

ALBARAKA ISLAMIC BANK B.S.C. (C)
(Incorporated in Bahrain with limited liability)
PAKISTAN BRANCHES
INTERIM CONDENSED BALANCE SHEET AS AT JUNE 30 2009

	Note	(Unaudited) June 30, 2009	(Audited) December 31, 2008
Rupees in '000			
ASSETS			
Cash and balances with treasury banks		3,182,280	3,248,922
Balances with other banks		5,907,266	4,647,570
Due from financial institutions		-	-
Investments	6	1,169,591	1,124,428
Financing and investing assets	7	14,955,476	14,377,810
Operating fixed assets	8	280,419	167,785
Deferred tax assets		-	-
Other assets		896,104	631,311
		26,391,136	24,197,826
LIABILITIES			
Bills payable		232,860	219,170
Due to financial Institutions		1,899,071	1,969,849
Deposits and other accounts		20,152,349	18,336,159
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		75,229	132,467
Other liabilities		1,889,078	1,174,400
		24,248,587	21,832,045
NET ASSETS		2,142,549	2,365,781
REPRESENTED BY			
Head office capital account	9	2,468,588	2,420,129
Reserves		-	-
(Accumulated loss)/ Unremitted profit		(311,170)	(19,912)
		2,157,418	2,400,217
(Deficit) on revaluation of assets		(14,869)	(34,436)
		2,142,549	2,365,781
CONTINGENCIES AND COMMITMENTS	10	-	-

The valuation of mutual fund units held under 'available-for-sale' category of investments has been arrived at using the net assets value as of June 30, 2009 and the impairment loss arising therefrom has been included in deficit on revaluation of assets – net of tax as allowed by State Bank of Pakistan. Under the regular accounting policy of the Bank, the same would have resulted in a charge to profit and loss account of 2008 and, consequently, the accumulated loss as on 30 June 2009 would have been Rs. 330.058 million (see note 6.1.5).

The annexed notes 1 to 17 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 & LOSS ACCOUNT
FOR THE PERIOD ENDED JUNE 30, 2009 (UNAUDITED)

	Three Months Ended June 30, 2009	Six Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2008
	Rupees in '000			
Profit / return on financings, investments and placements earned	599,845	1,217,916	407,453	794,656
Return on deposits and other dues expensed	482,419	1,021,157	289,075	572,350
Net spread	117,426	196,759	118,378	222,306
Provision against non-performing financings - net	(144,977)	(333,376)	(14,506)	(33,825)
Provision for diminution in the value of investments	(8,314)	(17,358)	-	-
Bad debts written off directly	-	-	-	-
	(153,291)	(350,734)	(14,506)	(33,825)
Net spread after provisions	(35,865)	(153,975)	103,872	188,481
OTHER INCOME				
Fee, commission and brokerage income	31,159	58,522	30,102	60,407
Dividend income	718	1,785	2,284	2,937
Income from dealing in foreign currencies	32,899	36,292	41,515	69,306
Net gain on sale of investments	-	-	1,989	5,603
Unrealized gain/ (loss) on revaluation of investments classified as held for trading	8,220	33,456	(10,643)	(310)
Other income	-	626	288	288
Total other income	72,996	130,681	65,535	138,231
	37,131	(23,294)	169,407	326,712
OTHER EXPENSES				
Administrative expenses	160,424	327,183	114,623	223,833
Other provisions / write offs	-	-	-	-
Other charges	-	15	65	66
Total other expenses	160,424	327,198	114,688	223,899
	(123,293)	(350,492)	54,719	102,813
Extra ordinary/unusual items	-	-	-	-
(LOSS) / PROFIT BEFORE TAXATION	(123,293)	(350,492)	54,719	102,813
Taxation – Current	71	178	41,502	88,050
- Prior years	-	-	-	-
- Deferred	11,547	(59,412)	(25,454)	(61,497)
	11,618	(59,234)	16,048	26,553
(LOSS) / PROFIT AFTER TAXATION	(134,911)	(291,258)	38,671	76,260
Accumulated (loss) / Unremitted profit brought forward	(176,259)	(19,912)	311,218	400,348
	(311,170)	(311,170)	349,889	476,608
APPROPRIATIONS				
Remittances made to head office	-	-	-	(126,719)
Unremitted (loss) / profit carried forward	(311,170)	(311,170)	349,889	349,889
Basic (Loss) / Earnings per share	-	-	-	-
Diluted (Loss) / Earnings per share	-	-	-	-

The valuation of mutual fund units held under 'available-for-sale' category of investments has been arrived at using the net assets value as of 30 June 2009 and the impairment loss arising therefrom has been included in deficit on revaluation of assets – net of tax as allowed by State Bank of Pakistan. Under the regular accounting policy of the Bank, the same would have resulted in a credit to profit and loss account of Rs. 15.62 million (net of tax) and, consequently, the loss for the period would have been Rs. 275.639 million (see note 6.1.5).

The annexed notes 1 to 17 form an integral part of these financial statements.

ALBARAKA ISLAMIC BANK B.S.C. (C)
(Incorporated in Bahrain with limited liability)
PAKISTAN BRANCHES
INTERIM CONDENSED CASH FLOW STATEMENT
FOR THE PERIOD ENDED JUNE 30, 2009 (UNAUDITED)

	Six Months Ended June 30, 2009 2009	Six Months Ended June 30, 2008 2008
	Rupees in '000'	
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss) / profit before taxation	(350,492)	102,813
Dividend income	(1,785)	(2,937)
	<u>(352,277)</u>	<u>99,876</u>
Adjustments:		
Depreciation	56,964	13,156
Amortization	1,018	991
Provision against non-performing financings	333,376	33,825
Provision for diminution in the value of investments	17,358	-
Gain on sale of fixed assets	(626)	(288)
Unrealized (gain) / loss on revaluation of investments classified as held for trading	(33,456)	310
	<u>374,634</u>	<u>47,994</u>
	22,357	147,870
(Increase) / decrease in operating assets		
Held-for-trading securities	(7,324)	(22,989)
Financings	(950,262)	(1,702,621)
Others assets (excluding advance taxation)	(206,252)	(25,411)
	<u>(1,163,838)</u>	<u>(1,751,021)</u>
Increase / (decrease) in operating liabilities		
Bills payable	13,690	(60,554)
Due to financial institutions	(121,824)	(65,562)
Deposits and other accounts	1,816,190	1,021,560
Other liabilities (excluding current taxation)	714,678	76,570
	<u>2,422,734</u>	<u>972,014</u>
	1,281,253	(631,137)
Income tax paid	(59,204)	(70,090)
Net cash inflow from / (used in) operating activities	<u>1,222,049</u>	<u>(701,227)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Dividend income	2,270	1,652
Investments in operating fixed assets	(131,419)	(43,596)
Sale proceeds from disposal of fixed assets	649	297
Net cash used in investing activities	<u>(128,500)</u>	<u>(41,647)</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	48,459	-
Increase / (decrease) in cash and cash equivalents	<u>1,142,008</u>	<u>(869,593)</u>
Cash and cash equivalents at beginning of the period	7,896,492	7,600,081
Cash and cash equivalents at end of the period	<u>9,038,500</u>	<u>6,730,488</u>

The annexed notes 1 to 17 form an integral part of these financial statements.

ALBARAKA ISLAMIC BANK B.S.C. (C)
(Incorporated in Bahrain with limited liability)
PAKISTAN BRANCHES
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED JUNE 30, 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	-	76,260	76,260
Remittances made to head office	-	(126,719)	(126,719)
Balance as at June 30, 2008	2,046,185	349,889	2,396,074
Loss for the period	-	(149,417)	(149,417)
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	2,420,129	(19,912)	2,400,217
Loss for the period	-	(291,258)	(291,258)
Exchange adjustments on revaluation of capital	48,459	-	48,459
Balance as at June 30, 2009	2,468,588	(311,170)	2,157,418

The annexed notes 1 to 17 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
NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE PERIOD ENDED JUNE 30, 2009

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.
- 1.2 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.
- 1.3 The management of the Bank is in the process of converting the Bank into locally incorporated bank and it expects to culminate this process in very near future. However, these financial statements have been prepared on going concern basis as the management intends to continue its operations through locally incorporated bank and 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. Further, the bank is currently operating with capital of Rs. 2.157 billion (net of losses) as referred to in Note 9.2. However, subsequent to the merger into locally incorporated bank, the bank would require an increase in paid up capital (net of losses) upto Rs. 6 billion by 31 December 2009.

2. BASIS OF PRESENTATION

- 2.1 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.
- 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 (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.
- 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 2008.

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.

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. ACCOUNTING POLICIES

- 5.1 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:
- 5.2 The standard became effective during the period and deals with the accounting for Ijarah financing contracts undertaken by Bank. The standard is applicable prospectively for Ijarah contracts entered into or after January 01 2009, as a result of application of the standard; the bank has recorded the assets leased out under Ijarah arrangements separately from operating assets in the bank's own use. The said assets are carried at cost less depreciation and impairment if any. The rentals from Ijarah are recognized in the profit and loss account on straight line basis over the term of the contract. Previously the Ijarah arrangements were accounted for by the bank as finance leases in accordance with accounting policy as stated in note 7.2 of the annual financial statements of the bank for the year ended December 31 2008. Had the bank applied its previous accounting policy in respect of Ijarah contracts entered into on or after 01 January 2009, the net loss for the period and total assets would have been decreased by R\$ 7 894 million and R\$ 234 665 million respectively
- 5.3 In addition to above, following new / revised standards, amendments and interpretations to accounting standards became effective during the period:

IAS 1 - Presentation of Financial Statements (Revised)
 IAS 23 - Borrowing Costs (Revised)
 IAS 32 - Financial Instruments: Presentation-Amendments regarding puttable Financial Instruments
 IFRS 2 - Share-Based Payment- Vesting conditions and cancellations
 IFRS 8 - Operating segments
 IFRIC 13 - Customer Loyalty program
 IFRIC 15 - Agreements for the construction of Real Estate

Adoption of the above standards, amendments and interpretation did not affect the accounting policies of the bank as disclosed in the annual financial statements for the year ended 31 December 2008. However the revised IAS-1 was issued in September 2007 with subsequent amendments in November 2008 and was effective for financial years beginning on or after 1 January 2009. As the standard separates owner and non-owner changes in equity, the statement of changes in equity will include only details of transactions attributable to or with owners, with comprehensive income: it presents all items of recognized income and expenses, either in one single statement, or in two linked statements. Since the bank has strictly followed the format of half-yearly financial statements prescribed by the SBP through the BSD Circular Letter No. 2 of 2004, therefore the above referred changes introduced through IAS 1 (revised) have not been taken into consideration in the preparation of these half-yearly financial statements.

6. 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.

	June 30, 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	127,609	-	127,609	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 Shipyards 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	1,252,056	-	1,252,056	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)	1,247,609	-	1,247,609	1,240,285	-	1,240,285
Deficit on revaluation of Held-for-trading securities	(44,139)	-	(44,139)	(77,595)	-	(77,595)
Deficit on revaluation of Available for sale securities	(33,879)	-	(33,879)	(38,262)	-	(38,262)
	(78,018)	-	(78,018)	(115,857)	-	(115,857)
Total investments at market value	1,169,591	-	1,169,591	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 bench marked 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.
- 6.1.5 Furthermore, pursuant to the BSD Circular No. 4 dated February 13, 2009 of the SBP, the impairment loss, amounting to Rs.38.34 million, resulting from the valuation of mutual fund units held under 'Available-for-sale' category of investments as of December 31, 2008 had not been recognised in the profit and loss account for the year ended December 31, 2008 and had been taken to 'Deficit on revaluation of assets' account as shown on the balance sheet. The said impairment loss was required to be taken to the profit and loss account in the year 2009 on a quarterly basis after adjustment for the effects of price movements in that year. Accordingly, 50% of impairment loss after taking adjustment / effect for price movement in market value during the period ended June 30, 2009 amounting to Rs. 34.716 million has been recognized in the Profit and Loss Account while the remaining impairment has been reported in 'Deficit on revaluation of investment'. However, for the purposes of distribution of dividend, the impairment loss as referred above shall be treated as a charge to the profit and loss account.

The recognition of impairment loss in accordance with the requirement of accounting standards would have had the following effect on these financial statements:

	June 30, 2009	
	Rupees in '000	
Decrease in provision of diminution in the value of investments	17,358	
Increase in tax charge for the period	1,739	
Decrease in loss for the period	15,619	
Increase in earning per share (EPS)	-	
Decrease in deficit on revaluation of assets – net of tax	18,888	
Increase in accumulated loss	18,888	
	June 30, 2009	December 31, 2008
	Rupees in '000	
7 FINANCINGS AND INVESTING ASSETS		
In Pakistan		
Murabaha financing	9,445,430	8,562,432
Export refinance (Islamic) - Murabaha financing	1,951,539	2,070,018
Musharaka financing	1,485,497	1,669,473
Payment against guarantees	5,674	5,674
	12,888,140	12,307,597
Net investment in ijarah - In Pakistan		
Ijarah financing	1,679,737	2,061,452
Ijarah assets - net	(7.1) 355,073	-
	2,034,810	2,061,452
Bills discounted and purchased (excluding treasury bills)		
Payable outside Pakistan	704,916	347,775
Financings - gross	15,627,866	14,716,824
Specific provision for non-performing financing	663,641	328,641
General provision against consumer financing	8,749	10,373
	672,390	339,014
Financings - net of provision	14,955,476	14,377,810

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

7.2 Financings and investing assets include Rs.1,385,171 thousands (2008:Rs. 861,669 thousands) which have been placed under non-performing status as detailed below:-

<u>Category of Classification</u>	June 30, 2009		June 30, 2009	
	<u>Classified Financings</u>		<u>Specific Provision</u>	
	Domestic	Overseas	Required	Held
Substandard	177,458	-	29,316	29,316
Doubtful	817,280	-	274,200	274,200
Loss	390,433	-	360,125	360,125
	1,385,171	-	663,641	663,641

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

		June 30, 2009	December 31, 2008
		Rupees in '000	
8	Operating fixed assets		
	Capital work-in-progress	85,749	20,384
	Property and equipment (8.1)	190,878	142,614
	Intangible assets	3,792	4,787
		<u>280,419</u>	<u>167,785</u>
8.1	Property and equipment		
	Opening book value	142,614	70,484
	Add: Additions during the period / year - cost (8.1.1)	66,054	100,871
		208,668	171,355
	Less: Deletion during the period / year (8.1.2)	1,808	6,793
		206,860	164,562
	Less: Depreciation during the period / year	15,982	21,948
	Book value at the end of the period / year	<u>190,878</u>	<u>142,614</u>
8.1.1	Additions during the period / year		
	Furniture and fixture	9,035	8,367
	Computer and office equipment	27,144	29,603
	Vehicles	7,367	10,802
	Leasehold improvements	22,508	52,099
		<u>66,054</u>	<u>100,871</u>
8.1.2	Deletions during the period / year		
	Furniture and fixture	36	105
	Computer and office equipment	39	88
	Vehicles	1,733	3,983
	Leasehold improvements	-	2,617
		<u>1,808</u>	<u>6,793</u>
9.	HEAD OFFICE CAPITAL ACCOUNT		
	<u>Capital held as:</u>		
	1. Interest free deposit in cash in Pak Rupees	-	-
	2. Interest free deposit in approved foreign exchange :		
	i) Revalued remittance from head office (9.1)	1,670,129	1,296,185
	ii) Revaluation surplus allowed by the State Bank	48,459	373,944
		1,718,588	1,670,129
	3. Deposit of unencumbered approved securities (6.1.1)	750,000	750,000
		(9.2) <u>2,468,588</u>	<u>2,420,129</u>
9.1	This represents an amount of US dollar 21.108(2007: US dollar 21.108) 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 and BSD Circular no. 19 dated September 05, 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.		
10.	CONTINGENCIES AND COMMITMENTS	June 30, 2009	December 31, 2008
		Rupees in '000	
10.1	Direct credit substitutes - Guarantees of indebtedness		
	i) Government	1,738,033	2,029,752
	ii) Financial institutions	-	-
	iii) Others	120,267	68,650
		<u>1,858,300</u>	<u>2,098,402</u>

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

	June 30, 2009	December 31, 2008
	Rupees in '000	
10.2 Transaction-related contingent liabilities		
i) Letters of credit	1,397,570	1,283,141
ii) Others - Shipping Guarantees	74,440	28,645
	<u>1,472,010</u>	<u>1,311,786</u>
10.3 Trade-related contingent liabilities		
Acceptances	<u>900,661</u>	<u>762,273</u>

10.4 Other contingencies

This represent additional income tax liability amounting to Rs. 236.863 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 2008. 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.

10.5 Commitments in respect of forward exchange contracts

Purchase	<u>1,005,153</u>	<u>3,631,384</u>
Sale	<u>1,508,487</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.

10.6 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. 57 million (2008: Rs. 45.166 million).

11. ADMINISTRATIVE EXPENSES

These includes depreciation on ijara assets amounting to Rs. 39.220 million (2008: Rs. Nil) against ijara assets recorded on or after 01 January 2009 and head office expenses amounting to Rs. 53.747 million (2008: Rs. Nil).

12. TAXATION

During the period, amendments were brought in the Income Tax Ordinance, 2001 through the Finance Act 2009 regarding tax allowability of provision against non-performing financing and off balance sheet exposures applicable from tax year 2010 (accounting year 31 December 2009) and onwards. The said amendments made in the tax law do not explicitly provide for a transitional mechanism with regard to the provision for non-performing financing made prior to the applicability of the above amendments. However, the Bank upon the opinion of its tax advisor and in the view of the Circular no. 07/2009 dated 28 July 2009 of ICAP on the subject matter is confident about the allowability of such provisions relating to prior periods. Hence, the tax impact of the same has been carried forward and treated as deferred tax asset as reported net of deferred tax liability in these interim condensed financial statements.

13. 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.

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

14. CASH AND CASH EQUIVALENTS	June 30, 2009	June 30, 2008
	'Rupees in '000	
Cash and balance with treasury banks	3,182,280	4,028,007
Balance with other banks	5,907,266	2,813,359
Overdrawn nostro accounts	(51,046)	(110,878)
	<u>9,038,500</u>	<u>6,730,488</u>

15. 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:

	June 30, 2009		December 31, 2008	
	Country Head & Executives	Other related parties	Country Head & Executives	Other related parties
	-----Rupees in '000-----			
Assets				
Cash and cash equivalents	-	407,286	-	-
Other receivables	-	<u>16,967</u>	-	<u>16,967</u>
Liabilities				
Deposits	35,764	103,053	58,337	2,451,973
Unremitted head office expenses	-	167,780	-	114,033
Mark-up/ Return payable	<u>1,974</u>	<u>6,940</u>	<u>2,321</u>	<u>26,175</u>

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

	June 30, 2009	June 30, 2008
	Rupees in '000	
Deposits received during the period	133,931	1,056,183
Deposits withdrawn during the period	2,505,424	1,229,948
Profit remitted during the period	-	126,719
Mark-up/return expensed	31,439	9,254
Mark-up/return earned	938	-
Head office expenditure	53,747	-

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

16. DATE OF AUTHORIZATION FOR ISSUE

These accounts are authorized for issue on 12 August 2009.

17. GENERAL

17.1 Figures of the profit and loss account for the quarters ended 30 June 2009 and 30 June 2008 have not been subject to a limited scope review, as the scope of the review covered only cumulative figures for the six months ended 30 June 2009.

17.2 Figures have been rounded off to nearest thousand.

17.3 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