

**ALBARAKA BANK (PAKISTAN) LIMITED
DIRECTORS' REPORT**

On behalf of the Board of Directors of the AlBaraka Bank (Pakistan) Limited (herein referred to as "the Bank"), we are pleased to present the reviewed financial statements for the half-year ended 30 June 2013. The financial highlights of the Bank are given below:

Financial Highlights

Rs 000'

Statement of financial position	30 June 2013	31 Dec 2012 (Restated)
Deposits and other accounts	73,772,943	63,278,655
Islamic financing and related assets – net	34,233,895	28,782,448
Investments – net	27,538,412	27,421,461
Total assets	85,030,824	73,866,315

Rs 000'

Profit & Loss Account	Jan – Jun 2013	Jan – Jun 2012
Profit / (loss) before provisions and taxation	161,589	(13,265)
Loss after provisions and taxation	(120,548)	(212,713)
Loss per share	(0.13)	(0.24)
Number of branches	94	89

By the grace of Almighty Allah, the Bank continues to grow, with a healthy asset base of Rs. 85,030 million at the end of the 30 June 2013 period. Deposits of the Bank have grown by Rs. 10,494 million during the half year period under review, demonstrating a robust increase of 17%. Islamic financing and related assets have posted a growth of 19% since 31 December 2012, rising to Rs. 34,233 million. The Bank continues to actively focus on the recovery of non-performing assets; the Bank's strong and concerted efforts in this regard have shown fruition with the expected recoveries of non-performing

financing in next quarter. The Bank remains highly liquid reflecting investments in risk free government Sukuk and placements with other banks.

During the period under review, the Bank posted operational profit (before provisions and taxations) of Rs. 161.59 million as compared to an operational loss of Rs. 13.26 million in June 2012. Despite a reduction in discount rate by 3%, the strong increase in operational profit has been achieved through the rationalization of low cost deposits, increasing the average CASA by 23%, prudent risk management policies, and the consistent increase in trade volumes that has contributed positively to non-fund based income. The provision for half year increased by nearly 8 % compared to corresponding period, while the coverage ratio also improved to 47% from 37% of last period. The administrative expenses have increased by 10% over corresponding period, reflecting the full impact of new branches and overall increase in salary cost.

Improvements are expected in the overall national economic environment with the induction of the new government and the agreement with the International Monetary Fund (IMF). Headwinds from the fiscal and external sector, however, continue to deepen challenges to macroeconomic management in the country. The fiscal deficit, which stood at 8.8% at the end of fiscal year 2012/2013, is expected to be leveled down to 6.3% at the end of fiscal year 2013-2014 with financing through external borrowing and loans from the banking industry as well as ambitious targets for revenue generation and collection. On the industrial sector side, large-scale manufacturing has shown signs of recovery, demonstrating a growth of 2.8% for the July to June 2012/2013 period; however, energy and structural impediments still persist. GDP is targeted to grow at 4.8% in the current 2013/2014 fiscal year, with inflation to continue its declining trend over the short-term. However, concerns over the balance of payments position continue to prevail, being driven by low financial inflows and high debt repayment.

The Bank, taking close account of the macroeconomic landscape, is taking a prudent and calculative approach towards credit lending, while the strategy for further improvement in retail liabilities mix will continue to be pursued.

Pakistan Credit Rating Agency Limited (PACRA) maintained the Banks' long-term rating at **"A"** while maintaining the short-term rating of the Bank at **"A1"**. Another rating agency, JCR-VIS, also maintained long-term and short-term ratings of **"A"** and **"A1"**, respectively with a **"Stable"** outlook.

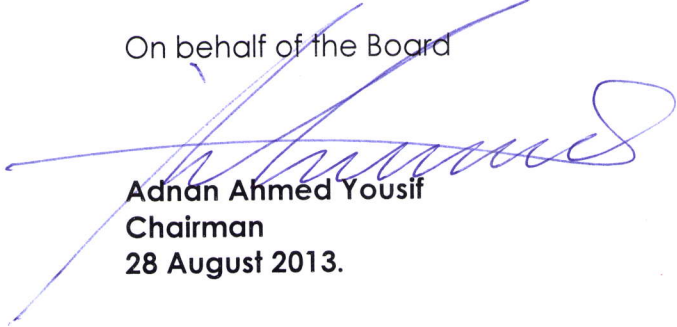
The paid up share capital of the Bank at 30 June 2013 stood at Rs. 8,935.2 million while shareholders' equity, net of discount on issuance of shares and accumulated losses, was Rs. 5,760.3 million. For compliance with Minimum Capital Requirements and CAR requirements, the Bank was granted a timeline extension until 31 December 2012 by the State Bank of Pakistan (SBP), subject to submission of capital enhancement plan. The said plan has been finalized and submitted to SBP and is currently under discussion.

The Bank plans to further extend its footprint across the country focusing on rural and unbanked outskirts of urban areas, and adding 16 more branches to the branch network during the year 2013. To increase client outreach, the Bank intends to expand its ATM network through both, onsite and offsite placements. Launch of an internationally accepted debit card to enhance value service to the Bank's customers is also in the pipeline, followed by Internet banking. We are confident that these initiatives will add great value to the Bank's services and will positively contribute to the Bank's growth in the industry.

Acknowledgement

We would like to express our sincere thanks and gratitude to the State Bank of Pakistan and the Shariah Advisor for their continued guidance and support. We would also like to thank our valued clients for their continued patronage and confidence as well as the staff members and the management for their commitment and devotion.

On behalf of the Board



Adnan Ahmed Yousif
Chairman
28 August 2013.



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Chartered Accountants
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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 2013 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 explanatory notes (here-in-after referred to as the "interim financial information") for the six-months' period then ended. 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.

Emphasis of matter

We draw attention to note 1.2 to the condensed interim financial statements which fully explains the matter regarding the Bank's shortfall in capital (free of losses). In this regard, the Bank has finalized its capital enhancement plan and the same has been submitted to SBP for its approval. Our conclusion is not qualified in respect of this matter.

Chartered Accountants

Engagement Partner: Arslan Khalid

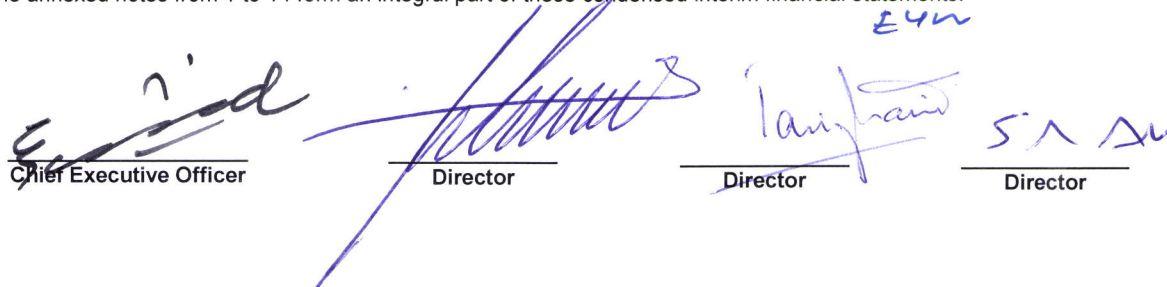
Karachi

Date : 28 August 2013

ALBARAKA BANK (PAKISTAN) LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	30 June 2013	31 December 2012
Note	----- (Rupees in '000)-----	
	(Un-Audited)	(Audited) (Restated)
ASSETS		
	3	
Cash and balances with treasury banks	4,505,119	4,221,381
Balances with other banks	10,232,066	6,712,477
Due from financial institutions	2,578,978	1,100,000
Investments	4	27,538,412
Islamic financing and related assets	5	34,233,895
Operating fixed assets	6	2,767,381
Deferred tax assets	1,479,020	1,291,895
Other assets	1,695,953	1,707,477
	85,030,824	73,866,315
LIABILITIES		
Bills payable	994,143	746,651
Due to financial institutions	2,471,350	1,991,738
Deposits and other accounts	7	73,772,943
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	2,077,336	1,830,054
	79,315,772	67,847,098
NET ASSETS	5,715,052	6,019,217
REPRESENTED BY		
Share capital	8,935,200	8,935,200
Discount on issuance of shares	(767,290)	(767,290)
Reserves	82,074	82,074
Accumulated loss	(2,489,729)	(2,369,181)
	5,760,255	5,880,803
(Deficit) / surplus on revaluation of assets - net of tax	(45,203)	138,414
	5,715,052	6,019,217
CONTINGENCIES AND COMMITMENTS		
	8	

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



Chief Executive Officer
Director
Director
Director

ALBARAKA BANK (PAKISTAN) LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2013

	Note	Half year ended		Quarter ended	
		30 June 2013	30 June 2012	30 June 2013	30 June 2012
----- (Rupees in '000) -----					
Profit / return earned on islamic financing, investments and placements	9	3,008,248	3,271,371	1,526,193	1,646,838
Return on deposits and other dues expensed		2,041,066	2,513,659	1,040,215	1,221,799
Net spread earned		967,182	757,712	485,978	425,039
Provisions against non-performing islamic financing - net	5.2	176,648	211,856	12,359	74,753
Provisions / (reversal) for diminution in the value of investments	4.1	51,829	(409)	50,880	(409)
Bad debts written off directly		-	-	-	-
Net spread after provisions		738,705	546,265	422,739	350,695
Other income					
Fee, commission and brokerage income		141,283	111,850	75,596	55,797
Dividend income		-	-	-	-
Income from dealing in foreign currencies		72,983	82,242	50,005	48,873
Gain / (loss) on sale of securities - net		39,099	594	(439)	-
Unrealized gain / (loss) on revaluation of investments classified as held for trading		-	-	-	-
Other income		7,631	4,523	5,431	965
Total other income		260,996	199,209	130,593	105,635
		999,701	745,474	553,332	456,330
Other expenses					
Administrative expenses	10	1,063,342	970,139	556,247	477,427
Other provisions / write offs		107,188	7,173	112,131	7,173
Other charges		3,247	47	3,246	41
Total other expenses		1,173,777	977,359	671,624	484,641
		(174,076)	(231,885)	(118,292)	(28,311)
Extra ordinary / unusual items		-	-	-	-
Loss before taxation		(174,076)	(231,885)	(118,292)	(28,311)
Taxation - Current		(32,692)	(17,352)	(24,630)	(171)
- Prior years		-	-	-	-
- Deferred		86,220	36,524	61,642	(62,905)
		53,528	19,172	37,012	(63,076)
Loss after taxation		(120,548)	(212,713)	(81,280)	(91,387)
Accumulated loss brought forward		(2,369,181)	(1,723,544)	(2,408,449)	(1,844,870)
Accumulated loss carried forward		(2,489,729)	(1,936,257)	(2,489,729)	(1,936,257)
Loss per share - Basic and diluted (Rupee)		(0.13)	(0.24)	(0.09)	(0.10)

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


 Chief Executive Officer


 Director


 Director


 Director

ALBARAKA BANK (PAKISTAN) LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2013

	Half year ended		Quarter ended	
	30 June 2013	30 June 2012	30 June 2013	30 June 2012
	----- (Rupees in '000) -----			
Loss for the period - after taxation	(120,548)	(212,713)	(81,280)	(91,387)
Other comprehensive income / (loss)	-	-	-	-
Total comprehensive loss for the period	(120,548)	(212,713)	(81,280)	(91,387)

As per the requirement of the State Bank of Pakistan, surplus / deficit on revaluation of available-for-sale securities is required to be taken to a separate account 'surplus / deficit on revaluation of assets' shown in the statement of financial position below equity. Accordingly, it has not been included in statement of comprehensive income.



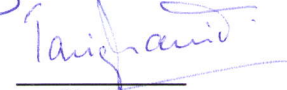
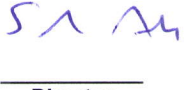
The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.

 <u>Chief Executive Officer</u>	 <u>Director</u>	 <u>Director</u>	 <u>Director</u>
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ALBARAKA BANK (PAKISTAN) LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2013

	30 June 2013	30 June 2012
	-----Rupees in '000 -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(174,076)	(231,885)
Adjustments for non-cash and other items:		
Depreciation	49,114	55,007
Amortisation	44,887	40,703
Provisions against non-performing islamic financing	176,648	211,856
Provisions / (reversal of provisions) for diminution in the value of investments	51,829	(409)
Other provisions / write offs	107,188	7,173
Gain on the disposal of fixed assets	(2,361)	(1,243)
Finance charges on leased assets	-	8,814
	427,305	321,901
	253,229	90,016
(Increase) / decrease in operating assets		
Due from financial institutions	(1,478,978)	-
Islamic financing and related assets	(5,628,095)	984,792
Others assets	(85,932)	(157,316)
	(7,193,005)	827,476
Increase / (decrease) in operating liabilities		
Bills payable	247,492	336,050
Due to financial institutions	479,612	(155,114)
Deposits and other accounts	10,494,288	(250,813)
Other liabilities	247,282	(353,671)
	11,468,674	(423,548)
Income tax paid	(42,424)	(17,353)
Net cash flow from operating activities	4,486,474	476,591
CASH FLOWS FROM INVESTING ACTIVITIES		
Net movement in investments	(453,302)	(1,415,042)
Net investments in operating fixed assets	(229,845)	(32,024)
Net cash outflow on investing activities	(683,147)	(1,447,066)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of lease obligations	-	(12,777)
Net cash outflow on financing activities	-	(12,777)
Net increase / (decrease) in cash and cash equivalents	3,803,327	(983,252)
Cash and cash equivalents at beginning of the period	10,933,858	11,522,667
Cash and cash equivalents at end of the period	14,737,185	10,539,415

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

 _____ Chief Executive Officer	 _____ Director	 _____ Director	 _____ Director
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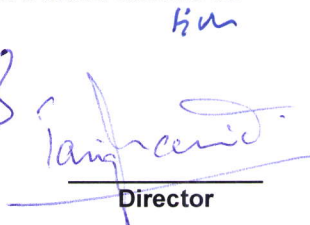
ALBARAKA BANK (PAKISTAN) LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2013

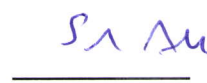
	Issued, subscribed and paid-up share capital	Discount on issuance of shares	Statutory Reserve	Accumulated loss	Total
	(Rupees in '000)				
Balance as at 01 January 2012	8,935,200	(767,290)	82,074	(1,723,728)	6,526,256
Effect of retrospective change in accounting policy for actuarial gains and losses on defined benefit plan as referred in note 3.2 - net of tax	-	-	-	184	184
Balance as at 01 January 2012 - Restated	8,935,200	(767,290)	82,074	(1,723,544)	6,526,440
Loss for the period	-	-	-	(212,713)	(212,713)
Other comprehensive income / (loss)	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(212,713)	(212,713)
Balance as at 30 June 2012 - Restated	8,935,200	(767,290)	82,074	(1,936,257)	6,313,727
Loss for the period - Restated	-	-	-	(432,225)	(432,225)
Other comprehensive income - Restated	-	-	-	(699)	(699)
	-	-	-	(432,924)	(432,924)
Balance as at 31 December 2012 - Restated	8,935,200	(767,290)	82,074	(2,369,181)	5,880,803
Loss for the period	-	-	-	(120,548)	(120,548)
Other comprehensive income / (loss)	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(120,548)	(120,548)
Balance as at 30 June 2013	<u>8,935,200</u>	<u>(767,290)</u>	<u>82,074</u>	<u>(2,489,729)</u>	<u>5,760,255</u>

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


 Chief Executive Officer


 Director


 Director


 Director

ALBARAKA BANK (PAKISTAN) LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2013

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 AlBaraka Bank (Pakistan) Limited (the Bank) was incorporated in Pakistan on 20 December 2004 as a public limited company under the Companies Ordinance, 1984.

The main objective of the Bank is to carry on Islamic banking business in Pakistan in accordance and in conformity with Shariah. The Bank was granted an Islamic Banking License BL(i)-01(07), issued by the Banking Policy and Regulations Department of the State Bank of Pakistan (SBP) vide its letter no. BPRD (LCGD-02)1625-761D/2007/521 dated 18 January 2007 under section 27 of the Banking Companies Ordinance, 1962 read with Islamic Banking Department circular no. 2 of 2004. Subsequently, the Bank was also granted approval for commencement of business as a scheduled bank with effect from 13 February 2007 by the SBP vide its letter no. BPRD (LCGD-02)1625-76/X/JD/2007/1269 dated 12 February 2007. Upon merger of the Pakistan branches of AlBaraka Islamic Bank B.S.C. (c) with and into the Bank, fresh license no. BL(i)-01(2011) was issued by SBP vide its letter no. BPRD (R&P-01)/2011-3087 dated 12 March 2011, effective from close of business on 29 October 2010.

The Bank is a subsidiary of AlBaraka Islamic Bank B.S.C. (c) incorporated and domiciled in Bahrain (the parent company) and a member of AlBaraka Banking Group.

The Bank's registered office is located at 162, Bangalore Town, Main Sharah-e-Faisal, Karachi. The Bank operates 92 branches and 2 sub-branches (31 December 2012 : 92 branches and 2 sub branches) in Pakistan.

- 1.2 As per the BSD Circular No. 7 of 2009 dated 15 April 2009 of SBP, the Minimum Capital Requirement (MCR) for Banks / Development Financial Institutions as of 31 December 2012 and 2013 is Rs.9 billion and Rs.10 billion respectively. As against the above requirement, the minimum capital of the Bank as of 30 June 2013 amounts to Rs. 5,760.255 million. The Bank was granted exemption from the MCR by the SBP vide its letter no. BSD/BAI-3/608/4673/2011 dated 14 April 2011 for a period of three years i.e. 31 December 2010, 2011 and 2012 subject to the compliance of the following conditions during the exemption period:

- i) The Bank shall maintain paid up capital (free of losses) of at least Rs.6 billion at all times and raise the paid up capital (free of losses) to Rs.6.5 billion in the year 2011, Rs.8 billion in the year 2012 and Rs.10 billion in the year 2013;
- ii) The Bank shall maintain Capital Adequacy ratio (CAR) of 15% or above during the period;
- iii) There would be moratorium on dividend payments until the Bank meets existing regulatory capital requirements;
- iv) The Bank shall not undertake related party transaction (as defined under note 43 of the annual financial statements circulated vide BSD Circular No. 4 of 17 February 2006).

The Bank is subject to MCR and Capital Adequacy Ratio (CAR) as of 31 December 2013 and onwards as per BSD Circular no.7 dated 15 April 2009 plus an additional amount of Rs.383.14 million.

During 2012, the Bank was granted further timeline extension by SBP till 31 December 2012 vide its letter no. BSD/CS/13226/12/2012 dated 08 November 2012 for compliance with the MCR and CAR requirements subject to the submission of capital enhancement plan.

The parent company of the Bank is fully committed to comply with current and future regulatory capital requirements. In this regard, the Bank has finalised its capital enhancement plan and the same is under discussion with SBP for its approval.

2. STATEMENT OF COMPLIANCE

- 2.1 These condensed interim financial statements of the Bank for the half year ended 30 June 2013 have been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 - "Interim Financial Reporting", provisions of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the SBP. In case where requirements differ, the provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the said directives have been followed.
- 2.2 The SBP vide BSD Circular No. 10, dated 26 August 2002 has deferred the applicability of IAS 39, "Financial Instruments: Recognition and Measurement" and IAS 40, "Investment Property" for banking companies till further instructions. Further, according to the notification of SECP dated 28 April 2008, International Financial Reporting Standard 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these condensed interim financial statements. However, investments have been classified, accounted for and valued in accordance with the requirement of various circulars issued by the SBP.

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2.3 The disclosures made in these condensed interim financial statements have been limited based on the format prescribed by the SBP, vide BSD Circular Letter No. 2, dated 12 May 2004 and IAS 34 "Interim Financial Reporting" and do not include all information required in the annual financial statements. Accordingly, these condensed interim financial statements should be read in conjunction with the annual financial statements of the Bank for the year ended 31 December 2012.

2.4 BASIS OF MEASUREMENT

These condensed interim financial statements have been prepared under the historical cost convention except for certain investments which have been carried at fair value.

3. SIGNIFICANT ACCOUNTING POLICIES AND RISK MANAGEMENT

3.1 The accounting policies adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual audited financial statements of the Bank for the year ended 31 December 2012 except as follows :

New, amended and revised International Financial Reporting Standards (IFRSs) and International Financial Accounting Standards (IFASs)

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

- IAS 1 - Presentation of Financial Statements – Presentation of items of other comprehensive income (Amendment)
- IAS 19 - Employee Benefits – (Revised)
- IFAS 3 - Profit and Loss Sharing on Deposits

The adoption of the above revision and amendments of the standards did not have any effect on the condensed interim financial statements except for as described in note 3.2 below:

Further, certain new standards have been issued by IASB which are effective for accounting periods beginning on or after 01 January 2013 but are yet to be notified by the SECP for the purpose of applicability in Pakistan.

3.2 Change in accounting policy

During the period, the Bank has adopted Revised IAS 19 - 'Employee Benefits'. As per revised standard, actuarial gains and losses for defined benefit plans are recognized in other comprehensive income when they occur. Amounts recorded in profit and loss are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit asset (liability) are recognized in other comprehensive income with no subsequent recycling to profit and loss.

The adoption of above revised standard has resulted in change in accounting policy of the Bank related to recognition of actuarial gains and losses to recognize actuarial gains and losses in total in other comprehensive income in the period in which they occur. Previously, actuarial gains and losses over and above the corridor limit were amortized in the profit and loss account over the expected average remaining working lives of employees as allowed under the relevant provision of previous IAS 19. Further, any past service cost (vested and non-vested) is now recognized immediately in the profit and loss account upon changes in the benefit plans. Previously, only vested past service cost was recognized immediately in profit and loss account and non vested cost was amortised to profit and loss account over the vesting period. The impact of the said changes on these condensed interim financial statements is as under:

	As at 31 December 2012	As at 01 January 2012
	-----Rupees in '000 -----	
Net increase / (decrease) in accumulated loss - net of tax	2,736	(184)
Increase/ (decrease) in deferred tax asset	1,097	(99)
Decrease / (increase) in defined benefit asset	3,833	(283)

There is no material impact on other comprehensive income for the periods ended 30 June 2012 and 30 June 2013.

3.3 The financial risk management objectives and policies are consistent with those disclosed in the annual audited financial statements of the Bank for the year ended 31 December 2012.

3.4 Basis of measurement

The basis of significant accounting estimates and judgments adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of annual financial statements of the Bank for the year ended 31 December 2012.



ALBARAKA BANK (PAKISTAN) LIMITED
CONDENSED INTERIM FINANCIAL STATEMENTS

4. INVESTMENTS

	30 June 2013 (Un-Audited)			31 December 2012 (Audited)		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
Note	----- (Rupees in '000) -----					
Available-for-sale securities						
Sukuk certificates / bonds	27,677,905	-	27,677,905	27,211,781	-	27,211,781
Ordinary shares of listed company	28,768	-	28,768	28,754	-	28,754
Ordinary shares of unlisted company Takaful Pakistan Limited (a related party)	52,200	-	52,200	52,200	-	52,200
	<u>27,758,873</u>	<u>-</u>	<u>27,758,873</u>	<u>27,292,735</u>	<u>-</u>	<u>27,292,735</u>
Held to maturity securities						
Sukuk certificates / bonds	-	-	-	12,838	-	12,838
	<u>27,758,873</u>	<u>-</u>	<u>27,758,873</u>	<u>27,305,573</u>	<u>-</u>	<u>27,305,573</u>
Investments at cost						
Provision for diminution in the value of investments	4.1 (158,173)	-	(158,173)	(106,344)	-	(106,344)
	<u>27,600,700</u>	<u>-</u>	<u>27,600,700</u>	<u>27,199,229</u>	<u>-</u>	<u>27,199,229</u>
Investments (net of provisions)						
(Deficit) / surplus on revaluation of available-for-sale securities	(62,288)	-	(62,288)	222,232	-	222,232
Total investments at market value	<u>27,538,412</u>	<u>-</u>	<u>27,538,412</u>	<u>27,421,461</u>	<u>-</u>	<u>27,421,461</u>

30 June 2013
31 December 2012
----- (Rupees in '000)-----
(Un-Audited) (Audited)

4.1 Particulars of provision for diminution in the value of investments

Opening balance	106,344	53,741
Charged during the period / year (including Rs.52.074 million against sukuk certificates)	55,932	53,990
Reversal during the period / year	(4,103)	(1,387)
	<u>51,829</u>	<u>52,603</u>
Closing balance	<u>158,173</u>	<u>106,344</u>

4.2 The mark to market impairment loss on this investment as of 30 June 2013 amounts to Rs.19.250 (31 December 2012 : Rs. 19.166) million. However, SBP vide its letters BPRD/BRD-(Policy)/2013-11339 dated 25 July 2013 read with letter no. BPRD/BRD-(Policy)/2013-1857 dated 15 February 2013 has allowed relaxation from recognition of full impairment loss to recognize the same in a phased manner by 31 December 2014. As per such relaxation the Bank is required to book atleast 30% of impairment loss as of 30 June 2013 which amounts to Rs. 5.775 (31 December 2012 : Rs.1.917) million.

30 June 2013
31 December 2012
----- (Rupees in '000)-----
Note (Un-Audited) (Audited)

5. ISLAMIC FINANCING AND RELATED ASSETS

Inside Pakistan

Islamic financing

- Murabaha financing	17,799,437	14,536,623
- Advance against murabaha finance	1,545,366	1,158,835
- Export refinance under islamic scheme	2,495,945	2,160,057
- Ijarah assets under IFAS 2	2,480,594	2,089,490
- Net investment in ijarah	184,355	269,483
- Advance against ijarah	425,563	99,496
- Service ijarah	453,431	512,255
- Diminishing musharaka financing	6,185,545	5,911,172
- Over due acceptance	548,679	670,182
- Salam financing	2,307,771	90,641
- Advance against salam	1,545,792	3,359,048
- Financing against bills - payable outside Pakistan	439,623	164,993
- Advance against istasna	698,871	458,000
- Qarz-e-Hasna	26,246	28,814
- Rahnuma travel services	-	34
Islamic financing and related assets - gross	<u>37,137,218</u>	<u>31,509,123</u>

Provisions for non-performing financing - specific	5.1 & 5.2 2,889,997	2,714,908
Provisions for non-performing financing - general	5.2 13,326	11,767
	<u>2,903,323</u>	<u>2,726,675</u>

Islamic financing and related assets - net of provisions 34,233,895 28,782,448

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ALBARAKA BANK (PAKISTAN) LIMITED
CONDENSED INTERIM FINANCIAL STATEMENTS

- 5.1 Islamic financing include Rs. 6,138.721 (31 December 2012 : Rs. 6,093.026) million which have been placed under non-performing status as detailed below:

Category of classification	30 June 2013 (Un-Audited)			Provision required	Provision held
	Domestic	Overseas	Total		
	(Rupees in '000)				
Substandard	597,268	-	597,268	105,466	105,466
Doubtful	691,177	-	691,177	164,060	164,060
Loss	4,850,276	-	4,850,276	2,620,471	2,620,471
	<u>6,138,721</u>	<u>-</u>	<u>6,138,721</u>	<u>2,889,997</u>	<u>2,889,997</u>

Category of classification	31 December 2012 (Audited)			Provision required	Provision held
	Domestic	Overseas	Total		
	(Rupees in '000)				
Substandard	477,608	-	477,608	16,843	16,843
Doubtful	1,461,380	-	1,461,380	421,685	421,685
Loss	4,154,038	-	4,154,038	2,276,380	2,276,380
	<u>6,093,026</u>	<u>-</u>	<u>6,093,026</u>	<u>2,714,908</u>	<u>2,714,908</u>

5.2 Particulars of provisions against non-performing islamic financing

	30 June 2013 (Un-Audited)			31 December 2012 (Audited)		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	2,714,908	11,767	2,726,675	1,979,064	12,052	1,991,116
Charge for the period / year	533,216	1,559	534,775	1,066,032	-	1,066,032
Reversals for the period / year	(358,127)	-	(358,127)	(315,859)	(285)	(316,144)
	175,089	1,559	176,648	750,173	(285)	749,888
Written off during the period / year	-	-	-	(14,329)	-	(14,329)
Closing balance	<u>2,889,997</u>	<u>13,326</u>	<u>2,903,323</u>	<u>2,714,908</u>	<u>11,767</u>	<u>2,726,675</u>

- 5.3 The above provision against non-performing islamic financing has been worked out after considering the benefit of forced sale value of collateral amounting to Rs. 2,804.330 (31 December 2012 : Rs. 2,701.616) million. The FSV benefit recognized is not allowed for distribution of cash or stock dividend to shareholders.
- 5.4 SBP vide its letters BPRD/BRD-(Policy)/2013-1857, BPRD/BRD-04/Faysal/2013/1695 and BPRD/BLRD-3/DMG/2011-1035 dated 15 February 2013, 13 February 2013 and 26 January 2011 respectively has allowed relaxation from provisioning requirement against certain credit exposures having a provisioning impact of Rs. 147.75 (31 December 2012 : Rs. 472.24) million.

6. OPERATING FIXED ASSETS	Note	30 June 2013	31 December 2012
		(Un-Audited)	(Audited)
Property and equipment	6.1	1,477,899	1,090,095
Intangible assets	6.1	954,074	999,041
Capital work-in-progress	6.2	335,408	540,040
		<u>2,767,381</u>	<u>2,629,176</u>

- 6.1 Additions and disposals at cost during the period amounted to Rs. 443.006 (30 June 2012: Rs. 14.613) million and Rs. 15.865 (30 June 2012: Rs. 15.843) million respectively.

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ALBARAKA BANK (PAKISTAN) LIMITED
CONDENSED INTERIM FINANCIAL STATEMENTS

	30 June 2013	31 December 2012
	----- Rupees in'000-----	
	(Un-Audited)	(Audited)
6.2 Capital work-in-progress		
Advances to supplier and contractors	6.2.1 335,408	414,200
Advance for purchase of property	6.2.2 251,680	251,680
Provision for impairment against advance for purchase of property	<u>(251,680)</u>	<u>(125,840)</u>
	-	125,840
	<u>335,408</u>	<u>540,040</u>

6.2.1 This includes expenditure amounting to Rs.122.153 (31 December 2012 : Rs. 218.761) million for implementation of new core banking system of the Bank.

6.2.2 This includes advance payment made by the Bank amounting to Rs. 251.680 (31 December 2012: Rs. 251.680) million for the purchase of two floors in the Karachi Financial Towers (KFT) against an aggregate purchase price of Rs.533.408 million. The KFT project is being developed by Ensha LLC Developers (Private) Limited and is currently suspended. In view thereof, a provision for impairment amounting to Rs. 251.680 (31 December 2012: Rs. 125.840) million has been made against the above advance.

In terms of the deed of indemnity issued by Ensha LLC to the Bank, Ensha LLC shall indemnify the Bank for any loss suffered or required to be booked in the financial statements in respect of the above advance payment. Further, in the event that the KFT project is not revived and substantial progress is not made within a period of three years commencing from the date of the deed of indemnity, Ensha LLC will pay to the Bank the full extent of the advance payment. Accordingly, the Bank has claimed Rs. 251.680 million from Ensha LLC on account of above indemnity.

7. DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	28,050,866	27,381,596
Savings deposits	25,139,084	21,498,254
Current accounts - non-remunerative	12,447,145	8,710,118
Margin deposits	541,075	475,344
	<u>66,178,170</u>	<u>58,065,312</u>

Financial Institutions

Remunerative deposits	7,548,094	5,194,099
Non-remunerative deposits	46,679	19,244
	<u>7,594,773</u>	<u>5,213,343</u>
	<u>73,772,943</u>	<u>63,278,655</u>

8. CONTINGENCIES AND COMMITMENTS

8.1 Transaction related contingent liabilities

Includes performance bonds, bid bonds, shipping guarantees favouring:

i) Government	4,986,238	4,610,958
ii) Banking companies and other financial institutions	415,559	445,690
iii) Others	335,315	548,093
	<u>5,737,112</u>	<u>5,604,741</u>

8.2 Trade related contingent liabilities

Letters of credit	4,844,050	2,740,836
Others - Shipping Guarantees	185,150	8,899
Acceptances	<u>1,518,081</u>	<u>1,213,464</u>

8.3 Commitments in respect of forward exchange contracts

Purchase	1,684,768	3,254,692
Sale	<u>2,042,551</u>	<u>2,965,259</u>

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ALBARAKA BANK (PAKISTAN) LIMITED
CONDENSED INTERIM FINANCIAL STATEMENTS

	30 June 2013 (Un-Audited)	31 December 2012 (Audited)
	-----Rupees in'000-----	
8.4 Commitments for lease liability		
Commitments in respect of rentals under ijarah are:		
- not later than one year	2,849	9,672
- later than one year and not later than five years	3,394	3,162
	6,243	12,834
8.5 Commitments to incur capital expenditure	<u>283,759</u>	<u>296,443</u>

8.6 Other Contingencies

There is no change in the status of contingencies as disclosed in note 20.6.1 to 20.6.5 to the financial statements for the year ended 31 December 2012.

	<u>Half year ended</u>		<u>Quarter ended</u>	
	30 June 2013	30 June 2012	30 June 2013	30 June 2012
	-----Rupees in'000-----			
	------(Un-Audited)-----			
9. PROFIT / RETURN EARNED ON ISLAMIC FINANCING, INVESTMENTS AND PLACEMENTS				
On islamic financing	1,619,296	1,513,401	836,502	775,843
On investments	1,178,771	1,537,800	591,427	742,254
On deposits with banks	171,930	220,170	75,689	128,741
On due from financial institutions	38,251	-	22,575	-
	<u>3,008,248</u>	<u>3,271,371</u>	<u>1,526,193</u>	<u>1,646,838</u>
10. OTHER PROVISIONS / WRITE OFFS				
Provision against advance for purchase of property	125,840	-	125,840	-
(Reversal of provision) / provision against other assets	(25,113)	7,173	(20,170)	7,173
Fixed assets written off	6,461	-	6,461	-
	<u>107,188</u>	<u>7,173</u>	<u>112,131</u>	<u>7,173</u>

11. RELATED PARTY TRANSACTIONS

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

	30 June 2013 (Un-Audited)	31 December 2012 (Audited)
	-----Rupees in'000-----	

11.1.1 Balances as at period / year end

Key management personnel

Islamic Financing

At beginning of the period / year	77,319	48,640
Additions during the period / year	44,271	39,377
Deletions during the period / year	(20,338)	(10,698)
At end of the period / year	101,252	77,319

Deposits

At beginning of the period / year	142,535	135,868
Additions during the period / year	275,939	312,677
Deletions during the period / year	(275,671)	(306,010)
At end of the period / year	142,803	142,535

Other Balances

Return payable on deposit	461	338
Profit receivable on islamic financing	342	68

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ALBARAKA BANK (PAKISTAN) LIMITED
CONDENSED INTERIM FINANCIAL STATEMENTS

30 June 2013 (Un-Audited) 31 December 2012 (Audited)
-----Rupees in'000-----

Parent Bank

Other balances 95,704 95,704

Shareholders, entities having directors in common with the Bank and retirement benefit plan of the Bank

Deposits

At beginning of the period / year	541,574	455,799
Additions during the period / year	594,506	362,548
Deletions during the period / year	(453,383)	(276,773)
At end of the period / year	682,697	541,574

Other balances

Return payable on deposit	3,645	2,158
Investments	52,200	52,200
Provision for diminution in the value of investment	26,652	27,353
Non funded exposure	436,720	457,673

Half year ended		Quarter ended	
30 June 2013	30 June 2012	30 June 2013	30 June 2012
----- Rupees in'000 -----			
----- (Un-Audited) -----			

11.1.2 Transactions for the period

Key management personnel

Transactions, income and expenses

Profit earned on islamic financing	1,920	1,115	896	647
Return on deposits expensed	4,671	7,357	2,727	2,263
Salaries and allowances	86,851	77,588	50,461	41,510

Shareholders, entities having directors in common with the Bank and retirement benefit plan of the Bank

Transactions, income and expenses

Return on deposits expensed	18,265	10,370	10,402	3,010
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Retirement benefit plan

Contributions to defined contribution plan	19,389	19,803	10,271	9,793
Contributions to defined benefit plan	17,744	18,480	9,355	11,376

12. SEGMENT BY CLASS OF BUSINESS

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

	Half year ended 30 June 2013 (Un-Audited)				
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement
	----- (Rupees in'000) -----				
Total income	4,348	1,501,035	264,208	1,498,308	1,345
Total expenses	1,702	544,941	1,464,353	1,378,796	-
Net income / (loss)	2,646	956,094	(1,200,145)	119,512	1,345

54

ALBARAKA BANK (PAKISTAN) LIMITED
CONDENSED INTERIM FINANCIAL STATEMENTS

As at 30 June 2013 (Un-Audited)

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement
	----- (Rupees in'000)-----				
Segment assets (gross of provisions)	169,500	45,982,976	4,494,190	36,846,782	440,699
Segment non - performing loans (NPFs)	-	-	143,412	5,995,309	-
Segment provisions required against NPFs	-	-	62,363	2,840,960	-
Segment liabilities	-	-	31,138,505	47,183,124	994,143

Half year ended 30 June 2012 (Un-Audited)

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement
	----- (Rupees in'000)-----				
Total income	7,940	1,837,468	354,619	1,269,622	931
Total expenses	1,940	426,877	1,815,875	1,438,601	-
Net income / (loss)	6,000	1,410,591	(1,461,256)	(168,979)	931

As at 31 December 2012 (Audited) - Restated

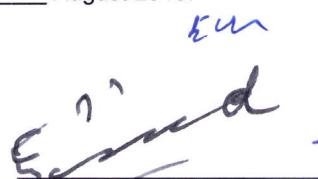
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement
	----- (Rupees in'000)-----				
Segment assets (gross of provisions)	168,565	40,570,299	4,056,507	31,373,869	423,750
Segment non - performing financings (NPFs)	-	-	151,096	5,941,930	-
Segment provisions required against NPFs	-	-	62,558	2,664,117	-
Segment liabilities	-	-	33,942,055	33,158,393	746,650

13. GENERAL

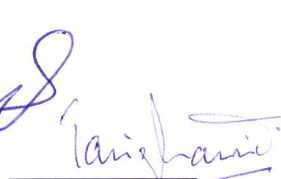
- 13.1 Figures of condensed interim profit and loss account for the quarters ended 30 June 2013 and 30 June 2012 have not been subjected to limited scope review by the auditors.
- 13.2 Certain prior period's figures have been reclassified / restated for the purpose of comparison. However, there were no material reclassifications / restatements to report except already disclosed in note 3.2 to the condensed interim financial statements.
- 13.3 Figures have been rounded off to the nearest thousand Rupees.

14. DATE OF AUTHORISATION

These condensed interim financial statements were authorised for issue by the Board of Directors in their meeting held on 28 August 2013.


Chief Executive Officer


Director


Director


Director