

ALBARAKA ISLAMIC BANK B.S.C. (C)
(Incorporated in Bahrain with limited liability)
PAKISTAN BRANCHES
INTERIM CONDENSED BALANCE SHEET AS AT MARCH 31, 2009

	Note	(Unaudited) March 31, 2009	(Audited) December 31, 2008
Rupees in '000			
ASSETS			
Cash and balances with treasury banks		3,095,106	3,248,922
Balances with other banks		5,101,781	4,647,570
Due from financial institutions		-	-
Investments	6	1,159,827	1,124,428
Financing and investing assets	7	13,893,230	14,377,810
Operating fixed assets		199,227	167,785
Deferred tax assets		-	-
Other assets		843,115	631,311
		<u>24,292,286</u>	<u>24,197,826</u>
LIABILITIES			
Bills payable		172,838	219,170
Due to financial Institutions		2,210,469	1,969,849
Deposits and other accounts		18,223,596	18,336,159
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		62,697	132,467
Other liabilities		1,373,080	1,174,400
		<u>22,042,680</u>	<u>21,832,045</u>
NET ASSETS		<u><u>2,249,606</u></u>	<u><u>2,365,781</u></u>
REPRESENTED BY			
Head office capital account	8	2,449,607	2,420,129
Reserves		-	-
(Accumulated loss)/ Unremitted profit		(176,259)	(19,912)
		<u>2,273,348</u>	<u>2,400,217</u>
(Deficit) on revaluation of assets		(23,742)	(34,436)
		<u><u>2,249,606</u></u>	<u><u>2,365,781</u></u>
CONTINGENCIES AND COMMITMENTS	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. (C)
(Incorporated in Bahrain with limited liability)
PAKISTAN BRANCHES

INTERIM CONDENSED PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED MARCH 31, 2009 (UNAUDITED)

	Quarter Ended Note March 31, 2009	Quarter Ended March 31, 2008
Rupees in '000		
Profit / return on financings, investments and placements earned	618,071	387,203
Return on deposits and other dues expensed	538,738	283,275
Net spread	79,333	103,928
Provision against non-performing financings - net	(188,399)	(19,319)
Provision for diminution in the value of investments	(9,044)	-
Bad debts written off directly	-	-
	(197,443)	(19,319)
Net spread after provisions	(118,110)	84,609
OTHER INCOME		
Fee, commission and brokerage income	27,363	30,305
Dividend income	1,067	653
Income from dealing in foreign currencies	3,393	27,791
Net gain on sale of investments	-	3,614
Unrealized loss on revaluation of investments classified as held for trading	25,236	10,333
Other income	626	-
Total other income	57,685	72,696
	(60,425)	157,305
OTHER EXPENSES		
Administrative expenses	166,760	109,210
Other provisions / write offs	-	-
Other charges	14	1
Total other expenses	166,774	109,211
	(227,199)	48,094
Extra ordinary/unusual items	-	-
(LOSS) / PROFIT BEFORE TAXATION	(227,199)	48,094
Taxation – Current	107	46,548
- Prior years	-	-
- Deferred	(70,959)	(36,043)
	(70,852)	10,505
(LOSS) / PROFIT AFTER TAXATION	(156,347)	37,589
Unremitted profit brought forward	(19,912)	273,629
Unremitted profit	(176,259)	311,218
Basic (Loss) / Earnings per share	10 -	-
Diluted (Loss) / Earnings per share	10 -	-

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PAKISTAN BRANCHES

INTERIM CONDENSED CASH FLOW STATEMENT FOR THE PERIOD ENDED MARCH 31, 2009 (UNAUDITED)

	Note	Quarter Ended March 31, 2009	Quarter Ended March 31, 2008
		Rupees in '000	
CASH FLOW FROM OPERATING ACTIVITIES			
(Loss) / profit before taxation		(227,199)	48,094
Dividend income		(1,067)	(653)
		<u>(228,266)</u>	<u>47,441</u>
Adjustments:			
Depreciation		19,510	5,756
Amortization		465	490
Provision against non-performing financings		188,399	19,319
Impairment loss of "available for sale " securities		9,044	-
Gain on sale of fixed assets		(626)	-
Gain on sale of "available for sale " securities		-	-
Other provisions		-	-
Finance charges on leased assets		-	-
Unrealized loss / (gain) on revaluation of investments classified as held for trading		(25,236)	(10,333)
		<u>191,556</u>	<u>15,232</u>
		(36,710)	62,673
(Increase) / decrease in operating assets			
Held-for-trading securities		(7,325)	(21,101)
Financings		285,000	(158,064)
Others assets (excluding advance taxation)		(207,800)	(353,578)
		<u>69,875</u>	<u>(532,743)</u>
Increase / (decrease) in operating liabilities			
Bills payable		(46,332)	(51,283)
Due to financial institutions		240,620	(216,035)
Deposits and other accounts		(112,563)	(1,295,392)
Other liabilities (excluding current taxation)		198,681	(49,034)
		<u>280,406</u>	<u>(1,611,744)</u>
		313,571	(2,081,814)
Payments of provision against off-balance sheet obligations		-	-
Income tax paid		(4,311)	(8,807)
Net cash inflow from / (used in) operating activities		<u>309,260</u>	<u>(2,090,621)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		-	-
Net investments in held-to-maturity securities		-	-
Dividend income		1,267	563
Investments in operating fixed assets		(40,242)	(22,987)
Sale proceeds from disposal of fixed assets		632	-
Net cash used in investing activities		<u>(38,343)</u>	<u>(22,424)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Remittances made to head office		-	(126,719)
Net cash used in financing activities		-	(126,719)
Effects of exchange rate changes on cash and cash equivalents		29,478	-
Increase / (decrease) in cash and cash equivalents		<u>300,395</u>	<u>(2,239,764)</u>
Cash and cash equivalents at beginning of the year		7,896,492	7,612,230
Cash and cash equivalents at end of the year	11	<u><u>8,196,887</u></u>	<u><u>5,372,466</u></u>

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

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

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED MARCH 31, 2009 (UNAUDITED)

	Head office capital account	Unremitted profit / (Accumulated loss)	Total
	-----Rupees in '000-----		
Balance as at January 01, 2008	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	-	-	-
Balance as at March 31, 2008	<u>2,046,185</u>	<u>311,218</u>	<u>2,357,403</u>
Loss for the period	-	(110,746)	(110,746)
Remittances made to head office	-	(220,384)	(220,384)
Exchange adjustments on revaluation of capital	373,944	-	373,944
Balance as at January 01, 2009	<u>2,420,129</u>	<u>(19,912)</u>	<u>2,400,217</u>
Loss for the period	-	(156,347)	(156,347)
Remittances made to head office	-	-	-
Exchange adjustments on revaluation of capital	29,478	-	29,478
Balance as at March 31, 2009	<u><u>2,449,607</u></u>	<u><u>(176,259)</u></u>	<u><u>2,273,348</u></u>

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

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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, 2009

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 29 branches (2008: 29 branches) in Pakistan.

2. BASIS OF PRESENTATION

These interim condensed financial statements are prepared in accordance with the requirements of the SBP and approved accounting standards as applicable in Pakistan for Interim Financial Reporting.

The disclosures made in these interim condensed financial statements have been limited based on the format prescribed by the SBP vide BSD Circular Letter No. 2, dated 12 May 2004 and IAS 34 "Interim Financial Reporting" and do not include all the information required in the annual financial statements. Accordingly, these interim condensed financial statements should be read in conjunction with the annual financial statements of the Bank for the year ended 31 December 2008.

The Bank provides financing mainly through shariah compliant financial products. Except for Murabaha transactions (which are accounted for under the Islamic Financial Accounting Standard (IFAS) - 1) and Ijarah transactions entered into on or after January 01, 2009 (which are accounted for under IFAS-2), the purchases, sales and rentals arising under these arrangements are not reflected in these interim condensed financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of rental / profit thereon.

3. STATEMENT OF COMPLIANCE

These interim condensed financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). Wherever the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or directives issued by the SECP and the SBP differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the requirements of the said directives shall prevail.

The SBP vide BSD Circular No. 10, dated 26 August 2002 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and IAS 40, "Investment Property" for banking companies till further instructions. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirement of various circulars issued by the SBP.

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, 2008 except for the below stated accounting policy for Ijarah transactions executed on or after January 01, 2009:

Pursuant to IBD circular no.1 of 2009 dated January 27, 2009, the bank has adopted the Islamic Financial Accounting Standard (IFAS-2) "Ijarah" relating to all the transactions starting on or after January 01, 2009. Accordingly all the assets given on Ijarah have been recorded as assets and these are depreciated on straight line basis over the term of the Ijarah contract after taking into account the estimated residual value against such assets. The said assets are carried at cost less accumulated depreciation and impairment loss, if any as referred to in note 7.1. The rental income is recognised in the profit and loss account on accrual basis.

Had there been no change in the accounting policy, the loss before tax and the carrying amount of financing & investing assets would have been lower by Rs. 4.151 million and Rs. 76.087 million respectively.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The basis for accounting estimates adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2008.

Note	March 31, 2009			December 31, 2008		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
-----Rupees in '000-----						
6. INVESTMENTS						
6.1 Investments by types :						
Held-for-trading securities						
Fully paid up ordinary shares - listed	127,610		127,610	120,285	-	120,285
Available-for-sale securities						
National Investment Trust (NIT) Units	60,000		60,000	60,000	-	60,000
Meezan Islamic Income Funds (MIIF) Units	10,000		10,000	10,000	-	10,000
Fully paid ordinary shares - unlisted	4,447		4,447	4,447	-	4,447
	74,447	-	74,447	74,447	-	74,447
Held-to-maturity securities						
Sukuk bonds						
WAPDA First Sukuk Company Limited (6.1.1)	750,000		750,000	750,000	-	750,000
Sitara Chemical Industries Limited (6.1.2)	150,000		150,000	150,000	-	150,000
Karachi Shipyard and Engineering Works (6.1.3)	100,000		100,000	100,000	-	100,000
Government of Pakistan Sukuk (6.1.4)	50,000		50,000	50,000	-	50,000
	1,050,000	-	1,050,000	1,050,000	-	1,050,000
Investment- at cost	1,252,057	-	1,252,057	1,244,732	-	1,244,732
Less: Provision for diminution in value of investments	4,447	-	4,447	4,447	-	4,447
Investments (net of provisions)	1,247,610	-	1,247,610	1,240,285	-	1,240,285
Deficit on revaluation of Held-for-trading securities	(52,359)	-	(52,359)	(77,595)	-	(77,595)
Deficit on revaluation of Available for sale securities	(35,424)	-	(35,424)	(38,262)	-	(38,262)
	(87,783)	-	(87,783)	(115,857)	-	(115,857)
Total investments at market value	1,159,827	-	1,159,827	1,124,428	-	1,124,428

- 6.1.1 150,000 certificates having face value 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. The fair value of each certificate is Rs.5,050. These certificates have been pledged with SBP during the year on account of capital in pursuance of its letter No. BSD/SU-16/607/3350/2006 dated July 06, 2006.
- 6.1.2 This certificate having face value Rs. 150 million carries profit at three months Kibor plus 100 basis points. These will mature in 2012 and are secured by specific and exclusive hypothecation charge in respect of musharaka assets in favour of the investors to the extent of their entire legal ownership rights of Sitara Chemical Industries Limited.
- 6.1.3 This certificate having face value Rs. 100 million carries profit at six months Kibor plus 40 basis points. These will mature in 2015 and are secured against unconditional and irrevocable sovereign guarantee from Government of Pakistan.
- 6.1.4 500 certificates having face value of Rs. 100,000 each amounting to Rs. 50 million carry profit on the basis of rental announced by SBP prior to start of each half year. The profit will be benchmarked against the latest weighted average yield of 6 month market T-Bills. These certificates will mature in 2011 and are secured by asset leased and held on trust.

7	FINANCINGS AND INVESTING ASSETS	March 31, 2009		December 31, 2008	
		Rupees in '000			
	In Pakistan				
	Murabaha financing	10,422,359		8,047,263	8,562,432
	Export refinance (Islamic) - Murabaha financing			2,369,422	2,070,018
	Musharaka financing			1,507,774	1,669,473
	Payment against guarantees			5,674	5,674
				11,930,133	12,307,597
	Net investment in Ijarah - In Pakistan				
	Ijarah financing			1,901,273	2,061,452
	Ijarah assets - net		(7.1)	296,770	-
				2,198,043	2,061,452
	Bills discounted and purchased (excluding treasury bills)				
	Payable outside Pakistan			292,469	347,775
	Financings - gross			14,420,645	14,716,824
	Specific provision for non-performing financing			518,225	328,641
	General provision against consumer financing			9,190	10,373
				527,415	339,014
	Financings - net of provision			13,893,230	14,377,810

7.1 This represents net book value of the assets given on Ijarah.

7.2 Financings include Rs.1,130,700 thousands (2008:Rs. 861,669 thousands) which have been placed under non-performing status as detailed below:-

Category of Classification	March 31, 2009		March 31, 2009	
	Classified Financings		Specific Provision	
	Domestic	Overseas	Required	Held
Substandard	549,925	-	133,038	133,038
Doubtful	208,445	-	51,004	51,004
Loss	372,330	-	334,183	334,183
	1,130,700	-	518,225	518,225

8 In accordance with the requirements of BSD Circular no. 6 dated Oct 28, 2005 and BSD Circular no. 19 dated September 5, 2008, the Bank was required to increase Head Office capital to Rs. 5 billion by December 31, 2008. However, the Bank had been granted specific exemption in this regard from State Bank of Pakistan (SBP) vide its letter no. BSD/SU-1/608/3595/2007 dated 24 December 2007 due to the fact that the capital of Bank's Head Office in Bahrain amounts to US \$ 100 million and Capital adequacy ratio of above 9% is maintained at Head office level. This relaxation would no more be applicable if the Pakistan branches are converted into a locally incorporated bank and in this case, the locally incorporated bank would require an increase in paid up capital (net of losses) upto Rs. 6 billion by 31 December 2009.

ALBARAKA ISLAMIC BANK B.S.C.(C) - PAKISTAN BRANCHES

March 31, 2009 December 31, 2008
Rupees in '000

9. CONTINGENCIES AND COMMITMENTS

9.1 Direct credit substitutes - Guarantees of indebtedness

i) Government	1,849,137	2,029,752
ii) Financial institutions		-
iii) Others	98,876	68,650
	<u>1,948,013</u>	<u>2,098,402</u>

9.2 Transaction-related contingent liabilities

i) Letters of credit	1,597,847	1,283,141
ii) Others - Shipping Guarantees	16,099	28,645
	<u>1,613,946</u>	<u>1,311,786</u>

9.3 Trade-related contingent liabilities

Acceptances	<u>731,676</u>	<u>762,273</u>
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9.4 Other contingencies

This represent additional income tax liability amounting to Rs. 85.844 million which has not been acknowledged by the Bank. The Bank has filed appeals before CIT (Appeals) and Income Tax Tribunal against the orders in respect of tax years 2003 to 2007. 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>421,620</u>	<u>3,631,384</u>
Sale	<u>339,813</u>	<u>1,044,415</u>

The bank utilizes foreign exchange instruments to meet the needs of its customers and generates trading revenues as part of its asset and liability management to hedge its own exposure to currency risk. At the year end, all foreign exchange contracts have a remaining maturity of less than one year.

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 is unilaterally withdrawn.

Commitment against capital expenditure amounts to Rs.45.166 million (2008: Rs. 45.166 million).

10. BASIC (LOSS) / EARNINGS PER SHARE

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

11. CASH AND CASH EQUIVALENTS

March 31, 2009 March 31, 2008
'Rupees in '000

Cash and balance with treasury banks	3,095,106	3,176,134
Balance with other banks	5,101,781	2,201,285
Overdrawn nostro accounts	-	(4,953)
	<u>8,196,887</u>	<u>5,372,466</u>

12. RELATED PARTY TRANSACTIONS

Related parties comprise major shareholders, 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 at 31 March were as follows:

	March 31, 2009		December 31, 2008	
	Country Head & Executives	Other related parties	Country Head & Executives	Other related parties
-----Rupees in '000-----				
Assets				
Other receivables	-	16,967	-	16,967
Liabilities				
Deposits	65,786	96,759	58,337	2,451,973
Unremitted head office expenses		140,907	-	114,033
Mark-up/ Return payable	1,842	2,973	2,321	26,175

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

	March 31, 2009	March 31, 2008
	Rupees in '000	
Deposits received during the year	213,621	133,294
Deposits withdrawn during the year	2,561,386	137,825
Profit remitted during the year	-	126,719
Mark-up/return expensed	22,212	2,153
Mark-up/return earned	620	-
Head office expenditure	26,874	-

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 April 28, 2009.

14. GENERAL

Figures have been rounded off to nearest thousand.

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

SHAFQAAT AHMED
Country Head

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