WORLD OF ISLAMIC ARCHITECTURE

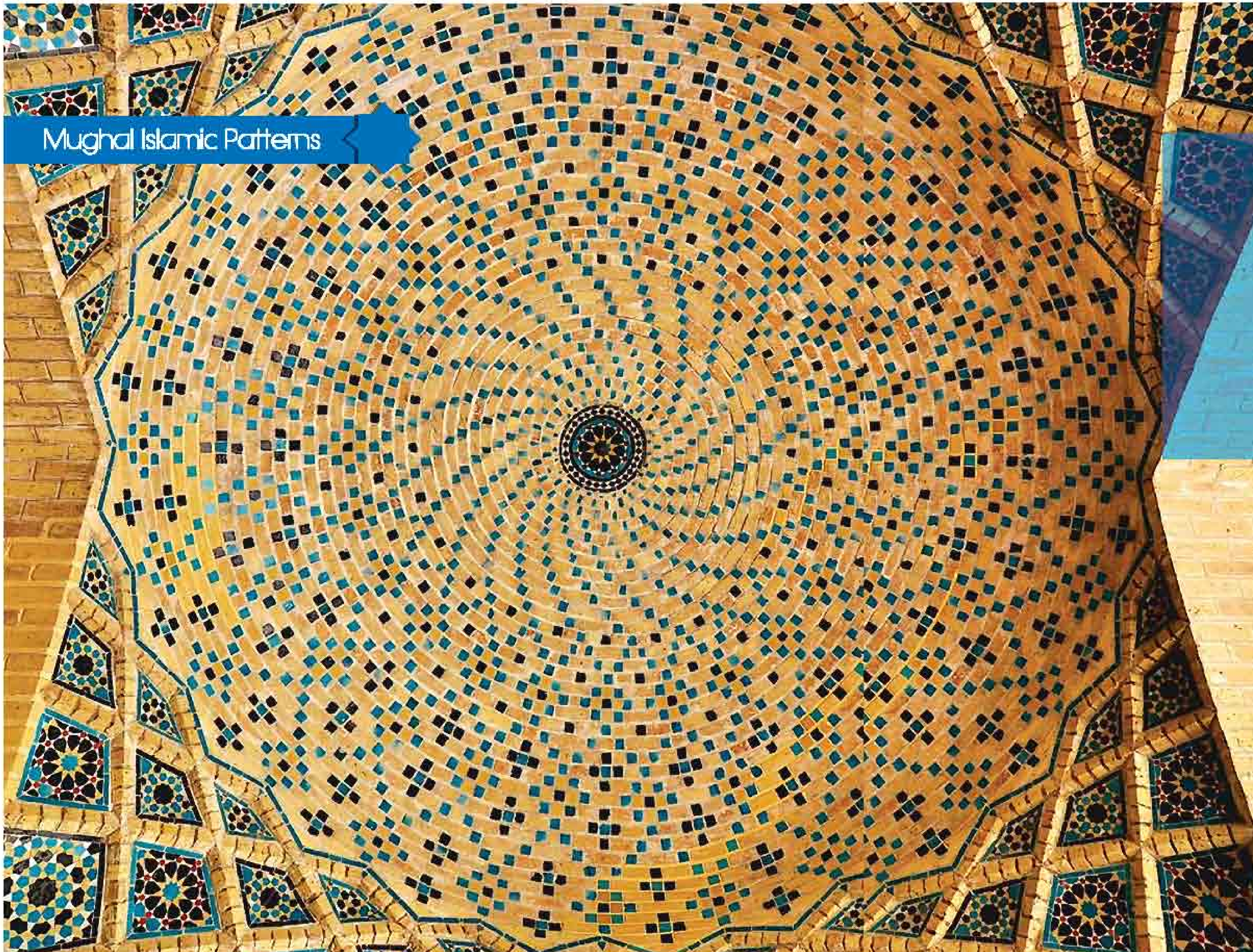
2014 Annual Report

بینک اسلامی

BankIslami

*Inside View of Dome (Masjid-e- Nabawi, Madinah)

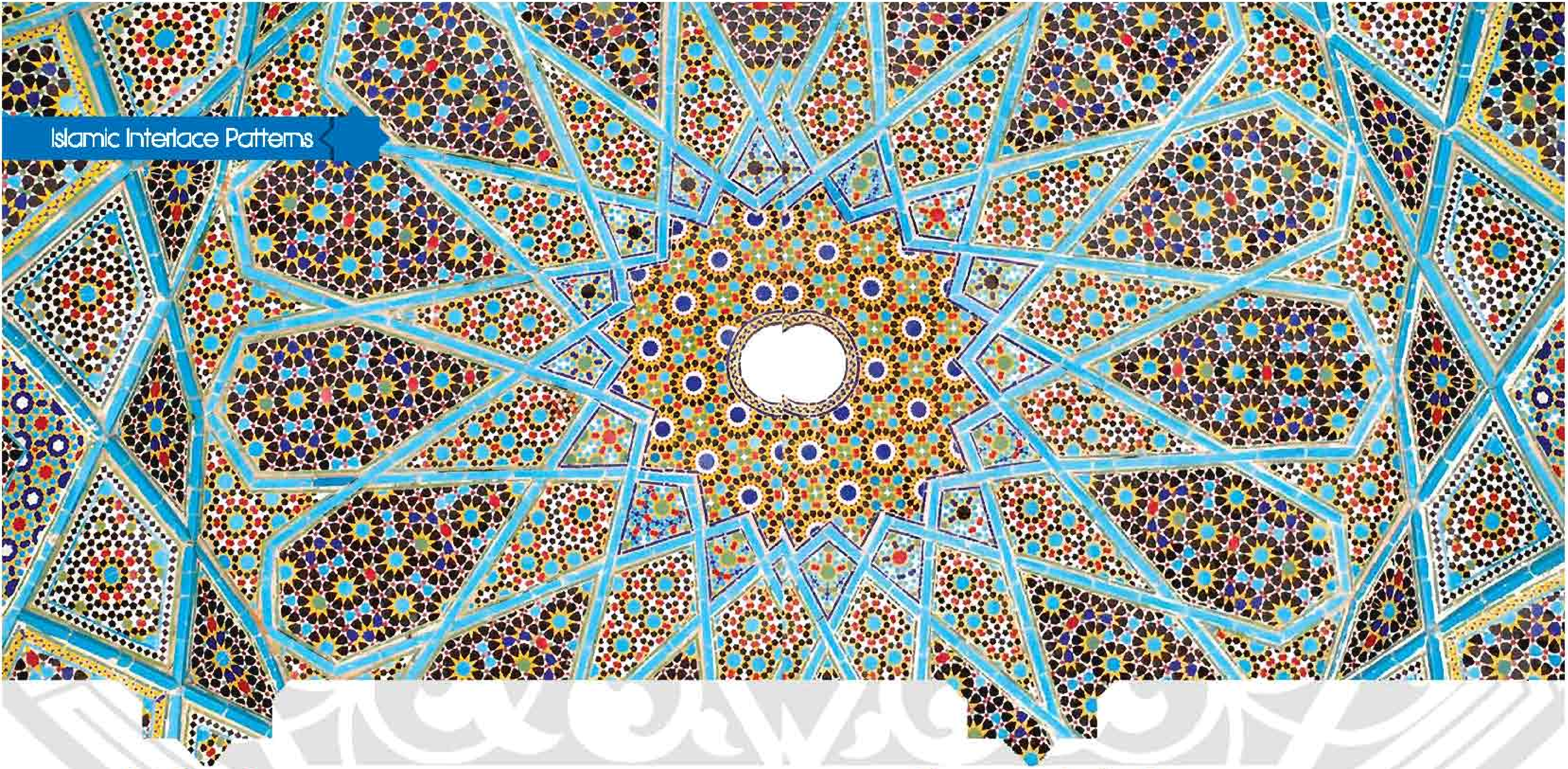
Serving you, the Right way



Mughal Islamic Patterns

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
- Commitment to excellence and
- Innovation
- Fast, efficient and seamless delivery of solutions.
- Understanding our Clients' needs

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

بسم الله الرحمن الرحيم

Contents

Corporate Information

Board of Directors	
Mr. Ali Hussain	Chairman
Mr. Ali Mohd Hussain Ali Al Shamali *	
Mr. Ali Raza Siddiqui	
Mr. Abdulhakim Habib Mansoor Binherz**	
Mr. Fawad Anwar	
Mr. Hasan A. Bilgrami	Chief Executive Officer
Mr. Kamal Afsar ***	
Mr. Shabir Ahmed Randeree	
Sharia'h Supervisory Board	
Mufti Irshad Ahmad Aijaz	Chairman
Mufti Hassan Kaleem ****	Member
Mufti Talha Saleem Kapadia	Member
Mufti Muhammad Hussain *****	Member
Audit Committee	
Mr. Fawad Anwar	Chairman
Mr. Ali Hussain	Member
Mr. Ali Raza Siddiqui	Member
Mr. Shabir Ahmed Randeree	Member
Risk Management Committee	
Mr. Kamal Afsar ******	Chairman
Mr. Ali Mohd Hussain Ali Al Shamali	Member
Mr. Fawad Anwar	Member
Mr. Hasan A. Bilgrami	Member
I.T Committee	
Mr. Hasan A. Bilgrami	Chairman
Mr. Ali Hussain	Member
Mr. Ali Raza Siddiqui	Member
Human Resource & Compensation Committee	
Mr. Shabir Ahmed Randeree	Chairman
Mr. Ali Mohd Hussain Ali Al Shamali	Member
Mr. Ali Hussain	Member
Mr. Ali Raza Siddiqui	Member
Mr. Hasan A Bilgrami	Member
Mr. Kamal Afsar	Member
Executive Committee	
Mr. Ali Hussain	Chairman
Mr. Ali Mohd Hussain Ali Al Shamali	Member
Mr. Ali Raza Siddiqui	Member
Mr. Hasan A. Bilgrami	Member
Mr. Shabir Ahmed Randeree / Mr. Fawad Anwar	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

* co-opted on January 16, 2014
** resigned effective from August 25, 2014.
*** co-opted on March 4, 2014
**** resigned effective from October 20, 2014
***** co-opted on October 29, 2014
****** disassociated himself from the Committee effective from December 30, 2014

Upon expiry of statutory term the Board was re-elected effective from April 29, 2014
After election of Directors, Board Committees were re-constituted effective from August 28, 2014,

Management (in alphabetical order)

Mr. Arshad Wahab Zuberi	Head, Administration & General Services
Mr. Farooq Anwar	Head, Operations
Mr. Hasan A. Bilgrami	Chief Executive Officer
Mr. Khawaja Ehrar ul Hassan	Head, Compliance & Legal
Mr. Muhammad Asif Siddiqui	Head, Cash Management
Mr. Muhammad Faisal Shaikh	Head, Product Development
Mr. Muhammad Furqan	Head, Credit Administration
Mr. Muhammad Kamran Siddiqui	Head, Service Quality & Phone Banking
Mr. Muhammad Shoaib Khan	Head, Treasury & Financial Institutions
Mr. Rehan Shuja Zaidi	Head, Internal Audit
Mr. Shamshad Ahmed	Head, Trade Finance
Ms. Sheba Matin Khan	Head, Human Resources
Mr. Syed Akhtar Ausaf	Head, Risk Management
Mr. Syed Arif Mehtab	Head, Branch Operations
Mr. Syed Ata Hussain Jaffri	Officiating Head, Information Systems
Mr. Syed Mujtaba Hussain Kazmi	Head, Corporate Finance
Mr. Zahid Ali H. Jamall	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 Register
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

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:

- Chairman, Shariah Advisory Board 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 Hussain

Mufti Muhammad Hussain is a prominent scholar in the field of Islamic jurisprudence. He has been teaching Islamic studies including Fiqh and Fatwa for years. He has undertaken research work in various topics including economic thoughts in Islam, financial markets, modern economic and financial issues and Islamic Banking and Finance.

He is also a member of Shariah Supervisory Board of Halal Foundation, the first Shariah certification and Research body in Pakistan. His research work includes Ushr obligation, Takaful on the basis of Waqf, Shariah rules of wealth earned through impermissible sources and rulings on status juristic person in Islam. He has authored several articles and issued Fatawas on various issues. He is associated with Jamiat-ur-Rasheed, Karachi as a senior Mufti in Darul Iftaa and lecturer in department of Fiqhul Muaamlaat.

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 has passed an 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 has been associated with BankIslami as "Shariah Coordinator" and has been engaged in Shariah review, Shariah Audit and Compliance activities for last 7 years. He is an Islamic Banking Trainer in the Bank and a visiting Faculty Member at Iqra University.

Blue Mosque (Sultan Ahmed Mosque) (Istanbul, Turkey)

Did you know?

The Blue Mosque is popularly known for its structure and being the only mosque with six minarets in Turkey.
The mosque has a rectanguler shape. Also there is a central dome supported by four half-domes in four different ways.

http://www.bluemosque.co/

Sultan Qaboos Mosque (Muscat, Oman)

Did you know?

It is the biggest and most beautiful mosque of Oman and is named after the Sultanate's King. The grounds of the mosque cover an area of 416,000 square meters. The main entrance is approached through three high arches which are aligned with the sunken lines of dark marble in the pavement and converge on the principle minaret. The prayer hall is covered with a 4,263 square meter single piece Persian carpet which took 4 years to weave.

http://www.oman-tours.com/omantours/sightseeing-overview-oman/sultan-qaboos-grand-mosque/

Six Year's Vertical Analysis

	2014		2013		2012		2011		2010		2009	
	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	6,361	6%	4,883	6%	4,939	7%	4,685	8%	3,035	7%	4,218	12%
Balances with other banks	734	1%	968	1%	806	1%	549	1%	570	1%	2,060	6%
Due from financial institutions	18,144	18%	6,511	7%	8,476	11%	4,436	8%	4,513	10%	4,019	12%
Investments	30,655	30%	31,610	36%	28,994	39%	21,067	36%	13,732	30%	6,813	20%
Financings	41,097	40%	38,309	44%	27,433	37%	24,665	42%	19,566	43%	10,855	32%
Operating fixed assets	3,380	3%	2,958	3%	1,913	3%	1,812	3%	2,067	5%	2,395	7%
Deferred tax assets	-	0%	-	0%	79	0%	182	0%	402	1%	355	1%
Other assets	1,614	2%	1,616	2%	1,608	2%	1,437	2%	1,151	3%	3,558	10%
	101,984	100%	86,856	100%	74,249	100%	58,833	100%	45,036	100%	34,272	100%
Liabilities												
Bills payable	918	1%	836	1%	1,251	2%	799	1%	563	1%	486	1%
Due to financial institutions	561	1%	2,538	3%	1,621	2%	800	1%	353	1%	156	0%
Deposits and other accounts	90,331	89%	75,226	87%	64,216	86%	50,569	86%	38,198	85%	27,987	82%
Deferred tax liabilities	200	0%	176	0%	-	0%	-	0%	-	0%	-	0%
Other Liabilities	3,107	3%	1,838	2%	1,569	2%	1,341	2%	1,155	3%	917	3%
	95,117	93%	80,613	93%	68,658	92%	53,508	91%	40,269	89%	29,546	86%
Net Assets	6,867	7%	6,242	7%	5,591	8%	5,325	9%	4,766	11%	4,725	14%
Represented by												
Share Capital	5,680	6%	5,280	6%	5,280	7%	5,280	9%	5,280	12%	5,280	15%
Reserves	273	0%	210	0%	173	0%	91	0.16%	9	0.02%	-	0%
Un-appropriated Profit / (Accumulated Losses)	267	0%	25	0%	8	0%	(215)	0%	(555)	-1%	(592)	-2%
Surplus on revaluation of assets - net of deffered tax	647	1%	727	1%	130	0%	169	0.29%	32	0.07%	38	0.11%
	6,867	7%	6,242	7%	5,591	8%	5,325	9%	4,766	11%	4,725	14%
Profit & Loss Account												
Profit / return earned	7,812	93%	6,289	93%	5,992	95%	5,502	96%	3,807	95%	2,177	86%
Profit / return expensed	(4,459)	-53%	(3,790)	-56%	(3,507)	-55%	(2,883)	-50%	(2,058)	-51%	(1,222)	-49%
Net Spread earned	3,353	40%	2,500	37%	2,485	39%	2,619	46%	1,750	44%	955	38%
Provisions	(40)	0%	(127)	-2%	(91)	-1%	(85)	-1%	(4)	0%	(111)	-4%
Net Spread after provisions	3,313	39%	2,373	35%	2,394	38%	2,534	44%	1,746	43%	844	33%
Other income	632	7%	454	7%	333	5%	227	4%	206	5%	343	14%
Other expenses	(3,475)	-41%	(2,518)	-37%	(2,264)	-36%	(2,152)	-38%	(1,907)	-48%	(1,766)	-70%
Profit before tax	470	6%	308	5%	463	7%	609	11%	45	1%	(580)	-23%
Taxation	(156)	-2%	(123)	-2%	(156)	-2%	(199)	-3%	2	0%	90	4%
Profit after taxation	314	4%	185	3%	307	5%	410	7%	47	1%	(490)	-19%

Six Year's Horizontal Analysis

	2014		2013		2012		2011		2010		2009	
	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	6,361	30%	4,883	-1%	4,939	5%	4,685	54%	3,035	-28%	4,218	94%
Balances with other banks	734	-24%	968	20%	806	47%	549	-4%	570	-72%	2,060	-7%
Due from financial institutions	18,144	179%	6,511	-23%	8,476	91%	4,436	-2%	4,513	12%	4,019	9860%
Investments	30,655	-3%	31,610	9%	28,994	38%	21,067	53%	13,732	102%	6,813	36%
Financings	41,097	7%	38,309	40%	27,433	11%	24,665	26%	19,566	80%	10,855	67%
Operating fixed assets	3,380	14%	2,958	55%	1,913	6%	1,812	-12%	2,067	-14%	2,395	25%
Deferred tax assets	-	0%	-	-100%	79	-56%	182	-55%	402	13%	355	33%
Other assets	1,614	0%	1,616	0%	1,608	12%	1,437	25%	1,151	-68%	3,558	268%
	101,984	17%	86,856	17%	74,249	26%	58,833	31%	45,036	31%	34,272	80%
Liabilities												
Bills payable	918	10%	836	-33%	1,251	57%	799	42%	563	16%	486	37%
Due to financial institutions	561	-78%	2,538	57%	1,621	103%	800	127%	353	126%	156	-37%
Deposits and other accounts	90,331	20%	75,226	17%	64,216	27%	50,569	32%	38,198	36%	27,987	124%
Deferred tax liabilities	200	14%	176	-	0%	-	-	0	-	-	-	-
Other Liabilities	3,107	69%	1,838	17%	1,569	17%	1,341	16%	1,155	26%	917	12%
	95,117	18%	80,613	17%	68,658	28%	53,508	33%	40,269	36%	29,546	113%
Net Assets	6,867	10%	6,242	12%	5,591	5%	5,325	12%	4,766	1%	4,725	-9%
Represented by												
Share Capital	5,680	8%	5,280	0%	5,280	0%	5,280	0%	5,280	0%	5,280	0%
Reserves	273	30%	210	21%	173	90%	91	880%	9	-	0%	
Un-appropriated Profit / (Accumulated Losses)	267	975%	25	222%	8	-104%	(215)	-61%	(555)	-6%	(592)	478%
Surplus on revaluation of assets - net of deferred tax	647	-11%	727	458%	130	-23%	169	422%	32	-14%	38	262%
	6,867	10%	6,242	12%	5,591	5%	5,325	12%	4,766	1%	4,725	-9%
Profit & Loss Account												
Profit / return earned	7,812	24%	6,289	5%	5,992	9%	5,502	45%	3,807	75%	2,177	49%
Profit / return expensed	(4,459)	18%	(3,790)	8%	(3,507)	22%	(2,883)	40%	(2,058)	68%	(1,222)	68%
Net Spread earned	3,353	34%	2,500	1%	2,485	-5%	2,619	50%	1,750	83%	955	30%
Provisions	(40)	-68%	(127)	39%	(91)	8%	(85)	1965%	(4)	-96%	(111)	-15%
Net Spread after provisions	3,313	40%	2,373	-1%	2,394	-6%	2,534	45%	1,746	107%	844	40%
Other income	632	39%	454	36%	333	47%	227	10%	206	-40%	343	75%
Other expenses	(3,475)	38%	(2,518)	11%	(2,264)	5%	(2,152)	13%	(1,907)	8%	(1,766)	71%
Profit before taxation	470	52%	308	-33%	463	-24%	609	1266%	45	108%	(580)	149%
Taxation	(156)	27%	(123)	-21%	(156)	-21%	(199)	-10017%	2	-98%	90	-49%
Profit after taxation	314	69%	185	-40%	307	-25%	410	780%	47	-110%	(490)	783%

Statement of Value Added

	2014 Rs. In Mln	2014 %	2013 Rs. In Mln	2013 %
Value Added				
Net Spread earned	3,353		2,500	
Other income	632		454	
Operating expenses excluding staff cost, depreciation, amortisation, donations and WWF	(1,611)		(1,170)	
Provision against advances, investments & others	(40)		(127)	
Value added available for distribution	2,334		1,657	
Distribution of value added				
To employees				
Remuneration, provident fund and other benefits	1,509	64.7%	1,084	65.43%
To government				
Worker welfare fund	9	0.40%	6	0.37%
Income tax	156	6.69%	123	7.41%
	165	7.09%	129	7.78%
To Society				
Donations	-	-	-	-
To Shareholders				
Depreciation	330		230	
Amortisation	15		29	
Retained during the year	308		185	
	653	28%	444	26.79%
	2,334	100.00%	1,657	100.00%

Six Years' Financial Summary 2009-2014

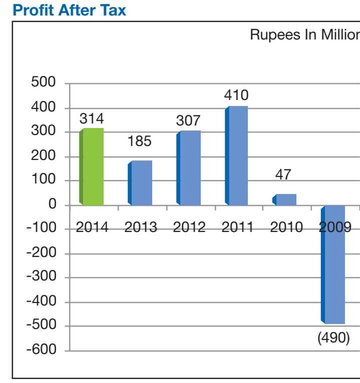
(Rupees in Millions)

		2014	2013	2012
Profit & Loss Account				
Profit/return Earned		7,812	6,289	5,992
Profit /return Expensed		4,459	3,790	3,507
Net Spread earned		3,353	2,500	2,485
Fee, commission, brokerage & exchange Income		560	368	282
Dividend and capital gains		32	7	17
Other Income		40	79	34
Total Other Income		632	454	333
Total Income		3,985	2,953	2,818
Other expenses		3,475	2,518	2,264
Profit/(loss) before tax and provisions		510	435	554
Provisions		40	127	91
Profit/(loss) before tax		470	308	463
Profit/(loss) after tax		314	185	307
Statement of Financial Position				
Paid up capital		5,680	5,280	5,280
Reserves		273	210	173
Unappropriated profit/(loss)		267	25	8
Shareholder's equity		6,220	5,515	5,461
Surplus on revaluation of assets-net of tax		647	727	130
Net Assets		6,867	6,242	5,591
Total Assets		101,984	86,856	74,249
Earning Assets		90,629	77,398	65,710
Gross Financings		41,698	38,932	27,934
Financings-net of provisions		41,097	38,309	27,433
Non-performing Loans (NPLs)		1,062	1,109	1,205
Investments		30,655	31,610	28,994
Total Liabilities		95,117	80,613	68,658
Deposits & other accounts		90,331	75,226	64,216
Current & Saving Deposits (CASA)		55,244	40,618	34,030
Borrowing		561	2,538	1,621
Profit bearing Liabilities		73,688	65,141	54,393
Contingencies and commitments		9,538	10,308	8,238
Financial Ratios				
Profit before tax ratio(PBT/total income)		11.79%	10.43%	16.43%
Net Spread earned/Profit Earned		42.92%	39.74%	41.47%
Other income to total income		15.86%	15.36%	11.83%
Income/ expense ratio (excl. provisions)	Times	1.15	1.17	1.24
Return on average equity (ROE) (excl. surplus)		5.35%	3.38%	5.78%
Return on average assets (ROA)		0.33%	0.23%	0.46%
Return on Capital Employed (ROCE)		0.58%	0.43%	0.77%
Earning per share (EPS after tax)	Rs.	0.5777	0.3467	0.5809
Gross Financing/ deposit ratio		46.16%	51.75%	43.50%
Net Financing /deposit ratio		45.50%	50.92%	42.72%
Breakup value per share (excl.surplus on rev. of assets)	Rs.	10.81	10.45	10.34
Breakup value per share (incl.surplus on rev. of assets)	Rs.	11.92	11.82	10.59
Earning assets to total assets ratio		88.87%	89.11%	88.50%
Earning assets to profit bearing Liabilities	Times	1.23	1.19	1.21
CASA to Total Deposits		61.16%	53.99%	52.99%
NPLs to Gross Financings ratio		2.55%	2.85%	4.31%
Assets to Equity	Times	16.40	15.75	13.60
Deposit to share holder equity	Times	14.52	13.64	11.76
Capital Adequacy Ratio		16.70%	15.37%	15.13%
Market value per share-Dec 31	Rs.	9.81	6.94	9.21
Non Financial Information				
Number of branches		213	201	141
Total number of employees		2,150	1,520	1,410

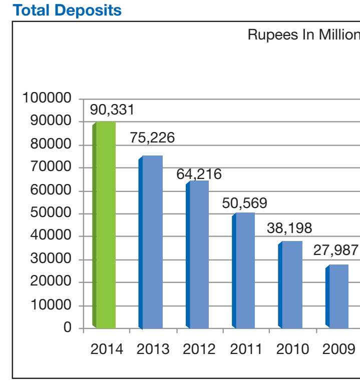
(Rupees in Millions)

2011	2010	2009
5,502	3,807	2,177
2,883	2,058	1,222
2,619	1,750	955
187	153	316
0.002	0.001	2
39	53	24
227	206	343
2,846	1,956	1,298
2,152	1,907	1,766
693	49	(490)
85	4	111
609	45	(580)
410	47	(490)
5,280	5,280	5,280
91	9	-
(215)	(555)	(592)
5,156	4,734	4,687
169	32	38
5,325	4,766	4,725
58,833	45,036	34,272
50,718	38,381	23,746
25,055	19,895	11,104
24,665	19,566	10,855
838	660	789
21,067	13,732	6,813
53,508	40,269	29,546
50,569	38,198	27,987
26,028	19,402	15,335
800	353	156
41,123	29,390	20,565
4,595	4,468	1,263
21.39%	2.28%	-44.67%
47.60%	45.96%	43.86%
7.97%	10.54%	26.41%
1.32	1.03	0.73
8.28%	0.99%	-9.93%
0.79%	0.12%	-1.84%
1.31%	0.13%	-2.29%
0.7757	0.09	(0.93)
49.55%	52.08%	39.68%
48.78%	51.22%	38.78%
9.77	8.97	8.88
10.09	9.03	8.95
86.21%	85.22%	69.29%
1.23	1.31	1.15
51.47%	50.79%	54.79%
3.35%	3.32%	7.10%
11.41	9.51	7.31
9.81	8.07	5.97
17.18%	19.50%	18.24%
3.1	3.63	7.25
102	102	102
1,448	1,347	1,471

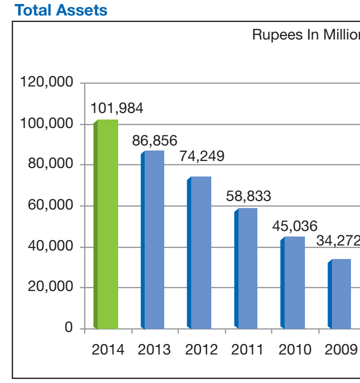
Profit After Tax



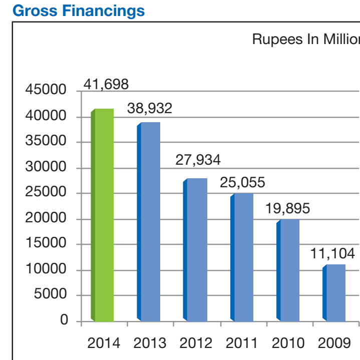
Total Deposits



Total Assets



Gross Financings



2014 has been another promising year

Total Deposits
Rs. 90,331 million
20%

Total Assests
Rs. 101,984 million
17%

Total Financing
Rs. 41,097 million
7%

Profit After Tax
Rs. 314 million
69%

Employees Count
2,150
41%

Branch Network
213
6%

Notice of Annual General Meeting

Notice is hereby given that the 11th Annual General Meeting of the Members of BankIslami Pakistan Limited will be held Inshallah on Monday, March 30, 2015 at 11:00 a.m. at Regent Plaza Hotel & Convention Centre, Main Shahrah Faisal, Karachi to transact the following business:

ORDINARY BUSINESS

1- To confirm minutes of the 10th Annual General Meeting held on April 18, 2014.

2- To receive, consider and adopt the Annual Audited Accounts of the Bank and Consolidated Audited Accounts of the Bank for the year ended December 31, 2014 together with the Auditors; and Directors; Reports thereon.

3- To appoint Auditors of the Bank for the year ending December 31, 2015 and to fix their remuneration. The present auditors, A.F. Ferguson & Co., Chartered Accountants, retire and being eligible, offer themselves for reappointment.

By Order of the Board

Zahid Ali H. Jamall

Zahid Ali H. Jamall
Company Secretary

Karachi: March 09, 2015

Notes:

1 The Members' Register will remain closed from March 25, 2015 to March 31, 2015 (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.

Islami Amadni Certificate

With **Islami Amadni Certificate****, you get the best of both worlds in a safe, secure and flexible package to perfectly meet your needs. **Islami Amadni Certificate** provides you with the following features:

- Investment with as low as Rs.10,000/-
- Profit payment at maturity
- Nationwide network of 213* online branches in 80 cities
- Internet Banking Facility
- Tenure of investment from 1 month to 5 years
- No penalty on premature encashment of investment

*Including sub-branches
**Conditions Apply

Directors' Report

On behalf of the Board, I am pleased to present the eleventh Annual Report of BankIslami Pakistan Limited ('the Bank or 'BIPL'). Highlights are:

	Dec-14	Dec-13	Growth (%)
	----------- Rupees in Millions ----------		
Total Deposits	**90,331**	75,226	20.08
Total Assets	**101,984**	86,856	17.42
Total Financing	**41,097**	38,309	7.28
Total Investments	**30,655**	31,610	-3.02
Shareholder's Equity (including revaluation)	**6,867**	6,242	10.01
Branches	**213**	201	5.97
Basic Earnings/(loss) per share - rupees	**0.58**	0.35	65.71

The Bank continued its network expansion and at the end of the year had 213 branches and sub branches in 80 cities in Pakistan. BankIslami retained its position as having the second largest network amongst Islamic banks in Pakistan. Following expansion in 2012 and 2013, the Bank focused on consolidation in 2014 hence only 12 branches and sub-branches were added in 4 cities. In 2015, the Bank shall continue consolidating its operations with plans of opening additional 24 branches and sub-branches.

Improvement in operating results was noted in all areas though the Bank was unable to realize full potential of its franchise as well as infra-structure due to various reasons. Muted growth in Financing is attributed to that. 81% of the growth in Financing came from Mortgage Financing as well as Auto Ijarah which registered a growth of 56% and 112% respectively. Quality of Financing further improved and there were no additional Net Provisions. Investments declined due to non-availability of GoP Ijarah Sukuk. On the Liability side, 61% of the Deposits comprised of Current and Saving Accounts as against 54% in 2013. Despite of 20% increase in Deposits, Cost of Deposits decreased by almost 34 bps. On the expense side, Administrative Cost increased by 39% on the back of expansion carried out in 2013. Average Cost per Branch worked out to be Rs. 16M. Prudent Balance Sheet management, coupled with some of the factors mentioned in the foregoing, enabled the Bank to remain in the black despite of a constrained operating environment.

In other areas, 721 employees were added across the network bringing average employee per branch to 12 which is one of the best in the Industry including the large banks. 192 Training Programs were conducted across the network attended by 4,472 participants. Increased focus on Phone Banking lead to on average 82 calls per Agent per day as against 57 in 2013. Similarly, following deployment of Cardless Biometric ATM, number of withdrawals increased by 92%. Internet users registered an increase of 18% while Visa Debit Card holders grew by 25%.

A full review of the operating performance is contained in the Management Discussion and Analysis Section.

The Bank also completed Rs. 400M of Rights offering announced in 2013 taking the Paid Up Capital to Rs. 5.76B. On December 30th, the Bank further announced a Rights offering of Rs. 4.32B which when completed in early 2015 will take the Paid Up Capital well past prescribed Regulatory Capital Requirement of Rs. 10B. BankIslami is the second Islamic Bank to have complied with the Paid Up Capital requirements of SBP. It is hoped this Capitalization will enable the Bank to expand its operations more rapidly, particularly on the Financing side which were kept in check due to higher CAR requirement.

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 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 un-audited accounts at December 31, 2014 amounted to Rs.351.45 million and Rs.170.67 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, 2014 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 happened, 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, 2014 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, 2015.

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 06, 2015

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, 2014	Shares subscribed during the Year	No. of Shares as at Dec. 31, 2014
Mr. Ali Hussain	Chairman	-	48,159,683	48,159,683
Mr. Ali Raza Siddiqui	Director	5,000	453	5,453
Mr. Fawad Anwar	Director	1,000	-	1,000
Mr. Hasan A. Bilgrami	CEO	499,079	37,819	536,898
Mr. Shabir Ahmed Randeree	Director	51,423,883	5,158,644	56,582,527
Mr. Kamal Afsar	Director	1,000	-	1,000

Attendance of Board of Directors for the Year 2014:

Director Name	Total	Attended	Leave of Absence
Mr. Ali Hussain	8	8	0
Mr. Ali Raza Siddiqui	8	8	0
Mr. Abdulhakim Habib Mansoor Binherz *	4	2	0
Mr. Ali Mohd Hussain Ali Al Shamali **	8	6	2
Mr. Fawad Anwar	8	8	0
Mr. Hasan A. Bilgrami	8	8	0
Mr. Kamal Afsar ***	7	3	4
Mr. Shabir Ahmed Randeree	8	4	4

* he resigned effective August 25, 2014, including August 25, 2014 four board meetings were held.
** he was appointed effective January 16, 2014, his appointment was subject to SBP approval, including January 16, 2014 eight board meetings were held.
*** he was appointed effective March 4, 2014, his appointment was subject to SBP approval, including March 4, 2014 seven board meetings were held.

Attendance of members of Board Committees for the Year 2014:

Audit Committee:

Name	Total	Attended	Leave of Absence
Mr. Ali Hussain	4	4	0
Mr. Ali Raza Siddiqui	4	4	0
Mr. Abdulhakim Habib Mansoor Binherz	2	1	1
Mr. Fawad Anwar	4	4	0
Mr. Shabir Ahmed Randeree	4	1	3

Risk Management Committee

Mr. Ali Mohd Hussain Ali Al Shamali	1	1	0
Mr. Abdulhakim Habib Mansoor Binherz	0	0	0
Mr. Fawad Anwar	1	1	0
Mr. Hasan A Bilgrami	1	1	0
Mr. Kamal Afsar	1	1	0

Human Resource & Compensation Committee

Mr. Ali Hussain	1	1	0
Mr. Ali Mohd Hussain Ali Al Shamali	1	1	0
Mr. Ali Raza Siddiqui	1	1	0
Mr. Abdulhakim Habib Mansoor Binherz	0	0	0
Mr. Fawad Anwar	1	1	0
Mr. Hasan A Bilgrami	1	1	0
Mr. Kamal Afsar	1	1	0
Mr. Shabir Ahmed Randeree	1	1	0

Management Discussion and Analysis

BUSINESS ENVIRONMENT[1] :

Positive trends were witnessed in economic front in the year of 2014. However, political protests in Islamabad and floods in September slowed the economic recovery. The following is a brief overview of the economy of Pakistan for the year 2014.

Gross Domestic Product:

Pakistan's GDP growth was 4.1% during FY14 compared to 3.7% for FY13 but lower than budgeted target of 4.4% for the year. The agricultural sector grew by 2.1% vs 2.9% in FY13, since, there was an improvement in area under cultivation of the major crops by 5.5% with resulted in improved agricultural production and growth. Industrial sector grew by 5.8% vs 1.4% in FY13 on back of growth in fertilizer, sugar and beverage industries. Services sector grew by 4.3% vs 4.9% in FY13, mainly due to growth in wholesale and retail trade services. For FY15, State Bank of Pakistan ('SBP') has estimated GDP growth to be 5.1%.

LSM growth:

Large Scale Manufacturing ('LSM') grew by 5.3% compared to 4.1% in FY13. The increase was due to growth in fertilizer, sugar and beverage industries. The local manufacturers faced energy shortages especially in textiles, paper and glass sectors leading to decline in growth of these industries.

Inflation:

Inflation witnessed declining trend in 2014. It touched 11-year low due to lower fuel prices and fall in commodity & food prices. In December 2014, inflation stood at 4.30% compared to 8.7% in December 2013. SBP expects average CPI inflation to remain in the range of 4.5% - 5.5% in FY15.

Forex Reserves:

Foreign exchange reserves stood at US$15.3B in December 2014 compared to US$8.3B in December 2013, a growth of 83.6%. The reserves touched its low in February following repayments of foreign loans. However, inflows from successful completion 5th Review of the IMF program, issuance of Euro Bond of US$ 2B and sukuks of US$1B in the international markets, auction of 3G/4G licenses for US$1.1B and Saudi grant of Rs.1.5bn led to an increase in foreign exchange reserves. The government targets to achieve foreign exchange reserves to US$17 billion in 2015.

Remittances:

Overseas Pakistanis sent US$17.0B remittances in year 2014 compared to US$14.6B in year 2013 registering a growth of 17%. Worker's remittances came from Saudi Arabia that accounts for 30.4% of total remittance followed by U.A.E (20.6%), USA (14.8%), UK (13.0%) and Kuwait (4.3%). Remittances from the Middle East (includes KSA, U.A.E & Other GCC countries) grew by 20% on year on year basis, and was the main contributor to overall growth in home remittances.

[1] All economic data, where otherwise stated, are taken from various reports of the State Bank of Pakistan.

US$ Pak Rupee parity:

The rupee appreciated by 4.6% against the US dollar in the inter-bank market to Rs.100.48/US$ on December 31, 2014 from Rs.105.31/US$ on December 31, 2013. During the months of January to April, high volatility was witnessed in US$ Pak rupee parity, the rate went up to Rs.105.62/US$ in Feb 2014 to as low as Rs.96.21/US$ in Apr 2014. Going forward, relative stability is expected in the parity.

Foreign Investment:

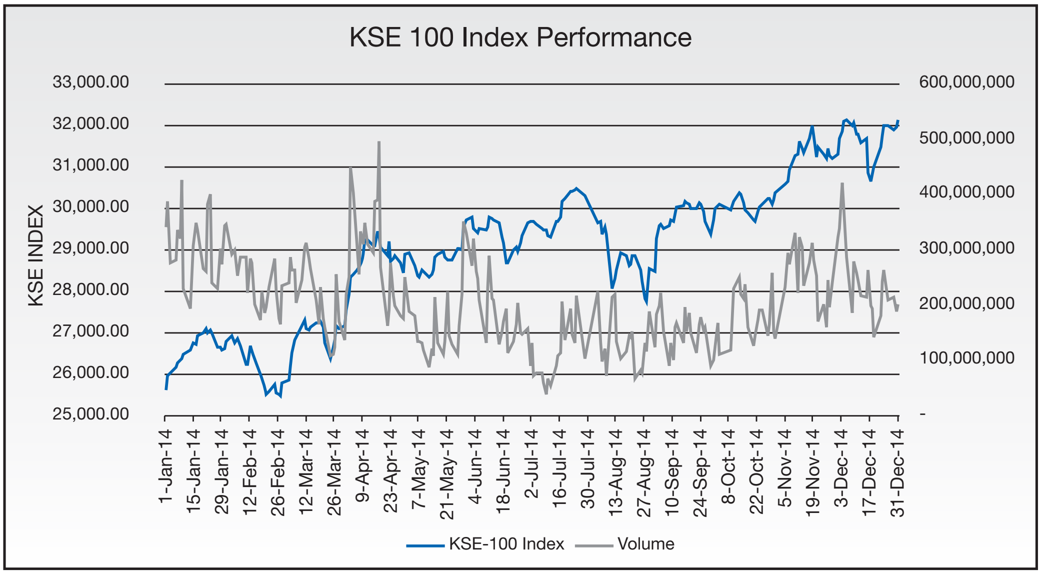
The net Foreign Direct Investment ('FDI') stood at US$1,751.6M in 2014 versus US$1,332.8M in 2013, an increase of 31.4% on year on year basis. Telecommunication sector (on back of roll out of 3G/4G services), Oil & Gas exploration business and Financial services attracted investment from foreign companies.

Monetary policy:

SBP kept the policy rate constant at 10.0% for the year until November 2014 when it slashed it by 50 basis points to 9.5% because of improvement in key macro-economic indicators especially inflation and expectations of its declining trend. The downward trend in oil prices is taken as good omen and is used as factor to push growth momentum in the economy resulting in cut in discount rate. We expect that the oil prices to stabilize and bottom out in mid-2015 and therefore for year 2015, we expect the policy rate to be between 8% to 9.5%.

Stock market:

The barometer of performance of stock market, the KSE-100 index, closed the year at 32,131.28 points from 25,261.14, an increase of 27.1% on year on year basis. The KSE-100 peak for the year was 32,148.78 achieved on December 5, 2014. According to Bloomberg, Pakistan ranked third in 2014 amongst the Best Performing Markets in the world. Moreover, according to MSCI Asian Frontier Markets, Pakistan ranked number one - outpacing Sri Lanka, Vietnam and Bangladesh. There were nine public offering of shares in 2014 compared to three in 2013.



Future Outlook:

The year 2014 saw picking up of economic growth, reduction in inflation to single digit, significant improvement in country's foreign exchange reserves, successful launch of Euro Bond and Sukuk, continued growth in remittances, successful auction of long pending 3G and 4G licenses; strengthening of rupee parity against dollar, rise in foreign direct investment and new highs for the stock market.

However, structural reforms such as improvement in governance, investment in infrastructure, resolving law and order situation and energy sector reforms continue to remain a challenge.

We foresee continuation of economic growth momentum in 2015 despite challenges. The lower global oil prices has provided the much needed impetus for growth and has led to positive inflationary outlook, lower interest rates and stable foreign reserves for Pakistan. It is expected that the Pakistan's economy can capitalize on this opportunity and improve its macroeconomic indicators going forward.

ISLAMIC BANKING:

The share of the Islamic Banking has picked up during the last nine years both in terms of assets and deposit base owing to increase in the number of branches of the existing Islamic Banks, as well as the entry of Conventional Banks in the system through standalone branches (windows). In 2014, three conventional banks players joined the Islamic Banking Industry which now has 22 players offering Islamic Banking products and services including 5 full-fledged Islamic Banks.

The industry's asset base has reached Rs. 1,102[2] billion which constitutes almost 10% of the overall banking industry while deposits represents 10.7% of the banking system's deposits. The Islamic Banking network has also spread all across the country at a significant pace with total number of branches exceeding 1,380 in more than 117 Cities of Pakistan. The Islamic Banking industry in Pakistan has grown at relatively faster pace and continues to be the fastest growing segment of the financial sector in Pakistan. Given the well sustained growth, SBP expects the industry is all set to achieve 15% market share by 2018[3].

[2] Source: Islamic Banking Bulletin of State Bank of Pakistan as of Sept 2014.

[3] Source: SBP's Strategic Plan, Islamic Banking Industry of Pakistan, 2014 - 2018 published in Feb 2014.

Djingarey Berre Mosque (Timbaktu, Mali)

Did you know?

The Djingarey Berre Mud Mosque is one of three UNESCO World Heritage mosques in Timbuktu, Mali. The wooden spikes serve as scaffolding for workers to smooth new layers of mud onto the structure.The central minaret dominates the city and is one of the most visible landmarks of urban landscape of Timbaktu.

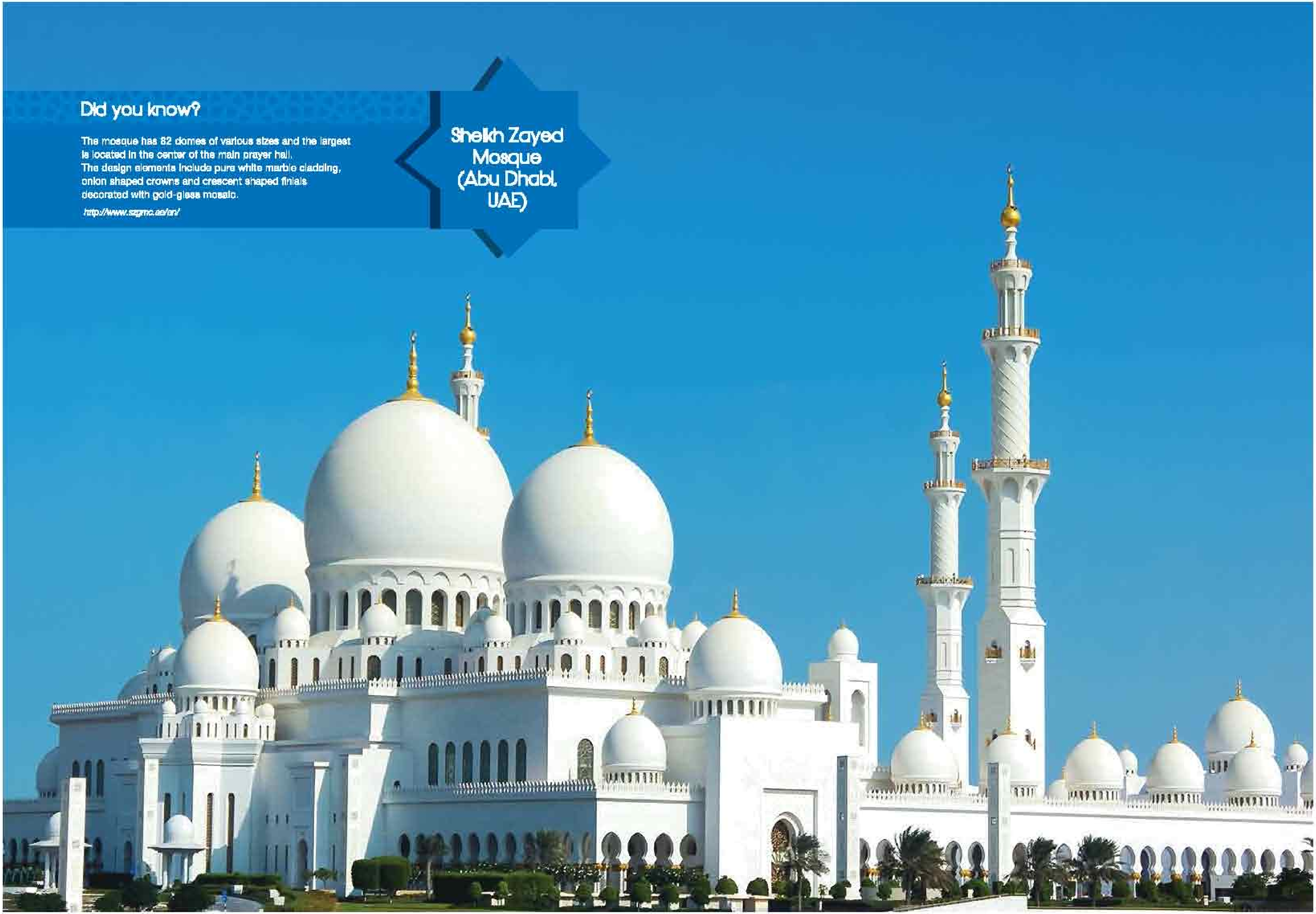
http://whc.unesco.org/en/list/119

Sheikh Zayed Mosque (Abu Dhabi, UAE)

Did you know?

The mosque has 82 domes of various sizes and the largest is located in the center of the main prayer hall.
The design elements include pure white marble cladding, onion shaped crowns and crescent shaped finials decorated with gold-glass mosaic.

http://www.szgmc.ae/en/



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	2014	2013	% change	2012	% change
Cash and Bank balances	6,361	4,883	30.3%	4,939	-1.1%
Balances with other Banks	734	968	-24.2%	806	20.0%
Due from financial institutions	18,144	6,511	178.7%	8,476	-23.2%
Investments	30,655	31,610	-3.0%	28,994	9.0%
Federal Govt Securities	*28,490*	*29,283*	*-2.7%*	*25,485*	*14.9%*
Unlisted Sukuks	*2,151*	*1,967*	*9.4%*	*2,158*	*-8.9%*
Fully paid up ordinary shares/Mutual fund units	*191*	*191*	*0.0%*	*1,151*	*-83.4%*
Provision for diminution in value or surplus on revaluation on investment	*(178)*	*170*	*-204.6%*	*200*	*-15.2%*
Financing	41,097	38,309	7.3%	27,433	39.6%
Operating Fixed Assets	3,380	2,958	14.3%	1,913	54.6%
Deferred Tax Assets	-	-	-	79	-100.0%
Other Assets	1,614	1,616	-0.2%	1,608	0.5%
Total Assets	**101,984**	**86,856**	**17.4%**	**74,249**	**17.0%**
Equity & Liabilities					
Equity Share Capital	5,759	5,280	9.1%	5,280	0.0%
Discount on issue of shares	(79)	-	-	-	-
Reserves	273	210	29.8%	173	21.4%
Unappropriated profit/(Accumulated losses) before transfers	267	25	975.1%	8	222.0%
	6,220	**5,515**	**12.8%**	**5,461**	**1.0%**
Surplus on revaluation of Assets-net of Taxes	647	727	-11.0%	130	457.9%
Total Equity	**6,867**	**6,242**	**10.0%**	**5,591**	**11.6%**
Deposits	90,331	75,226	20.1%	64,216	17.1%
Current	*17,052*	*12,425*	*37.2%*	*11,299*	*10.0%*
Saving	*38,030*	*27,934*	*36.1%*	*22,480*	*24.3%*
Term	*35,097*	*34,670*	*1.2%*	*30,291*	*14.5%*
Others	*152*	*198*	*-23.2%*	*146*	*35.3%*
Due to financial institutions	561	2,538	-77.9%	1,621	56.5%
Bills payable	918	836	9.9%	1,251	-33.2%
Deferred Tax Liabilities	200	176	13.7%	-	-
Other Liabilities	3,107	1,838	69.0%	1,569	17.2%
Total Liabilities	**95,117**	**80,613**	**18.0%**	**68,658**	**17.4%**
Total Equity and Liabilities	**101,984**	**86,856**	**17.4%**	**74,249**	**17.0%**

The Bank during the year operated in a constrained environment with SBP prescribing CAR at 18%. As a result growth in business was muted. Increase in Assets was 17.4% which was comparable to growth in the previous year. Growth in Deposits was 20.1%, largely accounted for by 37.2% increase in Saving Accounts and 37.2% increase in Current Accounts. Increase in Operating Fixed Assets was due to Branch expansion of previous as well as current year and Revaluation of Fixed Assets. Investments declined largely due to non-availability of GoP Ijarah Sukuk. Growth in Due from Financial Institutions also contained Bai Muajjal transactions with SBP.

Operating Results Data:

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

Table B
Operating Results Data

Rs in millions

	2014	2013	% change	2012	% change
Profit Earned	7,812	6,289	24.2%	5,992	5.0%
Profit Expensed	4,459	3,790	17.7%	3,507	8.1%
Net Spread Earned	**3,353**	**2,500**	**34.2%**	**2,485**	**0.6%**
Other Income					
-Fee income	*387*	*292*	*32.6%*	*181*	*61.2%*
-Dividend Income	*-*	*-*	*-*	*-*	*-*
-Income from foreign currencies dealing	*172*	*76*	*126.3%*	*101*	*-24.6%*
-Gain on sale of securities	*32*	*7*	*379.5%*	*17*	*-61.6%*
-Unrealised gain on revaluation of investment	*-*	*-*	*-*	*-*	*-*
-Other Income	*40*	*79*	*-49.0%*	*34*	*133.7%*
Operating Income	**3,985**	**2,953**	**34.9%**	**2,818**	**4.8%**
Operating Expenses	3,475	2,518	38.0%	2,264	11.2%
Operating Profit	**510**	**435**	**17.3%**	**554**	**-21.5%**
Total Provisions	40	127	-68.1%	91	38.8%
Profit Before Tax	**470**	**308**	**52.4%**	**463**	**-33.4%**
Tax, including Deferred Tax	156	122	28.1%	156	-22.0%
Profit After Tax	**314**	**186**	**68.4%**	**307**	**-39.3%**

Discount Rate till November 2014 remained at 10.0% when it declined to 9.5%. Financing increased by 7.3% despite of a low ADR due to higher CAR requirement. 81% (Eighty one percent) of the growth in Financing came from increased disbursement in Muskun (home financing) and Auto Ijarah. Decrease in cost of Deposits and change in mix resulted in Net Spread increasing by 34.2%. Total Income increased by 34.9% while Operating Expenses increased by 38.0% due to expansion carried out in 2013 as well as 2014. Provisions for Bad Debts declined by 68.1%. Increase in Profitability was 68.4%.

Key Financial Ratios:

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

Table C
Key Financial Ratios

	2014	2013	% change	2012	% change
Return on Average Equity (%)	**4.8%**	3.1%	52.0%	5.6%	-44.0%
Return on Average Assets (%)	**0.3%**	0.2%	43.7%	0.5%	-49.8%
Earning per share (Rs.)	**0.58**	0.35	66.6%	0.58	-40.3%
Book value per share (Rs.)	**12.09**	11.82	2.3%	10.59	11.6%
Fee to Income (%)	**9.7%**	9.9%	-1.8%	6.4%	53.9%
Cost to Income (%)	**87.2%**	85.3%	2.3%	80.3%	6.1%
Branch Network	**213**	201	6.0%	141	42.6%
Cities covered	**80**	77	3.9%	66	16.7%

* Average Equity and Average Assets are after revaluation of assets

The Cost to Income ratio increased by 2.3% on back of full impact of branch expansion of 60 branches in 2013 and 12 branches in 2014. The EPS and return on average assets and average equity improved in this year. The improvement in earnings was due to better balance sheet management through booking of quality earning assets and tilting mix of liabilities towards CASA. Network coverage increased to 80 Cities of Pakistan.

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

	2014	2013	% change	2012	% change
Profit Earned	**7,812**	6,289	24.2%	5,992	5.0%
Profit Expensed	**4,459**	3,790	17.7%	3,507	8.1%
Net Spread Earned	**3,353**	2,500	34.2%	2,485	0.6%
Average Profit Earning Assets	**84,013**	71,554	17.41%	58,214	22.9%
Average Profit Bearing Liabilities	**84,328**	71,801	17.45%	58,603	22.5%
Net Spread Margin (%)	**3.99%**	3.49%	14.3%	4.27%	-18.2%
Yield on Profit Earning Assets (%)	**10.77%**	10.01%	7.6%	11.45%	-12.6%
Cost of Profit Bearing Liabilities (%)	**5.54%**	5.83%	-5.0%	5.98%	-2.5%
Spread (%)	**5.23%**	4.18%	25.1%	5.47%	-23.6%

Yield on Profit Earning Assets improved by 7.6%, mainly due to stability in discount rate for major part of the year after increase of 50bps in November 2013. The Profit Expensed grew by 17.7% on back of 20% increase in Deposits but the Cost on Profit Bearing Liabilities reduced by 5.0% as 97% of the growth in Deposits came from CASA accounts. The growth in Average Earning Assets matched the increase in Average Profit Bearing Liabilities. The net impact was growth in spread by 25.1%.

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

	2014	2013	% change	2012	% change
Yield on Profit Earning Assets (%)	**10.77%**	**10.01%**	**7.6%**	**11.45%**	**-12.6%**
- on Financing	**11.57%**	10.96%	5.6%	12.27%	-10.7%
-on Investments	**9.80%**	9.34%	4.9%	10.85%	-13.9%
-On SLR Investments	**9.72%**	9.38%	3.6%	10.45%	-10.2%
-On Other Investments	**10.02%**	9.75%	2.8%	11.35%	-14.1%
Cost of Profit Bearing Liabilities (%)	**5.54%**	**5.83%**	**-5.0%**	**5.97%**	**-2.3%**
-Cost of Deposits	**5.44%**	5.78%	-5.9%	5.90%	-2.0%
-Cost of Borrowings	**9.56%**	9.01%	6.1%	9.24%	-2.5%
Spread (%)	**5.23%**	**4.18%**	**25.1%**	**5.48%**	**-23.7%**
Net Spread Margin (%)	**3.99%**	3.49%	14.3%	4.27%	-18.2%

Improvement in Yield on Profit Earning Assets occurred across the board. Yield on Financing portfolio improved by 5.6% as 81% of the growth in Financing came from Consumer financing as well as 50bps increase in discount rate in November 2013, the impact of which was realized this year. Despite limited investment avenues due to lack of government backed instruments, yield on investment portfolio improved by 3.6%. On the other hand, Cost of Profit Bearing Liabilities reduced by 5.0% due to improved liabilities mix and decline in cost. CASA deposits constituted 61% as against 54% last year. Deposit mix of the Bank is now comparable with some of the larger Banks in Pakistan. All this resulted in improvement in Net Spread Margin by 14.3%.

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 Liabilities[4]

Averages Rs in millions

	2014	2013	% change	2012	% change
Balance with other Banks	**851**	887	-4.1%	678	30.9%
Due from financial institutions	**12,327**	7,493	64.5%	6,456	16.1%
Investments	**31,132**	30,302	2.7%	25,031	21.1%
Financing and related assets	**39,703**	32,871	20.8%	26,049	26.2%
Average Profit Earning Assets	**84,013**	**71,554**	**17.4%**	**58,214**	**22.9%**
Due to financial institutions	**1,550**	2,080	-25.5%	1,211	71.8%
Deposits	**82,778**	69,721	18.7%	57,393	21.5%
Average Profit Bearing Liabilities	**84,328**	**71,801**	**17.4%**	**58,603**	**22.5%**

[4] Simple Averages are calculated for computation purposes for this write up only. Actual Average figures may vary.

Average of Due from Financial Institutions witnessed a jump of 64.5% mainly because of Bai Muajjal placements of Rs. 10.8B with SBP. As at year end, 93% of the investment portfolio of BankIslami was placed in Government backed instruments i.e GoP Ijarah Sukuk. The growth in Average Profit Earning Assets were equally matched by growth in Average Profit Bearing Liabilities. The better management of assets (by titling them towards consumer financing) and liability mix (titling them towards CASA accounts) despite of higher CAR restriction provided positive earnings for the Bank.

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

	2014	2013	% change	2012	% change
Fee Income	387	292	32.6%	181	61.2%
Dividend Income	-	-	-	-	-
Income from foreign currencies dealing	172	76	126.3%	101	-24.6%
Gain on sale of securities	32	7	379.5%	17	-61.6%
Unrealised gain on revaluation of investment	-	-	-	-	-
Other Income	40	79	-49.5%	34	133.7%
Total Other Income	**632**	**454**	**39.2%**	**333**	**36.1%**

The Other Income as a percentage of Total Income was 15.8% compared to 15.4% in 2013. Majority of Other Income, came from Fee Income (61%) followed by Income from foreign currencies dealing (27%). With the charging of fees on various value added services such as Visa card (Rs. 56M) along with income on trade financing and BancaTakaful (Rs.90M) saw the Fee Income of the year to grow by 32.6% compared to last year. Due to curtailed supply of GoP Ijarah Sukuk, there are limited opportunities for trading in investment portfolio as almost all the players follow buy and hold strategy. Volatility in Pak Rupee parity with major currencies enable better exchange earnings.

Operating Expenses:

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

Table H
Operating Expenses

Rs in millions

	2014	2013	% change	2012	% change
Payments to Employees	1,509	1,084	39.2%	962	12.8%
Depreciation on own property					
(including non banking assets)	330	230	43.6%	276	-16.9%
Other Administrative Expenses	1,623	1,174	38.3%	1,017	15.5%
Total	**3,462**	**2,488**	**39.2%**	**2,255**	**10.4%**
Other Operating Expenses	36	34	4.4%	5	633.2%
Total Operating Expenses	**3,498**	**2,522**	**38.7%**	**2,259**	**11.6%**

The Operating Expenses grew by 38.7%, as full impact of branch expansion of 60 branches in 2013 was also absorbed. Remuneration expense or payment to employees grew by 39.2% on back of yearly increments to current employees and addition of 721 new employees to the BankIslami team. Other Administrative Expenses which grew by 38.3% of which Rent expense at Rs. 444M compared to Rs.305M was the largest head.

Provisions:

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

Table I
Provisions

Rs in millions

	2014	2013	% change	2012	% change
Provision for Non performing Financing	(22)	123	-118.1%	111	61
Provision for Other Assets	23	4	469.8%	(5)	-
Provision for Investments	39	-	-	(15)	-
Others	-	-	-	-	-
Total Provisions (excluding Provisions for Tax)	**40**	**127**	**-68.5%**	**91**	**61**
Coverage Ratio (%)	49.4%	56.2%	-12.2%	41.5%	46.5%

The financing book saw a reversal of provisioning to tune of Rs. 22M. FSV benefit availed was Rs.316.283M as against Rs.354.050M in 2013. The Coverage ratio, a percentage of total provisions over classified financing portfolio, was 49.4%. Coverage ratio is adequate due to quality of collateral held. Investment in subsidiary, BankIslami Modaraba Investments Limited was bought down to the carrying book value which resulted in a provision of Rs.39M.

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 Financing	2014	2013	2012	2011
OAEM	95	-	-	-
Sub standard Assets	76	133	89	72
Doubtful Assets	57	25	318	68
Loss Assets	834	951	798	699
Total Non performing Financing	**1,062**	**1,109**	**1,205**	**838**

Infection ratio, Classified portfolio as a percentage of Gross Financing, was 2.5% for 2014 compared to 2.8% in 2013. Loss Assets which are fully provided financing constitutes 79.2% of the Classified Portfolio as against 85.7% in 2013. The Bank expects the Classified Portfolio to further decline in 2015.

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

Rs in millions

	2014	% of total financing	2013	% of total financing	2012	% of total financing
Consumer Banking	**5,457**	**13.1%**	**3,220**	**8.3%**	**2,431**	**8.7%**
Muskun (Home financing)	**3,772**	9.0%	2,425	6.2%	1,799	6.4%
Auto Ijarah	**1,686**	4.0%	795	2.0%	632	2.3%
Corporate & SME Financing	**35,083**	**84.1%**	**34,739**	**89.2%**	**24,841**	**88.9%**
Corporate financing	**33,443**	80.2%	33,806	86.8%	24,156	86.5%
SME financing	**1,640**	3.9%	933	2.4%	684	2.4%
Staff Financing	**1,158**	2.8%	973	2.5%	662	2.4%
Gross Financing	**41,698**	**100.0%**	**38,932**	**100.0%**	**27,934**	**100.0%**

The higher CAR restriction resulted in a growth of only 7.1% in gross financing compared to 39.4% last year. SME and Staff financing grew by 76% and 19% respectively whereas Corporate financing book declined by 1%. The Bank diverted financing towards Consumer financing. The Consumer financing portfolio grew by 69% of which Home Financing portfolio grew by 56% and Auto Ijarah portfolio grew by of 112%. Murabahah (37.1%) was the most popular mode of Islamic financing, followed by Diminishing Musharakah (18.7%) and Muswammah (17.2%).

Financing Concentration:

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

Table L
Financing Concentration

Rs in millions

	2014	% of total financing	2013	% of total financing	2012	% of total financing
Agriculture, Forestry, Hunting & Fishing	-	0.0%	650	1.7%	2,941	10.5%
Mining & Quarrying	-	0.0%	-	0.0%	-	0.0%
Textile	3,537	8.5%	5,481	14.1%	2,744	9.8%
Chemical & Pharmaceuticals	3,416	8.2%	3,746	9.6%	1,122	4.0%
Cement	483	1.2%	389	1.0%	948	3.4%
Sugar	3,762	9.0%	5,277	13.6%	3,705	13.3%
Footwear & Leather garments	16	0.0%	23	0.1%	58	0.2%
Automobile and Transportation equipment	907	2.2%	815	2.1%	310	1.1%
Education	4	0.0%	2	0.0%	3	0.0%
Electronics and Electrical appliances	4,180	10.0%	1,247	3.2%	145	0.5%
Production and transmission of energy	-	0.0%	-	0.0%	900	3.2%
Construction	3,491	8.4%	3,440	8.8%	1,132	4.1%
Power, Gas, Water, Sanitary	2,506	6.0%	3,915	10.1%	2,977	10.7%
Wholesale and Retail Trade	696	1.7%	162	0.4%	685	2.5%
Exports/Imports	2,946	7.1%	1,447	3.7%	7	0.0%
Transport, Storage & Communication	247	0.6%	1,678	4.3%	30	0.1%
Financial	1,065	2.6%	1,337	3.4%	2,162	7.7%
Insurance	14	0.0%	22	0.1%	25	0.1%
Services	981	2.4%	725	1.9%	451	1.6%
Food & Beverages	5,102	12.2%	54	0.1%	5	0.0%
Private Trust & NGO	19	0.0%	742	1.9%	440	1.6%
Packing & Paper products	101	0.2%	4,223	10.8%	3,365	12.0%
Individuals	7,307	17.5%	3,425	8.8%	2,151	7.7%
Others	919	2.2%	131	0.3%	1,628	5.8%
Total	**41,698**	**100.0%**	**38,932**	**100.0%**	**27,934**	**100.0%**

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

The exposure to Individuals was the highest at around 17.5% followed by Food and Beverage, 12.2%, Electronics & Electrical appliances, 10.0%, and Sugar sector, 9.0%. The concentration in these industrial sectors mirrored the growth in these large scale manufacturing sectors of the economy.

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

	2014	2013	2012	2011
Tier 1 Capital	6,067	5,391	5,280	4,974
Tier 2 Capital	378	432	28	51
Total Capital	**6,446**	**5,823**	**5,308**	**5,025**
Credit risk- Risk Weighted Assets (RWA)	32,317	32,414	26,076	23,214
Market risk-RWA	178	102	4,255	2,224
Operational risk- RWA	6,063	5,370	4,751	3,810
Total RWA	**38,601**	**37,886**	**35,082**	**29,248**
Total Capital Adequacy Ratio	**16.70%**	**15.37%**	**15.13%**	**17.18%**
Total eligible regulatory Capital held	6,446	5,823	5,308	5,025
Total RWA	38,601	37,886	35,082	29,248
Risk Capital per branch	**30**	**29**	**38**	**49**
Net Equity	6,867	6,242	5,591	5,325
Net Equity per branch	**32**	**31**	**40**	**52**

The Capital Adequacy Ratio ('CAR') was 16.7% against 18.0% advised by the SBP and 15.37% last year. On December 30 2014, the Bank formally announced issue of Rs. 4.3B worth of Right shares which shall take Paid up Capital well past Regulatory requirement of Rs. 10B with corresponding CAR requirement of 10%. The Risk Weighted Assets ('RWA') increased by 1.9%, while Market risk RWA and Operational risk RWA increased by 74.3% & 12.9% respectively. The Risk Capital per branch and Net Equity per branch was Rs.30M and Rs.32M respectively. The lack of shariah complaint T-Bills, repo product and new issue of GoP Sukuks continued to put pressure on the Risk Capital of the Bank.

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 December 31, 2013 period. The Management has implemented the gaps and suggestions given by the external auditors to a 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 was approved by the Audit Committee.The Bank has completed all its stages of ICFR in accordance with the Road Map.

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 06, 2015

Statement of Compliance with the Code of Corporate Governance

FOR THE YEAR ENDED DECEMBER 31, 2014

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 Limited 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. During the year ended December 31, 2014, the Board comprised of:

Category	Names
Independent Directors	Mr. Ali Mohd Hussain Ali Al Shamali Mr. Fawad Anwar
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 Mr. Kamal Afsar

   The independent director meets the criteria of independence under clause i(b) of the CCG. Upon expiry of statutory term the Board was re-elected effective from April 29, 2014

   * resigned effective August 25, 2014

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. One (1) casual vacancy occurred on the board during the period under review.

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. Directors training has already been performed by two directors, further two directors meet the experience requirement set out by the code of corporate governance. It is expected that two more directors will attend the course in 2015.

10. During the year ended December 31, 2014, there was no new appointment of Chief Financial Officer (CFO), Company Secretary or Head of Internal Audit.

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 four 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. The term 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 six members, of whom five 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 considered suitably qualified and 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 Board has approved mechanism for an annual evaluation of its own performance in its meeting held on March 6, 2015.

24. We confirm that all other material principles included in the Code have been complied.

Hasan A. Bilgrami
Chief Executive Officer

March 06, 2015

Deposit Accounts

Different accounts for different needs

BankIslami offers a range of deposit accounts to cater its customers' specific needs. Choose an account that suits you best and enjoy a complete Islamic Banking experience.

Visit your nearest BankIslami branch today or call 111 ISLAMI (475264) for further assistance.

213 BRANCHES **80 Cities**

Islami Auto Ijarah

Need More Value for Money? Avail Auto Ijarah for Used Cars

BankIslami's **Auto Ijarah*** is the most convenient way to drive your dream car – the Sharia'h compliant way.

Features of **Islami Auto Ijarah** are:

- Low security deposit
- No up-front Takaful (Islamic Insurance) charges
- No up-front transfer charges
- Minimal processing charges
- No up-front tracker charges
- Flexible Ijarah tenure
- No up-front rental

* Conditions apply

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 of **Bankislami Pakistan Limited** ('the Bank') for the year ended December 31, 2014 to comply with the requirements of Listing Regulation No. 35 of Chapter XI of 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 of Directors, 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, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of the above requirement to the extent of approval of related party transactions by the Board of Directors 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 prices or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code as applicable to the Bank for the year ended December 31, 2014.

Further, we highlight below an instance of non-compliance with the requirement of the Code as reflected in the paragraph reference where this is stated in the Statement of Compliance:

Paragraph reference	Description
4	The casual vacancy occurring on the Board of Directors was not filled within 90 days.
23	The Board of Directors of the Bank were required to setup a mechanism for annual evaluation of the Board's own performance within two years of coming into force of the Code. However, the said mechanism has been approved by the Board after the lapse of two years in its meeting held on March 6, 2015.

A F Ferguson & Co.

Chartered Accountants
Dated: March 6, 2015
Karachi

Shariah Principle

Shariah Authenticity is one of the core values of BankIslami. We believe that customers' trust is our principal asset and our authentic Shariah practice is the very basis of this trust. We do our best and leave no stone unturned to preserve this asset.

Turkish Islamic Pattern

Shari'ah Adviser's Report

بِسْمِ اللّٰہِ الرَّحْمٰنِ الرَّحِیْمِ

الحمد للّٰه رب العالمين، والصّلاة والسلام على سيد الأنبياء والمرسلين، و

على آله وأصحابه اجمعين و بعد

This report which forms part of the 11th annual report of the bank provides me the opportunity to discuss Shari'ah compliance in affairs of the Institution as well as accessory factors which contribute to the former like training and product development. During the year under review an important progress in the industry was issuance of Shariah Governance Framework by the regulator for Islamic banking institutions. We hope that the framework would be a step forward towards Shariah compliance in Islamic banking. It has engaged the board and management in Shariah compliance and shifted from Shariah Adviser to Shariah Board model. Establishment of Shari'ah compliance department together with Shariah Audit unit/department and Shariah board are all meant to strengthen the system that ensures Shariah conformity of the practices in IBIs.

Shari'ah Compliance:

For ensuring Shari'ah Compliance and to avoid mistakes and deviations all transactions in the Bank are executed either under Standard Operating Procedure and Guidelines or customized process flow are prepared after careful analysis of the proposed transactions in consultation with the customers. If necessary, representatives of Shari'ah and/or Product Development team also meet with the customers. For Shariah compliance BankIslami relies more on control system than examination of transactions. Disbursements for treasury, corporate and consumer departments are made under Standard Operating Procedures (SOP). These SOPs are vetted by Shariah department. We are of the view that a good control system can help prevent the occurrence of deviations at the very first step. One the other hand review of executed transactions reveals the mistakes at later stage where in some cases it is too late to rectify. However the importance of the latter cannot be denied. Every organization needs to strike a good balance between the two while deploying resources to ensure compliance.

BankIslami focuses on training the employees in the area of Islamic banking as an strategy of Shariah compliance. The more the training programs are conducted the less are the chances of errors.

Although as yet the Shariah Governance Framework has not been enforced, BankIslami has almost fulfilled the requirements of the framework and our preparations in this regard are complete Alhamdolillah.

Islamic Banking Training

Trained Human resources 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 57 sessions on basics of Islamic banking were conducted which trained over 1300 employees. Specialized product trainings were also imparted to the relevant staff which provided in-depth knowledge of the products. Training manual is also being updated to keep pace with the changing environment and increase the harmony between theory and practices.

Composition of the Bank's portfolio:

Following is the mode wise breakup of the Bank's Financing portfolio as of December 31, 2014.

➢ Murabahah:	37%
➢ Istisna	17%
➢ Karabor financing (Muswammah).	17%
➢ Diminishing Musharakah:	21%
➢ Ijarah	8%

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. 8.56 Mn was received from customers in respect of charity on delays in payments and credited to charity account.

Since the Charity is kept in Mudarabah account, an amount of Rs. 385,603 in respect of Mudarabah profit was accrued and credited to the Charity account. To ensure compliance to the guidelines, the Finance department has been advised to credit the profit on semi-annual basis which was not done this year.

Disbursements during the year from the charity fund amounted to Rs. 10.612Mn.

Recommendations:

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

- More focus on SME and Agricultural sectors with proper risk management would be better to cater to needs of Shari'ah compliant products in these sectors.
- The Bank should gradually phase out its reliance on Commodity Murabaha for liquidity management, seek other investment avenues for investments and promote in collaboration with other players of the industry mutual dealings and tradings of IFIs.
- Strengthening Bank's IT system and Credit Administration department would ensure Shariah compliance of procedures and provide better services to the customers.
- The management of charity fund requires improvement and on time credit of profit to the account.

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

وصلّى اللّه على نبيّنا محمّد و بارک وسلّم

Irshad Ahmad Aijaz
Chairman Shari'ah Supervisory Board and Shari'ah Adviser
March 06, 2015

Charity Funds Utilization Report

Islamic Banks cannot charge late payment penalty to their customers since it falls under the ambit of Riba. However to maintain financial discipline and to prevent deliberate delinquencies they use Charity imposition as a tool of deterrence. Amount given by the customers in Charity Account against their delays is utilized by Islamic Banks purely for charitable purpose. Islamic banks receive these charity amounts just as trustee and cannot benefit themselves from the funds. Since the Bank is entrusted to dispose of the Charity funds, it seems appropriate to give a brief detail of the major institutions which have been beneficiary of the Charity funds.

Utilization of Charity

During the Year 2014, BankIslami received a total of Rs.8.56Mn as Charity from its customers. Disbursements during the year from the charity fund amounted to Rs. 10.612Mn. 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. Apart from Akhuwat striving to inculcate altruistic values in the citizens of Pakistan whether young or old and working towards poverty alleviation, Akhuwat has expanded its operations under the banner of Akhuwat Education Services (AES). AES provides its students with the opportunity to acquire degrees in Commerce and Management up to the Masters level. Currently, 600 students are studying free of cost.

Alamgir Welfare Trust International

Alamgir Welfare Trust International (AWT) has been providing social welfare services in Pakistan since 1993. The trust provides services to needy and deprived class of the society in a wide range of areas which include health , education, marriage assistance, funeral services, rescue centers, food and Ramadan services.

Regd. 164/IV

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. Diya's vision is to defeat poverty by building an educated Pakistan. Since 1988, Diya Pakistan has awarded 235,000 merit scholarships worth more than Rs. 425 Mn to financially distressed students. It is linked with 700 schools and colleges nationwide.

Indus Hospital

The Indus Hospital came as a joint venture of the Ruffaydah Foundation and the Islamic Mission Hospital Trust in 2005. The Indus Hospital provides free of cost health care to the common man. The hospital started its operations in July 2007. Spread over 20 acres of land and located in the densely populated Korangi area, today The Indus Hospital is a symbol of hope for the most vulnerable members of our society.

The facilities at the Indus Hospital include Community Health Center, Consulting Clinics, In-patient Services, Day Care Services, Emergency Services, Critical Care, Invasive Cardiology, Physiotherapy Services, Endoscopy, Lithotripsy, Hemodialysis, Radiology, Clinical Laboratories, Pharmacy Services, Nutrition and Food Services, Continuing Medical Education (CME) etc

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.

IBA grants various need and merit based scholarships too. The expenses of these scholarships are fulfilled through donations. BankIslami also sponsors some of the needy students' education expenses from the Charity Account.

Aman Foundation

The Aman Foundation is a local, not-for-profit trust, based and operating in Pakistan. Inspired by a proactive commitment to the cause of human development, the Foundation aspires to make strategic interventions in Pakistan to support development in the areas of healthcare, education and skills and nutrition.

Apart from its own social development initiatives, Aman Foundation also engages in venture philanthropy by providing strategic grants to high-social-impact organisations that work in the Foundation's core areas of focus.

Shaukat Khanum Memorial Hospital

Over the past decade, Shaukat Khanum Memorial Cancer Hospital and Research Centre has established itself as a Centre of Excellence, providing comprehensive care free of cost to thousands of indigent cancer patients. Annual budget of the hospital is 7Bn and 75% of the patients are financially supported. During 2014 10,654 patients were admitted while there were 185,018 outpatient visits.

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 2014, TCF has established 1000 purpose-built school units located in 100 towns and cities nationwide with an enrollment of 145,000 students. More than 11,500 persons are employed in the institution.

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.

Nigahban Welfare Association

Nighiban Welfare Association is a not-for-profit organization established by few Doctors of Civil Hospital Karachi. It has taken over the Surgical Unit-IV of Civil Hospital and has upgraded the facilities and provides free of cost diagnosis and treatment services. The surgical unit's major function is Endoscopy, Clonoscopy, Laparoscopy and ERCP (Endoscopic Retrograde Cholangio Pancreatography). Nigahban provides specialized abdominal related tests and treatments free of cost in Surgical Unit IV in Civil Hospital for poor and needy patients.

NIGAHBAN
CIVIL HOSPITAL
KARACHI

Kharadar General Hospital

Kharadar General Hospital has been offering quality health facilities since 1936 to the underprivileged and socio-economical and educationally deprived population of 4 million people of low laying areas of Karachi. Kharadar Genral Hospital is a 210 bedded tertiary care and post-graduate teaching hospital recognized by College of Physicians and Surgeons Pakistan **(CPSP)** & Pakistan Medical & Dental Council **(PMDC)**.

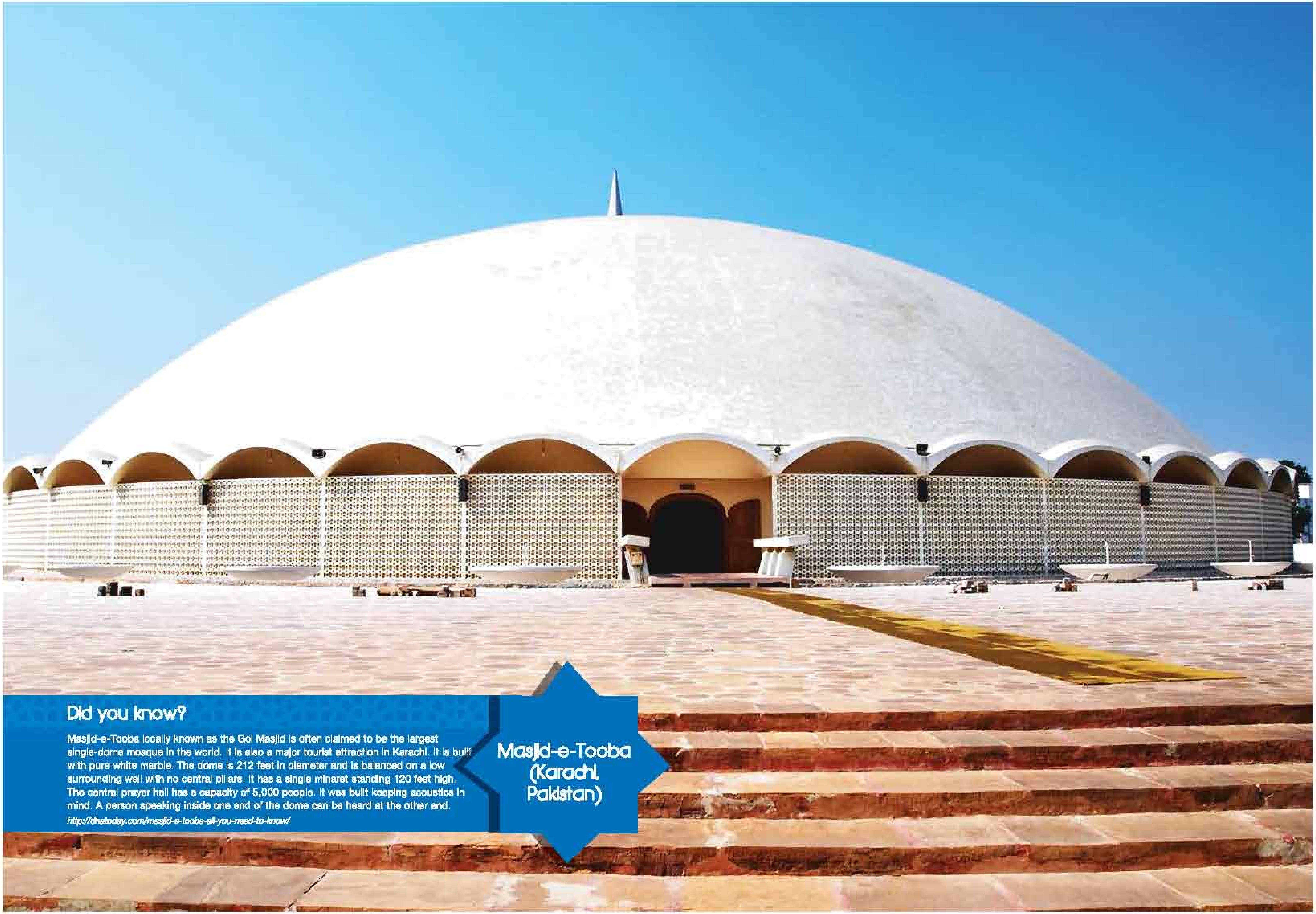
Kharadar
General
Hospital

Malacca Straits Mosque (Malacca, Malaysia)

Did you know?

Located at a man made island named Pulau Malacca (Island of Malacca) is the one and only Mosque built at the coast of the Strait and at the water level of the sea. It was built on top of columns with a minaret, that looks like a lighthouse. It looks like a floating structure when the water level is high.

http://www.beautifulmosque.com/Malacca-Straits-Mosque-in-Malacca-Malaysia



Masjid-e-Tooba (Karachi, Pakistan)

Did you know?

Masjid-e-Tooba locally known as the Gol Masjid is often claimed to be the largest single-dome mosque in the world. It is also a major tourist attraction in Karachi. It is built with pure white marble. The dome is 212 feet in diameter and is balanced on a low surrounding wall with no central pillars. It has a single minaret standing 120 feet high. The central prayer hall has a capacity of 5,000 people. It was built keeping acoustics in mind. A person speaking inside one end of the dome can be heard at the other end.

http://dhatoday.com/masjid-e-tooba-all-you-need-to-know/

Auditors' Report to the Members

We have audited the annexed statement of financial position of **BankIslami Pakistan Limited (the Bank)** as at December 31, 2014 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;

  (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, 2014, 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 and non-compliance with the required Capital Adequacy Ratio (CAR) as at December 31, 2014. Our opinion is not qualified in respect of this matter.

Chartered Accountants
Audit Engagement Partner: **Syed Fahim ul Hasan**
Dated: March 06, 2015
Karachi

Statement of Financial Position

As at December 31, 2014

	Note	2014	2013
		------- Rupees in '000 -------	
ASSETS			
Cash and balances with treasury banks	6	6,361,444	4,883,478
Balances with other banks	7	733,523	967,557
Due from financial institutions - net	8	18,143,574	6,511,173
Investments	9	30,654,552	31,610,287
Islamic financing and related assets - net	10	41,097,058	38,308,733
Operating fixed assets	11	3,380,168	2,958,077
Deferred tax assets		-	-
Other assets - net	12	1,613,830	1,616,289
		101,984,149	86,855,594
LIABILITIES			
Bills payable	13	918,435	835,562
Due to financial institutions	14	561,000	2,538,000
Deposits and other accounts	15	90,330,997	75,225,869
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities	16	199,683	175,589
Other liabilities	17	3,106,814	1,838,373
		95,116,929	80,613,393
NET ASSETS		6,867,220	6,242,201
REPRESENTED BY			
Share capital	18	5,758,721	5,279,679
Discount on Issue of shares		(79,042)	-
Reserves	19	273,176	210,446
Unappropriated profit		266,946	24,829
		6,219,801	5,514,954
Surplus on revaluation of assets - net of tax	20	647,419	727,247
		6,867,220	6,242,201
CONTINGENCIES AND COMMITMENTS	21		

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, 2014

	Note	2014	2013
		------- Rupees in '000 -------	
Profit / return earned	22	**7,812,302**	6,289,042
Profit / return expensed	23	**4,459,070**	3,789,538
Net spread earned		**3,353,232**	2,499,504
(Reversal of provision) / provision against non-performing Islamic financing and related assets - net	10.14	**(22,255)**	122,746
Provision for diminution in the value of investments	9.7	**39,207**	-
Bad debts written off directly		**455**	-
		17,407	122,746
Net spread after provisions		**3,335,825**	2,376,758
OTHER INCOME			
Fee, commission and brokerage income		**387,333**	292,186
Dividend Income		**-**	2
Income from dealing in foreign currencies		**172,356**	76,159
Gain on sale of securities	24	**32,173**	6,709
Unrealised gain on revaluation of investments classified as held for trading		**-**	-
Other income	25	**40,074**	78,518
Total other income		**631,936**	453,574
		3,967,761	2,830,332
OTHER EXPENSES			
Administrative expenses	26	**3,462,351**	2,488,004
Other provisions		**23,036**	4,043
Other charges	27	**12,652**	30,133
Total other expenses		**3,498,039**	2,522,180
		469,722	308,152
Extra ordinary / unusual items		**-**	-
PROFIT BEFORE TAXATION		**469,722**	308,152
Taxation			
- Current	28	**84,442**	67,453
- Prior years		**-**	-
- Deferred	28	**71,630**	55,427
		156,072	122,880
PROFIT AFTER TAXATION		**313,650**	185,272
		--------- Rupees ---------	(Restated)
Basic earnings per share	29	**0.5777**	0.3467
Diluted earnings per share	29	**0.5777**	0.3467

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

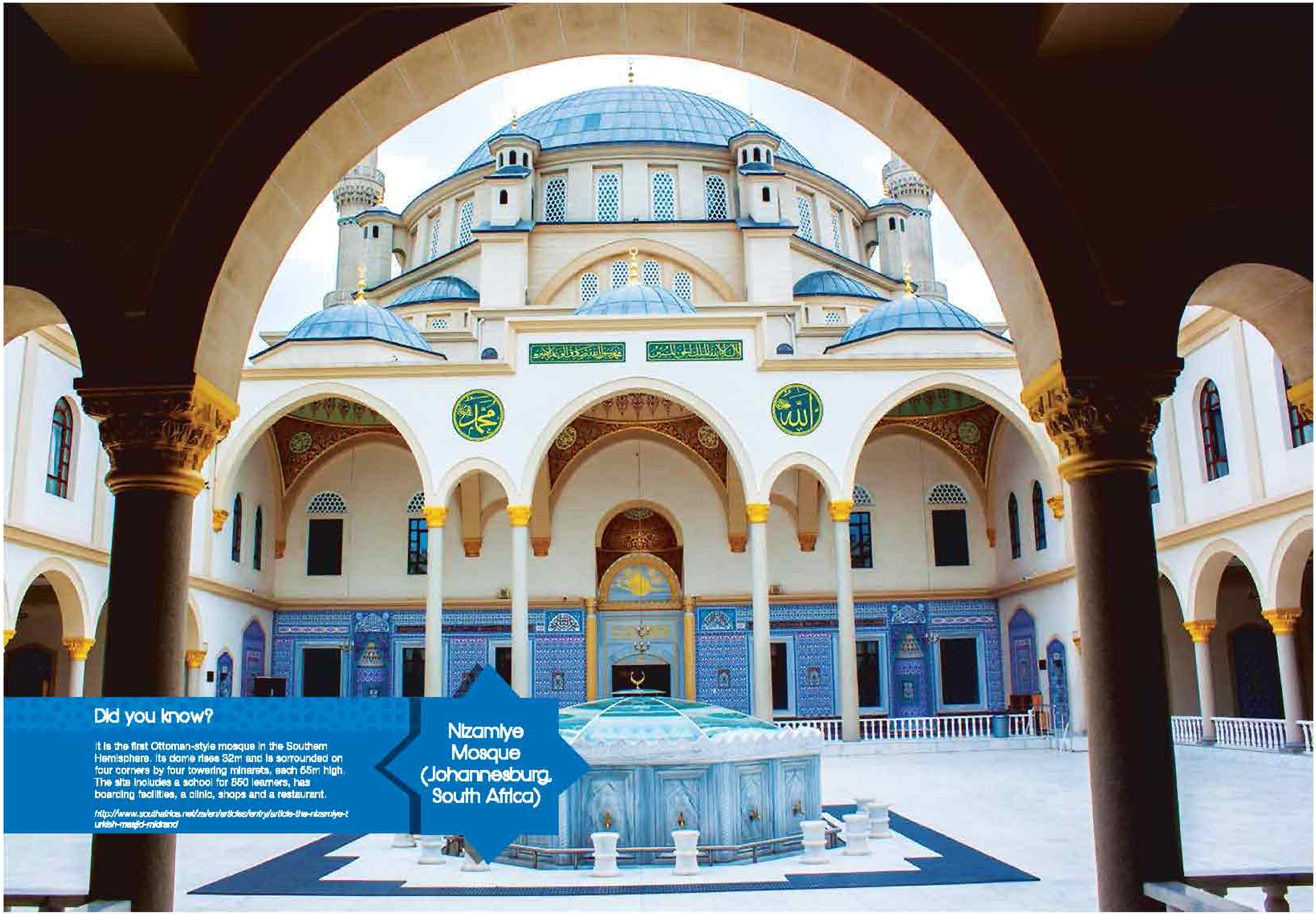
CHAIRMAN | PRESIDENT / CHIEF EXECUTIVE | DIRECTOR | DIRECTOR

Al Fateh Grand Mosque (Manama, Bahrain)

Did you know?

Ahmed Al-Fateh Mosque is located in Manama, Bahrain's capital, and is part of an Islamic center. The center includes the mosque, a department for Qur'anic studies and an Islamic library. The mosque occupies an area of 6,500 square meters and it can accommodate up to 7,000 worshippers.

http://www.alfateh.gov.bh/alfateh_mouseq.html



Did you know?

It is the first Ottoman-style mosque in the Southern Hemisphere. Its dome rises 32m and is sorrounded on four corners by four towering minarets, each 55m high. The site includes a school for 550 learners, has boarding facilities, a clinic, shops and a restaurant.

http://www.southafrica.net/za/en/articles/entry/article-the-nizamiye-turkish-masjid-midrand

Nizamiye Mosque (Johannesburg, South Africa)

Statement of Comprehensive Income

For the year ended December 31, 2014

	Note	2014	2013
		------- Rupees in '000 -------	
Profit after taxation for the year		**313,650**	185,272
Other Comprehensive Income			
Items that may not be reclassified to profit and loss account in subsequent periods			
Remeasurement of defined benefit plan	32.5	**(25,159)**	(12,494)
Tax or remeasurement of defined benefit plan		**8,806**	4,373
		(16,353)	(8,121)
Comprehensive income transferred to statement of changes in equity		**297,297**	177,151
Components of comprehensive income not reflected in equity			
Deficit on revaluation of available for sale investments - net of tax		**(200,193)**	(20,055)
Total comprehensive income for the year		**97,104**	157,096

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, 2014

	Note	2014	2013
		------- Rupees in '000 -------	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		469,722	308,152
Less: Dividend Income		-	(2)
		469,722	308,150
Adjustments:			
Depreciation	26	329,684	229,611
Amortisation	26	15,104	29,085
Depreciation on operating Ijarah assets		657,354	514,634
(Reversal of provision) / provision against non-performing Islamic financing and related assets - net	10.14	(22,255)	122,746
Provision for diminution in the value of investments	9.7	39,207	-
Other provisions		23,036	4,043
Charge for defined benefit plan	26	32,824	22,919
Gain on sale of property and equipment	25	(4,642)	(51,712)
		1,070,312	871,326
		1,540,034	1,179,476
(Increase) / decrease in operating assets			
Due from financial institutions		(11,632,401)	1,964,499
Islamic financing and related assets		(3,423,424)	(11,512,851)
Others assets (excluding advance taxation)		(15,164)	(203,301)
		(15,070,989)	(9,751,653)
Increase / (decrease) in operating liabilities			
Bills payable		82,873	(415,448)
Due to financial institutions		(1,977,000)	916,585
Deposits and other accounts		15,105,128	11,009,384
Other liabilities (excluding current taxation)		1,268,441	269,417
		14,479,442	11,779,938
		948,487	3,207,761
Payments against defined benefit plan	32	(42,787)	(42,327)
Income tax paid		(96,245)	(58,303)
Net cash generated from operating activities		809,455	3,107,131
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		608,535	(2,646,294)
Dividend received		-	2
Investments in operating fixed assets		(578,945)	(468,281)
Proceeds from disposal of operating fixed assets		4,887	113,660
Net cash generated from / (used in) investing activities		34,477	(3,000,913)
CASH FLOW FROM FINANCING ACTIVITIES			
Issue of right shares		400,000	-
Net cash generated from financing activities		400,000	-
Increase in cash and cash equivalents		1,243,932	106,218
Cash and cash equivalents at beginning of the year	30	5,851,035	5,744,817
Cash and cash equivalents at end of the year	30	7,094,967	5,851,035

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, 2014

	Share capital	Discount on issue of shares	Statutory reserve (a)	Unappropriated profit / (Accumulated losses)	Total
	Rupees in '000				
Balance as at January 1, 2013	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
Transfer to statutory reserve	-	-	62,730	(62,730)	-
Issue of right shares at discount	479,042	(79,042)	-	-	400,000
Profit after taxation for the year transferred from Statement of Comprehensive Income	-	-	-	313,650	313,650
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	7,550	7,550
Remeasurements of the net defined benefit liability / asset - net of tax	-	-	-	(16,353)	(16,353)
Balance as at December 31, 2014	5,758,721	(79,042)	273,176	266,946	6,219,801

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

As explained in note 10.14.1.2 to these financial statements, Rs. 316.283 million as at December 31, 2014 (December 31, 2013: Rs. 354.050 million) representing additional profit arising from availing forced sale value benefit for determining provisioning requirement is not available for the purpose of distribution of dividend to shareholders.

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

CHAIRMAN | PRESIDENT / CHIEF EXECUTIVE | DIRECTOR | DIRECTOR

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 213 branches including 90 sub branches as at December 31, 2014 (2013: 201 branches including 89 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.

The Pakistan Credit Rating Agency (Private) Limited (PACRA) has maintained 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 increased the Minimum Capital Requirement (MCR) for banks upto Rs. 10 billion which was required to be achieved in a phased manner by December 31, 2013. At that time, bank's capital was below the minimum threshold of Rs 6 billion which was required to be achieved by the Bank before December 31, 2009.

In order to meet the initial requirement of Rs 6 billion, the Board of Directors (BOD) in their meeting held on February 07, 2011 agreed to issue right shares to increase Bank's paid up capital but the issuance of right shares was delayed till 2014 due to various reasons. The SBP through various letters granted extension to the Bank in timeline for meeting MCR (free of losses) of Rs 6 billion till March 31, 2013. Further, the Bank was advised by the SBP for submission of time-bound capital injection plan to comply with the prevailing and future capital requirements. In 2013, the Bank submitted a capital injection plan duly approved by the Board of directors to the SBP. Moreover, the SBP through its letter dated March 12, 2014 enhanced capital adequacy ratio (CAR) requirement for the Bank to 18 percent till the time Bank's capital was below Rs. 6 billion.

During 2014, the Bank, after obtaining approvals from SBP and SECP has raised Rs. 400 million through issuance of 47.9 million shares at a discounted price of Rs. 8.35 per share.

Further, the Board of Directors in their meeting held on October 29, 2014 decided to raise the paid up capital further by Rs. 4.3 billion approximately through a second right issue subject to relaxation from the SBP and SECP from rule 5(i) of the Companies (issue of Capital Rules),1996, in respect of second right issue within a period of one year. Both the SBP and SECP have granted relaxations from requirement of rule 5(i) of the Companies (issue of Capital Rules), 1996 vide their letters dated November 5, 2014 and December 2, 2014 respectively.

Subsequent to the approval of SBP and SECP, the Board of Directors in their meeting held on December 30, 2014 approved the issuance of 432,040,000 right shares to all the existing shareholders in the proportion of 75.0236 right shares for every 100 ordinary shares held by them. The right issue of Rs 4.3 billion approximately has been fully underwritten and is expected to be completed in the second quarter of 2015. The Bank will be compliant with the MCR (free of losses) of Rs 10 billion after the proposed right issue of 432,040,000 shares.

Islami Auto Ijarah

Drive your Dream Car...

BankIslami's **Islami Auto Ijarah*** is the most convenient way to get your dream car, the Sharia'h compliant way.

The features of **Islami Auto Ijarah** are:

- Low security deposit
- No up-front Takaful
- No up-front registration charges
- Flexibility of choosing your own dealer
- No rental till the delivery of the vehicle
- Minimal processing charges
- No up-front tracker charges

* Conditions apply

Internet Banking

Anytime, Anywhere and for Free

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- Account Summary
- Account Statement
- Fund Transfer – Own Account
- Fund Transfer – To other accounts within BankIslami
- Inter Bank Fund Transfer (IBFT)*
- Utility Bill Payment
- Transaction Enquiry

* Conditions apply

The paid-up capital of the Bank (free of losses) as at December 31, 2014 amounted to Rs 5.680 billion against the required MCR of Rs 10 billion and its CAR stood at 16.70 percent against 18 percent as advised by SBP.

2 BASIS OF PRESENTATION

2.1 The Bank provides financing mainly through Murabaha, Ijarah, Istisna, Diminishing Musharakah, Muswammah 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 investment in subsidiary is carried at cost and is 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" was 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 BSD Circular No. 07 dated April 20, 2010 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 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year:

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

3.6 Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

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

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, 2015 but are considered not to be relevant or will not have any significant effect on the Bank's operations and therefore not detailed in these financial statements.

3.7. Early adoption of standards

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

4 BASIS OF MEASUREMENT

4.1 Accounting convention

These financial statements have been prepared under the historical cost convention, except that certain 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 32 to the financial statements have been carried at present values as determined under the International Accounting Standards (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 as applicable in Pakistan 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 significant accounting areas where various assumptions and estimates are significant to the Bank's financial statements or where judgment was exercised in the application of the accounting policies 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 10.14.1.2).

(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 32).

(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, 16 and 28).

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.

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 and subsidiaries, 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. Any basis applied in this respect should be justifiable in view of other factors present for the entity. The amount of impairment is 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

5.3.1 Islamic financing and related assets are financial products originated by the Bank and principally comprise Murabaha, Istisna, Ijarah, Salam, Muswammah and Diminishing Musharakah financing and the related assets.

As a general rule, 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.

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 and take possession of 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 client 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.

Istisna 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. Istisna is used with Wakalah agreement to provide financing mainly to manufacturers. Thus the transaction consists of two stages: (i) Bai Istisna 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.

The rentals received / receivable on Ijarah 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.

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.

Muswammah 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 Musharakah 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).

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

5.3.2 Islamic financing and related assets are stated net of general provisions and specific provisions against non-performing Islamic financing and related assets which are charged to the profit and loss account.

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.

5.3.3 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 freehold land and building on leasehold land are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Freehold land and building on leasehold land are carried at revalued amount less any accumulated depreciation and subsequent impairment losses. The revaluation exercise is carried out on annual basis.

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.

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 to the extent 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, 2014.

Amounts arising as a result of "Remeasurements", representing the actuarial gains and losses and the difference between the actual investment returns and the return implied by the net interest cost 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 on Murabaha and Commodity Murabaha is recognised over the life of Murabaha on accrual basis. Profit on Murabaha transactions for the period from the date of disbursement to the date of culmination of Murabaha is recognised immediately on the culmination date.

5.7.2 Profit from Istisna is recorded on accrual basis commencing from the time of sale of goods till the realisation of proceeds by the Bank. Profit from Diminishing Musharakah, Salam and Muswammah 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 Musharakah / Mudarabah financing is recognised on an accrual basis. Actual profit / loss on Musharakah and Mudarabah financing is adjusted after declaration of profit by Musharakah partner / mudarib or on liquidation of Musharakah / Mudarabah.

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 recognised 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 transactions consummate 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, the premiums / discounts are amortised through the profit and loss account over the remaining life of Sukuk, 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 include 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 case of equity futures, the fair value is calculated with reference to quoted market price. Derivatives with positive market values (i.e. unrealised gains) are included in other receivables and derivatives with negative market values (i.e. unrealised losses) are included in other liabilities in the statement of financial position. The resultant gains and losses are taken to the profit and loss account.

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 Rupee, 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 prevailing 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 213 branches including 90 sub branches (2013: 201 branches including 89 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.

6 CASH AND BALANCES WITH TREASURY BANKS

	Note	2014	2013
		------- Rupees in '000 -------	
In hand			
- local currency		1,658,420	1,215,403
- foreign currency		254,139	189,972
		1,912,559	1,405,375
With the State Bank of Pakistan in			
- local currency current account	6.1	3,262,935	2,397,423
- foreign currency deposit accounts			
Cash Reserve Account	6.2	90,937	85,840
Special Cash Reserve Account	6.3	110,029	103,744
US Dollar Clearing Account		29,915	49,760
		230,881	239,344
With National Bank of Pakistan in			
- local currency current account		955,069	841,336
		6,361,444	4,883,478

6.1 This represents Rs.3,262.935 million (2013: 2,397.423 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. Balance held under this account is non-remunerative.

7 BALANCES WITH OTHER BANKS

	Note	2014	2013
		------- Rupees in '000 -------	
In Pakistan			
- on current accounts		8,198	6,353
- on deposit accounts	7.1	88	128
		8,286	6,481
Outside Pakistan			
- on current accounts		725,237	961,076
- on deposit accounts		-	-
		725,237	961,076
		733,523	967,557

7.1 Represents deposits with various Islamic commercial banks under Musharakah and Mudarabah arrangements. The expected profit rate on these arrangements is 6% (2013: 6%) per annum.

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

8 DUE FROM FINANCIAL INSTITUTIONS

	Note	2014	2013
Sukuk Murabaha	8.1	6,418	6,418
Commodity Murabaha - local currency	8.2 & 8.3	7,389,208	6,511,173
		7,395,626	6,517,591
Bai Muajjal	8.4	10,754,366	-
		18,149,992	6,517,591
Provision against Sukuk Murabaha	8.1	(6,418)	(6,418)
		18,143,574	6,511,173

8.1 In prior years, 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 open market on its behalf and later sell them on deferred Murabaha 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 Murabaha agreements under which the Bank purchases an underlying commodity from open market through an agent and sells it to a financial institution on credit with profit. The profit rates on the agreements range between 9.50% to 10.00% (2013: 9.95% to 10.35%) per annum and the agreements have a maturity ranging from 2 days to 182 days (2013: 2 days to 7 days).

		Note	2014	2013
			------- Rupees in '000 -------	
8.3	Commodity Murabaha sale price		517,290,527	513,190,977
	Purchase price		(516,435,000)	(512,592,000)
			855,527	598,977
	Deferred Commodity Murabaha income			
	Opening balance		4,723	33,145
	Deferred during the year		855,527	598,977
	Recognised during the year		(778,745)	(627,399)
		17	81,505	4,723
	Commodity Murabaha			
	Opening balance		6,511,173	4,975,672
	Sales during the year		517,290,527	513,190,977
	Received during the year		(516,412,492)	(511,655,476)
			7,389,208	6,511,173

8.4 This represents Bai Muajjal agreements entered into with SBP whereby the Bank sold sukuks having carrying value of Rs 9,510.997 million to SBP on deferred payment basis. The average return on these transactions is 9.79% per annum. The balances are due between October 2015 to December 2015.

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

	2014	2013
- In local currency	18,149,992	6,517,591
- In foreign currency	-	-
	18,149,992	6,517,591

9 INVESTMENTS

9.1 Investments by types

	Note	2014 Held by the Bank	2014 Given as collateral	2014 Total	2013 Held by the Bank	2013 Given as collateral	2013 Total
		Rupees in '000					
Available for sale securities							
Sukuk / Certificates	9.3	30,641,032	-	30,641,032	31,249,567	-	31,249,567
Units of Open-end mutual fund	9.4	21	-	21	21	-	21
		30,641,053	-	30,641,053	31,249,588	-	31,249,588
Subsidiary							
Unlisted Company	9.6	191,015	-	191,015	191,015	-	191,015
Total investments at cost		30,832,068	-	30,832,068	31,440,603	-	31,440,603
Less: Provision for diminution in value of investments	9.7	(39,207)	-	(39,207)	-	-	-
Investments - net of Provisions		30,792,861	-	30,792,861	31,440,603	-	31,440,603
(Deficit) / Surplus on revaluation of available-for-sale securities	20	(138,309)	-	(138,309)	169,684	-	169,684
Total investments at market value		30,654,552	-	30,654,552	31,610,287	-	31,610,287

9.2 Investments by segments

	Note	2014	2013
		Rupees in '000	
Federal Government Securities			
GOP Ijarah Sukuks	9.3	28,490,153	29,283,051
Sukuk certificates			
Sukuks - unlisted	9.3	2,150,879	1,966,516
Fully paid up ordinary shares / Units			
Unlisted subsidiary company	9.6	191,015	191,015
Units of Open-end Mutual Funds	9.4	21	21
Total investments at cost		30,832,068	31,440,603
Less: Provision for diminution in value of investments	9.7	(39,207)	-
Investments - net of provisions		30,792,861	31,440,603
(Deficit) / Surplus on revaluation of available-for-sale securities	20	(138,309)	169,684
Total investments at market value		30,654,552	31,610,287

9.3 Available for sale securities

Name of the investee company	Note	2014 Number of Certificates	2013 Number of Certificates	Face Value	2014 Cost	2013 Cost
					------ Rupees in '000 ------	
Federal Government						
Ijarah GOP Sukuk - 7	9.3.1	-	31,500	Rs 100,000	-	3,150,070
Ijarah GOP Sukuk - 8	9.3.2	-	22,500	Rs 100,000	-	2,250,044
Ijarah GOP Sukuk - 9	9.3.3	13,760	43,550	Rs 100,000	1,376,000	4,362,278
Ijarah GOP Sukuk - 10	9.3.4	39,750	44,750	Rs 100,000	3,982,094	4,493,162
Ijarah GOP Sukuk - 11	9.3.5	30,325	30,000	Rs 100,000	3,032,724	3,000,000
Ijarah GOP Sukuk - 12	9.3.6	86,950	89,500	Rs 100,000	8,720,504	9,010,419
Ijarah GOP Sukuk - 13	9.3.7	34,975	14,965	Rs 100,000	3,528,647	1,509,199
Ijarah GOP Sukuk - 14	9.3.8	15,000	15,000	Rs 100,000	1,504,546	1,507,879
Ijarah GOP Sukuk - 15	9.3.9	63,393	-	Rs 100,000	6,345,638	-
					28,490,153	29,283,051
Others						
WAPDA Second Sukuk Certificates	9.3.10	134,000	134,000	Rs 5,000	334,724	446,170
WAPDA Third Sukuk Certificates	9.3.11	32,600	-	Rs 5,000	175,740	-
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	324,619	323,802
Security Leasing Sukuk	9.3.15	2,000	2,000	Rs 5,000	3,080	3,284
New Allied Electronics (LG) - Sukuk	9.3.16	11,000	11,000	Rs 5,000	55,000	55,000
Sui Southern Gas Company Sukuk	9.3.17	120,000	120,000	Rs 5,000	600,000	600,000
Kohat Cement Sukuk		-	27,000	Rs 5,000	-	9,151
Eden Housing Sukuk	9.3.18	50,000	50,000	Rs 5,000	32,800	49,200
Optimus Sukuk	9.3.19	50,000	50,000	Rs 5,000	20,837	62,503
HBFC Sukuk		-	15,000	Rs 5,000	-	7,500
K-Electric Azm Sukuk 2	9.3.20	50,000	-	Rs 5,000	254,258	-
Central Bank of Bahrain (FCY Sukuk)		-	5	USD 100,000	-	60,085
					2,150,879	1,966,516
					30,641,032	31,249,567

9.3.1 The profit rate on these sukuks comprised of six months weighted average yield of six month market treasury bills. The principal has been redeemed on maturity in March 2014. These were backed by Government of Pakistan's Sovereign Guarantee.

9.3.2 The profit rate on these sukuks comprised of six months weighted average yield of six month market treasury bills. The principal has been redeemed on maturity in May 2014. 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. During the current year, the SBP has extended the maturity of these Sukuks from December 2014 to November 2015. 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. During the current year, the SBP has extended the maturity of these Sukuks from March 2015 to November 2015. 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. During the current year, the SBP has extended the maturity of these Sukuks from April 2015 to November 2015. 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. During the current year, the SBP has extended the maturity of these Sukuks from June 2015 to November 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 minus 25 basis points. During the current year, the SBP has extended the maturity of these Sukuks from September 2015 to November 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 minus 30 basis points. The principal is redeemable on maturity in March 2016. These are backed by Government of Pakistan's Sovereign Guarantee.

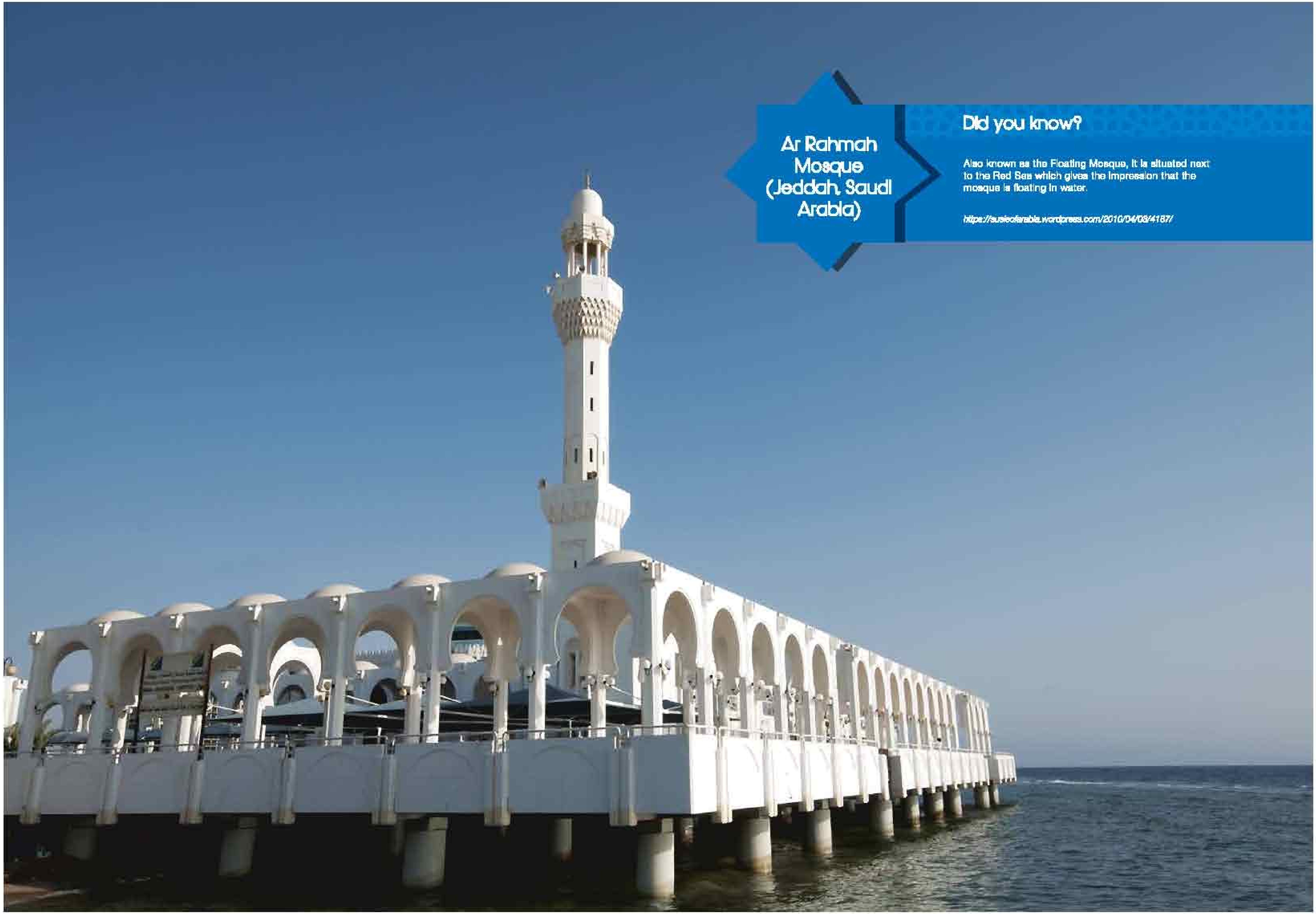
9.3.9 The profit rate on these sukuks comprises of six months weighted average yield of six month market treasury bills minus 200 basis points. The principal is redeemable on maturity in June 2017. These are backed by Government of Pakistan's Sovereign Guarantee.

9.3.10 These carry profit at the rate of six months KIBOR minus 25 basis points (2013: 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.

9.3.11 These carry profit at the rate of six months KIBOR plus 100 basis points (2013: Nil) receivable on semi-annual basis with maturity in October 2021. The principal is repayable in 14 equal semi-annual installments with first installment falling due in the 18th 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 carry profit at the rate of three months KIBOR plus 175 basis points (2013: three months KIBOR plus 175 basis points) receivable quarterly based on Diminishing Musharakah 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 (BoP). 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 given by the BoP which was stayed by Lahore High Court in a case filed by Amtex. In 2014, the Court has ordered BoP to deposit the amount of guarantee with the Court till the disposal of the case. The Bank has also filed recovery case against Amtex and BoP, however, in view of BoP guarantee no provision has been made against the sukuk.



Ar Rahmah Mosque (Jeddah, Saudi Arabia)

Did you know?

Also known as the Floating Mosque, it is situated next to the Red Sea which gives the impression that the mosque is floating in water.

https://susieofarabia.wordpress.com/2010/04/03/4167/

Muhammad Al-Amin Mosque (Beirut, Lebanon)

Did you know?

The Mohammad Al-Amin Masjid is one of the most impressive structures in the capital of Lebanon, Beirut. The minarets of the masjid soar to 72 meters and the dome to about 42 meters. The dome of the masjid is blue in color with a touch of gold whereas the remaining structure is yellow ochre in color.

http://www.crescentrating.com/lebanon-mosques-masajid-listing/item/1299-mohammed-al-amin-masjid-beirut-lebanon.html

9.3.14 These carry profit at the rate of six months KIBOR plus 150 basis points (2013: six months KIBOR plus 150 basis points) receivable semi annually based on Diminishing Musharakah 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 Since last restructuring, these sukuks carry profit at the rate of 0%, (2013: 0%). The accrued profit amount will be repaid in six equal monthly installments staring from 43rd month. Principal to be repaid in 48 months starting from April 2010. As per the restructured plan, principal will be repaid in 36 monthly installments and the accrued portion of profit upto March 2011 has 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 220 basis points (2013: 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.

9.3.17 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 and equitable mortgage on selected land and building with 25% margin had been provided.

9.3.18 These sukuks carry profit at the rate of three months KIBOR plus 300 basis points for the period between June 30, 2013 and June 29, 2014 (2013: 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 Musharakah mechanism with maturity in June 2014.The customer has defaulted in its payment towards the Bank. 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.

9.3.19 These carry profit at the rate of six months KIBOR plus 125 basis points (2013: six months KIBOR plus 125 basis points) receivable quarterly based on Diminishing Musharakah 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 valuer) 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.

9.3.20 These carry profit at the rate of three months KIBOR plus 225 basis points receivable quarterly with maturity in March 2017. The principal is fully redeemable on maturity. As a security exclusive hypothecation charge has been provided on the assets of the company.

9.4 Details of investments in Mutual Funds

Name of investee fund	2014	2013	2014	2013
	Number of units		Cost (Rupees in '000)	
Open - ended mutual funds				
Meezan Cash Fund	156	151	5	5
Meezan Islamic Fund	320	277	5	5
Meezan Islamic Income Fund	158	147	5	5
Meezan Balanced Fund	1,171	1,000	6	6
			21	21

9.5 Quality of Available for Sale Securities

	2014	2013	2014	2013
	Long / Medium Term Rating (Where available) *		----- Rupees in '000 -----	
Sukuks / Certificates - (at market value / cost)				
Ijarah GOP Sukuk - 7	-	Unrated	-	3,154,725
Ijarah GOP Sukuk - 8	-	Unrated	-	2,262,150
Ijarah GOP Sukuk - 9	Unrated	Unrated	1,377,789	4,396,372
Ijarah GOP Sukuk - 10	Unrated	Unrated	3,981,758	4,524,673
Ijarah GOP Sukuk - 11	Unrated	Unrated	3,040,081	3,032,700
Ijarah GOP Sukuk - 12	Unrated	Unrated	8,715,868	9,051,135
Ijarah GOP Sukuk - 13	Unrated	Unrated	3,504,845	1,514,907
Ijarah GOP Sukuk - 14	Unrated	Unrated	1,503,300	1,515,750
Ijarah GOP Sukuk - 15	Unrated	-	6,225,193	-
WAPDA Second Sukuk Certificates	Unrated	Unrated	334,114	446,935
WAPDA Third Sukuk Certificates	Unrated	-	174,837	-
Pak Elektron Limited - Sukuk	A-	Withdrawn	128,571	128,571
Amtex - Sukuk	Unrated	Unrated	221,250	221,250
Engro Chemicals Pakistan Limited - Sukuk	A	A-	324,619	323,802
Security Leasing - Sukuk	Unrated	Unrated	3,081	3,284
New Allied Electronics (LG) - Sukuk	Unrated	Unrated	55,000	55,000
Sui Southern Gas Company Limited - Sukuk	AA-	AA-	600,000	600,000
Kohat Cement - Sukuk	-	Unrated	-	9,151
Eden Housing - Sukuk	Unrated	Unrated	32,800	49,200
Optimus - Sukuk	A	A	20,837	62,503
House Building Finance Corporation - Sukuk	-	A	-	7,500
K-Electric Azm Sukuk 2	AA	-	258,750	-
Central Bank of Bahrain (FCY Sukuk)	-	BBB	-	59,621
			30,502,693	31,419,229
Units of open-end mutual funds (at market value)				
Meezan Cash Fund	AA(f)	AA(f)	8	8
Meezan Islamic Fund	AM2+	5 Star	18	14
Meezan Islamic Income Fund	A-(f)	A-(f)	8	7
Meezan Balanced Fund	AM2+	AM2	17	14
			51	43
			30,502,744	31,419,272
Less: Provision for diminution in the value of investments			-	-
			30,502,744	31,419,272

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

9.6 Details of investment in unlisted subsidiary

	Holding %	Breakup Value Per Share	Cost 2014	Cost 2013
			----- Rupees in '000 -----	
BankIslami Modaraba Investments Limited Chief Executive: Mr. Aziz Adil 8,000,000 (2013: 8,000,000) Ordinary shares of Rs.10/- each	100	18.98	191,015	191,015

Break up value per share is based on the financial statements of the subsidiary for the half year ended December 31, 2014.

9.7 Particular of provision for diminution in the value of investments

	Note	2014	2013
		----- Rupees in '000 -----	
Opening balance		-	-
Charge for the year		39,207	-
Reversal during the year		-	-
Closing balance		39,207	-

9.7.1 Particulars of provision in respect of type and segment

	2014	2013
Subsidiary		
- Unlisted company	39,207	-

10 ISLAMIC FINANCING AND RELATED ASSETS

	Note	2014	2013
In Pakistan			
- Murabaha financing and related assets	10.1, 10.6 & 10.8	15,458,980	9,304,737
- Istisna financing and related assets	10.2 & 10.7	6,946,722	9,231,316
- Diminishing Musharakah - Housing		3,673,349	2,305,290
- Diminishing Musharakah financing and related assets Others	10.3	4,121,136	5,498,705
- Against Bills - Murabaha		97,848	25,026
- Post Due Acceptance		34,297	29,076
- Salam		-	250,000
- Muswammah financing and related assets	10.4	7,191,343	9,150,261
- Financing to employees	10.10	1,159,060	973,125
		38,682,735	36,767,536
Housing finance portfolio		98,282	120,022
Net investment in Ijarah financing in Pakistan	10.11	86,465	106,097
Ijarah financing under IFAS 2 and related assets	10.5	2,830,634	1,938,391
Gross financing and related assets		41,698,116	38,932,046
Less: Provision against non-performing Islamic financing and related assets			
- Specific	10.13 & 10.14	(524,414)	(575,843)
- General	10.13 & 10.14	(76,644)	(47,470)
Islamic financing and related assets – net of provisions		41,097,058	38,308,733

10.1 Murabaha financing and related assets

	2014	2013
Murabaha financing	13,004,733	6,577,204
Advance against Murabaha financing	2,454,247	2,727,533
	15,458,980	9,304,737

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

10.2 Istisna financing and related assets

	Note	2014	2013
Istisna financing		3,982,917	3,015,335
Advance against Istisna financing		2,053,984	5,976,931
Istisna inventories		909,821	239,050
		6,946,722	9,231,316

10.3 Diminishing Musharakah financing and related assets - Others

	Note	2014	2013
Diminishing Musharakah financing		4,119,936	5,486,460
Advance against Diminishing Musharakah financing		1,200	12,245
		4,121,136	5,498,705

10.4 Muswammah financing and related assets

	Note	2014	2013
Muswammah financing		3,657,257	2,030,121
Muswammah inventories		3,534,086	7,120,140
		7,191,343	9,150,261

10.5 Ijarah financing under IFAS 2 and related assets

	Note	2014	2013
Net book value of assets under IFAS 2	10.12	2,467,367	1,769,147
Advance against Ijarah financing		363,267	169,244
		2,830,634	1,938,391

10.6 Murabaha financing and related assets includes financing amounting to Rs.Nil (2013: Rs. 571.770 million) and advance amounting to Rs.Nil (2013: Rs. 42 million) under Islamic Export Refinance Scheme.

10.7 Istisna financing and related assets includes financing amounting to Rs. 80 million (2013: Rs. Nil) and advance amounting to Rs. 506 million (2013: Rs. 30 million) under Islamic Export Refinance Scheme.

	2014	2013
	----- Rupees in '000 -----	
10.8 Murabaha sale price (for transactions during the year)	33,670,070	21,917,500
Purchase price (for transactions during the year)	(32,337,157)	(21,214,875)
	1,332,913	702,625

10.8.1 Deferred Murabaha income

	2014	2013
Opening balance	135,031	116,877
Arising during the year	1,332,913	702,625
Recognised during the year	(1,144,428)	(684,471)
	323,516	135,031

10.8.2 Murabaha receivable

	2014	2013
Opening balance	6,577,204	6,250,321
Sales during the year	33,670,070	21,917,500
Received during the year	(27,242,541)	(21,590,617)
	13,004,733	6,577,204

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

10.9 Particulars of Islamic financing and related assets

		2014	2013
10.9.1	In local currency	41,466,587	38,932,046
	In foreign currency	231,529	-
10.9.2	Short-term (for upto one year)	30,008,209	28,019,435
	Long-term (for over one year)	11,689,907	10,912,611
		41,698,116	38,932,046

10.10 This includes Rs 3.069 million (2013: Rs 3.421 million) mark up free financing to employees given under the Bank's Human Resource Policy.

10.11 Net investment in Ijarah financing in Pakistan

	2014				2013			
	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	46,051	11,675	-	57,726	51,269	19,447	-	70,716
Residual value	21,581	8,811	-	30,392	32,107	8,811	-	40,918
Minimum Ijarah payments	67,632	20,486	-	88,118	83,376	28,258	-	111,634
Profit for future periods	(1,291)	(362)	-	(1,653)	(3,118)	(2,419)	-	(5,537)
Present value of minimum Ijarah payments	66,341	20,124	-	86,465	80,258	25,839	-	106,097

10.12 Ijarah Assets

	2014							
	Cost			Accumulated depreciation			Book value as at December 31, 2014	Rate of Depreciation %
	As at January 01, 2014	Addition / (deletions)	As at December 31, 2014	As at January 01, 2014	Charge / (deletions)	As at December 31, 2014		
	----- Rupees in '000 -----							
Plant and Machinery	730,133	305,407 (161,540)	874,000	269,372	252,792 (140,265)	381,899	492,101	20-33.33
Vehicles	1,892,138	1,227,401 (325,135)	2,794,404	583,752	404,562 (169,176)	819,138	1,975,266	20-33.33
	2,622,271	1,532,808 (486,675)	3,668,404	853,124	657,354 (309,441)	1,201,037	2,467,367	

	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
	1,944,544	1,098,549 (420,822)	2,622,271	604,748	514,634 (266,258)	853,124	1,769,147	

10.12.1 Net investment in Ijarah financing - IFAS 2

	2014				2013			
	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	**945,673**	**1,500,417**	**-**	**2,446,090**	738,376	1,116,968	-	1,855,344

10.13 Islamic financing and related assets include Rs 1,061.929 million (2013: Rs 1,108.871 million) which have been placed under non-performing status as follows:

Category of Classification	**2014**								
	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)	**95,067**	**-**	**95,067**	**-**	**-**	**-**	**-**	**-**	**-**
Substandard	**75,587**	**-**	**75,587**	**7,259**	**-**	**7,259**	**7,259**	**-**	**7,259**
Doubtful	**56,960**	**-**	**56,960**	**7,614**	**-**	**7,614**	**7,614**	**-**	**7,614**
Loss	**834,315**	**-**	**834,315**	**509,541**	**-**	**509,541**	**509,541**	**-**	**509,541**
	1,061,929	**-**	**1,061,929**	**524,414**	**-**	**524,414**	**524,414**	**-**	**524,414**

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

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

	2014			2013		
	Specific	General	Total	Specific	General	Total
	----------	----------	---------- Rupees in '000	----------	----------	----------
Opening balance	575,843	47,470	623,313	467,002	33,565	500,567
Charge for the year	72,056	29,174	101,230	172,753	13,905	186,658
Reversals	(123,485)	-	(123,485)	(63,912)	-	(63,912)
	(51,429)	29,174	(22,255)	108,841	13,905	122,746
Closing balance	524,414	76,644	601,058	575,843	47,470	623,313

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

	2014			2013		
	Specific	General	Total	Specific	General	Total
	----------	----------	---------- Rupees in '000	----------	----------	----------
In local currency	524,414	76,644	601,058	575,843	47,470	623,313
In foreign currency	-	-	-	-	-	-
	524,414	76,644	601,058	575,843	47,470	623,313

10.14.1.1 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.

10.14.1.2 In accordance with BSD Circular No. 2 dated January 27, 2009 issued by the SBP, the Bank has availed the benefit of Forced Sale Value (FSV) of collaterals against the non-performing financings. The benefit availed as at December 31, 2014 amounts to Rs 316.283 million (2013: Rs 354.050 million). The additional profit arising from availing the FSV benefit - net of tax as at December 31, 2014 amounts to Rs 205.584 million (2013: Rs. 230.133 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	**2014**	2013
		------- 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		**973,125**	661,813
Financing granted during the year		**478,207**	483,502
Repayments		**(292,272)**	(172,190)
Balance at end of year		**1,159,060**	973,125

11 OPERATING FIXED ASSETS

Capital work-in-progress	11.1	**11,714**	192,893
Property and equipment	11.2	**3,329,257**	2,736,637
Intangible assets	11.3	**39,197**	28,547
		3,380,168	2,958,077

11.1 Capital work-in-progress

Advances to suppliers and contractors		**11,714**	192,893

11.2 Property and equipment

	2014								
	COST / REVALUATION				DEPRECIATION			Net book value as at December 31, 2014	Rate of Depreciation %
	As at January 01, 2014	Additions/ adjustments / revaluation surplus*	(Disposals)	As at December 31, 2014	As at January 01, 2014	Charge for the year / (disposals) / adjustments	As at December 31, 2014		
	---------- Rupees in '000 ----------								
At revalued amounts									
Freehold Land	371,350	99,400 - 15,998 *	-	486,748	-	- - -	-	486,748	-
Building on leasehold land	1,405,343	- (28,107)* 172,180 *	-	1,549,416	-	28,107 - (28,107)*	-	1,549,416	2
At cost									
Furniture and fixture	1,068,559	313,807 - -	-	1,382,366	449,325	130,467 - -	579,792	802,574	10
Electrical, office and computer equipment	1,270,691	320,269 - -	(5,289)	1,585,671	930,076	170,728 (5,057) -	1,095,747	489,924	15-25
Vehicles	2,947	- - -	(13)	2,934	2,852	382 - (895)	2,339	595	20
	4,118,890	733,476 (28,107) 188,178	(5,302)	5,007,135	1,382,253	329,684 (5,057) (29,002)	1,677,878	3,329,257	

	2013								
	COST / REVALUATION				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	Net book value as at December 31, 2013	Rate of Depreciation %
	---------- Rupees in '000 ----------								
At revalued amounts									
Freehold Land	275,128	- - 96,222 *	-	371,350	-	- - -	-	371,350	-
Building on leasehold land	907,156	- (220,383)* 801,112*	(82,542)	1,405,343	228,759	12,689 (21,065) (220,383)*	-	1,405,343	2
At cost									
Furniture and fixture	970,094	98,642 - -	(177)	1,068,559	349,070	100,393 (138) -	449,325	619,234	10
Electrical, office and computer equipment	1,084,174	189,514 - -	(2,997)	1,270,691	818,000	115,019 (2,943) -	930,076	340,615	15 - 25
Vehicles	4,657	1,043 (887) -	(1,866)	2,947	2,830	1,510 (1,488) -	2,852	95	20
	3,241,209	289,199 (221,270) 897,334	(87,582)	4,118,890	1,398,659	229,611 (25,634) (220,383)	1,382,253	2,736,637	

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'

11.3 Intangible asset

	2014							
	COST			AMORTISATION			Book value as at December 31, 2014	Rate of Depreciation %
	As at January 01, 2014	Addition / (disposal) / Adjustment	As at December 31, 2014	As at January 01, 2014	Charge for the year / (disposals) / adjustments	As at December 31, 2014		
	---------- Rupees in '000 ----------							
Computer software	178,350	25,754	204,104	149,803	15,104	164,907	39,197	20
		-			-			
		-			-			

	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	168,022	10,328	178,350	120,718	29,085	149,803	28,547	20
		-			-			
		-			-			

11.4 Cost of fully depreciated properties and equipment that are still in the Bank's use, as at December 31, 2014, amounted to Rs. 730.922 million (2013: Rs 767.875 million). The cost of fully amortised intangible assets that are still in the Bank's use, as at December 31, 2014 amounted to Rs.142.535 million (2013: 31.308 million).

11.5 During the year 2014, the Bank's freehold land and buildings on leasehold land were revalued by M/s Javed & Akbani (Valuation and Engineering Consultants) on the basis of their professional assessment of the present market value. As a result of revaluation the market value of freehold land and buildings on leasehold land were determined at Rs. 2,036.165 million.

Had there been no revaluation, the carrying amount of revalued assets at December 31, 2014 would have been as follows:

	COST				DEPRECIATION			Net book value as at December 31, 2014
	As at January 01, 2014	Additions/ adjustments / revaluation surplus	(Disposals)	As at December 31, 2014	As at January 01, 2014	Charge for the year s	As at December 31, 2014	
	---------- Rupees in '000 ----------							
Freehold Land	275,128	99,400	-	374,528	-	-	-	374,528
Building on lease hold land	824,614	-	-	824,614	220,383	16,492	236,875	587,739
	1,099,742	99,400	-	1,199,142	220,383	16,492	236,875	962,267

12 OTHER ASSETS

	Note	2014	2013
		------- Rupees in '000 -------	
Profit / return accrued in local currency		993,560	927,964
Profit / return accrued in foreign currency		15	12
Advances, deposits, advance rent and other prepayments		168,913	213,623
Advance taxation (payments less provision)		28,241	7,632
Non-banking assets acquired in satisfaction of claims	12.1	260,510	308,410
Branch Adjustment Account		22,700	-
Defined Benefit Plan assets		11,582	26,778
Banca takaful Income receivable		21,000	7,000
Insurance claim receivable		16,546	23,555
Car Ijarah repossession		1,506	833
Receivable against First WAPDA Sukuk	12.2	50,000	50,000
Other receivables		97,320	85,509
		1,671,893	1,651,316
Less: Provision held against other assets	12.3	(58,063)	(35,027)
Other assets (net of provisions)		1,613,830	1,616,289

12.1 The market value of Non-Banking assets acquired in satisfaction of claims is Rs. 269.764 million (2013: 365.682 million).

12.2 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 in 2012 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.

12.3 Provision held against other assets

	Note	2014	2013
		------- Rupees in '000 -------	
Opening balance		35,027	30,984
Charge for the year		23,036	4,043
Reversals		-	-
Closing balance		58,063	35,027

13 BILLS PAYABLE

	2014	2013
In Pakistan	918,435	835,562
Outside Pakistan	-	-
	918,435	835,562

14 DUE TO FINANCIAL INSTITUTIONS

	2014	2013
In Pakistan	561,000	2,538,000
Outside Pakistan	-	
	561,000	2,538,000

	Note	2014	2013
		------- Rupees in '000 -------	
14.1 Details of due to financial institutions secured / unsecured			
Secured			
Borrowings from State Bank of Pakistan under Islamic Export Refinance Scheme	14.1.1	**561,000**	538,000
Unsecured			
Call borrowings		**-**	2,000,000
		561,000	2,538,000

14.1.1 The borrowing is on a profit and loss sharing basis and is secured against demand promissory notes executed in favour of the State Bank of Pakistan (SBP). A limit of Rs 1,000 million (2013: 1,000 million) was allocated to the Bank by the SBP under Islamic Export Refinance Scheme for the financial year ended December 31, 2014.

	Note	2014	2013
		------- Rupees in '000 -------	
14.2 Particulars of due to financial institutions with respect to currencies			
In local currency		**561,000**	2,538,000
In foreign currencies		**-**	-
		561,000	2,538,000

15 DEPOSITS AND OTHER ACCOUNTS

	2014	2013
Customers		
Fixed deposits	**35,087,230**	34,607,878
Savings deposits	**36,926,200**	27,249,907
Current accounts - non-remunerative	**16,854,088**	12,276,481
Margin accounts - non-remunerative	**152,023**	197,882
	89,019,541	74,332,148
Financial Institutions		
Remunerative deposits	**1,113,164**	745,605
Non-remunerative deposits	**198,292**	148,116
	90,330,997	75,225,869

15.1 Particulars of deposits

	2014	2013
In		
- local currency	**88,586,108**	73,620,852
- foreign currencies	**1,744,889**	1,605,017
	90,330,997	75,225,869

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

16 DEFERRED TAX LIABILITY

	Note	2014	2013
Deferred tax debits arising in respect of:			
Accumulated tax losses		-	(154,464)
Tax credit against minimum tax	16.1 & 16.2	(262,180)	(200,304)
Deficit on revaluation of available for sale securities		(48,418)	-
Provision for diminution in the value of investments		(13,750)	-
Provision against non-performing Islamic financing and related assets		(2,788)	(443)
		(327,136)	(355,211)
Deferred tax credits arising due to:			
Ijarah financing and related assets		3,377	19,118
Accelerated tax depreciation		182,789	171,911
Surplus on revaluation of available for sale securities		-	59,382
Surplus on revaluation of fixed assets		340,653	280,389
		526,819	530,800
		199,683	175,589

16.1 The Bank has an aggregate amount of Rs. 262.180 million (2013: Rs. 354.768 million) representing deferred tax asset recognised against minimum tax and available tax losses as at December 31, 2014. The management carries out periodic assessments of these assets / losses in order to establish whether the Bank would be able to set off the profit earned in future years against these carry forward assets / losses. Based on this assessment the management has recognised the entire deferred tax debit balance on losses and minimum tax amounting to Rs 262.180 million (2013: Rs. 354.768 million). The amount of this benefit has been determined based on the projected figures for the future periods. The determination of future taxable profits is most sensitive to certain key assumptions such as cost to income ratio of the Bank, deposit composition, kibor rates, growth of deposits and financings, investment returns, product mix of financings, 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.

16.2 In case of another company the Division Bench of the Sindh High Court in its decision dated May 7, 2013 on carry forward of minimum tax in the cases of taxable loss for the year has held by interpreting Section 113(2)(c) of the Income tax Ordinance, 2001 that the benefit of carry forward of minimum tax paid by a company is only available if the tax paid in a particular year is less than minimum tax payable. Accordingly, if no tax is paid / payable by the company due to taxable loss the right to carry forward the minimum tax does not arise. However, the management based on the advice of its legal counsel is of the view that this matter is subject to appeal in larger bench of the High Courts as well as the Supreme Court and valid legal grounds are available to substantiate the Bank's case for carry forward of minimum tax, therefore, minimum tax of Rs 262.180 million has been recognised as 'Deferred tax' in these financial statements.

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

17 OTHER LIABILITIES

	Note	2014	2013
Profit / return payable in local currency		732,138	810,496
Profit / return payable in foreign currencies		2,303	742
Unearned fees and commission		-	3,636
Accrued expenses		146,049	123,105
Deferred Murabaha Income - Financing and IERS	10.8.1	323,516	135,031
Deferred Murabaha Income - Bai Muajjal		804,944	-
Deferred Murabaha Income - Commodity Murabaha	8.3	81,505	4,723
Payable to defined contribution plan		1,323	1,845
Security deposits against Ijarah		929,161	591,870
Branch adjustment account		-	34,545
Sundry creditors		9,232	49,182
Unrealized loss on forward foreign exchange promises		3,145	2,054
Charity payable	17.1	6,212	7,879
Retention money		5,248	23,774
Withholding tax payable		12,369	18,050
WWF payable		7,016	3,901
Others		42,653	27,540
		3,106,814	1,838,373

	Note	2014	2013
17.1 Opening balance		7,879	10,197
Additions during the year		8,945	13,374
Payments during the year	17.1.1	(10,612)	(15,692)
Closing balance		6,212	7,879

17.1.1 Charity was paid to the following:

	2014	2013
Alamgir Welfare Trust International	1,000	1,000
The Citizen Foundation	2,000	2,000
The Indus Hospital	2,000	2,000
Akhuwat Charity	1,000	1,000
Jamiat Taleem Ul Quran	-	1,000
Diya Pakistan	500	1,000
Shoukat Khanum Memorial	2,000	2,000
Kharadar General Hospital	500	-
SIUT	-	2,000
Dow University of Health & Science	-	135
Patel Hospital	-	1,000
Institute of Business Administration	575	2,000
Iqra Welfare Trust	-	500
Aman Foundation	200	-
Nighiban Welfare Association Charity	500	-
Kainat Zubairi	67	51
Mehak Ruba	120	-
Romaila Rashid	150	-
Muhammad Turab	-	6
	10,612	15,692

17.1.2 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.

18 SHARE CAPITAL

18.1 Authorised capital

2014	2013		2014	2013
---- Number of Shares ----			------- Rupees in '000 -------	
1,300,000,000	1,300,000,000	Ordinary shares of Rs.10 each	13,000,000	13,000,000

18.2 Issued, subscribed and paid up capital

2014			2013			Ordinary shares of Rs 10 each	2014	2013
Issued for cash	Issued for consideration other than cash	Total	Issued for cash	Issued for consideration other than cash	Total			
---Number of shares---						---Rupees in '000---		
527,967,898	-	527,967,898	527,967,898	-	527,967,898	At beginning of the year	5,279,679	5,279,679
47,904,192	-	47,904,192	-	-	-	Issued during the year - right issue	479,042	-
575,872,090	-	575,872,090	527,967,898	-	527,967,898	Balance as at December 31	5,758,721	5,279,679

18.3 The State Bank of Pakistan (SBP) vide BSD Circular No. 7 of 2009 dated April 15, 2009 has revised the Minimum Capital Requirement for banks. As per this circular the Bank was required to have a minimum issued, subscribed and paid-up capital (free of losses) of Rs.10 billion as at December 31, 2014. The paid-up capital of the Bank (free of losses) amounted to Rs. 5.680 billion as at December 31, 2014. As more fully explained in note 1.2 to these financial statements, the Board of Directors of the Bank have approved the issuance of 432,040,000 ordinary shares of Rs 10 each at par value to all the existing shareholders in proportion of 75.0236 right shares for every 100 ordinary shares held by them.

	Note	2014	2013
		------- Rupees in '000 -------	
19 RESERVES			
Statutory Reserves	19.1	273,176	210,446

19.1 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	2014	2013
		------- Rupees in '000 -------	

20 SURPLUS ON REVALUATION OF ASSETS

	Note	2014	2013
Surplus / (Deficit) arising on revaluation of:			
Fixed Assets	20.1	737,310	616,945
Available for sale securities	20.2	(89,891)	110,302
		647,419	727,247

20.1 Surplus on revaluation of fixed assets

	2014	2013
Freehold Land	112,220	96,222
Building on lease hold land		
Surplus on revaluation of fixed assets at January 1	801,112	-
Surplus recognised during the year	172,180	801,112
Transferred to un-appropriated profit in respect of incremental depreciation charged during the year	(7,550)	-
Related deferred tax liability in respect of incremental depreciation charged during the year	(4,065)	-
	(11,615)	-
	961,677	801,112
Related deferred tax liability on surplus as at January 1	(280,389)	(280,389)
Related deferred tax liability on surplus arising during the year	(60,263)	-
Related deferred tax liability in respect of incremental depreciation charged during the year	4,065	-
	(336,587)	(280,389)
	625,090	520,723
	737,310	616,945

20.2 Surplus on revaluation of available for sale securities

	2014	2013
Federal Government Securities		
- Ijarah Sukuk Bonds	(142,831)	170,128
Sukuk certificates		
- Sukuks unlisted	4,492	(466)
Fully paid up ordinary shares / Units		
- Units of Open end Mutual Funds	30	22
	(138,309)	169,684
Related deferred tax asset / (liability)	48,418	(59,382)
	(89,891)	110,302

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

21 CONTINGENCIES AND COMMITMENTS

21.1 Transaction-related contingent liabilities

	Note	2014	2013
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring			
- Government		299,083	283,827
- Others		2,613,521	2,003,514
		2,912,604	2,287,341

21.2 Trade-related contingent liabilities

	Note	2014	2013
Import letter of Credit		2,968,447	3,950,372
Acceptances		108,638	535,042
		3,077,085	4,485,414

21.3 Suit filed by customers for recovery of alleged losses suffered, pending in the High Court, which the Bank has not acknowledged as debt

	Note	2014	2013
Suit filed by customers for recovery of alleged losses suffered, pending in the High Court, which the Bank has not acknowledged as debt		150,000	831,083

21.3.1 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.

21.4 The Deputy Commissioner Inland Revenue (DCIR) 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 filed an appeal for the stay 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 was heard on February 23, 2013. The ATIR accepted the stay application of the Bank and had 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 deposited an amount of Rs. 10.4 million for filing appeal against the said case. During the current year, the Bank deposited an additional amount of Rs 8 million on the verbal instructions of the authorities. The ATIR has set aside the stay appeal in respect of income from dealing in foreign currencies and remanded back the case to the Commissioner Inland Revenue for fresh reassessment proceedings. The management of the Bank is confident that the above matter will be decided in favour of the Bank and therefore, no provision for any liability which may arise in this respect has been made in these financial statements.

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

21.5 Commitments in respect of promises

Purchases		1,763,272	1,368,635
Sales		1,310,100	1,111,164

21.6 Commitments for the acquisition of operating fixed assets		134,178	131,083

21.7 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	2014	2013
		------- Rupees in '000 -------	

21.8 Other commitments

Bills for collection		191,002	93,191

22 PROFIT / RETURN EARNED

On financing to:			
- Customers		3,860,305	2,788,705
- Financial institutions		916,154	728,022
		4,776,459	3,516,727
On investments in available for sale securities		2,987,215	2,737,913
On deposits / placements with financial institutions		6,318	247
Others		42,310	34,155
		7,812,302	6,289,042

23 PROFIT / RETURN EXPENSED

Deposits		4,280,360	3,686,685
Other short term fund generation		44,349	47,020
Others		134,361	55,833
		4,459,070	3,789,538

24 GAIN / LOSS ON SALE OF SECURITIES

Federal Govt. Securities:			
Sukuk Certificates		4,765	-
Unlisted Securities			
Sukuk certificates		27,408	-
Listed Securities:			
Mutual funds		-	6,709
		32,173	6,709

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

25 OTHER INCOME

	Note	2014	2013
Rent on property		-	2,032
Gain on termination of financing		30,031	22,858
Gain on sale of property and equipment	11.2.1	4,642	51,712
Income from sale of Non-Banking Asset		408	-
Amount recovered from staff		1,873	1,916
Income from tracker charges		3,120	-
		40,074	78,518

26 ADMINISTRATIVE EXPENSES

	Note	2014	2013
Salaries, allowances, and other benefits	26.1	1,433,366	1,025,532
Charge for defined benefit plan	32	32,824	22,919
Contribution to defined contribution plan	33	43,056	35,989
Non-executive directors' fees, allowances and other expenses		1,550	1,550
Insurance on consumer car Ijarah		46,096	35,061
Rent, taxes, insurance, electricity, etc.		721,183	521,554
Legal and professional charges		17,590	7,116
Communications		128,768	91,239
Repairs and maintenance		87,042	73,950
Stationery and printing		38,159	23,045
Advertisement and publicity		57,002	53,974
Auditors' remuneration	26.2	7,775	7,610
Depreciation	11.2	329,684	229,611
Amortisation	11.3	15,104	29,085
CDC and share registrar services		10,532	7,085
Entertainment expense		32,682	24,653
Security service charges		165,947	111,590
Brokerage and commission		7,958	6,717
Travelling and conveyance		23,946	19,696
Remuneration to Shariah Board		900	1,267
Fees and subscription		154,683	80,379
Vehicle running and maintenance		57,474	44,290
Others		49,030	34,092
		3,462,351	2,488,004

26.1 This includes Rs.77.792 million (2013: Rs. 65.035 million) paid to employees in respect of car monetisation allowance.

26.2 Auditors' remuneration

	2014	2013
Audit fee	2,875	2,200
Fee for the review of half yearly financial statements	900	800
Special certifications and sundry advisory services	2,627	3,117
Out-of-pocket expenses	1,373	1,493
	7,775	7,610

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

27 OTHER CHARGES

Penalties imposed by the State Bank of Pakistan		**3,250**	23,968
Worker's Welfare Fund		**9,402**	6,165
		12,652	30,133

28 TAXATION

- Current year		**84,442**	67,453
- Deferred		**71,630**	55,427
		156,072	122,880

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 2014 on due dates. These returns were deemed completed under the provisions of the prevailing income tax laws as applicable in Pakistan during the relevant accounting years.

In respect of tax year 2007, the Additional Commissioner (Inland Revenue) under section 122(5A) of the Income Tax Ordinance, 2001 amended the return submitted by the Bank by adding / disallowing certain expenses / deductions resulting in reduction of losses claimed by the Bank by Rs 117.505 million. The Bank filed an appeal against the said decision with the Commissioner (Inland Revenue Appeals). The Commissioner (Inland Revenue Appeals) has revised the order of Additional Commissioner and has restricted the amount of disallowance / add back to Rs 47.867 million. The Bank has filed appeal before the Appellate Tribunal against these disallowances / add backs.

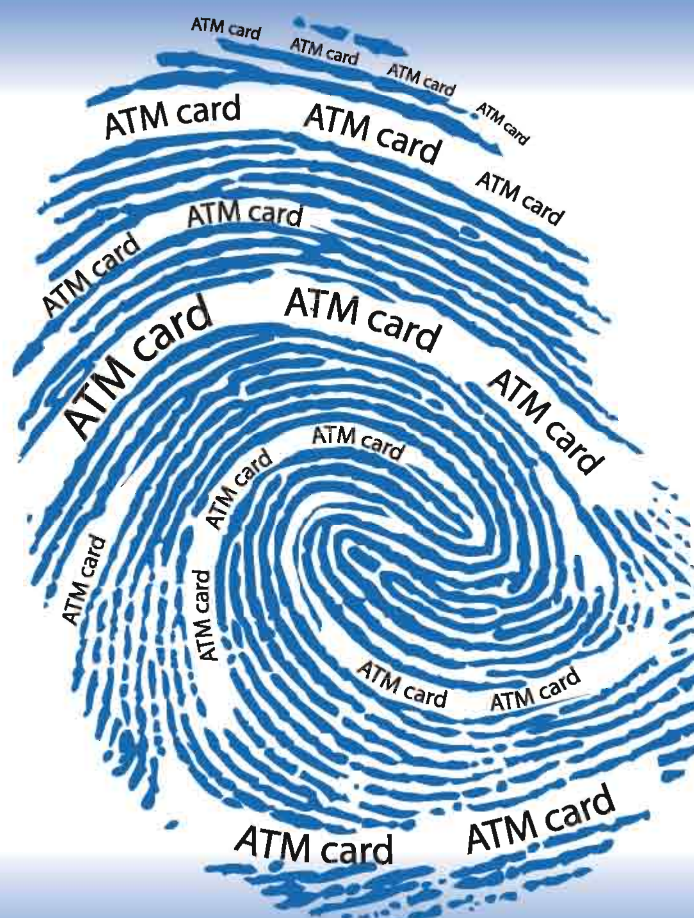
	Note	2014	2013
		------- Rupees in '000 -------	

29 BASIC AND DILUTED EARNINGS PER SHARE

Profit after taxation for the year		**313,650**	185,272
		------- Number of shares -------	
Weighted average number of ordinary shares in issue		**542,882,326**	534,350,491
		------- Rupees -------	
			(Re-stated)
Earning per share - basic / diluted	29.1	**0.5777**	0.3467

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

World's First Cardless ATM



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Your ATM Card is now obsolete. Your thumb impression is all you need for transaction at our ATMs.

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- Daily Opening Balance Alert
- Internet Banking Fund Transfer Alert
- Cheque Clearance/Return Alert
- Installment Reminders (Auto/MUSKUN)
- ATM Fund Transfer Alert
- VISA POS Purchase Alert
- Cash Deposit 3rd Party Alert

30 CASH AND CASH EQUIVALENTS

	Note	2014	2013
		------- Rupees in '000 -------	
Cash and balances with treasury banks	6	6,361,444	4,883,478
Balances with other banks	7	733,523	967,557
		7,094,967	5,851,035

31 STAFF STRENGTH

	2014	2013
	Number of employees	
Permanent	1,613	1,220
Contractual basis	537	300
Bank's own staff strength at the end of the year	2,150	1,520
Outsourced	379	288
Total staff strength	2,529	1,808

32 DEFINED BENEFIT PLAN

32.1 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 defined scheme are 1,613 (2013: 1,220).The latest actuarial valuation of the Bank's gratuity scheme was carried out as at December 31, 2014. Projected unit credit method, using the following significant assumptions, was used for the valuation of the defined benefit plan:

32.2 Actuarial assumption

	2014	2013
-Valuation Discount Rate	11.25%	13.00%
-Salary Increase Rate	10.75%	12.50%
-Expected Return on Plan Assets	11.25%	13.00%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in Pakistan. The rates assumed are based on the adjusted SLIC 2001 - 2005 mortality tables with one year age set back.

32.3 Reconciliation of receivable from defined benefit plan

	2014	2013
	------- Rupees in '000 -------	
Present value of defined benefit obligations	162,595	124,699
Fair value of plan assets	(174,177)	(151,477)
Asset recognised in the statement of financial position	(11,582)	(26,778)

32.4 Plan assets consist of the following:

	2014		2013	
	(Rupees in '000)	%	(Rupees in '000)	%
TDRs	76,179	44%	-	0%
PIBs	-	0%	-	0%
Amount in Bank	20,668	12%	76,479	50%
Ijarah Sukuk	77,330	44%	75,000	50%
	174,177	100%	151,479	100%

32.5 The movement in the defined benefit obligation over the year is as follows:

	2014		
	Present value of obligation	Fair value of plan assets	Total
	Rupees in '000		
At January 1	124,699	(151,477)	(26,778)
Current service cost	38,251	-	38,251
Return expense / (income)	13,959	(19,386)	(5,427)
	176,909	(170,863)	6,046
Remeasurements:			
-Return on plan assets, excluding amounts included in interest expense / (income)	-	-	-
-(Gain) / loss from change in demographic assumptions	-	-	-
-(Gain) / loss from change in financial assumptions	-	-	-
-Experience (gains) / losses	20,337	4,822	25,159
	20,337	4,822	25,159
	197,246	(166,041)	31,205
Contribution	-	(42,787)	(42,787)
Benefit payments	(34,651)	34,651	-
At December 31	162,595	(174,177)	(11,582)

	2013		
	Present value of obligation	Fair value of plan assets	Total
	Rupees in '000		
At January 1	87,240	(107,104)	(19,864)
Current service cost	27,628	-	27,628
Return expense / (income)	9,563	(14,272)	(4,709)
	124,431	(121,376)	3,055
Remeasurements:			
-Return on plan assets, excluding amounts included in interest expense / (income)	-	-	-
-(Gain) / loss from change in demographic assumptions	8,590	-	8,590
-(Gain) / loss from change in financial assumptions	-	-	-
-Experience (gains) / losses	-	3,904	3,904
	8,590	3,904	12,494
	133,021	(117,472)	15,549
Contribution	-	(42,327)	(42,327)
Benefit payments	(8,322)	8,322	-
At December 31	124,699	(151,477)	(26,778)

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

32.6 Charge for the Defined Benefit Plan

	2014	2013
Current service cost	38,251	27,628
Net financial charges	(5,427)	(4,709)
Actuarial (gain) / loss recognised	-	-
	32,824	22,919

32.7 The plan assets and defined benefit obligations are based in Pakistan.

32.8 The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation - Increase / (Decrease)		
	Change in assumption	Increase in assumption	Decrease in assumption
	-------------- Rupees in '000 --------------		
Discount rate	1.0%	(15,217)	18,014
Salary growth rate	1.0%	17,925	(15,407)

	Increase by 1 year in assumption	Decrease 1 year in assumption
Life expectancy / Withdrawal rate	121	(142)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognised within the Statement of Financial Position.

32.9 The weighted average duration of the defined benefit obligation is 10.22 years.

32.10 Expected maturity analysis of undiscounted defined benefit obligation for the gratuity scheme is as follows:

At December 31, 2014	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
Gratuity	14,771	12,473	37,923	775,681	840,848

32.11 Historical information

	2014	2013	2012	2011	2010
	(Rupees in '000)				
As at December 31					
Present value of defined benefit obligation	**162,595**	124,699	87,240	63,884	50,735
Fair value of plan assets	**(174,177)**	(151,477)	(107,104)	(82,426)	-
(Surplus) / deficit	**(11,582)**	(26,778)	(19,864)	(18,542)	50,735
Experience adjustments on plan liabilities	**20,337**	8,590	(1,962)	(11,680)	(4,632)

32.12 Funding levels are monitored on an annual basis and are based on actuarial recommendations. Contribution for the next year works out to Rs. 40.967 million as per the actuarial valuation report of the Bank as of December 31, 2014.

32.13 Through its defined benefit gratuity plan, the Fund is exposed to a number of risks, the most significant of which are detailed below:

Investment Risks The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.

Longevity Risks The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

Salary Increase Risk The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

Withdrawal Risk The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

32.14 The disclosure made in notes 32.1 to 32.13 are based on the information included in the actuarial valuation report of the Bank as of December 31, 2014.

33 DEFINED CONTRIBUTION PLAN (PROVIDENT FUND)

The Bank operates a contributory provident fund for all permanent employees. The employer and employee both contribute 10% of basic salary to the fund every month. Equal monthly contributions by employer and employees during the year amounted to Rs 43.056 million (2013: Rs 35.989 million) each.

34 COMPENSATION OF DIRECTORS AND EXECUTIVES

	President/Chief Executive		Directors		Executives	
	2014	2013*	2014	2013	2014	2013
	Rupees in '000					
Fees	-	-	1,550	1,550	-	-
Managerial remuneration *	21,691	34,863	-	-	184,288	146,834
Charge for defined benefit plan **	475	1,655	-	-	14,049	11,503
Salary in lieu of provident fund	2,169	1,986	-	-	-	-
Contribution to defined contribution plan	-	-	-	-	15,765	13,397
Rent and house maintenance	599	548	-	-	82,929	63,947
Utilities	2,169	1,986	-	-	18,429	14,683
Medical	2,169	1,986	-	-	18,429	14,683
Others	-	-	-	-	51,113	48,294
	29,272	43,024	1,550	1,550	385,002	313,341
Number of persons	1	1	5	4	213	171

* In 2013, President/Chief Executive was paid Rs 15 million being one time salary adjustment.

** During the year President/Chief Executive resigned from the Gratuity fund, where he was a contributory member, at the conclusion of his contract in April as per rules and opted not to be a member in the new contract signed between him and the Bank. An amount of Rs.13.189 million was accordingly paid to him as per rules.

34.1 The Bank's President/Chief Executive is also provided with car allowance of Rs 5.419 million (2013:Rs 3.951 million) as per the policy of Bank.

34.2 In addition to above, the Executives have also been given car allowance amounting to Rs 52.368 million (2013: Rs 44.725 million) during the current year.

35 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 39 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.

35.1 Off-balance sheet financial instruments

	2014		2013	
	Book Value	Fair value	Book Value	Fair value
	------------------ Rupees in '000 ------------------			
Forward purchase of foreign currencies	1,782,779	1,763,272	1,379,140	1,368,635
Forward sale of foreign currencies	1,326,462	1,310,100	1,119,615	1,111,164

36 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 ----------------------------				
2014					
Total income	790,334	4,540,205	3,017,635	96,064	8,444,238
Total expenses	172,678	4,183,169	2,265,735	1,352,934	7,974,516
Net income / (loss)	617,656	357,036	751,900	(1,256,870)	469,722
Segment assets (gross)	53,363,741	7,762,112	39,920,783	1,642,259	102,688,895
Segment non - performing assets	377,327	486,509	610,831	-	1,474,667
Segment provision required	68,277	233,898	402,571	-	704,746
Segment liabilities	112,507	59,208,139	34,842,909	953,374	95,116,929
Segment return on assets (ROA) (%)	1.16%	4.60%	1.88%	-	-
Segment cost of funds (%)	8.19%	5.23%	6.32%	-	-

	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total
	---------------------------- Rupees in '000 ----------------------------				
2013					
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%	-	-

37 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 34 are as follows:

	2014	2013
	------- Rupees in '000 -------	
Subsidiary		
Deposits		
At beginning of the year	55,877	105,869
Deposits during the year	251,556	734,848
Withdrawals during the year	(307,307)	(784,840)
At end of the year	126	55,877
Transactions, income and expenses		
Return on deposit expensed	8,824	8,442
Payable on deposits	-	9
Associates		
Islamic Financing and related assets		
At beginning of the year	1,830	25,371
Accrued during the year	13,001	36,852
Repayments	(14,831)	(55,752)
At end of the year	-	6,471
Prepayments		
At beginning of the year	7,632	4,892
Additions during the year	27,496	14,314
Expired during the year	(22,395)	(11,574)
At end of the year	12,733	7,632

	2014	2013
	------- Rupees in '000 -------	
Deposits		
At beginning of the year	314,696 *	88,097
Deposits during the year	1,789,122	711,706
Withdrawals during the year	(1,507,715)	(642,438)
At end of the year	596,103	157,365
Transactions, income and expenses		
Return on deposits expensed	26,027	7,145
Administrative expense	55,775	86,847
Payable on deposits	1,524	939
Key management personnel		
Islamic financing and related assets		
At beginning of the year	67,806	100,246
Disbursements	55,550	30,308
Repaid during the year	(26,246)	(40,320)
At end of the year	97,110	90,234
Deposits		
At beginning of the year	29,778 *	10,959
Deposits during the year	115,898	118,277
Withdrawals during the year	(130,857)	(98,885)
At end of the year	14,819	30,351
Transactions, income and expenses		
Profit earned on financing	2,641	3,443
Return on deposits expensed	427	120
Remuneration	45,307	55,123
Disposal of vehicle	-	309
Payable on deposits	953	5
Employee benefit plans		
Contribution to employees gratuity fund	42,786	42,327
Charge for defined benefit plan	32,823	22,919
Contribution to employees provident fund	43,056	35,989

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

38 CAPITAL MANAGEMENT

Capital Management aims to safeguard 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 Bank prepares Annual Budget and Projections outlining its future growth and direction keeping in consideration the economic and political factors in the country and region. Adequacy of capital to support the expected growth in balance sheet is also ascertained.

Stress testing of the Bank is regularly performed to ensure that the Bank remains well capitalised and able to sustain any shocks under any of the specified risk factors.

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 November 5, 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 2019 for implementation of Basel III. The disclosures below have been prepared on the basis of these new guidelines. The comparative information is as per requirements which were applicable last year.

38.1 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.

38.2 Statutory Minimum Capital Requirement and management of capital

The State Bank of Pakistan (SBP) vide BSD Circular No. 7 of 2009 dated April 15, 2009 has revised the Minimum Capital Requirement for banks. As per this circular the Bank was required to have a minimum issued, subscribed and paid-up capital (free of losses) of Rs.10 billion as at December 31, 2014. The paid-up capital of the Bank (free of losses) amounted to Rs. 5.680 billion as at December 31, 2014. As more fully explained in note 1.2 to these financial statements, the Board of Directors of the Bank have approved the issuance of 432,040,000 ordinary shares of Rs 10 each at par value to all the existing shareholders in proportion of 75.0236 right shares for every 100 ordinary shares held by them. The SBP has advised the Bank to maintain a minimum CAR of 18% at all times till the time the Bank's paid-up capital (free of losses) is below Rs 6 billion.

38.3 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% after incorporating transitional provisions), 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 regulatory deduction for investments 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 after deduction of deficit on available for sale investments (upto a maximum of 56%).

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.

38.4 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	2014	2013
	Amount	
	------- Rupees in '000 -------	
Common Equity Tier 1 capital (CET1): Instruments and reserves		
Fully paid-up capital / capital deposited with the SBP	5,758,721	5,279,679
Balance in share premium account	-	-
Reserve for issue of bonus shares	-	-
Discount on issue of shares	(79,042)	-
General / Statutory Reserves	273,176	210,446
Gains / (Losses) on derivatives held as Cash Flow Hedge	-	
Unappropriated profits	266,946	24,829
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	6,219,801	5,514,954
Total regulatory adjustments applied to CET1 (Note 38.4.1)	(152,356)	(124,055)
Common Equity Tier 1	6,067,445	5,390,899

Particulars	2014 Amount	2013 Amount
	------- Rupees in '000 -------	
Additional Tier 1 (AT 1) Capital		
Qualifying Additional Tier-1 capital 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	-	-
Total of Regulatory Adjustment applied to AT1 capital (Note 38.4.2)	(60,723)	(95,508)
Additional Tier 1 capital after regulatory adjustments	-	-
Tier 1 Capital (CET1 + admissible AT1)	6,067,445	5,390,899
Tier 2 Capital		
Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	-
Capital instruments subject to phase out arrangement issued	-	-
Tier 2 capital instruments issued to third parties 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	76,644	47,470
Revaluation Reserves (net of taxes) of which:		
- Revaluation reserves on fixed assets	412,894	403,800
- Unrealized gains/losses on AFS	(50,339)	76,358
Foreign Exchange Translation Reserves	-	-
Undisclosed/Other Reserves (if any)	-	-
T2 before regulatory adjustments	439,199	527,628
Total regulatory adjustment applied to T2 capital (Note 38.4.3)	(60,723)	(95,507)
Tier 2 capital (T2) after regulatory adjustments	378,476	432,121
Tier 2 capital recognized for capital adequacy	378,476	432,121
Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
Total Tier 2 capital admissible for capital adequacy	378,476	432,121
TOTAL CAPITAL (T1 + admissible T2)	6,445,921	5,823,020
Total Risk Weighted Assets (RWA) {for details refer Note 38.7}	38,600,550	37,895,582

Particulars	2014 Amount	2013 Amount
	------- Rupees in '000 -------	
Capital Ratios and buffers (in percentage of risk weighted assets)		
CET1 to total RWA	15.72%	14.23%
Tier-1 capital to total RWA	15.72%	14.23%
Total capital to total RWA	16.70%	15.37%
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	-	-
- D-SIB or G-SIB buffer requirement	-	-
CET1 available to meet buffers (as a percentage of risk weighted assets)	10.22%	9.23%
National minimum capital requirements prescribed by SBP		
CET1 minimum ratio	5.50%	5.00%
Tier 1 minimum ratio	7.00%	6.50%
Total capital minimum ratio	10.00%	10.00%

38.4.1 **Common Equity Tier 1 capital: Regulatory adjustments**

Particulars	2014 Amount	2014 Pre-Basel III treatment*	2013 Amount	2013 Pre-Basel III treatment*
	---------------- Rupees in '000		----------------	
Goodwill (net of related deferred tax liability)	-	-	-	-
All other intangibles (net of any associated deferred tax liability)	39,197	-	28,547	-
Shortfall of provisions against classified assets (Note 39.6.2.1)	-	-	-	-
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	52,436	209,744	-	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 common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	-	-
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	-	-
Amount exceeding 15% threshold of which:	-	-	-	-
- significant investments in the common stocks of financial entities	-	-	-	-
- 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	60,723	60,723	95,508	95,508
Total regulatory adjustments applied to CET1	152,356	270,467	124,055	249,972

Particulars	2014 Amount	2014 Pre-Basel III treatment*	2013 Amount	2013 Pre-Basel III treatment*
	---------------- Rupees in '000 ----------------			
38.4.2 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	60,723	60,723	95,508	95,508
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-	-	-
Total of Regulatory Adjustment applied to AT1 capital	60,723	60,723	95,508	95,508

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

38.4.3 Tier 2 Capital: regulatory adjustments

Particulars	2014 Amount	2014 Pre-Basel III treatment*	2013 Amount	2013 Pre-Basel III treatment*
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	60,723	60,723	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	60,723	60,723	95,507	95,507

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

38.4.4 Risk Weighted Assets subject to pre-Basel III treatment

	2014	2013
	------- Rupees in '000 -------	
Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)	-	-
of which: deferred tax assets	209,744	154,464
of which: Defined-benefit pension fund net assets	-	-
of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	-	-
of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	-	-
Amounts below the thresholds for deduction (before risk weighting)		
Non-significant investments in the capital of other financial entities	-	-
Significant investments in the common stock of financial entities	30,362	-
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)	76,644	47,470
Cap on inclusion of provisions in Tier 2 under standardized approach	403,955	405,287
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	-	-

38.5 Capital Structure Reconciliation

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

Particulars	Balance sheet as in published financial statements	Under regulatory scope of reporting
	---- Rupees in '000 ----	
Assets		
Cash and balances with treasury banks	6,361,444	6,361,444
Balances with other banks	733,523	733,523
Due from financial institutions	18,143,574	18,143,574
Investments	30,654,552	30,654,552
Islamic financing and related assets	41,097,058	41,097,058
Operating fixed assets	3,380,168	3,380,168
Deferred tax assets	-	262,180
Other assets	1,613,830	1,613,830
Total assets	**101,984,149**	102,246,329
Liabilities and Equity		
Bills payable	918,435	918,435
Due to financial institutions	561,000	561,000
Deposits and other accounts	90,330,997	90,330,997
Sub-ordinated loans	-	-
Liabilities against assets subject to finance leases	-	-
Deferred tax liabilities	199,683	461,863
Other liabilities	3,106,814	3,106,814
Total liabilities	**95,116,929**	95,379,109
Share capital	5,758,721	5,758,721
Discount on issue of shares	(79,042)	(79,042)
Reserves	273,176	273,176
Unappropriated profit	266,946	266,946
Minority Interest	-	-
Surplus on revaluation of investments - net of tax	647,419	647,419
Total liabilities and equity	**101,984,149**	102,246,329

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

Assets			
Cash and balances with treasury banks		6,361,444	6,361,444
Balances with other banks		733,523	733,523
Due from financial institutions		18,143,574	18,143,574
Investments		30,654,552	30,654,552
of which:			
- non-significant capital investments in capital of other financial institutions exceeding 10% threshold	a	-	-

Particulars	Reference	Balance sheet as in published financial statements	Under regulatory scope of reporting
		---- Rupees in '000 ----	
- 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		41,097,058	41,097,058
- shortfall in provisions / excess of total EL amount over eligible provisions under IRB	f	-	-
- general provisions reflected in Tier 2 capital	g	76,644	76,644
Operating fixed assets		3,380,168	3,380,168
- of which: Intangibles	k	39,197	39,197
Deferred tax assets			
of which:		-	262,180
- DTAs that rely on future profitability excluding those arising from temporary differences	h	-	262,180
- DTAs arising from temporary differences exceeding regulatory threshold	i		
Other assets		**1,613,830**	**1,613,830**
of which:			
- goodwill	j	-	-
- defined-benefit pension fund net assets	l	-	-
Total assets		**101,984,149**	**102,246,329**
Liabilities and Equity			
Bills payable		918,435	918,435
Due to financial institutions		561,000	561,000
Deposits and other accounts		90,330,997	90,330,997
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:		199,683	461,863
- 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		3,106,814	3,106,814
Total liabilities		**95,116,929**	**95,379,109**

Particulars	Reference	Balance sheet as in published financial statements	Under regulatory scope of reporting
		---- Rupees in '000 ----	
Share capital		**5,758,721**	**5,758,721**
- of which: amount eligible for CET1	s	5,758,721	5,758,721
- of which: amount eligible for AT1	t	-	-
Reserves of which:		273,176	273,176
- portion eligible for inclusion in CET1 - Statutory reserve	u	273,176	273,176
- portion eligible for inclusion in CET1 - Gain on Bargain Purchase		-	-
- portion eligible for inclusion in CET1 - General reserve		-	-
- portion eligible for inclusion in Tier 2 General reserve	v	-	-
Discount on issue of shares		(79,042)	(79,042)
Unappropriated profit	w	266,946	266,946
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:		647,419	647,419
- Revaluation reserves on Property	aa	737,310	737,310
- Unrealized Gains/Losses on AFS	aa	(89,891)	(89,891)
- In case of Deficit on revaluation (deduction from CET1)	ab	-	-
Total liabilities and Equity		**101,984,149**	**102,246,329**

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

	Particulars	Source based on reference number from step 2	Component of regulatory capital reported by bank
		---- Rupees in '000 ----	
	Common Equity Tier 1 capital (CET1): Instruments and reserves		
1	Fully Paid-up Capital		5,758,721
2	Balance in share premium account	(s)	-
3	Discount on issue of shares		(79,042)
4	Reserve for issue of bonus shares		-
5	General / Statutory Reserves	(u)	273,176
6	Gain / (Losses) on derivatives held as Cash Flow Hedge		-
7	Unappropriated / unremitted profits	(w)	266,946
8	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)	-
9	**CET 1 before Regulatory Adjustments**		**6,219,801**
	Common Equity Tier 1 capital: Regulatory adjustments		
10	Goodwill (net of related deferred tax liability)	(j) - (s)	-
11	All other intangibles (net of any associated deferred tax liability)	(k) - (p)	39,197
12	Shortfall of provisions against classified assets	(f)	-
13	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(h) - (r) * x%	52,436
14	Defined-benefit pension fund net assets	(l) - (q) * x%	-

	Particulars	Source based on reference number from step 2	Component of regulatory capital reported by bank
		---- Rupees in '000 ----	
15	Reciprocal cross holdings in CET1 capital instruments	(d)	-
16	Cash flow hedge reserve		-
17	Investment in own shares / CET1 instruments		-
18	Securitization gain on sale		-
19	Capital shortfall of regulated subsidiaries		-
20	Deficit on account of revaluation from bank's holdings of property / AFS	(ab)	-
21	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)	-
22	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)	-
23	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	(i)	-
24	Amount exceeding 15% threshold of which:		
	- significant investments in the common stocks of financial entities		-
	- deferred tax assets arising from temporary differences		-
25	National specific regulatory adjustments applied to CET1 capital		-
26	Investment in TFCs of other banks exceeding the prescribed limit		-
27	Any other deduction specified by SBP (mention details)		-
28	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions		60,723
29	Total regulatory adjustments applied to CET1		152,356
	Common Equity Tier 1		**6,067,445**
	Additional Tier 1 (AT 1) Capital		
30	Qualifying Additional Tier-1 instruments plus any related share premium of which:		-
31	- Classified as equity	(t)	-
32	- Classified as liabilities	(m)	-
33	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties	(y)	-
34	- of which: instrument issued by subsidiaries subject to phase out		-
35	**AT1 before regulatory adjustments**		-
	Additional Tier 1 Capital: regulatory adjustments		
36	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)		-
37	Investment in own AT1 capital instruments		-
38	Reciprocal cross holdings in Additional Tier 1 capital instruments		-
39	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)	-
40	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(ad)	-

	Particulars	Source based on reference number from step 2	Component of regulatory capital reported by bank
		---- Rupees in '000 ----	
41	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		60,723
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		-
43	Total of Regulatory Adjustment applied to AT1 capital		60,723
44	Additional Tier 1 capital		-
45	**Additional Tier 1 capital recognised for capital adequacy**		-
	Tier 1 Capital (CET1 + admissible AT1)		**6,067,445**
	Tier 2 Capital		
46	Qualifying Tier 2 capital instruments under Basel III	(n)	-
47	Capital instruments subject to phase out arrangement from Tier 2		-
48	Tier 2 capital instruments issued to third party by consolidated subsidiaries	(z)	-
	- of which: instruments issued by subsidiaries subject to phase out		-
49	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	(g)	76,644
50	Revaluation Reserves eligible for Tier 2 of which:		
51	- portion pertaining to Property		412,894
52	- portion pertaining to AFS securities	56% of (aa)	(50,339)
53	Foreign Exchange Translation Reserves	(v)	-
54	Undisclosed / Other Reserves (if any)		-
55	**T2 before regulatory adjustments**		**439,199**
	Tier 2 Capital: regulatory adjustments		
56	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		60,723
57	Reciprocal cross holdings in Tier 2 instruments		-
58	Investment in own Tier 2 capital instrument		-
59	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)	-
60	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(af)	-
61	Amount of Regulatory Adjustment applied to T2 capital		60,723
62	Tier 2 capital (T2)		378,476
63	Tier 2 capital recognised for capital adequacy		378,476
64	Excess Additional Tier 1 capital recognised in Tier 2 capital		-
65	Total Tier 2 capital admissible for capital adequacy		378,476
	TOTAL CAPITAL (T1 + admissible T2)		**6,445,921**

38.6 Main features of regulatory capital instruments

	Main Features	Common Shares
1	Issuer	BankIslami Pakistan Limited
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	BIPL - CDC Symbol
3	Governing law(s) of the instrument	Listing Regulations of Karachi Stock Exchange Limited
	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)	5,758,721
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	No
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

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*Including sub-branches

38.7 Risk-weighted exposures

	Capital requirements		Risk weighted assets	
	2014	2013	2014	2013
	Rupees in '000			
Credit Risk				
Portfolios subject to on-balance sheet exposure (Simple Approach)				
Cash and cash equivalents	-	-	-	-
Sovereign	8,077	15,171	44,873	104,625
Public sector entities	53,048	154,205	294,713	1,063,486
Banks	333,379	217,226	1,852,107	1,498,111
Corporate	3,757,427	3,121,209	20,874,593	21,525,577
Retail	241,597	62,742	1,342,207	432,706
Residential mortgage	273,206	145,638	1,517,813	1,004,403
Past due loans	92,944	117,842	516,354	812,705
Operating fixed assets	601,375	424,782	3,340,971	2,929,530
All other assets	169,746	157,372	943,032	1,085,325
Portfolios subject to off-balance sheet exposure - non market related (Simple approach)				
Banks	412	358	2,290	2,467
Corporate	259,725	255,209	1,442,917	1,760,064
Retail	1,011	276	5,615	1,901
Others	13,459	28,845	74,771	198,928
Portfolios subject to off-balance sheet exposures - market related (Current exposure method)				
Banks	4,271	452	23,727	3,116
Customers	1,424	-	7,912	-
Equity Exposure Risk in the Banking Book				
Unlisted equity investments held in banking book	-	-	-	-
Recognised portion of significant investment	13,663	-	75,905	-
Market Risk				
Capital Requirement for portfolios subject to Standardised Approach				
Interest rate risk	2,389	42	29,862	525
Equity position risk	8	6	100	75
Foreign Exchange risk	11,856	8,130	148,200	101,625
Operational Risk				
Capital requirement for operational risk	485,007	429,633	6,062,588	5,370,413
TOTAL	6,324,024	5,139,138	38,600,550	37,895,582

	Required	Actual	Required	Actual
	December-14		December-13	
Capital Adequacy Ratio				
CET1 to total RWA	5.50%	15.72%	5.00%	14.23%
Tier-1 capital to total RWA	7.00%	15.72%	6.50%	14.23%
Total capital to total RWA	18.00% *	16.70%	14.50%	15.37%

* Refer note 1.2

39 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 institution's 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 Bank's 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.

39.1 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 customer 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.

39.1.1 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.

39.1.1.1 Segments by class of business

	2014					
	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	**-**	**0.00%**	**4,291,801**	**4.75%**	**22,016**	**0.37%**
Mining and Quarrying	**-**	**0.00%**	**815,183**	**0.90%**	**-**	**0.00%**
Textile	**3,537,087**	**8.48%**	**613,279**	**0.68%**	**532,935**	**8.90%**
Chemical and Pharmaceuticals	**3,416,461**	**8.19%**	**1,177,077**	**1.31%**	**98,496**	**1.64%**
Cement	**482,532**	**1.16%**	**237,726**	**0.26%**	**82,857**	**1.38%**
Sugar	**3,762,338**	**9.02%**	**1,503,756**	**1.66%**	**500,500**	**8.36%**
Footwear and Leather garments	**16,156**	**0.04%**	**66,041**	**0.07%**	**29,157**	**0.49%**
Automobile and transportation equipment	**906,866**	**2.17%**	**1,671,568**	**1.85%**	**1,340,978**	**22.39%**
Education	**4,300**	**0.01%**	**995,389**	**1.11%**	**4,621**	**0.08%**
Electronics and electrical appliances	**4,179,678**	**10.02%**	**212,370**	**0.24%**	**18,343**	**0.31%**
Production and transmission of energy	**-**	**0.00%**	**231,158**	**0.26%**	**45,313**	**0.76%**
Construction	**3,490,534**	**8.37%**	**1,101,911**	**1.22%**	**838,804**	**14.00%**
Power (electricity), Gas, Water, Sanitary	**2,505,653**	**6.01%**	**12,688**	**2.00%**	**500,000**	**8.35%**
Wholesale and Retail Trade	**695,827**	**1.67%**	**27,844,158**	**30.82%**	**491,750**	**8.21%**
Exports/Imports	**2,946,367**	**7.07%**	**128,611**	**0.14%**	**73,273**	**1.22%**
Transport, Storage and Communication	**246,657**	**0.59%**	**397,939**	**0.44%**	**493,777**	**8.24%**
Financial	**1,065,283**	**2.55%**	**1,311,457**	**1.45%**	**14,134**	**0.24%**
Insurance	**13,505**	**0.03%**	**847,934**	**0.94%**	**-**	**0.00%**
Services	**981,423**	**2.35%**	**2,926,123**	**3.24%**	**387,453**	**6.47%**
Individuals	**7,306,839**	**17.53%**	**34,246,086**	**37.91%**	**36,401**	**0.60%**
Food and beverages	**5,102,416**	**12.24%**	**2,437,603**	**2.70%**	**99,227**	**1.66%**
Private Trust & NGO	**18,867**	**0.05%**	**2,809,104**	**3.11%**	**3,642**	**0.06%**
Packing and Paper products	**100,751**	**0.24%**	**4,400**	**0.00%**	**4,362**	**0.07%**
Others*	**918,576**	**2.21%**	**4,447,635**	**4.92%**	**371,651**	**6.20%**
	41,698,116	**100%**	**90,330,997**	**100%**	**5,989,690**	**100%**

	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%
	38,932,046	100.00%	75,225,869	100.00%	10,377,342	100.00%

* Others include sole proprietors, fund accounts and 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.

39.1.1.2 Segment by sector

	2014					
	Islamic financing and related assets		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	2,246,310	5%	4,272,070	5%	1,258,224	21%
Private	39,451,806	95%	86,058,927	95%	4,731,466	79%
	41,698,116	100%	90,330,997	100%	5,989,690	100%

	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%	3,474,727	5%	1,236,700	12%
Private	37,137,568	95%	71,751,142	95%	9,140,642	88%
	38,932,046	100%	75,225,869	100%	10,377,342	100%

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

	2014		2013	
	Classified Islamic financing and related assets	Specific provisions held	Classified Islamic financing and related assets	Specific provisions held
	------------- Rupees in '000 -------------			
Wholesale and Retail trade	97,598	31,382	23,020	16,648
Agriculture, Forestry, Hunting and Fishing	-	-	-	-
Textile	167,370	161,157	261,766	244,403
Chemical and Pharmaceuticals	13,573	2,339	13,772	200
Power (electricity), Gas, Water, Sanitary	703	73	4,950	1,013
Cement	23,250	23,250	23,250	23,250
Electronics and electrical appliances	3,217	1,366	-	-
Construction	224,044	123,719	284,251	99,747
Services	9,285	5,990	9,886	4,782
Financial	1,101	524	517	305
Paper Product	22,807	9,722	73,073	10,274
Food and Beverages	17,041	17,041	-	-
Individuals	476,527	146,208	396,285	157,280
Others	5,413	1,643	18,101	17,941
	1,061,929	524,414	1,108,871	575,843

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

	2014		2013	
	Classified Islamic financing and related assets	Specific provisions held	Classified Islamic financing and related assets	Specific provisions held
	Rupees in '000			
Public / Government	-	-	-	-
Private	1,061,929	524,414	1,108,871	575,843
	1,061,929	524,414	1,108,871	575,843

39.1.1.5 Geographical segment analysis

	2014			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rupees in '000			
Pakistan	469,722	101,984,149	6,867,220	5,989,690

	2013			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rupees in '000			
Pakistan	308,152	86,855,594	6,242,201	10,377,342

39.1.2 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.

39.1.2.1 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

	2014			2013		
Exposures	**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	2014			2013		
			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%	2,081,179	607,612	1,473,567	2,591,808	154	2,591,654
	2,3	50%	-	-	-	-	-	-
	4,5	100%	-	-	-	-	-	-
	6	150%	-	-	-	-	-	-
	Unrated	50%	870,020	720,478	149,542	1,090,545	232	1,090,313
Claims on Corporates (excluding equity exposures)		0%			-	-	-	-
	1	20%	3,733,493	-	3,733,493			
	2	50%	2,727,875	50,538	2,677,337	3,317,887	19,476	3,298,411
	3,4	100%	4,187	518	3,669	5,814	855	4,959
	5,6	150%	-	-	-	171,896	4,783	167,113
	Unrated 1	100%	21,338,836	7,703,615	13,635,221	25,409,055	5,506,617	19,902,438
	Unrated 2	115%	6,769,025	1,035,762	5,733,263	-	-	-
Claims categorized as retail portfolio		0%	-	-	-	-	-	-
		20%	-	-	-	-	-	-
		50%	-	-	-	-	-	-
		75%	2,378,196	581,100	1,797,096	915,027	338,086	576,941
Past Due loans:								
1.1 where specific provisions are less than 20 percent of the outstanding amount of the past due claim.		150%	472,940	322,697	150,243	406,472	60,174	346,298
1.2 where specific provisions are no less than 20 percent of the outstanding amount of the past due claim.		100%	21,347	6,268	15,079	59,216	2,985	56,231
1.3 where specific provisions are more than 50 percent of the outstanding amount of the past due claim.		50%	44,126	29,314	14,812	38,370	5,608	32,762
2. Loans and claims fully secured against eligible residential mortgages that are past due for more than 90 days and/or impaired		100%	231,655	-	231,655			
3. Loans and claims fully secured against eligible residential mortgage that are past due by 90 days and /or impaired and specific provision held thereagainst is more than 20% of outstanding amount		50%	73,697	-	73,697			
All other assets		100%	943,032	-	943,032	1,119,778	50,000	1,069,778

39.1.2.2 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.

39.2 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.

39.3 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.

39.4 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.

39.4.1 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.

	2014			
	Assets	Liabilities	Off-balance Sheet	Net foreign currency exposure
	------------------------- Rupees in '000 -------------------------			
Pakistan rupee	**100,542,346**	**93,370,150**	**(453,172)**	**6,719,024**
United States dollar	**1,023,042**	**1,371,625**	**453,172**	**104,589**
Great Britain pound	**195,378**	**190,132**	**-**	**5,246**
Deutsche mark	**-**	**-**	**-**	**-**
Japanese yen	**4,928**	**2,524**	**-**	**2,404**
Euro	**187,178**	**182,498**	**-**	**4,680**
UAE Dirham	**3,426**	**-**	**-**	**3,426**
ACU	**19,533**	**-**	**-**	**19,533**
CHF	**1,230**	**-**	**-**	**1,230**
AUD	**5,263**	**-**	**-**	**5,263**
Saudi Riyal	**1,825**	**-**	**-**	**1,825**
	101,984,149	**95,116,929**	**-**	**6,867,220**

	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
	86,855,594	80,613,393	-	6,242,201

39.4.2 MISMATCH OF YIELD / PROFIT RATE SENSITIVE ASSETS AND LIABILITIES

	2014												
	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	Above 10 Years	Non-profit bearing financial instruments
			Rupees in '000										
On-balance sheet financial instruments													
Assets													
Cash and balances with Treasury Banks		6,361,444	-	-	-	-	-	-	-	-	-	-	6,361,444
Balances with other Banks	6.00%	733,523	89	-	-	-	-	-	-	-	-	-	733,434
Due from financial institutions	9.70%	18,143,574	5,002,671	1,024,308	1,362,229	10,754,366							
Investments	9.23%	30,654,552	334,114	10,322,680	19,533,768	463,990							
Islamic financing and related assets	11.88%	41,097,058	6,913,026	9,761,128	8,363,141	1,075,376	3,226,503	166,165	409,925	874,371	14,050	973,699	9,319,674
Other assets		1,447,545											1,447,545
		98,437,696	12,249,900	21,108,116	29,259,138	1,075,376	13,980,869	166,165	409,925	874,371	14,050	973,699	18,326,087
Liabilities													
Bills payable		918,435	918,435										
Due to financial institutions	6.36%	561,000	561,000	-									
Deposits and other accounts	5.07%	90,330,997	7,068,734	4,757,051	6,170,384	-	9,183,540	19,302,005	20,068,532	4,958,787	1,617,561	-	17,204,403
Other liabilities		3,044,776											3,044,776
		94,855,208	7,068,734	5,318,051	6,170,384	-	9,183,540	19,302,005	20,068,532	4,958,787	1,617,561	-	21,167,614
On-balance sheet gap		3,582,488	5,181,166	15,790,065	23,088,754	1,075,376	4,797,329	(19,135,840)	(19,658,607)	(4,084,416)	(1,603,511)	973,699	(2,841,527)
NON FINANCIAL ASSETS													
Operating fixed assets		3,380,168											
Deferred tax assets		-											
Other assets		166,285											
		3,546,453											
NON FINANCIAL LIABILITIES													
Deferred tax liabilities		199,683											
Other liabilities		62,038											
TOTAL NET ASSETS		6,867,220											
Total Yield / Profit Risk Sensitivity Gap			5,181,166	15,790,065	23,088,754	1,075,376	4,797,329	(19,135,840)	(19,658,607)	(4,084,416)	(1,603,511)	973,699	(2,841,527)
Cumulative Yield/Profit Risk Sensitivity Gap			5,181,166	20,971,231	44,059,985	45,135,361	49,932,690	30,796,850	11,138,243	7,053,827	5,450,316	6,424,015	(2,841,527)

	Effective Yield / Profit rate	Total	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	Above 10 Years	Non-profit bearing financial instruments
	2013												
			Exposed to Yield / Profit risk										
			Rupees in '000										
On-balance sheet financial instruments													
Assets													
Cash and balances with Treasury Banks		4,883,478	-	-	-	-	-	-	-	-	-	-	4,883,478
Balances with other Banks	6.00%	967,557	-	126	-	-	-	-	-	-	-	-	967,431
Due from financial institutions	10.00%	6,511,173	6,511,173	-	-	-	-	-	-	-	-	-	-
Investments	9.00%	31,610,287	849,426	30,290,269	-	-	-	-	-	-	-	-	470,592
Islamic financing and related assets	12.00%	38,308,733	6,328,005	9,541,181	3,338,419	720,530	720,530	211,518	188,782	282,872	16,382	821,338	16,139,176
Other assets		700,387	-	-	-	-	-	-	-	-	-	-	700,387
		82,981,615	13,688,604	39,831,576	3,338,419	720,530	720,530	211,518	188,782	282,872	16,382	821,338	23,161,064
Liabilities													
Bills payable		835,562	-	-	-	-	-	-	-	-	-	-	835,562
Due to financial institutions	7.00%	2,538,000	2,538,000	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	6.00%	75,225,869	32,565,333	3,827,509	5,064,650	4,376,317	4,376,317	2,755,989	2,226,063	4,696,465	2,714,748	-	12,622,478
Other liabilities		1,754,337	-	-	-	-	-	-	-	-	-	-	1,754,337
		80,353,768	35,103,333	3,827,509	5,064,650	4,376,317	4,376,317	2,755,989	2,226,063	4,696,465	2,714,748	-	15,212,377
On-balance sheet gap		2,627,847	(21,414,729)	36,004,067	(1,726,231)	(3,655,787)	(3,655,787)	(2,544,471)	(2,037,281)	(4,413,593)	(2,698,366)	821,338	7,948,687
NON FINANCIAL ASSETS													
Operating fixed assets		2,958,077											
Deferred tax assets													
Other assets		915,902											
		3,873,979											
NON FINANCIAL LIABILITIES													
Deferred tax liabilities		175,589											
Other liabilities		84,036											
TOTAL NET ASSETS		6,242,201											
Total Yield / Profit Risk Sensitivity Gap			(21,414,729)	36,004,067	(1,726,231)	(3,655,787)	(3,655,787)	(2,544,471)	(2,037,281)	(4,413,593)	(2,698,366)	821,338	7,948,687
Cumulative Yield/Profit Risk Sensitivity Gap			(21,414,729)	14,589,338	12,863,107	9,207,320	5,551,533	3,007,062	969,781	(3,443,812)	(6,142,178)	(5,320,840)	7,948,687

39.5 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.

BIPL'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.

MATURITIES OF ASSETS AND LIABILITIES

	2014																		
		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	
	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	6,361,444	6,361,444	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balances with other banks	733,523	733,523	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Due from financial institutions	18,143,574	-	5,002,671	-	1,024,308	-	1,362,229	-	10,754,366	-	-	-	-	-	-	-	-	-	
Investments	30,654,552	-	1,818,491	-	3,981,758	-	11,776,786	-	3,829,464	-	1,503,300	-	7,418,057	-	-	151,859	174,837	-	-
Islamic financing and related assets	41,097,058	-	9,233,169	-	13,174,080	-	7,068,334	-	3,173,609	-	1,886,468	-	1,434,223	-	1,253,765	-	1,559,665	-	2,313,745
Operating fixed assets	3,380,168	-	-	-	-	11,714	-	-	-	-	-	-	-	1,549,418	-	1,332,289	-	486,747	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	1,613,830	1,076,502	-	-	-	39,052	-	237,766	-	-	-	-	-	260,510	-	-	-	-	-
	101,984,149	8,171,469	16,054,331	-	18,180,146	50,766	20,207,349	237,766	17,757,439	-	3,389,768	-	8,852,280	1,809,928	1,253,765	1,484,148	1,734,502	486,747	2,313,745
Liabilities																			
Bills payable	918,435	918,435	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to financial institutions	561,000	561,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	90,330,997	6,512,891	3,265,723	-	4,757,052	-	6,170,384	-	9,183,540	24,360,803	2,188,465	24,360,799	2,954,992	-	4,958,787	-	1,617,561	-	-
Deferred tax liabilities	199,683	-	-	-	-	-	-	-	-	-	-	-	-	199,683	-	-	-	-	-
Other liabilities	3,106,814	1,027,178	-	9,232	-	1,128,460	-	11,460	-	-	-	-	-	930,484	-	-	-	-	-
	95,116,929	9,019,504	3,265,723	9,232	4,757,052	1,128,460	6,170,384	11,460	9,183,540	24,360,803	2,188,465	24,360,799	2,954,992	1,130,167	4,958,787	-	1,617,561	-	-
Net assets	6,867,220	(848,035)	12,788,608	(9,232)	13,423,094	(1,077,694)	14,036,965	226,306	8,573,899	(24,360,803)	1,201,303	(24,360,799)	5,897,288	679,761	(3,705,022)	1,484,148	116,941	486,747	2,313,745

	Rupees in '000
Share capital	5,758,721
Discount on Issue of shares	(79,042)
Reserves	273,176
Unappropriated profit / (Accumulated loss)	266,946
Surplus on revaluation of assets	647,419
	6,867,220

	2013																		
	Total	Upto 1 Month		Over 1 to 3 Months		Over 3 to 6 Months		Over 6 Months to 1 Year		Over 1 to 2 Years		Over 2 to 3 Years		Over 3 to 5 Years		Over 5 to 10 Years		Above 10 Years	
		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	4,883,478	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	-	348,561	3,192,382	2,290,527	4,609,110	18,579,721	1,627,417	771,554	-	-	-	-	-	-	-	-	191,015	-
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	136,833	55,998	236,809	125,057	381,271	151,936	53,256	160,893	5,002	1,899	-	1,992	303,532	1,811	-	-	-	-
	86,855,594	5,987,868	12,349,618	3,622,084	20,886,157	4,990,381	24,273,141	1,680,673	3,161,986	5,002	2,175,304	-	1,415,327	303,532	1,852,205	-	792,315	191,015	3,168,986
Liabilities																			
Bills payable	835,562	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	-	5,354,650	-	9,052,634	-	20,606,524	-	20,076,597	-	5,080,965	-	2,714,748	-	-	-
Deferred tax liabilities	175,589	-	-	-	-	-	-	-	-	-	-	-	-	175,589	-	-	-	-	-
Other liabilities	1,838,373	236,998	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	-	-	-	-
	80,613,393	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

39.6 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 polices, 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.

39.7 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.

39.8 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.

39.9 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.

40 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		Face Value	
		2014	2013	**2014**	2013
				------Rupees in '000-----	
Insurance Companies	Sukuks	**1**	1	**220,000**	220,000
Asset Management Companies	Sukuks	**26**	26	**1,455,665**	1,455,665
Employee Funds / NGO's	Sukuks	**6**	6	**79,500**	79,500
Individuals	Sukuks	**10**	10	**108,370**	108,370
Others	Sukuks	**21**	20	**4,846,465**	3,621,465
		64	63	**6,710,000**	5,485,000

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

The Bank maintained the following pools for profit declaration and distribution during the year ended December 31, 2014:

i) General Deposit Mudarabah Pool (PKR, USD, EUR & GBP);
ii) Musharakah Pool under SBP's Islamic Export Refinance Scheme; and
iii) 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 channelled 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 to cater 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 Mudaraba.

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 the Bank 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 Bank's IERS Musharakah pool. IERS pool consists of blue chip companies to whom the Bank 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 a nascent 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 39.1 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 the Bank as Mudarib. The direct expenses charged to the pool are direct cost in financing / investment transactions (i.e. Murabaha, Ijarah, Diminishing Musharakah, 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 the Bank 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	10.97%	61.88%	38.12%	2,580,853	6.51%	23.76%	804,291
USD Pool	Monthly	1.64%	53.09%	46.91%	7,441	0.85%	6.18%	490

	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	9.62%	27.59%	72.41%	115,465	7.80%	0.00%	-

(ii) In addition to the above, 167 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.

42 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on March 6, 2015 have transferred an amount of Rs 250 million out of "unappropriated profit" to "reserve for bad debts and contingencies". The financial statements for the year ended December 31, 2014 do not include the effect of this appropriation which will be accounted for in the financial statements for the year ending December 31, 2015.

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.

44 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on March 06, 2015 by the Board of Directors of the Bank.

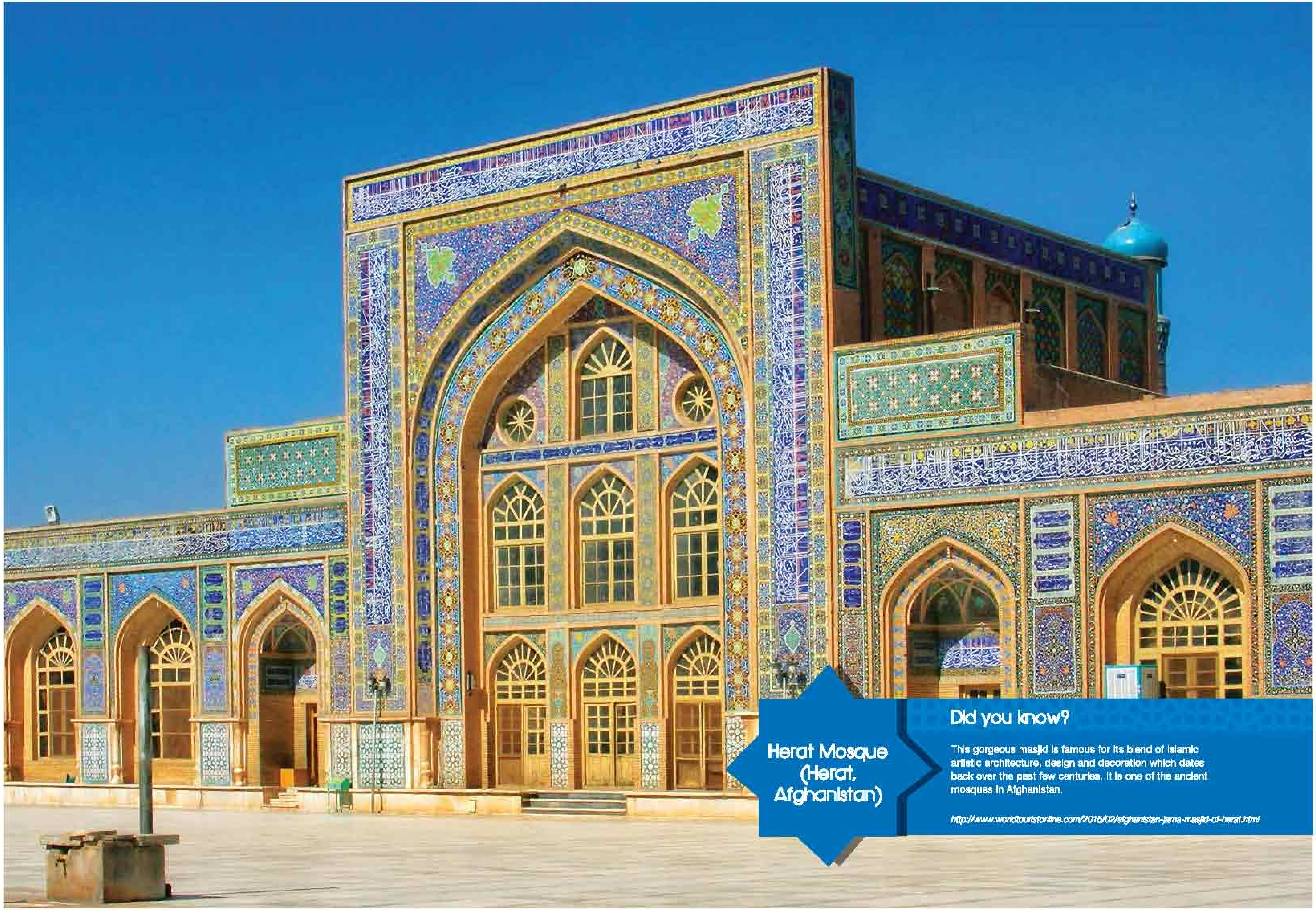
CHAIRMAN	PRESIDENT / CHIEF EXECUTIVE	DIRECTOR	DIRECTOR

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 ------						
Phone	521	521	-	521	521	Takaful Claim	Pak Qatar General Takaful Limited
Laptop	114	51	63	114	51	Takaful Claim	Pak Qatar General Takaful Limited
Monitors	9	9	-	9	9	Takaful Claim	Pak Qatar General Takaful Limited
Imal Server	180	180	-	180	180	Takaful Claim	Pak Qatar General Takaful Limited
Imal Hardware	246	246	-	246	246	Takaful Claim	Pak Qatar General Takaful Limited
Hard Disk	233	233	-	233	233	Takaful Claim	Pak Qatar General Takaful Limited
Hard Disk	246	246	-	246	246	Takaful Claim	Pak Qatar General Takaful Limited
Hard Disk	246	246	-	246	246	Takaful Claim	Pak Qatar General Takaful Limited
Monitors	11	11	-	11	11	Takaful Claim	Pak Qatar General Takaful Limited
Laptop	65	65	-	65	65	Takaful Claim	Pak Qatar General Takaful Limited
UPS	269	269	-	269	269	Takaful Claim	Pak Qatar General Takaful Limited
Electronic Ticker	91	91	-	91	91	Takaful Claim	Pak Qatar General Takaful Limited
IP Phone System	237	237	-	237	237	Takaful Claim	Pak Qatar General Takaful Limited
Phone	130	130	-	130	130	Takaful Claim	Pak Qatar General Takaful Limited
Desktop PC	27	26	1	20	19	Takaful Claim	Pak Qatar General Takaful Limited
CISCO IP Phone	16	16	-	16	16	Takaful Claim	Pak Qatar General Takaful Limited
LCD Monitors	11	11	-	11	11	Takaful Claim	Pak Qatar General Takaful Limited
Server Power Supply	22	21	1	22	21	Takaful Claim	Pak Qatar General Takaful Limited
LCD Monitors	11	11	-	11	11	Takaful Claim	Pak Qatar General Takaful Limited
Imal Hardware	243	243	-	243	243	Takaful Claim	Pak Qatar General Takaful Limited
LCD Monitors	11	11	-	11	11	Takaful Claim	Pak Qatar General Takaful Limited
Laptops	133	39	94	133	39	Takaful Claim	Pak Qatar General Takaful Limited
Electronic Ticker	78	78	-	78	78	Takaful Claim	Pak Qatar General Takaful Limited
Video Cameras	8	8	-	8	8	Takaful Claim	Pak Qatar General Takaful Limited
UPS	15	15	-	15	15	Takaful Claim	Pak Qatar General Takaful Limited
HP Thin Client	12	12	-	12	12	Takaful Claim	Pak Qatar General Takaful Limited
CCTV Camera	8	8	-	8	8	Takaful Claim	Pak Qatar General Takaful Limited
CISCO IP Phone	18	18	-	18	18	Takaful Claim	Pak Qatar General Takaful Limited
Electronic Queue System	57	57	-	57	57	Takaful Claim	Pak Qatar General Takaful Limited
CISCO IP Phone	65	65	-	65	65	Takaful Claim	Pak Qatar General Takaful Limited
Electronic Ticker	90	87	3	90	87	Takaful Claim	Pak Qatar General Takaful Limited
CCTV Camera	8	8	-	8	8	Takaful Claim	Pak Qatar General Takaful Limited
CCTV Camera	8	8	-	8	8	Takaful Claim	Pak Qatar General Takaful Limited
UPS	15	15	-	15	15	Takaful Claim	Pak Qatar General Takaful Limited
Electronic Queue System	10	10	-	10	10	Takaful Claim	Pak Qatar General Takaful Limited
CCTV Camera	8	8	-	8	8	Takaful Claim	Pak Qatar General Takaful Limited
IP Phone System	224	224	-	224	224	Takaful Claim	Pak Qatar General Takaful Limited
CCTV Camera	8	8	-	8	8	Takaful Claim	Pak Qatar General Takaful Limited
ATM Machine	48	45	3	48	45	Takaful Claim	Pak Qatar General Takaful Limited
LCD Monitors	9	9	-	9	9	Takaful Claim	Pak Qatar General Takaful Limited
LCD Monitors	9	9	-	9	9	Takaful Claim	Pak Qatar General Takaful Limited
LCD Monitors	11	11	-	11	11	Takaful Claim	Pak Qatar General Takaful Limited
LCD Monitors	11	11	-	11	11	Takaful Claim	Pak Qatar General Takaful Limited
CCTV Camera	8	8	-	8	8	Takaful Claim	Pak Qatar General Takaful Limited
Desktop PC	40	40	-	40	40	Takaful Claim	Pak Qatar General Takaful Limited
CCTV Camera	43	43	-	43	43	Takaful Claim	Pak Qatar General Takaful Limited
Desktop PC	5	5	-	5	5	Takaful Claim	Pak Qatar General Takaful Limited
ATM Machine	29	21	8	29	21	Takaful Claim	Pak Qatar General Takaful Limited
Server	43	43	-	43	43	Takaful Claim	Pak Qatar General Takaful Limited
Laptops	5	5	-	5	5	Bank Policy	Usman Alvi-Area Manager - DHA Y Block LHR

Asset description	Asset Cost	Accumulated depreciation	WDV	Sale proceeds	Gain/ (loss) on disposal	Mode of disposal	Particulars of Buyer
	---------------------- Rupees in thousand				----------------------		
LCD Monitors	12	11	1	12	11	Takaful Claim	Pak Qatar General Takaful Limited
IP Phone System	18	18	-	18	18	Takaful Claim	Pak Qatar General Takaful Limited
LCD Monitors	10	9	1	10	9	Takaful Claim	Pak Qatar General Takaful Limited
LCD Monitors	12	11	1	12	11	Takaful Claim	Pak Qatar General Takaful Limited
Electronic Ticker	53	53	-	53	53	Takaful Claim	Pak Qatar General Takaful Limited
Monitors	12	11	1	12	11	Takaful Claim	Pak Qatar General Takaful Limited
IP Phone System	18	18	-	18	18	Takaful Claim	Pak Qatar General Takaful Limited
IP Phone System	19	19	-	19	19	Takaful Claim	Pak Qatar General Takaful Limited
Monitors	12	11	1	12	11	Takaful Claim	Pak Qatar General Takaful Limited
CISCO IP Phone	10	10	-	10	10	Takaful Claim	Pak Qatar General Takaful Limited
Thin Client System	98	98	-	98	98	Takaful Claim	Pak Qatar General Takaful Limited
LCD Monitors	10	9	1	10	9	Takaful Claim	Pak Qatar General Takaful Limited
CCTV Camera	8	8	-	8	8	Takaful Claim	Pak Qatar General Takaful Limited
LCD Monitors	10	9	1	10	9	Takaful Claim	Pak Qatar General Takaful Limited
LCD Monitors	10	9	1	10	9	Takaful Claim	Pak Qatar General Takaful Limited
IP Phone System	18	18	-	18	18	Takaful Claim	Pak Qatar General Takaful Limited
LCD Monitors	12	11	1	12	11	Takaful Claim	Pak Qatar General Takaful Limited
Electronic Ticker	215	215	-	215	215	Takaful Claim	Pak Qatar General Takaful Limited
LCD Monitors	12	11	1	12	11	Takaful Claim	Pak Qatar General Takaful Limited
LCD Monitors	12	11	1	12	11	Takaful Claim	Pak Qatar General Takaful Limited
Thin Client Systems	59	59	-	59	59	Takaful Claim	Pak Qatar General Takaful Limited
CISCO IP Phone	19	19	-	19	19	Takaful Claim	Pak Qatar General Takaful Limited
CISCO IP Phone	18	18	-	18	18	Takaful Claim	Pak Qatar General Takaful Limited
CISCO IP Phone	19	19	-	19	19	Takaful Claim	Pak Qatar General Takaful Limited
LCD Monitors	12	11	1	12	11	Takaful Claim	Pak Qatar General Takaful Limited
LCD Monitors	12	11	1	12	11	Takaful Claim	Pak Qatar General Takaful Limited
LCD Monitors	12	11	1	12	11	Takaful Claim	Pak Qatar General Takaful Limited
CISCO IP Phone	19	19	-	19	19	Takaful Claim	Pak Qatar General Takaful Limited
LCD Monitors	12	11	1	12	11	Takaful Claim	Pak Qatar General Takaful Limited
Laptop	55	11	44	55	11	Takaful Claim	Pak Qatar General Takaful Limited
LCD Monitors	12	11	1	12	11	Takaful Claim	Pak Qatar General Takaful Limited
LCD Monitors	10	9	1	10	9	Takaful Claim	Pak Qatar General Takaful Limited
LCD Monitors	12	11	1	12	11	Takaful Claim	Pak Qatar General Takaful Limited
CISCO IP Phones	14	7	7	14	7	Takaful Claim	Pak Qatar General Takaful Limited
Note Counting Machine	32	32	-	1	1	Trade In Basis	Asian Machines & Technologies
CISCO IP Phones	18	18	-	18	18	Takaful Claim	Pak Qatar General Takaful Limited
Note Counting Machine	32	32	-	1	1	Trade In Basis	Asian Machines & Technologies
Note Binding Machine	16	16	-	1	1	Trade In Basis	Asian Machines & Technologies
Note Counting Machine	26	26	-	1	1	Trade In Basis	Asian Machines & Technologies
Note Counting Machine	31	31	-	1	1	Trade In Basis	Asian Machines & Technologies
Note Binding Machine	17	17	-	1	1	Trade In Basis	Asian Machines & Technologies
Note Counting Machine	34	34	-	1	1	Trade In Basis	Asian Machines & Technologies
D-Link Print Server	7	4	3	7	4	Takaful Claim	Pak Qatar General Takaful Limited
CISCO IP Phone 7912	19	19	-	19	19	Takaful Claim	Pak Qatar General Takaful Limited
Note Binding Machine	16	16	-	1	1	Trade In Basis	Asian Machines & Technologies
Note Binding Machine	17	17	-	1	1	Trade In Basis	Asian Machines & Technologies
Note Binding Machine	17	17	-	1	1	Trade In Basis	Asian Machines & Technologies
Note Binding Machine	17	17	-	1	1	Trade In Basis	Asian Machines & Technologies
Note Counting Machine	40	40	-	1	1	Trade In Basis	Asian Machines & Technologies
Laptop	70	70	-	5	5	Bank Policy	Rehan Siddiqui-Unit Head Data Base Administrator ISD
Note Counting Machine	31	31	-	1	1	Trade In Basis	Asian Machines & Technologies
Note Counting Machine	31	31	-	1	1	Trade In Basis	Asian Machines & Technologies
Total	**5,302**	**5,057**	**245**	**4,887**	**4,642**		



Herat Mosque (Herat, Afghanistan)

Did you know?

This gorgeous masjid is famous for its blend of Islamic artistic architecture, design and decoration which dates back over the past few centuries. It is one of the ancient mosques in Afghanistan.

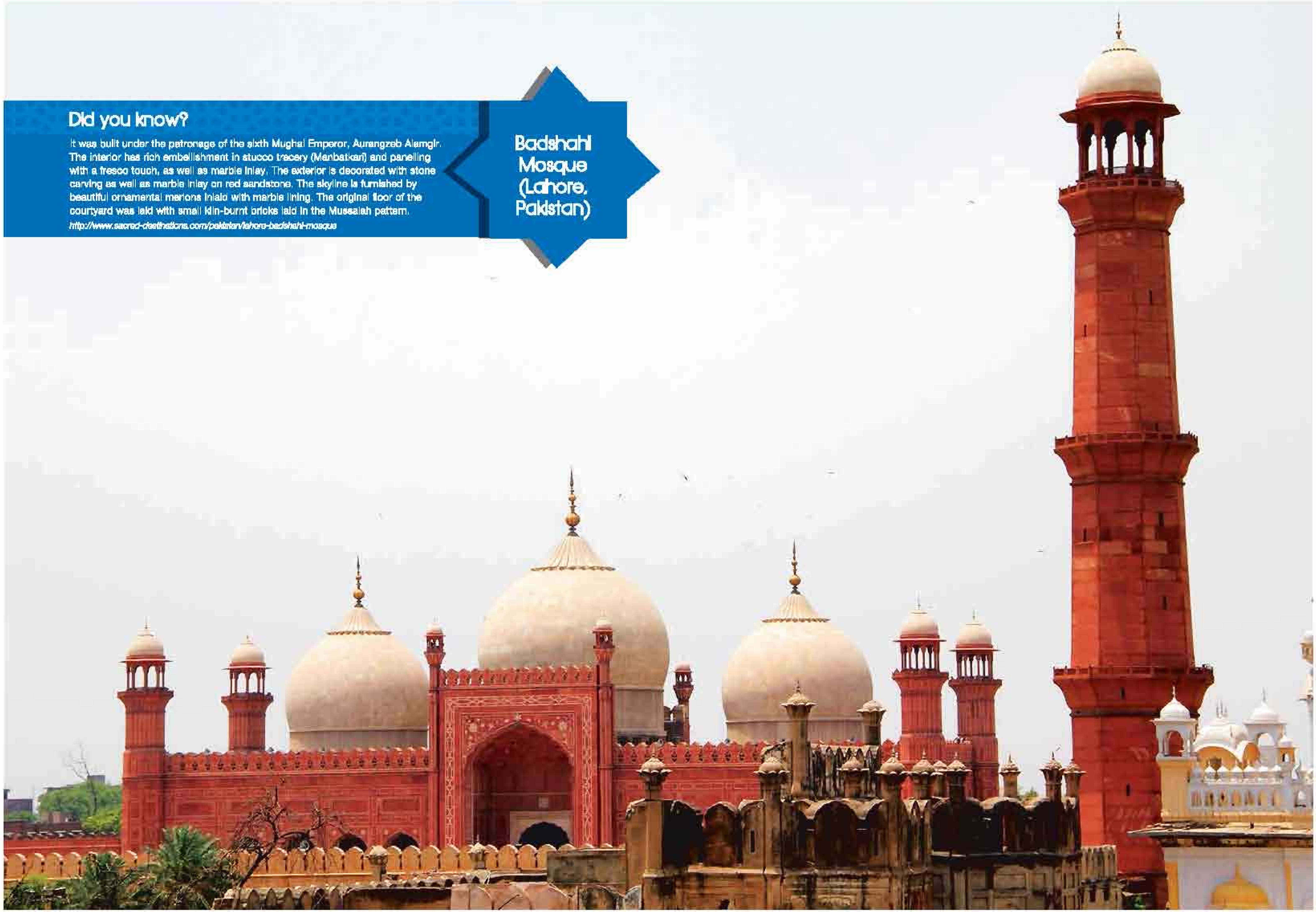
http://www.worldtouristonline.com/2015/02/afghanistan-jama-masjid-of-herat.html

Badshahi Mosque (Lahore, Pakistan)

Did you know?

It was built under the patronage of the sixth Mughal Emperor, Aurangzeb Alamgir. The interior has rich embellishment in stucco tracery (Manbatkari) and panelling with a fresco touch, as well as marble inlay. The exterior is decorated with stone carving as well as marble inlay on red sandstone. The skyline is furnished by beautiful ornamental merlons inlaid with marble lining. The original floor of the courtyard was laid with small kiln-burnt bricks laid in the Mussalah pattern.

http://www.sacred-destinations.com/pakistan/lahore-badshahi-mosque



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, 2014. The highlights of the year under review are:

	Dec-14	Dec-13	Growth (%)
	--------- Rupees in million ---------		
Total Deposits	**90,331**	75,170	20.17
Total Assets	**101,992**	86,801	17.50
Total Financing	**41,097**	38,309	7.28
Total Investments	**30,511**	31,429	-2.92
Shareholder's Equity (including revaluation)	**6,873**	6,246	10.04
Branches	**213**	201	5.97
Basic Earnings/(loss) per share - rupees	**0.58**	0.35	65.71

Our Group performance remained satisfactory. The Group has been able to post growth in its deposits by 20.17%, Financings by 7.28% and Total Assets by 17.50%.

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 06, 2015

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, 2014 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, 2014 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 the bank and non-compliance with the required Capital Adequacy Ratio (CAR) as at December 31, 2014. Our opinion is not qualified in respect of this matter.

Affergusonn & Co.

Chartered Accountants
Engagement Partner: **Syed Fahim ul Hasan**
Dated: March 06, 2015
Karachi

Consolidated Statement of Financial Position

As at December 31, 2014

	Note	2014	2013
		------- Rupees in '000 -------	
ASSETS			
Cash and balances with treasury banks	6	6,361,444	4,883,483
Balances with other banks	7	847,890	1,018,717
Due from financial institutions - net	8	18,143,574	6,511,173
Investments	9	30,511,422	31,429,302
Islamic financing and related assets - net	10	41,097,058	38,308,733
Operating fixed assets	11	3,387,282	2,966,620
Deferred tax assets		-	-
Other assets - net	12	1,643,247	1,682,910
		101,991,917	86,800,938
LIABILITIES			
Bills payable	13	918,435	835,562
Due to financial institutions	14	561,000	2,538,000
Deposits and other accounts	15	90,330,870	75,169,991
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities	16	199,348	175,216
Other liabilities	17	3,109,455	1,836,286
		95,119,108	80,555,055
NET ASSETS		6,872,809	6,245,883
REPRESENTED BY			
Share capital	18	5,758,721	5,279,679
Discount on Issue of shares		(79,042)	-
Reserves	19	273,176	210,446
Unappropriated profit		269,349	27,199
		6,222,204	5,517,324
Surplus on revaluation of assets - net of tax	20	650,605	728,559
		6,872,809	6,245,883
CONTINGENCIES AND COMMITMENTS	21		

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, 2014

	Note	2014	2013
		------- Rupees in '000 -------	
Profit / return earned	22	7,819,383	6,290,316
Profit / return expensed	23	4,456,040	3,781,106
Net spread earned		3,363,343	2,509,210
Reversal of provision / (provision) against non-performing Islamic financing and related assets - net	10.14	(22,255)	122,746
Reversal of provision against diminution in the value of investments	9.7	787	-
Bad debts written off directly		455	-
		(21,013)	122,746
Net spread after provisions		3,384,356	2,386,464
OTHER INCOME			
Fee, commission and brokerage income		387,333	292,186
Dividend Income		-	295
Income from dealing in foreign currencies		172,356	76,159
Gain on sale of securities	24	32,173	6,709
Unrealised gain on revaluation of investments classified as held for trading		-	-
Other income	25	40,241	78,855
Total other income		632,103	454,204
		4,016,459	2,840,668
OTHER EXPENSES			
Administrative expenses	26	3,471,672	2,493,897
Other provisions / write offs	12.3 & 12.4	62,243	4,043
Other charges	27	12,666	30,189
Total other expenses		3,546,581	2,528,129
		469,878	312,539
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		469,878	312,539
Taxation			
- Current	28	84,890	68,254
- Prior years	28	-	-
- Deferred	28	71,548	55,475
		156,438	123,729
PROFIT AFTER TAXATION		313,440	188,810
		--------- Rupees ---------	
			(Re-stated)
Basic earnings per share	29	0.5774	0.3533
Diluted earnings per share	29	0.5774	0.3533

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

CHAIRMAN	PRESIDENT / CHIEF EXECUTIVE	DIRECTOR	DIRECTOR

Home Remittance

Home Remittance – Now even more convenient...

With BankIslami's ***MoneyGram.*** service, you can receive money sent to you from abroad by your loved ones, from any BankIslami branch nationwide.

BankIslami's ***MoneyGram.*** service comes with the following features:

- Quick Account Opening facility
- Service available at BankIslami's 213 branches in 80 cities
- Money transfer from ***MoneyGram.*** outlets in 200 countries worldwide
- Bank account not required for receiving ***MoneyGram.*** payment from any BankIslami branch

Islami Bachat Account

BankIslami's **Bachat Account,** which is based on Sharia'h compliant mode of "Mudarabah" and is Authenticated by a renowned Sharia'h Board.

Islami Bachat Account offers the following pure Islamic banking solutions while keeping your values intact.

- Halal Profit payment on monthly basis
- VISA Debit Card facility
- Nationwide network of 213* online branches in 80 cities
- Online Banking facility
- SMS Alerts Plus facility
- Internet Banking facility

*Including sub-branches

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2014

	Note	2014	2013
		------- Rupees in '000 -------	
Profit after taxation for the year		**313,440**	188,810
Items that may not be reclassified to profit and loss account in subsequent periods			
Remeasurement of defined benefit plan		**(24,796)**	(12,660)
Tax or remeasurement of defined benefit plan		**8,686**	4,429
		(16,110)	(8,231)
Comprehensive income transferred to statement of changes in equity		**297,330**	180,579
Components of comprehensive income not reflected in equity			
Deficit on revaluation of available for sale investments - net of tax		**(198,319)**	(20,195)
Total comprehensive income for the year		**99,011**	160,384

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, 2014

	Note	2014	2013
		------- Rupees in '000 -------	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		469,878	312,539
Less: Dividend Income		-	(295)
		469,878	312,244
Adjustments:			
Depreciation	26	329,184	228,392
Amortisation	26	15,104	29,085
Depreciation on operating Ijarah assets		657,354	514,634
(Reversal of provision) / provision against non-performing Islamic financing and related assets - net	10.14	(22,255)	122,746
Provision for diminution of in value of investments	9.7	787	-
Other / provisions		23,036	4,043
Charge for defined benefit plan	26	33,012	23,172
Gain on sale of property and equipment	25	(4,712)	(52,049)
		1,031,510	870,023
		1,501,388	1,182,267
(Increase) / decrease in operating assets			
Due from financial institutions		(11,632,401)	1,964,499
Islamic financing and related assets		(3,423,424)	(11,512,851)
Others assets (excluding advance taxation, defined benefit asset and dividend receivable)		23,469	(203,185)
		(15,032,356)	(9,751,537)
Increase / (decrease) in operating liabilities			
Bills payable		82,873	(415,448)
Due to financial institutions		(1,977,000)	916,585
Deposits and other accounts		15,160,879	11,059,375
Other liabilities (excluding current taxation)		1,273,169	265,512
		14,539,921	11,826,024
		1,008,953	3,256,754
Payments against defined benefit plan	32	(42,952)	(42,580)
Income tax paid		(97,780)	(59,786)
Net cash generated from operating activities		868,221	3,154,388
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		610,973	(2,641,983)
Dividend received		-	2
Investments in operating fixed assets		(578,947)	(470,386)
Proceeds from disposal of operating fixed assets		6,887	115,185
Net cash generated from / (used in) investing activities		38,913	(2,997,182)
CASH FLOW FROM FINANCING ACTIVITIES			
Issue of right shares		400,000	-
Net cash flow from financing activities		400,000	-
Increase in cash and cash equivalents		1,307,134	157,206
Cash and cash equivalents at beginning of the year	30	5,902,200	5,744,994
Cash and cash equivalents at end of the year	30	7,209,334	5,902,200

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, 2014

	Share capital	Discount on issue of shares	Statutory reserve (a)	Unappropriated profit / (Accumulated losses)	Total
	----------	----------	Rupees in '000	----------	----------
Balance as at January 01, 2013	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
Transfer to statutory reserve	-	-	62,730	(62,730)	-
Issue of right shares at discount	479,042	(79,042)	-	-	400,000
Profit after taxation for the year transferred from Statement of Comprehensive Income	-	-	-	313,440	313,440
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	7,550	7,550
Remeasurements of the net defined benefit liability / asset - net of tax	- -	-	-	(16,110)	(16,110)
Balance as at December 31, 2014	5,758,721	(79,042)	273,176	269,349	6,222,204

(a) This represents reserve relating to holding company created under section 21(i)(a) of the Banking Companies Ordinance, 1962.

As explained in note 10.14.1.1 to these financial statements, Rs. 316.283 million as at December 31, 2014 (December 31, 2013: Rs. 354.050 million) representing additional profit arising from availing forced sale value benefit for determining provisioning requirement is not available for the purpose of distribution of dividend to shareholders.

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

CHAIRMAN PRESIDENT / CHIEF EXECUTIVE DIRECTOR DIRECTOR

FOR THE YEAR ENDED DECEMBER 31, 2014

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 213 branches including 90 sub branches as at December 31, 2014 (2013: 201 branches including 89 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.

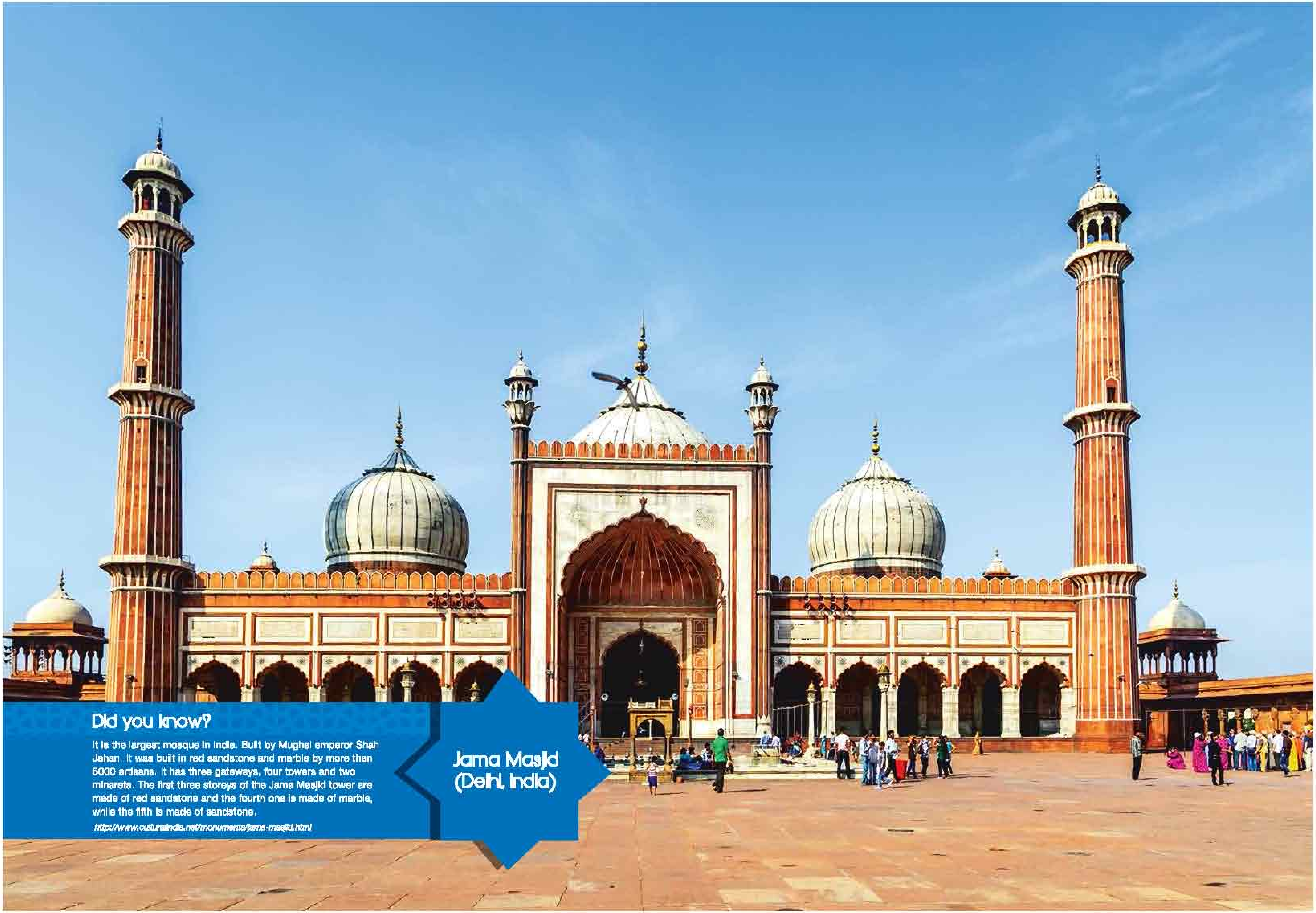
The Pakistan Credit Rating Agency (Private) Limited (PACRA) determined the Bank's long-term rating as 'A' and the short-term rating as 'A1'.

1.1.1 The SBP vide circular no. 07 of 2009 dated April 15, 2009 increased the Minimum Capital Requirement (MCR) for banks upto Rs. 10 billion which was required to be achieved in a phased manner by December 31, 2013. At that time, bank's capital was below the minimum threshold of Rs 6 billion which was required to be achieved by the Bank before December 31, 2009.

In order to meet the initial requirement of Rs 6 billion, the Board of Directors (BOD) in their meeting held on February 07, 2011 agreed to issue right shares to increase Bank's paid up capital but the issuance of right shares was delayed till 2014 due to various reasons. The SBP through various letters granted extension to the Bank in timeline for meeting MCR (free of losses) of Rs 6 billion till March 31, 2013. Further, the Bank was advised by the SBP for submission of time-bound capital injection plan to comply with the prevailing and future capital requirements. In 2013, the Bank submitted a capital injection plan duly approved by the Board of directors to the SBP. Moreover, the SBP through its letter dated March 12, 2014 enhanced capital adequacy ratio (CAR) requirement for the Bank to 18 percent till the time Bank's capital was below Rs. 6 billion.

During 2014, the Bank, after obtaining approvals from SBP and SECP has raised Rs. 400 million through issuance of 47.9 million shares at a discounted price of Rs. 8.35 per share.

Further, the Board of Directors in their meeting held on October 29, 2014 decided to raise the paid up capital further by Rs. 4.3 billion approximately through a second right issue subject to relaxation from the SBP and SECP from rule 5(i) of the Companies (issue of Capital Rules),1996, in respect of second right issue within a period of one year. Both the SBP and SECP have granted relaxations from requirement of rule 5(i) of the Companies (issue of Capital Rules), 1996 vide their letters dated November 5, 2014 and December 2, 2014 respectively.

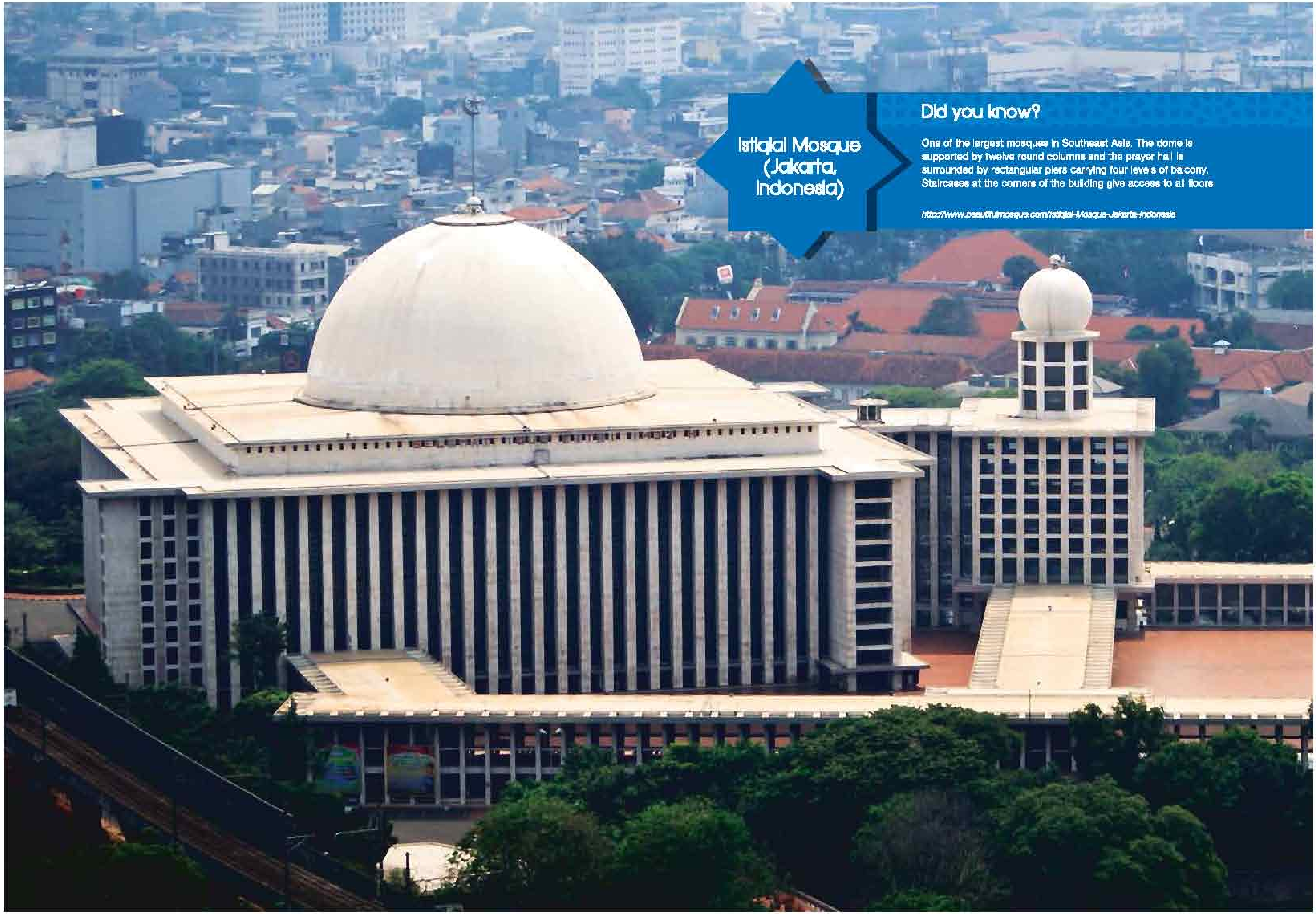


Did you know?

It is the largest mosque in India. Built by Mughal emperor Shah Jahan. It was built in red sandstone and marble by more than 5000 artisans. It has three gateways, four towers and two minarets. The first three storeys of the Jama Masjid tower are made of red sandstone and the fourth one is made of marble, while the fifth is made of sandstone.

http://www.culturalindia.net/monuments/jama-masjid.html

Jama Masjid (Delhi, India)



Istiqlal Mosque (Jakarta, Indonesia)

Did you know?

One of the largest mosques in Southeast Asia. The dome is supported by twelve round columns and the prayer hall is surrounded by rectangular piers carrying four levels of balcony. Staircases at the corners of the building give access to all floors.

http://www.beautifulmosque.com/Istiqlal-Mosque-Jakarta-Indonesia

Subsequent to the approval of SBP and SECP, the Board of Directors in their meeting held on December 30, 2014 approved the issuance of 432,040,000 right shares to all the existing shareholders in the proportion of 75.0236 right shares for every 100 ordinary shares held by them. The right issue of Rs 4.3 billion approximately has been fully underwritten and is expected to be completed in the second quarter of 2015. The Bank will be compliant with the MCR (free of losses) of Rs 10 billion after the proposed right issue of 432,040,000 shares.

The paid-up capital of the Bank (free of losses) as at December 31, 2014 amounted to Rs 5.680 billion against the required MCR of Rs 10 billion and its CAR stood at 16.70 percent against 18 percent as advised by SBP.

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, 2014.

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 Murabahah, Ijarah, Istisna, Diminishing Musharakah, Muswammah 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 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" was 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 consolidated financial statements is based on the requirements laid down by the SBP.

3.4 The SBP vide BSD Circular No. 07 dated April 20, 2010 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, is requred to 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 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year:

3.5.1 There are certain 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 therefore not detailed in these financial statements.

3.6 Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

3.6.1 IFRS 10, 'Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist where the determination of control is difficult to assess. The amendments may impact the financial statements of the Group which has not yet been quantified.

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

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, 2015 but are considered not to be relevant or will not have any significant effect on the Group's operations and therefore not detailed in these financial statements.

3.7 Early adoption of standards

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

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 32 to the consolidated financial statements have been carried at present values as determined under the 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 as applicable in Pakistan 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 significant accounting areas where various assumptions and estimates are significant to the Group's financial statements or where judgment was exercised in the application of the accounting policies 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 10.14.1.1).

(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 32).

(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, 16 and 28).

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 and subsidiaries, 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. Any basis applied in this respect should be justifiable in view of other factors present for the entity. The amount of impairment is 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

5.3.1 Islamic financing and related assets are financial products originated by the Group and principally comprise Murabahah, Istisna, Ijarah, Salam, Muswammah and Diminishing Musharakah financing and the related assets.

As a general rule, 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.

Murabahah 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 Murabahah from a third party and takes the possession thereof. However, the Group can appoint the client as its agent to purchase and take possession of the assets / goods on its behalf. Thereafter, it sells it to the client at cost plus the profit agreed upon in the promise.

Import Murabahah 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 client after getting the title to and possession of the goods. Murabahah financing is extended to all types of trade transactions i.e., under Documentary Credits (LCs), Documentary Collections and Open Accounts.

Istisna 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. Istisna is used with Wakalah agreement to provide financing mainly to manufacturers. Thus the transaction consists of two stages: (i) Bai Istisna 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.

The rentals received / receivable on Ijarah 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.

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.

Muswammah 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 Musharakah 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).

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

5.3.2 Islamic financing and related assets are stated net of general provisions and specific provisions against non-performing Islamic financing and related assets which are charged to the consolidated profit and loss account.

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 consolidated 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.

5.3.3 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 freehold land and building on leasehold land are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Freehold land and building on leasehold land are carried at revalued amount less any accumulated depreciation and subsequent impairment losses. The revaluation exercise is carried out on annual basis.

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.

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 consolidated 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, 2014 for the holding company and as at June 30, 2014 for the subsidiary company.

Amounts arising as a result of "Remeasurements", representing the actuarial gains and losses and the difference between the actual investment returns and the return implied by the net interest cost 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 on Murabahah and Commodity Murabahah is recognised over the life of Murabahah on accrual basis. Profit on Murabahah transactions for the period from the date of disbursement to the date of culmination of Murabahah is recognised immediately on the culmination date.

5.7.2 Profit from Istisna is recorded on accrual basis commencing from the time of sale of goods till the realisation of proceeds by the Group. Profit from Diminishing Musharakah, Salam and Muswammah 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 Musharakah / Mudarabah financing is recognised on an accrual basis. Actual profit / loss on Musharakah and Mudarabah financing is adjusted after declaration of profit by Musharakah partner / mudarib or on liquidation of Musharakah / Mudarabah.

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 recognised 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 transactions consummate 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 life of sukuk, using the effective yield method.

5.7.10 Moradaba management fee is determined at 10% of the profit earned each year by the Modarabas floated and managed by the subsidiary company.

5.7.11 Employees' compensated absences

The Modaraba accounts for compensated absences on the basis of un-availed earned leave balance of each employee at the end of the year. The leave balance can accumulate upto a maximum of sixty days.

5.7.12 Dividend distribution and transfer between reserve

Dividends declared and transfers between reserves made subsequent to the balance sheet date are considered as non-adjusting events and are recognised in the financial statements in the year in which such dividends are declared / transfers are made.

5.7.13 Modaraba management fee is recognised on an accrual basis.

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 case of equity futures, the fair value is calculated with reference to quoted market price. Derivatives with positive market values (i.e unrealised gains) are included in other receivables and derivatives with negative market values (i.e 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 Rupee, 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 prevailing 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 213 branches including 90 sub branches (2013: 201 branches including 89 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 the shareholders of the holding company. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders 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.

6 CASH AND BALANCES WITH TREASURY BANKS

	Note	2014	2013
		------- Rupees in '000 -------	
In hand			
- local currency		1,658,420	1,215,408
- foreign currency		254,139	189,972
		1,912,559	1,405,380
With the State Bank of Pakistan in			
- local currency current account	6.1	3,262,935	2,397,423
- foreign currency deposit accounts			
Cash Reserve Account	6.2	90,937	85,840
Special Cash Reserve Account	6.3	110,029	103,744
US Dollar Clearing Account		29,915	49,760
		230,881	239,344
With National Bank of Pakistan in			
- local currency current account		955,069	841,336
		6,361,444	4,883,483

6.1 This represents Rs.3,262.935 million (2013: 2,397.423 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. Balance held under this account is non-remunerative.

7 BALANCES WITH OTHER BANKS

	Note	2014	2013
		------- Rupees in '000 -------	
In Pakistan			
- on current accounts		8,198	7,359
- on deposit accounts	7.1	114,455	50,282
		122,653	57,641
Outside Pakistan			
- on current accounts		725,237	961,076
- on deposit accounts		-	-
		725,237	961,076
		847,890	1,018,717

7.1 Represents deposits with various Islamic commercial banks under Musharakah and Mudarabah arrangements. The expected profit rate on these arrangements is 6% (2013: 6%) per annum.

8 DUE FROM FINANCIAL INSTITUTIONS

	Note	2014	2013
		------- Rupees in '000 -------	
Sukuk Murabahah	8.1	6,418	6,418
Commodity Murabahah - local currency	8.2 & 8.3	7,389,208	6,511,173
		7,395,626	6,517,591
Bai Muajjal		10,754,366	-
		18,149,992	6,517,591
Provision against Sukuk Murabahah	8.1	(6,418)	(6,418)
		18,143,574	6,511,173

8.1 In prior, the Group entered into Sukuk Murabahah arrangement under which the Group appointed its client as an agent under asset purchase agreement to purchase the underlying sukuk from open market on its behalf and later sell them on deferred Murabahah 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 Murabahah agreements under which the Group purchases an underlying commodity from open market through an agent and sells it to a financial institution on credit with profit. The profit rates on the agreements range between 9.50% to 10.00% (2013: 9.95% to 10.35%) per annum and the agreements have a maturity ranging from 2 days to 182 days (2013: 2 days to 7 days).

		Note	2014	2013
			------- Rupees in '000 -------	
8.3	Commodity Murabahah sale price		517,290,527	513,190,977
	Purchase price		(516,435,000)	(512,592,000)
			855,527	598,977
	Deferred Commodity Murabahah income			
	Opening balance		4,723	33,145
	Deferred during the year		855,527	598,977
	Recognised during the year		(778,745)	(627,399)
		17	81,505	4,723
	Commodity Murabahah			
	Opening balance		6,511,173	4,975,672
	Sales during the year		517,290,527	513,190,977
	Received during the year		(516,412,492)	(511,655,476)
			7,389,208	6,511,173

8.4 This represents Bai Muajjal agreements entered into with SBP whereby the Group sold sukuks having carrying value of Rs 9,510.997 million to SBP on deferred payment basis. The average return on these transactions is 9.79% per annum. The balances are due between October 2015 to December 2015.

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

	2014	2013
- In local currency	18,149,992	6,517,591
- In foreign currency	-	-
	18,149,992	6,517,591

9 INVESTMENTS

9.1 Investments by types

	Note	2014 Held by the Bank	2014 Given as collateral	2014 Total	2013 Held by the Bank	2013 Given as collateral	2013 Total
		---------- Rupees in '000 ----------					
Available for sale securities							
Sukuk / Certificates	9.3	30,644,970	-	30,644,970	31,255,943	-	31,255,943
Units of Open-end mutual fund	9.4	21	-	21	21	-	21
		30,644,991	-	30,644,991	31,255,964	-	31,255,964
Modaraba							
Modaraba-Al-Mali	9.6	16,208	-	16,208	16,208	-	16,208
Total investments at cost		30,661,199	-	30,661,199	31,272,172	-	31,272,172
Less: Provision for diminution in value of investments	9.7	(14,653)	-	(14,653)	(13,866)	-	(13,866)
Investments - net of Provisions		30,646,546	-	30,646,546	31,258,306	-	31,258,306
(Deficit) / Surplus on revaluation of available-for-sale securities	20	(135,124)	-	(135,124)	170,996	-	170,996
Total investments at market value		30,511,422	-	30,511,422	31,429,302	-	31,429,302

9.2 Investments by segments

	Note	2014	2013
		------- Rupees in '000 -------	
Federal Government Securities			
GOP Ijarah Sukuks	9.3	28,490,153	29,283,051
Sukuk certificates			
Sukuks - unlisted	9.3	2,154,817	1,972,892
Fully paid up ordinary shares / Units			
Modaraba Certificates	9.6	16,208	16,208
Units of Open-end Mutual Funds	9.4	21	21
Total investments at cost		30,661,199	31,272,172
Less: Provision for diminution in value of investments	9.7	(14,653)	(13,866)
Investments - net of provisions		30,646,546	31,258,306
(Deficit) / surplus on revaluation of available-for-sale securities	20	(135,124)	170,996
Total investments at market value		30,511,422	31,429,302

9.3 Available for sale securities

Name of the investee company	Note	2014	2013	Face Value	2014 Cost	2013 Cost
		Number of Certificates			------ Rupees in '000 ------	
Federal Government						
Ijarah GOP Sukuk - 7	9.3.1	-	31,500	Rs. 100,000	-	3,150,070
Ijarah GOP Sukuk - 8	9.3.2	-	22,500	Rs. 100,000	-	2,250,044
Ijarah GOP Sukuk - 9	9.3.3	13,760	43,550	Rs. 100,000	1,376,000	4,362,278
Ijarah GOP Sukuk - 10	9.3.4	39,750	44,750	Rs. 100,000	3,982,094	4,493,162
Ijarah GOP Sukuk - 11	9.3.5	30,325	30,000	Rs. 100,000	3,032,724	3,000,000
Ijarah GOP Sukuk - 12	9.3.6	86,950	89,500	Rs. 100,000	8,720,504	9,010,419
Ijarah GOP Sukuk - 13	9.3.7	34,975	14,965	Rs. 100,000	3,528,647	1,509,199
Ijarah GOP Sukuk - 14	9.3.8	15,000	15,000	Rs. 100,000	1,504,546	1,507,879
Ijarah GOP Sukuk - 15	9.3.9	63,393	-	Rs. 100,000	6,345,638	-
					28,490,153	29,283,051
Others						
WAPDA Second Sukuk Certificates	9.3.10	134,000	134,000	Rs. 5,000	334,724	446,170
WAPDA Third Sukuk Certificates	9.3.11	32,600	-	Rs. 5,000	175,740	-
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	324,619	323,802
Security Leasing Sukuk	9.3.15	2,000	2,000	Rs. 5,000	3,080	3,284
New Allied Electronics (LG) - Sukuk	9.3.16	11,000	11,000	Rs. 5,000	55,000	55,000
Sui Southern Gas Company Sukuk	9.3.17	120,000	120,000	Rs. 5,000	600,000	600,000
Kohat Cement Sukuk	-	27,000		Rs. 5,000	-	9,151
Eden Housing Sukuk	9.3.18	50,000	50,000	Rs. 5,000	36,738	55,576
Optimus Sukuk	9.3.19	50,000	50,000	Rs. 5,000	20,837	62,503
HBFC Sukuk	-	15,000	Rs. 5,000	-	7,500	
K-Electric Azm Sukuk 2	9.3.20	50,000	-	Rs. 5,000	254,258	-
Central Bank of Bahrain (FCY Sukuk)	-	5	USD 100,000	-	60,085	
					2,154,817	1,972,892
					30,644,970	31,255,943

9.3.1 The profit rate on these sukuks comprised of six months weighted average yield of six month market treasury bills. The principal has been redeemed on maturity in March 2014. These were backed by Government of Pakistan's Sovereign Guarantee.

9.3.2 The profit rate on these sukuks comprised of six months weighted average yield of six month market treasury bills. The principal has been redeemed on maturity in May 2014. 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. During the current year, the SBP has extended the maturity of these Sukuks from December 2014 to November 2015. 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. During the current year, the SBP has extended the maturity of these Sukuks from March 2015 to November 2015. 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. During the current year, the SBP has extended the maturity of these Sukuks from April 2015 to November 2015. 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. During the current year, the SBP has extended the maturity of these Sukuks from June 2015 to November 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 minus 25 basis points. During the current year, the SBP has extended the maturity of these Sukuks from September 2015 to November 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 minus 30 basis points. The principal is redeemable on maturity in March 2016. 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 minus 200 basis points. The principal is redeemable on maturity in June 2017. These are backed by Government of Pakistan's Sovereign Guarantee.

9.3.10 These carry profit at the rate of six months KIBOR minus 25 basis points (2013: 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.

9.3.11 These carry profit at the rate of six months KIBOR plus 100 basis points (2013: Nil) receivable on semi-annual basis with maturity in October 2021. The principal is repayable in 14 equal semi-annual installments with first installment falling due in the 18th 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 carry profit at the rate of three months KIBOR plus 175 basis points (2013: three months KIBOR plus 175 basis points) receivable quarterly based on Diminishing Musharakah 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 given by the Bank of Punjab (BoP) which was stayed by Lahore High Court in a case filed by Amtex. In 2014, the Court has ordered BoP to deposit the amount of guarantee with the Court till the disposal of the case. The Group has also filed recovery case against Amtex and BoP, however, in view of BoP guarantee no provision has been made against the sukuk.

9.3.14 These carry profit at the rate of six months KIBOR plus 150 basis points (2013: six months KIBOR plus 150 basis points) receivable semi annually based on Diminishing Musharakah 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 Since last restructuring, these Sukuks carry profit at the rate of 0%, (2013: 0%). The accrued profit amount will be repaid in six equal monthly installments staring from 43rd month. Principal to be repaid in 48 months starting from April 2010. As per the restructured plan, principal will be repaid in 36 monthly installments and the accrued portion of profit upto March 2011 has 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 220 basis points (2013: 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.

9.3.17 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.

9.3.18 These sukuks carry profit at the rate of three months KIBOR plus 300 basis points for the period between June 30, 2013 and June 29, 2014 (2013: 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 Musharakah mechanism with maturity in June 2014.The customer has defaulted in its payment towards the Group. 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.

9.3.19 These carry profit at the rate of six months KIBOR plus 125 basis points (2013: six months KIBOR plus 125 basis points) receivable quarterly based on Diminishing Musharakah 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 valuer) 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.

9.3.20 These carry profit at the rate of three months KIBOR plus 225 basis points receivable quarterly with maturity in March 2017. The principal is fully redeemable on maturity. As a security exclusive hypothecation charge has been provided on the assets of the company.

9.4 Details of investments in Mutual Funds

Name of investee fund	2014	2013	2014	2013
	Number of units		Cost (Rupees in '000)	
Open - ended mutual funds				
Meezan Cash Fund	156	151	5	5
Meezan Islamic Fund	320	277	5	5
Meezan Islamic Income Fund	158	147	5	5
Meezan Balanced Fund	1,171	1,000	6	6
			21	21

9.5 Quality of Available for Sale Securities

	2014	2013	2014	2013
	Long / Medium Term Rating (Where available) *		----- Rupees in '000 -----	
Sukuks / Certificates - (at market value / cost)				
Ijarah GOP Sukuk - 7	-	Unrated	-	3,154,725
Ijarah GOP Sukuk - 8	-	Unrated	-	2,262,150
Ijarah GOP Sukuk - 9	Unrated	Unrated	1,377,789	4,396,372
Ijarah GOP Sukuk - 10	Unrated	Unrated	3,981,758	4,524,673
Ijarah GOP Sukuk - 11	Unrated	Unrated	3,040,081	3,032,700
Ijarah GOP Sukuk - 12	Unrated	Unrated	8,715,868	9,051,135
Ijarah GOP Sukuk - 13	Unrated	Unrated	3,504,845	1,514,907
Ijarah GOP Sukuk - 14	Unrated	Unrated	1,503,300	1,515,750
Ijarah GOP Sukuk - 15	Unrated	-	6,225,193	-
WAPDA Second Sukuk Certificates	Unrated	Unrated	334,114	446,935
WAPDA Third Sukuk Certificates	Unrated	-	174,837	-
Pak Elektron Limited - Sukuk	A-	Withdrawn	128,571	128,571
Amtex - Sukuk	Unrated	Unrated	221,250	221,250
Engro Chemicals Pakistan Limited - Sukuk	A	A-	324,619	323,802
Security Leasing - Sukuk	Unrated	Unrated	3,081	3,284
New Allied Electronics (LG) - Sukuk	Unrated	Unrated	55,000	55,000
Sui Southern Gas Company Limited - Sukuk	AA-	AA-	600,000	600,000
Kohat Cement - Sukuk	-	Unrated	-	9,151
Eden Housing - Sukuk	Unrated	Unrated	36,738	55,576
Optimus - Sukuk	A	A	20,837	62,503
House Building Finance Corporation - Sukuk	-	A	-	7,500
K-Electric Azm Sukuk 2	AA	-	258,750	-
Central Bank of Bahrain (FCY Sukuk)	-	BBB	-	59,621
			30,506,631	31,425,605
Units of open-end mutual funds (at market value)				
Meezan Cash Fund	AA(f)	AA(f)	8	8
Meezan Islamic Fund	AM2+	5 Star	18	14
Meezan Islamic Income Fund	A-(f)	A-(f)	8	7
Meezan Balanced Fund	AM2+	AM2	17	14
			51	43
			30,506,682	31,425,648
Less: Provision for diminution in the value of investments			(14,653)	(13,866)
			30,492,029	31,411,782

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

9.6 Details of investment in modaraba certificates

Name of investee	Percentage Holding		Number of Certificates		Market Value		Cost	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
Modaraba Al-Mali (related party)	**13**	13	**2,342,177**	2,342,177	**5,528**	3,654	**16,208**	16,208

	Note	**2014**	2013
		----- Rupees in '000 -----	
9.7 Particular of provision for diminution in the value of investments			
Opening balance		**13,866**	13,866
Charge for the year		**787**	-
Reversal during the year		**-**	-
Closing balance		**14,653**	13,866

10 ISLAMIC FINANCING AND RELATED ASSETS

	Note	**2014**	2013
In Pakistan			
- Murabahah financing and related assets	10.1, 10.6 & 10.8	**15,458,980**	9,304,737
- Istisna financing and related assets	10.2 & 10.7	**6,946,722**	9,231,316
- Diminishing Musharakah - Housing		**3,673,349**	2,305,290
- Diminishing Musharakah financing and related assets Others	10.3	**4,121,136**	5,498,705
- Against Bills - Murabahah		**97,848**	25,026
- Post Due Acceptance		**34,297**	29,076
- Salam		**-**	250,000
- Muswammah financing and related assets	10.4	**7,191,343**	9,150,261
- Financing to employees	10.1	**1,159,060**	973,125
		38,682,735	36,767,536
Housing finance portfolio		**98,282**	120,022
Net investment in Ijarah financing in Pakistan	10.11	**86,465**	106,097
Ijarah financing under IFAS 2 and related assets	10.5	**2,830,634**	1,938,391
Gross financing and related assets		**41,698,116**	38,932,046
Less: Provision against non-performing Financing and related assets			
- Specific	10.13 & 10.14	**(524,414)**	(575,843)
- General	10.13 & 10.14	**(76,644)**	(47,470)
Islamic financing and related assets – net of provisions		**41,097,058**	38,308,733

10.1 Murabahah financing and related assets

	2014	2013
Murabahah financing	**13,004,733**	6,577,204
Advance against Murabahah financing	**2,454,247**	2,727,533
	15,458,980	9,304,737

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

10.2 Istisna financing and related assets

	Note	2014	2013
Istisna financing		**3,982,917**	3,015,335
Advance against Istisna financing		**2,053,984**	5,976,931
Istisna inventories		**909,821**	239,050
		6,946,722	9,231,316

10.3 Diminishing Musharakah financing and related assets

	Note	2014	2013
Diminishing Musharkah financing		**4,119,936**	5,486,460
Advance against Diminishing Musharakah financing		**1,200**	12,245
		4,121,136	5,498,705

10.4 Muswammah financing and related assets

	Note	2014	2013
Muswammah financing		**3,657,257**	2,030,121
Muswammah inventories		**3,534,086**	7,120,140
		7,191,343	9,150,261

10.5 Ijarah financing under IFAS 2 and related assets

	Note	2014	2013
Net book value of assets under IFAS 2	10.12	**2,467,367**	1,769,147
Advance against Ijarah financing		**363,267**	169,244
		2,830,634	1,938,391

10.6 Murabahah financing and related assets includes financing amounting to Rs.Nil (2013: Rs. 571.770 million) and advance amounting to Rs.Nil (2013: Rs. 42 million) under Islamic Export Refinance Scheme.

10.7 Istisna financing and related assets includes financing amounting to Rs. 80 million (2013: Rs. Nil) and advance amounting to Rs. 506 million (2013: Rs. 30 million) under Islamic Export Refinance Scheme.

	2014	2013
	----- Rupees in '000 -----	
10.8 Murabahah sale price (for transactions during the year)	**33,670,070**	21,917,500
Purchase price (for transactions during the year)	**(32,337,157)**	(21,214,875)
	1,332,913	702,625

10.8.1 Deferred Murabahah income

	2014	2013
Opening balance	**135,031**	116,877
Arising during the year	**1,332,913**	702,625
Recognised during the year	**(1,144,428)**	(684,471)
	323,516	135,031

10.8.2 Murabahah receivable

	2014	2013
Opening balance	**6,577,204**	6,250,321
Sales during the year	**33,670,070**	21,917,500
Received during the year	**(27,242,541)**	(21,590,617)
	13,004,733	6,577,204

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

10.9 Particulars of Islamic financing and related assets

		2014	2013
10.9.1	In local currency	41,466,587	38,932,046
	In foreign currency	231,529	-
10.9.2	Short-term (for upto one year)	30,008,209	28,019,435
	Long-term (for over one year)	11,689,907	10,912,611
		41,698,116	38,932,046

10.10 This includes Rs 3.069 million (2013: Rs 3.421 million) mark up free financing to employees given under the holding company's Human Resource Policy.

10.11 Net investment in Ijarah financing in Pakistan

	2014				2013			
	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	46,051	11,675	-	57,726	51,269	19,447	-	70,716
Residual value	21,581	8,811	-	30,392	32,107	8,811	-	40,918
Minimum Ijarah payments	67,632	20,486	-	88,118	83,376	28,258	-	111,634
Profit for future periods	(1,291)	(362)	-	(1,653)	(3,118)	(2,419)	-	(5,537)
Present value of minimum Ijarah payments	66,341	20,124	-	86,465	80,258	25,839	-	106,097

10.12 Ijarah Assets

	2014							
	Cost			Accumulated depreciation			Book value as at December 31, 2014	Rate of Depreciation %
	As at January 01, 2014	Addition / (deletions) (transfered)	As at December 31, 2014	As at January 01, 2014	Charge / (deletions)	As at December 31, 2014		
	----- Rupees in '000 -----							
Plant and Machinery	730,133	305,407 (161,540)	874,000	269,372	252,792 (140,265)	381,899	492,101	20-33.33
Vehicles	1,892,138	1,227,401 (325,135)	2,794,404	583,752	404,562 (169,176)	819,138	1,975,266	20-33.33
	2,622,271	1,532,808 (486,675)	3,668,404	853,124	657,354 (309,441)	1,201,037	2,467,367	

	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
	1,944,544	1,098,549 (420,822)	2,622,271	604,748	514,634 (266,258)	853,124	1,769,147	

10.12.1 Net investment in Ijarah financing - IFAS 2

	2014				2013			
	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	945,673	1,500,417	-	2,446,090	738,376	1,116,968	-	1,855,344

10.13 Islamic financing and related assets include Rs.1,061.929 million (2013: Rs 1,108.871 million) which have been placed under non-performing status as follows:

Category of Classification	2014								
	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)	95,067	-	95,067	-	-	-	-	-	-
Substandard	75,587	-	75,587	7,259	-	7,259	7,259	-	7,259
Doubtful	56,960	-	56,960	7,614	-	7,614	7,614	-	7,614
Loss	834,315	-	834,315	509,541	-	509,541	509,541	-	509,541
	1,061,929	-	1,061,929	524,414	-	524,414	524,414	-	524,414

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

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

	2014			2013		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	575,843	47,470	623,313	467,002	33,565	500,567
Charge for the year	72,056	29,174	101,230	172,753	13,905	186,658
Reversals	(123,485)	-	(123,485)	(63,912)	-	(63,912)
	(51,429)	29,174	(22,255)	108,841	13,905	122,746
Closing balance	524,414	76,644	601,058	575,843	47,470	623,313

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

	2014			2013		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
In local currency	524,414	76,644	601,058	575,843	47,470	623,313
In foreign currency	-	-	-	-	-	-
	524,414	76,644	601,058	575,843	47,470	623,313

10.14.1.1 In accordance with BSD Circular No. 2 dated January 27, 2009 issued by the SBP, the Group has availed the benefit of Forced Sale Value (FSV) of collaterals against the non-performing financings. The benefit availed as at December 31, 2014 amounts to Rs 316.283 million (2013: Rs 354.050 million). The additional profit arising from availing the FSV benefit - net of tax as at December 31, 2014 amounts to Rs 205.584 million (2013: Rs. 230.133 million). The increase in profit, due to availing of the benefit, is not available for distribution of cash and stock dividend to share holders of the holding company.

	Note	2014	2013
		------- 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

	2014	2013
Balance at beginning of year	**973,125**	661,813
Financing granted during the year	**478,207**	483,502
Repayments	**(292,272)**	(172,190)
Balance at end of year	**1,159,060**	973,125

11 OPERATING FIXED ASSETS

	Note	2014	2013
Capital work-in-progress	11.1	**41,714**	222,893
Property and equipment	11.2	**3,306,371**	2,715,180
Intangible assets	11.3	**39,197**	28,547
		3,387,282	2,966,620

11.1 Capital work-in-progress

	2014	2013
Equipment	**-**	-
Advances to suppliers and contractors	**11,714**	192,893
Civil works	**30,000**	30,000
	41,714	222,893

11.2 Property and equipment

	2014								
	COST /REVALUATION				DEPRECIATION				
	As at January 01, 2014	Additions/ adjustments / revaluation surplus*	(Disposals)	As at December 31, 2014	As at January 01, 2014	Charge for the year / (disposals) / adjustments	As at December 31, 2014	Net book value as at December 31, 2014	Rate of Depreciation %
	---------- Rupees in '000 ----------								
At revalued amounts									
Freehold Land	371,350	99,400 - 15,998 *	-	486,748	-	- - -	-	486,748	-
Building on leasehold land	1,384,315	- (28,107) * 172,180 *	-	1,528,388	2,394	27,570 - (28,107) *	1,857	1,526,531	2
At cost									
Furniture and fixture	1,069,244	313,807 - -	-	1,383,051	450,007	130,468 - -	580,475	802,576	10
Electrical, office and computer equipment	1,270,893	320,269 - -	(5,289)	1,585,873	930,281	170,729 (5,057) -	1,095,953	489,920	15 - 25
Vehicles	5,053	- - -	(2,117)	2,936	2,993	417 (175) (895)	2,340	596	20
	4,100,855	733,476 (28,107) 188,178	(7,406)	4,986,996	1,385,675	329,184 (5,232) (29,002)	1,680,625	3,306,371	

	2013								
	COST /REVALUATION				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 --								
At revalued amounts									
Freehold Land	275,128	- - 96,222 *	-	371,350	-	- - -	-	371,350	-
Building on leasehold land	876,182	- (210,437) * 801,112 *	(82,542)	1,384,315	222,756	11,140 (21,065) (210,437) *	2,394	1,381,921	2
At cost									
Furniture and fixture	970,779	98,642 - -	(177)	1,069,244	349,751	100,394 (138)	450,007	619,237	10
Electrical, office and computer equipment	1,084,376	189,514 - -	(2,997)	1,270,893	818,205	115,019 (2,943)	930,281	340,612	15 - 25
Vehicles	6,534	3,148 (887) -	(3,742)	5,053	3,330	1,839 (2,176) -	2,993	2,060	20
	3,212,999	291,304 (211,324) 897,334	(89,458)	4,100,855	1,394,042	228,392 (26,322) (210,437)	1,385,675	2,715,180	

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'

11.3 Intangible asset

	2014							
	COST			AMORTISATION			Book value as at December 31, 2014	Rate of Amortisation %
	As at January 01, 2014	Addition / (disposal) / Adjustment	As at December 31, 2014	As at January 01, 2014	Charge for the year / (disposals) / adjustments	As at December 31, 2014		
	Rupees in '000							
Computer software	178,350	25,754	204,104	149,803	15,104	164,907	39,197	20
		-			-			
		-			-			

	2013							
	COST			AMORTISATION			Book value as at December 31, 2013	Rate of Amortisation %
	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	168,022	10,328	178,350	120,718	29,085	149,803	28,547	20
		-			-			
		-			-			

11.4 Cost of fully depreciated properties and equipment that are still in the Group's use, as at December 31, 2014, amounted to Rs. 730.922 million (2013: Rs 767.875 million). The cost of fully amortised intangible assets that are still in the Group use, as at December 31, 2014 amounted to Rs.142.535 million (2013: 31.308 million).

11.5 During the year 2014, the Group freehold land and buildings on leasehold land were revalued by M/s Javed & Akbani (Valuation and Engineering Consultants) on the basis of their professional assessment of the present market value. As a result of revaluation the market value of freehold land and buildings on leasehold land were determined at Rs. 2,036.165 million.

Had there been no revaluation, the carrying amount of revalued assets at December 31, 2014 would have been as follows:

	COST				DEPRECIATION			Net book value as at December 31, 2014
	As at January 01, 2014	Additions	(Disposals)	As at December 31, 2014	As at January 01, 2014	Charge for the year s	As at December 31, 2014	
	Rupees in '000							
Freehold Land	275,128	-	-	275,128	-	-	-	275,128
Building on lease hold land	793,640	99,400	-	893,040	210,437	14,708	225,145	667,895
	1,068,768	99,400	-	1,168,168	210,437	14,708	225,145	943.023

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BankIslami is a leading Islamic bank with a network of 213 branches in 80 cities nationwide. To fulfil our customer's needs, BankIslami is facilitating the corporate sector with Sharia'h Compliant customized solutions to cater to their today's business needs.

*Including sub-branches

12 OTHER ASSETS

	Note	2014	2013
		------- Rupees in '000 -------	
Profit / return accrued in local currency		995,104	928,743
Profit / return accrued in foreign currency		15	12
Advances, deposits, advance rent and other prepayments		169,082	213,686
Advance taxation (payments less provision)		28,579	7,003
Non-banking assets acquired in satisfaction of claims	12.1	260,510	308,410
Dividend receivable		-	293
Branch Adjustement Account		22,700	-
Defined Benefit Plan assets		11,870	26,605
Unrealised gain on forward foreign exchange promises		-	-
Goodwill	12.4	20,025	59,232
Banca takaful Income receivable		21,000	7,000
Insurance claim receivable		16,546	23,555
Car Ijarah repossession		1,506	833
Receivable against First WAPDA Sukuk	12.2	50,000	50,000
Other receivables		104,373	92,565
		1,701,310	1,717,937
Less: Provision held against other assets	12.3	(58,063)	(35,027)
Other assets (net of provisions)		1,643,247	1,682,910

12.1 The market value of Non-Banking assets acquired in satisfaction of claims is Rs. 269.764 million (2013: 365.682 million).

12.2 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 in 2012 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.

12.3 Provision held against other assets

	Note	2014	2013
		------- Rupees in '000 -------	
Opening balance		35,027	30,984
Charge for the year		23,036	4,043
Reversals		-	-
Closing balance		58,063	35,027

12.4 Goodwill

	2014	2013
As at January 1	59,232	59,232
Impairment - charged during the year	(39,207)	-
Net book value as at December 31	20,025	59,232

Impairment testing of goodwill

During current year, as part of impairment testing of goodwill, the management has determined the recoverable amount of subsidiary company (i.e. Cash generating unit) at its break up value appearing in the financial statements of the subsidiary company as at December 31, 2014. The difference between the carrying value and the recoverable amount as mentioned above has been recognised as impairment and adjusted against goodwill.

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

	Note	2014	2013
		------- Rupees in '000 -------	
- BankIslami Modaraba Investments Limited		**20,025**	59,232

13 BILLS PAYABLE

		2014	2013
In Pakistan		**918,435**	835,562
Outside Pakistan		**-**	-
		918,435	835,562

14 DUE TO FINANCIAL INSTITUTIONS

		2014	2013
In Pakistan		**561,000**	2,538,000
Outside Pakistan		**-**	-
		561,000	2,538,000

14.1 Details of due to financial institutions secured / unsecured

	Note	2014	2013
Secured			
Borrowings from State Bank of Pakistan under Islamic Export Refinance Scheme	14.1.1	**561,000**	538,000
Unsecured			
Call borrowings		**-**	2,000,000
		561,000	2,538,000

14.1.1 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 (2013: 1,000 million) was allocated to the Group by the SBP under Islamic Export Refinance Scheme for the financial year ended December 31, 2014.

14.2 Particulars of due to financial institutions with respect to currencies

		2014	2013
In local currency		**561,000**	2,538,000
In foreign currencies		**-**	-
		561,000	2,538,000

15 DEPOSITS AND OTHER ACCOUNTS

		2014	2013
Customers			
Fixed deposits		**35,087,230**	34,552,878
Savings deposits		**36,926,200**	27,249,029
Current accounts - non-remunerative		**16,854,088**	12,276,481
Margin accounts - non-remunerative		**152,023**	197,882
		89,019,541	74,276,270
Financial Institutions			
Remunerative deposits		**1,113,037**	745,605
Non-remunerative deposits		**198,292**	148,116
		90,330,870	75,169,991

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

15.1 Particulars of deposits

		2014	2013
In local currency		88,585,981	73,564,974
In foreign currencies		1,744,889	1,605,017
		90,330,870	75,169,991

16 DEFERRED TAX LIABILITY

	Note	2014	2013
Deferred tax debits arising in respect of:			
Accumulated tax losses	16.1 & 16.2	(335)	(154,837)
Tax credit against minimum tax		(262,180)	(200,304)
Deficit on revaluation of available for sale securities		(48,418)	-
Provision for diminution in the value of investments		(13,750)	-
Provision against non-performing Islamic financing and related assets		(2,788)	(443)
		(327,471)	(355,584)
Deferred tax credits arising due to:			
Ijarah financing and related assets		3,377	19,118
Accelerated tax depreciation		182,789	171,911
Surplus on revaluation of available for sale securities		-	59,382
Surplus on revaluation of fixed assets		340,653	280,389
		526,819	530,800
		199,348	175,216

16.1 The Group has an aggregate amount of Rs. 262.515 million (2013: Rs. 355.141 million) representing deferred tax asset recognised against minimum tax and available tax losses as at December 31, 2014. The management carries out periodic assessments of these assets / losses in order to establish whether the Group would be able to set off the profit earned in future years against these carry forward assets / losses. Based on this assessment the management has recognised the entire deferred tax debit balance on losses and minimum tax amounting to Rs 262.515 million (2013: Rs. 355.141 million). The amount of this benefit has been determined based on the projected figures for the future periods. The determination of future taxable profits is most sensitive to certain key assumptions such as cost to income ratio of the Group, deposit composition, kibor rates, growth of deposits and financings, investment returns, product mix of financings, 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.

16.2 In case of another company the Division Bench of the Sindh High Court in its decision dated May 7, 2013 on carry forward of minimum tax in the cases of taxable loss for the year has held by interpreting Section 113(2)(c) of the Income tax Ordinance, 2001 that the benefit of carry forward of minimum tax paid by a company is only available if the tax paid in a particular year is less than minimum tax payable. Accordingly, if no tax is paid / payable by the company due to taxable loss the right to carry forward the minimum tax does not arise. However, the management based on the advice of its legal counsel is of the view that this matter is subject to appeal in larger bench of the High Courts as well as the Supreme Court and valid legal grounds are available to substantiate the Group's case for carry forward of minimum tax, therefore, minimum tax of Rs 262.180 million has been recognised as 'Deferred tax' in these consolidated financial statements.

17 OTHER LIABILITIES

	Note	2014	2013
		------- Rupees in '000 -------	
Profit / return payable in local currency		732,138	805,939
Profit / return payable in foreign currencies		2,303	742
Unearned fees and commission		-	3,636
Accrued expenses		147,692	123,648
Deferred Murabahah Income - Financing and IERS	10.8.1	323,516	135,031
Deferred Murabaha Income - Bai Muajjal		804,944	-
Deferred Murabahah Income - Commodity Murabaha	8.3	81,505	4,723
Payable to defined contribution plan		1,323	1,845
Security deposits against ijarah		929,161	591,870
Branch adjustment account		-	34,545
Sundry creditors		10,194	51,109
Unrealized loss on forward foreign exchange promises		3,145	2,054
Charity payable	17.1	6,212	7,879
Retention money		5,248	23,774
Withholding tax payable		12,369	18,050
WWF payable		7,052	3,901
Others		42,653	27,540
		3,109,455	1,836,286

17.1 Opening balance

	Note	2014	2013
Opening balance		7,879	10,197
Additions during the year		8,945	13,374
Payments during the year	17.1.1	(10,612)	(15,692)
Closing balance		6,212	7,879

17.1.1 Charity was paid to the following:

	2014	2013
Alamgir Welfare Trust International	1,000	1,000
The Citizen Foundation	2,000	2,000
The Indus Hospital	2,000	2,000
Akhuwat Charity	1,000	1,000
Jamiat Taleem Ul Quran	-	1,000
Diya Pakistan	500	1,000
Shoukat Khanum Memorial	2,000	2,000
Kharadar General Hospital	500	-
SIUT	-	2,000
Dow University of Health & Science	-	135
Patel Hospital	-	1,000
Institute of Business Administration	575	2,000
Iqra Welfare Trust	-	500
Aman Foundation	200	-
Nighiban Welfare Association Charity	500	-
Kainat Zubairi	67	51
Mehak Ruba	120	-
Romaila Rashid	150	-
Muhammad Turab	-	6
	10,612	15,692

17.1.2 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.

18 SHARE CAPITAL

18.1 Authorised capital

2014	2013		2014	2013
---- Number of Shares ----			------- Rupees in '000 -------	
1,300,000,000	1,300,000,000	Ordinary shares of Rs.10 each	13,000,000	13,000,000

18.2 Issued, subscribed and paid up capital

2014			2013			Ordinary shares of Rs 10 each	2014	2013
Issued for cash	Issued for consideration other than cash	Total	Issued for cash	Issued for consideration other than cash	Total			
---Number of shares---							---Rupees in '000---	
527,967,898	-	527,967,898	527,967,898	-	527,967,898	At beginning of the year	5,279,679	5,279,679
47,904,192	-	47,904,192	-	-	-	Issued during the year - right issue	479,042	-
575,872,090	-	575,872,090	527,967,898	-	527,967,898	Balance as at December 31	5,758,721	5,279,679

18.3 The State Bank of Pakistan (SBP) vide BSD Circular No. 7 of 2009 dated April 15, 2009 has revised the Minimum Capital Requirement for banks. As per this circular the holding Company was required to have a minimum issued, subscribed and paid-up capital (free of losses) of Rs.10 billion as at December 31, 2014. The paid-up capital of the holding Company (free of losses) amounted to Rs. 5.680 billion as at December 31, 2014. As more fully explained in note 1.2 to these financial statements, the Board of Directors of the holding Company have approved the issuance of 432,040,000 ordinary shares of Rs 10 each at par value to all the existing shareholders in proportion of 75.0236 right shares for every 100 ordinary shares held by them.

19 RESERVES

	Note	2014	2013
		------- Rupees in '000 -------	
Statutory Reserves	19.1	273,176	210,446

19.1 Under section 21 of the Banking Companies Ordinance, 1962 an amount of not less than 20% of the profit of the holding Company 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 of the holding Company (i.e. Bank). Thereafter, an amount of not less than 10% of the profit is required to be transferred to such reserve fund.

	Note	2014	2013
		------- Rupees in '000 -------	
20 SURPLUS ON REVALUATION OF ASSETS			
Surplus / (Deficit) arising on revaluation of:			
Fixed Assets	20.1	737,310	616,945
Available for sale securities	20.2	(86,705)	111,614
		650,605	728,559
20.1 Surplus on revaluation of fixed assets			
Freehold Land		112,220	96,222
Building on lease hold land			
Surplus on revaluation of fixed assets at January 1		801,112	-
Surplus recognised during the year		172,180	801,112
Transferred to un-appropriated profit in respect of incremental depreciation charged during the year		(7,550)	-
Related deferred tax liability in respect of incremental depreciation charged during the year		(4,065)	-
		(11,615)	-
		961,677	801,112
Related deferred tax liability on surplus as at January 1		(280,389)	(280,389)
Related deferred tax liability on surplus during the year		(60,263)	-
Related deferred tax liability in respect of incremental depreciation charged during the year		4,065	-
		(336,587)	(280,389)
		625,090	520,723
		737,310	616,945
20.2 Surplus on revaluation of available for sale securities			
Federal Government Securities			
- Ijarah Sukuk Bonds		(142,831)	170,128
Sukuk certificates			
- Sukuks unlisted		4,492	(466)
Fully paid up ordinary shares / Units			
- Modaraba Certificates		3,185	1,312
- Units of Open end Mutual Funds		30	22
		(135,124)	170,996
Related deferred tax asset / (liability)		48,419	(59,382)
		(86,705)	111,614

21 CONTINGENCIES AND COMMITMENTS

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

21.1 Transaction-related contingent liabilities

	2014	2013
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring		
- Government	299,083	283,827
- Others	2,613,521	2,003,514
	2,912,604	2,287,341

21.2 Trade-related contingent liabilities

	2014	2013
Import letter of Credit	2,968,447	3,950,372
Acceptances	108,638	535,042
	3,077,085	4,485,414

	2014	2013
21.3 Suit filed by customers for recovery of alleged losses suffered, pending in the High Court, which the Bank has not acknowledged as debt	169,200	831,083

21.3.1 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 Bank was proforma defendant for defending its interest in the underlying collateral kept by it at the time of financing.

The ownership of the Group in respect of its investment in 400,000 certificates of Modarabah Al-Mali costing Rs 2,972,822 was disputed by a person. The Group rejected this claim and filed a suit against that party in the High Court of Sindh claiming damages of Rs 20,000,000. The High Court granted an injunction in favour of the Group restraining the person to deal with the shares pending hearing and disposal of the suit. Meanwhile a suit filed by the same party for the winding up the subsidiary company was dismissed by the High Court. After dismissal the party filed a suit against the Group in Banking Court, Karachi , claiming Rs 19,200,000.

The management, based on the opinion of its legal counsel is confident that the Group has a strong case and the suit filed against the Group will be dismissed. Accordingly, no provision has been made in these consolidated financial statements in respect of the above.

21.4 The Deputy Commissioner Inland Revenue (DCIR) 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 holding company 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 filed an appeal for the stay 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 was heard on February 23, 2013. The ATIR accepted the stay application of the Group and had verbally directed that no recovery of demand should be initiated against the Bank till the decision of the main case by the ATIR. The Group deposited an amount of Rs. 10.4 million for filing appeal against the said case. During the current year, the Group deposited an additional amount of Rs 8 million on the verbal instructions of the authorities. The ATIR has set aside the stay appeal in respect of income from dealing in foreign currencies and remanded back the case to the Commissioner Inland Revenue for fresh reassessment proceedings. The management of the Group is confident that the above matter will be decided in favour of the Group and therefore, no provision for any liability which may arise in this respect has been made in these financial statements.

	Note	2014	2013
		------- Rupees in '000 -------	
21.5 Commitments in respect of promises			
Purchases		**1,763,272**	1,368,635
Sales		**1,310,100**	1,111,164
21.6 Commitments for the acquisition of operating fixed assets		**134,178**	131,083

21.7 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	2014	2013
		------- Rupees in '000 -------	
21.8 Other commitments			
Bills for collection		**191,002**	93,191
22 PROFIT / RETURN EARNED			
On financings to:			
- Customers		**3,860,305**	2,788,705
- Financial institutions		**916,154**	728,022
		4,776,459	3,516,727
On investments in available for sale securities		**2,987,470**	2,738,738
On deposits / placements with financial institutions		**13,144**	697
Others		**42,310**	34,154
		7,819,383	6,290,316
23 PROFIT / RETURN EXPENSED			
Deposits		**4,277,330**	3,678,253
Other short term fund generation		**44,349**	47,020
Others		**134,361**	55,833
		4,456,040	3,781,106
24 GAIN / LOSS ON SALE OF SECURITIES			
Federal Govt. Securities:			
Sukuk Certificates		**4,765**	-
Unlisted Securities			
Sukuk certificates		**27,408**	-
Listed Securities:			
Mutual funds		**-**	6,709
		32,173	6,709

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

25 OTHER INCOME

	Note	2014	2013
Rent on property		-	2,032
Gain on termination of financing		30,031	22,858
Gain on sale of property and equipment	11.2.1	4,712	52,049
Income from sale of Non-Banking Asset		408	-
Amount recovered from staff		1,970	1,916
Income from tracker charges		3,120	-
		40,241	78,855

26 ADMINISTRATIVE EXPENSES

	Note	2014	2013
Salaries, allowances, and other benefits	26.1	1,440,813	1,029,566
Charge for defined benefit plan	32	33,012	23,172
Contribution to defined contribution plan	33	43,091	35,989
Non-executive directors' fees, allowances and other expenses		1,550	1,550
Insurance on consumer car ijarah		46,096	35,061
Rent, taxes, insurance, electricity, etc.		722,413	523,335
Legal and professional charges		17,755	7,297
Communications		128,839	91,281
Repairs and maintenance		87,181	74,058
Stationery and printing		38,159	23,045
Advertisement and publicity		57,002	53,974
Auditors' remuneration	26.2	8,030	7,800
Depreciation	11.2	329,184	228,392
Amortisation	11.3	15,104	29,085
CDC and share registrar services		10,600	7,152
Entertainment expense		32,682	24,656
Security service charges		165,947	111,590
Brokerage and commission		7,958	6,717
Travelling and conveyance		24,184	20,083
Remuneration to Shariah Board		900	1,267
Fees and subscription		154,683	80,379
Vehicle running and maintenance		57,405	44,342
Others		49,084	34,106
		3,471,672	2,493,897

26.1 This includes Rs 77.792 million (2013: Rs. 65.035 million) paid to employees of the Holding company in respect of car monetisation allowance.

26.2 Auditors' remuneration

	2014	2013
Audit fee	3,000	2,300
Fee for the review of half yearly financial statements	965	800
Special certifications and sundry advisory services	2,627	3,117
Out-of-pocket expenses	1,438	1,583
	8,030	7,800

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

27 OTHER CHARGES

		2014	2013
Penalties imposed by the State Bank of Pakistan		3,250	23,968
Worker's Welfare Fund		9,416	6,221
		12,666	30,189

28 TAXATION

		2014	2013
- Current year		84,890	68,254
- Prior years		-	-
- Deferred		71,548	55,475
		156,438	123,729

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 Bank has filed the return of income for the tax years 2006 to 2014 on due dates. These returns were deemed completed under the provisions of the prevailing income tax laws as applicable in Pakistan during the relevant accounting years.

In respect of tax year 2007, the Additional Commissioner (Inland Revenue) under section 122(5A) of the Income Tax Ordinance, 2001 amended the return submitted by the holding company by adding / disallowing certain expenses / deductions resulting in reduction of losses claimed by the holding company by Rs 117.505 million. The holding company filed an appeal against the said decision with the Commissioner (Inland Revenue Appeals). The Commissioner (Inland Revenue Appeals) has revised the order of Additional Commissioner and has restricted the amount of disallowance / add back to Rs 47.867 million. The Group has filed appeal before the Appellate Tribunal against these disallowances / add backs.

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

29 BASIC AND DILUTED EARNINGS PER SHARE

	Note	2014	2013
Profit after taxation for the year		313,440	188,810
		------- Number of shares -------	
Weighted average number of ordinary shares in issue		542,882,326	534,350,491
		------- Rupees -------	
			(Re-stated)
Earning per share - basic / diluted	29.1	0.5774	0.3533

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

30 CASH AND CASH EQUIVALENTS

	Note	2014	2013
		------- Rupees in '000 -------	
Cash and balances with treasury banks	6	6,361,444	4,883,483
Balances with other banks	7	847,890	1,018,717
		7,209,334	5,902,200

31 STAFF STRENGTH

	2014	2013
	Number of employees	
Permanent	1,617	1,224
Contractual basis	537	300
Bank's own staff strength at the end of the year	2,154	1,524
Outsourced	379	288
Total staff strength	2,533	1,812

32 DEFINED BENEFIT PLAN

32.1 General description

The Group operates separate gratuity funds for its employees of the holding company and the subsidiary company. 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 defined schemes are 1,617 (2013: 1,224).The latest actuarial valuation of the holding company's gratuity scheme was carried out as at December 31, 2014 and subsidiary company as at June 30, 2014. Projected unit credit method, using the following significant assumptions, was used for the valuation of the defined benefit plan:

32.2 Actuarial assumption

	2014	2013
-Valuation Discount Rate	11.25%	13.00%
-Salary Increase Rate	10.75%	12.50%
-Expected Return on Plan Assets	11.25%	13.00%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in Pakistan. The rates assumed are based on the adjusted SLIC 2001 - 2005 mortality tables with one year age set back.

32.3 Reconciliation of receivable from defined benefit plan

	2014	2013
	------- Rupees in '000 -------	
Present value of defined benefit obligations	162,299	124,699
Fair value of plan assets	(174,342)	(151,477)
Asset recognised in the consolidated statement of financial position	(12,043)	(26,778)

32.4 Plan assets consist of the following:

	2014		2013	
	(Rupees in '000)	%	(Rupees in '000)	%
Holding:				
TDRs	76,179	44%	-	0%
PIBs	-	0%	-	0%
Amount in Bank	20,668	12%	76,477	50%
Ijarah Sukuk	77,330	44%	75,000	50%
Subsidiary:				
Debt instrument	319	0.18%	-	0%
Cash and cash equivalents	61	0.03%	-	0%
Others	38	0.02%	-	0%
	174,595	100%	151,477	100%

32.5 The movement in the defined benefit obligation over the year is as follows:

	2014		
	Present value of obligation	Fair value of plan assets	Total
	------------- Rupees in '000 -------------		
At January 1	124,699	(151,477)	(26,778)
Current service cost	38,439	-	38,439
Return expense / (income)	13,959	(19,386)	(5,427)
	177,097	(170,863)	6,234
Remeasurements:			
-Return on plan assets, excluding amounts included in interest expense / (income)	-	-	-
-(Gain) / loss from change in demographic assumptions	-	-	-
-(Gain) / loss from change in financial assumptions	-	-	-
-Experience (gains) / losses	19,853	4,822	24,675
	19,853	4,822	24,675
	196,950	(166,041)	30,909
Contribution	-	(42,952)	(42,952)
Benefit payments	(34,651)	34,651	-
At December 31	162,299	(174,342)	(12,043)

	2013		
	Present value of obligation	Fair value of plan assets	Total
	------------- Rupees in '000 -------------		
At January 1	87,247	(107,104)	(19,857)
Current service cost	27,881	-	27,881
Return expense / (income)	9,563	(14,272)	(4,709)
	124,691	(121,376)	3,315
Remeasurements:			
-Return on plan assets, excluding amounts included in interest expense / (income)	-	-	-
-(Gain) / loss from change in demographic assumptions	8,330	-	8,330
-(Gain) / loss from change in financial assumptions	-	-	-
-Experience (gains) / losses	-	4,157	4,157
	8,330	4,157	12,487
	133,021	(117,219)	15,802
Contribution	-	(42,580)	(42,580)
Benefit payments	(8,322)	8,322	-
At December 31	124,699	(151,477)	(26,778)

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

32.6 Charge for the Defined Benefit Plan

	2014	2013
Current service cost	38,439	27,881
Net financial charges	(5,427)	(4,709)
Actuarial (gain) / loss recognised	-	-
	33,012	23,172

32.7 The plan assets and defined benefit obligations are based in Pakistan.

32.8 The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation - Increase / (Decrease)		
	Change in assumption	Increase in assumption	Decrease in assumption
	-------------- Rupees in '000 --------------		
Discount rate	1.0%	(15,217)	18,014
Salary growth rate	1.0%	17,925	(15,407)

	Increase by 1 year in assumption	Decrease 1 year in assumption
Life expectancy / Withdrawal rate	121	(142)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognised within the Statement of Financial Position.

32.9 The weighted average duration of the defined benefit obligation is 10.22 years.

32.10 Expected maturity analysis of undiscounted defined benefit obligation for the gratuity scheme is as follows:

At December 31, 2014	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
Gratuity	14,771	12,473	37,923	775,681	840,848

32.11 Historical information

	2014	2013	2012	2011	2010
	(Rupees in '000)				
As at December 31					
Present value of defined benefit obligation	162,299	124,699	87,240	63,884	50,735
Fair value of plan assets	(174,342)	(151,477)	(107,104)	(82,426)	-
Deficit / (surplus)	(12,043)	(26,778)	(19,864)	(18,542)	50,735
Experience adjustments on plan liabilities	19,853	8,330	(1,963)	(11,680)	(4,632)

32.12 Funding levels are monitored on an annual basis and are based on actuarial recommendations. Contribution for the next year works out to Rs. 40.967 million as per the actuarial valuation report of the holding company as of December 31, 2014.

32.13 Through its defined benefit gratuity plan, the Fund is exposed to a number of risks, the most significant of which are detailed below:

32.14 Through its defined benefit gratuity plan, the Fund is exposed to a number of risks, the most significant of which are detailed below:

Investment Risks The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.

Longevity Risks The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

Salary Increase Risk The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

Withdrawal Risk The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

32.15 The disclosure made in notes 32.1 to 32.15 are based on the information included in the actuarial valuation report of the Bank as of December 31, 2014.

33 DEFINED CONTRIBUTION PLAN (PROVIDENT FUND)

The Group operates a contributory provident funds for all permanent employees. The employer and employee both contribute 10% of basic salary to the fund every month. Equal monthly contributions by employer and employees during the year amounted to Rs 43.091 million (2013: Rs 35.989 million) each.

34 COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2014	2013*	2014	2013	2014	2013
	----	----	----	Rupees in '000	----	----
Fees	-	-	1,550	1,550	-	-
Managerial remuneration *	21,691	34,863	-	-	184,288	146,834
Bonus	-	-	-	-	-	-
Charge for defined benefit plan	475	1,655	-	-	14,049	11,503
Salary in lieu of provident fund	2,169	1,986	-	-	-	-
Contribution to defined contribution plan **	-	-	-	-	15,765	13,397
Rent and house maintenance	599	548	-	-	82,929	63,947
Utilities	2,169	1,986	-	-	18,429	14,683
Medical	2,169	1,986	-	-	18,429	14,683
Others	-	-	-	-	51,113	48,294
	29,272	43,024	1,550	1,550	385,002	313,341
Number of persons	1	1	5	4	213	171

* In 2013, Holding Company's Chief Executive was paid Rs 15 million being one time salary adjustment.

** During the year Holding Company's Chief Executive resigned from the Gratuity fund, where he was a contributory member, at the conclusion of his contract in April as per rules and opted not to be a member in the new contract signed between him and the Bank. An amount of Rs.13.189 million was accordingly paid to him as per rules.

34.1 In addition to the above, the Holding Company's Chief Executive is also provided with car allowance of Rs 5.419 million (2013:Rs 3.951 million) as per the policy of Bank.

34.2 In addition to above, the Executives have also been given car allowance amounting to Rs 52.368 million (2013: Rs 44.725 million) during the current year.

34.3 The remuneration and other benefits paid to the Chief Executive Officer of the subsidiary company amounted to Rs 3.706 million (2013: 3.498 million).

35 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 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.

35.1 Off-balance sheet financial instruments

	2014 Book Value	2014 Fair value	2013 Book Value	2013 Fair value
	Rupees in '000			
Forward purchase of foreign currencies	1,782,779	1,763,272	1,379,140	1,368,635
Forward sale of foreign currencies	1,326,462	1,310,100	1,119,615	1,111,164

36 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				
2014					
Total income	797,582	4,540,205	3,017,635	96,064	8,451,486
Total expenses	218,978	4,183,169	2,226,528	1,352,933	7,981,608
Net income / (loss)	578,604	357,036	791,107	(1,256,869)	469,878
Segment assets (gross)	53,372,296	7,762,112	39,920,783	1,642,259	102,697,450
Segment non - performing assets	382,052	486,509	610,831	-	1,479,392
Segment provision required	69,064	233,898	402,571	-	705,533
Segment liabilities	114,686	59,208,139	34,842,909	953,374	95,119,108
Segment return on assets (ROA) (%)	1.08%	4.60%	1.98%	-	-
Segment cost of funds (%)	8.19%	5.23%	6.32%	-	-

	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total
	Rupees in '000				
2013 (Restated)					
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%	-	-

37 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 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 34 are as follows:

	2014	2013
	------- Rupees in '000 -------	
Associates		
Islamic Financing and related assets		
At beginning of the year	1,830 *	25,371
Accrued during the year	13,001	36,852
Repayments	(14,831)	(55,752)
At end of the year	-	6,471
Prepayments		
At beginning of the year	7,632	4,892
Additions during the year	27,496	14,314
Expired during the year	(22,395)	(11,574)
At end of the year	12,733	7,632
Deposits		
At beginning of the year	314,696 *	88,097
Deposits during the year	1,789,122	711,706
Withdrawals during the year	(1,507,715)	(642,438)
At end of the year	596,103	157,365
Transactions, income and expenses		
Return on deposits expensed	26,027	7,145
Administrative expense	55,775	86,847
Payable on deposits	1,524	939

	2014	2013
	------- Rupees in '000 -------	
Key management personnel		
Islamic financing and related assets		
At beginning of the year	67,806 *	100,246
Disbursements	55,550	30,308
Repaid during the year	(26,246)	(40,320)
At end of the year	97,110	90,234
Deposits		
At beginning of the year	29,778 *	10,959
Deposits	115,898	118,277
Withdrawals during the year	(130,857)	(98,885)
At end of the year	14,819	30,351
Transactions, income and expenses		
Profit earned on financing	2,641	3,443
Return on deposits expensed	427	120
Remuneration	49,014	56,432
Disposal of vehicle	-	3,903
Payable on deposits	953	5
Employee benefit plans		
Contribution to employees gratuity fund	42,580	42,580
Charge for defined benefit plan	33,012	23,172
Contribution to employees provident fund	43,091	35,989

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

38 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 Group prepares Annual Budget and Projections outlining its future growth and direction keeping in consideration the economic and political factors in the country and region. Adequacy of capital to support the expected growth in balance sheet is also ascertained.

Stress testing of the Group is regularly performed to ensure that the Group remains well capitalised and able to sustain any shocks under any of the specified risk factors.

The State Bank of Pakistan (SBP) has introduced new guidelines with respect to disclosure of capital adequacy related information in the financial statements vide its communication dated November 5, 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 2019 for implementation of Basel III. The disclosures below have been prepared on the basis of these new guidelines. The comparative information is as per requirements which were applicable last year.

38.1 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.

38.2 Statutory Minimum Capital Requirement and management of capital

The State Bank of Pakistan (SBP) vide BSD Circular No. 7 of 2009 dated April 15, 2009 has revised the Minimum Capital Requirement for banks. As per this circular the holding company was required to have a minimum issued, subscribed and paid-up capital (free of losses) of Rs.10 billion as at December 31, 2014. The paid-up capital of the holding company (free of losses) amounted to Rs. 5.680 billion as at December 31, 2014. As more fully explained in note 1.2 to these financial statements, the Board of Directors of the holding company have approved the issuance of 432,040,000 ordinary shares of Rs 10 each at par value to all the existing shareholders in proportion of 75.0236 right shares for every 100 ordinary shares held by them. The SBP has advised the holding company to maintain a minimum CAR of 18% at all times till the time the holding company's paid-up capital (free of losses) is below Rs 6 billion.

38.3 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 Bank which meet the specified criteria after regulatory deduction for investments in the equity of subsidiary companies engaged in banking and financial activities and other specified deductions.

Presently the Group 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 equity investments after deduction of deficit on available for sale investments (upto a maximum of 56%).

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.

38.4 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:

	2014	2013
Particulars	**Amount**	
	------- Rupees in '000 -------	
Common Equity Tier 1 capital (CET1): Instruments and reserves		
Fully paid-up capital / capital deposited with the SBP	**5,758,721**	5,279,679
Balance in share premium account	**-**	-
Reserve for issue of bonus shares	**-**	-
Discount on issue of shares	**(79,042)**	-
General / Statutory Reserves	**273,176**	210,446
Gains / (losses) on derivatives held as Cash Flow Hedge	**-**	
Unappropriated profits	**269,349**	27,199
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	**6,222,204**	5,517,324
Total regulatory adjustments applied to CET1 (Note 38.4.1)	**(111,725)**	(87,779)
Common Equity Tier 1	**6,110,479**	5,429,545

Particulars	2014 Amount	2013 Amount
	------- Rupees in '000 -------	
Additional Tier 1 (AT 1) Capital		
Qualifying Additional Tier-1 capital 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	-	-
Total of Regulatory Adjustment applied to AT1 capital (Note 38.4.2)	-	-
Additional Tier 1 capital after regulatory adjustments	-	-
Tier 1 Capital (CET1 + admissible AT1)	6,110,479	5,429,545
Tier 2 Capital		
Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	-
Capital instruments subject to phase out arrangement issued	-	-
Tier 2 capital instruments issued to third parties 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	76,644	47,470
Revaluation Reserves (net of taxes) of which:		
- Revaluation reserves on fixed assets	412,894	403,800
- Unrealized gains/losses on AFS	(48,555)	76,949
Foreign Exchange Translation Reserves	-	-
Undisclosed/Other Reserves (if any)	-	-
T2 before regulatory adjustments	440,983	528,219
Total regulatory adjustment applied to T2 capital (Note 38.4.3)	-	-
Tier 2 capital (T2) after regulatory adjustments	440,983	528,219
Tier 2 capital recognized for capital adequacy	440,983	528,219
Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
Total Tier 2 capital admissible for capital adequacy	440,983	528,219
TOTAL CAPITAL (T1 + admissible T2)	6,551,462	5,957,764
Total Risk Weighted Assets (RWA) {for details refer Note 38.7}	38,635,539	37,953,849

Particulars	2014 Amount	2013 Amount
	------- Rupees in '000 -------	
Capital Ratios and buffers (in percentage of risk weighted assets)		
CET1 to total RWA	15.82%	14.31%
Tier-1 capital to total RWA	15.82%	14.31%
Total capital to total RWA	16.96%	15.70%
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	-	-
- D-SIB or G-SIB buffer requirement	-	-
CET1 available to meet buffers (as a percentage of risk weighted assets)	10.32%	9.31%
National minimum capital requirements prescribed by SBP		
CET1 minimum ratio	5.50%	5.00%
Tier 1 minimum ratio	7.00%	6.50%
Total capital minimum ratio	10.00%	10.00%

	Particulars	2014 Amount	2014 Pre-Basel III treatment*	2013 Amount	2013 Pre-Basel III treatment*
38.4.1	**Common Equity Tier 1 capital: Regulatory adjustments**	---------------- Rupees in '000 ----------------			
	Goodwill (net of related deferred tax liability)	20,025	-	59,232	-
	All other intangibles (net of any associated deferred tax liability)	39,197	-	28,547	-
	Shortfall of provisions against classified assets (Note 39.6.2.1)	-	-	-	-
	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	52,503	210,012	-	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 common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	-	-
	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	-	-
	Amount exceeding 15% threshold of which:	-	-	-	-
	- significant investments in the common stocks of financial entities	-	-	-	-
	- 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	111,725	210,012	87,779	154,837

Particulars	2014 Amount	2014 Pre-Basel III treatment*	2013 Amount	2013 Pre-Basel III treatment*
	---------------- Rupees in '000			----------------
38.4.2 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	-	-	-	-

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

38.4.3 Tier 2 Capital: regulatory adjustments

Particulars	2014 Amount	2014 Pre-Basel III treatment*	2013 Amount	2013 Pre-Basel III treatment*
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	-	-	-	-

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

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

38.4.4 Risk Weighted Assets subject to pre-Basel III treatment

	2014	2013
Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)	-	-
of which: deferred tax assets	210,012	154,837
of which: Defined-benefit pension fund net assets	-	-
of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	-	-
of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	-	-
Amounts below the thresholds for deduction (before risk weighting)		
Non-significant investments in the capital of other financial entities	-	-
Significant investments in the common stock of financial entities	5,528	-
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)	76,644	47,470
Cap on inclusion of provisions in Tier 2 under standardized approach	404,687	405,757
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	-	-

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*including sub-branches

38.4.5 Capital Structure Reconciliation

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

Particulars	Balance sheet as in published financial statements	Under regulatory scope of reporting
	---- Rupees in '000 ----	
Assets		
Cash and balances with treasury banks	6,361,444	6,361,444
Balances with other banks	847,890	847,890
Due from financial institutions	18,143,574	18,143,574
Investments	30,511,422	30,511,422
Islamic financing and related assets	41,097,058	41,097,058
Operating fixed assets	3,387,282	3,387,282
Deferred tax assets	-	262,515
Other assets	1,643,247	1,643,247
Total assets	**101,991,917**	102,254,432
Liabilities and Equity		
Bills payable	918,435	918,435
Due to financial institutions	561,000	561,000
Deposits and other accounts	90,330,870	90,330,870
Sub-ordinated loans	-	-
Liabilities against assets subject to finance leases	-	-
Deferred tax liabilities	199,348	461,863
Other liabilities	3,109,455	3,109,455
Total liabilities	**95,119,108**	95,381,623
Share capital	5,758,721	5,758,721
Discount on issue of shares	(79,042)	(79,042)
Reserves	273,176	273,176
Unappropriated profit	269,349	269,349
Minority Interest	-	-
Surplus on revaluation of investments - net of tax	650,605	650,605
Total liabilities and equity	**101,991,917**	102,254,432

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

Assets			
Cash and balances with treasury banks		6,361,444	6,361,444
Balances with other banks		847,890	847,890
Due from financial institutions		18,143,574	18,143,574
Investments		30,511,422	30,511,422
of which:			
- non-significant capital investments in capital of other financial institutions exceeding 10% threshold	a	-	-

Particulars	Reference	Balance sheet as in published financial statements	Under regulatory scope of reporting
		---- Rupees in '000 ----	
- 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		41,097,058	41,097,058
- shortfall in provisions / excess of total EL amount over eligible provisions under IRB	f	-	-
- general provisions reflected in Tier 2 capital	g	76,644	76,644
Operating fixed assets		3,387,282	3,387,282
- of which: Intangibles	k	39,197	39,197
Deferred tax assets			
of which:		-	262,515
- DTAs that rely on future profitability excluding those arising from temporary differences	h	-	262,515
- DTAs arising from temporary differences exceeding regulatory threshold	i		
Other assets		**1,643,247**	**1,643,247**
of which:			
- goodwill	j	20,025	20,025
- defined-benefit pension fund net assets	l	-	-
Total assets		**101,991,917**	**102,254,432**
Liabilities and Equity			
Bills payable		918,435	918,435
Due to financial institutions		561,000	561,000
Deposits and other accounts		90,330,870	90,330,870
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:		199,348	461,863
- 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		3,109,455	3,109,455
Total liabilities		**95,119,108**	**95,381,623**

Particulars	Reference	Balance sheet as in published financial statements	Under regulatory scope of reporting
		---- Rupees in '000 ----	
Share capital		**5,758,721**	**5,758,721**
- of which: amount eligible for CET1	s	5,758,721	5,758,721
- of which: amount eligible for AT1	t	-	-
Reserves of which:		273,176	273,176
- portion eligible for inclusion in CET1 - Statutory reserve	u	273,176	273,176
- portion eligible for inclusion in CET1 - Gain on Bargain Purchase		-	-
- portion eligible for inclusion in CET1 - General reserve		-	-
- portion eligible for inclusion in Tier 2 General reserve	v	-	-
Discount on issue of shares		(79,042)	(79,042)
Unappropriated profit	w	269,349	269,349
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:		650,605	650,605
- Revaluation reserves on Property		737,310	737,310
- Unrealized Gains/Losses on AFS	aa	(86,705)	(86,705)
- In case of Deficit on revaluation (deduction from CET1)	ab	-	-
Total liabilities and Equity		**101,991,917**	**102,254,432**

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

	Particulars	Source based on reference number from step 2	Component of regulatory capital reported by bank
		---- Rupees in '000 ----	
	Common Equity Tier 1 capital (CET1): Instruments and reserves		
1	Fully Paid-up Capital	(s)	5,758,721
2	Balance in share premium account		-
3	Discount on issue of shares		(79,042)
4	Reserve for issue of bonus shares		-
5	General / Statutory Reserves	(u)	273,176
6	Gain / (Losses) on derivatives held as Cash Flow Hedge		-
7	Unappropriated / unremitted profits	(w)	269,349
8	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)	-
9	**CET 1 before Regulatory Adjustments**		**6,222,204**
	Common Equity Tier 1 capital: Regulatory adjustments		
10	Goodwill (net of related deferred tax liability)	(j) - (s)	20,025
11	All other intangibles (net of any associated deferred tax liability)	(k) - (p)	39,197
12	Shortfall of provisions against classified assets	(f)	-
13	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(h) - (r) * x%	52,503
14	Defined-benefit pension fund net assets	(l) - (q) * x%	-

	Particulars	Source based on reference number from step 2	Component of regulatory capital reported by bank
		---- Rupees in '000 ----	
15	Reciprocal cross holdings in CET1 capital instruments	(d)	-
16	Cash flow hedge reserve		-
17	Investment in own shares / CET1 instruments		-
18	Securitization gain on sale		-
19	Capital shortfall of regulated subsidiaries		-
20	Deficit on account of revaluation from bank's holdings of property / AFS	(ab)	-
21	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)	-
22	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)	-
23	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	(i)	-
24	Amount exceeding 15% threshold of which:		
	- significant investments in the common stocks of financial entities		-
	- deferred tax assets arising from temporary differences		-
25	National specific regulatory adjustments applied to CET1 capital		-
26	Investment in TFCs of other banks exceeding the prescribed limit		-
27	Any other deduction specified by SBP (mention details)		-
28	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions		-
29	Total regulatory adjustments applied to CET1		111,725
	Common Equity Tier 1		6,110,479
	Additional Tier 1 (AT 1) Capital		
30	Qualifying Additional Tier-1 instruments plus any related share premium of which:		-
31	- Classified as equity	(t)	-
32	- Classified as liabilities	(m)	-
33	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties	(y)	-
34	- of which: instrument issued by subsidiaries subject to phase out		-
35	**AT1 before regulatory adjustments**		-
	Additional Tier 1 Capital: regulatory adjustments		
36	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)		-
37	Investment in own AT1 capital instruments		-
38	Reciprocal cross holdings in Additional Tier 1 capital instruments		-
39	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)	-
40	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(ad)	-

	Particulars	Source based on reference number from step 2	Component of regulatory capital reported by bank
		---- Rupees in '000 ----	
41	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		-
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		-
43	Total of Regulatory Adjustment applied to AT1 capital		-
44	Additional Tier 1 capital		-
45	**Additional Tier 1 capital recognised for capital adequacy**		-
	Tier 1 Capital (CET1 + admissible AT1)		6,110,479
	Tier 2 Capital		
46	Qualifying Tier 2 capital instruments under Basel III	(n)	-
47	Capital instruments subject to phase out arrangement from Tier 2		-
48	Tier 2 capital instruments issued to third party by consolidated subsidiaries	(z)	-
	- of which: instruments issued by subsidiaries subject to phase out		-
49	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	(g)	76,644
50	Revaluation Reserves eligible for Tier 2 of which:		
51	- portion pertaining to Property		412,894
52	- portion pertaining to AFS securities	56% of (aa)	(48,555)
53	Foreign Exchange Translation Reserves	(v)	-
54	Undisclosed / Other Reserves (if any)		-
55	**T2 before regulatory adjustments**		440,983
	Tier 2 Capital: regulatory adjustments		
56	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		-
57	Reciprocal cross holdings in Tier 2 instruments		-
58	Investment in own Tier 2 capital instrument		-
59	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)	-
60	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(af)	-
61	Amount of Regulatory Adjustment applied to T2 capital		-
62	Tier 2 capital (T2)		440,983
63	Tier 2 capital recognised for capital adequacy		440,983
64	Excess Additional Tier 1 capital recognised in Tier 2 capital		-
65	Total Tier 2 capital admissible for capital adequacy		440,983
	TOTAL CAPITAL (T1 + admissible T2)		6,551,462

38.6 Main features of regulatory capital instruments

	Main Features	Common Shares
1	Issuer	BankIslami Pakistan Limited
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	BIPL - CDC Symbol
3	Governing law(s) of the instrument	Listing Regulations of Karachi Stock Exchange Limited
	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)	5,758,721
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	No
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

38.7 Risk-weighted exposures

	Capital requirements		Risk weighted assets	
	2014	2013	2014	2013
	Rupees in '000			
Credit Risk				
Portfolios subject to on-balance sheet exposure (Simple Approach)				
Cash and cash equivalents	-	-	-	-
Sovereign	8,077	15,171	44,873	104,625
Public sector entities	53,048	154,206	294,713	1,063,488
Banks	343,664	218,710	1,909,247	1,508,343
Corporate	3,757,427	3,122,669	20,874,593	21,535,649
Retail	241,597	62,742	1,342,207	432,706
Residential mortgage	273,206	145,638	1,517,813	1,004,403
Past due loans	93,864	117,842	521,464	812,705
Operating fixed assets	602,655	426,021	3,348,085	2,938,073
All other assets	171,165	158,535	950,917	1,093,343
Portfolios subject to off-balance sheet exposure - non market related (Simple approach)				
Banks	412	358	2,290	2,467
Corporate	259,725	255,209	1,442,917	1,760,064
Retail	1,011	276	5,615	1,901
Others	13,459	28,845	74,771	198,928
Portfolios subject to off-balance sheet exposures - market related (Current exposure method)				
Banks	4,271	452	23,727	3,116
Customers	1,424	-	7,912	-
Equity Exposure Risk in the Banking Book				
Unlisted equity investments held in banking book	-	-	-	-
Recognised portion of significant investment	2,488	-	13,820	-
Market Risk				
Capital Requirement for portfolios subject to Standardised Approach				
Interest rate risk	2,389	42	29,862	525
Equity position risk	8	8	100	100
Foreign Exchange risk	11,856	8,130	148,200	101,625
Operational Risk				
Capital requirement for operational risk	486,593	431,343	6,082,413	5,391,788
TOTAL	6,328,339	5,146,197	38,635,539	37,953,849

	Required	Actual	Required	Actual
Capital Adequacy Ratio	December-14		December-13	
CET1 to total RWA	5.50%	15.82%	5.00%	14.31%
Tier-1 capital to total RWA	7.00%	15.82%	6.50%	14.31%
Total capital to total RWA	18.00%	16.96%	14.50%	15.70%

39 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 impelement 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 Group'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 Groups 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. The Group entity, 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 support's.

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.

39.1 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 customer 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 (Murabahah, 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.

39.1.1 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.

39.1.1.1 Segments by class of business

2014

	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	-	0.00%	4,291,801	4.75%	22,016	0.37%
Mining and Quarrying	-	0.00%	815,183	0.90%	-	0.00%
Textile	3,537,087	8.48%	613,279	0.68%	532,935	8.90%
Chemical and Pharmaceuticals	3,416,461	8.19%	1,177,077	1.30%	98,496	1.64%
Cement	482,532	1.16%	237,726	0.26%	82,857	1.38%
Sugar	3,762,338	9.02%	1,503,756	1.66%	500,500	8.36%
Footwear and Leather garments	16,156	0.04%	66,041	0.07%	29,157	0.49%
Automobile and transportation equipment	906,866	2.17%	1,671,568	1.85%	1,340,978	22.39%
Education	4,300	0.01%	995,389	1.10%	4,621	0.08%
Electronics and electrical appliances	4,179,678	10.02%	212,370	0.24%	18,343	0.31%
Production and transmission of energy	-	0.00%	231,158	0.26%	45,313	0.76%
Construction	3,490,534	8.37%	1,101,911	1.22%	838,804	14.00%
Power (electricity), Gas, Water, Sanitary	2,505,653	6.01%	12,688	0.01%	500,000	8.35%
Wholesale and Retail Trade	695,827	1.67%	27,844,158	30.82%	491,750	8.21%
Exports/Imports	2,946,367	7.07%	128,611	0.14%	73,273	1.22%
Transport, Storage and Communication	246,657	0.59%	397,939	0.44%	493,777	8.24%
Financial	1,065,283	2.55%	1,311,330	1.45%	14,134	0.24%
Insurance	13,505	0.03%	847,934	0.94%	-	0.00%
Services	981,423	2.35%	2,926,123	3.24%	387,453	6.47%
Individuals	7,306,839	17.52%	34,246,086	37.91%	36,401	0.61%
Food and beverages	5,102,416	12.24%	2,437,603	2.70%	99,227	1.66%
Private Trust & NGO	18,867	0.05%	2,809,104	3.11%	3,642	0.06%
Packing and Paper products	100,751	0.24%	4,400	0.00%	4,362	0.07%
Others*	918,576	2.20%	4,447,635	4.92%	371,651	6.20%
	41,698,116	100%	90,330,870	100.00%	5,989,690	100.00%

*Others include Sole Proprietors, fund accounts and 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.

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%	196516	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%
	38,932,046	100.00%	75,169,991	100.00%	10,377,342	100.00%

*Others include Sole Proprietors, fund accounts and 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.

39.1.1.2 Segment by sector

	2014					
	Islamic financing and related assets		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	2,246,310	5%	4,272,070	5%	1,258,224	21%
Private	39,451,806	95%	86,058,800	95%	4,731,466	79%
	41,698,116	100%	90,330,870	100%	5,989,690	100%

	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%	3,418,849	5%	1,236,700	12%
Private	37,137,568	95%	71,751,142	95%	9,140,642	88%
	38,932,046	100%	75,169,991	100%	10,377,342	100%

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

	2014		2013	
	Classified Islamic financing and related assets	Specific provisions held	Classified Islamic financing and related assets	Specific provisions held
	Rupees in '000			
Wholesale and Retail trade	97,598	31,382	23,020	16,648
Agriculture, Forestry, Hunting and Fishing	-	-	-	-
Textile	167,370	161,157	261,766	244,403
Chemical and Pharmaceuticals	13,573	2,339	13,772	200
Power (electricity), Gas, Water, Sanitary	703	73	4,950	1,013
Cement	23,250	23,250	23,250	23,250
Automobile & Transportation equipment	3,217	1,366	-	-
Construction	224,044	123,719	284,251	99,747
Services	9,285	5,990	9,886	4,782
Financial	1,101	524	517	305
Paper Product	22,807	9,722	73,073	10,274
Transport, Storage and Communication	17,041	17,041	-	-
Individuals	476,527	146,208	396,285	157,280
Others	5,413	1,643	18,101	17,941
	1,061,929	524,414	1,108,871	575,843

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

	2014		2013	
	Classified Islamic financing and related assets	**Specific provisions held**	Classified Islamic financing and related assets	Specific provisions held
	------------- Rupees in '000 -------------			
Public / Government	**-**	**-**	-	-
Private	**1,061,929**	**524,414**	1,108,871	575,843
	1,061,929	**524,414**	1,108,871	575,843

39.1.1.5 Geographical segment analysis

	2014			
	Profit before taxation	**Total assets employed**	**Net assets employed**	**Contingencies and commitments**
	------------------- Rupees in '000 -------------------			
Pakistan	**469,878**	**101,991,917**	**6,872,809**	**5,989,690**

	2013			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	------------------- Rupees in '000 -------------------			
Pakistan	312,539	86,800,938	6,245,883	10,377,342

39.1.2 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 Group has currently employed standardized 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.

39.1.2.1 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	2014 JCR - VIS	2014 PACRA	2014 Others	2013 JCR - VIS	2013 PACRA	2013 Others
Corporate	✓	✓	N/A	✓	✓	N/A
Banks	✓	✓	✓	✓	✓	✓

Credit Exposures subject to Standardised approach

Exposures	SBP grade	Rating Category	2014			2013		
			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%	2,081,179	607,612	1,473,567	2,591,808	154	2,591,654
	2,3	50%	-	-	-	-	-	-
	4,5	100%	-	-	-	-	-	-
	6	150%	-	-	-	-	-	-
	Unrated	50%	870,020	720,478	149,542	1,090,545	232	1,090,313
Claims on Corporates (excluding equity exposures)	0%	-	-	-	-	-	-	
	1	20%	3,733,493	-	3,733,493	-		
	2	50%	2,727,875	50,538	2,677,337	3,317,887	19,476	3,298,411
	3,4	100%	4,187	518	3,669	5,814	855	4,959
	5,6	150%	-	-	-	171,896	4,783	167,113
	Unrated 1	100%	21,338,836	7,703,615	13,635,221	25,409,055	5,506,617	19,902,438
	Unrated 2	115%	6,769,025	1,035,762	5,733,263	-		
Claims categorized as retail portfolio		0%	-	-	-	-	-	-
		20%	-	-	-	-	-	-
		50%	-	-	-	-	-	-
		75%	2,378,196	581,100	1,797,096	915,027	338,086	576,941
Past Due loans:								
1.1 where specific provisions are less than 20 percent of the outstanding amount of the past due claim.		150%	476,347	322,697	153,650	406,472	60,174	346,298
1.2 where specific provisions are no less than 20 percent of the outstanding amount of the past due claim.		100%	21,347	6,268	15,079	59,216	2,985	56,231
1.3 where specific provisions are more than 50 percent of the outstanding amount of the past due claim.		50%	44,126	29,314	14,812	38,370	5,608	32,762
2. Loans and claims fully secured against eligible residential mortgages that are past due for more than 90 days and/or impaired		100%	231,655	-	231,655			
3. Loans and claims fully secured against eligible residential mortgage that are past due by 90 days and /or impaired and specific provision held thereagainst is more than 20% of outstanding amount		50%	73,697	-	73,697			
All other assets		100%	950,917	-	950,917	1,119,778	50,000	1,069,778

39.1.2.2 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 standardized 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.

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.

39.2 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.

39.3 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.

39.4 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.

39.4.1 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 Group 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.

	2014			
	Assets	Liabilities	Off-balance Sheet	Net foreign currency exposure
	---------- Rupees in '000 ----------			
Pakistan rupee	100,550,114	93,372,329	(453,172)	6,724,613
United States dollar	1,023,042	1,371,625	453,172	104,589
Great Britain pound	195,378	190,132	-	5,246
Deutsche mark	-	-	-	-
Japanese yen	4,928	2,524	-	2,404
Euro	187,178	182,498	-	4,680
UAE Dirham	3,426	-	-	3,426
ACU	19,533	-	-	19,533
CHF	1,230	-	-	1,230
AUD	5,263	-	-	5,263
Saudi Riyal	1,825	-	-	1,825
	101,991,917	95,119,108	-	6,872,809

	2013			
	Assets	Liabilities	Off-balance Sheet	Net foreign currency exposure
	---------- Rupees in '000 ----------			
Pakistan rupee	85,350,543	78,949,296	(257,471)	6,143,776
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
	86,800,938	80,555,055	-	6,245,883

39.4.2 MISMATCH OF YIELD / PROFIT RATE SENSITIVE ASSETS AND LIABILITIES

	2014												
	Effective Yield / Profit rate	Total	Exposed to Yield / Profit risk										Non-profit bearing financial instruments
			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	Above 10 Years	
		Rupees in '000											
On-balance sheet financial instruments													
Assets													
Cash and balances with Treasury Banks		6,361,444	-	-	-	-	-	-	-	-	-	-	6,361,444
Balances with other Banks	6.00%	847,890	89	-	-	-	-	-	-	-	-	-	847,801
Due from financial institutions	9.70%	18,143,574	5,002,671	1,024,308	1,362,229	-	10,754,366	-	-	-	-	-	-
Investments	9.23%	30,511,422	334,114	10,322,680	19,533,768	-	-	-	-	-	-	-	320,860
Islamic financing and related assets	11.88%	41,097,058	6,913,026	9,761,128	8,363,141	1,075,376	3,226,503	166,165	409,925	874,371	14,050	973,699	9,319,674
Other assets		1,449,715	-	-	-	-	-	-	-	-	-	-	1,449,715
		98,411,103	12,249,900	21,108,116	29,259,138	1,075,376	13,980,869	166,165	409,925	874,371	14,050	973,699	18,299,494
Liabilities													
Bills payable		918,435	-	-	-	-	-	-	-	-	-	-	918,435
Due to financial institutions	6.36%	561,000	-	561,000	-	-	-	-	-	-	-	-	-
Deposits and other accounts	5.07%	90,330,870	7,068,607	4,757,051	6,170,384	-	9,183,540	19,302,005	20,068,532	4,958,787	1,617,561	-	17,204,403
Other liabilities		3,047,381	-	-	-	-	-	-	-	-	-	-	3,047,381
		94,857,686	7,068,607	5,318,051	6,170,384	-	9,183,540	19,302,005	20,068,532	4,958,787	1,617,561	-	21,170,219
On-balance sheet gap		3,553,417	5,181,293	15,790,065	23,088,754	1,075,376	4,797,329	(19,135,840)	(19,658,607)	(4,084,416)	(1,603,511)	973,699	(2,870,725)
NON FINANCIAL ASSETS													
Operating fixed assets		3,387,282											
Deferred tax assets		-											
Other assets		193,532											
		3,580,814											
NON FINANCIAL LIABILITIES													
Deferred tax liabilities		199,348											
Other liabilities		62,074											
TOTAL NET ASSETS		6,872,809											
Total Yield / Profit Risk Sensitivity Gap			5,181,293	15,790,065	23,088,754	1,075,376	4,797,329	(19,135,840)	(19,658,607)	(4,084,416)	(1,603,511)	973,699	(2,870,725)
Cumulative Yield/Profit Risk Sensitivity Gap			5,181,293	20,971,358	44,060,112	45,135,488	49,932,817	30,796,977	11,138,370	7,053,954	5,450,443	6,424,142	(2,870,725)

	Effective Yield / Profit rate	Total	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	Above 10 Years	Non-profit bearing financial instruments
	2013												
			Exposed to Yield / Profit risk										
		---- Rupees in '000 ----											
On-balance sheet financial instruments													
Assets													
Cash and balances with Treasury Banks		4,883,483	-	-	-	-	-	-	-	-	-	-	4,883,483
Balances with other Banks	6.00%	1,018,717	50,000	126	-	-	-	-	-	-	-	-	968,591
Due from financial institutions	10.00%	6,511,173	6,511,173	-	-	-	-	-	-	-	-	-	-
Investments	9.00%	31,429,302	849,426	30,296,645	-	-	-	-	-	-	-	-	283,231
Islamic financing and related assets	12.00%	38,308,733	6,328,005	9,541,181	3,338,419	720,530	720,530	211,518	188,782	282,872	16,382	821,338	16,139,176
Other assets		767,008	-	-	-	-	-	-	-	-	-	-	767,008
		82,918,416	13,738,604	39,837,952	3,338,419	720,530	720,530	211,518	188,782	282,872	16,382	821,338	23,041,489
Liabilities													
Bills payable		835,562	-	-	-	-	-	-	-	-	-	-	835,562
Due to financial institutions	7.00%	2,538,000	2,538,000	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	6.00%	75,169,991	32,509,455	3,827,509	5,064,650	4,376,317	4,376,317	2,755,989	2,226,063	4,696,465	2,714,748	-	12,622,478
Other liabilities		1,752,250	-	-	-	-	-	-	-	-	-	-	1,752,250
		80,295,803	35,047,455	3,827,509	5,064,650	4,376,317	4,376,317	2,755,989	2,226,063	4,696,465	2,714,748	-	15,210,290
On-balance sheet gap		2,622,613	(21,308,851)	36,010,443	(1,726,231)	(3,655,787)	(3,655,787)	(2,544,471)	(2,037,281)	(4,413,593)	(2,698,366)	821,338	7,831,199
NON FINANCIAL ASSETS													
Operating fixed assets		2,966,620											
Deferred tax assets													
Other assets		915,902											
		3,882,522											
NON FINANCIAL LIABILITIES													
Deferred tax liabilities		175,216											
Other liabilities		84,036											
TOTAL NET ASSETS		6,245,883											
Total Yield / Profit Risk Sensitivity Gap			(21,308,851)	36,010,443	(1,726,231)	(3,655,787)	(3,655,787)	(2,544,471)	(2,037,281)	(4,413,593)	(2,698,366)	821,338	7,831,199
Cumulative Yield/Profit Risk Sensitivity Gap			(21,308,851)	14,701,592	12,975,361	9,319,574	9,319,574	6,775,103	4,737,822	324,229	(2,374,137)	(1,552,799)	7,831,199

39.5 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.

BIPL'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.

39.5.1 MATURITIES OF ASSETS AND LIABILITIES

	2014																		
	Total	Upto 1 Month		Over 1 to 3 Months		Over 3 to 6 Months		Over 6 Months to 1 Year		Over 1 to 2 Years		Over 2 to 3 Years		Over 3 to 5 Years		Over 5 to 10 Years		Above 10 Years	
		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	6,361,444	6,361,444	-	-	-	-		-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	847,890	847,890	-	-	-	-		-	-	-	-	-	-	-	-	-	-	-	-
Due from financial institutions	18,143,574	-	5,002,671	-	1,024,308	-	1,362,229	-	10,754,366	-	-	-	-	-	-	-	-	-	
Investments	30,511,422	-	1,821,642	-	3,981,758	-	11,776,786	-	3,829,464	-	1,503,300	-	7,418,057	-	-	5,578	174,837	-	-
Islamic financing and related assets	41,097,058	-	9,233,169	-	13,174,080	-	7,068,334	-	3,173,609	-	1,886,468	-	1,434,223	-	1,253,765	-	1,559,665	-	2,313,745
Operating fixed assets	3,387,282	-	-	-	-	41,716	-	-	-	-	-	-	-	1,526,531	-	1,332,288	-	486,748	-
Deferred tax assets	-	-	-	-	-	-		-	-	-	-	-	-		-	-	-	-	-
Other assets	1,643,247	1,085,099		-		39,052		238,561						260,510		20,025			
	101,991,917	8,294,433	16,057,482	-	18,180,146	80,768	20,207,349	238,561	17,757,439	-	3,389,768		8,852,280	1,787,041	1,253,765	1,357,891	1,734,502	486,748	2,313,745
Liabilities																			
Bills payable	918,435	918,435	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to financial institutions	561,000	561,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	90,330,870	6,512,878	3,265,723	-	4,757,052	-	6,170,384	-	9,183,540	24,360,746	2,188,465	24,360,742	2,954,992	-	4,958,787	-	1,617,561	-	-
Deferred tax liabilities	199,348	-	-	-	-	-	-	-	-	-	-	-	-	199,348	-	-	-	-	-
Other liabilities	3,109,455	1,028,857		10,194		1,128,460		11,460						930,484					
	95,119,108	9,021,170	3,265,723	10,194	4,757,052	1,128,460	6,170,384	11,460	9,183,540	24,360,746	2,188,465	24,360,742	2,954,992	1,129,832	4,958,787	-	1,617,561	-	-
Net assets	6,872,809	(726,737)	12,791,759	(10,194)	13,423,094	(1,047,692)	14,036,965	227,101	8,573,899	(24,360,746)	1,201,303	(24,360,742)	5,897,288	657,209	(3,705,022)	1,357,891	116,941	486,748	2,313,745

	Rupees in '000
Share capital	5,758,721
Discount on Issue of shares	(79,042)
Reserves	273,176
Unappropriated profit / (Accumulated loss)	269,349
Surplus on revaluation of assets	650,605
	6,872,809

	2013																		
	Total	Upto 1 Month		Over 1 to 3 Months		Over 3 to 6 Months		Over 6 Months to 1 Year		Over 1 to 2 Years		Over 2 to 3 Years		Over 3 to 5 Years		Over 5 to 10 Years		Above 10 Years	
		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	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	-	350,686	3,192,382	2,292,652	4,609,110	18,581,846	1,627,417	771,554	-	-	-	-	-	-	-	-	-	3,655
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	2,966,620	-	-	192,893	-	-	-	-	-	-	-	-	-	-	369,257	-	627,777	-	1,776,693
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	1,682,910	136,833	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	6,039,033	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	303,532	1,852,205	-	800,858	-	3,172,641
Liabilities																			
Bills payable	835,562	835,562	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to financial institutions	2,538,000	-	2,000,000	-	438,000	-	-	100,000	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	75,169,991	8,845,864	-	3,438,009	-	5,354,650	-	9,052,634	-	20,606,524	-	20,076,597	-	5,080,965	-	2,714,748	-	-	-
Deferred tax liabilities	175,216	-	-	-	-	-	-	-	-	-	-	-	-	175,216	-	-	-	-	-
Other liabilities	1,836,286	213,819	442,409	63,650	78,457	87,118	22,514	8,236	191,473	464	22,073	1,016	27,159	199,783	478,115	-	-	-	-
	80,555,055	9,895,245	2,442,409	3,501,659	516,457	5,441,768	22,514	9,160,870	191,473	20,606,988	22,073	20,077,613	27,159	5,455,964	478,115	2,714,748	-	-	-
Net assets	6,245,883	(3,856,212)	9,909,334	210,225	20,371,825	(474,566)	24,252,752	(7,480,197)	2,970,513	(20,601,986)	2,153,231	(20,077,613)	1,388,168	(5,152,432)	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	728,559
	6,245,883

39.6 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 polices, 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.

39.7 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.

39.8 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 Groups Association ("PBA"). The Group also takes account of systemic risk by means of careful management of counter party risks in the inter-Group market.

39.9 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.

40 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		Face Value	
		2014	2013	**2014**	2013
				------Rupees in '000-----	
Insurance Companies	Sukuks	**1**	1	**220,000**	220,000
Asset Management Companies	Sukuks	**26**	26	**1,455,665**	1,455,665
Employee Funds / NGO's	Sukuks	**6**	6	**79,500**	79,500
Individuals	Sukuks	**10**	10	**108,370**	108,370
Others	Sukuks	**21**	20	**4,846,465**	3,621,465
		64	63	**6,710,000**	5,485,000

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

The Group maintained following pools for profit declaration and distribution during the year ended December 31, 2014:

i) General Deposit Mudarabah Pool (PKR, USD, EUR & GBP);
ii) Musharakah Pool under SBP's Islamic Export Refinance Scheme; and
iii) 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 channelled towards the export sector of the economy via different Islamic financing modes such as Murabahah, Istisna etc.

Key features and risk & reward characteristics of all pools

The 'General Deposit Mudarabah Pool' for both local and foreign currency is to 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 the Group for onward financing to exporters and other blue chip companies on the basis of Shariah compliant modes such as Murabahah, 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 the 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 a nascent industry, we believe that the process of further improvement will continue as the business grows.

2 Credit Risk: This Risk is the risk which is associated with financing that is mitigated through safeguards through available standards within Shariah guidelines as disclosed in note 39.1 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 the Group as Mudarib. The direct expenses charged to the pool are direct cost in financing / investment transactions (i.e. Murabahah, Ijarah, Diminishing Musharkah, 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	10.97%	61.88%	38.12%	2,580,853	6.51%	23.76%	804,291
USD Pool	Monthly	1.64%	53.09%	46.91%	7,441	0.85%	6.18%	490

	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	9.62%	27.59%	72.41%	115,465	7.80%	0.00%	-

(ii) In addition to the above, 167 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.

42 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the holding company in its meeting held on March 6, 2015 have transferred an amount of Rs 250 million out of "unappropriated profit" to "reserve for bad debts and contingencies". The consolidated financial statements for the year ended December 31, 2014 do not include the effect of this appropriation which will be accounted for in the consolidated financial statements for the year ending December 31, 2015.

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.

44 DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on March 06, 2015 by the Board of Directors of the Holding Company.

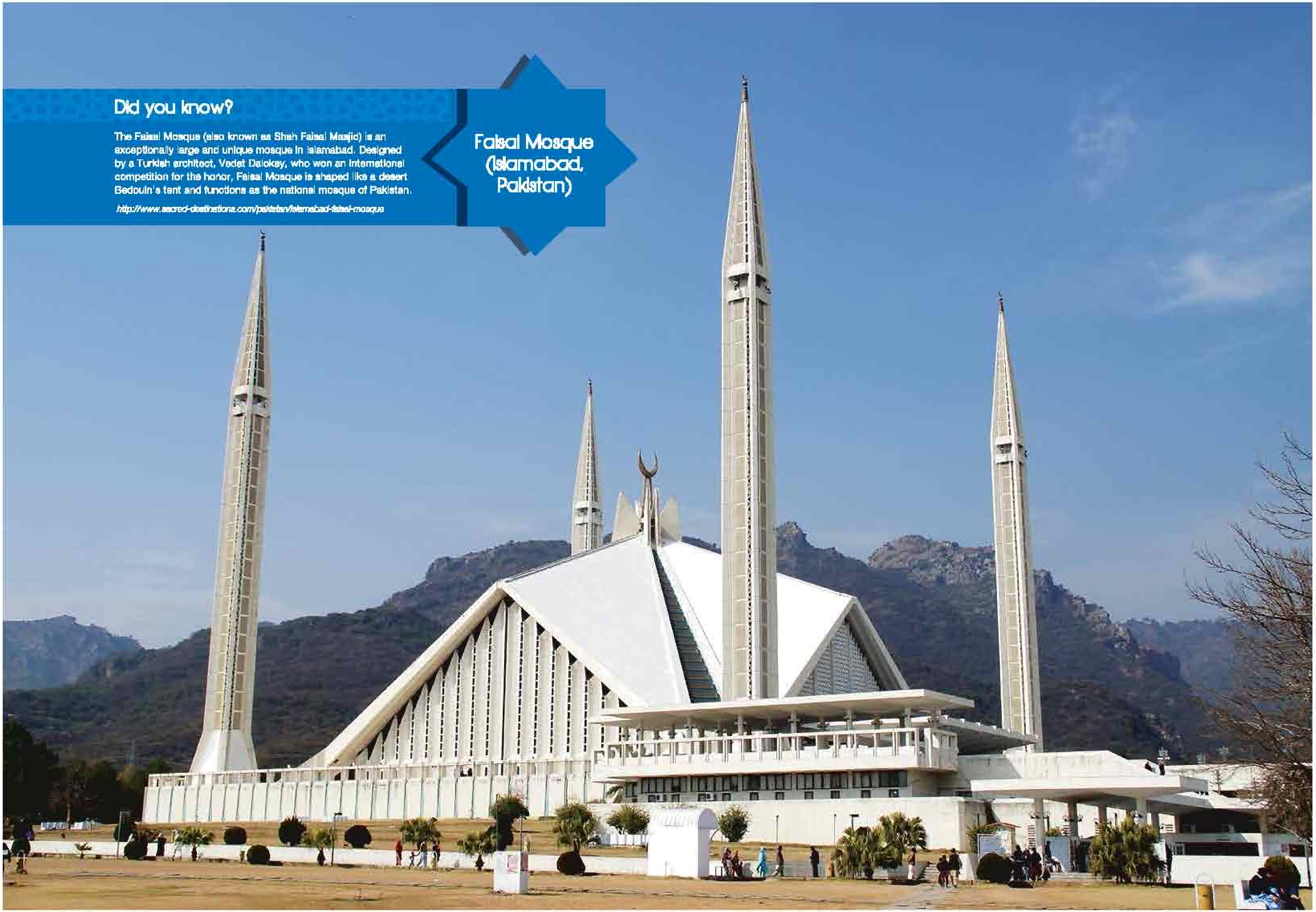
CHAIRMAN	PRESIDENT / CHIEF EXECUTIVE	DIRECTOR	DIRECTOR

Faisal Mosque (Islamabad, Pakistan)

Did you know?

The Faisal Mosque (also known as Shah Faisal Masjid) is an exceptionally large and unique mosque in Islamabad. Designed by a Turkish architect, Vedat Dalokay, who won an international competition for the honor, Faisal Mosque is shaped like a desert Bedouin's tent and functions as the national mosque of Pakistan.

http://www.sacred-destinations.com/pakistan/islamabad-faisal-mosque



Qurtuba Mosque (Cordoba, Spain)

Did you know?

It is a beautiful and fascinating mosque that symbolizes many architectural changes Cordoba has undergone over the centuries.

http://www.sacred-destinations.com/spain/cordoba-mezquita

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				----------		
Cisco Ip Phones other Allied Equipments	521	521	-	521	521	Takaful Claim	Pak Qatar General Takaful Limited
Lenova Think Pad Note Book PC's T420	114	51	63	114	51	Takaful Claim	Pak Qatar General Takaful Limited
Lcd Monitors	9	9	-	9	9	Takaful Claim	Pak Qatar General Takaful Limited
Imal Server	180	180	-	180	180	Takaful Claim	Pak Qatar General Takaful Limited
Imal Hardware	246	246	-	246	246	Takaful Claim	Pak Qatar General Takaful Limited
Hard Disk	233	233	-	233	233	Takaful Claim	Pak Qatar General Takaful Limited
Hard Disk	246	246	-	246	246	Takaful Claim	Pak Qatar General Takaful Limited
Hard Disk	246	246	-	246	246	Takaful Claim	Pak Qatar General Takaful Limited
Monitors	11	11	-	11	11	Takaful Claim	Pak Qatar General Takaful Limited
Hp Thin Client T-5525-5528	65	65	-	65	65	Takaful Claim	Pak Qatar General Takaful Limited
Ups	269	269	-	269	269	Takaful Claim	Pak Qatar General Takaful Limited
Electronic Ticker	91	91	-	91	91	Takaful Claim	Pak Qatar General Takaful Limited
Ip Phone System	237	237	-	237	237	Takaful Claim	Pak Qatar General Takaful Limited
Cisco Ip Phone	130	130	-	130	130	Takaful Claim	Pak Qatar General Takaful Limited
Desktop Pc	27	26	1	20	26	Takaful Claim	Pak Qatar General Takaful Limited
Cisco Ip Phone	16	16	-	16	16	Takaful Claim	Pak Qatar General Takaful Limited
Lcd Monitors	11	11	-	11	11	Takaful Claim	Pak Qatar General Takaful Limited
Server Power Supply	22	21	1	22	21	Takaful Claim	Pak Qatar General Takaful Limited
Lcd Monitors	11	11	-	11	11	Takaful Claim	Pak Qatar General Takaful Limited
Imal Hardware	243	243	-	243	243	Takaful Claim	Pak Qatar General Takaful Limited
Lcd Monitors	11	11	-	11	11	Takaful Claim	Pak Qatar General Takaful Limited
Laptops Qty-15	133	39	94	133	31	Takaful Claim	Pak Qatar General Takaful Limited
Electronic Ticker	78	78	-	78	78	Takaful Claim	Pak Qatar General Takaful Limited
Video Cameras	8	8	-	8	8	Takaful Claim	Pak Qatar General Takaful Limited
Ups	15	15	-	15	15	Takaful Claim	Pak Qatar General Takaful Limited
Hp Thin Client T-5525-5528	12	12	-	12	12	Takaful Claim	Pak Qatar General Takaful Limited
Cctv Camera	8	8	-	8	8	Takaful Claim	Pak Qatar General Takaful Limited
Cisco Ip Phone	18	18	-	18	18	Takaful Claim	Pak Qatar General Takaful Limited
Electronic Queue System	57	57	-	57	57	Takaful Claim	Pak Qatar General Takaful Limited
Cisco Ip Phone	65	65	-	65	65	Takaful Claim	Pak Qatar General Takaful Limited
Electronic Ticker	90	87	3	90	87	Takaful Claim	Pak Qatar General Takaful Limited
Cctv Camera	8	8	-	8	8	Takaful Claim	Pak Qatar General Takaful Limited
Cctv Camera	8	8	-	8	8	Takaful Claim	Pak Qatar General Takaful Limited
Ups	15	15	-	15	15	Takaful Claim	Pak Qatar General Takaful Limited
Electronic Queue System	10	10	-	10	10	Takaful Claim	Pak Qatar General Takaful Limited
Cctv Camera	8	8	-	8	8	Takaful Claim	Pak Qatar General Takaful Limited
Ip Phone System	224	224	-	224	224	Takaful Claim	Pak Qatar General Takaful Limited
Cctv Camera	8	8	-	8	8	Takaful Claim	Pak Qatar General Takaful Limited
Atm Machine	48	45	3	48	45	Takaful Claim	Pak Qatar General Takaful Limited
Lcd Monitors	9	9	-	9	9	Takaful Claim	Pak Qatar General Takaful Limited
Lcd Monitors	9	9	-	9	9	Takaful Claim	Pak Qatar General Takaful Limited
Lcd Monitors	11	11	-	11	11	Takaful Claim	Pak Qatar General Takaful Limited
Lcd Monitors	11	11	-	11	11	Takaful Claim	Pak Qatar General Takaful Limited
Cctv Camera	8	8	-	8	8	Takaful Claim	Pak Qatar General Takaful Limited
Desktop Pc	40	40	-	40	40	Takaful Claim	Pak Qatar General Takaful Limited
Cctv Camera	43	43	-	43	43	Takaful Claim	Pak Qatar General Takaful Limited
Desktop Pc	5	5	-	5	5	Takaful Claim	Pak Qatar General Takaful Limited
Atm Machine	29	21	8	29	21	Takaful Claim	Pak Qatar General Takaful Limited
Server	43	43	-	43	43	Takaful Claim	Pak Qatar General Takaful Limited
Laptops-Lenova Thinkpad	5	5	-	5	5	Bank Policy	Usman Alvi-Area Manager -DHA Y Block LHR

Asset description	Asset Cost	Accumulated depreciation	WDV	Sale proceeds	Gain/ (loss) on disposal	Mode of disposal	Particulars of Buyer
	---------------------- Rupees in thousand ----------------------						
Lcd Monitors	12	11	1	12	11	Takaful Claim	Pak Qatar General Takaful Limited
IP Phone System	18	18	-	18	18	Takaful Claim	Pak Qatar General Takaful Limited
Lcd Monitors	10	9	1	10	9	Takaful Claim	Pak Qatar General Takaful Limited
Lcd Monitors	12	11	1	12	11	Takaful Claim	Pak Qatar General Takaful Limited
Electronic Ticker	53	53	-	53	53	Takaful Claim	Pak Qatar General Takaful Limited
Monitors	12	11	1	12	11	Takaful Claim	Pak Qatar General Takaful Limited
Ip Phone System	18	18	-	18	18	Takaful Claim	Pak Qatar General Takaful Limited
Ip Phone System	19	19	-	19	19	Takaful Claim	Pak Qatar General Takaful Limited
Monitors	12	11	1	12	11	Takaful Claim	Pak Qatar General Takaful Limited
Cisco Ip Phone	10	10	-	10	10	Takaful Claim	Pak Qatar General Takaful Limited
Thin Client System	98	98	-	98	98	Takaful Claim	Pak Qatar General Takaful Limited
Lcd Monitors	10	9	1	10	9	Takaful Claim	Pak Qatar General Takaful Limited
Cctv Camera	8	8	-	8	8	Takaful Claim	Pak Qatar General Takaful Limited
Lcd Monitors	10	9	1	10	9	Takaful Claim	Pak Qatar General Takaful Limited
Lcd Monitors	10	9	1	10	9	Takaful Claim	Pak Qatar General Takaful Limited
Ip Phone System	18	18	-	18	18	Takaful Claim	Pak Qatar General Takaful Limited
Lcd Monitors	12	11	1	12	11	Takaful Claim	Pak Qatar General Takaful Limited
Electronic Ticker	215	215	-	215	215	Takaful Claim	Pak Qatar General Takaful Limited
Lcd Monitors	12	11	1	12	11	Takaful Claim	Pak Qatar General Takaful Limited
Lcd Monitors	12	11	1	12	11	Takaful Claim	Pak Qatar General Takaful Limited
Thin Client Systems	59	59	-	59	59	Takaful Claim	Pak Qatar General Takaful Limited
Cisco Ip Phone	19	19	-	19	19	Takaful Claim	Pak Qatar General Takaful Limited
Cisco Ip Phone	18	18	-	18	18	Takaful Claim	Pak Qatar General Takaful Limited
Cisco Ip Phone	19	19	-	19	19	Takaful Claim	Pak Qatar General Takaful Limited
Lcd Monitors	12	11	1	12	11	Takaful Claim	Pak Qatar General Takaful Limited
Lcd Monitors	12	11	1	12	11	Takaful Claim	Pak Qatar General Takaful Limited
Lcd Monitors	12	11	1	12	11	Takaful Claim	Pak Qatar General Takaful Limited
Cisco Ip Phone	19	19	-	19	19	Takaful Claim	Pak Qatar General Takaful Limited
Lcd Monitors	12	11	1	12	11	Takaful Claim	Pak Qatar General Takaful Limited
Lenovo Thinkpad	55	11	44	55	4	Takaful Claim	Pak Qatar General Takaful Limited
Lcd Monitors	12	11	1	12	11	Takaful Claim	Pak Qatar General Takaful Limited
Lcd Monitors	10	9	1	10	9	Takaful Claim	Pak Qatar General Takaful Limited
Lcd Monitors	12	11	1	12	11	Takaful Claim	Pak Qatar General Takaful Limited
CISCO IP Phones	14	7	7	14	6	Takaful Claim	Pak Qatar General Takaful Limited
Note Counting Machine	32	32	-	1	1	Trade In Basis	Asian Machines & Technologies
CISCO IP Phones	18	18	-	18	18	Takaful Claim	Pak Qatar General Takaful Limited
Note Counting Machine	32	32	-	1	1	Trade In Basis	Asian Machines & Technologies
Note Binding Machine	16	16	-	1	1	Trade In Basis	Asian Machines & Technologies
Note Counting Machine	26	26	-	1	1	Trade In Basis	Asian Machines & Technologies
Note Counting Machine	31	31	-	1	1	Trade In Basis	Asian Machines & Technologies
Note Binding Machine	17	17	-	1	1	Trade In Basis	Asian Machines & Technologies
Note Counting Machine	34	34	-	1	1	Trade In Basis	Asian Machines & Technologies
D-Link Print Server	7	4	3	7	4	Takaful Claim	Pak Qatar General Takaful Limited
Cisco IP Phone 7912	19	19	-	19	19	Takaful Claim	Pak Qatar General Takaful Limited
Note Binding Machine	16	16	-	1	1	Trade In Basis	Asian Machines & Technologies
Note Binding Machine	17	17	-	1	1	Trade In Basis	Asian Machines & Technologies
Note Binding Machine	17	17	-	1	1	Trade In Basis	Asian Machines & Technologies
Note Binding Machine	17	17	-	1	1	Trade In Basis	Asian Machines & Technologies
Note Counting Machine	40	40	-	1	1	Trade In Basis	Asian Machines & Technologies
Laptop-Thinkpad	70	70	-	5	5	Bank Policy	Rehan Siddiqui-Unit Head Data Base Administrator ISD
Note Counting Machine	31	31	-	1	1	Trade In Basis	Asian Machines & Technologies
Note Counting Machine	31	31	-	1	1	Trade In Basis	Asian Machines & Technologies
Toyota Corolla	2,106	175	1,930	2,000	70	Takaful Claim	Pak-Kuwait Takaful Company Limited
Total	**7,408**	**5,232**	**2,175**	**6,887**	**4,712**		

Pattern of Shareholding

No. of Shareholders	Shareholding From	Shareholding To	Total Shares Held	Total Shares Held %
397	1	100	13,059	0.00
15650	101	500	7,450,731	1.29
3703	501	1000	2,797,238	0.49
2028	1001	5000	3,979,342	0.69
229	5001	10000	1,723,824	0.30
85	10001	15000	1,059,499	0.18
53	15001	20000	956,312	0.17
39	20001	25000	890,350	0.15
20	25001	30000	563,387	0.10
17	30001	35000	554,651	0.10
11	35001	40000	419,542	0.07
7	40001	45000	300,929	0.05
10	45001	50000	488,120	0.08
3	50001	55000	158,436	0.03
8	55001	60000	465,496	0.08
5	60001	65000	311,600	0.05
4	65001	70000	269,330	0.05
4	70001	75000	296,160	0.05
4	75001	80000	305,118	0.05
3	80001	85000	251,254	0.04
3	85001	90000	264,725	0.05
5	90001	95000	467,240	0.08
7	95001	100000	694,581	0.12
1	100001	105000	104,180	0.02
1	115001	120000	119,913	0.02
3	120001	125000	366,346	0.06
2	130001	135000	261,634	0.05
1	135001	140000	137,500	0.02
1	140001	145000	145,000	0.03
3	145001	150000	444,585	0.08
1	155001	160000	156,737	0.03
1	160001	165000	160,791	0.03
2	175001	180000	358,720	0.06
1	180001	185000	185,000	0.03
2	185001	190000	375,937	0.07
2	190001	195000	385,878	0.07
3	195001	200000	600,000	0.10
2	225001	230000	459,053	0.08
2	245001	250000	499,248	0.09

Pattern Of Shareholding

No. of Shareholders	Shareholding From	Shareholding To	Total Shares Held	Total Shares Held %
2	325001	330000	657,219	0.11
2	350001	355000	700,625	0.12
2	380001	385000	764,603	0.13
1	410001	415000	411,500	0.07
1	435001	440000	436,293	0.08
1	450001	455000	454,644	0.08
1	460001	465000	462,816	0.08
1	475001	480000	475,175	0.08
2	495001	500000	1,000,000	0.17
1	515001	520000	519,084	0.09
1	550001	555000	552,456	0.10
1	565001	570000	565,750	0.10
1	570001	575000	573,725	0.10
1	590001	595000	590,829	0.10
1	625001	630000	626,394	0.11
1	765001	770000	768,426	0.13
1	830001	835000	831,138	0.14
1	965001	970000	968,566	0.17
1	1175001	1180000	1,178,537	0.20
1	1600001	1605000	1,601,943	0.28
1	1870001	1875000	1,873,786	0.33
1	2190001	2195000	2,192,978	0.38
1	2210001	2215000	2,210,107	0.38
1	2325001	2330000	2,327,079	0.40
1	3055001	3060000	3,057,119	0.53
1	4170001	4175000	4,172,257	0.72
1	5370001	5375000	5,372,405	0.93
2	5450001	5455000	10,907,330	1.89
1	5700001	5705000	5,702,050	0.99
1	6600001	6605000	6,603,975	1.15
3	7635001	7640000	22,905,393	3.98
1	8285001	8290000	8,289,571	1.44
1	28735001	28740000	28,735,093	4.99
1	48155001	48160000	48,159,683	8.36
2	56580001	56585000	113,165,054	19.65
1	122415001	122420000	122,416,897	21.26
1	144200001	144205000	144,200,144	25.04
22,368			**575,872,090**	**100.00**

MUSKUN Home Financing – Renovation




Renovate your Home... the way you want it

BankIslami's **MUSKUN Home Financing – Renovation** gives you convenience to renovate your home, the way you want it.

Whether you want to renovate your home's front elevation, living room, kitchen or your bathroom, BankIslami has the right kind of facility available with the following features:

- Financing available up to Rs.5 Million*
- Facility available across Pakistan
- Facility is also available for Non-Resident Pakistanis
- No pre-payment charges after one year*
- Minimal processing charges
- Tenure up to 10 years

*Conditions apply.

Islami Current Account

BankIslami brings to you **Islami Current Account,** which is based on the principles of 'Qarz' and is authenticated by our renowned Sharia'h Board.

Islami Current Account offers the following pure Islamic banking solutions while keeping your values intact.

- Available in Pak Currency
- Account statement facility
- Facility of **BankIslami VISA**
- 24/7 Phone Banking
- Online Banking nationwide
- Inter-bank Fund Transfer through ATM

بینک اسلامی

Categories of Shareholders

AS AT DECEMBER 31, 2014

PARTICULARS	SHAREHOLDERS	SHAREHOLDING	PERCENTAGE
ASSOCIATED COMPANIES, UNDERTAKING AND RELATED PARTIES.	4		
JAHANGIR SIDDIQUI & CO.LTD.		122,416,897	
DUBAI BANK PJSC		144,200,144	
SAJ CAPITAL MANAGEMENT LTD		28,735,093	
EFU GENERAL INSURANCE LIMITED		6,603,975	
SUB TOTAL		**301,956,109**	**52.43**
MODARABAS AND MUTUAL FUNDS.	10		
GOLDEN ARROW SELECTED STOCKS FUND LIMITED		552,456	
CDC - TRUSTEE MEEZAN BALANCED FUND		500	
CDC - TRUSTEE AKD OPPORTUNITY FUND		1,873,786	
CDC - TRUSTEE AL MEEZAN MUTUAL FUND		500	
CDC - TRUSTEE MEEZAN ISLAMIC FUND		500	
CDC - TRUSTEE NAFA STOCK FUND		89,034	
CDC - TRUSTEE NAFA MULTI ASSET FUND		626,394	
CDC - TRUSTEE NAFA ISLAMIC ASSET ALLOCATION FUND		1,178,537	
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND		565,750	
CDC - TRUSTEE NAFA ISLAMIC PENSION FUND EQUITY ACCOUNT		99,802	
SUB TOTAL		**4,987,259**	**0.87**
DIRECTORS, CHIEF EXECUTIVE OFFICER, AND THEIR SPOUSE AND MINOR CHILDREN	6		
ALI HUSSAIN		48,159,683	
ALI RAZA SIDDIQUI		5,453	
FAWAD ANWAR		1,000	
HASAN AZIZ BILGRAMI		536,898	
KAMAL AFSAR		1,000	
SHABIR AHMED RANDEREE		56,582,527	
SUB TOTAL		**105,286,561**	**18.28**
EXECUTIVE AND THEIR SPOUSE	0	0	
PUBLIC SECTOR COMPANIES AND CORPORATIONS:	0	0	
BANKS DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES TAKAFUL, MODARABAS, PENSION FUNDS AND OTHERS	76		
SUB TOTAL		**18,172,462**	**3.16**
INDIVIDUALS			
a: Local	22,262	88,727,121	15.41
b: Foreign	9	56,742,578	9.85
TOTAL	**22,367**	**575,872,090**	**100.00**

ADDITIONAL INFORMATION
AS AT DECEMBER 31, 2014

FIVE % AND ABOVE

DUBAI BANK PJSC	144,200,144	25.04
JAHANGIR SIDDIQUI & CO.LTD.	122,416,897	21.26
SHABIR AHMED RANDEREE	56,582,527	9.83
AHMED G. M. RANDEREE	56,582,527	9.83
ALI HUSSAIN	48,159,683	8.36

Correspondent Banking Network*

COUNTRY	NAME OF BANK
Australia	Commonwealth Bank of Australia
	JPMorgan Chase Bank National Association
Austria	Commerzbank AG
	Raiffisenlandesbank Oberoesterreich
Bahrain	Al Baraka Islamic Bank
	BMI Bank BSC(c)
	National Bank of Pakistan
Bangladesh	Bank Alfalah Limited
	Bank Asia Limited
	Eastern Bank Limited
	Habib Bank Limited
	Southeast Bank Limited
	Standard Bank Limited
Belarus	Joint-Stock Savings Bank Belarusbank
Belgium	Byblos Bank Europe S.A.
	Habib Bank Limited
	KBC Bank N.V.
Canada	Habib Canadian Bank
China	Bank of Chengdu Company Limited
	Bank of China
	Bank of Jiangsu Company Limited
	China Everbright Bank
	Commerzbank AG
	Harbin Commercial Bank
	Industrial and Commercial Bank of China
	JPMorgan Chase Bank National Association
	Shengjing Bank
	Shenzhen Development Bank Company Limited
	Yinzhou Bank
	Zhejiang Chouzhou Commercial Bank Company Limited
	Zhejiang Pinghu Rural Cooperative Bank
Czech Republic	Citibank Europe Plc
Denmark	Danske Bank A/S
Djibouti	Banque Pour le Commerce et l'industrie-Mer Grouge
Egypt	Mashreqbank psc
Finland	Danske Bank A/S
France	Byblos Bank Europe S.A.
	Habib Bank Limited
	National Bank of Pakistan
	Union de Banques Arabes et Francaises
Germany	Commerzbank AG
	Danske Bank A/S
	National Bank of Pakistan
	Raiffeisenlandesbank Oberoesterreich Aktiengesellschaft
	Unicredit Bank AG
Greece	Eurobank Ergasias S.A.

COUNTRY	NAME OF BANK
Hong Kong	Habib Bank Limited
	HBZ Finance Limited
	JPMorgan Chase Bank National Association
	Mashreqbank psc
	National Bank of Pakistan
	Union Bank of India
	Union de Banques Arabes et Francaises
India	JPMorgan Chase Bank National Association
	Mashreqbank psc
	Tamilnad Mercantile Bank Limited
	Union Bank of India
Indonesia	JPMorgan Chase Bank National Association
	PT Bank Bukopin
	PT Bank Mandiri (Persero) TBK
	PT Bank Mayapada International TBK
	PT Bank Syariah Muamalat Indonesia TBK
Ireland	Danske Bank plc
Italy	Banca Intesa S.p.A..
	Banca Popolare Di Vicenza Scparl
	Banca UBAE S.p.A
	Banco Popolare Di Verona
	Unicredit Bank
Japan	JPMorgan Chase Bank National Association
	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	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 S.A.K.
Lebanon	Habib Bank Limited
Luxembourg	Danske Bank International SA
Malaysia	Affin Bank Berhad
	Bank Muamalat Malaysia Berhad
	JPMorgan Chase Bank Berhad
Mauritius	Habib Bank Limited Mauritius
Nepal	Himalayan Bank Limited
Netherlands	Habib Bank Limited
Nigeria	Platinumhabib Bank Plc
Norway	Danske Bank plc
Oman	Habib Bank Oman

COUNTRY	NAME OF BANK
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
	Industrial and Commercial Bank of China
	JS Bank Limited
	KASB Bank Limited
	MCB Bank Limited
	Meezan Bank Limited
	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
Poland	Bank Zachodni WBK SA
	Danske Bank A/S
Qatar	Qatar Islamic Bank
	United Bank Limited
Romania	Romanian International Bank SA
Russia	Open Joint Stock Company 'RBS'
Saudi Arabia	Alrajhi Banking & Investment Corporation
	Bank Al Jazira
	JPMorgan Chase Bank National Association
	National Bank of Pakistan
	National Commercial Bank
	Saudi Hollandi Bank
	Emirates NBD Bank PJSC
Singapore	Habib Bank Limited
	JPMorgan Chase Bank National Association
	Union de Banques Arabes et Francaises
	Woori Bank
Slovakia	Commerzbank AG
South Africa	First Rand Bank Limited
	Habib Overseas Bank Limited
	HBZ Bank Limited
Spain	Banco Espanol de Credito
	Banco Santander S.A.
Sri Lanka	Hatton National Bank Limited

COUNTRY	NAME OF BANK
Sweden	Danske Bank A/S
	Svenska Handelsbanken
Switzerland	Arab Bank (Switzerland) Limited
	Habib Bank AG Zurich
	Habibsons Bank Limited
	United Bank A.G.
Taiwan	JPMorgan Chase Bank National Association
Thailand	JPMorgan Chase Bank National Association
Turkey	Asya Katilim Bankasi A.S.
	Habib Bank Limited
	Kuveyt Turk Katilim Bankasi SA
	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 Limited
	Mashreqbank psc
	United Bank Limited
U.K.	Banca Intesa S.p.A..
	Byblos Bank Europe S.A.
	Commerzbank AG
	Danske Bank A/S
	Habib - UK PLC
	Habib Bank AG Zurich
	Habibsons Bank Limited
	Islamic Bank of Britain PLC
	JPMorgan Chase Bank National Association
	Mashreqbank psc
	Santander UK Plc
	United National Bank
	Woori Bank
U.S.A.	Atlantic Bank of New York
	BOKF NA
	Deutsche Bank Trust Company Americas
	Habib American Bank
	Habib Bank Limited
	International Finance Corporation
	JPMorgan Chase Bank National Association
	Mashreqbank psc
	National Bank of Pakistan
	Saehan Bank, Los Angeles
	United Bank Limited
	Wells Fargo Bank NA

COUNTRY	NAME OF BANK
Ukraine	Credit Dnepr Bank
	Demark Bank JS
Vietnam	Asia Commercial Bank
	Joint Stock Commercial Bank
	JPMorgan Chase Bank National Association
	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,
Areeba Heaven, SB-3, Sector X-II Karachi.
Tel: (021) - 36833358-9
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,
Blcok 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
Tele: (021)- 3636227-80
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. 1,2,3,4,107 & 108,
Adjacent to Dolphin Bakery,
Saleem Plaza,
Block-16, Gulshan-e-Iqbal,
Main University Road, Karachi.
Tele: (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
Situated 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

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

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

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
& Shahra-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 Industiral 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.i.
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)
Shop # 6, Tayyab Ali Building,
Darul Ishaat, M.A.Jinnah Road,
Urdu Bazar, Karachi
Phone : (021)32603084 to (021)32603086
Fax : (021)32603087

Registan Square (Samarkand, Uzbekistan)

Did you know?

It was a public square, where people gathered to hear royal proclamations, heralded by blasts on enormous copper pipes called Dzharchia. It is framed by three madrasahs: Ulugh Beg Madrasah, Sher-Dor Madrasah and Tilya-Kori Madrasah.

http://www.welcomeuzbekistan.uz/en/open-uzbekistan-2/2701-registan-samarkand-2.html

Did you know?

The Al-Azhar Mosque (the most blooming), is located in the center of an area teaming with the most beautiful Islamic monuments since 10th century. There are five very fine minarets with small balconies and intricately carved columns along with six entrances and a main entrance.

http://www.touregypt.net/azharmosque.htm#ixzz3RbxYRJvs

Al Azhar Mosque (Cairo, Egypt)

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 Soceity, Karachi.
Phone : (021)36680191 to (021)36680193
Fax : (021)36680194

Yousuf Plaza (Karachi)
Hop No. E-1, E-1/A, C-33A, Yousuf Plaza, Plot No. ST-3/E, Block-16, F.B. Area, Karachi
Phone : 111-247-111

Nazimabad Block-2,(Karachi)
Zubaida Heights, Shops No. 1,2,3, G-1, Plot No.14, Row No. 6, Sub block-E, Block-2, Nazimabad, Karachi
Phone : 111-247-111

Keamari (Karachi)
Shop No.1, plot No. 124, Keamari Township, Keamari, Karachi
Phone : 111-247-111

Jinnah Cooperative Housing Society (Karachi)
Plot No. Z-6/64-Z, Block 7/8, Jinnah Cooperative Housing Society Karachi
Phone : 111-247-111

Bath Island (Karachi)
Plot No. C-1/5, Bath Island, Clifton Karachi
Phone : 111-247-111

D.M.C.H.S. (Karachi)
Plot No. 7/212, Block-3, Dehli Mercantile Cooperative Housing Society, Karachi.
Phone : 111-247-111

Shireen Jinnah Colony (Karachi)
Plot No. B-10, Block-1, KDA Scheme No. 5, Shireen Jinnah Colony Karachi.
Phone : 111-247-111

Mlir City (Karachi
D-1/5, Malir Tanki, Saudabad Karachi
Phone : 111-247-111

New Sabzi Mandi (Karachi)
Shop No. 9 & 10, Block-A4, Food & Vegetable Market, (Sabzi Mandi) Super Highway, Karachi.
Phone : 111-247-111

Auto Bahan Branch (Hyderabad)
Hyderabad Branch Plot # C-10-8, C-10- 3 Block C Auto Bhan 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

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

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

Nawabshah Branch
City Survey No. 225 Ward A Masjid Road Nawab Shah.
Tel: 0244-330920-4, 0244-330926-7
Fax: 0244-330928

Sukkur Branch
City Survey No 1626/2, 1627/1 & 1628 Opposite Mehran Hotel Station Road, SUKKUR
Tel: 071-5617322-8 Fax (071)5617329

Tando Allahyar Branch
Tando Allahyar Branch Mir Pur Khas Road, Tando Allahyar
Tel:(0223) 891081, 890958,
Fax: (0223) 892443

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

Shahdad Kot BranchzhobCity Survey
No.644/1, Ward C, Mukhtiarkar road Near Kotoo Motoo Chowk Shahdad Kot
Phone; 111-247-111

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)
99 Bank Chamber, General Bus Stand
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)
Plot No. 58-CCA, Phase V, DHA
Lahore Cantt.
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)
65, Amin Building, The Mall Road
(Regal Chowk Opposite Mall Road)
Lahore
Tel:(042)-37323305-07
Fax : (042)-37323308

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 Mansoora 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 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)2285111, (051) 2285113
Fax:(051)2285114

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
Telephone: (051)-2217021-22
Fax :(051)-2217022

Humak Branch
Plot No. 59, Model Town, Humak, Islamabad
Phone: (051)4493716-718
Fax : (051) 4493719

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 (Rawapindi)
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, Rwalpindi.
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, Districtn 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

Gulgusht Branch (Multan)
Jalal Masjid Chowk,
Multan.
Tel:(061) 6210371-5
Fax : - (061)6210376

Vehari Road Branch (Multan)
Vehari Road Multan.
Ph: (061)-6761900-6
Fax:(061)-6761907

Aarifwala Branch
Plot No.115, H-Block,
Thana Bazar, Arifwala
Phone : 111-247-111

Haroonabad branch
Plot No. 135/C,
Quaid-e-Azam Road,
Opposite Civil Court,
Haroonabad
Phone : 111-247-111

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

Mianwali 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 Chunnu
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)
Near District Hospital
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-Quaid 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

Abottabad 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)610410,413,415
Fax#(0923) 610417

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, Satellite 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

Islamgarh Branch (Azad Kashmir)
Ground Floor Main Kotli Road,
Islam Garh Tehsil Distric Mirpur(AJK)
Tel # (05827)423971-77
Fax # (05827)43977

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

GILGIT BALTISTAN

Gilgit Branch
Askari Bakers Gilgit Cantt
Tel:(05811)-457832-6
Fax:(05811)457837

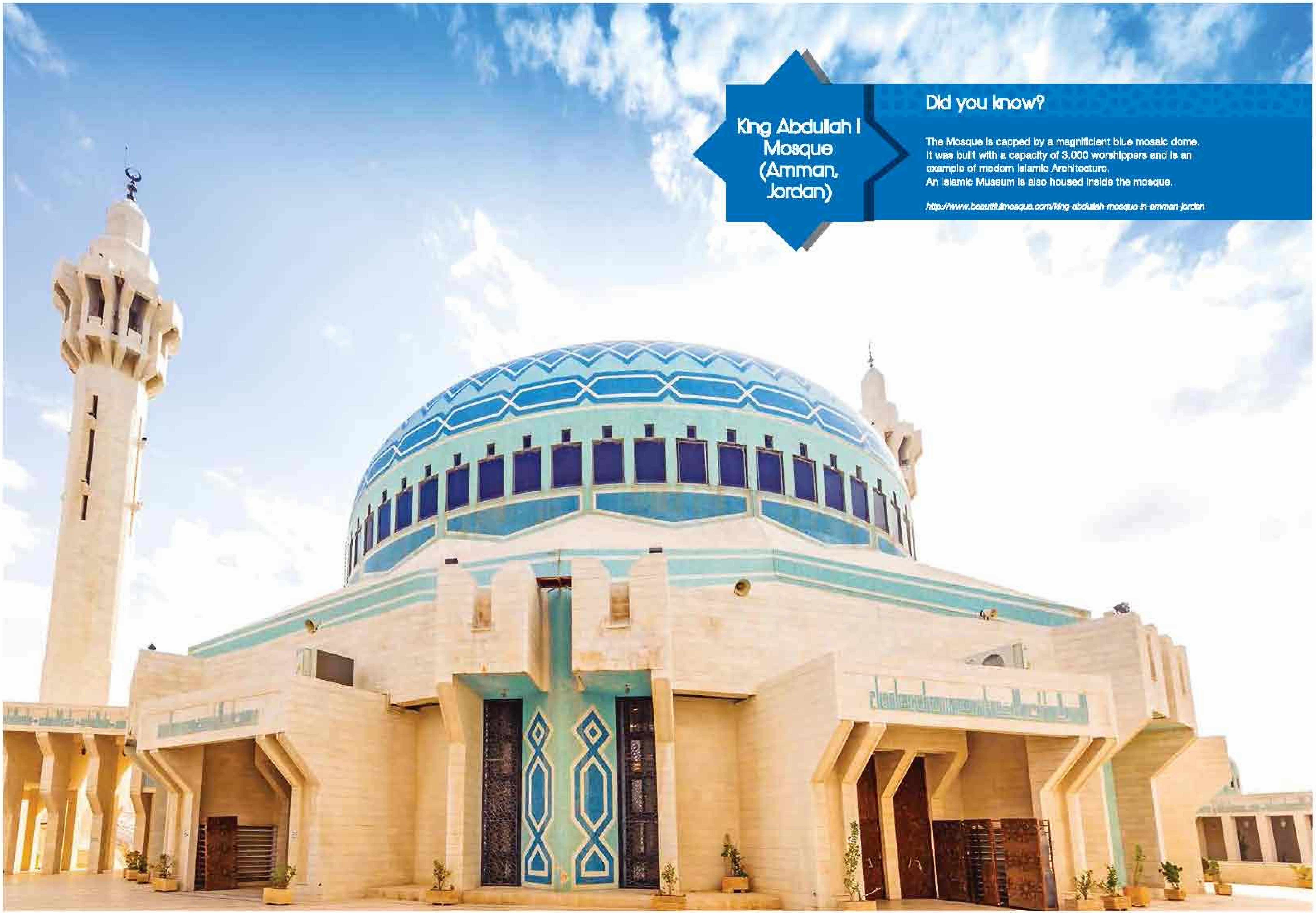
Chillas Branch
Main Bazar, DC Chowk, Rani Road,
Chillas, District Diamer.
Phone : (05812)450421 -24
Fax: (05812)450425

Nur-Astana Mosque (Astana, Kazakhstan)

Did you know?

The 40-meter (131-foot) height of the mosque symbolizes the age of the Holy Prophet Muhammad ﷺ of when he received the revelations, and the height of the minerets are 63 meters (207 foot) which replicate the age of Holy Prophet Muhammad ﷺ when he died.

https://www.triposo.com/poi/Nur-Astana_Mosque



King Abdullah I Mosque (Amman, Jordan)

Did you know?

The Mosque is capped by a magnificent blue mosaic dome.
It was built with a capacity of 3,000 worshippers and is an example of modern Islamic Architecture.
An Islamic Museum is also housed inside the mosque.

http://www.beautifulmosque.com/king-abdullah-mosque-in-amman-jordan

Proxy Form

11th 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 11th Annual General Meeting of BankIslami Pakistan Limited, to be held on Monday, March 30, 2015 at 11:00 am at Regent Plaza Hotel & Convention Centre, Main Shahrah-e-Faisal, Karachi and at any adjournment thereof.

Signed this _______ day of ______________ 2015.

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

Nizamiye Turkish Masjid

Al Fateh Grand Mosque

Herat Mosque

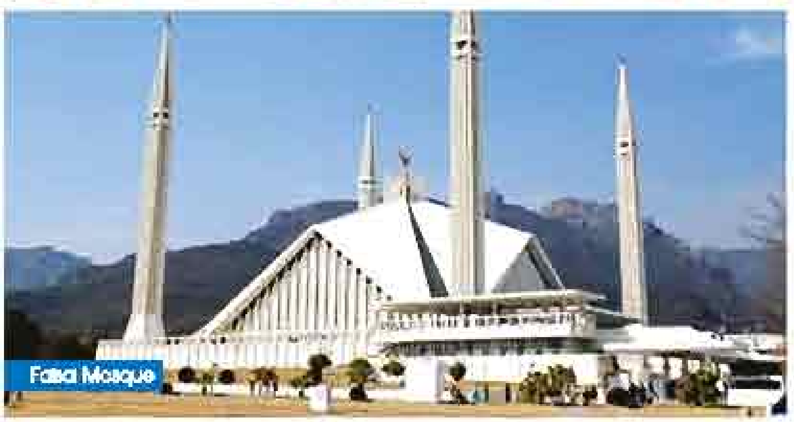
Registan Square

Sultan Qaboos Mosque

Sheikh Zayed Mosque

Al Azhar Mosque

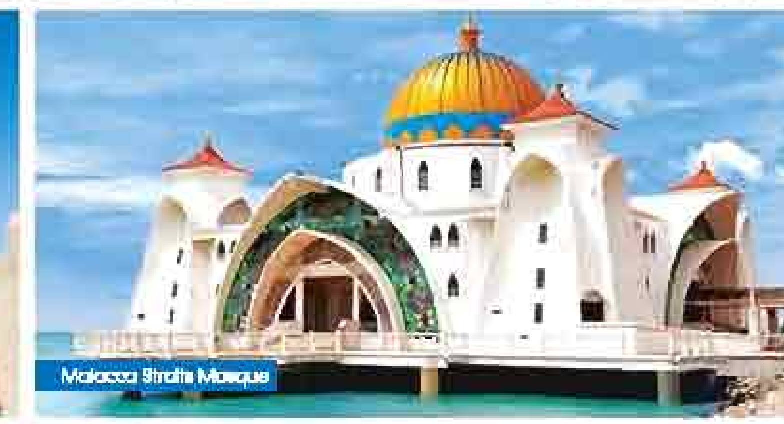
Nur-Astana Mosque



Faisal Mosque

Badshahi Mosque

Djingareyber Mosque

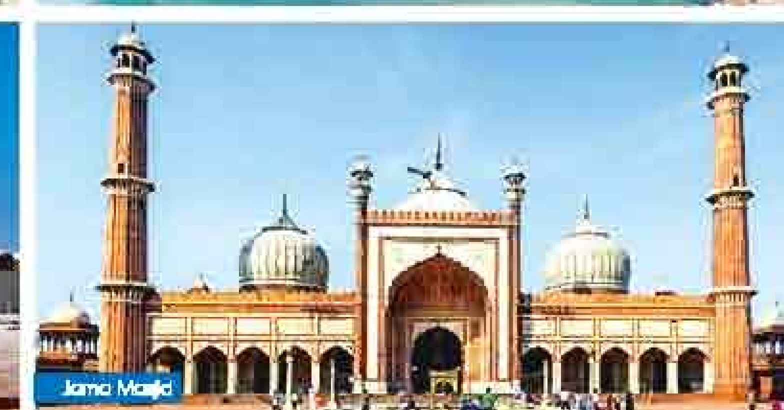


Malacca Straits Mosque

Blue Mosque

Istiqlal Mosque

Masjid-e-Tooba



Jama Masjid

Muhammad Al-Amin Mosque

Ar Rahman Mosque

King Abdullah I Mosque

Qurtuba Mosque

Moroccan Architectural Motif

213 BRANCHES
80 Cities

BankIslami Pakistan Limited

11th Floor, Executive Tower, Dolmen City, Marine Drive, Clifton Block - 4, Karachi, Pakistan
Tel: (92-21) 111-247-111 (111-BIP-111), Fax: (92-21) 35378373
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