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ALBARAKA BANK (PAKISTAN) LIMITED

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed statement of financial position of AlBaraka Bank (Pakistan) Limited (the Bank) as at 31 December 2014, 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 unaudited certified returns from the branches except for nine branches which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting 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 case of loans and advances covered more than sixty percent of the total loans and advances 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 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;

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- (c) in our opinion, and to the best of our information and according to the explanations given to us the statement of financial position, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at 31 December 2014 and its true balance of the profit, 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.

We draw attention to note 1.2 to the financial statements. As more fully explained in the said note, the banks are required by the State Bank of Pakistan (SBP) to have a minimum paid up capital (net of losses) of Rs 10 billion, whereas the Bank's capital (net of losses) eligible for MCR purposes amounts to Rs. 7.045 billion. In this regard, the SBP has allowed the Bank to meet the capital requirement in a phased manner as per the capitalization plan of the Bank subject to certain conditions as stated in the said note. Our opinion is not qualified in respect of this matter.



Chartered Accountants

Audit Engagement Partner: Arslan Khalid

Date: 03 March 2015

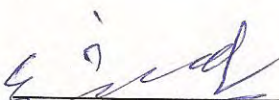
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ALBARAKA BANK (PAKISTAN) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014


		2014		2013
	Note	----- (Rupees '000) -----		
ASSETS				
Cash and balances with treasury banks	6	6,465,268		5,727,407
Balances with other banks	7	3,741,342		16,565,377
Due from financial institutions	8	10,005,950		-
Investments	9	19,560,668		22,161,963
Islamic financing and related assets	10	47,022,578		36,519,945
Operating fixed assets	11	2,667,194		2,725,753
Deferred tax assets	12	1,541,433		1,431,064
Other assets	13	3,344,347		2,627,895
		94,348,780		87,759,404
LIABILITIES				
Bills payable	14	679,810		725,609
Due to financial institutions	15	2,211,568		2,201,945
Deposits and other accounts	16	80,222,579		75,647,097
Sub-ordinated loans	17	3,105,314		1,158,571
Liabilities against assets subject to finance lease		-		-
Deferred tax liabilities		-		-
Other liabilities	18	2,228,199		2,177,989
		88,447,470		81,911,211
NET ASSETS		5,901,310		5,848,193
REPRESENTED BY				
Share capital	19	8,935,200		8,935,200
Advance against issuance of shares	18.1	95,704		-
Discount on issuance of shares		(767,290)		(767,290)
Reserves		111,259		82,074
Accumulated loss		(2,323,983)		(2,419,224)
		6,050,890		5,830,760
(Deficit) / surplus on revaluation of investments - net of tax	20	(149,580)		17,433
		5,901,310		5,848,193
CONTINGENCIES AND COMMITMENTS				
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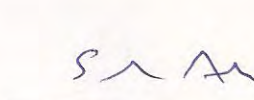
The annexed notes from 1 to 48 form an integral part of these financial statements.

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 Chief Executive Officer


 Director

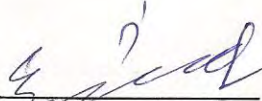

 Director

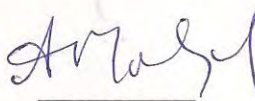

 Director

ALBARAKA BANK (PAKISTAN) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2014

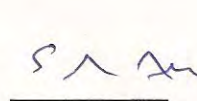
	Note	2014 ------(Rupees '000)-----	2013
Profit / return earned on islamic financing and related assets, investments and placements	22	6,682,974	6,131,232
Return on deposits and other dues expensed	23	4,513,250	4,340,094
Net spread earned		2,169,724	1,791,138
Provision against non-performing islamic financing and related assets - net	10.6	21,135	67,143
Provision for diminution in the value of investments	9.3.1	64,109	103,990
Bad debts written off directly		-	-
		85,244	171,133
Net spread after provisions		2,084,480	1,620,005
Other income			
Fee, commission and brokerage income		401,845	300,311
Dividend income		7,862	-
Income from dealing in foreign currencies		194,963	218,867
Gain on sale of securities - net	24	135,759	64,903
Unrealized loss on revaluation of investments classified as held for trading		(19,171)	-
Other income	25	5,242	9,449
Total other income		726,500	593,530
		2,810,980	2,213,535
Other expenses			
Administrative expenses	26	2,545,583	2,118,613
Other provisions / write offs	26.3	18,735	109,828
Other charges	27	30,074	18,696
Total other expenses		2,594,392	2,247,137
		216,588	(33,602)
Extra ordinary / unusual items		-	-
PROFIT / (LOSS) BEFORE TAXATION		216,588	(33,602)
Taxation - Current		(79,527)	(67,248)
- Prior years		-	-
- Deferred		8,862	59,619
	28	(70,665)	(7,629)
PROFIT / (LOSS) AFTER TAXATION		145,923	(41,231)
Basic / diluted earning / (loss) per share (Rupee)	29	0.16	(0.05)

The annexed notes from 1 to 48 form an integral part of these financial statements.


Chief Executive Officer


Director


Director


Director

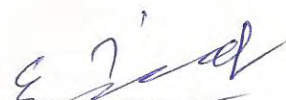
ALBARAKA BANK (PAKISTAN) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 ------(Rupees '000)-----	2013
Profit / (loss) for the year after taxation		145,923	(41,231)
Items not to be reclassified to profit or loss in subsequent periods:			
Acturial loss on remeasurement of defined benefit plan	32.11	(33,073)	(13,930)
Income tax effect		11,576	4,875
		(21,497)	(9,055)
Total comprehensive income / (loss) for the year		124,426	(50,286)

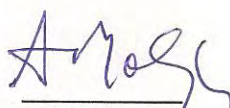
As per the requirement of the State Bank of Pakistan, surplus / deficit on revaluation of available-for-sale securities is required to be taken to a separate account 'Surplus / deficit on revaluation of investments' shown in the statement of financial position below equity. Accordingly, it has not been included in statement of comprehensive income.

The annexed notes from 1 to 48 form an integral part of these financial statements.

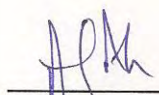
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 Chief Executive Officer



 Director



 Director

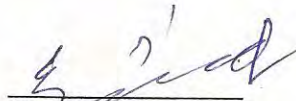


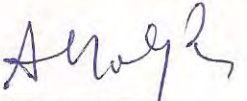
 Director

ALBARAKA BANK (PAKISTAN) LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 ------(Rupees '000)-----	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (loss) before taxation		216,588	(33,602)
Less: Dividend income		(7,862)	-
		<u>208,726</u>	<u>(33,602)</u>
Adjustments for non-cash and other items:			
Depreciation	26	126,650	111,907
Depreciation on ijarah assets held under IFAS 2		1,038,371	865,104
Amortisation	26	93,793	89,297
Fixed assets written-off		-	9,101
Unrealized loss on revaluation of investments classified as held for trading		19,171	-
Provision against non-performing islamic financing and related assets-net		21,135	67,143
Provision for diminution in the value of investments		64,109	103,990
Other provisions / writeoffs		18,735	109,828
Gain on sale of operating fixed assets	25	(4,200)	(9,449)
		<u>1,377,764</u>	<u>1,346,921</u>
		1,586,491	1,313,319
(Increase) / decrease in operating assets			
Due from financial institutions		(10,005,950)	1,100,000
Held for trading securities		(2,005,228)	-
Islamic financing and related assets-net		(11,562,139)	(9,170,443)
Others assets		(758,438)	(414,105)
		<u>(24,331,755)</u>	<u>(8,484,548)</u>
Increase / (decrease) in operating liabilities			
Bills payable		(45,799)	(21,042)
Due to financial institutions		9,623	210,207
Deposits and other accounts		4,575,482	12,368,442
Other liabilities		112,841	347,935
		<u>4,652,147</u>	<u>12,905,542</u>
Income tax paid		(56,144)	(61,680)
Net cash (used) / flow from operating activities		<u>(18,149,262)</u>	<u>5,672,633</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net disposals of available for sale investments		4,266,299	4,960,096
Net investments in operating fixed assets		(160,747)	(438,965)
Dividend received		7,729	-
Proceeds from disposal of operating fixed assets		3,063	6,591
Net cash inflow from investing activities		<u>4,116,344</u>	<u>4,527,722</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Sub-ordinated loans		2,000,000	1,158,571
Net cash inflow from financing activities		<u>2,000,000</u>	<u>1,158,571</u>
Effect of exchange difference on translation of FCY Sub - ordained loan	17.1	(53,257)	-
Net (decrease) / increase in cash and cash equivalents		<u>(12,086,175)</u>	<u>11,358,926</u>
Cash and cash equivalents at beginning of the year		22,292,784	10,933,858
Cash and cash equivalents at end of the year	30	<u>10,206,610</u>	<u>22,292,784</u>


The annexed notes from 1 to 48 form an integral part of these financial statements.


Chief Executive Officer


Director

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Director


Director


ALBARAKA BANK (PAKISTAN) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

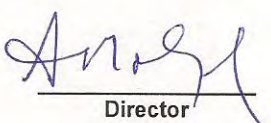
	Issued, subscribed and paid- up share capital	Advance against issuance of shares	Discount on issuance of shares	Statutory Reserve *	Accumulated loss	Total
Note	----- (Rupees in '000) -----					
Balance as at 01 January 2013 - Restated	8,935,200	-	(767,290)	82,074	(2,368,938)	5,881,046
Loss after taxation for the year	-	-	-	-	(41,231)	(41,231)
Other comprehensive loss	-	-	-	-	(9,055)	(9,055)
Total comprehensive loss for the year	-	-	-	-	(50,286)	(50,286)
Transfer to statutory reserves	-	-	-	-	-	-
Balance as at 31 December 2013	8,935,200	-	(767,290)	82,074	(2,419,224)	5,830,760
Advance against issuance of shares	18.1	95,704	-	-	-	95,704
Profit after taxation for the year	-	-	-	-	145,923	145,923
Other comprehensive loss	-	-	-	-	(21,497)	(21,497)
Total comprehensive income for the year	-	-	-	-	124,426	124,426
Transfer to statutory reserves	-	-	-	29,185	(29,185)	-
Balance as at 31 December 2014	8,935,200	95,704	(767,290)	111,259	(2,323,983)	6,050,890

* This represents reserve created under section 21(1)(a) of the Banking Companies Ordinance, 1962.

The annexed notes from 1 to 48 form an integral part of these financial statements.

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 Chief Executive Officer


 Director


 Director


 Director

ALBARAKA BANK (PAKISTAN) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** AlBaraka Bank (Pakistan) Limited (the Bank) was incorporated in Pakistan on 20 December 2004 as a public limited company under the Companies Ordinance, 1984.

The main objective of the Bank is to carry on Islamic banking business in Pakistan in accordance and in conformity with Shariah. The Bank was granted an Islamic Banking License BL(i)-01(07), issued by the Banking Policy and Regulations Department of the State Bank of Pakistan (SBP) vide its letter no. BPRD (LCGD-02)/625-76/D/2007/521 dated 18 January 2007 under section 27 of the Banking Companies Ordinance, 1962 read with Islamic Banking Department circular no. 2 of 2004. Subsequently, the Bank was also granted approval for commencement of business as a scheduled bank with effect from 13 February 2007 by the SBP vide its letter no. BPRD (LCGD-02)/625-76/X/JD/2007/1269 dated 12 February 2007. Upon merger of the Pakistan branches of AlBaraka Islamic Bank B.S.C. (c) with and into the Bank, fresh license no. BL(i)-01(2011) was issued by SBP vide its letter no. BPRD (R&P-01)/2011-3087 dated 12 March 2011, effective from close of business on 29 October 2010.

The Bank is a subsidiary of AlBaraka Islamic Bank B.S.C. (c) (AlBaraka) incorporated and domiciled in Bahrain (major sponsor) and a member of AlBaraka Banking Group.

The Bank's registered office is located at 162, Bangalore Town, Main Sharah-e-Faisal, Karachi. The Bank has 130 branches including 10 sub-branches (2013: 110 branches including 2 sub-branches) in Pakistan.

Based on the financial statements of the Bank for the year ended 31 December 2013, Pakistan Credit Rating Agency Limited (PACRA) has determined the Bank's long-term rating at "A" and short term rating as 'A1' with a positive outlook. JCR-VIS, has also determined long-term and short-term ratings of "A" and 'A1' respectively with a stable outlook.

- 1.2** As per the requirements of SBP, the banks / DFIs are required to have a minimum paid-up capital (net of losses) of Rs. 10 billion. Further, the banks/DFIs are also required to maintain a capital adequacy ratio of 10% at all times.

In order to meet the regulatory capital requirements, the Bank prepared a capitalization plan which was approved by the SBP vide its letter no. BPRD/BA&CP/608/019652/2013 dated 28 December 2013 on the following terms and conditions:

- i) The Bank shall maintain a minimum paid-up capital {net of losses} (MCR) of at least Rs. 6 billion at all times and will have to meet the full MCR of Rs. 10 billion by 31 December 2016.
- ii) As a short term arrangement, the Bank would raise a foreign currency sub-ordinated debt of Rs 1,105.314 (USD 11) million from its major sponsor. The said sub-ordinated debt is deposited as non-remunerative deposit with SBP.
- iii) The above foreign currency sub-ordinated debt with the SBP shall be increased to Rs. 2.1 billion by 31 December 2014 and Rs. 2.8 billion by 31 December 2015.
- iv) The foreign currency sub-ordinated debt shall not be withdrawn unless the Bank achieves full compliance with MCR. However, any withdrawal will be subject to prior approval of the SBP. In the event the Bank is not MCR compliant by 31 December 2016, the sub-ordinated debt will be converted into the paid-up capital of the Bank.
- v) For regulatory purposes, the foreign currency sub-ordinated debt is allowed to be included in the Bank's capital and the Bank will be required to maintain a capital adequacy ratio (CAR) of atleast 15% which may be reduced depending on the level of increase in the MCR.

As of 31 December 2014, the Banks MCR and CAR for regulatory purposes amounts to Rs 7.045 billion and 14.24% as against the required level of Rs 8 billion and 15% respectively. The Bank's Foreign Currency Sub-ordinated Debt (FCY Debt) amounts to Rs. 1.105 billion as against the requirement of Rs 2.1 billion. In this regard the SBP has allowed extension in timeline for deposit of FCY Debt by 30 April 2015. Till such time the Bank is allowed to maintain the CAR level as of 31 December 2014, however, the Bank has been limited from undertaking related party exposures.



2. BASIS OF PRESENTATION

These financial statements have been prepared in conformity with the format of financial statements prescribed by the SBP vide BSD Circular No. 04 dated 17 February 2006.

The Bank provides islamic financing mainly through shariah compliant financial products. Except for Murabaha transactions (which are accounted for under the Islamic Financial Accounting Standard - 1), the purchases and sales arising 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. Income, if any received, which does not comply with the principles of Shariah is recognized as charity payable.

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 of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the SECP and the SBP differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirements of the said directives prevail.

3.2 The SBP vide BSD Circular No. 10 dated 26 August 2002 has deferred the applicability of International Accounting Standard 39, "Financial Instruments: Recognition and Measurement" (IAS 39) and International Accounting Standard 40, "Investment Property" (IAS 40) for banking companies till further instructions. Further, according to the notification of SECP dated 28 April 2008, the IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable for banks. 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 of various circulars issued by the SBP.

4. BASIS OF MEASUREMENT

4.1 These financial statements have been prepared under the historical cost convention except for held for trading and available for sale investments and foreign exchange forward contracts which have been measured at fair value.

4.2 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 presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as describe below:

New Standards, Interpretations and Amendments:

The Bank has adopted the following accounting standard and the amendments and interpretation of IFRSs which became effective for the current year:

IAS 32 – Financial Instruments : Presentation - (Amendment)

- Offsetting Financial Assets and Financial Liabilities

IAS 36 – Impairment of Assets - (Amendment)

- Recoverable Amount Disclosures for Non-Financial Assets

IFRIC 21 – Levies

IFAS 3 – Profit and Loss Sharing on Deposits

The adoption of IAS 32, 36 & IFRIC 21 amendments do not have any effect on these financial statements. For IFAS 3, SBP has not issued its regulatory instruction for the implementation of this standard yet.

5.1 Cash and cash equivalents

Cash and cash equivalents comprise of cash and balances with treasury banks and balances with other banks in current and deposit accounts.

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5.2 Investments

5.2.1 Investments are classified as follows

(a) Held for trading

These are securities, which are either acquired for generating a profit from short-term fluctuations in market prices, profit rate movements, dealers margin or are securities included in a portfolio in which a pattern of short-term profit taking exists. Such securities are normally sold within 90 days of the purchase date.

(b) Held to maturity

These are securities with fixed or determinable payments and fixed maturity in respect of which the Bank has the positive intent and ability to hold till maturity.

(c) Available for sale

These are investments, that 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 regulations or market convention are recognised at the trade date. Trade date is the date on which the Bank commits to purchase or sell the investment.

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 investments. 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

(a) Held for trading

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

(b) Held to maturity

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

(c) Available for sale

In accordance with the requirements of the SBP, quoted securities and Government securities other than those classified as 'held to maturity', are subsequently re-measured to market value. Surplus / deficit arising on revaluation of quoted securities classified as 'available for sale', is taken to a separate account shown in the statement of financial position below equity.

Unquoted equity securities are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available financial statements. In cases where the break up value of such shares is less than the cost, the difference of the cost and break up value is provided for accordingly by charging to the profit and loss account.

5.2.5 Impairment

Provision for diminution in the values of securities classified as available for sale and held to maturity (except sukuk certificates) is made after considering impairment, if any, in their value and charged to profit and loss account. Provision for diminution in value of sukuk certificates is made as per the requirements of the Prudential Regulations issued by the State Bank of Pakistan.

5.3 Islamic financing and related assets

5.3.1 Brief nature of Islamic Financing arrangements

Following is a brief nature of the financing arrangements entered into by the Bank.

Murabaha

Under murabaha financing, funds disbursed for purchase of goods are recorded as 'advance against murabaha finance'. On culmination of murabaha i.e. sale of goods to customers, murabaha financing are recorded at the deferred sale price net of deferred profit. Goods purchased but remaining unsold at the statement of financial position date are recorded as inventories.

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Istasna

In Istasna financing, the Bank places an order to purchase some specific goods / commodities from its customers to be delivered to the Bank within an agreed time. The goods are then sold and the amount financed is paid back to the Bank.

Tijarah

In Tijarah financing, the Bank purchases specific goods / commodities on cash basis from its customers for onward sale and on subsequent sale, the financed amount is paid back by the customer.

Diminishing Musharaka

In Diminishing Musharaka based financing, the Bank enters into musharaka based on Shirkat-ul-Mulk for financing and agreed share of fixed assets (example: house, land, plant, machinery or vehicle) with its customers and enters into period profit payment agreement for the utilization of the Bank's musharaka share by the customer.

Service Ijarah

In the 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.

Salam

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

5.3.2 Accounting Policies of Islamic Financing

Islamic financing and related assets (advance, inventories etc.) are stated net of specific and general provisions against non-performing islamic financing, if any, which are charged to the profit and loss account.

Provisions against non-performing Islamic financing and related assets.

Specific provision against non-performing islamic financing is determined in accordance with the Prudential Regulations and other directives issued by the SBP. The Bank maintains general reserve (provision) in accordance with the applicable requirements of Prudential Regulations for consumer finance and small and medium enterprise financing.

Ijarah

Ijarah financing booked on or after 01 January 2009 is accounted for as per the requirements of IFAS 2, whereby assets leased out under ijarah are depreciated over the term of ijarah and the related rental income is recognised in the profit and loss account on an accrual basis.

Ijarah financing booked before 01 January 2009 is accounted for as a finance lease whereby assets under ijarah arrangements are presented as a receivable at an amount equal to net investment in ijarah. Unearned income i.e. excess of aggregate rentals over the cost of the asset is recorded at the inception of the ijarah and is amortised over the term of the ijarah so as to produce a constant rate of return on net investment in ijarah.

Islamic financing and related assets are written off when there is no realistic prospect of recovery.

5.4 Inventories

Goods purchased but remaining unsold at the statement of financial position date are recorded as inventories. The Bank values its inventories at the lower of cost and net realisable value. Cost of inventories represents the actual purchase price paid by the customer as an agent on behalf of the Bank from the funds disbursed for the purpose of culmination of murabaha.

The net realisable value is the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

5.5 Operating fixed assets**5.5.1 Tangible - Owned**

Tangible fixed assets, other than land, are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Land is stated at cost.

Depreciation is charged using the straight-line method in accordance with the rates specified in note 11.1 to these financial statements and after taking into account residual value, if any. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate at each statement of financial position date. Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which the assets are disposed off.

Gains / losses on sale of fixed assets are credited / charged to the profit and loss account.

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

5.5.2 Capital work in progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when assets become available for use.

5.5.3 Intangible

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Intangible assets are amortised from the month, when these assets are available for use, using the straight line method, whereby the cost of the intangible asset is amortised on the basis of the estimated useful life over which economic benefits are expected to flow to the Bank. The residual value, useful life and amortisation method are reviewed and adjusted, if appropriate, at each statement of financial position date. Amortization rates are specified in note 11.2.1 to these financial statements.

Intangible assets with indefinite useful lives are not amortized but tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

5.5.4 Impairment

The carrying amount of assets are reviewed at each reporting date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The resulting impairment loss is taken to the profit and loss account.

5.6 Non-banking assets acquired in satisfaction of claims

These are initially measured at the settlement value assigned for the purpose of extinguishment of borrowers' liabilities. Subsequent to initial recognition, these are carried at lower of their carrying values and fair values. Any resulting impairment loss is taken to profit and loss account. For subsequent increase in fair value, gain is recognized only to the extent it reverses previously recognized impairment loss (if any).

5.7 Deposits

Deposits are generated on the basis of two modes i.e. Qard and Mudaraba. Deposits taken on Qard basis are classified as 'Current Accounts' and Deposits generated on Mudaraba basis are classified as 'Savings Account' and 'Fixed Deposit Accounts'.

No profit or loss is passed on to current account depositors. Profits realized in pool are distributed in pre-agreed profit sharing ratio. Rab-ul-Maal share is distributed among depositors according to weightages assigned at the inception of profit calculation period.

Mudarib (the Bank) can distribute its share of profit to Rab-ul-Maal upto a maximum of 60% of its profit.

5.8 Revenue recognition

- Profit on murabaha transactions is recognised on accrual basis. Profit on Murabaha transactions for the period from the date of disbursement to the date of culmination of murabaha is recognized immediately upon the latter date.
- The Bank follows the finance method in recognising income on ijarah contracts booked before 01 January 2009. Under this method the unearned income i.e. the excess of aggregate ijarah rentals over the cost of the asset is deferred and then amortised over the term of the ijarah, so as to produce a constant rate of return on net investment in ijarah. Gains / losses on termination of ijarah contracts are recognised as income / expense on a receipt basis. Income on ijarah is recognised from the date of delivery of the respective assets to the mustajir.

- Rental income on ijarah financing booked on or after January 1, 2009 is recognised on accrual basis .
- Profit on diminishing musharaka, service ijarah and bai muajjal are recognized on accrual basis.
- Profit on Tijarah and Istisna is recognized on accrual basis commencing from the time of sale of goods till the realization of sale proceeds by the Bank.
- Commission on letters of credit, acceptances and letters of guarantee is recognised on receipt basis.
- Dividend income is recognised when the Bank's right to receive the dividend is established.
- Profit from investment in sukuk is recognised on accrual basis. Premium and discount on purchase of sukuk are being amortized through profit and loss account over the remaining maturity.
- Gains / losses on sale of investments is included in income currently.
- Income earned from Shariah non-compliant avenues is not recognised in the profit and loss account. This income is classified as charity payable in accordance with the recommendation of the Shariah Advisor of the Bank.
- Profit suspended in compliance with the Prudential Regulations issued by SBP is recorded on receipt basis.

5.9 Taxation

(a) Current

Provision for current taxation is based on the current rates of taxation after taking into consideration tax credits and rebates available, if any.

(b) Deferred

Deferred tax is recognised using the balance sheet liability method on all major temporary differences between the amounts attributed to assets and liabilities 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 at the rates that are expected to apply to the period when the differences are expected to reverse, based on tax rates that have been enacted at the statement of financial position 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 deferred tax asset is reviewed at each statement of financial position 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 a deferred tax asset / liability on the deficit / surplus on revaluation of securities which is adjusted against the related surplus / deficit in accordance with the requirements of the International Accounting Standard (IAS) 12, 'Income Taxes'.

5.10 Staff retirement benefits

(a) Defined benefit plan

The Bank operates an approved funded gratuity scheme for all its permanent employees. Annual contributions are made to the scheme in accordance with the actuarial recommendations. The actuarial valuation is carried out using the projected unit credit method. Actuarial gains and losses for defined benefit plans are recognized in statement of comprehensive income when they occur.

(b) Defined contribution plan

The Bank also operates a recognised contributory provident fund for all permanent employees. Equal monthly contributions are made, both by the Bank and the employees, to the fund at a rate of 10 percent of basic salary.

5.11 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Bank has a present legal or constructive obligation arising as a result of past events 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 statement of financial position date and are adjusted to reflect the current best estimates.

Contingent assets are not recognised unless inflow of economic benefits is virtually certain.

Contingent liabilities are not recognised and are disclosed unless the probability of an outflow of resources embodying economic benefits is remote.

5.12 Provision for guarantee claims and other off-balance sheet obligations

The Bank, in the ordinary course of business, issues letters of credit, acceptances, guarantees, bid bonds, performance bonds etc. The commission against such contracts is recognized in the profit and loss account under "fee, commission and brokerage income" on receipt basis. The Bank's liability under such contracts is measured at the best estimate of the amount expected to settle any financial obligation arising under such contracts.

5.13 Foreign currency transactions

Foreign currency transactions are translated into Pak Rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak rupees at the exchange rates prevailing at the reporting date. Exchange gains or losses are included in profit and loss account currently.

5.14 Commitments

Commitments for outstanding forward foreign exchange contracts are translated at forward rates applicable to their respective maturities. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are translated into Pak Rupees at the exchange rates ruling on the reporting date.

5.15 Financial instruments

(a) Financial assets and financial liabilities

Financial assets and financial liabilities are initially recognized at the time when the Bank becomes a party to the contractual provisions of the instrument. These include regular way purchases or sales of financial assets that requires delivery of assets within the time frame generally established by regulation or convention in the market place. Financial assets are de-recognized when the contractual right to future cash flows from the asset expires or is transferred along with the risk and rewards of ownership of the asset. Financial liabilities are de-recognized when obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial assets and liabilities is recognized in the profit and loss account of the current period.

(b) Off-setting

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

5.16 Earnings per share

The Bank presents basic and diluted earnings per share (EPS) and basic and diluted loss per share for its shareholders. Basic EPS / loss per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS / loss per share is determined by adjusting the profit or loss attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

5.17 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.

(a) Business segments

The business segments within the Bank have been categorised into the following classifications of business segments in accordance with the requirements specified by the SBP.

Er

- **Trading and sales**

It includes fixed income, equity, foreign exchanges, commodities, credit, funding, own position securities, lending and brokerage debt and prime brokerage.

- **Retail banking**

It includes retail lending and deposits, banking services, trust and estates, private lending and deposits, banking service, 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, factoring, leasing, lending, guarantees, bills of exchange and deposits.

- **Payment and settlement**

It includes payments and collection, fund transfer, clearing and settlement.

(b) Geographical segments

Currently, the operations of the Bank are carried out in Pakistan only.

5.18 Pool Management

The Bank operates general and specific pools for depositors.

Under the general deposits pool, the Bank accepts funds on Mudaraba basis from depositors (Rab-ul-Maal) where the Bank acts as Manager (Mudarib) and invests the funds in the Shariah Compliant modes of Islamic financings and related assets, investments and placements.

Specific pools are operated for funds acquired / accepted from State Bank of Pakistan for Islamic Export Refinance under the Musharaka modes.

The profit of each deposit pool is calculated on all the remunerative assets booked by utilizing the funds from the pool after deduction of expenses directly incurred in earning the income of such pool, if any. No provisions against any non performing assets of the pool is passed on to the pool. The profit of the pool is shared among the members of the pool on pre-defined mechanism based on the weightages announced before the profit calculation period.

The deposits and funds under the above mentioned pools are provided to diversified sectors and avenues of the economy / business as mentioned in the note 39.1.1 and are also invested in Government of Pakistan backed ijarah sukuk. Musharaka investments from State Bank of Pakistan under Islamic Export Refinance are channelled towards the export sector of the economy.

5.19 Accounting judgments and estimates

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Bank's accounting policies. The estimates / judgments and associated assumptions used in the preparation of the financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates / judgments and associated assumptions are reviewed on an ongoing basis. Revision to the accounting estimates are recognized 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 key areas of estimates and judgements in relation to these financial statements are as follows:

a) Provision against non-performing Islamic financing

The Bank reviews its financing portfolio to assess amount of non-performing Islamic financing and determine provision required there against on a quarterly basis. While assessing this requirement various factors including the past dues, delinquency in the account, financial position of the borrower, value of collateral held and requirements of Prudential Regulations are considered except where relaxation has been allowed by SBP.

The amount of general provision against consumer and Small and Medium Enterprise, Islamic financing are determined in accordance with the relevant Prudential Regulations and SBP directives.

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b) Impairment of available-for-sale investments

The Bank considers that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost except for investments where relaxation has been allowed by SBP. This determination of what is significant or prolonged requires judgement, in addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance.

c) Income taxes

In making the estimates for current and deferred taxes, the management looks at the income tax law and the decisions of appellate authorities on certain issues in the past. There are certain matters where the Bank's view differs with the view taken by the income tax department and such amounts have been disclosed as contingent liability.

d) Operating fixed assets, depreciation and amortization

In making estimates of the depreciation / amortization method, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Bank. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method would be changed to reflect the change in pattern.

e) Employees' benefit plans

The liabilities for employees' benefits are determined using actuarial valuations. The actuarial valuations involve assumptions about discount rates, expected rates of return on assets and future salary increases as disclosed in note 32. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

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

The following amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard, interpretation or amendment	Effective date (accounting periods on or after beginning on or after)
IFRS 10 – Consolidated Financial Statements	01 January 2015
IFRS 11 – Joint Arrangements	01 January 2015
IFRS 12 – Disclosure of Interests in Other Entities	01 January 2015
IFRS 13 – Fair Value Measurement	01 January 2015
IAS 1 – Presentation of Financial Statements- Disclosure Initiative (Amendment)	01 January 2016
IAS 16 & 38 – Property, Plant and Equipment & intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)	01 January 2016
IAS 16 & 41 – Property, Plant and Equipment & Agriculture : Agriculture: Bearer Plants (Amendment)	01 January 2016
IAS 19 – Employee Benefits - Defined Benefit Plans: Employee Contributions (Amendment)	01 July 2014

The Bank is currently evaluating the impact of the above standards and amendments on the Bank's financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 July 2014. The Bank expects that such improvements to the standards will not have any material impact on the Bank's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standards	IASB effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	01 January 2018
IFRS 14 – Regulatory Deferral Accounts	01 January 2016
IFRS 15 - Revenue from Contracts with Customers	01 January 2017

ALBARAKA BANK (PAKISTAN) LIMITED

	Note	2014 ----- (Rupees '000) -----	2013 ----- (Rupees '000) -----
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
- local currency		824,172	808,790
- foreign currencies		202,023	213,299
		1,026,195	1,022,089
With State Bank of Pakistan in			
- local currency current account	6.1	3,373,241	2,428,682
- foreign currency current account	6.2	3,459	28,329
- foreign currency deposit account	6.3	410,031	494,030
- foreign currency capital account	17	1,105,314	1,158,571
		4,892,045	4,109,612
With National Bank of Pakistan in			
- local currency current account		546,757	334,666
- local currency deposit account		271	261,040
		6,465,268	5,727,407

6.1 The local currency current account is maintained with the SBP as per the requirements of Section 36 of the State Bank of Pakistan Act, 1956, which requires banking companies to maintain a local currency cash reserve in current account.

6.2 This represents US dollar settlement account maintained with the SBP.

6.3 This represents balances maintained with SBP in US Dollars in respect of cash reserve requirement and special cash reserve requirement against the Bank's foreign currency deposits. The balances are maintained on a non-remunerative basis.

	Note	2014 ----- (Rupees '000) -----	2013 ----- (Rupees '000) -----
7. BALANCES WITH OTHER BANKS			
In Pakistan			
- on current accounts		12,262	22,306
- on deposit accounts	7.1	3,461,134	16,051,330
		3,473,396	16,073,636
Outside Pakistan			
- on current accounts		261,007	490,667
- on deposit accounts		6,939	1,074
		267,946	491,741
		3,741,342	16,565,377

7.1 The expected return on these deposits ranges from 5% to 9.90% (2013: 5% to 9.40%) per annum.

8. DUE FROM FINANCIAL INSTITUTIONS

- Bai Muajjal of shariah complaint securities	8.1	10,005,950	-
		10,005,950	-

8.1 The return on Bai Muajjal ranges from 9.2% to 9.75% per annum and will mature by December 2015.

8.2 Particulars of due from financial institution

- local currency		10,005,950	-
- foreign currency		-	-
		10,005,950	-

9. INVESTMENTS
9.1 Investments by types

	Note	2014			2013		
		Held by Bank	Given as Collateral	Total	Held by Bank	Given as Collateral	Total
Rupees in '000							
Held for trading securities							
Sukuk certificates	9.4	2,024,399	-	2,024,399	-	-	-
Available for sale securities							
Sukuk certificates	9.4	17,768,298	-	17,768,298	22,264,509	-	22,264,509
Ordinary shares of listed companies	9.5	239,509	-	239,509	28,768	-	28,768
Ordinary shares of unlisted company Takaful Pakistan Limited (a related party)	9.6	52,200	-	52,200	52,200	-	52,200
		18,060,007	-	18,060,007	22,345,477	-	22,345,477
Investments at cost		20,084,406	-	20,084,406	22,345,477	-	22,345,477
Less: Provisions for diminution in the value of investments	9.3	(274,443)	-	(274,443)	(210,334)	-	(210,334)
Investments (net of provisions)		19,809,963	-	19,809,963	22,135,143	-	22,135,143
(Deficit) / surplus on revaluation of available for sale' securities	20	(230,124)	-	(230,124)	26,820	-	26,820
Deficit on revaluation of held for trading' securities		(19,171)	-	(19,171)	-	-	-
Total investments at market value		19,560,668	-	19,560,668	22,161,963	-	22,161,963

9.2 Investments by segments

Sukuk certificates

Federal Government Securities
Others

	2014	2013
Federal Government Securities	16,713,990	16,294,109
Others	3,078,707	5,970,400

9.4 **19,792,697** 22,264,509

Fully paid-up ordinary shares

Ordinary shares of listed companies
Ordinary shares of unlisted company - related party

9.5 **239,509** 28,768

9.6 **52,200** 52,200

Total Investments at cost

20,084,406 22,345,477

Less: Provisions for diminution in the value of investments

9.3 **(274,443)** (210,334)

Investments (net of provisions)

19,809,963 22,135,143

(Deficit) / surplus on revaluation of 'available for sale' securities

20 **(230,124)** 26,820

Deficit on revaluation of 'held for trading' securities

(19,171) -

Total investments at market value

19,560,668 22,161,963

9.3 Particulars of provisions for diminution in the value of investments:

9.3.1 Opening balance

210,334 106,344

Charged during the year

67,724 119,436

Reversal during the year

(3,615) (15,446)

Closing balance

64,109 103,990

274,443 210,334

9.3.2 Particulars of provisions in respect of type and segment

Available for sale**Investment in sukuk certificates**

New Allied Electronics Industries (Private) Limited
Coastal Refinery Limited

9,036 11,820

224,352 164,249

Unlisted Company (ordinary shares)

Takaful Pakistan Limited

24,257 25,088

Listed Company (ordinary shares)

Agritech Limited

9.3.3 **16,798** 9,177

274,443 210,334

9.3.3 The mark to market impairment loss on this investment as of 31 December 2014 amounts to Rs. 22.398 (2013 : Rs. 18.354) million. However, SBP has allowed the recognition of impairment loss in a phased manner by 31 December 2015. As per such relaxation, the Bank is required to book atleast 75% of impairment loss as of 31 December 2014 which amounts to Rs.16.798 (2013 : Rs.9.177) million and the same has been booked in these financial statements.

9.4 Sukuk certificates

ALBARAKA BANK (PAKISTAN) LIMITED

Name of the investee	Note	2014	2013	2014	2013
		Number of certificates / units		Cost	
				----- (Rupees '000) -----	
Available for sale					
Federal Government Securities					
Government of Pakistan Ijara Sukuk	9.4.1.1	146,662	162,579	14,689,590	16,294,109
Unquoted Securities					
Coastal Refinery Limited	9.4.2 & 9.4.1.2	-	-	340,000	340,000
New Allied Electronics Industries (Private) Limited	9.4.1.3	80,000	80,000	9,036	11,820
National Industrial Parks Development and Management Company		-	396,000	-	1,980,898
Engro Fertilizer Limited	9.4.1.4	10,000	10,000	50,010	50,023
Sui Southern Gas Company	9.4.3 & 9.4.1.5	-	-	1,000,000	-
PACE Pakistan Limited	9.4.1.6	80,000	80,000	242,291	360,000
AL Razi Healthcare Private Limited	9.4.1.7	60,000	60,000	208,000	260,000
Pakistan Stone Development Company	9.4.1.8	80,000	80,000	160,000	250,000
WAPDA third sukuk certificates	9.4.1.9	218,975	85,000	1,069,371	425,000
				3,078,708	3,677,741
Quoted Securities					
Abu Dhabi Islamic Bank Sukuk		-	45,000	-	483,595
Emirates Islamic Bank Sukuk		-	46,000	-	495,457
Sharjah Islamic Bank Sukuk		-	40,000	-	421,298
Saudi Electricity Global Sukuk		-	85,000	-	892,309
				-	2,292,659
				17,768,298	22,264,509
Held for trading					
Federal Government Securities					
Government of Pakistan Ijara Sukuk	9.4.1.1	20,210	-	2,024,399	-
				19,792,697	22,264,509

9.4.1 Other particulars of sukuk certificates are as follows:

Particulars	Certificates / units denomination in PKR	Profit rate per annum	Profit payments	Maturity date
9.4.1.1 Government of Pakistan Ijara Sukuk	PKR 100,000	6 month Treasury Bills	Semi annually	GOP Ijara Sukuk 9, 10, 12, 13 (21 November 2015), GOP Ijara Sukuk 14 (28 March 2016), GOP Ijara Sukuk 15 (25 June 2017)
9.4.1.2 Coastal Refinery Limited	PKR 5,000	6 month KIBOR + 3.75 %	Semi annually	Non performing
9.4.1.3 New Allied Electronics Industries (Private) Limited	PKR 312.5	3 month KIBOR + 2.6 %	Quarterly	Non performing
9.4.1.4 Engro Fertilizer Limited	PKR 5,000	6 month KIBOR + 1.5 %	Semi annually	18 September 2015
9.4.1.5 Sui Southern Gas Limited	PKR 5,000	3 month KIBOR + 0.4 %	Quarterly	31 October 2019
9.4.1.6 Pace Pakistan Limited	PKR 5,000	3 month KIBOR + 3.5 %	Quarterly	Non performing
9.4.1.7 AL Razi Healthcare Private Limited	PKR 5,000	6 month KIBOR + 2.5 %	Monthly	04 November 2017
9.4.1.8 Pakistan Stone Development Company	PKR 5,000	6 month KIBOR + 1.00 %	Semi annually	29 March 2016
9.4.1.9 WAPDA third sukuk certificates	PKR 5,000	6 month KIBOR + 1.0 %	Semi annually	14 October 2021

9.4.2 Total participation of Rs. 340 (2013: Rs. 340) million has been made by the Bank, however the sukuk certificates are yet to be issued.

9.4.3 The sukuk are in the process of being issued to the Bank.

9.5 Particulars of investments in ordinary shares of listed companies

Company Name	Note	2014			2013		
		Number of shares	Cost	Market Value	Number of shares	Cost	Market Value
		----- Rupees in '000 -----			----- Rupees in '000 -----		
Available for sale - shares							
Chemicals and pharmaceutical							
Agri-tech Limited	9.3.3	821,937	28,768	6,370	821,937	28,768	10,414
Fauji Fertilizer Bin Qasim Limited		50,000	2,198	2,261	-	-	-
The Searle Company Limited		11,000	2,855	2,660	-	-	-
Oil and gas							
Pakistan Petroleum Limited		190,000	43,615	33,539	-	-	-
Pakistan Oil Fields Limited		115,000	60,333	43,626	-	-	-
Oil and Gas development company limited		27,000	6,432	5,557	-	-	-
Construction and materials (cement)							
Lucky Cement Limited		40,000	20,311	20,011	-	-	-
Maple Leaf Cement Factory Limited		50,000	2,127	2,212	-	-	-
D.G.Khan Cement Company Limited		130,000	14,382	14,369	-	-	-
Engineering							
Millat Tractors Limited		10,000	6,468	6,469	-	-	-
Al-Ghazi Tractors Limited		5,000	2,101	1,835	-	-	-
Personal goods (textile)							
Nishat Mills Limited		188,000	24,272	22,746	-	-	-
Electricity							
Kot Addu Power Company Limited		50,000	3,823	3,947	-	-	-
Food Producers							
Abdullah Shah Ghazi Sugar Mill Limited		4,890,249	21,824	51,650	-	-	-
			239,509	217,252		28,768	10,414

9.5.1 Quality of available for sale securities

Note	2014		2013		
	Amount (Rupees in '000)	Rating (Long term / Short term)	Amount (Rupees in '000)	Rating (Long term / Short term)	
Sukuk certificates					
Government of Pakistan Ijara Sukuk	14,689,590	GOP Guaranteed	16,294,109	GOP Guaranteed	
Coastal Refinery Limited	340,000	Non-performing	340,000	Non-performing	
New Allied Electronics Industries (Private) Limited	9,036	Non-performing	11,820	Non-performing	
National Industrial Parks Development and Management Company	-	-	1,980,898	GOP Guaranteed	
Engro Fertilizer Limited	50,010	A	50,023	A	
Sui Southern Gas Company	1,000,000	Unrated	-	-	
PACE Pakistan Limited	242,291	Non-performing	360,000	Non-performing	
AL Razi Healthcare Private Limited	208,000	Unrated	260,000	Unrated	
Pakistan Stone Development Company	160,000	GOP Guaranteed	250,000	GOP Guaranteed	
WAPDA third sukuk certificates	1,069,371	GOP Guaranteed	425,000	GOP Guaranteed	
Abu Dhabi Islamic Bank Sukuk	-	-	483,595	A2	
Emirates Islamic Bank Sukuk	-	-	495,457	Baa1	
Sharjah Islamic Bank Sukuk	-	-	421,297	BBB+	
Saudi Electricity Global Sukuk	-	-	892,310	AA-	
Ordinary shares					
Takaful Pakistan Limited	9.6	52,200	BBB+	52,200	BBB+
Agritech Limited	9.3.3	28,768	Non-performing	28,768	Non-performing
Fauji Fertilizer Bin Qasim Limited		2,198	Unrated	-	-
The Searle Company Limited		2,855	Unrated	-	-
Pakistan Petroleum Limited		43,615	Unrated	-	-
Pakistan Oil Field Limited		60,333	Unrated	-	-
Oil and Gas development company limited		6,432	AAA / A1+	-	-
Lucky Cement Limited		20,311	Unrated	-	-
Maple Leaf Cement Factory Limited		2,127	A- / A2	-	-
D.G.Khan Cement Company Limited		14,382	Unrated	-	-
Millat Tractors Limited		6,468	Unrated	-	-
Al-Ghazi Tractors Limited		2,101	Unrated	-	-
Nishat Mills Limited		24,272	AA / A1+	-	-
Kot Addu Power Company Limited		3,823	AA+ / A1+	-	-
Abdullah Shah Ghazi Sugar Mill Limited		21,824	Unrated	-	-
Total		<u>18,060,007</u>		<u>22,345,477</u>	

9.6 Unlisted Company (ordinary shares)

	2014	2013	2014	2013	Percentage of equity holding %	Latest available audited	Name of the chief executive officer
	Number of shares		Rupees in '000				
Takaful Pakistan Limited* (related party)	5,100,000	5,100,000	52,200	52,200	17	31 Dec 2013	Syed Arif Hussain
Crown Textile Mills Limited **	444,656	444,656	-	-	-	-	-
			<u>52,200</u>	<u>52,200</u>			

* The breakup value of Takaful Pakistan Limited is Rs. 5.48 (un-audited) per share as per the available financial statements for the period ended 30 September 2014.

** These were transferred at nil value upon amalgamation of Pakistan branches of AlBaraka with and into the Bank.

10. ISLAMIC FINANCING AND RELATED ASSETS

Note	2014 ----- (Rupees '000) -----	2013 ----- (Rupees '000) -----	
In Pakistan			
Islamic financing and related assets			
- Murabaha finance	10.1	18,889,191	17,773,675
- Advance against murabaha finance		1,671,397	967,990
- Murabaha inventory		1,045	-
- Export refinance under Islamic scheme		1,940,997	2,409,432
- Advance against export refinance under Islamic scheme		10,900	17,555
- Ijarah assets under IFAS 2		3,437,746	2,831,232
- Net investment in ijarah	10.2	103,870	129,091
- Advance against ijarah		295,954	301,012
- Service ijarah		735,294	394,608
- Diminishing musharaka financing		11,157,066	6,742,606
- Advance against diminishing musharaka finance		137,240	-
- Tijara finance		463,630	-
- Over due acceptances		387,601	527,809
- Payment against guarantee		25,903	20,978
- Payment against documents		5,642	13,448
- Salam financing		32,525	174,219
- Advance against salam		5,617,643	4,349,501
- Salam inventory		230,000	-
- Financing against bills		291,513	428,963
- Istasna finance		3,182,871	348,306
- Advance against istasna		589,048	1,414,360
- Staff financing	10.3	625,334	466,338
- Advance against staff financing		1,786	2,640
- Rahnuma travel services		85	-
Islamic financing and related assets - gross		<u>49,834,281</u>	<u>39,313,763</u>
Provisions for non-performing financing - specific	10.6	<u>2,795,155</u>	<u>2,778,875</u>
Provisions for non-performing financing - general	10.6	<u>16,548</u>	<u>14,943</u>
		<u>2,811,703</u>	<u>2,793,818</u>
Islamic financing and related assets - net of provisions		<u>47,022,578</u>	<u>36,519,945</u>

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	Note	2014 ----- (Rupees '000) -----	2013 ----- (Rupees '000) -----
10.1 Murabaha receivable - gross	10.1.1	19,934,813	18,786,157
Deferred murabaha income		(608,773)	(591,012)
Profit receivable shown in other assets		(436,849)	(421,470)
Murabaha finance		18,889,191	17,773,675
10.1.1 Murabaha sale price		19,934,813	18,786,157
Murabaha purchase price		(18,889,191)	(17,773,675)
		1,045,622	1,012,482
10.2 These represents the ijarah financing contracts entered upto December 2008. These are accounted for as finance lease where by assets under ijarah agreements are presented as a receivable at an amount equal to net investment in ijarah.			
		2014	2013
		----- (Rupees '000) -----	----- (Rupees '000) -----
Present value of minimum ijarah payments :			
- Not later than one year		103,870	110,558
- Later than one year		-	18,533
		103,870	129,091

10.3 This represents islamic financing to staff under the Bank's human resource policies.

10.4 Particulars of Islamic financing and related assets	2014 ----- (Rupees '000) -----	2013 ----- (Rupees '000) -----
10.4.1 In local currency	44,292,404	35,611,192
In foreign currency	2,730,174	1,409,452
	47,022,578	37,020,644
10.4.2 Short-term (for upto one year)	31,507,909	26,402,418
Long term (for over one year)	15,514,669	10,618,226
	47,022,578	37,020,644

10.5 Islamic financing and related assets include Rs. 4,176.617 (2013: Rs 5,248.051) million which have been placed under non-performing status as detailed below:

Category of classifications	2014				
	Classified financing			Provision required	Provision held
	Domestic	Overseas	Total		
	----- Rupees in '000 -----				
Other assets especially mentioned	11,738	-	11,738	-	-
Substandard	376,923	-	376,923	81,142	81,142
Doubtful	47,355	-	47,355	9,658	9,658
Loss	3,740,601	-	3,740,601	2,704,355	2,704,355
	4,176,617	-	4,176,617	2,795,155	2,795,155

Category of classifications	2013				
	Classified financing			Provision required	Provision held
	Domestic	Overseas	Total		
	----- Rupees in '000 -----				
Other assets especially mentioned	-	-	-	-	-
Substandard	570,385	-	570,385	91,467	91,467
Doubtful	251,312	-	251,312	70,992	70,992
Loss	4,426,354	-	4,426,354	2,616,416	2,616,416
	5,248,051	-	5,248,051	2,778,875	2,778,875

Handwritten signature

10.6 Particulars of provisions against non-performing islamic financing and related assets

	2014			2013		
	Specific	General	Total	Specific	General	Total
	----- Rupees in '000 -----					
Opening balance	2,778,875	14,943	2,793,818	2,714,908	11,767	2,726,675
Charge for the year	723,845	3,369	727,214	713,160	3,176	716,336
Reversals for the year	(704,315)	(1,764)	(706,079)	(649,193)	-	(649,193)
	19,530	1,605	21,135	63,967	3,176	67,143
Written off during the year	(3,250)	-	(3,250)	-	-	-
Closing balance	2,795,155	16,548	2,811,703	2,778,875	14,943	2,793,818

10.6.1 The above provision against non-performing islamic financing has been computed after considering allowable forced sale value (FSV) of collateral amounting to Rs. 1,219.590 (2013: Rs. 2,167.125) million. The FSV benefit recognized is not allowed for distribution of cash or stock dividend to shareholders.

10.6.2 The Bank maintains general reserve (provisions) in accordance with the applicable requirements of prudential regulations for consumer, small and medium enterprise islamic financing.

10.6.3 SBP vide its letter BPRD/BLRD-3/DMG/2011-1035 dated 26 January 2011 and SBP vide letter OSED/SEU-10/002(01)/18271/2014 dated 26 September 2014 has allowed relaxation from provisioning requirement against certain credit exposures having a provisioning impact of Rs. 178.036 (2013 :Rs. 40.581) million.

10.6.4 Particulars of provisions against non-performing islamic financing.

	2014			2013		
	Specific	General	Total	Specific	General	Total
	----- Rupees in '000 -----					
In local currency	2,782,171	16,548	2,798,719	2,765,891	14,943	2,780,834
In foreign currencies	12,984	-	12,984	12,984	-	12,984
	2,795,155	16,548	2,811,703	2,778,875	14,943	2,793,818

10.6.5 Particulars of write offs

10.6.5.1 Against provision

Directly charged to profit and loss account

Note	2014	2013
	----- (Rupees '000) -----	
	3,250	-
	-	-
	3,250	-
	3,250	-
	-	-
	3,250	-

10.6.5.2 Write offs Rs. 500,000 and above

Write offs below Rs. 500,000

10.6.5.3 In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written off financing or any other financial relief of five hundred thousand rupees or above allowed to any person during the year ended 31 December 2014 is annexed to these financial statements.

10.7 Particulars of Islamic financing to executives, directors, associated companies etc.

Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other person*

Balance at the beginning of the year	459,214	415,761
Islamic financing during the year	117,742	245,371
Repayments during the year	(243,007)	(201,918)
Balance at the end of the year	333,949	459,214

* These represent Islamic financing given by the Bank to its employees as per the terms of their employment.

11. OPERATING FIXED ASSETS

Property and equipments	11.1	1,463,980	1,453,553
Intangible assets	11.2	838,406	915,126
Capital work-in-progress	11.3	364,808	357,074
		2,667,194	2,725,753

11.1 Property and equipment

	2014							Rate of depreciation %
	COST			ACCUMULATED DEPRECIATION			Net book value as at 31 December 2014	
	As at 01 January 2014	Additions / (disposals)	As at 31 December 2014	As at 01 January 2014	Charge for the year / (on disposals)	As at 31 December 2014		
----- Rupees in '000 -----								
Leasehold land	707,104	-	707,104	-	-	-	707,104	-
Building and improvements on leasehold land	522,575	50,628	573,203	115,934	32,085	148,019	425,184	5% - 10%
Furniture and fixtures	149,900	10,065 (402)	159,563	73,781	16,934 (337)	90,378	69,185	10%
Computer and office equipments	580,364	76,679 (8,618)	648,425	342,193	68,666 (8,338)	402,521	245,904	10% - 50%
Vehicles	37,608	50 (7,878)	29,780	12,090	8,965 (7,878)	13,177	16,603	20%
	1,997,551	137,422 (16,898)	2,118,075	543,998	126,650 (16,553)	654,095	1,463,980	
Assets held under finance lease								
Vehicles	14,789	- (1,088)	13,701	14,789	- (1,088)	13,701	-	20%
2014	2,012,340	137,422 (17,986)	2,131,776	558,787	126,650 (17,641)	667,796	1,463,980	
----- Rupees in '000 -----								
	2013							Rate of depreciation %
	COST			ACCUMULATED DEPRECIATION			Net book value as at 31 December 2013	
	As at 01 January 2013	Additions / (disposals) / (write offs*)	As at 31 December 2013	As at 01 January 2013	Charge for the year / (on disposals) / (on write offs*)	As at 31 December 2013		
----- Rupees in '000 -----								
Leasehold land	534,701	172,403	707,104	-	-	-	707,104	-
Building and improvements on leasehold land	406,105	135,551 (19,081) *	522,575	97,907	28,007 (9,980) *	115,934	406,641	5% - 10%
Furniture and fixtures	144,730	5,255 (85)	149,900	58,395	15,425 (39)	73,781	76,119	10%
Computer and office equipments	421,038	159,326	580,364	286,966	55,227	342,193	238,171	10% - 50%
Vehicles	35,717	12,305 (10,414)	37,608	11,792	10,422 (10,124)	12,090	25,518	20%
	1,542,291	484,840 (10,499) (19,081) *	1,997,551	455,060	109,081 (10,163) (9,980) *	543,998	1,453,553	
Assets held under finance lease								
Vehicles	46,088	- (31,299)	14,789	43,224	2,826 (31,261)	14,789	-	20%
2013	1,588,379	484,840 (41,798) (19,081) *	2,012,340	498,284	111,907 (41,424) (9,980) *	558,787	1,453,553	
----- Rupees in '000 -----								

ALBARAKA BANK (PAKISTAN) LIMITED

11.2 Intangible assets	Note	2014	2013
		----- (Rupees '000) -----	
Computer software and core deposits	11.2.1	455,261	531,981
Brand with indefinite useful life	11.2.2	383,145	383,145
		<u>838,406</u>	<u>915,126</u>

11.2.1	2014							
	COST			ACCUMULATED AMORTISATION			Net book	
	As at 01		As at 31	As at 01	As at 31	value as at 31		
	January		December	January	December	December	Rate of	
	2014	Additions	2014	2014	Amortisation for the year	2014	amortisation	
	----- Rupees in '000 -----							
Computer software	219,924	17,073	236,997	172,585	31,010	203,595	33%	
Core deposits	684,000	-	684,000	199,358	62,783	262,141	8.33%-10%	
	<u>903,924</u>	<u>17,073</u>	<u>920,997</u>	<u>371,943</u>	<u>93,793</u>	<u>465,736</u>		

11.2.1	2013							
	COST			ACCUMULATED AMORTISATION			Net book	
	As at 01		As at 31	As at 01	As at 31	value as at 31		
	January		December	January	December	December	Rate of	
	2013	Additions	2013	2013	Amortisation for the year	2013	amortisation	
	----- Rupees in '000 -----							
Computer software	214,543	5,381	219,924	146,072	26,513	172,585	33%	
Core deposits	684,000	-	684,000	136,575	62,783	199,358	8.33%-10%	
	<u>898,543</u>	<u>5,381</u>	<u>903,924</u>	<u>282,647</u>	<u>89,296</u>	<u>371,943</u>		

11.2.2 During the year, the management has carried out annual impairment test in respect of Brand as required by IAS - 36 "Impairments of Intangible Assets". The recoverable amount of the asset has been determined based on 'value in use' using discounted cash flow methodology, covering cash flow projections for a period of 5 years.

The key assumptions used for the purpose of the projections and impairment test are as under:

- Discount rate - Pre tax	24.28%
- Terminal growth rate	6.00%

11.3. Capital work-in-progress	Note	2014	2013
		----- (Rupees '000) -----	
Advances to suppliers and contractors	11.3.1	364,808	357,074
Advance for purchase of property		251,680	251,680
Provisions for impairment against advance for purchase of property		(251,680)	(251,680)
		-	-
Total capital work-in-progress		<u>364,808</u>	<u>357,074</u>

11.3.1 This includes advance payment amounting to Rs.121.049 (2013: Rs.121.049) million for implementation of new core banking system of the Bank.

11.4 Disposal of assets

Details of disposal of fixed assets where cost exceeds Rs. 1 million or book value is greater than Rs. 0.25 million, whichever is lower are as follows:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
----- Rupees in '000 -----						
Vehicles						
Honda City	1,046	1,046	-	195	As per bank policy	Mr. Muhammad Arshad (employee)
Toyota Corrolla	1,281	1,281	-	229	As per bank policy	Mr. Pervez Siddiqui (employee)
Toyota Mark X	2,800	2,800	-	513	As per bank policy	Mr. Amjad Ali (employee)
	<u>5,127</u>	<u>5,127</u>	<u>-</u>	<u>937</u>		

Fixed assets having book value of less than Rs. 0.25 million or cost of Rs. 1 million is as follows:

Various	12,859	12,514	345	2,127
2014	<u>17,986</u>	<u>17,641</u>	<u>345</u>	<u>3,063</u>
2013	41,798	41,424	374	6,591

	2014	2013
	----- (Rupees '000) -----	
12. DEFERRED TAX ASSETS		
Deferred tax debits arising in respect of		
Provisions against non performing islamic financing and related assets	744,970	641,728
Provisions for diminution in the value of investments	97,616	75,178
Provisions against operating fixed assets	22,022	22,022
Provisions against other assets	1,551	1,551
Deferred tax asset in respect of minimum tax to be carried forward and adjusted against tax liability of future years	245,424	196,646
Deferred tax on remeasurment of defined benefit plan	17,793	6,217
Tax effect of revaluation of investments classified as available-for-sale	80,544	-
Unused tax losses	480,404	648,503
	1,690,324	1,591,845
Deferred tax credits arising due to		
Excess of accounting book values over tax written down values of operating fixed assets	148,891	151,394
Tax effect of revaluation of investments classified as available-for-sale	-	9,387
	148,891	160,781
	1,541,433	1,431,064

- 12.1** As at 31 December 2014, the Bank has unused tax losses of Rs. 1,372.583 (2013: Rs. 1,852.867) million.
- 12.2** The above net deferred tax asset has been recognized in accordance with the Bank's accounting policy. The management based on financial projections prepared during the year, estimates that sufficient taxable profits would be available in future against which the deferred tax asset could be realized.

13. OTHER ASSETS

Profit / return accrued in local currency		1,436,642	1,446,276
Profit / return accrued in foreign currency		15,349	21,245
Advances, deposits and prepayments	13.1	294,225	232,394
Receivable against sale of shares		28,291	81,000
Advance taxation (payments less provision)		248,435	271,818
Unrealised gain on re-measurement of forward exchange contracts		16,067	58,706
Branch adjustment account		64,298	30,867
Receivable in respect of defined benefit plan	32 & 32.3	-	6,950
Stamps and stationery		12,071	8,375
Non banking assets acquired in satisfaction of claims	13.2	1,188,589	405,289
Others		87,180	93,040
		3,391,147	2,655,960
Less: Provisions held against other assets	13.3	(46,800)	(28,065)
Other assets (net of provisions)		3,344,347	2,627,895

- 13.1** This includes prepaid rent and prepaid takaful aggregating Rs 164.7 (2013: 141.9) million and Rs 40.5 (2013: 29.4) million respectively.

- 13.2** Represent properties aquired by the Bank in satisfaction of claims from borrowers. The fair value of these assets amounts to Rs. 1,452.072 (2013:Rs. 486.23) million.

13.3 Provisions held against other assets

Opening balance		28,065	53,178
Charge for the year	13.4	19,714	-
Reversals for the year		(979)	(25,113)
		18,735	(25,113)
		46,800	28,065

- 13.4** SBP vide letter OSED/SEU-10/002(01)/18271/2014 dated 26 September 2014 has allowed relaxation from provisioning requirement against certain other assets having a provisioning impact of Rs. 4.407 (2013 :Rs. NIL) million.

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ALBARAKA BANK (PAKISTAN) LIMITED

2014 2013

----- (Rupees '000) -----

14. BILLS PAYABLE			
In Pakistan		679,810	725,609
Outside Pakistan		-	-
		<u>679,810</u>	<u>725,609</u>
15. DUE TO FINANCIAL INSTITUTIONS			
In Pakistan	15.1	2,211,568	2,201,945
Outside Pakistan		-	-
		<u>2,211,568</u>	<u>2,201,945</u>
15.1 Particulars of due to financial institutions with respect to currencies			
In local currency		2,211,568	2,201,945
In foreign currencies		-	-
		<u>2,211,568</u>	<u>2,201,945</u>
15.2 Details of due to financial institutions			
Secured			
Borrowings from State Bank of Pakistan			
Under Islamic export refinance scheme (IERS)	15.2.1	1,990,482	2,201,945
Unsecured			
Borrowings from financial institution	15.2.2	221,086	-
		<u>2,211,568</u>	<u>2,201,945</u>
15.2.1	SBP IH&SMEFD vide circular number 05 of 2014 dated 07 July 2014, has prescribed the profit rates for exporters availing financing facilities under IERS at 7.5% per annum. The Bank spread for corporate borrower and SME borrower will be 1% and 2% respectively. The maximum limit approved by SBP to the Bank under Islamic Export Refinance Scheme is Rs. 2.8 (2013: 2.8) billion. The above contracts will mature starting from 18 February 2015 to 29 June 2015.		
15.2.2	The expected profit rate ranges from 9.0% to 9.7% per annum and will mature by March 2015.		
15.3 Particulars of due to financial institutions			
Short-term (for upto one year)		2,211,568	2,201,945
Long term (for over one year)		-	-
		<u>2,211,568</u>	<u>2,201,945</u>
16. DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		26,186,424	26,364,509
Savings deposits		29,177,743	25,092,485
Current accounts - non-remunerative		13,612,220	12,241,316
Margin deposits		1,058,207	558,019
		70,034,594	64,256,329
Financial Institutions			
Remunerative deposits		10,114,392	11,347,303
Non-remunerative deposits		73,593	43,465
		10,187,985	11,390,768
		<u>80,222,579</u>	<u>75,647,097</u>
16.1 Particulars of deposits			
In local currency		76,565,575	71,089,648
In foreign currencies		3,657,004	4,557,449
		<u>80,222,579</u>	<u>75,647,097</u>
17. SUBORDINATED LOANS			
Foreign currency loans	17.1	1,105,314	1,158,571
Tier II Mudarbah Sukuk	17.2	2,000,000	-
		<u>3,105,314</u>	<u>1,158,571</u>

17.1 During the year 2013, the Bank has entered into a sub-ordinated loan agreement with AlBaraka Islamic Bank BSC (the major sponsor). In terms of the said agreement, a sub-ordinated loan of Rs. 1,105.314 million (USD 11 million) has been provided to the Bank. No return will be payable on the loan and the loan stands sub-ordinated to all other creditors, depositors and third party obligations of the Bank. The loan is intended to bridge the regulatory capital shortfall of the Bank and will only be repaid if and when the Bank is compliant with the MCR requirements. In the event, the Bank is not MCR compliant by 31 December 2016, the loan will be converted into the paid up capital of the Bank. As per the terms of the agreement, the proceeds of the loan shall be placed by the Bank in an profit free deposit account maintained by the Bank with the SBP in US Dollars.

17.2 During the year, the Bank has issued unsecured, sub-ordinated and privately placed sukuk amounting to Rs 2,000 million. The issuance of sukuk is intended to comply with regulatory requirements related to CAR as stated in note 1.2 to these financial statements. The tenor of the sukuk is seven years maturing in 2021. The principal repayment, starting after six months of the drawdown date, would be made semi-annually on a straight line basis.

18. OTHER LIABILITIES	Note	2014 ----- (Rupees '000) -----	2013 ----- (Rupees '000) -----
Return on deposits and borrowings:			
- payable in local currency		764,147	827,779
- payable in foreign currencies		1,381	1,985
Accrued expenses		101,121	103,554
Unremitted head office expenses	18.1	-	95,704
Payable in respect of defined benefit plan	32 & 32.3	18,281	-
Security deposit against ijarah		1,024,252	812,108
Charity payable	18.2, 18.2.1 & 18.2.2	57,742	82,948
Payable against purchase of listed shares		14,568	-
Advance payments		221,870	226,909
Others	18.3	24,837	27,002
		<u>2,228,199</u>	<u>2,177,989</u>

18.1 During the year, the AlBaraka Islamic Bank B.S.C. (c) has agreed to convert the liability in to equity of the Bank and the same has also been approved by State Bank of Pakistan.

18.2 Movement of charity payable

Opening balance	82,948	112,243
Amount transferred during the year	28,259	25,898
Payments / utilization during the year	(53,465)	(55,193)
Closing balance	<u>57,742</u>	<u>82,948</u>

18.2.1 According to the instructions of the Shariah Advisor, any income earned by the Bank from Shariah non-compliant avenues should be paid by the Bank for charitable purposes.

18.2.2 Detailed information relating to charity paid to organizations/ individuals equal to or in excess of Rs 100,000 is given in annexure II to the financial statements.

18.3 Includes Rs. 0.657 (2013:0.657) million in respect of exchange difference which arose on translation of the share subscription money received in foreign currency from Mal Al Khaleej Investment L.L.C in respect of right shares issued during the year ended 31 December 2008.

19. SHARE CAPITAL

19.1 Authorized Capital

2014	2013		2014	2013
<u>Number of shares</u>			----- (Rupees '000) -----	
<u>1,000,000,000</u>	<u>1,000,000,000</u>	Ordinary shares of Rs 10 each	<u>10,000,000</u>	<u>10,000,000</u>

19.2 Issued, subscribed and paid up capital

2014	2013		2014	2013
<u>Number of shares</u>			----- (Rupees '000) -----	
<u>450,000,000</u>	<u>450,000,000</u>	Ordinary shares of Rs 10 each fully paid in cash	<u>4,500,000</u>	<u>4,500,000</u>
<u>443,520,000</u>	<u>443,520,000</u>	Issued for consideration other than cash	<u>4,435,200</u>	<u>4,435,200</u>
<u>893,520,000</u>	<u>893,520,000</u>		<u>8,935,200</u>	<u>8,935,200</u>

19.3 Shareholders having more than 10% shareholding.

Name of shareholder	2014		2013	
	Number of shares held	Percentage of shareholding	Number of shares held	Percentage of shareholding
AlBaraka Islamic Bank (Bahrain) B.S.C. (c)	577,543,500	64.64%	577,543,500	64.64%
Mal Al Khaleej Investment L.L.C.	158,360,039	17.72%	158,360,039	17.72%
Sheikh Tariq Bin Faisal Bin Khalid Al Qassemi	103,018,177	11.53%	110,311,487	12.35%
	<u>838,921,716</u>	<u>93.89%</u>	<u>846,215,026</u>	<u>94.71%</u>

20. (DEFICIT) / SURPLUS ON REVALUATION OF INVESTMENTS - NET OF TAX

(Deficit) / surplus on revaluation of investments classified as 'available for sale':

	2014	2013
	----- (Rupees '000) -----	
- Sukuk certificates	(224,665)	35,997
- Ordinary shares - listed	(5,459)	(9,177)
	<u>(230,124)</u>	<u>26,820</u>
Related deferred tax asset / (liability)	80,544	(9,387)
	<u>(149,580)</u>	<u>17,433</u>

21. CONTINGENCIES AND COMMITMENTS

21.1 Transaction-related contingent liabilities

Includes performance bonds, bid bonds, shipping guarantees favouring:

i) Government	4,785,202	4,442,566
ii) Banking companies and other financial institutions	-	258,551
iii) Others	551,823	820,686
	<u>5,337,025</u>	<u>5,521,803</u>

21.2 Trade-related contingent liabilities

Letters of credit	<u>4,440,887</u>	<u>5,007,432</u>
Others - Shipping Guarantees	<u>252,899</u>	<u>138,360</u>
Acceptances	<u>873,157</u>	<u>1,198,246</u>

21.3 Commitments in respect of forward exchange contracts

Purchase	<u>4,052,452</u>	<u>2,320,863</u>
Sale	<u>3,908,355</u>	<u>2,781,334</u>
	<u>42,092</u>	<u>40,161</u>

21.4 Commitments to incur capital expenditure

21.5 Other Contingencies

21.5.1 The Bank has filed appeals before Appellate Tribunal Inland Revenue (ATIR) against the orders in respect of assessment years 2001-2002, 2002-2003 and tax years 2004 to 2011. Moreover, the Income Tax Department has also filed appeals before ATIR against the orders in respect of assessment years 2001-2002, 2002-2003 and tax year 2004 to 2011 issued by Commissioner Inland Revenue (CIR) (Appeals). Appeals filed by the Bank and the Income Tax Department are pending for decision. The management of the Bank is confident that the appeals are likely to be decided in favor of the Bank and, hence no provision has been made in these financial statements for the income tax claims amounting to Rs. 116.512 million.

In respect of tax year 2011, the Additional Commissioner Inland Revenue (ACIR) has issued notice under section 122(9) read with section 122 (5A) of the Income Tax Ordinance, 2001 for proposed amendment of deemed assessment order in which certain disallowances, have been made. The reply to the notice has been filed through tax consultant; however the order of the ACIR is awaited.

- 21.5.2** The Bank has received the notice in respect of Tax Year 2012 from Additional Commissioner Inland Revenue (ACIR) stating certain disallowances and levy of Workers' Welfare Fund (WWF). Subsequent to receipt of notice, the Bank filed an appeal before Commissioner Inland Revenue (Appeals) (CIR (Appeals)) against the order of ACIR. In this regard, CIR Appeals vide order No. 14/A-1 dated 28 November 2014 has deleted the disallowances made by the ACIR. However, CIR Appeals has maintained the levy of WWF amounting to Rs 15.05 million. The Bank is in the process of filing an appeal before the Appellate Tribunal against the order of CIR Appeals. Based on the legal advise, the management and tax advisor of the Bank is confident that the said proceedings shall be decided in the favor of the Bank. Hence no provisions has been made in these financial statements.
- 21.5.3** The Bank has received various assessment orders from Deputy Commissioner Inland Revenue (DCIR) stating that the Bank has short paid Federal Excise Duty (FED) on specific income of the Bank for the years 2009 to 2012 amounting to Rs 121.16 million. However, ATIR has set aside the orders related to years 2009 to 2011 for fresh adjudication and the said matter is pending decision for further proceedings. For year 2012, the Bank has filed the appeal before Commissioner (Appeals) against the order of assessing officer. However, the hearing of appeal is pending. The Bank after necessary consultation with its tax advisor is confident that the aforementioned matters will be decided in its favor and hence, no provision has been made in these financial statements against any liability which may arise in this respect.
- 21.5.4** During the year 2010, certain suits have been filed by Mr. Faisal Vawda in the Honorable High Court of Sindh against the Bank wherein Mr. Vawda has claimed that he was offered 24 million ordinary shares of the Bank at an aggregate value of Rs. 300 million as sale consideration against the commercial property sold to the Bank. He further claimed that in addition to the said property, he has also paid Rs. 60 million towards the purchase consideration for the above referred shares. However, the said shares or any other consideration against the property has not been received by him. Based on the above, Mr. Vawda has alleged against the Bank of involvement in illegal business. The Bank contends that the aforesaid allegations of Mr. Vawda are baseless and without any merit and that the subject property has been duly purchased and paid for by the Bank. Further, in the opinion of legal advisor of the Bank, the Bank is likely to successfully contest the aforementioned proceedings and accordingly is not likely to be exposed to the abovementioned claims being prayed against the Bank.

In terms of the merger agreement dated 16 August 2010 between sponsors shareholders of the Bank and AlBaraka, the Emirates Financial Holdings LLC (EFH) will keep the Bank fully indemnified, safe and secured against all losses, costs, claims, damages of any nature whatsoever resulting to the Bank on account of the Mr. Faisal Vawda Litigations including any additional or ancillary litigation or proceedings filed by Faisal Vawda Group in relation to the subject matter of the Faisal Vawda Litigations. In this regard, the Bank has invoked the indemnity and has submitted a legal notice upon EFH.

	2014	2013
	----- (Rupees '000) -----	
Claim not acknowledged as debt	<u>30,000</u>	<u>30,000</u>
22. PROFIT / RETURN EARNED ON ISLAMIC FINANCING AND RELATED ASSETS, INVESTMENTS AND PLACEMENTS		
On islamic financing and related assets	4,029,868	3,123,867
On investments in		
- Available for sale securities	1,769,160	2,371,864
- Held for trading securities	51,452	-
- Held to maturity securities	-	14
	1,820,612	2,371,878
On deposits with banks	578,083	536,803
On due from financial institutions	254,411	98,684
	<u>6,682,974</u>	<u>6,131,232</u>

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		2014	2013
	Note	----- (Rupees '000) -----	
23. RETURN ON DEPOSITS AND OTHER DUES EXPENSED			
Deposits and other accounts		4,291,967	4,178,241
Due to financial institutions		34,912	-
Tier II Sukuk	17.2	60,751	-
On Export refinance under Islamic scheme		125,620	161,853
		<u>4,513,250</u>	<u>4,340,094</u>
24. GAIN ON SALE OF SECURITIES - net			
Gain on sale of sukuk certificates			
- Federal government sukuk certificates		59,770	22,500
- Other sukuk certificates		54,445	42,403
		114,215	64,903
Gain on sale of listed shares		21,544	-
		<u>135,759</u>	<u>64,903</u>
25. OTHER INCOME			
Gain on sale of operating fixed assets		4,200	9,449
Gain on the sale of non banking assets		1,015	-
Charges recovered from staff		27	-
		<u>5,242</u>	<u>9,449</u>
26. ADMINISTRATIVE EXPENSES			
Salaries, allowances and other staff benefits	26.1	1,036,358	894,428
Contribution to defined contribution plan	33	41,818	38,914
Charge for defined benefit plan	32.7	32,076	27,200
Non-executive directors' fees, allowances and other expenses	34	23,872	19,248
Rent, taxes, insurance, electricity, etc.		522,674	468,702
Takaful and registration of Ijarah		77,190	36,211
Legal and professional charges		34,691	30,834
Software maintenance and license fee		111,120	39,128
Communication		93,515	84,931
Brokerage, commission and bank charges		13,876	11,512
Traveling and conveyance		19,356	15,812
Repairs and maintenance		53,754	47,232
Training and development		2,365	1,452
Stationery and printing		37,524	33,062
Advertisement and publicity		57,137	21,294
Auditors' remuneration	26.2	6,400	6,000
Depreciation	11.2	126,650	111,907
Amortization	11.3	93,793	89,297
Security charges		102,703	84,314
Newspaper and periodicals		2,039	1,348
Rental paid on assets acquired under Ijara		-	10,121
Entertainment		27,225	21,787
Other expenses		29,447	23,879
		<u>2,545,583</u>	<u>2,118,613</u>
26.1	This includes remuneration paid during the year to Chairman Shariah Board and Resident Shariah Board member amounting to Rs. 7.130 million.		
26.2	Auditors' remuneration		
Fee for statutory audit - annual		1,948	1,826
Fee for limited scope review - half yearly		586	550
Fee for other audit, reviews and certifications		3,866	3,624
		<u>6,400</u>	<u>6,000</u>

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		2014	2013
	Note	----- (Rupees '000) -----	
26.3 Other provisions / write offs			
Provision / (reversal of provision) against other assets	13.3	18,735	(25,113)
Provision against advance for purchase of property	11.3	-	125,840
Leasehold renovation written off		-	9,101
		<u>18,735</u>	<u>109,828</u>
27. OTHER CHARGES			
Penalties imposed by the State Bank of Pakistan		<u>30,074</u>	<u>18,696</u>
28. TAXATION			
For the year			
Current taxation	28.1	<u>(79,527)</u>	<u>(67,248)</u>
Deferred taxation		<u>8,862</u>	<u>59,619</u>
		<u>(70,665)</u>	<u>(7,629)</u>
28.1			
The charge for current tax represents minimum tax in accordance with section 113 of the Income Tax Ordinance, 2001.			
29. BASIC AND DILUTED EARNING / (LOSS) PER SHARE			
Profit / (loss) after taxation for the year		<u>145,923</u>	<u>(41,231)</u>
		2014	2013
		Number of shares	
Weighted average number of ordinary shares		<u>893,520,000</u>	<u>893,520,000</u>
		Rupees	
Basic / diluted profit / (loss) per share (Rupee)	29.1	<u>0.16</u>	<u>(0.05)</u>
29.1			
There were no convertible / dilutive potential ordinary shares outstanding as at 31 December 2014 and 31 December 2013.			
30. CASH AND CASH EQUIVALENTS		2014	2013
		----- (Rupees '000) -----	
Cash and balances with treasury banks	6	6,465,268	5,727,407
Balances with other banks	7	<u>3,741,342</u>	<u>16,565,377</u>
		<u>10,206,610</u>	<u>22,292,784</u>
31. STAFF STRENGTH		2014	2013
		----- Number -----	
Permanent		1,127	979
Temporary / on contractual basis		172	148
Consultants		2	2
Bank's own staff strength at the end of the year		<u>1,301</u>	<u>1,129</u>
Outsourced		337	248
Total Staff Strength		<u>1,638</u>	<u>1,377</u>

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32. DEFINED BENEFIT PLAN

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

32.2 Significant Actuarial Assumptions

	Note	2014 Per annum	2013 Per annum
Financial assumptions			
- Valuation discount rate		11.5%	13.0%
- Salary increase rate		10.0%	11.5%
Demographic assumptions			
- Mortality rates (for death in service)		Adjusted SLIC 2001-05	Adjusted SLIC 2001-05
- Rates of employee turnover		Moderate	Moderate
		2014	2013
		----- (Rupees '000) -----	

32.3 Fair value of plan assets and present value of obligation

Present value of defined benefit obligation	32.4 & 32.10	263,682	203,381
Fair value of plan assets	32.5 & 32.12	(245,401)	(210,331)
	32.6	<u>18,281</u>	<u>(6,950)</u>

32.4 Movement in the present value of defined benefit obligation

Obligation at the beginning of the year		203,381	159,417
Current service cost		35,574	30,778
Interest cost		24,593	17,197
Benefits paid		(28,413)	(19,753)
Actuarial loss on obligations		28,547	15,742
Obligation at the end of the year		<u>263,682</u>	<u>203,381</u>

32.5 Movement in the fair value of plan assets

Fair value at the beginning of the year		210,331	173,568
Expected return on plan assets		28,091	20,775
Contributions		39,918	33,929
Benefits paid		(28,413)	(19,753)
Actuarial (loss) / gain on plan assets		(4,526)	1,812
Fair value at the end of the year		<u>245,401</u>	<u>210,331</u>

32.6 Movement in payable / (receivable) to defined benefit plan

Opening balance		(6,950)	(14,151)
Charge for the year	32.7	32,076	27,200
Bank's contribution to the fund made during the year		(39,918)	(33,929)
Re-measurements recognized in OCI	32.7 & 32.11	33,073	13,930
Closing balance		<u>18,281</u>	<u>(6,950)</u>

32.7 Defined benefit cost for the year
Service cost

Current service cost		35,574	30,778
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Net Interest Cost

Interest cost on defined benefit obligation		24,593	17,197
Expected return on plan assets		28,091	20,775
Net interest cost		(3,498)	(3,578)
		<u>32,076</u>	<u>27,200</u>

Re-measurements recognized in Other Comprehensive Income during the year

Actuarial loss on obligations		28,547	15,742
less: Actuarial (loss) / gain on plan assets		(4,526)	1,812
	32.11	<u>33,073</u>	<u>13,930</u>

Total defined benefit cost recognized in Profit and loss and Other Comprehensive Income		<u>65,149</u>	<u>41,130</u>
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32.8 Actual return on plan assets

		<u>23,565</u>	<u>22,587</u>
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ALBARAKA BANK (PAKISTAN) LIMITED

	2014 ----- (Rupees '000) -----	2013 ----- (Rupees '000) -----
32.9 Expected contributions to be paid to the funds in the next financial year		
Service cost		
Current service cost	33,787	49,768
Net Interest Cost		
Interest cost on defined benefit obligation	29,639	26,163
Return on plan assets	(29,923)	(29,508)
	(284)	(3,345)
	<u>33,503</u>	<u>46,423</u>
32.10 Analysis of present value of defined benefit obligations		
Vested / Non-Vested		
Vested benefits	205,831	197,576
Non-vested benefits	57,851	5,805
	<u>263,682</u>	<u>203,381</u>
Type of Benefits		
Accumulated benefit obligation	128,866	100,576
Amounts attributed to future salary increases	134,816	102,805
	<u>263,682</u>	<u>203,381</u>
32.11 Re-measurements recognized in Other Comprehensive Income during the year		
Re-measurements: Actuarial loss / (gain) on obligation		
Due to change in financial assumptions	10,761	(21,651)
Due to change in demographic assumptions	-	13,548
Due to change in experience adjustments	17,786	23,845
	28,547	15,742
Re-measurements: Net return on plan assets over interest income		
Actual return on plan assets	23,565	22,587
Return on plan assets	(28,091)	(20,775)
	(4,526)	1,812
	<u>33,073</u>	<u>13,930</u>
32.12 Components of plan assets		
Cash and cash equivalents	114,802	186,355
Investments	130,599	23,976
	245,401	210,331
32.13 Maturity profile of the defined benefit obligation		
Weighted average duration of the defined benefit obligation		
Distribution of timing of benefit payments	8.91 years	13.66 years
Less than 12 months	10,950	47,625
Between 1 year and 5 years	143,247	95,981
Between 6 and 10 years	67,275	126,661
Above 10 years	1,049,073	879,856
32.14 Sensitivity Analysis on significant actuarial assumptions: Actuarial Liability		
Discount Rate +1%	242,162	196,102
Discount Rate -1%	288,771	211,834
Salary Increases +1%	290,205	215,183
Salary Increases -1%	240,610	194,381

33. DEFINED CONTRIBUTION PLAN

The Bank also operates a recognized contributory provident fund for all permanent employees. Equal monthly contributions are made, both by the Bank and the employees, to the fund at a rate of 10% of basic salary.

	2014 ----- (Rupees '000) -----	2013 -----
Contribution from the Bank	41,818	38,914
Contribution from the employees	41,818	38,914
	<u>83,636</u>	<u>77,828</u>

34. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive Officer		Directors *		Executives **	
	2014	2013	2014	2013	2014	2013
	----- Rupees in '000 -----					
Managerial remuneration	20,402	17,062	-	-	230,101	219,392
Charge for defined benefit plan	1,845	1,422	-	-	19,147	17,146
Contribution to defined contribution plan	2,040	1,706	-	-	20,878	20,312
Rent and house maintenance	5,069	5,119	-	-	67,046	64,547
Utilities allowance	1,690	1,706	-	-	22,324	21,516
Medical allowance	1,690	1,706	-	-	22,324	21,516
Bonus	8,813	3,840	-	-	31,533	18,020
Conveyance	607	815	9,500	8,675	90	120
Fee	-	-	14,372	10,573	-	-
Others	3,100	6,020	-	-	73,807	54,053
	<u>45,256</u>	<u>39,396</u>	<u>23,872</u>	<u>19,248</u>	<u>487,250</u>	<u>436,622</u>
Number of persons	<u>1</u>	<u>1</u>	<u>9</u>	<u>10</u>	<u>221</u>	<u>215</u>

* This includes amounts charged in these financial statements as remuneration to 10 (2013 : 10) non- executive directors. There was one casual vacancy during the year.

** Executives means employee other than the Chief Executive Officer and directors, whose basic salary exceeds five hundred thousand rupees in a financial year.

34.1 The Bank also provides cars to the Chief Executive Officer and certain executives for their own use.

35. FAIR VALUE OF FINANCIAL INSTRUMENTS

35.1 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 traded investments is based on quoted market prices, except for tradable securities classified by the Bank as 'held to maturity' (if any). These securities are carried at amortized cost in order to comply with the requirements of BSD Circular No.14 dated 24 September 2004.

Fair value of unquoted equity investments is determined on the basis of break up value of these investments as per the latest available financial statements.

Fair value of islamic financing and related assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of islamic financing has been calculated in accordance with the Bank's accounting policy as stated in relevant note to these financial statements.

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The repricing profile and maturity are stated in note 42 and 44 to these financial statements.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short term in nature or in the case of customer islamic financing and deposits are frequently repriced.

35.2 Off - balance sheet financial instruments

	2014		2013	
	Book value	Fair value	Book value	Fair value
	-----Rupees in '000-----			
Forward purchase of foreign exchange	4,097,455	4,052,452	2,277,959	2,320,863
Forward sale of foreign exchange	3,969,424	3,908,355	2,797,136	2,781,334

36. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Total
	-----Rupees in '000-----				
	2014				
Total income	2,972,518	606,586	3,826,749	3,621	7,409,474
Total expenses	2,970,122	776,148	3,517,281	-	7,263,551
Net income / (loss)	2,396	(169,562)	309,468	3,621	145,923
Segment return on assets (ROA) (%)	7.30%	9.53%	7.92%	0.21%	7.63%
Segment cost of funds (%)	6.15%	6.15%	6.15%	6.15%	6.15%
Segment assets (gross of provisions)	40,721,514	6,366,011	48,313,145	1,759,813	97,160,483
Segment non performing financings (NPFs)	-	111,801	4,064,816	-	4,176,617
Segment provision required against NPFs	-	72,288	2,739,415	-	2,811,703
Segment liabilities	3,166,065	28,417,445	56,184,150	679,810	88,447,470
	-----Rupees in '000-----				
	2013				
Total income	3,291,142	507,044	2,923,734	2,842	6,724,762
Total expenses	3,242,756	673,455	2,849,782	-	6,765,993
Net income / (loss)	48,386	(166,411)	73,952	2,842	(41,231)
Segment return on assets (ROA) (%)	7.19%	9.89%	7.48%	0.39%	7.43%
Segment cost of funds (%)	6.19%	6.19%	6.19%	6.19%	6.19%
Segment assets (gross of provisions)	45,776,022	5,128,510	38,911,705	736,985	90,553,222
Segment non performing financings (NPFs)	-	123,027	5,125,024	-	5,248,051
Segment provision required against NPFs	-	64,367	2,729,451	-	2,793,818
Segment liabilities	1,158,571	24,330,781	55,696,247	725,612	81,911,211

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37. RELATED PARTY TRANSACTIONS

37.1 Parties are considered to be related if one party has the ability to control the other party or exercise significant influence or the other party in making financial and operational decisions and include Key management personnel, parent Bank, shareholders of the Bank, staff retirement benefit plan and Directors of Bank.

The details of transactions with related parties during the year are as follows:

	2014 ------(Rupees '000)-----	2013
<u>Key management personnel</u>		
Islamic financing and related assets		
At beginning of the year	116,663	77,319
Disbursements / additions during the year	45,724	70,182
Deletions / repayments during the year	(45,073)	(30,838)
At end of the year	117,314	116,663
Deposits		
At beginning of the year	171,731	142,535
Deposits during the year	655,454	376,945
Withdrawals during the year	(718,835)	(347,749)
At end of the year	108,350	171,731
Other Balances		
Return payable on deposit	197	568
Profit receivable on islamic financing and related assets	65	84
<u>Parent Bank</u>		
Balances		
Payable to Head Office	-	95,704
Advance against issuance of shares	95,704	-
Sub-ordinated loans	1,105,314	1,158,571
Transactions, income and expenses		
Profit earned on islamic financing and related assets	4,087	4,439
Return on deposits expenses	9,073	11,654
Salaries, allowances and benefits	187,467	156,138
<u>Shareholders, entities having directors in common with the Bank and retirement benefit plan of the Bank</u>		
Deposits		
At beginning of the year	718,217	541,574
Additions during the year	612,893	938,113
Deletions during the year	(910,821)	(761,470)
At end of the year	420,289	718,217
Other balances		
Return payable on deposits	3,713	4,579
Investments	52,200	52,200
Provision for diminution in the value of investment	24,257	25,088
Non funded exposures	43,963	281,120
Payable to shareholders	657	2,098
Transactions, income and expenses		
Return on deposits expenses	52,603	48,601
Director fee and other allowances	23,872	19,248
<u>Staff Retirement benefit plan</u>		
(Payable) / receivable in respect of defined benefit plan	(18,281)	6,950
Contribution to defined contribution plan	41,818	38,914
Contribution to defined benefit plan	32,076	27,200

38 CAPITAL - ASSESSMENT AND ADEQUACY

38.1 Capital Adequacy Framework

As per requirements of SBP, the Bank is required to comply with the capital adequacy framework which comprises of the following capital standards :

i) Minimum Capital Requirement (MCR):

As per the requirements of SBP, the banks/DFIs are required to have a minimum paid up capital (net of losses) of Rs 10 billion as of 31 December 2013. Further the banks / DFIs are also required to maintain a capital adequacy ratio of 10% at all times.

In order to meet the regulatory capital requirements, the Bank has prepared a capitalization plan which was submitted to SBP. The SBP vide its letter no. BPRD/BA&CP/608/019652/2013 dated 28 December 2013 has allowed the Bank to proceed with the plan as follows:

- i) The Bank is required to maintain a minimum paid up capital (net of losses) (MCR) of at least Rs. 6 billion at all times and will have to meet the full MCR of Rs 10 billion by 31 December 2016.
- ii) As a short term arrangement, the Bank has been allowed to raise a foreign currency sub-ordinated debt of Rs. 1,105.314 (USD 11) million from its major sponsor (AlBaraka). The said sub-ordinated debt has been deposited as non-remunerative deposit with SBP.
- iii) The above foreign currency deposit with the SBP shall be increased to Rs. 2.1 billion by 31 December 2014 and Rs. 2.8 billion by 31 December 2015.
- iv) The foreign currency sub-ordinated debt will not be withdrawn unless the Bank achieves full compliance with MCR. However any withdrawal will be subject to prior approval of the SBP. In the event the Bank is not MCR compliant by 31 December 2016, the sub-ordinated debt will be converted into the paid up capital of the Bank.
- v) For regulatory purposes, the foreign currency sub-ordinated debt is allowed to be included in the Bank's capital.

ii) Capital Adequacy Ratio (CAR):

The Capital Adequacy Ratio (CAR) assesses the capital requirement based on the risks faced by the banks.

Last year SBP issued the revised instructions on the computation of CAR based on BASEL III Capital Reform as published by the Basel Committee on Banking Supervision. These instructions are effective from 31 December 2013 with full implementation intended by 31 December 2019. These instructions also specify the transitional arrangements from 2013 to 2019.

As per the Capital plan of the Bank approved by SBP, the Bank is required to maintain a CAR of at least 16%, which may be reduced depending on the level of MCR maintained as detailed below.

MCR Level	CAR requirement
Rs. 6 billion	16%
Rs. 7 billion	15%
Rs. 8 billion	14%
Rs. 9 billion	13%
Rs. 10 billion	As per CAR applicable under Basel III rules

As of 31 December 2014, the CAR ratio of the Bank works out to 14.24% (2013: 11.97 %).

The status of the Bank's compliance with the above regulatory requirement is explained in the note 1.2 to the financial statements.

38.2 Scope of Applications

The Basel-III framework is applicable to the Bank on a standalone basis as the Bank does not have a subsidiary. Standardized Approach has been used for calculating the Capital Adequacy for Credit and Market risk, whereas, Basic Indicator Approach (BIA) is used for Operational Risk Capital Adequacy purposes.

38.3 Capital Structure

Bank's regulatory capital has been analyzed in two tiers;

- Common equity Tier 1 capital (CET 1), which includes fully paid up capital, advance against issuance of shares, discount on issuance of shares, statutory reserves as per the financial statements and accumulated losses after all regulatory adjustments applicable on CET 1.
- Tier 2 capital, which includes subordinated debt/instrument, general provisions for loan losses (upto a maximum of 1.25% of credit risk weighted assets) and reserves on revaluation of investments (upto a maximum of 45% of the balance in the related revaluation reserves) etc.

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	2014	2013
Note	-----Rupees in '000-----	
Common Equity Tier 1 capital (CET1): Instruments and reserves		
Share Capital including advance against issuance of shares	9,030,904	8,935,200
Balance in share premium account	-	-
Reserve for issue of bonus shares	-	-
Discount on Issuance of shares	(767,290)	(767,290)
Statutory reserves	111,259	82,074
Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-
Accumulated loss	(2,323,983)	(2,419,224)
Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-
CET 1 before Regulatory Adjustments	6,050,890	5,830,760
Total regulatory adjustments applied to CET1	38.4.1 1,495,354	1,041,934
Common Equity Tier 1	4,555,536	4,788,826
Additional Tier 1 (AT 1) Capital		
Qualifying Additional Tier-1 capital instruments plus any related share premium	-	-
of which: Classified as equity	-	-
of which: Classified as liabilities	1,105,314	1,158,571
Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)	-	-
of which: instrument issued by subsidiaries subject to phase out	-	-
AT1 before regulatory adjustments	1,105,314	1,158,571
Total regulatory adjustment applied to AT1 capital	38.4.2 -	-
Additional Tier 1 Capital after regulatory adjustments	1,105,314	1,158,571
Additional Tier 1 capital recognized for capital adequacy	1,105,314	1,158,571
Tier 1 Capital (CET1 + admissible AT1)	5,660,850	5,947,397
Tier 2 Capital		
Qualifying Tier 2 capital instruments under Basel III	17 2,000,000	-
Tier 2 capital instruments subject to phaseout arrangement issued under pre-Base1 3 rules	-	-
Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)	-	-
of which: instruments issued by subsidiaries subject to phase out	-	-
General provisions for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	16,548	14,943
Revaluation Reserves (net of taxes)	-	-
of which: Revaluation reserves on fixed assets	-	-
of which: Unrealized gains on AFS	-	7,845
Foreign Exchange Translation Reserves	-	-
Undisclosed/Other Reserves	-	-
T2 before regulatory adjustments	2,016,548	22,788
Total regulatory adjustment applied to T2 capital	38.4.3 -	-
Tier 2 capital (T2) after regulatory adjustments	2,016,548	22,788
Tier 2 capital recognized for capital adequacy	-	-
Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
Total Tier 2 capital admissible for capital adequacy	2,016,548	22,788
TOTAL CAPITAL (T1 + admissible T2)	7,677,398	5,970,185
Total Risk Weighted Assets (RWA)	38.6 53,908,676	49,881,552
Capital Ratios and buffers (in percentage of risk weighted assets)		
CET1 to total RWA	8.45%	9.60%
Tier-1 capital to total RWA	10.50%	11.92%
Total capital to RWA	14.24%	11.97%
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	-	-
of which: capital conservation buffer requirement	-	-
of which: countercyclical buffer requirement	-	-
of which: D-SIB or G-SIB buffer requirement	-	-
CET1 available to meet buffers (as a percentage of risk weighted assets)	-	-
National minimum capital requirements prescribed by SBP		
CET1 minimum ratio	5.50%	5.00%
Tier 1 minimum ratio	7.00%	6.50%
Total capital minimum ratio	10.00%	10.00%

38.4 Regulatory Adjustments and Additional Information

	Amount	Amounts subject to Pre- Basel III treatment	Amount	Amounts subject to Pre- Basel III treatment
	2014		2013	
-----Rupees in '000-----				
38.4.1 Common Equity Tier 1 capital: Regulatory adjustments				
- Goodwill (net of related deferred tax liability)	-	-	-	-
- All other intangibles (net of any associated deferred tax liability)	951,311	-	1,001,353	-
- Shortfall in provisions against classified assets	182,443	-	40,581	-
- Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	135,649	542,597	-	773,700
- Defined-benefit pension fund net assets	-	-	-	-
- Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	-	-	-	-
- Cash flow hedge reserve	-	-	-	-
- Investment in own shares/ CET1 instruments	-	-	-	-
- Securitization gain on sale	-	-	-	-
- Capital shortfall of regulated subsidiaries	-	-	-	-
- Deficit on account of revaluation of investments classified as 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)	149,580	-	-	-
- Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	-	-
- Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	76,371	305,483	-	194,076
- Amount exceeding 15% threshold	-	-	-	-
- of which: significant investments in the common stocks of financial entities	-	-	-	-
- of which: deferred tax assets arising from temporary differences	-	-	-	-
- National specific regulatory adjustments applied to CET1 capital	-	-	-	-
- Investments in TFCs of other banks exceeding the prescribed limit	-	-	-	-
- Any other deduction specified by SBP	-	-	-	-
- Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	-	-	-
Total regulatory adjustments applied to CET1	1,495,354	848,080	1,041,934	967,776
38.4.2 Additional Tier-1 & Tier-1 Capital: regulatory adjustments				
- Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	-	-	-	-
- Investment in own AT1 capital instruments	-	-	-	-
- Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	-	-	-	-
- Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the	-	-	-	-
- Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-	-
- Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital	-	-	-	-
- Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-	-	-
Total regulatory adjustment applied to AT1 capital				

38.4.3 Tier 2 Capital: regulatory adjustments

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

38.4.4 Additional Information

Risk Weighted Assets subject to pre-Basel III treatment

-	Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment) of which: deferred tax assets	-	848,080	-	967,776
	of which: Defined-benefit pension fund net assets	-	-	-	-
	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	-	-	-	-
	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	-	-	-	-

Amounts below the thresholds for deduction (before risk weighting)

	Non-significant investments in the capital of other financial entities	-	-	-	-
	Significant investments in the common stock of financial entities	27,943		27,112	
	Deferred tax assets arising from temporary differences (net of related tax liability)	408,931		401,513	

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)	-	-	-	-
	Cap on inclusion of provisions in Tier 2 under standardized approach	-	-	-	-
	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	-	-	-	-

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38.5 Capital Structure Reconciliation

Step 1	As per	Under	As per	Under	Ref
	published financial statements	regulatory scope of consolidation	published financial statements	regulatory scope of consolidation	
	2014		2013		
	-----Rupees in '000-----				
Assets					
Cash and balances with treasury banks	6,465,268	6,465,268	5,727,407	5,727,407	
Balanced with other banks	3,741,342	3,741,342	16,565,377	16,565,377	
Due to financial institutions	10,005,950	10,005,950	-	-	
Investments	19,560,668	19,560,668	22,161,963	22,161,963	
Islamic financing and related assets	47,022,578	47,022,578	36,519,945	36,519,945	
Operating fixed assets	2,667,194	2,667,194	2,725,753	2,725,753	
Deferred tax assets	1,541,433	1,541,433	1,431,064	1,431,064	
Other assets	3,344,347	3,344,347	2,627,895	2,627,895	
Total assets	94,348,780	94,348,780	87,759,404	87,759,404	
Liabilities					
Bills payable	679,810	679,810	725,609	725,609	
Due to financial institutions	2,211,568	2,211,568	2,201,945	2,201,945	
Deposits and other accounts	80,222,579	80,222,579	75,647,097	75,647,097	
Sub-ordinated loans	3,105,314	3,105,314	1,158,571	1,158,571	
Liabilities against assets subject to finance lease	-	-	-	-	
Deferred tax liabilities	-	-	-	-	
Other liabilities	2,228,199	2,228,199	2,177,989	2,177,989	
Total liabilities	88,447,470	88,447,470	81,911,211	81,911,211	
Represented by					
Share capital (including advance against issuance of shares and discount)	8,263,614	8,263,614	8,167,910	8,167,910	
Reserves	111,259	111,259	82,074	82,074	
Accumulated loss	(2,323,983)	(2,323,983)	(2,419,224)	(2,419,224)	
Minority Interest	-	-	-	-	
(Deficit) / Surplus on revaluation of assets-net of tax	(149,580)	(149,580)	17,433	17,433	
Total equity	5,901,310	5,901,310	5,848,193	5,848,193	
Total liabilities & equity	94,348,780	94,348,780	87,759,404	87,759,404	
Step 2					
	As per	Under	As per	Under	Ref
	published financial statements	regulatory scope of consolidation	published financial statements	regulatory scope of consolidation	
	2014		2013		
	-----Rupees in '000-----				
Assets					
Cash and balances with treasury banks	6,465,268	6,465,268	5,727,407	5,727,407	
Balanced with other banks	3,741,342	3,741,342	16,565,377	16,565,377	
Due from Financial institutions	10,005,950	10,005,950	-	-	
Investments	19,560,668	19,560,668	22,161,963	22,161,963	
<i>of which: Non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold</i>	-	-	-	-	a
<i>of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold</i>	-	-	-	-	b
<i>of which: Mutual Funds exceeding regulatory threshold</i>	-	-	-	-	c
<i>of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)</i>	-	-	-	-	d
<i>of which: others (mention details)</i>	-	-	-	-	e
Islamic financing and related assets	47,022,578	47,022,578	36,519,945	36,519,945	
<i>shortfall in provisions against classified assets</i>	182,443	182,443	40,581	40,581	f
<i>general provisions reflected in Tier 2 capital</i>	16,548	16,548	14,943	14,943	g
Operating fixed assets	2,667,194	2,667,194	2,725,753	2,725,753	
Deferred Tax Assets	1,541,433	1,541,433	1,431,064	1,431,064	
<i>of which: DTAs that rely on future profitability excluding those arising from temporary differences</i>	678,245	678,245	773,700	773,700	h
<i>of which: DTAs arising from temporary differences exceeding regulatory threshold</i>	76,371	76,371	194,076	194,076	i
Other assets	3,344,347	3,344,347	2,627,895	2,627,895	
<i>of which: Goodwill</i>	-	-	-	-	j
<i>of which: Intangibles</i>	951,311	951,311	1,001,353	1,001,353	k
<i>of which: Defined-benefit pension fund net assets</i>	-	-	-	-	l
Total assets	94,348,780	94,348,780	87,759,404	87,759,404	

Step 2

Liabilities & Equity

	As per published financial statements	Under regulatory scope of consolidation	As per published financial statements	Under regulatory scope of consolidation	Ref
	2014	2014	2013	2013	
-----Rupees in '000-----					
Bills payable	679,810	679,810	725,609	725,609	
Due to Financial institutions	2,211,568	2,211,568	2,201,945	2,201,945	
Deposits and other accounts	80,222,579	80,222,579	75,647,097	75,647,097	
Sub-ordinated loans	3,105,314	3,105,314	1,158,571	1,158,571	
<i>of which: eligible for inclusion in AT1</i>	1,105,314	1,105,314	1,158,571	1,158,571	m
<i>of which: eligible for inclusion in Tier 2</i>	2,000,000	2,000,000	-	-	n
Liabilities against assets subject to finance lease	-	-	-	-	
Deferred tax liabilities	-	-	-	-	
<i>of which: DTLs related to goodwill</i>	-	-	-	-	o
<i>of which: DTLs related to intangible assets</i>	-	-	-	-	p
<i>of which: DTLs related to defined pension fund net assets</i>	-	-	-	-	q
<i>of which: other deferred tax liabilities</i>	-	-	-	-	r
Other liabilities	2,228,199	2,228,199	2,177,989	2,177,989	
Total liabilities	88,447,470	88,447,470	81,911,211	81,911,211	
Share capital					
<i>of which: amount eligible for CET1</i>	8,263,614	8,263,614	8,167,910	8,167,910	s
<i>of which: amount eligible for AT1</i>	-	-	-	-	t
Reserves	111,259	111,259	82,074	82,074	u
<i>of which: portion eligible for inclusion in CET1 (provide breakup)</i>	111,259	111,259	82,074	82,074	v
<i>of which: portion eligible for inclusion in Tier 2</i>	-	-	-	-	w
Accumulated losses	(2,323,983)	(2,323,983)	(2,419,224)	(2,419,224)	
Minority Interest	-	-	-	-	
<i>of which: portion eligible for inclusion in CET1</i>	-	-	-	-	x
<i>of which: portion eligible for inclusion in AT1</i>	-	-	-	-	y
<i>of which: portion eligible for inclusion in Tier 2</i>	-	-	-	-	z
Surplus on revaluation of assets	-	-	-	-	
<i>of which: Revaluation reserves on Fixed Assets</i>	-	-	-	-	
<i>of which: Unrealized Gains/Losses on AFS</i>	-	-	17,433	17,433	aa
<i>In case of Deficit on revaluation (deduction from CET1)</i>	(149,580)	(149,580)	-	-	ab
Total equity and liabilities	5,901,310	5,901,310	5,848,193	5,848,193	
Total Equity	94,348,780	94,348,780	87,759,404	87,759,404	

Step 3

Common Equity Tier 1 capital (CET1): Instruments and reserves

	Component of regulatory capital reported by bank 2014 Rupees in '000		Component of regulatory capital reported by bank 2013 Rupees in '000	
	Source based on reference number from step 2		Source based on reference number from step 2	
Share capital (including advance against issuance of shares)	9,030,904		8,935,200	
Discount against issuance of shares	(767,290)	(s)	(767,290)	(s)
Reserve for issue of Bonus Shares	-		-	
Statutory Reserves	111,259	(u)	82,074	(u)
Gain/(Losses) on derivatives held as Cash Flow Hedge	-		-	
Accumulated losses	(2,323,983)	(w)	(2,419,224)	(w)
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)	-	(x)
CET 1 before Regulatory Adjustments	6,050,890		5,830,760	
Common Equity Tier 1 capital: Regulatory adjustments				
Goodwill (net of related deferred tax liability)	-	(j) - (o)	-	(j) - (o)
All other intangibles (net of any associated deferred tax liability)	951,311	(k) - (p)	1,001,353	(k) - (p)
Shortfall of provisions against classified assets	182,443	(f)	40,581	(f)
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	135,649	{(h) - (r)} * 20%	-	{(h) - (r)} * 0%
Defined-benefit pension fund net assets	-	{(l) - (q)} * 0%	-	{(l) - (q)} * 0%
Reciprocal cross holdings in CET1 capital instruments	-	(d)	-	(d)
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 fixed assets/ AFS	149,580	(ab)	-	(ab)
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)	-	(a) - (ac) - (ae)
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)	-	(b) - (ad) - (af)
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	76,371	(i)	-	(i)
Amount exceeding 15% threshold	-		-	
of which: significant investments in the common stocks of financial entities	-		-	
of which: deferred tax assets arising from temporary differences	-		-	
National specific regulatory adjustments applied to CET1 capital	-		-	
of which: Investment in TFCs of other banks exceeding the prescribed limit	-		-	
of which: Any other deduction specified by SBP (mention details)	-		-	
Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-		-	
Total regulatory adjustments applied to CET1	1,495,354		1,041,934	

Common Equity Tier 1	4,555,536		4,788,826	
Additional Tier 1 (AT 1) Capital				
Qualifying Additional Tier-1 instruments plus any related share premium				
of which: Classified as equity	-	(t)	-	(t)
of which: Classified as liabilities	1,105,314	(m)	1,158,571	(m)
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	(y)	-	(y)
of which: instrument issued by subsidiaries subject to phase out	-		-	
AT1 before regulatory adjustments	1,105,314		1,158,571	
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)	-	(ac)	-	(ac)
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(ad)	-	(ad)
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-BaseI 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 recognized for capital adequacy	-		-	
Tier 1 Capital (CET1 + admissible AT1)	5,660,850		5,947,397	
Tier 2 Capital				
Qualifying Tier 2 capital instruments under Basel III plus any related share premium	2,000,000			
Capital instruments subject to phase out arrangement from tier 2 (Pre-BaseI III instruments)	-	(n)	-	(n)
Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	(z)	-	(z)
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	16,548	(g)	14,943	(g)
Revaluation Reserves	-		-	
of which: Revaluation reserves on fixed assets	-		-	
of which: Unrealized Gains/Losses on AFS	-	portion of (aa)	7,845	portion of (aa)
Foreign Exchange Translation Reserves	-	(v)	-	(v)
Undisclosed/Other Reserves (if any)	-		-	
T2 before regulatory adjustments	2,016,548		22,788	
Tier 2 Capital: regulatory adjustments				
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-BaseI 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)	-	(ae)	-	(ae)
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(af)	-	(af)
Amount of Regulatory Adjustment applied to T2 capital	-		-	
Tier 2 capital (T2)	2,016,548		22,788	
Tier 2 capital recognized for capital adequacy	2,016,548		22,788	
Excess Additional Tier 1 capital recognized in Tier 2 capital	-		-	
Total Tier 2 capital admissible for capital adequacy	2,016,548		22,788	
TOTAL CAPITAL (T1 + admissible T2)	7,677,398		5,970,185	

38.6 Risk-Weighted Exposures

	2014		2013	
	-----Rupees in '000-----			
Credit Risk	Capital Requirement	Risk weighted Assets	Capital Requirement	Risk weighted Assets
On-Balance sheet				
Portfolios subject to standardized approach (Simple or Comprehensive)				
Cash & cash equivalents	-	-	-	-
Sovereign	778	5,188	6,799	42,493
Public Sector entities	30,547	203,649	7,500	46,878
Banks	213,047	1,420,313	595,616	3,722,600
Corporate	4,997,810	33,318,733	4,118,240	25,739,000
Retail	104,642	697,610	92,371	577,321
Residential Mortgages	88,523	590,152	47,438	296,486
Past Due loans	188,328	1,255,519	275,904	1,724,400
Operating fixed assets	257,382	1,715,882	884,036	5,525,226
Other assets	788,626	5,257,506	399,305	2,495,657
	6,669,683	44,464,552	6,427,210	40,170,061
Portfolios subject to Internal Rating Based (IRB) Approach				
Corporate, Sovereign, Corporate, Retail, Securitization etc.	-	-	-	-
Off-Balance sheet				
Non-market related				
Financial guarantees, acceptances, performance related commitments, trade related etc.	633,531	4,223,543	868,138	5,425,863
Market related				
Foreign Exchange contracts.	9,221	61,472	13,255	82,846
Equity Exposure Risk in the Banking Book				
Under simple risk weight method				
- Listed	8,703	58,020	1,667	10,418
- Unlisted	10,479	69,858	10,845	67,780
Under Internal models approach				
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	22,143	147,623	7,460	46,625
Equity position risk	47,770	318,468	-	-
Foreign Exchange risk	24,989	166,592	8,518	53,238
Capital Requirement for portfolios subject to Internal Models Approach	-	-	-	-
Operational Risk				
Capital Requirement for operational risks	659,782	4,398,548	643,955	4,024,721
	1,416,618	9,444,124	1,553,839	9,711,491
Total Risk-Weighted Exposures	8,086,301	53,908,676	7,981,048	49,881,552

38.6.1 Capital Adequacy Ratios

	2014		2013	
	Required	Actual	Required	Actual
CET1 to total RWA	5.50%	8.45%	5.00%	9.60%
Tier-1 capital to total RWA	7.00%	10.50%	6.50%	11.92%
Total capital to total RWA	10.00%	14.24%	10.00%	11.97%

38.7 Main Features Template of Regulatory Capital Instruments

		COMMON SHARES	TIER II SUKUK
1	Issuer	Al Baraka Bank (Pakistan) Limited	Al Baraka Bank (Pakistan) Limited
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	Not Applicable	AlBaraka Bank (Pakistan) Limited - Tier II Sukuk
3	Governing law(s) of the instrument	Laws applicable in Pakistan	Laws applicable in Pakistan
Regulatory treatment			
4	Transitional Basel III rules	Common equity Tier 1	Tier 2
5	Post-transitional Basel III rules	Common equity Tier 1	Ineligible
6	Eligible at solo/ group/ group&solo	Solo	Solo
7	Instrument type	Common shares	Other Tier 2
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	5,660,850	2,000,000
9	Par value of instrument	Rs 10 per share	Rs 1 million per certificate
10	Accounting classification	Shareholder equity	Liability - amortized cost
11	Original date of issuance	2005-2010	2014
12	Perpetual or dated	Perpetual	Dated
13	Original maturity date	No maturity	26 September 2021
14	Issuer call subject to prior supervisory approval	No	Yes
15	Optional call date, contingent call dates and redemption amount	Not Applicable	25 September 2019
16	Subsequent call dates, if applicable	Not Applicable	Any time after the option call date
Coupons / dividends			
17	Fixed or floating dividend/ coupon	Not Applicable	Floating
18	coupon rate and any related index/ benchmark	Not Applicable	6 months Kibor + 1.25% per annum
19	Existence of a dividend stopper	No	No
20	Fully discretionary, partially discretionary or mandatory	Fully Discretionary	Mandatory
21	Existence of step up or other incentive to redeem	No	No
22	Noncumulative or cumulative	Not Applicable	Non cumulative
23	Convertible or non-convertible	Non Convertible	Convertible
24	If convertible, conversion trigger (s)	Not Applicable	The Instrument is subject to loss absorbency, under which SBP may convert the instrument, fully or partially, into common ordinary shares upon the occurrence of a non-viability trigger event (the "PONV"). The conversion shall be based on the price as agreed with SBP.
25	If convertible, fully or partially	Not Applicable	May convert fully or partially upon the occurrence of PONV.
26	If convertible, conversion rate	Not Applicable	To be determined in the case of Trigger event.
27	If convertible, mandatory or optional conversion	Not Applicable	Mandatory
28	If convertible, specify instrument type convertible into	Not Applicable	Common Equity Tier 1
29	If convertible, specify issuer of instrument it converts into	Not Applicable	AlBaraka Bank (Pakistan) Limited
30	Write-down feature		
31	If write-down, write-down trigger(s)	Not Applicable	The Instrument is subject to loss absorbency, under which SBP, may either convert into common ordinary shares or immediately write off upon the occurrence of a non-viability trigger event (the "PONV").
32	If write-down, full or partial	Not Applicable	May be written down fully or may be written off partially
33	If write-down, permanent or temporary	Not Applicable	Permanent
34	If temporary write-down, description of write-up mechanism	Not Applicable	Not Applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not Applicable	Subordinate to all other indebtedness to the Bank including depositors
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	Not Applicable	Not Applicable

38.7.1 As referred to in note 1.2 to these financial statements, the Bank has entered into a sub-ordinated loan agreement with Albaraka Islamic Bank BSC (the major sponsor). In terms of the said agreement a sub-ordinated loan of Rs. 1,105.314 million (USD 11 million) has been provided to the Bank. No return will be payable on the loan and the loan stands sub-ordinated to all other creditors, depositors and third party obligations of the Bank. The loan is intended to bridge the regulatory capital shortfall of the Bank and will only be repaid if and when the Bank is compliant with the MCR requirements. In the event the Bank is not MCR compliant by 31 December 2016, the loan will be converted into the paid up capital of the Bank. As per the terms of the agreement, the proceeds of the loan shall be placed by the Bank in an interest free deposit account maintained by the Bank with the SBP in US Dollars. As per SBP letter BPRD/ BA&CP/608/019652/2013, the subordinated debt has been included in the Bank's capital for regulatory purposes.

39. RISK MANAGEMENT

The primary goal of risk management is to identify, assess and monitor risks inherent in the activities of the Bank and take adequate measures to manage and control these risks on timely basis. This will help in achieving sustainable business growth and financial and non-financial targets with better protection and soundness. The bank's aim is to achieve an appropriate balance between risk and return and minimizing potential adverse effects on the bank's financial performance.

This section presents information about Bank's exposure to and its management and control of risks, in particular the primary risks associated with its use of financial instruments:

- Credit risk is the risk of loss resulting from client or counterparty default.
- Market risk is exposure to market variables such as benchmark rates, exchange rates and equity indices.
- Liquidity risk is the potential for loss to the Bank arising from either its inability to meet its obligations or to fund increases in assets as they fall due without incurring an unacceptable cost.
- Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events.

The objective of risk management is to effectively manage uncertainties that arise in the normal course of business activities.

The Bank manages the risk through a framework of risk management, policies and principles, organizational structures, and risk measurement and monitoring processes that are closely aligned with the business activities of the Bank.

Risk management principles

- The Board of Directors (the Board) provides overall risk management supervision. The Board Risk Committee (BRC) regularly monitors the Bank's risk profile.
- The Bank has set up objectives and policies to manage the risks that arise in connection with the Bank's activities. The risk management framework and policies of the Bank are guided by specific objectives to ensure that comprehensive and adequate risk management policies are established to mitigate the salient risk elements in the operations of the Bank.
- The establishment of the overall financial risk management objectives is consistent and tandem with the strategy to create and enhance shareholders value, while guided by a prudent and robust framework of risk management policies.
- The structure of risk management function is closely aligned with the organizational structure of the Bank.

Risk management organization

The Board through its sub-committee called BRC oversees the overall risk of the Bank. The Risk Management Department (RMD) is the organizational arm performing the functions of identifying, measuring, monitoring and controlling the various risk and assists the apex level committee and the various sub-committees in conversion of policies into action.

The BRC comprises Executive, Directors, Non Executive Directors and the Chief Risk Officer. One of the Non Executive directors of the Bank chairs the BRC, who is responsible for planning, management and control of the aforementioned risks of the Bank.

The BRC has delegated some of its tasks of risk management to sub committees which are as follows:

Name of the committees	Chaired by
Credit committee	Chief Executive Officer
Asset and liability management committee (ALCO)	Chief Executive Officer

Credit committee is responsible for approving and monitoring all financing transactions and also the overall quality of the asset portfolio. For this purpose it has formulated credit policy so as to effectively monitor the risk profile of the Bank's asset portfolio and to ensure strict adherence to the SBP's Prudential Regulations, Banking Companies Ordinance, 1962 and any other regulatory requirement.

ALCO has the responsibility for the formulation of overall strategy and oversight of the assets liability management function. ALCO monitors the maintenance of liquidity ratios, depositor's concentration both in terms of overall funding mix and avoidance of reliance on large individual deposits. The Board have approved a comprehensive liquidity management policy.

The Board has constituted an Audit Committee. The Audit Committee works to ensure that the best practices of the Code of Corporate Governance and other policies and procedures are being complied with.

The Bank's Risk Management, Compliance and Internal Audit and Legal Departments support the risk management function. The role of the risk management department is to quantify the risk and the quality and integrity of the Bank's risk-related data. The Compliance Department ensures that all the directives and guidelines issued by SBP are being complied with in order to mitigate the compliance and operational risks. Internal Audit Department reviews the compliance of internal control procedures with internal and regulatory standards.

39.1 Credit Risk

Credit risk is the risk of loss to Bank as a result of failure by a client or counterparty to meet its contractual obligations when due. Exposure to credit risks for the Bank arises primarily from financing & investing activities.

The management of credit risk is governed by credit policies approved by the Board. The procedures set out the relevant approval authorities, limit, risks, credit ratings and other matters involved in order to ensure sound credit granting standards.

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The Bank has a well defined credit structure duly approved by the Board under which delegated authorities at various levels are operating and which critically scrutinize and sanction credit. The emphasis is to provide short to medium term trade related islamic financing and related assets to reputable names, which are self liquidating and Shariah compliant. The risk appraisal system of the Bank has enabled it to build a sound portfolio.

Credit risk management framework forms part of the overall business strategy and credit operations of the bank. The principles for credit risk management have been laid down in the bank's credit risk policy, credit manual and credit operations procedure manuals. The policy has been developed in accordance with the requirements of the State Bank of Pakistan and is reviewed and updated (where required) on periodic basis.

The Board of Directors has approved the Internal Credit Risk Rating Policy for customers, establishing a rating mechanism for identifying and measuring the credit risk against each obligor / transaction. The mechanism considers factors such as management, financial health and macro / micro economic factors and the facility structuring. The Internal Credit Risk Rating System which has been implemented in the Bank assigns risk grades to credit portfolio in nine categories whereas three grades have been assigned to classified islamic financing and related assets. The system has played a significant role in the decision making, monitoring and capital adequacy processes relating to credit risk management.

The Bank has a rigorous pre-approval evaluation process of credit risk embedded in each credit transactions executed by the business units. The entire process broadly encompasses, gathering relevant information on the borrower, credit investigations and visits, detailed credit appraisal, and credit risk assessment and measurement. In addition to monitoring credit limits specified in the Prudential Regulations of the State Bank of Pakistan, credit limit structure includes internal limits as established by the senior management and the BOD. Internal limits include limits with respect to BOD approved risk appetite, industry/sector, credit approval authority, exposure with financial institutions and foreign countries. All these limits are monitored on regular basis and any exceptions are reported to the relevant authorities for their timely action where necessary.

Besides managing credit risk at transaction level, the Bank regularly monitors credit risk at portfolio level and ensures that no undue concentration of risk is present in the overall credit exposure at Bank level. The Bank has well established management information set-up which allows efficient and effective assessment, monitoring and management of its credit risk profile in various dimensions.

The Bank classifies a claim as impaired if it considers it likely that it will suffer a loss on that claim as a result of the obligor's inability to meet its commitments (including profit payments, principal repayments or other payments due) after realization of any available collateral. Allowances or provisions are determined in accordance with the requirements of the SBP. The authority to establish allowances, provisions and credit valuation adjustments for impaired claims, vests in Credit Operations Department and is according to the SBP regulations.

39.1.1 Segmental information

39.1.1.1 Segments by class of business

	2014					
	Islamic financing and related assets (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Agriculture, forestry, hunting and fishing	1,340,237	2.69%	581,209	0.72%	69,516	0.37%
Mining and quarrying	245,633	0.49%	-	0.00%	86,708	0.46%
Textile	7,167,711	14.38%	995,149	1.24%	523,043	2.76%
Chemical and pharmaceuticals	4,951,615	9.94%	3,822,054	4.76%	1,767,722	9.33%
Cement	-	0.00%	5,683	0.01%	-	0.00%
Sugar	3,497,550	7.02%	112,970	0.14%	300,000	1.58%
Footwear and leather garments	767,701	1.54%	233,292	0.29%	102,637	0.54%
Automobile and transportation equipment	1,150,217	2.31%	13,428	0.02%	54,833	0.29%
Electronics and electrical appliances	807,716	1.62%	351,938	0.44%	181,484	0.96%
Construction	1,368,470	2.75%	224,008	0.28%	804,015	4.25%
Power (electricity), gas, water, sanitary	5,747,285	11.53%	1,680,586	2.09%	371,125	1.96%
Wholesale and retail trade	845,825	1.70%	58,502	0.07%	321,558	1.70%
Exports / imports	943,718	1.89%	21,775	0.03%	419,412	2.21%
Transport, storage and communication	1,581,212	3.17%	950	0.00%	45,643	0.24%
Financial	300,265	0.60%	10,093,405	12.58%	8,477,092	44.77%
Insurance	1,941	0.00%	94,590	0.12%	-	0.00%
Services	1,900,252	3.81%	13,015,380	16.22%	394,373	2.08%
Individuals / staff	3,013,351	6.05%	28,235,117	35.20%	41,612	0.22%
Others	14,203,582	28.50%	20,682,543	25.78%	4,976,094	26.28%
	49,834,281	100%	80,222,579	100.00%	18,936,867	100.00%

	2013					
	Islamic financing and related assets (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Agriculture, forestry, hunting and fishing	194,254	0.49%	722,252	0.95%	4,792	0.03%
Mining and quarrying	172,272	0.44%	76,878	0.10%	153,690	0.90%
Textile	6,572,617	16.67%	974,426	1.29%	1,099,363	6.45%
Chemical and pharmaceuticals	3,426,068	8.67%	887,492	1.17%	2,079,016	12.20%
Cement	-	0.00%	4,795	0.01%	-	0.00%
Sugar	2,764,124	6.94%	214,351	0.28%	318,661	1.87%
Footwear and leather garments	744,359	1.92%	190,591	0.25%	71,202	0.42%
Automobile and transportation equipment	1,002,568	2.60%	118,410	0.16%	66,463	0.39%
Electronics and electrical appliances	679,599	1.72%	324,055	0.43%	711,725	4.18%
Construction	1,400,707	3.56%	856,941	1.13%	1,447,055	8.49%
Power (electricity), gas, water, sanitary	5,022,277	12.89%	1,272,221	1.68%	1,066,872	6.26%
Wholesale and retail trade	686,123	1.74%	1,087,877	1.44%	69,334	0.41%
Exports / imports	1,180,285	3.02%	866,209	1.15%	768,430	4.51%
Transport, storage and communication	1,282,747	3.22%	282,501	0.37%	30,632	0.18%
Financial	41,944	0.11%	11,183,985	14.78%	5,824,360	34.18%
Insurance	3,612	0.01%	206,784	0.27%	-	0.00%
Services	851,297	2.14%	13,396,606	17.71%	210,534	1.24%
Individuals / staff	1,701,863	4.27%	24,831,423	32.83%	16,055	0.09%
Others	11,587,047	29.57%	18,149,300	23.99%	3,100,015	18.19%
	39,313,763	100.00%	75,647,097	100.00%	17,038,199	100.00%

39.1.1.2 Segment by sector

	2014					
	Islamic financing and related assets (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Public / government	2,645,238	5.31%	4,254,909	5.30%	88,867	0.47%
Private	47,189,043	94.69%	75,967,670	94.70%	18,848,000	99.53%
	49,834,281	100.00%	80,222,579	100.00%	18,936,867	100.00%

	2013					
	Islamic financing and related assets (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Public / government	2,624,937	6.76%	2,285,426	3.02%	120,498	0.71%
Private	36,688,826	93.24%	73,361,671	96.98%	16,917,701	99.29%
	39,313,763	100.00%	75,647,097	100.00%	17,038,199	100.00%

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

	2014				2013			
	Classified Islamic Financing		Specific Provisions Held		Classified Islamic Financing		Specific Provisions Held	
	(Rupees in '000)							
Agriculture, forestry, hunting and fishing	34,751	-	-	-	36,501	-	-	-
Chemical & pharmaceuticals	489,418	152,514	-	-	525,639	135,081	-	-
Textile	2,304,397	1,744,769	-	-	2,357,549	1,292,123	-	-
Footwear & leather garments	35,091	34,873	-	-	35,091	34,873	-	-
Automobile & transportation equipment	-	-	-	-	1,201	-	-	-
Electronics and electrical appliances	20,905	15,673	-	-	20,905	10,217	-	-
Construction	326,904	255,128	-	-	639,715	481,232	-	-
Power (electricity), gas, water, sanitary	4,062	4,062	-	-	4,062	4,062	-	-
Wholesale / retail trade	245,274	105,450	-	-	329,860	45,331	-	-
Exports / imports	110,826	105,182	-	-	111,951	100,783	-	-
Transport, storage and communication	35,771	2,602	-	-	35,771	-	-	-
Financial	1,898	954	-	-	1,898	973	-	-
Services	33,217	27,649	-	-	44,025	19,032	-	-
Individuals	111,801	55,740	-	-	123,027	49,424	-	-
Others	422,302	290,559	-	-	980,856	605,744	-	-
	4,176,617	2,795,155			5,248,051	2,778,875		

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

	2014				2013			
	Classified Islamic financing		Specific Provisions Held		Classified Islamic financing		Specific provisions held	
	(Rupees in '000)							
Public / government	-	-	-	-	-	-	-	-
Private	4,176,617	2,795,155	-	-	5,248,051	2,778,875	-	-
	4,176,617	2,795,155			5,248,051	2,778,875		

39.2 Credit Risk – General Disclosures, Basel II Specific

The Bank has adopted Standardised Approach, under Basel III.

39.3 Credit Risk: Standardized Approach

The Bank use rating assigned by JCR-VIS and PACRA as External Credit Assessment Institutions (ECAI) for the purpose of risk weighing its exposure. In the case of foreign currency exposure, ratings assigned by S&P and Moody's have been applied.

Following are the types of exposure for which each agency is used:

Exposure	MOODY'S	S&P	JCR-VIS	PACRA
Corporate	-	-	√	√
Banks	√	√	√	√
Sovereigns	√	-	-	-
SME's	-	-	√	√
Securitisations	-	-	-	-

Most of the Bank's asset base is short or medium term. Therefore, the Bank uses the entity's rating to assess the risk of its exposure without any adjustments.

For exposure amounts after risk mitigation subject to the standardised approach, amount of Bank's outstandings (rated and unrated) in each risk bucket as well as those that are deducted are as follows:

Exposure	Rating category No.	Amount outstanding	Deduction CRM* Rupees in '000	Net Amount
Corporate	1	6,398,736	-	6,398,736
	2	3,472,222	3,354	3,468,868
	3,4	262,218	-	262,218
	5,6	-	-	-
	Unrated-1	27,327,111	866,073	26,461,039
	Unrated-2	3,118,284	4,114	3,114,170
Banks	1,2,3	7,092,635	-	7,092,635
	Unrated	1,898	-	1,898
Sovereigns etc.	-	-	-	-
	-	28,030,182	-	28,030,182
Public sector enterprises	1	1,018,244	-	1,018,244
	2,3	-	-	-
	4-5	-	-	-
	6	-	-	-
	Unrated	2,260,003	2,260,003	-
Others	-	11,947,598	477,691	11,469,907
Total		<u>90,929,131</u>	<u>3,611,235</u>	<u>87,317,897</u>

* CRM= Credit Risk Mitigation

Main types of collateral taken by the Bank are:

- Cash margin
- Lien on deposits / government securities
- Hypothecation on stocks / assets
- Mortgage on properties

The Bank has adopted simple approach to credit risk mitigation under Basel III and therefore has not applied any haircuts to the collateral. Moreover the Bank's eligible collateral only includes cash / liquid securities.

40. GEOGRAPHICAL SEGMENT ANALYSIS

	2014			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
	Rupees in '000			
Pakistan	216,588	94,348,780	5,901,310	18,936,867
Others	-	-	-	-
	<u>216,588</u>	<u>94,348,780</u>	<u>5,901,310</u>	<u>18,936,867</u>
	2013			
	Loss before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
	Rupees in '000			
Pakistan	(33,602)	87,759,404	5,848,193	17,038,199
Others	-	-	-	-
	<u>(33,602)</u>	<u>87,759,404</u>	<u>5,848,193</u>	<u>17,038,199</u>

41. MARKET RISK

41.1 Market risk is the risk that the Bank's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as profit rates, credit spreads, commodity prices, equity prices and foreign exchange rates. In the absence of trading book, the Bank is only exposed to benchmark rate risk in the banking book.

The main objective of the Bank's market risk management is to minimize market risk in the banking book and to facilitate business growth within a controlled and transparent risk management framework.

Market risk in banking book arise from investment in fixed income securities, equities and dealing in foreign exchange transactions.

Market risk is being monitored by ALCO and performs following functions in relation to market risk:

- Regular periodic review of market risk, based on economic review reports.
- Keeps an eye on the structure / composition of Bank's assets and liabilities and decide upon product pricing for deposits, islamic financing and related assets.
- Develop future business strategy in view of the latest trends / policy in the market, economic conditions and local regulatory requirements.
- Review and recommend to the Board of Directors, new opportunities for generating revenues.

41.2 Foreign Exchange Risk

Foreign exchange risk arises from the fluctuation in the value of financial instruments consequent to the changes in foreign exchange rates. Objective of foreign exchange risk management function is to minimize the adverse impact of foreign exchange assets and liabilities mismatch and maximize the earnings. The Bank manages this risk by setting and monitoring dealer, currency, inter exposures, stop loss and counter party limits for on and off balance sheet financial instruments.

	2014				2013			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	----- Rupees in '000 -----							
Pakistan rupee	43,820,861	37,908,169	(153,158)	5,759,534	50,745,435	45,389,136	458,290	5,814,589
United States dollar	49,909,898	49,473,711	(438,179)	(1,992)	35,655,673	34,867,937	(782,644)	5,092
Great Britain pound	(459,560)	(204,697)	289,641	34,778	(52,505)	104,319	166,979	10,155
Euro	660,113	835,616	263,855	88,352	887,439	1,030,921	157,375	13,893
Arab Emirates Dirham	266,414	289,238	-	(22,824)	325,887	345,518	-	(19,631)
Japanese Yen	143,363	141,587	37,841	39,617	189,946	168,897	-	21,049
Swiss Frank	7,691	3,846	-	3,845	7,529	4,483	-	3,046
	94,348,780	88,447,470	-	5,901,310	87,759,404	81,911,211	-	5,848,193

The exposures of the Bank to foreign exchange risk is also restricted by the statutory limit on aggregate exposure prescribed by the SBP.

41.3 Equity position risk

Equity position risk is the risk arising from taking positions in the equities and all instruments that have a market behaviour similar to equities.

Counter parties limits, as also fixed by the SBP, are considered to limit risk concentration. The Bank invests in those equities which are Shariah compliant as advised by the Shariah advisor.

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42. MISMATCH OF YIELD RATE SENSITIVE ASSETS AND LIABILITIES

2014

Exposed to Yield/ profit rate risk

Effective yield	Total	Over 6 months to 1 year						Non-profit bearing financial instruments				
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years		Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
On-balance sheet financial instruments												
Assets												
-	6,465,268	-	-	-	-	-	-	-	-	-	-	6,465,268
8.62%	3,741,342	3,468,073	-	-	-	-	-	-	-	-	-	273,269
9.62%	10,005,950	513,112	-	-	2,237,576	7,255,262	-	-	-	-	-	-
8.36%	19,560,668	1,208,000	3,894,440	2,237,576	13,855,094	-	-	-	-	-	-	603,134
11.84%	47,022,578	8,968,798	7,057,590	23,351,211	2,980,532	11,157	315,016	67,058	57,677	452,562	-	3,760,977
-	2,725,319	14,157,983	10,952,030	39,443,881	10,235,794	11,157	315,016	67,058	57,677	452,562	-	2,725,319
-	89,521,125	14,157,983	10,952,030	39,443,881	10,235,794	11,157	315,016	67,058	57,677	452,562	-	13,827,967
Liabilities												
-	679,810	-	-	-	-	-	-	-	-	-	-	679,810
8.84%	2,211,568	-	766,582	1,443,900	-	-	-	-	-	-	-	1,086
6.53%	80,222,579	65,478,559	-	-	-	-	-	-	-	-	-	14,744,020
11.43%	3,105,314	-	2,000,000	-	-	-	-	-	-	-	-	1,105,314
-	-	-	-	-	-	-	-	-	-	-	-	-
-	2,215,307	-	-	-	-	-	-	-	-	-	-	2,215,307
-	88,434,578	65,478,559	2,766,582	1,443,900	-	-	-	-	-	-	-	18,745,537
On-balance sheet gap												
-	1,086,547	(51,320,576)	8,185,448	37,999,981	10,235,794	11,157	315,016	67,058	57,677	452,562	-	(4,917,570)
Non financial assets												
-	2,667,194	-	-	-	-	-	-	-	-	-	-	-
-	619,028	-	-	-	-	-	-	-	-	-	-	-
-	1,541,433	-	-	-	-	-	-	-	-	-	-	-
-	4,827,655	-	-	-	-	-	-	-	-	-	-	-
Non financial liabilities												
-	12,892	-	-	-	-	-	-	-	-	-	-	-
Total net assets												
-	5,901,310	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet financial instruments												
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap												
-	-	-	-	-	-	-	-	-	-	-	-	-
Total yield / profit risk sensitivity gap												
-	(51,320,576)	8,185,448	37,999,981	10,235,794	315,016	11,157	67,058	57,677	452,562	-	-	(4,917,570)
Cumulative yield / profit risk sensitivity gap												
-	(51,320,576)	(43,135,128)	(5,135,147)	5,100,647	5,415,663	5,426,820	5,493,878	5,551,555	6,004,117	1,086,547	-	1,086,547

MISMATCH OF YIELD RATE SENSITIVE ASSETS AND LIABILITIES - (continued)

2013

Exposed to Yield/ profit rate risk

On-balance sheet financial instruments	Effective yield	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year				Above 10 years	Non-profit bearing financial instruments	
						Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years			
Rupees in '000-												
Assets												
Cash and balances with treasury banks	-	5,727,407	-	-	-	-	-	-	-	-	-	5,727,407
Balances with other banks	9.37%	16,565,377	13,767,404	2,285,000	-	-	-	-	-	-	-	512,973
Due from financial institutions	0.00%	-	-	-	-	-	-	-	-	-	-	-
Investments	8.24%	22,161,963	260,000	12,902,918	6,176,727	492,931	920,721	835,389	-	-	-	573,277
Islamic financing and related assets	10.83%	36,519,945	3,974,338	8,428,981	15,752,497	12,844	65,411	36,186	324,245	-	-	4,366,995
Other assets	-	2,140,563	-	-	-	-	-	-	-	-	-	2,140,563
		83,115,255	18,001,742	23,616,899	21,929,224	2,919,707	638,741	505,775	871,575	986,132	324,245	13,321,215
Liabilities												
Bills payable	0.00%	725,609	-	-	-	-	-	-	-	-	-	725,609
Due to financial institutions	8.36%	2,201,945	803,645	1,398,300	-	-	-	-	-	-	-	-
Deposits and other accounts	6.53%	75,647,097	62,804,299	-	-	-	-	-	-	-	-	12,842,798
Sub-ordinated loans	-	1,158,571	-	-	-	-	-	-	-	-	-	1,158,571
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	2,170,391	-	-	-	-	-	-	-	-	-	2,170,391
		81,903,613	63,607,944	1,398,300	-	-	-	-	-	-	-	16,897,369
On-balance sheet gap		1,211,642	(45,606,202)	22,218,599	21,929,224	2,919,707	638,741	505,775	871,575	986,132	324,245	(3,576,154)
Non financial assets												
Operating fixed assets		2,725,753	-	-	-	-	-	-	-	-	-	-
Other assets		487,332	-	-	-	-	-	-	-	-	-	-
Deferred tax asset - net		1,431,064	-	-	-	-	-	-	-	-	-	-
		4,644,149	-	-	-	-	-	-	-	-	-	-
Non financial liabilities												
Other liabilities		7,598	-	-	-	-	-	-	-	-	-	-
Total net assets		5,848,193	-	-	-	-	-	-	-	-	-	-
Off-balance sheet financial instruments												
Forward lendings		-	-	-	-	-	-	-	-	-	-	-
Forward borrowings		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total yield / profit risk sensitivity gap			(45,606,202)	22,218,599	21,929,224	2,919,707	638,741	505,775	871,575	986,132	324,245	(3,576,154)
Cumulative yield / profit risk sensitivity gap			(45,606,202)	(23,387,603)	(1,458,379)	1,461,328	2,100,069	2,605,844	3,591,976	4,463,551	4,787,796	1,211,642

Yield risk is the risk of decline in earnings due to adverse movement of the yield curve.

Profit rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market profit rates.

43. LIQUIDITY RISK

Liquidity risk is the potential for loss to the Bank arising from either its inability to meet its obligations or to fund increases in assets as they fall due without incurring an unacceptable cost.

ALCO has the responsibility for the formulation of overall strategy and oversight of the assets liability management function. ALCO monitors the maintenance of liquidity ratios, depositor's concentration both in terms of overall funding mix and avoidance of reliance on large individual deposits. The Board of Directors have approved a comprehensive liquidity management policy.

44. MATURITIES OF ASSETS AND LIABILITIES

44.1 Maturities of assets and liabilities based on expected maturities

		31 December 2014									
		Rupees in '000									
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		
Cash and balances with treasury banks	6,465,268	5,359,954	-	-	-	1,105,314	-	-	-	-	-
Balances with other banks	3,741,342	3,741,342	-	-	-	-	-	-	-	-	-
Due from financial institutions	10,005,950	513,112	-	2,237,576	7,255,262	-	-	-	-	-	-
Investments	19,560,668	210,882	143,591	-	3,771,023	887,713	12,478,090	1,000,000	1,069,369	-	-
Islamic financing and related assets	47,022,578	6,442,274	8,563,123	14,024,247	2,478,265	2,357,845	2,100,924	6,198,561	4,253,505	603,834	-
Operating fixed assets	2,667,194	12,874	25,747	282,380	198,291	154,485	154,819	286,924	248,833	1,302,841	-
Deferred tax assets	1,541,433	-	-	-	-	-	-	1,541,433	-	-	-
Other assets	3,344,347	1,275,317	198,287	122,318	649,103	1,099,322	-	-	-	-	-
	94,348,780	17,555,755	8,930,748	16,666,521	14,351,944	5,604,679	14,733,833	9,026,918	5,571,707	1,906,675	-
LIABILITIES											
Bills payable	679,810	679,810	-	-	-	-	-	-	-	-	-
Due to financial institutions	2,211,568	1,086	766,582	1,443,900	-	-	-	-	-	-	-
Deposits and other accounts	80,222,579	14,249,593	9,480,209	10,323,389	10,125,673	8,567,249	7,370,455	20,106,011	-	-	-
Sub-ordinated loans	3,105,314	-	142,857	-	142,857	1,391,028	285,714	571,429	571,429	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	2,228,199	988,604	260,195	28,915	130,383	198,666	236,502	384,934	-	-	-
	88,447,470	15,919,093	10,649,843	11,796,204	10,398,913	10,156,943	7,892,671	21,062,374	571,429	-	-
NET ASSETS	5,901,310	1,636,662	(1,719,095)	4,870,317	3,953,031	(4,552,264)	6,841,162	(12,035,456)	5,000,278	1,906,675	
REPRESENTED BY											
Share capital	8,935,200										
Advance against issuance of shares	95,704										
Discount on issuance of shares	(767,290)										
Reserves	111,259										
Accumulated loss	(2,323,983)										
Deficit on revaluation of investments - net of tax	(149,580)										
	5,901,310										

Maturities of assets and liabilities based on expected maturities - (continued)

31 December 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	5,777,407	4,568,836	-	-	-	1,158,571	-	-	-	-
Balances with other banks	16,565,377	14,280,377	2,285,000	-	-	-	-	-	-	-
Due from financial institutions	-	-	-	-	-	-	-	-	-	-
Investments	22,161,963	-	6,036,113	7,099,063	4,935,846	1,147,131	1,180,721	1,260,389	-	-
Islamic financing and related assets	36,519,945	3,494,342	7,299,946	13,004,370	2,931,550	1,875,009	3,330,768	1,967,183	513,683	-
Operating fixed assets	2,725,753	13,256	26,514	275,797	159,087	159,087	287,403	310,447	1,293,570	-
Deferred tax assets	1,431,064	-	-	-	-	-	1,431,064	-	-	-
Other assets	2,627,895	1,149,576	498,301	44,864	65,696	-	14,665	-	-	-
	87,759,404	23,506,387	16,145,874	13,827,731	10,257,542	4,339,798	6,244,621	3,538,019	1,807,253	-
LIABILITIES										
Bills payable	725,609	725,609	-	-	-	-	-	-	-	-
Due to financial institutions	2,201,945	-	803,645	1,398,300	-	-	-	-	-	-
Deposits and other accounts	75,647,097	14,910,745	13,897,790	15,554,673	4,884,307	11,832,708	1,367,521	-	-	-
Subordinated loans	1,158,571	-	-	-	-	1,158,571	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	2,177,989	958,881	226,909	180,093	-	812,106	-	-	-	-
	81,911,211	16,595,235	14,928,344	16,952,973	4,884,307	13,803,385	1,367,521	-	-	-
NET ASSETS	5,848,193	6,911,152	1,217,530	(3,125,242)	3,207,872	(9,463,587)	4,877,100	3,538,019	1,807,253	-
REPRESENTED BY										
Share capital	8,935,200	-	-	-	-	-	-	-	-	-
Advance against issuance of shares	(767,290)	-	-	-	-	-	-	-	-	-
Discount on issuance of shares	82,074	-	-	-	-	-	-	-	-	-
Reserves	(2,419,224)	-	-	-	-	-	-	-	-	-
Accumulated loss	17,433	-	-	-	-	-	-	-	-	-
Surplus on revaluation of investments - net of tax	5,848,193	-	-	-	-	-	-	-	-	-

During the year, the Bank has conducted a behavioral study based on five years data to determine the expected maturities of non contractual deposit (saving and current). Accordingly, Saving and current accounts have been bucketed on the basis of aforementioned study conducted by the Bank.

44.2 Maturities of assets and liabilities based on contractual maturities

31 December 2014

	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
ASSETS										
Cash and balances with treasury banks	6,465,268	5,359,954	-	-	-	1,105,314	-	-	-	-
Balances with other banks	3,741,342	3,741,342	-	-	-	-	-	-	-	-
Due from financial institutions	10,005,950	513,112	-	2,237,576	7,255,262	-	-	-	-	-
Investments	19,560,668	210,882	143,591	-	3,771,023	887,713	12,478,090	1,000,000	1,069,369	-
Islamic financing and related assets	47,022,578	6,442,274	8,563,123	14,024,247	2,478,265	2,357,845	2,100,924	6,198,561	4,253,505	603,834
Operating fixed assets	2,667,194	12,874	25,747	282,380	198,291	154,485	154,819	286,924	248,833	1,302,841
Deferred tax assets	1,541,433	-	-	-	-	-	-	1,541,433	-	-
Other assets	3,344,347	1,275,317	198,287	122,317	649,104	1,099,322	-	-	-	-
	94,348,780	17,555,755	8,930,748	16,666,520	14,351,945	5,604,679	14,733,833	9,026,918	5,571,707	1,906,675
LIABILITIES										
Bills payable	679,810	679,810	-	-	-	-	-	-	-	-
Due to financial institutions	2,211,568	1,086	766,582	1,443,900	-	-	-	-	-	-
Deposits and other accounts	80,222,579	61,157,345	4,149,782	4,459,920	6,927,418	1,104,652	973,944	1,449,518	-	-
Sub-ordinated loans	3,105,314	-	142,857	-	142,857	1,391,028	285,714	571,429	571,429	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	2,228,199	988,604	260,195	28,917	130,381	198,666	236,502	384,934	-	-
	88,447,470	62,826,845	5,319,416	5,932,737	7,200,656	2,694,346	1,496,160	2,405,881	571,429	-
NET ASSETS	5,901,310	(45,271,090)	3,611,332	10,733,783	7,151,289	2,910,333	13,237,673	6,621,037	5,000,278	1,906,675
REPRESENTED BY										
Share capital	8,935,200									
Advance against issuance of shares	95,704									
Discount on issuance of shares	(767,290)									
Reserves	111,259									
Accumulated Loss	(2,323,983)									
Deficit on revaluation of investments - net of tax	(149,580)									
	<u>5,901,310</u>									

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31 December 2013

Maturities of assets and liabilities based on contractual maturities - (continued)

	Total	Rupees in '000																		
		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										
ASSETS																				
Cash and balances with treasury banks	5,727,407	4,568,836	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	16,565,377	14,280,377	2,285,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due from financial institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	22,161,963	-	6,036,113	502,700	7,099,063	4,935,846	1,147,131	1,180,721	1,260,389	-	-	-	-	-	-	-	-	-	-	-
Islamic financing and related assets	36,519,945	3,494,342	7,299,946	13,004,370	2,103,094	2,931,550	1,875,009	3,330,768	1,967,183	513,683	-	-	-	-	-	-	-	-	-	-
Operating fixed assets	2,725,753	13,256	26,514	275,797	200,592	159,087	159,087	287,403	310,447	1,293,570	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	1,431,064	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	2,627,895	1,149,576	498,301	44,864	854,793	65,696	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	87,759,404	23,506,387	16,145,874	13,827,731	10,257,542	8,092,179	4,339,798	6,244,621	3,538,019	1,807,253	-	-	-	-	-	-	-	-	-	-
LIABILITIES																				
Bills payable	725,609	725,609	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to financial institutions	2,201,945	-	803,645	1,398,300	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	75,647,097	56,095,692	3,672,962	5,964,056	6,043,910	1,229,125	1,273,830	1,367,522	-	-	-	-	-	-	-	-	-	-	-	-
Sub-ordinated loans	1,158,571	-	-	-	-	-	1,158,571	-	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	2,177,989	958,881	226,909	-	180,093	-	812,106	-	-	-	-	-	-	-	-	-	-	-	-	-
	81,911,211	57,780,182	4,703,516	7,362,356	6,224,003	1,229,125	3,244,507	1,367,522	-	-	-	-	-	-	-	-	-	-	-	-
NET ASSETS	5,848,193	(34,273,795)	11,442,358	6,465,375	4,033,539	6,863,054	1,095,291	4,877,099	3,538,019	1,807,253	-	-	-	-	-	-	-	-	-	-
REPRESENTED BY																				
Share capital	8,935,200	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Advance against issuance of shares	-	(767,290)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Discount on issuance of shares	-	82,074	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserves	(2,419,224)	17,433	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of investments - net of tax	5,848,193	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Current and saving deposits have been classified under maturity upto one month as these do not have any contractual maturity.

45. OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events.

The Bank has Basic Indicator Approach (BIA) for assessing the capital charge for operational risk. Under BIA the capital charge is calculated by multiplying average annual gross income of the Bank over the past three years with 15% as per guidelines issued by SBP.

The Bank ensures that the key operational risks are managed in a timely and effective manner by raising awareness of operational risk, improving early warning information and allocating risk ownership and responsibilities. The Bank has developed policies, guidelines and manuals necessary for the mitigation of operational risk.

The Bank is also supervised by the Shariah Supervisory Board which sets out guidelines, policies and procedures for the Bank to ensure that all its activities and products are Shariah compliant. The internal audit function of the Bank performs regular audit on various operations of the Bank and monitors the key risk exposure areas to ensure that internal control procedures are in place and those procedures are able to mitigate risk associated with operational activities.

A business continuity program have also been formulated and approved by the Board of Directors to ensure uninterrupted flow of operations of the Bank.

46. PROFIT / (LOSS) DISTRIBUTION TO DEPOSITOR'S POOL

46.1	General remunerative depositor's pool	Profit sharing ratio (average)	Profit rate and weightage announcement period	Mudarib share (Rupees in '000)	Percentage of Mudarib Share transferred through Hiba	Profit rate return earned	Profit rate return distributed
	PKR Pool	34%	Monthly	1,961,805	44.2%	10.9%	7.5%
	FCY Pool	65%	Monthly	26,614	14.5%	2.0%	0.4%

46.2	Special pools	Profit sharing ratio (average)	Profit rate and weightage announcement period	Mudarib share (Rupees in '000)	Percentage of Mudarib Share transferred through Hiba	Profit rate return earned	Profit rate return distributed
	Islamic Export Refinance (IERS) Pool	100%	Monthly	-	-	10.1%	8.6%
	Inter Bank Musharaka / Wakala / Modaraba	100%	Monthly	-	-	10.5%	6.7%

47. GENERAL

47.1 Corresponding figures have been re-arranged and reclassified, wherever necessary, to facilitate the comparison. No significant reclassification were made except for the following, the impact of which has been incorporated in the respective notes to these financial statements.

Reclassification from		Reclassification to		Reason for reclassification	Rupees in '000
Note	Component	Note	Component		
10	Islamic financing and related assets	13	Other Assets	For better presentation	500,699
P&L	Other Income	P&L	Fee, commission and brokerage income	For better presentation	19,427

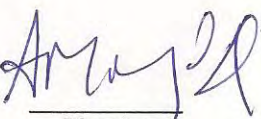
47.2 Figures have been rounded off to the nearest thousand rupees.

48. DATE OF AUTHORISATION

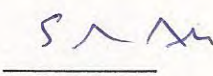
These financial statements were authorized for issue on --- March 2015 by the Board of Directors of the Bank.

ELU


Chief Executive Officer


Director


Director


Director

STATEMENT SHOWING WRITTEN-OFF FINANCING OR ANY OTHER FINANCIAL RELIEF OF RUPEES 500,000 OR ABOVE DURING THE YEAR ENDED 31 DECEMBER 2014

Annexure - I

Rupees in thousands

Sr. No.	Name of the borrower	Name of individuals/ partners/ directors (with NIC No.)	Father/s/ Husband's name	Outstanding Liabilities at beginning of year				Written-off			Waiver	Total (9+10+11)
				Principal	Profit	Other financial relief	Total	Principal	Profit	Other financial relief		
1	2	3	4	5	6	7	8	9	10	11	12	
1	Classic Knit Stitch Pvt Ltd	1) Zia-ul-Haq Sheikh 61101-6772875-1 2) Ashraf Zia 101-64-512536 3) Shaista Akbar 211-57-285040	1) Sheikh Wali Muhammad 2) Zia-ul-Haq Sheikh 3) Akbar Ali	6,500	393	16,498	23,391	3,250	393	16,498	20,141	
2	Adeela Ali	Adeela Ali (42301-4802245-8)	1) Ali Aslam Malik	306,900	16,978	152,687	476,565	-	16,978	152,687	169,665	
3	Elite Publishers Ltd.	1) Owais Mirza Jamil 42000-6524471-9 2) Khalid Jamil 42301-8769791-7	1) Ahmed Mirza Jamil	300,000	84,628	259,928	644,556	-	72,145	259,928	332,073	
4	Sanaulah (Pvt) LTD	1-Mian Sana Ullah (35201-5378938-7), 2-Shahnaz Qasira (35202-8863398-0), 3- Khalid Rasheed (34301-1737089-1)	1-Abdul Rasheed 2-Sana Ullah 3-Abdul Rasheed	99,699	6,971	56,453	163,123	-	-	56,453	56,453	
5	Usman Flours & Gen.Mills (Pvt) Ltd	1) Khawaja Rehan Anjum 37406-1555930-5 2) Khawaja Farhan Anjum 61101-7377192-5 3) Inam Muhammad 61101-5697723-1	1)Khawaja Ghulam Nabi 2)Khawaja Ghulam Nabi 3)Muhammad Sadia	42,545	2,825	26,692	72,062	-	2,825	26,692	29,517	
				755,644	111,795	512,258	1,379,697	3,250	92,341	512,258	607,849	

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Annexure - II

STATEMENT SHOWING CHARITY PAID OF RUPEES 100,000 OR ABOVE DURING THE YEAR ENDED
31 DECEMBER 2014

Rupees in thousands

Name of individuals/ Trust	2014	2013
Citizens Foundation	8,250	10,600
Patients Aid Foundation	7,500	10,000
Sina Health, Education & Welfare Trust	5,084	416
Diya Pakistan	5,000	1,000
Sayeban Pakistan	3,425	-
Patients Behbud Society For AKUH	2,500	-
Lahore Business Association For Rehabilitation Of The Disabled	2,000	1,000
Afzal Memorial Thalassemia Foundation	1,750	668
Child Aid Association	1,500	-
Medel Pakistan	1,500	-
Dar Ul Sukun	1,000	-
Hands Pakistan	1,000	-
Khair Un Nissa Hospital Foundation	1,000	-
Marie Adelaide Leprosy Centre	1,000	-
Muktaran Rafiq Foundation	1,000	-
Lady Willingdon Hospital	600	600
Centre Of Development Of Social Services	500	-
HOPE	500	500
Sos Children's Village.	500	-
Sundas Foundation	500	500
Students Of Wah Engineering College	420	-
Foundation For Rehabilitation & Education Of Slow Children	300	-
Koohi Goth Hospital	300	300
Medical Aid Foundation	300	-
Ms Shahida Zubair	230	-
Bunyard Literacy Community Council	200	200
Clapp Hospital	200	200
International Wheel Chair Cricket Association	200	-
Marghzar Welfare Society	200	200
Patients Welfare Association Mayo Hospital	200	-
Ms Shahnaz Begum	200	-
Sir Ganga Ram Hospital	200	200
Mr. Sabir	166	-
Patient Welfare Association, Jinnah Hospital	100	-
Syed Irshad Ul Haq	100	-
Indus Hospital	-	11,000
Alamgir Welfare Trust International	-	500
Aziz Jehan Begum Trust	-	100
Care Foundation	-	1,000
Children Cancer	-	500
Concern For Children	-	150
Fatmid Foundation	-	200
Government Of Punjab For The Effectees Of Balochistan Earthquake	-	3,000
Green Crescent Trust	-	200
Jinnah Hospital	-	100
Karachi Cricket Association Of The Deaf	-	200
Mayo Hospital	-	200
Miss Shaheen	-	100
Miss Sheikh Ghazala	-	100
Mr. Asad Ali	-	100
Mukhtaran Rafiq Foundation	-	1,000
Nighaban Welfare Association	-	200
Rising Sun Institute	-	1,170
Shaukat Khanum Memorial Cancer Hospital	-	1,000
Students Starting LLB Studies	-	450
Trust School	-	6,000
	49,425	53,654

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