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ALBARAKA BANK (PAKISTAN) LIMITED
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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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 2017**, 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 fifteen 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;
 - (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 2017** and its true balance of the loss, comprehensive loss, 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.

Chartered Accountants

Audit Engagement Partner: Shaikh Ahmed Salman


Date: 26 February 2018

Karachi

ALBARAKA BANK (PAKISTAN) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	2017 ------(Rupees '000)-----	2016 Restated (Note 5)
ASSETS			
Cash and balances with treasury banks	7	8,915,585	18,725,350
Balances with other banks	8	2,932,165	984,125
Due from financial institutions	9	5,095,411	2,692,703
Investments	10	19,393,486	24,601,518
Islamic financing and related assets	11	71,203,056	66,785,266
Operating fixed assets	12	4,082,153	4,502,269
Deferred tax assets	13	3,238,985	2,873,137
Other assets	14	5,799,760	5,634,265
		120,660,601	126,798,633
LIABILITIES			
Bills payable	15	1,691,141	1,386,390
Due to financial institutions	16	3,209,400	3,223,109
Deposits and other accounts	17	98,589,904	105,843,084
Sub-ordinated loans	18	2,642,852	1,428,568
Deferred tax liabilities		-	-
Other liabilities	19	3,765,083	3,527,979
		109,898,380	115,409,130
NET ASSETS		10,762,221	11,389,503
REPRESENTED BY			
Share capital	20.2	13,739,628	13,739,628
Discount on issuance of shares - net		(632,766)	(632,766)
Reserves		159,348	159,348
Accumulated loss		(2,675,723)	(2,281,369)
		10,590,487	10,984,841
Surplus on revaluation of assets - net of tax	21	171,734	404,662
		10,762,221	11,389,503
CONTINGENCIES AND COMMITMENTS	22		<i>lyn</i>

The annexed notes from 1 to 46 form an integral part of these financial statements.

 Chairman	 Chief Executive Officer	 Director	 Director
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ALBARAKA BANK (PAKISTAN) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 ------(Rupees '000)-----	2016
Profit / return earned on Islamic financing and related assets, investments and placements	23	6,717,570	5,158,073
Return on deposits and other dues expensed	24	<u>(3,077,721)</u>	<u>(2,794,910)</u>
Net spread earned		3,639,849	2,363,163
Reversal of provision against non-performing Islamic financing and related assets	11.5	<u>15,709</u>	<u>167,580</u>
Provision for diminution in the value of investments	10.2	<u>(114,042)</u>	<u>(3,330)</u>
		<u>(98,333)</u>	<u>164,250</u>
Net spread after provisions		3,541,516	2,527,413
Other income			
Fee, commission and brokerage income		<u>667,109</u>	<u>521,529</u>
Dividend income		<u>44,469</u>	<u>20,182</u>
Income from dealing in foreign currencies		<u>173,949</u>	<u>133,413</u>
(Loss)/gain on sale of securities	25	<u>(4,659)</u>	<u>194,346</u>
Unrealized loss on revaluation of investments classified as held-for-trading		<u>(6,098)</u>	<u>-</u>
Other income	26	<u>93,026</u>	<u>4,730</u>
Total other income		<u>967,796</u>	<u>874,200</u>
		4,509,312	3,401,613
Other expenses			
Administrative expenses	27	<u>(4,929,047)</u>	<u>(3,414,381)</u>
Other provisions / write off	28	<u>(87,021)</u>	<u>(87,476)</u>
Other charges	29	<u>(24,317)</u>	<u>(504)</u>
Total other expenses		<u>(5,040,385)</u>	<u>(3,502,361)</u>
		<u>(531,073)</u>	<u>(100,748)</u>
Extra ordinary / unusual items		<u>-</u>	<u>-</u>
Loss before taxation		(531,073)	(100,748)
Taxation		<u>(96,143)</u>	<u>(60,323)</u>
- Current		<u>-</u>	<u>-</u>
- Prior year		<u>237,778</u>	<u>5,544</u>
- Deferred	30	<u>141,635</u>	<u>(54,779)</u>
Loss after taxation		(389,438)	(155,527)
----- Rupee -----			
Loss per share - basic / diluted	31	<u>(0.28)</u>	<u>(0.17)</u> Eyr

The annexed notes from 1 to 46 form an integral part of these financial statements.



 Chairman



 Chief Executive Officer



 Director




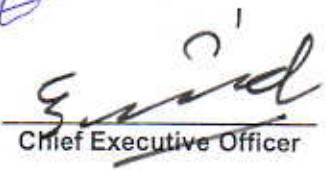


 Director

ALBARAKA BANK (PAKISTAN) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

Note	2017 ------(Rupees '000)-----	2016
Loss after taxation	(389,438)	(155,527)
Items not to be reclassified to profit or loss in subsequent periods:		
Actuarial (loss)/gain on remeasurement of defined benefit plan	34.7 (8,017)	14,460
Tax effect	2,806	(5,061)
	(5,211)	9,399
Comprehensive loss transferred to equity	(394,649)	(146,128)
Components of comprehensive income not reflected in equity		
(Deficit) / surplus on revaluation of available-for-sale securities - net of tax *	(220,578)	73,400
Movement in revaluation of non-banking assets - net of tax	(12,350)	345,677
Total comprehensive (loss) / income	(627,577)	272,949

* Surplus / (deficit) on revaluation of available-for-sale securities - net of tax has been shown in the statement of comprehensive income in order to comply with the revised "Prudential Regulations for Corporate / Commercial Banking" issued by the State Bank of Pakistan vide its BPRD Circular No. 06 of 2014 on 26 June 2014.


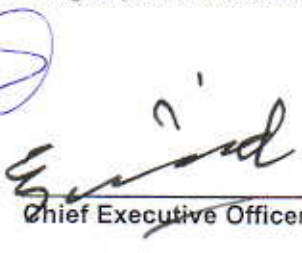

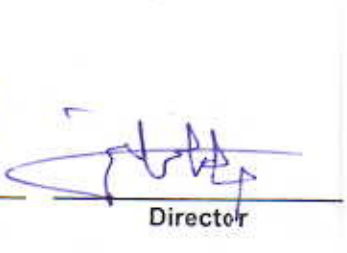
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 Chairman	 Chief Executive Officer	 Director	 Director
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ALBARAKA BANK (PAKISTAN) LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 ------(Rupees '000)-----	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(531,073)	(100,748)
Dividend income		(44,469)	(20,182)
		<u>(575,542)</u>	<u>(120,930)</u>
Adjustments for non-cash and other items:			
Depreciation		227,591	157,811
Amortisation		200,363	88,374
Depreciation - non banking assets		25,668	22,848
Reversal against non-performing Islamic financing and related assets	11.5	(15,709)	(167,580)
Provision for diminution in the value of investments	10.2	114,042	3,330
Unrealized loss on revaluation of investments classified as held for trading		6,098	-
Other provisions / write offs		87,021	87,476
Gain on sale of operating fixed assets		(57,511)	(3,453)
		<u>587,563</u>	<u>188,806</u>
		12,021	67,876
(Increase) / decrease in operating assets			
Due from financial institutions		(2,402,708)	(860,987)
Islamic financing and related assets		(4,402,081)	(3,144,565)
Other assets		(263,758)	(343,830)
		<u>(7,068,547)</u>	<u>(4,349,382)</u>
(Decrease) / increase in operating liabilities			
Bills payable		304,751	148,934
Due to financial institutions		(13,709)	(339,646)
Deposits and other accounts		(7,253,180)	13,560,211
Other liabilities		237,104	210,559
		<u>(6,725,034)</u>	<u>13,580,058</u>
Income tax paid		(53,939)	(66,433)
Net cash (used in) / flow from operating activities		<u>(13,835,499)</u>	<u>9,232,119</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net redemptions/investments in available-for-sale investments		4,781,677	(3,480,999)
Net investments/redemptions in held-for-trading investments		(33,135)	2,080,047
Cash inflow on amalgamation of Ex-Burj Bank Limited		-	2,391,474
Net investments in operating fixed assets		(108,287)	(520,317)
Dividend received		44,511	16,916
Proceeds from disposal of operating fixed assets		74,724	6,132
Net cash flow from investing activities		<u>4,759,490</u>	<u>493,253</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of foreign currency debt		-	(2,042,450)
Payment to Parent Bank		-	(95,704)
Repayment of Tier II mudaraba sukuk - first issue		(285,716)	(285,716)
Issuance of Tier II mudaraba sukuk - second issue	18.2	1,500,000	-
Net cash flow from / (used in) financing activities		<u>1,214,284</u>	<u>(2,423,870)</u>
Net (decrease) / increase in cash and cash equivalents		<u>(7,861,725)</u>	<u>7,301,502</u>
Cash and cash equivalents at beginning of the year		19,709,475	12,407,973
Cash and cash equivalents at end of the year	32	<u>11,847,750</u>	<u>19,709,475</u>

The annexed notes from 1 to 46 form an integral part of these financial statements.

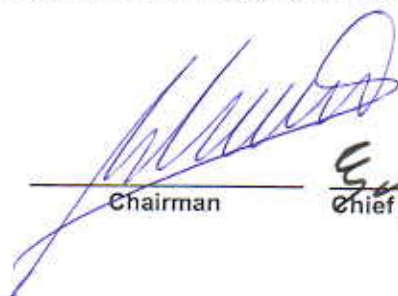


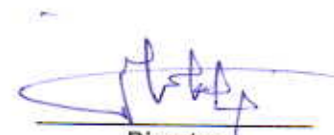
 Chairman	 Chief Executive Officer	 Director	 Director
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ALBARAKA BANK (PAKISTAN) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Issued, subscribed and paid- up share capital	Advance against issuance of shares	Discount on issuance of shares - net	Statutory Reserve *	Accumulated loss	Total
----- (Rupees '000) -----						
Balance as at 01 January 2016	8,935,200	95,704	(767,290)	159,348	(2,135,310)	6,287,652
Loss after taxation for the year	-	-	-	-	(155,527)	(155,527)
Other comprehensive income for the year	-	-	-	-	9,399	9,399
Total comprehensive loss for the year	-	-	-	-	(146,128)	(146,128)
Paid to Parent Bank	-	(95,704)	-	-	-	(95,704)
Shares issued during the year	4,804,428	-	-	-	-	4,804,428
Premium on issuance of shares	-	-	134,524	-	-	134,524
Transfer from surplus on revaluation of non-banking assets - net of tax	-	-	-	-	69	69
Balance as at 31 December 2016	13,739,628	-	(632,766)	159,348	(2,281,369)	10,984,841
Loss after taxation for the year	-	-	-	-	(389,438)	(389,438)
Other comprehensive loss for the year	-	-	-	-	(5,211)	(5,211)
Total comprehensive loss for the year	-	-	-	-	(394,649)	(394,649)
Transfer from surplus on revaluation of non-banking assets - net of tax	-	-	-	-	295	295
Balance as at 31 December 2017	13,739,628	-	(632,766)	159,348	(2,675,723)	10,590,487

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

The annexed notes from 1 to 46 form an integral part of these financial statements.

			
Chairman	Chief Executive Officer	Director	Director

ALBARAKA BANK (PAKISTAN) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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) on 18 January 2007. Subsequently, the Bank was also granted approval for commencement of business as a scheduled bank with effect from 13 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 on 12 March 2011, effective from close of business on 29 October 2010.

- 1.2** During the year 2016, the shareholders of the Bank in their extra ordinary general meeting held on 22 August 2016 have approved the merger of the Bank with Burj Bank Limited under a "Scheme of Amalgamation" (the Scheme). Further, State Bank of Pakistan, through its letter no. BPRD (R&P-02)/2016/24373 dated 14 October 2016, has also approved the scheme of amalgamation and granted sanction order for the amalgamation of Ex-Burj Bank Limited with and into the Bank. As of the effective date of amalgamation, the entire undertaking of Ex-Burj Bank Limited stands amalgamated with and into the Bank.

The Bank is a subsidiary of AlBaraka Islamic Bank B.S.C. (c) {major sponsor} incorporated and domiciled in Bahrain 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 188 branches including 13 sub-branches (31 December 2016 : 224 branches including 14 sub-branches) in Pakistan. The Bank has merged 39 closed proximity branches in first half of 2017. The vacant licences will gradually be utilized by opening new branches in 2018.

- 1.3** Based on the financial statements of the Bank for the year ended 31 December 2016, JCR-VIS has upgraded the long-term rating to 'A+' and maintained short-term rating at 'A1' along with stable outlook. Pakistan Credit Rating Agency Limited (PACRA) has maintained the Bank's long-term rating at "A" and short term rating at 'A1' and has upgraded the outlook to positive.
- 1.4** As at 31 December 2017, the Minimum Capital and Capital Adequacy Ratio (CAR) stood at Rs.10.43 billion and 10.17 % respectively.

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 as explained in Note 6.7. 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 the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan, as are notified by SECP, provisions of the repealed Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, and the directives issued by the SECP and SBP. Wherever the requirements of provisions of the repealed Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, the IFAS notified by the SECP and directives issued by the SECP and the SBP differ from the requirements of IFRS, the provisions of the repealed Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962, IFAS notified by the SECP and the directives issued by the SECP and the SBP have been followed.

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