



ALBARAKA BANK (PAKISTAN) LIMITED
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 2016

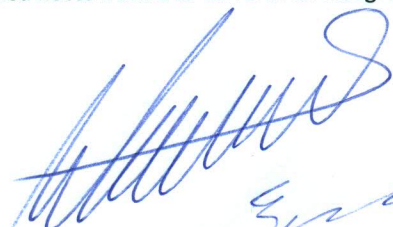


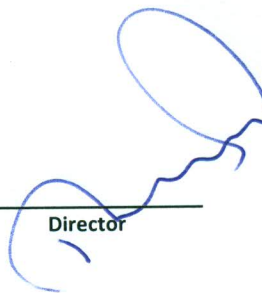
ALBARAKA BANK (PAKISTAN) LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2016

	30 September 2016	31 December 2015
Note	----- (Rupees '000) -----	
15.1	(Un-Audited)	(Restated) (Audited)
ASSETS		
Cash and balances with treasury banks	7,936,997	10,847,429
Balances with other banks	3,989,113	1,560,544
Due from financial institutions	485,809	1,831,716
Investments	21,183,319	17,358,401
Islamic financing and related assets	49,636,899	47,644,690
Operating fixed assets	2,681,318	2,671,911
Deferred tax assets	1,634,337	1,392,003
Other assets	4,065,635	3,625,816
	91,613,427	86,932,510
LIABILITIES		
Bills payable	818,229	883,698
Due to financial institutions	1,160,597	2,108,255
Deposits and other accounts	77,959,387	71,644,386
Sub-ordinated loans	3,468,685	3,756,734
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	2,466,662	2,266,200
	85,873,560	80,659,273
NET ASSETS	5,739,867	6,273,237
REPRESENTED BY		
Share capital	8,935,200	8,935,200
Advance against issuance of shares	95,704	95,704
Discount on issuance of shares	(767,290)	(767,290)
Reserves	159,348	159,348
Accumulated loss	(2,601,322)	(2,135,310)
	5,821,640	6,287,652
Deficit on revaluation of investments - net of tax	(81,773)	(14,415)
	5,739,867	6,273,237

CONTINGENCIES AND COMMITMENTS

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The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.

			
Chairman	Chief Executive Officer	Director	Director

ALBARAKA BANK (PAKISTAN) LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE PERIOD AND QUARTER ENDED 30 SEPTEMBER 2016

	Note	Nine months ended		Quarter ended	
		30 September 2016	30 September 2015	30 September 2016	30 September 2015
----- (Rupees '000) -----					
Profit / return earned on Islamic financing and related assets, investments and placements	12	3,508,706	4,898,410	1,157,284	1,443,521
Return on deposits and other dues expensed		(1,929,663)	(3,004,355)	(676,476)	(819,011)
Net spread earned		1,579,043	1,894,055	480,808	624,510
(Provision) / reversal against non-performing Islamic financing and related assets	7.2	(318,793)	(127,741)	(184,938)	58,403
Reversal for diminution in the value of investments	6.1	794	229,358	2,804	4,072
		(317,999)	101,617	(182,134)	62,475
Net spread after provisions		1,261,044	1,995,672	298,674	686,985
Other income					
Fee, commission and brokerage income		358,111	309,269	135,122	112,419
Dividend income		9,642	17,061	1,169	8,332
Income from dealing in foreign currencies		101,128	100,872	28,150	34,464
Gain / (loss) on sale of securities		19,265	44,566	3,555	(1,435)
Unrealized gain / (loss) on revaluation of investments classified as held-for-trading		-	3,434	-	-
Other income		3,040	3,615	1,165	1,745
Total other income		491,186	478,817	169,161	155,525
		1,752,230	2,474,489	467,835	842,510
Other expenses					
Administrative expenses		(2,371,928)	(2,138,909)	(846,127)	(733,085)
Other provisions / write off		(12,317)	(4,407)	(12,317)	-
Other charges		(63)	(290)	-	-
Total other expenses		(2,384,308)	(2,143,606)	(858,444)	(733,085)
		(632,078)	330,883	(390,609)	109,425
Extra ordinary / unusual items		-	-	-	-
(Loss) / profit before taxation		(632,078)	330,883	(390,609)	109,425
Taxation		(39,999)	(72,233)	(13,265)	(15,990)
- Current / prior year		206,065	(63,685)	110,131	(23,698)
- Deferred		166,066	(135,918)	96,866	(39,688)
(Loss) / profit after taxation		(466,012)	194,965	(293,743)	69,737
----- Rupee -----					
(Loss) / earning per share - basic / diluted		(0.52)	0.22	(0.33)	0.08

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.

Chairman

Chief Executive Officer

Director

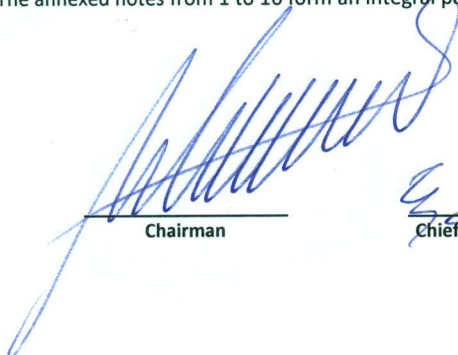
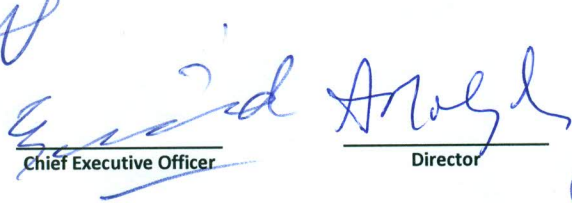
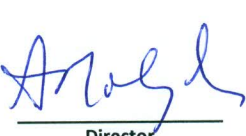
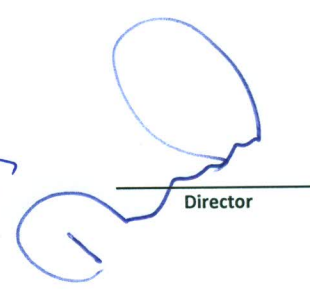
Director

ALBARAKA BANK (PAKISTAN) LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE PERIOD AND QUARTER ENDED 30 SEPTEMBER 2016

	<u>Nine months ended</u>		<u>Quarter ended</u>	
	<u>30 September</u> <u>2016</u>	<u>30 September</u> <u>2015</u>	<u>30 September</u> <u>2016</u>	<u>30 September</u> <u>2015</u>
	------(Rupees '000)-----			
(Loss) / profit after taxation	(466,012)	194,965	(293,743)	69,737
Other comprehensive income	-	-	-	-
Comprehensive income transferred to equity	<u>(466,012)</u>	<u>194,965</u>	<u>(293,743)</u>	<u>69,737</u>
Components of comprehensive income not reflected in equity				
(Deficit) / surplus on revaluation of available-for-sale securities - net of tax *	(67,358)	126,941	37,581	68,933
Total comprehensive (loss) / income	<u>(533,370)</u>	<u>321,906</u>	<u>(256,162)</u>	<u>138,670</u>

* 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 16 form an integral part of these condensed interim financial statements.

 Chairman

 Chief Executive Officer

 Director

 Director

ALBARAKA BANK (PAKISTAN) LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE PERIOD ENDED 30 SEPTEMBER 2016

		30 September 2016	30 September 2015
Note	-----	(Rupees '000)	-----
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) / profit before taxation		(632,078)	330,883
Dividend income		(9,642)	(17,061)
		(641,720)	313,822
Adjustments for non-cash and other items:			
Depreciation		150,869	104,366
Depreciation on Ijarah assets held under IFAS 2		979,403	840,412
Amortisation		62,758	73,138
Unrealized gain on revaluation of investments classified as held-for-trading		-	(3,434)
Provision against non-performing Islamic financing and related assets	7.2	318,793	127,741
Reversal for diminution in the value of investments	6.1	(794)	(229,358)
Other provisions / write offs		12,317	4,407
(Gain) / loss on sale of operating fixed assets		(3,040)	1
		1,520,306	917,273
		878,586	1,231,095
(Increase) / decrease in operating assets			
Due from financial institutions		1,345,907	2,237,080
Held-for-trading securities		-	2,008,662
Islamic financing and related assets		(3,290,405)	1,468,451
Other assets		(497,678)	(593,684)
		(2,442,176)	5,120,509
Increase / (decrease) in operating liabilities			
Bills payable		(65,469)	204,560
Due to financial institutions		(947,658)	1,999,518
Deposits and other accounts		6,315,001	(4,686,692)
Other liabilities		200,462	24,955
		5,502,336	(2,457,659)
Income tax paid		(36,826)	(46,462)
Net cash inflow from operating activities		3,901,920	3,847,483
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available-for-sale investments		(3,927,751)	(1,241,671)
Net investments in operating fixed assets		(180,983)	(217,252)
Dividend received		9,754	8,954
Proceeds from disposal of operating fixed assets		3,246	1,535
Net cash used in investing activities		(4,095,734)	(1,448,434)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipt of sub-ordinated loan		-	888,349
Repayment of Tier II modaraba sukuk		(285,716)	(285,716)
Effect of exchange difference on translation of sub-ordinated loan		(2,333)	44,315
Net cash (used) / flow from financing activities		(288,049)	646,948
Net (decrease) / increase in cash and cash equivalents		(481,863)	3,045,997
Cash and cash equivalents at beginning of the period		12,407,973	10,206,610
Cash and cash equivalents at end of the period		11,926,110	13,252,607

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.

Chairman

Chief Executive Officer

Director

Director

ALBARAKA BANK (PAKISTAN) LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE PERIOD ENDED 30 SEPTEMBER 2016

	Issued, subscribed and paid-up share capital	Advance against issuance of shares	Discount on issuance of shares	Statutory Reserve *	Accumulated loss	Total
	----- (Rupees '000) -----					
Balance as at 01 January 2015	8,935,200	95,704	(767,290)	111,259	(2,323,983)	6,050,890
Profit after taxation for the period	-	-	-	-	194,965	194,965
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	194,965	194,965
Transfer to statutory reserves	-	-	-	38,993	(38,993)	-
Balance as at 30 September 2015	8,935,200	95,704	(767,290)	150,252	(2,168,011)	6,245,855
Profit after taxation for the period	-	-	-	-	45,481	45,481
Other comprehensive income for the period	-	-	-	-	(3,684)	(3,684)
Total comprehensive income for the period	-	-	-	-	41,797	41,797
Transfer to statutory reserves	-	-	-	9,096	(9,096)	-
Balance as at 31 December 2015	8,935,200	95,704	(767,290)	159,348	(2,135,310)	6,287,652
Loss after taxation for the period	-	-	-	-	(466,012)	(466,012)
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	(466,012)	(466,012)
Transfer to statutory reserves	-	-	-	-	-	-
Balance as at 30 September 2016	8,935,200	95,704	(767,290)	159,348	(2,601,322)	5,821,640

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

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.


Chairman


Chief Executive Officer


Director


Director

ALBARAKA BANK (PAKISTAN) LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED 30 SEPTEMBER 2016

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.

The Bank is a subsidiary of AlBaraka Islamic Bank B.S.C. (c) (AlBaraka) {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 150 branches including 14 sub-branches (31 December 2015: 135 branches including 14 sub-branches) in Pakistan.

Based on the financial statements of the Bank for the year ended 31 December 2015, Pakistan Credit Rating Agency Limited (PACRA) has determined the Bank's long-term rating at "A" and short term rating as 'A1'. JCR-VIS, has also maintained long-term and short-term ratings of "A" and 'A1' respectively. These ratings have been placed on watch by rating agencies on account of foreseeable merger with another Islamic Bank.

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 (FCY sub-ordinated debt) of US \$ 11 million from its major sponsor. The said sub-ordinated debt is deposited as non-remunerative deposit with SBP.
- iii) The above FCY 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 FCY 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 FCY 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 at least 16% which may be reduced depending on the level of increase in the MCR.

In line with the capitalization plan approved by SBP, major Sponsor of the Bank has injected the FCY sub-ordinated debt amounting to Rs. 1,150.835 (US \$ 11) million and Rs. 889.282 (US \$ 8.5) million on 30 December 2013 and 29 April 2015 respectively. In addition to this, to comply with aforementioned CAR requirements, the Bank had issued unsecured, subordinated and privately placed sukuk amounting to Rs. 2 billion during September 2014.

As of 30 September 2016, the bank is in the advance stages of acquiring another bank which will enable the Bank to meet the related MCR and CAR requirements. In this regard, the SBP in view of the impending merger, has allowed relaxation from depositing the above referred FCY funds and to maintain CAR of at least 12.50% uptill 31 October 2016 or completion of the merger (whichever is earlier) subject to the condition that the merged entity would adequately meet the applicable capital requirements.

2. STATEMENT OF COMPLIANCE

- 2.1** These condensed interim financial statements of the Bank for the period ended 30 September 2016 have been prepared in accordance with approved accounting standards as applicable in Pakistan. The disclosures made in these condensed interim financial statements have been limited based on the format prescribed by SBP vide BSD Circular Letter No. 2 dated 12 May 2004 and International Accounting Standard (IAS) 34, "Interim Financial Reporting". They do not include all the disclosures required for annual financial statements, and these condensed interim financial statements should be read in conjunction with financial statements for the year ended 31 December 2015.

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 and commitments in respect of foreign exchange forward contracts which have been measured at fair value.
- 3.2** Items included in the 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 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 period:

IFRS 10 – Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment in Associates – Investment Entities: Applying the Consolidation Exception (Amendment)

IFRS 11 – Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)

IAS 1 – Presentation of Financial Statements - Disclosure Initiative (Amendment)

IAS 16 – Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)

IAS 16 – Property, Plant and Equipment and IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)

IAS 27 – Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)

4.2 Improvements to Standards issued by the IASB

IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal

IFRS 7 – Financial Instruments: Disclosures - Servicing contracts

IFRS 7 – Financial Instruments: Disclosures - Applicability of the offsetting disclosures to condensed interim financial statements

IAS 19 – Employee Benefits - Discount rate: regional market issue

IAS 34 – Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report'

The adoption of the above amendments, revisions, improvements to accounting standards and interpretations did not have any effect on 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 2015.

6. INVESTMENTS

Note	30 September 2016 (Un-Audited)			31 December 2015 (Audited) - Restated		
	Held by Bank	Given as Collateral	Total	Held by Bank	Given as Collateral	Total
	Rupees in '000					
Available for sale						
Sukuk certificates	18,811,670	-	18,811,670	14,944,894	-	14,944,894
Ordinary shares of listed companies	408,723	-	408,723	347,748	-	347,748
Ordinary shares of unlisted company Takaful Pakistan Limited	52,200	-	52,200	52,200	-	52,200
	19,272,593	-	19,272,593	15,344,842	-	15,344,842
Held to maturity						
Bai Muajjal with Government of Pakistan	2,080,047	-	2,080,047	2,080,047	-	2,080,047
Investments at cost	21,352,640	-	21,352,640	17,424,889	-	17,424,889
Less: Provisions for diminution in the value of investments	(43,517)	-	(43,517)	(44,311)	-	(44,311)
Investments (net of provisions)	21,309,123	-	21,309,123	17,380,578	-	17,380,578
Deficit on revaluation of available for sale securities	(125,804)	-	(125,804)	(22,177)	-	(22,177)
Total investments at market value	21,183,319	-	21,183,319	17,358,401	-	17,358,401

6.1 Particulars of provisions for diminution in the value of investments

Note	30 September 2016	31 December 2015
	(Un-Audited)	(Audited)
	Rupees '000	
Opening balance	44,311	274,443
Charged during the period / year	337	4,284
Reversal during the period / year	(794)	(234,416)
Closing balance	43,517	44,311

6.2 The mark to market impairment loss on certain investments as of 30 September 2016 amounts to Rs. 14.137 (31 December 2015 : Nil) million. However, SBP vide its letter BPRD/BRD (Policy)/2016-14898 has allowed the recognition of impairment loss of Rs. 14.137 million in a phased manner by 30 June 2017. As per such relaxation, the Bank is required to book at least 25% of impairment loss as of 30 September 2016 which amounts to Rs. 3.534 (31 December 2015 : Nil) million and the same has been booked in these condensed interim financial statements.

7. ISLAMIC FINANCING AND RELATED ASSETS

In Pakistan		30 September 2016	31 December 2015
Islamic financing and related assets		(Un-Audited)	(Audited)
- Murabaha finance		12,466,737	15,483,094
- Advance against murabaha finance		932,799	826,636
- Export refinance under Islamic scheme		1,003,840	929,405
- Advance against export refinance under Islamic scheme		65,845	47,400
- Ijarah assets under IFAS 2		4,341,289	4,211,037
- Net investment in ijarah		112,172	112,396
- Advance against ijarah		68,004	281,397
- Service ijarah		331,495	469,730
- Diminishing musharaka financing		20,154,655	15,366,192
- Advance against diminishing musharaka finance		455,951	162,414
- Running musharaka		150,000	150,000
- Tijarah finance		819,606	599,886
- Over due acceptances		504,687	505,274
- Payment against guarantee		60,813	80,063
- Payment against documents		6,924	49,049
- Salam financing		22,485	28,385
- Advance against salam		4,873,928	4,897,084
- Salam inventory		277,001	172,001
- Financing against bills		479,515	230,439
- Istasna finance		2,389,422	4,014,527
- Advance against istasna		2,441,867	1,186,864
- Istasna inventory		93,630	18,000
- Staff financing		795,311	721,956
- Advance against staff financing		10,974	4,913
- Rahnuma Travel Service		194	-
Islamic financing and related assets - gross		52,859,144	50,548,142
Provisions for non-performing financing - specific	7.2	(3,184,354)	(2,875,066)
Provisions for non-performing financing - general	7.2	(37,891)	(28,386)
		(3,222,245)	(2,903,452)
Islamic financing and related assets - net of provisions		49,636,899	47,644,690

- 7.1 Islamic financing and related assets include Rs. 5,646.640 (31 December 2015: Rs 4,042.561) million which have been placed under non-performing status as detailed below:

Category of classification	30 September 2016 (Un-Audited)				
	Classified financing			Provision required	Provision held
	Domestic	Overseas	Total		
	----- Rupees in '000 -----				
Other Assets Especially Mentioned	81,790	-	81,790	26	26
Substandard	973,213	-	973,213	87,668	87,668
Doubtful	897,332	-	897,332	211,133	211,133
Loss	3,694,305	-	3,694,305	2,885,527	2,885,527
	<u>5,646,640</u>	<u>-</u>	<u>5,646,640</u>	<u>3,184,354</u>	<u>3,184,354</u>

Category of classification	31 December 2015 (Audited)				
	Classified financing			Provision required	Provision held
	Domestic	Overseas	Total		
	----- Rupees in '000 -----				
Other Assets Especially Mentioned	5,032	-	5,032	-	-
Substandard	383,873	-	383,873	74,439	74,439
Doubtful	365,059	-	365,059	70,858	70,858
Loss	3,288,597	-	3,288,597	2,729,769	2,729,769
	<u>4,042,561</u>	<u>-</u>	<u>4,042,561</u>	<u>2,875,066</u>	<u>2,875,066</u>

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

	30 September 2016 (Un-Audited)			31 December 2015 (Audited)		
	Specific	General	Total	Specific	General	Total
	----- Rupees in '000 -----					
Opening balance	2,875,066	28,386	2,903,452	2,795,155	16,548	2,811,703
Charge for the period / year	379,985	9,505	389,490	429,655	11,838	441,493
Reversals for the period / year	(70,697)	-	(70,697)	(336,803)	-	(336,803)
	309,288	9,505	318,793	92,852	11,838	104,690
Written off during the period / year	-	-	-	(12,941)	-	(12,941)
Closing balance	<u>3,184,354</u>	<u>37,891</u>	<u>3,222,245</u>	<u>2,875,066</u>	<u>28,386</u>	<u>2,903,452</u>

- 7.2.1 The above provision against non-performing Islamic financing has been computed after considering allowable forced sale value (FSV) of collateral amounting to Rs. 1,689.153 (31 December 2015: Rs. 831.380) million. The FSV benefit recognized is not allowed for distribution of cash or stock dividend to shareholders.
- 7.2.2 The Bank maintains general reserve (provisions) in accordance with the applicable requirements of prudential regulations for consumer, small and medium enterprise Islamic financing.
- 7.2.3 SBP vide its letter BPRD/BLRD-3/DMG/2011-1035 dated 26 January 2011 has allowed relaxation from provisioning requirement against certain financing exposures having a provisioning impact of Rs. 40.581 (31 December 2015 :Rs. 40.581) million.

8. OPERATING FIXED ASSETS	Note	30 September	31 December
		2016	2015
		----- (Rupees '000) -----	
Property and equipment		1,602,416	1,593,986
Intangible assets		722,262	772,179
Capital work-in-progress	8.1	356,640	305,746
		<u>2,681,318</u>	<u>2,671,911</u>
8.1 Capital work-in-progress			
Advances to suppliers and contractors	8.1.1	356,640	305,746
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		<u>356,640</u>	<u>305,746</u>
8.1.1 This includes advance payment amounting to Rs.121.049 (31 December 2015: Rs.121.049) million for implementation of new core banking system of the Bank.			

ALBARAKA BANK (PAKISTAN) LIMITED

	30 September 2016 ----- (Rupees '000) ----- ----- (Un-Audited) -----	30 September 2015
8.2 Additions to operating fixed assets	<u>130,475</u>	<u>261,170</u>
Disposals and write offs of operating fixed assets - cost	<u>24,373</u>	<u>13,487</u>
	30 September 2016 ----- (Rupees '000) ----- (Un-Audited)	31 December 2015 (Audited)
9. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	<u>15,878,150</u>	16,691,631
Savings deposits	<u>37,419,952</u>	33,325,446
Current accounts - non-remunerative	<u>16,457,796</u>	16,816,701
Margin deposits	<u>753,768</u>	726,167
	<u>70,509,666</u>	67,559,945
Financial Institutions		
Remunerative deposits	<u>7,377,692</u>	4,023,857
Non-remunerative deposits	<u>72,029</u>	60,584
	<u>7,449,721</u>	4,084,441
	<u>77,959,387</u>	<u>71,644,386</u>
10. SUBORDINATED LOANS		
Foreign currency sub-ordinated debt	<u>2,040,117</u>	2,042,450
Tier II modaraba sukuk	<u>1,428,568</u>	1,714,284
	<u>3,468,685</u>	<u>3,756,734</u>
11. CONTINGENCIES AND COMMITMENTS		
11.1 Transaction-related contingent liabilities		
Includes performance bonds, bid bonds, shipping guarantees favouring:		
i) Government	<u>4,120,621</u>	4,446,114
ii) Banking companies and other financial institutions	<u>28,507</u>	611
iii) Others	<u>2,051,909</u>	363,541
	<u>6,201,037</u>	<u>4,810,266</u>
11.2 Trade-related contingent liabilities		
Letters of credit	<u>5,208,741</u>	5,370,825
Others - Shipping Guarantees	<u>-</u>	36,279
Acceptances	<u>1,609,857</u>	<u>1,202,664</u>
11.3 Commitments in respect of forward exchange contracts		
Purchase	<u>3,462,265</u>	2,865,530
Sale	<u>1,909,483</u>	1,260,153
	<u>926</u>	<u>57,419</u>
11.4 Commitments to incur capital expenditure		
11.5 Other Contingencies		
11.5.1 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 2011 amounting to Rs. 86.5 million and Rs 34.575 million in respect of year 2012. In response to the Bank's appeal, 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 the year 2012, CIR Appeal I has dropped the proceedings amounting to Rs 8.991 Million. Accordingly, the Bank has filed the appeal before ATIR against the order of CIR appeals-I amounting to Rs 25.584 million.		

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 condensed interim financial statements against any liability which may arise in this respect.

Except for the matter mentioned in note 11.5.1 above, there has been no change in the status of contingencies disclosed in notes 21.5.1 to 21.5.4 to the financial statements for the year ended 31 December 2015.

Nine months ended		Quarter ended	
30 September 2016	30 September 2015	30 September 2016	30 September 2015
------(Rupees '000)-----			
------(Un-Audited)-----			

12. PROFIT / RETURN EARNED ON ISLAMIC FINANCING AND RELATED ASSETS, INVESTMENTS AND PLACEMENTS

On Islamic financing and related assets	2,662,150	3,147,763	840,826	922,304
On investments in				
- Available for sale securities	565,000	1,001,647	216,650	270,189
- Held to maturity securities	93,632	-	31,439	-
- Held for trading securities	-	6,211	-	-
	658,632	1,007,858	248,089	270,189
On deposits with banks	91,990	126,366	38,779	49,723
On due from financial institutions	95,934	616,423	29,590	201,305
	<u>3,508,706</u>	<u>4,898,410</u>	<u>1,157,284</u>	<u>1,443,521</u>

13. RELATED PARTY TRANSACTIONS

13.1 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 already disclosed elsewhere in these condensed interm financial statements, are as follows:

30 September 2016	31 December 2015
------(Rupees '000)-----	
(Un-Audited) (Audited)	

Key management personnel

Islamic financing and related assets

At beginning of the period / year	151,457	117,314
Disbursements / additions during the period / year	89,328	66,190
Repayments / deletions during the period / year	(52,154)	(32,047)
At end of the period / year	188,631	151,457

Deposits

At beginning of the period / year	95,028	108,350
Deposits / additions during the period / year	485,046	438,567
Withdrawals / deletions during the period / year	(416,800)	(451,889)
At end of the period / year	163,274	95,028

Other Balances

Return payable on deposit	1,898	987
Profit receivable on islamic financing and related assets	168	126

Nine months ended		Quarter ended	
30 September 2016	30 September 2015	30 September 2016	30 September 2015
------(Rupees '000)-----			
------(Un-Audited)-----			

Transactions, income and expenses

Profit earned on islamic financing and related assets	4,191	3,355	1,428	1,051
Return on deposits expensed	2,405	3,689	842	2,800
Salaries, allowances and benefits	147,920	133,352	46,096	40,855

30 September 2016	31 December 2015
------(Rupees '000)-----	
(Un-Audited) (Audited)	

Parent Bank

Balances

Advance against issuance of shares	95,704	95,704
FCY sub-ordinated debt	2,040,117	2,042,450

30 September 2016
 31 December 2015
 -----(Rupees '000)-----
 (Un-Audited) (Audited)

Shareholders, directors and other related parties of the Bank**Deposits**

At beginning of the period / year	682,256	420,289
Deposits / additions during the period / year	454,966	1,016,007
Withdrawals / deletions during the period / year	(462,838)	(754,040)
At end of the period / year	674,384	682,256

Other balances

Return payable on deposits	3,097	3,108
Investments	52,200	-
Provision for diminution in the value of investments	22,097	-

Payable to shareholders

	657	657
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Nine months ended		Quarter ended	
30 September 2016	30 September 2015	30 September 2016	30 September 2015
----- (Rupees '000) -----			
----- (Un-Audited) -----			

Transactions, income and expenses

Revenue earned from non funded exposure	13	-	-	-
Return on deposits expensed	28,105	21,928	9,346	6,344
Director fee and other allowances	33,300	25,827	15,721	8,999
Shariah board fee	2,054	1,325	1,838	753

	30 September 2016	31 December 2015
	----- (Rupees '000) -----	
	(Un-Audited) (Audited)	

Staff Retirement benefit plan of the Bank**Balance**

Payable in respect of defined benefit plan		26,494	26,494
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Nine months ended		Quarter ended	
30 September 2016	30 September 2015	30 September 2016	30 September 2015
----- (Rupees '000) -----			
----- (Un-Audited) -----			

Transactions, income and expenses

Contribution to defined contribution plan	37,319	34,511	12,433	11,883
Contribution to defined benefit plan	32,595	31,478	10,894	10,570

14. FAIR VALUE OF FINANCIAL INSTRUMENTS**14.1 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.

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.

14.2 Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the 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.

