

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

**INTERIM CONDENSED BALANCE SHEET AS AT SEPTEMBER 30, 2007**

	Notes	(Unaudited) September 30, 2007	(Audited) December 31, 2006
Rupees in '000			
<b>ASSETS</b>			
Cash and balances with treasury banks		3,005,348	3,355,669
Balances with other banks		3,228,979	4,259,426
Due from financial institutions		-	-
Investments	5	1,251,301	1,182,737
Financings	6	10,196,642	9,693,182
Operating fixed assets		76,166	71,418
Deferred tax assets		-	-
Other assets		769,286	305,830
		18,527,722	18,868,262
<b>LIABILITIES</b>			
Bills payable		237,337	155,680
Due to financial institutions		1,121,195	1,895,027
Deposits and other accounts		13,744,454	13,821,441
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		125,637	78,860
Other liabilities		933,773	726,248
		16,162,396	16,677,256
<b>NET ASSETS</b>		<b>2,365,326</b>	<b>2,191,006</b>
<b>REPRESENTED BY</b>			
Head office capital account	7	2,034,789	2,036,390
Reserves		-	-
Unremitted profit		331,456	154,820
		2,366,245	2,191,210
Surplus/(Deficit) on revaluation of assets		(919)	(204)
		2,365,326	2,191,006
<b>CONTINGENCIES AND COMMITMENTS</b>	8	-	-

The annexed notes 1 to 14 form an integral part of these 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 SEPTEMBER 30, 2007 (UNAUDITED)**

Note	Three months ended Sept 30, 2007	Nine months ended Sept 30, 2007	Three months ended Sept 30, 2006	Nine months ended Sept 30, 2006
Rupees in '000				
Profit/return in financings ,investments and placements earned	352,585	1,083,484	274,206	783,021
Less: Return on deposits and other dues expensed	275,230	803,567	197,751	585,299
Net spread	77,355	279,917	76,455	197,722
Provision against non-performing financings	(3,233)	(1,854)	(7,230)	2,574
Provision against consumer financing	(1,237)	(3,167)	-	-
Provision against diminution in the value of investments	-	-	-	-
Bad debts written off directly	-	-	-	-
	(4,470)	(5,021)	(7,230)	2,574
Income after provisions	72,885	274,896	69,225	200,296
<b>OTHER INCOME</b>				
Fee, commission and brokerage income	33,532	92,233	25,491	75,040
Dividend income	6,698	7,734	6,492	9,404
Income from dealing in foreign currencies	29,219	55,729	12,032	38,210
Gain/ (Loss) on sale of investments	2,635	13,585	(2,133)	5,945
Other Income/ (Loss)	(224)	20,167	5,552	(19,760)
Total other income	71,860	189,448	47,434	108,839
	144,745	464,344	116,659	309,135
<b>OTHER EXPENSES</b>				
Administrative expenses	84,636	235,594	66,168	187,273
Other provisions/write offs	42	42	-	(541)
Other charges	98	260	-	-
Total other expenses	84,776	235,896	66,168	186,732
	59,969	228,448	50,491	122,403
Extra ordinary/unusual items	-	-	-	-
<b>PROFIT BEFORE TAXATION</b>	59,969	228,448	50,491	122,403
Taxation – Current	(4,242)	5,035	1,777	6,216
- Prior years	-	-	-	-
- Deferred	14,785	46,777	(8,640)	26,396
	10,543	51,812	(6,863)	32,612
<b>PROFIT AFTER TAXATION</b>	49,426	176,636	57,354	89,791
Unremitted profit brought forward	282,030	154,820	43,318	349,735
Unremitted profit	331,456	331,456	100,672	439,526
<b>APPROPRIATIONS</b>				
Transfer to:				
- Statutory reserve	-	-	-	-
- Capital reserve	-	-	-	-
- Revenue reserve	-	-	-	-
- Remittances to head office	-	-	-	338,854
	-	-	-	338,854
<b>Unremitted profit carried forward</b>	331,456	331,456	100,672	100,672
<b>Basic earnings per share</b>	10	-	-	-
<b>Diluted earnings per share</b>	10	-	-	-

The annexed notes 1 to 14 form an integral part of these 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 CASH FLOW STATEMENT**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2007 (UNAUDITED)**

	Note	Nine month ended September 30, 2007	Nine month ended September 30, 2006
Rupees in '000			
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before taxation		228,448	122,403
Dividend income		(7,734)	(9,404)
		220,714	112,999
Adjustments:			
Depreciation		14,505	12,824
Amortization		1,447	1,421
Provision against non-performing Financings		5,021	(2,574)
(Gain) on sale of fixed assets		(987)	(1,414)
Gain on sale of "available for sale " investments		(11,331)	-
Other provisions		-	541
Unrealised remeasurement (Gain)/ loss on "held for trading investments"		(19,180)	21,204
		(10,525)	32,002
		210,189	145,001
(Increase)/ Decrease in operating assets			
Held-for-trading securities		39,822	(70,009)
Financings		(508,481)	(819,573)
Others assets (excluding advance taxation)		(445,605)	(63,701)
		(914,264)	(953,283)
Increase/ (Decrease) in operating liabilities			
Bills payable		81,657	185,389
Borrowings from financial institutions		(773,832)	(154,596)
Deposits		(76,987)	414,923
Other liabilities (excluding current taxation)		207,525	303,741
		(561,637)	749,457
		(1,265,712)	(58,825)
Income tax paid		(22,027)	2,927
<i>Net cash generated from operating activities</i>		(1,287,739)	(55,898)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Net investments in available-for-sale securities		(48,669)	(20,000)
Net investments in held-to-maturity securities		(29,919)	(750,000)
Dividend income		6,874	9,404
Investments in operating fixed assets		(21,076)	(14,532)
Sale proceeds of operating fixed assets disposed-off		1,362	1,414
<i>Net cash (used in) / generated from investing activities</i>		(91,428)	(773,714)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Remittances from head office		-	-
Remittances made to head office		-	(338,854)
<i>Net cash (used in) / generated from financing activities</i>		-	(338,854)
Effects of exchange rate changes on cash and cash equivalents		(1,601)	-
<b>Increase in cash and cash equivalents</b>		(1,380,768)	(1,168,466)
Cash and cash equivalents at beginning of the year		7,615,095	7,003,890
Cash and cash equivalents at end of the year	11	6,234,327	5,835,424

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

**SHAFQAAH AHMED**  
Country Head

**AYYAZ AHMAD**  
Chief Financial Officer

ALBARAKA ISLAMIC BANK B.S.C. (E.C.)  
(Incorporated in Bahrain with limited liability)  
**PAKISTAN BRANCHES**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	Head office capital account	Unremitted profit	Total
	-----Rupees in '000-----		
<b>Balance as on January 01, 2006</b>	2,002,809	349,735	2,352,544
Profit for the period	-	89,791	89,791
Remittances made to head office	-	(338,854)	(338,854)
<b>Balance as on Septemeber 30, 2006</b>	<u>2,002,809</u>	<u>100,672</u>	<u>2,103,481</u>
Profit for the period		54,148	54,148
Remittances made to head office	-	-	-
Exchange adjustments on revaluation of capital	33,581	-	33,581
<b>Balance as on January 01, 2007</b>	<u>2,036,390</u>	<u>154,820</u>	<u>2,191,210</u>
Profit for the period	-	176,636	176,636
Exchange adjustments on revaluation of capital	(1,601)	-	(1,601)
<b>Balance as on September 30, 2007</b>	<u>2,034,789</u>	<u>331,456</u>	<u>2,366,245</u>

The annexed notes 1 to 14 form an integral part of these 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**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2007**

**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 bank under license issued by State Bank of Pakistan 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 twelve branches in Pakistan at Lahore, Karachi, Islamabad, Faisalabad, Rawalpindi & Abbottabad.

**2. STATEMENT OF COMPLIANCE**

These financial statements are prepared in accordance with the requirements of Companies Ordinance, 1984, the Banking Companies Ordinance 1962, the directives issued by the State Bank of Pakistan (SBP), Securities Exchange Commission of Pakistan (SECP), the International Financial Reporting & Accounting Standards issued by the International Accounting Standards Committee (IASC), and interpretations issued by the Standing Interpretation Committee of IASC, 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 financial statements are unaudited and are 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 State bank of Pakistan.

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 financial statements. However, investments have been presented in accordance with the requirements prescribed by the State Bank of Pakistan's BSD circular No. 10 dated July 13, 2004.

**3. BASIS OF MEASUREMENT**

The preparation of the financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

**4. SIGNIFICANT ACCOUNTING POLICIES**

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, 2006

Note	Sunday, September 30, 2007			Sunday, December 31, 2006		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
	-----Rupees in '000-----					
<b>5. INVESTMENTS</b>						
<b>Investments by types :</b>						
<b>Held-for-trading securities</b>						
Fully paid up ordinary shares - listed	73,472	-	73,472	119,276	-	119,276
<b>Available-for-sale securities</b>						
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
<b>Held-to-maturity securities</b>						
Term deposit receipt	255,438	-	255,438	244,971	-	244,971
WAPDA Sukuk Bonds	785,319	-	785,319	765,867	-	765,867
	1,040,757	-	1,040,757	1,010,838	-	1,010,838
<b>Investment at cost</b>	1,253,676	-	1,253,676	1,209,561	-	1,209,561
<b>Less: Provision for diminution in value of investments</b>	4,447	-	4,447	4,447	-	4,447
<b>Investments (net of provisions)</b>	1,249,229	-	1,249,229	1,205,114	-	1,205,114
Deficit on revaluation of Held-for-trading securities	2,991	-	2,991	(22,173)	-	(22,173)
(Deficit)/surplus on revaluation of available for sale securities	(919)	-	(919)	(204)	-	(204)
	2,072	-	2,072	(22,377)	-	(22,377)
<b>Total investments at market value</b>	1,251,301	-	1,251,301	1,182,737	-	1,182,737

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

6. FINANCINGS

September 30,      December 31,  
2007                      2006  
Rupees in '000

**In Pakistan**

Murabaha financing	5,481,866	5,159,410
Export refinance (Islamic) - Murabaha financing	1,488,951	989,721
Export refinance (conventional)	-	1,259,463
Musharaka financing	820,333	568,695
Payment against guarantees	5,674	15,624
	7,796,824	7,992,913
Net investment in ijarah financing - In Pakistan	1,964,617	1,581,681
Bills discounted and purchased (excluding treasury bills)		
Payable outside Pakistan	620,728	301,445
Financings - gross	10,382,169	9,876,039
Provision for non-performing Financings	177,149	177,647
General provision against consumer financing	8,378	5,210
	185,527	182,857
Financings - net of provision	10,196,642	9,693,182

Financings include Rs. 265,553 thousands (2006:Rs. 246,826 thousands) which have been placed under non-performing status as detailed below:-

**Classified Financings**

<u>Category of Classification</u>	<u>Domestic</u>	<u>Overseas</u>	<u>Provision Required</u>	<u>Provision Held</u>
	Rupees in '000'			
Substandard	42,623	-	831	831
Doubtful	4,492	-	2,113	2,113
Loss	218,438	-	174,205	174,205
	<u>265,553</u>	<u>-</u>	<u>177,149</u>	<u>177,149</u>

7. HEAD OFFICE CAPITAL ACCOUNT

In accordance with the requirements of BSD Circular no. 6 dated Oct 28,2005, the Bank was required to increase its capital to 3 billion by December 31, 2006. However, the Bank has 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.Effective 30th September ,2007 capital of bank's head office has increased to US\$ 122,457,800.Now under the provision of aforesaid of BSD circular bank has sort permission of SBP to operate as branches of foreign bank.

**8. CONTINGENCIES AND COMMITMENTS**September 30,  
2007December 31,  
2006

Rupees in '000

**Direct credit substitutes- Guarantees of indebtedness****8.1**

i)	Government	1,604,094	874,967
ii)	Financial Institutions	43	13,266
iii)	Others	386,070	656,002
		<u>1,990,207</u>	<u>1,544,235</u>

**8.2 Transaction-related contingent liabilities**

Letters of credit	1,857,056	1,285,093
Others- Shipping Guarantees	110,787	34,306
	<u>1,967,843</u>	<u>1,319,399</u>

**8.3 Trade related contingent liabilities**

Acceptances	<u>1,646,375</u>	<u>1,324,529</u>
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**8.4 Other contingencies**

	<u>46,785</u>	<u>7,698</u>
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This represents additional income tax liability in respect of income periods from 2000 to 2002 not acknowledged by the bank. Appeals filed by the bank to Appellate Authorities are pending for adjudication. Management of the bank has evaluated after consulting their income tax advisor that appeals are likely to be decided in favor of bank and hence no provision has been made for the same in these financial statements.

**8.5 Commitments in respect of forward exchange contracts**

Purchase	156,082	559,546
Sale	675,500	603,726
	<u>675,500</u>	<u>603,726</u>

**8.6 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 unilaterally withdrawn.

9. **OTHER INCOME / (LOSS)**

This includes unrealized remeasurement gain/(loss) on held for trading securities amounting to Rs.19,180 thousand (2006: Rs(26.726) thousand).

10. **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.

11. **CASH AND CASH EQUIVALENT**

Cash and balances with treasury banks	3,005,348	3,355,669
Balances with other banks	<u>3,228,979</u>	<u>4,259,426</u>
	<u><u>6,234,327</u></u>	<u><u>7,615,095</u></u>

## 12. 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:

	September 30, 2007		December 31, 2006	
	Regional General Manager and Executives	Other related parties	Regional General Manager and Executives	Other related parties
	Rupees in '000			
<b>ASSETS</b>				
Investment	-	255,438	-	244,971
<b>LIABILITIES</b>				
Deposits	57,315	57,737	53,494	44,021
Return payable on deposits	1,115	642	1,412	612
			Nine months ended September 30, 2007	Nine months ended September 30, 2006
			Rupees in '000	

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

Fund withdrawn during the period	-	52,450
Deposits received during the period	264,160	228,650
Deposits withdrawn during the period	248,629	229,254
Profit remitted during the period	-	338,854
Mark-up/return/interest expensed	6,478	3,204
Mark-up/return/interest earned	11,343	10,365

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 accounts are authorized for issue on October 22,2007

## 14. GENERAL

14.1 Figures have been rounded off to nearest thousand

14.2 Captions in respect of which there are no amounts have not been reproduced in these interim financial information expect in case of balance sheet and profit and loss account

SHAFQAAT AHMED  
Country Head

AYYAZ AHMAD  
Chief Financial Officer