

ALBARAKA BANK (PAKISTAN) LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2014

		31 March 2014	31 December 2013
	Note	----- (Rupees '000) -----	
		(Un-Audited)	(Audited)
ASSETS			
Cash and balances with treasury banks		5,776,966	5,727,407
Balances with other banks		13,338,821	16,565,377
Due from financial institutions		197,059	-
Investments	4	16,530,739	22,161,963
Islamic financing and related assets	5	36,850,332	37,020,644
Operating fixed assets	6	2,727,117	2,725,753
Deferred tax assets		1,397,979	1,431,064
Other assets		2,141,150	2,127,196
		78,960,163	87,759,404
LIABILITIES			
Bills payable		818,880	725,609
Due to financial institutions		1,850,854	2,201,945
Deposits and other accounts	7	67,137,838	75,647,097
Sub-ordinated loans	8	1,083,827	1,158,571
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities		2,117,500	2,177,989
		73,008,899	81,911,211
NET ASSETS		5,951,264	5,848,193
REPRESENTED BY			
Share capital		8,935,200	8,935,200
Discount on issuance of shares		(767,290)	(767,290)
Reserves		89,165	82,074
Accumulated loss		(2,390,861)	(2,419,224)
		5,866,214	5,830,760
Surplus on revaluation of investments - net of tax		85,050	17,433
		5,951,264	5,848,193
CONTINGENCIES AND COMMITMENTS	9		

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.

Chairman

Chief Executive Officer

Director

Director

ALBARAKA BANK (PAKISTAN) LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER ENDED 31 MARCH 2014

		Quarter ended	
		31 March 2014	31 March 2013
		------(Rupees '000)-----	
Note			
	Profit / return earned on islamic financing and related assets, investments and placements	10 1,591,468	1,482,055
	Return on deposits and other dues expensed	1,019,505	1,000,851
	Net spread earned	571,963	481,204
	Provision against non-performing islamic financing and related assets - net	91,241	164,289
	Provision for diminution in the value of investments	1,658	949
	Bad debts written off directly	-	-
	Net spread after provisions	479,064	315,966
	Other income		
	Fee, commission and brokerage income	107,689	66,971
	Dividend income	-	-
	Income from dealing in foreign currencies	56,150	22,978
	Gain on sale of securities - net	57,402	39,538
	Other income	867	916
	Total other income	222,108	130,403
		701,172	446,369
	Other expenses		
	Administrative expenses	635,501	507,095
	Other provisions / (Reversal of provisions) / write offs	15,306	(4,943)
	Other charges	101	1
	Total other expenses	650,908	502,153
		50,264	(55,784)
	Extra ordinary / unusual items	-	-
	Profit / (loss) before taxation	50,264	(55,784)
	Taxation - Current	(18,136)	(8,062)
	- Prior years	-	-
	- Deferred	3,326	24,578
		(14,810)	16,516
	Profit / (loss) after taxation	35,454	(39,268)
	Basic / diluted earning / (loss) per share (Rupee)	0.04	(0.04)

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.

Chairman

Chief Executive Officer

Director

Director

ALBARAKA BANK (PAKISTAN) LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER ENDED 31 MARCH 2014

	Quarter ended	
	31 March 2014	31 March 2013
	----- (Rupees '000) -----	
Profit / (loss) for the quarter - after taxation	35,454	(39,268)
Other comprehensive income	-	-
Total comprehensive income / (loss) for the quarter	35,454	(39,268)

As per the requirement of the State Bank of Pakistan, surplus / deficit on revaluation of available-for-sale securities is required to be taken to a separate account 'Surplus / deficit on revaluation of investments' shown in the statement of financial position below equity. Accordingly, it has not been included in statement of comprehensive income.

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.

Chairman

Chief Executive Officer

Director

Director

ALBARAKA BANK (PAKISTAN) LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED 31 MARCH 2014

	31 March 2014	31 March 2013
	----- (Rupees '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	50,264	(55,784)
Adjustments for non-cash and other items:		
Depreciation	31,706	23,311
Depreciation on ijarah assets held under IFAS 2	238,014	205,656
Amortisation	22,953	22,715
Provision against non-performing islamic financing and related assets	91,241	164,289
Provision for diminution in the value of investments	1,658	949
Provision / (reversal of provision) against other assets	15,306	(4,943)
Gain on sale of operating fixed assets	(867)	(916)
	400,011	411,061
	450,275	355,277
Increase in operating assets		
Due from financial institutions	(197,059)	(500,000)
Islamic financing and related assets	(158,942)	(2,549,332)
Others assets	(45,239)	(115,833)
	(401,240)	(3,165,165)
Increase / (decrease) in operating liabilities		
Bills payable	93,271	199,428
Due to financial institutions	(351,091)	(129,633)
Deposits and other accounts	(8,509,259)	(27,293)
Other liabilities	(60,489)	23,667
	(8,827,568)	66,169
Income tax paid	(2,156)	(17,129)
Net cash outflow from operating activities	(8,780,689)	(2,760,848)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net disposals / redemptions of investments	5,733,592	666,839
Investments in operating fixed assets	(56,023)	(339,341)
Proceeds from disposal of operating fixed assets	867	916
Net cash inflow from investing activities	5,678,436	328,414
CASH FLOWS FROM FINANCING ACTIVITIES		
Effects of exchange difference on translation of sub-ordinated loans	(74,744)	-
Net decrease in cash and cash equivalents	(3,176,997)	(2,432,434)
Cash and cash equivalents at beginning of the quarter	22,292,784	10,933,858
Cash and cash equivalents at end of the quarter	19,115,787	8,501,424

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.

Chairman

Chief Executive Officer

Director

Director

ALBARAKA BANK (PAKISTAN) LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE QUARTER ENDED 31 MARCH 2014

	Issued, subscribed and paid-up share capital	Discount on issuance of shares	Statutory Reserve *	Accumulated loss	Total
	----- (Rupees in '000) -----				
Balance as at 01 January 2013 - Restated	8,935,200	(767,290)	82,074	(2,368,938)	5,881,046
Loss for the quarter	-	-	-	(39,268)	(39,268)
Other comprehensive loss	-	-	-	-	-
Total comprehensive loss for the quarter	-	-	-	(39,268)	(39,268)
Transfer to statutory reserves	-	-	-	-	-
Balance as at 31 March 2013	8,935,200	(767,290)	82,074	(2,408,206)	5,841,778
Loss for the period	-	-	-	(1,963)	(1,963)
Other comprehensive loss	-	-	-	(9,055)	(9,055)
Total comprehensive loss for the period	-	-	-	(11,018)	(11,018)
Transfer to statutory reserves	-	-	-	-	-
Balance as at 31 December 2013	8,935,200	(767,290)	82,074	(2,419,224)	5,830,760
Profit for the quarter	-	-	-	35,454	35,454
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the quarter	-	-	-	35,454	35,454
Transfer to statutory reserves	-	-	7,091	(7,091)	-
Balance as at 31 March 2014	8,935,200	(767,290)	89,165	(2,390,861)	5,866,214

* This represents reserve created under section 21(1)(a) of the Banking Companies Ordinance, 1962.

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.

Chairman

Chief Executive Officer

Director

Director

ALBARAKA BANK (PAKISTAN) LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED 31 MARCH 2014

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** AlBaraka Bank (Pakistan) Limited (the Bank) was incorporated in Pakistan on 20 December 2004 as a public limited company under the Companies Ordinance, 1984.

The main objective of the Bank is to carry on Islamic banking business in Pakistan in accordance and in conformity with Shariah. The Bank was granted an Islamic Banking License BL(i)-01(07), issued by the Banking Policy and Regulations Department of the State Bank of Pakistan (SBP) vide its letter no. BPRD (LCGD-02)/625-76/D/2007/521 dated 18 January 2007 under section 27 of the Banking Companies Ordinance, 1962 read with Islamic Banking Department circular no. 2 of 2004. Subsequently, the Bank was also granted approval for commencement of business as a scheduled bank with effect from 13 February 2007 by the SBP vide its letter no. BPRD (LCGD-02)/625-76/X/JD/2007/1269 dated 12 February 2007. Upon merger of the Pakistan branches of AlBaraka Islamic Bank B.S.C. (c) with and into the Bank, fresh license no. BL(i)-01(2011) was issued by SBP vide its letter no. BPRD (R&P-01)/2011-3087 dated 12 March 2011, effective from close of business on 29 October 2010.

The Bank is a subsidiary of AlBaraka Islamic Bank B.S.C. (c) (AlBaraka) incorporated and domiciled in Bahrain (the major sponsor) and a member of AlBaraka Banking Group.

The Bank's registered office is located at 162, Bangalore Town, Main Sharah-e-Faisal, Karachi. The Bank operates with 110 branches including 2 sub-branches (2013: 110 branches including 2 sub-branches) in Pakistan.

Based on the financial statements of the Bank for the year ended 31 December 2012, Pakistan Credit Rating Agency Limited (PACRA) has determined the Bank's long-term rating at "A" and short term rating as 'A1'. JCR-VIS, has also determined long-term and short-term ratings of "A" and 'A1' respectively with a stable outlook.

- 1.2** As per the requirements of SBP, the banks/DFIs are required to have a minimum paid up capital (net of losses) of Rs 10 billion as of 31 December 2013. Further the banks / DFIs are also required to maintain a capital adequacy ratio of 10% at all times.

In order to meet the regulatory capital requirements, the Bank has prepared a capitalization plan which was submitted to SBP. The SBP vide its letter no. BPRD/BA&CP/608/019652/2013 dated 28 December 2013 has allowed the Bank to proceed with the plan as follows:

- i) The Bank is required to maintain a minimum paid up capital (net of losses) (MCR) of at least Rs. 6 billion at all times and will have to meet the full MCR of Rs 10 billion by 31 December 2016.
- ii) As a short term arrangement, the Bank has been allowed to raise a foreign currency sub-ordinated debt of Rs. 1,083.827 million (USD 11 million) from its major sponsor (AlBaraka). The said sub-ordinated loan has been deposited as non-remunerative deposit with SBP.
- iii) The above foreign currency deposit with the SBP shall be increased to Rs. 2.1 billion by 31 December 2014 and Rs. 2.8 billion by 31 December 2015.
- iv) The foreign currency sub-ordinated loan will not be withdrawn unless the Bank achieves full compliance with MCR. However any withdrawal will be subject to prior approval of the SBP. In the event the Bank is not MCR complaint by 31 December 2016, the sub-ordinated loan will be converted into the paid up capital of the Bank.
- v) For regulatory purposes, the foreign currency sub-ordinated loan is allowed to be included in the Bank's capital and the Bank will be required to maintain a capital adequacy ratio (CAR) of at least 16% which may be reduced depending on the level of increase in the MCR.

As of 31 March 2014, the Bank's paid up capital (net of losses) of the Bank is Rs. 5,866.214 million.

2. STATEMENT OF COMPLIANCE

- 2.1** These condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or 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, 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, Banking Companies Ordinance, 1962 or the requirements of the said directives prevail.
- 2.2** The SBP vide BSD Circular No. 10 dated 26 August 2002 has deferred the applicability of International Accounting Standard 39, "Financial Instruments: Recognition and Measurement" (IAS 39) and International Accounting Standard 40, "Investment Property" (IAS 40) for banking companies till further instructions. Further, according to the notification of SECP dated 28 April 2008, the IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.
- 2.3** The disclosures made in these condensed interim 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 information required in the annual financial statements. Accordingly, these condensed interim financial statements should be read in conjunction with the annual financial statements of the Bank for the year ended 31 December 2013.

2.4 Basis of measurement

These condensed interim financial statements have been prepared under the historical cost convention except for certain investments which have been carried at fair value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements are consistent with those of the previous financial year except as described below:

New and amended standards

The Bank has adopted the following standard, amendments and interpretation of IFRSs which became effective during the period:

Standard, Interpretation or amendment

IAS 32 – Offsetting Financial Assets and Financial liabilities – (Amendment)

IAS 36 – Recoverable Amount for Non-Financial Assets – (Amendment)

IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine

IFRIC 21 – Levies

IFAS 3 - Profit and loss sharing on Deposits

The adoption of the above standard, amendment and interpretation did not have any effect on these condensed interim financial statements.

3.1 Basis of measurement

The basis of significant accounting estimates and judgements adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of annual financial statements of the Bank for the year ended 31 December 2013.

4. INVESTMENTS

	Note	31 March 2014 (Un-Audited)			31 December 2013 (Audited)		
		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		16,530,917	-	16,530,917	22,264,509	-	22,264,509
Ordinary shares of listed company	4.2	28,768	-	28,768	28,768	-	28,768
Ordinary shares of unlisted company Takaful Pakistan Limited (a related party)		52,200	-	52,200	52,200	-	52,200
Investments at cost		16,611,885	-	16,611,885	22,345,477	-	22,345,477
Less: Provisions for diminution in the value of investments	4.1	(211,992)	-	(211,992)	(210,334)	-	(210,334)
Investments (net of provisions)		16,399,893	-	16,399,893	22,135,143	-	22,135,143
Surplus on revaluation of 'available for sale' securities		130,846	-	130,846	26,820	-	26,820
Total investments at market value		16,530,739	-	16,530,739	22,161,963	-	22,161,963

4.1 Particulars of provisions for diminution in value of investments:

	Note	31 March 2014 (Un-Audited)	31 December 2013 (Audited)
----- (Rupees '000) -----			
Opening balance		210,334	106,344
Charged during the period / year	4.2	2,442	119,436
Reversal during the period / year		(784)	(15,446)
		1,658	103,990
Closing balance		211,992	210,334

4.2 The mark to market impairment loss on this investment as of 31 March 2014 amounts to Rs. 19.365 (2013 : Rs. 18.354) million. However, SBP vide its letters BPRD/BRD-(Policy)/2013-11339 dated 25 July 2013 read with letter no. BPRD/BRD-(Policy)/2013-1857 dated 15 February 2013 has allowed relaxation from recognition of full impairment loss to recognize the same in a phased manner by 31 December 2014. As per such relaxation the Bank is required to book atleast 60% of impairment loss as of 31 March 2014 which amounts to Rs. 11.619 (2013 : Rs.9.177) million.

5. ISLAMIC FINANCING AND RELATED ASSETS

	Note	31 March 2014 (Un-Audited)	31 December 2013 (Audited)
In Pakistan			
Islamic financing and related assets			
- Murabaha finance		15,530,128	18,195,145
- Advance against murabaha finance		1,280,556	985,545
- Export refinance under Islamic scheme		2,101,057	2,455,955
- Ijarah assets under IFAS 2		3,170,011	2,881,097
- Net investment in ijarah		127,828	129,091
- Advance against ijarah		321,337	303,652
- Service Ijarah		365,196	394,608
- Diminishing musharaka financing		7,623,801	7,136,647
- Over due acceptances		553,514	562,235
- Salam financing		32,525	180,826
- Advance against salam		6,275,000	4,349,501
- Financing against bills		335,843	428,963
- Istasna finance		503,974	374,405
- Advance against istasna		1,489,329	1,414,360
- Qarz-e-Hasna		25,291	22,432
Islamic financing and related assets - gross		39,735,390	39,814,462
Provisions for non-performing financing - specific	5.2	2,868,810	2,778,875
Provisions for non-performing financing - general	5.2	16,248	14,943
		2,885,058	2,793,818
Islamic financing and related assets - net of provisions		36,850,332	37,020,644

- 5.1 Islamic financing and related assets include Rs. 5,345.679 (2013: Rs 5,248.051) million which have been placed under non-performing status as detailed below:

Category of classifications	31 March 2014 (Un-Audited)				
	Domestic	Overseas	Total	Provision required	Provision held
	----- Rupees in '000 -----				
Other assets especially mentioned	-	-	-	-	-
Substandard	642,762	-	642,762	124,799	124,799
Doubtful	264,340	-	264,340	57,127	57,127
Loss	4,438,577	-	4,438,577	2,686,884	2,686,884
	5,345,679	-	5,345,679	2,868,810	2,868,810

Category of classifications	31 December 2013 (Audited)				
	Domestic	Overseas	Total	Provision required	Provision held
	----- Rupees in '000 -----				
Other assets especially mentioned	-	-	-	-	-
Substandard	570,385	-	570,385	91,467	91,467
Doubtful	251,312	-	251,312	70,992	70,992
Loss	4,426,354	-	4,426,354	2,616,416	2,616,416
	5,248,051	-	5,248,051	2,778,875	2,778,875

5.2 Particulars of provisions against non-performing islamic financing and related assets

	31 March 2014 (Un-Audited)			31 December 2013 (Audited)		
	Specific	General	Total	Specific	General	Total
	----- Rupees in '000 -----					
Opening balance	2,778,875	14,943	2,793,818	2,714,908	11,767	2,726,675
Charge for the period / year	125,206	1,305	126,511	713,160	3,176	716,336
Reversals for the period / year	(35,271)	-	(35,271)	(649,193)	-	(649,193)
	89,935	1,305	91,240	63,967	3,176	67,143
Written off during the period / year	-	-	-	-	-	-
Closing balance	2,868,810	16,248	2,885,058	2,778,875	14,943	2,793,818

- 5.3 The above provision against non-performing islamic financing has been computed after considering the benefit of forced sale value (FSV) of collateral amounting to Rs. 2,082.317 (2013: Rs. 2,167.125) million. The FSV benefit recognized is not allowed for distribution of cash or stock dividend to shareholders.
- 5.4 The Bank maintains general reserve (provisions) in accordance with the applicable requirements of prudential regulations for consumer, small and medium enterprise islamic financing.
- 5.5 SBP vide its letter BPRD/BLRD-3/DMG/2011-1035 dated 26 January 2011 has allowed relaxation from provisioning requirement against certain credit exposures having a provisioning impact of Rs. 40.581 (2013 :Rs. 40.581) million.

	Note	31 March	31 December
		2014	2013
		----- (Rupees '000) -----	
		(Un-Audited)	(Audited)
6. OPERATING FIXED ASSETS			
Capital work-in-progress		373,602	357,074
Property and equipments		1,447,212	1,453,553
Intangible assets		906,303	915,126
		2,727,117	2,725,753
6.1. Capital work-in-progress			
Advances to suppliers and contractors	6.1.1	373,602	357,074
Advance for purchase of property		251,680	251,680
Provisions for impairment against advance for purchase of property		(251,680)	(251,680)
		-	-
		373,602	357,074

- 6.1.1 This includes advance payment amounting to Rs.121.049 (2013: Rs.121.049) million for implementation of new core banking system of the Bank.

ALBARAKA BANK (PAKISTAN) LIMITED
CONDENSED INTERIM FINANCIAL STATEMENTS

31 March 31 December
2014 2013
------(Rupees '000)-----
(Un-Audited) (Audited)

7. DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	21,803,366	26,364,509
Savings deposits	25,490,495	25,092,485
Current accounts - non-remunerative	10,742,937	12,241,316
Margin deposits	689,355	558,019
	58,726,153	64,256,329

Financial Institutions

Remunerative deposits	8,376,316	11,347,303
Non-remunerative deposits	35,369	43,465
	8,411,685	11,390,768
	67,137,838	75,647,097

8. SUBORDINATED LOANS

During the year 2013, the Bank has entered into a sub-ordinated loan agreement with Albaraka Islamic Bank BSC (the major sponsor). In terms of the said agreement a sub-ordinated loan of Rs. 1,083.827 million (USD 11 million) has been provided to the Bank. No return will be payable on the loan and the loan stands sub-ordinated to all other creditors, depositors and third party obligations of the Bank. The loan is intended to bridge the regulatory capital shortfall of the Bank and will only be repaid if and when the Bank is compliant with the MCR requirements. In the event the Bank is not MCR compliant by 31 December 2016, the loan will be converted into the paid up capital of the Bank. As per the terms of the agreement, the proceeds of the loan shall be placed by the Bank in an interest free deposit account maintained by the Bank with the SBP in US Dollars.

9. CONTINGENCIES AND COMMITMENTS

31 March 31 December
2014 2013
------(Rupees '000)-----
(Un-Audited) (Audited)

9.1 Transaction-related contingent liabilities

Includes performance bonds, bid bonds, shipping guarantees favouring:

i) Government	4,831,110	4,442,566
ii) Others	914,298	1,079,237
	5,745,408	5,521,803

9.2 Trade-related contingent liabilities

Letters of credit	3,709,900	5,007,432
Others - Shipping Guarantees	115,810	138,360
Acceptances	1,510,332	1,198,246

9.3 Commitments in respect of forward exchange contracts

Purchase	2,190,260	2,320,863
Sale	2,054,771	2,781,334

9.4 Commitments to incur capital expenditure

	10,121	40,161
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9.5 Other Contingencies

9.5.1 The Bank has filed appeals before Appellate Tribunal Inland Revenue (ATIR) against the orders in respect of assessment years 2001-2002, 2002-2003 and tax years 2004 to 2011. Moreover, the Income Tax Department has also filed appeals before ATIR against the orders in respect of assessment years 2001-2002, 2002-2003 and tax year 2004 to 2011 issued by Commissioner Inland Revenue (CIR) (Appeals). Appeals filed by the Bank and the Income Tax Department are pending for decision. The management of the Bank is confident that the appeals are likely to be decided in favor of the Bank and, hence no provision has been made in these condensed interm financial statements for the income tax claims amounting to Rs. 116.512 million.

In respect of tax year 2011, the Additional Commissioner Inland Revenue (ACIR) has issued notice under section 122(9) read with section 122 (5A) of the Income Tax Ordinance, 2001 for proposed amendment of deemed assessment order in which certain disallowances, have been made. The reply to the notice has been filed through tax consultant; however the order of the ACIR is awaited.

9.5.3 The Bank has received various assessment orders from Deputy Commissioner Inland Revenue (DCIR) stating that the Bank has short paid Federal Excise Duty (FED) on specific income of the Bank for the tax years 2009, 2010 and 2011 amounting to Rs. 86.584 million. However, ATIR has set aside the orders for fresh adjudication. The said matter is pending decision for further proceedings. The management of the Bank is confident that the above matter will be decided in its favor and hence, no provision has been made in these condensed interim financial statements against any liability which may arise in this respect.

9.5.4 During the year 2010, certain suits have been filed by Mr. Faisal Vawda in the Honorable High Court of Sindh against the Bank wherein Mr. Vawda has claimed that he was offered 24 million ordinary shares of the Bank at an aggregate value of Rs. 300 million as sale consideration against the commercial property sold to the Bank. He further claimed that in addition to the said property, he has also paid Rs. 60 million towards the purchase consideration for the above referred shares. However, the said shares or any other consideration against the property has not been received by him. Based on the above, Mr. Vawda has alleged the Bank of involvement in illegal business. The Bank contends that the aforesaid allegations of Mr. Vawda are baseless and without any merit and that the subject property has been duly purchased and paid for by the Bank. Further, in the opinion of legal advisor of the Bank, the Bank is likely to successfully contest the aforementioned proceedings and accordingly is not likely to be exposed to the abovementioned claims being prayed against the Bank.

In terms of the merger agreement dated 16 August 2010 between sponsors shareholders of the Bank and AlBaraka, the Emirates Financial Holdings LLC (EFH) will keep the Bank fully indemnified, safe and secured against all losses, costs, claims, damages of any nature whatsoever resulting to the Bank on account of the Mr. Faisal Vawda Litigations including any additional or ancillary litigation or proceedings filed by Faisal Vawda Group in relation to the subject matter of the Faisal Vawda Litigations. In this regard, the Bank has invoked the indemnity and has submitted a legal notice upon EFH.

	31 March 2014	31 December 2013
	------(Rupees '000)-----	
	(Un-Audited)	(Audited)
Claim not acknowledged as debt	30,000	30,000

ALBARAKA BANK (PAKISTAN) LIMITED
CONDENSED INTERIM FINANCIAL STATEMENTS

	Quarter ended	
	31 March 2014	31 March 2013
	------(Rupees '000)-----	
	------(Un-Audited)-----	
10. PROFIT / RETURN EARNED ON ISLAMIC FINANCING AND RELATED ASSETS, INVESTMENTS AND PLACEMENTS		
On islamic financing and related assets	956,231	782,794
On investments in		
- Available for sale securities	435,740	587,330
- Held to maturity securities	-	14
On deposits with banks	199,178	96,241
On due from financial institutions	319	15,676
	1,591,468	1,482,055

11. RELATED PARTY TRANSACTIONS

11.1 Related parties comprise of key management, parent bank, shareholders of the Bank, entities having directors in common with the Bank and staff retirement funds.

Details of transactions with related parties and balances as at the period / year end are as follows:

	31 March 2014	31 December 2013
	------(Rupees '000)-----	
	(Un-Audited)	(Audited)
<u>Key management personnel</u>		
Islamic financing and related assets		
At beginning of the period / year	116,663	77,319
Additions during the period / year	2,500	70,182
Deletions during the period / year	(3,124)	(30,838)
At end of the period / year	116,039	116,663
Deposits		
At beginning of the period / year	171,731	142,535
Additions during the period / year	182,779	376,945
Deletions during the period / year	(224,610)	(347,749)
At end of the period / year	129,900	171,731
Other Balances		
Return payable on deposit	655	568
Profit receivable on islamic financing and related assets	90	84

	Quarter ended	
	31 March 2014	31 March 2013
	-----Rupees in'000-----	
	------(Un-Audited)-----	
Transactions, income and expenses		
Profit earned on islamic financing and related assets	1,147	1,024
Return on deposits expenses	3,308	1,944
Salaries, allowances and benefits	53,409	36,390

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31 March 31 December
2014 2013
------(Rupees '000)-----
(Un-Audited) (Audited)

Parent Bank

Unremitted expenses	95,704	95,704
Sub-ordinated loans	1,083,827	1,158,571

**Shareholders, entities having directors in common with the Bank
and retirement benefit plan of the Bank**

Deposits

At beginning of the period / year	718,217	541,574
Additions during the period / year	187,571	938,113
Deletions during the period / year	(222,672)	(761,470)
At end of the period / year	683,116	718,217

Other balances

Return payable on deposits	4,617	4,579
Investments	52,200	52,200
Provision for diminution in value of investment	25,088	25,088
Non funded exposure	272,442	281,120

Payable to shareholders

2,098 2,098

Retirement benefit plan

Receivable in respect of defined benefit plan	6,950	6,950
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Quarter ended

31 March 31 March
2014 2013
-----Rupees in'000-----
------(Un-Audited)-----

Transactions, income and expenses

Return on deposits expenses	16,772	7,863
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Retirement benefit plan

Contribution to defined contribution plan	10,213	9,118
Contribution to defined benefit plan	9,195	8,389

12. GENERAL

12.1 Corresponding figures have been re-arranged and reclassified, wherever necessary, to facilitate comparisons. No significant reclassifications were made during the current period.

12.2 Figures have been rounded off to the nearest thousand rupees.

13. DATE OF AUTHORISATION

These condensed interim financial statements were authorized for issue on 25 April 2014 by the Board of Directors of the Bank.

Chairman

Chief Executive Officer

Director

Director