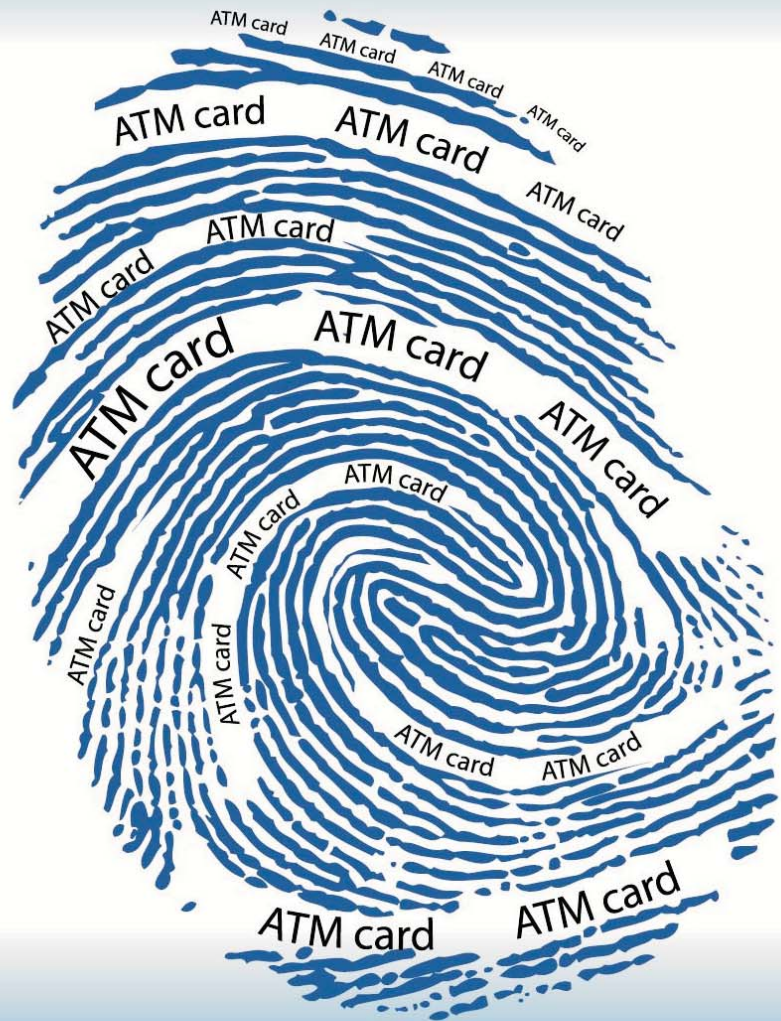


بنك اسلامي



BankIslami

World's First Cardless Biometric ATM



2013
ANNUAL REPORT

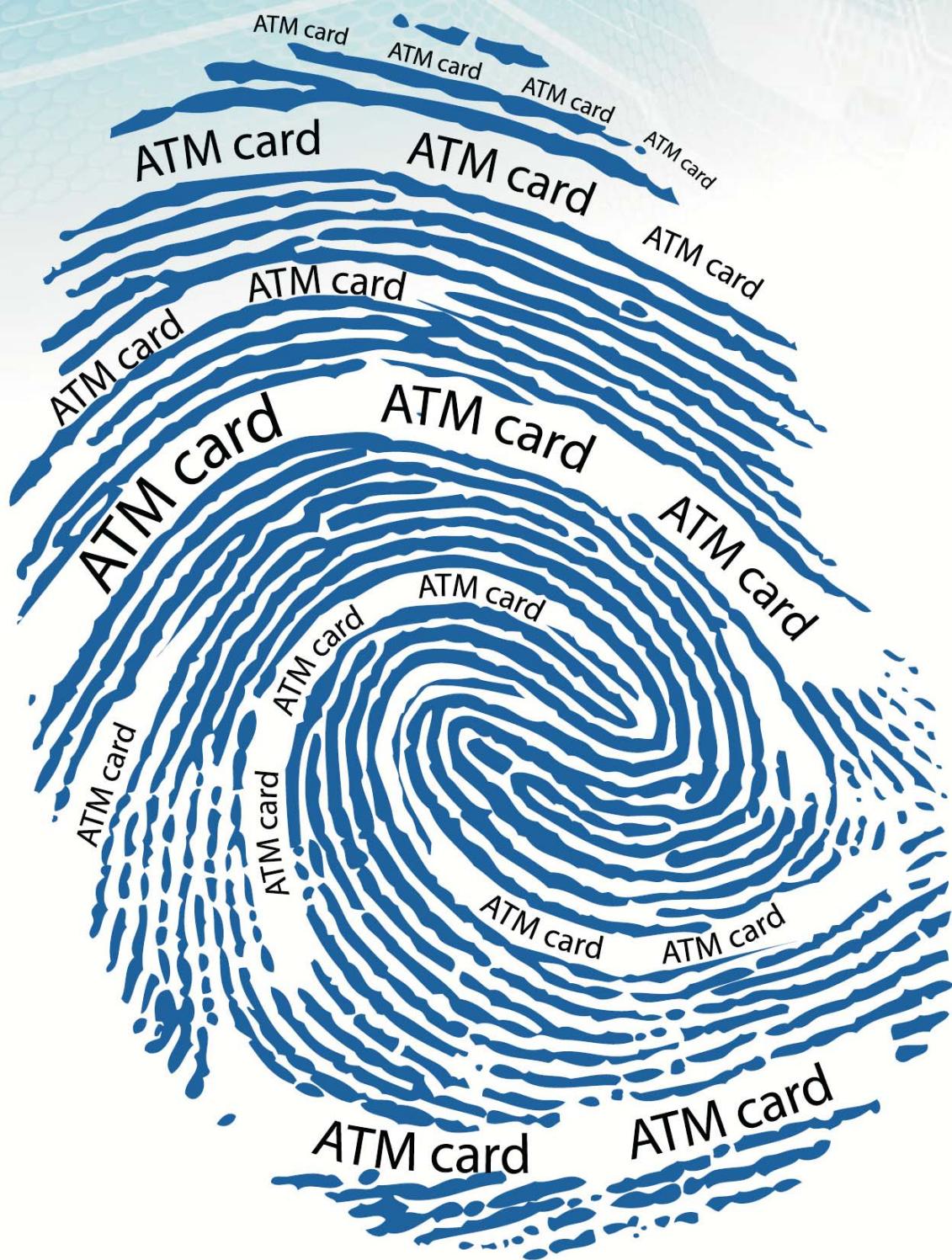
Serving you, the Right way

201 Branches in 77 Cities



Innovation is the center of whatever we do.
From pioneering network expansion
to penetrating the rural territories to deploying
new technologies.

We are proud to pioneer Cardless Biometric ATM
which will open new doors in payment system
and service delivery.





Vision

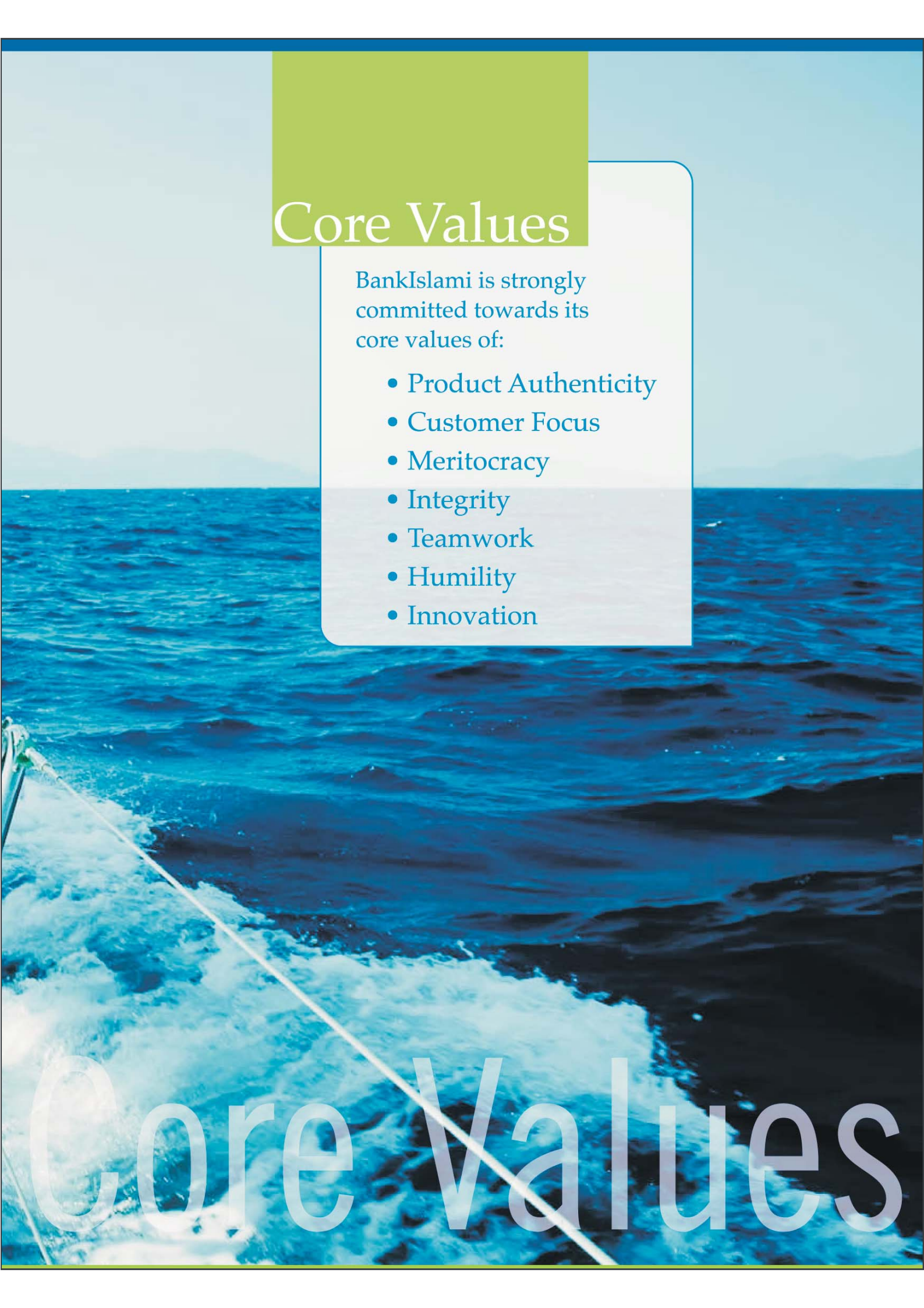
The Vision of BankIslami is to be recognized as the leading Authentic Islamic Bank.

Mission

The Mission of BankIslami is to create value for our stakeholders by offering Authentic, Shariah Compliant and Technologically advanced products and services. We differentiate ourselves through:

- Authenticity
- Innovation
- Understanding our Clients' needs
- Commitment to excellence and
- Fast, efficient and seamless

delivery of solutions. As a growing institution, the foundation for our performance lies on our human capital and BankIslami remains committed to becoming an employer of choice, attracting, nurturing and developing talent in a transparent and performance driven culture.



Core Values

BankIslami is strongly committed towards its core values of:

- Product Authenticity
- Customer Focus
- Meritocracy
- Integrity
- Teamwork
- Humility
- Innovation

Core Values

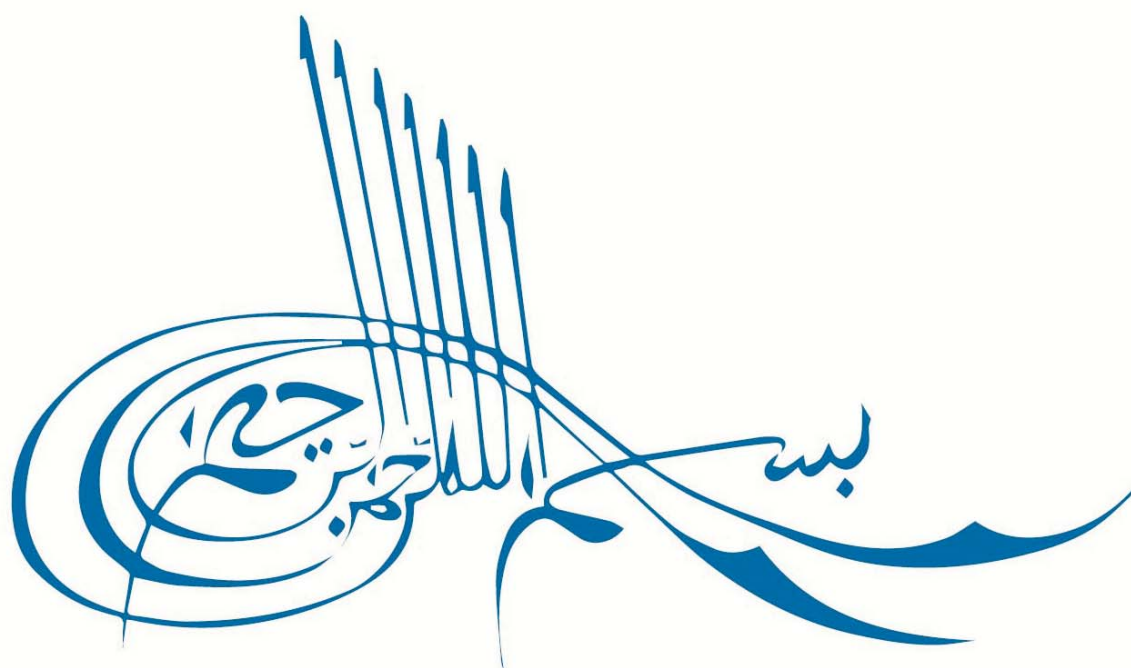


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Corporate Information

Board of Directors

Mr. Ali Hussain	Chairman
Mr. Ali Raza Siddiqui	
Mr. Abdulhakim Habib Mansoor Binherz	
Mr. Ali Mohd Hussain Ali Al Shamali *	
Mr. Fawad Anwar	
Mr. Kamal Afsar **	
Mr. Hasan A. Bilgrami	Chief Executive Officer
Mr. Shabir Ahmed Randeree	

Sharia'h Supervisory Board

Mufti Irshad Ahmad Aijaz	Chairman
Mufti Hassan Kaleem	Member
Mufti Talha Saleem Kapadia	Member

Audit Committee

Mr. Fawad Anwar	Chairman
Mr. Abdulhakim Habib Mansoor Binherz	Member
Mr. Ali Hussain	Member
Mr. Ali Raza Siddiqui	Member
Mr. Shabir Ahmed Randeree	Member

Risk Management Committee

Mr. Fawad Anwar	Chairman
Mr. Abdulhakim Habib Mansoor Binherz	Member
Mr. Hasan A. Bilgrami	Member
Mr. Ali Mohd Hussain Ali Al Shamali	Member

I.T Committee

Mr. Ali Hussain	Chairman
Mr. Ali Raza Siddiqui	Member
Mr. Hasan A. Bilgrami	Member

Human Resource & Compensation Committee

Mr. Ali Raza Siddiqui	Chairman
Mr. Ali Hussain	Member
Mr. Abdulhakim Habib Mansoor Binherz	Member
Mr. Fawad Anwar	Member
Mr. Hasan A. Bilgrami	Member

Company Secretary

Mr, Zahid Ali H. Jamall

Auditors

A. F. Ferguson & Co.
Chartered Accountants

Legal Adviser

- 1- Haidermota & Co.
Barrister at Law
- 2- Mohsin Tayebaly & Co.
Corporate Legal Consultants / Barristers & Advocates
High Courts & Supreme Court

* appointed effective from January 16, 2014.

** appointed effective from March 4, 2014 subject to SBP approval, SBP approval is awaited.

Management (in alphabetical order)

Mr. Arsalan Vohra
Mr. Arshad Wahab Zuberi
Mr. Asad Alim
Mr. Farooq Anwar
Mr. Hasan A. Bilgrami
Mr. Khawaja Ehrar ul Hassan
Mr. Muhammad Faisal Shaikh
Mr. Muhammad Furqan
Mr. Muhammad Shoaib Khan
Mr. Muhammad Kamran Siddiqui
Mr. Rehan Shuja Zaidi
Mr. Shamshad Ahmed
Ms. Sheba Matin Khan
Mr. Syed Akhtar Ausaf
Mr. Syed Mujtaba H. Kazmi
Mr. Syed Arif Mahtab
Mr. Zahid Ali H. Jamall

Head, Risk Policy & Analytics
Head, Administration and General Service
Head, Information Systems
Head, Operations
Chief Executive Officer
Head, Compliance & Legal
Head, Product Development
Head, Credit Administration
Head, Treasury & Financial Institutions
Head, Service Quality & Phone Banking
Head, Internal Audit
Head, Trade Finance
Head, Human Resources
Head, Risk Management
Head, Corporate Finance
Head, Branch Operations
Chief Financial Officer & Company Secretary

Registered Office

11th Floor, Executive Tower,
Dolmen City, Marine Drive,
Block-4, Clifton,
Karachi.
Phone (92-21) 111-247(BIP)-111
Fax: (92-21) 35378373
Email: info@bankislami.com.pk

Share Registrar

Technology Trade (Private) Limited
Dagia House, 241-C, Block-2,
P.E.C.H.S. Off: Shahra-e-Qaideen,
Karachi.
Phone: (92-21) 34387960-61
Fax: (92-21) 34391318

Website:

www.bankislami.com.pk



Profile of Shari'ah Board

After the sad demise of the Chairman of Shari'ah Supervisory Board, Prof. Dr. Fazl ur Rahman, May Allah keep the departed soul in eternal peace-Ameen.) the Shariah board has been reconstituted. Two new members have been included in the Board namely Mufti Muhammad Hassan Kaleem and Mufti Talha Saleem Kapadia. After reconstitution Mufti Irshad Ahmad Aijaz has been appointed as Chairman of the Shariah board and Shariah adviser of the bank. Brief profiles of the board members are as below

Mufti Irshad Ahmad Aijaz

Mufti Irshad Ahmad Aijaz is the full time Shariah Advisor to the Bank and Chairman of its Shariah Supervisory Board. He graduated from Jamiatul Uloom Islamiyyah, Binnori Town, Karachi and obtained his Shadat-ul-Aalamia (Masters in Arabic and Islamic Studies) from there. Afterwards, he completed his Takhassus fi al-Iftaa (Specialization in Islamic Jurisprudence and Fatwa) from Jamia Darul Uloom, Karachi. He has passed an Islamic economics course "Contemporary Business and Banking and its critical evaluation in the light of Shariah" from the Centre for Islamic Economics, Jamia Darul Uloom, Karachi. He also completed his MBA program from Iqra University, Karachi.

He regularly delivers lectures on Islamic Economics and Finance at different forums and educational institutions including National Institute of Banking and Finance (State Bank of Pakistan) and Centre of Islamic Economics (an organ of Jamia Darul Uloom, Karachi).

He currently holds advisory position at a number of Institutions which include:

- > Member, Shariah Board of Securities & Exchange Commission of Pakistan (SECP)
- > Shariah Advisor of Fortune Islamic Financial Services
- > Shariah Advisor of Allied Rental Modaraba
- > Member, Shariah Committee of Barakah Group, Australia
- > Honorary Chairman, Shariah Supervisory Board of Wasil Foundation (Micro finance)

Mufti Muhammad Hassan Kaleem

Mufti Muhammad Hassan Kaleem is the Member of Shariah Supervisory Board at BankIslami Pakistan Limited. He has done Takhassus fil Ifta (Specialization in Islamic jurisprudence and Fatwa) from Jamia Darul Uloom, Karachi. He also teach various courses in Islamic Studies and Arabic at Darul Uloom Karachi for the last 14 years and is also a member of Dar-ul-Ifta, Jamia Darul Uloom Karachi.

Previously he served as Shariah Advisor of AlBaraka Islamic Bank - Pakistan Operations. He was also associated in advisory capacities with Habib Bank Limited Pakistan Islamic Banking Division and UBL Ameen (Islamic Banking Division of United Bank Limited Pakistan).

He is also a Trainer of Shariah Standards at Accounting and Auditing Organization for Islamic Financial Institution (AAOIFI) Bahrain and a Visiting faculty member of National Institute of Banking and Finance (State Bank of Pakistan).

He currently holds advisory position at a number of Institutions which include:

- > Chairman, Shariah Board of Securities & Exchange Commission of Pakistan (SECP);
- > Shariah Board Member of Pak Kuwait Takaful Company Ltd.
- > Shariah Board Member of Pak Qatar Family Takaful
- > Shariah Consultant for Deloitte (Global Islamic Finance Team)
- > Shariah Council Member of Siraj UBL Funds
- > Shariah Board Member of Hanover Re Takaful Bahrain
- > Shariah Board Member of Takaful Emirate UAE
- > Shariah Board Member of Amana Bank Limited Sri Lanka
- > Member of the Committee for revising the Takaful rules 2005, formed by SECP

Mufti Talha Saleem Kapadia

Mufti Talha Saleem Kapadia is the Member of Shariah Supervisory Board at BankIslami Pakistan Limited. He completed his Shadat-ul-Aalamia (Masters in Arabic and Islamic Studies) from Jamiatul Uloom Islamiyyah, Binnori Town, Karachi. Afterwards, he did Takhassus fil Ifta (Specialization in Islamic Jurisprudence and Fatwa) from Jamia Islamia, Karachi. He has also completed MBA (Finance) from Iqra University and M.A. Islamic Studies from Karachi University. He also completed Islamic Banking course "Islamic Banking Theories & Practices", under the supervision of Eminent Scholars in the field of Islamic Finance & Economics, from National Institute of Banking and Finance, State Bank of Pakistan.

He is associated with BankIslami as "Shariah Coordinator" for the last 6 years. He is an Islamic Banking Trainer in the Bank and a visiting Faculty Member at Iqra University.

Six Year's Vertical Analysis

	2013		2012		2011		2010		2009		2008	
	Rs. In Mln	%	Rs. In Mln	%	Rs. In Mln	%	Rs. In Mln	%	Rs. In Mln	%	Rs. In Mln	%
Statement of Financial Position												
Assets												
Cash and balances with treasury banks	4,883	6%	4,939	7%	4,685	8%	3,035	7%	4,218	12%	2,175	11%
Balances with other banks	968	1%	806	1%	549	1%	570	1%	2,060	6%	2,207	12%
Due from financial institutions	6,511	7%	8,476	11%	4,436	8%	4,513	10%	4,019	12%	40	0.21%
Investments	31,610	36%	28,994	39%	21,067	36%	13,732	30%	6,813	20%	5,020	26%
Financings	38,309	44%	27,433	37%	24,665	42%	19,566	43%	10,855	32%	6,496	34%
Operating fixed assets	2,958	3%	1,913	3%	1,812	3%	2,067	5%	2,395	7%	1,911	10%
Deferred tax assets	-	0%	79	0%	182	0%	402	1%	355	1%	267	1%
Other assets	1,616	2%	1,608	2%	1,437	2%	1,151	3%	3,558	10%	967	5%
	<u>86,856</u>	<u>100%</u>	<u>74,249</u>	<u>100%</u>	<u>58,833</u>	<u>100%</u>	<u>45,036</u>	<u>100%</u>	<u>34,272</u>	<u>100%</u>	<u>19,085</u>	<u>100%</u>
Liabilities												
Bills payable	836	1%	1,251	2%	799	1%	563	1%	486	1%	354	2%
Due to financial institutions	2,538	3%	1,621	2%	800	1%	353	1%	156	0%	246	1%
Deposits and other accounts	75,226	87%	64,216	86%	50,569	86%	38,198	85%	27,987	82%	12,478	65%
Deferred tax liabilities	176	-	-	-	-	-	-	-	-	-	-	-
Other Liabilities	1,838	2%	1,569	2%	1,341	2%	1,155	3%	917	3%	819	4%
	<u>80,613</u>	<u>93%</u>	<u>68,658</u>	<u>92%</u>	<u>53,508</u>	<u>91%</u>	<u>40,269</u>	<u>89%</u>	<u>29,546</u>	<u>86%</u>	<u>13,897</u>	<u>73%</u>
Net Assets	<u>6,242</u>	<u>7%</u>	<u>5,591</u>	<u>8%</u>	<u>5,325</u>	<u>9%</u>	<u>4,766</u>	<u>11%</u>	<u>4,725</u>	<u>14%</u>	<u>5,188</u>	<u>27%</u>
Represented by												
Share Capital	5,280	6%	5,280	7%	5,280	9%	5,280	12%	5,280	15%	5,280	28%
Reserves	210	0%	173	0.23%	91	0.16%	9	0.02%	-	0%	-	0%
Unappropriate Profit/(Accumulated Losses)	25	0%	8	0%	(215)	0%	(555)	-1%	(592)	-2%	(102)	-1%
Advance against future issue of share capital	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Surplus on revaluation of assets - net of deferred tax	727	1%	130	0.18%	169	0.29%	32	0.07%	38	0.11%	10	0.05%
	<u>6,242</u>	<u>7%</u>	<u>5,591</u>	<u>8%</u>	<u>5,325</u>	<u>9%</u>	<u>4,766</u>	<u>11%</u>	<u>4,725</u>	<u>14%</u>	<u>5,188</u>	<u>27%</u>
Profit & Loss Account												
Profit / return earned	6,289	93%	5,992	95%	5,502	96%	3,807	95%	2,177	86%	1,465	88%
Profit / return expensed	(3,790)	-56%	(3,507)	-55%	(2,883)	-50%	(2,058)	-51%	(1,222)	-49%	(730)	-44%
Net Spread earned	2,500	37%	2,485	39%	2,619	46%	1,750	44%	955	38%	735	44%
Provisions	(127)	-2%	(91)	-1%	(85)	-1%	(4)	0%	(111)	-4%	(131)	-8%
Net Spread after provisions	2,373	35%	2,394	38%	2,534	44%	1,746	43%	844	33%	605	36%
Other income	454	7%	333	5%	227	4%	206	5%	343	14%	196	12%
Other expenses	(2,518)	-37%	(2,264)	-36%	(2,152)	-38%	(1,907)	-48%	(1,766)	-70%	(1,034)	-62%
Profit before tax	308	5%	463	7%	609	11%	45	1%	(580)	-23%	(233)	-14%
Taxation	(123)	-2%	(156)	-2%	(199)	-3%	2	0%	90	4%	178	11%
Profit after taxation	<u>185</u>	<u>3%</u>	<u>307</u>	<u>5%</u>	<u>410</u>	<u>7%</u>	<u>47</u>	<u>1%</u>	<u>(490)</u>	<u>-19%</u>	<u>(55)</u>	<u>-3%</u>

Six Year's Horizontal Analysis

	2013		2012		2011		2010		2009		2008	
	Rs. In Mln	%	Rs. In Mln	%	Rs. In Mln	%	Rs. In Mln	%	Rs. In Mln	%	Rs. In Mln	%
Statement of Financial Position												
Assets												
Cash and balances with treasury banks	4,883	-1%	4,939	5%	4,685	54%	3,035	-28%	4,218	94%	2,175	52%
Balances with other banks	968	20%	806	47%	549	-4%	570	-72%	2,060	-7%	2,207	-14%
Due from financial institutions	6,511	-23%	8,476	91%	4,436	-2%	4,513	12%	4,019	9860%	40	-94%
Investments	31,610	9%	28,994	38%	21,067	53%	13,732	102%	6,813	36%	5,020	30%
Financings	38,309	40%	27,433	11%	24,665	26%	19,566	80%	10,855	67%	6,496	59%
Operating fixed assets	2,958	55%	1,913	6%	1,812	-12%	2,067	-14%	2,395	25%	1,911	75%
Deferred tax assets	-	-100%	79	-56%	182	-55%	402	13%	355	33%	267	193%
Other assets	1,616	-	1,608	12%	1,437	25%	1,151	-68%	3,558	268%	967	45%
	<u>86,856</u>	<u>17%</u>	<u>74,249</u>	<u>26%</u>	<u>58,833</u>	<u>31%</u>	<u>45,036</u>	<u>31%</u>	<u>34,272</u>	<u>80%</u>	<u>19,085</u>	<u>32%</u>
Liabilities												
Bills payable	836	-33%	1,251	57%	799	42%	563	16%	486	37%	354	316%
Due to financial institutions	2,538	57%	1,621	103%	800	127%	353	126%	156	-37%	246	251%
Deposits and other accounts	75,226	17%	64,216	27%	50,569	32%	38,198	36%	27,987	124%	12,478	26%
Deferred tax liabilities	176	-	-	-	-	-	-	-	-	-	-	-
Other Liabilities	1,838	17%	1,569	17%	1,341	16%	1,155	26%	917	12%	819	60%
	<u>80,613</u>	<u>17%</u>	<u>68,658</u>	<u>28%</u>	<u>53,508</u>	<u>33%</u>	<u>40,269</u>	<u>36%</u>	<u>29,546</u>	<u>113%</u>	<u>13,897</u>	<u>31%</u>
Net Assets	<u>6,242</u>	<u>12%</u>	<u>5,591</u>	<u>5%</u>	<u>5,325</u>	<u>12%</u>	<u>4,766</u>	<u>1%</u>	<u>4,725</u>	<u>-9%</u>	<u>5,188</u>	<u>35%</u>
Represented by												
Share Capital	5,280	-	5,280	-	5,280	-	5,280	-	5,280	-	5,280	65%
Reserves	210	21%	173	90%	91	880%	9	-	-	-	-	-
Accumulated Losses	25	222%	8	-104%	(215)	-61%	(555)	-6%	(592)	478%	(102)	118%
Advance against future issue of share capital	-	-	-	-	-	-	-	-	-	-	-	-100%
Surplus on revaluation of assets - net of deferred tax	727	458%	130	-23%	169	422%	32	-14%	38	262%	10	20%
	<u>6,242</u>	<u>12%</u>	<u>5,591</u>	<u>5%</u>	<u>5,325</u>	<u>12%</u>	<u>4,766</u>	<u>1%</u>	<u>4,725</u>	<u>-9%</u>	<u>5,188</u>	<u>35%</u>
Profit & Loss Account												
Profit / return earned	6,289	5%	5,992	9%	5,502	45%	3,807	75%	2,177	49%	1,465	144%
Profit / return expensed	(3,790)	8%	(3,507)	22%	(2,883)	40%	(2,058)	68%	(1,222)	68%	(730)	140%
Net Spread earned	2,500	1%	2,485	-5%	2,619	50%	1,750	83%	955	30%	735	149%
Provisions	(127)	39%	(91)	8%	(85)	1965%	(4)	-96%	(111)	-15%	(131)	360%
Net Spread after provisions	2,373	-1%	2,394	-6%	2,534	45%	1,746	107%	844	40%	605	126%
Other income	454	36%	333	47%	227	10%	206	-40%	343	75%	196	40%
Other expenses	(2,518)	11%	(2,264)	5%	(2,152)	13%	(1,907)	8%	(1,766)	71%	(1,034)	102%
Profit before tax	308	-33%	463	-24%	609	1266%	45	108%	(580)	149%	(233)	126%
Taxation	(123)	-21%	(156)	-21%	(199)	-10017%	2	-98%	90	-49%	178	176%
Profit after taxation	<u>185</u>	<u>-40%</u>	<u>307</u>	<u>-25%</u>	<u>410</u>	<u>780%</u>	<u>47</u>	<u>-110%</u>	<u>(490)</u>	<u>783%</u>	<u>(55)</u>	<u>44%</u>



Statement of Value Added

	2013		2012	
	Rs. In Mln	%	Rs. In Mln	%
Value Added				
Net Spread earned	2,500		2,485	
Other income	454		333	
Operating expenses excluding staff cost, depreciation, amortisation, donations and WWF	(1,170)		(993)	
Provision against advances, investments & others	(127)		(91)	
Value added available for distribution	1,657		1,734	
Distribution of value added				
To employees				
Remuneration, provident fund and other benefits	1,084	65.43%	962	55.48%
To government				
Worker welfare fund	6	0.37%	9	0.52%
Income tax	123	7.41%	156	9.00%
	129	7.78%	165	9.52%
To Society				
Donations	-	-	-	-
To Shareholders				
Depreciation	230		276	
Amortisation	29		24	
Retained during the year	185		307	
	444	26.79%	607	35.00%
	1,657	100.00%	1,734	100.00%

Six Years' Financial Summary 2008-2013

	2013	2012	2011	2010	2009	2008
Profits & Loss Accounts						
Profit/return Earned	6,289	5,992	5,502	3,807	2,177	1,465
Profit /return Expensed	3,790	3,507	2,883	2,058	1,222	730
Net Spread earned	2,500	2,485	2,619	1,750	955	735
Fee,commission,brokerage & exchange Income	368	282	187	153	316	141
Dividend and capital gains	7	17	0.002	0.001	2	33
Other Income	79	34	39	53	24	22
Total Other Income	454	333	227	206	343	196
Total Income	2,953	2,818	2,846	1,956	1,298	931
Other expenses	2,518	2,264	2,152	1,907	1,766	1,034
Profit/(loss) before tax and provisions	435	554	693	49	(490)	(102)
Provisions	127	91	85	4	111	131
Profit/(loss) before tax	308	463	609	45	(580)	(233)
Profit/(loss) after tax	185	307	410	47	(490)	(55)
Statement of Financial Position						
Paid up capital	5,280	5,280	5,280	5,280	5,280	5,280
Reserves	210	173	91	9	-	-
Unappropriated profit/(loss)	25	8	(227)	(555)	(592)	(102)
Shareholder's equity	5,515	5,461	5,156	4,734	4,687	5,177
Surplus on revaluation of assets-net of tax	727	130	169	32	38	10
Net Assets	6,242	5,591	5,325	4,766	4,725	5,188
Total Assets	86,856	74,249	58,833	45,036	34,272	19,085
Earning Assets	77,398	65,710	50,718	38,381	23,746	13,764
Gross Financings	38,932	27,934	25,055	19,895	11,104	6,841
Financings-net of provisions	38,309	27,433	24,665	19,566	10,855	6,496
Non-performing Loans (NPLs)	1,109	1,205	838	660	789	186
Investments	31,610	28,994	21,067	13,732	6,813	5,020
Total Liabilities	80,613	68,658	53,509	40,269	29,546	13,897
Deposits & other accounts	75,226	64,216	50,569	38,198	27,987	12,478
Current & Saving Deposits (CASA)	40,618	34,030	26,028	19,402	15,335	5,978
Borrowing	2,538	1,621	800	353	156	246
Profit bearing Liabilities	65,141	54,393	41,123	29,390	20,565	9,668
Contingencies and commitments	10,308	8,238	4,595	4,468	1,263	1,645
Financial Ratios						
Profit before tax ratio(PBT/total income)	10.43%	16.43%	21.39%	2.28%	-44.67%	-25.01%
Net Spread earned/Profit Earned	39.74%	41.47%	47.60%	45.96%	43.86%	50.20%
Other income to total income	15.36%	11.83%	7.97%	10.54%	26.41%	21.06%
income/ expense ratio (excl. provisions)	Times 1.17	1.24	1.32	1.03	0.73	0.90
Return on average equity (ROE)	3.38%	5.78%	8.28%	0.99%	-9.93%	-1.33%
Return on average assets (ROA)	0.23%	0.46%	0.79%	0.12%	-1.84%	-0.33%
Return on Capital Employed (ROCE)	0.43%	0.77%	1.31%	0.13%	-2.29%	-1.57%
Earning per share (EPS after tax)	Rs. 0.3509	0.5809	0.7757	0.09	(0.93)	(0.11)
Gross advances/ deposit ratio	51.75%	43.50%	49.55%	52.08%	39.68%	54.83%
Net Advances /deposit ratio	50.92%	42.72%	48.78%	51.22%	38.78%	52.06%
Breakup value per share (excl.surplus on rev. of assets)	Rs. 10.45	10.34	9.77	8.97	8.88	9.81
Breakup value per share (incl.surplus on rev. of assets)	Rs. 11.82	10.59	10.09	9.03	8.95	9.83
Earning assets to total assets ratio	89.11%	88.50%	86.21%	85.22%	69.29%	72.12%
Earning assets to profit bearing Liabilities	Times 1.19	1.21	1.23	1.31	1.15	1.42
CASA to Total Deposits	53.99%	52.99%	51.47%	50.79%	54.79%	47.91%
NPLs to Gross Financings ratio	2.85%	4.31%	3.35%	3.32%	7.10%	2.72%
Assets to Equity	Times 15.75	13.60	11.41	9.51	7.31	3.69
Deposit to share holder equity	Times 13.64	11.76	9.81	8.07	5.97	2.41
Capital Adequacy Ratio	15.37%	15.13%	17.18%	19.50%	18.24%	39.83%
Market value per share-Dec 31	Rs. 6.94	9.21	3.1	3.63	7.25	7.25
Non Financial Information						
Number of branches	201	141	102	102	102	102
Total number of employees	1,520	1410	1448	1347	1471	1188

2013 has been another promising year

Total Deposits

Rs. **75,226** million

17%



Total Assets

Rs. **86,856** million

17%



Total Financing

Rs. **38,309** million

40%



Total Investment

Rs. **31,610** million

9%



Employee Count

1,540

8%



Branch Network

201 branches

43%



Notice of Annual General Meeting

Notice is hereby given that the 10th Annual General Meeting of the Members of BankIslami Pakistan Limited will be held Inshallah on Friday, April 18, 2014 at 09:30 a.m. at Hotel Regent Plaza, Shahrah-e-Faisal, Karachi to transact the following business:

ORDINARY BUSINESS

- 1- To confirm minutes of the Extraordinary General Meeting held on February 22, 2014.
- 2- To receive, consider and adopt the Audited Financial Statements of the Bank and Audited Consolidated Financial Statements of the Bank for the year ended December 31, 2013 together with the Auditors; and Directors; Reports thereon.
- 3- To appoint Auditors of the Bank for the year ending December 31, 2014 and to fix their remuneration. The present auditors, A.F. Ferguson & Co., Chartered Accountants, retire and being eligible, offer themselves for reappointment.
- 4- To elect seven (7) Directors as fixed by the Board in accordance with the provision of Section 178 of the Companies Ordinance 1984 for a period of three years in place of the retiring directors namely:
 - 1- Mr. Ali Hussain
 - 2- Mr. Ali Raza Siddiqui
 - 3- Mr. Abdulhakim Habib Mansoor Binherz
 - 4- Mr. Ali Mohd Hussain Ali Al Shamali
 - 5- Mr. Fawad Anwar
 - 6- Mr. Kamal Afsar
 - 7- Mr. Shabir Ahmed Randeree

ANY OTHER BUSINESS

- 5- To transact any other business with the permission of the Chair.

By Order of the Board



Zahid Ali H. Jamall
Company Secretary

Karachi: March 28, 2014



Notes:

- 1 The Members' Register will remain closed from April 13, 2014 to April 19, 2014 (both days inclusive).
- 2 A member eligible to attend and vote at this meeting may appoint another member as proxy to attend and vote in the meeting. Proxies in order to be effective must be received at the registered office not less than 48 hours before the holding of the meeting.
- 3 An individual beneficial owner of the Central Depository Company, entitled to vote at this meeting must bring his/her Computerized National Identity Card with him/her to prove his/her identity, and in case of proxy must enclose an attested copy of his/her Computerized National Identity Card. Representatives of corporate members should bring the usual documents required for such purposes.
- 4 Members are requested to promptly notify Share Registrar, M/s. Technology Trade (Pvt.) Ltd., Dagia House, 241-C, PECHS Society, Karachi, of any change in their address.
- 5 In pursuance with the Securities and Exchange Commission of Pakistan ("SECP") Notification No. SRO.831 (1)/2012 of July 5th, 2012 in suppression of earlier notification No. SRO 779 (1)/2011 of August 18, 2011, SECP directed all listed companies to mention Computerized National Identity Card (CNIC) / NTN numbers of the registered members on the dividend warrant. The Shareholders having physical shares are once again requested to immediately send a copy of their valid Computerised National Identity Card (C.N.I.C) to our Registrar Office, M/S. Technology Trade (Pvt) Ltd. Dagia House, 241-C, Block-2, P.E.C.H.S, Off Shahrah-e-Quaideen, Karachi for printing/insertion on dividend warrants. In case of non-receipts of copy of valid C.N.I.C (Unless it has been provided earlier) and non-compliance of the above requirement the company will be constrained to withhold dispatch of dividend warrants to such shareholders as per S.E.C.P SRO and directives. The corporate entities has also advised to submit the NTN number to the above given address.
- 6 Any person who seeks to contest the election of directors shall file the following with the Bank at its Registered Office not later than fourteen days before the day of the above said meeting.
 - i) His/her intention to offer himself/herself for election of Directors in terms of Section 178(3) of the Companies Ordinance 1984 (the Ordinance) together with (a) consent on Form 28 as prescribed by the Companies (Provision and Forms) Rule, 1985 (b) a declaration with the consent to act as Director under Code of Corporate Governance (the Code) to the effect that he/she is aware of the duties and powers of Directors as mentioned in the Companies Ordinance 1984, the Memorandum and Articles of the Bank and the Listing Regulations of the Karachi Stock Exchange, has read the relevant provisions contained therein, he/she is not serving as a Director of more than seven listed companies, he/she is registered National Tax Payee (except where he/she is a non-resident) and he/she has not been convicted by a court of competent jurisdiction as defaulter in payment of any loan to a banking company, a development financial institution or a non-banking financial Institution.
 - ii) A specified affidavit as prescribed in the State Bank of Pakistan (SBP) BPRD Circular No. 04 of 2007 dated April 23, 2007 together with the prescribed Questionnaire in accordance with the Prudential Regulation No. G-1, the 'Fit and Proper Test' for the appointment of Directors in terms of SBP BPRD Circular No. 04 of 2007 dated April 23, 2007 along with two recent photographs and a copy of CNIC (Passport in case of a foreign national). Copies of SBP circular/annexures may be obtained from the SBP website or from the office of the Company Secretary of the Bank. SBP circular/annexures also list various persons who are not eligible to become director of a bank. Any person with these anomalies is considered undesirable; and against the public interest in terms of SBP BPRD Circular No. 04 of 2007 dated April 23, 2007.

Directors' Report

On behalf of the Board, I am pleased to present the Tenth Annual Report of BankIslami Pakistan Limited. Highlights are:

	Dec-13	Dec-12	Growth (%)
	----- Rupees in Millions -----		
Total Deposits	75,226	64,216	17.1%
Total Assets	86,856	74,249	17.0%
Total Islamic Financing and related assets - net	38,309	27,433	39.6%
Total Investments	31,610	28,994	9.0%
Shareholder's Equity (including revaluation)	6,242	5,591	11.6%
Branches	201	141	42.5%
Basic Earnings per share - rupees	0.351	0.581	-39.6%

The Bank continued its network expansion and at the end of the year had 201 branches and sub branches in 77 cities of Pakistan. BankIslami has the second largest network amongst Islamic Banks. Following expansion last year, the Bank will focus on consolidation in next few years emphasizing on operational efficiency. The network will provide an opportunity to further grow the market share while keeping a check on the operating cost. The Bank also decided to recognize Surplus on revaluation of fixed assets as it was felt the size has become significant not to be formally recognized. The Bank also deployed across the network world's first Cardless Biometric ATM's which will assist us in furthering our customer service. A detailed operational review is provided in the Management Discussion and Analysis Section.

Islamic Banking has emerged as a preferred segment of the new government. State Bank has formulated a strategy whereby market share of Islamic Banking is projected to be increased from present 12% to 20% by 2018. As a result, it has attracted significant interest from other players, notably the large Banks. We anticipate further interest and repositioning across the industry making BankIslami's franchise more valuable. We would like to assure we are cognizant of the opportunity at hand and will do our fullest to maximize the franchise value.

The exemption granted by State Bank from Minimum Capital Requirement ('MCR') expired on March 31, 2013. As a result, the Bank offered right shares of Rs.400M in November, which are at the approval stage in the Securities and Exchange Commission of Pakistan. A capital plan was also submitted to the State Bank which envisaged further issue of right shares amounting to Rs.4.3bn in two tranches in 2014. However, State Bank on March 12, 2014 asked the Bank to complete the processes of increasing the capital positively by December 31, 2014. The CAR of the Bank has also been increased to 16%, effective March 31, 2014, which the Bank expects to comply. The Board has accordingly decided to explore various options including further announcements of rights in time to be subscribed by December 2014.

Corporate and Financial Reporting Framework

The Board of Directors is fully cognizant of its responsibility under the Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan and adopted by the State Bank of Pakistan. The following statements are a manifestation of its commitment towards high standards of Corporate Governance and continuous organizational improvement:

- 1- The financial statements prepared by the Management of the Bank present fairly its state of affairs, the results of its operations, cash flow and changes in equity.
- 2- Proper books of account of the Bank have been maintained.



- 3- Appropriate accounting policies have been consistently applied in preparation of financial statements except as disclosed in note 3.5 and accounting estimates are based on reasonable and prudent judgment.
- 4- International Accounting Standards, as applicable in Pakistan have been followed in the preparation of financial statements and any departure there from has been adequately disclosed and explained.
- 5- The system of internal control is sound in design and has been effectively implemented and monitored.
- 6- There are no doubts upon the Bank's ability to continue as a going concern.
- 7- There has been no material departure from the best practices of Corporate Governance as detailed in the listing regulations.
- 8- The value of investments of the Bank's Provident Fund and gratuity fund based on audited and unaudited accounts at December 31, 2013 amounted to Rs.298.686 million and Rs.151.479 million respectively.
- 9- The purchase and sale of shares by the Directors and the Chief Executive during the year is given in enclosed annexure.

Compliance with Code of Corporate Governance

The requirements of the Code of Corporate Governance set out by Karachi Stock Exchange in its listing regulations relevant for the year ended December 31, 2013 have been adopted by the Bank and have been duly complied with. A statement to this effect is annexed with the report.

Risk Management Framework

The Risk Management function has now taken its root within the financial institutions on a world-wide basis, and is as critical in fulfilling the institution's financial objectives as one of its main objectives. It is not just a function to foretell adverse future events, but it brings about the basic function of being informed; being informed of what can or may happen, being informed of what steps and controls need to be taken to reduce and mitigate the level of risk and to be informed and to be reasonably prepared to deal with any undesired event and circumstances. Decisions emanating from this basic understanding form the cornerstone of our Risk Management Framework.

A strong organizational set-up, with clearly defined roles and responsibilities permits a higher level of articulation of the Bank's risk mandate, establishment of a structure that provides for authority, delegation, accountability, and the development of a control framework. Risk Management cannot live in a vacuum; in order to be effective, it has to be run on an enterprise level. Our framework comprises of a separate department, with a dedicated and growing team, which share our core strategic values including an effective Shariah compliance.

Committees related to the management of risks at BankIslami form the main layer of the framework, the inflow and outflow of information is through the dedicated function of risk management. The Head of Credit and Risk management, Operations, Finance, Treasury and other related functions review the critical risk areas of operational, credit and market risk as well as other risks being faced by the organization, along with the magnitude of their impact and likelihood of occurrence.

BankIslami perceives the management of risk not to be limited to a department or a function, but rather should read into daily business routine. Ideas and decisions are heavily based on the risk and reward trade-off some of the ideas which never see the light of the day are usually the ones which have been shelved due to an unacceptable risk level. The risks when identified and analyzed are further weighed against the applicable risk weights and its impact reviewed on a periodic basis. This pro-active approach helps in outlining the organization's risk tolerance level vis-à-vis BankIslami's risk appetite in relation to its size, current position and market standing, with a view to refine processes, controls and guidelines to not only mitigate, but also to effectively manage risk.

Credit Rating

The Bank has been assigned a long term entity of 'A' and short term rating of 'A-1' by Pakistan Credit Rating Agency Limited (PACRA), reflecting BankIslami well conceived business strategy and establishment of an effective operating platform to execute the business strategy.

Pattern of Shareholding

The Pattern of shareholding as at December 31, 2013 is annexed with the report.

Auditors

The present Auditors A.F. Ferguson & Co., retire and being eligible offer themselves for re-appointment. As required under the Code of Corporate Governance, the Audit Committee has recommended the appointment of A.F. Ferguson & Co., as Auditors for the year ending December 31, 2014.

Acknowledgments

The Board would like to place on record its deep appreciation for the State Bank of Pakistan for all the assistance and guidance. We are also thankful to our employees for their kind dedication and commitment during the year under review.

On behalf of the Board,



Hasan A Bilgrami
Chief Executive Officer
March 14, 2014



ANNEXURE TO DIRECTORS' REPORT

The purchase and sale of shares by Directors and Chief Executive Officer during the year are given below:

Name	Designation	No. of Shares as at Jan. 01, 2013	Shares subscribed during the Year	No. of Shares as at Dec. 31, 2013
Mr. Ali Raza Siddiqui	Director	5,000	-	5,000
Mr. Hasan A. Bilgrami	CEO	499,079	-	499,079
Mr. Shabir Ahmed Randeree	Director	51,423,883	-	51,423,883

Attendance of Board of Directors for the Year 2013:

Director Name	Total	Attended	Leave of Absence
Mr. Ali Hussain	7	7	0
Mr. Abdulhakim Habib Mansoor Binherz	7	6	1
Mr. Ali Raza Siddiqui	7	7	0
Mr. Ahmed Goolam Mahomed Randeree *	1	0	0
Mr. Abdulla Abdulkarim Abdulla Showaiter **	4	0	4
Mr. Abdulkhaliq Ahmad Abdulla Kodarzi ***	1	0	1
Chief Justice (Retd.) Mahboob Ahmed ****	4	4	0
Mr. Fawad Anwar *****	7	7	0
Mr. Hasan A. Bilgrami	7	7	0
Mr. Khalid A. Mirza *****	3	3	0
Mr. Shabir Ahmed Randeree	7	6	1

* he resigned effective from March 4, 2013, including March 4, 2013 one board meeting was held.

** he resigned effective from October 23, 2013, till October 23, 2013 four board meetings were held, his appointment was subject to SBP approval.

*** he was appointed effective from October 23, 2013, his appointment was subject to SBP approval. He resigned on November 4, 2013, till November 4, 2013 one board meeting was held.

**** he resigned effective from October 23, 2013, till October 23, 2013 four board meetings were held.

***** he was appointed effective from March 4, 2013, including March 4, 2013 during the period seven board meetings were held.

***** he was appointed effective from October 23, 2013, he resigned on December 6, 2013, during the period three board meetings were held.

ANNEXURE TO DIRECTORS' REPORT

Attendance of members of Board Committees for the Year 2013:

Audit Committee:

Name	Total	Attended	Leave of Absence
Mr. Fawad Anwar	4	4	0
Mr. Ali Hussain	4	4	0
Mr. Ali Raza Siddiqui	4	4	0
Mr. Abdulhakim Habib Mansoor Binherz	4	3	1
Mr. Shabir Ahmed Randeree	4	3	1

Risk Management Committee

Mr. Fawad Anwar	2	2	0
Mr. Abdulhakim Habib Mansoor Binherz	2	1	1
Mr. Hasan A. Bilgrami	2	2	0

Human Resource & Compensation Committee

Mr. Ali Raza Siddiqui	2	2	0
Mr. Ali Hussain	2	2	0
Mr. Abdulhakim Habib Mansoor Binherz	2	1	1
Mr. Fawad Anwar	2	1	1
Mr. Hasan A. Bilgrami	2	2	0



Management Discussion and Analysis

BUSINESS ENVIRONMENT¹:

The following discussion sets forth the economic environment during the period under the review along with forward looking statements where appropriate:

Gross Domestic Product:

Pakistan's GDP growth was 3.6% during FY13 compared to 4.4% for FY12 and lower than budgeted target of 4.3% for the year. The agricultural sector grew by 3.3% vs 3.5% in FY12, industrial sector grew by 3.5% vs 2.7% in FY12 and services sector grew by 3.7% vs 5.3% in FY12. Private consumption growth was 4.0% compared to 5.8% in FY12. Gross fixed capital formation grew by 0.8% compared to 1.5% in FY12. State Bank of Pakistan ('SBP') has estimated GDP growth for FY14 to be 4.4%.

Inflation:

Inflation, measured by Consumer Price Index ('CPI'), was 9.2% in December 2013 compared to 7.9% in December 2012. Average CPI inflation was recorded at 8.9% in H1FY14 compared to 8.3% in H1FY13. SBP has estimated that average CPI inflation for FY14 would be 8.0% compared to 7.4% in FY13 though initial signs in 2014 are pointing towards a downward pressure on inflation.

Monetary policy:

SBP undertook tightening of monetary policy during the last quarter of 2013. SBP cumulatively increased the discount rate by 100bps in September 2013 and November 2013. However, SBP has kept the policy rate constant at 10.0% in January 2014. Primary consideration that may have halted the process of monetary tightening is lower inflation projection than earlier estimated and expectations of improvement in foreign reserves. We expect the policy rate to be between 9.5% to 10.5% in 2014. Aggressive rate cutting may put undue pressure on the foreign exchange reserves which is not the priority of the government.

Money Market:

Liquidity in the money market remained in surplus through 2013. Average borrowing by the banks under the Repo and Reverse Repo facility declined to Rs.3,392B in 2013 from Rs.3,732B in 2012. In view of surplus liquidity conditions, SBP mopped up liquidity through Open Market Operations ('OMO') from August 2013 onwards. The level of net outstanding OMO's was negative Rs.24.5B at end December 2013. The yields on benchmark 10 year PIB increased by 160 basis points from 11.44% in December 2012 to 13.04% in December 2013. It is also expected SBP will introduce Repo as well as T-Bill equivalent products for Islamic Banks which may lead to increased earnings for Islamic Banks on one hand and mopping up surplus liquidity from the counters of the conventional players on the other.

¹ All economic data, unless otherwise stated, is taken from various reports of the State Bank of Pakistan.

Forex Reserves:

The liquid foreign exchange reserves of Pakistan decreased from US\$9.7B in December 2012 to US\$8.5B in December 2013, a decline of 12.4%. The decline was mainly on back of debt repayment of IMF's SBA loan.

Pakistan re-entered the IMF program in September 2013 to avert the balance of payment crisis due to declining forex reserves. It is expected that net financing from the IMF will gradually increase on the back of decline in loan repayments post December 2013 providing stability to forex reserves. Pak Rupee is expected to be under pressure despite of significant gains made in the month of March 2014.

Remittances:

Overseas Pakistanis sent US\$14.595B remittances in year 2013 compared to US\$13.978B in year 2012 registering a growth of 4.4%.

In the month of December 2013 only, remittances received were US\$1.385B, which is the second highest monthly remittances for year of 2013 after US\$1.404B received in month of July 2013 and is also up 22.0% compared from December 2012. As per numbers by SBP, major contributions of worker's remittances came from Saudi Arabia that accounts for 29.8% of total remittance followed by U.A.E (19.6%), USA (15.6%), UK (14.3%) and Kuwait (4.4%). Remittances from Saudi Arabia and UK grew by 9.1% and 15.6% respectively on year on year basis, propelling overall growth in home remittances.

US\$ Pak Rupee parity:

The rupee depreciated by 8.6% against the US dollar from Rs.98.77/US\$ on December 31, 2012 to Rs.107.31/US\$ on December 31, 2013. This was inline with historical depreciation that has ranged between 8.0% to 10.0% p.a. Average rate in the quarter between January to March 2013 was Rs. 97.92/US\$, Rs. 98.52/US\$ between April to June 2013, Rs. 103.06/US\$ between July and September 2013 and Rs. 107.01/US\$ between October and December 2013.

Subsequent to the balance sheet date, Pak Rupee improved to Rs.98.94/US\$ as on March 14, 2014 when these financial statements were approved.

Foreign Investment:

The net Foreign Direct Investment ('FDI') stood at US\$1,303.6M in 2013 versus US\$858.3M in 2012, an increase of 51.9% on year on year basis. Food sector drew the most foreign investment (US\$507.4M) mainly on account of buy back of shares (de-listing from stock exchanges) by UniLever Pakistan. Oil and Gas Exploration sector continues to be one of the major sectors drawing net Foreign Investment of US\$479.5M, while Telecommunication sector witnessed major net outflow of US\$321M during 2013. Execution of privatization program, auction of 3G/4G Telecom licenses and improving business sentiment may have a positive impact on FDI in 2014.



Stock market:

The Stock market had a bull run (up 49.4% on a year on year basis) that has propelled the benchmark KSE-100 index² to a new high of 25,579 points as of December 20 2013, closing however, at 25,261 points for 2013 from 16,905 points in 2012.

KSE – 100 INDEX

	2009	2010	2011	2012	2013
High	9,846	12,031	12,682	16,943	25,579
Low	4,815	9,230	10,842	10,909	14,143
Year End	9,387	12,022	11,348	16,905	25,261
TURNOVER OF SHARES					
Total Shares (in million)	44,447	33,530	24,434	49,282	33,854
Average Daily Turnover (in million)	180	133	97	197	264

LSM growth:

Large Scale Manufacturing ('LSM') has shown an impressive growth in 2013. Cumulative growth of 6.8% has been recorded in the LSM sector for July to Dec 2013, compared to a growth of 2.3% during same period of last year.

The growth is primarily driven by improved production witnessed in Fertilizer sector (up 28.8%), Food & Beverage (up 18.2%) and Paper & Board (up 17.5%). The three segments accounts for 4.4%, 12.4%, and 2.3% in LSM index respectively. In December 2013, the LSM index improved by 24.3% from November 2013, while was up 13.2% from December 2012. We expect LSM growth to continue in 2014 resulting in better credit off takes. Automotive and Cement Sector is expected to drive the growth.

Future Outlook:

2014 is dependent on realization of opportunities such as GSP Plus status for the Textile sector, auction of 3G/4G Telecom licenses, privatization of 31 state owned entities including offloading of government stake in some of the companies in the stock market. Moreover, fiscal discipline, improvement in governance, resolving law and order situation, energy sector reforms and investment in power infrastructure are few of the much-needed improvements that needs to be dealt with in order to bring Pakistan back on road of economic growth and development.

ISLAMIC BANKING:

Islamic Banking Industry is represented by 19 Banking institutions offering Islamic Banking products and services including 5 full fledged Islamic Banks. BankIslami is the 2nd largest dedicated Islamic Bank in terms of market share as defined by deposits and network. If Islamic windows are included, it has the 3rd largest market share as defined by deposits and 2nd largest in terms of network.

² KSE website

The market share of Islamic Banking Industry to overall Banking Industry, increased to 12.1%³ in 2013 from 9.7 % in 2012. Islamic Banking Industry branch network continued to expand and crossed 1,300 branches spread over more than 100 cities of Pakistan. Its deposit base grew at an average rate of 39.7% in the last 7 years. BankIslami has 201 branches and sub-branches in 77 cities and has grown at a CAGR of 70.7% in similar period. Deposits of overall Banking Industry deposit grew by 14.0% compared to last year.

The FDR (Financing to Deposit ratio⁴) grew by 38.0% compared to 34.8% in 2012. The Infection rate of the industry also improved from 7.6% to 5.7% in 2013. BankIslami improved its FDR to 50.9% from 42.7% in 2012 while its infection ratio was 2.8% which is probably the lowest in the entire Banking Industry.

A nation-wide mass media Campaign for promotion of Islamic Banking was jointly launched by SBP and Industry players in July 2013 to create awareness and address the perception issues.

Recently, the State Bank of Pakistan shared its 5 year "Islamic Banking Strategy Plan" aiming at a target of having 20% share of Islamic Banking in overall Banking Industry by 2018 along with having network of 2,000 branches. BankIslami shall be a key player in realization of this goal.

REGULATORY ENVIROMENT:

Due to conditions put by the International Monetary Fund, SBP started gradually withdrawing exemption from Minimum Capital Requirement ('MCR') during the year. The Bank does not expect any more exemptions to be granted to it other than in the manner informed to it.

As described in the Directors Report, the SBP on March 12, 2014, advised the Bank to maintain a minimum CAR at 16% provided the Paid up capital net of losses is at minimum Rs. 6B. The Bank is confident that as the Equity is already more than Rs. 6B and the rights issue of Rs. 400M is at the regulatory approval stage, profits in the first quarter of 2014 and due to balance sheet repositioning, the Bank shall be in a position to meet the requirement. As on December 31, 2013 the CAR stood at 15.37%. However, in the absence of government paper for Islamic banks, maintaining prescribed CAR and growing at the same time shall be challenging. The Board of the Bank is fully cognizant of this fact and a number of options are under consideration, the first one being issue of right shares of Rs. 4B to Rs. 4.3B to meet the MCR.

³ SBP's Islamic Banking Bulletin Dec 2013.

⁴ Equivalent to Advances to Deposit ratio ('ADR') in Conventional Banks.



STANDALONE FINANCIAL ANALYSIS

Financial Condition:

The following table sets forth, for the period indicated, the *Financial Position* of the Bank and its comparison with the previous reporting period:

Table A
Financial Position

Rs in millions

Assets	2013	2012	% change
Cash and Bank balances	4,884	4,939	-1.1%
Balances with other Banks	968	806	20.1%
Due from financial institutions	6,511	8,476	-23.2%
Investments	31,610	28,994	9.0%
<i>Federal Govt Securities</i>	29,283	25,485	14.9%
<i>Unlisted Sukuks</i>	1,967	2,158	-8.9%
<i>Fully paid up ordinary shares/Mutual fund units</i>	191	1,151	-83.4%
<i>Provision or surplus on revaluation on investment</i>	169	200	-15.5%
Financing	38,309	27,433	39.6%
Operating Fixed Assets	2,958	1,913	54.6%
Deferred Tax Assets	-	79	-100%
Other Assets	1,616	1,609	0.4%
Total Assets	86,856	74,249	17.0%
Equity & Liabilities			
Equity Share Capital	5,280	5,280	0.0%
Reserves	210	173	21.4%
Unappropriated profit	25	8	212.5%
	5,515	5,461	1.0%
Surplus on revaluation of Assets-net of Taxes	727	130	459.2%
Total Equity	6,242	5,591	11.6%
Deposits	75,226	64,216	17.1%
<i>Current</i>	12,276	11,294	8.7%
<i>Saving</i>	27,250	21,091	29.2%
<i>Term</i>	34,608	30,187	14.6%
<i>Others include Margin and Financial Institution accounts</i>	1,092	1,645	-33.6%
Due to financial institutions	2,538	1,621	56.6%
Bills payable	836	1,251	-33.2%
Deferred Tax Liabilities	176	-	-
Other Liabilities	1,838	1,570	17.1%
Total Liabilities	80,614	68,658	17.4%
Total Equity and Liabilities	86,856	74,250	17.0%

Increase in Assets was 17.0%, all of which came from Operating Assets and without any Equity injection. Deposits grew by 17.1% with Current and Saving (CASA) accounting for bulk of the increase. Increase in Operating Fixed Assets was due to addition of 39 new branches and sub-branches as well as Revaluation of Fixed Assets carried out to better reflect the current valuation of assets. On the Assets side, Financing increased by 39.6% while Investments increased only by 9.0% and that too mainly through secondary market purchases. Detailed item wise analysis follows.

Operating Results Data:

The following table sets forth, for the period indicated, the *Operating Results Data*:

Table B
Operating Results Data

Rs in millions

	2013	2012	% change
Profit Earned	6,289	5,992	5.0%
Profit Expensed	3,790	3,507	8.1%
Net Spread Earned	2,499	2,485	0.6%
Other Income			
-Fee income	292	181	61.2%
-Dividend Income	0	0	0.0%
-Income from foreign currencies dealing	76	101	-24.7%
-Gain on sale of securities	7	17	-58.8%
-Unrealised gain on revaluation of investment	0	0	-
-Other Income	79	34	132.3%
Operating Income	2,953	2,818	4.8%
Operating Expenses	2,522	2,259	11.6%
Operating Profit	431	559	-22.9%
Provisions	123	96	27.8%
Profit Before Tax	308	463	-33.5%
Tax, including Deferred Tax	123	156	-21.2%
Profit After Tax	185	307	-39.7%

The Policy Rate during the year was reduced from 9.5% in December 2012 to 9.0% in June 2013. This was against anticipation of the industry in general as a result profitability across the industry took a nose dive. BankIslami was no exception. Specifically, Profit Earned despite of 39.7% increase in Financing and 9.0% increase in the Investment grew by only 5.0% while the Cost of Liabilities increased by 8.1%. The increase in Net Spread Earned was only 0.6%. Increase in Fee Income was 61.2% driven by more than 140% growth in Trade Business and introduction of more remunerative services. Overall, Operating Income grew by 4.8%. Operating Expenses recorded an increase of only 11.6% despite of 42.5% increase in the branch network. Heavy centralization, process re-alignment and expenses control were responsible for that. Net Profit after Tax declined by 39.7% mainly due to decrease in Spreads and other factors explained above.



Key Financial Ratios:

The following table sets forth, for the period indicated, the *Key Financial Ratios*:

Table C
Key Financial Ratios

	2013	2012	% change
Return on Average Equity (%)	3.1%	5.6%	-44.6%
Return on Average Assets (%)	0.2%	0.5%	-49.8%
Earning per share (Rs.)	0.35	0.58	-39.6%
Book value per share (Rs.)	11.82	10.59	11.6%
Fee to Income (%)	9.9%	6.4%	53.9%
Cost to Income (%)	85.4%	80.2%	6.5%
Branch Network	201	141	42.5%
Cities covered	77	66	16.7%

Decline in EPS was mainly due to lower spreads on account of decline in the Policy Rate. Further analysis is contained in the Table D below. Reduced profitability was an industry wide phenomenon as witnessed in the results of the Peer Group ('PG')⁵ which reported return on Average Equity of 0.71% for the period ended September 30, 2013. Lower EPS and Return on Average Assets were also for the same reason. Book Value per share increased to Rs.11.82 per share largely on account of bringing Revaluation Surplus on the books. BankIslami's Book Value per share is one of the highest in the PG. Increase in Fee to Income was on the back of substantially large Trade Finance Business which grew in excess of Rs. 102B as compared to Rs. 42B in the preceding year. This increase is sustainable. Cost to Income Ratio recorded a rise due to lower increase in income compared to expenses. We expect this to remain under pressure in 2014 on account of network expansion taken place in 2013, and start dropping off from next year. Branch network increased to 201 branches and sub-branches covering 77 cities. The Bank is planning to open only 10 new branches in 2014 focusing on consolidation for next couple of years.

⁵ The Bank defines Peer Group as all Banks with deposits of less than Rs. 100B.

Net Profit Earned and Spread Analysis:

The following table sets forth, for the period indicated, the *Net Profit Earned and Spread Analysis*:

Table D
Net Profit Earned and Spread Analysis

Rs in millions

	2013	2012	% change
Profit Earned	6,289	5,992	5.0%
Profit Expensed	3,790	3,507	8.1%
Net Spread Earned	2,499	2,485	0.6%
Average Profit Earning Assets	71,554	58,214	22.9%
Average Profit Bearing Liabilities	71,801	58,603	22.5%
Net Spread Margin (%)	3.49%	4.27%	-18.2%
Yield on Profit Earning Assets (%)	10.01%	11.45%	-12.6%
Cost on Profit Bearing Liabilities (%)	5.83%	5.98%	-2.5%
Spread (%)	4.18%	5.47%	-23.6%

Increase in Average Earning Assets were in line with increase in Average Profit Bearing Liabilities. Yield on Profit Earning Assets dropped to 10.01% depicting a decrease of 12.6% which was in part offset by a reduction in Cost of Profit Bearing Liabilities by 2.5%. The net impact on account of Spread was negative 23.6% which, as explained above, is one of the main reasons of reduced Return on Average Equity. Subsequent increase in KIBOR shall have a positive impact on the Spread.

Yields, Cost, Spreads and Margins:

The following table sets forth, for the period indicated, further analysis of *Yields, Costs, Spreads and Margins*:

Table E
Yields, Cost, Spreads and Margins

	2013	2012	% change
Yield on Profit Earning Assets (%)	10.01%	11.45%	-12.6%
- on Financing	10.96%	12.27%	-10.7%
-on Investments	9.34%	10.85%	-13.9%
-On SLR Investments	9.38%	10.45%	-10.2%
-On Other Investments	9.75%	11.35%	-14.1%
Cost on Profit Bearing Liabilities (%)	5.83%	5.97%	-2.3%
-Cost of Deposits	5.78%	5.90%	-2.0%
-Cost of Borrowings	9.01%	9.24%	-2.5%
Spread (%)	4.18%	5.48%	-23.7%
Net Spread Margin (%)	3.49%	4.27%	-18.2%



Decrease in Yield on Profit Earning Assets was across all segments, notably Investments which are largely Government of Pakistan Ijarah Sukuk. Cost of Liabilities though declined, but was not adequate enough to offset decrease in Earnings due to rate reduction. Profit Bearing Liabilities were shifted towards lower cost Current and Saving Products, which constitute now 52.5% of the Deposits against Industry Average of approximately 59%⁶. Despite of all these measures, reduction in Spread was 23.7% and Net Spread Margin 18.2%. The Liability Mix at present is geared to sustain surprise rate cuts within a range of 1%. On the other hand, the Bank is positioned well to benefit should there be an increase in the Policy Rate.

Average Earning Assets and Liabilities:

The following table sets forth, for the period indicated, further analysis of *Average Earning Assets and Liabilities*:

Table F
Average Earning Assets and Liabilities⁷

	Averages Rs in millions		
	2013	2012	% change
Balance with other Banks	887	678	30.8%
Due from financial institutions	7,493	6,456	16.1%
Investments	30,302	25,031	21.1%
Financing and related assets	32,871	26,049	26.2%
Average Profit Earning Assets	71,554	58,214	22.9%
Due to financial institutions	2,080	1,211	71.8%
Deposits	69,721	57,393	21.5%
Average Profit Bearing Liabilities	71,801	58,603	22.5%

Due from Financial Institutions represent largely placements made with other Financial institutions through Commodity Murabaha. Most of these placements are 'clean' and on average are 1% less than those made by conventional Banks. Investments, as explained above, are largely GoP Ijarah Sukuk. Introduction of shariah compliant T-Bill shall push earnings up by at least 10% to 15%. Similarly, lack of shariah compliant Repo Product, which is at regulatory approval stage, shall have a positive impact of around 10%.

⁶ Business Recorder Banking Review Page 22

⁷ Simple Averages are calculated for computation purpose for this write up only. Actual Average figures may vary.

Other Income Components:

The following table sets forth, for the period indicated, details of *Other Income Components*:

Table G
Other Income Components

Rs in millions

	2013	2012	% change
-Fee Income	292	181	61.3%
-Dividend Income	0	0	0.0%
-Income from foreign currencies dealing	76	101	-24.7%
-Gain on sale of securities	7	17	-58.8%
-Unrealised gain on revaluation of investment	0	0	-
-Other Income	79	34	132.3%
Total Other Income	454	333	36.3%

Increase in Fee income was largely driven by increased Trade Business and increased marketing of remunerative services to the clients. Increase in this head is sustainable and we expect healthy growth going forward. Despite of increased trade activity, Income from Dealing in Foreign currencies declined as no surplus liquidity was diverted towards this activity as was the case in 2012. Due to a marked reduction in newer issues of GoP Ijarah Sukuk, the Bank held on to the Investments and increased its book size thorough secondary market purchases. This was also considered a prelude to higher CAR requirement. Overall, increase in other income was 36.3% and as a percentage of Total Income was 15.37%, as against industry average of 15%⁸.

Operating Expenses:

The following table sets forth, for the period indicated, further analysis of *Operating Expenses*:

Table H
Operating Expenses

Rs in millions

	2013	2012	% change
Payments to Employees	1,084	962	12.7%
Depreciation on own property (including non banking assets)	217	266	-18.4%
Other Administrative Expenses	1,174	1,017	15.4%
Total	2,475	2,245	10.2%
Depreciation (net of lease equalisation) on leased assets	13	10	21.0%
Other Operating Expenses	34	5	633.2%
Total Operating Expenses	2,522	2,260	11.6%

⁸ Business Recorder Banking Review page 22



Overall increase in Expenses stood at 11.6% despite of 42.5% increase in Branch Network. This was made possible by process re-engineering, heavy centralization and tight expense management. Specifically, main contributors to the increase were payment to Employees which increased by 12.7% and Other Administrative Expenses which went up by 15.4%. Due to revision in useful life of Fixed Assets, Depreciation on own Property went down by 18.4%. This was a one time effect. Going forward we expect the Operating Expenses to show an upward trend on account of 60 new branches added to the network. However, the increase shall not be linear.

Provisions and Contingencies:

The following table sets forth, for the period indicated, further analysis of *Provisions and Contingencies*:

Table I
Provisions and Contingencies

Rs in millions

	2013	2012	2011
Provision for Non performing Financing	123	111	61%
Provision for Other Assets	-	-	-
Provision for Investments	-	(15)	-
Others	-	-	-
Total Provisions (excluding Provisions for Tax)	123	96	61%
Coverage Ratio (%)	56.2%	45.5%	46.5%

Provisions in 2013 stood at Rs.123M, which almost completely consisted of Gulistan Group and Reversal of Forced Sale Benefit. The Coverage Ratio also increased to 56.2%. BankIslami has had traditionally a low Coverage Ratio due to value and quality of collateral held, including liquid assets. As has been stated, the total infected portfolio as a percentage of Gross Financing was only 2.8%, which is probably lowest in the entire banking industry. As further explained in the Table J below, this includes defaulted mortgage portfolio bought from CitiBank as well.

Classification of Financing:

The following table sets forth, for the period indicated, further analysis of *Classification of Financing*:

Table J
Classification of Financing

Rs in millions

Non performing Assets	2013	2012	2011
Sub standard Assets	133	89	72
Doubtful Assets	25	318	68
Loss Assets	951	798	698
Total Non performing Assets	1,109	1,205	838

Provisions are made as per guidelines prescribed by SBP. Sub-standard Assets are defined as those obligations which are over due by 90 days and they carry a provisioning of 25% of the net Financing. Doubtful Assets are defined as those accounts which are over due by 180 days and attract a Provisioning of 50%. The Bank does avail benefit of Forced Sale Value unless there is a compelling evidence to do otherwise. As at December 31, 2013, the cumulative benefit was Rs.354.05M. Loss Assets are all those which are over due by 365 days and carry 100% provisioning. Loss Assets now constitute 85.7% of the Classified Portfolio as against 66.2% in 2012 and 83.3% in 2011. Included in the Classified Portfolio is Rs. 120M of the Mortgage Portfolio which was acquired from CitiBank at a token price of Rs.1 only. Classified Portfolio as a percentage of Gross Financing was only 2.8% as against 12.7% of the Banking Industry and 5.7% in case of Islamic Banks⁹.

Composition of Financing Portfolio:

The following table sets forth, for the period indicated, further analysis of the *Financing Portfolio*:

Table K
Composition of Financing Portfolio

	2013	% of total financing	2012	% of total financing
Consumer Banking	3,220	8.3%	2,431	8.7%
Muskun (Home financing)	2,425	6.2%	1,799	6.4%
Auto Ijarah	795	2.0%	632	2.3%
Corporate & SME Financing	34,739	89.2%	24,841	88.9%
Corporate financing	33,806	86.8%	24,156	86.5%
SME financing	933	2.4%	684	2.4%
Staff Financing	973	2.5%	662	2.4%
Gross Financing	38,932	100.0%	27,934	100.0%

Increase in Financing was across all segments with Corporate Financing recording a growth of almost 39.9% while our Mortgage Financing Product, Muskun grew by 34.8%. Auto Financing also chipped in with a respectable increase of 25.7%. While increase in Corporate Financing can somewhat be related to better credit off take, specially in the Large Scale Manufacturing, our Consumer Portfolio has grown steadily while maintaining its quality. Higher CAR requirement by SBP is a serious challenge in growing the financing portfolio as a result, unless more equity is in place, the Bank shall grow the Financing Portfolio at a slower pace.

⁹ SBP's Islamic Banking Bulletin Dec 2013.



Financing Concentration:

The following table sets forth, for the period indicated, further analysis of the *Financing Portfolio*:

Table L
Financing Concentration

	2013	% of total financing	2012	% of total financing
Agriculture, Forestry, Hunting & Fishing	650	1.7%	2,941	10.5%
Mining & Quarrying	-	0.0%	-	0.0%
Textile	5,481	14.1%	2,744	9.8%
Chemical & Pharmaceuticals	3,746	9.6%	1,122	4.0%
Cement	389	1.0%	948	3.4%
Sugar	5,277	13.6%	3,705	13.3%
Footwear & Leather garments	23	0.1%	58	0.2%
Automobile and Transportation equipment	815	2.1%	310	1.1%
Education	2	0.0%	3	0.0%
Electronics and Electrical appliances	1,247	3.2%	145	0.5%
Production and transmission of energy	-	0.0%	900	3.2%
Construction	3,440	8.8%	1,132	4.1%
Power, Gas, Water, Sanitary	3,915	10.1%	2,977	10.7%
Wholesale and Retail Trade	162	0.4%	685	2.5%
Exports/Imports	1,448	3.7%	7	0.0%
Transport, Storage & Communication	1,678	4.3%	30	0.1%
Financial	1,337	3.4%	2,162	7.7%
Insurance	22	0.1%	25	0.1%
Services	725	1.9%	451	1.6%
Food & Beverages	3,425	8.8%	2,151	7.7%
Private Trust & NGO	54	0.1%	5	0.0%
Packing & Paper products	742	1.9%	440	1.6%
Individuals	4,223	10.8%	3,365	12.0%
Others	131	0.3%	1,628	5.8%
Total	38,932	100.0%	27,934	100.0%

Note:

Others: Sole Proprietors, fund accounts & Govt deposits etc.

The Bank has a substantial exposure to two of the Commodity linked Industries: Textiles and Sugar. While GSP Plus status is good news for the Textile industry in general, the benefits will largely be confined to the integrated Textile Mills focusing on value added products. The Bank plans to shift its exposure from Spinning sector while retaining the overall industry weight. We intend maintaining the weight in the Sugar sector while exposure in the Food and Beverage Sector is proposed to be increased.

Regulatory Capital:

The following table sets forth, for the period indicated, further analysis of the *Regulatory Capital* and the efficiency with which it is used:

Table M
Regulatory Capital

Rs in millions

	2013	2012	2011
Tier 1 Capital	5,391	5,280	4,974
Tier 2 Capital	432	28	51
Total Capital	5,823	5,308	5,025
Credit risk- Risk Weighted Assets (RWA)	32,423	26,078	23,214
Market risk-RWA	102	4,255	2,224
Operational risk- RWA	5,370	4,751	3,810
Total RWA	37,895	35,084	29,248
Total Capital Adequacy Ratio	15.37%	15.1%	17.2%
Total eligible regulatory Capital held	5,823	5,308	5,025
Total RWA	37,895	35,084	29,248
Risk Capital per branch	29	38	49
Net Equity	6,242	5,591	5,325
Net Equity per branch	31	40	52

The Banks Capital Adequacy Ratio ('CAR') stood at 15.37% as against prescribed 14.50%. Effective March 31, 2014 the prescribed CAR shall be 16%. The Bank is confident of meeting the requirement. Risk Weight Assets ('RWA') increased by 8.01% compared to 2012 while in the case of Operational Risk, increase was contained at 13.0%. Absence of GoP Ijarah Sukuk also put substantial pressure on the Regulatory Capital. We estimate the cost of not having such instruments is between 2% to 3% in the CAR. BankIslami is the most efficient user of the Capital in the entire Banking Industry with CAR/Branch and Equity/Branch at Rs. 29M and Rs.31M respectively.



Statement of Internal Control

Statement of Management's Responsibility

It is the responsibility of the Bank's management to:

- Establish and maintain an adequate and effective system of internal controls and procedures for an efficient working environment for obtaining desired objectives.
- Evaluate the effectiveness of the Bank's internal control system that encompasses material matters by identifying control objective, reviewing significant policies and procedures and establishing relevant control procedures.

Management Evaluation of the Effectiveness of the Bank Internal Control System

During the year under review efforts have been made for an effective and efficient internal control system. In accordance with SBP-BSD Circular No. 7 of 2004, the Bank formulated all the key policies and procedures for its different lines of business. While formulating such policies clear line of authority and responsibility have been established in order to ensure an effective internal control system. The Bank has established an audit function independent of line management. The control activities are being closely monitored across the Bank through audit group / compliance & control, which covers all banking activities in general and key risk areas in particular. The Audit Committee of the Board reviews the audit function quarterly which includes program as well as surprise audits.

Internal control system in the Bank is designed to manage, rather than to eliminate the risk of failure to achieve the business objective, and can only provide reasonable and not absolute assurance against material misstatement or loss. However, it is an on going process that includes identification, evaluation and management of significant risks faced by the Bank.

The Bank initiated process of implementation of Internal Control Guidelines as required by State Bank of Pakistan vide BSD Circular Number 07, of 2004 and has completed a detailed exercise through Consultants, documenting and benchmarking existing internal processes and controls relating to financial reporting.

Long Form Report was issued by the external auditors based on September 2012 period. The Management has implemented the gaps and suggestions given by the external auditors to greater extent.

The Management has prepared Road Map for the completion of all stages in accordance with the SBP OSED Circular Number 01, of 2014 dated February 07, 2014, "Instructions on Internal Controls over Financial Reporting (ICFR) which is being presented in the up coming Audit Committee Meeting for approval. According to the Road Map, Bank will complete all its stages and will be complied to SBP Circular by September 30th 2014.

The Board of Directors is ultimately responsible for the internal control system and the Board endorses the above management evaluation.

For and On Behalf of the Board

Hasan A Bilgrami
Chief Executive Officer

March 14, 2014

Statement of Compliance with the Code of Corporate Governance

For The Year Ended December 31, 2013

This statement is being presented to comply with the Code of Corporate Governance (Code) contained in Regulation No. 35 of Listing Regulations of Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Bank encourages representation of independent, non-executive directors and directors representing minority interests on the Board of Directors. As at December 31, 2013 the Board included:

Category	Names
Independent Directors	Mr. Ali Mohd Hussain Ali Al Shamali * Mr. Fawad Anwar Mr. Kamal Afsar **
Executive Directors	Mr. Hasan A. Bilgrami
Non-Executive Directors	Mr. Ali Hussain Mr. Ali Raza Siddiqui Mr. Abdulhakim Habib Mansoor Binherz Mr. Shabir Ahmed Randeree

The independent director meets the criteria of independence under clause i(b) of the CCG.

* appointed effective from January 16, 2014.

** appointed effective from March 4, 2014 subject to SBP approval, the approval is awaited.

2. The Directors have confirmed that none of them is serving as a director on more than seven listed companies including the Bank.
3. All the resident Directors of the Bank are registered as taxpayers and, to the best of our knowledge, none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution or a Non-Banking Financial Institution or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Five (5) casual vacancies occurred on the board during the period under review. These vacancies were filled within 90 days.
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.
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 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 the Board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the Meetings were appropriately recorded and circulated.
9. The Bank is also compliant in respect of certification of at least one director during the year 2013. During the current year 2013 one director acquired the relevant certification as required under the Code of Corporate Governance to be obtained by the directors of a listed company.



10. The board has approved the appointment of the Chief Financial Officer (CFO) and the Company Secretary, including his remuneration and terms and conditions of employment. The Acting CFO and Company Secretary was relieved from both the positions upon the appointment of the new CFO and Company Secretary on November 29, 2013.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code 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 company other than that disclosed in the pattern of shareholding.
14. The Bank has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of five members, of whom all are Non-Executive Directors and the Chairman of the Committee is an independent director.
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 Code except for the meeting of September quarter which was delayed due to extension of filing half yearly accounts. The same meeting was held on 1 October 2013. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises of five members, of whom four are Non-Executive Directors and the Chairman of the committee is a Non-Executive Director.
18. The Board has set up an effective internal audit function comprising of professionals, who are experienced for the purpose and are 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 at the 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. The 'closed period', prior to the announcement of Interim/Final Results and business decisions, which may materially affect the market price of Bank's securities, was determined and intimated to directors, employees and the stock exchange.
22. Material / price sensitive information has been disseminated among all market participants at once through Karachi Stock Exchange.
23. The Chairman of the Audit Committee is required to attend the Annual General Meeting of the Bank under the Code of Corporate Governance. However, the chairman of the Audit Committee was not able to attend the AGM held on 30 March 2013 as he had to leave the country to attend some urgent meeting abroad.
24. We confirm that all other material principles included in the Code have been complied.

Hasan A Bilgrami
Chief Executive Officer

March 14, 2014

Auditors' review Report to the Members on the Statement of Compliance with the Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ('the Code') prepared by the Board of Directors ('Board') of BankIslami Limited ('the Bank') for the year ended December 31, 2013 to comply with the requirements of Regulation No. 35 of Chapter XI contained in the Listing Regulations issued by the Karachi Stock Exchange where the Bank is listed.

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

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

The Code requires the Bank to place before the 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 alternative pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of 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 as applicable to the Bank for the year ended December 31, 2013.

We draw attention to the following matters which are highlighted in paragraphs 16 and 23 of the annexed statement:

- The Audit committee meeting was not held in the September quarter and was subsequently held on October 1, 2013 due to extension of filling of half yearly financial statements.
- The chairman of the audit committee was not present in the Annual General Meeting (AGM) of the Bank held on March 30, 2013.



Chartered Accountant
Karachi
Dated: March 25, 2014

Shari'ah Adviser's Report

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

الحمد لله رب العالمين، و الصلاة و السلام على سيد الأنبياء و المرسلين، و
على آله و أصحابه أجمعين، و بعد

Alhamdulillah another year completed for BankIslami as an active Islamic Bank in Pakistan. The books of the Bank have grown and the branch network has also increased. In the sections of this report I would like to comment on the affairs of the bank related to Shari'ah and its compliance at the bank.

Reconstitution of the Shari'ah Supervisory Board

Chairman of the Bank's Shari'ah Supervisory Board, Prof. Dr. Fazl ur Rahman expired last year (May Allah keep the departed soul in eternal peace-Ameen). The Shari'ah Supervisory Board thus underwent reconstitution. Two new members have been included in the Board namely Mufti Muhammad Hassan Kaleem and Mufti Talha Saleem Kapadia. Brief profiles are included in this annual report for 2013.

Shari'ah Compliance:

In order to ensure Shari'ah Compliance and avoid chances of any misunderstanding all transaction in the Bank were undertaken under Standard Operating Procedure and Guidelines. Detailed process flow was prepared after careful analysis of the proposed transaction in consultation with the customer. If necessary, representative of Shari'ah and/or Product Development team also met with the customers. Shari'ah approved Process Flow with all the necessary requirements were signed by concerned Corporate team and the customer before disbursement to ensure compliance. At the time of each renewal sample from the executed transactions were reviewed to confirm compliance with the approved process flow. Product Development Department also played an important role in ensuring Shari'ah compliance through continuous revision of SOPs and guidelines, structuring of processes for transaction and assisting Shari'ah department in performance of its functions

Shari'ah Audit was also performed by Internal Audit teams along with its regular Internal Audit. The teams comprised of trained staff. Transaction Process flow made their task relatively simpler. They were required to identify all deviation. Their report is reviewed by Shari'ah Department. Instances such as delayed Declaration in Murabahah transaction were checked. Other mistakes and irregularities were rectified and where it is deemed necessary the respective income was transferred to Charity account. Samples of purchase evidences were also verified through different sources to confirm genuine purchases. Existence of Goods manufactured/purchased under Istisna' and Karobar Financing transactions were verified through visits from Bank's own staff and independent third party mechanism.

Pool Management on the deposit side of the Bank was done through automated system. BankIslami ensured timely disbursement of profit amount into customers' account. Profit to Mudarabah based account holders is based on actual declared rates calculated at the end of each month and depends on actual profitability of the Pools, I am pleased to report that all Mudarabah based account holders of BankIslami receives profit within three working days after month end. This is indeed a considerable achievement which is possible after complete automation of the processes.

Islamic Banking Training

Trained Human resource are extremely important for success of Islamic Banking Industry. To ensure that every employee gets proper training, a detailed Training Calender was prepared and followed during the year. During the year under review 34 sessions were conducted which trained over 600 employees.

Product Development

The Bank has introduced new tiers to its deposit products which enabled offering of different profit sharing ratios according to size of deposits. This restructuring of the deposits management has reduced dependence on Hiba.

The Bank is also working with Islamic Banking Department of State Bank of Pakistan for the development of secured Musharakah product. The Product will be used to facilitate Interbank collateralized placements and will be a substitute to Repo used in conventional banks. Successful launch of the said product will improve liquidity management in Islamic Banking Industry and will also play an important role in developing Lender of last Resort facility from SBP for Islamic Banks InshaAllah.

Composition of the Bank's portfolio:

Following is the mode wise breakup of the Bank's Financing portfolio as of December 31, 2013.

• Murabahah:	24 %
• Istisna	24%
• Karabor financing (Muswammah).	23.5%
• Diminishing Musharakah:	22 %
• Ijarah	5.5%
• Salam and others	1%

Based on the above, I report:

Each class of transactions with respect to the relevant documentation and procedures adopted by BankIslami has been examined on test check basis;

In my opinion, the business affairs of BankIslami have been generally carried out in accordance with rules and principles of Shari'ah, SBP regulations and guidelines related to Shari'ah compliance and other rules as well as specific Fatwas and rulings issued by Shari'ah Supervisory Board and myself from time to time;

In my opinion, the allocation of funds, weightages, profit sharing ratios, and profit relating to PLS accounts conform to the basis vetted by Shari'ah Supervisory Board and myself in accordance with Shari'ah rules and principles;

An amount of Rs. 13.374 Mn was received from customers in respect of charity on delays in payments and credited to charity account.

As a matter of policy the charity funds are kept under investment accounts at the Bank, a return is given to this amount as a part of Mudarabah Pool. During the year Rs. 645,244 accrued to charity fund in respect of Mudarabah profit. However, during the year 2013 the profit on charity account was credited at the end of year as against requirement of semi annual payments. Due to this reason a differential amount needs to be credited in the charity account which the management has promised to credit in the current year.

Disbursements during the year from the charity fund amounted to Rs. 15.692Mn.



Recommendations:

Based on the observations made through Shari'ah reviews, reports and feedback from several areas, I recommend the following:

- As portfolio from Istisna and Karobar Financing transactions has grown considerably, the Bank should coordinate with relevant regulatory authorities for better accounting representation of these two modes.
- Bank's IT system and Credit Administration department should be strengthened to provide better services to the customers.
- The Bank should focus on SME and Agricultural sectors with proper risk management to cater to needs of Shari'ah compliant products in these sectors.
- The management of charity fund requires improvement and on time credit of profit to the account.
- The Bank should also develop proper strategy to retain experienced staff keeping in view future growth of its business and increased requirement for assurance of Shari'ah compliance at all levels.

I end this report with best wishes to the Islamic finance industry.

و صَلَّى اللَّهُ عَلَى نَبِيِّنَا مُحَمَّدٍ وَ بَارَكَ وَ سَلَّمَ

Irshad Ahmad Aijaz
Shari'ah Adviser

Charity Funds Utilization Report

Ensuring timely payment from asset side customers is a critical issue in Islamic Banking and Finance, as any financial penalty in cases of delayed payments is not allowed by Shariah scholars. However, in order to discourage delays and default in payment of dues, customers undertake to give an amount to charity if they default in timely payments. This charity is used as a tool for discouraging defaults and delays in payments by customers.

Bank's Role in Receiving Charity:

From Shariah perspective, undertaking to pay charity in real sense is a contract between a person and Allah (S.W.T). The Bank only receives this charity as a 'Trustee', and spends on behalf of customers. In case of waiver request, Bank can only withdraw its right to receive Charity. However, as far as customer's obligation is concerned, customer is bound to fulfill his promise with Allah (SWT).

Utilization of Charity

During the Year 2013, BankIslami received a total of Rs.13.374mn as Charity from its customers. The amount was utilized to provide assistance to the recognized and renowned charitable institutions working to provide quality services primarily in the areas of Health and Education. Profile of a few Institutions are given below:

Akhuwat

Akhuwat was established with the objective of providing interest free micro credit to the poor so as to enhance their standard of living. Akhuwat started its operations in Lahore and to date has fifteen branches in this city. It has also expanded to Rawalpindi and Faisalabad in collaboration with the Chambers of Commerce and Industry and philanthropists of these two cities. Besides these big cities it has opened branches in other cities like Bahawalpur, Multan, Gujrat, Dera Ghazi Khan, Khanewal, Rajanpur, Nowshera, Peshawar and Karachi. To date, it has disbursed more than one billion rupees as interest free loan with almost 99% recovery ratio.



Alamgir Welfare Trust International

Alamgir Welfare Trust International (AWT) has been providing social welfare services in Pakistan since 1993. The trust operates in more than ten areas of welfare including free medical services, educational and, marriage assistance to needy families, emergency relief in effected areas, regular distribution of free food items to needy and low income families.



Diya Pakistan

Diya Pakistan is a registered, non-profit tax exempt organization which is led by a team of prominent Pakistanis from Middle East and Pakistan. Since 1988, Diya Pakistan has reached out to more than 181,500 students with more than Rs 232 million in financial assistance. Its primary focus is to reach out to financially distressed students across rural and urban Pakistan, enabling them to continue their education.



Indus Hospital

The Indus Hospital provides free of cost health care to the common man. The hospital started its operations in July 2007. The infrastructure of the hospital comprises of a 5 story hospital building that houses 150 beds, including operation theatres, an ICU, CCU, Cath Lab, x-ray lab, blood bank, biochemistry lab, hematology lab, microbiology lab, a male's ward, a female's ward, a pediatrics' ward, Emergency Ward, Filter Clinic and OPD Clinics.





The Hospital has provided free medical services to over 1.5 million patients at an operational expenditure of over Rs 3 billion over the last six years. Because of the growing need of such a healthcare facility, The Indus Hospital is now on a path of expansion from 150 beds to more than 1500 beds.

Institute of Business Administration, Karachi

IBA, Karachi is a renowned Business School of Pakistan. It is the oldest business school outside North America. It was established in 1955 with initial technical support provided by the world famous Wharton School of Finance, University of Pennsylvania and the University of Southern California.



The IBA ensures that no student is deprived of education at the Institute because of financial constraints. It offers financial assistance to deserving students in the form of Financial Assistance and loans. No applicant who qualifies the admission test and fulfils other requirements is refused admission because of inability to afford the costs of the programs at the Institute. Charity amount paid from BIPL was used for the education expenses of needy students only.

Iqra Welfare Trust International

Iqra is a well known education institution which provides blend of Quranic and modern education from Primary to Higher Secondary Level. It manages more than 150 educational institutions with more than 60,000 students all over Pakistan. All students of Iqra memorize Quran while completing their education. It also provides free education to the poor and needy students in under privileged areas of Pakistan.



Patel Hospital

Patel Hospital was established in 1997 in Karachi by the renowned philanthropist of Bantva Memon community Mr. Abdul Ghaffar Abdul Rehman alias Mithu Patel.

Patel Hospital is not for profit Hospital. All non affording patients are supported through support fund and zakat fund. Most of the patients require support as Burns Patients, Cardiac patients, Renal failure patients and Neonates etc.



Shaukat Khanum Memorial Hospital

Shaukat Khanum Memorial Cancer Hospital and Research Centre (SKMCH&RC) is a state-of-the-art cancer centre located in Lahore, Pakistan. According to the Hospital, it is the only specialised cancer facility in the entire region with all the cancer diagnostic and therapeutic facilities under one roof. Since opening in 1994, the Shaukat Khanum Memorial Cancer Hospital and Research Centre, has spent over Rs. 12 billion (US \$ 180 million) in supporting the treatment of thousands of indigent cancer patients and currently, 75% of all cancer patients seen at the Hospital are receiving financial support.



Shaukat Khanum
Memorial
Cancer Hospital and
Research Centre

Sindh Institute of Urology and Transplantation

Sindh Institute of Urology and Transplantation (SIUT) provides free of cost specialized medical care to patients suffering from kidney, liver, related cancers and ethical transplant procedures.

SIUT predominantly serves those representing the marginalized segments of society hailing from rural and urban parts of Pakistan, that don't have access to costly specialized medical care available elsewhere in the country or abroad. State of the art medical facilities are provided for the public at large without incurring any economic burden whatsoever.



The Citizens Foundation (TCF)

The Citizens Foundation (TCF) is one of the largest non-profit organization in the field of education. It was established in 1995. The vision of this non profit organization is to bring a positive change in Pakistan by providing quality education to the less privileged youth. The organization provides primary and secondary level education at a nominal fee. As of 2013, TCF has established 910 purpose-built school units nationwide with an enrollment of 126,000 students.



THE CITIZENS FOUNDATION

TCF is registered in Pakistan as a company limited by guarantee under Section 42 of the Companies Ordinance, 1984 and its accounts are audited by KPMG Taseer Hadi and Co. TCF is ranked amongst the top scoring organizations certified by the Pakistan Centre for Philanthropy (PCP) and has received high non-profit organization (NPO) governance rating of GR8+ by JCR-VIS Credit Rating Co Ltd.

Trust Jamiat Taleemul Quran

Founded in 1969, the Trust established madrassas to teach Quran and basic education to needy students free of cost. It manages more than 2,200 schools where more than 100,000 students are training in basic education, hifz-e-Quran and nazira with correct pronunciation and accent. The number of male and female teachers, inspectors and the paid administrative staff is about 2,500.



Auditors' Report to the Members

We have audited the annexed statement of financial position of **BankIslami Pakistan Limited (the Bank)** as at December 31, 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the un-audited certified returns from the branches except for 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 management to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards and the requirements of the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

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

- (a) in our opinion, proper books of accounts have been kept by the bank as required by the Companies Ordinance, 1984 (XLVII of 1984), and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- (b) in our opinion:
 - (i) the statement of financial position and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as stated in note 3.5 to the financial statements with which we concur;
 - (ii) the expenditure incurred during the year was for the purpose of the bank's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the bank and the transactions of the bank which have come to our notice have been within the powers of the bank;

- (c) in our opinion and to the best of our information and according to the explanations given to us the statement of financial position, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the bank's affairs as at December 31, 2013, and its true balance of profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Emphasis of matter paragraph

We draw attention to note 1.2 to the accompanying financial statements which describes the matter relating to shortfall in the Minimum Capital Requirements (MCR) of the bank as at December 31, 2013. In connection with this and as required by the State Bank of Pakistan, the bank has submitted its capital plan for meeting the shortfall of its MCR in future. Our opinion is not qualified in respect of this matter.



Chartered Accountants

Audit Engagement Partner: **Rashid A. Jafer**

Dated: March 25, 2014

Karachi



Statement of Financial Position

As at December 31, 2013

	Note	2013	2012 (Restated)	2011 (Restated)
----- Rupees in '000 -----				
ASSETS				
Cash and balances with treasury banks	6	4,883,478	4,938,707	4,684,826
Balances with other banks	7	967,557	806,110	549,277
Due from financial institutions - net	8	6,511,173	8,475,672	4,436,264
Investments	9	31,610,287	28,994,462	21,067,082
Islamic financing and related assets - net	10	38,308,733	27,433,262	24,665,459
Operating fixed assets	11	2,958,077	1,913,106	1,811,628
Deferred tax assets	12	-	79,220	181,556
Other assets - net	13	1,616,289	1,608,466	1,437,190
		86,855,594	74,249,005	58,833,282
LIABILITIES				
Bills payable	14	835,562	1,251,010	798,853
Due to financial institutions	15	2,538,000	1,621,415	800,000
Deposits and other accounts	16	75,225,869	64,216,485	50,568,785
Sub-ordinated loans		-	-	-
Liabilities against assets subject to finance lease		-	-	-
Deferred tax liabilities	17	175,589	-	-
Other liabilities	18	1,838,373	1,568,956	1,340,797
		80,613,393	68,657,866	53,508,435
NET ASSETS				
		6,242,201	5,591,139	5,324,847
REPRESENTED BY				
Share capital	19	5,279,679	5,279,679	5,279,679
Reserves	20	210,446	173,392	91,221
Unappropriated profit / (Accumulated losses)		24,829	7,711	(215,131)
		5,514,954	5,460,782	5,155,769
Surplus on revaluation of assets - net of tax	21	727,247	130,357	169,078
		6,242,201	5,591,139	5,324,847
CONTINGENCIES AND COMMITMENTS				
	22			

The annexed notes 1 to 44 and Annexure 1 form an integral part of these financial statements.


CHAIRMAN


PRESIDENT / CHIEF EXECUTIVE


DIRECTOR


DIRECTOR

Profit and Loss Account

For the year ended December 31, 2013

	Note	2013	2012 (Restated)
		----- Rupees in '000 -----	
Profit / return earned	23	6,289,042	5,991,948
Profit / return expensed	24	3,789,538	3,506,965
Net spread earned		<u>2,499,504</u>	<u>2,484,983</u>
Provision against non-performing Islamic financing and related assets - net	10.14	122,746	111,072
Reversal of provision for diminution in the value of investments	9.7	-	(15,000)
Bad debts written off directly		-	-
		<u>122,746</u>	<u>96,072</u>
Net spread after provisions / (reversals)		<u>2,376,758</u>	<u>2,388,911</u>
OTHER INCOME			
Fee, commission and brokerage income		292,186	181,237
Dividend Income		2	2
Income from dealing in foreign currencies		76,159	100,957
Gain on sale of securities	26	6,709	17,492
Unrealised gain on revaluation of investments classified as held for trading		-	-
Other income	25	78,518	33,594
Total other income		<u>453,574</u>	<u>333,282</u>
		<u>2,830,332</u>	<u>2,722,193</u>
OTHER EXPENSES			
Administrative expenses	27	2,488,004	2,254,536
Other provisions / (reversals)		4,043	(4,754)
Other charges	28	30,133	9,415
Total other expenses		<u>2,522,180</u>	<u>2,259,197</u>
		<u>308,152</u>	<u>462,996</u>
Extra ordinary / unusual items		-	-
		<u>308,152</u>	<u>462,996</u>
PROFIT BEFORE TAXATION			
Taxation			
- Current	29	67,453	31,846
- Prior years	29	-	-
- Deferred	29	55,427	124,475
		<u>122,880</u>	<u>156,321</u>
		<u>185,272</u>	<u>306,675</u>
PROFIT AFTER TAXATION			
		----- Rupees -----	
Basic earnings per share	30	<u>0.3509</u>	<u>0.5809</u>
Diluted earnings per share	30	<u>0.3509</u>	<u>0.5809</u>

The annexed notes 1 to 44 and Annexure 1 form an integral part of these financial statements.


CHAIRMAN


PRESIDENT / CHIEF EXECUTIVE


DIRECTOR


DIRECTOR



Statement of Comprehensive Income

For the year ended December 31, 2013

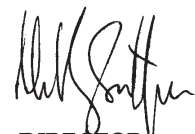
	2013	2012 (Restated)
	----- Rupees in '000 -----	
Profit after taxation for the year	185,272	306,675
Items not to be reclassified to profit or loss in subsequent periods		
Actuarial gain / (loss) on defined benefit plans	(12,494)	(2,556)
Tax effect	4,373	894
	(8,121)	(1,662)
Comprehensive income transferred to equity	177,151	305,013
Components of comprehensive income not reflected in equity :		
Surplus on revaluation of available for sale investments - net of tax	(20,055)	(38,721)
Total comprehensive income for the year	157,096	266,292

The annexed notes 1 to 44 and Annexure 1 form an integral part of these financial statements.


CHAIRMAN


PRESIDENT / CHIEF EXECUTIVE


DIRECTOR


DIRECTOR

Cash Flow Statement

For the year ended December 31, 2013

	Note	2013	2012 (Restated)
		----- Rupees in '000 -----	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		308,152	462,996
Less: Dividend Income		(2)	(2)
		<u>308,150</u>	<u>462,994</u>
Adjustments:			
Depreciation	27	229,611	276,255
Amortisation	27	29,085	23,927
Depreciation on operating Ijarah assets		514,634	391,571
Provision / (reversal of provision) against non-performing Islamic financing and related assets - net	10.14	122,746	111,072
Reversal of provision for diminution of in value of investments	9.7	-	(15,000)
Other (reversals) / provisions		4,043	(4,754)
Charge for defined benefit plan	27	22,919	18,730
Gain on sale of property and equipment	25	(51,712)	(4,654)
		<u>871,326</u>	<u>797,147</u>
		<u>1,179,476</u>	<u>1,260,141</u>
(Increase) / decrease in operating assets			
Due from financial institutions		1,964,499	(4,039,408)
Islamic financing and related assets		(11,512,851)	(3,270,446)
Others assets (excluding advance taxation)		(203,301)	(157,104)
		<u>(9,751,653)</u>	<u>(7,466,958)</u>
Increase / (decrease) in operating liabilities			
Bills payable		(415,448)	452,157
Due to financial institutions		916,585	821,415
Deposits and other accounts		11,009,384	13,647,700
Other liabilities (excluding current taxation)		269,417	228,159
		<u>11,779,938</u>	<u>15,149,431</u>
		<u>3,207,761</u>	<u>8,942,614</u>
Payments against defined benefit plan	33	(42,327)	(22,608)
Income tax paid		(58,303)	(39,942)
Net cash generated from operating activities		<u>3,107,131</u>	<u>8,880,064</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		(2,646,294)	(7,972,347)
Dividend received		2	2
Investments in operating fixed assets		(468,281)	(403,693)
Proceeds from disposal of operating fixed assets		113,660	6,688
Net cash used in investing activities		<u>(3,000,913)</u>	<u>(8,369,350)</u>
Increase in cash and cash equivalents		<u>106,218</u>	<u>510,714</u>
Cash and cash equivalents at beginning of the year	31	5,744,817	5,234,103
Cash and cash equivalents at end of the year	31	<u>5,851,035</u>	<u>5,744,817</u>

The annexed notes 1 to 44 and Annexure 1 form an integral part of these financial statements.


CHAIRMAN


PRESIDENT / CHIEF EXECUTIVE


DIRECTOR


DIRECTOR



Statement of Changes in Equity

For the year ended December 31, 2013

	Share capital	Statutory reserve	Unappropriated profit / (Accumulated losses)	Total
	----- Rupees in '000 -----			
Balance as at January 01, 2012 as previously reported	5,279,679	91,221	(227,340)	5,143,560
Effect of change in accounting policy with respect to accounting for remeasurement gains on defined benefit plan - net of tax (note 3.5)	-	-	12,209	12,209
Balance as at January 01, 2012 restated	5,279,679	91,221	(215,131)	5,155,769
Profit after taxation for the year transferred from Statement of Comprehensive Income - restated	-	-	306,675	306,675
Transfer to statutory reserve	-	82,171	(82,171)	-
Remeasurements of the net defined benefit liability / asset - net of tax	-	-	(1,662)	(1,662)
Balance as at December 31, 2012 - restated	5,279,679	173,392	7,711	5,460,782
Reversal of profit / return accrued on Islamic financing and related assets pertaining to prior years - note 13.1	-	-	(122,979)	(122,979)
Balance as at January 1, 2013 - restated	5,279,679	173,392	(115,268)	5,337,803
Profit after taxation for the year transferred from Statement of Comprehensive Income	-	-	185,272	185,272
Transfer to statutory reserve	-	37,054	(37,054)	-
Remeasurements of the net defined benefit liability / asset - net of tax	-	-	(8,121)	(8,121)
Balance as at December 31, 2013	5,279,679	210,446	24,829	5,514,954

The annexed notes 1 to 44 and Annexure 1 form an integral part of these financial statements.


CHAIRMAN


PRESIDENT / CHIEF EXECUTIVE


DIRECTOR


DIRECTOR

Notes to and forming part of the financial statements

For the year ended December 31, 2013

1 STATUS AND NATURE OF BUSINESS

- 1.1 BankIslami Pakistan Limited (the Bank) was incorporated in Pakistan as a public limited company on October 18, 2004 under the Companies Ordinance, 1984 to carry out the business of an Islamic Commercial Bank in accordance with the principles of Islamic Shariah.

The State Bank of Pakistan granted a 'Scheduled Islamic Commercial Bank' license to the Bank on March 18, 2005. The Bank commenced its operations as a Scheduled Islamic Commercial Bank with effect from April 07, 2006, on receiving Certificate of Commencement of Business from the State Bank of Pakistan (SBP) under section 37 of the State Bank of Pakistan Act, 1956. The Bank is principally engaged in corporate, commercial, consumer, retail banking activities and investment activities.

The Bank is operating through 201 branches including 89 sub branches as at December 31, 2013 (2012: 141 branches including 53 sub branches). The registered office of the Bank is situated at 11th Floor, Dolmen City, Marine Drive, Block-4, Clifton, Karachi. The shares of the Bank are quoted on the Karachi Stock Exchange Limited.

Based on the financial statements of the Bank for the year ended December 31, 2012, the Pakistan Credit Rating Agency (Private) Limited (PACRA) determined the Bank's long-term rating as 'A' and the short-term rating as 'A1'.

- 1.2 The SBP vide circular no. 07 of 2009 dated April 15, 2009 has increased the Minimum Capital Requirement (MCR) for banks upto Rs. 10 billion to be achieved in a phased manner by December 31, 2013. As per this circular, the MCR (free of losses) and Capital Adequacy Ratio (CAR) requirements as at December 31, 2013 is Rs 10 billion (2012: Rs 9 billion) and 10 percent (2012: 10 percent) respectively. The Board of Directors (BOD) of the Bank in their meeting held on February 07, 2011 had in principle agreed to issue right shares to increase its paid up capital (free of losses) to Rs. 6 billion. The SBP vide its letter no. BSD/BAI-3/608/2773/2011 dated March 7, 2011 had given extension to the Bank in timeline for meeting MCR (free of losses) amounting to Rs 6 billion till June 30, 2011.

Several extensions have been sought from SBP from time to time for meeting the capital requirement of Rs. 6 billion (free of losses) through issue of right shares. However, the process of right issue could not be initiated due to various reasons. The Bank has also been advised several times by the SBP for submission of concrete time bound capital plan for complying with prevailing and future regulatory capital requirements.

As a result of the above non-compliance, the SBP vide its letter no. BPRD/CA&PD/13711/2013 dated September 16, 2013 has raised the minimum CAR to be maintained by the Bank at all times to 14.5% and has also mentioned that this requirement can further be enhanced in case of non-injection of fresh capital by end of December 2013.

Most recently, the Bank vide its letter dated November 8, 2013, requested the SBP to approve the issuance of 63,191,153 right shares at a discounted price of Rs 6.33 per share (discount of Rs. 3.67 per share) to raise paid up capital of Rs. 400 million. Accordingly, the SBP has in-principle approved the issuance of right shares subject to the following conditions:

- The right issue must be fully and firmly underwritten
- The Bank will approach the Banking Policy and Regulations Department of the SBP for final approval after completion of all other regulatory and legal requirements, including SECP's requirements relating to issue of shares at a discount, prior to issuance of right shares.

The SBP in the said letter has further advised the Bank to submit a concrete, time bound board approved capital plan to meet the regulatory MCR Rs.10 billion.



The capital plan approved by the board of directors has been duly submitted by the Bank to the SBP vide its letter dated December 3, 2013.

The paid-up capital (free of losses) of the Bank amounted to Rs. 5.280 billion at December 31, 2013 and its CAR stood at 15.37 percent.

Subsequent to the year ended December 31, 2013, an extra ordinary general meeting of the shareholders was held on February 22, 2014 to approve the issuance of right shares at a discounted price of Rs 6.33 per share. The shareholders' approval has been taken and other legal requirements are under way.

2 BASIS OF PRESENTATION

- 2.1 The Bank provides financing mainly through Murabaha, Ijarah, Istisna, Diminishing Musharka, Musawama and other Islamic modes as briefly explained in note 5.3.

The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of profit thereon. The income on such financing is recognised in accordance with the principles of Islamic Shariah. However income, if any, received which does not comply with the principles of Islamic Shariah is recognised as charity payable as directed by the Shariah Advisor of the Bank.

- 2.2 These financial statements are the separate financial statements of the Bank in which investments in subsidiaries are carried at cost and are not consolidated. The consolidated financial statements of the Group are being issued separately.

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, provisions of and directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, and the directives issued by the SECP and the SBP. Wherever the requirements of the provisions and directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, the IFAS notified under the Companies Ordinances, 1984 and the directives issued by the SECP and the SBP differ from the requirements of IFRS, the provisions of and the directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, IFAS notified under the Companies Ordinance, 1984 and the directives issued by the SECP and the SBP shall prevail.
- 3.2 The SBP through its BSD Circular No. 10 dated August 26, 2002, has deferred the implementation of International Accounting Standard (IAS) 39 - "Financial Instruments: Recognition and Measurement" and IAS 40 - "Investment Property" for Banking Companies in Pakistan, till further instructions. Accordingly, the requirements of these Standards have not been considered in the preparation of these financial statements. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7 "Financial Instruments: Disclosures" through its S.R.O. 411(I)/2008 dated April 28, 2008. Accordingly, the requirements of this standard have also 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 IFRS 8 "Operating Segments" is effective for the Bank's accounting period beginning on or after January 1, 2009. All Banking Companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2006. The management of the Bank believes that as the SBP has defined the segment categorisation in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these financial statements is based on the requirements laid down by the SBP.

- 3.4 The SBP vide its BSD Circular No. 07 dated April 20, 2010 has clarified that for the purpose of preparation of financial statements in accordance with International Accounting Standard - 1 (Revised), 'Presentation of Financial Statements', two statement approach shall be adopted i.e. separate 'Profit and Loss Account' and 'Statement of Comprehensive Income' shall be presented, and Balance Sheet shall be renamed as 'Statement of Financial Position'. Furthermore, only the surplus / (deficit) on revaluation of available for sale (AFS) securities, may be included in the 'Statement of Comprehensive Income'. However, it should continue to be shown separately in the Statement of Financial Position below equity. Accordingly, the above requirements have been adopted in the preparation of these financial statements.

3.5 Change in accounting policies, disclosures and other restatements

- 3.5.1 IAS 1, 'Financial statement presentation' has been amended effective January 1, 2013. The main change resulting from these amendments is a requirement for entities to group items presented in 'Other Comprehensive Income' (OCI) on the basis of whether they are potentially reclassifiable to the profit or loss subsequently (reclassification adjustments). The specified change has been made in the statement of comprehensive income for the year.
- 3.5.2 IAS 19 (revised) 'Employee benefits' which became effective for annual periods beginning on or after January 1, 2013 amends accounting for employee benefits. The standard requires immediate recognition of past service cost and also replaces the expense on the defined benefit obligation and the expected return on plan assets with a expense based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year.

Further, a new term "remeasurements" has been introduced. This is made up of actuarial gains and losses and the difference between actual investment returns and the return implied by the expense on the defined benefit obligation. The standard requires "remeasurements" to be recognised in the Statement of Financial Position immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur.

During the year the Bank has changed its accounting policy to comply with the changes made in IAS 19. As per the previous policy actuarial gains and losses were recognised in the profit and loss account over the future expected average remaining working lives of the employees to the extent of the greater of 10% of the present value of defined benefit obligation at that date and 10% of the fair value of plan assets at that date.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated. The effects of change in accounting policy have been summarised below:

	December 31, 2013	December 31, 2012	December 31, 2011
	----- Rupees in '000 -----		
Impact on Statement of Financial Position			
Increase in other assets	12,827	22,118	18,783
Decrease in other liabilities	-	2,254	241
Decrease in deferred tax assets	4,373	5,680	6,574
Impact on Profit and Loss Account			
Decrease in charge for defined benefit plan	3,203	5,891	*
Increase in Basic / Diluted Earning per Share	0.0061	0.0112	-
Impact on Statement of Comprehensive Income			
Increase / (decrease) in other comprehensive income - net of tax	(8,120)	(1,662)	**
Impact on Statement of Changes in Equity			
(Increase) / decrease in accumulated losses			
- Cumulative effect from prior years- net of tax	-	12,209	12,209
* - Impact for the year ended December 31, 2012	-	5,891	-
** - Impact for the year ended December 31, 2012 - net of tax	-	(1,662)	-



The Bank's policy for Staff Retirement Benefits (note 5.6) and disclosure relating to Defined Benefit Plan (note 33) have been amended to comply with the requirements of IAS 19 (revised).

- 3.5.3 During the year the Bank has changed its accounting policy in respect of measurement of the carrying amount of its freehold land and building on lease hold land subsequent to initial recognition. In this respect the Bank has decided to follow the revaluation model as allowed under International Accounting Standard (IAS) 16: 'Property, Plant and Equipment'. In accordance with the new policy the land and buildings of the Bank shall be carried at revalued amount, being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluation of these assets shall be carried out with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date. Previously, the land and building were carried at their cost less accumulated depreciation and accumulated impairment losses. In the opinion of the management, the revised policy will result in a more realistic reflection of the value of these assets in the financial statements and is also in line with the policy generally followed by banking companies in Pakistan. In addition, the Bank shall also be able to avail the benefit of revaluation surplus in its capital adequacy calculation as specified by the SBP. The impacts of this change have been disclosed in note 11.5 to these financial statements.

Surplus arising on revaluation is credited to the surplus on revaluation of assets account. This account is shown below equity in the Statement of Financial Position. Deficit arising on subsequent revaluation of fixed assets is adjusted against the balance in the above mentioned surplus account as allowed under the provisions of the Companies Ordinance, 1984. Any deficit in excess of the surplus previously recognised is charged to the profit and loss account. The surplus on revaluation of fixed assets to the extent of incremental depreciation charged on the related assets is transferred to the unappropriated profit.

3.5.4 Other standards, interpretations and amendments to published approved accounting standards that are effective in the current year:

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

- 3.6 Last year, the management of the Bank had executed certain transactions relating to sale of ijarah sukuks and had recognised capital gain on such transactions amounting to Rs 202.4 million. The State Bank of Pakistan (SBP) however had raised certain concerns on such transactions and directed the Bank to reverse these transactions as if this had not happened.

In order to give effect to the SBP's directive, the requirements of IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors" have been considered and the impact of such transactions have been reversed in the financial statements by restating the comparative figures in note 9.3, 12, 13, 17, 18, 21, 23, 26, 28, and 29 of the financial statement. The effects are summarised below:

December 31,
2012
Rupees in '000

Impact on Profit and Loss Account

Increase in Profit / return earned (pertaining to reversal of amortisation of premium)	29,607
Decrease in Gain on sale of securities	202,400
Decrease in Other charges (pertaining to reversal of WWF charge)	3,456
Decrease in Taxation - current (representing minimum tax)	864
Decrease in Taxation - deferred	58,404
Decrease in Basic / Diluted Earning per Share	0.2085

December 31,
2012
Rupees in '000**Impact on Statement of Comprehensive Income**

Increase in surplus on revaluation of available for sale securities	172,793
Increase in Deferred Taxation	60,477
	<u>112,316</u>

Impact on Statement of Financial Position

Increase in other assets (representing reversal of taxation recoverable)	864
Decrease in other liabilities (representing reversal of WWF charge)	3,456
Decrease in deferred tax assets (charged to profit and loss account)	58,404
Increase in deferred tax assets (charged to statement of comprehensive income)	60,477
Increase in surplus on revaluation of available for sale securities- net of tax	<u>112,316</u>

As a result of the above reversal the profit before taxation for the year ended December 31, 2013 has increased by Rs. 122.783 million and revaluation surplus for the year ended December 31, 2013 has increased by Rs. 50.010 million. Further, there is no material effect on the book value per share as at December 31, 2012 and December 31, 2013.

3.7 Standards, Interpretations and amendments to published approved accounting standards that are not yet effective:

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. IFAS 3 shall be followed with effect from the financial periods beginning after January 1, 2014 in respect of accounting for transactions relating to 'Profit and Loss Sharing on Deposits' as defined by the said standard. The standard would result in certain new disclosures in the financial statements of the Bank.

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

3.8 Early adoption of standards

The Bank has not early adopted any new or amended standard in 2013.

4 BASIS OF MEASUREMENT**4.1 Accounting convention**

These financial statements have been prepared under the historical cost convention, except that certain fixed assets, certain investments, foreign currency balances and commitments in respect of foreign exchange contracts have been marked to market and are carried at fair value. Further, staff retirement benefits, as discussed in notes 5.6 and 33 to the financial statements have been carried at present values as determined under International Accounting Standard (IAS) 19 (revised) "Employee Benefits".

4.2 Functional and Presentation Currency

These financial statements are presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

4.3 Rounding off

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



4.4 Critical accounting estimates and judgments

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

- (a) Critical judgment in classification and valuation of investments in accordance with the Bank's policy (notes 5.2 and 9).
- (b) Provision for non-performing Islamic financing and related assets (notes 5.3 and 10.14).
- (c) Determination of forced sales value of underlying securities of non performing Islamic financing and related assets (note 10.14.2.2).
- (d) Impairment of investments in equity instruments of subsidiary, associates and non associate entities (notes 5.2.5 and 9).
- (e) Staff retirement benefits (notes 5.6 and 33).
- (f) Depreciation and amortization methods of operating fixed assets (notes 5.4 and 11).
- (g) Assumption and estimation in recognition of provision for taxation (current and prior years) and deferred taxation (notes 5.5, 12, 17 and 29).

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Cash and cash equivalents

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

5.2 Investments

5.2.1 Classification

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

(a) Held-for-trading

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

(b) Held- to-maturity

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

(c) Available-for-sale

These are investments, other than those in subsidiaries and associates, which do not fall under the '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 the 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.

Premium or discount on debt securities classified as available for sale is amortised using the effective profit rate method and taken to the profit and loss account.

5.2.4 Subsequent measurement

Subsequent to initial recognition investments are valued as follows:

(a) Held-for-trading

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

(b) Held-to-maturity

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

(c) Available for sale

Quoted / Government securities are measured at fair value. Surplus / (deficit) arising on remeasurement is included in the statement of comprehensive income but is kept in a separate account shown in the statement of financial position below equity. The surplus / (deficit) arising on these securities is taken to the profit and loss account when actually realized upon disposal.

Unquoted equity securities are valued at the lower of cost and break-up value. Break up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments in other unquoted securities are valued at cost less impairment losses, if any.

(d) Investments in associates

Associates are all entities over which the Bank has significant influence but not control. Investments in associate is carried at cost less accumulated impairment losses, if any.

(e) Investments in subsidiaries

Subsidiaries are all entities over which the Bank has significant control. Investments in subsidiary is carried at cost less accumulated impairment losses, if any.

5.2.5 Impairment

Available for sale and Held to maturity investments

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



Investment in associates and subsidiaries

In respect of investment in associates, the Bank reviews their carrying values at each reporting date to assess whether there is an indication of impairment. Such indication may include significant and prolonged decline in the market value, significant changes with an adverse impact on the entity, carrying amount of net assets in excess of market capitalisation etc. Management also takes into account that these investments are held for long term and therefore considers decline of upto 40% in value (applying significant decline criteria) and upto 12 months (for applying prolonged criteria) for the purposes of assessing significant and prolonged decline for listed investments. However, any threshold should be justifiable in view of other factors present for the entity. The amount of impairment loss would be determined based on the higher of value in use and fair value less cost to sell. Impairment loss is recognised in the profit and loss account.

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

5.3 Islamic financing and related assets

Islamic financing and related assets are financial products originated by the Bank and principally comprise Murabaha, Istisna', Ijarah, Salam, Musawama and Diminishing Musharaka financing and the related assets. These are stated net of general and specific provisions.

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 the SBP, the Bank maintains general provisions as follows:

	Secured	Unsecured
Consumer financings	1.5%	5.0%
Small enterprise financings	1.0%	2.0%

The net provision made / reversed during the year is charged to the 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 Islamic financing and related assets are stated net of specific and general provisions against non-performing Islamic financing and related assets which are charged to the profit and loss account.

Funds disbursed, under financing arrangements for purchase of goods / assets are recorded as advance. On culmination, financing are recorded at the deferred sale price net of profit. Goods purchased but remaining unsold at the statement of financial position date are recorded as inventories.

5.3.2 The rentals received / receivable on Ijarahs are recorded as income / revenue. Depreciation on Ijarah assets is charged to profit and loss account by applying the accounting policy consistent with the policy for depreciation of operating fixed assets.

Murabaha to the purchase orderer is a sale transaction wherein the first party (the Bank) sells to the client / customer Shariah compliant assets / goods for cost plus a pre-agreed profit after getting title and possession of the same. In principle on the basis of an undertaking (Promise-to-Purchase) from the client (the purchase orderer), the Bank purchases the assets / goods subject of the Murabaha from a third party and takes the possession thereof. However the Bank can appoint the client as its agent to purchase the assets / goods on its behalf. Thereafter, it sells it to the client at cost plus the profit agreed upon in the promise.

Import Murabaha is a product, used to finance a commercial transaction which consists of purchase by the Bank (generally through an undisclosed agent) the goods from the foreign supplier and selling them to the customer after getting the title to and possession of the goods. Murabaha financing is extended to all types of trade transactions i.e., under Documentary Credits (LCs), Documentary Collections and Open Accounts.

Istisn'a is a contract where the buyer (the Bank) orders the client (seller / manufacturer) to manufacture and deliver specified goods at an agreed contract price upon completion. Istisn'a is used with Wakalah agreement to provide financing mainly to manufacturers. Thus the transaction consists of two legs: (i) Bai Istisn'a whereby the Bank purchases goods from the client and (ii) Wakalah whereby the Bank after receipt / possession of goods, appoints the client its agent to sell the goods in the market.

Ijarah is a contract where the owner of an asset transfers its usufruct (i.e. the usage right) to another person for an agreed period, at an agreed consideration.

Salam is a sale transaction where the seller undertakes to supply some specific goods to the buyer at a future date against an advance price fully paid on spot.

Musawama is a contract where the Bank purchases tangible identified goods from client at an agreed purchase price. The Bank then sells the goods in the market through agent (Client) at a higher price to earn its desired profit.

Diminishing Musharaka represents an asset in joint ownership whereby a partner promises to buy the equity share of the other partner until the title to the equity is totally transferred to him. The partner using the asset pays the proportionate rental of such asset to the other partner (the Bank).

Musharaka / Modaraba are different types of partnerships in business with distribution of profit in agreed ratio and distribution of loss in the ratio of capital invested.

5.3.3 Ijarah Financing

Ijarah financing executed on or before December 31, 2008 have been accounted for under finance method, thereafter all Ijarah financing are accounted for under IFAS-2.

- (a) 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 a receipt basis. Income on Ijarah is recognised from the date of delivery of the respective assets to the mustajir (lessee).
- (b) Under IFAS-2 method, assets underlying Ijarah financing 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 financing net of depreciation charge 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 and depreciation

5.4.1 Property and equipment

Fixed assets other than for freehold land and building on leasehold land are stated at cost less accumulated depreciation and accumulated impairment losses, if any. As noted in note 3.5.3 freehold land and building on lease hold land are now carried at revalued amount less any accumulated depreciation and subsequent impairment losses.



Depreciation is computed using the straight-line method by taking into consideration the estimated useful life of the related assets at the rates specified in note 11.2 to the financial statements. Depreciation on additions / deletions during the year is charged for the proportionate period for which the asset remained in use.

Subsequent costs are included in the assets' carrying amount or are 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. Maintenance and normal repairs are charged to the profit and loss account as and when incurred.

An item of property and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal.

Residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date. During the current year, the useful lives of certain assets have been revised (as more fully explained in note 11.2.2 to these financial statements) keeping in view the expected pattern of recovery of economic benefits associated with those assets.

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

5.4.2 Capital work in progress

These are stated at cost less accumulated impairment losses, if any.

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 the 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 impairment losses, if any.

Amortization on additions / deletions during the year is charged for the proportionate period for which the asset remained in use.

Software and other development costs are only capitalised to the extent that future economic benefits are expected to be derived by the Bank.

5.4.4 Impairment

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

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately in the financial statements except for impairment loss on revalued assets, which is adjusted against related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

Where an impairment loss reverses subsequently, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognized as income immediately except for impairment loss on revalued assets which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of assets.

5.5 Taxation

5.5.1 Current

The provision for current taxation is based on taxable income for the year at current rates of taxation, after taking into consideration available tax credits, rebates and tax losses as allowed 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.

5.5.2 Deferred

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

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

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

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

5.6 Staff retirement benefits

5.6.1 Defined benefit plan

The Bank operates an approved funded gratuity scheme for its permanent employees. The liability recognised in the statement of financial position in respect of defined benefit gratuity scheme, is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets. Contributions to the fund are made on the basis of actuarial recommendations. The defined benefit obligation is calculated periodically by an independent actuary using the projected unit credit method. The last valuation was conducted as on December 31, 2013.

As noted in note 3.5.2 the amounts arising as a result of remeasurements are recognised in the Statement of Financial Position immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur.

5.6.2 Defined contribution plan

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

5.7 Revenue recognition

- 5.7.1 Profit from Murabaha is accounted for on consummation of Murabaha transaction. However, profit on the portion of revenue not due for payment is deferred by accounting for deferred Murabaha income which is recorded as a liability. The same is then recognised as revenue on a time proportionate basis.
- 5.7.2 Profit from Istisn'a is recorded on accrual basis commencing from the time of sale of goods till the realisation of proceeds by the Bank. Profit from Diminishing Musharaka, Salam and Musawama are recognised on a time proportionate basis.



- 5.7.3 The Bank follows the finance method in recognising income on Ijarah contracts written upto December 31, 2008. Under this method the unearned income i.e. 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 a receipt basis. Income on Ijarah is recognised from the date of delivery of the respective assets to the mustajir (lessee).

Profit from Ijarah contracts entered on or after January 01, 2009 is recognized in the profit and loss account over the term of the contract net of depreciation expense relating to the Ijarah assets.

- 5.7.4 Provisional profit of Musharaka / Modaraba financing is recognised on an accrual basis. Actual profit / loss on Musharaka and Modaraba financing is adjusted after declaration of profit by Musharaka partner / mudarib or on liquidation of Musharaka / Modaraba.
- 5.7.5 Profit on classified financing is recognised on receipt basis.
- 5.7.6 Dividend income is recognised when the right to receive the dividend is established.
- 5.7.7 Gains and losses on sale of investments are included in the profit and loss account.
- 5.7.8 Fee on issuance of letter of credit and acceptance is recognised on receipt basis as generally the transaction consummates within an accounting period. Fee on guarantees, if considered material, is recognised over the period of guarantee.
- 5.7.9 Profit on Sukuks is recognised on an accrual basis. Where Sukuks (excluding held for trading securities) are purchased at a premium or discount, those premiums / discounts are amortised through the profit and loss account over the remaining maturity, using the effective yield method.

5.8 Financial Instruments

5.8.1 Financial assets and financial liabilities

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

5.8.2 Offsetting of financial instruments

Financial assets and financial liabilities are off-set and the net amount is 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.

5.8.3 Derivatives

Derivative financial instruments are recognised at fair value. In the case of equity futures, the fair value is calculated with reference to quoted market price. Derivatives with positive market values (unrealised gains) are included in other receivables and derivatives with negative market values (unrealised losses) are included in other liabilities in the statement of financial position. The resultant gains and losses are taken to profit and loss account currently.

5.9 Foreign currencies

Functional and presentation currency

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

Foreign currency transactions

Foreign currency transactions are translated into local currency at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into rupees at the exchange rates prevailing at the statement of financial position date. Forward exchange promises are revalued using forward exchange rates applicable to their respective remaining maturities.

Translation gains and losses

Translation gains and losses are included in the profit and loss account.

Commitments

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

5.10 Acceptances

Acceptances comprise promises 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.

5.11 Fiduciary assets

Assets held in a fiduciary capacity are not treated as assets of the Bank in the financial statements.

5.12 Provisions and contingent assets and liabilities

Provisions are recognized when the Bank has a present legal or constructive obligation arising as a result of past events and 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.

Provisions for guarantee claims and other off balance sheet obligations are recognised when intimated and reasonable certainty exists for the Bank to settle the obligation. Charge to the profit and loss account is stated net of expected recoveries.



5.13 Deferred costs

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

5.14 Segment reporting

A segment is a distinguishable component of the Bank that is engaged in providing products 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.

5.14.1 Business segments

Trading and sales

It includes equity, foreign exchanges, commodities, credit, funding, own position securities, placements and islamic financing and related assets.

Retail banking

It includes retail islamic financing and related assets, 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.

Support Centre

It includes the assets and liabilities relating to support functions at Head Office and their related income and expenses.

5.14.2 Geographical segment

The Bank has 201 branches including 89 sub branches (2012: 141 branches including 53 sub branches) and operates only in Pakistan.

5.15 Assets acquired in satisfaction of claims

Assets acquired in satisfaction of claims are stated at the lower of the financed 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 recognized amount is charged to the profit and loss account. These assets are disclosed in other assets as specified by the SBP.

5.16 Earnings per share

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

	Note	2013	2012
		----- Rupees in '000 -----	
6 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
- local currency		1,215,403	937,121
- foreign currency		189,972	158,943
		<u>1,405,375</u>	<u>1,096,064</u>
With the State Bank of Pakistan in			
- local currency current account	6.1	2,397,423	2,850,184
- foreign currency deposit accounts			
Cash Reserves Account	6.2	85,840	67,228
Special Cash Reserve Account	6.3	103,744	80,925
US Dollar Clearing Account		49,760	19,296
		<u>239,344</u>	<u>167,449</u>
With National Bank of Pakistan in			
- local currency current account		841,336	825,010
		<u>4,883,478</u>	<u>4,938,707</u>

6.1 This represents Rs.2,397.423million (2012: Rs. 2,850.184 million) held against Cash Reserve Requirement and Statutory Liquidity Requirement. The local currency current account is maintained with the State Bank of Pakistan (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 SBP.

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

6.3 Special cash reserve of 6% is required to be maintained with SBP on FE-25 deposits as specified in BSD Circular No. 15 dated June 21, 2008. During the year this deposit was not remunerated (2012: Nil).

	Note	2013	2012
		----- Rupees in '000 -----	
7 BALANCES WITH OTHER BANKS			
In Pakistan			
- on current accounts		6,353	7,915
- on deposit accounts	7.1	128	121
		<u>6,481</u>	<u>8,036</u>
Outside Pakistan			
- on current accounts		961,076	798,074
- on deposit accounts		-	-
		<u>961,076</u>	<u>798,074</u>
		<u>967,557</u>	<u>806,110</u>

7.1 Represents deposits with various Islamic commercial banks under Musharaka and Modaraba arrangements with maturities less than 3 months. The expected profit rate on these arrangements is 6% (2012: 6 %) per annum.



	Note	2013	2012
		----- Rupees in '000 -----	
8 DUE FROM FINANCIAL INSTITUTIONS			
Sukuk Murahaba	8.1	6,418	6,418
Commodity Murahaba - local currency	8.2 & 8.3	6,511,173	4,975,672
		6,517,591	4,982,090
Musharaka Placement		-	3,500,000
		6,517,591	8,482,090
Provision against Sukuk Murahaba	8.1	(6,418)	(6,418)
		6,511,173	8,475,672
8.1 The Bank entered into Sukuk Murabaha arrangement under which the Bank appointed its client as an agent under asset purchase agreements to purchase the underlying sukuk from the open market on its behalf and later sell them on deferred Murahaba basis. The maturity date of the deal was February 08, 2009. The Bank is making efforts to recover the outstanding balance and has made a provision against the outstanding amount.			
8.2 The Bank has entered into Commodity Murahaba agreements under which the Bank purchases an underlying commodity from the open market through an agent and sells it to a financial institution on credit with profit. The profit rates on the agreement range between 9.95% to 10.35% (2012: 6.95 % to 9.75%) per annum and the agreements have a maturity ranging from 2 days to 7 days.(2012: 2 days to 63 days).			
		2013	2012
		----- Rupees in '000 -----	
8.3 Commodity Murabaha sale price		513,190,977	442,116,530
Purchase price		(512,592,000)	(441,486,000)
		598,977	630,530
Deferred Commodity Murabaha income			
Opening balance		33,145	7,399
Deferred during the year		598,977	630,530
Recognised during the year		(627,399)	(604,784)
		4,723	33,145
Commodity Murabaha			
Opening balance		4,975,672	3,911,264
Sales during the year		513,190,977	442,116,530
Received during the year		(511,655,476)	(441,052,122)
		6,511,173	4,975,672
8.4 Particulars of amounts due from financial institutions with respect to currencies:			
- In local currency		6,517,591	8,482,090
- In foreign currency		-	-
		6,517,591	8,482,090

9 INVESTMENTS

9.1 Investments by types

Note	2013			2012 (Restated)		
	Held by the Bank	Given as collateral	Total	Held by the Bank	Given as collateral	Total
----- Rupees in '000 -----						
Available for sale securities						
Sukuk / Certificates	31,249,567	-	31,249,567	27,643,273	-	27,643,273
Units of Open-end mutual fund	15	-	15	960,015	-	960,015
Units of Closed-end mutual fund	6	-	6	6	-	6
	31,249,588	-	31,249,588	28,603,294	-	28,603,294
Subsidiary						
Unlisted Company	191,015	-	191,015	191,015	-	191,015
Total investments at cost	31,440,603	-	31,440,603	28,794,309	-	28,794,309
Less: Provision for diminution in value of investments	-	-	-	-	-	-
Investments - net of Provisions	31,440,603	-	31,440,603	28,794,309	-	28,794,309
Surplus on revaluation of available-for-sale securities	169,684	-	169,684	200,153	-	200,153
Total investments at market value	31,610,287	-	31,610,287	28,994,462	-	28,994,462

Note **2013** 2012
(Restated)
----- Rupees in '000 -----

9.2 Investments by segments

Federal Government Securities

GOP Ijarah Sukuks	9.3	29,283,051	25,485,358
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Sukuk certificates

Sukuks - unlisted	9.3	1,966,516	2,157,915
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Fully paid up ordinary shares / Units

Unlisted subsidiary company	9.6	191,015	191,015
Units of Open-end Mutual Funds	9.4	15	960,015
Units of Closed-end Mutual Funds	9.4	6	6

Total investments at cost

Less: Provision for diminution in value of investments	9.7	-	-
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Investments - net of provisions

Surplus on revaluation of available-for-sale securities	21	169,684	200,153
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Total investments at market value

31,610,287	28,994,462
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9.3 Available for sale securities

Name of the investee company	Note	2013 Number of Certificates	2012	Face Value	2013 Cost	2012 (Restated) Cost
----- Rupees in '000 -----						
Sukuk Certificates						
Federal Government						
Ijarah GOP Sukuk - 5	9.3.1	-	58,550	Rs. 100,000	-	5,860,017
Ijarah GOP Sukuk - 6	9.3.2	-	25,000	Rs. 100,000	-	2,500,000
Ijarah GOP Sukuk - 7	9.3.3	31,500	31,500	Rs. 100,000	3,150,070	3,150,450
Ijarah GOP Sukuk - 8	9.3.4	22,500	22,500	Rs. 100,000	2,250,044	2,250,155
Ijarah GOP Sukuk - 9	9.3.5	43,550	36,250	Rs. 100,000	4,362,278	3,634,751
Ijarah GOP Sukuk - 10	9.3.6	44,750	25,750	Rs. 100,000	4,493,162	2,575,663
Ijarah GOP Sukuk - 11	9.3.7	30,000	30,000	Rs. 100,000	3,000,000	3,000,000
Ijarah GOP Sukuk - 12	9.3.8	89,500	25,000	Rs. 100,000	9,010,419	2,514,322
Ijarah GOP Sukuk - 13	9.3.9	14,965	-	Rs. 100,000	1,509,199	-
Ijarah GOP Sukuk - 14	9.3.10	15,000	-	Rs. 100,000	1,507,879	-
					29,283,051	25,485,358
Others						
WAPDA First Sukuk Certificates		-	-	Rs. 5,000	-	-
WAPDA Second Sukuk Certificates	9.3.11	134,000	134,000	Rs. 5,000	446,170	557,562
Pak Electron Sukuk	9.3.12	60,000	60,000	Rs. 5,000	128,571	128,571
Amtex Sukuk	9.3.13	59,000	59,000	Rs. 5,000	221,250	221,250
Engro Fertilizer Sukuk	9.3.14	65,000	65,000	Rs. 5,000	323,802	323,105
Security Leasing Sukuk	9.3.15	2,000	2,000	Rs. 5,000	3,284	3,691
Third Sitara Chemicals Sukuk	9.3.16	-	8,000	Rs. 5,000	-	3,333
New Allied Electronics (LG) - Sukuk	9.3.17	11,000	11,000	Rs. 5,000	55,000	55,000
Sui Southern Gas Company Sukuk	9.3.18	120,000	120,000	Rs. 5,000	600,000	600,000
Kohat Cement Sukuk	9.3.19	27,000	27,000	Rs. 5,000	9,151	30,984
Eden Housing Sukuk	9.3.20	50,000	50,000	Rs. 5,000	49,200	107,750
Optimus Sukuk	9.3.21	50,000	50,000	Rs. 5,000	62,503	104,169
HBFC Sukuk	9.3.22	15,000	15,000	Rs. 5,000	7,500	22,500
Central Bank of Bahrain (FCY Sukuk)	9.3.23	5	-	USD 100,000	60,085	-
					1,966,516	2,157,915
					31,249,567	27,643,273

- 9.3.1 The profit rate on these sukuks comprises of six months weighted average yield of six month market treasury bills. The principal has been redeemable on maturity in November 2013. These were backed by Government of Pakistan's Sovereign Guarantee.
- 9.3.2 The profit rate on these sukuks comprises of six months weighted average yield of six month market treasury bills. The principal has been redeemable on maturity in December 2013. These were backed by Government of Pakistan's Sovereign Guarantee.
- 9.3.3 The profit rate on these sukuks comprises of six months weighted average yield of six month market treasury bills. The principal is redeemable on maturity in March 2014. These are backed by Government of Pakistan's Sovereign Guarantee.
- 9.3.4 The profit rate on these sukuks comprises of six months weighted average yield of six month market treasury bills. The principal is redeemable on maturity in May 2014. These are backed by Government of Pakistan's Sovereign Guarantee.
- 9.3.5 The profit rate on these sukuks comprises of six months weighted average yield of six month market treasury bills. The principal is redeemable on maturity in December 2014. These are backed by Government of Pakistan's Sovereign Guarantee.

- 9.3.6 The profit rate on these sukuks comprises of six months weighted average yield of six month market treasury bills. The principal is redeemable on maturity in March 2015. These are backed by Government of Pakistan's Sovereign Guarantee.
- 9.3.7 The profit rate on these sukuks comprises of six months weighted average yield of six month market treasury bills. The principal is redeemable on maturity in April 2015. These are backed by Government of Pakistan's Sovereign Guarantee.
- 9.3.8 The profit rate on these sukuks comprises of six months weighted average yield of six month market treasury bills. The principal is redeemable on maturity in June 2015. These are backed by Government of Pakistan's Sovereign Guarantee.
- 9.3.9 The profit rate on these sukuks comprises of six months weighted average yield of six month market treasury bills - 25 basis points. The principal is redeemable on maturity in September 2015. These are backed by Government of Pakistan's Sovereign Guarantee.
- 9.3.10 The profit rate on these sukuks comprises of six months weighted average yield of six month market treasury bills - 30 basis points. The principal is redeemable on maturity in March 2016. These are backed by Government of Pakistan's Sovereign Guarantee.
- 9.3.11 These carry profit at the rate of six months KIBOR minus 25 basis points (2012: six months KIBOR minus 25 basis points) receivable on semi-annual basis with maturity in July 2017. The principal is repayable in 12 equal semi-annual installments with first installment falling due in the 54th month from the first drawdown date. The issue amount and rentals are backed by Government of Pakistan's Sovereign Guarantee.
- 9.3.12 These Sukuks have further been restructured during the current year. These Sukuks carry profit at the rate of three months KIBOR plus 175 basis points (2012: three months KIBOR plus 175 basis points) receivable quarterly based on Diminishing Musharaka mechanism with maturity in September 2016. The outstanding principal will be redeemed in 6 equal quarterly installments starting from June 2015.
- 9.3.13 The sukuks have been matured in October 2012. As per the terms, principal was due to be redeemed in 12 consecutive quarterly installments with the first such installment falling due not later than the end of 27 months from the last draw down. These Sukuks are backed by guarantee of Rs. 740 million from the Bank of Punjab. During 2010, Amtex defaulted in its principal repayment. Consequently, the Bank suspended the accrual of profit on the Sukuk. In 2011, the Bank called the guarantee provided by the Bank of Punjab. During the year 2012, the guarantee has expired. However, the legal advisor of the Bank is of the opinion that the amount will be recovered as the guarantee for the same had been called before its expiry.
- 9.3.14 These carry profit at the rate of six months KIBOR plus 150 basis points (2012: six months KIBOR plus 150 basis points) receivable semi annually based on Diminishing Musharaka mechanism with maturity in September 2015. Principal repayment to be made in two consecutive, equal semi annual installments, the first such installment falling due on the 90th month from the date of the first contribution under the facility. As a security first pari passu charge has been provided on all present and future fixed assets of the Company with margin.
- 9.3.15 These Sukuks have been further restructured w.e.f. March 2011. After restructuring these Sukuks carry profit at the rate of 0%, (2012: 0%). The accrued profit amount to be repaid in six equal monthly installments starting from 43rd month. Principal to be repaid in 48 months starting from April 2010. As per the new restructured plan principal will be repaid in 36 monthly installments and the accrued portion of profit upto March 2011 has also been waived.

However, the issuer was unable to comply with the above restructuring plan and has executed a revised restructuring plan which has been approved by the minority sukuk holders. Currently, the customer is making payments as per the restructuring plan approved by the minority sukuk holders.



- 9.3.16 These carried profit at the rate of three months KIBOR plus 100 basis points receivable quarterly based on Diminishing Musharaka mechanism. The sukuk matured in December 2012.
- 9.3.17 These carry profit at the rate of three months KIBOR plus 220 basis points (2012: three months KIBOR plus 220 basis points) receivable semi-annually with maturity in December 2012. The principal was to be repaid in 6 consecutive semi-annual installments, the first such installment falling not later than the end of 30th month from the date of issue. As a security first pari passu charge over all present and future fixed assets amounting to Rs. 800 million of the company, irrevocable guarantee of a Financial Institution and Personal Guarantee of sponsoring directors has been provided. The customer has defaulted in its payments towards the Bank. An amount of Rs. 55 million has been deposited with the Bank over which lien in favour of the Bank has been marked. Hence, no provision has been recognised by the Bank.
- 9.3.18 These carry profit at the rate of three months KIBOR plus 75 basis points receivable on quarterly basis. The purchase price and rentals are backed by Government of Pakistan's Sovereign Guarantee. As a security first pari passu charge over fixed assets of the company or equitable mortgage on selected land and building with 25% margin had been provided.
- 9.3.19 These sukuks have been restructured in 2012. These Sukuks carry profit at the rate of three months KIBOR plus 150 basis points (2012: three months KIBOR plus 150 basis points) receivable quarterly based on Diminishing Musharaka mechanism with maturity in September 2016. As per the new "Restructuring Agreement", principal to be redeemed with revised mechanism and profit for the first four quarters will go into a frozen account, which will be retired through payments made from the 13th quarter to the 20th quarter. As a security first ranking hypothecation charge over all present and future fixed assets of the company equivalent to the facility amount, along with 25% margin and first ranking mortgage over all present and future immoveable properties of the Company with a 25% margin over the facility amount has been provided.
- 9.3.20 These Sukuks carry profit at the rate of three months KIBOR plus 250 basis points upto June 29, 2013 and three months KIBOR plus 300 basis points for the period between June 30, 2013 and June 29, 2014. (2012: three months KIBOR plus 250 basis points upto June 29, 2013 and three months KIBOR plus 300 basis points for the period between June 30, 2013 and June 29, 2014) receivable quarterly based on Diminishing Musharaka mechanism with maturity in June 2014. These sukuks were restructured in 2010, Accordingly the principal redemption started from September 2010 till June 2014 and will be calculated using the percentage as mentioned in the "Restructuring Agreement". As a security charge over hypothecated assets amounting to Rs. 2,445 million (inclusive of approximately 33.5% margin) and a charge over the mortgaged property of the company amounting to Rs. 1,820 million (inclusive of 10% margin) has been created by the issuer in favour of the trustee.
- 9.3.21 These carry profit at the rate of six months KIBOR plus 125 basis points (2012: six months KIBOR plus 125 basis points) receivable quarterly based on Diminishing Musharaka mechanism with maturity in April 2015. The principal will be repaid in 24 consecutive quarterly installments, the first such installment falling due not later than the end of the 15th month from the last drawdown. As a security, first specific charge on specified vehicles amounting to Rs. 250 million of the company (on market value to be established every year by approved valuator) and a 25% margin over the principal amount in the form of first floating charge on the company's present and future current assets has been provided.
- 9.3.22 These carry profit at the rate of six months KIBOR plus 100 basis points (2012: six months KIBOR plus 100 basis points) receivable semi annually and the first such profit payment will fall due after six months from the issue date with maturity in May 2014. As a security first charge over specific assets of the Company with 25% security margin has been provided. The principal will be redeemed in 10 equal semi-annual installments starting from 18th month of the date of issue of Sukuk.
- 9.3.23 The profit coupon rate of these sukuk is 6.273 percent per anum receivable semi annually with maturity in November 2018. These Securities are held through a custodian. These were backed by Government of Bahrain's Sovereign Guarantee.

9.4 Details of investments in Mutual Funds

	2013	2012	2013	2012
Name of investee fund	Number of units		Cost (Rupees in '000)	
Open - ended mutual funds				
Meezan Cash Fund	151	141	5	5
Meezan Islamic Fund	277	199	5	5
Meezan Islamic Income Fund	147	131	5	5
ABL Islamic Income Fund	-	23,992,802	-	240,000
UBL Islamic Sovereign Fund	-	2,389,962	-	240,000
Askari Islamic Income Fund	-	2,389,327	-	240,000
MCB Islamic Income Fund	-	2,397,123	-	240,000
			15	960,015
Closed end mutual funds				
Meezan Balanced Fund	1,000	1,000	6	6
			21	960,021

9.5 Quality of Available for Sale Securities

	2013	2012	2013	2012
	Long / Medium Term Rating (Where available) *		----- Rupees in '000 -----	
Sukuks / Certificates - (at market value / cost)				
Ijarah GOP Sukuk - 5	-	Unrated	-	5,897,742
Ijarah GOP Sukuk - 6	-	Unrated	-	2,523,250
Ijarah GOP Sukuk - 7	Unrated	Unrated	3,154,725	3,179,610
Ijarah GOP Sukuk - 8	Unrated	Unrated	2,262,150	2,272,050
Ijarah GOP Sukuk - 9	Unrated	Unrated	4,396,372	3,655,087
Ijarah GOP Sukuk - 10	Unrated	Unrated	4,524,673	2,603,066
Ijarah GOP Sukuk - 11	Unrated	Unrated	3,032,700	3,027,300
Ijarah GOP Sukuk - 12	Unrated	Unrated	9,051,135	2,524,000
Ijarah GOP Sukuk - 13	Unrated	-	1,514,907	-
Ijarah GOP Sukuk - 14	Unrated	-	1,515,750	-
WAPDA Second Sukuk Certificates	Unrated	Unrated	446,935	560,232
Pak Elektron Limited Sukuk - Sukuk	Withdrawn	A	128,571	128,571
Amtex Sukuk - Sukuk	Unrated	D (SO)	221,250	221,250
Engro Chemicals Pakistan Limited - Sukuk	A-	A	323,802	323,105
Security Leasing - Sukuk	Unrated	Unrated	3,284	3,691
Sitara Chemical Industries Limited - Third Sukuk	-	A+	-	3,333
New Allied Electronics (LG) - Sukuk	Unrated	Default	55,000	55,000
Sui Southern Gas Company Limited - Sukuk	AA-	AA-	600,000	600,000
Kohat Cement - Sukuk	Unrated	Withdrawn	9,151	30,984
Eden Housing - Sukuk	Unrated	D	49,200	107,750
Optimus - Sukuk	A	A	62,503	104,169
House Building Finance Corporation - Sukuk	A	A	7,500	22,500
Central Bank of Bahrain (FCY Sukuk)	BBB	-	59,621	-
			31,419,229	27,842,690
Units of open-end mutual funds (at market value)				
Meezan Cash Fund	AA(f)	AA(f)	8	7
Meezan Islamic Fund	5 Star	MFR 5-Star	14	10
Meezan Islamic Income Fund	A-(f)	A+(f)	7	7
ABL Islamic Income Fund	-	A+(f)	-	240,307
UBL Islamic Sovereign Fund	-	AA-	-	240,000
Askari Islamic Income Fund	-	AA-	-	240,183
MCB Islamic Income Fund	-	A-(f)	-	240,231
Units of closed-end mutual funds (at market value)				
Meezan Balanced Fund	AM2	AM2	14	12
			43	960,757
			31,419,272	28,803,447
Less: Provision for diminution in the value of investments			-	-
			31,419,272	28,803,447

* Entity rating was used where sukuk rating was not available.



	Holding %	Breakup Value Per Share	Cost	
			2013	2012
			----- Rupees in '000 -----	
9.6 Details of investment in unlisted subsidiary				
BankIslami Modaraba Investments Limited Chief Executive Mr. Zulfiqar Ali 8,000,000 (2012: 8,000,000) Ordinary shares of Rs.10/- each	100	18.82	<u>191,015</u>	<u>191,015</u>
Breakup value per share is based on the financial statements of the subsidiary for the half year ended December 31, 2013.				
		Note	2013	2012
			----- Rupees in '000 -----	
9.7 Particular of provision for diminution in the value of investments				
Opening balance			-	15,000
Charge for the year			-	-
Reversal during the year			-	(15,000)
Closing balance			<u>-</u>	<u>-</u>
10 ISLAMIC FINANCING AND RELATED ASSETS				
In Pakistan				
- Murabaha financing and related assets	10.1, 10.6 & 10.8		<u>9,304,737</u>	7,550,602
- Istisn'a financing and related assets	10.2 & 10.7		<u>9,231,316</u>	5,573,155
- Diminishing Musharka - Housing			<u>2,305,290</u>	1,645,458
- Diminishing Musharka financing and related assets others	10.3		<u>5,498,705</u>	5,646,582
- Against Bills - Murabaha			<u>25,026</u>	1,505
- Against Bills - Musawama			-	-
- Post Due Acceptance			<u>29,076</u>	38,192
- Salam			<u>250,000</u>	-
- Musawama financing and related assets	10.4		<u>9,150,261</u>	4,920,580
- Financing to employees	10.10		<u>973,125</u>	661,837
			<u>36,767,536</u>	26,037,911
Housing finance portfolio			<u>120,022</u>	153,637
Net investment in Ijarah financing in Pakistan	10.11		<u>106,097</u>	180,591
Ijarah financing under IFAS 2 and related assets	10.5		<u>1,938,391</u>	1,561,690
Gross financing and related assets			<u>38,932,046</u>	27,933,829
Less: Provision against non-performing Financing and related assets				
- Specific	10.13 & 10.14		<u>(575,843)</u>	(467,002)
- General			<u>(47,470)</u>	(33,565)
Islamic financing and related assets – net of provisions			<u>38,308,733</u>	<u>27,433,262</u>
10.1 Murabaha financing and related assets				
Murabaha financing			<u>6,577,204</u>	6,250,321
Advance against Murabaha financing			<u>2,727,533</u>	1,300,281
			<u>9,304,737</u>	<u>7,550,602</u>

	Note	2013	2012
		----- Rupees in '000 -----	
10.2 Istisn'a financing and related assets			
Istisn'a financing		3,015,335	3,106,141
Advance against Istisn'a financing		5,976,931	2,306,884
Istisn'a inventories		239,050	160,130
		<u>9,231,316</u>	<u>5,573,155</u>
10.3 Diminishing Musharka financing and related assets - Others			
Diminishing Musharka financing		5,486,460	5,637,986
Advance against Diminishing Musharka financing		12,245	8,596
		<u>5,498,705</u>	<u>5,646,582</u>
10.4 Musawama financing and related assets			
Musawama financing		2,030,121	4,362,980
Musawama inventories		7,120,140	557,600
		<u>9,150,261</u>	<u>4,920,580</u>
10.5 Ijarah financing under IFAS 2 and related assets			
Net book value of assets / investment in Ijarah under IFAS 2	10.12.1	1,769,147	1,339,796
Advance against Ijarah financing		169,244	221,894
		<u>1,938,391</u>	<u>1,561,690</u>
10.6 Murabaha financing and related assets includes financing amounting to Rs.571.770 million (2012: Rs. 138.241 million) against Murabaha and advance amounting to Rs. 42 million (2012: Rs. 230 million) under Islamic Export Refinance Scheme.			
10.7 Istisna financing and related assets includes financing amounting to Rs. Nil (2012: Rs. 255.015 million) against Istisna and advance amounting to Rs. 30 million (2012: Rs. 65.4 million) under Islamic Export Refinance Scheme.			
		2013	2012
		----- Rupees in '000 -----	
10.8 Murabaha sale price		21,917,500	20,508,225
Purchase price		(21,214,875)	(19,708,785)
		<u>702,625</u>	<u>799,440</u>
10.8.1 Deferred Murabaha income			
Opening balance		116,877	125,122
Arising during the year		702,625	799,440
Recognised during the year		(684,471)	(807,685)
		<u>135,031</u>	<u>116,877</u>
10.8.2 Murabaha receivable			
Opening balance		6,250,321	6,343,955
Sales during the year		21,917,500	20,508,225
Received during the year		(21,590,617)	(20,601,859)
		<u>6,577,204</u>	<u>6,250,321</u>



Note **2013** 2012
----- Rupees in '000 -----

10.9 Particulars of Islamic financing and related assets

10.9.1 In local currency	38,932,046	27,933,829
10.9.2 Short -Term (for upto one year)	28,019,435	19,087,562
Long- Term (for over one year)	10,912,611	8,846,267
	38,932,046	27,933,829

10.10 This includes Rs 3.421 million (2012: Rs 2.006 million) markup free financing to employees advanced under the Bank's Human Resource Policy.

10.11 Net investment in Ijarah financing in Pakistan

	2013				2012			
	Not later than one year	Later than one and less then five years	Over five years	Total	Not later than one year	Later than one and less then five years	Over five years	Total
----- Rupees in '000 -----								
Ijarah rentals receivable	51,269	19,447	-	70,716	73,354	67,966	-	141,320
Residual value	32,107	8,811	-	40,918	63,230	9,215	-	72,445
Minimum Ijarah payments	83,376	28,258	-	111,634	136,584	77,181	-	213,765
Profit for future periods	(3,118)	(2,419)	-	(5,537)	(15,325)	(17,849)	-	(33,174)
Present value of minimum Ijarah payments	80,258	25,839	-	106,097	121,259	59,332	-	180,591

10.12 Net investment in Ijarah financing - IFAS 2

	2013				2012			
	Not later than one year	Later than one and less then five years	Over five years	Total	Not later than one year	Later than one and less then five years	Over five years	Total
----- Rupees in '000 -----								
Ijarah rentals receivable	738,376	1,116,968	-	1,855,344	514,084	790,405	-	1,304,489

10.12.1 Ijarah assets

	2013							
	Cost			Accumulated depreciation			Book value as at December 31, 2013	Rate of Depreciation %
	As at January 01, 2013	Addition / (deletions) / (transfers)	As at December 31, 2013	As at January 01, 2013	Charge / (deletions)	As at December 31, 2013		
----- Rupees in '000 -----								
Plant and Machinery	522,073	323,497 (115,437)	730,133	205,052	173,903 (109,583)	269,372	460,761	20-33.33
Vehicles	1,422,471	775,052 (305,385)	1,892,138	399,696	340,731 (156,675)	583,752	1,308,386	20-33.33
	<u>1,944,544</u>	<u>1,098,549</u> (420,822)	<u>2,622,271</u>	<u>604,748</u>	<u>514,634</u> (266,258)	<u>853,124</u>	<u>1,769,147</u>	

2012							
Cost			Accumulated depreciation			Book value as at December 31, 2012	Rate of Depreciation %
As at January 01, 2012	Addition / (deletions) / (transfers)	As at December 31, 2012	As at January 01, 2012	Charge / (deletions)	As at December 31, 2012		
----- Rupees in '000 -----							
565,823	107,015 (150,765)	522,073	135,764	151,806 (82,518)	205,052	317,021	20-33.33
854,646	709,425 (141,600)	1,422,471	227,440	239,765 (67,509)	399,696	1,022,775	20-33.33
1,420,469	816,440 (292,365)	1,944,544	363,204	391,571 (150,027)	604,748	1,339,796	

10.13 Islamic financing and related assets include Rs. 1,108.871 million (2012: Rs 1,205.222 million) which have been placed under non-performing status as follows:

Category of Classification	2013								
	Classified financing and related assets			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
----- Rupees in '000 -----									
Other Assets especially mentioned (OAEM)	-	-	-	-	-	-	-	-	-
Substandard	133,313	-	133,313	1,431	-	1,431	1,431	-	1,431
Doubtful	24,725	-	24,725	2,576	-	2,576	2,576	-	2,576
Loss	950,833	-	950,833	571,836	-	571,836	571,836	-	571,836
	1,108,871	-	1,108,871	575,843	-	575,843	575,843	-	575,843

Category of Classification	2012								
	Classified financing and related assets			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
----- Rupees in '000 -----									
Substandard	89,171	-	89,171	560	-	560	560	-	560
Doubtful	318,084	-	318,084	57,890	-	57,890	57,890	-	57,890
Loss	797,967	-	797,967	408,552	-	408,552	408,552	-	408,552
	1,205,222	-	1,205,222	467,002	-	467,002	467,002	-	467,002



10.14 Particulars of provision against non-performing Islamic financing and related assets:

	2013			2012		
	Specific	General	Total	Specific	General	Total
----- Rupees in '000 -----						
Opening balance	467,002	33,565	500,567	360,523	28,972	389,495
Charge for the year	172,753	13,905	186,658	129,847	4,593	134,440
Reversals	(63,912)	-	(63,912)	(23,368)	-	(23,368)
	108,841	13,905	122,746	106,479	4,593	111,072
Closing balance	575,843	47,470	623,313	467,002	33,565	500,567

10.14.1 The Bank has maintained a general reserve (provision) in accordance with the applicable requirements of the Prudential Regulations for Consumer Financing issued by SBP and for potential losses on financing.

10.14.2 Particulars of provision against non-performing Islamic financing and related assets:

	2013			2012		
	Specific	General	Total	Specific	General	Total
----- Rupees in '000 -----						
In local currency	575,843	47,470	623,313	467,002	33,565	500,567
In foreign currency	-	-	-	-	-	-
	575,843	47,470	623,313	467,002	33,565	500,567

10.14.2.1 The Bank maintains general reserve (provision) in accordance with the applicable requirements of the Prudential Regulations for Consumer Financing and Prudential Regulations for Small and Medium Enterprise Financing issued by the SBP.

During the year, SBP has issued Prudential Regulations (PRs) for Small and Medium Enterprises. The PRs require the Bank to maintain a general provision against financings to Small Enterprises. Accordingly, the Bank has created a general provision amounting to Rs. 0.822 million. The creation of this provision has been accounted for as change in accounting estimate as defined in International Accounting Standard 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. Had this general provision against financings to Small Enterprises not been created, the provision charge against non-performing Islamic financing and related assets would have been lower by Rs. 0.822 million and consequently profit before taxation would have been higher by the same amount.

10.14.2.2 In accordance with BSD Circular No. 2 dated January 27, 2009 issued by the SBP, the Bank has availed the benefit of Forced Sales Value (FSV) of collaterals against the non-performing financings. The benefit availed as at December 31, 2013 amounts to Rs 354.050 million (2012: Rs 354.228 million). The additional profit arising from availing the FSV benefit - net of tax as at December 31, 2013 amounts to Rs 230.133 million (2012: 230.248 million). The increase in profit, due to availing of the benefit, is not available for distribution of cash and stock dividend to share holders.

Note 2013 2012

----- Rupees in '000 -----

10.15 Particulars of financing to directors, executives or officers of the Bank

Financing due by directors, executives or officers of the bank or any of them either severally or jointly with any other persons

Balance at beginning of year	661,813	511,687
Financing granted during the year	483,502	269,604
Repayments	(172,190)	(119,478)
Balance at end of year	<u>973,125</u>	<u>661,813</u>

11 OPERATING FIXED ASSETS

Capital work-in-progress	11.1	192,893	23,252
Property and equipment	11.2	2,736,637	1,842,550
Intangible assets	11.3	28,547	47,304
		<u>2,958,077</u>	<u>1,913,106</u>

11.1 Capital work-in-progress

Equipment	-	78
Advances to suppliers and contractors	192,893	23,174
	<u>192,893</u>	<u>23,252</u>

11.2 Property and equipment

	2013								Rate of Depreciation %
	COST				DEPRECIATION			Net book value as at December 31, 2013	
	As at January 01, 2013	Additions/ adjustments / revaluation surplus	(Disposals)	As at December 31, 2013	As at January 01, 2013	Charge for the year / (disposals) / adjustments	As at December 31, 2013		
	----- Rupees in '000 -----								
Freehold Land	275,128	-	-	371,350	-	-	-	371,350	-
		-				-			
		96,222				-			
Building on lease hold land	907,156	-	(82,542)	1,625,726	228,759	12,689	220,383	1,405,343	2
		-				(21,065)			
		801,112				-			
Furniture and fixture	970,094	98,642	(177)	1,068,559	349,070	100,393	449,325	619,234	10
		-				(138)			
		-							
Electrical, office and computer equipment	1,084,174	189,514	(2,997)	1,270,691	818,000	115,019	930,076	340,615	15 - 25
		-				(2,943)			
		-							
Vehicles	4,657	1,043	(1,866)	2,947	2,830	1,510	2,852	95	20
		(887)				(1,488)			
		-				-			
	3,241,209	289,199	(87,582)	4,339,273	1,398,659	229,611	1,602,636	2,736,637	
		(887)				(25,634)			
		897,334				-			

2012								
COST				DEPRECIATION			Net book value as at December 31, 2012	Rate of Depreciation %
As at January 01, 2012	Additions/ adjustments / revaluation surplus	(Disposals)	As at December 31, 2012	As at January 01, 2012	Charge for the year / (disposals) / adjustments	As at December 31, 2012		
----- Rupees in '000 -----								
275,128	-	-	275,128	-	-	-	275,128	-
	-				-			
	-				-			
913,031	-	-	907,156	184,074	45,776	228,759	678,397	5
	-				-			
	(5,875)				(1,091)			
777,709	199,171	(55)	970,094	269,242	83,294	349,070	621,024	10
	-				(20)			
	(6,731)				(3,446)			
889,294	196,495	(5,925)	1,084,174	672,839	157,577	818,000	266,174	25
	-				(5,060)			
	4,310				(7,356)			
10,367	830	(6,540)	4,657	6,736	1,501	2,830	1,827	20
	-				(5,407)			
	-				-			
2,865,529	396,496	(12,520)	3,241,209	1,132,891	288,148	1,398,659	1,842,550	
	-				(10,487)			
	(8,296)				(11,893)			

11.2.1 Details of property and equipment disposed-off

The details of property and equipment disposed-off during the year are disclosed in 'Annexure I'

- 11.2.2 During the year, the management of the Bank has revised its estimate of the useful life of building on leasehold land and electrical, office and computer equipment. The management has decreased the depreciation rates from 5 percent per annum to 2 percent per annum in case of building on lease hold land whereas in case of electrical, office and computer equipment the management has revised the depreciation rate of 25 percent per annum and has defined depreciation rates within a range of 15 percent per annum to 25 percent per annum. The revision has been made after taking into account the expected pattern of recovery of economic benefits associated with the use of these assets. The revision has been accounted for as a change in accounting estimate as defined in International Accounting Standard 8, 'Accounting Policies, Changes in Accounting Estimates and Errors'. Had the revision in useful life in respect of building on lease hold land and electrical, office and computer equipment not been made depreciation expense would have been higher by Rs. 36.858 million and consequently profit before taxation would have been lower by the same amount. The effect of revision on depreciation expense recognised in the current year and in future years is a decrease in the annual charge of Rs. 36.858 million.

11.3 Intangible asset

	2013								
	COST			AMORTISATION			Book value as at December 31, 2013		Rate of Depreciation %
	As at January 01, 2013	Addition / (disposal) / Adjustment	As at December 31, 2013	As at January 01, 2013	Charge for the year / (disposals) / adjustments	As at December 31, 2013			
	----- Rupees in '000 -----								
Computer software	<u>168,022</u>	<u>10,328</u>	<u>178,350</u>	<u>120,718</u>	<u>29,085</u>	<u>149,803</u>	<u>28,547</u>	20	

	2012								
	COST			AMORTISATION			Book value as at December 31, 2012		Rate of Depreciation %
	As at January 01, 2012	Addition / (disposal) / Adjustment	As at December 31, 2012	As at January 01, 2012	Charge for the year / (disposals) / adjustments	As at December 31, 2012			
	----- Rupees in '000 -----								
Computer software	170,421	12,539	168,022	96,791	24,048	120,718	47,304	20	
		-			-				
		(14,938)			(121)				

- 11.4 Cost of fully depreciated properties and equipment that are still in the Bank's use, as at December 31, 2013, amounted to Rs. 767.875 million (2012: Rs 575.775 million). The cost of fully amortised intangible assets that are still in the Bank's use, as at December 31, 2013 amounted to Rs. 31.308 million (2012: 25.347 million).
- 11.5 As more fully explained in note 5.4 to the financial statements, during the year, the Bank has changed its accounting policy for subsequent measurement of the carrying value of freehold land and leasehold land from cost model to revaluation model. The freehold land and buildings on leasehold land of the Bank were revalued on December 31, 2013 by an independent valuer Akbani & Javed on the basis of professional assessments of the market values. The revaluation resulted in a surplus of Rs 897.334 million over the book value of Rs 879.359 million which has been recognised by the Bank. Accordingly, the surplus on revaluation of fixed assets and carrying amount of fixed assets has increased by Rs. 897.334 millions at December 31, 2013. Had there been no revaluation, the net book value of freehold land buildings on leasehold land as at December 31, 2013 would have been as follows:

	2013 Rupees in '000
Freehold land	275,128
Building on leasehold land	604,231

As the revaluation was carried out as at December 31, 2013, the change of policy did not have any impact on the profit for the current year. Surplus arising on revaluation of these assets is reflected in note 21.1 to these financial statements along with the related deferred tax impact thereon.

	Note	2013	2012 (Restated)	2011 (Restated)
----- Rupees in '000 -----				
12 DEFERRED TAX ASSETS				
Deferred tax debits arising in respect of:				
Accumulated tax losses		-	218,264	401,999
Tax credit against minimum tax paid		-	146,592	118,562
Provision against non-performing financing and related assets		-	66	1,753
Ijarah financing and related assets		-	-	3,433
		-	364,922	525,747
Deferred tax credits arising due to:				
Ijarah financing and related assets		-	(27,797)	-
Accelerated tax depreciation		-	(182,429)	(246,575)
Remeasurement gain on defined benefit plan		-	(5,680)	(6,574)
Surplus on revaluation of investment		-	(69,796)	(91,042)
Surplus on revaluation of fixed assets		-	-	-
		-	(285,702)	(344,191)
		-	79,220	181,556
13 OTHER ASSETS				
Profit / return accrued in local currency	13.1	927,964	1,045,009	962,319
Profit / return accrued in foreign currency		12	31	-
Advances, deposits, advance rent and other prepayments		213,623	148,412	104,062
Advance taxation (payments less provision)		7,632	16,782	8,686
Non-banking assets acquired in satisfaction of claims	13.2	308,410	308,410	308,410
Defined Benefit Plan assets		26,778	19,864	18,542
Unrealised gain on forward foreign exchange promises		-	2,888	1,092
Banca takaful Income receivable		7,000	600	-
Insurance claim receivable		23,555	15,881	17,399
Car Ijarah repossession		833	1,385	2,234
Receivable against First WAPDA Sukuk	13.3	50,000	50,000	-
Other receivables		85,509	30,188	50,184
		1,651,316	1,639,450	1,472,928
Less: Provision held against other assets	13.4	(35,027)	(30,984)	(35,738)
Other assets (net of provisions)		1,616,289	1,608,466	1,437,190

13.1 Reversal of profit / return accrued pertaining to prior years

During the year, the management has carried out an exercise to identify and tag the profit / return accrued amount appearing in the books of accounts with the individual customer balances. As a result of this exercise, an amount of Rs. 189.199 million was highlighted as excess profit / return accrued which could not be tagged with the customer balances as at December 31, 2012. In accordance with the requirements of International Accounting Standard - 8 'Accounting Policies, Changes in Accounting Estimates and Errors', the excess profit / return accrued net of tax amounting Rs 122.979 million (Rs 189.199 million pertaining to excess profit / return accrued less Rs 66.22 million pertaining to tax effect on excess profit / return accrued) has been reversed by adjusting the opening balance of profit / return accrued and unappropriated profit / (accumulated losses) as at January 1, 2013 being the earliest period for which restatement was practicable. The comparative information for the year ended December 31, 2012 and for periods prior to that has not been adjusted as it was not considered practical on account of quantum of deals and movement therein.

The impact of this reversal on the profit / return accrued is as follows:

December 31,
2012
Rupees in '000

Profit / return accrued in local currency as at January 1, 2013	1,045,009
Reversal of excess profit / return accrued relating to prior years	(189,199)
Adjusted profit / return accrued as at January 1, 2013	<u>855,810</u>
Tax effect on excess profit / return accrued	<u>(66,220)</u>

13.2 The market value of Non-Banking assets acquired in satisfaction of claims is Rs 365.682 million (2012: Rs 344.934 million).

13.3 The Bank had purchased 10,000 certificates on June 25, 2009 of first wapda sukuk through a negotiated transaction for a cash consideration of Rs. 50.228 million having face value of Rs. 50 million. These certificates were available in the seller's Central Depository Company (CDC) account and on completion of the transaction were transferred to the Bank's CDC account. However, the periodic Ijarah Rental dues were not paid to the Bank on the plea that there exists certain discrepancy with respect to ownership of the asset. The amount has been shown under "other assets" as the certificates were matured last year as per the terms of the sukuk issue. The Bank has not recognised any provision in respect of the above amount as it is fully secured through a lien over a deposit account.

2013 2012
----- Rupees in '000 -----

13.4 Provision held against other assets

Opening balance	30,984	35,738
Charge for the year	4,043	-
Reversals	-	(4,754)
Closing balance	<u>35,027</u>	<u>30,984</u>

14 BILLS PAYABLE

In Pakistan	835,562	1,251,010
Outside Pakistan	-	-
	<u>835,562</u>	<u>1,251,010</u>

15 DUE TO FINANCIAL INSTITUTIONS

In Pakistan	2,538,000	1,621,415
Outside Pakistan	-	-
	<u>2,538,000</u>	<u>1,621,415</u>



	Note	2013	2012
		----- Rupees in '000 -----	
15.1 Details of due to financial institutions secured / unsecured			
Secured			
Borrowings from State Bank of Pakistan under Islamic Export Refinance Scheme	15.1.1	538,000	621,415
Unsecured			
Call borrowings	15.1.2	2,000,000	1,000,000
		<u>2,538,000</u>	<u>1,621,415</u>
15.1.1 The borrowings is on a profit and loss sharing basis and is secured against demand promissory notes executed in favor of the State Bank of Pakistan (SBP). A limit of Rs 1,000 million (2012: 1,000 million) has been allocated to the Bank by the SBP under Islamic Export Refinance Scheme for the financial year ending December 31, 2013.			
15.1.2 Represents Wakala and Musharaka acceptances by banks. The profit rates on the acceptances range between 5.00% to 9.50% (2012: 8.95 %) per annum and the arrangements have a maturity ranging from 2 days to 32 days.			
		2013	2012
		----- Rupees in '000 -----	
15.2 Particulars of due to financial institutions with respect to currencies			
In local currency		2,538,000	1,621,415
In foreign currencies		-	-
		<u>2,538,000</u>	<u>1,621,415</u>
16 DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		34,607,878	30,186,658
Savings deposits		27,249,907	21,090,556
Current accounts - non-remunerative		12,276,481	11,293,914
Margin accounts - non-remunerative		197,882	146,307
		<u>74,332,148</u>	<u>62,717,435</u>
Financial Institutions			
Remunerative deposits		745,605	1,494,163
Non-remunerative deposits		148,116	4,887
		<u>75,225,869</u>	<u>64,216,485</u>
16.1 Particulars of deposits			
In local currency		73,620,852	62,976,674
In foreign currencies		1,605,017	1,239,811
		<u>75,225,869</u>	<u>64,216,485</u>

	Note	2013	2012
		----- Rupees in '000 -----	
17 DEFERRED TAX LIABILITY			
Deferred tax debits arising in respect of:			
Accumulated tax losses	17.1	(154,464)	-
Tax credit against minimum tax		(200,304)	-
Provision against non-performing Islamic financing and related assets		(443)	-
		(355,211)	-
Deferred tax credits arising due to:			
Ijarah financing and related assets		19,118	-
Accelerated tax depreciation		171,911	-
Surplus on revaluation of available for sale securities		59,382	-
Surplus on revaluation of fixed assets		280,389	-
		530,800	-
		175,589	-

17.1 The Bank has an aggregate amount of Rs. 441.326 million (2012: Rs. 456.740 million) in respect of tax losses as at December 31, 2013. The management carries out periodic assessment to assess the benefit of these losses as the Bank would be able to set off the profit earned in future years against these carry forward losses. Based on this assessment the management has recognised deferred tax debit balance amounting to Rs. 154.464 million (2012: Rs. 159.860 million) on the entire available losses. The amount of this benefit has been determined based on the projected financial statements for the future periods. The determination of future taxable profit is most sensitive to certain key assumptions such as cost to income ratio of the Bank, deposit composition, kibar rates, growth of deposits and financing, investment returns, product mix of financing, 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.

		2013	2012 (Restated)	2011 (Restated)
		----- Rupees in '000 -----		
18 OTHER LIABILITIES				
Profit / return payable in local currency		810,496	573,608	518,038
Profit / return payable in foreign currencies		742	409	29
Unearned fees and commission		3,636	2,325	1,180
Accrued expenses		123,105	142,365	117,657
Deferred Murabaha Income - Financing and IERS	10.8.1	135,031	116,877	125,122
Deferred Murabaha Income - Commodity Murabaha	8.3	4,723	33,145	7,399
Payable to defined contribution plan		1,845	723	879
Unearned rent		-	1,032	1,209
Security deposits against ijarah		591,870	484,677	434,375
Branch adjustment account		34,545	3,151	1,517
Sundry creditors		49,182	107,378	34,432
Unrealized loss on forward foreign exchange promises		2,054	-	-
Charity payable	18.1	7,879	10,197	5,747
Retention money		23,774	22,278	7,233
Withholding tax payable		18,050	1,228	2,666
WWF payable		3,901	22,940	13,867
Others		27,540	46,623	69,447
		1,838,373	1,568,956	1,340,797



	Note	2013	2012
		----- Rupees in '000 -----	
18.1 Opening balance		10,197	5,747
Additions during the year		13,374	12,635
Payments during the year	18.1.1	(15,692)	(8,185)
Closing balance		<u>7,879</u>	<u>10,197</u>

18.1.1 Charity was paid to the following:

Alamgir Welfare Trust International	1,000	1,000
The Citizen Foundation	2,000	1,000
The Indus Hospital	2,000	1,000
Akhuwat Charity	1,000	1,000
Jamiat Taleem Ul Quran	1,000	1,000
Diya Pakistan	1,000	-
Shoukat Khanum Memorial Hospital	2,000	1,000
Kharadar General Hospital	-	1,000
Bait Ul Sukoon	-	1,000
Dining Chairs to Juvenile Prisoners	-	185
SIUT	2,000	-
Dow University of Health & Science	135	-
Patel Hospital	1,000	-
Institute of Business Administration	2,000	-
Iqra Welfare Trust	500	-
Kainat Zubairi	51	-
Muhammad Turab	6	-
	<u>15,692</u>	<u>8,185</u>

18.1.2 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.

19 SHARE CAPITAL

19.1 Authorised capital

2013	2012		2013	2012
----	----		----- Rupees in '000 -----	
<u>1,300,000,000</u>	<u>1,300,000,000</u>	Ordinary shares of Rs.10 each	<u>13,000,000</u>	<u>13,000,000</u>

19.2 Issued, subscribed and paid up capital

2013	2012		2013	2012
----	----		----- Rupees in '000 -----	
<u>527,967,898</u>	<u>527,967,898</u>	Ordinary shares of Rs. 10 each	<u>5,279,679</u>	<u>5,279,679</u>
<u>527,967,898</u>	<u>527,967,898</u>	Fully paid in cash	<u>5,279,679</u>	<u>5,279,679</u>

19.3 The SBP vide circular no. 07 of 2009 dated April 15, 2009 has increased the Minimum Capital Requirement (MCR) for banks upto Rs. 10 billion to be achieved in a phased manner by December 31, 2013. The paid-up capital (free of losses) of the Bank amounted to Rs. 5.280 billion at December 31, 2013. As more fully explained in note 1.2 to these financial statements the SBP has in-principle approved the issuance of right shares at a discounted price of Rs 6.33 per share to raise paid up capital of Rs 400 million. The SBP has further advised the Bank to submit a concrete, time bound board approved capital plan to meet the regulatory MCR (free of losses) of Rs.10 billion. The capital plan approved by the Board of Directors has been duly submitted by the Bank to the SBP vide its letter dated December 3, 2013.

Note **2013** 2012
----- Rupees in '000 -----

20 RESERVES

Statutory Reserves	20.1	<u>210,446</u>	<u>173,392</u>
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20.1 Under section 21 of the Banking Companies Ordinance, 1962 an amount of not less than 20% of the profit is to be transferred to create a reserve fund till such time the reserve fund and the share premium account equal the amount of the paid up capital. Thereafter, an amount of not less than 10% of the profit is required to be transferred to such reserve fund.

Note **2013** 2012
(Restated)
----- Rupees in '000 -----

21 SURPLUS ON REVALUATION OF ASSETS

Surplus arising on revaluation of:

Fixed Assets	21.1	<u>616,945</u>	-
Available for sale securities	21.2	<u>110,302</u>	130,357
		<u>727,247</u>	<u>130,357</u>

21.1 Surplus on revaluation of fixed assets

Freehold Land		<u>96,222</u>	-
Building on lease hold land		<u>801,112</u>	-
		<u>897,334</u>	-
Related deferred tax liability		<u>(280,389)</u>	-
		<u>616,945</u>	-

21.2 Surplus on revaluation of available for sale securities

Federal Government Securities

- Ijara Sukuk Bonds		<u>170,128</u>	196,748
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Sukuk certificates

- Sukuks unlisted		<u>(466)</u>	2,670
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Fully paid up ordinary shares / Units

- Units of Open end Mutual Funds		<u>14</u>	730
- Units of Closed end Mutual Funds		<u>8</u>	5
		<u>169,684</u>	200,153
Related deferred tax liability		<u>(59,382)</u>	(69,796)
		<u>110,302</u>	<u>130,357</u>



	2013	2012
	----- Rupees in '000 -----	
22 CONTINGENCIES AND COMMITMENTS		
22.1 Transaction-related contingent liabilities		
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favoring		
- Government	283,827	127,797
- Others	2,003,514	1,511,868
	<u>2,287,341</u>	<u>1,639,665</u>
22.2 Trade-related contingent liabilities		
Import letter of Credit	3,950,372	4,114,677
Acceptances	535,042	562,913
	<u>4,485,414</u>	<u>4,677,590</u>
22.3 Suit filed by customers for recovery of alleged losses suffered, pending in the High Court, which the Bank has not acknowledged as debt	<u>831,083</u>	<u>846,391</u>
22.3.1 These mainly represent counter claims filed by the borrowers for restricting the Bank for disposal of assets (such as mortgaged / pledged assets kept as security), cases where the Bank was proforma defendant for defending its interest in the underlying collateral kept by it at the time of financing.		
22.4 The Deputy Commissioner Inland Revenue (DCIR) has passed certain assessment orders against the bank vide letter no 06/97/2012, 07/97/2012 and 08/97/2012, all dated September 25, 2012 under Section 33 of the Federal Excise Duty Act 2005, wherein aggregate demand of federal excise duty of Rs. 69.431 million was raised against the Bank mainly in respect of income from dealing in foreign currencies and certain dispute regarding deposit of the amount amongst Federal and Provincial government.		
The bank has duly filled appeal for the stay order of the above demand before the Appellate Tribunal Inland Revenue (ATIR) after the assessment orders were confirmed by the Commissioner Inland Revenue (Appeals). The stay application were heard on February 23, 2013. The ATIR has accepted the stay application of the Bank and has verbally directed that no recovery of demand should be initiated against the bank till the decision of the main case by the ATIR. The Bank has deposited an amount of Rs. 10.4 million as a minimum fee (that is adjustable / refundable) for filing appeal against the said case. The management of the Bank is confident that the above matter will be decided in the favor and hence, no provision against any liability which may arise in this respect has been made in these financial statements.		
	2013	2012
	----- Rupees in '000 -----	
22.5 Commitments in respect of promises		
Purchases	<u>1,368,635</u>	<u>459,197</u>
Sales	<u>1,111,164</u>	<u>209,861</u>
22.6 Commitments for the acquisition of operating fixed assets	<u>131,083</u>	<u>128,883</u>
22.7 Commitments in respect of financing facilities		
The Bank makes commitments to extend financing in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.		

	Note	2013	2012
		----- Rupees in '000 -----	
22.8 Other commitments			
Bills for collection		<u>93,191</u>	<u>276,575</u>
		2013	2012 (Restated)
		----- Rupees in '000 -----	
23 PROFIT / RETURN EARNED			
On financing to:			
- Customers		2,788,705	2,624,985
- Financial institutions		<u>728,022</u>	<u>626,681</u>
		<u>3,516,727</u>	<u>3,251,666</u>
On investments in available for sale securities		2,737,913	2,694,496
On deposits / placements with financial institutions		247	21,307
Others		<u>34,155</u>	<u>24,479</u>
		<u>6,289,042</u>	<u>5,991,948</u>
		2013	2012
		----- Rupees in '000 -----	
24 PROFIT / RETURN EXPENSED			
Deposits		3,686,685	3,395,483
Other short term fund generation		47,020	64,495
Others		<u>55,833</u>	<u>46,987</u>
		<u>3,789,538</u>	<u>3,506,965</u>
25 OTHER INCOME			
Rent on property		2,032	6,546
Gain on termination of financing		22,858	21,020
Gain on sale of property and equipment	11.2.1	51,712	4,654
Amount recovered from staff		<u>1,916</u>	<u>1,374</u>
		<u>78,518</u>	<u>33,594</u>
		2013	2012 (Restated)
		----- Rupees in '000 -----	
26 GAIN ON SALE OF SECURITIES			
Federal Govt. Securities:			
Sukuk Certificates	26.1	-	3,300
Listed Securities:			
Mutual funds		6,709	13,934
Shares		-	258
		<u>6,709</u>	<u>17,492</u>

26.1 As stated in note 3.6 to the financial statements, due to reversal of profit amounting to Rs. 202.4 million the gain on sale of securities - sukuk certificates for the year ended December 31, 2012 has been reduced from Rs. 205.7 million to Rs. 3.3 million.

	Note	2013	2012 (Restated)
		----- Rupees in '000 -----	
27 ADMINISTRATIVE EXPENSES			
Salaries, allowances, and other benefits	27.2	1,025,532	913,994
Charge for defined benefit plan	33	22,919	18,730
Contribution to defined contribution plan	34	35,989	28,913
Non-executive directors' fees, allowances and other expenses		1,550	1,550
Insurance on consumer car ijarah		35,061	35,106
Rent, taxes, insurance, electricity, etc.		521,554	423,536
Legal and professional charges		7,116	9,751
Communications		91,239	83,249
Repairs and maintenance		73,950	84,501
Stationery and printing		23,045	24,072
Advertisement and publicity		53,974	60,272
Auditors' remuneration	27.1	7,610	4,233
Depreciation	11.2	229,611	276,255
Amortisation	11.3	29,085	23,927
CDC and share registrar services		7,085	4,076
Entertainment expense		24,653	21,229
Security service charges		111,590	77,884
Brokerage and commission		6,717	6,133
Travelling and conveyance		19,696	18,773
Remuneration to Shariah Board		1,267	250
Fees and subscription		80,379	78,103
Vehicle running and maintenance		44,290	33,005
Others		34,092	26,994
		<u>2,488,004</u>	<u>2,254,536</u>

27.1 Auditors' remuneration

Audit fee	2,200	1,900
Fee for the review of half yearly financial statements	800	700
Special certifications and sundry advisory services	3,117	*
Out-of-pocket expenses	1,493	833
	<u>7,610</u>	<u>4,233</u>

* Includes arrears of fee for special review of controls over financial reporting for the year 2012.

27.2 This includes Rs 65.035 million (2012: Rs. 52.472 million) paid to employees in respect of car monetisation allowance.

	2013	2012 (Restated)
	----- Rupees in '000 -----	
28 OTHER CHARGES		
Penalties imposed by the State Bank of Pakistan	23,968	342
Worker's Welfare Fund	6,165	9,073
	<u>30,133</u>	<u>9,415</u>

29 TAXATION

- Current year	67,453	31,846
- Prior years	-	-
- Deferred	55,427	124,475
	<u>122,880</u>	<u>156,321</u>

The numerical reconciliation between average tax rate and the applicable tax rate has not been presented in these financial statements as the provision for current year income tax has been made under section 113 of the Income Tax Ordinance, 2001 (minimum tax on turnover) due to available tax losses brought forward from prior years.

Under Section 114 of the Income Tax Ordinance, 2001 (Ordinance), the Bank has filed the return of income for the tax years 2006 to 2013 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.

	Note	2013	2012 (Restated)
		----- Rupees in '000 -----	
30 BASIC AND DILUTED EARNINGS PER SHARE			
Profit after taxation for the year		<u>185,272</u>	<u>306,675</u>
		---- Number of shares ----	
Weighted average number of ordinary shares in issue		<u>527,967,898</u>	<u>527,967,898</u>
		----- Rupees -----	
Earning per share - basic / diluted	30.1	<u>0.3509</u>	<u>0.5809</u>
30.1 There were no convertible / dilutive potential ordinary shares outstanding as at December 31, 2013 and December 31, 2012.			
	Note	2013	2012
		----- Rupees in '000 -----	
31 CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	6	<u>4,883,478</u>	<u>4,938,707</u>
Balances with other banks	7	<u>967,557</u>	<u>806,110</u>
		<u>5,851,035</u>	<u>5,744,817</u>
		2013	2012
		---- Number of employees----	
32 STAFF STRENGTH			
Permanent		<u>1,220</u>	<u>1,122</u>
Contractual basis		<u>300</u>	<u>288</u>
Bank's own staff strength at the end of the year		<u>1,520</u>	<u>1,410</u>
Outsourced		<u>288</u>	<u>238</u>
Total staff strength		<u>1,808</u>	<u>1,648</u>
33 DEFINED BENEFIT PLAN			
33.1 General description			

The Bank operates a gratuity fund for its employees (members of the fund).The fund entitles the members to lumpsum payment at the time of retirement, resignation or death. Permanent staff are eligible for such benefits after three years of service.

The number of employees covered under the scheme are 1,220 (2012: 1,122).The latest actuarial valuation of the Bank's gratuity scheme was carried out as at December 31, 2013. Projected unit credit method, using the following significant assumptions, was used for the valuation of the defined benefit plan:



	2013	2012 (Restated)	2011 (Restated)
	----- Rupees in '000 -----		
33.2 Actuarial Assumption			
-Valuation Discount Rate	13.00%	11.50%	12.50%
-Salary Increase Rate	12.50%	11.00%	12.00%
-Expected Return on Plan Assets	13.00%	11.50%	12.50%
33.3 Reconciliation of Payable / (Recievable) to Defined Benefit Plan			
Present value of defined benefit obligations	124,699	87,240	63,884
Fair Value of Plan assets	(151,477)	(107,104)	(82,426)
Liability recognised in the statement of financial position	(26,778)	(19,864)	(18,542)
33.4 Movement in net (asset) / liability recognised			
Opening balance	(19,864)	(18,542)	58,023
Expense recognised	22,919	18,730	25,944
Other Comprehensive Income	12,494	2,556	(18,783)
Contributions	(42,327)	(22,608)	(83,726)
Closing Net (Asset) / Liability	(26,778)	(19,864)	(18,542)
33.5 Charge for the Defined Benefit Plan			
Current Service Cost	27,628	22,461	19,117
Net Interest	(4,709)	(3,731)	7,012
Actuarial (Gain) / Loss recognised	-	-	(185)
	22,919	18,730	25,944
33.6 Movement in present value of defined benefit obligation			
Opening balance	87,240	63,884	50,735
Current service cost	27,628	22,461	19,117
Finance cost	9,563	7,684	7,012
Benefits Paid	(8,322)	(4,826)	(1,300)
Actuarial (Gain) / Loss on Obligation	8,590	(1,963)	(11,680)
Closing balance	124,699	87,240	63,884
33.7 Actuarial Gain / Loss on Assets			
Total Assets Opening Balance	107,104	82,426	-
Expected Return on plan assets	14,272	11,415	-
Contributions	42,327	22,608	83,726
Benefits Paid	(8,322)	(4,826)	(1,300)
Actuarial Gain / (Loss) on Assets	(3,904)	(4,519)	-
Total Assets Closing Balance	151,477	107,104	82,426
33.8 Unrecognised actuarial Gains / (Losses) Other Comprehensive Income (OCI)			
Unrecognised actuarial gains / (losses) at the beginning of the year	-	-	7,288
Actuarial gain / (loss) on Obligations	(8,590)	1,963	11,680
Actuarial gain / (loss) on Assets	(3,904)	(4,519)	-
Subtotal	(12,494)	(2,556)	18,968
Actuarial (gain) / loss recognised in P&L	-	-	(185)
Actuarial (gain) / loss recognised in OCI	12,494	2,556	(18,783)
Unrecognised actuarial gains / losses at the end of the year	-	-	-

	2013	2012 (Restated)	2011 (Restated)
	----- Rupees in '000 -----		
33.9 Cost for the Year			
Current Service Cost	27,628	22,461	19,117
Net Financial Charges	(4,709)	(3,731)	7,012
Net Actuarial gain / (loss) recognised	-	-	(185)
Cost for the Year	<u>22,919</u>	<u>18,730</u>	<u>25,944</u>

33.10 (Assets) / Liability to be recognised in the Statement of Financial Position

Present value of Obligation	124,699	87,240	63,884
Fair Value of Plan Assets	(151,477)	(107,104)	(82,426)
(Assets) / Liability to be recognised in the statement of financial position	<u>(26,778)</u>	<u>(19,864)</u>	<u>(18,542)</u>
Opening (Assets) / Liability	(19,864)	(18,542)	58,023
Expense	22,919	18,730	25,944
Other Comprehensive Income	12,494	2,556	(18,783)
Contributions	(42,327)	(22,608)	(83,726)
Closing (Assets) / Liability	<u>(26,778)</u>	<u>(19,864)</u>	<u>(18,542)</u>

33.11 Historical information

	2013	2012	2011	2010	2009
	----- Rupees in '000 -----				
As at December 31					
Present value of defined benefit obligation	124,699	87,240	63,884	50,735	34,755
Fair value of plan assets	(151,477)	(107,104)	(82,426)	-	-
(Deficit) / Surplus	<u>(26,778)</u>	<u>(19,864)</u>	<u>(18,542)</u>	<u>50,735</u>	<u>34,755</u>
Experience adjustments on plan liabilities	<u>8,590</u>	<u>(1,963)</u>	<u>(11,680)</u>	<u>(4,632)</u>	<u>(2,928)</u>

34 DEFINED CONTRIBUTION PLAN (PROVIDENT FUND)

The Bank operates a contributory provident fund scheme for all permanent employees. The employer and employee both contribute 10% of basic salary to the funded scheme every month. Equal monthly contributions by employer and employees during the year amounted to Rs. 35.989 million (2012: Rs. 28.913 million) each.

35 COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive		Directors		Executives	
	2013*	2012	2013	2012	2013	2012
	Rupees in '000					
Fees	-	-	1,550	1,550	-	-
Managerial remuneration	34,863	11,835	-	-	146,834	102,144
Bonus	-	1,309	-	-	-	13,860
Charge for defined benefit plan	1,655	986	-	-	11,503	6,568
Salary in lieu of provident fund	1,986	1,184	-	-	-	-
Contribution to defined contribution plan	-	-	-	-	13,397	9,369
Rent and house maintenance	548	327	-	-	63,947	37,173
Utilities	1,986	1,184	-	-	14,683	10,214
Medical	1,986	1,184	-	-	14,683	10,214
Others	-	-	-	-	48,294	38,780
	<u>43,024</u>	<u>18,009</u>	<u>1,550</u>	<u>1,550</u>	<u>313,341</u>	<u>228,322</u>
Number of persons	<u>1</u>	<u>1</u>	<u>4</u>	<u>4</u>	<u>171</u>	<u>114</u>

* Included in the above is Rs. 6.642 million (2012: Nil) which were paid as arrears with the corresponding impact on all the salary heads. Additionally, a one time salary adjustment of Rs. 15 million (2012: Nil) has also been incorporated.

- 35.1 In addition to above, the Bank's President / Chief Executive was also provided with free use of Bank's maintained car in accordance with the Bank's service rules in the year 2012 and few months of 2013. This facility was later monetised as per the policy of the Bank. Total amount of Rs. 3.951 million (2012: Nil) was paid as car allowance during the current year.
- 35.2 In addition to above, the Executives have also been given car allowance amounting to Rs 44.725 million (2012: Rs. 39.009 million) during the current year.

36 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

The fair value of quoted investments is based on quoted market prices. Unquoted equity 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.

The fair values of islamic financing and related assets cannot be determined with reasonable accuracy due to absence of current and active market. The provisions against Islamic financing and related assets have 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 40 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 financing and deposits these are frequently repriced.

	2013		2012	
	Book value	Fair value	Book value	Fair value
	Rupees in '000			
36.1 Off-balance sheet financial instruments				
Forward purchase of foreign currencies	<u>1,379,140</u>	<u>1,368,635</u>	<u>458,654</u>	<u>459,197</u>
Forward sale of foreign currencies	<u>1,119,615</u>	<u>1,111,164</u>	<u>212,206</u>	<u>209,861</u>

37 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total
	Rupees in '000				
<u>2013</u>					
Total income	722,065	3,446,895	2,348,929	224,727	6,742,616
Total expenses	79,699	3,523,649	1,877,290	953,826	6,434,464
Net income / (loss)	642,366	(76,754)	471,639	(729,099)	308,152
Segment Assets (Gross)	42,203,550	6,268,272	35,196,171	3,852,359	87,520,352
Segment non - performing Assets	296,040	403,919	722,564	4,043	1,426,566
Segment Provision required	19,790	213,243	427,682	4,043	664,758
Segment Liabilities	2,023,367	50,122,294	26,996,290	1,471,442	80,613,393
Segment Return on Assets (ROA) (%)	1.52%	-1.22%	1.34%		
Segment Cost of funds (%)	7.48%	5.35%	6.47%		
	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total
	Rupees in '000				
<u>2012 (Restated)</u>					
Total income	512,992	3,771,073	2,002,290	38,875	6,325,230
Total expenses	53,193	3,327,862	1,609,786	871,393	5,862,234
Net income (loss)	459,799	443,211	392,504	(832,518)	462,996
Segment Assets (Gross)	41,268,569	4,992,045	26,216,312	2,310,048	74,786,974
Segment non - performing Assets	296,040	405,224	817,610	-	1,518,874
Segment Provision required	19,790	186,718	331,461	-	537,969
Segment Liabilities	1,048,876	42,197,845	25,234,017	177,128	68,657,866
Segment Return on Assets (ROA) (%)	1.11%	8.88%	1.50%		
Segment Cost of funds (%)	10.14%	6.54%	7.69%		

38 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 a subsidiary company, associated companies with or without common directors, principal shareholders, retirement benefit funds, directors and their close family members, and key management personnel.

The related parties of the Bank comprise related group companies, principal shareholders, key management personnel, companies where directors of the Bank also hold directorship, directors and their close family members and staff retirement funds.

A number of banking transactions are entered into with related parties in the normal course of business. These include financing and deposit transactions. These transactions are executed substantially on the same terms including profit rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal risk.

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.

Transactions with related parties other than remuneration and benefits to key management personnel including Chief Executive Officer under the terms of the employment as disclosed in note 35 are as follows:



Subsidiary

Deposits

At beginning of the year	105,869	99,434
Deposits during the year	734,848	2,836,209
Withdrawals during the year	(784,840)	(2,829,774)
At the end of the year	55,877	105,869

Transactions, income and expenses

Return on deposit expensed	8,442	9,491
Payable on deposits	9	23

Associates

Islamic Financing and related assets

At beginning of the year	25,371	14,982
Accrued during the year	36,852	30,901
Repayments	(55,752)	(20,512)
At the end of the year	6,471	25,371

Prepayments

At beginning of the year	4,892	4,766
Additions during the year	14,314	9,302
Expired during the year	(11,574)	(9,176)
At the end of the year	7,632	4,892

Deposits

At beginning of the year	88,097	127,794
Deposits during the year	711,706	618,268
Withdrawals during the year	(642,438)	(658,771)
At the end of the year	157,365	87,291

Transactions, income and expenses

Return on deposits expensed	7,145	4,437
Administrative expense	86,847	67,848
Payable on deposits	939	267

Key management personnel

Islamic Financing and related assets

At beginning of the year	100,246	76,944
Disbursements	30,308	29,020
Repaid during the year	(40,320)	(5,718)
At the end of the year	90,234	100,246

Deposits

At beginning of the year	10,959	4,525
Deposits during the year	118,277	71,975
Withdrawals during the year	(98,885)	(71,442)
At the end of the year	30,351	5,058

Note	2013	2012 (Restated)
	----- Rupees in '000 -----	
Transactions, income and expenses		
Profit earned on financing	3,443	3,134
Return on deposits expensed	120	295
Remuneration	55,123	51,120
Disposal of vehicle	309	294
Payable on deposits	5	7

Employee benefit plans

Contribution to Employees Gratuity Fund	42,327	22,608
Charge for defined benefit plan	22,919	18,730
Contribution to Employees Provident Fund	35,989	28,913

* Balances pertaining to parties that were related at the beginning of the year but ceased to be so related during any part of the current period are not reflected as part of the opening balance of the current year.

39 CAPITAL ASSESSMENT AND ADEQUACY

39.1 Capital management

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

This process is managed by the 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 movement, liquidity constraints and capital adequacy and its implication on risk management policies.

The State Bank of Pakistan (SBP) has introduced new guidelines with respect to disclosure of capital adequacy related information in the financial statements of banks vide its communication dated February 4, 2014. These guidelines are based on the requirements of Basel III which were introduced earlier by the SBP in August 2013 for implementation by banks in Pakistan. The SBP has specified a transitional period till 2018 for implementation of Basel III. The disclosures below have been prepared on the basis of these new guidelines. The comparative information is as per Basel II requirements which were applicable last year.

39.2 Goals of managing capital

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

- To be an appropriately capitalised institution, considering the requirements set 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 adequately and provide reasonable value addition for the shareholders and other stakeholders.



39.3 Statutory Minimum Capital Requirement and management of capital

The SBP vide circular no. 07 of 2009 dated April 15, 2009 has increased the Minimum Capital Requirement (MCR) for banks upto Rs. 10 billion to be achieved in a phased manner by December 31, 2013. The paid-up capital (free of losses) of the Bank amounted to Rs. 5.280 billion at December 31, 2013. As more fully explained in note 1.2 to these financial statements the SBP has advised the Bank to submit concrete time bound capital plan to comply with the future and prevailing regulatory capital requirements. The SBP has also advised the Bank to maintain a minimum CAR of 14.5% at all times which can be further enhanced in case of non injection of fresh capital by the sponsors.

39.4 Capital Structure

Under Basel III framework, Bank's regulatory capital has been analysed into two tiers as follows:

- Tier 1 capital (going concern capital) which is sub divided into:
 - a) Common Equity Tier 1 (CET1), which includes fully paid up capital, reserve for bonus issue, general reserves and un-appropriated profits (net of losses), etc after deductions for investments in the equity of subsidiary companies engaged in banking and financial activities (to the extent of 50%), reciprocal crossholdings and deficit on revaluation of available for sale investments and deduction for book value of intangibles.
 - b) Additional Tier 1 capital (AT1), which includes instruments issued by the Bank which meet the specified criteria after deduction of remaining 50% investment in the equity of subsidiary companies engaged in banking and financial activities and other specified deductions.

Presently the Bank does not have any AT1 capital.

- Tier II capital, which includes general provisions for loan losses (upto a maximum of 1.25% of credit risk weighted assets), reserves on revaluation of fixed assets and available for sale investments after deduction of deficit on available for sale investments (upto a maximum of 45%).

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.

39.5 Capital adequacy ratio

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

Particulars	2013		2012
	Amount	Pre - Basel III treatment*	Basel II treatment (Restated)
----- Rupees in '000 -----			
Common Equity Tier 1 capital (CET1): Instruments and reserves			
Fully paid-up capital / capital deposited with the SBP	5,279,679	5,279,679	5,279,679
Balance in share premium account	-	-	-
Reserve for issue of bonus shares	-	-	-
General / Statutory Reserves	210,446	210,446	173,392
Gain / (Losses) on derivatives held as Cash Flow Hedge	-	-	-
Unappropriated profits	24,829	24,829	7,711
Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-	-
CET 1 before Regulatory Adjustments	5,514,954	5,514,954	5,460,782

*This column highlights items that are still subject to Pre Basel III treatment during the transitional period

Particulars	2013		2012
	Amount	Pre - Basel III treatment*	Basel II treatment (Restated)
----- Rupees in '000 -----			
Common Equity Tier 1 capital: Regulatory adjustments			
Goodwill (net of related deferred tax liability)	-	-	-
All other intangibles (net of any associated deferred tax liability)	28,547	28,547	47,304
Shortfall of provisions against classified assets	-	-	37,991
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	154,464	-
Defined-benefit pension fund net assets	-	-	-
Reciprocal cross holdings in CET1 capital instruments	-	-	-
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 property / AFS	-	-	-
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 (amount above 10% threshold)	-	-	-
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	-
Amount exceeding 15% threshold of which:			
- significant investments in the common stocks of financial entities	-	-	-
- deferred tax assets arising from temporary differences	-	-	-
National specific regulatory adjustments applied to CET1 capital	-	-	-
Investment in TFCs of other banks exceeding the prescribed limit	-	-	-
Any other deduction specified by SBP	-	-	-
Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	95,508	95,508	95,508
Total regulatory adjustments applied to CET1	124,055	278,519	180,803
Common Equity Tier 1 (a)	5,390,899	-	5,279,979
Additional Tier 1 (AT 1) Capital			
Qualifying Additional Tier-1 instruments plus any related share premium of which:	-	-	-
- classified as equity	-	-	-
- classified as liabilities	-	-	-
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties	-	-	-
- of which: instrument issued by subsidiaries subject to phase out	-	-	-
AT1 before regulatory adjustments	-	-	-



Particulars	2013		2012
	Amount	Pre - Basel III treatment*	Basel II treatment (Restated)
----- Rupees in '000 -----			
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)	-	-	-
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-
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 recognised for capital adequacy (b)	-	-	-
Tier 1 Capital (CET1 + admissible AT1) (c=a+b)	5,390,899	-	5,279,979
Tier 2 Capital			
Qualifying Tier 2 capital instruments under Basel III	-	-	-
Capital instruments subject to phase out arrangement from tier 2	-	-	-
Tier 2 capital instruments issued to third party by consolidated subsidiaries	-	-	-
- 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	47,470	47,470	33,565
Revaluation Reserves	-	-	-
of which:	-	-	-
- Revaluation reserves on Property	403,800	493,533	-
- Unrealized Gains on AFS	76,358	93,326	90,069
Foreign Exchange Translation Reserves	-	-	-
Undisclosed / Other Reserves (if any)	-	-	-
T2 before regulatory adjustments	527,628	634,329	123,634

*This column highlights items that are still subject to Pre Basel III treatment during the transitional period

Particulars	2013		2012
	Amount	Pre - Basel III treatment*	Basel II treatment (Restated)
----- Rupees in '000 -----			
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	95,507	95,507	95,507
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)	-	-	-
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-
Amount of Regulatory Adjustment applied to T2 capital	95,507	95,507	95,507
Tier 2 capital (T2)	432,121	538,822	28,127
Tier 2 capital recognised for capital adequacy	432,121	538,822	28,127
Excess Additional Tier 1 capital recognised in Tier 2 capital	-	-	-
Total Tier 2 capital admissible for capital adequacy (d)	432,121	538,822	28,127
TOTAL CAPITAL (T1 + admissible T2) (e=c+d)	5,823,020	538,822	5,308,106
Total Risk Weighted Assets (i=f+g+h)	37,895,582	-	35,084,866

*This column highlights items that are still subject to Pre Basel III treatment during the transitional period



Particulars	2013	2012
	Amount	Basel II treatment (Restated)
---- Rupees in '000 ----		
Total Credit Risk Weighted Assets (f)	32,422,944	26,078,390
Risk weighted assets in respect of amounts subject to Pre-Basel III Treatment of which:	-	-
- recognised 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	-	-
- deferred tax assets	154,464	-
- defined-benefit pension fund net assets	-	-
Total Market Risk Weighted Assets (g)	102,225	4,255,188
Total Operational Risk Weighted Assets (h)	5,370,413	4,751,288
Capital Ratios and buffers (in percentage of risk weighted assets)		
CET1 to total RWA (a/i)	14.23%	15.05%
Tier-1 capital to total RWA (c/i)	14.23%	15.05%
Total capital to RWA (e/i)	15.37%	15.13%
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement) of which:	-	-
- capital conservation buffer requirement	-	-
- countercyclical buffer requirement	-	-
- Domestic Systemically Important Banks (SIB) or Global SIB buffer requirement	-	-
CET1 available to meet buffers (as a percentage of risk weighted assets)	14.23%	15.05%
National minimum capital requirements prescribed by SBP		
CET1 minimum ratio	5%	N/A
Tier 1 minimum ratio	6.5%	N/A
Total capital minimum ratio	10%	N/A
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)	47,470	33,565
Cap on inclusion of provisions in Tier 2 under standardized approach	405,287	325,980
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	-	-

39.5.1 Risk-weighted exposures

	Book Value	Risk Adjusted Value	Book Value	Risk Adjusted Value
	2013	2013	Restated 2012	Restated 2012
	----- Rupees in '000 -----			
Credit Risk				
Balance Sheet Items				
Cash and balances with treasury banks	4,883,478	242,907	4,938,707	165,002
Balances with other banks	967,557	195,121	806,110	163,300
Due from financial institutions	6,511,173	1,302,235	8,475,672	1,695,134
Investments	31,610,287	1,338,895	28,994,462	-
Islamic financing and related assets	38,308,733	23,362,455	27,433,262	18,869,078
Operating fixed assets	2,958,077	2,929,530	1,913,106	1,865,802
Deferred tax assets	-	-	79,220	79,220
Other assets	1,616,289	1,085,325	1,608,466	1,608,466
	<u>86,855,594</u>	<u>30,456,468</u>	<u>74,249,005</u>	<u>24,446,212</u>
	Book Value	Risk Adjusted Value	Book Value	Risk Adjusted Value
	2013	2013	Restated 2012	Restated 2012
	----- Rupees in '000 -----			
Off Balance Sheet items				
Acceptances & Direct credit substitutes	535,042	410,042	562,913	562,913
Purchase and Resale Agreements				
Transaction related contingent liabilities	2,287,341	803,021	1,639,665	514,171
Commitments in respect of Islamic financing and related assets				
Import letters of credit	3,950,372	750,297	4,114,677	547,128
Commitments in respect of forward exchange contracts				
-Purchase	1,368,635	3,116	209,861	7,966
-Sale	1,111,164		128,883	
	<u>9,252,554</u>	<u>1,966,476</u>	<u>6,655,999</u>	<u>1,632,178</u>
Credit risk-weighted exposures		<u>32,422,944</u>		<u>26,078,390</u>
Market Risk				
General market risk		563		2,156,813
Specific market Risk		101,663		2,098,375
Market risk-weighted exposures		<u>102,226</u>		<u>4,255,188</u>
Operational Risk		<u>5,370,412</u>		<u>4,751,288</u>
Total Risk-Weighted Exposures		<u>37,895,582</u>		<u>35,084,866</u>



39.5.2 Risk-weighted exposures

	Capital requirements		Risk weighted assets	
	2013	2012 Restated	2013	2012 Restated
	----- Rupees in '000 -----			
Credit Risk				
Portfolios subject to on-balance sheet exposure (Simple Approach)				
Banks	256,795	202,365	1,771,003	2,023,646
Corporate	3,251,015	1,682,533	22,420,796	16,825,329
Retail	62,742	44,158	432,706	441,582
Residential mortgage	145,638	68,862	1,004,403	688,615
Past due loans	117,842	91,355	812,705	913,552
Operating fixed assets	424,782	186,580	2,929,530	1,865,802
All other assets	157,372	168,769	1,085,325	1,687,686
	4,416,188	2,444,622	30,456,468	24,446,212
Portfolios subject to off-balance sheet exposure - non market related (Simple approach)				
Banks	358	118	2,467	1,182
Corporate	284,054	162,096	1,958,992	1,620,960
Retail	276	207	1,901	2,070
Portfolios subject to off-balance sheet exposures - market related (Current exposure method)				
Banks	452	797	3,116	7,966
Customers	-	-	-	-
Market Risk				
Capital Requirement for portfolios subject to Standardised Approach				
Interest rate risk	76	220,191	525	2,201,913
Equity position risk	11	192,150	75	1,921,500
Foreign exchange risk	14,736	13,178	101,625	131,775
Operational Risk				
Capital requirement for operational risk	778,710	475,129	5,370,413	4,751,288
TOTAL	5,494,859	3,508,488	37,895,582	35,084,866
Capital Adequacy Ratio				
Total eligible regulatory capital held		5,823,020	5,308,106	
Total risk weighted assets		37,895,582	35,084,866	
Capital adequacy ratio		15.37%	15.13%	
			2013	2012 (Restated)
			----- Rupees in '000 -----	
Total eligible regulatory capital held			5,823,020	5,308,106
			----- Rupees in '000 -----	
Total risk weighted assets			37,895,582	35,084,866
			-----Percentage-----	
Capital adequacy ratio			15.37%	15.13%

39.6 Capital Structure Reconciliation

39.6.1 Reconciliation of each financial statement line item to item under regulatory scope of reporting

Particulars	Reference	Balance sheet as in published financial statements	Under regulatory scope of reporting
---- Rupees in '000 ----			
Assets			
Cash and balances with treasury banks		4,883,478	4,883,478
Balances with other banks		967,557	967,557
Due from financial institutions		6,511,173	6,511,173
Investments		31,610,287	31,610,287
Islamic financing and related assets		38,308,733	38,308,733
Operating fixed assets		2,958,077	2,958,077
Deferred tax assets		-	-
Other assets		1,616,289	1,616,289
Total assets		86,855,594	86,855,594
Liabilities and Equity			
Bills payable		835,562	835,562
Due to financial institutions		2,538,000	2,538,000
Deposits and other accounts		75,225,869	75,225,869
Sub-ordinated loans		-	-
Liabilities against assets subject to finance leases		-	-
Deferred tax liabilities		175,589	175,589
Other liabilities		1,838,373	1,838,373
Total liabilities		80,613,393	80,613,393
Share capital		5,279,679	5,279,679
Reserves		210,446	210,446
Unappropriated profit		24,829	24,829
Minority Interest		-	-
Surplus on revaluation of investments - net of tax		727,247	727,247
Total liabilities and equity		6,242,201	6,242,201

39.6.2 Reconciliation of balance sheet to eligible regulatory capital

Assets			
Cash and balances with treasury banks		4,883,478	4,883,478
Balances with other banks		967,557	967,557
Due from financial institutions		6,511,173	6,511,173
Investments		31,610,287	31,610,287
of which:			
- non-significant capital investments in capital of other financial institutions exceeding 10% threshold	a		
- significant capital investments in financial sector entities exceeding regulatory threshold	b		
- mutual Funds exceeding regulatory threshold	c		
- reciprocal crossholding of capital instrument	d		
- others	e	191,015	191,015
Islamic financing and related assets		38,308,733	38,308,733
- shortfall in provisions / excess of total EL amount over eligible provisions under IRB	f		
- general provisions reflected in Tier 2 capital	g	47,470	47,470
Operating fixed assets		2,958,077	2,958,077
- of which: Intangibles	k	28,547	28,547



Particulars	Reference	Balance sheet as in published financial statements	Under regulatory scope of reporting
---- Rupees in '000 ----			
Deferred tax assets			
of which:			
- DTAs excluding those arising from temporary differences	h		
- DTAs arising from temporary differences exceeding regulatory threshold	i		
Other assets		1,616,289	1,616,289
of which:			
- goodwill	j		
- defined-benefit pension fund net assets	l		
Total assets		86,855,594	86,855,594
Liabilities and Equity			
Bills payable		835,562	835,562
Due from financial institutions		2,538,000	2,538,000
Deposits and other accounts		75,225,869	75,225,869
Sub-ordinated loans of which:		-	-
- eligible for inclusion in AT1	m	-	-
- eligible for inclusion in Tier 2	n	-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities of which:		175,589	175,589
- DTLs related to goodwill	o	-	-
- DTLs related to intangible assets	p	-	-
- DTLs related to defined pension fund net assets	q	-	-
- other deferred tax liabilities	r	-	-
Other liabilities		1,838,373	1,838,373
Total liabilities		80,613,393	80,613,393
Share capital		5,279,679	5,279,679
- of which: amount eligible for CET1	s	5,279,679	5,279,679
- of which: amount eligible for AT1	t	-	-
Reserves of which:		210,446	210,446
- portion eligible for inclusion in CET1 - Statutory reserve	u	210,446	210,446
- portion eligible for inclusion in CET1 - General reserve			
- portion eligible for inclusion in Tier 2	v		
Unappropriated profit	w	24,829	24,829
Minority Interest of which:			
- portion eligible for inclusion in CET1	x	-	-
- portion eligible for inclusion in AT1	y	-	-
- portion eligible for inclusion in Tier 2	z	-	-
Surplus on revaluation of assets of which:		727,247	727,247
- Revaluation reserves on Property		616,945	616,945
- Unrealized Gains/Losses on AFS	aa	110,302	110,302
- In case of Deficit on revaluation (deduction from CET1)	ab	-	-
Total liabilities and Equity		86,855,594	86,855,594

39.6.3 Basel III Disclosure (with added column)

Particulars		Source based on reference number from 39.4.2	Component of regulatory capital reported by bank
			(Rupees in '000)
Common Equity Tier 1 capital (CET1): Instruments and reserves			
1	Fully Paid-up Capital		5,279,679
2	Balance in share premium account	(s)	-
3	Reserve for issue of bonus shares		-
4	General / Statutory Reserves	(u)	210,446
5	Gain / (Losses) on derivatives held as Cash Flow Hedge		-
6	Unappropriated / unremitted profits	(w)	24,829
7	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)	
8	CET 1 before Regulatory Adjustments		5,514,954
Common Equity Tier 1 capital: Regulatory adjustments			
9	Goodwill (net of related deferred tax liability)	(j) - (s)	-
10	All other intangibles (net of any associated deferred tax liability)	(k) - (p)	28,547
11	Shortfall of provisions against classified assets	(f)	-
12	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(h) - (r) * x%	-
13	Defined-benefit pension fund net assets	(l) - (q) * x%	-
14	Reciprocal cross holdings in CET1 capital instruments	(d)	-
15	Cash flow hedge reserve		-
16	Investment in own shares / CET1 instruments		-
17	Securitization gain on sale		-
18	Capital shortfall of regulated subsidiaries		-
19	Deficit on account of revaluation from bank's holdings of property / AFS	(ab)	-
20	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)	-
21	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)	-
22	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	(i)	-
23	Amount exceeding 15% threshold of which:		-
	- significant investments in the common stocks of financial entities		-
	- deferred tax assets arising from temporary differences		-
24	National specific regulatory adjustments applied to CET1 capital		-
25	Investment in TFCs of other banks exceeding the prescribed limit		-
26	Any other deduction specified by SBP (mention details)		-
27	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions		95,508
28	Total regulatory adjustments applied to CET1		124,055
	Common Equity Tier 1		5,390,899
Additional Tier 1 (AT 1) Capital			
29	Qualifying Additional Tier-1 instruments plus any related share premium of which:		-
30	- Classified as equity	(t)	-
31	- Classified as liabilities	(m)	-
32	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties	(y)	-
33	- of which: instrument issued by subsidiaries subject to phase out		-
34	AT1 before regulatory adjustments		-

Particulars	Source based on reference number from 39.4.2	Component of regulatory capital reported by bank
(Rupees in '000)		
Additional Tier 1 Capital: regulatory adjustments		
35 Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)		-
36 Investment in own AT1 capital instruments		-
37 Reciprocal cross holdings in Additional Tier 1 capital instruments		-
38 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)	-
39 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(ad)	-
40 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		-
41 Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		-
42 Total of Regulatory Adjustment applied to AT1 capital		-
43 Additional Tier 1 capital		-
44 Additional Tier 1 capital recognised for capital adequacy		-
Tier 1 Capital (CET1 + admissible AT1)		5,390,899
Tier 2 Capital		
45 Qualifying Tier 2 capital instruments under Basel III		-
46 Capital instruments subject to phase out arrangement from Tier 2	(n)	-
47 Tier 2 capital instruments issued to third party by consolidated subsidiaries - of which: instruments issued by subsidiaries subject to phase out	(z)	-
48 General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	(g)	47,470
49 Revaluation Reserves eligible for Tier 2 of which:		480,158
50 - portion pertaining to Property		403,800
51 - portion pertaining to AFS securities	45% of (aa)	76,358
52 Foreign Exchange Translation Reserves	(v)	-
53 Undisclosed / Other Reserves (if any)		-
54 T2 before regulatory adjustments		527,628
Tier 2 Capital: regulatory adjustments		
55 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		95,507
56 Reciprocal cross holdings in Tier 2 instruments		-
57 Investment in own Tier 2 capital instrument		-
58 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)	-
59 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(af)	-
60 Amount of Regulatory Adjustment applied to T2 capital		-
61 Tier 2 capital (T2)		-
62 Tier 2 capital recognised for capital adequacy		-
63 Excess Additional Tier 1 capital recognised in Tier 2 capital		-
64 Total Tier 2 capital admissible for capital adequacy		432,121
TOTAL CAPITAL (T1 + admissible T2)		5,823,020

39.7 Main features of regulatory capital instruments

	Main Features	Common Shares
1	Issuer	BankIslami Pakistan Limited
2	Unique identifier	BIPL - CDC Symbol
3	Governing law(s) of the instrument	Banking Companies Ordinance, 1962 and the Directives issued by SBP
	Regulatory treatment	
4	Transitional Basel III rules	Common Equity Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible at solo/ group/ group & solo	Solo
7	Instrument type	Ordinary shares
8	Amount recognised in regulatory capital (Currency in PKR thousands, as of reporting date)	5,279,679
9	Par value of instrument	10
10	Accounting classification	Shareholders' equity
11	Original date of issuance	May 02, 2006
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend/ coupon	N/A
18	coupon rate and any related index/ benchmark	N/A
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down feature	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Residual interest
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A



40 RISK MANAGEMENT

The objective of Risk Management is to effectively manage uncertainties that arise in the normal course of business activities. The risk management function is one of the most important areas of the banking business, and covers a wide spectrum of financial business risk class; including Credit, Market, Liquidity, Operational etc. The Bank follows effective risk governance which commensurate well with its current size and structure.

The implementation of Basel II (B2) provides for a risk-based capital requirement. Further, the SBP has decided to implement Basel III framework in a phased manner with effect from December 31, 2013 to December 31, 2019, to revise and update capital reforms and clarifications and further strengthen the existing capital adequacy framework prescribed under Basel II. The Bank adheres to the regulatory requirement in this respect, and conducts its business accordingly.

As a prelude to countering the financial debacle of the recent past, the Basel Committee (Internationally) is raising the resilience of the banking sector by strengthening the regulatory capital framework, essentially building on the three pillars of the Basel II structure. The reforms raise both the quality and quantity of the regulatory capital base and enhance the risk coverage of the capital framework. The SBP (State Bank of Pakistan) while being cognizant of the various reforms in the offing, is reviewing the impact of Basel III (B3) guidelines on the capital structure and CAR (Capital Adequacy Ratio) through quantitative impact studies. Accordingly, the SBP has implemented first phase of Basel III framework with effect from December 31, 2013.

RISK MANAGEMENT FRAMEWORK

A well formulated policy and procedure is critical to an effective Risk Management framework; it then needs to be reinforced through a strong control culture that promotes sound risk governance. The Bank's Risk Management Framework has been developed keeping in mind, that:

- To be effective, control activities should be an integral part of the regular activities of the Bank;
- Every loss or near miss event should provide some Key Learning Outcome (KLO), helping and promoting a better risk identification and mitigation,
- While the reward may well commensurate the level of risk, it has to be viewed in entirety and not in isolation; and
- Critical decision making should be based on relevant research, proper analysis and effective communication within the Bank.

Strategic Level

At the strategic level, the risk related functions are approved by the senior management and the Board. These include: defining risks, setting parameters, ascertaining the institutions risk appetite, formulating strategy and policies for managing risks and establishing adequate systems and controls to ensure that overall risk remains within acceptable level and the reward compensates' for the risk taken.

Macro Level

It encompasses risk management within a business area or across business lines. Generally the risk management activities performed by middle management or units devoted to risk reviews fall into this category. Periodical review of various portfolios; stress test and scenario analysis for portfolio resilience; application of statistical tools and information in time series for developing strong inferences are all performed at this level.

Micro Level

Risk management at micro level, is of critical importance. This function if performed with diligence and understanding, can be of maximum benefit to the organization. Micro level risk management includes:

- Business line acquisition, strong adherence to the credit and other related criteria.
- Middle Office monitoring function for a sound risk assessment of various risks inherent in treasury operations.
- Detailed review of various processes and operating procedures, for operational and other risk related assessments.

Risk appetite of the Bank

The risk appetite of the Bank is an outcome of its corporate goal, economic profitability, available resources (size and business life cycle) and most significantly; the controls. The Bank believes in a cautious yet steady approach towards its business objectives and takes a holistic view of its investment and financing requirement.

This approach is primarily based on a viable portfolio build-up with a long-term view; key consideration being the health of various portfolios.

Risk organization

A strong organizational set-up, with clearly defined roles and responsibilities permits a higher level of articulation of the Banks risk mandate, establishment of a structure that provides for authority, delegation and accountability, and development of control framework. Risk management cannot live in a vacuum; in order to be effective, it has to be run at an enterprise level. Risk governance must involve all relevant parties and should be sanctioned by the bank's leadership.

The risk management function at the Bank, along with the different committees including ALCO (Asset Liability Committee) and MCC (Management Credit Committee), RMC (Risk Management Committee of the Board) manage and adhere to the risk management policies and procedures, with an explicit aim to mitigate/ manage risk in line with the Banks objectives.

Business line accountability

One of the most important features of the risk management process is the business line accountability. Business has to understand the risk implication of specific transaction on the business / portfolio. Some specific risks e.g. reputation risk affects the entire banking business and is not limited to one business line or the other. At BIPL, as in any other reputable organization, responsibility comes with accountability. Each business segment is responsible for the profit / loss of the business. The management of risk is as much a line function as it is supports'.

Business lines are equally responsible for the risks they are taking. Because line personnel understand the risks of the business. Lack of an understanding of this by the line management may lead to risk management in isolation.

40.1 Credit Risk

The Bank manages credit risk by effective credit appraisal mechanism, approving and reviewing authorities, limit structures, internal credit risk rating system, collateral management and post disbursement monitoring so as to ensure prudent financing activities and sound financing portfolio under the umbrella of a comprehensive Credit Policy approved by the Board of Directors. Credit Risk has certain sub-categories as follows:



i) Price risk

There is a risk that the asset repossessed due to default of the lessee may be sold or leased out to another party at a price lower than the original contract price.

ii) Counter party risk

The risk that the counter-party defaults during the term of a transaction (Murabaha, Ijarah etc.).

iii) Settlement risk

The risk that the counter-party does not meet its commitments at the maturity of the transaction after the Bank has already met its commitments.

iv) Country risk

Country Risk can be defined as the risk of adverse impact of certain factors on a country's specific economic, political and social scenario which affects the ability of the country (or a borrower in that country) to repay its obligations. Country risk may be a combination of Transfer Risk and Sovereign Risk.

40.1.1 Segmental information

Segmental information is presented in respect of the class of business and geographical distribution of Islamic financing and related assets, Deposits, Contingencies and Commitments.

40.1.1.1 Segments by class of business

	2013					
	Islamic financing and related assets		Deposits		Contingencies and Commitments **	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, Forestry, Hunting and Fishing	650,000	1.67%	3,372,687	4.48%	-	0.00%
Mining and Quarrying	-	0.00%	921,100	1.22%	17,015	0.17%
Textile	5,480,995	14.08%	435,329	0.58%	1,689,633	16.28%
Chemical and Pharmaceuticals	3,745,984	9.62%	747,794	0.99%	282,163	2.72%
Cement	388,638	1.00%	196,516	0.26%	85,639	0.83%
Sugar	5,277,401	13.55%	2,919,856	3.88%	500,000	4.82%
Footwear and Leather garments	22,751	0.06%	51,913	0.07%	20,722	0.20%
Automobile and transportation equipment	815,243	2.09%	209,437	0.28%	1,463,034	14.10%
Education	1,998	0.01%	899,064	1.20%	-	0.00%
Electronics and electrical appliances	1,247,028	3.20%	456,762	0.61%	736,742	7.10%
Production and transmission of energy	-	0.00%	204,672	0.27%	-	0.00%
Construction	3,440,207	8.83%	591,621	0.79%	363,494	3.50%
Power (electricity), Gas, Water, Sanitary	3,915,342	10.05%	20,578	0.03%	831,709	8.01%
Wholesale and Retail Trade	161,726	0.42%	21,720,364	28.87%	483,504	4.66%
Exports/Imports	1,447,464	3.72%	153,962	0.20%	374,743	3.61%
Transport, Storage and Communication	1,677,897	4.31%	286,519	0.38%	-	0.00%
Financial	1,337,287	3.43%	862,265	1.15%	2,493,918	24.03%
Insurance	21,879	0.06%	121,217	0.16%	-	0.00%
Services	725,021	1.86%	2,158,522	2.87%	153,144	1.48%
Individuals	4,222,856	10.85%	29,556,191	39.29%	27,393	0.26%
Food and beverages	3,424,856	8.80%	2,017,029	2.68%	147,201	1.42%
Private Trust & NGO	54,011	0.14%	2,089,129	2.78%	69,430	0.67%
Packing and Paper products	742,420	1.91%	8,263	0.01%	94,735	0.91%
Others*	131,042	0.34%	5,225,079	6.95%	543,123	5.23%
	<u>38,932,046</u>	<u>100.00%</u>	<u>75,225,869</u>	<u>100.00%</u>	<u>10,377,342</u>	<u>100.00%</u>

* Others include Govt deposits etc.

** Contingent liabilities for the purpose of this note are presented at cost and include direct credit substitutes, transaction related contingent liabilities and trade related contingent liabilities.

	2012					
	Islamic financing and related assets		Deposits		Contingencies and Commitments **	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, Forestry, Hunting and Fishing	2,940,918	10.53%	2,582,327	4.02%	-	0.00%
Mining and Quarrying	-	0.00%	965,582	1.50%	-	0.00%
Textile	2,744,131	9.82%	639,328	1.00%	2,458,140	29.59%
Chemical and Pharmaceuticals	1,121,528	4.01%	2,019,965	3.15%	248,467	2.99%
Cement	947,820	3.39%	364,536	0.57%	46,585	0.56%
Sugar	3,704,999	13.26%	1,726,188	2.69%	1,225	0.01%
Footwear and Leather garments	57,763	0.21%	52,340	0.08%	6,435	0.08%
Automobile and transportation equipment	309,747	1.11%	245,026	0.38%	1,575,781	18.97%
Education	3,135	0.01%	217,067	0.34%	-	0.00%
Electronics and electrical appliances	144,799	0.52%	111,805	0.17%	1,118,743	13.47%
Production and transmission of energy	900,000	3.22%	432,950	0.67%	-	0.00%
Construction	1,131,950	4.05%	551,674	0.86%	421,718	5.08%
Power (electricity), Gas, Water, Sanitary	2,977,218	10.66%	27,950	0.04%	543,223	6.54%
Wholesale and Retail Trade	685,198	2.45%	16,832,888	26.21%	162,596	1.96%
Exports/Imports	7,046	0.03%	97,632	0.15%	226,168	2.72%
Transport, Storage and Communication	30,395	0.11%	355,230	0.55%	-	0.00%
Financial	2,161,969	7.74%	1,499,050	2.33%	325,712	3.92%
Insurance	25,059	0.09%	48,695	0.08%	-	0.00%
Services	451,037	1.61%	1,810,889	2.82%	152,318	1.83%
Individuals	3,365,302	12.05%	25,358,043	39.49%	49,556	0.60%
Food and beverages	2,151,123	7.70%	1,442,129	2.25%	79,344	0.96%
Private Trust & NGO	4,639	0.02%	1,296,276	2.02%	69,403	0.83%
Packing and Paper products	440,088	1.58%	10,522	0.02%	18,795	0.22%
Others*	1,627,965	5.83%	5,528,393	8.61%	803,384	9.67%
	27,933,829	100.00%	64,216,485	100.00%	8,307,593	100.00%

* Others include Govt deposits etc.

** Contingent liabilities for the purpose of this note are presented at cost and include direct credit substitutes, transaction related contingent liabilities and trade related contingent liabilities.

40.1.1.2 Segment by sector

	2013					
	Islamic financing and related assets		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	1,794,478	5%	71,751,142	95%	1,236,700	12%
Private	37,137,568	95%	3,474,727	5%	9,140,642	88%
	38,932,046	100%	75,225,869	100%	10,377,342	100%

	2012					
	Islamic financing and related assets		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	2,508,213	9%	3,087,965	5%	1,455,572	18%
Private	25,425,616	91%	61,128,520	95%	6,852,021	82%
	27,933,829	100%	64,216,485	100%	8,307,593	100%

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

	2013		2012	
	Classified Islamic financing and related assets	Specific provisions held	Classified Islamic financing and related assets	Specific provisions held
	----- Rupees in '000 -----			
Wholesale and Retail trade	23,020	16,648	22,598	10,217
Agriculture, Forestry, Hunting and Fishing	-	-	175,000	43,750
Textile	261,766	244,403	261,767	148,848
Chemical and Pharmaceuticals	13,772	200	13,773	200
Power (electricity), Gas, Water, Sanitary	4,950	1,013	703	73
Cement	23,250	23,250	23,250	17,586
Automobile & Transportation equipment	-	-	-	-
Construction	284,251	99,747	125,980	63,980
Services	9,886	4,782	1,139	800
Financial	517	305	1,757	581
Paper Product	73,073	10,274	98,554	10,796
Transport, Storage and Communication	-	-	2,391	1,838
Individuals	396,285	157,280	459,971	160,326
Others	18,101	17,941	18,339	8,007
	<u>1,108,871</u>	<u>575,843</u>	<u>1,205,222</u>	<u>467,002</u>

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

	2013		2012	
	Classified Islamic financing and related assets	Specific provisions held	Classified Islamic financing and related assets	Specific provisions held
	----- Rupees in '000 -----			
Public / Government	-	-	-	-
Private	<u>1,108,871</u>	<u>575,843</u>	<u>1,205,222</u>	<u>467,002</u>
	<u>1,108,871</u>	<u>575,843</u>	<u>1,205,222</u>	<u>467,002</u>

40.1.1.5 Geographical segment analysis

	2013			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	----- Rupees in '000 -----			
Pakistan	<u>308,152</u>	<u>86,855,594</u>	<u>6,242,201</u>	<u>10,377,342</u>
	2012 (Restated)			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	----- Rupees in '000 -----			
Pakistan	<u>462,996</u>	<u>74,249,005</u>	<u>5,591,139</u>	<u>8,307,593</u>

40.1.2 Credit risk - Standardized Approach

Credit risk arises due to the risk of a borrower defaulting on his commitment either in part or as a whole. The Bank has currently employed standardized approach for evaluation of credit risk. It uses CRM (Credit Risk Mitigation) technique where applicable. The Bank carries a strong desire to move towards the FIRB and Advanced approach.

40.1.2.1 Credit Risk: Disclosures for portfolio subject to the Standardised Approach and supervisory risk weights in the IRB Approach

The Bank uses reputable and SBP approved rating agencies for deriving risk weight to specific credit exposures, where available. The Bank has also recently employed a credit rating model, which is compatible to the rating guidelines of SBP, which will support the Bank in internally rating the credit clients.

Types of Exposures and ECAI's used

Exposures	2013			2012		
	JCR-VIS	PACRA	Others	JCR - VIS	PACRA	Others
Corporate	✓	✓	N/A	✓	✓	N/A
Banks	✓	✓	✓	✓	✓	✓

Credit Exposures subject to Standardised approach

Exposures	SBP grade	Rating Category	2013			2012		
			Amount Outstanding	Deduction CRM	Net amount	Amount Outstanding	Deduction CRM	Net amount
			----- Rupees in '000 -----					
Claims on Public Sector Entities in Pakistan	0%							0
	1	20%	2,591,808	154	2,591,654	1,901,268	261	1,901,007
	2,3	50%	-					
	4,5	100%	-					
	6	150%	-					
	Unrated	50%	1,090,545	232	1,090,313	-		
Claims on Corporates (excluding equity exposures)	2	50%	3,317,887	19,476	3,298,411	3,919,345	110,303	3,809,042
	3,4	100%	5,814	855	4,959	-	-	
	5,6	150%	171,896	4,783	167,113	2,488	61	2,427
	Unrated	100%	25,409,055	5,506,617	19,902,438	14,591,119	190,601	14,400,518
Claims categorized as retail portfolio		75%	915,027	338,086	576,941	895,123	306,347	588,776
Past Due loans:								
1.1 where specific provisions are less than 20 per cent of the outstanding amount of the past due claim.		150%	406,472	60,174	346,298	423,087	-	423,087
1.2 where specific provisions are no less than 20 per cent of the outstanding amount of the past due claim.		100%	59,216	2,985	56,231	41,842	-	41,842
1.3 where specific provisions are more than 50 per cent of the outstanding amount of the past due claim.		50%	38,370	5,608	32,762	22,270	-	22,270
All other assets		100%	1,119,778	50,000	1,069,778	1,674,711	-	1,674,711



40.1.2.2 Credit Risk Disclosures with respect to Credit Risk Mitigation for Standard and IRB Approaches

The Bank obtains capital relief for both on and off-balance sheet non-market related exposures by using simple approach for Credit risk mitigation (CRM). Off-balance sheet items under the simplified standardized approach are converted into credit exposure equivalents through the use of credit conversion factors. Under the standardized approach the Bank has taken advantage of the cash collaterals available with the Bank in the form of security deposits, and cash margins and lien on deposit accounts.

Valuation and management of eligible collaterals for CRM is being done in line with the conditions laid down by the SBP. Since eligible collaterals for CRM purposes are all in the form of cash collaterals, they generally do not pose risk to the Bank in terms of change in their valuation due to changes in the market conditions.

40.2 Equity Position Risk in the Banking book

Equity position includes the following:

- Strategic investments
- Investment in equities for generating revenue in short term

These equity investments are accounted for and disclosed as per the provisions and directives of SBP, SECP and the requirements of approved International Accounting Standards as applicable in Pakistan.

Provision for diminution in the value of securities is made after considering impairment, if any, in their value and charged to the profit and loss account.

40.3 Yield / Profit Rate Risk in the banking book

It includes all material yield risk positions of the Bank taking into account all repricing and maturity data. It includes current balances and contractual yield rates, the Bank understands that its Islamic financing and related assets shall be repriced as per their respective contracts.

The Bank estimates changes in the economic value of equity due to changes in the yield rates on on-balance sheet positions by conducting duration gap analysis. It also assesses yield rate risk on earnings of the bank by applying upward and downward shocks.

40.4 Market Risk

Market risk is defined as the risk of losses in on-and-off balance sheet positions arising from movements in market prices e.g. fluctuations in values in tradable, marketable or leasable assets. The risks relate to the current and future volatility of market values of specific assets and of foreign exchange rates and benchmark yields.

The Bank uses various tools and techniques to assess market risk including but not limited to full valuation, stress testing, scenario analysis. These assessment methods enable the Bank to estimate changes in the value of the portfolio, if exposed to various risk factors.

Moreover, since the Bank does not deal in interest based products, the impact of the above risks will be very minimal. The Bank does not have positions or forward exchange contracts giving mismatches of maturity unless such risks have been taken care of through some other mechanism.

40.4.1 Foreign Exchange Risk

Currency risk is the risk of loss arising from the fluctuations of exchange rates.

In the normal course of conducting commercial banking business, which ranges from intermediation only to taking on principal risk as dealer or as counterparty, the Bank purchases or sells currencies in today / ready and gives or receives unilateral promises for sale or purchase of FX at future dates in a long or short position in different currency pairs. These positions expose the Bank to foreign exchange risk. To control this risk, the Bank primarily uses notional principal limits at various levels to control the open position, and ultimately the residual foreign exchange risk of the Bank. The Bank also strictly adheres to all associated regulatory limits.

Following is the summary of the assets of the Bank subject to foreign exchange risk.

	2013			
	Assets	Liabilities	Off-balance Sheet	Net foreign currency exposure
	----- Rupees in '000 -----			
Pakistan rupee	85,405,199	79,007,634	(257,471)	6,140,094
United States dollar	1,185,405	1,377,591	257,471	65,285
Great Britain pound	161,147	159,923	-	1,224
Deutsche mark	-	-	-	-
Japanese yen	10,143	8,627	-	1,516
Euro	60,517	59,618	-	899
UAE Dirham	5,777	-	-	5,777
ACU	19,411	-	-	19,411
CHF	311	-	-	311
AUD	4,366	-	-	4,366
Saudi Riyal	3,318	-	-	3,318
	<u>86,855,594</u>	<u>80,613,393</u>	<u>-</u>	<u>6,242,201</u>

	2012 (Restated)			
	Assets	Liabilities	Off-balance Sheet	Net foreign currency exposure
	----- Rupees in '000 -----			
Pakistan rupee	73,124,492	67,417,777	(249,336)	5,457,379
United States dollar	901,086	1,063,616	249,336	86,806
Great Britain pound	118,875	116,351	-	2,524
Deutsche mark	-	-	-	-
Japanese yen	3,480	-	-	3,480
Euro	71,211	60,122	-	11,089
UAE Dirham	244	-	-	244
ACU	23,998	-	-	23,998
CHF	833	-	-	833
AUD	1,171	-	-	1,171
Saudi Riyal	3,615	-	-	3,615
	<u>74,249,005</u>	<u>68,657,866</u>	<u>-</u>	<u>5,591,139</u>

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2012 (Restated)											
Effective Yield / Profit rate	Total	Exposed to Yield / Profit risk									
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 to 9 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	Non-profit bearing financial instruments
----- Rupees in '000 -----											
On-balance sheet financial instruments											
Assets											
Cash and balances with Treasury Banks	4,938,707	-	-	-	-	-	-	-	-	-	4,938,707
Balances with other Banks	806,110	121	-	-	-	-	-	-	-	-	805,989
Due from financial institutions	8,475,672	8,475,672	-	-	-	-	-	-	-	-	-
Investments	28,994,462	563,565	8,025,108	18,974,078	-	-	-	-	-	-	1,431,711
Islamic financing and related assets	27,433,262	4,769,039	6,668,428	1,864,693	1,052,115	1,052,114	908,600	1,701,255	3,586,600	163,585	4,518,291
Other assets	1,145,983	-	-	-	-	-	-	-	-	-	1,145,983
	71,794,196	13,808,397	14,693,536	20,838,771	1,052,115	1,052,114	908,600	1,701,255	3,586,600	163,585	12,840,681
Liabilities											
Bills payable	1,251,010	-	-	-	-	-	-	-	-	-	1,251,010
Due to financial institutions	1,621,415	-	1,621,415	-	-	-	-	-	-	-	-
Deposits and other accounts	64,216,485	5,108,249	3,037,932	2,939,888	3,883,794	3,883,794	11,963,285	12,425,367	6,175,179	3,353,889	11,445,109
Other liabilities	1,371,679	-	-	-	-	-	-	-	-	-	1,371,679
	68,460,589	5,108,249	4,659,347	2,939,888	3,883,794	3,883,794	11,963,285	12,425,367	6,175,179	3,353,889	14,067,798
On-balance sheet gap	3,333,607	8,700,148	10,034,189	17,898,883	(2,831,679)	(2,831,680)	(11,054,685)	(10,724,112)	(2,588,579)	(3,190,304)	(1,227,117)
NON FINANCIAL ASSETS											
Operating fixed assets	1,913,106										
Deferred tax assets	79,220										
Other assets	462,483										
	2,454,809										
NON FINANCIAL LIABILITIES											
Other liabilities	197,277										
TOTAL NET ASSETS	5,591,139										
Total Yield / Profit Risk Sensitivity Gap		8,700,148	10,034,189	17,898,883	(2,831,679)	(2,831,680)	(11,054,685)	(10,724,112)	(2,588,579)	(3,190,304)	(1,227,117)
Cumulative Yield/Profit Risk Sensitivity Gap		8,700,148	18,734,337	36,633,220	33,801,542	33,801,541	22,746,856	12,022,744	9,434,165	6,243,861	(1,227,117)

Rupees in '000

40.5 Liquidity Risk

Liquidity risk is the potential loss to the Bank arising from its inability either to meet its obligations (financial) or to fund increases in assets as they fall due without incurring unacceptable costs or losses.

BPL's liquidity at various levels (day to day, short term, long term) is managed by the Treasury along with the Asset and Liability Management Committee (ALCO), which is one of the most important management level committees. Its role cannot be overemphasized here, it serves as a part of the critical trio with risk management and treasury department, monitoring and maintaining key liquidity ratios, a viable funding mix, depositor concentration, reviewing contingency plans etc.

40.5.1 MATURITIES OF ASSETS AND LIABILITIES

2013																			
		Up to 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	
Total	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity
Rupees in '000																			
Assets																			
Cash and balances with treasury banks																			
Balances with other banks	967,557	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due from financial institutions	6,511,173	6,511,173	-	3,192,382	-	4,609,110	-	771,554	-	-	-	-	-	-	-	-	-	-	-
Investments	31,610,287	348,561	-	-	-	18,579,721	-	1,627,417	-	-	-	-	-	-	-	-	-	-	-
Islamic financing and related assets	38,308,733	5,433,886	-	18,470,573	-	5,541,484	-	2,229,539	-	2,173,405	-	1,413,335	-	1,481,137	-	173,081	-	1,392,293	-
Operating fixed assets	2,958,077	-	-	192,893	-	-	-	-	-	-	-	-	-	369,257	-	619,234	-	1,776,693	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	1,616,289	138,833	55,998	236,809	125,057	381,271	151,936	53,256	160,893	5,002	1,999	1,992	303,532	1,811	-	-	-	-	-
	86,855,594	5,987,868	12,349,618	3,622,084	20,886,157	4,990,381	24,273,441	1,680,673	3,161,986	5,002	2,175,304	1,415,327	303,532	1,852,205	792,315	191,015	191,015	3,168,986	-
Liabilities																			
Bills payable	835,562	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to financial institutions	2,538,000	2,000,000	-	438,000	-	-	-	100,000	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	75,225,869	8,846,742	-	3,493,009	-	5,554,650	-	9,052,634	-	20,606,524	-	20,076,597	-	5,080,965	-	2,714,748	-	-	-
Deferred tax liabilities	1,175,589	-	-	-	-	-	-	-	-	-	-	-	-	175,589	-	-	-	-	-
Other liabilities	1,838,573	256,998	442,409	63,650	78,457	87,118	22,514	8,236	170,381	464	22,073	1,016	27,159	199,783	478,115	-	-	-	-
	80,613,395	9,919,302	2,442,409	3,556,659	516,457	5,441,768	22,514	9,160,870	170,381	20,606,988	22,073	20,077,613	27,159	5,456,337	478,115	2,714,748	-	-	-
Net assets	6,242,201	(3,931,434)	9,907,209	65,425	20,369,700	(451,387)	24,250,627	(7,480,197)	2,991,605	(20,601,986)	2,153,231	(20,077,613)	1,388,168	(5,152,805)	1,374,090	(2,714,748)	792,315	191,015	3,168,986
Rupees in '000																			
Share capital	5,279,679	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserves	210,446	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unappropriated profit / (Accumulated loss)	24,829	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	727,247	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	6,242,201	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

2012 (Restated)																		
Total	Upto 1 Month		Over 1 to 3 Months		Over 3 to 6 Months		Over 6 Months to 1 Year		Over 1 to 2 Years		Over 2 to 3 Years		Over 3 to 5 Years		Over 5 to 10 Years		Above 10 Years	
	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity
----- Rupees in '000 -----																		
Assets																		
Cash and balances with treasury banks	4,938,707	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	806,110	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due from financial institutions	8,475,672	-	-	4,633,600	-	3,842,072	-	8,420,992	-	9,369,259	-	8,381,642	-	1,191,216	-	960,755	-	191,015
Investments	28,994,462	-	-	279,383	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Islamic financing and related assets	27,433,262	-	-	8,133,048	-	1,864,703	-	2,122,037	-	908,600	-	1,862,862	-	3,650,661	-	124,486	-	1,150,342
Operating fixed assets	1,913,106	-	-	-	-	23,252	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	79,220	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	1,608,466	261,491	50,000	396,523	319,217	8,616	165,092	33,288	-	-	-	-	306,708	41,463	-	-	-	-
	74,249,005	5,770,885	50,000	13,442,754	6,025,992	31,868	165,092	10,576,317	-	10,277,859	-	10,444,504	701,234	4,883,340	621,024	1,085,241	1,144,539	1,150,342
Liabilities																		
Bills payable	1,251,010	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to financial institutions	1,621,415	-	-	1,280,000	-	341,415	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	64,216,485	2,860,227	-	3,037,932	2,939,888	-	7,767,587	14,918,090	1,847,186	-	2,309,268	-	6,175,179	-	3,353,889	-	-	-
Other liabilities	1,568,956	181,113	107,378	102,749	176,973	-	69,269	72,165	26,190	-	18,198	-	492,837	47,043	548	-	-	-
	68,657,866	5,521,270	3,134,718	4,420,681	3,458,278	-	69,269	7,839,752	1,873,376	14,918,092	2,327,466	-	492,837	6,222,222	-	3,354,437	-	-
Net assets	5,591,139	249,615	4,743,296	(57,578)	2,567,714	31,868	95,823	2,736,565	8,404,483	(14,918,092)	8,117,038	-	208,397	(1,338,882)	621,024	(2,299,196)	1,144,539	1,150,342
Rupees in '000																		
Restated																		
Share capital	5,279,679																	
Reserves	173,392																	
Unappropriated profit / (Accumulated loss)	7,711																	
Surplus on revaluation of assets	130,357																	
	5,591,139																	

40.6 Operational Risk

Operational Risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external / internal events. The risk is different from the others, since it has a greater level of uncertainty and may be termed as a little difficult to measure. The Bank believes that (prudence) should be lived and breathed through the organizational culture.

At a more formal level, the Bank has strengthened its risk management framework by developing policies, guidelines and manuals. Operational and other risk assessment tool e.g. ORAF is being effectively used to assess, mitigate and monitor possible risk that may arise in any of the Bank's financial product or department. Operational Loss Database (OLD) records all the internal / external potential operational losses which helps the management understand the causes and impact of these risks.



40.7 Strategic Risk

Strategic risk arises due to wrong assumptions in strategic decision making or the failure to react correctly to long-term changes in strategic parameters.

The Bank follows a deliberate low-risk strategy. Within the general constraints of its niche market the Bank is aware of the need of reducing risk. The Bank has a well established strategic planning and evaluation process which involves all levels of management and which is subject to regular review.

40.8 Systemic Risk

Systemic risk is the risk of a total or partial collapse of the financial system.

Such a collapse could be due to technical factors or market driven (psychological reasons).

Systemic risk is reduced by the activities of both national and international regulatory authorities. The Bank actively supports these organizations through its membership of the relevant banking industry association i.e. Pakistan Banks Association ("PBA"). The Bank also takes account of systemic risk by means of careful management of counter party risks in the inter-bank market.

40.9 Shariah Non-compliance

Shariah non-compliance risk is the risk that arises from an Islamic bank's failure to comply with the Shariah rules and principles prescribed by the State Bank of Pakistan and / or the Shariah Advisor of the Bank. It remains' the most important operational risk for an Islamic bank. Compliance of shariah guidelines must permeate throughout the organization and its adherence should be reflected in the products and activities.

41 TRUST ACTIVITIES

Banks commonly act as trustees 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. These are not assets of the bank and, therefore, are not included in statement of financial position. Following is the list of assets held under trust:

Category	Type	No. of IPS account		-----Rupees in '000----- Face Value	
		2013	2012	2013	2012 (Restated)
Insurance Companies	Sukuks	1	1	220,000	220,000
Asset Management Companies	Sukuks	26	27	1,455,665	1,476,665
Employee Funds / NGO's	Sukuks	6	6	79,500	79,500
Individuals	Sukuks	10	8	108,370	87,370
Others	Sukuks	20	21	3,621,465	3,621,465
		<u>63</u>	<u>63</u>	<u>5,485,000</u>	<u>5,485,000</u>

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

The Bank maintained the following pools for profit declaration and distribution during the year ended December 31, 2013:

- General Deposit Mudarabah Pool (PKR, USD, EUR & GBP);
- Musharaka Pool under SBP's Islamic Export Refinance Scheme; and
- Treasury Special Pools

The deposits and funds accepted under the General Deposit Mudarabah Pool is provided to different sectors of economy mainly' to 'Textile and Allied', ' Energy', 'Fertilizer', 'Trading' ' Consumer Finance' and GOP Ijarah Sukuks'.

Musharakah investments from the SBP under Islamic Export Refinance Scheme (IERS) are channeled towards the export sector of the economy via different Islamic financing modes such as Murabaha, Istisna etc.

Key features and risk & reward characteristics of all pools

The 'General Deposit Mudarabah Pool' for both local and foreign currency is catered for all depositors of BIPL and provide profit / loss based on actual returns earned by the Pool. Depositors are Rabb-ul-Maal as they are the provider of capital while the Bank acts as Mudarib by investing these funds in business. Since there are more than one Rabb-ul-Maal (depositor), their mutual relationship is that of Musharakah. Profit is shared among Mudarabah partners (Bank and depositors) as per pre-agreed profit sharing ratio. Whereas, profit sharing among the depositors is based on pre-assigned weightages. Loss, if any, is borne by the Rabb-ul-Maal as per the principles of Mudarabah.

The IERS Pool caters to the 'Islamic Export Refinance Scheme' requirements based on the guidelines issued by the SBP. In this Scheme, SBP enters into a Musharakah arrangement with BankIslami for onward financing to exporters and other blue chip companies on the basis of Shariah compliant modes such as Murabaha, Istisna, etc. Under the scheme, SBP is required to share in profit and loss of the BankIslami's IERS Musharakah pool. IERS Pool consists of blue chip companies to whom BankIslami has provided financing facilities on Shariah compliant modes including IERS facility. Profit is shared according to an agreed weightage and loss is shared according to the investment ratio.

Treasury Pools are managed on the basis of Musharakah, wherein BIPL and partner (Financial Institution) share actual return earned by the pool according to pre-defined profit sharing ratio.

The risk characteristic of each pool mainly depends on the asset and liability profile of each pool. The pool is exposed to following kinds of risks:

- 1 Asset Risk: The pool is exposed to Asset Risk which is the risk that is associated with Islamic mode of finance(s) applied / used under the transaction structure(s). The Bank has prepared detailed product manuals in order to identify and properly mitigate such risk. The Bank also analyze transaction structure of each customer to further ensure proper safeguard of depositors' interest. The review is done by experienced team of professional having considerable experience in the field of Islamic Banking and finance. Nevertheless since Islamic Banking is an ascent industry we believe that the process of further improvement will continue as the business grows.
- 2 Credit Risk: Financial Risk is the risk which is associated with financing that is mitigated through safeguards through available standards within Shariah guidelines as disclosed in note 40.1 to these financial statements.

Parameters used for allocation of profit, charging expenses and provisions etc. along with a brief description of their major components:

Gross income (Revenue less cost of goods sold and after deduction of other direct expenses), generated from relevant assets is calculated at the end of the month. The income is shared between the Bank and the depositors as per agreed profit sharing ratio after deduction of commingled Bank's equity share on pro rata basis. The residual is shared among depositors as per agreed weightages. These weightages and profit sharing ratios are declared by the Bank in compliance with the requirements of the SBP and Shariah.

The allocation of income and expenses to different pools shall be made based on pre-defined basis and accounting principles / standards. Direct expenses are charged to respective pool, while indirect expenses are borne by BankIslami as Mudarib. The direct expenses charged to the pool are direct cost in financing / investment transactions (i.e. Murabaha, Ijarah, Diminishing Musharka, Istisna, Karobar Financing, Salam, etc.) and depreciation of Ijarah assets. The general and specific provisions created against non-performing islamic financing and related assets and diminution in the value of investments as under prudential regulations and other SBP directives have been borne by BankIslami as Mudarib.

General Deposit Mudarabah Pool	Profit rate and weightage announcement period	Profit rate return earned	Depositor Share %	Mudarib share %	Mudarib share	Profit rate return distributed to remunerative deposits (Savings and Term)	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib Share transferred through Hiba
(Rupees in '000)						(Rupees in '000)		
PKR Pool	Monthly	10.38%	64.05%	35.95%	1,975,624	6.71%	5.31%	104,982
USD Pool	Monthly	0.88%	51.35%	48.65%	1,957	0.32%	51.35%	19,610

Specific Pool	Profit rate and weightage announcement period	Profit rate return earned	SBP Share %	Bank share %	Bank share	Profit rate return distributed	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib Share transferred through Hiba
(Rupees in '000)						(Rupees in '000)		

- (i) Islamic Export Refinance (IERS) Pool
- | | | | | | | | |
|---------|--------|--------|--------|--------|--------|-------|---|
| Monthly | 10.35% | 26.19% | 73.81% | 46,521 | 10.07% | 0.00% | - |
|---------|--------|--------|--------|--------|--------|-------|---|
- (ii) In addition to the above 58 short term Treasury Pools were created to meet liquidity management requirement of Treasury Department. The Pools were dissolved after maturity of respective Treasury transaction. The Pools were managed under the Shariah approved guidelines.

43 GENERAL

- 43.1 Captions, as prescribed by BSD Circular No. 04 of 2006 dated February 17, 2006 issued by the SBP, in respect of which there are no amounts, have not been reproduced in these financial statements, except for captions of the Statement of Financial Position and profit and loss account.

The figures in the financial statements have been rounded off to the nearest thousand rupee.

43.2 Corresponding figures

Corresponding figures have been re-arranged and reclassified, wherever necessary, to facilitate comparisons. There were no significant reclassifications / restatements during the year except as disclosed in note 3.5 to these financial statements and following:

Reclassified from	Reclassified to	Rupees in '000
Profit / Return earned - on financing to customers	Administrative Expenses - others	11,215
Profit / Return earned - on financing to customers	Other Income - Gain on termination of financing	1,750

44 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on March 14, 2014 by the Board of Directors of the Bank.


CHAIRMAN


PRESIDENT / CHIEF EXECUTIVE


DIRECTOR


DIRECTOR

Annexure 1

Details of assets disposed off during the year including assets disposed off to the Chief Executive Officer or to a Director or to Executives or to any related parties irrespective of the value, are as follows:

Asset description	Asset Cost	Accumulated depreciation	WDV	Sale proceeds	Gain/(loss) on disposal	Mode of disposal	Particulars of Buyer
	----- Rupees in thousand -----						
Server Power Supply	43	43	-	43	43	Takaful Claim	Pak Qatar General Takaful Limited
ATM Machine Mother Board	29	25	4	29	25	Takaful Claim	Pak Qatar General Takaful Limited
ATM Machine Mother Board	57	50	7	57	50	Negotiation	A.S Electronics
Cisco IP Phone	117	117	-	117	117	Takaful Claim	Pak Qatar General Takaful Limited
Cisco IP Phone	117	117	-	117	117	Takaful Claim	Pak Qatar General Takaful Limited
LG Refrigerator	26	26	-	3	3	Negotiation	A.S Electronics
UPS Mother Board	38	38	-	38	38	Takaful Claim	Pak Qatar General Takaful Limited
Motorcycle	70	12	58	60	2	Takaful Claim	Pak Qatar General Takaful Limited
Head Office 14th Floor (Half)	82,534	21,048	61,486	111,150	49,664	Bank's policy	Mehran Sugar Limited
Hard Drive	8	8	-	8	8	Takaful Claim	Pak Qatar General Takaful Limited
Server -Part Replacement	40	40	-	40	40	Takaful Claim	Pak Qatar General Takaful Limited
Server-Power Supply	43	43	-	43	43	Takaful Claim	Pak Qatar General Takaful Limited
UPS Mother Board	20	20	-	20	20	Takaful Claim	Pak Qatar General Takaful Limited
Laptop	83	83	-	5	5	Takaful Claim	Pak Qatar General Takaful Limited
Laptop	83	83	-	5	5	Takaful Claim	Pak Qatar General Takaful Limited
Laptop	81	81	-	5	5	Takaful Claim	Pak Qatar General Takaful Limited
DVD ROM-Laptop	5	4	1	5	4	Takaful Claim	Pak Qatar General Takaful Limited
UPS Main Board	24	24	-	24	24	Takaful Claim	Pak Qatar General Takaful Limited
Laptop- Keyboard	5	4	1	5	4	Takaful Claim	Pak Qatar General Takaful Limited
Fans & Hard Drive-Server	25	25	-	25	25	Takaful Claim	Pak Qatar General Takaful Limited
DDR RAM-Server	20	20	-	20	20	Takaful Claim	Pak Qatar General Takaful Limited
UPS Main Board	21	21	-	21	21	Takaful Claim	Pak Qatar General Takaful Limited
Power Supply -Server	22	22	-	22	22	Takaful Claim	Pak Qatar General Takaful Limited
CCTV Camera	12	12	-	12	12	Takaful Claim	Pak Qatar General Takaful Limited
Hard Disk- Desktop	8	8	-	8	8	Takaful Claim	Pak Qatar General Takaful Limited
Power Supply -Server	22	22	-	22	22	Takaful Claim	Pak Qatar General Takaful Limited
DVR CCTV Camera	12	12	-	12	12	Takaful Claim	Pak Qatar General Takaful Limited
Ip Phones	16	16	-	16	16	Takaful Claim	Pak Qatar General Takaful Limited
Power Supply -Server	22	22	-	22	22	Takaful Claim	Pak Qatar General Takaful Limited
Refrigerator	22	22	-	3	3	Negotiation	Abbas Electronics
Refrigerator	23	23	-	8	8	Negotiation	Gilani Electronics
Damage to UPS	25	25	-	25	25	Takaful Claim	Pak Qatar General Takaful Limited
Damage to Thin Client	64	64	-	64	64	Takaful Claim	Pak Qatar General Takaful Limited
Damage to ATM Machine	82	64	18	82	64	Takaful Claim	Pak Qatar General Takaful Limited
Electrical Cables	127	97	30	127	97	Takaful Claim	Pak Qatar General Takaful Limited
Fixture Items	50	41	9	50	41	Takaful Claim	Pak Qatar General Takaful Limited
Doom Camera Lens	1	1	-	1	1	Takaful Claim	Pak Qatar General Takaful Limited
FAT Servers	22	19	3	22	19	Takaful Claim	Pak Qatar General Takaful Limited
Toyota Corolla	1,797	1,488	309	309	-	Employment	Hasan A Bilgrami

Asset description	Asset Cost	Accumulated depreciation	WDV	Sale proceeds	Gain/ (loss) on disposal	Mode of disposal	Particulars of Buyer
	----- Rupees in thousand -----						
Note Counting Machine	31	31	-	4	4	Negotiation	Asian Business Machine
Note Binding Machine	16	16	-	1	1	Negotiation	Asian Business Machine
Damage to UPS	20	20	-	20	20	Takaful Claim	Pak Qatar General Takaful Limited
Hard Disk	246	246	-	246	246	Takaful Claim	Pak Qatar General Takaful Limited
LCD Monitor	9	9	-	9	9	Takaful Claim	Pak Qatar General Takaful Limited
Server Hard Disk	13	13	-	13	13	Takaful Claim	Pak Qatar General Takaful Limited
CISCO FXO Card -Router	65	65	-	65	65	Takaful Claim	Pak Qatar General Takaful Limited
Thin Client System	59	59	-	59	59	Takaful Claim	Pak Qatar General Takaful Limited
Cisco IP Phone , FXO Card , Cisco Switch	419	419	-	419	419	Takaful Claim	Pak Qatar General Takaful Limited
Photocopier Mother Board	116	94	22	116	94	Takaful Claim	Pak Qatar General Takaful Limited
Laptop	78	78	-	5	5	Bank's policy	Shamshad Ahmed
Laptop	75	75	-	5	5	Bank's policy	Syed Jamal Ahmed
Laptop	82	82	-	5	5	Bank's policy	Hasan Ali Rizvi
Laptop	78	78	-	5	5	Bank's policy	Syed Anwar Ali
Laptop	75	75	-	5	5	Bank's policy	Ali Zeeshan
Microwave Oven	6	6	-	1	1	Negotiation	Waqar Electronics
Note Counting Machine	32	32	-	2	2	Negotiation	Asian Machines & Technologies
Note Binding Machine	16	16	-	1	1	Negotiation	Asian Machines & Technologies
Note Counting Machine	32	32	-	1	1	Negotiation	Asian Machines & Technologies
Note Binding Machine	17	17	-	1	1	Negotiation	Asian Machines & Technologies
Note Counting Machine	40	40	-	1	1	Negotiation	Asian Machines & Technologies
Note Binding Machine	17	17	-	1	1	Negotiation	Asian Machines & Technologies
Note Counting Machine	34	34	-	1	1	Negotiation	Asian Machines & Technologies
Note Binding Machine	20	20	-	1	1	Negotiation	Asian Machines & Technologies
Note Binding Machine	17	17	-	1	1	Negotiation	Asian Machines & Technologies
Note Counting Machine	31	31	-	1	1	Negotiation	Asian Machines & Technologies
Note Counting Machine	31	31	-	1	1	Negotiation	Asian Machines & Technologies
LCD Monitor	14	14	-	9	9	Negotiation	Asian Machines & Technologies
LCD Monitor	14	14	-	9	9	Negotiation	Asian Machines & Technologies
Note Counting Machine	32	32	-	1	1	Negotiation	Asian Machines & Technologies
Laptop	26	26	-	5	5	Bank's policy	M. Aslam Arain
Microwave Oven	5	5	-	1	1	Negotiation	Sound & Vision
Total	87,582	25,634	61,948	113,660	51,712		

Directors' Report

On behalf of the Board, I am pleased to present the consolidated Annual Results of the Bank along with its subsidiary BankIslami Modaraba Investment Ltd. For the year ended December 31, 2013. The highlights of the year under review are:

	Dec-13	Dec-12	Growth (%)
	----- Rupees in million -----		
Total Deposits	75,170	64,111	17.25%
Total Assets	86,801	74,145	17.07%
Total Islamic Financing and related assets-net	38,309	27,433	39.65%
Total Investments	31,429	28,818	9.06%
Shareholder's Equity (including revaluation)	6,246	5,592	11.7%
Branches	201	141	42.5%
Basic Earnings per share - rupees	0.358	0.590	-39.3%

Our Group performance remained satisfactory. The Group has been able to post growth in its deposits by 17.25%, Financings by 39.65% and Total Assets by 17.07%.

The Board would like to place on record its deep appreciation to the State Bank of Pakistan which has supported us with an un-wavering commitment. Gratitude is also due to the Securities and Exchange Commission of Pakistan. Finally, we are thankful to our employees and customers for their patronage and support.

On behalf of the Board,



Hasan A Bilgrami
Chief Executive Officer

March 14, 2014



Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising the consolidated statement of financial position of BankIslami Pakistan Limited (the Holding Company) and its subsidiary company, BankIslami Modaraba Investments Limited as at December 31, 2013 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'consolidated financial statements'), for the year then ended. These consolidated financial statements include the unaudited certified returns from the branches of the Holding Company, except for ten branches, which have been audited by us. We have also expressed a separate opinion on the separate financial statements of BankIslami Pakistan Limited and have performed a limited scope review under the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" of the subsidiary company. These consolidated financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of BankIslami Pakistan Limited and its subsidiary company as at December 31, 2013 and the results of their operations for the year then ended.

Emphasis of matter paragraph

We draw attention to note 1.1.1 to the accompanying consolidated financial statements which describes the matter relating to shortfall in the Minimum Capital Requirement (MCR) of BankIslami Pakistan Limited (BIPL) as at December 31, 2013. In connection with this and as required by the State Bank of Pakistan, BIPL has submitted its capital plan for meeting the shortfall of its MCR in future. Our opinion is not qualified in respect of this matter.

Chartered Accountants
Engagement Partner: **Rashid A. Jafer**
Dated: March 25, 2014
Karachi

Consolidated Statement of Financial Position

As at December 31, 2013

	Note	2013	2012 (Restated)	2011 (Restated)
----- Rupees in '000 -----				
ASSETS				
Cash and balances with treasury banks	6	4,883,483	4,938,712	4,684,831
Balances with other banks	7	1,018,717	806,282	549,411
Due from financial institutions - net	8	6,511,173	8,475,672	4,436,264
Investments	9	31,429,302	28,817,928	20,891,908
Islamic financing and related assets - net	10	38,308,733	27,433,262	24,665,459
Operating fixed assets	11	2,966,620	1,919,513	1,816,863
Deferred tax assets	12	-	79,586	181,868
Other assets - net	13	1,682,910	1,674,400	1,501,897
		86,800,938	74,145,355	58,728,501
LIABILITIES				
Bills payable	14	835,562	1,251,010	798,853
Due to financial institutions	15	2,538,000	1,621,415	800,000
Deposits and other accounts	16	75,169,991	64,110,616	50,468,674
Sub-ordinated loans		-	-	-
Liabilities against assets subject to finance lease		-	-	-
Deferred tax liabilities	17	175,216	-	-
Other liabilities	18	1,836,286	1,570,781	1,341,992
		80,555,055	68,553,822	53,409,519
NET ASSETS		6,245,883	5,591,533	5,318,982
REPRESENTED BY				
Share capital	19	5,279,679	5,279,679	5,279,679
Reserves	20	210,446	173,392	91,221
Unappropriated profit / (Accumulated losses)		27,199	6,653	(220,996)
		5,517,324	5,459,724	5,149,904
Surplus on revaluation of assets - net of tax	21	728,559	131,809	169,078
		6,245,883	5,591,533	5,318,982
CONTINGENCIES AND COMMITMENTS	22			

The annexed notes 1 to 44 and Annexure 1 form an integral part of these consolidated financial statements.


CHAIRMAN


PRESIDENT / CHIEF EXECUTIVE


DIRECTOR


DIRECTOR



Consolidated Profit and Loss Account

For the year ended December 31, 2013

	Note	2013	2012 (Restated)
		----- Rupees in '000 -----	
Profit / return earned	23	6,290,316	5,993,510
Profit / return expensed	24	3,781,106	3,497,443
Net spread earned		2,509,210	2,496,067
Provision against non-performing Islamic financing and related assets - net	10.14	122,746	111,072
Reversal of provision for diminution in the value of investments	9.7	-	(15,000)
Bad debts written off directly		-	-
		122,746	96,072
Net spread after provisions / (reversals)		2,386,464	2,399,995
OTHER INCOME			
Fee, commission and brokerage income		292,186	181,237
Dividend Income		295	2
Income from dealing in foreign currencies		76,159	100,957
Gain on sale of securities	26	6,709	17,492
Unrealised gain on revaluation of investments classified as held for trading		-	-
Other income	25	78,855	33,620
Total other income		454,204	333,308
		2,840,668	2,733,303
OTHER EXPENSES			
Administrative expenses	27	2,493,897	2,259,068
Other provisions / (reversals)		4,043	(4,754)
Other charges	28	30,189	9,513
Total other expenses		2,528,129	2,263,827
		312,539	469,476
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		312,539	469,476
Taxation			
- Current	29	68,254	33,572
- Prior years	29	-	-
- Deferred	29	55,475	124,422
		123,729	157,994
PROFIT AFTER TAXATION		188,810	311,482
		----- Rupees -----	
Basic earnings per share	30	0.3576	0.5900
Diluted earnings per share	30	0.3576	0.5900

The annexed notes 1 to 44 and Annexure 1 form an integral part of these consolidated financial statements.


CHAIRMAN


PRESIDENT / CHIEF EXECUTIVE


DIRECTOR


DIRECTOR

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2013

	2013	2012 (Restated)
	----- Rupees in '000 -----	
Profit after taxation for the year	188,810	311,482
Items not to be reclassified to profit or loss in subsequent periods		
Actuarial gain / (loss) on defined benefit plans	(12,660)	(2,556)
Tax effect	4,429	894
	(8,231)	(1,662)
Comprehensive income transferred to equity	180,579	309,820
Components of comprehensive income not reflected in equity :		
Surplus on revaluation of available for sale investments - net of tax	(20,195)	(37,269)
Total comprehensive income for the year	160,384	272,551

The annexed notes 1 to 44 and Annexure 1 form an integral part of these consolidated financial statements.


CHAIRMAN


PRESIDENT / CHIEF EXECUTIVE


DIRECTOR


DIRECTOR



Consolidated Cash Flow Statement

For the year ended December 31, 2013

	Note	2013	2012 (Restated)
		----- Rupees in '000 -----	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		312,539	469,476
Less: Dividend Income		(295)	(2)
		<u>312,244</u>	<u>469,474</u>
Adjustments:			
Depreciation	27	228,392	275,083
Amortisation	27	29,085	23,927
Depreciation on operating Ijarah assets		514,634	391,571
Provision / (reversal of provision) against non-performing Islamic financing and related assets - net	10.14	122,746	111,072
Reversal of provision for diminution of in value of investments	9.7	-	(15,000)
Other (reversals) / provisions		4,043	(4,754)
Charge for defined benefit plan	27	23,172	18,993
Gain on sale of property and equipment	25	(52,049)	(4,680)
		<u>870,023</u>	<u>796,212</u>
		<u>1,182,267</u>	<u>1,265,686</u>
(Increase) / decrease in operating assets			
Due from financial institutions		1,964,499	(4,039,408)
Islamic financing and related assets		(11,512,851)	(3,270,446)
Others assets (excluding advance taxation, defined benefit asset and dividend receivable)		(203,185)	(157,386)
		<u>(9,751,537)</u>	<u>(7,467,240)</u>
Increase / (decrease) in operating liabilities			
Bills payable		(415,448)	452,157
Due to financial institutions		916,585	821,415
Deposits and other accounts		11,059,375	13,641,942
Other liabilities (excluding current taxation)		265,512	228,789
		<u>11,826,024</u>	<u>15,144,303</u>
		<u>3,256,754</u>	<u>8,942,749</u>
Payments against defined benefit plan	33	(42,580)	(22,871)
Income tax paid		(59,786)	(42,613)
Net cash generated from operating activities		<u>3,154,388</u>	<u>8,877,265</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		(2,641,983)	(7,969,535)
Dividend received		2	2
Investments in operating fixed assets		(470,386)	(403,693)
Proceeds from disposal of operating fixed assets		115,185	6,713
Net cash used in investing activities		<u>(2,997,182)</u>	<u>(8,366,513)</u>
Increase in cash and cash equivalents			
Cash and cash equivalents at beginning of the year	31	5,744,994	5,234,242
Cash and cash equivalents at end of the year	31	<u>5,902,200</u>	<u>5,744,994</u>

The annexed notes 1 to 44 and Annexure 1 form an integral part of these consolidated financial statements.


CHAIRMAN


PRESIDENT / CHIEF EXECUTIVE


DIRECTOR


DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended December 31, 2013

	Share capital	Statutory reserve	Unappropriated profit/ (Accumulated losses)	Total
	----- Rupees in '000 -----			
Balance as at January 01, 2012 as previously reported	5,279,679	91,221	(233,205)	5,137,695
Effect of change in accounting policy with respect to accounting for remeasurement gains on defined benefit plan - net of tax (note 3.5)	-	-	12,209	12,209
Balance as at January 01, 2012 restated	5,279,679	91,221	(220,996)	5,149,904
Profit after taxation for the year transferred from Statement of Comprehensive Income - restated	-	-	311,482	311,482
Transfer to statutory reserve	-	82,171	(82,171)	-
Remeasurements of the net defined benefit liability / asset - net of tax	-	-	1,662	(1,662)
Balance as at December 31, 2012 - restated	5,279,679	173,392	6,653	5,459,724
Reversal of profit / return accrued on Islamic financing and related assets pertaining to prior years - note 13.1	-	-	(122,979)	(122,979)
Balance as at January 1, 2013 - restated	5,279,679	173,392	(116,326)	5,336,745
Profit after taxation for the year transferred from Statement of Comprehensive Income	-	-	188,810	188,810
Transfer to statutory reserve	-	37,054	(37,054)	-
Remeasurements of the net defined benefit liability / asset - net of tax	-	-	(8,231)	(8,231)
Balance as at December 31, 2013	5,279,679	210,446	27,199	5,517,324

The annexed notes 1 to 44 and Annexure 1 form an integral part of these consolidated financial statements.


CHAIRMAN


PRESIDENT / CHIEF EXECUTIVE


DIRECTOR


DIRECTOR



Notes to and forming part of the consolidated financial statements

For the year ended December 31, 2013

1 STATUS AND NATURE OF BUSINESS

The Group comprises of:

1.1 BankIslami Pakistan Limited (Holding Company)

BankIslami Pakistan Limited (the Bank) was incorporated in Pakistan as a public limited company on October 18, 2004 under the Companies Ordinance, 1984 to carry out the business of an Islamic Commercial Bank in accordance with the principles of Islamic Shariah.

The State Bank of Pakistan granted a 'Scheduled Islamic Commercial Bank' license to the Bank on March 18, 2005. The Bank commenced its operations as a Scheduled Islamic Commercial Bank with effect from April 07, 2006, on receiving Certificate of Commencement of Business from the State Bank of Pakistan (SBP) under section 37 of the State Bank of Pakistan Act, 1956. The Bank is principally engaged in corporate, commercial, consumer, retail banking activities and investment activities.

The Bank is operating through 201 branches including 89 sub branches as at December 31, 2013 (2012: 141 branches including 53 sub branches). The registered office of the Bank is situated at 11th Floor, Dolmen City, Marine Drive, Block-4, Clifton, Karachi. The shares of the Bank are quoted on the Karachi Stock Exchange Limited.

Based on the financial statements of the Bank for the year ended December 31, 2012, the Pakistan Credit Rating Agency (Private) Limited (PACRA) determined the Bank's long-term rating as 'A' and the short-term rating as 'A1'.

- 1.1.1 The SBP vide circular no. 07 of 2009 dated April 15, 2009 has increased the Minimum Capital Requirement (MCR) for banks upto Rs. 10 billion to be achieved in a phased manner by December 31, 2013. As per this circular, the MCR (free of losses) and Capital Adequacy Ratio (CAR) requirements as at December 31, 2013 is Rs 10 billion (2012: Rs 9 billion) and 10 percent (2012: 10 percent) respectively. The Board of Directors (BOD) of the Bank in their meeting held on February 07, 2011 had in principle agreed to issue right shares to increase its paid up capital (free of losses) to Rs. 6 billion. The SBP vide its letter no. BSD/BAI-3/608/2773/2011 dated March 7, 2011 had given extension to the Bank in timeline for meeting MCR (free of losses) amounting to Rs 6 billion till June 30, 2011.

Several extensions have been sought from SBP from time to time for meeting the capital requirement of Rs. 6 billion (free of losses) through issue of right shares. However, the process of right issue could not be initiated due to various reasons. The Bank has also been advised several times by the SBP for submission of concrete time bound capital plan for complying with prevailing and future regulatory capital requirements.

As a result of the above non-compliance, the SBP vide its letter no. BPRD/CA&PD/13711/2013 dated September 16, 2013 has raised the minimum CAR to be maintained by the Bank at all times to 14.5% and has also mentioned that this requirement can further be enhanced in case of non-injection of fresh capital by end of December 2013.

Most recently, the Bank vide its letter dated November 8, 2013, requested the SBP to approve the issuance of 63,191,153 right shares at a discounted price of Rs 6.33 per share (discount of Rs. 3.67 per share) to raise paid up capital of Rs. 400 million. Accordingly, the SBP has in-principle approved the issuance of right shares subject to the following conditions:

- The right issue must be fully and firmly underwritten
- The Bank will approach the Banking Policy and Regulations Department of the SBP for final approval after completion of all other regulatory and legal requirements, including SECP's requirements relating to issue of shares at a discount, prior to issuance of right shares.

The SBP in the said letter has further advised the Bank to submit a concrete, time bound board approved capital plan to meet the regulatory MCR Rs.10 billion.

The capital plan approved by the board of directors has been duly submitted by the Bank to the SBP vide its letter dated December 3, 2013.

The paid-up capital (free of losses) of the Bank amounted to Rs. 5.280 billion at December 31, 2013 and its CAR stood at 15.37 percent.

Subsequent to the year ended December 31, 2013, an extra ordinary general meeting of the shareholders was held on February 22, 2014 to approve the issuance of right shares at a discounted price of Rs 6.33 per share. The shareholders' approval has been taken and other legal requirements are under way.

1.2 BankIslami Modaraba Investments Limited (Subsidiary Company) - 100 percent holding

The subsidiary company was incorporated in Pakistan on January 22, 1986 under the Companies Ordinance, 1984 as a public limited company. Later on it was registered as a Modaraba Company with the Registrar of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. The principal activity of the subsidiary company is to float and operate Modaraba. The subsidiary company is managing its Modaraba with the name of Modaraba-Al-Mali. The principal place of business of the subsidiary company is situated at 10th Floor, Progressive Square, Shahrah-e-Faisal, Karachi.

The financial statements of the subsidiary company have been consolidated on a line-by-line basis and the carrying value of the investments held by the holding company has been eliminated against the shareholder's equity in the subsidiary company. Intra group balances or transactions have been eliminated.

The financial statements of the subsidiary company have been consolidated on the basis of reviewed condensed interim financial statements for the half year ended December 31, 2013.

The financial statements of "Modaraba Al-Mali", a modaraba floated by the subsidiary company in which it has 13 percent holding, have not been consolidated although the Group has control over Modaraba Al-Mali by virtue of management rights. The management of the Group is of the view that consolidated financial statements are required to be prepared only for subsidiaries as defined in the Companies Ordinance, 1984. "Modaraba Al-Mali" is a modaraba floated under the Modaraba Companies and Modaraba (floatation and control) Ordinance, 1980 and does not fall under the definition of subsidiary as defined under the Companies Ordinance, 1984. Hence, the financial statements of "Modaraba Al-Mali" are not required to be consolidated in the Group's consolidated financial statements.

2 BASIS OF PRESENTATION

2.1 The group provides financing mainly through Murabaha, Ijarah, Istisna, Diminishing Musharka, Musawama and other Islamic modes as briefly explained in note 5.3.

The purchases and sales arising under these arrangements are not reflected in these consolidated financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of profit thereon. The income on such financing is recognised in accordance with the principles of Islamic Shariah. However, income, if any, received which does not comply with the principles of Islamic Shariah is recognised as charity payable as directed by the Shariah Advisor of the Group.

3 STATEMENT OF COMPLIANCE

3.1 These consolidated 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, provisions of and directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, and the directives issued by the SECP and the SBP. Wherever the requirements of the provisions and directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, the IFAS notified under the Companies Ordinances, 1984 and the directives issued by the SECP and the SBP differ from the requirements of IFRS, the provisions of and the directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, IFAS notified under the Companies Ordinance, 1984 and the directives issued by the SECP and the SBP shall prevail.

- 3.2 The SBP through its BSD Circular No. 10 dated August 26, 2002, has deferred the implementation of International Accounting Standard (IAS) 39 - "Financial Instruments: Recognition and Measurement" and IAS 40 - "Investment Property" for Banking Companies in Pakistan, till further instructions. Accordingly, the requirements of these Standards have not been considered in the preparation of these consolidated financial statements. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7 "Financial Instruments: Disclosures" through its S.R.O. 411(I)/2008 dated April 28, 2008. Accordingly, the requirements of this standard have also not been considered in the preparation of these consolidated financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.
- 3.3 IFRS 8 "Operating Segments" is effective for the Group's accounting period beginning on or after January 1, 2009. All Banking Companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2006. The management of the Group believes that as the SBP has defined the segment categorisation in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these financial statements is based on the requirements laid down by the SBP.
- 3.4 The SBP vide its BSD Circular No. 07 dated April 20, 2010 has clarified that for the purpose of preparation of financial statements in accordance with International Accounting Standard - 1 (Revised), 'Presentation of Financial Statements', two statement approach shall be adopted i.e. separate 'Profit and Loss Account' and 'Statement of Comprehensive Income' shall be presented, and Balance Sheet shall be renamed as 'Statement of Financial Position'. Furthermore, only the surplus / (deficit) on revaluation of available for sale (AFS) securities, may be included in the 'Statement of Comprehensive Income'. However, it should continue to be shown separately in the Statement of Financial Position below equity. Accordingly, the above requirements have been adopted in the preparation of these consolidated financial statements.

3.5 Change in accounting policies and disclosures

- 3.5.1 IAS 1, 'Financial statement presentation' has been amended effective January 1, 2013. The main change resulting from these amendments is a requirement for entities to group items presented in 'Other Comprehensive Income' (OCI) on the basis of whether they are potentially reclassifiable to the profit or loss subsequently (reclassification adjustments). The specified change has been made in the consolidated statement of comprehensive income for the year.
- 3.5.2 IAS 19 (revised) 'Employee benefits' which became effective for annual periods beginning on or after January 1, 2013 amends accounting for employee benefits. The standard requires immediate recognition of past service cost and also replaces the expense on the defined benefit obligation and the expected return on plan assets with a expense based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year.

Further, a new term "remeasurements" has been introduced. This is made up of actuarial gains and losses and the difference between actual investment returns and the return implied by the expense on the defined benefit obligation. The standard requires "remeasurements" to be recognised in the Statement of Financial Position immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur.

During the year, the group has changed its accounting policy to comply with the changes made in IAS 19. As per the previous policy actuarial gains and losses were recognised in the profit and loss account over the future expected average remaining working lives of the employees to the extent of the greater of 10% of the present value of defined benefit obligation at that date and 10% of the fair value of plan assets at that date.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated. The effects of change in accounting policy have been summarised below:

	December 31, 2013	December 31, 2012	December 31, 2011
	----- Rupees in '000 -----		
Impact on Consolidated Statement of Financial Position			
Increase in other assets	12,827	22,118	18,783
Decrease in other liabilities	-	2,254	241
Decrease in deferred tax assets	4,373	5,680	6,574
Impact on Consolidated Profit and Loss Account			
Decrease in charge for defined benefit plan	3,203	5,890 *	-
Increase in Basic / Diluted Earning Per Share	0.0061	0.0112	
Impact on Consolidated Statement of Comprehensive Income			
Increase / (decrease) in other comprehensive income - net of tax	(8,120)	(1,662)**	-
Impact on Consolidated Statement of Changes in Equity			
(Increase) / decrease in accumulated losses			
- Cumulative effect from prior years- net of tax	-	12,209	12,209
* - Impact for the year ended December 31, 2012 - net of tax	-	5,890	
** - Impact for the year ended December 31, 2012 - net of tax	-	(1,662)	-

The Group's policy for Staff Retirement Benefits (note 5.6) and disclosure relating to Defined Benefit Plan (note 33) have been amended to comply with the requirements of IAS 19 (revised).

3.5.3 During the year, the Group has changed its accounting policy in respect of measurement of the carrying amount of its freehold land and building on lease hold land subsequent to initial recognition. In this respect the Group has decided to follow the revaluation model as allowed under International Accounting Standard (IAS) 16: 'Property, Plant and Equipment'. In accordance with the new policy the land and buildings of the Group shall be carried at revalued amount, being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluation of these assets shall be carried out with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date. Previously, the land and building were carried at their cost less accumulated depreciation and accumulated impairment losses. In the opinion of the management, the revised policy will result in a more realistic reflection of the value of these assets in the financial statements and is also in line with the policy generally followed by banking companies in Pakistan. In addition, the Group shall also be able to avail the benefit of revaluation surplus in its capital adequacy calculation as specified by the SBP. The impacts of this change have been disclosed in note 11.5 to these consolidated financial statements.

Surplus arising on revaluation is credited to the surplus on revaluation of assets account. This account is shown below equity in the Statement of Financial Position. Deficit arising on subsequent revaluation of fixed assets is adjusted against the balance in the above mentioned surplus account as allowed under the provisions of the Companies Ordinance, 1984. Any deficit in excess of the surplus previously recognised is charged to the profit and loss account. The surplus on revaluation of fixed assets to the extent of incremental depreciation charged on the related assets is transferred to the unappropriated profit.

3.5.4 Other standards, interpretations and amendments to published approved accounting standards that are effective in the current year:

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

3.6 Last year, the management of the Group had executed certain transactions relating to sale of ijarah sukuks and had recognised capital gain on such transactions amounting to Rs. 202.4 million. The State Bank of Pakistan (SBP) however had raised certain concerns on such transactions and directed the Group to reverse these transactions as if this had not happened.



In order to give effect to the SBP's directive, the requirements of IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors" have been considered and the impact of such transactions have been reversed in the consolidated financial statements by restating the comparative figures in note 9.3, 12, 13, 17, 18, 21, 23, 26, 28, and 29 of the consolidated financial statement. The effects are summarised below:

December 31,
2012
Rupees in '000

Impact on Consolidated Profit and Loss Account

Increase in Profit / return earned (pertaining to reversal of amortisation of premium)	29,607
Decrease in Gain on sale of securities	202,400
Decrease in Other charges (pertaining to reversal of WWF charge)	3,456
Decrease in Taxation - current (representing minimum tax)	864
Decrease in Taxation - deferred	58,404
Decrease in Basic / Diluted Earning Per Share	0.2085

Impact on Consolidated Statement of Comprehensive Income

Increase in surplus on revaluation of available for sale securities	172,793
Increase in Deferred Taxation	60,477
	<u>112,316</u>

Impact on Consolidated Statement of Financial Position

Increase in other assets (representing reversal of taxation recoverable)	864
Decrease in other liabilities (representing reversal of WWF charge)	3,456
Decrease in deferred tax assets (charged to profit and loss account)	58,404
Increase in deferred tax assets (charged to statement of comprehensive income)	60,477
Increase in surplus on revaluation of available for sale securities- net of tax	112,316

As a result of the above reversal the profit before taxation for the year ended December 31, 2013 has increased by Rs. 122.783 million and revaluation surplus for the year ended December 31, 2013 has increased by Rs. 50.010 million. Further, there is no material effect on the book value per share as at December 31, 2012 and December 31, 2013.

3.7 Standards, Interpretations and amendments to published approved accounting standards that are not yet effective:

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. IFAS 3 shall be followed with effect from the financial periods beginning after January 1, 2014 in respect of accounting for transactions relating to 'Profit and Loss Sharing on Deposits' as defined by the said standard. The standard would result in certain new disclosures in the consolidated financial statements of the Group.

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

3.8 Early adoption of standards

The Group has not early adopted any new or amended standard in 2013.

4 BASIS OF MEASUREMENT

4.1 Accounting convention

These consolidated financial statements have been prepared under the historical cost convention, except that certain fixed assets, certain investments, foreign currency balances and commitments in respect of foreign exchange contracts have been marked to market and are carried at fair value. Further, staff retirement benefits, as discussed in notes 5.6 and 33 to the consolidated financial statements have been carried at present values as determined under International Accounting Standard (IAS) 19 (revised) "Employee Benefits".

4.2 Functional and Presentation Currency

These consolidated financial statements are presented in Pakistani Rupees, which is the Group's functional and presentation currency.

4.3 Rounding off

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

4.4 Critical accounting estimates and judgments

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

- (a) Critical judgment in classification and valuation of investments in accordance with the Group's policy (notes 5.2 and 9).
- (b) Provision for non-performing Islamic financing and related assets (notes 5.3 and 10.14).
- (c) Determination of forced sales value of underlying securities of non performing Islamic financing and related assets (note 10.14.2.2).
- (d) Impairment of investments in equity instruments of subsidiary, associates and non associate entities (notes 5.2.5 and 9).
- (e) Staff retirement benefits (notes 5.6 and 33).
- (f) Depreciation and amortization methods of operating fixed assets (notes 5.4 and 11).
- (g) Assumption and estimation in recognition of provision for taxation (current and prior years) and deferred taxation (notes 5.5, 12, 17 and 29).

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Cash and cash equivalents

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

5.2 Investments

5.2.1 Classification

Investments of the Group, other than investments in associates and subsidiaries are classified as follows:

(a) Held-for-trading

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



(b) Held- to-maturity

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

(c) Available-for-sale

These are investments, other than those in subsidiaries and associates, which do not fall under the '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 the trade date, which is the date on which the Group 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 consolidated profit and loss account.

Premium or discount on debt securities classified as available for sale is amortised using the effective profit rate method and taken to the consolidated profit and loss account.

5.2.4 Subsequent measurement

Subsequent to initial recognition investments are valued as follows:

(a) Held-for-trading

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

(b) Held-to-maturity

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

(c) Available for sale

Quoted / Government securities are measured at fair value. Surplus / (deficit) arising on remeasurement is included in the consolidated statement of comprehensive income but is kept in a separate account shown in the statement of financial position below equity. The surplus / (deficit) arising on these securities is taken to the consolidated profit and loss account when actually realized upon disposal.

Unquoted equity securities are valued at the lower of cost and break-up value. Break up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments in other unquoted securities are valued at cost less impairment losses, if any.

(d) Investments in associates

Associates are all entities over which the Group has significant influence but not control. Investments in associate is carried at cost less accumulated impairment losses, if any.

(e) Investments in subsidiaries

Subsidiaries are all entities over which the Group has significant control. Investments in subsidiary is carried at cost less accumulated impairment losses, if any.

5.2.5 Impairment

Available for sale and Held to maturity investments

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

Investment in associates and subsidiaries

In respect of investment in associates, the Group reviews their carrying values at each reporting date to assess whether there is an indication of impairment. Such indication may include significant and prolonged decline in the market value, significant changes with an adverse impact on the entity, carrying amount of net assets in excess of market capitalisation etc. Management also takes into account that these investments are held for long term and therefore considers decline of upto 40% in value (applying significant decline criteria) and upto 12 months (for applying prolonged criteria) for the purposes of assessing significant and prolonged decline for listed investments. However, any threshold should be justifiable in view of other factors present for the entity. The amount of impairment loss would be determined based on the higher of value in use and fair value less cost to sell. Impairment loss is recognised in the consolidated profit and loss account.

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

5.3 Islamic financing and related assets

Islamic financing and related assets are financial products originated by the Group and principally comprise Murabaha, Istisn'a, Ijarah, Salam, Musawama and Diminishing Musharaka financing and the related assets. These are stated net of general and specific provisions.

Specific provision

The Group 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 the SBP, the Group maintains general provisions as follows:

	Secured	Unsecured
Consumer financings	1.5%	5.0%
Small enterprise financings	1.0%	2.0%

The net provision made / reversed during the year is charged to the 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 Islamic financing and related assets are stated net of specific and general provisions against non-performing Islamic financing and related assets which are charged to the consolidated profit and loss account.

Funds disbursed, under financing arrangements for purchase of goods / assets are recorded as advance. On culmination, financing are recorded at the deferred sale price net of profit. Goods purchased but remaining unsold at the statement of financial position date are recorded as inventories.



- 5.3.2 The rentals received / receivable on Ijarahs are recorded as income / revenue. Depreciation on Ijarah assets is charged to consolidated profit and loss account by applying the accounting policy consistent with the policy for depreciation of operating fixed assets.

Murabaha to the purchase orderer is a sale transaction wherein the first party (the Group) sells to the client / customer Shariah compliant assets / goods for cost plus a pre-agreed profit after getting title and possession of the same. In principle on the basis of an undertaking (Promise-to-Purchase) from the client (the purchase orderer), the Group purchases the assets / goods subject of the Murabaha from a third party and takes the possession thereof. However the Group can appoint the client as its agent to purchase the assets / goods on its behalf. Thereafter, it sells it to the client at cost plus the profit agreed upon in the promise.

Import Murabaha is a product, used to finance a commercial transaction which consists of purchase by the Group (generally through an undisclosed agent) the goods from the foreign supplier and selling them to the customer after getting the title to and possession of the goods. Murabaha financing is extended to all types of trade transactions i.e., under Documentary Credits (LCs), Documentary Collections and Open Accounts.

Istisn'a is a contract where the buyer (the Group) orders the client (seller / manufacturer) to manufacture and deliver specified goods at an agreed contract price upon completion. Istisn'a is used with Wakalah agreement to provide financing mainly to manufacturers. Thus the transaction consists of two legs: (i) Bai Istisn'a whereby the Group purchases goods from the client and (ii) Wakalah whereby the Group after receipt / possession of goods, appoints the client its agent to sell the goods in the market.

Ijarah is a contract where the owner of an asset transfers its usufruct (i.e. the usage right) to another person for an agreed period, at an agreed consideration.

Salam is a sale transaction where the seller undertakes to supply some specific goods to the buyer at a future date against an advance price fully paid on spot.

Musawama is a contract where the Group purchases tangible identified goods from client at an agreed purchase price. The Group then sells the goods in the market through agent (Client) at a higher price to earn its desired profit.

Diminishing Musharaka represents an asset in joint ownership whereby a partner promises to buy the equity share of the other partner until the title to the equity is totally transferred to him. The partner using the asset pays the proportionate rental of such asset to the other partner (the Group).

Musharaka / Modaraba are different types of partnerships in business with distribution of profit in agreed ratio and distribution of loss in the ratio of capital invested.

5.3.3 Ijarah Financing

Ijarah financing executed on or before December 31, 2008 have been accounted for under finance method, thereafter all Ijarah financing are accounted for under IFAS-2.

- (a) 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 a receipt basis. Income on Ijarah is recognised from the date of delivery of the respective assets to the mustajir (lessee).
- (b) Under IFAS-2 method, assets underlying Ijarah financing 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 financing net of depreciation charge are taken to the consolidated 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 and depreciation

5.4.1 Property and equipment

Fixed assets other than for freehold land and building on leasehold land are stated at cost less accumulated depreciation and accumulated impairment losses, if any. As noted in note 3.5.3 freehold land and building on lease hold land are now carried at revalued amount less any accumulated depreciation and subsequent impairment losses.

Depreciation is computed using the straight-line method consolidated by taking into consideration the estimated useful life of the related assets at the rates specified in note 11.2 to the financial statements. Depreciation on additions / deletions during the year is charged for the proportionate period for which the asset remained in use.

Subsequent costs are included in the assets' carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Maintenance and normal repairs are charged to the consolidated profit and loss account as and when incurred.

An item of property and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal.

Residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date. During the current year, the useful lives of certain assets have been revised (as more fully explained in note 11.2.2 to these consolidated financial statements) keeping in view the expected pattern of recovery of economic benefits associated with those assets.

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

5.4.2 Capital work in progress

These are stated at cost less accumulated impairment losses, if any.

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 the 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 impairment losses, if any.

Amortization on additions / deletions during the year is charged for the proportionate period for which the asset remained in use.

Software and other development costs are only capitalised to the extent that future economic benefits are expected to be derived by the Group.

5.4.4 Impairment

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

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately in the consolidated financial statements except for impairment loss on revalued assets, which is adjusted against related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.



Where an impairment loss reverses subsequently, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognized as income immediately except for impairment loss on revalued assets which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of assets.

5.5 Taxation

5.5.1 Current

The provision for current taxation is based on taxable income for the year at current rates of taxation, after taking into consideration available tax credits, rebates and tax losses as allowed 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.

5.5.2 Deferred

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

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

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

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

5.6 Staff retirement benefits

5.6.1 Defined benefit plan

The Group operates an approved funded gratuity scheme for its permanent employees. The liability recognised in the consolidated statement of financial position in respect of defined benefit gratuity scheme, is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets. Contributions to the fund are made on the basis of actuarial recommendations. The defined benefit obligation is calculated periodically by an independent actuary using the projected unit credit method. The last valuation was conducted as on December 31, 2013.

As noted in note 3.5.2 the amounts arising as a result of remeasurements are recognised in the Consolidated Statement of Financial Position immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur.

5.6.2 Defined contribution plan

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

5.7 Revenue recognition

- 5.7.1 Profit from Murabaha is accounted for on consummation of Murabaha transaction. However, profit on the portion of revenue not due for payment is deferred by accounting for deferred Murabaha income which is recorded as a liability. The same is then recognised as revenue on a time proportionate basis.

- 5.7.2 Profit from Istisn'a is recorded on accrual basis commencing from the time of sale of goods till the realisation of proceeds by the Group. Profit from Diminishing Musharaka, Salam and Musawama are recognised on a time proportionate basis.
- 5.7.3 The Group follows the finance method in recognising income on Ijarah contracts written upto December 31, 2008. Under this method the unearned income i.e. 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 a receipt basis. Income on Ijarah is recognised from the date of delivery of the respective assets to the mustajir (lessee).
- Profit from Ijarah contracts entered on or after January 01, 2009 is recognized in the profit and loss account over the term of the contract net of depreciation expense relating to the Ijarah assets.
- 5.7.4 Provisional profit of Musharaka / Modaraba financing is recognised on an accrual basis. Actual profit / loss on Musharaka and Modaraba financing is adjusted after declaration of profit by Musharaka partner / mudarib or on liquidation of Musharaka / Modaraba.
- 5.7.5 Profit on classified financing is recognised on receipt basis.
- 5.7.6 Dividend income is recognised when the right to receive the dividend is established.
- 5.7.7 Gains and losses on sale of investments are included in the consolidated profit and loss account.
- 5.7.8 Fee on issuance of letter of credit and acceptance is recognised on receipt basis as generally the transaction consummates within an accounting period. Fee on guarantees, if considered material, is recognised over the period of guarantee.
- 5.7.9 Profit on Sukuks is recognised on an accrual basis. Where Sukuks (excluding held for trading securities) are purchased at a premium or discount, those premiums / discounts are amortised through the consolidated profit and loss account over the remaining maturity, using the effective yield method.

5.8 Financial Instruments

5.8.1 Financial assets and financial liabilities

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

5.8.2 Offsetting of financial instruments

Financial assets and financial liabilities are off-set and the net amount is reported in the consolidated financial statements only when there is a legally enforceable right to set-off the recognised amount and the Group 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 consolidated financial statements.

5.8.3 Derivatives

Derivative financial instruments are recognised at fair value. In the case of equity futures, the fair value is calculated with reference to quoted market price. Derivatives with positive market values (unrealised gains) are included in other receivables and derivatives with negative market values (unrealised losses) are included in other liabilities in the consolidated statement of financial position. The resultant gains and losses are taken to consolidated profit and loss account currently.



5.9 Foreign currencies

Functional and presentation currency

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

Foreign currency transactions

Foreign currency transactions are translated into local currency at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into rupees at the exchange rates prevailing at the statement of financial position date. Forward exchange promises are revalued using forward exchange rates applicable to their respective remaining maturities.

Translation gains and losses

Translation gains and losses are included in the consolidated profit and loss account.

Commitments

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

5.10 Acceptances

Acceptances comprise promises by the Group to pay bills of exchange drawn on customers. The Group 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.

5.11 Fiduciary assets

Assets held in a fiduciary capacity are not treated as assets of the Group in the consolidated financial statements.

5.12 Provisions and contingent assets and liabilities

Provisions are recognized when the Group has a present legal or constructive obligation arising as a result of past events and 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.

Provisions for guarantee claims and other off balance sheet obligations are recognised when intimated and reasonable certainty exists for the Group to settle the obligation. Charge to the consolidated profit and loss account is stated net of expected recoveries.

5.13 Deferred costs

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

5.14 Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing products 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 Group's primary format of reporting is based on business segments.

5.14.1 Business segments

Trading and sales

It includes equity, foreign exchanges, commodities, credit, funding, own position securities, placements and islamic financing and related assets.

Retail banking

It includes retail islamic financing and related assets, 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.

Support Centre

It includes the assets and liabilities relating to support functions at Head Office and their related income and expenses.

5.14.2 Geographical segment

The Group has 201 branches including 89 sub branches (2012: 141 branches including 53 sub branches) and operates only in Pakistan.

5.15 Assets acquired in satisfaction of claims

Assets acquired in satisfaction of claims are stated at the lower of the financed amount and their market value at the time of acquisition. The Group carries out periodic valuation of these assets and any decline in their value below the recognized amount is charged to the consolidated profit and loss account. These assets are disclosed in other assets as specified by the SBP.

5.16 Earnings per share

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

	Note	2013	2012 (Restated)
		----- Rupees in '000 -----	
6 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
- local currency		1,215,408	937,126
- foreign currency		189,972	158,943
		<u>1,405,380</u>	<u>1,096,069</u>
With the State Bank of Pakistan in			
- local currency current account	6.1	2,397,423	2,850,184
- foreign currency deposit accounts			
Cash Reserves Account	6.2	85,840	67,228
Special Cash Reserve Account	6.3	103,744	80,925
US Dollar Clearing Account		49,760	19,296
		<u>239,344</u>	<u>167,449</u>
With National Bank of Pakistan in			
- local currency current account		841,336	825,010
		<u>4,883,483</u>	<u>4,938,712</u>



- 6.1 This represents Rs.2,397.423 million (2012: Rs. 2,850.184 million) held against Cash Reserve Requirement and Statutory Liquidity Requirement. The local currency current account is maintained with the State Bank of Pakistan (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 SBP.
- 6.2 As per BSD Circular No. 15 dated June 21, 2008, cash reserve of 5% is required to be maintained with the State Bank of Pakistan on deposits held under the New Foreign Currency Accounts Scheme (FE-25 deposits).
- 6.3 Special cash reserve of 6% is required to be maintained with SBP on FE-25 deposits as specified in BSD Circular No. 15 dated June 21, 2008. During the year this deposit was not remunerated (2012: Nil).

	Note	2013	2012
		----- Rupees in '000 -----	
7 BALANCES WITH OTHER BANKS			
In Pakistan			
- on current accounts		7,359	7,917
- on deposit accounts	7.1	50,282	291
		57,641	8,208
Outside Pakistan			
- on current accounts		961,076	798,074
- on deposit accounts		-	-
		961,076	798,074
		1,018,717	806,282

- 7.1 Represents deposits with various Islamic commercial banks under Musharaka and Modaraba arrangements with maturities less than 3 months. The expected profit rate on these arrangements is 6% (2012: 6 %) per annum.

	Note	2013	2012
		----- Rupees in '000 -----	
8 DUE FROM FINANCIAL INSTITUTIONS			
Sukuk Murahaba	8.1	6,418	6,418
Commodity Murahaba - local currency	8.2 & 8.3	6,511,173	4,975,672
		6,517,591	4,982,090
Musharaka Placement		-	3,500,000
		6,517,591	8,482,090
Provision against Sukuk Murahaba	8.1	(6,418)	(6,418)
		6,511,173	8,475,672

- 8.1 The Group entered into Sukuk Murabaha arrangement under which the Group appointed its client as an agent under asset purchase agreements to purchase the underlying sukuk from the open market on its behalf and later sell them on deferred Murahaba basis. The maturity date of the deal was February 08, 2009. The Group is making efforts to recover the outstanding balance and has made a provision against the outstanding amount.
- 8.2 The Group has entered into Commodity Murahaba agreements under which the Group purchases an underlying commodity from the open market through an agent and sells it to a financial institution on credit with profit. The profit rates on the agreement range between 9.95% to 10.35% (2012: 6.95 % to 9.75%) per annum and the agreements have a maturity ranging from 2 days to 7 days.(2012: 2 days to 63 days).

	2013	2012
	----- Rupees in '000 -----	
8.3 Commodity Murabaha sale price	513,190,977	442,116,530
Purchase price	(512,592,000)	(441,486,000)
	<u>598,977</u>	<u>630,530</u>

Deferred Commodity Murabaha income

Opening balance	33,145	7,399
Deferred during the year	598,977	630,530
Recognised during the year	(627,399)	(604,784)
	<u>4,723</u>	<u>33,145</u>

Commodity Murabaha

Opening balance	4,975,672	3,911,264
Sales during the year	513,190,977	442,116,530
Received during the year	(511,655,476)	(441,052,122)
	<u>6,511,173</u>	<u>4,975,672</u>

8.4 Particulars of amounts due from financial institutions with respect to currencies:

- In local currency	6,517,591	8,482,090
- In foreign currency	-	-
	<u>6,517,591</u>	<u>8,482,090</u>

9 INVESTMENTS

9.1 Investments by types

		-----2013-----		-----2012 (Restated)-----			
	Note	Held by the Bank	Given as collateral	Total	Held by the Bank	Given as collateral	Total
		----- Rupees in '000 -----					
Available for sale securities							
Sukuk / Certificates	9.2	31,255,943	-	31,255,943	27,653,960	-	27,653,960
Units of Open-end mutual fund	9.2	15	-	15	960,015	-	960,015
Units of Closed-end mutual fund	9.2	6	-	6	6	-	6
		31,255,964	-	31,255,964	28,613,981	-	28,613,981
Modaraba							
Modaraba-Al-Mali	9.2	16,208	-	16,208	16,208	-	16,208
Total investments at cost		31,272,172	-	31,272,172	28,630,189	-	28,630,189
Less: Provision for diminution in value of investments	9.7	(13,866)	-	(13,866)	(13,866)	-	(13,866)
Investments - net of Provisions		31,258,306	-	31,258,306	28,616,323	-	28,616,323
Surplus on revaluation of available-for-sale securities	21	170,996	-	170,996	201,605	-	201,605
Total investments at market value		31,429,302	-	31,429,302	28,817,928	-	28,817,928



	Note	2013	2012 (Restated)
----- Rupees in '000 -----			
9.2 Investments by segments			
Federal Government Securities			
GOP Ijarah Sukuks	9.3	29,283,051	25,485,358
Sukuk certificates			
Sukuks - unlisted	9.3	1,972,892	2,168,602
Fully paid up ordinary shares / Units			
Modaraba Certificates	9.6	16,208	16,208
Units of Open-end Mutual Funds	9.4	15	960,015
Units of Closed-end Mutual Funds	9.4	6	6
Total investments at cost		31,272,172	28,630,189
Less: Provision for diminution in value of investments	9.7	(13,866)	(13,866)
Investments - net of provisions		31,258,306	28,616,323
Surplus on revaluation of available-for-sale securities	21	170,996	201,605
Total investments at market value		31,429,302	28,817,928

9.3 Available for sale securities

Name of the investee company	Note	2013 Number of Certificates	2012	Face Value	2013 Cost	2012 (Restated) Cost
----- Rupees in '000 -----						
Sukuk Certificates						
Federal Government						
Ijarah GOP Sukuk - 5	9.3.1	-	58,550	Rs. 100,000	-	5,860,017
Ijarah GOP Sukuk - 6	9.3.2	-	25,000	Rs. 100,000	-	2,500,000
Ijarah GOP Sukuk - 7	9.3.3	31,500	31,500	Rs. 100,000	3,150,070	3,150,450
Ijarah GOP Sukuk - 8	9.3.4	22,500	22,500	Rs. 100,000	2,250,044	2,250,155
Ijarah GOP Sukuk - 9	9.3.5	43,550	36,250	Rs. 100,000	4,362,278	3,634,751
Ijarah GOP Sukuk - 10	9.3.6	44,750	25,750	Rs. 100,000	4,493,162	2,575,663
Ijarah GOP Sukuk - 11	9.3.7	30,000	30,000	Rs. 100,000	3,000,000	3,000,000
Ijarah GOP Sukuk - 12	9.3.8	89,500	25,000	Rs. 100,000	9,010,419	2,514,322
Ijarah GOP Sukuk - 13	9.3.9	14,965	-	Rs. 100,000	1,509,199	-
Ijarah GOP Sukuk - 14	9.3.10	15,000	-	Rs. 100,000	1,507,879	-
					29,283,051	25,485,358
Others						
WAPDA First Sukuk Certificates		-	-	Rs. 5,000	-	-
WAPDA Second Sukuk Certificates	9.3.11	134,000	134,000	Rs. 5,000	446,170	557,562
Pak Electron Sukuk	9.3.12	60,000	60,000	Rs. 5,000	128,571	128,571
Amtex Sukuk	9.3.13	59,000	59,000	Rs. 5,000	221,250	221,250
Engro Fertilizer Sukuk	9.3.14	65,000	65,000	Rs. 5,000	323,802	323,105
Security Leasing Sukuk	9.3.15	2,000	2,000	Rs. 5,000	3,284	3,691
Third Sitara Chemicals Sukuk	9.3.16	-	8,000	Rs. 5,000	-	3,333
New Allied Electronics (LG) - Sukuk	9.3.17	11,000	11,000	Rs. 5,000	55,000	55,000
Sui Southern Gas Company Sukuk	9.3.18	120,000	120,000	Rs. 5,000	600,000	600,000
Kohat Cement Sukuk	9.3.19	27,000	27,000	Rs. 5,000	9,151	30,984
Eden Housing Sukuk	9.3.20	50,000	50,000	Rs. 5,000	55,576	118,437
Optimus Sukuk	9.3.21	50,000	50,000	Rs. 5,000	62,503	104,169
HBFC Sukuk	9.3.22	15,000	15,000	Rs. 5,000	7,500	22,500
Central Bank of Bahrain (FCY Sukuk)	9.3.23	5	-	USD 100,000	60,085	-
					1,972,892	2,168,602
					31,255,943	27,653,960

- 9.3.1 The profit rate on these sukuks comprises of six months weighted average yield of six month market treasury bills. The principal has been redeemable on maturity in November 2013. These were backed by Government of Pakistan's Sovereign Guarantee.
- 9.3.2 The profit rate on these sukuks comprises of six months weighted average yield of six month market treasury bills. The principal has been redeemable on maturity in December 2013. These were backed by Government of Pakistan's Sovereign Guarantee.
- 9.3.3 The profit rate on these sukuks comprises of six months weighted average yield of six month market treasury bills. The principal is redeemable on maturity in March 2014. These are backed by Government of Pakistan's Sovereign Guarantee.
- 9.3.4 The profit rate on these sukuks comprises of six months weighted average yield of six month market treasury bills. The principal is redeemable on maturity in May 2014. These are backed by Government of Pakistan's Sovereign Guarantee.
- 9.3.5 The profit rate on these sukuks comprises of six months weighted average yield of six month market treasury bills. The principal is redeemable on maturity in December 2014. These are backed by Government of Pakistan's Sovereign Guarantee.
- 9.3.6 The profit rate on these sukuks comprises of six months weighted average yield of six month market treasury bills. The principal is redeemable on maturity in March 2015. These are backed by Government of Pakistan's Sovereign Guarantee.
- 9.3.7 The profit rate on these sukuks comprises of six months weighted average yield of six month market treasury bills. The principal is redeemable on maturity in April 2015. These are backed by Government of Pakistan's Sovereign Guarantee.
- 9.3.8 The profit rate on these sukuks comprises of six months weighted average yield of six month market treasury bills. The principal is redeemable on maturity in June 2015. These are backed by Government of Pakistan's Sovereign Guarantee.
- 9.3.9 The profit rate on these sukuks comprises of six months weighted average yield of six month market treasury bills - 25 basis points. The principal is redeemable on maturity in September 2015. These are backed by Government of Pakistan's Sovereign Guarantee.
- 9.3.10 The profit rate on these sukuks comprises of six months weighted average yield of six month market treasury bills - 30 basis points. The principal is redeemable on maturity in March 2016. These are backed by Government of Pakistan's Sovereign Guarantee.
- 9.3.11 These carry profit at the rate of six months KIBOR minus 25 basis points (2012: six months KIBOR minus 25 basis points) receivable on semi-annual basis with maturity in July 2017. The principal is repayable in 12 equal semi-annual installments with first installment falling due in the 54th month from the first drawdown date. The issue amount and rentals are backed by Government of Pakistan's Sovereign Guarantee.
- 9.3.12 These Sukuks have further been restructured during the current year. These Sukuks carry profit at the rate of three months KIBOR plus 175 basis points (2012: three months KIBOR plus 175 basis points) receivable quarterly based on Diminishing Musharaka mechanism with maturity in September 2016. The outstanding principal will be redeemed in 6 equal quarterly installments starting from June 2015.
- 9.3.13 The sukuks have been matured in October 2012. As per the terms, principal was due to be redeemed in 12 consecutive quarterly installments with the first such installment falling due not later than the end of 27 months from the last draw down. These Sukuks are backed by guarantee of Rs. 740 million from



the Bank of Punjab. During 2010, Amtex defaulted in its principal repayment. Consequently, the Group suspended the accrual of profit on the Sukuk. In 2011, the Group called the guarantee provided by the Bank of Punjab. During the year 2012, the guarantee has expired however, the legal advisor of the Group is of the opinion that the amount will be recovered as the guarantee for the same had been called before its expiry.

9.3.14 These carry profit at the rate of six months KIBOR plus 150 basis points (2012: six months KIBOR plus 150 basis points) receivable semi annually based on Diminishing Musharaka mechanism with maturity in September 2015. Principal repayment to be made in two consecutive, equal semi annual installments, the first such installment falling due on the 90th month from the date of the first contribution under the facility. As a security first pari passu charge has been provided on all present and future fixed assets of the Company with margin.

9.3.15 These Sukuks have been further restructured w.e.f. March 2011. After restructuring these Sukuks carry profit at the rate of 0%, (2012: 0%). The accrued profit amount to be repaid in six equal monthly installments starting from 43rd month. Principal to be repaid in 48 months starting from April 2010. As per the new restructured plan principal will be repaid in 36 monthly installments and the accrued portion of profit upto March 2011 has also been waived.

However, the issuer was unable to comply with the above restructuring plan and has executed a revised restructuring plan which has been approved by the minority sukuk holders. Currently, the customer is making payments as per the restructuring plan approved by the minority sukuk holders.

9.3.16 These carried profit at the rate of three months KIBOR plus 100 basis points receivable quarterly based on Diminishing Musharaka mechanism. The sukuk matured in December 2012.

9.3.17 These carry profit at the rate of three months KIBOR plus 220 basis points (2012: three months KIBOR plus 220 basis points) receivable semi-annually with maturity in December 2012. The principal was to be repaid in 6 consecutive semi-annual installments, the first such installment falling not later than the end of 30th month from the date of issue. As a security first pari passu charge over all present and future fixed assets amounting to Rs. 800 million of the company, irrevocable guarantee of a Financial Institution and Personal Guarantee of sponsoring directors has been provided. The customer has defaulted in its payments towards the Group. An amount of Rs. 55 million has been deposited with the Group over which lien in favour of the Group has been marked. Hence, no provision has been recognised by the Group.

9.3.18 These carry profit at the rate of three months KIBOR plus 75 basis points receivable on quarterly basis. The purchase price and rentals are backed by Government of Pakistan's Sovereign Guarantee. As a security first pari passu charge over fixed assets of the company or equitable mortgage on selected land and building with 25% margin had been provided.

9.3.19 These sukuks have been restructured in 2012. These Sukuks carry profit at the rate of three months KIBOR plus 150 basis points (2012: three months KIBOR plus 150 basis points) receivable quarterly based on Diminishing Musharaka mechanism with maturity in September 2016. As per the new "Restructuring Agreement", principal to be redeemed with revised mechanism and profit for the first four quarters will go into a frozen account, which will be retired through payments made from the 13th quarter to the 20th quarter. As a security first ranking hypothecation charge over all present and future fixed assets of the company equivalent to the facility amount, along with 25% margin and first ranking mortgage over all present and future immoveable properties of the Company with a 25% margin over the facility amount has been provided.

- 9.3.20 These Sukuks carry profit at the rate of three months KIBOR plus 250 basis points upto June 29, 2013 and three months KIBOR plus 300 basis points for the period between June 30, 2013 and June 29, 2014. (2012: three months KIBOR plus 250 basis points upto June 29, 2013 and three months KIBOR plus 300 basis points for the period between June 30, 2013 and June 29, 2014) receivable quarterly based on Diminishing Musharaka mechanism with maturity in June 2014. These sukuks were restructured in 2010, accordingly the principal redemption started from September 2010 till June 2014 and will be calculated using the percentage as mentioned in the "Restructuring Agreement". As a security charge over hypothecated assets amounting to Rs. 2,445 million (inclusive of approximately 33.5% margin) and a charge over the mortgaged property of the company amounting to Rs. 1,820 million (inclusive of 10% margin) has been created by the issuer in favour of the trustee.
- 9.3.21 These carry profit at the rate of six months KIBOR plus 125 basis points (2012: six months KIBOR plus 125 basis points) receivable quarterly based on Diminishing Musharaka mechanism with maturity in April 2015. The principal will be repaid in 24 consecutive quarterly installments, the first such installment falling due not later than the end of the 15th month from the last drawdown. As a security, first specific charge on specified vehicles amounting to Rs. 250 million of the company (on market value to be established every year by approved valuator) and a 25% margin over the principal amount in the form of first floating charge on the company's present and future current assets has been provided.
- 9.3.22 These carry profit at the rate of six months KIBOR plus 100 basis points (2012: six months KIBOR plus 100 basis points) receivable semi annually and the first such profit payment will fall due after six months from the issue date with maturity in May 2014. As a security first charge over specific assets of the Company with 25% security margin has been provided. The principal will be redeemed in 10 equal semi-annual installments starting from 18th month of the date of issue of Sukuk.
- 9.3.23 The profit coupon rate of these sukuk is 6.273 percent per annum receivable semi annually with maturity in November 2018. These Securities are held through a custodian. These were backed by Government of Bahrain's Sovereign Guarantee.

9.4 Details of investments in Mutual Funds

	2013	2012	2013	2012
Name of investee fund	Number of units		Cost (Rupees in '000)	
Open - ended mutual funds				
Meezan Cash Fund	151	141	5	5
Meezan Islamic Fund	277	199	5	5
Meezan Islamic Income Fund	147	131	5	5
ABL Islamic Income Fund	-	23,992,802	-	240,000
UBL Islamic Sovereign Fund	-	2,389,962	-	240,000
Askari Islamic Income Fund	-	2,389,327	-	240,000
MCB Islamic Income Fund	-	2,397,123	-	240,000
			15	960,015
Closed end mutual funds				
Meezan Balanced Fund	1,000	1,000	6	6
			21	960,021

9.5 Quality of Available for Sale Securities

	2013	2012	2013	2012
	Long / Medium Term Rating (Where available) *		----- Rupees in '000 -----	
Sukuks / Certificates - (at market value / cost)				
Ijarah GOP Sukuk - 5	-	Unrated	-	5,897,742
Ijarah GOP Sukuk - 6	-	Unrated	-	2,523,250
Ijarah GOP Sukuk - 7	Unrated	Unrated	3,154,725	3,179,610
Ijarah GOP Sukuk - 8	Unrated	Unrated	2,262,150	2,272,050
Ijarah GOP Sukuk - 9	Unrated	Unrated	4,396,372	3,655,087
Ijarah GOP Sukuk - 10	Unrated	Unrated	4,524,673	2,603,066
Ijarah GOP Sukuk - 11	Unrated	Unrated	3,032,700	3,027,300
Ijarah GOP Sukuk - 12	Unrated	Unrated	9,051,135	2,524,000
Ijarah GOP Sukuk - 13	Unrated	-	1,514,907	-
Ijarah GOP Sukuk - 14	Unrated	-	1,515,750	-
WAPDA Second Sukuk Certificates	Unrated	Unrated	446,935	560,232
Pak Elektron Limited Sukuk - Sukuk	Withdrawn	A	128,571	128,571
Amtex Sukuk - Sukuk	Unrated	D (SO)	221,250	221,250
Engro Chemicals Pakistan Limited - Sukuk	A-	A	323,802	323,105
Security Leasing - Sukuk	Unrated	Unrated	3,284	3,691
Sitara Chemical Industries Limited - Third Sukuk	-	A+	-	3,333
New Allied Electronics (LG) - Sukuk	Unrated	Default	55,000	55,000
Sui Southern Gas Company Limited - Sukuk	AA-	AA-	600,000	600,000
Kohat Cement - Sukuk	Unrated	Withdrawn	9,151	30,984
Eden Housing - Sukuk	Unrated	D	55,576	118,437
Optimus - Sukuk	A	A	62,503	104,169
House Building Finance Corporation - Sukuk	A	A	7,500	22,500
Central Bank of Bahrain (FCY Sukuk)	BBB	-	59,621	-
			31,425,605	27,853,377
Units of open-end mutual funds (at market value)				
Meezan Cash Fund	AA(f)	AA(f)	8	7
Meezan Islamic Fund	5 Star	MFR 5-Star	14	10
Meezan Islamic Income Fund	A-(f)	A+(f)	7	7
ABL Islamic Income Fund	-	A+(f)	-	240,307
UBL Islamic Sovereign Fund	-	AA-	-	240,000
Askari Islamic Income Fund	-	AA-	-	240,183
MCB Islamic Income Fund	-	A-(f)	-	240,231
Units of closed-end mutual funds (at market value)				
Meezan Balanced Fund	AM2	AM2	14	12
			43	960,757
			31,425,648	28,814,134
Less: Provision for diminution in the value of investments			(13,866)	(13,866)
			31,411,782	28,800,268

* Entity rating was used where sukuk rating was not available.

9.6 Details of investment in unlisted subsidiary

Name of investee Certificates	Percentage Holding		Number of Certificates		Market Value		Cost	
	2013	2012	2013	2012	2013	2012	2013	2012
Modaraba Al-Mali (related party)	13	13	2,342,177	2,342,177	3,654	3,794	16,208	16,208

Note 2013 2012
----- Rupees in '000 -----

9.7 Particular of provision for diminution in the value of investments

Opening balance	13,866	28,866
Charge for the year	-	-
Reversal during the year	-	(15,000)
Closing balance	13,866	13,866

10 ISLAMIC FINANCING AND RELATED ASSETS

In Pakistan			
- Murabaha financing and related assets	10.1, 10.6 & 10.8	9,304,737	7,550,602
- Istisna financing and related assets	10.2 & 10.7	9,231,316	5,573,155
- Diminishing Musharka - Housing		2,305,290	1,645,458
- Diminishing Musharka financing and related assets			
- Others	10.3	5,498,705	5,646,582
- Against Bills - Murabaha		25,026	1,505
- Against Bills - Musawama		-	-
- Post Due Acceptance		29,076	38,192
- Salam		250,000	-
- Musawama financing and related assets	10.4	9,150,261	4,920,580
- Financing to employees	10.10 & 10.15	973,125	661,837
		36,767,536	26,037,911
Housing finance portfolio		120,022	153,637
Net investment in Ijarah financing in Pakistan	10.11	106,097	180,591
Ijarah financing under IFAS 2 and related assets	10.5	1,938,391	1,561,690
Gross financing and related assets		38,932,046	27,933,829
Less: Provision against non-performing Financing and related assets			
- Specific	10.13 & 10.14	(575,843)	(467,002)
- General		(47,470)	(33,565)
Islamic financing and related assets – net of provisions		38,308,733	27,433,262

10.1 Murabaha financing and related assets

Murabaha financing	6,577,204	6,250,321
Advance against Murabaha financing	2,727,533	1,300,281
	9,304,737	7,550,602



	Note	2013	2012
		----- Rupees in '000 -----	
10.2 Istisn'a financing and related assets			
Istisn'a financing		3,015,335	3,106,141
Advance against Istisn'a financing		5,976,931	2,306,884
Istisn'a inventories		239,050	160,130
		<u>9,231,316</u>	<u>5,573,155</u>
10.3 Diminishing Musharka financing and related assets			
Diminishing Musharka financing		5,486,460	5,637,986
Advance against Diminishing Musharka financing		12,245	8,596
		<u>5,498,705</u>	<u>5,646,582</u>
10.4 Musawama financing and related assets			
Musawama financing		2,030,121	4,362,980
Musawama inventories		7,120,140	557,600
		<u>9,150,261</u>	<u>4,920,580</u>
10.5 Ijarah financing under IFAS 2 and related assets			
Net book value of assets / investment in Ijarah under IFAS 2	10.12.1	1,769,147	1,339,796
Advance against Ijarah financing		169,244	221,894
		<u>1,938,391</u>	<u>1,561,690</u>
10.6 Murabaha financing and related assets includes financing amounting to Rs.571.770 million (2012: Rs. 138.241 million) against Murabaha and advance amounting to Rs. 42 million (2012: Rs. 230 million) under Islamic Export Refinance Scheme.			
10.7 Istisna financing and related assets includes financing amounting to Rs. Nil (2012: Rs. 255.015 million) against Istisna and advance amounting to Rs. 30 million (2012: Rs. 65.4 million) under Islamic Export Refinance Scheme.			
		2013	2012
		----- Rupees in '000 -----	
10.8 Murabaha sale price		21,917,500	20,508,225
Purchase price		(21,214,875)	(19,708,785)
		<u>702,625</u>	<u>799,440</u>
10.8.1 Deferred Murabaha income			
Opening balance		116,877	125,122
Arising during the year		702,625	799,440
Recognised during the year		(684,471)	(807,685)
		<u>135,031</u>	<u>116,877</u>
10.8.2 Murabaha receivable			
Opening balance		6,250,321	6,343,955
Sales during the year		21,917,500	20,508,225
Received during the year		(21,590,617)	(20,601,859)
		<u>6,577,204</u>	<u>6,250,321</u>

Note **2013** 2012
----- Rupees in '000 -----

10.9 Particulars of Islamic financing and related assets

10.9.1 In local currency	<u>38,932,046</u>	<u>27,933,829</u>
10.9.2 Short -Term (for upto one year)	<u>28,019,435</u>	<u>19,087,562</u>
Long- Term (for over one year)	<u>10,912,611</u>	<u>8,846,267</u>
	<u>38,932,046</u>	<u>27,933,829</u>

10.10 This includes Rs 3.421 million (2012: Rs 2.006 million) markup free financing to employees advanced under Group's Human Resource Policy.

10.11 Net investment in Ijarah financing in Pakistan

	2013				2012			
	Not later than one year	Later than one and less then five years	Over five years	Total	Not later than one year	Later than one and less then five years	Over five years	Total
----- Rupees in '000 -----								
Ijarah rentals receivable	51,269	19,447	-	70,716	73,354	67,966	-	141,320
Residual value	32,107	8,811	-	40,918	63,230	9,215	-	72,445
Minimum Ijarah payments	83,376	28,258	-	111,634	136,584	77,181	-	213,765
Profit for future periods	(3,118)	(2,419)	-	(5,537)	(15,325)	(17,849)	-	(33,174)
Present value of minimum Ijarah payments	<u>80,258</u>	<u>25,839</u>	<u>-</u>	<u>106,097</u>	<u>121,259</u>	<u>59,332</u>	<u>-</u>	<u>180,591</u>

10.12 Net investment in Ijarah financing - IFAS 2

	2013				2012			
	Not later than one year	Later than one and less then five years	Over five years	Total	Not later than one year	Later than one and less then five years	Over five years	Total
----- Rupees in '000 -----								
Ijarah rentals receivable	<u>738,376</u>	<u>1,116,968</u>	<u>-</u>	<u>1,855,344</u>	<u>514,084</u>	<u>790,405</u>	<u>-</u>	<u>1,304,489</u>

10.12.1 Ijarah Assets

	2013							
	Cost			Accumulated depreciation			Book value as at December 31, 2013	Rate of Depreciation %
	As at January 01, 2013	Addition / (deletions) / (transfers)	As at December 31, 2013	As at January 01, 2013	Charge / (deletions)	As at December 31, 2013		
----- Rupees in '000 -----								
Plant and Machinery	522,073	323,497 (115,437)	730,133	205,052	173,903 (109,583)	269,372	460,761	20-33.33
Vehicles	1,422,471	775,052 (305,385)	1,892,138	399,696	340,731 (156,675)	583,752	1,308,386	20-33.33
	<u>1,944,544</u>	<u>1,098,549</u> <u>(420,822)</u>	<u>2,622,271</u>	<u>604,748</u>	<u>514,634</u> <u>(266,258)</u>	<u>853,124</u>	<u>1,769,147</u>	

2012							
Cost			Accumulated depreciation			Book value as at December 31, 2012	Rate of Depreciation %
As at January 01, 2012	Addition / (deletions) / (transfers)	As at December 31, 2012	As at January 01, 2012	Charge / (deletions)	As at December 31, 2012		
----- Rupees in '000 -----							
565,823	107,015 (150,765)	522,073	135,764	151,806 (82,518)	205,052	317,021	20-33.33
854,646	709,425 (141,600)	1,422,471	227,440	239,765 (67,509)	399,696	1,022,775	20-33.33
1,420,469	816,440 (292,365)	1,944,544	363,204	391,571 (150,027)	604,748	1,339,796	

10.13 Islamic financing and related assets include Rs. 1,108.871 million (2012: Rs 1,205.222 million) which have been placed under non-performing status as follows:

Category of Classification	2013								
	Classified financing and related assets			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
----- Rupees in '000 -----									
Other Assets especially mentioned (OAEM)	-	-	-	-	-	-	-	-	-
Substandard	133,313	-	133,313	1,431	-	1,431	1,431	-	1,431
Doubtful	24,725	-	24,725	2,576	-	2,576	2,576	-	2,576
Loss	950,833	-	950,833	571,836	-	571,836	571,836	-	571,836
	1,108,871	-	1,108,871	575,843	-	575,843	575,843	-	575,843

Category of Classification	2012								
	Classified financing and related assets			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
----- Rupees in '000 -----									
Substandard	89,171	-	89,171	560	-	560	560	-	560
Doubtful	318,084	-	318,084	57,890	-	57,890	57,890	-	57,890
Loss	797,967	-	797,967	408,552	-	408,552	408,552	-	408,552
	1,205,222	-	1,205,222	467,002	-	467,002	467,002	-	467,002

10.14 Particulars of provision against non-performing Islamic financing and related assets:

	2013			2012		
	Specific	General	Total	Specific	General	Total
----- Rupees in '000 -----						
Opening balance	467,002	33,565	500,567	360,523	28,972	389,495
Charge for the year	172,753	13,905	186,658	129,847	4,593	134,440
Reversals	(63,912)	-	(63,912)	(23,368)	-	(23,368)
	108,841	13,905	122,746	106,479	4,593	111,072
Closing balance	575,843	47,470	623,313	467,002	33,565	500,567

10.14.1 The Group has maintained a general reserve (provision) in accordance with the applicable requirements of the Prudential Regulations for Consumer Financing issued by SBP and for potential losses on financing.

10.14.2 Particulars of provision against non-performing Islamic financing and related assets:

	2013			2012		
	Specific	General	Total	Specific	General	Total
----- Rupees in '000 -----						
In local currency	575,843	47,470	623,313	467,002	33,565	500,567
In foreign currency	-	-	-	-	-	-
	575,843	47,470	623,313	467,002	33,565	500,567

10.14.2.1 The Group maintains general reserve (provision) in accordance with the applicable requirements of the Prudential Regulations for Consumer Financing and Prudential Regulations for Small and Medium Enterprise Financing issued by the SBP.

During the year, SBP has issued Prudential Regulations (PRs) for Small and Medium Enterprises. The PRs require the Group to maintain a general provision against financings to Small Enterprises. Accordingly, the Group has created a general provision amounting to Rs. 0.822 million. The creation of this provision has been accounted for as change in accounting estimate as defined in International Accounting Standard 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. Had this general provision against financings to Small Enterprises not been created, the provision charge against non-performing Islamic financing and related assets would have been lower by Rs. 0.822 million and consequently consolidated profit before taxation would have been higher by the same amount.

10.14.2.2 In accordance with BSD Circular No. 2 dated January 27, 2009 issued by the SBP, the Group has availed the benefit of Forced Sales Value (FSV) of collaterals against the non-performing financings. The accumulated benefit availed as at December 31, 2013 amounts to Rs 354.050 million (2012: Rs 354.228 million). The additional profit arising from availing the FSV benefit - net of tax as at December 31, 2013 amounts to Rs 230.133 million (2012: 230.248 million). The increase in profit, due to availing of the benefit, is not available for distribution of cash and stock dividend to share holders.



	Note	2013	2012
		----- Rupees in '000 -----	
10.15 Particulars of financing to directors, executives or officers of the Group			
Financing due by directors, executives or officers of the group or any of them either severally or jointly with any other persons			
Balance at beginning of year		661,813	511,687
Financing granted during the year		483,502	269,604
Repayments		(172,190)	(119,478)
Balance at end of year		<u>973,125</u>	<u>661,813</u>

11 OPERATING FIXED ASSETS

Capital work-in-progress	11.1	222,893	53,252
Property and equipment	11.2	2,715,180	1,818,957
Intangible assets	11.3	28,547	47,304
		<u>2,966,620</u>	<u>1,919,513</u>

11.1 Capital work-in-progress

Equipment	-	78
Advances to suppliers and contractors	192,893	23,174
Civil works	30,000	30,000
	<u>222,893</u>	<u>53,252</u>

11.2 Property and equipment

	2013								
	COST				DEPRECIATION			Net book value as at December 31, 2013	Rate of Depreciation %
	As at January 01, 2013	Additions/ adjustments / revaluation surplus	(Disposals)	As at December 31, 2013	As at January 01, 2013	Charge for the year / (disposals) / adjustments	As at December 31, 2013		
	----- Rupees in '000 -----								
Freehold Land	275,128	-	-	371,350	-	-	-	371,350	-
		-				-			
		96,222				-			
Building on lease hold land	876,182	-	(82,542)	1,594,752	222,756	11,140	212,831	1,381,921	2
		-				(21,065)			
		801,112				-			
Furniture and fixture	970,779	98,642	(177)	1,069,244	349,751	100,394	450,007	619,237	10
		-				(138)			
		-							
Electrical, office and computer equipment	1,084,376	189,514	(2,997)	1,270,893	818,205	115,019	930,281	340,612	15 - 25
		-				(2,943)			
		-							
Vehicles	6,534	3,148	(3,742)	5,053	3,330	1,839	2,993	2,060	20
		(887)				(2,176)			
		-				-			
	3,212,999	291,304	(89,458)	4,311,292	1,394,042	228,392	1,596,112	2,715,180	
		(887)				(26,322)			
		897,334				-			

2012								
COST				DEPRECIATION			Net book value as at December 31, 2012	Rate of Depreciation %
As at January 01, 2012	Additions/ adjustments	(Disposals)	As at December 31, 2012	As at January 01, 2012	Charge for the year / (disposals) / adjustments	As at December 31, 2012		
----- Rupees in '000 -----								
275,128	-	-	275,128	-	-	-	275,128	-
	-				-			
	-				-			
882,057	-	-	876,182	179,619	44,228	222,756	653,426	5
	-				-			
	(5,875)				(1,091)			
778,394	199,171	(55)	970,779	269,923	83,294	349,751	621,028	10
	-				(20)			
	(6,731)				(3,446)			
889,583	196,495	(6,012)	1,084,376	673,130	157,576	818,205	266,171	25
	-				(5,147)			
	4,310				(7,354)			
12,244	830	(6,540)	6,534	6,861	1,876	3,330	3,204	20
	-				(5,407)			
	-				-			
2,837,406	396,496	(12,607)	3,212,999	1,129,533	286,974	1,394,042	1,818,957	
	-				(10,574)			
	(8,296)				(11,891)			

11.2.1 Details of property and equipment disposed-off

The details of property and equipment disposed-off during the year are disclosed in 'Annexure I'

11.2.2 During the year, the management of the Group has revised its estimate of the useful life of building on leasehold land and electrical, office and computer equipment. The management has decreased the depreciation rates from 5 percent per annum to 2 percent per annum in case of building on lease hold land whereas in case of electrical, office and computer equipment the management has revised the depreciation rate of 25 percent per annum and has defined depreciation rates within a range of 15 percent per annum to 25 percent per annum. The revision has been made after taking into account the expected pattern of recovery of economic benefits associated with the use of these assets. The revision has been accounted for as a change in accounting estimate as defined in International Accounting Standard 8, 'Accounting Policies, Changes in Accounting Estimates and Errors'. Had the revision in useful life in respect of building on lease hold land and electrical, office and computer equipment not been made depreciation expense would have been higher by Rs. 36.858 million and consequently consolidated profit before taxation would have been lower by the same amount. The effect of revision on depreciation expense recognised in the current year and in future years is a decrease in the annual charge of Rs. 36.858 million.



11.3 Intangible asset

	2013							
	COST			AMORTISATION			Book value as at December 31, 2013	Rate of Depreciation %
	As at January 01, 2013	Addition / (deletions) / (transfers)	As at December 31, 2013	As at January 01, 2013	Charge for the year / (disposals) adjustments	As at December 31, 2013		
	----- Rupees in '000 -----							
Computer software	168,022	10,328	178,350	120,718	29,085	149,803	28,547	20
		-			-			
	----- Rupees in '000 -----							
	2012							
	COST			AMORTISATION			Book value as at December 31, 2012	Rate of Depreciation %
	As at January 01, 2012	Addition / (deletions) / (transfers)	As at December 31, 2012	As at January 01, 2012	Charge for the year / (disposals) adjustments	As at December 31, 2012		
	----- Rupees in '000 -----							
Computer software	170,421	12,539	168,022	96,791	24,048	120,718	47,304	20
		-			-			
		(14,938)			(121)			

11.4 Cost of fully depreciated properties and equipment that are still in the Group's use, as at December 31, 2013, amounted to Rs. 767.875 million (2012: Rs 575.775 million). The cost of fully amortised intangible assets that are still in the Group's use, as at December 31, 2013 amounted to Rs. 31.308 million (2012: 25.347 million).

11.5 As more fully explained in note 5.4 to the consolidated financial statements, during the year, the Group has changed its accounting policy for subsequent measurement of the carrying value of freehold land and leasehold land from cost model to revaluation model. The freehold land and buildings on leasehold land of the Group were revalued on December 31, 2013 by an independent valuer Akbani & Javed on the basis of professional assessments of the market values. The revaluation resulted in a surplus of Rs 897.334 million over the book value of Rs 879.359 million which has been recognised by the Group. Accordingly, the surplus on revaluation of fixed assets and carrying amount of fixed assets has increased by Rs. 897.334 million as at December 31, 2013. Had there been no revaluation, the net book value of freehold land buildings on leasehold land as at December 31, 2013 would have been as follows:

2013	
Rupees in '000	
Freehold land	275,128
Building on leasehold land	604,231

As the revaluation was carried out as at December 31, 2013, the change of policy did not have any impact on the consolidated profit for the current year. Surplus arising on revaluation of these assets is reflected in note 21.1 to these consolidated financial statements along with the related deferred tax impact thereon.

	Note	2013	2012 (Restated)	2011 (Restated)
----- Rupees in '000 -----				
12 DEFERRED TAX ASSETS				
Deferred tax debits arising in respect of:				
Accumulated tax losses		-	218,630	402,222
Tax credit against minimum tax paid		-	146,592	118,562
Provision against non-performing financing and related assets		-	66	1,753
Ijarah financing and related assets		-	-	3,433
		-	365,288	525,970
Deferred tax credits arising due to:				
Ijarah financing and related assets		-	(27,797)	-
Accelerated tax depreciation		-	(182,429)	(246,486)
Remeasurement gain on defined benefit plan		-	(5,680)	(6,574)
Surplus on revaluation of investment		-	(69,796)	(91,042)
Surplus on revaluation of fixed assets		-	-	-
		-	(285,702)	(344,102)
		-	79,586	181,868
13 OTHER ASSETS				
Profit / return accrued in local currency	13.1	928,743	1,045,715	962,869
Profit / return accrued in foreign currency		12	31	-
Advances, deposits, advance rent and other prepayments		213,686	148,468	104,189
Advance taxation (payments less provision)		7,003	15,471	6,430
Non-banking assets acquired in satisfaction of claims	13.2	308,410	308,410	308,410
Dividend receivable		293	-	-
Defined Benefit Plan assets		26,605	19,864	18,542
Unrealised gain on forward foreign exchange promises		-	2,888	1,092
Goodwill	13.5	59,232	59,232	59,232
Banca takaful Income receivable		7,000	600	-
Insurance claim receivable		23,555	15,881	17,399
Car Ijarah repossession		833	1,385	2,234
Receivable against First WAPDA Sukuk	13.3	50,000	50,000	-
Other receivables		92,565	37,439	57,238
		1,717,937	1,705,384	1,537,635
Less: Provision held against other assets	13.4	(35,027)	(30,984)	(35,738)
Other assets (net of provisions)		1,682,910	1,674,400	1,501,897



13.1 Reversal of profit / return accrued pertaining to prior years

During the year, the management has carried out an exercise to identify and tag the profit / return accrued amount appearing in the books of accounts with the individual customer balances. As a result of this exercise, an amount of Rs. 189.199 million was highlighted as excess profit / return accrued which could not be tagged with the customer balances as at December 31, 2012. In accordance with the requirements of International Accounting Standard - 8 'Accounting Policies, Changes in Accounting Estimates and Errors', the excess profit / return accrued net of tax amounting Rs 122.979 million (Rs 189.199 million pertaining to excess profit / return accrued less Rs 66.22 million pertaining to tax effect on excess profit / return accrued) has been reversed by adjusting the opening balance of profit / return accrued and unappropriated profit / (accumulated losses) as at January 1, 2013 being the earliest period for which restatement was practicable. The comparative information for the year ended December 31, 2012 and for periods prior to that has not been adjusted as it was not considered practical on account of quantum of deals and movement therein.

The impact of this reversal on the profit / return accrued is as follows:

	December 31, 2012 Rupees in '000
Profit / return accrued in local currency as at January 1, 2013	1,045,009
Reversal of excess profit / return accrued relating to prior years	(189,199)
Adjusted profit / return accrued as at January 1, 2013	<u>855,810</u>
Tax effect on excess profit / return accrued	<u>(66,220)</u>

13.2 The market value of Non-Banking assets acquired in satisfaction of claims is Rs 365.682 million (2012: Rs 344.934 million).

13.3 The Group had purchased 10,000 certificates on June 25, 2009 of first wapda sukuk through a negotiated transaction for a cash consideration of Rs. 50.228 million having face value of Rs. 50 million. These certificates were available in the seller's Central Depository Company (CDC) account and on completion of the transaction were transferred to the Group's CDC account. However, the periodic Ijarah Rental dues were not paid to the Group on the plea that there exists certain discrepancy with respect to ownership of the asset. The amount has been shown under "other assets" as the certificates were matured last year as per the terms of the sukuk issue. The Group has not recognised any provision in respect of the above amount as it is fully secured through a lien over a deposit account.

	2013	2012
	----- Rupees in '000 -----	
13.4 Provision held against other assets		
Opening balance	30,984	35,738
Charge for the year	4,043	-
Reversals	-	(4,754)
Closing balance	<u>35,027</u>	<u>30,984</u>

13.5 Goodwill

	2013	2012	2011
	----- Rupees in '000 -----		
As at January 1	59,232	59,232	59,232
Impairment - charged during the year	-	-	-
Net book value as at December 31	<u>59,232</u>	<u>59,232</u>	<u>59,232</u>

Impairment testing of goodwill

Goodwill acquired through business combination has been allocated to the following Cash Generating Unit (CGU):

- BankIslami Modaraba Investments Limited

The carrying amount of goodwill allocated to the CGU is as follows:

	2013	2012	2011
	----- Rupees in '000 -----		
- BankIslami Modaraba Investments Limited	<u>59,232</u>	<u>59,232</u>	<u>59,232</u>

Key assumptions used in value in use calculation

The recoverable amount of the business operation of the cash generating unit has been determined based on a value in use calculation, using cash flow projections based on business plan approved by the management covering a five year period.

The calculation of value in use for the business operation is most sensitive to the following assumptions:

- Management fees;
- Income from education division;
- Dividend income;
- Discount rate;

Management fees

Management fees have been assumed at 10 percent, based on prevailing industry trends and anticipated market conditions.

Income from education division

Fee levels are based on expected fees benchmarked against comparable educational institutions.

Dividend income

Dividend income on investment in Modaraba has been projected on the expected returns estimated on the basis of historical performance and prevailing industry trends.

Discount rate

Discount rate reflects management estimates of the required rate of return for the business and are calculated using the capital asset pricing model. Discount rates are calculated by using the weighted average cost of capital.

Sensitivity to changes in assumptions

Management believes that reasonable possible changes in other assumptions used to determine the recoverable amount of the entity will not result in an impairment of goodwill.

		2013	2012
		----- Rupees in '000 -----	
14	BILLS PAYABLE		
	In Pakistan	835,562	1,251,010
	Outside Pakistan	-	-
		<u>835,562</u>	<u>1,251,010</u>
15	DUE TO FINANCIAL INSTITUTIONS		
	In Pakistan	2,538,000	1,621,415
	Outside Pakistan	-	-
		<u>2,538,000</u>	<u>1,621,415</u>
15.1	Details of due to financial institutions secured / unsecured	Note	
		2013	2012
		----- Rupees in '000 -----	
	Secured		
	Borrowings from State Bank of Pakistan under Islamic Export Refinance Scheme	15.1.1	538,000
			621,415
	Unsecured		
	Call borrowings	15.1.2	2,000,000
		<u>2,538,000</u>	<u>1,621,415</u>
15.1.1	The borrowings is on a profit and loss sharing basis and is secured against demand promissory notes executed in favor of the State Bank of Pakistan (SBP). A limit of Rs 1,000 million (2012: 1,000 million) has been allocated to the Group by the SBP under Islamic Export Refinance Scheme for the financial year ending December 31, 2013.		
15.1.2	Represents Wakala and Musharaka acceptances by banks. The profit rates on the acceptances range between 5.00% to 9.50% (2012: 8.95 %) per annum and the arrangements have a maturity ranging from 2 days to 32 days.		
		2013	2012
		----- Rupees in '000 -----	
15.2	Particulars of due to financial institutions with respect to currencies		
	In local currency	2,538,000	1,621,415
	In foreign currencies	-	-
		<u>2,538,000</u>	<u>1,621,415</u>
16	DEPOSITS AND OTHER ACCOUNTS		
	Customers		
	Fixed deposits	34,552,878	30,084,658
	Savings deposits	27,249,029	21,086,687
	Current accounts - non-remunerative	12,276,481	11,293,914
	Margin accounts - non-remunerative	197,882	146,307
		<u>74,276,270</u>	<u>62,611,566</u>
	Financial Institutions		
	Remunerative deposits	745,605	1,494,163
	Non-remunerative deposits	148,116	4,887
		<u>75,169,991</u>	<u>64,110,616</u>

16.1 Particulars of deposits

	2013	2012
	----- Rupees in '000 -----	
In local currency	73,564,974	62,870,805
In foreign currencies	1,605,017	1,239,811
	<u>75,169,991</u>	<u>64,110,616</u>

17 DEFERRED TAX LIABILITY

Deferred tax debits arising in respect of:

	Note	2013	2012
		----- Rupees in '000 -----	
Accumulated tax losses	17.1	(154,837)	-
Tax credit against minimum tax		(200,304)	-
Provision against non-performing Islamic financing and related assets		(443)	-
		<u>(355,584)</u>	<u>-</u>

Deferred tax credits arising due to:

	2013	2012
Ijarah financing and related assets	19,118	-
Accelerated tax depreciation	171,911	-
Surplus on revaluation of available for sale securities	59,382	-
Surplus on revaluation of fixed assets	280,389	-
	<u>530,800</u>	<u>-</u>
	<u>175,216</u>	<u>-</u>

- 17.1 The Group has an aggregate amount of Rs. 442.392 million (2012: Rs. 457.789 million) in respect of tax losses as at December 31, 2013. The management carries out periodic assessment to assess the benefit of these losses as the Group would be able to set off the profit earned in future years against these carry forward losses. Based on this assessment the management has recognised deferred tax debit balance amounting to Rs. 154.837 million (2012: Rs. 160.226 million) on the entire available losses. The amount of this benefit has been determined based on the projected financial statements for the future periods. The determination of future taxable profit is most sensitive to certain key assumptions such as cost to income ratio of the Group, deposit composition, kibor rates, growth of deposits and financing, investment returns, product mix of financing, 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.

	2013	2012 (Restated)	2011 (Restated)
	----- Rupees in '000 -----		
Profit / return payable in local currency	805,939	573,006	517,962
Profit / return payable in foreign currencies	742	409	29
Unearned fees and commission	3,636	2,325	1,180
Accrued expenses	123,648	142,899	118,861
Deferred Murabaha Income - Financing and IERS 10.8.1	135,031	116,877	125,122
Deferred Murabaha Income - Commodity Murabaha 8.3	4,723	33,145	7,399
Payable to defined contribution plan	1,845	723	879
Unearned rent	-	1,032	1,209
Security deposits against ijarah	591,870	484,677	434,375
Branch adjustment account	34,545	3,151	1,517
Sundry creditors	51,109	109,220	34,432
Unrealized loss on forward foreign exchange promises	2,054	-	-
Charity payable 18.1	7,879	10,197	5,747
Retention money	23,774	22,278	7,233
Withholding tax payable	18,050	1,228	2,666
WWF payable	3,901	22,991	13,934
Others	27,540	46,623	69,447
	<u>1,836,286</u>	<u>1,570,781</u>	<u>1,341,992</u>



	Note	2013	2012
		----- Rupees in '000 -----	
18.1 Opening balance		10,197	5,747
Additions during the year		13,374	12,635
Payments during the year	18.1.1	(15,692)	(8,185)
Closing balance		<u>7,879</u>	<u>10,197</u>

18.1.1 Charity was paid to the following:

Alamgir Welfare Trust International	1,000	1,000
The Citizen Foundation	2,000	1,000
The Indus Hospital	2,000	1,000
Akhuwat Charity	1,000	1,000
Jamiat Taleem Ul Quran	1,000	1,000
Diya Pakistan	1,000	-
Shoukat Khanum Memorial Hospital	2,000	1,000
Kharadar General Hospital	-	1,000
Bait Ul Sukoon	-	1,000
Dining Chairs to Juvenile Prisoners	-	185
SIUT	2,000	-
Dow University of Health & Science	135	-
Patel Hospital	1,000	-
Institute of Business Administration	2,000	-
Iqra Welfare Trust	500	-
Kainat Zubairi	51	-
Muhammad Turab	6	-
	<u>15,692</u>	<u>8,185</u>

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

19 SHARE CAPITAL

19.1 Authorised capital

2013	2012		2013	2012
----	----		----- Rupees in '000 -----	
<u>1,300,000,000</u>	<u>1,300,000,000</u>	Ordinary shares of Rs.10 each	<u>13,000,000</u>	<u>13,000,000</u>

19.2 Issued, subscribed and paid up capital

2013	2012		2013	2012
----	----		----- Rupees in '000 -----	
<u>527,967,898</u>	<u>527,967,898</u>	Ordinary shares of Rs. 10 each	<u>5,279,679</u>	<u>5,279,679</u>
<u>527,967,898</u>	<u>527,967,898</u>	Fully paid in cash	<u>5,279,679</u>	<u>5,279,679</u>

19.3 The SBP vide circular no. 07 of 2009 dated April 15, 2009 has increased the Minimum Capital Requirement (MCR) for banks upto Rs. 10 billion to be achieved in a phased manner by December 31, 2013. The paid-up capital (free of losses) of the Holding Company amounted to Rs. 5.280 billion at December 31, 2013. As more fully explained in note 1.2 to these financial statements the SBP has in-principle approved the issuance of right shares at a discounted price of Rs 6.33 per share to raise paid up capital of Rs 400 million. The SBP has further advised the Holding Company to submit a concrete, time bound board approved capital plan to meet the regulatory MCR (free of losses) of Rs.10 billion. The capital plan approved by the Board of Directors has been duly submitted by the Holding Company to the SBP vide its letter dated December 3, 2013.

Note **2013** 2012
----- Rupees in '000 -----

20 RESERVES

Statutory Reserves	20.1	<u>210,446</u>	<u>173,392</u>
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20.1 Under section 21 of the Banking Companies Ordinance, 1962 an amount of not less than 20% of the profit is to be transferred to create a reserve fund till such time the reserve fund and the share premium account equal the amount of the paid up capital. Thereafter, an amount of not less than 10% of the profit is required to be transferred to such reserve fund.

Note **2013** 2012
(Restated)
----- Rupees in '000 -----

21 SURPLUS ON REVALUATION OF ASSETS

Surplus arising on revaluation of:

Fixed Assets	21.1	<u>616,945</u>	-
Available for sale securities	21.2	<u>111,614</u>	<u>131,809</u>
		<u>728,559</u>	<u>131,809</u>

21.1 Surplus on revaluation of fixed assets

Freehold Land	<u>96,222</u>	-
Building on lease hold land	<u>801,112</u>	-
	<u>897,334</u>	-
Related deferred tax liability	<u>(280,389)</u>	-
	<u>616,945</u>	-

21.2 Surplus on revaluation of available for sale securities

Federal Government Securities

- Ijara Sukuk Bonds	170,128	196,748
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Sukuk certificates

- Sukuks unlisted	(466)	2,670
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Fully paid up ordinary shares / Units

- Modaraba Certificates	1,312	1,452
- Units of Open end Mutual Funds	14	730
- Units of Closed end Mutual Funds	<u>8</u>	<u>5</u>
	<u>170,996</u>	<u>201,605</u>
Related deferred tax liability	<u>(59,382)</u>	<u>(69,796)</u>
	<u>111,614</u>	<u>131,809</u>



	2013	2012
	----- Rupees in '000 -----	
22 CONTINGENCIES AND COMMITMENTS		
22.1 Transaction-related contingent liabilities		
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favoring		
- Government	283,827	127,797
- Others	2,003,514	1,511,868
	<u>2,287,341</u>	<u>1,639,665</u>
22.2 Trade-related contingent liabilities		
Import letter of Credit	3,950,372	4,114,677
Acceptances	535,042	562,913
	<u>4,485,414</u>	<u>4,677,590</u>
22.3 Suit filed by customers for recovery of alleged losses suffered, pending in the High Court, which the Group has not acknowledged as debt	<u>831,083</u>	<u>846,391</u>
22.3.1 These mainly represent counter claims filed by the borrowers for restricting the Group for disposal of assets (such as mortgaged / pledged assets kept as security), cases where the Group was proforma defendant for defending its interest in the underlying collateral kept by it at the time of financing.		
22.4 The Deputy Commissioner Inland Revenue (DCIR) has passed certain assessment orders against the group vide letter no 06/97/2012, 07/97/2012 and 08/97/2012, all dated September 25, 2012 under Section 33 of the Federal Excise Duty Act 2005, wherein aggregate demand of federal excise duty of Rs. 69.431 million was raised against the group mainly in respect of income from dealing in foreign currencies and certain dispute regarding deposit of the amount amongst Federal and Provincial government.		
The Group has duly filled appeal for the stay order of the above demand before the Appellate Tribunal Inland Revenue (ATIR) after the assessment order were confirmed by the Commissioner Inland Revenue (Appeals). The stay application were heard on February 23, 2013. The ATIR has accepted the stay application of the Group and has verbally directed that no recovery of demand should be initiated against the group till the decision of the main case by the ATIR. The Group has deposited an amount of Rs. 10.4 million as a minimum fee (that is adjustable / refundable) for filing appeal against the said case. The management of the Group is confident that the above matter will be decided in the favor and hence, no provision against any liability which may arise in this respect has been made in these consolidated financial statements.		
	2013	2012
	----- Rupees in '000 -----	
22.5 Commitments in respect of promises		
Purchases	<u>1,368,635</u>	<u>459,197</u>
Sales	<u>1,111,164</u>	<u>209,861</u>
22.6 Commitments for the acquisition of operating fixed assets	<u>131,083</u>	<u>128,883</u>
22.7 Commitments in respect of financing facilities		

The Group makes commitments to extend financing in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

	Note	2013	2012
		----- Rupees in '000 -----	
22.8 Other commitments			
Bills for collection		<u>93,191</u>	<u>276,575</u>
		2013	2012 (Restated)
		----- Rupees in '000 -----	
23 PROFIT / RETURN EARNED			
On financing to:			
- Customers		2,788,705	2,624,985
- Financial institutions		<u>728,022</u>	<u>626,681</u>
		<u>3,516,727</u>	<u>3,251,666</u>
On investments in available for sale securities		2,738,738	2,696,058
On deposits / placements with financial institutions		697	21,307
Others		<u>34,154</u>	<u>24,479</u>
		<u>6,290,316</u>	<u>5,993,510</u>
		2013	2012
		----- Rupees in '000 -----	
24 PROFIT / RETURN EXPENSED			
Deposits		3,678,253	3,385,961
Other short term fund generation		47,020	64,495
Others		<u>55,833</u>	<u>46,987</u>
		<u>3,781,106</u>	<u>3,497,443</u>
25 OTHER INCOME			
Rent on property		2,032	6,546
Gain on termination of financing		22,858	21,020
Gain on sale of property and equipment	11.2.1	52,049	4,680
Amount recovered from staff		<u>1,916</u>	<u>1,374</u>
		<u>78,855</u>	<u>33,620</u>
		2013	2012 (Restated)
		----- Rupees in '000 -----	
26 GAIN / LOSS ON SALE OF SECURITIES			
Federal Govt. Securities:			
Sukuk Certificates	26.1	-	3,300
Listed Securities:			
Mutual funds		6,709	13,934
Shares		-	258
		<u>6,709</u>	<u>17,492</u>

26.1 As stated in note 3.6 to the consolidated financial statements, due to reversal of profit amounting to Rs. 202.4 million the gain on sale of securities - sukuk certificates for the year ended December 31, 2012 has been reduced from Rs. 205.7 million to Rs. 3.3 million.



	Note	2013	2012 (Restated)
		----- Rupees in '000 -----	
27 ADMINISTRATIVE EXPENSES			
Salaries, allowances, and other benefits		1,029,566	917,906
Charge for defined benefit plan	33	23,172	18,993
Contribution to defined contribution plan	34	35,989	28,913
Non-executive directors' fees, allowances and other expenses		1,550	1,550
Insurance on consumer car ijarah		35,061	35,106
Rent, taxes, insurance, electricity, etc.		523,335	424,320
Legal and professional charges		7,297	9,892
Communications		91,281	83,284
Repairs and maintenance		74,058	84,663
Stationery and printing		23,045	24,072
Advertisement and publicity		53,974	60,272
Auditors' remuneration	27.1	7,800	4,404
Depreciation	11.2	228,392	275,083
Amortisation	11.3	29,085	23,927
CDC and share registrar services		7,152	4,136
Entertainment expense		24,656	21,233
Security service charges		111,590	77,884
Brokerage and commission		6,717	6,159
Travelling and conveyance		20,083	18,980
Remuneration to Shariah Board		1,267	250
Fees and subscription		80,379	78,103
Vehicle running and maintenance		44,342	32,930
Others		34,106	27,008
		<u>2,493,897</u>	<u>2,259,068</u>
27.1 Auditors' remuneration			
Audit fee		2,300	1,900
Fee for the review of half yearly financial statements		800	700
Special certifications and sundry advisory services		3,117	971
Out-of-pocket expenses		1,583	833
		<u>7,800</u>	<u>4,404</u>
* Includes arrears of fee for special review of Internal controls over financial reporting for the year 2012.			
27.2	This includes Rs 65.035 million (2012: Rs. 52.472 million) paid to employees of the Holding Company in respect of car monetisation allowance.		
		2013	2012 (Restated)
		----- Rupees in '000 -----	
28 OTHER CHARGES			
Penalties imposed by the State Bank of Pakistan		23,968	342
Worker's Welfare Fund		6,221	9,171
		<u>30,189</u>	<u>9,513</u>
29 TAXATION			
- Current year		68,254	33,572
- Prior years		-	-
- Deferred		55,475	124,422
		<u>123,729</u>	<u>157,994</u>

The numerical reconciliation between average tax rate and the applicable tax rate has not been presented in these consolidated financial statements as the provision for current year income tax has been made under section 113 of the Income Tax Ordinance, 2001 (minimum tax on turnover) due to available tax losses brought forward from prior years.

Under Section 114 of the Income Tax Ordinance, 2001 (Ordinance), the return of income for the tax years 2006 to 2013 have been filed 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.

	Note	2013	2012 (Restated)
		----- Rupees in '000 -----	
30 BASIC AND DILUTED EARNINGS PER SHARE			
Profit after taxation for the year		<u>188,810</u>	<u>311,482</u>
		----- Number of shares -----	
Weighted average number of ordinary shares in issue		<u>527,967,898</u>	<u>527,967,898</u>
		----- Rupees -----	
Earning per share - basic / diluted	30.1	<u>0.3576</u>	<u>0.5900</u>
30.1 There were no convertible / dilutive potential ordinary shares outstanding as at December 31, 2013 and December 31, 2012.			
	Note	2013	2012
		----- Rupees in '000 -----	
31 CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	6	<u>4,883,483</u>	<u>4,938,712</u>
Balances with other banks	7	<u>1,018,717</u>	<u>806,282</u>
		<u>5,902,200</u>	<u>5,744,994</u>
		2013	2012
32 STAFF STRENGTH		---- Number of employees----	
Permanent		<u>1,224</u>	<u>1,126</u>
Contractual basis		<u>300</u>	<u>288</u>
Bank's own staff strength at the end of the year		<u>1,524</u>	<u>1,414</u>
Outsourced		<u>288</u>	<u>238</u>
Total staff strength		<u>1,812</u>	<u>1,652</u>

33 DEFINED BENEFIT PLAN

33.1 General description

The Bank operates a gratuity fund for its employees (members of the fund).The fund entitles the members to lumpsum payment at the time of retirement, resignation or death. Permanent staff are eligible for such benefits after three years of service.

The number of employees covered under the scheme are 1,224 (2012: 1,126).The latest actuarial valuation of the Bank's gratuity scheme was carried out as at December 31, 2013. Projected unit credit method, using the following significant assumptions, was used for the valuation of the defined benefit plan:



	2013	2012 (Restated)	2011 (Restated)
	----- Rupees in '000 -----		
33.2 Actuarial Assumption			
-Valuation Discount Rate	13.00%	11.50%	12.50%
-Salary Increase Rate	12.50%	11.00%	12.00%
-Expected Return on Plan Assets	13.00%	11.50%	12.50%
33.3 Reconciliation of Payable / (Receivable) to Defined Benefit Plan			
Present value of defined benefit obligations	124,952	87,240	63,884
Fair Value of Plan assets	(151,477)	(107,104)	(82,426)
Liability recognised in the statement of financial position	(26,525)	(19,864)	(18,542)
33.4 Movement in net (asset) / liability recognised			
Opening balance	(20,127)	(18,542)	58,023
Expense recognised	23,172	18,730	25,944
Other Comprehensive Income	12,494	2,556	(18,783)
Contributions	(42,580)	(22,871)	(83,726)
Closing Net (Asset) / Liability	(27,041)	(20,127)	(18,542)
33.5 Charge for the Defined Benefit Plan			
Current Service Cost	27,881	22,461	19,117
Net Interest	(4,709)	(3,731)	7,012
Actuarial (Gain) / Loss recognised	-	-	(185)
	23,172	18,730	25,944
33.6 Movement in present value of defined benefit obligation			
Opening balance	87,240	63,884	50,735
Current service cost	27,881	22,461	19,117
Finance cost	9,563	7,684	7,012
Benefits Paid	(8,322)	(4,826)	(1,300)
Actuarial (Gain) / Loss on Obligation	8,590	(1,963)	(11,680)
Closing balance	124,952	87,240	63,884
33.7 Actuarial Gain / Loss on Assets			
Total assets opening balance	107,104	82,426	-
Expected return on plan assets	14,272	11,415	-
Contributions	42,327	22,608	83,726
Benefits paid	(8,322)	(4,826)	(1,300)
Actuarial gain / (loss) on assets	(3,904)	(4,519)	-
Total assets closing balance	151,477	107,104	82,426
33.8 Unrecognised actuarial Gain / (Losses)			
Consolidated Other Comprehensive Income			
Unrecognised actuarial gains / (losses) at the beginning of the year	-	-	7,288
Actuarial gain / (loss) on Obligations	(8,590)	1,963	11,680
Actuarial gain / (loss) on Assets	(3,904)	(4,519)	-
Subtotal	(12,494)	(2,556)	18,968
Actuarial (gain) / loss recognised in P&L	-	-	(185)
Actuarial (gain) / loss recognised in OCI	12,494	2,556	(18,783)
Unrecognised actuarial gains / losses at the end of the year	-	-	-

	2013	2012 (Restated)	2011 (Restated)
	----- Rupees in '000 -----		
33.9 Cost for the Year			
Current Service Cost	27,881	22,461	19,117
Net Financial Charges	(4,709)	(3,731)	7,012
Net Actuarial gain / (loss) recognised	-	-	(185)
Cost for the Year	<u>23,172</u>	<u>18,730</u>	<u>25,944</u>

33.10 (Assets) / Liability to be recognised in the Consolidated Statement of Financial Position

Present value of Obligation	124,952	87,240	63,884
Fair Value of Plan Assets	(151,477)	(107,104)	(82,426)
(Assets) / Liability to be recognised in the consolidated statement of financial position	<u>(26,525)</u>	<u>(19,864)</u>	<u>(18,542)</u>
Opening (Assets) / Liability	(20,127)	(18,542)	58,023
Expense	23,172	18,730	25,944
Other Comprehensive Income	12,494	2,556	(18,783)
Contributions	(42,580)	(22,871)	(83,726)
Closing (Assets) / Liability	<u>(27,041)</u>	<u>(20,127)</u>	<u>(18,542)</u>

33.11 Historical information

	2013	2012	2011	2010	2009
As at December 31					
Present value of defined benefit obligation	124,872	87,240	63,884	50,735	34,755
Fair value of plan assets	(151,477)	(107,104)	(82,426)	-	-
Deficit / (Surplus)	<u>(26,605)</u>	<u>(19,864)</u>	<u>(18,542)</u>	<u>50,735</u>	<u>34,755</u>
Experience adjustments on plan liabilities	<u>8,590</u>	<u>(1,963)</u>	<u>(11,680)</u>	<u>(4,632)</u>	<u>(2,928)</u>

34 DEFINED CONTRIBUTION PLAN (PROVIDENT FUND)

The Group operates a contributory provident fund scheme for all permanent employees. The employer and employee both contribute 10% of basic salary to the funded scheme every month. Equal monthly contributions by employer and employees during the year amounted to Rs. 35.989 million (2012: Rs. 28.913 million) each.



35 COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive		Directors		Executives	
	2013*	2012	2013	2012	2013	2012
	----- Rupees in '000 -----					
Fees	-	-	1,550	1,550	-	-
Managerial remuneration	34,863	11,835	-	-	146,834	102,144
Bonus	-	1,309	-	-	-	13,860
Charge for defined benefit plan	1,655	986	-	-	11,503	6,568
Salary in lieu of provident fund	1,986	1,184	-	-	-	-
Contribution to defined contribution plan	-	-	-	-	13,397	9,369
Rent and house maintenance	548	327	-	-	63,947	37,173
Utilities	1,986	1,184	-	-	14,683	10,214
Medical	1,986	1,184	-	-	14,683	10,214
Others	-	-	-	-	48,294	38,780
	<u>43,024</u>	<u>18,009</u>	<u>1,550</u>	<u>1,550</u>	<u>313,341</u>	<u>228,322</u>
Number of persons	<u>1</u>	<u>1</u>	<u>4</u>	<u>4</u>	<u>171</u>	<u>114</u>

* Included in the above is Rs. 6.642 million (2012: Nil) which were paid as arrears with the corresponding impact on all the salary heads. Additionally, a one time salary adjustment of Rs. 15 million (2012: Nil) has also been incorporated.

- 35.1 In addition to above, the Holding Company's President / Chief Executive was also provided with free use of Bank's maintained car in accordance with the Bank's service rules in the year 2012 and few months of 2013. This facility was later monetised as per the policy of the Holding Company. Total amount of Rs. 3.951 million (2012: Nil) were paid as car allowance during the current year.
- 35.2 In addition to above, the Executives of the holding company have also been given car allowance amounting to Rs 44.725 million (2012: Rs. 39.009 million) during the current year.
- 35.3 The remuneration and other benefits paid to the Chief Executive Officer of the subsidiary company amounted to Rs. 3.498 million (2012: Rs. 3.381 million).

36 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

The fair value of quoted investments is based on quoted market prices. Unquoted equity securities are valued at cost less impairment losses. The provision for impairment in the value of investments has been determined in accordance with accounting policy as stated in note 5.2.5 to these consolidated financial statements.

The fair values of islamic financing and related assets cannot be determined with reasonable accuracy due to absence of current and active market. The provisions against islamic financing and related assets have been calculated in accordance with the accounting policy as stated in note 5.3 to these consolidated financial statements. The repricing, maturity profile and effective rates are stated in note 39 to these consolidated 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 financing and deposits these are frequently repriced.

	2013		2012	
	Book value	Fair value	Book value	Fair value
----- Rupees in '000 -----				
36.1 Off-balance sheet financial instruments				
Forward purchase of foreign currencies	<u>1,379,140</u>	<u>1,368,635</u>	<u>458,654</u>	<u>459,197</u>
Forward sale of foreign currencies	<u>1,119,615</u>	<u>1,111,164</u>	<u>212,206</u>	<u>209,861</u>

37 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total
----- Rupees in '000 -----					
<u>2013</u>					
Total income	722,065	3,446,895	2,348,929	226,631	6,744,520
Total expenses	79,699	3,523,649	1,877,290	951,343	6,431,981
Net income / (loss)	642,366	(76,754)	471,639	(724,712)	312,539
Segment Assets (Gross)	42,203,550	6,268,272	35,196,171	3,797,703	87,465,696
Segment non - performing Assets	296,040	403,919	722,564	4,043	1,426,566
Segment Provision required	19,790	213,243	427,682	4,043	664,758
Segment Liabilities	2,023,367	50,122,294	26,996,290	1,413,104	80,555,055
Segment Return on Assets (ROA) (%)	1.52%	-1.22%	1.34%	-	-
Segment Cost of funds (%)	7.48%	5.35%	6.47%	-	-
----- Rupees in '000 -----					
<u>2012 (Restated)</u>					
Total income	512,992	3,771,073	2,002,290	40,463	6,326,818
Total expenses	53,193	3,327,862	1,609,786	866,501	5,857,342
Net income (loss)	459,799	443,211	392,504	(826,038)	469,476
Segment Assets (Gross)	41,268,569	4,992,045	26,216,312	2,206,398	74,683,324
Segment non - performing Assets	74,790	405,224	817,610	-	1,297,624
Segment Provision required	19,790	186,718	331,461	-	537,969
Segment Liabilities	1,048,876	42,197,845	25,234,017	73,084	68,553,822
Segment Return on Assets (ROA) (%)	1.11%	8.88%	1.50%	-	-
Segment Cost of funds (%)	10.14%	6.54%	7.69%	-	-

38 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 a subsidiary company, associated companies with or without common directors, principal shareholders, retirement benefit funds, directors and their close family members, and key management personnel.

The related parties of the Group comprise related group companies, principal shareholders, key management personnel, companies where directors of the Group also hold directorship, directors and their close family members and staff retirement funds.

A number of banking transactions are entered into with related parties in the normal course of business. These include financing and deposits transactions. These transactions are executed substantially on the same terms including profit rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal risk.



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.

Transactions with related parties other than remuneration and benefits to key management personnel including Chief Executive Officer under the terms of the employment as disclosed in note 35 are as follows:

	2013	2012 (Restated)
	----- Rupees in '000 -----	
<u>Associates</u>		
Islamic Financing and related assets		
At beginning of the year	25,371	14,982
Accrued during the year	36,852	30,901
Repayments	(55,752)	(20,512)
At the end of the year	6,471	25,371
Prepayments		
At beginning of the year	4,892	4,766
Additions during the year	14,314	9,302
Expired during the year	(11,574)	(9,176)
At the end of the year	7,632	4,892
Deposits		
At beginning of the year	88,097 *	127,794
Deposits during the year	711,706	618,268
Withdrawals during the year	(642,438)	(658,771)
At the end of the year	157,365	87,291
Transactions, income and expenses		
Return on deposits expensed	7,145	4,437
Administrative expense	86,847	67,848
Payable on deposits	939	267
<u>Key management personnel</u>		
Islamic Financing and related assets		
At beginning of the year	100,246	76,944
Disbursements	30,308	29,020
Repaid during the year	(40,320)	(5,718)
At the end of the year	90,234	100,246
Deposits		
At beginning of the year	10,959 *	4,525
Deposits during the year	118,277	71,975
Withdrawals during the year	(98,885)	(71,442)
At the end of the year	30,351	5,058

* Balances pertaining to parties that were related at the beginning of the year but ceased to be so related during any part of the current period are not reflected as part of the opening balance of the current year.

Note	2013	2012 (Restated)
	----- Rupees in '000 -----	
Transactions, income and expenses		
Profit earned on financing	3,443	3,134
Return on deposits expensed	120	295
Remuneration	56,432	51,120
Disposal of vehicle	3,903	294
Payable on deposits	5	7
Employee benefit plans		
Contribution to Employees Gratuity Fund	42,580	22,871
Charge for defined benefit plan	23,172	18,993
Contribution to Employees Provident Fund	35,989	28,913

39 CAPITAL ASSESSMENT AND ADEQUACY

39.1 Capital management

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

This process is managed by the Asset Liability Committee (ALCO) of the Group. 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 movement, liquidity constraints and capital adequacy and its implication on risk management policies.

The State Bank of Pakistan (SBP) has introduced new guidelines with respect to disclosure of capital adequacy related information in the financial statements of banks vide its communication dated February 4, 2014. These guidelines are based on the requirements of Basel III which were introduced earlier by the SBP in August 2013 for implementation by banks in Pakistan. The SBP has specified a transitional period till 2018 for implementation of Basel III. The disclosures below have been prepared on the basis of these new guidelines. The comparative information is as per Basel II requirements which were applicable last year.

39.2 Goals of managing capital

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

- To be an appropriately capitalised institution, considering the requirements set 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 Group to operate adequately and provide reasonable value addition for the shareholders and other stakeholders.



39.3 Statutory Minimum Capital Requirement and management of capital

The SBP vide circular no. 07 of 2009 dated April 15, 2009 has increased the Minimum Capital Requirement (MCR) for banks upto Rs. 10 billion to be achieved in a phased manner by December 31, 2013. The paid-up capital (free of losses) of the Holding Company amounted to Rs. 5.280 billion at December 31, 2013. As more fully explained in note 1.2 to these consolidated financial statements the SBP has advised the Holding Company to submit concrete time bound capital plan to comply with the future and prevailing regulatory capital requirements. The SBP has also advised the Holding Company to maintain a minimum CAR of 14.5% at all times which can be further enhanced in case of non injection of fresh capital by the sponsors.

39.4 Capital Structure

Under Basel III framework, Group's regulatory capital has been analysed into two tiers as follows:

- Tier 1 capital (going concern capital) which is sub divided into:
 - a) Common Equity Tier 1 (CET1), which includes fully paid up capital, reserve for bonus issue, general reserves and un-appropriated profits (net of losses), etc after deductions for investments in the equity of subsidiary companies engaged in banking and financial activities (to the extent of 50%), reciprocal crossholdings and deficit on revaluation of available for sale investments and deduction for book value of intangibles.
 - b) Additional Tier 1 capital (AT1), which includes instruments issued by the Group which meet the specified criteria after deduction of remaining 50% investment in the equity of subsidiary companies engaged in banking and financial activities and other specified deductions.

Presently the Bank does not have any AT1 capital.

- Tier II capital, which includes general provisions for loan losses (upto a maximum of 1.25% of credit risk weighted assets), reserves on revaluation of fixed assets and available for sale investments after deduction of deficit on available for sale investments (upto a maximum of 45%).

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.

39.5 Capital adequacy ratio

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

Particulars	2013		2012
	Amount	Pre - Basel III treatment*	Basel II treatment (Restated)
----- Rupees in '000 -----			
Common Equity Tier 1 capital (CET1): Instruments and reserves			
Fully paid-up capital / capital deposited with the SBP	5,279,679	5,279,679	5,279,679
Balance in share premium account	-	-	-
Reserve for issue of bonus shares	-	-	-
General / Statutory Reserves	210,446	210,446	173,392
Gain / (Losses) on derivatives held as Cash Flow Hedge	-	-	-
Unappropriated profits	27,199	27,199	6,653
Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-	-
CET 1 before Regulatory Adjustments	5,517,324	5,517,324	5,459,724

*This column highlights items that are still subject to Pre Basel III treatment during the transitional period

Particulars	2013		2012
	Amount	Pre - Basel III treatment*	Basel II treatment (Restated)
----- Rupees in '000 -----			
Common Equity Tier 1 capital: Regulatory adjustments			
Goodwill (net of related deferred tax liability)	59,232	59,232	59,232
All other intangibles (net of any associated deferred tax liability)	28,547	28,547	47,304
Shortfall of provisions against classified assets	-	-	37,991
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	154,837	-
Defined-benefit pension fund net assets	-	-	-
Reciprocal cross holdings in CET1 capital instruments	-	-	-
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 property / AFS	-	-	-
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 (amount above 10% threshold)	-	-	-
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	-
Amount exceeding 15% threshold of which:			
- significant investments in the common stocks of financial entities	-	-	-
- deferred tax assets arising from temporary differences	-	-	-
National specific regulatory adjustments applied to CET1 capital	-	-	-
Investment in TFCs of other banks exceeding the prescribed limit	-	-	-
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	87,779	242,616	144,527
Common Equity Tier 1 (a)	5,429,545	-	5,315,197
Additional Tier 1 (AT 1) Capital			
Qualifying Additional Tier-1 instruments plus any related share premium of which:	-	-	-
- classified as equity	-	-	-
- classified as liabilities	-	-	-
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties	-	-	-
- of which: instrument issued by subsidiaries subject to phase out AT1 before regulatory adjustments	-	-	-



Particulars	2013		2012
	Amount	Pre - Basel III treatment*	Basel II treatment (Restated)
----- Rupees in '000 -----			
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)	-	-	-
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-
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 recognised for capital adequacy (b)	-	-	-
Tier 1 Capital (CET1 + admissible AT1) (c=a+b)	5,429,545	-	5,315,197
Tier 2 Capital			
Qualifying Tier 2 capital instruments under Basel III	-	-	-
Capital instruments subject to phase out arrangement from tier 2	-	-	-
Tier 2 capital instruments issued to third party by consolidated subsidiaries	-	-	-
- 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	47,470	-	33,565
Revaluation Reserves	-	-	-
of which:	-	-	-
- Revaluation reserves on Property	403,800	493,534	-
- Unrealized Gains on AFS	76,948	94,048	90,722
Foreign Exchange Translation Reserves	-	-	-
Undisclosed / Other Reserves (if any)	-	-	-
T2 before regulatory adjustments	528,219	587,582	124,287

*This column highlights items that are still subject to Pre Basel III treatment during the transitional period

Particulars	2013		2012
	Amount	Pre - Basel III treatment*	Basel II treatment (Restated)
----- Rupees in '000 -----			
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)	-	-	-
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-
Amount of Regulatory Adjustment applied to T2 capital	-	-	-
Tier 2 capital (T2)	528,219	587,582	124,287
Tier 2 capital recognised for capital adequacy	528,219	587,582	124,287
Excess Additional Tier 1 capital recognised in Tier 2 capital	-	-	-
Total Tier 2 capital admissible for capital adequacy (d)	528,219	587,582	124,287
TOTAL CAPITAL (T1 + admissible T2) (e=c+d)	5,957,764	587,582	5,439,484
Total Risk Weighted Assets (i=f+g+h)	37,954,609	-	35,139,287

*This column highlights items that are still subject to Pre Basel III treatment during the transitional period



Particulars	2013	2012
	Amount	Basel II treatment (Restated)
---- Rupees in '000 ----		
Total Credit Risk Weighted Assets (f)	32,460,571	26,091,899
Risk weighted assets in respect of amounts subject to Pre-Basel III Treatment of which:	-	-
- recognised 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	-	-
- deferred tax assets	154,837	-
- defined-benefit pension fund net assets	-	-
Total Market Risk Weighted Assets (g)	102,250	4,273,750
Total Operational Risk Weighted Assets (h)	5,391,788	4,773,638
Capital Ratios and buffers (in percentage of risk weighted assets)		
CET1 to total RWA (a/i)	14.31%	15.13%
Tier-1 capital to total RWA (c/i)	14.31%	15.13%
Total capital to RWA (e/i)	15.70%	15.48%
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement) of which:	0%	0%
- capital conservation buffer requirement	0%	0%
- countercyclical buffer requirement	0%	0%
- Domestic Systemically Important Banks (SIB) or Global SIB buffer requirement	0%	0%
CET1 available to meet buffers (as a percentage of risk weighted assets)	14.31%	15.13%
*This column highlights items that are still subject to Pre Basel III treatment during the transitional period		
National minimum capital requirements prescribed by SBP		
CET1 minimum ratio	5%	N/A
Tier 1 minimum ratio	6.5%	N/A
Total capital minimum ratio	10%	N/A
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)	47,470	33,565
Cap on inclusion of provisions in Tier 2 under standardized approach	405,757	326,149
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	-	-

39.5.1 Risk-weighted exposures

	Book Value	Risk Adjusted Value	Book Value	Risk Adjusted Value
	2013	2013	Restated 2012	Restated 2012
----- Rupees in '000 -----				
Credit Risk				
Balance Sheet Items				
Cash and balances with treasury banks	4,883,483	242,907	4,938,712	165,002
Balances with other banks	1,018,717	205,353	806,282	104,102
Due from financial institutions - net	6,511,173	1,302,235	8,475,672	1,695,134
Investments	31,429,302	1,349,729	28,817,928	-
Islamic financing and related assets - net	38,308,733	23,362,455	27,433,262	18,848,934
Operating fixed assets	2,966,620	2,938,073	1,919,513	1,872,209
Deferred tax assets	-	-	79,586	79,586
Other assets - net	1,682,910	1,093,343	1,674,400	1,694,754
	<u>86,800,938</u>	<u>30,494,095</u>	<u>74,145,355</u>	<u>24,459,721</u>
----- Rupees in '000 -----				
Off Balance Sheet items				
Acceptances & Direct credit substitutes	535,042	410,042	562,913	562,913
Purchase and Resale Agreements	-	-	-	-
Transaction related contingent liabilities	2,287,341	803,021	1,639,665	514,171
Commitments in respect of Islamic financing and related assets	-	-	-	-
Import letters of credit	3,950,372	750,297	4,114,677	547,128
Commitments in respect of forward exchange contracts				
-Purchase	1,368,635	3,116	209,861	7,966
-Sale	1,111,164		128,883	
	<u>9,252,554</u>	<u>1,966,476</u>	<u>6,655,999</u>	<u>1,632,178</u>
Credit risk-weighted exposures		<u>32,460,571</u>		<u>26,091,899</u>
Market Risk				
General market risk		575		2,160,888
Specific market Risk		101,675		2,112,863
Market risk-weighted exposures		<u>102,250</u>		<u>4,273,751</u>
Operational Risk		<u>5,391,788</u>		<u>4,773,638</u>
Total Risk-Weighted Exposures		<u>37,954,609</u>		<u>35,139,287</u>



39.5.2 Risk-weighted exposures

	Capital requirements		Risk weighted assets	
	2013	2012 Restated	2013	2012 Restated
	----- Rupees in '000 -----			
Credit Risk				
Portfolios subject to on-balance sheet exposure (Simple Approach)				
Banks	258,388	202,368	1,781,989	2,023,680
Corporate	3,252,477	1,682,533	22,430,876	16,825,329
Retail	62,742	44,158	432,706	441,582
Residential mortgage	145,638	68,862	1,004,403	688,615
Past due loans	117,842	91,355	812,705	913,552
Operating fixed assets	426,021	187,221	2,938,073	1,872,209
All other assets	158,535	169,475	1,093,343	1,694,754
	4,421,644	2,445,972	30,494,095	24,459,721
Portfolios subject to off-balance sheet exposure - non market related (Simple approach)				
Banks	358	118	2,467	1,182
Corporate	284,054	162,096	1,958,992	1,620,960
Retail	276	207	1,901	2,070
Portfolios subject to off-balance sheet exposures - market related (Current exposure method)				
Banks	452	797	3,116	7,966
Customers	-	-	-	-
Market Risk				
Capital Requirement for portfolios subject to Standardised Approach				
Interest rate risk	76	221,288	525	2,212,875
Equity position risk	15	192,910	100	1,929,100
Foreign exchange risk	14,736	13,178	101,625	131,775
Operational Risk				
Capital requirement for operational risk	781,809	477,363	5,391,788	4,773,638
TOTAL	5,503,418	3,513,929	37,954,609	35,139,287
		Note	2013	2012 (Restated)
----- Rupees in '000 -----				
Total eligible regulatory capital held			5,957,764	5,439,484
			----- Rupees in '000 -----	
Total risk weighted assets			37,954,609	35,139,287
			-----Percentage-----	
Capital adequacy ratio			15.70%	15.48%

39.6 Capital Structure Reconciliation

39.6.1 Reconciliation of each financial statement line item to item under regulatory scope of reporting

Particulars	Reference	Balance sheet as in published financial statements	Under regulatory scope of reporting
---- Rupees in '000 ----			
Assets			
Cash and balances with treasury banks		4,883,483	4,883,483
Balances with other banks		1,018,717	1,018,717
Due from financial institutions - net		6,511,173	6,511,173
Investments		31,429,302	31,429,302
Islamic financing and related assets - net		38,308,733	38,308,733
Operating fixed assets		2,966,620	2,966,620
Deferred tax assets		-	-
Other assets - net		1,682,910	1,682,910
Total assets		86,800,938	86,800,938
Liabilities and Equity			
Bills payable		835,562	835,562
Due to financial institutions		2,538,000	2,538,000
Deposits and other accounts		75,169,991	75,169,991
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		175,216	175,216
Other liabilities		1,836,286	1,836,286
Total liabilities		80,555,055	80,555,055
Share capital		5,279,679	5,279,679
Reserves		210,446	210,446
Unappropriated profit / (Accumulated losses)		27,199	27,199
Surplus on revaluation of assets - net of tax		728,559	728,559
Total liabilities and equity		6,245,883	6,245,883

39.6.2 Reconciliation of balance sheet to eligible regulatory capital

Assets			
Cash and balances with treasury banks		4,883,483	4,883,483
Balances with other banks		1,018,717	1,018,717
Due from financial institutions		6,511,173	6,511,173
Investments		31,429,302	31,429,302
of which:			
- non-significant capital investments in capital of other financial institutions exceeding 10% threshold	a	-	-
- significant capital investments in financial sector entities exceeding regulatory threshold	b	-	-
- mutual Funds exceeding regulatory threshold	c	-	-
- reciprocal crossholding of capital instrument	d	-	-
- others	e	-	-
Islamic financing and related assets		38,308,733	38,308,733
- shortfall in provisions / excess of total EL amount over eligible provisions under IRB	f	-	-
- general provisions reflected in Tier 2 capital	g	47,470	47,470
Operating fixed assets		2,966,620	2,966,620
- of which: Intangibles	k	28,547	28,547

Particulars	Reference	Balance sheet as in published financial statements	Under regulatory scope of reporting
---- Rupees in '000 ----			
Deferred tax assets			
of which:			
- DTAs excluding those arising from temporary differences	h	-	-
- DTAs arising from temporary differences exceeding regulatory threshold	i	-	-
Other assets		1,682,910	1,682,910
of which:			
- goodwill	j	59,232	59,232
- defined-benefit pension fund net assets	l	-	-
Total assets		86,800,938	86,800,938
Liabilities and Equity			
Bills payable		835,562	835,562
Due to financial institutions		2,538,000	2,538,000
Deposits and other accounts		75,169,991	75,169,991
Sub-ordinated loans of which:			
- eligible for inclusion in AT1	m	-	-
- eligible for inclusion in Tier 2	n	-	-
Liabilities against assets subject to finance lease			
Deferred tax liabilities of which:		175,216	175,216
- DTLs related to goodwill	o	-	-
- DTLs related to intangible assets	p	-	-
- DTLs related to defined pension fund net assets	q	-	-
- other deferred tax liabilities	r	-	-
Other liabilities		1,836,286	1,836,286
Total liabilities		80,555,055	80,555,055
Share capital		5,279,679	5,279,679
- of which: amount eligible for CET1	s	5,279,679	5,279,679
- of which: amount eligible for AT1	t	-	-
Reserves of which:		210,446	210,446
- portion eligible for inclusion in CET1 - Statutory reserve	u	210,446	210,446
- portion eligible for inclusion in CET1 - General reserve		-	-
- portion eligible for inclusion in Tier 2	v	-	-
Unappropriated profit	w	27,199	27,199
Minority Interest of which:			
- portion eligible for inclusion in CET1	x	-	-
- portion eligible for inclusion in AT1	y	-	-
- portion eligible for inclusion in Tier 2	z	-	-
Surplus on revaluation of assets of which:		728,559	728,559
- Revaluation reserves on Property		616,945	616,945
- Unrealized Gains/Losses on AFS	aa	111,614	111,614
- In case of Deficit on revaluation (deduction from CET1)	ab	-	-
Total liabilities and Equity		86,800,938	86,800,938

39.6.3 Basel III Disclosure (with added column)

Particulars	Source based on reference number from 39.4.2	Component of regulatory capital reported by bank
		(Rupees in '000)
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1 Fully Paid-up Capital	(s)	5,279,679
2 Balance in share premium account	-	-
3 Reserve for issue of bonus shares	-	-
4 General / Statutory Reserves	(u)	210,446
5 Gain / (Losses) on derivatives held as Cash Flow Hedge	-	-
6 Unappropriated / unremitted profits	(w)	27,199
7 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)	-
8 CET 1 before Regulatory Adjustments		5,517,324
Common Equity Tier 1 capital: Regulatory adjustments		
9 Goodwill (net of related deferred tax liability)	(j) - (s)	59,232
10 All other intangibles (net of any associated deferred tax liability)	(k) - (p)	28,547
11 Shortfall of provisions against classified assets	(f)	-
12 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(h) - (r) * 0%	-
13 Defined-benefit pension fund net assets	(l) - (q) * x%	-
14 Reciprocal cross holdings in CET1 capital instruments	(d)	-
15 Cash flow hedge reserve	-	-
16 Investment in own shares / CET1 instruments	-	-
17 Securitization gain on sale	-	-
18 Capital shortfall of regulated subsidiaries	-	-
19 Deficit on account of revaluation from bank's holdings of property / AFS	(ab)	-
20 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)	-
21 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)	-
22 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	(i)	-
23 Amount exceeding 15% threshold of which:		-
- significant investments in the common stocks of financial entities		-
- deferred tax assets arising from temporary differences		-
24 National specific regulatory adjustments applied to CET1 capital		-
25 Investment in TFCs of other banks exceeding the prescribed limit		-
26 Any other deduction specified by SBP (mention details)		-
27 Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions		-
28 Total regulatory adjustments applied to CET1		87,779
Common Equity Tier 1		5,429,545
Additional Tier 1 (AT 1) Capital		
29 Qualifying Additional Tier-1 instruments plus any related share premium of which:		-
30 - Classified as equity	(t)	-
31 - Classified as liabilities	(m)	-
32 Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties	(y)	-
33 - of which: instrument issued by subsidiaries subject to phase out		-
34 AT1 before regulatory adjustments		-



Particulars	Source based on reference number from 39.4.2	Component of regulatory capital reported by bank
		(Rupees in '000)
Additional Tier 1 Capital: regulatory adjustments		
35 Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)		-
36 Investment in own AT1 capital instruments		-
37 Reciprocal cross holdings in Additional Tier 1 capital instruments		-
38 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)	-
39 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(ad)	-
40 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		-
41 Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		-
42 Total of Regulatory Adjustment applied to AT1 capital		-
43 Additional Tier 1 capital		-
44 Additional Tier 1 capital recognised for capital adequacy		-
Tier 1 Capital (CET1 + admissible AT1)		5,429,545
Tier 2 Capital		
45 Qualifying Tier 2 capital instruments under Basel III		-
46 Capital instruments subject to phase out arrangement from Tier 2	(n)	-
47 Tier 2 capital instruments issued to third party by consolidated subsidiaries - of which: instruments issued by subsidiaries subject to phase out	(z)	-
48 General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	(g)	47,470
49 Revaluation Reserves eligible for Tier 2 of which:		
50 - portion pertaining to Property		403,800
51 - portion pertaining to AFS securities	45% of (aa)	76,948
52 Foreign Exchange Translation Reserves	(v)	-
53 Undisclosed / Other Reserves (if any)		-
54 T2 before regulatory adjustments		-
Tier 2 Capital: regulatory adjustments		528,218
55 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		-
56 Reciprocal cross holdings in Tier 2 instruments		-
57 Investment in own Tier 2 capital instrument		-
58 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)	-
59 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(af)	-
60 Amount of Regulatory Adjustment applied to T2 capital		-
61 Tier 2 capital (T2)		-
62 Tier 2 capital recognised for capital adequacy		-
63 Excess Additional Tier 1 capital recognised in Tier 2 capital		-
64 Total Tier 2 capital admissible for capital adequacy		528,218
TOTAL CAPITAL (T1 + admissible T2)		5,957,764
TOTAL CAPITAL (T1 + admissible T2)		

39.7 Main features of regulatory capital instruments

	Main Features	Common Shares
1	Issuer	BankIslami Pakistan Limited
2	Unique identifier	BIPL - CDC Symbol
3	Governing law(s) of the instrument Regulatory treatment	Banking Companies
4	Transitional Basel III rules	Common Equity Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible at solo/ group/ group & solo	Solo
7	Instrument type	Ordinary shares
8	Amount recognised in regulatory capital (Currency in PKR thousands, as of reporting date)	5,279,679
9	Par value of instrument	10
10	Accounting classification	Shareholders' equity
11	Original date of issuance	May 02, 2006
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable Coupons / dividends	N/A
17	Fixed or floating dividend/ coupon	N/A
18	coupon rate and any related index/ benchmark	N/A
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down feature	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Residual interest
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A



40 RISK MANAGEMENT

The objective of Risk Management is to effectively manage uncertainties that arise in the normal course of business activities. The risk management function is one of the most important areas of the banking business, and covers a wide spectrum of financial business risk class; including Credit, Market, Liquidity, Operational etc. The Group follows effective risk governance which commensurate well with its current size and structure.

The implementation of Basel II (B2) provides for a risk-based capital requirement. Further, the SBP has decided to implement Basel III framework in a phased manner with effect from December 31, 2013 to December 31, 2019, to revise and update capital reforms and clarifications and further strengthen the existing capital adequacy framework prescribed under Basel II. The Group adheres to the regulatory requirement in this respect, and conducts its business accordingly.

As a prelude to countering the financial debacle of the recent past, the Basel Committee (Internationally) is raising the resilience of the banking sector by strengthening the regulatory capital framework, essentially building on the three pillars of the Basel II structure. The reforms raise both the quality and quantity of the regulatory capital base and enhance the risk coverage of the capital framework. The SBP (State Bank of Pakistan) while being cognizant of the various reforms in the offing, is reviewing the impact of Basel III (B3) guidelines on the capital structure and CAR (Capital Adequacy Ratio) through quantitative impact studies. Accordingly, the SBP has implemented first phase of Basel III framework with effect from December 31, 2013.

RISK MANAGEMENT FRAMEWORK

A well formulated policy and procedure is critical to an effective Risk Management framework; it then needs to be reinforced through a strong control culture that promotes sound risk governance. The Bank's Risk Management Framework has been developed keeping in mind, that:

- To be effective, control activities should be an integral part of the regular activities of the Group;
- Every loss or near miss event should provide some Key Learning Outcome (KLO), helping and promoting a better risk identification and mitigation,
- While the reward may well commensurate the level of risk, it has to be viewed in entirety and not in isolation; and
- Critical decision making should be based on relevant research, proper analysis and effective communication within the Group.

Strategic Level

At the strategic level, the risk related functions are approved by the senior management and the Board. These include: defining risks, setting parameters, ascertaining the institutions risk appetite, formulating strategy and policies for managing risks and establishing adequate systems and controls to ensure that overall risk remains within acceptable level and the reward compensates' for the risk taken.

Macro Level

It encompasses risk management within a business area or across business lines. Generally the risk management activities performed by middle management or units devoted to risk reviews fall into this category. Periodical review of various portfolios; stress test and scenario analysis for portfolio resilience; application of statistical tools and information in time series for developing strong inferences are all performed at this level.

Micro Level

Risk management at micro level, is of critical importance. This function if performed with diligence and understanding, can be of maximum benefit to the organization. Micro level risk management includes:

- Business line acquisition, strong adherence to the credit and other related criteria.
- Middle Office monitoring function for a sound risk assessment of various risks inherent in treasury operations.
- Detailed review of various processes and operating procedures, for operational and other risk related assessments.

Risk appetite of the Group

The risk appetite of the Group is an outcome of its corporate goal, economic profitability, available resources (size and business life cycle) and most significantly; the controls. The Group believes in a cautious yet steady approach towards its business objectives and takes a holistic view of its investment and financing requirement.

This approach is primarily based on a viable portfolio build-up with a long-term view; key consideration being the health of various portfolios.

Risk organization

A strong organizational set-up, with clearly defined roles and responsibilities permits a higher level of articulation of the Group's risk mandate, establishment of a structure that provides for authority, delegation and accountability, and development of control framework. Risk management cannot live in a vacuum; in order to be effective, it has to be run at an enterprise level. Risk governance must involve all relevant parties and should be sanctioned by the bank's leadership.

The risk management function at the Group, along with the different committees including ALCO (Asset Liability Committee) and MCC (Management Credit Committee), RMC (Risk Management Committee of the Board) manage and adhere to the risk management policies and procedures, with an explicit aim to mitigate/ manage risk in line with the Banks objectives.

Business line accountability

One of the most important features of the risk management process is the business line accountability. Business has to understand the risk implication of specific transaction on the business / portfolio. Some specific risks e.g. reputation risk affects the entire banking business and is not limited to one business line or the other. At BIPL, as in any other reputable organization, responsibility comes with accountability. Each business segment is responsible for the profit / loss of the business. The management of risk is as much a line function as it is supports'.

Business lines are equally responsible for the risks they are taking. Because line personnel understand the risks of the business. Lack of an understanding of this by the line management may lead to risk management in isolation.

40.1 Credit Risk

The Group manages credit risk by effective credit appraisal mechanism, approving and reviewing authorities, limit structures, internal credit risk rating system, collateral management and post disbursement monitoring so as to ensure prudent financing activities and sound financing portfolio under the umbrella of a comprehensive Credit Policy approved by the Board of Directors. Credit Risk has certain sub-categories as follows:



i) Price risk

There is a risk that the asset repossessed due to default of the lessee may be sold or leased out to another party at a price lower than the original contract price.

ii) Counterparty risk

The risk that the counter-party defaults during the term of a transaction (Murabaha, Ijarah etc.).

iii) Settlement risk

The risk that the counter-party does not meet its commitments at the maturity of the transaction after the Group has already met its commitments.

iv) Country risk

Country Risk can be defined as the risk of adverse impact of certain factors on a country's specific economic, political and social scenario which affects the ability of the country (or a borrower in that country) to repay its obligations. Country risk may be a combination of Transfer Risk and Sovereign Risk.

40.1.1 Segmental information

Segmental Information is presented in respect of the class of business and geographical distribution of Islamic financing and related assets, Deposits, Contingencies and Commitments.

40.1.1.1 Segments by class of business

	2013					
	Islamic financing and related assets		Deposits		Contingencies and Commitments **	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, Forestry, Hunting and Fishing	650,000	1.67%	3,372,687	4.49%	-	0.00%
Mining and Quarrying	-	0.00%	921,100	1.23%	17,015	0.16%
Textile	5,480,995	14.08%	435,329	0.58%	1,689,633	16.28%
Chemical and Pharmaceuticals	3,745,984	9.62%	747,794	0.99%	282,163	2.72%
Cement	388,638	1.00%	196,516	0.26%	85,639	0.83%
Sugar	5,277,401	13.56%	2,919,856	3.88%	500,000	4.82%
Footwear and Leather garments	22,751	0.06%	51,913	0.07%	20,722	0.20%
Automobile and transportation equipment	815,243	2.09%	209,437	0.28%	1,463,034	14.10%
Education	1,998	0.01%	899,064	1.20%	-	0.00%
Electronics and electrical appliances	1,247,028	3.20%	456,762	0.61%	736,742	7.10%
Production and transmission of energy	-	0.00%	204,672	0.27%	-	0.00%
Construction	3,440,207	8.84%	591,621	0.79%	363,494	3.50%
Power (electricity), Gas, Water, Sanitary	3,915,342	10.06%	20,578	0.03%	831,709	8.01%
Wholesale and Retail Trade	161,726	0.42%	21,720,364	28.89%	483,504	4.66%
Exports/Imports	1,447,464	3.72%	153,962	0.20%	374,743	3.61%
Transport, Storage and Communication	1,677,897	4.31%	286,519	0.38%	-	0.00%
Financial	1,337,287	3.43%	806,387	1.07%	2,493,918	24.03%
Insurance	21,879	0.06%	121,217	0.16%	-	0.00%
Services	725,021	1.86%	2,158,522	2.87%	153,144	1.48%
Individuals	4,222,856	10.85%	29,556,191	39.32%	27,393	0.26%
Food and beverages	3,424,856	8.80%	2,017,029	2.68%	147,201	1.42%
Private Trust & NGO	54,011	0.14%	2,089,129	2.78%	69,430	0.67%
Packing and Paper products	742,420	1.91%	8,263	0.01%	94,735	0.91%
Others*	131,042	0.34%	5,225,079	6.95%	543,123	5.23%
	<u>38,932,046</u>	<u>100.00%</u>	<u>75,169,991</u>	<u>100.00%</u>	<u>10,377,342</u>	<u>100.00%</u>

* Others include Govt. deposits etc.

** Contingent liabilities for the purpose of this note are presented at cost and include direct credit substitutes, transaction related contingent liabilities and trade related contingent liabilities.

	2012					
	Islamic financing and related assets		Deposits		Contingencies and Commitments **	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, Forestry, Hunting and Fishing	2,940,918	10.53%	2,582,327	4.03%	-	0.00%
Mining and Quarrying	-	0.00%	965,582	1.51%	-	0.00%
Textile	2,744,131	9.82%	639,328	1.00%	2,458,140	29.59%
Chemical and Pharmaceuticals	1,121,528	4.01%	2,019,965	3.15%	248,467	2.99%
Cement	947,820	3.39%	364,536	0.57%	46,585	0.56%
Sugar	3,704,999	13.26%	1,726,188	2.69%	1,225	0.01%
Footwear and Leather garments	57,763	0.21%	52,340	0.08%	6,435	0.08%
Automobile and transportation equipment	309,747	1.11%	245,026	0.38%	1,575,781	18.97%
Education	3,135	0.01%	217,067	0.34%	-	0.00%
Electronics and electrical appliances	144,799	0.52%	111,805	0.17%	1,118,743	13.47%
Production and transmission of energy	900,000	3.22%	432,950	0.68%	-	0.00%
Construction	1,131,950	4.05%	551,674	0.86%	421,718	5.08%
Power (electricity), Gas, Water, Sanitary	2,977,218	10.66%	27,950	0.04%	543,223	6.54%
Wholesale and Retail Trade	685,198	2.45%	16,832,888	26.26%	162,596	1.96%
Exports/Imports	7,046	0.03%	97,632	0.15%	226,168	2.72%
Transport, Storage and Communication	30,395	0.11%	355,230	0.55%	-	0.00%
Financial	2,161,969	7.74%	1,393,181	2.17%	325,712	3.92%
Insurance	25,059	0.09%	48,695	0.08%	-	0.00%
Services	451,037	1.61%	1,810,889	2.82%	152,318	1.83%
Individuals	3,365,302	12.05%	25,358,043	39.55%	49,556	0.60%
Food and beverages	2,151,123	7.70%	1,442,129	2.25%	79,344	0.96%
Private Trust & NGO	4,639	0.02%	1,296,276	2.02%	69,403	0.84%
Packing and Paper products	440,088	1.58%	10,522	0.02%	18,795	0.23%
Others*	1,627,965	5.83%	5,528,393	8.62%	803,384	9.67%
	27,933,829	100.00%	64,110,616	100.00%	8,307,593	100.00%

* Others include Govt deposits etc.

** Contingent liabilities for the purpose of this note are presented at cost and include direct credit substitutes, transaction related contingent liabilities and trade related contingent liabilities.

40.1.1.2 Segment by sector

	2013					
	Islamic financing and related assets		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	1,794,478	5%	71,751,142	95%	1,236,700	12%
Private	37,137,568	95%	3,418,849	5%	9,140,642	88%
	38,932,046	100%	75,169,991	100%	10,377,342	100%

	2012					
	Islamic financing and related assets		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	2,508,213	9%	3,087,965	5%	1,455,572	18%
Private	25,425,616	91%	61,022,651	95%	6,852,021	82%
	27,933,829	100%	64,110,616	100%	8,307,593	100%

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

	2013		2012	
	Classified Islamic financing and related assets	Specific provisions held	Classified Islamic financing and related assets	Specific provisions held
	----- Rupees in '000 -----			
Wholesale and Retail trade	23,020	16,648	22,598	10,217
Agriculture, Forestry, Hunting and Fishing	-	-	175,000	43,750
Textile	261,766	244,403	261,767	148,848
Chemical and Pharmaceuticals	13,772	200	13,773	200
Power (electricity), Gas, Water, Sanitary	4,950	1,013	703	73
Cement	23,250	23,250	23,250	17,586
Automobile & Transportation equipment	-	-	-	-
Construction	284,251	99,747	125,980	63,980
Services	9,886	4,782	1,139	800
Financial	517	305	1,757	581
Paper Product	73,073	10,274	98,554	10,796
Transport, Storage and Communication	-	-	2,391	1,838
Individuals	396,285	157,280	459,971	160,326
Others	18,101	17,941	18,339	8,007
	<u>1,108,871</u>	<u>575,843</u>	<u>1,205,222</u>	<u>467,002</u>

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

	2013		2012	
	Classified Islamic financing and related assets	Specific provisions held	Classified Islamic financing and related assets	Specific provisions held
	----- Rupees in '000 -----			
Public / Government	-	-	-	-
Private	<u>1,108,871</u>	<u>575,843</u>	<u>1,205,222</u>	<u>467,002</u>
	<u>1,108,871</u>	<u>575,843</u>	<u>1,205,222</u>	<u>467,002</u>

40.1.1.5 Geographical segment analysis

	2013			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments*
	----- Rupees in '000 -----			
Pakistan	<u>312,539</u>	<u>86,800,938</u>	<u>6,245,883</u>	<u>10,377,342</u>
	2012			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	----- Rupees in '000 -----			
Pakistan	<u>469,476</u>	<u>74,145,355</u>	<u>5,591,533</u>	<u>8,307,593</u>

40.1.2 Credit risk - Standardised Approach

Credit risk arises due to the risk of a borrower defaulting on his commitment either in part or as a whole. The Group has currently employed standardised approach for evaluation of credit risk. It uses CRM (Credit Risk Mitigation) technique where applicable. The Group carries a strong desire to move towards the FIRB and Advanced approach.

40.1.2.1 Credit Risk: Disclosures for portfolio subject to the Standardised Approach and supervisory risk weights in the IRB Approach

The Group uses reputable and SBP approved rating agencies for deriving risk weight to specific credit exposures, where available. The Group has also recently employed a credit rating model, which is compatible to the rating guidelines of SBP, which will support the Group in internally rating the credit clients.

Types of Exposures and ECAI's used

Exposures	2013			2012		
	JCR - VIS	PACRA	Others	JCR - VIS	PACRA	Others
Corporate	✓	✓	N/A	✓	✓	N/A
Banks	✓	✓	✓	✓	✓	✓

Credit Exposures subject to Standardised approach

Exposures	SBP grade	Rating Category	2013			2012		
			Amount Outstanding	Deduction CRM	Net amount	Amount Outstanding	Deduction CRM	Net amount
			Rupees in '000					
Claims on Public Sector Entities in Pakistan		0%						-
	1	20%	2,591,808	154	2,591,654	1,901,268	261	1,901,007
	2,3	50%						-
	4,5	100%						-
	6	150%						-
	Unrated	50%	1,090,545	232	1,090,313			-
Claims on Corporates (excluding equity exposures)	2	50%	3,317,887	19,476	3,298,411	3,919,345	110,303	3,809,042
	3,4	100%	5,814	855	4,959		-	-
	5,6	150%	171,896	4,783	167,113	2,488	61	2,427
	Unrated	100%	25,409,055	506,617	19,902,438	14,591,119	190,601	14,400,518
Claims categorized as retail portfolio		75%	915,027	338,086	576,941	895,123	306,347	588,776
Past Due loans:								
1.1 where specific provisions are less than 20 per cent of the outstanding amount of the past due claim.								
		150%	406,472	60,174	346,298	423,087	-	423,087
1.2 where specific provisions are no less than 20 per cent of the outstanding amount of the past due claim.								
		100%	59,216	2,985	56,231	41,842	-	41,842
1.3 where specific provisions are more than 50 per cent of the outstanding amount of the past due claim.								
		50%	38,370	5,608	32,762	22,270	-	22,270
All other assets		100%	1,119,778	50,000	1,069,778	1,674,711	-	1,674,711



40.1.2.2 Credit Risk Disclosures with respect to Credit Risk Mitigation for Standard and IRB Approaches

The Group obtains capital relief for both on and off-balance sheet non-market related exposures by using simple approach for Credit Risk Mitigation (CRM). Off-balance sheet items under the simplified standardised approach are converted into credit exposure equivalents through the use of credit conversion factors. Under the standardized approach the Group has taken advantage of the cash collaterals available with the Group in the form of security deposits and cash margins lien on deposit account.

Valuation and management of eligible collaterals for CRM is being done in line with the conditions laid down by the SBP. Since eligible collaterals for CRM purposes are all in the form of cash collaterals, they generally do not pose risk to the Group in terms of change in their valuation due to changes in the market conditions.

40.2 Equity Position Risk in the Banking book

Equity position includes the following:

- Strategic investments
- Investment in equities for generating revenue in short term

These equity investments are accounted for and disclosed as per the provisions and directives of SBP, SECP and the requirements of approved International Accounting Standards as applicable in Pakistan.

Provision for diminution in the value of securities is made after considering impairment, if any, in their value and charged to the consolidated profit and loss account.

40.3 Yield / Profit Rate Risk in the banking book

It includes all material yield risk positions of the Group taking into account all repricing and maturity data. It includes current balances and contractual yield rates, the Group understands that its Islamic financing and related assets shall be repriced as per their respective contracts.

The Group estimates changes in the economic value of equity due to changes in the yield rates on on-balance sheet positions by conducting duration gap analysis. It also assesses yield rate risk on earnings of the Group by applying upward and downward shocks.

40.4 Market Risk

Market risk is defined as the risk of losses in on-and-off balance sheet positions arising from movements in market prices e.g. fluctuations in values in tradable, marketable or leasable assets. The risks relate to the current and future volatility of market values of specific assets and of foreign exchange rates and benchmark yields.

The Group uses various tools and techniques to assess market risk including but not limited to full valuation, stress testing, scenario analysis. These assessment methods enable the Group to estimate changes in the value of the portfolio, if exposed to various risk factors.

Moreover, since the Group does not deal in interest based products, the impact of the above risks will be very minimal. The Group does not have positions or forward exchange contracts giving mismatches of maturity unless such risks have been taken care of through some other mechanism.

40.4.1 Foreign Exchange Risk

Currency risk is the risk of loss arising from the fluctuations of exchange rates.

In the normal course of conducting commercial banking business, which ranges from intermediation only to taking on principal risk as dealer or as counterparty, the Group purchases or sells currencies in today / ready and gives or receives unilateral promises for sale or purchase of FX at future dates in a long or short position in different currency pairs. These positions expose the Group to foreign exchange risk. To control this risk, the Bank primarily uses notional principal limits at various levels to control the open position, and ultimately the residual foreign exchange risk of the Group. The Group also strictly adheres to all associated regulatory limits.

Following is the summary of the assets of the Group subject to foreign exchange risk.

2013				
	Assets	Liabilities	Off-balance Sheet	Net foreign currency exposure
	----- Rupees in '000 -----			
Pakistan rupee	85,350,543	78,949,296	(257,471)	6,401,247
United States dollar	1,185,405	1,377,591	257,471	(192,186)
Great Britain pound	161,147	159,923	-	1,224
Deutsche mark	-	-	-	-
Japanese yen	10,143	8,627	-	1,516
Euro	60,517	59,618	-	899
UAE Dirham	5,777	-	-	5,777
ACU	19,411	-	-	19,411
CHF	311	-	-	311
AUD	4,366	-	-	4,366
Saudi Riyal	3,318	-	-	3,318
	<u>86,800,938</u>	<u>80,555,055</u>	<u>-</u>	<u>6,245,883</u>

2012 (Restated)				
	Assets	Liabilities	Off-balance Sheet	Net foreign currency exposure
	----- Rupees in '000 -----			
Pakistan rupee	73,020,842	67,313,733	(249,336)	5,457,773
United States dollar	901,086	1,063,616	249,336	86,806
Great Britain pound	118,875	116,351	-	2,524
Deutsche mark	-	-	-	-
Japanese yen	3,480	-	-	3,480
Euro	71,211	60,122	-	11,089
UAE Dirham	244	-	-	244
ACU	23,998	-	-	23,998
CHF	833	-	-	833
AUD	1,171	-	-	1,171
Saudi Riyal	3,615	-	-	3,615
	<u>74,145,355</u>	<u>68,553,822</u>	<u>-</u>	<u>5,591,533</u>

Rupees in '000

40.5 Liquidity Risk

Liquidity risk is the potential loss to the Group arising from its inability either to meet its obligations (financial) or to fund increases in assets as they fall due without incurring unacceptable costs or losses.

BPL's liquidity at various levels (day to day, short term, long term) is managed by the Treasury along with the Asset and Liability Management Committee (ALCO), which is one of the most important management level committees. Its role cannot be overemphasized here, it serves as a part of the critical trio with risk management and treasury department, monitoring and maintaining key liquidity ratios, a viable funding mix, depositor concentration, reviewing contingency plans etc.

40.5.1 MATURITIES OF ASSETS AND LIABILITIES

2013																		
	Up to 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	
Total	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity
	Rupees in '000																	
Assets																		
Cash and balances with treasury banks	4,883,483	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	1,018,717	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due from financial institutions	6,511,173	6,511,173	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	31,429,302	350,686	3,192,382	2,292,652	4,609,110	18,381,846	1,627,417	771,554	-	-	-	-	-	-	-	-	-	-
Islamic financing and related assets	38,398,733	5,433,886	-	18,470,573	-	5,541,484	-	2,229,539	2,173,405	-	1,413,335	-	1,481,137	-	173,081	-	-	-
Operating fixed assets	2,966,620	-	192,893	-	-	-	-	-	-	-	-	-	369,257	-	627,777	-	1,392,293	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,776,693	-
Other assets	1,882,910	55,998	326,609	125,057	358,092	151,936	53,256	160,893	5,002	1,899	1,992	303,532	1,811	-	-	-	-	-
	86,800,938	12,351,743	3,711,884	20,888,282	4,967,202	24,275,266	1,680,673	3,161,986	5,002	2,175,304	-	1,415,327	1,852,205	303,532	800,858	-	3,172,641	-
Liabilities																		
Bills payable	835,562	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to financial institutions	2,538,000	2,000,000	-	438,000	-	-	100,000	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	75,169,991	-	3,438,009	-	5,354,650	-	9,052,634	-	20,006,524	-	20,076,597	-	-	5,080,965	-	-	-	-
Deferred tax liabilities	175,216	-	-	-	-	-	-	-	-	-	-	-	-	175,216	-	-	-	-
Other liabilities	1,836,286	442,409	63,650	78,457	87,118	22,514	8,256	191,473	464	22,073	1,016	27,139	478,115	199,783	-	-	-	-
	80,555,055	2,442,409	3,501,659	516,457	5,441,768	22,514	9,160,870	191,473	20,006,988	22,073	20,077,613	27,139	5,455,964	478,115	2,714,748	-	-	-
Net assets	6,245,883	9,909,334	210,225	20,371,825	(474,566)	24,552,752	(7,480,197)	2,970,513	(20,601,986)	2,153,231	(20,077,613)	1,388,168	(5,152,452)	1,374,090	(2,714,748)	800,858	-	3,172,641
Rupees in '000																		
Share capital	5,279,679	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserves	210,446	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unappropriated profit / (Accumulated loss)	27,199	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	728,539	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	6,245,883	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

2012 (Restated)																		
Total	Up to 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	
	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity
4,938,712	4,938,712	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
806,282	806,282	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8,475,672	-	-	-	4,633,600	-	3,842,072	-	8,420,992	9,369,259	-	8,592,329	-	1,191,216	-	-	940,755	3,794	-
28,817,928	-	-	-	279,583	-	-	-	-	-	-	-	-	-	-	-	-	-	-
27,433,262	-	7,616,523	-	8,133,048	-	1,864,703	-	2,122,037	908,600	-	1,862,862	-	3,650,661	-	621,028	124,486	926,554	1,130,342
1,919,513	-	-	-	53,248	-	-	-	-	-	-	-	-	316,683	-	-	-	-	-
79,386	-	-	-	-	-	-	-	-	-	-	-	-	79,386	-	-	-	-	-
1,674,400	26,068	261,491	50,000	396,523	8,616	319,217	165,092	33,288	-	-	-	-	306,708	47,617	59,232	548	-	-
74,145,355	5,771,062	7,858,014	50,000	13,442,754	61,864	6,025,992	165,092	10,576,317	10,277,859	-	10,455,191	702,977	4,889,494	680,260	1,085,789	932,348	1,130,342	-
1,251,000	1,251,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1,621,415	-	-	-	1,280,000	-	341,415	-	-	-	-	-	-	-	-	-	-	-	-
64,110,616	4,088,761	2,758,227	-	3,037,932	-	2,939,888	-	7,767,587	1,847,186	14,916,350	2,399,268	-	6,175,179	-	-	3,353,889	-	-
1,570,781	181,113	274,491	108,593	102,749	-	176,975	69,269	72,775	26,190	-	18,198	492,837	47,043	-	-	548	-	-
68,553,822	5,520,884	3,037,718	108,593	4,420,681	-	3,438,278	69,269	7,840,362	1,873,376	14,916,350	2,327,466	492,837	6,222,222	-	-	3,354,437	-	-
5,591,533	230,178	4,845,296	(58,593)	9,022,073	61,864	2,567,714	95,823	2,735,955	8,404,485	(14,916,350)	8,127,725	210,440	(1,332,726)	680,260	(2,268,648)	932,348	1,130,342	-

Rupees in '000
Restated

Share capital	5,279,679
Reserves	173,392
Unappropriated profit / (Accumulated loss)	6,653
Surplus on revaluation of assets	131,809
	<u>5,591,533</u>

40.6 Operational Risk

Operational Risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external / internal events. The risk is different from the others, since it has a greater level of uncertainty and may be termed as a little difficult to measure. The Group believes that (prudence) should be lived and breathed through the organizational culture.

At a more formal level, the Group has strengthened its risk management framework by developing policies, guidelines and manuals. Operational and other risk assessment tool e.g. ORAF is being effectively used to assess, mitigate and monitor possible risk that may arise in any of the Group's financial product or department. Operational Loss Database (OLD) records all the internal / external potential operational losses which helps the management understand the causes and impact of these risks.



40.7 Strategic Risk

Strategic risk arises due to wrong assumptions in strategic decision making or the failure to react correctly to long-term changes in strategic parameters.

The Group follows a deliberate low-risk strategy. Within the general constraints of its niche market the Group is aware of the need of reducing risk. The Group has a well established strategic planning and evaluation process which involves all levels of management and which is subject to regular review.

40.8 Systemic Risk

Systemic risk is the risk of a total or partial collapse of the financial system.

Such a collapse could be due to technical factors or market driven (psychological reasons).

Systemic risk is reduced by the activities of both national and international regulatory authorities. The Group actively supports these organizations through its membership of the relevant Grouping industry association i.e. Pakistan Bank's Association ("PBA"). The Group also takes account of systemic risk by means of careful management of counter party risks in the inter-Group market.

40.9 Shariah Non-compliance

Shariah non-compliance risk is the risk that arises from an Islamic bank's failure to comply with the Shariah rules and principles prescribed by the State Bank of Pakistan and / or the Shariah Advisor of the Group. It remains' the most important operational risk for an Islamic bank. Compliance of shariah guidelines must permeate throughout the organization and its adherence should be reflected in the products and activities.

41 TRUST ACTIVITIES

Banks commonly act as trustees 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. These are not assets of the Group and, therefore, are not included in consolidated statement of financial position. Following is the list of assets held under trust:

Category	Type	No. of IPS account		-----Rupees in '000----- Face Value	
		2013	2012	2013	2012 (Restated)
Insurance Companies	Sukuks	1	1	220,000	220,000
Asset Management Companies	Sukuks	26	27	1,455,665	1,476,665
Employee Funds / NGO's	Sukuks	6	6	79,500	79,500
Individuals	Sukuks	10	8	108,370	87,370
Others	Sukuks	20	21	3,621,465	3,621,465
		<u>63</u>	<u>63</u>	<u>5,485,000</u>	<u>5,485,000</u>

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

The Group maintained following pools for profit declaration and distribution during the year ended December 31, 2013:

- General Deposit Mudarabah Pool (PKR, USD, EUR & GBP);
- Musharaka Pool under SBP's Islamic Export Refinance Scheme; and
- Treasury Special Pools

The deposits and funds accepted under the General Deposit Mudarabah Pool is provided to different sectors of economy mainly' to 'Textile and Allied', ' Energy', 'Fertilizer', 'Trading' ' Consumer Finance' and GOP Ijarah Sukuks'.

Musharakah investments from the SBP under Islamic Export Refinance Scheme (IERS) are channeled towards the export sector of the economy via different Islamic financing modes such as Murabaha, Istisna etc.

Key features and risk & reward characteristics of all pools

The 'General Deposit Mudarabah Pool' for both local and foreign currency is catered for all depositors of Group and provide profit / loss based on actual returns earned by the Pool. Depositors are Rabb-ul-Maal as they are the provider of capital while group acts as Mudarib by investing these funds in business. Since there are more than one Rabb-ul-Maal (depositor), their mutual relationship is that of Musharakah. Profit is shared among Mudarabah partners (Group and depositors) as per pre-agreed profit sharing ratio. Whereas, profit sharing among the depositors is based on pre-assigned weightages. Loss, if any, is borne by the Rabb-ul-Maal as per the principles of Mudarabah.

The IERS Pool caters to the 'Islamic Export Refinance Scheme' requirements based on the guidelines issued by the SBP. In this Scheme, SBP enters into a Musharakah arrangement with Group for onward financing to exporters and other blue chip companies on the basis of Shariah compliant modes such as Murabaha, Istisna, etc. Under the scheme, SBP is required to share in profit and loss of the Group's IERS Musharakah pool. IERS Pool consists of blue chip companies to whom Group has provided financing facilities on Shariah compliant modes including IERS facility. Profit is shared according to an agreed weightage and loss is shared according to the investment ratio.

Treasury Pools are managed on the basis of Musharakah, wherein Group and partner (Financial Institution) share actual return earned by the pool according to pre-defined profit sharing ratio.

The risk characteristic of each pool mainly depends on the asset and liability profile of each pool. The pool is exposed to following kinds of risks:

- 1 Asset Risk: The pool is exposed to Asset Risk which is the risk that is associated with Islamic mode of finance(s) applied / used under the transaction structure(s). The Group has prepared detailed product manuals in order to identify and properly mitigate such risk. The Group also analyze transaction structure of each customer to further ensure proper safeguard of depositors' interest. The review is done by experienced team of professional having considerable experience in the field of Islamic Banking and finance. Nevertheless since Islamic Banking is an ascent industry we believe that the process of further improvement will continue as the business grows.
- 2 Credit Risk: Financial Risk is the risk which is associated with financing that is mitigated through safeguards through available standards within Shariah guidelines as disclosed in note 40.1 to these consolidated financial statements.

Parameters used for allocation of profit, charging expenses and provisions etc. along with a brief description of their major components:

Gross income (Revenue less cost of goods sold and after deduction of other direct expenses), generated from relevant assets is calculated at the end of the month. The income is shared between Group and the depositors as per agreed profit sharing ratio after deduction of commingled Holding Company's equity share on pro rata basis. The residual is shared among depositors as per agreed weightages. These weightages and profit sharing ratios are declared by the Holding Company in compliance with the requirements of the SBP and Shariah.

The allocation of income and expenses to different pools shall be made based on pre-defined basis and accounting principles / standards. Direct expenses are charged to respective pool, while indirect expenses are borne by Group as Mudarib. The direct expenses charged to the pool are direct cost in financing / investment transactions (i.e. Murabaha, Ijarah, Diminishing Musharka, Istisna, Karobar Financing, Salam, etc.) and depreciation of Ijarah assets. The general and specific provisions created against non-performing islamic financing and related assets and diminution in the value of investments as under prudential regulations and other SBP directives have been borne by Group as Mudarib.

General Deposit Mudarabah Pool	Profit rate and weightage announcement period	Profit rate return earned	Depositor Share %	Mudarib share %	Mudarib share	Profit rate return distributed to remunerative deposits (Savings and Term)	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib Share transferred through Hiba
					(Rupees in '000)			(Rupees in '000)

PKR Pool	Monthly	10.38%	64.05%	35.95%	1,975,624	6.71%	5.31%	104,982
USD Pool	Monthly	0.88%	51.35%	48.65%	1,957	0.32%	51.35%	19,610

Specific Pool	Profit rate and weightage announcement period	Profit rate return earned	SBP Share %	Bank share %	Bank share	Profit rate return distributed	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib Share transferred through Hiba
					(Rupees in '000)			(Rupees in '000)

- (i) Islamic Export Refinance (IERS) Pool
- | | | | | | | | |
|---------|--------|--------|--------|--------|--------|-------|---|
| Monthly | 10.35% | 26.19% | 73.81% | 46,521 | 10.07% | 0.00% | - |
|---------|--------|--------|--------|--------|--------|-------|---|
- (ii) In addition to the above 58 short term Treasury Pools were created to meet liquidity management requirement of Treasury Department. The Pools were dissolved after maturity of respective Treasury transaction. The Pools were managed under the Shariah approved guidelines.

43 GENERAL

- 43.1 Captions, as prescribed by BSD Circular No. 04 of 2006 dated February 17, 2006 issued by the SBP, in respect of which there are no amounts, have not been reproduced in these consolidated financial statements, except for captions of the Consolidated Statement of Financial Position and Consolidated Profit and Loss Account.

The figures in the consolidated financial statements have been rounded off to the nearest thousand rupee.

43.2 Corresponding figures

Corresponding figures have been re-arranged and reclassified, wherever necessary, to facilitate comparisons. There were no significant reclassifications / restatements during the year except as disclosed in note 3.5 to these consolidated financial statements and following:

Reclassified from	Reclassified to	Rupees in '000
Profit / Return earned - on financing to customers	Administrative Expenses - others	11,215
Profit / Return earned - on financing to customers	Other Income - Gain on termination of financing	1,750

44 DATE OF AUTHORISATION FOR ISSUE

These Consolidated financial statements were authorised for issue on March 14, 2014 by the Board of Directors of the holding Company.


CHAIRMAN


PRESIDENT / CHIEF EXECUTIVE


DIRECTOR


DIRECTOR

Annexure 1

Details of assets disposed off during the year including assets disposed off to the Chief Executive Officer or to a Director or to Executives or to any related parties irrespective of the value, are as follows:

Asset description	Asset Cost	Accumulated depreciation	WDV	Sale proceeds	Gain/ (loss) on disposal	Mode of disposal	Particulars of Buyer
	----- Rupees in thousand -----						
Server Power Supply	43	43	-	43	43	Takaful Claim	Pak Qatar General Takaful Limited
ATM Machine Mother Board	29	25	4	29	25	Takaful Claim	Pak Qatar General Takaful Limited
ATM Machine Mother Board	57	50	7	57	50	Negotiation	A.S Electronics
Cisco IP Phone	117	117	-	117	117	Takaful Claim	Pak Qatar General Takaful Limited
Cisco IP Phone	117	117	-	117	117	Takaful Claim	Pak Qatar General Takaful Limited
LG Refrigerator	26	26	-	3	3	Negotiation	A.S Electronics
UPS Mother Board	38	38	-	38	38	Takaful Claim	Pak Qatar General Takaful Limited
Motorcycle	70	12	58	60	2	Takaful Claim	Pak Qatar General Takaful Limited
Head Office 14th Floor (Half)	82,534	21,048	61,486	111,150	49,664	Group's policy	Mehran Sugar Limited
Hard Drive	8	8	-	8	8	Takaful Claim	Pak Qatar General Takaful Limited
Server -Part Replacement	40	40	-	40	40	Takaful Claim	Pak Qatar General Takaful Limited
Server-Power Supply	43	43	-	43	43	Takaful Claim	Pak Qatar General Takaful Limited
UPS Mother Board	20	20	-	20	20	Takaful Claim	Pak Qatar General Takaful Limited
Laptop	83	83	-	5	5	Takaful Claim	Pak Qatar General Takaful Limited
Laptop	83	83	-	5	5	Takaful Claim	Pak Qatar General Takaful Limited
Laptop	81	81	-	5	5	Takaful Claim	Pak Qatar General Takaful Limited
DVD ROM-Laptop	5	4	1	5	4	Takaful Claim	Pak Qatar General Takaful Limited
UPS Main Board	24	24	-	24	24	Takaful Claim	Pak Qatar General Takaful Limited
Laptop- Keyboard	5	4	1	5	4	Takaful Claim	Pak Qatar General Takaful Limited
Fans & Hard Drive-Server	25	25	-	25	25	Takaful Claim	Pak Qatar General Takaful Limited
DDR RAM-Server	20	20	-	20	20	Takaful Claim	Pak Qatar General Takaful Limited
UPS Main Board	21	21	-	21	21	Takaful Claim	Pak Qatar General Takaful Limited
Power Supply -Server	22	22	-	22	22	Takaful Claim	Pak Qatar General Takaful Limited
CCTV Camera	12	12	-	12	12	Takaful Claim	Pak Qatar General Takaful Limited
Hard Disk- Desktop	8	8	-	8	8	Takaful Claim	Pak Qatar General Takaful Limited
Power Supply -Server	22	22	-	22	22	Takaful Claim	Pak Qatar General Takaful Limited
DVR CCTV Camera	12	12	-	12	12	Takaful Claim	Pak Qatar General Takaful Limited
Ip Phones	16	16	-	16	16	Takaful Claim	Pak Qatar General Takaful Limited
Power Supply -Server	22	22	-	22	22	Takaful Claim	Pak Qatar General Takaful Limited
Refrigerator	22	22	-	3	3	Negotiation	Abbas Electronics
Refrigerator	23	23	-	8	8	Negotiation	Gilani Electronics
Damage to UPS	25	25	-	25	25	Takaful Claim	Pak Qatar General Takaful Limited
Damage to Thin Client	64	64	-	64	64	Takaful Claim	Pak Qatar General Takaful Limited
Damage to ATM Machine	82	64	18	82	64	Takaful Claim	Pak Qatar General Takaful Limited
Electrical Cables	127	97	30	127	97	Takaful Claim	Pak Qatar General Takaful Limited
Fixture Items	50	41	9	50	41	Takaful Claim	Pak Qatar General Takaful Limited
Doom Camera Lens	1	1	-	1	1	Takaful Claim	Pak Qatar General Takaful Limited
FAT Servers	22	19	3	22	19	Takaful Claim	Pak Qatar General Takaful Limited
Toyota Corolla	1,797	1,488	309	309	-	Employment terms	Hasan A Bilgrami
Note Counting Machine	31	31	-	4	4	Negotiation	Asian Business Machine

Asset description	Asset Cost	Accumulated depreciation	WDV	Sale proceeds	Gain/ (loss) on disposal	Mode of disposal	Particulars of Buyer
	----- Rupees in thousand -----						
Note Binding Machine	16	16	-	1	1	Negotiation	Asian Business Machine
Damage to UPS	20	20	-	20	20	Takaful Claim	Pak Qatar General Takaful Limited
Hard Disk	246	246	-	246	246	Takaful Claim	Pak Qatar General Takaful Limited
LCD Monitor	9	9	-	9	9	Takaful Claim	Pak Qatar General Takaful Limited
Servr Hard Disk	13	13	-	13	13	Takaful Claim	Pak Qatar General Takaful Limited
CISCO FXO Card -Router	65	65	-	65	65	Takaful Claim	Pak Qatar General Takaful Limited
Thin Client System	59	59	-	59	59	Takaful Claim	Pak Qatar General Takaful Limited
Cisco IP Phone , FXO Card , Cisco Switch	419	419	-	419	419	Takaful Claim	Pak Qatar General Takaful Limited
Photocopier Mother Board	116	94	22	116	94	Takaful Claim	Pak Qatar General Takaful Limited
Laptop	78	78	-	5	5	Group's policy	Shamshad Ahmed
Laptop	75	75	-	5	5	Group's policy	Syed Jamal Ahmed
Laptop	82	82	-	5	5	Group's policy	Hasan Ali Rizvi
Laptop	78	78	-	5	5	Group's policy	Syed Anwar Ali
Laptop	75	75	-	5	5	Group's policy	Ali Zeeshan
Microwave Oven	6	6	-	1	1	Negotiation	Waqar Electronics
Note Counting Machine	32	32	-	2	2	Negotiation	Asian Machines & Technologies
Note Binding Machine	16	16	-	1	1	Negotiation	Asian Machines & Technologies
Note Counting Machine	32	32	-	1	1	Negotiation	Asian Machines & Technologies
Note Binding Machine	17	17	-	1	1	Negotiation	Asian Machines & Technologies
Note Counting Machine	40	40	-	1	1	Negotiation	Asian Machines & Technologies
Note Binding Machine	17	17	-	1	1	Negotiation	Asian Machines & Technologies
Note Counting Machine	34	34	-	1	1	Negotiation	Asian Machines & Technologies
Note Binding Machine	20	20	-	1	1	Negotiation	Asian Machines & Technologies
Note Binding Machine	17	17	-	1	1	Negotiation	Asian Machines & Technologies
Note Counting Machine	31	31	-	1	1	Negotiation	Asian Machines & Technologies
Note Counting Machine	31	31	-	1	1	Negotiation	Asian Machines & Technologies
LCD Monitor	14	14	-	9	9	Negotiation	Asian Machines & Technologies
LCD Monitor	14	14	-	9	9	Negotiation	Asian Machines & Technologies
Note Counting Machine	32	32	-	1	1	Negotiation	Asian Machines & Technologies
Laptop	26	26	-	5	5	Group's policy	M. Aslam Arain
Microwave Oven	5	5	-	1	1	Negotiation	Sound & Vision
Corolla	1,876	688	1,188	1,525	337		
Total	89,458	26,322	63,136	115,185	52,049		

PATTERN OF SHAREHOLDING

No. of Shareholders	Shareholding		Total Shares Held	Total Shares Held %
	From	To		
322	1	100	11,879	0.002
16,259	101	500	7,753,000	1.468
3,959	501	1000	3,052,897	0.578
2,673	1001	5000	5,969,927	1.131
503	5001	10000	4,155,113	0.787
674	10001	100000	22,574,222	4.276
131	100001	1000000	37,650,087	7.131
9	1000001	2000000	13,064,136	2.474
6	2000001	3000000	13,415,851	2.541
1	3000001	4000000	3,623,000	0.686
1	4000001	5000000	4,641,500	0.879
1	5000001	6000000	5,702,050	1.080
2	6000001	7000000	12,669,975	2.400
1	7000001	8000000	8,000,000	1.515
1	9000001	10000000	9,725,500	1.842
1	10000001	11000000	10,030,000	1.900
1	20000001	21000000	20,771,500	3.934
2	51000001	52000000	102,847,766	19.480
1	111000001	112000000	111,256,116	21.073
1	131000001	132000000	131,053,379	24.822
24,549			527,967,898	100.000



CATEGORIES OF SHAREHOLDERS

AS AT DECEMBER 31, 2013

PARTICULARS	SHAREHOLDERS	SHAREHOLDING	PERCENTAGE
ASSOCIATED COMPANIES, UNDERTAKING AND RELATED PARTIES.	4		
JAHANGIR SIDDIQUI & CO.LTD.		111,256,116	
DUBAI BANK PJSC		131,053,379	
SAJ CAPITAL MANAGEMENT LTD		20,771,500	
EFU GENERAL INSURANCE LIMITED		6,603,975	
SUB TOTAL		269,684,970	51.08
MODARABAS AND MUTUAL FUNDS.	7		
CDC - TRUSTEE MEEZAN BALANCED FUND		500	
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND		1,619,000	
CDC - TRUSTEE MEEZAN ISLAMIC FUND		500	
CDC - TRUSTEE AL MEEZAN MUTUAL FUND		500	
CDC - TRUSTEE AKD OPPORTUNITY FUND		2,074,000	
CDC - TRUSTEE AKD INDEX TRACKER FUND		46,500	
GOLDEN ARROW SELECTED STOCKS FUND LIMITED		800,000	
SUB TOTAL		4,541,000	0.86
DIRECTORS, CHIEF EXECUTIVE OFFICER, AND THEIR SPOUSE AND MINOR CHILDREN	3		
SHABIR AHMED RANDEREE		51,423,883	
ALI RAZA SIDDIQUI		5,000	
HASAN AZIZ BILGRAMI		499,079	
SUB TOTAL		51,927,962	9.84
EXECUTIVE AND THEIR SPOUSE	1		
ALIYA MUHAMMAD IMRAN		526,000	
SUB TOTAL		526,000	0.10
PUBLIC SECTOR COMPANIES AND CORPORATIONS:	0	0	
BANKS DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES TAKAFUL, MODARABAS, PENSION FUNDS AND OTHERS	107		
SUB TOTAL		38,288,107	7.25
INDIVIDUALS			
a: Local	24,419	111,340,680	21.09
b: Foreign	8	51,659,179	9.78
TOTAL	24,549	527,967,898	100.00

ADDITIONAL INFORMATION
AS AT DECEMBER 31, 2013

FIVE % AND ABOVE

DUBAI BANK PJSC	131,053,379	24.82
JAHANGIR SIDDIQUI & CO.LTD.	111,256,116	21.07
SHABIR AHMED RANDEREE	51,423,883	9.74
AHMED G. M. RANDEREE	51,423,883	9.74

Correspondent Banking Network*

COUNTRY	NAME OF BANK
Australia	Commonwealth Bank of Australia
	JP Morgan Chase Bank National Association
	KEB Australia Limited (Korea Bank)
Austria	Commerzbank AG
	Raiffeisenlandesbank Oberosterreich Aktiengesellschaft
Bahrain	Al Baraka Islamic Bank
	BMI Bank BSC(c)
	Korea Exchange Bank, Bahrain Branch
	National Bank of Pakistan
Bangladesh	Bank Alfalah Limited Dhaka Bangladesh Branch
	Bank Asia Limited
	Eastern Bank Limited
	Habib Bank Limited
	SouthEast Bank Limited
	Standard Bank Limited
Belarus	Joint-Stock Savings Bank Belarusbank
Belgium	Habib Bank Limited
Brazil	Banco KEB Do Brasil S.A. (Korea Bank)
Canada	Habib Canadian Bank
	Korea Exchange Bank of Canada
China	Bank of Chengdu Co. Ltd (Formerly: Chengdu City Commercial Bank Co. Ltd)
	Bank of China
	Bank of Jiangsu Co Ltd
	China Everbright Bank
	Harbin Commercial Bank
	JPMorgan Chase Bank (China)
	Korea Exchange Bank, Shanghai Branch
	Shengjing Bank
	Ping An Bank Co., Ltd. (Formerly: Shenzhen Development Bank Co., Ltd.)
	Zhejiang Chouzhou Commercial Bank Co., Ltd
	Zhejiang Pinghu Rural Cooperative Bank
Denmark	Danske Bank A/S
Djibouti	Banque Pour Le Commerce Et L'Industrie-Mer Rouge
Egypt	Mashreq Bank PSC
Finland	Danske Bank A/S
France	Habib Bank Limited
	Korea Exchange Bank
	National Bank of Pakistan
	Union De Banques Arabes Et Francaises
Germany	Commerzbank AG
	Danske Bank A/S
	Korea Exchange Bank (Deutschland) AG
	National Bank of Pakistan
	Raiffeisenlandesbank Oberosterreich Aktiengesellschaft Zweigniederlassung Bayern
Greece	Unicredit Bank AG
	Eurobank Ergasias S.A. And Eurobank (Previously: EFG Eurobank Ergasias S.A.)



COUNTRY	NAME OF BANK
Hong Kong	Commonwealth Bank of Australia
	Habib Bank Limited (Previously: Habib Finance International Limited)
	HBZ Finance Limited
	JPMorgan Chase Bank National Association
	Korea Exchange Bank
	Mashreq Bank PSC
	National Bank of Pakistan
	Union Bank of India
India	JPMorgan Chase Bank National Association
	Mashreq Bank PSC
	Tamilnad Mercantile Bank Limited
	Union Bank of India
Indonesia	JPMorgan Chase Bank National Association
	PT Bank Bukopin
	PT Bank KEB Indonesia
	PT Bank Mandiri (Persero) TBK
	PT Bank Mayapada International TBK
	PT Bank Syariah Muamalat Indonesia, TBK
Ireland	Danske Bank A/S
Italy	Banca Intesa S.P.A.
	Banca Popolare Di Vicenza Scparl
	Banca UBAE SPA
	Banco Popolare Di Verona
	Unicredit Bank A.G.
Japan	Commonwealth Bank of Australia
	JPMorgan Chase Bank N.A.
	Korea Exchange Bank
	National Bank of Pakistan
	Union De Banques Arabes Et Francaises
Kenya	Gulf African Bank Limited
	Habib Bank AG Zurich
	Habib Bank Limited
	Kenya Commercial Bank Limited
Korea (South)	Busan Bank
	JPMorgan Chase Bank National Association
	Korea Exchange Bank
	National Bank of Pakistan
	Union De Banques Arabes Et Francaises
	Woori Bank
Kuwait	Commercial Bank of Kuwait SAK, The
Lebanon	Habib Bank Limited, Beirut
Luxembourg	Danske Bank International SA
Malaysia	Affin Bank Berhad
	Bank Muamalat Malaysia Berhad
	EON Bank Berhad
	JPMorgan Chase Bank Berhad
Mauritius	Habib Bank Limited Mauritius
Nepal	Himalayan Bank Limited
Netherlands	Habib Bank Limited
	Korea Exchange Bank, Amsterdam Branch

COUNTRY	NAME OF BANK
Nigeria	Bank PHB PLC (Formerly: Platinum Habib Bank PLC)
Norway	Danske Bank A/S
Oman	Habib Bank Oman
Pakistan	AlBaraka Bank (Pakistan) Limited
	Allied Bank Limited
	Askari Bank Limited
	Bank Al Habib Limited
	Bank Alfalah Limited
	Bank of Khyber (The)
	Bank of Punjab (The)
	Burj Bank Limited
	Dubai Islamic Bank (Pakistan) Limited
	Faysal Bank Limited
	Habib Bank Limited
	Habib Metropolitan Bank Limited
	JS Bank Limited
	KASB Bank Limited
	MCB Bank Limited
	Meezan Bank Ltd
	National Bank of Pakistan
	NIB Bank Limited
	Samba Bank Limited
	Silk Bank Limited
	Sindh Bank Limited
	Soneri Bank Limited
	Summit Bank Limited
	United Bank Limited
Panama	Korea Exchange Bank
Philippines	Korea Exchange Bank
Poland	Danske Bank A/S
	Bank Zachodni WBK SA
Qatar	Qatar Islamic Bank
	United Bank Limited
Romania	Romanian International Bank SA
Russia	Open Joint Stock Company 'RBS' (Formerly: RBS Alliance Investment & Finance Group)
Saudi Arabia	Al Rajhi Banking & Investment Corporation
	JPMorgan Chase Bank National Association
	National Bank of Pakistan
	National Commercial Bank (The)
	Saudi Hollandi Bank Riyadh
Singapore	Commonwealth Bank of Australia
	Habib Bank Limited
	JPMorgan Chase Bank National Association
	Korea Exchange Bank, Singapore Branch
	Union De Banques Arabes Et Francaises
	Woori Bank
Slovakia	Commerzbank AG
South Africa	First Rand Bank Limited
	Habib Overseas Bank Limited
	HBZ Bank Limited



COUNTRY	NAME OF BANK
Spain	Banco Espanol De Credito <i>(All Spanish Offices)</i>
	Banco Santander S.A.
Sri Lanka	Hatton National Bank PLC
Sweden	Danske Bank A/S
	Svenska Handelsbanken
Switzerland	Arab Bank (Switzerland) Limited
	Habib Bank AG Zurich
	Habibsons Bank Limited
	Korea Exchange Bank (Schweiz) AG
Taiwan	UBL (Switzerland) AG <i>(Formerly: United Bank AG Zürich)</i>
	JPMorgan Chase Bank National Association
Thailand	JPMorgan Chase Bank National Association
	Korea Exchange Bank
Turkey	Asya Katilim Bankasi A.S.
	Habib Bank Limited
	Kuveyt Turk Katilim Bankasi A.S. <i>(Formerly: Kuveyt Istanbul TR)</i>
	Tekstil Bankasi S.A.
	Turkiye Finans Katilim Bank
	Turkiye Vakiflar Bankkasi T.A.O
U.A.E	Abu Dhabi Commercial Bank
	Abu Dhabi Islamic Bank
	Dubai Bank PJSC
	Emirates NBD Bank PJSC
	Habib Bank AG Zurich
	Habib Bank Limited
	Kuwait Turkish Participation Bank Dubai Ltd
	Mashreq Bank PSC <i>(Formerly: Bank of Oman Limited)</i>
	United Bank Limited
U.K.	Banca Intesa S.P.A.
	Commerzbank AG
	Commonwealth Bank of Australia
	Danske Bank A/S
	Habib – UK PLC <i>(Formerly: Habib Allied International Bank PLC)</i>
	Habib Bank AG Zurich
	Habibsons Bank Limited <i>(Formerly: Habibsons Trust and Finance Ltd)</i>
	Islamic Bank of Britain PLC
	JPMorgan Chase Bank N.A.
	Korea Exchange Bank
	Mashreq Bank PSC
	United Bank UK <i>(Formerly: United National Bank)</i>
	Woori Bank
U.S.A.	Atlantic <i>(Bank of New York)</i>
	BOKF NA <i>(Bank of Oklahoma N.A.)</i>
	Commonwealth Bank of Australia
	Deutsche Bank Trust Company Americas
	Habib American Bank
	Habib Bank Limited
	International Finance Corporation
	JPMorgan Chase Bank National Association
	Keb NY Financial Corporation

COUNTRY	NAME OF BANK
	Mashreq Bank PSC
	National Bank of Pakistan
	Saehan Bank, Los Angeles
	United Bank Limited
	Wells Fargo Bank N.A.
Ukraine	Credit Dnepr Bank
	Demark Bank JS
Vietnam	Asia Commercial Bank
	Joint Stock Commercial Bank For Foreign Trade Of Vietnam
	JPMorgan Chase Bank National Association
	Korea Exchange Bank
	Vietnam Asia Commercial Joint-Stock Bank
	Vinasiam Bank
Yemen	Saba Islamic Bank
	United Bank Limited



Branch Network

SINDH

Main Branch Clifton (Karachi)

11th Floor, Executive Tower, Dolmen City,
Marine Drive, Block-4, Clifton, Karachi.
Tel: (021)- 35839906
Fax: (021)-35378373

Cloth Market Branch (Karachi)

Cloth Market Branch Shop-05
Cochinwala Market Laxmidas Street Karachi.
Tel: (021)-32469031-35
Fax: (021)-32469030

Baqai Medical University Branch (Karachi)

51-DHTOR, Baqai Medical Centre,
Super Highway, North Bond, Karachi.
Tel: (021)-34410220 - 34410201
Fax: (021)-34410294.

Al Hilal Society Branch (Karachi)

Shop No.1, Jawwad Court Plot No, SC-11,
KDA Scheme No#7 Main University Road,
Chandni Chowk, Karachi.
Tel: (021)-34860713-16, 34860728
Fax# (021)-34860704

Dhoraji Branch (Karachi)

Al Madina Heights
Plot Survey No. 35 C/449
C. P Berar Cooperative Housing Society
Tel: (021)-34860407-10, 34860566-68
Fax : (021)- 34860569

Gulshan-e-Maymar Branch (Karachi)

Gulshan-e-Maymar Branch,
Aareba Heaven, SB-3, Sector X-II Karachi.
Tel: (021) - 36833354-5
Fax: (021) - 36833445

Karachi Stock Exchange Branch (Karachi)

Room No. 520, 5th Floor,
KSE Building Karachi
Tel. # (021) 32462861-67
Fax: (021) 32462490

Malir Cantt Branch (Karachi)

Plot No. 35, Block-5 Cantt Bazar,
Malir Cantt Karachi.
Telephone: (021)-34491481-2
Fax : (021)-34491483

North Nazimabad Block A Branch (Karachi)

Shop No. 3A, 3B, 3C, 2B Unique Centre,
Block A, North Nazimabad, Karachi
Tel: (021)--36722504-6
Fax: (021)-36722507

Orangi Town Branch (Karachi)

Plot No. LS 55 & 56, ST 11-A Sector 1,
Block D, Orangi Town, Karachi.
Tel# 021-36664031-34, 36692257-59
Fax# 021-36662257

26th Street D.H.A. Branch (Karachi)

26th Street Branch, 31-C, Badar Commercial
Street No.1 Phase V, D.H.A. Karachi.
Tel: (021)- 35349244-5
Fax: (021)-35349243

Rashid Minhas Road Branch (Karachi)

Rashid Minhas Road Branch,
Block-5, Gulshan-e-Iqbal Karachi.
Tel: (021)-34818227-9
Fax: (021)-34818135

Burns Road Branch (Karachi)

Land Survey, Sheet No. AM 51
Burns Road, Karachi
Ph: (021)-32215505, 32215592-32215505
Fax : (021)-32215480

Shadman Town Branch (Karachi)

Shop No. 1-5 KDA Flats Phase # 3,
Sector 14/B Shadman Town No. 1,
North Nazimabad Karachi.
Tel: (021)-36950027-33
Fax: (021)-36950034

F.B. Area Branch (Karachi)

Plot No.C-6, Block 4
KDA Scheme #16
F.B. Area, Karachi
Tel: (021)- 6362278-6807782
Fax : (021)- 36364659

Shaheed-e-Millat Branch (Karachi)

Shop No. 15 & 16, Adam Arcade, B.M.C.H.S.
Shaheed-e-Millat Road, Karachi.
Tel: (021)-34145305-9
Fax: (021)-34145310

Korangi Branch (Karachi)

Korangi Branch, Plot No. 51/9-B
Sector 15 Korangi Industrial Area, Karachi.
Tel: (021)35114488-91
Fax: (021)-35114494

Saddar Branch (Karachi)

Plot No 7/17 Saddar Bazar Quarter Bohri Bazar
Raja Ghanzaefar Ali Khan Road
Saddar Karachi
Tel: (021)-35219891-94
Fax: (021)-35219895

North Nazimabad Branch (Karachi)

North Nazimabad Branch, D-5,
Block-L, North Nazimabad Karachi.(5 STAR)
Tel: (021)-36676474-75
Fax: (021)-36676488

UP More Branch (Karachi)

UP More Branch, LS-7, Street No. 8
Sub Sector 11-I, Town Ship Karachi.
Tel: (021)-36950158-59-61-64-66
Fax: (021)-36950167

Baloch Colony Branch (Karachi)

Plot No, SA-2/1 Block-3 Administrative
Society, Karachi.
Tel# (021)-34300036-42
Fax# (021)-3430004

S.I.T.E. Branch (Karachi)

Shop Nos. 8 & 9, Anum Trade Center, E-31-B,
Ghani Chowrangi, S.I.T.E., Karachi.
Tel: (021)-32587661-2
Fax: (021)32587510

Shah Faisal Colony Branch (Karachi)

Shop No 1 & 2 Plot No A/7 Surrey No, 135,
Deh Drigh Colony Shah Faisal Colony Karachi.
Tel: (021)-34686121-25, Fax: (021)-34686126

Shahra-e-Faisal Branch (Karachi)

Shahra-e-Faisal Branch, Shop No. 1,
Faisal Tower. Plot No. 25/3 Survey Sheet
No. 35/1 Block 7 & 8 Maqbool CHS Ltd.
Tel: (021)-34555985-87, Fax: (021)-34555991

University Road Branch (Karachi)

Shop No. 1, Ground Floor, Jawwad Court,
Plot No. SC-11, KDA Scheme No.7, Main
University Road, Tel: (021)-34801540-1
Fax : (021)-34839032

DHA Phase IV Branch (Karachi)

Plot # 36-C Sunset Commercial
Street # 2 D.H.A Phase 4 Karachi.
Tel: (021)-35313191-7 Fax: (021)-35313190

Power House Branch (Karachi)

St-3 As-28 Comm. Area Sector 5-H
Power House, New Karachi.
Tel: 021-36901356 - 9, 36901362
Fax: 021-36901364

Nazimabad No. 7 Branch (Karachi)

Plot No-4 Row No-1 sub block,iii
Situating at Nazimabad, Karachi.
Tel # (021)-36707492-96
Fax # (021)-36707497

Jodia Bazar Branch (Karachi)

Jodia Bazar Branch Ibrahim Manzil,
Jodia Bazar Darya Lal Street Karachi.
Tel: (021)-32462488-9, 32462831-4
Fax: (021)-32416368

Gulistan-e-Jauhar Branch (Karachi)

Shop No. W-9, Eastern Print Appt. Block 15,
KDA Scheme 36 Gulistan-e-Johar Karachi.
Tel: (021)- 34619518-34619563-73
Fax: (021)-34619514

Khayaban-e-Bukhari Branch (Karachi)

Plot No. 55-C, Lane No.5, Phase-VI, Bukhari
Commercial, DHA, Karachi.
Tel# (021) 35857521, 35857523
Fax# (021)35857524

Naval Colony Branch (Karachi)

Plot No 3-C, Sector- 4,
Haroon Bahria Cooperative
Housing Society, Naval Colony,
Hub River Road, Karachi.
Phone : 021-32364411-14
Fax : 021-32364415

DHA Phase II Branch (Karachi)

8 C,A & 9D,A , Commercial Area,
Phase II, Defence Housing Authority,
Clifton Cantonment Board, Karachi
Phone :021-35388403-408
Fax: 021-35388409

Ayesha Manzil Branch (Karachi)

Rose Marry Apartment,
Shop No 4,5,6,7,10,11,12,
Plot No C-1, Block No-10,
Federal 'B' Area, Karachi.
Phone: 021-36365580-84
Fax : 021-36365585

DHA Phase VIII Branch (Karachi)

Plot No.62-C, Al-Murtaza Commercial
Lane-3, Phase VIII, Near Creek, DHA, Karachi.
Phone: (021)35245931 to (021)35245934
Fax: (021)35245935

Sohrab Goth Branch (Karachi)

Shop No.G-17-A- G-17-B, G-18-A & G-63,
Plot No. 1-B-1, Block-G, Al-Asif Square,
KDA Scheme No.33, Karachi.
Phone : (021) 36370515 to (021)36370518
Fax : (021) 36370519

Bhains Colony Branch (Karachi)

Commercial Plot No.42-B, Road No. 8,
Bhains Colony, Landhi, Karachi.
Phone : (021)35081441-44
Fax : (021)35081445

Buffer Zone Branch (Karachi)

Shop No.1-to- 10, Ground Floor,
Plot No. R-405 & 470, Sector 11-C/1,
North Karachi Township, Buffer Zone, Karachi.
Phone : (021)36965105 to (021)36965108
Fax : (021)36965109

Gulshan-e-Iqbal, Block 13 C Branch (Karachi)

Commercial plot No.SB/19, Block No.13-C,
KDA Scheme No.24, Gulshan-e-Iqbal, Karachi.
Phone : 021-34830780- 83
Fax : 021-34830784

Dastagir Branch (Karachi)

Shop No.1,2,3 & 4, Ground Floor,
Plot No. 213 & 214, Block No.15,
Federal 'B' Area, KDA Scheme No.16, Karachi.
Phone : 021-36310412-14, 40 & 57
Fax: 021-36310458

Dehli Colony Branch (Karachi)

Plot No. D-41/A, Block No.8,
Opposite PSO Petrol Pump,
KDA Scheme NO.5, Clifton, Karachi.
Phone : (021)35862556 to (021)35862559
Fax : (021)35862560

Truck Stand Hawks Bay Road Branch (Karachi)

Plot No. 699 Gate No.6, New Truck Stand,
Hawksbay Road, Karachi.
Phone : 021- 32359530-33
Fax : 021- 32359534

Gulshan-e-Hadeed Branch (Karachi)

C-31, Phase- I, Sector 8, Gulshan-e-Hadeed,
Karachi. Tel : (021)34715092, (021)34715095
Fax :(021)34715096

Gizri Branch (Karachi)

Shop No. 1,2 & 3, Sana Arcade,
Near Masjid-e-Siddique-e-Akbar, Behind Gizri,
Block-5, Commercial Area, Clifton, Karachi.
Phone : (021)35810250 to (021)35810253
Fax: (021)35810254

Lasbella, Patel Para Branch (Karachi)

Shop No. 1, 2, 3 & 4, Mehran Garden,
Plot No. GRE 457/2, Garden East,
Near Lasbella Chowk, Karachi.
Phone: (021)34856601 to (021)34856604
Fax: (021)34856605

Gulzar-e-Hijri Branch (Karachi)

Shop No.1, Plot No.10, Block-2, Sector 14/A,
Matrovil-III, Gulzar-e-Hijri, Karachi.
Phone : 021-34641415- 418
Fax: 021-34641419

West Wharf Branch (Karachi)

Plot No.19, West Wharf Road, Karachi
Phone : 021-32315513 - 15
Fax: 021-32315516

New Challi Branch (Karachi)

Shop No. B-1 & B-2, New Challi Trade Centre,
Plot No. SR 6/4, Junction Altaf Hussain Road
& Shakra-e-Liaquat, Serai Quarter, New Challi,
Karachi. Tel: (021)32630441, 32630443
Fax: (021)32630444

Port Qasim Branch (Karachi)

Plot No. W2/1/1, W2/1/2 & W2/1/3, North
Western Industrial Zone, Port Qasim Authority,
Karachi. Phone: (021)34154360, 34154362
Fax: (021)34154363

Allama Iqbal Road Branch (Karachi)

Shops No. 6 & 7, Ground Floor, Arab Tower,
Plot No. 152/A, Block-2, PECHS, Karachi.
Phone: (021)34554193 to (021) 34554195
Fax: (021) 34554196

F.B Industrial Area Branch (Karachi)

Showroom on Plot No. LA, 1-A1,
Block-21, F.B. Area, Main Rashid Minhas Road,
Karachi.
Phone : (021) 36821204 to (021) 36821205
Fax: (021)36821206

Landhi Industrial Area Branch (Karachi)

Plot Survey No. 435, Landhi Industrial Area,
Deh Landhi, District Malir, Karachi.
Phone : (021)35002336 to (021)35002338
Fax : (021)35002339

Clifton Branch (Karachi)

Shops No.12 & 13, Clifton Centre, Plot No. DC-
1, Block-5, KDA Scheme-5, Kehkashan, Clifton,
Karachi. Phone : (021)35864214, 35864216
Fax : (021)35864217

Hyderi Branch (Karachi)

Shop No. 1A,1-A & 1-B, Plot No. SD-25, Sohail
Appartment, Block-G, North Nazimabad,
Karachi. Tel : (021)36721301 to 36721303
Fax : (021)36721304

North Nazimabad Block D Branch (Karachi)

Plot No. D-6, Block-D, North Nazimabad
KDA Scheme No.2, Karachi.
Phone : (021)36674303 to (021)36674305
Fax : (021)36674306

Sharfabad Branch (Karachi)

Shop No. 1 & 2, Plot No. 15, Bihar Muslim
Cooperative Housing Society, Sharfabad,
Karachi. Phone : (021)34893371 to (021)34893373
Fax : (021)34893374

Gulshan-e-Iqbal Branch (Karachi)

Shop No. 1,2 & 3, Plot No. B-1, Block-6,
Gulshan-e-Iqbal, Karachi
Phone : (021) 34811211 to (021) 34811213
Fax : (021) 34811214

Electronic Market Saddar Branch (Karachi)

Shop No. 3 & 42, Plot No. 39/A, Sheet No. PR-
2, Gemini Shopping Plaza, Abdullah Haroon
Road, Saddar, Karachi
Phone : (021)32711382 to (021)32711384
Fax : (021)32711385

Grain Market Branch (Karachi)

Shop No. MR-1/86, Daryalal Street, Opp Yousuf
Chamber, Adjoined with Fazal Traders,
Grain Market, Karachi
Phone : (021) 32464901, (021) 32464901
Fax : (021) 32464904

PIDC Branch (Karachi)

Showroom No. C, Al-Fareed Centre,
Plot No. CL/10/10/1, M T Khan Road, Civil
Lines Area, Karachi
Phone : (021)35680701 to (021)35680703
Fax : (021)35680704

Urdu Bazar Branch (Karachi)

Book Mall, Plot No. 35, RB/11, Mohan Road,
Urdu Bazar, Karachi.
Phone : (021)32603084 to (021)32603086
Fax : (021)32603087

DHA Phase VII Branch (Karachi)

Shops No. 2, 3 & 4, Plot No. 25-C, Main
Khayaban-e-Jami, Phase VII, DHA, Karachi.
Phone : (021)35890741 to (021)35890743
Fax : (021)35890744

Steel Market Branch (Karachi)

Shop No. 19A & 20A, New Cloth Market, M.A.
Jinnah Road, Karachi.
Phone : (021)32464905 to (021)32464907
Fax : (021)32464908

**SMCHS Branch (Karachi)**

Shop No. 10 & 11, Amber Plaza, Plot No. 110-A, Sindhi Muslim Co-Operative Housing Society, Main Shara-e-Faisal, Karachi
Phone : (021)34329146 to (021)34329148
Fax : (021)34329149

Golimar Branch (Karachi)

Shop No. 1 & 2, Sana Tower, Plot No. 20/3, Firdous Colony Housing Society, Karachi.
Phone : (021)36680191 to (021)36680193
Fax : (021)36680194

Auto Bahan Branch (Hyderabad)

Hyderabad Branch Plot # C-10-8, C-10-3 Block C Auto Bahan Road. Hyderabad, Pakistan.
Tel: 022-3820301-2-3-4-5-6-7, Fax: 022-3820308

Heerabad Branch (Hyderabad)

A/113-261, Jail Road, Heerabad, Hyderabad.
Tel: 022-2636768-70, 2636862 -3
Fax: 022-2636864

Qasimabad Branch (Hyderabad)

Plot No. 7, Phase-I, Block-II, Opposite PTCL Office, Main Road Qasimabad, Hyderabad Phone : (022)-32652812- 15
Fax: (022)-32652816

Latifabad No. 7 Branch (Hyderabad)

Plot No. D-8, unit No 7, Latifabad , Hyderabad
Phone : (022)-3811541- 43, Fax: (022)-3811544

Nawabshah Branch

City Survey No. 225
Ward A Masjid Road Nawab Shah.
Tel: 0244-330920-4, 0244-330926-7
Fax: 0244-330928

Sukkur Branch

Sukkur Branch, Umar Welding Store City Survey No. 3/21 Station Road Sukkur.
Tel: 071-5617322-8 Fax (071)5617329

Larkana Branch

Larkana Branch City Survey # 1806
Word-A Bank Square Road Larkana.
Tel: 074-4059833-6, Fax (074)4059887

Mirpurkhas Branch

New Town Station Road
Mirpur Khas, Pakistan.
Tel: (0233) -875843 Fax(0233)875802

Tando Allahyar Branch

Tando Allahyar Branch Mir Pur Khas Road, Tando Allahyar
Tel:(022), 3892424, 3891442, 3892443
Fax: (022)-3891699

Gharo Branch

Jaryan/ Plot No.102, Gharo No.1, Qazi Mohalla, Chowdhery Market, Main National Highway, Tehsil Mirpur Sakro, District Thatta.
Phone : (0298)760243 to (0298)760246
Fax : (0298)760247

Ghotki Branch

Plot No. 408, Ward-A, Qadirpur Road, Opposite Municipal Park Town, Tehsil & District Gotki. Phone : 0723-682544
Fax : 0723-682546

Tando Adam Branch

Plot No.947/16, Ward-D, Park View Apartment, Iqbal Road, Tando Adam.
Phone 0235- 575213, 214,215 & 0235-571213 Fax: 0235-571215

PUNJAB**Gulshan-e-Ravi Branch (Lahore)**

Plot No. 10, Block-C, Gulshan-e- Ravi, Lahore.
Phone: (042)37404211 to (042)37404214
Fax : (042)37404215

Jail Road Branch, (Lahore)

Plot No. 5 A,House # 5
Near EFU House, Jail Road, Lahore
Telephone:(042)-35790571-88
Fax : (042)-35790573

DHA Y Block Branch (Lahore)

153 Block "Y" DHA, Lahor
Tel: (042)-35734709-11-13, 35733841-44
Fax : (042)-35692639

Thokar Niaz Baig Branch (Lahore)

3/D- Nawab Town, Rawind Road, Thokar Niaz Baig, Lahore
Tel: (042) 35315636-40
Fax : (042) 35315641

Azam Cloth Market Branch (Lahore)

F-1207 Azam Cloth Market Lahore.
Tel # (042) 37670188-37670256
Fax # (042) 37658582

Circular Road (Lahore)

Shop 3 38 105/H Outside Mochi Darwaza
Telephone: (042)-37374009-15
Fax : (042)-37374016

DHA G Block Branch, (Lahore)

47-G, Commercial Area, Phase I
Block - G, Stadium Road D.H.A, Lahore
Telephone: (042)-35691066-72
Fax: (042)-356910673

Ferozepur Road (Lahore)

174- Ferozepur Road Lahore.
Tel : (042) 37524321, 7524324,25, 7524327
Fax : (042) 37524331

Walton Road Branch (Lahore)

Plot 48-E Super Town, Walton Road Lahore, Cantt.
Tel: (042) 36603701-2
Fax : - (042) 36625849

Darogha Wala Gate Branch (Lahore)

326 G.T.Road (Link Shalimar Road)
Tel# (042) 36530512-16
Fax# (042) 36530517

Badami Bagh Branch (Lahore)

23-Peco Road Badami Bagh Lahore. Tel# (042)- 37723865-68,7723881
Fax# (042)- 37723882

Akber Chowk Branch (Lahore)

883-D, Peco Road, Akber Chowk, Lahore.
Tel#(042) 35221731-37
Fax#(042) 35221738

Airport Road Branch (Lahore)

Plot no 595/8, Airport Road, Lahore Cantt , Lahore
Tel # (042) 35741536-39
Fax : (042) 35741540

Allama Iqbal Town Branch (Lahore)

4-A, Asif Block, Allama Iqbal Town, Lahore
Telephone : (042)-37807667-69
Fax : (042)-37807670

Misri Shah Branch (Lahore)

House No. 121-A, Raheem Road, Misri Shah Road, Lahore Telephone:(042)-37609151,55,59
Fax : (042)-37609160

Wapda Town Branch (Lahore)

Plot No. 2-A, Block-D, Main Boulevard PIA Soceity, Opp. Wapda Town, Lahore.
Telephone:(042)-35182812 - 14
Fax : (042)-35182815

DHA Phase - V Branch (Lahore)

Plaza No. 19, Commercial Area, Phase V, DHA, Lahore. Telephone:(042)-37182117 - 19
Fax : (042)-37182120

Bahria Town Sub Branch (Lahore)

Plot No.63-A, Sector C, Bahria Town, Lahore.
Telephone:(042)-37861800 - 04
Fax : (042)-37861805

Lahore Cantt. Branch (Lahore)

80, Cavelry Ground, Commercial Area, Lahore Cantt. Lahore. Tel:(042)-36619821 - 23
Fax : (042)-36619824

Garden Town Branch (Lahore)

28- Ali Block, Garden Town, Lahore
Telephone:(042)-35940360- 62
Fax : (042)-35940363

Gulberg Branch (Lahore)

11-E, Main Market, Gulberg, Lahore
Telephone:(042)-35756921- 23
Fax : (042)-35756924

Pakistan Bazar Branch (Lahore)

Shop No.17 & 18, Property No. F-2944/17-A, Data Block, Pakistan Cloth Market, Lahore.
Telephone:(042)-37654192- 94
Fax : (042)-37654187

Ravi Road Branch (Lahore)

NW - 111- R -78/41- A, Ravi Road, Lahore.
Tel:(042)-37726094 - 96
Fax : (042)-37726097

The Mall Branch (Lahore)

112, Rafi Mansion, The Mall, Lahore
Tel: (042)-36376193- 95
Fax : (042)-36376196

Brandreth Road Branch (Lahore)

44 - Brandreth Road, Lahore
Telephone: (042)-37633206- 08
Fax : (042)-37633209

Abbott Road Branch (Lahore)

Plot No.1, Abbott Road, Lahore
Telephone: (042)-36283531- 33
Fax : (042)-36283534

Urdu Bazar Branch (Lahore)

No. S-III-13-S-26/RH & S-III-13-S-26, Chunghur
Mohallah Passa Akhbar Road, Lahore
Telephone: (042)-37361393 - 95
Fax : (042)-37361396

Johar Town Branch (Lahore)

M-Block, Johar Town, Lahore
Tel: (042) 35315710 -16 / 5315722-23
Fax : (042) 35315711

Multan Road Branch (Lahore)

Multan Chowrangi, Near Social Security
Hospital, Multan Road, Near Mansoor Stop,
Lahore Tel: (042) 37492394 & (042) 37492396
Fax: (042) 37492397

F-10 Branch (Islamabad)

Plot- No 06-C Markaz F-10 Islamabad.
Tel : (051)2222961-65
Fax: (051)2222966

Blue Area Branch (Islamabad)

Blue Area Branch
5-6, Chenab Center, Block-104-E
F-7/G-7, Jinnah Avenue
Telephone: (051)-2804271-74
Fax : (051)-2804275

I-8 Branch (Islamabad)

Plot No 24 Executive Centre I-8
Markaz Islamabad.
Tel# (051)-4861017, 4861029, 4861117-18,
4861038 Fax# (051)-4861060

DHA Phase II Branch (Islamabad)

Plot No.13, Sector A, Iqbal Boulevard, Phase
II, DHA, Islamabad.
Phone: (051)5162161 to (051)5162163
Fax: (051)5162164

I-9 Branch (Islamabad)

Plot No-2 E, I-9 Markaz Islamabad.
Tel# (051)-4858403-08, 4445851
Fax (051)-4445852

Bahria Town Phase VII Branch (Islamabad)

Plot No.15, Phase VII, Bahria Town,
Rawalpindi/ Islamabad
Tel: (051)5400073 to (051)5400075
Fax: (051)5400076

G-9 Markaz Branch (Islamabad)

Shop No. LG-33 & LG-34, Plot No. 29, G-9
Markaz, Islamabad
Phone: (051)2285925, (051) 2285927
Fax: (051)2285928

F-11 Markaz Branch (Islamabad)

Plot No.39, Shop No. 6, 7 & 17, Select One
Plaza, F-11 Markaz, Islamabad
Phone: (051)2111456 to (051)2111458
Fax: (051)2111459

G-10 Markaz Branch (Islamabad)

Shop No.17 to 23, Plot No. 20-D, Sharjah Centre,
G-10 Markaz, Islamabad.
Phone: (051)2355401 to (051)2355403
Fax: (051)2355404

G-6 Branch (Islamabad)

Shop No. 9, Block- 8, Civic Centre, G-6,
Melody Market, Islamabad
Phone: (051)2603533 to (051)2603535
Fax: (051)2603536

F-6 Markaz Branch (Islamabad)

Plot No. 3C, F-6 Markaz, Islamabad
Phone: (051)2271734 to (051)2271736
Fax: (051)2271737

Turnol Branch (Islamabad)

Muhammad Ayub Plaza Main G.T Road
Turnol, Islamabad. Phone: (051)-2217021-22
Fax : (051)-2217022

Humak Branch

Plot No. 59, Model Town, Humak, Islamabad
Phone: (051)4493716

Rawat Branch

Main G.T. Road, Rawat, Islamabad
Phone: (051)4612124 to (051)4612126
Fax: (051)4612127

Satellite Town Branch (Rawalpindi)

69/B, 4th Road, Satellite Town,
Rawalpindi, Pakistan.
Tel: (051)-4572001-4
Fax: (051)-4572005

Saddar Branch (Rawalpindi)

Compound bungalow, No-60
Bank Road Cantt Rawalpindi.
Tel : (051)-5120380-84
Fax: (051)-5120385

Bahria Town Branch (Rawalpindi)

Zahra Icon, Plot # 179, Southern Avenue,
Boulevard Corner, Phase 4, Civic Centre,
Bahria Town, Rawalpindi.
Phone: (051)5732336 to (051)5732339
Fax: (051)5732345

Chaklala Scheme III Branch (Rawalpindi)

Building Plot# 111, Commercial Bazar
Chaklala Scheme no 3 Rawalpindi.
Tel# (051)5766140-43
Fax# (051)5766144

Westridge Branch (Rawalpindi)

Rafay Mall & Rafay Tower,
Westridge Mall Road, Rawalpindi.
Phone : 051- 5440162- 65
Fax: 051-5440166

Raja Bazar Branch (Rawalpindi)

C-160 & C-224, Paris Bazar, Bohar Bazar,
Rawalpindi. Tel: (051)5556510, 5556512
Fax: (051)5556513

City Saddar Road Branch (Rawalpindi)

Shop No. A-308/E, Jinnah Road, (City Saddar
Road) Rawalpindi.
Phone: (051)5530030 to (051)5530032
Fax: (051)5530033

Murree Road (Rawalpindi)

Property No. O-920 to O-922, Mohalla
Ferozepura, Murree Road, Rawalpindi
Phone: (051)5761603 to (051)5761605
Fax: (051)5761606

Hattar Industrial Estate Branch

Plot No. 7, Industrial Trading Estate, Hattar,
Distt. Haripur. Tel: (0995)617990, 617992
Fax: (0995)617993

Balakot Branch

Plot, Khasra No.3626/1046, Moza Balakot,
Tehsil Balakot, District Mansehra.
Phone: 0997-500701-0704
Fax: 0997-0500705

Taxila Branch

Khasra No.1242,1243 Khatooni No 1770
Moza Ghel, Faisal Shaheed Road Taxila.
Tel: (051) 4535055-58
Fax: (051) 4534985

Haripur Branch

Circular Road Haripur.
Tel: (0995)613570-73
Fax: (0995)613574

Wah Cantt. Branch

A-12, Shahwali Colony, Mall Road, Wah Cantt,
Tel: (051) 4539046-7
Fax: (051) 4539044

Abdali Road Branch (Multan)

Nawan Shaher Abdali Raod,
Multan, Pakistan
Tel: (061)-4540350-56
Fax: (061)-4540357

Gulgsht Branch (Multan)

Jalal Masjid Chowk,
Multan Saqib, Masood C.S.M
Tel: (061) 6210371-5
Fax : (061)6210376

Vehari Road Branch (Multan)

Vehari Road Multan.
Ph: (061)-6761900-6
Fax: (061)-6761907

**Tatral Kahun Branch**

Khasra No.555, Khewat No.561,
Tatral Kahun, Tehsil Choa Saidan Shah,
District Chakwal.
Phone: (0543)582475 to (0543)582477
Fax: (0543)582478

Hasanabdal Branch

Isam Shaheed Road, Near TMA Khasra No.
2133, Hasanabdal
Tel# (057)2523440-42
Fax# (057)2523443

Hazro Branch

Hazro Sub Branch Raitla, Mandi Road
Tel: (057)2310048-512310012-4
Fax: (057)-2310019

Murree

Al Mustaf Plaza, The Mall View Estate,
The Mall Road, Murree, Tehsil Murree,
District Rawalpindi.
Phone: (051) 3413203 to (051)3413206
Fax: (051)3413207

Attock

Omair Arcade, Opposite Peoples Colony,
Main Attock Road, Attock.
Phone: (057) 2700425, 725, 825 & 261042,
Fax: 057- 2613425

Chakwal Branch

Khasra # 4516 Jhelum
Road Chakwal.
Tel# (0543)552739,42,44,45,56
Fax# (0543)552760

Wazirabad Branch

Khasra No. 741, Khewat No. 236/209, Khatooni
No. 301, Sialkot Road, Near City Park,
Wazirabad.
Tel: (055)6605092 to (055)6605093
Fax: (055)6605493

Lalamusa Branch

Property No. B-VIII/3, Adjacent to Askari Bank,
G.T. Road, Lalamusa.
Phone: (053)7511580 to (053)7511583
Fax: (053)7511584

Khanpur Branch

Plot No. 27 & 28, Kutchery Road,
Model Town Khanpur.
Phone: 068-5571350, 352
Fax: 068-5571351

Kotwali Road Branch (Faisalabad)

P-16, Kotwali Road, Faisalabad.
Tel: (041) 2412123-29
Fax: (041) 2412130

Susan Road Branch (Faisalabad)

Plot No S-8 Madina Town Main
Susan Road Faisalabad.
Ph: (041)-8728626-8, 8728631-08-31
Fax: (041)-8728671

Kamoke Branch

G.T Road Kamoke, District Gujranwala.
Phone : 055-6813227-30
Fax : 055-6813231

Bhawalpur Branch

Block No. 915, Circular Road
Bahawalpur.
Tel: (062)- 2732235-38
Fax : (062)2732240

Rahimyar Khan Branch

Model Town Branch 21-A, Model Town,
Rahim Yar Khan, Pakistan.
Tel: (068)-5886972-77
Fax: (068)-5886978

Mainwali Branch

Mouza urra khel Pacca, Main Sargodha
Road, Mianwali
Tel: (0459) 237531-35
Fax: (0459) 237536

Jhang Branch

95-A College Chowk Jhang.
Tel: 047-7651401-05
Fax: 047-7651406

Sargodha Branch

65/2 Railway Road Sargodha.
Tel: 048-3768264-68
Fax: 048-3768269

Mian Channu Branch

Ghazi Mor G.T Road Mian Channu
Tel: (065)-2664001-8
Fax: (065)-2664008

Sahiwal Branch

418 High Street
Sahiwal. Tel No#.(040)-4228284-88,
4467688,4461688
Fax# 040-4462688

Gujranwala Branch

Gujranwala BX-11-75-7S-10+12, GT Road,
Gujranwala, Pakistan.
Tel: (055) 3820511-16
Fax: (055) 3820517

Gujrat Branch

Danish metal works SIE-1 Gujrat
Tel: (053)358010-13-3535555
Fax#(053) 3538016
D.G. Khan Branch

Jampur Road Branch (Dera Ghazi Khan)

Tel#(064)2473201-07
Fax#(064)2473208

Okara Branch

69/1 M.A.Jinnah Road Okara.
Ph:(044)-2522901-6
Fax: (044)-2552907

Jehlum Branch

B-VIII-2-5-13 Tehsil Road Jehlum
Tel: (0544)-620503-4-8-84-88
Fax: (0544)-620498

Sadiqabad Branch

Plot No 1 & 2 Allama Iqbal Road
Opp Jhalla Mandi Sadiqabad.
Tel: (068)-5700594-7, 068-5800591-3-5
Fax: (068)-5800598

Kashmir Road Branch (Sialkot)

B-III-116/99/2 Kashmir Road, Sialkot.
Tel: (052)-4270419-20, 4270429-30,4270439-40
Fax: (052)-4270426

Mandi Bahauddin Branch

Ward No.5, Khewat No. 529, Khatooni No.539,
Bank Road, Mandi Bahauddin
Telephone:(0546)-508020 - 22
Fax : (0546)-508023

Chichawatni Branch

Plot No. 146, Khatooni No. 239, G.T. Road,
Chichawatni.
Telephone:(040)-5483298 - 300
Fax : (040)-5483297

Toba Tek Singh Branch

Plot No. 260, Allama Iqbal Road,
Toba Tek Singh.
Telephone:(046)-2515040 - 42
Fax : (046)-2515043

Chiniot Branch

1-A, Shahra-e-Quid Azam, Chiniot
Telephone:(047)-6332381 - 2
Fax : (047)-6332383

KHYBER PAKHTUNKHWA

Jamrud Road Branch (Peshawar)
Near Hotel Grand, Jamrud Road,
Peshawar, Pakistan.
Tel:(091)-5711482-4
Fax:(091)-5711489

Khyber Bazaar Branch (Peshawar)

Shop No. 6 & 7 Haji Khan Building
Ph (091) 2590341-7
Fax:(091) 2590348

Mansehra Branch

Swati Arcade, Abbottabad Road,
Tehsil & District Mansehra
Tel:(0997) 307761-4
Fax:(0997) 303479

Abbottabad Branch

Business Complex
Aamir Shaheed Road Abbottabad.
Tel: (0992)-343956-63
Fax:(0992)-343964

Mardan Branch

Shop No. 412, 412A, 413, Bank Road
Mardan Cantt, Mardan.
Phone : (0937)876430 to (0937)876432
Fax: (0937)876433

Besham Branch

Plot Khasra No.583, Moza Butyal,
Main Road Besham, Tehsil Besham,
District Shangla.
Phone : (0996)400670 to (0996)400673
Fax : (0996)400674

Booni Branch

Booni Bazar, Village & P.O Booni,
Thesil Mastaj, District Chitral.
Phone: 0943-470812-15
Fax: 0943-470816

Naran Branch

Plot Khasra No.71/1185, MNJ Road, Main
Bazar,Near China Store, Naran, Moza Kaghan,
Tehsil Balakot, District Mansehra.
Phone: (0997)430261 to (0997)430264
Fax: (0997)430265

Nowshera Branch

Taj Building, Main G.T.Road, Shobra Chowk,
Nowshera. Tel#(0923)640410,413,415
Fax#(0923) 640417

Batagram Branch

Khasra No.792, Moza Ajmairah,
Tehsil & District Batgram.
Phone: (0997)310291, (0997)310293
Fax: (0997)310294

Mingora Branch (Swat)

Madain Road, Mingora Sawat,
District Sawat.
Phone: 0946-710386-88, 91
Fax: 0946-710395

Batkhela Branch

Main Bazar Batkhela, Tehsil Sawat Ranizai,
District Malakand. Phone: (0932) 412521- 24
Fax: (0932) 412525

Timergara Branch

Gurguri Chowk, Balambat Road, Timergara,
District Dir Lower. Phone : (0945)825607-9
Fax: (0945)825610

Dera Ismail Khan Branch

Circular Road Dera
Ismail Khan.
Tel# (0966)715018-20
Fax# (0966)715021

Chitral Branch

Main Shahi Bazar
Chitral Tel# (0943)-414501,414530,414550
Fax# (0943)-414580

Balochistan

Iqbal Road Branch (Quetta)
Shop No 605 Khewat No. 200 Khatooni No 234
Ward No 18 Urban No 1 Sharah-e-iqbal Quetta
Tel: 081-2866510-13-36
Fax: 081-2829739

Shahbaz Town (Quetta)

Plot No.7, Ist Street, Shahbaz Town,
Phase IV, Samungli Road, Quetta.
Phone: 081-2827037,041, 51, 59
Fax: 081-2827074

Gawalmandi Branch (Quetta)

Gawal Mandi Chowk, Quetta.
Phone : 0812-834430, 37, 38, 39
Fax : 0812-834434

Tolla Ram Road Branch (Quetta)

Shop No.1 & 2, Haroon Shopping Centre, Tolla
Ram Road, Quetta
Phone : (081)2866581 to (081)2866583
Fax : (081)2866584

Sattelite Town Branch (Quetta)

Shop No. 3, Dead Karez, Opposite Old Bus
Adda, Sattelite Town, Quetta.
Phone : (081)2448701 to (081)2448704
Fax: (081)2448705

Airport Road Branch (Quetta)

Airport Road Quetta Alam Khan
Chowk Airport Road Quetta.
Tel: 081-2864627-29, 081-2840114,
081-2840121 Fax: 081-2840135

Jinnah Road Branch (Quetta)

Jinnah Road Quetta.
Pakistan. Tel: 081-2821743-28-46
Fax (081)2821650

Kuchlak Branch

Chaman Raod Quetta
Tel:081-2891591-2 Fax 081-2891580

Muslimbagh Branch

Muslimbagh, Baluchistan
Tel: (0823) 669823-29 Fax0823-669830

Qila Saifullah Branch

Main Junction Road Qila Saifullah
Tel : (0823) 610895,610804-05
Fax: (0823) 610806

Pishin Branch

Pashin Branch Bund Road Opp
Madina Hardware, Pashin
Tel: 0826-421384 Fax: 0826-421384

Dukki Branch

Masjid Road, Dukki, Baluchistan.
Tel : (0824)667301-05
Fax : (0824)667306

Khanozai

Khasra No.1533, Khatooni No.143,
Khewat No.135, Mutation No.472,
Moza-e-Tappa, Khanozai, District Pishin.
Phone: (0826)427250 , 251, 253
Fax: (0826)427254

Chaman Branch

Trench Road,Chaman.
Tel: 0826-618032-37
Fax: 0826-618038

Zhob Branch

Market Road Branchzhob.
Tel: (0822)-412130-31
Fax:0822-412136

Loralai Branch

Bhagi Bazar Branch, Loralai.
Tel : (0824)661696-661701
Fax : 0824-661701

Azad Kashmir

Mirpur Branch (Azad Kashmir)

Plot No # 2- B/3 Sub Sector A/2
Mian MuhammadRoad Kashmir.
Tel: (05827)439700-04
Fax:(05827)-39705

Islamgarh Branch (Azad Kashmir)

Ground Floor Main Kotli Road,
Islam Garh Tehsil Distric Mirpur(AJK)
Tel#(05827)423971-77
Fax#(05827)43977

Gilgit Baltistan

Gilgit Branch

Askari Bakers Gilgit Cantt
Tel:(05811)-457832-6
Fax:(05811)457837

Chillas Branch

Main Bazar, DC Chowk, Rani Road,
Chillas, District Diamer.
Phone : (05812)450421 -24
Fax: (05812)450425



Proxy Form

10th Annual General Meeting

The Company Secretary
BankIslami Pakistan Limited
11th Floor, Executive Tower,
Dolmen City, Marine Drive,
Block - 4, Clifton
Karachi - Pakistan.

I/We _____ of _____ being a member(s) of
BankIslami Pakistan Limited and holder of _____ ordinary shares as per Share
Register Folio No. _____ and / or CDC Investor Account No./Participant I.D. No.
_____ and sub Account No. _____ do hereby
appoint _____ of _____
or failing him / her _____ of _____
as my/our proxy to vote and act for me / us on my / our behalf at the 10th Annual General Meeting of
BankIslami Pakistan Limited, to be held on Friday, April 18, 2014 at 09:30 am at Hotel Regent Plaza,
Shahrah-e-Faisal, Karachi, and at any adjournment thereof.

Signed this _____ day of _____ 2014.

Witness:

Name: _____

Address: _____

CNIC or Passport No. _____

Please affix
Rupees Five
Revenue Stamp

Signature of Member(s)

Notes:

1. Proxies in order to be effective, must be received by the company not less than 48 hours before the meeting.
2. CDC Shareholders and their Proxies are each requested to attach an attested photocopy of their Computerized National Identity Card or Passport with this proxy form before submission to the Company.

Please affix
Correct
Postage

The Company Secretary

BankIslami Pakistan Limited

11th Floor, Executive Tower,
Dolmen City, Marine Drive,
Clifton Block - 4,
Karachi, Pakistan