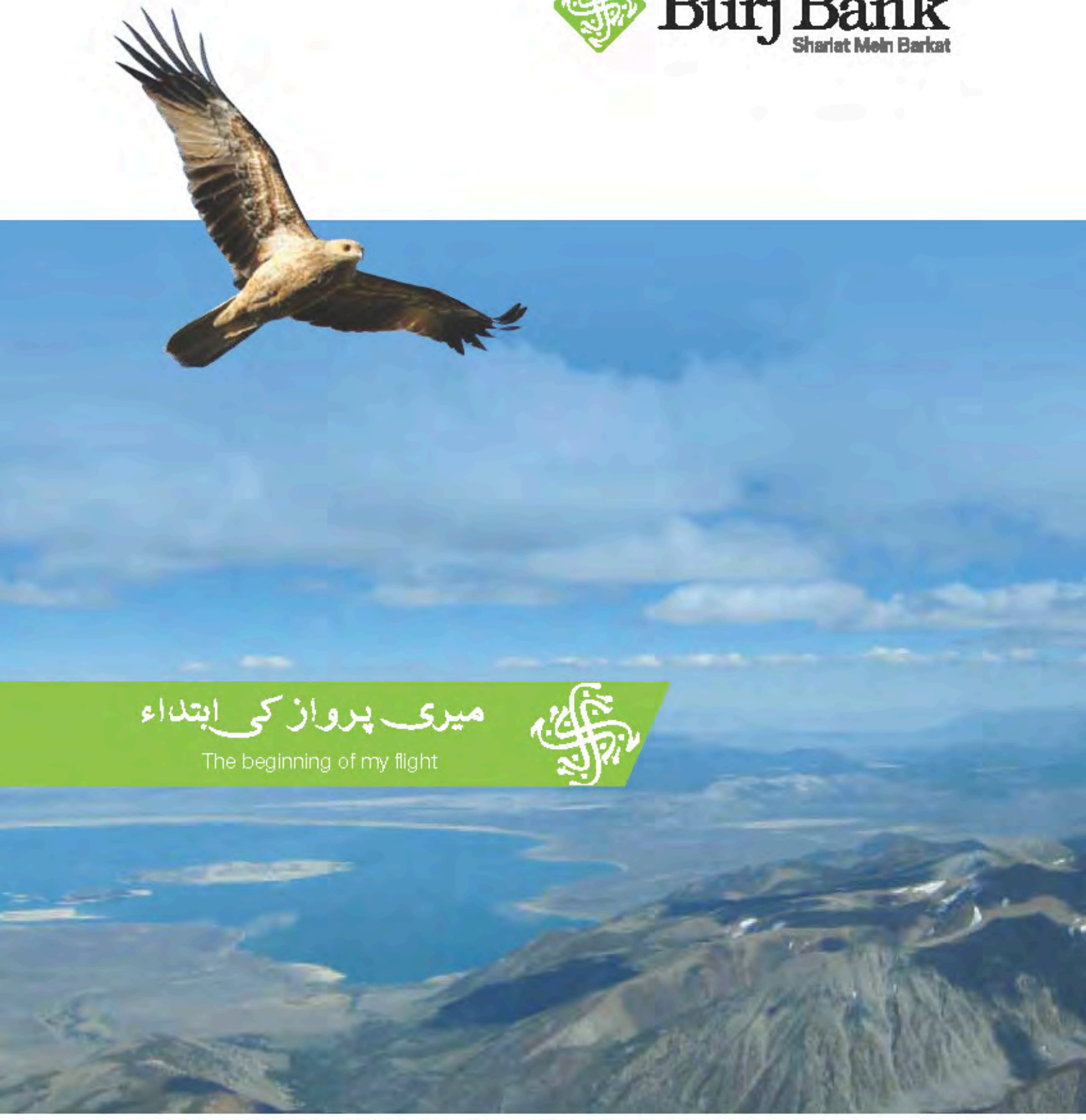
Burj Bank
Shariat Mein Barkat



میری پرواز کی ابتداء

The beginning of my flight

Annual Report 2012

میری پرواز کی ابتداء ہی کتنی بلند ہے

My flight soars high right from the start

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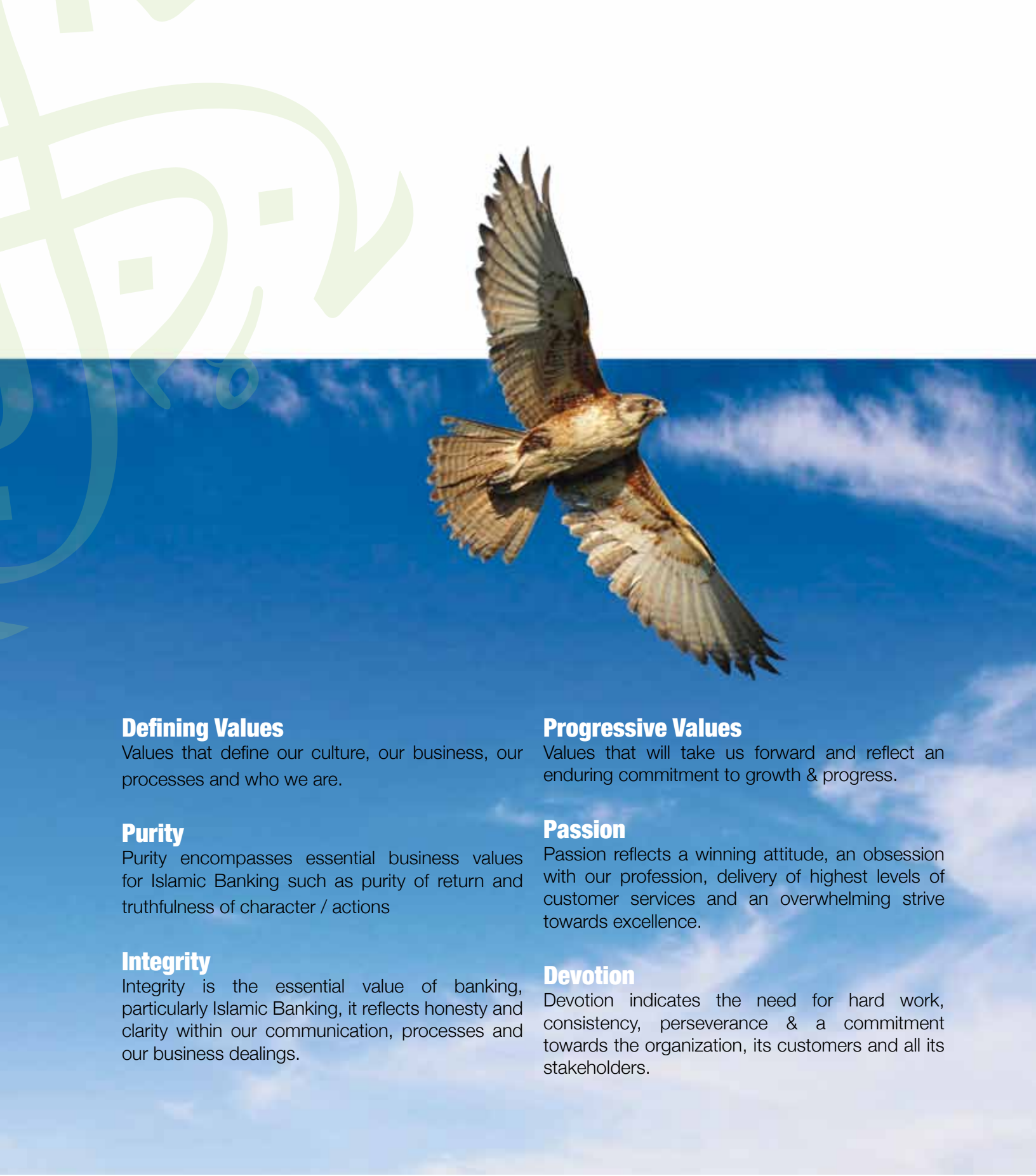
Vision

To be the Islamic Bank of Choice.

Mission

Provide innovative and efficient Islamic Banking solutions to exceed customer expectations and optimize shareholder value.



Defining Values
Values that define our culture, our business, our processes and who we are.

Purity
Purity encompasses essential business values for Islamic Banking such as purity of return and truthfulness of character / actions

Integrity
Integrity is the essential value of banking, particularly Islamic Banking, it reflects honesty and clarity within our communication, processes and our business dealings.

Progressive Values
Values that will take us forward and reflect an enduring commitment to growth & progress.

Passion
Passion reflects a winning attitude, an obsession with our profession, delivery of highest levels of customer services and an overwhelming strive towards excellence.

Devotion
Devotion indicates the need for hard work, consistency, perseverance & a commitment towards the organization, its customers and all its stakeholders.

میری پرواز ایک پیغام ہے
My flight is a Message
BurjBank

Corporate Information

Board of Directors	Mr. Khaled Mohammed Al Aboodi	Chairman
	Mr. Shehab M. Gargash	Vice Chairman / Director
	Mr. Adel Yousef Al Saqabi	Director
	Mr. Azam Essof Kolia	Director
	Mr. Azhar Hamid	Director
	Mr. Fuad Azim Hashimi	Director
	Mr. Najmul Hassan	Director
	Mr. Nicolas Edouard Martin	Director
	Mr. Ahmed Khizer Khan	President / CEO
Committees of the Board		
Audit Committee	Mr. Fuad Azim Hashimi	Chairman
	Mr. Azam Essof Kolia	Member
	Mr. Adel Yousef Al Saqabi	Member
Human Resource Committee	Mr. Azhar Hamid	Chairman
	Mr. Nicolas Edouard Martin	Member
	Mr. Ahmed Khizer Khan	Member
Risk Management Committee	Mr. Shehab M. Gargash	Chairman
	Mr. Najmul Hassan	Member
	Mr. Ahmed Khizer Khan	Member
Executive Committee	Mr. Nicolas Edouard Martin	Chairman
	Mr. Najmul Hassan	Member
	Mr. Ahmed Khizer Khan	Member
Shari'ah Advisor	Professor Mufti Munib-ur-Rehman	
Company Secretary	Mr. Amin Hussain	
Head of Internal Audit	Mr. Naushad Kamil	
Head of Shari'ah Audit	Mufti Syed Zahid Siraj	
Legal Advisor	M/s. Mohsin Tayebaly & Co. Advocates & Corporate Legal Consultants.	
Auditors	M/s. A. F. Ferguson & Co. Chartered Accountants	
Share Registrar	F.D. Registrar Services (SMC-Pvt) Ltd. 1705-A, Saima Trade Tower, I. I. Chundrigar Road, Karachi	
Registered Office / Head Office	Trade Centre, I. I. Chundrigar Road, Karachi	

Board of Directors

Mr. Khaled Mohammed Al Aboodi
Chairman

Mr. Shehab M. Gargash
Vice Chairman/Director

Mr. Ahmed Khizer Khan
President & CEO

Mr. Nicolas E. Martin
Director

Mr. Najmul Hassan
Director

Mr. Adel Yousef Al-Saqabi
Director

Mr. Azhar Hamid
Director

Mr. Azam Essof Kolia
Director

Mr. Fuad Azim Hashimi
Director

میرے پاسبان دلیر

My protectors so brave

Board of Directors

Mr. Khaled Mohammed Al Aboodi - Chairman

Khaled Mohammed Al Aboodi is the Chief Executive Officer of Islamic Corporation for Development of the Private Sector (ICD), Islamic Development Bank Group, Jeddah. He has held this position since 2007 and has been associated with this organization since 2001 in a senior position. ICD has seen tremendous growth throughout the Islamic world. Prior to his current assignment he worked with the Ministry of Finance and National Economy, Kingdom of Saudi Arabia. He also had a stint with the World Bank from 1997 to 2001 in Washington, DC. USA. He was Assistant and Active Executive Director of Kingdom of Saudi Arabia at the World Bank group, Washington DC. USA, respectively (Period from 1995 to 2000) . He holds a Master degree in Economics from Northeastern University, Boston, USA and Bachelors in Economics from King Saud University, Riyadh, Kingdom of Saudi Arabia. He is on various Boards of companies in different companies. He became the Chairman of Burj Bank in March 2011.

Mr. Shehab M. Gargash - Vice Chairman/Director

Shehab M. Gargash is the Director of Dubai Chamber of Commerce and Industry, and is a Director in several regional funds and companies, focused on financial services, real estate and aviation. These includes Trans Iraq Bank, Buildan Development Limited, Saraya Real Estate Fund (MENA), AREIT (Arabian Real Estate Investment Trust) and Silver Air. During 12 years in the UAE banking industry his roles have included Marketing, Distribution, Trade Finance and Investment Banking, first with Citibank (1989-1993) and later on with the Emirates Bank Group (1993-2001). In 2001 he founded Daman Investments PSC, and is currently the Managing Director of the company. The company is a privately held, non-bank financial services concern focused on developing capital market opportunities within the UAE and Middle East.

He is an avid supporter of youth empowerment and is a founding member of Young Arab Leaders'organization and has launched Alf Yad, 1 billion venture capital fund aimed at providing equity participation to Arab entrepreneurs around the world. He is Vice Chairman of Burj Bank Limited.

Mr. Ahmed Khizer Khan - President & CEO

Ahmed Khizer Khan is the President & CEO of Burj Bank Limited. Prior to joining Burj Bank, he was the Chief Operating Officer of ICD. He was the Chief Executive of Barclays Global Retail and Commercial Banking of Emerging Markets based in UAE from 2006 to 2010. He was associated with Citigroup from 1997 to 2006 in various senior level assignments including Country Business Manager, Pakistan and Managing Director Operations and Technology, Central Europe. He did his MBA from Rutgers University, Newark, New Jersey and his Bachelors in Economics from Bucknell University Lewisburg Pennsylvania, USA.

Mr. Nicolas E. Martin

Nicolas E. Martin is the Managing Director Strategic M&A at Bank Alkhair B.S.C Bank based in Manama, Bahrain since 2009. Bank Alkhair is a leading Islamic investment bank and has interest in various businesses in different countries including Bahrain Finance Company (BFC) the largest of the money transfer companies in Bahrain. He has rich experience in the financial and technology sectors in Europe and Asia. He was associated with Fortis, a large banking and insurance group in Brussels and Hong Kong. He spent over 15 years with ABN AMRO bank in senior positions in Amsterdam, London and Hong Kong. He has an MBA from INSEAD, France and a Bachelors degree in Business from Universite de Geneve, Switzerland. He has been on the Board of the bank since 2009.

Mr. Azam Essof Kolia

Azam Essof Kolia is a well reputed business executive and has an influential presence in the Asia Pacific market, especially in the import and export trade of commodity products, like edible oil, sugar, spices and metals, especially since he has been engaged in this trade for the last 30 years. Taking on influential positions in so many companies, both locally and internationally, Mr. Kolia is indeed a prominent and highly respective figure.

He is also extensively involved in various social and charitable organizations. Mr. Kolia is member of the Board of Directors of Burj Bank.

Mr. Adel Yousef Al Saqabi

Adel Yousef Al Saqabi is a graduate in Business Administration with majors in Finance, from University of Kuwait in 1988. Currently he is the Managing Director of M/s Al-Safwa Group Holding, Kuwait, which has major focus on the investment in various sectors including oil & gas, services, industrial & banking sectors all over the world.

Having a professional experience of over 20 years, Mr. Adel has served at senior positions in leading companies like Gulf Investment Corporation, Al-Ahlia Investment Co. and Al-Safat Holding Co. where he has been mainly responsible for the existing portfolio as well as developing and analyzing new investment opportunities. This covers technical, financial and marketing aspects of the opportunities in the portfolio.

At present he is board member of M/s Al-Safat Holding Co., M/s Al-Safwa Group Holding Co. and M/s Flexible Industrial Packaging Co., while he had been on the board membership of various other companies based in Kuwait, Saudi Arabia, and Bahrain.

Mr. Najmul Hassan

Najmul Hassan, currently Advisor to CEO and Head of Remedial Asset Management unit in ICD, is an accomplished Islamic Banker. Besides Burj Bank he represents ICD on the Boards of Maldives Islamic bank and Tamweel Africa.

He completed his BE in Aerospace engineering and Masters in Business Administration (MBA) in 1975 and 1983 respectively. He led the corporate, consumer banking and business development functions of Pakistan's first and largest Islamic Bank, Meezan bank from 2001 to 2008. He has a proven multinational track record with extensive experience across both industry as well as financial services.

Mr. Fuad Azim Hashimi

Fuad Azim Hashimi is a Fellow Member of the Institute of Chartered Accountants in England and Wales. He has over 45 years of experience in public accounting and diversified business and commercial ventures in banking, sales & marketing, information technology and fund management.

He was a partner with A.F. Ferguson & Co., a member firm of Price Waterhouse & Co. and thereafter served with Middle East Bank – Dubai, Bankers Equity Ltd., Gestetner Holdings PLC / Ricoh Company, Japan, Jaffer Group of Companies, Dawood Group and National Investment Trust Limited. From a Corporate Governance perspective, he has served as a non-executive director on the Boards of Crescent Commercial Bank Ltd., Clariant Pakistan Ltd., National Refinery Ltd., Pakistan Security Printing Corporation and Pakistan Cables Ltd., and is currently on the Board of International Industries Ltd., where he is additionally Chairman of its Audit Committee.

Mr. Hashimi heads the Pakistan Institute of Corporate Governance and has attained the Certificate of Director Education that is recognized by Securities & Exchange Commission of Pakistan for training of directors of listed companies.

Mr. Azhar Hamid

Azhar Hamid is an international banker with a career spanning over 41 years with Grindlays Bank, ANZ Bank and latterly Standard Chartered Bank. Appointed as the first Pakistani Country Head of ANZ Grindlays Bank in Pakistan in 1994. After acquisition of the Bank in 2000 by Standard Chartered Bank, was asked to continue as the Country Head of the combined bank.

After introduction of a Riba free financial system in Pakistan in 1985, led the team that established the First Grindlays Modaraba which was and still is, the most successful and dominant modaraba company in the Country.

Senior overseas assignments with ANZ Bank include UK, Bahrain, Jordan, and Australia. He has served on the board of Grindlays Bahrain Bank in Bahrain and Khushhali Bank.

Upon retirement in 2003 he was appointed by the Government of Pakistan as director Main Board of the State Bank of Pakistan a position he relinquished when asked by the Government to establish a Banking Mohtasib (Ombudsman) function in the Country. He was thus the first Banking Mohtasib (Ombudsman) in Pakistan and completed his 3 years term in May 2008.

In July 2008 was invited by the Chief Minister Punjab to serve as director on the Board of the Bank of Punjab which position he relinquished in September 2009.

He has served on several Pakistan Government and State Bank of Pakistan committees on economic reforms and monetary policy.

Management Committee

The Management Committee of Burj Bank comprises of a seasoned team of senior banking professionals.

We are proud to have them as our Management Team:

Ahmed Khizer Khan
President & CEO

Khawaja Asif
Group Head - Consumer & SME

Mushtaq Riaz Mirza
Group Head - Corporate Banking

Umer Fareed
Group Head - Marketing,
Corporate Affairs & Alternate Delivery Channels

Sohail Sikandar
Chief Financial Officer / Acting Treasurer

Muhammad Mubbashir Yasin
Group Head - Compliance & Controls

Saad Ullah Khan
Group Head - Operations

Akram Khan
Group Head - Technology & Administration

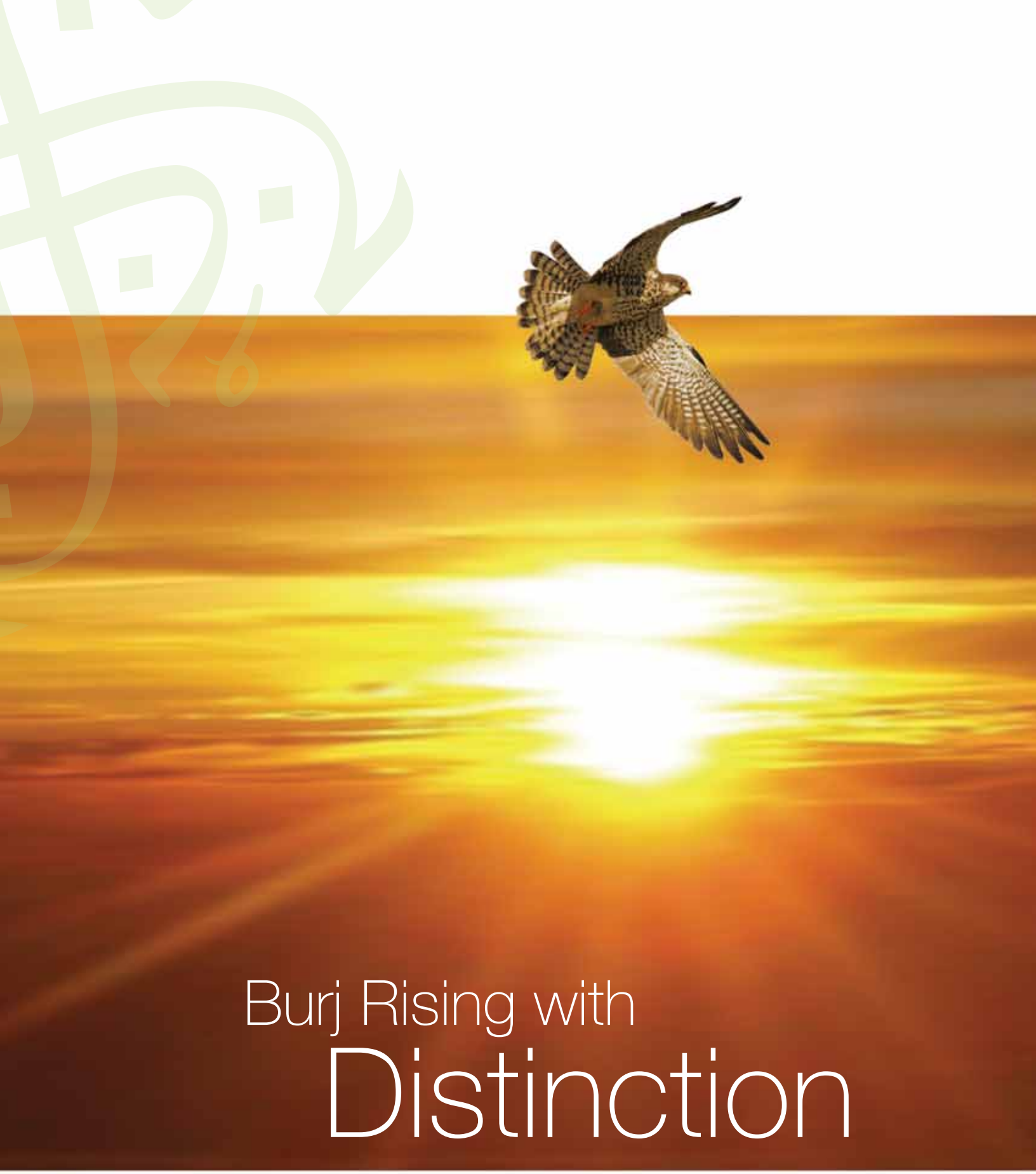
Ihsan Ullah Ihsan
Chief Risk Officer

Ibrar Gul Niazi
Head - Law Department

Seemin Shafi
Group Head - Human Resources

ایک کامیاب داستان ہے

An epic chronicle



Burj Rising with Distinction

Chairman's Message

Assalam u Alaikum

We are doing business at a time where the global economic downturn is far from over but the economic resilience of the emerging markets has drawn the attention of many global investors. The year 2012 has been difficult for some of the emerging economies as trade with the US and Europe has been impacted strongly. The policy makers however have managed to take proactive steps in order to offset the shocks of dampened exports and decreased financial support from the West. According to a recent global study, the GDP growth in emerging markets is anticipated to recover to 5.2 percent in 2013 whereas the outlook for the developed economies remains shrouded in fiscal uncertainty. While the rising inflation and the ongoing financial challenges facing the global economy may yet scupper the emerging markets' progress in 2013, the investors have got sufficient reason to forecast medium to long term economic progress in the developing economies.

میرے رھنما عظیم

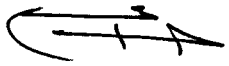
My leaders so great

As the private sector investment arm of Islamic Development Bank, ICD is proud to be amongst the first few sponsors which have been investing in these emerging markets for over a decade with a long term view towards economic development. We believe that as investors, our endeavors will not only become fuel for the economic growth of these emerging markets, but will also contribute towards a sustainable future for the global economy. We are constantly striving to identify opportunities in the private sector that could function as engines of growth and to provide them with a wide range of productive financial products and services. Furthermore, ICD has the mandate of mobilizing additional resources for projects and encouraging the development of Islamic financing and capital markets. Our footprint extends across 45 Islamic member countries across the globe. We concentrate on those sectors that have a high impact on the economies of member countries.

Pakistan, as a member country, has been an area of major focus for ICD as we are overwhelmed by the resilience of this economy. In most member countries, ICD follows a channeled strategy whereby one financial organization acts as the hub for all our funding & investment within that economy. Burj Bank holds immense strategic significance for us as it is the funding channel for all ICD investments within Pakistan. Islamic Finance will play an important role in the economic growth of this country and we will make sure that Burj Bank leads the development process of Islamic Finance in Pakistan. The Bank has managed a remarkable turnaround in the year 2012, subsequent to the re-profiling of ownership in the previous year. During the year, the Management team has achieved several milestones overcoming various obstacles and competing against tough environmental circumstances. The balance sheet growth and the profitability turnaround have delighted ICD and the other shareholders of the Bank. From a financial viewpoint, the Bank has achieved some critical early wins depicting all the making of a great success story.

Alhamdulillah, the organization has witnessed visible improvements in its systems, processes and human capital whereas different expansion initiatives have enhanced the Bank's market presence. The Bank has gone from strength to strength with the launch of new businesses, aggressive deposit & financing growth, 25 new state of the art branches, system up gradation and the formulation of a revitalized & cohesive team. The "Burj" Brand has become widely recognized, not just within Pakistan, but also regionally & globally. Our vision is to make Burj Bank the Islamic Bank of Choice and I have faith in the management team's capability to achieve this customer centric vision. As the primary investors, we have a soaring commitment towards the Bank's growth which will in turn provide fuel for the expansion of the Islamic financial system in Pakistan. With the sincerity of our Vision, the recent growth trends and the collective potential of our people, we will soon establish Islamic Banking as the first choice for all the consumers of financial services in Pakistan. I would like to thank the State Bank of Pakistan and other regulatory bodies for their special support towards the Islamic banking sector of Pakistan.

As the Chairman of the Bank & on behalf of all the Board of Directors, I hereby congratulate the management team, employees and all stakeholders of Burj Bank on the maiden year of profitability & we look forward to an even better performance in 2013.



Khaled M. Al Aboodi
Chairman

Directors' Report

to the Shareholders

The Board of Directors of Burj Bank Limited ("the Bank" or "Burj") is pleased to present the Sixth Annual Report along with the audited financial statements and Auditors' report thereon for the year ended December 31, 2012.

The Economy

During FY12, Pakistan's real GDP grew by 3.7% compared to 3.0% in FY11. The growth target of 4.2% was missed mainly due to energy shortages, deteriorating security situation and the impact of floods in two consecutive years. However, despite declining global demand emanating from the euro zone crisis and fiscal cliff in the USA, Pakistan has performed better than most of its peers in the developed and developing world.

Remittances reached USD 13.1bn in FY12 registering growth for yet another year. The external current account recorded a USD 250mn surplus during H1 FY13 but foreign exchange reserves declined predominantly due to IMF payments. The improvement was mainly attributable to the receipt of Coalition Support Funds (CSF) of USD 1.8bn and growth in remittances. The CSF proceeds also provided some cushion to the fiscal deficit. However, the overall Balance of Payments position remained stressed due to lack of financial inflows and high debt payments. The foreign exchange reserves of the SBP stood at USD 9.0bn on December 31, 2012 versus USD 12.9bn as of December 2011, showing a steep decline.

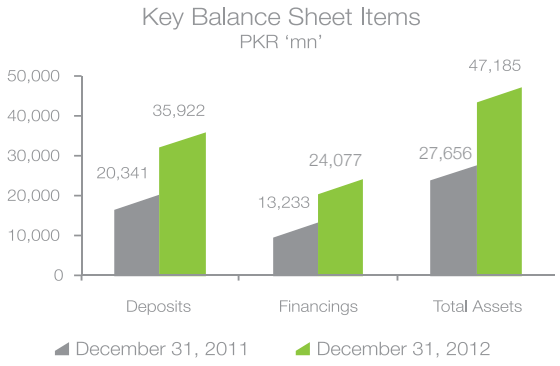
The declining policy rate gave impetus to the KSE-100 index, which gained momentum during the year 2012, closing on 16,905 versus 11,347 points in 2011. Furthermore, market sentiment was also boosted by the promulgation of the Capital Gain Tax Ordinance.

CPI inflation declined sharply to 7.9% in December 12 against 9.7% in December 11. The SBP responded to declining inflation by lowering its policy rate by 250 basis points during 2012. The policy rate was initially lowered by 150bps to 10.5% in August 2012 and then 50bps each in October 2012 and December 2012 to reach 9.5%.

Islamic banking industry continued its growth momentum during the year, with the asset base of the industry reaching PKR 741 billion (30.3% YoY growth) on the back of deposits growth of 35.4%. Industry assets and deposits constituted 8.1% and 9.3% market share of the overall banking industry respectively. Islamic banking industry posted PKR 7.7 billion in profits by the end of September 2012. The distribution base was enhanced to 977 branches with the addition of 136 new branches in 2012. With the better asset quality in the Islamic banking industry, NPF to financing ratio of Islamic banking remained at 9% which is better than the banking industry average of 15.5%, continues to show signs of sustainable growth in earnings and profitability with a view towards increasing market share in the banked and unbanked population in Pakistan.

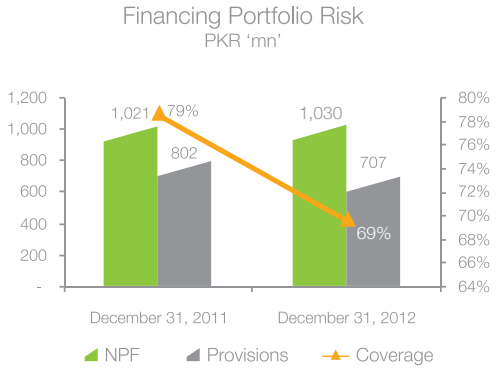
Financial Highlights

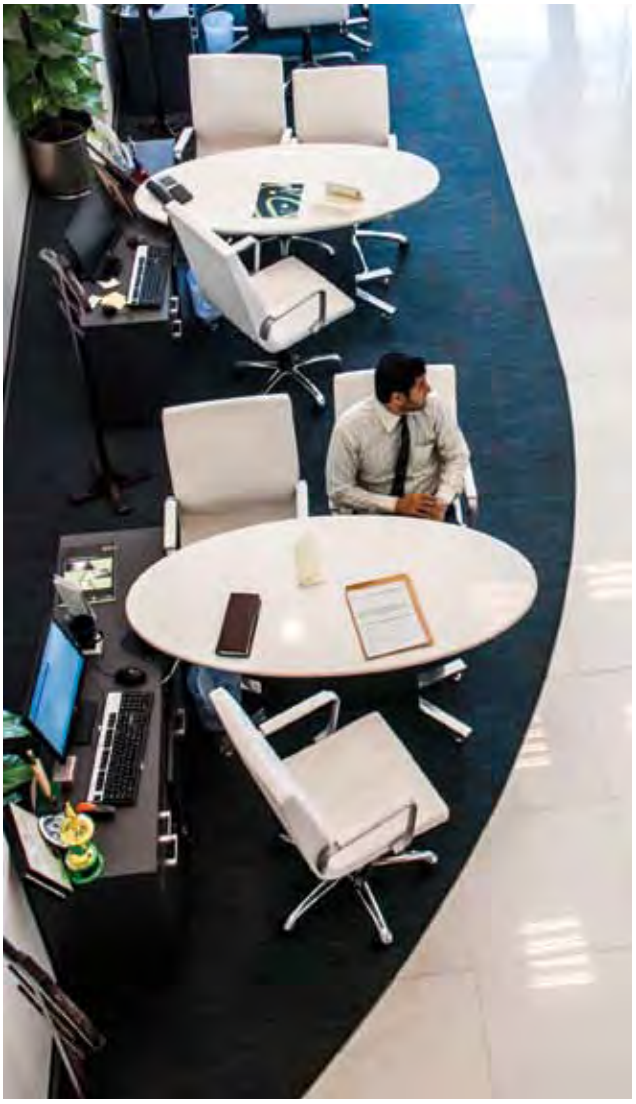
During 2012, our bank achieved a momentous milestone by turning around and transforming into a profitable organization. The bank closed its full year after-tax profit at PKR 84.6mn against an after-tax loss of PKR 288mn in 2011, a growth of 129% that translates into earnings per share of Re 0.114 against the loss per share of Re 0.463 in 2011. This was achieved while growing the balance sheet size, managing cost of deposits, improving operational efficiencies and without compromising on Asset Quality. The turnaround of Burj is a testament of its team's determination to work hard under challenging business environment.



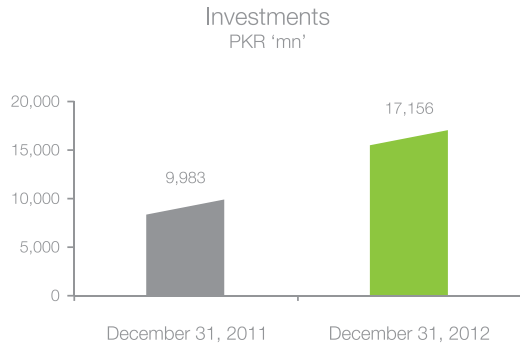
The bank's balance sheet remains highly liquid and well capitalized as we continue to manage risks and returns prudently. Total asset of the bank grew by 70.6% to PKR 47.2bn. Unprecedented assets growth has been achieved on the back of strong deposits growth of 77% translating into surge of PKR 15.6bn in absolute term. During 2012, our bank has attained the highest percentage growth in the entire banking industry, resulting in the increased market share while slashing the average cost of deposits significantly. During the year, we have also focused to increase our physical presence by increasing 25 branches, also we have strategically relocated our underperforming branches to prominent location with better business prospects.

Gross financings grew by 81.9%, from PKR 13.2bn to PKR 24.1bn as the bank focused on underwriting quality credits. Despite of historic growth in the challenging credit environment, gross infection ratio has declined from 7.7% to 4.3%, which represents the Bank's prudent financing policy and robust recovery process.



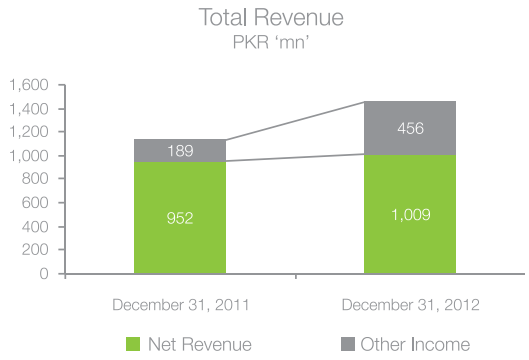


During the year, coverage ratio has dropped from 79% to 69% mainly due to reversal of general provisioning of PKR 180mn. Bank holds significant collateral against the classified financings.

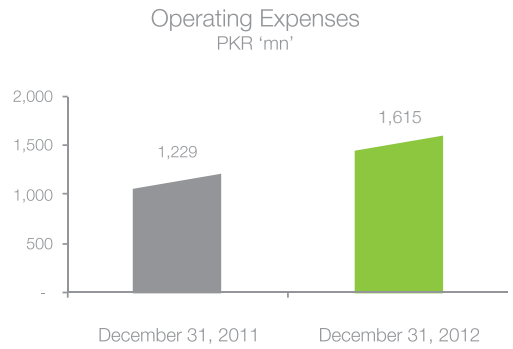


Investments continue to show upward trend, reflecting a growth of 71.9% i.e. from PKR 9.98bn to PKR 17.16bn. Bank took full advantage of the bullish trend in the stock market during the year and increased its equity portfolio from PKR 347mn (2011) to PKR 933mn (2012). Net investment in Govt. sukuk stood at PKR 15.54bn at year end.

Despite the back-to-back discount rate cut coupled with increased floor rate on saving deposit from 5% to 6%, net spread earned of the bank has increased by 6% to PKR 1,009mn. Total revenue grew by 28.4% to PKR 1,465mn, mainly from core banking activities.



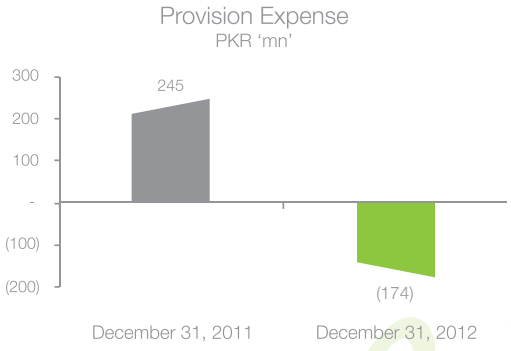
Income on financing rose from PKR 1,241mn to PKR 2,025mn as a result of higher volumes. Other income grew as the bank earned capital gains on the securities in the falling interest rate environment and dividend income on equity portfolio.



The current year's operating expenses were higher on account of increased manpower, business building activities and initiatives such as marketing spend, branch expansion & renovation and substantial inflationary pressures.

During the year, our consumer product 'CarSaaz' emerged as the market leader auto financing. Despite the aggressive strategy to increase consumer portfolio, we have remained focused on underwriting good quality credit by instituting strong risk management checks.

Apart from underwriting quality credits, we have concentrated profoundly on the recovery from non-performing financings and investments. During the year, the recovery of non-performing financings amounted to PKR 340.7mn and recovery against classified investments stood at PKR 79mn which translates into 43.7% of classified investment portfolio.



During the year under review, balance sheet has witnessed sustainable growth in all earning assets of the bank, which has facilitated the profitability of the bank. Year 2012, has proved to be year for laying a

strong foundation upon which the 'BURJ' will continue to rise with distinction.

Minimum Capital Requirement & Capital Adequacy Ratio

The State Bank of Pakistan (SBP) vide BSD Circular No. 7 of 2009 dated April 15, 2009 has revised the Minimum Capital Requirement (MCR) for banks. As per the circular, banks are required to raise their issued, subscribed and paid up capital (net of losses) to PKR 10bn in a phased manner by December 31, 2013. The requirement as at December 31, 2012 is PKR 9bn net of losses. SBP vide its letter no. BSD/CSD/7660/12/2011 dated June 20, 2012, had granted timeline extension to the Bank for meeting MCR till June 30, 2012 subject to certain conditions including the restriction on the Capital Adequacy Ratio (CAR) upto 30%. The SBP vide Letter No. BSD/CSD/14198/12/2011 dated November 30, 2012 has also granted a timeline extension to the Bank for meeting the MCR till December 31, 2012. The Bank has applied to the SBP for extension till March 31, 2013 vide its letter dated March 01, 2013 which is currently pending. The SBP has granted an interim relaxation to the Bank for maintaining CAR of 22% as at December 31, 2012.

Business Development

'Burj Carsaaz' (an auto finance product) since its launch has been amongst the top players in the market and in a very short span 'Burj Carsaaz' has become the customer's choice because of its highly competitive offering and quick turnaround time. 'Burj Carsaaz' has successfully managed to launch its alliance with Honda Atlas for jointly promoting the product and has become the first Islamic bank who has signed an alliance agreement with Honda Atlas Pakistan. By virtue of this strategic alliance Burj Carsaaz will not only gather significant brand mileage due to Honda's niche market of high end customers but will also enable us to promote the brand across 50 plus Honda dealership throughout Pakistan. This would play a pivotal role in capturing a sizeable share of the market and at the same time will provide unmatchable product offering to our customer.

In 2012, Burj Bank become a dominant player in fleet financing business and is regarded as a top player in this segment. Many top Corporates and Multinationals have become Burj Customers through our fleet financing product.

Burj Bank always aim to launch new and innovative products to its customers and fulfilling its commitment. Burj Consumer team towards the end of the year announced the launch of Burj Home Musharakah. This launch will further strengthen our vision to make our Branch a one window retail shop for all the financial needs of our customers.

During the year, bank launched 'Feet on Street' model in its Retail branches. This model is aimed towards generating low cost current and savings account deposits and at the same time increasing new to bank customer acquisitions. More than 300 plus Business Development Officers (BDO) were hired on third party contract with majority of them residing in major cities, such as Karachi, Lahore and Rawalpindi. To make the model successful, a proper 'pay for performance' reward structure was also introduced which would provide each BDO an opportunity to earn monthly incentive against their target achievement. The proper control and processes are also instituted to keep strong oversight on the activities of the channel.

One of the key ventures by the bank during the year was the establishment of SME Banking division in Jan 2012. As also emphasized by the SBP, Bank has focused on launching Agri based products through its SME banking arm. In line with its objective, during the year, Bank launched the Pakistan's first Islamic Agricultural Financing product. The department has presence across the 3 major metros of the country being Karachi, Lahore and Islamabad.

Furthermore, in an effort to enhance the effectiveness of our distribution network and tap into sustainable profitability, we have set up a customer service quality unit. The unit is looking to address all customer related needs and complaints by conducting process re-engineering, and developing innovative ways of increasing customer touch point capabilities of the bank. Initiatives undertaken in this respect include transformation of the call center and restructuring of the complaint management unit.

In order to effectively leverage the existing system capacity and expertise of dedicated resources, we are focusing on developing one window solution for our corporate customers. Our latest initiative in this direction is setting up 3 dedicated corporate branches in business hubs coupled with setup of a Cash Management unit. The business unit is currently developing products and conducting trial runs. This will increase cross-sell opportunities for Corporate Banking group.

"If you build it they will come," is a philosophy of branch strategy supported by academic research and years of practice. In addition to cementing an institutional presence in the marketplace, branches are perceived by the Customers as an important symbol of strength and commitment of the organization. At Burj, our expansion strategy has consisted primarily of adding new branches and locations to complement our existing network, accelerate core deposit growth, increase Islamic Banking penetration and ultimately enhance shareholder value.

The hallmark of our enhanced footprint in 2012 from 50 to 75 branches in twenty-five cities was followed by our innovative and customer centric "apple" themed model branches. These branches are visually attractive, functionally convenient and reflective of what they are being used for. Spaces inside the branch are completely devoted to servicing the "customer's needs" and less to non-customer uses. Unlike others, the Burj customers can immediately experience all services upfront upon entering the branch without meandering through the premises or waiting in any queues. This extremely unusual mode of delivering financial services has been much appreciated by both existing and potential customers and earned us a distinction of being coined a term - "uniquely banking"

We continued our strive to become 'one stop bank' where we can cater all our customer need, as another step towards our goal, we have setup Investment banking division (IBD) which will turnout to be an added advantage for our corporate customer. Apart from the IBD unit, we have established Home remittance cell, which will be responsible for handling the workers' remittances sent from across the globe.

Burj Bank has entered into an agreement with MasterCard, making Burj the first Islamic bank in Pakistan to launch debit MasterCard. With the Burj Bank Islamic MasterCard debit card, customers will have full access to cash and banking functions at ATMs in over 210 countries

People

To attract talented human capital and to retain the best of them are some of the biggest challenges faced by any organization. At Burj, our emphasis in 2012 was to find ways of achieving both these goals. Based on the Bank's standing vis-à-vis market revealed by a compensation survey in 2011, Burj Bank took substantive initiatives to revamp its compensation and benefits structure during 2012. On the one hand, employee salaries were adjusted upwards across the Bank for all staff performing well and on the other, new allowances were also introduced bank wide, while relaxing eligibility criteria for many other benefits. This effectively increases the compensation package for staff at all levels. To check the sanity of these initiatives, the Bank participated in another compensation

survey in last quarter of 2012 which showed Burj Bank's improved competitive position. The Bank also checked the effectiveness of these initiatives through an independently conducted Employee Satisfaction Survey, which also validated the efforts by showing a satisfaction level of 83% across the Bank.

The learning and employee development opportunities were given due consideration across the Bank. Trainings on banking compliance, introduction and advanced Islamic banking concepts and other technical skills were focused throughout the year. The Bank recognizes that service is a differentiating success factor for Burj. Thus, throughout 2012 focus was given to Customer Service training. The Customer Service Officer (CSO) concept has been introduced in branches to ensure focus on delivering the best in class service.

The Bank participated in career fairs at the top business schools of the country and followed this up with a professionally organized Management Trainee programme, Fourteen bright and young post graduates were selected out of 150 candidates who took the entrance test conducted by Institute of Bankers Pakistan (IBP) for Burj.

A further initiative taken by Bank during 2012 was the introduction of a Universal Teller Training programme. Fifteen energetic UTs were selected out of 65 contestants who appeared in a written test followed by 3 weeks of classroom training and 5 months of on the job training. The UT programme has given Burj Bank a pipeline of appropriately trained and cost effective counter resources for new branches opened in last quarter of 2012. The Bank intends to continue both batch training programmes in 2013 and beyond as not only a need of the Bank but also as a responsibility to the country's youth development.

To enhance front end business generation opportunities, a 400 strong team of outsourced liability sales staff has been engaged as the Bank's feet on the street. To further motivate and create an environment of pay for performance, a comprehensive incentive scheme for all branch sales staff has also been introduced.

As an engagement tool, staff and management interaction has been enhanced during 2012. Townhalls, breakfast meetings with the CEO, functional lunches,

played a very positive role in making every employee feel as part of the Burj team. Award and reward schemes to recognize employees' efforts have been introduced, significant of which are the monthly spot awards and the CEOs Club for top performing staff.

To increase cross functional as well as interaction with staff of other banks, a Burj Cricket team was put

together in 2012. This team has played numerous friendly matches with teams of other banks and has also participated in two tournaments during the year.

While all this is good news, it poses a renewed challenge to keep employees motivated on a sustained basis and the Bank is up for all the challenges.

Operations

We have restructured our Operations Group in terms of processes efficiencies, staff repositioning and departmental streamlining to ensure complete support to all business functions and concurrence with regulatory and Shari'ah policies in all areas.

Risk Management

Recognizing the importance of risk management, the Board continued to maintain regular oversight over the Risk Management activities through its specialized Board Risk Management Committee ("BRMC"). The BRMC met four times during the year and thoroughly reviewed the different risks confronting the bank. The BRMC further assessed the quality of asset portfolio and risk profile of the bank in detail during these meetings and also afforded appropriate guidance to the management for formulating policies and evolving business strategy. Based on the guiding principles provided by the BRMC, the Management Finance Committee (MFC) and Assets Liability Committee (ALCO) regularly met and considered business propositions keeping the overall economic and business environment in perspective, in addition to the strengths of the specific propositions. These committees were assisted by the Financing and Investment Risk Department (FIRD) where all proposals were analyzed threadbare with a prudent and balanced approach. The risks associated with proposals were assessed and mitigants or controls suggested before consideration by the respective committees.

The bank continued to further build on the solid foundation laid in the previous year. During the year 2012, various risk management policies were reviewed and realigned with the overall business strategy of the bank while maintaining conformance with the regulatory requirements. In addition, staff capacity in different risk management areas was enhanced to support growing business volumes. Timely support from risk management was pivotal in enabling the front office to aggressively pursue business activities without compromising on the risk assets quality. Consumer Risk Management remained under special focus in terms of capacity building as the bank's auto financing product ("Carsaaz") registered remarkable growth whereas launching pad was prepared for the second consumer financing product – housing finance.

The Bank also implemented a comprehensive Operational Risk Management Framework during the year. All dimensions and tools, including risk and control self-assessment, key risk indicators and loss data collection have been properly covered for different key departments with the involvement of their representatives. Subsequently, the function was shifted to Compliance and Control Group in view of better synergies that exist between Operational Risk and Internal Control Unit in compliance department. This was part of the functional realignment exercise to further streamline working of different departments.

The management closely monitored the risk assets portfolio of the bank on an ongoing basis and through periodic portfolio reviews. These reviews covered portfolio concentration in different risk bands, group of customers, industries and geographic composition etc. Moreover, emphasis was also given on client behavior in terms of repayment and adherence to the terms of financing. This also helped in proactive management and follow up of exposures which warranted more

attention due to change in their condition as a result of changes in their specific, industry or overall economic dynamics.

Going forward, the bank intends to bring in more efficiencies and effectiveness in the risk management structure, policies and processes for better monitoring and safeguarding interest of the bank.

Internal Control Framework

The Board of Directors and Senior Management of the bank, being cognizant of the importance of internal control framework in achievement of the bank's overall objectives, have continuously been working to strengthen a sound system of internal controls and contributed efforts to ensure stability and soundness of the bank's overall control environment.

The management of the Bank, in compliance of SBP guidelines on Internal Controls, undertook implementation of requirements related to Internal Control over Financial Reporting (ICFR) and has completed all stages of the roadmap of SBP guidelines; and during the year under review, the bank's external auditors have also evaluated the bank's efforts in the implementation process and submitted their long-form report to the State Bank of Pakistan. Having done that, the Bank is now compliant with the ICFR implementation roadmap, however, Internal Controls is a process which requires continuous focus and the management is striving to further raise the bar in this respect.

The report acknowledged the bank's efforts and work done towards strengthening the Internal Controls over Financial Reporting. Since the bank has migrated to new core banking system subsequent to year-end which is more controlled and commensurate to the Bank's processes; the control environment and relevant process level documents will have to be revisited once the implementation is completed.

Besides ICFR, the management is also committed to strengthen the performance and compliance targeted controls; and towards this, significant value has been added to the control environment, risk assessment and control activities of the bank with the help of updating the policy & procedure framework, conducting workshops and circulating online trainings. Significant milestones achieved in this regard are detailed in the 'Statement on Internal Controls' attached to this Annual Report.

Core Banking System

Burj Bank's five years balanced and sustainable growth plan necessitate robust information systems with state of the art customer service platform along with embedded strong controls, to ensure Shari'ah and regulatory compliance. After the detail evaluation study conducted during the year, Bank selected iMAL as its core banking application. It is the complete Shari'ah compliant application and recognized as the 1st banking software to be certified by AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions). The Project was kicked off in April 2012, a dedicated team was allocated toward the project implementation. Our implementation team has worked submissively for the timely delivery of the project. Subsequent to the

year end, Alhamdulillah, we have successfully migrated to iMAL. The new core banking system was rolled out with a big bang approach and was implemented across all the 75 branches countrywide in one go, without any issues. We take pride in declaring that migration from old application to iMAL was done within a record time of nine months.

Rating for Shari'ah Quality

The board takes immense pleasure to note that

the Islamic International Rating Agency (IIRA) has maintained the 'AA' rating in respect of Shari'ah Quality of the Burj. The rating reflects, in IIRA's opinion that the Burj conforms to very high standards of Shari'ah compliance in all aspects of Shari'ah Quality analysis.

Credit Rating

JCR-VIS a credit rating company acknowledged the progress of the Bank and reaffirmed the medium to long term rating as A (Single A) and upgraded the short term rating from A-2 (A Two) to A-1 (A One). Outlook on the assigned ratings is "Stable".

Corporate Governance

The Bank has complied with the requirements of the Code of Corporate Governance relevant for the year ended December 31, 2012. A prescribed statement together with the Auditors Review Report thereon is annexed.

Financial Reporting

1. The financial statements prepared by the management of the Bank present its state of affairs fairly, the result of its operations, cash flows and changes in equity.
2. Proper books of account of the Bank have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements, except for the change as stated in note 3.5 to the financial statements, and accounting estimates are based on reasonable and prudent judgment. Any change in the accounting policy has been adequately disclosed.
4. Approved Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there-from has been adequately disclosed and explained.
5. No dividend / bonus shares have been declared for the year. The SBP has imposed a monatorium on cash dividend payments until the Bank meets minimum regulatory capital requirements.
6. The system of internal control is sound in design and has been effectively implemented and monitored on the best possible efforts basis.
7. There are no doubts upon the Bank's ability to continue as a going concern.
8. There has been no material departure from best practices of corporate governance, as detailed in the listing regulations.
9. Key operating and financial data for the last five years has been given in (Table 1) attached with the Directors' Report.

10. There is no overdue statutory payment on account of taxes, duties, levies and charges.

Employee Benefits Scheme

Value of investments of Employees' Provident Fund for the year ended December 31, 2012 (Unaudited) is PKR 101. 40 million.

Directors

During the year under review, Mr. Mohammed Tariq, Mr. Jamil A. Qureshi and Mr. Basheer A. Chowdry resigned from the Board. Board would like to record its appreciation for the contribution from these gentlemen. Mr. Najmul Hassan, Mr. Fuad Hashmi and Mr. Azhar Hamid have been appointed as Directors to fill in the casual vacancies on the Board of Directors.

Trading of shares of the Bvank

No trades in the shares of the Bank were carried out by the CEO, CFO, Company Secretary their spouses and minor children during the year 2012.

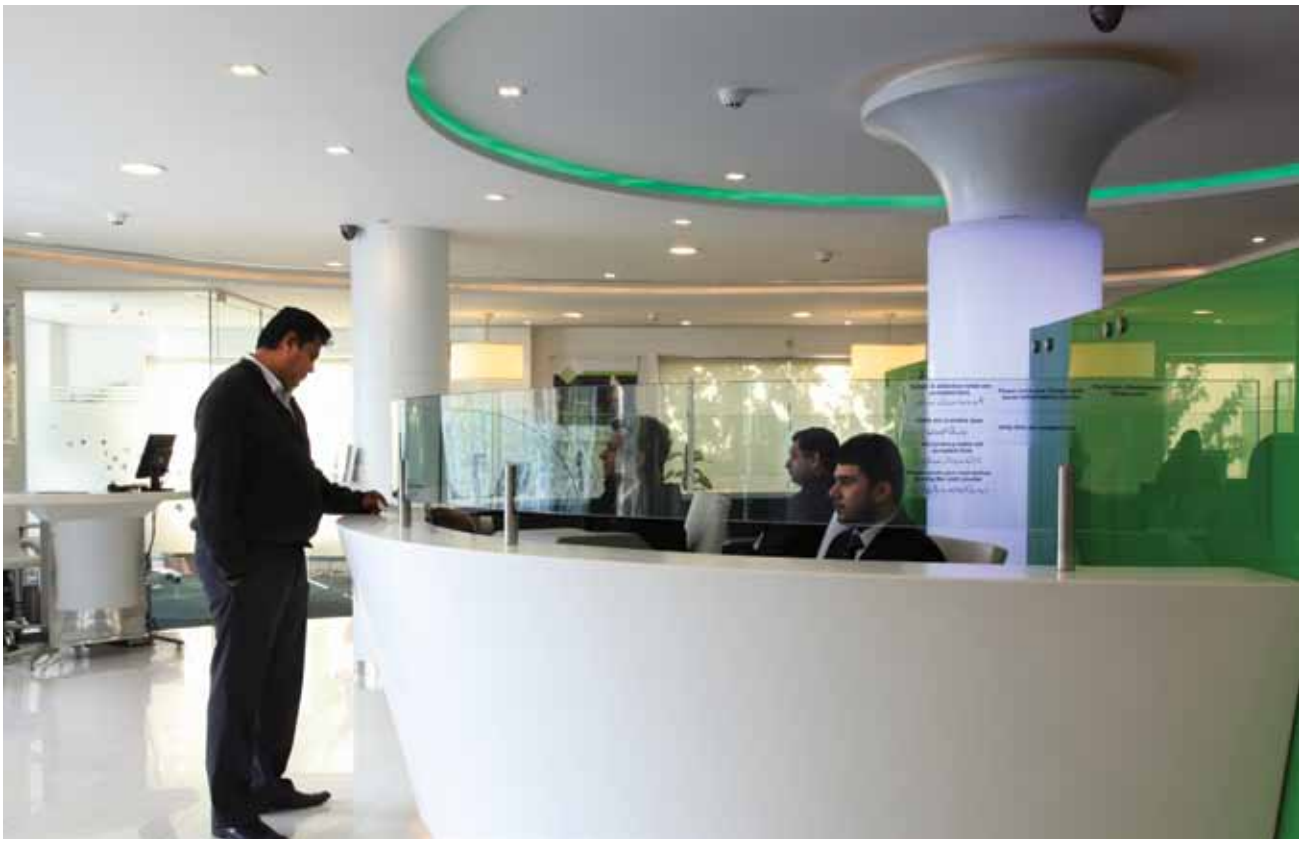
Pattern of Shareholding

The pattern of shareholding as on December 31, 2012 along with disclosures required under the Code of Corporate Governance is annexed to the Report.

Board of Directors' Meetings

Five Board of Directors' meetings were held during the financial year. Information about the attendance is as under:

Name of Directors	No. of meetings attended
Mr. Khaled Mohammed Al Aboodi	3
Mr. Shehab M. Gargash	5
Mr. Adel Yousef Al Saqabi	5
Mr. Basheer A. Chowdry (resigned on 26.09.2012)	3
Mr. Jamil Ahmed Qureshi (resigned on 26.09.2012)	3
Mr. Mohammed Tariq (resigned on 01.03.2012)	1
Mr. Nicolas Edouard Martin	4
Mr. Azam Essof Kolia	4
Mr. Ahmed Khizer Khan	5
Mr. Najmul Hassan (appointed on 10.09.2012)	3
Mr. Azhar Hamid (appointed on 27.11.2012)	1
Mr. Fuad Azim Hashimi (appointed on 27.11.2012)	1



Board's Sub-committees Meetings

Board's Human Resource Committee (HRC):

Two HRC meetings were held during the financial year. Information about the attendance is as under:

Name of Directors	No. of meetings attended
Mr. Basheer A. Chowdry	1
Mr. Nicolas Edouard Martin	2
Mr. Ahmed Khizer Khan	2

Board's Executive Committee (Excom):

Two Excom meetings were held during the financial year. Information about the attendance is as under:

Name of Director	No. of meetings attended
Mr. Nicolas Edouard Martin	2
Mr. Najmul Hassan	2
Mr. Ahmed Khizer Khan	2

Board's Risk Management Committee (BRMC):

Four BRMC meetings were held during the financial year. Information about the attendance is as under:

Name of Directors	No. of meetings attended
Mr. Shehab Gargash	4
Mr. Najmul Hassan	2
Mr. Ahmed Khizer Khan	4

Board's Audit Committee (BAC):

Five BAC meetings were held during the financial year. Information about the attendance is as under:

Name of Directors	No. of meetings attended
Mr. Jamil Ahmed Qureshi	4
Mr. Azam Essof Kolia	4
Mr. Basheer A. Chowdry	4
Mr. Adel Yousef Al Saqabi	1

Auditors

Present auditors, M/s. A.F. Ferguson & Co., Chartered Accountants member firm of Price Water House Coopers, retired and offered themselves for reappointment. On the recommendation of the Audit Committee of the Bank, the Board has agreed to recommend the appointment of M/s. A.F. Ferguson & Co., Chartered Accountants, to function as Bank's statutory auditors for the year ending December 31, 2013.

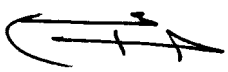
Future Outlook

Despite the various hardship faced by Pakistan on economic and political front, it is expected that the situation will improve and uneven circumstances will settle shortly. Despite all challenging scenarios, Bank will continue to grow with its strategy of stable and sustained growth through robust risk management system and effective control processes. Focus will be on acquiring new customers and prioritizing service as our key differentiator. Increasing focus will be on branch efficiency, reducing deposit cost, increasing the number of customers and focusing on improving CASA mix. Widening the revenue base by focusing on underwriting quality credits, launching of new value added products and services on all fronts, cross sell of unfunded business including advisory and remittances business. On technology front, further consolidation will be achieved after migrating to new core banking system.

Acknowledgment

We would like to thank the State Bank of Pakistan and other regulatory bodies for their contributions towards strengthening the banking system of the country. The Board also extends sincere gratitude to all our employees for their efforts, loyalty and significant contribution to the growth and success of the bank.

For & on behalf Board of Directors



Chairman
Karachi
March 6, 2013

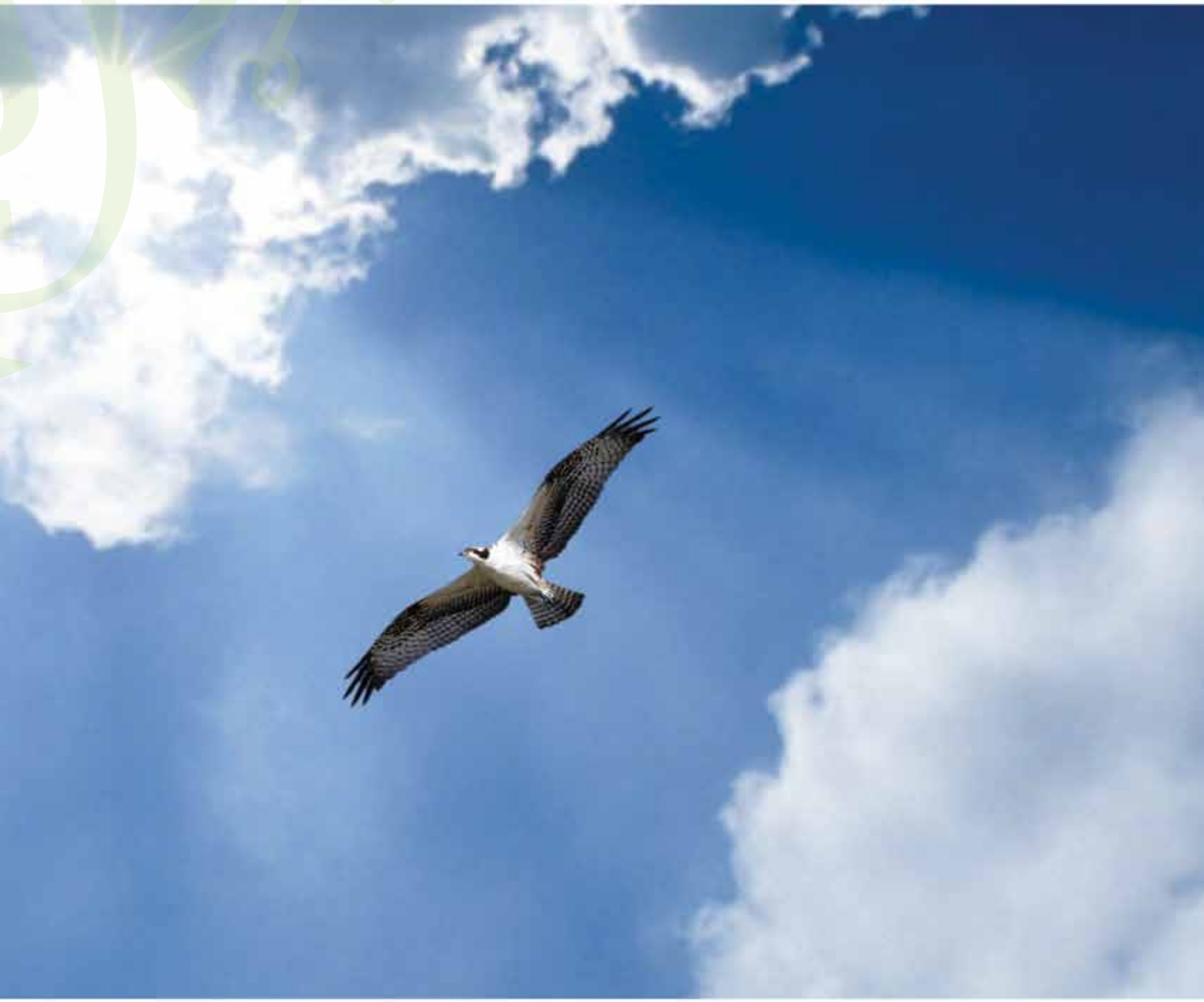
Financial Summary

	2007*	2008	2009	2010	2011	2012
	<----------Rupees in ,000---------->					
OPERATIONAL RESULTS				Restated	Restated	
Total Income	258,601	901,647	1,188,691	1,327,721	2,564,122	4,059,502
Operating Expenses	166,579	434,160	686,002	996,829	1,229,402	1,615,007
Proït/(Loss) before Income Tax	32,259	60,111	(405,152)	(824,560)	(346,908)	33,346
Proït/(Loss) after Taxation	51,031	32,727	(292,627)	(535,522)	(288,488)	84,646
BALANCE SHEET						
Shareholders„ Equity	3,665,888	4,074,810	4,841,780	4,325,983	5,804,578	5,937,481
Total Assets	6,850,534	9,481,137	13,008,675	17,675,686	27,656,215	47,185,452
Financings-net of provisions	3,723,752	5,639,877	4,763,622	6,788,223	12,431,137	23,370,532
Investment-net of provisions	1,318,657	2,045,146	2,861,751	5,050,878	9,982,793	17,156,398
Deposits and other accounts	2,888,762	5,063,393	6,784,750	12,636,083	20,341,241	35,922,038
OTHERS						
Imports	1,099,771	2,567,557	1,461,854	2,530,861	3,288,979	5,575,492
Exports	107,712	1,208,643	321,312	1,020,077	930,495	3,200,839
RATIOS						
Capital Adequacy	51.80%	45.15%	50.98%	38.44%	41.81%	22.55%
Proït before Tax ratio (PBT/Gross mark-up income)	12.92%	7.03%	(35.79%)	(65.26%)	(14.60%)	0.93%
Gross spread ratio (Net mark-up income/ gross mark-up income)	76.82%	52.83%	42.51%	42.51%	40.09%	28.01%
Income/Expense ratio	1.2	1.15	0.78	0.60	0.93	0.91
Return on Average Equity (ROE)	1.39%	0.85%	(6.56%)	(11.68%)	(5.70%)	1.44%
Return on Average Assets (ROA)	0.74%	0.40%	(2.60%)	(3.49%)	(1.27%)	0.23%
Financings/Deposits Ratio	128.97%	111.5%	75.04%	58.81%	65.06%	67.03%
Book value per share excluding revaluation of Assets	10.14	10.21	9.58	8.51	7.80	7.91
Book value per share including revaluation of Assets	10.18	10.18	9.66	8.63	7.83	8.01
Basic Earnings / (Loss) per share	0.17	0.08	(0.60)	(1.07)	(0.46)	0.114
No. of employees (other than outsourced)	89	220	449	473	539	785

* Operational results for 2007 represents period from April 10, 2007 to December 31, 2007.

یہ پرواز میری پہچان ہے،
میرے اللہ کی تکبیر ہے

This flight is my identity,
My ALLAH's (sbwt) Takbeer



Message from the President & CEO

Assalam u Alaikum

The resilient economy of Pakistan is going through a difficult time in the midst of social, political and development challenges. It is critical that an interdependent collective national effort is created that can drive positive changes for the society, economy and the people. The future will depend on how these changes are envisioned by our leaders and how the cognitive forces within the society can coagulate the currently distributed efforts towards common goals. I strongly believe that given our pool of human and natural resources, Pakistan will soon translate its potential into growth, stability and a great future.

One year ago, Burj Bank underwent a leadership transition and the biggest challenge for us was to "fuel sustainable growth while building a cohesive team". We followed a structured approach with a clear strategic direction. The journey started with a new vision of becoming "the Islamic Bank of Choice". With the change in vision, the Bank evolved from an organization seeking competitive victory into a consumer focused organization whereby the new model of victory would be defined and awarded by the consumers of financial services.

The achievement of this soaring vision required a road map. A comprehensive and extensive strategy document covering the bank's growth plans for the next 5 years was prepared. The strategy focused on converting the bank into a high performance organization by laying a strong foundation with robust systems, processes and most importantly, a service culture. This required rationalization of the first year's business objectives as the strength of this foundation would define a sustainable growth path for the years to come. In order to ensure robust implementation of the strategy, a detailed tracking mechanism was put in place whereby each and every initiative was granulized to time-bound tasks with defined responsibilities and dependencies.

During the year, we have accomplished our objective of building solid foundations for growth whereby our operations have been successfully centralized, a strong service culture has been inducted, human capital gaps have been filled and our systems have been revitalized. We have moved to the iMal- Islamic Core Banking System, subsequent to year-end 2012 and our system implementation has been completed in a record time of just 9 months thus creating an international standard in terms of system changeover. We have concluded 2012 by laying the groundwork for a customer centric, efficient and scalable operating model. In order to achieve service differentiation, we have met and exceeded customer expectations by conducting process re-engineering and developing innovative ways of increasing touch point capability of the Bank.

In 2012, our nationwide branches have grown from 50 to 75, reflecting a percentage growth in distribution network of 50%. Within the Retail bank, we have successfully inducted a strong sales channel, converted our auto financing product: Carsaaz into a market leader, established Takaful business, strengthened our human capital and completed the groundwork to launch Priority banking and Home financing propositions. During the year, we have also launched our Islamic Debit MasterCard and revitalized our ADC portfolio to enhance the customer experience. Within the Corporate bank, we have added a rich portfolio of top corporate clients and started dedicated corporate banking branches in all three regions. We have also focused on establishing SME and Agri business, as also emphasized by the SBP, and launched Pakistan's first Islamic agricultural financing product. Our Global Markets & Advisory business has also been strengthened this year with the addition of Investment Banking and Home Remittance business.

From a financial viewpoint, we have posted notable growth in 2012. Our deposit base grew from Rs.20 billion to Rs.36 billion reflecting a deposit growth of 77% whereas our assets also grew by from Rs.27.6bn to Rs.47.2bn reflecting a 70% growth during the year. The balance sheet growth has been achieved while following a focused re-pricing strategy for both liabilities and assets. We have converted a loss making business into a profitable venture whereby we have converted a Rs.288 million loss after tax for 2011 into an after tax profit of Rs.84.6mn for 2012; the P&L swing of Rs.373mn driven by core banking activities, with a basic/diluted EPS of Re.0.114per share which has been posted for the year 2012. By the grace of ALMIGHTY, all our initiatives, tangible and intangible, have effectively been translated into good results for the Bank.

However, in my view, our two greatest victories of 2012 are intangibles and are far superior to the financial victories. Our "brand" and our "people" have become the pillars of our growth and the testaments of our success. Our brand has evolved into one of the strongest financial sector brands and today it is a widely recognized Islamic banking brand in this country. Today, the Burj employer brand is attracting talent from the oldest and the strongest Islamic and Conventional banking brands as well as fresh graduates from the leading national and international business schools. We have created a people environment where individuals and teams are facilitated to optimally perform to their potential and contribute towards the organization's progress. All our employees are proud to be the part of the Burj family and are zealous to continue playing their collective roles in this historic journey.

As we start our efforts for 2013, it is important to understand that the primary goal of any organization should be consistent and sustainable growth. As an institution, we are constantly learning and adapting to change and we feel that this year will help us tap further into sustainable quality business growth and progress. The Year 2013 will witness the positive numerical ramifications of the translation of our vision of being the Islamic Bank of Choice into reality. InshaAllah, with the continual support of our regulators, our shareholders, and the positive energy of our team, we will continue to excel in 2013 and beyond.

Ahmed Khizer Khan
President & CEO

میں برُج ہوں ایمان کا، اعتماد کا اور بھروسے کا

I am the Burj of Faith, Integrity and Trust

Shari'ah Rating

Islamic International Rating Agency (IIRA) has maintained Shari'ah Quality Rating of AA (SQR) for Burj Bank Limited. The rating reflects IIRA's opinion that Burj Bank conforms to the highest standards of Shari'ah requirement in all aspects of Shari'ah compliance.

The rating is supported by the fact that Burj Bank has an effective Shari'ah Supervisory Structure consisting of an Internal Shari'ah Supervisory Committee (ISSC), headed by an eminent, highly learned and widely respected Shari'ah scholar, Professor Mufti Munib-ur-Rehman. The ISSC comprises of the Bank's Shari'ah Advisor, Professor Mufti Munib-ur-Rehman, Deputy Shari'ah Advisor, Mufti Syed Sabir Hussain and three (3) Shari'ah Coordinators.

Burj Bank has approved procedures and a manual for Shari'ah compliance and review. The ISSC enjoys close working relationships with the shareholders, Board of Directors, executives and all other staff of the Bank.

The Shari'ah Advisor, Deputy Shari'ah Advisor and coordinators regularly monitor and examine every business transaction of the Bank across all branches & regions both before and after execution in order to avoid any negligence in Shari'ah compliance.

Burj Bank also has aggressive Shari'ah training programs for all new inductees and for the existing staff which has been developed by the Bank's Human Resource function. The ISSC members actively participate in Shari'ah training programs & morning lectures in the Head Office to enhance the overall Shari'ah knowledge and its application among the Bank's staff. The current procedures have proved to be extremely effective and they reflect the management's commitment towards the important aspects of Shari'ah training & development.

Shari'ah Advisor's Report

for the Financial Year-2012

الحمدللّٰہ رب العٰلمین و الصلوٰۃ والسلام علیٰ خاتم الانبیاء والمرسلین سیدنا محمد واٰلہ و صحبہ اجمعین

To,
The Shareholders,
Burj Bank Limited

السلام علیکم و رحمتہ اللّٰہ و برکاتہ

The year under review is the 6th financial year of Burj Bank Limited (the Bank).

During the year 2012, the Shari'ah Department/Internal Shari'ah Supervisory Committee reviewed various products, structures, process flows/modus operandi, concepts, and transactions for opinion/Fatwa on Shari'ah compliance, referred by several departments of the Bank. In order to enhance the Islamic banking knowledge and expertise, Islamic banking trainings, in general as well as product wise, were made mandatory for all staff of the Bank with the coordination of Learning and Development unit of HR department.

During the year Shari'ah Department of the bank continued to provide Shari'ah Consultancy Services to other Institutions to cater to their Islamic Financial needs.

As part of the Shari'ah Compliance and review framework, full-fledged Shari'ah Compliance and Review units were working under my supervision. During the year, the bank focused on glorifying the image of Islamic banking by revisiting various products and services of the Bank and improvements were made in products, which were already approved by the undersigned with the aim of maintaining superior Shari'ah Quality.

Following were the major developments that took place during the year under review;

1. RETAINED'AA' RATING FOR SHARI'AH QUALITY

   Islamic International Rating Agency (IIRA) based in Bahrain maintained Shari'ah Quality Rating of 'AA' for the Bank for the third consecutive year. It reflects IIRA's opinion that the Bank conforms to the high standards of Shari'ah requirements in all aspects of Shari'ah Quality analysis and implementation. We would like to dedicate this success to all the staff members and the management especially the President & CEO of the Bank for his close supervision in the Shari'ah related affairs of the Bank.

2. TRANSACTION APPROVAL SYSTEM

   All financing transactions which included funded transactions namely Murabaha, Murabaha cum Mudarabah, Ijarah, Istisna' and Diminishing Musharkah products as well as non-funded products namely Letters of Credit, Guarantees etc. were duly examined and scrutinized by the Shari'ah Department in the light of Shari'ah guidelines, prior to its execution in order to ensure Shari'ah compliance beforehand. On this basis, Shari'ah compliance was ensured and errors, if any, were rectified before actual execution of the transactions to minimize the Shari'ah non-compliance risk. The Shari'ah Department has developed and managed a comprehensive infrastructure for North and Central Region (Islamabad, Lahore and Faisalabad) and Centralized Consumer Department by deputing Shari'ah Coordinators at Lahore and Centralized Consumer Department in order to efficiently scrutinize transactions while ensuring Shari'ah compliance at all levels.

3. SHARIAH COMPLIANCE & REVIEW MANUALS

To strengthen the Shari'ah compliance structure of the bank and in line with the requirements of State Bank of Pakistan, during the year, Shari'ah Department developed a comprehensive Shari'ah Compliance Manual and Shari'ah Review Manual document.

4. REVIEW AND APPROVAL OF POLICIES/MANUALS/AGREEMENTS

During the year, Shari'ah Department has reviewed and approved more than eighty (80) policies, manuals and agreements prepared by the management. We express our gratitude and appreciation for the keen interest taken by the President/CEO and efforts devoted by other management personnel of the Bank.

5. TRAINING & DEVELOPMENT:

During the year, several in-house functional-level Islamic banking orientation and training sessions were held in coordination with HRD at Head Office Karachi and at other stations of the Bank. Online Shari'ah finance & other training modules were also developed, which were executed in coordination with IT, HRD and the Shari'ah Department. Special training sessions for the Management Committee were also conducted. Shari'ah Compliance training for Branch staffs were also arranged during Shari'ah Compliance visits to branches across the country.

To enhance awareness among the staff of the Bank about Islam & Islamic finance, a comprehensive program of lectures were conducted twice a week at Head Office of the bank and the summary of selected lectures were also circulated among all staff via e-mail.

The Bank supported and participated in various Islamic banking workshops, seminars and certificate courses arranged by different institutions including National Institute of Banking & Finance (NIBAF), State Bank of Pakistan (SBP), Islamic Research and Training Institute (IRTI), Sheikh Zayed Islamic Centre, University of Karachi, Institute of Bankers in Pakistan (IBP) and E&Y Ford Rhodes Sidat Hyder& Company. Shari'ah Coordinators of the Bank also participated in the Islamic Banking Seminar as facilitator, which was organized by the Bank in collaboration with the SBP.

SUMMARY OF SHARI'AH ADVISOR'S REVIEW:

LIABILITY SIDE:

On the liability side, the Bank offered variety of Shari'ah compliant deposit products based on the underlying Shari'ah modes of Al-Qard for Current Account and Mudarabah for Saving & Term deposit accounts. Weightages and profit sharing ratio were reviewed on regular basis and amendments were being made with our approval. Profit declaration mechanism as developed by us was duly implemented and sign-offs were obtained from us on monthly basis.

ASSET SIDE:

On the asset side, every transaction of Corporate, Retail and SME was scrutinized by the Shari'ah Compliance Unit of the Shari'ah Department. During the year consumer financing program of Auto Carsaaz (Auto Ijarah) and Fleet Financing were swiftly transferred from Ijarah mode to Diminishing Musharakah mode and was implemented with the true spirit of Shari'ah compliance. The Bank was able to service its customers well by successfully fulfilling their working capital requirements as well as capital budgeting/expenditure requirements through various modes of financing based on Murabaha, Ijarah, Istisna', Diminishing Musharakah and Mudarabah modes. However, Murabaha based financing including Islamic Export Refinance Scheme, remained significant portion of financing portfolio of the bank.

NEW INVESTMENT AVENUE:

During the year Shari'ah Department provided full guidance to the Global Market and Advisory Department and allowed 111 scripts including KMI 30 Index eligible stocks for Shari'ah Compliant Investment.

SHARI'AH COMPLIANCE REVIEWS:

To ensure that all the products and services were being offered by the bank which strictly adhered to the conjunctions of Shari'ah guidelines, Shari'ah Department actively reviewed and monitored almost all financial transactions of the bank throughout the year.

During the year, financing approvals, restructuring of financing facilities, customer specific modus operandi/process flows of various transactions, approval of contents and wordings of letters of guarantee (LGs), opening of LCs, security documents and various agreements were reviewed to ensure Shari'ah Compliance while offering such financing facilities to the customers.

Profit-sharing ratios, profit weightages, pool working, asset and deposit allocation for deposit products were monitored periodically by Shari'ah Department. During the year, almost all existing branches of the bank were visited to ensure Shari'ah Compliance at all levels.

CHARITY MOVEMENT:

As per Shari'ah rulings, charity in Islamic Banks has four sources and two applications:

Charity Due to Default in Payments:

"The charity which is collected in case of late/delay in payments from customer, according to Shari'ah it is NAZR-UN-LILLAH, it comes under the head of SADAQAT-E-WAJIBAH i.e. Obligatory to pay by the NAZIR, once it is intended by him (the customer who undertakes to pay the charity in case of late/default)".

Charity Due to Income of Void Transactions:

"The income of a transaction which is declared as Void by the Shari'ah Advisor due to some non-Shari'ah compliance reasons is the second source of Charity".

Charity Due to Income of Non-Purified Dividend:

"Another source of CHARITY is the portion of a dividend which is declared non-purified by the Shari'ah Advisor according to defined Shari'ah Screening criteria for investee companies".

Charity Due to Luqta (founded article i.e. which owner is unknown) and Other Miscellaneous Sources:

Sometimes Bank receives some unknown cash retraction against which no claims are received, the cash being received from ATM machine from time to time will not be parked as Bank's miscellaneous income, it will be treated as "LUQTA" (founded article i.e. which owner is unknown). All such amount is parked in suspense account. In case, at the end of financial year there is no claim then the amount will be transferred to Charity account with the intention that if any claim about such amount arises then after proper investigation by Operations Department and due approval by Shari'ah Advisor, the amount will be refunded to account holder or charity received from other sources like sponsor, Staff etc.

Application of all types of Charity is done in different manner:

i. The Charity which is collected on default/delayed payments, must be distributed among those who are specified in the Verse 60 of Surah Al-Taubah.
   Translation (9:60 Alms are for the poor and the needy, and those employed to administer the (funds); for those whose hearts have been reconciled; for those in bondage and in debt; in the cause of Allah. and for the wayfarer: ordained by Allah, and Allah is full of knowledge and wisdom.)

ii. While for other source of General charity (SADAQAT-E-NAFILA), there is no such restriction.

Shari'ah Department considers both types of charity and approves the distribution according to their nature and in conformity with Shari'ah guidelines.

The charity amounts that were obtained by the Bank were kept in a specially designated charity account of the bank. An Approval Procedure for Distribution of Charity was devised and a committee was formed for effective and transparent utilization. Committee ensures distribution of the charity after due scrutiny of the deserving beneficiaries, whether individuals or charitable institutions, after obtaining the approval of Shari'ah Adviser in compliance with the instructions of the State Bank of Pakistan.

In the year 2012, charity of PKR 24.589 million was collected on account of overdue financing/default in payments and PKR 20.962 million has been distributed to the institutions/individuals as per the charity policy already approved by the Board of Directors of the Bank. (Details of the charity distribution can be referred in the notes to the financial statements.)

Waiver/Exemptions of Charity Requests:

We considered several requests for the waiver of charity on grounds which were specified as unavoidable circumstances, in such instances it was duly communicated to the clients that according to Shari'ah rulings no one is allowed to waive NAZAR-UN-LILLAH, once it is intended by the NAZIR. Therefore, clients were directed that since they are exempted on special grounds from depositing their charity in bank's charity account, their liability will not extinguish unless they pay their charity in the way of ALLAH Al-Mighty on their own. However, such exemptions were allowed after ascertaining the genuineness of such requests. Nevertheless, exemptions were allowed as special cases only and must not be construed as general practice and deemed as precedence for future. Clients are also informed that the charity amounts cannot be adjusted in their ZAKAT or any other obligatory SADAQAT. The Shari'ah Department also devised procedure for entertaining such requests of charity reversal/exemption/waiver.

OBSERVATIONS & RECOMMENDATIONS:

- In our opinion training and awareness of Islamic banking and finance is a continuous process and the personnel of the Bank also requires regular training and development in future. We have recommended that aptitude test program should be put in place with regards to Shari'ah knowledge before hiring of new staff. Any new entrant should be required to undergo minimum competency requirement process before being allowed to hold any position. All in all, successful completion of the "Shari'ah Orientation Course" should be made mandatory.

- The position of Head of Product Development and Research is still vacant. Bank should make serious efforts to identify the appropriate resource to fill in the position. However, in the absence of this position Shari'ah Department has facilitated the management in developing new products for the Bank.

- Notwithstanding the fact, the conventional benchmark of KIBOR is still prevalent in Pakistan; however, the matter of usage of conventional benchmark still remains a matter of concern for Shari'ah Advisers.

- Several workshops/seminars were held for the employees of the bank and it is further recommended that such events should also be conducted for larger audiences and general public in order to improve awareness and understanding of Islamic banking.

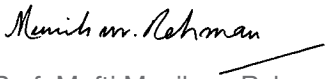
CONCLUSION:

Based on the reviews of almost all transactions of the Bank, the relevant documentations and procedures adopted, the allocation of funds, weightages, profit sharing ratios and all other activities & affairs the undersigned has unequivocal grounds to believe that the business of the Bank is being carried out in accordance with rules and principles of Shari'ah, SBP regulations and guidelines related to Shari'ah Compliance rules as well as with specific Fatawa issued from time to time.

The charity due to void transactions, non-purified income from dividend was duly transferred into the Charity Account of the Bank.

Lastly, I would like to conclude that, being an Islamic financial institution, it is the joint responsibility of the Board of Directors, management and Shari'ah department of the Bank to ensure the fulfillment of the pledge we have made with ALMIGHTY ALLAH Subhanahu Wa Ta'ala, our own conscience and other stakeholders to provide them Shari'ah compliant financial products and services. Alhamd-u-Lillah, we have fulfilled the pledge to the best of our ability and knowledge. Nevertheless, being human beings we cannot absolve ourselves from errors and omissions, therefore, we should endeavor to rectify any error or omission which comes to our knowledge.

و صلی اللّٰہ تعالیٰ علیٰ خیر خلقه سیدنا محمد و اٰله و صحبه اجمعین



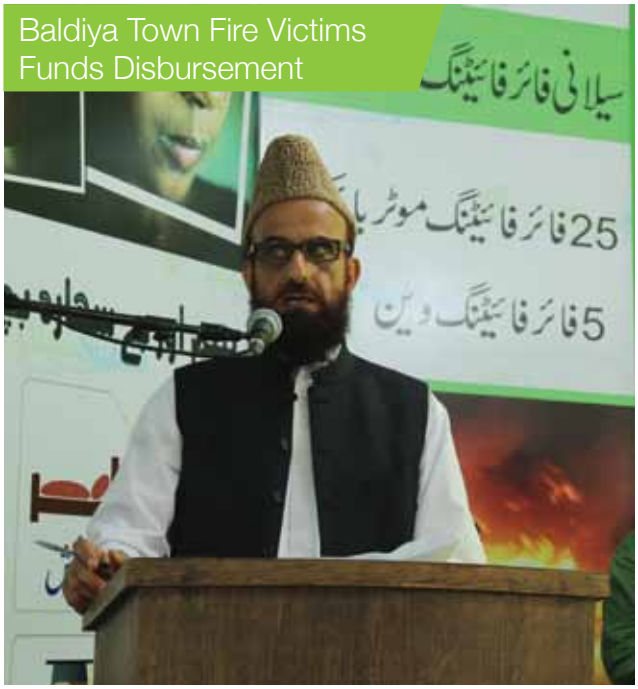
Prof. Mufti Munib-ur-Rehman
Shari'ah Advisor
Burj Bank Limited

Ramadan Iftar Distribution

SOS Village

SOS Village

Baldiya Town Fire Victims Funds Disbursement



Corporate Social Responsibility is at the heart of our business and we believe that giving back to the community & this country is just as important as our Core Brand Values.

With over 60% of the population below the poverty line there is a huge gap for us and other corporations to fill in order to uplift the community. The general philanthropic practices in Pakistan have been unorganized with preference given to donations rather than well researched, strategically planned community development programs that require both time & capital.

At Burj we aim to evolve from philanthropy to CSR (giving back to the community with wealth, time & energy). We have therefore developed a Charity Committee governed by the Shariah Board & representation from all major functions in the Bank. Together we have been

Baldiya Town Fire Victims Funds Disbursement

Edhi Orphanage Iftar

Edhi Orphanage Iftar

able to seamlessly integrate the social, ethical and environmental concerns of the society in our business model. Under the aegis of the Burj Charity Committee we have proactively participated in community well-being and growth efforts with its employees contributing to various philanthropic initiatives.

Recognizing every Burj Bank employee as a powerful agent of positive change, we launched employee driven CSR initiative - “Giving beyond the Workplace Campaign”. Under this initiative we carried out a number of activities that involved; spending quality time and dining with the beautiful children at the Edhi orphanage and distributing clothes and household items to the children at the SOS village. In the month of Ramadan the Burj Family participated in an Iftar distribution activity across all major traffic zones in Karachi , keeping true to the spirit of giving all through the holy month.

Burj Charity Committee also formed a crisis response team in order to strategically mobilize resources & funds in wake of any national catastrophe or disaster. In the Baldia fire incident our team managed multiple events for the distribution of funds to the family of victims of the worst industrial fire in the history of the country.

We have also developed long term partnerships with globally acclaimed NGOs and Trusts in order to provide them with continuous, sustainable support. Some of the organizations on our panel include Edhi Foundation, SOS Village, Saylani Welfare, Indus Hospital, Kidney Centre, Shaukat Khanam, SIUT, Jinnah Hospital and Burns Centre.

The Burj Family is committed to serving community and will continue you to do so with an even greater resolve in the years to come InshaAllah.

Notice of 7th Annual General Meeting of Burj Bank Limited

Notice is hereby given that the 7th Annual General Meeting of Burj Bank Limited will be held at **Pearl Continental, Henna Room, Karachi** on 10th April, 2013 at 11:00 am, to transact the following business:

Ordinary Business:

1. To confirm the minutes of 6th AGM Meeting.

2. To receive, consider and adopt the Audited Accounts for the year ended December 31, 2012 together with the Auditors' and Directors' Report thereon.

3. To appoint Auditors for the year 2013 and to fix their remuneration.

4. To elect ten (10) directors of the Bank as fixed by the Board of Directors in their meeting held on 06th March 2013 in accordance with the provisions of Section 178 of the Companies Ordinance, 1984 for a term of three years commencing from 06th April 2013. The following are the retiring directors, who are eligible for re-election:

    1. Mr. Khaled Mohammed Al Aboodi
    2. Mr. Shehab M. Gargash
    3. Mr. Ahmed Khizer Khan
    4. Mr. Nicolas Edouard Martin
    5. Mr. Adel Yousef Al-Saqabi
    6. Mr. Azam Essof Kolia
    7. Mr. Najmul Hassan
    8. Mr. Azhar Hamid
    9. Mr. Fuad Azim Hashimi

Special Business:

5. To consider and approve the change in remuneration of Directors for attending Meetings of Board of Directors and Board Sub-Committees

Note: Statements under section 160 of Companies Ordinance, 1984 is appended below.

Other Business:

6. To consider any other business with the permission of Chair.

By Order of the Board

Muhammad Amin Hussain
Company Secretary

March 19, 2013
Karachi.

Notes:

1. The share transfer books of the Bank shall remain closed from April 04, 2013 to April 10, 2013 (both days inclusive).

2. Any person who seeks to contest an election to the office of the director shall, whether he is retiring director or otherwise, file with the Bank at its registered office, not later than fourteen days before the date of the meeting at which elections are to be held, the following documents:

a. Notice of his/her intention to offer himself/herself for election as a director in terms of Section 178(3) of the Companies Ordinance, 1984. He/ she should also confirm that :

- He/she is not ineligible to become a director of the Bank under any applicable laws and regulations.
- Neither he /she nor his/her spouse is engaged in the business of brokerage or is a sponsor, director or officer of a corporate brokerage house.
- He/she is not serving as a director in more than seven listed companies simultaneously. Provided that this limit shall not include the directorship in the listed subsidiaries of a listed holding company.
- Consent to act as director in Form-28 under Section 184 of the Companies Ordinance, 1984.
- Proforma – Fit & Proper Test (Annexure-I), Affidavit on Non-Judicial Stamp Paper (Annexure – II) along with attested copy of CNIC/Passport, and duly completed Questionnaire for accessing "Fit & Proper Test" attached to the State Bank of Pakistan's BPRD Circular No.4 dated April 23, 2007.

In terms of the above-mentioned SBP's circular dated April 23, 2007 prior clearance in writing from SBP is required for appointment of Directors. Further, in terms of the said SBP circular, association of the following persons as a director is undesirable and against public interest:

- a person who is/has been associated with any illegal activity, especially relating to the banking business; and
- a person who in his individual capacity or a proprietary concern or any partnership firm or any private limited company or any unlisted public company or any listed public company (of which he has been a proprietor, partner, director or shareholder), has been in default of payment of any dues owed to any financial institution and /or in default of payment of any tax.

A person is not permitted to be a director of more than one financial institution. The term financial institution will include any bank, investment finance company, non-banking finance company, venture capital company, housing finance company, leasing company or Modaraba Company.

3. A member entitled to attend and vote at the 7th Annual General Meeting may appoint another member as his/her proxy to attend, speak and vote instead of him/her behalf at the meeting. No person other than a member shall act as proxy. A corporation being a member may appoint as its proxy any of its official or any other person whether a member or the Bank or otherwise.

4. An instrument appointing a proxy and the Power of Attorney or other Authority under which it is signed or a notarially certified copy of the Power or Authority, in order to be valid, must be deposited at the Registered Office of the Bank or F.D. Registrar Service (SMC- Pvt.) Ltd., 1705, 17th floor, Saima Trade Tower-A, I.I Chundrigar

Road, Karachi, not later than 48 hours before the time fixed for holding the meeting and must be duly stamped, singed and witnessed.

5. CDC account holder will in addition, have to follow under mentioned guidelines as laid down in Circular No.1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan for attending the meeting.

6. Shareholders are requested to notify change in their address, if any, to our Share Registrar, F.D Registrar Services (SMC-Pvt) Limited at 1705, 17th floor, Saima Trade Tower-A, I.I Chundrigar Road, Karachi.

A. For attending the meeting

i) In case of individuals, the account holder or sub-account holder and their registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his/her original Computerized National Identity Card (CNIC) or Original Passport at the time of attending the meeting.

ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B. For appointing proxies

i) In case of individuals, the account holder or sub-account holder and their registration details are uploaded as per the regulations, shall submit the proxy form as per the above requirement.

ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

iii) Attested copies of CNIC or the passport of the beneficial owners and of the proxy shall be furnished with the proxy form.

iv) The proxy shall produce his/her original CNIC or original passport at the time of meeting.

v) In case of a corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Bank.

STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984

RELATING TO DIRECTORS REMUNERATION

This statement set out for material facts concerning the approval of change in remuneration of Directors for attending Board Meetings and meetings of Board Sub-Committees.

Agenda Item No. 5

Shareholders' approval will be sought for revision in the payment of remuneration of Directors for attending Board and Board sub-committee meetings.

Presently Directors fee comprises reimbursement of return air ticket of business class, 2 days stay at five star hotel and Rs.25,000/= as allowance for each meeting of the Board.

Statement of Compliance with the Best Practices of Code of Corporate Governance

for the year ended December 31, 2012

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. G-1 of the Prudential Regulations for Corporate / Commercial Banking issued by the State Bank of Pakistan (SBP) for the purpose of establishing a framework of good governance, whereby the Bank is managed in compliance with the best practices of corporate governance.

The Bank has applied the principles contained in the CCG in the following manner:

1. The Bank encourages representation of independent non-executive directors and directors representing minority interests on its Board of directors. At present the Board includes:

Category	Names of the directors
Independent directors	Mr. Azhar Hamid
	Mr. Fuad Azim Hashimi
Executive director	Mr. Ahmed Khizer Khan
Non-Executive directors	Mr. Khaled Mohammed Al Aboodi
	Mr. Shehab M. Gargash
	Mr. Adel Yousef Al-Saqabi
	Mr. Nicolas E. Martin
	Mr. Azam Essof Kolia
	Mr. Najmul Hassan

   The independent directors meet the criteria of independence as defined in the Prudential Regulations issued by the SBP.

   The Board did not have any independent director till appointment of 2 independent directors by the Board in its meeting held on September 26, 2012. However, with the appointment of the above independent directors, the Board now complies with the requirement stipulated in the Code of Corporate Governance.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies (excluding the listed subsidiaries of listed holding companies where applicable).

3. All the resident directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. During the year Bank appointed three directors to fill four casual vacancies including one which arose last year. The details are as follows:

Name of outgoing director	Name of incoming director	Date of casual vacancy	Date of appointment by the Board	Date of approval by the SBP
Mr. Pervez Said (casual vacancy created last year)	Mr. Najmul Hassan	September 28, 2011	December 15, 2011	September 10, 2012
Mr. Mohammed Tariq	Mr. Azhar Hamid	March 1, 2012	September 26, 2012	November 27, 2012
Mr. Jamil Ahmed Qureshi	Mr. Fuad Azim Hashimi	September 26, 2012	September 26, 2012	November 27, 2012
Mr. Basheer A. Chowdry	Not yet appointed	September 26, 2012	Not yet appointed	Not yet appointed

5. The Bank has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures. The code is available on the internal website of the Bank.

6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO), other executive and non-executive directors, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Bank is compliant in respect of certification of at least one director during the year 2012 as Mr. Fuad Azim Hashimi is already a certified director by the Pakistan Institute of Corporate Governance. The management of the Bank has also circulated a summary of provisions of various laws i.e., the Companies Ordinance, 1984, the Code of Corporate Governance 2012, the Banking Companies Ordinance, 1962 and the Prudential Regulations of the State Bank of Pakistan as required under the Code to acquaint the directors of their duties and responsibilities and enable them to manage the affairs of the Bank on behalf of the shareholders.

10. The Board approved appointment of the Company Secretary during the year. The terms of employment of the Company Secretary, Chief Financial Officer (CFO) and the Head of Internal Audit, including their remuneration were ratified by the Board subsequent to the year end. No new appointment of CFO and Head of Internal Audit was made during the year.

11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the Bank were duly endorsed by CEO and CFO before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding.

14. The Bank has complied with all the corporate and financial reporting requirements of the CCG.

15. The Board has formed an audit committee. Two members of the committee resigned as members of the Board on September 26, 2012 and in their place one director was appointed on the same day. The third member of the committee (an independent director) was appointed as a member of the audit committee on January 30, 2013. As a result the committee had less than three members during the period from September 26, 2012 to January 30, 2013.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Bank and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has formed a human resource and remuneration committee. One member of the committee (non executive director) resigned as a member of the Board on September 26, 2012 which position was filled on January 30, 2013. As a result the committee had less than three members during the period from September 26, 2012 to January 30, 2013.

18. The Board has set up an effective internal audit function. The staff of Internal Audit Department is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Bank.

19. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. We confirm that all other material principles enshrined in the CCG have been complied with.

For and on behalf of the Board

Ahmed Khizer Khan
President/CEO

Karachi
Dated: March 06, 2013

Auditors' Review Report to the Members on Statement of Compliance with the Best Practices of the Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance ('Code') prepared by the Board of Directors of Burj Bank Limited ('the Bank') to comply with Regulation G-1 of the Prudential Regulations for Corporate / Commercial Banking issued by the State Bank of Pakistan.

The responsibility for compliance with the Code is that of the Board of Directors of the Bank. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Bank's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the Bank's personnel and review of various documents prepared by the Bank to comply with the Code.

As part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Bank's corporate governance procedures and risks.

The Code requires the Bank to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of the above requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length prices or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code as applicable to the Bank for the year ended December 31, 2012.

We draw attention to the following matters which are highlighted in paragraphs 1, 4, 10, 15 and 17 of the annexed statement:

- The Board of Directors did not have any independent director till September 26, 2012 as required by Prudential Regulations issued by the State Bank of Pakistan;
- On two instances, casual vacancies occurring in the Board were not filled within the time frame of ninety days as stipulated in the Code;
- The remuneration and terms and conditions of employment of the Company Secretary, Chief Financial Officer and the Head of Internal Audit were ratified by the Board subsequent to the year end; and
- The audit and the human resource and remuneration committees of the Board did not comprise of at least three members from September 26, 2012 till the year end.

A.F. Ferguson & Co.

Chartered Accountants
Dated: March 13, 2013
Karachi

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Kabul: House No. 1916, Street No. 1, Behind Cinema Bariqot, Nahar-e-Darsan, Karte-4, Kabul, Afghanistan; Tel: +93 (779) 315320, +93 (799) 315320

Statement on Internal Controls

The Board of Directors and Senior Management of Burj Bank are fully cognizant of the significance of internal controls framework in achieving the bank's overall objectives. The management views it as their prime responsibility to establish and maintain adequate internal controls and risk management through effective policies and procedures. It is also ensured that adequate resources remain available all the time for implementing efficient and effective control environment.

Board of Directors of the Bank are responsible for setting the right tone from the top by establishing overall strategies, policies related to these controls and systems. The Internal Audit Department, being an independent function reporting to the Audit Committee of the Board evaluates and monitors compliance with the Bank's policies, procedures and relevant controls in accordance with the approved annual audit plan and reports significant breaches to the Board Audit Committee on regular basis. The observations and suggestions received from the external auditors are also taken seriously by the management for prompt resolution by taking measures to eradicate highlighted weaknesses.

The Bank has restructured its Compliance and Controls Group (CCG) to strengthen its compliance culture across the bank to ensure that the bank as a whole adheres to the applicable laws, regulations, the internal policies and procedures of the Bank. Risk of Money Laundering and Terrorist Financing is effectively controlled, besides carrying out other control activities elaborated in regulatory guidelines or directions as provided by the management from time to time.

During the year 2012, the Bank initiated to change its core banking system and the same had been implemented successfully. iMAL is Shari'ah compliant new generation state of the art comprehensive enterprise Islamic Banking and Investment System addressing the in-depth business functionality in a single highly integrated front. It provides an effective Straight Through Processing (STP) functionality while meeting the Shari'ah rules and regulations.

The management of the bank, in compliance with SBP guidelines on Internal Controls, proactively conducted the exercise of implementation and evaluation of adequacy of Internal Controls over Financial Reporting (ICFR) which is a component of the overall internal control environment. In order to ensure consistency in the process of compliance with the relevant guidelines, the management has complied with the SBP structured roadmap for identifying various activities / stages involved in this initiative. The management has successfully completed all the 7 stages within the time as specified by SBP. The statutory auditors conducted stage 8, i.e. "Design and Implementation Review by External Auditors" as per the guidelines for "Special Review of Bank's Internal Controls over Financial Reporting" issued by ICAP and issued the long form report which was duly submitted to the State Bank of Pakistan. Observations received as part of the report are currently being worked upon by the management to further strengthen the overall internal control environment.

The Board of Directors remained the source of direction and guidance to the management and also ensured effective oversight through revamped MIS and other reporting to the Board. Policy framework was reinforced through preparation and/or revision of applicable policies and aligning them to the operating environment during the year.

Evolution of the internal controls system is continuous and an ongoing process. This statement of internal controls is based on the management's assessment towards various aspects of the internal control environment across the bank. The system of internal controls is designed to manage and mitigate rather than eliminate the risk of failure to achieve the Bank's business targets. It can therefore, only provide reasonable and not absolute assurance against material misstatements or loss. The system of internal controls being followed by the Bank is considered reasonably sound in design and is being effectively implemented and monitored.

The Board of Directors of the Bank endorses the above stated management's evaluation of internal controls.

For and on behalf of the Board

Ahmed Khizer Khan
President & CEO
Dated: March 06, 2013

Auditors' Report to the Members

We have audited the annexed statement of financial position of Burj Bank Limited (the bank) as at December 31, 2012 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the un-audited certified returns from the branches except for six branches which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the bank's management to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards and the requirements of the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, which in the case of Islamic financing and related assets covered more than sixty percent of the total Islamic financing and related assets of the bank, we report that:

(a) in our opinion, proper books of accounts have been kept by the bank as required by the Companies Ordinance, 1984 (XLVII of 1984), and the returns referred to above received from the branches have been found adequate for the purposes of our audit;

(b) in our opinion:

(i) the statement of financial position and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied except for the change as stated in note 3.5 to the financial statements with which we concur;

(ii) the expenditure incurred during the year was for the purpose of the bank's business; and

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(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the bank and the transactions of the bank which have come to our notice have been within the powers of the bank;

(c) in our opinion and to the best of our information and according to the explanations given to us the statement of financial position, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the bank's affairs as at December 31, 2012, and its true balance of profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and

(d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

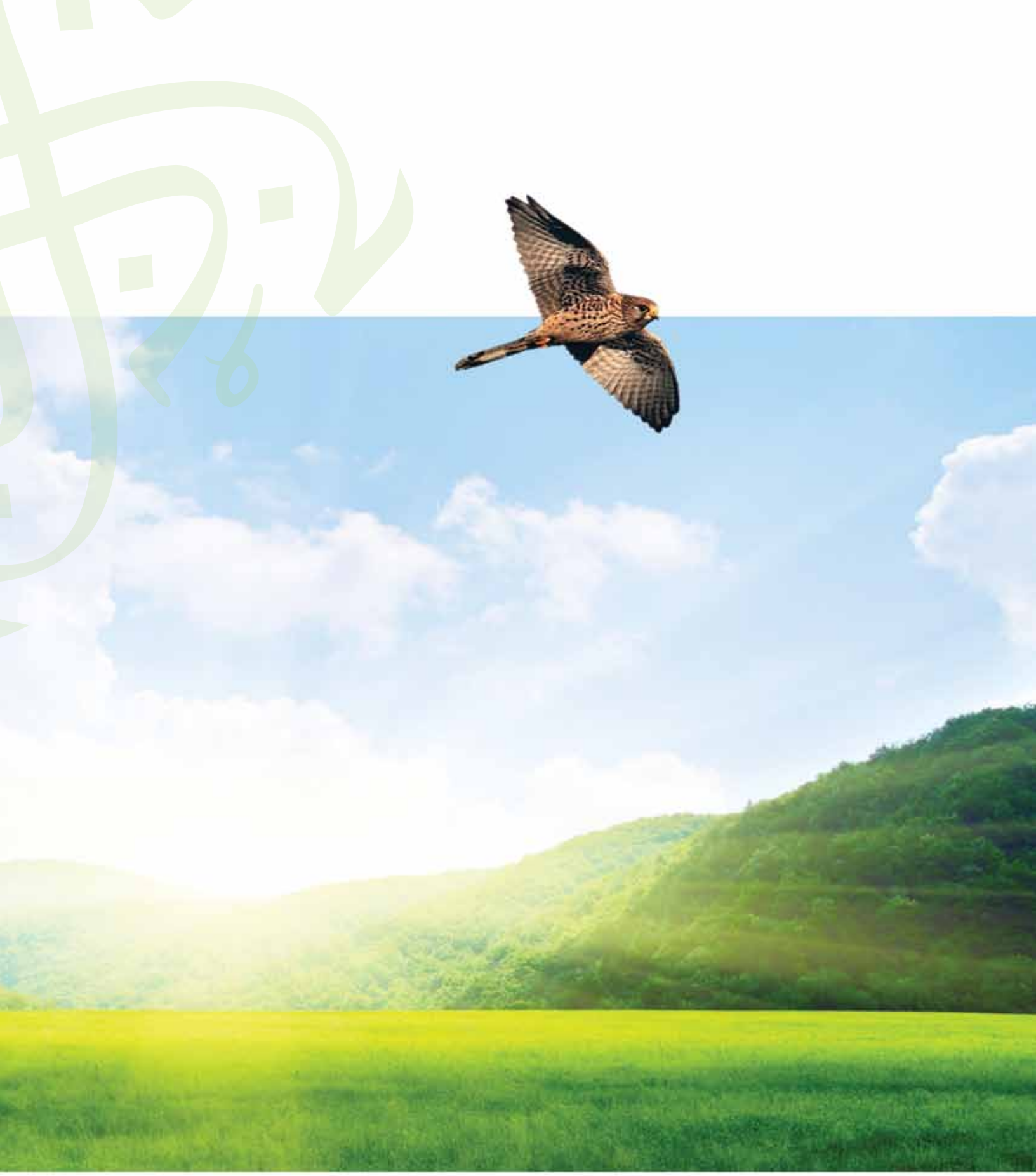
Emphasis of matter paragraph

We draw attention to note 17.4 to the accompanying financial statements which describes the matter relating to shortfall in minimum capital requirement of the bank as at December 31, 2012. Our opinion is not qualified in respect of this matter.

Chartered Accountants
Engagement Partner: Salman Hussain
Dated: March 13, 2013
Karachi

ابھی تو میری پرواز کی صرف ابتداء ھے

This is just the beginning of my flight



Financial Statements

Statement of Financial Position
As at December 31, 2012

	Note	2012	2011 (Restated)	2010 (Restated)
			Rupees in '000	
ASSETS				
Cash and balances with treasury banks	6	2,452,464	1,379,696	1,324,461
Balances with other banks	7	907,255	2,215,636	400,468
Due from financial institutions		-	-	2,679,753
Investments - net	8	17,156,398	9,982,793	5,050,878
Islamic financing and related assets - net	9	23,370,532	12,431,137	6,788,223
Operating fixed assets	10	1,130,246	671,890	646,645
Deferred tax assets - net	11	519,877	480,377	393,116
Other assets - net	12	1,648,680	494,686	392,142
		47,185,452	27,656,215	17,675,686
LIABILITIES				
Bills payable	13	390,795	210,932	86,867
Due to financial institutions	14	3,087,150	447,300	287,291
Deposits and other accounts	15	35,922,038	20,341,241	12,636,083
Sub-ordinated loans		-	-	-
Liabilities against assets subject to finance lease		-	-	-
Deferred tax liabilities		-	-	-
Other liabilities	16	1,847,988	852,164	339,462
		41,247,971	21,851,637	13,349,703
NET ASSETS		5,937,481	5,804,578	4,325,983
REPRESENTED BY				
Share capital	17	7,410,458	7,410,458	5,010,458
Reserves		2,030	16,751	16,751
Accumulated losses		(1,548,233)	(1,649,630)	(761,142)
		5,864,255	5,777,579	4,266,067
Surplus on revaluation of assets - net	18	73,226	26,999	59,916
		5,937,481	5,804,578	4,325,983
CONTINGENCIES AND COMMITMENTS	19			

The annexed notes 1 to 41 form an integral part of these financial statements.

CHAIRMAN	VICE CHAIRMAN	DIRECTOR	PRESIDENT / CEO
Khaled Mohammad Al-Aboodi	Shehab M. Gargash	Fuad Azim Hashimi	Ahmed Khizer Khan

Profit and Loss Account
For the year ended December 31, 2012

	Note	2012	2011 (Restated)
		Rupees in '000	
Profit / return earned	20	3,603,352	2,375,585
Profit / return expensed	21	(2,594,187)	(1,423,171)
Net spread earned		1,009,165	952,414
Reversal of provision / (provision) against non-performing Islamic financing and related assets - net	9.7	95,233	(158,519)
Reversal of provision / (provision) for diminution in the value of investments - net	8.8	78,626	(86,206)
Bad debts written off directly		-	-
		173,859	(244,725)
Net spread after provisions		1,183,024	707,689
Other income			
Fee, commission and brokerage income		104,544	34,363
Dividend income		98,185	33,757
Income from dealing in foreign currencies		24,450	20,845
Gain on sale of securities - net	22	212,575	80,758
Unrealised gain on revaluation of investments classified as held for trading - net	8.9	650	-
Other income	23	15,746	18,814
Total other income		456,150	188,537
		1,639,174	896,226
Other expenses			
Administrative expenses	24	(1,613,203)	(1,229,345)
Reversal of provision / (provision) against other assets - net	12.3	9,179	(13,732)
Other charges	25	(1,804)	(57)
Total other expenses		(1,605,828)	(1,243,134)
Extra ordinary / unusual items		-	-
Profit / (loss) before taxation		33,346	(346,908)
Taxation	26		
- Current year		(18,567)	(25,184)
- Prior years		-	-
- Deferred		69,867	83,604
		51,300	58,420
Profit / (loss) after taxation		84,646	(288,488)
		Rupees	
Basic / diluted earnings / (loss) per share	27	0.114	(0.463)

The annexed notes 1 to 41 form an integral part of these financial statements.

CHAIRMAN	VICE CHAIRMAN	DIRECTOR	PRESIDENT / CEO
Khaled Mohammad Al-Aboodi	Shehab M. Gargash	Fuad Azim Hashimi	Ahmed Khizer Khan

Statement Of Comprehensive Income
For the year ended December 31, 2012

	2012	2011
	Rupees in '000	
Profit / (loss) after taxation	84,646	(288,488)
Other comprehensive income	-	-
Total comprehensive income / (loss) for the year transferred to equity	84,646	(288,488)
Components of comprehensive income / (loss) not reflected in equity:		
Surplus / (deficit) on revaluation of available for sale investments - net of tax	46,227	(32,917)
Total comprehensive income / (loss) for the year	130,873	(321,405)

The annexed notes 1 to 41 form an integral part of these financial statements.

CHAIRMAN	VICE CHAIRMAN	DIRECTOR	PRESIDENT / CEO
Khaled Mohammad Al-Aboodi	Shehab M. Gargash	Fuad Azim Hashimi	Ahmed Khizer Khan

Cash Flow Statement
For the year ended December 31, 2012

	Note	2012	2011 (Restated)
		Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (loss) before taxation		33,346	(346,908)
Less: Dividend income		(98,185)	(33,757)
		(64,839)	(380,665)
Adjustments for non-cash and other items			
Depreciation - owned assets	10.2	131,445	117,457
Depreciation - ijarah assets		389,445	109,178
Amortisation	24.3	24,219	34,993
Operating fixed assets written off	24	3,477	22,402
(Reversal of provision) / provision against non-performing Islamic financing and related assets - net	9.7	(95,233)	158,519
(Reversal of provision) / provision for diminution in the value of investments - net	8.8	(78,626)	86,206
(Reversal of provision) / provisions against other assets - net	12.3	(9,179)	13,732
Unrealised gain on revaluation of investments classified as held for trading - net	8.9	(650)	-
Unrealised loss on forward foreign exchange contracts - net	16	-	1,516
Reversal of rent expense on purchase of building		-	(8,649)
Employee benefit cost under IFRS 2 - Share based payments		2,030	-
Gain on sale of operating fixed assets - net	23	(2,841)	(1,370)
Gain on sale of securities - net	22	(212,575)	(80,758)
		151,512	453,226
		86,673	72,561
(Increase) / decrease in operating assets			
Due from financial institutions		-	2,679,753
Net investment in held for trading securities		(59,565)	200,004
Islamic financing and related assets		(11,233,607)	(5,910,611)
Other assets (excluding advance taxation and deferred cost)		(1,129,613)	(121,421)
		(12,422,785)	(3,152,275)
Increase in operating liabilities			
Bills payable		179,863	124,065
Due to financial institutions		2,639,850	160,009
Deposits and other accounts		15,580,797	7,705,158
Other liabilities		995,824	511,186
		19,396,334	8,500,418
		7,060,222	5,420,704
Income tax paid		(35,415)	(26,627)
Net cash generated from operating activities		7,024,807	5,394,077
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investment in available for sale securities		(68,959,298)	(11,828,280)
Dividend income received		98,185	33,757
Proceeds from sale of available for sale securities		62,213,703	6,654,339
Investment in operating fixed assets		(636,812)	(196,213)
Proceeds from sale of operating fixed assets		23,802	12,723
Net cash used in investing activities		(7,260,420)	(5,323,674)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of right shares		-	1,800,000
Net cash generated from financing activities		-	1,800,000
(Decrease) / increase in cash and cash equivalents during the year		(235,613)	1,870,403
Cash and cash equivalents at the beginning of the year		3,595,332	1,724,929
Cash and cash equivalents at the end of the year	28	3,359,719	3,595,332

The annexed notes 1 to 41 form an integral part of these financial statements.

CHAIRMAN	VICE CHAIRMAN	DIRECTOR	PRESIDENT / CEO
Khaled Mohammad Al-Aboodi	Shehab M. Gargash	Fuad Azim Hashimi	Ahmed Khizer Khan

Statement of Changes in Equity
For the year ended December 31, 2012

	Share capital	Statutory reserve*	Share based payment contribution reserve	Accumulated losses	Total
	Rupees in '000				
Balance as at January 1, 2011	5,010,458	16,751	-	(761,142)	4,266,067
Issue of right shares	2,400,000	-	-	-	2,400,000
Discount on issue of right shares	-	-	-	(600,000)	(600,000)
Loss after taxation for the year - transferred from Statement of Comprehensive Income	-	-	-	(288,488)	(288,488)
Balance as at December 31, 2011	7,410,458	16,751	-	(1,649,630)	5,777,579
Profit after taxation for the year - transferred from Statement of Comprehensive Income	-	-	-	84,646	84,646
Transfer to Statutory Reserve *	-	16,929	-	(16,929)	-
Transfer from Statutory Reserve **	-	(33,680)	-	33,680	-
Employee benefit cost under IFRS 2 - Share based payment (notes 5.17 and 32)	-	-	2,030	-	2,030
Balance as at December 31, 2012	7,410,458	-	2,030	(1,548,233)	5,864,255

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

** The State Bank of Pakistan vide its Letter No. BSD/CSD/12044/12/2011 dated October 11, 2012 has allowed the Bank to appropriate its reserve funds to off-set the accumulated losses of the Bank subject to its intimation to SBP within 21 days of its appropriation.

The annexed notes 1 to 41 form an integral part of these financial statements.

CHAIRMAN	VICE CHAIRMAN	DIRECTOR	PRESIDENT / CEO
Khaled Mohammad Al-Aboodi	Shehab M. Gargash	Fuad Azim Hashimi	Ahmed Khizer Khan

1 STATUS AND NATURE OF BUSINESS

1.1 Burj Bank Limited (the Bank) was incorporated in Pakistan as an unlisted public limited company on August 29, 2005 under the Companies Ordinance, 1984 to carry out business of an Islamic Commercial Bank in accordance with the principles of Islamic Shariah. The registered office of the Bank is situated at Trade Centre, I. I. Chundrigar Road, Karachi.

1.2 The State Bank of Pakistan (SBP) granted a "Scheduled Islamic Commercial Bank" license to the Bank on March 16, 2007 and granted approval for commencement of Islamic Banking Business on April 9, 2007. The Bank is principally engaged in commercial, consumer and investment activities. At present the Bank is operating through its seventy five branches including eight sub branches (2011: fifty branches including eight sub branches).

1.3 Based on the financial statements of the Bank for the year ended December 31, 2011, JCR VIS Credit Rating Company Limited has determined the Bank's long term rating as "Single A" and short term rating has been upgraded from "A-Two" to "A-One". Outlook on the ratings is "Stable".

2 BASIS OF PRESENTATION

The Bank provides financing mainly through Murabaha, Istisna, Ijarah, and other Islamic modes. The transactions of purchases, sales and leases executed under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of rental / profit thereon. The income on such financing is recognised in accordance with the principles of Islamic Shariah. However income, if any, received which does not comply with the principles of Islamic Shariah is recognised as charity payable if so directed by the Shariah Advisor.

3 STATEMENT OF COMPLIANCE

3.1 These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan, as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). Wherever the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the directives issued by the SECP and the SBP differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the requirements of the said directives prevail.

3.2 The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' through its notification S.R.O. 411(I)/2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

3.3 The SBP through its BSD Circular Letter No. 7 dated April 20, 2010 has clarified that for the purpose of preparation of financial statements in accordance with International Accounting Standard-1 (Revised), 'Presentation of Financial Statements', two statement approach shall be adopted i.e., separate 'Profit and Loss Account' and 'Statement of Comprehensive Income' shall be presented, and 'Balance Sheet' shall be renamed as 'Statement of Financial Position'. Furthermore, the Surplus / (Deficit) on revaluation of available for sale securities (AFS) only, may be included in the 'Statement of Comprehensive Income' but will continue to be shown separately in the 'Statement of Financial Position'. Accordingly, the above requirements have been adopted in the preparation of these financial statements.

3.4 IFRS 8 'Operating Segments' is effective for the Bank's accounting period beginning on or after January 1, 2009. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2006. The management of the Bank believes that as the SBP has defined the segment categorisation in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these financial statements is based on the requirements laid down by the SBP.

3.5 Change in accounting policies and disclosures

The State Bank of Pakistan (SBP) vide BSD Circular Letter No. 3 of 2013 dated January 22, 2013 has introduced changes to the 'Revised Forms of Annual Financial Statements' as applicable to the Bank, which have been made effective from December 31, 2012.
Under the aforementioned directive issued by the SBP, the Bank has changed its accounting policy in respect of presentation and disclosure of Islamic financing and related assets as under:

- The head 'Financings' in the statement of financial position has been renamed as 'Islamic financing and related assets'.
- All financings, advances against financings, inventories and related assets previously being reported under 'Other assets' have now been made part of 'Islamic financing and related assets'.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' and accordingly the comparative figures have been restated. The effect of change in the accounting policy on the current and prior period financial statements have been summarised below:

	2012	2011	2010
		Rupees in '000	
Impact on statement of financial position			
Decrease in other assets	(3,576,997)	(1,921,797)	(1,172,021)
Increase in Islamic financing and related assets - net	3,576,997	1,921,797	1,172,021

	2012	2011
	Rupees in '000	
Impact on profit and loss account		
Decrease in provision against non-performing Islamic financing and related assets - net	(3,250)	(6,855)
Increase in provision against other assets - net	3,250	6,855

	2012	2011
	Rupees in '000	
Impact on cash flow statement		
Decrease in provision against non-performing Islamic financing and related assets - net	(3,250)	(6,855)
Increase in provision against other assets - net	3,250	6,855
Increase in Islamic financing and related assets	1,651,950	742,921
Decrease in other assets (excluding advance taxation and deferred cost)	(1,651,950)	(742,921)

There is no impact of this change on the earnings / (loss) per share for the current or prior year.

3.6 New and amended standards and interpretations that are effective in the current year

There are certain new and amended standards and interpretations that are mandatory for the Bank's accounting period beginning on or after January 1, 2012 but are considered not to be relevant or to have any significant effect on the Bank's operations and are, therefore, not disclosed in these financial statements.

3.7 New and amended standards and interpretations, as adopted in Pakistan, that are not yet effective

The following standards and amendments to existing standards and interpretations have been published and are mandatory for the Bank's accounting period beginning on or after January 1, 2013 and have not been early adopted by the Bank:

- IAS 1, 'Presentation of financial statements' (effective July 1, 2012). The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. Because of the circumstances described in note 3.3 above, this amendment will not have any impact on the Bank's financial statements.

There are certain other new and amended standards and interpretations that are mandatory for the Bank's accounting period beginning on or after January 1, 2013 but are considered not to be relevant or do not have any significant effect on the Bank's operations and are therefore not detailed in these financial statements.

3.8 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards as applicable in Pakistan requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.3 to these financial statements.

3.9 Early adoption of standards

The Bank has not early adopted any new or amended standard in 2012.

4 BASIS OF MEASUREMENT

4.1 Accounting convention

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

4.2 Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Bank operates. These financial statements are presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

4.3 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgment in application of its accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Significant accounting estimates and areas where judgments were made by the management in the application of accounting policies are as follows:

i) Classification and provisioning against investments (notes 5.2 and 8)

ii) Classification and provisioning against Islamic financing and related assets (notes 5.3 and 9)

iii) Current and deferred taxation (notes 5.8, 11 and 26)

iv) Determination of useful lives and depreciation / amortisation (notes 5.4 and 10)

v) Charge in respect of share based compensation plan (notes 5.17 and 32)

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These have been consistently applied to all years presented, unless otherwise specified.

5.1 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise of cash and balances with treasury banks and balances with other banks in current and deposit accounts.

5.2 Investments

5.2.1 Classification

Investments of the Bank, other than investments in associates, are classified as follows:

(a) Held for trading

These are investments, which are either acquired for generating profits from short-term fluctuations in market prices or are securities included in a portfolio for which there is evidence of a recent actual pattern of short-term profit taking.

(b) Held to maturity

These are investments with fixed or determinable payments and fixed maturity and the Bank has the positive intent and ability to hold them till maturity.

(c) Available for sale

These are investments which do not fall under 'held for trading' or 'held to maturity' categories.

5.2.2 Regular way contracts

All purchases and sales of investments that require delivery within the time frame established by regulation or market convention are recognised at trade date, which is the date on which the Bank commits to purchase or sell the investments.

5.2.3 Initial recognition and measurement

Investments other than those categorised as 'held for trading' are initially recognised at fair value which includes transaction costs associated with the investment. Investments classified as 'held for trading' are initially recognised at fair value and transaction costs are expensed in the profit and loss account.

5.2.4 Subsequent measurement

Subsequent to initial recognition investments are valued as follows:

(a) Held for trading

These are measured at subsequent reporting dates at fair value. Gains and losses on remeasurement are included in the net profit and loss for the year.

(b) Held to maturity

These are measured at amortised cost using effective profit rate method, less any impairment loss recognised to reflect irrecoverable amount.

(c) Available for sale

In accordance with the requirements specified by the SBP, quoted securities are subsequently re-measured to market value. Market value for quoted sukuks is determined using the Reuters rate while listed equity securities are marked to market using the prices quoted on the stock exchange. Unquoted equity securities are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investment in other unquoted securities are valued at cost less impairment losses, if any.

Surplus / deficit arising on revaluation of quoted securities is included in the statement of comprehensive income but is kept in a separate account which is shown in the statement of financial position below equity.

(d) Investments in associates

Investment in associates is carried at cost less accumulated impairment losses, if any.

5.2.5 Impairment

Impairment loss in respect of investments classified as available for sale, held to maturity and investment in associates (except Sukuk certificates) is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged decline in fair value of an equity investment below its cost is also considered an objective evidence of impairment. Provision for diminution in the value of Sukuk certificates is made as per the Prudential Regulations issued by the SBP. In case of impairment of available for sale securities, the cumulative loss that has been recognised directly in surplus / (deficit) on revaluation of securities on the statement of financial position below equity is removed therefrom and recognised in the profit and loss account. For investments classified as held to maturity and investment in associates, the impairment loss is recognised in the profit and loss account.

5.2.6 Gains or losses on sale of investments are included in the profit and loss account for the year.

5.3 Islamic financing and related assets

These are financial products originated by the Bank and principally comprise of Murabaha, Mudarabah, Ijarah, Diminishing Musharakah and Istisna receivables. These are stated net of specific and general provision against non performing Islamic financing and related assets, if any.

Specific provision

The Bank maintains specific provision for doubtful debts based on the requirements specified in the Prudential Regulations issued by the SBP.

General provision

The Bank maintains general provision at the rate of 5% against unsecured consumer portfolio and at the rate of 1.5% against secured consumer portfolio in accordance with the requirements of the Prudential Regulations issued by the SBP. If considered necessary Bank can also maintain general provision in respect of corporate, commercial and SME portfolio. This provision is maintained based on management's best estimate and is approved by the Board of Directors.

The net provision made / reversed during the year is charged to profit and loss account and accumulated provision is netted off against Islamic financing and related assets. Islamic financing and related assets are written off when there are no realistic prospects of recovery.

5.3.1 Ijarah financings

Ijarah financings executed on or before December 31, 2008 have been accounted for under finance method, while all Ijarah financings executed subsequent to this date are accounted for under IFAS-2.

- Under finance method, the present value of minimum ijarah payments have been recognised and shown under Islamic financing and related assets. The unearned income i.e., the excess of aggregate ijarah rentals over the cost of the asset and documentation charges under ijarah facility is deferred and then amortised over the term of the ijarah, so as to produce a constant rate of return on net investment in the ijarah. Gains / losses on termination of ijarah contracts are recognised as income on receipt basis. Income on ijarah is recognised from the date of delivery of the respective assets to the mustajir (lessee).

- Under IFAS-2 method, assets underlying ijarah financings have been carried at cost less accumulated depreciation and impairment, if any, and are shown under Islamic financing and related assets. Rentals accrued from ijarah financings net of depreciation charged are taken to the profit and loss account. Depreciation on ijarah assets is charged by applying the straight line method over the ijarah period which is from the date of delivery of respective assets to mustajir upto the date of maturity / termination of ijarah agreement.

5.4 Operating fixed assets

5.4.1 Capital work in progress

Capital work in progress is stated at cost less impairment losses, if any.

5.4.2 Property and equipment

These assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation, except for ijarah assets, is charged to the profit and loss account by applying the straight line method over the estimated useful lives, using the rates specified in note 10.2 to the financial statements. The depreciation charge for the year is calculated after taking into account residual value, if any. Depreciation is charged from the month of acquisition and up to the month preceding the month of disposal.

The assets' residual values, if significant, and their useful lives are reviewed and adjusted, if appropriate, at each reporting date.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repair and maintenance are charged to the profit and loss account as and when incurred.

Gains and losses on disposal of property and equipment, if any, are taken to the profit and loss account.

5.4.3 Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Such intangible assets are amortised using the straight line method over their estimated useful lives. The useful lives and amortisation method are reviewed and adjusted, if appropriate at each reporting date. Intangible assets having an indefinite useful life are stated at acquisition cost less accumulated impairment losses, if any. Amortisation is charged from the month of acquisition and up to the month preceding the month of deletion.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably.

Intangible assets having an indefinite useful life are stated at acquisition cost less accumulated impairment losses, if any. Gains and losses on deletions, if any, are taken to the profit and loss account in the period in which they arise.

5.5 Impairment

At each reporting date, the Bank reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Recoverable amount is the greater of net selling price and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately in the profit and loss account.

5.6 Deferred costs

As allowed by the SBP, pre-operating / preliminary expenses are included in deferred costs and these are amortised over a maximum period of five years on a straight line basis from the date of commencement of business.

5.7 Non-banking assets acquired in satisfaction of claims

Non-banking assets acquired in satisfaction of claims are stated at the lower of the claim amount (settlement amount) and then market value at the time of acquisition. The Bank carries out periodic valuation of these assets and any decline in their value below the recognised amount is charged to the profit and loss account. These assets are disclosed in 'other assets' as specified by the SBP.

5.8 Taxation

Current

The provision for current taxation is based on taxable income for the year, if any, at current rates of taxation, after taking into consideration available tax credits, rebates and tax losses as required under the seventh schedule to the Income Tax Ordinance, 2001. The charge for current tax also includes adjustments, where considered necessary relating to prior years, which arises from assessments / developments made during the year. In addition, the Bank also provides for turnover tax in accordance with the requirements of section 113 of the Income Tax Ordinance, 2001.

Deferred

Deferred tax is recognised using the balance sheet liability method on all major temporary differences between the carrying amounts of assets and liabilities used for financial reporting purposes and amounts used for taxation purposes. In addition, the Bank also records deferred tax asset on available tax losses. Deferred tax is calculated using the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

The carrying amount of the deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised.

The Bank also recognises deferred tax asset / liability on deficit / surplus on revaluation of securities which is adjusted against the related deficit / surplus in accordance with the requirements of the International Accounting Standard 12 - Income Taxes.

5.9 Pool management

Bank receives non-remunerative deposits under the contract of "Qard", whereas remunerative deposits are received under the contract of "Mudarabah" which are used by the Bank in generating profits.

Deposits based on Qard basis are classified as current account which are non remunerative deposits.

Deposits based on Mudarabah are classified as current remunerative, savings or fixed deposits, which is based upon profit sharing of Shariah compliant investments and financings, etc.

The Bank has also comingled its equity in generating profit. This introduces Bank's profit-and-loss sharing (PLS) model, which is based on the Mudarabah Musharakah concept of Islamic contracting.

5.10 Staff retirement benefits

Defined contribution plan

The Bank operates a recognised contributory provident fund scheme for all its permanent employees. Equal monthly contributions are made, both by the Bank and the employees, to the fund at the rate of 10% of basic salary. The Bank has no further payment obligation once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

5.11 Funds due to financial institutions / deposits and their cost

a) Funds due to financial institutions / deposits are recorded at the proceeds received.

b) Profits / returns on funds due to financial institutions / deposits are recognised as an expense in the period in which these are incurred using effective profit rate method to the extent that these are not directly attributable to the acquisition of or construction of qualifying assets. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) are capitalised as part of the cost of that asset.

5.12 Provisions and contingent assets and liabilities

Provisions are recognised when the Bank has a present, legal or constructive, obligation arising as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimates.

Contingent assets are not recognised, and are also not disclosed unless an inflow of economic benefits is probable. Contingent liabilities are disclosed unless the probability of an outflow of resources embodying economic benefit is not remote.

5.13 Revenue recognition

- Profit from murabaha financing is accounted for on culmination of murabaha transaction. However, the profit on that portion of murabaha not due for payment is deferred by accounting for "Unearned Murabaha Income" with a corresponding credit to "Deferred Murabaha Income" which is recorded as a liability. The same is then recognised on a time proportion basis.

- Income from ijarah financings under both finance and IFAS-2 method is recognised on an accrual basis.

- Profit on diminishing musharakah, mudarabah and istisna are recognised on an accrual basis.

- Fee, commission and brokerage income including commission income on letters of credit and letters of guarantees are accounted for on receipt basis.

- Profit on investments in sukuks is recognised on an accrual basis. Where debt securities (excluding held for trading securities) are purchased at a premium or discount, those premiums / discounts are amortised through the profit or loss account using the effective yield method.

- Dividend income is recognised when the Bank's right to receive dividend is established.

- Gain or loss on sale of investments is recognised in the profit and loss account in the year in which it arises.

5.14 Acceptances

Acceptances comprise undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be simultaneously settled with the reimbursement from the customers. Acceptances are accounted for as off balance sheet transactions and are disclosed as contingent liabilities and commitments.

5.15 Foreign currencies

Foreign currency transactions are recorded in Rupees at exchange rates prevailing on the date of transaction. Monetary assets, monetary liabilities and contingencies and commitments in foreign currencies, except forward contracts, at the year end are reported in Rupees at exchange rates prevalent on the reporting date.

Forward contracts relating to the foreign currency deposits are valued at forward rates applicable to the respective maturities of the relevant foreign exchange contracts. Exchange gains and losses are included in the profit and loss account.

Commitments

Commitments for outstanding forward foreign exchange contracts are disclosed at contracted rates. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in Rupee terms at the exchange rates ruling on the reporting date.

5.16 Offsetting

Financial assets and financial liabilities are off-set and the net amount reported in the financial statements only when there is a legally enforceable right to set-off the recognised amount and the Bank intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also off-set and the net amount is reported in the financial statements.

5.17 Share based compensation plan

The Bank has offered a share based compensation plan to its Chief Executive Officer (CEO) of the Bank which is accounted for as "Equity settled share based payment plan". This plan provides for awards of Burj Bank Limited's stock options to the CEO of the Bank subject to achievement of certain performance conditions. Employee benefit cost under the plan is calculated with reference to the fair value of the share options measured at the grant date (information regarding determination of fair value of share options is detailed in note 32 to these financial statements). The fair value of the share options determined at the grant date is charged to the profit and loss account, on a straight line basis, over the vesting period based on the management's best estimate of the equity instruments that will eventually vest, with a corresponding increase in equity under the head "Share based payment contribution reserve".

5.18 Financial instruments

All financial assets and liabilities are recognised at the time when the Bank becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Bank loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised when they are extinguished, i.e., when the obligation specified in the contract is discharged, cancelled or expired. Any loss on derecognition of the financial assets and financial liabilities is taken to the profit and loss account directly. Financial assets carried on the statement of financial position include cash and balances with treasury banks, balances with other banks, due from financial institutions, investments, Islamic financing and related assets and certain other receivables while financial liabilities include bills payable, due to financial institutions, deposits and other accounts and certain other payables. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

5.19 Dividend and appropriation to reserves

Dividend and appropriation to reserves, except appropriations which are required under the law, after the date of statement of financial position, are recognised as a liability in the Bank's financial statements in the period in which these are approved.

5.20 Earnings / (loss) per share

The Bank presents basic and diluted earnings / (loss) per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

5.21 Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing product or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Bank's primary format of reporting is based on business segments.

5.21.1 Business segments

The business segments within the Bank have been categorised into the following classifications of business segments in accordance with the requirements specified by the SBP.

- Corporate finance

  It includes investment banking, syndications, IPO related activities (excluding investments), secondary private placements, underwriting and securitisation.

- Trading and sales

  It includes equity, foreign exchanges, commodities, own securities and placements.

- Retail banking

  It includes retail financings, deposits and banking services offered to its retail customers and small and medium enterprises.

- Commercial banking

  It includes project finance, export finance, trade finance, ijarah, guarantees and bills of exchange relating to its corporate customers.

5.21.2 Geographical segments

The operations of the Bank are currently based only in Pakistan.

	Note	2012	2011
		Rupees in '000	
6 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
- local currency		562,749	428,513
- foreign currencies		86,607	35,869
		649,356	464,382
With the State Bank of Pakistan in			
- local currency current account	6.1	1,609,673	774,196
- foreign currency current account		16,648	11,758
- foreign currency deposit accounts			
cash reserve account	6.2	46,146	26,984
special cash reserve account	6.3	55,375	32,380
		101,521	59,364
With National Bank of Pakistan in			
- local currency current account		75,266	69,996
		2,452,464	1,379,696

6.1 The local currency current account is maintained with the SBP as per the requirements of Section 36 of the State Bank of Pakistan Act, 1956. This section requires banking companies to maintain a local currency cash reserve in the current account opened with the SBP at a sum not less than such percentage of its time and demand liabilities in Pakistan as may be prescribed by the SBP.

6.2 As per BSD Circular No. 15 dated June 21, 2008, cash reserve of 5% is required to be maintained with the SBP on deposits held under the New Foreign Currency Accounts Scheme (FE-25 deposits).

6.3 Special cash reserve of 6% is required to be maintained with the SBP on FE-25 deposits as specified in BSD Circular No. 15 dated June 21, 2008. During the year this deposit account was not remunerated (2011: Nil).

	Note	2012	2011
		Rupees in '000	
7 BALANCES WITH OTHER BANKS			
In Pakistan			
- current account		443	294
- deposit account	7.1	300,717	2,050,680
Outside Pakistan			
- current account		606,095	164,662
		907,255	2,215,636

7.1 This represents savings accounts carrying profit at the rates ranging from 5.00% to 10.00% per annum (2011: 5.00% to 12.90% per annum).

8 INVESTMENTS - NET

8.1 Investments by types

	Note	2012			2011		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
		Rupees in '000					
Held for trading securities							
Fully paid up ordinary shares - listed	8.9	59,565	-	59,565	-	-	-
Available for sale securities							
Fully paid up ordinary shares - listed		873,420	-	873,420	346,754	-	346,754
Sukuk bonds / certificates		15,952,203	-	15,952,203	9,305,798	-	9,305,798
Units of open-end mutual funds		220,000	-	220,000	434,901	-	434,901
		17,045,623	-	17,045,623	10,087,453	-	10,087,453
Investments at cost		**17,105,188**	**-**	**17,105,188**	**10,087,453**	**-**	**10,087,453**
Less: Provision for diminution in the value of investments	8.8	(56,033)	-	(56,033)	(134,659)	-	(134,659)
Investments (net of provisions)		**17,049,155**	**-**	**17,049,155**	**9,952,794**	**-**	**9,952,794**
Unrealised gain on revaluation of investments classified as held for trading - net	8.9	650	-	650	-	-	-
Surplus on revaluation of available for sale securities - net	18	106,593	-	106,593	29,999	-	29,999
Total investments at market value		**17,156,398**	**-**	**17,156,398**	**9,982,793**	**-**	**9,982,793**

8.2 Investments by segments

	Note	2012	2011
		Rupees in '000	
Federal Government Securities			
GOP Ijarah Sukuk - unlisted	8.4	15,296,271	8,252,486
Fully paid up ordinary shares / units			
Listed companies / mutual funds	8.5	1,152,985	781,655
Bonds			
Sukuk certificates - unlisted	8.6	655,932	1,053,312
Investments at cost		17,105,188	10,087,453
Less: Provision for diminution in the value of investments	8.8	(56,033)	(134,659)
Investments (net of provisions)		17,049,155	9,952,794
Unrealised gain on revaluation of investments classified as held for trading - net	8.9	650	-
Surplus on revaluation of available for sale securities - net	18	106,593	29,999
Total investments at market value		17,156,398	9,982,793

8.3 Investments include certain approved / government securities which are held by the Bank to comply with the Statutory Liquidity Reserve requirement determined on the basis of the Bank's demand and time liabilities as set out under section 29 of the Banking Companies Ordinance, 1962.

8.4 Particulars of Federal Government Securities - Unlisted, Secured

Face value of Rs. 100 each unless otherwise stated.

Particulars	Collateral	Profit rate	Profit payment	2012	2011
				Nominal value	
				------Rupees in '000------	
GOP IJARAH SUKUK - IV Nil (2011: 8,000,000) certificates Maturity date: September 17, 2012	Government of Pakistan Sovereign guarantee	6 months T-Bill minus 0.05%	Semi-annually	-	800,000
GOP IJARAH SUKUK - V 11,120,000 (2011: 11,120,000) certificates Maturity date: November 15, 2013	Government of Pakistan Sovereign guarantee	6 months T-Bill	Semi-annually	1,121,137	1,121,891
GOP IJARAH SUKUK - VI 10,181,000 (2011: 10,030,000) certificates Maturity date: December 20, 2013	Government of Pakistan Sovereign guarantee	6 months T-Bill	Semi-annually	1,018,100	1,003,000
GOP IJARAH SUKUK - VII 22,000 (2011: 324,000) certificates Maturity date: March 7, 2014	Government of Pakistan Sovereign guarantee	6 months T-Bill	Semi-annually	2,200	32,400
GOP IJARAH SUKUK - VIII 22,900,700 (2011: 22,900,700) certificates Maturity date: May 16, 2014	Government of Pakistan Sovereign guarantee	6 months T-Bill	Semi-annually	2,293,410	2,295,195
GOP IJARAH SUKUK - IX 44,390,000 (2011: 30,000,000) certificates Maturity date: December 26, 2014	Government of Pakistan Sovereign guarantee	6 months T-Bill	Semi-annually	4,449,101	3,000,000
GOP IJARAH SUKUK - X 18,535,000 (2011: Nil) certificates Maturity date: March 2, 2015	Government of Pakistan Sovereign guarantee	6 months T-Bill	Semi-annually	1,874,835	-
GOP IJARAH SUKUK - XI 25,120,000 (2011: Nil) certificates Maturity date: April 30, 2015	Government of Pakistan Sovereign guarantee	6 months T-Bill	Semi-annually	2,512,456	-
GOP IJARAH SUKUK - XII 8,165,000 (2011: Nil) certificates Maturity date: June 28, 2015	Government of Pakistan Sovereign guarantee	6 months T-Bill	Semi-annually	819,627	-
GOP IJARAH SUKUK - XIII 12,000,000 (2011: Nil) certificates Maturity date: September 18, 2015	Government of Pakistan Sovereign guarantee	6 months T-Bill minus 0.25%	Semi-annually	1,205,405	-
				15,296,271	8,252,486

8.5 Particulars of investments in listed companies / mutual funds

2012	2011		2012	2011
Number of shares / units			Rupees in '000	
		Listed companies - Fully paid up ordinary shares of Rs. 10 each		
-	350,000	Lotte PTA Pakistan Limited	-	4,624
1,750,000	450,000	Fauji Fertilizer Bin Qasim Limited	81,118	23,850
575,000	350,000	Lucky Cement Limited	81,534	27,411
325,000	170,000	Pakistan State Oil Company Limited	72,444	43,921
375,000	250,000	Pakistan Petroleum Limited	63,586	47,124
1,200,000	275,000	Fauji Fertilizer Company Limited	143,051	45,967
526,000	240,000	Pakistan Oil Fields Limited	215,196	86,058
150,000	252,483	Oil and Gas Development Company Limited	28,288	38,026
1,100,000	650,000	Pakistan Telecommunication Company Limited	20,449	8,376
1,050,000	100,000	D. G. Khan Cement Company Limited	55,738	1,900
1,833,500	500,000	Hub Power Company Limited	78,221	19,497
125,000	-	Attock Refinery Limited	20,738	-
420,000	-	Engro Foods Limited	37,248	-
900,000	-	Sui Northern Gas Pipeline Limited	21,940	-
210,000	-	Nishat Mills Limited	13,434	-
			932,985	346,754
		Mutual funds - Face value of Rs. 100 each		
-	2,628,981	Dawood Islamic Fund	-	214,901
-	1,000,000	KASB Islamic Income Opportunity Fund	-	100,000
1,470,444	974,766	Askari Islamic Income Fund	150,000	100,000
193,274	193,274	Faysal Islamic Savings Growth Fund	20,000	20,000
498,123	-	MCB Islamic Income Fund	50,000	-
			220,000	434,901
			1,152,985	781,655

8.6 Particulars of Sukuk Certificates - Unlisted, Secured

Face value of Rs. 5,000 each unless otherwise stated.

Particulars	Collateral	Profit rate	Profit payment	2012	2011
				Nominal value	
				Rupees in '000	
WAPDA Second Sukuk Certificates 20,000 (2011: 20,000) certificates Maturity date: July 13, 2017	Government of Pakistan Sovereign guarantee	6 months KIBOR minus 0.25%	Semi-annually	83,333	100,000
Sui Southern Gas Company Limited 110,000 (2011: 110,000) certificates Maturity date: December 31, 2012	Tangible Assets	3 months KIBOR plus 0.2%	Quarterly	55,000	275,000
House Building Finance Corporation 10,000 (2011: 10,000) certificates Maturity date: May 7, 2014	Tangible Assets	6 months KIBOR plus 1%	Semi-annually	15,000	25,000
Engro Fertilizers Limited 48,400 (2011: 48,400) certificates Maturity date: September 6, 2015	Tangible Assets	6 months KIBOR plus 1.50%	Semi-annually	242,757	242,962

Particulars	Collateral	Profit rate	Profit payment	2012	2011
				Nominal value	
				------Rupees in '000------	
Sitara Chemical Industries Limited 20,000 (2011: 20,000) certificates Maturity date: January 2, 2013	Tangible Assets	3 months KIBOR plus 1%	Quarterly	8,333	41,667
Sitara Energy Limited Nil (2011: 1,624) certificates Maturity date: July 16, 2012	N/A	N/A	N/A	-	8,118
Security Leasing Corporation Limited 6,000 (2011: 6,000) certificates Maturity date: March 18, 2014	Tangible Assets	6%	Monthly	11,070	12,656
Century Paper and Board Mills Limited 5,000 (2011: 5,000) certificates Maturity date: September 25, 2014	Tangible Assets	6 months KIBOR plus 1.35%	Semi-annually	10,000	15,000
Amtex Limited 10,000 (2011: 10,000) certificates Maturity date: October 11, 2012	Tangible Assets	3 months KIBOR plus 2%	Quarterly	37,500	37,500
Maple Leaf Cement Factory Limited - Sukuk I 10,000 (2011: 10,000) certificates Maturity date: December 3, 2018	Tangible Assets	3 months KIBOR plus 1%	Quarterly	48,654	49,915
Maple Leaf Cement Factory Limited - Sukuk II 375 (2011: 375) certificates Maturity date: March 31, 2013	Tangible Assets	3 months KIBOR plus 1%	Quarterly	833	1,875
Al Zamin Leasing Mudarabah (note 8.6.1) 20,000 (2011: 20,000) certificates Maturity date: November 12, 2013	N/A	N/A	N/A	-	79,167
K. S. Sulemanji Esmailji and Sons (Private) Limited 6,000 (2011: 6,000) certificates Maturity date: June 30, 2015	Tangible Assets	3 months KIBOR plus 1.4%	Quarterly	15,952	15,952
Eden Builders Limited 4,800 (2011: 4,800) certificates Maturity date: March 8, 2014	Tangible Assets	3 months KIBOR plus 2.3%	Quarterly	7,500	13,500
Quetta Textile Mills Limited 30,000 (2011: 30,000) certificates Maturity date: September 26, 2015	Tangible Assets	6 months KIBOR plus 1.5%	Semi-annually	120.000	135,000
				655,932	1,053,312

8.6.1 During the year, the Bank finalised settlement agreement with Al-Zamin Leasing Mudarabah (related party of the Bank at the time of execution of settlement agreement). Under the terms of the settlement, the Bank has acquired certain properties, having market value of Rs. 120 million, from the investee company. Against these assets acquired (which are reflected as part of non-banking assets acquired in satisfaction of claims in note 12 to these financial statements), the Bank has adjusted Rs. 79.167 million which was due from the investee company while the balance of Rs. 40.833 million was paid in cash. Consequent to this settlement, provision amounting to Rs. 79.167 million held against this exposure has been reversed. The reversal of provision is included in note 8.8.

8.7 Quality of available for sale securities

	2012	2011	2012	2011
	Long / medium term credit rating		Rupees in '000	
Sukuk bonds / certificates (at market value)				
GOP Ijarah Sukuk - IV	N/A	Unrated	-	800,000
GOP Ijarah Sukuk - V	Unrated	Unrated	1,128,176	1,121,891
GOP Ijarah Sukuk - VI	Unrated	Unrated	1,027,568	1,003,000
GOP Ijarah Sukuk - VII	Unrated	Unrated	2,221	32,400
GOP Ijarah Sukuk - VIII	Unrated	Unrated	2,313,149	2,295,195
GOP Ijarah Sukuk - IX	Unrated	Unrated	4,475,844	3,000,000
GOP Ijarah Sukuk - X	Unrated	N/A	1,873,703	-
GOP Ijarah Sukuk - XI	Unrated	N/A	2,534,859	-
GOP Ijarah Sukuk - XII	Unrated	N/A	824,338	-
GOP Ijarah Sukuk - XIII	Unrated	N/A	1,206,960	-
WAPDA second sukuk certificates	Unrated	Unrated	83,616	100,000
Sui Southern Gas Company Limited - (at cost)	AA-	AA	55,000	275,000
House Building Finance Corporation Limited - (at cost)	A	A	15,000	25,000
Sitara Chemical Industries Limited - (at cost)	A+	A+	8,333	41,667
Sitara Energy Limited - (at cost)	N/A	Unrated	-	8,118
Engro Fertilizers Limited - (at cost)	A	AA-	242,757	242,962
Security Leasing Corporation Limited - (at cost)	Unrated	Unrated	11,070	12,656
Century Paper and Board Mills Limited - (at cost)	A+	A+	10,000	15,000
Amtex Limited - (at cost)	Unrated	D	37,500	37,500
Maple Leaf Cement Factory Limited Sukuk I (at cost)	D	D	48,654	49,915
Maple Leaf Cement Factory Limited Sukuk II (at cost)	D	D	833	1,875
Al Zamin Leasing Mudarabah - (at cost)	N/A	C	-	79,167
K. S. Sulemanji Esmailji and Sons (Private) Limited - (at cost)	Unrated	Unrated	15,952	15,952
Eden Builders Limited - (at cost)	A	A (RW)	7,500	13,500
Quetta Textile Mills Limited - (at cost)	D	BBB+	120,000	135,000
			16,043,033	9,305,798
Ordinary shares - listed (at market value)				
Lotte PTA Pakistan Limited	N/A	Unrated	-	3,245
Fauji Fertilizer Bin Qasim Limited	Unrated	Unrated	67,533	19,094
Lucky Cement Limited	Unrated	Unrated	75,770	26,264
Pakistan State Oil Company Limited	AA+	AA+	69,663	38,626
Pakistan Petroleum Limited	Unrated	Unrated	61,877	42,080
Fauji Fertilizer Company Limited	Unrated	Unrated	140,568	41,123
Pakistan Oil Fields Limited	Unrated	Unrated	218,770	83,148
Oil and Gas Development Company Limited	AAA	AAA	28,892	38,280
Pakistan Telecommunication Company Limited	Unrated	Unrated	17,350	6,754
D. G. Khan Cement Company Limited	Unrated	Unrated	40,935	1,903
Hub Power Company Limited	AA+	AA+	81,432	17,100
Nishat Mills Limited	AA-	N/A	13,408	-
Engro Foods Limited	A	N/A	37,783	-
Sui Northern Gas Pipeline Limited	AA	N/A	20,925	-
Attock Refinery Limited	AA	N/A	16,758	-
			891,664	317,617
Units of open-end mutual funds (at market value)				
Dawood Islamic Fund	N/A	Unrated	-	274,590
KASB Islamic Income Opportunity Fund	N/A	Unrated	-	101,032
Askari Islamic Income Fund	Unrated	Unrated	147,684	98,326
Faysal Islamic Savings Growth Fund	AA- (f)	A+	19,963	20,089
MCB Islamic Income Fund	AA-(f)	N/A	49,872	-
			217,519	494,037
			17,152,216	10,117,452
Less: Provision for diminution in the value of investments (note 8.8)			(56,033)	(134,659)
			17,096,183	9,982,793

	Note	2012	2011
		Rupees in '000	
8.8 Particulars of provision for diminution in the value of investments			
Opening balance		134,659	48,453
Charge for the year		2,768	97,425
Reversals during the year		(81,394)	(11,219)
		(78,626)	86,206
Closing balance	8.8.1	56,033	134,659
8.8.1 Particulars of provision for diminution in the value of investments by type and segment			
Unlisted sukuk certificates - available for sale		56,033	134,659

8.9 Unrealised gain on revaluation of investments classified as held for trading - net

	Unrealised gain / (loss)		Cost	
	2012	2011	2012	2011
	Rupees in '000			
Investee company				
Lucky Cement Limited	391	-	10,973	-
Pakistan State Oil Company Limited	58	-	5,748	-
Pakistan Petroleum Limited	1	-	4,419	-
Pakistan Oil Fields Limited	(80)	-	11,456	-
Pakistan Telecommunication Company Limited	(147)	-	1,882	-
D. G. Khan Cement Company Limited	506	-	15,868	-
Hub Power Company Limited	2	-	1,513	-
Engro Foods Limited	(34)	-	3,469	-
Attock Refinery Limited	(47)	-	4,237	-
	650	-	59,565	-

	Note	2012	2011 (Restated)	2010 (Restated)
		Rupees in '000		
9 ISLAMIC FINANCING AND RELATED ASSETS - NET				
In Pakistan				
- Murabaha	9.1.2 & 9.2	7,194,911	6,064,473	3,238,039
- Advances against murabaha		1,376,805	1,238,619	1,163,494
- Diminishing musharakah		6,497,325	3,912,832	2,121,343
- Advances against diminishing musharakah		129,628	-	681
- Net investment in ijarah	9.3	3,041,284	869,041	497,059
- Advances against net investment in ijarah		67,471	137,310	30,694
- Istisna		2,783,023	-	-
- Advances against istisna		2,015,836	556,000	-
- Modaraba		571,217	256,322	294,155
- Staff finance	9.4	399,813	192,693	86,253
- Advances against staff finance		-	5,861	-
Islamic financing and related assets - gross	9.5	24,077,313	13,233,151	7,431,718
Provision against non performing Islamic financing and related assets	9.7	(706,781)	(802,014)	(643,495)
Islamic financing and related assets - net of provision		23,370,532	12,431,137	6,788,223

		2012	2011
		Rupees in '000	
9.1	Murabaha sale price	16,354,532	14,962,268
	Murabaha purchase price	15,376,387	14,063,953
		978,145	898,315
9.1.1	Unearned murabaha income		
	Opening balance	436,134	179,987
	Arising during the year	978,145	898,315
	Recognised during the year	(914,081)	(642,168)
		500,198	436,134
9.1.2	Murabaha receivable		
	Opening balance	6,064,473	3,238,039
	Sales during the year	16,354,532	14,962,268
	Received during the year	(15,224,094)	(12,135,834)
		7,194,911	6,064,473

9.2 It includes financings amounting to Rs. 121.288 million (2011: Rs. 238.788 million) against murabaha under Islamic Export Refinance Scheme.

	Note	2012	2011
		Rupees in '000	
9.3 Net investment in ijarah			
- Ijarah under finance method	9.3.1	38,704	85,263
- Ijarah accounted for under IFAS-2	9.3.2	3,002,580	783,778
		3,041,284	869,041

Brief description of the ijarah arrangements

Ijarah contracts entered into by the Bank essentially represent arrangements whereby the Bank (being the owner of assets) transfers its usufruct to its customers for an agreed period at an agreed consideration. The significant ijarah contracts entered into by the Bank are with respect to vehicles, plant and machinery and equipment and are for periods ranging from 3 to 5 years.

9.3.1 Net investment in ijarah - ijarah under finance method

	2012				2011			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	Rupees in '000							
Ijarah rentals receivable	31,676	-	-	31,676	76,337	33,381	-	109,718
Residual value	11,161	-	-	11,161	3,517	9,448	-	12,965
Minimum ijarah payments	42,837	-	-	42,837	79,854	42,829	-	122,683
Less: Profits for future periods	4,133	-	-	4,133	15,215	22,205	-	37,420
Present value of minimum ijarah payments	38,704	-	-	38,704	64,639	20,624	-	85,263

9.3.2 Net investment in ijarah - ijarah accounted for under IFAS-2

	Note	2012	2011
		Rupees in '000	
Movement in net book value of ijarah assets			
Assets under ijarah			
Opening balance		957,506	316,228
Disbursed during the year		2,823,660	714,505
Disposals during the year		(344,443)	(73,227)
Closing balance		3,436,723	957,506
Accumulated depreciation			
Opening balance		173,728	76,835
Charged during the year		384,138	108,269
Adjustment during the year		(123,723)	(11,376)
Closing balance		434,143	173,728
Net investment in ijarah - ijarah accounted for under IFAS-2	9.3.3	3,002,580	783,778

9.3.3 Net investment in ijarah - ijarah accounted for under IFAS-2

	2012				2011			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	Rupees in '000							
Ijarah rentals receivable	887,753	2,114,827	-	3,002,580	258,462	525,316	-	783,778

	Note	2012	2011
		Rupees in '000	
9.4 Staff finance			
Staff ijarah under finance method	9.4.1	115	290
Staff ijarah accounted for under IFAS-2	9.4.2	49,314	12,601
Staff housing finance under diminishing musharakah		350,384	179,802
		399,813	192,693

9.4.1 Staff finance - ijarah under finance method

	2012				2011			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	Rupees in '000							
Ijarah rentals receivable	118	-	-	118	201	114	-	315
Residual value	-	-	-	-	-	-	-	-
Minimum ijarah payments	118	-	-	118	201	114	-	315
Less: Profits for future periods	3	-	-	3	15	10	-	25
Present value of minimum ijarah payments	115	-	-	115	186	104	-	290

9.4.2 Staff finance - ijarah accounted for under IFAS-2

	Note	2012	2011
		Rupees in '000	
Movement in net book value of ijarah assets			
Assets under ijarah			
Opening balance		14,395	5,284
Disbursed during the year		48,246	12,661
Disposals during the year		(7,737)	(3,550)
Closing balance		54,904	14,395
Accumulated depreciation			
Opening balance		1,794	1,316
Charged during the year		5,307	909
Adjustment during the year		(1,511)	(431)
Closing balance		5,590	1,794
Staff finance - ijarah accounted for under IFAS-2	9.4.3	49,314	12,601

9.4.3 Staff finance - ijarah accounted for under IFAS-2

	2012				2011			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	Rupees in '000							
Ijarah rentals receivable	10,980	38,334	-	49,314	2,827	9,774	-	12,601

	2012	2011 (Restated)	2010 (Restated)
	Rupees in '000		
9.5 Particulars of Islamic financing and related assets - gross			
In local currency	24,077,313	13,233,151	7,431,718
In foreign currency	-	-	-
	24,077,313	13,233,151	7,431,718
Short term (upto one year)	13,941,792	8,115,414	4,695,688
Long term (over one year)	10,135,521	5,117,737	2,736,030
	24,077,313	13,233,151	7,431,718

9.6 Islamic financing and related assets include Rs. 1,029.984 million (2011: Rs. 1,020.934 million, 2010: Rs. 1,263.360 million) which have been placed under non-performing status as detailed below:

2012

Category of classification	Classified Islamic financing and related assets			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000								
Substandard	8,610	-	8,610	1,041	-	1,041	1,041	-	1,041
Doubtful	345,464	-	345,464	125,163	-	125,163	125,163	-	125,163
Loss	675,910	-	675,910	552,752	-	552,752	552,752	-	552,752
	1,029,984	-	1,029,984	678,956	-	678,956	678,956	-	678,956

2011

Category of classification	(Restated)								
	Classified Islamic financing and related assets			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000								
Substandard	599	-	599	113	-	113	113	-	113
Doubtful	335,329	-	335,329	119,182	-	119,182	119,182	-	119,182
Loss	685,006	-	685,006	498,913	-	498,913	498,913	-	498,913
	1,020,934	-	1,020,934	618,208	-	618,208	618,208	-	618,208

2010

Category of classification	(Restated)								
	Classified Islamic financing and related assets			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000								
Substandard	294,765	-	294,765	33,149	-	33,149	33,149	-	33,149
Doubtful	491,724	-	491,724	213,117	-	213,117	213,117	-	213,117
Loss	476,871	-	476,871	394,345	-	394,345	394,345	-	394,345
	1,263,360	-	1,263,360	640,611	-	640,611	640,611	-	640,611

9.6.1 As per instructions of the State Bank of Pakistan facilities amounting to Rs. 352.119 million (2011: Rs. 393.374 million) allowed to a customer have been placed under the 'Special Mention Category'.

9.6.2 As allowed by the SBP, the Bank has availed benefit of forced sale values amounting to Rs. 134.920 million (2011: Rs. 170.329 million, 2010: Rs. 101.970 million) in determining the provisioning against non-performing Islamic financing and related assets as at December 31, 2012. However, the additional impact on profitability arising from availing the benefit of forced sales value is not available for payment of cash or stock dividends to shareholders.

9.7 Particulars of provision against Islamic financing and related assets

	2012			2011 (Restated)			2010 (Restated)		
	Specific	General	Total	Specific	General	Total	Specific	General	Total
	Rupees in '000								
Opening balance	618,208	183,806	802,014	640,611	2,884	643,495	234,937	2,884	237,821
Charge for the year	213,740	24,019	237,759	149,980	182,846	332,826	483,924	-	483,924
Reversals during the year	(152,992)	(180,000)	(332,992)	(172,383)	(1,924)	(174,307)	(78,250)	-	(78,250)
	60,748	(155,981)	(95,233)	(22,403)	180,922	158,519	405,674	-	405,674
Closing balance	678,956	27,825	706,781	618,208	183,806	802,014	640,611	2,884	643,495

9.7.1 The Bank maintains general provision in respect of the consumer finance portfolio calculated in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan (SBP). The SBP vide its Letter No. BPRD/BRD-04/BB/2013/1642 dated February 12, 2013 has allowed an exemption to the Bank from recognising general provision against Burj Carsaaz financings (Auto portfolio) subject to the following conditions:

- The Bank shall classify the Burj Carsaaz financing as "loss" on the 180th day from the date of default and shall recognise 100% provision there against.
- The amount of general reserve already accumulated and maintained shall not be reversed.
- The classified portfolio of Burj Carsaaz financings (Auto finance) shall remain upto 5% of the gross Burj Carsaaz portfolio of the Bank.

In the financial statements for the year ended December 31, 2011, the Bank had made a general provision of Rs. 180 million in respect of potential losses in corporate, commercial and SME portfolio which have not been specifically identified. This provision was in excess of the minimum requirement specified in the Prudential Regulations and was approved by the Board of Directors of the Bank. This provision has been reversed during the year.

9.7.2 Particulars of provision against Islamic financing and related assets with respect to currencies

	2012			2011 (Restated)			2010 (Restated)		
	Specific	General	Total	Specific	General	Total	Specific	General	Total
	Rupees in '000								
In local currency	678,956	27,825	706,781	618,208	183,806	802,014	640,611	2,884	643,495
In foreign currency	-	-	-	-	-	-	-	-	-
	678,956	27,825	706,781	618,208	183,806	802,014	640,611	2,884	643,495

9.7.3 Although the Bank has made provision against its non-performing portfolio as per the category of classification of Islamic financing and related assets, the Bank holds enforceable collateral in the event of recovery through litigation. These securities comprise of charge against various tangible assets of the financee including land, building and machinery, stock in trade etc.

9.8 Particulars of Islamic financing and related assets to directors, executives, officers, etc.

	2012	2011
	Rupees in '000	
Due from directors, executives or officers of the Bank or any of them either severally or jointly with any other persons		
Balance at the beginning of the year	192,693	86,253
Disbursements during the year	310,244	150,036
Repayments made during the year	(103,124)	(43,596)
Balance at the end of the year	399,813	192,693

9.8.1 The Bank does not have any Islamic financing and related assets balances outstanding as at December 31, 2012 and December 31, 2011 from the followings:

- companies or firms in which the directors of the Bank are interested as directors, partners or in the case of private companies as members; and

- subsidiary companies, controlled firms, managed mudarabahs and other related parties.

	Note	2012	2011
		Rupees in '000	
10 OPERATING FIXED ASSETS			
Capital work-in-progress	10.1	347,552	39,479
Property and equipment	10.2	755,126	600,241
Intangible assets	10.3	27,568	32,170
		1,130,246	671,890

10.1 Capital work-in-progress

	2012	2011
	Rupees in '000	
Civil works	217,321	5,580
Advance for computer hardware	49,247	7,802
Advance for computer software	75,825	12,192
Advance for vehicles	5,159	13,905
	347,552	39,479

10.2 Property and equipment

	2012							
	Cost			Depreciation			Book value	
	As at January 1, 2012	Additions / (disposals) during the year	As at December 31, 2012	As at January 1, 2012	Charge for the year / (disposals)	As at December 31, 2012	As at December 31, 2012	Rate of depreciation %
	Rupees in '000							
Leasehold improvements	383,892	25,262 (13,046)	396,108	102,450	38,975 (4,466)	136,959	259,149	10
Building	62,444	-	62,444	2,862	3,122	5,984	56,460	5
Furniture and fixtures	62,807	9,885 (701)	71,991	18,176	6,782 (169)	24,789	47,202	10
Office equipment	67,497	36,095 (175)	103,417	17,688	7,504 (41)	25,151	78,266	10
Computer equipment	225,005	75,203 (1,934)	298,274	174,265	43,788 (1,320)	216,733	81,541	33.33
Vehicles	152,459	164,323 (28,653)	288,129	38,422	31,274 (14,075)	55,621	232,508	20
	954,104	310,768 (44,509)	1,220,363	353,863	131,445 (20,071)	465,237	755,126	

	2011							
	Cost			Depreciation			Book value	
	As at January 1, 2011	Additions / (disposals) during the year	As at December 31, 2011	As at January 1, 2011	Charge for the year / (disposals)	As at December 31, 2011	As at December 31, 2011	Rate of depreciation %
	Rupees in '000							
Leasehold improvements	355,917	52,264 (24,289)	383,892	70,776	38,592 (6,918)	102,450	281,442	10
Building	-	62,444	62,444	-	2,862	2,862	59,582	5
Furniture and fixtures	64,010	1,298 (2,501)	62,807	12,476	6,463 (763)	18,176	44,631	10
Office equipment	72,063	1,543 (6,109)	67,497	13,434	6,844 (2,590)	17,688	49,809	10
Computer equipment	205,903	19,225 (123)	225,005	130,231	44,146 (112)	174,265	50,740	33.33
Vehicles	125,210	43,646 (16,397)	152,459	27,790	18,550 (7,918)	38,422	114,037	20
	823,103	180,420 (49,419)	954,104	254,707	117,457 (18,301)	353,863	600,241	

10.2.1 The cost of fully depreciated assets still in use amounts to Rs. 150.085 million (2011: Rs. 100.039 million).

10.3 Intangible assets

	2012							
	Cost			Amortisation			Book value	
	As at January 1, 2012	Additions during the year	As at December 31, 2012	As at January 1, 2012	Charge for the year	As at December 31, 2012	As at December 31, 2012	Rate of amortisation %
	Rupees in '000							
Computer software	196,400	17,971	214,371	164,230	22,573	186,803	27,568	33.33

	2011							
	Cost			Amortisation			Book value	
	As at January 1, 2012	Additions / (Disposals) during the year	As at December 31, 2012	As at January 1, 2011	Charge for the year / (Disposals)	As at December 31, 2011	As at December 31, 2011	Rate of amortisation %
	Rupees in '000							
Computer software	185,449	25,114 (14,163)	196,400	147,351	28,405 (11,526)	164,230	32,170	33.33

10.3.1 The cost of fully amortised assets still in use amounts to Rs. 160.606 million (2011: 132.353 million).

10.4 Details of disposals of operating fixed assets made during the year are as follows:

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	Rupees in '000					
Leasehold improvements						
Renovation work	1,517	771	746	-	Write off	N/A
Renovation work	150	71	79	-	Write off	N/A
Renovation work	134	31	103	103	Insurance claim	Pak Kuwait Takaful Limited
Renovation work	230	54	176	176	Insurance claim	Pak Kuwait Takaful Limited
Renovation work	6,504	1,680	4,824	4,824	Insurance claim	Pak Kuwait Takaful Limited
Renovation work	810	229	581	-	Write off	N/A
Renovation work	116	33	83	-	Write off	N/A
Renovation work	292	120	172	-	Write off	N/A
Renovation work	315	137	178	-	Write off	N/A
Renovation work	2,978	1,340	1,638	-	Write off	N/A
	13,046	4,466	8,580	5,103		
Furniture & fixtures						
Items having cost of less than Rs. 1,000,000 or net book value of less than Rs. 250,000	701	169	532	532	Various	Various
Office equipment						
Items having cost of less than Rs. 1,000,000 or net book value of less than Rs. 250,000	175	41	134	134	Insurance claim	Pak Kuwait Takaful Limited

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	Rupees in '000					
Computer equipment						
Items having cost of less than Rs. 1,000,000 or net book value of less than Rs. 250,000	1,934	1,320	614	722	Various	Various
Vehicles						
Honda City	912	598	314	725	Bid	Umair Masoom - Executive
Honda City	964	575	389	818	Bid	Suhail Ahmed Khan
Suzuki Cultus	817	322	495	505	Bank's policy	Mufti Syed Zahid - Executive
Toyota Corolla	1,423	781	642	642	Bank's policy	Naushad Kamil - Executive
Suzuki Cultus	878	283	595	595	Bank's policy	Asad Munir - Executive
Honda City	1,034	617	417	417	Bank's policy	Amir Atiq - Executive
Honda City	1,095	562	533	533	Bank's policy	Sohail Sikandar - Executive
Toyota Corolla	1,423	679	744	1,128	Bid	Abdul Wahab Agar
Honda City	1,451	748	703	1,112	Bid	Nawaid Akhtar - Executive
Honda City	1,095	640	455	455	Bank's policy	Haseeb Masood - Executive
Honda City	1,092	651	441	467	Bank's policy	Zaim Ansari - Executive
Suzuki Cultus	857	286	571	571	Bank's policy	Muhammad Hunain - Executive
Suzuki Cultus	833	308	525	525	Bank's policy	Khalid Khan - Executive
Toyota Corolla	1,581	37	1,544	1,521	Insurance claim	Pak Kuwait Takaful Limited
Suzuki Cultus	819	303	516	516	Insurance claim	Pak Kuwait Takaful Limited
Honda City	896	513	383	383	Bank's policy	Akhtar Ali - Executive
Toyota Corolla	1,003	610	393	393	Bank's policy	Riaz Ul Hasan - Executive
Suzuki Cultus	649	379	270	270	Bank's policy	Nida Irfan - Executive
Honda City	1,424	549	875	1,168	Bid	Muhammad Arif
Toyota Corolla	1,021	670	351	351	Bank's policy	Syed Kafil Ahmed - Executive
Honda City	1,095	627	468	468	Bank's policy	Asif Ali Khan - Executive
Suzuki Cultus	701	393	308	308	Bank's policy	Ijaz Ahmed - Executive
Suzuki Cultus	735	430	305	305	Bank's policy	Sohail Bashir - Executive
Suzuki Cultus	729	426	303	303	Bank's policy	Bashir Ahmed
Suzuki Cultus	857	299	558	558	Bank's policy	Zulfiqar Saeed - Executive
Suzuki Cultus	642	398	244	244	Bank's policy	Aleem Mumtaz - Executive
Suzuki Cultus	611	437	174	569	Bid	Muhammad Arif
Honda City	1,287	528	759	1,158	Bid	Yousuf Kamran - Executive
Suzuki Cultus	729	426	303	303	Bank's policy	Barkaat Ahmed
	28,653	14,075	14,578	17,311		
December 31, 2012	**44,509**	**20,071**	**24,438**	**23,802**		
December 31, 2011	**63,582**	**29,827**	**33,755**	**12,723**		

	Note	2012	2011
		Rupees in '000	
11 DEFERRED TAX ASSETS - NET			
Deferred credits arising due to			
Accelerated tax depreciation on operating fixed assets		(44,209)	(32,221)
Surplus on revaluation of investments - available for sale	18	(33,367)	(3,000)
Unrealised gain on revaluation of investments classified as held for trading		(228)	-
Deferred debits arising in respect of			
Accelerated depreciation on ijarah assets		31,591	17,651
Minimum tax liability		43,751	25,184
Provision for diminution in the value of investments		19,612	47,131
Provision against other assets		1,594	4,806
Provision against non-performing Islamic financing and other assets		96,265	120,108
Available tax losses	11.1	404,868	300,718
		519,877	480,377

11.1 The Bank has an aggregate amount of Rs. 1,156.766 million (2011: Rs. 859.193 million) in respect of tax losses as at December 31, 2012. The management carries out periodic assessment to assess the benefit of these losses as the Bank would be able to set off the profit earned in future years against these carry forward losses. Based on this assessment the management has recognised deferred tax debit balance on losses amounting to Rs. 404.868 million (2011: Rs. 300.718 million) [including on unabsorbed tax depreciation of Rs. 648.496 million (2011: Rs. 462.793 million)]. The amount of this benefit has been determined based on the projected financial statements for the future periods. The determination of future taxable profit is most sensitive to certain key assumptions such as cost to income ratio of the Bank, deposit composition, Kibor rates, growth of deposits and financings, investment returns, product mix of Islamic financing and related assets, potential provision against assets and branch expansion plan. Any significant change in the key assumptions may have an effect on the realisibility of the deferred tax asset.

	Note	2012	2011 (Restated)	2010 (Restated)
			Rupees in '000	
12 OTHER ASSETS				
Profit / return accrued in local currency		708,038	201,717	167,030
Advances, deposits, advance rent and other prepayments	12.3.1	521,142	249,425	172,400
Non-banking assets acquired in satisfaction of claims	12.1	181,150	-	-
Receivable against sale of investments		53,065	-	-
Dividend receivable		2,302	3,331	150
Profit paid in advance against purchase of sukuks		72,449	-	-
Advance taxation (payments less provision)		47,079	30,231	28,788
Deferred cost	12.2	-	1,646	8,234
Others		68,008	22,068	15,540
		1,653,233	508,418	392,142
Less: Provision held against other assets	12.3	(4,553)	(13,732)	-
Other assets (net of provisions)		1,648,680	494,686	392,142

	2012	2011
	Rupees in '000	
12.1 Market value of non-banking assets acquired in satisfaction of claim	181,334	-

12.2 Deferred cost

This represents preliminary / pre-commencement expenses incurred upto April 9, 2007 (i.e., date of grant of Islamic Banking license by the SBP). The cost has been fully amortised during the year.

	2012	2011
	Rupees in '000	
Opening balance	1,646	8,234
Less: Amortised during the year	(1,646)	(6,588)
Closing balance	-	1,646

	Note	2012	2011 (Restated)	2010 (Restated)
12.3 Provision held against other assets		Rupees in '000		
Opening balance		13,732	-	-
Charge for the year		4,306	13,732	-
Reversals during the year	12.3.1	(13,485)	-	-
		(9,179)	13,732	-
Closing balance		4,553	13,732	-

12.3.1 During the year ended December 31, 2011, the Bank had identified that a deposit account of the Bank was used for unauthorised transfer of funds amounting to Rs. 100 million from another financial institution. Upon identification of the matter, this amount was settled by the Bank and recorded as an asset under the head "Other Assets". In this regard, the Bank was able to recover Rs. 86.268 million which was recorded as a liability pending final resolution of the legal proceedings in this matter. However, on account of prudence, the unrecovered balance of Rs. 13.732 million as at December 31, 2011 had been fully provided by the Bank. During the current year, the Bank has further recovered Rs. 13.485 million through insurance claim. Accordingly, the amount of provision has been adjusted to this extent.

	Note	2012	2011
13 BILLS PAYABLE		Rupees in '000	
In Pakistan		390,795	210,932
Outside Pakistan		-	-
		390,795	210,932
14 DUE TO FINANCIAL INSTITUTIONS			
In Pakistan		2,990,000	447,300
Outside Pakistan		97,150	-
		3,087,150	447,300
14.1 Particulars of due to financial institutions with respect to currencies			
In local currency		2,990,000	447,300
In foreign currency		97,150	-
		3,087,150	447,300
14.2 Details of due to financial institutions - Secured / Unsecured			
Secured			
Musharakah from the State Bank of Pakistan under Islamic Export Refinance Scheme	14.2.1	990,000	222,300
Unsecured			
Mudarabah	14.2.2	1,097,150	-
Musharakah	14.2.3	1,000,000	225,000
		3,087,150	447,300

14.2.1 The Musharakah is on profit and loss sharing basis maturing within five months (2011: four months) and is secured against demand promissory note executed in favour of the SBP. The SBP has the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with the SBP. A limit of Rs. 1,000 million (2011: Rs. 400 million) has been allocated to the Bank by the SBP under Islamic Export Refinance Scheme for the year 2012.

14.2.2 This represents mudarabah arrangements with banks at profit rates ranging from 2.20% to 9.50% per annum and having maturities upto February 2013.

14.2.3 This represents musharakah arrangements with banks at profit rates ranging from 9.00% to 9.50% per annum (2011: 11.90% per annum) and having maturities upto May 2013 (2011: January 2012).

	Note	2012	2011
		Rupees in '000	
15 DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		18,192,745	9,984,465
Savings deposits		12,811,516	7,016,634
Current accounts - Non-remunerative		2,872,056	1,919,738
Margin deposits		23,875	32,412
		33,900,192	18,953,249
Financial institutions			
Remunerative deposits		1,890,598	1,285,974
Non-remunerative deposits		131,248	102,018
		2,021,846	1,387,992
		35,922,038	20,341,241
15.1 Particulars of deposits			
In local currency		35,115,639	19,918,486
In foreign currencies		806,399	422,755
		35,922,038	20,341,241
16 OTHER LIABILITIES			
Profit / return payable in local currency	16.1	252,549	210,542
Profit / return payable in foreign currencies		2,378	602
Security deposits against ijarah		609,667	224,013
Security deposits against diminishing musharakah		43	681
Deferred murabaha income - financings		552,900	135,161
Charity collection account	16.2	13,446	9,819
Accrued expenses		19,817	118,057
Withholding tax and federal excise duty payable		18,119	8,003
Unrealised loss on forward foreign exchange contracts - net		-	1,516
Payable against purchase of investments		123,789	38,698
Current collection account		103,103	7,662
Insurance payable against ijarah assets		43,080	5,864
Others	12.3.1	109,097	91,546
		1,847,988	852,164

16.1 It includes Rs. 19.487 million (2011: Rs. 4.332 million) in respect of profit / return accrued on musharakah with the SBP under Islamic Export Refinance Scheme.

	Note	2012	2011
		Rupees in '000	
16.2 Reconciliation of charity collection account			
Opening balance		9,819	7,375
Additions during the year		24,589	16,195
Charity paid during the year	16.2.1	(20,962)	(13,751)
Closing balance		13,446	9,819

	2012	2011
	Rupees in '000	
16.2.1 Charity was paid to the following institutions:		
Shaukat Khanum Memorial Trust	3,000	2,000
Saylani Welfare International Trust	2,409	2,750
Edhi Foundation	1,500	3,000
Alamgir Welfare Trust International	1,000	500
Alamgir	1,000	-
Burns Centre	1,410	-
The Indus Hospital	1,300	500
Jinnah Hospital Children's Ward	1,300	-
The Kidney Centre	900	-
Sindh Institute of Urology and Transplant	900	-
SOS Village	732	1,000
Anjuman-e-Habibiyah Trust	600	500
Lahore University of Management Sciences	500	-
Abu Bakar Siddiq Trust	500	-
Institute of Business Administration Karachi	500	-
National Institute of Child Health	500	-
Aziz Jahan Begum Trust for the Blind	500	-
Ansar Burney Trust	500	-
Akhuwat	500	-
Al-Mustafa Welfare Society	450	500
Children Health and Education Foundation	200	200
Abdul Razzaq Naqshbandi	200	50
Liaquat National Hospital / Asma Begum	236	-
Ghaus Bux	175	-
Nasreen Bano	100	-
Rotary Club Of Karachi Cosmopolitan	50	-
All Pakistan Women's Association	500	-
Chhipa Welfare Association	-	500
Marie Adelaide Leprosy Centre	-	500
Move Pakistan Foundation	-	300
New Horizons Care Center	-	300
Madina Foundation Trust	-	200
The Helpcare Society	-	200
Neelam Amanat	-	100
Khadija Quershi	-	50
Syed Nazeer Shah	-	50
Bantva Memon Khidmat Committee	-	26
Zaib Un Nisa	-	25
	20,962	13,751

16.2.2 Charity was not paid to any staff of the Bank or to any individual / organisation in which a director or his spouse had any interest at any time during the year.

17 SHARE CAPITAL

17.1 Authorised capital

2012	2011		2012	2011
Number of shares			Rupees in '000	
1,200,000,000	1,200,000,000	Ordinary shares of Rs. 10/- each	12,000,000	12,000,000

17.2 Issued, subscribed and paid-up capital

2012	2011		2012	2011
Number of shares			Rupees in '000	
741,045,824	741,045,824	Ordinary shares - Fully paid in cash	7,410,458	7,410,458
741,045,824	741,045,824		7,410,458	7,410,458

17.3 The movement in the issued, subscribed and paid-up capital during the year is as follows:

	2012	2011
	Rupees in '000	
Opening balance	741,045,824	501,045,824
Shares issued during the year	-	240,000,000
Closing balance	741,045,824	741,045,824

17.4 The State Bank of Pakistan (SBP) vide BSD Circular No. 7 of 2009 has revised the Minimum Capital Requirement (MCR) for banks. As per the circular, banks are required to raise their issued, subscribed and paid up capital (net of losses) to Rs. 10 billion in a phased manner by December 31, 2013. The requirement as at December 31, 2012 is Rs. 9 billion (net of losses). The SBP vide its Letter No. BSD/CSD/7660/12/2011 dated June 20, 2012, had granted timeline extension to the Bank for meeting MCR till June 30, 2012 subject to certain conditions including the restriction on the Capital Adequacy Ratio (CAR) upto 30%. The SBP vide Letter No. BSD/CSD/14198/12/2011 dated November 30, 2012 has also granted a timeline extension to the Bank for meeting the MCR till December 31, 2012. The Bank has applied to the SBP for extension till March 31, 2013 vide its letter dated March 1, 2013 and the response of SBP to this letter is currently pending. The SBP has granted an interim relaxation to the Bank for maintaining CAR at 22% as at December 31, 2012. The Bank had a CAR of 22.55% as at December 31, 2012.

18 SURPLUS ON REVALUATION OF ASSETS - NET

	2012	2011
	Rupees in '000	
Available for sale securities		
- Listed shares	18,244	(29,137)
- Sukuks	90,830	-
- Units of open end mutual funds	(2,481)	59,136
	106,593	29,999
Related deferred tax liability	(33,367)	(3,000)
	73,226	26,999

19 CONTINGENCIES AND COMMITMENTS

19.1 Direct credit substitutes

5,847	16,100

19.2 Transaction-related contingent liabilities

Guarantees favouring - beneficiary	
- Government	1,774,923	142,600
- Others	33,156	62,097
	1,808,079	204,697

	Note	2012	2011
		Rupees in '000	
19.3 Trade-related contingent liabilities			
Import letters of credit		1,118,967	433,716
Acceptances		154,627	225,650
		1,273,594	659,366
19.4 Commitments in respect of forward exchange contracts			
Purchase	33.2	-	276,271
Sale	33.2	-	94,764
		-	371,035
19.5 Commitments for the acquisition of operating fixed assets			
Civil works		71,918	2,300
Acquisition of computer hardware		48,725	9,187
Acquisition of computer software		501,792	33,615
		622,435	45,102

19.6 Commitments to extend credit

The Bank makes commitment(s) to extend credit in the normal course of business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

19.7 Matters relating to taxation are summarised in note 26.2 to these financial statements.

	2012	2011
	Rupees in '000	
20 PROFIT / RETURN EARNED		
On financings to customers	2,025,461	1,241,175
On investments in		
- held for trading securities	19,680	8,706
- available for sale securities	1,427,381	899,083
On deposits with financial institutions	23,743	21,455
On inter bank murabaha / mudarabah / musharakah agreements	107,087	205,166
	3,603,352	2,375,585
21 PROFIT / RETURN EXPENSED		
On deposits and other accounts	2,461,576	1,391,021
On other short term fund - musharakah / mudarabah	132,611	32,150
	2,594,187	1,423,171
22 GAIN ON SALE OF SECURITIES - NET		
Federal Government Securities - Sukuk bonds	34,960	68,125
Shares / units of open end mutual funds - listed	177,615	12,633
	212,575	80,758

	Note	2012	2011
		Rupees in '000	
23 OTHER INCOME			
Fees and charges recovered		12,270	8,386
Rental income		211	175
Gain on sale of operating fixed assets - net		2,841	1,370
Reversal of rent expense		-	8,648
Locker rent		424	235
		15,746	18,814
24 ADMINISTRATIVE EXPENSES			
Salaries, allowances, etc.	24.1	645,357	396,801
Remuneration to shariah advisor		5,344	3,790
Charge in respect of equity settled share based plan	32	2,030	-
Contribution to defined contribution plan	30	24,889	16,454
Non-executive directors' fees, allowances and other expenses		2,956	15,607
Rent, taxes, insurance, electricity, etc.		296,422	235,484
Legal and professional charges		30,259	19,255
Communications		65,894	46,944
Fees and subscription		10,787	10,749
Repairs and maintenance		103,081	62,615
Travelling and conveyance		23,807	18,451
Stationery and printing		13,984	11,339
Advertisement and publicity		47,836	95,181
Brokerage and commission		17,431	5,080
Service utilisation charges		55,854	39,816
Auditors' remuneration	24.2	3,488	4,420
Depreciation	10.2	131,445	117,457
Amortisation of intangible assets and deferred costs	24.3	24,219	34,993
Security service charges		40,538	33,283
Operating fixed assets written off		3,477	22,402
Others		64,105	39,224
		1,613,203	1,229,345

24.1 This includes Rs. 3.228 million (2011: Rs. 1.883 million) in respect of Contribution to Employees' Old Age Benefit Institution.

		Note	2012	2011
			Rupees in '000	
24.2	Auditors' remuneration			
	Audit fee		1,560	1,150
	Fee for interim review		400	350
	Special certifications and sundry advisory services		1,200	2,529
	Out-of-pocket expenses		328	391
			3,488	4,420
24.3	Amortisation			
	Deferred costs	12.2	1,646	6,588
	Intangible assets	10.3	22,573	28,405
			24,219	34,993
25	OTHER CHARGES			
	Penalties imposed by the State Bank of Pakistan		1,109	57
	Workers' welfare fund	25.1	695	-
			1,804	57

25.1 This represents accrual for contribution to Workers' welfare fund as per the amendments made vide Finance Act, 2008 in the Workers Welfare Fund Ordinance, 1971.

		Note	2012	2011
			Rupees in '000	
26	TAXATION			
	For the year			
	- Current	26.1	(18,567)	(25,184)
	- Deferred		69,867	83,604
			51,300	58,420
	Prior years		-	-
			51,300	58,420

26.1 Current tax charge for the year represents minimum tax on turnover as stipulated in the Income Tax Ordinance, 2001.

26.2 The income tax assessments of the Bank have been finalised upto and including tax year 2012. Matters of disagreement exist between the Bank and tax authority for tax year 2009 wherein the tax authorities have added back certain income based on the presumption that certain financings were given to the associate entities of the Bank without earning profit / mark-up income thereon resulting in additional tax liability of Rs. 25.329 million. The management's appeal in respect of this add-back is currently pending with the Commissioner of Inland Revenue (Appeals). The management is confident that this matter will be decided in favour of the Bank and consequently has not made any provision in respect of this amount.

		2012	2011
		Rupees in '000	
26.3	Relationship between tax charge and accounting profits / (losses)		
	Profit / (loss) before taxation	33,346	(346,908)
	Tax at the applicable rate of 35% (2011: 35%)	11,671	(121,418)
	Effect of:		
	- permanent differences	(62,612)	63,020
	- others	(359)	(22)
	Tax charge for the year	(51,300)	(58,420)

27 EARNINGS / (LOSS) PER SHARE - BASIC / DILUTED

	2012	2011
	Rupees in '000	
Profit / (loss) after taxation for the year	84,646	(288,488)
	Number of shares	
Weighted average number of ordinary shares	741,045,824	623,347,194
	Rupees	
Basic / diluted earnings / (loss) per share	0.114	(0.463)

There were no convertible / dilutive potential ordinary shares outstanding as at December 31, 2012 and December 31, 2011.

28 CASH AND CASH EQUIVALENTS

	Note	2012	2011
		Rupees in '000	
Cash and balances with treasury banks	6	2,452,464	1,379,696
Balances with other banks	7	907,255	2,215,636
		3,359,719	3,595,332

29 STAFF STRENGTH

	2012	2011
	Number of employees	
Permanent	733	521
Temporary / on contractual basis	52	18
Bank's own staff strength at the end of the year	785	539
Outsourced	744	281
Total staff strength	1,529	820

30 DEFINED CONTRIBUTION PLAN

The Bank operates a provident fund scheme administered by the Board of Trustees for all of its permanent employees. Equal monthly contributions are made both by the Bank and employees @ 10% of basic salary.

	2012	2011
	Rupees in '000	
Contribution made by the Bank	24,889	16,454
Contribution made by the employees	24,889	16,454
	49,778	32,908

31 COMPENSATION OF DIRECTORS AND EXECUTIVES

	2012			2011		
	President / Chief Executive	Directors	Executives	President / Chief Executive	Directors	Executives
	Rupees in '000					
Fees	-	2,956		-	15,607	-
Managerial remuneration	27,273	-	184,110	16,545	-	99,760
Contribution to defined contribution plan	2,727	-	13,266	1,654	-	7,226
Rent and house maintenance	12,273	-	82,849	4,045	-	44,891
Utilities	3,328	-	18,411	455	-	9,976
Medical	2,727	-	18,411	455	-	9,976
Fuel and conveyance	32	-	38,837	4,333	-	31,960
Others	190	-	10,733	-	-	-
	48,550	2,956	366,617	27,487	15,607	203,789
Number of persons	1	10	240	2	10	140

31.1 The Chief Executive and certain executives have been provided with free use of Bank maintained cars. In addition, the President / Chief Executive is also entitled to a share option scheme as detailed in note 32.

32 SHARE OPTION SCHEME

As per terms of employment, Chief Executive Officer (CEO) of the Bank has been offered a share option scheme as part of his employment contract. In accordance with this scheme, CEO will have the option to subscribe up to a maximum of 3.5% of issued shares of the Bank over the period of 5 years (i.e., 0.7% of the outstanding shares at each year end) starting from January 1, 2012 upto December 31, 2016. The shares will vest annually subject to achievement of the pre-agreed targets as per the Key Performing Indicators (KPIs) for 5 years in the following pattern:

Period of vesting		Number of shares options	Subscription price per share
Year 1	(January 1, 2012 - December 31, 2012)	5,187,400	Rs. 10.00
Year 2	(January 1, 2013 - December 31, 2013)	5,187,400	Rs. 10.00
Year 3	(January 1, 2014 - December 31, 2014)	5,187,400	Rs. 10.80
Year 4	(January 1, 2015 - December 31, 2015)	5,187,400	Rs. 12.96
Year 5	(January 1, 2016 - December 31, 2016)	5,187,400	Rs. 15.55

The share options for each period of vesting will be subject to achievement of KPIs by the CEO for the relevant period of vesting and will not be subject to roll-over if KPIs are not achieved for the relevant period of vesting provided that the Board of Directors of the Bank may allow roll-over at the enhanced price per option share applicable to the subsequent year in which the KPIs are achieved by the CEO.

All vested share options need to be subscribed / executed within a period of 5 years from the date of vesting of the relevant shares options.

The CEO will be additionally paid cash bonus at the time of the exercise of the option in respect of the option shares vested in Year 1 and Year 2 as follows payable immediately at the time of payment of the subscription price by the CEO for the option shares vested in Year 1 and Year 2;

Period of vesting	Number of shares options	Subscription price per share	Cash bonus per share subscribed
Year 1	5,187,400	Rs. 10.00	Rs. 2.50
Year 2	5,187,400	Rs. 10.00	Rs. 1.00

Fair value of share options

The estimated fair value of share options granted for each year is calculated by applying the black scholes pricing model. The model inputs were the share price at the grant date of Rs. 1.95 calculated specifically for the share option scheme and adjusted for discounting for lack of controllability and marketability. Expected volatility of 45% has been assumed which is based on the historical share price for 5 years of banks of similar size, contractual life of 5 years, and risk free interest rate of 12.88%. It was assumed that the Chief Executive Officer would exercise the options at the end of the 5 years.

Based on the value of share option an amount of Rs. 2.030 million has been charged to the profit and loss account during the year with a corresponding credit in the Statement of Changes in Equity under the head "Share based payment contribution reserve".

33 FAIR VALUE OF FINANCIAL INSTRUMENTS

33.1 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 quoted sukuks is determined using the Reuters rate while the fair value of listed equity securities is measured using the prices quoted on the stock exchange. Unquoted equity securities are valued at lower of cost and break-up value as per the latest available audited financial statements. Other unquoted securities are valued at cost less impairment losses. The provision for impairment in the value of investments has been determined in accordance with the accounting policy as stated in note 5.2.5 to these financial statements.

Fair values of Islamic financing and related assets cannot be determined with reasonable accuracy due to absence of current and active market. The provision against Islamic financing and related assets has been calculated in accordance with the accounting policy as stated in note 5.3 to these financial statements. The repricing, maturity profile and effective rates are stated in note 37 to these financial statements.

Fair values of all other financial assets and liabilities cannot be calculated with sufficient accuracy as active market does not exist for these instruments. In the opinion of the management, fair value of these assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short term in nature and, in case of Islamic financing and related assets and deposits, are frequently repriced.

	2012		2011	
	Book value	Fair value	Book value	Fair value
	Rupees in '000			
33.2 Off-balance sheet financial instruments				
Forward purchase of foreign exchange	-	-	276,271	276,141
Forward agreements for borrowing	-	-	-	-
Forward sale of foreign exchange	-	-	94,764	96,150
Forward agreements for lending	-	-	-	-

34 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment analysis with respect to business activity is as follows:

	2012				
	Corporate finance	Trading & sales	Retail banking	Commercial banking	Total
	Rupees in '000				
Total income	31,957	1,890,009	90,830	2,046,706	4,059,502
Total expenses	12,713	805,894	2,498,632	708,917	4,026,156
Net income / (loss)	19,244	1,084,115	(2,407,802)	1,337,789	33,346
Segment assets (gross)	-	19,411,818	4,201,080	24,339,921	47,952,819
Segment non performing Islamic financing and related assets	-	-	83,711	946,273	1,029,984
Segment provision required and held	-	56,033	77,524	633,810	767,367
Segment liabilities	-	3,252,756	36,791,428	1,203,787	41,247,971
Segment return on net assets (%)	-	6.73	(7.37)	5.95	0.56
Segment cost of funds (%)	-	8.92	8.92	8.92	8.92

	2011 (Restated)				
	Corporate finance	Trading & sales	Retail banking	Commercial banking	Total
	Rupees in '000				
Total income	2,540	1,248,314	64,171	1,249,097	2,564,122
Total expenses	1,230	723,561	1,436,787	749,452	2,911,030
Net income / (loss)	1,310	524,753	(1,372,616)	499,645	(346,908)
Segment assets (gross)	-	12,847,575	2,029,894	13,729,151	28,606,620
Segment non performing Islamic financing and related assets	-	-	73,956	946,978	1,020,934
Segment provision required and held	-	134,659	56,890	758,856	950,405
Segment liabilities	-	486,332	20,840,540	524,765	21,851,637
Segment return on net assets (%)	-	4.29	(7.28)	4.01	(5.98)
Segment cost of funds (%)	-	9.34	9.34	9.34	9.34

35 RELATED PARTY TRANSACTIONS

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 or operational decisions and include major shareholders, subsidiary company, associated companies with or without common directors, retirement benefit funds, directors and key management personnel.

The Bank has related party relationship with its shareholders, directors, associated undertakings, employee benefit plans and its key management personnel (including their associates).

A number of banking transactions are entered into with related parties in the normal course of business. These include financing and deposit transactions.

Contributions to staff retirement benefit plan are made in accordance with the terms of the contribution plan. Remuneration to the executives are determined in accordance with the terms of their appointment.

35.1 The details of transactions with related parties and balances with them, apart from compensation to executives as disclosed in note 31 and 32 are given below:

	December 31, 2012						December 31, 2011					
	Associated companies	Directors	Shareholders	Key management personnel **	Others	Total	Associated companies	Directors	Shareholders	Key management personnel **	Others	Total
	Rupees in '000											
Islamic financing and related assets												
As at January 1	-	-	-	165,640	-	165,640	-	-	13,500	60,400	-	73,900
Disbursed during the year	-	-	-	143,500	-	143,500	-	-	-	123,629	-	123,629
Repaid during the year	-	-	-	(68,601)	-	(68,601)	-	-	(13,500)	(9,421)	-	(22,921)
Adjustments *	-	-	-	(13,812)	-	(13,812)	-	-	-	(8,968)	-	(8,968)
As at December 31	-	-	-	226,727	-	226,727	-	-	-	165,640	-	165,640
Deposits												
As at January 1	49	9,278	14,509	41,929	4,812	70,577	84,385	3,985	31,822	38,303	4,520	163,015
Received during the year	26,841	12,502	15,615	633,695	96,951	785,604	10	45,846	49,645	304,273	70,727	470,501
Withdrawals during the year	(26,089)	(17,459)	(27,737)	(575,757)	(95,832)	(742,874)	(2,580)	(40,553)	(66,958)	(287,878)	(70,435)	(468,404)
Adjustments *	-	(121)	-	(3,738)	-	(3,859)	(81,766)	-	-	(12,769)	-	(94,535)
As at December 31	801	4,200	2,387	96,129	5,931	109,448	49	9,278	14,509	41,929	4,812	70,577
Investments												
As at January 1	79,167	-	-	-	-	79,167	79,167	-	-	-	-	79,167
Settlement during the year (note 8.6.1)	(79,167)	-	-	-	-	(79,167)	-	-	-	-	-	-
Adjustments *	-	-	-	-	-	-	-	-	-	-	-	
As at December 31	-	-	-	-	-	-	79,167	-	-	-	-	79,167
Others												
Security deposits	-	-	19,458	-	-	19,458	-	-	19,458	-	-	19,458
Other receivables	-	-	665	-	-	665	-	-	688	-	-	688
Provision held against sukuk bonds	-	-	-	-	-	-	79,167	-	-	-	-	79,167

	Year ended December 31, 2012						Year ended December 31, 2011					
	Associated companies	Directors	Shareholders	Key management personnel **	Others	Total	Associated companies	Directors	Shareholders	Key management personnel **	Others	Total
	Rupees in '000											
Transactions during the year												
Non banking Assets acquired (note 8.6.1)	120,000	-	-	-	-	120,000	-	-	1,555	4,187	-	5,742
Profit earned on financings	-	-	-	9,663	-	9,663	-	-	1,555	4,187	-	5,742
Profit expensed on deposits	-	191	69	3,401	608	4,269	6	180	487	1,853	503	3,029
Rent paid	-	-	61,737	-	-	61,737	-	-	21,081	-	-	21,081
Disposal of sukuks	-	-	-	-	58,257	58,257	-	-	-	-	16,453	16,453
Purchase of sukuks	-	-	-	-	-	-	-	-	-	3,000	-	3,000
Brokerage paid	-	-	-	-	-	-	254	-	-	-	-	254
Purchase of building	-	-	-	-	-	-	-	-	58,510	-	-	58,510
Proceeds from issue of shares	-	-	-	-	-	-	1,799,962	-	38	-	-	1,800,000
Contribution made to provident fund	-	-	-	-	49,778	49,778	-	-	-	-	32,908	32,908
Reversal of rent expense	-	-	-	-	-	-	-	-	8,648	-	-	8,648
Disposal of operating fixed assets	-	-	-	10,985	-	10,985	-	-	-	3,328	-	3,328

* Primarily relates to those directors, associates and key management personnel who are no longer related parties or have become related parties of the Bank as at December 31, 2012.

** These include balances and transactions with Chief Executive Officer of the Bank.

36 CAPITAL ASSESSMENT AND ADEQUACY

36.1 Capital management

Capital management aims to safeguard the Bank's ability to continue as a going concern and to provide adequate returns to shareholders in the long run by pricing products and services commensurately with the level of risk. For that purpose, the Bank ensures strong capital position and efficient use of capital as determined by the underlying business strategy i.e., optimal growth on continuing basis. The Bank maintains a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also appreciated and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

This process is managed by Asset Liability Committee (ALCO) of the Bank. The objective of ALCO is to derive the most appropriate strategy in terms of the mix of assets and liabilities given its expectations of the future and the potential consequences of interest rate movements, liquidity profiles and capital adequacy and their implication on risk management policies.

36.2 Goals of managing capital

The goals of managing capital of the Bank are as follows:

- To be a well capitalised institution, considering the requirements set out by the regulators of the banking markets where the Bank operates;

- Maintain strong ratings and to protect the Bank against unexpected events; and

- Availability of adequate capital at a reasonable cost so as to enable the Bank to operate progressively and provide reasonable value addition for the shareholders and other stakeholders of the Bank.

36.3 Statutory minimum capital requirement and management of capital

The current status of the Bank's compliance with minimum capital requirement specified by the State Bank of Pakistan is explained in note 17.4 to the financial statements.

36.4 Capital structure

Banks regulatory capital has been analysed into three tiers as follows:

- Tier I Capital, which includes fully paid-up capital, general reserves and unappropriated profits (net of losses) etc., after deduction for certain specified items such as book value of intangibles, deficit on revaluation of available for sale investments etc.

- Tier II Capital, which includes general provision for loan losses (upto a maximum of 1.25% of total risk weighted assets) and reserve on revaluation of equity investments after deduction of deficit on available for sale investments (upto a maximum of 45%). If the amount is net deficit than it should be deducted from Tier I.

- Tier III Capital has also been prescribed by the SBP for managing market risk; however, the Bank does not have Tier III capital.

The total of Tier II and Tier III capital has to be limited to Tier I capital.

Banking operations are categorised in either the trading book or the banking book and risk weighted assets are determined according to the specified requirements that seek to reflect the varying levels of risk attached to assets and off balance sheet exposures. The total risk weighted exposures comprise the credit risk, market risk and operational risk.

36.5 Capital adequacy ratio

The capital to risk weighted assets ratio, calculated in accordance with the SBP guidelines on capital adequacy using Basel II Standardised Approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk is presented below:

Regulatory capital base		2012	2011
		Rupees in '000	
Tier I capital			
Issued, subscribed and paid-up capital		7,410,458	7,410,458
Reserves as disclosed on the Statement of Financial Position		2,030	16,751
Accumulated losses		(1,548,233)	(1,649,630)
Other deductions			
Deficit on revaluation of available for sale securities		-	-
Book value of intangible assets (computer software)		(103,393)	(44,362)
Total Tier I capital		5,760,862	5,733,217
Tier II capital			
General provisions for loan losses - upto maximum of 1.25% of risk weighted assets		27,825	177,061
Revaluation reserves upto 45%		47,967	12,150
Other deductions		-	-
Total Tier II capital		75,792	189,211
Eligible Tier III capital		-	-
Total regulatory capital base	(a)	5,836,654	5,922,428

Risk-weighted exposures		2012		2011	
		Capital requirement	Risk adjusted value	Capital requirement	Risk adjusted value
		Rupees in '000			
Credit risk					
Portfolios subject to standardised approach (Simple approach for CRM)					
Banks and securities firms		43,231	196,504	45,713	457,126
Public Sector Entities		38,500	175,000	20,000	200,000
Corporate portfolio		3,130,826	14,231,029	741,503	7,415,029
Retail non mortgages		373,484	1,697,654	14,747	147,468
Mortgages – residential		28,144	127,925	6,908	69,080
Fixed assets		362,843	1,649,288	67,263	672,630
Other assets		477,083	2,168,558	96,368	963,677
Past due exposures		71,540	325,184	40,544	405,434
Market risk					
Capital requirement for portfolios subject to standardised approach					
Interest rate risk		236,439	1,074,723	79,297	792,975
Equity position risk		514,535	2,338,797	162,330	1,623,300
Foreign exchange risk		14,525	66,021	4,554	45,538
Operational risk					
Capital requirement for operational risks subject to Basic Indicator Approach		401,885	1,826,750	137,260	1,372,600
Total	(b)	5,693,035	25,877,433	1,416,487	14,164,857
Capital adequacy ratio					
Total eligible regulatory capital held	(a)	5,836,654		5,922,428	
Total risk weighted assets	(b)	25,877,433		14,164,857	
Capital adequacy ratio	[(a / b) x 100]	22.55%		41.81%	

37 RISK MANAGEMENT

The Bank has set-up a separate Risk Management Group for risk management functions in the Bank. The Bank's risk management function is developed based on the SBP guidelines and International regulatory frameworks. Independent of the business functions, the group has various departments to encompass risks on enterprise wide basis. To ensure Board's oversight on the risk management functions, the Board of Directors has established a Risk Management Committee consisting of Board members with mandate as follows:

- To review risk management policies of the Bank as and when required and recommend additions, deletions and modifications to the Board of Directors for approval.

- To review overall risk exposure of the Bank and develop and advise an overall risk strategy to be followed by relevant management committees for approving exposures.

- To ensure that a proper system is installed which provides all the required information pertaining to efficient and timely identification, control and reporting of risk including development of an effective MIS for risk management.

- To ensure that the resources allocated for risk management are adequate given the size, nature and volume of the business.

- To monitor the Bank's progress towards Basel II and to take and approve all such actions as may be required for successful implementation of Basel II and its different approaches.

- To review major risk exposures of the Bank and advise the management of any change in appetite thereof and to communicate the planned / executed corrective actions to the Board of Directors.

- To formulate an overall view of the adequacy of the Bank's Capital and its optimum allocation to various business activities with a risk weighted perspective.

- As and when required, to review appropriateness and effectiveness of rating models adopted by the Bank for different business classes and align them in accordance with the business needs of the Bank.

The fundamental risks associated with the financial institution business are financings, market, liquidity and operational risk.

Scope and nature of risk reporting tools

The comprehensive risk management framework enables the Bank to identify, assess, manage and monitor risks using a range of quantitative and qualitative tools. Some of these tools are common to a number of risk categories, while others are tailored to particular features of specific risk categories and enable generation of information such as:

- Internal risk rating system for Corporate, SME and Consumer financings, risk concentration and distribution.
- Collateral coverage ratios, limit utilisations and past due alerts.
- Stress testing to estimate variation in the value of portfolio in view of changes in the equity prices, foreign exchange rates, profit rates and various other factors.

Risk management process

Through the risk management framework, transactions and outstanding risk exposures are quantified and compared against authorised limits, whereas non quantifiable risks are monitored against policy guidelines and key risk and control indicators. Any discrepancies, excess or deviations, are escalated to the management for appropriate and timely action.

Furthermore, the Management Finance Committee and ALCO also have regular oversight of the risk management activities of the Bank. In addition, all the business proposals, both financing and investments, are independently evaluated by a separate division before review and then approved by the relevant approving authorities.

37.1 Credit risk

Credit risk represents the potential that a Bank's customer or counterparty will be unable to meet its obligations in accordance with agreed terms.

Credit risk management and structure

The Bank's approach to credit risk management is based on the foundation of preserving the independence and integrity of the credit risk assessment, management and reporting process combined with clear policies, limits and approval structures independent of business functions.

To identify and manage the credit risk, the Bank has developed and implemented a comprehensive credit risk assessment process which is supported by obligor risk rating system developed in conformity with the Basel II and SBP guidelines. The whole process facilitates in evaluation of the creditworthiness of customers before consideration for any financing facilities. Further, the Bank has implemented risk concentration and risk distribution policy guidelines which control the exposure to a single customer, group by the risk rating and overall in any business sector. In consumer financing the Bank has implemented product-wise score card models which assist the Bank in selection of customers and management of underlying risk. The credit risk is evaluated and managed on a transaction, customer as well as on portfolio basis.

"Watchlist" procedures are also in place which identify financings with early warning indicators in respect of clients which may become non performing. The risk management division also monitors the non performing financing portfolio of the Bank and reports the significant matters to Risk Management Committee.

The Bank operates within;

- Exposure ceilings imposed by the State Bank of Pakistan
- Exposure ceilings imposed by the Board of Directors
- Various sectoral ceilings
- Rating driven ceilings for single customers as well as customers falling within same group.

Financing administration department is working towards ensuring that all the approval terms are adhered to and spirit of the transaction is implemented and followed. Special Asset Management (SAM) department is functional and handles its responsibility with respect to non performing portfolio.

Management of corporate and consumer financing risk

All the corporate and consumer financing proposals are first evaluated by the business group and thereafter independent evaluation / due diligence analyses are carried out by a separate division subsequent to which they are further reviewed, evaluated and decided by the Management Finance Committee. The performance of customers is regularly monitored and the risk ratings are changed wherever required. Further, to ensure segregation of duties and independence of risk review functions, the concept of front office, middle office and back office is implemented in the Bank. In addition, Risk Management Group separately reviews, controls and monitors the financing and investment portfolios on an overall basis.

37.1.1 Segmental information

37.1.1.1 Segments by class of business

	2012					
	Islamic financing and related assets (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agri business (Food products and beverages)	2,724,015	11.31	115,130	0.32	6,150	0.20
Automobile and transportation equipment	267,243	1.11	5,051	0.01	-	-
Cement	93,750	0.39	500,120	1.39	-	-
Chemical and pharmaceuticals	3,033,744	12.60	2,849,958	7.93	130,355	4.22
Construction	132,597	0.55	211,740	0.61	1,238,874	40.13
Electronics and electrical appliances	896,426	3.72	258,223	0.72	366,894	11.88
Exports / Imports	182,617	0.76	83,623	0.23	-	-
Financial institutions (NBFI, DFI, Banks)	9,013	0.04	1,297,272	3.61	-	-
Fuel, oil and gas exploration	74,223	0.31	42,949	0.12	-	-
Insurance	-	-	724,576	2.02	-	-
Non-Government Organizations (NGOs)	-	-	2,015,082	5.61	-	-
Plastic products	57,232	0.24	1,618	-	14,444	0.47
Production and transmission of energy	1,855,067	7.70	1,653	-	797,542	25.83
Services	2,822,802	11.72	3,460,567	9.63	67,157	2.18
Shoe & leather garments	20,255	0.08	6,471	0.02	-	-
Sugar	2,094,598	8.70	14,735	0.04	-	-
Textile	2,955,867	12.28	1,911,139	5.32	69,482	2.25
Wholesale and retail trade	50,667	0.21	189,211	0.53	265,533	8.60
Individuals	2,797,680	11.62	14,729,105	41.01	243	0.01
Others	4,009,517	16.66	7,503,815	20.90	130,846	4.23
	24,077,313	100.00	35,922,038	100.00	3,087,520	100.00

	2011					
	Islamic financing and related assets (Gross) (Restated)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agri business (Food products and beverages)	4,257,120	32.17	33,895	0.17	20,084	2.28
Automobile and transportation equipment	450,287	3.40	8,631	0.04	15,552	1.77
Cement	331,250	2.50	237	0.00	-	-
Chemical and pharmaceuticals	1,116,983	8.44	2,127,454	10.46	-	-
Construction	81,846	0.62	413,814	2.03	30,446	3.46
Electronics and electrical appliances	310,279	2.34	9,131	0.04	299,979	34.08
Exports / Imports	128,977	0.97	-	-	16,237	1.84
Financial institutions (NBFI, DFI, Banks)	105,239	0.80	1,383,271	6.80	-	-
Fuel, oil and gas exploration	161,723	1.22	1,713	0.01	-	-
Insurance	-	-	3,527	0.02	-	-
Non-Government Organizations (NGOs)	-	-	940,889	4.63	-	-
Plastic products	85,875	0.65	3,382	0.02	18,074	2.05
Power (electricity), Gas, Water, Sanitary	1,000,000	7.56	13,972	0.07	1,900	0.22
Production and transmission of energy	786,725	5.95	-	-	18,832	2.14
Services	90,093	0.68	994,861	4.89	33,360	3.79
Shoe & leather garments	27,692	0.21	3,767	0.02	-	-
Sugar	1,112,280	8.41	1,828	0.01	-	-
Textile	1,435,692	10.85	753,915	3.71	191,307	21.74
Wholesale and retail trade	71,659	0.54	406,878	2.00	110,166	12.52
Individuals	615,431	4.65	10,675,563	52.48	-	-
Others	1,064,000	8.04	2,564,513	12.60	124,226	14.11
	13,233,151	100.00	20,341,241	100.00	880,163	100.00

37.1.1.2 Segment by sector

	2012					
	Islamic financing and related assets (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	4,079,716	16.94	4,044,031	11.26	1,774,923	57.49
Private	19,997,597	83.06	31,878,007	88.74	1,312,597	42.51
	24,077,313	100.00	35,922,038	100.00	3,087,520	100.00

	2011					
	Islamic financing and related assets (Gross) (Restated)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	3,485,251	26.34	2,196,337	10.80	142,600	16.20
Private	9,747,900	73.66	18,144,904	89.20	737,563	83.80
	13,233,151	100.00	20,341,241	100.00	880,163	100.00

37.1.1.3 Details of non-performing Islamic financing and related assets and specific provisions by class of business segment

	2012		2011 (Restated)	
	Classified Islamic financing and related assets	Specific provision held	Classified Islamic financing and related assets	Specific provision held
	Rupees in '000			
Agri business (Food products and beverages)	207,904	86,635	-	-
Automobile and transportation equipment	267,243	227,361	267,243	198,645
Construction	-	-	25,299	-
Financial institutions (NBFI, DFI, Banks)	-	-	105,239	101,117
Fuel, oil and gas exploration	74,223	70,542	74,223	70,542
Production and transmission of energy	40,454	38,808	49,322	47,668
Textile	149,153	81,786	-	-
Wholesale and retail trade	-	-	48,055	33,605
Individuals	83,711	49,699	73,956	39,352
Services	105,239	87,625	-	-
Others	102,057	36,500	377,597	127,279
	1,029,984	678,956	1,020,934	618,208

37.1.1.4 Details of non-performing Islamic financing and related assets and specific provisions by sector

	2012		2011 (Restated)	
	Classified Islamic financing and related assets	Specific provision held	Classified Islamic financing and related assets	Specific provision held
	Rupees in '000			
Public / Government	-	-	-	-
Private	1,029,984	678,956	1,020,934	618,208
	1,029,984	678,956	1,020,934	618,208

37.1.1.5 Geographical segment analysis

	2012			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rupees in '000			
Pakistan	33,346	47,185,452	5,937,481	3,087,520

	2011			
	Loss before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rupees in '000			
Pakistan	(346,908)	27,656,215	5,804,578	880,163

37.1.2 Credit risk - General disclosures Basel II specific

The Bank has adopted Standardised Approach for calculation of capital charge against credit risk according to Basel II guidelines. However, as highlighted in note 37.1, the Bank has already implemented the criteria of advanced approaches by establishment and implementation of obligor risk rating system for corporate and consumer financing in the Bank along with policy guidelines on the risk concentration and distribution.

37.1.2.1 Credit risk: Disclosures for portfolio subject to Standardised Approach

Under standardised approach the capital requirement is based on the credit rating assigned to the counterparties by the External Credit Assessment Institutions (ECAIs) duly recognised by the SBP for capital adequacy purposes. In this connection, Bank utilises the credit ratings assigned by ECAIs and has recognised agencies such as PACRA (Pakistan Credit Rating Agency), JCR-VIS (Japan Credit Rating Company - Vital Information System) and Moodys which are also recognised by the SBP.

Types of exposures and ECAI's used:

Exposures	PACRA	JCR-VIS	Moodys
Corporate	√	√	N/A
Banks	√	√	√
Public Sector Entities (PSEs)	√	N/A	N/A

Use of ECAI Ratings

The Bank prefers solicited ratings over unsolicited ratings at all times, owing to the greater degree of accuracy (in general) associated with solicited ratings. Unsolicited ratings may only be used in cases where a solicited rating is not available.

Mapping to SBP Rating Grades

The alignment of the Alphanumerical scale of each agency used with risk buckets is as per instructions laid down by the SBP under Basel II requirements.

37.1.2.2 Credit exposures subject to Standardised approach

For exposure amounts after risk mitigation subject to the standardised approach, the amount of the Bank's outstanding (rated & unrated) in each risk bucket as well as those that are deducted are as follows:

Exposures	Rating category	2012 Amount outstanding	2012 Deduction credit risk mitigation	2012 Net amount	2011 Amount outstanding	2011 Deduction credit risk mitigation	2011 Net amount
		Rupees in '000					
Corporate	1	1,968,323	-	1,968,323	1,110,906	-	1,110,906
	2	2,590,862	923	2,589,939	807,478	-	807,478
	3,4	38,162	10,063	28,099	114,845	-	114,845
	Unrated	14,612,184	441,278	14,170,906	7,025,215	38,079	6,987,136
Banks	1	403	-	403	1,695,447	-	1,695,447
	2	454,144	-	454,144	550,164	-	550,164
	Unrated	151,715	-	151,715	40,021	-	40,021
Public Sector Entities	1	875,000	-	875,000	1,000,000	-	1,000,000
	Unrated	3,204,716	3,204,716	-	2,485,251	2,485,251	-

37.1.2.3 Credit risk: Disclosures with respect to Credit risk mitigation for Standardised approach

The Bank has adopted the Simple Approach of Credit Risk Mitigation (CRM) for the Banking Book. In instances where the Bank's exposure on an obligor is secured by collateral that conforms to the eligibility criteria under the Simple Approach of CRM, then the Bank reduces its exposure under that particular transaction by taking into account the risk mitigating effect of the collateral for the calculation of capital requirement i.e., risk weight of the collateral instrument securing the exposure is substituted for the risk weight of the counter party.

The Bank accepts cash, lien on deposits, shares of certain listed companies and government securities under the simple approach of Credit Risk Mitigation. The Bank has in place detailed guidelines with respect to valuation and management of various collateral types. In order to obtain the credit risk mitigation benefit, the Bank uses realisable value of eligible collaterals to the extent of outstanding exposure.

Counterparty ratings are obtained through the two local SBP authorised External Credit Rating Agencies; JCR-VIS and PACRA and other international sources such as Moodys, Standard and Poors etc. Credit risk assessment and the continuous monitoring of counterparty and portfolio credit exposures is carried out by the Risk Management function.

37.1.3 Credit concentration risk

Credit concentration risk arises mainly due to concentration of exposures under various categories viz., industry, geography, and single / group borrower exposures. Within credit portfolio, as a prudential measure aimed at better risk management and avoidance of concentration of risks, the SBP has prescribed regulatory limits on banks' maximum exposure to single borrowers and group borrowers. Within the SBP limits, the Bank has further defined limits to avoid excessive concentration of portfolio based on different parameters.

37.2 Market risk

Market risk is the risk of losses arising from fluctuation in the market value of trading and non-trading instruments under investments portfolio. The four standard market risk factors are profit rates, foreign exchange rates, equity prices and commodity prices.

The Bank is using standardised approach to calculate capital charge for market risk as per the current regulatory framework under Basel II. Both general and specific risks are recognised, general market risk is related to profit rates and equity price risk, whereas specific risk has issuer related factors.

Market risk management

The Bank is using Stress Testing techniques as risk management tool to estimate variation in the value of the portfolio in view of changes in the equity prices, foreign exchange rates, profit rates and various other factors. Further, the Bank as a policy does not engage into any speculation business.

In addition to the market risk policies, which cover both trading and banking books, as well as stress testing, bank applies Value at Risk (VaR) technique as risk management tool which quantifies the maximum loss that might arise due to change in risk factors, if exposure remains unchanged for a given period of time.

Equity position in the banking and trading book - Basel II Specific

The Bank classifies and values its investment portfolio in accordance with the directives of the SBP as stated in note 5.2 to these financial statements.

Trading book

- Held for trading and available for sale securities;
- They are marked to market weekly;
- Valuation differences are charged to profit and loss account in case of held for trading securities and to equity in case of available for sale securities.

Banking book

- The Bank at present does not maintain held-to-maturity portfolio.

37.2.1 Foreign exchange risk

The foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to the changes in foreign exchange rates.

The objectives of the foreign exchange risk management function is to minimise the adverse impact of foreign denominated assets and liabilities mismatch and maximise the earnings while observing the limits set by the Bank.

The Bank does not take any currency exposure except to the extent of statutory net open position prescribed by the SBP. Foreign exchange open and mismatch positions are controlled through internal limits and are marked to market on a daily basis to contain the foreign exchange exposures.

The analysis below represents the concentration of the Bank's foreign currency risk for on and off balance sheet financial instruments:

	2012			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000			
Pakistan Rupee	46,207,647	40,336,187	-	5,871,460
United States Dollar	855,155	812,870	-	42,285
Great Britain Pound	71,768	59,987	-	11,781
Euro	40,635	38,927	-	1,708
Japanese Yen	421	-	-	421
U.A.E Dirham	114	-	-	114
Saudi Riyal	3,817	-	-	3,817
Swiss Franc	3,185	-	-	3,185
Canadian Dollar	1,296	-	-	1,296
Australian Dollar	236	-	-	236
Swedish Korona	1,178	-	-	1,178
Total foreign currency exposure	977,805	911,784	-	66,021
Total currency exposure	47,185,452	41,247,971	-	5,937,481

	2011			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000			
Pakistan Rupee	27,384,408	21,425,706	(180,102)	5,778,600
United States Dollar	229,533	375,677	186,638	40,494
Great Britain Pound	8,561	18,226	-	(9,665)
Euro	28,671	32,028	(6,536)	(9,893)
Japanese Yen	1,333	-	-	1,333
U.A.E Dirham	1,311	-	-	1,311
Saudi Riyal	2,398	-	-	2,398
Total foreign currency exposure	271,807	425,931	180,102	25,978
Total currency exposure	27,656,215	21,851,637	-	5,804,578

37.2.2 Yield / profit rate risk

Yield risk is the risk of decline in earnings due to adverse movement of the yield curve. Profit rate risk is the risk that the value of the financial instrument will fluctuate due to changes in market profit rates. The Bank is exposed to profit rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-balance sheet instruments that mature or re-price in a given period. The Bank monitors this risk and manages it by re-pricing of assets and liabilities with the objective of limiting the potential adverse effects on the profitability of the Bank.

37.2.2.1 Mismatch of profit rate sensitive assets and liabilities

The position for on and off balance sheet instruments is based on the earlier of contractual repricing or maturity date. The position for off balance sheet instruments is based on settlement dates.

	2012											
			Exposed to yield / profit risk									
	Effective yield / profit rate	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Non-profit bearing financial Instruments
	%	Rupees in '000										
On-balance sheet financial instruments												
Financial assets												
Cash and balances with treasury banks	-	2,452,464	-	-	-	-	-	-	-	-	-	2,452,464
Balances with other banks	5.00%-10.00%	907,255	300,717	-	-	-	-	-	-	-	-	606,538
Investments - net	9.23%-12.03%	17,156,398	152,486	3,530,582	12,303,933	-	-	-	-	-	-	1,169,397
Islamic financing and related assets - net	5.00%-19.17%	23,370,532	11,666,414	2,876,592	2,035,135	2,977,190	225,998	285	660	1,948	9,314	3,576,996
Other assets	-	876,987	-	-	-	-	-	-	-	-	-	876,987
		44,763,636	12,119,617	6,407,174	14,339,068	2,977,190	225,998	285	660	1,948	9,314	8,682,382
Financial liabilities												
Bills payable	-	390,795	-	-	-	-	-	-	-	-	-	390,795
Due to financial institutions	2.20%-9.5%	3,087,150	1,500,000	487,150	1,100,000	-	-	-	-	-	-	-
Deposits and other accounts	0.001%-12.5%	35,922,038	32,918,734	-	-	-	-	-	-	-	-	3,003,304
Other liabilities	-	1,274,933	-	-	-	-	-	-	-	-	-	1,274,933
		40,674,916	34,418,734	487,150	1,100,000	-	-	-	-	-	-	4,669,032
On-balance sheet gap		4,088,720	(22,299,117)	5,920,024	13,239,068	2,977,190	225,998	285	660	1,948	9,314	4,013,350
Off-balance sheet financial instruments												
Forward exchange contracts - purchase		-	-	-	-	-	-	-	-	-	-	-
Forward exchange contracts - sale		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total yield / profit risk sensitivity gap			(22,299,117)	5,920,024	13,239,068	2,977,190	225,998	285	660	1,948	9,314	4,013,350
Cumulative yield / profit risk sensitivity gap			(22,299,117)	(16,379,093)	(3,140,025)	(162,835)	63,163	63,448	64,108	66,056	75,370	4,088,720

	2011 (Restated)											
			Exposed to yield / profit risk									
	Effective yield / profit rate	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Non-profit bearing financial Instruments
	%	Rupees in '000										
On-balance sheet financial instruments												
Financial assets												
Cash and balances with treasury banks	-	1,379,696	-	-	-	-	-	-	-	-	-	1,379,696
Balances with other banks	5.00%-12.90%	2,215,636	2,050,680	-	-	-	-	-	-	-	-	164,956
Investments - net	11.79%-15.75%	9,982,793	67,729	67,211	74,903	150,460	4,538,512	3,061,357	292,065	918,902	-	811,654
Islamic financing and related assets - net	5.00%-22.24%	12,431,137	-	7,229,047	2,743,196	344,774	308	1,193	11,726	68,275	110,821	1,921,797
Other assets	-	205,534	-	-	-	-	-	-	-	-	-	205,534
		26,214,796	2,118,409	7,296,258	2,818,099	495,234	4,538,820	3,062,550	303,791	987,177	110,821	4,483,637
Financial liabilities												
Bills payable		210,932	-	-	-	-	-	-	-	-	-	210,932
Due to financial institutions	10.00%-11.90%	447,300	225,000	46,300	176,000	-	-	-	-	-	-	-
Deposits and other accounts	0.39%-11.29%	20,341,241	18,319,485	-	-	-	-	-	-	-	-	2,021,756
Other liabilities		706,868	-	-	-	-	-	-	-	-	-	706,868
		21,706,341	18,544,485	46,300	176,000	-	-	-	-	-	-	2,939,556
On-balance sheet gap		4,508,455	(16,426,076)	7,249,958	2,642,099	495,234	4,538,820	3,062,550	303,791	987,177	110,821	1,544,081
Off-balance sheet financial instruments												
Forward exchange contracts - purchase		276,271	269,399	4,462	2,410	-	-	-	-	-	-	-
Forward exchange contracts - sale		94,764	87,892	4,462	2,410	-	-	-	-	-	-	-
Off-balance sheet gap		181,507	181,507	-	-	-	-	-	-	-	-	-
Total yield / profit risk sensitivity gap			(16,244,569)	7,249,958	2,642,099	495,234	4,538,820	3,062,550	303,791	987,177	110,821	1,544,081
Cumulative yield / profit risk sensitivity gap			(16,244,569)	(8,994,611)	(6,352,512)	(5,857,278)	(1,318,458)	1,744,092	2,047,883	3,035,060	3,145,881	4,689,962

	Note	2012	2011
		Rupees in '000	
37.2.2.2 Reconciliation of assets and liabilities exposed to yield / profit rate risk with total assets and liabilities			
Total financial assets as per note 37.2.2.1		44,763,636	26,214,796
Add: Non financial assets			
Operating fixed assets	10	1,130,246	671,890
Deferred tax asset	11	519,877	480,377
Other assets		771,693	289,152
Total assets as per Statement of Financial Position		47,185,452	27,656,215
Total financial liabilities as per note 37.2.2.1		40,674,916	21,706,341
Add: Non financial other liabilities		573,055	145,296
Total liabilities as per Statement of Financial Position		41,247,971	21,851,637

37.2.3 Equity position risk

Equity position risk is the risk arising from taking long positions, in the trading book, in the equities and all instruments that exhibit market behavior similar to equities.

The Bank's equity portfolio comprises of 'held for trading' and 'available for sale' portfolio of shares. The objective of equity portfolio classified as 'held for trading' portfolio is to take advantages of short-term capital gains, while the 'available for sale' portfolio is maintained with a medium term view of capital gains and dividend income. Special emphasis is given to the details of risks / mitigants, limits / controls for equity trading portfolios of equity portfolio unit. All the investments are within the limit prescribed in the SBP regulations and are fully Shariah compliant.

37.3 Liquidity risk

Liquidity risk is the risk that the Bank either does not have sufficient financial resources available to meet its obligations and commitments as they fall due or can fulfill them only at excessive cost that may affect the Bank's income and equity.

The Bank seeks to ensure that it has access to funds at reasonable cost even under adverse conditions. This is done by managing its liquidity risk across all classes of assets and liabilities in accordance with regulatory guidelines and to take advantage of any financing and investment opportunities as they arise.

37.3.1 Maturities of assets and liabilities

37.3.1.1 Maturities of assets and liabilities based on expected maturities

	2012									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	Rupees in '000									
Assets										
Cash and balances with treasury banks	2,452,464	2,452,464	-	-	-	-	-	-	-	-
Balances with other banks	907,255	907,255	-	-	-	-	-	-	-	-
Investments - net	17,156,398	1,246,912	23,140	14,469	1,175,424	7,896,564	6,759,814	26,535	13,540	-
Islamic financing and related assets - net	23,370,532	2,607,015	5,246,515	5,548,423	130,313	479,450	1,488,747	5,232,009	2,215,978	422,082
Operating fixed assets	1,130,246	76,330	150,154	201,447	73,875	139,312	119,357	109,065	186,591	74,115
Deferred tax assets	519,877	-	-	-	519,877	-	-	-	-	-
Other assets	1,648,680	206,578	331,347	546,760	563,995	-	-	-	-	-
	47,185,452	7,496,554	5,751,156	6,311,099	2,463,484	8,515,326	8,367,918	5,367,609	2,416,109	496,197
Liabilities										
Bills payable	390,795	390,795	-	-	-	-	-	-	-	-
Due to financial institutions	3,087,150	1,500,000	487,150	1,100,000	-	-	-	-	-	-
Deposits and other accounts	35,922,038	18,941,265	5,229,863	2,915,872	5,362,266	256,632	147,341	1,151,703	1,917,064	32
Other liabilities	1,847,988	442,654	225,730	310,317	272,898	104,759	178,937	305,183	7,510	-
	41,247,971	21,274,714	5,942,743	4,326,189	5,635,164	361,391	326,278	1,456,886	1,924,574	32
Net assets	5,937,481	(13,778,160)	(191,587)	1,984,910	(3,171,680)	8,153,935	8,041,640	3,910,723	491,535	496,165
Share capital	7,410,458									
Reserves	2,030									
Accumulated losses	(1,548,233)									
Surplus on revaluation of assets - net of tax	73,226									
	5,937,481									

	2011 (Restated)									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	Rupees in '000									
Assets										
Cash and balances with treasury banks	1,379,696	1,379,696	-	-	-	-	-	-	-	-
Balances with other banks	2,215,636	2,215,636	-	-	-	-	-	-	-	-
Investments - net	9,982,793	879,383	67,211	74,903	150,460	4,538,512	3,061,357	292,065	918,902	-
Islamic financing and related assets - net	12,431,137	1,937,918	2,613,549	2,808,951	219,576	409,647	563,276	3,367,111	241,400	269,709
Operating fixed assets	671,890	12,340	24,679	37,019	74,038	114,976	98,474	145,059	136,942	28,363
Deferred tax assets	480,377	-	-	-	480,377	-	-	-	-	-
Other assets	494,686	126,003	153,445	165,325	12,748	3,891	7,229	13,649	6,202	6,194
	27,656,215	6,550,976	2,858,884	3,086,198	937,199	5,067,026	3,730,336	3,817,884	1,303,446	304,266
Liabilities										
Bills payable	210,932	210,932	-	-	-	-	-	-	-	-
Due to financial institutions	447,300	225,000	46,300	176,000	-	-	-	-	-	-
Deposits and other accounts	20,341,241	10,179,214	2,907,467	1,580,350	3,957,038	52,922	110,896	1,367,493	-	185,861
Other liabilities	852,164	449,229	90,005	92,267	17,301	22,017	48,952	108,713	23,680	-
	21,851,637	11,064,375	3,043,772	1,848,617	3,974,339	74,939	159,848	1,476,206	23,680	185,861
Net assets	5,804,578	(4,513,399)	(184,888)	1,237,581	(3,037,140)	4,992,087	3,570,488	2,341,678	1,279,766	118,405
Share capital	7,410,458									
Reserves	16,751									
Accumulated losses	(1,649,630)									
Surplus on revaluation of assets - net of tax	26,999									
	5,804,578									

The Bank has conducted a behavioral study based on volatility method on over 5 years data to arrive at the historical behavior of non-maturity deposits (non-contractual deposits). The maturities so calculated through volatility method has depicted that over 90% of deposit of the bank fall within one year, while the rest are beyond one year maturity.

37.3.1.2 Maturities of assets and liabilities based on contractual maturities

	2012									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	Rupees in '000									
Assets										
Cash and balances with treasury banks	2,452,464	2,452,464	-	-	-	-	-	-	-	-
Balances with other banks	907,255	907,255	-	-	-	-	-	-	-	-
Investments - net	17,156,398	1,246,912	23,140	14,469	1,175,424	7,896,564	6,759,814	26,535	13,540	-
Islamic financing and related assets - net	23,370,532	2,607,015	5,246,515	5,548,423	130,313	479,450	1,488,747	5,232,009	2,215,978	422,082
Operating fixed assets	1,130,246	76,330	150,154	201,447	73,875	139,312	119,357	109,065	186,591	74,115
Deferred tax assets	519,877	-	-	-	519,877	-	-	-	-	-
Other assets	1,648,680	206,578	331,347	546,760	563,995	-	-	-	-	-
	47,185,452	7,496,554	5,751,156	6,311,099	2,463,484	8,515,326	8,367,918	5,367,609	2,416,109	496,197
Liabilities										
Bills payable	390,795	390,795	-	-	-	-	-	-	-	-
Due to financial institutions	3,087,150	1,500,000	487,150	1,100,000	-	-	-	-	-	-
Deposits and other accounts	35,922,038	22,695,585	5,190,918	2,379,261	5,224,593	97,532	147,341	186,808	-	-
Other liabilities	1,847,988	442,654	225,730	310,317	272,898	104,759	178,937	305,183	7,510	-
	41,247,971	25,029,034	5,903,798	3,789,578	5,497,491	202,291	326,278	491,991	7,510	-
Net assets	5,937,481	(17,532,480)	(152,642)	2,521,521	(3,034,007)	8,313,035	8,041,640	4,875,618	2,408,599	496,197
Share capital	7,410,458									
Reserves	2,030									
Accumulated losses	(1,548,233)									
Surplus on revaluation of assets - net of tax	73,226									
	5,937,481									

	2011 (Restated)									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	Rupees in '000									
Assets										
Cash and balances with treasury banks	1,379,696	1,379,696	-	-	-	-	-	-	-	-
Balances with other banks	2,215,636	2,215,636	-	-	-	-	-	-	-	-
Investments - net	9,982,793	879,383	67,211	74,903	150,460	4,538,512	3,061,357	292,065	918,902	-
Islamic financing and related assets - net	12,431,137	1,937,917	2,613,549	2,808,951	219,576	409,648	563,276	3,367,111	241,400	269,709
Operating fixed assets	671,890	12,340	24,679	37,019	74,038	114,976	98,474	145,059	136,942	28,363
Deferred tax assets	480,377	-	-	-	480,377	-	-	-	-	-
Other assets	494,686	126,003	153,445	165,325	12,748	3,891	7,229	13,649	6,202	6,194
	27,656,215	6,550,975	2,858,884	3,086,198	937,199	5,067,027	3,730,336	3,817,884	1,303,446	304,266
Liabilities										
Bills payable	210,932	210,932	-	-	-	-	-	-	-	-
Due to financial institutions	447,300	225,000	46,300	176,000	-	-	-	-	-	-
Deposits and other accounts	20,341,241	12,093,748	2,837,292	1,328,485	3,850,733	52,922	110,896	67,165	-	-
Other liabilities	852,164	449,229	90,005	92,267	17,301	22,017	48,952	108,713	23,680	-
	21,851,637	12,978,909	2,973,597	1,596,752	3,868,034	74,939	159,848	175,878	23,680	-
Net assets	5,804,578	(6,427,934)	(114,713)	1,489,446	(2,930,835)	4,992,088	3,570,488	3,642,006	1,279,766	304,266
Share capital	7,410,458									
Reserves	16,751									
Accumulated losses	(1,649,630)									
Surplus on revaluation of assets - net of tax	26,999									
	5,804,578									

Current and savings deposits have been classified under maturity upto one month as these do not have any contractual maturity. Further, the Bank estimates that these deposits are a core part of its liquid resources and will not fall below the current year's level.

37.4 Operational risk

Operational risk is the risk of direct or indirect loss due to an event or action resulting from the failure of processes, systems, personnel and other risks having an operational impact such as unauthorised activities, fraud and business malpractices.

Operational risk management and structure

The Bank is using Basic Indicator Approach of Basel II for operational risk. The Bank has a separate operational risk management function which is involved in developing an overall operational risk management framework with the objective of gradually moving towards advanced approach under Basel II.

The Bank is also supervised by the Shariah Supervisory Committee, headed by the Shariah Advisor, which sets out guidelines, policies and procedures for the Bank to ensure that all its activities and products are Shariah compliant.

A business continuity plan and a disaster recovery plan have also been formulated to ensure uninterrupted flow of operations of the Bank.

38 PROFIT / (LOSS) DISTRIBUTION TO DEPOSITORS' POOL

38.1 The Bank is maintaining the following two pools for profit declaration and distribution:

1) General Pool
2) IERS Musharakah Pool

Features, risks & rewards of each pool are given below:

1) General Pool

The Bank manages one general pool for its depositors. Under the PLS mechanism, the Bank generates revenues from the pool funds which are shared with the depositors according to the pre-agreed profit sharing ratios and assigned weightages.

a) Priority of utilisation of funds in the general pool shall be:

- Depositor funds
- Equity funds

b) Weightages for distribution of profit in general pool

Assignment of weightage for profit distribution to different type of profit bearing sources of funds is as follows:

- While considering weightages emphasis shall be given to the quantum, type and the period of risk assessed by following factors:

  i) Contracted period, nature and type of deposit / fund
  ii) Payment cycle of profit on such deposit / fund, i.e., monthly, quarterly or at maturity
  iii) Magnitude of risk

- Weightages for general pool shall be determined and declared on a monthly basis prior to commencement of next month's business in order to provide an opportunity to the customers / fund providers to exercise their option of either to keep or withdraw their deposits / funds.

- Any change in profit sharing weightage of any category of deposit / fund providers shall be applicable from the next month.

c) Parameters associated with risk & rewards

Following are the consideration attached with risk & reward of general pool:

- Period, return, safety, security and liquidity of investment
- Financing proposals under process at various stages and likely to be extended in the near future
- Expected withdrawals of deposits according to the maturities affecting the deposit base
- Expected amount of procurement of deposit during coming days as a result of concerted marketing efforts of the Bank
- Maturities of funds obtained from Principal Office, Islamic Banking Institutions and Shariah compliant organisations as regulated in Pakistan
- Element of risk attached to various types of investments
- SBP rules & Shariah clearance

2) IERS Musharakah Pool

The Bank manages IERS Musharakah Pool for borrowings from SBP under IERS. Under the PLS mechanism, the Bank generates revenues from the pool funds which are shared with the SBP according to the pre-agreed profit sharing ratios and assigned weightages.

38.2 Basis of profit allocation

During the year, profit was distributed between Mudarib and Rabbul Maal with below profit sharing ratio based upon Gross Income approach (gross income less direct expenses).

	Profit sharing ratio			
	January to March 2012	April to June 2012	July to November 2012	December 2012
Rabbul Maal (Depositor)	40%	35%	45%	50%
Mudarib (Bank)	60%	65%	55%	50%

Charging expenses

The direct expenses are being charged to respective pool, while indirect expenses are being borne by the Bank as Mudarib. The direct expenses to be charged to the pool may include depreciation of ijarah assets, impairment / losses due to physical damages to specific assets in pools etc. However, this is not an exhaustive list; the Bank's pool management framework and the respective pool creation memo may identify and specify these and any other similar expenses to be charged to the pool.

General remunerative depositor's pools	Profit sharing ratio as at December 31, 2012	Mudarib Share-Net of Hiba and Including Mudarib Fee	Mudarib Share-Net of Hiba and Including Mudarib Fee	Amount of Mudarib share transferred to the depositors through Hiba	Percentage of Net Mudarib share transferred to the depositors through Hiba	Profit rate and weightage announce-ment period	Amount of Hiba as percentage of Gross Mudarib's Profit Share including Mudarib Fee	Profit rate return earned	Profit rate return distributed
		(Rupees in '000)		(Rupees in '000)					
Common Mudarabah Pool	50 : 50	1,900,521	16.04%	700,631	36.87%	Monthly	26.94%	10.41%	8.99%

Specific pools	Profit sharing ratio as at December 31, 2012	Share of profit to SBP amount in thousand	Hiba	Profit rate and weightage announce-ment period	Profit rate return earned by SBP
		(Rupees in '000)			
Musharakah Pool under SBP's Islamic Export Refinance Scheme	65.62 : 34.38	70,937	-	Monthly	9.60%

39 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on March 06, 2013 by the Board of Directors of the Bank.

40 CORRESPONDING FIGURES

Comparative information has been re-classified, re-arranged or additionally incorporated in these financial statements, wherever necessary to facilitate comparison and to confirm with changes in presentation in the current year. There were no significant reclassifications / restatements except as disclosed in note 3.5 to these financial statements during the year.

41 GENERAL

Figures have been rounded off to the nearest thousand Rupees unless otherwise stated.

CHAIRMAN	VICE CHAIRMAN	DIRECTOR	PRESIDENT / CEO
Khaled Mohammad Al-Aboodi	Shehab M. Gargash	Fuad Azim Hashimi	Ahmed Khizer Khan

Pattern of Shareholdings
as on December 31, 2012

Numbers of Shareholders	Shareholdings From		To	Total Number of Shares Held
7	501	-	1,000	4,800
1	5,001	-	10,000	5,034
1	10,001	-	15,000	10,021
1	195,001	-	200,000	200,000
1	265,001	-	270,000	270,000
1	385,001	-	390,000	390,000
1	545,001	-	550,000	550,000
1	730,001	-	735,000	730,600
1	820,001	-	825,000	822,600
2	995,001	-	1,000,000	2,000,000
1	1,195,001	-	1,200,000	1,200,000
1	1,220,001	-	1,225,000	1,222,600
2	1,330,001	-	1,335,000	2,666,666
2	1,335,001	-	1,340,000	2,680,000
3	2,495,001	-	2,500,000	7,500,000
1	2,510,001	-	2,515,000	2,512,299
1	9,995,001	-	10,000,000	10,000,000
1	10,155,001	-	10,160,000	10,160,000
1	11,495,001	-	11,500,000	11,500,000
1	14,830,001	-	14,835,000	14,833,333
1	16,925,001	-	16,930,000	16,927,968
1	20,200,001	-	20,205,000	20,200,920
1	20,290,001	-	20,295,000	20,291,284
1	26,660,001	-	26,665,000	26,662,516
1	29,685,001	-	29,690,000	29,685,986
1	39,995,001	-	40,000,000	40,000,000
1	244,545,001	-	244,550,000	244,545,122
1	273,470,001	-	273,475,000	273,474,075
39				741,045,824

Categories of Shareholders
as on December 31, 2012

Shareholders' Category	Number of Shareholders	Number of Shares Held	Percentage
Financial Institutions	6	563,743,550	76
Individuals	26	110,968,941	15
Investment Companies	2	41,000,000	6
Joint Stock Companies	3	13,840,000	2
Leasing Companies	1	1,333,333	0
Modarabas	1	10,160,000	1
	39	741,045,824	100

Additional Information
as on December 31, 2012

Particulars	No of Shareholders	Shares held	Percentage
Associated Companies			
Bank Al Khair B.S.C (c)	1	273,474,075	36.90%
Islamic Corporation For The Development Of The Private Sector	1	244,545,122	33.00%
Alsafat Investment Company	1	40,000,000	5.40%
Gargash Enterprises L.L.C	1	10,000,000	1.35%
Directors			
Azam Essof Kolia	1	26,662,516	3.60%
Shehab M. Gargash	1	16,927,968	2.28%
Public Sector Companies, Corporations, Banks, Development Financial Institutions, Non-Banking Finance Institutions, Mutual Funds and Other Organizations			
PAIR	1	29,685,986	4.01%
Allied Bank Limited	1	14,833,333	2.00%
B.R.R Guardian Modaraba	1	10,160,000	1.37%
Al-Hoqani Securities & Investment Corporation (Private) Limited	1	2,500,000	0.34%
Dossa Cotton & General Trading (Private) Limited	1	1,340,000	0.18%
Saudi Pak Leasing Company Limited	1	1,333,333	0.18%
Orix Investments Bank Pakistan Limited	1	1,200,000	0.16%
Descon Holding (Private) Limited	1	1,000,000	0.13%
Dawood Capital Management Limited	1	5,034	0.00%
Others (Shareholder with less than 10% Shareholding)	24	67,378,457	9.09%
	39	741,045,824	100%

Branch Network
as on December 31, 2012

S. No.	City	BRANCHES		Address
		Branch Code	Branch	
1	Karachi	0001	Main Branch	Trade Centre, I.I. Chundrigar Road, Karachi
2	Karachi	0002	Shahrah-e-Faisal Branch	Al Tijarah Centre, Main Shahrah-e-Faisal, Block 6, PECHS, Karachi
3	Karachi	0003	Gulshan Branch	Ground Floor, Dawood Avenue, plot No.ZC-5, Shop No.2-3-4, Block 7, Gulshan-e-Iqbal, Karachi
4	Lahore	0004	Gulberg Branch	57-B-III, Near Hussain Chowk Gulberg III, Lahore
5	Karachi	0005	Jodia Branch	Daryalal Street, Napier Quarters Jodia Bazar, Karachi
6	Karachi	0006	Kharadar Branch	Qasr-e-Yasir, Survey No.5 & 6, Bunder Quarters, Kharadar, Karachi
7	Karachi	0007	Sir Syed Road Branch	G-07& G-08, Madina Arcade, Plot # 154-S, Block 2, Sir Syed Road PECHS, Karachi
8	Karachi	0008	Dhorajee Branch	Shop 1-2, Plot#35/130; Survey Sheet No 35-P/1 C.P.Berear Co-operative Housing Societies Ltd, Block 7/8, Karachi
9	Sialkot	0009	S.I.E. Shahab Pura Branch	Plot BIII-8S-202, Mianporea Ogoki Road, Chowk Shahabpura, Sialkot
10	Faisalabad	0010	Hassan Arcade Branch	Ground Floor, Hasan Arcade, Plot No 871-B Peoples Colony, Main Chan One Road, Faisalabad
11	Rahim Yar Khan	0011	Iqbalabad Branch	5 & 6 Moza Dera Shams, Iqbalabad, Rahim Yar Khan
12	Islamabad	0012	Blue Area Branch	Saleem Plaza, 19Jinnah Avenue, Blue Area, F-6/G-6, Islamabad
13	Joharabad	0013	13-Wala Moore Branch	13 Wala More, Chuck 13, 6 Kilometer Muzaffar Gadh, District Khushab, Joharabad
14	Multan	0014	Vehari Road Branch	Shop No 616, Inside Corporation Near Islam Nagar Vehari Road, Multan
15	Karachi	0015	Zamzama Branch	Plot No 11-C, Zamzama Boulevard, Phase V, D.H.A, Karachi
16	Karachi	0016	Zaib-un-Nissa Branch	Shop No 4, Survey 6, SB 7, Zaib-un-Nisa Street Saddar, Karachi
17	Karachi	0017	M.A. Jinnah Branch	Shop No15, Ground Floor, Jahangir Mansion, M.A Jinnah Road, Karachi
18	Rawalpindi	0018	Bank Road Branch	Plot No.1; Survey No 364, Bank Road, Rawalpindi
19	Gujranwala	0019	Model Town Branch	Plot No 85-19/20/B, Model Town, Gujranwala
20	Hyderabad	0020	Latifabad Branch	Plot No 325-D.Block-C, Latifabad Unit No. 7, Hyderabad
21	Abbottabad	0021	Mansehra Road Branch	Eman Plaza Al Marcha Road Near Satthi Masjid Abbottabad
22	Karachi	0022	Gulistan-e-Johar Branch	Shop No 10, Roof lake drive, Sub plot No 118/2/B&C/B-X. Block No 18 KDA Scheme, Gulistan-e-Johar Karachi
23	Sukkur	0023	March Bazar Branch	Plot No B-897/1, Main March Bazar, Sukkur
24	Tando Adam	0024	M.A. Jinnah Road Branch	Sohail Trader M.A Jinnah Road, Near Municipality, Tando Adam
25	Karachi	0025	DHA PH II Branch	Plot No.108-B C, Commercial Area Phase II DHA, Karachi
26	Karachi	0026	Hussainabad Branch	Hussainabad, F.B Area, Block-3 K.D.A. Scheme No16, Karachi
27	Islamabad	0027	F10 Markaz Branch	Plot # 1-V, Margalla Plaza, Main Double Road, F-10 Markaz, Islamabad
28	Sabu Raho	0028	Sabu Raho Branch	Survey No 64/2, Main National High Way Road, Sabu Rahu, Tehsil Sakrand, District Shaheed Banazirabad, Sindh
29	Odero Lal	0029	Odero Lal Branch	Survey No 481/2,483/1-4 & 487/2, Opposite Rural Health Centre, Oderolal Tehsil & District Matyari, Sindh
30	Karachi	0030	Hyderi Branch	SE-6, Block-G, North Nazimabad, KDA Scheme No 2, Karachi
31	Sargodha	0031	Khayyam Chowk Branch	Alif Shumail Khilgi Building, Road Sargodha near PSO Pump & Kheyam Cinema, Sargodha
32	Lahore	0032	Iqbal Town Branch	5 Hunza (A), Block, Main Boulevard Allama Iqbal, Lahore
33	Lahore	0033	Johar Town Branch	68 R 1, M.A Johar Town, Lahore
34	Lahore	0034	D.H.A Branch	T-56 CCA Phase 2, DHA Lahore
35	Faisalabad	0035	Rail Bazar Branch	Rail Bazar, Near Clock Town, Faisalabad
36	Rawat / Islamabad	0036	G.T Road Branch	Mughal Plaza, G.T. Road, Rawat Tehsil & District Islamabad
37	Lahore	0037	Manga Mandi Branch	Madina Market Kalma Chowk, Multan Road, by pass Manga Mandi, Lahore

38	Lahore	0038	Khana Branch	Khasra No. 163, Khewet No. 698, Khatooni No. 1228 & 1229, Mouza Gaju Matta, Feroze Pur Road, Khana
39	Tarnol / Islamabad	0039	G.T Road Branch	Pak-Doha Trade Centre, G.T. Road Tarnol, Tehsil & District, Islamabad
40	Quetta	0040	M.A. Jinnah Road Branch	M.A. Jinnah Road, Quetta
41	Peshawar	0041	Saddar Road Branch	6 Sadar Road, near Dean Bakery, Peshawar
42	Karachi	0042	BFT Branch	Business Finance & Trade Tower, I.I.Chundrigar Road
43	Lahore	0043	Main Boulevard Branch	61-A, Main Boulevard, Near Mega Tower, Gulberg, Lahore
44	Azad Kashmir	0044	Mirpur Branch	Plot No.7, Sector B-III, Main Allama Iqbal Road, Mirpur, Azad Kashmir
45	Gujrat	0045	G. T. Road Branch	Property No.402/405 and 433/458, Khasra,,No.531/715 Mohala Kalar Khasa, Tehsil & District: Gujrat Main G. T. Road), Near Askar Bank, Opp.: Pak Fan Factory, Gujrat.
46	Gujjar Khan	0046	Gujjar Khan Branch	Property No.B-111, House No.204-A, Ward No.1, Main GT Road, Gujjar Khan.
47	Islamabad	0047	Satellite Town Branch	29-B-1, Satellite Tow, Muree Road, Chandni Chowk, Rawalpindi
48	Lahore	0048	D. H. A Block Z Branch	Plot # 316, Block-Z, Commercial Market DHA, Lahore
49	Jehlum	0049	Model Colony Branch	Shop No.G-43, Model Colony, Shander Chowk, Jhelum
50	Karachi	0050	Korangi Industrial Area Branch	Plot # ST-4/2, Sector No.23, Korangi Industrial Area, Karachi
51	Lahore	0051	The Mall Branch	112 The Mall, RaÏ Mansion, Opp. Al-Falah Building, Lahore.
52	Karachi	0052	Shaheed-e-Millat Branch	Plot No.16/156, Block-3, Bahadur Yar Jung Co-operative Housing Society, Main Shaheed-e-Millat Road, Karachi
53	Karachi	0053	Gulshan Block C Branch	Plot # SB-7/1, Block C, Scheme # 24, Gulshan, Karachi
54	Karachi	0054	North Nazimabad Branch	D-3, Block-D, North Nazimabad, Karachi
55	Islamabad	0055	F-8 Markaz Branch	Plot # 3-A, F-8 Markaz, Islamabad.
56	Karachi	0056	Port Qasim Branch	G-4 Port Qasim Trade Centre, Plot No.1/20 Port Operations Zone, Qasim Port Authority, Karachi
57	Karachi	0057	F. B. Area Block 10 Branch	Property No.C-17, Block-10, Scheme-16, F. B. Area, Karachi.
58	Karachi	0058	Bukhari Commercial Area Branch	Property No.58-C, Lane fi 13, Bukhari Commercial Area, D.H.A., Phase-VI, Karachi
59	Lahore	0059	Tufail Road Branch	12 - Tufail Road, Cantt, Lahore
60	Lahore	0060	Model Town Branch	Showroom # 11, Bank Square Market, Block-C, Model Town, Lahore
61	Lahore	0061	Shadman Jail Road Branch	14 Shadman, Jail Road, Lahore
62	Lahore	0062	DHA Block - H Branch	Plot No.137, Block-H, Phase-1, D.H.A, Lahore Cantt., Lahore
63	Islamabad	0063	F-7 Markaz Branch	13 - N, F-7 Markaz, Islamabad.
64	Peshawar	0064	University Road Branch	Muhammad Tower, University Road, Near Gul Haji Plaza, Peshawar
65	Hyderabad	0065	Cantonment Area Branch	Plot No.123/2, Cantonment Survey No.41/123/2 Cantonment Area, Hyderabad
66	Ghakkar Mandi	0066	Ghakkar Branch	Property No.BV-732A, Khawet No.2193, Khatooni No.2964, Khasra No.3182/12, Qitat-3, Ghakkhar, Tehsil Wazirabad.
67	Lasbela	0067	Hub Branch	Ground Floor, LCCI OfÏce Building, DC-26, H.I.T.E, Hub Lasbela.
68	Karachi	7081	Tipu Sultan Road Sub Branch	Plot No 116-117-Z, Block No7/8, Shabirabad Commercial Area, Dawoodi Bohra Co-operative Housing, Society Ltd. Tipu Sultan Road, Karachi
69	Karachi	7102	Clifton Sub Branch	S-07, Ground Floor, Yousuf Grand Plaza, Plot No G4 Block 8, KDA Scheme 5, Kehkashan, Clifton, Karachi
70	Jauharabad	7131	City Sub Branch	Opposite NBP Ghalla Mandi, Khushab, Jauharabad
71	Multan	7141	Old Bahawalpur Road Sub Branch	Plot # 126, Old Bahawalpur Road, Multan
72	Karachi	7151	Khayaban-e-Shehbaz Sub Branch	Plot # 15-C Khayaban-e-Shehbaz, Phase VI, D.H.A Karachi
73	Karachi	7221	S.S.U.E.T Sub Branch	Main University Road, Block-05, SSUET, Karachi
74	Karachi	7251	D. H. A Ph. II Ext Sub Branch	96 - C, Main Khayaban-e-Ittehad, Defense Housing Authority, Phase-II, Extension, Karachi
75	Lahore	7401	Shah Alam Sub Branch	Plot # 6, Block B, Main Road Shah Alam Gate, Lahore

Form of Proxy

Folio / CDC Account No.

I / We _____

of _____ being members(s) of

Burj Bank Limited ("the Bank") holding _____

_____ ordinary

share, hereby appoint _____

of _____ of failing

of _____

him / her _____

of _____

Member of the Bank, as my / our proxy to voice for me / us, and on my / our behalf at 7th Annual General Meeting of the Bank to be held on Wednesday April 10, 2013 and at any adjournment thereof.

As witness my / our hand this _____ day of _____ 2013.

Witness:

Name: _____

CNIC No./ Passport No: _____

Address: _____

(Member's signature on Rs. 5/- Revenue Stamp)

Name: _____

CNIC No./ Passport No: _____

Address: _____

Please
affix correct
postage

The Company Secretary
Burj Bank Limited
Trade Centre, I.I.Chundrigar Road,
Karachi, Pakistan.