

**ALBARAKA BANK (PAKISTAN) LIMITED**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED**  
**30 SEPTEMBER 2014**

**ALBARAKA BANK (PAKISTAN) LIMITED**  
**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2014**

		30 September 2014	31 December 2013
	Note	------(Rupees '000)----- (Un-Audited)	(Audited)
<b>ASSETS</b>			
Cash and balances with treasury banks		5,821,044	5,727,407
Balances with other banks		9,884,380	16,565,377
Due from financial institutions		4,105,268	-
Investments	6	26,167,135	22,161,963
Islamic financing and related assets	7	36,245,652	37,020,644
Operating fixed assets	8	2,655,965	2,725,753
Deferred tax assets		1,414,684	1,431,064
Other assets		2,946,742	2,127,196
		<b>89,240,870</b>	<b>87,759,404</b>
<b>LIABILITIES</b>			
Bills payable		852,524	725,609
Due to financial institutions		661,800	2,201,945
Deposits and other accounts	9	76,289,316	75,647,097
Sub-ordinated loans	10	3,128,975	1,158,571
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities		2,308,858	2,177,989
		<b>83,241,473</b>	<b>81,911,211</b>
<b>NET ASSETS</b>		<b>5,999,397</b>	<b>5,848,193</b>
<b>REPRESENTED BY</b>			
Share capital		8,935,200	8,935,200
Discount on issuance of shares		(767,290)	(767,290)
Reserves		114,714	82,074
Accumulated loss		(2,288,662)	(2,419,224)
		<b>5,993,962</b>	<b>5,830,760</b>
Surplus on revaluation of investments - net of tax		5,435	17,433
		<b>5,999,397</b>	<b>5,848,193</b>

**CONTINGENCIES AND COMMITMENTS**

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



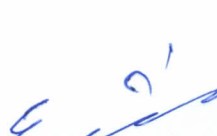



Chief Executive Officer      Director      Director      Director

**ALBARAKA BANK (PAKISTAN) LIMITED**  
**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)**  
**FOR THE PERIOD AND QUARTER ENDED 30 SEPTEMBER 2014**

		Nine Months Ended		Quarter ended	
		30 September 2014	30 September 2013	30 September 2014	30 September 2013
Note		----- (Rupees '000) -----			
Profit / return earned on islamic financing and related assets, investments and placements	12	4,892,110	4,544,247	1,780,596	1,535,999
Return on deposits and other dues expensed		3,225,951	3,132,794	1,201,309	1,091,728
<b>Net spread earned</b>		<b>1,666,159</b>	<b>1,411,453</b>	<b>579,287</b>	<b>444,271</b>
(Reversal of provision) / provision against non-performing islamic financing and related assets - net		(29,268)	443,522	22,966	266,874
Provision / (reversal) for diminution in the value of investments		64,922	50,505	61,265	(1,324)
		35,654	494,027	84,231	265,550
<b>Net spread after provisions</b>		<b>1,630,505</b>	<b>917,426</b>	<b>495,056</b>	<b>178,721</b>
<b>Other income</b>					
Fee, commission and brokerage income		293,921	222,954	99,415	76,401
Dividend income		4,247	-	3,707	-
Income from dealing in foreign currencies		157,563	155,795	44,235	82,812
Gain on sale of securities - net		99,886	39,099	17,433	-
Other income		3,685	3,429	762	1,068
Total other income		559,302	421,277	165,552	160,281
		2,189,807	1,338,703	660,608	339,002
<b>Other expenses</b>					
Administrative expenses		1,935,309	1,618,611	636,982	555,269
Other provisions / write offs		16,531	109,828	2,203	2,640
(Other recoveries) / other charges	13	(3,495)	3,247	-	-
Total other expenses		1,948,345	1,731,686	639,185	557,909
		241,462	(392,983)	21,423	(218,907)
Extra ordinary / unusual items		-	-	-	-
<b>Profit / (loss) before taxation</b>		<b>241,462</b>	<b>(392,983)</b>	<b>21,423</b>	<b>(218,907)</b>
Taxation - Current		(55,419)	(49,655)	(20,366)	(16,963)
- Prior years		-	-	-	-
- Deferred		(22,841)	155,567	11,596	69,347
		(78,260)	105,912	(8,770)	52,384
<b>Profit / (loss) after taxation</b>		<b>163,202</b>	<b>(287,071)</b>	<b>12,653</b>	<b>(166,523)</b>
<b>Basic / diluted earning / (loss) per share (Rupee)</b>		<b>0.18</b>	<b>(0.32)</b>	<b>0.01</b>	<b>(0.19)</b>

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

  
Chief Executive Officer

  
Director

  
Director

  
Director

**ALBARAKA BANK (PAKISTAN) LIMITED**  
**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)**  
**FOR THE PERIOD AND QUARTER ENDED 30 SEPTEMBER 2014**

	Nine months ended		Quarter ended	
	30 September 2014	30 September 2013	30 September 2014	30 September 2013
	----- (Rupees '000) -----			
Profit / (loss) for the period - after taxation	163,202	(287,071)	12,653	(166,523)
Other comprehensive income	-	-	-	-
<b>Total comprehensive income / (loss) for the period</b>	<b>163,202</b>	<b>(287,071)</b>	<b>12,653</b>	<b>(166,523)</b>

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

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 Chief Executive Officer

  
 Director

  
 Director

  
 Director



**ALBARAKA BANK (PAKISTAN) LIMITED**  
**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2014**


	30 September 2014	30 September 2013
Note	----- (Rupees '000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit / (loss) before taxation	241,462	(392,983)
<b>Adjustments for non-cash and other items:</b>		
Depreciation	94,818	80,149
Depreciation on ijarah assets held under IFAS 2	468,038	666,312
Amortisation	70,079	67,020
(Reversal of provision) / provision against non-performing islamic financing and related assets - net	(29,268)	443,522
Provision for diminution in the value of investments	64,922	50,505
Other provisions / write offs	16,531	109,828
Gain on sale of operating fixed assets	(2,670)	(3,249)
	<u>682,450</u>	<u>1,414,087</u>
	923,912	1,021,104
<b>Increase in operating assets</b>		
Due from financial institutions	(4,105,268)	(1,600,000)
Islamic financing and related assets	336,222	(3,836,193)
Others assets	(859,244)	(190,940)
	(4,628,290)	(5,627,133)
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	126,915	92,355
Due to financial institutions	(1,540,145)	(939,992)
Deposits and other accounts	642,219	9,825,984
Other liabilities	130,869	213,771
	(640,142)	9,192,118
Income tax paid	(32,252)	(50,204)
<b>Net cash (outflow) / inflow from operating activities</b>	(4,376,772)	4,535,885
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net disposals / redemptions of investments	(4,088,553)	(3,127,165)
Net investments in operating fixed assets	(95,552)	(371,656)
Proceeds from disposal of operating fixed assets	3,113	2,030
<b>Net cash outflow from investing activities</b>	(4,180,992)	(3,496,791)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of sukuk	2,000,000	-
<b>Net (decrease) / increase in cash and cash equivalents</b>	(6,557,764)	1,039,094
Cash and cash equivalents at beginning of the period	22,292,784	10,933,858
Effects of exchange difference on translation of sub-ordinated loans	10.1 (29,596)	-
<b>Cash and cash equivalents at end of the period</b>	<u>15,705,424</u>	<u>11,972,952</u>

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

  
Chief Executive Officer

  
Director

  
Director

  
Director

**ALBARAKA BANK (PAKISTAN) LIMITED**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)**  
**FOR THE PERIOD AND QUARTER ENDED 30 SEPTEMBER 2014**

	Issued, subscribed and paid-up share capital	Discount on issuance of shares	Statutory Reserve *	Accumulated loss	Total
	----- (Rupees in '000) -----				
<b>Balance as at 01 January 2013 - Restated</b>	8,935,200	(767,290)	82,074	(2,368,938)	5,881,046
Loss for the period	-	-	-	(287,071)	(287,071)
Other comprehensive loss	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(287,071)	(287,071)
Transfer to statutory reserves	-	-	-	-	-
<b>Balance as at 30 September 2013</b>	8,935,200	(767,290)	82,074	(2,656,009)	5,593,975
Profit for the period	-	-	-	245,840	245,840
Other comprehensive loss	-	-	-	(9,055)	(9,055)
Total comprehensive income for the period	-	-	-	236,785	236,785
Transfer to statutory reserves	-	-	-	-	-
<b>Balance as at 31 December 2013</b>	8,935,200	(767,290)	82,074	(2,419,224)	5,830,760
Profit for the period	-	-	-	163,202	163,202
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	163,202	163,202
Transfer to statutory reserves	-	-	32,640	(32,640)	-
<b>Balance as at 30 September 2014</b>	<u>8,935,200</u>	<u>(767,290)</u>	<u>114,714</u>	<u>(2,288,662)</u>	<u>5,993,962</u>

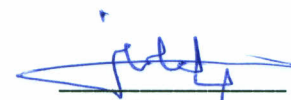
\* This represents reserve created under section 21(1)(a) of the Banking Companies Ordinance, 1962.

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

  
Chief Executive Officer

  
Director

  
Director

  
Director



**ALBARAKA BANK (PAKISTAN) LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE PERIOD AND QUARTER ENDED 30 SEPTEMBER 2014**

**1. LEGAL STATUS AND NATURE OF BUSINESS**

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

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

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

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

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

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

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

- i) The Bank is required to maintain a minimum paid up capital (net of losses) (MCR) of at least Rs. 6 billion at all times and will have to meet the full MCR of Rs 10 billion by 31 December 2016.
- ii) As a short term arrangement, the Bank has been allowed to raise a foreign currency sub-ordinated debt of Rs. 1,128.975 million (USD 11 million) from its major sponsor (AlBaraka). The said sub-ordinated loan has been deposited as non-remunerative deposit with SBP.
- iii) The above foreign currency deposit with the SBP shall be increased to Rs. 2.1 billion by 31 December 2014 and Rs. 2.8 billion by 31 December 2015.
- iv) The foreign currency sub-ordinated loan will not be withdrawn unless the Bank achieves full compliance with MCR. However any withdrawal will be subject to prior approval of the SBP. In the event the Bank is not MCR compliant by 31 December 2016, the sub-ordinated loan will be converted into the paid up capital of the Bank.
- v) For regulatory purposes, the foreign currency sub-ordinated loan 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% at MCR level of Rs. 6 billion which may be reduced depending on the level of increase in the MCR.

The Bank's present MCR as at 30 September 2014 requires the maintenance of CAR of 15% as per the approved capital plan. To meet the enhanced CAR requirements, the Bank has issued Tier II Shariah Compliant sukuk worth of Rs. 2 billion which has enabled the Bank to meet prescribed CAR.

## **2. STATEMENT OF COMPLIANCE**

- 2.1** These condensed interim financial statements 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 the 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 information required for annual financial statements. Accordingly, these condensed interim financial statements should be read in conjunction with the annual financial statements of the Bank for the year ended 31 December 2013.

## **3 BASIS OF MEASUREMENT**

These condensed interim financial statements have been prepared under the historical cost convention except that certain investments, foreign currency balances and commitments in respect of certain foreign exchange contracts have been marked to market and carried at fair value in accordance with the requirements of the SBP.

### **3.1 Functional and presentation currency**

These condensed interim financial information has been presented in Pakistan Rupee, 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:

### **New and amended standards**

The Bank has adopted the following standard, amendments and interpretation of IFRSs which became effective during the period:

#### **Standard, Interpretation or amendment**

IAS 32 – Offsetting Financial Assets and Financial liabilities – (Amendment)  
IAS 36 – Recoverable Amount for Non-Financial Assets – (Amendment)  
IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine  
IFRIC 21 – Levies  
IFAS 3 - Profit and loss sharing on Deposits

The adoption of the above standard, amendment and interpretation 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 judgments 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 2013.



**6. INVESTMENTS**

	30 September 2014 (Un-Audited)			31 December 2013 (Audited)		
	Held by the Bank	Given as Collateral	Total	Held by the Bank	Given as Collateral	Total
<b>Note</b>	Rupees in '000					
<b>Available for sale securities</b>						
Sukuk certificates	26,189,497	-	26,189,497	22,264,509	-	22,264,509
Ordinary shares of listed companies	192,333	-	192,333	28,768	-	28,768
Ordinary shares of unlisted company Takaful Pakistan Limited (a related party)	52,200	-	52,200	52,200	-	52,200
<b>Investments at cost</b>	<b>26,434,030</b>	<b>-</b>	<b>26,434,030</b>	<b>22,345,477</b>	<b>-</b>	<b>22,345,477</b>
Less: Provisions for diminution in the value of investments	6.1 (275,256)	-	(275,256)	(210,334)	-	(210,334)
<b>Investments (net of provisions)</b>	<b>26,158,774</b>	<b>-</b>	<b>26,158,774</b>	<b>22,135,143</b>	<b>-</b>	<b>22,135,143</b>
Surplus on revaluation of 'available for sale' securities	8,361	-	8,361	26,820	-	26,820
<b>Total investments at market value</b>	<b>26,167,135</b>	<b>-</b>	<b>26,167,135</b>	<b>22,161,963</b>	<b>-</b>	<b>22,161,963</b>

**6.1 Particulars of provisions for diminution in the value of investments:**

	<b>Note</b>	<b>30 September 2014 (Un-Audited)</b>	<b>31 December 2013 (Audited)</b>
		(Rupees '000)	(Rupees '000)
Opening balance		210,334	106,344
Charged during the period / year	6.2	66,311	119,436
Reversal during the period / year		(1,389)	(15,446)
		64,922	103,990
Closing balance		275,256	210,334

**6.2** The mark to market impairment loss on this investment as of 30 September 2014 amounts to Rs. 21.978 (2013 : Rs. 18.354) million. However, SBP vide its letters BPRD/BRD-(Policy)/2014-11546 dated 27 June 2014 read with letter no. BPRD/BRD-(Policy)/2013-11339 dated 25 July 2013 has allowed relaxation from recognition of full impairment loss to recognize the same in a phased manner by 31 December 2015. As per such relaxation, the Bank is required to book atleast 70% of impairment loss as of 30 September 2014 which amounts to Rs. 15.385 (2013 : Rs.9.177 ) million and the same has been booked in these condensed interim financial statements.

**7. ISLAMIC FINANCING AND RELATED ASSETS**

In Pakistan

**Islamic financing and related assets**

	<b>Note</b>	<b>30 September 2014 (Un-Audited)</b>	<b>31 December 2013 (Audited)</b>
- Murabaha finance		15,821,660	18,195,145
- Advance against murabaha finance		1,469,402	967,990
- Export refinance under Islamic scheme		1,242,201	2,455,955
- Advance against export refinance under Islamic scheme		113,250	17,555
- Ijarah assets under IFAS 2	7.1	3,423,773	2,881,097
- Net investment in ijarah		118,926	129,091
- Advance against ijarah		286,474	303,652
- Service Ijarah		764,706	394,608
- Diminishing musharaka financing	7.1	9,739,626	7,136,647
- Tijara financing		10,000	-
- Over due acceptances		430,884	562,235
- Salam financing		32,024	180,826
- Advance against salam		2,567,906	4,349,501
- Salam inventory		270,000	-
- Istasna finance		266,215	374,405
- Istasna advance		1,827,084	1,414,360
- Istasna inventory		468,710	-
- Financing against bills		125,377	428,963
- Qarz-e-Hasna to staff		28,599	22,432
- Rahnuma travel services		136	-
<b>Islamic financing and related assets - gross</b>		<b>39,006,953</b>	<b>39,814,462</b>
Provisions for non-performing financing - specific	7.3	2,746,586	2,778,875
Provisions for non-performing financing - general	7.3	14,715	14,943
		2,761,301	2,793,818
<b>Islamic financing and related assets - net of provisions</b>		<b>36,245,652</b>	<b>37,020,644</b>

**7.1** These include staff ijarah and musharaka financing amounting to Rs. 38.266 (2013 : Rs. 49.865) million and Rs. 508.668 (2013 : Rs. 394.041) million respectively.

- 7.2 Islamic financing and related assets include Rs. 4,446.696 (2013: Rs 5,248.051) million which have been placed under non-performing status as detailed below:

Category of classifications	30 September 2014 (Un-Audited)				
	Domestic	Overseas	Total	Provision required	Provision held
	Rupees in '000				
Other assets especially mentioned	32,952	-	32,952	-	-
Substandard	330,431	-	330,431	77,176	77,176
Doubtful	194,896	-	194,896	61,836	61,836
Loss	3,888,416	-	3,888,416	2,607,574	2,607,574
	<u>4,446,695</u>	<u>-</u>	<u>4,446,695</u>	<u>2,746,586</u>	<u>2,746,586</u>

Category of classifications	31 December 2013 (Audited)				
	Domestic	Overseas	Total	Provision required	Provision held
	Rupees in '000				
Other assets especially mentioned	-	-	-	-	-
Substandard	570,385	-	570,385	91,467	91,467
Doubtful	251,312	-	251,312	70,992	70,992
Loss	4,426,354	-	4,426,354	2,616,416	2,616,416
	<u>5,248,051</u>	<u>-</u>	<u>5,248,051</u>	<u>2,778,875</u>	<u>2,778,875</u>

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

	30 September 2014 (Un-Audited)			31 December 2013 (Audited)		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	2,778,875	14,943	2,793,818	2,714,908	11,767	2,726,675
Charge for the period / year	518,855	-	518,855	713,160	3,176	716,336
Reversals for the period / year	(547,895)	(228)	(548,123)	(649,193)	-	(649,193)
	(29,040)	(228)	(29,268)	63,967	3,176	67,143
Written off during the period / year	(3,249)	-	(3,249)	-	-	-
Closing balance	<u>2,746,586</u>	<u>14,715</u>	<u>2,761,301</u>	<u>2,778,875</u>	<u>14,943</u>	<u>2,793,818</u>

- 7.4 The above provision against non-performing islamic financing has been computed after considering the benefit of forced sale value (FSV) of collateral amounting to Rs. 1,304.604 (2013: Rs. 2,167.125) million. The FSV benefit recognized is not allowed for distribution of cash or stock dividend to shareholders.
- 7.5 The Bank maintains general reserve (provisions) in accordance with the applicable requirements of prudential regulations for consumer, small and medium enterprise islamic financing.
- 7.6 SBP vide its letter BPRD/BLRD-3/DMG/2011-1035 dated 26 January 2011 has allowed the relaxation from provisioning requirement against certain credit exposures having a provisioning impact of Rs. 40.581 (2013 :Rs. 40.581 ) million.
- 7.7 SBP vide its letter OSED/SEU-10/002(01)/18271/2014 dated 26 September 2014 has allowed time bound relaxation to book additional provisions amounting to Rs. 212.79 million against certain exposures on a quarterly basis till 30 June 2015. In line with such relaxation, the Bank has partially booked provision of Rs. 70.93 million in these condensed interim financial statements.

	Note	30 September 2014	31 December 2013
		(Un-Audited)	(Audited)
		Rupees '000	
<b>8. OPERATING FIXED ASSETS</b>			
<b>Tangible assets</b>			
Property and equipments		1,411,987	1,453,553
<b>Intangible assets</b>		859,941	915,126
<b>Capital work-in-progress</b>	8.1	<u>384,037</u>	<u>357,074</u>
		<u>2,655,965</u>	<u>2,725,753</u>
<b>8.1. Capital work-in-progress</b>			
Advances to suppliers and contractors	8.1.1	384,037	357,074
Advance for purchase of property		251,680	251,680
Provisions for impairment against advance for purchase of property		(251,680)	(251,680)
		-	-
		<u>384,037</u>	<u>357,074</u>

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



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	30 September 2014	31 December 2013
Note	------(Rupees '000)----- (Un-Audited)	----- (Audited)
<b>9. DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>		
Fixed deposits	25,961,547	26,364,509
Savings deposits	27,030,230	25,092,485
Current accounts - non-remunerative	11,536,122	12,241,316
Margin deposits	863,728	558,019
	<b>65,391,627</b>	<b>64,256,329</b>
<b>Financial Institutions</b>		
Remunerative deposits	10,832,425	11,347,303
Non-remunerative deposits	65,264	43,465
	<b>10,897,689</b>	<b>11,390,768</b>
	<b>76,289,316</b>	<b>75,647,097</b>
<b>10. SUB-ORDINATED LOANS</b>		
Foreign currency loans	10.1 1,128,975	1,158,571
Privately placed sukuk	10.2 2,000,000	-
	<b>3,128,975</b>	<b>1,158,571</b>
<b>10.1.</b> During the year 2013, the Bank has entered into a sub-ordinated loan agreement with AlBaraka Islamic Bank BSC (the major sponsor). In terms of the said agreement, a sub-ordinated loan of Rs. 1,128.975 million (USD 11 million) has been provided to the Bank. No return will be payable on the loan and the loan stands sub-ordinated to all other creditors, depositors and third party obligations of the Bank. The loan is intended to bridge the regulatory capital shortfall of the Bank and will only be repaid if and when the Bank is compliant with the MCR requirements. In the event the Bank is not MCR compliant by 31 December 2016, the loan will be converted into the paid up capital of the Bank. As per the terms of the agreement, the proceeds of the loan shall be placed by the Bank in an profit free deposit account maintained by the Bank with the SBP in US Dollars.		
<b>10.2.</b> During the period, the Bank has issued unsecured, sub-ordinated and privately placed sukuk amounting to Rs 2,000 million. The issuance of sukuk is intended to comply with regulatory requirements related to CAR as stated in note 1.2 to these condensed interim financial statements. The tenor of the sukuk is seven years maturing in 2021. The principal repayment, starting after six months of the drawdown date, would be made semi-annually on a straight line basis.		
<b>11. CONTINGENCIES AND COMMITMENTS</b>		
<b>11.1 Transaction-related contingent liabilities</b>		
Includes performance bonds, bid bonds, shipping guarantees favouring:		
i) Government	5,203,154	4,442,566
ii) Others	530,711	1,079,237
	<b>5,733,865</b>	<b>5,521,803</b>
<b>11.2 Trade-related contingent liabilities</b>		
Letters of credit	3,838,334	5,007,432
Others - Shipping Guarantees	279,372	138,360
Acceptances	1,804,104	1,198,246

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	30 September 2014	31 December 2013
	------(Rupees '000)----- (Un-Audited)	------(Rupees '000)----- (Audited)
<b>11.3 Commitments in respect of forward exchange contracts</b>		
Purchase	<u>2,084,582</u>	<u>2,320,863</u>
Sale	<u>2,846,608</u>	<u>2,781,334</u>
<b>11.4 Commitments to incur capital expenditure</b>	<u>13,325</u>	<u>40,161</u>

**11.5 Other Contingencies**

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

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

**11.5.2** The Bank has received various assessment orders from Deputy Commissioner Inland Revenue (DCIR) stating that the Bank has short paid Federal Excise Duty (FED) on specific income of the Bank for the years 2009 to 2012 amounting to Rs. 121.16 million. However, ATIR has set aside the orders related to years 2009 to 2011 for fresh adjudication and the said matter is pending decision for further proceedings. For year 2012, the Bank has filed the appeal before Commissioner (Appeals) against the order of assessing officer. However, the hearing of appeal is pending. The Bank after necessary consultation with its tax advisor is confident that the aforementioned matters will be decided in its favor and hence, no provision has been made in these condensed interim financial statements against any liability which may arise in this respect.

**11.5.3** During the year 2010, certain suits have been filed by Mr. Faisal Vawda in the Honorable High Court of Sindh against the Bank wherein Mr. Vawda has claimed that he was offered 24 million ordinary shares of the Bank at an aggregate value of Rs. 300 million as sale consideration against the commercial property sold to the Bank. He further claimed that in addition to the said property, he has also paid Rs. 60 million towards the purchase consideration for the above referred shares. However, the said shares or any other consideration against the property has not been received by him. Based on the above, Mr. Vawda has alleged the Bank of involvement in illegal business. The Bank contends that the aforesaid allegations of Mr. Vawda are baseless and without any merit and that the subject property has been duly purchased and paid for by the Bank. Further, in the opinion of legal advisor of the Bank, the Bank is likely to successfully contest the aforementioned proceedings and accordingly is not likely to be exposed to the abovementioned claims being prayed against the Bank.

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

	30 September 2014	31 December 2013
	------(Rupees '000)----- (Un-Audited)	------(Rupees '000)----- (Audited)
Claim not acknowledged as debt	<u>30,000</u>	<u>30,000</u>



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	Nine months ended		Quarter ended	
	30 September 2014	30 September 2013	30 September 2014	30 September 2013
	------(Rupees '000)-----			
	------(Un-Audited)-----			
<b>12. PROFIT / RETURN EARNED ON ISLAMIC FINANCING AND RELATED ASSETS, INVESTMENTS AND PLACEMENTS</b>				
On islamic financing and related assets	2,961,666	2,374,598	1,080,144	755,302
On investments	1,362,587	1,770,049	556,053	591,278
On deposits with banks	508,933	332,627	111,073	160,697
On due from financial institutions	58,924	66,973	33,326	28,722
	<u>4,892,110</u>	<u>4,544,247</u>	<u>1,780,596</u>	<u>1,535,999</u>

**13. (OTHER RECOVERIES) / OTHER CHARGES**

SBP penalties (recovered) / imposed	<u>(3,495)</u>	<u>3,247</u>	<u>-</u>	<u>-</u>
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**14. RELATED PARTY TRANSACTIONS**

**14.1** Related parties comprise of key management personnel, shareholders of the Bank and staff retirement funds.

Details of transactions with related parties and balances as at the period / year end are as follows:

	30 September 2014	31 December 2013
	------(Rupees '000)-----	
	(Un-Audited)	(Audited)
<b>Key management personnel</b>		
<b>Islamic financing and related assets</b>		
At beginning of the period / year	116,663	77,319
Additions during the period / year	28,531	70,182
Deletions during the period / year	(21,140)	(30,838)
At end of the period / year	124,054	116,663
<b>Deposits</b>		
At beginning of the period / year	171,731	142,535
Additions during the period / year	429,857	376,945
Deletions during the period / year	(517,447)	(347,749)
At end of the period / year	84,141	171,731
<b>Other Balances</b>		
Return payable on deposit	574	568
Profit receivable on islamic financing and related assets	495	84

	Nine months ended		Quarter ended	
	30 September 2014	30 September 2013	30 September 2014	30 September 2013
	-----Rupees in '000-----			
	------(Un-Audited)-----			
<b>Transactions, income and expenses</b>				
Profit earned on islamic financing and related assets	3,587	2,912	1,821	992
Return on deposits expenses	7,119	8,845	1,917	1,994
Salaries, allowances and benefits	136,109	118,940	42,250	32,089

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	30 September 2014	31 December 2013
	----- (Rupees '000) -----	
	(Un-Audited)	(Audited)
<b>Major Sponsor</b>		
Unremitted expenses	95,704	95,704
Sub-ordinated loans	1,128,975	1,158,571

**Shareholders, entities having directors in common with the Bank  
and retirement benefit plan of the Bank**

**Deposits**

At beginning of the period / year	718,217	541,574
Additions during the period / year	391,382	938,113
Deletions during the period / year	(567,520)	(761,470)
At end of the period / year	542,079	718,217

**Other balances**

Return payable on deposits	3,408	4,579
Investments	52,200	52,200
Provision for diminution in the value of investment	24,484	25,088
Non funded exposure	35,359	281,120

**Payable to shareholders**

2,098      2,098

**Retirement benefit plan**

Receivable in respect of defined benefit plan	6,950	6,950
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Nine months ended		Quarter ended	
30 September 2014	30 September 2013	30 September 2014	30 September 2013
----- Rupees in '000 -----			
----- (Un-Audited) -----			

**Transactions, income and expenses**

Return on deposits expenses	40,600	29,921	10,625	11,656
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**Retirement benefit plan**

Contribution to defined contribution plan	31,063	29,169	10,384	9,780
Contribution to defined benefit plan	34,800	26,723	11,491	8,979

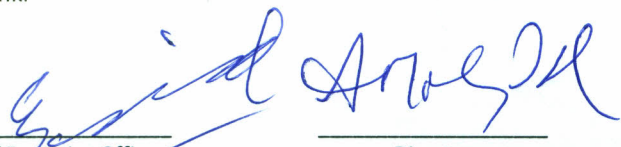



**15. GENERAL**

15.1 Corresponding figures have been re-arranged and reclassified, wherever necessary, to facilitate comparisons. No significant reclassifications were made during the current period.

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

**16. DATE OF AUTHORISATION**

These condensed interim financial statements were authorized for issue on 29 October 2014 by the Board of Directors of the Bank.

 Chief Executive Officer	 Director	 Director	 Director
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