


ALBARAKA BANK (PAKISTAN) LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018

		31 March 2018	31 December 2017
	Note	(Rupees '000) (Un-Audited)	(Audited)
ASSETS			
Cash and balances with treasury banks		8,462,123	8,915,585
Balances with other banks		290,647	2,932,165
Due from financial institutions	6	5,095,411	5,095,411
Investments	7	19,709,774	19,393,486
Islamic financing and related assets	8	72,012,218	71,203,056
Operating fixed assets	9	4,046,116	4,082,153
Deferred tax assets		3,405,243	3,238,985
Other assets		5,761,923	5,799,760
		118,783,455	120,660,601
LIABILITIES			
Bills payable		1,510,183	1,691,141
Due to financial institutions		3,594,150	3,209,400
Deposits and other accounts	10	96,974,405	98,589,904
Sub-ordinated loans	11	2,500,000	2,642,852
Deferred tax liabilities		-	-
Other liabilities		3,692,065	3,765,083
		108,270,803	109,898,380
NET ASSETS		10,512,652	10,762,221
REPRESENTED BY			
Share capital		13,739,628	13,739,628
Discount on issuance of shares - net		(632,766)	(632,766)
Reserves		159,348	159,348
Accumulated loss		(2,897,011)	(2,675,723)
		10,369,199	10,590,487
Surplus on revaluation of assets - net of tax		143,453	171,734
		10,512,652	10,762,221

CONTINGENCIES AND COMMITMENTS

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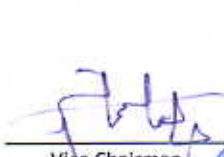
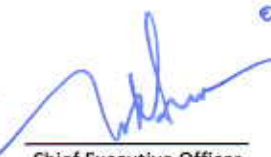


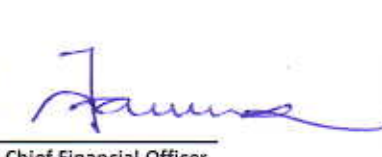
The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements.

 Vice Chairman
 Chief Executive Officer
 Director
 Director
 Chief Financial Officer

ALBARAKA BANK (PAKISTAN) LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER ENDED 31 MARCH 2018

		Quarter ended		
		31 March 2018	31 March 2017	
Note		----- (Rupees '000) -----		
	Profit / return earned on Islamic financing and related assets, investments and placements	13	1,739,014	1,644,512
	Return on deposits and other dues expensed		(796,656)	(743,902)
	Net spread earned		942,358	900,610
	Provision against non-performing Islamic financing and related assets	8.2	(363,283)	(20,772)
	Provision for diminution in the value of investments		(6,343)	(3,638)
			(369,626)	(24,410)
	Net spread after provisions		572,732	876,200
	Other income			
	Fee, commission and brokerage income		167,039	189,515
	Dividend income		6,337	9,450
	Income from dealing in foreign currencies		73,743	24,937
	Gain on sale of securities		18,082	99,429
	Unrealized loss on revaluation of investments classified as held-for-trading		(702)	-
	Other income	14	283	35,585
	Total other income		264,782	358,916
			837,514	1,235,116
	Other expenses			
	Administrative expenses		(1,184,872)	(1,207,756)
	Other provisions / write off		-	-
	Other charges	15	(20)	(26,388)
	Total other expenses		(1,184,892)	(1,234,144)
			(347,378)	972
	Extra ordinary / unusual items		-	-
	(Loss) / Profit before taxation		(347,378)	972
	Taxation			
	- Current		(25,056)	(20,034)
	- Prior year		-	-
	- Deferred		151,072	19,683
			126,016	(351)
	(Loss) / Profit after taxation		(221,362)	621
		----- Rupee -----		
	(Loss) / Earning per share - basic / diluted		(0.16)	0.00

The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements.

 Vice Chairman	 Chief Executive Officer	 Director	 Director	 Chief Financial Officer
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ALBARAKA BANK (PAKISTAN) LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER ENDED 31 MARCH 2018

	Quarter ended	
	31 March 2018	31 March 2017
	----- (Rupees '000) -----	
(Loss) / Profit after taxation	(221,362)	621
Other comprehensive income	-	-
Comprehensive (loss) / income transferred to equity	(221,362)	621
Components of comprehensive income not reflected in equity		
Deficit on revaluation of available-for-sale securities - net of tax *	(28,207)	(113,929)
Movement in revaluation of non-banking assets - net of tax	(74)	(29,265)
Total comprehensive loss	(249,643)	(142,573)

- * 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.

The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements.

 Vice Chairman	 Chief Executive Officer	 Director	 Director	 Chief Financial Officer
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ALBARAKA BANK (PAKISTAN) LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED 31 MARCH 2018

	Quarter ended	
	31 March 2018	31 March 2017
Note	----- (Rupees '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) /profit before taxation	(347,378)	972
Dividend income	(6,337)	(9,450)
	(353,715)	(8,478)
Adjustments for non-cash and other items:		
Depreciation	53,735	56,633
Amortisation	46,572	28,765
Depreciation - non banking assets	6,417	6,417
Provision against non-performing Islamic financing and related assets	363,283	20,772
Provision for diminution in the value of investments	6,343	3,638
Unrealized loss on revaluation of investments classified as held for trading	702	-
Gain on sale of operating fixed assets	(89)	(2,048)
	476,963	114,177
	123,248	105,699
(Increase) / decrease in operating assets		
Due from financial institutions	-	2,692,703
Islamic financing and related assets	(1,172,445)	(2,208,688)
Other assets	13,194	192,103
	(1,159,251)	676,118
Increase / (decrease) in operating liabilities		
Bills payable	(180,958)	50,227
Due to financial institutions	384,750	4,350,914
Deposits and other accounts	(1,615,499)	(13,836,501)
Other liabilities	(73,018)	134,086
	(1,484,725)	(9,301,274)
Income tax paid	(2,858)	(7,922)
Net cash used in operating activities	(2,523,586)	(8,527,379)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale investments	(386,888)	(3,633,105)
Net redemptions in held-for-trading investments	20,160	-
Net investments in operating fixed assets	(76,420)	(45,739)
Dividend received	2,374	4,548
Proceeds from disposal of operating fixed assets	12,238	4,065
Net cash used in investing activities	(428,536)	(3,670,231)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of Tier II mudaraba sukuk - first issue	(142,858)	(142,858)
Net cash used in financing activities	(142,858)	(142,858)
Net decrease in cash and cash equivalents	(3,094,980)	(12,340,468)
Cash and cash equivalents at beginning of the quarter	11,847,750	19,709,475
Cash and cash equivalents at end of the quarter	8,752,770	7,369,007

The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements.

 Vice Chairman	 Chief Executive Officer	 Director	 Director	 Chief Financial Officer
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ALBARAKA BANK (PAKISTAN) LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE QUARTER ENDED 31 MARCH 2018

	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 2017	13,739,628	-	(632,766)	159,348	(2,281,369)	10,984,841
Profit after taxation for the quarter	-	-	-	-	621	621
Other comprehensive income for the quarter	-	-	-	-	-	-
Total comprehensive income for the quarter	-	-	-	-	621	621
Transfer from surplus on revaluation of non-banking assets - net of tax	-	-	-	-	74	74
Balance as at 31 March 2017	13,739,628	-	(632,766)	159,348	(2,280,674)	10,985,536
Loss after taxation for the period	-	-	-	-	(390,059)	(390,059)
Other comprehensive loss for the period	-	-	-	-	(5,211)	(5,211)
Total comprehensive loss for the period	-	-	-	-	(395,270)	(395,270)
Transfer from surplus on revaluation of non-banking assets - net of tax	-	-	-	-	221	221
Balance as at 31 December 2017	13,739,628	-	(632,766)	159,348	(2,675,723)	10,590,487
Loss after taxation for the quarter	-	-	-	-	(221,362)	(221,362)
Other comprehensive income for the quarter	-	-	-	-	-	-
Total comprehensive loss for the quarter	-	-	-	-	(221,362)	(221,362)
Transfer from surplus on revaluation of non-banking assets - net of tax	-	-	-	-	74	74
Balance as at 31 March 2018	13,739,628	-	(632,766)	159,348	(2,897,011)	10,369,199

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

The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements.

 Vice Chairman	 Chief Executive Officer	 Director	 Director	 Chief Financial Officer
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ALBARAKA BANK (PAKISTAN) LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED 31 MARCH 2018

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.

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, SBP 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 including all the properties, assets and liabilities and all the rights and obligations shall, without any further act, action or deed and notwithstanding the terms of any contract or other document or any rule of law, stands amalgamated with and vest in the Bank and as a consequence, 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 2017 : 188 branches including 13 sub-branches) in Pakistan.

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.

- 1.2** As at 31 March 2018, the Minimum Capital Requirement (MCR) and Capital Adequacy Ratio (CAR) stood at Rs.10.21 billion and 10.02% respectively.

2. STATEMENT OF COMPLIANCE

- 2.1** These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards comprise of:

- International Accounting Standards (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB),
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act 2017,
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017.

Wherever the requirements of provisions of the Companies Act, 2017, the Banking Companies Ordinance, 1962, and directives issued by the Securities & Exchange Commission of Pakistan (SECP) and the SBP differ from the requirements of IAS 34 or IFAS, the requirements of the Companies Act, 2017, the Banking Companies Ordinance, 1962, and the directives issued by the SECP and the SBP have been followed.

3. BASIS OF MEASUREMENT

- 3.1** These condensed interim financial statements have been prepared under the historical cost convention except for available for sale investments, non-banking assets and commitments in respect of foreign exchange forward contracts which have been measured at fair value.
- 3.2** Items included in these condensed interim financial statements are measured using the currency of the primary economic environment in which the Bank operates. These condensed interim financial statements are presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

- 4.1** Standards, interpretations and amendments to published approved accounting standards that are effective in the current period

There are certain new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after January 1, 2018 but are considered not to be relevant or do not have any significant effect on the Bank's operations and therefore not detailed in these condensed interim financial statements.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The basis and the methods used for critical accounting estimates and judgements adopted in these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Bank for the year ended 31 December 2017.

		31 March 2018 (Un-Audited)	31 December 2017 (Audited)
	Note	(Rupees '000)	(Rupees '000)
6. DUE FROM FINANCIAL INSTITUTIONS			
- Bai muajjal	6.1	5,095,411	5,095,411
6.1 Bai muajjal		5,372,200	5,372,200
Deferred income		(61,424)	(129,674)
Profit receivable shown in other assets		(215,365)	(147,115)
6.1.1		5,095,411	5,095,411

6.1.1 The return on bai muajjal is 5.26% to 5.74% (31 December 2017: 5.26% to 5.74%) per annum. These will mature by June 2018.

7. INVESTMENTS

		31 March 2018 (Un-Audited)			31 December 2017 (Audited)		
	Note	Held by Bank	Given as Collateral	Total	Held by Bank	Given as Collateral	Total
		Rupees in '000					
Held for trading securities							
Ordinary shares of listed companies		6,877	-	6,877	33,135	-	33,135
Available for sale securities							
Sukuk certificates	7.1	18,861,860	-	18,861,860	18,499,630	-	18,499,630
Ordinary shares of listed companies		1,297,243	-	1,297,243	1,272,585	-	1,272,585
Ordinary shares of unlisted company		52,200	-	52,200	52,200	-	52,200
Units of open-end mutual funds		69,408	-	69,408	69,408	-	69,408
		20,280,711	-	20,280,711	19,893,823	-	19,893,823
Investments at cost		20,287,588	-	20,287,588	19,926,958	-	19,926,958
Less: Provisions for diminution in the value of investments		(285,113)	-	(285,113)	(278,770)	-	(278,770)
Investments (net of provisions)		20,002,475	-	20,002,475	19,648,188	-	19,648,188
Deficit on revaluation of investments classified of available for sale securities		(291,999)	-	(291,999)	(248,604)	-	(248,604)
Deficit on revaluation of investments classified as held for trading securities		(702)	-	(702)	(6,098)	-	(6,098)
Total investments at market value		19,709,774	-	19,709,774	19,393,486	-	19,393,486

7.1 Sukuk certificates include Government of Pakistan Ijarah sukuk amounting to Rs. 10,286 million (31 December 2017: Rs. 10,299 million)

		31 March 2018 (Un-Audited)	31 December 2017 (Audited)
	Note	(Rupees '000)	(Rupees '000)
8. ISLAMIC FINANCING AND RELATED ASSETS			
In Pakistan			
Islamic financing and related assets			
- Murabaha finance		10,755,062	9,603,633
- Advance against murabaha finance		1,657,125	2,101,551
- Murabaha inventory		1,469	-
- Export refinance under Islamic scheme		1,294,470	1,947,276
- Advance against export refinance under Islamic scheme		2,408,100	1,772,129
- Ijarah assets under IFAS 2		2,379,772	2,643,116
- Net investment in ijarah		112,493	112,493
- Advance against ijarah		4,517	19,974
- Diminishing musharaka financing		36,645,011	36,142,499
- Advance against diminishing musharaka finance		917,768	991,561
- Running musharaka		150,000	150,000
- Tijarah finance		1,195,733	1,378,591
- Over due acceptances		752,070	698,722
- Payment against guarantee		62,796	62,796
- Payment against documents		2,965	4,701
- Salam financing		21,589	27,087
- Advance against salam		9,189,329	8,968,061
- Salam inventory		-	8,160
- Financing against bills		1,481,669	569,832
- Istasna finance		757,558	1,235,413
- Advance against istasna		5,376,177	5,713,369
- Istasna inventory		172,200	30,800
- Staff financing		1,322,763	1,308,798
- Advance against staff financing		4,030	6,626
- Rahnuma travel services		48	81
Islamic financing and related assets - gross		76,664,714	75,492,269
Provisions for non-performing financing - specific	8.2	(4,524,505)	(4,202,127)
- general	8.2	(127,991)	(87,086)
		(4,652,496)	(4,289,213)
Islamic financing and related assets - net of provisions		72,012,218	71,203,056

- 8.1 Islamic financing and related assets include Rs. 7,350.399 (31 December 2017 : Rs. 7,651.332) million which have been placed under non-performing status as detailed below:

Category of classifications	31 March 2018 (Un-Audited)				
	Classified Islamic financing and related assets			Provision required	Provision held
	Domestic	Overseas	Total		
	Rupees in '000				
Other assets especially mentioned	74,335	-	74,335	-	-
Substandard	987,786	-	987,786	117,750	117,750
Doubtful	978,482	-	978,482	198,813	198,813
Loss	5,309,796	-	5,309,796	4,207,942	4,207,942
	7,350,399	-	7,350,399	4,524,505	4,524,505

Category of classifications	31 December 2017 (Audited)				
	Classified Islamic financing and related assets			Provision required	Provision held
	Domestic	Overseas	Total		
	Rupees in '000				
Other assets especially mentioned	35,182	-	35,182	-	-
Substandard	1,434,832	-	1,434,832	133,894	133,894
Doubtful	653,068	-	653,068	127,265	127,265
Loss	5,528,250	-	5,528,250	3,940,968	3,940,968
	7,651,332	-	7,651,332	4,202,127	4,202,127

8.2 Particulars of provisions against non-performing Islamic financing and related assets

	31 March 2018 (Un-Audited)			31 December 2017 (Audited)		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	4,202,127	87,086	4,289,213	4,217,953	86,969	4,304,922
Charge for the quarter / year	373,224	40,905	414,129	459,119	117	459,236
Reversals for the quarter / year	(50,846)	-	(50,846)	(474,945)	-	(474,945)
	322,378	40,905	363,283	(15,826)	117	(15,709)
Closing balance	4,524,505	127,991	4,652,496	4,202,127	87,086	4,289,213

- 8.2.1 The above provision against non-performing Islamic financing and related assets has been computed after considering allowable forced sale value (FSV) of collateral amounting to Rs. 1,980.621 (31 December 2017: Rs. 2,597.403) million. The FSV benefit recognized is not allowed for distribution of cash or stock dividend to shareholders and bonus to employees.
- 8.2.2 The Bank maintains general reserve (provisions) in accordance with the applicable requirements of prudential regulations for consumer financing.
- 8.2.3 SBP vide its letter BPRD/BLRD-3/DMG/2011-1035 has allowed relaxation from further provisioning requirement against a financing exposure having a provisioning impact of Rs. 40 million (31 December 2017: Rs. 40) million. Further SBP vide its letter BPRD/BRD/PRs/ 024/2018 dated 01 January 2018 has also allowed time bound relaxation from provisioning of Rs 237.726 million against a financing exposure to be recognized in a phased manner by 31 December 2018. As per such relaxation, the Bank is required to book 25% of provision as of 31 March 2018 which amounts to Rs. 59.432 million and the same has been booked in these condensed interim financial statements. Accordingly, further provisioning impact of Rs 178.29 million has to be recognized by 31 December 2018.

	Note	31 March 2018	31 December 2017
		(Rupees '000)	(Rupees '000)
		(Un-Audited)	(Audited)
9. OPERATING FIXED ASSETS			
Property and equipment		1,819,601	1,855,376
Intangible assets		1,679,529	1,720,577
Capital work-in-progress	9.1	546,986	506,200
		4,046,116	4,082,153
9.1 Capital work-in-progress			
Land and building including advances to suppliers and contractors		546,986	506,200
Advance for purchase of property - related party		251,680	251,680
Provisions for impairment against advance for purchase of property		(251,680)	(251,680)
		-	-
Total capital work-in-progress		546,986	506,200

	31 March 2018	31 March 2017
	----- (Rupees '000) -----	----- (Rupees '000) -----
	----- (Un-Audited) -----	----- (Un-Audited) -----
9.2 Additions to operating fixed assets	35,555	13,556
Disposals operating fixed assets - cost	24,135	11,895

	31 March 2018	31 December 2017
	----- (Rupees '000) -----	----- (Rupees '000) -----
	(Un-Audited)	(Audited)

10. DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	18,228,068	18,530,047
Savings deposits	48,462,836	49,335,247
Current accounts - non-remunerative	24,025,790	24,074,933
Margin deposits	1,256,344	1,359,486
	91,973,038	93,299,713

Financial institutions

Remunerative deposits	4,941,704	5,201,905
Non-remunerative deposits	59,663	88,286
	5,001,367	5,290,191
	96,974,405	98,589,904

11. SUB - ORDINATED LOANS

Tier II mudaraba sukuk - first issue	1,000,000	1,142,852
Tier II mudaraba sukuk - second issue	1,500,000	1,500,000
	2,500,000	2,642,852

12. CONTINGENCIES AND COMMITMENTS

12.1 Transaction-related contingent liabilities

Includes performance bonds, bid bonds, shipping guarantees favouring:

- Government
- Banking companies and other financial institutions
- Others

5,136,256	5,589,644
263,289	25,252
617,492	1,500,360
6,017,037	7,115,256

12.2 Trade-related contingent liabilities

Letters of credit	8,344,328	8,082,529
Others - Shipping Guarantees	-	2,650
Acceptances	3,828,633	1,991,792

12.3 Commitments in respect of forward exchange contracts

Purchase	8,255,523	5,582,401
Sale	6,712,995	3,547,869

12.4 Commitments to incur capital expenditure

12,939	10,501
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12.5 Other Contingencies

12.5.1 There is no change in the status of contingencies disclosed in note 22.5.1 and 22.5.2 to the financial statements for the year ended 31 December 2017.

	Quarter ended	
	31 March 2018	31 March 2017
	----- (Rupees '000) -----	
13. PROFIT / RETURN EARNED ON ISLAMIC FINANCING AND RELATED ASSETS, INVESTMENTS AND PLACEMENTS		
On Islamic financing and related assets	1,400,459	1,293,547
On investments in		
- Available-for-sale securities	256,197	299,184
On deposits with banks	7,509	16,449
On due from financial institutions	74,849	35,332
	<u>1,739,014</u>	<u>1,644,512</u>
14. OTHER INCOME		
Gain on sale of assets	89	2,876
Gain on sale of non banking assets	-	32,709
Rental Income from non-banking assets	194	-
	<u>283</u>	<u>35,585</u>
15. OTHER CHARGES		
Penalties imposed by the State Bank of Pakistan	20	26,388

16. RELATED PARTY TRANSACTIONS

- 16.1** Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operational decisions and include Key management personnel, Parent Bank, shareholders of the Bank, staff retirement benefit plan and Directors of the Bank. Banking transactions with related parties are entered into the normal course of business. Details of transactions with the related parties, other than those which have been disclosed elsewhere in these condensed interim financial statements, are as follows:

Key management personnel**Islamic financing and related assets**

At beginning of the quarter / year	238,894	233,323
Disbursements / additions during the quarter / year	31,937	71,175
Repayments / deletions during the quarter / year	(28,124)	(65,604)
At end of the quarter / year	242,707	238,894

Deposits

At beginning of the quarter / year	197,466	172,200
Deposits / additions during the quarter / year	105,042	577,096
Withdrawals / deletions during the quarter / year	(226,526)	(551,830)
At end of the quarter / year	75,982	197,466

Other Balances

Profit receivable on Islamic financing and related assets	138	199
Return payable on deposit	248	1,137

31 March 2018 ----- (Rupees '000) ----- (Un-Audited)	31 December 2017 ----- (Rupees '000) ----- (Audited)
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Transactions, income and expenses

Profit earned on Islamic financing and related assets	2,086	2,274
Return on deposits expenses	649	1,296
Salaries, allowances and benefits	47,994	57,909

Quarter ended (Un-Audited)	
31 March 2018	31 March 2017
----- (Rupees '000) -----	

31 March 2018 ----- (Rupees '000) ----- (Un-Audited)	31 December 2017 ----- (Rupees '000) ----- (Audited)
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Shareholders, directors and other related parties of the Bank**Islamic financing and related assets**

At beginning of the quarter / year	90,366	153,345
Disbursements / additions during the quarter / year	-	-
Repayments / deletions during the quarter / year	-	(62,979)
At end of the quarter / year	90,366	90,366

90,366	153,345
-	-
-	(62,979)
90,366	90,366

	31 March 2018 ----- (Rupees '000) ----- (Un-Audited)	31 December 2017 ----- (Rupees '000) ----- (Audited)
Deposits		
At beginning of the quarter / year	819,202	745,954
Deposits / additions during the quarter / year	427,067	413,432
Withdrawals / deletions during the quarter / year	(296,552)	(340,184)
At end of the quarter / year	949,717	819,202
Other balances		
Profit receivable on Islamic financing and related assets	1,743	142
Return payable on deposits	4,334	3,156
Investments	52,200	52,200
Provision for diminution in the value of investments	19,637	19,637
Sub-ordinated loan	1,000	5,714
Return payable on Sub-ordinated loan	1	113
Payable to shareholders	657	657
	Quarter ended (Un-Audited)	
	31 March 2018	31 March 2017
	----- (Rupees '000) -----	
Transactions, income and expenses		
Profit earned on Islamic financing and related assets	1,601	2,704
Return on deposits expenses	10,712	8,154
Director fee and other allowances	14,786	16,191
Shariah Board fee	1,585	2,122
Return on Sub-ordinated loan	21	-
Others	-	22,664
	31 March 2018	31 December 2017
	----- (Rupees '000) -----	
	(Un-Audited)	(Audited)
Staff Retirement benefit plan of the Bank		
Balance		
Receivable in respect of defined benefit plan	12,579	12,579
	Quarter ended (Un-Audited)	
	31 March 2018	31 March 2017
	----- (Rupees '000) -----	
Transactions, income and expenses		
Contribution to defined contribution plan	17,513	17,837
Contribution to defined benefit plan	12,359	7,369

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

17.1 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'. These securities are carried at amortized cost in order to comply with the requirements of BSD Circular No. 14 dated 24 September 2004. As of 31 March 2018, the Bank does not have any investment as 'held to maturity'.

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.

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.

17.2 Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in these condensed interim financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1:** Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2:** Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3:** Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Financial assets which are tradeable in an open market are revalued at the market prices prevailing on the statement of financial position date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value.

The following table provides the fair value measurement hierarchy of the Bank's assets:

		31 March 2018 (Un-Audited)			
		Level 1	Level 2	Level 3	Total
		----- (Rupees '000) -----			
On - balance sheet financial instruments					
Financial assets classified as 'held-for-trading'					
Ordinary shares					
Listed shares		6,175	-	-	6,175
Financial assets classified as 'available-for-sale securities'					
Ordinary shares					
Listed shares		1,017,458	-	-	1,017,458
Government Securities					
Government of Pakistan - Ijarah sukuk		-	10,174,197	-	10,174,197
Sukuks					
Sukuk certificates - listed		1,921,309	-	-	1,921,309
Mutual Funds					
Units of open end fund		-	70,526	-	70,526
Non - financial assets					
Non banking assets acquired in satisfaction of claims - Gross		-	-	2,361,522	2,361,522
		2,944,942	10,244,723	2,361,522	15,551,187
Off - balance sheet financial instruments					
Forward exchange contracts					
Purchase	17.2.1	-	8,255,523	-	8,255,523
Sale	17.2.1	-	6,712,995	-	6,712,995
		31 December 2017 (Audited)			
		Level 1	Level 2	Level 3	Total
		----- (Rupees '000) -----			
On - balance sheet financial instruments					
Financial assets classified as 'held-for-trading'					
Ordinary shares					
Listed shares		27,037	-	-	27,037
Financial assets classified as 'available-for-sale securities'					
Ordinary shares					
Listed shares		901,135	-	-	901,135
Government Securities					
Government of Pakistan - Ijarah sukuk		-	10,301,502	-	10,301,502
Sukuks					
Sukuk certificates - listed		1,863,876	-	-	1,863,876
Mutual Funds					
Units of open end fund		-	69,727	-	69,727
Non - financial assets					
Non banking assets acquired in satisfaction of claims - Gross		-	-	2,361,522	2,361,522
		2,792,048	10,371,229	2,361,522	15,524,799
Off - balance sheet financial instruments					
Forward exchange contracts					
Purchase	17.2.1	-	5,582,401	-	5,582,401
Sale	17.2.1	-	3,547,869	-	3,547,869

31 March 2018	31 December 2017
----- (Rupees '000) -----	
(Un-Audited)	(Audited)

17.2.1 Book value of off - balance sheet financial instruments

Forward purchase of foreign exchange

7,861,679 5,335,027

Forward sale of foreign exchange

6,451,685 3,440,667

17.3 Valuation techniques used in determination of fair values within level 2 and level 3

Particulars	Valuation approach and input used
Government of Pakistan - Ijarah sukuk	The fair value of GOP Ijarah Sukuks are derived using PKISRV rates. The PKISRV rates are announced by Financial Market Association (FMA) through Reuters. The rates announced are simple average of quotes received from approved dealers / brokers.
Forward foreign exchange contracts	The valuation has been determined by interpolating the mid rates announced by State Bank of Pakistan.
Non banking assets acquired in satisfaction of claims - Gross	Non banking assets acquired in satisfaction of claims are revalued on a periodic basis using professional valuers. The valuation is based on their assessment of the market value of the assets.
Units of open end fund	These are valued using NAV as declared by the respective fund managers.

18. GENERAL

18.1 Corresponding figures have been re-arranged and reclassified, wherever necessary, to facilitate the comparison. No significant reclassification were made during the current period.

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

19. DATE OF AUTHORISATION

These condensed interim financial statements were authorized for issue on 29 April 2018 by the Board of Directors of the Bank.

 Vice Chairman
  Chief Executive Officer
  Director
  Director
  Chief Financial Officer