

ALBARAKA ISLAMIC BANK B.S.C. (E.C.) - Pakistan Branches
(Incorporated in Bahrain with limited liability)
INTERIM CONDENSED BALANCE SHEET AS AT JUNE 30, 2007

	Notes	(Unaudited) June 30, 2007	(Audited) December 31, 2006
Rupees in '000			
ASSETS			
Cash and balances with treasury banks		3,067,316	3,355,669
Balances with other banks		3,418,843	4,259,426
Due from financial institutions		-	-
Investments	4	1,188,168	1,182,737
Financings	5	10,453,205	9,693,182
Operating fixed assets		72,741	71,418
Deferred tax assets		-	-
Other assets	6	1,286,590	305,830
		19,486,863	18,868,262
LIABILITIES			
Bills payable		209,985	155,680
Due to financial institutions		1,489,622	1,895,027
Deposits and other accounts		14,477,195	13,821,441
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		110,851	78,860
Other liabilities		878,851	726,248
		17,166,504	16,677,256
NET ASSETS		2,320,359	2,191,006
REPRESENTED BY			
Head office capital account	7	2,034,789	2,036,390
Reserves		-	-
Unremitted profit		282,032	154,820
		2,316,821	2,191,210
Surplus/(deficit) on revaluation of assets		3,538	(204)
		2,320,359	2,191,006
CONTINGENCIES AND COMMITMENTS	8	-	-

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

SHAFQAAT AHMED
Country Head

AYYAZ AHMAD
Chief Financial Officer

ALBARAKA ISLAMIC BANK B.S.C. (E.C.) - Pakistan Branches
(Incorporated in Bahrain with limited liability)
INTERIM CONDENSED PROFIT AND LOSS ACCOUNT - (UNAUDITED)
FOR THE PERIOD ENDED JUNE 30, 2007

	Three months ended June 30, 2007	Six months ended June 30, 2007	Three months ended June 30, 2006	Six months ended June 30, 2006
	-----Rupees in '000-----			
Profit / return on financings, investments and placements earned	361,916	730,899	252,881	508,426
Less: Return on deposits and other dues expensed	259,854	528,337	189,485	387,548
Net spread	102,062	202,562	63,396	120,878
Provision against non-performing financings	10,246	1,379	11,045	12,523
Provision against consumer financing	(1,308)	(1,930)	(2,067)	(2,719)
Provision against diminution in the value of investments	-	-	-	-
Bad debts written off directly	-	-	-	-
	8,938	(551)	8,978	9,804
Income after provisions	111,000	202,011	72,374	130,682
OTHER INCOME				
Fee, commission and brokerage income	32,973	58,701	28,245	49,549
Dividend income	405	1,036	2,587	2,912
Income from dealing in foreign currencies	13,042	26,510	14,234	26,178
Gain on sale of investments	6,946	10,950	1,406	8,078
Other income/(loss)	13,001	20,391	(32,295)	(24,923)
Total other income	66,367	117,588	14,177	61,794
	177,367	319,599	86,551	192,476
OTHER EXPENSES				
Administrative expenses	79,466	150,956	59,008	121,105
Other provisions	-	-	(541)	(541)
Other charges	533	162	-	-
Total other expenses	79,999	151,118	58,467	120,564
	97,368	168,481	28,084	71,912
Extra ordinary/unusual items	-	-	-	-
PROFIT BEFORE TAXATION	97,368	168,481	28,084	71,912
Taxation – Current	8,094	9,277	4,406	4,439
- Prior years	-	-	-	-
- Deferred	18,012	31,992	20,980	35,036
	26,106	41,269	25,386	39,475
PROFIT AFTER TAXATION	71,262	127,212	2,698	32,437
Unremitted profit brought forward	210,770	154,820	379,474	349,735
Unremitted profit	282,032	282,032	382,172	382,172
APPROPRIATIONS				
Transfer to:				
- Statutory reserve	-	-	-	-
- Capital reserve	-	-	-	-
- Revenue reserve	-	-	-	-
- Remittances to head office	-	-	338,854	338,854
	-	-	338,854	338,854
Unremitted profit carried forward	282,032	282,032	43,318	43,318
Basic earnings per share	-	-	-	-
Diluted earnings per share	-	-	-	-

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

SHAFQAAT AHMED
Country Head

AYYAZ AHMAD
Chief Financial Officer

ALBARAKA ISLAMIC BANK B.S.C. (E.C.) - Pakistan Branches
(Incorporated in Bahrain with limited liability)
INTERIM CONDENSED CASH FLOW STATEMENT - (UNAUDITED)
FOR THE PERIOD ENDED JUNE 30, 2007

	Six month ended June 30, 2007	Six month ended June 30, 2006
	Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	168,481	71,912
Dividend income	(1,036)	(2,912)
	<u>167,445</u>	<u>69,000</u>
Adjustments:		
Depreciation	9,668	8,594
Amortization	964	828
Provision against non-performing financings	551	(9,804)
Gain on sale of fixed assets	(424)	(1,414)
Gain on sale of "available for sale " investments	(11,331)	(8,078)
Write offs	-	(541)
Unrealised remeasurement (gain)/loss on "held for trading investments"	(19,967)	26,726
	<u>(20,539)</u>	<u>16,311</u>
	146,906	85,311
(Increase)/decrease in operating assets		
Held-for-trading securities	82,858	(58,504)
Financings	(760,574)	(604,010)
Others assets (excluding advance taxation)	(965,950)	31,261
	<u>(1,643,666)</u>	<u>(631,253)</u>
Increase/(decrease) in operating liabilities		
Bills payable	54,305	95,418
Due to financial institutions	(405,405)	(201,508)
Deposits and other accounts	655,754	898,347
Other liabilities (excluding current taxation)	152,603	368,938
	<u>457,257</u>	<u>1,161,195</u>
	(1,039,503)	615,253
Income tax paid	(23,928)	9,768
<i>Net cash (used in) /generated from operating activities</i>	<u>(1,063,431)</u>	<u>625,021</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(48,669)	(20,000)
Net investments in held-to-maturity securities	(4,579)	(750,000)
Dividend income	876	2,912
Investments in operating fixed assets	(11,956)	(12,414)
Sale proceeds of operating fixed assets disposed-off	424	1,415
<i>Net cash used in investing activities</i>	<u>(63,904)</u>	<u>(778,087)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Remittances from head office	-	-
Remittances made to head office	-	(338,854)
<i>Net cash used in financing activities</i>	-	(338,854)
Effects of exchange rate changes on cash and cash equivalents	(1,601)	-
Decrease in cash and cash equivalents	<u>(1,128,936)</u>	<u>(491,920)</u>
Cash and cash equivalents at beginning of the period	7,615,095	7,003,890
Cash and cash equivalents at end of the period	<u>6,486,159</u>	<u>6,511,971</u>

11

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

SHAFQAAT AHMED
Country Head

AYYAZ AHMAD
Chief Financial Officer

ALBARAKA ISLAMIC BANK B.S.C. (E.C.) - Pakistan Branches
(Incorporated in Bahrain with limited liability)
STATEMENT OF CHANGES IN EQUITY - (UNAUDITED)
FOR THE PERIOD ENDED JUNE 30, 2007

	Head office capital account	Unremitted profit	Total
	-----Rupees in '000-----		
Balance as on January 01, 2006	2,002,809	349,735	2,352,544
Profit for the period	-	32,437	32,437
Remittances made to head office	-	(338,854)	(338,854)
	2,002,809	43,318	2,046,127
Profit for the period	-	111,502	111,502
Exchange adjustments on revaluation of capital	33,581	-	33,581
	2,036,390	154,820	2,191,210
Balance as on December 31, 2006			
Profit for the period	-	127,212	127,212
Exchange adjustments on revaluation of capital	(1,601)	-	(1,601)
	2,034,789	282,032	2,316,821
Balance as on June 30, 2007	2,034,789	282,032	2,316,821

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

SHAFQAAT AHMED
Country Head

AYYAZ AHMAD
Chief Financial Officer

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

(Incorporated in Bahrain with limited liability)

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED JUNE 30, 2007 (UNAUDITED)

1. STATUS AND NATURE OF BUSINESS

AlBaraka Islamic bank B.S.C. (E.C.) - Pakistan Branches (the Bank), operates as branches of foreign bank incorporated and domiciled in Kingdom of Bahrain on February 21, 1984 and is a member of AlBaraka Banking Group. The Bank commenced its operations in Pakistan in December 1991. The Pakistan branches operate as scheduled Islamic commercial bank under license issued by State Bank of Pakistan (SBP) and is principally engaged in the business of banking as defined in the Banking Companies Ordinance, 1962.

The registered office of the Bank is situated at PICIC House, 14-Shahrah-e-Aiwan-Tijarat, Lahore and it presently operates through eleven branches in Pakistan at Lahore, Karachi, Islamabad, Faisalabad and Rawalpindi.

2. STATEMENT OF COMPLIANCE

These interim financial statements are prepared in accordance with the requirements of Companies Ordinance, 1984, the Banking Companies Ordinance 1962, the directives issued by the SBP, Securities Exchange Commission of Pakistan (SECP), the International Financial Reporting & Accounting Standards issued by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB, as adopted in Pakistan. Whenever, the requirements of Companies Ordinance, Banking Companies Ordinance, 1962 or the directives issued by SECP and the SBP differ with the requirements of these standards, the requirements of the Companies Ordinance 1984, Banking Companies Ordinance 1962 or the requirements of the said directives take precedence. These interim financial statements are unaudited and is being presented in the condensed form in accordance with the requirements of International Accounting Standard 34- "Interim Financial Reporting" and BSD Circular Letter No. 02 dated May 12, 2004, issued by the SBP.

International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property (IAS 40) are not applicable for banking companies in Pakistan. Accordingly, the requirements of these standards have not been considered in the preparation of these interim financial statements. However, investments have been presented in accordance with the requirements prescribed by the SBP's BSD Circular No. 10 dated July 13, 2004.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these interim financial statements are the same as applied in the preparation of annual financial statements of the Bank for the year ended December 31, 2006.

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

Note	June 30, 2007			December 31, 2006		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
-----Rupees in '000-----						
4. INVESTMENTS						
Investments by types :						
Held-for-trading securities						
Fully paid up ordinary shares - listed	36,418	-	36,418	119,276	-	119,276
Available-for-sale securities						
National Investment Trust Units	60,000	-	60,000	40,000	-	40,000
United Composite Islamic Funds (UCIF) Units	25,000	-	25,000	25,000	-	25,000
Meezan Islamic Income Funds (MIIF) Units	50,000	-	50,000	10,000	-	10,000
Fully paid ordinary shares - unquoted	4,447	-	4,447	4,447	-	4,447
	139,447	-	139,447	79,447	-	79,447
Held-to-maturity securities						
Term deposit receipt	250,280	-	250,280	244,971	-	244,971
WAPDA Sukuk	765,137	-	765,137	765,867	-	765,867
	1,015,417	-	1,015,417	1,010,838	-	1,010,838
Investment at cost	1,191,282	-	1,191,282	1,209,561	-	1,209,561
Less: Provision for diminution in value of investments	4,447	-	4,447	4,447	-	4,447
Investments (net of provisions)	1,186,835	-	1,186,835	1,205,114	-	1,205,114
Deficit on revaluation of held-for-trading securities	(2,205)	-	(2,205)	(22,173)	-	(22,173)
Surplus/(deficit) on revaluation of available for sale securities	3,538	-	3,538	(204)	-	(204)
	1,333	-	1,333	(22,377)	-	(22,377)
Total investments at market value	1,188,168	-	1,188,168	1,182,737	-	1,182,737

4.1 This represents 150,000 Units (2006:150,000 Units) of WADPA Sukuk having face value of Rs.5,000 each (2006: Rs 5,000) deposited with SBP by way of pledge in compliance with subsection (3) of section 13 of Banking Companies Ordinance, 1962.

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

	Note	June 30, 2007	December 31, 2006
Rupees in '000			
5. FINANCINGS			
In Pakistan			
Murabaha financing		5,792,297	5,159,410
Export refinance (Islamic) - Murabaha financing		1,592,323	989,721
Export refinance (conventional)	(5.1)	-	1,259,463
Musharaka financing		705,119	568,695
Payment against guarantees		9,149	15,624
		8,098,888	7,992,913
Net investment in ijarah financing - in Pakistan		1,940,864	1,581,681
Bills discounted and purchased (excluding treasury bills)			
Payable outside Pakistan		594,509	301,445
Financings - gross		10,634,261	9,876,039
Provision for non-performing financings		173,916	177,647
General provision against consumer financing		7,140	5,210
		181,056	182,857
Financings - net of provision		10,453,205	9,693,182

5.1 Conventional export refinance scheme of SBP has been discontinued by the Bank in order to comply with the requirements of Islamic banking license.

Financings include Rs. 236,806 thousands (2006: Rs. 246,826 thousands) which have been placed under non-performing status as detailed below:-

	June 30, 2007			
	<u>Domestic</u>	<u>Overseas</u>	<u>Provision Required</u>	<u>Provision Held</u>
<u>Category of classification</u>	-----Rupees in '000'-----			
Substandard	13,805	-	4,291	4,291
Doubtful	1,811	-	918	918
Loss	221,190	-	168,707	168,707
	236,806	-	173,916	173,916
	December 31, 2006			
	<u>Domestic</u>	<u>Overseas</u>	<u>Provision Required</u>	<u>Provision Held</u>
<u>Category of classification</u>	-----Rupees in '000'-----			
Substandard	17,227	-	1,889	1,889
Doubtful	4,650	-	2,325	2,325
Loss	224,949	-	173,433	173,433
	246,826	-	177,647	177,647

6. OTHER ASSETS

This includes advance against Murabaha amounting to Rs.1,003,373 thousand (2006: Rs. 50,000 thousand).

7. HEAD OFFICE CAPITAL ACCOUNT

As on June 30, 2007, the Bank's capital is below the minimum capital requirement of Rs. 3 billion as directed by the SBP. Bank is further required to increase its minimum capital to Rs. 4 billion as at December 31, 2007 if minimum capital at Head office remains less than US\$ 100 million. SBP has provided specific exemption to the Bank from said requirement vide its letter No. BSD/SU-1/608/219 dated January 26, 2007, which is valid till September 30, 2007.

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

	June 30, 2007	December 31, 2006
	Rupees in '000	
8. CONTINGENCIES AND COMMITMENTS		
8.1 Direct credit substitutes- Guarantees of indebtedness		
Government	1,592,676	874,967
Financial institutions	13,265	13,266
Others	222,257	656,002
	<u>1,828,198</u>	<u>1,544,235</u>
8.2 Transaction-related contingent liabilities		
Letters of credit	1,565,407	1,285,093
Others- Shipping Guarantees	51,494	34,306
	<u>1,616,901</u>	<u>1,319,399</u>
8.3 Trade related contingent liabilities		
Acceptances	<u>1,309,433</u>	<u>1,324,529</u>
8.4 Other contingencies		
<p>This represents additional income tax liability amounting to Rs. 7.698 (2006: Rs. 7,698) million in respect of income years from 2000 to 2001 not acknowledged by the Bank. Moreover, the income tax Department has also filed appeals against assessment orders in respect of these years issued by CIT (Appeals). Appeals filed by the Bank and the department to the Income Tax Tribunal are pending for decision. Management of the Bank has evaluated after consulting their income tax advisor that appeals are likely to be decided in favour of the Bank and hence no provision has been made for the same in these interim financial statements.</p>		
8.5 Commitments in respect of forward exchange contracts		
Purchase	<u>115,641</u>	<u>559,546</u>
Sale	<u>580,641</u>	<u>603,726</u>
8.6 Other Commitments		
<p>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 with drawn.</p>		
9. OTHER INCOME / (LOSS)		
<p>This includes unrealized remeasurement gain/(loss) on held for trading securities amounting to Rs.19.967 million (2006: Rs.(26.726) million).</p>		
10. EARNINGS PER SHARES		
<p>The Bank operating as branches of a foreign entity does not has share capital, therefore, no figures of basic and diluted earning per share have been presented in these interim financial statements.</p>		
11. CASH AND CASH EQUIVALENT		
Cash and balances with treasury banks	3,067,316	3,355,669
Balances with other banks	3,418,843	4,259,426
	<u>6,486,159</u>	<u>7,615,095</u>

12. RELATED PARTY TRANSACTION

Related parties comprise of head office and branches of the Bank outside Pakistan, Key management personnel and employee funds, related party also comprise of major shareholder, directors of the AlBaraka Islamic Bank B.S.C. (E.C.), close members of their families, entities owned or controlled by them and companies affiliated by virtue of shareholding in common with that of the AlBaraka Islamic Bank B.S.C.(E.C.). The significant balances with related parties were as follows:

	June 30, 2007		December 31, 2006	
	Regional General Manager and Executives	Other related parties	Regional General Manager and Executives	Other related parties
	Rupees in '000			
ASSETS				
Investment	-	250,280	-	244,971
LIABILITIES				
Deposits	57,815	61,405	53,494	44,021
Return payable on deposits	1,485	354	1,412	612

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

	Six months ended June 30 2007	Six months ended June 30 2006
	Rupees in '000	
Funds placed during the period	-	-
Fund withdrawn during the period	-	52,450
Deposits received during the period	173,416	117,318
Deposits withdrawn during the period	154,034	123,584
Profit remitted during the period	-	338,854
Mark-up/return/interest expensed	4,504	1,447
Mark-up/return/interest earned	7,469	7,977

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

13. DATE OF AUTHORIZATION FOR ISSUE

These interim financial statements are authorized for issuance on _____.

14. GENERAL

- 14.1 The figures of the interim condensed profit and loss account for the quarter ended June 30, 2007 and June 30, 2006 have not been reviewed by the auditors as they are required to review only the cumulative figures for the half year ended June 30, 2007.
- 14.2 Figures have been rounded off to nearest thousand rupees.
- 14.3 Captions in respect of which there are no amounts have not been reproduced in these interim financial informations except in case of balance sheet and profit and loss account.

SHAFQAAT AHMED
Country Head

AYYAZ AHMAD
Chief Financial Officer