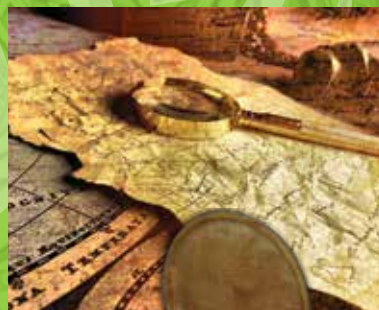




Burj Bank
Shariat Mein Barkat

INSPIRED BY INNOVATION

Annual Report 2015





INSPIRED BY INNOVATION

The “GOLDEN AGE OF ISLAM” is embellished with unrivalled intellectual feats. The era symbolizes the pinnacle of innovation, knowledge, discovery, scholarly work & scientific breakthroughs. We are proud heirs to a legacy that laid the foundation for the modern world as we know it. As an institution we have always strived to honor our roots by developing state of the art, Innovative technology platforms to ensure excellence in customer service delivery, the Shariah compliant way – for Shariah is the path to true prosperity.



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VISION

To be the Islamic Bank of Choice.

MISSION

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



VALUES

Defining Values

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

Purity

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

Integrity

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

Progressive Values

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

Passion

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

Devotion

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





Fountain Pen

The fountain pen was invented for the Sultan of Egypt in 953 after he demanded a pen which would not stain his hands or clothes. It held ink in a reservoir and as with modern pens, fed ink to the nib by a combination of gravity and capillary action.







CORPORATE INFORMATION

Board of Directors	Mr. Khaled Mohammed Al Aboodi Mr. Shehab M. Gargash Mr. Ahmed Khizer Khan Mr. Azam Essof Kolia Mr. Harold E. Hutchins Mr. Najmul Hassan Mr. Shafqat Ali Memon Mr. Muhammad Kamran Shehzad Mr. Meshari Abdullah Abdulraheem Al Mulla	Chairman Vice Chairman President / CEO Director Director Director Director Independent Director Director
Audit Committee	Mr. Muhammad Kamran Shehzad Mr. Azam Essof Kolia Mr. Harold E. Hutchins	Chairman Member Member
Human Resource and Remuneration Committee	Mr. Muhammad Kamran Shehzad Mr. Ahmed Khizer Khan Mr. Shafqat Ali Memon	Chairman Member Member
Risk Management Committee	Mr. Shehab M. Gargash Mr. Ahmed Khizer Khan Mr. Najmul Hassan	Chairman Member Member
Executive Committee	Mr. Najmul Hassan Mr. Ahmed Khizer Khan Mr. Shafqat Ali Memon	Chairman Member Member
Merger and Acquisition Committee	Mr. Najmul Hassan Mr. Shehab M. Gargash Mr. Ahmed Khizer Khan Mr. Harold E. Hutchins	Chairman Member Member Member
Shari'ah Board	Prof. Mufti Munib-ur-Rehman Hafiz Muhammad Shams Ul Zaman Mufti Abdul Zahid Farooqi	Chairman Resident Shari'ah Board Member Shari'ah Board Member
Company Secretary	Mr. Muhammad Amin Hussain	
Head of Internal Audit	Mr. Naushad Kamil	
Head Shari'ah Audit	Mufti Syed Zahid Siraj	
Legal Advisor	M/s. Mohsin Tayebaly & Co Advocates & Corporate Legal Consultants	
Auditors	M/s. Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants	
Share Registrar	F.D Registrar Services (SMC-Pvt) Ltd. 17th Floor, Saima Trade Centre, I.I Chundrigar Road, Karachi.	
Registered Office/ Head Office	Trade Centre I.I Chundrigar Road, Karachi.	
Website	www.burjbankltd.com	





Astrolabe

The first person credited with building the astrolabe in the Islamic world is reportedly the 8th century mathematician Muhammad al-Fazari. The Greeks developed primitive astrolabes, but the refinements made by Muslim Mathematicians and craftsmen made them more accurate and versatile.



BOARD OF DIRECTORS

Mr. Khaled Muhammad Al Aboodi - Chairman

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

Mr. Shehab Mohamed Gargash - Vice Chairman

Shehab Gargash is the founder and Managing Director of Daman, a non-bank financial services company based in his home town of Dubai in the United Arab Emirates. Established in 1998, Daman Securities began as a small brokerage company with a conviction that the financial services industry in the UAE will inevitably evolve and prosper in the Emirates, one of the Middle East's most dynamic economies. The Company expanded and reorganized in 2006 as Daman Investments, a private joint stock company, offering brokerage, asset management, venture capital and advisory services throughout the GCC and the broader region. Today, Daman is considered one of the most respected private sector companies in its field and has returned an impressive 35% annualized IRR to its original group of investors in its first 15 years.

Prior to establishing Daman, Mr. Gargash enjoyed a successful 12-year banking career in the UAE, initially with Citibank and later on with Emirates Bank International (now Emirates NBD). Mr. Gargash serves as a Director on several regional boards. Mr. Gargash is Vice-Chairman of

Burj Bank in Pakistan. He also serves as a Board Member of the Commercial Bank of Dubai in the UAE. Mr. Gargash is a member at the Coutts & Co. Middle East Advisory Board and is a Board Member of the Dubai Chamber of Commerce and Industry and the Awqaf & Minors Affairs Foundation as well as the cancer committee. Mr. Gargash is a member of Dubai's Gargash family, one of the leading business families in the UAE actively in business since 1918 with multiple interests including real estate, investments and automobiles. In this capacity, Mr. Gargash enjoys executive as well as supervisory roles at Gargash Enterprises. As the General Distributor for Mercedes Benz in Dubai and the Northern Emirates since 1957, the Gargash name has inevitably become synonymous with the Mercedes-Benz brand in Dubai.

Mr. Gargash is a frequent public speaker and a commentator on regional socio-economic issues and trends. He wrote a popular daily column in the UAE's Al Ittihad and Al Bayan newspapers from 1997 to 2008. Mr. Gargash is also an enthusiastic art collector and has established the Daman Middle East Art Fund which invests in Middle Eastern contemporary art and supports regional artists. Born in 1966, Mr. Gargash is married with four children. He holds an MBA and a BBA, both from the George Washington University in Washington, DC, USA.

Mr. Ahmed Khizer Khan - President & CEO

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



Mr. Azam Essof Kolia

Mr. Kolia is a well reputed business executive and has an influential presence in the Asia Pacific market, especially in the import and export trade of commodity products, like edible oil, sugar, spices and metals, especially since he has been engaged in this trade for the last 40 years. Taking on influential positions in so many companies, both locally and internationally, Mr. Kolia is indeed a prominent and highly respective figure

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

Mr. Harold E. Hutchins

Harold Hutchins currently serves as Senior Director of Bank Alkhair as well as on numerous Boards including Bahrain Financing Company (BFC Group and UK, Malaysia, and India subsidiaries), Tazur, and Open-Silicon, Inc. (USA). Mr. Hutchins has over 36 years of experience in the financial industry including Managing Director of M&A in New York for Chadbourne Securities and Cententia Group, and in Abu Dhabi and Dubai for Jasper Capital. He was also a Board Member and CEO of Snake Eyes Golf Clubs, a NASDAQ traded company. Additionally, Mr. Hutchins served as CFO in the building materials industry and as an Audit and Tax Partner in a regional CPA firm. Mr. Hutchins holds a BSBA degree in accounting from the University of Florida and is a former member of the American and Florida Institutes of Certified Public Accountants. In addition to CPA, Mr. Hutchins has held Series 7 and Series 63 securities licenses. He has also served on numerous Boards of charitable and civic organizations.

Mr. Najmul Hassan

Najmul Hassan is the Director, Financial Institution Development Department at the Islamic Corporation for the Development of the Private Sector (ICD), which are parts of Islamic Development Bank (IDB), Jeddah. In addition, he is the Chairman of Board in Maldives Islamic bank, and representing ICD on the Boards of Tamweel Africa, Zaman bank Kazakhstan and Burj bank Pakistan. Prior to joining ICD he was Chief Executive Officer of Gulf African Bank. Gulf African bank set up in early 2008, is the first Islamic bank in Kenya.

Before joining Gulf African Bank, Mr. Hassan worked as General Manager Corporate and Business Development in Meezan Bank Limited (MBL), the first and largest Islamic commercial bank in Pakistan. He was one of the founder members of the bank and played an instrumental role in leading the successful conversion of the operations of the Bank into full-fledged Islamic commercial bank, upon the acquisition of Society General in 2002. He has participated as a speaker in numerous workshops and seminars on topics related to Islamic Finance, in addition to conducting training program with Dun & Bradstreet in Dubai, Bangladesh and training of Shariah scholars on AAOIFI standards, in UK with First Ethical. Before joining MBL, he worked as a Managing Director, Delphi Diesel systems (Pakistan), prior to that as Managing Director in Agro Auto Industries, which is one of the largest automotive parts manufacturing company in Pakistan. Mr. Hassan started his career with Pakistan Air Force in Maintenance and Technical branch. He holds Master of Business Administration and Bachelor Degree in Aeronautical Engineering.

Mr. Shafqat Ali Memon

Shafqat Ali Memon is senior Banker who has worked with various international and regional financial institutions in various parts of the world. He represents Bank Alkhair B.S.C., a leading Islamic investment bank headquartered in the Kingdom of Bahrain with subsidiaries in Saudi Arabia, Turkey and Malaysia. He has previously held senior positions at Bank Alkhair, Bahrain; Ahli United bank, Bahrain and Citibank N.A.

Mr. Muhammad Kamran Shehzad

Muhammad Kamran Shehzad is an Ex-Deputy Governor, State Bank of Pakistan (SBP). His distinguished professional & central/commercial banking career spreads over a period of more than 38 years. During his tenure in SBP he served at different senior positions of Director, Executive Director and Managing Director, SBP- Banking Services Corporation, a wholly owned subsidiary of SBP, before he was appointed by the Prime Minister as Deputy Governor, SBP. He has played a vital/lead role in implementation of Financial Sector Reforms and transformation of banking system to an existing strong dynamic and vibrant banking sector. Mr. Kamran is also the pioneer of establishment of Shari'ah compliant

Islamic Banks and stand-alone branches in the country. He was also on the boards of Pakistan Security Printing Corporation and National Institute of Banking & Finance. Presently, he is also on Boards of different public limited companies. He has represented SBP & GoP in various national and international conferences, meetings, seminars, workshops etc.

Mr. Kamran's professional experience prior to joining SBP covers a period of over 22 years. He earned a vast experience in banking, finance & Oil sector during his stay at Industrial Development Bank of Pakistan (IDBP), United Bank Limited (UBL) & Pakistan State Oil (PSO). Mr. Kamran holds degrees of Master of Business Administration (Specialization in Finance) and M.A. (Economics) from the Punjab University, Lahore besides holding Diploma in Banking (DAIBP) from Institute of Bankers in Pakistan (IBP).

Mr. Meshari Abdullah Abdulraheem Al Mulla

Mr. Meshari Abdullah Al Mulla is Chief Executive Officer at Asia holding Company since Feb. 2016. Asia holding company was established on strategy and ideology focusing on acquiring private equities in the companies of Asia

region, the company looking forward for better and wider investment in this region. Mr. Meshari Abdullah Al Mulla was Head of Finance Department at Al Safat Investment Company since 2014 to 2016. Al Safat Investment is leading Islamic Investment company in Kuwait, engaged in carrying out investment activities for its own account and for clients, investing in various sectors through interests in companies, portfolio and fund management activities, lending, brokerage and related activities. Prior to Joining Al Safat Investment Co, he held position of Finance and Administration Manager at Kuwait Pipe Industries and Oil Services in Kuwait between 2002 to 2013.

Mr. Meshari also serves as a Chairman & Board Member of Warba Investment Company, Vice Chairman and Board Member of Al Safat Holding Company, Vice Chairman and Board Member of Al Safat Consulting Company and Board of Director Al Safat Real Estate Company. Born in 1981, He holds an MBA (Master of Business Administration in Banking & Finance) from Bangor University -University of wales, United Kingdom. BA Degree in Accounting from Modern Academy Maadi Egypt.



MANAGEMENT COMMITTEE

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

We are proud to have them as our Management Team:

Ahmed Khizer Khan

President & CEO

Mushtaq Riaz Mirza

Group Head - Corporate Banking

Kanwar Shahzad

Head of Treasury

Ihsan Ullah Ihsan

Chief Risk Officer

Sohail Sikandar

Chief Financial Officer / Acting Head Human Resource

Saad Ullah Khan

Group Head - Operations & Administration

Altamash Javed Lone

Head of Compliance & Controls

Umer Fareed

Group Head - Marketing, Corporate Affairs & ADC

Akram Khan

Head of Information Technology

Syed Kazim Raza

Group Head - Retail Banking

Ibrar Gul Niazi

Head of Legal





Telescope

The 10th century Muslim mathematician astronomer and physicist Ibn-Haitham was the first to examine the celestial bodies through a tubular structure that he invented. This set the ground for the first ever telescope.



CHAIRMAN'S MESSAGE



Assalam-O-Alaykum

2015 was another very interesting year for the global economy; the year lacked the much awaited spark and growth remained tepid to a modest 2.4% compared to 2.6% in 2014. The ripples of this shortfall in the emerging markets were felt by the entire economic fabric of the world.

Oil continued to be the sore point for several leading economies as it continued its downward journey and went below the \$40 mark towards the close of 2015.

Prices have been driven lower by high stocks in OECD economies, ample global supplies, and expectations of slower global demand (particularly from large emerging markets). This was followed by a deceleration in global merchandise trade, driven by a decline in import demand from large emerging markets.

General government debt has increased in many developing countries. Fiscal deficits have deteriorated considerably more than expected in commodity exporters, while remaining broadly steady in other developing countries.



Like other developing economies Pakistan too did not feel the brunt of the global crisis however the Banking sector did experience some tremors due to the declining discount rates. Target Rate introduction and reduced width of Interest Rate Corridor has further squeezed the banking margins. Besides lowering of policy rate by SBP, the changing regulatory framework (introduction of TR and lower width of IRC) to encourage savings, adversely effected banking spreads. Although these steps are challenging, but coupled with strong policies and procedures, they will provide the financial sector the much needed stability for the future.

As the private sector investment arm of Islamic Development Bank, ICD has been investing in emerging markets for over a decade now, with a long term view towards economic growth and development. Our sincere efforts are aimed at catalysing growth of these economies, while growing the global prospects for Islamic Finance. Pakistan has been an area of major focus for ICD, and with the fresh air of security and stability in the country, the prospects for growth are brighter than ever. I on behalf of ICD would like to congratulate the current leadership for taking prudent steps to safeguard the national interest of Pakistan.

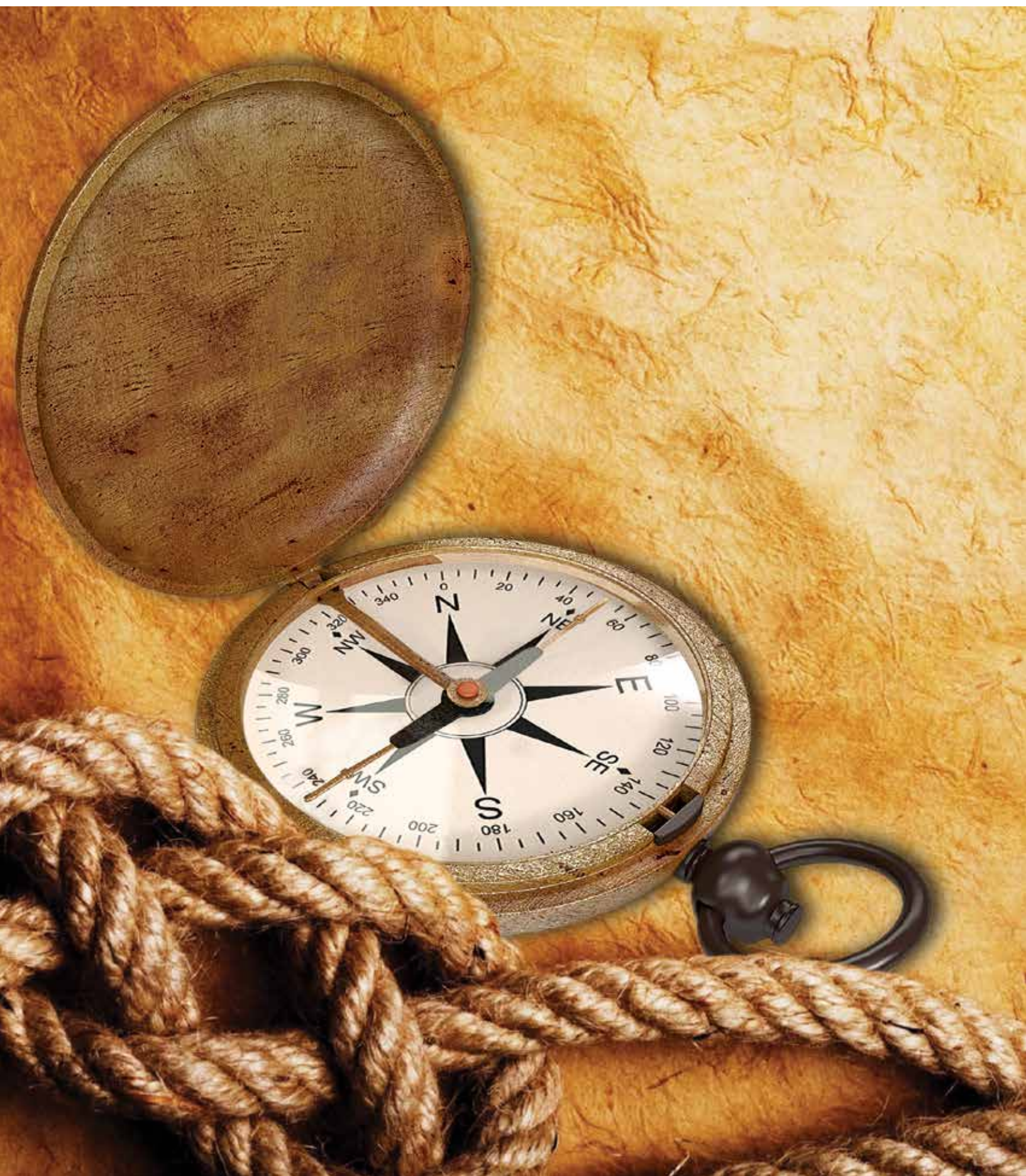
Year 2015 saw compounding of challenges brought forward from the year 2014. Post KASB event, market became much familiar with the regulatory stipulations about MCR and taking conservative view on financial institutions. Most customers perceived a MCR non-compliant bank as weak and showed reluctance to do business with such banks. Capital shortfall continued to hinder the Bank from performing to its full potential however the efforts & resilience of the leadership and the entire workforce of Burj Bank Limited in the face of these challenges is commendable. The bank closed loss before tax better than the year 2014 by 22%. Deposits remained flat while cost of fund has been dropped from 7.22% in 2014 to 5.06% in 2015 i.e.. reduction of 216bps. Financings and investments were closed at PKR 18.1bn and PKR 6.7bn i.e. lower by 9% and 19% respectively. It is mainly due to

adjustment of Financings resultant of the CAR restriction and maturity of GoP sukuk of PKR 2.7bn. Balance sheet spread has improved from 2.4% in 2014 to 3.2% in 2015 i.e. 80bps better than previous year despite significant reduction in discount rate by 350bps. These numbers are a reflection of the positive attitude and the dedication displayed by the team even under the rockiest of circumstances.

The Board understands that for the Bank to perform to its full potential and beyond, compliance with the Minimum Capital Requirement (MCR) is an absolute priority. We would like to re-iterate that we are fully committed to the growth and prosperity of the Bank and are working towards the resolution of the capital issue. In view of the same, we have shortlisted three (3) financial institutions and allowed them to conduct due diligence of the Bank on a non-exclusive basis subject to requisite regulatory approvals.

I would like to thank the Government of Pakistan, the Finance Ministry, State Bank of Pakistan and other regulatory bodies for their exceptional support towards the Islamic Banking Sector of Pakistan. As the Chairman of the Bank & on behalf of all the Board Directors; I thank the management team, employees, customers and all other stakeholders of Burj Bank for their efforts, trust and commitment.

Khaled Al Aboodi
Chairman





The Mariners Compass

Invention of the Mariners Compass revolutionized sea borne commerce and oceanic shipping. The earliest Arabic reference to a compass, in the form of magnetic needle in a bowl of water, comes from the Yemeni Sultan and astronomer Al-Ashraf in the year 1282.



CEO'S MESSAGE



ALHAMD-U-LILLAH, 2015 was yet another promising year for Pakistan with a 4.2% growth in the outgoing fiscal year. The overall sense of security & political stability has created a very conducive environment for further economic development through FDIs & infrastructure developments. 2015 continued to be a challenging year for the banking industry; the continuous decline in the discount rate served to squeeze the industry margins. The implications of this were even more constricting for the small & mid-sized banks competing for their share while struggling to comply with the regulatory capital requirement.

With the grace of Allah (SBWT) and the efforts of the Burj team we managed to work our way around challenges by delivering through our strengths as an organization. We moved through the year with a clear vision and that was to keep our books as clean as possible to avoid any legacy spillovers in the subsequent years. We maintained our deposit position by even further reducing the cost of deposit from 7.22% in 2014 to 5.06% in 2015 i.e. reduction of 216bps. Financings and investments were closed at PKR 18.1bn and PKR 6.7bn i.e. lower by 9% and 19% respectively. It is mainly due to adjustment of Financings resultant of the CAR restriction and maturity



of GoP sukuk of PKR 2.7bn. Balance sheet spread has improved from 2.4% in 2014 to 3.2% in 2015 i.e. 80bps better than previous year despite reduction in discount rate by 350bps.

Our Service continued to be our greatest differentiator. From world class branch services to state of the art technology platforms, our Bank has ensured excellence in all customer touch points. To facilitate the customers and accentuate their digital banking experience, the ADC (Alternate Delivery Channels) wing launched the Burj e-Statement. The ADC team also introduced new billers to add to their already comprehensive suite to facilitate Burj Internet & Mobile Banking (Burj Connect) customers.

The Board and the management of the Bank understand that, for a stable future, it is imperative to address the MCR shortfall on an immediate basis. Keeping this in view, the Board has shortlisted three financial institutions and allowed them to conduct due diligence of the Bank on a non-exclusive basis subject to requisite regulatory approvals. The Board is confident that it would finalize the acquisition transaction with one of these financial institutions so as to comply with the MCR at the earliest.

I would like to thank State Bank of Pakistan, other regulators, our shareholders, the Board of Directors, the Management Team, the employees and most importantly; the Bank's customers for their continued trust and support. Sincerely,

Ahmed Khizer Khan
President & CEO
April 05, 2016





Quadrant

Abu al-Wafa' al-Buzjani, a 9th century mathematician developed the first quadrant, a tool used by astronomers to examine the sky. His pioneering work in spherical trigonometry was hugely influential for both mathematics and astronomy



DIRECTORS' REPORT

to the Shareholders

The Board of Directors of Burj Bank Limited (“the Bank” or “Burj”) is pleased to present the Ninth Annual Report along with the Audited Financial Statements and Auditors’ Report thereon for the year ended December 31, 2015.

The Economy

While emerging economies are facing slower growth, Pakistan’s economy did reasonably well in fiscal year (FY) 2015. GDP growth posted a marginal increase over last year, whereas key macroeconomic indicators, like inflation, fiscal balance and current account balance, recorded improvements.

Pakistan’s real GDP growth improved slightly to reach 4.2 percent in FY15 – a seven year high level – underpinned by a pickup of 5.2% in the services sector, and a modest recovery in agriculture of 3.3%. Having said that, macroeconomic conditions are relatively stable in Pakistan and security situation has improved markedly. As a result, our negative image in the international community is now diluting gradually. However, this improvement is too fresh to instill necessary confidence in investors. In the meantime, focus now should be on reducing structural impediments from our economy, and maximizing the benefits from available opportunities.

Pakistan’s economic expansion for FY2015 was led by services as growth in manufacturing slowed. Industrial growth was hobbled by a slowdown in large-scale manufacturing to 3.3% owing to continued power shortages and weaker external demand. The resilience of small-scale manufacturing and construction sustained industrial growth at 3.6%. Agriculture growth remained modest at 2.9%. Private fixed investment slipped to equal 9.7% of Gross Domestic Product (GDP) from 10.0% a year earlier because of continuing energy constraints and the generally weak business environment.

However, during Q1 FY16, industrial activity has gathered pace as large-scale manufacturing recorded a growth of 3.9% with growth of 2.6% during same period last year. This improvement was a function of (i) continued softening

of international as well as domestic prices of industrial raw material; (ii) better energy management, especially gas supplies to fertilizer plants; (iii) strong demand for construction material, such as cement, and steel; and (iv) pick-up in auto financing, which helped achieve a higher growth in auto production. Given the strong backward and forward linkages, healthy growth in the industrial sector bodes well for overall economic activity.

The average CPI inflation came down sharply in FY15 to 4.5 percent, from 8.6 percent last year – this was well below both, the target of 8.0 percent for the year, and SBP projections at the beginning of the year. Several factors played role in slowdown in inflation. Foremost is the sharp fall in global commodity prices which moderated CPI

inflation in many other countries as well. The impact on domestic inflation in Pakistan was significant, as the government largely passed on the benefit of lower POL prices to consumers. Further gains came when the spillover effect of low POL prices also contained inflation in other commodities of the CPI basket.

Pakistan’s current account deficit narrowed, which was comfortably financed by higher financial inflows; the country’s FX reserves recorded all time high levels, and were sufficient to finance import bill of seven months; fiscal deficit was reduced, along with a shift in its financing away from SBP; and inflation remained on low trajectory.

The disbursement of tranches from the IMF and successful issue of Sukuk Bond in the international market swelled the foreign exchange reserves to a comfortable level. Before the present government took office, the ratings of S&P and Moody’s were B- with stable outlook and Caa1 with negative outlook, respectively. Both credit rating agencies have upgraded rating on outlook from stable to positive.

The outlook of the external sector appears comfortable, as we expect exports to benefit from the recent weakening of the PKR, a decline in policy rate and several measures taken by the government to boost exports. Imports are also likely to stay low if oil prices remain depressed. The only



difficulty comes from a possible slowdown in infrastructure spending in the Gulf at the back of depressed oil prices, which may hold back remittance growth in Pakistan.

The PKR remained stronger vis-à-vis the US Dollar during Jul-Feb FY15, compared to the same period last year. Therefore, imports were less costly in Rupee terms during the same period. The combined impact of stable PKR and low POL prices also helped soften inflationary expectations as measured by IBA-SBP's Consumer Confidence Survey (CCS).

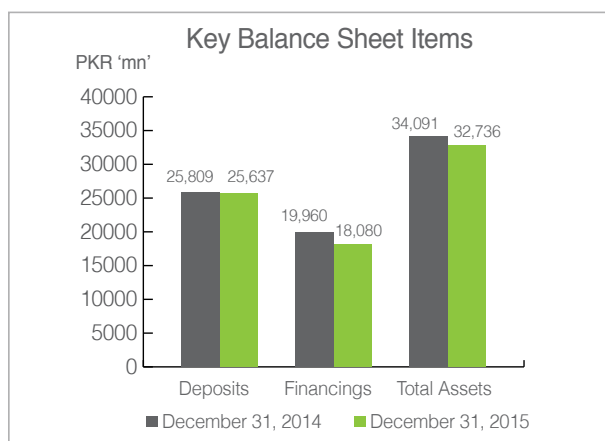
Islamic banking in Pakistan operates under the close supervision of State Bank of Pakistan's (SBP) Shari'ah Board. SBP has developed regulatory and supervisory framework to ensure Shariah compliance of Islamic banking based on rulings of its Shariah Board. Further, it has developed Shariah compliant open market operations for managing liquidity of Islamic banking sector, which is quite unique in the Islamic world. SBP's Shar'iah Board has also approved structure of Government of Pakistan Ijarah Sukuk – Shariah compliant medium term investment instruments – issued in the past and all such structures for future issues will be approved by SBP Shari'ah Board before their launch.

In order to develop the necessary financial infrastructure and capacity building of the Islamic banking industry, SBP has been collaborating with world renowned international institutions like Islamic Financial Services Board (IFSB) - based in Malaysia; Islamic Research and Training Institute (IRTI) - a subsidiary of Islamic Development Bank, Jeddah; International Islamic Financial Market (IIFM) - based in Bahrain; Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) - based in Bahrain; International Centre for Education in Islamic Finance (INCEIF) - based in Malaysia and various central banks of Muslim countries devoted to developing Islamic banking. SBP has also played an active part in the development of international standards for Islamic finance industry by institutions like IFSB, IIFM and AAOIFI.

In the context of Pakistan, Islamic Banking has a great significance as large segments of the population are still financially excluded. In this regard, the government launched National Financial Inclusion Strategy early this year and identified Islamic banking as a key area to focus on besides agriculture, SME and microfinance.

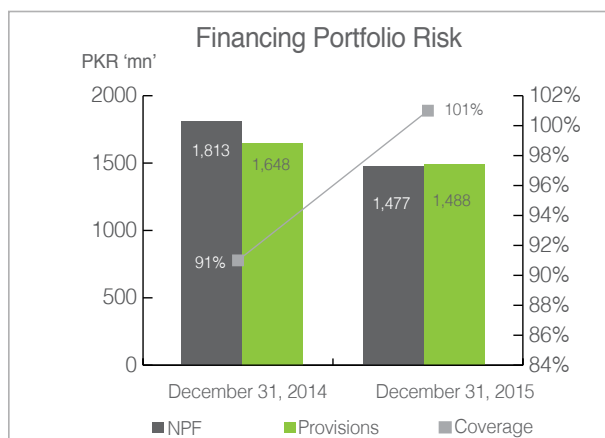
Key Financial Highlights

Total assets of the bank decreased by 4% from December 2014 and closed at PKR 32.74 billion. Whereas, Deposit stood approximately at the same level as compared to Dec 2014 and closed at PKR 25.64 billion.

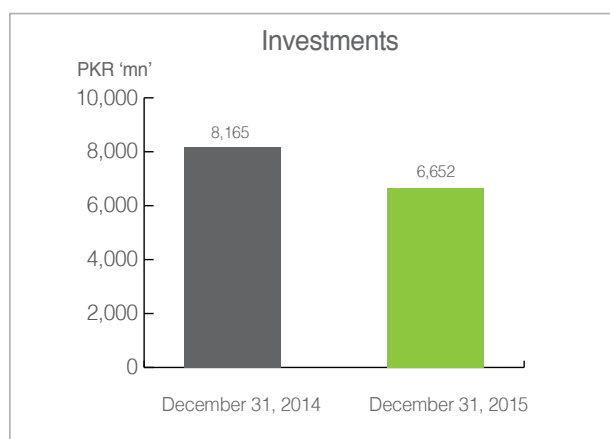


Gross financings decreased by 9% during the year 2015, from PKR 21.61 billion to PKR 19.57 billion. As part of bank's business strategy, focused efforts were made to grow the Consumer Finance portfolio. As a result, portion of Consumer Finance has increased from 37% in 2014 to 44% in 2015.

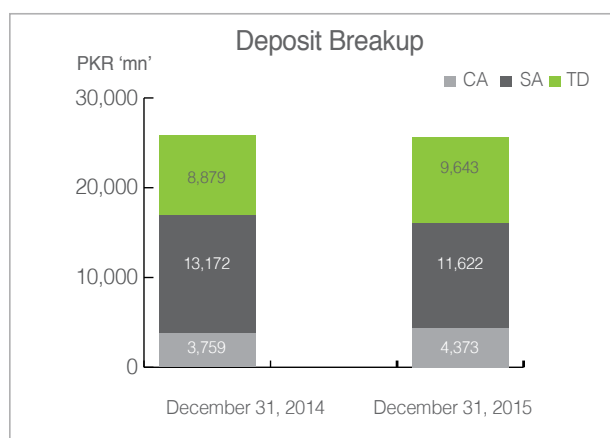
Year 2015 will be remembered as another year of success for 'Burj Carsaaz' as the Bank continued its standing amongst the market leaders in auto financing with strong underwriting capabilities and yield.



Non-performing portfolio has decreased by PKR 336 million i.e. a reduction of 19% as compared to last year. The ratio of non-performing financing (NPF) to total financing has decreased from 8.39% (2014) to 7.55% (2015) while coverage ratio has improved from 91% to 101%.



During the year, Investments decreased by 19% from PKR 8.2 billion in 2014 to PKR 6.7 billion in 2015. The decline in Investments is mainly due to the maturity of GoP Ijarah sukuk.



Deposits were closed at PKR 25.6bn as compared to PKR 25.8bn in 2014. While deposits closed at almost same level as of last year, cost of deposits has dropped from 7.27% in 2014 to 5.12% in 2015 i.e. reduction of 215bps.

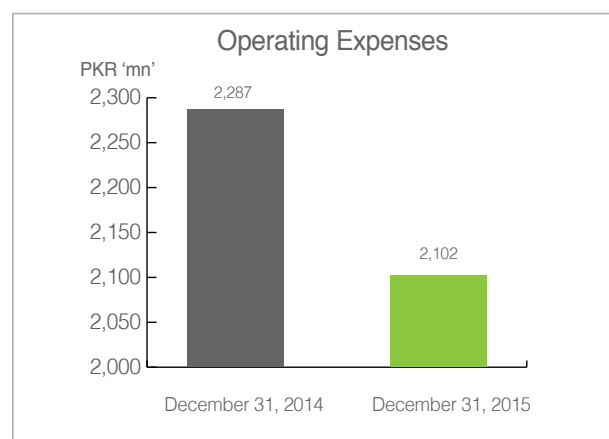
Despite challenges in 2015, bank closed loss before tax better than the year 2014 by 22%. Loss before tax for the year 2015 is PKR 480mn versus PKR 615mn in 2014.

The loss after tax during the year is mainly attributed to the higher requirement of Capital Adequacy Ratio (CAR) on account of shortfall in regulatory capital which had limited the growth potential of the Bank.

Profit/return earned, decreased by PKR 1.7 billion to PKR 2.5 billion i.e. 41% decreased as compared to 2014, is mainly due to the reduction of Discount Rate by 350bps from 10% (Oct 2014) to 6.5% (Dec 2015).

Profit/return expensed decreased by PKR 1.6 billion i.e. a drop of 53% as compared to 2014. During the year, the Bank generated non funded income of PKR 458 million. The major contributors were capital gain /dividend income and income from consumer assets, banca-takaful and corporate advisory.

Despite inflationary impacts, Bank took concrete steps to reduce operating expenses resulted in reduction of operating expenses by 8%.



Minimum Capital Requirement & Capital Adequacy Ratio

As per the regulatory requirements the banks in Pakistan are required to maintain Minimum Paid up Capital (net of losses) (MCR) of Rs. 10 billion and also are subject to Capital Adequacy Ratio (CAR) requirement of atleast 10% of the risk weighted assets.

As of 31 December 2015, the Bank's MCR amounted to Rs. 4.426 billion. In view of the MCR shortfall, the SBP has advised the Bank to maintain its CAR at 18% instead of the general requirement of 10%.



In the past, the Bank was allowed various extension in timelines to meet the minimum capital requirements. Recently, the SBP vide its letter dated 18 March 2016, has reiterated its concerns regarding the Bank's inadequate capital base. However, considering the representation of the Bank's Board of Directors in respect of the strategic plans to comply with the capital requirements, the SBP has extended the relaxation in respect of MCR upto 30 June 2016.

- a) In order to address the capital deficiency and financial condition and performance of the Bank, the Board of Directors (the 'Board') of the Bank have taken the following steps: The Board formed a special committee to identify potential investors desirous to acquire majority shareholding in the Bank and comply with the applicable MCR. In this regard, the majority sponsors of the Bank had entered in to an agreement in July 2015 with a potential investor, however, the said arrangement could not materialize due to reasons beyond control of the majority sponsors.
- b) Recently, the Board has shortlisted three (3) commercial banks in Pakistan who have shown willingness to acquire controlling interest in the Bank subject to completion of due diligence, finalization of transaction price and structure and the requisite regulatory approvals. The implementation of such arrangements may also result in the amalgamation of the Bank with the other commercial bank in Pakistan.
- c) The management of the Bank has prepared a set of financial projections for the period of five years to analyze the Bank's sustainability in the future periods with a particular focus on the twelve months period ending 31 December 2016. The financial projections are based on various assumptions such as maintainability of Bank's significant deposit base, future loan losses and recoveries, discount rate, cost of funds etc. These financial projections have been approved by the Board of Directors of the Bank and have been subjected to stress scenarios which the Board considered to be reasonable and appropriate.

The Bank is cognizant of the fact that compliance with the MCR through the above strategic plans remain subject to various uncertainties including successful completion of the transaction as envisaged, potential investor's commitment to the capital raising based on the Bank's future needs and its timing, obtaining of requisite legal and regulatory approvals, etc. Further, the non-compliance with the applicable regulatory capital requirements exposes the Bank to actions under the banking laws.

These factors indicate the existence of material uncertainty regarding the Bank's ability to comply with the MCR as specified by SBP and its sustainability in the future.

Keeping in view the above facts and circumstances, the Board have concluded that the current situation along with the risks and uncertainties set out above represents a material uncertainty which may cast significant doubt upon the Bank's ability to continue as a going concern. However, based on the mitigating factors referred above, the Board has reasonable expectation that the Bank will have adequate resources to continue its business for the foreseeable future. Accordingly, these financial statements have been prepared on a going concern basis.

Business Development

Burj Carsaaz (Auto Finance) is a flagship product of our bank. In a very short span, it has not only registered strong footholds in the Auto Finance industry, but also managed to maintain an excellent position among top market players. To enhance the pace of growth, sales staff motivation plays a key role. To fulfill this objective and in order to expand our portfolio, we had designated

Burj Carsaaz sales team to branches which worked well. This has not only allowed us to market to walk-in customers but customers are getting first-hand access to relevant information and service. In the year 2015, Burj Carsaaz has disbursed PKR 2.7 billion which shows 18% growth in terms of disbursement as compared to year 2014.

Since the launch of Burj Home Musharakah (BHM) in 2012, our portfolio has managed to have one of the lowest infection ratios in the market. This is primarily because of the Bank's strategic move to market the product in selective geographical locations only. In the year 2015, Burj Home Musharakah has disbursed PKR 517 Million.

The strategy for CASA was to generate low cost deposit. Tremendous effort was made from business and cross functional teams that resulted in a significant reduction in month on month cost of deposits from 6.32% (Dec 2014) to 3.93% (Dec 2015). Various deposit mobilization campaigns focusing on averages and CASA were launched during the year. Liability teams have been very instrumental in the project of completely phasing out Hiba in an effective manner under the guidance of Pool Management Committee.

Banca-Takaful business performed well and also motivated the sales team by providing exciting campaigns comparable to peer banks to retain & reward the star performers of the bank. These campaigns ranged from foreign sales conventions to Iftaar dinners and gift schemes.funded by strategic partners.

Brand Development and Alternate Delivery Channels

Our Brand has been one of our strongest assets since inception. During the year, the brand team focused on corporate affairs to work towards the maintenance and upkeep of the Burj Brand through low cost initiatives. The marketing unit ensured a consistent presence in the media via press releases and event coverage.

Through the year the unit developed a free of cost alliance with a digital lead generation platform; the initiative generated thousands of free leads to further strengthen the Consumer Asset Portfolio. Additionally the unit also assisted the Retail team by developing identities for several internal deposit mobilization campaigns.

Our focus in the year 2015 was to further enrich our existing Alternate Delivery Channels (ADCs) services. In line with the strategy, 4 new billing companies were added on Burj Electronic Bill Payment System. Customers can now conveniently make their utility, internet and mobile payments to 13 billing companies electronically through Burj ATMs, Internet and Mobile Banking.

As part of our mission to achieve service excellence, we also launched the e-Statement Facility allowing customers to receive electronic statements of their account(s) on a monthly basis, directly on their email addresses.

People

HRD remains committed in augmenting the quality of employee base by inducting high quality talent pool and nurturing the existing one in order to align individuals' goals and objectives with the organizational strategy & vision. Building a quality talent pipeline, employee engagement, policy improvements, streamlining core HR processes, training and retaining staff remained to be the strategic thrust of Human Resource Department (HRD) at Burj during 2015.

Throughout 2015, HR worked very closely with the business on the strategic deliverables by managing organization/structuring dynamics, improvising the retail structure and also took active part in every initiative taken by the Management and continued to be a strategic partner.

HR Management system was streamlined by updating & streamlining the backend hierarchy, data cleansing and population, updating module scripts for payroll to ensure better MIS, tax management, recording of entries, reconciliations &management of staff financing etc.

HRD continued its strive to uplift the learning curve in the areas of Islamic Banking, Compliance & Control and Products to ensure that technically sound staff is available to service the customers and build customer's confidence. In addition to the mandatory trainings on topics related to Islamic Banking, anti-money laundering and compliance & controls on the e-learning system, job specific training programs for critical jobs, remained to be the training focus. HR Policies, critical processes were reviewed in light of the organization dynamics and business requirement under the prevailing market trends. Key HR policies and processes were improvised to make them more efficient, user friendly and robust.

Operations

Operations played a centric & vital role in the introduction of enhanced control and consolidation of processes during the year. Various processes and manuals were revised to make them compatible to the core banking system and regulatory requirements.



During the year, bank further penetrated in the already introduced products such as Mobile Banking, Cash Management, Home Remittance, etc. Operations in liaison with stakeholders managed to develop processes and systems in line with the offered products.

A comprehensive Business Continuity Plan (BCP) / Disaster Recovery (DR) activity was successfully conducted during the year from DR Site at DHA, Khayaban-e-Ittehad, Karachi, wherein arrangements have been tested for critical functions of Head Office departments as well as branches with complete access to all their systems including Core Banking, ATM, ADC, Treasury, Call Center, etc.

Cost rationalization remained one of the focused areas; several initiatives were taken e.g., optimization of resources; reorganization within the group, renegotiation with vendors etc. Further automation has been done to attain the paperless environment, e.g., integration of Treasury system with Core Banking, NOSTRO transfer procedure, NADRA interface, Utility bills payment through FTP server, captured card, ATM cash reconciliation etc.

Risk Management

The bank has a robust Risk Management Framework in place which is structured in line with international standards and regulatory requirements. Further, best banking practices in Pakistan along with the size, complexity and scale of bank's operations are also kept in perspective to evolve an effective set up. The framework ensures independence of the risk management function from the origination function with the objective to avoid conflict of interest and foster business activities without compromising on high standards. Moreover, risk management policies covering different spheres of activities, supported by systems and procedures, are in place which provide guiding principles for smooth functioning.

The Board of Directors oversees the risk management activities through specialized Board Risk Management Committee ("BRMC") which meet regularly to review and assess the bank's risk emanating primarily from Financing, Market, Liquidity, Operations etc. The BRMC posts the Board on key matters and affords necessary guidance to the management. During the year, elements pertaining to Shari'ah non-compliance risk were also included in the BRMC scope and reviewed in the three meetings.

At the management level, the following main committees have been formed with representation from the senior management to assess, approve, monitor and control different risk aspects:

- 1- Management Financing Committee (MFC)
- 2- Asset & Liability Committee (ALCO) and
- 3- Risk and Control Committee (R&CC)

Assisted by the Financing and Investment Risk Department, the MFC supervises financing risk activities with the aim that the financing book is diversified across different economic sectors & regions, and has an overall healthy profile. In addition, compliance with regulatory requirements and Board approved policies is also ensured. For consumer financing products, the bank has a specialized and dedicated set up guided by clear risk acceptance criteria and limits. ALCO functions in line with its mandate and oversees market risk exposures, liquidity profile in terms of overall base and maturity mismatches in different time bands. Market and Liquidity.

Risk Department provides support to ALCO for the management of market and liquidity risks. Besides regular monitoring and reporting, the department carries out liquidity and market stress tests to assess their impact on liquidity, earning and capital. The same is presented to ALCO for proper business planning and allocation of resources. Aided by the Compliance and Control Group in its smooth functioning, RC&C covers the banks activities pertaining to operational risk and internal controls and assess adequacy of the prevalent processes and control systems in light of the bank's operating environment.

The bank continued to successfully manage the challenges posed by an adverse market event last year, non-compliance with MCR and factors like reducing yields on assets in the wake of ease on monetary policy by SBP, low inflation and changes in fiscal regime relating to operation of bank accounts. Moreover, timely coordination amongst different departments helped in continuously smooth liquidity management in a rather difficult year. While fresh bookings on the corporate side were low and the bank picked clients selectively, follow up and engagement of non performing financing clients was fruitful. As a result, the bank recovered over PKR 200 million from the legacy portfolio which helped containment on the gross infection ratios.

In view of the benign market environment for consumer financing, better return compared to other avenues and natural diversification due to low ticket size, the bank consistently remained a visible player in the consumer banking segment. In this direction, the bank has grown the auto finance portfolio to PKR 5,124 million spread over around 7500 clients. However, the Housing Finance exposure has been maintained at around PKR 2,400 million yet, with increased customer base. The bank's gross classification as a %age of total consumer portfolio is less than 1% which is a reflective of very good health of this portfolio segment.

In the year 2016, the bank aims to consolidate further in the area of risk management and review policies for possible improvement in light of regulatory requirements and to remain competitive in the market.

Internal Control Framework

It is the responsibility of the Board of Directors and Bank's management to establish and maintain an adequate and effective Internal Control System.

In this regard, the Board of Directors and Senior Management of the Bank being aware of the significance of internal controls framework in achieving the bank's overall objectives have been continuously striving to further enhance and consistently maintain a sound internal controls system and to ensure that the overall control environment remain sound through management oversight.

Board of Directors of the Bank are responsible for setting the right tone from the top by establishing overall strategy, policies related to these controls and systems. The Internal Audit & Shari'ah Audit Departments being independent functions reporting to the Audit Committee of the Board evaluates and monitors compliance with Bank's policies, procedures, applicable laws, regulations, Shari'ah guidelines and relevant controls in accordance with the approved annual audit plan and reports significant breaches to the Board Audit Committee on regular basis. The observations and suggestions received from the external auditors are also being taken seriously by the management for prompt resolution by taking measures

to eradicate or at a minimum, mitigate the highlighted weaknesses.

In compliance to State Bank of Pakistan's (SBP) BSD circular no. 7 of (2004) "Guidelines on Internal Controls" and the roadmap given for the implementation of Internal Control over Financial Reporting (ICFR), the management of the Bank has implemented all stages of the roadmap given by SBP. The external auditors have already reviewed and submitted external auditors' report (Long Form Report) to SBP as per its directives.

As part of ongoing exercise for the identification, evaluation and management of significant risks faced by the Bank, the bank's ICFR unit is in process of revisiting the control environment and relevant process level documents for assessing their soundness, and if required, initiating measures to remediate control weaknesses. The ICFR unit along with rest of the management has also taken appropriate actions to address improvement ideas highlighted by auditors to further strengthen the control environment.

The Board of Directors remains the source of direction and guidance to the management and also ensured effective oversight through revamped MIS and other reporting mechanisms to the Board.

Internal Control Program is a continuous and ongoing process. While the management considers existing Internal Control system as adequate and effective, it is designed to manage and mitigate rather than eliminate the risk of failure to achieve the Bank's business targets. It can therefore, only provide reasonable and not absolute assurance against material misstatements or loss.

The Board of Directors of the Bank endorses the above stated management's evaluation of Internal Controls.

Credit Rating

Based on the financial statements of the Bank for the year ended December 31, 2014, 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-2' with negative outlook. The outlook has been kept



negative primarily because of non-compliance with the minimum capital requirement of the SBP.

Corporate Social Responsibility

The disclosure of Corporate Social Responsibility has been duly made in the Annual Report.

Corporate Governance

The Bank has complied with the requirements of the Code of Corporate Governance relevant for the year ended December 31, 2015. A prescribed statement together with the Auditors Review Report thereon is annexed.

Auditors Report

Auditors in their report have emphasized on note 1.4 to the financial statement which fully explains the Bank's capital deficiency in terms of the regulatory requirements as prescribed by the State Bank of Pakistan and the Bank's future plans and key risks and uncertainties in relation to the plans and consequently the Bank's ability to continue as a going concern.

The management of the Bank has prepared a set of financial projections for the period of five years to analyze the Bank's sustainability in the future periods with a particular focus on the twelve months period ending 31 December 2016.

The financial projections are based on various assumptions such as injection of fresh equity, income tax rates, cost to income ratio, 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. These financial projections have been approved by the Board of Directors of the Bank and have been subjected to stress scenarios which the Board considered to be reasonable and appropriate. For these reasons, the Board and the management of the Bank continued to adopt the going concern basis in preparing the financial statements.

Another reference made by the auditors in their report relates to note 12.1 to the financial statements which

pertain to the realization of the deferred tax assets in the future years. Management of your Bank is confident that the forecast profits as per the financial projections approved by the Board would be sufficient enough to absorb the total amount of deferred tax assets.

Financial Reporting

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

Employee Benefits Scheme

Value of investments of Employees' Provident Fund for the year ended December 31, 2015 (Unaudited) is PKR 97.03 million.

Change in Directors

During the year, Mr. Adel M. A. M. Al-Khayyat, Mr. Fuad Azim Hashimi and Mr. Azhar Hamid resigned from the Board and in their place Mr. Muhammad Kamran Shehzad and Mr. Meshari Abdullah Al Mulla were appointed as Directors. Board would like to record its appreciation for the contribution from the outgoing directors.

Directors Training Program

The Bank disseminated updates on applicable laws to all the Directors to acquaint them with the Code of Corporate Governance, applicable laws, their duties and responsibilities.

Further, in compliance of clause (xi) of the Code of Corporate Governance, Mr. Harold E. Hutchins (Director) successfully completed the certificate course of "PICG's IoD UK - Accelerated Certificate in Company Direction".

Pattern of Shareholding

The pattern of shareholding as on December 31, 2015 along with disclosures required under the Code of Corporate Governance is annexed to the Report.

Board of Directors Meetings

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

Name of Director	No. of Meetings attended
Khaled Al Aboodi	6
Shehab M. Gargash	3
Ahmed Khizer Khan	6
Azhar Hamid	4
(resigned on October 30, 2015)	
Azam Essof Kolia	5
Najmul Hassan	4
Fuad Azim Hashimi	2
(resigned on July 11, 2015)	
Shafqat Ali Memon	6
Harold E. Hutchins	6
Muhammad Kamran Shehzad	-
(appointed on December 31, 2015)	
Meshari Abdullah Al Mulla	-
(appointed on December 31, 2015)	

Attendance of Sub-committees Meetings

Human Resource and Remuneration Committee (HRRC):

HRRC meetings were held during the financial year.

Information about the attendance is as under:

Name of Director	No. of Meetings attended
Mr. Azhar Hamid	3
Mr. Shafqat Ali Memon	3
Mr. Ahmed Khizer Khan	3



Executive Committee (Excom):

Three Excom meetings were held during the financial year.

Information about the attendance is as under:

Name of Director	No. of Meetings attended
Mr. Najmul Hassan	3
Mr. Shafqat Ali Memon	3
Mr. Ahmed Khizer Khan	3

Board Risk Management Committee (BRMC):

The BRMC held three meetings during the financial year.

Information about the attendance is as under:

Name of Director	No. of Meetings attended
Mr. Shehab Gargash	3
Mr. Najmul Hassan	2
Mr. Ahmed Khizer Khan	3

Board Audit Committee (BAC):

Four BAC meetings were held during the financial year.

Information about the attendance is as under:

Name of Director	No. of Meetings attended
Mr. Fuad Azim Hashmi	2
Mr. Azam Essof Kolia	3
Mr. Harold E. Hutchins	4

Auditors

Present auditors, M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, retired and offered themselves for reappointment. On the recommendation of the Audit Committee of your Bank, the Board has agreed to recommend the appointment of M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, to function as Bank's statutory auditors for the year ending December 31, 2016.

Future Outlook

The year has proven to be a testing period for the global Islamic financial services industry, with the gradual exit of the likes of Islamic Bank of Asia in Singapore and the visible diminishing enthusiasm in Islamic banking and finance of global banks. This is consistent with what has for long happened in Islamic retail banking, which is dominated by full-fledged Islamic banks. Conventional banks offering Islamic financial services through dedicated Islamic branches or Islamic windows only feature marginally in Islamic retail banking.

In Pakistan, however, Islamic banking has continued to grow, with share of Islamic banking assets in the national banking sector having grown to 11%. The industry is poised for further growth, as the fundamentals are right. Over and over again, SBP has demonstrated its commitment for promotion and development of Islamic banking in Pakistan through numerous initiatives like launching awareness campaigns, making suitable adjustments in relevant laws, establishment of separate Islamic Finance Department at SECP to promote Islamic Capital Market Developments etc.

The current declining trend in Inflation; if persisted going forward, may prompt the SBP towards further downward adjustments in the benchmark rates resulting in further squeezing of banking sector margins. As lending opportunities remain low, fee based income shall be the main focus to increase profitability. Our Bank will continue to launch technology based products to generate non-fund based income as well as low cost deposits. Moreover, centralization and automation of processes shall lead to greater cost savings, keeping operating costs in check.

Besides, we will keep our focus on growing consumer assets portfolio. In order to augment that Burj Consumer Assets team is working on the development and launching of new Shari'ah compliant consumer finance products.

Our Bank is striving to inculcate a culture of service excellence, while at the same time, attracting, developing, and retaining the best human resources talent to ensure realization of our future strategic goals. The above initiatives are expected to assist our Bank in showing sustainable growth and a consistent profitability trend in future.

We are confident of early resolution of shortfall in regulatory capital. With the successful and timely compliance of MCR, bank will be able to take an important share of growing Islamic finance market.

Acknowledgment

On behalf of the Board of Directors and management, I wish to express our sincere gratitude to our customers, business partners and shareholders for their continued patronage and trust. I would also like to thank State Bank of Pakistan, Securities and Exchange Commission of Pakistan and other regulatory authorities for their guidance and support. The Board of Directors sincerely appreciates the significant contribution by all its staff members to the growth of this franchise under challenging business conditions.

For & on behalf Board of Directors



Vice Chairman
Karachi
April 05, 2016



FINANCIAL SUMMARY

	2010	2011	2012	2013	2014	2015
	----- Rupees in '000 -----					
OPERATIONAL RESULTS						
Total Income	1,327,721	2,564,122	4,059,502	4,311,872	4,734,077	2,986,582
Operating Expenses	996,829	1,229,402	1,615,007	2,483,137	2,286,661	2,102,409
Loss before Income Tax	-824,560	-346,908	33,346	-1,738,774	-614,799	-480,469
Loss after Taxation	-535,522	-288,488	84,646	-1,133,026	-471,777	-399,604
BALANCE SHEET						
Shareholders' Equity	4,325,983	5,804,578	5,937,481	5,361,208	4,803,719	4,388,930
Total Assets	17,675,686	27,656,215	47,185,452	53,389,063	34,090,526	32,736,074
Financings-net of provisions	6,788,223	12,431,137	23,370,532	28,955,126	19,960,447	18,079,208
Investment-net of provisions	5,050,878	9,982,793	17,156,398	9,226,189	8,164,801	6,652,065
Deposits and other accounts	12,636,083	20,341,241	35,922,038	42,697,675	25,808,867	25,637,406
OTHERS						
Imports	2,530,861	3,288,979	5,575,492	4,509,384	5,127,067	3,420,610
Exports	1,020,077	930,495	3,200,839	4,936,470	3,937,815	4,062,827
RATIOS						
Capital Adequacy	38.44%	41.81%	22.55%	20.76%	18.64%	18.06%
Profit before Tax ratio (PBT/Gross mark-up income)	-65.26%	-14.60%	0.93%	-40.33%	-12.99%	-16.09%
Gross spread ratio (Net mark-up in come/gross mark-up income)	42.51%	40.09%	28.01%	25.75%	30.81%	44.83%
Income/Expense ratio	0.6	0.93	0.91	0.63	0.78	0.76
Return on Average Equity (ROE)	-11.68%	-5.70%	1.44%	-20.06%	-9.28%	-8.7%
Return on Average Assets (ROA)	-3.49%	-1.27%	0.23%	-2.25%	-1.08%	-1.20%
Financings/Deposits Ratio	58.81%	65.06%	67.03%	71.39%	83.73%	76.32%
Book value per share excluding revaluation of Assets	8.51	7.8	7.91	6.49	5.91	5.42
Book value per share including revaluation of Assets	8.63	7.83	8.01	6.56	5.88	5.37
Loss per share	-1.07	-0.46	0.11	-1.49	-0.58	-0.489
No. of employees (other than outsourced)	473	539	785	773	647	592





Magnifying Glass

As part of his work on optics, Ibn al-Haytham also devised the first magnifying glass in the 10th century.



REPORT OF SHARI'AH BOARD

for the Financial Year 2015



الحمد لله رب العلمين والصلوة والسلام على خاتم الانبياء والمرسلين سيدنا محمد وآله وصحبه اجمعين
السلام عليكم ورحمة الله وبركاته

By the Grace of Almighty ALLAH, we as the Shari'ah Board of Burj Bank Limited (the 'Bank') are pleased to present the report on the 9th financial year of the Bank.

The Board of Directors and Executive Management are exclusively responsible to ensure that the operations of the Bank are complied with Shari'ah rules and principles at all times. However, we are pleased to perform our responsibility by submitting a report on the overall Shari'ah compliance environment of the Bank.

During the year 2015, the Shari'ah compliance Department, in our supervision, reviewed various products, structures, process flows/modus operandi, concepts, and transactions

for opinion/Fatwa on Shari'ah compliance, referred by several departments of the Bank. We also paid our keen consideration to approve the above mentioned all documents in order to achieve Shari'ah Compliant Islamic banking along with its all rules and principles. Further, we have also reviewed the reports of the internal Shari'ah audit. Keeping in view the above mentioned statement, we are of the view that:

COMPLIANCE WITH SHARI'AH PRINCIPLES:

To the best of our knowledge, Shari'ah Compliance department of the Bank actively reviewed all the products and services offered by the Bank to ensure that these strictly adhered



to the conjunctions of Shari'ah guidelines and monitored almost all financial transactions of the Bank throughout the year. During the year, financing approvals, restructuring of financing facilities, customer specific modus operandi/ process flows of various transactions, approval of contents and wordings of letters of guarantee (LGs), opening of LCs, security documents and various agreements were reviewed to ensure Shari'ah compliance while offering such financing facilities to the customers. Profit-sharing ratios, profit weightages, pool working, allocation of asset and liabilities for pool mechanism and profit distribution were monitored periodically by Shari'ah Compliance department under the supervision of Head of Shari'ah Compliance department.

Furthermore, we, having scrutinized all the processes, have been approving them through circulation in a manner that complies with Shari'ah principles at all times.

COMPLIANCE & REVIEWS IN REGULATOR,S INSTRUCTION:

All directives, regulations, instructions and guidelines related to Shari'ah compliance issued by SBP in accordance with the rulings of SBP's Shari'ah Board have been complied by the Bank during the year.

During the year, as per Shari'ah Board's Instructions, almost sixteen branches of the bank across the country

were visited to ensure Shari'ah Compliance at all levels. In order to ensure cost effectiveness monitoring, Shari'ah Compliance Department has also followed a centralized system of Shari'ah compliance reviews of the branches on sample basis.

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

COMPREHENSIVE MECHANISM:

In the light of Shariah principles and guidelines, we have approved Shariah Compliance Manual and Policy prepared by Shariah Compliance Department to ascertain the Shari'ah based sufficient mechanism for overall operations and compliance.

WELL-DEFINED SYSTEM FOR ASSESSMENT OF EARNINGS AND MANAGEMENT OF CHARITY:

The Bank has a well-defined system in place which is sound enough to ensure that any earnings realized from sources or by means prohibited by Shari'ah have been credited to charity account and are being properly utilized. In this pursuit, a comprehensive policy has been formulated and approved by the Board of Directors of the Bank to manage the affairs related to Charity collection and distribution. We would like to explain our Charity System as follows:

As per Shari'ah rulings, usually charity in Islamic Banks has three sources and two applications.

(1) Charity Due to Default in Payments:

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

(2) Charity Due to Income of Void Transactions:

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

(3) Charity Due to Income of Non-Purified Dividend:

Another source of charity is the portion of a dividend which is declared 'non-purified' by the Shari'ah Board according to the defined Shari'ah screening criteria for investee companies.

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

- i. The Charity which is collected on default/delayed payments, must be distributed among those who are specified in the Verse 60 of Surah Al-Taubah.

Translation (9:60) Alms are for the poor and the needy, and those employed to administer the (funds); for those whose hearts have been reconciled; for those in bondage and in debt; in the cause of Allah. and for the wayfarer: ordained by Allah, and Allah is full of knowledge and wisdom.)

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

Shari'ah Board considered both types of charity and approved the distribution according to their nature and in conformity with Shari'ah guidelines.

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

In the year 2015, total charity of PKR 24.115mn was collected and PKR 18.959mn has been distributed to the institutions/individuals as per the charity policy approved by the Board of Directors of the Bank (Details of the charity distribution can be referred in the notes to the financial statements).

Waiver/Exemptions of Charity Requests:

We considered several requests for the waiver of charity on grounds which were specified as unavoidable circumstances, in such instances it was duly communicated to the clients that according to Shari'ah rulings no one is allowed to waive NAZR LILLAH, once it is intended and accepted by the NAZIR. Therefore, clients were directed that since they are exempted on special grounds from depositing their charity



in Bank's charity account, their liability will not extinguish unless they pay their charity in the way of ALLAH Al-Mighty on their own. However, such exemptions were allowed after ascertaining the genuineness of such requests. Nevertheless, exemptions were allowed as special cases only and must not be construed as general practice and deemed as precedence for future. Clients were also informed that the charity amounts cannot be adjusted in their ZAKAT or any other obligatory SADAQAT. The Shari'ah department also devised procedure for entertaining such requests of charity reversal/exemption/waiver.

COMPLIANCE OF PROFIT & LOSS DISTRIBUTION AND POOL MANAGEMENT POLICY

Based on the instructions and guidelines issued by the SBP vide IBD circular No. 3 of 2012, the Bank had issued a comprehensive policy on Profit and Loss distribution and Pool Management in the year 2013. This policy has been updated in view of promulgation of Shari'ah Governance Framework of SBP. It was approved by the Board in its meeting held on January 25, 2016. The policy governs the matters relating to Depositor's Pool Management and Distribution of Profit & Loss by the Bank. As per the policy, the Bank has formed the 'Pool Management Committee' comprising of senior members of the management including RSBM being a head of Shari'ah Compliance department. Shari'ah Board provides its utmost support and guidance to the committee to comply with the policy.

TRAINING & DEVELOPMENT:

During the year, several in-house functional-level Islamic banking orientation and training sessions were held in coordination with Human Resource department of the Bank at Head Office-Karachi and at other stations of the Bank. Shari'ah Compliance training for Branch staff was also arranged during Shari'ah Compliance department's visits to branches across the country for reviews.

To enhance awareness among the staff of the Bank about Islam & Islamic finance, a comprehensive program of lectures were conducted with different departments of the Bank.

The Bank supported and participated in various Islamic banking workshops, seminars and certificate courses arranged by different institutions and State Bank of Pakistan (SBP). Shari'ah Compliance department's staff also participated in the Islamic Banking seminars as a facilitator, which were organized by the different organizations and educational institutes.

ADEQUATE RESOURCES BY EXECUTIVE MANAGEMENT FOR SHARI'AH BOARD:

The Shari'ah Board has been provided adequate resources by Executive Management and all related departments enabling it to discharge its duties effectively. As well as we express our gratitude and appreciation for the keen interest taken by the President & CEO and efforts devoted by other senior management personnel of the Bank in this regard.

CONCLUSION:

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

و صلى الله تعالى على خير خلقه سيدنا محمد وآله وصحبه أجمعين

Munib ur Rehman

Prof. Mufti Munib ur Rehman
Chairman Shari'ah Board

M. Shams-ul-Zaman

Mufti Hafiz Muhammad Shams-ul-Zaman
Resident Shari'ah Board Member &
Head of Shari'ah Compliance

Mufti Abdul Zahid Farooqi

Mufti Abdul Zahid Farooqi
Shari'ah Board Member

Date of Report: March 24, 2016





The Watch

The first watch was made by Kutbi, a renowned watchmaker of his time. During the Abbasid reign the use of a watch became quite common and the famous Harun-ar-Rashid once dispatched a watch as a gift to his celebrated contemporary, the French Emperor Charlemagne.



CORPORATE SOCIAL RESPONSIBILITY

Since inception, Burj Bank Limited has taken upon itself the responsibility of making a positive difference to society. At Burj, we have evolved from philanthropy to an articulately well-managed system of Corporate Social Responsibility. We have therefore developed a Charity Committee, which has the representation from all major functions in the Bank including head of Sharia'h Compliance. Together, we have been able to seamlessly integrate in our business model; the social, ethical and environmental concerns of the society.

To address the needs of different tiers of society our CSR model works around four main areas:

1. Need Based Assistance for Individuals

With the grace of Allah (SBWT), in a very short time we have earned the reputation of one of the most socially active Bank in the country. On a day to day basis, we receive innumerable applications and requests for assistance in cash and kind from underprivileged individuals. We welcome all such requests and critically evaluate them, to determine the authenticity of the request and the severity of their need. As an Islamic institution, it is an obligation on us to ensure that the assistance reaches only to the deserving. No application is approved without proper screening, due diligence and signoffs from the members of the Charity Committee.

2. Regular support to Hospitals & Medical Institutions

Burj has developed long term alliances with the renowned NGOs like National Institute of Child Health (NICH), The Indus Hospital, Shaukat Khanam Memorial Trust, SIUT and Burns Centre. Besides annual donations, Burj ensures that all possible support is extended on case to case basis. Additionally, we also sponsor hospital equipment, machinery and medicines on an on-going basis. These partnerships allow us to allocate assistance seamlessly and transparently, as all our partners are duly audited and regulated by local and international bodies, leaving no margin of error.



3. Disaster Relief

We take great pride in this internally formulated response unit, which has been created for the sole purpose of providing rapid response to natural and manmade catastrophes. Our team has proved their efficacy time and again by providing relief to Industrial fire victims besides rehabilitating earth quake and famine victims. In 2015, our disaster management team extended support for the rehabilitation of earthquake victims in the Northern part of Pakistan. Whereas, in wake of national catastrophes, Burj Bank Limited has always been one of the forerunners in disaster management.

4. Community Development & Education:

We believe, that as members of the society, it is vital to strengthen the very people who make up the fabric of the community. This is only possible through a consistent and coercive community development program which is the backbone of our CSR philosophy and each member of the Burj Family has embraced it as their own.

We have partnered with NGOs and NPOs to channel our funds through their already established and transparent networks. Pakistan holds some very strong institutions that have set benchmarks in community development. Some of the well-recognized names are Edhi, Saylani Welfare, Karachi Relief Trust, SOS Village, The Citizen's Foundation, Namal Education Foundation and Alamgir Welfare Trust.



We have a long term commitment with many of such globally acclaimed institutions. Together, we have participated in rigorous activities to uplift the under privileged members of our society. The Burj Family has taken ownership of several such institutions and is consistently engaged in providing monetary and the much needed emotional support to their distressed fellow citizens.

Some of the activities worth mentioning are listed below:

Individual Assistance for surgery in India

“and if any one saved a life, it would be as if he saved the whole humanity” - Excerpt from Surah Al-Maida - Holy Quran

The Burj Charity Committee had the privilege of living such a moment towards the mid of 2015. An individual request was received by the committee where the applicant needed immediate medical attention for treatment of a terminal pulmonary disorder. The treatment however was not readily available in Pakistan. The closest & cheapest alternative was available in India.

The honorable Charity Committee after required verification approved the case and disbursed funds immediately. Alhamdulillah, with the support of Allah (SBWT), the applicant made it through the surgery successfully. The nature of the surgery was such that the panel of doctors called for a press conference where case details were shared with the media. The case was also covered in the prestigious ‘Times of India’.

Ration distribution activity with Alamgir Welfare Trust International

During the holy month of Ramadan, it is imperative on those with the abundance of ALLAH’s blessing, to share these favors of the Almighty with the underprivileged and poor members of the society. At Burj, we are grateful for this privilege and have made it our devoted responsibility to share the basic necessities required to sustain a poor household. Every year, during the holy month of Ramadan, we plan activities to reach out and distribute ration amongst the deserving parts of our society.

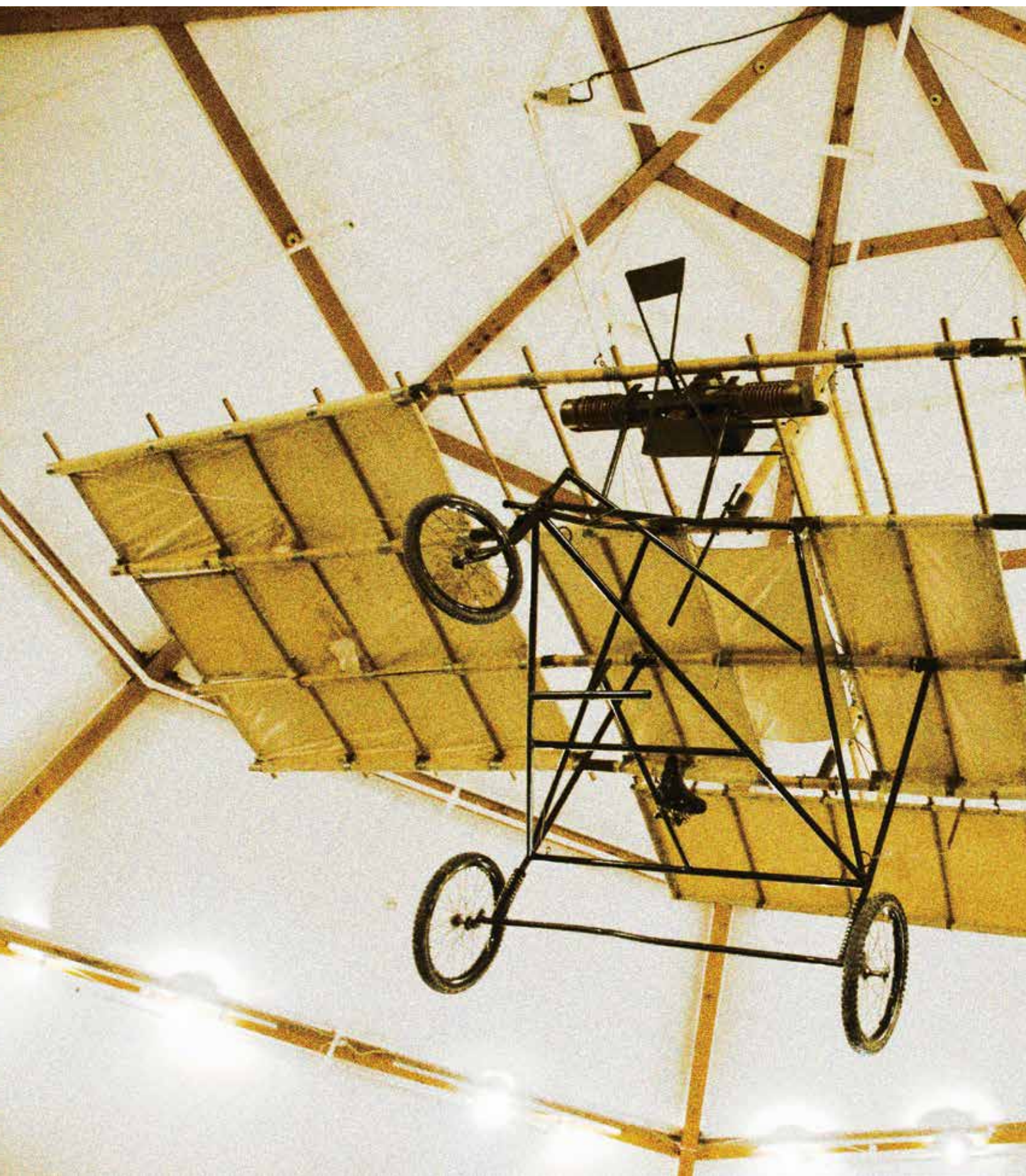
During the year, Burj Bank Limited and Alamgir Welfare International Trust conducted a Ration Distribution Ceremony in Karachi in the month of Ramadan, whereby 100 ration packets were distributed to the underprivileged members of the society. The recipients of these ration packs were welcomed in a comfortable sitting in the premises of Alamgir Welfare Trust and a peaceful distribution was conducted. The ration packets contained household consumables as per the monthly requirement of an average family & included flour, ghee, sugar, tea, rice, gram pulse, dal moong, dal masoor, gram flour, chickpea, mutton & other basic necessities

Edhi Orphanage Visit



Like every Eid season, the employees and management of Burj Bank kept their commitment of “giving beyond the workplace” and visited the Edhi Family to celebrate Eid with the beautiful children of the Edhi Orphanage. What started as a one off CSR activity three years ago has now become a permanent feature in Burj Bank’s CSR calendar. Burj Employees accompanied by the senior management, visited the Orphanage located in Korangi Number 4, to spread the joys of Eid over a fun filled Iftar. The Burj Family presented Eid dresses, gifts and Eidi packs to the children residing at the orphanage and spent quality time with them. The evening was packed with activities to engage the children at Edhi. The day concluded on a cheque presentation by the Bank to Mr. Ahmed Edhi, grandson of Mr. Abdul Sattar Edhi.

May Allah (SBWT) guide us and give us the courage and resources to serve humanity for years to come.





The First Flying Machine

Abbas Ibn Firnas was the first person to construct a flying machine and fly in the 9th century. He designed a winged apparatus, roughly resembling a bird costume. In his most famous trial near Cordoba in Spain; Firnas flew upwards for a few moments, before falling to the ground and partially breaking his back.



NOTICE OF 10TH ANNUAL GENERAL MEETING OF BURJ BANK LIMITED

Notice is hereby given that the 10th Annual General Meeting of Burj Bank Limited will be held at Burj Bank Head Office, 3rd Floor, Trade Centre, I.I Chundrigar Road, Karachi on April 29, 2016 at 12:30 pm, to transact the following businesses:

Ordinary Business:

1. To confirm the minutes of 9th Extraordinary General Meeting.
2. Consideration of the Annual Audited Accounts for the year ended December 31, 2015 together with Auditors' and Directors' report thereon.
3. Appointment and fixation of remuneration of auditors.
4. To elect ten (10) directors of the Bank as fixed by the Board of Directors in their meeting held on 25th January 2016 in accordance with the provisions of Section 178 of the Companies Ordinance, 1984 for a term of three years commencing from 06th April 2016. The following are the retiring directors:

1. Mr. Khaled Mohammad Al Aboodi
2. Mr. Shehab M. Gargash
3. Mr. Harold E. Hutchins
4. Mr. Ahmed Khizer Khan
5. Mr. Azam Essof Kolia
6. Mr. Najmul Hassan
7. Mr. Shafqat Ali Memon
8. Mr. Muhammad Kamran Shehzad
9. Mr. Meshari Abdullah Al Mulla

Other Business:

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

April 7, 2016
Karachi.

By Order of the Board



Muhammad Amin Hussain
Company Secretary

Notes:

1. Member whose name appears in the register of members on April 29th 2016 will be entitled to attend the proceedings of the meeting.
2. Any person who seeks to contest an election to the office of the director shall, whether he is retiring director or otherwise, file with the Bank at its registered office, not later than fourteen days before the date of the meeting at which elections are to be held, the following documents:



- Notice of his/her intention to offer himself/herself for election as a director in terms of Section 178(3) of the Companies Ordinance, 1984. He/ she should also confirm that :
 - He/she is not ineligible to become a director of the Bank under any applicable laws and regulations.
 - Neither he/she nor his/her spouse is engaged in the business of brokerage or is a sponsor, director or officer of a corporate brokerage house.
 - He/she is not serving as a director in more than seven listed companies simultaneously. Provided that this limit shall not include the directorship in the listed subsidiaries of a listed holding company.
 - Consent to act as director in Form-28 under Section 184 of the Companies Ordinance, 1984.
 - Proforma – Fit & Proper Test (Annexure-I), Affidavit on Non-Judicial Stamp Paper (Annexure – II) along with attested copy of CNIC/Passport, and duly completed Questionnaire for accessing “Fit & Proper Test” attached to the State Bank of Pakistan’s BPRD Circular No.4 dated April 23, 2007.
 - In terms of the above-mentioned SBP’s circular dated April 23, 2007 prior clearance in writing from SBP is required for appointment of Directors. Further, in terms of the said SBP circular, association of the following persons as a director is undesirable and against public interest:
 - a person who is/has been associated with any illegal activity, especially relating to the banking business; and
 - a person who in his individual capacity or a proprietary concern or any partnership firm or any private limited company or any unlisted public company or any listed public company (of which he has been a proprietor, partner, director or shareholder), has been in default of payment of any dues owed to any financial institution and /or in default of payment of any tax.
 - A person is not permitted to be a director of more than one financial institution. The term financial institution will include any bank, investment finance company, non-banking finance company, venture capital Company, housing finance company, leasing company or Modaraba Company.
3. A member entitled to attend and vote at the 10th Annual General Meeting is entitled to appoint another member as his/her proxy to attend, speak and vote instead of him/her behalf at the meeting. No person other than a member shall act as proxy. A corporation being a member may appoint as its proxy any of its official or any other person whether a member of the Bank or otherwise.
 4. An instrument appointing a proxy and the Power of Attorney or other Authority under which it is signed or a notarially certified copy of the Power or Authority, in order to be valid, must be deposited at the Registered Office of the Bank or F.D Registrar Services (SMC-Pvt) Limited 1705- 17th Floor, Saima Trade Tower-A, I. I Chundrigar Road, Karachi not later than 48 hours before the time fixed for holding the meeting and must be duly stamped, signed and witnessed.

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5. CDC account holder will in addition, have to follow under mentioned guidelines as laid down in Circular No.1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan for attending the meeting.
 6. Shareholders are requested to notify change in their address, if any, to our Share Registrar, F.D Registrar Services (SMC-Pvt) Limited at 1705- 17th Floor, Saima Trade Tower-A, I. I Chundrigar Road, Karachi.

A. For attending the meeting

- i) In case of individuals, the account holder or sub-account holder and their registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his/her original Computerized National Identity Card (CNIC) or Original Passport at the time of attending the meeting.
- ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B. For appointing proxies

- i) In case of individuals, the account holder or sub-account holder and their registration details are uploaded as per the regulations, shall submit the proxy form as per the above requirement.
- ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- iii) Attested copies of CNIC or the passport of the beneficial owners and of the proxy shall be furnished with the proxy form.
- iv) The proxy shall produce his/her original CNIC or original passport at the time of meeting.
- v) In case of a corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Bank.



STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE BURJ BANK LIMITED

for the year ended December 31, 2015

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

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

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

Category	Names of the Directors
Independent director	Mr. Muhammad Kamran Shehzad
Executive director	Mr. Ahmed Khizer Khan
Non-Executive directors	Mr. Khaled Mohammad Al Aboodi Mr. Shehab M. Gargash Mr. Harold E. Hutchins Mr. Shafqat Ali Memon Mr. Azam Essof Kolia Mr. Najmul Hassan Mr. Meshari Abdullah Abdulraheem Al Mulla

The independent director meet the criteria of independence as defined in the Prudential Regulations issued by the SBP and Board complies with the requirement stipulated in the Code of Corporate Governance.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year Bank appointed following directors to fill casual vacancies which arose during the year. The details are as follows:

Name of outgoing director	Name of incoming director	Date of casual vacancy	Date of appointment by the Board	Date of approval by the SBP
Mr. Fuad Azim Hashimi	Mr. Muhammad Kamran Shehzad	July 11, 2015	November 27, 2015	December 31, 2015
Mr. Adel MAM Al-Khayyat	Mr. Meshari Abdullah Abdulraheem Al Mulla	May 08, 2015	November 27, 2015	December 31, 2015
Mr. Azhar Hamid	Not yet appointed	October 30, 2015	Not yet appointed	Not yet appointed

5. The Bank has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures. The code is available on the internal website of the Bank.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO), other executive and non-executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. During the year, one director attended Corporate Governance Leadership Skills course conducted by Pakistan Institute of Corporate Governance. Besides, the management of the Bank disseminates any changes in the relevant laws, code, prudential regulations to the Board as required under the Code to acquaint the directors of their duties and responsibilities and enable them to manage the affairs of the Bank on behalf of the shareholders.
10. There was no new appointment of the Company Secretary, Chief Financial Officer (CFO) and Head of Internal Audit during the year ended December 31, 2015. The terms of employment of the Company Secretary, Chief Financial Officer (CFO) and the Head of Internal Audit, including their remuneration were ratified by the Board.
11. The directors’ report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Bank were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding.
14. The Bank has complied with all the corporate and financial reporting requirements of the CCG.



15. The Board has formed an Audit committee. All the members of the committee are non-executive directors including the Chairman who is an independent non-executive director. A casual vacancy occurred in the audit committee on July 11, 2015 which was filled in the Board meeting held on 25 January 2016. The Head of Internal Audit is the secretary to the Committee.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Bank and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed a human resource and remuneration committee. It comprises of three members, of whom two are non-executive directors including the Chairman of the Committee who is an independent non-executive director.
18. The Board has set up an effective internal audit function. The staff of Internal Audit Department is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Bank.
19. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. We confirm that all other material principles enshrined in the CCG have been complied with.

For and on behalf of the Board

AHMED KHIZER KHAN
PRESIDENT/CEO

Karachi
Dated: April 05, 2016

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) for the year ended 31 December 2015 prepared by the Board of Directors of Burj Bank Limited (the Bank) to comply with the Regulation G-1 of the Prudential Regulations for Corporate/Commercial Banking issued by the State Bank of Pakistan.

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

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

The Code requires the Bank to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance, effective for the year ended 31 December 2015.

Further, we highlight the matter referred to in note 4 of the Statement of Compliance which indicates that casual vacancies occurring in the Board during the year were not filled within the prescribed time of 90 days.



Chartered Accountants
Audit Engagement Partner: Arslan Khalid

Date: April 05, 2016
Karachi



STATEMENT ON INTERNAL CONTROLS

It is the responsibility of the Board of Directors and Bank's management to establish and maintain an adequate and effective Internal Control System. In this regard, the Board of Directors and Senior Management of the Bank being aware of the significance of internal controls framework in achieving the bank's overall objectives have been continuously striving to further enhance and consistently maintain a sound internal controls system and to ensure that the overall control environment remain sound through management oversight.

Board of Directors of the Bank are responsible for setting the right tone from the top by establishing overall strategy, policies related to these controls and systems. The Internal Audit & Shari'ah Audit Departments being independent functions reporting to the Audit Committee of the Board evaluates and monitors compliance with Bank's policies, procedures, applicable laws, regulations, Shari'ah guidelines and relevant controls in accordance with the approved annual audit plan and reports significant breaches to the Board Audit Committee on regular basis. The observations and suggestions received from the external auditors are also taken seriously by the management for prompt resolution by taking measures to eradicate or at a minimum, mitigate the highlighted weaknesses.

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

In compliance to State Bank of Pakistan's (SBP) BSD circular no. 7 of (2004) "Guidelines on Internal Controls", OSED Circular No. 01 of 2014 and the roadmap given for the implementation of Internal Control over Financial Reporting (ICFR), the management of the Bank has implemented all stages of the roadmap given by SBP. The external auditors have already reviewed and submitted external auditors' report (Long Form Report) to SBP as per its directives.

As part of ongoing exercise for the identification, evaluation and management of significant risks faced by the Bank, the bank's ICFR unit is in process of revisiting the control environment, control activities, risk assessment and monitoring relevant process level documents for assessing their soundness by developing comprehensive Management Testing Plans and reporting framework to ensure operating effectiveness of Controls, and if required, initiating measures to remediate control weaknesses. The ICFR unit along with rest of the management has also taken appropriate actions to address improvement ideas highlighted by auditors to further strengthen the control environment and testing the key processes and controls in line with requirement of SBP guidelines.

The Board of Directors remains the source of direction and guidance to the management and also ensured effective oversight through revamped MIS and other reporting mechanisms to the Board.

Internal Control Program is a continuous and ongoing process. While the management considers existing Internal Control system as adequate and effective, it is designed to manage and mitigate rather than eliminate the risk of failure to achieve the Bank's business targets. It can therefore, due to its inherent limitations only provide reasonable and not absolute assurance.

The Board of Directors of the Bank endorses the above stated management's evaluation of Internal Controls.

For and on behalf of the Board

Ahmed Khizer Khan
President & CEO
Dated: April 05, 2016

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed statement of financial position of Burj Bank Limited (the Bank) as at 31 December 2015, and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for ten branches which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of accounts have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984) and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- (b) in our opinion:
 - (i) the statement of financial position and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;

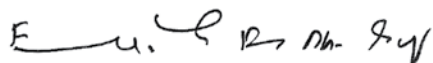
- (c) in our opinion, and to the best of our information and according to the explanations given to us the statement of financial position, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at 31 December 2015 and its true balance of the loss, comprehensive loss, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

We draw attention to:

- (i) note 1.4 to the financial statements, which fully explains the Bank's capital deficiency in terms of the regulatory requirements as prescribed by the State Bank of Pakistan and the Bank's future plans and key risks and uncertainties in relation thereto. These conditions indicate the existence of material uncertainty which may cast significant doubt about the Bank's ability to continue as a going concern; and
- (ii) note 12.1 to the financial statements, which states that the recoverability of deferred tax asset recognized in the financial statements depends on the availability of sufficient taxable profits in the future periods as estimated by the Bank on the basis of increase in capital base and financial projections approved by the Board of Directors of the Bank

Our opinion is not qualified in respect of the above matters.

The financial statements of the Bank for the year ended 31 December 2014 were audited by another firm of chartered accountants who expressed an unmodified opinion thereon dated 09 May 2015.



Chartered Accountants

Audit Engagement Partner: Arslan Khalid

Date: April 05, 2016

Karachi





Financial Statements



STATEMENT OF FINANCIAL POSITION

As at December 31, 2015

	Note	2015	2014
		----- Rupees in '000 -----	
ASSETS			
Cash and balances with treasury banks	6	3,586,010	2,411,487
Balances with other banks	7	126,046	81,779
Due from financial institutions	8	800,000	-
Investments	9	6,652,065	8,164,801
Islamic financing and related assets	10	18,079,208	19,960,447
Operating fixed assets	11	675,308	854,673
Deferred tax assets - net	12	1,514,798	1,404,859
Other assets	13	1,302,639	1,212,480
		32,736,074	34,090,526
LIABILITIES			
Bills payable	14	267,440	318,887
Due to financial institutions	15	1,268,359	1,795,000
Deposits and other accounts	16	25,637,406	25,808,867
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	17	1,173,939	1,364,053
		28,347,144	29,286,807
NET ASSETS		4,388,930	4,803,719
REPRESENTED BY			
Share capital	18	8,167,527	8,167,527
Reserves		2,030	2,030
Accumulated losses		(3,741,907)	(3,342,303)
		4,427,650	4,827,254
Deficit on revaluation of assets - net of tax	19	(38,720)	(23,535)
		4,388,930	4,803,719
CONTINGENCIES AND COMMITMENTS		20	

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


VICE CHAIRMAN


DIRECTOR


DIRECTOR


PRESIDENT / CEO



PROFIT AND LOSS ACCOUNT

For the year ended December 31, 2015

	Note	2015 ----- Rupees in '000 -----	2014 -----
Profit / return earned	21	2,528,224	4,265,544
Profit / return expensed	22	(1,394,821)	(2,951,435)
Net spread earned		1,133,403	1,314,109
Reversal / (provision) against non-performing Islamic financing and related assets - net	10.9	47,765	(122,301)
(Provision) / reversal for diminution in the value of investments - net	9.8	(17,586)	11,521
Bad debts written off directly		-	-
		30,179	(110,780)
Net spread after provisions		1,163,582	1,203,329
Other income			
Fee, commission and brokerage income		151,707	191,851
Dividend income		74,150	49,478
Gain / (loss) from dealing in foreign currencies		25,820	(329)
Gain on sale of securities - net	23	181,607	192,729
Unrealised (loss) / gain on revaluation of investments classified as held for trading - net	9.9	(2)	12,288
Other income	24	25,076	22,516
Total other income		458,358	468,533
		1,621,940	1,671,862
Other expenses			
Administrative expenses	25	(2,100,134)	(2,272,301)
Provision against other assets - net	13.2	-	(9,180)
Other charges	26	(2,275)	(5,180)
Total other expenses		(2,102,409)	(2,286,661)
Extra ordinary / unusual items		-	-
		(480,469)	(614,799)
Loss before taxation			
Taxation	27		
- Current year		(26,975)	(43,344)
- Prior years		-	-
- Deferred		107,840	186,366
		80,865	143,022
Loss after taxation		(399,604)	(471,777)
Basic and diluted loss per share	28	(0.489)	(0.578)

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


VICE CHAIRMAN


DIRECTOR


DIRECTOR


PRESIDENT / CEO

STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2015

	2015	2014
	----- Rupees in '000 -----	
Loss after taxation for the year	(399,604)	(471,777)
Other comprehensive income	-	-
Total comprehensive loss for the year transferred to equity	<u>(399,604)</u>	<u>(471,777)</u>

Components of comprehensive loss not reflected in equity

Deficit on revaluation of available for sale investments	(17,284)	(126,783)
Related deferred tax asset	2,099	41,071
	<u>(15,185)</u>	<u>(85,712)</u>

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



VICE CHAIRMAN



DIRECTOR



DIRECTOR



PRESIDENT / CEO



CASH FLOW STATEMENT

For the year ended December 31, 2015

	Note	2015	2014
		----- Rupees in '000 -----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(480,469)	(614,799)
Less: Dividend income		(74,150)	(49,478)
		(554,619)	(664,277)
Adjustments for non-cash and other items			
Depreciation - Owned assets	11.2	164,049	176,011
Depreciation - Ijarah assets		265,921	414,880
Amortisation	11.3	39,754	45,352
(Reversal) / provision against non-performing Islamic financing and related assets - net	10.9	(47,765)	122,301
Provision / (reversal) for diminution in the value of investments - net	9.8	17,586	(11,521)
Provision against other assets	13.2	-	9,180
Unrealised loss / (gain) on revaluation of investments classified as held for trading - net	9.9	2	(12,288)
Unrealised (gain) / loss on forward foreign exchange contracts - net	13	(535)	1,525
Gain on sale of operating fixed assets	24	(157)	(3,789)
Operating fixed assets written off	25	-	835
Gain on sale of securities - net	23	(181,607)	(192,729)
		257,248	549,757
		(297,371)	(114,520)
(Increase) / decrease in operating assets			
Net investment in held-for-trading securities		110,183	(212,333)
Islamic financing and related assets		1,663,083	8,457,498
Other assets (excluding advance taxation)		(68,731)	290,621
		1,704,535	8,535,786
Increase / (decrease) in operating liabilities			
Bills payable		(51,447)	(188,584)
Due to financial institutions		(526,900)	(1,251,877)
Deposits and other accounts		(171,461)	(16,888,808)
Other liabilities		(189,579)	(407,707)
		(939,387)	(18,736,976)
		467,777	(10,315,710)
		(66,150)	(79,669)
Income taxes paid			
Net cash generated from / (used in) operating activities		401,627	(10,395,379)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in available for sale securities		(5,192,571)	(8,940,753)
Net Investment in held to maturity securities		(1,586,464)	-
Dividend income received		74,613	49,215
Proceeds from sale of available for sale securities		8,345,607	10,304,231
Investment in operating fixed assets		(24,597)	(36,561)
Proceeds from sale of operating fixed assets		316	20,828
Net cash generated from investing activities		1,616,904	1,396,960
Increase / (decrease) in cash and cash equivalents during the year		2,018,531	(8,998,419)
Cash and cash equivalents at the beginning of the year		2,493,266	11,491,685
Cash and cash equivalents at the end of the year	29	4,511,797	2,493,266

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


VICE CHAIRMAN


DIRECTOR


DIRECTOR


PRESIDENT / CEO

STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2015

	Share Capital	Statutory reserve	Share based payment contribution reserve	Accumulated losses	Total
	----- Rupees in '000 -----				
Balance as at January 01, 2014	8,167,527	-	2,030	(2,870,526)	5,299,031
Loss for the prior year	-	-	-	(471,777)	(471,777)
Other comprehensive income for the prior year	-	-	-	-	-
Balance as at December 31, 2014	8,167,527	-	2,030	(3,342,303)	4,827,254
Loss for the current year	-	-	-	(399,604)	(399,604)
Other comprehensive income for the current year	-	-	-	-	-
Balance as at December 31, 2015	8,167,527	-	2,030	(3,741,907)	4,427,650

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



VICE CHAIRMAN



DIRECTOR



DIRECTOR



PRESIDENT / CEO



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

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 Commercial Bank 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 four branches (2014: seventy five branches).

1.3 Based on the financial statements of the Bank for the year ended December 31, 2014, the JCR - VIS Credit Rating Company Limited has determined the Bank's medium to long-term rating as "A - (minus)" and the short-term rating as 'A-2' with negative outlook. The outlook has been kept negative primarily because of non-compliance with the minimum capital requirement of the SBP (refer note 1.4).

1.4 Minimum Capital Requirement and its impact on the Bank

1.4.1 As per the regulatory requirements the banks in Pakistan are required to maintain Minimum Paid up Capital (net of losses) (MCR) of Rs. 10 billion and also are subject to Capital Adequacy Ratio (CAR) requirement of atleast 10% of the risk weighted assets.

1.4.2 As of 31 December 2015, the Bank's MCR amounted to Rs. 4.426 billion. In view of the MCR shortfall, the SBP has advised the Bank to maintain its CAR at 18% instead of the general requirement of 10%.

1.4.3 In the past, the Bank was allowed various extension in timelines to meet the minimum capital requirements. Recently, the SBP vide its letter dated 18 March 2016, has reiterated its concerns regarding the Banks inadequate capital base. However, considering the representation of the Bank's Board of Directors in respect of the strategic plans to comply with the capital requirements, the SBP has extended the relaxation in respect of MCR upto 30 June 2016.

1.4.4 In order to address the capital deficiency and financial condition and performance of the Bank, the Board of Directors (the 'Board') of the Bank have taken the following steps:

(a) The Board formed a special committee to identify potential investors desirous to acquire majority shareholding in the Bank and comply with the applicable MCR. In this regard, the majority sponsors of the Bank had entered in to an agreement in July 2015 with a potential investor, however, the said arrangement could not materialize due to reasons beyond control of the majority sponsors.

(b) Recently, the Board has shortlisted three (3) commercial banks in Pakistan who have shown willingness to acquire controlling interest in the Bank subject to completion of due diligence, finalization of transaction price and structure and the requisite regulatory approvals. The implementation of such arrangements may also result in the amalgamation of the Bank with the other commercial bank in Pakistan.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

- (c) The management of the Bank has prepared a set of financial projections for the period of five years to analyze the Bank's sustainability in the future periods with a particular focus on the twelve months period ending 31 December 2016. The financial projections are based on various assumptions such as maintainability of Bank's significant deposit base, future loan losses and recoveries, discount rate, cost of funds etc. These financial projections have been approved by the Board of Directors of the Bank and have been subjected to stress scenarios which the Board considered to be reasonable and appropriate.

1.4.5 The Bank is cognizant of the fact that compliance with the MCR through the above strategic plans remain subject to various uncertainties including successful completion of the transaction as envisaged, potential investor's commitment to the capital raising based on the Bank's future needs and its timing, obtaining of requisite legal and regulatory approvals, etc. Further, the non-compliance with the applicable regulatory capital requirements exposes the Bank to actions under the banking laws.

1.4.6 These factors indicate the existence of material uncertainty regarding the Bank's ability to comply with the MCR as specified by SBP and its sustainability in the future.

1.4.7 Keeping in view the above facts and circumstances, the Board have concluded that the current situation along with the risks and uncertainties set out above represents a material uncertainty which may cast significant doubt upon the Bank's ability to continue as a going concern. However, based on the mitigating factors as referred to in paragraph 1.4.4 above, the Board has reasonable expectation that the Bank will have adequate resources to continue its business for the foreseeable future. Accordingly, these financial statements have been prepared on a going concern basis.

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 Board 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.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

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 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.

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

3.4.1 The Bank has adopted the following accounting standard and the amendments and interpretation of IFRSs which became effective for the current year:

- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 13 – Fair Value Measurement
- IAS 19 – Employee Benefits – (Amendment) - Defined Benefit Plans: Employee Contributions

Improvements to Accounting Standards Issued by the IASB in December 2013

- IFRS 2 – Share-based Payment - Definitions of vesting conditions
- IFRS 3 – Business Combinations – Accounting for contingent consideration in a business combination
- IFRS 3 – Business Combinations - Scope exceptions for joint ventures
- IFRS 8 – Operating Segments – Aggregation of operating segments
- IFRS 8 – Operating Segments - Reconciliation of the total of the reportable segments' assets to the entity's assets
- IFRS 13 – Fair Value Measurement
- IAS16 – Property, Plant and Equipment and IAS 38 Intangible Assets – Revaluation method – proportionate restatement of accumulated depreciation / amortisation
- IAS 24 – Related Party Disclosures - Key management personnel
- IAS 40 – Investment Property - Interrelationship between IFRS 3 and IAS 40 (ancillary services)

The adoption of the above amendments, improvements to accounting standards and interpretations did not have any effect on the financial statements except for IFRS 13, which requires additional disclosures (see note 34).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

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

3.5.1 The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

	Effective date (accounting periods beginning on or after)
- IFRS 10 – Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment in Associates and Joint Ventures– Investment Entities: Applying the Consolidation Exception (Amendment)	01 January 2016
- IFRS 10 – Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
- IFRS 11 – Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)	01 January 2016
- IAS 1 – Presentation of Financial Statements - Disclosure Initiative (Amendment)	01 January 2016
- IAS 16 – Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)	01 January 2016
- IAS 16 – Property, Plant and Equipment IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)	01 January 2016
- IAS 27 – Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)	01 January 2016

The above standards and amendments are not expected to have any material impact on the Bank's financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in September 2014. Such improvements are generally effective for accounting periods beginning on or after 01 January 2016. The Bank expects that such improvements to the standards will not have any material impact on the Bank's financial statements in the period of initial application.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

IASB Effective
date (annual peri-
ods beginning on
or after)

- IFRS 9 – Financial Instruments: Classification and Measurement	01 January 2018
- IFRS 14 – Regulatory Deferral Accounts	01 January 2016
- IFRS 15 – Revenue from Contracts with Customers	01 January 2018
- IFRS 16 – Leases	01 January 2019

3.6 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:

Going concern assessments

As referred to in note 1.4 to the financial statements, the Bank's management and the Board have made an assessment and are satisfied that the Bank has adequate resources to continue in business on a sustainable basis for the foreseeable future. Therefore, the financial statements of the Bank have been prepared on a going concern basis.

Provision / Impairment against Investments

Provision for diminution in the value of Sukuk certificates is made as per the Prudential Regulations issued by the SBP. 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 as an objective evidence of impairment.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

Provision against Islamic financing and related assets

The Bank reviews its Islamic financing and related assets portfolio to assess amount of non-performing Islamic financing and related assets and determine provision required there against on a quarterly basis. Provisions are made in accordance with the requirements of Prudential Regulations and charged to profit and loss account. These regulations prescribe an age based criteria and subjective evaluation of Islamic financing and related assets by the banks for classification of non-performing Islamic financing and related assets. The provision against such non-performing Islamic financing and related assets is made at specified percentages as prescribed under Prudential Regulations after taking into account the forced sale value of collaterals held by the Bank. Such regulations also require the Bank to maintain general provision against consumer advances at specified percentage of consumer's portfolio unless specific exemption is available from the State Bank of Pakistan.

Deferred tax assets

Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. The factors considered by the management in this respect are detailed in note 12.1 to the financial statements.

Operating fixed assets, depreciation and amortization

In making estimates of the depreciation / amortization method, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Bank. The method applied is reviewed on periodic basis and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method would be changed to reflect the change in pattern.

Share based compensation plan

The Bank measures the cost of equity-settled transactions with the Chief Executive Officer by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the share option. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and risk free interest rate and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 33.

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.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

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.

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 securities acquired by the Bank with the intention to trade by taking advantage of short-term market / interest rate movements.

(b) Held to maturity

These are securities acquired by the Bank with the intention and ability to hold them upto 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

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 of the SBP, quoted securities and Government securities other than those classified as 'held to maturity', are subsequently re-measured to market value. Surplus / deficit arising on revaluation of quoted securities classified as 'available for sale', is taken to a separate account shown in the statement of financial position below equity.

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 financial statements. In cases where the break up value of such shares is less than the cost, the difference of the cost and break up value is provided for accordingly by charging to the profit and loss account.

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 transferred to 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. A brief description of the products are given in note 10.1 to these financial statements. These are stated net of specific and general provision against non performing Islamic financing and related assets, if any.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

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 (refer note 10.9.1), 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

5.4.2 Property and equipment

These assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation 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 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.

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.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

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 minimum tax, if applicable, in accordance with the requirements of section 113 of the Income Tax Ordinance, 2001.

Deferred

Deferred income tax is provided on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilised.

The carrying amount of deferred income tax assets are reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit or taxable temporary differences will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

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 Mudharabah 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 Mudharakah, Mudharabah 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. Mudharakah 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 or disbursements made, as the case may be.
- b) Profits / returns on funds due to financial institutions / deposits are recognised as an expense in the period in which these are incurred.
- 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.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

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 Bai muajjal, 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

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.

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.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

	Note	2015 ----- Rupees in '000 -----	2014
6 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
- local currency		775,819	894,160
- foreign currencies		271,381	259,167
		<u>1,047,200</u>	<u>1,153,327</u>
With the State Bank of Pakistan in			
- local currency current account	6.1	2,390,682	1,064,146
- foreign currency current account		4,570	6,085
- foreign currency deposit accounts			
cash reserve account	6.2	38,754	60,290
special cash reserve account	6.3	47,657	72,348
		<u>86,411</u>	<u>132,638</u>
With National Bank of Pakistan in			
- local currency current account		57,147	55,291
		<u>3,586,010</u>	<u>2,411,487</u>

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	2015 ----- Rupees in '000 -----	2014
7 BALANCES WITH OTHER BANKS			
In Pakistan			
- current account		673	1,243
- deposit account	7.1	1,214	579
Outside Pakistan			
- current account		124,159	79,957
		<u>126,046</u>	<u>81,779</u>

7.1 This represents savings accounts carrying profit at rates ranging from 2.65% to 2.75% per annum (2014: 3.22% to 4.75% per annum).



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

	Note	2015 ----- Rupees in '000 -----	2014 ----- Rupees in '000 -----
8	DUE FROM FINANCIAL INSTITUTIONS		
Musharka placements	8.1 & 8.2	<u>800,000</u> <u>800,000</u>	<u>-</u> <u>-</u>
8.1	This represents placement made with a financial institution under musharka agreement and carries return at profit rate of 4.75% (2014: Nil) having maturity upto January 4, 2016.		
		2015 ----- Rupees in '000 -----	2014 ----- Rupees in '000 -----
8.2	Particulars of due from financial institutions		
In local currency		800,000	-
In foreign currency		-	-
		<u>800,000</u>	<u>-</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

9 INVESTMENTS

9.1 Investments by type

	Note	2015			2014		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
----- Rupees in '000 -----							
Held for trading securities							
Sukuk certificates		17,194	-	17,194	-	-	-
Fully paid up ordinary shares		-	-	-	115,089	-	115,089
Available for sale securities							
Sukuk certificates	9.7	4,012,350	-	4,012,350	7,038,674	-	7,038,674
Fully paid up ordinary shares		789,789	-	789,789	818,279	-	818,279
Units of open-end mutual funds		370,167	-	370,167	269,498	-	269,498
		5,172,306	-	5,172,306	8,126,451	-	8,126,451
Held to maturity securities							
Bai Muajjal receivable from Government of Pakistan (GOP)		1,586,464	-	1,586,464	-	-	-
Investments at cost							
		6,775,964	-	6,775,964	8,241,540	-	8,241,540
Less: Provision for diminution in the value of investments	9.8	(64,328)	-	(64,328)	(46,742)	-	(46,742)
Investments (net of provisions)							
		6,711,636	-	6,711,636	8,194,798	-	8,194,798
Unrealised (loss) / gain on revaluation of investments classified as held for trading - net	9.9	(2)	-	(2)	12,288	-	12,288
Deficit on revaluation of available for sale securities - net	19	(59,569)	-	(59,569)	(42,285)	-	(42,285)
Total investments at market value							
		6,652,065	-	6,652,065	8,164,801	-	8,164,801



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

	Note	2015 ----- Rupees in '000 -----	2014
9.2 Investments by segment			
Federal Government Securities			
GOP Ijarah Sukuk - unlisted	9.4	3,772,317	6,554,429
Bai Muajjal receivable from GOP	9.2.1	1,586,464	-
		5,358,781	6,554,429
Fully paid up ordinary shares / units			
Companies / mutual funds	9.5	1,159,956	1,202,866
Sukuk certificates			
Sukuk certificates - unlisted	9.6	257,227	484,245
Investments at cost		6,775,964	8,241,540
Less: Provision for diminution in the value of investments	9.8	(64,328)	(46,742)
Investments (net of provisions)		6,711,636	8,194,798
Unrealised (loss) / gain on revaluation of investments classified as held for trading - net	9.9	(2)	12,288
Deficit on revaluation of available for sale securities - net	19	(59,569)	(42,285)
Total investments at market value		6,652,065	8,164,801
9.2.1 The rate of return is 5.99% (2014: Nil) per annum and will mature by November 2016.			
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.			

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

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	2015 Carrying value	2014
----- Rupees in '000 -----					
GOP IJARAH SUKUK - XV 37,553 (2014: 32,533) certificates Maturity date: June 25, 2017	Government of Pakistan Sovereign guarantee	6 months T-Bill minus 2%	Semi- annually	3,755,123	3,253,160
GOP IJARAH SUKUK - XVI 170 (2014: Nil) certificates Maturity date: Dec 18, 2018	Government of Pakistan Sovereign guarantee	6 months T-Bill minus 0.5%	Semi- annually	17,194	-
GOP IJARAH SUKUK - IX Nil (2014: 4,363) certificates Maturity date: November 21, 2015	Government of Pakistan Sovereign guarantee	6 months T-Bill	Semi- annually	-	436,892
GOP IJARAH SUKUK - X Nil (2014: 11,780) certificates Maturity date: November 21, 2015	Government of Pakistan Sovereign guarantee	6 months T-Bill	Semi- annually	-	1,181,133
GOP IJARAH SUKUK - XI Nil (2014: 8,620) certificates Maturity date: November 21, 2015	Government of Pakistan Sovereign guarantee	6 months T-Bill	Semi- annually	-	862,013
GOP IJARAH SUKUK - XII Nil (2014: 2,095) certificates Maturity date: November 21, 2015	Government of Pakistan Sovereign guarantee	6 months T-Bill	Semi- annually	-	210,316
GOP IJARAH SUKUK - XIII Nil (2014: 6,100) certificates Maturity date: November 21, 2015	Government of Pakistan Sovereign guarantee	6 months T-Bill minus 0.25%	Semi- annually	-	610,915
				<u>3,772,317</u>	<u>6,554,429</u>



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

9.5 Particulars of investments in companies / mutual funds

2015	2014		2015	2014
Number of shares / units			Carrying value ---- Rupees in '000 ----	
Listed companies - Fully paid up ordinary shares of Rs.10 each				
225,000	229,000	Lucky Cement Limited	117,733	101,435
1,125,000	-	- Pak Elektron Limited	88,564	-
175,000	150,000	Pakistan Oil Fields Limited	60,845	72,641
50,000	-	- Indus Motor Company Limited	60,030	-
1,000,000	500,000	Fauji Fertilizer Bin Qasim Limited	59,410	20,592
850,000	2,130,000	Maple Leaf Cement Factory Limited	58,344	72,026
150,000	245,000	Pakistan State Oil Company Limited	56,327	93,070
200,000	200,000	Attock Refinery Limited	42,959	43,389
5,000,000	3,650,000	K-Electric Limited	40,208	28,488
150,000	-	- Honda Atlas Car Pakistan Limited	36,702	-
250,000	250,000	Fauji Fertilizer Company Limited	34,466	28,612
240,000	150,000	Pakistan Petroleum Limited	34,154	32,638
300,000	1,000,000	Hub Power Company Limited	28,861	68,599
250,000	1,250,500	Kohinoor Textile Mills Limited	16,452	35,161
50,000	197,300	GlaxoSmithKline Pakistan Limited	11,296	45,019
50,000	150,000	Kohat Cement Company Limited	10,408	25,695
250,000	-	- Fauji Cement Company Limited	8,769	-
50,000	250,000	Cherat Cement Company Limited	4,261	14,597
-	770,000	D. G. Khan Cement Company Limited	-	70,837
-	517,300	Nishat Mills Limited	-	64,007
-	2,325,000	Pakistan Telecommunication Company Limited	-	62,423
-	185,000	Oil and Gas Development Company Limited	-	46,948
-	70,000	Engro Foods Limited	-	7,191
			769,789	933,368
Unlisted company				
1,600,000	-	- TPL Properties (Private) Limited	20,000	-
Mutual funds - Face value of Rs. 100 each unless otherwise stated				
981,935	1,220,444	Askari Islamic Income Fund	100,167	124,498
9,540,207	4,881,287	ABL Islamic Income Fund *	100,000	50,000
10,789,727	-	- Nafa Islamic Aggressive Income Fund *	100,000	-
665,908	665,909	Faysal Islamic Savings Growth Fund	70,000	70,000
396	-	- Faysal Islamic Asset Allocation Fund	-	-
-	243,211	KASB Islamic Income Opportunity Fund	-	25,000
			370,167	269,498
			1,159,956	1,202,866

* Face value of Rs. 10 each

* Face value of Rs. 10 each

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

9.6 Particulars of Sukuk Certificates - Unlisted, Secured

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

Particulars	Collateral	Profit rate	Profit payment	2015	2014
				Carrying value	
WAPDA Second Sukuk Certificates 74,000 (2014: 74,000) certificates Face value Rs. 1,667 (2014: Rs. 2,500) Maturity date: July 13, 2017	Government of Pakistan Sovereign guarantee	6 months KIBOR minus 0.25%	Semi-annually	123,371	185,467
Engro Fertilizers Limited Nil (2014: 48,400) certificates Face value Rs. Nil (2014: Rs. 5,000) Maturity date: September 6, 2015	Tangible Assets	6 months KIBOR plus 1.50%	Semi-annually	-	142,195
Security Leasing Corporation Limited 6,000 (2014: 6,000) certificates Face value Rs.1,540 (2014: Rs.1,540) Maturity date: January 19, 2022	Tangible Assets	6%	Monthly	9,242	9,242
Amtex Limited 10,000 (2014: 10,000) certificates Face value Rs. 3,750 (2014: 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 (2014: 10,000) certificates Face value Rs. 1,677 (2014: Rs. 2,708) Maturity date: December 3, 2018	Tangible Assets	3 months KIBOR plus 1%	Quarterly	16,769	27,082
Quetta Textile Mills Limited 30,000 (2014: 30,000) certificates Face value Rs. 2,345 (2014: Rs. 2,759) Maturity date: March 26, 2020	Tangible Assets	6 months KIBOR plus 1.75%	Semi-annually	70,345	82,759
				257,227	484,245



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

9.7 Quality of available for sale securities

Sukuk certificates (at market value)

	2015 Long / medium term credit rating	2014 Unrated	2015 ----- Rupees in '000 -----	2014 ----- Rupees in '000 -----
GOP Ijarah Sukuk - IX	N/A	Unrated	-	436,817
GOP Ijarah Sukuk - X	N/A	Unrated	-	1,180,003
GOP Ijarah Sukuk - XI	N/A	Unrated	-	864,155
GOP Ijarah Sukuk - XII	N/A	Unrated	-	210,003
GOP Ijarah Sukuk - XIII	N/A	Unrated	-	611,281
GOP Ijarah Sukuk - XV	N/A	Unrated	-	611,281
WAPDA second sukuk certificates	Unrated	Unrated	3,755,250	3,194,692
Quetta Textile Mills Limited - (at cost)	AAA	Unrated	123,949	185,924
Amtext Limited - (at cost)	-*	Unrated	70,345	82,759
Maple Leaf Cement Factory Limited Sukuk - I	-*	-*	37,500	37,500
Security Leasing Corporation Limited - (at cost)	BBB	BBB	16,688	21,332
Engro Fertilizers Limited	-*	-*	9,242	9,242
	AA	A	-	142,557
			4,012,974	6,976,265

Ordinary shares - listed (at market value)

Lucky Cement Limited	Unrated	Unrated	111,384	92,051
Pak Elektron Limited	A	N/A	70,358	-
Maple Leaf Cement Factory Limited	A	BBB	63,393	77,438
Fauji Fertilizer Bin Qasim Limited	Unrated	Unrated	52,680	22,605
Indus Motor Company Limited	Unrated	N/A	50,584	-
Pakistan State Oil Company Limited	AA	AA+	48,866	80,530
Pakistan Oil Fields Limited	Unrated	Unrated	46,904	56,904
Attock Refinery Limited	AA	AA	42,376	37,554
K-Electric Limited	AA	A+	37,200	23,050
Honda Atlas Car Pakistan Limited	Unrated	N/A	35,841	-
Hub Power Company Limited	AA+	AA+	30,780	78,360
Fauji Fertilizer Company Limited	Unrated	Unrated	29,495	29,278
Pakistan Petroleum Limited	Unrated	Unrated	29,234	26,478
Kohinoor Textile Mills Limited	A	A-	17,875	35,050
Kohat Cement Company Limited	Unrated	Unrated	12,044	19,087
GlaxoSmithKline Pakistan Limited	Unrated	Unrated	11,000	32,896
Fauji Cement Company Limited	Unrated	N/A	9,205	-
Cherat Cement Company Limited	A	Unrated	4,508	17,170
Oil and Gas Development Company Limited	N/A	AAA	-	38,086
Pakistan Telecommunication Company Limited	N/A	Unrated	-	46,060
D. G. Khan Cement Company Limited	N/A	Unrated	-	55,265
Nishat Mills Limited	N/A	AA-	-	60,495
Engro Foods Limited	N/A	A+	-	5,427
			703,727	833,784

Ordinary shares - Unlisted (at cost)

TPL Properties (Private) Limited	A+	N/A	20,000	-
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Units of open-end mutual funds (at market value)

Askari Islamic Income Fund	AA- (f)	AA- (f)	101,623	126,972
NAFA Islamic Aggressive Income Fund	AA- (f)	N/A	106,271	-
ABL Islamic Income Fund	A(f)	A(f)	98,627	51,134
Faysal Islamic Savings Growth Fund	AA- (f)	AA- (f)	69,474	70,646
Faysal Islamic Asset Allocation Fund	Unrated	N/A	39	-
KASB Islamic Income Opportunity Fund	N/A	BBB+(f)	-	25,365
			376,034	274,117
			5,112,735	8,084,166
			(64,328)	(46,742)
			5,048,407	8,037,424

Less: Provision for diminution in the value of investments (note 9.8)

*Non-performing sukuk certificates

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

	Note	2015	2014
9.8 Particulars of provision for diminution in the value of investments		----- Rupees in '000 -----	
Opening balance		46,742	58,263
Charge for the year		17,586	-
Reversals during the year		-	(11,521)
		17,586	(11,521)
Closing balance	9.8.1	64,328	46,742
9.8.1 Particulars of provision for diminution in the value of investments by type and segment		2015	2014
		----- Rupees in '000 -----	
Unlisted sukuk certificates - available for sale		64,328	46,742
9.9 Unrealised (loss) / gain on revaluation of investments classified as held for trading - net			

	Unrealised (loss) / gain		Cost	
	2015	2014	2015	2014
	----- Rupees in '000 -----			
Investee company				
Lucky Cement Limited	-	2,047	-	20,465
Maple Leaf Cement Factory Limited	-	2,956	-	13,859
Nishat Mills Limited	-	(14)	-	2,107
Pakistan State Oil Company Limited	-	(124)	-	7,283
Pakistan Telecommunication Company Limited	-	393	-	7,092
D. G. Khan Cement Company Limited	-	3,561	-	26,282
Engro Foods Limited	-	144	-	2,026
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	-	115,089
Sukuk certificates				
GOP Ijarah - XVI	(2)	-	17,194	-
	(2)	12,288	17,194	115,089



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

10	ISLAMIC FINANCING AND RELATED ASSETS	Note	2015 ----- Rupees in '000 -----	2014
	In Pakistan			
	- Murabaha	10.2.2 & 10.3	2,269,642	2,740,708
	- Advances against murabaha		428,063	532,828
	- Diminishing musharakah		12,728,063	12,185,136
	- Advances against diminishing musharakah		276,501	683,674
	- Net investment in ijarah	10.4	529,319	989,692
	- Istisna	10.5	2,072,813	3,454,587
	- Advances against istisna		392,012	50,979
	- Modaraba		214,990	231,380
	- Staff finance	10.6	656,138	737,502
	- Advances against staff finance		-	2,217
	Islamic financing and related assets - gross	10.7	19,567,541	21,608,703
	Provision against non performing Islamic financing and related assets	10.9	(1,488,333)	(1,648,256)
	Islamic financing and related assets - net of provision		<u>18,079,208</u>	<u>19,960,447</u>

10.1 Brief description of Islamic Financing arrangements

Murabaha

Under murabaha financing, funds disbursed for purchase of goods are recorded as 'advance against murabaha finance'. On culmination of murabaha i.e. sale of goods to customers, murabaha financing are recorded at the deferred sale price net of deferred profit. Goods purchased but remaining unsold at the statement of financial position date are recorded as inventories.

Diminishing Musharaka

In Diminishing Musharaka based financing, the Bank enters into musharaka based on Shirkat-ul-Mulk for financing and agreed share of fixed assets (example: house, land, plant, machinery or vehicle) with its customers and enters into period profit payment agreement for the utilization of the Bank's musharaka share by the customer.

Ijarah

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.

Istisna

In Istasna financing, the Bank places an order to purchase some specific goods / commodities from its customers to be delivered to the Bank within an agreed time. The goods are then sold and the amount financed is paid back to the Bank.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

	2015	2014
	----- Rupees in '000 -----	
10.2 Murabaha sale price	5,218,563	18,665,668
Murabaha purchase price	(4,950,359)	(17,733,453)
	<u>268,204</u>	<u>932,215</u>
10.2.1 Unearned murabaha income		
Opening balance	146,200	326,379
Arising during the year	268,205	932,215
Recognised during the year	(320,183)	(1,112,394)
	<u>94,222</u>	<u>146,200</u>
10.2.2 Murabaha receivable		
Opening balance	2,740,708	11,025,646
Sales during the year	5,218,563	18,665,668
Received during the year	(5,689,629)	(26,950,606)
	<u>2,269,642</u>	<u>2,740,708</u>
10.3 It includes financings amounting to Rs. 63.257 million (2014: Rs. 20.353 million) against murabaha under Islamic Export Refinance Scheme.		
10.4 Net investment in ijarah	Note	2015 2014
		----- Rupees in '000 -----
- Ijarah under finance method	10.4.1	358 2,093
- Ijarah accounted for under IFAS-2	10.4.2	528,961 987,599
		<u>529,319 989,692</u>
10.4.1 Net investment in ijarah - ijarah under finance method		

	2015				2014			
	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	148	-	-	148	1,450	-	-	1,450
Residual value	210	-	-	210	643	-	-	643
Minimum ijarah payments	358	-	-	358	2,093	-	-	2,093
Less: Profits for future periods	-	-	-	-	-	-	-	-
Present value of minimum ijarah payments	<u>358</u>	<u>-</u>	<u>-</u>	<u>358</u>	<u>2,093</u>	<u>-</u>	<u>-</u>	<u>2,093</u>



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

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

2015 2014
----- Rupees in '000 -----

Movement in net book value of ijarah assets

Assets under ijarah

Opening balance	1,925,494	3,297,607
Disbursed during the year	-	57,035
Disposals during the year	(696,105)	(1,429,148)
Closing balance	1,229,389	1,925,494

Accumulated depreciation

Opening balance	937,895	789,843
Charged during the year	260,143	406,405
Adjustment during the year	(497,610)	(258,353)
Closing balance	700,428	937,895

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

528,961	987,599
---------	---------

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

	2015				2014			
	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	395,519	174,044	-	569,563	590,897	534,617	-	1,125,514

10.5 It includes financings amounting to Rs. 1,221.949 million (2014: Rs. 1,545.978 million) against istisna under Islamic Export Refinance Scheme.

10.6 Staff finance

Note 2015 2014
----- Rupees in '000 -----

Staff ijarah accounted for under IFAS-2	10.6.1	12,693	26,110
Staff housing finance under diminishing musharakah		643,445	711,392
		656,138	737,502

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For the year ended December 31, 2015

	2015	2014
	----- Rupees in '000 -----	
10.6.1 Staff finance - ijarah accounted for under IFAS-2		
Movement in net book value of ijarah assets		
Assets under ijarah		
Opening balance	41,218	60,094
Disbursed during the year	-	-
Disposals during the year	(14,126)	(18,876)
Closing balance	27,092	41,218
Accumulated depreciation		
Opening balance	15,108	12,387
Charged during the year	5,778	8,475
Adjustment during the year	(6,487)	(5,754)
Closing balance	14,399	15,108
Staff finance - ijarah accounted for under IFAS-2	12,693	26,110

10.6.2 Staff finance - ijarah accounted for under IFAS-2

	2015				2014			
	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	7,075	6,439	-	13,514	9,361	19,115	-	28,476

	2015	2014
	----- Rupees in '000 -----	
10.7 Particulars of Islamic financing and related assets - gross		
In local currency	19,567,541	21,608,703
In foreign currency	-	-
	<u>19,567,541</u>	<u>21,608,703</u>
Short term (upto one year)	5,377,520	7,010,482
Long term (over one year)	14,190,021	14,598,221
	<u>19,567,541</u>	<u>21,608,703</u>
Corporate financing	10,280,937	14,185,516
Consumer financing	8,630,466	6,683,468
Staff financing	656,138	739,719
	<u>19,567,541</u>	<u>21,608,703</u>



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

- 10.8** Islamic financing and related assets include Rs. 1,476.745 million (2014: Rs. 1,813.094 million) which have been placed under non-performing status as detailed below:

Category of classification	2015								
	Classified Islamic financing and related assets			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
----- Rupees in '000 -----									
OAEM	13,903	-	13,903	-	-	-	-	-	-
Substandard	87,077	-	87,077	11,046	-	11,046	11,046	-	11,046
Doubtful	12,713	-	12,713	6,285	-	6,285	6,285	-	6,285
Loss	1,363,052	-	1,363,052	1,430,910	-	1,430,910	1,430,910	-	1,430,910
	<u>1,476,745</u>	<u>-</u>	<u>1,476,745</u>	<u>1,448,241</u>	<u>-</u>	<u>1,448,241</u>	<u>1,448,241</u>	<u>-</u>	<u>1,448,241</u>

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
	<u>1,813,094</u>	<u>-</u>	<u>1,813,094</u>	<u>1,607,989</u>	<u>-</u>	<u>1,607,989</u>	<u>1,607,989</u>	<u>-</u>	<u>1,607,989</u>

- 10.8.1** The balances under 'classified Islamic financing and related assets' are adjusted for IFAS related adjustments, whereas 'specific provision required and held' is calculated against actual outstanding balance as required under Prudential Regulations.
- 10.8.2** 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, 2015 amounts to Rs. 40.97 million (2014: Rs. 118.46 million). The additional profit arising from availing the FSV benefit - net of tax as at December 31, 2015 amounts to Rs. 26.63 million (2014: Rs. 76.99 million). The increase in profit, due to availing of the benefit, is not available for distribution of cash, stock dividend to shareholders and bonus to employees.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

10.9 Particulars of provision against Islamic financing and related assets

Note	2015			2014		
	Specific	General	Total	Specific	General	Total
----- Rupees in '000 -----						
Opening balance	1,607,989	40,267	1,648,256	1,475,808	50,147	1,525,955
Charge for the year	191,274	-	191,274	145,562	-	145,562
Reversals during the year	(238,864)	(175)	(239,039)	(13,381)	(9,880)	(23,261)
Net (reversal) / charge	(47,590)	(175)	(47,765)	132,181	(9,880)	122,301
Amounts written off	10.10	(112,158)	-	(112,158)	-	-
Closing balance	1,448,241	40,092	1,488,333	1,607,989	40,267	1,648,256

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

	2015			2014		
	Specific	General	Total	Specific	General	Total
----- Rupees in '000 -----						
In local currency	1,448,241	40,092	1,488,333	1,607,989	40,267	1,648,256
In foreign currency	-	-	-	-	-	-
	1,448,241	40,092	1,488,333	1,607,989	40,267	1,648,256

10.9.3 Although the Bank has made provision against its non-performing portfolio as per the category of classification of Islamic financing and related assets, the Bank holds enforceable collateral in the event of 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.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

	Note	2015	2014
		----- Rupees in '000 -----	
10.10 Particulars of write-offs			
10.10.1 Against provisions	10.9	<u>112,158</u>	-
10.10.2 Write-offs of Rs. 500,000 and above	10.11	<u>112,158</u>	-
10.11 Details of Islamic financing write-offs of Rs. 500,000 and above			

In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written off loans or any other financial relief of five hundred thousand rupees or above allowed to a person(s) during the year ended December 31, 2015 is given in Annexure - I to these financial statements.

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

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

	2015	2014
	----- Rupees in '000 -----	
Balance at the beginning of the year	739,719	697,939
Disbursements during the year	171,631	252,074
Repayments made during the year	<u>(255,212)</u>	<u>(210,294)</u>
Balance at the end of the year	<u>656,138</u>	<u>739,719</u>

10.12.2 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:

	Note	2015	2014
		----- Rupees in '000 -----	
Balance at the beginning of the year		188,712	188,712
Disbursements during the year		-	-
Repayments made during the year		-	-
Adjustments	10.12.3	<u>(188,712)</u>	-
Balance at the end of the year		<u>-</u>	<u>188,712</u>

10.12.3 Adjustment relates to an entity which is no longer an associate of the Bank as of December 31, 2015 following the resignation by a common director.

10.12.4 The Bank does not have any subsidiary companies, controlled firms and managed modarabas. Further, as at December 31, 2015 and December 31, 2014, the Bank has no Islamic financing and related assets balance outstanding with any other related parties.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

11	OPERATING FIXED ASSETS	Note	2015	2014
			----- Rupees in '000 -----	
	Capital work-in-progress	11.1	30,273	25,318
	Property and equipment	11.2	605,580	752,738
	Intangible assets	11.3	39,455	76,617
			<u>675,308</u>	<u>854,673</u>
11.1	Capital work-in-progress			
	Advance for computer software		<u>30,273</u>	<u>25,318</u>
			<u>30,273</u>	<u>25,318</u>

11.2 Property and equipment

	2015-----							
	Cost			Accumulated Depreciation			Book value	
	As at January 1, 2015	Additions / (disposals) during the year	As at December 31, 2015	As at January 1, 2015	Charge for the year / (disposals)	As at December 31, 2015	As at December 31, 2015	Rate of depreciation %
	----- Rupees in '000 -----							
Leasehold improvements	643,529	710	644,239	250,664	64,375	315,039	329,200	10
Building	62,444	-	62,444	12,228	3,122	15,350	47,094	5
Furniture and fixtures	129,092	688	129,780	48,501	12,945	61,446	68,334	10
Office equipment	191,945	11,626	203,571	60,906	19,848	80,754	122,817	10
Computer equipment	424,172	1,425 (1,239)	424,358	345,013	59,605 (1,080)	403,538	20,820	33.33
Vehicles	35,528	2,601	38,129	16,660	4,154	20,814	17,315	20
	<u>1,486,710</u>	<u>17,050</u> <u>(1,239)</u>	<u>1,502,521</u>	<u>733,972</u>	<u>164,049</u> <u>(1,080)</u>	<u>896,941</u>	<u>605,580</u>	



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For the year ended December 31, 2015

	2014							
	Cost			Accumulated Depreciation			Book value	Rate of depreciation %
	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	
	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	

11.2.1 The cost of fully depreciated assets still in use amounts to Rs. 232.695 million (2014: Rs. 222.279 million).

11.3 Intangible assets

	----- 2015 -----							
	Cost			Amortisation			Book value	Rate of amortisation %
	As at January 1, 2015	Additions during the year	As at December 31, 2015	As at January 1, 2015	Charge for the year	As at December 31, 2015	As at December 31, 2015	
	----- Rupees in '000 -----							
Computer software	355,306	2,592	357,898	278,689	39,754	318,443	39,455	20 - 33.33
	----- 2014 -----							
	Cost			Amortisation			Book value	Rate of amortisation %
	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	
	----- Rupees in '000 -----							
Computer software	346,949	8,357	355,306	233,337	45,352	278,689	76,617	20 - 33.33

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

11.3.1 The cost of fully amortised assets still in use amounts to Rs. 211.081 million (2014: Rs. 196.400 million).

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

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of purchaser
----- Rupees in '000 -----						
Items having cost in aggregate less than Rs 1,000,000 or book value less than Rs 250,000						
Computer equipment	1,239	1,080	159	316	Various	Various
	1,239	1,080	159	316		
December 31, 2015	1,239	1,080	159	316		
December 31, 2014	33,102	15,228	17,874	20,828		

	Note	2015	2014
----- Rupees in '000 -----			
12 DEFERRED TAX ASSETS - NET			
Deferred credits arising due to			
Accelerated tax depreciation on operating fixed assets		(5,930)	(35,485)
Unrealised gain on revaluation of investments classified as held for trading - net		-	(4,301)
Deferred debits arising in respect of			
Accelerated depreciation on ijarah assets		71,011	73,714
Unrealised loss on revaluation of investments classified as held for trading - net		1	-
Deficit on revaluation of investments - available for sale	19	20,849	18,750
Minimum tax liability		109,405	82,430
Provision for diminution in the value of investments		22,515	16,360
Provision against other assets		6,614	6,614
Provision against non-performing Islamic financing and other assets		202,083	273,106
Available tax losses	12.1	1,088,250	973,672
		<u>1,514,798</u>	<u>1,404,859</u>



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12.1 The deferred tax asset has been recognized in these financial statements as the management estimates that sufficient taxable profits will be available in future years against which the unused carry forward tax losses and other deductible temporary differences can be utilised. The estimates of future taxable profits are based on financial projections of the Bank for the next five years approved by the Board. The projections involve certain key assumptions underlying the estimation of future taxable profits estimated including increase in capital base. Other key assumptions include income tax rates, cost to income ratio, 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.

12.1.1 Based on the assessment, management has recognised the deferred tax assets on losses aggregating to Rs. 3,109.287 (2014: Rs. 2,781.903) [including unabsorbed tax depreciation of Rs. 1,133.280 million (2014: Rs. 989.771 million)] as at December 31, 2015.

	Note	2015	2014
		----- Rupees in '000 -----	
13 OTHER ASSETS			
Profit / return accrued in local currency		451,211	599,488
Advances, deposits, advance rent and other prepayments	13.1	631,862	494,206
Receivable against sale of investments		99,996	36,677
Dividend receivable		-	463
Advance taxation (payments less provision)		114,621	75,446
Unrealised gain on forward foreign exchange contracts - net		535	-
Others		23,310	25,096
		<u>1,321,535</u>	<u>1,231,376</u>
Less: Provision held against other assets	13.2	(18,896)	(18,896)
Other assets (net of provisions)		<u>1,302,639</u>	<u>1,212,480</u>

13.1 This includes salary advance to employees aggregating to Rs. 15.02 million (2014: Rs. 28.417 million) as per the Bank's policy.

	2015	2014
	----- Rupees in '000 -----	
13.2 Provision held against other assets		
Opening balance	18,896	9,716
Charge for the year	-	9,180
Reversals during the year	-	-
	-	9,180
Closing balance	<u>18,896</u>	<u>18,896</u>

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	2015	2014
	----- Rupees in '000 -----	
14	BILLS PAYABLE	
	In Pakistan	267,440
	Outside Pakistan	-
		<u>267,440</u>
15	DUE TO FINANCIAL INSTITUTIONS	
	In Pakistan	1,268,100
	Outside Pakistan	259
		<u>1,268,359</u>
15.1	Particulars of due to financial institutions with respect to currencies	
	In local currency	1,268,100
	In foreign currency	259
		<u>1,268,359</u>
15.2	Details of due to financial institutions - Secured / Unsecured	
	Secured	
	Musharakah with the State Bank of Pakistan under Islamic Export Refinance Scheme	1,268,100
	Unsecured	
	Musharakah	-
	Overdrawn Nostro account	259
		<u>1,268,359</u>
16	DEPOSITS AND OTHER ACCOUNTS	
	Customers	
	Fixed deposits	9,366,228
	Savings deposits	8,337,915
	Current accounts - Non-remunerative	4,110,721
	Margin deposits	64,939
		<u>21,879,803</u>
	Financial institutions	
	Remunerative deposits	3,560,643
	Non-remunerative deposits	196,960
		<u>3,757,603</u>
		<u>25,637,406</u>



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	Note	2015	2014
		----- Rupees in '000 -----	
16.1 Particulars of deposits			
In local currency		24,874,857	24,859,328
In foreign currencies		762,548	949,539
		<u>25,637,406</u>	<u>25,808,867</u>

17 OTHER LIABILITIES

Profit / return payable in local currency	17.1	66,366	145,910
Profit / return payable in foreign currencies		277	418
Security deposits against ijarah		246,802	406,125
Deferred murahaba / istisna income under Islamic financing and related assets		203,099	202,415
Charity collection account	17.2	8,520	3,364
Accrued expenses		103,273	70,213
Withholding tax, federal excise duty and other tax payable		96,761	40,463
Unrealised loss on forward foreign exchange contracts - net		-	1,525
Payable against purchase of investments		536	30,695
Current collection account		154,586	215,721
Insurance payable against ijarah and diminishing musharakah assets		129,931	123,092
Others	17.3	163,788	124,112
		<u>1,173,939</u>	<u>1,364,053</u>

17.1 It includes Rs. 8.2 million (2014: Rs. 23.404 million) in respect of profit / return accrued on musharakah with the SBP under Islamic Export Refinance Scheme.

	Note	2015	2014
		----- Rupees in '000 -----	
17.2 Reconciliation of charity collection account			
Opening balance		3,364	11,892
Additions during the year			
- Received from customers against late payment		23,195	10,039
- Dividend purification amount		692	863
- Income against void transactions		-	-
- Profit on charity saving account		228	224
		24,115	11,126
Charity paid during the year	17.2.1	(18,959)	(19,654)
Closing balance		<u>8,520</u>	<u>3,364</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

17.2.1 Charity was paid to the following:

Institutions

	2015	2014
	----- Rupees in '000 -----	
Child Aid Association & Darul Sukun	2,500	-
Indus Hospital	2,000	-
Infag Memorial Trust	1,600	1,500
Sindh Institute of Urology and Transplantation	1,500	-
Alwasila Trust	1,500	-
Alamgir Welfare Trust International	1,200	600
Edhi Foundation	1,200	500
Namal College Mianwali	1,000	1,000
Marie Adelaide Leprosy Centre (MALC)	650	500
Markaz-e-Umeed	637	-
SOS Village Lahore	500	754
Kutiyana Memon Association (KMA)	500	500
Medical Aid Foundation	500	-
Fatimid Foundation	500	-
Patients' Aid Foundations (PAF)	480	500
Tawoon Welfare Trust	400	-
New Horizon Care Centre	400	-
Ali Hasan Mangi Memorial Trust	300	-
Amal-e-Danish	200	-
Koohi Goth Hospital	200	-
Anwari Begum Trust	50	-
Saylani Welfare International Trust	-	2,625
Institute of Business Administration Karachi (IBA)	-	1,000
Shaukat Khanum Memorial Trust	-	1,000
Al Mustafa Welfare Society	-	900
Burns Centre Civil Hospital	-	750
Cancer Foundation	-	750
Layton Rahmatulla Benevolent Trust (LRBT)	-	750
Profession Educational Foundation (PEF)	-	650
Health And Nutrition Development Society (HANDS)	-	500
Al Huda Trust	-	250
Aziz Jehan Begum Trust for the Blind	-	250
Centre for Development of Social Services (CDSS)	-	250
Gulab Devi Chest Hospital	-	250
Pakistan Association of the Blind (PAB)	-	250
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



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

	2015	2014
	----- Rupees in '000 -----	
Individuals		
Rehan Ahmed	500	-
Saeed Ahmed & Sabira Irfan	185	-
Sajid Inayat/Saima Sajid	107	-
Habib & Muhammad Ayaz	100	-
Shahnaz Sajjad	100	-
Nasim Dawood	100	-
Barkat Bibi	50	-
Muhammad Sajid Inait	-	517
Asad Ali	-	350
Asif Mushtaq Shaikh	-	300
Muhammad Imran	-	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
	<u>18,959</u>	<u>19,654</u>

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.

17.3 Includes amount of Rs. 99.753 million recovered by the Bank during the year 2011 from a deposit account of the Bank which 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. Since, the matter is pending final resolution of the legal proceedings, this amount has not been netted off against the balance recovered. However, on account of prudence, the unrecovered balance of Rs. 0.247 million had been fully provided by the Bank.

18 SHARE CAPITAL

18.1 Authorised capital

2015	2014		2015	2014
----- Number of shares -----			----- Rupees in '000 -----	
<u>2,000,000,000</u>	<u>1,650,000,000</u>	Ordinary shares of Rs. 10/- each	<u>20,000,000</u>	<u>16,500,000</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

18.1.1 During the year, authorised capital has been increased from 1,650,000,000 ordinary shares of Rs. 10/- each to 2,000,000,000 ordinary shares of Rs. 10/- each as approved by the shareholders in the extra ordinary general meeting held on October 7, 2015.

18.2 Issued, subscribed and paid-up capital

2015	2014	Note	2015	2014
----- Number of shares -----			----- Rupees in '000 -----	
501,045,824	501,045,824		5,010,458	5,010,458
315,706,904	315,706,904	Ordinary shares - Issued at a Discount of		
		Rs. 2.5 per share	3,157,069	3,157,069
<u>816,752,728</u>	<u>816,752,728</u>	18.2.1	<u>8,167,527</u>	<u>8,167,527</u>

18.2.1 The discount on issue of shares amounting to Rs. 789.267 million was included in accumulated losses.

18.3 Shareholders having more than 10% shareholding

2015	2014		2015	2014
----- Number of shares held -----			Percentage of shareholding	
		Name of shareholders		
309,590,592	309,590,592	Bank Al-Khair B.S.C (Closed)	37.91%	37.91%
		Islamic Corporation For The		
276,841,120	276,841,120	Development Of The Private Sector	33.90%	33.90%
<u>586,431,712</u>	<u>586,431,712</u>		<u>71.81%</u>	<u>71.80%</u>

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

	2015	2014
	----- Rupees in '000 -----	
Available for sale securities		
- Listed shares	(66,062)	15,505
- Sukuks	626	(62,409)
- Units of open end mutual funds	5,867	4,619
	(59,569)	(42,285)
Related deferred tax assets	20,849	18,750
	<u>(38,720)</u>	<u>(23,535)</u>

20 CONTINGENCIES AND COMMITMENTS

20.1 Direct credit substitutes	<u>700</u>	<u>700</u>
20.2 Transaction-related contingent liabilities		
Guarantees favouring - beneficiary		
- Government	2,144,073	1,373,754
- Others	107,802	66,452
	<u>2,251,875</u>	<u>1,440,206</u>



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

	Note	2015	2014
		----- Rupees in '000 -----	
20.3 Trade-related contingent liabilities			
Import letters of credit		269,588	1,320,144
Acceptances		840	42,209
		<u>270,428</u>	<u>1,362,353</u>
20.4 Commitments in respect of forward exchange contracts			
Purchase	34.2	<u>305,889</u>	<u>513,257</u>
Sale	34.2	<u>97,652</u>	<u>61,009</u>
20.5 Commitments for the acquisition of operating fixed assets			
Civil works		-	450
Acquisition of computer hardware		731	598
Acquisition of computer software		18,821	20,873
		<u>19,552</u>	<u>21,921</u>
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.			
21 PROFIT / RETURN EARNED		2015	2014
		----- Rupees in '000 -----	
On financings to customers		2,040,752	3,197,658
On investments in			
- held for trading securities		112	1,237
- available for sale securities		416,122	764,574
- held to maturity securities		10,886	-
On deposits with financial institutions		144	2,562
On inter bank murabaha / modaraba / musharakah agreements		60,208	299,513
		<u>2,528,224</u>	<u>4,265,544</u>
22 PROFIT / RETURN EXPENSED			
On deposits and other accounts		1,287,215	2,764,682
On musharakah with the State Bank of Pakistan under IERS		66,797	107,486
On other short term fund - musharakah / modarabas		40,809	79,267
		<u>1,394,821</u>	<u>2,951,435</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

		2015	2014
	Note	----- Rupees in '000 -----	
23 GAIN ON SALE OF SECURITIES - NET			
Federal Government Securities - Sukuk certificates		5,321	18,983
Shares / units of open end mutual funds		176,286	173,746
		<u>181,607</u>	<u>192,729</u>
24 OTHER INCOME			
Fees and charges recovered		23,969	17,720
Rental income		-	34
Gain on sale of operating fixed assets - net		157	3,789
Locker rent		950	973
		<u>25,076</u>	<u>22,516</u>
25 ADMINISTRATIVE EXPENSES			
Salaries, allowances, etc.	25.1	769,969	894,864
Remuneration to Shari'ah Board Members / Shari'ah advisor		4,649	3,880
Contribution to defined contribution plan	31	30,875	34,839
Non-executive directors' fees, allowances and other expenses		9,065	10,169
Rent, taxes, insurance, electricity, etc.		499,817	486,012
Legal and professional charges		34,289	31,036
Communication		71,329	77,586
Fee and subscription		36,592	32,326
Repairs and maintenance		96,155	114,328
Travelling and conveyance		19,469	18,068
Entertainment		16,564	18,635
Stationery and printing		18,125	17,055
Advertisement and publicity		12,280	27,002
Brokerage, commission, bank and clearing charges		51,667	36,749
Service utilisation charges		138,973	153,389
Auditors' remuneration	25.2	5,184	4,684
Depreciation	11.2	164,049	176,011
Amortisation of intangible assets	11.3	39,754	45,352
Security services including cash handling charges		75,994	68,338
Training Expenses		2,926	3,428
Operating fixed assets written off		-	835
Others		2,409	17,715
		<u>2,100,134</u>	<u>2,272,301</u>
25.1	This includes Rs. 2.834 million (2014: Rs. 3.371 million) in respect of Contribution to Employees' Old Age Benefit Institution.		



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

	2015	2014
	----- Rupees in '000 -----	
25.2 Auditors' remuneration		
Audit fee	1,750	1,750
Fee for interim review	550	550
Special certifications and sundry advisory services	2,500	2,000
Out-of-pocket expenses	384	384
	<u>5,184</u>	<u>4,684</u>
26 OTHER CHARGES		
Penalties imposed by the State Bank of Pakistan	<u>2,275</u>	<u>5,180</u>
	<u>2,275</u>	<u>5,180</u>
27 TAXATION		
For the year		
- Current	(26,975)	(43,344)
- Deferred	107,840	186,366
	<u>80,865</u>	<u>143,022</u>

27.1 Under Section 144 of the Income Tax Ordinance, 2001 (Ordinance), the Bank has filed the return of income for the tax years 2006 to 2015 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 has been upheld by 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

		2015	2014
		----- Rupees in '000 -----	
27.2 Relationship between tax charge and accounting losses			
Loss before taxation		<u>(480,469)</u>	<u>(614,799)</u>
Tax at the applicable rate of 35% (2014: 35%)		<u>(168,164)</u>	<u>(215,180)</u>
Effect of:			
- permanent differences		796	1,813
- reversal of deferred tax asset not considered realisable		95,360	70,345
- others		(8,857)	-
Tax charge for the year		<u>(80,865)</u>	<u>(143,022)</u>
28 BASIC AND DILUTED LOSS PER SHARE			
Loss after taxation for the year		<u>(399,604)</u>	<u>(471,777)</u>
		----- Number of shares -----	
Weighted average number of ordinary shares		<u>816,752,728</u>	<u>816,752,728</u>
		----- Rupees -----	
Basic / diluted loss per share		<u>(0.489)</u>	<u>(0.578)</u>
There were no convertible / dilutive potential ordinary shares outstanding as at December 31, 2015 and December 31, 2014.			
29 CASH AND CASH EQUIVALENTS	Note	2015	2014
		----- Rupees in '000 -----	
Cash and balances with treasury banks	6	3,586,010	2,411,487
Balances with other banks	7	126,046	81,779
Due from financial institutions	8	800,000	-
Overdrawn Nostro account		(259)	-
		<u>4,511,797</u>	<u>2,493,266</u>
30 STAFF STRENGTH		---	Number of employees ---
Permanent		583	638
Temporary / on contractual basis		9	9
Bank's own staff strength at the end of the year		592	647
Outsourced		376	357
Total staff strength		<u>968</u>	<u>1,004</u>



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

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.

	2015	2014
	----- Rupees in '000 -----	
Contribution made by the Bank	30,875	34,839
Contribution made by the employees	30,875	34,839
	<u>61,750</u>	<u>69,678</u>

32 COMPENSATION OF DIRECTORS AND EXECUTIVES

	2015			2014		
	President / Chief Executive	Directors	Executives	President / Chief Executive	Directors	Executives
	----- Rupees in '000 -----					
Fees	-	5,050	-	-	6,000	-
Managerial remuneration	29,184	-	206,667	29,184	-	227,262
Contribution to defined contribution plan	2,918	-	18,513	2,918	-	20,125
Rent and house maintenance	13,133	-	93,000	13,133	-	102,269
Utilities	2,918	-	20,667	2,918	-	22,726
Medical	2,918	-	20,667	2,918	-	22,726
Fuel and conveyance	-	-	37,074	-	-	45,595
Others	-	-	79,832	-	-	90,904
	<u>51,071</u>	<u>5,050</u>	<u>476,420</u>	<u>51,071</u>	<u>6,000</u>	<u>531,607</u>
Number of persons	<u>1</u>	<u>11</u>	<u>229</u>	<u>1</u>	<u>9</u>	<u>256</u>

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:

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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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 (2014: Nil).

34 FAIR VALUE OF FINANCIAL INSTRUMENTS

34.1 'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

The fair value of quoted sukuk 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.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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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 repriced.

	2015		2014	
	Book value	Fair value	Book value	Fair value
	----- Rupees in '000 -----			
34.2 Off-balance sheet financial instruments				
Forward purchase of foreign exchange	<u>305,877</u>	<u>305,889</u>	<u>514,774</u>	<u>513,257</u>
Forward sale of foreign exchange	<u>98,175</u>	<u>97,652</u>	<u>61,001</u>	<u>61,009</u>

34.3 All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

	2015			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
RECURRING FAIR VALUE MEASUREMENTS				
On-Balance Sheet Financial Instruments				
INVESTMENTS				
<i>Financial Assets</i>				
<i>Held for trading</i>				
Sukuk certificates	-	17,194	-	17,194
<i>Available for sale securities</i>				
Ordinary shares - listed	703,727	-	-	703,727
Ordinary shares - unlisted	-	20,000	-	20,000
Units of open end fund	376,034	-	-	376,034
Sukuk certificates	-	3,895,887	52,759	3,948,646
	1,079,761	3,915,887	52,759	5,048,407
	<u>1,079,761</u>	<u>3,933,081</u>	<u>52,759</u>	<u>5,065,601</u>
Off-Balance Sheet Financial Instruments				
Forward purchase of foreign exchange	-	305,889	-	305,889
Forward sale of foreign exchange	-	97,652	-	97,652

The Bank's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused the transfer occurred.

There were no transfers between levels 1 and 2 during the year. Sukuk certificates amounting to Rs. 52.759 million were transferred from level 2 to level 3 during the year.

Valuation techniques used in determination of fair values within level 2 is defined in note 34.1



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

35 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	2015				
	Corporate finance	Trading & sales	Retail banking	Commercial banking	Total
	Rupees in '000				
Total income	7,229	782,490	1,274,286	922,577	2,986,582
Total expenses	(4,955)	(601,841)	(2,241,864)	(618,391)	(3,467,051)
Internal income / (expense)	-	172,064	229,352	(401,416)	-
Net income / (loss)	2,274	352,713	(738,226)	(97,230)	(480,469)
Segment assets (gross)	-	8,420,740	14,397,695	11,489,196	34,307,631
Segment non performing assets	-	117,087	213,475	1,282,166	1,612,728
Segment provision required and held	-	64,328	173,962	1,333,267	1,571,557
Segment liabilities	-	9,875	26,712,102	1,625,167	28,347,144
Segment return on net assets (%)	-	3.59	(5.21)	(1.05)	(10.45)
Segment cost of funds (%)	-	5.97	6.83	7.12	5.06

	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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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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:

	2015						2014					
	Associated companies	Directors	Shareholders**	Key management personnel ***	Others****	Total	Associated companies	Directors	Shareholders**	Key management personnel ***	Others****	Total
	Rupees in '000											
Investments - net												
As at January 1	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments *	50,000	-	-	-	-	50,000	-	-	-	-	-	-
Investments made during the year	50,000	-	-	-	-	50,000	-	-	-	-	-	-
Investments redeemed during the year	-	-	-	-	-	-	-	-	-	-	-	-
As at December 31	100,000	-	-	-	-	100,000	-	-	-	-	-	-
Islamic financing and related assets												
As at January 1	188,712	-	-	208,626	-	397,338	188,712	-	-	170,120	-	358,832
Disbursed during the year	-	-	-	8,500	-	8,500	-	-	-	58,039	-	58,039
Repaid during the year	-	-	-	(40,562)	-	(40,562)	-	-	-	(19,533)	-	(19,533)
Adjustments *	(188,712)	-	-	11,011	-	(177,701)	-	-	-	-	-	-
As at December 31	-	-	-	187,575	-	187,575	188,712	-	-	208,626	-	397,338
Provision against Islamic financing and related assets	-	-	-	-	-	-	132,306	-	-	-	-	132,306
Deposits												
As at January 1	34,554	545	472	12,647	57,515	105,733	30,588	1,648	-	35,001	8,896	76,133
Received during the year	2,188,521	1,512	3,870	365,242	216,506	2,775,651	2,544,473	3,587	18	212,677	214,292	2,975,047
Withdrawals during the year	(2,382,146)	(552)	(2,056)	(370,174)	(194,756)	(2,949,684)	(2,539,262)	(4,690)	(791)	(210,664)	(165,673)	(2,921,080)
Adjustments *	188,657	-	-	(851)	-	187,806	(1,245)	-	1,245	(24,367)	-	(24,367)
As at December 31	29,586	1,505	2,286	6,864	79,265	119,506	34,554	545	472	12,647	57,515	105,733
Others												
Other receivables	-	75	-	5,828	-	5,903	-	75	-	9,083	-	9,158
Other payables	83	-	-	-	-	83	2,685	-	-	-	-	2,685



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	2015					2014						
	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	-	4,200	-	-	-	4,200	-	6,000	-	-	-	6,000
Remuneration to key management personnel	-	-	-	126,843	-	126,843	-	-	-	136,691	-	136,691
Profit earned on financings	-	-	-	8,433	-	8,433	-	-	-	12,299	-	12,299
Profit expensed on deposits	14,954	21	-	1,038	2,967	18,980	1	76	-	529	7,949	8,555
Dividend income received	8,264	-	-	-	-	8,264	-	-	-	-	-	-
Fees received for consultancy services	-	-	3,325	-	-	3,325	-	-	2,503	-	-	2,503
Advance against salary (repaid) / disbursed - net	-	-	-	(3,222)	-	(3,222)	-	-	-	3,797	-	3,797
Payment against training received	-	-	-	-	-	-	655	-	-	-	-	655
Reimbursable expense incurred	-	-	-	-	-	-	-	-	542	-	-	542
Contribution made to provident fund	-	-	-	-	30,875	30,875	-	-	-	-	34,839	34,839
Provision against Islamic financing and related assets	-	-	-	-	-	-	33,461	-	-	-	-	33,461

* 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, 2015.

** Includes shareholders having shareholding of 5% or more.

*** 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.

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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 available for sale.

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.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

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:

	2015	2014
	----- 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)	(3,741,907)	(3,342,303)
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	4,427,650	4,827,254
Total regulatory adjustments applied to CET1 (Note 37.5.1)	589,504	336,690
Common Equity Tier 1	3,838,146	4,490,564
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)	3,838,146	4,490,564

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For the year ended December 31, 2015

	2015	2014
	----- Rupees in '000 -----	
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	40,092	40,267
Revaluation Reserves (net of taxes)	-	-
of which: Revaluation reserves on fixed assets	-	-
of which: Unrealized gains / losses on AFS	-	-
Foreign Exchange Translation Reserves	-	-
Undisclosed / Other Reserves (if any)	-	-
T2 before regulatory adjustments	40,092	40,267
Total regulatory adjustment applied to T2 capital (Note 37.5.3)	-	-
Tier 2 capital (T2) after regulatory adjustments	40,092	40,267
Tier 2 capital recognized for capital adequacy	40,092	40,267
Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
Total Tier 2 capital admissible for capital adequacy	40,092	40,267
TOTAL CAPITAL (T1 + admissible T2)	3,878,238	4,530,831
Total Risk Weighted Assets (RWA) {for details refer Note 37.8}	21,478,441	24,305,078
	----- Percentage -----	
Capital Ratios and buffers (in percentage of risk weighted assets)		
CET1 to total RWA	17.87%	18.48%
Tier-1 capital to total RWA	17.87%	18.48%
Total capital to total RWA	18.06%	18.64%
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)	11.87%	12.98%
National minimum capital requirements prescribed by SBP (Refer note 1.4)		
CET1 minimum ratio	6.00%	5.50%
Tier 1 minimum ratio	7.50%	7.00%
Total capital minimum ratio	10.00%	10.00%



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

	2015		2014	
	----- Rupees in '000 -----			
	Amount	Amounts subject to Pre-Basel III treatment	Amount	Amounts subject to Pre-Basel III treatment

37.5.1

Common Equity Tier 1 capital: Regulatory adjustments

Goodwill (net of related deferred tax liability)	-	-	-	-
All other intangibles (net of any associated deferred tax liability)	69,726	-	101,935	-
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)	479,062	718,593	211,220	844,882
Defined-benefit pension fund net assets	-	-	-	-
MReciprocal 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	38,720	-	23,535.00	-
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)	1,996	-	-	-
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	589,504	718,593	336,690	844,882

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	2015		2014	
	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	-	-	-	-



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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
- 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)

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)
- Cap on inclusion of provisions in Tier 2 under standardized approach
- 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

2015 2014
----- Rupees in '000 -----

-	-
718,593	844,882
-	-
-	-
-	-

-	-
-	-
317,144	348,757

40,092	40,267
211,809	303,865
-	-
-	-

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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		3,586,010	3,586,010
Balances with other banks		126,046	126,046
Lending to financial institutions		800,000	800,000
Investments		6,652,065	6,652,065
Advances		18,079,208	18,079,208
Operating fixed assets		675,308	675,308
Deferred tax assets		1,514,798	1,514,798
Other assets		1,302,639	1,302,639
Total assets		32,736,074	32,736,074
Liabilities & Equity			
Bills payable		267,440	267,440
Borrowings		1,268,359	1,268,359
Deposits and other accounts		25,637,406	25,637,406
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities		1,173,939	1,173,939
Total liabilities		28,347,144	28,347,144
Share capital		8,167,527	8,167,527
Reserves		2,030	2,030
Accumulated losses		(3,741,907)	(3,741,907)
Minority Interest		-	-
Surplus on revaluation of assets		(38,720)	(38,720)
Total liabilities & equity		32,736,074	32,736,074



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

Assets

Particulars	Reference	Balance sheet of the published financial statements	Under regulatory scope of consolidation
Cash and balances with treasury banks		3,586,010	3,586,010
Balances with other banks		126,046	126,046
Lending to financial institutions		800,000	800,000
Investments		6,652,065	6,652,065
of which: Non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold	a	-	-
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		18,079,208	18,079,208
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	f	-	-
general provisions reflected in Tier 2 capital	g	40,092	40,092
Fixed Assets		675,308	675,308
of which: Intangibles	k	69,726	69,726
Deferred Tax Assets		1,514,798	1,514,798
of which: DTAs that rely on future profitability excluding those arising from temporary differences	h	1,197,654	1,197,654
of which: DTAs arising from temporary differences exceeding regulatory threshold	i	1,996	-
Other assets		1,302,639	1,302,639
of which: Goodwill	j	-	-
of which: Defined-benefit pension fund net assets	l	-	-
Total assets		32,736,074	32,736,074

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Particulars	Reference	Balance sheet of the published financial statements	Under regulatory scope of consolidation
Liabilities & Equity			
Bills payable		267,440	267,440
Borrowings		1,268,359	1,268,359
Deposits and other accounts		25,637,406	25,637,406
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		1,173,939	1,173,939
Total liabilities		28,347,144	28,347,144
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	(3,741,907)	(3,741,907)
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		-	-
of which: Revaluation reserves on Fixed Assets	aa	-	-
of which: Unrealized Loss on AFS		(38,720)	(38,720)
In case of Deficit on revaluation (deduction from CET1)	ab	(38,720)	(38,720)
Total liabilities & Equity		32,736,074	32,736,074



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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)	(3,741,907)
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		4,427,650
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)	69,726
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) 40%	479,062
Defined-benefit pension fund net assets	(l) - (q) 40%	-
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)	38,720
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)	1,996
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		589,503

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Particulars	Source based on reference number from step 2	Component of regulatory capital reported by bank
Common Equity Tier 1		3,838,146
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)		-
of which: instrument issued by subsidiaries subject to phase out	(y)	-
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		-
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)		3,838,146



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Particulars	Source based on reference number from step 2	Component of regulatory capital reported by bank
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)	40,092
Revaluation Reserves		
of which: Revaluation reserves on fixed assets		-
of which: Unrealized Gains/Losses on AFS	67% of (aa)	-
Foreign Exchange Translation Reserves	(v)	-
Undisclosed/Other Reserves (if any)		-
T2 before regulatory adjustments		40,092
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)		40,092
Tier 2 capital recognized for capital adequacy		40,092
Excess Additional Tier 1 capital recognized in Tier 2 capital		-
Total Tier 2 capital admissible for capital adequacy		40,092
TOTAL CAPITAL (T1 + admissible T2)		3,878,238

NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS

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 to instrument)	N/A
Non-compliant transitioned features	N/A
If yes, specify non-compliant features	N/A



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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

	2015		2014	
	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	823	4,570	1,400	6,085
Public Sector entities	11,586	64,367	7,015	30,499
Banks	35,400	196,665	6,306	27,416
Corporate	1,477,204	8,206,688	2,468,884	10,734,277
Retail	758,056	4,211,424	820,509	3,567,429
Residential Mortgages	186,238	1,034,658	238,329	1,036,213
Past Due loans	23,152	128,623	58,668	255,079
Operating Fixed Assets	109,004	605,580	173,130	752,738
Other assets	402,980	2,238,780	523,809	2,277,431
	3,004,444	16,691,355	4,298,048	18,687,167
Off-Balance sheet				
Portfolios subject to standardised approach (Simple Approach)				
Non-market related	45,562	253,121	87,271	379,439
Market related	47	263	-	-
	45,609	253,384	87,271	379,439
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	62,582	347,680	159,150	691,957
Equity position risk	260,542	1,447,456	442,134	1,922,322
Foreign Exchange risk	3,688	20,490	2,593	11,273
	326,813	1,815,626	603,877	2,625,552
Operational Risk (Basic Indicator Approach)				
Capital Requirement for operational risks	489,254	2,718,076	600,972	2,612,920
TOTAL	3,866,119	21,478,441	5,590,168	24,305,078

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	2015		2014	
	Required	Actual	Required	Actual
Capital Adequacy Ratios				
CET1 to total RWA	N/A	17.87%	N/A	18.48%
Tier-1 capital to total RWA	N/A	17.87%	N/A	18.48%
Total capital to total RWA	18.00%	18.06%	23.00%	18.64%

37.9 Leverage Ratio

The SBP vide BPRD circular # 06 dated August 15, 2013 introduced the leverage ratio to supplement risk-based capital requirement with a 'simple, non-risk based backstop measure' of leverage. The leverage ratio compares Tier 1 capital to total exposure, which includes certain exposures held off-balance adjusted by the regulatory credit conversion factors. The Banks current leverage ratio of 11.07 percent is above the current minimum requirement set by the SBP.

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.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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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 coverages against exposures, 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 approval 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.

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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 and suitability of a financing product 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 significant matters to senior management and 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 through dedicated resources.

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.



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38.1.1 Segmental information

38.1.1.1 Segments by class of business

	2015					
	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)	1,012,482	5.17	85,285	0.33	-	-
Automobile and transportation equipment	-	-	2,591	0.01	-	-
Cement	-	-	109	0.00	-	-
Chemical and pharmaceuticals	2,135,131	10.91	243,911	0.95	155,180	6.15
Construction	17,927	0.09	163,439	0.64	759,070	30.09
Electronics and electrical appliances	479,546	2.45	69,715	0.27	36,135	1.43
Exports / Imports	120,704	0.62	59,417	0.23	39,558	1.57
Financial institutions (NBFI, DFI, Banks)	186,722	0.95	2,070,874	8.08	-	-
Fuel, oil and gas exploration	387,042	1.98	1,321,451	5.15	-	-
Insurance	-	-	1,749,383	6.82	-	-
Non-Government Organizations (NGOs)	-	-	1,089,000	4.25	-	-
Plastic products	103,742	0.53	676	0.00	-	-
Production and transmission of energy	227,027	1.16	24,894	0.10	-	-
Services	885,352	4.52	136,310	0.53	44,910	1.78
Shoe & leather garments	-	-	105	0.00	-	-
Sugar	1,173,359	6.00	49,019	0.19	-	-
Textile	2,528,500	12.92	1,114,244	4.35	16,392	0.65
Wholesale and retail trade	-	-	279,728	1.09	-	-
Individuals	8,329,978	42.57	14,837,960	57.88	-	-
Others	1,980,029	10.12	2,339,295	9.12	1,471,758	58.33
	<u>19,567,541</u>	<u>100.00</u>	<u>25,637,406</u>	<u>100.00</u>	<u>2,523,003</u>	<u>100.00</u>

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	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
	<u>21,608,703</u>	<u>100.00</u>	<u>25,808,867</u>	<u>100.00</u>	<u>2,803,259</u>	<u>100.00</u>

38.1.1.2 Segment by sector

	2015					
	Islamic financing and related assets (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	700,000	3.58	37,622	0.15	2,144,073	84.98
Private	18,867,541	96.42	25,599,784	99.85	378,930	15.02
	<u>19,567,541</u>	<u>100.00</u>	<u>25,637,406</u>	<u>100.00</u>	<u>2,523,003</u>	<u>100.00</u>

	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
	<u>21,608,703</u>	<u>100.00</u>	<u>25,808,867</u>	<u>100.00</u>	<u>2,803,259</u>	<u>100.00</u>



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

	2015		2014	
	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)	319,840	303,991	319,943	224,532
Automobile and transportation equipment	-	-	263,730	263,257
Chemical and pharmaceuticals	11,411	5,706	12,794	3,198
Construction	-	-	21,078	-
Fuel, oil and gas exploration	70,542	70,542	92,410	92,410
Textile	639,533	635,380	669,532	649,925
Financial (Banks, NBFI, DFI)	105,239	89,124	105,239	82,325
Individuals	168,069	114,505	138,177	92,493
Services	25,828	7,446	1,570	-
Shoe & leather garments	-	-	2,670	82
Others *	136,283	221,547	185,951	199,767
	<u>1,476,745</u>	<u>1,448,241</u>	<u>1,813,094</u>	<u>1,607,989</u>

* 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

	2015		2014	
	Classified Islamic financing and related assets	Specific provision held	Classified Islamic financing and related assets	Specific provision held
	----- Rupees in '000 -----			
Public / Government	-	-	-	-
Private	1,476,745	1,448,241	1,813,094	1,607,989
	<u>1,476,745</u>	<u>1,448,241</u>	<u>1,813,094</u>	<u>1,607,989</u>

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38.1.1.5 Geographical segment analysis

	2015			
	Loss before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	----- Rupees in '000 -----			
Pakistan	(480,469)	32,736,074	4,388,930	2,523,003

	2014			
	Profit 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

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.



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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	2015			2014		
		Amount outstanding	Deduction credit risk mitigation	Net amount	Amount outstanding	Deduction credit risk mitigation	Net amount
----- Rupees in '000 -----							
Corporate	1	554,677	-	554,677	521,708	-	521,708
	2	1,588,253	194,310	1,393,943	2,545,819	-	2,545,819
	3,4	186,142	-	186,142	270,039	-	270,039
	Unrated *	6,487,874	63,673	6,424,201	11,305,150	1,011,972	10,293,178
Banks	1	862,018	-	862,018	60,703	-	60,703
	2	87,747	-	87,747	42,348	-	42,348
	Unrated	33,559	-	33,559	34,030	-	34,030
Public Sector Entities	1	321,834	-	321,834	152,493	-	152,493
	2	-	-	-	-	-	-
	Unrated	719,259	719,259	-	456,976	179,552	277,424

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

- Unrated Corporate	Unrated-1	3,288,132	17,677	3,270,455	7,011,545	985,412	6,026,133
- Large Unrated Corporate	Unrated-2	3,199,742	45,996	3,153,746	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.

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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 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.



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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:

	2015			
	Assets	Liabilities	Off-balance sheet	Net foreign currency exposure
	----- Rupees in '000 -----			
Pakistan Rupee	32,183,466	27,583,386	(207,999)	4,392,081
United States Dollar	332,368	551,680	202,640	(16,672)
Great Britain Pound	150,190	116,139	(31,054)	2,997
Euro	42,495	95,915	51,493	(1,927)
Japanese Yen	5,267	-	-	5,267
U.A.E Dirham	2,258	-	-	2,258
Saudi Riyal	3,577	-	-	3,577
Swiss Franc	787	-	-	787
Canadian Dollar	13,191	-	(15,080)	(1,889)
Australian Dollar	-	-	-	-
Singapore Dollar	2,448	22	-	2,426
Malaysian Ringgit	2	2	-	-
Swedish Korona	25	-	-	25
Total foreign currency exposure	552,608	763,758	207,999	(3,151)
Total currency exposure	32,736,074	28,347,144	-	4,388,930

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	2014			
	Assets	Liabilities	Off-balance sheet	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	<u>34,090,526</u>	<u>29,286,807</u>	<u>-</u>	<u>4,803,719</u>

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.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

2015											
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	-	3,586,010	-	-	-	-	-	-	-	-	3,586,010
Balances with other banks	0.1	126,046	1,214	-	-	-	-	-	-	-	124,832
Due from financial institutions	6.64	800,000	800,000	-	-	-	-	-	-	-	-
Investments	5.62	6,652,065	123,950	69,447	3,772,442	1,586,464	-	-	-	-	1,099,762
Islamic financing and related assets	9.85	18,079,208	11,369,059	3,618,810	1,563,773	330,440	4,153	418,118	-	-	774,855
Other assets	-	1,187,882	-	-	-	-	-	-	-	-	1,187,882
		30,431,211	12,294,223	3,688,257	5,336,215	1,916,904	4,153	418,118	-	-	6,773,341
Financial liabilities											
Bills payable	-	267,440	-	-	-	-	-	-	-	-	267,440
Due to financial institutions	5.52	1,268,359	-	552,000	716,100	-	-	-	-	-	259
Deposits and other accounts	5.12	25,637,406	21,264,786	-	-	-	-	-	-	-	4,372,620
Other liabilities	-	1,063,910	-	-	-	-	-	-	-	-	1,063,910
		28,237,115	21,264,786	552,000	716,100	-	-	-	-	-	5,704,229
On-balance sheet gap		2,194,096	(8,970,563)	3,136,257	4,620,115	1,916,904	4,153	418,118	-	-	1,069,112
Off-balance sheet financial instruments											
Forward exchange contracts - purchase		305,889	305,889	-	-	-	-	-	-	-	-
Forward exchange contracts - sale		97,652	97,652	-	-	-	-	-	-	-	-
Off-balance sheet gap		208,237	208,237	-	-	-	-	-	-	-	-
Total yield / profit risk sensitivity gap		(8,762,326)	3,136,257	4,620,115	1,916,904	4,153	-	418,118	-	-	1,069,112
Cumulative yield / profit risk sensitivity gap		(8,762,326)	(5,626,069)	(1,005,954)	910,950	915,103	915,103	1,333,221	1,333,221	1,333,221	2,402,333

2014											
Exposed to yield / profit risk											
Effective yield / profit rate	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Non-profit bearing financial instruments
%	Rupees in '000										
On-balance sheet financial instruments											
Financial assets											
Cash and balances with treasury banks	-	2,411,487	-	-	-	-	-	-	-	-	2,411,487
Balances with other banks	2.05	81,779	579	-	-	-	-	-	-	-	81,200
Investments	8.00	8,164,801	185,925	2,037,931	4,705,666	-	-	-	-	-	1,235,279
Islamic financing and related assets	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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

		2015	2014
	Note	----- Rupees in '000 -----	
38.2.2.2 Reconciliation of assets and liabilities exposed to yield / profit rate risk with total assets and liabilities			
Total financial assets as per note 38.2.2.1		30,431,211	31,480,479
Add: Non financial assets			
Operating fixed assets	11	675,308	854,673
Deferred tax asset	12	1,514,798	1,404,859
Other assets		114,757	350,515
Total assets as per Statement of Financial Position		<u>32,736,074</u>	<u>34,090,526</u>
 Total financial liabilities as per note 38.2.2.1		 28,237,115	 29,033,478
Add: Non financial other liabilities		110,029	253,329
Total liabilities as per Statement of Financial Position		<u>28,347,144</u>	<u>29,286,807</u>

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.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

38.3.1 Maturities of assets and liabilities

38.3.1.1 Maturities of assets and liabilities based on expected maturities

		2015									
		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	3,586,010	3,586,010	-	-	-	-	-	-	-	-	-
Balances with other banks	126,046	126,046	-	-	-	-	-	-	-	-	-
Due from financial institutions	800,000	800,000	-	-	-	-	-	-	-	-	-
Investments	6,652,065	1,099,762	-	-	1,586,464	3,879,200	33,880	52,759	-	-	-
Islamic financing and related assets	18,079,208	1,452,316	2,837,587	1,569,175	1,732,211	3,188,280	2,376,085	2,456,323	1,547,260	919,971	-
Operating fixed assets	675,308	7,337	14,673	22,009	44,018	88,036	88,036	115,704	271,948	23,547	-
Deferred tax assets	1,514,798	-	-	-	49,435	296,477	284,667	884,219	-	-	-
Other assets	1,302,639	222,513	206,303	318,237	435,042	66,041	41,778	10,835	1,890	-	-
	32,736,074	7,293,984	3,058,563	1,909,421	3,847,170	7,518,034	2,824,446	3,519,840	1,821,098	943,518	-
Liabilities											
Bills payable	267,440	267,440	-	-	-	-	-	-	-	-	-
Due to financial institutions	1,268,359	259	552,000	716,100	-	-	-	-	-	-	-
Deposits and other accounts	25,637,406	12,769,967	4,676,810	1,357,016	2,606,217	171,362	119,261	192,885	2,224,560	1,519,328	-
Other liabilities	1,173,939	519,622	101,063	145,317	204,702	183,076	12,432	7,727	-	-	-
	28,347,144	13,557,288	5,329,873	2,218,433	2,810,919	354,438	131,693	200,612	2,224,560	1,519,328	-
Net assets	4,388,930	(6,263,304)	(2,271,310)	(309,012)	1,036,251	7,163,596	2,692,753	3,319,228	(403,462)	(575,810)	-
Share capital											
Reserves	8,167,527										
Accumulated losses	2,030										
Deficit on revaluation of assets - net of tax	(3,741,907)										
	(38,720)										
	4,388,930										
		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	-	-	-	-	-	-	-	-	-
Due from financial institutions	-	-	-	-	-	-	-	-	-	-	-
Investments	8,164,801	1,235,278	-	-	3,444,816	-	3,380,616	21,332	82,759	-	-
Islamic financing and related assets	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											
Reserves	8,167,527										
Accumulated losses	2,030										
Deficit on revaluation of assets - net of tax	(3,342,303)										
	(23,535)										
	4,803,719										

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 84% of deposit of the bank fall within one year, while the rest are beyond one year maturity.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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38.3.1.2 Maturities of assets and liabilities based on contractual maturities

2015										
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	3,586,010	3,586,010	-	-	-	-	-	-	-	-
Balances with other banks	126,046	126,046	-	-	-	-	-	-	-	-
Due from financial institutions	800,000	800,000	-	-	-	-	-	-	-	-
Investments	6,652,065	1,099,762	-	-	1,586,464	3,879,200	33,880	52,759	-	-
Islamic financing and related assets	18,079,208	1,115,391	2,287,187	916,216	445,973	1,395,682	2,210,340	4,993,004	2,612,698	2,102,717
Operating fixed assets	675,308	7,337	14,673	22,009	44,018	88,036	88,036	115,704	271,948	23,547
Deferred tax assets	1,514,798	-	-	-	49,435	296,477	284,667	884,219	-	-
Other assets	1,302,639	222,513	206,303	318,237	435,042	66,041	41,778	10,835	1,890	-
	32,736,074	6,957,059	2,508,163	1,256,462	2,560,932	5,725,436	2,658,701	6,056,521	2,886,536	2,126,264
Liabilities										
Bills payable	267,440	267,440	-	-	-	-	-	-	-	-
Due to financial institutions	1,268,359	259	552,000	716,100	-	-	-	-	-	-
Deposits and other accounts	25,637,406	20,023,686	3,116,770	818,343	1,393,716	139,722	80,159	65,010	-	-
Other liabilities	1,173,939	519,622	101,063	145,317	204,702	183,076	12,432	7,727	-	-
	28,347,144	20,811,007	3,769,833	1,679,760	1,598,418	322,798	92,591	72,737	-	-
Net assets	4,388,930	(13,853,948)	(1,261,670)	(423,298)	962,514	5,402,638	2,566,110	5,983,784	2,886,536	2,126,264
Share capital	8,167,527									
Reserves	2,030									
Accumulated losses	(3,741,907)									
Deficit on revaluation of assets - net of tax	(38,720)									
	4,388,930									

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	-	-	-	-	-	-	-	-
Due from financial institutions	-	-	-	-	-	-	-	-	-	-
Investments	8,164,801	1,235,278	-	-	3,444,816	3,380,616	21,332	82,759	-	-
Islamic financing and related assets	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									



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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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---	
		2015	2014	2015	2014
Insurance / Takaful Companies	Government Ijarah Sukuks	1	1	190,000	165,000
Asset Management Companies	Government Ijarah Sukuks	1	1	226,000	137,000
Employee Funds / NGO's	Government Ijarah Sukuks	1	1	10,000	10,000
Related parties	Government Ijarah Sukuks	-	1	-	18,500
		3	4	426,000	330,500

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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.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

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).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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

	Depositor (Rabbul Mal)		Bank (Mudarib)	
	2015	2014	2015	2014
January	65%	65%	35%	35%
February	65%	60%	35%	40%
March	50%	60%	50%	40%
April	60%	65%	40%	35%
May	50%	65%	50%	35%
June	50%	65%	50%	35%
July	50%	65%	50%	35%
August	50%	65%	50%	35%
September	50%	65%	50%	35%
October	50%	65%	50%	35%
November	50%	65%	50%	35%
December	50%	65%	50%	35%

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.

2015								
General remunerative depositor's pools	Profit sharing ratio as at December 31, 2015	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	50 : 50	970,515	39.34%	188,658	19.44%	Monthly	8.22%	5.06%
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%



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

2015					
IERS Musharakah Pool	Profit sharing ratio as at December 31, 2015	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	77.77 : 22.23	66,797	-	Monthly	2.99%
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%
2015					
Treasury Pool		Share of profit to Financial Institutions	Hiba	Profit rate and weightage announcement period	Profit rate return distributed to FI
(Rupees in '000)					
Inter Bank Musharka / Modaraba borrowing pool		39,763	-	As required	7.07%
2014					
Treasury Pool		Share of profit to Financial Institutions	Hiba	Profit rate and weightage announcement period	Profit rate return distributed to FI
(Rupees in '000)					
Inter Bank Musharka / Modaraba borrowing pool		68,954	-	As required	8.99%

41 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on April 05, 2016 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.


VICE CHAIRMAN


DIRECTOR


DIRECTOR


PRESIDENT / CEO

ANNEXURE I TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

ANNEXURE I TO THE FINANCIAL STATEMENTS

Statement showing written-off loans or any other financial relief of five hundred thousand rupees or above provided during the year ended December 31, 2015 as referred in note 10.10.2 to these financial statements.

S. No.	Name of the borrower	Address	Name of Individuals / Partners/ Directors/NIC	Father's / Husband's Name	Outstanding Liabilities at beginning of year				Principal written-off	Profit written-off	Other Financial Reliefs provided	Total (10+11+12)
					Principal	Profit	Others	Total (6+7+8)				
1	2	3	4	5	6	7	8	9	10	11	12	13
----- Rupees in '000 -----												
1	Aftab Technologies (Pvt) Ltd	A-81, SITE, Superhighway Industrial Area, KDA Scheme 33, Karachi	Asma Aftab 42201-4298780-4	Aftab Ashraf Khan	262,158	85,037	-	347,195	112,158	85,037	-	197,195
			Aftab Ashraf Khan 42201-0270990-9	M. Ashraf Khan								
			Gul Owais 42201-6164836-2	Owais Qarni								
			Kanwar Ahmer 42101-9189645-4	M. Ahmer Afzal Khan								
2	Syed Ahmed Obaid	Apartment No. 101-B first floor, Plot No.179,Mir House SMCHS Karachi	Syed Ahmed Obaid 42201-4509479-1	Mir Makhdoom Ali	9,781	9,398	-	19,179	-	9,622	-	9,622
					271,939	94,435	-	366,374	112,158	94,659	-	206,817



PATTERN OF SHAREHOLDINGS

As on December 31, 2015

Number of Shareholders	Shareholdings			Total Number of Shares Held
	From		To	
1	1	-	100	66
12	501	-	1,000	9,366
1	5,001	-	10,000	5,034
1	10,001	-	15,000	10,021
1	195,001	-	200,000	200,000
1	305,001	-	310,000	305,657
1	385,001	-	390,000	390,000
1	620,001	-	625,000	622,636
1	730,001	-	735,000	730,600
1	930,001	-	935,000	931,237
2	995,001	-	1,000,000	2,000,000
1	1,195,001	-	1,200,000	1,200,000
1	1,220,001	-	1,225,000	1,222,600
2	1,330,001	-	1,335,000	2,666,666
2	1,335,001	-	1,340,000	2,680,000
1	1,755,001	-	1,760,000	1,760,000
1	2,495,001	-	2,500,000	2,500,000
1	2,510,001	-	2,515,000	2,512,299
1	4,995,001	-	5,000,000	4,996,000
1	8,395,001	-	8,400,000	8,400,000
1	9,995,001	-	10,000,000	10,000,000
1	11,495,001	-	11,500,000	11,500,000
1	14,830,001	-	14,835,000	14,833,333
1	20,200,001	-	20,205,000	20,200,920
1	20,290,001	-	20,295,000	20,291,284
1	20,480,001	-	20,485,000	20,483,594
1	29,685,001	-	29,690,000	29,685,986
1	30,180,001	-	30,185,000	30,183,717
1	39,995,001	-	40,000,000	40,000,000
1	276,840,001	-	276,845,000	276,841,120
1	309,590,001	-	309,595,000	309,590,592
45				816,752,728

Categories of Shareholders as on December 31, 2015

Shareholder's Category	Number of Shareholders	Number of Shares Held	Percentage
Financial Institutions	6	632,156,065	77.40
Individuals	30	113,267,330	13.87
Investment Companies	2	41,000,000	5.02
Joint Stock Companies	4	18,836,000	2.31
Insurance Company	1	8,400,000	1.03
Modarabas	1	1,760,000	0.21
Mutual Fund	1	1,333,333	0.16
	45	816,752,728	100.00

DETAIL OF SHAREHOLDERS

As on December 31, 2015

Name of Shareholders	No. of Shareholders	Holding	% age
Associated Companies			
Bank Al-Khair B.S.C (Closed)	1	309,590,592	37.91
Islamic Corporation For The Development Of The Private Sector	1	276,841,120	33.90
Alsafat Investment Company	1	40,000,000	4.90
Gargash Enterprises L.L.C	1	10,000,000	1.22
Directors			
Azam Essof Kolia	1	30,183,717	3.70
Shehab M. Gargash	1	20,483,594	2.51
Public Sector Companies, Corporations, Banks, Development Financial Institutions, Non Banking Finance Institutions, Mutual Funds & Other Organizations			
Pair Investment Company Limited	1	29,685,986	3.63
Allied Bank Limited	1	14,833,333	1.82
State Life Insurance Corp. of Paksitan	1	8,400,000	1.03
Amanah Investments Limited	1	4,996,000	0.61
Al-Hoqani Securities & Investment Corporation (Private) Limited.	1	2,500,000	0.31
B.R.R Guardian Modaraba	1	1,760,000	0.22
Dossa Cotton & General Trading (Private) Limited.	1	1,340,000	0.16
CDC - Trustee KASB Asset Allocation Fund	1	1,333,333	0.16
Orix Investments Bank Pakistan Limited.	1	1,200,000	0.15
Descon Holding (Private) Limited.	1	1,000,000	0.12
Dawood Capital Managment Limited.	1	5,034	0.00
Other (Shareholders with less than 10% Shareholding)	28	62,600,019	7.66
	45	816,752,728	100.00



BRANCH NETWORK

As on December 31, 2015

Sr.	Name of Branch	Address of Branch
1	I.I.Chundrigar Road Branch, Karachi	Trade Center, Ground Floor, I.I Chundrigar Road, Karachi.
2	Shahrah-e-Faisal Branch, Karachi	Al-Tijara Center, Main Shahrah-e-Faisal, Block-6, PECHS, Karachi.
3	Gulshan-e-Iqbal Branch, Karachi	Ground Floor, Dawood Avenue, Plot No.ZC-5, Block-7, Gulshan-e- Iqbal, Karachi.
4	Hussain Chowk Gulberg Branch, Lahore	57-B-III, Near Hussain Chowk, Gulberg-III, Lahore.
5	Jodia Bazar Branch, Karachi	Nasir Baig Street (Old Daryalal Street), Jodia Bazar, Karachi.
6	Kharadar Branch, Karachi	Ground Floor, Qasr-e-Yaseen, Bunder Quarters, Kharadar, Karachi.
7	Sir Syed Road Branch, Karachi	Shop No. G-07, Madina Arcade, Plot No. 154-S, Block-2, Sir Syed Road, P.E.C.H.S, Karachi.
8	Dhorajee Branch, Karachi	Ground Floor, Chhotani Arcade, C.P & Berar Co-Operative Housing Societies Ltd., Block 7/8, Plot No.35/130, Survey Sheet No.35-P/1, Karachi.
9	Small Industrial Estate Branch, Sialkot	Plot No. B-III-8S-202, Mianapora, Ogoki Road, Chowk Shahabpura, Sialkot.
10	Hasan Arcade Branch, Faisalabad	Hasan Arcade, Chen One Road, Faisalabad.
11	Iqbalabad Branch, Rahim Yar Khan	5-6 Moza Dera Shams, Iqbalabad, Rahim Yar Khan.
12	Blue Area Branch, Islamabad	Saleem Plaza, 19 Jinnah Road, Blue Area, Islamabad.
13	13 Wala More Branch, Jauharabad	13 Wala More, Chuck-13, 6 Kilometer, Muzaffar Gadh Road, Jauharabad, District-Khushab.
14	Vehari Road Branch, Multan	Plot # 616, Near Islam Nagar, Vehari Road, Multan.
15	Zamzama Branch, Karachi	Plot No.11-C, Zamzama Boulevard, Phase V, DHA, Karachi.
16	Zaibunnisa Street Branch, Karachi	Shop No 04 , Survey-6, SB 07, Zaibunnisa Street, Saddar, Karachi.
17	M. A. Jinnah Road Branch, Karachi	Shop No.15, Ground Floor, Jahangir Mansion, M.A.Jinnah Road, Karachi.
18	Bank Road Branch, Rawalpindi	Plot # 1, Survey # 364, Bank Road, Rawalpindi.
19	Model Town Branch, Gujranwala	Plot # 85-19/20/B, Model Town, Gujranwala.
20	Latifabad Branch, Hyderabad	Plot # 325-D, Block-C, Latifabad, Unit # 7, Latifabad, Hyderabad.
21	Mansehra Road Branch, Abbottabad	Eman Plaza, Mansehra Road, Near Sathi Masjid, Abbottabad.
22	Gulistan-e-Johar Branch, Karachi	Shop # 10, Sub Plot 118/2/B & C/B-X, Block-18, KDA Scheme-36, Gulistan-e-Jauhar, Karachi.
23	March Bazar Branch, Sukkur	Plot No B-897/1, March Bazar, Sukkur.
24	M A Jinnah Road Branch, Tando Adam	M. A. Jinnah Road, Tando Adam, District Sanghar.
25	DHA Phase II Branch, Karachi	Plot No.108-C, Commercial Area-B, Phase-II, D.H.A., Karachi.
26	Hussainabad Branch, Karachi	Husaaanabad, F.B Area, Block-3, K.D.A., Scheme No-16, Karachi.
27	F-10 Markaz Branch, Islamabad	Plot No.1-V, Margalla Plaza, Main Double Road, F-10 Markaz, Islamabad.
28	National Highway Branch, Sabu Rahu	Survey # 64/2, Main National Highway, Sabu Rahu, Tehsil Sakrand.
29	Odero Lal Station Branch, Odero Lal	Survey No 481/2, 483/1-4 & 487/2, Opposite Rural Health Center, Odero Lal Station, Tehsil & District Matyari, Sindh.
30	Hydri Market Branch, Karachi	SE-6, Block-G, North Nazimabad, KDA Scheme No.2, Karachi.
31	Railway Road Branch, Sargodha	Khasra No.75/5/6, Khewet No.545. 45-Alif Shumali, Khilji Building, Railway Road, Sargodha.
32	Allama Iqbal Town Branch, Lahore	5-Hunza, (A) Block, Main Boulevard, Allama Iqbal Town, Lahore.
33	Johar Town Branch, Lahore	68 R-I, M.A. Johar Town, Lahore.
34	Rail Bazar Branch, Faisalabad	Plot No.2, Rail Bazar Near Clock Tower, Faisalabad.
35	Mughal Plaza Branch, Rawat	Ground Floor, Mughal Plaza, G.T Road, Rawat, Islamabad.
36	Kalma Chowk Branch, Manga Mandi	Khasra # 10736/2, Khewet No.950, Khatoni No.1845, Madina Market, Kalma Chowk, Manga Manadi, Lahore.
37	Feroze Pur Road Branch, Khana	Khasra # 1643, Khewet # 698, Khatoni # 1228 & 1229, Mouza Gaju Mata, Feroze Pur Road, Khana.
38	G.T Road Branch, Tarnol	Ground Floor, Pak Doha Trade Center, Khasra # 1107/771 G.T Road, Tarnol.
39	M.A Jinnah Road Branch, Quetta	Khasra # 28, Khatooni # 343/404, M.A Jinnah Road, Quetta.
40	Sadar Road Branch, Peshawar	6 Saddar Road, Peshawar near Deans Bankery, Peshawar.
41	Business Finance & Trade Tower Branch, Karachi	Shop No.3, Business & Trade Tower, I.I. Chundrigar Road, Karachi.
42	Main Boulevard Gulberg Branch, Lahore	House No.61-A, Main Boulevard Near Mc Donalds, Gulberg, Lahore.
43	Mirpur Branch, AJK	Plot No.7, Sector B-III, Main Allama Iqbal Road, Mirpur, Azad Kashmir.
44	G.T. Road Branch, Gujrat	Property No.402/405 & 433/458, Mohalla Kalar Khasa, Opp. Pak Fan Factory, Main G.T. Road, Tehsil & District Gujrat, Gujrat.
45	G.T.Road Branch, Gujjar Khan	Property No.B-III, House No.204-A, Ward No.1, Main G.T. Road, Tehsil Gujjar Khan, District Rawalpindi, Gujjar Khan.
46	Satellite Town Branch, Rawalpindi	29-B-1, Satellite Town, Murree Road, Chandni Chowk, Rawalpindi.
47	DHA Z-Block Branch, Lahore	Plot No.316, Block-Z, Commercial Market, DHA, Lahore.

BRANCH NETWORK

As on December 31, 2015

Sr.	Name of Branch	Address of Branch
48	Model Colony Branch, Jhelum	Shop No.G-43, Model Colony, Shander Chowk, Jhelum.
49	Korangi Industrial Area Branch, Karachi	Plot No.ST-4/2, Sector No.23, Korangi Industrial Area, Karachi.
50	Mall Road Branch, Lahore	112 The Mall, Rafi Mansion, Opposite Alfalah Building, Lahore.
51	Shaheed-e-Millat Road Branch, Karachi	Plot No.16/156, Block-3, Bahadur Yar Jung Cooperative Housing Society, Main Shaheed-e-Millat Road, Karachi.
52	Main University Road Branch, Karachi	Plot No.SB-7/1, Block-C, Scheme # 24, Gulshan, Karachi.
53	North Nazimabad Branch, Karachi	D-3, Block-D, North Nazimabad, Karachi.
54	F-8 Markaz, Islamabad	Plot # 3-A, F-8 Markaz, Islamabad.
55	Port Qasim Branch, Karachi	G-4 Port Qasim Trade Center, Plot No.1/20 Port Operation Zone, Qasim Port Authority, Karachi.
56	F B Area Branch, Karachi	Property No.C-17, Block-10, Scheme-16, F.B.Area, Karachi.
57	Bukhari Commercial Branch, Karachi	Property No.58-C, Lane-13, Bukhari Commercial Area, D.H.A., Phase-VI, Karachi.
58	Tufail Road Branch, Lahore	12-Tufail Road, Cantt, Lahore.
59	Model Town Branch, Lahore	Showroom # 11, Bank Square Market, Block-C, Model Town, Lahore.
60	Jail Road Shadman Branch, Lahore	14 Shadman, Jail Road, Near Soneri Bank, Lahore.
61	DHA H-Block Branch, Lahore	Plot No.137, Block-H, Phase-1, D.H.A, Lahore Cantt., Lahore.
62	F-7 Markaz Branch, Islamabad.	13-N, F-7 Markaz, Islamabad.
63	University Road Branch, Peshawar	Muhammad Tower, University Road, Near Gul Haji Plaza, Peshawar.
64	Cantonment Area Branch, Hyderabad	Plot No.123/2, Cantonment Survey No.41/123/2, Cantonment Area, Hyderabad.
65	G.T.Road Branch, Ghakhar	Property No.BV-732A, Khawet No.2193, Khatooni No.2964, Khasra No.3182/12, Qitat-3, Ghakhar, Tehsil Wazirabad.
66	Hub Branch, Lasbela	Ground Floor, LCCI Office Building, DC-26, H.I.T.E, Hub Lasbela.
67	Clifton Branch, Karachi	S-07, Ground Floor, Yousuf Grand Plaza, Block-8, KDA Scheme No.5, Kehkeshan, Clifton, Karachi.
68	Shah Alam Market Branch, Lahore	Plot No.6, Block-B, Main Road, Shah Alam Gate, Lahore.
69	Tipu Sultan Road Branch, Karachi	Plot No 116-117-Z, Block No.7/8, Shabbirabad Commercial Area, Dawoodi Bohra Co-Operative Housing Society Ltd, Tipu Sultan Road Karachi.
70	SSUET Branch, Karachi	Sir Syed University of Engineering & Technology, Main University Road, Karachi.
71	Khayaban-e-Shahbaz Branch, Karachi	Plot # 15-C, Shahbaz Commercial, Phase-VI, D.H.A., Karachi.
72	Old Bahawalpur Road Branch, Multan	Plot No.126, Old Bahawalpur Road, Union Council # 42, Shadman Colony, Sher Shah Town, Multan.
73	Ghalla Mandi Branch, Jauharabad	Khewat No.720, Khatooni No.1544, Khasra No.15, Qasim Plaza, Block No.23, Ghalla Mandi, Jauharabad, Khushab.
74	Khayaban e Ittehad Branch Karachi	96-C, Main Khayaban-e-Ittehad, Defense Housing Authority, Phase-II Extension, Karachi.

FORM OF PROXY

Folio / CDC Account No.

I / We _____
of _____ being members(s) of
Burj Bank Limited ("the Bank") holding _____
_____ ordinary

share, hereby appoint _____
of _____ of failing
of _____
him / her _____
of _____

Member of the Bank, as my / our proxy to voice for me/us, and on my / our behalf at 10th Annual General Meeting of the Bank to be held on Friday April 29, 2016 and at any adjournment thereof.

As witness my / our hand this _____ day of _____ 2016.

Witness:

Name: _____

CNIC No./ Passport No: _____

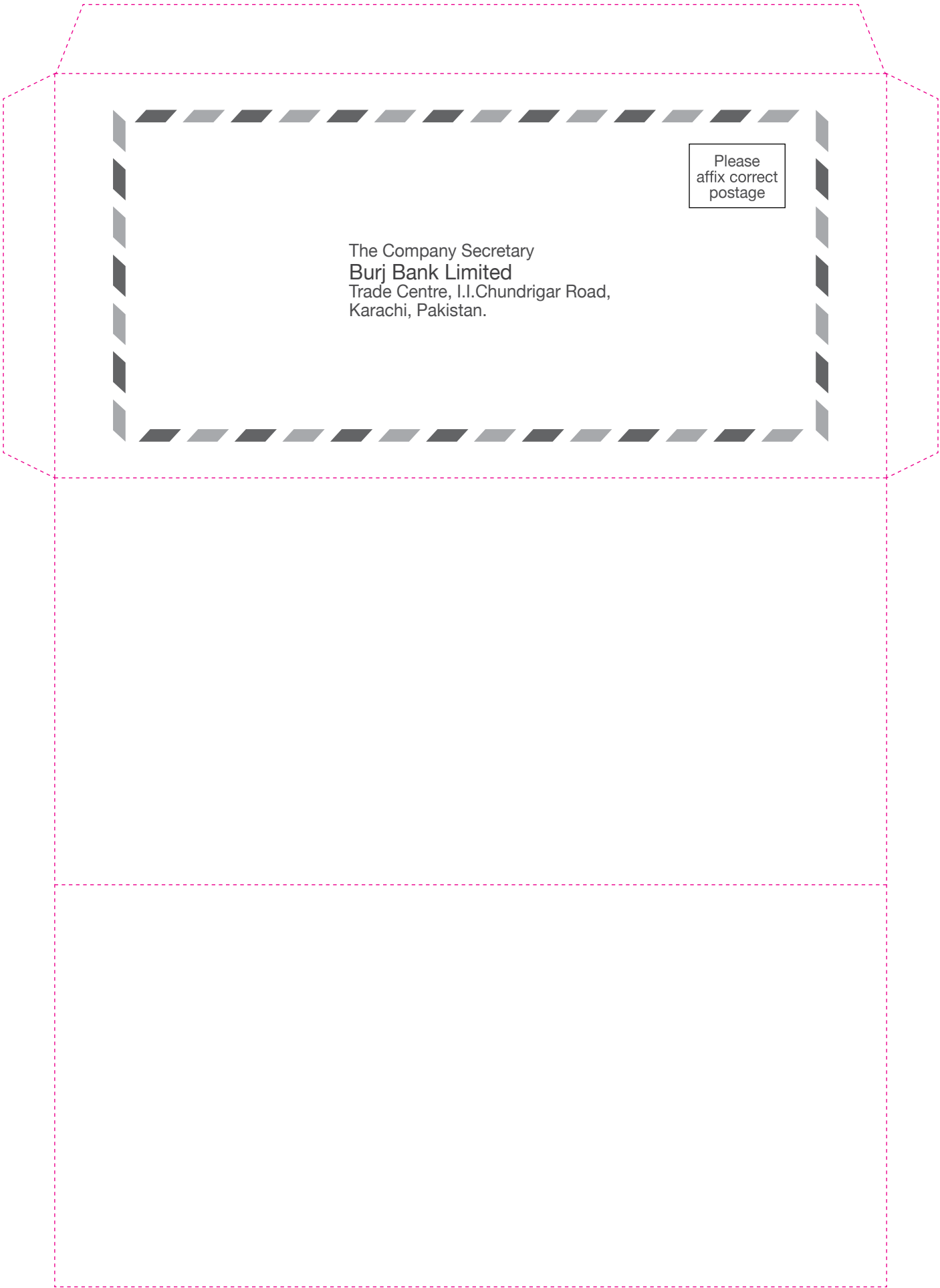
Address: _____

Name: _____

CNIC No./ Passport No: _____

Address: _____

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



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

Please
affix correct
postage



Burj Bank
Shariat Mein Barkat

Head Office:

BURJ BANK LIMITED

Trade Centre, I.I. Chundrigar Road,
Karachi-Pakistan.

Tel: +92 21 32637174 - 75

Burj Phone Banking: +92 (0) 800 00343

www.burjbankltd.com