DUBAI ISLAMIC BANK
PAKISTAN LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

pwc

A. F. FERGUSON & CO.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed statement of financial position of **Dubai Islamic Bank Pakistan Limited** as at December 31, 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the un-audited certified returns from the branches except for ten branches which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

  (i) the statement of financial position and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as stated in note 3.5 to the financial statements with which we concur;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us the statement of financial position, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the bank's affairs as at December 31, 2013, and its true balance of profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and

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

AFF & Co

Chartered Accountants

Audit Engagement Partner: **Rashid A. Jafer**

Dated: March 5, 2014

Karachi

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DUBAI ISLAMIC BANK PAKISTAN LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2013

	Note	2013	2012 (Restated)	2011 (Restated)
		------Rupees in '000------		
ASSETS				
Cash and balances with treasury banks	6	5,291,178	4,196,103	3,429,994
Balances with other banks	7	1,840,378	5,660,301	1,116,928
Due from financial institutions	8	9,740,822	3,206,945	3,826,084
Investments	9	25,044,279	21,334,833	12,937,179
Islamic Financing and related assets	10	35,540,386	26,314,667	23,889,043
Operating fixed assets	11	1,454,910	1,535,272	1,597,770
Deferred tax assets - net	12	234,187	216,850	374,409
Other assets	13	1,110,472	1,044,591	1,028,361
		80,256,612	63,509,562	48,199,768
LIABILITIES				
Bills payable	14	1,208,862	659,035	394,426
Due to financial institutions	15	2,938,000	1,600,000	1,898,500
Deposits and other accounts	16	67,639,224	53,110,048	38,491,607
Sub-ordinated loans		-	-	-
Liabilities against assets subject to finance lease		-	-	-
Deferred tax liabilities		-	-	-
Other liabilities	17	1,508,093	1,264,379	1,175,091
		73,294,179	56,633,462	41,959,624
NET ASSETS		6,962,433	6,876,100	6,240,144
REPRESENTED BY				
Share capital	18	6,976,030	6,976,030	6,776,030
Reserves	19	27,372	69,140	85,058
Accumulated losses		(73,788)	(251,808)	(616,186)
		6,929,614	6,793,362	6,244,902
Advance against future issue of share capital		18	18	18
Surplus / (Deficit) on revaluation of assets - net of tax	20	32,801	82,720	(4,776)
		6,962,433	6,876,100	6,240,144

CONTINGENCIES AND COMMITMENTS 21

The annexed notes 1 to 43 and Annexure 1 form an integral part of these financial statements.

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

DUBAI ISLAMIC BANK PAKISTAN LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2013

	2013	2012 (Restated)
	------- Rupees in '000 -------	
Profit after taxation for the year	136,860	344,724
Items that will not be reclassified to profit or loss in subsequent periods:		
Actuarial (losses) / gains on remeasurement of defined benefit plans	(935)	5,748
Tax effect	327	(2,012)
	(608)	3,736
Comprehensive income transferred to equity	136,252	348,460
Components of comprehensive income not reflected in equity :		
(Deficit) / Surplus on revaluation of available for sale investments - net of tax	(49,919)	87,496
Total comprehensive income for the year	86,333	435,956

The annexed notes 1 to 43 and Annexure 1 form an integral part of these financial statements.

CHAIRMAN PRESIDENT / CHIEF EXECUTIVE DIRECTOR DIRECTOR

DUBAI ISLAMIC BANK PAKISTAN LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2013

	Note	2013	2012 (Restated)
		------- Rupees in '000 -------	
Profit / return earned	22	5,776,631	5,682,122
Profit / return expensed	23	2,662,743	2,807,792
Net spread earned		3,113,888	2,874,330
Provision against non-performing Islamic financing and related assets - net	10.7	(456,762)	(192,853)
Provision for diminution in the value of investments		-	-
Bad debts written off directly		-	-
		(456,762)	(192,853)
Net spread earned after provisions		2,657,126	2,681,477
OTHER INCOME			
Fee, commission and brokerage income		603,883	436,736
Dividend Income		-	30,812
Income from dealing in foreign currencies		106,767	155,112
Gain on sale of securities	24	29,265	64,774
Unrealized gain on revaluation of investments classified as held for trading		-	-
Other income	25	3,385	7,910
Total other income		743,300	695,344
		3,400,426	3,376,821
OTHER EXPENSES			
Administrative expenses	26	3,182,536	2,847,694
Other provisions / write offs		1,542	16,918
Other charges	27	4,451	12,703
Total other expenses		3,188,529	2,877,315
		211,897	499,506
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		211,897	499,506
Taxation			
- Current	28	(65,169)	(39,436)
- Prior years	28	-	(6,911)
- Deferred	28	(9,868)	(108,435)
		(75,037)	(154,782)
PROFIT AFTER TAXATION		136,860	344,724
			Restated
Basic earnings per share – Rupees	29	0.1962	0.5043
Diluted earnings per share – Rupees	29	0.1962	0.5043

The annexed notes 1 to 43 and Annexure 1 form an integral part of these financial statements.

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

DUBAI ISLAMIC BANK PAKISTAN LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2013

	Note	2013	2012 (Restated)
		------- Rupees in '000 -------	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		211,897	499,506
Less: Dividend Income		-	(30,812)
		211,897	468,694
Adjustments:			
Depreciation	26	227,985	225,450
Amortisation	26	83,773	82,766
Provision against non-performing Islamic financing and related assets - net	10.7	456,762	192,853
Other provisions / write offs		1,542	16,918
Gain on sale of securities	24	(29,265)	(64,774)
Liabilities no longer required written back		-	(4,093)
Charge for defined benefit plan		27,290	26,386
Gain on sale of operating fixed assets		(178)	(1,210)
		767,909	474,296
		979,806	942,990
(Increase) / decrease in operating assets			
Due from financial institutions		(6,533,877)	619,139
Islamic financing and related assets		(9,682,481)	(2,618,477)
Other assets (excluding advance taxation)		(69,061)	(45,964)
		(16,285,419)	(2,045,302)
Increase / (decrease) in operating liabilities			
Bills payable		549,827	264,609
Due to financial institutions		1,338,000	(298,500)
Deposits and other accounts		14,529,176	14,618,441
Other liabilities (excluding current taxation)		244,475	92,619
		16,661,478	14,677,169
		1,355,865	13,574,857
Payments against defined benefit plan		(14,599)	(27,663)
Income tax paid		(77,917)	(41,156)
Net cash generated from operating activities		1,263,349	13,506,038
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		(3,756,979)	(8,198,272)
Dividend received		-	61,623
Investments in operating fixed assets		(234,080)	(265,880)
Sale proceeds of property and equipment disposed of		2,862	5,973
Net cash used in investing activities		(3,988,197)	(8,396,556)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares		-	200,000
Net cash generated from financing activities		-	200,000
(Decrease) / Increase in cash and cash equivalents		(2,724,848)	5,309,482
Cash and cash equivalents at beginning of the year		9,856,404	4,546,922
Cash and cash equivalents at end of the year	30	7,131,556	9,856,404

The annexed notes 1 to 43 and Annexure 1 form an integral part of these financial statements.

CHAIRMAN PRESIDENT / CHIEF EXECUTIVE DIRECTOR DIRECTOR

DUBAI ISLAMIC BANK PAKISTAN LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2013

	Share capital	Advance against future issue of share capital	Statutory Reserves	Accumulated losses	Total
	Rupees in '000				
Balance as at January 01, 2012 - as previously reported	6,776,030	18	85,058	(622,281)	6,238,825
Effect of change in accounting policy with respect to accounting for remeasurement gains on defined benefit plan - net of tax (note 3.5)				6,095	6,095
Balance as at January 01, 2012 - restated	6,776,030	18	85,058	(616,186)	6,244,920
Transfer from Statutory reserve	-	-	(85,058)	85,058	-
Profit after taxation for the year transferred from Statement of Comprehensive Income	-	-	-	344,724	344,724
Transfer to Statutory reserve	-	-	69,140	(69,140)	-
Issuance of shares	200,000	-	-	-	200,000
Remeasurements of the net defined benefit liability / asset - net of tax	-	-	-	3,736	3,736
Balance as at December 31, 2012 - restated	6,976,030	18	69,140	(251,808)	6,793,380
Transfer from Statutory reserve	-	-	(69,140)	69,140	-
Profit after taxation for the year transferred from Statement of Comprehensive Income	-	-	-	136,860	136,860
Transfer to Statutory reserve	-	-	27,372	(27,372)	-
Remeasurements of the net defined benefit liability / asset - net of tax	-	-	-	(608)	(608)
Balance as at December 31, 2013	6,976,030	18	27,372	(73,788)	6,929,632

The annexed notes 1 to 43 and Annexure 1 form an integral part of these financial statements.

CHAIRMAN PRESIDENT / CHIEF EXECUTIVE DIRECTOR DIRECTOR

DUBAI ISLAMIC BANK PAKISTAN LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

1 STATUS AND NATURE OF BUSINESS

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

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

1.3 Based on the financial statements of the Bank for the year ended December 31, 2012, JCR-VIS Credit Rating Company Limited determined the Bank's medium to long-term rating as 'A' and the short term rating as 'A-1' while the outlook has been improved from "Stable" to "Positive".

1.4 The Bank is operating through 125 branches as at December 31, 2013 (2012: 100 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).

1.5 The State Bank of Pakistan (SBP) vide circular no.7 dated April 15, 2009 has set the Minimum Capital Requirement (MCR) for banks upto Rs 10 billion to be achieved in a phased manner by December 31, 2013. As per this circular, MCR (free of losses) and Capital Adequacy Ratio (CAR) requirements as of December 31, 2013 was Rs 10 billion and 10% respectively.

In the year 2010, the Bank was granted exemption from meeting the MCR for a period of two years i.e. December 31, 2010 and December 31, 2011 subject to compliance of certain conditions as mentioned in SBP letter dated February 2, 2011. In addition, the Bank was also required to submit a capital enhancement plan to SBP which was duly submitted after the approval of the Board of Directors of the Bank. In response, SBP vide its letter dated May 31, 2011 stated that it may offer the Bank extension till December 31, 2012 subject to firm commitment from the sponsors to enhance capital as per the following schedule:

- The Bank will raise its paid up capital (free of losses) to Rs 6.4 billion by December 31, 2011;
- The paid up capital (free of losses) will be raised to Rs 7.5 billion by December 31, 2012; and
- The paid up capital (free of losses) will be raised to Rs 10 billion by December 31, 2013.

The SBP vide its letter no. BPRD/BA & CP/623/019653/2013 dated December 28, 2013 has allowed the Bank to raise FCY sub-ordinated debt of US$ 32 million from sponsors and place the same in non-remunerative deposit account with SBP. The funds placed as non-remunerative deposit with SBP will be considered for CAR / MCR purposes subject to certain terms and conditions.

The deposit of USD with SBP in lieu of paid up capital is a short term arrangement and the bank is required to comply with the MCR (free of losses) of Rs. 10 billion by December 31, 2016. The Bank is also required to initiate the process of share issuance for meeting any shortfall in the MCR of Rs. 10 billion in the 1st half of 2016.

The paid-up capital of the Bank (free of losses) as of December 31, 2013 amounted to Rs 6.902 billion and its CAR stands at 14.59 percent.

Subsequent to the year ended December 31, 2013, the amount of US$ 31 million (equivalent to Rs 3.273 billion) in respect of FCY subordinated debt from the sponsors has been received on January 10, 2014 and has been placed in non-remunerative deposit account with SBP.

2 BASIS OF PRESENTATION

2.1 The Bank invests and finances mainly through Murabaha, Musharaka, Musharaka cum Ijara, Shirkatulmilk, Istisna cum Wakala, Wakala Isthimar, Service Ijarah and other Islamic modes as briefly explained in the notes to these financial statements. The transactions of purchases, sales and leases executed under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of rental / profit thereon. The income on such Islamic financing and related assets is recognised in accordance with the principles of Shari"a. However, income if any, received which does not comply with the principles of Shari'a is recognised as charity payable if so directed by the Shari'a Advisor / Shari'a Executive Committee.

3 STATEMENT OF COMPLIANCE

3.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board and Islamic Financial Accounting Standard -1 (IFAS-1) "Murabaha", issued by the Institute of Chartered Accountants of Pakistan, as are notified under the Companies Ordinance, 1984, the provisions and directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). Wherever the requirements of provisions and directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, IFAS-1 notified under the Companies Ordinance, 1984 and the directives issued by the SECP and SBP differ with the requirements of IFRS, the provisions and directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, IFAS-1 notified under the Companies Ordinance, 1984 and the requirements of the directives issued by the SECP and SBP prevail.

3.2 The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies in Pakistan through BSD Circular Letter 10 dated August 26, 2002 till further instructions. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7 ' Financial Instruments: Disclosures' through its notification S.R.O 411(I)/2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

3.3 SBP through its BSD Circular 07 dated April 20, 2010 has clarified that for the purpose of preparation of financial statements in accordance with International Accounting Standard - 1 (Revised) 'Presentation of Financial Statements', two statement approach shall be adopted i.e. separate 'Profit and Loss Account' and 'Statement of Comprehensive Income' shall be presented, and Balance Sheet shall be renamed as 'Statement of Financial Position'. Furthermore, the Surplus / (Deficit) on revaluation of Available-For-Sale Securities (AFS) only may be included in the 'Statement of Comprehensive Income' but will continue to be shown separately in the Statement of Financial Position below equity. Accordingly, the above requirements have been adopted in the preparation of these financial statements.

3.4 IFRS 8 'Operating Segments' is effective for the Bank's accounting period beginning on or after January 1, 2009. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2006. The management of the Bank believes that as the SBP has defined the segment categorisation in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these financial statements is based on the requirements laid down by the SBP.

3.5 Change in accounting policies and disclosure

3.5.1 IAS 1, 'Financial statement presentation' has been amended effective January 1, 2013. The main change resulting from these amendments is a requirement for entities to group items presented in 'Other Comprehensive Income' (OCI) on the basis of whether they are potentially reclassifiable to the profit or loss subsequently (reclassification adjustments). The specified change has been made in the statement of comprehensive income for the year.

3.5.2 IAS 19 (revised) 'Employee benefits' which became effective for annual periods beginning on or after January 1, 2013 amends accounting for employee benefits. The standard requires immediate recognition of past service cost and also replaces the expense on the defined benefit obligation and the expected return on plan assets with a expense based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year.

Further, a new term "remeasurements" has been introduced. This is made up of actuarial gains and losses and the difference between actual investment returns and the return implied by the expense on the defined benefit obligation. The standard requires "remeasurements" to be recognised in the Statement of Financial Position immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur.

During the year the Bank has changed its accounting policy to comply with the changes made in IAS 19. As per the previous policy actuarial gains and losses were recognised in the profit and loss account over the future expected average remaining working lives of the employees to the extent of the greater of 10% of the present value of defined benefit obligation at that date and 10% of the fair value of plan assets at that date.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

The Bank's financial statement is affected only by the 'remeasurements' relating to prior years. The effects have been summarised below:

	December 31, 2013	December 31, 2012	December 31, 2011
	----------(Rupees in '000)--------		
Impact on Statement of Financial Position			
Increase in other assets*	-	13,626	6,601
Decrease in other liabilities	-	-	2,776
Decrease / (increase) in deferred tax asset	-	(4,769)	(3,282)
Impact on Profit and Loss Account			
Increase in charge for defined benefit plan	-	1,499	-
Decrease in tax charge	-	(525)	-
Impact on Statement of Comprehensive Income			
Increase / (decrease) in other comprehensive income - net of tax	(935)	3,736	-
Impact on Statement of Changes in Equity			
(Increase) / decrease in accumulated losses			
- Cumulative effect from prior years	8,857	6,095	6,095
- Impact for the year	(606)	2,762	-

The Bank's policy for Staff Retirement Benefits (note 5.7) and disclosure relating to Defined Benefit Plan (note 32) have been amended to comply with the requirement of IAS 19 (revised).

* There is no impact on the statement of financial position as the asset recognised in prior year due to change in accounting policy after netting of actuarial losses amounting to Rs 0.935 million for the current year has been partially settled against the contribution of the Bank for the current year in respect of defined benefit plan.

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

There are certain other new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after January 1, 2013 but are considered not be to relevant or to have any significant effect on the Bank's operations and are, therefore, not disclosed in these financial statements.

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

3.7.1 The Securities and Exchange Commission of Pakistan (SECP) has notified Islamic Financial Accounting Standard (IFAS) 3, 'Profit and Loss Sharing on Deposits' issued by the Institute of Chartered Accountants of Pakistan. IFAS 3 shall be followed with effect from the financial periods beginning after January 1, 2014 in respect of accounting for transactions relating to 'Profit and Loss Sharing on Deposits' as defined by the said standard. The standard would result in certain new disclosures in the financial statements of the Bank.

There are certain other new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2014 but are considered not to be relevant or do not have any significant effect on the Bank's operations and therefore not detailed in these financial statements.

3.8 Early adoption of standards

The Bank has not early adopted any new or amended standard in 2013.

4 BASIS OF MEASUREMENT

4.1 Accounting convention

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

4.2 Functional and Presentation Currency

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

4.3 Critical accounting estimates and judgments

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

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

i) classification and provisioning against investments (notes 5.2 and 9)
ii) classification and provisioning against Islamic financing and related assets (notes 5.3 and 10)
iii) current and deferred taxation (notes 5.6, 12 and 28)
iv) determination of useful lives and depreciation / amortisation (notes 5.4 and 11)
v) accounting for defined benefit plan (notes 5.7 and 32)

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These have been consistently applied to all the years presented except for the change as described in note 3.5 to these financial statements.

5.1 Cash and cash equivalents

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

5.2 Investments

5.2.1 Classification

Investments of the Bank are classified as follows:

(a) Held-for-trading

These are investments, which are either acquired for generating profits from short-term fluctuations in market prices or are securities included in a portfolio for which there is evidence of a recent actual pattern of short-term profit taking.

(b) Held- to-maturity

These are investments with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold till maturity.

(c) Available-for-sale

These are investments which do not fall under the 'held for trading' or 'held to maturity' categories.

5.2.2 Regular way contracts

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

5.2.3 Initial recognition and measurement

Investments other than those categorised as 'held for trading' are initially recognised at fair value which includes transaction costs associated with the investment. Investments classified as 'held for trading' are initially recognised at fair value and transaction costs are expensed in the profit and loss account.

5.2.4 Subsequent measurement

Subsequent to initial recognition investments are valued as follows:

(a) Held-for-trading

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

(b) Held-to-maturity

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

(c) Available for sale

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

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

5.2.5 Impairment

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

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

5.3 Islamic financing and related assets

These are products originated by the Bank and principally comprise of Murabaha, Musharaka cum Ijara, Wakala, Wakala Istithmar, Istisna cum Wakala, Ijara Muntahiya Bil Tamleek, Islamic Export Refinance Scheme, Service Ijarah and Shirkatulmilk. These are stated net of general and specific provisions.

Specific provision

The Bank maintains specific provision for doubtful debts based on the requirements specified in the Prudential Regulations issued by the SBP.

General provision

The Bank is required to maintain general provision at the rate of 5% against unsecured consumer portfolio and at the rate of 1.5% against secured consumer portfolio except for Musharaka cum Ijara - Autos in accordance with the requirements of the Prudential Regulations issued by the SBP.

The SBP vide its letter no BPRD / BLRD - 03 / 2009 / 6877 dated October 15, 2009 has allowed relaxation to the Bank from recognising general provision against Musharaka cum Ijara - Autos on the condition that the facility will be categorised as "Loss" on the 180th day from the date of default.

In this regard, the SBP vide its letter no BPRD / BRD - 04 / DIB / 2013 / 1644 dated February 12, 2013 has decided that the exemption from general reserve requirement shall only be valid till classified Auto Financing portfolio of the Bank remains upto 5% i.e. if the classified Auto Financing portfolio increases beyond 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.

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

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

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

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

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

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

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

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

5.4 Operating fixed assets and depreciation

5.4.1 Property and equipment

These assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is charged to income by applying the straight line method over the estimated useful lives of the assets, using the rates specified in note 11.2 to these financial statements. The depreciation charge for the year is calculated after taking into account residual value, if any. Depreciation is charged from the month of acquisition and upto the month preceding the month of disposal.

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

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

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

5.4.2 Capital work-in-progress

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

5.4.3 Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortization and accumulated impairment losses, if any. Such intangible assets are amortized using the straight-line method over their estimated useful lives. The useful lives and amortization 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. Amortization is charged from the month of acquisition and upto the month preceding the month of deletion.

5.4.3 Impairment

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

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

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

5.5 Deferred costs

As allowed by SBP pre-operating / preliminary expenses are included in deferred costs and these are amortized over a maximum period of five years on straight line basis from the date of commencement of business.

5.6 Taxation

Current

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

Deferred

Deferred tax is recognised using the balance sheet liability method on all major temporary differences between the carrying amounts of assets and liabilities used for financial reporting purposes and amounts used for taxation purposes. In addition, the Bank also records deferred tax asset on available tax losses. Deferred tax is calculated using the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date.

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

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

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

5.7 Staff retirement benefits

5.7.1 Defined benefit plan

The Bank operates an approved funded gratuity scheme for its permanent employees. The liability recognised in the statement of financial position in respect of defined benefit gratuity scheme, is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets. Contributions to the fund are made on the basis of actuarial recommendations. The defined benefit obligation is calculated periodically by an independent actuary using the projected unit credit method. Last valuation was conducted as on December 31, 2013.

As noted in note 3.5.2 the amounts arising as a result of remeasurements are recognised in the Statement of Financial Position immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur.

5.7.2 Defined contribution plan

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

5.8 Revenue recognition

- Profit from Murabaha is accounted for on consummation of Murabaha transaction. However, profit on the portion of revenue not due for payment is deferred by accounting for unearned Murabaha income with a corresponding credit to deferred Murabaha income which is recorded as a liability. The same is then recognised as revenue on a time proportionate basis.

- Profit from Istisn'a is recorded on accrual basis commencing from the time of sale of goods till the realisation of proceeds by the bank.

- Profit on Musharaka cum Ijara, Ijara Muntahiya Bil Tamleek and Shirkatulmilk is recognized on the basis of the reducing balance 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 of Musharaka financing is recognized on an accrual basis. Actual profit / (loss) on Musharaka and Modaraba financing is adjusted for declaration of profit / (loss) by Musharaka partner / modarib or at liquidation of Musharaka / Modaraba.

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

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

- Profit on Service Ijarah is recognised on accrual basis.

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

- Dividend income is recognised when the right to receive dividend is established.

- Fee, commission and brokerage are recognized when earned.

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

5.9 Financial Instruments

5.9.1 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 expired. Any loss on derecognition of the financial assets and financial liabilities is taken to income directly. Financial assets carried on the balance sheet 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 and other payables. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

5.9.2 Offsetting of financial instruments

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

5.9.3 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 income. However, the Bank does not hold any derivatives.

5.10 Fiduciary assets

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

5.11 Foreign currencies

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank operates. The financial statements are reported and converted in Pakistani Rupees, which is the Bank's functional and presentation currency.

Foreign currency transactions

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

Translation gains and losses

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

Commitments

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

5.12 Provisions and contingent assets and liabilities

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

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

5.13 Allocation of profit

Allocation of profits in Mudaraba pool between depositors and shareholders is made according to the Bank's profit distribution policy and is approved by the Shari'a Advisor / Shari'a Executive Committee.

5.14 Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Bank's primary format of reporting is based on business segments.

5.14.1 Business segments

Corporate banking

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

Trading and sales

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

Retail banking

It includes retail financing and deposits, banking services, trust and estates investment advice, merchant / commercial / corporate cards and private labels and retail.

Commercial banking

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

5.14.2 Geographical segment

The Bank has 125 branches as at December 31, 2013 (2012: 100 branches) and operates only in Pakistan.

6 CASH AND BALANCES WITH TREASURY BANKS

	Note	2013	2012
		------- Rupees in '000 -------	
In hand			
- local currency		1,108,709	883,956
- foreign currency		549,842	451,243
		1,658,551	1,335,199
With the State Bank of Pakistan in			
- local currency current account	6.1	2,131,864	1,707,700
- foreign currency current account		3,432	26,966
- foreign currency deposit accounts			
Cash Reserve Account	6.2	452,685	296,112
Special Cash Reserve Account	6.3	543,201	355,315
		995,886	651,427
With National Bank of Pakistan in			
- local currency current account		501,445	474,811
		5,291,178	4,196,103

6.1 The local currency current account is maintained with the State Bank of Pakistan (SBP) as per the requirements of Section 36 of the State Bank of Pakistan Act, 1956. This section requires banking companies to maintain a local currency cash reserve in the current account opened with the SBP at a sum not less than such percentage of its time and demand liabilities in Pakistan as may be prescribed by SBP.

6.2 As per BSD Circular No. 15 dated June 21, 2008, cash reserve of 5% is required to be maintained with State Bank of Pakistan on deposits held under the New Foreign Currency Accounts Scheme (FE-25 deposits).

6.3 Special cash reserve of 6% is required to be maintained with State Bank of Pakistan on FE-25 deposits as specified in BSD Circular No. 15 dated June 21, 2008. During the year this deposit was not remunerated (2012: Nil).

7 BALANCES WITH OTHER BANKS

	Note	2013	2012
		------- Rupees in '000 -------	
In Pakistan			
- in current accounts		3,404	5,357
- in deposit accounts	7.1	44,790	10
		48,194	5,367
Outside Pakistan			
- in current accounts	7.2	1,792,184	5,654,934
- in deposit accounts		-	-
		1,792,184	5,654,934
		1,840,378	5,660,301

7.1 This represents saving deposits carrying expected profit at the rate of 5% (2012: 5%) per annum.

7.2 This includes an amount of Rs.160.873 million (2012: Rs 4,021.441 million) deposited with the holding company.

8 DUE FROM FINANCIAL INSTITUTIONS

	Note	2013	2012
		------- Rupees in '000 -------	
Mudaraba Placement		-	1,200,000
Commodity Murabaha	8.1	9,740,822	2,006,945
		9,740,822	3,206,945

8.1 These carry expected profit rates ranging from 9.50% to 10.00% per annum (2012: 9.00% to 9.20% per annum) and are due to mature latest by January 24, 2014.

		2013	2012
		------- Rupees in '000 -------	
8.2	Commodity Murabaha sale price	198,509,044	254,692,554
	Purchase price	(198,335,000)	(254,150,000)
		174,044	542,554
	Deferred Commodity Murabaha income		
	Opening balance	2,740	7,671
	Deferred during the year	174,044	542,554
	Recognised during the year	(152,079)	(547,485)
	Closing balance	24,705	2,740
	Commodity Murabaha		
	Opening balance	2,006,945	2,526,084
	Sales during the year	198,509,044	254,692,554
	Received during the year	(190,775,167)	(255,211,693)
	Closing balance	9,740,822	2,006,945

8.3 **Particulars of amounts due from financial institutions with respect to currencies:**

	2013	2012
- In local currency	9,740,822	3,206,945
- In foreign currency	-	-
	9,740,822	3,206,945

9 INVESTMENTS

9.1 **Investments by types**

	Note	2013 Held by the Bank	2013 Given as collateral	2013 Total	2012 Held by the Bank	2012 Given as collateral	2012 Total
		(Rupees in '000)					
Available for sale securities							
Sukuk / Certificates	9.2	24,993,816	-	24,993,816	21,207,572	-	21,207,572
Total investment at cost		24,993,816	-	24,993,816	21,207,572	-	21,207,572
Less: Provision for diminution in value of investments		-	-	-	-	-	-
Investments (net of provisions)		24,993,816	-	24,993,816	21,207,572	-	21,207,572
Surplus on revaluation of available-for-sale securities	20	50,463	-	50,463	127,261	-	127,261
Total investments at market value		25,044,279	-	25,044,279	21,334,833	-	21,334,833

9.2 **Investments by segments**

	Note	2013	2012
		------- Rupees in '000 -------	
Federal Government Securities			
GOP Ijarah Sukuk	9.3.1	18,062,874	18,818,594
Sukuk			
WAPDA Sukuk	9.3.2	1,140,348	379,479
Other Sukuk	9.3.2	5,790,594	2,009,499
Total investment at cost		24,993,816	21,207,572
Less: Provision for diminution in value of investments		-	-
Investments (net of provisions)		24,993,816	21,207,572
Surplus on revaluation of available-for-sale securities	20	50,463	127,261
Total investments at market value		25,044,279	21,334,833

9.3 Available for sale securities

9.3.1 Particulars of Federal Government Securities - Unquoted, Secured

Particulars	Collateral	Profit Rate	Profit payment	2013	2012
				Nominal value	
				Rupees in '000	
GOP IJARA SUKUK - 5 Nil (2012: 6,450) certificates Maturity date: November, 2013	Government of Pakistan Sovereign guarantee	6 months T-Bill plus zero basis points	Semi-annually	-	647,769
GOP IJARA SUKUK - 6 Nil (2012: 42,850) certificates Maturity date: December, 2013	Government of Pakistan Sovereign guarantee	6 months T-Bill plus zero basis points	Semi-annually	-	4,310,437
GOP IJARA SUKUK - 7 5,500 (2012: 9,000) certificates Maturity date: March, 2014	Government of Pakistan Sovereign guarantee	6 months T-Bill plus zero basis points	Semi-annually	550,000	900,000
GOP IJARA SUKUK - 8 10,500 (2012: 20,000) certificates Maturity date: May, 2014	Government of Pakistan Sovereign guarantee	6 months T-Bill plus zero basis points	Semi-annually	1,050,000	2,000,000
GOP IJARA SUKUK - 9 102,050 (2012: 57,550) certificates Maturity date: December, 2014	Government of Pakistan Sovereign guarantee	6 months T-Bill plus zero basis points	Semi-annually	10,226,778	5,762,311
GOP IJARA SUKUK - 10 8,000 (2012: Nil) certificates Maturity date: March, 2015	Government of Pakistan Sovereign guarantee	6 months T-Bill plus zero basis points	Semi-annually	801,344	-
GOP IJARA SUKUK - 11 40,500 (2012: 40,000) certificates Maturity date: April, 2015	Government of Pakistan Sovereign guarantee	6 months T-Bill plus zero basis points	Semi-annually	3,950,000	4,000,000
GOP IJARA SUKUK - 12 14,750 (2012: 11,850) certificates Maturity date: June, 2015	Government of Pakistan Sovereign guarantee	6 months T-Bill plus zero basis points	Semi-annually	1,484,752	1,198,077
				18,062,874	18,818,594

9.3.2 Particulars of Sukuk Certificates - Unquoted, Secured

Particulars	Collateral	Profit Rate	Profit payment	2013	2012
				Nominal value	
				Rupees in '000	
WAPDA II 91,075 (2012: 91,075) certificates Maturity date: July, 2017	Government guaranteed	6 months KIBOR minus 25 basis points	Semi-annually	303,583	379,479
WAPDA III 167,353 (2012: Nil) certificates Maturity date: October, 2021	Government guaranteed	6 months KIBOR plus 175 basis points	Semi-annually	836,765	-
				1,140,348	379,479

Particulars	Collateral	Profit Rate	Profit payment	2013	2012
				Nominal value	
				----------- Rupees in '000 -----------	
ENGRO FERTILIZER LIMITED 60,000 (2012: 60,000) certificates Maturity date: September, 2015	Tangible Assets	6 months KIBOR plus 150 basis points	Semi-annually	300,000	300,000
ENGRO FERTILIZER LIMITED 75,000 (2012: 75,000) certificates Maturity date: December, 2019	Tangible Assets	6 months KIBOR plus 211 basis points	Semi-annually	337,500	375,000
SUI SOUTHERN GAS COMPANY LIMITED 100,000 (2012: 100,000) certificates Maturity date: May, 2017	Tangible Assets	3 months KIBOR plus 75 basis points	Quarterly	500,000	500,000
K.S. SULEMANJI & SONS (PVT) LIMITED 20,000 (2012: 20,000) certificates Maturity date: July, 2014	Tangible Assets	3 months KIBOR plus 140 basis points	Quarterly	25,523	53,173
QUETTA TEXTILE MILLS LIMITED 40,000 (2012: 40,000) certificates Maturity date: March, 2020	Tangible Assets	6 months KIBOR plus 175 basis points	Semi-annually	143,448	160,000
EMIRATES ISLAMIC BANK P.J.S.C * 700,000 (2012: 300,000) certificates Maturity date: January, 2017	Tangible Assets	4.718%	Semi-annually	769,218	305,637
MAJID AL FUTTAIM * Nil (2012: 300,000) certificates Maturity date: February, 2017	Tangible Assets	5.850%	Semi-annually	-	315,689
TAMWEEL P.J.S.C* 1,200,000 (2012: NIL) certificates Maturity date: January, 2017	Tangible Assets	5.154%	Semi-annually	1,112,769	-
DUBAI ELECTRICITY AND WATER AUTHORITY* 500,000 (2012: NIL) certificates Maturity date: March, 2018	Sovereign Guarantee of Government of Dubai	3.000%	Semi-annually	526,623	-
EMIRATES AIRLINES* 1,200,000 (2012: NIL) certificates Maturity date: March, 2023	Sovereign Guarantee of Government of Dubai	3.875%	Semi-annually	1,127,592	-
DUBAI DEPARTMENT OF FINANCE* 900,000 (2012: NIL) certificates Maturity date: January, 2023	Sovereign Guarantee of Government of Dubai	3.875%	Semi-annually	947,921	-
				5,790,594	2,009,499
				6,930,942	2,388,978

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

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9.3.3 Quality of Available for Sale Securities

	2013 Long / Medium Term Rating (Where available)	2012 Long / Medium Term Rating (Where available)	2013 Rupees in '000	2012 Rupees in '000
Sukuk / Certificates - (at cost)				
Engro Fertilizer Limited	Unrated	Unrated	337,500	375,000
Engro Fertilizer Limited	Unrated	Unrated	300,000	300,000
Sui Southern Gas Company Limited	Unrated	Unrated	500,000	500,000
K.S. Sulemanji & Sons (Private) Limited	Unrated	Unrated	25,523	53,173
WAPDA Third Sukuk Certificates	Unrated	-	836,765	-
Quetta Textile Mills Limited	D	D	143,448	160,000
			2,143,236	1,388,173
Sukuk / Certificates - (at market value)				
WAPDA Second Sukuk Certificates	Unrated	Unrated	303,765	380,769
Emirates Islamic Bank P.J.S.C	Baa1	A+	779,850	307,133
Majid Al Futtaim	-	BBB	-	320,595
Tamweel P.J.S.C	Baa3	-	1,118,415	-
Dubai Electricity And Water Authority	BBB	-	525,310	-
Emirates Airlines	Unrated	-	1,076,758	-
Dubai Department Of Finance	Unrated	-	894,899	-
GOP Ijara Sukuk - 5 -Maturity: November, 2013	Government Guaranteed	Government Guaranteed	-	649,709
GOP Ijara Sukuk - 6 -Maturity: December, 2013	Government Guaranteed	Government Guaranteed	-	4,324,851
GOP Ijara Sukuk - 7 -Maturity: March, 2014	Government Guaranteed	Government Guaranteed	550,825	908,460
GOP Ijara Sukuk - 8 -Maturity: May,2014	Government Guaranteed	Government Guaranteed	1,055,670	2,019,600
GOP Ijara Sukuk - 9 -Maturity: December,2014	Government Guaranteed	Government Guaranteed	10,301,948	5,802,767
GOP Ijara Sukuk - 10 -Maturity: March, 2015	Government Guaranteed	-	808,880	-
GOP Ijara Sukuk - 11 -Maturity: April, 2015	Government Guaranteed	Government Guaranteed	3,993,055	4,036,400
GOP Ijara Sukuk - 12 -Maturity: June, 2015	Government Guaranteed	Government Guaranteed	1,491,668	1,196,376
			22,901,043	19,946,660
Total - cost / market value of investments			**25,044,279**	**21,334,833**

10 ISLAMIC FINANCING AND RELATED ASSETS

	Note	2013 Rupees in '000	2012 Rupees in '000
In Pakistan			
- Murabaha	10.1	7,182,260	3,715,869
- Musharaka cum Ijara – Housing		5,054,607	4,917,598
- Musharaka cum Ijara	10.2	7,137,338	6,270,785
- Ijara Muntahiya Bil Tamleek – Autos		242,860	209,593
- Musharaka cum Ijara – Other		554,704	555,302
- Export Refinance under Islamic Scheme - SBP		1,961,521	1,600,000
- Export Refinance under Islamic Scheme - Own Source		-	41,126
- Wakala Istithmar – Pre manufacturing		2,256,917	689,537
- Wakala Istithmar – Post manufacturing		554,120	438,104
- Shirkatulmilk		3,679,553	1,756,305
- Service Ijarah and related assets		996,000	1,000,000
- Musharaka		1,359,953	440,667
- Istisna cum Wakala	10.3	5,779,076	5,441,542
Islamic financing and related assets – gross		36,758,909	27,076,428
Less: Provision against non-performing Islamic financing and related assets	10.6 & 10.7	(1,218,523)	(761,761)
Islamic financing and related assets – net of provisions		35,540,386	26,314,667

		Note	2013	2012
10.1	**Murabaha**		---------Rupees in '000--------	
	Financings	10.4.2	6,315,680	3,509,997
	Advances		866,580	205,872
			7,182,260	3,715,869
10.2	**Musharaka cum Ijara**			
	Financings		7,022,364	6,130,723
	Advances		114,974	140,062
			7,137,338	6,270,785
10.3	**Istisna cum Wakala**			
	Financings		3,913,500	3,418,509
	Advances		1,865,576	2,023,033
			5,779,076	5,441,542
10.4	Murabaha sale price		11,679,772	7,910,063
	Purchase price		(11,134,174)	(7,580,182)
			545,598	329,881
10.4.1	**Deferred Murabaha income**			
	Opening balance		72,740	72,107
	Arising during the year		545,598	329,881
	Recognised during the year		(441,831)	(329,248)
			176,507	72,740
10.4.2	**Murabaha receivable**			
	Opening balance		3,509,997	2,824,901
	Sales during the year		11,679,772	7,910,063
	Received during the year		(8,874,089)	(7,224,967)
			6,315,680	3,509,997

		2013	2012
10.5	**Particulars of Islamic financing and related assets (Gross)**	---------Rupees in '000--------	
10.5.1	In local currency	34,722,348	26,195,559
	In foreign currencies	2,036,561	880,869
		36,758,909	27,076,428
10.5.2	Short Term (for upto one year)	18,294,973	12,619,116
	Long Term (for over one year)	18,463,936	14,457,312
		36,758,909	27,076,428

10.6 Islamic financing and related assets include Rs. 2,602.630 million (December 31, 2012: 2,494.271 million) which have been placed under non-performing status as detailed below:

Category of Classification	2013								
	Classified Islamic financings and related			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	---------- Rupees in '000 ----------								
Substandard	263,564	-	263,564	60,505	-	60,505	60,505	-	60,505
Doubtful	190,824	-	190,824	17,400	-	17,400	17,400	-	17,400
Loss	2,148,242	-	2,148,242	1,086,792	-	1,086,792	1,086,792	-	1,086,792
	2,602,630	-	2,602,630	1,164,697	-	1,164,697	1,164,697	-	1,164,697

Category of Classification	2012								
	Classified Islamic financings and related			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	---------- Rupees in '000 ----------								
Substandard	1,021,088	-	1,021,088	27,307	-	27,307	27,307	-	27,307
Doubtful	285,729	-	285,729	14,055	-	14,055	14,055	-	14,055
Loss	1,187,454	-	1,187,454	667,173	-	667,173	667,173	-	667,173
	2,494,271	-	2,494,271	708,535	-	708,535	708,535	-	708,535

10.7 Particulars of provision against non-performing islamic financing and related assets:

	2013			2012		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	708,535	53,226	761,761	512,798	56,110	568,908
Charge for the year	556,405	600	557,005	409,342	(2,884)	406,458
Reversals	(100,243)	-	(100,243)	(213,605)	-	(213,605)
	456,162	600	456,762	195,737	(2,884)	192,853
Write off	-	-	-	-	-	-
Closing balance	1,164,697	53,826	1,218,523	708,535	53,226	761,761

10.7.1 Particulars of provision against non-performing islamic financing and related assets:

	2013			2012		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
In local currency	1,161,762	53,826	1,215,588	706,161	53,226	759,387
In foreign currency	2,935	-	2,935	2,374	-	2,374
	1,164,697	53,826	1,218,523	708,535	53,226	761,761

The Bank has availed benefit of forced sale values amounting to Rs. 584.677 million (2012: Rs. 582.414 million) in determining the provisioning against non performing islamic financing as at December 31, 2013.

10.7.2 The non performing financings includes classified financings of Rs. 765 million disbursed to Agritech Limited. The required provision as at December 31, 2013 in accordance with the requirements of the Prudential Regulations of the State Bank of Pakistan against Agritech Limited amounted to Rs 511.600 million. However, the State Bank of Pakistan vide its letter no. BPRD / BRD - (Policy) / 2013-11339 dated July 25, 2013 has provided relaxation to the Bank, whereby the Bank is allowed to recognise provision in a phased manner against outstanding exposure and maintain at least 30%, 40%, 50%, 60%, 75%, 85%, and 100% of the required provision as at June 30, 2013, September 30, 2013, December 31, 2013, March 31, 2014, June 30, 2014, September 30, 2014 and December 31, 2014 respectively. Following relaxation provided by the SBP, the Bank has recorded total provision of Rs. 255.800 million in respect of outstanding exposure of Agritech Limited.

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

10.7.4 Particulars of Islamic financing and related assets to directors, executives or officers of the Bank or any of them either severally or jointly with any other persons:	**2013**	**2012**
	(Rupees in '000)	
Balance at beginning of the year	896,488	868,379
Financing granted during the year	368,660	284,012
Repayments	(270,757)	(255,903)
Balance at end of the year	994,391	896,488

10.8 Particulars of write-offs

	2013	2012
Against provisions	-	-
Directly charged to the profit and loss account	-	-
	-	-
Write offs of Rs. 500,000 and above	-	-
Write offs of below Rs. 500,000	-	-
	-	-

10.8.1 Details of islamic financing and related assets written-off of Rs. 500,000 and above.

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962, the Statement in respect of Islamic Financing and Related Assets (in the case of the Bank) written off or any other financial relief of five hundred thousand rupees or above allowed to a person(s) during the year ended December 31, 2013 is given in Annexure - 1.

	Note	2013	2012
		(Rupees in '000)	

11 OPERATING FIXED ASSETS

	Note	2013	2012
Capital work-in-progress - net	11.1	6,757	52,687
Property and equipment	11.2	1,173,303	1,148,250
Intangible assets	11.3	274,850	334,335
		1,454,910	1,535,272

11.1 Capital work-in-progress

	2013	2012
Civil works	55	1,459
Equipment	3,687	42,085
Advances to suppliers and contractors	18,415	24,543
Less: Provision against Capital work-in-progress	(15,400)	(15,400)
	6,757	52,687

11.2 Property and equipment

	2013							
	COST			DEPRECIATION				
	As at January 01, 2013	Additions (disposals) / (write-offs)	As at December 31, 2013	As at January 01, 2013	Charge for the year / (disposals) / (write-offs)	As at December 31, 2013	Net book value as at December 31, 2013	Rate of Depreciation
	Rupees in '000							
Leasehold land	47,932	-	47,932	-	-	-	47,932	-
Furniture and fixture	235,698	30,955	266,653	101,863	24,166	126,029	140,624	10
Electrical, office and computer equipment	1,160,157	168,141 (5,514) (2,669)	1,320,115	669,051	117,583 (4,131) (1,548)	780,955	539,160	10-33.33
Vehicles	25,808	3,023 (899)	27,932	17,794	1,389 (719)	18,464	9,468	25
Leasehold Improvements	857,053	53,603	910,656	389,690	84,847	474,537	436,119	5-15
	2,326,648	255,722 (6,413) (2,669)	2,573,288	1,178,398	227,985 (4,850) (1,548)	1,399,985	1,173,303	

	2012							
	COST			DEPRECIATION				
	As at January 01, 2012	Additions (write offs) / (disposals)	As at December 31, 2012	As at January 01, 2012	Charge for the year (write off) / (disposals)	As at December 31, 2012	Net book value as at December 31, 2012	Rate of Depreciation
	Rupees in '000							
Leasehold land	47,932	-	47,932	-	-	-	47,932	-
Furniture and fixture	202,095	33,883 (280)	235,698	79,614	22,281 (32)	101,863	133,835	10
Electrical, office and computer equipment	1,060,643	114,780 (14,702) (564)	1,160,157	561,430	118,559 (10,579) (359)	669,051	491,106	10-33.33
Vehicles	23,664	3,080 (936)	25,808	18,122	421 (749)	17,794	8,014	25
Leasehold Improvements	784,283	72,770	857,053	305,501	84,189	389,690	467,363	5 - 15
	2,118,617	224,513 (15,918) (564)	2,326,648	964,667	225,450 (11,360) (359)	1,178,398	1,148,250	

11.2.1 Disposal of operating fixed assets

	2013						
	Cost	Accumulated depreciation	Written down value	Sale price	Gain/(loss)	Mode of disposal	Particulars of buyer
	Rupees in '000						
Electrical, office and computer equipment							
Items having book value of more than Rs. 250,000 or cost of more than Rs. 1,000,000	3,430	2,572	858	860	2	Negotiation	Shumail Trading Company
Others							
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	2,983	2,278	705	2,002	1,297	Banks Policy	Various
Write-offs	2,669	1,548	1,121	-	(1,121)	N/A	N/A
	9,082	6,398	2,684	2,862	178		

11.2.2 The cost of fully depreciated fixed assets still in use amounts to Rs. 578.376 million (2012: Rs. 343.528 million).

11.3 Intangible assets

	2013							
	COST			AMORTISATION				
	As at January 01, 2013	Additions / (disposals)	As at December 31, 2013	As at January 01, 2013	Amortisation	As at December 31, 2013	Net book value as at December 31, 2013	Rate of amortization
	Rupees in '000							
Computer software	662,503	24,288	686,791	328,168	83,773	411,941	274,850	11.11 - 33.33

	2012							
	COST			AMORTISATION				
	As at January 01, 2012	Additions / (disposals)	As at December 31, 2012	As at January 01, 2012	Amortisation	As at December 31, 2012	Net book value as at December 31, 2012	Rate of amortization
	Rupees in '000							
Computer software	655,308	7,195	662,503	245,402	82,766	328,168	334,335	11.11 - 33.33

11.3.1 The cost of fully amortized intangibles still in use amounts to Rs. 49.125 million (2012: Rs. 30.202 million).

	Note	2013	2012 (Restated)	2011 (Restated)
12 DEFERRED TAX ASSETS		Rupees in '000		
Deferred tax debits arising due to:				
Available tax losses	12.1	12,006	165,302	317,102
Minimum tax		212,215	147,046	115,341
Provision against non-performing islamic financings and related assets		84,630	19,147	15,316
Others		-	-	5,158
Deferred tax credits arising due to:				
Accelerated tax depreciation on operating fixed assets		(57,002)	(70,104)	(81,079)
		251,849	261,391	371,838
Equity				
(Surplus) / deficit on revaluation of investments		(17,662)	(44,541)	2,571
		234,187	216,850	374,409

12.1 The Bank has an aggregate amount of Rs. 34.304 million (2012: Rs. 472.291 million - Restated) in respect of tax losses as at December 31, 2013. The management carries out periodic assessments of these losses as the Bank would be able to set off the profit earned in future years against these carry forward losses. Based on this assessment the management has recognised the entire deferred tax debit balance on losses amounting to Rs 12.006 million (2012: Rs. 165.302 million - Restated). The amount of this benefit has been determined based on the projected figures for the future periods. The determination of future taxable profits is most sensitive to certain key assumptions such as cost to income ratio of the Bank, deposit composition, kibor rates, growth of deposits and financings, investment returns, product mix of financings, potential provision against assets and branch expansion plan. Any significant change in the key assumptions may have an effect on the realisability of the deferred tax asset.

13 OTHER ASSETS

	Note	2013	2012 (Restated)	2011 (Restated)
		Rupees in '000		
Profit / return accrued in local currency		536,488	572,933	440,992
Profit / return accrued in foreign currency		75,618	8,114	5,852
Advances, deposits, advance rent and other prepayments	13.1	433,045	421,180	521,361
Advance taxation (payments less provisions)		11,987	-	4,430
Unrealised gain on forward foreign exchange promises		7,902	-	-
Receivables from group companies		9,324	9,324	-
Commission receivable		23,015	12,304	10,534
Dividend receivable		-	-	30,811
Others		21,490	29,133	21,987
		1,118,869	1,052,988	1,035,967
Less: Provision held against other assets	13.2	(8,397)	(8,397)	(7,606)
Other assets (net of provisions)		1,110,472	1,044,591	1,028,361

13.1 This includes Rs 220.716 million (2012: Rs 186.376 million) for advance rent, Rs 131.230 million (2012: 115.529 million) against prepaid commission to staff and dealers in respect of auto and house musharaka. The prepaid commission paid to staff and dealers in respect of auto financings is charged over the period of musharaka agreements. However, the prepaid commission paid to staff and dealers in respect of house musharaka is charged over a period of fifteen years. This also includes an amount of Rs 20.749 million (2012; Rs 62.608 million) pertaining to prepaid tracker maintenance cost which is amortised over the period of time.

13.2 Provision held against other assets

	Note	2013	2012
		Rupees in '000	
Opening balance		8,397	7,606
Charge for the year		-	791
Reversals		-	-
Closing balance		8,397	8,397

14 BILLS PAYABLE

In Pakistan	1,204,641	656,592
Outside Pakistan	4,221	2,443
	1,208,862	659,035

15 DUE TO FINANCIAL INSTITUTIONS

In Pakistan	2,938,000	1,600,000
Outside Pakistan	-	-
	2,938,000	1,600,000

15.1 Details of due to financial institutions secured / unsecured

	Note	2013	2012
Secured			
Musharaka from State Bank of Pakistan under Islamic Export Refinance Scheme	15.1.1	1,938,000	1,600,000
Unsecured			
Wakala Placements	15.1.2	1,000,000	-
		2,938,000	1,600,000

15.1.1 The Musharaka is on a profit and loss sharing basis having maturity dates between February 26, 2014 to June 25, 2014 (2012: March 3, 2013 to June 4, 2013) and is secured against demand promissory notes executed in favor of the State Bank of Pakistan (SBP). A limit of Rs 2,700 million (2012: 1,600 million) has been allocated to the Bank by the SBP under Islamic Export Refinance Scheme for the financial year ending December 31, 2013.

15.1.2 This carries expected profit at the rate of 8.34% per annum and is maturing in the month of January, 2014.

	2013	2012
	Rupees in '000	
15.2 Particulars of due to financial institutions with respect to currencies		
In local currency	2,938,000	1,600,000
In foreign currencies	-	-
	2,938,000	1,600,000

16 DEPOSITS AND OTHER ACCOUNTS

	2013	2012
Customers		
Fixed deposits	23,016,851	21,788,048
Savings deposits	21,498,013	17,353,985
Current accounts - non-remunerative	21,931,811	13,822,435
Margin accounts – non-remunerative	80,398	44,043
	66,527,073	53,008,511
Financial Institutions		
Remunerative deposits	1,051,723	100,359
Non-remunerative deposits	60,428	1,178
	67,639,224	53,110,048

16.1 Particulars of deposits

	2013	2012
In local currency	58,640,381	47,145,986
In foreign currencies	8,998,843	5,964,062
	67,639,224	53,110,048

17 OTHER LIABILITIES

	Note	2013	2012	2011 Restated
		Rupees in '000		
Profit / return payable in local currency		580,417	583,022	578,455
Deferred Murabaha Income - Financings	10.4.1	176,507	72,740	72,107
Deferred Murabaha Income - IERS		-	-	8,315
Deferred Murabaha Income - Commodity Murabaha	8.2	24,705	2,740	7,671
Accrued expenses		196,660	143,340	103,403
Advance from customers		272,291	206,623	216,281
Unrealised loss on forward foreign exchange promises		-	19	4,682
Payable to group company		10,600	-	14,200
Taxation payable		-	761	-
Security deposits against musharaka cum ijara		17,310	20,875	9,957
Retention money		4,137	3,335	7,407
Payable to Contractors		18,030	1,377	3,898
Charity Payable	17.1	8,447	16,489	24,198
Worker Welfare Fund Payable		17,106	19,160	8,206
Withholding tax payable		2,100	1,722	1,614
Others		179,783	192,176	114,697
		1,508,093	1,264,379	1,175,091

	2013	2012
	Rupees in '000	
17.1 Opening balance	16,489	24,198
Additions during the year	8,658	10,721
Payments during the year	(16,700)	(18,430)
Closing balance	8,447	16,489

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

	Note	2013	2012
		------- Rupees in '000 -------	
Shaukat Khanum Memorial Cancer Hospital		2,850	3,500
The Indus Hospital		2,850	3,500
Sindh Institute of Urology and Transplantation		2,850	2,500
Chippa Welfare Association		500	500
Layton Rahmatulla Benevolent Trust	17.1.2	2,850	3,000
Zakia Naz		1,500	-
Ghurki Trust Teaching Hospital		1,350	1,500
Children Cancer Hospital		600	1,000
Deaf & Dumb Welfare Society (Regd.) Sargodha		-	500
Muhammad Qaiser		-	30
Koohi Goth Hospital		-	900
Pakistan Kidney Institute / Shifa Foundation		1,350	1,500
		16,700	18,430

17.1.2 One member of the Board of Directors of the Bank is one of the trustees of the Donee.

17.1.3 Charity was not paid to any active staff of the Bank or to any individual / organisation in which a director or his spouse had any interest at any time during the year except as mentioned in note 17.1.2.

18 SHARE CAPITAL

18.1 Authorised capital

2013	2012		2013	2012
------- Number of Shares -------			------- Rupees in '000 -------	
1,200,000,000	1,200,000,000	Ordinary shares of Rs.10 each	12,000,000	12,000,000

18.2 Issued, subscribed and paid up

Ordinary shares of Rs. 10/- each **Fully paid in cash**

2013	2012		2013	2012
------- Number of Shares -------			------- Rupees in '000 -------	
697,603,000	677,603,000	Opening Balance	6,976,030	6,776,030
-	20,000,000	Issued during the year	-	200,000
697,603,000	697,603,000	Closing Balance	6,976,030	6,976,030

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

18.4 The State Bank of Pakistan (SBP) vide BSD Circular No. 7 of 2009 dated April 15, 2009 has revised the Minimum Capital Requirement for banks. As per this circular the Bank was required to have a minimum issued, subscribed and paid-up capital (free of losses) of Rs.10 billion as at December 31, 2013. The paid-up capital of the Bank (free of losses) amounted to Rs. 6.902 billion as at December 31, 2013. As more fully explained in note 1.5 to these financial statements, the SBP vide its letter no. BPRD/BA & CP/623/019653/2013 dated December 28, 2013 has allowed the Bank to raise FCY sub-ordinated debt of US$ 32 million from the sponsors and place the same in non-remunerative deposit account with SBP. The funds placed as non-remunerative deposit with SBP will be considered for CAR / MCR purposes subject to certain terms and conditions.

The deposit of USD with SBP in lieu of paid up capital is a short term arrangement and the bank is required to comply with the MCR (free of losses) of Rs. 10 billion by December 31, 2016. The bank is also required to initiate the process of share issuance for meeting any shortfall in the MCR of Rs. 10 billion in the 1st half of 2016.

19 RESERVES

	Note	2013	2012
		------- Rupees in '000 -------	
Statutory Reserves	19.1	27,372	69,140

19.1 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. During the current year, SBP's approval was obtained for transferring back the amount from statutory reserves to offset the accumulated losses in order to reduce Minimum Capital Requirement (MCR) shortfall.

	2013	2012
20 SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS	------- Rupees in '000 -------	
20.1 Surplus on revaluation of available for sale securities		
Sukuk	50,463	127,261
Less : Related deferred tax liability	(17,662)	(44,541)
	32,801	82,720

21 CONTINGENCIES AND COMMITMENTS

	2013	2012
21.1 Transaction - related contingent liabilities		
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favoring		
- Government	474,750	480,674
- Banking companies and other financial institutions	31,815	30,329
- Others	1,531,397	1,200,624
	2,037,962	1,711,627
21.2 Trade-related contingent liabilities		
Import Letters of Credit (including acceptances)	4,468,071	1,574,556

21.3 Commitments in respect of promises to	2013	2012
	------- Rupees in '000 -------	
Purchase	4,029,920	1,718,862
Sell	4,908,501	4,071,087
21.4 Commitments for the acquisition of operating fixed assets	88,364	30,515

21.5 Commitments in respect of financing facilities

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

	Note	2013	2012
22 PROFIT / RETURN EARNED		------- Rupees in '000 -------	
On Islamic financing and related assets to Customers		3,238,841	3,193,468
On Investments in available for sale securities		2,375,250	1,912,850
On deposits / placements with financial institutions		162,540	575,804
		5,776,631	5,682,122
23 PROFIT / RETURN EXPENSED			
Deposits and other accounts		2,489,281	2,664,689
Other short term fund generation		173,462	143,103
		2,662,743	2,807,792
24 GAIN ON SALE OF SECURITIES			
Sukuk certificates			
- Federal government		14,856	9,445
- Foreign currency Sukuk		14,409	51,537
- Mutual Funds Units		-	3,792
Gain on sale of securities		29,265	64,774

25 OTHER INCOME

	Note	2013	2012
		------- Rupees in '000 -------	
Gain on sale of property and equipment	11.2.1	178	1,210
Liabilities no longer required written back		-	4,093
Sharing of management fee		-	2,607
Refund of SBP Penalty		3,148	
Other		59	-
		3,385	7,910

26 ADMINISTRATIVE EXPENSES

	Note	2013	2012 (Restated)
		------- Rupees in '000 -------	
Salaries, allowances, etc.	26.1	1,230,212	1,056,861
Sharia Remuneration		1,696	3,488
Charge for defined benefit plan		27,290	26,386
Contribution to defined contribution plan		37,653	32,485
Brokerage and commission		102,197	143,362
Rent, taxes, insurance, electricity, etc.		827,838	722,516
Legal and professional charges		65,149	50,054
Communications		144,100	136,125
Repairs and maintenance		194,262	177,518
Traveling		27,731	26,150
Stationery and printing		37,018	38,110
Subscription fees		3,197	2,664
Advertisement and publicity		33,272	28,452
Auditors' remuneration	26.2	4,971	3,350
Depreciation	11.2	227,985	225,450
Amortization	26.3	83,773	82,766
Tracker related costs		46,120	38,955
Others		88,072	53,002
		3,182,536	2,847,694

26.1 This includes Rs. 5.466 million (2012: Rs. 3.640 million) in respect of Contribution to Employees' Old Age Benefit Institution.

26.2 Auditors' remuneration

	Note	2013	2012
		------- Rupees in '000 -------	
Audit fee		900	750
Fee for the review of half yearly financial statements		400	330
Fee for review of compliance with CCG		170	165
Fee for special certifications and group reporting		2,718	1,515
Out-of-pocket expenses		783	590
		4,971	3,350

26.3 Amortisation

	Note	2013	2012
Intangible assets	11.3	83,773	82,766
		83,773	82,766

27 OTHER CHARGES

		2013	2012
Worker Welfare Fund		4,425	10,954
Penalties imposed by the State Bank of Pakistan		26	1,749
		4,451	12,703

28 TAXATION

	2013	2012 Restated
	------- Rupees in '000 -------	
- Current	65,169	39,436
- Prior years	-	6,911
- Deferred	9,868	108,435
	75,037	154,782

28.1 Numerical reconciliation between the average tax rate and the applicable tax rate has not been presented as the Bank has accumulated losses in prior periods and provision for current taxation has been made under section 113 of the Income Tax Ordinance, 2001 (Minimum Tax).

28.2 Under section 114 of the Income Tax Ordinance, 2001 (Ordinance), the Bank has filed the returns of income for the tax years from 2006 to 2013 on due dates. These returns were deemed assessed under the provisions of the prevailing income tax law as applicable in Pakistan during the relevant accounting years.

29 BASIC AND DILUTED EARNING PER SHARE

	Note	2013	2012 Restated
		Rupees in '000	
Profit after taxation for the year		136,860	344,724
		Number of shares	
Weighted average number of ordinary shares in issue - Number		697,603,000	683,559,284
		Rupees	
Earning per share - basic and diluted	29.1	0.1962	0.5043

29.1 There were no convertible / dilutive potential ordinary shares outstanding as at December 31, 2013 and December 31, 2012

30 CASH AND CASH EQUIVALENTS

	Note	2013	2012
		Rupees in '000	
Cash and balances with treasury banks	6	5,291,178	4,196,103
Balances with other banks	7	1,840,378	5,660,301
		7,131,556	9,856,404

31 STAFF STRENGTH

	2013	2012
	Number of employees	
Permanent	1,143	942
Contractual basis	6	5
Bank's own staff strength at the end of the year	1,149	947
Outsourced	820	792
Total staff strength	1,969	1,739

32 DEFINED BENEFIT PLAN

32.1 Principal actuarial assumptions

The latest actuarial valuation of the Bank's gratuity scheme was carried out as at December 31, 2013. Projected unit credit method, using the following significant assumptions, was used for the valuation of the defined benefit plan:

	2013	2012	2011
Discount Rate	12.5%	11.50%	12.50%
Expected rate of salary increase	9.5%	8.50%	9.50%
Normal retirement age	60	60	60

32.2 Reconciliation of payable to defined benefit plan

	2013	2012 Restated	2011 Restated
		(Rupees in '000)	
Present value of defined benefit obligations	106,951	89,470	71,317
Fair value of plan assets	(106,951)	(103,096)	(77,918)
	-	(13,626)	(6,601)

	2013	2012 Restated	2011 Restated
	(Rupees in '000)		
32.3 Movement in defined benefit obligation			
Obligations at the beginning of the year	89,470	71,317	67,299
Current service cost	28,855	27,213	19,215
Cost of Fund	10,292	8,915	9,421
Benefits paid	(18,415)	(13,127)	(23,859)
Actuarial (gain) / loss on obligation	(3,251)	(4,848)	(759)
Obligations at the end of the year	106,951	89,470	71,317
32.4 Movement in fair value of plan assets			
Fair value at the beginning of the year	103,096	77,918	76,319
Expected return on plan assets	11,857	9,742	9,158
Contributions	14,599	27,663	16,548
Benefits paid	(18,415)	(13,127)	(23,859)
Actuarial gain / (loss) on plan assets	(4,186)	900	(248)
Fair value at the end of the year	106,951	103,096	77,918
32.5 Plan assets consist of the following:			
Balance with Bank in deposit accounts	26,034	33,516	5,640
Sukuk	80,917	69,580	72,278
	106,951	103,096	77,918
32.6 Movement in payable to defined benefit plan			
Opening balance	(13,626)	(6,601)	-
Charge for the year	27,290	26,386	19,325
Other Comprehensive Income	935	(5,748)	(9,377)
Bank's contribution to the fund made during the year	(14,599)	(27,663)	(16,549)
Closing balance	-	(13,626)	(6,601)
32.7 Charge for defined benefit plan			
Current service cost	28,855	27,213	19,215
Net (return) / cost	(1,565)	(827)	110
	27,290	26,386	19,325
32.8 Actual return on plan assets	7,670	10,642	7,642

32.9 Historical information

	2013	2012	2011	2010	2009
	(Rupees in '000)				
Defined benefit obligation	106,951	89,470	71,317	67,299	58,422
Fair value of plan assets	(106,951)	(103,096)	(77,918)	(76,319)	(63,822)
(Surplus) / deficit	-	(13,626)	(6,601)	(9,020)	(5,400)
Remeasurements of plan liabilities	3,251	4,848	759	6,001	9,729
Remeasurements of plan assets	(4,186)	900	(248)	(2,380)	(275)

32.10 The weighted average duration of the defined benefit obligation is 8 years.

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

Less than a year	Between 1 - 2 years	Between 2 - 3 years	Over 5 years	Total
(Rupees in '000)				
15,866	14,282	36,438	346,764	413,350

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

	Change in assumption	Increase in assumption	Decrease in assumption
		Impact on defined benefit obligation - Increase / (Decrease)	
		----------(Rupees in '000)------	
Discount rate	0.50%	(3,639)	4,239
Salary growth rate	0.50%	3,897	(3,985)

	Increase by 1 year in assumption	Decrease by 1 year in assumption
	----------(Rupees in '000)------	
Life expectancy / Withdrawal rate	(2,895)	1,274

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

33 DEFINED CONTRIBUTION PLAN (PROVIDENT FUND)

The Bank operates a contributory provident fund scheme for permanent employees. The employer and employee both contribute 10% of the basic salaries to the funded scheme every month. Equal monthly contributions by the employer and employees during the year amounted to Rs. 37.653 million each (2012: Rs. 32.485 million).

34 COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive		Directors		Executives	
	2013	2012	2013	2012	2013	2012
			---Rupees in '000---			
Fees	-	-	8,411	6,684	-	-
Managerial remuneration (including Bonus)	22,805	20,044	-	-	276,455	243,488
Charge for defined benefit plan	-	-	-	-	21,563	16,897
Contribution to defined contribution plan	343	-	-	-	25,876	20,277
Rent and house maintenance	6,773	5,117	-	-	106,025	83,747
Utilities	872	879	-	-	25,876	20,277
Medical	40	40	-	-	6,154	5,917
Leave fare assistance	621	621	-	-	25,420	17,584
Car allowance	1,260	-	-	-	75,522	55,130
Others	155	1,933	-	-	11,144	4,141
	32,869	28,634	8,411	6,684	574,035	467,458
Number of persons	1	1	8	8	204	186

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.

35 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

The fair value of quoted investments is based on quoted market prices. Unquoted equity securities are valued at lower of cost and break-up value as per the latest available audited financial statements. Other unquoted securities are valued at cost less impairment losses. The provision for impairment in the value of investments has been determined in accordance with the accounting policy as stated in note 5.2.5 to these financial statements.

Fair values of islamic financing and related assets cannot be determined with reasonable accuracy due to absence of current and active market. The provisions against islamic financing and related assets have been calculated in accordance with the accounting policy as stated in note 5.3 to these financial statements. The repricing, maturity profile and effective rates are stated in note 39 to these financial statements.

Fair values of all other financial assets and liabilities cannot be calculated with sufficient accuracy as an active market does not exist for these instruments. In the opinion of the management, fair value of these assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short term in nature and there are frequent repricings in the case islamic financing and related assets and deposits.

Off-balance sheet financial instruments	2013		2012	
	Book value	Fair value	Book value	Fair value
	Rupees in '000			
Forward promise to purchase foreign currency	4,052,115	4,029,920	1,719,923	1,718,862
Forward promise to sell foreign currency	4,938,599	4,908,501	4,072,129	4,071,087

36 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	2013					
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Others	Total
	Rupees in '000					
Internal Income	-	(2,033,739)	3,374,475	(1,330,145)	(10,591)	-
Total income	54,681	2,461,684	2,131,433	1,853,720	18,413	6,519,931
Total expenses	(691)	(180,203)	(5,249,920)	(954,125)	1,868	(6,383,071)
Net income (loss)	53,990	247,742	255,988	(430,550)	9,690	136,860
Segment assets (gross)	-	33,458,729	11,971,161	26,707,105	9,361,937	81,498,932
Segment non performing financings	-	-	1,045,448	1,530,531	26,651	2,602,630
Segment provision required		-	530,747	672,271	15,505	1,218,523
Segment liabilities	-	1,000,000	67,434,585	3,780,100	1,079,494	73,294,179
Segment return on net assets (ROA) (%)	-	8.33%	16.15%	9.06%	3.87%	-
Segment cost of funds (%)	-	8.34%	4.36%	8.34%	-	-

	2012					
	Restated					
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Others	Total
	Rupees in '000					
Internal Income	-	(2,180,950)	3,268,646	(1,081,661)	(6,035)	-
Total income	51,651	2,548,344	2,085,235	1,665,013	27,223	6,377,466
Total expenses	-	(126,508)	(5,291,670)	(591,931)	(22,633)	(6,032,742)
Net income / (loss)	51,651	240,886	62,211	(8,579)	(1,445)	344,724
Segment assets (gross)	-	25,069,252	10,525,288	18,381,685	10,318,895	64,295,120
Segment non performing financings	-	-	1,054,504	1,408,802	30,965	2,494,271
Segment provision required		-	511,449	234,976	15,336	761,761
Segment liabilities	-	-	52,271,221	3,097,861	1,264,380	56,633,462
Segment return on net assets (ROA) (%)	-	10.23%	18.46%	11.69%	4.21%	-
Segment cost of funds (%)	-	9.85%	5.81%	9.24%	-	-

37 RELATED PARTY TRANSACTIONS

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

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

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

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

Transactions with related parties other than remuneration and benefits to key management personnel including Chief Executive Officer under the terms of the employment as disclosed in note 34 are as follows:

	2013	2012
	(Rupees '000)	
Key management personnel		
Financings		
At beginning of the year	96,730	108,810
Disbursements	22,581	69,925
Repayments	(30,749)	(82,005)
At the end of the year	88,562	96,730
Profit earned on islamic financing and related assets	4,221	4,688
Remuneration to Key Management Personnel.	130,905	130,838
Deposits		
At beginning of the year	16,136	40,112
Deposits	121,134	203,743
Withdrawals	(131,096)	(227,719)
At the end of the year	6,174	16,136
Return on deposits	242	1,257
Directors		
Financings		
At beginning of the year	-	-
Transferred from staff financings	-	-
At the end of the year	-	-
Profit earned on islamic financing and related assets	-	-
Deposits		
At beginning of the year	1,164	1,720
Deposits	13,552	2,687
Withdrawals	(9,341)	(3,243)
At the end of the year	5,375	1,164
Return on deposits	73	128
Holding company		
Placements		
At beginning of the year	-	-
Placements *	-	33,593,582
Repayments	-	(33,593,582)
At the end of the year	-	-
Profit earned on placements with Holding Company	-	935
Purchase of Foreign Currency Sukuk from Holding Company **	4,473,525	3,674,782
Sale of Foreign Currency Sukuk to Holding Company	767,118	3,178,694
Gain on sale of foreign currency sukuk	14,409	51,537
Contingent liabilities in respect of performance bonds	1,057,182	1,073,745
Fee charged by the holding company in respect of outsourcing arrangement	51,430	33,352

* These include placements made with the holding company under Wakala arrangement on behalf of the Bank.

** This includes purchase of Sukuk issued by Associate Company via Dubai Islamic Bank PJSC amounting to Rs 1.065 billion (2012: Nil)

	2013	2012
Deposits	---------- (Rupees '000) ----------	
At beginning of the year	1,178	13,252
Deposits	941,864	823,005
Withdrawals	(882,614)	(835,079)
At the end of the year	60,428	1,178
Balance held abroad		
At beginning of the year	4,021,441	44,055
Deposits	31,699,556	85,201,173
Withdrawals	(35,560,122)	(81,223,787)
At the end of the year	160,875	4,021,441
Other payables	10,600	-
Other receivables	9,324	9,324

Employee benefit plans

	2013	2012
Contribution to Employees Gratuity Fund	14,599	27,663
Contribution to Employees Provident Fund	37,653	32,485

Forex transactions - Dubai Islamic Bank P.J.S.C

CURRENCY	2013			
	READY / SPOT / TOM		FORWARD	
	BUY	SELL	BUY	SELL
	(Currency in '000)			
AED	18,300	662,550	641,700	7,900
CHF	675	40	-	-
EUR	5,805	50,128	49,100	5,550
GBP	1,520	60,165	58,800	900
JPY	15,928	-	-	-
USD	351,998	16,136	11,077	333,647

Forex deals outstanding as at year end - Dubai Islamic Bank P.J.S.C

CURRENCY	2013			
	FORWARD			
	BUY		SELL	
	Currency in '000	Rupees in '000	Currency in '000	Rupees in '000
AED	36,000	1,033,560	-	-
EUR	2,600	377,371	-	-
GBP	2,500	435,951	-	-
USD	-	-	17,481	1,843,126

Forex transactions - Dubai Islamic Bank P.J.S.C

CURRENCY	2012			
	READY / SPOT / TOM		FORWARD	
	BUY	SELL	BUY	SELL
	(Currency in '000)			
AED	39,950	933,200	862,500	3,000
CHF	390	-	-	-
EUR	2,785	67,915	65,400	-
GBP	2,480	56,515	52,050	150
JPY	-	8,500	-	-
USD	439,575	18,733	1,057	401,037

Forex deals outstanding as at year end - Dubai Islamic Bank P.J.S.C

CURRENCY	2012			
	FORWARD			
	BUY		SELL	
	Currency in '000	Rupees in '000	Currency in '000	Rupees in '000
AED	22,000	581,893	-	-
EUR	1,300	166,633	-	-
GBP	1,700	267,014	-	-
USD	-	-	10,453	1,015,531

38 CAPITAL ASSESSMENT AND ADEQUACY

38.1 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 the 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.

This process is managed by the Asset Liability Committee (ALCO) of the Bank. The objective of ALCO is to derive the most appropriate strategy in terms of the mix of assets and liabilities given its expectations of the future and the potential consequences of interest rate movement, liquidity constraints and capital adequacy and its implication on risk management policies.

The State Bank of Pakistan (SBP) has introduced new guidelines with respect to disclosure of capital adequacy related information in the financial statements of banks vide its communication dated February 4, 2014. These guidelines are based on the requirements of Base III which were introduced earlier by the SBP in August 2013 for implementation by banks in Pakistan. The SBP has specified a transitional period till 2018 for implementation of Basel III. The disclosures below have been prepared on the basis of these new guidelines. The comparative information is as per Basel II requirements which were applicable last year.

38.2 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
- 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.

38.3 Statutory Minimum Capital Requirement and management of capital

The State Bank of Pakistan (SBP) vide BSD Circular No. 7 of 2009 dated April 15, 2009 has revised the Minimum Capital Requirement for banks. As per this circular the Bank was required to have a minimum issued, subscribed and paid-up capital (free of losses) of Rs.10 billion as at December 31, 2013. The paid-up capital of the Bank (free of losses) amounted to Rs. 6.894 billion as at December 31, 2013. As more fully explained in note 1.5 to these financial statements, the SBP vide its letter no. BPRD/BA & CP/623/019653/2013 dated December 28, 2013 has allowed the Bank to raise FCY sub-ordinated debt of US$ 32 million from sponsors and place the same in non-remunerative deposit account with SBP. The funds placed as non-remunerative deposit with SBP will be considered for CAR / MCR purposes subject to certain terms and conditions.

The deposit of USD with SBP in lieu of paid up capital is a short term arrangement and the bank is required to comply with the MCR (free of losses) of Rs. 10 billion by December 31, 2016. The bank is also required to initiate the process of share issuance for meeting any shortfall in the MCR of Rs. 10 billion in the 1st half of 2016.

38.4 Capital Structure

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

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

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

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

Atto

Presently the Bank does not have any AT1 capital.

- Tier II capital, which includes general provisions for loan losses (upto a maximum of 1.25% of credit risk weighted assets), reserves on revaluation of fixed assets and available for sale investments after deduction of deficit on available for sale investments (upto a maximum of 45%).

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.

38.5 Capital adequacy ratio

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

Particulars	2013 Amount	2013 Pre - Basel III treatment*	2012 Basel II treatment (Restated)
	Rupees in '000		
Common Equity Tier 1 capital (CET1): Instruments and reserves			
Fully paid-up capital / capital deposited with the SBP	6,976,030	-	6,976,030
Balance in share premium account	-	-	-
Reserve for issue of bonus shares	-	-	-
General / Statutory Reserves	27,390	-	69,158
Gain / (Losses) on derivatives held as Cash Flow Hedge	-	-	-
(Accumulated losses) / Unappropriated profits	(73,788)	-	(251,808)
Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-	-
CET 1 before Regulatory Adjustments	**6,929,632**	**-**	**6,793,380**

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

Particulars	2013 Amount	2013 Pre - Basel III treatment*	2012 Basel II treatment (Restated)
	Rupees in '000		
Common Equity Tier 1 capital: Regulatory adjustments			
Goodwill (net of related deferred tax liability)	-	-	-
All other intangibles (net of any associated deferred tax liability)	277,348	-	343,029
Shortfall of provisions against classified assets	-	-	9,870
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	224,221	-
Defined-benefit pension fund net assets	-	-	-
Reciprocal cross holdings in CET1 capital instruments	-	-	-
Cash flow hedge reserve	-	-	-
Investment in own shares / CET1 instruments	-	-	-
Securitization gain on sale	-	-	-
Capital shortfall of regulated subsidiaries	-	-	-
Deficit on account of revaluation from bank's holdings of property / AFS	-	-	-
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	-
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	-
Amount exceeding 15% threshold of which:			
- significant investments in the common stocks of financial entities	-	-	-
- deferred tax assets arising from temporary differences	-	-	-
National specific regulatory adjustments applied to CET1 capital	-	-	-
Investment in TFCs of other banks exceeding the prescribed limit	-	-	-
Any other deduction specified by SBP	-	-	-
Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	-	-
Total regulatory adjustments applied to CET1	**277,348**	**224,221**	**352,899**
Common Equity Tier 1 (a)	**6,652,284**	**(224,221)**	**6,440,481**

Particulars	2013 Amount	2013 Pre - Basel III treatment*	2012 Basel II treatment (Restated)
	---------- Rupees in '000	----------	----------
Additional Tier 1 (AT 1) Capital			
Qualifying Additional Tier-1 instruments plus any related share premium	-	-	-
of which:			
- classified as equity	-	-	-
- classified as liabilities	-	-	-
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties	-	-	-
- of which: instrument issued by subsidiaries subject to phase out	-	-	-
AT1 before regulatory adjustments	-	-	-
Additional Tier 1 Capital: regulatory adjustments			
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	-	-
Investment in own AT1 capital instruments	-	-	-
Reciprocal cross holdings in Additional Tier 1 capital instruments	-	-	-
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	-	-	-
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-	-
Total of Regulatory Adjustment applied to AT1 capital	-	-	-
Additional Tier 1 capital	-	-	-
Additional Tier 1 capital recognised for capital adequacy (b)	-	-	-
Tier 1 Capital (CET1 + admissible AT1) (c=a+b)	**6,652,284**	**(224,221)**	**6,440,481**
Tier 2 Capital			
Qualifying Tier 2 capital instruments under Basel III	-	-	-
Capital instruments subject to phase out arrangement from tier 2	-	-	-
Tier 2 capital instruments issued to third party by consolidated subsidiaries	-	-	-
- of which: instruments issued by subsidiaries subject to phase out	-	-	-
General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	53,826	-	53,226
Revaluation Reserves		-	
of which:		-	
- Revaluation reserves on Property	-	-	-
- Unrealized Gains on AFS	14,760	18,041	37,224
Foreign Exchange Translation Reserves	-	-	-
Undisclosed / Other Reserves (if any)	-	-	-
T2 before regulatory adjustments	**68,586**	**18,041**	**90,450**

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

Particulars	2013 Amount	2013 Pre - Basel III treatment*	2012 Basel II treatment (Restated)
Tier 2 Capital: regulatory adjustments			
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-	-	-
Reciprocal cross holdings in Tier 2 instruments	-	-	-
Investment in own Tier 2 capital instrument	-	-	-
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-
Amount of Regulatory Adjustment applied to T2 capital	-		
Tier 2 capital (T2)	68,586	18,041	90,450
Tier 2 capital recognised for capital adequacy	68,586	18,041	90,450
Excess Additional Tier 1 capital recognised in Tier 2 capital	-	-	-
Total Tier 2 capital admissible for capital adequacy (d)	**68,586**	**18,041**	**90,450**
TOTAL CAPITAL (T1 + admissible T2) (e=c+d)	**6,720,870**	**(206,180)**	**6,530,931**
Total Risk Weighted Assets (i=f+g+h)	**46,056,262**	-	**34,218,929**

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

Particulars	2013 Amount	2012 Basel II treatment (Restated)
	---------- Rupees in '000 ----------	
Total Credit Risk Weighted Assets (f)	33,533,037	27,193,173
Risk weighted assets in respect of amounts subject to Pre-Basel III Treatment of which:	-	-
- recognised portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	-	-
- deferred tax assets	234,187	-
- defined-benefit pension fund net assets	-	-
Total Market Risk Weighted Assets (g)	6,191,300	1,645,243
Total Operational Risk Weighted Assets (h)	6,331,925	5,380,513
Capital Ratios and buffers (in percentage of risk weighted assets)		
CET1 to total RWA (a/i)	14.44%	18.82%
Tier-1 capital to total RWA (c/i)	14.44%	18.82%
Total capital to RWA (e/i)	14.59%	19 09%
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement) of which:	0%	0%
- capital conservation buffer requirement	-	-
- countercyclical buffer requirement	-	-
- Domestic Systemically Important Banks (SIB) or Global SIB buffer requirement	-	-
CET1 available to meet buffers (as a percentage of risk weighted assets)	14 44%	18 82%

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

Particulars	2013 Amount	2012 Basel II treatment (Restated)
	---------- Rupees in '000 ----------	
National minimum capital requirements prescribed by SBP		
CET1 minimum ratio	5%	
Tier 1 minimum ratio	6 5%	
Total capital minimum ratio	10%	15%
Amounts below the thresholds for deduction (before risk weighting)		
Non-significant investments in the capital of other financial entities	-	-
Significant investments in the common stock of financial entities	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
Applicable caps on the inclusion of provisions in Tier 2		
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	53,826	53,226
Cap on inclusion of provisions in Tier 2 under standardized approach	575,703	427,737
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

38.5.1 Risk-weighted exposures

	Book Value 2013	Risk Adjusted Value 2013	Book Value Restated 2012	Risk Adjusted Value Restated 2012
	----------(Rupees in '000)----------			
Credit Risk				
Balance Sheet Items				
Cash and balances with treasury banks	5,291,178	105,437	4,196,103	1,243,376
Balances with other banks	1,840,378	540,153	5,660,301	1,677,243
Due from financial institutions	9,740,822	1,948,164	3,206,945	641,389
Investments	25,044,279	-	21,334,833	-
Islamic financing and related assets	35,540,386	26,794,883	26,314,667	20,287,788
Operating fixed assets	1,454,910	1,177,562	1,535,272	1,192,243
Deferred tax assets	234,187	234,187	216,850	216,850
Other assets	1,110,472	1,098,485	1,044,591	1,044,591
	80,256,612	31,898,871	63,509,562	26,303,480

	Book Value	Risk Adjusted Value	Book Value	Risk Adjusted Value
			Restated	Restated
	2013	2013	2012	2012
	(Rupees in '000)			
Off Balance Sheet Items				
Acceptances & Direct credit substitutes	567,002	475,387	551,538	354,171
Purchase and Resale Agreements	-	-	-	-
Transaction related contingent liabilities	1,650,827	476,397	1,230,503	327,328
Commitments in respect of Islamic financing and related assets	-	-	-	-
Import letters of credit	4,376,771	656,103	1,534,655	198,039
Commitments in respect of forward exchange contracts				
-Purchase	4,029,920	26,279	5,789,949	10,155
-Sale	4,908,501			
	15,533,021	1,634,166	9,106,645	889,693
Credit risk-weighted exposures		33,533,037		27,193,173
Market Risk				
General market risk		2,429,275		963,450
Specific market Risk		3,762,025		681,793
Market risk-weighted exposures		6,191,300		1,645,243
Operational Risk		6,331,925		5,380,513
Total Risk-Weighted Exposures		46,056,262		34,218,929

38.5.2 Risk-weighted exposures

	Capital requirements		Risk weighted assets	
	2013	2012 Restated	2013	2012 Restated
	(Rupees in '000)			
Credit Risk				
Portfolios subject to on-balance sheet exposure (Simple Approach)				
Banks	259,375	532,780	2,593,754	3,551,869
Corporate	1,840,254	2,027,584	18,402,539	13,517,227
Retail	533,362	751,063	5,333,615	5,007,087
Residential mortgage	150,958	261,399	1,509,582	1,742,658
Past due loans	154,915	-	1,549,147	
Operating fixed assets	117,756	178,836	1,177,562	1,192,243
All other assets	133,267	193,859	1,332,672	1,292,396
Portfolios subject to off-balance sheet exposure - non market related (Simple approach)				
Banks	30,198	43,669	301,984	291,125
Corporate	120,520	4,114	1,205,200	27,424
Retail	1,234	176	12,339	1,174
Others	8,836	83,972	88,364	559,815
Portfolios subject to off-balance sheet exposures - market related (Current exposure method)				
Banks	2,628	1,523	26,279	10,155
Customers	-	-	-	-
Market Risk				
Capital Requirement for portfolios subject to Standardised Approach				
Interest rate risk	612,893	242,577	6,128,925	1,617,178
Equity position risk	-	-	-	-
Foreign exchange risk	6,238	4,210	62,375	28,065
Operational Risk				
Capital requirement for operational risk	633,193	807,077	6,331,925	5,380,513
TOTAL	4,605,627	5,132,839	46,056,262	34,218,929

Capital Adequacy Ratio

Total eligible regulatory capital held	6,720,870	6,530,931
Total risk weighted assets	46,056,262	34,218,929
Capital adequacy ratio	14.59%	19.09%

38.6 Capital Structure Reconciliation

38.6.1 Reconciliation of each financial statement line item to item under regulatory scope of reporting

Particulars	Balance sheet	Under regulatory scope of reporting
	---(Rupees in '000)---	
Assets		
Cash and balances with treasury banks	5,291,178	5,291,178
Balances with other banks	1,840,378	1,840,378
Due from financial institutions	9,740,822	9,740,822
Investments	25,044,279	25,044,279
Islamic financing and related assets	35,540,386	35,540,386
Operating fixed assets	1,454,910	1,454,910
Deferred tax assets	234,187	234,187
Other assets	1,110,472	1,110,472
Total assets	**80,256,612**	**80,256,612**
Liabilities and Equity		
Bills payable	1,208,862	1,208,862
Due to financial institutions	2,938,000	2,938,000
Deposits and other accounts	67,639,224	67,639,224
Sub-ordinated loans	-	-
Liabilities against assets subject to finance leases	-	-
Deferred tax liabilities	-	-
Other liabilities	1,508,093	1,508,093
Total liabilities	**73,294,179**	**73,294,179**
Share capital	6,976,030	6,976,030
Reserves	27,390	27,390
(Accumulated losses) / Unappropriated profits	(73,788)	(73,788)
Minority Interest	-	-
Surplus on revaluation of investments - net of tax	32,801	32,801
Total liabilities and equity	**6,962,433**	**6,962,433**

38.6.2 Reconciliation of balance sheet to eligible regulatory capital

Particulars	Reference	Balance sheet	Under regulatory scope of reporting
		---(Rupees in '000)---	
Assets			
Cash and balances with treasury banks		5,291,178	5,291,178
Balances with other banks		1,840,378	1,840,378
Due from financial institutions		9,740,822	9,740,822
Investments		25,044,279	25,044,279
of which:			
- *non-significant capital investments in capital of other financial institutions exceeding 10% threshold*	a	-	-
- *significant capital investments in financial sector entities exceeding regulatory threshold*	b	-	-
- *mutual Funds exceeding regulatory threshold*	c	-	-
- *reciprocal crossholding of capital instrument*	d	-	-
- *others*	e	-	-
Islamic financing and related assets		35,540,386	35,540,386
- *shortfall in provisions / excess of total EL amount over eligible provisions under IRB*	f	-	-
- *general provisions reflected in Tier 2 capital*	g	53,826	53,826
Operating fixed assets		1,454,910	1,454,910
- *of which: Intangibles*	k	277,348	277,348

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Particulars	Reference	Balance sheet	Under regulatory scope of reporting
		(Rupees in '000)	
Deferred tax assets		234,187	234,187
of which:			
- *DTAs excluding those arising from temporary differences*	h	234,187	234,187
- *DTAs arising from temporary differences exceeding regulatory threshold*	i		
Other assets		1,110,472	1,110,472
of which:			
- *goodwill*	j	-	-
- *defined-benefit pension fund net assets*	l	-	-
Total assets		**80,256,612**	**80,256,612**
Liabilities and Equity			
Bills payable		1,208,862	1,208,862
Due from financial institutions		2,938,000	2,938,000
Deposits and other accounts		67,639,224	67,639,224
Sub-ordinated loans of which:		-	-
- *eligible for inclusion in AT1*	m	-	-
- *eligible for inclusion in Tier 2*	n	-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities of which:		-	-
- *DTLs related to goodwill*	o	-	-
- *DTLs related to intangible assets*	p	-	-
- *DTLs related to defined pension fund net assets*	q	-	-
- *other deferred tax liabilities*	r	-	-
Other liabilities		1,508,093	1,508,093
Total liabilities		**73,294,179**	**73,294,179**
Share capital		6,976,030	6,976,030
- *of which: amount eligible for CET1*	s	6,976,030	6,976,030
- *of which: amount eligible for AT1*	t	-	-
Reserves of which:		27,390	27,390
- *portion eligible for inclusion in CET1 - Statutory reserve*	u	27,372	27,390
- *portion eligible for inclusion in CET1 - General reserve*		18	18
- *portion eligible for inclusion in Tier 2*	v	-	-
(Accumulated losses) / Unappropriated profits	w	(73,788)	(73,788)
Minority Interest of which:		-	-
- *portion eligible for inclusion in CET1*	x	-	-
- *portion eligible for inclusion in AT1*	y	-	-
- *portion eligible for inclusion in Tier 2*	z	-	-
Surplus on revaluation of assets of which:		32,801	32,801
- *Revaluation reserves on Property*		-	-
- *Unrealized Gains/Losses on AFS*	aa	32,801	32,801
- *In case of Deficit on revaluation (deduction from CET1)*	ab	-	-
Total liabilities and Equity		**80,256,612**	**80,256,612**

38.6.3 Basel III Disclosure (with added column)

	Particulars	Source based on reference number from 38.6.2	Component of regulatory capital reported by bank
			(Rupees in '000)
	Common Equity Tier 1 capital (CET1): Instruments and reserves		
1	Fully Paid-up Capital		6,976,030
2	Balance in share premium account	(s)	-
3	Reserve for issue of bonus shares		-
4	General / Statutory Reserves	(u)	27,390
5	Gain / (Losses) on derivatives held as Cash Flow Hedge		-
6	(Accumulated losses) / Unappropriated profits	(w)	(73,788)
7	Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	(x)	-
8	**CET 1 before Regulatory Adjustments**		**6,929,632**
	Common Equity Tier 1 capital: Regulatory adjustments		
9	Goodwill (net of related deferred tax liability)	(j) - (s)	-
10	All other intangibles (net of any associated deferred tax liability)	(k) - (p)	277,348
11	Shortfall of provisions against classified assets	(f)	-
12	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(h) - (r) * x%	-
13	Defined-benefit pension fund net assets	(l) - (q) * x%	-
14	Reciprocal cross holdings in CET1 capital instruments	(d)	-
15	Cash flow hedge reserve		-
16	Investment in own shares / CET1 instruments		-
17	Securitization gain on sale		-
18	Capital shortfall of regulated subsidiaries		-
19	Deficit on account of revaluation from bank's holdings of property / AFS	(ab)	-
20	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(a) - (ac) - (ae)	-
21	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	(b) - (ad) - (af)	-
22	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	(i)	-
23	Amount exceeding 15% threshold of which:		-
	- significant investments in the common stocks of financial entities		-
	- deferred tax assets arising from temporary differences		-
24	National specific regulatory adjustments applied to CET1 capital		-
25	Investment in TFCs of other banks exceeding the prescribed limit		-
26	Any other deduction specified by SBP (mention details)		-
27	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions		-
28	Total regulatory adjustments applied to CET1		277,348
	Common Equity Tier 1		**6,652,284**
	Additional Tier 1 (AT 1) Capital		
29	Qualifying Additional Tier-1 instruments plus any related share premium		-
	of which:		
30	- Classified as equity	(t)	-
31	- Classified as liabilities	(m)	-
32	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties	(y)	-
33	- of which: instrument issued by subsidiaries subject to phase out		-
34	**AT1 before regulatory adjustments**		-

	Particulars	Source based on reference number from 38.6.2	Component of regulatory capital reported by bank
			(Rupees in '000)
	Additional Tier 1 Capital: regulatory adjustments		
35	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)		-
36	Investment in own AT1 capital instruments		-
37	Reciprocal cross holdings in Additional Tier 1 capital instruments		-
38	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(ac)	-
39	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(ad)	-
40	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital		-
41	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		-
42	Total of Regulatory Adjustment applied to AT1 capital		-
43	Additional Tier 1 capital		-
44	**Additional Tier 1 capital recognised for capital adequacy**		-
	Tier 1 Capital (CET1 + admissible AT1)		**6,652,284**
	Tier 2 Capital		
45	Qualifying Tier 2 capital instruments under Basel III		-
46	Capital instruments subject to phase out arrangement from Tier 2	(n)	-
47	Tier 2 capital instruments issued to third party by consolidated subsidiaries	(z)	-
	- of which: instruments issued by subsidiaries subject to phase out		-
48	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	(g)	53,826
49	Revaluation Reserves eligible for Tier 2 of which:		
50	- portion pertaining to Property		14,760
51	- portion pertaining to AFS securities	45% of (aa)	-
52	Foreign Exchange Translation Reserves	(v)	14,760
53	Undisclosed / Other Reserves (if any)		-
54	**T2 before regulatory adjustments**		-
			68,586
	Tier 2 Capital: regulatory adjustments		
55	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital		-
56	Reciprocal cross holdings in Tier 2 instruments		-
57	Investment in own Tier 2 capital instrument		-
58	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(ae)	-
59	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(af)	-
60	Amount of Regulatory Adjustment applied to T2 capital		-
61	Tier 2 capital (T2)		68,586
62	Tier 2 capital recognised for capital adequacy		68,586
63	Excess Additional Tier 1 capital recognised in Tier 2 capital		-
64	Total Tier 2 capital admissible for capital adequacy		68,586
	TOTAL CAPITAL (T1 + admissible T2)		**6,720,870**

38.7 Main features of regulatory capital instruments

	Main Features	Common Shares
1	Issuer	Dubai Islamic Bank Pakistan Limited
2	Unique identifier	DIBPL - CDC Symbol
3	Governing law(s) of the instrument	Banking Companies Ordinance, 1962 and the Directives issued by SBP
	Regulatory treatment	
4	Transitional Basel III rules	Common Equity Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible at solo/ group/ group & solo	Solo
7	Instrument type	Ordinary shares
8	Amount recognised in regulatory capital (Currency in PKR thousands, as of reporting date)	6,976,030
9	Par value of instrument	10
10	Accounting classification	Shareholders' equity
11	Original date of issuance	March 21, 2006
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend/ coupon	N/A
18	coupon rate and any related index/ benchmark	N/A
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down feature	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument	Residual interest
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

39 RISK MANAGEMENT

The Bank was granted a certificate to commence business in March 2006. The Bank is progressively implementing the guidelines issued by the SBP on risk management while keeping in sight the current and future scale and scope of its activities. Today, for the Bank, Risk Management is a structured approach to managing uncertainty related to an outcome. It is a sequence of activities including: risk assessment, policies, procedures and strategies development which are put in place to identify, measure, monitor and control the risk faced and mitigation of risk using adequate and relevant resources.

In the currently competitive banking market the Bank's rate of return is greatly influenced by its risk management capabilities as "Banking is about managing risk and return". Success in the banking business is thus dependent on how well an institution manages its risks. It 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 shareholder while ensuring that risks are kept within an acceptable level / risk appetite.

The Board sets the overall risk appetite and philosophy for the Bank. The overall risk is monitored by the Risk Monitoring Committee of the Board (RMC). The terms of reference of this committee have been approved by the Board. Various Management Committees such as Management Committee, Asset and Liability Management Committee and Credit Committee support these goals.

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

RISK APPETITE

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

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

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

RISK ORGANISATION

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

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

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

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

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

39.1 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 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 its own credit rating system in place which takes into account both quantitative and qualitative aspects. In addition, pro-active credit risk management is undertaken through identifying target markets, defining minimum risk acceptance criteria for each industry, annual industry reports on key industries etc. 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 collection unit has been set up for recovery of problem consumer financing.

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

39.1.1 Segments by class of business

	2013					
	Islamic Financing and Related Assets (Gross)		Deposits		Contingencies and Commitments *	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture	-	-	81,134	0.12%	-	-
Textile	8,199,392	22.31%	452,036	0.67%	1,563,814	24.04%
Chemical and pharmaceuticals	2,280,786	6.20%	926,821	1.37%	128,117	1.97%
Cement	150,000	0.41%	103,538	0.15%	179,810	2.76%
Sugar	605,198	1.65%	250347	0.37%	-	-
Food	3,857,598	10.49%	47,245	0.07%	251,320	3.86%
Footwear and leather garments	209,254	0.57%	2,356	0.00%	10,296	0.16%
Automobile and transportation equipment	1,337,037	3.64%	283,030	0.42%	5,331	0.08%
Electronics and electrical appliances	104,579	0.28%	4,738	0.01%	194,503	2.99%
Construction	1,438,991	3.91%	16,108	0.02%	23,160	0.36%
Power (electricity), gas, water, sanitary	759,356	2.07%	266,357	0.39%	1,634,335	25.12%
Wholesale and retail trade	1,299,209	3.53%	260,086	0.38%	107,874	1.66%
Exports / imports	297,454	0.81%	447,622	0.66%	33,704	0.52%
Transport, storage and communication	1,420,000	3.86%	1,472,498	2.18%	451,294	6 94%
Financial	-	-	910,276	1.35%	1,207,182	18.55%
Insurance	-	-	197,395	0.29%	-	-
Services	434,382	1.18%	6,461,180	9.55%	284,651	4.38%
Individuals	12,434,806	33.83%	54,254,254	80.21%	68,329	1.05%
Others	1,930,867	5.25%	1,202,203	1.78%	362,313	5.57%
	36,758,909	100%	67,639,224	100%	6,506,033	100%

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

	2012					
	Islamic Financing and Related Assets (Gross)		Deposits		Contingencies and Commitments*	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture	-	-	294	-	-	-
Textile	6,094,752	22.51%	181,748	0.34%	200,824	6.11%
Chemical and pharmaceuticals	1,706,012	6.30%	625,678	1.18%	19,363	0.59%
Cement	798,817	2.95%	12,891	0.02%	-	-
Sugar	-	-	141	-	-	-
Food	2,738,431	10.11%	358,916	0.68%	420,696	12.80%
Footwear and leather garments	83,794	0.31%	5,627	0.01%	-	-
Automobile and transportation equipment	75,000	0.28%	159,948	0.30%	-	-
Electronics and electrical appliances	7,133	0.03%	10,695	0.02%	-	-
Construction	775,000	2.86%	120,082	0.23%	209,455	6.37%
Power (electricity), gas, water, sanitary	409,384	1.51%	593,184	1.12%	600,000	18.26%
Wholesale and retail trade	362,024	1.34%	173,358	0.33%	56,260	1.71%
Exports / imports	69,349	0.26%	163,544	0.31%	50,000	1.52%
Transport, storage and communication	1,436,610	5.31%	1,018,878	1.92%	464,937	14.15%
Financial	-	-	101,537	0.19%	1,073,745	32.67%
Insurance	-	-	57,906	0.11%	-	-
Services	107,618	0.40%	5,965,502	11.23%	80,813	2.46%
Individuals	11,397,975	42.10%	42,685,925	80.37%	-	-
Others	1,014,529	3.73%	874,194	1.64%	110,090	3.36%
	27,076,428	100%	53,110,048	100%	3,286,183	100%

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

39.1.2 Segment by sector

	2013					
	Islamic Financing and Related Assets (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	2,834,748	7.71%	832,779	1.23%	4,393,841	67.53%
Private	33,924,161	92.29%	66,806,445	98.77%	2,112,192	32.47%
	36,758,909	100.00%	67,639,224	100.00%	6,506,033	100.00%

	2012					
	Islamic Financing and Related Assets (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	458,037	1.69%	668,257	1.26%	600,000	18.26%
Private	26,618,391	98.31%	52,441,791	98.74%	2,686,183	81.74%
	27,076,428	100.00%	53,110,048	100.00%	3,286,183	100.00%

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

	2013		2012	
	Classified Islamic financing and related assets	Specific provisions held	Classified Islamic financing and related assets	Specific provisions held
	---------- Rupees in '000 ----------			
Textile	353,360	195,900	157,807	74,797
Chemical	765,000	255,800	765,000	13,125
Wholesale and retail trade	176,768	52,053	238,546	13,985
Transportation, storage and communication	-		-	-
Services	861	861	1,202	1,202
Individuals	1,072,099	492,427	1,082,457	470,547
Import/Export	-		19,638	11,238
Food	146,289	112,452	146,289	81,403
Others	88,253	55,204	83,332	42,238
	2,602,630	1,164,697	2,494,271	708,535

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

	2013		2012	
	Classified financings	Specific provisions held	Classified financings	Specific provisions held
	---------- Rupees in '000 ----------			
Public / Government	-	-	-	-
Private	2,602,630	1,164,697	2,494,271	708,535
	2,602,630	1,164,697	2,494,271	708,535

39.1.5 Geographical segment analysis

	2013			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments *
	---------- Rupees in '000 ----------			
Pakistan	211,897	80,256,612	6,962,433	6,506,033

	2012			
	---------- Restated ----------			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments *
	---------- Rupees in '000 ----------			
Pakistan	499,506	63,509,562	6,876,100	3,286,183

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

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39.1.6 Credit risk - General disclosures

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

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

The Bank uses reputable and SBP approved rating agencies for deriving risk weight to specific credit exposures. These are applied consistently across the Bank credit portfolio for both on - balance sheet and off - balance sheet exposures. Details of rating agencies used for different types of bank's exposures are given below:

Types of Exposures and ECAI's used

Exposures	2013 JCR - VIS	2013 PACRA	2013 Moody's
Corporate	✔	✔	N/A
Banks	✔	✔	✔
Sovereigns	N/A	N/A	N/A
SME's	✔	✔	N/A

Credit Exposures subject to Standardised approach

Exposures	Rating Category	2013 Amount Outstanding	2013 Deduction CRM	2013 Net amount	2012 Amount Outstanding	2012 Deduction CRM	2012 Net amount
		---------- Rupees in '000 ----------					
Funded							
Corporate	1	1,799,940	-	1,799,940	1,799,590	-	1,799,590
	2	2,417,261	-	2,417,261	1,528,500	-	1,528,500
	3,4	209,098	-	209,098	183,978	-	183,978
	5,6	-	-	-	-	-	-
	Unrated	-	-	-	-	-	-
		4,426,299	-	4,426,299	3,512,068	-	3,512,068
Banks	1	1,768,233	-	1,768,233	3,696,737	-	3,696,737
	2,3	10,314,412	-	10,314,412	5,645,320	-	5,645,320
		12,082,645	-	12,082,645	9,342,057	-	9,342,057
Mortgages		4,857,475	-	4,857,475	4,210,906	-	4,210,906
PSEs		3,334,749	-	3,334,749	457,925	-	457,925
Retail		7,146,775	-	7,146,775	6,665,537	5,049	6,660,488
Unrated		14,085,978	-	14,085,978	11,521,455	-	11,521,455
		45,933,921	**-**	**45,933,921**	**35,709,948**	**5,049**	**35,704,899**
Non Funded							
Corporate	1	1,231,824	-	1,231,824	677,145	-	677,145
	2	167,077	-	167,077	-	-	-
		1,398,901	-	1,398,901	677,145	-	677,145
Banks	1	150,000	-	150,000	-	-	-
	2,3	1,057,182	-	1,057,182	1,073,745	-	1,073,745
		1,207,182	-	1,207,182	1,073,745		1,073,745
Retail		88,200	9,214	78,986	42,230	21,115	21,115
Unrated		3,900,317	85,775	3,814,542	1,493,063	172,550	1,320,513
		6,594,600	**94,989**	**6,499,611**	**3,286,183**	**193,665**	**3,092,518**

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

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

39.2 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 and treasury middle office is in place.

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.

39.2.1 Foreign Exchange Risk

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

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

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

	2013			
	Assets	Liabilities	Off-balance Sheet	Net foreign currency exposure
	------- Rupees in '000 -------			
Pakistan rupee	70,404,351	64,289,801	892,736	7,007,286
United States dollar	9,242,930	6,555,078	(2,736,198)	(48,346)
Great Britain pound	203,352	633,835	434,513	4,030
Japanese yen	110	-	-	110
Euro	103,314	483,333	375,522	(4,497)
Swiss franc	869	-	-	869
U.A.E Dirham	301,686	1,332,132	1,033,427	2,981
	80,256,612	73,294,179	-	6,962,433

	2012			
	------- Restated -------			
	Assets	Liabilities	Off-balance Sheet	Net foreign currency exposure
	------- Rupees in '000 -------			
Pakistan rupee	55,201,710	50,666,017	2,352,606	6,888,299
United States dollar	7,824,354	4,458,931	(3,388,870)	(23,447)
Great Britain pound	157,071	424,925	267,566	(288)
Japanese yen	89	-	-	89
Euro	108,201	290,062	186,015	4,154
Swiss franc	4,513	-	-	4,513
U.A.E Dirham	213,624	793,527	582,683	2,780
	63,509,562	56,633,462	-	6,876,100

39.2.2 Equity Position Risk

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

39.2.3 Yield / Profit Rate Risk

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

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

39.2.4 MISMATCH OF YIELD / PROFIT RATE SENSITIVE ASSETS AND LIABILITIES

	2013											
			Exposed to Yield / Profit risk									
	Effective Yield / Profit rate	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	Non-profit bearing financial instruments
		Rupees in '000										
On-balance sheet financial instruments												
Assets												
Cash and balances with Treasury Banks	-	5,291,178	-	-	-	-	-	-	-	-	-	5,291,178
Balances with other Banks	8.21%	1,840,378	44,790	-	-	-	-	-	-	-	-	1,795,588
Due from financial institutions	8.94%	9,740,822	9,740,822	-	-	-	-	-	-	-	-	-
Investments	8.34%	25,044,279	3,122,453	3,905,221	18,016,605	-	-	-	-	-	-	-
Islamic financing and related assets	11.92%	35,540,386	3,111,935	11,193,476	13,855,780	4,378,427	97,585	159,109	185,577	51,080	675,018	1,832,399
Other assets	-	671,317	-	-	-	-	-	-	-	-	-	671,317
		78,128,360	16,020,000	15,098,697	31,872,385	4,378,427	97,585	159,109	185,577	51,080	675,018	9,590,482
Liabilities												
Bills payable	-	1,208,862	-	-	-	-	-	-	-	-	-	1,208,862
Due to financial institutions	8.34%	2,938,000	1,000,000	780,000	1,158,000	-	-	-	-	-	-	-
Deposits and other accounts	4.35%	67,639,224	45,566,587	-	-	-	-	-	-	-	-	22,072,637
Other liabilities	-	997,462	-	-	-	-	-	-	-	-	-	997,462
		72,783,548	46,566,587	780,000	1,158,000	-	-	-	-	-	-	24,278,961
On-balance sheet gap		5,344,812	(30,546,587)	14,318,697	30,714,385	4,378,427	97,585	159,109	185,577	51,080	675,018	(14,688,479)
Total Yield / Profit Risk Sensitivity Gap			(30,546,587)	14,318,697	30,714,385	4,378,427	97,585	159,109	185,577	51,080	675,018	(14,688,479)
Cumulative Yield/Profit Risk Sensitivity Gap			(30,546,587)	(16,227,890)	14,486,495	18,864,922	18,962,507	19,121,616	19,307,193	19,358,273	20,033,291	5,344,812

	Effective yield / Profit Rate	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	Non-profit bearing financial instruments
	2012											
			Exposed to Yield / Profit risk									
			Rupees in '000									
On-balance sheet financial instruments												
Assets												
Cash and balances with Treasury Banks	-	4,196,103	-	-	-	-	-	-	-	-	-	4,196,103
Balances with other Banks	1.24%	5,660,301	10	-	-	-	-	-	-	-	-	5,660,291
Due from financial institutions	10.84%	3,206,945	3,206,945	-	-	-	-	-	-	-	-	-
Investments	11.53%	21,334,833	433,944	1,368,460	18,904,701	-	-	-	-	627,728	-	-
Islamic financing and related assets	14.86%	26,314,667	5,019,059	7,239,292	7,358,285	3,955,331	11,058	13,278	195,762	15,272	621,130	1,886,200
Other assets	-	613,981	-	-	-	-	-	-	-	-	-	613,981
		61,326,830	8,659,958	8,607,752	26,262,986	3,955,331	11,058	13,278	195,762	643,000	621,130	12,356,575
Liabilities												
Bills payable	-	659,035	-	-	-	-	-	-	-	-	-	659,035
Due to financial institutions	9.31%	1,600,000	1,600,000	-	-	-	-	-	-	-	-	-
Deposits and other accounts	5.94%	53,110,048	39,242,391	-	-	-	-	-	-	-	-	13,867,657
Other liabilities	-	949,863	-	-	-	-	-	-	-	-	-	949,863
		56,318,946	40,842,391	-	-	-	-	-	-	-	-	15,476,555
On-balance sheet gap		5,007,884	(32,182,433)	8,607,752	26,262,986	3,955,331	11,058	13,278	195,762	643,000	621,130	(3,119,980)
Total Yield / Profit Risk Sensitivity Gap			(32,182,433)	8,607,752	26,262,986	3,955,331	11,058	13,278	195,762	643,000	621,130	(3,119,980)
Cumulative Yield/Profit Risk Sensitivity Gap			(32,182,433)	(23,574,681)	2,688,305	6,643,636	6,654,694	6,667,972	6,863,734	7,506,734	8,127,864	5,007,884

39.3 Liquidity Risk

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

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

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

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

39.3.1 MATURITIES OF ASSETS AND LIABILITIES

Maturities Of Assets And Liabilities - Expected Maturity

	2013									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	Rupees in '000									
Assets										
Cash and balances with treasury banks	5,291,178	2,151,255	-	-	-	3,139,923	-	-	-	-
Balances with other banks	1,840,378	1,840,378	-	-	-	-	-	-	-	-
Due from financial institutions	9,740,822	9,740,822	-	-	-	-	-	-	-	-
Investments	25,044,279	52,154	-	556,342	1,088,445	10,378,188	6,973,605	505,003	3,057,684	2,432,858
Islamic financing and related assets	35,540,386	1,982,334	5,356,719	9,343,061	394,335	2,387,403	2,298,892	7,062,986	3,889,756	2,824,900
Operating fixed assets	1,454,910	304,402	5,906	37,025	39,783	140,674	131,177	308,736	429,605	57,602
Deferred tax assets	234,187	24,819	49,638	74,457	85,273	-	-	-	-	-
Other assets	1,110,472	287,677	68,889	384,441	134,276	103,065	19,897	85,795	6,010	20,422
	80,256,612	16,383,841	5,481,152	10,395,326	1,742,112	16,149,253	9,423,571	7,962,520	7,383,055	5,335,782
Liabilities										
Bills payable	1,208,862	1,208,862	-	-	-	-	-	-	-	-
Due to financial institutions	2,938,000	1,000,000	780,000	1,158,000	-	-	-	-	-	-
Deposits and other accounts	67,639,224	5,689,495	5,774,611	6,237,115	13,118,559	9,084,713	16,376,750	9,333,831	2,024,150	-
Other liabilities	1,508,093	843,055	355,909	98,596	69,599	42,529	26,785	57,155	14,465	-
	73,294,179	8,741,412	6,910,520	7,493,711	13,188,158	9,127,242	16,403,535	9,390,986	2,038,615	-
Net assets	6,962,433	7,642,429	(1,429,368)	2,901,615	(11,446,046)	7,022,011	(6,979,964)	(1,428,466)	5,344,440	5,335,782
Share capital	6,976,030									
Reserves	27,372									
Accumulated loss	(73,788)									
Advance against future issue of share capital	18									
Surplus on revaluation of assets - net of tax	32,801									
	6,962,433									

	2012									
	Restated									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	Rupees in '000									
Assets										
Cash and balances with treasury banks	4,196,103	1,821,607	-	-	-	2,374,496	-	-	-	-
Balances with other banks	5,660,301	5,660,301	-	-	-	-	-	-	-	-
Due from financial institutions	3,206,945	3,206,945	-	-	-	-	-	-	-	-
Investments	21,334,833	86,012	3,662	30,720	55,781	5,086,307	8,971,821	5,861,179	1,239,351	-
Islamic financing and related assets	26,314,667	3,722,230	4,359,171	3,976,908	324,593	1,780,193	2,333,578	4,687,023	2,411,432	2,719,539
Operating fixed assets	1,535,272	63,035	58,378	92,346	185,023	294,023	258,989	353,079	180,629	49,770
Deferred tax assets	216,850	18,468	36,936	55,405	106,041	-	-	-	-	-
Other assets	1,044,591	337,639	119,629	354,423	69,536	77,423	49,026	21,432	10,288	5,195
	63,509,562	14,916,237	4,577,776	4,509,802	740,974	9,612,442	11,613,414	10,922,713	3,841,700	2,774,504
Liabilities										
Bills payable	659,035	659,035	-	-	-	-	-	-	-	-
Due to financial institutions	1,600,000	-	1,240,000	360,000	-	-	-	-	-	-
Deposits and other accounts	53,110,048	6,068,051	4,679,147	5,713,270	10,421,699	6,307,114	11,602,162	6,834,281	1,484,324	-
Other liabilities	1,264,379	704,345	276,709	112,731	74,451	30,059	18,750	30,147	17,187	-
	56,633,462	7,431,431	6,195,856	6,186,001	10,496,150	6,337,173	11,620,912	6,864,428	1,501,511	-
Net assets	6,876,100	7,484,806	(1,618,080)	(1,676,199)	(9,755,176)	3,275,269	(7,498)	4,058,285	2,340,189	2,774,504
Share capital	6,976,030									
Reserves	69,140									
Accumulated loss	(251,808)									
Advance against future issue of share capital	18									
Surplus on revaluation of assets - net of tax	82,720									
	6,876,100									

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

Maturities Of Assets And Liabilities - Contractual Maturity

	2013									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	Rupees in '000									
Assets										
Cash and balances with treasury banks	5,291,178	2,151,255	-	-	-	3,139,923	-	-	-	-
Balances with other banks	1,840,378	1,840,378	-	-	-	-	-	-	-	-
Due from financial institutions	9,740,822	9,740,822	-	-	-	-	-	-	-	-
Investments	25,044,279	52,154	-	556,342	1,088,445	10,378,188	6,973,605	505,003	3,057,684	2,432,858
Islamic financing and related assets	35,540,386	1,982,334	5,356,719	9,343,061	394,335	2,387,403	2,298,892	7,062,986	3,889,756	2,824,900
Operating fixed assets	1,454,910	304,402	5,906	37,025	39,783	140,674	131,177	308,736	429,605	57,602
Deferred tax assets	234,187	24,819	49,638	74,457	85,273	-	-	-	-	-
Other assets	1,110,472	287,677	68,889	384,441	134,276	103,065	19,897	85,795	6,010	20,422
	80,256,612	16,383,841	5,481,152	10,395,326	1,742,112	16,149,253	9,423,571	7,962,520	7,383,055	5,335,782
Liabilities										
Bills payable	1,208,862	1,208,862	-	-	-	-	-	-	-	-
Due to financial institutions	2,938,000	1,000,000	780,000	1,158,000	-	-	-	-	-	-
Deposits and other accounts	67,639,224	49,174,918	3,462,812	2,750,468	6,221,061	1,387,376	981,945	1,636,494	2,024,150	-
Other liabilities	1,508,093	843,055	355,909	98,596	69,599	42,529	26,785	57,155	14,465	-
	73,294,179	52,226,835	4,598,721	4,007,064	6,290,660	1,429,905	1,008,730	1,693,649	2,038,615	-
Net assets	6,962,433	(35,842,994)	882,431	6,388,262	(4,548,548)	14,719,348	8,414,841	6,268,871	5,344,440	5,335,782
Share capital	6,976,030									
Reserves	27,372									
Accumulated loss	(73,788)									
Advance against future issue of share capital	18									
Surplus on revaluation of assets	32,801									
	6,962,433									

	2012 (Restated)									
	Restated									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	Rupees in '000									
Assets										
Cash and balances with treasury banks	4,196,103	1,821,607	-	-	-	2,374,496	-	-	-	-
Balances with other banks	5,660,301	5,660,301	-	-	-	-	-	-	-	-
Due from financial institutions	3,206,945	3,206,945	-	-	-	-	-	-	-	-
Investments	21,334,833	86,012	3,662	30,720	55,781	5,086,307	8,971,821	5,861,179	1,239,351	-
Islamic financing and related assets	26,314,667	3,722,230	4,359,171	3,976,908	324,593	1,760,193	2,333,578	4,687,023	2,411,432	2,719,539
Operating fixed assets	1,535,272	63,035	58,378	92,346	185,023	294,023	258,989	353,079	180,629	49,770
Deferred tax assets	216,850	18,468	36,936	55,405	106,041	-	-	-	-	-
Other assets	1,044,591	337,639	119,629	354,423	69,536	77,423	49,026	21,432	10,288	5,195
	63,509,562	14,916,237	4,577,776	4,509,802	740,974	9,612,442	11,613,414	10,922,713	3,841,700	2,774,504
Liabilities										
Bills payable	659,035	659,035	-	-	-	-	-	-	-	-
Due to financial institutions	1,600,000	-	1,240,000	360,000	-	-	-	-	-	-
Deposits and other accounts	53,110,048	36,591,984	3,056,410	3,265,863	5,580,090	904,069	796,072	1,431,236	1,484,324	-
Other liabilities	1,264,379	704,345	276,709	112,731	74,451	30,059	18,750	30,147	17,187	-
	56,633,462	37,955,364	4,573,119	3,738,594	5,654,541	934,128	814,822	1,461,383	1,501,511	-
Net assets	6,876,100	(23,039,127)	4,657	771,208	(4,913,567)	8,678,314	10,798,592	9,461,330	2,340,189	2,774,504
Share capital	6,976,030									
Reserves	69,140									
Accumulated loss	(251,808)									
Advance against future issue of share capital	18									
Surplus on revaluation of assets	82,720									
	6,876,100									

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

39.4 Operational Risk

Operational risk is the risk of loss or earnings volatility arising from inadequate or failed internal processes, people and systems, or from external events. Loss is not limited to financial consequences, but may affect business objectives, customer service and regulatory responsibilities.

The management understands that there is a significant risk inherent in the operations of the Bank and has set up an Operational Risk Management Unit overlooking the coordinated operational risk management function across the Bank. The management endeavors to manage exposures and events, through the promotion of sound operational risk management practices, to an acceptable level.

We have adopted the Basic Indicator approach to calculate the regulatory operational risk capital requirement. All related policies and practices have been established by Operational Risk Management Unit to ensure that operational risk is managed in an appropriate and consistent manner. Operational risk at the business unit level is managed by Operational Risk Coordinators (ORCs). Significant risk exposures and events are subject to action and escalation by ORCs in terms of the Operational Risk, Anti Money Laundering and Know Your Customer policies (ALM / KYC), Fraud Risk, Technology controls and IT security policy.

40 TRUST ACTIVITIES

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

Category	Type	No. of IPS account		--------Rupees in '000------- Face Value	
		2013	2012	2013	2012
Employee Funds / NGO's	Government Ijarah Sukuk	10	-	310,000	-
Individuals	Government Ijarah Sukuk	1	1	2,000	2,000
Related parties:					
Dubai Islamic Bank PJSC	Shares	1	1	700,950	700,950
		12	2	1,012,950	702,950

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

The Bank maintained the following pools for profit declaration and distribution during the year ended December 31, 2013:

i) Common Mudaraba Pool;
ii) Musharaka Pool under SBP's Islamic Export Refinance Scheme.

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

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

Key features and risk & reward characteristics of all pools

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

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

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

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

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

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

Profit / (loss) distribution to depositor's pool

General Remunerative Depositor's Pools	Profit Sharing Ratio	Mudarib Share-Net of Hiba and Including Mudarib Fee (Amount in '000)	Mudarib Share-Net of Hiba and Including Mudarib Fee in %age	Amount of Mudarib share transferred to the depositors through Hiba (Amount in '000)	%age of Net Mudarib share transferred to the depositors through Hiba	Profit Rate and weightage announcement period	Percentage of Mudarib Share transferred through Hiba	Profit rate return earned	Profit rate return distributed
Common Mudaraba Pool	66.43% : 33.57%	3,228,749	56.64%	557,681	17.27%	Monthly	14.73%	9.69%	6.24%

Specific pools	Ratio of weightage of Bank to SBP	Share of profit to SBP (Amount in '000)	HIBA (Amount in '000)	Profit rate and weightage announcement period	Profit rate return earned by SBP
Musharaka Pool under SBP's Islamic Export Refinance Scheme	2.25 : 1	134,728	40,754	Monthly	8 24%

42 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on March 5, 2014 by the Board of Directors of the Bank.

43 GENERAL

43.1 Captions, as prescribed by BSD Circular No. 04 of 2006 dated February 17, 2006 issued by the SBP, in respect of which there are no amounts, have not been reproduced in these financial statements, except for captions of the statement of financial position and profit and loss account.

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

43.3 Corresponding figures

Corresponding figures have been re-arranged and reclassified, wherever necessary, to facilitate comparisons. There were no significant reclassifications / restatements during the year except as disclosed in note 3.5 to these financial statements.

CHAIRMAN | PRESIDENT / CHIEF EXECUTIVE | DIRECTOR | DIRECTOR

ANNEXURE - 1

DUBAI ISLAMIC BANK PAKISTAN LIMITED

STATEMENT SHOWING WRITTEN-OFF ISLAMIC FINANCING AND RELATED ASSETS (IN THE CASE OF THE BANK) OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2013

S. No.	Name and address of the customer		Father/Husband Name	CNIC No.	Outstanding Liabilities at beginning of year				Principal written-off	Profit written-off	Other financial relief provided (Early Settlement charges)	Total (10+11+12)
	Name	Address			Principal	Profit	Others (Early Settlement charges)	Total (6+7+8)				
1	2	3	4	5	6	7	8	9	10	11	12	13
					Rupees in '000							
1	Muhammad Siddique Chaudhry	House No.11-A, Mouhallah HBFC, Faisal Town, Lahore	Ch. Fazal Din	35202-4017082-7	10,496	1,968	-	12,464	-	1,965	-	1,965
2	Habibullah	House No 808, Block No 2 Street No 2, Sector No 16 Gulshan-E-Bihar, Orangi Town, Karachi	Atti Ullah (Late)	42401-2000314-3	7,942	1,412	-	9,354	-	1,412	-	1,412
3	Muhammad Yasin	House No P-280, Street No 7, Near Education System School, Garden Colony, Faisalabad	Sheikh Muhammad Ameen (Late)	33100-2939768-9	4,898	501	-	5,399	-	543	184	727
4	Syed Hamid Raza Shah	House No 95, Street No 50, Sector No F-11/3, Islamabad	Syed Baqir Hussin Shah	35201-4254228-5	14,875	2,657	-	17,532	-	1,264	713	1,977
5	Aamir Mairaj	C-106 Block 10F.B Area, Karachi	Mairaj Islam	61101-2002155-7	7,534	267	-	7,801	-	299	208	507
6	Sheikh Muhammad Kashif	House No 23-W-A, Madina Town, Faisalabad	Sheikh Muhammad Ashraf (Late)	33100-5441870-7	4,892	314	-	5,206	-	591	278	869
7	Massarrat Hashmi	Flat No. A-22, Friends Heights Block 'K' North Nazimabad, Karachi	Sohail Ahmed	42101-6348222-6	2,890	527	-	3,417	-	527	-	527
8	Muhammad Habib	House No.1141-D, Pir Elahi Bukhsh Colony, PIB Colony, Karachi	Abdul Hakim	42201-5402676-1	11,382	2,125	-	13,507	-	2,125	-	2,125
9	M.Afzaal	House No. 305-Block-H2M.A Johar Town, Lahore	Ilm Ud Din	35202-2760354-3	18,814	3,445	-	22,259	-	3,161	552	3,713
10	Mohammad Mushraf	Flat C-52nd Floor, Momin Square Block 6, Gulshan-E-Iqbal, Karachi	Muhammad Arif	42101-9192087-1	3,395	588	-	3,983	-	568	113	681
11	Rahat Shah	A-2/5, Maymar Arcade,Block-16, Behind PIA Planitarium, Gulshan-E-Iqbal, Karachi	Nazakat Shah	42201-0313678-3	49,198	9,251	-	58,449	-	-	1,380	1,380
12	Tauqeer Ahmad Taqi	Ch Touqeer Ahmed Taqqip-118-119,St No 6Muslim Town No 1, Faisalabad	Muhammad Sharif	33100-0624090-7	5,874	829	-	6,703	-	703	-	703
13	Asghar Hussain Motiwala	House No 184-Block No 2, P.E.C.H.S, Karachi	Muhammad Hussain Motiwala (Late)	42201-2038355-5	14,058	2,584	-	16,642	-	2,584	-	2,584
14	Rana Arshad Javed Faridi	House No.136, Block-A, PIA Society, Lahore	Zulfiqar Ali Mumtaz	35202-0148500-9	4,678	920	-	5,598	-	620	-	620
15	Noman Khan	House No A-157, Block No 13-D/2, Gulshan-E-Iqbal, Karachi	Muhammad Akram Kiani	42201-9007660-9	4,577	94	-	4,671	-	660	130	790
16	Irfan Abbas	Flat No.D-103, Block 10-A, Saima Pride, Gulshan-E-Iqbal, Karachi	Abid Abbas (Late)	42201-8085570-9	4,314	734	-	5,048	-	734	114	848
					169,817	28,216	-	198,033	-	17,756	3,672	21,428