



ALBARAKA BANK (PAKISTAN) LIMITED
FINANCIAL STATEMENTS

For the period ended 30 September 2015

ALBARAKA BANK (PAKISTAN) LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2015

		30 September 2015	31 December 2014
	Note	------(Rupees '000)----- (Un-Audited)	----- (Audited)
ASSETS			
Cash and balances with treasury banks		8,897,950	6,465,268
Balances with other banks		4,354,657	3,741,342
Due from financial institutions		7,768,870	10,005,950
Investments	6	19,221,764	19,560,668
Islamic financing and related assets	7	44,585,974	47,022,578
Operating fixed assets	8	2,705,406	2,667,194
Deferred tax assets		1,409,392	1,541,433
Other assets		3,915,962	3,344,347
		92,859,975	94,348,780
LIABILITIES			
Bills payable		884,370	679,810
Due to financial institutions		4,211,086	2,211,568
Deposits and other accounts	9	75,535,887	80,222,579
Sub-ordinated loans	10	3,752,262	3,105,314
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities		2,253,154	2,228,199
		86,636,759	88,447,470
NET ASSETS		6,223,216	5,901,310
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		150,252	111,259
Accumulated loss		(2,168,011)	(2,323,983)
		6,245,855	6,050,890
Deficit on revaluation of investments - net of tax		(22,639)	(149,580)
		6,223,216	5,901,310

CONTINGENCIES AND COMMITMENTS

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The annexed notes from 1 to 15 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 2015

	Note	Nine months ended		Quarter ended	
		30 September 2015	30 September 2014	30 September 2015	30 September 2014
----- (Rupees '000) -----					
Profit / return earned on Islamic financing and related assets, investments and placements	12	4,898,410	4,892,110	1,443,521	1,780,596
Return on deposits and other dues expensed		(3,004,355)	(3,225,951)	(819,011)	(1,201,309)
Net spread earned		1,894,055	1,666,159	624,510	579,287
(Provision) / reversal against non-performing Islamic financing and related assets	7.2	(127,741)	29,268	58,403	(22,966)
Reversal / (provision) for diminution in the value of investments	6.1	229,358	(64,922)	4,072	(61,265)
		101,617	(35,654)	62,475	(84,231)
Net spread after provisions		1,995,672	1,630,505	686,985	495,056
Other income					
Fee, commission and brokerage income		309,269	293,921	112,419	99,415
Dividend income		17,061	4,247	8,332	3,707
Income from dealing in foreign currencies		100,872	157,563	34,464	44,235
Gain / (loss) on sale of securities - net		44,566	99,886	(1,435)	17,433
Unrealized gain on revaluation of investments classified as held-for-trading		3,434	-	-	-
Other income		3,615	3,685	1,745	762
Total other income		478,817	559,302	155,525	165,552
		2,474,489	2,189,807	842,510	660,608
Other expenses					
Administrative expenses		(2,138,909)	(1,935,309)	(733,085)	(636,982)
Other provisions / write off		(4,407)	(16,531)	-	(2,203)
(Other charges) / other recoveries		(290)	3,495	-	-
Total other expenses		(2,143,606)	(1,948,345)	(733,085)	(639,185)
		330,883	241,462	109,425	21,423
Extra ordinary / unusual items		-	-	-	-
Profit before taxation		330,883	241,462	109,425	21,423
Taxation - Current / prior year		(72,233)	(55,419)	(15,990)	(20,366)
- Deferred		(63,685)	(22,841)	(23,698)	11,596
		(135,918)	(78,260)	(39,688)	(8,770)
Profit after taxation		194,965	163,202	69,737	12,653
----- Rupee -----					
Basic / diluted earning per share		0.22	0.18	0.08	0.01

The annexed notes from 1 to 15 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 2015

	Nine months ended		Quarter ended	
	30 September 2015	30 September 2014	30 September 2015	30 September 2014
	------(Rupees '000)-----			
Profit after taxation	194,965	163,202	69,737	12,653
Other comprehensive income	-	-	-	-
Total comprehensive income	194,965	163,202	69,737	12,653

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.

The annexed notes from 1 to 15 form an integral part of these condensed interim financial statements.



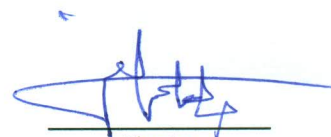
 Chief Executive Officer



 Director



 Director



 Director

ALBARAKA BANK (PAKISTAN) LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE PERIOD ENDED 30 SEPTEMBER 2015

	30 September 2015	30 September 2014
Note	----- (Rupees '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	330,883	241,462
Dividend income	(17,061)	(4,247)
	313,822	237,215
Adjustments for non-cash and other items:		
Depreciation	104,366	94,818
Depreciation on Ijarah assets held under IFAS 2	840,412	765,298
Amortisation	73,138	70,079
Unrealized gain on revaluation of investments classified as held-for-trading	(3,434)	-
Provision / (reversal) against non-performing Islamic financing and related assets	127,741	(29,268)
(Reversal) / provision for diminution in the value of investments	(229,358)	64,922
Other provisions / write offs	4,407	16,531
Loss / (gain) on sale of operating fixed assets	1	(2,670)
	917,273	979,710
	1,231,095	1,216,925
(Increase) / decrease in operating assets		
Due from financial institutions	2,237,080	(4,105,268)
Held-for-trading securities	2,008,662	-
Islamic financing and related assets	1,468,451	38,962
Other assets	(593,684)	(856,174)
	5,120,509	(4,922,480)
Increase / (decrease) in operating liabilities		
Bills payable	204,560	126,915
Due to financial institutions	1,999,518	(1,540,145)
Deposits and other accounts	(4,686,692)	642,219
Other liabilities	24,955	130,869
	(2,457,659)	(640,142)
Income tax paid	(46,462)	(32,252)
Net cash inflow / (outflow) from operating activities	3,847,483	(4,377,949)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale investments	(1,241,671)	(4,088,553)
Net investments in operating fixed assets	(217,252)	(95,552)
Dividend received	8,954	1,177
Proceeds from disposal of operating fixed assets	1,535	3,113
Net cash used in investing activities	(1,448,434)	(4,179,815)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipt of sub-ordinated loan	888,349	-
(Repayment) / issuance of Tier II Modaraba sukuk	(285,716)	2,000,000
Net cash flow from financing activities	602,633	2,000,000
Effect of exchange difference on translation of sub-ordinated loan	44,315	(29,596)
Net increase / (decrease) in cash and cash equivalents	3,045,997	(6,587,360)
Cash and cash equivalents at beginning of the period	10,206,610	22,292,784
Cash and cash equivalents at end of the period	13,252,607	15,705,424

The annexed notes from 1 to 15 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 ENDED 30 SEPTEMBER 2015

	Issued, subscribed and paid- up share capital	Advance against issuance of shares	Discount on issuance of shares	Statutory Reserve *	Accumulated loss	Total
	----- (Rupees in '000) -----					
Balance as at 01 January 2014	8,935,200	-	(767,290)	82,074	(2,419,224)	5,830,760
Profit after taxation for the period	-	-	-	-	163,202	163,202
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	163,202	163,202
Transfer to statutory reserves	-	-	-	32,640	(32,640)	-
Balance as at 30 September 2014	8,935,200	-	(767,290)	114,714	(2,288,662)	5,993,962
Advance against issuance of shares	-	95,704	-	-	-	95,704
Loss after taxation for the period	-	-	-	-	(17,279)	(17,279)
Other comprehensive loss for the period	-	-	-	-	(21,497)	(21,497)
Total comprehensive income for the period	-	-	-	-	(38,776)	(38,776)
Transfer (from) / to statutory reserves	-	-	-	(3,455)	3,455	-
Balance as at 31 December 2014	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

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

The annexed notes from 1 to 15 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 ENDED 30 SEPTEMBER 2015

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) {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 135 branches including 14 sub-branches (31 December 2014: 130 branches including 10 sub-branches) in Pakistan.

Based on the financial statements of the Bank for the year ended 31 December 2014, Pakistan Credit Rating Agency Limited (PACRA) has maintained the Bank's long-term rating at "A" and short term rating as 'A1' with a positive outlook. JCR-VIS, has also maintained long-term and short-term ratings of "A" and 'A1' respectively and enhanced the Bank's outlook from stable to positive.

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

To meet the regulatory requirements, AlBaraka Islamic Bank B.S.C. (c) (the major sponsor) has injected additional Rs.888.349 (USD 8.5) million during the year 2015. This is in addition to Rs.1,119.566 (USD 11) million injected in December 2013. Subsequent to the receipt of Rs.888.349 (USD 8.5) million, the Bank's capital for regulatory purposes amounts to Rs. 8,134 million. At current MCR of Rs 8,134 million, the Bank is required to maintain the CAR of 14%. As at 30 September 2015, the Bank's CAR is 15.93% (Un-Audited) and is in compliance with the aforementioned regulatory requirements.

2. STATEMENT OF COMPLIANCE

- 2.1** These condensed interim financial statements of the Bank for the period ended 30 September 2015 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 2014.

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. SIGNIFICANT ACCOUNTING POLICIES AND RISK MANAGEMENT

- 4.1** 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 current period:

Standard, Interpretation or amendment

IFRS 10 - Consolidated Financial Statements

IFRS 11 - Joint Arrangements

IFRS 12 - Disclosure of Interests in Other Entities

IFRS 13 - Fair Value Measurement

IAS 19 - Employee Benefits - (Amendment) - Defined Benefit Plans : Employee Contributions

The above standards and amendments did not have any impact on the Bank's condensed interim financial statements for the current period.

In addition to the above standards and amendments, certain improvements to various accounting standards have also been issued by the IASB. Such improvements are effective for the current accounting period but did not have any material impact on the Bank's condensed interim financial statements.

- 4.2** The financial risk management objectives and policies are consistent with those disclosed in the annual audited financial statements of the Bank for the year ended 31 December 2014.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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 2014.

6. INVESTMENTS

Note	30 September 2015 (Un-Audited)			31 December 2014 (Audited)		
	Held by the Bank	Given as Collateral	Total	Held by the Bank	Given as Collateral	Total
	Rupees in '000					
Held-for-trading securities						
Sukuk certificates	-	-	-	2,024,399	-	2,024,399
Available-for-sale securities						
Sukuk certificates	18,828,169	-	18,828,169	17,768,298	-	17,768,298
Ordinary shares of listed companies	421,309	-	421,309	239,509	-	239,509
Ordinary shares of unlisted company Takaful Pakistan Limited	52,200	-	52,200	52,200	-	52,200
	19,301,678	-	19,301,678	18,060,007	-	18,060,007
Investments at cost	19,301,678	-	19,301,678	20,084,406	-	20,084,406
Less: Provisions for diminution in the value of investments	6.1 (45,085)	-	(45,085)	(274,443)	-	(274,443)
Investments (net of provisions)	19,256,593	-	19,256,593	19,809,963	-	19,809,963
Deficit on revaluation of 'available-for-sale' securities	(34,829)	-	(34,829)	(230,124)	-	(230,124)
Deficit on revaluation of held-for-trading securities	-	-	-	(19,171)	-	(19,171)
Total investments at market value	19,221,764	-	19,221,764	19,560,668	-	19,560,668

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

Note	30 September 2015	31 December 2014
	(Un-Audited)	(Audited)
	(Rupees '000)	
Opening balance	274,443	210,334
Charged during the period / year	6.2 2,361	67,724
Reversal during the period / year	(231,719)	(3,615)
	(229,358)	64,109
Closing balance	45,085	274,443

6.2 The mark to market impairment loss on certain investment as of 30 September 2015 amounts to Rs.21.288 (31 December 2014: Rs.22.398) million. However, SBP has allowed the recognition of impairment loss in a phased manner by 31 December 2015. As per such relaxation, the Bank is required to book atleast 90% of impairment loss as of 30 September 2015 which amounts to Rs.19.159 (31 December 2014 : Rs.16.798) million and the same has been booked in these condensed interim financial statements.

7. ISLAMIC FINANCING AND RELATED ASSETS

In Pakistan

	30 September 2015	31 December 2014
Islamic financing and related assets	16,880,671	18,889,191
- Murabaha finance	626,227	1,671,397
- Advance against murabaha finance	-	1,045
- Murabaha inventory	1,052,046	1,940,997
- Export refinance under Islamic scheme	11,950	10,900
- Advance against export refinance under Islamic scheme	4,061,781	3,418,437
- Ijarah assets under IFAS 2	109,218	123,179
- Net investment in Ijarah	332,668	295,954
- Advance against Ijarah	522,059	735,294
- Service Ijarah	13,069,498	11,157,066
- Diminishing musharaka financing	198,637	137,240
- Advance against diminishing musharaka finance	150,000	-
- Running musharaka	399,959	463,630
- Tijara finance	477,223	387,601
- Over due acceptances	54,013	25,903
- Payment against guarantee	14,265	5,642
- Payment against documents	32,525	32,525
- Salam financing	3,891,855	5,617,643
- Advance against salam	242,000	230,000
- Salam inventory	57,154	291,513
- Financing against bills	2,284,099	3,182,871
- Istasna finance	2,327,125	589,048
- Advance against istasna	15,000	-
- Istasna inventory	696,930	625,334
- Staff financing	6,669	1,786
- Advance against staff financing	125	85
- Rahnuma travel services	47,513,697	49,834,281
Islamic financing and related assets - gross		
Provisions for non-performing financing - specific	7.1 (2,902,592)	(2,795,155)
Provisions for non-performing financing - general	7.2 (25,131)	(16,548)
	(2,927,723)	(2,811,703)
Islamic financing and related assets - net of provisions	44,585,974	47,022,578

7.1 Islamic financing and related assets include Rs. 4,653.967 (31 December 2014: Rs.4,176.617) million which have been placed under non-performing status as detailed below:

Category of classifications	30 September 2015 (Un-Audited)				
	Classified financing			Provision required	Provision held
	Domestic	Overseas	Total		
	----- Rupees in '000 -----				
Other assets especially mentioned	13,453	-	13,453	92	92
Substandard	617,655	-	617,655	67,360	67,360
Doubtful	370,237	-	370,237	85,920	85,920
Loss	3,652,622	-	3,652,622	2,749,220	2,749,220
	4,653,967	-	4,653,967	2,902,592	2,902,592

Category of classifications	31 December 2014 (Audited)				
	Classified financing			Provision required	Provision held
	Domestic	Overseas	Total		
	----- Rupees in '000 -----				
Other assets especially mentioned	11,738	-	11,738	-	-
Substandard	376,923	-	376,923	81,142	81,142
Doubtful	47,355	-	47,355	9,658	9,658
Loss	3,740,601	-	3,740,601	2,704,355	2,704,355
	4,176,617	-	4,176,617	2,795,155	2,795,155

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

	30 September 2015 (Un-Audited)			31 December 2014 (Audited)		
	Specific	General	Total	Specific	General	Total
	----- Rupees in '000 -----					
Opening balance	2,795,155	16,548	2,811,703	2,778,875	14,943	2,793,818
Charge for the period / year	447,562	8,583	456,145	723,845	1,605	725,450
Reversals for the period / year	(328,404)	-	(328,404)	(704,315)	-	(704,315)
	119,158	8,583	127,741	19,530	1,605	21,135
Written off during the period / year	(11,721)	-	(11,721)	(3,250)	-	(3,250)
Closing balance	2,902,592	25,131	2,927,723	2,795,155	16,548	2,811,703

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.1,123.17 (31 December 2014: Rs.958.395) million. The total FSV of collateral held against non-performing Islamic financing amounts to Rs.2,126.49 (31 December 2014: Rs.1,219.590) 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 letters BPRD/BLRD-3/DMG/2011-1035 dated 26 January 2011 has allowed relaxation from provisioning requirement against certain credit exposures having a provisioning impact of Rs.40.581 (31 December 2014: Rs.178.036) million.

	Note	30 September 2015	31 December 2014
		----- (Rupees '000) -----	
		(Un-Audited)	(Audited)
8. OPERATING FIXED ASSETS			
Property and equipments		1,598,426	1,463,980
Intangible assets		787,200	838,406
Capital work-in-progress	8.1	319,780	364,808
		2,705,406	2,667,194
8.1. Capital work-in-progress			
Advances to suppliers and contractors	8.1.1	319,780	364,808
Advance for purchase of property		251,680	251,680
Provisions for impairment against advance for purchase of property		(251,680)	(251,680)
		-	-
		319,780	364,808

8.1.1 This includes advance payment amounting to Rs.121.049 (31 December 2014: Rs.121.049) million for implementation of new core banking system of the Bank.

		30 September 2015		31 December 2014
	Note	----- (Rupees '000) -----		
		(Un-Audited)		(Audited)
9. DEPOSITS AND OTHER ACCOUNTS				
Customers				
Fixed deposits		21,037,309		26,186,424
Savings deposits		30,987,945		29,177,743
Current accounts - non-remunerative		13,360,925		13,612,220
Margin deposits		843,605		1,058,207
		66,229,784		70,034,594
Financial Institutions				
Remunerative deposits		9,259,157		10,114,392
Non-remunerative deposits		46,946		73,593
		9,306,103		10,187,985
		75,535,887		80,222,579
10. SUBORDINATED LOANS				
Foreign currency sub-ordinated debt	10.1	2,037,978		1,105,314
Tier II mudarbah sukuk	10.2	1,714,284		2,000,000
		3,752,262		3,105,314
10.1 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, sub-ordinated loans of Rs.1,149.629 (USD 11) million and Rs.888.349 (USD 8.5) million has been provided to the Bank in December 2013 and April 2015 respectively. As per terms of loan agreement, 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 have been placed by the Bank in an profit free deposit account maintained by the Bank with the SBP in US Dollars.				
10.2 During the year 2014, 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. During the period ended 30 September 2015, the Bank has paid the two tranches of principal repayment along with profit to its sukuk holders amounting to Rs.285.716 million and Rs.199.398 million respectively.				
11. CONTINGENCIES AND COMMITMENTS				
11.1 Transaction-related contingent liabilities				
Includes performance bonds, bid bonds, shipping guarantees favouring:				
i) Government		5,151,954		4,785,202
ii) Banking companies and other financial institutions		611		-
ii) Others		260,963		551,823
		5,413,528		5,337,025
11.2 Trade-related contingent liabilities				
Letters of credit		4,741,825		4,440,887
Others - Shipping Guarantees		116,732		252,899
Acceptances		1,264,612		873,157
11.3 Commitments in respect of forward exchange contracts				
Purchase		3,778,845		4,052,452
Sale		2,636,020		3,908,355
		6,495		42,092
11.4 Commitments to incur capital expenditure				

11.5 Other Contingencies

- 11.5.1** The Bank has received the notice in respect of Tax Year 2012 from Additional Commissioner Inland Revenue (ACIR) stating certain disallowances and levy of Workers' Welfare Fund (WWF). Subsequent to receipt of notice, the Bank filed an appeal before Commissioner Inland Revenue (Appeals) (CIR (Appeals)) against the order of ACIR. In this regard, CIR Appeals vide order No. 14/A-1 dated 28 November 2014 has deleted the disallowances made by the ACIR. However, CIR Appeals has maintained the levy of WWF amounting to Rs. 15.050 million. The Bank has filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) against the order of CIR Appeals. The Department has also filed appeal before ATIR against the order of CIR Appeals-I. Based on the legal advise, the management and tax advisor of the Bank is confident that the said proceedings shall be decided in the favor of the Bank. Hence no provisions has been made in these condensed interim financial statements.
- 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. 121.129 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 ATIR against the order of CIR appeals-I. 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** The Bank has filed appeals before 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. 116.531 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.

- 11.5.4** 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 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 for 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 exposed to the abovementioned claims being decreed against the Bank.

According to the Merger Agreement, dated 16 August 2010 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 2015	31 December 2014
	----- (Rupees '000) -----	
	(Un-Audited)	(Audited)
Claim not acknowledged as debt	<u>30,000</u>	<u>30,000</u>

	Nine months ended		Quarter ended	
	30 September 2015	30 September 2014	30 September 2015	30 September 2014
	----- (Rupees '000) -----			
	----- (Un-Audited) -----			

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

On Islamic financing and related assets	3,147,763	2,961,666	922,304	1,080,144
On investments in				
- Available-for-sale securities	1,001,647	1,362,587	270,189	556,053
- Held-for-trading securities	6,211	-	-	-
	1,007,858	1,362,587	270,189	556,053
On deposits with banks	126,366	508,933	49,723	111,073
On due from financial institutions	616,423	58,924	201,305	33,326
	4,898,410	4,892,110	1,443,521	1,780,596

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. The details of balances and transactions with related parties during the period are as follows:

	30 September 2015	31 December 2014
	----- (Rupees '000) -----	
	(Un-Audited)	(Audited)
Key management personnel		
Islamic financing and related assets		
At beginning of the period / year	117,314	116,663
Disbursements / additions during the period / year	34,932	45,724
Repayments / deletions during the period / year	(27,556)	(45,073)
At end of the period / year	124,690	117,314
Deposits		
At beginning of the period / year	108,350	171,731
Deposits / additions during the period / year	348,430	655,454
Withdrawals / deletions during the period / year	(351,954)	(718,835)
At end of the period / year	104,826	108,350
Other Balances		
Return payable on deposit	3,047	197
Profit receivable on Islamic financing and related assets	192	65

	Nine months ended		Quarter ended	
	30 September 2015	30 September 2014	30 September 2015	30 September 2014
	----- Rupees in'000 -----			
	----- (Un-Audited) -----			

Transactions, income

Profit earned on Islamic financing and related assets	3,355	3,587	1,051	1,821
Return on deposits expenses	3,689	7,119	2,800	1,917
Salaries, allowances and benefits	143,490	136,109	44,261	42,250

		30 September 2015	31 December 2014
	Note	------(Rupees '000)----- (Un-Audited)	(Audited)
Parent Bank			
Balances			
Advance against issuance of shares		95,704	95,704
FCY sub-ordinated loan	10.1	2,037,978	1,105,314

Shareholders, directors and staff retirement benefit plans of the Bank

Deposits			
At beginning of the period / year		420,289	718,217
Deposits / additions during the period / year		323,467	612,893
Withdrawals / deletions during the period / year		(262,367)	(910,821)
At end of the period / year		481,389	420,289
Other balances			
Return payable on deposits		2,237	3,713
Investments net of provisions		-	27,943
Non funded exposure		-	43,963
Payable to shareholders		657	657
Staff Retirement benefit plan			
Payable in respect of defined benefit plan		18,281	18,281

Nine months ended		Quarter ended	
30 September 2015	30 September 2014	30 September 2015	30 September 2014
-----Rupees in '000-----			
------(Un-Audited)-----			

Shareholders, directors and staff retirement benefit plans of the Bank

Return on deposits expenses	21,928	40,600	6,344	10,625
Director fee and other allowances	25,827	14,937	8,795	3,569
Retirement benefit plan				
Contribution to defined contribution plan	34,511	31,063	11,883	10,384
Contribution to defined benefit plan	31,478	34,800	10,570	11,491

14. GENERAL

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

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

15. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorized for issue on 4 November 2015 by the Board of Directors of the Bank.


Chief Executive Officer


Director


Director


Director