

ALBARAKA BANK (PAKISTAN) LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2017

		30 September 2017	31 December 2016
	Note	------(Rupees '000)-----	
		(Un-Audited)	(Audited)
ASSETS			
Cash and balances with treasury banks		7,959,884	18,725,350
Balances with other banks		2,690,853	984,125
Due from financial institutions	6	5,695,411	2,692,703
Investments	7	18,329,269	24,601,518
Islamic financing and related assets	8	65,647,087	66,785,266
Operating fixed assets	9	4,334,938	4,502,269
Deferred tax assets		3,383,056	2,873,137
Other assets		5,753,416	5,634,265
		113,793,914	126,798,633
LIABILITIES			
Bills payable		1,326,905	1,386,390
Due to financial institutions		1,847,700	3,223,109
Deposits and other accounts	10	93,955,376	105,843,084
Sub-ordinated loans	11	2,642,852	1,428,568
Deferred tax liabilities		-	-
Other liabilities		3,443,668	3,527,979
		103,216,501	115,409,130
NET ASSETS		10,577,413	11,389,503
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		(2,881,285)	(2,281,369)
		10,384,925	10,984,841
Surplus on revaluation of assets - net of tax		192,488	404,662
		10,577,413	11,389,503

CONTINGENCIES AND COMMITMENTS

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The annexed notes from 1 to 19 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 2017

	Note	Nine months ended		Quarter ended	
		30 September 2017	30 September 2016	30 September 2017	30 September 2016
----- (Rupees '000) -----					
Profit / return earned on Islamic financing and related assets, investments and placements	13	5,014,634	3,508,706	1,675,813	1,157,284
Return on deposits and other dues expensed		(2,279,550)	(1,929,663)	(761,421)	(676,476)
Net spread earned		2,735,084	1,579,043	914,392	480,808
Provision against non-performing Islamic financing and related assets (Provision) / reversal for diminution in the value of investments	8.2	(671,722)	(318,793)	(800,826)	(184,938)
		(121,879)	794	(88,568)	2,804
		(793,601)	(317,999)	(889,394)	(182,134)
Net spread after provisions		1,941,483	1,261,044	24,998	298,674
Other income					
Fee, commission and brokerage income		488,341	358,111	142,435	135,122
Dividend income		22,316	9,642	3,100	1,169
Income from dealing in foreign currencies		136,222	101,128	56,942	28,150
Gain/(loss) on sale of securities		121,472	19,265	(31,277)	3,555
Unrealized (loss)/gain on revaluation of investments classified as held-for-trading		(657)	-	838	-
Other income	14	36,748	3,040	977	1,165
Total other income		804,442	491,186	173,015	169,161
		2,745,925	1,752,230	198,013	467,835
Other expenses					
Administrative expenses		(3,650,966)	(2,371,928)	(1,211,271)	(846,127)
Other provisions / write off		(3,785)	(12,317)	(3,785)	(12,317)
Other (charges) / recoveries	15	(24,287)	(63)	2,120	-
Total other expenses		(3,679,038)	(2,384,308)	(1,212,936)	(858,444)
		(933,113)	(632,078)	(1,014,923)	(390,609)
Extra ordinary / unusual items		-	-	-	-
Loss before taxation		(933,113)	(632,078)	(1,014,923)	(390,609)
Taxation		(62,817)	(39,999)	(23,100)	(13,265)
- Current		-	-	-	-
- Prior year		395,793	206,065	385,563	110,131
- Deferred		332,976	166,066	362,463	96,866
Loss after taxation		(600,137)	(466,012)	(652,460)	(293,743)
----- Rupee -----					
Loss per share - basic / diluted		(0.44)	(0.52)	(0.47)	(0.33)

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

Chairman

Chief Executive Officer

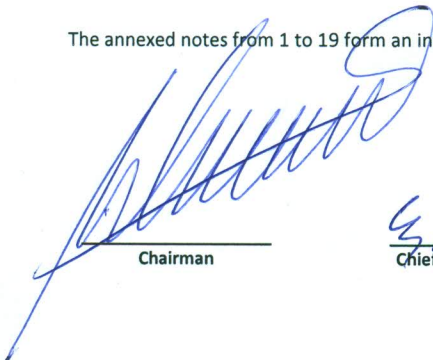
Director

Director

ALBARAKA BANK (PAKISTAN) LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE PERIOD AND QUARTER ENDED 30 SEPTEMBER 2017

	Nine months ended		Quarter ended	
	30 September 2017	30 September 2016	30 September 2017	30 September 2016
	------(Rupees '000)-----			
Loss after taxation	(600,137)	(466,012)	(652,460)	(293,743)
Other comprehensive income	-	-	-	-
Comprehensive loss transferred to equity	(600,137)	(466,012)	(652,460)	(293,743)
Components of comprehensive income not reflected in equity				
Deficit on revaluation of available-for-sale securities - net of tax *	(199,898)	(67,358)	(106,585)	37,581
Movement in revaluation of non-banking assets - net of tax	(12,276)	-	(73)	-
Total comprehensive income	(812,311)	(533,370)	(759,118)	(256,162)

The annexed notes from 1 to 19 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 2017

	Nine months ended	
	30 September 2017	30 September 2016
Note	------(Rupees '000)-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(933,113)	(632,078)
Dividend income	(22,316)	(9,642)
	<u>(955,429)</u>	<u>(641,720)</u>
Adjustments for non-cash and other items:		
Depreciation	172,190	150,869
Amortisation	87,403	62,758
Depreciation - non banking assets	19,251	-
Provision against non-performing Islamic financing and related assets	671,722	318,793
Provision / (reversal) for diminution in the value of investments	121,879	(794)
Unrealized loss on revaluation of investments classified as held for trading	657	-
Other provisions / write offs	3,785	12,317
Gain on sale of operating fixed assets	(2,380)	(3,040)
	<u>1,074,507</u>	<u>540,903</u>
	119,078	(100,817)
(Increase) / decrease in operating assets		
Due from financial institutions	(3,002,708)	1,345,907
Islamic financing and related assets	466,459	(2,311,002)
Other assets	(194,454)	(497,678)
	<u>(2,730,703)</u>	<u>(1,462,773)</u>
(Decrease) / increase in operating liabilities		
Bills payable	(59,485)	(65,469)
Due to financial institutions	(1,375,409)	(947,658)
Deposits and other accounts	(11,887,708)	6,315,001
Other liabilities	(84,311)	200,462
	<u>(13,406,913)</u>	<u>5,502,336</u>
Income tax paid	(33,643)	(36,826)
Net cash (used in) / flow from operating activities	<u>(16,052,181)</u>	<u>3,901,920</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net redemptions/investments in available-for-sale investments	5,855,523	(3,927,751)
Net investments in held-for-trading investments	(13,345)	-
Net investments in operating fixed assets	(96,075)	(180,983)
Dividend received	26,864	9,754
Proceeds from disposal of operating fixed assets	6,192	3,246
Net cash flow from / (used in) investing activities	<u>5,779,159</u>	<u>(4,095,734)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of Tier II mudaraba sukuk - first issue	(285,716)	(285,716)
Issuance of Tier II mudaraba sukuk - second issue	1,500,000	-
Effect of exchange difference on translation of foreign currency debt	-	(2,333)
Net cash flow from / (used in) financing activities	<u>1,214,284</u>	<u>(288,049)</u>
Net decrease in cash and cash equivalents	<u>(9,058,738)</u>	<u>(481,863)</u>
Cash and cash equivalents at beginning of the period	19,709,475	12,407,973
Cash and cash equivalents at end of the period	<u>10,650,737</u>	<u>11,926,110</u>

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Chairman

Chief Executive Officer

Director

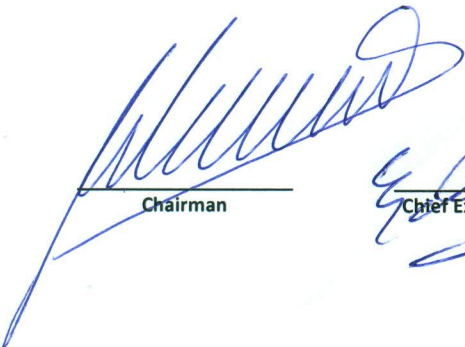

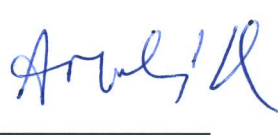

Director

ALBARAKA BANK (PAKISTAN) LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE PERIOD ENDED 30 SEPTEMBER 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 period	-	-	-	-	(466,012)	(466,012)
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	(466,012)	(466,012)
Balance as at 30 September 2016	8,935,200	95,704	(767,290)	159,348	(2,601,322)	5,821,640
Profit after taxation for the period	-	-	-	-	310,485	310,485
Other comprehensive income for the period	-	-	-	-	9,399	9,399
Total comprehensive income for the period	-	-	-	-	319,884	319,884
Paid to Parent Bank	-	(95,704)	-	-	-	(95,704)
Shares issued during the period	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 period	-	-	-	-	(600,137)	(600,137)
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	(600,137)	(600,137)
Shares issued during the period	-	-	-	-	-	-
Premium on issuance of shares	-	-	-	-	-	-
Transfer from surplus on revaluation of non-banking assets - net of tax	-	-	-	-	221	221
Balance as at 30 September 2017	13,739,628	-	(632,766)	159,348	(2,881,285)	10,384,925

* 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.

 Chairman	 Chief Executive Officer	 Director	 Director
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ALBARAKA BANK (PAKISTAN) LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN - AUDITED)
FOR THE PERIOD ENDED 30 SEPTEMBER 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 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, BBL 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 185 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 2017 and 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 30 September 2017, the Minimum Capital Requirement (MCR) and Capital Adequacy Ratio (CAR) stood at Rs.10.23 billion and 11.24 % (Un-Audited) respectively.

2. STATEMENT OF COMPLIANCE

- 2.1** These condensed interim financial statements of the Bank for the period ended 30 September 2017 have been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. 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 2016.

- 2.2** During the period, the Companies Act, 2017 has been promulgated, however, Securities and Exchange Commission of Pakistan vide its circular no. 23 of 2017, dated 4 October 2017, read with circular no. 17 of 2017 dated 20 July 2017, directed that the companies whose financial year closes on or before December 31, 2017 shall continue to prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.

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 described 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, 2017 but are considered not to be relevant or do not have any significant effect on the Bank's operations and therefore not detailed in this condensed interim unconsolidated financial information.

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 2016.

		30 September 2017 ----- (Rupees '000) ----- (Un-Audited)	31 December 2016 ----- (Rupees '000) ----- (Audited)
6. DUE FROM FINANCIAL INSTITUTIONS			
- Bai muajjal	6.1	5,095,411	2,550,318
- Lending to financial institutions	6.2	600,000	142,385
		<u>5,695,411</u>	<u>2,692,703</u>
6.1 Bai muajjal		5,372,200	2,608,302
Deferred income		(199,440)	(21,755)
Profit receivable shown in other assets		(77,349)	(36,229)
	6.1.1	<u>5,095,411</u>	<u>2,550,318</u>

6.1.1 The return on bai muajjal is 5.26% to 5.74% (31 December 2016: 5.62% to 5.90%) per annum. These will mature by June 2018.

6.2 The expected return on these placements is 5.55% (31 December 2016: 0.33%) per annum. These will mature by October 2017.

7. INVESTMENTS

	30 September 2017 (Un-Audited)			31 December 2016 (Audited)		
	Held by Bank	Given as Collateral	Total	Held by Bank	Given as Collateral	Total
Note	----- Rupees in '000 -----					
Held for trading securities						
Ordinary shares of listed companies	13,345	-	13,345	-	-	-
Available for sale securities						
Sukuk certificates	17,433,091	-	17,433,091	23,730,099	-	23,730,099
Ordinary shares of listed companies	1,265,278	-	1,265,278	823,793	-	823,793
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
	<u>18,819,977</u>	-	<u>18,819,977</u>	<u>24,675,500</u>	-	<u>24,675,500</u>
Investments at cost	<u>18,833,322</u>	-	<u>18,833,322</u>	<u>24,675,500</u>	-	<u>24,675,500</u>
Less: Provisions for diminution in the value of investments	(286,607)	-	(286,607)	(164,728)	-	(164,728)
Investments (net of provisions)	<u>18,546,715</u>	-	<u>18,546,715</u>	<u>24,510,772</u>	-	<u>24,510,772</u>
(Deficit) / surplus on revaluation of investments classified as available for sale securities	(216,789)	-	(216,789)	90,746	-	90,746
Deficit on revaluation of investments classified as held for trading securities	(657)	-	(657)	-	-	-
Total investments at market value	<u>18,329,269</u>	-	<u>18,329,269</u>	<u>24,601,518</u>	-	<u>24,601,518</u>

7.1 Sukuk certificates mainly include Government of Pakistan Ijarah sukuk amounting to Rs. 10,312 (31 December 2016: Rs. 16.610) million.

		30 September 2017 ----- (Rupees '000) ----- (Un-Audited)	31 December 2016 ----- (Rupees '000) ----- (Audited)
8. ISLAMIC FINANCING AND RELATED ASSETS			
In Pakistan			
Islamic financing and related assets			
- Murabaha finance		9,809,378	13,811,162
- Advance against murabaha finance		1,177,890	918,213
- Export refinance under Islamic scheme		419,367	3,579,184
- Advance against export refinance under Islamic scheme		2,242,900	252,506
- Ijarah assets under IFAS 2		2,973,140	4,191,559
- Net investment in ijarah		112,493	112,530
- Advance against ijarah		25,059	39,326
- Service Ijarah		41,667	260,417
- Diminishing musharaka financing		32,685,598	31,705,563
- Advance against diminishing musharaka finance		1,169,750	1,143,500
- Running musharaka		150,000	150,000
- Tijarah finance		2,035,044	777,563
- Over due acceptances		619,946	612,598
- Payment against guarantee		62,796	61,896
- Payment against documents		9,339	4,718
- Salam financing		22,186	22,485
- Advance against salam		9,501,699	6,015,358
- Salam inventory		2,681	185,999
- Financing against bills		400,103	597,286
- Istasna finance		795,751	2,517,612
- Advance against istasna		5,041,321	2,732,661
- Istasna inventory		70,700	-
- Mudaraba		-	80,000
- Staff financing		1,243,855	1,308,824
- Advance against staff financing		10,987	9,067
- Rahnuma travel services		81	161
Islamic financing and related assets - gross		<u>70,623,731</u>	<u>71,090,188</u>
Provisions for non-performing financing - specific	8.2	(4,889,558)	(4,217,953)
- general	8.2	(87,086)	(86,969)
		<u>(4,976,644)</u>	<u>(4,304,922)</u>
Islamic financing and related assets - net of provisions		<u>65,647,087</u>	<u>66,785,266</u>

- 8.1 Islamic financing and related assets include Rs. 7,842.273 (31 December 2016 : Rs. 7,146.027) million which have been placed under non-performing status as detailed below:

Category of classifications	30 September 2017 (Un-Audited)				
	Classified financing			Provision required	Provision held
	Domestic	Overseas	Total		
Rupees in '000					
Other assets especially mentioned	8,965	-	8,965	-	-
Substandard	1,294,683	-	1,294,683	95,634	95,634
Doubtful	1,069,166	-	1,069,166	332,244	332,244
Loss	5,469,459	-	5,469,459	4,461,680	4,461,680
	7,842,273	-	7,842,273	4,889,558	4,889,558

Category of classifications	31 December 2016 (Audited)				
	Classified financing			Provision required	Provision held
	Domestic	Overseas	Total		
Rupees in '000					
Other assets especially mentioned	74,385	-	74,385	-	-
Substandard	1,085,697	-	1,085,697	89,521	89,521
Doubtful	784,546	-	784,546	211,700	211,700
Loss	5,201,399	-	5,201,399	3,916,732	3,916,732
	7,146,027	-	7,146,027	4,217,953	4,217,953

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

	30 September 2017 (Un-Audited)			31 December 2016 (Audited)		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	4,217,953	86,969	4,304,922	2,875,066	28,386	2,903,452
Charge for the period / year	1,052,497	117	1,052,614	513,194	18,688	531,882
Reversals for the period / year	(380,892)	-	(380,892)	(699,462)	-	(699,462)
	671,605	117	671,722	(186,268)	18,688	(167,580)
Transfer upon amalgamation of Ex-Burj Bank	-	-	-	1,529,155	39,895	1,569,050
Closing balance	4,889,558	87,086	4,976,644	4,217,953	86,969	4,304,922

- 8.2.1 The above provision against non-performing Islamic financing has been computed after considering allowable forced sale value (FSV) of collateral amounting to Rs. 2,277.771 (31 December 2016: Rs. 2,252.469) 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 housing finance and small and medium enterprise Islamic financing. However, the State Bank of Pakistan vide its letter BPRD/BRD/PRs/3073/2017 dated 6 February 2017 has allowed an exemption to the Bank from recognising general reserve requirement for its auto finance subject to the following conditions :

- The Bank shall classify its auto financing as "loss" on 180th day from the date of default and shall recognise 100% provision there against;
- The general reserve already accumulated and maintained shall not be reversed; and
- The classified portfolio of auto finance shall remain upto 5% of the Bank's auto finance portfolio. In case, if classified portfolio of auto finance increases beyond 5% threshold, the exemption shall stand withdrawn from that point of time.

	Note	30 September 2017	31 December 2016
		(Un-Audited)	(Audited)
9. OPERATING FIXED ASSETS			
Property and equipment		2,005,166	2,054,500
Intangible assets		1,833,606	1,884,535
Capital work-in-progress	9.1	496,166	563,234
		4,334,938	4,502,269

	30 September 2017 ----- (Rupees '000) ----- (Un-Audited)	31 December 2016 ----- (Rupees '000) ----- (Audited)
9.1 Capital work-in-progress		
Land and building including advances to suppliers and contractors	496,166	563,234
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	496,166	563,234
	30 September 2017 ----- (Rupees '000) ----- (Un-Audited)	September 2016 ----- (Rupees '000) ----- (Audited)
9.2 Additions to operating fixed assets	163,483	130,475
Disposals of operating fixed assets - cost	21,403	24,373
	30 September 2017 ----- (Rupees '000) ----- (Un-Audited)	31 December 2016 ----- (Rupees '000) ----- (Audited)
10. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	20,793,814	23,855,144
Savings deposits	40,573,851	45,031,088
Current accounts - non-remunerative	22,641,597	24,579,138
Margin deposits	1,512,254	891,821
	85,521,516	94,357,191
Financial Institutions		
Remunerative deposits	8,242,075	11,263,522
Non-remunerative deposits	191,785	222,371
	8,433,860	11,485,893
	93,955,376	105,843,084
11. SUB - ORDINATED LOANS		
Tier II mudaraba sukuk - first issue	1,142,852	1,428,568
Tier II mudaraba sukuk - second issue	1,500,000	-
	2,642,852	1,428,568
11.1 During the year, the Bank has issued its second unsecured, sub-ordinated and privately placed sukuk amounting to Rs. 1,500 million. The issuance of Sukuk is intended to comply with regulatory requirements related to Capital Adequacy Ratio. The tenor of the sukuk is seven years maturing in 2024.		
12. CONTINGENCIES AND COMMITMENTS		
12.1 Transaction-related contingent liabilities		
Includes performance bonds, bid bonds, shipping guarantees favouring:		
- Government	5,453,674	5,187,996
- Banking companies and other financial institutions	20,901	27,983
- Others	2,072,665	3,089,234
	7,547,240	8,305,213
12.2 Trade-related contingent liabilities		
Letters of credit	5,938,106	5,993,210
Acceptances	2,286,245	1,913,423
12.3 Commitments in respect of forward exchange contracts		
Purchase	6,548,421	4,236,420
Sale	3,792,687	2,512,760
12.4 Commitments to incur capital expenditure	18,072	29,826
12.5 Other Contingencies		
12.5.1 There is no change in the status of contingencies disclosed in note 22.5.1 and 22.5.3 to the financial statements for the year ended 31 December 2016.		

	30 September 2017 ----- (Rupees '000) ----- (Un-Audited)	31 December 2016 ----- (Rupees '000) ----- (Audited)
Deposits		
At beginning of the period / year	745,954	687,191
Deposits / additions during the period / year	311,919	592,561
Withdrawals / deletions during the period / year	(274,274)	(582,078)
Transfer upon amalgamation	-	48,280
At end of the period / year	783,599	745,954
Other balances		
Profit receivable on Islamic financing and related assets	2,325	235
Return payable on deposits	2,771	3,054
Investments	52,200	52,200
Provision for diminution in the value of investments	21,679	22,044
Sub-ordinated loan	5,714	7,143
Return payable on Sub-ordinated loan	6	139
Non funded exposures	-	2,772
Payable to shareholders	657	657

	Nine months ended		Quarter ended	
	30 September 2017	30 September 2016	30 September 2017	30 September 2016
	----- (Rupees '000) ----- ----- (Un-Audited) -----			
Transactions, income and expenses				
Profit earned on Islamic financing and related assets	7,441	-	2,082	-
Revenue earned from non funded exposure	-	13	-	-
Return on deposits expenses	25,609	28,105	8,654	9,346
Director fee and other allowances	43,920	33,300	15,664	15,721
Shariah Board fee	4,105	2,054	1,118	1,838
Return on Sub-ordinated loan	498	-	239	-
Others	47,750	-	21,195	-

Staff Retirement benefit plan of the Bank

	Nine months ended		Quarter ended	
	30 September 2017	30 September 2016	30 September 2017	30 September 2016
	----- (Rupees '000) ----- ----- (Un-Audited) -----			
Balance				
Receivable in respect of defined benefit plan			52,331	52,331
Transactions, income and expenses				
Contribution to defined contribution plan	54,936	37,319	18,154	12,433
Contribution/accrual to defined benefit plan	30,875	32,595	11,848	10,894

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 30 September 2017, 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.

