

AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **AlBaraka Bank (Pakistan) Limited** (the Bank) as at **30 June 2017** and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity and notes to the accounts for the six-months' period then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.



Chartered Accountants

Engagement Partner: Shaikh Ahmed Salman

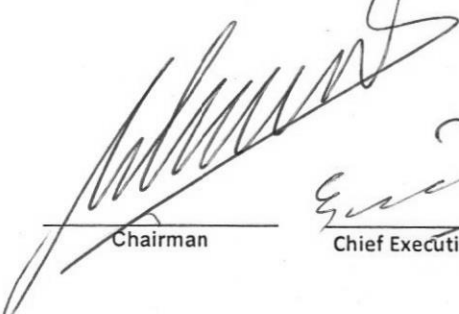
Karachi

Date: 25 August 2017


ALBARAKA BANK (PAKISTAN) LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Note	30 June 2017 (Un-Audited)	31 December 2016 (Audited)
		----- (Rupees '000) -----	
ASSETS			
Cash and balances with treasury banks		11,012,688	18,725,350
Balances with other banks		351,026	984,125
Due from financial institutions	6	5,395,411	2,692,703
Investments	7	21,177,022	24,601,518
Islamic financing and related assets	8	70,470,721	66,785,266
Operating fixed assets	9	4,422,300	4,502,269
Deferred tax assets		2,940,101	2,873,137
Other assets		5,993,196	5,634,265
		121,762,465	126,798,633
LIABILITIES			
Bills payable		1,441,374	1,386,390
Due to financial institutions		3,106,476	3,223,109
Deposits and other accounts	10	101,165,120	105,843,084
Sub-ordinated loans	11	1,285,710	1,428,568
Deferred tax liabilities		-	-
Other liabilities		3,427,327	3,527,979
		110,426,007	115,409,130
NET ASSETS		11,336,458	11,389,503
REPRESENTED BY			
Share capital		13,739,628	13,739,628
Discount on issuance of shares - net		(632,766)	(632,766)
Reserves		159,348	159,348
Accumulated loss		(2,228,898)	(2,281,369)
		11,037,312	10,984,841
Surplus on revaluation of assets - net of tax		299,146	404,662
		11,336,458	11,389,503
CONTINGENCIES AND COMMITMENTS			EYL
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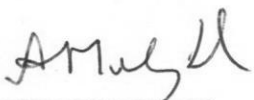
The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements.




 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 2017

	Note	Half year ended		Quarter ended	
		30 June 2017	30 June 2016	30 June 2017	30 June 2016
----- (Rupees '000) -----					
Profit / return earned on Islamic financing and related assets, investments and placements	13	3,338,821	2,351,422	1,694,309	1,216,232
Return on deposits and other dues expensed		(1,518,129)	(1,253,187)	(774,227)	(642,819)
Net spread earned		1,820,692	1,098,235	920,082	573,413
Reversal / (provision) against non-performing Islamic financing and related assets	8.2	129,104	(133,855)	149,876	(158,672)
Provision for diminution in the value of investments		(33,311)	(2,010)	(29,673)	(1,459)
Net spread after provisions		1,916,485	962,370	1,040,285	413,282
Other income					
Fee, commission and brokerage income		345,906	222,989	156,391	122,924
Dividend income		19,216	8,473	9,766	6,635
Income from dealing in foreign currencies		79,280	72,978	54,343	29,204
Gain on sale of securities		152,749	15,710	53,320	9,903
Unrealized loss on revaluation of investments classified as held-for-trading		(1,495)	-	(1,495)	-
Other income	14	35,771	1,875	186	1,735
Total other income		631,427	322,025	272,511	170,401
		2,547,912	1,284,395	1,312,796	583,683
Other expenses					
Administrative expenses		(2,439,695)	(1,525,801)	(1,231,939)	(839,022)
Other provisions / write off		-	-	-	-
Other charges	15	(26,407)	(63)	(19)	(37)
Total other expenses		(2,466,102)	(1,525,864)	(1,231,958)	(839,059)
		81,810	(241,469)	80,838	(255,376)
Extra ordinary / unusual items		-	-	-	-
Profit / (loss) before taxation		81,810	(241,469)	80,838	(255,376)
Taxation		(39,717)	(26,734)	(19,683)	(13,866)
- Current		-	-	-	-
- Prior year		10,230	95,934	(9,453)	88,050
- Deferred		(29,487)	69,200	(29,136)	74,184
Profit / (loss) after taxation		52,323	(172,269)	51,702	(181,192)
		----- Rupee -----		----- Rupee -----	
Earning / (loss) per share - basic / diluted		0.04	(0.19)	0.04	(0.20)

The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements.


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 2017

	Half year ended		Quarter ended	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	------(Rupees '000)-----			
Profit / (loss) after taxation	52,323	(172,269)	51,702	(181,192)
Other comprehensive income	-	-	-	-
Comprehensive income / (loss) transferred to equity	52,323	(172,269)	51,702	(181,192)
Components of comprehensive income not reflected in equity				
(Deficit) / surplus on revaluation of available-for-sale securities - net of tax	(93,313)	(104,939)	20,616	(15,054)
Movement in revaluation of non-banking assets - net of tax	(12,203)	-	17,062	-
Total comprehensive income	(53,193)	(277,208)	89,380	(196,246)

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Chairman

Chief Executive Officer

Director

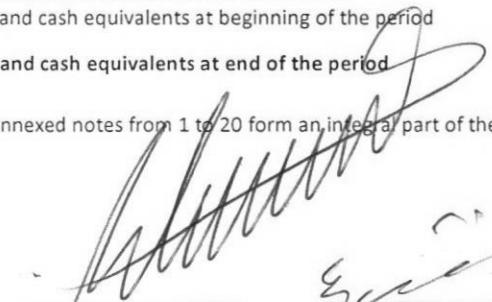
Director

ALBARAKA BANK (PAKISTAN) LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2017


	Half year ended	
	30 June 2017	30 June 2016
Note	----- (Rupees '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	81,810	(241,469)
Dividend income	(19,216)	(8,473)
	<u>62,594</u>	<u>(249,942)</u>
Adjustments for non-cash and other items:		
Depreciation	113,529	76,476
Amortisation	58,412	41,513
Depreciation - non banking assets	12,834	-
(Reversal) / provision against non-performing Islamic financing and related assets	(129,104)	133,855
Provision for diminution in the value of investments	33,311	2,010
Unrealized loss on revaluation of investments classified as held for trading	1,495	-
Gain on sale of operating fixed assets	(2,235)	(1,742)
	<u>88,242</u>	<u>252,112</u>
	150,836	2,170
(Increase) / decrease in operating assets		
Due from financial institutions	(2,702,708)	248,540
Islamic financing and related assets	(3,556,350)	707,216
Other assets	(410,669)	(156,312)
	<u>(6,669,727)</u>	<u>799,444</u>
(Decrease) / increase in operating liabilities		
Bills payable	54,984	294,169
Due to financial institutions	(116,633)	(278,930)
Deposits and other accounts	(4,677,964)	3,838,154
Other liabilities	(100,652)	206,386
	<u>(4,840,265)</u>	<u>4,059,779</u>
Income tax paid	(20,463)	(28,993)
Net cash (used in) / flow from operating activities	<u>(11,379,619)</u>	<u>4,832,400</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net redemption / (investment) in available-for-sale investments	3,276,775	(3,827,890)
Net investments in held-for-trading investments	(30,644)	-
Net investments in operating fixed assets	(93,989)	(153,757)
Dividend received	20,322	8,799
Proceeds from disposal of operating fixed assets	4,252	1,796
Net cash flow from / (used in) investing activities	<u>3,176,716</u>	<u>(3,971,052)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of Tier II mudaraba sukuk	(142,858)	(142,858)
Effect of exchange difference on translation of foreign currency debt	-	1,821
Net cash used in financing activities	<u>(142,858)</u>	<u>(141,037)</u>
Net decrease in cash and cash equivalents	<u>(8,345,761)</u>	<u>720,311</u>
Cash and cash equivalents at beginning of the period	19,709,475	12,407,973
Cash and cash equivalents at end of the period	<u>11,363,714</u>	<u>13,128,284</u>

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The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements.



 Chairman



 Chief Executive Officer



 Director



 Director

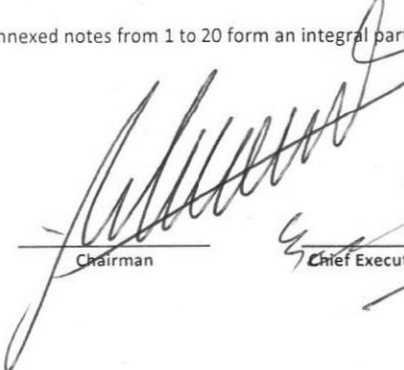

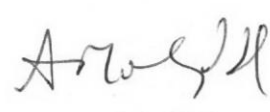

ALBARAKA BANK (PAKISTAN) LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2017

	Issued, subscribed and paid-up share capital	Advance against issuance of shares	Discount on issuance of shares - net	Statutory Reserve *	Accumulated loss	Total
	----- (Rupees '000) -----					
Balance as at 01 January 2016	8,935,200	95,704	(767,290)	159,348	(2,135,310)	6,287,652
Loss after taxation for the period	-	-	-	-	(172,269)	(172,269)
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	(172,269)	(172,269)
Transfer to statutory reserves	-	-	-	-	-	-
Balance as at 30 June 2016	8,935,200	95,704	(767,290)	159,348	(2,307,579)	6,115,383
Profit after taxation for the period	-	-	-	-	16,742	16,742
Other comprehensive income for the period	-	-	-	-	9,399	9,399
Total comprehensive income for the period	-	-	-	-	26,141	26,141
Paid to Parent Bank	-	(95,704)	-	-	-	(95,704)
Shares issued during the period	4,804,428	-	-	-	-	4,804,428
Premium on issuance of shares	-	-	134,524	-	-	134,524
Transfer from surplus on revaluation of non-banking assets - net of tax	-	-	-	-	69	69
Transfer to statutory reserves	-	-	-	-	-	-
Balance as at 31 December 2016	13,739,628	-	(632,766)	159,348	(2,281,369)	10,984,841
Profit after taxation for the period	-	-	-	-	52,323	52,323
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	52,323	52,323
Transfer from surplus on revaluation of non-banking assets - net of tax	-	-	-	-	148	148
Transfer to statutory reserves	-	-	-	-	-	-
Balance as at 30 June 2017	13,739,628	-	(632,766)	159,348	(2,228,898)	11,037,312

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

The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements.

 Chairman	 Chief Executive Officer	 Director	 Director
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ALBARAKA BANK (PAKISTAN) LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN - AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2017

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) on 18 January 2007. Subsequently, the Bank was also granted approval for commencement of business as a scheduled bank with effect from 13 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 on 12 March 2011, effective from close of business on 29 October 2010.

- 1.2 During the year 2016, the shareholders of the Bank in their extra ordinary general meeting held on 22 August 2016 have approved the merger of the Bank with Burj Bank Limited under a "Scheme of Amalgamation" (the Scheme). Further, State Bank of Pakistan, through its letter no. BPRD (R&P-02)//2016/24373 dated 14 October 2016, has also approved the scheme of amalgamation and granted sanction order for the amalgamation of Ex Burj Bank Limited with and into the Bank. As of the effective date of amalgamation, the entire undertaking of Ex Burj Bank Limited including all the properties, assets and liabilities and all the rights and obligations shall, without any further act, action or deed and notwithstanding the terms of any contract or other document or any rule of law, stands amalgamated with and vest in the Bank and as a consequence, BBL stands amalgamated with and into the Bank.

The Bank is a subsidiary of AlBaraka Islamic Bank B.S.C. (c) (major sponsor) incorporated and domiciled in Bahrain 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 has 186 branches including 13 sub-branches (31 December 2016 : 224 branches including 14 sub-branches) in Pakistan. The Bank has merged 38 closed proximity branches in first half of 2017. The vacant licences will gradually be utilized by opening new branches in 2017 and 2018.

- 1.3 Based on the financial statements of the Bank for the year ended 31 December 2016, JCR-VIS has upgraded the long-term rating to 'A+' and maintained short-term rating at 'A1' along with stable outlook. Pakistan Credit Rating Agency Limited (PACRA) has maintained the Bank's long-term rating at "A" and short term rating at 'A1' and has upgraded the outlook to positive.
- 1.4 As at 30 June 2017, the Minimum Capital Requirement (MCR) and Capital Adequacy Ratio (CAR) stood at Rs.10.867 billion and 10.02 % (Un-Audited) respectively.

2. STATEMENT OF COMPLIANCE

- 2.1 These condensed interim financial statements of the Bank for the half year ended 30 June 2017 have been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. 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 2016.

- 2.2 During the period, the Companies Act, 2017 has been promulgated, however, SECP vide its circular no. 17 of 2017, dated July 20, 2017, read with its press release of the same date, communicated that the SECP has decided that the companies whose financial year / interim period closes on or before June 30, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.

3. BASIS OF MEASUREMENT

- 3.1 These condensed interim financial statements have been prepared under the historical cost convention except for available for sale investments, non-banking assets and commitments in respect of foreign exchange forward contracts which have been measured at fair value.
- 3.2 Items included in these condensed interim financial statements are measured using the currency of the primary economic environment in which the Bank operates. These condensed interim financial statements are presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 :

4.1 New / Revised Standards, Interpretations and Amendments

The Bank has adopted the following standards and amendment to IFRSs which became effective for the current period:

Standard or Interpretation

IAS 7 Statement of Cash Flows - Disclosure Initiative - (Amendment)

IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)

The adoption of the above amendment to accounting standards did not have any effect on the condensed interim financial statements.

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 2016.

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	30 June 2017 ----- (Rupees '000) ----- (Un-Audited)	31 December 2016 ----- (Rupees '000) ----- (Audited)
6. DUE FROM FINANCIAL INSTITUTIONS		
- Bai muajjal	5,095,411	2,550,318
- Lending to financial institutions	300,000	142,385
	<u>5,395,411</u>	<u>2,692,703</u>
6.1 Bai muajjal	5,372,200	2,608,302
Deferred income	(269,206)	(21,755)
Profit receivable shown in other assets	(7,583)	(36,229)
6.1.1	<u>5,095,411</u>	<u>2,550,318</u>

6.1.1 The return on bai muajjal is 5.26% to 5.74% (31 December 2016: 5.62% to 5.90%) per annum. These will mature by June 2018.

6.2 The expected return on these placements is 5.5% (31 December 2016: 0.33%) per annum. These will mature by July 2017.

7. INVESTMENTS

Note	30 June 2017 (Un-Audited)			31 December 2016 (Audited)		
	Held by Bank	Given as Collateral	Total	Held by Bank	Given as Collateral	Total
	----- Rupees in '000 -----					
Held for trading securities						
Ordinary shares of listed companies	30,644	-	30,644	-	-	-
Available for sale securities						
Sukuk certificates	19,836,835	-	19,836,835	23,730,099	-	23,730,099
Ordinary shares of listed companies	1,440,282	-	1,440,282	823,793	-	823,793
Ordinary shares of unlisted company	52,200	-	52,200	52,200	-	52,200
Units of open-end mutual funds	69,408	-	69,408	69,408	-	69,408
	<u>21,398,725</u>	-	<u>21,398,725</u>	<u>24,675,500</u>	-	<u>24,675,500</u>
Investments at cost	21,429,369	-	21,429,369	24,675,500	-	24,675,500
Less: Provisions for diminution in the value of investments	(198,039)	-	(198,039)	(164,728)	-	(164,728)
Investments (net of provisions)	21,231,330	-	21,231,330	24,510,772	-	24,510,772
(Deficit) / surplus on revaluation of investments classified of available for sale securities	(52,813)	-	(52,813)	90,746	-	90,746
Deficit on revaluation of investments classified as held for trading securities	(1,495)	-	(1,495)	-	-	-
Total investments at market value	<u>21,177,022</u>	-	<u>21,177,022</u>	<u>24,601,518</u>	-	<u>24,601,518</u>

7.1 Sukuk certificates mainly include Government of Pakistan Ijarah sukuk amounting to Rs. 12,673 million (31 December 2016: Rs. 16,610 million)

	30 June 2017 ----- (Rupees '000) ----- (Un-Audited)	31 December 2016 ----- (Rupees '000) ----- (Audited)
8. ISLAMIC FINANCING AND RELATED ASSETS		
In Pakistan		
Islamic financing and related assets		
- Murabaha finance	10,251,325	13,811,162
- Advance against murabaha finance	1,851,163	918,213
- Export refinance under Islamic scheme	903,776	3,579,184
- Advance against export refinance under Islamic scheme	2,104,722	252,506
- Ijarah assets under IFAS 2	3,304,374	4,191,559
- Net investment in Ijarah	112,490	112,530
- Advance against Ijarah	11,622	39,326
- Service Ijarah	83,333	260,417
- Diminishing musharaka financing	32,115,822	31,705,563
- Advance against diminishing musharaka finance	1,277,195	1,143,500
- Running musharaka	150,000	150,000
- Tijarah finance	2,046,005	777,563
- Over due acceptances	749,200	612,598
- Payment against guarantee	62,796	61,896
- Payment against documents	7,606	4,718
- Salam financing	22,485	22,485
- Advance against salam	11,449,788	6,015,358
- Salam inventory	1,388	185,999
- Financing against bills	1,055,528	597,286
- Istasna finance	1,736,694	2,517,612
- Advance against istasna	3,805,485	2,732,661
- Istasna inventory	252,250	-
- Mudaraba	-	80,000
- Staff financing	1,283,137	1,308,824
- Advance against staff financing	7,967	9,067
- Rahnuma travel services	388	161
Islamic financing and related assets - gross	<u>74,646,539</u>	<u>71,090,188</u>
Provisions for non-performing financing - specific	(4,088,849)	(4,217,953)
- general	(86,969)	(86,969)
	<u>(4,175,818)</u>	<u>(4,304,922)</u>
Islamic financing and related assets - net of provisions	<u>70,470,721</u>	<u>66,785,266</u>

- 8.1 Islamic financing and related assets include Rs. 7,614.726 (31 December 2016 : Rs. 7,146.027) million which have been placed under non-performing status as detailed below:

Category of classifications	30 June 2017 (Un-Audited)				
	Classified financing			Provision required	Provision held
	Domestic	Overseas	Total		
	----- Rupees in '000 -----				
Other assets especially mentioned	31,409	-	31,409	-	-
Substandard	1,335,294	-	1,335,294	90,688	90,688
Doubtful	941,195	-	941,195	211,289	211,289
Loss	5,306,828	-	5,306,828	3,786,872	3,786,872
	<u>7,614,726</u>	<u>-</u>	<u>7,614,726</u>	<u>4,088,849</u>	<u>4,088,849</u>

Category of classifications	31 December 2016 (Audited)				
	Classified financing			Provision required	Provision held
	Domestic	Overseas	Total		
	----- Rupees in '000 -----				
Other assets especially mentioned	74,385	-	74,385	-	-
Substandard	1,085,697	-	1,085,697	89,521	89,521
Doubtful	784,546	-	784,546	211,700	211,700
Loss	5,201,399	-	5,201,399	3,916,732	3,916,732
	<u>7,146,027</u>	<u>-</u>	<u>7,146,027</u>	<u>4,217,953</u>	<u>4,217,953</u>

- 8.2 Particulars of provisions against non-performing Islamic financing and related assets

	30 June 2017 (Un-Audited)			31 December 2016 (Audited)		
	Specific	General	Total	Specific	General	Total
		----- Rupees in '000 -----				
Opening balance	4,217,953	86,969	4,304,922	2,875,066	28,386	2,903,452
Charge for the period / year	245,521	-	245,521	513,194	18,688	531,882
Reversals for the period / year	(374,625)	-	(374,625)	(699,462)	-	(699,462)
	(129,104)	-	(129,104)	(186,268)	18,688	(167,580)
Transfer upon amalgamation of Ex-Burj Bank	-	-	-	1,529,155	39,895	1,569,050
Closing balance	<u>4,088,849</u>	<u>86,969</u>	<u>4,175,818</u>	<u>4,217,953</u>	<u>86,969</u>	<u>4,304,922</u>

- 8.2.1 The above provision against non-performing Islamic financing has been computed after considering allowable forced sale value (FSV) of collateral amounting to Rs. 2,090.413 (31 December 2016: Rs. 2,252.469) million. The FSV benefit recognized is not allowed for distribution of cash or stock dividend to shareholders and bonus to employees.

- 8.2.2 The Bank maintains general reserve (provisions) in accordance with the applicable requirements of prudential regulations for housing finance and small and medium enterprise Islamic financing. However, the State Bank of Pakistan vide its letter BPRD/BRD/PRs/3073/2017 dated 6 February 2017 has allowed an exemption to the Bank from recognising general reserve requirement for its auto finance subject to the following conditions :

- The Bank shall classify its auto financing as "loss" on 180th day from the date of default and shall recognise 100% provision there against;
- The general reserve already accumulated and maintained shall not be reversed; and
- The classified portfolio of auto finance shall remain upto 5% of the Bank's auto finance portfolio. In case, if classified portfolio of auto finance increases beyond 5% threshold, the exemption shall stand withdrawn from that point of time.

- 8.2.3 SBP vide its letter BPRD/BLRD-3/DMG/2011-1035 dated 26 January 2011 and BPRD/BRD/PRs/ 15412/2017 dated 30 June 2017 has allowed relaxation from further provisioning requirement against certain financing exposures having a provisioning impact of Rs. 571.581 (31 December 2016: Rs. 297.581) million out of which Rs. 531 million is available up till 30 September 2017 or issuance of second Tier II sukuk whichever is earlier.

9. OPERATING FIXED ASSETS	Note	30 June 2017	31 December 2016
		(Un-Audited)	(Audited)
Property and equipment		2,007,093	2,054,500
Intangible assets		1,833,261	1,884,535
Capital work-in-progress	9.1	581,946	563,234
		<u>4,422,300</u>	<u>4,502,269</u>

	30 June 2017 ----- (Rupees '000) ----- (Un-Audited)	31 December 2016 ----- (Rupees '000) ----- (Audited)
9.1 Capital work-in-progress		
Land and building including advances to suppliers and contractors	581,946	563,234
Advance for purchase of property - related party	251,680	251,680
Provisions for impairment against advance for purchase of property	(251,680)	(251,680)
Total capital work-in-progress	<u>581,946</u>	<u>563,234</u>
	30 June 2017 ----- (Rupees '000) ----- ----- (Un-Audited) -----	30 June 2016 ----- (Rupees '000) ----- ----- (Audited) -----
9.2 Additions to operating fixed assets	<u>80,167</u>	<u>103,228</u>
Disposals operating fixed assets - cost	<u>13,139</u>	<u>6,148</u>
	30 June 2017 ----- (Rupees '000) ----- (Un-Audited)	31 December 2016 ----- (Rupees '000) ----- (Audited)
10. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	20,618,859	23,855,144
Savings deposits	41,939,539	45,031,088
Current accounts - non-remunerative	27,393,090	24,579,138
Margin deposits	1,514,004	891,821
	<u>91,465,492</u>	<u>94,357,191</u>
Financial Institutions		
Remunerative deposits	9,598,743	11,263,522
Non-remunerative deposits	100,885	222,371
	<u>9,699,628</u>	<u>11,485,893</u>
	<u>101,165,120</u>	<u>105,843,084</u>
11. SUB - ORDINATED LOANS		
Tier II mudaraba sukuk	<u>1,285,710</u>	<u>1,428,568</u>
11.1 During the year 2014, the Bank has issued unsecured, sub-ordinated and privately placed sukuk amounting to Rs. 2,000 million. The tenor of the sukuk is seven years maturing in 2021. During the period ended 30 June 2017, the Bank has paid the fifth trench of principal repayment along with the profit to its sukuk holders amounting to Rs. 142.858 million and Rs. 51.714 million respectively.		
12. CONTINGENCIES AND COMMITMENTS		
12.1 Transaction-related contingent liabilities		
Includes performance bonds, bid bonds, shipping guarantees favouring:		
- Government	5,815,412	5,187,996
- Banking companies and other financial institutions	21,835	27,983
- Others	1,999,627	3,089,234
	<u>7,836,874</u>	<u>8,305,213</u>
12.2 Trade-related contingent liabilities		
Letters of credit	<u>6,192,606</u>	<u>5,993,210</u>
Acceptances	<u>2,076,640</u>	<u>1,913,423</u>
12.3 Commitments in respect of forward exchange contracts		
Purchase	<u>4,779,318</u>	<u>4,236,420</u>
Sale	<u>3,838,941</u>	<u>2,512,760</u>
12.4 Commitments to incur capital expenditure	<u>874</u>	<u>29,826</u>
12.5 Other Contingencies		
12.5.1 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 2011 amounting to Rs. 86.5 million and Rs. 34.575 million in respect of year 2012. In response to the Bank's appeal, Appellate Tribunal Inland Revenue (ATIR) has set aside the orders relating to years 2009 to 2011 for fresh adjudication and the said matter is pending decision for further proceedings. For year 2012, CIR Appeal has dropped the proceedings amounting to Rs.8.991 million. Accordingly, the Bank has filed the appeal before ATIR against the order of CIR Appeal amounting to Rs.25.584 million.		
In respect of assessments of ex - Burj Bank Limited (now AlBaraka Bank (Pakistan) Limited), the taxation authorities have raised a demand of Rs.1.9 million on account of minimum tax in respect of tax year 2011 which has been challenged by the management and is currently pending before the Appellate Tribunal.		
12.5.2 The Bank has filed appeals before 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 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 (31 December 2016: Rs.116.512) million.		

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	Half year ended		Quarter ended	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	----- (Rupees '000) -----			
	----- (Un-Audited) -----			
13. PROFIT / RETURN EARNED ON ISLAMIC FINANCING AND RELATED ASSETS, INVESTMENTS AND PLACEMENTS				
On Islamic financing and related assets	2,670,415	1,821,324	1,376,868	927,543
On investments in				
- Available-for-sale securities	607,085	348,350	307,901	176,026
- Held to maturity securities	-	62,193	-	31,096
	607,085	410,543	307,901	207,122
On deposits with banks	16,828	53,211	379	44,000
On due from financial institutions	44,493	66,344	9,161	37,567
	3,338,821	2,351,422	1,694,309	1,216,232
14. OTHER INCOME				
Gain on sale of assets	3,062	1,875	186	1,735
Gain on sale of non banking assets	32,709	-	-	-
	35,771	1,875	186	1,735
15. OTHER CHARGES				
Penalties imposed by the State Bank of Pakistan	26,407	63	19	37
16. RELATED PARTY TRANSACTIONS				
16.1 Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operational decisions and include Key management personnel, Parent Bank, shareholders of the Bank, staff retirement benefit plan and Directors of the Bank. Banking transactions with related parties are entered into the normal course of business. Details of transactions with the related parties, other than those which have been disclosed elsewhere in these condensed interim financial statements, are as follows:				

	30 June 2017	31 December 2016
	----- (Rupees '000) -----	
	(Un-Audited) (Audited)	
<u>Key management personnel</u>		
Islamic financing and related assets		
At beginning of the period / year	233,323	151,457
Disbursements / additions during the period / year	45,751	109,578
Repayments / deletions during the period / year	(38,891)	(60,633)
Transfer upon amalgamation of Ex-Burj Bank	-	32,921
At end of the period / year	240,183	233,323
Deposits		
At beginning of the period / year	172,200	95,028
Deposits / additions during the period / year	238,951	584,252
Withdrawals / deletions during the period / year	(289,883)	(508,260)
Transfer upon amalgamation of Ex-Burj Bank	-	1,180
At end of the period / year	121,268	172,200
Other Balances		
Profit receivable on Islamic financing and related assets	192	254
Return payable on deposit	1,537	1,031
Other receivables	264	708

	Half year ended		Quarter ended	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	----- (Rupees '000) -----			
	----- (Un-Audited) -----			
Transactions, income and expenses				
Profit earned on Islamic financing and related assets	4,431	2,763	2,157	1,385
Return on deposits expenses	1,949	1,563	653	324
Salaries, allowances and benefits	111,317	101,824	53,408	54,421
			30 June 2017	31 December 2016
			----- (Rupees '000) -----	
			(Un-Audited) (Audited)	
Shareholders, directors and other related parties of the Bank				
Islamic financing and related assets				
At beginning of the period / year			153,345	-
Disbursements / additions during the period / year			-	-
Repayments / deletions during the period / year			(32,857)	-
Transfer upon amalgamation of Ex-Burj Bank			-	153,345
At end of the period / year			120,488	153,345

	30 June 2017	31 December 2016
	----- (Rupees '000) -----	
	(Un-Audited)	(Audited)
Deposits		
At beginning of the period / year	745,954	687,191
Deposits / additions during the period / year	265,751	592,561
Withdrawals / deletions during the period / year	(212,841)	(582,078)
Transfer upon amalgamation of Ex-Burj Bank	-	48,280
At end of the period / year	798,864	745,954
Other balances		
Profit receivable on Islamic financing and related assets	164	235
Return payable on deposits	2,654	3,054
Investments	52,200	52,200
Provision for diminution in the value of investments	21,679	22,044
Non funded exposures	-	2,772
Payable to shareholders	657	657

	Half year ended		Quarter ended	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	----- (Rupees '000) -----			
	----- (Un-Audited) -----			
Transactions, income and expenses				
Profit earned on Islamic financing and related assets	5,359	-	2,655	-
Revenue earned from non funded exposure	-	13	-	-
Return on deposits expenses	16,955	18,759	8,801	9,972
Director fee and other allowances	28,256	17,579	12,065	8,414
Shariah Board fee	2,987	216	865	-
Others	26,555	-	13,278	-

Staff Retirement benefit plan of the Bank

	Half year ended		Quarter ended	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	----- (Rupees '000) -----			
	----- (Un-Audited) -----			
Balance				
Receivable in respect of defined benefit plan			52,331	52,331
Transactions, income and expenses				
Contribution to defined contribution plan	36,782	24,886	18,945	13,071
Contribution to defined benefit plan	19,027	21,701	11,658	11,546

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17. SEGMENT BY CLASS OF BUSINESS

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

Half year ended 30 June 2017 (Un-Audited)				
	Trading & Sales	Retail Banking	Commercial Banking	Total
----- (Rupees in'000) -----				
Total income	993,230	843,439	2,133,579	3,970,248
Total expenses	1,274,187	1,129,284	1,514,454	3,917,925
Net profit / (loss) after taxation	(280,957)	(285,845)	619,125	52,323
As at 30 June 2017 (Un-Audited)				
	Trading & Sales	Retail Banking	Commercial Banking	Total
----- (Rupees in'000) -----				
Segment assets (gross of provisions)	40,242,994	17,752,683	67,942,606	125,938,283
Segment non - performing financing (NPF)	-	377,012	7,237,714	7,614,726
Segment provision required against NPF	-	256,179	3,919,639	4,175,818
Segment liabilities	1,319,404	70,018,705	39,087,898	110,426,007
Half year ended 30 June 2016 (Un-Audited)				
	Trading & Sales	Retail Banking	Commercial Banking	Total
----- (Rupees in'000) -----				
Total income	701,008	227,857	1,744,582	2,673,447
Total expenses	1,136,425	375,340	1,333,951	2,845,716
Net profit / (loss) after taxation	(435,417)	(147,483)	410,631	(172,269)
As at 31 December 2016 (Audited)				
	Trading & Sales	Retail Banking	Commercial Banking	Total
----- (Rupees in'000) -----				
Segment assets (gross of provisions)	48,266,901	20,165,843	62,670,811	131,103,555
Segment non - performing financing (NPF)	-	280,747	6,865,280	7,146,027
Segment provision required against NPF	-	214,171	4,090,751	4,304,922
Segment liabilities	1,468,280	72,821,988	41,118,862	115,409,130

18. FAIR VALUE OF FINANCIAL INSTRUMENTS

18.1 Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

The fair value of traded investments is based on quoted market prices, except for tradable securities classified by the Bank as 'held to maturity'. These securities are carried at amortized cost in order to comply with the requirements of BSD Circular No. 14 dated 24 September 2004. As of 30 June 2017, the Bank does not have any investment as 'held to maturity'.

Fair value of unquoted equity investments is determined on the basis of break up value of these investments as per the latest available financial statements.

Fair value of Islamic financing and related assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of Islamic financing has been calculated in accordance with the Bank's accounting policy.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short term in nature or in the case of customer Islamic financing and deposits are frequently repriced.

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18.2 Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in these condensed interim financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1:** Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2:** Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3:** Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Financial assets which are tradeable in an open market are revalued at the market prices prevailing on the statement of financial position date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value.

The following table provides the fair value measurement hierarchy of the Bank's assets:

		As at 30 June 2017 (Un-Audited)			
		Level 1	Level 2	Level 3	Total
		----- (Rupees '000) -----			
On - balance sheet financial instruments	Note				
Financial assets classified as 'held-for-trading'					
Ordinary shares					
Listed shares		29,149	-	-	29,149
Financial assets classified as 'available-for-sale securities'					
Ordinary shares					
Listed shares		1,216,028	-	-	1,216,028
Government Securities					
Government of Pakistan - Ijarah sukuk		-	12,782,794	-	12,782,794
Sukuks					
Sukuk certificates - listed		1,040,595	-	-	1,040,595
Mutual Funds					
Units of open end fund		68,329	-	-	68,329
Non - financial assets					
Non banking assets acquired in satisfaction of claims - Gross		-	-	2,361,522	2,361,522
		2,354,101	12,782,794	2,361,522	17,498,417
Off - balance sheet financial instruments					
Forward exchange contracts					
Purchase	18.2.1	-	4,779,318	-	4,779,318
Sale	18.2.1	-	3,838,941	-	3,838,941
		As at 31 December 2016 (Audited)			
		Level 1	Level 2	Level 3	Total
		----- (Rupees '000) -----			
On - balance sheet financial instruments					
Financial assets classified as 'held-for-trading'					
Ordinary shares					
Listed shares		-	-	-	-
Financial assets classified as 'available-for-sale securities'					
Ordinary shares					
Listed shares		834,978	-	-	834,978
Government Securities					
Government of Pakistan - Ijarah sukuk		-	16,672,262	-	16,672,262
Sukuks					
Sukuk certificates - listed		1,048,425	-	-	1,048,425
Mutual Funds					
Units of open end fund		69,854	-	-	69,854
Non - financial assets					
Non banking assets acquired in satisfaction of claims - Gross		-	-	2,374,360	2,374,360
		1,953,257	16,672,262	2,374,360	20,999,879
Off - balance sheet financial instruments					
Forward exchange contracts					
Purchase	18.2.1	-	4,236,420	-	4,236,420
Sale	18.2.1	-	2,512,760	-	2,512,760

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30 June 2017	31 December 2016
----- (Rupees '000) -----	
(Un-Audited)	(Audited)

18.2.1 Book value of off - balance sheet financial instruments

Forward purchase of foreign exchange
Forward sale of foreign exchange

4,679,555	4,238,066
<u>3,790,398</u>	<u>2,516,480</u>

18.3 Valuation techniques used in determination of fair values within level 2 and level 3

Particulars	Valuation approach and input used
Government of Pakistan - Ijarah sukuk	The fair value of GOP Ijarah Sukuks are derived using PKISRV rates. The PKISRV rates are announced by Financial Market Association (FMA) through Reuters. The rates announced are simple average of quotes received from approved dealers / brokers.
Forward foreign exchange contracts	The valuation has been determined by interpolating the mid rates announced by State Bank of Pakistan.
Non banking assets acquired in satisfaction of claims - Gross	Non banking assets acquired in satisfaction of claims are revalued on a periodic basis using professional valuers. The valuation is based on their assessment of the market value of the assets.

19. GENERAL

- 19.1 Corresponding figures have been re-arranged and reclassified, wherever necessary, to facilitate the comparison. No significant reclassification were made during the current period.
- 19.2 Figures have been rounded off to the nearest thousand rupees.
- 19.3 Figures of the profit and loss account and comprehensive income for the quarters ended June 30, 2017 and June 30, 2016 have not been subjected to limited scope review by the auditors as they are only required to review half- yearly figures.

20. DATE OF AUTHORISATION

These financial statements were authorized for issue on 25 AUG 2017 August 2017 by the Board of Directors of the Bank.

 _____ Chairman	 _____ Chief Executive Officer	 _____ Director	 _____ Director
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