

**Dubai Islamic Bank
Pakistan Limited**

Financial Statements
for the year ended
December 31, 2023



KPMG Taseer Hadi & Co.
Chartered Accountants
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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 31 December 2023, and the profit and loss account, the statement of comprehensive income, the statement of changes in equity and cash flow statement for the year then ended, along with unaudited certified returns received from the branches except for twenty three branches which have been audited by us and notes to the financial statements, including material accounting policy information 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 and loss account, the statement of comprehensive income, the statement of changes in equity and cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and, given 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 31 December 2023 and of the profit, the comprehensive income, the changes in equity and its cash flows 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 Chairman's review and Director's report for the year ended 31 December 2023 but does not include the financial statements and our auditor's report thereon.

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



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

Responsibilities of Management and 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.



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- 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.

We also provide to the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

1. 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, statement of changes in equity and 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.



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2. We confirm that for the purpose of our audit we have covered more than sixty per cent of the total loans and advances of the Bank.

Other Matter

The financial statements of the Bank for the year ended 31 December 2022, were audited by another firm of chartered accountants who expressed an unmodified opinion on those financial statements vide their audit report dated 16 February 2023.

The engagement partner on the audit resulting in this independent auditor's report is Zeeshan Rashid.

Date: 6 February 2024

Karachi

UDIN: AR202310188wG3djx5XU

**KPMG Taseer Hadi & Co.
Chartered Accountants**

Dubai Islamic Bank Pakistan Limited

Statement of Financial Position

As at December 31, 2023

		2023	2022
	Note	--- Rupees in '000 ---	
ASSETS			
Cash and balances with treasury banks	5	28,901,856	45,632,108
Balances with other banks	6	3,985,034	1,146,321
Due from financial institutions	7	2,900,000	23,500,000
Investments	8	121,361,640	103,361,135
Islamic financing and related assets	9	243,067,943	247,767,953
Fixed assets	10	6,420,581	5,336,223
Intangible assets	11	670,469	409,352
Deferred tax assets	12	4,488,375	2,001,279
Other assets	13	19,196,483	16,236,091
		430,992,381	445,390,462
LIABILITIES			
Bills payable	14	4,395,198	7,207,894
Due to financial institutions	15	33,908,833	35,875,060
Deposits and other accounts	16	324,876,776	345,811,211
Subordinated sukuks	17	7,120,000	7,120,000
Other liabilities	18	23,526,689	19,269,480
		393,827,496	415,283,645
NET ASSETS		37,164,885	30,106,817
REPRESENTED BY			
Share capital	19	11,652,288	11,652,288
Reserves	20	5,219,664	3,875,828
Deficit on revaluation of investments	21	(314,350)	(674,055)
Unappropriated profit		20,607,283	15,252,756
		37,164,885	30,106,817
CONTINGENCIES AND COMMITMENTS		22	

The annexed notes 1 to 45 and Annexure I form an integral part of these financial statements.

Chief Financial Officer

President & Chief Executive

Director

Director

Director

Dubai Islamic Bank Pakistan Limited

Profit and Loss Account

For the year ended December 31, 2023

		2023	2022
	Note	--- Rupees in '000 ---	
Profit / return earned	23	65,841,557	45,885,614
Profit / return expensed	24	(35,405,510)	(26,435,715)
Net Profit / return		30,436,047	19,449,899
OTHER INCOME			
Fee and commission income	25	2,294,936	2,128,134
Dividend income		-	-
Foreign Exchange income		1,498,797	1,394,739
Gain on securities		-	-
Other income / (loss)	26	1,631	(23,165)
Total other income		3,795,364	3,499,708
Total income		34,231,411	22,949,607
OTHER EXPENSES			
Operating expenses	27	(12,405,406)	(10,132,049)
Workers Welfare Fund		(383,093)	(211,782)
Other charges	28	(38,974)	(13,805)
Total other expenses		(12,827,473)	(10,357,636)
Profit before provisions		21,403,938	12,591,971
Provisions and write offs - net	29	(7,372,022)	(4,629,854)
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		14,031,916	7,962,117
Taxation	30	(7,312,737)	(4,046,543)
PROFIT AFTER TAXATION		6,719,179	3,915,574
		---	Rupees ---
Basic & diluted earnings per share	31	5.77	3.36

The annexed notes 1 to 45 and Annexure I form an integral part of these financial statements.

Chief Financial Officer

President & Chief Executive

Director

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Dubai Islamic Bank Pakistan Limited

Statement of Comprehensive Income

For the year ended December 31, 2023

	2023	2022
	--- Rupees in '000 ---	
Profit after taxation for the year	6,719,179	3,915,574
Other comprehensive income		
Items that may be reclassified to profit and loss account in subsequent periods:		
Movement in revaluation of investments - net of tax	359,705	(1,357,429)
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement loss on defined benefit obligation - net of tax	(20,816)	(18,387)
Total comprehensive income	7,058,068	2,539,758

The annexed notes 1 to 45 and Annexure I form an integral part of these financial statements.

Chief Financial Officer

President & Chief Executive

Director

Director

Director

Dubai Islamic Bank Pakistan Limited

Statement of Changes in Equity

For the year ended December 31, 2023

	Share capital	Statutory reserve	(Deficit) / surplus on revaluation of investments	Unappro- priated profit	Total
	----- Rupees in '000 -----				
Opening Balance as at January 01, 2022	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)	-
Opening Balance as at January 01, 2023	11,652,288	3,875,828	(674,055)	15,252,756	30,106,817
Profit after taxation for the year	-	-	-	6,719,179	6,719,179
Other comprehensive loss - net of tax	-	-	359,705	(20,816)	338,889
	-	-	359,705	6,698,363	7,058,068
Transfer to statutory reserve	-	1,343,836	-	(1,343,836)	-
Closing Balance as at December 31, 2023	11,652,288	5,219,664	(314,350)	20,607,283	37,164,885

The annexed notes 1 to 45 and Annexure I form an integral part of these financial statements.

Chief Financial Officer

President & Chief Executive

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Dubai Islamic Bank Pakistan Limited

Cash Flow Statement

For the year ended December 31, 2023

	Note	2023 ----- Rupees in '000 -----	2022
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		14,031,916	7,962,117
Adjustments:			
Depreciation	10.2	466,343	349,766
Depreciation on right-of-use assets	10.3	980,377	917,404
Amortisation	11.1	125,941	95,193
Finance cost on Ijarah (lease) liabilities	24	578,589	360,685
Gain / (loss) on sale of fixed assets	26	(1,631)	23,165
Provisions and write offs - net	29	7,372,022	4,629,854
		<u>9,521,641</u>	<u>6,376,067</u>
		23,553,557	14,338,184
Decrease / (increase) in operating assets			
Due from financial institutions		20,600,000	(22,468,698)
Islamic financing and related assets		(2,667,958)	(27,032,914)
Others assets		(2,816,196)	(6,015,947)
		15,115,846	(55,517,559)
(Decrease) / increase in operating liabilities			
Bills payable		(2,812,696)	(241,117)
Due to financial institutions		(1,965,588)	2,386,125
Deposits and other accounts		(20,934,435)	84,237,591
Other liabilities (excluding current taxation)		3,774,593	871,564
		<u>(21,938,126)</u>	<u>87,254,163</u>
		16,731,277	46,074,788
Income tax paid		<u>(10,932,527)</u>	<u>(3,872,282)</u>
Net cash flow generated from operating activities		5,798,750	42,202,506
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(17,434,325)	(20,802,225)
Investments in fixed assets		(768,399)	(719,692)
Proceeds from sale of fixed assets		4,376	12,859
Investments in intangibles		(387,058)	(126,009)
Net cash flow used in investing activities		(18,585,406)	(21,635,067)
CASH FLOW FROM FINANCING ACTIVITIES			
Payment of Ijarah (lease) liabilities against right-of-use assets		(1,104,244)	(857,750)
(Decrease) / increase in cash and cash equivalents		<u>(13,890,900)</u>	<u>19,709,689</u>
Cash and cash equivalents at beginning of the year		46,777,790	27,068,101
Cash and cash equivalents at end of the year	32	<u>32,886,890</u>	<u>46,777,790</u>

The annexed notes 1 to 45 and Annexure I form an integral part of these financial statements.

Chief Financial Officer

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Director

Director

Director

Dubai Islamic Bank Pakistan Limited

Notes to the Accounts

For the year ended December 31, 2023

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 26, 2023 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, 2023 (2022: 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 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 Standards, interpretations of and amendments to published accounting and reporting standards that are effective in the current year

There are certain new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 01, 2023 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
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

2.3 Standards, interpretations of and amendments to published accounting and reporting standards 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

- IAS 1 - Non current liabilities with covenants (amendments)	January 01, 2024
- IAS 1 - Classification of liabilities in a sale and leaseback (amendments)	January 01, 2024
- IFRS 16 - Sale and leaseback (amendments)	January 01, 2024
- IAS 21 - Lack of exchangeability (amendments)	January 01, 2025

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:

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

2.3.1 IFRS 9 Financial Instruments

As directed by the State Bank of Pakistan (SBP), via BPRD Circular no. 07 of 2023 dated 13 April 2023, IFRS 9 Financial Instruments is effective for periods beginning on or after 1 January 2024.

SBP via its BPRD Circular No. 03 of 2022 has provided detailed instructions on implementation of IFRS 9 (the Application Instructions) for ensuring smooth and consistent implementation of the standard across banks.

IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. The standard includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

During the year 2023, the management of the Bank continued to perform parallel run assessments for IFRS 9, taking into account the SBP's IFRS 9 application instructions. The assessments were based on available information that existed at respective parallel run reporting cut offs and were subject to changes that could arise from further reasonable and supportable information being made available to the Bank at the time of finalizing the impact for initial application of IFRS 9.

Classification and measurement

Under the new standard, classification and measurement of financial assets depends on how these are managed (the entity's business model) and their contractual cash flow characteristics. Financial assets that do not meet the Solely Payment of Principal and Profit (SPPI) criteria are required to be measured at FVTPL regardless of the business model in which they are held. The Bank's business model in which financial assets are held will determine whether the financial assets are to be measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The Bank has analyzed the impact of initial application of IFRS 9 on its financial assets as follows:

Debt securities and Islamic Financing and related assets

Debt securities currently classified as AFS and those which pass SPPI test, are expected to be measured at FVOCI under IFRS 9 as the business model is to hold the assets to collect contractual cash flows, but also to sell those investments.

Impairment

The impairment requirements under IFRS 9, apply to financial assets measured at Amortized Cost and FVOCI (other than equity instruments), Financing and receivables, and certain Islamic financing commitments and financial guarantee contracts. At initial recognition, an impairment allowance (or provision in the case of commitments and guarantees) is required for expected credit losses ('ECL') resulting from default events that are possible within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk (SICR), an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL').

Financial assets where 12-month ECL is recognized are in 'stage 1'; financial assets that are considered to have experienced a SICR are in 'stage 2'; and financial assets for which there is objective evidence of impairment, so are considered to be in default or otherwise credit impaired, are in 'stage 3'.

The assessment of credit risk and the estimation of ECL should be unbiased and probability-weighted and would incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL would take into account the time value of money.

Based on the requirements of IFRS 9 and SBP's IFRS 9 application instructions, the Bank has performed an ECL assessment considering the key elements such as assessment of SICR, Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). These elements are described below:

- PD: The probability that a counterparty will default, calibrated over the 12 months from the reporting date (stage 1) or over the lifetime of the product (stage 2) and incorporating forward looking information.
- LGD: It is an estimate of magnitude of loss sustained on any facility upon default by a customer. It is expressed as a percentage of the exposure outstanding on the date of classification of an obligor. It is the difference between contractual cash flows due and those that the Bank expects to receive, including any form of collateral.
- EAD: the expected balance sheet exposure at the time of default, incorporating expectations on drawdowns, amortization, pre-payments and forward-looking information where relevant.

For the purpose of calculation of ECL, the Bank has used 8 years data till 31 December 2023 and going forward, one more year's data shall be included until the Bank has at least 10 years data.

Significant increase in credit risk (SICR)

A SICR is assessed in the context of an increase in the risk of a default occurring over the life of the financial instrument when compared to that expected at the time of initial recognition. It is not assessed in the context of an increase in the ECL. The Bank uses a number of qualitative and quantitative measures in assessing SICR. Quantitative measures relate to deterioration of Obligor Risk Ratings (ORR) or where principal and / or profit payments are 60 days or more past due.

Based on the level of increase in credit risk, the Bank shall calculate 12-month ECL for assets which did not have a SICR i.e., Stage 1 or a lifetime expected loss for the life of the asset (for assets which demonstrated a SICR) i.e., Stage 2.

At every reporting date, the Bank shall assess whether there has been a SICR since the initial recognition of the asset. If there is a SICR, the asset must be assigned to the appropriate stage of credit impairment (Stage 2 or 3).

Under the SBP's instructions, credit exposure (in local currency) guaranteed by the Government and Government Securities are exempted from the application of ECL Framework. Moreover, until implementation of IFRS 9 has stabilized, Stage 1 and stage 2 provisions would be made as per IFRS 9 ECL criteria and Stage 3 provisions would be made considering higher of IFRS 9 ECL or provision computed under existing PRs' requirements.

As required by the Application Instructions, financial assets may be reclassified out of stage 3 if they meet the requirements of PR issued by the SBP. Financial assets in stage 2 may be reclassified to stage 1 if the conditions that led to a SICR no longer apply. However, a minimum cooling period of 12 months for non-retail facilities and 6 months for retail facilities is required before any Stage 2 client moves back to Stage 1.

Presentation and disclosure

IFRS 9 also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of Bank's disclosure about its financial instruments particularly in the year of adoption of the standard.

The State Bank of Pakistan vide BPRD Circular No 03 of 2023 dated 9 February 2023 has issued revised formats for annual as well as interim financial statements of Banks for the accounting periods starting from 1 January 2024, which include the presentation and disclosures of adoption of IFRS 9 as applicable in Pakistan.

Islamic financing related fee

Islamic financing origination / commitment fees that are regarded as compensation to the financier for an ongoing involvement with the acquisition of a financial instrument would be recognized over the life of the related financing. However, if the commitment expires without the financier making the financing, the fee would be recognized as revenue earned.

Additional requirements and exceptions introduced by SBP Instructions

SBP has enforced the application of IFRS 9 in its entirety except for some exceptions and additional requirements. A high-level comparison of such exceptions that are relevant to the Bank is as follows:

(i) Rebuttable presumptions about default and SICR

IFRS 9 includes a rebuttable presumption that a default does not occur later than 90 days past due and it also presumes that there is SICR if credit exposure is more than 30 days past due. In order to bring consistency, SBP has allowed the backstop to the rebuttable presumption of days past due of credit portfolio against a specific credit facility and its stage allocation under IFRS 9 as mentioned in Annexure-C of BPRD Circular no 3 of 2022. However, banks are free to choose more stringent days past due criteria.

(ii) Income recognition on impaired assets

The Banks are advised to recognize income on impaired assets (loans classified under PRs i.e. OAEM and Stage 3 loans) on a receipt basis in accordance with the requirements of Prudential Regulations issued by SBP.

(iii) Impact of Provisions on Regulatory Capital

The banks are allowed to include provisions for Stage 1 and Stage 2 in Tier 2 capital up to a limit of 1.25% of total credit risk-weighted assets. In order to mitigate the impact of ECL provisioning on capital, a transitional arrangement is allowed to the banks to absorb the impact on regulatory capital. Accordingly, banks, which choose to apply transitional arrangement, may implement this arrangement in accordance with SBP's Guideline for absorption of ECL for CAR Purposes as mentioned in Annexure-C of BPRD Circular no 3 of 2022.

Impact of adoption of IFRS 9

The Bank will adopt IFRS 9 in its entirety effective 01 January 2024 with modified retrospective approach for restatement. The actual impact of adopting IFRS 9 on the Bank's financial statements in the year 2023 may not be accurately estimated because it will be dependent on the financial instruments that the Bank would hold during next year and economic conditions at that time as well as accounting elections and judgements that it will make in future. Nevertheless, the Bank has performed a preliminary assessment of the potential impact of adoption of IFRS 9 based on its statement of financial position as at 31 December 2023.

Based on the Bank's assessment, the IFRS 9 requirements are not likely to have a significant impact on the classification and measurement of some of its financial assets and financial liabilities and capital ratios of the Bank.

Governance, ownership and responsibilities

The Bank has adopted a governance framework requiring the Board of Directors, Board Risk Monitoring Committee (BRMC), Risk Management Committee (RMC), and IFRS 9 Steering committee to effectively work together to ensure input from all business lines. IFRS 9 requires robust credit risk models that can predict Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).

The Bank has developed Models/ methodologies for PD, LGD and Credit Conversion Factors (CCF). These models shall be validated on annual basis considering the following aspects:

- Quantitative Validation: Expected credit loss (ECL) model design validation, data quality validation and benchmarking with external best practices.
- Quantitative Validation: Calibration testing which ensures the accuracy of the observed PDs.

The Bank will define the staging criteria for the new impairment model and take ownership of all models, methodologies and the ECL calculation approach

The Bank will perform ECL calculation and will assess the financial impact, meet the financial reporting requirements and further monitor the impact on the financial ratios. The Bank shall also present quarterly progress report to its relevant Board Sub Committee.

2.4 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 30)
- iv) determination of useful lives and depreciation / amortisation (notes 4.5, 10 and 11)
- v) accounting for defined benefit plan (notes 4.12 and 34)
- 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 22)

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.

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. Rab-ul-Maal share is distributed among depositors according to weightages assigned at the inception of profit calculation period. Mudarib can distribute its share of profit to Rab-ul-Maal upto a maximum of 60% of their profit as incentive profits (General Hiba).

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

When foreign currency deposits are swapped for investment in local currency, the swap element is separated from foreign exchange income and is charged to profit / return expensed 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 (Rab-ul-Maal) where the Bank acts as Manager (Mudarib) and invests the funds in the Shari'a Compliant modes of financing, investments and placements. When utilising and investing funds, the Bank prioritises the funds received from depositors over the funds generated from own sources after meeting the regulatory requirement relating to such deposits.

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

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

General Pool

For General Pool, the Bank allocates financing to Corporate, SME and Consumer Finance customers in diversified sectors and avenues of the economy / business as mentioned in note 42. 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 42.1 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, 2023.

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.

		2023	2022
	Note	----- Rupees in '000 -----	
5 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
- local currency		4,987,441	4,614,182
- foreign currencies		1,015,762	981,572
		6,003,203	5,595,754
With State Bank of Pakistan in			
- local currency current accounts	5.1	17,877,677	38,154,888
- foreign currency current accounts		259,377	34,744
- foreign currency deposit accounts			
- Cash reserve account		1,885,789	1,674,570
- Special cash reserve account		2,260,323	-
	5.1	4,146,112	1,674,570
With National Bank of Pakistan in			
- local currency current accounts		615,487	172,152
		28,901,856	45,632,108

5.1 These include local and foreign currency amounts required to be maintained by the Bank with the SBP under the Banking Companies Ordinance, 1962 and / or stipulated by the SBP. These accounts are non-remunerative in nature.

		2023	2022
	Note	----- Rupees in '000 -----	
6 BALANCES WITH OTHER BANKS			
In Pakistan			
- in local currency current account		573,348	244,841
- in foreign currency current account		17,650	95
		590,998	244,936
Outside Pakistan			
- in foreign currency current accounts	6.1	3,394,036	901,385
		3,985,034	1,146,321

6.1 This includes an amount of Rs. 85.40 million (December 31, 2022: Rs. 128.64 million) deposited with the holding company.

		2023	2022
	Note	----- Rupees in '000 -----	
7 DUE FROM FINANCIAL INSTITUTIONS			
Musharaka - unsecured	7.1	2,900,000	23,500,000

7.1 These carry expected yield of 22% to 22.50% (2022: 15% to 16.25%) per annum and are due to mature latest by January 02, 2024 (2022: January 03, 2023).

		2023	2022
		----- Rupees in '000 -----	
7.2 Particulars of amounts due from financial institutions			
In local currency		2,900,000	23,500,000
In foreign currency		-	-
		2,900,000	23,500,000

8 INVESTMENTS

8.1 Investments by types

	2023				2022			
	Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value	Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value
<i>Note</i>	----- Rupees in '000 -----							
8.4.1	60,926,345	-	644,349	61,570,694	47,237,843	-	(218,500)	47,019,343
8.4.2	38,653,566	(89,316)	963,471	39,527,721	39,273,566	(89,316)	1,047,563	40,231,813
8.4.3	22,487,418	-	(2,224,193)	20,263,225	18,121,595	-	(2,011,616)	16,109,979
	122,067,329	(89,316)	(616,373)	121,361,640	104,633,004	(89,316)	(1,182,553)	103,361,135

8.2 Investments by segments

	2023				2022			
	Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value	Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value
	----- Rupees in '000 -----							
Federal Government securities								
GOP Ijarah sukuk	56,473,301	-	644,349	57,117,650	43,400,000	-	(218,500)	43,181,500
Islamic Naya Pakistan Certificates	4,453,044	-	-	4,453,044	3,837,843	-	-	3,837,843
	60,926,345	-	644,349	61,570,694	47,237,843	-	(218,500)	47,019,343
Non-Government debt securities								
Listed	37,189,250	-	952,687	38,141,937	37,314,250	-	945,311	38,259,561
Unlisted	1,464,316	(89,316)	10,784	1,385,784	1,959,316	(89,316)	102,252	1,972,252
	38,653,566	(89,316)	963,471	39,527,721	39,273,566	(89,316)	1,047,563	40,231,813
Foreign securities								
Government debt securities	7,416,011	-	(1,037,920)	6,378,090	5,957,931	-	(893,687)	5,064,244
Non-Government debt securities	15,071,407	-	(1,186,273)	13,885,135	12,163,664	-	(1,117,929)	11,045,735
	22,487,418	-	(2,224,193)	20,263,225	18,121,595	-	(2,011,616)	16,109,979
Total investments	122,067,329	(89,316)	(616,373)	121,361,640	104,633,004	(89,316)	(1,182,553)	103,361,135

8.2.1 Investments given as collateral

No investments given as collateral as at December 31, 2023 (2022: Nil).

8.3 Provision for diminution in value of investments

	2023	2022
	----- 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	2023		2022	
	*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:

8.4.1 Federal Government securities - Government guaranteed

	2023	2022
	Cost / amortised cost	
	----- Rupees in '000 -----	
Federal Government securities - Government guaranteed		
Islamic Naya Pakistan Certificates	4,453,044	3,837,843
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	22,000,000
GOP Ijara sukuk - XX	3,000,000	-
GOP Ijara sukuk - XXVI	5,000,000	-
GOP Ijara sukuk - XXXII	5,073,301	-
	60,926,345	47,237,843

8.4.2 Non-Government debt securities

Listed

A+, A, A-	281,250	406,250
Unrated	36,908,000	36,908,000
	37,189,250	37,314,250

Unlisted

AAA	1,050,000	1,470,000
A+, A, A-	325,000	400,000
Unrated	89,316	89,316
	1,464,316	1,959,316

38,653,566	39,273,566
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Rating		Cost / amortised cost	
2023	2022	2023	2022
----- Rupees in '000 -----			

8.4.3 Foreign securities

Government securities

Government of the Emirate of Sharjah	BBB-	Ba1	7,416,011	5,957,931
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Non-Government debt securities

Listed

BBB+ / Baa1, BBB / Baa2, BBB- / Baa3	15,071,407	12,163,664
	22,487,418	18,121,595

9 ISLAMIC FINANCING AND RELATED ASSETS

		Performing		Non-Performing		Total	
		2023	2022	2023	2022	2023	2022
	Note	----- Rupees in '000 -----					
Murabaha	9.1	23,332,980	19,296,641	1,810,008	1,017,271	25,142,988	20,313,912
Musawamah	9.2	5,610,685	5,493,399	289,525	198,937	5,900,210	5,692,336
Tijarah cum wakala	9.3	15,700,461	13,817,610	307,052	63,000	16,007,513	13,880,610
Istisna cum Wakala	9.4	16,891,999	17,898,652	365,698	502,698	17,257,697	18,401,350
Salam	9.5	1,074,282	182,070	-	-	1,074,282	182,070
Islamic Export Refinance Scheme - SBP	9.6	15,291,529	16,369,663	119,341	125,295	15,410,870	16,494,958
Other Islamic Refinance Schemes - SBP	9.7	16,280,574	18,003,607	176,507	15,649	16,457,081	18,019,256
Wakala Istithmar		26,956,935	28,247,608	855,053	617,987	27,811,988	28,865,595
Running Musharaka financing		29,944,047	21,716,947	655,901	655,901	30,599,948	22,372,848
Shirkatulmilk - Housing	9.8	15,796,787	17,119,176	604,644	566,990	16,401,431	17,686,166
Shirkatulmilk - Autos	9.9	17,126,612	24,875,744	240,254	239,933	17,366,866	25,115,677
Shirkatulmilk - Fleet financing	9.10	3,987,223	4,735,574	223,691	175,388	4,210,914	4,910,962
Shirkatulmilk - Others		6,514,639	9,813,839	6,232,932	3,525,084	12,747,571	13,338,923
Diminishing Musharaka - Others		48,533,288	49,274,868	4,163,729	2,111,333	52,697,017	51,386,201
Staff financing		2,682,094	2,622,073	-	-	2,682,094	2,622,073
Islamic financing and related assets (gross)		245,724,135	249,467,471	16,044,335	9,815,466	261,768,470	259,282,937

Provision against Islamic financing and related assets

Specific	9.13	-	-	(15,527,356)	(8,335,970)	(15,527,356)	(8,335,970)
General		(3,173,171)	(3,179,014)	-	-	(3,173,171)	(3,179,014)
		(3,173,171)	(3,179,014)	(15,527,356)	(8,335,970)	(18,700,527)	(11,514,984)
Islamic financing and related assets - net of provision		242,550,964	246,288,457	516,979	1,479,496	243,067,943	247,767,953

		2023	2022
<i>Note</i>		--- Rupees in '000 ---	
9.1 Murabaha			
Financing	9.1.2	14,773,626	4,550,410
Inventory		10,094,185	14,775,412
Advance		275,177	988,090
		25,142,988	20,313,912
9.1.1 Murabaha receivable - gross	9.1.2	14,773,626	4,550,410
Less: Deferred murabaha income	9.1.4	(1,276,033)	(673,569)
Profit receivable		(697,585)	(610,866)
Murabaha financing		12,800,008	3,265,975
9.1.2 The movement in Murabaha financing during the year is as follows:			
Opening balance		4,550,410	6,694,396
Sales during the year		19,165,295	33,804,698
Received during the year		(8,942,079)	(35,948,684)
Closing balance		14,773,626	4,550,410
9.1.3 Murabaha sale price		19,165,295	33,804,698
Murabaha purchase price		(13,747,558)	(30,392,027)
		5,417,737	3,412,671
9.1.4 Deferred murabaha income			
Opening balance		673,569	1,409,504
Arising during the year		5,417,737	3,412,671
Less: Recognised during the year		(4,815,273)	(4,148,606)
Closing balance		1,276,033	673,569
9.2 Musawamah			
Financing	9.2.2	5,818,080	5,589,734
Advance		82,130	102,602
		5,900,210	5,692,336
9.2.1 Musawamah receivable	9.2.2	5,818,080	5,589,734
Less: Deferred musawama income	9.2.4	(1,635,038)	(1,549,359)
Profit receivable		(88,611)	(72,833)
Musawamah financings		4,094,431	3,967,542
9.2.2 The movement in Musawamah financing during the year is as follows:			
Opening balance		5,589,734	3,834,238
Sales during the year		3,391,658	4,124,012
Received during the year		(3,163,312)	(2,368,516)
Closing balance		5,818,080	5,589,734
9.2.3 Musawamah sale price		3,391,658	4,124,012
Musawamah purchase price		(2,056,953)	(2,706,514)
		1,334,705	1,417,498
9.2.4 Deferred Musawamah income			
Opening balance		1,549,359	1,026,748
Arising during the year		1,334,705	1,417,498
Less: Recognised during the year		(1,249,026)	(894,887)
Closing balance		1,635,038	1,549,359

		2023	2022
		--- Rupees in '000 ---	
9.3 Tijarah cum wakala			
Financing		11,132,211	10,125,486
Inventory		4,875,302	3,755,124
		<u>16,007,513</u>	<u>13,880,610</u>
9.4 Istisna cum Wakala			
Financing		6,635,802	12,918,728
Advance		10,621,895	5,482,622
		<u>17,257,697</u>	<u>18,401,350</u>
9.5 Salam			
Financing		-	-
Advance		1,074,282	182,070
		<u>1,074,282</u>	<u>182,070</u>
9.6 Islamic Export Refinance Scheme - SBP			
Istisna - Advance		399,993	200,000
Istisna - Financing		19,000	419,000
Running Musharaka - Financing		7,631,858	8,900,800
Wakala Istithmar - Financing		7,360,019	6,975,158
		<u>15,410,870</u>	<u>16,494,958</u>
9.7 Other Islamic Refinance Schemes - SBP			
Islamic Long Term Financing Facility			
- Diminishing Musharaka - Financing		3,530,862	4,534,058
Payment of Wages and Salaries Refinance Scheme			
- Shirkatulmilk - Financing		7,500	199,665
- Murabaha - Financing		533	17,614
		8,033	217,279
Islamic Financing Facility for Combating COVID 19			
- Musharaka - Financing		428,430	633,493
Islamic Finance Facility For Renewable Energy			
- Diminishing Musharaka - Financing		852,199	966,331
Islamic Temporary Economic Refinance Facility			
- Musharaka - Financing		307,084	384,184
- Shirkatulmilk - Financing		11,149,387	10,809,500
		11,456,471	11,193,684
Other Islamic Refinance Facilities			
- Musharaka - Financing		181,086	474,411
		<u>16,457,081</u>	<u>18,019,256</u>
9.8 Shirkatulmilk - Housing			
Financing		16,389,431	17,348,216
Advance		12,000	337,950
		<u>16,401,431</u>	<u>17,686,166</u>
9.9 Shirkatulmilk - Autos			
Financing		17,188,553	24,544,215
Advance		178,313	571,462
		<u>17,366,866</u>	<u>25,115,677</u>
9.10 Shirkatulmilk - Fleet financing			
Financing		3,664,732	4,596,342
Advance		546,182	314,620
		<u>4,210,914</u>	<u>4,910,962</u>
9.11 Particulars of Islamic financing and related assets (gross)			
In local currency		261,032,459	258,581,768
In foreign currencies		736,011	701,169
		<u>261,768,470</u>	<u>259,282,937</u>
9.12 Islamic financing and related assets include Rs. 16,044.34 million (2022: Rs. 9,815.47 million) which have been placed under non-performing status as detailed below:			

Category of Classification	2023		2022	
	Non-Performing	Provision held	Non-Performing	Provision held
	----- Rupees in '000 -----			
Domestic				
Other Assets Especially Mentioned	113,937	-	62,572	156
Substandard	117,381	18,868	379,570	31,104
Doubtful	183,133	1,762	95,632	15,042
Loss	15,629,884	15,506,726	9,277,692	8,289,668
	<u>16,044,335</u>	<u>15,527,356</u>	<u>9,815,466</u>	<u>8,335,970</u>

9.13 Particulars of provision against Islamic financing and related assets:

	2023			2022		
	Specific	General	Total	Specific	General	Total
----- Rupees in '000 -----						
Opening balance	8,335,970	3,179,014	11,514,984	4,034,938	2,913,326	6,948,264
Charge for the year	7,716,981	-	7,716,981	4,590,781	265,688	4,856,469
Reversals during the year	(343,170)	(5,843)	(349,013)	(226,615)	-	(226,615)
	7,373,811	(5,843)	7,367,968	4,364,166	265,688	4,629,854
Amounts written-off	(182,425)	-	(182,425)	(63,134)	-	(63,134)
Closing balance	15,527,356	3,173,171	18,700,527	8,335,970	3,179,014	11,514,984

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

	2023			2022		
	Specific	General	Total	Specific	General	Total
----- Rupees in '000 -----						
In local currency	15,507,994	3,173,171	18,681,165	8,324,716	3,179,014	11,503,730
In foreign currency	19,362	-	19,362	11,254	-	11,254
	15,527,356	3,173,171	18,700,527	8,335,970	3,179,014	11,514,984

9.13.2 As allowed by the SBP, the Bank has availed benefit of Forced Sale Value (FSV) amounting to Rs. 215.44 million (2022: Rs. 1,078.16 million) in determining the provisioning against non performing Islamic financings as at December 31, 2023. The additional profit arising from availing the FSV benefit - net of tax as at December 31, 2023 which is not available for distribution as either cash or stock dividend to shareholders amounted to Rs. 109.87 million (2022: Rs. 549.86 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 (2022: Rs. 2,914 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.

9.14 Particulars of write offs:

	2023	2022
	--- Rupees in '000 ---	
9.14.1 Against Provisions	182,425	63,134
Directly charged to Profit & Loss account	-	-
	182,425	63,134
9.14.2 Write Offs of Rs. 500,000 and above - Domestic	182,425	63,134
Write Offs of Below	-	-
	182,425	63,134

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, 2023 is given as Annexure 1.

	Note	2023	2022
		--- Rupees in '000 ---	
10 FIXED ASSETS			
Capital work-in-progress	10.1	72,190	50,723
Property and equipment	10.2	1,717,739	1,605,101
Right-of-use assets	10.3	4,630,652	3,680,399
		6,420,581	5,336,223
10.1 Capital work-in-progress			
Civil works		72,190	8,768
Equipment		-	41,955
		72,190	50,723

10.2 Property and equipment

2023				
Furniture and fixture	Electrical, office and computer equipment	Vehicles	Leasehold Improvements	Total
----- Rupees in '000 -----				
474,054	2,976,045	129,332	1,643,945	5,223,376
(365,155)	(1,901,643)	(61,809)	(1,289,668)	(3,618,275)
108,899	1,074,402	67,523	354,277	1,605,101
108,899	1,074,402	67,523	354,277	1,605,101
50,227	450,066	-	81,433	581,726
(17,317)	(7,414)	-	(2,402)	(27,133)
-				-
32,910	442,652	-	79,031	554,593
(25,720)	(340,193)	(14,168)	(86,262)	(466,343)
17,044	5,913	-	1,431	24,388
-				-
(8,676)	(334,280)	(14,168)	(84,831)	(441,955)
133,133	1,182,774	53,355	348,477	1,717,739
506,964	3,418,697	129,332	1,722,976	5,777,969
(373,831)	(2,235,923)	(75,977)	(1,374,499)	(4,060,230)
133,133	1,182,774	53,355	348,477	1,717,739
10%	10% to 20%	25%	5% to 15%	
2022				
Furniture and fixture	Electrical, office and computer equipment	Vehicles	Leasehold Improvements	Total
----- Rupees in '000 -----				
446,556	2,884,413	84,139	1,563,888	4,978,996
(342,304)	(1,883,670)	(50,214)	(1,208,014)	(3,484,202)
104,252	1,000,743	33,925	355,874	1,494,794
104,252	1,000,743	33,925	355,874	1,494,794
28,746	335,467	51,827	80,057	496,097
(1,248)	(243,835)	(6,634)	-	(251,717)
-	-	-	-	-
27,498	91,632	45,193	80,057	244,380
(23,862)	(227,348)	(16,902)	(81,654)	(349,766)
1,011	209,375	5,307	-	215,693
-	-	-	-	-
(22,851)	(17,973)	(11,595)	(81,654)	(134,073)
108,899	1,074,402	67,523	354,277	1,605,101
474,054	2,976,045	129,332	1,643,945	5,223,376
(365,155)	(1,901,643)	(61,809)	(1,289,668)	(3,618,275)
108,899	1,074,402	67,523	354,277	1,605,101
10%	10% to 20%	25%	5% to 15%	

10.2.1 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. 2,950.75 million (2022: Rs. 2,718.40 million).

		2023	2022
	Note	--- Rupees in '000 ---	
10.3 Right-of-use assets			
Building on leasehold land	10.3.1	<u><u>4,630,652</u></u>	<u><u>3,680,399</u></u>
10.3.1 Right-of-use assets - building on leasehold land			
As at January 01,			
Cost		7,013,472	5,188,669
Accumulated depreciation		<u>(3,333,073)</u>	<u>(2,415,669)</u>
Net book value		<u><u>3,680,399</u></u>	<u><u>2,773,000</u></u>
Year ended December 31,			
Opening net book value		3,680,399	2,773,000
Additions		2,022,796	1,877,592
Deletion		(92,166)	(52,789)
Depreciation charge		<u>(980,377)</u>	<u>(917,404)</u>
Closing net book value		<u><u>4,630,652</u></u>	<u><u>3,680,399</u></u>
As at December 31,			
Cost		8,944,102	7,013,472
Accumulated depreciation		<u>(4,313,450)</u>	<u>(3,333,073)</u>
Net book value		<u><u>4,630,652</u></u>	<u><u>3,680,399</u></u>
11 INTANGIBLE ASSETS			
Capital work-in-progress - Advance to suppliers		162,544	59,148
Computer software	11.1	<u><u>507,925</u></u>	<u><u>350,204</u></u>
		<u><u>670,469</u></u>	<u><u>409,352</u></u>
11.1 Intangible assets - computer software			
As at January 01,			
Cost		1,532,717	1,406,688
Accumulated amortisation		<u>(1,182,513)</u>	<u>(1,087,320)</u>
Net book value		<u><u>350,204</u></u>	<u><u>319,368</u></u>
Year ended December 31,			
Opening net book value		350,204	319,368
Additions - directly purchased		283,662	126,029
Amortisation expense		<u>(125,941)</u>	<u>(95,193)</u>
Closing net book value		<u><u>507,925</u></u>	<u><u>350,204</u></u>
As at December 31,			
Cost		1,816,379	1,532,717
Accumulated amortisation		<u>(1,308,454)</u>	<u>(1,182,513)</u>
Net book value		<u><u>507,925</u></u>	<u><u>350,204</u></u>
Rate of amortisation		11.11% to 33.33%	11.11% to 33.33%
Useful life (years)		<u><u>3 to 9</u></u>	<u><u>3 to 9</u></u>
11.2	The cost of fully amortised intangible assets still in use amounts to Rs. 939.88 million (2022: Rs. 935.72 million).		

		2023			
12	DEFERRED TAX ASSETS / (LIABILITIES)	At Jan 1, 2023	Recognised in P&L	Recognised in OCI	At Dec 31, 2023
		----- Rupees in '000 -----			
	Deductible temporary differences on:				
	Provision against non-performing Islamic financing and related assets	1,446,259	2,658,404	-	4,104,663
	Provision against other assets	3,867	2,526	-	6,393
	Deficit on revaluation of investments	508,498	-	(206,475)	302,023
	Deficit on defined benefit plan	44,478	-	32,170	76,648
	Taxable temporary differences on:				
	Accelerated tax depreciation and amortisation	(1,823)	471	-	(1,352)
		<u>2,001,279</u>	<u>2,661,401</u>	<u>(174,305)</u>	<u>4,488,375</u>
		2022			
		At Jan 1, 2022	Recognised in P&L	Recognised in OCI	At Dec 31, 2022
		----- Rupees in '000 -----			
	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
		(104,591)	1,143,746	963,947	2,003,102
	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>
		2023			
13	OTHER ASSETS	--- Rupees in '000 ---			
		Note			
	Profit / return accrued in local currency - net			13,004,946	9,915,595
	Profit / return accrued in foreign currencies - net			264,872	197,375
	Advances, deposits and other prepayments			984,208	863,106
	Mark to market gain on forward foreign exchange contracts			237,764	566,774
	Acceptances			4,584,769	4,436,519
	Commission receivable			15,123	14,278
	Others			117,848	251,437
				<u>19,209,530</u>	<u>16,245,084</u>
	Less: Provision held against other assets		13.1	(13,047)	(8,993)
				<u>19,196,483</u>	<u>16,236,091</u>
	13.1 Provision held against other assets - others				
	Opening balance			8,993	8,993
	Charge for the year			4,054	-
	Reversals during the year			-	-
	Closing balance			<u>13,047</u>	<u>8,993</u>
		2023			
14	BILLS PAYABLE				
	In Pakistan			4,388,541	7,196,760
	Outside Pakistan			6,657	11,134
				<u>4,395,198</u>	<u>7,207,894</u>

15 DUE TO FINANCIAL INSTITUTIONS

2023 2022
--- Rupees in '000 ---

Secured

Musharaka from the State Bank of Pakistan under Islamic Export Refinance Scheme	15.1	14,141,539	15,878,463
Investment from the State Bank of Pakistan under Islamic Long Term Financing Facility	15.2	3,523,043	4,268,281
under Payment of Wages and Salaries Refinance Scheme		-	375,164
under Islamic Financing Facility for Combating COVID 19	15.3	407,532	591,857
under Islamic Finance Facility For Renewable Energy	15.4	375,122	466,849
under Islamic Temporary Economic Refinance Facility	15.5	11,384,057	10,819,396
under other Islamic Refinance Facilities	15.6	177,540	474,411
		30,008,833	32,874,421
Other Musharaka acceptance	15.7	3,000,000	3,000,000
Total Secured		33,008,833	35,874,421
Unsecured			
Musharaka acceptance	15.8	900,000	-
Overdrawn nostro accounts		-	639
Total unsecured		900,000	639
		33,908,833	35,875,060

- 15.1** These Musharaka are on a profit and loss sharing basis having maturity between January 02, 2024 to June 25, 2024 (2022: January 09, 2023 to June 28, 2023) 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 (2022: 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 June 07, 2025 to June 26, 2031 (2022: June 07, 2025 to June 26, 2031) 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 February 03, 2026 to November 13, 2031 (2022: February 03, 2026 to November 13, 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 December 14, 2025 to July 22, 2033 (2022: December 14, 2025 to October 27, 2032) 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 latest by January 17, 2026 to June 30, 2029 (2022: October 10, 2025 to June 30, 2029) are secured against demand promissory notes executed in favor of the SBP.
- 15.7** These are on profit and loss sharing basis with Pakistan Mortgage Refinance Company having maturity on March 07, 2025. The expected profit rate on these Musharaka agreements are 10.06% per annum (2022: 10.06%).
- 15.8** This Musharaka agreement is on profit and loss sharing basis having maturity on January 02, 2024. The expected profit rate on this Musharaka is 22% per annum (2022: Nil).

2023 2022
--- Rupees in '000 ---

15.9 Particulars of due to financial institutions with respect to currencies

In local currency	33,908,833	35,874,421
In foreign currencies	-	639
	33,908,833	35,875,060

16 DEPOSITS AND OTHER ACCOUNTS

	2023			2022		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
----- Rupees in '000 -----						
Customers						
Current deposits	72,171,613	19,554,421	91,726,034	68,772,344	17,032,944	85,805,288
Savings deposits	122,381,412	11,150,393	133,531,805	114,270,169	8,752,595	123,022,764
Term deposits	30,518,612	31,091,875	61,610,487	44,015,825	26,456,553	70,472,378
Others	15,326,991	-	15,326,991	11,840,762	-	11,840,762
	240,398,628	61,796,689	302,195,317	238,899,100	52,242,092	291,141,192
Financial institutions						
Current deposits	539,086	70,347	609,433	208,483	43,930	252,413
Savings deposits	20,356,519	-	20,356,519	52,293,215	-	52,293,215
Term deposits	1,011,050	-	1,011,050	2,124,391	-	2,124,391
Others	704,457	-	704,457	-	-	-
	22,611,112	70,347	22,681,459	54,626,089	43,930	54,670,019
	263,009,740	61,867,036	324,876,776	293,525,189	52,286,022	345,811,211

16.1 Composition of deposits	2023	2022
	---- Rupees in '000 ----	
Individuals	157,233,200	143,766,555
Government (Federal and Provincial)	13,913,235	18,331,714
Public Sector Entities	1,181,764	2,008,681
Banking Companies	349,793	598,356
Non-Banking Financial Institutions	22,331,666	54,071,663
Private Sector	129,867,118	127,034,242
	324,876,776	345,811,211

16.2 This includes deposits eligible to be covered under takaful arrangements amounting to Rs. 91,312.26 million (2022: Rs. 85,851.84 million).

17 SUBORDINATED SUKUKS	<i>Note</i>	2023	2022
		---- Rupees in '000 ----	
Additional Tier I Sukuk	17.1	3,120,000	3,120,000
Tier II Sukuk	17.2	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 24.35% 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 22.15% per annum.
Call option	The Bank may call Tier II Sukuk with prior approval of SBP on or after five years from the date of issue.
Loss absorbency	The Tier II Sukuk, at the option of the SBP, will be fully and permanently converted into common shares upon the occurrence of a point of non-viability trigger event as determined by SBP or for any other reason as may be directed by SBP.
Lock-in-clause	Profit and/or redemption amount can be held back in respect of the Tier II Sukuk, if such payment will result in a shortfall in the Issuer's minimum capital or capital adequacy ratio requirement.

18	OTHER LIABILITIES	Note	2023	2022
			--- Rupees in '000 ---	
	Profit / return payable in local currency		3,807,778	3,178,501
	Profit / return payable in foreign currencies		333,431	169,666
	Deferred income murabaha / musawamah / SBP refinance schemes		2,911,086	2,224,289
	Accrued expenses		1,102,404	1,060,452
	Advance from financing customers		1,507,683	1,206,145
	Mark to market loss on forward foreign exchange contracts		785,559	22,728
	Acceptances		4,584,769	4,436,519
	Current taxation (provisions less payments)		188,825	1,147,215
	Ijarah (lease) liabilities		5,047,147	3,807,378
	Charity fund balance	18.1	951	4,175
	Workers welfare fund payable	18.2	1,094,885	711,792
	Payable to defined benefit plan	34.4	50,000	22,335
	Payable to Employees Old Age Benefit Institution (EOBI)		182,238	158,729
	Sundry Creditors		164,698	280,125
	Others		1,765,235	839,431
			<u>23,526,689</u>	<u>19,269,480</u>

18.1 Charity Fund

Opening balance	4,175	3,982
Additions during the year		
Received from customers on account of delayed payment	18,221	12,777
Shariah non-compliant income	18,462	2,318
Profit on charity fund	493	98
	<u>37,176</u>	<u>15,193</u>
Payments / utilisation during the year		
Health	(25,650)	(5,900)
Education	(14,750)	(9,100)
	<u>(40,400)</u>	<u>(15,000)</u>
	<u>951</u>	<u>4,175</u>

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

	2023	2022
	--- Rupees in '000 ---	
Airport Security Force Welfare Foundation	-	500
Aga Khan Hospital and Medical College Foundation	1,000	500
Family Educational Services Foundation	-	500
Koohi Goth Hospital	2,250	500
Nigahban Welfare Association	1,000	500
The Indus Hospital	4,500	800
Trust Jamiat Talimul Quran	4,500	500
Baitussalam Welfare Trust	4,750	4,800
Sindh Institute of Urology and Transplantation	5,250	3,100
The Citizen Foundation	2,000	1,500
KPSS Secondary School Saigolabad - Alif Noon Foundation	1,000	800
Afzaal Memorial Thalassemia Foundation	750	500
Layton Rahmatulla Benevolent Trust	1,750	500
Child Aid Association	1,750	-
Habib University Foundation	1,500	-
Patients Aid Foundation	7,300	-
Tabba Heart Institute	1,100	-
	<u>40,400</u>	<u>15,000</u>

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

2023	2022		2023	2022
----- Number -----			---- Rupees in '000 ----	
<u>1,800,000,000</u>	<u>1,800,000,000</u>	Ordinary shares of Rs.10 each	<u>18,000,000</u>	<u>18,000,000</u>

19.2 Issued, subscribed and paid up

2023	2022			
----- Number -----				
		Ordinary shares		
<u>1,165,228,776</u>	<u>1,165,228,776</u>	Fully paid in cash	<u>11,652,288</u>	<u>11,652,288</u>

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

Note

2023	2022
---- Rupees in '000 ----	

20 RESERVES

Statutory reserve	20.1	<u>5,219,664</u>	<u>3,875,828</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

2023	2022
---- Rupees in '000 ----	

21 DEFICIT ON REVALUATION OF INVESTMENTS

Deficit on revaluation of Available-for-sale securities

Sukuk certificates	8.1	<u>(616,373)</u>	<u>(1,182,553)</u>
Less: Related deferred tax asset		<u>302,023</u>	<u>508,498</u>
		<u>(314,350)</u>	<u>(674,055)</u>

		2023	2022
	Note	--- Rupees in '000 ---	
22 CONTINGENCIES AND COMMITMENTS			
Guarantees	22.1	30,351,181	26,785,906
Commitments	22.2	118,947,582	92,028,518
Other contingent liabilities	22.3	465,500	465,500
		<u>149,764,263</u>	<u>119,279,924</u>
22.1 Guarantees			
Financial guarantees		-	14,874
Performance guarantees		11,483,725	10,565,865
Other guarantees		18,867,456	16,205,167
		<u>30,351,181</u>	<u>26,785,906</u>
22.2 Commitments			
Documentary credits and short-term trade-related transactions			
- Letters of credit		33,593,415	43,094,462
Commitments in respect of:			
- Forward foreign exchange contracts	22.2.1	80,231,744	41,440,976
- Islamic financing and related assets		4,345,000	7,096,289
Commitments for acquisition of:			
- Operating Fixed assets		256,420	162,172
- Intangible assets		521,003	234,619
		<u>118,947,582</u>	<u>92,028,518</u>
22.2.1 Commitments in respect of forward foreign exchange contracts			
Purchase		53,809,679	33,437,162
Sale		26,422,065	8,003,814
		<u>80,231,744</u>	<u>41,440,976</u>
22.3 Other contingent liabilities			

The income tax authorities have amended assessment orders of the Bank for prior years including the tax year 2022. The issues contested mainly include adjustment of minimum tax, charge/reversals of provision against financing and investments, initial allowance on fixed assets, Workers Welfare Fund and finance and depreciation cost on leased assets amounting to Rs.465.5 million. The Bank has filed appeals before the various appellate forums against these amendments. Out of the total contingent liability, Rs. 211.48 million pertains to tax year 2015 where tax authorities have issued a notice to amend assessment against the adjustment of minimum tax paid in prior years. 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.

2023 2022

--- Rupees in '000 ---

23 PROFIT / RETURN EARNED

On Islamic financing and related assets to customers	46,543,589	34,677,542
On investments in available-for-sale securities	18,490,922	10,748,847
On deposits / placements with financial institutions	807,046	459,225
	<u>65,841,557</u>	<u>45,885,614</u>

24 PROFIT / RETURN EXPENSED

Deposits and other accounts	28,149,405	20,047,864
Subordinated sukuk	1,530,354	1,024,297
Due to financial institutions	3,444,557	4,053,581
Finance cost on Ijarah (lease) liabilities	578,589	360,685
Cost of foreign currency swaps	1,702,605	949,288
	<u>35,405,510</u>	<u>26,435,715</u>

25 FEE & COMMISSION INCOME

Consumer finance related fees	698,750	670,869
Credit related fees	101,296	95,977
Investment banking fees	91,488	152,494
Branch banking customer fees	94,043	98,529
Card related fees	363,033	248,629
Commission on trade	473,506	353,638
Commission on guarantees	147,308	206,427
Commission on cash management	120,450	79,299
Commission on remittances including home remittances	18,085	14,156
Commission on bancassurance	17,125	40,145
Rebate income	157,302	136,339
Others	12,550	31,632
	<u>2,294,936</u>	<u>2,128,134</u>

26 OTHER INCOME / (LOSS)

Gain / (loss) on sale of fixed assets - net	<u>1,631</u>	<u>(23,165)</u>
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27 OPERATING EXPENSES	Note	2023 --- Rupees in '000 ---	2022
Total compensation expense	27.1	5,116,839	4,230,005
Property expense			
Utilities cost		788,863	629,419
Security		367,081	285,281
Repair & maintenance (including janitorial charges)		235,000	201,006
Takaful charges		1,699	876
Depreciation		86,262	81,653
Depreciation on right-of-use assets		980,377	917,404
		2,459,282	2,115,639
Information technology expenses			
Software maintenance		704,541	388,660
Hardware maintenance		313,346	164,848
Depreciation		239,848	139,635
Amortisation		125,941	95,193
Networking and connectivity charges		179,380	159,637
Outsourced services cost		57,000	40,774
Takaful charges		3,044	1,502
Others		5,587	4,849
		1,628,687	995,098
Other operating expenses			
Directors' fee and allowances	36.1	17,599	10,071
Fees and allowances to Sharia'h Board members	36.1	18,211	13,958
Legal and professional charges		95,683	56,917
Outsourced services cost	27.2	218,629	169,679
Travelling and conveyance		49,838	46,309
NIFT clearing charges		56,204	45,814
Depreciation		140,233	128,478
Training and development		34,569	16,629
Postage and courier charges		42,619	35,216
Communications		427,474	264,523
Stationary and printing		226,229	236,748
Marketing, advertising and publicity		248,608	200,922
Auditors' remuneration	27.3	10,500	6,680
Brokerage, commission and bank charges		518,132	535,591
Tracker related charges		142,866	154,759
Cash transportation charges		389,663	297,961
Repair and maintenance		131,589	119,266
Subscription fees		26,542	52,137
Takaful charges		48,666	44,388
Deposit premium cost		137,363	139,171
Others		219,381	216,090
		3,200,598	2,791,307
		12,405,406	10,132,049

		2023	2022
	Note	--- Rupees in '000 ---	
27.1 Total compensation expense			
Managerial remuneration			
(i) fixed		1,724,280	1,477,748
(ii) variable (including bonus)		398,523	300,432
Allowances		1,341,372	1,007,436
Contribution to provident fund	35	157,428	136,316
Contribution to gratuity fund	34.8.1	93,014	81,408
Rent & house maintenance		696,666	597,600
Utilities		173,966	149,117
Medical		67,648	64,642
EOBI - employer contribution		19,591	18,773
Staff takaful expense		84,181	82,754
Outsourced services - third party staff		355,904	304,622
Staff antecedent verification		4,266	9,157
		<u>5,116,839</u>	<u>4,230,005</u>

27.2 Total cost for the year included in other operating expenses relating to outsourced activities pertaining to companies incorporated in Pakistan is Rs. 55.93 million (2022: Rs. 43.36 million). This includes payments other than outsourced services costs, which are disclosed above.

		2023	2022
	Note	--- Rupees in '000 ---	
27.3 Auditors' remuneration			
Audit / limited reviews fee		6,500	1,805
Other audit reviews and certifications		4,000	4,875
		<u>10,500</u>	<u>6,680</u>

28 OTHER CHARGES

Penalties imposed by State Bank of Pakistan	<u>38,974</u>	<u>13,805</u>
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29 PROVISIONS & WRITE OFFS - NET

Provision against Islamic financing and related assets	9.13	7,367,968	4,629,854
Provision against other assets	13.1	4,054	-
		<u>7,372,022</u>	<u>4,629,854</u>

		2023	2022
	Note	--- Rupees in '000 ---	
30 TAXATION			
Current		9,385,777	5,188,667
Prior years			
- Current	30.1	588,361	-
- Deferred	30.2	(202,089)	(31,404)
Deferred		(2,459,312)	(1,110,720)
		<u>7,312,737</u>	<u>4,046,543</u>

30.1 The Government of Pakistan imposed additional tax under section 99D of Income tax Ordinance, 2001 on Foreign Exchange income of Banking Companies through S.R.O. 1588(1)/2023 dated 21st Nov 2023 for the tax years 2022 and 2023. In this respect the aggregate prior year tax charge for the year ended December 31, 2023 is Rs. 588.36 million. As per the advice of tax consultant and legal counsel, Bank has obtained stay order from Honorable Sindh High Court against recovery of this levy until final outcome of the case.

30.2 Through Finance Act 2022 and 2023, the effective tax rate on banking companies has been increased and consequently for the years 2023 and onwards, tax rate has been enhanced to 49% (inclusive of 10% Super Tax). Accordingly, Bank has recognized additional deferred tax asset of Rs. 202.089 million.

30.3 Relationship between tax charge and accounting profit

Profit before taxation	<u>14,031,916</u>	<u>7,962,117</u>
Effect of:		
Tax at the applicable rate of 49% (2022: 49%)	6,875,639	3,901,437
Permanent differences	50,826	176,510
Prior year	386,272	(31,404)
Tax charge for the year	<u>7,312,737</u>	<u>4,046,543</u>

31 BASIC AND DILUTED EARNINGS PER SHARE

Profit for the year	<u>6,719,179</u>	<u>3,915,574</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>5.77</u>	<u>3.36</u>

		2023	2022
	Note	--- Rupees in '000 ---	
32 CASH AND CASH EQUIVALENTS			
Cash and balance with treasury banks	5	28,901,856	45,632,108
Balance with other banks	6	3,985,034	1,146,321
Overdrawn nostro accounts	15	-	(639)
		<u>32,886,890</u>	<u>46,777,790</u>

	2023	2022
	----- Number of staff -----	
33 STAFF STRENGTH		
In Pakistan		
Permanent	2,566	2,436
On Bank contract	11	6
Others - third party staff	857	1,026
Bank's own staff strength at the end of the year	<u>3,434</u>	<u>3,468</u>

33.1 In addition to the above, 25 (2022: 18) 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.

34 DEFINED BENEFIT PLAN

34.1 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.

34.2 Number of employees under the scheme

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

	2023	2022
	----- (Number) -----	
Gratuity fund	<u>2,562</u>	<u>2,432</u>

34.3 Principal actuarial assumptions

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

	2023	2022
	----- Per annum -----	
Discount rate	16.75%	13.25%
Expected rate of return on plan assets	16.75%	13.25%
Expected rate of salary increase	14.75%	11.25%

34.4 Reconciliation of payable to defined benefit plan

	2023	2022
	--- Rupees in '000 ---	
Present value of obligations	731,640	612,924
Fair value of plan assets	(681,640)	(590,589)
Payable to defined benefit plan	<u>50,000</u>	<u>22,335</u>

		2023	2022
		--- Rupees in '000 ---	
34.5	Movement in defined benefit obligation		
	Obligation at beginning of the year	612,924	496,826
	Current service cost	97,893	84,850
	Cost of funds	75,663	49,755
	Benefits paid	(83,763)	(45,943)
	Actuarial loss on obligation	28,923	27,436
	Obligations at the end of the year	<u>731,640</u>	<u>612,924</u>
34.6	Movement in fair value of plan assets		
	Fair value at beginning of the year	590,589	466,394
	Expected return on plan assets	80,542	53,197
	Bank's contribution to the fund made during the year	118,335	126,430
	Benefits paid	(83,763)	(45,943)
	Actuarial loss on plan assets	(24,063)	(9,489)
	Fair value at end of the year	<u>681,640</u>	<u>590,589</u>
34.7	Movement in payable to defined benefit scheme		
	Opening balance	22,335	30,432
	Charge for the year	27.1 93,014	81,408
	Re-measurements recognised in OCI during the year	34.8.2 52,986	36,925
	Bank's contribution to the fund made during the year	(118,335)	(126,430)
	Closing balance	<u>50,000</u>	<u>22,335</u>
34.8	Charge for defined benefit plan		
34.8.1	Cost recognised in profit and loss		
	Current service cost	97,893	84,850
	Net return	(4,879)	(3,442)
		<u>93,014</u>	<u>81,408</u>
34.8.2	Re-measurements recognised in OCI during the year		
	Loss on obligation - Experience adjustment	28,923	27,436
	Actuarial loss on plan assets	24,063	9,489
	Total re-measurements recognised in OCI	<u>52,986</u>	<u>36,925</u>
34.9	Components of plan assets		
	Cash and cash equivalents	136,640	493,783
	Sukuks	545,000	96,806
		<u>681,640</u>	<u>590,589</u>

34.9.1 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.

34.10 Sensitivity analysis

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

	2023 Rupees in '000
1% increase in discount rate	683,416
1% decrease in discount rate	786,490
1 % increase in expected rate of salary increase	786,996
1 % decrease in expected rate of salary increase	682,225
1 year increase in Life expectancy / Withdrawal rate	726,853
1 year decrease in Life expectancy / Withdrawal rate	727,851

34.11 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, 2024 would be Rs. 116.93 million and Rs. 166.93 million respectively.

34.12 Maturity profile

The weighted average duration of the defined benefit obligation is 8.31 years.

34.13 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.

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

Asset volatility	The plan assets includes cash and cash equivalents and sukuku. 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.

35 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 2,194 (2022: 2,090). 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. 157.43 million (2022: Rs. 136.32 million) each.

36 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

36.1 Total Compensation Expense

2023						
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	-	-	17,599	18,211	-	-
Managerial remuneration - fixed	-	-	-	1,158	34,044	145,870
Managerial remuneration - variable (including bonus)	-	-	-	-	-	-
Contribution to provident fund	-	-	-	335	35,488	52,813
Contribution to gratuity fund	-	-	-	116	3,404	14,587
Rent & house maintenance	-	-	-	96	2,837	12,156
Utilities	-	-	-	175	13,619	58,352
Medical	-	-	-	44	3,401	14,572
Conveyance	-	-	-	30	-	1,309
Others	-	-	-	338	2,400	26,736
	-	-	-	805	2,837	58,830
	-	-	17,599	21,308	98,030	385,225

(Number)						
Number of persons	1	-	7	5	1	13
	1	-	7	5	1	13

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	-	-	10,071	13,958	-	-
Managerial remuneration - fixed	-	-	-	955	34,044	119,384
Managerial remuneration - variable (including bonus)	-	-	-	185	30,081	43,906
Contribution to provident fund	-	-	-	95	3,404	11,938
Contribution to gratuity fund	-	-	-	80	2,837	9,949
Rent & house maintenance	-	-	-	382	13,619	47,757
Utilities	-	-	-	95	3,401	11,926
Medical	-	-	-	30	-	517
Conveyance	-	-	-	348	2,400	19,723
Others	-	-	-	551	2,837	22,061
	-	-	10,071	16,679	92,623	287,161
	-	-	10,071	16,679	92,623	287,161

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

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

36.2 Fees and allowances to Directors for participation in Board and Committee meetings

2023							
Sr. No.	Name of Director	Meeting Fees					
		For Board Meetings	For Board Committees				Total Amount
			Audit Committee	Risk Monitoring Committee	Nominations and Remunerations Committee	IT Committee	
----- Rupees in '000 -----							
1	Shabbir Ahmed Shaikh	2,244	1,553	1,811	1,811	-	7,419
2	Faaria Rehman Salahuddin	2,244	-	1,811	-	1,035	5,090
3	Shabnam Faqir Mohammad	2,244	-	-	1,811	1,035	5,090
		6,732	1,553	3,622	3,622	2,070	17,599

2022							
Sr. No.	Name of Director	Meeting Fees					
		For Board Meetings	For Board Committees				Total Amount
			Audit Committee	Risk Monitoring Committee	Nominations and Remunerations Committee	IT Committee	
----- Rupees in '000 -----							
1	Shabbir Ahmed Shaikh	1,683	427	399	658	-	3,167
2	Faaria Rehman Salahuddin	1,683	-	399	-	539	2,621
3	Shabnam Faqir Mohammad	2,244	337	-	1,163	539	4,283
		5,610	764	798	1,821	1,078	10,071

36.3 Remuneration paid to Shariah Board Members

	2023			2022		
	Chairman	Resident Members	Non-Resident Member(s)	Chairman	Resident Members	Non-Resident Member(s)
----- Rupees in '000 -----						
Fees and allowances	4,355	-	13,856	2,708	-	11,250
Managerial remuneration - fixed	-	1,158	-	-	955	-
Managerial remuneration - variable (including bonus)	-	335	-	-	185	-
Contribution to provident fund	-	116	-	-	95	-
Contribution to gratuity fund	-	96	-	-	80	-
Rent & house maintenance	-	175	-	-	382	-
Utilities	-	44	-	-	95	-
Medical	-	30	-	-	30	-
Conveyance	-	338	-	-	348	-
Others	-	805	-	-	551	-
	<u>4,355</u>	<u>3,097</u>	<u>13,856</u>	<u>2,708</u>	<u>2,721</u>	<u>11,250</u>
----- (Number) -----						
Number of persons	<u>1</u>	<u>2</u>	<u>2</u>	<u>1</u>	<u>1</u>	<u>1</u>

37 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	2023						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	-	61,570,694	-	-	-	61,570,694	-	61,570,694	-	61,570,694
Non-Government debt securities	-	39,527,721	-	-	-	39,527,721	-	39,527,721	-	39,527,721
Foreign securities	-	20,263,225	-	-	-	20,263,225	-	20,263,225	-	20,263,225
Other assets										
Unrealized gain on foreign exchange contracts	-	-	-	237,764	-	237,764	-	237,764	-	237,764
Financial assets - not measured at fair value										
Cash and balances with treasury banks	-	-	-	28,901,856	-	28,901,856				
Balances with other banks	-	-	-	3,985,034	-	3,985,034				
Due from financial institution	-	-	-	2,900,000	-	2,900,000				
Investments	-	-	-	-	-	-				
Islamic financings and related assets - net	-	-	243,067,943	-	-	243,067,943				
Other asset	-	-	-	18,039,085	-	18,039,085				
	-	121,361,640	243,067,943	54,063,739	-	418,493,322				
Financial liabilities - measured at fair value										
Other liabilities										
Unrealized loss on foreign exchange contracts	-	-	-	-	785,559	785,559	-	785,559	-	785,559
Financial liabilities - not measured at fair value										
Bills payable	-	-	-	-	4,395,198	4,395,198				
Due to financial institutions	-	-	-	-	33,908,833	33,908,833				
Deposits and other accounts	-	-	-	-	324,876,776	324,876,776				
Subordinated sukuk	7,120,000	-	-	-	-	7,120,000				
Other liabilities	-	-	-	-	18,744,573	18,744,573				
	7,120,000	-	-	-	382,710,939	389,830,939				
Off-balance sheet financial instruments - measured at fair value										
Forward foreign exchange contracts	-	-	-	79,683,949	-	79,683,949	-	79,683,949	-	79,683,949
Rupees in '000										
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	-	47,019,343	-	-	-	47,019,343	-	47,019,343	-	47,019,343
Non-Government debt securities	-	40,231,813	-	-	-	40,231,813	-	40,231,813	-	40,231,813
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	-	-	-	-	-	-				
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	-	-	-	41,985,022	-	41,985,022	-	25,977,394	-	25,977,394

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).

38 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	2023						
	Corporate Banking	SME & Commercial Banking	Consumer Banking	Treasury	Others	Inter-segment Elimination	Total
	----- Rupees in '000 -----						
Profit and Loss							
Net profit earned	17,473,457	945,783	(7,294,129)	19,209,849	101,087	-	30,436,047
Inter segment revenue - net	(14,576,434)	6,012,664	26,631,744	(17,965,175)	(102,799)	-	-
Other income	679,420	924,008	1,605,118	585,106	1,712	-	3,795,364
Total income	3,576,443	7,882,455	20,942,733	1,829,780	-	-	34,231,411
Segment direct expenses	(801,812)	(2,200,396)	(7,603,138)	(195,496)	(2,026,631)	-	(12,827,473)
Inter segment expense allocation	(181,472)	(408,510)	(1,366,465)	(70,184)	2,026,631	-	-
Total expenses	(983,284)	(2,608,906)	(8,969,603)	(265,680)	-	-	(12,827,473)
Provisions	(1,942,401)	(5,413,831)	(15,790)	-	-	-	(7,372,022)
Profit before tax	650,758	(140,282)	11,957,340	1,564,100	-	-	14,031,916
Statement of Financial Position							
Cash and bank balances	-	1,002,116	5,001,087	3,985,034	22,898,653	-	32,886,890
Due from financial institutions	-	-	-	2,900,000	-	-	2,900,000
Investments	-	-	-	121,361,640	-	-	121,361,640
Net inter segment lending	-	40,054,774	144,896,666	-	16,705,591	(201,657,031)	-
Islamic financings and related assets - performing	160,335,925	37,149,110	42,383,835	-	2,682,094	-	242,550,964
- non-performing	-	8,000	508,979	-	-	-	516,979
Others	9,753,049	4,274,082	6,907,675	4,861,948	4,979,154	-	30,775,908
Total Assets	170,088,974	82,488,082	199,698,242	133,108,622	47,265,492	(201,657,031)	430,992,381
Due to financial institutions	20,022,095	9,986,738	-	3,900,000	-	-	33,908,833
Deposits & other accounts	71,997,446	66,911,497	185,681,528	286,305	-	-	324,876,776
Net inter segment borrowing	73,237,180	-	-	128,419,851	-	(201,657,031)	-
Subordinated sukuk	-	-	-	-	7,120,000	-	7,120,000
Others	4,832,253	5,589,847	14,016,714	816,816	2,666,257	-	27,921,887
Total liabilities	170,088,974	82,488,082	199,698,242	133,422,972	9,786,257	(201,657,031)	393,827,496
Equity	-	-	-	(314,350)	37,479,235	-	37,164,885
Total Equity and liabilities	170,088,974	82,488,082	199,698,242	133,108,622	47,265,492	(201,657,031)	430,992,381
Contingencies and							
Commitments	34,120,615	31,159,125	3,783,616	80,235,407	465,500	-	149,764,263

	2022						Total
	Corporate Banking	SME & Commercial Banking	Consumer Banking	Treasury	Other	Inter-segment Elimination	
	----- 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)	(1,435,901)	-	(10,357,636)
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	39,166,905	32,561,815	5,601,115	41,446,049	504,040	-	119,279,924

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			
		2023	2022	2023	2022
Financial institution - related party	Shares	3,347,600	3,347,600	33,476	33,476
Asset Management Company	Sukuk	9,512,000	345,000	951,200	34,500
Funds	Sukuk	26,951,000	351,000	2,695,100	35,100
Funds - related party	Sukuk	18,000,000	4,000,000	1,800,000	400,000
Individuals	Sukuk	1,000,000	-	100,000	-
		58,810,600	8,043,600	5,579,776	503,076

40 RELATED PARTY TRANSACTIONS

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

A number of banking transactions are entered into with related parties in the normal course of business. These include financing and deposit transactions. These transactions are executed substantially on the same terms including profit rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal risk. Contributions to staff retirement benefit plan are made in accordance with the terms of the contribution plan. Remuneration and other benefits to the executives are determined in accordance with the terms of their appointment.

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

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

	2023						2022					
	Associated companies	Holding Company	Directors	Key management personnel	Others**	Total	Associated companies	Holding Company	Directors	Key management personnel	Others**	Total
----- Rupees in '000 -----												
Balances with other banks												
As at January 1,	-	128,641	-	-	-	128,641	-	128,774	-	-	-	128,774
Deposited during the year	-	54,689,272	-	-	-	54,689,272	-	53,162,099	-	-	-	53,162,099
Withdrawals during the year	-	(54,732,510)	-	-	-	(54,732,510)	-	(53,162,232)	-	-	-	(53,162,232)
Closing balance	-	85,403	-	-	-	85,403	-	128,641	-	-	-	128,641
Islamic financing and related assets												
As at January 1,	-	-	-	205,096	-	205,096	-	-	-	169,974	-	169,974
Disbursed during the year	-	-	-	10,000	-	10,000	-	-	-	67,120	-	67,120
Repaid during the year	-	-	-	(60,478)	-	(60,478)	-	-	-	(51,057)	-	(51,057)
Adjustments *	-	-	-	11,563	-	11,563	-	-	-	19,059	-	19,059
Closing balance	-	-	-	166,181	-	166,181	-	-	-	205,096	-	205,096
Deposits and other accounts												
As at January 1,	-	73,931	1,963	101,325	1,406,741	1,583,960	-	87,254	6,705	110,850	1,056,088	1,260,897
Received during the year	-	11,465,671	37,179	1,073,775	843,556	13,420,181	-	10,764,588	4,945	934,867	652,181	12,356,581
Withdrawals during the year	-	(11,394,200)	(20,256)	(986,340)	(1,760,261)	(14,161,057)	-	(10,777,911)	(9,687)	(906,293)	(301,528)	(11,995,419)
Adjustments *	-	-	-	16	-	16	-	-	-	(38,099)	-	(38,099)
Closing balance	-	145,402	18,886	188,776	490,036	843,100	-	73,931	1,963	101,325	1,406,741	1,583,960
Other Liability												
As at January 1,	-	-	-	29,026	-	29,026	-	-	-	21,077	-	21,077
Withheld during the year	-	-	-	19,405	-	19,405	-	-	-	16,256	-	16,256
Paid during the year	-	-	-	(15,371)	-	(15,371)	-	-	-	(8,307)	-	(8,307)
Closing balance	-	-	-	33,060	-	33,060	-	-	-	29,026	-	29,026
	2023						2022					
	Associated companies	Holding Company	Directors	Key management personnel	Others**	Total	Associated companies	Holding Company	Directors	Key management personnel	Others**	Total
----- Rupees in '000 -----												
Transactions during the year												
Profit earned on financings	-	-	-	10,983	-	10,983	-	-	-	8,343	-	8,343
Profit expensed on deposits	-	-	646	11,182	92,444	104,272	-	-	3	12,963	154,863	167,829
Profit expensed on other liability	-	-	-	5,824	-	5,824	-	-	-	3,241	-	3,241
Fees and allowances	-	-	17,599	11,620	-	29,219	-	-	10,271	11,250	-	21,521
Remuneration to key management personnel (including bonus)	-	-	-	424,154	-	424,154	-	-	-	382,505	-	382,505
Contribution made to gratuity fund	-	-	-	-	93,014	93,014	-	-	-	-	81,408	81,408
Contribution made to provident fund	-	-	-	-	157,428	157,428	-	-	-	-	136,316	136,316
Contingencies and commitments												
Foreign currency purchase contracts	-	7,982,615	-	-	-	7,982,615	-	6,686,110	-	-	-	6,686,110
Foreign currency sale contracts	-	7,982,615	-	-	-	7,982,615	-	6,686,110	-	-	-	6,686,110
Other guarantees	-	6,180	-	-	-	6,180	-	2,807	-	-	-	2,807

* 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, 2023.

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

41 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

2023 2022
--- Rupees in '000 ---

Minimum Capital Requirement (MCR):

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

Eligible Common Equity Tier I (CET I) Capital	35,082,379	29,700,887
Eligible Additional Tier I (ADT I) Capital	3,120,000	3,120,000
Total Eligible Tier I Capital	38,202,379	32,820,887
Eligible Tier II Capital	6,542,922	6,746,267
Total Eligible Capital (Tier I + Tier II)	44,745,301	39,567,154

Risk Weighted Assets (RWAs):

Credit Risk	203,433,773	219,701,355
Market Risk	219,191	1,386,293
Operational Risk	45,098,472	32,576,501
Total	248,751,436	253,664,149

Common Equity Tier I Capital Adequacy ratio

14.10%	11.71%
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Tier I Capital Adequacy Ratio

15.36%	12.94%
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Total Capital Adequacy Ratio

17.99%	15.60%
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41.1 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.

41.2 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.

41.3 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 12.50%, whereas since COVID the requirement has been reduced to 11.50% and CAR stood at 17.99% at the year ended December 31, 2023.

41.4 Capital Structure

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

- Tier I capital (going concern capital) which is sub divided into:
 - a) Common Equity Tier I (CET I), which includes fully paid up capital, reserve for bonus issue, general reserves and unappropriated profits (net of losses), etc. after 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.

	2023	2022
	---- Rupees in '000 ----	
Leverage Ratio (LR):		
Eligible Tier I Capital	38,202,379	32,820,887
Total Exposures	510,291,406	527,359,837
Leverage Ratio	7.49%	6.22%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	121,023,376	93,343,235
Total Net Cash Outflow	67,643,573	74,425,165
Liquidity Coverage Ratio	178.91%	125.42%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	301,119,747	286,050,477
Total Required Stable Funding	214,888,432	217,892,083
Net Stable Funding Ratio	140.13%	131.28%

41.5 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>.

42 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.

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 Bank. 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 Credit Approval. 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.

42.1 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.

42.1.1 Due from financial institutions

Credit risk by public / private sector

	Gross		Non-performing		Provision held	
	2023	2022	2023	2022	2023	2022
----- Rupees in '000 -----						
Public / Government	-	-	-	-	-	-
Private	2,900,000	23,500,000	-	-	-	-
	<u>2,900,000</u>	<u>23,500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

42.1.2 Investment

Credit risk by industry sector

	Gross		Non-performing		Provision held	
	2023	2022	2023	2022	2023	2022
----- Rupees in '000 -----						
Construction	7,069,810	5,689,049	-	-	-	-
Financial	11,268,369	9,194,529	-	-	-	-
Government	57,117,650	43,181,500	-	-	-	-
Other Sovereign	6,378,090	5,064,245	-	-	-	-
Power (electricity), Gas, Water, Sanitary	39,438,405	40,231,812	-	-	-	-
Textile	89,316	89,316	89,316	89,316	89,316	89,316
	<u>121,361,640</u>	<u>103,450,451</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	
	2023	2022	2023	2022	2023	2022
----- Rupees in '000 -----						
Public / Government	96,040,053	82,607,496	-	-	-	-
Private	25,321,587	20,842,955	89,316	89,316	89,316	89,316
	<u>121,361,640</u>	<u>103,450,451</u>	<u>89,316</u>	<u>89,316</u>	<u>89,316</u>	<u>89,316</u>

42.1.3 Islamic Financing and related assets

Credit risk by industry sector

	Gross		Non-performing		Provision held - Specific	
	2023	2022	2023	2022	2023	2022
----- Rupees in '000 -----						
Agriculture, Forestry, Hunting and Fishing	1,909,939	1,995,592	492,483	492,983	492,482	-
Automobile and transportation equipment	4,259,311	4,926,070	-	-	-	-
Cement	4,023,933	3,703,990	1,013,165	-	1,013,165	-
Chemical and Pharmaceuticals	11,992,509	8,217,835	582,653	523,328	582,653	523,328
Construction	5,023,481	5,562,419	516,993	22,643	516,993	22,643
Electronics and electrical appliances	3,997,500	4,479,307	-	-	-	-
Food and Beverages	34,094,192	34,383,477	3,153,620	1,956,222	3,153,620	1,921,113
Footwear and Leather garments	1,075,438	1,502,708	-	-	-	409,683
Individuals	43,710,950	50,923,975	1,134,423	985,166	625,887	574,983
Iron / Steel	11,843,737	13,851,043	3,403,908	2,937,899	3,403,908	2,577,904
Mining and Quarrying	2,691,667	416,667	-	-	-	-
Paper, Board and Packaging	1,590,676	715,439	37,276	54,304	37,276	-
Power (electricity), Gas, Water, Sanitary	36,857,275	36,930,717	-	-	-	-
Real Estate	1,321,522	1,657,896	-	-	-	-
Rubber and plastic	6,575,069	8,952,533	602,251	192,762	602,251	129,557
Services	9,320,079	8,918,783	160,426	214,431	160,426	49,043
Textile	40,795,692	37,605,622	2,125,429	719,013	2,117,429	448,142
Transport, Storage and Communication	19,369,334	10,467,148	100,414	433,055	99,972	395,917
Wholesale and Retail Trade	19,490,184	23,483,026	2,721,294	1,283,660	2,721,294	1,283,657
Others	1,825,982	588,690	-	-	-	-
	<u>261,768,470</u>	<u>259,282,937</u>	<u>16,044,335</u>	<u>9,815,466</u>	<u>15,527,356</u>	<u>8,335,970</u>

Credit risk by public / private sector

	Gross		Non-performing		Provision held - Specific	
	2023	2022	2023	2022	2023	2022
Public / Government	9,337,358	10,155,078	-	-	-	-
Private	252,431,112	249,127,859	16,044,335	9,815,466	15,527,356	8,335,970
	<u>261,768,470</u>	<u>259,282,937</u>	<u>16,044,335</u>	<u>9,815,466</u>	<u>15,527,356</u>	<u>8,335,970</u>

42.1.4 Contingencies and Commitments

	2023	2022
	----- Rupees in '000 -----	
Credit risk by industry sector		
Agriculture, Forestry, Hunting and Fishing	453,323	-
Automobile and transportation equipment	4,246,368	2,465,252
Cement	884,974	649,542
Chemical and Pharmaceuticals	4,908,014	9,969,088
Commerce and Trade	944	2,403
Construction	3,533,161	2,410,894
Electronics and electrical appliances	6,831,206	4,651,125
Financial	81,983,736	44,674,801
Food and Beverages	6,075,491	7,115,023
Iron / Steel	7,858,413	9,887,367
Machinery and Equipment	266,875	508,571
Paper, Board and Packaging	1,289,536	469,143
Power (electricity), Gas, Water, Sanitary	3,293,462	15,891,050
Rubber and plastic	92,426	674,760
Services	20,605,977	3,447,786
Textile	2,424,486	3,043,153
Transport, Storage and Communication	593,000	1,843,000
Wholesale, Retail and Trade	2,790,411	10,520,587
Others	389,537	194,088
	<u>148,521,340</u>	<u>118,417,633</u>
Credit risk by public / private sector		
Public / Government	21,754,058	17,770,554
Private	<u>126,767,282</u>	<u>100,647,079</u>
	<u>148,521,340</u>	<u>118,417,633</u>

42.1.5 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. 61,945 million (2022: Rs. 51,423 million) are as following:

	2023	2022
	----- Rupees in '000 -----	
Funded	49,213,960	40,416,134
Non Funded	12,731,122	11,007,157
Total Exposure	<u>61,945,082</u>	<u>51,423,291</u>

The sanctioned limits against these top 10 exposures aggregated to Rs. 64,069 million (2022: Rs. 54,577 million). Further, none of the top 10 customers have been placed under non-performing status as at December 31, 2023 and December 31, 2022.

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

Province / Region	2023						
	Utilization						
	Disbursements	Punjab	Sindh	KPK including FATA	Baluchistan	Islamabad	AJK
	----- Rupees in '000 -----						
Punjab	107,987,883	104,238,628	1,911,200	1,650,362	-	6,500	181,193
Sindh	229,417,302	31,408,034	192,826,863	278,581	4,338,518	527,453	37,853
KPK including FATA	-	-	-	-	-	-	-
Baluchistan	-	-	-	-	-	-	-
Islamabad	24,477,958	2,894,558	-	2,676,632	249,933	18,656,835	-
AJK	-	-	-	-	-	-	-
Total	<u>361,883,143</u>	<u>138,541,220</u>	<u>194,738,063</u>	<u>4,605,575</u>	<u>4,588,451</u>	<u>19,190,788</u>	<u>219,046</u>
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>

42.2 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.

42.2.1 Balance sheet split by trading and banking books

	2023			2022		
	Banking Book	Trading Book	Total	Banking Book	Trading Book	Total
	Rupees in '000			Rupees in '000		
Cash and balances with treasury banks	28,901,856	-	28,901,856	45,632,108	-	45,632,108
Balances with other banks	3,985,034	-	3,985,034	1,146,321	-	1,146,321
Due from financial institutions	2,900,000	-	2,900,000	23,500,000	-	23,500,000
Investments	121,361,640	-	121,361,640	103,361,135	-	103,361,135
Islamic financing and related assets	243,067,943	-	243,067,943	247,767,953	-	247,767,953
Fixed assets	6,420,581	-	6,420,581	5,336,223	-	5,336,223
Intangible assets	670,469	-	670,469	409,352	-	409,352
Deferred tax assets	4,488,375	-	4,488,375	2,001,279	-	2,001,279
Other assets	19,196,483	-	19,196,483	16,236,091	-	16,236,091
	430,992,381	-	430,992,381	445,390,462	-	445,390,462

42.2.2 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:

	2023				2022			
	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	37,508,612	(58,001,747)	20,448,177	(44,958)	25,292,817	(45,758,227)	19,595,629	(869,781)
Great Britain Pound	993,594	(2,270,725)	1,289,169	12,038	589,349	(1,966,789)	1,383,128	5,688
Japanese Yen	3,524	-	-	3,524	1,562	-	-	1,562
Euro	654,111	(1,996,516)	1,343,479	1,074	467,558	(1,175,098)	712,271	4,731
U.A.E Dirham	317,304	(4,714,707)	4,396,620	(783)	415,007	(4,451,330)	4,038,232	1,909
Australian Dollar	16,915	(4,225)	-	12,690	7,707	-	-	7,707
Canadian Dollar	9,808	(1,962)	-	7,846	149	(235,040)	233,916	(975)
Saudi Riyal	76,671	(1,026)	(75,163)	482	20,659	(173)	(30,103)	(9,617)
Chinese Yen	18,374	-	-	18,374	1,088	-	-	1,088
Singapore Dollar	9,166	-	-	9,166	4,240	-	-	4,240
	39,608,079	(66,990,908)	27,402,282	19,453	26,800,136	(53,586,657)	25,933,073	(853,448)

	Trading book		Banking book	
	2023	2022	2023	2022
	Rupees in '000		Rupees in '000	
Impact of 1% change in foreign exchange rates on				
- Profit and loss account	-	-	22,435	11,666
- Other comprehensive income	-	-	(22,242)	(20,116)

42.2.3 Equity position Risk

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

42.2.4 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.

Impact of 1% change in profit rates on
- Profit and loss account

2023		2022	
Banking Book	Trading Book	Banking Book	Trading Book
----- Rupees in '000 -----			
1,083,580	-	818,834	-

42.2.5 Mismatch of Yield Rate Sensitive Assets and Liabilities

2023											
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	-	28,901,856	-	-	-	-	-	-	-	-	28,901,856
Balances with other banks	-	3,985,034	-	-	-	-	-	-	-	-	3,985,034
Due from financial institutions	9.31%	2,900,000	2,900,000	-	-	-	-	-	-	-	-
Investments	16.63%	121,361,640	5,181,069	15,135,037	70,695,809	10,086,500	-	13,885,135	-	6,378,090	-
Islamic financing and related assets- net	19.34%	243,067,943	66,640,436	78,942,443	61,922,136	13,809,291	6,495,989	4,480,211	5,150,309	3,321,802	1,432,853
Other assets	-	18,276,849	-	-	-	-	-	-	-	-	18,276,849
		418,493,322	74,721,505	94,077,480	132,617,945	23,895,791	6,495,989	18,365,346	5,150,309	9,699,892	52,596,592
<u>Liabilities</u>											
Bills payable	-	4,395,198	-	-	-	-	-	-	-	-	4,395,198
Due to financial institutions	8.92%	33,908,833	2,087,129	8,623,985	5,741,191	1,541,944	6,203,965	2,966,439	4,355,139	2,389,041	-
Deposits and other accounts	8.89%	324,876,776	216,509,861	-	-	-	-	-	-	-	108,366,915
Subordinated sukuk	21.49%	7,120,000	3,120,000	-	4,000,000	-	-	-	-	-	-
Other liabilities	-	19,530,132	-	-	-	-	-	-	-	-	19,530,132
		389,830,939	221,716,990	8,623,985	9,741,191	1,541,944	6,203,965	2,966,439	4,355,139	2,389,041	-
On-balance sheet gap		28,662,383	(146,995,485)	85,453,495	122,876,754	22,353,847	292,024	15,398,907	795,170	7,310,851	872,473
Off-balance sheet financial instruments											
Commitments in respect of:											
Guarantees		30,351,181	-	-	-	-	-	-	-	-	30,351,181
Forward purchase		53,809,679	-	-	-	-	-	-	-	-	53,809,679
Forward sale		26,422,065	-	-	-	-	-	-	-	-	26,422,065
Import letters of credit		33,593,415	-	-	-	-	-	-	-	-	33,593,415
Islamic financing and related assets		4,345,000	-	-	-	-	-	-	-	-	4,345,000
Commitments for acquisition of:											
- Fixed assets		256,420	-	-	-	-	-	-	-	-	256,420
- Intangible assets		521,003	-	-	-	-	-	-	-	-	521,003
Other contingent liabilities		465,500	-	-	-	-	-	-	-	-	465,500
Off-balance sheet gap		149,764,263	-	-	-	-	-	-	-	-	149,764,263
Total yield / profit rate risk sensitivity gap		(146,995,485)	85,453,495	122,876,754	22,353,847	292,024	15,398,907	795,170	7,310,851	872,473	(229,459,916)
Cumulative Yield / Profit Rate Risk Sensitivity Gap		(146,995,485)	(61,541,990)	61,334,764	83,688,611	83,980,635	99,379,542	100,174,712	107,485,563	108,358,036	(121,101,880)

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	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
<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	-
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
Off-balance sheet financial instruments											
Commitments in respect of:											
Guarantees		26,785,906	-	-	-	-	-	-	-	-	26,785,906
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
Acquisition of:											
- Fixed assets		162,172	-	-	-	-	-	-	-	-	162,172
- Intangible assets		234,619	-	-	-	-	-	-	-	-	234,619
Other contingent liabilities		465,500	-	-	-	-	-	-	-	-	465,500
Off-balance sheet gap		119,279,924	-	-	-	-	-	-	-	-	119,279,924
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
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
										2023	2022
										---- Rupees in '000 ----	
Total financial asset										418,493,322	436,812,818
Add: Non-financial assets											
Fixed asset										6,420,581	5,336,223
Intangibles										670,469	409,352
Deferred tax assets										4,488,375	2,001,279
Other asset										919,634	830,790
Total assets as per statement of financial position										430,992,381	445,390,462
Total financial liabilities										389,830,939	410,981,840
Add: Non-financial liabilities											
Other liabilities										3,996,557	4,301,805
Total liabilities as per statement of financial position										393,827,496	415,283,645

42.3.1 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.

42.4 Liquidity Risk

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

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

[illegible]

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

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

2023							
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	12.67%	50.00%	3,869,783	273,037	7.06%	6.83%
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%	1,656,079	748,434	45.19%	3.72%
2023							
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	18.97%	50.00%	1,338,509	746,321	55.76%	14.76%
Inter-bank Wakala / Musharaka borrowing pool	As required	22.61% - 21.1%	*	*	N/A	-	19.85% - 19.86%
Other Mudaraba Pools **	As required	3.08% - 25.18%	*	8,645,787	2,874,251	33.24%	0.25% - 21.25%
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%

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

** The number of pools maintained by the Bank is 132 (2022: 123).

44 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on January 19, 2024 by the Board of Directors of the Bank.

45 GENERAL

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

Chief Financial Officer	President & Chief Executive	Director	Director	Director
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DUBAI ISLAMIC BANK PAKISTAN LIMITED
STATEMENT SHOWING WRITTEN-OFF ISLAMIC FINANCING AND RELATED ASSETS OR
ANY OTHER FINANCIAL RELIEF OF RUPEES 500,000/- OR ABOVE
DURING THE YEAR ENDED DECEMBER 31, 2023

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/ waived	Other financial relief provided (Early Settlement charges , etc)	Total (10+11+12)
	Name	Address			Principal	Profit	Others (Early Settlement charges, etc)	Total (6+7+8)				
1	2	3	4	5	6	7	8	9	10	11	12	13
Rupees in '000												
1	Muhammad Kashif Malik	House No. L-241 Sector 4 North Karachi Karachi	MUHAMMAD IBRAR MALIK (LATE)	42401-7014544-9	8,484	2,601	-	11,085	-	2,101	-	2,101
2	Muhammad Asif	House # R-6, Sasi Homes Block-4, Gulistan-E-Johar Karachi	NIJAZ ALI (LATE)	42301-4534851-7	2,457	-	-	2,457	-	612	-	612
3	Saif Ur Rehman Khan	Aas Waryas Traders Basement Floor 48-C Jami Commercial Street 11 Phase 7 Dha Karachi	ABDUL REHMAN KHAN	38302-6364024-5	24,827	1,587	-	26,414	-	1,064	2,621	3,685
4	Mian Muhammad Tariq	H 23 Chaman Park Rasool Park Ichra Lahore Pakistan	MIAN MUHAMMAD ISHAQ	31301-8033628-5	4,465	1,012	-	5,477	-	836	89	925
5	Sohail Mehmood	House # 713, Ravi Block, Allama Iqbal Town, Punjab, Lahore.	HAFAEEZ AHMAD	35202-8128658-7	19,385	2,802	-	22,187	-	2,155	291	2,446
6	Riaz Ahmad	H No 21St No 83 Muslim Colony Rajgar Near Old Fardous Cenima Lahore	GHULAM MUHAMMAD	35202-8419044-7	3,074	589	-	3,663	-	1,086	-	1,086
7	Muhammad Khalid	H No 10 Street 3/A Jinnah Garden Islamabad	MUHAMMAD AKRAM BASHIR	37405-2583255-7	39,954	2,378	-	42,332	-	2,880	1,199	4,079
8	Syed Rizwan Ali	Askari V Plot No 17-B Malir Cntt Karachi	SYED ABRAR ALI	42101-1766864-3	1,888	68	-	1,956	-	729	-	729
9	Siraj Khan	The Smart College Cantt Way Campus Plot No 2A Sec 34 A Sch 33 Behind Shoaib Cng Station Karachi	MUHAMMAD AYUB	42201-1026046-7	57,453	14,273	-	71,726	-	20,372	-	20,372
10	Syed Naveed Hussain Wasti	House No 9-A Dohs Phase I Malir Cantt Near Phase 1 Masjid Karachi	SYED SHAHID HUSSAIN WASTI	42301-5729568-9	19,069	3,432	-	22,501	-	2,952	285	3,237
11	Ch Mran Mehmood	House No. 1824-D, Dildar Chowk, Ghulam Muhammad Abad Faisalabad	MEHMOOD AHMED AKHTAR (LATE)	33100-0574876-5	6,106	1,142	-	7,248	-	1,513	-	1,513
12	Muhammad Mushtaq Tariq	S/O Chaudry Muhammad Ismail Mehro Wal House Faisal Masjid Link Road Mohala Faisal Town Vehari	CHAUDRY MUHAMMAD ISMAIL	36603-7359333-1	2,119	159	-	2,278	-	547	274	822
13	Usman Sarwar	House # 268, Block C, Maraghar Colony, Multan Road, Lahore.	MUHAMMAD SARWAR	35202-3533400-9	7,370	210	-	7,580	-	682	-	682
14	Muhammad Ibrahim	H # 251 Block 7/8 Behind Rbs Bank C P Berar Co Operatibe H.S Karachi	FATEH MUHAMMAD (LATE)	42201-9478630-3	17,193	4,920	-	22,113	-	4,977	-	4,977
15	Gulzeb Raees	H No 21-G Huma Block A.I.T Lahore	RAEES AHMED	35202-7779958-3	16,250	233	-	16,483	-	1,157	731	1,888
16	Riasat Ali Nazim	Pak Natural Trading Company 1st Floor Room 9 Dinar Chambers 29 West Wharf Road Khi	GAYAS UDDIN KHAN	42301-1097550-5	5,809	1,052	-	6,862	-	607	-	607
17	Muhammad Arshad	H# 24 St# 23 Moh Ch Park Bund Road Lahore	MUHAMMAD AKRAM KHAN	35202-9449711-9	27,963	468	-	28,431	-	644	835	1,480
18	Syed Muhammad Ali Musharaf	Plot No 131 Bab-E-Usman 2Nd Floor Flat No 201 Bahadurabad Khi Pakistan	SYED ALI JAFFAR	42201-1296036-5	6,897	920	-	7,817	-	596	-	596
19	Abdul Jabbar	Shop # 39-G Babar Plaza Liberty Market Gulberg Iii Lahore 03004504894	BASHRAT ALI	35202-2492927-9	36,542	595	-	37,137	-	2,206	1,086	3,292
20	Haroon Rashid	H No P-4 St No 9 New Haseeb Shaheed Colony Faisalabad	GHULAM MUHAMMAD	33100-0975899-1	12,444	3,256	-	15,700	-	2,612	-	2,612
21	Syed Kashif Ghafoor	House # E-104, Ground Floor, Defence View, Phase-2, Korangi Express Way, Sindh Karachi	SYED ABDUL GHAFUOR	42101-1834743-5	25,644	820	-	26,465	-	3,312	370	3,682
22	Wateen Telecom Ltd	Walton Road, Opp Bab-E-Pakistan Walton Cantt Lahore	N/A	N/A	270,962	-	-	270,962	182,425	-	-	182,425
23	Zi Solar Pvt Ltd	House 67, Street 23, Khayaban E Badban, Dha Phase V Karachi	N/A	N/A	123,500	3,430	-	126,930	-	3,338	-	3,338
24	Index Pakistan Private Limited	Plot No. G-5 Mansoor Tower Block8 Clifton Karachi	N/A	N/A	47,000	9,732	-	56,732	-	14,664	-	14,664
					786,855	55,680	-	842,536	182,425	71,643	7,781	261,849