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**Albaraka Bank (Pakistan) Limited
FINANCIAL STATEMENTS**

FOR THE PERIOD ENDED 30 JUNE 2018

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TO THE MEMBERS OF ALBARAKA BANK (PAKISTAN) LIMITED

REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Albaraka Bank (Pakistan) Limited** (the Bank) as at 30 June 2018 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 financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the three months ended 30 June 2018 and 30 June 2017 have not been reviewed, as we are required to review only the cumulative figures for the six-month period ended 30 June 2018.

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 statements 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 statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the audit resulting in this independent auditor's review report is Shaikh Ahmed Salman.



Chartered Accountants

Karachi

Date: 27 August 2018

ALBARAKA BANK (PAKISTAN) LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	30 June 2018	31 December 2017
Note	----- (Rupees '000) -----	
	(Un-Audited)	(Audited)
ASSETS		
Cash and balances with treasury banks	14,877,217	8,915,585
Balances with other banks	594,375	2,932,165
Due from financial institutions	6 4,800,000	5,095,411
Investments	7 21,553,157	19,393,486
Islamic financing and related assets	8 73,025,993	71,203,056
Operating fixed assets	9 3,987,633	4,082,153
Deferred tax assets	3,387,168	3,238,985
Other assets	5,576,465	5,799,760
	127,802,008	120,660,601
LIABILITIES		
Bills payable	1,454,980	1,691,141
Due to financial institutions	2,600,046	3,209,400
Deposits and other accounts	10 107,380,578	98,589,904
Sub-ordinated loans	11 2,500,000	2,642,852
Deferred tax liabilities	-	-
Other liabilities	3,288,728	3,765,083
	117,224,332	109,898,380
NET ASSETS	10,577,676	10,762,221
REPRESENTED BY		
Share capital	13,739,628	13,739,628
Discount on issuance of shares - net	(632,766)	(632,766)
Reserve	159,348	159,348
Accumulated loss	(2,945,740)	(2,675,723)
	10,320,470	10,590,487
Surplus on revaluation of assets - net of tax	257,206	171,734
	10,577,676	10,762,221
CONTINGENCIES AND COMMITMENTS	12	

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

 Vice Chairman	 Chief Executive Officer	 Director	 Director	 Chief Financial Officer
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ALBARAKA BANK (PAKISTAN) LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2018

	Half year ended		Quarter ended		
	30 June 2018	30 June 2017	30 June 2018	30 June 2017	
Note	----- (Rupees '000) -----				
Profit / return earned on Islamic financing and related assets, investments and placements	13	3,659,563	3,338,821	1,920,549	1,694,309
Return on deposits and other dues expensed		<u>(1,683,837)</u>	<u>(1,518,129)</u>	<u>(887,181)</u>	<u>(774,227)</u>
Net spread earned		1,975,726	1,820,692	1,033,368	920,082
(Provision) / reversal against non-performing Islamic financing and related assets	8.2	<u>(469,088)</u>	129,104	<u>(105,805)</u>	149,876
Provision for diminution in the value of investments		<u>(108,983)</u>	<u>(33,311)</u>	<u>(102,640)</u>	<u>(29,673)</u>
Net spread after provisions		1,397,655	1,916,485	824,923	1,040,285
Other income					
Fee, commission and brokerage income		363,986	345,906	196,947	156,391
Dividend income		15,805	19,216	9,468	9,766
Income from dealing in foreign currencies		167,033	79,280	93,290	54,343
Gain on sale of securities		22,043	152,749	3,961	53,320
Unrealized loss on revaluation of investments classified as held-for-trading		(1,973)	(1,495)	(1,271)	(1,495)
Other income	14	9,256	36,141	8,973	556
Total other income		<u>576,150</u>	<u>631,797</u>	<u>311,368</u>	<u>272,881</u>
		1,973,805	2,548,282	1,136,291	1,313,166
Other expenses					
Administrative expenses		(2,375,258)	(2,440,065)	(1,190,386)	(1,232,309)
Other provisions / write off		(4,132)	-	(4,132)	-
Other charges	15	(5,897)	(26,407)	(5,877)	(19)
Total other expenses		<u>(2,385,287)</u>	<u>(2,466,472)</u>	<u>(1,200,395)</u>	<u>(1,232,328)</u>
		(411,482)	81,810	(64,104)	80,838
Extra ordinary / unusual items		-	-	-	-
(Loss) / profit before taxation		(411,482)	81,810	(64,104)	80,838
Taxation		(52,971)	(39,717)	(27,915)	(19,683)
- Current		-	-	-	-
- Prior year		-	-	-	-
- Deferred		<u>194,288</u>	<u>10,230</u>	<u>43,216</u>	<u>(9,453)</u>
		141,317	(29,487)	15,301	(29,136)
(Loss) / profit after taxation		(270,165)	52,323	(48,803)	51,702
----- Rupee -----					
(Loss) / earning per share - basic / diluted		(0.20)	0.04	(0.04)	0.04
P.T.O.					

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

 Vice Chairman	 Chief Executive Officer	 Director	 Director	 Chief Financial Officer
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ALBARAKA BANK (PAKISTAN) LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2018

	Half year ended		Quarter ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	------(Rupees '000)-----			
(Loss) / profit after taxation	(270,165)	52,323	(48,803)	51,702
Other comprehensive income	-	-	-	-
Comprehensive (loss) / income transferred to equity	(270,165)	52,323	(48,803)	51,702
Components of comprehensive income not reflected in equity				
Surplus / (deficit) on revaluation of available-for-sale securities - net of tax *	85,825	(93,313)	114,032	20,616
Movement in revaluation of non-banking assets - net of tax	(353)	(12,203)	(279)	17,062
Total comprehensive (loss) / income	(184,693)	(53,193)	64,950	89,380

* Surplus / (deficit) on revaluation of available-for-sale securities - net of tax has been shown in the statement of comprehensive income in order to comply with the revised "Prudential Regulations for Corporate / Commercial Banking" issued by the State Bank of Pakistan vide its BPRD Circular No. 06 of 2014 on 26 June 2014.

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

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 _____ Vice Chairman	 _____ Chief Executive Officer	 _____ Director	 _____ Director	 _____ Chief Financial Officer
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ALBARAKA BANK (PAKISTAN) LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2018

	Half year ended	
	30 June 2018	30 June 2017
CASH FLOWS FROM OPERATING ACTIVITIES	----- (Rupees '000) -----	
(Loss)/profit before taxation	(411,482)	81,810
Dividend income	(15,805)	(19,216)
	<u>(427,287)</u>	<u>62,594</u>
Adjustments for non-cash and other items:		
Depreciation	101,190	113,529
Amortisation	93,111	58,412
Depreciation - non banking assets	12,834	12,834
Provision / (reversal) against non-performing Islamic financing and related assets	469,088	(129,104)
Provision for diminution in the value of investments	108,983	33,311
Unrealized loss on revaluation of investments classified as held for trading	1,973	1,495
Other provisions / write offs	4,132	-
Gain on sale of operating fixed assets	(89)	(2,235)
	<u>791,222</u>	<u>88,242</u>
	<u>363,935</u>	<u>150,836</u>
(Increase) / decrease in operating assets		
Due from financial institutions	295,411	(2,702,708)
Islamic financing and related assets	(2,292,025)	(3,556,350)
Other assets	194,980	(410,669)
	<u>(1,801,634)</u>	<u>(6,669,727)</u>
Increase / (decrease) in operating liabilities		
Bills payable	(236,161)	54,984
Due to financial institutions	(609,354)	(116,633)
Deposits and other accounts	8,790,674	(4,677,964)
Other liabilities	(476,355)	(100,652)
	<u>7,468,804</u>	<u>(4,840,265)</u>
Income tax paid	(31,689)	(20,463)
Net cash flow from / (used in) operating activities	<u>5,999,416</u>	<u>(11,379,619)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net (investments) / redemptions in available-for-sale investments	(2,149,547)	3,276,775
Net redemptions / (investments) in held-for-trading investments	10,958	(30,644)
Net investments in operating fixed assets	(116,063)	(93,989)
Dividend received	9,698	20,322
Proceeds from disposal of operating fixed assets	12,238	4,252
Net cash (used in) / flow from investing activities	<u>(2,232,716)</u>	<u>3,176,716</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of Tier II mudaraba sukuk - first issue	(142,858)	(142,858)
Net cash used in financing activities	<u>(142,858)</u>	<u>(142,858)</u>
Net increase / (decrease) in cash and cash equivalents	<u>3,623,842</u>	<u>(8,345,761)</u>
Cash and cash equivalents at beginning of the period	<u>11,847,750</u>	<u>19,709,475</u>
Cash and cash equivalents at end of the period	<u>15,471,592</u>	<u>11,363,714</u>

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

 Vice Chairman	 Chief Executive Officer	 Director	 Director	 Chief Financial Officer
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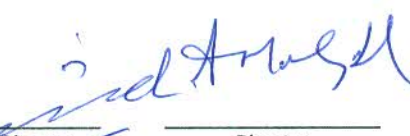
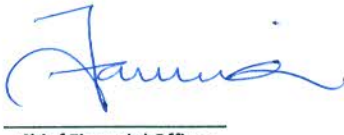
ALBARAKA BANK (PAKISTAN) LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2018

	Issued, subscribed and paid-up share capital	Discount on issuance of shares - net	Statutory Reserve *	Accumulated loss	Total
	----- (Rupees '000) -----				
Balance as at 01 January 2017	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
Balance as at 30 June 2017	13,739,628	(632,766)	159,348	(2,228,898)	11,037,312
Loss after taxation for the period	-	-	-	(441,761)	(441,761)
Other comprehensive loss for the period	-	-	-	(5,211)	(5,211)
Total comprehensive loss for the period	-	-	-	(446,972)	(446,972)
Transfer from surplus on revaluation of non-banking assets - net of tax	-	-	-	147	147
Balance as at 31 December 2017	13,739,628	(632,766)	159,348	(2,675,723)	10,590,487
Loss after taxation for the period	-	-	-	(270,165)	(270,165)
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(270,165)	(270,165)
Transfer from surplus on revaluation of non-banking assets - net of tax	-	-	-	148	148
Balance as at 30 June 2018	<u>13,739,628</u>	<u>(632,766)</u>	<u>159,348</u>	<u>(2,945,740)</u>	<u>10,320,470</u>

* 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.

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 Vice Chairman	 Chief Executive Officer	 Director	 Director	 Chief Financial Officer
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ALBARAKA BANK (PAKISTAN) LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2018

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 repealed 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.

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, SBP 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, Ex Burj Bank Limited 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 188 branches including 13 sub-branches (31 December 2017 : 188 branches including 13 sub-branches) in Pakistan.

Based on the financial statements of the Bank for the year ended 31 December 2017, JCR-VIS has maintained the long-term rating at 'A+' and short-term rating at 'A1'. Pakistan Credit Rating Agency Limited (PACRA) has maintained the Bank's long-term rating at 'A' and short term rating at 'A1'.

- 1.2 As at 30 June 2018, the Minimum Capital Requirement (MCR) and Capital Adequacy Ratio (CAR) stood at Rs.10.16 billion and 10.11% respectively.

2. STATEMENT OF COMPLIANCE

- 2.1 These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards comprise of:

- International Accounting Standards (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB),
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act 2017,
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017.

Wherever the requirements of provisions of the Companies Act, 2017, the Banking Companies Ordinance, 1962, and directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the SBP differ from the requirements of IAS 34 or IFAS, the requirements of the Companies Act, 2017, the Banking Companies Ordinance, 1962, and the directives issued by the SECP and the SBP have been followed.

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 describe below :

- 4.1 **Standards, interpretations and amendments to published approved accounting standards that are effective in the current period**

There are certain new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after 01 January 2018 but are considered not to be relevant or do not have any significant effect on the Bank's operations and therefore not detailed in these 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 2017.

ALBARAKA BANK (PAKISTAN) LIMITED

	Note	31 December	
		30 June 2018 ----- (Rupees '000) ----- (Un-Audited)	2017 (Audited)
6. DUE FROM FINANCIAL INSTITUTIONS			
- Bai muajjal		-	5,095,411
- Lending to financial institutions	6.1	4,800,000	-
		<u>4,800,000</u>	<u>5,095,411</u>

6.1 The expected return on these placements is from 6.55% to 6.9% (31 December 2017: Nil) per annum. These will mature by July 2018.

7. INVESTMENTS

	Note	30 June 2018 (Un-Audited)			31 December 2017 (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		16,079	-	16,079	33,135	-	33,135
Available for sale securities							
Sukuk certificates	7.1	20,615,406	-	20,615,406	18,499,630	-	18,499,630
Ordinary shares of listed companies		1,302,837	-	1,302,837	1,272,585	-	1,272,585
Ordinary shares of unlisted companies		55,719	-	55,719	52,200	-	52,200
Units of open-end mutual funds		69,408	-	69,408	69,408	-	69,408
		<u>22,043,370</u>	-	<u>22,043,370</u>	<u>19,893,823</u>	-	<u>19,893,823</u>
Investments at cost		<u>22,059,449</u>	-	<u>22,059,449</u>	<u>19,926,958</u>	-	<u>19,926,958</u>
Less: Provisions for diminution in the value of investments		(387,753)	-	(387,753)	(278,770)	-	(278,770)
Investments (net of provisions)		<u>21,671,696</u>	-	<u>21,671,696</u>	<u>19,648,188</u>	-	<u>19,648,188</u>
Deficit on revaluation of investments classified of available for sale securities		(116,566)	-	(116,566)	(248,604)	-	(248,604)
Deficit on revaluation of investments classified as held for trading securities		(1,973)	-	(1,973)	(6,098)	-	(6,098)
Total investments at market value		<u>21,553,157</u>	-	<u>21,553,157</u>	<u>19,393,486</u>	-	<u>19,393,486</u>

7.1 Sukuk certificates include Government of Pakistan Ijarah sukuk amounting to Rs. 10,764 million (31 December 2017: Rs. 10,299 million)

	Note	31 December	
		30 June 2018 ----- (Rupees '000) ----- (Un-Audited)	2017 (Audited)
8. ISLAMIC FINANCING AND RELATED ASSETS			
In Pakistan			
Islamic financing and related assets			
- Murabaha finance		9,630,229	9,603,633
- Advance against murabaha finance		1,517,019	2,101,551
- Export refinance under Islamic scheme		953,150	1,947,276
- Advance against export refinance under Islamic scheme		1,766,745	1,772,129
- Ijarah assets under IFAS 2		2,046,456	2,643,116
- Net investment in Ijarah		112,493	112,493
- Advance against Ijarah		6,390	19,974
- Diminishing musharaka financing		36,682,882	36,142,499
- Advance against diminishing musharaka finance		874,581	991,561
- Running musharaka		150,000	150,000
- Tijarah finance		1,531,874	1,378,591
- Over due acceptances		1,104,258	698,722
- Payment against guarantee		62,796	62,796
- Payment against documents		-	4,701
- Salam financing		21,443	22,087
- Advance against salam		12,089,472	8,968,061
- Salam inventory		46,533	8,160
- Financing against bills		1,705,238	569,832
- Istasna finance		1,270,890	1,235,413
- Advance against istasna		4,459,229	5,713,369
- Istasna inventory		390,290	30,800
- Staff financing		1,356,362	1,308,798
- Advance against staff financing		5,916	6,626
- Rahnuma travel services		48	81
Islamic financing and related assets - gross		<u>77,784,294</u>	<u>75,492,269</u>
Provisions for non-performing financing - specific	8.2	(4,623,653)	(4,202,127)
- general	8.2	(134,648)	(87,086)
		<u>(4,758,301)</u>	<u>(4,289,213)</u>
Islamic financing and related assets - net of provisions		<u>73,025,993</u>	<u>71,203,056</u>

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ALBARAKA BANK (PAKISTAN) LIMITED

- 8.1 Islamic financing and related assets include Rs. 7,104.281 (31 December 2017 : Rs. 7,651.332) million which have been placed under non-performing status as detailed below:

Category of classifications	30 June 2018 (Un-Audited)				
	Classified Islamic financing and related assets			Provision required	Provision held
	Domestic	Overseas	Total		
	----- Rupees in '000 -----				
Other assets especially mentioned	91,104	-	91,104	-	-
Substandard	732,502	-	732,502	80,516	80,516
Doubtful	794,690	-	794,690	212,709	212,709
Loss	5,485,985	-	5,485,985	4,330,428	4,330,428
	7,104,281	-	7,104,281	4,623,653	4,623,653

Category of classifications	31 December 2017 (Audited)				
	Classified Islamic financing and related assets			Provision required	Provision held
	Domestic	Overseas	Total		
	----- Rupees in '000 -----				
Other assets especially mentioned	35,182	-	35,182	-	-
Substandard	1,434,832	-	1,434,832	133,894	133,894
Doubtful	653,068	-	653,068	127,265	127,265
Loss	5,528,250	-	5,528,250	3,940,968	3,940,968
	7,651,332	-	7,651,332	4,202,127	4,202,127

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

	30 June 2018 (Un-Audited)			31 December 2017 (Audited)		
	Specific	General	Total	Specific	General	Total
	----- Rupees in '000 -----					
Opening balance	4,202,127	87,086	4,289,213	4,217,953	86,969	4,304,922
Charge for the period / year	566,103	47,562	613,665	459,119	117	459,236
Reversals for the period / year	(144,577)	-	(144,577)	(474,945)	-	(474,945)
	421,526	47,562	469,088	(15,826)	117	(15,709)
Closing balance	4,623,653	134,648	4,758,301	4,202,127	87,086	4,289,213

- 8.2.1 The above provision against non-performing Islamic financing and related assets has been computed after considering allowable forced sale value (FSV) of collateral amounting to Rs. 1,806.214 (31 December 2017: Rs. 2,597.403) 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 consumer financing.
- 8.2.3 SBP vide its letter BPRD/BLRD-3/DMG/2011-1035 has allowed relaxation from further provisioning requirement against a financing exposure having a provisioning impact of Rs. 40.581 million (31 December 2017: Rs. 40.581) million. Further SBP vide its letter BPRD/BRD/PRs/024/2018 dated 01 January 2018 has also allowed time bound relaxation from provisioning of Rs 237.726 million against a financing exposure to be recognized in a phased manner by 31 December 2018. As per such relaxation, the Bank is required to book 50% of provision as of 30 June 2018 which amounts to Rs. 118.863 million and the same has been booked in these condensed interim financial statements. Accordingly, further provisioning impact of Rs 118.863 million has to be recognized by 31 December 2018.

9. OPERATING FIXED ASSETS	Note	30 June 2018	31 December 2017
		(Un-Audited)	(Audited)
Property and equipment		1,794,110	1,855,376
Intangible assets		1,664,409	1,720,577
Capital work-in-progress	9.1	529,114	506,200
		3,987,633	4,082,153
9.1 Capital work-in-progress			
Land and building including advances to suppliers and contractors		529,114	506,200
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		529,114	506,200

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ALBARAKA BANK (PAKISTAN) LIMITED

	30 June 2018 ----- (Rupees '000) ----- ----- (Un-Audited) -----	30 June 2017 ----- (Rupees '000) ----- ----- (Un-Audited) -----
9.2 Additions to operating fixed assets	<u>93,016</u>	<u>80,167</u>
Disposals operating fixed assets - cost	<u>24,135</u>	<u>13,139</u>
	30 June 2018 ----- (Rupees '000) ----- (Un-Audited)	31 December 2017 ----- (Rupees '000) ----- (Audited)
10. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	<u>16,890,488</u>	<u>18,530,047</u>
Savings deposits	<u>57,642,023</u>	<u>49,335,247</u>
Current accounts - non-remunerative	<u>26,576,294</u>	<u>24,074,933</u>
Margin deposits	<u>1,456,860</u>	<u>1,359,486</u>
	<u>102,565,665</u>	<u>93,299,713</u>
Financial Institutions		
Remunerative deposits	<u>4,784,434</u>	<u>5,201,905</u>
Non-remunerative deposits	<u>30,479</u>	<u>88,286</u>
	<u>4,814,913</u>	<u>5,290,191</u>
	<u>107,380,578</u>	<u>98,589,904</u>
11. SUB - ORDINATED LOANS		
Tier II mudaraba sukuk - first issue	<u>1,000,000</u>	<u>1,142,852</u>
Tier II mudaraba sukuk - second issue	<u>1,500,000</u>	<u>1,500,000</u>
	<u>2,500,000</u>	<u>2,642,852</u>
12. CONTINGENCIES AND COMMITMENTS		
12.1 Transaction-related contingent liabilities		
Includes performance bonds, bid bonds, shipping guarantees favouring:		
- Government	<u>5,416,085</u>	<u>5,589,644</u>
- Banking companies and other financial institutions	<u>261,658</u>	<u>25,252</u>
- Others	<u>451,255</u>	<u>1,500,360</u>
	<u>6,128,998</u>	<u>7,115,256</u>
12.2 Trade-related contingent liabilities		
Letters of credit	<u>8,395,952</u>	<u>8,082,529</u>
Others - Shipping Guarantees	<u>-</u>	<u>2,650</u>
Acceptances	<u>3,225,155</u>	<u>1,991,792</u>
12.3 Commitments in respect of forward exchange contracts		
Purchase	<u>7,972,628</u>	<u>5,582,401</u>
Sale	<u>6,625,732</u>	<u>3,547,869</u>
12.4 Commitments to incur capital expenditure	<u>15,282</u>	<u>10,501</u>
12.5 Other Contingencies		
12.5.1 There is no change in the status of contingencies disclosed in note 22.5.1 and 22.5.2 to the financial statements for the year ended 31 December 2017.		

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ALBARAKA BANK (PAKISTAN) LIMITED

	Half year ended		Quarter ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	----- (Rupees '000) ----- ----- (Un-Audited) -----			
13. PROFIT / RETURN EARNED ON ISLAMIC FINANCING AND RELATED ASSETS, INVESTMENTS AND PLACEMENTS				
On Islamic financing and related assets	2,945,540	2,670,415	1,545,081	1,376,868
On investments in				
- Available-for-sale securities	525,875	607,085	269,678	307,901
On deposits with banks	7,980	16,828	471	379
On due from financial institutions	180,168	44,493	105,319	9,161
	<u>3,659,563</u>	<u>3,338,821</u>	<u>1,920,549</u>	<u>1,694,309</u>
14. OTHER INCOME				
Gain on sale of assets	89	3,062	-	186
Gain on sale of non banking assets	8,196	32,709	8,196	-
Rental Income from non-banking assets	971	370	777	370
	<u>9,256</u>	<u>36,141</u>	<u>8,973</u>	<u>556</u>
15. OTHER CHARGES				
Penalties imposed by the State Bank of Pakistan	5,897	26,407	5,877	19

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 2018	31 December 2017
	----- (Rupees '000) ----- (Un-Audited) (Audited)	
Key management personnel		
Islamic financing and related assets		
At beginning of the period / year	238,894	233,323
Disbursements / additions during the period / year	52,863	71,175
Repayments / deletions during the period / year	(61,641)	(65,604)
At end of the period / year	230,116	238,894
Deposits		
At beginning of the period / year	197,466	172,200
Deposits / additions during the period / year	200,160	577,096
Withdrawals / deletions during the period / year	(328,708)	(551,830)
At end of the period / year	68,918	197,466
Other Balances		
Profit receivable on Islamic financing and related assets	127	199
Return payable on deposit	435	1,137
	<u>Half year ended</u>	<u>Quarter ended</u>
	30 June 2018	30 June 2017
	----- (Rupees '000) ----- ----- (Un-Audited) -----	
Transactions, income and expenses		
Profit earned on Islamic financing and related assets	3,641	4,431
Return on deposits expenses	1,058	1,949
Salaries, allowances and benefits	110,150	111,317
	62,156	53,408

Shareholders, directors and other related parties of the Bank

	30 June 2018	31 December 2017
	----- (Rupees '000) ----- (Un-Audited) (Audited)	
Islamic financing and related assets		
At beginning of the period / year	90,366	153,345
Disbursements / additions during the period / year	-	-
Repayments / deletions during the period / year	(30,122)	(62,979)
At end of the period / year	60,244	90,366
Deposits		
At beginning of the period / year	819,202	745,954
Deposits / additions during the period / year	679,949	413,432
Withdrawals / deletions during the period / year	(554,868)	(340,184)
At end of the period / year	944,283	819,202
Other balances		
Profit receivable on Islamic financing and related assets	92	142
Return payable on deposits	3,949	3,156
Investments	52,200	52,200
Provision for diminution in the value of investments	22,613	19,637
Sub-ordinated loan	1,000	5,714
Return payable on Sub-ordinated loan	21	113
Payable to shareholders	657	657

ALBARAKA BANK (PAKISTAN) LIMITED

	Half year ended		Quarter ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	----- (Rupees '000) -----			
	----- (Un-Audited) -----			
Transactions, income and expenses				
Profit earned on Islamic financing and related assets	3,188	5,359	1,587	2,655
Return on deposits expenses	25,024	16,955	14,312	8,801
Director fee and other allowances	29,392	28,256	14,606	12,065
Shariah Board fee	2,848	2,987	1,263	865
Return on Sub-ordinated loan	42	259	-	-
Others	18,471	22,664	18,471	-

Staff Retirement benefit plan of the Bank

	30 June 2018	30 June 2017	30 June 2018	30 June 2017
Transactions, income and expenses				
Contribution to defined contribution plan	36,269	36,782	18,756	18,945
Contribution to defined benefit plan	26,325	19,027	13,966	11,658

Balance

	30 June 2018	31 December 2017
	----- (Rupees '000) -----	
	(Un-Audited) (Audited)	
Receivable in respect of defined benefit plan	12,579	12,579

17. SEGMENT BY CLASS OF BUSINESS

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

	Half year ended 30 June 2018 (Un-Audited)				
	Retail Banking	Commercial Banking	Trading & Sales	Others	Total
	----- (Rupees in'000) -----				
Total income	882,792	2,620,549	676,608	55,764	4,235,713
Total expenses	(491,407)	(2,846,543)	(548,155)	(619,773)	(4,505,878)
Net profit / (loss) after taxation	391,385	(225,994)	128,453	(564,009)	(270,165)
	----- (Rupees in'000) -----				
	As at 30 June 2018 (Un-Audited)				
	Retail Banking	Commercial Banking	Trading & Sales	Others	Total
	----- (Rupees in'000) -----				
Segment assets (gross of provisions)	29,810,539	73,208,310	20,323,752	9,217,708	132,560,309
Segment non - performing financing (NPF)	449,155	6,655,126	-	-	7,104,281
Segment provision required against NPF	344,768	4,413,533	-	-	4,758,301
Segment liabilities	100,994,513	8,889,752	3,707,027	3,633,040	117,224,332
	----- (Rupees in'000) -----				
	Half year ended 30 June 2017 (Un-Audited)				
	Retail Banking	Commercial Banking	Trading & Sales	Others	Total
	----- (Rupees in'000) -----				
Total income	739,898	2,447,788	758,910	24,022	3,970,618
Total expenses	(411,245)	(2,085,694)	(724,685)	(696,671)	(3,918,295)
Net profit / (loss) after taxation	328,653	362,094	34,225	(672,649)	52,323
	----- (Rupees in'000) -----				
	As at 31 December 2017 (Audited)				
	Retail Banking	Commercial Banking	Trading & Sales	Others	Total
	----- (Rupees in'000) -----				
Segment assets (gross of provisions)	24,067,393	70,579,215	22,119,270	8,183,936	124,949,814
Segment non - performing financing (NPF)	398,592	7,252,740	-	-	7,651,332
Segment provision required against NPF	285,640	4,003,573	-	-	4,289,213
Segment liabilities	90,827,651	11,002,116	3,770,376	4,298,237	109,898,380

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 2018, 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 2018 (Un-Audited)			
		Level 1	Level 2	Level 3	Total
		----- (Rupees '000) -----			
On - balance sheet financial instruments					
Financial assets classified as 'held-for-trading'					
Ordinary shares					
		14,106	-	-	14,106
Financial assets classified as 'available-for-sale securities'					
Ordinary shares					
		891,333	-	-	891,333
Government Securities					
		-	10,689,643	-	10,689,643
Sukuks					
		2,005,440	-	-	2,005,440
		-	4,989,184	-	4,989,184
Mutual Funds					
		-	71,312	-	71,312
Non - financial assets					
		-	-	2,247,402	2,247,402
		2,910,879	15,750,139	2,247,402	20,908,420
Off - balance sheet financial instruments					
Forward exchange contracts					
		-	7,972,628	-	7,972,628
		-	6,625,732	-	6,625,732
As at 31 December 2017 (Audited)					
		Level 1	Level 2	Level 3	Total
		----- (Rupees '000) -----			
On - balance sheet financial instruments					
Financial assets classified as 'held-for-trading'					
Ordinary shares					
		27,037	-	-	27,037
Financial assets classified as 'available-for-sale securities'					
Ordinary shares					
		901,135	-	-	901,135
Government Securities					
		-	10,301,502	-	10,301,502
Sukuks					
		1,863,876	-	-	1,863,876
Mutual Funds					
		-	69,727	-	69,727
Non - financial assets					
		-	-	2,361,522	2,361,522
		2,792,048	10,371,229	2,361,522	15,524,799
Off - balance sheet financial instruments					
Forward exchange contracts					
		-	5,582,401	-	5,582,401
		-	3,547,869	-	3,547,869

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ALBARAKA BANK (PAKISTAN) LIMITED

30 June 31 December
2018 2017
----- (Rupees '000) -----
(Un-Audited) (Audited)

18.2.1 Book value of off - balance sheet financial instruments

Forward purchase of foreign exchange	7,693,652	5,335,027
Forward sale of foreign exchange	6,389,101	3,440,667

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.
Sukuk certificates - Unlisted	These are valued using rates announced by MUFAP.
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.
Units of open end fund	These are valued using NAV as declared by the respective fund managers.

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 The Deposit Protection Corporation (DPC) – Subsidiary of State Bank of Pakistan vide it DPC Circular No. 04 dated 22 June 2018 has introduced a deposit protection mechanism to all scheduled banks in Pakistan with effect from 1 July 2018. As per such mechanism, banks are required to pay annual premium to the corporation calculated @ 0.16% of their respective "aggregate eligible deposits". Based on the above, the Bank has paid Rs 22.59 million in the month of July 2018.

20. DATE OF AUTHORISATION

These condensed interim financial statements were authorized for issue on 27 August 2018 by the Board of Directors of the Bank.

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 Vice Chairman


 Chief Executive Officer


 Director


 Director


 Chief Financial Officer