

بَيْنَكُمُوسْلِمِي



BankIslami

10
YEARS

A DECADE OF

DEDICATION | DEVOTION | DETERMINATION

ANNUAL
REPORT 2015

Serving you, the Right way

Vision

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

Mission

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

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

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

Core Values

BankIslami is strongly committed towards its core values of:

- Product authenticity
- Customer focus
- Meritocracy
- Integrity
- Team work
- Humility
- Innovation



in perspective

From Dream
to Reality

Spreading
our Wings

Year of
Consolidation

2004

2005

2006

2007

2008

2009

Year of Birth

The Beginning

Year of Growth
& Rebranding



2010

2011

2012

2013

2014

2015

2016

Convenience Redefined

Globally First

The Challenge

Conquered New Frontiers

Product Innovation

From Strength to Strength

Re-Vitalization

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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Corporate Information

Board of Directors

Mr. Ali Hussain	Chairman
Mr. Ali Mohd Hussain Ali Al Shamali	
Mr. Ali Raza Siddiqui	
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 Muhammad Husain	Member
Mufti Javed Ahmed	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. Ali Mohd Hussain Ali Al Shamali	Chairman
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 Hussain	Member
Mr. Ali Raza Siddiqui	Member
Mr. Ali Mohd Hussain Ali Al Shamali	Member
Mr. Hasan A. Bilgrami	Member
Mr. Kamal Afsar	Member

Executive Committee

Mr. Ali Hussain	Chairman
Mr. Ali Raza Siddiqui	Member
Mr. Ali Mohd Hussain Ali Al Shamali	Member
Mr. Fawad Anwar	Member
Mr. Hasan A. Bilgrami	Member
Mr. Shabir Ahmed Randeree	Member

M & A Committee

Mr. Fawad Anwar	Chairman
Mr. Ali Mohd Hussain Ali Al Shamali	Member
Mr. Hasan A Bilgrami	Member
Mr. Shabir Ahmed Randeree	Member

* disassociated himself from the Committee in compliance to BPRD Circular No.09 of 2015 dated May 6, 2015.

**Investment/dis-investment Committee**

Mr. Ali Hussain
Mr. Fawad Anwar
Mr. Hasan A Bilgrami

Chairman
Member
Member

Company Secretary

Mr. Muhammad Shoab

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

Management (in alphabetical order)

Mr. Fakhir Ahmed
Mr. Farooq Anwar
Mr. Hasan A. Bilgrami
Mr. Kashif Nisar
Mr. Khawaja Ehrar ul Hassan
Mr. Muhammad Faisal Shaikh
Mr. Muhammad Furqan
Mr. Muhammad Haris Munawar
Mr. Muhammad Kamran Siddiqui
Mr. Rehan Shuja Zaidi
Mr. Sadaruddin Pyar Ali
Mr. Shamshad Ahmed
Mr. Sohail Sikandar
Mr. Syed Akhtar Ausaf
Mr. Syed Arif Mehtab
Mr. Syed Ata Hussain Jaffri
Mr. Syed Muhammad Aamir Shamim
Mr. Syed Mujtaba Hussain Kazmi

Head, Human Resources
Head, Operations
Chief Executive Officer
Head, Shariah Compliance
Head, Compliance & Legal
Head, Shariah Advisory & Structuring
Head, Credit Administration
Head, Investment Banking
Head, Service Quality & Phone Banking
Head, Internal Audit
Head, Administration & General Services
Head, Trade Finance
Chief Financial officer
Head, Risk Management
Head, Branch Operations
Head, Information System
Head, Treasury & Financial Institutions
Head, Corporate Finance

Registered Office

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

Share Registrar

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

Website:

www.bankislami.com.pk



A simple and Authentic name that leaves no confusion about what we do - only Islamic Banking!



BankIslami



Motif:

The blue and green motif sets the background of the logo. Like all 'Authentic' Islamic motifs, it has eight corners filled with flowing lines without any source point. These two features are important part of Islamic art.

Script and Calligrapher:

We opted for the Arabic script for its versatility and beauty. 'Khat-Sulek', a script which has graced the Islamic monuments from the subcontinent to Turkey and Arabia, including the two most sacred mosques was a good fit. It stands for timeless traditions and values that Muslims in these regions have shared for centuries - trade and commerce included. Ustad Shefquz-Zaman, the only person chosen to do calligraphy in the Masjid-e-Mekki after 600 years, is behind crafting of the logo.

The Crescent:

A rising crescent in the traditional green encircles the motif and calligraphy. The Crescent has deep association with contemporary and modern Islam. In our logo, it stands for Shariah encompassing everything that we do at BankIslami.

Motif Bands:

Two motif bands run parallel to each other and frame the symbol. This band is found on many Islamic monuments all around the world including the Holy Ka'ba.

A hand is shown from the top right, holding a small, light-colored seed between the thumb and index finger. The seed is positioned just above a dark, rich soil surface. In the bottom right corner, there is a faint, intricate decorative pattern that resembles a stylized floral or geometric design. The overall background is a dark, textured soil.

2004 Year of Birth

● Concept paper of BankIslami was presented to the Founding Sponsors- Randeree Family and Jahangir Siddiqui & Company. The Bank obtained No Objection Certificate (NOC) from SBP & became a legal entity after SECP granted it a Certificate of Incorporation.



Dream, Sketch & Drive - the Shariah Compliant Way

BankIslami's **Islami Auto Ijarah*** offers you the convenience to get the car of your choice, the Shariah compliant way.

The features of Islami Auto Ijarah are:

- Low security deposit
- No upfront Takaful (Islamic Insurance)
- No upfront registration charges
- Flexibility of choosing your own dealer
- No rental till the delivery of vehicle
- Minimal processing charges
- No upfront tracker charges

*Conditions apply

Serving you, the Right way



Mufti Irshad Ahmad Aijaz (Chairman, Shariah Supervisory Board)

Mufti Irshad Ahmad Aijaz is the Chairman of the Shariah Supervisory Board.

He graduated from Jamiat-ul-Uloom Islamiyyah, Binnori Town, Karachi and obtained his Shahadat-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 Dar-ul-Uloom, Karachi.

He has passed country's first Islamic Finance course "Contemporary Business and Banking and its critical evaluation in the light of Shariah" offered by the Centre for Islamic Economics, Jamia Dar-ul-Uloom, Karachi, Pakistan, in 1994.

He has also completed his MBA program from a Leading private university in Karachi, Pakistan.

He currently holds advisory position in following Institutions:

- Member, AAOIFI Shariah Standard Committee – Karachi
- Chairman, Shariah Supervisory Board- Summit Bank Limited
- Member, Shariah Board- Standard Chartered Bank (Pakistan) Ltd.
- Shariah Advisor of Fortune Islamic Financial Services
- Shariah Advisor of Allied Rental Modaraba
- Member, Shariah Committee of Barakah Group – Australia
- Consultant, Shariah Review Bureau – Bahrain
- Honorary Chairman, Shariah Supervisory Board of Wasil Foundation (Micro finance)

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 (a division of Jamia Dar-ul-Uloom, Karachi).

Mufti Muhammad Husain Khaleel Khail (Member, Shariah Supervisory Board)

Mufti Muhammad Husain 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 works include Ushr obligation, Takaful on the basis of Waqf, Shariah rules of wealth earned through impermissible sources and rulings on status of juristic person in Islam. He has authored several articles and issued verdicts (Fatwas) on various issues. He is associated with Jamia-tur-Rasheed, Karachi as a senior Mufti in Darul Iftaa and lecturer in department of Fiqhul Muaamlaat.

Mufti Javed Ahmad (Resident Shariah Board Member)

Mufti Javed Ahmad has completed his Shahadat-ul-Alamia (Masters in Arabic and Islamic Studies) from Jamia Dar-ul-Uloom, Karachi, and Takhassus fi Fiqh-el-Muamlat (Specialization in Islamic Jurisprudence of trade and finance) from Jamia-tur-Rasheed, Karachi. He is also a Certified Shariah Advisor and Auditor (CSAA) from AAOIFI, Bahrain and Chartered Islamic Finance Professional (CIFP) from INCEIF, Malaysia. He has completed M.A. Economics from Karachi University. He has undertaken research work in numerous topics including Islamic Banking and Finance. Prior to joining BankIslami, he was associated with Ernst & Young Ford Rhodes Sidat Hyder as 'Senior Shariah Consultant' where he was engaged in Shariah Advisory, Shariah Review, Shariah Audit and Compliance activities for more than four years.

Six Year's Horizontal Analysis



	2015		2014		2013		2012		2011		2010	
	Rs. In Million	%	Rs. In Million	%	Rs. In Million	%	Rs. In Million	%	Rs. In Million	%	Rs. In Million	%
Statement of Financial Position												
Assets												
Cash and balances with treasury banks	9,036	42%	6,361	30%	4,883	-1%	4,939	5%	4,685	54%	3,035	-28%
Balances with other banks	1,781	14%	734	-24%	968	20%	806	47%	549	-4%	570	-72%
Due from financial institutions - net	35,924	119%	18,144	179%	6,511	-23%	8,476	91%	4,436	-2%	4,513	12%
Investments - net	35,886	17%	30,655	-3%	31,610	9%	28,994	38%	21,067	53%	13,732	102%
Islamic financing and related assets and Advances (net)	69,576	69%	41,097	7%	39,309	40%	27,433	11%	24,665	48%	16,670	80%
Operating fixed assets	5,633	67%	3,380	14%	2,958	55%	1,913	6%	1,812	-12%	2,067	-14%
Deferred tax assets	6,008		-	0%	-	0%	79	0%	182	0%	402	0%
Other assets - net	6,386	296%	1,614	0%	1,616	0%	1,608	12%	1,437	-64%	4,047	-68%
	174,130	71%	101,984	17%	86,856	17%	74,249	26%	58,833	31%	45,036	31%
Liabilities												
Bills payable	1,524	66%	918	10%	836	-33%	1,251	57%	799	42%	563	16%
Due to financial institutions	3,198	470%	561	-76%	2,538	57%	1,621	103%	800	127%	353	126%
Deposits and other accounts	153,058	69%	90,331	20%	75,226	17%	64,216	27%	50,569	32%	38,198	36%
Deferred tax liabilities	-	-100%	200	14%	176	-	-	-	-	-	-	-
Other Liabilities	5,164	66%	3,107	69%	1,838	17%	1,569	17%	1,341	16%	1,155	26%
	162,944	71%	95,117	18%	80,613	17%	68,658	28%	53,508	33%	40,269	36%
Net Assets	11,186	63%	6,867	10%	6,242	12%	5,591	5%	5,325	12%	4,766	1%
Represented by												
Share Capital	10,000	76%	5,680	8%	5,280	0%	5,280	0%	5,280	0%	5,280	0%
Reserves	523	91%	273	30%	210	21%	173	90%	91	880%	9	-
(Accumulated losses) / Unappropriated profit	(171)	-164%	267	975%	25	222%	8	-104%	(215)	-61%	(555)	-6%
Surplus on revaluation of assets - net of tax	834	29%	647	-11%	727	458%	130	-23%	169	422%	32	-14%
	11,186	63%	6,867	10%	6,242	12%	5,591	5%	5,325	12%	4,766	1%
Profit & Loss Account												
Profit / return earned	8,834	13%	7,812	24%	6,289	5%	5,992	9%	5,502	45%	3,807	75%
Profit / return expensed	(5,119)	15%	(4,459)	18%	(3,790)	8%	(3,507)	22%	(2,863)	40%	(2,058)	68%
Net Spread earned	3,715	11%	3,353	34%	2,500	1%	2,485	-5%	2,619	50%	1,750	83%
Provisions	482	-1292%	(40)	-68%	(127)	38%	(92)	9%	(85)	1965%	(4)	-96%
Net Spread after provisions	4,197	27%	3,313	40%	2,373	-1%	2,394	-6%	2,534	45%	1,746	107%
Other income	570	-10%	632	39%	454	36%	333	47%	227	10%	206	-40%
Other expenses	(5,039)	45%	(3,475)	38%	(2,518)	11%	(2,264)	5%	(2,152)	13%	(1,907)	8%
(Loss) / Profit before taxation	(272)	-158%	470	52%	308	-33%	463	-24%	609	1266%	45	-108%
Taxation	76	-149%	(156)	27%	(123)	-21%	(156)	-21%	(199)	-10017%	2	-98%
(Loss) / Profit after taxation	(196)	-182%	314	69%	185	-40%	307	-25%	410	780%	47	-110%

Six Year's Vertical Analysis

	2016		2014		2013		2012		2011		2010	
	Rs. In Million	%	Rs. In Million	%	Rs. In Million	%	Rs. In Million	%	Rs. In Million	%	Rs. In Million	%
Statement of Financial Position												
Assets												
Cash and balances with treasury banks	9,036	5%	6,361	6%	4,883	6%	4,939	7%	4,685	8%	3,035	7%
Balances with other banks	1,781	1%	734	1%	968	1%	806	1%	549	1%	570	1%
Due from financial institutions - net	39,824	23%	18,144	18%	6,511	7%	8,476	11%	4,436	8%	4,513	10%
Investments - net	35,886	21%	30,655	30%	31,610	36%	28,994	39%	21,067	36%	13,732	30%
Islamic Financings and related assets and advances (net)	69,576	40%	41,097	40%	38,309	44%	27,433	37%	24,665	42%	19,566	43%
Operating fixed assets	5,633	3%	3,380	3%	2,958	3%	1,913	3%	1,812	3%	2,067	5%
Deferred tax assets	6,008	3%	-	0%	-	0%	79	0%	182	0%	402	1%
Other assets - net	6,386	4%	1,614	2%	1,616	2%	1,608	2%	1,437	2%	1,151	3%
	174,130	100%	101,984	100%	86,856	100%	74,249	100%	58,833	100%	45,036	100%
Liabilities												
Bills payable	1,524	1%	918	1%	836	1%	1,251	2%	799	1%	563	1%
Due to financial institutions	3,198	2%	561	1%	2,538	3%	1,621	2%	800	1%	353	1%
Deposits and other accounts	153,058	88%	90,331	89%	75,226	87%	64,216	86%	50,569	86%	38,198	85%
Deferred tax liabilities	-	0%	200	0%	176	0%	-	0%	-	0%	-	0%
Other Liabilities	5,164	3%	3,107	3%	1,838	2%	1,569	2%	1,341	2%	1,155	3%
	162,944	94%	95,117	93%	80,613	93%	68,658	92%	53,508	91%	40,269	89%
Net Assets	11,186	6%	6,867	7%	6,242	7%	5,591	8%	5,325	9%	4,766	11%
Represented by												
Share Capital	10,000	6%	5,680	6%	5,280	6%	5,280	7%	5,280	9%	5,280	12%
Reserves	523	0%	273	0%	210	0%	173	0%	91	0%	9	0%
(Accumulated Losses)/Unappropriated profit	(171)	0%	267	0%	25	0%	8	0%	(215)	0%	(555)	-1%
Surplus on revaluation of assets - net of deferred tax	834	0%	647	1%	727	1%	130	0%	169	0%	32	0%
	11,186	6%	6,867	7%	6,242	7%	5,591	7%	5,325	7%	4,766	7%
Profit & Loss Account												
Profit / return earned	8,834	94%	7,812	93%	6,289	93%	5,992	95%	5,502	96%	3,807	95%
Profit / return expensed	(5,119)	-54%	(4,459)	-53%	(3,790)	-56%	(3,507)	-55%	(2,883)	-50%	(2,058)	-51%
Net Spread earned	3,715	40%	3,353	40%	2,500	37%	2,485	39%	2,619	46%	1,750	44%
Provisions	482	5%	(40)	0%	(127)	-2%	(91)	-1%	(85)	-1%	(4)	0%
Net Spread after provisions	4,197	45%	3,313	39%	2,373	35%	2,394	38%	2,534	44%	1,746	43%
Other income	570	6%	632	7%	454	7%	333	5%	227	4%	206	5%
Other expenses	(5,039)	-54%	(3,475)	-41%	(2,518)	-37%	(2,264)	-36%	(2,152)	-38%	(1,907)	-48%
(Loss) / Profit before taxation	(272)	-3%	470	6%	306	5%	463	7%	609	11%	45	1%
Taxation	76	1%	(156)	-2%	(123)	-2%	(156)	-2%	(199)	-3%	2	0%
(Loss) / Profit after taxation	(196)	-2%	314	4%	185	3%	307	5%	410	7%	47	1%

Statement of Value Added

	2015	2014
	Rupees in million	
Value Added		
Net Spread earned	3,715	3,353
Other income	570	632
Operating expenses excluding staff cost, depreciation, amortisation, donations and WWF	(2,320)	(1,612)
Provision against advances, investments & others	482	(40)
Value added available for distribution	2,447	2,333
Distribution of value added		
To employees		
Remuneration, provident fund and other benefits	2,182	1,509
To government		
Worker welfare fund	-	9
Income tax	(76)	156
	(76)	165
To Society		
Donations	-	-
To Shareholders		
Depreciation	507	330
Amortisation	30	15
Retained during the year	(196)	314
	341	659
	2,447	2,333

Six Years' Financial Summary 2010-2015

	Rupees in million					
Specific Provision	2015	2014	2013	2012	2011	2010
Profit & Loss Accounts						
Profit/return Earned	8,834	7,812	6,289	5,992	5,502	3,807
Profit /return Expensed	5,119	4,459	3,790	3,507	2,883	2,058
Net Spread earned	3,715	3,353	2,500	2,485	2,619	1,750
Fee,commission,brokerage & exchange Income	490	560	368	282	187	153
Dividend and capital gains	15	32	7	17	0,002	0,001
Other Income	65	40	79	34	39	53
Total Other Income	570	632	454	333	227	206
Total Income	4,285	3,985	2,953	2,818	2,846	1,956
Other expenses	5,039	3,475	2,518	2,264	2,152	1,907
Profit/(loss) before tax and provisions	(754)	510	435	554	693	49
Provisions	(482)	40	127	91	85	4
Profit/(loss) before tax	(273)	470	308	463	609	45
Profit/(loss) after tax	(196)	314	185	307	410	47
Statement of Financial Position						
Paid up capital	10,000	5,680	5,280	5,280	5,280	5,280
Reserves	523	273	210	173	91	9
Unappropriated profit/(loss)	(171)	267	25	8	(215)	(555)
Shareholders' equity	10,352	6,220	5,515	5,461	5,156	4,734
Surplus on revaluation of assets-net of tax	834	647	727	130	169	32
Net Assets	11,186	6,867	6,242	5,591	5,325	4,766
Total Assets	174,130	101,984	86,856	74,249	58,833	45,036
Earning Assets	147,067	90,629	77,398	65,710	50,718	38,381
Gross Financings	83,115	41,698	38,932	27,934	25,055	19,895
Financings-net of provisions	69,576	41,097	38,309	27,433	24,665	19,566
Non-performing Loans (NPLs)	15,231	1,062	1,109	1,205	838	660
Investments	35,886	30,655	31,610	28,994	21,067	13,732
Total Liabilities	162,944	95,117	80,613	68,658	53,508	40,269
Deposits & other accounts	153,058	90,331	75,226	64,216	50,569	38,198
Current & Saving Deposits (CASA)	105,653	55,244	40,618	34,030	26,028	19,402
Borrowing	3,198	561	2,538	1,621	800	353
Profit bearing Liabilities	110,800	73,688	65,141	54,393	41,123	29,390
Contingencies and commitments	29,022	9,538	10,308	8,238	4,595	4,468
Financial Ratios						
Profit before tax ratio(PBT/total income)	-6.36%	11.79%	10.43%	16.43%	21.39%	2.28%
Net Spread earned/Profit Earned	42.05%	42.92%	39.74%	41.47%	47.60%	45.96%
Other income to total income	13.30%	15.86%	15.36%	11.83%	7.97%	10.54%
Total income/ Other expense ratio (excl. provisions)	Times 0.85	1.15	1.17	1.24	1.32	1.03
Return on average equity (ROE)	-2.37%	5.35%	3.38%	5.78%	8.28%	0.99%
Return on average assets (ROA)	-0.14%	0.33%	0.23%	0.46%	0.79%	0.12%
Return on Capital Employed (ROCE)	-0.22%	0.58%	0.43%	0.77%	1.31%	0.13%
Earning per share (EPS after tax)	Rs. (0.2437)	0.5777	0.3467	0.5809	0.7757	0.09
Gross financing/ deposit ratio	54.30%	46.16%	51.75%	43.50%	49.55%	52.08%
Net financing/deposit ratio	45.46%	45.50%	50.92%	42.72%	48.78%	51.22%
Breakup value per share (excl.surplus on rev. of assets)	Rs. 10.27	10.80	10.45	10.34	9.77	8.97
Breakup value per share (incl.surplus on rev. of assets)	Rs. 11.10	11.92	11.82	10.59	10.09	9.03
Earning assets to total assets ratio	84.46%	88.87%	89.11%	88.50%	86.21%	85.22%
Earning assets to profit bearing Liabilities	Times 1.33	1.23	1.19	1.21	1.23	1.31
CASA to Total Deposits	69.03%	61.16%	53.99%	52.99%	51.47%	50.79%
NPLs to Gross Financings ratio	18.33%	2.55%	2.85%	4.31%	3.35%	3.32%
Total Assets to Equity	Times 16.82	16.40	15.75	13.60	11.41	9.51
Deposit to share holder equity	Times 14.79	14.52	13.64	11.76	9.81	8.07
Capital Adequacy Ratio	12.34%	16.70%	15.37%	15.13%	17.18%	19.50%
Market value per share-Dec 31	Rs. 11.50	9.81	6.94	9.21	3.1	3.63
Non Financial Information						
Number of branches	317	213	201	141	102	102
Total number of employees	2,929	2,150	1,520	1,410	1,448	1,347



Notice of Annual General Meeting

Notice is hereby given that the 12th Annual General Meeting of the Members of BankIslami Pakistan Limited will be held Inshallah on Wednesday, June 29, 2016 at 12:00 noon at DHA Golf Club, Zulfiqar Street #1, Phase VIII, D.H.A. Karachi-75500, to transact the following business:

ORDINARY BUSINESS

- 1- To confirm minutes of the 11th Annual General Meeting held on March 30, 2015.
- 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, 2015 together with the Auditors; and Directors; Reports thereon.
- 3- To appoint Auditors of the Bank for the year ending December 31, 2016 and to fix their remuneration. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants offer themselves for appointment as auditors for the year ending December 31, 2016.

SPECIAL BUSINESS

- 4- To approve remuneration to non-executive Directors / Chairman of the Bank as required under Prudential Regulations for Corporate / Commercial Banking issued by the State Bank of Pakistan.

ANY OTHER BUSINESS

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

By Order of the Board

Muhammad Shoaib
Company Secretary

Karachi: June 8, 2016

Notes:

- 1 The Members' Register will remain closed from June 24, 2016 to June 30, 2016 (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 1In 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.

STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984

This statement set out the material facts concerning the resolution contained in the Notice pertaining to the special business to be transacted at the Annual General Meeting of the Bank to be held on June 29, 2016.

To approve remuneration to non-executive Directors / Chairman of the Bank as required under Prudential Regulations for Corporate / Commercial Banking issued by the State Bank of Pakistan.

Board in its meeting held on May 26, 2015 discussed to increase annual remuneration of Chairman and Non-Executive Directors. For Chairman from Rs. 600,000/- p.a (Rupees: Six hundred thousand only) to Rs. 1,300,000/- p.a. (Rupees: One million three hundred thousand only) and for non-Executive Director from Rs. 300,000/- p.a. (Rupees: Three hundred thousand only) to Rs. 600,000/- p.a (Rupees: Six hundred thousand only). As per Prudential Regulations the scale of remunerations for the chairman and director(s) is subject to shareholders approval in the Annual General Meeting. The remuneration of the chairman/director(s) is being recommended to compensate them adequately for their greater time commitment and legal exposure with regard to participate in Bank's Board / committee meetings.

Directors Report

Dear Shareholders,

On behalf of the Board, I would like to present the twelfth Annual Report of BankIslami Pakistan Limited ('the Bank or 'BIPL' or 'BankIslami') for the year ended December 31, 2015. The following are the key financial highlights:

	Dec-15	Dec-14	Growth (%)
Rupees in millions.....		
Total Deposits	153,058	90,331	69.4%
Total Assets	174,130	101,984	70.7%
Total Financing and related assets-net	69,576	41,097	69.3%
Total Investments	35,886	30,655	17.1%
Shareholder's Equity	11,189	6,867	62.9%
Profit After Tax	(196)	314	-162.5%
Basic Earnings/(loss) per share - rupees	(0.24)	0.58	-142.2%
Branches network- Number	317	201	57.7%

2015 has been a tough yet eventful year for BankIslami, we would like to share the achievements and challenges faced by the Bank in this year with you.

Your Bank completed the process of capital injection this year with a rights issue of Rs. 4.32 billion and the Bank became fully MCR compliant. The Equity of the Bank now stands at Rs. 11.2 billion with a Capital Adequacy Ratio (CAR) of 12.26%. This gives the Bank ability to fully leverage its strengths and explore untapped opportunities that exists in the financial industry as a whole and Banking industry in particular.

The most noteworthy challenge faced by the Bank during the year was the amalgamation of the defunct KASB Bank with and into BankIslami. In view of KASB Bank's weak solvency position, non-compliance of MCR requirement, negative CAR and corporate governance issues, the Federal Government on the advice of State Bank of Pakistan ('SBP') amalgamated the defunct KASB Bank under a Scheme of Amalgamation as per the Section 47 of the Banking Companies Ordinance, 1962 with and into BankIslami Pakistan Limited on May 7, 2015.

We are happy to report that by December 31, 2015, most of the conventional banking portfolio of the Defunct KASB Bank stood converted into Shariah compliant modes. The successful conversion of a conventional bank into Islamic modes of finance in such a short time is an achievement. A comprehensive plan was instituted under the guidance of the Shariah Board and in consultation with the Islamic Banking department of State Bank. The re-alignment of operations, re-branding, integration & renovation of branches and training of human resources were successfully executed. This included specialized training of 952 employees on Islamic Banking, revival of depository relationships, objective assessment & conversion of financing & investment portfolio and recovery of bad loans inherited from

defunct KASB Bank. This conversion, which is probably the largest undertaken in Pakistan was a great achievement for the Bank.

BankIslami successfully honored the trust of depositors and the public in the Banking sector and paid Rs. 24.9 billion to the depositors of defunct KASB Bank during the year. The Bank had to engage its own resources to ensure the smooth functioning of the system and honor all the withdrawals. IN SHA ALLAH, going forward BankIslami will be a beneficiary of the trust it has gained by this service.

Intense efforts had to be made to put the inherited operations from defunct KASB in order which resulted in the Bank posting an operating loss of Rs. 272.4 million for the year in comparison to profit of Rs. 469.7 million last year. The Bank also carried out public relations outreach to give confidence to its business partners, customers and shareholders.

The financial numbers presented in this Annual Report provide a consolidated picture of the amalgamated Bank with all necessary disclosures.

The Bank continued its growth momentum during the year under review. The asset and deposit size of BankIslami grew by 70.7% and 69.4% respectively outpacing the Islamic Banking industry's growth of 27.1% and 29.4% respectively. BankIslami cemented its position as the 2nd largest Islamic Banking player in the industry by capturing 10.9% share of total Islamic industry assets and 11.1% share of the total Islamic industry deposits.

BankIslami is now MASHALLAH the 11th largest Banking network with 317 branches in 93 cities of the country. The network expansion exercise will continue in the year 2016. We expect the benefits of economies of scale will start accruing of the Bank from the second half of 2016. IN SHA ALLAH.

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

The Customer base of BankIslami at the end of year 2015 grew to 532,386 relationships from 322,229 last year, a growth of 65.2%. During the year, BankIslami launched 'Islami Asaan' deposit Account and developed 'Islami Running Musharakah' product to cater to the financial needs of its Customers. It also rendered Shariah Advisory Services to Alfalah GHP Investment Management Limited for its Islamic Income Fund, Islamic Equity Fund and Islamic Prosperity Planning Fund.

BankIslami also completed in this year, its alignment with the requirements of the Shariah Governance Framework which was implemented for Islamic Banking Institutions by SBP. We also enhanced its global correspondent banking network and credit lines to support its trade business. As many as 32 new relationships were established on demand of business units & branches meeting strict international compliance requirements.

On the Technology front, core Banking migration is always considered a complex and time-consuming project. ALHAMDULILLAH, BankIslami was able to migrate from MiSys (core banking application in use of to defunct KASB Bank) iMAL within 5 months smoothly.

In 2015, BankIslami also upgraded its Core Banking Solution - iMAL to its latest version and at the same time the database was upgraded to Sybase 15.7. The Bank successfully implemented an ATM fraud monitoring solution and also upgraded Zimbra email enterprise solution. The soft launch of cash management solution also took place during the year and the state of the art Human Resource Management System was also acquired by the Bank and its modules were successfully implemented.

A total of 1,569 employees joined the Bank in the year. Two trainee batches of 53 fresh graduates from renowned Business schools of Pakistan were also recruited. A total of 218 training sessions were conducted in which 6,402 employees received trainings in the areas of Islamic Banking, Branch Operations, Compliance, Core Banking System, Customer Services etc. In addition, 16 advanced level product related training sessions were conducted for Corporate and Trade Finance products.

An independent Customer satisfaction survey was conducted which covered aspects of branch management attitude and aptitude, branch ambience and service deliverable. According to the survey, majority of the respondents were 'satisfied' or 'very satisfied' with the level of service provided by BankIslami.

The Bank has always championed to provide service excellence to its valued customer. The Bank has 59 Internal Service Measures ('ISM') in order to continuously enhance the service quality of the Bank. Strong monitoring and continuous follow up of these ISM has led to constant improvement in all the areas of customer services. In 2015, 96% of the cheque books requests were processed within the standard Turnaround Time ('TAT') of 2 working days. 91% of the Account Opening Forms were processed within the TAT of 1 working day. The success ratio of ATM transactions was 99% for BIPL customers. 90% of the Utility bills were processed within 5 minutes. Further, 95% of the customers who visited our branches for the pay order were served within 15 minutes. The results displays the Bank's commitment towards providing the best of class services to its customers. Going forward, the Bank has intentions of positioning itself as a leader as far as service quality is concerned.

Complaints lodged to customer ratio was only 2.51% in 2015 in comparison to 3.15% in 2014. 94% of the complaints were resolved within the TAT as per internal Service Level Agreement ('SLA') which is already quite stringent in comparison to SBP regulations and industry practices.

ALHAMDULILLAH, the Bank is fully geared towards combating the challenges that may come its way in future. For the year 2016 and onwards, the Bank is firmly focused to increase its market share and strengthen its position as the 2nd largest Islamic Banking operation in Pakistan. The Bank has recently set up investment banking, agriculture financing & SME banking departments to give special focus on these areas. Our aim is to make BankIslami one of the top 10 Banks in Pakistan by end of year 2020 in terms of network, assets, deposits and ROE. IN SHA ALLAH.

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 Financial Reporting 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 unaudited accounts at December 31, 2015 amounted to Rs.446.35 million and Rs.210.987 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 Pakistan Stock Exchange in its listing regulations relevant for the year ended December 31, 2015 have been adopted by the Bank and have been duly complied with. A statement to this effect is annexed with the report.

Risk Management

Committees related to the management of risks at BankIslami form the main layer of the risk management framework; the inflow and outflow of information is through the dedicated risk management unit. The Heads of Credit, 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 Bank, 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 a part of daily business routine. Ideas and decisions are largely 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 Bank's risk tolerance level vis-à-vis its 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 risks.

Credit Rating

The Pakistan Credit Rating Agency Limited (PACRA) upgraded the long-term entity rating of BankIslami to "A+" on April 24, 2015. The short-term rating of the bank was maintained at "A1".

Pattern of Shareholding

The Pattern of shareholding as at December 31, 2015 is annexed with the report.

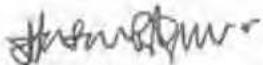
Auditors

The present auditors M/s A.F.Fergusons & Company, Chartered Accountants, retire. As required under the Code of Corporate Governance, the Audit Committee has recommended the appointment of Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants as auditors for the year ending December 31, 2016

Acknowledgments

The Board would like to place on record its deep appreciation for the State Bank of Pakistan for all the assistance and guidance. It would also like to thank the Securities and Exchange Commission of Pakistan and other regulatory authorities for their support to us. Moreover, it would like to show our gratitude to our valued customers, business partners and shareholders for their continued patronage and trust especially during the continuous malicious media campaign and false allegations upon Bank after the Defunct KASB transaction. We would also like to especially acknowledge the dedication, commitment and hard work put in by our management team and staff members that has enabled BankIslami to successfully achieve its goals.

On behalf of the Board,



Hasan A Bilgrami
Chief Executive Officer
June 04, 2016

Annexure to Directors' Report

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

Name	Designation	No. of Shares as at Jan. 01, 2015	Shares subscribed during the Year	No. of Shares as at Dec. 31, 2015
Mr. Ali Hussain	Chairman	48,159,683	110,807,809	158,967,492
Mr. Ali Raza Siddiqui	Director	5,453	4,091	9,544
Mr. Fawad Anwar	Director	1,000	750	1,750
Mr. Hasan A. Bilgrami	CEO	536,898	402,799	939,697
Mr. Shabir Ahmed Randeree	Director	56,582,527	42,441,111	99,023,638
Mr. Kamal Afsar	Director	1,000	-	1,000

Attendance of Board of Directors for the Year 2015:

Director Name	Total	Attended	Leave of Absence
Mr. Ali Hussain	6	6	-
Mr. Ali Raza Siddiqui	6	6	-
Mr. Ali Mohd Hussain Ali Al Shamali	6	5	1
Mr. Fawad Anwar	6	6	-
Mr. Hasan A. Bilgrami	6	6	-
Mr. Kamal Afsar	6	5	1
Mr. Shabir Ahmed Randeree	6	5	1

Annexure to Directors' Report

Attendance of members of Board Committees for the Year 2015:

Audit Committee

Name	Total	Attended	Leave of Absence
Mr. Fawad Anwar	3	3	0
Mr. Ali Hussain *	3	2	1
Mr. Ali Raza Siddiqui	3	3	0
Mr. Shabir Ahmed Randeree	3	1	2

*disassociated himself from the Committee in compliance to BPRD Circular No. 09 of 2015 dated May 6, 2015.

Risk Management Committee

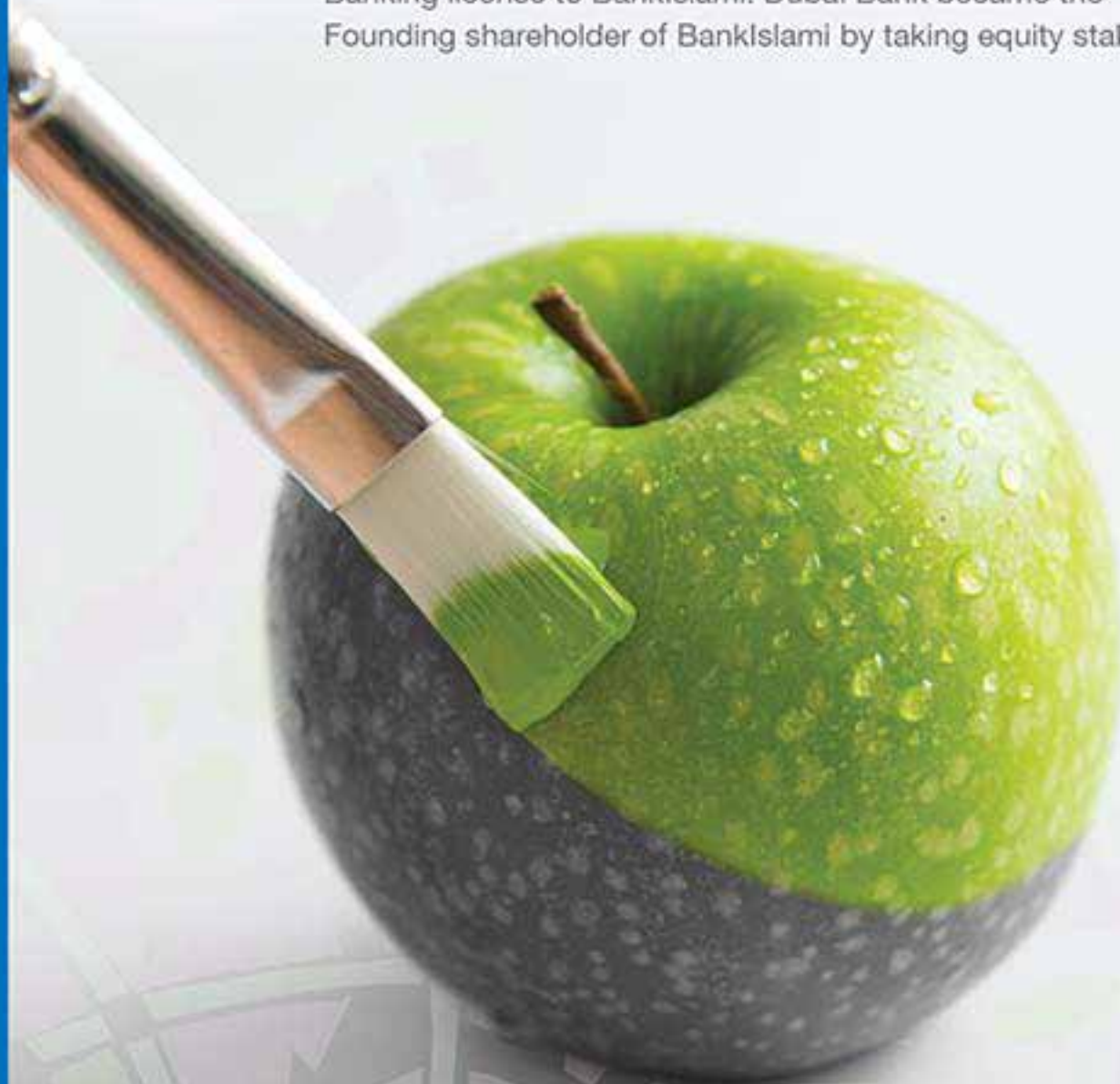
Name	Total	Attended	Leave of Absence
Mr. Ali Mohd Hussain Ali Al Shamali	1	1	0
Mr. Fawad Anwar	1	1	0
Mr. Hasan A Bilgrami	1	0	1

Human Resource & Compensation Committee

Name	Total	Attended	Leave of Absence
Mr. Shabir Ahmed Randeree	2	2	0
Mr. Ali Hussain	2	2	0
Mr. Ali Raza Siddiqui	2	2	0
Mr. Ali Mohd Hussain Ali Al Shamali	2	1	1
Mr. Hasan A Bilgrami	2	2	0
Mr. Kamal Afsar	2	0	2

2005 From Dream to Reality

The then SBP Governor, Dr. Ishrat Hussain issued an Islamic Banking license to BankIslami. Dubai Bank became the Founding shareholder of BankIslami by taking equity stake in it.



Islami Bachat Account



Tradition of Saving with Innovation

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 317 branches in 93 cities
- Online Banking facility
- SMS Alerts Plus facility
- Internet Banking facility

Serving you, the Right way



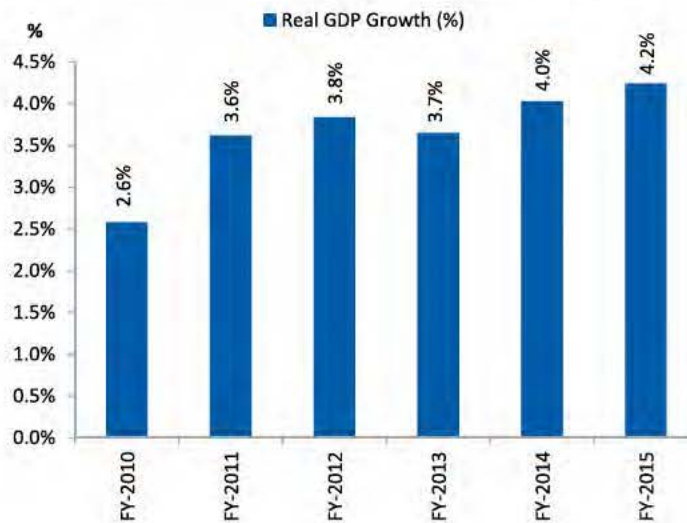
Management Discussion and Analysis

BUSINESS ENVIRONMENT¹:

The year 2015 built upon the improvements in macroeconomic indicators of 2014. Improving law and order situation, low inflation due to record low international oil prices and relative political stability gave positive stimulus to boost the business environment of the country. The following gives a brief synopsis of the business environment in the year 2015.

Gross Domestic Product:

Pakistan's economy managed to grow by 4.2% in FY15, compared to 4.0% in FY14, a 21 basis points increase on year on year basis. However, it fell short of the budgeted target of 5.1% for the year. For the period FY08-13, the GDP growth had averaged under 4.0%, so an improvement upon the average shows positive signs. However, Pakistan still struggles to sustain the growth momentum due to structural bottlenecks that continue to hinder it to achieve its potential.



GDP Growth Rate Trend (%)

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

The agricultural sector grew by 2.9% in FY15 versus 2.7% in FY14, an increase despite unfavorable weather patterns and climatic changes. Industrial sector growth remained low in comparison to last year, a growth of only 3.6% compared to 4.6% in FY14 due to lower growth in Large Scale Manufacturing ('LSM') sector and electricity generation; however, the activities in construction and mining and quarrying remained buoyant. Services sector grew by 4.9% in FY15 versus 4.4% in FY14, its growth performance was broad based as all components of services contributed positively in growth. For FY16, the targeted GDP growth is 5.5%.

Large Scale Manufacturing growth:

LargeScaleManufacturing ('LSM') showed a growth of 3.3% in FY15 against the 4.1% in FY14. LSM performance remained low as compared to last year because of lower production in a number of industries including sugar, food, beverages & tobacco and paper & board sectors due to persistent energy shortage and weak external demand.

Inflation:

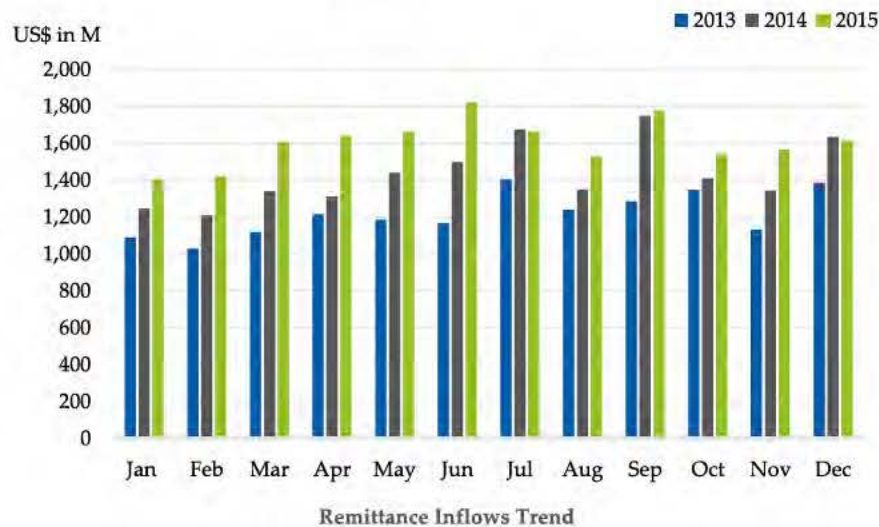
ConsumerPrice Index ('CPI'), a measure to gauge inflation, followed a downward trajectory in 2015 on the back of lower commodity prices driven by low oil prices and food prices. It was 3.2% on year-on-year basis in December 2015 compared to 4.3% in the corresponding month of last year. State Bank estimates inflation to remain between 3.5% and 4.5% in FY16. Subdued uptick in CPI is witnessed in the current fiscal year giving indications that downward trend in CPI has bottomed out.

Forex Reserves:

The foreign exchange reserves achieved a record high level of US\$20.8B at end December 2015 compared to US\$15.3B in December 2014. This level is equivalent to 5 months of country's import bill and achieved on the back of funds received from IFI loans like IMF, World Bank & ADB, Eurobond issuance, coalition support fund receipts and commercial borrowings. Keeping in view the FX reserve balance, the amount of debt servicing of US\$5.5B due in CY2016 does not raise much concern. It is expected that continuation of FX inflows would deter the dent due to debt repayments.

Foreign Remittances:

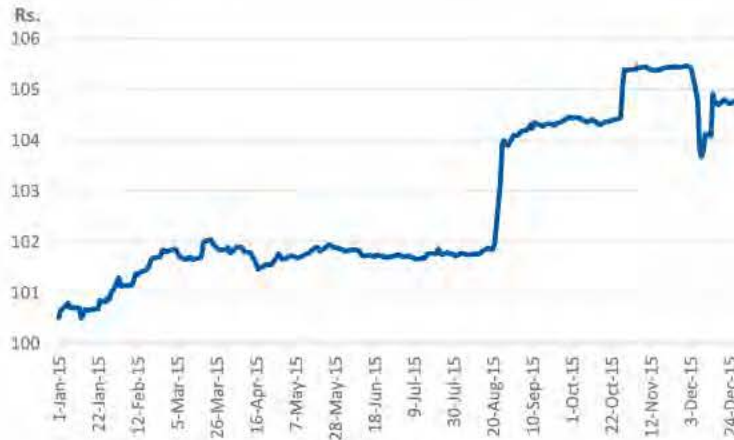
Worker remittances continue to show growing trend but in tapered manner. The workers remitted US\$19.2B in CY15 displaying a growth of around 11.8% but less than the growth rate of 17.0% in CY14. Slow global economic recovery of advanced economies has tapered the inflows from US & EU Countries. Remittances from the Middle East, which includes KSA, UAE & Other GCC countries, account for 65% of total remittance as the main contributor to overall growth in home remittances but the region faces slowdown due to lowered oil prices going forward which might impact the inflows of remittances.



US\$ Pak Rupee parity:

The rupee depreciated by 4.31% against the US dollar in the inter-bank market to Rs.104.70/US\$ on December 31, 2015 from Rs.100.37/US\$ on December 31, 2014.

The depreciation in 2015 was due to (1) 2.4% depreciation on 24 August 2015 in concurrence with global currency rout and famously referred to as Black Monday, and (2) a -1% drop at the end of October 2015 which was due to heavy debt and oil payments and lack of SBP intervention. However, it remained range bound from then onwards.



US\$ Pak Rupee parity Movement

Foreign Direct Investment:

The net Foreign Direct Investment ('FDI') was US\$ 979.4 million in CY15 in comparison with US\$ 1,865.9 million in CY14, a decline of 47.5%. External conditions such as weakening global economy along with internal conditions such as energy shortage and weak infrastructure and uncertain security conditions contributed in pushing the FDI down. The sectors which attracted FDI were Power (52%), oil & gas exploration business(31%), beverages (12%) and financial services (10%). Largest contributor to the FDI was China with 50.7% share (US\$ 496.9 million), followed by the UAE with 20.4% share (US\$ 200 million) and HongKong with 15.9% share (US\$ 156.1 million).

This major share in FDI from China is expected to rise further in view of the China Pakistan Economic Corridor ('CPEC'), a collection of projects having total investment of US\$ 46 billion from China, intended to upgrade and expand Pakistan's infrastructure that includes the construction of highways, railways, & natural gas and oil pipelines etc. over the next six years. CPEC is a crucial part of a much bigger regional initiative led by China, known as 'One Belt, One Road' (OBOR) or 'New Silk Road Economic Development Corridor' worth US\$ 900 billion. Over 20 countries are involved in this grand and ambitious project. This initiative is considered as an antidote for all structural constraints of Pakistan and has provided optimism for the future of Pakistan.

Monetary policy:

In 2015, SBP brought down the benchmark interest rate by 300 basis points. From 9.5% at the start of 2015, the discount (or ceiling) rate fell down to 6.5% by year end while the newly introduced target rate or policy rate in May 2015 stood at 6%. Declining inflation, significant rise in foreign exchange reserves and contained budgetary borrowings from SBP created room to decrease the policy rate to 'historically' low level of 6% since August 1973. The lagged impact of aggressive monetary easing from November 2014 onwards is slowly being translated in pickup of bank credit to private sector in FY16. The sharp increase of currency in circulation and bottoming out of inflation and rise in current account deficit indicate that there might be upward revision in interest rates towards the end of 2016.



Benchmark Interest Rate Trend

Stockmarket:

KSE-100 index performance in 2015 was marred by many fundamental and non-fundamental hiccups such as anti-corruption crackdown on major stockbrokers, new broker regulations and foreign investors sell-off from emerging markets. This restricted the index in extending its last 3-year streak of strong returns into 2015. The KSE-100 index, closed the year at 32,816.31 points from 32,131.28, a mere increase of 2.1% on year on year basis. The KSE-100 peak for the year was 36,228.88 achieved on August 6, 2015. However, on August 24, 2015 due to major

global equity markets sell off, the stock market having for long been insulated from developments in global equity markets, took the tumble. The KSE lost nearly 3% during the month of August or 1,068.49 points. Volumes also gradually dried up since the index touched its high in August 2015. The months of September and November also saw bearish market trends with KSE losing 7.2% or 2,491.36 points and 5.9% or 2,015.57 points in these months due to incessant foreign portfolio investment outflow, uncertainty associated with new regulations for brokers, and corruption probe weighted on the investors' sentiment.

Future Outlook:

Pakistan has regained most of its lost macroeconomic stability in the past two years, thanks to nascent progress on structural reforms, FX reserves building, declining inflation and fiscal consolidation. Improved business climate is expected to give much-needed impetus to industrial growth and increasing private sector credit demand. Moreover, implementation of infrastructure projects planned under the CPEC and addressing structural issues especially related to energy and law and order are expected to provide impetus for growth. A major chunk of CPEC are towards energy projects, (US\$ 34.4 billion out of a total US\$ 45 billion). As these energy projects go on stream, they will have a multiplier effect on the Pakistan economy. In this backdrop, the Pakistan economy is therefore expected to maintain the growth momentum achieved in the last 2 years into 2016 as well.

ISLAMIC BANKING:

The Islamic Banking Industry consists of 22 players. During 2015, two major mergers & acquisitions took place by Islamic Banking players; Meezan Bank acquired HSBC Oman's (S.A.O.G) Pakistani branches and Bank Islami acquired operations of KASB Bank and converted these conventional Banks into Shariah compliant operations. Moreover, MCB Bank converted its Islamic Banking windows operation into a wholly-owned subsidiary MCB Islamic Bank Limited².

At present, Islamic Banking industry has 11.5% share in assets and 13.4% share in deposits of the overall Banking industry. The Islamic Banking network has also spread all across the country at a significant pace with the total number of branches exceeding 2,030 in more than 150 Cities of Pakistan.

² Source: Islamic Banking Bulletin of State Bank of Pakistan as of Dec 2015.

The SBP vision for Islamic Banking is to take the current 13% market share of Islamic deposits to 20% by 2020. To support the future growth of quality human resources, in this year, SBP established three Centers of Excellence in Islamic Finance education at well renowned educational institutions including Institute of Business Administration ('IBA'), Karachi, Lahore University of Management Sciences ('LUMS'), Lahore and Institute of Management Sciences ('IM Sciences'), Peshawar.

Furthermore, in 2015, in order to facilitate Islamic Banking industry in their liquidity management, GoP Ijara Sukuk ('GIS') was issued by the SBP at the end of December amounting to nearly Rs.118 billion. This mopped a portion of the surplus liquidity generated from maturity of five GIS amounting to Rs. 233 billion in November. As a first step towards long and sustained development of Islamic capital markets, an All Islamic Share index, containing 250 listed companies was launched in Pakistan Stock Exchange and regulations for issuance of sukuk were also issued by SECP this year.

STAND ALONE FINANCIAL ANALYSIS

Table A
Financial Position

Rx in millions

Assets	2015	2014	% change	2013	% change
Cash and Bank balances	9,036	6,361	42.0%	4,883	30.3%
Balances with other Banks	1,781	734	142.8%	968	-24.2%
Due from financial institutions	39,824	18,144	119.5%	6,511	178.7%
Investments	35,886	30,655	17.1%	31,610	-3.0%
<i>Federal Govt Securities</i>	<i>32,290</i>	<i>28,490</i>	<i>13.3%</i>	<i>29,283</i>	<i>-2.7%</i>
<i>Unlisted Sukuks</i>	<i>2,664</i>	<i>2,151</i>	<i>23.9%</i>	<i>1,967</i>	<i>9.4%</i>
<i>Fully paid up ordinary shares & Mutual fund units</i>	<i>6,084</i>	<i>191</i>	<i>3084.7%</i>	<i>191</i>	<i>0.0%</i>
<i>Provision for diminution in value or surplus on revaluation on investment</i>	<i>(5,152)</i>	<i>(175)</i>	<i>2802.3%</i>	<i>170</i>	<i>-204.6%</i>
Financing	69,576	41,097	69.3%	38,309	7.3%
Operating Fixed Assets	5,633	3,380	66.6%	2,958	14.3%
Deferred Tax Assets	6,008	-	100.0%	-	-
Other Assets	6,386	1,614	295.7%	1,616	-0.2%
Total Assets	174,130	101,984	70.7%	86,856	17.4%
Equity & Liabilities					
Equity Share Capital	10,079	5,759	75.0%	5,280	9.1%
Discount on issue of shares	(79)	(79)	-0.1%	-	-
Reserves	523	273	91.5%	210	29.8%
Unappropriated profit/(Accumulated losses) before transfers	(171)	267	-164.1%	25	975.1%
	10,352	6,220	66.4%	5,515	12.8%
Surplus on revaluation of Assets-net of Taxes	834	647	28.8%	727	-11.0%
Total Equity	11,186	6,867	62.9%	6,242	10.0%
Deposits	153,058	90,331	69.4%	75,226	20.1%
<i>Current</i>	<i>45,065</i>	<i>17,052</i>	<i>164.3%</i>	<i>12,425</i>	<i>37.2%</i>
<i>Saving</i>	<i>57,035</i>	<i>38,030</i>	<i>50.0%</i>	<i>27,934</i>	<i>36.1%</i>
<i>Term</i>	<i>50,567</i>	<i>35,097</i>	<i>44.1%</i>	<i>34,670</i>	<i>1.2%</i>
<i>Others</i>	<i>391</i>	<i>152</i>	<i>157.2%</i>	<i>198</i>	<i>-23.2%</i>
Due to financial institutions	3,198	561	470.1%	2,538	-77.9%
Bills payable	1,524	918	65.9%	836	9.9%
Subordinated loans	-	-	-	-	-
Preference share capital	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-
Deferred Tax Liabilities	-	200	-100.0%	176	13.7%
Other Liabilities	5,164	3,107	66.2%	1,838	69.0%
Total Liabilities	162,944	95,117	71.3%	80,613	18.0%
Total Equity and Liabilities	174,130	101,984	70.7%	86,856	17.4%

The Assets of the Bank grew by 70.7% versus 17.4% in the previous year. In comparison the Assets of Banking Industry and Islamic Banking sector in particular grew by 17.1% and 27.1% respectively. BankIslami, in terms of assets,

holds 1.3% share of Banking Industry and 10.9% share of Islamic Banking sector.

The Deposits of the Bank reached Rs.153.1B after amalgamation. This is after payment of Rs.24.9 billion made to the depositors of defunct KASB Bank.

Growth in Deposits was 69.5%, while the growth in Current & Saving (CASA) deposits was 85.4% in comparison to 36.5% last year. The composition of CASA deposits as percentage of total deposits also improved in this year from 61.0% to 66.7%.

Due from Financial Institutions grew by 119.5% which include Commodity Murabaha transactions that grew by 439%. On the other hand, Investments, grew by only 17.1% as five GoP Ijarah Sukuk ('GIS') matured during the end of the year amounting to Rs.19 billion which lead to surplus liquidity which was re-deployed in Bai Muajjal. Bai Muajjal transactions with SBP grew by 113.5% to Rs. 22.9 billion by the end of the year. Investments also contain an amount of Rs. 1.7 billion which is added to BankIslami's balance sheet due to acquisition of defunct KASB Bank based on provisional fair values.

Operating Fixed Assets grew by 66.6% on the back of amalgamation of 104 branches of Defunct KASB into BankIslami branch network along with re-location of 56 branches and construction of new office for back office support functions in Karachi.

Deferred Tax Asset on a company's balance sheet may be used to adjust against taxable income in the future. An amount of Rs. 6.0 billion is recognized based on provisional fair value exercise. This amount includes tax losses of Rs. 4.5 billion of defunct KASB Bank based on provisional fair values.

Other Assets grew on the back of Goodwill amount of Rs.2.8B recorded on account of amalgamation of defunct KASB Bank.

The Bank's equity also increased as the exercise of its rights issue of Rs. 4.32 billion was concluded in the first half of the year and the Bank became MCR compliant.

Operating Results Data:

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

Table B
Operating Results Data

Rs in millions

	2015	2014	% change	2013	% change
Profit Earned	8,834	7,812	13.1%	6,289	24.2%
Profit Expensed	5,119	4,459	14.8%	3,790	17.7%
Net Spread Earned	3,715	3,353	10.8%	2,500	34.2%
Other Income					
<i>Fee income</i>	408	387	5.3%	292	32.6%
<i>-Dividend income</i>	3	-		-	-
<i>Income from foreign currencies dealing</i>	82	172	-52.4%	76	126.3%
<i>-Gain on sale of securities</i>	12	32	-62.7%	7	379.5%
<i>-Unrealised gain on revaluation of investment</i>	-	-		-	-
<i>-Other income</i>	65	40	62.2%	79	-49.0%
Operating Income	4,285	3,985	7.5%	2,953	34.9%
Operating Expenses	5,038	3,475	45.0%	2,518	38.0%
Operating Profit/ (Loss)	(753)	510	-247.6%	435	17.3%
Total Provisions/(Reversals)	(481)	40	-1289.3%	127	-68.1%
Profit Before Tax	(272)	470	-157.9%	305	52.4%
Tax, including Deferred Tax	(76)	156	-148.7%	122	28.1%
Profit After Tax	(196)	314	-162.5%	186	68.4%

With the removal of CAR restrictions post MCR compliance, the Bank was able to increase its financing portfolio which grew by 69.3% in comparison to 7.3% last year. The Profit Earned increased by 13.1% which is attributable mainly to volumetric growth in financings and investments during the year. In the year where benchmark discount rate has shrunked to historically low of 6.5%, along with lack of avenues to deploy surplus liquidity to earn Shariah compliant returns, these earnings on assets can be considered satisfactory.

The Profit Expensed grew by only 14.8% compared to 17.7% last year. This expense was contained despite 69.5% growth in deposits as the Bank tilted the composition towards CASA accounts and off loaded expensive deposits. The drop in cost of deposits by 351bps also supported to restrain this number.

The record decline in Discount Rate by 300bps in the year impacted the yields earned on earning assets by the Bank resulting in the decline of gross spreads to 42.1%, a decrease of 87bps compared to last year.

Operating Income increased by only 7.5%, while Operating Expenses increased by 45.0%. This jump in expenses is mainly attributed to costs borne due to amalgamation of defunct KASB Bank. These increase in expenses include expenses incurred for re-alignment of operations, rebranding, integration & renovation of branches and training of human resources.

Other income declined by 9.8% despite increase of 5.3% in Fee, Commission & Brokerage Income.

Net reversal in provisioning against financing was recorded as Rs. 639 million. This largely includes recoveries against the Bad debts made by the Bank's management through its hard work and best efforts.

The Bank reported Loss After Tax of Rs. 196 million this year against a profit of Rs. 314 million last year. The management is employing strategies and taking steps to get the best out of the amalgamation of defunct KASB Bank.

Key Financial Ratios:

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

Table C
Key Financial Ratios

	2015	2014	% change	2013	% change
Return on Average Equity (%)	-2.2%	4.8%	-145.4%	3.1%	52.0%
Return on Average Assets (%)	-0.1%	0.3%	-142.7%	0.2%	43.7%
Earning per share (EPS) (Rs.)	-0.24	0.58	-141.5%	0.35	66.6%
Book value per share (BVPS) (Rs.)	11.19	12.09	-7.5%	11.82	2.3%
Fee to Income (%)	9.5%	9.7%	-2.0%	9.9%	-1.8%
Cost to Income (%)	117.6%	87.2%	34.8%	85.3%	2.3%
Branch Network	317	213	48.8%	201	6.0%
Cities covered	93	80	16.3%	77	3.9%

* Average Equity and Average Assets are after resolution of assets.

The Cost to Income ratio jumped above 100%, because of addition of administrative expenses due to amalgamation which could not be adjusted against income of the quarantined conventional operations. The BVPS, EPS, return on average assets and average equity also fell because of absorption of operating loss of amalgamated entity.

Net Profit Earned and Spread Analysis:

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

Table D
Net Profit Earned and Spread Analysis

Rs in millions

	2015	2014	% change	2013	% change
Profit Earned	8,834	7,812	13.1%	6,289	24.2%
Profit Expensed	5,119	4,459	14.8%	3,790	17.7%
Net Spread Earned	3,715	3,353	10.8%	2,500	34.2%
Average Profit Earning Assets	118,848	84,013	41.5%	71,554	17.41%
Average Profit Bearing Liabilities	122,335	84,328	45.1%	71,801	17.45%
Net Spread Margin (%)	3.13%	3.99%	-21.7%	3.49%	14.3%
Yield on Profit Earning Assets (%)	7.43%	10.77%	-31.0%	10.01%	7.6%
Cost of Profit Bearing Liabilities (%)	4.18%	5.54%	-24.5%	5.83%	-5.0%
Spread (%)	3.25%	5.23%	-37.9%	4.18%	25.1%

There was volumetric growth of 41.5% in Average Profit Earning Assets but due to massive decline in discount rate the Yield on Profit Earning Assets dropped. The Profit Expensed grew by 14.8% on back of 45.1% increase in Average Cost Bearing Liabilities. The growth in Average Profit Bearing Liabilities (45.1%) was more than the increase in Average Profit Earning Assets (41.5%) simultaneously the decline in Cost on Profit Bearing Liabilities (24.5%) was less than Yield on Profit Earning Assets (31.0%). The reason of these gaps was decrease in spread by 37.9%.

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

	2015	2014	% change	2013	% change
Yield on Profit Earning Assets (%)	7.43%	10.77%	-31.0%	10.01%	7.6%
- on Financing	7.98%	11.57%	-31.0%	10.96%	5.6%
- on Investments	5.30%	9.80%	-45.9%	9.34%	4.9%
- On SLR Investments	5.86%	9.72%	-39.7%	9.38%	3.6%
- On Other Investments	8.02%	10.02%	-20.0%	9.75%	2.8%
Cost of Profit Bearing Liabilities (%)	4.18%	5.54%	-24.5%	5.83%	-5.0%
- Cost of Deposits	3.53%	5.44%	-35.1%	5.78%	-5.9%
- Cost of Borrowings	5.95%	9.56%	-37.8%	9.01%	6.1%
Spread (%)	3.25%	5.23%	-37.9%	4.18%	25.1%
Net Spread Margin (%)	3.13%	3.99%	-21.7%	3.49%	14.3%

The Yield on Profit Earning Assets decreased on account of decline in all segments. Yield on Investment portfolio decreased by 45.9% along with 11.57%

decline in yield of financing portfolio. The Cost of Profit Bearing Liabilities also reduced by 24.5% due to improved liabilities mix and decline in cost but it could not offset the decline in yields. All this resulted in decline in Net Spread Margin by 21.7%.

Average Earning Assets and Liabilities:

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

Table F
Average Earning Assets and Liabilities³

	Averages Rs in millions				
	2015	2014	% change	2013	% change
Balance with other Banks	1,257	851	47.8%	887	-4.1%
Due from financial institutions	28,984	12,327	135.1%	7,493	64.5%
Investments	33,270	31,132	6.9%	30,302	2.7%
Financing and related assets	55,337	39,703	39.4%	32,871	20.8%
Average Profit Earning Assets	118,848	84,013	41.5%	71,554	17.4%
Due to financial institutions	1,880	1,550	21.3%	2,080	-25.5%
Deposits	120,455	82,778	45.5%	69,721	18.7%
Average Profit Bearing Liabilities	122,335	84,328	45.1%	71,801	17.4%

Majority of the Earning Assets were deployed as Financing (46.6%) followed by Investments (28%) and Due from Financial Institution (24.4%).

Around 78.7% of the investment portfolio of BankIslami was placed in Government backed instruments. The Investment portfolio took a hit as 5 Government backed instruments i.e GoP Ijarah Sukuk matured at the end of the year pushing the yield of the portfolio down. The surplus liquidity was largely placed with SBP through Bai Muajjal placements of Rs.22B also showing in Investments portfolio. The remaining liquidity was deployed with other Financial Institutions through Commodity Murabaha.

The growth in Average Profit Earning Assets were closely matched by growth in Average Profit Bearing Liabilities. With better management of assets, by growing the consumer financing portfolio and conversion & recoveries from non-

³ Simple Averages are calculated for computation purposes for this write up only. Actual Average figures may vary.

performing portfolio and tilting the liability mix towards CASA accounts, decline in gross spread was curtailed.

Other Income Components:

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

Table G
Other Income Components

Rs in millions

	2015	2014	% change	2013	% change
-Fee Income	408	387	5.3%	292	32.6%
-Dividend Income	3	-	-	-	-
Income from foreign currencies dealing	82	172	-52.4%	76	126.3%
-Gain on sale of securities	12	32	-62.7%	7	379.5%
-Unrealised gain on revaluation of investment	-	-	0.0%	-	-
-Other Income	65	40	63.9%	79	-49.5%
Total Other Income	570	632	-9.7%	454	39.2%

The Other Income as a percentage of Total Income declined from 15.9% last year to 13.3%. Majority of Other Income, came from Fee Income (72%) followed by Income from foreign currencies dealing (14%).

Operating Expenses:

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

Table H
Operating Expenses

Rs in millions

	2015	2014	% change	2013	% change
Payments to Employees	2,182	1,509	44.6%	1,084	39.2%
Depreciation on own property (including non banking assets)	507	330	53.8%	230	43.6%
Other Administrative Expenses	2,450	1,623	50.9%	1,174	38.3%
Total	5,139	3,462	48.4%	2,488	39.2%
Other Operating Expenses	107	36	199.8%	34	4.4%
Total Operating Expenses	5,246	3,498	50.0%	2,522	38.7%

The Operating Expenses grew by 50%, which includes increase of 44.6% in salaries expenses on back of yearly increments to current employees and absorption of payroll cost of defunct KASB Bank post quarantine period. Rent expenses of 105 Branches of defunct KASB Bank become part of Other Administrative Expenses, which grew by 50.9% compared to last year. The

Operating expenses of Rs. 5.2 billion also includes an amount of Rs. 208 million, which was adjusted against the income of the quarantined entity as per the approval of Shariah Board.

Provisions:

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

Table I
Provisions

<i>Rs in millions</i>					
	2015	2014	% change	2013	% change
Provision for Non performing Financing	(640)	(22)	2775.8%	123	-118.1%
Provision for Investments	9	39	-77.0%	-	-
Total Provisions (Reversals)	(631)	17	-3822.3%	123	-86.2%
Coverage Ratio (%)	90.1%	49.4%	82.6%	56.2%	-12.2%

The financing book saw a reversal of provisioning to tune of Rs. 640mn. FSV benefit availed was Rs. 238.542 million as against Rs. 316.283 million in 2014. The coverage ratio, a percentage of total provisions over non-performing financing portfolio, was 90.1% as compared to 49.4% in 2014.

Classification of Financing:

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

Table J
Classification of Financing

<i>Rs in millions</i>					
	2015	2014	% change	2013	% change
Non performing Financing					
OAEM	139	95	67.3%	-	-
Sub standard Assets	859	76	1036.4%	133	-43.3%
Doubtful Assets	383	57	572.4%	25	130.4%
Loss Assets	13,829	834	1557.5%	951	-12.3%
Total Non performing Financing	15,230	1,062	1334.2%	1,109	-4.2%

Infection ratio, classified portfolio as a percentage of Gross Financing, was 2.87% for the Islamic financing portfolio carried by the BankIslami, excluding the inherited non performing financing portfolio of defunct KASB Bank.

Non-performing assets which are fully provided constitutes 91% of the non-performing portfolio as against 79% in 2014.

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**

	2015	2014	% change	% of total financing	2015	% of total financing
Consumer Banking	8,970	5,457	64.4%	13.1%	3,220	8.3%
Muskun (Home financing)	5,601	3,772	48.5%	9.0%	2,425	6.2%
Auto Ijarah	3,369	1,686	99.9%	4.0%	795	2.0%
Corporate & SME Financing	58,033	35,083	65.4%	84.1%	34,739	89.2%
Corporate financing	53,821	33,443	60.9%	80.2%	33,806	86.8%
SME financing	4,212	1,640	156.8%	3.9%	933	2.4%
Staff Financing	1,847	1,158	59.5%	2.8%	973	2.5%
Gross Financing	68,850	41,698	65.1%	100.0%	38,932	100.0%

The gross financing grew by 65.1% compared to 7.1% last year on the back of removal of CAR restrictions and conversion of conventional loans of Defunct KASB Bank into Islamic modes. SME and Staff financing grew by 156.8% and 59.5% respectively whereas Corporate & SME financing book grew by 65.4%.

The Consumer financing book as a percentage of total financing grew to 13.1% compared to 8.3% in 2015. The Auto Ijarah portfolio doubled to Rs3.3B, whereas the Muskun portfolio grew by 1.5 times or 48.5%. Owing to better yields on consumer financing the Bank concentrated its efforts towards them. The decline in discount rate to historically low also fueled the demand for these loans.

Financing Concentration:

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

for the period indicated,

Table L
Financing Concentration

Rs in millions

	2015	% of total financing	2014	% of total financing	2015	% of total financing
Agriculture, Forestry, Hunting & Fishing	1,698	2.5%	-	0.0%	650	1.7%
Mining & Quarrying	-	0.0%	-	0.0%	-	0.0%
Textile	4,556	6.6%	3,537	8.5%	5,481	14.1%
Chemical & Pharmaceuticals	4,789	7.0%	3,416	8.2%	3,746	9.6%
Cement	1,204	1.7%	483	1.2%	389	1.0%
Sugar	3,233	4.7%	3,762	9.0%	5,277	13.6%
Footwear & Leather garments	16	0.0%	16	0.0%	23	0.1%
Automobile and Transportation equipment	1,215	1.8%	907	2.2%	815	2.1%
Education	4	0.0%	4	0.0%	2	0.0%
Electronics and Electrical appliances	4,456	6.5%	4,180	10.0%	1,247	3.2%
Production and transmission of energy	-	0.0%	-	0.0%	-	0.0%
Construction	3,980	5.8%	3,491	8.4%	3,440	8.8%
Power, Gas, Water, Sanitary	2,164	3.1%	2,506	6.0%	3,915	10.1%
Wholesale and Retail Trade	6,055	8.8%	696	1.7%	162	0.4%
Exports/Imports	2,083	3.0%	2,946	7.1%	1,447	3.7%
Transport, Storage & Communication	360	0.5%	247	0.6%	1,678	4.3%
Financial	3,539	5.1%	1,065	2.6%	1,337	3.4%
Insurance	10	0.0%	14	0.0%	22	0.1%
Services	3,585	5.2%	981	2.4%	725	1.9%
Food & Beverages	13,023	18.9%	5,102	12.2%	54	0.1%
Private Trust & NGO	14	0.0%	19	0.0%	742	1.9%
Packing & Paper products	292	0.4%	101	0.2%	4,223	10.8%
Individuals	12,441	18.1%	7,307	17.5%	3,425	8.8%
Others	132	0.2%	919	2.2%	131	0.3%
Total	68,850	100.0%	41,698	100.0%	38,932	100.0%

Note:

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

The exposure to Food and Beverage was the highest at around 18.9% followed by Individuals, 18.1%, and Wholesale & Retail Trade sector, 8.8%. The Textile sector featured among the top 5 sectors to which the Bank channeled its financing.

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

	2015	2014	2013
Tier 1 Capital	7,893	6,067	5,391
Tier 2 Capital	2,653	378	432
Total Capital	10,546	6,446	5,823
Credit risk- Risk Weighted Assets (RWA)	77,730	32,317	32,414
Market risk-RWA	718	178	102
Operational risk- RWA	6,982	6,063	5,370
Total RWA	85,430	38,601	37,886
Total Capital Adequacy Ratio	12.34%	16.70%	15.37%
Total eligible regulatory Capital held	10,546	6,446	5,823
Total RWA	85,430	38,601	37,886
Risk Capital per branch	33	30	29
Net Equity	11,186	6,867	6,242
Net Equity per branch	53	32	31

The Capital Adequacy Ratio ('CAR') was 12.26% against 16.7% last year. The decline is largely due to acquisition of defunct KASB Bank which had negative CAR of 4.63%. The Risk Weighted Assets ('RWA') increased by 121.3%, while Market risk RWA and Operational risk RWA increased by 303% & 15.2% respectively. The Risk Capital per branch and Net Equity per branch was Rs.33M and Rs.53M respectively. The balance sheet of defunct KASB Bank carried risky assets which resulted in increase of RWA of the amalgamated Bank as well, bringing the CAR which was 23.26% prior amalgamation to the current level. The maturity of GoP Sukuks also added pressure on the Risk Capital of the Bank.



2006 The Beginning

BankIslami's share debuted on the Pakistan Stock Exchange (Formerly KSE). SBP declared BankIslami as a Scheduled Bank.

On April 7th 2006, BankIslami opened its 1st Branch in SITE, Karachi and the branch network grew to 10 branches by end of the year.

It also became the First Bank in Asia including Pakistan & the 2nd globally to deploy Biometric enabled ATMs.

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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.

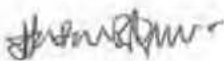
The Bank initiated process of implementation of Internal Control Guidelines as required by State Bank of Pakistan vide BSD Circular Number 07, of 2004 and has completed a detailed exercise through Consultants, documenting and benchmarking existing internal processes and controls relating to financial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

Long Form Report was issued by the external auditors of BankIslami Pakistan Limited based on December 31, 2014 period. The Management is in the process of implementing the gaps and suggestions given by the external auditors.

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

June 04, 2016

Statement of Compliance With The Code Of Corporate Governance

FOR THE YEAR ENDED DECEMBER 31, 2015

This statement is being presented to comply with the Code of Corporate Governance (Code) contained in Chapter No. 5.19 of Rule Book of Pakistan 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:

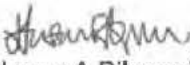
1. The Bank encourages representation of independent, non-executive directors and directors representing minority interests on the Board of Directors. During the year ended December 31, 2015, the Board comprised of:

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. Shabir Ahmed Randeree Mr. Kamal Afsar

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

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. 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.
5. 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.
6. 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.
7. 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.
8. Directors training has already been performed by four directors. It is expected that three more directors will attend the course in 2016.

9. During the year ended December 31, 2015, Company Secretary was appointed, however there was no new appointment of Chief Financial Officer (CFO), or Head of Internal Audit.
10. 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.
11. The financial statements of the Bank were duly endorsed by CEO and CFO before approval of the Board.
12. 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.
13. The Bank has complied with all the corporate and financial reporting requirements of the Code.
14. The Board has formed an Audit Committee. It comprises of three members, of whom all are Non-Executive Directors and the Chairman of the Committee is an independent director.
15. 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 terms of reference of the committee have been formed and advised to the committee for compliance.
16. 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.
17. 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.
18. 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.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Regulations of Stock Exchange and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. 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.
21. Material / price sensitive information has been disseminated among all market participants at once through Stock Exchange.
22. The Board has approved mechanism for an annual evaluation of its own performance in its meeting held on March 6, 2015.
23. We confirm that all other material principles included in the Code have been complied.


 Hasan A Bilgrami
 Chief Executive Officer

June 04, 2016

Auditors' Review Report to the Members on Statement of Compliance with the Best Practices of 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, 2015 to comply with the requirements of rule 5.19 of the Pakistan Stock Exchange regulation issued by the Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange Limited) 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 its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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



Chartered Accountants

Dated: June 06, 2016

Karachi

2007 Spreading our Wings

BankIslami's network grew from 10 Branches to 36 Branches in 23 cities of Pakistan. The Bank launched one of its flagship products, MUSKUN Home Financing. Acquisition of JS Finance Limited, a Modaraba management company also took place and was renamed as BankIslami Modaraba Investments Limited. First Investment Banking transaction was completed by issuing privately placed SUKUK of Rs. 1.2 Billion for PEL. In the same year, BankIslami managed a Consortium to successfully achieve the financial close of a landmark Investment Banking deal of SSGC Sukuk of Rs. 5 Billion.



بَيْتُكَ إِسْلَامِي



BankIslami



Your Roof, Your Home with MUSKUN Home Financing

Purchase

Construction

Renovation

Replacement-BTF

Key features of MUSKUN Home Financing are:

- Facility available across Pakistan
- No pre-payment charges after 1 year
- Tenure up to 25 years
- Facility is also available for Non-Resident Pakistanis
- Minimal processing charges
- Financing available up to Rs.50 Million*

*Conditions apply

Serving you, the Right way



BankIslami Pakistan

www.bankislami.com.pk

111-ISLAMI (111-475264)

Report of Shariah Board

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

الحمد لله رب العالمين، والصلاة والسلام على سيد الأنبياء والمرسلين، و
على آله وأصحابه أجمعين، وبعد

Shariah Supervisory Board hereby presents its opinion on the affairs of the Bank through this 12th annual report. This year's report is from the Shariah Board while previously it used to be issued by the Shariah Adviser. During the year, five meetings of the Shariah Board were held in which different matters such as Shariah Compliance Review Reports, Internal Shariah Audit Reports, new products and Shariah aspects of the conversion of defunct KASB Bank were discussed in detail and guidelines were issued accordingly.

Alhamdulillah 2015 turned out to be a good year for the Bank in which it got the chance to convert operations of a conventional bank into Shariah compliant operations. Beside this, branch network of the Bank grew by almost 50% hence the conversion and trainings of the staff were two major tasks the Shariah team of the Bank completed. During the year under discussion, SBP's Shariah Governance Framework also came into force which made Shariah compliance more organized, systematic and robust. In the following sections the report discusses the state of affairs of the Bank and the developments that took place during the period.

Promulgation of Shariah Governance Framework:

From July 1, 2015 SBP's Shariah Governance Framework became applicable for Islamic Banking Institutions which has certain requirements regarding Shariah compliance in Islamic Banking Institutions. Alhamdulillah BankIslami, being a full fledged Islamic Bank, was already meeting most of the requirements and has taken further steps to align itself with the requirements of the Framework. In order to further strengthen Shariah Compliance function, Shariah Advisory services have been segregated from the Shariah Compliance function. For this purpose two separate departments are working at BankIslami namely Shariah Compliance Department and Shariah Advisory & Structuring Department. Shariah Compliance Department is responsible for the overall Shariah Compliance of the Bank while Shariah Advisory & Structuring department oversees the product development, structuring and advisory services to internal organs of the Bank as well as external clients. Scope of external audit has been extended to include an independent and objective assessment of conformity of Bank's operations with Shariah rules and principles.

All these measures are expected to further strengthen the Shariah compliance environment and enhance the confidence of stake holders on the practices of the Bank.

Merger of defunct KASB Bank with BankIslami:

A noteworthy development during the year was amalgamation of the defunct KASB Bank with BankIslami. Defunct KASB Bank was a conventional bank that was put on moratorium by SBP. Amalgamation and conversion of defunct KASB Bank's portfolio was probably first of its kind process undertaken by any Islamic Bank as this amalgamation was done by regulators of a defunct conventional bank into an Islamic Commercial Bank. After the merger, the biggest challenge before BankIslami was conversion of defunct KASB Bank's portfolio. A comprehensive plan was prepared for the conversion of the assets and liabilities of defunct KASB Bank. The plan included detailed analysis of each segment of the defunct KASB Bank's portfolio and its possible Shariah compliant solutions. The Shariah aspects of the merger plan were reviewed and approved by Shariah Board after detailed discussions on the peculiar nature of the amalgamation.

On the deposit side, all deposits were converted and now the remunerative account holders of defunct KASB Bank earn income by way of Mudarabah relationship with BankIslami.

On the asset side, all interest bearing government securities were disposed and majority of the regular Corporate Portfolio is now converted into Islamic modes of finance. Conversion of Corporate portfolio was a challenging task. Shariah Advisory & Structuring team closely coordinated with corporate team and customers to understand and develop Shariah compliant process flows before conversion of each customer, which was reviewed by Shariah Compliance team before approval from Resident Shariah Board Member (RSBM) and

Shariah Board. The process is now largely complete. Regarding the remaining un-converted portfolio, the Shariah Board has been briefed by the management about the practical and legal difficulties being faced and the management has assured to increase its efforts to convert the remaining portfolio. It was a valuable learning experience for all who were involved in the conversion process.

Another challenge of the conversion process was to impart training of Islamic Banking concepts to staff members who joined BankIslami from defunct KASB Bank. Members from Shariah Advisory & Structuring and Shariah Compliance teams traveled across Pakistan specially to conduct the training of Islamic Banking concepts. The exercise was completed in close coordination with Human Resource Department.

Amalgamation of defunct KASB Bank also included a few of its subsidiaries. Among them KASB Securities is worth mentioning. This subsidiary is planning to convert its business and operations into Shariah Compliant modes. However, nature and size of the business of the company and legal procedures require considerable time for conversion. Management has assured us that it will try its best to convert business of the company in minimum possible time frame. The Bank, however, will not include any Shariah non-compliant income from KASB Securities in its income.

The Shariah Board would also like to commend management efforts and role in the process of conversion.

Shariah Compliance:

To ensure all transactions are done according to guidelines issued by Shariah Board and SBP-Islamic Banking Department (IBD), the Bank has prepared detailed Policies and Procedure Manuals for routine transactions. However, since each transaction done under Murabahah, Karobar Financing (Musawamah), Salam and Istisna can differ, separate process flow are developed for each customer booked under each of the above mentioned modes of finance. During FY 2015 approximately 195 detailed process flows were reviewed/approved and almost all of them were also acknowledged by the customers themselves. These process flows help relevant Branch and Relationship Managers to properly execute transactions. Post execution, these process flows also help Shariah Review and Shariah Audit teams to objectively analyze the transaction. At the time of each anniversary, every process flow is renewed after reviewing its compliance status during the previous year.

To examine that the operations of the Bank remained compliant with the guidelines issued by us, Shariah Compliance department conducts Shariah Compliance Review of the Bank's business units, departments and branches. Periodical Shariah Compliance Review reports are presented in Shariah Board meetings for determination of corrective actions by the Shariah Board.

In addition the Shariah Compliance department also works closely with the Internal Audit department for presenting the Internal Shariah Audit reports in Shariah Board meetings for determination of corrective actions by the Shariah Board.

With two separate activities being carried out i.e. Shariah Review by Shariah Compliance department and Internal Shariah Audit by Internal Audit department, this keeps a dual check on the operations of the Bank leading to an improvement in the overall Shariah Compliance in the operations of the Bank.

Islamic Banking Training:

Trained human resource is 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, 62 training sessions of "Basic Islamic Banking Concepts" were conducted which trained 2,300 employees. This also includes sessions organized for staff members who joined BankIslami from defunct KASB Bank.

In addition, 16 advanced level product related training sessions were conducted for Corporate and Trade Finance products.

The Bank also supports other institutions such as National Institute of Banking and Finance (NIBAF), Centre for Islamic Economics (CIE), Institute of Cost and Management Accountants of Pakistan (ICMA Pakistan), Iqra University and Sheikh Zayed Islamic Centre for imparting training courses in Islamic Banking & Finance and other capacity building activities.

Composition of the Bank's portfolio:

The Bank used variety of Islamic modes of finance to provide financing to its customers. Following is the mode wise breakup of the Bank's Financing portfolio as of December 31, 2015.

➤ Murabahah:	45%
➤ Istisna:	17%
➤ Diminishing Musharakah:	17%
➤ Karobar Financing (Musawamah):	8%
➤ Ijarah:	7%
➤ Salam and others:	6%

Charity:

An amount of Rs. 6.8 mn was received from the Customers in respect of charity on delays in payments and credited to charity account. As the charity funds are kept under investment accounts at the Bank, Mudarabah profit of Rs. 0.27 mn has been credited to the charity account.

Disbursements during the year from the charity fund amounted to Rs. 9.06 mn. Details of charity disbursed are available in note number 18.2.1 of the accounts.

On account of an invalid Murabahah transaction, Bank was not allowed to book profit income of Rs. 543,698. Additionally an income of Rs. 168,375 has been declared as Shariah non-compliant income and accordingly credited to the Charity Account.

Recommendations:

Based on the observations made through Shariah reviews, reports and feedback from various stakeholders, we recommend the following:

- Since the Commodity Murabahah product is executed in non-organized sector and systematic controls are not up to benchmark, the Bank is advised to reduce its reliance on the Commodity Murabahah product and it should explore, along with other industry stakeholders, further Tawarruq based options through regulated markets such as Pakistan Mercantile Exchange, Pakistan Stock Exchange, etc. in which systematic controls for Shariah compliance could be more strictly implemented. In this regard, the Bank should also look into the options of warehouse receipt financing and other related products.
- The Bank is also advised to consider the use of its Modaraba Management Company in offering trade related products.
- For further capacity building of Bank's personnel particularly employees of defunct KASB Bank, the Bank should conduct more specialized product training sessions and also conduct refresher sessions from time to time.
- As per the assurance provided by the management, the Bank should try to convert operations of KASB Securities in minimum possible time frame to avoid any future issues. Any Shariah non-compliant income received from KASB Securities shall not form part of Bank's income.

Conclusion:

Based on the Shariah Compliance Review Reports, Internal Shariah Audit Reports and different Shariah compliance checks carried out from time to time and according to best of our knowledge, we are of the view that:

- The Bank has complied with Shariah rules and principles in the light of fatawa, rulings and guidelines issued by the Shariah Board.
- The Bank has complied with directives, regulations, instructions and guidelines related to Shariah compliance issued by SBP in accordance with the ruling of SBP's Shariah Board.
- The Bank has a comprehensive mechanism in place to ensure Shariah compliance in their overall operations.

- iv. The Bank has a well-defined system in place which is sound enough to ensure that any earnings realized from sources or by means prohibited by Shariah have been credited to charity account and are being properly utilized.
- v. The Bank has complied with the SBP's instructions on profit and loss distribution and pool management.
- vi. The level of awareness, capacity and sensitization of the staff, management and the BOD in appreciating the importance of Shariah compliance in the products and processes of the Bank is found to be satisfactory. However, the management should continue to take measures to further improve the level of awareness.
- vii. The Shariah Board has been provided adequate resources enabling it to discharge its duties effectively.

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

و صلى الله على نبينا محمد و بارك و سلم



Mufti Javed Ahmad
Resident Shariah Board Member



Mufti Muhammad Hussain Khaleel Khail
Member, Shariah Supervisory Board



Mufti Irshad Ahmad Aijaz
Chairman, Shariah Supervisory Board

تجاویز:

شرعیہ جائزہ پورنوں اور مختلف لوگوں کی جانب سے پیش کی گئی آراء کی روشنی میں ہم درج ذیل باتیں سمجھ کر رہتے ہیں:

(۱) چونکہ اینٹاس کے مراہمہ (Commodity Murabahah) کا معاملہ غیر منظم شعبے میں ہو رہا ہے اور اس کی انتظامی نگرانی معیاری حد تک نہیں ہو سکتی ہے لہذا بینک کو مشورہ دیا جاتا ہے کہ وہ اس کے استعمال پر غور کرے اور اس کے طریقہ کار کو مزید بہتر کرنے کی کوشش کرے اور اس حوالے سے مارکیٹ میں دیگر مواقع دیکھے۔ علاوہ ازیں چونکہ ترقی کی ضرورت اور اس کا استعمال بڑھ رہا ہے لہذا ترقی کو منظم بازاروں (Regulated Markets) کے ذریعے کرنے کے مزید مواقع کو تلاش کرنا چاہئے۔ جیسے پاکستان مرکٹس ایسوسی ایشن اور پاکستان اسٹاک ایکسچینج منظم بازار (ریگولیزڈ مارکیٹس) ہیں جن میں کئے جانے والے ترقی کے معاملات کی نگرانی اور شرعی ضوابط کا نفاذ اور تعمیل بہت بہتر ہو سکتی ہے۔ اس حوالہ سے بینک کو گودام کی رسید (Godown Receipts) کی بنیاد پر جموں اور اس جیسی دیگر مصنوعات کو بھی زیر غور لانا چاہئے۔

(۲) بینک کو یہ بھی مشورہ دیا جاتا ہے کہ مضاربہ منجمنت کہنی کو تجارت سے متعلق مصنوعات کے لئے استعمال کرنے پر غور و خوض اور تحقیق کرے۔

(۳) بینک اپنے عملے کی استعداد کار میں اضافے کے لئے خصوصاً کا عدم KASB بینک کے سابق ملازمین کے لئے خصوصی تربیتی نشستوں میں اضافہ کرے اور مزید تربیتی نشستوں کا انعقاد کرے۔ اس کے ساتھ ساتھ گاہے گاہے یاد دہانی کیلئے بینک کو تربیتی سیمینار بھی منعقد کروانے چاہئیں۔

(۴) انتظامیہ نے KASB سیکورٹیز کے معاملات کو شریعت کے مطابق تبدیل کرنے کے لئے جو تجاویز ہمیں پیش کی ہیں ان کے مطابق اس کو شریعت کے مطابق تبدیل کرنے کا کام بینک جلد از جلد مکمل کرے تاکہ مستقبل میں مزید دشواریاں پیدا ہونے سے بچا جاسکے اور اس دوران کسی بھی غیر شرعی آمدن کو بینک کی آمدن کا حصہ نہیں بنایا جائے گا۔

خلاصہ:

ہم شرعیہ جائزہ پورنوں، داخلی شرعی آڈٹ رپورٹوں اور مختلف شرعی تجویزوں کی بنیاد اور انہی بہترین معلومات کے مطابق یہ رائے دیتے ہیں کہ:

(۱) بینک مجموعی طور پر شرعیہ بورڈ کی جانب سے جاری کردہ فتاویٰ، ہدایات اور راہنمائی پر عمل پیرا رہا ہے۔

(۲) بینک اسٹیٹ بینک کی ہدایات، احکامات، راہنمائی جو شریعت کی پاسداری کے سلسلے میں اسٹیٹ بینک کے شعبہ اسلامی بینکاری کی جانب سے جاری کی گئی ہیں ان پر عمل پیرا رہا ہے۔

(۳) مجموعی طور پر بینک میں شرعی ضوابط کے نفاذ اور تعمیل کے حوالے سے ایک جامع نظام موجود ہے۔

(۴) بینک کے پاس ایک واضح نظام موجود ہے جو اس بات کی یقین دہانی کر داتا ہے کہ شریعت میں ممنوع آمدنی خیراتی کھاتے میں ڈال دی جائے اور اسے مستعین مصرف میں لگایا جائے۔

(۵) بینک نفع و نقصان کی تقسیم اور پول منجمنت کے حوالے سے اسٹیٹ بینک کی جانب سے جاری کردہ ہدایات پر عمل پیرا رہا ہے۔

(۶) شرعی ضوابط کے نفاذ اور ان کی تعمیل کے حوالے سے آگاہی، قابلیت، اور تجربہ، انتظامیہ اور بورڈ آف ڈائریکٹرز میں اطمینان کی حد تک ہے تاہم ان میں اضافے کی کوششیں جاری رہنی چاہئیں۔

(۷) شرعیہ بورڈ کو اپنا کام کرنے کے لئے مناسب وسائل فراہم کئے جاتے ہیں۔

ہم اسلامی بینکاری کے لئے اپنی ٹیک ٹرناؤں اور بہترین خواہشات کے ساتھ اس رپورٹ کا اختتام کرتے ہیں۔

وصلی اللہ علی نبینا محمد و بارک وسلم

مفتی ارشاد احمد اعجاز
سربراہ، مجلس امور شرعیہ

مفتی محمد حسین ظلیل خلیل
رکن، مجلس امور شرعیہ

مفتی جاوید احمد
مقیم رکن، مجلس امور شرعیہ

اجلاسوں میں پیش کی جاتی رہی ہیں۔

طاہرہ ازیز شریعہ کمپلائنس ڈپارٹمنٹ شریعہ آڈٹ رپورٹوں کو مجلس امور شریعہ کے اجلاسوں میں پیش کرنے کے سلسلے میں اہم روٹی آڈٹ ڈپارٹمنٹ کے ساتھ قریبی رابطہ میں رہتا ہے تاکہ ان رپورٹوں میں نشاندہی شدہ امور کی درستی کے لئے اقدامات تجویز کئے جاسکیں۔

ویبک کے معاملات میں اب وہ برہنہ جانچ کا نظام نافذ ہے۔ شرعی سواہلہ کے نفاذ اور قبیل کے جائزے یعنی شریعہ کمپلائنس رپورٹ کا کام شریعہ ڈپارٹمنٹ کے ذریعے انجام دیا جاتا ہے اور معاملات کی جانچ پڑتال یعنی شریعہ آڈٹ کا اہم کام انٹرنل آڈٹ کے ذریعے کیا جاتا ہے۔ اس نظام کو متعارف کرانے کے نتیجے میں ویبک کے مجموعی شرعی سواہلہ کے نفاذ اور قبیل (شریعیہ کمپلائنس) میں مزید بہتری آئی ہے۔

اسلامی بینکاری کی تربیت:

تربیت یافتہ عملہ کسی بھی شعبہ کی طرح اسلامی بینکاری کے شعبے کی ترقی کے لئے بھی کلیدی حیثیت رکھتا ہے۔ ہر ملازم کی اسلامی بینکاری کی تربیت کو یقینی بنانے کے لئے ایک تفصیلی تربیتی منصوبہ اس سال کے لئے بنایا گیا اور سال کے دوران اس کی تکمیل بھی کی گئی۔ چنانچہ اس دوران "اسلامی بینکاری کے بنیادی تصورات" کی 62 تربیتی نشستیں منعقد ہوئیں جس میں 2300 ملازمین نے شرکت کی۔ ان میں دو تربیتی نشستیں بھی شامل ہیں جو کا اہدم KASB ویبک کے ملازمین کے لئے منعقد کی گئیں تھیں۔ اعلیٰ درجے اور اہم نوکریوں کی مزید 16 تربیتی نشستیں بھی منعقد کی گئیں جو ویبک کی مصنوعات اور ان کی مرحلہ وار تکمیل سے متعلق تھیں جو خصوصی طور پر کارپوریٹ اور ریٹیل فنانس کے شعبوں کے لئے ترتیب دی گئیں تھیں۔

ویبک نے دیگر اداروں کو بھی اسلامی بینکاری و مالیاتی نظام سے متعلق استعداد بڑھانے والے تربیتی پروگراموں میں معاونت فراہم کی جن میں بینٹل انٹرنیٹ ٹیوٹ آف بینکنگ اینڈ فنانس (NIBAF)، سینٹر فار اسلامک انکس (CIE)، انٹرنیٹ ٹیوٹ آف کاسٹ اینڈ منجمنٹ اکیڈمی آف پاکستان (ICMAP)، اقراء یونیورسٹی (IU) اور شیڈ ذیہ اسلامک سینٹر جیسے ادارے شامل ہیں۔

ویبک کی سرمایہ کاری کا تجزیہ:

ویبک اسلامی اپنے صارفین کو مالیاتی خدمات مختلف اسلامی مالیاتی طریقوں سے دے رہا ہوتا ہے۔ مالیاتی طریقوں کے حوالے سے ویبک کی سرمایہ کاری 31 دسمبر 2015ء کی تاریخ میں مندرجہ ذیل تفصیل کے مطابق تھیں

☆ سرمایہ	45%
☆ مصنوعات	17%
☆ کاروبار فنانس	8%
☆ شرکت ترقی	17%
☆ اجارہ	7%
☆ مسلم اور دیگر	6%

خیرات:

صارفین سے واجبات کی ادائیگی میں تاخیر کی مد میں مبلغ 6.8 ملین روپے وصول ہوئے اور خیراتی کھاتے میں ڈالے گئے۔ چونکہ خیراتی فنڈ مضاربہ کی بنیاد پر چلنے والے کھاتے میں رکھا گیا تھا لہذا مبلغ 0.27 ملین روپے مضاربہ کے نفع کے طور پر خیراتی کھاتے میں مزید جمع کئے گئے۔

سال کے دوران مبلغ 9.06 ملین روپے خیراتی فنڈ میں سے خیراتی اداروں کو ادا کئے گئے۔ ان ادائیگیوں کی تفصیلات نوٹ نمبر 18.2.1 میں موجود ہیں۔
مراہمہ کے بعض معاملات شرعاً ناقابل قبول ہونے کی وجہ سے مبلغ 543,698 روپے ویبک کی آمدنی کا حصہ بنانے کی اجازت نہیں دی گئی جبکہ مبلغ 168,375 روپے ویبک کو اپنی آمدنی میں شمار کرنے کے بجائے خیراتی کھاتے میں جمع کرانے کا کہا گیا ہے۔

اس منصوبے کے شرعی پہلوؤں پر تفصیلی بحث اور ان کے تجزیے اور انضمام کی نوعیت کا جائزہ لینے ہوئے شریعہ بورڈ نے اس تبدیلی کے منصوبے کی منظوری دی۔ چنانچہ اب ہم اگر کاہدم KASB بینک کے ڈپازٹ کو دیکھیں تو تمام ڈپازٹ شرعی تبادل میں تبدیل ہو چکے ہیں اور کاہدم KASB بینک کے نفع حاصل کرنے والے لکھاتے داران اب بینک اسلامی کے ساتھ مضاربہ کے تعلق کے تحت نفع حاصل کر رہے ہیں۔

سرکاری کارپوریشنوں کی جانب دیکھیں تو KASB بینک کے پاس موجود حکومتی سودی دستاویزات و سہولیات ختم کئے جا چکے ہیں اور اکثر مالی خدمات اسلامی مالیاتی طریقوں کے مطابق تبدیل کی جا چکی ہیں۔ کمپنیوں کو فراہم کی جانے والی مالیاتی خدمات (سودی بنیادوں پر دئے گئے قرضے وغیرہ) کو اسلامی اصولوں کے مطابق تبدیل کرنا ایک مشکل مرحلہ تھا۔ شریعہ ایڈوائزرز اینڈ اسٹریٹجک ڈیپارٹمنٹ کا قلم اس حوالے سے کارپوریٹ فنانس کے شعبے کے ساتھ مل کر صارفین کے ساتھ قرضی رابطے میں رہا تا کہ ان مالیاتی خدمات کا شریعت کے اصولوں کے مطابق کوئی متبادل اسلامی حل تجویز کیا جاسکے، اس دوران جو حل تجویز کئے گئے شریعہ کمپلائنس کے شعبے نے ان کا جائزہ لینے کے بعد یتیم رکن مجلس امور شریعہ اور ٹورٹوریٹس امور شریعہ سے منظور کروایا۔ چنانچہ تبدیلی کے اس عمل کا بڑا حصہ پایہ تکمیل کو پہنچ چکا ہے اور قانونی اور عملی دشواریوں کی وجہ سے باقی رہ جانے والے حصے کو بھی مدت تک کم ترین وقت میں تبدیل کر دینے کی کوششیں ہمارے علم میں لائی گئی ہیں اور انتظامیہ نے اس سلسلے میں مزید بھرپور کوششوں کی ہمیں یقین دہانی کرائی ہے۔ چنانچہ تبدیلی کا یہ پورا عمل بینک اسلامی کے پورے عملے کے لئے ایک اچھا تجربہ اور سیکھنے کا ایک اہم ذریعہ ثابت ہوا۔

تبدیلی کے اس عمل کا ایک اہم مرحلہ کاہدم KASB بینک سے بینک اسلامی میں آنے والے عملے کی اسلامی بینکاری کی ٹریننگ تھا۔ اس ٹریننگ کے لئے شریعہ ایڈوائزرز اور کمپلائنس کے عملے نے خصوصی طور پر پورے پاکستان کے مختلف علاقوں کے سٹرکے اور اسلامی بینکاری کی بنیادی ٹریننگ فراہم کی۔ یہ کام شعبہ انسانی وسائل کے تعاون کے ساتھ مکمل ہوا۔

کاہدم KASB بینک کے انضمام کے نتیجے میں کچھ ذیلی ادارے بھی بینک اسلامی میں ضم ہو گئے ان ذیلی اداروں میں KASB سیکورٹیز قابل ذکر ہے۔ اس کو شریعت کے مطابق تبدیل کرنے کی منصوبہ بندی کی گئی ہے۔ البتہ کاروبار کی نوعیت و حجم اور درپیش قانونی تقاضے اس کام کے لئے کافی وقت کا تقاضا کرتے ہیں۔ انتظامیہ نے ہمیں اس بات کی یقین دہانی کروائی ہے کہ وہ اسے اپنی بہترین صلاحیتیں بروئے کار لاتے ہوئے کم از کم مدت میں شریعت کے مطابق تبدیل کر دے گی اور اس دورے میں بہر حال بینک KASB سیکورٹیز سے آنے والی کوئی بھی غیر شرعی آمدنی اپنی آمدنی میں شامل نہیں کرے گا۔

شریعہ بورڈ ان تمام امور کے جائزے کے بعد شریعت کے مطابق معاملات کی تبدیلی میں تمام متعلقہ افراد کی کوششوں اور کردار کو بھی سراہتا ہے۔ معاملات کی شریعت سے ہم آہنگی:

روزمرہ کے معاملات کی شریعت کے مطابق انجام دہی کو یقینی بنانے کے لئے بینک نے تفصیلی ضابطہ کار اور عملی ہدایات پر مشتمل دستاویزات تیار کر رکھی ہیں تاکہ معاملات شریعہ بورڈ کی جاری کردہ ہدایات اور اسٹینڈ بینک کے اسلامی بینکاری کے شعبہ کی جاری کردہ قواعد و ضوابط کے مطابق انجام پاتے رہیں۔ البتہ مراعات کاروبار کا فنانس (مساومہ) مسلم اور اہل سنت کے تحت ہونے والے کاروباری معاملات کا رو بار کی نوعیت کے حوالے سے چونکہ ایک دوسرے سے مختلف ہوتے ہیں لہذا ان مالیاتی طریقوں کے تحت صارف کو قبول فراہم کرنے کا طریقہ کار انفرادی طور پر طے کیا جاتا ہے اور اسے دستاویزی شکل دی جاتی ہے۔ جسے پروسس فلو کہتے ہیں۔ 2015ء کے دوران 195 پروسس فلو تیار کئے گئے جن کو صارفین نے ہاتھ دے کر کچھ کوشش کی اور قبول کیا۔ یہ پروسس فلو متعلقہ برانچ اور منظم تعلقات صارفین (Relationship Manager) کو درست انداز میں معائنہ کو تکمیل تک پہنچانے میں مدد فراہم کرتا ہے اور اس کے بعد کے مرحلے میں معاملات کا شرعی جائزہ لینے اور شریعہ آڈٹ کو مربوط انداز انجام دینے میں مدد دیتا ہے۔ پروسس فلو کی منظوری کو سال مکمل ہونے پر دوران سال اس کی شرعی ضوابط کے نفاذ اور تعمیل کو دیکھتے ہوئے اسے اگلے سال کے لئے منظور کیا جاتا ہے۔

اس بات کو جانچنے کیلئے کہ بینک کے معاملات ہماری طرف سے دی گئی ہدایات کے مطابق انجام دیئے جائیں، شریعہ کمپلائنس ڈیپارٹمنٹ بینک کی کاروباری اکائیوں، شعبہ جات اور برانچوں کا شرعی جائزہ (شریعت کمپلائنس ریویو) کرتا ہے۔ یہ شریعت کمپلائنس جائزہ رپورٹس درستی کے اقدامات کی تجویز کے لئے شریعہ بورڈ کے

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

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

مجلس امور شرعیہ کی سالانہ رپورٹ

بینک اسلامی پاکستان کے معاملات کے بارے میں مجلس امور شرعیہ کی بارہویں سالانہ رپورٹ پیش خدمت ہے۔ اس سال کی رپورٹ مجلس امور شرعیہ کی طرف سے ہے جبکہ پہلے یہ رپورٹ مشیر امور شرعیہ کی جانب سے ہوتی تھی۔ اس سال مجلس امور شرعیہ کی پانچ مجالس کا انعقاد کیا گیا جن میں شریعہ جائزہ اور آڈٹ رپورٹس، یعنی مصنوعات اور کا اعدم KASB بینک کے معاملات کی شریعت کے مطابق تبدیلی کے حوالے سے غور و خوض کیا گیا اور ان سے متعلق ہدایات جاری کی گئیں۔

الحمد لله، 2015ء بینک کے لئے ایک اچھا سال ثابت ہوا جس میں بینک کو ایک روایتی بینک کے معاملات کو شریعت کے مطابق تبدیل کرنے کا موقع ملا۔ اس کے ساتھ ساتھ بینک کے برانچ نیٹ ورک میں تقریباً 50 فیصد تک کا اضافہ بھی ہو گیا جس کے نتیجے میں عملے کی تربیت اور معاملات کی شریعت کے مطابق تبدیلی دو دو اہم کام تھے جنہیں بینک کے شعبہ امور شرعیہ نے مکمل کیا۔ اسی سال اسٹیٹ بینک کا شریعہ گورننس فریم ورک بھی نافذ العمل ہوا جس کے نتیجے میں شرعی ضوابط کا نفاذ اور تعمیل کا نظام زیادہ منظم اور بہتر ہو گیا۔ اس رپورٹ کے اگلے حصوں میں بینک کے معاملات اور مالیاتی سال کے دوران ہونے والی پیش رفت کے بارے میں معروضات پیش خدمت ہیں:

شریعت گورننس فریم ورک کا نفاذ:

یکم جولائی 2015ء سے اسٹیٹ بینک کا شریعہ گورننس فریم ورک اسلامی بینکوں پر نافذ العمل ہو چکا ہے۔ اس فریم ورک (انجام العمل) کے تحت شرعی ضوابط کے نفاذ اور تعمیل سے متعلق اسلامی بینکوں کے لئے متحدہ تہدبیاں اور نظام میں ضروری اضافے لازم کئے گئے ہیں۔ الحمد لله، بینک اسلامی ایک مکمل اسلامی بینک ہونے کے ناطے پہلے ہی بہت سی ہدایات پر عمل کر رہا ہے اور فریم ورک سے اپنے آپ کو ہم آہنگ کرنے کے لئے بینک نے مزید اقدامات بھی کئے ہیں۔ شرعی ضوابط کے نفاذ اور تعمیل کو مزید مضبوط بنانے کے لئے شرعی رہنمائی اور مشاورت کے شعبے کو شرعی ضوابط کے نفاذ اور تعمیل کے شعبے سے الگ کر دیا گیا ہے اور اب بینک اسلامی میں دو الگ الگ شعبہ جات شریعہ ایڈوائزی اور ایڈ اسٹرکچرنگ ڈپارٹمنٹ اور شریعہ کمیٹیاؤں ڈپارٹمنٹ کے نام سے کام کر رہے ہیں۔ شریعہ کمیٹیاؤں ڈپارٹمنٹ بینک میں مجموعی طور پر شرعی ضوابط کے نفاذ اور تعمیل کو یقینی بنانے کے لئے اقدامات کرتا ہے جبکہ شریعہ ایڈوائزی اور ایڈ اسٹرکچرنگ ڈپارٹمنٹ نئی مصنوعات بنانے کے لئے شرعی مشاورت کے ساتھ ساتھ اندرونی شعبوں اور صارفین کو بھی شرعی مشاورتی خدمات فراہم کرتا ہے۔ علاوہ ازیں شریعہ گورننس فریم ورک کے تحت بیرونی آڈٹ کے دائرہ کار کو وسیع کر دیا گیا ہے جس میں شرعی ضوابط کے ساتھ بینک کے معاملات کی ہم آہنگی کی آزاد اور با مقصد جانچ پڑتال شامل ہے۔

ان تمام اقدامات کے نتیجے میں توقع کی جاتی ہے کہ بینک میں شرعی ضوابط کے نفاذ اور تعمیل کا ماحول مضبوط ہوگا اور بینک کے معاملات مزید قابل اعتماد ہوں گے۔

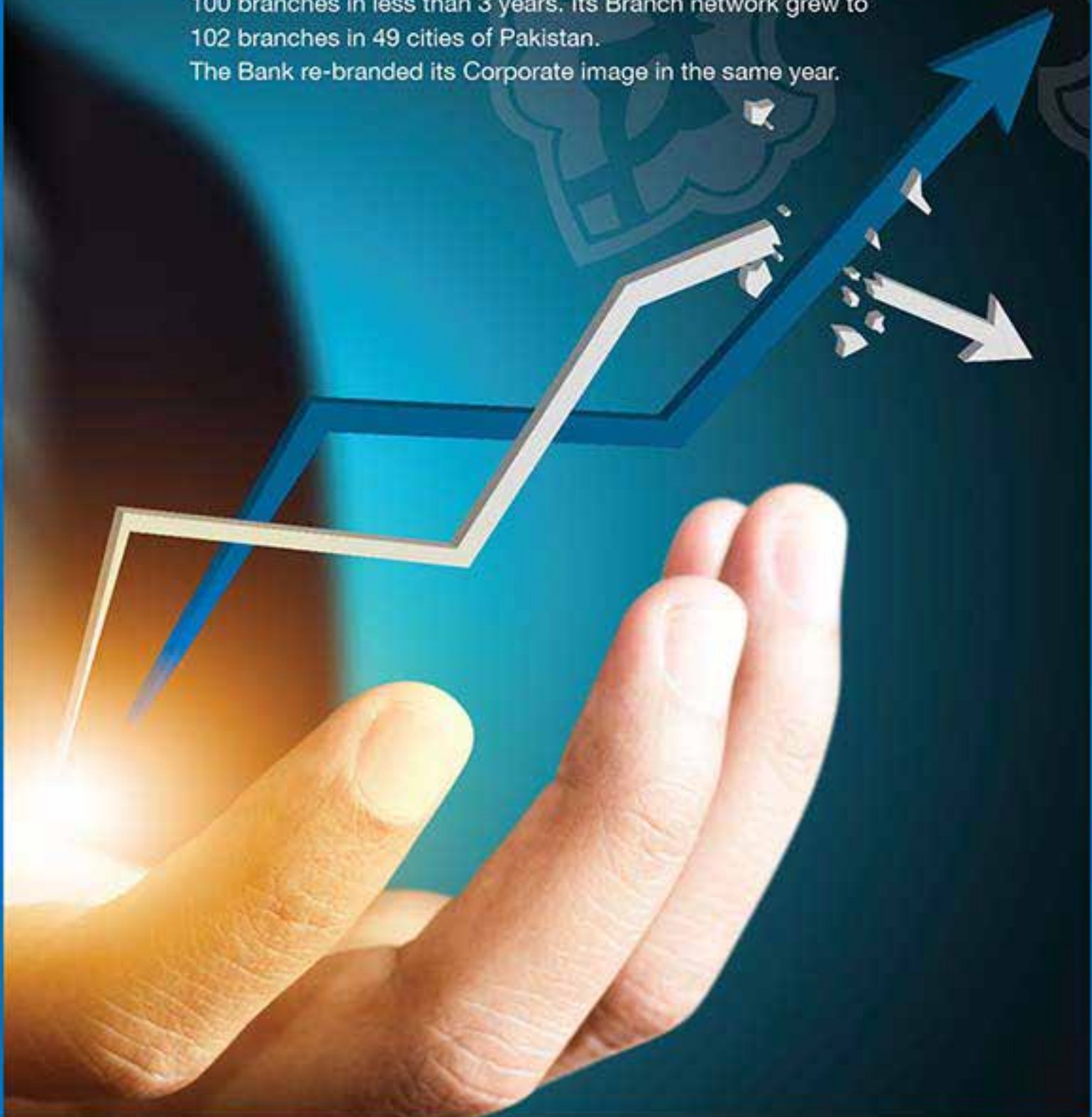
کا اعدم KASB بینک کا بینک اسلامی کے ساتھ انضمام:

اس سال کی ایک قابل ذکر پیش رفت کا اعدم KASB بینک کا بینک اسلامی کے ساتھ انضمام تھا۔ کا اعدم KASB بینک ایک روایتی بینک تھا جس کی سرگرمیاں اسٹیٹ بینک کی طرف سے معطل کر دی گئی تھیں۔ ایک کا اعدم روایتی بینک کو گھرانہ ادارے کی طرف سے اسلامی بینک میں مدغم کر دینا اور اس کے معاملات کو تبدیل کر کے شریعت کے مطابق کرنا شاید اپنی نوعیت کا پہلا واقعہ تھا۔ اس انضمام کے بعد بینک اسلامی کے سامنے سب سے بڑا چیلنجر اور مرحلہ کا اعدم KASB بینک کے تمام مالیاتی معاملات کو شریعت کے مطابق تبدیل کرنا تھا۔ کا اعدم KASB بینک کے اثاثوں اور ذمہ داریوں کو شریعت کے مطابق تبدیل کرنے کے لئے ایک جامع منصوبہ بنایا گیا اور اس منصوبے میں کا اعدم KASB بینک کی سرمایہ کاریوں کا شرعی نقطہ نظر سے تفصیلی جائزہ لیا گیا اور ان کے شریعت سے ہم آہنگ نمائندگی تجویز کیے گئے اور

2008 Year of Growth & Rebranding

BankIslami created history by becoming the first bank to open 100 branches in less than 3 years. Its Branch network grew to 102 branches in 49 cities of Pakistan.

The Bank re-branded its Corporate image in the same year.



بِنك اِسْلَامِي



BankIslami



MoneyGram.
money transfer



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 317* branches in 93 cities
- Money transfer from **MoneyGram.** outlets in over 200 countries
- Bank account not required for receiving **MoneyGram.** payment from any BankIslami branch

*including sub-branches

Serving you, the Right way



BankIslami Pakistan

www.bankislami.com.pk

24/7 Home Banking
111-ISLAMI (111-475264)

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 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 2015, BankIslami received a total of Rs.6.8 Mn as Charity from its customers. Disbursements during the year from the charity fund amounted to Rs. 9.06 Mn. 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:

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

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.

Shaukat Khanum Memorial Hospital



Shaukat Khanum Memorial Cancer Hospital and Research Centre (SKMCH&RC) is a state-of-the-art cancer centre located in Lahore, Pakistan. It is a project of the Shaukat Khanum Memorial Trust, which is a charitable organization established under the Societies Registration Act XXI of 1860 of Pakistan.

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.

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 2015, TCF has established 1,202 purpose-built school units with an enrollment of 175,000 students.

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



Nigahban Welfare Association is a not-for-profit organization established in 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 is doing following specialized abdominal related tests and treatments free of cost in Surgical Unit IV in Civil Hospital for poor and needy patients: The NGO is run by Dr. Saeed Quraishy- MS, Civil Hospital Karachi, and Dr. Saad K. Niaz- Chairman Department of Surgery, Dow University of Health Sciences.

Sindh Institute of Urology and Transplantation (SIUT)



SIUT provides free medical treatment for kidney and liver diseases and cancers. Their patients are predominantly from the rural and poorer urban strata with virtually no access to medical facilities. They are financially incapable of affording modern diagnostic, treatment and transplant facilities which are very costly in the private sector.

Centre for Development of Social Service (A project of INFAQ Foundation)



The Centre for Development of Social services (CDSS) was established in 2001 for creating a township of social services for families belonging to low income groups. CDSS is registered under the Societies Act of 1980 as a recognized organization by the Pakistan Centre for Philanthropy, Islamabad.

Korangi Academy, INFAQ Education & Training Centre, INFAQ Community Healthcare Centre, Craft Training & Adult Literacy Centre, SOS Technical Institute are the components of CDSS.

KOOHI Goth Hospital



Koohi Goth Hospital is a 200 bed Not-for-profit General Hospital situated in Deh Landi Karachi. Most of their patients are under-privileged who are provided free treatment, medicine and food. The hospital is run from donations of philanthropic people and organization.

Marie Adelaide Leprosy Centre



Marie Adelaide Leprosy Centre is a non-profit, organization working towards Leprosy Elimination, TB Treatment, Blindness Control and CBR in the country for the last 59 years. All services to patients and communities are free of charge.

Auditors' Report to the Members

We have audited the annexed statement of financial position of BankIslami Pakistan Limited (the Bank) as at December 31, 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the un-audited certified returns from the branches except for twenty 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. These financial statements incorporate the balances as at May 7, 2015 of the defunct KASB Bank Limited (amalgamated with and into the bank with effect from the close of business on May 7, 2015) which have been audited by another firm of Chartered Accountants, whose report has been furnished to us and our opinion in so far as it relates to the amounts included for the defunct KASB Bank Limited is based solely on the report of such other auditors.

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, 2015, and its true balance of loss, its comprehensive loss, its cash flows and changes in equity for the year then ended; and

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

Affken-guam 3/60.

Chartered Accountants
Audit Engagement Partner: **Syed Fahim ul Hasan**
Dated: June 06, 2016
Karachi

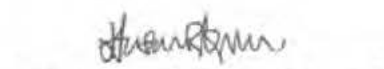
Statement of Financial Position

AS AT DECEMBER 31, 2015

	Note	2015	2014
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks	7	9,035,886	6,361,444
Balances with other banks	8	1,780,710	733,523
Due from financial institutions - net	9	39,824,221	18,143,574
Investments - net	10	35,885,958	30,654,552
Islamic financing and related assets and Advances (net)	11	69,576,275	41,097,058
Operating fixed assets	12	5,633,219	3,380,168
Deferred tax assets	17	6,007,660	-
Other assets - net	13	6,385,963	1,613,830
		174,129,892	101,984,149
LIABILITIES			
Bills payable	14	1,523,933	918,435
Due to financial institutions	15	3,197,770	561,000
Deposits and other accounts	16	153,058,102	90,330,997
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities	17	-	199,683
Other liabilities	18	5,163,817	3,106,814
		162,943,622	95,116,929
NET ASSETS			
		11,186,270	6,867,220
REPRESENTED BY			
Share capital	19	10,079,121	5,758,721
Discount on issue of shares		(79,042)	(79,042)
Reserves	20	351,723	540,122
		10,351,802	6,219,801
Surplus on revaluation of assets - net of tax	21	834,468	647,419
		11,186,270	6,867,220
CONTINGENCIES AND COMMITMENTS			
	22		

The annexed notes 1 to 45 and Annexures I and II form an integral part of these financial statements.


CHAIRMAN


PRESIDENT / CHIEF EXECUTIVE


DIRECTOR


DIRECTOR

Profit and Loss Account

FOR THE YEAR ENDED DECEMBER 31, 2015

	Note	2015 Rupees in '000	2014
Profit / return earned	23	8,834,160	7,812,302
Profit / return expensed	24	5,118,822	4,459,070
Net spread earned		3,715,338	3,353,232
Reversal of provision against non-performing Islamic financing and related assets and advances - net	11.16.2	(639,523)	(22,255)
Provision for diminution in the value of investments and placements - net	9 & 10.10	8,774	39,207
Bad debts written off directly		25	455
		(630,724)	17,407
Net spread after provisions		4,346,062	3,335,825
OTHER INCOME			
Fee, commission and brokerage income		408,018	387,333
Dividend Income		2,835	-
Income from dealing in foreign currencies		82,403	172,356
Gain on sale of securities	25	12,003	32,173
Unrealised gain on revaluation of investments classified as held for trading		-	-
Other income	26	64,769	40,074
Total other income		570,028	631,936
		4,916,090	3,967,76
OTHER EXPENSES			
Administrative expenses	27	5,037,198	3,462,351
Other provisions / write-offs		149,145	23,036
Other charges	28	2,134	12,652
Total other expenses		5,188,477	3,498,039
		(272,387)	469,722
Extraordinary / unusual items		-	-
(LOSS) / PROFIT BEFORE TAXATION		(272,387)	469,722
Taxation			
- Current	29	99,299	84,442
- Prior year	29	21,437	-
- Deferred	29	(197,119)	71,630
		(76,383)	156,072
(LOSS) / PROFIT AFTER TAXATION		(196,004)	313,650
Rupees			
Basic (loss) / earnings per share	31	(0.2437)	0.5777
Diluted (loss) / earnings per share	31	(0.2437)	0.5777

The annexed notes 1 to 45 and Annexures I and II form an integral part of these financial statements.


CHAIRMAN


PRESIDENT / CHIEF EXECUTIVE


DIRECTOR


DIRECTOR

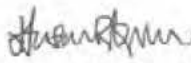
Statement of Comprehensive Income

FOR THE YEAR ENDED DECEMBER 31, 2015

	Note	2015 Rupees in '000	2014
(Loss) / profit after taxation for the year		(196,004)	313,650
Other Comprehensive Income			
Items that may not be reclassified to profit and loss account in subsequent periods			
Remeasurement of defined benefit plan	34.5	(7,764)	(25,159)
Tax on remeasurement of defined benefit plan		2,717	8,806
		(5,047)	(16,353)
Comprehensive loss transferred to statement of changes in equity		(201,051)	297,297
Components of comprehensive income not reflected in equity			
Surplus / (deficit) on revaluation of available for sale investments - net of tax		73,314	(200,193)
Total comprehensive (loss) / income for the year		(127,737)	97,104

The annexed notes 1 to 45 and Annexures I and II form an integral part of these financial statements.


CHAIRMAN


PRESIDENT / CHIEF EXECUTIVE


DIRECTOR


DIRECTOR

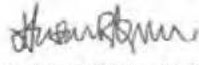
Cash Flow Statement

FOR THE YEAR ENDED DECEMBER 31, 2015

	Note	2015 Rupees in '000	2014
CASH FLOW FROM OPERATING ACTIVITIES			
(Loss) / profit before taxation		(272,387)	469,722
Less: Dividend Income		(19,473)	-
		(291,860)	469,722
Adjustments for non-cash charges and other items:			
Depreciation on owned assets	27	506,960	329,684
Amortisation	27	30,196	15,104
Depreciation on operating Ijarah assets		837,018	657,354
Reversal of provision against non-performing Islamic financing and related assets - net	11.16.2	(639,523)	(22,255)
Provision for diminution in the value of investments and placements		8,774	39,207
Other provisions / write-offs		149,145	23,036
Charge for defined benefit plan	27	49,959	32,824
Gain on sale of property and equipment	26	(3,604)	(4,642)
		938,925	1,070,312
		647,065	1,540,034
(Increase) / decrease in operating assets			
Due from financial institutions		(21,679,578)	(11,632,401)
Islamic financing and related assets		(18,246,981)	(3,423,424)
Others assets (excluding advance taxation and defined benefit assets)		86,221	(15,164)
		(39,840,338)	(15,070,989)
Increase / (decrease) in operating liabilities			
Bills payable		441,578	82,873
Due to financial institutions		5,276,100	(1,977,000)
Deposits and other accounts		5,388,841	15,105,128
Other liabilities (excluding current taxation)		90,120	1,268,441
		11,196,639	14,479,442
		(27,996,634)	948,487
Payments against defined benefit plan	34	(72,654)	(42,787)
Income tax paid		(102,818)	(96,245)
Net cash (used in) / generated from operating activities		(28,172,106)	809,455
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		23,536,813	608,535
Dividend received		19,473	-
Investments in operating fixed assets		(547,648)	(578,945)
Net cash inflow on acquisition		4,560,601	-
Proceeds from disposal of operating fixed assets		4,096	4,887
Net cash generated from investing activities		27,573,335	34,477
CASH FLOW FROM FINANCING ACTIVITIES			
Issue of right shares		4,320,400	400,000
Net cash generated from financing activities		4,320,400	400,000
Increase in cash and cash equivalents		3,721,629	1,243,932
Cash and cash equivalents at the beginning of the year	32	7,094,967	5,851,035
Cash and cash equivalents at the end of the year	32	10,816,596	7,094,967

The annexed notes 1 to 45 and Annexures I and II 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, 2015

	Share Capital shares	Discount on issue of Contingencies	Reserve for bad debts & (a)	"Statutory reserve	Unappropriated profit / (Accumulated loss)	Total
	Rupees in '000					
Balance as at January 1, 2014	5,279,679	-	-	210,446	24,829	5,514,954
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 to statutory reserve	-	-	-	62,730	(62,730)	-
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
Transfer to reserve for bad debts and contingencies	-	-	250,000	-	(250,000)	-
Issue of right shares at par	4,320,400	-	-	-	-	4,320,400
Loss after taxation for the year transferred from Statement of Comprehensive Income	-	-	-	-	(196,004)	(196,004)
Transfer to statutory reserve	-	-	-	-	-	-
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	12,652	12,652
Remeasurements of the net defined benefit liability / asset - net of tax	-	-	-	-	(5,047)	(5,047)
Balance as at December 31, 2015	<u>10,079,121</u>	<u>(79,042)</u>	<u>250,000</u>	<u>273,176</u>	<u>(171,453)</u>	<u>10,351,802</u>

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

As explained in note 11.16.3.2 to these financial statements, Rs. 155,052 million as at December 31, 2015 (December 31, 2014: Rs. 205,584 million) representing additional profit (net of tax) 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 45 and Annexures I and II form an integral part of these financial statements.


CHAIRMAN


PRESIDENT / CHIEF EXECUTIVE


DIRECTOR

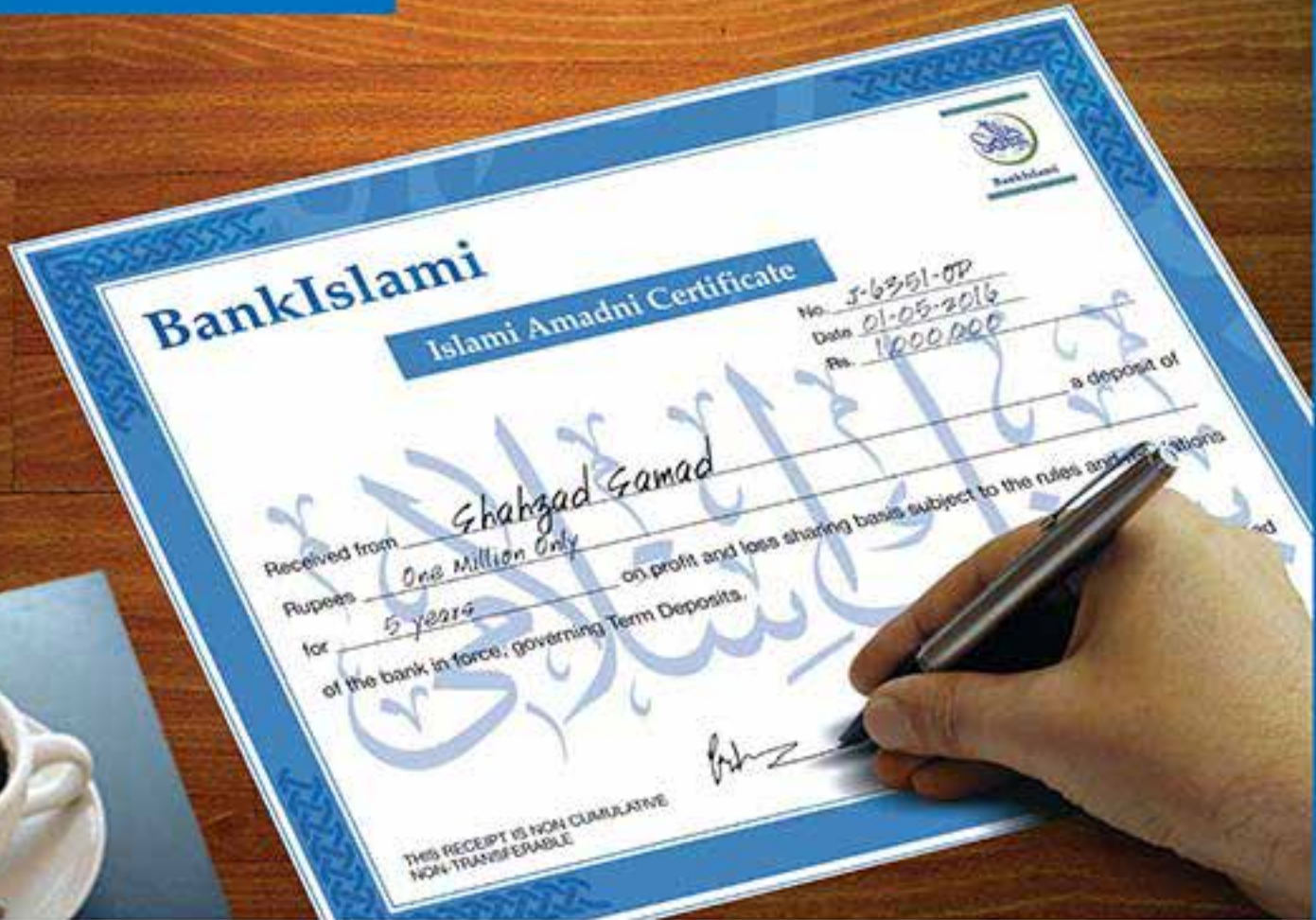

DIRECTOR



2009 Year of Consolidation

BankIslami's Customer base crossed 100,000 customers (An incremental growth of 39%). Deposits also showed a phenomenal increase of 32%.

Islami Amadni Certificate



Save Savings, Halal Profit

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 317* branches in 93 cities
- Internet Banking Facility
- Tenure of investment from 1 month to 5 years
- No penalty on premature encashment of investment

*including sub-branches

Serving you, the Right way



Notes to and Forming Part of the Financial Statements

For the Year Ended December 31, 2015

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 (SBP) 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 317 branches including 124 sub branches as at December 31, 2015 (2014: 213 branches including 90 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 Pakistan Stock Exchange Limited (Karachi Stock Exchange).

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 As mentioned in note 4 below, during the current year KASB Undertakings have been acquired and amalgamated with the Bank under a scheme sanctioned under section 47 of the Banking Companies Ordinance, 1962.

2 BASIS OF PRESENTATION

- 2.1 The Bank provides financing mainly through Murabahah, Ijarah, Istisna, Diminishing Musharakah, Muswammah and other Islamic modes as briefly explained in note 6.3 to these financial statements

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 Board of the Bank.

- 2.2 These financial statements are the separate financial statements of the Bank in which investments in subsidiaries are carried at cost less accumulated impairment losses, if any, and are not consolidated. The consolidated financial statements of the Group are being issued separately.

3 STATEMENT OF COMPLIANCE

- 3.1 These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan, as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, and the directives issued by the SECP and the SBP. Wherever the requirements of the provisions and directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, the IFAS notified under the Companies Ordinances, 1984 and the directives issued by the SECP and the SBP differ from the requirements of IFRS, the provisions of and the directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, IFAS notified under the Companies Ordinance, 1984 and the directives issued by the SECP and the SBP shall prevail.
- 3.2 The SBP through its BSD Circular No. 10 dated August 26, 2002, has deferred the implementation of International Accounting Standard (IAS) 39 - "Financial Instruments: Recognition and Measurement" and IAS 40 - "Investment Property" for Banking Companies in Pakistan, till further instructions. Accordingly, the requirements of these Standards have not been considered in the preparation of these financial statements. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7 "Financial Instruments: Disclosures" through its S.R.O. 411(I)/2008 dated April 28, 2008. Accordingly, the requirements of this standard have also not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.
- 3.3 IFRS 8 "Operating Segments" 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 is required 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 The SBP vide its BPRD Circular No. 04 dated February 25, 2015 has clarified that the reporting requirements of IFAS-3 for Islamic Banking Institutions (IBIs) relating to annual, half yearly and quarterly financial statements would be notified by SBP through issuance of specific instructions and uniform disclosure formats in consultation with IBIs. These reporting requirements have not been ratified to date. Accordingly, the disclosures requirements under IFAS 3 have not been considered in these financial statements.

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

3.6.1 IFRS 13, 'Fair value measurement', was made applicable from periods beginning on or after January 1, 2015 vide SECP circular 633(I)/2014 which resulted in additional disclosure as given in note 37 to these financial statements.

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 do not have any significant effect on the Bank's operations and are therefore not detailed in these financial statements.

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

3.7.1 The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 1, 2016:

	Effective date (accounting periods beginning on or after)
- IFRS 15, 'Revenue from contracts'	1-Jan-18
- IFRS 14, 'Regulatory Deferral Accounts'	1-Jan-16
-IAS 1 - Presentation of Financial Statements - Disclosure Initiative (Amendment)	1-Jan-16
- IAS 16 'Property, Plant & Equipment' & IAS 38 'Intangible Assets' - Classification of acceptable method of Depreciation and Amortization (Amendment)	1-Jan-16
- Annual improvements 2014; IFRS 5, 'Non-current assets held for sale and discontinued operations' , IFRS 7 'Financial Instruments: disclosures' & IAS 19 ' Employee Benefits'	1-Jan-16

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, 2016 but are considered not to be relevant or will not have any significant effect on the Bank's operations and are therefore not detailed in these financial statements.

3.7.2 Early adoption of standards

The Bank has not early adopted any new or amended standard in 2015.

4 BUSINESS COMBINATION

4.1 Acquisition of KASB Bank Limited

During the current year, under the 'Scheme of Amalgamation of KASB Bank Limited with and into BankIslami Pakistan Limited under Section 47 of the Banking Companies Ordinance, 1962', hereinafter referred to as 'The Scheme', KASB Bank Undertakings have been acquired and amalgamated with the Bank. The Scheme is effective from May 7, 2015.

KASB Bank Undertakings as per the Scheme means the business and all assets and liabilities, of the then KASB Bank Limited of whatsoever nature and wherever situated.

The aforementioned scheme was prepared by the State Bank of Pakistan (SBP) and placed before the Federal Government of Pakistan for its approval. The Federal Government of Pakistan in terms of the powers conferred to it under section 47 of the Banking Companies Ordinance, 1962 sanctioned the scheme of amalgamation of KASB Bank Undertakings with and into BankIslami Pakistan Limited on May 7, 2015 with immediate effect.

As required under International Financial Reporting Standard 3, (IFRS 3) 'Business Combination', the balances of KASB Bank undertakings have been incorporated at their provisional fair values as determined by an independent firm KPMG Taseer Hadi & Co, Chartered Accountants. Their valuation is being carried out using the balances as appearing in the financial statements of KASB Bank Limited as at May 7, 2015 duly audited by Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants. The reconciliation between audited balances and the provisional fair values is given in note 4.3 below.

Subsequent to the above amalgamation, the operations of the defunct KASB Bank Limited have been amalgamated and vested into the Bank with effect from May 7, 2015. Consequently, the entire undertaking of the KASB Bank Limited including all the properties, assets and liabilities and the rights and obligations as defined in the aforesaid scheme stand amalgamated with and vested into the Bank as at May 7, 2015. Accordingly, the assets and liabilities included in the statement of financial position also include balances of the defunct KASB Bank Limited.

The KASB Bank Limited at the time of acquisition by the Bank had the following three subsidiaries (both direct and indirect) which by virtue of amalgamation have now become subsidiaries of the Bank:

	Name of Entity	Percentage of holding	Nature of relationship
1	My Solutions Corporation Limited	100.00%	Direct
2	KASB Securities Limited	77.12%	Direct
3	Structured Ventures (Private) Limited	77.12%	Indirect

The Bank is in the process of converting the conventional portfolio of the defunct KASB undertaking into Shariah compliant products and intends to complete it within a reasonable period of time. The acquisition of the KASB undertaking will assist the Bank in promoting the shariah compliant banking to the customers of the defunct conventional bank by targeting a diversified customer base (constituting a mix of high profile corporate and retail customer base). The acquisition is expected to bring in synergies resulting in overall growth of the Bank.

- 4.2 International Financial Reporting Standard 3, (IFRS 3) "Business Combinations", requires that all identified assets and liabilities acquired in a business combination should be carried at fair values in the acquirer's balance sheet and any intangible assets acquired in the business combination are required to be separately recognised and carried at fair values.

The acquisition has been accounted for by applying the purchase method in accordance with the requirements of IFRS 3 (revised) 'Business Combinations'. IFRS 3 allows the acquirer a maximum period of one year from the date of acquisition to finalise the accounting for business combination. Identified assets acquired, liabilities assumed or incurred have been carried at the fair value as at the acquisition date. The fair valuation exercise is substantially complete and will be finalised within the period of one year as allowed under IFRS 3. Any adjustment arising at the time of finalisation of this exercise will be incorporated with retrospective effect from the date of acquisition.

The fair valuation exercise is being carried out by M/s KPMG Taseer Hadi & Co. Chartered Accountants (an independent professional consultant) engaged by the Bank for this purpose. Details of the provisional fair values of the assets acquired, liabilities assumed and purchase consideration and the resultant goodwill recognised are as follows:

	Note	May 7, 2015 Rupees in '000
Fair value of assets acquired (provisional)		54,046,081
Fair value of liabilities assumed (provisional)		(59,789,327)
Net liabilities assumed - based on provisional values		(5,743,246)
Purchase Consideration:		
Cash payable		(1)
Fair value benefit of financing from SBP	4.2.1	2,952,536
		2,952,535
Excess of purchase consideration over net assets		(2,790,711)

- 4.2.1 This represents the fair value benefit of the subsidised financing which was to be received as on May 7, 2015 by the Bank from the State Bank of Pakistan for the liquidity support (refer note 15.1.2) The amount of financing was received subsequent to May 7, 2015.

- 4.3 The provisional fair values and carrying amounts of identifiable assets (including intangible assets) and liabilities of the defunct KASB Bank Limited at the date of acquisition are as follows:

Note	Acquiree's carrying amounts as at May 7, 2015 (based on audited financial statements)	Fair value adjustments / intangible recognised (as per Consultant's report)	Fair values as at May 7, 2015 (as per Consultant's report)
Rupees in '000			
ASSETS			
	Cash and balances with treasury banks	3,703,800	3,703,800
	Balances with other banks	856,801	856,801
	Investments	29,283,116	28,665,255
	Advances	10,429,731	11,098,985
	Operating fixed assets	2,157,083	2,157,083
	Intangible recognised on acquisition	-	40,600
4.3.1	Deferred tax assets - net	6,142,789	6,111,811
	Other assets - net	1,415,231	1,411,746
		53,988,551	54,046,081
LIABILITIES			
	Bills payable	163,920	163,920
	Borrowings	313,206	313,206
	Deposits and other accounts	57,338,264	57,338,264
	Other liabilities	1,973,937	1,973,937
		59,789,327	59,789,327
	Fair Value of Net assets acquired	(5,800,776)	(5,743,246)

In addition, the financial statements of the defunct KASB Bank Limited as at May 7, 2015 duly audited by Ernst & Young Ford Rhodes Sidat Hyder include a sum of Rs. 981,410,000 representing advance against issue of right shares which has been treated and disclosed as a part of equity. This amount does not form part of the KASB Undertakings acquired and amalgamated with the Bank as per the Scheme. A case has been filed in respect of this matter, details of which are disclosed in note 22.5 to these financial statements.

4.3.1 Intangible recognised on acquisition

Consequent to the amalgamation of the defunct KASB Bank Limited with and into the Bank, the Bank has recognised the following intangible asset as at the acquisition date of May 7, 2015:

	May 7, 2015 Rupees in '000
Core deposit intangible	<u>40,600</u>

This intangible asset relates to core deposits of the defunct KASB Bank Limited and represents the funding benefit that would be available to the Bank on account of availability of funding through deposit customers rather than from the wholesale or inter-bank markets. This benefit also considers the fact that the economic lifetime of these deposits is longer than their contractual life. Based on this assumption, this intangible asset has been valued using certain valuation techniques and is being amortised keeping in view the life expectancy of the core deposits.

The fair value of this identifiable intangible asset has been determined using an income approach, by an independent valuer. The income approach begins with an estimation of the annual cash flows, which a market participant acquirer would expect the asset to generate over a discrete projection period. The estimated cash flows for each of the years in the discrete projection period are then converted to their present value equivalent using a rate of return appropriate for the risk of achieving the asset's projected cash flows. The present value of the estimated cash flows are then added to the present value equivalent of the residual value of the asset (if any) at the end of the discrete projection period to arrive at an estimate of the fair value of the specific asset.

In applying the income approach, the Bank used the Multiple-period Excess Earnings Method ("MEEM") to determine the value of the above intangible. Under this method the value of a specific intangible asset is estimated from the residual earnings after fair returns on all other assets employed (including other intangible assets) have been deducted from the asset's after-tax operating earnings.

The valuations are based on information at the time of acquisition and the expectations and assumptions that have been deemed reasonable by the Bank's management. It has been assumed that the underlying assumptions or events associated with such assets will occur as projected.

- 4.4 The fair value of the gross contractual receivables representing advances and lendings as at the acquisition date amounts to Rs. 11,099 million. Gross contractual amounts for the aforementioned receivables due is Rs. 24,959 million. The management believes that out of the total gross contractual receivables, a gross contractual amount of Rs. 13,858 million is expected to be uncollectable. The uncollectable amounts of receivables and impairment of investments arising on account of fair valuation exercise have been disclosed as "Provisions transferred from amalgamated entity" in the respective notes.
- 4.5 The figures pertaining to post combination revenue and profit or loss pertaining to the operations of the defunct KASB Bank Limited have not been given as the same is considered impracticable mainly on account of the fact that the majority of the portfolio has been converted to Shariah complaint products and made part of the acquiree entity. The annualised profit and loss account of the combined entity cannot be presented as the financial results of the acquired entity are not available for the relevant cut-off period.

5 BASIS OF MEASUREMENT

5.1 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 6.6 and 34 to the financial statements have been carried at present values as determined under the International Accounting Standards (IAS) 19 (revised) 'Employee Benefits' .

5.2 Functional and Presentation Currency

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

5.3 Rounding off

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

5.4 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 6.2 and 10).
- (b) Fair values of assets acquired and liabilities assumed in a business combination (note 4).
- (c) Provision for non-performing Islamic financing and related assets (notes 6.3 and 11.16).
- (d) Determination of forced sales value of underlying securities of non performing Islamic financing and related assets (note 11.16.3.2).
- (e) Impairment of investments in equity instruments of subsidiary, associates and non associate entities (notes 6.2.5 and 10).
- (f) Staff retirement benefits (notes 6.6 and 34).
- (g) Depreciation and amortization methods of operating fixed assets (notes 6.4 and 12).
- (h) Assumption and estimation in recognition of provision for taxation (current and prior years) and deferred taxation (notes 6.5, 17 and 29).

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

6 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.

6.1 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.

6.2 Investments

6.2.1 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.

6.2.2 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.

6.2.3 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.

6.2.4 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 realised upon disposal.

Unquoted equity securities are valued at the lower of cost (which in the case of business acquisition would be the fair value at the acquisition date) 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.

6.2.5 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.

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

6.3 Islamic financing and related assets

6.3.1 Islamic financing and related assets are financial products originated by the Bank and principally comprise of 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 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 Murabahah 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 Murabahah 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. 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 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.

6.3.2 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.

6.3.3 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.

6.4 Operating fixed assets and depreciation

6.4.1 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 12.2 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.

6.4.2 Capital work in progress

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

6.4.3 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.

6.4.4 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.

6.5 Taxation

6.5.1 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.

6.5.2 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.

6.6 Staff retirement benefits

6.6.1 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, 2015.

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.

6.6.2 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.

6.7 Revenue recognition

6.7.1 Profit on Murabahah and Commodity Murabahah is recognised over the life of Murabahah on an 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.

6.7.2 Profit from Istisna is recorded on an 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.

6.7.3 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).

Rental 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.

6.7.4 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.

6.7.5 Profit on classified financing is recognised on a receipt basis.

6.7.6 Dividend income is recognised when the right to receive the dividend is established.

6.7.7 Gains and losses on sale of investments are recognised in the profit and loss account.

6.7.8 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.

6.7.9 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.

6.8 Financial Instruments

6.8.1 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.

6.8.2 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 reported on a net basis in the financial statements, only when permitted by the approved accounting standards as applicable in Pakistan.

6.8.3 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.

6.9 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.

6.10 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.

6.11 Fiduciary assets

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

6.12 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.

6.13 Business Combination

Business combinations are accounted for by applying the acquisition method. The cost of acquisition is measured as the fair value of assets given, equity instruments issued and the liabilities incurred or assumed at the date of acquisition. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement, if any. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred over the fair value of the Bank's share of identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets acquired in the case of a bargain purchase, the difference is recognised directly in the profit and loss account.

Goodwill acquired in a business combination is measured, subsequent to initial recognition, at its cost less accumulated impairment losses, if any. However, the State Bank of Pakistan vide its letter no BPRD(R&P-02)/625-112/2-16/13918 dated June 2, 2016 has allowed the Bank to carry goodwill at December 31, 2015 without testing for impairment.

Acquisition of non-controlling interests (NCI) is measured at the proportionate share of the NCI in the fair value of the net assets acquired by the Bank. The excess of fair value of consideration transferred over the proportionate share of the NCI in the fair value of the net assets acquired is recognised in equity.

6.14 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.

6.14.1 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.

6.14.2 Geographical segment

The Bank has 317 branches including 124 sub branches (2014: 213 branches including 90 sub branches) and operates only in Pakistan.

6.15 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.

6.16 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.

7 CASH AND BALANCES WITH TREASURY BANKS

		2015	2014
		— Rupees in '000 —	
	Note		
In hand			
- local currency		2,304,599	1,658,420
- foreign currency		347,816	254,139
		<u>2,652,415</u>	<u>1,912,559</u>
With the State Bank of Pakistan in			
- local currency current account	7.1	4,615,510	3,262,935
- foreign currency deposit accounts			
Cash Reserve Account	7.2	141,716	90,937
Special Cash Reserve Account	7.3	228,335	110,029
US Dollar Clearing Account		48,066	29,915
		<u>418,117</u>	<u>230,881</u>
With National Bank of Pakistan in			
- local currency current account		1,349,844	955,069
		<u>9,035,886</u>	<u>6,361,444</u>

7.1 This represents Rs. 4,615.510 million (2014: 3,262.935 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.

7.2 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).

7.3 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.

		2015	2014
		— Rupees in '000 —	
8 BALANCES WITH OTHER BANKS			
In Pakistan			
- on current accounts		4,544	8,198
- on deposit accounts	8.1	93	88
		<u>4,637</u>	<u>8,286</u>
Outside Pakistan			
- on current accounts		1,776,073	725,237
- on deposit accounts		-	-
		<u>1,776,073</u>	<u>725,237</u>
		<u>1,780,710</u>	<u>733,523</u>

8.1 These represent deposits with various Islamic commercial banks under Musharakah and Mudarabah arrangements. The expected profit rate on these arrangements is 3.5% (2014: 6%) per annum.

2010 Conquered New Frontiers

This year, BankIslami signed a deal for acquisition of CitiBank House Financing portfolio. Deployment of iMal across all its branches was also successfully executed.



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9	DUE FROM FINANCIAL INSTITUTIONS	Note	2015	2014
			----- Rupees in '000 -----	
	Sukuk Murabahah	9.1	5,349	6,418
	Commodity Murabahah - local currency	9.2	39,824,221	7,389,208
			<u>39,829,570</u>	<u>7,395,626</u>
	Bai Muajjal		-	10,754,366
	Other placements		32,400	-
			<u>39,861,970</u>	<u>18,149,992</u>
	Provision against Sukuk Murabahah	9.1	(5,349)	(6,418)
	Provision against placements - transferred from the amalgamated entity		(32,400)	-
			<u>39,824,221</u>	<u>18,143,574</u>

9.1 In prior years, the Bank entered into Sukuk Murabahah 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 Murabahah basis. The maturity date of the deal was February 08, 2009. The Bank has recovered an amount of Rs. 1.069 million during the current year. The Bank is making efforts to recover the outstanding balance and has made a provision against the outstanding amount.

9.2 The Bank has entered into Commodity Murabahah 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 6.02% to 6.70% (2014: 9.50% to 10.00%) per annum and the agreements have maturities ranging from 4 days to 185 days (2014: 2 days to 182 days).

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

	2015	2014
	----- Rupees in '000 -----	
- In local currency	39,861,970	18,149,992
- In foreign currency	-	-
	<u>39,861,970</u>	<u>18,149,992</u>

10 INVESTMENTS

	Note	2015 ----- Rupees in '000 -----	2014
Investments - Islamic	10.1	34,126,388	30,654,552
Investments - Conventional (relating to defunct KASB Bank Limited)	10.2	1,759,570	-
		35,885,958	30,654,552

10.1 Investments by types

Note	-----2015-----			-----2014-----			
	Held by the Bank	Given as collateral	Total	Held by the Bank	Given as collateral	Total	
	(Rupees in '000)						
Available for sale securities							
Sukuk / Certificates	10.4	10,805,042	-	10,805,042	30,641,032	-	30,641,032
Units of Open-end mutual fund	10.6	21	-	21	21	-	21
Ordinary Shares of listed companies	10.4	242,645	-	242,645	-	-	-
Bai Muajjal	10.4	22,959,292	-	22,959,292	-	-	-
		34,007,000		34,007,000	30,641,053		30,641,053
Subsidiary	10.8	191,015	-	191,015	191,015	-	191,015
Total investments at cost		34,198,015		34,198,015	30,832,068		30,832,068
Less: Provision for diminution in value of investments	10.10	(46,125)	-	(46,125)	(39,207)	-	(39,207)
Investments - net of Provisions		34,151,890		34,151,890	30,792,861		30,792,861
Deficit on revaluation of available-for-sale securities	21.2	(25,502)	-	(25,502)	(138,309)	-	(138,309)
Total investments at market value		34,126,388		34,126,388	30,654,552		30,654,552

10.2 Conventional Investments by type (relating to defunct KASB Bank Limited) *

Note	-----2015-----			
	Held by the Bank	Given as collateral	Total	
	(Rupees in '000)			
Available for sale securities	10.4			
Ordinary Shares of listed companies		841,950	-	841,950
Ordinary Shares of unlisted companies		1,189,030	-	1,189,030
Listed Term Finance Certificates		105,312	-	105,312
Unlisted Term Finance Certificates		222,821	-	222,821
		2,359,113		2,359,113
Held to maturity securities				
Unlisted Term Finance Certificates	10.5	321,601	-	321,601
Associates	10.9	1,660,111	-	1,660,111
Subsidiaries		2,499,708	-	2,499,708
Total investments at fair value		6,840,533		6,840,533
Less: Provision for diminution in the value of investments	10.10	(5,080,963)	-	(5,080,963)
Total investments at market value		1,759,570		1,759,570
Surplus / (Deficit) on revaluation of available-for-sale securities		-	-	-
Total investments at market value		1,759,570		1,759,570

* These investments are under process of conversion / liquidation

	Note	2015	2014
		Rupees in '000	
10.3 Investments by segments			
Federal Government Securities			
GOP Ijarah Sukuks	10.4	9,330,423	28,490,153
Other Federal Government Securities			
Bai Muajjal with Government of Pakistan (through State Bank of Pakistan)	10.4	22,959,292	-
Sukuk certificates			
Sukuks - Unlisted	10.4	1,474,619	2,150,879
Fully paid up ordinary shares / Units			
Listed Companies	10.4	1,084,595	-
Unlisted Companies	10.4	1,189,030	-
Units of Open-End mutual funds	10.6	21	21
Term Finance Certificates, Debentures, Bonds and Participation Term Certificates:			
Listed Companies	10.4	105,312	-
Unlisted Companies	10.4 & 10.5	544,422	-
Subsidiaries			
KASB Securities Limited	10.8	2,394,937	-
BankIslami Modaraba Investments Limited	10.8	191,015	191,015
My Solutions Corporation Limited	10.8	104,771	-
Associates - Unlisted			
KASB Capital Limited	10.9	41,867	-
KASB Funds Limited	10.9	432,302	-
New Horizon Exploration & Production Limited	10.9	558,000	-
Shakarganj Food Products Limited	10.9	627,942	-
Total investments at cost		41,038,548	30,832,068
Less: Provision for diminution in value of investments	10.10	(5,127,088)	(39,207)
Investments - net of provisions		35,911,460	30,792,861
Deficit on revaluation of available-for-sale securities	21.2	(25,502)	(138,309)
Total investments at market value		35,885,958	30,654,552

10.4 Available for sale securities

Name of the Investee company	Note	2015 Number of Certificates / Shares	2014	Face Value	2015 Cost	2014 Cost
— Rupees in '000 —						
Sukuk Certificates						
Federal Government						
Ijarah GOP Sukuk - 9		-	13,760	Rs 100,000	-	1,376,000
Ijarah GOP Sukuk - 10		-	39,750	Rs 100,000	-	3,982,094
Ijarah GOP Sukuk - 11		-	30,325	Rs 100,000	-	3,032,724
Ijarah GOP Sukuk - 12		-	86,950	Rs 100,000	-	8,720,504
Ijarah GOP Sukuk - 13		-	34,975	Rs 100,000	-	3,528,647
Ijarah GOP Sukuk - 14	10.4.1	15,000	15,000	Rs 100,000	1,500,907	1,504,546
Ijarah GOP Sukuk - 15	10.4.2	78,256	63,393	Rs 100,000	7,829,516	6,345,638
					9,330,423	28,490,153
Others						
WAPDA Second Sukuk Certificates	10.4.3	134,000	134,000	Rs 5,000	223,333	334,724
WAPDA Third Sukuk Certificates	10.4.4	32,600	32,600	Rs 5,000	150,979	175,740
Pak Electron Sukuk	10.4.5	60,000	60,000	Rs 5,000	85,715	128,571
Amtext Sukuk	10.4.6	59,000	59,000	Rs 5,000	221,250	221,250
Engro Fertilizer Sukuk		-	65,000	Rs 5,000	-	324,619
Security Leasing Sukuk	10.4.7	2,000	2,000	Rs 5,000	3,080	3,080
New Allied Electronics (LG) - Sukuk	10.4.8	11,000	11,000	Rs 5,000	55,000	55,000
Sui Southern Gas Company Sukuk	10.4.9	120,000	120,000	Rs 5,000	450,000	600,000
Eden Housing Sukuk	10.4.10	50,000	50,000	Rs 5,000	32,800	32,800
Optimus Sukuk		-	50,000	Rs 5,000	-	20,837
K-Electric Azm Sukuk 2	10.4.11	50,000	50,000	Rs 5,000	252,462	254,258
					1,474,619	2,150,879
Other Federal Government Securities						
Bai Muajjal with Government of Pakistan (through State Bank of Pakistan)	10.4.12	Not Applicable	Not Applicable	Not Applicable	22,959,292	-
Ordinary shares - Listed						
Dolmen City REIT		22,058,602	-	Rs 10	242,645	-
KASB Modarba Limited *		10,446,767	-	Rs 10	91,875	-
Agritech Limited *		21,435,858	-	Rs 10	750,255	-
K-Electric *		2,928	-	Rs 10	20	-
					1,084,595	-
Ordinary shares - Unlisted *						
Evolution Capital Limited - Incorporated in British Virgin Islands		5,400,000	-	USD 0.0845	1,155,350	-
Pakistan Export Finance Guarantee Agency Limited		568,044	-	Rs 10	5,680	-
KASB Invest (Private) Limited		3,985,000	-	Rs 10	28,000	-
					1,189,030	-
Term Finance Certificates - Listed *						
Telecard Limited	10.4.13	3,000	-	Rs 5,000	3,681	-
Trust Investment Bank Limited	10.4.14	9,000	-	Rs 5,000	22,491	-
World Call Telecom Limited	10.4.15	39,348	-	Rs 5,000	79,140	-
					105,312	-
Term Finance Certificates - Unlisted *						
Agritech Limited	10.4.16	30,000	-	Rs 5,000	149,861	-
Azgard Nine Limited (3rd Issue)	10.4.17	5,600	-	Rs 5,000	27,960	-
Shakarganj Mills Limited	10.4.18	20,000	-	Rs 5,000	45,000	-
					222,821	-
					36,366,092	30,641,032

* These represent investments acquired from defunct KASB Bank Limited upon amalgamation of KASB undertaking with and into BankIslami Pakistan Limited.

- 10.4.1 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.
- 10.4.2 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.
- 10.4.3 These carry profit at the rate of six months KIBOR minus 25 basis points (2014: 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.
- 10.4.4 These carry profit at the rate of six months KIBOR plus 100 basis points (2014: six months KIBOR plus 100 basis points) 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.
- 10.4.5 These Sukuks carry profit at the rate of three months KIBOR plus 175 basis points (2014: three months KIBOR plus 175 basis points) receivable quarterly based on Diminishing Musharakah mechanism with maturity in September 2016. The outstanding principal has started its redemption in 6 equal quarterly installments from June 2015.
- 10.4.6 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.
- 10.4.7 Since last restructuring, these Sukuks carry profit at the rate of 0%, (2014: 0%). The accrued profit amount will be repaid in six equal monthly installments starting from 43rd month. Principal to be repaid in 48 months starting from April 2010. As per the 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 not making any payment as per the restructuring plan approved by the minority sukuk holders.

- 10.4.8 These carry profit at the rate of three months KIBOR plus 300 basis points (2014: three months KIBOR plus 300 basis points) receivable semi-annually with the 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.
- 10.4.9 These carry profit at the rate of three months KIBOR plus 75 basis points (2014: 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.
- 10.4.10 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 (2014: 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.
- 10.4.11 These carry profit at the rate of three months KIBOR plus 225 basis points (2014: 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.
- 10.4.12 This represents Bai Muajjal agreements entered into with SBP on behalf of Government of Pakistan whereby the Bank sold Sukuks having carrying value of Rs. 21,225 million (2014: Rs. 9,510.997 million) to SBP on deferred payment basis. The average return on these transactions is 6.12% (2014: 9.79%) per annum. The balance is due on November 17, 2016.
- 10.4.13 These carry profit at the rate of six months KIBOR minus 375 basis points receivable on semi-annual basis with maturity in May 2015. The principal was repayable in 13 unequal semi-annual installments. The customer has defaulted in its payment and the amount has been fully provided.
- 10.4.14 These carry profit at the rate of six months KIBOR minus 185 basis points receivable on semi-annual basis with maturity in May 2015. The principal was repayable in 13 unequal semi-annual installments. The customer has defaulted in its payment and the amount has been fully provided.
- 10.4.15 These carry profit at a fixed rate 16% receivable on semi-annual basis with maturity in October 2021. The principal is repayable in 14 equal semi-annual installments. The customer has defaulted in its payment and the amount has been fully provided.

- 10.4.16 These carry profit at the rate of six months KIBOR minus 175 basis points receivable on semi-annual basis with maturity in November 2014. The principal was repayable in 13 unequal semi-annual installments. The customer has defaulted in its payment and the amount has been fully provided.
- 10.4.17 These carry profit at the rate of six months KIBOR minus 225 basis points receivable on semi-annual basis with maturity in November 2014. The principal was repayable in 14 installments where first 4 installments of Re. 1 per certificate and 10 subsequent installments of Rs. 499.6 per certificate. The customer has defaulted in its payment and the amount has been fully provided.
- 10.4.18 These carry profit at the rate of six months KIBOR minus 225 basis points receivable on semi-annual basis with maturity in September 2016. The principal is repayable in 10 equal installments of Rs. 500 per certificate. The customer has defaulted in its payment and the amount has been fully provided.

10.5 Held to maturity securities

Name of the investee company	Note	2015		
		Number of Certificates	Face Value	Cost
Rupees in '000				
Term finance certificates *				
Azgard Nine Limited (3rd Issue)	10.5.1	35,000	Rs 5,000	60,041
Agritech Limited (4th Issue)	10.5.2	18,429	Rs 5,000	92,145
Azgard Nine Limited (5th Issue)	10.5.3	33,883	Rs 5,000	169,415
				321,601

- * These represent investments acquired from defunct KASB Bank Limited upon amalgamation of KASB undertaking with and into BankIslami Pakistan Limited.

- 10.5.1 These carry profit at the rate of six months KIBOR plus 225 basis point receivable on semi annual basis with maturity in December 2014. The principal is repayable in fourteen installments with first four installments of Re. 1 per certificate and subsequent ten installments of Re. 499.6 per certificate. The customer has defaulted in its payment and the amount has been fully provided.
- 10.5.2 These carry profit at the rate of six months KIBOR plus 225 basis point receivable on semi-annual basis with maturity in December 2014. The principal is repayable in 14 installments with first 4 installments of Re. 1 per certificate and subsequent ten installments of Re. 499.6 per certificate. The customer has defaulted in its payment and the amount has been fully provided.
- 10.5.3 These carry profit at the rate of zero percent coupon with maturity in December 2016. The principal is repayable in 7 semi unequal installments in 5 years inclusive of 1.5 years grace period. The customer has defaulted in its payment and the amount has been fully provided.

10.6 Details of investments in Mutual Funds

Name of investee fund	2015	2014	2015	2014
	Number of units		Cost (Rupees in '000)	
Open - ended mutual funds				
Meezan Cash Fund	168	156	5	5
Meezan Islamic Fund	332	320	5	5
Meezan Islamic Income Fund	169	158	5	5
Meezan Balanced Fund	1,235	1,171	6	6
			<u>21</u>	<u>21</u>

10.7 Quality of Available for Sale Securities

Sukuks / Certificates - (at market value / cost)	2015	2014	2015	2014
	Long / Medium Term Rating (Where available) *		Rupees in '000	
Ijarah GOP Sukuk - 9	-	Govt. Guaranteed	-	1,377,789
Ijarah GOP Sukuk - 10	-	Govt. Guaranteed	-	3,981,758
Ijarah GOP Sukuk - 11	-	Govt. Guaranteed	-	3,040,081
Ijarah GOP Sukuk - 12	-	Govt. Guaranteed	-	8,715,868
Ijarah GOP Sukuk - 13	-	Govt. Guaranteed	-	3,504,845
Ijarah GOP Sukuk - 14	Govt. Guaranteed	Govt. Guaranteed	1,508,000	1,503,300
Ijarah GOP Sukuk - 15	Govt. Guaranteed	Govt. Guaranteed	7,825,600	6,225,193
WAPDA Second Sukuk Certificates	Govt. Guaranteed	Govt. Guaranteed	216,932	334,114
WAPDA Third Sukuk Certificates	Govt. Guaranteed	Govt. Guaranteed	134,600	174,837
Pak Elektron Limited Sukuk - Sukuk	A	A-	85,715	128,571
Amtex Sukuk - Sukuk	Unrated	Unrated	221,250	221,250
Engro Chemicals Pakistan Limited - Sukuk	A-	A	-	324,619
Security Leasing - Sukuk	Unrated	Unrated	3,080	3,081
New Allied Electronics (LG) - Sukuk	Unrated	Unrated	55,000	55,000
Sui Southern Gas Company Limited - Sukuk	AA-	AA-	450,000	600,000
Eden Housing - Sukuk	Unrated	Unrated	32,800	32,800
Optimus - Sukuk	BBB+	A	-	20,837
K-Electric Azm Sukuk 2	AA	AA	254,484	258,750
			<u>10,785,461</u>	<u>30,502,693</u>
Units of open-end mutual funds (at market value)				
Meezan Cash Fund	AA(f)	AA(f)	9	8
Meezan Islamic Fund	AM2+	AM2+	20	18
Meezan Islamic Income Fund	A-(f)	A-(f)	9	8
Meezan Balanced Fund	Unrated	AM2+	18	17
			<u>56</u>	<u>51</u>
Other Federal Government Securities				
Bai Muajjal with Government of Pakistan (through State Bank of Pakistan)	Govt. Guaranteed	Not Applicable	22,959,292	-
Ordinary shares - Listed				
Dolmen City REIT	RR1	-	236,689	-
KASB Modarba Limited **	BBB+	-	91,675	-
Agritech Limited **	D	-	750,255	-
K-Electric **	AA-	-	20	-
			<u>1,078,639</u>	<u>-</u>
Ordinary shares - Unlisted **				
Evolve Capital Limited - Incorporated in British Virgin Islands	Unrated	-	1,155,350	-
Pakistan Export Finance Guarantee Agency Limited	Unrated	-	5,680	-
KASB Invest (Private) Limited	Unrated	-	28,000	-
			<u>1,189,030</u>	<u>-</u>
Term Finance Certificates - Listed **				
Telecard Limited			3,681	-
Trust Investment Bank Limited			22,491	-
World Call Telecom Limited			79,140	-
			<u>105,312</u>	<u>-</u>
Term Finance Certificates - Unlisted **				
Agritech Limited			149,861	-
Azgard Nine Limited (3rd Issue)			27,960	-
Shakarganj Mills Limited			45,000	-
			<u>222,821</u>	<u>-</u>
			<u>36,340,611</u>	<u>30,502,744</u>
Less: Provision for diminution in the value of investments			<u>(1,750,286)</u>	<u>-</u>
			<u>34,590,325</u>	<u>30,502,744</u>

* Entity's rating was used where sukuk and shares rating were not available.

** These represent investments acquired from defunct KASB Bank Limited upon amalgamation of KASB undertaking with and into BankIslami Pakistan Limited.

10.8	Details of investment in subsidiaries	Holding %	Break up value per share	Cost	
				2015	2014
				Rupees in '000	
Listed					
	KASB Securities Limited *	77.12	9.37	2,394,937	-
Chief Executive: Mr. Shahid Ali 10,446,767 Ordinary shares of Rs. 10/- each					
Unlisted					
	BankIslami Modaraba Investments Limited **				
Chief Executive: Mr. Aziz Adil 8,000,000 (2014: 8,000,000) Ordinary shares of Rs.10/- each					
	My Solutions Corporation Limited ***	100	1.41	104,771	-
Chief Executive: Mr. Fahar Kaleem 25,000,000 Ordinary shares of Rs. 10/- each					
				2,690,723	191,015

* Break up value per share is based on the unaudited financial statements of the subsidiary for the year ended December 31, 2015.

** Break up value per share is based on the unaudited financial statements of the subsidiary for the half year ended December 31, 2015.

*** Break up value per share is based on the unaudited financial statements of the subsidiary for the year ended May 7, 2015.

10.9	Details of investment in associates	Holding %	Number of Shares	Cost	
				2015	2014
				Rupees in '000	
Unlisted					
	KASB Capital Limited - incorporated in Mauritius (formerly KASB International Limited - Unlisted)	21.78	283,000	41,867	-
Face value per share: USD 1 /- Break-up value per share: Rs. 104.30 /- [based on unaudited financial statements for the period ended 30 September 2015] Chief Executive: Not available					
	KASB Funds Limited	43.89	14,123,622	432,302	-
Face value per share: Rs. 10 /- Break-up value per share: Rs. 0.44/- [based on unaudited financial statements for the year ended 31 Dec 2015] Chief Executive: Mr. Khaldoon Bin Latif					
	New Horizon Exploration and Production Limited	43.23 *	61,600,000	558,000	-
Face value per share: Re. 1 /- and Rs. 10 /- Break-up value per share: Rs. 1.08/- [based on unaudited financial statements for the year ended 30 June 2015] Chief Executive: Not available					
	Shakarganj Food Products Limited	40.2	60,950,000	627,942	-
Face value per share: Rs. 10 /- Break-up value per share: Rs. 12.13/- [based on unaudited financial statements for the period ended 31 Dec 2015] Chief Executive: Mr. Ahsan M. Saleem					
				1,660,111	-

* The total effective holding is 43.23% with direct holding being 19.64% and indirect holding being 23.59%.

10.10	Particular of provision for diminution in the value of investments	Note	2015	2014
			Rupees in '000	
	Opening balance		39,207	-
	Charge for the year		9,843	39,207
	Reversal during the year		-	-
			9,843	39,207
	Transfer from the amalgamated entity		5,170,540	-
	Reversed on disposal		(92,502)	-
	Closing balance	10.10.1	5,127,088	39,207

10.10.1 Break up of provision for diminution in the value of investments is as follows:

Investments - Islamic	46,125	39,207
Investments - Conventional (relating to defunct KASB Bank Limited)	5,080,963	-
	5,127,088	39,207

	Note	2015 ----- Rupees in '000 -----	2014 ----- Rupees in '000 -----
10.10.2 Particulars of provision in respect of type and segment			
Available for sale investments			
Listed Term Finance Certificates		105,312	-
Unlisted Term Finance Certificates		222,821	-
Ordinary shares of listed companies		750,255	-
Ordinary shares of KASB Modaraba (related party)		60,543	-
Ordinary shares of unlisted companies		611,355	-
		<u>1,750,286</u>	-
Held to maturity securities			
Unlisted Term Finance Certificates		321,601	-
Associates			
New Horizon Exploration & Production Limited		558,000	-
KASB Funds Limited		432,302	-
KASB Capital Limited (Formerly KASB International Limited)		41,867	-
		<u>1,032,169</u>	-
Subsidiaries			
BankIslami Modaraba Investments Limited		46,125	39,207
KASB Securities Limited		1,872,136	-
My Solutions Corporation Limited		104,771	-
		<u>2,023,032</u>	
		<u>5,127,088</u>	<u>39,207</u>
11 ISLAMIC FINANCING AND RELATED ASSETS AND ADVANCES			
Islamic financing and related assets - net	11.1	66,260,609	41,097,058
Advances (relating to defunct KASB Bank Limited)	11.2	3,315,666	-
		<u>69,576,275</u>	<u>41,097,058</u>
11.1 ISLAMIC FINANCING AND RELATED ASSETS			
In Pakistan			
- Murabahah financing and related assets	11.3, 11.9 & 11.11	30,966,858	15,458,980
- Istisna financing and related assets	11.4 & 11.10	11,951,754	6,946,722
- Diminishing Musharakah - Housing		5,516,984	3,673,349
- Diminishing Musharakah financing and related assets			
Others	11.6	6,464,608	4,121,136
- Against Bills - Murabahah		62,512	97,848
- Post Due Acceptance		11,556	34,297
- Salam	11.5	2,000,000	-
- Muswammah financing and related assets	11.7	5,465,376	7,191,343
- Financing to employees	11.17	1,847,139	1,159,060
		<u>64,286,787</u>	<u>38,682,735</u>
Housing finance portfolio		83,980	98,282
Net investment in Ijarah financing in Pakistan	11.13	64,445	86,465
Ijarah financing under IFAS 2 and related assets	11.8	4,414,721	2,830,634
Gross financing and related assets		<u>68,849,933</u>	<u>41,698,116</u>
Less: Provision against non-performing Islamic financing and related assets			
- Specific	11.15 & 11.16	(2,455,621)	(524,414)
- General	11.15 & 11.16	(133,703)	(76,644)
Islamic financing and related assets – net of provisions		<u>66,260,609</u>	<u>41,097,058</u>

11.2	ADVANCES	Note	2015 Rupees in '000
	Loans, cash credits, running finances, etc.		
	In Pakistan		12,761,388
	Outside Pakistan		-
			<u>12,761,388</u>
	Net investment in finance lease		
	In Pakistan	11.13	660,149
	Outside Pakistan		-
			<u>660,149</u>
	Bills discounted and purchased (excluding treasury bills)		
	Payable in Pakistan		843,557
	Payable outside Pakistan		-
			<u>843,557</u>
	Advances - gross		<u>14,265,094</u>
	Less: Provision for non-performing Financings		
	- Specific	11.15 & 11.16	(10,947,538)
	- General	11.15 & 11.16	(1,890)
	Advances - net of provision		<u>3,315,666</u>
		Note	2015 2014 ----- Rupees in '000 -----
11.3	Murabahah financing and related assets		
	Murabahah financing	19,658,149	13,004,733
	Advance against Murabahah financing	11,308,709	2,454,247
		<u>30,966,858</u>	<u>15,458,980</u>
11.4	Istisna financing and related assets		
	Istisna financing	4,476,496	3,982,917
	Advance against Istisna financing	5,672,724	2,053,984
	Istisna inventories	1,802,534	909,821
		<u>11,951,754</u>	<u>6,946,722</u>
11.5	Salam		
	Advance against Salam	2,000,000	-
11.6	Diminishing Musharakah financing and related assets - Others		
	Diminishing Musharakah financing	6,096,950	4,119,936
	Advance against Diminishing Musharakah financing	367,658	1,200
		<u>6,464,608</u>	<u>4,121,136</u>
11.7	Muswammah financing and related assets		
	Muswammah financing	1,846,665	3,657,257
	Muswammah inventories	3,618,711	3,534,086
		<u>5,465,376</u>	<u>7,191,343</u>
11.8	Ijarah financing under IFAS 2 and related assets		
	Net book value of assets under IFAS 2	11.14	3,905,102
	Advance against Ijarah financing		509,619
			<u>4,414,721</u>
			<u>2,467,367</u>
			<u>363,267</u>
			<u>2,830,634</u>

11.9 Murabahah financing and related assets includes financing amounting to Rs. 50 million (2014: Rs.Nil) and advance amounting to Rs. 189.1 million (2014: Rs. Nil) under Islamic Export Refinance Scheme.

11.10 Istisna financing and related assets includes financing amounting to Rs. 150 million (2014: Rs. 80 million) and advance amounting to Rs. 831.25 million (2014: Rs. 506 million) under Islamic Export Refinance Scheme.

	2015	2014
	-----Rupees in '000-----	
11.11 Murabahah sale price (for transactions during the year)	48,134,052	33,670,070
Purchase price (for transactions during the year)	(46,872,896)	(32,337,157)
	<u>1,261,156</u>	<u>1,332,913</u>
11.11.1 Deferred Murabahah income		
Opening balance	323,516	135,031
Arising during the year	1,261,156	1,332,913
Recognised during the year	(1,335,349)	(1,144,428)
	<u>249,323</u>	<u>323,516</u>
11.11.2 Murabahah receivable		
Opening balance	13,004,733	6,577,204
Sales during the year	48,134,052	33,670,070
Received during the year	(41,480,636)	(27,242,541)
	<u>19,658,149</u>	<u>13,004,733</u>
11.12 Particulars of Islamic financing and related assets		
11.12.1 In local currency	83,115,027	41,466,587
In foreign currency	-	231,529
	<u>83,115,027</u>	<u>41,698,116</u>
11.12.2 Short-term (for upto one year)	<u>64,031,020</u>	<u>30,008,209</u>
Long-term (for over one year)	<u>19,084,007</u>	<u>11,689,907</u>
	<u>83,115,027</u>	<u>41,698,116</u>
11.13 Net investment in Ijarah financing in Pakistan and finance lease		

	2015				2014			
	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	645,337	2,023	-	647,360	46,051	11,675	-	57,726
Residual value	124,685	5,992	-	130,677	21,581	8,811	-	30,392
Minimum Ijarah payments	770,022	8,015	-	778,037	67,632	20,486	-	88,118
Profit for future periods	(53,400)	(43)	-	(53,443)	(1,291)	(362)	-	(1,653)
Present value of minimum Ijarah payments	<u>716,622</u>	<u>7,972</u>	<u>-</u>	<u>724,594</u>	<u>66,341</u>	<u>20,124</u>	<u>-</u>	<u>86,465</u>

	2015	2014
	-----Rupees in '000-----	
11.13.1 Break up of net investment in Ijarah financing and Finance lease		
Islamic financing and related assets - net	64,445	86,465
Advances (relating to defunct KASB Bank Limited)	660,149	-
	<u>724,594</u>	<u>86,465</u>

11.14 Ijarah Assets

	2015							
	Cost			Accumulated depreciation			Book value as at December 31, 2015	Rate of Depreciation %
	As at January 01, 2015	Addition / (deletions)	As at December 31, 2015	As at January 01, 2015	Charge / (deletions)	As at December 31, 2015		
	(Rupees in '000)							
Plant and Machinery	874,000	115,939 (31,522)	958,417	381,899	207,532 (23,805)	565,626	392,791	20-33.33
Vehicles	2,794,404	2,370,923 (390,367)	4,774,960	819,138	629,486 (185,975)	1,262,649	3,512,311	20-33.33
	3,668,404	2,486,862 (421,889)	5,733,377	1,201,037	837,018 (209,780)	1,828,275	3,905,102	

	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	

11.14.1 Net investment in Ijarah financing - IFAS 2

	2015				2014			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	Rupees In '000							
Ijarah rentals receivable	1,531,050	3,195,774	-	4,726,824	945,673	1,500,417	-	2,446,090

11.15 Islamic financing and related assets include Rs. 15,230.980 million (2014: Rs 1,061.929 million) which have been placed under non-performing status as follows:

Category of Classification	2015								
	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)	159,355	-	159,355	-	-	-	-	-	-
Substandard	859,300	-	859,300	159,717	-	159,717	159,717	-	159,717
Doubtful	382,990	-	382,990	135,009	-	135,009	135,009	-	135,009
Loss	13,829,335	-	13,829,335	13,108,433	-	13,108,433	13,108,433	-	13,108,433
	15,230,980	-	15,230,980	13,403,159	-	13,403,159	13,403,159	-	13,403,159

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

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

	2015			2014		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	524,414	76,644	601,058	575,843	47,470	623,313
Transfer from the amalgamated entity	13,819,265	6,238	13,825,503	-	-	-
Charge for the year	324,602	52,711	377,313	72,056	29,174	101,230
Reversals	(1,247,551)	-	(1,247,551)	(123,485)	-	(123,485)
	(922,949)	52,711	(870,238)	(51,429)	29,174	(22,255)
Amount written off	(93,662)	-	(93,662)	-	-	-
Transferred from provision against off - balance sheet obligations (note 18.1)	76,091	-	76,091	-	-	-
Closing balance	13,403,159	135,593	13,538,752	524,414	76,644	601,058

11.16.1

	2015			2014		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Islamic	2,455,621	133,703	2,589,324	524,414	76,644	601,058
Conventional	10,947,538	1,890	10,949,428	-	-	-
	13,403,159	135,593	13,538,752	524,414	76,644	601,058

11.16.2 Reversals net of fair value adjustment taken to profit and loss account **2015**
Rupees in '000

Gross reversals	1,247,551
Charge for the year	(377,313)
	<u>870,238</u>
Fair value adjusted against reversals	(230,715)
Net reversals taken to the profit and loss account	<u><u>639,523</u></u>

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

	2015			2014		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
In local currency	13,403,159	135,593	13,538,752	524,414	76,644	601,058
In foreign currency	-	-	-	-	-	-
	13,403,159	135,593	13,538,752	524,414	76,644	601,058

11.16.3.1 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.

11.16.3.2 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, 2015 amounts to Rs. 238.542 million (2014: Rs 316.283 million). The additional profit arising from availing the FSV benefit - net of tax as at December 31, 2015 amounts to Rs. 155,052 million (2014: Rs. 205,584 million). The increase in profit, due to availing of the benefit, is not available for distribution of cash and stock dividend to share holders.

	2015	2014
	(Rupees in '000)	
11.17 Particulars of write offs		
Against provisions	93,662	-
Directly charged to the profit and loss account	-	-
	<u>93,662</u>	<u>-</u>
Write offs Rs. 500,000 and above	93,662	-
Write offs below Rs. 500,000	-	-
	<u>93,662</u>	<u>-</u>

11.17.1 Details of financings written off of Rs. 500,000 and above

In term of sub-section(3) of section 33 A of the Banking Companies Ordinance, 1962, the statement in respect of written off financings or any other financial relief of five hundred thousand rupees or above allowed to any person is required to be disclosed. The details of financial relief allowed during the year is given as Annexure - II.

11.18 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

	Note	2015	2014
-----Rupees in '000-----			
Balance at beginning of year		1,159,060	973,125
Financing granted during the year		1,198,922	478,207
Repayments		(510,843)	(292,272)
Balance at end of year	11.18.1	<u>1,847,139</u>	<u>1,159,060</u>

11.18.1 This includes Rs. 3.586 million (2014: Rs. 3.069 million) mark up free financing to employees given under the Bank's Human Resource Policy.

12 OPERATING FIXED ASSETS

	Note	2015	2014
-----Rupees in '000-----			
Capital work-in-progress	12.1	101,463	11,714
Property and equipment	12.2	5,368,783	3,329,257
Intangible assets	12.3	162,973	39,197
		<u>5,633,219</u>	<u>3,380,168</u>

12.1 Capital work-in-progress

Advances to suppliers and contractors	92,707	11,714
Civil works (relating to defunct KASB Bank Limited)	3,597	-
Advance for acquiring properties (relating to defunct KASB Bank Limited):		
- Office premises	721,903	-
- Computer software	5,159	-
	<u>823,366</u>	<u>11,714</u>
Provision for impairment against advance for acquiring floor / office premises (relating to defunct KASB Bank Limited)	(721,903)	-
	<u>101,463</u>	<u>11,714</u>

12.2 Property and equipment

	2015										
	COST / REVALUATIONS				DEPRECIATION				Net book value as at December 31, 2015	Rate of Depreciation %	
	As at January 01, 2015	Additions / transfers / revaluation surplus*	Transfer from amalgamated entity **	(Disposals / write offs)	As at December 31, 2015	As at January 01, 2015	Charge for the year / (disposals) / adjustments	Transfer from amalgamated entity**			As at December 31, 2015
-----Rupees in '000-----											
At revalued amounts											
Freehold Land	486,748	-	345,232	-	831,847	-	-	-	-	831,847	-
		(133) *									
Building on leasehold land	1,549,416	709 (70,251)	1,151,048	-	2,825,568	-	70,251	-	-	2,825,568	2
		194,646 *					(70,251) *				
At cost											
Furniture and fixture	1,362,366	157,291	809,383	-	2,162,519	579,792	192,083	335,148	1,069,647	1,092,872	10
		-		(186,521)			(37,376)				
Electrical, office and computer equipment	1,585,671	289,574	736,187	(7,867)	2,603,565	1,095,747	237,485	664,304	1,990,161	613,404	15-25
		-		-			(7,375)				
Vehicles	2,934	208	31,730	(66)	34,806	2,339	7,141	20,300	29,714	5,092	20
		-		-			(66)				
	<u>5,007,135</u>	<u>447,782</u>	<u>3,073,580</u>	<u>(7,933)</u>	<u>8,458,305</u>	<u>1,677,878</u>	<u>506,960</u>	<u>1,019,752</u>	<u>3,069,522</u>	<u>5,368,783</u>	
		<u>(70,251)</u>		<u>(186,521)</u>			<u>(7,441)</u>				
		<u>194,513</u>					<u>(70,251)</u>				

** This represents assets acquired from defunct KASB Bank Limited upon amalgamation of KASB undertaking with and into BankIslami Pakistan Limited.

2014									
COST / REVALUATIONS				DEPRECIATION			Net book value as at December 31, 2014	Rate of Depreciation %	
As at January 01, 2014	Additions/ adjustments / revaluation surplus*	(Disposals / write offs)	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	-	486,748	-	-	-	486,748	-
		15,998 *	-			-			
Building on leasehold land	1,405,343	-	-	1,549,416	-	28,107	-	1,549,416	2
		(28,107)	-			-			
		172,180 *	-			(28,107) *			
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	1,095,747	489,924	15 - 25
		-	-			(5,057)			
Vehicles	2,947	-	(13)	2,934	2,852	382	2,339	595	20
		-	-			-			
					(895)	(895)			
	4,118,890	733,476	(5,302)	5,007,135	1,382,253	329,684	1,677,878	3,329,257	
		(28,107)	-			(5,057)			
		188,178	-		(29,002)	(29,002)			

12.2.1 Details of property and equipment disposed-off

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

12.3 Intangible asset

2015										
COST				AMORTISATION				Net book value as at December 31, 2015	Rate of amortization %	
As at January 01, 2015	Additions / (disposals)	Transfer from amalgamated entity*	As at December 31, 2015	As at January 01, 2015	Charge for the year / transfers / (disposals)	Transfer from amalgamated entity *	As at December 31, 2015			
Rupees in '000										
Computer software	204,104	19,825	321,514	545,443	164,907	26,843	235,766	427,316	118,127	20
		-				-				
Core deposits	-	-	40,600	40,600	-	1,554	-	1,554	39,046	5.5% - 20%
		-				-				
Customer list	-	-	30,735	30,735	-	1,999	22,936	24,935	5,800	10
		-				-				
	204,104	19,825	392,849	616,778	164,907	30,196	258,702	453,805	162,973	
		-				-				

* This represents assets acquired from defunct KASB Bank Limited upon amalgamation of KASB undertaking with and into BankIslami Pakistan Limited.

2014									
COST				AMORTISATION				Net book value as at December 31, 2014	Rate of amortization %
As at January 01, 2014	Additions / (disposals)	As at December 31, 2014	As at January 01, 2014	Charge for the year / (disposals)	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	
		-			-				

12.4 Cost of fully depreciated properties and equipment that are still in the Bank's use, as at December 31, 2015, amounted to Rs. 785.225 million (2014: Rs. 730.922 million). The cost of fully amortised intangible assets that are still in the Bank's use, as at December 31, 2015 amounted to Rs. 146.284 million (2014: Rs. 142.535 million).

12.5 During the year 2015, the Bank's freehold land and buildings on leasehold land were revalued by M/s Akbani & Javed, Harvesters Servies and Ghandhara 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. 3,796.573 million

Had there been no revaluation, the carrying amount of revalued assets at December 31, 2015 would have been as follows:

	COST			DEPRECIATION			Net book value as at December 31, 2015
	As at January 01, 2015	Additions	(Disposals)	As at December 31, 2015	As at January 01, 2015	Charge for the year	
	Rupees in '000						
Freehold Land	374,528	-	-	374,528	-	-	374,528
Building on lease hold land	824,614	709	-	825,323	236,875	16,507	571,941
	<u>1,199,142</u>	<u>709</u>	<u>-</u>	<u>1,199,851</u>	<u>236,875</u>	<u>16,507</u>	<u>946,469</u>

13 OTHER ASSETS

	Note	2015	2014
		----- Rupees in '000 -----	
Profit / return accrued in local currency		868,969	993,560
Profit / return accrued in foreign currency		10	15
Advances, deposits, advance rent and other prepayments		300,652	168,913
Advance taxation (payments less provision)		-	28,241
Non-banking assets acquired in satisfaction of claims	13.1	1,599,587	260,510
Branch Adjustment Account		151,637	22,700
Defined Benefit Plan assets	34	26,513	11,582
Goodwill	13.2	2,790,711	-
Banca takaful Income receivable		-	21,000
Fair value realised on advances		438,539	-
Insurance claim receivable		11,321	16,546
Car Ijarah repossession		3,170	1,506
Receivable against First WAPDA Sukuk	13.2.3	50,000	50,000
Lease rental receivable		44,641	-
Receivable against Mutual Funds		542,970	-
Other receivables		223,675	97,320
		<u>7,052,395</u>	<u>1,671,893</u>
Less: Provision held against other assets	13.4	(666,432)	(58,063)
Other assets (net of provisions)		<u>6,385,963</u>	<u>1,613,830</u>

13.1 The market value of Non-Banking assets acquired in satisfaction of claims is Rs. 1,110.490 million (2014: 269.764 million).

13.2 Goodwill

	2015
	Rupees in '000
Goodwill recognised on the amalgamation of defunct KASB Bank Limited	<u>2,790,711</u>

- 13.2.1 This represents goodwill recognised upon acquisition of KASB Bank Undertakings based on provisional fair values of assets and liabilities as more fully explained in note 4 to these financial statements. The Bank expects the fair valuation exercise to be finalised within a period of one year (from the date of acquisition i.e. May 7, 2015) and goodwill will be allocated accordingly to identifiable cash generating units. Further, the State Bank of Pakistan vide its letter no BPRD(R&P-02)/625-112/2-16/13918 dated June 2, 2016 has allowed the Bank to carry the goodwill at December 31, 2015 without testing for impairment.
- 13.2.2 The amount of goodwill that will be deductible for taxable purposes is Rs. 5,743.246 million. This amount is provisional and will be finalised upon completion of fair valuation exercise as more fully explained in note 4 to these financial statement.
- 13.2.3 The Bank had purchased 10,000 certificates on June 25, 2009 of first WAPDA sukuk through a negotiated transaction for a cash consideration of Rs. 50.228 million having face value of Rs. 50 million. These certificates were available in the seller's Central Depository Company (CDC) account and on completion of the transaction were transferred to the Bank's CDC account. However, the periodic Ijarah Rental dues were not paid to the Bank on the plea that there exists certain discrepancy with respect to ownership of the asset. The amount has been shown under "other assets" as the certificates were matured 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.

	Note	2015	2014
		----- Rupees in '000 -----	
13.3 Provision held against other assets			
Opening balance		58,063	35,027
Charge for the year		-	23,036
Reversals		-	-
		-	23,036
Provision transferred from the amalgamated entity		608,369	-
Closing balance		<u>666,432</u>	<u>58,063</u>
14 BILLS PAYABLE			
In Pakistan		1,523,933	918,435
Outside Pakistan		-	-
		<u>1,523,933</u>	<u>918,435</u>
15 DUE TO FINANCIAL INSTITUTIONS			
In Pakistan		3,197,770	561,000
Outside Pakistan		-	-
		<u>3,197,770</u>	<u>561,000</u>
15.1 Details of due to financial institutions secured / unsecured			
Secured			
Acceptances from State Bank of Pakistan under Islamic Export Refinance Scheme	15.1.1	1,039,350	561,000
Acceptances from State Bank of Pakistan for liquidity support	15.1.2	2,158,420	-
Unsecured			
Call acceptances		-	-
		<u>3,197,770</u>	<u>561,000</u>

15.1.1 The acceptances is on a profit and loss sharing basis and are secured against demand promissory notes executed in favour of the State Bank of Pakistan (SBP). A limit of Rs. 5,000 million (2014: Rs. 1,000 million) was allocated to the Bank by the SBP under Islamic Export Refinance Scheme for the financial year ended December 31, 2015.

15.1.2 This represents a 10 year financing facility of Rs.5,000 million extended by the State Bank of Pakistan (SBP). The facilities is secured against Government of Pakistan Ijarah Sukuk. The 10 year facility was provided on the basis of Mudaraba to be remunerated at profit sharing ratio declared by the Bank on its remunerative current accounts on monthly basis (the last declared rate in this respect is 0.01% per annum).

15.2	Note	2015	2014
		----- Rupees in '000 -----	
Particulars of due to financial institutions with respect to currencies			
In local currency		3,197,770	561,000
In foreign currencies		-	-
		<u>3,197,770</u>	<u>561,000</u>
16 DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		47,405,448	35,087,230
Savings deposits		51,231,874	36,926,200
Current accounts - non-remunerative		44,844,739	16,854,088
Margin accounts - non-remunerative		391,114	152,023
		<u>143,873,175</u>	<u>89,019,541</u>
Financial Institutions			
Remunerative deposits		8,964,444	1,113,164
Non-remunerative deposits		220,483	198,292
		<u>153,058,102</u>	<u>90,330,997</u>
16.1 Particulars of deposits			
In			
- local currency		150,404,887	88,586,108
- foreign currencies		2,653,215	1,744,889
		<u>153,058,102</u>	<u>90,330,997</u>
17 DEFERRED TAX ASSET / (LIABILITY)			
		2015	2014
		----- Rupees in '000 -----	
Deferred tax debits arising in respect of:			
Accumulated tax losses		1,620,070	-
Tax credit against minimum tax	17.1 & 17.2	315,488	(262,180)
Deficit on revaluation of available for sale securities		8,925	(48,418)
Provision for diminution in the value of investments		590,441	(13,750)
Provision against non-performing Islamic financing and related assets and advances		3,832,981	(2,788)
Provision for gratuity		21,253	-
Impairment of goodwill		92,240	-
Ijarah financing and related assets		13,743	-
Others		625,210	-
		<u>7,120,351</u>	<u>(327,136)</u>
Deferred tax credits arising due to:			
Ijarah financing and related assets		-	3,377
Accelerated tax depreciation		(201,923)	186,855
Surplus on revaluation of fixed assets		(656,390)	336,587
Fair value adjustments relating to net assets acquired upon amalgamation		(172,775)	-
Net investment in finance lease		(81,603)	-
		<u>(1,112,691)</u>	<u>526,819</u>
		<u>6,007,660</u>	<u>199,683</u>

- 17.1 The Bank has aggregate tax losses of Rs. 10,073.334 million as at December 31, 2015 which includes tax losses of defunct KASB Bank Limited (now amalgamated with and into the Bank). The management has carried out an assessment for estimating the benefit of these losses, the Bank would be able to set off from the profit earned in future years against these carry forward losses. Based on this assessment the management has recognised deferred tax debit balance amounting to Rs. 1,935.558 million [including deferred tax on minimum tax amounting to Rs. 315.488 million (2014: Rs. 262.180 million – representing deferred tax asset on minimum tax)]. The amount of this benefit has been determined based on the projected financial statements for the future periods as approved by the Board of Directors. The determination of future taxable profit is most sensitive to certain key assumptions such as cost to income ratio of the Bank, deposit's composition, kibar rates, growth of deposits and financing, investment returns, product mix of financing, potential provision against assets / financings, recoveries from non-performing loans and branch expansion plan. Any significant change in the key assumptions may have an effect on the realisability of the deferred tax asset.
- 17.2 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. 315.488 million (2014: Rs. 262.180 million) has been recognised as 'Deferred tax' in these financial statements.

18 OTHER LIABILITIES	Note	2015 ----- Rupees in '000 -----	2014 ----- Rupees in '000 -----
Profit / return payable in local currency		795,755	732,138
Profit / return payable in foreign currencies		3,283	2,303
Unearned fees and commission		6	-
Accrued expenses		449,825	146,049
Deferred Murabahah Income - Financing and IERS	11.11.1	249,323	323,516
Deferred Murabahah Income - Bai Muajjal		1,141,581	804,944
Deferred Murabahah Income - Commodity Murabahah		78,179	81,505
Payable to defined contribution plan		1,560	1,323
Security deposits against Ijarah		1,610,960	929,161
Provision against off-balance sheet obligations	18.1	293,603	-
Surplus Income of quarantined entity held for future admissible expenses	30	78,573	-
Current taxation (provisions less payments)		221,213	-
Sundry creditors		40,894	9,232
Unrealized loss on forward foreign exchange promises		13,817	3,145
Charity payable	18.2	3,956	6,212
Retention money		12,917	5,248
Withholding tax payable		6,879	12,369
WWF payable		-	7,016
Others		161,493	42,653
		5,163,817	3,106,814

A hand is holding a blue Visa Debit card over a payment terminal. The card features the BankIslami logo in Arabic calligraphy, the number 5628 8200 0000, the name SHAWZED SAHAB, and the date 01/11. The terminal is a grey device with a keypad and a card slot. The background is blurred, showing what appears to be a retail or service environment.

2011 Convenience Redefined

BankIslami launched Visa Debit card with ATM Cash & Accidental Takaful Coverage. Islami Sahulat Account, a special Deposit product of BankIslami with various Free facilities was also launched, this year.

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	Note	2015	2014
----- Rupees in '000 -----			
18.1 Provision against off-balance sheet obligations			
Opening balance		-	-
Transfer from the amalgamated entity		369,694	-
Amount written off		-	-
Transferred to provision against Islamic financing and related assets and Advances	11.16	(76,091)	-
Closing balance		<u>293,603</u>	<u>-</u>
18.2 Charity Payable			
Opening balance		6,212	7,879
Additions during the year		6,804	8,945
Payments during the year	18.2.1	(9,060)	(10,612)
Closing balance		<u>3,956</u>	<u>6,212</u>

18.2.1 Charity was paid to the following:

Alamgir Welfare Trust International	1,000	1,000
The Citizen Foundation	1,000	2,000
The Indus Hospital	1,000	2,000
Liaquat National Hospital & Medical College	500	-
Sindh Institute of Urology and Transplantation	500	-
Koohi Goth Hospital	500	-
Akhuwat Charity	-	1,000
Diya Pakistan	-	500
Shoukat Khanum Memorial	1,000	2,000
Kharadar General Hospital	-	500
Institute of Business Administration	-	575
Habib University	300	-
Aman Foundation	-	200
Infaq Foundation	1,000	-
Marie Adelaide Leprosy Center	500	-
Kiran Patient Welfare Society	350	-
Nighiban Welfare Association Charity	500	500
Kainat Zubairi	35	67
Mehak Ruba	50	120
Romaila Rashid	-	150
Mrs. Shahnaz Khan	825	-
	<u>9,060</u>	<u>10,612</u>

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

19 SHARE CAPITAL

19.1 Authorised capital

2015	2014		2015	2014
----- Number of Shares -----			----- Rupees in '000 -----	
<u>1,300,000,000</u>	<u>1,300,000,000</u>	Ordinary shares of Rs.10 each	<u>13,000,000</u>	<u>13,000,000</u>

19.2 Issued, subscribed and paid up capital

2015			2014			Ordinary shares of Rs 10 each	2015	2014
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		
575,872,090	-	575,872,090	527,967,898	-	527,967,898	At beginning of the year	5,758,721	5,279,679
432,040,000	-	432,040,000	47,904,192	-	47,904,192	Issued during the year - right issue	4,320,400	479,042
1,007,912,090	-	1,007,912,090	575,872,090	-	575,872,090	Balance as at December 31	10,079,121	5,758,721

20 RESERVES

	Note	2015	2014
		----- Rupees in '000 -----	
Statutory Reserves	20.1	273,176	273,176
Reserve for bad debts and contingencies	20.2	250,000	-
(Accumulated loss) / unappropriated profit		(171,453)	266,946
		<u>351,723</u>	<u>540,122</u>

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

20.2 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".

21 SURPLUS ON REVALUATION OF ASSETS

Surplus / (Deficit) arising on revaluation of:

	Note	2015	2014
		----- Rupees in '000 -----	
Fixed Assets	21.1	851,045	737,310
Available for sale securities	21.2	(16,577)	(89,891)
		<u>834,468</u>	<u>647,419</u>

21.1 Surplus on revaluation of fixed assets

	2015	2014
	----- Rupees in '000 -----	
Freehold Land	112,087	112,220
Building on lease hold land		
Surplus on revaluation of fixed assets at January 1	961,677	801,112
Surplus recognised during the year	194,646	172,180
Transferred to (accumulated loss) / un-appropriated profit in respect of incremental depreciation charged during the year	(12,652)	(7,550)
Related deferred tax liability in respect of incremental depreciation charged during the year	(6,813)	(4,065)
	<u>(19,465)</u>	<u>(11,615)</u>
	<u>1,136,858</u>	<u>961,677</u>
Related deferred tax liability on surplus as at January 1	(336,587)	(280,389)
Related deferred tax liability on surplus arising during the year	(68,126)	(60,263)
Related deferred tax liability in respect of incremental depreciation charged during the year	6,813	4,065
	<u>(397,900)</u>	<u>(336,587)</u>
	<u>738,958</u>	<u>625,090</u>
	<u>851,045</u>	<u>737,310</u>

	2015	2014
	----- Rupees in '000 -----	
21.2 Surplus on revaluation of available for sale securities		
Federal Government Securities		
- Ijarah Sukuk Bonds	1,177	(142,831)
Sukuk certificates		
- Sukuks unlisted	(20,758)	4,492
Fully paid up ordinary shares / Units		
- Ordinary shares of listed company	(5,956)	-
- Units of Open end Mutual Funds	35	30
	<u>(25,502)</u>	<u>(138,309)</u>
Related deferred tax asset	8,925	48,418
	<u>(16,577)</u>	<u>(89,891)</u>

22 CONTINGENCIES AND COMMITMENTS

22.1 Transaction-related contingent liabilities

Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring

- Government	452,948	299,083
- Others	10,707,081	2,613,521
	<u>11,160,029</u>	<u>2,912,604</u>

22.2 Trade-related contingent liabilities

Import letter of Credit	4,624,374	2,968,447
Acceptances	1,618,343	108,638
	<u>6,242,717</u>	<u>3,077,085</u>

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

	<u>150,000</u>	<u>150,000</u>
--	----------------	----------------

22.3.1 These mainly represent counter claims filed by the borrowers for restricting the Bank for disposal of assets (such as mortgaged / pledged assets kept as security), cases where the Bank was proforma defendant for defending its interest in the underlying collateral kept by it at the time of financing.

22.3.2 Consequent to the amalgamation of KASB Bank Limited with and into BankIslami Pakistan Limited as at May 7, 2015 certain cases have been filed by individuals pertaining to amalgamation in which the Bank has been made a party. The management based on the advice of its legal counsel is confident that there will be no financial loss to the Bank in respect of these cases.

22.4 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 initially deposited an amount of Rs. 10.4 million for filing appeal against the said case. Last year, the Bank had further 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.

- 22.5 As referred to in note 4.3, an amount of Rs. 981.410 million was appearing as advance against issue of right shares being received by the defunct KASB Bank Limited from Mr. Nasir Ali Shah Bukhari, a former sponsor of the defunct KASB Bank Limited and other shareholders. The defunct KASB Bank Limited, when it was under the management and control of Mr. Bukhari, did not issue shares against the said advance, amongst other reasons, due to default on the part of the sponsors for meeting the minimum capital requirement. The amount was reported by the defunct KASB Bank Limited as a part of the shareholders equity in the financial statements with the permission of SBP consistent with the practice followed by other Banks in Pakistan. The defunct KASB Bank Limited is now amalgamated with and into the BIPL, with effect from May 7, 2015, as per the Scheme of Amalgamation sanctioned by the Federal Government. The KASB Corporation Limited and one of its sponsors has filed a suit no: 1102/2015 in the Honorable High Court of Sindh, wherein, they prayed for restraining the BIPL from using or transferring the amount of advance for any purpose whatsoever during the pendency of the instant proceedings. Pursuant to the said suit, an order has been passed by the Honorable High Court of Sindh on July 1, 2015, whereby, the Bank has been asked to submit a statement of financial position and keep the amount in the same position. The Bank is of the view that, in addition to other reasons, as Advance against future issue of right shares appeared as shareholders equity in the financial statements prepared by the defunct KASB Bank Limited itself, it did not form part of the assets and liabilities of the defunct Bank transferred to the Bank under the scheme of amalgamation. The same position has been maintained.

	2015	2014
	----- Rupees in '000 -----	
22.6 Commitments in respect of promises		
Purchases	4,971,841	1,763,272
Sales	4,808,264	1,310,100
22.7 Commitments for the acquisition of operating fixed assets	61,451	134,178

22.8 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.

22.9 Taxation

- 22.9.1 The income tax returns of the Bank have been filed and tax assessments have been made by the tax authorities upto tax year 2014. The return filed for the tax year 2015 is treated to be deemed assessment order under section 120 of the Income Tax Ordinance, 2001.
- 22.9.2 During the year 2014 (relating to defunct KASB Bank Limited), the learned Additional Commissioner Inland Revenue (ACIR) passed amended assessments order under section 122(5A) of the Income Tax Ordinance, 2001 for tax Years 2011 and 2013 by imposing minimum tax on turnover disregarding gross loss position of the bank. ACIR has also amended taxability of capital gain and dividend income. The aggregate tax impact comes to Rs.116.002 million. Against the said order, the bank filed appeal before the Commissioner Inland Revenue - Appeals (CIRA). During the year the learned CIRA issued order under section 129 of the Ordinance by deleting the tax charged on capital gain and dividend income and upheld the levy of minimum tax. The learned ACIR has passed appeal effect order under section 124 of the Ordinance. After appeal effect order the aforesaid demand has now been reduced to Rs.89.928 million. Against the order of the learned CIRA, the Bank has filed an appeal before the Honourable Appellate Tribunal Inland Revenue (ATIR). However, the department has filed appeal against the CIRA Order on the issue of capital gain and dividend income. Therefore, cross appeal for the tax year 2011 and 2013 is pending before ATIR.
- 22.9.3 During the year 2014 (relating to defunct KASB Bank Limited), in respect of Income tax assessments of International Housing Finance Limited (amalgamated into the defunct KASB Bank Limited during the year ended 31 December 2007) for tax year 2005, CIR Appeals has maintained the order of the Taxation Officer to the extent of disallowances relating to income from carry over transactions and gain on sale of property having an aggregate tax impact of Rs 12.997 million. The Defunct Kasb Bank Limited has preferred appeals before the ATIR for tax year 2005.
- 22.9.4 The income tax returns of the Bank (relating to defunct KASB Bank Limited), for Azad Jammu Kashmir (AJK) region have been filed and tax assessments have been made by the tax authorities upto and including tax year 2014.
- 22.9.5 During the year 2013 (relating to defunct KASB Bank Limited), the Appellate Tribunal Inland Revenue (ATIR) passed an order for the tax years 2005 to 2009 in favour of the defunct KASB Bank Limited by allowing certain deductions including provision for non-performing advances, impairment on investments, other provisions, amortization of goodwill and allocation of expenses having an aggregate tax impact of Rs. 712.550 million. However, the ATIR has disallowed deductions relating to carry over transactions having tax impact of Rs. 86.377 million for the tax years 2005 to 2008. The Defunct Kasb Bank Limited has preferred an appeal before the Honourable High Court of Sindh against the said decision of the ATIR. No development has taken place during the current period 2015.

- 22.9.6 During the year 2013 (relating to defunct KASB Bank Limited), the Income tax assessments of KASB Capital Limited (amalgamated into the defunct KASB Bank Limited during the year ended 31 December 2008) for tax years 2008 and 2009 were amended by the Taxation Officer to the extent of apportionment of expenses having an aggregate tax impact of Rs 125.880 million. The Bank has preferred an appeal before the Honourable High Court of Sindh against the said decision of tax authorities. No development has taken place till the current period end.
- 22.9.7 For tax years 2003 and 2004 (relating to defunct KASB Bank Limited), the Commissioner Inland Revenue Appeals (CIR Appeals) has passed appellate orders on account of certain disallowances in respect of income from carry over transactions, provision against non performing advances, bad debts and certain other items having an aggregate tax impact of Rs. 33.748 million. The defunct KASB Bank Limited has preferred appeal before the Appellate Tribunal Inland Revenue (ATIR) against the above referred orders of the CIR Appeals. No development has taken place during the current period.
- 22.9.8 For assessment years 2001-2002 and 2002-2003 and tax years 2003, 2004 and 2005 (relating to defunct KASB Bank Limited), the income tax authorities of AJK region have passed appellate orders by adding interest on surplus funds transferred to head office, resulting in an additional tax demand of Rs. 14.587 million. The defunct KASB Bank Limited has filed reference with the Azad Kashmir High Court against such additions for the above mentioned assessment/ tax years upto 2004. For tax year 2005, the Commissioner Income Tax (Appeals) - AJK has passed order in favour of the defunct KASB Bank Limited . However, the tax department has preferred appeal before the Appellate Tribunal Inland Revenue (ATIR) - AJK against interest on surplus head office funds, having tax impact of Rs. 5.337 million. For tax years 2006 and 2008, AJK tax department passed orders under section 122(5A) of the Ordinance. As a result of these orders , aggregate demand of Rs 19.178 million was raised against the defunct KASB Bank Limited . However, the order for the tax year 2008 has subsequently rectified under section 221 of the Ordinance. Thereby aggregate demand for tax year 2006 and 2008 reduced to Rs.13.304 million. During the year the learned Commissioner Income Tax (Appeals) - AJK has passed orders under section 129 of the Ordinance for the tax year 2006 and 2008 whereby he has confirmed all additions. Therefore, the defunct KASB Bank Limited has preferred an appeal before the ITAT - AJK . An appeal against the order of CIRA for the tax year 2006 and 2008 has been filed by the Bank before the Appellate Tribunal Inland Revenue (ATIR) - AJK.
- 22.9.9 During the year 2014 (relating to defunct KASB Bank Limited), the Commissioner Inland Revenue (Appeals) has given decision in favour of the defunct KASB Bank Limited relating to tax periods from 2007 to 2011 for payment of Federal Excise Duty and annulling default surcharge and penalty. However, the tax department has preferred appeal before the Appellate Tribunal against annulment of default surcharge and penalty amounting to Rs. 33.208 million.

The management, based on the opinion of its tax advisor, is confident about the favourable outcome of the above matters and consequently no additional provision has been made in these financial statements.

	Note	2015 ----- Rupees in '000 -----	2014
22.10 Other commitments			
Bills for collection		1,627,426	191,002
23 PROFIT / RETURN EARNED			
On financing to:			
- Customers		3,800,018	3,860,305
- Financial institutions		2,670,306	916,154
		6,470,324	4,776,459
On investments in available for sale securities		2,295,166	2,987,215
On deposits / placements with financial institutions		11,848	6,318
Others		56,822	42,310
		8,834,160	7,812,302
24 PROFIT / RETURN EXPENSED			
Deposits		4,574,209	4,280,360
Other short term fund generation		141,428	44,349
Others		403,185	134,361
		5,118,822	4,459,070
25 GAIN ON SALE OF SECURITIES			
Federal Govt. Securities:			
Sukuk Certificates		-	4,765
Unlisted Securities			
Sukuk certificates		12,003	27,408
		12,003	32,173
26 OTHER INCOME			
Rent on property		2,421	-
Gain on termination of financing		35,528	30,031
Gain on sale of property and equipment	12.2.1	3,604	4,642
Income from sale of Non-Banking Asset		-	408
Amount recovered from staff		10,133	1,873
Income from tracker charges		13,083	3,120
		64,769	40,074
27 ADMINISTRATIVE EXPENSES			
Salaries, allowances, and other benefits	27.1	2,063,986	1,433,366
Charge for defined benefit plan	34	49,959	32,824
Contribution to defined contribution plan	35	67,805	43,056
Non-executive directors' fees, allowances and other expenses	36	1,550	1,550
Insurance on consumer car Ijarah		79,374	46,096
Rent, taxes, insurance, electricity, etc.		1,095,000	721,183
Legal and professional charges		41,980	17,590
Communications		243,859	128,768
Repairs and maintenance		221,386	87,042
Stationery and printing		73,737	38,159
Advertisement and publicity		96,798	57,002
Auditors' remuneration	27.2	26,471	7,775
Depreciation	12.2	506,960	329,684
Amortisation	12.3	30,196	15,104
CDC and share registrar services		18,794	10,532
Entertainment expense		40,568	32,682
Security service charges		238,644	165,947
Brokerage and commission		23,089	7,958
Travelling and conveyance		25,487	23,946
Remuneration to Shariah Board		900	900
Fees and subscription		136,033	154,683
Vehicle running and maintenance		56,053	57,474
Others		107,086	49,030
		5,245,715	3,462,351
Allowable administrative expenses of the quarantined entity for the period as per the Shariah Board's approval	30	(208,517)	-
		5,037,198	3,462,351

27.1 This includes Rs.105.023 million (2014: Rs. 77.792 million) paid to employees in respect of car monetisation allowance.

	2015	2014
	----- Rupees in '000 -----	
27.2 Auditors' remuneration		
Audit fee	6,500	2,875
Fee for the review of half yearly financial statements	2,500	900
Special audit due to amalgamation	15,500	-
Special certifications and sundry advisory services	635	2,627
Out-of-pocket expenses	1,336	1,373
	<u>26,471</u>	<u>7,775</u>
28 OTHER CHARGES		
Penalties imposed by the State Bank of Pakistan	2,134	3,250
Worker's Welfare Fund	-	9,402
	<u>2,134</u>	<u>12,652</u>
29 TAXATION		
- Current year	99,299	84,442
- Prior years	21,437	-
- Deferred	(197,119)	71,630
	<u>(76,383)</u>	<u>156,072</u>

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

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.

30 FINANCIAL RESULTS OF CONVENTIONAL OPERATIONS

As more fully explained in note 4 to these financial statements, during the current period the Bank has acquired the operations of the defunct KASB Bank Limited effective from May 7, 2015 (close of business). The defunct KASB Bank Limited was operating as a conventional Bank in Pakistan. The Shariah Board of the Bank, keeping in view the extraordinary circumstances under which the former KASB Bank Limited was acquired, allowed a run-off period (six months) within which the conventional portfolio of the defunct KASB Bank Limited was required to be converted into Shariah based products. During this period, the bank's management was required to quarantine the operations of the defunct KASB Bank Limited from BankIslami Pakistan Limited's operations.

During the quarantine period, the Shariah Board of the Bank further allowed the management of the Bank to use the income relating to defunct KASB Bank Limited's portfolio for paying the expenses of the quarantined entity without taking it to the profit and loss account. In this regard, the mark-up receivable and mark-up payable as at May 7, 2015 pertaining to defunct KASB Bank Limited also form part of the quarantined entity. The surplus has been netted off with the administrative expenses of the quarantined entity, as per the approval of the Shariah Board. The Shariah Board of the Bank has also given approval for recognising income in respect of recoveries (to the extent of principal amount) made against non-performing loans of quarantined entity in the books of BankIslami Pakistan Limited as receiving this amount does not create any Shariah non-compliance. Accordingly, the recoveries pertaining to non-performing loans of the quarantined entity have been recognised in the profit and loss account. The results of the quarantined entity are detailed below:

	Note	2015 Rupees in '000
Inflow / accrual of markup / interest income		596,873
Outflow / accrual of markup / interest expense		(264,776)
Less: Loss on sale of securities		(61,645)
Add: Dividend income		16,638
Surplus adjustable against administrative expenses as per the approval of the Shariah Board (for quarantined entity)		<u>287,090</u>
Allowable administrative expenses of the quarantined entity for the period as per the Shariah Board's approval transferred to administrative expenses		(208,517)
Surplus income of quarantined entity held for future admissible expenses shown in other liabilities	18	<u>78,573</u>

The total administrative expenses of the quarantined entity were higher than the above surplus and hence, the entire surplus has been adjusted / transferred to administrative expenses.

Keeping in view the current circumstances, the Shariah Board of the Bank has allowed to utilize the amount of income recovered from conventional products subsequent to quarantine period for paying of legal and marketing / advertisement expenses directly relating to amalgamation of the defunct Kasb Bank Undertakings with and into the Bank. As a result, the income due / received from converted portfolio during the period from November 8, 2015 to December 31, 2015 amounting to Rs. 78.573 million has been kept in a separate account under the head "Surplus income of quarantined entity held for future admissible expenses" appearing in other liabilities. Any excess amount remaining in this account on conclusion of the period (to be decided by the Shariah Board) would be transferred to charity account in that relevant period.

31	BASIC AND DILUTED (LOSS) / EARNINGS PER SHARE	Note	2015 ----- Rupees in '000 -----	2014 ----- Rupees in '000 -----
	(Loss) / profit after taxation for the year		(196,004)	313,650
	Weighted average number of ordinary shares in issue		804,320,638	542,882,326
	(Loss) / Earnings per share - basic / diluted	31.1	(0.2437)	0.5777
31.1	There were no convertible / dilutive potential ordinary shares outstanding as at December 31, 2015 and December 31, 2014.			

32	CASH AND CASH EQUIVALENTS	Note	2015 ----- Rupees in '000 -----	2014 ----- Rupees in '000 -----
	Cash and balances with treasury banks	7	9,035,886	6,361,444
	Balances with other banks	8	1,780,710	733,523
			<u>10,816,596</u>	<u>7,094,967</u>

33	STAFF STRENGTH	2015 Number of employees	2014 Number of employees
	Permanent	2,224	1,613
	Contractual basis	705	537
	Bank's own staff strength at the end of the year	<u>2,929</u>	<u>2,150</u>
	Outsourced	608	379
	Total staff strength	<u>3,537</u>	<u>2,529</u>

34 DEFINED BENEFIT PLAN

34.1 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 2,224 (2014: 1,613). The latest actuarial valuation of the Bank's gratuity scheme was carried out as at December 31, 2015. Projected unit credit method, using the following significant assumptions, was used for the valuation of the defined benefit plan:

34.2 Actuarial assumption	2015	2014
- Valuation Discount rate	10.50%	11.25%
- Salary Increase Rate	10.00%	10.75%
- Expected Return on Plan Assets	10.50%	11.25%

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.

34.3 Reconciliation of receivable from defined benefit plan	2015 -----Rupees in '000-----	2014 -----Rupees in '000-----
Present value of defined benefit obligations	215,613	162,595
Fair value of plan assets	(242,126)	(174,177)
Asset recognised in the statement of financial position	<u>(26,513)</u>	<u>(11,582)</u>

2012 Product Innovation

BankIslami launched Banca Takaful product, a life Takaful product in collaboration with Pak Qatar Takaful Company Limited. MoneyGram Remittance service was also launched, this year.





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34.4 Plan assets consist of the following:

	2015		2014	
	(Rupees in '000)	%	(Rupees in '000)	%
TDRs	-	0%	76,179	44%
Bank balance	242,126	100%	20,668	12%
Ijarah Sukuk	-	0%	77,330	44%
	<u>242,126</u>	<u>100%</u>	<u>174,177</u>	<u>100%</u>

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

	2015		
	Present value of obligation	Fair value of plan assets	Total
	(Rupees in '000)		
At January 1	162,595	(174,177)	(11,582)
Current service cost	47,175	-	47,175
Return expense / (income)	17,265	(14,481)	2,784
	<u>227,035</u>	<u>(188,658)</u>	<u>38,377</u>
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 losses / (gains)	6,841	923	7,764
	<u>6,841</u>	<u>923</u>	<u>7,764</u>
	<u>233,876</u>	<u>(187,735)</u>	<u>46,141</u>
Contribution	-	(72,654)	(72,654)
Benefit payments	(18,263)	18,263	-
At December 31	<u>215,613</u>	<u>(242,126)</u>	<u>(26,513)</u>
	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)
	<u>176,909</u>	<u>(170,863)</u>	<u>6,046</u>
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 losses / (gains)	20,337	4,822	25,159
	<u>20,337</u>	<u>4,822</u>	<u>25,159</u>
	<u>197,246</u>	<u>(166,041)</u>	<u>31,205</u>
Contribution	-	(42,787)	(42,787)
Benefit payments	(34,651)	34,651	-
At December 31	<u>162,595</u>	<u>(174,177)</u>	<u>(11,582)</u>

34.6 Charge for the Defined Benefit Plan

Current service cost	47,175	38,251
Net financial charges	2,784	(5,427)
Actuarial (gain) / loss recognised	-	-
	<u>49,959</u>	<u>32,824</u>

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

34.8 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 ----- (Rupees in '000) -----	Decrease in assumption
Discount rate	1.0%	(192,133)	242,392
Salary growth rate	1.0%	241,724	(193,211)
		Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy / Withdrawal rate		215,656	215,570

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.

34.9 The weighted average duration of the defined benefit obligation is 12 years.

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

At December 31, 2015	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
	----- Rupees '000 -----				
Gratuity	186,856	258,387	1,484,199	191,899,865	193,829,307

34.11 Historical information

	2015	2014	2013	2012	2011
	----- (Rupees in '000) -----				
As at December 31					
Present value of defined benefit obligation	215,613	162,595	124,699	87,240	63,884
Fair value of plan assets	(242,126)	(174,177)	(151,477)	(107,104)	(82,426)
Surplus	(26,513)	(11,582)	(26,778)	(19,864)	(18,542)
Experience adjustments on plan liabilities	6,841	20,337	8,590	(1,962)	(11,680)

34.12 Funding levels are monitored on an annual basis and are based on actuarial recommendations. Expected Gratuity Expense for the next year works out to Rs. 66.169 million as per the actuarial valuation report of the Bank as of December 31, 2015.

34.13 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

34.14 The disclosures made in notes 34.1 to 34.13 are based on the information included in the actuarial valuation report of the Bank as of December 31, 2015.

35 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. 67.805 million (2014: Rs. 43.056 million) each.

36 COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive		Directors		Executives	
	2015	2014	2015	2014	2015	2014
	Rupees in '000					
Fees	-	-	1,550	1,550	-	-
Managerial remuneration	25,550	21,691	-	-	247,848	184,288
Charge for defined benefit plan *	-	475	-	-	21,528	14,049
Salary in lieu of provident fund	2,555	2,169	-	-	-	-
Contribution to defined contribution plan	-	-	-	-	21,967	15,765
Rent and house maintenance	705	599	-	-	111,531	82,929
Utilities	2,555	2,169	-	-	24,785	18,429
Medical	2,555	2,169	-	-	24,785	18,429
Others	-	-	-	-	50,605	51,113
	<u>33,920</u>	<u>29,272</u>	<u>1,550</u>	<u>1,550</u>	<u>503,049</u>	<u>385,002</u>
Number of persons	<u>1</u>	<u>1</u>	<u>7</u>	<u>5</u>	<u>262</u>	<u>213</u>

36.1 The Bank's President / Chief Executive is also provided with car allowance of Rs. 5.419 million (2014: Rs. 5.419 million) as per the policy of the Bank.

36.2 In addition to above, the Executives have also been given car allowance amounting to Rs. 98.993 million (2014: Rs. 52.368 million) during the current year.

37 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 6.2.5 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 6.3 to these financial statements. The repricing, maturity profile and effective rates are stated in note 41 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.

37.1 Off-balance sheet financial instruments

	2015		2014	
	Book value	Fair value	Book value	Fair value
	Rupees in '000			
Forward purchase of foreign currencies	5,001,768	4,971,841	1,782,779	1,763,272
Forward sale of foreign currencies	4,824,374	4,808,264	1,326,462	1,310,100

37.2 The table below analyses financial and non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs e.g. estimated future cash flows) (Level 3).

	2015			Total
	Level 1	Level 2	Level 3	
RECURRING FAIR VALUE MEASUREMENTS				
<i>Financial Assets</i>				
Available for sale securities				
Ordinary shares - listed	267,841	-	-	267,841
GOP Sukuks	-	9,331,600	-	9,331,600
WAPDA Sukuks	-	606,016	-	606,016
Units of open ended mutual funds	56	-	-	56
NON - RECURRING FAIR VALUE MEASUREMENTS				
Subsidiaries	-	-	522,801	522,801
Associates	-	-	627,942	627,942
Ordinary shares - unlisted	-	-	577,675	577,675
Non-performing loans	-	-	1,048,096	1,048,096
<i>Non-Financial Assets</i>				
Operating fixed assets	-	3,657,415	-	3,657,415
Core deposits intangible	-	-	40,600	40,600
<i>Commitments in respect of forward exchange contracts</i>				
Forward purchase of foreign exchange contracts	-	4,971,841	-	4,971,841
Forward sale of foreign exchange contracts	-	4,808,264	-	4,808,264

The non-recurring fair value measurements represent assets acquired as part of business combination during the current year and are carried at fair value.

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

There were no transfers between levels 1 and 2 during the year.

(a) Financial instruments in level 1

Financial instruments included in level 1 comprise of investments in listed ordinary shares.

(b) Financial instruments in level 2

Financial instruments included in level 2 comprise of GoP Ijarah sukuks, WAPDA sukuks classified as available for sale, forward foreign exchange contracts and operating fixed assets (land and building).

(c) Financial instruments in level 3

Financial instruments included in level 3 comprise of investment in subsidiaries, investment in associates, investment in unlisted company, valuation of non-performing loans and core deposit intangibles acquired as part of business combination.

Valuation techniques used in determination of fair values within level 2

Item	Valuation approach and input used
GOP Sukuks WAPDA Sukuks	The fair value of GoP Ijarah Sukuks and WAPDA Sukuks quoted are derived using PKISRV rates. The PKISRV rates are announced by FMA (Financial Market Association) through Reuters. The rates announced are simple average of quotes received from 6 different pre-defined / approved dealers / brokers.
Forward foreign exchange contracts	The valuation has been determined by interpolating the mid rates announced by State Bank of Pakistan.
Operating fixed assets (land and building)	Land and buildings are revalued by professionally qualified valuers as per the accounting policy disclosed in note 6.4. The valuers are listed on the panel of the Pakistan Bank's Association. The valuation is based on their assessment of market value of the properties.

Valuation techniques used in determination of fair values within level 3

Item	Valuation approach and key input used
Subsidiary	Discounted cashflow is the primary valuation methodology. Significant Unobservable Input Used: Discount rate of 18.5% and terminal growth of 6% have been used. Relationship of unobservable inputs to fair value: A slight increase / decrease in discount rate would result in a decrease / increase in fair value by an insignificant amount.
Associate	Discounted cashflow is the primary valuation methodology. Qualitative analysis were also applied considering lack of marketability / liquidity attributes / lack of control over the investee company and accordingly an appropriate discount has been applied. Significant Unobservable Input Used: The discount rate used in DCF valuation methodology is based on the Weighted Average Cost of Capital (WACC) of 13.4%. Terminal growth rate of 5% has been used. Discount for lack of marketability (DLOM) and discount for lack of control (DLOC) have been used considering qualitative factors. Relationship of unobservable inputs to fair value: A slight increase / decrease in WACC / DLOM / DLOC would result in a decrease / increase in fair value by an insignificant amount.
Investment in Unlisted company	Qualitative analysis have been used based on the marketability / liquidity attributes / control over the investee company and accordingly an appropriate discount has been applied. Significant Unobservable Input Used: Discount for lack of marketability (DLOM) and discount for lack of control (DLOC) have been used considering qualitative factors. Relationship of unobservable inputs to fair value: A slight increase / decrease in DLOM / DLOC would result in a decrease / increase in fair value by an insignificant amount.
Core deposits intangible	The fair value of this identifiable intangible asset has been determined using income approach. In applying income approach, the Bank used Multiple-period Excess Earnings Method to determine the value of this intangible asset. Under this method the value of a specific intangible asset is estimated from the residual earnings after fair returns on all other assets employed (including other intangible assets) have been deducted from the asset's after-tax operating earnings. Significant Unobservable Input Used: Discount factor used for the valuation purpose is 19%. Relationship of unobservable inputs to fair value: An increase / decrease in discount rate would result in a decrease / increase in fair value by an insignificant amount.
Non-performing loans	In order to determine the fair value of NPL portfolio, discounted cash flow approach has been used. Significant Unobservable Input Used: The expected future cash flows are discounted at cost of equity of 18% step up by 1% restructuring charge (Discount factor). Relationship of unobservable inputs to fair value: A increase / decrease in discount factor would result in a decrease / increase in fair value by an insignificant amount.

38 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				
2015					
Total income	2,127,287	3,814,313	3,206,087	256,501	9,404,188
Total expenses	462,156	4,417,897	2,761,837	2,034,685	9,676,575
Net income / (loss)	1,665,131	(603,584)	444,250	(1,778,184)	(272,387)
Segment assets (gross)	81,728,963	41,278,972	67,762,187	2,729,791	193,499,913
Segment non - performing assets	7,271,484	1,723,915	14,099,002	36,468	23,130,869
Segment provision required	7,292,107	1,712,282	10,329,396	36,236	19,370,021
Segment liabilities	3,206,205	80,030,354	77,223,056	2,484,007	162,943,622
Segment return on assets (ROA) (%)	2.04%	-1.46%	0.66%	-	-
Segment cost of funds (%)	5.14%	4.35%	4.01%	-	-
	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%	-	-

39 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 36 are as follows:

<u>Subsidiary</u>	2015 ----- Rupees '000 -----	2014 ----- Rupees '000 -----
Islamic Financing and related assets		
At beginning of the year	150,000	*
Accrued during the year	-	-
Repayments	-	-
At end of the year	<u>150,000</u>	<u>-</u>
Deposits		
At beginning of the year	385,653	* 55,877
Deposits during the year	22,536,195	251,556
Withdrawals during the year	(22,477,592)	(307,307)
At end of the year	<u>444,256</u>	<u>126</u>
Transactions, income and expenses		
Profit earned on financing	9,364	-
Receivable on financing	3,482	-
Return on deposit expensed	17,671	8,824
Administrative expense	2,913	-
Associates		
Islamic Financing and related assets		
At beginning of the year	93,750	* 1,830
Disbursements	90,000	13,001
Repayments	(93,750)	(14,831)
At end of the year	<u>90,000</u>	<u>-</u>
Prepayments		
At beginning of the year	12,733	7,632
Additions during the year	29,126	27,496
Expired during the year	(22,476)	(22,395)
At end of the year	<u>19,383</u>	<u>12,733</u>
Deposits		
At beginning of the year	664,636	* 314,696
Deposits during the year	3,931,438	1,789,122
Withdrawals during the year	(3,178,596)	(1,507,715)
Balance transferred during the period	(551,377)	-
At end of the year	<u>866,101</u>	<u>596,103</u>

	2015	2014
	Rupees '000	
Transactions, income and expenses		
Profit earned on financing	3,200	-
Return on deposits expensed	135,977	26,027
Administrative expense	24,833	55,775
Payable on deposits	-	1,524
Receivable on financing	1,626	-
Dividend income	16,638	-
Key management personnel		
Islamic financing and related assets		
At beginning of the year	111,354 *	67,806
Disbursements	92,249	55,550
Repaid during the year	(68,493)	(26,246)
At end of the year	135,110	97,110
Deposits		
At beginning of the year	15,330 *	29,778
Deposits during the year	89,163	115,898
Withdrawals during the year	(88,979)	(130,857)
At end of the year	15,514	14,819
Transactions, income and expenses		
Profit earned on financing	2,935	2,641
Return on deposits expensed	197	427
Remuneration	51,979	45,307
Payable on deposits	-	953
Other related parties		
Deposits		
At beginning of the year	212,369 *	-
Deposits during the year	596,139	-
Withdrawals during the year	(714,459)	-
Balance transferred during the period	551,377	-
At end of the year	645,426	-
Transactions, income and expenses		
Receivable from KASB Modarba Limited	17,880	-
Return on deposits expensed	4,556	-
Dividend income	1,149	-
Other income	185	-
Employee benefit plans		
Contribution to employees gratuity fund	72,654	42,787
Charge for defined benefit plan	49,959	32,824
Contribution to employees provident fund	67,805	43,056

* 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.

40 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) introduced guidelines with respect to disclosure of capital adequacy related information in the financial statements of banks vide its communication dated February 4, 2014. These guidelines are based on the requirements of Basel III which were introduced by the SBP in August 2013 for implementation by the banks in Pakistan. The SBP has specified a transitional period till 2018 for implementation of Basel III. The SBP vide its BPRD Circular No. 11 of 2014 dated November 5, 2014 has specified the disclosure requirements with respect to capital adequacy related information. The disclosures below have been prepared on the basis of the SBP's circular.

40.1 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.

40.2 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. The State Bank of Pakistan vide its letter no BPRD(R&P)-02/625-112/2016/13918 dated June 2, 2016 has given relaxation to the Bank for non-deduction of goodwill from CET 1 capital as at December 31, 2015 for the purpose of calculating the Capital Adequacy Ratio (CAR) of the Bank. Accordingly, the amount of goodwill has not been deducted from CET 1 capital.
 - 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 67%).

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.

40.3 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	2015	2014
	Amount	
	----- Rupees in '000 -----	
Common Equity Tier 1 capital (CET1): Instruments and reserves		
Fully paid-up capital / capital deposited with the SBP	10,079,121	5,758,721
Balance in share premium account	-	-
Reserve for issue of bonus shares	-	-
Discount on issue of shares	(79,042)	(79,042)
General / Statutory Reserves	527,176	273,176
Gains / (Losses) on derivatives held as Cash Flow Hedge	-	-
Unappropriated profits / (Accumulated loss)	171,453	266,946
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	10,351,802	6,219,801
Total regulatory adjustments applied to CET1 (Note 40.3.1)	(2,458,621)	(152,356)
Common Equity Tier 1	7,893,181	6,067,445
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 40.3.2)	(200,308)	(60,723)
Additional Tier 1 capital after regulatory adjustments	-	-
Tier 1 Capital (CET1 + admissible AT1)	7,893,181	6,067,445
Tier 2 Capital		
Qualifying Tier 2 capital instruments under Basel III plus any related share premium *	2,158,420	-
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	135,593	76,644
Revaluation Reserves (net of taxes)		
of which:		
- Revaluation reserves on fixed assets	570,200	412,894
- Unrealized gains/losses on AFS	(11,107)	(50,339)
Foreign Exchange Translation Reserves	-	-
Undisclosed/Other Reserves (if any)	-	-
T2 before regulatory adjustments	2,853,106	439,199
Total regulatory adjustment applied to T2 capital (Note 40.3.3)	(200,308)	(60,723)
Tier 2 capital (T2) after regulatory adjustments	2,652,798	378,476
Tier 2 capital recognized for capital adequacy	2,652,798	378,476
Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
Total Tier 2 capital admissible for capital adequacy	2,652,798	378,476
TOTAL CAPITAL (T1 + admissible T2)	10,545,979	6,445,921
Total Risk Weighted Assets (RWA) (for details refer Note 40.6)	85,431,513	38,600,550

* Considered as Tier II capital as per the SBP's approval vide letter no BPRD(R&P)-02/625-112/2016/13918 dated June 2, 2016.

Particulars	2015	2014
	Amount	
	Rupees in '000	
Capital Ratios and buffers (in percentage of risk weighted assets)		
CET1 to total RWA	9.24%	15.72%
Tier-1 capital to total RWA	9.24%	15.72%
Total capital to total RWA	12.34%	16.70%
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)	3.24%	10.22%
National minimum capital requirements prescribed by SBP		
CET1 minimum ratio	6.00%	5.50%
Tier 1 minimum ratio	7.50%	7.00%
Total capital minimum ratio	10.00%	10.00%
CCB (Consisting of CET 1 only)	0.25%	-
Total Capital plus CCB	10.25%	-

Particulars	2015		2014	
	Amount	Pre-Basel III treatment*	Amount	Pre-Basel III treatment*
	Rupees in '000			

40.3.1 Common Equity Tier 1 capital: Regulatory adjustments

Goodwill (net of related deferred tax liability)	-	-	-	-
All other intangibles (net of any associated deferred tax liability)	173,301	173,301	39,197	-
Shortfall of provisions against classified assets	-	-	-	-
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	774,223	1,935,558	52,436	209,744
Defined-benefit pension fund net assets	10,605	26,513	-	-
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)	1,300,184	3,250,459	-	-
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	200,308	200,308	60,723	60,723
Total regulatory adjustments applied to CET1	2,458,621	5,586,139	152,356	270,467

40.3.2 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	-	-	-	-

Particulars	2015		2014	
	Amount	Pre-Base I treatment*	Amount	Pre-Base I treatment*
	Rupees in '000			
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-Base I treatment which, during transitional period, remain subject to deduction from tier-1 capital	200,308	200,308	60,723	60,723
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-	-	-
Total of Regulatory Adjustment applied to AT1 capital	200,308	200,308	60,723	60,723

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

40.3.3 Tier 2 Capital: regulatory adjustments

Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Base I treatment which, during transitional period, remain subject to deduction from tier-2 capital	200,308	200,308	60,723	60,723
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	200,308	200,308	60,723	60,723

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

40.3.4 Risk Weighted Assets subject to pre-Base I treatment

	2015	2014
	----- Rupees in '000 -----	
Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Base I Treatment)	-	-
of which: deferred tax assets	1,161,335	209,744
of which: Defined-benefit pension fund net assets	15,908	-
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	267,076	30,362
Deferred tax assets arising from temporary differences (net of related tax liability)	1,950,275	-
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)	135,593	76,644
Cap on inclusion of provisions in Tier 2 under standardized approach	971,635	403,955
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	-	-

40.3.5 Leverage ratio

According to Basel III instructions issued by State Bank of Pakistan (BPRD circular # 06 dated August 15, 2013), it is mandatory for all the banks to calculate and report the Leverage Ratio on a quarterly basis with the minimum benchmark of 3%.

The reason for calculating leverage ratio is to avoid excessive On- and Off-balance sheet leverage in the banking system. A simple, transparent and non-risk based Ratio has been introduced with the following objectives:

- Constrain the build-up of leverage in the banking sector which can damage the broader financial system and the economy; and
- Reinforce the risk based requirements with an easy to understand and a non-risk based measure.

Particulars	2015	2014
	Rupees in '000	
On balance sheet exposures		
1 On-balance sheet items (excluding unrealised gain on forward contracts)	171,671,272	101,884,229
2 Forward exchange commitments with positive fair values	40,340	16,703
Total on balance sheet exposures	171,711,612	101,900,932
Off balance sheet exposures		
3 Off-balance sheet items	21,643,603	8,106,448
4 Commitment in respect of forward exchange contracts	51,066	31,075
Total Off balance sheet exposures	21,694,669	8,137,523
Capital and total exposures		
5 Tier 1 capital (Note 40.3)	7,893,181	6,067,445
6 Total exposures	193,406,281	110,038,455
Basel III leverage ratio	4.08%	5.51%

The current year's leverage ratio is 4.08% (2014: 5.51%) whereas total tier 1 capital and total exposures are Rs. 7,893.181 million (2014: Rs. 6,067.445 million) and Rs. 193,406.281 million (2014: Rs. 110,038.455 million) respectively.

40.4 Capital Structure Reconciliation

40.4.1 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	9,035,886	9,035,886
Balances with other banks	1,780,710	1,780,710
Due from financial institutions	39,824,221	39,824,221
Investments	35,885,958	35,885,958
Islamic financing and related assets	69,576,275	69,576,275
Operating fixed assets	5,633,219	5,633,219
Deferred tax assets	6,007,660	6,007,660
Other assets	6,385,963	6,385,963
Total assets	174,129,892	174,129,892
Liabilities and Equity		
Bills payable	1,523,933	1,523,933
Due to financial institutions	3,197,770	3,197,770
Deposits and other accounts	153,058,102	153,058,102
Sub-ordinated loans	-	-
Liabilities against assets subject to finance leases	-	-
Deferred tax liabilities	-	-
Other liabilities	5,163,817	5,163,817
Total liabilities	162,943,622	162,943,622
Share capital	10,079,121	10,079,121
Discount on issue of shares	(79,042)	(79,042)
Reserves	523,176	523,176
Accumulated Loss	(171,453)	(171,453)
Minority Interest	-	-
Surplus on revaluation of investments - net of tax	834,468	834,468
Total liabilities and equity	174,129,892	174,129,892

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

Particulars	Reference	Balance sheet	Under
		as in published financial statements	regulatory scope of reporting
		(Rupees in '000)	
Assets			
Cash and balances with treasury banks		9,035,886	9,035,886
Balances with other banks		1,780,710	1,780,710
Due from financial institutions		39,824,221	39,824,221
Investments		35,885,958	35,885,958
of which:			
- non-significant capital investments in capital of other financial institutions exceeding 10% threshold	a	-	-
- significant capital investments in financial sector entities exceeding regulatory threshold	b	-	-
- mutual Funds exceeding regulatory threshold	c	-	-
- reciprocal crossholding of capital instrument	d	-	-
- others	e	-	-
Islamic financing and related assets		69,576,275	69,576,275
- shortfall in provisions / excess of total EL amount over eligible provisions under IRB	f	-	-
- general provisions reflected in Tier 2 capital	g	135,593	135,593
Operating fixed assets		5,633,219	5,633,219
- of which: Intangibles	k	173,301	173,301
Deferred tax assets		6,007,660	6,007,660
of which:			
- DTAs that rely on future profitability excluding those arising from temporary differences	h	1,935,558	1,935,558
- DTAs arising from temporary differences exceeding regulatory threshold	i	4,072,102	4,072,102
Other assets		6,385,963	6,385,963
of which:			
- goodwill	j	-	-
- defined-benefit pension fund net assets	l	26,513	26,513
Total assets		174,129,892	174,129,892
Liabilities and Equity			
Bills payable		1,523,933	1,523,933
Due to financial institutions		3,197,770	3,197,770
Deposits and other accounts		153,058,102	153,058,102
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:			
- DTLs related to goodwill	o	-	-
- DTLs related to intangible assets	p	-	-
- DTLs related to defined pension fund net	q	-	-
- other deferred tax liabilities	r	-	-
Other liabilities		5,163,817	5,163,817
Total liabilities		162,943,622	162,943,622
Share capital		10,079,121	10,079,121
- of which: amount eligible for CET1	s	10,079,121	10,079,121
- of which: amount eligible for AT1	t	-	-
Reserves of which:		523,176	523,176
- portion eligible for inclusion in CET1 - Statutory reserve		523,176	523,176
- portion eligible for inclusion in CET1 - Gain on Bargain Purchase	u	-	-
- 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)
Accumulated Loss	w	(171,453)	(171,453)
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:		834,468	834,468
- Revaluation reserves on Property		851,045	851,045
- Unrealized Gains/Losses on AFS	aa	(16,577)	(16,577)
- In case of Deficit on revaluation (deduction)	ab	-	-
Total liabilities and Equity		174,129,892	174,129,892

40.4.3 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		10,079,121
2 Balance in share premium account		-
3 Discount on issue of shares	(s)	(79,042)
4 Reserve for issue of bonus shares		-
5 General / Statutory Reserves		523,176
6 Gain / (Losses) on derivatives held as Cash Flow Hedge	(u)	-
7 Unappropriated / unremitted profits	(w)	171,453
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		10,351,802
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)	173,301
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%	774,223
14 Defined-benefit pension fund net assets	(l) - (q) * x%	10,605
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)	1,300,184
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		200,308
29 Total regulatory adjustments applied to CET1		2,458,621
Common Equity Tier 1		7,893,181
Additional Tier 1 (AT 1) Capital		
30 Qualifying Additional Tier-1 instruments plus any related share premium of which:		
31 - Classified as equity	(l)	-
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		-

Particulars	Source based on reference number from note 40.4.2	Component of regulatory capital reported by bank (Rupees in '000)
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)	-
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		200,308
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		200,308
44 Additional Tier 1 capital		-
45 Additional Tier 1 capital recognised for capital adequacy		-
Tier 1 Capital (CET1 + admissible AT1)		7,893,181
Tier 2 Capital		
46 Qualifying Tier 2 capital instruments under Basel III		2,158,420
47 Capital instruments subject to phase out arrangement from Tier 2	(n)	-
48 Tier 2 capital instruments issued to third party by consolidated subsidiaries - of which: instruments issued by subsidiaries subject to phase out	(z)	-
49 General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	(g)	135,593
50 Revaluation Reserves eligible for Tier 2 of which:		
51 - portion pertaining to Property		570,200
52 - portion pertaining to AFS securities	67% of (aa)	(11,107)
53 Foreign Exchange Translation Reserves	(v)	-
54 Undisclosed / Other Reserves (if any)		-
55 T2 before regulatory adjustments		2,853,106
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		200,308
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		200,308
62 Tier 2 capital (T2)		2,652,798
63 Tier 2 capital recognised for capital adequacy		2,652,798
64 Excess Additional Tier 1 capital recognised in Tier 2 capital		-
65 Total Tier 2 capital admissible for capital adequacy		2,652,798
TOTAL CAPITAL (T1 + admissible T2)		10,545,979

40.5 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 Pakistan 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)	10,079,121
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

40.6 Risk-weighted exposures

	Capital requirements		Risk weighted assets	
	2015	2014	2015	2014
------(Rupees in '000)-----				
Credit Risk				
Portfolios subject to on-balance sheet exposure (Simple Approach)				
Cash and cash equivalents	-	-	-	-
Sovereign	7,210	8,077	72,099	44,873
Public sector entities	80,029	53,048	800,290	294,713
Banks	864,223	333,379	8,642,234	1,852,107
Corporate	2,879,627	3,757,427	28,796,273	20,874,593
Retail	411,826	241,597	4,118,258	1,342,207
Residential mortgage	234,107	273,206	2,341,072	1,517,813
Past due loans	172,554	92,944	1,725,540	516,354
Operating fixed assets	545,992	601,375	5,459,918	3,340,971
All other assets	842,855	169,746	8,428,552	943,032
Portfolios subject to off-balance sheet exposure - non market related (Simple approach)				
Banks	364	412	3,638	2,290
Corporate	710,987	259,725	7,109,874	1,442,917
Retail	3,476	1,011	34,760	5,615
Others	28,408	13,459	284,081	74,771
Portfolios subject to off-balance sheet exposures - market related (Current exposure method)				
Banks	4,616	4,271	46,162	23,727
Customers	32	1,424	319	7,912
Equity Exposure Risk in the Banking Book				
Unlisted equity investments held in banking book	86,651	-	866,513	-
Investment in commercial entities	627,942	-	6,279,420	-
Recognised portion of significant investment	272,180	13,663	2,721,798	75,905
Market Risk				
Capital Requirement for portfolios subject to Standardised Approach				
Interest rate risk	8,546	2,389	106,824	29,862
Equity position risk	42,864	8	535,800	100
Foreign Exchange risk	6,011	11,856	75,138	148,200
Operational Risk				
Capital requirement for operational risk	558,636	485,007	6,982,950	6,062,588
TOTAL	8,389,136	6,324,024	85,431,513	38,600,550
Capital Adequacy Ratio				
	Required	Actual	Required	Actual
	December-15		December-14	
CET1 to total RWA	6.25%**	9.24%	5.50%	15.72%
Tier-1 capital to total RWA	7.50%	9.24%	7.00%	15.72%
Total capital to total RWA	10.25% **	12.34%	18.00% *	16.70%

* The SBP had 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.

** Capital adequacy requirement inclusive of Capital Conservation Buffer (CCB) requirement.

2013 Globally First

BankIslami became the first Bank to launch Cardless ATM globally, which makes your account accessible with just a thumb impression.



Cardless
ATM



Pakistan's First Biometric & Cardless ATM

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

BankIslami is the pioneer of **Biometric ATM** in Pakistan since 2006. Cardless service was made available at selected ATMs in December 2012. This service is now available on all our ATMs installed in 93 cities across Pakistan.

BankIslami also has the largest proprietary database of fingerprints in Pakistan.

Serving you, the Right way



41 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.

41.1 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 (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 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.

41.1.1 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.

41.1.1.1 Segments by class of business

	2015					
	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	1,915,599	2.30%	6,076,036	3.97%	1,027,399	4.24%
Mining and Quarrying	3,683	0.00%	714,345	0.47%	107,972	0.45%
Textile	8,194,802	9.86%	789,787	0.52%	804,431	3.32%
Chemical and Pharmaceuticals	5,095,285	6.13%	2,095,720	1.37%	116,712	0.48%
Cement	1,743,669	2.10%	337,006	0.22%	114,651	0.47%
Sugar	3,597,585	4.33%	2,233,462	1.46%	300,010	1.24%
Footwear and Leather garments	28,493	0.03%	132,292	0.09%	3,467	0.01%
Automobile and transportation equipment	1,315,610	1.58%	1,965,002	1.28%	2,005,329	8.28%
Education	3,962	0.00%	2,683,204	1.75%	-	0.00%
Electronics and electrical appliances	4,488,012	5.40%	4,835,033	3.16%	863,425	3.57%
Production and transmission of energy	-	0.00%	21,368,252	13.96%	1,649,852	6.81%
Construction	4,900,371	5.90%	1,730,537	1.13%	1,798,276	7.43%
Power (electricity), Gas, Water, Sanitary	2,461,673	2.96%	30,688	0.02%	87,395	0.36%
Wholesale and Retail Trade	6,516,417	7.84%	26,419,522	17.26%	697,918	2.88%
Exports/Imports	2,171,847	2.61%	90,617	0.06%	46,515	0.19%
Transport, Storage and Communication	635,771	0.76%	1,974,619	1.29%	346,040	1.43%
Financial	3,784,231	4.55%	9,184,929	6.00%	10,796,746	44.59%
Insurance	9,529	0.01%	667,568	0.44%	-	0.00%
Services	4,864,288	5.85%	4,786,730	3.13%	83,591	0.35%
Individuals	13,258,408	15.95%	43,678,228	28.54%	173,937	0.72%
Food and beverages	13,422,734	16.15%	1,668,463	1.09%	1,065,992	4.40%
Private Trust & NGO	1,514,318	1.82%	4,891,072	3.20%	400	0.00%
Packing and Paper products	291,649	0.35%	11,979	0.01%	38,741	0.16%
Others*	2,897,091	3.49%	14,693,011	9.60%	2,084,665	8.61%
	83,115,027	100%	153,058,102	100%	24,213,464	100%

	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	1.68%	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	0.00%	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*	918,676	2.21%	4,447,635	4.92%	371,651	6.20%
	41,698,116	100%	90,330,997	100%	5,989,690	100%

* Others include sole proprietors, fund accounts and government 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.

41.1.1.2 Segment by sector

	2015					
	Islamic financing and related assets		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	12,000,232	14%	17,899,005	12%	475,444	2%
Private	71,114,795	86%	135,159,097	88%	23,738,020	98%
	<u>83,115,027</u>	<u>100%</u>	<u>153,058,102</u>	<u>100%</u>	<u>24,213,464</u>	<u>100%</u>

	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%
	<u>41,698,116</u>	<u>100%</u>	<u>90,330,997</u>	<u>100%</u>	<u>5,989,690</u>	<u>100%</u>

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

	2015		2014	
	Classified financing and related assets	Specific provisions held	Classified financing and related assets	Specific provisions held
	Rupees in '000			
Wholesale and Retail trade	236,887	149,140	97,598	31,382
Agriculture, Forestry, Hunting and Fishing	48,789	48,789	-	-
Textile	4,302,647	3,848,509	167,370	161,157
Chemical and Pharmaceuticals	140,164	132,670	13,573	2,339
Power (electricity), Gas, Water, Sanitary	292,430	291,832	703	73
Cement	563,250	563,250	23,250	23,250
Electronics and electrical appliances	30,215	30,215	3,217	1,366
Construction	1,106,996	1,108,416	224,044	123,719
Services	1,662,794	1,662,794	9,285	5,990
Financial	201,131	200,920	1,101	524
Paper Product	13,000	10,814	22,807	9,722
Food and Beverages	467,782	467,782	17,041	17,041
Individuals	3,103,979	2,429,093	476,527	146,208
Automobile and transportation equipment	100,359	100,359	-	-
Footwear and leather garments	162,361	162,361	-	-
Manufacturing	1,316,126	1,292,439	-	-
Sugar	352,125	352,125	-	-
Transport, storage and communication	368,289	368,134	-	-
Others	761,656	183,517	5,413	1,643
	<u>15,230,980</u>	<u>13,403,159</u>	<u>1,061,929</u>	<u>524,414</u>

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

	2015		2014	
	Classified financing and related assets	Specific provisions held	Classified financing and related assets	Specific provisions held
	Rupees in '000			
Public / Government	-	-	-	-
Private	15,230,980	13,403,159	1,061,929	524,414
	<u>15,230,980</u>	<u>13,403,159</u>	<u>1,061,929</u>	<u>524,414</u>

41.1.1.5 Geographical segment analysis

	2015			
	Loss before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rupees in '000			
Pakistan	(272,387)	174,129,892	11,186,270	24,213,464

	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

41.1.2 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.

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

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

Types of Exposures and ECAI's used

Exposures	2015			2014		
	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	2015			2014		
			Amount Outstanding Credit Equivalent	Deduction CRM	Net amount	Amount Outstanding Credit Equivalent	Deduction CRM	Net amount
Rupees in '000								
Claims on Government of Pakistan (Federal or Provincial Governments) and SBP, denominated in PKR		0%	44,126,470	232	44,126,238	943,032	-	943,032
Claims on Public Sector Entities in Pakistan		0%	-	-	-	-	-	-
	1	20%	709,086	453,884	255,202	2,081,179	607,612	1,473,567
	2,3	50%	-	-	-	-	-	-
	4,5	100%	-	-	-	-	-	-
	6	150%	-	-	-	-	-	-
Claims on Corporates (excluding equity exposures)	Unrated	50%	9,393,234	7,449,475	1,943,759	870,020	720,478	149,542
		0%	-	-	-	-	-	-
	1	20%	7,110,008	-	7,110,006	3,733,493	-	3,733,493
	2	50%	1,627,882	4,691	1,623,191	2,727,875	50,538	2,677,337
	3,4	100%	2,853	1,085	1,768	4,187	518	3,669
	5,6	150%	-	-	-	-	-	-
Claims categorized as retail portfolio	Unrated 1	100%	26,837,330	5,406,859	21,430,471	21,338,836	7,703,615	13,635,221
	Unrated 2	125%	11,855,286	1,863,039	9,792,247	6,769,025	1,035,762	5,733,263
Past Due loans:		0%	-	-	-	-	-	-
		20%	-	-	-	-	-	-
		50%	-	-	-	-	-	-
		75%	6,891,930	1,382,728	5,509,202	2,378,196	581,100	1,797,096
1.1 where specific provisions are less than 20 percent of the outstanding amount of the past due claim.		150%	1,103,961	576,942	527,019	472,940	322,697	150,243
1.2 where specific provisions are no less than 20 percent of the outstanding amount of the past due claim.		100%	544,685	9,894	534,791	21,347	8,268	15,079
1.3 where specific provisions are more than 50 percent of the outstanding amount of the past due claim.		50%	81,381	62,526	18,855	44,126	29,314	14,812
2. Loans and claims fully secured against eligible residential mortgages that are past due for more than 90 days and/or impaired		100%	344,209	2,668	341,541	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%	98,501	-	98,501	73,697	-	73,697
All other assets		100%	8,428,552	-	8,428,552	943,032	-	943,032

41.1.2.2 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.

41.2 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 Financial Reporting 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.

41.3 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.

41.4 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.

The VaR reports are complemented by various other position and sensitivity limit structures, including stress, sensitivity, gap and scenario analysis. The capital charge for market risk has been calculated by using Standardized Approach.

41.4.1 Foreign Exchange Risk

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

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

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

	2015			
	Assets	Liabilities	Off-balance Sheet	Net foreign currency exposure
----- Rupees in '000 -----				
Pakistan rupee	171,580,774	160,302,585	(163,577)	11,114,612
United States dollar	1,863,049	2,011,886	163,577	14,740
Great Britain pound	265,859	266,076	-	(217)
Japanese yen	6,664	279	-	6,385
Euro	358,429	361,520	-	(3091)
UAE Dirham	4,258	-	-	4,258
ACU	33,690	-	-	33,690
CHF	3,779	-	-	3,779
AUD	3,645	1,276	-	2,369
Saudi Riyal	9,745	-	-	9,745
	<u>174,129,892</u>	<u>162,943,622</u>	<u>-</u>	<u>11,186,270</u>
----- Rupees in '000 -----				
	2014			
	Assets	Liabilities	Off-balance Sheet	Net foreign currency exposure
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
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
	<u>101,984,149</u>	<u>95,116,929</u>	<u>-</u>	<u>6,867,220</u>

41.4.2 MISMATCH OF YIELD / PROFIT RATE SENSITIVE ASSETS AND LIABILITIES

Effective Yield / Profit rate	Total	2015 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													
	9,035,886	-	-	-	-	-	-	-	-	-	-	-	9,035,886
Cash and balances with Treasury Banks	1,780,710	-	-	-	-	-	-	-	-	-	-	-	1,780,710
Balances with other Banks	39,824,221	35,774,221	4,050,000	-	-	-	-	-	-	-	-	-	-
Due from financial institutions	35,885,958	687,064	7,980,200	-	22,959,293	-	-	-	-	-	-	-	-
Investments	69,576,275	4,012,901	14,881,852	1,926,547	124,453	1,860,979	3,188,513	5,487,593	1,015,852	7,521,070	-	2,453,203	
Islamic financing and related assets and advances	3,219,893	-	-	-	-	-	-	-	-	-	-	-	3,219,893
Other assets	159,322,843	40,454,186	20,778,050	1,926,547	23,083,746	3,188,513	1,860,979	5,487,593	1,015,852	7,521,070	-	16,489,692	
Liabilities													
Bills payable	1,523,933	-	-	-	-	-	-	-	-	-	-	-	1,523,933
Due to financial institutions	3,197,770	671,000	40,000	-	-	-	-	-	-	2,158,420	-	-	-
Deposits and other accounts	153,058,102	17,102,985	11,873,710	12,633,153	10,843,426	47,571,975	47,576,853	4,485,237	870,763	-	-	-	
Other liabilities	4,815,497	-	-	-	-	-	-	-	-	-	-	-	4,815,497
	162,595,302	17,773,985	11,913,710	12,861,503	10,843,426	47,571,975	47,576,853	4,485,237	3,129,183	-	-	-	6,339,430
On-balance sheet gap	(3,272,359)	22,680,201	8,864,340	24,545,212	1,926,547	12,240,320	(44,373,462)	1,002,356	(2,113,331)	7,521,070	10,150,262		
NON FINANCIAL ASSETS													
Operating fixed assets	5,633,219	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	6,007,660	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	3,166,070	-	-	-	-	-	-	-	-	-	-	-	-
	14,806,949	-	-	-	-	-	-	-	-	-	-	-	-
NON FINANCIAL LIABILITIES													
Deferred tax liabilities	348,320	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	11,186,270	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL NET ASSETS													
Total Yield / Profit Risk Sensitivity Gap		22,680,201	8,864,340	24,545,212	1,926,547	12,240,320	(44,373,462)	1,002,356	(2,113,331)	7,521,070	10,150,262		
Cumulative Yield / Profit Risk Sensitivity Gap		22,680,201	31,544,541	56,089,753	58,016,300	70,256,620	25,883,158	(19,832,716)	(18,830,360)	(20,945,691)	(13,422,621)	10,150,262	

Effective Yield / Profit rate	Total	2014 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	

Rs. in '000

On-balance sheet financial instruments

Assets

Cash and balances with Treasury Banks	6,361,444	-	-	-	-	-	-	-	-	-	-	-	6,361,444
Balances with other Banks	733,523	89	-	-	-	-	-	-	-	-	-	-	733,434
Due from financial institutions	18,143,574	5,002,671	1,362,229	-	-	-	-	-	-	-	-	-	24,508,474
Investments	30,654,552	334,114	19,533,768	1,075,376	3,226,503	409,925	874,371	14,050	973,699	1,447,545	-	-	46,319,674
Islamic financing and related assets:	41,097,058	6,913,026	9,761,128	1,075,376	3,226,503	409,925	874,371	14,050	973,699	1,447,545	-	-	54,000,000
Other assets	1,447,545	12,249,900	21,068,116	1,075,376	13,980,869	166,165	874,371	14,050	973,699	1,447,545	-	-	39,320,087
	98,437,696	12,249,900	21,068,116	1,075,376	13,980,869	166,165	874,371	14,050	973,699	1,447,545	-	-	13,326,087

Liabilities

Bills payable	918,435	-	-	-	-	-	-	-	-	-	-	-	918,435
Due to financial institutions	561,000	551,000	-	-	-	-	-	-	-	-	-	-	1,112,000
Deposits and other accounts	90,330,997	4,757,051	6,170,384	-	9,183,540	19,302,005	4,958,787	1,617,561	-	-	-	-	1,24,260,225
Other liabilities	3,044,776	7,068,734	6,170,384	-	9,183,540	19,302,005	4,958,787	1,617,561	-	-	-	-	57,344,776
	94,855,208	7,068,734	6,170,384	-	9,183,540	19,302,005	4,958,787	1,617,561	-	-	-	-	1,24,260,225

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)
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NON FINANCIAL ASSETS

Operating fixed assets	3,380,768
Deferred tax assets	-
Other assets	166,285
	3,546,453

NON FINANCIAL LIABILITIES

Deferred tax liabilities	199,683
Other liabilities	62,038
	261,721

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)
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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)
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41.5 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

	2015																		
	Up to 1 Month		Over 1 to 3 Months		Over 3 to 6 Months		Over 6 Months to 1 Year		Over 1 to 2 Years		Over 2 to 3 Years		Over 3 to 5 Years		Over 5 to 10 Years		Above 10 Years		
Total	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	
Assets	Rupees in '000																		
Cash and balances with																			
Treasury banks	9,035,886	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	1,780,710	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due from financial institutions	39,824,121	35,774,121	4,050,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	35,885,958	1,006,672	1,566,000	22,959,283	-	8,080,084	-	450,000	-	-	-	-	-	-	-	588,408	-	1,285,500	-
Islamic financing and related assets	69,576,275	4,012,961	14,881,852	29,546,515	-	3,198,513	-	1,860,979	-	-	-	-	5,487,393	-	1,015,852	-	7,521,070	-	-
Operating fixed assets	5,633,219	53,642	-	3,714	-	2,530	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	6,007,860	-	-	4,783	-	-	-	-	-	-	-	-	6,007,860	-	-	-	-	-	-
Other assets	8,395,963	627,906	-	870,195	-	-	-	-	-	-	-	-	2,082,767	-	-	-	-	-	-
	171,729,892	11,503,444	40,793,794	19,145	20,437,852	18,205	28,546,515	874,928	25,510,283	2,530	11,278,597	-	2,310,979	5,756,908	5,487,393	1,165,146	1,604,261	6,500,131	8,816,570
Liabilities																			
Bills payable	1,523,933	1,523,933	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to financial institutions	3,197,770	671,000	-	328,350	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	153,058,102	12,854,743	4,247,868	-	12,633,153	-	10,845,926	44,819,389	2,751,523	44,819,389	2,758,901	-	-	-	-	2,158,420	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	5,163,817	1,862,834	-	316,865	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	162,943,622	16,852,510	4,247,868	80,894	11,873,710	1,719,254	12,633,153	316,865	10,845,926	44,819,389	2,751,523	44,819,389	2,758,901	4,485,237	4,485,237	966,263	-	-	-
Net assets	11,186,270	(5,349,066)	36,545,926	(61,748)	8,564,142	(1,701,049)	16,913,362	558,263	14,164,357	(44,819,389)	(447,922)	7,444,389	1,002,366	(1,955,537)	1,604,261	6,500,131	8,816,570	-	-

Rupees in '000	
Share capital	10,079,121
Discount on issue of shares	(79,042)
Reserves	351,723
Surplus on revaluation of assets	854,468
	11,186,270

2014																			
Total	Up to 1 Month		Over 1 to 3 Months		Over 3 to 6 Months		Over 6 Months to 1 Year		Over 1 to 2 Years		Over 2 to 3 Years		Over 3 to 5 Years		Over 5 to 10 Years		Above 10 Years		
	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	
6,391,444	6,361,444	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
733,523	733,523	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18,143,574	5,002,671	1,024,308	-	1,362,229	-	10,754,395	-	3,829,464	-	1,503,300	7,418,057	-	-	-	-	-	-	-	-
30,654,552	1,818,491	3,981,758	-	11,776,768	-	3,173,609	-	1,888,468	-	1,503,300	1,434,223	-	151,859	174,837	-	-	-	-	-
41,097,066	9,233,166	13,174,080	-	7,098,334	-	3,173,609	-	1,888,468	-	1,503,300	1,434,223	-	1,253,765	1,559,665	-	-	-	-	2,313,745
3,390,168	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1,813,830	1,076,502	-	-	11,714	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
101,894,149	8,171,460	18,180,146	50,766	20,207,349	237,766	11,757,739	-	3,398,786	-	8,982,280	1,809,928	1,484,148	1,484,148	1,764,502	486,747	2,313,745	-	-	-
318,435	918,435	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
561,000	561,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
90,340,397	6,512,891	3,285,723	-	6,170,384	-	9,183,540	-	24,360,798	2,188,465	24,360,803	24,360,798	2,954,992	4,955,797	1,617,551	-	-	-	-	-
199,683	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3,106,814	1,027,178	9,232	1,128,460	11,460	1,128,460	11,460	1,128,460	1,128,460	2,188,465	24,360,803	24,360,798	2,954,992	4,955,797	1,617,551	-	-	-	-	-
65,116,929	9,019,804	3,265,723	9,232	4,757,052	1,128,460	6,170,384	11,460	9,183,540	24,360,803	24,360,803	24,360,798	2,954,992	4,955,797	1,617,551	-	-	-	-	-
6,897,220	(648,035)	12,788,808	(9,232)	13,423,084	(1,077,694)	14,036,865	226,306	8,573,899	(24,360,803)	(24,360,799)	(24,360,799)	5,897,286	679,761	(3,705,022)	1,484,148	116,841	486,747	2,313,745	-

Rupees in '000

Assets

- Cash and balances with:
- Treasury bills
- Balances with other banks
- Due from financial institutions
- Investments
- Islamic financing and related assets
- Operating fixed assets
- Deferred tax assets
- Other assets

Liabilities

- Bills payable
- Due to financial institutions
- Deposits and other accounts
- Deferred tax liabilities
- Other liabilities

Net assets

- Share capital
- Discount on issue of shares
- Reserves
- Surplus on revaluation of assets

Rupees in '000

5,758,721
(79,042)
540,122
647,419
6,867,220

41.6 Operational Risk

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

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

41.7 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.

41.8 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.

41.9 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 organisation and its adherence should be reflected in the products and activities.

42 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	
		2015	2014	2015	2014
-----Rupees in '000-----					
Insurance Companies	Sukuks	1	1	220,000	220,000
Asset Management Companies	Sukuks	24	26	1,452,165	1,455,665
Employee Funds / NGO's	Sukuks	5	6	79,500	79,500
Individuals	Sukuks	10	10	111,870	108,370
Others	Sukuks	21	21	4,596,465	4,846,465
		<u>61</u>	<u>64</u>	<u>6,460,000</u>	<u>6,710,000</u>

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

The Bank maintained the following pools for profit declaration and distribution during the year ended December 31, 2015:

- 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 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 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 Bank 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 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 analyses transaction structure of each customer to further ensure proper safeguard of depositors' interest. The review is done by experienced team of professionals 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 41.1 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 is 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. Murabahah, 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)			
PKR Pool	Monthly	8.85%	58.80%	41.20%	2,911,122	5.19%	17.59%	621,435
USD Pool	Monthly	0.93%	58.73%	41.27%	42	0.55%	17.45%	9

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)			
(i) Islamic Export Refinance (IERS) Pool	Monthly	8.10%	22.50%	77.50%	103,874	35.62%	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.

44 GENERAL

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.

44.1 Corresponding figures

Corresponding figures have been re-arranged and reclassified, wherever necessary, to facilitate comparisons. There were no significant reclassifications / restatements during the year.

45 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on June 04, 2016 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 '000							
30-KVA Generator (27-KVA Configuration)	633	633	-	608	608	Takaful Claim	Pak Qatar Takaful Insurance Claim
IP Phone System	301	301	-	301	301	Takaful Claim	Pak Qatar Takaful Insurance Claim
CISCO Router	301	151	150	301	151	Takaful Claim	Pak Qatar Takaful Insurance Claim
Cisco IP Phone Plus Switch and Router	290	290	-	290	290	Takaful Claim	Pak Qatar Takaful Insurance Claim
10 KVA UPS	270	270	-	270	270	Takaful Claim	Pak Qatar Takaful Insurance Claim
Cisco IP Phone	227	227	-	227	227	Takaful Claim	Pak Qatar Takaful Insurance Claim
DVR System	138	138	-	138	138	Takaful Claim	Pak Qatar Takaful Insurance Claim
Lenovo Thinkpad T420 Note book Pc Intel Core	125	125	-	5	5	Bank Policy	Mr. Yasir Siddiqui - Section Head -Training & Development
Lenovo Thinkpad T420 Note book Pc Intel Core	125	125	-	5	5	Bank Policy	Mr. Arsalan Iqbal - Section Head - Recruitment & Hiring
CISCO Switch 2960	117	29	88	117	29	Takaful Claim	Pak Qatar Takaful Insurance Claim
Lenovo Thinkpad T420 Note book Pc Intel Core	110	109	1	5	4	Bank Policy	Ms. Atika Khan - Section Head Finance
Lenovo Thinkpad T-420	108	96	12	17	5	Bank Policy	Mr. Farman Ahmed
Lenovo Thinkpad T420 Note book Pc Intel Core	109	109	-	5	5	Bank Policy	Mr. Kamran A. Siddiqui - HOD - Phone Banking
Lenovo Thinkpad T420 Note book Pc Intel Core	109	109	-	5	5	Bank Policy	Mr. Aleem Azimi - Section - Head Finance
Lenovo Thinkpad T420 Note book Pc Intel Core	109	109	-	5	5	Bank Policy	Mr. Ahmed Abbas - Section Head PMO
Lenovo Thinkpad T420 Note book Pc Intel Core	109	109	-	5	5	Bank Policy	Mr. Sarfaraz Waris - Unit Head Networking
Lenovo Thinkpad T420 Note book Pc Intel Core	109	109	-	5	5	Bank Policy	Syed Ata Hussain Jafferi - HOD -
Lenovo Thinkpad T420 Note book Pc Intel Core	109	109	-	5	5	Bank Policy	Mr/ Arbab Wadood - Section Head -Infrastructure ISD
Lenovo Thinkpad T420 Note book Pc Intel Core	109	109	-	5	5	Bank Policy	Mr. Bilal Bin Saeed - Regional Operation Manager - North
Lenovo Thinkpad T420 Note book Pc Intel Core	109	109	-	5	5	Bank Policy	Mr. Sohail Hashim - Section Head Networking ISD
Lenovo Thinkpad T420 Note book Pc Intel Core	109	109	-	5	5	Bank Policy	Mr. Khawaja Ehrar-Ul-Hasan - Head of Legal & Compliance
Lenovo Thinkpad T420 Note book Pc Intel Core	102	91	11	15	4	Bank Policy	Mr. Shoab Khan - HOD Treasury
Lenovo Thinkpad T420 Note book Pc Intel Core	102	102	-	5	5	Bank Policy	Ms. Nusrat Fatima - Secretary to CFO
Lenovo Thinkpad T420 Note book Pc Intel Core	102	102	-	5	5	Bank Policy	Ms. Ayesha Ashraf - Section Head Corporate Strategy and Business Planning
Lenovo Thinkpad T-410 Note Book PC Intel	101	101	-	5	5	Bank Policy	Mr. Arshad Wahab Zuber - HOD ADMIN
Lenovo Thinkpad T410 Note book Pc Intel Core	98	98	-	5	5	Bank Policy	Mr. Salman Ahmed - Area Manager
Lenovo Thinkpad T410 Note book Pc Intel Core	98	98	-	5	5	Bank Policy	Syed Mubashir Hussain - Area Manager
Lenovo Thinkpad T410 Note book Pc Intel Core	98	98	-	5	5	Bank Policy	Mr. Fayyaz Khan - AOM
Lenovo Thinkpad T420 Note book Pc Intel Core	98	98	-	5	5	Bank Policy	Mr. Sohail Gadfi - Area Operation Manager
Lenovo Thinkpad T-410 Note Book	98	98	-	5	5	Bank Policy	Mr. Latafat Hussain - SH - Internal Audit
Lenovo Thinkpad T-410 Note Book	98	98	-	5	5	Bank Policy	Mr. Masroor Mohsin - National Sales Manager
Lenovo Thinkpad T-410 Note Book PC Intel	98	98	-	5	5	Bank Policy	Mr. Irshad Ahmed Ijaz - Shariah Advisor
Honda Cdi 70 Motorcycle-Model 2009-KEG-6931	66	65	1	16	15	Bank Policy	Mr. Saleem Ullah Durrani - Driver CEO
CISCO Router 2911	58	14	44	58	14	Takaful Claim	Pak Qatar Takaful Insurance Claim
D/M to thin Client	50	50	-	50	50	Takaful Claim	Pak Qatar Takaful Insurance Claim
D/M to thin Client	49	49	-	49	49	Takaful Claim	Pak Qatar Takaful Insurance Claim
Thin Client System	49	49	-	49	49	Takaful Claim	Pak Qatar Takaful Insurance Claim
Thin Client System	48	48	-	48	48	Takaful Claim	Pak Qatar Takaful Insurance Claim
Thin Client System	48	48	-	48	48	Takaful Claim	Pak Qatar Takaful Insurance Claim
Note Counting Machine	44	44	-	3	3	Trade in	Trade in -Asian Machines & Technologies
Note Counting Machine	42	42	-	1	1	Takaful Claim	Pak Qatar Takaful Insurance Claim
Note Counting Machine	42	42	-	1	1	Takaful Claim	Pak Qatar Takaful Insurance Claim
Note Counting Machine	42	42	-	1	1	Trade in	Trade in -Asian Machines & Technologies
Thin Client System	41	41	-	41	41	Takaful Claim	Pak Qatar Takaful Insurance Claim
Thin Client Systems	40	40	-	40	40	Takaful Claim	Pak Qatar Takaful Insurance Claim
Note Counting Machine	40	40	-	1	1	Trade in	Trade in -Asian Machines & Technologies
Note Counting Machine	36	36	-	1	1	Trade in	Trade in -Asian Machines & Technologies
NCR ATM Machine 22E	34	4	30	34	4	Takaful Claim	Pak Qatar Takaful Insurance Claim
Acer 18.5" LCD Display Monitor	34	34	-	34	34	Takaful Claim	Pak Qatar Takaful Insurance Claim
Note Counting Machine	32	32	-	1	1	Trade in	Trade in -Asian Machines & Technologies
Pedestal Fans	32	24	8	13	5	Bank Policy	M/s Siddiqui Brothers
Note Counting Machine	31	31	-	1	1	Trade in	Trade in -Asian Machines & Technologies
Note Counting Machine	31	31	-	1	1	Takaful Claim	Pak Qatar Takaful Insurance Claim
Note Counting Machine	31	31	-	1	1	Takaful Claim	Pak Qatar Takaful Insurance Claim
Note Counting Machine	31	31	-	1	1	Takaful Claim	Pak Qatar Takaful Insurance Claim
Note Counting Machine	31	31	-	1	1	Trade in	Trade in -Asian Machines & Technologies
Note Counting Machine	31	31	-	1	1	Trade in	Trade in -Asian Machines & Technologies
Note Counting Machine	31	31	-	1	1	Trade in	Trade in -Asian Machines & Technologies
Note Counting Machine	31	31	-	1	1	Trade in	Trade in -Asian Machines & Technologies
Thin Client System	30	30	-	30	30	Takaful Claim	Pak Qatar Takaful Insurance Claim
Thin Client System	30	30	-	30	30	Takaful Claim	Pak Qatar Takaful Insurance Claim
DVR Server with Cameras	28	14	14	28	14	Takaful Claim	Pak Qatar Takaful Insurance Claim

ANNEXURE II

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF RUPEES 500,000 OR ABOVE DURING THE YEAR ENDED DECEMBER 31, 2015

RUPEES IN '000

S. No.	Name and address of the borrower	Name of individuals / partners / directors (with CNIC No.)	Father's / Husband's Name	Outstanding liabilities			Total (5+6+7)	Principal written off	Profit written off	Other financial relief	Total (9+10+11)
				Principal	Profit	Others					
1	2	3	4	5	6	7	8	9	10	11	12
1	Hightnoon Textiles Limited 25 K.M. Mullan Road, Lahore	Babar Agha 35202-3065543-3 Hameed Khan 35202-2337062-5	Agha Fakhar Hussain Hameed Ullah Khan	93,662	1,107	-	94,769	93,662	1,107	-	94,769
2	Inov 8 Limited 115-Quaid-e-Azam Industrial Estate, Kot Lakhpat, Lahore	Bashir Ahmed Shaikh 35201-4308875-1 *Hasnain Ahmed Shaikh 35201-0205346-5 Anwar Maqsood Shaikh 35201-9733264-5	Mahmood Ahmed Shaikh Maqsood Ahmed Shaikh Maqsood Ahmed Shaikh	-	20,292	-	20,292	-	20,292	-	20,292
3	Pearl Fabric Corporation Plot No. 20, Sector 27, Korangi Industrial Area, Karachi	Shaikh Manzar Alam 42301-8070436-3 Adnan Manzar 42301-5414509-7 Nazia Manzar 42301-0868993-0	S.M. Sadq Manzar Alam Manzar Alam	-	11,629	-	11,629	-	11,629	-	11,629
4	Sibghat Ullah House No. 55 A, Rasool Park, NR Samnabad, Lahore 35202-9999867-5	-	Sami Ullah	-	611	-	611	-	611	-	611
5	Nasir Kamal Shop # 2 & 3 Opposite Ali Center Wachowall Shoe Market Shahalmi Lahore,	-	-	-	23,356	-	23,356	-	23,356	-	23,356
6	M/S Choudhary Muhammad Hussain & Sons House # 17, Block-A/2, Gulberg-III, Lahore	-	-	-	43,540	1,969	45,509	-	43,540	1,969	45,509
7	Muhammad Tanveer KMC, H 133/A, Block L Orangi Town, Karachi,	-	-	-	227	-	227	-	227	-	227
8	Imran Shaukat Khan 35202-0198143-5 House # 612, Block # F, Johar Town, Lahore	-	Shaukat Hussain Khan	-	196	-	196	-	196	-	196
9	Wazir Textile Mills (Pvt) Limited 600, H-3, Opposite Lahore Expo Center, Lahore	-	Shaukat Hussain Khan	-	4,654	-	4,654	-	4,654	-	4,654
				<u>93,662</u>	<u>105,612</u>	<u>1,969</u>	<u>201,243</u>	<u>93,662</u>	<u>105,612</u>	<u>1,969</u>	<u>201,243</u>

Directors Report

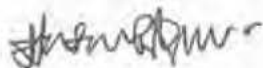
On behalf of the Board, the consolidated Annual Report of BankIslami Group ('the Group') for the year ended December 31, 2015 is being presented. The following are the key financial highlights:

	Dec-15	Dec-14	Growth (%)
.....Rupees in 'millions'.....			
Total Deposits	152,661	90,331	69.00%
Total Assets	174,549	101,992	71.14%
Total Financing-net	69,428	41,097	68.94%
Total Investments	35,801	30,511	17.34%
Shareholder's Equity	11,484	6,873	67.01%
Profit After Tax	-87	313	-127.88%
Branches	317	213	48.83%

Our Group performance remained satisfactory. The Group has been able to posted growth in its deposits by 69.0%, Financings by 68.9% and Total Assets by 71.14%.

We would like to place on record its deep appreciation to the State Bank of Pakistan and Securities and Exchange Commission of Pakistan for their continued support, guidance as well as understanding. Also, we would like to show our gratitude to the employees of BankIslami and BankIslami Modaraba Investment Limited for their contribution towards the Group's progress through their hard work and commitment.

On behalf of the Board,



Hasan A Bilgrami
Chief Executive Officer
June 04, 2016

2014 From Strength to Strength

BankIslami branch network reached 213 branches in 80 cities.

Equity Investment of Rs. 4.2 billion was made by the shareholders.

Deposit base reached Rs. 91 billion.

Assets rose to Rs. 100 billion.

Consumer portfolio increased to more than Rs. 5 billion.

Customer base crossed 400,000 customers.



بَيْتُكَ إِسْلَامِي



BankIslami



Reaching new heights in Islamic Banking

BankIslami offers a complete range of Shariah Compliant products for individuals and businesses. With a network of 317 branches in 93 cities, we go an extra mile to make your Islamic Banking experience a world class one.

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Serving you, the Right way



BankIslami Pakistan

www.bankislami.com.pk

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111-ISLAMI (111-475264)

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 companies (the Group) as at December 31, 2015 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, for the year then ended. 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, namely BankIslami Modaraba Investments Limited. The financial statements of the subsidiary companies namely KASB Securities Limited and Structured Venture (Private) Limited were audited by another firm of auditors whose reports have been furnished to us and our opinion, in so far as it relates to the amounts included for such companies, is based solely on the reports of such other auditors. The financial statements of another subsidiary company namely 'My Solutions Corporation Limited' are consolidated by the Holding Company on the basis of unaudited / unreviewed financial statements. These consolidated financial statements incorporate the balances as at May 7, 2015 of the defunct KASB Bank Limited (amalgamated with and into the Holding Company with effect from the close of business on May 7, 2015) which have been audited by another firm of Chartered Accountants, whose report has been furnished to us and our opinion in so far as it relates to the amounts included for the defunct KASB Bank Limited is based solely on the report of such other auditors. 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 the Holding Company and its subsidiary companies as at December 31, 2015 and the results of their operations for the year then ended.

Affengun 3/6

Chartered Accountants
Engagement Partner: **Syed Fahim Ul Hasan**
Dated: June 06, 2016
Karachi




Consolidated Statement Of Financial Position

AS AT DECEMBER 31, 2015

	Note	2015	2014
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks	7	9,035,889	6,361,444
Balances with other banks	8	2,016,267	847,890
Due from financial institutions - net	9	39,855,525	18,143,574
Investments - net	10	35,801,058	30,511,422
Islamic financing and related assets and Advances (net)	11	69,428,078	41,097,058
Operating fixed assets	12	5,659,689	3,387,282
Deferred tax assets - net	17	5,947,169	-
Other assets - net	13	6,805,362	1,643,247
		<u>174,549,037</u>	<u>101,991,917</u>
LIABILITIES			
Bills payable	14	1,523,933	918,435
Due to financial institutions	15	3,197,770	561,000
Deposits and other accounts	16	152,661,140	90,330,870
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities	17	-	199,348
Other liabilities	18	5,681,959	3,109,455
		<u>163,064,802</u>	<u>95,119,108</u>
NET ASSETS		<u>11,484,235</u>	<u>6,872,809</u>
REPRESENTED BY:			
Share capital	19	10,079,121	5,758,721
Discount on Issue of shares		(79,042)	(79,042)
Reserves	20	465,881	542,525
Total equity attributable to equity holders of the Bank		<u>10,465,960</u>	<u>6,222,204</u>
Non-controlling interest		189,855	-
		<u>10,655,815</u>	<u>6,222,204</u>
Surplus on revaluation of assets - net of tax	21	828,420	650,605
		<u>11,484,235</u>	<u>6,872,809</u>
CONTINGENCIES AND COMMITMENTS	22		

The annexed notes 1 to 46 and Annexures I and II form an integral part of these consolidated financial statements.


CHAIRMAN


PRESIDENT / CHIEF EXECUTIVE


DIRECTOR


DIRECTOR

Consolidated Profit and Loss Account

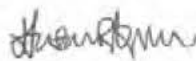
FOR THE YEAR ENDED DECEMBER 31, 2015

	Note	2015 Rupees in '000	2014
Profit / return earned	23	8,831,175	7,819,383
Profit / return expensed	24	5,098,501	4,456,040
Net spread earned		3,732,674	3,363,343
Reversal of provision against non-performing Islamic financing and related assets - net	11.16.2	(639,523)	(22,255)
Provision for diminution in the value of investments and placements - net	9 & 10.12	5,586	787
Bad debts written off directly		25	455
		(633,912)	(21,013)
Net spread after provisions		4,366,586	3,384,356
OTHER INCOME			
Fee, commission and brokerage income		410,112	387,333
Dividend Income		3,303	-
Income from dealing in foreign currencies		82,403	172,356
Gain on sale of securities	25	12,003	32,173
Unrealised gain on revaluation of investments classified as 'held for trading'		-	-
Other income	26	64,119	40,241
Total other income		571,940	632,103
		4,938,526	4,016,459
OTHER EXPENSES			
Administrative expenses	27	5,058,057	3,471,672
Other provisions / write offs	13.4 & 13.2	162,299	62,243
Other charges	28	2,148	12,666
Total other expenses		5,222,504	3,546,581
		(283,978)	469,878
Loss for the period from KASB Securities Limited - net of tax	29	(14,489)	-
Share of profit from associates	10.11	134,837	-
(LOSS) / PROFIT BEFORE TAXATION		(163,630)	469,878
Taxation			
- Current	30	99,469	84,890
- Prior years	30	21,384	-
- Deferred	30	(197,098)	71,548
		(76,245)	156,438
(LOSS) / PROFIT AFTER TAXATION		(87,385)	313,440
———— Rupees ————			
Basic (loss) / earnings per share	32	(0.1086)	0.5774
Diluted (loss) / earnings per share	32	(0.1086)	0.5774

The annexed notes 1 to 46 and Annexures I and II form an integral part of these consolidated financial statements.



CHAIRMAN



PRESIDENT / CHIEF EXECUTIVE



DIRECTOR



DIRECTOR



Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015 Rupees in '000	2014
(Loss) / profit after taxation for the year attributable to:		
Equity shareholders of the Bank	(84,107)	313,440
Non-controlling interest	(3,278)	-
	<u>(87,385)</u>	<u>313,440</u>
Other Comprehensive Income		
Items that may not be reclassified to profit and loss account in subsequent periods		
Remeasurement of defined benefit plan	(7,973)	(24,796)
Tax on remeasurement of defined benefit plan	2,784	8,686
	<u>(5,189)</u>	<u>(16,110)</u>
Comprehensive (loss) / income transferred to statement of changes in equity	<u>(92,574)</u>	<u>297,330</u>
Components of comprehensive income not reflected in equity		
Surplus/(deficit) on revaluation of available for sale investments-net of tax		
Equity shareholders of the Bank	66,535	(198,319)
Non-controlling interest	(2,455)	-
	<u>64,080</u>	<u>(198,319)</u>
Total comprehensive (loss) / income for the year	<u>(28,494)</u>	<u>99,011</u>

The annexed notes 1 to 46 and Annexures I and II form an integral part of these consolidated financial statements.


CHAIRMAN


PRESIDENT / CHIEF EXECUTIVE


DIRECTOR


DIRECTOR

Consolidated Cash Flow Statement

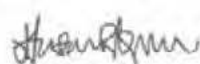
FOR THE YEAR ENDED DECEMBER 31, 2015

	Note	2015 Rupees in '000	2014
CASH FLOW FROM OPERATING ACTIVITIES			
(Loss) / profit before taxation		(163,630)	469,878
Less: Dividend Income		(3,303)	-
Less: Share of profit from associates		(134,873)	-
		(301,770)	469,878
Adjustments for non-cash charges and other items:			
Depreciation on owned assets	27	507,444	329,184
Amortisation	27	30,196	15,104
Depreciation on operating Ijarah assets		837,018	557,354
Reversal of provision against non-performing Islamic financing and related assets - net	11.16.2	(639,523)	(22,255)
Provision for diminution in the value of investments and placements		5,586	787
Other provisions		162,299	23,036
Charge for defined benefit plan	27	50,227	33,012
Gain on sale of property and equipment	26	(3,583)	(4,712)
		9,949,664	1,031,510
		647,894	1,501,388
(Increase) / decrease in operating assets			
Due from financial institutions		(21,710,882)	(11,632,401)
Islamic financing and related assets		(17,429,530)	(3,423,424)
Others assets (excluding advance taxation, defined benefit assets and dividend receivable)		(1,235,426)	23,469
		(40,375,838)	(15,032,356)
Increase / (decrease) in operating liabilities			
Bills payable		441,578	82,873
Due to financial institutions		5,126,100	(1,977,000)
Deposits and other accounts		4,992,006	15,160,879
Other liabilities (excluding current taxation)		(164,693)	1,273,169
		10,394,991	14,539,921
Payments against defined benefit plan	35	(29,332,953)	2,008,953
Income tax paid		(72,654)	(42,952)
		(151,891)	(97,780)
Net cash (used in) / generated from operating activities		(29,557,498)	868,221
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		23,359,413	610,973
Dividend received		19,473	-
Investments in operating fixed assets		520,926	(578,947)
Net cash inflow on acquisition		5,236,527	-
Proceeds from disposal of operating fixed assets		4,392	6,887
Net cash generated from investing activities		29,079,920	38,913
CASH FLOW FROM FINANCING ACTIVITIES			
Issue of right shares		4,320,400	400,000
Net cash generated from financing activities		4,320,400	400,000
Increase in cash and cash equivalents		3,842,822	1,307,134
Cash and cash equivalents at the beginning of the year	33	7,209,334	5,902,200
Cash and cash equivalents at the end of the year	33	11,052,156	7,209,334

The annexed notes 1 to 46 and Annexures I and II form an integral part of these financial statements.



CHAIRMAN



PRESIDENT / CHIEF EXECUTIVE



DIRECTOR



DIRECTOR



Consolidated Statement of Changes In Equity

FOR THE YEAR ENDED DECEMBER 31, 2015

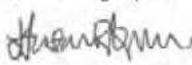
	Attributable to equity shareholders of the Bank					Sub total	Non - controlling interest	Total
	Share Capital	Discount on issue of shares	Statutory reserve (a)	Reserve for bad debts & Contingencies	Unappropriated profit/ Accumulated loss			
Balance as at January 01, 2014	5,279,679	-	210,446	-	27,199	5,517,324	-	5,517,324
Issue of right shares at discount	479,042	(79,042)	-	-	-	400,000	-	400,000
Profit after taxation for the year transferred from Statement of Comprehensive Income	-	-	-	-	313,440	313,440	-	313,440
Transfer to statutory reserve	-	-	62,730	-	(62,730)	-	-	-
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	7,550	7,550	-	7,550
Remeasurements of the net defined benefit liability / asset - net of tax	-	-	-	-	(16,110)	(16,110)	-	(16,110)
Balance as at December 31, 2014	5,758,721	(79,042)	273,176	-	269,349	6,222,204	-	6,222,204
Transfer to reserve for bad debts & contingencies	-	-	-	250,000	(250,000)	-	-	-
Non-controlling interest recognised during the year (upon business combination, refer note 2)	-	-	-	-	-	-	193,133	193,133
Issue of right shares at par	4,320,400	-	-	-	-	4,320,400	-	4,320,400
Loss after taxation for the year transferred from Statement of Comprehensive Income	-	-	-	-	(84,107)	(84,107)	(3,278)	(87,385)
Transfer to statutory reserve	-	-	-	-	-	-	-	-
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	12,652	12,652	-	12,652
Remeasurements of the net defined benefit liability / asset - net of tax	-	-	-	-	(5,189)	(5,189)	-	(5,189)
Balance as at December 31, 2015	<u>10,079,121</u>	<u>(79,042)</u>	<u>273,176</u>	<u>250,000</u>	<u>(57,295)</u>	<u>10,465,960</u>	<u>189,855</u>	<u>10,655,815</u>

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

As explained in note 11.16.3.2 to these financial statements, Rs. 155.052 million as at December 31, 2015 (December 31, 2014: Rs. 205.584 million) representing additional profit (net of tax) arising from availing forced sale value benefit for determining provisioning requirement is not available for the purpose of distribution of dividend to the shareholders of the holding company.

The annexed notes 1 to 46 and Annexures I and II form an integral part of these consolidated financial statements.


CHAIRMAN


PRESIDENT / CHIEF EXECUTIVE


DIRECTOR


DIRECTOR

Notes to and Forming Part of the Consolidated Financial Statements For the Year Ended December 31, 2015

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 317 branches including 124 sub branches as at December 31, 2015 (2014: 213 branches including 90 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 Pakistan Stock Exchange Limited (formerly 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 As mentioned in note 2 below, during the current year KASB Undertakings have been acquired and amalgamated with the Bank under a scheme sanctioned under section 47 of the Banking Companies Ordinance, 1962.

1.3 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 information for the half year ended December 31, 2015.

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.

1.4 KASB Securities Limited (Subsidiary Company) - 77.12 percent holding [Acquired as part of business acquisition during the current year]

KASB Securities Limited was incorporated in Pakistan on October 24, 2000 under the Companies Ordinance, 1984 and commenced its operations effective January 01, 2003, on the transfer of assets and liabilities of the securities segment of the then Khadim Ali Shah Bukhari and Company Limited under a scheme of arrangement approved by the High Court of Sindh. The shares of the Company are listed on the Pakistan Stock Exchange Limited (PSX) (formerly Karachi Stock Exchange Limited). The registered office of the company is situated at 5th Floor, Trade Centre, I.I. Chundrigar Road, Karachi.

The Company is a TREC holder of the Pakistan Stock Exchange Limited (PSX) and Corporate member of Pakistan Mercantile Exchange Limited (PMEL) and is principally engaged in the business of stocks, money market, foreign exchange and commodity broking. Other activities include investment in listed and unlisted equity and debt securities, economic research and advisory services.

1.5 My Solutions Corporation Limited (Subsidiary Company) - 100 percent holding [Acquired as part of business acquisition during the current year]

My Solutions Corporation Limited (the Company) was incorporated as a private limited company on November 05, 1995 and was converted into a public limited company on March 24, 2003. The Company is engaged in sale of IT equipment, providing internet connectivity and telecommunication services, networking services and electronic utility bill payment switch services (eUBS). Its registered office is situated at the 9th floor, Trade Centre, I.I Chundrigar Road, Karachi.

- 1.6 Structured Ventures (Private) Limited (Indirect Subsidiary Company through KASB Securities Limited) - 77.12 percent holding [Acquired as part of business acquisition during the current year]

Structured Venture (Private) Limited was incorporated in Pakistan on June 25, 2010 under the Companies Ordinance, 1984. The registered office of the company is situated at 5th floor, Trade Centre, I. I. Chundrigar Road, Karachi. The company is a wholly owned subsidiary of KASB Securities Limited. The ultimate parent company is BankIslami Pakistan Limited.

2 BUSINESS COMBINATION

2.1 Acquisition of KASB Bank Limited undertakings

During the current period, under the 'Scheme of Amalgamation of KASB Bank Limited with and into BankIslami Pakistan Limited under Section 47 of the Banking Companies Ordinance, 1962', hereinafter referred to as 'The Scheme', KASB Bank Undertakings have been acquired and amalgamated and made part of the group. The Scheme is effective from May 7, 2015.

KASB Bank Undertakings, as per the Scheme, means the business and all assets and liabilities, of the then KASB Bank Limited of whatsoever nature and wherever situated.

As required under International Financial Reporting Standard 3, (IFRS 3) 'Business Combination', the balances of KASB Bank undertakings have been incorporated at their fair values as determined by an independent firm KPMG Taseer Hadi & Co, Chartered Accountants. Their valuation is being carried out using the balances as appearing in the financial statements of KASB Bank Limited as at May 7, 2015 duly audited by Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants. The reconciliation between audited balances and the provisional fair values is given in note 2.3 below.

Subsequent to the above amalgamation, the operations of the defunct KASB Bank Limited have been amalgamated and vested into the group with effect from May 7, 2015. Consequently, the entire undertaking of the KASB Bank Limited including all the properties, assets and liabilities and the rights and obligations as defined in the aforesaid scheme stand amalgamated with and vested into the group as at May 7, 2015. Accordingly, the assets and liabilities included in the consolidated statement of financial position also include balances of the defunct KASB Bank Limited.

The KASB Bank Limited at the time of acquisition by the Bank had the following three subsidiaries (both direct and indirect) which by virtue of amalgamation have now become subsidiaries of the Bank:

	Name of Entity	Percentage of holding	Nature of relationship
1	My Solutions Corporation Limited	100.00%	Direct
2	KASB Securities Limited	77.12%	Direct
3	Structured Ventures (Private) Limited	77.12%	Indirect

The Bank is in the process of converting the conventional portfolio of the defunct KASB undertaking into Shariah compliant products and intends to complete it within a reasonable period of time. The acquisition of the KASB undertaking will assist the group in promoting the shariah compliant banking to the customers of the defunct conventional bank by targeting a diversified customer base (constituting a mix of high profile corporate and retail customer base). The acquisition is expected to bring in synergies resulting in overall growth of the group.

- 2.2 International Financial Reporting Standard 3, (IFRS 3) "Business Combinations", requires that all identified assets and liabilities acquired in a business combination should be carried at fair values in the acquirer's balance sheet and any intangible assets acquired in the business combination are required to be separately recognised and carried at fair values.

The acquisition has been accounted for by applying the purchase method in accordance with the requirements of IFRS 3 (revised) 'Business Combinations'. IFRS 3 allows the acquirer a maximum period of one year from the date of acquisition to finalise the accounting for business combination. Identified assets acquired, liabilities assumed or incurred have been carried at the fair value as at the acquisition date. The fair valuation exercise is in progress and will be finalised within the period of one year as allowed under IFRS 3. Any adjustment arising at the time of finalisation of this exercise will be incorporated with retrospective effect from the date of acquisition.

The fair valuation exercise is being carried out by M/s KPMG Taseer Hadi & Co. Chartered Accountants (an independent professional consultant) engaged by the holding company for this purpose. Details of the provisional fair values of the assets acquired, liabilities assumed and purchase consideration and the resultant goodwill recognised are as follows:

	Note	May 7, 2015 Rupees in '000
Fair value of assets acquired (provisional)		55,208,942
Fair value of liabilities assumed (provisional)		(60,759,055)
Net liabilities assumed - based on provisional values		<u>(5,550,113)</u>
Net liabilities pertaining to Non-controlling interest (pertaining to KASB Securities Limited)		<u>(193,133)</u>
Parent's share of net liabilities assumed - based on provisional values		<u>(5,743,246)</u>
Purchase Consideration:		
Cash payable		(1)
Fair value benefit of financing from SBP	2.2.1	<u>2,952,536</u>
		2,952,535
Excess of purchase consideration over net assets (Goodwill)		<u><u>(2,790,711)</u></u>

Further, as noted above, the goodwill recorded in the consolidated financial statements is based on provisional figures and does not incorporate adjustments which will be recorded after completion of the fair value exercise of recorded assets and liabilities.

2.2.1 This represents the fair value benefit of the subsidised financing which was to be received as on May 7, 2015 by the Group from the State Bank of Pakistan for the liquidity support (refer note 15.1.2). The amount of financing was received subsequent to May 7, 2015.

2.3 The provisional fair values and carrying amounts of identifiable assets (including intangible assets) and liabilities of the KASB Bank Undertakings at the date of acquisition are as follows:

	Acquiree's carrying amounts as on May 7, 2015 (based on audited financial statements)	Fair value adjustments / intangible recognised (as per Consultant's report)	Fair values as on May 7, 2015 (as per Consultant's report)
Rupees in '000			
KASB Bank Limited (Other than KASB Securities Limited and Structured Ventures (Private) Limited which are being consolidated on a line by line basis)			
ASSETS			
Cash and balances with treasury banks	3,703,800	-	3,703,800
Balances with other banks	856,801	-	856,801
Investments - net	28,718,288	(577,675)	28,140,613
Advances	10,429,731	669,254	11,098,985
Operating fixed assets	2,157,083	-	2,157,083
Intangible assets recognised on acquisition	-	40,600	40,600
Deferred tax assets - net	5,959,594	(45,043)	5,914,551
Other assets - net	1,415,231	30,419	1,445,650
	53,240,528	117,555	53,358,083
LIABILITIES			
Bills payable	163,920	-	163,920
Due to financial institutions	313,206	-	313,206
Deposits and other accounts	57,338,264	-	57,338,264
Other liabilities	1,973,937	-	1,973,937
	59,789,327	-	59,789,327
Fair Value of Net liabilities assumed - provisional	(6,548,799)	117,555	(6,431,244)
Rupees in '000			
KASB Securities Limited			
ASSETS			
Cash and balances with treasury banks	170	-	170
Balances with other banks	670,737	-	670,737
Investments - net	613,828	(169,059)	444,769
Advances	-	-	-
Operating fixed assets	54,965	-	54,965
Intangible assets recognised on acquisition	-	-	-
Deferred tax assets - net	43,472	59,171	102,643
Other assets - net	504,726	-	504,726
	1,887,898	(109,888)	1,778,010
LIABILITIES			
Bills payable	-	-	-
Due to financial institutions	150,000	-	150,000
Deposits and other accounts	-	-	-
Other liabilities	783,898	-	783,898
	933,898	-	933,898
Fair Value of Net assets acquired	954,000	(109,888)	844,112
			650,979
- Group's Share			193,133
- Non-controlling interest			844,112

Mv Solutions Corporation Limited

ASSETS

Cash and balances with treasury banks	50	-	50
Balances with other banks	1,742	-	1,742
Investments - net	-	-	-
Advances	-	-	-
Operating fixed assets	2,877	-	2,877
Intangible assets recognised on acquisition	-	-	-
Deferred tax assets - net	26,086	-	26,086
Other assets - net	38,671	-	38,671
	69,426	-	69,426

LIABILITIES

Bills payable	-	-	-
Due to financial institutions	-	-	-
Deposits and other accounts	-	-	-
Other liabilities	34,248	-	34,248
	34,248	-	34,248

Fair Value of Net assets acquired

	Acquiree's carrying amounts as on May 7, 2015 (based on un-audited financial statements)	Fair value adjustments	Fair values as on May 7, 2015
Rupees in '000			
	50	-	50
	1,742	-	1,742
	-	-	-
	-	-	-
	2,877	-	2,877
	-	-	-
	26,086	-	26,086
	38,671	-	38,671
	69,426	-	69,426
	-	-	-
	-	-	-
	34,248	-	34,248
	34,248	-	34,248
	35,178	-	35,178

Structured Ventures (Private) Limited

ASSETS

Cash and balances with treasury banks	-	-	-
Balances with other banks	3,227	-	3,227
Investments - net	-	-	-
Advances	-	-	-
Operating fixed assets	-	-	-
Intangible assets recognised on acquisition	-	-	-
Deferred tax assets - net	-	-	-
Other assets - net	196	-	196
	3,423	-	3,423

LIABILITIES

Bills payable	-	-	-
Due to financial institutions	-	-	-
Deposits and other accounts	-	-	-
Other liabilities	1,582	-	1,582
	1,582	-	1,582

Fair Value of Net assets acquired

	Acquiree's carrying amounts as on May 7, 2015 (based on audited financial statements)	Fair value adjustments	Fair values as on May 7, 2015
Rupees in '000			
	-	-	-
	3,227	-	3,227
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	196	-	196
	3,423	-	3,423
	-	-	-
	-	-	-
	1,582	-	1,582
	1,582	-	1,582
	1,841	-	1,841

In addition, the financial statements of the defunct KASB Bank Limited as at May 7, 2015 duly audited by Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants include a sum of Rs 981.410 million representing advance against issue of right shares which has been treated and disclosed as a part of equity. This amount does not form part of the KASB Undertakings acquired and amalgamated with the Bank as per the Scheme. A case has been filed in respect of this matter, details of which are disclosed in note 22.6 to these consolidated financial statements.

2.3.1 Intangible recognised on acquisition

Consequent to the amalgamation of the defunct KASB Bank Limited with and into the Group, the Group has recognised the following intangible asset as at the acquisition date of May 7, 2015:

May 7, 2015
Rupees in '000

Core deposit intangible	40,600
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This intangible asset relates to core deposits of the defunct KASB Bank Limited and represents the funding benefit that would be available to the Group on account of availability of funding through deposit customers rather than from the wholesale or inter-bank markets. This benefit also considers the fact that the economic lifetime of these deposits is longer than their contractual life. Based on this assumption, this intangible asset has been valued using certain valuation techniques and is being amortised keeping in view the life expectancy of the core deposits.

The fair value of this identifiable intangible asset has been determined using an income approach, by an independent valuer. The income approach begins with an estimation of the annual cash flows, which a market participant acquirer would expect the asset to generate over a discrete projection period. The estimated cash flows for each of the years in the discrete projection period are then converted to their present value equivalent using a rate of return appropriate for the risk of achieving the asset's projected cash flows. The present value of the estimated cash flows are then added to the present value equivalent of the residual value of the asset (if any) at the end of the discrete projection period to arrive at an estimate of the fair value of the specific asset.

In applying the income approach, the Bank used the Multiple-period Excess Earnings Method ("MEEM") to determine the value of the above intangible. Under this method the value of a specific intangible asset is estimated from the residual earnings after fair returns on all other assets employed (including other intangible assets) have been deducted from the asset's after-tax operating earnings.

The valuations are based on information at the time of acquisition and the expectations and assumptions that have been deemed reasonable by the Bank's management. It has been assumed that the underlying assumptions or events associated with such assets will occur as projected.

- 2.4 The fair value of the gross contractual receivables representing advances and lendings as at the acquisition date amounts to Rs 11.099 billion. Gross contractual amounts for the aforementioned receivables due is Rs 24.957 billion. The management believes that out of the total gross contractual receivables, a gross contractual amount of Rs 13.858 billion is expected to be uncollectable. The uncollectable amounts of receivables and impairment of investments arising on account of fair valuation exercise have been disclosed as "Provisions transferred from amalgamated entity" in the respective notes.
- 2.5 The figures pertaining to post combination revenue and profit or loss pertaining to the operations of the defunct KASB Bank Limited have not been given as the same is considered impracticable mainly on account of the fact that the majority of the portfolio has been converted to Shariah compliant products and made part of the acquiree entity. The annualised profit and loss account of the combined entity cannot be presented as the financial results of the acquired entity are not available for the relevant cut-off period.

3 BASIS OF PRESENTATION

- 3.1 The Group provides financing mainly through Murabahah, Ijarah, Istisna, Diminishing Musharakah, Muswammah and other Islamic modes as briefly explained in note 6.3 to these consolidated financial statements.

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 holding company.

4 STATEMENT OF COMPLIANCE

- 4.1 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.
- 4.2 The SBP vide its letter No. BPRD/BRP/13921/16 dated June 2, 2016, has allowed the Group to disclose financial results of KASB Securities Limited (KSL) as a single line item in Consolidated Profit and Loss account as majority of the operations of KSL are of conventional nature and line by line consolidation would result in non-compliance of Shariah requirements.
- 4.3 The SBP through its BSD Circular No. 10 dated August 26, 2002, has deferred the implementation of International Accounting Standard (IAS) 39 - "Financial Instruments: Recognition and Measurement" and IAS 40 - "Investment Property" for Banking Companies in Pakistan, till further instructions. Accordingly, the requirements of these Standards have not been considered in the preparation of these consolidated financial statements. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7 "Financial Instruments: Disclosures" through its S.R.O. 411(I)/2008 dated April 28, 2008. Accordingly, the requirements of this standard have also not been considered in the preparation of these consolidated financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

- 4.4 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.
- 4.5 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 required 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 consolidated financial statements.
- 4.6 The SBP vide its BPRD Circular No. 04 dated February 25, 2015 has clarified that the reporting requirements of IFAS-3 for Islamic Banking Institutions (IBIs) relating to annual, half yearly and quarterly financial statements would be notified by SBP through issuance of specific instructions and uniform disclosure formats in consultation with IBIs. These reporting requirements have not been ratified to date. Accordingly, the disclosures requirements under IFAS 3 have not been considered in these consolidated financial statements.
- 4.7 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year:**

- 4.7.1 IFRS 13, 'Fair value measurement', was made applicable from periods beginning on or after January 1, 2015 vide SECP circular 633(I)/2014 which resulted in additional disclosure as given in note 38 to these consolidated financial statements.

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 do not have any significant effect on the Group's operations and are therefore not detailed in these consolidated financial statements.

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

- 4.8.1 The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 1, 2016:

	Effective date (accounting periods beginning on or after)
- IFRS 15, 'Revenue from contracts'	1-Jan-18
- IFRS 14, 'Regulatory Deferral Accounts'	1-Jan-16
- IAS 1 - Presentation of Financial Statements - Disclosure Initiative (Amendment)	1-Jan-16
- IAS 16 'Property, Plant & Equipment' & IAS 38 'Intangible Assets' - Classification of acceptable method of Depreciation and Amortization (Amendment)	1-Jan-16
- Annual improvements 2014; IFRS 5, 'Non-current assets held for sale and discontinued operations' , IFRS 7 'Financial Instruments: disclosures' & IAS ' Employee Benefits'	1-Jan-16

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, 2016 but are considered not to be relevant or will not have any significant effect on the Group's operations and are therefore not detailed in these consolidated financial statements.

4.9 Early adoption of standards

The Group has not early adopted any new or amended standard in 2015.

5 BASIS OF MEASUREMENT

5.1 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 6.6 and 35 to these consolidated financial statements have been carried at present values as determined under the International Accounting Standards (IAS) 19 (revised) 'Employee Benefits' .

5.2 Functional and Presentation Currency

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

5.3 Rounding off

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

5.4 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 6.2 and 10).
- (b) Provision for non-performing Islamic financing and related assets (notes 6.3 and 11).
- (c) Determination of forced sales value of underlying securities of non performing Islamic financing and related assets (note 11).
- (d) Staff retirement benefits (notes 6.6 and 35).
- (e) Depreciation and amortization methods of operating fixed assets (notes 6.4 and 12).
- (f) Assumption and estimation in recognition of provision for taxation (current and prior years) and deferred taxation (notes 6.5, 17 and 30).
- (g) Fair values of assets acquired and liabilities assumed in a business combination (note 2).

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.

6 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.

6.1 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.

6.2 Investments

6.2.1 Classification

Investments of the Group 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.

6.2.2 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.

6.2.3 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.

6.2.4 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 (which in the case of business acquisition would be the fair value at the acquisition date) 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.

6.2.5 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.

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

6.3 Islamic financing and related assets

6.3.1 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.

6.3.2 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.

6.3.3 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.

- 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).
- 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.

6.4 Operating fixed assets and depreciation

6.4.1 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 12.2 to these consolidated 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.

6.4.2 Capital work in progress

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

6.4.3 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.

6.4.4 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 recognised 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.

6.5 Taxation

6.5.1 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.

6.5.2 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.

6.6 Staff retirement benefits

6.6.1 Defined benefit plan

The Group operates an approved funded gratuity scheme for the permanent employees of the Holding company and BankIslami Modaraba Investments Limited. 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, 2015 for the holding company and as at June 30, 2015 for the BankIslami Modaraba Investments Limited.

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.

6.6.2 Defined contribution plan

The Group operates recognised contributory provident funds for all the permanent employees of respective companies. Equal monthly contributions are made both by the respective companies and the employees at certain percentage 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.

6.6.3 Employees' compensated absences

The Group 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.

6.7 Revenue recognition

6.7.1 Profit on Murabahah and Commodity Murabahah is recognised over the life of Murabahah on an 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.

6.7.2 Profit from Istisna is recorded on an 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.

6.7.3 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 consolidated profit and loss account over the term of the contract net of depreciation expense relating to the Ijarah assets.

6.7.4 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.

6.7.5 Profit on classified financing is recognised on a receipt basis.

6.7.6 Dividend income is recognised when the right to receive the dividend is established.

6.7.7 Gains and losses on sale of investments are recognised in the consolidated profit and loss account.

6.7.8 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.

6.7.9 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.

6.7.10 Moradaba management fee is determined at 10% of the profit earned each year by the Modarabas floated and managed by the BankIslami Modaraba Investments Limited.

6.7.11 Modaraba management fee is recognised on an accrual basis.

6.8 Financial Instruments

6.8.1 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.

6.8.2 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 are off-set and the net amount is reported in the consolidated financial statements wherever allowed under the approved accounting standards.

6.8.3 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.

6.9 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.

6.10 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.

6.11 Fiduciary assets

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

6.12 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.

6.13 Business Combination

Business combinations are accounted for by applying the acquisition method. The cost of acquisition is measured as the fair value of assets given, equity instruments issued and the liabilities incurred or assumed at the date of acquisition. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement, if any. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets acquired in the case of a bargain purchase, the difference is recognised directly in the profit and loss account.

Goodwill acquired in a business combination is measured, subsequent to initial recognition, at its cost less accumulated impairment losses, if any. Goodwill acquired in a business combination is tested for impairment annually or whenever there is an indication of impairment as per the requirements of International Accounting Standard (IAS) 36, 'Impairment of Assets'. Impairment charge in respect of goodwill is recognised in the profit and loss account. However, for the holding company the goodwill arising on acquisition of the defunct KASB Bank Undertakings, the State Bank of Pakistan vide its letter no BPRD(R&P-02)/625-112/2-16/13918 dated June 2, 2016 has allowed the Bank to carry goodwill at December 31, 2015 without testing for impairment.

Acquisition of non-controlling interests (NCI) is measured at the proportionate share of the NCI in the fair value of the net assets acquired by the Bank. The excess of fair value of consideration transferred over the proportionate share of the NCI in the fair value of the net assets acquired is recognised in equity.

6.14 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.

6.14.1 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.

6.14.2 Geographical segment

The Holding company has 317 branches including 124 sub branches (2014: 213 branches including 90 sub branches) and operates only in Pakistan. The subsidiaries also operate in Pakistan only.

6.15 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.

6.16 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 of the holding company 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.

6.17 Dividend distribution and transfer between reserves

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

7	CASH AND BALANCES WITH TREASURY BANKS	Note	2015 Rupees in '000	2014
	In hand			
	- local currency		2,304,602	1,658,420
	- foreign currency		347,816	254,139
			2,652,418	1,912,559
	With the State Bank of Pakistan in			
	- local currency current account	7.1	4,615,510	3,262,935
	- foreign currency deposit accounts			
	Cash Reserve Account	7.2	141,716	90,937
	Special Cash Reserve Account	7.3	228,335	110,029
	US Dollar Clearing Account		48,066	29,915
			418,117	230,881
	With National Bank of Pakistan in			
	- local currency current account		1,349,844	955,069
			9,035,889	6,361,444

7.1 This represents Rs. 4,615.510 million (2014: 3,262.935 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.

7.2 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).

7.3 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.

8	BALANCES WITH OTHER BANKS	Note	2015 — Rupees in '000 —	2014 — Rupees in '000 —
	In Pakistan			
	- on current accounts		8,035	8,198
	- on deposit accounts	8.1	232,159	114,455
			<u>240,194</u>	<u>122,653</u>
	Outside Pakistan			
	- on current accounts		1,776,073	725,237
	- on deposit accounts		-	-
			<u>1,776,073</u>	<u>725,237</u>
			<u>2,016,267</u>	<u>847,890</u>

8.1 Represents deposits with various Islamic commercial banks under Musharakah and Mudarabah arrangements. The expected profit rate on these arrangements is 3.5% (2014: 6%) per annum.

9	DUE FROM FINANCIAL INSTITUTIONS	Note	2015 — Rupees in '000 —	2014 — Rupees in '000 —
	Sukuk Murabahah	9.1	5,349	6,418
	Commodity Murabahah - local currency	9.2	39,824,221	7,389,208
	Long term and current portion of musharaka finance - secured		31,304	-
			<u>39,860,874</u>	<u>7,395,626</u>
	Bai Muajjal		-	10,754,366
	Other placements		32,400	-
			<u>39,893,274</u>	<u>18,149,992</u>
	Provision against Sukuk Murabahah	9.1	(5,349)	(6,418)
	Provision against placements - transferred from the amalgamated entity		(32,400)	-
			<u>39,855,525</u>	<u>18,143,574</u>

9.1 In prior years, 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 has recovered an amount of Rs. 1,069 million during the current year. The Group is making efforts to recover the outstanding balance and has made a provision against the outstanding amount.

9.2 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 6.02% to 6.70% (2014: 9.5% to 10.00%) per annum and the agreements have maturities ranging from 4 days to 185 days (2014: 2 days to 182 days).

9.3	Particulars of amounts due from financial institutions with respect to currencies:	2015 — Rupees in '000 —	2014 — Rupees in '000 —
	- In local currency	39,893,274	18,149,992
	- In foreign currency	-	-
		<u>39,893,274</u>	<u>18,149,992</u>

2015

The Challenge

State Bank of Pakistan approved the amalgamation of KASB Bank with and into BankIslami Pakistan Limited.

With this amalgamation, Branch network of the Bank reached 317 branches in 93 cities, making BankIslami, the 11th largest banking network of Pakistan in just 9 years.





Your Trust - Our Strength

With a network of 317* branches in 93 cities, BankIslami offers the following Islamic Banking solutions:

- Islami Sahulat Account
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- Islami Auto Ijarah
- BankIslami **VISA** EXTRA

*Including sub-branches

Serving you, the Right way



10 INVESTMENTS

	Note	2015	2014
		Rupees in '000	
Investments - Islamic	10.1	33,988,524	30,511,422
Investments - Conventional (relating to defunct KASB Bank Limited)	10.2	1,812,534	-
		<u>35,801,058</u>	<u>30,511,422</u>

10.1 Islamic Investments by types

Note	2015			2014			
	Held by the Bank	Given as collateral	Total	Held by the Bank	Given as collateral	Total	
(Rupees in '000)							
Available for sale securities							
Sukuk / Certificates	10.4	10,808,980	-	10,808,980	30,644,970	-	30,644,970
Units of Open-end mutual fund	10.7	21	-	21	21	-	21
Ordinary Shares of listed companies	10.4	242,645	-	242,645	-	-	-
Bai Muajjal	10.4	22,959,292	-	22,959,292	-	-	-
		<u>34,010,938</u>	<u>-</u>	<u>34,010,938</u>	<u>30,644,991</u>	<u>-</u>	<u>30,644,991</u>
Modaraba							
Modaraba-Al-Mali	10.8	16,208	-	16,208	16,208	-	16,208
Total investments at cost		<u>34,027,146</u>	<u>-</u>	<u>34,027,146</u>	<u>30,661,199</u>	<u>-</u>	<u>30,661,199</u>
Less: Provision for diminution in value of investments	10.12	(17,804)	-	(17,804)	(14,653)	-	(14,653)
Investments - net of Provisions		<u>34,009,342</u>	<u>-</u>	<u>34,009,342</u>	<u>30,646,546</u>	<u>-</u>	<u>30,646,546</u>
Deficit on revaluation of available-for-sale securities	21.2	(20,818)	-	(20,818)	(135,124)	-	(135,124)
Total investments at market value		<u>33,988,524</u>	<u>-</u>	<u>33,988,524</u>	<u>30,511,422</u>	<u>-</u>	<u>30,511,422</u>

10.2 Conventional Investments by types (relating to defunct KASB Bank Limited)*

Note	December 31, 2015			
	Held by the Bank	Given as collateral	Total	
(Rupees in '000)				
Available for sale securities				
Ordinary Shares of listed companies	10.4	841,950	-	841,950
Ordinary Shares of unlisted companies	10.4	1,612,736	-	1,612,736
Listed Term Finance Certificates	10.4	105,312	-	105,312
Unlisted Term Finance Certificates	10.4	222,821	-	222,821
		<u>2,782,819</u>	<u>-</u>	<u>2,782,819</u>
Held to maturity securities				
Unlisted Term Finance Certificates	10.5	321,601	-	321,601
Held for trading securities				
Listed shares	10.6	28,531	-	28,531
Associates	10.10 & 10.11	1,794,948	-	1,794,948
Total investments at fair value		<u>4,927,899</u>	<u>-</u>	<u>4,927,899</u>
Less: Provision for diminution in the value of investments	10.12	(3,104,633)	-	(3,104,633)
Total investments at market value		<u>1,823,266</u>	<u>-</u>	<u>1,823,266</u>
Deficit on revaluation of available-for-sale securities	21.2	(10,732)	-	(10,732)
		<u>1,812,534</u>	<u>-</u>	<u>1,812,534</u>

* These investments are under process of conversion / liquidation.

	Note	2015	2014
		— Rupees in '000 —	
10.3 Investments by segments			
Federal Government Securities			
GOP Ijarah Sukuks	10.4	9,330,423	28,490,153
Other Federal Government Securities			
Bai Muajjal with Government of Pakistan (through State Bank of Pakistan)	10.4,12	22,959,292	-
Sukuk certificates			
Sukuks - unlisted	10.4	1,478,557	2,154,817
Fully paid up ordinary shares / Units			
Modaraba Certificates	10.8	16,208	16,208
Units of Open-end Mutual Funds	10.7	21	21
Listed companies	10.4 & 10.6	1,113,126	-
Unlisted companies	10.4	1,612,736	-
Term Finance Certificates			
Listed	10.4 & 10.5	105,312	-
Unlisted	10.4 & 10.5	544,422	-
Associates			
<i>Unlisted</i>			
KASB Capital Limited	10.11	41,867	-
KASB Funds Limited	10.11	432,302	-
New Horizon Exploration & Production Limited	10.11	558,577	-
Shakarganj Food Products Limited	10.11	762,202	-
Total investments at cost		<u>38,955,045</u>	<u>30,661,199</u>
Less: Provision for diminution in value of investments	10.12	(3,122,437)	(14,653)
Investments - net of provisions		<u>35,832,608</u>	<u>30,646,546</u>
Deficit on revaluation of available-for-sale securities	21.2	(31,550)	(135,124)
Total investments at market value		<u>35,801,058</u>	<u>30,511,422</u>

10.4 Available for sale securities

Name of the investee company	Note	2015 Number of Certificates	2014	Face Value	2015 Cost	2014 Cost
— Rupees in '000 —						
Sukuk Certificates						
Federal Government						
Ijarah GOP Sukuk - 9		-	13,760	Rs 100,000	-	1,376,000
Ijarah GOP Sukuk - 10		-	39,750	Rs 100,000	-	3,982,094
Ijarah GOP Sukuk - 11		-	30,325	Rs 100,000	-	3,032,724
Ijarah GOP Sukuk - 12		-	86,950	Rs 100,000	-	8,720,504
Ijarah GOP Sukuk - 13		-	34,975	Rs 100,000	-	3,528,647
Ijarah GOP Sukuk - 14	10.4.1	15,000	15,000	Rs 100,000	1,500,907	1,504,546
Ijarah GOP Sukuk - 15	10.4.2	78,256	63,393	Rs 100,000	7,829,516	6,345,638
					9,330,423	28,490,153
Others						
WAPDA Second Sukuk Certificates	10.4.3	134,000	134,000	Rs 5,000	223,333	334,724
WAPDA Third Sukuk Certificates	10.4.4	32,600	32,600	Rs 5,000	150,979	175,740
Pak Electron Sukuk	10.4.5	60,000	60,000	Rs 5,000	85,715	128,571
Amtex Sukuk	10.4.6	59,000	59,000	Rs 5,000	221,250	221,250
Engro Fertilizer Sukuk		-	65,000	Rs 5,000	-	324,619
Security Leasing Sukuk	10.4.7	2,000	2,000	Rs 5,000	3,080	3,080
New Allied Electronics (LG) - Sukuk	10.4.8	11,000	11,000	Rs 5,000	55,000	55,000
Sui Southern Gas Company Sukuk	10.4.9	120,000	120,000	Rs 5,000	450,000	600,000
Ederi Housing Sukuk	10.4.10	50,000	50,000	Rs 5,000	36,738	36,738
Optimus Sukuk		-	50,000	Rs 5,000	-	20,837
K-Electric Azm Sukuk 2	10.4.11	50,000	50,000	Rs 5,000	252,462	254,258
					1,478,557	2,154,817
Other Federal Government Securities						
Bai Muajjal with Government of Pakistan (through State Bank of Pakistan)	10.4.12	Not Applicable	Not Applicable	Not Applicable	22,959,292	-
Ordinary shares - Listed						
Dolmen City REIT		22,058,602	-	Rs 10	242,645	-
KASB Modarba Limited *		10,446,767	-	Rs 10	91,675	-
Agritech Limited *		21,435,858	-	Rs 10	750,255	-
K-Electric *		2,928	-	Rs 10	20	-
					1,084,595	-
Ordinary shares - Unlisted *						
Evolvence Capital Limited - Incorporated in British Virgin Islands		5,400,000	-	USD 0.0845	1,155,350	-
Pakistan Export Finance Guarantee Agency Limited		568,044	-	Rs 10	5,680	-
KASB Invest (Private) Limited		3,985,000	-	Rs 10	28,000	-
Pakistan Stock Exchange Limited		4,007,383	-	Rs 10	40,746	-
Al Jomaih Power Limited		3,370	-	-	382,960	-
					1,612,736	-
Term Finance Certificates - Listed *						
Telecard Limited	10.4.13	3,000	-	Rs 5,000	3,681	-
Trust Investment Bank Limited	10.4.14	9,000	-	Rs 5,000	22,491	-
World Call Telecom Limited	10.4.15	39,348	-	Rs 5,000	79,140	-
					105,312	-
Term Finance Certificates - Unlisted *						
Agritech Limited	10.4.16	30,000	-	Rs 5,000	149,861	-
Azgard Nine Limited (3rd Issue)	10.4.17	5,600	-	Rs 5,000	27,960	-
Shakarganj Mills Limited	10.4.18	20,000	-	Rs 5,000	45,000	-
					222,821	-
					36,793,736	30,644,970

* These represent investments acquired from KASB Bank Undertakings.

- 10.4.1 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.
- 10.4.2 The profit rate on these sukuks comprises of six months weighted average yield of six month market treasury bills. The principal is redeemable on maturity in June 2017. These are backed by Government of Pakistan's Sovereign Guarantee.
- 10.4.3 These carry profit at the rate of six months KIBOR minus 25 basis points (2014: 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.
- 10.4.4 These carry profit at the rate of six months KIBOR plus 100 basis points (2014: six months KIBOR plus 100 basis points) 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.
- 10.4.5 These Sukuks carry profit at the rate of three months KIBOR plus 175 basis points (2014: three months KIBOR plus 175 basis points) receivable quarterly based on Diminishing Musharakah mechanism with maturity in September 2016. The outstanding principal has started its redemption in 6 equal quarterly installments from June 2015.
- 10.4.6 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 holding company 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.
- 10.4.7 Since last restructuring, these sukuks carry profit at the rate of 0%, (2014: 0%). The accrued profit amount will be repaid in six equal monthly installments starting from 43rd month. Principal to be repaid in 48 months starting from April 2010. As per the 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 still not making any payment as per the restructuring plan approved by the minority sukuk holders.

- 10.4.8 These carry profit at the rate of three months KIBOR plus 220 basis points (2014: three months KIBOR plus 220 basis points) receivable semi-annually with the 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.
- 10.4.9 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.
- 10.4.10 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 (2014: 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.
- 10.4.11 These carry profit at the rate of three months KIBOR plus 225 basis points (2014: 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.
- 10.4.12 This represents Bai Muajjal agreements entered into with SBP on behalf of Government of Pakistan whereby the Bank sold Sukuks having carrying value of Rs. 21,225 million (2014: Rs. 9,510.997 million) to SBP on deferred payment basis. The average return on these transactions is 6.12% (2014: 9.79%) per annum. The balance is due on November 17, 2016.
- 10.4.13 These carry profit at the rate of six months KIBOR minus 375 basis points receivable on semi-annual basis with maturity in May 2015. The principal was repayable in 13 unequal semi-annual installments. The customer has defaulted in its payment and the amount has been fully provided.
- 10.4.14 These carry profit at the rate of six months KIBOR minus 185 basis points receivable on semi-annual basis with maturity in May 2015. The principal was repayable in 13 unequal semi-annual installments. The customer has defaulted in its payment and the amount has been fully provided.

- 10.4.15 These carry profit at a fixed rate 16% receivable on semi-annual basis with maturity in October 2021. The principal is repayable in 14 equal semi-annual installments. The customer has defaulted in its payment and the amount has been fully provided.
- 10.4.16 These carry profit at the rate of six months KIBOR minus 175 basis points receivable on semi-annual basis with maturity in November 2014. The principal was repayable in 13 unequal semi-annual installments. The customer has defaulted in its payment and the amount has been fully provided.
- 10.4.17 These carry profit at the rate of six months KIBOR minus 225 basis points receivable on semi-annual basis with maturity in November 2014. The principal was repayable in 14 installments where first 4 installments of Re. 1 per certificate and 10 subsequent installments of Rs. 499.6 per certificate. The customer has defaulted in its payment and the amount has been fully provided.
- 10.4.18 These carry profit at the rate of six months KIBOR minus 225 basis points receivable on semi-annual basis with maturity in September 2016. The principal is repayable in 10 equal installments of Rs. 500 per certificate.

10.5 Held to maturity securities

Name of the investee company	Note	2015		
		Number of Certificates	Face Value	Cost Rupees in '000
Term finance certificates*				
Azgard Nine Limited (3rd Issue)	10.5.1	35,000	Rs 5,000	60,041
Azgard Nine Limited (5th Issue)	10.5.2	33,883	Rs 5,000	169,415
Agriotech Limited (4th Issue)	10.5.3	18,429	Rs 5,000	92,145
				<u>321,601</u>

* These represent investments acquired from KASB Bank Undertakings.

- 10.5.1 These carry profit at the rate of six months KIBOR plus 225 basis point receivable on semi annual basis with maturity in December 2014. The principal is repayable in fourteen installments with first four installments of Re. 1 per certificate and subsequent ten installments of Rs 499.6 per certificate. The customer has defaulted in payment and the amount has been fully provided.
- 10.5.2 These carry profit at the rate of six months KIBOR plus 225 basis point receivable on semi-annual basis with maturity in December 2014. The principal is repayable in 14 installments with first 4 installments of Re. 1 per certificate and subsequent ten installments of Rs 499.6 per certificate. The customer has defaulted in payment and the amount has been fully provided.
- 10.5.3 These carry profit at the rate of zero percent coupon with maturity in December 2016. The principal is repayable in 7 semi unequal installments in 5 years inclusive of 1.5 years grace period. The customer has defaulted in payment and the amount has been fully provided.

10.6 Held for trading securities

Name of the investee company	Number of shares	2015	
		Cost	Carrying Value Rupees in '000
Ordinary shares of listed company*			
Amreli Steels Ltd.	10,000	619	601
Cherat Cement Company Ltd.	20,000	1,600	1,804
D.G. Khan Cement Company Ltd.	7,200	992	1,063
Engro Fertilizers Ltd.	10,800	921	908
Engro Corporation Ltd.	7,900	2,122	2,207
Indus Motor Company Ltd.	1,000	1,013	1,012
Kohat Cement Company Ltd.	5,100	993	1,228
K-Electric Ltd.	500	4	4
Lucky Cement Ltd.	4,900	2,433	2,426
Mari Petroleum Company Ltd.	10,200	5,819	7,111
Mughal Iron and Steel Industries Ltd.	10,000	771	697
National Refinery Ltd.	4,000	902	892
Pak Elektron Ltd.	21,500	1,458	1,345
Pakistan Oilfields Ltd.	18,900	6,941	5,065
Pakistan Petroleum Ltd.	17,800	2,407	2,168
		<u>28,995</u>	<u>28,531</u>

* These represent investments acquired from KASB Bank Undertakings.

10.7 Details of investments in Mutual Funds

Name of investee fund	2015		2014	
	Number of units	Cost Rupees in '000	Number of units	Cost Rupees in '000
Open - ended mutual funds				
Meezan Cash Fund	168	5	156	5
Meezan Islamic Fund	332	5	320	5
Meezan Islamic Income Fund	169	5	158	5
Meezan Balanced Fund	1,235	6	1,171	6
		<u>21</u>		<u>21</u>

10.8 Details of investment in modaraba certificates

Name of investee	Percentage Holding		No. of certificates		Market Value		Cost	
	2015	2014	2015	2014	2015	2014	2015	2014
Modaraba AH-Mali (related party)	13	13	2,342,177	2,342,177	5,528	5,528	16,208	16,208

10.9 Quality of Available for Sale Securities

	2015	2014	2015	2014
	Long / Medium Term Rating (Where available) *		Rupees in '000	
Sukuks / Certificates - (at market value / cost)				
Ijarah GOP Sukuk - 9	-	Govt. Guaranteed	-	1,377,789
Ijarah GOP Sukuk - 10	-	Govt. Guaranteed	-	3,981,758
Ijarah GOP Sukuk - 11	-	Govt. Guaranteed	-	3,040,081
Ijarah GOP Sukuk - 12	-	Govt. Guaranteed	-	8,715,868
Ijarah GOP Sukuk - 13	-	Govt. Guaranteed	-	3,504,845
Ijarah GOP Sukuk - 14	Govt. Guaranteed	Govt. Guaranteed	1,506,000	1,503,300
Ijarah GOP Sukuk - 15	Govt. Guaranteed	Govt. Guaranteed	7,825,600	6,225,193
WAPDA Second Sukuk Certificates	Unrated	Unrated	216,932	334,114
WAPDA Third Sukuk Certificates	Unrated	Unrated	134,600	174,837
Pak Elektron Limited Sukuk - Sukuk	A	A-	85,715	128,571
Amiex Sukuk - Sukuk	Unrated	Unrated	221,250	221,250
Engro Chemicals Pakistan Limited - Sukuk	A-	A	-	324,619
Security Leasing - Sukuk	Unrated	Unrated	3,080	3,081
New Allied Electronics (LG) - Sukuk	Unrated	Unrated	55,000	55,000
Sui Southern Gas Company Limited - Sukuk	AA-	AA-	450,000	600,000
Eden Housing - Sukuk	Unrated	Unrated	36,738	36,738
Optimus - Sukuk	BBB+	A	-	20,837
K-Electric Azm Sukuk 2	AA	AA	254,484	258,750
			10,789,399	30,506,631
Units of open-end mutual funds (at market value)				
Meezan Cash Fund	AA(f)	AA(f)	9	8
Meezan Islamic Fund	AM2+	AM2+	20	18
Meezan Islamic Income Fund	A-(f)	A-(f)	9	8
Meezan Balanced Fund	Unrated	AM2+	18	17
			56	51
Other Federal Government Securities				
Bai Muajjal with Government of Pakistan (through State Bank of Pakistan)	Govt. Guaranteed	Not Applicable	22,959,292	-
Ordinary shares - Listed				
Dolmen City REIT	RR1	-	236,689	-
KASB Modarba Limited **	BBB+	-	31,131	-
AgriTech Limited **	D	-	200,425	-
K-Electric **	AA-	-	22	-
			468,267	-
Ordinary shares - Unlisted **				
Evolve Capital Limited - Incorporated in British Virgin Islands	Unrated	-	577,675	-
Pakistan Export Finance Guarantee Agency Limited	Unrated	-	5,680	-
KASB Invest (Private) Limited	Unrated	-	28,000	-
Pakistan Stock Exchange Limited	Unrated	-	40,746	-
Al Jomaih Power Limited	Unrated	-	382,960	-
			1,035,061	-
Term Finance Certificates - Listed **				
Telecard Limited			3,681	-
Trust Investment Bank Limited			22,491	-
World Call Telecom Limited			79,140	-
			105,312	-
			35,357,387	30,506,682
			(3,122,437)	(14,653)
			32,234,950	30,492,029

* Entity's rating was used where sukuks and shares rating were not available.

** These represent investments acquired from KASB Bank Undertakings.

10.10 Details of investment in associates

	Holding %	2015	
		Number of Shares	Cost Rupees in '000
Unlisted			
KASB Capital Limited - incorporated in Mauritius Face value per share: USD 1 /- Break-up value per share: Rs. 104.3/- [based on unaudited financial statements for the period ended 30 September 2015] Chief Executive: Not Available	21.78	283,000	41,867
KASB Funds Limited Face value per share: Rs. 10 /- Break-up value per share: Re. 0.44/- [based on unaudited financial statements for the year ended 31 Dec 2015] Chief Executive: Mr. Khaldoon Bin Latif	43.89	14,123,622	432,302
New Horizon Exploration and Production Limited Face value per share: Re. 1 /- and Rs. 10 /- Break-up value per share: Rs. 1,08/- [based on unaudited financial statements for the year ended 30 June 2015] Chief Executive: Not Available	43.23 *	61,600,000	558,000
Shakarganj Food Products Limited [Unlisted] Face value per share: Rs. 10 /- Break-up value per share: Rs. 12.13/- [based on unaudited financial statements for the period ended 31 Dec 2015] Chief Executive: Mr. Ahsan M. Saleem	40.2	60,950,000	627,942
			<u>1,660,111</u>

* The total effective holding is 43.23% with direct holding being 19.64% and indirect holding being 23.59%.

10.11 Reconciliation of investments in associates

31 December 2015										
Particulars	KASB Capital Limited	KASB Funds Limited	New Horizon Exploration and Production Limited	Shakarganj Food Products Limited	KASB Income Opportunity Fund	KASB Asset Allocation Fund	KASB Islamic Income Opportunity Fund	Crosby Dragon Fund	KASB Cash Fund	Total
	Rupees in '000									
As at May 7, 2015	41,867	432,302	558,000	627,942	328,794	298,424	103,525	110,777	113,389	2,615,020
Net investments during the period	-	-	-	-	-	-	-	-	-	-
	41,867	432,302	558,000	627,942	328,794	298,424	103,525	110,777	113,389	2,615,020
Post-acquisition changes during the period										
Recognised in the profit and loss account	-	-	577	134,260	4,632	(7,956)	(17,273)	41,775	1,291	157,306
Recognised in surplus / deficit on revaluation of assets	-	-	-	-	-	-	-	-	-	-
	-	-	577	134,260	4,632	(7,956)	(17,273)	41,775	1,291	157,306
	41,867	432,302	558,577	762,202	333,426	290,468	86,252	162,552	114,680	2,772,326
Dividend income received during the period	-	-	-	-	(3,362)	(3,237)	-	(2,284)	(7,757)	(16,640)
Disposed off during the period	-	-	-	-	(330,064)	(287,231)	(86,252)	(150,268)	(106,923)	(960,738)
As at December 31, 2015	41,867	432,302	558,577	762,202	-	-	-	-	-	1,794,948
Provision for diminution in the value of investment	(41,867)	(432,302)	(558,577)	-	-	-	-	-	-	(1,032,746)
As at December 31, 2015	-	-	-	762,202	-	-	-	-	-	762,202

		2015	2014
		— Rupees in '000 —	
10.12	Particular of provision for diminution in the value of investments		
	Opening balance	14,653	13,866
	Charge for the year	6,653	787
	Reversal during the year	-	-
		6,653	787
	Transfer from the amalgamated entity	3,193,633	
	Reversed on disposal	(92,502)	
	Closing balance	<u>3,122,437</u>	<u>14,653</u>
10.12.1	Break up of provision for diminution in the value of investments is as follows:		
	Investments - Islamic	17,804	14,653
	Investments - Conventional (relating to defunct KASB Bank Limited)	3,104,633	-
		<u>3,122,437</u>	<u>14,653</u>
10.12.2	Particulars of provision in respect of type and segment		
	Available for sale investments		
	Listed Term Finance Certificates	105,311	-
	Unlisted Term Finance Certificates	222,822	-
	Ordinary shares of listed companies	750,255	-
	Ordinary shares of KASB Modaraba (related party)	60,543	-
	Ordinary shares of unlisted companies	611,355	-
	Modaraba Al Mali	13,866	13,866
	Sukuk certificates	3,938	787
		1,768,090	14,653
	Held to maturity securities		
	Unlisted Term Finance Certificates	321,601	-
	Associates		
	New Horizon Exploration & Production Limited	558,577	-
	KASB Funds Limited	432,302	-
	KASB Income Opportunity Fund	-	-
	KASB Capital Limited (Formerly KASB International Limited)	41,867	-
		1,032,746	-
		<u>3,122,437</u>	<u>14,653</u>
11	ISLAMIC FINANCING AND RELATED ASSETS		
	Islamic financing and related assets - net	66,112,412	41,097,058
	Advances (relating to defunct KASB Bank Limited)	3,315,666	-
		<u>69,428,078</u>	<u>41,097,058</u>
11.1	Islamic financing and related assets - net		
	In Pakistan		
	- Murabahah financing and related assets	30,966,858	15,458,980
	- Istisna financing and related assets	11,951,754	6,946,722
	- Diminishing Musharakah - Housing	5,516,984	3,673,349
	- Diminishing Musharakah financing and related assets - Others	6,314,608	4,121,136
	- Against Bills - Murabahah	62,512	97,848
	- Post Due Acceptance	11,556	34,297
	- Salam	2,000,000	-
	- Muswammah financing and related assets	5,465,376	7,191,343
	- Financing to employees	1,848,942	1,159,060
		64,138,590	38,682,735
	Housing finance portfolio	83,980	98,282
	Net investment in Ijarah financing in Pakistan	64,445	86,465
	Ijarah financing under IFAS 2 and related assets	4,414,721	2,830,634
	Gross financing and related assets	<u>68,701,736</u>	<u>41,698,116</u>
	Less: Provision against non-performing Financing and related assets		
	- Specific	(2,455,621)	(524,414)
	- General	(133,703)	(76,644)
	Islamic financing and related assets - net of provisions	<u>66,112,412</u>	<u>41,097,058</u>

	Note	2015 Rupees in '000	
11.2 Advances (relating to defunct KASB Bank Limited)			
Loans, cash credits, running finances, etc.			
- In Pakistan			12,761,388
- Outside Pakistan			-
			12,761,388
Net investment in finance lease			
- In Pakistan	11.13		660,149
- Outside Pakistan			-
			660,149
Bills discounted and purchased (excluding treasury bills)			
- Payable in Pakistan			843,557
- Payable outside Pakistan			-
			843,557
Gross Advances			14,265,094
Less: Provision for non-performing Financings			
-Specific	11.15 & 11.16	(10,947,538)	
-General	11.15 & 11.16	(1,890)	
Advances - net of provisions			3,315,666
		2015	2014
		Rupees in '000	
11.3 Murabahah financing and related assets			
Murabahah financing		19,658,149	13,004,733
Advance against Murabahah financing		11,308,709	2,454,247
		<u>30,966,858</u>	<u>15,458,980</u>
11.4 Istisna financing and related assets			
Istisna financing		4,476,496	3,982,917
Advance against Istisna financing		5,672,724	2,053,984
Istisna inventories		1,802,534	909,821
		<u>11,951,754</u>	<u>6,946,722</u>
11.5 Diminishing Musharakah financing and related assets - Others			
Diminishing Musharkah financing		5,946,950	4,119,936
Advance against Diminishing Musharakah financing		367,658	1,200
		<u>6,314,608</u>	<u>4,121,136</u>
11.6 Salam			
Advance against Salam		<u>2,000,000</u>	<u>-</u>

	Note	2015	2014
		————Rupees in '000————	
11.7 Muswammah financing and related assets			
Muswammah financing		1,846,665	3,657,257
Muswammah inventories		3,618,711	3,534,086
		<u>5,465,376</u>	<u>7,191,343</u>
11.8 Ijarah financing under IFAS 2 and related assets			
Net book value of assets under IFAS 2	11.14	3,905,102	2,467,367
Advance against Ijarah financing		509,619	363,267
		<u>4,414,721</u>	<u>2,830,634</u>
11.9			
Murabahah financing and related assets includes financing amounting to Rs. 50 million (2014: Rs.Nil) and advance amounting to Rs. 189.1 million (2014: Rs. Nil) under Islamic Export Refinance Scheme.			
11.10			
Istisna financing and related assets includes financing amounting to Rs. 150 million (2014: Rs. 80 million) and advance amounting to Rs. 831.25 million (2014: Rs. 506 million) under Islamic Export Refinance Scheme.			
		2015	2014
		————Rupees in '000————	
11.11			
Murabahah sale price (for transactions during the year)		48,134,052	33,670,070
Purchase price (for transactions during the year)		(46,872,896)	(32,337,157)
		<u>1,261,156</u>	<u>1,332,913</u>
11.11.1 Deferred Murabahah income			
Opening balance		323,516	135,031
Arising during the year		1,261,156	1,332,913
Recognised during the year		(1,335,349)	(1,144,428)
		<u>249,323</u>	<u>323,516</u>
11.11.2 Murabahah receivable			
Opening balance		13,004,733	6,577,204
Sales during the year		48,134,052	33,670,070
Received during the year		(41,480,636)	(27,242,541)
		<u>19,658,149</u>	<u>13,004,733</u>
11.12 Particulars of Islamic financing and related assets			
11.12.1			
In local currency		82,966,830	41,466,587
In foreign currency		-	231,529
		<u>82,966,830</u>	<u>41,698,116</u>
11.12.2			
Short-term (for upto one year)		64,031,020	30,008,209
Long-term (for over one year)		18,935,810	11,689,907
		<u>82,966,830</u>	<u>41,698,116</u>

11.13 Net Investment in Ijarah financing in Pakistan

	2015				2014			
	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	645,337	2,023	-	647,360	46,051	11,675	-	57,726
Residual value	124,685	5,992	-	130,677	21,581	8,811	-	30,392
Minimum Ijarah payments	770,022	8,015	-	778,037	67,632	20,486	-	88,118
Profit for future periods	(53,400)	(43)	-	(53,443)	(1,291)	(362)	-	(1,653)
Present value of minimum Ijarah payments	716,622	7,972	-	724,594	66,341	20,124	-	86,465

11.13.1 Break up of net investment in Ijarah financing and Finance lease

	2015	2014
	Rupees in '000	
Islamic financing and related assets - net	64,445	86,465
Advances (relating to defunct KASB Bank Limited)	660,149	-
	724,594	86,465

11.14 Ijarah Assets

	2015							
	Cost			Accumulated depreciation			Book value as at December 31, 2015	Rate of Depreciation %
	As at January 01, 2015	Addition / (deletions) / (transfers)	As at December 31, 2015	As at January 01, 2015	Charge / (deletions)	As at December 31, 2015		
	(Rupees in '000)							
Plant and Machinery	874,000	115,939 (31,522)	958,417	381,899	207,532 (23,805)	565,626	392,791	20-33.33
Vehicles	2,794,404	2,370,923 (390,367)	4,774,960	819,138	629,486 (185,975)	1,262,649	3,512,311	20-33.33
	3,668,404	2,486,862 (421,889)	5,733,377	1,201,037	637,018 (209,780)	1,828,275	3,905,102	

	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	

11.14.1 Net investment in Ijarah financing - IFAS 2

	2015				2014			
	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	1,531,050	3,195,774	-	4,726,824	945,673	1,500,417	-	2,446,090

11.15 Islamic financing and related assets and advances include Rs. 15,230.980 million (2014: Rs 1,061.929 million) which have been placed under non-performing status as follows:

Category of Classification	2015								
	Classified Islamic financing and related assets and advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000								
Other Assets especially mentioned (OAEM)	159,355	-	159,355	-	-	-	-	-	-
Substandard	859,300	-	859,300	159,717	-	159,717	159,717	-	159,717
Doubtful	382,990	-	382,990	135,009	-	135,009	135,009	-	135,009
Loss	13,829,335	-	13,829,335	13,108,433	-	13,108,433	13,108,433	-	13,108,433
	15,230,980	-	15,230,980	13,403,159	-	13,403,159	13,403,159	-	13,403,159

Category of Classification	2014								
	Classified Islamic financing and related assets			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000								
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

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

	2015			2014			
	Specific	General	Total	Specific	General	Total	
	(Rupees in '000)						
Opening balance		524,414	76,644	601,058	575,843	47,470	623,313
Transferred from the amalgamated entity		13,819,265	6,238	13,825,503	-	-	-
Charge for the year		324,602	52,711	377,313	72,056	29,174	101,230
Reversals		(1,247,551)	-	(1,247,551)	(123,485)	-	(123,485)
		(922,949)	52,711	(870,238)	(51,429)	29,174	(22,255)
Amount written off		(93,662)	-	(93,662)	-	-	-
Transferred to provision against off balance sheet		76,091	-	76,091	-	-	-
Closing balance		13,403,159	135,593	13,538,752	524,414	76,644	601,058

11.16.1

	2015			2014		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Islamic	2,455,621	133,703	2,589,324	524,414	76,644	601,058
Conventional	10,947,538	1,890	10,949,428	-	-	-
	13,403,159	135,593	13,538,752	524,414	76,644	601,058

11.16.2 Reversals net of fair value adjustment taken to consolidated profit and loss account

2015
Rupees in '000

Gross reversals	1,247,551
Charge for the year	(377,313)
	<u>870,238</u>
Fair value adjusted against reversals	(230,715)
Net reversals taken to the profit and loss account	<u>639,523</u>

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

	2015			2014		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
In local currency	13,403,159	135,593	13,538,752	524,414	76,644	601,058
In foreign currency	-	-	-	-	-	-
	13,403,159	135,593	13,538,752	524,414	76,644	601,058

11.16.3.1 The Holding company 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.

11.16.3.2 In accordance with BSD Circular No. 2 dated January 27, 2009 issued by the SBP, the holding company has availed the benefit of Forced Sale Value (FSV) of collaterals against the non-performing financings. The benefit availed as at December 31, 2015 amounts to Rs. 238.542 million (2014: Rs 316.283 million). The additional profit arising from availing the FSV benefit - net of tax as at December 31, 2015 amounts to Rs. 155.052 million (2014: Rs. 205.584 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.

11.17 Particulars of financing to directors, executives or officers of the Holding Company

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

	Note	2015	2014
—Rupees in '000—			
Balance at beginning of year		1,159,060	973,125
Financing granted during the year		1,198,922	478,207
Repayments		(510,843)	(292,272)
Balance at end of year	11.17.1	<u>1,847,139</u>	<u>1,159,060</u>

11.17.1 This includes Rs 3.586 million (2014: Rs 3.069 million) mark up free financing to employees of the holding company given under the holding company's Human Resource Policy.

12 OPERATING FIXED ASSETS

	Note	2015	2014
—Rupees in '000—			
Capital work-in-progress	12.1	101,463	41,714
Property and equipment	12.2	5,391,176	3,306,371
Intangible assets	12.3	167,050	39,197
		<u>5,659,689</u>	<u>3,387,282</u>

12.1 Capital work-in-progress

Advances to suppliers and contractors	92,707	11,714
Civil works (relating to defunct KASB Bank Limited)	3,597	30,000
Advance for acquiring properties (relating to defunct KASB Bank Limited):		
- Office premises	721,903	-
- Computer software	5,159	-
	<u>823,366</u>	<u>41,714</u>
Provision for impairment against advance for acquiring floor / office premises (relating to defunct KASB Bank Limited)	(721,903)	-
	<u>101,463</u>	<u>41,714</u>

12.2 Property and equipment

	2015										
	COST / REVALUATION					DEPRECIATION				Net book value as at December 31, 2015	Rate of Depreciation %
	As at January 01, 2015	Additions/ adjustments / revaluation surplus*	Transfer from amalgamated entity	(Disposals) / Write offs	As at December 31, 2015	As at January 01, 2015	Charge for the year / (disposals) / adjustments	Transfer from amalgamated entity	As at December 31, 2015		
Rupees in '000											
At revalued amounts											
Freehold and Leasehold Land	486,748	-	345,232	-	831,847	-	-	-	-	831,847	-
		(133) *									
Building on leasehold land	1,528,388	763 (70,251)	1,837,680	-	3,491,226	1,857	70,740	248,185	250,531	3,240,695	2
		194,646 *					(70,251) *				
At cost											
Furniture and fixture	1,383,051	157,291	190,921	(10) (186,521)	1,544,732	580,475	193,800	129,932	861,023	683,709	10
		-					(10) (43,174)				
Electrical, office and computer equipment	1,585,873	291,511	947,766	(8,972)	2,816,178	1,095,953	246,025	854,858	2,188,656	627,522	15 - 25
		-					(8,180)				
Vehicles	2,936	208	37,126	(112)	40,158	2,340	7,576	22,934	32,755	7,403	20
		-					(95)				
	<u>4,986,996</u>	<u>449,773 (70,251) 194,513</u>	<u>3,358,725</u>	<u>(9,094) (186,521)</u>	<u>8,724,141</u>	<u>1,680,625</u>	<u>518,141 (8,285) (113,425)</u>	<u>1,255,909</u>	<u>3,332,965</u>	<u>5,391,176</u>	

	2014								Rate of Depreciation %
	COST			DEPRECIATION			Net book value as at December 31, 2014		
	As at January 01, 2014	Additions/ adjustments	(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									
Freehold Land	371,350	99,400	-	486,748	-	-	-	486,748	-
		15,998 *							
Building on leasehold land	1,384,315	-	-	1,528,388	2,394	27,570	1,857	1,526,531	2
		(28,107) *				-			
		172,180 *				(28,107) *			
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	930,261	170,729	1,085,953	489,920	15 - 25
		-				(5,057)			
		-				-			
Vehicles	5,053	-	(2,117)	2,936	2,993	417	2,340	596	20
		-				(175)			
		-				(895)			
	4,100,855	733,476	(7,406)	4,986,996	1,385,675	329,184	1,680,625	3,306,371	
		(28,107)				(5,232)			
		188,178				(29,002)			

12.2.1 Details of property and equipment disposed-off

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

12.3 Intangible asset

	2015								Rate of amortization %	
	COST			AMORTISATION			Net book value as at December 31, 2015			
	As at January 01, 2015	Additions / (disposals)	Transfer from amalgamated entity*	As at December 31, 2015	As at January 01, 2015	Charge for the year / (disposals)		Transfer from amalgamated entity		As at December 31, 2015
Rupees in '000										
Computer software	204,104	21,112	330,089	555,305	164,907	26,643	244,341	435,891	119,414	20
		-				-				
Core deposits	-	40,600	-	40,600	-	1,554	-	1,554	39,046	5.5% - 20%
		-				-				
Customer list	-	-	30,735	30,735	-	1,999	22,936	24,935	5,800	10
		-				-				
Membership cards of KSE and NCEL	-	-	2,100	2,100	-	-	-	-	2,100	Indefinite useful life
		-				-				
Rooms at KSE	-	-	5,804	5,804	-	-	-	5,804	-	Indefinite useful life
		-				5,804				
Booths at KSE	-	-	950	950	-	-	-	-	950	Indefinite useful life
		-				-				
Contracts and Mandates	-	-	89,353	89,353	-	-	89,353	89,353	-	Indefinite useful life
		-				-				
Foreign Affiliate Relationships	-	-	89,327	89,327	-	-	89,327	89,327	-	Indefinite useful life
		-				-				
	204,104	61,712	548,358	814,174	164,907	30,196	445,957	646,864	167,310	
		-				5,804				

	2014						Rate of amortization %	
	COST			AMORTISATION				
	As at January 01, 2014	Additions / (disposals) / 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	149,603	15,104	164,907	39,197	20
		-			-			
		-			-			

- 12.4 Cost of fully depreciated properties and equipment that are still in the holding company's use, as at December 31, 2015, amounted to Rs. 785.225 million (2014: Rs. 730.922 million). The cost of fully amortised intangible assets that are still in the holding company's use, as at December 31, 2015 amounted to Rs. 146.284 million (2014: Rs. 142.535 million).
- 12.5 During the year 2015, the holding company's freehold land and buildings on leasehold land were revalued by M/s Akbani & Javed, Harvesters Services and Ghandhara 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. 3,796,573 million

Had there been no revaluation, the carrying amount of revalued assets at December 31, 2015 would have been as follows:

	COST			DEPRECIATION			Net book value as at December 31, 2015
	As at January 01, 2015	Additions	(Disposals)	As at December 31, 2015	As at January 01, 2015	Charge for the year	
	Rupees in '000						
Freehold Land	374,528	-	-	374,528	-	-	374,528
Building on lease hold land	824,614	709	-	825,323	236,875	16,507	571,941
	<u>1,199,142</u>	<u>709</u>	<u>-</u>	<u>1,199,851</u>	<u>236,875</u>	<u>16,507</u>	<u>946,469</u>

13 OTHER ASSETS

	Note	2015	2014
		Rupees in '000	
Profit / return accrued in local currency		932,265	995,104
Profit / return accrued in foreign currency		10	15
Advances, deposits, advance rent and other prepayments		477,077	169,082
Advance taxation (payments less provision)		-	28,579
Non-banking assets acquired in satisfaction of claims	13.1	1,599,587	260,510
Lease rental receivable		44,641	-
Branch Adjustment Account		151,637	22,700
Defined Benefit Plan assets		26,513	11,870
Unrealised gain on forward foreign exchange promises		-	-
Goodwill	13.2	2,803,818	20,025
Banca takaful Income receivable		-	21,000
Fair value realised on advances		438,539	-
Insurance claim receivable		11,321	16,546
Car Ijarah repossession		3,170	1,506
Receivable against First WAPDA Sukuk	13.3	50,000	50,000
Stationery and stamps in hand		7	-
Trade debts		134,026	-
Amount recoverable as a result of acquisition		-	-
Receivable against Mutual Funds		542,970	-
Fair value adjustment based on 'value in use'		33,904	-
Other receivables		226,232	104,373
		<u>7,475,717</u>	<u>1,701,310</u>
Less: Provision held against other assets	13.4	(670,355)	(58,063)
Other assets (net of provisions)		<u>6,805,362</u>	<u>1,643,247</u>

- 13.1 The market value of Non-Banking assets acquired in satisfaction of claims is Rs. 1,110.490 million (2014: 269.764 million).

13.2 Goodwill

	Note	2015	2014
		Rupees in '000	
As at January 1		20,025	59,232
Goodwill recognised during the year - on provisional basis	13.2.1	2,790,711	-
Impairment - charged during the year	13.2.3	(6,918)	(39,207)
Net book value as at December 31		<u>2,803,818</u>	<u>20,025</u>

2015
Rupees in '000

13.2.1 Goodwill recognised on the amalgamation of KASB Bank Undertakings

2,790,711

This represents goodwill recognised upon acquisition of KASB Bank Undertakings based on provisional fair values of assets and liabilities as more fully explained in note 2 to these financial statements. The Bank expects the fair valuation exercise to be finalised within a period of one year (from the date of acquisition i.e. May 7, 2015) and goodwill will be allocated accordingly to identifiable cash generating units. Further, the State Bank of Pakistan vide its letter no BPRD(R&P-02)/625-112/2-16/13918 dated June 2, 2016 has allowed the Bank to carry the goodwill at December 31, 2015 without testing for impairment.

13.2.2 The amount of goodwill that will be deductible for taxable purposes is Rs. 5,743.246 million. This amount is provisional and will be finalised upon completion of fair valuation exercise as more fully explained in note 2 to these consolidated financial statement.

13.2.3 Impairment testing of goodwill

During current year, as part of impairment testing of goodwill, the management has determined the recoverable amount of the BankIslami Modaraba Investments Limited (i.e. Cash generating unit) at its break up value appearing in the financial statements of the BankIslami Modaraba Investments Limited as at December 31, 2015. 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:

	2015	2014
	Rupees in '000	
- BankIslami Modaraba Investments Limited	13,107	20,025

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

	2015	2014
	Rupees in '000	
13.4 Provision held against other assets		
Opening balance	58,063	35,027
Charge for the year	3,923	23,036
Reversals	-	-
	3,923	23,036
Provision transferred from the amalgamated entity	608,369	-
Closing balance	670,355	58,063

14 BILLS PAYABLE

In Pakistan	1,523,933	918,435
Outside Pakistan	-	-
	1,523,933	918,435

15 DUE TO FINANCIAL INSTITUTIONS

In Pakistan	3,197,770	561,000
Outside Pakistan	-	-
	3,197,770	561,000

	Note	2015	2014
		Rupees in '000	
15.1 Details of due to financial institutions secured / unsecured			
Secured			
Acceptances from State Bank of Pakistan:			
- under Islamic Export Refinance Scheme	15.1.1	1,039,350	561,000
- under scheme of amalgamation	15.1.2	2,158,420	-
Unsecured			
Call acceptances		-	-
		<u>3,197,770</u>	<u>561,000</u>
15.1.1	The acceptances 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. 5,000 million (2014: Rs. 1,000 million) was allocated to the holding company by the SBP under Islamic Export Refinance Scheme for the financial year ended December 31, 2015.		
15.1.2	This represents a 10 year financing facility of Rs.5,000 million extended by the State Bank of Pakistan (SBP). The facility is secured against Government of Pakistan Ijarah Sukuk. The 10 year facility was provided on the basis of Mudaraba to be remunerated at profit sharing ratio declared by the Bank on its remunerative current accounts on monthly basis (the last declared rate in this respect is 0.01% per annum).		
15.2 Particulars of due to financial institutions with respect to currencies		2015	2014
		Rupees in '000	
In local currency		3,197,770	561,000
In foreign currencies		-	-
		<u>3,197,770</u>	<u>561,000</u>
16 DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		47,405,448	35,087,230
Savings deposits		51,231,874	36,926,200
Current accounts - non-remunerative		44,844,739	16,854,088
Margin accounts - non-remunerative		391,114	152,023
		<u>143,873,175</u>	<u>89,019,541</u>
Financial Institutions			
Remunerative deposits		8,568,286	1,113,037
Non-remunerative deposits		219,679	198,292
		<u>152,661,140</u>	<u>90,330,870</u>
16.1 Particulars of deposits			
In local currency		150,007,925	88,585,981
In foreign currencies		2,653,215	1,744,889
		<u>152,661,140</u>	<u>90,330,870</u>
17 DEFERRED TAX ASSET / (LIABILITY)			
Deferred tax debits arising in respect of:			
Accumulated tax losses	17.1 & 17.2	1,693,631	(335)
Tax credit against minimum tax		315,488	(262,180)
Deficit on revaluation of available for sale securities		8,925	(48,418)
Provision for diminution in the value of investments		453,177	(13,750)
Provision against non-performing Islamic financing and related assets		3,832,981	(2,788)
Provision for gratuity		21,253	-
Impairment of goodwill		92,240	-
Ijarah financing and related assets		13,743	-
Others		625,210	-
		<u>7,056,648</u>	<u>(327,471)</u>
Deferred tax credits arising due to:			
Ijarah financing and related assets		-	3,377
Accelerated tax depreciation		(198,711)	182,789
Surplus on revaluation of available for sale securities		(656,390)	-
Surplus on revaluation of fixed assets		(172,775)	340,653
Net investment in finance lease		(81,603)	-
		<u>(1,109,479)</u>	<u>526,819</u>
		<u>5,947,169</u>	<u>199,348</u>

- 17.1** The holding company has aggregate tax losses of Rs. 10,073,334 million as at December 31, 2015 which includes tax losses of defunct KASB Bank Limited (now amalgamated with and into the Bank). The management has carried out an assessment for estimating the benefit of these losses, the holding company would be able to set off from the profit earned in future years against these carry forward losses. Based on this assessment the management has recognised deferred tax debit balance amounting to Rs. 1,935,558 million [including deferred tax on minimum tax amounting to Rs. 315,488 million (2014: Rs. 262,180 million – representing deferred tax asset on minimum tax)]. The amount of this benefit has been determined based on the projected financial statements for the future periods as approved by the Board of Directors. The determination of future taxable profit is most sensitive to certain key assumptions such as cost to income ratio of the holding company, deposit's composition, kibar rates, growth of deposits and financing, investment returns, product mix of financing, potential provision against assets / financings, recoveries from non-performing loans and branch expansion plan. Any significant change in the key assumptions may have an effect on the realisability of the deferred tax asset.
- 17.2** 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.315,488 million (2014: Rs. 262,180 million) has been recognised as 'Deferred tax' in these financial statements.

18 OTHER LIABILITIES	Note	2015	2014
		Rupees in '000	
Profit / return payable in local currency		793,193	732,138
Profit / return payable in foreign currencies		3,283	2,303
Unearned fees and commission		6	-
Accrued expenses		540,035	147,692
Deferred Murabahah Income - Financing and IERS	11.11.1	249,323	323,516
Deferred Murabahah Income - Bai Muajjal		1,141,581	804,944
Deferred Murabahah Income - Commodity Murabahah		78,179	81,505
Payable to defined contribution plan		1,405	1,323
Security deposits against ijarah and others		1,611,102	929,161
Provision against off-balance sheet obligations	18.1	293,603	-
Surplus income of quarantined entity held for future admissible expenses	31	78,573	-
Current taxation (provisions less payments)		171,799	-
Sundry creditors		485,553	10,194
Unrealized loss on forward foreign exchange promises		13,817	3,145
Charity payable	18.2	3,956	6,212
Retention money		12,917	5,248
Withholding tax payable		28,827	12,369
WWF payable		-	7,052
Others		174,807	42,653
		<u>5,681,959</u>	<u>3,109,455</u>
18.1 Provision against off-balance sheet obligations			
Opening balance		-	-
Transfer from the amalgamated entity		369,694	-
Amount written off		-	-
Transferred to provision against Islamic financing and related assets and Advances	11.16	(76,091)	-
Closing balance		<u>293,603</u>	<u>-</u>
18.2 Charity Payable			
Opening balance		6,212	7,879
Additions during the year		6,804	8,945
Payments during the year	18.2.1	(9,060)	(10,612)
Closing balance		<u>3,956</u>	<u>6,212</u>

18.2.1 Charity was paid to the following:

	2015	2014
	— Rupees in '000 —	
Alamgir Welfare Trust International	1,000	1,000
The Citizen Foundation	1,000	2,000
The Indus Hospital	1,000	2,000
Liaquat National Hospital & Medical College	500	-
Sindh Institute of Urology and Transplantation	500	-
Koochi Goth Hospital	500	-
Akhuwat Charity	-	1,000
Diya Pakistan	-	500
Shoukat Khanum Memorial	1,000	2,000
Kharadar General Hospital	-	500
Institute of Business Administration	-	575
Habib University	300	-
Aman Foundation	-	200
Infaq Foundation	1,000	-
Marie Adelaide Leprosy Center	500	-
Kiran Patient Welfare Society	350	-
Nighban Welfare Association Charity	500	500
Kainat Zubairi	35	67
Mehak Ruba	50	120
Romaila Rashid	-	150
Mrs. Shahnaz Khan	825	-
	<u>9,060</u>	<u>10,612</u>

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

19 SHARE CAPITAL

19.1 Authorised capital

2015	2014		2015	2014
— 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

19.2 Issued, subscribed and paid up capital

2015			2014			Ordinary shares of Rs 10 each	2015	2014
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 —		
575,872,090	-	575,872,090	527,967,898	-	527,967,898	At beginning of the year	5,758,721	5,279,679
432,040,000	-	432,040,000	47,904,192	-	47,904,192	Issued during the year - right issue	4,320,400	479,042
<u>1,007,912,090</u>	<u>-</u>	<u>1,007,912,090</u>	<u>575,872,090</u>	<u>-</u>	<u>575,872,090</u>	Balance as at December 31	<u>10,079,121</u>	<u>5,758,721</u>

20 RESERVES

	Note	2015	2014
		— Rupees in '000 —	
Statutory Reserves	20.1	273,176	273,176
Reserve for bad debts and contingencies	20.2	250,000	-
(Accumulated loss) / unappropriated profit		(57,295)	269,349
		<u>465,881</u>	<u>542,525</u>

20.1 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.

20.2 The Board of Directors of the holding company in its meeting held on March 6, 2015 had transferred an amount of Rs 250 million out of "unappropriated profit" to "reserve for bad debts and contingencies".

	Note	2015	2014
		Rupees in '000	
21 SURPLUS ON REVALUATION OF ASSETS			
Surplus / (Deficit) arising on revaluation of:			
Fixed Assets	21.1	851,045	737,310
Available for sale securities	21.2	(22,625)	(86,705)
		<u>828,420</u>	<u>650,605</u>
21.1 Surplus on revaluation of fixed assets			
Freehold Land		112,087	112,220
Building on lease hold land			
Surplus on revaluation of fixed assets at January 1		961,677	801,112
Surplus recognised during the year		194,646	172,180
Transferred to un-appropriated profit in respect of incremental depreciation charged during the year		(12,652)	(7,550)
Related deferred tax liability in respect of incremental depreciation charged during the year		(6,813)	(4,065)
		<u>(19,465)</u>	<u>(11,615)</u>
		<u>1,136,858</u>	<u>961,677</u>
Related deferred tax liability on surplus as at January 1		(336,587)	(280,389)
Related deferred tax liability on surplus during the year		(68,126)	(60,263)
Related deferred tax liability in respect of incremental depreciation charged during the year		6,813	4,065
		<u>(397,900)</u>	<u>(336,587)</u>
		<u>738,958</u>	<u>625,090</u>
		<u>851,045</u>	<u>737,310</u>
21.2 Surplus on revaluation of available for sale securities			
Federal Government Securities			
- Ijarah Sukuk Bonds - Islamic		1,177	(142,831)
Sukuk certificates			
- Sukuks unlisted - Islamic		(20,758)	4,492
Fully paid up ordinary shares / Units			
- Modaraba Certificates - Islamic		4,684	3,185
- Ordinary shares of listed company - Islamic		(5,956)	-
- Units of Open end Mutual Funds - Islamic		35	30
- Al Jomaih Power Limited (pertaining to KASB Securities Limited) - Conventional		(10,732)	-
		<u>(31,550)</u>	<u>(135,124)</u>
Related deferred tax asset		8,925	48,419
		<u>(22,625)</u>	<u>(86,705)</u>
22 CONTINGENCIES AND COMMITMENTS			
22.1 Transaction-related contingent liabilities			
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring			
- Government		452,948	299,083
- Others		10,707,081	2,613,521
		<u>11,160,029</u>	<u>2,912,604</u>

	2015	2014
	— Rupees in '000 —	
22.2 Trade-related contingent liabilities		
Import letter of Credit	4,624,374	2,968,447
Acceptances	1,618,343	108,638
	<u>6,242,717</u>	<u>3,077,085</u>
22.3 Suit filed by customers for recovery of alleged losses suffered, pending in the High Court, which the Group has not acknowledged as debt	<u>150,000</u>	<u>169,200</u>

22.3.1 These mainly represent counter claims filed by the borrowers for restricting the Group for disposal of assets (such as mortgaged / pledged assets kept as security), cases where the Group was proforma defendant for defending its interest in the underlying collateral kept by it at the time of financing.

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.

22.3.2 Consequent to the amalgamation of KASB Bank Limited with and into BankIslami Pakistan Limited as at May 7, 2015 certain cases have been filed by individuals pertaining to amalgamation in which the Group has been made a party. The management based on the advice of its legal counsel is confident that there will be no financial loss to the Group in respect of these cases.

22.4 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 Group mainly in respect of income from dealing in foreign currencies and certain dispute regarding deposit of the amount amongst Federal and Provincial government

22.5 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 and had verbally directed that no recovery of demand should be initiated against the holding company till the decision of the main case by the ATIR. The holding company had initially deposited an amount of Rs. 10.4 million for filing appeal against the said case. Last year, the holding company had further 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 holding company is confident that the above matter will be decided in favour of the holding company and therefore, no provision for any liability which may arise in this respect has been made in these consolidated financial statements.

22.6 As referred to in note 2.3, an amount of Rs 981.410 million was appearing as advance against issue of right shares being received by the defunct KASB Bank Limited from Mr. Nasir Ali Shah Bukhari, a former sponsor of the defunct KASB Bank Limited and other shareholders. The defunct KASB Bank Limited, when it was under the management and control of Mr. Bukhari, did not issue shares against the said advance, amongst other reasons, due to default on the part of the sponsors for meeting the minimum capital requirement. The amount was reported by the defunct KASB Bank Limited as a part of the shareholders equity in the financial statements with the permission of SBP consistent with the practice followed by other Banks in Pakistan. The defunct KASB Bank Limited is now amalgamated with and into the BIPL i.e (holding company), with effect from May 7, 2015, as per the Scheme of Amalgamation sanctioned by the Federal Government. The KASB Corporation Limited and one of its sponsors has filed a suit no: 1102/2015 in the Honorable High Court of Sindh, wherein, they prayed for restraining the BIPL from using or transferring the amount of advance for any purpose whatsoever during the pendency of the instant proceedings. Pursuant to the said suit, an order has been passed by the Honorable High Court of Sindh on July 1, 2015, whereby, the holding company has been asked to submit a statement of financial position and keep the amount in the same position. The holding company is of the view that, in addition to other reasons, as Advance against future issue of right shares appeared as shareholders equity in the financial statements prepared by the Defunct Bank itself, it did not form part of the assets and liabilities of the defunct Bank transferred to the BIPL under the scheme of amalgamation. The same position has been maintained.

22.7 Commitments in respect of promises	2015	2014
	— Rupees in '000 —	
Purchases	4,971,841	1,763,272
Sales	4,808,264	1,310,100
22.8 Commitments for the acquisition of operating fixed assets	61,451	134,178

22.9 Commitments in respect of financing facilities

The Group makes commitments to extend financing in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

22.10 Taxation

22.10.1 The income tax returns of the holding company have been filed and tax assessments have been made by the tax authorities upto tax year 2014. The return filed for the tax year 2015 is treated to be deemed assessment order under section 120 of the Income Tax Ordinance, 2001.

22.10.2 During the year 2014 (relating to the defunct KASB Bank Limited), the learned Additional Commissioner Inland Revenue (ACIR) passed amended assessments order under section 122(5A) of the Income Tax Ordinance, 2001 for tax Years 2011 and 2013 by imposing minimum tax on turnover disregarding gross loss position of the bank. ACIR has also amended taxability of capital gain and dividend income. The aggregate tax impact comes to Rs.116.002 million. Against the said order, the bank filed appeal before the Commissioner Inland Revenue - Appeals (CIRA). During the year the learned CIRA issued order under section 129 of the Ordinance by deleting the tax charged on capital gain and dividend income and upheld the levy of minimum tax. The learned ACIR has passed appeal effect order under section 124 of the Ordinance. After appeal effect order the aforesaid demand has now been reduced to Rs.89.928 million. Against the order of the learned CIRA, the Group has filed an appeal before the Honourable Appellate Tribunal Inland Revenue (ATIR). However, the department has filed appeal against the CIRA Order on the issue of capital gain and dividend income. Therefore, cross appeal for the tax year 2011 and 2013 is pending before ATIR.

- 22.10.3 During the year 2014 (relating to the defunct KASB Bank Limited), in respect of Income tax assessments of International Housing Finance Limited (amalgamated into the defunct KASB Bank Limited during the year ended 31 December 2007) for tax year 2005, CIR Appeals has maintained the order of the Taxation Officer to the extent of disallowances relating to income from carry over transactions and gain on sale of property having an aggregate tax impact of Rs 12.997 million. The defunct KASB Bank Limited has preferred appeals before the ATIR for tax year 2005.
- 22.10.4 The income tax returns (relating to the defunct KASB Bank Limited) of the Bank for Azad Jammu Kashmir (AJK) region have been filed and tax assessments have been made by the tax authorities upto and including tax year 2014.
- 22.10.5 During the year 2013 (relating to the defunct KASB Bank Limited), the Appellate Tribunal Inland Revenue (ATIR) passed an order for the tax years 2005 to 2009 in favour of the defunct KASB Bank Limited by allowing certain deductions including provision for non-performing advances, impairment on investments, other provisions, amortization of goodwill and allocation of expenses having an aggregate tax impact of Rs. 712.550 million. However, the ATIR has disallowed deductions relating to carry over transactions having tax impact of Rs. 86.377 million for the tax years 2005 to 2008. The defunct KASB Bank Limited has preferred an appeal before the Honourable High Court of Sindh against the said decision of the ATIR. No development has taken place during the current period 2015.
- 22.10.6 During the year 2013 (relating to the defunct KASB Bank Limited), the Income tax assessments of KASB Capital Limited (amalgamated into the defunct KASB Bank Limited during the year ended 31 December 2008) for tax years 2008 and 2009 were amended by the Taxation Officer to the extent of apportionment of expenses having an aggregate tax impact of Rs 125.880 million. The Bank has preferred an appeal before the Honourable High Court of Sindh against the said decision of tax authorities. No development has taken placed till the current period end
- 22.10.7 For tax years 2003 and 2004 (relating to the defunct KASB Bank Limited), the Commissioner Inland Revenue Appeals (CIR Appeals) has passed appellate orders on account of certain disallowances in respect of income from carry over transactions, provision against non performing advances, bad debts and certain other items having an aggregate tax impact of Rs. 33.748 million. The defunct KASB Bank Limited has preferred appeal before the Appellate Tribunal Inland Revenue (ATIR) against the above referred orders of the CIR Appeals. No development has taken place during the current period.
- 22.10.8 For assessment years 2001-2002 and 2002-2003 and tax years 2003, 2004 and 2005 (relating to the defunct KASB Bank Limited) the income tax authorities of AJK region have passed appellate orders by adding interest on surplus funds transferred to head office, resulting in an additional tax demand of Rs. 14.587 million. The defunct KASB Bank Limited has filed reference with the Azad Kashmir High Court against such additions for the above mentioned assessment/ tax years upto 2004. For tax year 2005, the Commissioner Income Tax (Appeals) - AJK has passed order in favour of the defunct KASB Bank Limited . However, the tax department has preferred appeal before the Appellate Tribunal Inland Revenue (ATIR) - AJK against interest on surplus head office funds, having tax impact of Rs. 5.337 million. For tax years 2006 and 2008, AJK tax department passed orders under section 122(5A) of the Ordinance. As a result of these orders , aggregate demand of Rs 19.178 million was raised against the defunct KASB Bank Limited . However, the order for the tax year 2008 has subsequently rectified under section 221 of the Ordinance. Thereby aggregate demand for tax year 2006 and 2008 reduced to Rs.13.304 million. During the year the learned Commissioner Income Tax (Appeals) - AJK has passed orders under section 129 of the Ordinance for the tax year 2006 and 2008 whereby he has confirmed all additions. Therefore, the defunct KASB Bank Limited has preferred an appeal before the ITAT - AJK . An appeal against the order of CIR for the tax year 2006 and 2008 has been filed by the Group before the Appellate Tribunal Inland Revenue (ATIR) - AJK.

22.10.9 During the year 2014 (relating to the defunct KASB Bank Limited), the Commissioner Inland Revenue (Appeals) has given decision in favour of the Group relating to tax periods from 2007 to 2011 for payment of Federal Excise Duty and annulling default surcharge and penalty. However, the tax department has preferred appeal before the Appellate Tribunal against annulment of default surcharge and penalty amounting Rs. 33.208 million.

The management, based on the opinion of its tax advisor, is confident about the favorable outcome of the above matters and consequently no additional provision has been considered necessary in these consolidated financial statements.

	Note	2015	2014
		— Rupees in '000 —	
22.11 Other commitments			
Bills for collection		1,627,426	191,002
23 PROFIT / RETURN EARNED			
On financings to:			
- Customers		3,800,018	3,860,305
- Financial institutions		2,670,306	916,154
		<u>6,470,324</u>	<u>4,776,459</u>
On investments in available for sale securities		2,295,123	2,987,470
On deposits / placements with financial institutions		6,493	13,144
Others		59,235	42,310
		<u>8,831,175</u>	<u>7,819,383</u>
24 PROFIT / RETURN EXPENSED			
Deposits		4,570,287	4,277,330
Other short term fund generation		124,484	44,349
Others		403,730	134,361
		<u>5,098,501</u>	<u>4,456,040</u>
25 GAIN ON SALE OF SECURITIES			
Federal Govt. Securities:			
Sukuk Certificates		-	4,765
Unlisted Securities			
Sukuk certificates		12,003	27,408
		<u>12,003</u>	<u>32,173</u>

	Note	2015	2014
		— Rupees in '000 —	
26 OTHER INCOME			
Rent on property		1,792	-
Gain on termination of financing		35,528	30,031
Gain on sale of property and equipment	12.2.1	3,583	4,712
Income from sale of Non-Banking Asset		-	408
Amount recovered from staff		10,133	1,970
Income from tracker charges		13,083	3,120
		<u>64,119</u>	<u>40,241</u>
27 ADMINISTRATIVE EXPENSES			
Salaries, allowances, and other benefits	27.1	2,080,740	1,440,813
Charge for defined benefit plan	35	50,227	33,012
Contribution to defined contribution plan	36	67,805	43,091
Non-executive directors' fees, allowances and other expenses		1,550	1,550
Insurance on consumer car ijarah		79,374	46,096
Rent, taxes, insurance, electricity, etc.		1,093,871	722,413
Legal and professional charges		41,876	17,755
Communications		247,030	128,839
Repairs and maintenance		221,657	87,181
Stationery and printing		73,751	38,159
Advertisement and publicity		96,852	57,002
Auditors' remuneration	27.2	26,834	8,030
Depreciation	12.2	507,444	329,184
Amortisation	11.3	30,196	15,104
CDC and share registrar services		18,899	10,600
Entertainment expense		40,601	32,682
Security service charges		238,644	165,947
Brokerage and commission		23,068	7,958
Travelling and conveyance		26,018	24,184
Remuneration to Shariah Board		900	900
Fees and subscription		136,061	154,683
Vehicle running and maintenance		56,053	57,405
Others		107,123	49,084
		<u>5,266,574</u>	<u>3,471,672</u>
Allowable administrative expenses of the quarantined entity for the period as per the Shariah Board's approval	31	(208,517)	-
		<u>5,058,057</u>	<u>3,471,672</u>

27.1 This includes Rs. 105.023 million (2014: Rs. 77.792 million) paid to employees in respect of car monetisation allowance.

	2015	2014
	— Rupees in '000 —	
27.2 Auditors' remuneration		
Audit fee	6,863	3,000
Fee for the review of half yearly financial statements	2,500	965
Special audit due to amalgamation	15,500	-
Special certifications and sundry advisory services	635	2,627
Out-of-pocket expenses	1,336	1,438
	<u>26,834</u>	<u>8,030</u>

28 OTHER CHARGES

 Penalties imposed by the State Bank of Pakistan
 Worker's Welfare Fund

	2015	2014
	Rupees in '000	
	2,134	3,250
	14	9,416
	<u>2,148</u>	<u>12,666</u>

For the period
from May 8 to
December 31,
2015

Rupees in '000

29 FINANCIAL RESULTS OF KASB SECURITIES LIMITED

 Total income for the period
 Total expenses for the period
 Profit before taxation
 Taxation
 - Current
 - Prior years
 - Deferred

	266,848
	<u>264,188</u>
	2,660
	15,571
	9,237
	(7,659)
	<u>17,149</u>
	<u>(14,489)</u>

Loss after taxation
30 TAXATION

 - Current year
 - Prior years
 - Deferred

	2015	2014
	Rupees in '000	
	99,469	84,890
	21,384	-
	(197,098)	71,548
	<u>(76,245)</u>	<u>156,438</u>

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

Under Section 114 of the Income Tax Ordinance, 2001 (Ordinance), the holding company 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 holding company has filed appeal before the Appellate Tribunal against these disallowances / add backs.

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31 FINANCIAL RESULTS OF CONVENTIONAL OPERATIONS

As more fully explained in note 2 to these consolidated financial statements, during the current period the holding company has acquired the operations of the defunct KASB Bank Limited effective from May 7, 2015 (close of business). The defunct KASB Bank Limited was operating as a conventional Bank in Pakistan. The Shariah Board of the holding company, keeping in view the extraordinary circumstances under which the former KASB Bank Limited was acquired, allowed a run-off period (six months) within which the conventional portfolio of the defunct KASB Bank Limited was required to be converted into Shariah based products. During this period, the group's management was required to quarantine the operations of the defunct KASB Bank Limited from holding company's operations.

During the quarantine period, the Shariah Board of the holding company further allowed the management of the holding company to use the income relating to defunct KASB Bank Limited's portfolio for paying the expenses of the quarantined entity without taking it to the profit and loss account. In this regard, the mark-up receivable and mark-up payable as at May 7, 2015 pertaining to defunct KASB Bank Limited also form part of the quarantined entity. The surplus has been netted off with the administrative expenses of the quarantined entity, as per the approval of the Shariah Board. The Shariah Board of the holding company has also given approval for recognising income in respect of recoveries (to the extent of principal amount) made against non-performing loans of quarantined entity in the books of BankIslami Pakistan Limited as receiving this amount does not create any Shariah non-compliance. Accordingly, the recoveries pertaining to non-performing loans of the quarantined entity have been recognised in the consolidated profit and loss account. The results of the quarantined entity are detailed below:

	2015 Rupees in '000
Inflow / accrual of markup / interest income	596,873
Outflow / accrual of markup / interest expense	(264,776)
Less: Loss on sale of securities	(67,474)
Add: Share of profit from associates	22,469
Surplus adjusted against administrative expenses as per the approval of the Shariah Board (for quarantined entity)	<u>287,092</u>
Allowable administrative expenses of the quarantined entity for the period as per the Shariah Board's approval	(208,517)
Surplus income of quarantined entity held for future admissible expenses shown in other liabilities	<u>78,575</u>

The total administrative expenses of the quarantined entity were higher than the above surplus and hence the entire surplus has been adjusted / transferred to administrative expenses.

Keeping in view the current circumstances, the Shariah Board of the holding company has allowed to utilize the amount of income recovered from conventional products subsequent to quarantine period for paying of legal and marketing / advertisement expenses directly relating to amalgamation of the defunct KASB Bank Undertakings with and into the Bank. As a result, the income due / received from converted portfolio during the period from November 8, 2015 to December 31, 2015 amounting to Rs. 78.573 million has been kept in a separate account under the head "Surplus income of quarantined entity held for future admissible expenses" appearing in other liabilities. Any excess amount remaining in this account on conclusion of the period (to be decided by the Shariah Board) would be transferred to charity account in that relevant period.



32 BASIC AND DILUTED (LOSS) / EARNINGS PER SHARE	Note	2015 — Rupees in '000 —	2014 — Rupees in '000 —
(Loss) / profit after taxation for the year		(87,385)	313,440
		— Number of shares —	
Weighted average number of ordinary shares in issue		804,320,638	542,882,326
		— Rupees —	
(Loss) / earnings per share - basic / diluted	32.1	(0.1086)	0.5774

32.1 There were no convertible / dilutive potential ordinary shares outstanding as at December 31, 2015 and December 31, 2014.

33 CASH AND CASH EQUIVALENTS	Note	2015 — Rupees in '000 —	2014 — Rupees in '000 —
Cash and balances with treasury banks	7	9,035,889	6,361,444
Balances with other banks	8	2,016,267	847,890
		<u>11,052,156</u>	<u>7,209,334</u>

34 STAFF STRENGTH	2015 — Number of employees—	2014 — Number of employees—
Permanent	2,370	1,617
Contractual basis	705	537
Group's own staff strength at the end of the year	<u>3,075</u>	<u>2,154</u>
Outsourced	608	379
Total staff strength	<u>3,683</u>	<u>2,533</u>

35 DEFINED BENEFIT PLAN

35.1 General description

The Group operates separate gratuity funds for its employees of the holding company and the BankIslami Modaraba Investments Limited. 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 2,228 (2014: 1,617). The latest actuarial valuation of the holding company's gratuity scheme was carried out as at December 31, 2015 and BankIslami Modaraba Investments Limited as at June 30, 2015. Projected unit credit method, using the following significant assumptions, was used for the valuation of the defined benefit plan:

35.2 Actuarial assumption	2015	2014
-Valuation Discount Rate	10.50%	11.25%
-Salary Increase Rate	10.00%	10.75%
-Expected Return on Plan Assets	10.50%	11.25%

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.

35.3 Reconciliation of receivable from defined benefit plan	2015 — Rupees in '000—	2014 — Rupees in '000—
Present value of defined benefit obligations	215,794	162,299
Fair value of plan assets	(242,291)	(174,342)
Asset recognised in the consolidated statement of financial position	<u>(26,497)</u>	<u>(12,043)</u>

35.4 Plan assets consist of the following:

	2015		2014	
	(Rupees in '000)	%	(Rupees in '000)	%
Holding:				
TDRs	-	0.00%	76,179	44%
Amount in Bank	242,126	99.65%	20,668	12%
Ijarah Sukuk	-	0.00%	77,330	44%
Subsidiary:				
Debt instrument	735	0.30%	319	0%
Cash and cash equivalents	61	0.03%	61	0%
Others	48	0.02%	38	0%
	<u>242,970</u>	<u>100%</u>	<u>174,595</u>	<u>100%</u>

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

	2015		
	Present value of obligation	Fair value of plan assets	Total
	(Rupees in '000)		
At January 1	162,299	(174,342)	(12,043)
Current service cost	47,443	-	47,443
Return expense / (income)	17,265	(14,481)	2,784
	<u>227,007</u>	<u>(188,823)</u>	<u>38,184</u>
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	7,050	923	7,973
	<u>7,050</u>	<u>923</u>	<u>7,973</u>
	<u>234,057</u>	<u>(187,900)</u>	<u>46,157</u>
Contribution	-	(72,654)	(72,654)
Benefit payments	(18,263)	18,263	-
At December 31	<u>215,794</u>	<u>(242,291)</u>	<u>(26,497)</u>
	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)
	<u>177,097</u>	<u>(170,863)</u>	<u>6,234</u>
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
	<u>19,853</u>	<u>4,822</u>	<u>24,675</u>
	<u>196,950</u>	<u>(166,041)</u>	<u>30,909</u>
Contribution	-	(42,952)	(42,952)
Benefit payments	(34,651)	34,651	-
At December 31	<u>162,299</u>	<u>(174,342)</u>	<u>(12,043)</u>

35.6 Charge for the Defined Benefit Plan

Current service cost	47,443	38,439
Net financial charges	2,784	(5,427)
Actuarial (gain) / loss recognised	-	-
	<u>50,227</u>	<u>33,012</u>

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

35.8 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 (Rupees in '000)	Decrease in assumption (Rupees in '000)
Discount rate	1.0%	(192,133)	242,392
Salary growth rate	1.0%	241,724	(193,211)
		Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy / Withdrawal rate		215,656	215,570

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 Consolidated Statement of Financial Position.

35.9 The weighted average duration of the defined benefit obligation is 12 years (for holding company).

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

At December 31, 2015	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
	Rupees '000				
Gratuity	186,856	258,387	1,484,199	191,899,865	193,829,307

35.11 Historical information

	2015	2014	2013	2012	2011
	(Rupees in '000)				
As at December 31					
Present value of defined benefit obligation	215,794	162,299	124,699	87,240	83,884
Fair value of plan assets	(242,291)	(174,342)	(151,477)	(107,104)	(82,426)
Deficit / (surplus)	(26,497)	(12,043)	(26,778)	(19,864)	(18,542)
Experience adjustments on plan liabilities	7,050	19,853	8,330	(1,963)	(11,680)

35.12 Funding levels are monitored on an annual basis and are based on actuarial recommendations. Expected Gratuity Expense of the holding company for the next year works out to Rs. 66.169 million as per the actuarial valuation report of the holding company as of December 31, 2015.

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

35.14 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.

35.15 The disclosure made in notes 35.1 to 35.14 are based on the information included in the actuarial valuation report of the holding company as of December 31, 2015.

36 DEFINED CONTRIBUTION PLAN (PROVIDENT FUND)

The holding company 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. 67.805 million (2014: Rs. 43.056 million) each.

37 COMPENSATION OF DIRECTORS AND EXECUTIVES OF THE HOLDING COMPANY

	President / Chief Executive		Directors		Executives	
	2015	2014	2015	2014	2015	2014
	Rupees in '000					
Fees	-	-	1,550	1,550	-	-
Managerial remuneration	25,550	21,691	-	-	247,848	184,288
Bonus	-	-	-	-	-	-
Charge for defined benefit plan	-	475	-	-	21,528	14,049
Salary in lieu of provident fund	2,555	2,169	-	-	-	-
Contribution to defined contribution plan	-	-	-	-	21,967	15,765
Rent and house maintenance	705	599	-	-	111,531	82,929
Utilities	2,555	2,169	-	-	24,785	18,429
Medical	2,555	2,169	-	-	24,785	18,429
Others	-	-	-	-	50,605	51,113
	<u>33,920</u>	<u>29,272</u>	<u>1,550</u>	<u>1,550</u>	<u>503,049</u>	<u>385,002</u>
Number of persons	1	1	7	5	262	213

37.1 The holding company's President / Chief Executive is also provided with car allowance of Rs. 5.419 million (2014: Rs. 5.419 million) as per the policy of the Bank.

37.2 In addition to above, the Executives have also been given car allowance amounting to Rs. 98.993 million (2014: Rs. 52,368 million) during the current year.

37.3 The remuneration and other benefits paid to the Chief Executive Officer of the BankIslami Modaraba Investments Limited and KASB Securities Limited amounted to Rs 8.169 million (2014: 3.706 million) and Rs 7.073 million respectively.

38 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 6.2.5 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 6.3 to these consolidated financial statements. The repricing, maturity profile and effective rates are stated in note 42 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.

38.1 Off-balance sheet financial instruments

	2015		2014	
	Book value	Fair value	Book value	Fair value
	Rupees in '000			
Forward purchase of foreign currencies	5,001,768	4,971,841	1,782,779	1,763,272
Forward sale of foreign currencies	4,824,374	4,808,264	1,326,462	1,310,100

38.2 The table below analyses financial and non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs e.g. estimated future cash flows) (Level 3).

	2015			Total
	Level 1	Level 2	Level 3	
RECURRING FAIR VALUE MEASUREMENTS				
<i>Financial Assets</i>				
Available for sale securities				
Ordinary shares - listed	296,372	-	-	296,372
GOP Sukuks	-	9,331,600	-	9,331,600
WAPDA Sukuks	-	606,016	-	606,016
Units of open ended mutual funds	56	-	-	56
NON - RECURRING FAIR VALUE MEASUREMENTS				
Unlisted Companies	-	-	1,001,382	1,001,382
Non-performing loans	-	-	1,048,096	1,048,096
<i>Non-Financial Assets</i>				
Operating fixed assets	-	3,657,415	-	3,657,415
Core Deposits Intangible	-	-	40,600	40,600
<i>Commitments in respect of forward exchange contracts</i>				
Forward purchase of foreign exchange contracts	-	4,971,841	-	4,971,841
Forward sale of foreign exchange contracts	-	4,808,264	-	4,808,264

The non-recurring fair value measurements represent assets acquired as part of business combination during the current year and are carried at fair value.

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

There were no transfers between levels 1 and 2 during the year.

(a) Financial instruments in level 1

Financial instruments included in level 1 comprise of investments in listed ordinary shares.

(b) Financial instruments in level 2

Financial instruments included in level 2 comprise of GoP ijarah sukuks, WAPDA sukuks classified as available for sale, forward foreign exchange contracts and operating fixed assets (land and building).

(c) Financial instruments in level 3

Financial instruments included in level 3 comprise of investment in subsidiaries, investment in associates, investment in unlisted company, valuation of non-performing loans and core deposit intangibles acquired as part of business combination.

Valuation techniques used in determination of fair values within level 2

Item	Valuation approach and input used
GOP Sukuks WAPDA Sukuks	The fair value of GoP Ijarah Sukuks and WAPDA Sukuks quoted are derived using PKISRV rates. The PKISRV rates are announced by FMA (Financial Market Association) through Reuters. The rates announced are simple average of quotes received from 6 different pre-defined / approved dealers / brokers.
Forward foreign exchange contracts	The valuation has been determined by interpolating the mid rates announced by State Bank of Pakistan.
Operating fixed assets (land and building)	Land and buildings are revalued by professionally qualified valuers as per the accounting policy disclosed in note 6.4. The valuers are listed on the panel of the Pakistan Bank's Association. The valuation is based on their assessment of market value of the properties.

Valuation techniques used in determination of fair values within level 3

Investment in Unlisted company	Qualitative analysis have been used based on the marketability / liquidity attributes / control over the investee company and accordingly an appropriate discount has been applied. Significant Unobservable Input Used: Discount for lack of marketability (DLOM) and discount for lack of control (DLOC) have been used considering qualitative factors. Relationship of unobservable inputs to fair value: A slight increase / decrease in DLOM / DLOC would result in a decrease / increase in fair value by an insignificant amount.
Core deposits intangible	The fair value of this identifiable intangible asset has been determined using income approach. In applying income approach, the Bank used Multiple-period Excess Earnings Method to determine the value of this intangible asset. Under this method the value of a specific intangible asset is estimated from the residual earnings after fair returns on all other assets employed (including other intangible assets) have been deducted from the asset's after-tax operating earnings. Significant Unobservable Input Used: Discount factor used for the valuation purpose is 19%. Relationship of unobservable inputs to fair value: An increase / decrease in discount rate would result in a decrease / increase in fair value by an insignificant amount.
Non-performing loans	In order to determine the fair value of NPL portfolio, discounted cash flow approach has been used. Significant Unobservable Input Used: The expected future cash flows are discounted at cost of equity of 18% step up by 1% restructuring charge (Discount factor). Relationship of unobservable inputs to fair value: A increase / decrease in discount factor would result in a decrease / increase in fair value by an insignificant amount.

39 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				
2015					
Total income	2,127,287	3,814,313	3,206,087	390,265	9,537,952
Total expenses	462,156	4,417,897	2,761,837	2,059,692	9,701,582
Net income / (loss)	1,665,131	(603,584)	444,250	(1,669,427)	(163,630)
Segment assets (gross)	81,728,963	41,278,972	67,762,187	1,130,404	191,900,526
Segment non - performing assets	7,271,484	1,723,915	10,338,704	36,468	19,370,571
Segment provision required	7,292,107	1,712,282	8,193,075	36,236	17,233,700
Segment liabilities	3,206,205	80,030,354	77,223,056	2,605,187	163,064,802
Segment return on assets (ROA) (%)	2.04%	-1.46%	0.66%	-	-
Segment cost of funds (%)	5.14%	4.35%	4.01%	-	-

	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%	-	-

40 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 37 are as follows:

	2015	2014
	Rupees '000	
Associates		
Islamic Financing and related assets		
At beginning of the year	93,750*	1,830
Accrued during the year	90,000	13,001
Repayments	(93,750)	(14,831)
At end of the year	90,000	-
Prepayments		
At beginning of the year	12,733	7,632
Additions during the year	29,126	27,496
Expired during the year	(22,476)	(22,395)
At end of the year	19,383	12,733
Deposits		
At beginning of the year	664,636*	314,696
Deposits during the year	3,931,438	1,789,122
Withdrawals during the year	(3,178,596)	(1,507,715)
Balance transferred during the period	(551,377)	-
At end of the year	866,101	596,103

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

	2015	2014
	Rupees '000	
Transactions, income and expenses		
Profit earned on financing	3200	0
Return on deposits expensed	135,977	26,027
Administrative expense	24,833	55,775
Payable on deposits	-	1,524
Receivable on financing	1,626	-
Dividend income	16,638	-
Key management personnel		
Islamic financing and related assets		
At beginning of the year	111,354*	67,806
Disbursements	92,249	55,550
Repaid during the year	(68,493)	(26,246)
At end of the year	135,110	97,110
Deposits		
At beginning of the year	15,330*	29,778
Deposits	89,163	115,898
Withdrawals during the year	-88,979	(130,857)
At end of the year	15,514	14,819
Transactions, income and expenses		
Profit earned on financing	2,935	2,641
Return on deposits expensed	197	427
Remuneration	51,979	49,014
Payable on deposits	-	953
Other related parties		
Deposits		
At beginning of the year	212,369*	-
Deposits during the year	596,139	-
Withdrawals during the year	(714,459)	-
Balance transferred during the period	551,377	-
At end of the year	645,426	-
Transactions, income and expenses		
Receivable from KASB Modarba Limited	17,880	-
Return on deposits expensed	4,556	-
Dividend income	1,149	-
Other income	185	-
Employee benefit plans		
Contribution to employees gratuity fund	72,654	42,952
Charge for defined benefit plan	50,227	33,012
Contribution to employees provident fund	67,805	43,091

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

41 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 holding company. 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 holding company is regularly performed to ensure that the holding company remains well capitalised and able to sustain any shocks under any of the specified risk factors.

The State Bank of Pakistan (SBP) introduced guidelines with respect to disclosure of capital adequacy related information in the financial statements of banks vide its communication dated February 4, 2014. These guidelines are based on the requirements of Basel III which were introduced by the SBP in August 2013 for implementation by the banks in Pakistan. The SBP has specified a transitional period till 2018 for implementation of Basel III. The SBP vide its BPRD Circular No. 11 of 2014 dated November 5, 2014 has specified the disclosure requirements with respect to capital adequacy related information. The disclosures below have been prepared on the basis of the SBP's circular.

41.1 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 Group operates;
- Maintain strong ratings and to protect the Group 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.

41.2 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% after incorporating transitional provisions), reciprocal crossholdings and deficit on revaluation of available for sale investments and deduction for book value of intangibles. The State Bank of Pakistan vide its letter no BPRD(R&P)-02/625-112/2016/13918 dated June 2, 2016 has given relaxation to the Group for non-deduction of goodwill from CET 1 capital as at December 31, 2015 for the purpose of calculating the Capital Adequacy Ratio (CAR) of the Bank. Accordingly, the amount of goodwill has not been deducted from CET 1 capital.
 - 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 67%).

Group's 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.

41.3 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	2015	2014
	Amount Rupees in '000	
Common Equity Tier 1 capital (CET1): Instruments and reserves		
Fully paid-up capital / capital deposited with the SBP	10,079,121	5,758,721
Balance in share premium account	-	-
Reserve for issue of bonus shares	-	-
Discount on issue of shares	(79,042)	(79,042)
General / Statutory Reserves	523,176	273,176
Gains / (losses) on derivatives held as Cash Flow Hedge	-	-
(Accumulated loss) / unappropriated profit	(57,295)	269,349
Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	81,139	-
CET 1 before Regulatory Adjustments	10,547,099	6,222,204
Total regulatory adjustments applied to CET1 (Note 41.3.1)	(2,249,355)	(111,725)
Common Equity Tier 1	8,297,744	6,110,479
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	1,780	-
- of which: instrument issued by subsidiaries subject to phase out	-	-
AT1 before regulatory adjustments	1,780	-
Total of Regulatory Adjustment applied to AT1 capital (Note 41.3.2)	-	-
Additional Tier 1 capital after regulatory adjustments	-	-
Tier 1 Capital (CET1 + admissible AT1)	8,297,744	6,110,479
Tier 2 Capital		
Qualifying Tier 2 capital instruments under Basel III plus any related share premium*	2,158,420	-
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	39,142	-
General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	135,593	76,644
Revaluation Reserves (net of taxes)		
of which:		
- Revaluation reserves on fixed assets	570,200	412,894
- Unrealized gains/losses on AFS	(15,159)	(48,555)
Foreign Exchange Translation Reserves	-	-
Undisclosed/Other Reserves (if any)	-	-
T2 before regulatory adjustments	2,888,196	440,983
Total regulatory adjustment applied to T2 capital (Note 41.3.3)	-	-
Tier 2 capital (T2) after regulatory adjustments	2,888,196	440,983
Tier 2 capital recognized for capital adequacy	2,888,196	440,983
Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
Total Tier 2 capital admissible for capital adequacy	2,888,196	440,983
TOTAL CAPITAL (T1 + admissible T2)	11,185,940	6,551,462
Total Risk Weighted Assets (RWA) (for details refer Note 41.5)	87,127,545	38,635,539
* As per the SBP's approval vide letter no BPRD(R&P)-02/625-112/2016/13918 dated June 2, 2016		
Capital Ratios and buffers (in percentage of risk weighted assets)		
CET1 to total RWA	9.52%	15.82%
Tier-1 capital to total RWA	9.52%	15.82%
Total capital to total RWA	12.84%	16.96%
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)	3.52%	10.32%
National minimum capital requirements prescribed by SBP		
CET1 minimum ratio	6.00%	5.50%
Tier 1 minimum ratio	7.50%	7.00%
Total capital minimum ratio	10.00%	10.00%
CCB (Consisting of CET 1 only)	0.25%	-
Total Capital plus CCB	10.25%	-

Particulars	2015		2014	
	Amount	Pre-Base I treatment*	Amount	Pre-Base I treatment*

Rupees in '000

41.3.1 Common Equity Tier 1 capital: Regulatory adjustments

Goodwill (net of related deferred tax liability)	13,107	13,107	20,025	-
All other intangibles (net of any associated deferred tax liability)	177,377	177,377	39,197	-
Shortfall of provisions against classified assets	-	-	-	-
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	803,648	2,009,119	52,503	210,012
Defined-benefit pension fund net assets	10,605	26,513	-	-
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)	1,244,618	3,111,545	-	-
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	2,249,355	5,337,661	111,725	210,012

41.3.2 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-Base I 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 Base I treatment during the transitional period

Particulars	2015		2014	
	Amount	Pre-Base I treatment*	Amount	Pre-Base I treatment*

Rupees in '000

41.3.3 Tier 2 Capital: regulatory adjustments

Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Base I 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

41.3.4 Risk Weighted Assets subject to pre-Base I treatment

	2015	2014
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Rupees in '000

Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Base I Treatment)	-	-
of which: deferred tax assets	1,205,471	210,012
of which: Defined-benefit pension fund net assets	15,908	-
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	-	5,526
Deferred tax assets arising from temporary differences (net of related tax liability)	1,866,141	-
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)	135,593	76,644
Cap on inclusion of provisions in Tier 2 under standardized approach	992,167	404,687
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	-	-

41.3.5 Leverage ratio

According to Basel III instructions issued by State Bank of Pakistan (BPRD circular # 06 dated August 15, 2013), it is mandatory for all the banks to calculate and report the Leverage Ratio on a quarterly basis with the minimum benchmark of 3%.

The reason for calculating leverage ratio is to avoid excessive On- and Off-balance sheet leverage in the banking system. A simple, transparent and non-risk based Ratio has been introduced with the following objectives:

- Constrain the build-up of leverage in the banking sector which can damage the broader financial system and the economy; and
- Reinforce the risk based requirements with an easy to understand and a non-risk based measure.

Particulars	2015	2014
	Rupees in '000	
On balance sheet exposures		
1 On-balance sheet items (excluding unrealised gain on forward contracts)	172,312,789	101,932,695
2 Forward exchange commitments with positive fair values	40,340	16,703
Total on balance sheet exposures	172,353,129	101,949,398
Off balance sheet exposures		
3 Off-balance sheet items	21,643,603	8,106,448
4 Commitment in respect of forward exchange contracts	51,066	31,075
Total Off balance sheet exposures	21,694,669	8,137,523
Capital and total exposures		
5 Tier 1 capital (Note 41.3)	8,297,744	6,110,479
6 Total exposures	194,047,798	110,086,921
Basel III leverage ratio	4.28%	5.55%

The current year's leverage ratio is 4.28% (2014: 5.55%) whereas total tier 1 capital and total exposures are Rs. 8,297,744 million (2014: Rs. 6,110,479 million) and Rs. 194,047,798 million (2014: Rs. 110,086,921 million) respectively.

41.4 Capital Structure Reconciliation

41.4.1 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	9,035,889	9,035,889
Balances with other banks	2,016,267	2,016,267
Due from financial institutions	39,855,525	39,855,525
Investments	35,801,058	35,801,058
Islamic financing and related assets	69,428,078	69,428,078
Operating fixed assets	5,659,689	5,659,689
Deferred tax assets	5,947,169	5,947,169
Other assets	6,805,362	6,805,362
Total assets	174,549,037	174,549,037
Liabilities and Equity		
Bills payable	1,523,933	1,523,933
Due to financial institutions	3,197,770	3,197,770
Deposits and other accounts	152,661,140	152,661,140
Sub-ordinated loans	-	-
Liabilities against assets subject to finance leases	-	-
Deferred tax liabilities	-	-
Other liabilities	5,681,959	5,681,959
Total liabilities	163,064,802	163,064,802
Share capital	10,079,121	10,079,121
Discount on issue of shares	(79,042)	(79,042)
Reserves	523,176	523,176
(Accumulated loss) / unappropriated profit	(57,295)	(57,295)
Minority Interest	189,855	189,855
Surplus on revaluation of investments - net of tax	828,420	828,420
Total liabilities and equity	174,549,037	174,549,037

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

Particulars	Reference	Balance sheet as in published financial statements	Under regulatory scope of reporting
(Rupees in '000)			
Assets			
Cash and balances with treasury banks		9,035,889	9,035,889
Balances with other banks		2,016,267	2,016,267
Due from financial Institutions		39,855,525	39,855,525
Investments		35,801,058	35,801,058
of which:			
- non-significant capital investments in capital of other financial institutions exceeding 10% threshold	a	-	-
- significant capital investments in financial sector entities exceeding regulatory threshold	b	-	-
- mutual Funds exceeding regulatory threshold	c	-	-
- reciprocal crossholding of capital instrument	d	-	-
- others	e	-	-
Islamic financing and related assets		69,428,078	69,428,078
- shortfall in provisions / excess of total EL amount over eligible provisions under	f	-	-
- general provisions reflected in Tier 2 capital	g	135,593	135,593
Operating fixed assets		5,659,689	5,659,689
- of which: Intangibles	k	177,377	177,377
Deferred tax assets		5,947,169	5,947,169
of which:			
- DTAs that rely on future profitability excluding those arising from temporary differences	h	2,009,119	2,009,119
- DTAs arising from temporary differences exceeding regulatory threshold	i	3,938,050	3,938,050
Other assets		6,805,362	6,805,362
of which:			
- goodwill	j	13,107	13,107
- defined-benefit pension fund net assets	l	26,513	26,513
Total assets		174,549,037	174,549,037
Liabilities and Equity			
Bills payable		1,523,933	1,523,933
Due to financial institutions		3,197,770	3,197,770
Deposits and other accounts		152,661,140	152,661,140
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:			
- 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		5,681,959	5,681,959
Total liabilities		163,064,802	163,064,802
Share capital			
- of which: amount eligible for CET1	s	10,079,121	10,079,121
- of which: amount eligible for AT1	t	10,079,121	10,079,121
Reserves of which:			
- portion eligible for inclusion in CET1 - Statutory		523,176	523,176
- portion eligible for inclusion in CET1 - Gain on	u	523,176	523,176
- portion eligible for inclusion in CET1 - General		-	-
- portion eligible for inclusion in Tier 2 General		-	-
Discount on issue of shares		(79,042)	(79,042)
(Accumulated loss) / unappropriated profit	w	(57,295)	(57,295)
Minority Interest of which:		189,855	189,855
- portion eligible for inclusion in CET1	x	106,344	106,344
- portion eligible for inclusion in AT1	y	6,228	6,228
- portion eligible for inclusion in Tier 2	z	46,557	46,557
Surplus on revaluation of assets of which:			
- Revaluation reserves on Property		828,420	828,420
- Unrealized Gains/Losses on AFS	aa	851,045	851,045
- In case of Deficit on revaluation (deduction from		(22,625)	(22,625)
	ab	-	-
Total liabilities and Equity		174,549,037	174,549,037

41.4.3 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		10,079,121
2 Balance in share premium account		-
3 Discount on issue of shares	(s)	(79,042)
4 Reserve for issue of bonus shares		-
5 General / Statutory Reserves		523,176
6 Gain / (Losses) on derivatives held as Cash Flow Hedge	(u)	-
7 Unappropriated / unremitted profits	(w)	(57,295)
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)	81,139
9 CET 1 before Regulatory Adjustments		10,547,099
Common Equity Tier 1 capital: Regulatory adjustments		
10 Goodwill (net of related deferred tax liability)	(j) - (s)	13,107
11 All other intangibles (net of any associated deferred tax liability)	(k) - (p)	177,377
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%	803,648
14 Defined-benefit pension fund net assets	(l) - (q) * x%	10,605
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)	1,244,618
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		2,249,355
Common Equity Tier 1		8,297,744
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)	1,780
34 - of which: instrument issued by subsidiaries subject to phase out		-
35 AT1 before regulatory adjustments		1,780

Particulars	Source based on reference number from 41.4.2	Component of regulatory capital reported by bank (Rupees in '000)
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)	-
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		1,780
44 Additional Tier 1 capital		-
45 Additional Tier 1 capital recognised for capital adequacy		-
Tier 1 Capital (CET1 + admissible AT1)		8,297,744
Tier 2 Capital		
46 Qualifying Tier 2 capital instruments under Basel III		2,158,420
47 Capital instruments subject to phase out arrangement from Tier 2	(n)	-
48 Tier 2 capital instruments issued to third party by consolidated subsidiaries - of which: instruments issued by subsidiaries subject to phase out	(z)	39,142
49 General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	(g)	135,593
50 Revaluation Reserves eligible for Tier 2 of which:		
51 - portion pertaining to Property		570,200
52 - portion pertaining to AFS securities	56% of (aa)	(15,159)
53 Foreign Exchange Translation Reserves	(v)	-
54 Undisclosed / Other Reserves (if any)		-
55 T2 before regulatory adjustments		2,888,196
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)		2,888,196
63 Tier 2 capital recognised for capital adequacy		2,888,196
64 Excess Additional Tier 1 capital recognised in Tier 2 capital		-
65 Total Tier 2 capital admissible for capital adequacy		2,888,196
TOTAL CAPITAL (T1 + admissible T2)		11,185,940

41.4 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 Pakistan 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)	10,079,121
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

41.5 Risk-weighted exposures

	Capital requirements		Risk weighted assets	
	2015	2014	2015	2014
	(Rupees in '000)			
Credit Risk				
Portfolios subject to on-balance sheet exposure (Simple Approach)				
Cash and cash equivalents	-	-	-	-
Sovereign	7,210	8,077	72,099	44,873
Public sector entities	80,029	53,048	800,290	294,713
Banks	870,381	343,664	8,703,807	1,909,247
Corporate	2,864,808	3,757,427	28,648,075	20,874,593
Retail	411,826	241,597	4,118,258	1,342,207
Residential mortgage	234,107	273,206	2,341,072	1,517,813
Past due loans	172,554	93,864	1,725,540	521,464
Operating fixed assets	548,231	602,655	5,482,312	3,348,085
All other assets	879,563	171,165	8,795,632	950,917
Portfolios subject to off-balance sheet exposure - non market related (Simple approach)				
Banks	364	412	3,638	2,290
Corporate	710,987	259,725	7,109,874	1,442,917
Retail	3,476	1,011	34,760	5,615
Others	28,408	13,459	284,081	74,771
Portfolios subject to off-balance sheet exposures - market related (Current exposure method)				
Banks	4,616	4,271	46,162	23,727
Customers	32	1,424	319	7,912
Equity Exposure Risk in the Banking Book				
Unlisted equity investments held in banking book	148,598	-	1,485,978	-
Investment in commercial entity	762,202	-	7,622,020	-
Recognised portion of significant investment	208,383	2,488	2,083,828	13,820
Market Risk				
Capital Requirement for portfolios subject to Standardised Approach				
Interest rate risk	8,546	2,389	106,824	29,862
Equity position risk	47,428	8	592,850	100
Foreign Exchange risk	6,011	11,856	75,138	148,200
Operational Risk				
Capital requirement for operational risk	559,599	486,593	6,994,988	6,082,413
TOTAL	8,557,359	6,328,339	87,127,545	38,635,539
Capital Adequacy Ratio				
	Required	Actual	Required	Actual
	December-15		December-14	
CET1 to total RWA	6.25%**	9.52%	5.50%	15.82%
Tier-1 capital to total RWA	7.50%	9.52%	7.00%	15.82%
Total capital to total RWA	10.25%**	12.84%	18.00%*	16.96%

* The SBP had 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.

** Capital adequacy requirement inclusive of Capital Conservation Buffer (CCB) requirement.

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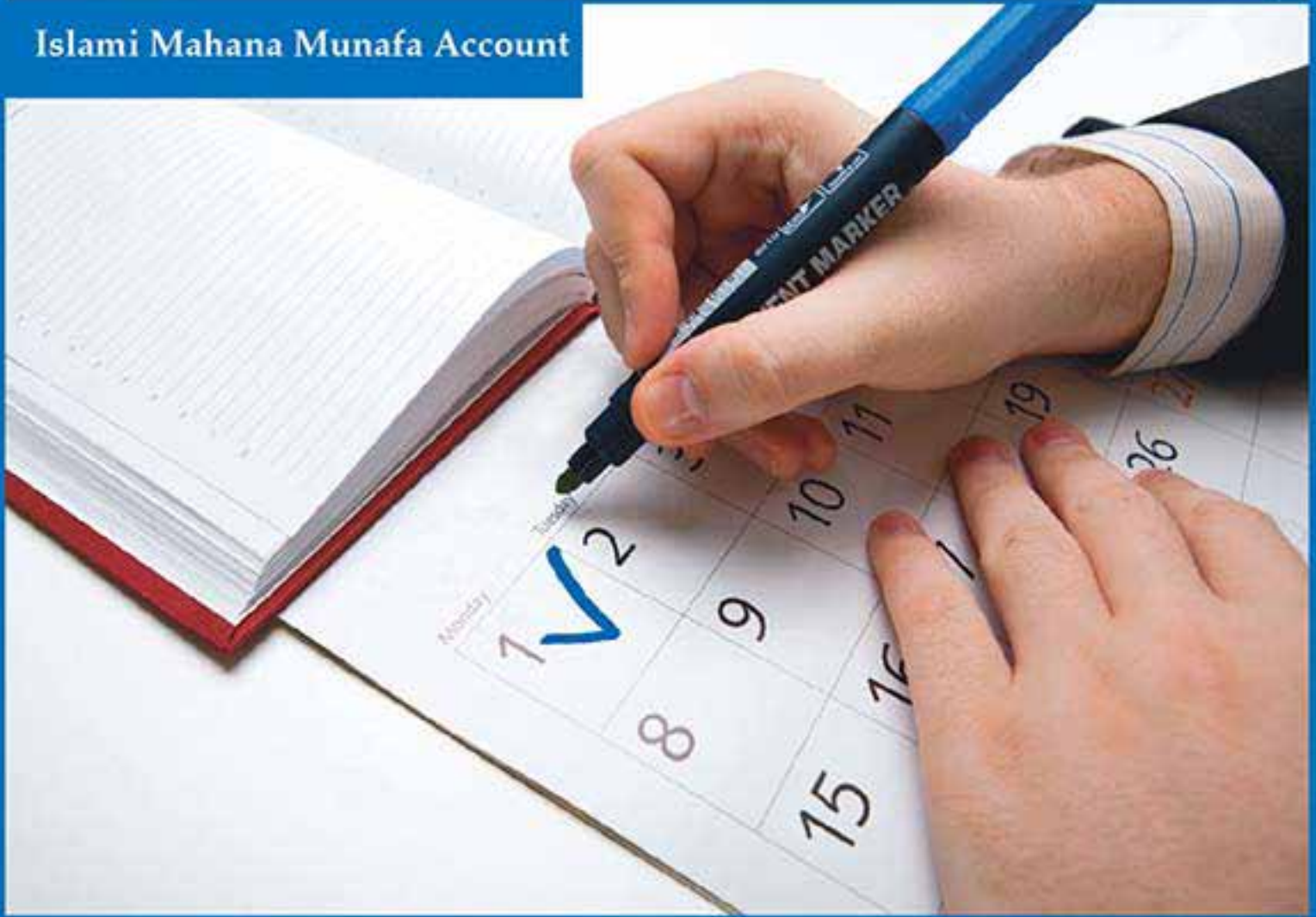
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42 RISK MANAGEMENT

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

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

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

RISK MANAGEMENT FRAMEWORK

A well formulated policy and procedure is critical to an effective Risk Management framework; it then needs to be reinforced through a strong control culture that promotes sound risk governance. The 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.

42.1 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.

42.1.1 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.

42.1.1.1 Segments by class of business

2015

	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	1,915,599	2.31%	6,076,036	3.98%	1,027,399	4.24%
Mining and Quarrying	3,683	0.00%	714,345	0.47%	107,972	0.45%
Textile	8,194,802	9.88%	789,787	0.52%	804,431	3.32%
Chemical and Pharmaceuticals	5,095,285	6.14%	2,085,720	1.37%	116,712	0.48%
Cement	1,743,669	2.10%	337,006	0.22%	114,651	0.47%
Sugar	3,597,585	4.34%	2,233,462	1.46%	300,010	1.24%
Footwear and Leather garments	28,493	0.03%	132,292	0.09%	3,467	0.01%
Automobile and transportation equipment	1,315,610	1.59%	1,965,002	1.29%	2,005,329	8.28%
Education	3,962	0.00%	2,683,204	1.76%	-	0.00%
Electronics and electrical appliances	4,488,012	5.41%	4,835,033	3.17%	863,425	3.57%
Production and transmission of energy	-	0.00%	21,368,252	14.00%	1,649,852	6.81%
Construction	4,900,371	5.91%	1,730,537	1.13%	1,798,276	7.13%
Power (electricity), Gas, Water, Sanitary	2,461,673	2.97%	30,688	0.02%	87,395	0.36%
Wholesale and Retail Trade	6,516,417	7.85%	28,419,522	17.31%	697,918	2.88%
Exports/Imports	2,171,847	2.62%	90,617	0.06%	46,515	0.19%
Transport, Storage and Communication	635,771	0.77%	1,974,619	1.29%	346,040	1.43%
Financial	3,636,034	4.38%	8,787,967	5.76%	10,796,746	44.59%
Insurance	9,529	0.01%	667,668	0.44%	-	0.00%
Services	4,864,288	5.86%	4,786,730	3.14%	83,591	0.35%
Individuals	13,258,408	15.98%	43,678,228	28.61%	173,937	0.72%
Food and beverages	13,422,734	16.18%	1,668,463	1.09%	1,065,992	4.40%
Private Trust & NGO	1,514,318	1.83%	4,891,072	3.20%	400	0.00%
Packing and Paper products	291,649	0.35%	11,979	0.01%	38,741	0.06%
Others*	2,897,091	3.49%	14,693,011	9.62%	2,084,865	8.61%
	82,966,830	100%	152,661,140	100.00%	24,213,464	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.

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%	813,279	0.88%	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%	1,671,569	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	695,627	1.67%	27,844,156	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%	397,839	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	18,967	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.

42.1.1.2 Segment by sector

2015

	Islamic financing and related assets		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	12,000,232	14%	17,899,005	12%	475,444	2%
Private	70,966,598	86%	134,762,135	88%	23,738,020	98%
	82,966,830	100%	152,661,140	100%	24,213,464	100%

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%

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

	2015		2014	
	Classified financing and related assets	Specific provisions held	Classified financing and related assets	Specific provisions held
	Rupees in '000			
Wholesale and Retail trade	236,887	149,140	97,598	31,382
Agriculture, Forestry, Hunting and Fishing	48,789	48,789	-	-
Textile	4,302,647	3,848,509	167,370	161,157
Chemical and Pharmaceuticals	140,164	132,670	13,573	2,339
Power (electricity), Gas, Water, Sanitary	292,430	291,832	703	73
Cement	563,250	563,250	23,250	23,250
Electronics and electrical appliances	30,215	30,215	3,217	1,366
Construction	1,106,996	1,108,416	224,044	123,719
Services	1,662,794	1,662,794	9,285	5,990
Financial	201,131	200,920	1,101	524
Paper Product	13,000	10,814	22,807	9,722
Food and Beverages	467,782	467,782	17,041	17,041
Individuals	3,103,979	2,429,093	476,527	146,208
Automobile and transportation equipment	100,359	100,359	-	-
Footwear and leather garments	162,361	162,361	-	-
Manufacturing	1,316,126	1,292,439	-	-
Sugar	352,125	352,125	-	-
Transport, storage and communication	368,289	368,134	-	-
Others	761,656	183,517	5,413	1,643
	15,230,980	13,403,159	1,061,929	524,414

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

	2015		2014	
	Classified financing and related assets	Specific provisions held	Classified financing and related assets	Specific provisions held
	Rupees in '000			
Public / Government	-	-	-	-
Private	15,230,980	13,403,159	1,061,929	524,414
	15,230,980	13,403,159	1,061,929	524,414

42.1.1.5 Geographical segment analysis

	2015			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments*
	Rupees in '000			
Pakistan	(163,630)	174,549,037	11,484,235	24,213,464

	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

42.1.2 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.

42.1.2.1 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	2015			2014		
	JCR - VJS	PACRA	Others	JCR - VJS	PACRA	Others
Corporate	✓	✓	N/A	✓	✓	N/A
Banks	✓	✓	✓	✓	✓	✓

Credit Exposures subject to Standardised approach

Exposures	SBP grade	Rating Category	2015			2014			
			Amount Outstanding Credit Equivalent	Deduction CRM	Net amount	Amount Outstanding Credit Equivalent	Deduction CRM	Net amount	
Rupees in '000									
All other assets		100%	44,126,470	232	44,126,238	950,917	-	950,917	
		0%	-	-	-	-	-	-	
Claims on Public Sector Entities in Pakistan		1	20%	709,086	453,884	255,202	2,081,179	607,612	1,473,567
		2,3	50%	-	-	-	-	-	-
		4,5	100%	-	-	-	-	-	-
		6	150%	-	-	-	-	-	-
		Unrated	50%	9,393,234	7,449,475	1,943,759	870,020	720,478	149,542
		0%	-	-	-	-	-	-	
Claims on Corporates (excluding equity exposures)		1	20%	7,110,008	2	7,110,006	3,793,493	-	3,793,493
		2	50%	1,627,881	4,691	1,623,190	2,727,875	50,538	2,677,337
		3,4	100%	2,853	1,085	1,768	4,187	518	3,669
		5,6	150%	-	-	-	-	-	-
		Unrated 1	100%	26,689,133	5,406,859	21,282,274	21,338,836	7,703,615	13,635,221
		Unrated 2	125%	11,655,286	1,863,039	9,792,247	6,769,025	1,035,762	5,733,265
		0%	-	-	-	-	-	-	
Claims categorized as retail portfolio		20%	-	-	-	-	-	-	
		50%	-	-	-	-	-	-	
		75%	6,891,930	1,382,728	5,509,202	2,378,196	581,100	1,797,096	
		100%	-	-	-	-	-	-	
Past Due loans:									
1.1 where specific provisions are less than 20 percent of the outstanding amount of the past due claim,		150%	1,103,961	576,942	527,019	476,347	322,697	153,660	
1.2 where specific provisions are no less than 20 percent of the outstanding amount of the past due claim,		100%	544,685	9,894	534,791	21,347	6,268	15,079	
1.3 where specific provisions are more than 50 percent of the outstanding amount of the past due claim,		50%	81,381	62,526	18,855	44,126	29,314	14,812	
2. Loans and claims fully secured against eligible residential mortgages that are past due for more than 90 days and/or impaired		100%	344,209	2,688	341,541	231,655	-	231,655	
3. Loans and claims fully secured against eligible residential mortgages that are past due by 90 days and/or impaired and specific provision held thereagainst is more than 20% of outstanding amount.		50%	98,501	-	98,501	73,897	-	73,697	
All other assets		100%	8,795,632	-	8,795,632	950,917	-	950,917	

42.1.2.2 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.

42.2 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.

42.3 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.

42.4 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.

The VaR reports are complemented by various other position and sensitivity limit structures, including stress, sensitivity, gap and scenario analysis. The capital charge for market risk has been calculated by using Standardized Approach.

42.4.1 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.

	2015			
	Assets	Liabilities	Off-balance Sheet	Net foreign currency exposure
Rupees in '000				
Pakistan rupee	171,999,919	160,423,765	(163,577)	11,412,577
United States dollar	1,863,049	2,011,886	163,577	14,740
Great Britain pound	265,859	266,076	-	(217)
Japanese yen	6,664	279	-	6,385
Euro	358,429	361,520	-	(3,091)
UAE Dirham	4,258	-	-	4,258
ACU	33,690	-	-	33,690
CHF	3,779	-	-	3,779
AUD	3,645	1,276	-	2,369
Saudi Riyal	9,745	-	-	9,745
	<u>174,549,037</u>	<u>163,064,802</u>	<u>-</u>	<u>11,484,235</u>
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
	<u>101,991,917</u>	<u>95,119,108</u>	<u>-</u>	<u>6,872,809</u>

42.4.2 MISMATCH OF YIELD / PROFIT RATE SENSITIVE ASSETS AND LIABILITIES

Effective Yield / Profit rate	2015											Non-profit bearing financial instruments	
	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		
	Rupees in '000												
	On-balance sheet financial instruments												
	Assets												
	9,035,889	-	-	-	-	-	-	-	-	-	-	-	9,035,889
Cash and balances with Treasury Banks	2,015,267	-	-	-	-	-	-	-	-	-	-	-	2,015,267
Balances with other Banks	39,859,525	4,050,000	-	-	-	-	-	-	-	-	-	-	-
Due from financial institutions	35,601,058	582,164	7,960,200	-	22,959,293	-	-	-	-	-	-	-	2,453,203
Investments - net	69,428,078	4,012,901	14,881,852	29,546,515	1,926,547	1,926,547	1,860,979	5,487,593	867,655	7,521,070	-	-	3,814,736
Islamic financing and related assets and Advances (net)	3,814,736	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	159,951,553	40,400,590	20,778,050	37,506,715	1,926,547	23,083,746	1,860,979	5,487,593	867,655	7,521,070	17,320,095	-	-
	Liabilities												
	1,523,933	-	-	-	-	-	-	-	-	-	-	-	1,523,933
Bills payable	3,211,018	671,000	40,000	-	-	-	-	-	-	-	-	-	-
Due to financial institutions	152,661,140	16,706,023	11,873,710	12,633,153	-	10,843,426	47,576,853	4,485,237	970,763	-	-	-	-
Deposits and other accounts	5,211,562	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	162,607,553	17,377,023	11,913,710	12,974,751	-	10,843,426	47,576,853	4,485,237	3,129,193	-	-	-	5,211,562
	(2,556,100)	23,023,567	8,864,340	24,531,964	1,926,547	12,240,320	(44,373,462)	(45,715,874)	1,002,356	(2,261,528)	7,521,070	10,584,600	-
On-balance sheet gap													
	5,659,689	-	-	-	-	-	-	-	-	-	-	-	-
NON FINANCIAL ASSETS	5,947,160	-	-	-	-	-	-	-	-	-	-	-	-
Operating fixed assets	2,990,626	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	14,597,484	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	457,149	-	-	-	-	-	-	-	-	-	-	-	-
	(11,481,235)	-	-	-	-	-	-	-	-	-	-	-	-
NON FINANCIAL LIABILITIES													
Deferred tax liabilities													
Other liabilities													
TOTAL NET ASSETS													
Total Yield / Profit Rate Sensitivity Gap	23,023,567	8,864,340	24,531,964	1,926,547	12,240,320	(44,373,462)	(45,715,874)	1,002,356	(2,261,528)	7,521,070	10,584,600	-	-
Cumulative Yield/Profit Risk Sensitivity Gap	23,023,567	31,887,907	56,419,871	58,346,418	68,660,191	24,296,729	(21,429,145)	(20,426,789)	(22,688,317)	(15,167,247)	(10,584,600)	-	-

2014												
Exposed to Yield / Profit risk												
Effective Yield / Profit rate	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 to 12 Months	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
	6,361,444	-	-	-	-	-	-	-	-	-	-	6,361,444
Cash and balances with Treasury Banks	847,890	89	-	-	-	-	-	-	-	-	-	847,890
Balances with other Banks	18,143,574	5,002,671	1,024,308	1,362,229	-	-	-	-	-	-	-	-
Due from financial institutions	30,511,422	334,114	10,322,680	19,533,768	-	-	-	-	-	-	-	320,860
Investments	41,097,058	6,913,026	9,761,128	8,363,141	1,075,376	409,925	166,165	874,371	14,050	973,699	9,319,874	9,319,874
Islamic financing and related assets	1,449,715	-	-	-	-	-	-	-	-	-	-	1,449,715
Other assets	98,411,103	12,249,900	21,108,116	29,259,138	1,075,376	13,980,869	166,165	874,371	14,050	973,699	16,299,494	16,299,494
	918,435	-	-	-	-	-	-	-	-	-	-	918,435
Bills payable	561,000	-	561,000	-	-	-	-	-	-	-	-	-
Due to financial institutions	90,330,870	7,068,607	4,757,051	6,170,384	-	-	19,302,005	20,068,532	4,958,787	1,617,561	-	17,204,403
Deposits and other accounts	3,047,381	-	-	-	-	-	-	-	-	-	-	3,047,381
Other liabilities	94,857,866	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
	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)
On-balance sheet gap												
	3,387,282	-	-	-	-	-	-	-	-	-	-	-
NON FINANCIAL ASSETS												
Operating fixed assets	193,532	-	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	3,580,814	-	-	-	-	-	-	-	-	-	-	-
Other assets	199,348	-	-	-	-	-	-	-	-	-	-	-
NON FINANCIAL LIABILITIES												
Deferred tax liabilities	62,074	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	6,872,809	-	-	-	-	-	-	-	-	-	-	-
TOTAL NET ASSETS												
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)	(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	3,553,417	3,553,417

42.5 Liquidity Risk

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

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

42.5.1 MATURITIES OF ASSETS AND LIABILITIES

	2015																		
	Up to 1 Month		Over 1 to 3 Months		Over 3 to 6 Months		Over 6 Months to 1 Year		Over 1 to 2 Years		Over 2 to 3 Years		Over 3 to 5 Years		Over 5 to 10 Years		Above 10 Years		
	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	
Assets	Rupees in '000																		
Cash and balances with Treasury banks	9,035,880	9,035,889	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	2,016,267	2,016,267	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due from financial institutions	34,855,525	35,805,525	4,050,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments - net	35,801,058	321,772	1,506,000	-	22,959,293	-	8,080,084	-	-	-	450,000	-	-	-	568,409	-	-	-	1,235,500
Islamic financing and related assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
and Advances (net)	69,426,078	4,012,901	14,881,852	29,546,515	-	2,051,000	3,198,513	-	1,860,979	-	692,852	5,487,533	-	867,655	-	-	-	-	7,521,070
Operating fixed assets	5,659,889	59,942	19,145	3,714	4,793	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	5,947,169	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	6,805,367	627,966	-	14,491	670,135	-	-	-	-	-	-	-	-	-	-	-	-	-	2,790,664
	174,549,037	11,739,004	40,740,198	19,145	20,437,852	18,205	29,546,515	874,926	25,010,293	2,530	11,278,597	2,310,919	3,742,267	5,487,533	1,168,146	1,455,064	6,500,131	8,816,570	-
Liabilities	Rupees in '000																		
Bills payable	1,523,933	1,523,933	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to financial institutions	3,211,018	664,248	40,000	329,350	-	-	-	-	-	-	-	-	-	-	2,158,420	-	-	-	-
Deposits and other accounts	152,691,140	12,457,781	11,873,710	12,633,153	10,645,926	44,819,369	2,751,523	44,319,389	2,759,901	-	-	-	-	4,485,237	966,263	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	5,666,711	1,802,634	40,584	1,390,904	821,559	-	-	-	-	-	-	-	1,612,520	-	-	-	-	-	-
	163,064,802	16,458,796	4,247,868	80,594	11,373,710	1,719,254	12,633,153	821,559	10,845,626	44,819,369	2,751,523	44,319,389	2,759,901	1,512,520	4,485,237	966,263	-	-	-
Net assets	11,484,235	(4,725,792)	36,492,330	(61,749)	8,964,142	(1,701,049)	16,919,362	59,369	14,194,367	(44,816,859)	8,527,074	(44,819,389)	(44,792,222)	7,529,767	1,002,356	(1,966,637)	1,455,064	6,500,131	8,816,570
Share capital	Rupees in '000																		
Share capital	10,079,121	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Discount on issue of shares	(79,042)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserves	465,881	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non Controlling Interest	189,855	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	826,470	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	11,485,235	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

2014

Total	Up to 1 Month		Over 1 to 3 Months		Over 3 to 6 Months		Over 6 Months to 1 Year		Over 1 to 2 Years		Over 2 to 3 Years		Over 3 to 5 Years		Over 5 to 10 Years		Above 10 Years	
	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity	Expected Maturity	Contractual Maturity

Cash and balances with treasury banks	6,361,448	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	847,890	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due from financial institutions	18,143,574	-	1,024,308	-	1,962,228	-	10,754,369	-	-	-	-	-	-	-	-	-	-	-
Investments	30,511,422	5,002,671	3,981,758	11,776,786	11,776,786	3,829,464	3,829,464	1,503,300	7,418,057	1,634,223	1,253,765	5,579	174,837	1,559,666	5,579	174,837	-	-
Islamic financing and related assets	41,097,950	9,233,162	13,174,080	7,088,334	7,088,334	3,173,809	1,886,468	1,886,468	-	-	-	-	-	-	-	-	-	2,313,745
Operating fixed assets	3,357,263	-	-	41,716	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	1,643,247	1,085,098	-	39,052	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	1,843,247	1,085,098	18,160,146	80,768	20,207,419	238,561	17,757,439	3,389,768	8,852,280	1,787,441	1,253,765	1,357,891	1,744,502	486,748	2,313,745	-	-	
Liabilities																		
Bills payable	916,435	916,435	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to financial institutions	561,000	561,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	90,330,970	6,512,878	4,757,052	6,170,384	6,170,384	9,163,540	24,360,748	2,188,465	24,360,742	2,954,982	4,956,707	-	1,617,581	-	-	-	-	
Deferred tax liabilities	199,346	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	8,109,458	1,026,857	10,194	1,128,460	11,466	11,466	-	-	-	-	-	-	-	-	-	-	-	-
Net assets	95,119,708	3,021,170	10,194	1,128,460	11,466	9,183,540	24,360,748	2,188,465	24,360,742	2,954,982	4,956,707	1,128,466	4,956,707	1,253,765	4,956,707	1,357,891	116,941	486,748
	6,872,805	(726,731)	(12,791,759)	(10,194)	(13,423,094)	(1,047,892)	14,036,965	227,101	8,593,999	(24,360,746)	1,201,303	(24,360,742)	5,997,288	657,209	(8,705,022)	1,357,891	116,941	486,748

Rupees in '000

Share capital	5,756,721
Discount on Issue of shares	(79,042)
Reserves	542,525
Surplus on revaluation of assets	650,665
Total	6,872,805

42.6 Operational Risk

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

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

42.7 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.

42.8 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.

42.9 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.

43 TRUST ACTIVITIES

Banks commonly act as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These are not assets of the Group and, therefore, are not included in consolidated statement of financial position. Following is the list of assets held under trust:

Category	Type	No. of IPS account		Rupees in '000	
		2015	2014	Face Value	
		2015	2014	2015	2014
Insurance Companies	Sukuks	1	1	220,000	220,000
Asset Management Companies	Sukuks	24	26	1,452,165	1,455,665
Employee Funds / NGO's	Sukuks	5	6	79,500	79,500
Individuals	Sukuks	10	10	111,870	108,370
Others	Sukuks	21	21	4,596,465	4,846,465
		<u>61</u>	<u>64</u>	<u>6,460,000</u>	<u>6,710,000</u>

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

The holding company maintained following pools for profit declaration and distribution during the year ended December 31, 2015:

- 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 channeled 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.

45 GENERAL

45.1 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.

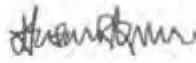
The figures in the consolidated financial statements have been rounded off to the nearest thousand rupee.

46 DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on June 04, 2016 by the Board of Directors of the Holding Company.



CHAIRMAN



PRESIDENT / CHIEF EXECUTIVE



DIRECTOR



DIRECTOR

Annexure 1

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

Asset description	Asset Cost	Accumulated depreciation	WDV	Sale proceeds	Gain/ (loss) on disposal	Mode of disposal	Particulars of Buyer
Rupees in '000							
30-KVA Generator (27-KVA Configuration)	633	633	-	608	608	Takaful Claim	Pak Qatar Takaful Insurance Claim
IP Phone System	301	301	-	301	301	Takaful Claim	Pak Qatar Takaful Insurance Claim
CISCO Router	301	151	150	301	151	Takaful Claim	Pak Qatar Takaful Insurance Claim
Cisco IP Phone Plus Switch and Router	290	290	-	290	290	Takaful Claim	Pak Qatar Takaful Insurance Claim
10 KVA UPS	270	270	-	270	270	Takaful Claim	Pak Qatar Takaful Insurance Claim
Cisco IP Phone	227	227	-	227	227	Takaful Claim	Pak Qatar Takaful Insurance Claim
DVR System	138	138	-	138	138	Takaful Claim	Pak Qatar Takaful Insurance Claim
Lenovo Thinkpad T420 Note book Pc Intel Core	125	125	-	5	5	Bank Policy	Mr. Yasir Siddiqui - Section Head -Training & Development
Lenovo Thinkpad T420 Note book Pc Intel Core	125	125	-	5	5	Bank Policy	Mr. Arsalan Iqbal - Section Head - Recruitment & Hiring
CISCO Switch 2960	117	29	88	117	29	Takaful Claim	Pak Qatar Takaful Insurance Claim
Lenovo Thinkpad T420 Note book Pc Intel Core	110	109	1	5	4	Bank Policy	Ms. Atika Khan - Section Head Finance
Lenovo Thinkpad T-420	108	96	12	17	5	Bank Policy	Mr. Farman Ahmed
Lenovo Thinkpad T420 Note book Pc Intel Core	109	109	-	5	5	Bank Policy	Mr. Kamran A. Siddiqui - HOD - Phone Banking
Lenovo Thinkpad T420 Note book Pc Intel Core	109	109	-	5	5	Bank Policy	Mr. Aleem Azimi - Section - Head Finance
Lenovo Thinkpad T420 Note book Pc Intel Core	109	109	-	5	5	Bank Policy	Mr. Ahmed Abbas - Section Head PMO
Lenovo Thinkpad T420 Note book Pc Intel Core	109	109	-	5	5	Bank Policy	Mr. Sarfaraz Waris - Unit Head Networking
Lenovo Thinkpad T420 Note book Pc Intel Core	109	109	-	5	5	Bank Policy	Syed Ata Hussain Jafferi - HOD -
Lenovo Thinkpad T420 Note book Pc Intel Core	109	109	-	5	5	Bank Policy	Mr/ Arbab Wadood - Section Head -Infrastructure ISD
Lenovo Thinkpad T420 Note book Pc Intel Core	109	109	-	5	5	Bank Policy	Mr. Bilal Bin Saeed - Regional Operation Manager - North
Lenovo Thinkpad T420 Note book Pc Intel Core	109	109	-	5	5	Bank Policy	Mr. Sohail Hashim - Section Head Networking ISD
Lenovo Thinkpad T420 Note book Pc Intel Core	109	109	-	5	5	Bank Policy	Mr. Khawaja Ehrar-Ul-Hasan - Head of Legal & Compliance
Lenovo Thinkpad T420 Note book Pc Intel Core	102	91	11	15	4	Bank Policy	Mr. Shoab Khan - HOD Treasury
Lenovo Thinkpad T420 Note book Pc Intel Core	102	102	-	5	5	Bank Policy	Ms. Nusrat Fatima - Secretary to CFO
Lenovo Thinkpad T420 Note book Pc Intel Core	102	102	-	5	5	Bank Policy	Ms. Ayesha Ashraf - Section Head Corporate Strategy and Business Planning
Lenovo Thinkpad T-410 Note Book PC Intel	101	101	-	5	5	Bank Policy	Mr. Arshad Wahab Zuber - HOD ADMIN
Lenovo Thinkpad T410 Note book Pc Intel Core	98	98	-	5	5	Bank Policy	Mr. Salman Ahmed - Area Manager
Lenovo Thinkpad T410 Note book Pc Intel Core	98	98	-	5	5	Bank Policy	Syed Mubashir Hussain - Area Manager
Lenovo Thinkpad T410 Note book Pc Intel Core	98	98	-	5	5	Bank Policy	Mr. Fayyaz Khan - AOM
Lenovo Thinkpad T420 Note book Pc Intel Core	98	98	-	5	5	Bank Policy	Mr. Sohail Gadif - Area Operation Manager
Lenovo Thinkpad T-410 Note Book	98	98	-	5	5	Bank Policy	Mr. Latafat Hussain - SH - Internal Audit
Lenovo Thinkpad T-410 Note Book	98	98	-	5	5	Bank Policy	Mr. Masroor Mohsin - National Sales Manager
Lenovo Thinkpad T-410 Note Book PC Intel	98	98	-	5	5	Bank Policy	Mr. Irshad Ahmed Ijaz - Shariah Advisor
Honda Cdi 70 Motorcycle-Model 2009-KEG-6931	66	65	1	16	15	Bank Policy	Mr. Saleem Ullah Durrani - Driver CEO
CISCO Router 2911	58	14	44	58	14	Takaful Claim	Pak Qatar Takaful Insurance Claim
D/M to thin Client	50	50	-	50	50	Takaful Claim	Pak Qatar Takaful Insurance Claim
D/M to thin Client	49	49	-	49	49	Takaful Claim	Pak Qatar Takaful Insurance Claim
Thin Client System	49	49	-	49	49	Takaful Claim	Pak Qatar Takaful Insurance Claim
Thin Client System	48	48	-	48	48	Takaful Claim	Pak Qatar Takaful Insurance Claim
Thin Client System	48	48	-	48	48	Takaful Claim	Pak Qatar Takaful Insurance Claim
Note Counting Machine	44	44	-	3	3	Trade in	Trade in -Asian Machines & Technologies
Note Counting Machine	42	42	-	1	1	Takaful Claim	Pak Qatar Takaful Insurance Claim
Note Counting Machine	42	42	-	1	1	Takaful Claim	Pak Qatar Takaful Insurance Claim
Note Counting Machine	42	42	-	1	1	Trade in	Trade in -Asian Machines & Technologies
Thin Client System	41	41	-	41	41	Takaful Claim	Pak Qatar Takaful Insurance Claim
Thin Client Systems	40	40	-	40	40	Takaful Claim	Pak Qatar Takaful Insurance Claim
Note Counting Machine	40	40	-	1	1	Trade in	Trade in -Asian Machines & Technologies
Note Counting Machine	36	36	-	1	1	Trade in	Trade in -Asian Machines & Technologies
NCR ATM Machine 22E	34	4	30	34	4	Takaful Claim	Pak Qatar Takaful Insurance Claim
Acer 18.5" LCD Display Monitor	34	34	-	34	34	Takaful Claim	Pak Qatar Takaful Insurance Claim
Note Counting Machine	32	32	-	1	1	Trade in	Trade in -Asian Machines & Technologies
Pedestal Fans	32	24	8	13	5	Bank Policy	M/s Siddiqui Brothers
Note Counting Machine	31	31	-	1	1	Trade in	Trade in -Asian Machines & Technologies
Note Counting Machine	31	31	-	1	1	Takaful Claim	Pak Qatar Takaful Insurance Claim
Note Counting Machine	31	31	-	1	1	Takaful Claim	Pak Qatar Takaful Insurance Claim
Note Counting Machine	31	31	-	1	1	Takaful Claim	Pak Qatar Takaful Insurance Claim
Note Counting Machine	31	31	-	1	1	Trade in	Trade in -Asian Machines & Technologies
Note Counting Machine	31	31	-	1	1	Trade in	Trade in -Asian Machines & Technologies
Note Counting Machine	31	31	-	1	1	Trade in	Trade in -Asian Machines & Technologies
Note Counting Machine	31	31	-	1	1	Trade in	Trade in -Asian Machines & Technologies
Thin Client System	30	30	-	30	30	Takaful Claim	Pak Qatar Takaful Insurance Claim
Thin Client System	30	30	-	30	30	Takaful Claim	Pak Qatar Takaful Insurance Claim
DVR Server with Cameras	28	14	14	28	14	Takaful Claim	Pak Qatar Takaful Insurance Claim

ANNEXURE II

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF RUPEES 500,000 OR ABOVE DURING THE YEAR ENDED DECEMBER 31, 2015

RUPEES IN '000

S. No.	Name and address of the borrower	Name of individuals / partners / directors (with CNIC No.)	Father's / Husband's Name	Outstanding liabilities			Total (5+6+7)	Principal written off	Profit written off	Other financial relief	Total (9+10+11)
				Principal	Profit	Others					
1	2	3	4	5	6	7	8	9	10	11	12
1	Hightnoon Textiles Limited 25 K.M. Mullan Road, Lahore	Babar Agha 35202-3065543-3 Hameed Khan 35202-2337062-5	Agha Fakhar Hussain Hameed Ullah Khan	93,662	1,107	-	94,769	93,662	1,107	-	94,769
2	Inov 8 Limited 115-Quaid-e-Azam Industrial Estate, Kot Lakhpat, Lahore	Bashir Ahmed Shaikh 35201-4308875-1 *Hasnain Ahmed Shaikh 35201-0205346-5 Anwar Maqsood Shaikh 35201-9733264-5	Mahmood Ahmed Shaikh Maqsood Ahmed Shaikh Maqsood Ahmed Shaikh	-	20,292	-	20,292	-	20,292	-	20,292
3	Pearl Fabric Corporation Plot No. 20, Sector 27, Korangi Industrial Area, Karachi	Shaikh Manzar Alam 42301-8070436-3 Adnan Manzar 42301-5414509-7 Nazia Manzar 42301-0868993-0	S.M. Sadliq Manzar Alam Manzar Alam	-	11,629	-	11,629	-	11,629	-	11,629
4	Sibghat Ullah House No. 55 A, Rasool Park, NR Samnabad, Lahore 35202-9999867-5	-	Sami Ullah	-	611	-	611	-	611	-	611
5	Nasir Kamal Shop # 2 & 3 Opposite Ali Center Wachowall Shoe Market Shahalmi Lahore,	-	-	-	23,356	-	23,356	-	23,356	-	23,356
6	M/S Choudhary Muhammad Hussain & Sons House # 17, Block-A/2, Gulberg-III, Lahore	-	-	-	43,540	1,969	45,509	-	43,540	1,969	45,509
7	Muhammad Tanveer KMC, H 133/A, Block L Orangi Town, Karachi.	-	-	-	227	-	227	-	227	-	227
8	Imran Shaukat Khan 35202-0198143-5 House # 612, Block # F, Johar Town, Lahore	-	Shaukat Hussain Khan	-	196	-	196	-	196	-	196
9	Wazir Textile Mills (Pvt) Limited 600, H-3, Opposite Lahore Expo Center, Lahore	-	Shaukat Hussain Khan	-	4,654	-	4,654	-	4,654	-	4,654
				<u>93,662</u>	<u>105,612</u>	<u>1,969</u>	<u>201,243</u>	<u>93,662</u>	<u>105,612</u>	<u>1,969</u>	<u>201,243</u>

Pattern of Shareholding

No. of Shareholders	Shareholding		Total Shares Held	Total Shares Held %
	From	To		
541	1	100	14,800	0.00
15244	101	500	7,252,211	0.72
3467	501	1000	2,622,797	0.26
1900	1001	5000	3,603,571	0.36
205	5001	10000	1,588,849	0.16
67	10001	15000	855,148	0.08
43	15001	20000	774,651	0.08
33	20001	25000	748,753	0.07
15	25001	30000	425,318	0.04
11	30001	35000	357,812	0.04
6	35001	40000	224,612	0.02
5	40001	45000	214,781	0.02
11	45001	50000	544,433	0.05
1	50001	55000	54,536	0.01
6	55001	60000	354,808	0.04
6	60001	65000	378,239	0.04
1	65001	70000	69,531	0.01
5	70001	75000	368,621	0.04
1	75001	80000	76,000	0.01
2	80001	85000	166,254	0.02
4	90001	95000	375,437	0.04
5	95001	100000	499,614	0.05
1	100001	105000	102,373	0.01
1	105001	110000	106,500	0.01
1	110001	115000	114,540	0.01
1	115001	120000	119,913	0.01
2	120001	125000	245,178	0.02
1	125001	130000	125,712	0.01
1	130001	135000	130,829	0.01
1	145001	150000	150,000	0.01
1	150001	155000	152,000	0.02
1	170001	175000	175,000	0.02
1	175001	180000	179,970	0.02
1	180001	185000	185,000	0.02
1	185001	190000	185,937	0.02
1	190001	195000	195,000	0.02
1	195001	200000	200,000	0.02
1	205001	210000	210,000	0.02
2	225001	230000	454,553	0.05
1	235001	240000	236,500	0.02
1	245001	250000	247,816	0.02
1	255001	260000	255,202	0.03
1	265001	270000	265,023	0.03
1	290001	295000	290,023	0.03
1	295001	300000	300,000	0.03
1	325001	330000	327,219	0.03
1	430001	435000	434,000	0.04
1	445001	450000	450,000	0.04
1	475001	480000	475,175	0.05
1	495001	500000	500,000	0.05

Pattern of Shareholding

No. of Shareholders	Shareholding		Total Shares Held	Total Shares Held %
	From	To		
1	515001	520000	519,084	0.05
1	570001	575000	573,725	0.06
1	630001	635000	631,943	0.06
1	790001	795000	793,638	0.08
1	1050001	1055000	1,053,500	0.10
1	1355001	1360000	1,359,928	0.13
1	1595001	1600000	1,600,000	0.16
1	1600001	1605000	1,601,943	0.16
1	1980001	1985000	1,980,500	0.20
1	2210001	2215000	2,210,107	0.22
1	2325001	2330000	2,328,000	0.23
1	3340001	3345000	3,342,067	0.33
1	3825001	3830000	3,827,500	0.38
1	4345001	4350000	4,345,345	0.43
1	5420001	5425000	5,423,500	0.54
1	5545001	5550000	5,545,200	0.55
1	5700001	5705000	5,702,050	0.57
1	6600001	6605000	6,603,975	0.66
1	7045001	7050000	7,045,200	0.70
1	9565001	9570000	9,568,500	0.95
1	10155001	10160000	10,158,437	1.01
1	12250001	12255000	12,250,976	1.22
1	13360001	13365000	13,363,281	1.33
1	14590001	14595000	14,593,000	1.45
1	16210001	16215000	16,213,281	1.61
1	16705001	16710000	16,709,207	1.66
1	18115001	18120000	18,116,693	1.80
1	18300001	18305000	18,300,705	1.82
1	27995001	28000000	28,000,000	2.78
1	50290001	50295000	50,293,194	4.99
2	99020001	99025000	198,047,276	19.65
1	144200001	144205000	144,200,144	14.31
1	158965001	158970000	158,967,492	15.77
1	214255001	214260000	214,258,460	21.26
21,644			1,007,912,090	100.00

Categories of Shareholders

AS AT DECEMBER 31, 2015

PARTICULARS	SHAREHOLDERS	SHAREHOLDING PERCENTAGE	
ASSOCIATED COMPANIES, UNDERTAKING AND RELATED PARTIES.	4		
JAHANGIR SIDDIQUI & CO.LTD.		214,258,460	
Dubai Bank PJSC		144,200,144	
SAJ CAPITAL MANAGEMENT LTD		50,293,194	
EFU GENERAL INSURANCE LIMITED		6,603,975	
SUB TOTAL		415,355,773	41.21
MUTUAL FUNDS.	5		
GOLDEN ARROW SELECTED STOCKS FUND LIMITED		1,359,928	
CDC - TRUSTEE MEEZAN ISLAMIC FUND		875	
CDC - TRUSTEE AL MEEZAN MUTUAL FUND		875	
CDC - TRUSTEE AKD OPPORTUNITY FUND		3,342,067	
CDC - TRUSTEE MEEZAN BALANCED FUND		875	
SUB TOTAL		4,704,620	0.47
DIRECTORS, CHIEF EXECUTIVE OFFICER, AND THEIR SPOUSE AND MINOR CHILDREN	9		
ALI HUSSAIN		158,967,492	
ALI RAZA SIDDIQUI		9,544	
FAWAD ANWAR		1,750	
HASAN AZIZ BILGRAMI		939,697	
KAMAL AFSAR		1,000	
SHABIR AHMED RANDEREE		99,023,638	
SUB TOTAL		258,943,121	25.69
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	63		
SUB TOTAL		71,697,244	7.11
INDIVIDUALS			
a: Local	21,555	158,098,283	15.69
b: Foreign	8	99,113,049	9.83
TOTAL	21,644	1,007,912,090	100.00
ADDITIONAL INFORMATION			
AS AT DECEMBER 31, 2015			
FIVE % AND ABOVE			
JAHANGIR SIDDIQUI & CO.LTD.		214,258,460	21.26
ALI HUSSAIN		158,967,492	15.77
DUBAI BANK PJSC		144,200,144	14.31
AHMED G. M. RANDEREE		99,023,638	9.82
SHABIR AHMED RANDEREE		99,023,638	9.82



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Correspondent Banking Network

COUNTRY	NAME OF BANK
AUSTRALIA	JPMORGAN CHASE BANK NATIONAL ASSOCIATION
AUSTRIA	COMMERZBANK AG RAIFFISENLANDESBANK OBEROESTERREICH
BAHRAIN	AL BARAKA ISLAMIC BANK BMI BANK BSC NATIONAL BANK OF PAKISTAN
BANGLADESH	BANK ALFALAH LIMITED (BANGLADESH – DHAKA BRANCH) BANK ASIA LIMITED EASTERN BANK LIMITED HABIB BANK LIMITED SOUTHEAST BANK LIMITED STANDARD BANK LIMITED
BELARUS	JOINT-STOCK SAVINGS BANK BELARUSBANK
BELGIUM	BELFIUS BANK SA/NV BYBLOS BANK EUROPE S.A. COMMERZBANK AG HABIB BANK LIMITED KBC BANK NV
CANADA	HABIB CANADIAN BANK
CHINA	AGRICULTURAL BANK OF CHINA LIMITED BANK OF CHENGDU COMPANY LIMITED BANK OF CHINA BANK OF DALIAN BANK OF DEYANG COMPANY LIMITED BANK OF GUIYANG COMPANY LIMITED BANK OF JIANGSU COMPANY LIMITED BANK OF RUIFENG CHINA EVERBRIGHT BANK COMMERZBANK AG EXPORT – IMPORT BANK OF CHINA HARBIN COMMERCIAL BANK HUAXIA BANK INDUSTRIAL AND COMMERCIAL BANK OF CHINA JIANGSU TAICANG RURAL COMMERCIAL BANK JIANGSU ZHANGJIAGANG RURAL COMMERCIAL BANK COMPANY LIMITED JPMORGAN CHASE BANK (CHINA) PING AN BANK COMPANY LIMITED SHENGJING BANK YINZHOU BANK ZHEJIANG CHOUZHOU COMMERCIAL BANK COMPANY LIMITED ZHEJIANG PINGHU RURAL COOPERATIVE BANK ZHEJIANG XIAOSHAN RURAL COMMERCIAL BANK COMPANY LIMITED
CZECH REPUBLIC	CESKA SPORITELNA AS CITIBANK EUROPE PLC UNICREDIT BANK CZECH REPUBLIC AND SLOVAKIA AS
DENMARK	DANSKE BANK A/S
DJIBOUTI	BANQUE POUR LE COMMERCE ET L'INDUSTRIE-MER GROUPE

EGYPT	MASHREQ BANK
FINLAND	DANSKE BANK A/S
	DANSKE BANK PLC
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
	DEUTSCHE BANK AG
	NATIONAL BANK OF PAKISTAN
	RAIFFEISENLANDESBANK OBEROESTERREICH AKTIENGESELL
	UNICREDIT BANK AG
GREECE	EUROBANK ERGASIAS S.A.
HONG KONG	BANK OF AMERICA
	HABIB BANK LIMITED
	HBZ FINANCE LIMITED
	ICICI BANK LIMITED
	JPMORGAN CHASE BANK NATIONAL ASSOCIATION
	MASHREQ BANK
	NATIONAL BANK OF PAKISTAN
	UNION BANK OF INDIA
	UNION DE BANQUES ARABES ET FRANCAISES
INDIA	JPMORGAN CHASE BANK NATIONAL ASSOCIATION
	MASHREQBANK
	PUNJAB NATIONAL BANK
	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 POPLARE DELL'EMILIA ROMAGNA SOCIETA
	BANCA UBAE SPA
	BANCO POPOLARE DI VERONA
	BANCO POPLARE SOCIETA COOPERATIVA
	UNICREDIT BANK
JAPAN	JPMORGAN CHASE BANK, N.A.
	KOREA EXCHANGE BANK
	MIZUHO CORPORATE BANK LIMITED
	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
	KOOKMIN BANK
	KOREA EXCHANGE BANK
	NATIONAL BANK OF PAKISTAN
	UNION DE BANQUES ARABES ET FRANCAISES
	WOORI BANK
KUWAIT	THE COMMERCIAL BANK OF KUWAIT SAK
LEBANON	HABIB BANK LIMITED
LUXEMBOURG	DANSKE BANK INTERNATIONAL SA
MALAYSIA	BANK MUAMALAT MALAYSIA BERHAD
	CIMB BANK BERHAD
	JPMORGAN CHASE BANK BERHAD
MALTA	FIMBANK PLC
MAURITIUS	HABIB BANK LIMITED MAURITIUS
NEPAL	HIMALAYAN BANK LIMITED
NETHERLANDS	DEUTSCHE BANK AG
	DEUTSCHE BANK NEDERLAND N.V.
	HABIB BANK LIMITED
NIGERIA	PLATINUMHABIB BANK PLC
NORWAY	DANSKE BANK PLC
OMAN	HABIB BANK OMAN
PAKISTAN	ALBARAKA BANK (PAKISTAN) LIMITED
	ALLIED BANK LIMITED
	ASKARI BANK LIMITED
	BANK AL HABIB LIMITED
	BANK ALFALAH LIMITED
	BANK OF KHYBER (THE)
	BANK OF PUNJAB (THE)
	BURJ BANK LIMITED
	DEUTSCHE BANK A.G.
	DUBAI ISLAMIC BANK PAKISTAN LIMITED
	FAYSAL BANK LIMITED
	HABIB BANK LIMITED
	HABIB METROPOLITAN BANK LIMITED
	INDUSTRIAL AND COMMERCIAL BANK OF CHINA
	JS BANK LIMITED
	MCB BANK LIMITED
	MCB ISLAMIC BANK LIMITED
	MEEZAN BANK LIMITED
	NATIONAL BANK OF PAKISTAN
	NIB BANK LIMITED
	SAMBA BANK LIMITED
	SILKBANK LIMITED
SINDH BANK	
SONERI BANK LIMITED	
SUMMIT BANK LIMITED	

	UNITED BANK LIMITED
POLAND	BANK ZACHODNI WBK SA
	DANSKE BANK A/S
	DEUTSCHE BANK AG
PORTUGAL	DEUTSCHE BANK AG
QATAR	DOHA BANK
	QATAR ISLAMIC BANK
	MASHREQ BANK
	UNITED BANK LIMITED
ROMANIA	ROMANIAN INTERNATIONAL BANK SA
RUSSIA	OPEN JOINT STOCK COMPANY 'RBS'
SAUDI ARABIA	ALRAJHI BANKING & INVESTMENT CORPORATION
	BANK AL JAZIRA
	EMIRATES NBD PJSC
	JPMORGAN CHASE BANK NATIONAL ASSOCIATION
	NATIONAL BANK OF PAKISTAN
	NATIONAL COMMERCIAL BANK
	SAUDI HOLLANDI BANK
SINGAPORE	COMMERZBANK AG
	DEUTSCHE BANK AG
	HABIB BANK LIMITED
	JPMORGAN CHASE BANK NATIONAL ASSOCIATION
	UNION DE BANQUES ARABES ET FRANCAISES
	WOORI BANK
SLOVAKIA	COMMERZBANK AG
SOUTH AFRICA	HABIB OVERSEAS BANK LIMITED
	HBZ BANK LIMITED
SPAIN	BANCO ESPANOL DE CREDITO
	BANCO SANTANDER S.A.
SRI LANKA	HATTON NATIONAL BANK LIMITED
SWEDEN	DANSKE BANK A/S
	SVENSKA HANDELSBANKEN
SWITZERLAND	ARAB BANK (SWITZERLAND) LIMITED
	HABIB BANK AG ZURICH
	HABIBSONS BANK LIMITED
	UNITED BANK A.G.
TAIWAN	BANK OF PANHSIN
	DEUTSCHE BANK A.G.
	JPMORGAN CHASE BANK NATIONAL ASSOCIATION
	TAIWAN SHIN KOG COMMERCIAL BANK CO. LTD.
THAILAND	EXPORT – IMPORT BANK OF 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 CUMHURİYETİ ZIRAAT BANKSAI A.S.
	TURKIYE FINANS KATILIM BANK
	TURKIYE VAKIFLAR BANKKASI T.A.O.

U.A.E.	ABU DHABI COMMERCIAL BANK
	ABU DHABI ISLAMIC BANK
	DUBAI BANK PJSC
	EMIRATES NBD BANK PJSC
	HABIB BANK AG ZURICH
	HABIB BANK LIMITED
	KUWAIT TURKISH PARTICIPATION BANK DUBAI LTD.
	MASHREQ BANK
	MCB BANK LIMITED
	UNITED BANK LIMITED
	U.K.
BYBLOS BANK EUROPE S.A.	
COMMERZBANK AG	
DANSKE BANK A/S	
DANSKE BANK PLC	
DEUTSCHE BANK A.G.	
EMIRATES NBD PJSC	
HABIB – UK PLC	
HABIB BANK AG ZURICH	
ALRAYAN BANK	
JPMORGAN CHASE BANK N.A.	
MASHREQ BANK	
UNITED NATIONAL BANK	
WOORI BANK	
U.S.A.	ATLANTIC BANK OF NEW YORK
	BOKF NA
	DEUTSCHE BANK AG
	DEUTSCHE BANK TRUST COMPANY AMERICAS
	HABIB AMERICAN BANK
	HABIB BANK LIMITED
	INTERNATIONAL FINANCE CORPORATION
	JPMORGAN CHASE BANK NATIONAL ASSOCIATION
	MASHREQ BANK
	NATIONAL BANK OF PAKISTAN
	SAEHAN BANK, LOS ANGELES
	UNITED BANK LIMITED
	WELLS FARGO BANK NA
	WACHOVIA BANK, NA
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

Sr#	Location	No of Branches
1	Abbottabad	1
2	Arifwala	1
3	Attock	1
4	Badin	1
5	Bahawalpur	2
6	Balakot	1
7	Batgram\	1
8	Batkheila	1
9	Bisham	1
10	Booni	1
11	Burewala	1
12	Chaksawari	1
13	Chakwal	1
14	Chaman	1
15	Chichawatni	1
16	Chilas	1
17	Chiniot	1
18	Chitral	1
19	D.G Khan	2
20	D.I Khan	1
22	Dina	1
23	Dinga	1
24	Dukki	1
25	Faisalabad	2
26	Fateh Jang	1
27	Gharo	1
28	Ghotki	1
29	Ghourghashti	1
30	Gilgit	1
31	Gojra	1
32	Gujjar Khan	1
33	Gujranwala	3
34	Gujrat	2
35	Hala	1
36	Haripur	1
37	Haroonabad	1
38	Hasan Abdal	1
39	Hattaar	1
40	Hazro	1
41	Humak	1
42	Hyderabad	6
43	Islamabad	18
44	Islamgarh	1
45	Jacobabad	1
46	Jhelum	2
48	Jhang	1
49	Kamonki	1
50	Kandhkot	1
51	Karachi	99
52	Kasur	1
53	Khairpur	1
54	Khanozai	1

55	Khanpur	1
56	Kharian	1
57	Kuchlak	1
58	Lahore	50
59	Lalamusa	1
60	Larkana	1
61	Loralai	1
62	Mandi Bahauddin	1
63	Mansehra	1
64	Mardan	1
65	Mehar	1
66	Mian Channu	1
67	Mianwali	1
68	Mirpur AJK	2
69	Mirpurkhas	2
70	Moro	1
71	Mngora	1
72	Multan	5
73	Murree	1
74	Muslim Bagh	1
75	Naran	1
76	Nawabshah	2
77	Nowshera	1
78	Okara	2
79	Peshawar	6
80	Pishin	1
81	Qazi Ahmed	1
82	Qila Saifullah	1
83	Quetta	9
85	Rahimyar Khan	2
86	Rawalpindi	10
87	Rawat	1
88	Sadiqabad	2
89	Sahiwal	2
90	Sambriyal	1
91	Sanghar	1
92	Sargodha	2
93	Sheikhupura	1
94	Sialkot	3
95	Sukkur	2
96	Tando Adam	1
97	Tando Allahyar	1
98	Tarnol	1
99	Tatral Kahun	1
100	Taxila	1
101	Thatta	1
102	Timergara	1
103	Toba Tek Singh	1
104	Vehari	1
105	Wah Cantt	1
106	Wazirabad	1
107	Zhob	1
	Total Result	317

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With BankIslami **SMS ALERTS Plus** you can check your account activity from your mobile, anytime, anywhere.

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- Internet Banking Fund Transfer Alert
- Cheque Clearance/Return Alert
- Installment Reminders (Auto/MUSKUN)
- Inter Bank Funds Transfer Alert
- VISA POS Purchase Alert
- Cash Deposit 3rd Party Alert

*Conditions apply

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BankIslami Pakistan

www.bankislami.com.pk



111-ISLAMI (111-475264)

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- Inter Bank Fund Transfer through ATM

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Proxy Form

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 12th Annual General Meeting of BankIslami Pakistan Limited, to be held on Wednesday, June 29, 2016 at 12:00 noon at DHA Golf Club, Zulfiqar Street #1, Phase VIII, D.H.A. Karachi-75500, and at any adjournment thereof.

Signed this _____ day of _____ 2016.

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

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

www.bankislami.com.pk