

ALBARAKA BANK (PAKISTAN) LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	30 June 2014	31 December 2013
Note	----- (Rupees '000) -----	
	(Un-Audited)	(Audited)
ASSETS		
Cash and balances with treasury banks	6,051,412	5,727,407
Balances with other banks	11,821,508	16,565,377
Due from financial institutions	-	-
Investments	6 25,964,738	22,161,963
Islamic financing and related assets	7 41,723,507	37,020,644
Operating fixed assets	8 2,685,740	2,725,753
Deferred tax assets	1,360,873	1,431,064
Other assets	2,264,232	2,127,196
	91,872,010	87,759,404
LIABILITIES		
Bills payable	720,370	725,609
Due to financial institutions	1,347,100	2,201,945
Deposits and other accounts	9 80,358,231	75,647,097
Sub-ordinated loans	10 1,086,851	1,158,571
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	2,294,318	2,177,989
	85,806,870	81,911,211
NET ASSETS	6,065,140	5,848,193
REPRESENTED BY		
Share capital	8,935,200	8,935,200
Discount on issuance of shares	(767,290)	(767,290)
Reserves	112,184	82,074
Accumulated loss	(2,298,785)	(2,419,224)
	5,981,309	5,830,760
Surplus on revaluation of investments - net of tax	83,831	17,433
	6,065,140	5,848,193
CONTINGENCIES AND COMMITMENTS	11	

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

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Chairman

Chief Executive Officer

Director

Director

ALBARAKA BANK (PAKISTAN) LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2014

	Half year ended		Quarter ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
	Note -----(Rupees '000)-----			
Profit / return earned on islamic financing and related assets, investments and placements	12 3,111,514	3,008,248	1,520,046	1,526,193
Return on deposits and other dues expensed	2,024,642	2,041,066	1,005,137	1,040,215
Net spread earned	1,086,872	967,182	514,909	485,978
(Reversal of provision) / provision against non-performing islamic financing and related assets - net	(52,234)	176,648	(143,475)	12,359
Provision for diminution in the value of investments	3,657	51,829	1,999	50,880
Bad debts written off directly	-	-	-	-
	(48,577)	228,477	(141,476)	63,239
Net spread after provisions	1,135,449	738,705	656,385	422,739
Other income				
Fee, commission and brokerage income	194,506	146,553	86,817	79,581
Dividend income	540	-	540	-
Income from dealing in foreign currencies	113,328	72,983	57,178	50,005
Gain / (loss) on sale of securities - net	82,453	39,099	25,051	(439)
Other income	2,923	2,361	2,056	1,446
Total other income	393,750	260,996	171,642	130,593
	1,529,199	999,701	828,027	553,332
Other expenses				
Administrative expenses	1,298,327	1,063,342	662,826	556,247
Other provisions / (reversal of provisions) / write offs	14,328	107,188	(978)	112,131
(Other recoveries) / other charges	(3,495)	3,247	(3,596)	3,246
Total other expenses	1,309,160	1,173,777	658,252	671,624
	220,039	(174,076)	169,775	(118,292)
Extra ordinary / unusual items	-	-	-	-
Profit / (loss) before taxation	220,039	(174,076)	169,775	(118,292)
Taxation - Current	(35,053)	(32,692)	(16,917)	(24,630)
- Prior years	-	-	-	-
- Deferred	(34,437)	86,220	(37,763)	61,642
	(69,490)	53,528	(54,680)	37,012
Profit / (loss) after taxation	150,549	(120,548)	115,095	(81,280)
Basic / diluted earning / (loss) per share (Rupee)	0.17	(0.13)	0.13	(0.09)

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

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Chairman

Chief Executive Officer

Director

Director

ALBARAKA BANK (PAKISTAN) LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2014

	Half year ended		Quarter ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
	------(Rupees '000)-----			
Profit / (loss) for the period - after taxation	150,549	(120,548)	115,095	(81,280)
Other comprehensive income	-	-	-	-
Total comprehensive income / (loss) for the period	<u>150,549</u>	<u>(120,548)</u>	<u>115,095</u>	<u>(81,280)</u>

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 17 form an integral part of these condensed interim financial statements.

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Chairman

Chief Executive

Director

Director

ALBARAKA BANK (PAKISTAN) LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2014

	30 June 2014	30 June 2013
	------(Rupees '000)-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	220,039	(174,076)
Adjustments for non-cash and other items:		
Depreciation	63,256	49,114
Depreciation on ijarah assets held under IFAS 2	495,967	416,318
Amortisation	46,410	44,887
(Reversal of provision) / provision against non-performing islamic financing and related assets	(52,234)	176,648
Provision for diminution in the value of investments	3,657	51,829
Other provisions / write offs	14,328	107,188
Gain on sale of operating fixed assets	(1,908)	(2,361)
	569,476	843,623
	789,515	669,547
Increase in operating assets		
Due from financial institutions	-	(1,478,978)
Islamic financing and related assets	(5,146,596)	(6,044,413)
Others assets	(177,686)	(85,932)
	(5,324,282)	(7,609,323)
Increase / (decrease) in operating liabilities		
Bills payable	(5,239)	247,492
Due to financial institutions	(854,845)	479,612
Deposits and other accounts	4,711,134	10,494,288
Other liabilities	116,329	247,282
	3,967,379	11,468,674
Income tax paid	(8,730)	(42,424)
Net cash (outflow) / inflow from operating activities	(576,118)	4,486,474
CASH FLOWS FROM INVESTING ACTIVITIES		
Net disposals / redemptions of investments	(3,704,281)	(453,302)
Net investments in operating fixed assets	(69,759)	(231,763)
Proceeds from disposal of operating fixed assets	2,014	1,918
Net cash outflow from investing activities	(3,772,026)	(683,147)
CASH FLOWS FROM FINANCING ACTIVITIES		
	-	-
Net (decrease) / increase in cash and cash equivalents	(4,348,144)	3,803,327
Cash and cash equivalents at beginning of the period	22,292,784	10,933,858
Exchange adjustment on translation of sub-ordinated loans	(71,720)	-
Cash and cash equivalents at end of the period	17,872,920	14,737,185

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

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Chairman

Chief Executive Officer

Director

Director

ALBARAKA BANK (PAKISTAN) LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 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 period	-	-	-	(120,548)	(120,548)
Other comprehensive loss	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(120,548)	(120,548)
Transfer to statutory reserves	-	-	-	-	-
Balance as at 30 June 2013	8,935,200	(767,290)	82,074	(2,489,486)	5,760,498
Profit for the period	-	-	-	79,317	79,317
Other comprehensive loss	-	-	-	(9,055)	(9,055)
Total comprehensive income for the period	-	-	-	70,262	70,262
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 period	-	-	-	150,549	150,549
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	150,549	150,549
Transfer to statutory reserves	-	-	30,110	(30,110)	-
Balance as at 30 June 2014	<u>8,935,200</u>	<u>(767,290)</u>	<u>112,184</u>	<u>(2,298,785)</u>	<u>5,981,309</u>

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

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

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Chairman

Chief Executive Officer

Director

Director

ALBARAKA BANK (PAKISTAN) LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 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 2013, Pakistan Credit Rating Agency Limited (PACRA) has determined the Bank's long-term rating at "A" and short term rating as 'A1' with a 'positive' outlook. 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. 1,086.851 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 compliant 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.

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SBP while approving capital plan of the Bank vide its letter no. BPRD/BA&CP/608/019652/2013 dated 28 December 2013 required the Bank to maintain CAR of at least 16% which may be reduced depending on the level of increase in the MCR.

As of 30 June, the CAR of the Bank stood at 11.37%. To comply to this requirement, the Bank is in the process of issuing the Tier II Shariah compliant sukuk of Rs 2.5 billion (inclusive of green shoe option of Rs 500 million). SBP has approved the issuance of sukuk vide its letter no BPRD/BA & CPD/608/9736/2014 dated 6 June 2014. The sukuk issuance process is expected to complete during third quarter of 2014 and will enable the Bank to comply with the CAR requirements prescribed by the SBP.

2. STATEMENT OF COMPLIANCE

2.1 These condensed interim financial statements of the Bank for the half year ended 30 June 2014 have been prepared in accordance with approved accounting standards as applicable in Pakistan. The disclosures made in these condensed interim financial statements have been limited based on the format prescribed by SBP vide BSD Circular Letter No. 2 dated 12 May 2004 and International Accounting Standard (IAS) 34, "Interim Financial Reporting". They do not include all the disclosures required for annual financial statements, and these condensed interim financial statements should be read in conjunction with financial statements for the year ended 31 December 2013.

3. BASIS OF MEASUREMENT

These condensed interim financial statements have been prepared under the historical cost convention except that certain investments, foreign currency balances and commitments in respect of certain foreign exchange contracts have been marked to market and carried at fair value in accordance with the requirements of the SBP.

3.1 Functional and presentation currency

These condensed interim financial information has been presented in Pakistan Rupee, which is the Bank's functional and presentation currency.

4. SIGNIFICANT ACCOUNTING POLICIES AND RISK MANAGEMENT

4.1 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 Standards, Interpretations and Amendments

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

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

IFRIC 21 – Levies

IFAS 3 - Profit and loss sharing on Deposits

The adoption of the above amendments to accounting standards and interpretation did not have a material effect on these condensed interim financial statements.

4.2 The financial risk management objectives and policies are consistent with those disclosed in the annual audited financial statements of the Bank for the year ended 31 December 2013.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The basis and the methods used for critical accounting estimates and judgements adopted in 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 31 December 2013.

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6. INVESTMENTS

	30 June 2014 (Un-Audited)			31 December 2013 (Audited)		
	Held by the Bank	Given as Collateral	Total	Held by the Bank	Given as Collateral	Total
Note	----- Rupees in '000 -----					
Available for sale securities						
Sukuk certificates	25,867,030	-	25,867,030	22,264,509	-	22,264,509
Ordinary shares of listed companies	130,528	-	130,528	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	26,049,758	-	26,049,758	22,345,477	-	22,345,477
Less: Provisions for diminution in the value of investments	6.1 (213,991)	-	(213,991)	(210,334)	-	(210,334)
Investments (net of provisions)	25,835,767	-	25,835,767	22,135,143	-	22,135,143
Surplus on revaluation of 'available for sale' securities	128,971	-	128,971	26,820	-	26,820
Total investments at market value	25,964,738	-	25,964,738	22,161,963	-	22,161,963

6.1 Particulars of provisions for diminution in the value of investments:

	Note	30 June 2014 (Un-Audited)	31 December 2013 (Audited)
Opening balance		210,334	106,344
Charged during the period / year	6.2	4,441	119,436
Reversal during the period / year		(784)	(15,446)
		3,657	103,990
Closing balance		213,991	210,334

6.2 The mark to market impairment loss on this investment as of 30 June 2014 amounts to Rs. 20.310 (2013 : Rs. 18.354) million. However, SBP vide its letters BPRD/BRD-(Policy)/2014-11546 dated 27 June 2014 read with letter no. BPRD/BRD-(Policy)/2013-11339 dated 25 July 2013 and 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 2015. As per such relaxation, the Bank is required to book atleast 65% of impairment loss as of 30 June 2014 which amounts to Rs. 13.202 (2013 : Rs.9.177) million.

7. ISLAMIC FINANCING AND RELATED ASSETS

In Pakistan

Islamic financing and related assets

- Murabaha finance		17,232,428	18,195,145
- Advance against murabaha finance		2,812,720	985,545
- Export refinance under Islamic scheme		1,445,430	2,455,955
- Ijarah assets under IFAS 2	7.1	3,382,341	2,881,097
- Net investment in ijarah		118,800	129,091
- Advance against ijarah		249,478	303,652
- Service Ijarah		794,118	394,608
- Diminishing musharaka financing	7.1	9,133,578	7,136,647
- Over due acceptances		498,729	562,235
- Salam financing		32,525	180,826
- Salam inventory		200,001	-
- Advance against salam		5,631,352	4,349,501
- Istasna finance		408,226	374,405
- Istasna advance		2,014,825	1,414,360
- Financing against bills		477,523	428,963
- Qarz-e-Hasna		29,581	22,432
- Rahnuma travel services		187	-
Islamic financing and related assets - gross		44,461,842	39,814,462
Provisions for non-performing financing - specific	7.3	2,722,087	2,778,875
Provisions for non-performing financing - general	7.3	16,248	14,943
		2,738,335	2,793,818
Islamic financing and related assets - net of provisions		41,723,507	37,020,644

7.1 These include staff ijarah and musharaka financing amounting to Rs. 39.296 (2013 : Rs. 49.865) million and Rs. 471.412 (2013 : Rs. 394.041) million respectively.

ALBARAKA BANK (PAKISTAN) LIMITED
CONDENSED INTERIM FINANCIAL STATEMENTS

7.2 Islamic financing and related assets include Rs. 4,825.112 (2013: Rs 5,248.051) million which have been placed under non-performing status as detailed below:

Category of classifications	30 June 2014 (Un-Audited)				
	Domestic	Overseas	Total	Provision required	Provision held
	Rupees in '000				
Other assets especially mentioned	-	-	-	-	-
Substandard	389,517	-	389,517	74,343	74,343
Doubtful	312,447	-	312,447	124,169	124,169
Loss	4,123,148	-	4,123,148	2,523,575	2,523,575
	<u>4,825,112</u>	<u>-</u>	<u>4,825,112</u>	<u>2,722,087</u>	<u>2,722,087</u>

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
	<u>5,248,051</u>	<u>-</u>	<u>5,248,051</u>	<u>2,778,875</u>	<u>2,778,875</u>

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

	30 June 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	269,798	1,305	271,103	713,160	3,176	716,336
Reversals for the period / year	(323,337)	-	(323,337)	(649,193)	-	(649,193)
	(53,539)	1,305	(52,234)	63,967	3,176	67,143
Written off during the period / year	(3,249)	-	(3,249)	-	-	-
Closing balance	<u>2,722,087</u>	<u>16,248</u>	<u>2,738,335</u>	<u>2,778,875</u>	<u>14,943</u>	<u>2,793,818</u>

7.4 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. 1,742.698 (2013: Rs. 2,167.125) million. The FSV benefit recognized is not allowed for distribution of cash or stock dividend to shareholders.

7.5 The Bank maintains general reserve (provisions) in accordance with the applicable requirements of prudential regulations for consumer, small and medium enterprise islamic financing.

8. OPERATING FIXED ASSETS	Note	30 June	December
		2014	2013
		----- (Rupees '000) -----	
Tangible assets			
Property and equipments		1,427,978	1,453,553
Intangible assets		883,363	915,126
Capital work-in-progress	8.1	374,399	357,074
		<u>2,685,740</u>	<u>2,725,753</u>
8.1. Capital work-in-progress			
Advances to suppliers and contractors	8.1.1	374,399	357,074
Advance for purchase of property		251,680	251,680
Provisions for impairment against advance for purchase of property		(251,680)	(251,680)
		-	-
		<u>374,399</u>	<u>357,074</u>

8.1.1 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

	30 June 2014	31 December 2013
	------(Rupees '000)----- (Un-Audited)	(Audited)
9. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	21,677,814	26,364,509
Savings deposits	22,934,430	25,092,485
Current accounts - non-remunerative	22,502,491	12,241,316
Margin deposits	1,007,495	558,019
	68,122,230	64,256,329
Financial Institutions		
Remunerative deposits	10,772,221	11,347,303
Non-remunerative deposits	1,463,780	43,465
	12,236,001	11,390,768
	80,358,231	75,647,097
10. SUB-ORDINATED LOANS		
<p>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. 1,086.851 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 profit free deposit account maintained by the Bank with the SBP in US Dollars.</p>		
11. CONTINGENCIES AND COMMITMENTS		
11.1 Transaction-related contingent liabilities		
Includes performance bonds, bid bonds, shipping guarantees favouring:		
i) Government	5,226,227	4,442,566
ii) Others	577,772	1,079,237
	5,803,999	5,521,803
11.2 Trade-related contingent liabilities		
Letters of credit	3,858,896	5,007,432
Others - Shipping Guarantees	180,639	138,360
Acceptances	1,287,394	1,198,246
11.3 Commitments in respect of forward exchange contracts		
Purchase	1,679,608	2,320,863
Sale	2,244,570	2,781,334
11.4 Commitments to incur capital expenditure	7,897	40,161

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11.5 Other Contingencies

11.5.1 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 interim 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.

11.5.2 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 years 2009 to 2012 amounting to Rs. 121.16 million. However, ATIR has set aside the orders related to years 2009 to 2011 for fresh adjudication and the said matter is pending decision for further proceedings. For year 2012, the Bank has filed the appeal before Commissioner (Appeals) against the order of assessing officer. However, the hearing of appeal is pending. The Bank after necessary consultation with its tax advisor is confident that the aforementioned matters 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.

11.5.3 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.

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

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Half year ended		Quarter ended	
30 June 2014	30 June 2013	30 June 2014	30 June 2013

------(Rupees '000)-----

------(Un-Audited)-----

12. PROFIT / RETURN EARNED ON ISLAMIC FINANCING AND RELATED ASSETS, INVESTMENTS AND PLACEMENTS

On islamic financing and related assets	1,881,522	1,619,296	925,291	836,502
On investments	806,534	1,178,771	370,794	591,427
On deposits with banks	397,860	171,930	198,682	75,689
On due from financial institutions	25,598	38,251	25,279	22,575
	3,111,514	3,008,248	1,520,046	1,526,193

13. (OTHER RECOVERIES) / OTHER CHARGES

SBP Penalties (recovered) / imposed	(3,495)	3,247	(3,596)	3,246
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14. RELATED PARTY TRANSACTIONS

14.1 Related parties comprise of key management personnel, shareholders of the Bank and staff retirement funds.

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

	30 June 2014	31 December 2013
	------(Rupees '000)-----	
	(Un-Audited)	(Audited)
Key management personnel		
Islamic financing and related assets		
At beginning of the period / year	116,663	77,319
Additions during the period / year	28,531	70,182
Deletions during the period / year	(33,142)	(30,838)
At end of the period / year	112,052	116,663
Deposits		
At beginning of the period / year	171,731	142,535
Additions during the period / year	304,085	376,945
Deletions during the period / year	(398,568)	(347,749)
At end of the period / year	77,248	171,731
Other Balances		
Return payable on deposit	600	568
Profit receivable on islamic financing and related assets	67	84

Half year ended		Quarter ended	
30 June 2014	30 June 2013	30 June 2014	30 June 2013

-----Rupees in'000-----

------(Un-Audited)-----

Transactions, income and expenses

Profit earned on islamic financing and related assets	1,766	1,920	619	896
Return on deposits expenses	5,202	4,671	1,894	2,727
Salaries, allowances and benefits	93,859	86,851	40,450	50,461

Signature

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30 June 31 December
2014 2013

------(Rupees '000)-----
(Un-Audited) (Audited)

Major Sponsor

Unremitted expenses	95,704	95,704
Sub-ordinated loans	1,086,851	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	304,677	938,113
Deletions during the period / year	(523,189)	(761,470)
At end of the period / year	499,705	718,217

Other balances

Return payable on deposits	4,168	4,579
Investments	52,200	52,200
Provision for diminution in the value of investment	25,504	25,088
Non funded exposure	34,039	281,120

Payable to shareholders

2,098 2,098

Retirement benefit plan

Receivable in respect of defined benefit plan align="right">6,950 6,950

Half year ended		Quarter ended	
30 June	30 June	30 June	30 June
2014	2013	2014	2013
-----Rupees in'000-----			
------(Un-Audited)-----			

Transactions, income and expenses

Return on deposits expenses	29,975	18,265	13,203	10,402
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Retirement benefit plan

Contribution to defined contribution plan	20,679	19,389	10,466	10,271
Contribution to defined benefit plan	23,309	17,744	14,114	9,355

15. SEGMENT BY CLASS OF BUSINESS

The segment analysis with respect to business activity is as follows:

Half year ended 30 June 2014 (Un-Audited)

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement
----- (Rupees in'000) -----					
Total income	40,436	1,426,314	310,709	1,725,909	1,896
Total expenses	-	1,450,410	314,850	1,589,455	-
Net profit / (loss)	40,436	(24,096)	(4,141)	136,454	1,896

As at 30 June 2014 (Un-Audited)

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement
----- (Rupees in'000) -----					
Segment assets (gross of provisions)	-	44,860,907	5,559,108	43,278,138	912,192
Segment non - performing loans (NPFs)	-	-	107,595	4,717,517	-
Segment provision required against NPFs	-	-	59,450	2,678,885	-
Segment liabilities	-	1,086,851	27,058,088	56,941,561	720,370

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Half year ended 30 June 2013 (Un-Audited)

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement
----- (Rupees in'000)-----					
Total income	4,348	1,501,035	249,506	1,513,010	1,345
Total expenses	-	1,642,571	292,070	1,455,151	-
Net profit / (loss)	4,348	(141,536)	(42,564)	57,859	1,345

As at 31 December 2013 (Audited)

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement
----- (Rupees in'000)-----					
Segment assets (gross of provisions)	-	45,776,022	5,128,510	38,911,705	736,985
Segment non - performing financings (NPFs)	-	-	123,027	5,125,024	-
Segment provision required against NPFs	-	-	64,367	2,729,451	-
Segment liabilities	-	1,158,571	24,330,781	55,696,247	725,612

16. GENERAL

- 16.1** Figures of the profit and loss account and comprehensive income for the quarters ended June 30, 2014 and June 30, 2013 have not been subjected to limited scope review by the auditors as they are only required to review half- yearly figures.
- 16.2** Corresponding figures have been re-arranged and reclassified, wherever necessary, to facilitate comparisons. No significant reclassifications were made during the current period.
- 16.3** Figures have been rounded off to the nearest thousand rupees.

17. DATE OF AUTHORISATION

These condensed interim financial statements were authorized for issue on 28 August 2014 by the Board of Directors of the Bank.

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Chairman

Chief Executive Officer

Director

Director