

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

INTERIM CONDENSED BALANCE SHEET AS AT 30 JUNE 2008

	Notes	(Unaudited) June 30, 2008	(Audited) December 31, 2007
Rupees in '000			
ASSETS			
Cash and balances with treasury banks		4,028,007	3,480,878
Balances with other banks		2,813,359	4,131,352
Due from financial institutions		-	-
Investments	6	1,169,251	1,153,825
Financings	7	14,254,345	12,585,549
Operating fixed assets	8	132,137	102,697
Deferred tax assets		-	-
Other assets		631,547	622,812
		<u>23,028,646</u>	<u>22,077,113</u>
LIABILITIES			
Bills payable		170,908	231,462
Due to financial institutions		1,354,727	1,309,411
Deposits and other accounts		17,986,126	16,964,566
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		79,990	144,026
Other liabilities		1,047,316	982,895
		<u>20,639,067</u>	<u>19,632,360</u>
NET ASSETS		<u><u>2,389,579</u></u>	<u><u>2,444,753</u></u>
REPRESENTED BY			
Head office capital account	9	2,046,185	2,046,185
Reserves		-	-
Unremitted profit		349,889	400,348
		<u>2,396,074</u>	<u>2,446,533</u>
Deficit on revaluation of assets		(6,495)	(1,780)
		<u><u>2,389,579</u></u>	<u><u>2,444,753</u></u>
CONTINGENCIES AND COMMITMENTS	10	-	-

The annexed notes form an integral part of these interim condensed 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 30 JUNE 2008 (UNAUDITED)

	Three months ended Note June 30,2008	Six months ended June 30,2008	Three months ended June 30,2007	Six months ended June 30,2007
-----Rupees in '000-----				
Profit/return in financings, investments and placements earned	407,453	794,656	361,916	730,899
Less: Return on deposits and other dues expensed	289,075	572,350	259,854	528,337
Net spread	118,378	222,306	102,062	202,562
Provision against non-performing financings	(13,365)	(32,659)	10,246	1,379
Provision against consumer financing	(1,141)	(1,166)	(1,308)	(1,930)
Provision against diminution in the value of investments	-	-	-	-
Bad debts written off directly	-	-	-	-
	(14,506)	(33,825)	8,938	(551)
Income after provisions	103,872	188,481	111,000	202,011
OTHER INCOME				
Fee, commission and brokerage income	30,102	60,407	32,973	58,701
Dividend income	2,284	2,937	405	1,036
Income from dealing in foreign currencies	41,515	69,306	13,042	26,510
Net Gain on sale of investments	1,989	5,603	6,946	10,950
Unrealized (loss) / gain on revaluation of investment classified as held for trading	(10,643)	(310)	7,168	19,967
Other Income	288	288	5,833	424
Total other income	65,535	138,231	66,367	117,588
	169,407	326,712	177,367	319,599
OTHER EXPENSES				
Administrative expenses	114,623	223,833	79,466	150,956
Other provisions/write offs	-	-	-	-
Other charges	65	66	533	162
Total other expenses	114,688	223,899	79,999	151,118
	54,719	102,813	97,368	168,481
Extra ordinary/unusual items	-	-	-	-
PROFIT BEFORE TAXATION	54,719	102,813	97,368	168,481
Taxation – Current	41,502	88,050	8,094	9,277
- Prior years	-	-	-	-
- Deferred	(25,454)	(61,497)	18,012	31,992
	16,048	26,553	26,106	41,269
PROFIT AFTER TAXATION	38,671	76,260	71,262	127,212
Unremitted profit brought forward	311,218	273,629	210,770	154,820
Unremitted profit	349,889	349,889	282,032	282,032
Basic earnings per share	12	-	-	-
Diluted earnings per share	12	-	-	-

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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 30 JUNE 2008 (UNAUDITED)

	Note	Six months ended June 30,2008	Six months ended June 30,2007
Rupees in '000			
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		102,813	168,481
Dividend income		(2,937)	(1,036)
		<u>99,876</u>	<u>167,445</u>
Adjustments:			
Depreciation		13,156	9,668
Amortization		991	964
Provision against non-performing financings		33,825	551
(Gain) on sale of fixed assets		(288)	(424)
Gain on sale of "available for sale " securities		-	(11,331)
Unrealized remeasurement loss / (gain) on "held for trading securities"		310	(19,967)
		<u>47,994</u>	<u>(20,539)</u>
		147,870	146,906
(Increase) / decrease in operating assets			
Held-for-trading securities		(22,989)	82,858
Financings		(1,702,621)	(760,574)
Others assets (excluding advance taxation)		(25,411)	(965,950)
		<u>(1,751,021)</u>	<u>(1,643,666)</u>
Increase / (decrease) in operating liabilities			
Bills payable		(60,554)	54,305
Borrowings from financial institutions		(65,562)	(405,405)
Deposits		1,021,560	655,754
Other liabilities (excluding current taxation)		64,421	152,603
		<u>959,865</u>	<u>457,257</u>
		(643,286)	(1,039,503)
Income tax paid		(70,090)	(23,928)
<i>Net cash used in operating activities</i>		<u>(713,376)</u>	<u>(1,063,431)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		-	(48,669)
Net investments in held-to-maturity securities		-	(4,579)
Dividend income		1,652	876
Investments in operating fixed assets		(43,596)	(11,956)
Sale proceeds of operating fixed assets disposed-off		297	424
<i>Net cash used in investing activities</i>		<u>(41,647)</u>	<u>(63,904)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Remittances from head office		-	-
Profit remittances made to head office		(126,719)	-
<i>Net cash used in financing activities</i>		<u>(126,719)</u>	<u>-</u>
Effects of exchange rate changes on cash and cash equivalents		-	(1,601)
Decrease in cash and cash equivalents		<u>(881,742)</u>	<u>(1,128,936)</u>
Cash and cash equivalents at beginning of the period		7,612,230	7,615,095
Cash and cash equivalents at end of the period	13	<u>6,730,488</u>	<u>6,486,159</u>

The annexed notes form an integral part of these interim condensed financial statements.

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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 STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2008 (UNAUDITED)

	Head office capital account	Unremitted profit	Total
	-----Rupees in '000-----		
Balance as on 01 January 2007	2,036,390	154,820	2,191,210
Profit for the period	-	127,212	127,212
Exchange adjustments on revaluation of capital	(1,601)	-	(1,601)
Balance as on 30 June 2007	<u>2,034,789</u>	<u>282,032</u>	<u>2,316,821</u>
Balance as on 01 January 2008	2,046,185	400,348	2,446,533
Profit for the period	-	76,260	76,260
Remittances made to head office		(126,719)	(126,719)
Balance as on 30 June 2008	<u>2,046,185</u>	<u>349,889</u>	<u>2,396,074</u>

The annexed notes form an integral part of these interim condensed financial statements.

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Country Head

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 CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE PERIOD ENDED 30 JUNE 2008

1. STATUS AND NATURE OF BUSINESS

- 1.1 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.
- 1.2 The management of the Bank is in the process of converting the Bank into locally incorporated bank and the management expects to culminate this process by the close of next quarter. However, these financial statements have been prepared on going concern basis as the management intends to amalgamate the Bank with proposed locally incorporated bank in accordance with the proposed scheme of merger on the basis of book values of its assets and liabilities on the date of amalgamation .

2. BASIS OF PRESENTATION

- 2.1 These interim condensed financial statements are unaudited and have been prepared in accordance with the requirements of State Bank of Pakistan.
- 2.2 The Bank provides financing mainly through shariah compliant financial products. Except for Murabaha transactions (which are accounted for under the Islamic Financial Accounting Standard - 1), 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.
- 2.3 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 2007.

3. STATEMENT OF COMPLIANCE

- 3.1 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.
- 3.2 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.

- 3.3 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 31 December 2007. During the half year ended 30 June 2008, the Bank has disbursed the Ijarah financing aggregating to Rs. 607.159 million.

4. BASIS OF MEASUREMENT

These financial statements are prepared on the historical cost convention except for quoted investments which are stated on a marked to market basis, commitments in respect of forward exchange contracts which are carried at fair value and certain staff retirement benefits being carried at present value.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

- 5.1 The preparation of financial statements in conformity with approved accounting standards and statutory requirements require the use of critical accounting estimates. It also requires management to exercise its judgments in the process of applying accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are the same as disclosed in the annual financial statements of the Bank for the year ended 31 December 2007 except as following:
- 5.2 Until the previous year, the Bank used to charge full year depreciation on additions made before June 30, while half year's depreciation was 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 requirements of IAS-16 "Property, plant and equipment", the Bank has changed its method for charging the depreciation. Under the new treatment, depreciation charge commences from the month in which the asset is available for use and continues until the month of disposal. This change has been accounted for as a change in accounting estimate in accordance with the requirements of IAS 8 " Accounting Policies, Changes in Accounting Estimates and Errors ". Had there been no change in the accounting estimate, the depreciation charged would be higher by Rs.1.110 million while the carrying value of assets and net income before tax shall be lower by the same amount.

Note	30 June 2008			31 December 2007			
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total	
-----Rupees in '000-----							
6. INVESTMENTS							
Investments by types :							
Held-for-trading securities							
Fully paid up ordinary shares - listed	114,776	-	114,776	91,788	-	91,788	
Available-for-sale securities							
National Investment Trust 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 - unquoted	4,447	-	4,447	4,447	-	4,447	
	74,447	-	74,447	74,447	-	74,447	
Held-to-maturity securities							
WAPDA Sukuk Bonds	6.1	750,000	-	750,000	750,000	-	750,000
Sitara Chemical industries Sukuk Bonds	6.2	150,000	-	150,000	150,000	-	150,000
Karachi Shipyard and Engineering Works Sukuks	6.3	100,000	-	100,000	100,000	-	100,000
		1,000,000	-	1,000,000	1,000,000	-	1,000,000
Investment at cost		1,189,223	-	1,189,223	1,166,235	-	1,166,235
Less: Provision for diminution in value of investments		4,447	-	4,447	4,447	-	4,447
Investments (net of provisions)		1,184,776	-	1,184,776	1,161,788	-	1,161,788
Deficit on revaluation of Held-for-trading securities		(5,534)	-	(5,534)	(5,225)	-	(5,225)
Deficit on revaluation of available for sale securities		(9,991)	-	(9,991)	(2,738)	-	(2,738)
		(15,525)	-	(15,525)	(7,963)	-	(7,963)
Total investments at market value		1,169,251	-	1,169,251	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.

	Note	June 30, 2008	December 31, 2007
7. FINANCINGS		Rupees in '000	
In Pakistan			
Murabaha financing		7,659,419	6,994,844
Export refinance (Islamic) - Murabaha financing		1,904,317	1,867,245
Musharaka financing		1,526,673	941,812
Payment against guarantees		5,674	5,674
		11,096,083	9,809,575
Net investment in ijarah financing - In Pakistan		2,228,346	2,231,160
Bills discounted and purchased (excluding treasury bills)			
Payable outside Pakistan		1,161,523	742,596
Financings - gross		14,485,952	12,783,331
Provision for non-performing financings	7.1	220,832	188,173
General provision against consumer financing		10,775	9,609
		231,607	197,782
Financings - net of provision		14,254,345	12,585,549

7.1 Financings include Rs. 327,170 thousands (2007:Rs. 231,669 thousands) which have been placed under non-performing status as detailed below:-

<u>Category of Classification</u>	30 June 2008			
	Domestic	Overseas	Provision Required	Provision Held
	Rupees in '000'			
Substandard	135,040	-	33,760	33,760
Doubtful	7,604	-	3,708	3,708
Loss	184,526	-	183,364	183,364
	327,170	-	220,832	220,832
<u>Category of Classification</u>	31 December 2007			
	Domestic	Overseas	Provision Required	Provision Held
	Rupees in '000'			
Substandard	7,045	-	1,678	1,678
Doubtful	5,911	-	2,955	2,955
Loss	218,713	-	183,540	183,540
	231,669	-	188,173	188,173

ALBARAKA ISLAMIC BANK B.S.C. (E.C.) - Pakistan Branches

	Note	June 30, 2008	December 31, 2007
Rupees in '000			
8. OPERATING FIXED ASSETS			
Capital work-in-progress - advances to suppliers		-	28,638
Property and equipment	8.1	129,255	70,484
Intangible assets		2,882	3,575
		132,137	102,697
8.1 Property and equipment			
Opening book value		70,484	65,914
Add: Additions during the period / year -cost	8.1.1	73,596	24,661
		144,080	90,575
Less: Deletions during the period / year	8.1.2	1,764	4,991
		142,316	85,584
Less: Depreciation during the period / year		13,061	15,100
Book value at the end of the period / year		129,255	70,484
8.1.1 Additions during the period / year			
Furniture and fixtures		5,967	3,301
Computer and Office equipments		21,382	8,439
Vehicles		6,682	3,814
Leasehold improvements		39,565	9,107
		73,596	24,661
8.1.2 Deletions during the period / year			
Furniture and fixtures		898	426
Computer and Office equipments		306	554
Vehicles		560	4,011
		1,764	4,991
9. HEAD OFFICE CAPITAL ACCOUNT			
Capital held as:			
1. Interest free deposit in approved foreign exchange :			
i) Revalued remittance from head office - opening balance	9.1	1,286,390	1,286,390
ii) Revaluation surplus allowed by the State Bank		9,795	9,795
		1,296,185	1,296,185
2. Deposit of unencumbered approved securities		750,000	750,000
	9.2	2,046,185	2,046,185
9.1			
This represents an amount of US dollar 21.108(2006: US dollar 30.893) million deposited with the State Bank of Pakistan in compliance with sub section (3) of section 13 of the Banking Companies Ordinance, 1962.			
9.2			
In accordance with the requirements of BSD Circular no. 6 dated Oct 28, 2005, the Bank was required to increase Head Office capital to Rs. 3 billion by December 31, 2006. However, the Bank had been granted specific exemption in this regard till September 30, 2007 from State Bank of Pakistan (SBP) vide its letter no. BSD/SU-1/608/219 dated January 26, 2007. However, later during last year, the Bank had been granted exemption from increasing the capital based on the fact that the capital of Bank's Head Office in Bahrain has increased to US \$ 100 million.			

	June 30, 2008	December 31, 2007
10. CONTINGENCIES AND COMMITMENTS	Rupees in '000	
10.1 Direct credit substitutes- Guarantees of indebtedness		
i) Government	1,712,110	1,645,733
ii) Financial Institutions	-	43
iii) Others	265,285	296,346
	<u>1,977,395</u>	<u>1,942,122</u>
10.2 Transaction-related contingent liabilities		
Letters of credit	1,370,710	1,904,325
Others- Shipping Guarantees	52,259	39,455
	<u>1,422,969</u>	<u>1,943,780</u>
10.3 Trade related contingent liabilities		
Acceptances	<u>1,041,624</u>	<u>1,601,956</u>
10.4 Commitments in respect of forward exchange contracts		
Purchase	<u>961,465</u>	<u>160,384</u>
Sale	<u>1,074,536</u>	<u>866,072</u>
10.5 Other Commitments		
The bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not		
11. TAXATION		
Due to recent amendments in Income Tax laws, head office expenses would be allowed as deduction against taxable income provided such expenses are incorporated in the financial statements of the Bank. The management of the Bank is considering to formulate policy in this respect and upon finalization; such expenses would be incorporated in the next interim or annual financial statements, as the case may be. However, such expenses approximating to Rs. 43.339 million has been claimed as deduction for the purpose of computation of tax liability of the Bank.		
12. 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.		
13. CASH AND CASH EQUIVALENTS		
Cash and balances with treasury banks	4,028,007	3,480,878
Balances with other banks	2,813,359	4,131,352
Overdrawn balances	(110,878)	-
	<u>6,730,488</u>	<u>7,612,230</u>

14. 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:

	30 June 2008		31 December 2007	
	Regional General Manager and Executives	Other related parties	Regional General Manager and Executives	Other related parties
	Rupees in '000			
LIABILITIES				
Deposits	59,310	748,431	278,535	702,971
Return payable on deposits	670	5,387	1,011	1,075

Six months ended June 30, 2008	Six months ended June 30, 2007
Rupees in '000	

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

Deposits received during the period	1,056,183	173,416
Deposits withdrawn during the period	1,229,948	154,034
Profit remitted during the period	126,719	-
Profit/return in financings, investments and placements earned	-	4,504
Return on deposits and other dues expensed	9,254	7,469

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

15. DATE OF AUTHORIZATION FOR ISSUE

These accounts are authorized for issue on _____.

16. GENERAL

16.1 Figures have been rounded off to nearest thousand.

16.2 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

AYYAZ AHMAD
Chief Financial Officer