

**ALBARAKA ISLAMIC BANK B.S.C. (E.C.)**  
(Incorporated in Bahrain with limited liability)  
**PAKISTAN BRANCHES**

**INTERIM CONDENSED BALANCE SHEET AS AT MARCH 31, 2008**

	Notes	(Unaudited) March 31, 2008	(Audited) December 31, 2007
Rupees in '000			
<b>ASSETS</b>			
Cash and balances with treasury banks		3,176,134	3,480,878
Balances with other banks		2,201,285	4,131,352
Due from financial institutions		-	-
Investments	6	1,188,427	1,153,825
Financings	7	12,724,294	12,585,549
Operating fixed assets		119,438	102,697
Deferred tax assets		-	-
Other assets		938,739	622,812
		<u>20,348,317</u>	<u>22,077,113</u>
<b>LIABILITIES</b>			
Bills payable		180,179	231,462
Due to financial institutions		1,098,329	1,309,411
Deposits and other accounts		15,669,174	16,964,566
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		109,092	144,026
Other liabilities		933,861	982,895
		<u>17,990,635</u>	<u>19,632,360</u>
<b>NET ASSETS</b>		<u><u>2,357,682</u></u>	<u><u>2,444,753</u></u>
<b>REPRESENTED BY</b>			
Head office capital account	8	2,046,185	2,046,185
Reserves		-	-
Unremitted profit		311,218	400,348
		<u>2,357,403</u>	<u>2,446,533</u>
Surplus/(Deficit) on revaluation of assets		279	(1,780)
		<u><u>2,357,682</u></u>	<u><u>2,444,753</u></u>
<b>CONTINGENCIES AND COMMITMENTS</b>	9	-	-

The annexed notes 1 to 14 form an integral part of these financial statements.

**SHAFQAAT AHMED**  
Country Head

**AYYAZ AHMAD**  
Chief Financial Officer



**ALBARAKA ISLAMIC BANK B.S.C. (E.C.)**  
(Incorporated in Bahrain with limited liability)  
**PAKISTAN BRANCHES**  
**INTERIM CONDENSED PROFIT AND LOSS ACCOUNT**  
**FOR THE PERIOD ENDED MARCH 31, 2008 (UNAUDITED)**

Note	Quarter ended March 31,2008	Quarter ended March 31,2007
	Rupees in '000	
Profit/return in financings ,investments and placements earned	387,203	368,983
Less: Return on deposits and other dues expensed	283,275	268,483
Net spread	<u>103,928</u>	<u>100,500</u>
Provision against non-performing financings	(19,294)	(8,867)
Provision against consumer financing	(25)	(622)
Provision against diminution in the value of investments	-	-
Bad debts written off directly	-	-
	<u>(19,319)</u>	<u>(9,489)</u>
Income after provisions	84,609	91,011
<b>OTHER INCOME</b>		
Fee, commission and brokerage income	30,305	25,728
Dividend income	653	631
Income from dealing in foreign currencies	27,791	13,468
Net Gain/ (Loss) on sale of investments	3,614	4,004
Unrealized loss on revaluation of investment classified as held for trading	10,333	7,168
Other Income/ (Loss)	-	222
Total other income	<u>72,696</u>	<u>51,221</u>
	157,305	142,232
<b>OTHER EXPENSES</b>		
Administrative expenses	109,210	71,490
Other provisions/write offs	-	-
Other charges	1	(371)
Total other expenses	<u>109,211</u>	<u>71,119</u>
	48,094	71,113
Extra ordinary/unusual items	-	-
<b>PROFIT BEFORE TAXATION</b>	<u>48,094</u>	<u>71,113</u>
Taxation – Current	46,548	1,183
- Prior years	-	-
- Deferred	<u>(36,043)</u>	<u>13,980</u>
	10,505	15,163
<b>PROFIT AFTER TAXATION</b>	<u>37,589</u>	<u>55,950</u>
Unremitted profit brought forward	273,629	154,820
Unremitted profit	<u>311,218</u>	<u>210,770</u>
<b>Basic earnings per share</b>	10	-
<b>Diluted earnings per share</b>	10	-

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ALBARAKA ISLAMIC BANK B.S.C. (E.C.)  
(Incorporated in Bahrain with limited liability)  
PAKISTAN BRANCHES  
INTERIM CONDENSED CASH FLOW STATEMENT  
FOR THE PERIOD ENDED MARCH 30, 2008 (UNAUDITED)

	Three months ended March 31, 2008	Three months ended March 31, 2007
Note		
	Rupees in '000	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	48,094	71,113
Dividend income	(653)	(631)
	47,441	70,482
Adjustments:		
Depreciation	5,756	4,643
Amortization	490	482
Provision against non-performing Financings	19,319	7,138
(Gain) on sale of fixed assets	-	(222)
Gain on sale of "available for sale " investments	-	-
Other provisions	-	-
Unrealised remeasurement (Gain)/ loss on "held for trading investments"	(10,333)	(7,168)
	15,232	4,873
	62,673	75,355
(Increase)/ Decrease in operating assets		
Held-for-trading securities	(21,101)	27,010
Financings	(158,064)	74,640
Others assets (excluding advance taxation)	(400,126)	(127,912)
	(579,291)	(26,262)
Increase/ (Decrease) in operating liabilities		
Bills payable	(51,283)	56,569
Borrowings from financial institutions	(216,035)	(137,725)
Deposits	(1,295,392)	(28,478)
Other liabilities (excluding current taxation)	(49,034)	34,775
	(1,611,744)	(74,859)
	(2,128,362)	(25,766)
Income tax paid	37,741	(5,962)
<i>Net cash generated from operating activities</i>	(2,090,621)	(31,728)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investments in available-for-sale securities	-	(40,000)
Net investments in held-to-maturity securities	-	(23,391)
Dividend income	563	631
Investments in operating fixed assets	(22,987)	(7,925)
Sale proceeds of operating fixed assets disposed-off	-	222
<i>Net cash (used in) / generated from investing activities</i>	(22,424)	(70,463)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Remittances from head office	-	-
Profit remittances made to head office	(126,719)	-
<i>Net cash (used in) / generated from financing activities</i>	(126,719)	-
Effects of exchange rate changes on cash and cash equivalents	-	-
<b>Increase in cash and cash equivalents</b>	(2,239,764)	(102,191)
Cash and cash equivalents at beginning of the year	7,612,230	7,615,095
Cash and cash equivalents at end of the year	5,372,466	7,512,904

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ALBARAKA ISLAMIC BANK B.S.C. (E.C.)  
(Incorporated in Bahrain with limited liability)  
**PAKISTAN BRANCHES**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE PERIOD ENDED MARCH 31, 2008**

	Head office capital account	Unremitted profit	Total
	-----Rupees in '000-----		
<b>Balance as on January 01, 2007</b>	2,036,390	154,820	2,191,210
Profit for the period	-	55,950	55,950
Remittances made to head office	-	-	-
<b>Balance as on March 31, 2007</b>	<u>2,036,390</u>	<u>210,770</u>	<u>2,247,160</u>
Profit for the period		189,578	189,578
Remittances made to head office	-	-	-
Exchange adjustments on revaluation of capital	9,795	-	9,795
<b>Balance as on January 01, 2007</b>	2,046,185	400,348	2,446,533
Profit for the period	-	37,589	37,589
Remittances made to head office		(126,719)	(126,719)
Exchange adjustments on revaluation of capital		-	-
<b>Balance as on March 31, 2008</b>	<u>2,046,185</u>	<u>311,218</u>	<u>2,357,403</u>

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**AYYAZ AHMAD**  
Chief Financial Officer

**ALBARAKA ISLAMIC BANK B.S.C. (E.C.)**  
**(Incorporated in Bahrain with limited liability) - PAKISTAN BRANCHES**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE PERIOD ENDED MARCH 31, 2008**

**1. STATUS AND NATURE OF BUSINESS**

Al-Baraka Islamic Bank B.S.C. (E.C.) - Pakistan Branches (the Bank), operates as a branch of a foreign bank incorporated and domiciled in Bahrain on February 21, 1984 and is a member of Al-Baraka Banking Group. The Bank commenced its operations in Pakistan in December 1991. The Pakistan branches operate as scheduled Islamic Bank under a license issued by the State Bank of Pakistan (SBP) and are principally engaged in business of banking as defined in the Banking Companies Ordinance, 1962.

The Registered office of the Bank is situated at 95- B Hali Road Gulberg II, Lahore and it presently operates through 18 branches (2007: 18 branches) in Pakistan.

**2. BASIS OF PRESENTATION**

These financial statements have been prepared in accordance with the requirements of the SBP.

The Bank provides financing mainly through Sharia compliant financial products. Murabaha transaction (which are accounted for under the Islamic financial accounting standard - 1), the purchases, sales, rentals arising under these arrangements are reflected in these financial statements.

The Securities and Exchange Commission of Pakistan has notified for adoption of "Islamic Financial Accounting Standard 2 - Ijarah (IFAS-2)" issued by the Institute of Chartered Accountants of Pakistan (ICAP) which is applicable for accounting periods beginning January 1, 2008. Consequent to the issuance of IFAS-2, the six (6) full-fledged Islamic Banks approached ICAP to seek certain clarifications on its implementation specially regarding the methods of applicability of Prudential Regulations for Corporate and Consumer Banking issued by the State Bank of Pakistan (SBP). ICAP has approached SBP seeking necessary clarifications.

Pending above clarifications, the Bank has continued recognizing Ijarah transactions consistent with the policy used for the preparation of audited financial statements for the year ended December 31, 2007. During the quarter ended March 31, 2008, the Bank has disbursed the Ijarah financing aggregating to Rs. 128.406 million.

**3. STATEMENT OF COMPLIANCE**

These financial statements are prepared in accordance with the requirements of Companies Ordinance, 1984, the Banking Companies Ordinance 1962, the directives issued by the State Bank of Pakistan (SBP), Securities Exchange Commission of Pakistan (SECP), the International Financial Reporting & Accounting Standards issued by the International Accounting Standards Committee (IASC), and interpretations issued by the Standing Interpretation Committee of IASC, as adopted in Pakistan. Whenever, the requirements of Companies Ordinance, Banking Companies Ordinance, 1962 or the directives issued by SECP and the SBP differ with the requirements of these standards, the requirements of the Companies Ordinance 1984, Banking Companies Ordinance 1962 or the requirements of the said directives take precedence. These financial statements are unaudited and are being presented in the condensed form in accordance with the requirements of International Accounting Standard 34-"Interim Financial Reporting" and BSD Circular Letter No.02 dated May 12,2004, issued by State bank of Pakistan.

International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property (IAS 40) are not applicable for banking companies in Pakistan. Accordingly, the requirements of these standards have not been considered in the preparation of these interim financial statements. However, investments have been presented in accordance with the requirements prescribed by the SBP's BSD Circular No. 10 dated July 13, 2004.

**4. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of these financial statements are the same as applied in the preparation of annual financial statements of the Bank for the year ended December 31, 2007

**5 CHANGE IN ACCOUNTING ESTIMATE**

Until the previous year the Bank used to charge full year depreciation on additions made before June 30, while half year's depreciation is charged on assets acquired thereafter and similarly no depreciation was charged in respect of disposals made before June 30, while half year's depreciation was charged on assets disposed off thereafter. Pursuant to the requirement of IAS-16 "Property, plant and equipment", the bank has changed its policy for charging the depreciation. Under the new treatment, depreciation charge commences from the month in which asset is available for use and continues until the month of disposal. This change has been accounted for as a change in accounting estimate whereby the current and future periods are corrected. Had there been no change in the accounting estimate, the depreciation charged would be higher by Rs.407(000) while the carrying value of assets and net income before tax shall be lower by the same amount. Due to impracticability, the future impact is not disclosed.



6. INVESTMENTS	Note	March 31, 2008			December 31, 2007		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
		-----Rupees in '000-----					
<b>Investments by types :</b>							
<b>Held-for-trading securities</b>							
		112,889	-	112,889	91,788	-	91,788
<b>Available-for-sale securities</b>							
		60,000	-	60,000	60,000	-	60,000
		-	-	-	-	-	-
		10,000	-	10,000	10,000	-	10,000
		4,447	-	4,447	4,447	-	4,447
		74,447	-	74,447	74,447	-	74,447
<b>Held-to-maturity securities</b>							
		-	-	-	-	-	-
	6.1	750,000	-	750,000	750,000	-	750,000
	6.2	150,000	-	150,000	150,000	-	150,000
	6.3	100,000	-	100,000	100,000	-	100,000
		1,000,000	-	1,000,000	1,000,000	-	1,000,000
		1,187,336	-	1,187,336	1,166,235	-	1,166,235
<b>Investment at cost</b>							
<b>Less: Provision for diminution in value of investments</b>							
		4,447	-	4,447	4,447	-	4,447
<b>Investments (net of provisions)</b>							
		1,182,889	-	1,182,889	1,161,788	-	1,161,788
<b>Deficit on revaluation of Held-for-trading securities</b>							
		5,108	-	5,108	(5,225)	-	(5,225)
<b>(Deficit)/surplus on revaluation of available for sale securities</b>							
		430	-	430	(2,738)	-	(2,738)
		5,538	-	5,538	(7,963)	-	(7,963)
<b>Total investments at market value</b>							
		1,188,427	-	1,188,427	1,153,825	-	1,153,825

- 6.1 150,000 certificates having face value of Rs.750 million carry profit at six months Kibor plus 35 basis points. These will mature in 2012 and are secured against unconditional and irrevocable first demand guarantee from Government of Pakistan. These certificates have been pledged with SBP on account of capital .
- 6.2 This certificate having face value Rs. 150 million carries profit at three months Kibor plus 100 basis points. This will mature in 2012 and is secured by specific and exclusive hypothecation charge in respect of musharika assets in favour of the investors to the extent of their entire legal ownership rights of Sitara Chemical Industries Limited.
- 6.3 This certificate having face value Rs. 100 million carries profit at six months Kibor plus 40 basis points. This will mature in 2015 and is secured against unconditional and irrevocable sovereign guarantee from Government of Pakistan.



	March 31, 2008	December 31, 2007
	Rupees in '000	
<b>7. FINANCINGS</b>		
<b>In Pakistan</b>		
Murabaha financing	7,419,533	6,994,844
Export refinance (Islamic) - Murabaha financing	1,894,032	1,867,245
Export refinance (conventional)	-	-
Musharaka financing	972,943	941,812
Payment against guarantees	5,674	5,674
	10,292,182	9,809,575
Net investment in ijarah financing - In Pakistan	2,114,180	2,231,160
Bills discounted and purchased (excluding treasury bills)		
Payable outside Pakistan	535,033	742,596
Financings - gross	12,941,395	12,783,331
Provision for non-performing Financings	207,467	188,173
General provision against consumer financing	9,634	9,609
	217,101	197,782
Financings - net of provision	<u>12,724,294</u>	<u>12,585,549</u>

Financings include Rs.274,753 thousands (2007:Rs. 231,669 thousands) which have been placed under non-performing status as detailed below:-

**Classified Financings**

<u>Category of Classification</u>	<u>Domestic</u>	<u>Overseas</u>	<u>Provision Required</u>	<u>Provision Held</u>
	Rupees in '000'			
Substandard	83,640	-	20,740	20,740
Doubtful	6,400	-	3,200	3,200
Loss	184,713	-	183,527	183,527
	<u>274,753</u>	<u>-</u>	<u>207,467</u>	<u>207,467</u>

**8. HEAD OFFICE CAPITAL ACCOUNT**

In accordance with the requirements of BSD Circular no. 6 dated Oct 28,2005, the Bank has been granted exemption by SBP to operate as branches of foreign bank with the capital of Rs. 2 billion.

9.	CONTINGENCIES AND COMMITMENTS	March 31, 2008	December 31, 2007
		Rupees in '000	

Direct credit substitutes- Guarantees of indebtedness

9.1			
	i) Government	1,326,713	1,645,733
	ii) Financial Institutions	43	43
	iii) Others	650,053	296,346
		<u>1,976,809</u>	<u>1,942,122</u>

9.2 Transaction-related contingent liabilities

	Letters of credit	1,849,767	1,904,325
	Others- Shipping Guarantees	56,017	39,455
		<u>1,905,784</u>	<u>1,943,780</u>

9.3 Trade related contingent liabilities

	Acceptances	<u>1,201,669</u>	<u>1,601,956</u>
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9.4 Other contingencies

This represent additional income tax liability amounting to Rs. 159.701 (2007:111.558) million which has not been acknowledged by the Bank. The Bank has filed appeals before CIT (Appeals) against the orders in respect of tax years 2003 to 2006. Moreover, the income Tax department has also filed appeals before IncomeTax Tribunal against the orders in respect of assessment years 2001-2002 and 2002-2003 issued by CIT (Appeals). Appeals filed by the Bank and the Income tax Department are pending for decision. Management of the Bank has evaluated, after consulting their income tax advisor, that the appeals are likely to be decided in favor of the Bank and, hence no provision has been made for the same in these financial statements.

9.5 Commitments in respect of forward exchange contracts

	Purchase	<u>276,283</u>	<u>160,384</u>
	Sale	<u>704,861</u>	<u>866,072</u>

9.6 Other Commitments

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

10. EARNINGS PER SHARES

Albaraka Islamic Bank B.S.C (E.C.) - Pakistan branches, being branches of a foreign entity do not have share capital. Therefore, no figures of basic and diluted earning per share have been reported in these financial statements.

11. CASH AND CASH EQUIVALENT

	Cash and balances with treasury banks	3,176,134	3,480,878
	Balances with other banks	2,201,285	4,131,352
	Bank overdrawn	(4,953)	-
		<u>5,372,466</u>	<u>7,612,230</u>

12. RELATED PARTY TRANSACTION

Related parties comprise major shareholder, directors of the Bank, close members of their families, entities owned or controlled by them and companies affiliated by virtue of shareholding in common with that of the Bank.. Related parties also comprise of branches of the bank out side Pakistan, key management personnel and employee funds. The significant balances with related parties were as follows:

	March 31,2008		December 31, 2007	
	Regional General Manager and Executives	Other related parties	Regional General Manager and Executives	Other related parties
Rupees in '000				
<b>ASSETS</b>				
Investment	-	-	-	-
<b>LIABILITIES</b>				
Deposits	63,474	157,451	63,604	159,770
Return payable on deposits	681	809	1,011	1,075
			Three months ended March 31, 2008	Three months ended March 31, 2007
			Rupees in '000	

Other significant transactions with related parties during the period were as follows:

Deposits received during the period	133,294	74,426
Deposits withdrawn during the period	137,825	69,721
Profit remitted during the period	126,719	-
Mark-up/return/interest expensed	2,153	2,491
Mark-up/return/interest earned	-	3,731

Transactions entered into with key management personnel as per their terms of employment are excluded from related party transactions.

13. DATE OF AUTHORIZATION FOR ISSUE

These accounts are authorized for issue on -----

14. GENERAL

14.1 Figures have been rounded off to nearest thousand

14.2 Captions in respect of which there are no amounts have not been reproduced in these interim financial information expect in case of balance sheet and profit and loss account

SHAFQAAT AHMED  
Country Head

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Chief Financial Officer