

**Dubai Islamic Bank
Pakistan Limited**

Financial Statements
for the year ended
December 31, 2022

INDEPENDENT AUDITOR'S REPORT

To the members of Dubai Islamic Bank Pakistan Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Dubai Islamic Bank Pakistan Limited** (the Bank), which comprise the statement of financial position as at December 31, 2022, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, along with unaudited certified returns received from the branches except for nine branches which have been audited by us and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the profit or loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and, give the information required by the Banking Companies Ordinance, 1962 and the Companies Act, 2017(XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at December 31, 2022 and of the profit, the comprehensive loss, the changes in equity and its cash flow for the year then ended.

Basis for Opinion

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

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

Management is responsible for the other information. The other information comprises the information included in the Director's report for the year ended December 31, 2022, but does not include the financial statements and our auditor's report thereon.

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

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



Responsibilities of Management and the Board of Directors for the Financial Statements

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

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

The Board of directors is responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

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



- a) proper books of account have been kept by the Bank as required by the Companies Act, 2017 (XIX of 2017) and the returns referred above from the branches have been found adequate for the purpose of our audit;
- b) the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 and the Companies Act, 2017(XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were in accordance with the objects and powers of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

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

The engagement partner on the audit resulting in this independent auditor's report is **Hena Sadiq**.


Chartered Accountants

Place: Karachi

Date: February 16, 2023

UDIN: AR2022100570465LC7PI

Dubai Islamic Bank Pakistan Limited

Statement of Financial Position

As at December 31, 2022

		2022	2021
	Note	--- Rupees in '000 ---	
ASSETS			
Cash and balances with treasury banks	5	45,632,108	25,761,239
Balances with other banks	6	1,146,321	1,363,873
Due from financial institutions	7	23,500,000	1,031,302
Investments	8	103,361,135	84,861,748
Islamic financing and related assets	9	247,767,953	225,364,893
Fixed assets	10	5,336,223	4,281,548
Intangible assets	11	409,352	378,536
Deferred tax assets	12	2,001,279	-
Other assets	13	16,236,091	8,431,020
		445,390,462	351,474,159
LIABILITIES			
Bills payable	14	7,207,894	7,449,011
Due to financial institutions	15	35,875,060	33,545,307
Deposits and other accounts	16	345,811,211	261,573,620
Subordinated sukuks	17	7,120,000	7,120,000
Deferred tax liabilities		-	104,792
Other liabilities	18	19,269,480	14,114,370
		415,283,645	323,907,100
NET ASSETS		30,106,817	27,567,059
REPRESENTED BY			
Share capital	19	11,652,288	11,652,288
Reserves	20	3,875,828	3,092,713
(Deficit) / surplus on revaluation of investments	21	(674,055)	683,374
Unappropriated profit		15,252,756	12,138,684
		30,106,817	27,567,059
CONTINGENCIES AND COMMITMENTS			
	22		

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

President & CEO

Chief Financial Officer

Director

Director

Director

Dubai Islamic Bank Pakistan Limited

Profit and Loss Account

For the year ended December 31, 2022

		2022	2021
	Note	--- Rupees in '000 ---	
Profit / return earned	23	45,885,614	22,754,753
Profit / return expensed	24	(26,435,715)	(10,858,227)
Net Profit / return		19,449,899	11,896,526
OTHER INCOME			
Fee and commission income	25	2,128,134	1,981,011
Dividend income		-	-
Foreign Exchange income		1,394,739	1,097,646
Gain on securities	26	-	576,907
Other (loss) / income	27	(23,165)	1,354
Total other income		3,499,708	3,656,918
Total income		22,949,607	15,553,444
OTHER EXPENSES			
Operating expenses	28	(10,132,049)	(8,285,564)
Workers Welfare Fund		(211,782)	(110,945)
Other charges	29	(13,805)	(4,301)
Total other expenses		(10,357,636)	(8,400,810)
Profit before provisions		12,591,971	7,152,634
Provisions and write offs - net	30	(4,629,854)	(2,097,707)
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		7,962,117	5,054,927
Taxation	31	(4,046,543)	(1,965,617)
PROFIT AFTER TAXATION		3,915,574	3,089,310
		---	Rupees ---
Basic & diluted earnings per share	32	3.36	2.65

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

President & CEO

Chief Financial Officer

Director

Director

Director

Dubai Islamic Bank Pakistan Limited
Statement of Comprehensive Income
For the year ended December 31, 2022

	2022	2021
	--- Rupees in '000 ---	
Profit after taxation for the year	3,915,574	3,089,310
Other comprehensive income		
Items that may be reclassified to profit and loss account in subsequent periods:		
Movement in revaluation of investments - net of tax	(1,357,429)	(141,971)
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement loss on defined benefit obligation - net of tax	(18,387)	(3,978)
Total comprehensive income	<u>2,539,758</u>	<u>2,943,361</u>

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

President & CEO

Chief Financial Officer

Director

Director

Director

Dubai Islamic Bank Pakistan Limited
Statement of Changes in Equity
For the year ended December 31, 2022

	Share capital	Statutory reserve	(Deficit) / surplus on revaluation of investments	Unappropriated profit	Total
	Rupees in '000				
Balance as at January 01, 2021	11,652,288	2,474,851	825,345	9,671,214	24,623,698
Profit after taxation for the year	-	-	-	3,089,310	3,089,310
Other comprehensive loss - net of tax	-	-	(141,971)	(3,978)	(145,949)
	-	-	(141,971)	3,085,332	2,943,361
Transfer to statutory reserve	-	617,862	-	(617,862)	-
Balance as at December 31, 2021	11,652,288	3,092,713	683,374	12,138,684	27,567,059
Profit after taxation for the year	-	-	-	3,915,574	3,915,574
Other comprehensive loss - net of tax	-	-	(1,357,429)	(18,387)	(1,375,816)
	-	-	(1,357,429)	3,897,187	2,539,758
Transfer to statutory reserve	-	783,115	-	(783,115)	-
Balance as at December 31, 2022	11,652,288	3,875,828	(674,055)	15,252,756	30,106,817

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

President & CEO

Chief Financial Officer

Director

Director

Director

Dubai Islamic Bank Pakistan Limited
Cash Flow Statement
For the year ended December 31, 2022

		2022	2021
	Note	----- Rupees in '000 -----	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		7,962,117	5,054,927
Adjustments for:			
Depreciation	10.2	349,766	324,220
Depreciation on right-of-use assets	10.3	917,404	896,452
Amortisation	11.1	95,193	73,687
Finance cost on Ijarah (lease) liabilities	24	360,685	310,470
Gain on securities	26	-	(576,907)
(Loss) / gain on sale of fixed assets	27	23,165	(1,354)
Provisions and write offs - net	30	4,629,854	2,097,707
		6,376,067	3,124,275
		14,338,184	8,179,202
(Increase) / decrease in operating assets			
Due from financial institutions		(22,468,698)	1,366,214
Islamic financing and related assets		(27,032,914)	(28,038,948)
Others assets (excluding current taxation)		(6,015,947)	104,376
		(55,517,559)	(26,568,358)
(Decrease) / increase in operating liabilities			
Bills payable		(241,117)	3,202,770
Due to financial institutions		2,386,125	16,137,347
Deposits and other accounts		84,237,591	24,020,255
Other liabilities (excluding current taxation)		871,564	1,611,058
		87,254,163	44,971,430
		46,074,788	26,582,274
Income tax paid		(3,872,282)	(2,129,362)
Net cash flow generated from operating activities		42,202,506	24,452,912
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(20,802,225)	(17,854,747)
Investments in fixed assets		(719,692)	(682,621)
Proceeds from sale of fixed assets		12,859	21,400
Investments in intangibles		(126,009)	(130,307)
Net cash flow used in investing activities		(21,635,067)	(18,646,275)
CASH FLOW FROM FINANCING ACTIVITIES			
Payment of Ijarah (lease) liabilities against right-of-use assets		(857,750)	(1,115,362)
Increase in cash and cash equivalents		19,709,689	4,691,275
Cash and cash equivalents at beginning of the year		27,068,101	22,376,826
Cash and cash equivalents at end of the year	33	46,777,790	27,068,101

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

President & CEO

Chief Financial Officer

Director

Director

Director

Dubai Islamic Bank Pakistan Limited
Notes to and forming part of the Financial Statements
For the year ended December 31, 2022

1 STATUS AND NATURE OF BUSINESS

- 1.1** Dubai Islamic Bank Pakistan Limited (the Bank) was incorporated in Pakistan as an unlisted public limited company on May 27, 2005 under the Companies Act, 2017 to carry out the business of an Islamic Commercial Bank in accordance with the principles of Islamic Shari'a.
- 1.2** The State Bank of Pakistan (the SBP) granted a "scheduled islamic commercial bank" license to the Bank on November 26, 2005 and subsequently the Bank received the certificate of commencement of business from the Securities and Exchange Commission of Pakistan (the SECP) on January 26, 2006. The Bank commenced its operations as a scheduled Islamic Commercial Bank with effect from March 28, 2006 on receiving certificate of commencement of business from the SBP. The Bank is principally engaged in corporate, commercial, consumer, investing and retail banking activities.
- 1.3** VIS Credit Rating Company Limited on June 29, 2022 has reaffirmed the Bank's medium to long-term rating at 'AA' (Double A) and the short term rating at 'A-1+' (A-One Plus) with stable outlook.
- 1.4** The Bank is operating through 235 branches as at December 31, 2022 (2021: 235 branches). The registered office of the Bank is situated at Hassan Chambers, DC-7, Block-7 Kehkashan, Clifton, Karachi. The Bank is a wholly owned subsidiary of Dubai Islamic Bank PJSC, UAE (the Holding Company).

2 BASIS OF PRESENTATION

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

2.1 Statement of Compliance

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

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

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

The SBP has deferred the applicability of International Accounting Standard (IAS) 39 - 'Financial Instruments: Recognition and Measurement' and 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 IFRS 7 - 'Financial Instruments: Disclosures' through its notification S.R.O 633(I)/2014 dated July 10, 2014. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

The SBP vide its BPRD circular No. 03 dated July 05, 2022 has extended the implementation date of IFRS 9 from January 01, 2022 to January 01, 2024 for banks having assets size of less than PKR 500 billion as at December 31, 2021. However, during the transition period, the banks are required to carry out the parallel run reporting.

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

2.2 Amendments to accounting and reporting standards as applicable in Pakistan that are effective in the current year

There are certain new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 01, 2022 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.

	Effective from Accounting period beginning on or after
Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions extended beyond June 30, 2021	April 01, 2021
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract	January 01, 2022

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

The following amendments are only effective for accounting periods, beginning on or after the date mentioned against each of them.

	Effective from Accounting period beginning on or after
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting policies	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates	January 01, 2023
Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction.	January 01, 2023
Amendments to IFRS 16 'Leases' -Lease Liability in a Sale and Leaseback	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Non-current Liabilities with Covenants	January 01, 2024

The above amendments are not expected to have any material impact on the Bank's financial statements in the period of initial application.

In addition to above amendments, the International Accounting Standards Board (IASB) has also issued the following standards which are yet to be notified by the SECP for the purpose of applicability in Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 17 – Insurance Contracts

3 BASIS OF MEASUREMENT

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention, except that available for sale investments and derivative financial instruments are carried at fair value. Further, net obligations in respect of defined benefit schemes and ijarah (lease) liabilities which are carried at their present values.

3.2 Functional and presentation currency

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

3.3 Critical accounting estimates and judgments

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

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

- i) classification, valuation and provisioning against investments (notes 4.3 and 8)
- ii) classification and provisioning against Islamic financing and related assets (notes 4.4 and 9)
- iii) assumption and estimation in recognition of provision for taxation and deferred taxation (notes 4.6, 12 and 31)
- iv) determination of useful lives and depreciation / amortisation (notes 4.5, 10 and 11)
- v) accounting for defined benefit plan (notes 4.12 and 35)
- vi) determination of the lease term and incremental fund acceptance rate for lease contracts (note 4.10)
- vii) provision, contingent assets and liabilities (note 4.18 and 21)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These have been consistently applied to all the years presented.

4.1 Cash and cash equivalents

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

4.2 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 / Mudaraba

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

Musharaka from State Bank of Pakistan under Islamic Export Refinance Scheme (IERS)

Under IERS, the Bank accepts funds from the SBP under Shirkat-ul-Aqd to constitute a pool for investment in export refinance portfolio of the Bank under guidelines issued by the SBP. The profit of the pool is shared as per the agreed weightages between the partners

Mudaraba investments from the SBP under Islamic Long Term Financing Facility and other refinance schemes

The Bank accepts funds from the SBP for financial assistance on Mudaraba basis for investment in general pool of the Bank. The profit of the pool is shared as per the announced profit sharing ratio of the pool and the weightages assigned to these investments.

4.3 Investments

4.3.1 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.

4.3.2 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 trade date, which is the date on which the Bank commits to purchase or sell the investments.

4.3.3 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.

4.3.4 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 amortised cost using the effective profit rate method, less any impairment loss recognised to reflect irrecoverable amount.

(c) Available for sale

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

Surplus / deficit arising on revaluation of quoted securities which are classified as 'available for sale', is included in the statement of comprehensive income and is shown in the statement of financial position as part of equity. On derecognition of available-for-sale investments, the cumulative gain / loss, if any, previously reported in other comprehensive income is transferred to profit and loss account for the period within statement of comprehensive income.

4.3.5 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 SBP. In case of impairment of available for sale securities, the cumulative loss that previously reported in other comprehensive income is transferred to profit and loss account for the year. For investments classified as held to maturity, the impairment loss is recognised in the profit and loss account.

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

4.4 Islamic financing and related assets

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

Murabaha to the purchase orderer is a sale transaction wherein the first party (the Bank) sells to the client / customer a shari'a compliant asset / good for cost plus a pre-agreed profit after getting title and possession of the same. On the basis of an undertaking (Promise-to-Purchase) from the client (the purchase orderer), the Bank purchases the goods / assets subject of the Murabaha from a third party and takes the possession thereof. However, the Bank can appoint the client as its agent to purchase the goods / assets on its behalf. Thereafter, it sells it to the client at cost plus the profit (agreed upon).

Import Murabaha is a product used to finance a commercial transaction which consists of purchase by the Bank (generally through an undisclosed agent) the goods from the foreign supplier and selling them to the customer after getting the title to and possession of the goods. Murabaha financing is extended to all types of trade transactions i.e. under Documentary Credits (LCs) and Documentary Collections.

Musharaka is a form of partnership in business with distribution of profit in agreed ratio and distribution of loss in the ratio of capital invested.

In Shirkat-ul-Milk, the Bank and the customer become co-owners in certain identified assets by acquiring the same from a third party or by purchase of an undivided share of an asset from the customer by the Bank. Thereafter, the customer / co-owner undertakes to purchase the share of the Bank from the Bank in a manner that the Bank would recover its cost plus the desired profit over a period of time (i.e. till the maturity of the facility). At the end of the facility term the Bank at its own discretion may sell its share to the customer at a nominal price.

Wakala Istithmar has been developed to facilitate exporters through investment agency where the customer acts as the investment agent of the Bank. This medium is used to cater to the export based customer's financial needs i.e. help the customer to bridge the gap between the commencement of the manufacturing process and the dispatch of goods to the ultimate buyer / buyers.

Istisna cum Wakala product has two legs: first the Bank acquires the described goods by way of Istisna to be manufactured by the customer from raw material of its own and once the goods are delivered to the Bank, the customer through an independent agency contract, sells the same to various end-users as the agent of the Bank.

Salam is a sale transaction where the seller undertakes to supply some specific goods to the buyer at a future date against an advance price fully paid on spot.

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

In Tijarah financing, the Bank purchases specific goods / commodities on cash basis from its customers which is then onward sold by the customer on behalf of the Bank and on subsequent sale, the financed amount along with profit is paid by the customer to the Bank.

In Musawamah financings, the Bank purchases the goods and after taking the possession, sells them to the customer either in spot or credit transaction, without disclosing the cost.

Inventory

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

Specific provision

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

General provision

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

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

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

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

The net provision made / reversed during the year is charged to the profit and loss account and accumulated provision is netted off against Islamic financing and related assets. Islamic financing and related assets are written off when there are no realistic prospects of recovery.

4.5 Fixed assets and intangibles

4.5.1 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 10.2 to these financial statements. The depreciation charge for the year is calculated after taking into account residual value, if any. Depreciation is charged from the month of acquisition and upto the month preceding the month of disposal.

The assets residual values, if significant, and their useful lives are reviewed and adjusted, if appropriate, at each reporting date.

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably.

Gains and losses on disposal of property and equipment, if any, are taken to the profit and loss account.

4.5.2 Right-of-Use (RoU) assets

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

4.5.3 Capital work-in-progress

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

4.5.4 Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Such intangible assets are amortised using the straight-line method over their estimated useful lives. The useful lives and amortisation method are reviewed and adjusted, if appropriate at each reporting date. Intangible assets having an indefinite useful life are stated at acquisition cost, less impairment loss, if any. Amortisation is charged from the month of acquisition and upto the month preceding the month of deletion using the rates specified in note 11.1 to these financial statements.

4.5.5 Impairment

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

4.6 Taxation

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

Current

Provision for current taxation is based on taxable income for the year, at current rates of taxation, after taking into consideration available tax credits, rebates and tax losses as required under the Seventh schedule to the Income Tax Ordinance, 2001. The charge for current tax also includes adjustments, where considered necessary relating to prior years, which arises from assessments / developments made during the year.

Deferred

Deferred tax is recognised using the liability method on all major temporary differences between the carrying amounts of assets and liabilities used for financial reporting purposes and amounts used for taxation purposes. Deferred tax is calculated using the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

The carrying amount of the deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised.

4.7 Deposits

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

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

Profits realised in common pool are distributed between the Bank and the depositors in proportion to their respective share in the pool. All Mudaraba based deposits are fully invested in the Common Pool to produce returns for them. In case where the Bank is unable to utilise all funds available for investment, priority is given to the deposit account holders. Rabb-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 Rabb-ul-Maal upto a maximum of 60% of their profit as incentive profits (General Hiba).

Profits are distributed from the pool such that the depositors (remunerative) only bear the risk of assets in the pool during the profit calculation period. In case of loss in a pool during the profit calculation period, the loss is distributed among the depositors (remunerative) according to their ratio of investments.

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

4.8 Pool Management

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

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

Specific pools are operated for funds acquired / accepted from the SBP under IERS, high net-worth individuals / companies / financial institutions and other banks for investments in Shari'a compliant modes of financing and liquidity management under the Musharaka / mudaraba / Wakala modes respectively.

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

General Pool

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

Islamic Export Refinance - Musharaka Pool

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

Interbank Musharaka / Mudaraba Pools

The pool assets generally comprise of Sovereign Guarantee Sukuk only and the related liability of the Financial Institution (FI) pool comprise of Musharaka/Mudaraba from other banks and financial institutions. These pools are created to meet the liquidity requirements of the Bank.

Key features and risk & reward characteristics of all pools

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

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

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

Gross income (Revenue less cost of goods sold and after deduction of other direct expenses), generated from relevant assets is calculated at the end of the month. The income is shared between the Bank and the depositors as per agreed profit sharing ratio after deduction of commingled Bank's equity share on pro rata basis. The residual is shared among depositors as per agreed weightages. These weightages and profit sharing ratios are declared by the Bank in compliance with the requirements of the SBP and Shari'a.

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

4.9 Subordinated Sukuk

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

4.10 Ijarah (lease) Liability

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

4.11 Earnings Per Share

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

4.12 Staff Retirement Benefits

4.12.1 Defined benefit plan

The Bank operates an approved funded gratuity scheme for its permanent employees. The liability recognised in the statement of financial position in respect of defined benefit gratuity scheme, is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. Contributions to the fund are made on the basis of actuarial recommendations. The defined benefit obligation is calculated periodically by an independent actuary using the projected unit credit method. Last valuation was conducted as on December 31, 2022.

Amounts arising as a result of remeasurements, representing the actuarial gains and losses and the difference between the actual investment returns and the return implied by the net interest cost are recognised in the statement of financial position immediately, with a charge or credit to other comprehensive income in the years in which they occur.

4.12.2 Defined contribution plan

The Bank operates an approved funded contributory provident fund for all its permanent employees to which equal monthly contributions are made both by the Bank and the employees at the rate of 10% per annum of basic salary. The Bank has no further payment obligations once the contributions have been paid. The contributions made by the Bank are recognised as employee benefit expense when they are due.

4.13 Revenue Recognition

- Profit from Murabaha is accounted for on consummation of Murabaha transaction. However, profit on the portion of revenue not due for payment is deferred by accounting for unearned Murabaha income with a corresponding credit to deferred Murabaha income which is recorded as a liability. The same is then recognised as revenue on time basis after acquisition of assets. In Murabaha transactions, the Bank purchases the goods and after taking the possession, sells them to the customer on cost plus profit basis either in a spot or credit transaction.
- Profit from Istisna cum wakala and salam financings is recorded on an accrual basis commencing from the time of sale of goods till the realisation of proceeds by the Bank.
- Profit on Shirkatulmilk is recognised on the basis of the reducing balance method on a time apportioned basis that reflects the effective return / profit on the asset.
- Profit on Wakala is accounted for on a time apportioned basis that reflects the effective yield on the asset.
- Profit on Running Musharaka financing is recognised on an accrual basis. Actual profit / (loss) on Musharaka and mudaraba financing is adjusted after declaration of profit / (loss) by Musharaka partner / mudarib or at liquidation of Musharaka / mudaraba.
- Profit on Bai Muajjal transaction is recognised on an accrual basis.
- Gains and losses on sale of investments are included in the profit and loss account.
- Profit on Sukuk is recognised on an accrual basis. Where Sukuk (excluding held for trading securities) are purchased at a premium or discount, those premiums / discounts are amortised through the profit and loss account over the remaining maturity, using the effective yield method.
- Commission on letters of credit, acceptances and guarantees is recognised on receipt basis.
- Fee, commission and brokerage are recognised when earned.
- Profit suspended in compliance with the Prudential Regulations issued by the SBP is recorded on receipt basis. Profit on rescheduled / restructured financings and investments are recognised as per the guidance in prudential regulations.

4.14 Financial Instruments

4.14.1 Financial assets and financial liabilities

All financial assets and liabilities are recognised at the time when the Bank becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Bank loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised when they are extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires. Any loss on derecognition of the financial assets and financial liabilities is taken to income directly. Financial assets carried on the statement of financial position include cash and bank balances, due from financial institutions, investments, Islamic financing and related assets, certain receivables and financial liabilities include bills payable, due to financial institutions, deposits, sub-ordinated debt and other payables. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

4.14.2 Offsetting of financial instruments

Financial assets and financial liabilities are off-set and the net amount is reported in the financial statements only when there is a legally enforceable right to set-off the recognised amount and the Bank intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also off-set and the net amount is reported in the financial statements.

4.14.3 Derivatives

Derivative financial instruments are recognised at fair value. Derivatives with positive market values (unrealised gains) are included in other receivables and derivatives with negative market values (unrealised losses) are included in other liabilities in the statement of financial position. The resultant gains and losses are taken to profit and loss account.

4.15 Fiduciary Assets

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

4.16 Acceptances

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

4.17 Foreign Currencies

Foreign currency transactions and balances

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

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

Translation gains and losses

Translation gains and losses are included in the profit and loss account.

Commitments

Commitments for outstanding forward foreign exchange promises are disclosed at agreed rates. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the exchange rates prevalent on the reporting date.

4.18 Provisions and Contingent Assets and Liabilities

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

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

4.19 Segment Reporting

A segment is a distinguishable component of the Bank that is engaged in business activities (business segment), within a particular economic environment (geographical segment). Performance of each segment is reviewed on a periodic basis.

4.19.1 Business segments

Corporate Banking

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

SME & Commercial Banking

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

Consumer banking

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

Treasury

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

Others

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

4.19.2 Geographical segment

The Bank operates only in Pakistan.

	Note	2022 ----- Rupees in '000 -----	2021
5 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
- local currency		4,614,182	4,123,049
- foreign currencies		981,572	801,268
		<u>5,595,754</u>	<u>4,924,317</u>
With State Bank of Pakistan in			
- local currency current accounts	5.1	38,154,888	16,286,776
- foreign currency current accounts		34,744	59,647
- foreign currency deposit accounts			
- Cash reserve account	5.2	1,674,570	1,601,948
- Special cash reserve account	5.2	-	1,922,214
		<u>1,674,570</u>	<u>3,524,162</u>
With National Bank of Pakistan in			
- local currency current accounts		172,152	966,337
		<u>45,632,108</u>	<u>25,761,239</u>

- 5.1** The local currency current account is maintained with the State Bank of Pakistan (SBP) as per the requirements of Section 22 of the Banking Companies Ordinance, 1962. This section requires banking companies to maintain a local currency cash reserve in the current account opened with the SBP at a sum not less than 6% (2021: 6%) of its demand and time liabilities in Pakistan.
- 5.2** As per DMMD Circular No. 20 dated November 13, 2021 and BSD Circular No. 15 dated June 21, 2008, , cash reserve of 6% (2021: 6%) and special cash reserve of 6% (2021: 6%) are required to be maintained with SBP on deposits held under the New Foreign Currency Accounts Scheme (FE-25 deposits). However, SBP has allowed relaxation to the Bank in maintaining the special cash reserve requirement of 6% till January 05, 2023. These accounts are non-remunerative in nature.

	Note	2022 ----- Rupees in '000 -----	2021
6 BALANCES WITH OTHER BANKS			
In Pakistan			
- in local currency current account		244,841	753,540
- in foreign currency current account		95	322
		<u>244,936</u>	<u>753,862</u>
Outside Pakistan			
- in foreign currency current accounts	6.1	901,385	610,011
		<u>1,146,321</u>	<u>1,363,873</u>

- 6.1** This includes an amount of Rs. 128.64 million (2021: Rs. 128.77 million) deposited with the holding company.

	Note	2022 ----- Rupees in '000 -----	2021
7 DUE FROM FINANCIAL INSTITUTIONS			
Musharaka - unsecured	7.1	23,500,000	1,000,000
Other placement with State Bank of Pakistan		-	31,302
		<u>23,500,000</u>	<u>1,031,302</u>

- 7.1** These carry expected yield of 15% to 16.25% (2021: 10.50%) per annum and are due to mature latest by January 03, 2023 (2021: January 4, 2022).

	2022 ----- Rupees in '000 -----	2021
7.2 Particulars of amounts due from financial institutions		
In local currency	23,500,000	1,031,302
In foreign currency	-	-
	<u>23,500,000</u>	<u>1,031,302</u>

8 INVESTMENTS

8.1 Investments by types:

Note	2022				2021			
	Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value	Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value
----- Rupees in '000 -----								
Available-for-sale securities								
Federal Government securities 8.4.1	47,237,843	-	(218,500)	47,019,343	24,258,893	-	(139,520)	24,119,373
Non-Government debt securities 8.4.2	39,273,566	(89,316)	1,047,563	40,231,813	42,749,533	(89,316)	1,365,876	44,026,093
Foreign securities 8.4.3	18,121,595	-	(2,011,616)	16,109,979	16,822,353	-	(106,071)	16,716,282
Total investments	104,633,004	(89,316)	(1,182,553)	103,361,135	83,830,779	(89,316)	1,120,285	84,861,748
----- Rupees in '000 -----								
	Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value	Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value

8.2 Investments by segments:

----- Rupees in '000 -----								
Federal Government securities								
GOP Ijarah sukuk	43,400,000	-	(218,500)	43,181,500	23,400,000	-	(139,520)	23,260,480
Islamic Naya Pakistan Certificates	3,837,843	-	-	3,837,843	858,893	-	-	858,893
	47,237,843	-	(218,500)	47,019,343	24,258,893	-	(139,520)	24,119,373
Non-Government debt securities								
Listed	37,314,250	-	945,311	38,259,561	37,600,217	-	1,305,723	38,905,940
Unlisted	1,959,316	(89,316)	102,252	1,972,252	5,149,316	(89,316)	60,153	5,120,153
	39,273,566	(89,316)	1,047,563	40,231,813	42,749,533	(89,316)	1,365,876	44,026,093
Foreign securities								
Government debt securities	5,957,931	-	(893,687)	5,064,244	4,644,742	-	34,238	4,678,980
Non-Government debt securities	12,163,664	-	(1,117,929)	11,045,735	12,177,611	-	(140,309)	12,037,302
	18,121,595	-	(2,011,616)	16,109,979	16,822,353	-	(106,071)	16,716,282
Total investments	104,633,004	(89,316)	(1,182,553)	103,361,135	83,830,779	(89,316)	1,120,285	84,861,748

8.2.1 Investments given as collateral

No investments given as collateral at December 31, 2022 (2021: Nil).

8.3 Provision for diminution in value of investments

	2022	2021
	----- Rupees in '000 -----	
8.3.1 Opening balance	89,316	89,316
Charge / (reversal) for the year	-	-
Closing balance	89,316	89,316

8.3.2 Particulars of provision against debt securities

Category of classification	2022		2021	
	*NPI	Provision	*NPI	Provision
----- Rupees in '000 -----				
Domestic				
Other Assets Especially Mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	89,316	89,316	89,316	89,316
	89,316	89,316	89,316	89,316
Overseas	-	-	-	-
Total	89,316	89,316	89,316	89,316

* NPI stands for non-performing investments.

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

Details regarding quality of AFS securities are as follows:

	Cost / amortised cost	
	2022	2021
8.4.1 Federal Government securities - Government guaranteed	----- Rupees in '000 -----	
Islamic Naya Pakistan Certificates	3,837,843	858,893
GOP Ijara sukuk - XXII	500,000	500,000
GOP Ijara sukuk - XXIII	400,000	400,000
GOP Ijara sukuk - XXIV	20,500,000	20,500,000
GOP Ijara sukuk - XXV	22,000,000	2,000,000
	47,237,843	24,258,893

8.4.2 Non-Government debt securities

Listed

AA+, AA, AA-

A+, A, A-

Unrated

-	192,217
406,250	500,000
36,908,000	36,908,000
37,314,250	37,600,217

Unlisted

AAA

AA+, AA, AA-

A+, A, A-

Unrated

1,470,000	2,250,000
-	400,000
400,000	47,500
89,316	2,451,816
1,959,316	5,149,316

39,273,566	42,749,533
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Rating		Cost / amortised cost	
2022	2021	2022	2021
----- Rupees in '000 -----			

8.4.3 Foreign securities

Government securities

Government of the Emirate of Sharjah

Ba1

Baa3

5,957,931

4,644,742

Non-Government debt securities

Listed

BBB+ / Baa1, BBB / Baa2, BBB- / Baa3

CCC-

12,163,664	9,525,918
-	2,651,693
12,163,664	12,177,611
18,121,595	16,822,353

9 ISLAMIC FINANCING AND RELATED ASSETS

		Performing		Non-Performing		Total	
		2022	2021	2022	2021	2022	2021
	Note	Rupees in '000					
Murabaha	9.1	19,296,641	21,938,164	1,017,271	1,361,618	20,313,912	23,299,782
Musawamah	9.2	5,493,399	3,777,120	198,937	163,900	5,692,336	3,941,020
Tijarah cum wakala	9.3	13,817,610	10,813,657	63,000	192,000	13,880,610	11,005,657
Istisna cum Wakala	9.4	17,898,652	14,909,213	502,698	609,411	18,401,350	15,518,624
Salam	9.5	182,070	1,763,274	-	-	182,070	1,763,274
Islamic Export Refinance Scheme - SBP	9.6	16,369,663	16,186,797	125,295	136,322	16,494,958	16,323,119
Other Islamic Refinance Schemes - SBP	9.7	18,003,607	15,655,471	15,649	8,000	18,019,256	15,663,471
Wakala Istithmar		28,247,608	25,926,888	617,987	317,558	28,865,595	26,244,446
Running Musharaka financing		21,716,947	20,993,803	655,901	655,901	22,372,848	21,649,704
Shirkatulmilk - Housing	9.8	17,119,176	12,824,946	566,990	484,533	17,686,166	13,309,479
Shirkatulmilk - Autos	9.9	24,875,744	27,062,639	239,933	258,366	25,115,677	27,321,005
Shirkatulmilk - Fleet financing	9.10	4,735,574	5,676,188	175,388	312,691	4,910,962	5,988,879
Shirkatulmilk - Others		9,813,839	13,396,134	3,525,084	1,398,423	13,338,923	14,794,557
Diminishing Musharaka - Others		49,274,868	32,396,629	2,111,333	638,734	51,386,201	33,035,363
Staff financing		2,622,073	2,454,777	-	-	2,622,073	2,454,777
Islamic financing and related assets (gross)		249,467,471	225,775,700	9,815,466	6,537,457	259,282,937	232,313,157
Provision against Islamic financing and related assets	9.13						
Specific		-	-	(8,335,970)	(4,034,938)	(8,335,970)	(4,034,938)
General		(3,179,014)	(2,913,326)	-	-	(3,179,014)	(2,913,326)
Islamic financing and related assets - net of provision		246,288,457	222,862,374	1,479,496	2,502,519	247,767,953	225,364,893

		2022	2021
	Note	--- Rupees in '000 ---	
9.1 Murabaha			
Financing	9.1.2	4,550,410	6,694,396
Inventory		14,775,412	15,573,375
Advance		988,090	1,032,011
		20,313,912	23,299,782
9.1.1 Murabaha receivable - gross	9.1.2	4,550,410	6,694,396
Less: Deferred murabaha income	9.1.4	(673,569)	(1,409,504)
Profit receivable		(610,866)	(541,010)
Murabaha financing		3,265,975	4,743,882
9.1.2 The movement in Murabaha financing during the year is as follows:			
Opening balance		6,694,396	5,615,009
Sales during the year		33,804,698	11,118,683
Received during the year		(35,948,684)	(10,039,296)
Closing balance		4,550,410	6,694,396
9.1.3 Murabaha sale price		33,804,698	11,118,683
Murabaha purchase price		(30,392,027)	(9,115,826)
		3,412,671	2,002,857
9.1.4 Deferred murabaha income			
Opening balance		1,409,504	1,053,844
Arising during the year		3,412,671	2,002,857
Less: Recognised during the year		(4,148,606)	(1,647,197)
Closing balance		673,569	1,409,504
9.2 Musawamah			
Financing	9.2.2	5,589,734	3,834,238
Advance		102,602	106,782
		5,692,336	3,941,020
9.2.1 Musawamah receivable	9.2.2	5,589,734	3,834,238
Less: Deferred musawama income	9.2.4	(1,549,359)	(1,026,748)
Profit receivable		(72,833)	(48,337)
Musawamah financings		3,967,542	2,759,153
9.2.2 The movement in Musawamah financing during the year is as follows:			
Opening balance		3,834,238	2,858,989
Sales during the year		4,124,012	2,682,825
Received during the year		(2,368,516)	(1,707,576)
Closing balance		5,589,734	3,834,238
9.2.3 Musawamah sale price		4,124,012	2,682,825
Musawamah purchase price		(2,706,514)	(1,830,044)
		1,417,498	852,781
9.2.4 Deferred Musawamah income			
Opening balance		1,026,748	796,444
Arising during the year		1,417,498	852,781
Less: Recognised during the year		(894,887)	(622,477)
Closing balance		1,549,359	1,026,748

		2022	2021
		--- Rupees in '000 ---	
9.3	Tijarah cum wakala		
	Financing	10,125,486	7,930,533
	Inventory	3,755,124	3,075,124
		<u>13,880,610</u>	<u>11,005,657</u>
9.4	Istisna cum Wakala		
	Financing	12,918,728	7,581,580
	Advance	5,482,622	7,937,044
		<u>18,401,350</u>	<u>15,518,624</u>
9.5	Salam		
	Financing	-	289,497
	Advance	182,070	1,473,777
		<u>182,070</u>	<u>1,763,274</u>
9.6	Islamic Export Refinance Scheme - SBP		
	Istisna - Advance	200,000	279,500
	Istisna - Financing	419,000	509,500
	Running Musharaka - Financing	8,900,800	8,885,800
	Wakala Istithmar - Financing	6,975,158	6,648,319
		<u>16,494,958</u>	<u>16,323,119</u>
9.7	Other Islamic Refinance Schemes - SBP		
	Islamic Long Term Financing Facility		
	-Diminishing Musharaka - Financing	4,534,058	3,464,187
	Payment of Wages and Salaries Refinance Scheme		
	-Shirkatulmilk - Financing	199,665	1,912,456
	-Running Musharaka - Financing	-	545,235
	-Murabaha - Financing	17,614	109,337
		<u>217,279</u>	<u>2,567,028</u>
	Islamic Financing Facility for Combating COVID 19		
	-Musharaka - Financing	633,493	817,893
	Islamic Finance Facility For Renewable Energy		
	-Diminishing Musharaka - Financing	966,331	356,248
	Islamic Temporary Economic Refinance Facility		
	-Musharaka - Financing	384,184	444,626
	-Shirkatulmilk - Financing	10,809,500	7,639,539
		<u>11,193,684</u>	<u>8,084,165</u>
	Other Islamic Refinance Facilities		
	-Musharaka - Financing	474,411	373,950
		<u>18,019,256</u>	<u>15,663,471</u>
9.8	Shirkatulmilk - Housing		
	Financing	17,348,216	12,950,699
	Advance	337,950	358,780
		<u>17,686,166</u>	<u>13,309,479</u>
9.9	Shirkatulmilk - Autos		
	Financing	24,544,215	23,835,334
	Advance	571,462	3,485,671
		<u>25,115,677</u>	<u>27,321,005</u>
9.10	Shirkatulmilk - Fleet financing		
	Financing	4,596,342	5,292,809
	Advance	314,620	696,070
		<u>4,910,962</u>	<u>5,988,879</u>
9.11	Particulars of Islamic financing and related assets (gross)		
	In local currency	258,581,768	230,215,986
	In foreign currencies	701,169	2,097,171
		<u>259,282,937</u>	<u>232,313,157</u>
9.12	Islamic financing and related assets include Rs. 9,815.47 million (2021: Rs. 6,537.46 million) which have been placed under non-performing status as detailed below:		

Category of Classification	2022		2021	
	Non-Performing	Provision held	Non-Performing	Provision held
	----- Rupees in '000 -----			
Domestic				
Other Assets Especially Mentioned	62,572	156	22,122	-
Substandard	379,570	31,104	244,858	35,960
Doubtful	95,632	15,042	338,321	12,337
Loss	9,277,692	8,289,668	5,932,156	3,986,641
	<u>9,815,466</u>	<u>8,335,970</u>	<u>6,537,457</u>	<u>4,034,938</u>

9.13 Particulars of provision against Islamic financing and related assets:

	2022			2021		
	Specific	General	Total	Specific	General	Total
	----- Rupees in '000 -----					
Opening balance	4,034,938	2,913,326	6,948,264	3,082,610	1,912,859	4,995,469
Charge for the year	4,590,781	265,688	4,856,469	1,685,654	1,000,467	2,686,121
Reversals during the year	(226,615)	-	(226,615)	(595,661)	-	(595,661)
	4,364,166	265,688	4,629,854	1,089,993	1,000,467	2,090,460
Amounts written-off	(63,134)	-	(63,134)	(137,665)	-	(137,665)
Closing balance	8,335,970	3,179,014	11,514,984	4,034,938	2,913,326	6,948,264

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

	2022			2021		
	Specific	General	Total	Specific	General	Total
	----- Rupees in '000 -----					
In local currency	8,324,716	3,179,014	11,503,730	4,027,113	2,913,326	6,940,439
In foreign currency	11,254	-	11,254	7,825	-	7,825
	8,335,970	3,179,014	11,514,984	4,034,938	2,913,326	6,948,264

9.13.2 As allowed by the SBP, the Bank has availed benefit of Forced Sale Value (FSV) amounting to Rs. 1,078.16 million (2021: Rs. 2,123.29 million) in determining the provisioning against non performing Islamic financings as at December 31, 2022. The additional profit arising from availing the FSV benefit - net of tax as at December 31, 2022 which is not available for distribution as either cash or stock dividend to shareholders amounted to Rs. 549.86 million (2021: Rs. 1,295.21 million).

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

9.13.4 In addition to the above, the Bank has maintained a general provision of Rs. 2,914 million (2021: Rs. 2,714 million) against financing made on prudent basis, in view of the prevailing economic conditions. This general provision is in addition to the existing requirements of Prudential Regulations.

	2022	2021
	--- Rupees in '000 ---	
9.14 Particulars of write offs:		
9.14.1 Against Provisions	63,134	137,665
Directly charged to	-	-
	63,134	137,665
9.14.2 Write Offs of Rs. 500,000 and above - Domestic	63,134	114,322
Write Offs of Below	-	23,343
	63,134	137,665

9.15 Details of loan write off of Rs. 500,000/- and above

In term of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962, the Statement in respect of written off financing or any other financial relief of five hundred thousand rupees or above allowed to any person during the year ended December 31, 2022 is given as Annexure 1.

	Note	2022	2021
		--- Rupees in '000 ---	
10 FIXED ASSETS			
Capital work-in-progress	10.1	50,723	13,754
Property and equipment	10.2	1,605,101	1,494,794
Right-of-use assets	10.3	3,680,399	2,773,000
		5,336,223	4,281,548
10.1 Capital work-in-progress			
Civil works		8,768	441
Equipment		41,955	13,313
		50,723	13,754

10.2 Property and equipment

	2022				
	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Leasehold Improvements	Total
	----- Rupees in '000 -----				
As at January 1,					
Cost	446,556	2,884,413	84,139	1,563,888	4,978,996
Accumulated depreciation	(342,304)	(1,883,670)	(50,214)	(1,208,014)	(3,484,202)
Net book value	<u>104,252</u>	<u>1,000,743</u>	<u>33,925</u>	<u>355,874</u>	<u>1,494,794</u>
Year ended December 31,					
Opening net book value	104,252	1,000,743	33,925	355,874	1,494,794
Additions	28,746	335,467	51,827	80,057	496,097
Cost of assets disposed off	(1,248)	(243,835)	(6,634)	-	(251,717)
Cost of assets written off	-	-	-	-	-
	27,498	91,632	45,193	80,057	244,380
Depreciation charge	(23,862)	(227,348)	(16,902)	(81,654)	(349,766)
Accumulated depreciation of disposals	1,011	209,375	5,307	-	215,693
Accumulated depreciation of assets written-off	-	-	-	-	-
	(22,851)	(17,973)	(11,595)	(81,654)	(134,073)
Closing net book value	<u>108,899</u>	<u>1,074,402</u>	<u>67,523</u>	<u>354,277</u>	<u>1,605,101</u>
As at December 31,					
Cost	474,054	2,976,045	129,332	1,643,945	5,223,376
Accumulated depreciation	(365,155)	(1,901,643)	(61,809)	(1,289,668)	(3,618,275)
Net book value	<u>108,899</u>	<u>1,074,402</u>	<u>67,523</u>	<u>354,277</u>	<u>1,605,101</u>
Rate of depreciation	<u>10%</u>	<u>10% to 33.33%</u>	<u>25%</u>	<u>5% to 15%</u>	
	2021				
	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Leasehold Improvements	Total
	----- Rupees in '000 -----				
As at January 1,					
Cost	414,275	2,645,631	80,572	1,481,558	4,622,036
Accumulated depreciation	(319,588)	(1,783,176)	(40,554)	(1,117,878)	(3,261,196)
Net book value	<u>94,687</u>	<u>862,455</u>	<u>40,018</u>	<u>363,680</u>	<u>1,360,840</u>
Year ended December 31,					
Opening net book value	94,687	862,455	40,018	363,680	1,360,840
Additions	33,079	353,635	6,801	84,705	478,220
Cost of assets disposed-off	(798)	(114,853)	(3,234)	(2,375)	(121,260)
Cost of assets written-off	-	-	-	-	-
	32,281	238,782	3,567	82,330	356,960
Depreciation charge	(23,313)	(196,946)	(12,247)	(91,714)	(324,220)
Accumulated depreciation of disposals	597	96,452	2,587	1,578	101,214
Accumulated depreciation of assets written-off	-	-	-	-	-
	(22,716)	(100,494)	(9,660)	(90,136)	(223,006)
Closing net book value	<u>104,252</u>	<u>1,000,743</u>	<u>33,925</u>	<u>355,874</u>	<u>1,494,794</u>
As at December 31,					
Cost	446,556	2,884,413	84,139	1,563,888	4,978,996
Accumulated depreciation	(342,304)	(1,883,670)	(50,214)	(1,208,014)	(3,484,202)
Net book value	<u>104,252</u>	<u>1,000,743</u>	<u>33,925</u>	<u>355,874</u>	<u>1,494,794</u>
Rate of depreciation	<u>10%</u>	<u>10%-33.33%</u>	<u>25%</u>	<u>5%-15%</u>	

10.2.1 Details of disposal of fixed assets are as follows:

2022						
	Cost	Accumulated depreciation	Net book value	Sale price	(Loss) / gain	Mode of disposal
	Rupees in '000					Particulars of buyer
Vehicle - Toyota Prado	4,950	3,960	990	4,200	3,210	Bank's Policy
Host Security Module	3,452	2,934	518	17	(501)	Bank's Policy
Host Security Module	3,452	2,935	517	17	(500)	Bank's Policy
PABX	6,806	5,785	1,021	32	(989)	Bank's Policy
Router/Switch	7,767	6,602	1,165	36	(1,129)	Bank's Policy
Router/Switch	7,767	6,602	1,165	36	(1,129)	Bank's Policy
Router/Switch	12,554	10,671	1,883	59	(1,824)	Bank's Policy

Items having book value less than Rs. 500,000

Electrical, office and computer equipment	201,912	173,733	28,179	6,725	(21,454)	Bank's Policy	Various
Electrical, office and computer equipment	125	113	12	12	-	Bank's Policy	Farhan Firdous Ali (ex employee)
Vehicle	1,684	1,347	337	1,475	1,138	Insurance Claim	Salaam Takaful
Furniture and fixture	1,248	1,011	237	250	13	Bank's Policy	Various
	204,969	176,204	28,765	8,462	(20,303)		
	251,717	215,693	36,024	12,859	(23,165)		

10.2.2 During the year, there were no sale proceeds made to any related party.

10.2.3 The cost of fully depreciated fixed assets still in use amount to Rs. 2,718.40 million (2021: Rs. 2,629.57 million).

	2022	2021
	--- Rupees in '000 ---	
10.3 Right-of-use assets		
Building on leasehold land	10.3.1	3,680,399
		2,773,000
10.3.1 Right-of-use assets - building on leasehold land		
As at January 01,		
Cost	5,188,669	3,794,384
Accumulated depreciation	(2,415,669)	(1,519,217)
Net book value	2,773,000	2,275,167
Year ended December 31,		
Opening net book value	2,773,000	2,275,167
Additions	1,824,803	1,394,285
Depreciation charge	(917,404)	(896,452)
Closing net book value	3,680,399	2,773,000
As at December 31,		
Cost	7,013,472	5,188,669
Accumulated depreciation	(3,333,073)	(2,415,669)
Net book value	3,680,399	2,773,000

11 INTANGIBLE ASSETS

Capital work-in-progress - Advance to suppliers	59,148	59,168
Computer software	350,204	319,368
	409,352	378,536

	2022	2021
	--- Rupees in '000 ---	
11.1 Intangible assets - computer software		
As at January 01,		
Cost	1,406,688	1,238,334
Accumulated amortisation	(1,087,320)	(1,013,633)
Net book value	<u>319,368</u>	<u>224,701</u>
Year ended December 31,		
Opening net book value	319,368	224,701
Additions - directly purchased	126,029	168,354
Amortisation expense	(95,193)	(73,687)
Closing net book value	<u>350,204</u>	<u>319,368</u>
As at December 31,		
Cost	1,532,717	1,406,688
Accumulated amortisation	(1,182,513)	(1,087,320)
Net book value	<u>350,204</u>	<u>319,368</u>
Rate of amortisation	11.11% to <u>33.33%</u>	11.11% to <u>33.33%</u>
Useful life (years)	<u>3 to 9</u>	<u>3 to 9</u>

11.2 The cost of fully amortised intangible assets still in use amounts to Rs. 935.72 million (2021: Rs. 925.30 million).

	2022			
	At Jan 1, 2022	Recognised in P&L	Recognised in OCI	At Dec 31, 2022
	----- Rupees in '000 -----			
12 DEFERRED TAX ASSETS / (LIABILITIES)				
Deductible temporary differences on:				
Provision against non-performing Islamic financing and related assets	302,873	1,143,386	-	1,446,259
Provision against other assets	3,507	360	-	3,867
Deficit on revaluation of investments	(436,911)	-	945,409	508,498
Deficit on defined benefit plan	25,940	-	18,538	44,478
	<u>(104,591)</u>	<u>1,143,746</u>	<u>963,947</u>	<u>2,003,102</u>
Taxable temporary differences on:				
Accelerated tax depreciation and amortisation	(201)	(1,622)	-	(1,823)
	<u>(104,792)</u>	<u>1,142,124</u>	<u>963,947</u>	<u>2,001,279</u>
	2021			
	At Jan 1, 2021	Recognised in P&L	Recognised in OCI	At Dec 31, 2021
	----- Rupees in '000 -----			
Deductible temporary differences on:				
Provision against non-performing Islamic financing and related assets	71,741	231,132	-	302,873
Provision against other assets	611	2,896	-	3,507
Deficit on defined benefit plan	19,705	-	6,235	25,940
	<u>92,057</u>	<u>234,028</u>	<u>6,235</u>	<u>332,320</u>
Taxable temporary differences on:				
Accelerated tax depreciation and amortisation	(695)	494	-	(201)
Surplus on revaluation of investments	(444,416)	-	7,505	(436,911)
	<u>(445,111)</u>	<u>494</u>	<u>7,505</u>	<u>(437,112)</u>
	<u>(353,054)</u>	<u>234,522</u>	<u>13,740</u>	<u>(104,792)</u>

	2022	2021
	--- Rupees in '000 ---	
13 OTHER ASSETS		
	<i>Note</i>	
Profit / return accrued in local currency - net	9,915,595	4,389,992
Profit / return accrued in foreign currencies - net	197,375	125,935
Advances, deposits and other prepayments	863,106	892,810
Mark to market gain on forward foreign exchange contracts	566,774	111,827
Acceptances	4,436,519	2,478,225
Advance taxation (payments less provisions)	-	169,170
Commission receivable	14,278	52,185
Others	251,437	219,869
	<u>16,245,084</u>	<u>8,440,013</u>
Less: Provision held against other assets	13.1 (8,993)	(8,993)
	<u>16,236,091</u>	<u>8,431,020</u>

	2022	2021
	--- Rupees in '000 ---	
13.1 Provision held against other assets - others		
Opening balance	8,993	1,746
Charge for the year	-	8,993
Reversals during the year	-	(1,746)
Closing balance	<u>8,993</u>	<u>8,993</u>

14 BILLS PAYABLE

In Pakistan	7,196,760	7,440,147
Outside Pakistan	11,134	8,864
	<u>7,207,894</u>	<u>7,449,011</u>

15 DUE TO FINANCIAL INSTITUTIONS

Secured

Musharaka from the State Bank of Pakistan under Islamic Export Refinance Scheme	15.1	15,878,463	15,721,797
Investment from the State Bank of Pakistan under Islamic Long Term Financing Facility	15.2	4,268,281	3,414,483
under Payment of Wages and Salaries Refinance Scheme	15.3	375,164	2,569,020
under Islamic Financing Facility for Combating COVID 19	15.4	591,857	759,143
under Islamic Finance Facility For Renewable Energy	15.5	466,849	310,003
under Islamic Temporary Economic Refinance Facility	15.6	10,819,396	6,539,900
under other Islamic Refinance Facilities	15.7	474,411	373,950
		32,874,421	29,688,296
Other Musharaka acceptance		3,000,000	-
Total Secured		<u>35,874,421</u>	<u>29,688,296</u>

Unsecured

Musharaka acceptance	-	3,800,000
Overdrawn nostros accounts	639	57,011
Total unsecured	<u>639</u>	<u>3,857,011</u>
	<u>35,875,060</u>	<u>33,545,307</u>

- 15.1** These Musharaka are on a profit and loss sharing basis having maturity between January 09, 2023 to June 28, 2023 (2021: January 05, 2022 to June 26, 2022) and are secured against demand promissory notes executed in favor of the SBP.
- 15.2** These are on a profit and loss sharing basis having maturity between February 21, 2024 to November 20, 2031 (2021: February 21, 2024 to November 20, 2031) and are secured against demand promissory notes executed in favor of the SBP.
- 15.3** These are on a profit and loss sharing basis having maturity between January 03, 2023 to June 29, 2023 (2021: October 01, 2022 to June 29, 2023) and are secured against demand promissory notes executed in favor of the SBP.
- 15.4** These are on a profit and loss sharing basis having maturity between June 07, 2025 to June 26, 2031 (2021: June 07, 2025 to June 26, 2031) and are secured against demand promissory notes executed in favor of the SBP.
- 15.5** These are on a profit and loss sharing basis having maturity between February 03, 2026 to November 13, 2031 (2021: December 12, 2022 to November 13, 2031) and are secured against demand promissory notes executed in favor of the SBP.
- 15.6** These are on a profit and loss sharing basis having maturity between December 14, 2025 to October 27, 2032 (2021: February 06, 2022 to December 19, 2031) and are secured against demand promissory notes executed in favor of the SBP.
- 15.7** These are on a profit and loss sharing basis having maturity latest by October 10, 2025 to June 30, 2029 (2021: March 21, 2026) are secured against demand promissory notes executed in favor of the SBP.

	2022	2021
	--- Rupees in '000 ---	
15.8 Particulars of due to financial institutions with respect to currencies		
In local currency	35,874,421	33,488,296
In foreign currencies	639	57,011
	<u>35,875,060</u>	<u>33,545,307</u>

16 DEPOSITS AND OTHER ACCOUNTS

	2022			2021		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
----- Rupees in '000 -----						
Customers						
Current deposits	68,772,344	17,032,944	85,805,288	68,719,908	16,005,918	84,725,826
Savings deposits	114,270,169	8,752,595	123,022,764	93,132,815	8,446,665	101,579,480
Term deposits	44,015,825	26,456,553	70,472,378	34,972,950	7,560,198	42,533,148
Others	11,840,762	-	11,840,762	4,934,565	-	4,934,565
	238,899,100	52,242,092	291,141,192	201,760,238	32,012,781	233,773,019
Financial institutions						
Current deposits	208,483	43,930	252,413	373,845	40,620	414,465
Savings deposits	52,293,215	-	52,293,215	22,290,009	-	22,290,009
Term deposits	2,124,391	-	2,124,391	5,096,127	-	5,096,127
	54,626,089	43,930	54,670,019	27,759,981	40,620	27,800,601
	293,525,189	52,286,022	345,811,211	229,520,219	32,053,401	261,573,620

16.1 Composition of deposits

	2022	2021
	---- Rupees in '000 ----	
Individuals	143,766,555	132,326,205
Government (Federal and Provincial)	18,331,714	21,333,895
Public Sector Entities	2,008,681	1,259,185
Banking Companies	598,356	5,336
Non-Banking Financial Institutions	54,071,663	27,795,265
Private Sector	127,034,242	78,853,734
	345,811,211	261,573,620

16.2 This includes deposits eligible to be covered under takaful arrangements amounting to Rs. 85,852 million (2021: Rs. 86,982 million).

17 SUBORDINATED SUKUKS

	Note	2022	2021
		---- Rupees in '000 ----	
Additional Tier I Sukuk	17.1	3,120,000	3,120,000
Tier II Sukuk	17.2 & 17.3	4,000,000	4,000,000
		7,120,000	7,120,000

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

Credit rating	A+ (Single A - Plus) by VIS Credit Rating Company Limited.
Tenor	Perpetual
Profit payment frequency	Monthly in arrears
Redemption	Perpetual
Expected periodic profit amount (Mudaraba profit amount)	The Mudaraba Profit is computed under General Pool on the basis of profit sharing ratio and monthly weightages announced by the Bank under the SBP guidelines of pool management. Last announced profit rate on the Sukuk is 17.66% per annum.
Call option	The Bank may call Additional Tier I Sukuk with prior approval of SBP on or after five years from the date of issue.
Loss absorbency	The Additional Tier I Sukuk, at the option of the SBP, will be fully and permanently converted into common shares upon the occurrence of a point of non-viability trigger event as determined by SBP or for any other reason as may be directed by SBP.
Lock-in-clause	Profit and/or redemption amount can be held back in respect of the Additional Tier I Sukuk, if such payment will result in a shortfall in the Issuer's minimum capital or capital adequacy ratio requirement.

17.2 In December 2022, the Bank issued regulatory Shariah compliant unsecured, subordinated privately placed Tier II Sukuk based on Mudaraba of Rs. 4,000 million as instrument of redeemable capital under section 66 of the Companies Act, 2017. The brief description of sukuk is as follows:

Credit rating	AA- (Double AA - Minus) by VIS Credit Rating Company Limited.
Tenor	10 years from the issue date
Profit payment frequency	Semi-annually in arrears
Redemption	On the tenth anniversary from the issue date of sukuk.
Expected periodic profit amount (Mudaraba profit amount)	The Mudaraba Profit is in accordance with the agreed profit sharing ratios / weightages assigned by the bank from time-to-time coinciding with the relevant profit distribution frequency for the relevant profit distribution period. Last announced profit rate on the sukuk is 17.51% per annum.
Call option	The Bank may call Tier II Sukuk with prior approval of SBP on or after five years from the date of issue.
Loss absorbency	The Tier II Sukuk, at the option of the SBP, will be fully and permanently converted into common shares upon the occurrence of a point of non-viability trigger event as determined by SBP or for any other reason as may be directed by SBP.
Lock-in-clause	Profit and/or redemption amount can be held back in respect of the Tier II Sukuk, if such payment will result in a shortfall in the Issuer's minimum capital or capital adequacy ratio requirement.

17.3 During the year, the Bank exercised Call Option with prior approval of SBP in respect of its regulatory Shariah compliant unsecured, subordinated privately placed Tier II Sukuk of Rs 4,000 million issued by the Bank in July 2017. The principal and profit component of these sukuk were paid back to investors in December 2022. Last announced profit rate on the Sukuk was 15.99%. Further, the Bank has issued Tier II sukuk of Rs 4,000 million during the year (Note 17.2).

	Note	2022 --- Rupees in '000 ---	2021
18 OTHER LIABILITIES			
Profit / return payable in local currency		3,178,501	1,462,977
Profit / return payable in foreign currencies		169,666	55,258
Deferred income murabaha / musawamah / SBP refinance schemes		2,224,289	2,440,527
Accrued expenses		1,060,452	777,835
Advance from financing customers		1,206,145	1,410,787
Mark to market loss on forward foreign exchange contracts		22,728	112,337
Acceptances		4,436,519	2,478,225
Current taxation (provisions less payments)		1,147,215	-
Security deposits against Islamic financing and related assets		35,173	151,374
Retention money		2,144	1,802
Payable to dealers, contractors, etc.		188,750	581,398
Ijarah (lease) liabilities		3,807,378	2,666,266
Charity payable	18.1	4,175	3,982
Workers welfare fund payable	18.2	711,792	500,010
Duties and taxes payable		154,166	56,083
Payable to defined benefit plan	35.4	22,335	30,432
Payable to Employees Old Age Benefit Institution (EOBI)		158,729	136,201
Sundry Creditors		280,125	281,976
Others		459,198	966,900
		19,269,480	14,114,370

18.1 Charity Fund

Opening balance		3,982	396
Additions during the year			
Received from customers on account of delayed payment		12,777	5,480
Shariah non-compliant income		2,318	12,462
Profit on charity fund		98	94
		15,193	18,036
Payments / utilisation during the year	18.1.1		
Health		(11,200)	(9,750)
Education		(3,800)	(4,700)
		(15,000)	(14,450)
		4,175	3,982

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

	2022 --- Rupees in '000 ---	2021
Airport Security Force Welfare Foundation	500	-
Aga Khan Hospital and Medical College Foundation	500	-
Family Educational Services Foundation	500	-
Koohi Goth Hospital	500	-
Nigahban Welfare Association	500	-
The Indus Hospital	800	-
Trust Jamiat Talimul Quran	500	-
Baitussalam Welfare Trust	4,800	2,825
Sindh Institute of Urology and Transplantation	3,100	2,825
The Citizen Foundation	1,500	2,500
KPSS Secondary School Saigolabad - Alif Noon Foundation	800	1,000
Afzaal Memorial Thalassemia Foundation (AMTF)	500	900
Layton Rahmatulla Benevolent Trust	500	400
Child Aid Association	-	1,000
Namal Education Foundation	-	1,200
Pakistan Children's Heart Foundation	-	1,000
Saylani Welfare Trust	-	800
	15,000	14,450

18.1.2 Charity was not paid to any active staff of the Bank or to any individual / organisation in which a director or his spouse had any interest at any time during the year.

18.2 Workers welfare fund

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

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

19 SHARE CAPITAL

19.1 Authorised Capital

2022 ----- Number -----	2021		2022 ---- Rupees in '000 ----	2021
<u>1,800,000,000</u>	<u>1,800,000,000</u>	Ordinary shares of Rs.10 each	<u>18,000,000</u>	<u>18,000,000</u>

19.2 Issued, subscribed and paid up

2022 ----- Number -----	2021			
<u>1,165,228,776</u>	<u>1,165,228,776</u>	Ordinary shares Fully paid in cash	<u>11,652,288</u>	<u>11,652,288</u>

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

Note

2022	2021
---- Rupees in '000 ----	

20 RESERVES

Statutory reserve	20.1	<u>3,875,828</u>	<u>3,092,713</u>
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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.

Note

2022	2021
---- Rupees in '000 ----	

21 (DEFICIT) / SURPLUS ON REVALUATION OF INVESTMENTS

(Deficit) / surplus on revaluation of Available-for-sale securities

Sukuk certificates	8.1	<u>(1,182,553)</u>	<u>1,120,285</u>
Less: Related deferred tax asset / (liability)		<u>508,498</u>	<u>(436,911)</u>
		<u>(674,055)</u>	<u>683,374</u>

		2022	2021
	Note	--- Rupees in '000 ---	
22 CONTINGENCIES AND COMMITMENTS			
Guarantees	22.1	26,997,386	26,262,065
Commitments	22.2	76,020,890	51,790,251
Other contingent liabilities	22.3	211,480	211,480
		<u>103,229,756</u>	<u>78,263,796</u>
22.1 Guarantees			
Financial guarantees		14,874	108,546
Performance guarantees		10,565,865	6,209,764
Other guarantees		16,416,647	19,943,755
		<u>26,997,386</u>	<u>26,262,065</u>
22.2 Commitments			
Documentary credits and short-term trade-related transactions			
- Letters of credit		43,094,462	34,649,476
Commitments in respect of:			
- Forward foreign exchange contracts - net	22.2.1	25,433,348	7,329,426
- Islamic financing and related assets		7,096,289	9,602,000
Commitments for acquisition of:			
- Fixed assets		162,172	77,838
- Intangible assets		234,619	131,511
		<u>76,020,890</u>	<u>51,790,251</u>
22.2.1 Commitments in respect of forward foreign exchange contracts - net			
Purchase		33,437,162	17,847,323
Sale		8,003,814	10,517,897
		<u>25,433,348</u>	<u>7,329,426</u>
22.3 Tax contingencies			

The income tax authorities have amended assessment orders of the Bank for prior years including the tax year 2022. The disallowances were mainly due to IFRS 16 “Leases” related adjustments, charge/reversals of provision against financing, provision against investments and Workers Welfare Fund. The Bank has filed appeals before the various appellate forums against these amendments for prior years up until Tax Year 2021.

For the tax year 2015, tax authorities have issued a notice to amend assessment against the adjustment of minimum tax paid in prior years amounting to Rs. 211.48 million. The management of the Bank approached Sindh High Court and subsequently the Honorable Supreme Court of Pakistan against the order of the Sindh High Court. The Honorable Supreme Court of Pakistan has granted leave to appeal. The appeal is expected to be fixed soon. Through Finance Act 2021 favorable amendment has been made to section 113(2)(c) strengthening Bank’s stance on adjustment of minimum tax for the years where no tax was payable. The management of the Bank is confident that the appeals will be decided in favor of the Bank in respect of the aforementioned matters.

	2022	2021
	--- Rupees in '000 ---	
23 PROFIT / RETURN EARNED		
On Islamic financing and related assets to customers	34,677,542	17,777,502
On investments in available-for-sale securities	10,748,847	4,652,039
On deposits / placements with financial institutions	459,225	325,212
	<u>45,885,614</u>	<u>22,754,753</u>
24 PROFIT / RETURN EXPENSED		
Deposits and other accounts	20,047,864	9,127,903
Subordinated sukuk	1,024,297	607,577
Due to financial institutions	4,053,581	689,353
Finance cost on Ijarah (lease) liabilities	360,685	310,470
Cost of foreign currency swaps	949,288	122,924
	<u>26,435,715</u>	<u>10,858,227</u>
25 FEE & COMMISSION INCOME		
Consumer finance related fees	670,869	631,895
Credit related fees	95,977	126,268
Investment banking fees	152,494	151,135
Branch banking customer fees	98,529	107,300
Card related fees	248,629	208,809
Commission on trade	353,638	375,215
Commission on guarantees	206,427	77,279
Commission on cash management	79,299	55,723
Commission on remittances including home remittances	14,156	22,650
Commission on bancassurance	40,145	60,077
Rebate income	136,339	139,071
Others	31,632	25,589
	<u>2,128,134</u>	<u>1,981,011</u>
26 GAIN ON SECURITIES		
Realised		
- Debt securities	<u>-</u>	<u>576,907</u>
27 OTHER (LOSS) / INCOME		
(Loss) / gain on sale of fixed assets - net	<u>(23,165)</u>	<u>1,354</u>

		2022	2021
	Note	--- Rupees in '000 ---	
28 OPERATING EXPENSES			
Total compensation expense	28.1	4,230,005	3,530,280
Property expense			
Utilities cost		629,419	346,467
Security		285,281	259,527
Repair & maintenance (including janitorial charges)		201,006	159,717
Takaful charges		876	910
Depreciation		81,653	91,713
Depreciation on right-of-use assets		917,404	896,452
		2,115,639	1,754,786
Information technology expenses			
Software maintenance		388,660	317,158
Hardware maintenance		164,848	145,787
Depreciation		139,635	103,251
Amortisation		95,193	73,687
Networking and connectivity charges		159,637	153,524
Outsourced services cost		40,774	33,522
Takaful charges		1,502	1,407
Others		4,849	2,777
		995,098	831,113
Other operating expenses			
Directors' fee and allowances	37.1	10,271	11,466
Fees and allowances to Sharia'h Board members	37.1	13,958	11,999
Legal and professional charges		56,917	49,127
Outsourced services cost	28.2	169,679	124,885
Travelling and conveyance		46,309	25,942
NIFT clearing charges		45,814	34,933
Depreciation		128,478	129,256
Training and development		16,629	13,260
Postage and courier charges		35,216	36,059
Communications		264,523	221,171
Stationary and printing		236,748	156,967
Marketing, advertising and publicity		234,854	161,141
Auditors' remuneration	28.3	7,127	7,127
Brokerage, commission and bank charges		535,591	394,354
Tracker related charges		154,759	162,631
Cash transportation charges		297,961	217,366
Repair and maintenance		119,266	102,406
Subscription fees		52,137	20,449
Takaful charges		44,388	51,552
Deposit premium cost		139,171	122,237
Others		181,511	115,057
		2,791,307	2,169,385
		10,132,049	8,285,564

	<i>Note</i>	2022	2021
		--- Rupees in '000 ---	
28.1 Total compensation expense			
Managerial remuneration - fixed		1,477,748	1,332,434
Managerial remuneration - variable (including bonus)		300,432	243,328
Allowances		1,007,436	689,735
Contribution to provident fund	36	136,316	123,666
Contribution to gratuity fund	35.8.1	81,408	77,701
Rent & house maintenance		597,600	539,097
Utilities		149,117	134,620
Medical		64,642	62,131
EOBI - employer contribution		18,773	18,304
Staff takaful expense		82,754	74,511
Outsourced services - third party staff		304,622	232,273
Staff antecedent verification		9,157	2,480
		4,230,005	3,530,280

28.2 Total cost for the year included in other operating expenses relating to outsourced activities pertaining to companies incorporated in Pakistan is Rs. 43.36 million (2021: Rs. 37.50 million). This includes payments other than outsourced services costs, which are disclosed above.

	<i>Note</i>	2022	2021
		--- Rupees in '000 ---	
28.3 Auditors' remuneration			
Audit fee		1,271	1,271
Fee for other statutory certifications		534	534
Special certifications and sundry other reporting		4,875	4,875
Out-of-pocket expenses		447	447
		7,127	7,127

29 OTHER CHARGES

Penalties imposed by State Bank of Pakistan	13,805	4,301
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30 PROVISIONS & WRITE OFFS - NET

Provision against Islamic financing and related assets	9.13	4,629,854	2,090,460
Provision against other assets	13.1	-	7,247
		4,629,854	2,097,707

	2022	2021
	--- Rupees in '000 ---	
31 TAXATION		
Current	5,188,667	2,163,430
Prior year		
- Current	-	36,709
- Deferred	(31,404)	(44,898)
Deferred	(1,110,720)	(189,624)
	<u>4,046,543</u>	<u>1,965,617</u>

31.1 Relationship between tax charge and accounting profit

Profit before taxation	<u>7,962,117</u>	<u>5,054,927</u>
Effect of:		
Tax at the applicable rate of 49% (2021: 39%)	3,901,437	1,971,422
Permanent differences	176,509	2,384
Prior year	(31,403)	(8,189)
Tax charge for the year	<u>4,046,543</u>	<u>1,965,617</u>

	2022	2021
	--- Rupees in '000 ---	
32 BASIC AND DILUTED EARNINGS PER SHARE		
Profit for the year	<u>3,915,574</u>	<u>3,089,310</u>
	----- (Number) -----	
Weighted average number of ordinary shares	<u>1,165,228,776</u>	<u>1,165,228,776</u>
	----- (Rupees) -----	
Earning per share - basic and diluted	<u>3.36</u>	<u>2.65</u>

		2022	2021
		--- Rupees in '000 ---	
33 CASH AND CASH EQUIVALENTS			
Cash and balance with treasury banks	5	45,632,108	25,761,239
Balance with other banks	6	1,146,321	1,363,873
Overdrawn nostro accounts	15	(639)	(57,011)
		<u>46,777,790</u>	<u>27,068,101</u>

Note

	2022	2021
	----- Number of staff -----	
34 STAFF STRENGTH		
In Pakistan		
Permanent	2,436	2,376
On Bank contract	6	5
Others - third party staff	1,026	842
Bank's own staff strength at the end of the year	<u>3,468</u>	<u>3,223</u>

34.1 In addition to the above, 18 (2021: 29) employees of outsourcing services companies were assigned to the Bank as at the end of the year to perform services other than security and janitorial services.

35 DEFINED BENEFIT PLAN

35.1 General description

As mentioned in note 4.12.1, the Bank operates a funded gratuity scheme for all its permanent employees. The benefits under the gratuity scheme are payable on retirement at the age of 60 years or earlier cessation of service, in lump sum. The benefit is equal to one month's last drawn basic salary for each year of eligible service with the Bank subject to a minimum qualifying period of service of three years.

35.2 Number of employees under the scheme

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

	2022	2021
	----- (Number) -----	
Gratuity fund	<u>2,432</u>	<u>2,372</u>

35.3 Principal actuarial assumptions

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

	2022	2021
	----- Per annum -----	
Discount rate	13.25%	10.50%
Expected rate of return on plan assets	13.25%	10.50%
Expected rate of salary increase	11.25%	8.50%

35.4 Reconciliation of payable to defined benefit plan

	2022	2021
	--- Rupees in '000 ---	
Present value of obligations	612,924	496,826
Fair value of plan assets	(590,589)	(466,394)
Payable to defined benefit plan	<u>22,335</u>	<u>30,432</u>

		2022	2021
	Note	--- Rupees in '000 ---	
35.5	Movement in defined benefit obligation		
	Obligation at beginning of the year	496,826	438,797
	Current service cost	84,850	79,553
	Cost of funds	49,755	39,046
	Benefits paid	(45,943)	(76,626)
	Actuarial loss on obligation	27,436	16,056
	Obligations at the end of the year	<u>612,924</u>	<u>496,826</u>
35.6	Movement in fair value of plan assets		
	Fair value at beginning of the year	466,394	419,280
	Expected return on plan assets	53,197	40,898
	Bank's contribution to the fund made during the year	126,430	77,000
	Benefits paid	(45,943)	(76,626)
	Actuarial (loss) / gain on plan assets	(9,489)	5,842
	Fair value at end of the year	<u>590,589</u>	<u>466,394</u>
35.7	Movement in payable to defined benefit scheme		
	Opening balance	30,432	19,517
	Charge for the year	28.1 81,408	77,701
	Re-measurements recognised in OCI during the year	35.8.2 36,925	10,214
	Bank's contribution to the fund made during the year	(126,430)	(77,000)
	Closing balance	<u>22,335</u>	<u>30,432</u>
35.8	Charge for defined benefit plan		
35.8.1	Cost recognised in profit and loss		
	Current service cost	84,850	79,553
	Net return	(3,442)	(1,852)
		<u>81,408</u>	<u>77,701</u>
35.8.2	Re-measurements recognised in OCI during the year		
	Loss on obligation - Experience adjustment	27,436	16,056
	Actuarial (loss) / gain on plan assets	9,489	(5,842)
	Total re-measurements recognised in OCI	<u>36,925</u>	<u>10,214</u>
35.9	Components of plan assets		
	Cash and cash equivalents	493,783	371,394
	Sukuk	96,806	95,000
		<u>590,589</u>	<u>466,394</u>

35.9.1 Risks

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

Investment risk

The risk arises when the actual performance of the investments is lower than expectation thus creating a shortfall in the funding objectives.

Longevity risks

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

Salary increase risk

The risk arises when the actual increase is higher than expectation and impacts the liability accordingly.

Withdrawal risk

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

35.10 Sensitivity analysis

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

	2022
	Rupees in '000
1% increase in discount rate	536,949
1% decrease in discount rate	624,581
1 % increase in expected rate of salary increase	625,028
1 % decrease in expected rate of salary increase	535,911
1 year increase in Life expectancy / Withdrawal rate	608,912
1 year decrease in Life expectancy / Withdrawal rate	609,748

35.11 Estimated expenses to be charged to profit and loss account

Based on the actuarial advice, the management estimates that charge and expected contribution in respect of defined benefit plan for the year ending December 31, 2023 would be Rs. 92.48 million and Rs. 114.81 million respectively.

35.12 Maturity profile

The weighted average duration of the defined benefit obligation is 8.46 years.

35.13 Funding Policy

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

35.14 Following are the significant risks associated with the gratuity fund scheme:

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

36 DEFINED CONTRIBUTION PLAN (PROVIDENT FUND)

The Bank operates a contributory provident fund scheme for permanent employees. The number of employees eligible for the scheme at the end of the reporting year is 2,090 (2021: 2,007). 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. 136.32 million (2021: Rs. 123.67 million) each.

37 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

37.1 Total Compensation Expense

2022							
Directors				Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers
Chairman	Executives (other than CEO)	Non- Executives					
----- Rupees in '000 -----							
Fees and allowances	-	-	10,271	13,958	-	-	-
Managerial remuneration - fixed	-	-	-	955	34,044	119,384	149,827
Managerial remuneration - variable (including bonus)	-	-	-	185	30,081	43,906	40,736
Contribution to provident fund	-	-	-	95	3,404	11,938	14,983
Contribution to gratuity fund	-	-	-	80	2,837	9,949	12,486
Rent & house maintenance	-	-	-	382	13,619	47,757	60,229
Utilities	-	-	-	95	3,401	11,926	14,967
Medical	-	-	-	30	-	517	1,662
Conveyance	-	-	-	348	2,400	19,723	31,473
Others	-	-	-	551	2,837	22,061	46,910
	-	-	10,271	16,679	92,623	287,161	373,273

(Number)							
Number of persons	1	-	7	3	1	13	46

2021							
Directors			Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers	
Chairman	Executives (other than CEO)	Non- Executives					
-----Rupees in '000-----							
Fees and allowances	-	-	11,466	12,578	-	-	-
Managerial remuneration - fixed	-	-	-	920	30,126	98,932	126,422
Managerial remuneration - variable (including bonus)	-	-	-	171	26,200	31,380	34,362
Contribution to provident fund	-	-	-	92	3,013	9,893	12,643
Contribution to gratuity fund	-	-	-	77	2,511	8,244	10,535
Rent & house maintenance	-	-	-	368	18,778	39,576	50,572
Utilities	-	-	-	92	3,009	9,883	12,629
Medical	-	-	-	30	-	400	1,630
Conveyance	-	-	-	348	1,550	16,239	29,376
Others	-	-	-	391	2,551	14,225	31,453
	-	-	11,466	15,067	87,738	228,772	309,622

(Number)							
Number of persons	1	-	7	3	1	12	49

The Chief Executive and certain Executives are provided with club membership and mobile telephone facilities and the Chief Executive is also provided with bank maintained car in accordance with the Bank's service rules.

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

2022							
Sr. No.	Name of Director	Meeting Fees Paid					
		For Board Meetings	For Board Committees				
			Audit Committee	Risk Monitoring Committee	Nominations and Remunerations Committee	IT Committee	Total Amount Paid
----- Rupees in '000 -----							
1	Shabbir Ahmed Shaikh	2,221	427	399	399	-	3,446
2	Faaria Rehman Salahuddin	2,221	-	399	-	540	3,160
3	Shabnam Faqir Mohammad	2,221	337	-	567	540	3,665
		6,663	764	798	966	1,080	10,271

2021							
Sr. No.	Name of Director	Meeting Fees Paid					
		For Board Meetings	For Board Committees				
			Audit Committee	Risk Monitoring Committee	Nominations and Remunerations Committee	IT Committee	Total Amount Paid
----- Rupees in '000 -----							
1	Muhammad Maqbool Alam *	2,244	673	-	-	561	3,478
2	Naved A. Khan *	2,244	-	1,010	-	561	3,815
3	Shabnam Faqir Mohammad	2,244	561	-	1,368	-	4,173
		6,732	1,234	1,010	1,368	1,122	11,466

* Retired on October 30, 2021.

37.3 Remuneration paid to Shariah Board Members

	2022			2021		
	Chairman	Resident Members	Non-Resident Member(s)	Chairman	Resident Members	Non-Resident Member(s)
----- Rupees in '000 -----						
Fees and allowances	2,708	-	11,250	1,976	-	10,023
Managerial remuneration - fixed	-	955	-	-	920	-
Managerial remuneration - variable (including bonus)	-	185	-	-	171	-
Contribution to provident fund	-	95	-	-	92	-
Contribution to gratuity fund	-	80	-	-	77	-
Rent & house maintenance	-	382	-	-	368	-
Utilities	-	95	-	-	92	-
Medical	-	30	-	-	30	-
Conveyance	-	348	-	-	348	-
Others	-	551	-	-	102	-
	<u>2,708</u>	<u>2,721</u>	<u>11,250</u>	<u>1,976</u>	<u>2,200</u>	<u>10,023</u>
----- (Number) -----						
Number of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

38 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	2022						
	Corporate Banking	SME & Commercial Banking	Consumer Banking	Treasury	Others	Inter-segment Elimination	Total
	Rupees in '000						
Profit and Loss							
Net profit earned	12,025,896	2,484,081	(4,075,363)	8,934,052	81,233	-	19,449,899
Inter segment revenue - net	(9,947,114)	1,334,521	16,893,815	(8,223,154)	(58,068)	-	-
Other income / (loss)	1,125,118	910,138	1,546,522	(58,905)	(23,165)	-	3,499,708
Total income	3,203,900	4,728,740	14,364,974	651,993	-	-	22,949,607
Segment direct expenses	(711,369)	(1,772,364)	(6,282,863)	(155,139)	-	-	(8,921,735)
Inter segment expense allocation	(146,135)	(295,384)	(943,259)	(51,123)	-	-	(1,435,901)
Total expenses	(857,504)	(2,067,748)	(7,226,122)	(206,262)	-	-	(10,357,636)
Provisions	(1,901,406)	(2,634,741)	(93,707)	-	-	-	(4,629,854)
Profit before tax	444,990	26,251	7,045,145	445,731	-	-	7,962,117
Statement of Financial Position							
Cash and bank balances	-	884,448	4,711,307	1,146,321	40,036,353	-	46,778,429
Due from financial institutions	-	-	-	23,500,000	-	-	23,500,000
Investments	-	-	-	103,361,135	-	-	103,361,135
Net inter segment lending	-	30,737,695	144,643,559	-	-	(175,381,254)	-
Islamic financings and related assets - performing	141,724,106	50,052,050	51,890,228	-	2,622,073	-	246,288,457
- non-performing	144,163	888,008	447,325	-	-	-	1,479,496
Others	11,838,368	1,939,323	5,588,431	4,252,285	364,538	-	23,982,945
Total Assets	153,706,637	84,501,524	207,280,850	132,259,741	43,022,964	(175,381,254)	445,390,462
Due to financial institutions	21,262,593	11,611,828	-	3,000,639	-	-	35,875,060
Deposits & other accounts	83,358,092	66,111,481	196,241,691	99,947	-	-	345,811,211
Net inter segment borrowing	44,504,794	-	-	129,231,862	1,644,598	(175,381,254)	-
Subordinated sukuk	-	-	-	-	7,120,000	-	7,120,000
Others	4,581,158	6,778,215	11,039,159	601,348	3,477,494	-	26,477,374
Total liabilities	153,706,637	84,501,524	207,280,850	132,933,796	12,242,092	(175,381,254)	415,283,645
Equity	-	-	-	(674,055)	30,780,872	-	30,106,817
Total Equity and liabilities	153,706,637	84,501,524	207,280,850	132,259,741	43,022,964	(175,381,254)	445,390,462
Contingencies and Commitments							
	39,378,385	32,561,815	5,601,115	25,438,421	250,020	-	103,229,756

	2021						
	Corporate Banking	SME & Commercial Banking	Consumer Banking	Treasury	Other	Inter-segment Elimination	Total
	Rupees in '000						
Profit and Loss							
Net profit earned	6,463,292	1,651,063	(506,362)	4,812,969	(524,436)	-	11,896,526
Inter segment revenue - net	(4,901,306)	1,053,093	7,838,969	(4,513,838)	523,082	-	-
Other income	677,288	644,115	1,432,603	901,558	1,354	-	3,656,918
Total income	2,239,274	3,348,271	8,765,210	1,200,689	-	-	15,553,444
Segment direct expenses	(517,840)	(1,475,090)	(5,300,325)	(141,828)	-	-	(7,435,083)
Inter segment expense allocation	(103,075)	(115,636)	(699,231)	(47,785)	-	-	(965,727)
Total expenses	(620,915)	(1,590,726)	(5,999,556)	(189,613)	-	-	(8,400,810)
Provisions	(1,563,526)	(396,737)	(137,444)	-	-	-	(2,097,707)
Profit before tax	54,833	1,360,808	2,628,210	1,011,076	-	-	5,054,927
Statement of Financial Position							
Cash and bank balances	-	836,779	4,087,538	1,363,873	20,836,922	-	27,125,112
Due from financial institutions	-	-	-	1,031,302	-	-	1,031,302
Investments	-	-	-	84,861,748	-	-	84,861,748
Net inter segment lending	-	7,744,868	123,871,120	-	12,947,607	(144,563,595)	-
Islamic financings and related assets - performing	116,944,943	53,658,495	49,804,159	-	2,454,777	-	222,862,374
- non-performing	1,397,132	698,546	406,841	-	-	-	2,502,519
Others	3,757,099	2,896,443	4,940,040	1,204,906	292,616	-	13,091,104
Total Assets	122,099,174	65,835,131	183,109,698	88,461,829	36,531,922	(144,563,595)	351,474,159
Due to financial institutions	19,987,647	9,700,650	-	3,857,010	-	-	33,545,307
Deposits & other accounts	39,404,696	51,389,245	170,692,153	87,526	-	-	261,573,620
Net inter segment borrowing	60,746,267	-	-	83,817,328	-	(144,563,595)	-
Subordinated sukuk	-	-	-	-	7,120,000	-	7,120,000
Others	1,960,564	4,745,236	12,417,545	16,591	2,528,237	-	21,668,173
Total liabilities	122,099,174	65,835,131	183,109,698	87,778,455	9,648,237	(144,563,595)	323,907,100
Equity	-	-	-	683,374	26,883,685	-	27,567,059
Total Equity and liabilities	122,099,174	65,835,131	183,109,698	88,461,829	36,531,922	(144,563,595)	351,474,159
Contingencies and Commitments							
	38,273,909	23,104,030	9,319,275	7,329,426	237,156	-	78,263,796

39 TRUST ACTIVITIES

The Bank commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions including on behalf of certain related parties. These are not assets of the Bank and, therefore, are not included in the Statement of Financial Position. The following is the list of assets held under trust:

Category	Security type	Number of securities		--- Rupees in '000 ---	
		Face Value		2022	2021
		2022	2021		
Financial institution - related party	Shares	3,347,600	3,347,600	33,476	33,476
Asset Management Company	Ijara Sukuk	345,000	4,450,000	34,500	445,000
Funds	Ijara Sukuk	351,000	-	35,100	-
Funds - related party	Ijara Sukuk	4,000,000	4,000,000	400,000	400,000
		8,043,600	11,797,600	503,076	878,476

40 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

On-Balance sheet Financial Instruments	2022						Fair Value			
	Carrying Value									
	Held to Maturity	Available for Sale	Financing and receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
----- Rupees in '000 -----										
Financial assets - measured at fair value										
Investments										
Federal Government securities	-	43,181,500	-	-	-	43,181,500	-	43,181,500	-	43,181,500
Non-Government debt securities	-	39,831,813	-	-	-	39,831,813	38,259,561	1,572,252	-	39,831,813
Foreign securities	-	16,109,979	-	-	-	16,109,979	16,109,979	-	-	16,109,979
Other assets										
Unrealized gain on foreign exchange contracts	-	-	-	566,774	-	566,774	-	566,774	-	566,774
Financial assets - not measured at fair value										
Cash and balances with treasury banks	-	-	-	45,632,108	-	45,632,108				
Balances with other banks	-	-	-	1,146,321	-	1,146,321				
Due from financial institution	-	-	-	23,500,000	-	23,500,000				
Investments	-	4,237,843	-	-	-	4,237,843				
Islamic financings and related assets - net	-	-	247,767,953	-	-	247,767,953				
Other asset	-	-	-	14,838,527	-	14,838,527				
	-	103,361,135	247,767,953	85,683,730	-	436,812,818				
Financial liabilities - measured at fair value										
Other liabilities										
Unrealized loss on foreign exchange contracts	-	-	-	-	22,728	22,728	-	22,728	-	22,728
Financial liabilities - not measured at fair value										
Bills payable	-	-	-	-	7,207,894	7,207,894				
Due to financial institutions	-	-	-	-	35,875,060	35,875,060				
Deposits and other accounts	-	-	-	-	345,811,211	345,811,211				
Subordinated sukuk	7,120,000	-	-	-	-	7,120,000				
Other liabilities	-	-	-	-	14,944,947	14,944,947				
	7,120,000	-	-	-	403,861,840	410,981,840				
Off-balance sheet financial instruments - measured at fair value										
Forward foreign exchange contracts - net	-	-	-	25,977,394	-	25,977,394	-	25,977,394	-	25,977,394
----- Rupees in '000 -----										
On-Balance sheet Financial Instruments	2021						Fair Value			
	Carrying Value									
	Held to Maturity	Available for Sale	Financing and receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
----- Rupees in '000 -----										
Financial assets - measured at fair value										
Investments										
Federal Government securities	-	23,260,480	-	-	-	23,260,480	-	23,260,480	-	23,260,480
Non-Government debt securities	-	41,263,593	-	-	-	41,263,593	38,905,940	2,357,653	-	41,263,593
Foreign securities	-	16,716,282	-	-	-	16,716,282	16,716,282	-	-	16,716,282
Other assets										
Unrealized gain on foreign exchange contracts	-	-	-	111,827	-	111,827	-	111,827	-	111,827
Financial assets - not measured at fair value										
Cash and balances with treasury banks	-	-	-	25,761,239	-	25,761,239				
Balances with other banks	-	-	-	1,363,873	-	1,363,873				
Due from financial institution	-	-	-	1,031,302	-	1,031,302				
Investments	-	3,621,393	-	-	-	3,621,393				
Islamic financings and related assets - net	-	-	225,364,893	-	-	225,364,893				
Other asset	-	-	-	7,350,181	-	7,350,181				
	-	84,861,748	225,364,893	35,618,422	-	345,845,063				
Financial liabilities - measured at fair value										
Other liabilities										
Unrealized loss on foreign exchange contracts	-	-	-	-	112,337	112,337	-	112,337	-	112,337
Financial liabilities - not measured at fair value										
Bills payable	-	-	-	-	7,449,011	7,449,011				
Due to financial institutions	-	-	-	-	33,545,307	33,545,307				
Deposits and other accounts	-	-	-	-	261,573,620	261,573,620				
Subordinated sukuk	7,120,000	-	-	-	-	7,120,000				
Other liabilities	-	-	-	-	10,865,193	10,865,193				
	7,120,000	-	-	-	313,545,468	320,665,468				
Off-balance sheet financial instruments - measured at fair value										
Forward foreign exchange contracts - net	-	-	-	7,328,916	-	7,328,916	-	7,328,916	-	7,328,916

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

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

Usual transactions with related parties include deposits, financing, returns and provision of other banking services. Transactions with executives are undertaken at terms in accordance with employment agreements and service rules.

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

Islamic financing and related assets

Deposits and other accounts

Other Liability

2022						2021					
Associated companies	Holding Company	Directors	Key management personnel	Others**	Total	Associated companies	Holding Company	Directors	Key management personnel	Others**	Total
<p>Business in '000</p>											

Contingencies and commitments

Foreign currency purchase contracts	-	6,686,110	-	-	-	6,686,110	-	6,058,663	-	-	-	6,058,663
Foreign currency sale contracts	-	6,686,110	-	-	-	6,686,110	-	6,058,663	-	-	-	6,058,663
Other guarantees	-	2,807	-	-	-	2,807	-	-	399,128	-	-	399,128

* Primarily relates to those directors, associates and key management personnel who are no longer related parties or have become related parties of the Bank as at December 31, 2022.

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

42 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

Minimum Capital Requirement (MCR):

Paid-up capital

11,652,288	11,652,288
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Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier I (CET I) Capital

29,700,887	26,514,582
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Eligible Additional Tier I (ADT I) Capital

3,120,000	3,120,000
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Total Eligible Tier I Capital

32,820,887	29,634,582
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Eligible Tier II Capital

6,746,267	7,330,705
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Total Eligible Capital (Tier I + Tier II)

39,567,154	36,965,287
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Risk Weighted Assets (RWAs):

Credit Risk

219,701,355	211,786,481
--------------------	-------------

Market Risk

1,386,293	210,919
------------------	---------

Operational Risk

32,576,501	26,305,661
-------------------	------------

Total

253,664,149	238,303,061
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Common Equity Tier I Capital Adequacy ratio

11.71%	11.13%
---------------	--------

Tier I Capital Adequacy Ratio

12.94%	12.44%
---------------	--------

Total Capital Adequacy Ratio

15.60%	15.51%
---------------	--------

42.1 Capital management

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

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

42.2 Goals of managing capital

The goals of managing capital of the Bank are as follows:

- To be an appropriately capitalised institution, considering the requirements set by the regulators of the banking markets where the Bank operates;
- Maintain strong ratings and to protect the Bank against unexpected events; and
- Ensure availability of adequate capital at a reasonable cost so as to enable the Bank to operate adequately and provide reasonable value addition for the shareholders and other stakeholders.

42.3 Statutory minimum Capital Adequacy Ratio requirement:

In implementing current capital requirements the State Bank of Pakistan requires banks to maintain minimum Capital Adequacy Ratio (CAR) of 11.50% as of December 31, 2022 whereas CAR stood at 15.60% at the year ended December 31, 2022.

42.4 Capital Structure

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

- Tier I capital (going concern capital) which is sub divided into:
 - a) Common Equity Tier I (CET I), which includes fully paid up capital, reserve for bonus issue, general reserves and un-appropriated profits (net of losses), etc. after regulatory deductions for investment in own shares, and book value of intangibles.

b) Additional Tier I capital (AT I), which includes perpetual, unsecured, sub-ordinated, non-cumulative and contingent convertible Sukuk instrument issued by the Bank.

- Tier II capital, which includes sub-ordinated sukuk, general provisions for loan losses (upto a maximum of 1.25% of credit risk weighted assets), reserves on revaluation of available for sale investments after deduction of indirect holding of own capital.

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.

	2022	2021
	---- Rupees in '000 ----	
Leverage Ratio (LR):		
Eligible Tier I Capital	32,820,887	29,634,582
Total Exposures	527,359,837	425,221,999
Leverage Ratio	6.22%	6.97%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	93,343,235	78,831,848
Total Net Cash Outflow	74,425,165	48,527,995
Liquidity Coverage Ratio	125.42%	162.45%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	286,050,477	234,218,377
Total Required Stable Funding	217,892,083	189,869,716
Net Stable Funding Ratio	131.28%	123.36%

42.5 The full disclosures on the capital adequacy, leverage ratio & liquidity requirements as per SBP instructions issued from time to time is available at <https://www.dibpak.com/index.php/financials>.

43 RISK MANAGEMENT

The wide variety of the Bank's business activities require the Bank to identify, assess, measure, aggregate and manage risks effectively which are constantly evolving as the business activities expand in response to the Bank's strategy and growth. The Bank manages the risk through a framework of risk management encompassing policies and procedures, organisational structures, risk measurement and monitoring processes and techniques that are closely aligned with business activities of the Bank.

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.

Bank is regularly monitoring various sectors which have been or are most likely to get affected. The Bank believes that its current policies for managing credit and liquidity risk are adequate in response to the current situation. Further, the CAR buffer is sufficient to absorb any unexpected shocks.

The bank has invoked various actions to ensure safety of staff and to provide uninterrupted service to customers. The remote work capabilities were enabled for staff and related risk and control measures were assessed to make sure they are fully protected using virtual private network ("VPN") connections. The Bank has been encouraging customers to use Alternate Delivery Channels (ADCs) to reduce contact with currency notes and other financial instruments. The Bank has also ensured 24/7 availability of its ADCs for uninterrupted services and Call Center staff for instant customer support.

Risk Framework

The Bank's Risk management framework is based on three pillars; (a) Risk Principles and Strategies, (b) Organizational Structures and Procedures and (c) Prudent Risk Measurement and Monitoring Processes which are closely aligned with the activities of the Bank so as to give maximum value to the shareholders while ensuring that risks are kept within an acceptable level / risk appetite.

The Board determines the overall risk appetite and philosophy for the Bank. The overall risk is monitored by the Board Risk Monitoring Committee (BRMC). The terms of reference of BRMC have been approved by the Board. Various Management Committees such as Risk Management Committee (RMC), Management Credit Committee (MCC), Asset and Liability Committee (ALCO) and Control and Compliance Committee to support these goals.

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

Risk Appetite

Risk management across the Bank is based on the risk appetite and philosophy set by the Board and the associated risk committees. The Board establishes the parameters for risk appetite for the Bank through:

- Setting strategic direction;
- Contributing to, and ultimately approving plans for each division; and
- Regularly reviewing and monitoring the Bank's performance in relation to risk through related reports.

It is to be ensured that the risk remains within the acceptable level and sufficient capital is available as a buffer to absorb all the risks. It forms the basis of strategies and policies for managing risks and establishing adequate systems and controls to ensure that overall risk remain within acceptable level.

Risk Organisation

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

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

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

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

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

43.1 Credit Risk

Credit risk arises from the potential that an obligor is either unwilling to perform on an obligation or its ability to perform such obligation is impaired resulting in economic loss to the Bank. The credit risk arises mainly from both direct financing activities as well as contingent liabilities. The objective of credit risk management framework / policies for the Bank is to achieve sustainable and superior risk versus reward performance whilst maintaining credit risk exposure in line with the approved risk appetite.

The Bank has adopted Standardised Approach for calculation of capital charge against credit risk. Therefore, risk weights for the credit risk related assets (on-balance sheet and off-balance sheet - market and non-market related exposures) are assigned taking into consideration external rating(s) of counterparty(s) for the purpose of calculating Risk Weighted Assets.

The Bank has its own credit rating system (Moody's) in place which takes into account both quantitative and qualitative aspects. In addition, pro-active credit risk management is undertaken through risk concentration, counterparty limits, counterparty group limits and industry concentration limits, defining minimum risk acceptance criteria for each industry. Periodic review process and risk asset review coupled with policies on internal watch listing are capable of identifying problem financings at an early stage. In addition a full-fledged Special Assets Management (SAM) department has also been set up for dealing with problem accounts.

43.1.1 Due from financial institutions

Credit risk by public / private sector

	Gross		Non-performing		Provision held	
	2022	2021	2022	2021	2022	2021
----- Rupees in '000 -----						
Public / Government	-	31,302	-	-	-	-
Private	23,500,000	1,000,000	-	-	-	-
	<u>23,500,000</u>	<u>1,031,302</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

43.1.2 Investment

Credit risk by industry sector

	Gross		Non-performing		Provision held	
	2022	2021	2022	2021	2022	2021
----- Rupees in '000 -----						
Chemical and Pharmaceuticals	-	47,872	-	-	-	-
Construction	5,689,049	4,825,385	-	-	-	-
Financial	9,194,529	4,643,647	-	-	-	-
Government	43,181,500	24,119,373	-	-	-	-
Iron / steel	-	520,202	-	-	-	-
Other Sovereign	5,064,245	4,678,979	-	-	-	-
Power (electricity), Gas, Water, Sanitary	40,231,812	43,458,020	-	-	-	-
Real Estate	-	2,568,270	-	-	-	-
Textile	89,316	89,316	89,316	89,316	89,316	89,316
Transport, Storage and Communication	-	-	-	-	-	-
	<u>103,450,451</u>	<u>84,951,064</u>	<u>89,316</u>	<u>89,316</u>	<u>89,316</u>	<u>89,316</u>

Credit risk by public / private sector

	Gross		Non-performing		Provision held	
	2022	2021	2022	2021	2022	2021
----- Rupees in '000 -----						
Public / Government	82,607,496	66,983,443	-	-	-	-
Private	20,842,955	17,967,621	89,316	89,316	89,316	89,316
	<u>103,450,451</u>	<u>84,951,064</u>	<u>89,316</u>	<u>89,316</u>	<u>89,316</u>	<u>89,316</u>

43.1.3 Islamic Financing and related assets

Credit risk by industry sector

	Gross		Non-performing		Provision held - Specific	
	2022	2021	2022	2021	2022	2021
----- Rupees in '000 -----						
Agriculture, Forestry, Hunting and Fishing	1,995,592	2,725,983	492,983	-	-	-
Automobile and transportation equipment	4,926,070	2,823,816	-	-	-	-
Cement	3,703,990	3,626,556	-	-	-	-
Chemical and Pharmaceuticals	8,217,835	7,447,662	523,328	563,944	523,328	563,944
Construction	5,562,419	5,076,088	22,643	20,954	22,643	20,954
Electronics and electrical appliances	4,479,307	6,554,681	-	-	-	-
Food and Beverages	34,383,477	31,510,899	1,956,222	1,967,249	1,921,113	530,529
Footwear and Leather garments	1,502,708	1,373,383	-	-	409,683	-
Individuals	50,923,975	47,817,879	985,166	906,799	574,983	553,980
Iron / Steel	13,851,043	15,130,894	2,937,899	378,583	2,577,904	37,370
Mining and Quarrying	416,667	1,506,345	-	-	-	-
Paper, Board and Packaging	715,439	648,386	54,304	-	-	-
Power (electricity), Gas, Water, Sanitary	36,930,717	25,002,780	-	-	-	-
Real Estate	1,657,896	978,282	-	-	-	-
Rubber and plastic	8,952,533	9,811,255	192,762	192,762	129,557	93,771
Services	8,918,783	10,988,768	214,431	222,154	49,043	20,247
Ship Breaking and Waste / Scrape	-	550,898	-	-	-	-
Textile	37,605,622	29,011,420	719,013	441,561	448,142	422,963
Transport, Storage and Communication	10,467,148	10,393,403	433,055	465,114	395,917	420,014
Wholesale and Retail Trade	23,483,026	18,437,851	1,283,660	1,378,337	1,283,657	1,371,166
Others	588,690	895,928	-	-	-	-
	<u>259,282,937</u>	<u>232,313,157</u>	<u>9,815,466</u>	<u>6,537,457</u>	<u>8,335,970</u>	<u>4,034,938</u>

Credit risk by public / private sector

	Gross		Non-performing		Provision held - Specific	
	2022	2021	2022	2021	2022	2021
Public / Government	10,155,078	10,581,140	-	-	-	-
Private	249,127,859	221,732,017	9,815,466	6,537,457	8,335,970	4,034,938
	<u>259,282,937</u>	<u>232,313,157</u>	<u>9,815,466</u>	<u>6,537,457</u>	<u>8,335,970</u>	<u>4,034,938</u>

43.1.4 Contingencies and Commitments

Credit risk by industry sector	2022	2021
	----- Rupees in '000 -----	
Automobile and transportation equipment	2,465,252	3,231,157
Cement	649,542	471,032
Chemical and Pharmaceuticals	9,969,088	8,009,718
Commerce and Trade	2,403	2,304,669
Construction	2,410,894	3,082,279
Electronics and electrical appliances	4,651,125	375,740
Financial	28,667,173	21,083,957
Food and Beverages	7,115,023	6,041,761
Iron / Steel	9,887,367	6,832,740
Machinery and Equipment	508,571	970,717
Paper, Board and Packaging	469,143	328,478
Power (electricity), Gas, Water, Sanitary	15,891,050	9,062,394
Rubber and plastic	674,760	849,159
Services	3,447,786	3,419,877
Textile	3,043,153	5,663,038
Transport, Storage and Communication	1,843,000	1,599,573
Wholesale, Retail and Trade	10,520,587	3,845,909
Others	405,568	670,769
	<u>102,621,485</u>	<u>77,842,967</u>
Credit risk by public / private sector		
Public / Government	17,770,554	10,997,982
Private	84,850,931	66,844,985
	<u>102,621,485</u>	<u>77,842,967</u>

43.1.5 Concentration of Islamic financing and related assets

The Bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 51,423 million (2021: Rs. 33,406 million) are as following:

	2022	2021
	----- Rupees in '000 -----	
Funded	40,416,134	28,908,465
Non Funded	11,007,157	4,497,259
Total Exposure	<u>51,423,291</u>	<u>33,405,724</u>

The sanctioned limits against these top 10 exposures aggregated to Rs. 54,577 million (2021: Rs. 36,827 million). Further, none of the top 10 customers have been placed under non-performing status as at December 31, 2022 and December 31, 2021.

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

Province / Region	2022						
	Utilization						
	Disbursements	Punjab	Sindh	KPK including FATA	Baluchistan	Islamabad	AJK
	----- Rupees in '000 -----						
Punjab	116,711,198	113,696,136	970,000	1,990,257	-	54,805	-
Sindh	292,799,773	39,080,765	241,059,686	488,551	10,059,476	2,032,026	79,269
KPK including FATA	-	-	-	-	-	-	-
Baluchistan	-	-	-	-	-	-	-
Islamabad	19,794,760	2,428,274	820,089	2,219,609	650,000	13,676,788	-
AJK	-	-	-	-	-	-	-
Total	<u>429,305,731</u>	<u>155,205,175</u>	<u>242,849,775</u>	<u>4,698,417</u>	<u>10,709,476</u>	<u>15,763,619</u>	<u>79,269</u>
Province / Region	2021						
	Utilization						
	Disbursements	Punjab	Sindh	KPK including FATA	Baluchistan	Islamabad	AJK
	----- Rupees in '000 -----						
Punjab	125,867,395	122,917,997	2,497,742	273,504	-	178,152	-
Sindh	256,835,021	30,081,250	209,182,736	239,146	14,240,385	2,971,053	120,451
KPK including FATA	72,801	-	-	72,801	-	-	-
Baluchistan	-	-	-	-	-	-	-
Islamabad	26,383,895	3,692,546	1,336,279	1,810,414	498,000	19,046,656	-
AJK	23,927	-	-	-	-	-	23,927
Total	<u>409,183,039</u>	<u>156,691,793</u>	<u>213,016,757</u>	<u>2,395,865</u>	<u>14,738,385</u>	<u>22,195,861</u>	<u>144,378</u>

43.2 Market Risk

Market risk is the risk that the value of the on and off balance sheet positions of the Bank will be adversely affected by movements in market rates or other underlying risk factors.

The Bank manages the market risk in its portfolios through its Market Risk Management framework and methodologies set out in its Board approved Market Risk Policy as per the SBP guidelines. A separate market risk monitoring function has also been set up.

Market Risk at the Bank is controlled by:

- Identifying the relevant market risk factors for a particular product, portfolio or business proposition;
- Applying an appropriate limit structure; and
- Setting and monitoring appropriate levels of limits.

These are adequately supported by stringent operational controls and standards and compliance with internal and regulatory policies.

Standard risk management techniques and tools have been adopted by the risk management group, including the SBP mandated stress testing methodology to monitor and manage market risk. The Bank has adopted Standardised Approach for calculation of capital charge against market risk charge.

43.2.1 Balance sheet split by trading and banking books

	2022			2021		
	Banking Book	Trading Book	Total	Banking Book	Trading Book	Total
	Rupees in '000			Rupees in '000		
Cash and balances with treasury banks	45,632,108	-	45,632,108	25,761,239	-	25,761,239
Balances with other banks	1,146,321	-	1,146,321	1,363,873	-	1,363,873
Due from financial institutions	23,500,000	-	23,500,000	1,031,302	-	1,031,302
Investments	103,361,135	-	103,361,135	84,861,748	-	84,861,748
Islamic financing and related assets	247,767,953	-	247,767,953	225,364,893	-	225,364,893
Fixed assets	5,336,223	-	5,336,223	4,281,548	-	4,281,548
Intangible assets	409,352	-	409,352	378,536	-	378,536
Deferred tax assets	2,001,279	-	2,001,279	-	-	-
Other assets	16,236,091	-	16,236,091	8,431,020	-	8,431,020
	<u>445,390,462</u>	<u>-</u>	<u>445,390,462</u>	<u>351,474,159</u>	<u>-</u>	<u>351,474,159</u>

43.2.2 Foreign Exchange Risk

Currency risk is the risk of loss arising from the fluctuations of exchange rates.

In the normal course of conducting commercial banking business, which ranges from intermediation only to taking on principal risk as dealer or as counterparty, the Bank purchases or sells currencies in today / ready and gives or receives unilateral promises for sale or purchase of foreign exchange at future dates in a long or short position in different currency pairs. These positions expose the Bank to foreign exchange risk. To control this risk, the Bank primarily uses principal limits at various levels to control the open position, and ultimately the residual foreign exchange risk of the Bank. The Bank also strictly adheres to all associated regulatory limits.

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

	2022				2021			
	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000				Rupees in '000			
United States Dollar	25,292,817	(45,758,227)	19,595,629	(869,781)	23,986,797	(25,272,453)	1,251,807	(33,849)
Great Britain Pound	589,349	(1,966,789)	1,383,128	5,688	325,858	(1,874,342)	1,548,849	365
Japanese Yen	1,562	-	-	1,562	2,686	(51,572)	51,585	2,700
Euro	467,558	(1,175,098)	712,271	4,731	281,877	(892,883)	612,393	1,388
Swiss Franc	-	-	-	-	-	-	(2,692)	(2,692)
U.A.E Dirham	415,007	(4,451,330)	4,038,232	1,909	237,342	(3,790,491)	3,553,772	623
Australian Dollar	7,707	-	-	7,707	4,730	-	-	4,730
Canadian Dollar	149	(235,040)	233,916	(975)	18,440	(193,956)	180,215	4,699
Saudi Riyal	20,659	(173)	(30,103)	(9,617)	481	-	-	481
Chinese Yen	1,088	-	-	1,088	4,731	-	887	5,618
Singapore Dollar	4,240	-	-	4,240	7,563	-	-	7,563
	<u>26,800,136</u>	<u>(53,586,657)</u>	<u>25,933,073</u>	<u>(853,448)</u>	<u>24,870,505</u>	<u>(32,075,697)</u>	<u>7,196,816</u>	<u>(8,376)</u>

	Trading book		Banking book	
	2022	2021	2022	2021
	Rupees in '000		Rupees in '000	
Impact of 1% change in foreign exchange rates on				
- Profit and loss account	-	-	11,666	977
- Other comprehensive income	-	-	(20,116)	(1,060)

43.2.3 Equity position Risk

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

43.2.4 Yield / Profit Rate Risk

All products dealt in by the Bank are duly approved by the Bank's Shari'a Board / Resident Shari'a Board Member and the Bank does not conduct any business in interest related products.

The objective of yield / profit rate risk monitoring is to manage the resultant impact on the Bank's statement of financial position due to changes in profit / return on investment and financing products. Yield / profit rate risk review of the statement of financial position is also done monthly in ALCO meetings. Various ratios as prescribed by the SBP are also monitored. The Bank also uses Gap Analysis and Notional Principal Limits to monitor the risks.

	2022		2021	
	Banking Book	Trading Book	Banking Book	Trading Book
	Rupees in '000			
Impact of 1% change in profit rates on				
- Profit and loss account	818,834	-	960,164	-

43.2.5 Mismatch of Yield Rate Sensitive Assets and Liabilities

2022												
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												
<i>Assets</i>												
Cash and balances with treasury banks	-	45,632,108	-	-	-	-	-	-	-	-	-	45,632,108
Balances with other banks	-	1,146,321	-	-	-	-	-	-	-	-	-	1,146,321
Due from financial institutions	15.79%	23,500,000	23,500,000	-	-	-	-	-	-	-	-	-
Investments	10.92%	103,361,135	4,237,443	15,659,561	67,354,152	-	-	-	11,045,734	5,064,245	-	-
Islamic financing and related assets- net	13.34%	247,767,953	64,616,217	85,597,136	61,760,069	12,375,088	3,987,035	4,842,101	5,374,828	5,323,767	2,053,882	1,837,830
Other assets	-	15,405,301	-	-	-	-	-	-	-	-	-	15,405,301
		436,812,818	92,353,660	101,256,697	129,114,221	12,375,088	3,987,035	4,842,101	16,420,562	10,388,012	2,053,882	64,021,560
<i>Liabilities</i>												
Bills payable	-	7,207,894	-	-	-	-	-	-	-	-	-	7,207,894
Due to financial institutions	7.47%	35,875,060	1,758,043	8,884,977	6,337,507	1,062,270	2,784,486	5,769,766	4,765,285	4,512,726	-	-
Deposits and other accounts	6.71%	345,811,211	247,912,748	-	-	-	-	-	-	-	-	97,898,463
Subordinated sukuk	14.41%	7,120,000	3,120,000	-	4,000,000	-	-	-	-	-	-	-
Other liabilities	-	14,967,675	-	-	-	-	-	-	-	-	-	14,967,675
		410,981,840	252,790,791	8,884,977	10,337,507	1,062,270	2,784,486	5,769,766	4,765,285	4,512,726	-	120,074,032
On-balance sheet gap		25,830,978	(160,437,131)	92,371,720	118,776,714	11,312,818	1,202,549	(927,665)	11,655,277	5,875,286	2,053,882	(56,052,472)
Off-balance sheet financial instruments												
Commitments in respect of:												
Guarantees		26,997,386	-	-	-	-	-	-	-	-	-	26,997,386
Forward purchase		33,437,162	-	-	-	-	-	-	-	-	-	33,437,162
Forward sale		(8,003,814)	-	-	-	-	-	-	-	-	-	(8,003,814)
Import letters of credit		43,094,462	-	-	-	-	-	-	-	-	-	43,094,462
Islamic financing and related assets		7,096,289	-	-	-	-	-	-	-	-	-	7,096,289
Commitments for acquisition of:												
- Fixed assets		162,172	-	-	-	-	-	-	-	-	-	162,172
- Intangible assets		234,619	-	-	-	-	-	-	-	-	-	234,619
Other contingent liabilities		211,480	-	-	-	-	-	-	-	-	-	211,480
Off-balance sheet gap		103,229,756	-	-	-	-	-	-	-	-	-	103,229,756
Total yield / profit rate risk sensitivity gap		(160,437,131)	92,371,720	118,776,714	11,312,818	1,202,549	(927,665)	11,655,277	5,875,286	2,053,882	(159,282,228)	
Cumulative Yield / Profit Rate Risk Sensitivity Gap		(160,437,131)	(68,065,411)	50,711,303	62,024,121	63,226,670	62,299,005	73,954,282	79,829,568	81,883,450	(77,398,778)	

2021											
Effective Yield / profit rate	Total	Exposed to Yield / Profit risk									Non-profit bearing financial instruments
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
----- Rupees in '000 -----											
On-balance sheet financial instruments											
<u>Assets</u>											
Cash and balances with treasury banks	-	25,761,239	-	-	-	-	-	-	-	-	25,761,239
Balances with other banks	-	1,363,873	-	-	-	-	-	-	-	-	1,363,873
Due from financial institutions	5.24%	1,031,302	1,000,000	-	-	-	-	-	-	-	31,302
Investments	6.76%	84,861,748	1,258,974	1,162,022	68,292,742	-	-	9,469,031	4,678,979	-	-
Islamic financing and related assets- net	8.60%	225,364,893	24,061,942	53,503,641	110,713,041	10,691,692	1,120,010	5,176,182	4,941,331	9,767,101	3,046,141
Other assets	-	7,462,008	-	-	-	-	-	-	-	-	7,462,008
		345,845,063	26,320,916	54,665,663	179,005,783	10,691,692	1,120,010	5,176,182	14,410,362	14,446,080	37,664,563
<u>Liabilities</u>											
Bills payable	-	7,449,011	-	-	-	-	-	-	-	-	7,449,011
Due to financial Institutions	2.61%	33,545,307	4,449,856	9,807,690	5,469,182	363,424	2,212,597	89,125	3,365,362	7,788,071	-
Deposits and other accounts	3.73%	261,573,620	171,498,764	-	-	-	-	-	-	-	90,074,856
Subordinated sukuk	8.53%	7,120,000	4,000,000	3,120,000	-	-	-	-	-	-	-
Other liabilities	-	10,977,530	-	-	-	-	-	-	-	-	10,977,530
		320,665,468	179,948,620	12,927,690	5,469,182	363,424	2,212,597	89,125	3,365,362	7,788,071	-
On-balance sheet gap		25,179,595	(153,627,704)	41,737,973	173,536,601	10,328,268	(1,092,587)	5,087,057	11,045,000	6,658,009	2,343,812
Off-balance sheet financial instruments											
Commitments in respect of:											
Guarantees		26,262,065	-	-	-	-	-	-	-	-	26,262,065
Forward purchase		17,847,323	-	-	-	-	-	-	-	-	17,847,323
Forward sale		(10,517,897)	-	-	-	-	-	-	-	-	(10,517,897)
Import letters of credit		34,649,476	-	-	-	-	-	-	-	-	34,649,476
Islamic financing and related assets		9,602,000	-	-	-	-	-	-	-	-	9,602,000
Acquisition of:											
- Fixed assets		77,838	-	-	-	-	-	-	-	-	77,838
- Intangible assets		131,511	-	-	-	-	-	-	-	-	131,511
Other contingent liabilities		211,480	-	-	-	-	-	-	-	-	211,480
Off-balance sheet gap		78,263,796	-	-	-	-	-	-	-	-	78,263,796
Total yield / profit rate risk sensitivity gap			(153,627,704)	41,737,973	173,536,601	10,328,268	(1,092,587)	5,087,057	11,045,000	6,658,009	2,343,812
Cumulative Yield / Profit Rate Risk Sensitivity Gap			(153,627,704)	(111,889,731)	61,646,870	71,975,138	70,882,551	75,969,608	87,014,608	93,672,617	96,016,429
										2022	2021
										---- Rupees in '000 ----	
Total financial asset as per note 43.2.5										436,812,818	345,845,063
Add: Non-financial assets											
Fixed asset										5,336,223	4,281,548
Intangibles										409,352	378,536
Deferred tax assets										2,001,279	-
Other asset										830,790	969,012
Total assets as per statement of financial position										445,390,462	351,474,159
Total financial liabilities as per note 43.2.5										410,981,840	320,665,468
Add: Non-financial liabilities											
Deferred tax liabilities										-	104,792
Other liabilities										4,301,805	3,136,840
Total liabilities as per statement of financial position										415,283,645	323,907,100

43.3.1 Operational risk is the risk of loss resulting from inadequate or failed processes, people and systems or from external events and Sharia non-compliance. In this regard, in-compliance with the Risk Management Guidelines, issued by SBP, an Operational Risk Management Unit has been established within the Risk Management Group, under supervision of the CRO.

43.3.2 The Bank uses Basic Indicator Approach (BIA) for assessing the capital charge for operational risk. To reduce losses arising from operational risk, the Bank has strengthened its risk management framework duly approved by the BOD by developing strategies, policies, 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.

Liquidity risk is defined as the potential loss arising from the Bank's inability to meet 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 anticipated 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 according to 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.

2022

[illegible]

2021

[illegible]

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

[illegible]

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									

Cash and balances with treasury banks	25,761,239	25,761,239	-	-	-	-	-	-	-	-
Balances with other banks	1,363,873	1,363,873	-	-	-	-	-	-	-	-
Due from financial institutions	1,031,302	1,000,000	-	31,302	-	-	-	-	-	-
Investments	84,861,748	858,894	120,910	3,315,837	659,167	1,018,335	1,018,335	34,812,001	43,058,269	-
Islamic financing and related assets - net	225,364,893	19,723,305	37,884,987	38,074,473	29,999,271	19,542,815	20,154,792	28,888,117	19,483,908	11,613,225
Fixed assets	4,281,548	143,438	204,602	326,184	547,686	937,255	629,395	958,240	531,705	3,043
Intangible assets	378,536	8,585	17,148	25,733	50,680	99,470	96,880	70,929	9,111	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	8,431,020	2,045,118	3,150,346	2,593,789	202,967	143,994	99,989	109,048	67,281	18,488
	351,474,159	50,904,452	41,377,993	44,367,318	31,459,771	21,741,869	21,999,391	64,838,335	63,150,274	11,634,756

Bills payable	7,449,011	7,449,011	-	-	-	-	-	-	-	-
Due to financial institutions	33,545,307	4,449,856	9,807,690	5,469,182	363,424	2,212,597	89,125	3,365,362	7,788,071	-
Deposits and other accounts	261,573,620	26,168,628	18,122,663	20,869,311	38,618,081	40,817,352	39,652,954	77,204,820	119,811	-
Subordinated sukuk	7,120,000	-	-	-	-	-	-	-	4,000,000	3,120,000
Deferred tax liability	104,792	8,900	16,939	26,126	52,827	-	-	-	-	-
Other liabilities	14,114,370	5,479,873	3,659,657	1,660,808	501,000	648,815	853,576	671,521	639,120	-
	323,907,100	43,556,268	31,606,949	28,025,427	39,535,332	43,678,764	40,595,655	81,241,703	12,547,002	3,120,000

Share capital	11,652,288
Reserves	3,092,713
Deficit on revaluation of investments	683,374
Unappropriated profit	<u>12,138,684</u>
	<u>27,567,059</u>

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

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

2022							
General Depositors Mudaraba Pool	Profit rate and weightages announcement period	Profit rate return earned	Profit Sharing Ratio of Mudarib	Mudarib Share ('000)	Mudarib Share transferred to the depositors through Hiba ('000)	Mudarib Share transferred to the depositors through Hiba (%)	Profit rate return distributed to remunerative deposits (Saving and Term)
Common mudaraba pool	Monthly	6.01%	50.00%	4,140,524	748,434	45.19%	3.72%

2021							
General Depositors Mudaraba Pool	Profit rate and weightages announcement period	Profit rate return earned	Profit Sharing Ratio of Mudarib	Mudarib Share ('000)	Mudarib Share transferred to the depositors through Hiba ('000)	Mudarib Share transferred to the depositors through Hiba (%)	Profit rate return distributed to remunerative deposits (Saving and Term)
Common mudaraba pool	Monthly	4.54%	50.00%	2,158,573	413,006	16.06%	2.35%

2022							
Specific Pools	Profit rate and weightages announcement period	Profit rate return earned	Profit Sharing Ratio of Mudarib	Mudarib Share ('000)	Mudarib Share transferred to the depositors through Hiba ('000)	Mudarib Share transferred to the depositors through Hiba (%)	Profit rate return distributed
Islamic Export Refinance - Musharaka Pool	Monthly	7.63%	40.00%	1,649,925	212,428	31.07%	4.50%
Inter-bank Wakala / Musharaka borrowing pool	As required	12.04% - 17.81%	*	*	N/A	-	9.80% - 16.05%
Other Mudaraba Pools **	As required	1.42% - 20.23%	*	7,823,408	1,493,158	26.80%	0.25% - 15.11%

2021							
Specific Pools	Profit rate and weightages announcement period	Profit rate return earned	Profit Sharing Ratio of Mudarib	Mudarib Share ('000)	Mudarib Share transferred to the depositors through Hiba ('000)	Mudarib Share transferred to the depositors through Hiba (%)	Profit rate return distributed
Islamic Export Refinance - Musharaka Pool	Monthly	4.13%	*	805,607	9,076	1.11%	2.00%
Inter-bank Wakala / Musharaka borrowing pool	As required	3.30% - 14.88%	*	*	N/A	-	3.0% - 10.50%
Other Mudaraba Pools **	As required	0.41% - 13.04%	*	8,472,265	2,002,315	19.12%	0.25% - 11.93%

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

** The number of pools maintained by the Bank is 123 (2021: 116).

45 DATE OF AUTHORISATION FOR ISSUE

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

46 GENERAL

46.1 Figures have been rounded off to the nearest thousand Rupees, unless otherwise stated.

President & CEO

Chief Financial Officer

Director

Director

Director

DUBAI ISLAMIC BANK PAKISTAN LIMITED
STATEMENT SHOWING WRITTEN-OFF ISLAMIC FINANCING AND RELATED ASSETS OR
ANY OTHER FINANCIAL RELIEF OF RUPEES 500,000/- OR ABOVE
DURING THE YEAR ENDED DECEMBER 31, 2022

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	ZAHEER UD DIN BABAR	P-1566 STREET# 01 CHACK# 223 RB (KORIAN) FAISALABAD	IRSHAD AHMED	33102-1774458-7	19,958	4,975	-	24,933	-	1,821	-	1,821
2	JAVED IQBAL	H NO 74 L MOH. IZMIR TOWN SOCIETY CANAL ROAD MULTAN ROAD LAHORE	MAQBOOL AHMAD	35202-1482415-5	9,335	1,754	-	11,089	-	988	-	988
3	ANWAAR ELAHI	H NO. P-413, ST. 2 CHIBAN FAISALABAD 0321-6606263	ZULFIQAR ALI	33100-5644734-5	8,090	78	-	8,168	-	694	-	694
4	HABIB-UR-REHMAN	TRAVEL CHAIN INTERNATIONAL PVT LTD OFF NO 3,MAJID SONS CARPET MANSION OPP. PTV STATION 19-ABBOT ROAD LHR	ASHIQ HUSSAIN	35202-2920931-9	14,539	3,617	-	18,156	-	1,701	-	1,701
5	UZMA	HOUSE#L-1,L-2,L-24 R-95 SECTOR 11-B NORTH KARACHI KARACHI	Akram Khan	42000-0365773-2	14,663	100	-	14,763	-	1,455	-	1,455
6	ATIF ZAMAN	HOUSE NO 350 SECTOR A STREET 7 KASHMIR COLONY KORANGI ROAD KARACHI SOUTH	ALI ZAMAN	42301-6277756-5	4,785	189	-	4,974	-	1,036	-	1,036
7	MUKHTAR AHMED KHAN	H # NO 337 STREET BLOCK K SABZAZAR SCHEME LAHORE	GHULAM QADIR	42301-5822607-3	11,137	2,049	-	13,186	-	1,878	-	1,878
8	MUHAMMAD NAEEM	H NO 123 VIP BLOCK SITARA SAPNA CITY NEAR ISMAIL MARKET FAISALABAD	MUHAMMAD ALI	33100-3761740-5	8,173	653	-	8,826	-	1,133	-	1,133
9	ZOHAIB ALI MANZOOR	C/O ZOHAIB ALI MANZOOR P-1099-5 FLOUR MILLS ROAD LALL MILL CHOWK FACTORY AREA FAISALABAD 03018662000	MANZOOR HUSSAIN	33100-8145798-5	10,665	2,003	-	12,668	-	2,646	-	2,646
10	INTIZAR HUSSAIN	53 F, 1ST FLOOR, RAJA CENTER, MAIN MARKET, GULBERG III, LAHORE	MUHAMMAD ALI	35402-2553372-3	1,182	1,030	-	2,212	-	1,016	-	1,016
11	ALI SHAHID	HOUSE NO 97/1 STREET 15 PHASE 6 DHA KARACHI	SHAHID AKHTAR	42301-5723966-3	9,487	205	-	9,692	-	920	-	920
12	SAQLAIN RAZA WARRAICH	HOUSE NO B- 306/1 MUHALLAH FORT SULTAN FAISAL TOWN AIR PORT KARACHI	IMTIAZ HUSSAIN WARRAICH	42201-5631272-9	1,178	769	-	1,947	-	698	-	698
13	H SHEIKH NOOR UD DIN AND SONS PVT	21-B SHAMI ROAD CANTT LAHORE	N/A	N/A	244,500	17,854	-	262,354	-	3,071	-	3,071
14	M. IMRAN AND ADNAN ENTERPRISES	SUIT 3F,3RD FLOOR CRAZE 1PALAZA DHA LAHORE	N/A	N/A	33,705	1,124	-	34,829	33,705	1,124	-	34,829
15	ZAIN BUSINESS EMPIRE SMC. PVT LTD	19-G, MUHAMMAD PLAZA F-6,JINNAH AVENUE,BLUE AREA ISLAMABAD	N/A	N/A	862	47	-	909	862	47	-	909
16	Zubair / Z R Corporation - Pledge	FLAT NO A-6 FALCON APPT 'PLOT 716/10 JAMSHED ROAD KARACHI	N/A	N/A	52,637	3,937	-	56,574	28,567	7,265	-	35,832
					444,896	40,384	-	485,280	63,134	27,493	-	90,627