BURJ BANK LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2014

	Note	2014	2013
		----------- Rupees in '000 -----------	
ASSETS			
Cash and balances with treasury banks	6	2,411,487	2,751,089
Balances with other banks	7	81,779	1,056,489
Due from financial institutions	8	-	7,689,704
Investments - net	9	8,164,801	9,226,189
Islamic financing and related assets - net	10	19,960,447	28,955,126
Operating fixed assets	11	854,673	1,057,349
Deferred tax assets - net	12	1,404,859	1,177,423
Other assets - net	13	1,212,480	1,475,694
		34,090,526	53,389,063
LIABILITIES			
Bills payable	14	318,887	507,471
Due to financial institutions	15	1,795,000	3,052,474
Deposits and other accounts	16	25,808,867	42,697,675
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	17	1,364,053	1,770,235
		29,286,807	48,027,855
NET ASSETS		4,803,719	5,361,208
REPRESENTED BY			
Share capital	18	8,167,527	8,167,527
Reserves		2,030	2,030
Accumulated losses		(3,342,303)	(2,870,526)
		4,827,254	5,299,031
(Deficit) / surplus on revaluation of assets - net of tax	19	(23,535)	62,177
		4,803,719	5,361,208
CONTINGENCIES AND COMMITMENTS	20		

The annexed notes 1 to 43 form an integral part of these financial statements.

CHAIRMAN **DIRECTOR** **DIRECTOR** **PRESIDENT / CEO**

BURJ BANK LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2014

	Note	2014	2013
		----------- Rupees in '000 -----------	
Profit / return earned	21	4,265,544	3,698,464
Profit / return expensed	22	(2,951,435)	(2,746,105)
Net spread earned		1,314,109	952,359
Provision against non-performing Islamic financing and related assets - net	10.9	(122,301)	(819,174)
Reversal / (provision) for diminution in the value of investments - net	9.8	11,521	(2,230)
Bad debts written off directly		-	-
		(110,780)	(821,404)
Net spread after provisions		1,203,329	130,955
Other income			
Fee, commission and brokerage income		191,851	219,815
Dividend income		49,478	82,955
Loss from dealing in foreign currencies		(329)	(15,633)
Gain on sale of securities - net	23	192,729	277,100
Unrealised gain on revaluation of investments classified as held for trading - net	9.9	12,288	5,590
Other income	24	22,516	43,581
Total other income		468,533	613,408
		1,671,862	744,363
Other expenses			
Administrative expenses	25	(2,272,301)	(2,474,739)
Provision against other assets - net	13.2	(9,180)	(5,163)
Other charges	26	(5,180)	(3,235)
Total other expenses		(2,286,661)	(2,483,137)
Extra ordinary / unusual items		-	-
Loss before taxation		(614,799)	(1,738,774)
Taxation	27		
- Current year		(43,344)	(39,086)
- Prior years		-	(1,666)
- Deferred		186,366	646,500
		143,022	605,748
Loss after taxation		(471,777)	(1,133,026)
		---------------- Rupees ----------------	
Basic and diluted loss per share	28	(0.578)	(1.489)

The annexed notes 1 to 43 form an integral part of these financial statements.

CHAIRMAN **DIRECTOR** **DIRECTOR** **PRESIDENT / CEO**

BURJ BANK LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2014

	2014	2013
	------------ Rupees in '000------------	
Loss after taxation for the year	(471,777)	(1,133,026)
Other comprehensive income	-	-
Total comprehensive loss for the year transferred to equity	(471,777)	(1,133,026)
Items that may be reclassified to profit and loss account		
Components of comprehensive loss not reflected in equity		
Deficit on revaluation of available for sale investments - net of tax	(85,712)	(11,049)
Total comprehensive loss for the year	(557,489)	(1,144,075)

The annexed notes 1 to 43 form an integral part of these financial statements.

CHAIRMAN **DIRECTOR** **DIRECTOR** **PRESIDENT / CEO**

BURJ BANK LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2014

	Note	2014	2013
		----------- Rupees in '000 -----------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(614,799)	(1,738,774)
Less: Dividend income		(49,478)	(82,955)
		(664,277)	(1,821,729)
Adjustments for non-cash and other items			
Depreciation - Owned assets	11.2	176,011	177,942
Depreciation - Ijarah assets		414,880	486,399
Amortisation	11.4	45,352	46,534
Provision against non-performing Islamic financing and related assets - net	10.9	122,301	819,174
(Reversal) / provision for diminution in the value of investments - net	9.8	(11,521)	2,230
Provision against other assets	13.2	9,180	5,163
Unrealised gain on revaluation of investments classified as held for trading - net	9.9	(12,288)	(5,590)
Unrealised loss on forward foreign exchange contracts - net	17	1,525	19,656
Gain on sale of operating fixed assets	24	(3,789)	(23,842)
Operating fixed assets written off	25	835	4,457
Gain on sale of non banking assets		-	(4,036)
Gain on sale of securities - net	23	(192,729)	(277,100)
		549,757	1,250,987
		(114,520)	(570,742)
(Increase) / decrease in operating assets			
Net investment in held-for-trading securities		(212,333)	(17,331)
Islamic financing and related assets		8,457,498	(6,890,167)
Other assets (excluding advance taxation)		290,621	(23,387)
		8,535,786	(6,930,885)
Increase / (decrease) in operating liabilities			
Bills payable		(188,584)	116,676
Due to financial institutions		(1,251,877)	(40,273)
Deposits and other accounts		(16,888,808)	6,775,637
Other liabilities		(407,707)	(97,409)
		(18,736,976)	6,754,631
		(10,315,710)	(746,996)
Income tax paid		(79,669)	(32,794)
Net cash used in operating activities		(10,395,379)	(779,790)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investment in available for sale securities		(8,940,753)	(8,923,576)
Dividend income received		49,215	85,057
Proceeds from sale of available for sale securities		10,304,231	17,129,481
Investment in operating fixed assets		(36,561)	(352,841)
Proceeds from sale of non-banking assets		-	185,186
Proceeds from sale of operating fixed assets		20,828	220,647
Net cash generated from investing activities		1,396,960	8,343,954
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of right shares		-	567,802
Net cash flow generated from financing activities		-	567,802
Decrease in cash and cash equivalents during the year		(8,998,419)	8,131,966
Cash and cash equivalents at the beginning of the year		11,491,685	3,359,719
Cash and cash equivalents at the end of the year	29	2,493,266	11,491,685

The annexed notes 1 to 43 form an integral part of these financial statements.

CHAIRMAN **DIRECTOR** **DIRECTOR** **PRESIDENT / CEO**

BURJ BANK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2014

	Share Capital	Statutory reserve	Share based payment contribution reserve	Accumulated losses	Total
	------------------------------- Rupees in '000 -------------------------------				
Balance as at January 01, 2013	7,410,458	-	2,030	(1,548,233)	5,864,255
Loss for the prior year	-	-	-	(1,133,026)	(1,133,026)
Other comprehensive income for the prior year	-	-	-	-	-
Transaction with owners recognised directly in equity					
Issue of right shares	757,069	-	-	-	757,069
Discount on issue of right shares	-	-	-	(189,267)	(189,267)
	757,069	-	-	(189,267)	567,802
Balance as at December 31, 2013	8,167,527	-	2,030	(2,870,526)	5,299,031
Loss for the current year	-	-	-	(471,777)	(471,777)
Other comprehensive income for the current year	-	-	-	-	-
Balance as at December 31, 2014	8,167,527	-	2,030	(3,342,303)	4,827,254

The annexed notes 1 to 43 form an integral part of these financial statements.

CHAIRMAN **DIRECTOR** **DIRECTOR** **PRESIDENT / CEO**

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 the business of Islamic Banking in accordance with the principles of Islamic Shari'ah. 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 (December 31, 2013: seventy five branches).

1.3 Based on the financial statements of the Bank for the year ended December 31, 2013, the JCR - VIS Credit Rating Company Limited has determined the Bank's medium to long-term rating as "A" and the short-term rating as 'A-1' with negative outlook. The outlook has been changed from stable to negative primarily because of non-compliance with the minimum capital requirement of the SBP (refer note 1.4).

1.4 The State Bank of Pakistan (SBP) vide BSD Circular No. 7 of 2009 dated April 15, 2009 specified that banks operating in Pakistan are required to raise their issued and paid up capital (free of losses) to Rs. 10 billion in a phased manner by December 31, 2013.

The Bank obtained various extensions in meeting the capital requirements specified by the SBP. Through its letter No. BPRD/BA&CP/621/7720/2014 dated May 15, 2014, SBP directed the Bank to raise additional Rs. 2 billion by June 30, 2014 and ensure full compliance with the required Minimum Capital Requirement (MCR) by June 30, 2015. However, in August 2014, the management of the Bank sought further extension from the SBP in meeting the MCR requirement. Based on the Bank's request, the SBP vide its letter No. BPRD/BA&CPD/621/014682/2014 dated August 15, 2014 allowed an extension in meeting the MCR as at June 30, 2014.

As at December 31, 2014, the Bank has not been able to achieve compliance with the MCR and its capital net of losses (including loss for the year ended December 31, 2014 amounting to Rs. 471.777 million) aggregated to Rs. 4,825 million as at December 31, 2014 which exposes the Bank to regulatory actions. In view of the capital shortfall which amounted to Rs. 5,175 million as at December 31, 2014, the SBP has specified that the Bank should maintain Capital Adequacy Ratio (CAR) at 23% instead of the requirement of 10%. The CAR of the Bank as at December 31, 2014 was 18.64%. The induction of fresh capital is presently being discussed with potential investors as detailed below and the Board of Directors (the 'Board') is confident of its successful outcome.

These factors indicate the existence of the material uncertainty in relation to meeting the minimum capital requirements that may cast significant doubt on the Bank's ability to continue as a going concern and, therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

These financial statements have been prepared on a going concern basis as the Board have reasonable expectation that the Bank will have the resources to continue its business and comply with the required MCR in near future. Following is the status and details of steps under progress in this regard:

i. The Board is actively working to identify potential investors willing to inject equity in the Bank.

ii. A potential investor has recently completed a due diligence of the Bank with the view to inject additional equity. The Board is awaiting formal offer from the potential investor.

iii. The Board has also identified other investors who have shown willingness to explore the possibility of injection of equity in the Bank. Successful completion of (ii) and (iii) is dependent on factors involved in any transaction which relate typically to finalisation of transaction price and structure, regulatory approvals and transaction execution etc.

iv. The management of the bank has prepared a set of financial projections for the period of five years to analyse the Bank's sustainability in the future periods with a particular focus on the twelve months period ending December 31, 2015. The financial projections are based on various assumptions such as maintainability of Bank's significant deposit base, future credit losses and recoveries, discount rates, cost of funds etc. Any significant variation in the assumptions can have an impact on the future results.

    These financial projections have been approved by the Board and have been subjected to stress scenarios which the Board considered to be reasonable and appropriate.

v. The Bank has regularly updated the SBP on its plans and proposals regarding the recapitalisation and restructuring of the Bank. It rightly expects explicit support of the SBP in accepting and moving forward with its recapitalisation and restructuring plan.

These financial statements do not include the adjustments to book value of the Bank’s assets and liabilities that would result if the Bank was unable to continue as a going concern.

2 BASIS OF PRESENTATION

The Bank provides financing mainly through Murabaha, Istisna, Diminishing Musharakah, 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 an appropriate portion of rental / profit thereon. The income on such financing is recognised in accordance with the principles of Islamic Shari’ah. However, income if any, received which does not comply with the principles of Islamic Shari’ah is recognised as charity payable if so directed by the Shari’ah Advisor of the Bank.

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, IFAS notified under the Companies Ordinance, 1984 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, IFAS notified under the Companies Ordinance, 1984 and the directives issued by the SECP and the SBP shall 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 circulars 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, shall 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 New and amended standards and interpretations that are effective in the current year

3.5.1 There are certain other new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2014 but are considered not to be relevant or do not have any significant effect on the Bank's operations and therefore not detailed in these financial statements.

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

3.6.1 IFRS 12, ‘Disclosures of interests in other entities’, includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The amendments may impact the financial statements of the Bank by addition of certain disclosures.

3.6.2 The Securities and Exchange Commission of Pakistan (SECP) has notified Islamic Financial Accounting Standard (IFAS) 3, 'Profit and Loss Sharing on Deposits' issued by the Institute of Chartered Accountants of Pakistan. The standard is effective from January 1, 2014 and deals with accounting for transactions relating to 'Profit and Loss Sharing on Deposits' as defined by the said standard. The SBP through BPRD Circular Letter No. 4 dated February 25, 2015, has deferred the applicability of IFAS 3 till further instructions.

3.6.3 There are certain new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after January 1, 2015 but are considered not to be relevant or do not have any significant effect on the Bank's operations and therefore not detailed in these financial statements.

3.7 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.

3.8 Early adoption of standards

The Bank has not early adopted any new or amended standard in 2014.

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 in accordance with the requirements of the SBP.

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. Actual results may vary from these estimates. 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 9)
ii) Classification and provisioning against Islamic financing and related assets (notes 5.3 and 10)
iii) Current and deferred taxation (notes 5.7, 12 and 27)
iv) Determination of useful lives and depreciation / amortisation (notes 5.4 and 11)
v) Charge in respect of share based compensation plan (notes 5.16 and 33)

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, balances with other banks in current and deposit accounts, due from financial institutions and overdrawn nostro accounts.

5.2 Investments

5.2.1 Classification

Investments of the Bank 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.

5.2.5 Impairment

Impairment loss in respect of investments classified as available for sale and held to maturity 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 there from and recognised in the profit and loss account. For investments classified as held to maturity, the impairment loss is recognised in the profit and loss account.

5.3 Islamic financing and related assets

These are financial products originated by the Bank and principally comprise of Murabaha, Modaraba, 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

In accordance with the Prudential Regulations issued by SBP, unless specific exemption is available from SBP, the Bank maintains general provisions as follows:

	Secured	Unsecured
Consumer financings (including housing finance)	0.5% - 1.5%	5.0%
Small enterprise financings	1.0%	2.0%

If considered necessary the Bank can also maintain general provision in respect of corporate and commercial 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 Islamic Financial Accounting Standard - 2 "Ijarah" (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 11.2 to the financial statements. The depreciation charge for the year is calculated after taking into account residual value, if any. Depreciation in respect of ijarah assets is netted-off against the rental income recorded in profit and loss account. 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.

Gains and losses on deletions, if any, are taken to the profit and loss account in the period in which they arise.

During the year, the management of the Bank has revised its estimate of the useful life of core banking system under the category of Intangible assets – Computer Software and has increased it from 3 years to 5 years. The revision has been made after taking in to account the expected pattern of recovery of economic benefit associated with the use of core banking system. The revision has been accounted for as a change in accounting estimate as defined in International Accounting Standard 8, ‘Accounting Policies, Changes in Accounting Estimates and Errors’. Had the revision in useful life in respect of core banking system not been made, amortisation expense included in 'Administrative expenses' would have been higher by Rs. 9.812 million and consequently loss before tax would have been higher by the same amount.

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 fair value less cost to sell 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 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 their 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.

5.7 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.

5.8 Pool management

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

Deposits based on Qard basis are classified as current accounts which are non remunerative deposits and they form part of the Bank's equity for profit and loss distribution purpose.

Deposits based on Modaraba are classified as current remunerative, savings or fixed deposits, which is based on profit sharing of Shari’ah 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 Modaraba Musharakah concept of Islamic contracting.

Specific pools are operated for funds acquired / accepted from the State Bank of Pakistan and other banks for Islamic Export Refinance to Bank's customers and liquidity management respectively under the Musharakah, Modaraba and Wakala modes.

The deposits and funds accepted under the above mentioned pools are provided to diversified sectors and avenues of the economy / business as mentioned in the note 38.1.1.1 and are also invested in Government of Pakistan backed Ijarah Sukuks. Musharakah investments from the SBP under Islamic Export Refinance are channelled towards the export sector of the economy.

5.9 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.

5.10 Funds due to / from financial institutions / deposits and their cost

a) Funds due to / from 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.

c) Profits / returns on funds due from financial institution are recognised as income in the period in which these are earned. The difference between the purchase and contracted resale price is accrued over the period of the contract and recorded as income.

5.11 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 remote.

5.12 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, modaraba 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.

5.13 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.

5.14 Foreign currencies

Transactions and balance

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.

5.15 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.

5.16 Share based compensation plan

The Bank has offered a share based compensation plan to its Chief Executive Officer (CEO) 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 33 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.

5.17 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 gain / 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.

5.18 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.

5.19 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.

5.20 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.

5.20.1 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.

5.20.2 Geographical segments

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

		Note	2014	2013
			----------- Rupees in '000 -----------	
6	**CASH AND BALANCES WITH TREASURY BANKS**			
	In hand			
	- local currency		894,160	628,803
	- foreign currencies		259,167	237,980
			1,153,327	866,783
	With the State Bank of Pakistan in			
	- local currency current account	6.1	1,064,146	1,560,215
	- foreign currency current account		6,085	25,007
	- foreign currency deposit accounts			
	cash reserve account	6.2	60,290	84,260
	special cash reserve account	6.3	72,348	101,112
			132,638	185,372
	With National Bank of Pakistan in			
	- local currency current account		55,291	113,712
			2,411,487	2,751,089

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). This account is non-remunerative in nature.

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. This account is non-remunerative in nature.

		Note	2014	2013
			----------- Rupees in '000 -----------	
7	**BALANCES WITH OTHER BANKS**			
	In Pakistan			
	- current account		1,243	1,236
	- deposit account	7.1	579	900,518
	Outside Pakistan			
	- current account		79,957	154,735
			81,779	1,056,489

7.1 This represents savings accounts carrying profit at rates ranging from 3.22% to 4.75% per annum (2013: 3.50% to 9.25% per annum).

		Note	2014	2013
			----------- Rupees in '000 -----------	
8	**DUE FROM FINANCIAL INSTITUTIONS**			
	Commodity murabaha	8.1	-	7,689,704

		2014	2013
		----------- Rupees in '000 -----------	
8.1	**Particulars of due from financial institutions**		
	In local currency	-	7,689,704
	In foreign currency	-	-
		-	7,689,704

9 INVESTMENTS - NET

9.1 Investments by type

	Note	2014 Held by bank	2014 Given as collateral	2014 Total	2013 Held by bank	2013 Given as collateral	2013 Total
		-------	-------	-------	Rupees in '000	-------	-------
Held for trading securities							
Fully paid up ordinary shares - listed	9.9	115,089	-	115,089	77,546	-	77,546
Available for sale securities	9.7						
Fully paid up ordinary shares - listed		818,279	-	818,279	730,172	-	730,172
Sukuk certificates		7,038,674	-	7,038,674	8,216,646	-	8,216,646
Units of open-end mutual funds		269,498	-	269,498	170,000	-	170,000
		8,126,451	-	8,126,451	9,116,818	-	9,116,818
Investments at cost		**8,241,540**	**-**	**8,241,540**	**9,194,364**	**-**	**9,194,364**
Less: Provision for diminution in the value of investments	9.8	(46,742)	-	(46,742)	(58,263)	-	(58,263)
Investments (net of provisions)		**8,194,798**	**-**	**8,194,798**	**9,136,101**	**-**	**9,136,101**
Unrealised gain on revaluation of investments classified as held for trading - net	9.9	12,288	-	12,288	5,590	-	5,590
(Deficit) / surplus on revaluation of available for sale securities - net	19	(42,285)	-	(42,285)	84,498	-	84,498
Total investments at market value		**8,164,801**	**-**	**8,164,801**	**9,226,189**	**-**	**9,226,189**

9.2 Investments by segment

	Note	2014	2013
		------- Rupees in '000	-------
Federal Government Securities			
GOP Ijarah Sukuk - unlisted	9.4	6,554,429	7,797,319
Fully paid up ordinary shares / units			
Listed companies / mutual funds	9.5	1,202,866	977,718
Sukuk certificates			
Sukuk certificates - unlisted	9.6	484,245	419,327
Investments at cost		8,241,540	9,194,364
Less: Provision for diminution in the value of investments	9.8	(46,742)	(58,263)
Investments (net of provisions)		8,194,798	9,136,101
Unrealised gain on revaluation of investments classified as held for trading - net	9.9	12,288	5,590
(Deficit) / surplus on revaluation of available for sale securities - net	19	(42,285)	84,498
Total investments at market value		8,164,801	9,226,189

9.3 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.

9.4 Particulars of Federal Government Securities - Unlisted, Secured

Face value of Rs. 100,000 each unless otherwise stated.

Particulars	Collateral	Profit rate	Profit payment	2014	2013
				Carrying value	
				--------- Rupees in '000 ---------	
GOP IJARAH SUKUK - VII Nil (2013: 22) certificates Maturity date: March 7, 2014	Government of Pakistan Sovereign guarantee	6 months T-Bill	Semi-annually	-	2,200
GOP IJARAH SUKUK - VIII Nil (2013: 11,907) certificates Maturity date: May 16, 2014	Government of Pakistan Sovereign guarantee	6 months T-Bill	Semi-annually	-	1,191,160
GOP IJARAH SUKUK - IX 4,363 (2013: 26,150) certificates Maturity date: November 21, 2015	Government of Pakistan Sovereign guarantee	6 months T-Bill	Semi-annually	436,892	2,620,190
GOP IJARAH SUKUK - X 11,780 (2013: 14,860) certificates Maturity date: November 21, 2015	Government of Pakistan Sovereign guarantee	6 months T-Bill	Semi-annually	1,181,133	1,495,484
GOP IJARAH SUKUK - XI 8,620 (2013: 16,120) certificates Maturity date: November 21, 2015	Government of Pakistan Sovereign guarantee	6 months T-Bill	Semi-annually	862,013	1,612,272
GOP IJARAH SUKUK - XII 2,095 (2013: 2,095) certificates Maturity date: November 21, 2015	Government of Pakistan Sovereign guarantee	6 months T-Bill	Semi-annually	210,316	211,044
GOP IJARAH SUKUK - XIII 6,100 (2013: 6,630) certificates Maturity date: November 21, 2015	Government of Pakistan Sovereign guarantee	6 months T-Bill minus 0.25%	Semi-annually	610,915	664,969
GOP IJARAH SUKUK - XV 32,533 (2013: Nil) certificates Maturity date: June 25, 2017	Government of Pakistan Sovereign guarantee	6 months T-Bill minus 0.25%	Semi-annually	3,253,160	-
				6,554,429	7,797,319

9.5 Particulars of investments in listed companies / mutual funds

2014	2013		2014	2013
Number of shares / units			Carrying value	
			-------- Rupees in '000 --------	
		Listed companies - Fully paid up ordinary shares of Rs.10 each		
229,000	255,000	Lucky Cement Limited	101,435	66,153
245,000	180,000	Pakistan State Oil Company Limited	93,070	58,194
150,000	150,000	Pakistan Oil Fields Limited	72,641	73,665
2,130,000	1,815,000	Maple Leaf Cement Factory Limited	72,026	46,445
770,000	1,197,500	D. G. Khan Cement Company Limited	70,837	92,806
1,000,000	1,570,000	Hub Power Company Limited	68,599	100,282
517,300	575,000	Nishat Mills Limited	64,007	63,338
2,325,000	1,220,000	Pakistan Telecommunication Company Limited	62,423	35,007
185,000	150,000	Oil and Gas Development Company Limited	46,948	39,964
197,300	-	GlaxoSmithKline Pakistan Limited	45,019	-
200,000	129,600	Attock Refinery Limited	43,389	27,306
1,250,500	-	Kohinoor Textile Mills Limited	35,161	-
150,000	162,500	Pakistan Petroleum Limited	32,638	33,898
250,000	550,000	Fauji Fertilizer Company Limited	28,612	62,864
3,650,000	2,000,000	K-Electric Limited	28,488	14,189
150,000	100,000	Kohat Cement Company Limited	25,695	8,081
500,000	1,300,000	Fauji Fertilizer Bin Qasim Limited	20,592	52,974
250,000	500,000	Cherat Cement Company Limited	14,597	28,917
70,000	35,000	Engro Foods Limited	7,191	3,635
			933,368	807,718
		Mutual funds - Face value of Rs. 100 each unless otherwise stated		
1,220,444	1,470,444	Askari Islamic Income Fund	124,498	150,000
665,909	193,274	Faysal Islamic Savings Growth Fund	70,000	20,000
4,881,287	-	ABL Islamic Income Fund *	50,000	-
243,211	-	KASB Islamic Income Opportunity Fund	25,000	-
			269,498	170,000
			1,202,866	977,718

* Face value of Rs. 10 each

9.6 Particulars of Sukuk Certificates - Unlisted, Secured

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

Particulars	Collateral	Profit rate	Profit payment	2014	2013
				Carrying value	
				-------- Rupees in '000 --------	
WAPDA Second Sukuk Certificates 74,000 (2013: 20,000) certificates Face value Rs. 2,500 (2013: Rs. 3,333) Maturity date: July 13, 2017	Government of Pakistan Sovereign guarantee	6 months KIBOR minus 0.25%	Semi-annually	185,467	66,667
House Building Finance Corporation Nil (2013: 10,000) certificates Face value Nil (2013: Rs. 500) Maturity date: May 7, 2014	Tangible Assets	6 months KIBOR plus 1%	Semi-annually	-	5,000
Engro Fertilizers Limited 28,400 (2013: 28,400) certificates Face value Rs.5,000 (2013: Rs. 5,000) Maturity date: September 6, 2015	Tangible Assets	6 months KIBOR plus 1.50%	Semi-annually	142,195	142,473
Security Leasing Corporation Limited 6,000 (2013: 6,000) certificates Face value Rs.1,540 (2013: Rs.1,642) Maturity date: January 19, 2022	Tangible Assets	6%	Monthly	9,242	9,852
Amtex Limited 10,000 (2013: 10,000) certificates Face value Rs. 3,750 (2013: Rs. 3,750) 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 (2013: 10,000) certificates Face value Rs. 2,708 (2013: Rs. 4,364) Maturity date: December 3, 2018	Tangible Assets	3 months KIBOR plus 1%	Quarterly	27,082	43,644
K. S. Sulemanji Esmailji and Sons (Private) Limited Nil (2013: 6,000) certificates Face value Nil (2013: Rs. 851) Maturity date: June 30, 2015	Tangible Assets	3 months KIBOR plus 1.4%	Quarterly	-	5,105
Eden Builders Limited Nil (2013: 4,800) certificates Face value Nil (2013: Rs. 313) Maturity date: March 8, 2014	Tangible Assets	3 months KIBOR plus 2.3%	Quarterly	-	1,500
Quetta Textile Mills Limited 30,000 (2013: 30,000) certificates Face value Rs. 2,759 (2013: Rs. 3,586) Maturity date: March 26, 2020	Tangible Assets	6 months KIBOR plus 1.75%	Semi-annually	82,759	107,586
				484,245	419,327

9.7 Quality of available for sale securities

	2014	2013	2014	2013
	Long / medium term credit rating		-------- Rupees in '000 --------	
Sukuk certificates (at market value)				
GOP Ijarah - VII	N / A	Unrated	-	2,203
GOP Ijarah - VIII	N / A	Unrated	-	1,197,130
GOP Ijarah - IX	Unrated	Unrated	436,817	2,639,842
GOP Ijarah - X	Unrated	Unrated	1,180,003	1,502,495
GOP Ijarah - XI	Unrated	Unrated	864,155	1,629,571
GOP Ijarah - XII	Unrated	Unrated	210,003	211,867
GOP Ijarah - XIII	Unrated	Unrated	611,281	671,155
GOP Ijarah - XV	Unrated	N / A	3,194,692	-
WAPDA second sukuk certificates	Unrated	Unrated	185,924	66,707
House Building Finance Corporation Limited - (at cost)	N / A	A	-	5,000
Engro Fertilizers Limited	A	A-	142,557	140,973
Security Leasing Corporation Limited - (at cost)	Unrated	Unrated	9,242	9,852
Amtex Limited - (at cost)	Unrated	Unrated	37,500	37,500
Maple Leaf Cement Factory Limited Sukuk - I - (2013: at cost)	BBB	-*	21,332	43,644
K. S. Sulemanji Esmailji and Sons (Private) Limited - (at cost)	N / A	Unrated	-	5,105
Eden Builders Limited - (at cost)	N / A	A	-	1,500
Quetta Textile Mills Limited - (at cost)	-*	-*	82,759	107,586
			6,976,265	8,272,130
Ordinary shares - listed (at market value)				
Cherat Cement Company Limited	Unrated	Unrated	17,170	31,645
K-Electric Limited	A+	A-	23,050	11,300
Kohat Cement Company Limited	Unrated	Unrated	19,087	9,777
Maple Leaf Cement Factory Limited	BBB	BB	77,438	41,145
Fauji Fertilizer Bin Qasim Limited	Unrated	Unrated	22,605	56,953
Lucky Cement Limited	Unrated	Unrated	92,051	59,974
Pakistan State Oil Company Limited	AA+	AA+	80,530	49,833
Pakistan Petroleum Limited	Unrated	Unrated	26,478	32,094
Fauji Fertilizer Company Limited	Unrated	Unrated	29,278	61,578
Pakistan Oil Fields Limited	Unrated	Unrated	56,904	74,656
Oil and Gas Development Company Limited	AAA	AAA	38,086	41,454
Pakistan Telecommunication Company Limited	Unrated	Unrated	46,060	29,862
D. G. Khan Cement Company Limited	Unrated	Unrated	55,265	85,730
Hub Power Company Limited	AA+	AA+	78,360	91,080
Nishat Mills Limited	AA-	AA-	60,495	63,620
Engro Foods Limited	A+	N / A	5,427	-
GlaxoSmithKline Pakistan Limited	Unrated	N / A	32,896	-
Kohinoor Textile Mills Limited	A-	N / A	35,050	-
Attock Refinery Limited	AA	AA	37,554	20,768
			833,784	761,469
Units of open-end mutual funds (at market value)				
ABL Islamic Income Fund	A(f)	N / A	51,134	-
KASB Islamic Income Opportunity Fund	BBB+(f)	N / A	25,365	-
Askari Islamic Income Fund	AA- (f)	AA- (f)	126,972	147,936
Faysal Islamic Savings Growth Fund	AA- (f)	AA- (f)	70,646	19,781
			274,117	167,717
			8,084,166	9,201,316
Less: Provision for diminution in the value of investments (note 9.8)			(46,742)	(58,263)
			8,037,424	9,143,053

* Rating not available.

9.8 Particulars of provision for diminution in the value of investments

	Note	2014	2013
		------ Rupees in '000 ------	
Opening balance		58,263	56,033
Charge for the year		-	4,925
Reversals during the year		(11,521)	(2,695)
		(11,521)	2,230
Closing balance	9.8.1	46,742	58,263

9.8.1 Particulars of provision for diminution in the value of investments by type and segment

	2014	2013
	---------- Rupees in '000 ----------	
Unlisted sukuk certificates - available for sale	46,742	58,263

9.9 Unrealised gain / (loss) on revaluation of investments classified as held for trading - net

	Unrealised gain / (loss)		Cost	
	2014	2013	2014	2013
Investee company	------------------------------- Rupees in '000 -------------------------------			
Lucky Cement Limited	2,047	1,678	20,465	14,815
Maple Leaf Cement Factory Limited	2,956	610	13,859	8,031
Nishat Mills Limited	(14)	1,120	2,107	8,423
Pakistan State Oil Company Limited	(124)	501	7,283	9,465
Pakistan Petroleum Limited	-	(47)	-	2,721
Pakistan Telecommunication Company Limited	393	(53)	7,092	4,887
D. G. Khan Cement Company Limited	3,561	1,809	26,282	15,123
Hub Power Company Limited	-	(71)	-	4,322
Engro Foods Limited	144	21	2,026	3,634
Attock Refinery Limited	-	22	-	6,125
Kohat Cement Company Limited	748	-	8,795	-
GlaxoSmithKline Pakistan Limited	(172)	-	10,546	-
Kohinoor Textile Mills Limited	1,486	-	7,294	-
K-Electric Limited	1,263	-	9,340	-
	12,288	5,590	115,089	77,546

10 ISLAMIC FINANCING AND RELATED ASSETS - NET

	Note	2014	2013
		---------- Rupees in '000 ----------	
In Pakistan			
- Murabaha	10.1.2 & 10.2	2,740,708	11,025,646
- Advances against murabaha		532,828	619,323
- Diminishing musharakah		12,185,136	9,103,702
- Advances against diminishing musharakah		683,674	451,433
- Net investment in ijarah	10.3	989,692	2,512,376
- Istisna	10.4	3,454,587	4,554,438
- Advances against istisna		50,979	996,338
- Modaraba	10.5	231,380	519,886
- Staff finance	10.6	737,502	692,133
- Advances against staff finance		2,217	5,806
Islamic financing and related assets - gross	10.7	21,608,703	30,481,081
Provision against non performing Islamic financing and related assets	10.9	(1,648,256)	(1,525,955)
Islamic financing and related assets - net of provision		19,960,447	28,955,126

10.1 Murabaha sale price	18,665,668	23,249,105
Murabaha purchase price	17,733,453	21,505,553
	932,215	1,743,552

10.1.1 Unearned murabaha income

Opening balance	326,379	500,198
Arising during the year	932,215	1,743,552
Recognised during the year	(1,112,394)	(1,917,371)
	146,200	326,379

10.1.2 Murabaha receivable

Opening balance	11,025,646	7,194,911
Sales during the year	18,665,668	23,249,105
Received during the year	(26,950,606)	(19,418,370)
	2,740,708	11,025,646

10.2 It includes financings amounting to Rs. 20.353 million (2013: Nil) against murabaha under Islamic Export Refinance Scheme.

10.3 Net investment in ijarah	**Note**	**2014**	**2013**
		------- Rupees in '000 -------	
- Ijarah under finance method	10.3.1	2,093	4,612
- Ijarah accounted for under IFAS-2	10.3.2	987,599	2,507,764
		989,692	2,512,376

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.

10.3.1 Net investment in ijarah - ijarah under finance method

	2014				2013			
	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	1,450	-	-	1,450	3,968	-	-	3,968
Residual value	643	-	-	643	2,142	-	-	2,142
Minimum ijarah payments	2,093	-	-	2,093	6,110	-	-	6,110
Less: Profits for future periods	-	-	-	-	1,498	-	-	1,498
Present value of minimum ijarah payments	2,093	-	-	2,093	4,612	-	-	4,612

10.3.2 Net investment in ijarah - ijarah accounted for under IFAS-2	**Note**	**2014**	**2013**
		------- Rupees in '000 -------	
Movement in net book value of ijarah assets			
Assets under ijarah			
Opening balance		3,297,607	3,436,723
Disbursed during the year		57,035	181,621
Disposals during the year		(1,429,148)	(320,737)
Closing balance		1,925,494	3,297,607
Accumulated depreciation			
Opening balance		789,843	434,143
Charged during the year		406,405	475,573
Adjustment during the year		(258,353)	(119,873)
Closing balance		937,895	789,843
Net investment in ijarah - ijarah accounted for under IFAS-2	10.3.3	987,599	2,507,764

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

	2014				2013			
	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	590,897	534,617	-	1,125,514	1,322,509	2,204,710	-	3,527,219

10.4 It includes financings amounting to Rs. 1,545.978 million (2013: Rs. 1,671.214 million) against istisna under Islamic Export Refinance Scheme.

10.5 It includes financings amounting to Rs. Nil (2013: Rs. 14.257 million) against modaraba under Islamic Export Refinance Scheme.

	Note	2014	2013
10.6 Staff finance		-------- Rupees in '000 --------	
Staff ijarah accounted for under IFAS-2	10.6.1	26,110	47,707
Staff housing finance under diminishing musharakah		711,392	644,426
		737,502	692,133

10.6.1 Staff finance - ijarah accounted for under IFAS-2

Movement in net book value of ijarah assets

	Note	2014	2013
Assets under ijarah			
Opening balance		60,094	54,904
Disbursed during the year		-	30,785
Disposals during the year		(18,876)	(25,595)
Closing balance		41,218	60,094
Accumulated depreciation			
Opening balance		12,387	5,590
Charged during the year		8,475	10,826
Adjustment during the year		(5,754)	(4,029)
Closing balance		15,108	12,387
Staff finance - ijarah accounted for under IFAS-2	10.6.2	26,110	47,707

10.6.2 Staff finance - ijarah accounted for under IFAS-2

	2014				2013			
	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	9,361	19,115	-	28,476	14,366	40,424	-	54,790

	2014	2013
	-------- Rupees in '000 --------	
10.7 Particulars of Islamic financing and related assets - gross		
In local currency	21,608,703	30,195,186
In foreign currency	-	285,895
	21,608,703	30,481,081
Short term (upto one year)	7,010,482	17,715,631
Long term (over one year)	14,598,221	12,765,450
	21,608,703	30,481,081
Corporate financing	14,185,516	25,123,818
Consumer financing	6,683,468	4,659,324
Staff financing	739,719	697,939
	21,608,703	30,481,081

10.8 Islamic financing and related assets include Rs. 1,813.094 million (2013: Rs. 1,758.223 million) which have been placed under non-performing status as detailed below:

Category of classification	2014								
	Classified Islamic financing and related assets			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000								
OAEM	8,552	-	8,552	-	-	-	-	-	-
Substandard	180,292	-	180,292	30,560	-	30,560	30,560	-	30,560
Doubtful	9,503	-	9,503	913	-	913	913	-	913
Loss	1,614,747	-	1,614,747	1,576,516	-	1,576,516	1,576,516	-	1,576,516
	1,813,094	-	1,813,094	1,607,989	-	1,607,989	1,607,989	-	1,607,989

Category of classification	2013								
	Classified Islamic financing and related assets			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000								
OAEM	-	-	-	-	-	-	-	-	-
Substandard	22,490	-	22,490	3,113	-	3,113	3,113	-	3,113
Doubtful	152,948	-	152,948	26,002	-	26,002	26,002	-	26,002
Loss	1,582,785	-	1,582,785	1,446,693	-	1,446,693	1,446,693	-	1,446,693
	1,758,223	-	1,758,223	1,475,808	-	1,475,808	1,475,808	-	1,475,808

10.8.1 As allowed by the SBP, the Bank has availed the benefit of Forced Sale Value (FSV) of collaterals against the non-performing financings. The accumulated benefit availed in provisioning as at December 31, 2014 amounts to Rs. 118.46 million (2013: Rs. 208.95 million). The additional profit arising from availing the FSV benefit - net of tax as at December 31, 2014 amounts to Rs. 76.99 million (2013: Rs. 135.817 million). The increase in profit, due to availing of the benefit, is not available for distribution of cash and stock dividend to shareholders.

10.9 Particulars of provision against Islamic financing and related assets

	2014			2013		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	1,475,808	50,147	1,525,955	678,956	27,825	706,781
Charge for the year	145,562	-	145,562	832,308	22,322	854,630
Reversals during the year	(13,381)	(9,880)	(23,261)	(35,456)	-	(35,456)
	132,181	(9,880)	122,301	796,852	22,322	819,174
Closing balance	1,607,989	40,267	1,648,256	1,475,808	50,147	1,525,955

10.9.1 The Bank maintains general provision in respect of the consumer finance and small and medium enterprise finance portfolio calculated in accordance with the requirements of the respective 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.

10.9.2 During the year, the SBP has issued new Prudential Regulations (PRs) for Housing Finance vide IH&SMEFD Circular No.3 dated May 06, 2014. Based on the new regulations, the guidelines have been introduced for maintenance of general provision between 0.5% - 1.5% of performing Housing Finance (HF) portfolio. The new guidelines have also changed the classification criteria based on overdue days and percentage of provision for making specific provision against HF portfolio. Under the new guidelines the category of Other Assets Especially Mentioned (OAEM) has been introduced and the basis of classification of loans and advances under the remaining three categories has been redefined whereby all loans and advances overdue by 90 days, 180 days, 1 year and 2 years are now required to be classified as OAEM, substandard, doubtful and loss respectively. Previously, these loans were classified as substandard, doubtful and loss based on the different prescribed ageing criteria. The new guidelines specify that provision should be made in the financial statements equal to 0 percent, 25 percent, 50 percent and 100 percent, in respect of overdue loans and advances classified as OAEM, substandard, doubtful and loss respectively, of the outstanding balances of principal less the amount of liquid assets realisable and adjusted forced sale value of mortgaged asset.

Had the general provision against performing loans and advances been determined in accordance with the previous guidelines of the SBP, the provision would have been higher by Rs 23.872 million.

There was no impact of provision due to change in classification criteria and percentage of provision for making specific provision against non-performing Housing Finance portfolio.

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

	2014			2013		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
In local currency	1,607,989	40,267	1,648,256	1,475,808	50,147	1,525,955
In foreign currency	-	-	-	-	-	-
	1,607,989	40,267	1,648,256	1,475,808	50,147	1,525,955

10.9.4 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 recoveries through litigation. These securities comprise of pledge of securities and charge against various tangible assets of the finance including land, building and machinery, stock in trade etc.

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

10.10.1 Due from directors, executives or officers of the Bank or any of them either severally or jointly with any other persons

	2014	2013
	Rupees in '000	
Balance at the beginning of the year	697,939	399,813
Disbursements during the year	252,074	483,891
Repayments made during the year	(210,294)	(185,765)
Balance at the end of the year	739,719	697,939

10.10.2 Due from companies or firms in which the directors of the Bank are interested as directors, partners or in the case of private companies as members.

	2014	2013
	Rupees in '000	
Balance at the beginning of the year	188,712	188,712
Disbursements during the year	-	-
Repayments made during the year	-	-
Balance at the end of the year	188,712	188,712

10.10.3 The Bank does not have any subsidiary companies, controlled firms and managed modarabas. Further, as at December 31, 2014 and December 31, 2013, the Bank has no Islamic financing and related assets balance outstanding with any other related parties.

11 OPERATING FIXED ASSETS

	Note	2014	2013
		Rupees in '000	
Capital work-in-progress	11.1	25,318	12,645
Property and equipment	11.2	752,738	931,092
Intangible assets	11.4	76,617	113,612
		854,673	1,057,349

11.1 Capital work-in-progress

	2014	2013
Civil works	-	823
Advance for computer software	25,318	11,822
	25,318	12,645

11.2 Property and equipment

	2014							
	Cost			Accumulated Depreciation			Book value	
	As at January 1, 2014	Additions / (disposals) during the year	As at December 31, 2014	As at January 1, 2014	Charge for the year / (disposals)	As at December 31, 2014	As at December 31, 2014	Rate of depreciation %
	Rupees in '000							
Leasehold improvements	650,195	1,440 (8,106)	643,529	189,619	65,116 (4,071)	250,664	392,865	10
Building	62,444	-	62,444	9,106	3,122	12,228	50,216	5
Furniture and fixtures	125,205	3,918 (31)	129,092	35,782	12,734 (15)	48,501	80,591	10
Office equipment	191,383	562	191,945	41,749	19,157	60,906	131,039	10
Computer equipment	417,294	8,876 (1,998)	424,172	277,354	69,657 (1,998)	345,013	79,159	33.33
Vehicles	57,760	735 (22,967)	35,528	19,579	6,225 (9,144)	16,660	18,868	20
	1,504,281	15,531 (33,102)	1,486,710	573,189	176,011 (15,228)	733,972	752,738	

	2013							
	Cost			Accumulated Depreciation			Book value	
	As at January 1, 2013	Additions / (disposals) during the year	As at December 31, 2013	As at January 1, 2013	Charge for the year / (disposals)	As at December 31, 2013	As at December 31, 2013	Rate of depreciation %
	Rupees in '000							
Leasehold improvements	396,108	261,574 (7,487)	650,195	136,959	55,690 (3,030)	189,619	460,576	10
Building	62,444	-	62,444	5,984	3,122	9,106	53,338	5
Furniture and fixtures	71,991	53,214	125,205	24,789	10,993	35,782	89,423	10
Office equipment	103,417	88,088 (122)	191,383	25,151	16,601 (3)	41,749	149,634	10
Computer equipment	298,274	119,374 (354)	417,294	216,733	60,780 (159)	277,354	139,940	33.33
Vehicles	288,129	32,920 (263,289)	57,760	55,621	30,756 (66,798)	19,579	38,181	20
	1,220,363	555,170 (271,252)	1,504,281	465,237	177,942 (69,990)	573,189	931,092	

11.3 Property and equipment - Movement of net book value

	Leasehold improvements	Building	Furniture and fixtures	Office Equipment	Computer Equipment	Vehicles	Total
	Rupees in '000						
At January 1, 2013							
Cost	396,108	62,444	71,991	103,417	298,274	288,129	1,220,363
Accumulated depreciation	136,959	5,984	24,789	25,151	216,733	55,621	465,237
Net book value	259,149	56,460	47,202	78,266	81,541	232,508	755,126
Year ended December 31, 2013							
Additions	261,574	-	53,214	88,088	119,374	32,920	555,170
Net book value of disposals	(4,457)	-	-	(119)	(195)	(196,491)	(201,262)
Depreciation charge	(55,690)	(3,122)	(10,993)	(16,601)	(60,780)	(30,756)	(177,942)
Net book value as at December 31, 2013	460,576	53,338	89,423	149,634	139,940	38,181	931,092
Year ended December 31, 2014							
Additions	1,440	-	3,918	562	8,876	735	15,531
Net book value of disposals	(4,035)	-	(16)	-	-	(13,823)	(17,874)
Depreciation charge	(65,116)	(3,122)	(12,734)	(19,157)	(69,657)	(6,225)	(176,011)
Net book value as at December 31, 2014	392,865	50,216	80,591	131,039	79,159	18,868	752,738

11.3.1 The cost of fully depreciated assets still in use amounts to Rs. 222.279 million (2013: Rs. 206.886 million).

11.4 Intangible assets

	2014							
	Cost			Amortisation			Book value	
	As at January 1, 2014	Additions during the year	As at December 31, 2014	As at January 1, 2014	Charge for the year	As at December 31, 2014	As at December 31, 2014	Rate of amortisation %
	Rupees in '000							
Computer software	346,949	8,357	355,306	233,337	45,352	278,689	76,617	20 - 33.33

	2013							
	Cost			Amortisation			Book value	
	As at January 1, 2013	Additions during the year	As at December 31, 2013	As at January 1, 2013	Charge for the year	As at December 31, 2013	As at December 31, 2013	Rate of amortisation %
	Rupees in '000							
Computer software	214,371	132,578	346,949	186,803	46,534	233,337	113,612	33.33

11.4.1 During the year, the management of the Bank has revised its estimate of the useful life of core banking system under the category of Intangible assets – Computer Software and has increased it from 3 years to 5 years. The effect of this change in accounting estimate is disclosed in note 5.4.3

11.5 Intangible assets - Movement of net book value

	Year ended December 31, 2013				Year ended December 31, 2014		
	Net book value as at January 1, 2013	Additions during the year	Amortisation charge for the year	Net book value as at December 31, 2013	Additions during the year	Amortisation charge for the year	Net book value as at December 31, 2014
	(Rupees in '000)						
Computer software	27,568	132,578	(46,534)	113,612	8,357	(45,352)	76,617

11.5.1 The cost of fully amortised assets still in use amounts to Rs. 196.400 million (2013: Rs. 182.611 million).

11.6 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					
Items having cost in aggregate more than Rs 1,000,000 or book value more than Rs 250,000						
Lease Hold Premises						
Civil work	6,536	3,320	3,216	3,000	Insurance Claim	Pak Kuwait Takaful Limited
Civil work	845	409	436	-	Write off	N/A
	7,381	3,729	3,652	3,000		
Computer Equipment						
Automatic Teller Machine	1,015	1,015	-	160	Trade off	Innovative Private Limited
	1,015	1,015	-	160		
Vehicle						
Audi	7,072	1,687	5,385	5,500	Bid	Muzammil Hussain
Honda Civic	1,958	607	1,351	1,638	Bid	Waseem Mirza
Honda Civic	1,803	1,226	577	1,025	Bid	Muhammad Ibrahim Khan
Toyota Corolla	1,523	472	1,051	1,100	Bid	Mushtaq Ahmed
Honda City	1,451	796	655	1,035	Bid	Atta Rabbani
Honda City	1,416	608	808	1,255	Bid	Atta Rabbani
Toyota Corolla	1,397	800	597	1,186	Bid	Atta Rabbani
Honda City	1,102	790	312	750	Bid	Syed Riaz Ahmed
Suzuki Cultus	995	273	722	865	Bid	Atta Rabbani
Suzuki Cultus	975	279	696	860	Bid	Waseem Mirza
Suzuki Cultus	925	518	407	507	Bank's policy	Hammad Waqas - Executive
Suzuki Cultus	867	534	333	650	Bid	Syed Riaz Ahmed
Suzuki Bolan	735	18	717	675	Bid	Muzaffar Shariyar
	22,219	8,608	13,611	17,046		
Balance carried forward	**30,615**	**13,352**	**17,263**	**20,206**		

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	---- Rupees in '000 ----					
Balance brought forward	**30,615**	**13,352**	**17,263**	**20,206**		
Other items having cost in aggregate less than Rs 1,000,000 or book value less than Rs 250,000	2,487	1,876	611	622		
December 31, 2014	**33,102**	**15,228**	**17,874**	**20,828**		
December 31, 2013	**271,252**	**69,990**	**201,262**	**220,647**		

12 DEFERRED TAX ASSETS - NET

	Note	2014	2013
		------- Rupees in '000 -------	
Deferred credits arising due to			
Accelerated tax depreciation on operating fixed assets		(35,485)	(54,911)
Unrealised gain on revaluation of investments classified as held for trading - net		(4,301)	(1,957)
Surplus on revaluation of investments - available for sale	19	-	(22,321)
Deferred debits arising in respect of			
Accelerated depreciation on ijarah assets		73,714	67,425
Deficit on revaluation of investments - available for sale	19	18,750	-
Minimum tax liability		82,430	82,837
Provision for diminution in the value of investments		16,360	20,392
Provision against other assets		6,614	3,401
Provision against non-performing Islamic financing and other assets		273,106	286,432
Available tax losses	12.1	973,672	796,125
		1,404,859	1,177,423

12.1 The Bank has an aggregate amount of Rs. 2,857.903 million (December 31, 2013: Rs. 2,274.639 million) [including unabsorbed tax depreciation of Rs. 989.771 million (December 31, 2013: Rs. 832.319 million)] in respect of tax losses as at December 31, 2014. In addition, the Bank also has an amount of Rs 126.181 million (December 31, 2013: Rs. 82.837 million) in respect of minimum tax which can be adjusted in future years against tax liability. The management carries out periodic assessment to assess as to whether the Bank would be able to set off the profit earned in future years against the available losses and carried forward minimum tax. Based on this assessment the management has recognised deferred tax asset amounting to Rs. 973.672 million (December 31, 2013: Rs. 796.125 million) on losses aggregating to Rs. 2,781.920 million [including on unabsorbed tax depreciation of Rs. 989.771 million (December 31, 2013: Rs. 832.319 million)]. In addition the Bank has also recognised deferred tax asset of Rs. 82.430 million (December 31, 2013: Rs 82.837 million) on account of minimum tax. The amount of this benefit has been determined based on the projected financial statements for future periods as the Bank expects that it will be able to generate sufficient profits to avail benefit of these tax losses and minimum tax. The determination of future taxable profit is sensitive to certain key assumptions most significant of which is achieving compliance with the minimum capital requirements as disclosed in note 1.4. Other key assumptions include income tax rates, 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 realisability of the deferred tax asset.

13 OTHER ASSETS - NET

	Note	2014	2013
		------- Rupees in '000 -------	
Profit / return accrued in local currency		599,488	925,767
Advances, deposits, advance rent and other prepayments	13.1	494,206	480,143
Receivable against sale of investments		36,677	12,057
Dividend receivable		463	200
Advance taxation (payments less provision)		75,446	39,121
Others		25,096	28,122
		1,231,376	1,485,410
Less: Provision held against other assets	13.2	(18,896)	(9,716)
Other assets (net of provisions)		1,212,480	1,475,694

13.1 This includes salary advance to employees aggregating to Rs. 28.417 million (2013: Rs. 21.769 million) as per the Bank's policy.

13.2 Provision held against other assets

	2014	2013
	---------- Rupees in '000 ----------	
Opening balance	9,716	4,553
Charge for the year	9,180	5,163
Reversals during the year	-	-
	9,180	5,163
Closing balance	18,896	9,716

13.3 During the year 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" under Advances, deposits, advance rent and other prepayments. In this regard, the Bank was able to recover Rs. 99.753 million which was recorded as a liability (note 17), under the head "Others", pending final resolution of the legal proceedings in this matter. However, on account of prudence, the unrecovered balance of Rs. 0.247 million had been fully provided by the Bank.

14 BILLS PAYABLE

	Note	2014	2013
		---------- Rupees in '000 ----------	
In Pakistan		318,887	507,471
Outside Pakistan		-	-
		318,887	507,471

15 DUE TO FINANCIAL INSTITUTIONS

In Pakistan		1,795,000	3,046,877
Outside Pakistan		-	5,597
		1,795,000	3,052,474

15.1 Particulars of due to financial institutions with respect to currencies

In local currency		1,795,000	3,046,877
In foreign currency		-	5,597
		1,795,000	3,052,474

15.2 Details of due to financial institutions - Secured / Unsecured

Secured			
Musharakah from the State Bank of Pakistan under Islamic Export Refinance Scheme		1,545,000	1,546,877
Unsecured			
Musharakah	15.2.1	250,000	1,500,000
Overdrawn Nostro account		-	5,597
		1,795,000	3,052,474

15.2.1 This represents musharakah arrangement with banks at profit rate of 9.4% per annum (2013: 6.00% to 9.00% per annum) and having maturity upto January 2015 (2013: January 2014).

16 DEPOSITS AND OTHER ACCOUNTS

	2014	2013
	---------- Rupees in '000 ----------	
Customers		
Fixed deposits	8,420,705	17,992,593
Savings deposits	11,113,669	15,310,280
Current accounts - Non-remunerative	3,503,169	3,089,471
Margin deposits	70,004	23,463
	23,107,547	36,415,807
Financial institutions		
Remunerative deposits	2,515,948	6,067,452
Non-remunerative deposits	185,372	214,416
	2,701,320	6,281,868
	25,808,867	42,697,675

16.1	Particulars of deposits	Note	2014	2013
			---------- Rupees in '000 ----------	
	In local currency		24,859,328	41,062,489
	In foreign currencies		949,539	1,635,186
			25,808,867	42,697,675

17 OTHER LIABILITIES

	Note	2014	2013
Profit / return payable in local currency	17.1	145,910	173,862
Profit / return payable in foreign currencies		418	356
Security deposits against ijarah		406,125	504,475
Deferred murahaba / istisna income under Islamic financing and related assets		202,415	410,157
Charity collection account	17.2	3,364	11,892
Accrued expenses		70,213	52,589
Withholding tax, federal excise duty and other tax payable		40,463	22,505
Unrealised loss on forward foreign exchange contracts - net		1,525	19,656
Payable against purchase of investments		30,695	49,184
Current collection account		215,721	301,918
Insurance payable against ijarah and diminishing musharakah assets		123,092	96,573
Others		124,112	127,068
		1,364,053	1,770,235

17.1 It includes Rs. 23.404 million (2013: Rs. 33.414 million) in respect of profit / return accrued on musharakah with the SBP under Islamic Export Refinance Scheme.

17.2 Reconciliation of charity collection account	Note	2014	2013
		---------- Rupees in '000 ----------	
Opening balance		11,892	13,446
Additions during the year			
- Received from customers against late payment		10,039	31,774
- Dividend purification amount		863	1,123
- Income against void transactions		-	668
- Profit on charity saving account		224	349
		11,126	33,914
Charity paid during the year	17.2.1	(19,654)	(35,468)
Closing balance		3,364	11,892

17.2.1 Charity was paid to the following:

Institutions	2014	2013
Saylani Welfare International Trust	2,625	1,000
Infaq Memorial Trust	1,500	-
Institute of Business Administration Karachi (IBA)	1,000	-
Namal College Mianwali	1,000	-
Shaukat Khanum Memorial Trust	1,000	1,000
Al Mustafa Welfare Society	900	1,900
SOS Village Lahore	754	1,175
Burns Centre Civil Hospital	750	1,500
Cancer Foundation	750	1,500
Layton Rahmatulla Benevolent Trust (LRBT)	750	1,000
Profession Educational Foundation (PEF)	650	-
Alamgir Welfare Trust International	600	1,500
Edhi Foundation	500	1,075
Health And Nutrition Development Society (HANDS)	500	500
Kutiyana Memon Association (KMA)	500	-
Marie Adelaide Leprosy Centre (MALC)	500	-
Patients' Aid Foundations (PAF)	500	1,100
Al Huda Trust	250	-
Aziz Jehan Begum Trust for the Blind	250	800
Centre for Development of Social Services (CDSS)	250	-
Gulab Devi Chest Hospital	250	-

	2014	2013
	---------- Rupees in '000 ----------	
Pakistan Association of the Blind (PAB)	250	800
Pakistan Memon Jamaat	250	-
The Caring Society	250	-
The Kidney Centre Post Graduate Training Institute (TKCI)	250	-
Vision Foundation	250	-
Old Associates of Kinniard Society (OAKS)	100	-
Karachi Relief Trust	-	6,250
The Indus Hospital	-	3,000
Sindh Institute of Urology and Transplant	-	2,000
National Institute of Child Health	-	1,200
The Citizens Foundation	-	1,943
Ajar Foundation	-	500
Bin Qutab Foundation	-	500
Health Oriented Preventive Education (HOPE)	-	500
Namal Education Foundation	-	500
New Horizons Care Center	-	500
Rising Sun Education & Welfare Society	-	500
Tameer-e-Millat Foundation	-	350
Agha Khan University Hospital	-	250
Ali Hasan Mangi Memorial Trust	-	200
Family Educational Services Foundation	-	200
Fatima Kidney Care Hospital	-	200
Koohi Goth Hospital	-	200
River Oaks Academy	-	150
Subh-e-Nau	-	150
Individuals		
Muhammad Sajid Inait	517	-
Asad Ali	350	-
Asif Mushtaq Shaikh	300	-
Muhammad Imran	200	200
Mushtaq Ahmed	200	-
Mohammad Sarwar	158	-
Shamim Khatoon	150	-
Saleem Abdul Ali Siddiqui	100	-
Zahida Perveen (Khanewal)	100	-
Altaf ur Rehman	100	-
Hafiz Muhammad Anwar	100	-
Muhammad Nehal Ahmed	100	-
Bibi Irshad	50	-
Muhammad Irshad	50	-
Muhammad Yousuf	50	-
Khadim Hussain	-	250
Muhammad Basit Khan	-	250
Mehroze Raza	-	200
Anjum Parveen	-	150
Amir Masroor Usmani	-	100
Mohammad Zahid Khan	-	100
Nusrat Tufail	-	100
Zafar Ahmed	-	100
Hafiz Abdul Razzaq Nakshbandi	-	75
	19,654	35,468

17.2.2 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.

18 SHARE CAPITAL

18.1 Authorised capital

2014	2013		2014	2013
--------- Number of shares ---------			---------- Rupees in '000 ----------	
1,650,000,000	1,200,000,000	Ordinary shares of Rs. 10/- each	16,500,000	12,000,000

18.1.1 During the year, authorised capital has been increased from 1,200,000,000 ordinary shares of Rs. 10/- each to 1,650,000,000 ordinary shares of Rs. 10/- each as approved by the shareholders in the annual general meeting held on March 28, 2014.

18.2 Issued, subscribed and paid-up capital

2014	2013		2014	2013
--------- Number of shares ---------			----------- Rupees in '000 -----------	
816,752,728	816,752,728	Ordinary shares - Fully paid in cash	8,167,527	8,167,527
816,752,728	816,752,728		8,167,527	8,167,527

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

	2014	2013
	-------- Number of shares --------	
Opening balance	816,752,728	741,045,824
Shares issued during the year	-	75,706,904
Closing balance	816,752,728	816,752,728

19 (DEFICIT) / SURPLUS ON REVALUATION OF ASSETS - NET

	Note	2014	2013
		----------- Rupees in '000 -----------	
Available for sale securities			
- Listed shares		15,505	31,297
- Sukuks		(62,409)	55,484
- Units of open end mutual funds		4,619	(2,283)
		(42,285)	84,498
Related deferred tax asset / (liability)		18,750	(22,321)
		(23,535)	62,177

20 CONTINGENCIES AND COMMITMENTS

	Note	2014	2013
20.1 Direct credit substitutes		700	-
20.2 Transaction-related contingent liabilities			
Guarantees favouring - beneficiary			
- Government		1,373,754	1,786,605
- Others		66,452	84,952
		1,440,206	1,871,557
20.3 Trade-related contingent liabilities			
Import letters of credit		1,320,144	732,332
Acceptances		42,209	11,082
		1,362,353	743,414
20.4 Commitments in respect of forward exchange contracts			
Purchase	34.2	513,257	1,046,135
Sale	34.2	61,009	349,170
20.5 Commitments for the acquisition of operating fixed assets			
Civil works		450	1,500
Acquisition of computer hardware		598	207
Acquisition of computer software		20,873	33,487
		21,921	35,194

20.6 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.

20.7 Matters relating to taxation are summarised in note 27.1 to these financial statements.

		Note	2014	2013
21	**PROFIT / RETURN EARNED**		----------- Rupees in '000 -----------	
	On financings to customers		3,197,658	2,389,679
	On investments in			
	- held for trading securities		1,237	-
	- available for sale securities		764,574	1,205,467
	On deposits with financial institutions		2,562	10,737
	On inter bank murabaha / modaraba / musharakah agreements		299,513	92,581
			4,265,544	3,698,464
22	**PROFIT / RETURN EXPENSED**			
	On deposits and other accounts		2,764,682	2,524,817
	On musharakah from the State Bank of Pakistan under IERS		107,486	106,953
	On other short term fund - musharakah / modarabas		79,267	114,335
			2,951,435	2,746,105
23	**GAIN ON SALE OF SECURITIES - NET**			
	Federal Government Securities - Sukuk certificates		18,983	25,430
	Shares / units of open end mutual funds - listed		173,746	251,670
			192,729	277,100
24	**OTHER INCOME**			
	Fees and charges recovered		17,720	14,746
	Rental income		34	193
	Gain on sale of operating fixed assets - net		3,789	23,842
	Gain on sale of non-banking assets		-	4,036
	Locker rent		973	764
			22,516	43,581
25	**ADMINISTRATIVE EXPENSES**			
	Salaries, allowances, etc.	25.1	894,864	937,686
	Remuneration to Shari'ah advisor		3,880	3,739
	Contribution to defined contribution plan	31	34,839	33,060
	Non-executive directors' fees, allowances and other expenses		10,169	8,841
	Rent, taxes, insurance, electricity, etc.		486,012	510,549
	Legal and professional charges		31,036	50,691
	Communication		77,586	67,325
	Fee and subscription		32,326	33,762
	Repairs and maintenance		114,328	125,452
	Travelling and conveyance		18,068	37,443
	Entertainment		18,635	23,860
	Stationery and printing		17,055	21,835
	Advertisement and publicity		27,002	41,785
	Brokerage, commission, bank and clearing charges		36,749	35,258
	Service utilisation charges		153,389	206,300
	Auditors' remuneration	25.2	4,684	4,073
	Depreciation	11.2	176,011	177,942
	Amortisation of intangible assets	11.4	45,352	46,534
	Security services including cash handling charges		68,338	69,481
	Training Expenses		3,428	6,690
	Operating fixed assets written off		835	4,457
	Others		17,715	27,976
			2,272,301	2,474,739

25.1 This includes Rs. 3.371 million (2013: Rs. 3.866 million) in respect of Contribution to Employees' Old Age Benefit Institution.

		2014	2013
25.2	**Auditors' remuneration**	----------- Rupees in '000 -----------	
	Audit fee	1,750	1,750
	Fee for interim review	550	500
	Special certifications and sundry advisory services	2,000	1,523
	Out-of-pocket expenses	384	300
		4,684	4,073

		2014	2013
		----------- Rupees in '000 -----------	

26 OTHER CHARGES

	2014	2013
Penalties imposed by the State Bank of Pakistan	5,180	2,931
Others	-	304
	5,180	3,235

27 TAXATION

	2014	2013
For the year		
- Current	(43,344)	(39,086)
- Deferred	186,366	646,500
	143,022	607,414
Prior years	-	(1,666)
	143,022	605,748

27.1 Under Section 144 of the Income Tax Ordinance, 2001 (Ordinance), the Bank has filled the return of income for the tax years 2006 to 2014 on due dates. These returns were deemed completed under the provisions of the prevailing income tax laws as applicable in Pakistan during the relevant accounting years.

Matters of disagreement exist between the Bank and tax authority for the 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. However, based on management's appeal in respect of this add-back, an order was passed by Commissioner Inland Revenue (CIR)-Appeals deleting all demands previously raised by the tax authority except for the charge of Workers' Welfare Fund (WWF) amounting to Rs. 1.6 million which is pending before the Appellate Tribunal, Inland Revenue (Tribunal). In addition, the taxation authorities have also raised a demand of Rs. 1.9 million on account of minimum tax in respect of tax year 2011 which has been challenged by the management and is currently pending before the Appellate Tribunal. The management is confident that these matters will be decided in favour of the Bank and consequently has not made any provision in respect of the aforementioned matters.

27.2 Relationship between tax charge and accounting profits / (losses)

	2014	2013
	----------- Rupees in '000 -----------	
Loss before taxation	(614,799)	(1,738,774)
Tax at the applicable rate of 35% (2013: 35%)	(215,180)	(608,571)
Effect of:		
- permanent differences	1,813	1,026
- prior year tax charge	-	1,666
- reversal of deferred tax asset not considered realisable	70,345	-
- others	-	131
Tax charge for the year	(143,022)	(605,748)

28 BASIC AND DILUTED LOSS PER SHARE

	2014	2013
Loss after taxation for the year	(471,777)	(1,133,026)
	-------- Number of shares --------	
Weighted average number of ordinary shares	816,752,728	760,750,361
	---------------- Rupees ----------------	
Basic / diluted loss per share	(0.578)	(1.489)

There were no convertible / dilutive potential ordinary shares outstanding as at December 31, 2014 and December 31, 2013.

	Note	2014	2013
		--------- Rupees in '000 ---------	

29 CASH AND CASH EQUIVALENTS

	Note	2014	2013
Cash and balances with treasury banks	6	2,411,487	2,751,089
Balances with other banks	7	81,779	1,056,489
Due from financial institutions	8	-	7,689,704
Overdrawn Nostro account		-	(5,597)
		2,493,266	11,491,685

30 STAFF STRENGTH

	2014	2013
	Number of employees	
Permanent	638	757
Temporary / on contractual basis	9	16
Bank's own staff strength at the end of the year	647	773
Outsourced	357	382
Total staff strength	1,004	1,155

31 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.

	2014	2013
	--------- Rupees in '000 ---------	
Contribution made by the Bank	34,839	33,060
Contribution made by the employees	34,839	33,060
	69,678	66,120

32 COMPENSATION OF DIRECTORS AND EXECUTIVES

	2014			2013		
	President / Chief Executive	Directors	Executives	President / Chief Executive	Directors	Executives
	------------ Rupees in '000 ------------					
Fees	-	6,000	-	-	3,600	-
Managerial remuneration (including bonus)	29,184	-	227,262	63,000	-	268,993
Contribution to defined contribution plan	2,918	-	20,125	2,807	-	19,626
Rent and house maintenar	13,133	-	102,269	12,631	-	110,118
Utilities	2,918	-	22,726	2,807	-	24,471
Medical	2,918	-	22,726	2,807	-	24,471
Fuel and conveyance	-	-	45,595	-	-	49,917
Others	-	-	90,904	-	-	33,544
	51,071	6,000	531,607	84,052	3,600	531,140
Number of persons	1	9	256	1	10	292

32.1 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 33.

33 **SHARE OPTION SCHEME**

As per the 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.

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 management's current expectation of the equity instrument that will eventually vest, no expense has been charged to the profit and loss account in the current year (2013: Nil).

34 **FAIR VALUE OF FINANCIAL INSTRUMENTS**

34.1 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 / MUFAP 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 38 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 reprised.

	2014		2013	
	Book value	Fair value	Book value	Fair value
	Rupees in '000			
34.2 Off-balance sheet financial instruments				
Forward purchase of foreign exchange	514,774	513,257	1,071,125	1,046,135
Forward agreements for borrowing	-	-	-	-
Forward sale of foreign exchange	61,001	61,009	353,985	349,170
Forward agreements for lending	-	-	-	-

35 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	2014				
	Corporate finance	Trading & sales	Retail banking	Commercial banking	Total
	Rupees in '000				
Total income	8,495	1,330,375	946,579	2,448,628	4,734,077
Total expenses	(4,099)	(313,258)	(4,436,078)	(595,441)	(5,348,876)
Internal income / (expense)	-	(601,708)	2,595,182	(1,993,474)	-
Net income / (loss)	4,396	415,409	(894,317)	(140,287)	(614,799)
Segment assets (gross)	-	11,646,918	10,486,873	13,670,629	35,804,420
Segment non performing assets	-	46,742	147,625	1,684,365	1,878,732
Segment provision required and held	-	46,742	141,704	1,525,448	1,713,894
Segment liabilities	-	282,024	26,802,852	2,201,931	29,286,807
Segment return on net assets (%)	-	3.67	(5.44)	(1.41)	(12.80)
Segment cost of funds (%)	-	8.86	7.64	9.16	7.22

	2013 (restated) *				
	Corporate finance	Trading & sales	Retail banking	Commercial banking	Total
	Rupees in '000				
Total income	49,685	1,660,965	495,244	2,105,978	4,311,872
Total expenses	28,553	383,691	4,334,779	1,303,623	6,050,646
Internal income / (expense)	-	(834,213)	2,599,457	(1,765,244)	-
Net income / (loss)	21,132	443,061	(1,240,078)	(962,889)	(1,738,774)
Segment assets (gross)	-	21,930,832	7,047,182	26,004,983	54,982,997
Segment non performing assets	-	90,996	123,132	1,644,807	1,858,935
Segment provision required and held	-	58,262	115,233	1,420,439	1,593,934
Segment liabilities	-	1,557,656	43,968,895	2,501,303	48,027,855
Segment return on net assets (%)	-	2.18	(3.35)	(4.36)	(32.43)
Segment cost of funds (%)	-	8.83	7.41	8.19	7.18

* The comparative information has been restated to conform to current year presentation.

36 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 (having shareholding of 5% or more), 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 major shareholders (having shareholding of 5% or more), 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.

36.1 The details of transactions with related parties and balances with them, apart from compensation to executives as disclosed in note 32 and 33 are given below:

	December 31, 2014						December 31, 2013 - Restated					
	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	188,712	-	-	170,120	-	358,832	188,712	-	-	130,735	-	319,447
Disbursed during the year	-	-	-	58,039	-	58,039	-	-	-	41,237	-	41,237
Repaid during the year	-	-	-	(19,533)	-	(19,533)	-	-	-	(8,877)	-	(8,877)
Adjustments *	-	-	-	-	-	-	-	-	-	7,025	-	7,025
As at December 31	188,712	-	-	208,626	-	397,338	188,712	-	-	170,120	-	358,832
Provision against Islamic financing and related assets	132,306	-	-	-	-	132,306	98,845	-	-	-	-	98,845
Deposits												
As at January 1	30,588	1,648	-	35,001	8,896	76,133	814	4,200	-	42,588	5,931	53,533
Received during the year	2,544,473	3,587	18	212,677	214,292	2,975,047	302,462	2,580	-	176,117	109,633	590,792
Withdrawals during the year	(2,539,262)	(4,690)	(791)	(210,664)	(165,673)	(2,921,080)	(272,688)	(3,009)	-	(184,078)	(106,668)	(566,443)
Adjustments *	(1,245)	-	1,245	(24,367)	-	(24,367)	-	(2,123)	-	374	-	(1,749)
As at December 31	34,554	545	472	12,647	57,515	105,733	30,588	1,648	-	35,001	8,896	76,133
Others												
Other receivables	-	75	-	9,083	-	9,158	-	75	1,383	5,286	-	6,744
Other payables	2,685	-	-	-	-	2,685	-	-	-	-	-	-

	Year ended December 31, 2014						Year ended December 31, 2013 - Restated					
	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-executive directors' fees	-	6,000	-	-	-	6,000	-	3,600	-	-	-	3,600
Remuneration to key management personnel	-	-	-	136,691	-	136,691	-	-	-	179,666	-	179,666
Profit earned / (reversed) on financings	-	-	-	12,299	-	12,299	(15,204)	-	-	8,970	-	(6,234)
Profit expensed on deposits	1	76	-	529	7,949	8,555	1	85	-	1,995	2,093	4,174
Fees received for consultancy services	-	-	2,503	-	-	2,503	-	-	2,566	-	-	2,566
Advance against salary disbursed / (repaid) - net	-	-	-	3,797	-	3,797	-	-	-	(2,221)	-	(2,221)
Payment against training received	655	-	-	-	-	655	215	-	-	-	-	215
Reimbursable expense incurred	-	-	542	-	-	542	-	-	-	-	-	-
Disposal of sukuk	-	-	-	-	-	-	-	-	-	-	5,048	5,048
Proceed from issuance of shares	-	-	-	-	-	-	-	-	566,175	-	-	566,175
Contribution made to provident fund	-	-	-	-	34,839	34,839	-	-	-	-	33,060	33,060
Proceeds on disposal of operating fixed assets	-	-	-	-	-	-	-	-	-	19,831	-	19,831
Provision against Islamic financing and related assets	33,461	-	-	-	-	33,461	98,845	-	-	-	-	98,845
Gain on disposal of operating fixed assets	-	-	-	-	-	-	-	-	-	1,435	-	1,435

* 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, 2014.

** Includes shareholders having shareholding of 5% or more. Previously the bank had considered all shareholders as related party. The comparative information has been restated accordingly.

*** Key management includes the President and Chief Executive Officer and certain head of departments who report directly to President and Chief Executive Officer.

**** This represents balances and transactions of staff retirement benefit plan.

37 CAPITAL ASSESSMENT AND ADEQUACY

The Basel III Framework as introduced by the State Bank of Pakistan is applicable to Burj Bank Limited on standalone basis as the bank does not have any subsidiary or affiliate for the purposes of consolidation. In this direction, the SBP has issued disclosure requirements which has formed the basis for preparation of these notes. The SBP has specified a transitional period till 2018 for full implementation of Basel III. The Bank uses Standardised Approach for calculating Credit and Market Risk and Basic Indicator Approach for working out Operational Risk.

37.1 Capital management

Capital Adequacy and management aim is 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 with proper controls. Burj Bank maintains a strong capital base so as to maintain investor, creditor and market confidence and to sustain future business growth as envisaged in the strategic business plan. 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.

37.2 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.

37.3 Statutory minimum capital requirement and management of capital

The current status of the Bank's compliance with minimum capital requirement (MCR) specified by the State Bank of Pakistan is explained in note 1.4 to the financial statements. The note also explains that the SBP has also specified higher capital adequacy ratio for the Bank in view of the shortfall in meeting minimum capital requirements. The management is aware that non-compliance with MCR can result in various additional risks which might arise on account of non-compliance with MCR and as noted in note 1.4, the Bank is taking steps to ensure early compliance with the capital requirements specified by the SBP.

37.4 Capital structure

Under Basel III framework as advised by the SBP, the Bank's regulatory capital has been analysed into following tiers:

- Common Equity Tier 1 (CET 1) 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.

- Additional Tier 1 (AT1) Capital which shall consist of instruments meeting the qualifying criteria less regulatory adjustments as applicable. However, the bank does not have any AT1 Capital.

- Tier 2 Capital, which includes general provision for loan losses (upto a maximum of 1.25% of total risk weighted assets for standardised approach) and reserve on revaluation of equity investments after deduction of deficit on

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.

The required capital adequacy ratio is achieved by the Bank through:

- Adequate level of paid up capital;
- Adequate risk profile of asset mix;
- Ensuring better recovery management; and
- Maintaining acceptable profit margins.

37.5 Capital Adequacy Ratio

The capital to risk weighted assets ratio, calculated in accordance with the SBP guidelines on capital adequacy under Basel III treatment is presented below:

	2014	2013
	-------- Rupees in '000 --------	
Common Equity Tier 1 capital(CET1): Instruments and reserves		
Fully Paid-up Capital / Capital deposited with SBP	8,167,527	8,167,527
Balance in Share Premium Account	-	-
Reserve for issue of Bonus Shares	-	-
Discount on Issue of shares	-	-
General/ Statutory Reserves	2,030	2,030
Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-
Unappropriated/unremitted profits/ (losses)	(3,342,303)	(2,870,526)
Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-
CET 1 before Regulatory Adjustments	4,827,254	5,299,031
Total regulatory adjustments applied to CET1 (Note 37.5.1)	336,690	125,434
Common Equity Tier 1	**4,490,564**	**5,173,597**
Additional Tier 1 (AT 1) Capital		
Qualifying Additional Tier-1 capital instruments plus any related share premium	-	-
of which: Classified as equity	-	-
of which: Classified as liabilities	-	-
Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)		
of which: instrument issued by subsidiaries subject to phase out	-	-
AT1 before regulatory adjustments		
Total regulatory adjustment applied to AT1 capital (Note 37.5.2)	-	-
Additional Tier 1 capital after regulatory adjustments	-	-
Additional Tier 1 capital recognized for capital adequacy	-	-
Tier 1 Capital (CET1 + admissible AT1)	**4,490,564**	**5,173,597**
Tier 2 Capital		
Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	-
Tier 2 capital instruments subject to phase-out arrangement issued under pre-Basel 3 rules	-	-
Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2) of which: instruments issued by subsidiaries subject to phase out	-	-
General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	40,267	50,147
Revaluation Reserves (net of taxes)	-	-
of which: Revaluation reserves on fixed assets	-	-
of which: Unrealized gains/losses on AFS	-	27,980
Foreign Exchange Translation Reserves	-	-
Undisclosed/Other Reserves (if any)	-	-
T2 before regulatory adjustments	40,267	78,127
Total regulatory adjustment applied to T2 capital (Note 37.5.3)	-	-
Tier 2 capital (T2) after regulatory adjustments	40,267	78,127
Tier 2 capital recognized for capital adequacy	40,267	78,127
Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
Total Tier 2 capital admissible for capital adequacy	40,267	78,127
TOTAL CAPITAL (T1 + admissible T2)	**4,530,831**	**5,251,724**
Total Risk Weighted Assets (RWA) {for details refer Note 37.8}	**24,305,078**	**25,297,562**

	2014	2013
	------- Percentage -------	
Capital Ratios and buffers (in percentage of risk weighted assets)		
CET1 to total RWA	**18.48%**	**20.45%**
Tier-1 capital to total RWA	**18.48%**	**20.45%**
Total capital to total RWA	**18.64%**	**20.76%**
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)		
of which: capital conservation buffer requirement	0.00%	0.00%
of which: countercyclical buffer requirement	0.00%	0.00%
of which: D-SIB or G-SIB buffer requirement	0.00%	0.00%
CET1 available to meet buffers (as a percentage of risk weighted assets)	12.98%	15.45%
National minimum capital requirements prescribed by SBP (Refer note 1.4)		
CET1 minimum ratio	5.50%	5.00%
Tier 1 minimum ratio	7.00%	6.50%
Total capital minimum ratio	10.00%	10.00%

37.5.1 Common Equity Tier 1 capital: Regulatory adjustments

	2014		2013	
	------------------------- Rupees in '000 -------------------------			
	Amount	**Amounts subject to Pre- Basel III treatment**	**Amount**	**Amounts subject to Pre- Basel III treatment**
Goodwill (net of related deferred tax liability)	-	-	-	-
All other intangibles (net of any associated deferred tax liability)	101,935	-	125,434	-
Shortfall in provisions against classified assets	-	-	-	-
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	211,220	844,882	-	878,962
Defined-benefit pension fund net assets	-	-	-	-
Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	-	-	-	-
Cash flow hedge reserve	-	-	-	-
Investment in own shares/ CET1 instruments	-	-	-	-
Securitization gain on sale	-	-	-	-
Capital shortfall of regulated subsidiaries	-	-	-	-
Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	23,535	-	-	-
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	-	-
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	-	-
Amount exceeding 15% threshold	-	-	-	-
of which: significant investments in the common stocks of financial entities	-	-	-	-
of which: deferred tax assets arising from temporary differences	-	-	-	-
National specific regulatory adjustments applied to CET1 capital	-	-	-	-
Investments in TFCs of other banks exceeding the prescribed limit	-	-	-	-
Any other deduction specified by SBP (mention details)	-	-	-	-
Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	-	-	-
Total regulatory adjustments applied to CET1	**336,690**	**844,882**	**125,434**	**878,962**

	2014		2013	
	------------------------- Rupees in '000 -------------------------			
	Amount	**Amounts subject to Pre- Basel III treatment**	**Amount**	**Amounts subject to Pre- Basel III treatment**
37.5.2 Additional Tier-1 & Tier-1 Capital: regulatory adjustments				
Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	-	-	-	-
Investment in own AT1 capital instruments	-	-	-	-
Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	-	-	-	-
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-	-
Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital	-	-	-	-
Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-	-	-
Total regulatory adjustment applied to AT1 capital	-	-	-	-
37.5.3 Tier 2 Capital: regulatory adjustments				
Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-	-	-	-
Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	-	-	-	-
Investment in own Tier 2 capital instrument	-	-	-	-
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-	-
Total regulatory adjustment applied to T2 capital	-	-	-	-

	2014	2013
	-------- Rupees in '000 --------	
37.5.4 Risk Weighted Assets subject to pre-Basel III treatment		
Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)	-	-
of which: deferred tax assets	844,882	1,177,423
of which: Defined-benefit pension fund net assets	-	-
of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	-	-
of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	-	-
Amounts below the thresholds for deduction (before risk weighting)		
Non-significant investments in the capital of other financial entities	-	-
Significant investments in the common stock of financial entities	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	348,757	298,461

	2014	2013
	-------- Rupees in '000 --------	
Applicable caps on the inclusion of provisions in Tier 2		
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	40,267	50,147
Cap on inclusion of provisions in Tier 2 under standardized approach	303,813	316,220
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

37.6 Capital Structure Reconciliation

37.6.1 Reconciliation of each financial statement line item to item under regulatory scope of reporting - Step 1

Particulars	Reference	Balance sheet of the published financial statements	Under regulatory scope of consolidation
		---------- Rupees in '000 ---------	
Assets			
Cash and balances with treasury banks		2,411,487	2,411,487
Balanced with other banks		81,779	81,779
Lending to financial institutions		-	-
Investments		8,164,801	8,164,801
Advances		19,960,447	19,960,447
Operating fixed assets		854,673	854,673
Deferred tax assets		1,404,859	1,404,859
Other assets		1,212,480	1,212,480
Total assets		**34,090,526**	**34,090,526**
Liabilities & Equity			
Bills payable		318,887	318,887
Borrowings		1,795,000	1,795,000
Deposits and other accounts		25,808,867	25,808,867
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities		1,364,053	1,364,053
Total liabilities		**29,286,807**	**29,286,807**
Share capital		8,167,527	8,167,527
Reserves		2,030	2,030
Accumulated losses		(3,342,303)	(3,342,303)
Minority Interest		-	-
Surplus on revaluation of assets		(23,535)	(23,535)
Total liabilities & equity		**4,803,719**	**4,803,719**

37.6.2 Reconciliation of balance sheet to eligible regulatory capital - Step 2

Particulars	Reference	Balance sheet of the published financial statements	Under regulatory scope of consolidation
Assets			
Cash and balances with treasury banks		2,411,487	2,411,487
Balanced with other banks		81,779	81,779
Lending to financial institutions		-	-
Investments		8,164,801	8,164,801
of which: Non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold	a	-	-

Particulars	Reference	Balance sheet of the published financial statements	Under regulatory scope of consolidation
		---------- Rupees in '000 ---------	
of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold	b	-	-
of which: Mutual Funds exceeding regulatory threshold	c	-	-
of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)	d	-	-
of which: others	e	-	-
Advances		19,960,447	19,960,447
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	f	-	-
general provisions reflected in Tier 2 capital	g	40,267	40,267
Fixed Assets		854,673	854,673
of which: Intangibles	k	101,935	101,935
Deferred Tax Assets		1,404,859	1,404,859
of which: DTAs that rely on future profitability excluding those arising from temporary differences	h	1,056,102	1,056,102
of which: DTAs arising from temporary differences exceeding regulatory threshold	i	-	
Other assets		1,212,480	1,212,480
of which: Goodwill	j	-	-
of which: Defined-benefit pension fund net assets	l	-	-
Total assets		**34,090,526**	**34,090,526**
Liabilities & Equity			
Bills payable		318,887	318,887
Borrowings		1,795,000	1,795,000
Deposits and other accounts		25,808,867	25,808,867
Sub-ordinated loans		-	-
of which: eligible for inclusion in AT1	m	-	-
of which: eligible for inclusion in Tier 2	n	-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
of which: DTLs related to goodwill	o	-	-
of which: DTLs related to intangible assets	p	-	-
of which: DTLs related to defined pension fund net assets	q	-	-
of which: other deferred tax liabilities	r	-	-
Other liabilities		1,364,053	1,364,053
Total liabilities		**29,286,807**	**29,286,807**
Share capital			
of which: amount eligible for CET1	s	8,167,527	8,167,527
of which: amount eligible for AT1	t	-	-
Reserves		2,030	2,030
of which: portion eligible for inclusion in CET1	u	2,030	2,030
of which: portion eligible for inclusion in Tier 2	v	-	-
Accumulated losses	w	(3,342,303)	(3,342,303)
Minority Interest		-	-
of which: portion eligible for inclusion in CET1	x	-	-
of which: portion eligible for inclusion in AT1	y	-	-
of which: portion eligible for inclusion in Tier 2	z	-	-
Surplus on revaluation of assets		(23,535)	(23,535)
of which: Revaluation reserves on Fixed Assets	aa	-	-
of which: Unrealized Loss on AFS			
In case of Deficit on revaluation (deduction from CET1)	ab	(23,535)	(23,535)
Total liabilities & Equity		**4,803,719**	**4,803,719**

37.6.3 Basel III Disclosure (with added column) - Step 3

Particulars	Source based on reference number from step 2	Component of regulatory capital reported by bank
		(Rupees in '000)
Common Equity Tier 1 capital (CET1): Instruments and reserves		
Fully Paid-up Capital		8,167,527
Balance in Share Premium Account	(s)	-
Reserve for issue of Bonus Shares		-
General/ Statutory Reserves	(u)	2,030
Gain/(Losses) on derivatives held as Cash Flow Hedge		-
Accumulated losses	(w)	(3,342,303)
Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	(x)	-
CET 1 before Regulatory Adjustments		4,827,254
Common Equity Tier 1 capital: Regulatory adjustments		
Goodwill (net of related deferred tax liability)	(j) - (o)	-
All other intangibles (net of any associated deferred tax liability)	(k) - (p)	101,935
Shortfall of provisions against classified assets	(f)	-
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(h) - (r) * 20%	211,220
Defined-benefit pension fund net assets	(l) -(q) * 20%	-
Reciprocal cross holdings in CET1 capital instruments	(d)	-
Cash flow hedge reserve		-
Investment in own shares/ CET1 instruments		-
Securitization gain on sale		-
Capital shortfall of regulated subsidiaries		-
Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	(ab)	23,535
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(a) - (ac) - (ae)	-
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	(b) - (ad) -(af)	-
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	(i)	-
Amount exceeding 15% threshold		-
of which: significant investments in the common stocks of financial entities		-
of which: deferred tax assets arising from temporary differences		-
National specific regulatory adjustments applied to CET1 capital		-
of which: Investment in TFCs of other banks exceeding the prescribed limit		-
of which: Any other deduction specified by SBP		-
Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions		-
Total regulatory adjustments applied to CET1		336,690
Common Equity Tier 1		**4,490,564**
Additional Tier 1 (AT 1) Capital		
Qualifying Additional Tier-1 instruments plus any related share premium		-
of which: Classified as equity	(t)	-
of which: Classified as liabilities	(m)	-
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	(y)	-
of which: instrument issued by subsidiaries subject to phase out		-
AT1 before regulatory adjustments		-
Additional Tier 1 Capital: regulatory adjustments		
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)		-
Investment in own AT1 capital instruments		-

Particulars	Source based on reference number from step 2	Component of regulatory capital reported by bank
		(Rupees in '000)
Reciprocal cross holdings in Additional Tier 1 capital instruments		-
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(ac)	-
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(ad)	-
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital		-
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		-
Total of Regulatory Adjustment applied to AT1 capital		-
Additional Tier 1 capital		-
Additional Tier 1 capital recognized for capital adequacy		-
Tier 1 Capital (CET1 + admissible AT1)		**4,490,564**
Tier 2 Capital		
Qualifying Tier 2 capital instruments under Basel III plus any related share premium	(n)	-
Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	(z)	-
Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)		-
of which: instruments issued by subsidiaries subject to phase out		-
General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	(g)	40,267
Revaluation Reserves		
of which: Revaluation reserves on fixed assets		-
of which: Unrealized Gains/Losses on AFS	56% of (aa)	-
Foreign Exchange Translation Reserves	(v)	-
Undisclosed/Other Reserves (if any)		-
T2 before regulatory adjustments		40,267
Tier 2 Capital: regulatory adjustments		
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital		-
Reciprocal cross holdings in Tier 2 instruments		-
Investment in own Tier 2 capital instrument		-
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(ae)	-
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(af)	-
Amount of Regulatory Adjustment applied to T2 capital		-
Tier 2 capital (T2)		40,267
Tier 2 capital recognized for capital adequacy		40,267
Excess Additional Tier 1 capital recognized in Tier 2 capital		-
Total Tier 2 capital admissible for capital adequacy		40,267
TOTAL CAPITAL (T1 + admissible T2)		**4,530,831**

37.7 Main Features of Regulatory Capital Instruments

Main Features	Common Shares
Issuer	Burj Bank Limited
Unique identifier (e.g. KSE Symbol or Bloomberg identifier etc.)	N/A
Governing law(s) of the instrument	Islamic Republic of Pakistan
Regulatory treatment	
Transitional Basel III rules	Common Equity Tier 1
Post-transitional Basel III rules	Common Equity Tier 1
Eligible at solo/ group/ group & solo	Solo
Instrument type	Ordinary shares
Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	8,167,527
Par value of instrument	10
Accounting classification	Shareholders' equity
Original date of issuance	2006
Perpetual or dated	Perpetual
Original maturity date	N/A
Issuer call subject to prior supervisory approval	N/A
Optional call date, contingent call dates and redemption amount	N/A
Subsequent call dates, if applicable	N/A
Coupons / dividends	
Fixed or floating dividend/ coupon	N/A
coupon rate and any related index/ benchmark	N/A
Existence of a dividend stopper	Compliance with MCR requirement (as mentioned in note 1.4 of the financial statements)
Fully discretionary, partially discretionary or mandatory	Fully discretionary
Existence of step up or other incentive to redeem	N/A
Noncumulative or cumulative	N/A
Convertible or non-convertible	N/A
If convertible, conversion trigger (s)	N/A
If convertible, fully or partially	N/A
If convertible, conversion rate	N/A
If convertible, mandatory or optional conversion	N/A
If convertible, specify instrument type convertible into	N/A
If convertible, specify issuer of instrument it converts into	N/A
Write-down feature	N/A
If write-down, write-down trigger(s)	N/A
If write-down, full or partial	N/A
If write-down, permanent or temporary	N/A
If temporary write-down, description of write-up mechanism	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior	N/A
Non-compliant transitioned features	N/A
If yes, specify non-compliant features	N/A

37.8 Risk Weighted Assets

The capital requirements for the banking group as per the major risk categories should be indicated in the manner given below:

Risk-weighted exposures	2014		2013	
	Capital requirement	Risk weighted assets	Capital requirement	Risk weighted assets
	Rupees in '000			
Credit risk				
On-Balance sheet				
Portfolios subject to standardised approach (Simple Approach)				
Cash & cash equivalents	-	-	-	-
Sovereign	1,400	6,085	-	-
Public Sector entities	7,015	30,499	68,061	378,114
Banks	6,306	27,416	319,314	1,773,967
Corporate	2,468,884	10,734,277	2,060,403	11,446,683
Retail	820,509	3,567,429	500,736	2,781,869
Residential Mortgages	238,329	1,036,213	119,823	665,684
Past Due loans	58,668	255,079	44,177	245,425
Operating Fixed Assets	173,130	752,738	167,745	931,915
Other assets	523,809	2,277,431	303,706	1,687,254
Off-Balance sheet				
Portfolios subject to standardised approach (Simple Approach)				
Non-market related	87,271	379,439	108,259	601,440
Market related	-	-	398	2,212
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	159,150	691,957	133,686	742,700
Equity position risk	442,134	1,922,322	304,056	1,689,200
Foreign Exchange risk	2,593	11,273	13,739	76,325
Operational Risk (Basic Indicator Approach)				
Capital Requirement for operational risks	600,972	2,612,920	409,459	2,274,774
TOTAL	5,590,168	24,305,078	4,553,561	25,297,562

	2014		2013	
	Required	Actual	Required	Actual
Capital Adequacy Ratios				
CET1 to total RWA	N/A	18.48%	N/A	20.45%
Tier-1 capital to total RWA	N/A	18.48%	N/A	20.45%
Total capital to total RWA	23.00%	18.64%	18.00%	20.76%

38 RISK MANAGEMENT

The Bank has set-up a separate Risk Management Group for risk management functions in the Bank which is developed based on the SBP guidelines and in line with International best practices. 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 requirements and to take and approve all such actions as may be required for successful implementation of Basel Accord 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 credit, 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.

38.1 Credit risk

Credit risk represents the potential that a Bank’s customer or counterparty may 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 and facility risk rating systems developed in conformity with the Basel 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 application and behavioural scorecards which assist the Bank in selection of customers and management of underlying risks on continuous basis. The credit risk is evaluated and managed on a transaction, customer as well as on portfolio basis.

"Watch list" procedures are also in place which identify financings with early warning indicators in respect of clients which may become non performing. The Risk Management Group also monitors the non performing financing portfolio of the Bank and reports the significant matters to Board 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 as defined in the policy by the Board of Directors
- Rating driven ceilings for single customers as well 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. In addition, the Bank has been actively following up for recovery and regularization of 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 relevant approving authority. The performance of customers is regularly monitored and the risk ratings are adjusted appropriately 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.

38.1.1 Segmental information

38.1.1.1 Segments by class of business

	2014					
	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)	1,226,775	5.68	152,224	0.59	-	-
Automobile and transportation equipment	284,558	1.32	2,775	0.01	1,107	0.04
Cement	-	-	9	0.00	-	-
Chemical and pharmaceuticals	2,535,435	11.73	844,887	3.27	330,232	11.78
Construction	47,752	0.22	182,867	0.71	1,255,400	44.78
Electronics and electrical appliances	607,178	2.81	41,799	0.16	8,354	0.30
Exports / Imports	151,808	0.70	49,961	0.19	9,097	0.32
Financial institutions (NBFI, DFI, Banks)	218,424	1.01	1,706,674	6.61	-	-
Fuel, oil and gas exploration	242,120	1.12	841,583	3.26	11,349	0.40
Insurance	-	-	994,647	3.85	-	-
Non-Government Organizations (NGOs)	-	-	1,385,553	5.37	-	-
Plastic products	131,221	0.61	6,856	0.03	603	0.02
Production and transmission of energy	226,581	1.05	14,692	0.06	1,450	0.05
Services	1,525,783	7.06	170,868	0.66	54,933	1.96
Shoe & leather garments	3,291	0.02	2,933	0.01	-	-
Sugar	2,056,150	9.52	37,329	0.14	-	-
Textile	2,986,128	13.82	1,312,889	5.09	97,383	3.47
Wholesale and retail trade	-	-	97,788	0.38	-	-
Individuals	7,423,185	34.35	15,416,310	59.73	700	0.02
Others	1,942,314	8.99	2,546,222	9.87	1,032,651	36.84
	21,608,703	100.00	25,808,867	100.00	2,803,259	100.00

	2013					
	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)	5,158,565	16.92	467,304	1.09	-	-
Automobile and transportation equipment	264,003	0.87	7,186	0.02	-	-
Cement	56,250	0.18	65	-	-	-
Chemical and pharmaceuticals	3,416,803	11.21	2,317,012	5.43	525,549	20.10
Construction	67,436	0.22	175,635	0.41	1,584,175	60.58
Electronics and electrical appliances	914,213	3.00	11,351	0.03	106,799	4.08
Exports / Imports	215,703	0.71	76,124	0.18	16,389	0.63
Financial institutions (NBFI, DFI, Banks)	6,215	0.02	5,239,685	12.27	-	-
Fuel, oil and gas exploration	103,195	0.34	1,225,068	2.87	33,723	1.29
Insurance	-	-	1,042,183	2.44	10,107	0.39
Non-Government Organizations (NGOs)	-	-	4,098,742	9.60	-	-
Plastic products	81,368	0.27	3,042	0.01	603	0.02
Production and transmission of energy	2,600,718	8.53	42,383	0.10	7,650	0.29
Services	2,394,412	7.86	101,764	0.24	90,772	3.47
Shoe & leather garments	5,916	0.02	3,169	0.01	-	-
Sugar	2,515,134	8.25	154,608	0.36	-	-
Textile	2,632,915	8.64	1,726,671	4.04	24,842	0.95
Wholesale and retail trade	8,533	0.03	78,223	0.18	34,252	1.31
Individuals	5,357,966	17.58	18,618,269	43.60	-	-
Others	4,681,736	15.35	7,309,191	17.12	180,110	6.89
	30,481,081	100.00	42,697,675	100.00	2,614,971	100.00

38.1.1.2 Segment by sector

	2014					
	Islamic financing and related assets (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	84,743	0.39	270,349	1.05	1,373,754	49.01
Private	21,523,960	99.61	25,538,518	98.95	1,429,505	50.99
	21,608,703	100.00	25,808,867	100.00	2,803,259	100.00

	2013					
	Islamic financing and related assets (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	7,512,182	24.65	1,239,416	2.90	1,786,605	68.32
Private	22,968,899	75.35	41,458,259	97.10	828,366	31.68
	30,481,081	100.00	42,697,675	100.00	2,614,971	100.00

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

	2014		2013	
	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)	319,943	224,532	195,000	195,000
Automobile and transportation equipment	263,730	263,257	264,003	239,235
Chemical and pharmaceuticals	12,794	3,198	-	-
Fuel, oil and gas exploration	92,410	92,410	103,195	101,695
Textile	669,532	649,925	726,810	643,691
Financial (Banks, NBFI, DFI)	105,239	82,325	105,239	76,916
Individuals	138,177	92,493	119,837	64,811
Construction	21,078	-	-	-
Services	1,570	-	-	-
Shoe & leather garments	2,670	82	-	-
Others *	185,951	199,767	244,139	154,460
	1,813,094	1,607,989	1,758,223	1,475,808

* The balances under 'classified Islamic financing and related assets' are adjusted for IFAS related adjustments, whereas 'specific provision held' is calculated against actual outstanding balance as required under Prudential Regulations.

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

	2014		2013	
	Classified Islamic financing and related assets	Specific provision held	Classified Islamic financing and related assets	Specific provision held
	---------- Rupees in '000 ----------			
Public / Government	-	-	-	-
Private	1,813,094	1,607,989	1,758,223	1,475,808
	1,813,094	1,607,989	1,758,223	1,475,808

38.1.1.5 Geographical segment analysis

	2014			
	Loss before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	---------- Rupees in '000 ----------			
Pakistan	(614,799)	34,090,526	4,803,719	2,803,259

	2013			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	---------- Rupees in '000 ----------			
Pakistan	(1,738,774)	53,389,063	5,361,208	2,614,971

38.1.2 Credit risk - General disclosures

The Bank has adopted Standardised Approach for calculation of capital charge against credit risk. However, 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.

38.1.2.1 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 and Moodys.

Types of exposures and ECAI's used:

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

38.1.2.2 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	2014 Amount outstanding	2014 Deduction credit risk mitigation	2014 Net amount	2013 Amount outstanding	2013 Deduction credit risk mitigation	2013 Net amount
		Rupees in '000					
Corporate	1	521,708	-	521,708	2,074,460	-	2,074,460
	2	2,545,819	-	2,545,819	4,379,596	-	4,379,596
	3,4	270,039	-	270,039	66,862	-	66,862
	Unrated *	11,305,150	1,011,972	10,293,178	11,266,858	1,202,127	10,064,731
Banks	1	60,703	-	60,703	8,719,488	-	8,719,488
	2	42,348	-	42,348	91,047	-	91,047
	Unrated	34,030	-	34,030	59,306	-	59,306
Public Sector Entities	1	152,493	-	152,493	625,000	-	625,000
	2	-	-	-	506,228	-	506,228
	Unrated	456,976	179,552	277,424	7,298,207	7,298,207	-

* Includes Unrated Corporates and Large Unrated Corporates in line with the SBP provided parameters as per break-up given below:

- Unrated Corporate	Unrated-1	7,011,545	985,412	6,026,133
- Large Unrated Corporate	Unrated-2	4,293,605	26,560	4,267,045

38.1.2.3 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.

38.1.3 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.

38.2 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. 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 indulge 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.

Trading book

This includes held for trading and available for sale securities. They are marked to market periodically. Valuation differences are debited / credited 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.

38.2.1 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 Foreign Exchange Exposure Limit 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:

	2014			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000			
Pakistan Rupee	33,592,433	28,335,050	(452,103)	4,805,280
United States Dollar	264,085	745,575	478,845	(2,645)
Great Britain Pound	191,093	151,706	(43,838)	(4,451)
Euro	33,180	54,451	17,096	(4,175)
Japanese Yen	353	-	-	353
U.A.E Dirham	560	-	-	560
Saudi Riyal	3,536	-	-	3,536
Swiss Franc	486	-	-	486
Canadian Dollar	3,775	-	-	3,775
Australian Dollar	43	-	-	43
Singapore Dollar	954	23	-	931
Malaysian Ringgit	2	2	-	-
Swedish Korona	26	-	-	26
Total foreign currency exposure	498,093	951,757	452,103	(1,561)
Total currency exposure	34,090,526	29,286,807	-	4,803,719

	2013			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000			
Pakistan Rupee	52,478,840	46,385,540	(696,965)	5,396,335
United States Dollar	725,216	1,397,131	601,187	(70,728)
Great Britain Pound	128,039	177,072	69,666	20,633
Euro	45,636	62,487	26,112	9,261
Japanese Yen	-	5,597	-	(5,597)
U.A.E Dirham	1,266	-	-	1,266
Saudi Riyal	3,825	-	-	3,825
Swiss Franc	538	-	-	538
Canadian Dollar	1,048	-	-	1,048
Australian Dollar	4,382	-	-	4,382
Singapore Dollar	237	25	-	212
Malaysian Ringgit	3	3	-	-
Swedish Krona	33	-	-	33
Total foreign currency exposure	910,223	1,642,315	696,965	(35,127)
Total currency exposure	53,389,063	48,027,855	-	5,361,208

38.2.2 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.

38.2.2.1 Mismatch of profit rate sensitive assets and liabilities

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

	2014											
			Exposed to yield / profit risk									
	Effective yield / profit rate	Total	Upton 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	-	2,411,487	-	-	-	-	-	-	-	-	-	2,411,487
Balances with other banks	2.05	81,779	579	-	-	-	-	-	-	-	-	81,200
Investments - net	8.00	8,164,801	185,925	2,037,931	4,705,666	-	-	-	-	-	-	1,235,279
Islamic financing and related assets - net	10.68	19,960,447	4,855,040	6,408,377	3,852,722	3,759,932	147,756	-	-	-	997	935,623
Other assets	-	861,965	-	-	-	-	-	-	-	-	-	861,965
		31,480,479	5,041,544	8,446,308	8,558,388	3,759,932	147,756	-	-	-	997	5,525,554
Financial liabilities												
Bills payable	-	318,887	-	-	-	-	-	-	-	-	-	318,887
Due to financial institutions	8.38	1,795,000	250,000	875,000	670,000	-	-	-	-	-	-	-
Deposits and other accounts	7.27	25,808,867	22,050,323	-	-	-	-	-	-	-	-	3,758,544
Other liabilities	-	1,110,724	-	-	-	-	-	-	-	-	-	1,110,724
		29,033,478	22,300,323	875,000	670,000	-	-	-	-	-	-	5,188,155
On-balance sheet gap		2,447,001	(17,258,779)	7,571,308	7,888,388	3,759,932	147,756	-	-	-	997	337,399
Off-balance sheet financial instruments												
Forward exchange contracts - purchase		513,257	513,257	-	-	-	-	-	-	-	-	-
Forward exchange contracts - sale		61,009	61,009	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		452,248	452,248	-	-	-	-	-	-	-	-	-
Total yield / profit risk sensitivity gap			(16,806,531)	7,571,308	7,888,388	3,759,932	147,756	-	-	-	997	337,399
Cumulative yield / profit risk sensitivity gap			(16,806,531)	(9,235,223)	(1,346,835)	2,413,097	2,560,853	2,560,853	2,560,853	2,560,853	2,561,850	2,899,249

	2013											
			Exposed to yield / profit risk									
	Effective yield / profit rate	Total	Upton 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	-	2,751,089	-	-	-	-	-	-	-	-	-	2,751,089
Balances with other banks	6.92	1,056,489	901,081	-	-	-	-	-	-	-	-	155,408
Due from financial institutions	8.99	7,689,704	7,689,704	-	-	-	-	-	-	-	-	-
Investments - net	8.39	9,226,189	66,707	2,468,750	5,678,410	-	-	-	-	-	-	1,012,322
Islamic financing and related assets - net	9.60	28,955,126	17,948,953	2,883,012	2,933,584	2,860,384	983	5,564	21,217	15,780	265,021	2,020,628
Other assets	-	1,180,251	-	-	-	-	-	-	-	-	-	1,180,251
		50,858,848	26,606,445	5,351,762	8,611,994	2,860,384	983	5,564	21,217	15,780	265,021	7,119,698
Financial liabilities												
Bills payable	-	507,471	-	-	-	-	-	-	-	-	-	507,471
Due to financial institutions	8.63	3,052,474	1,598,935	1,087,142	360,800	-	-	-	-	-	-	5,597
Deposits and other accounts	7.27	42,697,675	39,608,204	-	-	-	-	-	-	-	-	3,089,471
Other liabilities	-	1,337,572	-	-	-	-	-	-	-	-	-	1,337,572
		47,595,192	41,207,139	1,087,142	360,800	-	-	-	-	-	-	4,940,111
On-balance sheet gap		3,263,656	(14,600,694)	4,264,620	8,251,194	2,860,384	983	5,564	21,217	15,780	265,021	2,179,587
Off-balance sheet financial instruments												
Forward exchange contracts - purchase		1,046,135	676,446	369,689	-	-	-	-	-	-	-	-
Forward exchange contracts - sale		349,170	138,520	-	210,650	-	-	-	-	-	-	-
Off-balance sheet gap		696,965	537,926	369,689	(210,650)	-	-	-	-	-	-	-
Total yield / profit risk sensitivity gap			(14,062,768)	4,634,309	8,040,544	2,860,384	983	5,564	21,217	15,780	265,021	2,179,587
Cumulative yield / profit risk sensitivity gap			(14,062,768)	(9,428,459)	(1,387,915)	1,472,469	1,473,452	1,479,016	1,500,233	1,516,013	1,781,034	3,960,621

		Note	2014	2013
38.2.2.2	**Reconciliation of assets and liabilities exposed to yield / profit rate risk with total assets and liabilities**		**----------- Rupees in '000 -----------**	
	Total financial assets as per note 38.2.2.1		31,480,479	50,858,848
	Add: Non financial assets			
	Operating fixed assets	11	854,673	1,057,349
	Deferred tax asset	12	1,404,859	1,177,423
	Other assets		350,515	295,443
	Total assets as per Statement of Financial Position		34,090,526	53,389,063
	Total financial liabilities as per note 38.2.2.1		29,033,478	47,595,192
	Add: Non financial other liabilities		253,329	432,663
	Total liabilities as per Statement of Financial Position		29,286,807	48,027,855

38.2.3 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 behaviour 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 Shari'ah compliant.

38.3 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.

38.3.1 Maturities of assets and liabilities

38.3.1.1 Maturities of assets and liabilities based on expected maturities

	2014									
	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	2,411,487	2,411,487	-	-	-	-	-	-	-	-
Balances with other banks	81,779	81,779	-	-	-	-	-	-	-	-
Investments - net	8,164,801	1,235,278	-	-	3,444,816	-	3,380,616	21,332	82,759	-
Islamic financing and related assets - net	19,960,447	1,824,997	3,689,260	1,450,179	1,613,286	3,177,923	2,543,356	3,406,679	1,235,603	1,019,164
Operating fixed assets	854,673	18,905	36,050	55,164	100,063	148,664	118,399	177,225	181,210	18,993
Deferred tax assets	1,404,859	-	-	-	100,509	196,655	322,272	785,423	-	-
Other assets	1,212,480	194,268	260,992	379,800	306,470	43,124	13,752	5,509	4,717	3,848
	34,090,526	5,766,714	3,986,302	1,885,143	5,565,144	3,566,366	6,378,395	4,396,168	1,504,289	1,042,005
Liabilities										
Bills payable	318,887	318,887	-	-	-	-	-	-	-	-
Due to financial institutions	1,795,000	250,000	875,000	670,000	-	-	-	-	-	-
Deposits and other accounts	25,808,867	12,097,048	2,033,291	1,473,370	1,929,140	104,201	143,027	92,330	-	7,936,460
Other liabilities	1,364,053	554,747	121,560	180,816	228,606	93,216	164,943	20,165	-	-
	29,286,807	13,220,682	3,029,851	2,324,186	2,157,746	197,417	307,970	112,495	-	7,936,460
Net assets	4,803,719	(7,453,968)	956,451	(439,043)	3,407,398	3,368,949	6,070,425	4,283,673	1,504,289	(6,894,455)
Share capital	8,167,527									
Reserves	2,030									
Accumulated losses	(3,342,303)									
Deficit on revaluation of assets - net of tax	(23,535)									
	4,803,719									

	2013									
	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	2,751,089	2,751,089	-	-	-	-	-	-	-	-
Balances with other banks	1,056,489	1,056,489	-	-	-	-	-	-	-	-
Due from financial institutions	7,689,704	7,689,704	-	-	-	-	-	-	-	-
Investments - net	9,226,189	83,137	3,703	2,136,420	2,639,842	4,156,061	-	99,440	107,586	
Islamic financing and related assets - net	28,955,126	3,715,311	7,601,726	4,498,844	1,265,224	1,085,060	2,918,130	5,404,440	1,192,080	1,274,311
Operating fixed assets	1,057,349	20,269	39,411	58,921	115,743	213,490	141,953	186,038	259,407	22,117
Deferred tax assets	1,177,423	-	-	-	298,461	878,962	-	-	-	-
Other assets	1,475,694	223,499	364,490	533,249	313,203	27,813	6,565	4,064	1,358	1,453
	53,389,063	15,539,498	8,009,330	7,227,434	4,632,473	6,361,386	3,066,648	5,693,982	1,560,431	1,297,881
Liabilities										
Bills payable	507,471	507,471	-	-	-	-	-	-	-	-
Due to financial institutions	3,052,474	1,604,532	1,087,142	360,800	-	-	-	-	-	-
Deposits and other accounts	42,697,675	21,358,970	7,552,746	3,883,406	3,364,326	124,070	217,889	195,870	5,889,350	111,048
Other liabilities	1,770,235	669,047	203,756	233,855	212,766	157,701	98,952	192,409	1,749	-
	48,027,855	24,140,020	8,843,644	4,478,061	3,577,092	281,771	316,841	388,279	5,891,099	111,048
Net assets	5,361,208	(8,600,522)	(834,314)	2,749,373	1,055,381	6,079,615	2,749,807	5,305,703	(4,330,668)	1,186,833
Share capital	8,167,527									
Reserves	2,030									
Accumulated losses	(2,870,526)									
Surplus on revaluation of assets - net of tax	62,177									
	5,361,208									

The Bank has conducted a behavioural study based on volatility method to arrive at the historical behaviour of non-maturity deposits (non-contractual deposits). The maturities so calculated through volatility method has depicted that around 68% of deposit of the bank fall within one year, while the rest are beyond one year maturity.

38.3.1.2 Maturities of assets and liabilities based on contractual maturities

	2014									
	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	2,411,487	2,411,487	-	-	-	-	-	-	-	-
Balances with other banks	81,779	81,779	-	-	-	-	-	-	-	-
Investments - net	8,164,801	1,235,278	-	-	3,444,816	-	3,380,616	21,332	82,759	-
Islamic financing and related assets - net	19,960,447	1,946,799	3,693,800	1,434,242	1,521,755	3,071,534	2,562,501	3,380,387	1,239,997	1,109,432
Operating fixed assets	854,673	18,905	36,050	55,164	100,063	148,664	118,399	177,225	181,210	18,993
Deferred tax assets	1,404,859	-	-	-	100,509	196,655	322,272	785,423	-	-
Other assets	1,212,480	194,268	260,992	379,800	306,470	43,124	13,752	5,509	4,717	3,848
	34,090,526	5,888,516	3,990,842	1,869,206	5,473,613	3,459,977	6,397,540	4,369,876	1,508,683	1,132,273
Liabilities										
Bills payable	318,887	318,887	-	-	-	-	-	-	-	-
Due to financial institutions	1,795,000	250,000	875,000	670,000	-	-	-	-	-	-
Deposits and other accounts	25,808,867	20,494,013	1,750,406	1,369,514	1,856,192	103,385	143,027	92,330	-	
Other liabilities	1,364,053	554,747	121,560	180,816	228,606	93,216	164,943	20,165	-	-
	29,286,807	21,617,647	2,746,966	2,220,330	2,084,798	196,601	307,970	112,495	-	-
Net assets	4,803,719	(15,729,131)	1,243,876	(351,124)	3,388,815	3,263,376	6,089,570	4,257,381	1,508,683	1,132,273
Share capital	8,167,527									
Reserves	2,030									
Accumulated losses	(3,342,303)									
Deficit on revaluation of assets - net of tax	(23,535)									
	4,803,719									

	2013									
	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	2,751,089	2,751,089	-	-	-	-	-	-	-	-
Balances with other banks	1,056,489	1,056,489	-	-	-	-	-	-	-	-
Due from financial institutions	7,689,704	7,689,704	-	-	-	-	-	-	-	-
Investments - net	9,226,189	83,137	3,703	2,136,420	2,639,842	4,156,061	-	99,440	107,586	-
Islamic financing and related assets - net	28,955,126	3,715,311	7,601,726	4,498,844	1,265,224	1,085,060	2,918,130	5,404,440	1,192,080	1,274,311
Operating fixed assets	1,057,349	20,269	39,411	58,921	115,743	213,490	141,953	186,038	259,407	22,117
Deferred tax assets	1,177,423	-	-	-	298,461	878,962	-	-	-	-
Other assets	1,475,694	223,499	364,490	533,249	313,203	27,813	6,565	4,064	1,358	1,453
	53,389,063	15,539,498	8,009,330	7,227,434	4,632,473	6,361,386	3,066,648	5,693,982	1,560,431	1,297,881
Liabilities										
Bills payable	507,471	507,471	-	-	-	-	-	-	-	-
Due to financial institutions	3,052,474	1,604,532	1,087,142	360,800	-	-	-	-	-	-
Deposits and other accounts	42,697,675	28,721,788	6,419,528	3,879,014	3,258,622	124,064	98,789	195,870		
Other liabilities	1,770,235	669,047	203,756	233,855	212,766	157,701	98,952	192,409	1,749	-
	48,027,855	31,502,838	7,710,426	4,473,669	3,471,388	281,765	197,741	388,279	1,749	-
Net assets	5,361,208	(15,963,340)	298,904	2,753,765	1,161,085	6,079,621	2,868,907	5,305,703	1,558,682	1,297,881
Share capital	8,167,527									
Reserves	2,030									
Accumulated losses	(2,870,526)									
Surplus on revaluation of assets - net of tax	62,177									
	5,361,208									

Current and savings deposits have been classified under maturity upto one month as these do not have any contractual maturity.

38.4 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 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.

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

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

39 TRUST ACTIVITIES

The Bank commonly act as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions including on behalf of certain related parties. These are not assets of the Bank and, therefore, are not included in the Statement of Financial Position. The following is the list of assets held under trust:

Category	Type	No. of IPS account		--------Rupees in '000------- Face Value	
		2014	2013	2014	2013
Insurance Companies	Government Ijarah Sukuks	1	1	165,000	165,000
Asset Management Companies	Government Ijarah Sukuks	1	3	137,000	508,750
Employee Funds / NGO's	Government Ijarah Sukuks	1	1	10,000	10,000
Individuals	Government Ijarah Sukuks	-	1	-	11,000
Related parties	Government Ijarah Sukuks	1	1	18,500	73,600
		4	7	330,500	768,350

40 PROFIT / (LOSS) DISTRIBUTION TO DEPOSITOR'S POOL

40.1 The Bank is maintaining the following three types of pools for profit declaration and distribution:

1) General Pool
2) IERS Musharakah Pool
3) Treasury Musharakah / Modaraba / Wakala Pools

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

1) General Pool

The Bank manages one general pool for its depositors' (Rabbul Mal) maintaining deposits in both local and foreign currencies and also comingled its equity in this pool. The income (gross income less direct expenses) generated from the pool is distributed between Bank's equity and depositors' fund in proportion to their respective share in the pool. Under the Modaraba mechanism, the income so distributed to depositors' fund is shared between the Bank (Mudarib) and depositors' (Rabbul Mal) according to the pre-agreed profit sharing ratios and assigned weightages.

The deposits and funds accepted under the General Pool are deployed to diversified sectors and avenues of the economy / business mainly to 'Consumer Financings', 'Textile & Allied', 'Food & Allied', 'Distribution & Trade', 'Investment in Government of Pakistan Ijarah Sukuk', etc.

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 is 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 3 days 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 and rewards

Following are the consideration attached with risk and 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 Shari'ah compliant organisations as regulated in Pakistan

- Element of risk attached to various types of investments

- SBP rules and Shari'ah clearance

2) IERS Musharakah Pool

The Bank manages IERS Musharakah Pool for funds accepted 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.

Musharakah investments from the SBP under Islamic Export Refinance Scheme (IERS) are channelled towards the export sector of the economy and other financings as per SBP guidelines.

3) Treasury Musharakah / Modaraba / Wakala Pools

The Bank accepts funds from other banks to manage its liquidity under Musharakah / Modaraba / Wakala mode. The funds accepted are tagged to remunerative assets having maturity on or after the the period for which funds are accepted. The revenue generated from the pool asset is shared between the bank and other member of the pool according to pre-agreed profit sharing ratios or assigned weightages or fee accordingly.

40.2 Basis of profit allocation

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

Profit sharing ratio between depositors' (Rabbul Mal) and Bank (Mudarib)

	Depositor (Rabbul Mal)		Bank (Mudarib)	
	2014	**2013**	**2014**	**2013**
January	65%	55%	35%	45%
February	60%	63%	40%	37%
March	60%	70%	40%	30%
April	65%	70%	35%	30%
May	65%	75%	35%	25%
June	65%	70%	35%	30%
July	65%	65%	35%	35%
August	65%	65%	35%	35%
September	65%	60%	35%	40%
October	65%	75%	35%	25%
November	65%	75%	35%	25%
December	65%	70%	35%	30%

Charging of expenses

Direct expenses are being charged to respective pool, while indirect expenses such as general and administrative expenses are being borne by the Bank as Mudarib. No provision expense is charged to the pool unless it is written off. The direct expenses charged to the pool may include depreciation of ijarah assets, premium amortization on Sukuks, 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.

Sharing of other income

The other income generated from banking operations, as disclosed in profit and loss account, is shared in general pool.

2014								
General remunerative depositor's pools	Profit sharing ratio as at December 31, 2014	Mudarib Fee	Mudarib Fee - Percentage of distributable income	Amount of Mudarib fee transferred to the depositors through Hiba	Percentage of Mudarib fee transferred to the depositors through Hiba	Profit rate and weightage announcement period	Profit rate return earned	Profit rate return distributed
		(Rupees in '000)		(Rupees in '000)				
General Modaraba Pool	65 : 35	1,225,758	28.95%	298,896	24.38%	Monthly	9.57%	7.27%

2013								
General remunerative depositor's pools	Profit sharing ratio as at December 31, 2013	Mudarib Fee	Mudarib Fee - Percentage of distributable income	Amount of Mudarib fee transferred to the depositors through Hiba	Percentage of Mudarib fee transferred to the depositors through Hiba	Profit rate and weightage announcement period	Profit rate return earned	Profit rate return distributed
		(Rupees in '000)		(Rupees in '000)				
General Modaraba Pool	70 : 30	973,824	25.16%	434,475	44.62%	Monthly	8.81%	7.27%

2014					
IERS Musharakah Pool	Profit sharing ratio as at December 31, 2014	Share of profit to SBP	Hiba	Profit rate and weightage announcement period	Profit rate return distributed to SBP
		(Rupees in '000)			
Musharakah Pool under SBP's Islamic Export Refinance Scheme	68.04 : 31.96	107,486	-	Monthly	6.50%

2013					
IERS Musharakah Pool	Profit sharing ratio as at December 31, 2013	Share of profit to SBP	Hiba	Profit rate and weightage announcement period	Profit rate return distributed to SBP
		(Rupees in '000)			
Musharakah Pool under SBP's Islamic Export Refinance Scheme	65.90 : 34.10	106,953	1,079	Monthly	8.40%

41 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on May 08, 2015 by the Board of Directors of the Bank.

42 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 to these financial statements during the year.

43 GENERAL

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

CHAIRMAN **DIRECTOR** **DIRECTOR** **PRESIDENT / CEO**