATE)	35202-7166638-3	37,948	6,390	-	44,338	-	6,338	-	6,338
					115,189	**19,549**	**-**	**134,738**	**-**	**20,584**	**-**	**20,584**