

بینک اسلامی



BankIslami



Serving you,
the Right way

Quarterly Report
September 30, **2012**

Table of Contents

Corporate Information	2
Directors' Report	4
Statement of Financial Position	5
Profit and Loss Account	6
Statement of Comprehensive Income	7
Cash Flow Statement	8
Statement of Changes in Equity.....	9
Notes to the Financial Statements	10

Consolidated Financial Statements

Director's Report	24
Consolidated Statement of Financial Position	25
Consolidated Profit and Loss Account.....	26
Consolidated Statement of Comprehensive Income	27
Consolidated Cash Flow Statement.....	28
Consolidated Statement of Changes in Equity	29
Notes to the Consolidated Financial Statements.....	30



CORPORATE INFORMATION

Board of Directors

Chief Justice (Retd.) Mahboob Ahmed Chairman
Mr. Ahmed Goolam Mahomed Randeree

Mr. Ali Raza Siddiqui

Mr. Ali Hussain

Mr. Hasan A. Bilgrami

Mr. Shabir Ahmed Randeree

Mr. Abdulhakim Habib Mansoor Binherz

Mr. Abdulla Abdulkarim Abdulla Showaiter *

Chief Executive Officer

Sharia'h Supervisory Board

Justice (Retd.) Muhammad Taqi Usmani ** Chairman

Professor Dr. Fazlur Rahman Member

Mufti Irshad Ahmad Aijaz Member & Sharia'h Adviser

Audit Committee

Mr. Ali Raza Siddiqui Member

Mr. Shabir Ahmed Randeree Member

Mr. Abdulhakim Habib Mansoor Binherz Member

Executive Committee

Chief Justice (Retd.) Mahboob Ahmed Chairman

Mr. Ahmed Goolam Mahomed Randeree Member

Mr. Hasan A. Bilgrami Member

Mr. Abdulhakim Habib Mansoor Binherz Member

Risk Management Committee

Mr. Ahmed Goolam Mahomed Randeree Chairman

Mr. Hasan A Bilgrami Member

Mr. Abdulhakim Habib Mansoor Binherz Member

Human Resource & Compensation Committee

Mr. Ali Raza Siddiqui Chairman

Mr. Ahmed Goolam Mahomed Randeree Member

Mr. Hasan A. Bilgrami Member

Mr. Abdulhakim Habib Mansoor Binherz Member

Company Secretary

Syed Shah Sajid Hussain

Auditors

A. F. Ferguson & Co.

Chartered Accountants

Legal Adviser

Haidermota & Co.

Barrister at Law

* Subject to SBP approval

** Justice ® Taqi Usmani has resigned from his position which is pending approval of the Board of Directors.

Management (in alphabetical order)

Mr. Ahmed Mustafa	Head, Branch Operations
Mr. Arsalan Vohra	Head, Risk Policy & Analytics
Mr. Arshad Wahab Zuberi	Head, Administration and General Service
Mr. Asad Alim	Head, Information Systems
Mr. Farooq Anwar	Head, Operations
Mr. Hasan A. Bilgrami	Chief Executive Officer
Mr. Khawaja Ehrar ul Hassan	Head, Compliance & Legal
Mr. Muhammad Faisal Shaikh	Head, Product Development
Mr. Muhammad Furqan	Head, Credit Administration
Mr. Muhammad Imran	Head, Consumer & Retail Banking
Mr. Muhammad Shoaib Khan	Head, Treasury & Financial Institutions
Mr. Rehan Shuja Zaidi	Head, Internal Audit
Mr. Shamshad Ahmed	Head, Trade Finance
Ms. Sheba Matin Khan	Head, Human Resources
Mr. Syed Akhtar Ausaf	Head, Risk Management
Mr. Syed Mujtaba H. Kazmi	Head, Corporate Finance
Mr. Syed Shah Sajid Hussain	Head, Finance

Registered Office

11th Floor, Executive Tower,
Dolmen City, Marine Drive,
Block-4, Clifton,
Karachi.
Phone (92-21) 111-247(BIP)-111
Fax: (92-21) 35378373
Email: info@bankislami.com.pk

Share Register

Technology Trade (Private) Limited
Dagia House, 241-C, Block-2,
P.E.C.H.S. Off: Shakra-e-Qaideen,
Karachi.
Phone: (92-21) 34387960-61
Fax: (92-21) 34391318

Website:

www.bankislami.com.pk

DIRECTORS' REPORT

On behalf of the Board, I am pleased to present the nine months accounts of the Bank for the period ended September 30, 2012. Following are the highlights:

	Sept 30, 2012	Sept 30, 2011	Growth (%)
.....Rupees in 'millions'.....			
Total Deposits	56,706	44,622	27.08
Total Assets	65,218	52,385	24.49
Total Financing - net	18,366	15,360	19.57
Total Investments	27,777	17,778	56.24
Shareholder's Equity	5,579	5,058	10.30
Branches - Number	112	102	9.80
Basic Earnings per share - Rupees	0.706	0.435	62.29

By Allah's Grace, BankIslami completed another profitable quarter with continued growth in its deposits and assets. The Bank posted a profit after tax of Rs. 373mn for nine months compared to Rs. 230mn for corresponding period last year.

The Bank successfully launched its BancaTakaful product in the last quarter along with loyalty programs for its Visa Debit Card. The Bank also re-launched its Dollar saving account considering active interest from the customers. Cross selling initiative was further re-enforced with the introduction of these new products apart from Home and Car financing products which continue to provide significant contribution to the bottom line. Trade finance business booked by the Bank was about Rs. 30 billion, which is almost equal to the business booked in entire last year.

While these initiatives helped post improved results, the Bank continued to feel the effect of the minimum saving rate on saving accounts and discount rate cuts. The combined effect of these two measures works out to be 5% loss in spread over a one year period. Islamic Banking industry is going to feel more pain due to absence of equivalents of T-Bills at the short end and Pakistan Investment Bonds ('PIB') at the long end of the yield curve as well as compulsion to pay minimum rate on daily product basis. We sincerely hope these issues will resolve sooner than later so that the Islamic Banking industry remains on the similar footing vis-à-vis Conventional Banks. On the positive side, despite of all these impediments, BankIslami has Masha'Allah grown its bottom line by 62% on year in year basis.

BankIslami's branch expansion plan for 2012 is slightly behind target due to reason beyond our control. Eight new branches have been opened in the last quarter taking the total to 112 branches and sub branches spread over 55 Cities of Pakistan. We are confident to take the network to 140 by end of the year Insha'Allah.

The Credit rating of BankIslami is 'A' for long term entity rating and 'A1' for short term rating by Pakistan Credit Rating Agency Limited (PACRA).

We would like to thank the State Bank of Pakistan for its continued support and guidance to us. Also, we would like to show our gratitude to the employees for their contribution towards BankIslami progress through their hard work and commitment.

On behalf of the Board,

Hasan A. Bilgrami
Chief Executive Officer
October 12, 2012

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2012

	(Un-audited) September 30, 2012	(Audited) December 31, 2011
Note	2012	2011
	----- Rupees in ` 000 -----	
ASSETS		
Cash and balances with treasury banks	3,256,819	4,684,826
Balances with other banks	8 748,165	549,277
Due from financial institutions	9 4,804,078	4,436,264
Investments - net	10 27,776,739	21,067,082
Financings-net	11 18,365,813	20,110,401
Operating fixed assets	12 1,767,696	1,811,628
Deferred tax assets	13 119,086	188,130
Other assets	8,379,793	5,973,706
	65,218,189	58,821,314
LIABILITIES		
Bills payable	990,070	798,853
Due to financial institutions	14 414,030	800,000
Deposits and other accounts	15 56,706,240	50,568,785
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	1,528,423	1,341,038
	59,638,763	53,508,676
NET ASSETS	5,579,426	5,312,638
REPRESENTED BY		
Share capital	5,279,679	5,279,679
Reserves	91,221	91,221
Unappropriated profit / (Accumulated losses)	145,557	(227,340)
	5,516,457	5,143,560
Surplus on revaluation of assets - net of tax	16 62,969	169,078
	5,579,426	5,312,638
CONTINGENCIES AND COMMITMENTS		
	17	

The annexed notes 1 to 24 form an integral part of this condensed interim financial information.

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)

FOR THE QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2012

	Note	Quarter ended		Nine months ended	
		September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Rupees in `000					
Profit / return on financings, investments and placements earned	18	1,563,517	1,450,789	4,535,835	4,023,510
Return on deposits and other dues expensed		953,152	758,936	2,636,263	2,098,752
Net spread earned		610,365	691,853	1,899,572	1,924,758
Provision against non-performing financings	11.4	50,347	33,660	67,441	104,440
Provision for diminution in the value of investments		-	-	-	-
Bad debts written off directly		-	-	-	-
Net spread after provisions		560,018	658,193	1,832,131	1,820,318
Other income					
Fee, commission and brokerage income		44,652	18,183	126,926	59,191
Dividend income		-	-	-	-
Income from dealing in foreign currencies		22,922	6,044	66,773	41,858
Gain on sale of securities		146,146	-	149,704	-
Other income		9,467	10,159	27,779	33,494
Total other income		223,187	34,386	371,182	134,543
Other expenses		783,205	692,579	2,203,313	1,954,861
Administrative expenses		597,670	538,509	1,677,804	1,618,726
Other provisions		-	-	397	250
Other charges		164	(3,469)	1,143	(1,016)
Total other expenses		597,834	535,040	1,679,344	1,617,960
Extra ordinary / unusual items		-	-	523,969	336,901
Profit before taxation		185,371	157,539	523,969	336,901
Taxation					
-Current		8,192	15,502	23,781	43,400
-Prior years		-	-	-	-
-Deferred		33,678	39,624	127,291	63,763
		41,870	55,126	151,072	107,163
Profit after taxation		143,501	102,413	372,897	229,738
Unappropriated profit / (Accumulated losses) brought forward		2,056	(427,660)	(227,340)	(554,985)
Transferred to statutory reserve		-	-	-	-
Unappropriated profit / (Accumulated losses) carried forward		145,557	(325,247)	145,557	(325,247)
Basic and diluted earnings per share - (Rupee)	19	0.272	0.194	0.706	0.435

The annexed notes 1 to 24 form an integral part of this condensed interim financial information.

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2012

	Quarter ended		Nine months ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
	----- Rupees in `000 -----			
Profit after taxation	143,501	102,413	372,897	229,738
Components of comprehensive income not reflected in equity				
Surplus /(Deficit) on revaluation of available for sale securities - net of tax	55,210	77,921	(106,109)	62,241
Total comprehensive income	<u>198,711</u>	<u>180,334</u>	<u>266,788</u>	<u>291,979</u>

The annexed notes 1 to 24 form an integral part of this condensed interim financial information.

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2012

	September 30, 2012	September 30, 2011
Note	----- Rupees in `000 -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	523,969	336,901
Adjustments for:		
Depreciation - Own assets	216,818	232,442
Depreciation - Operating Ijara assets	281,992	175,770
Amortisation of intangible assets	17,185	21,931
Provision against non-performing financings	67,441	104,440
Provision against other assets	397	250
Gain on sale of operating fixed assets	(3,192)	(10,794)
Deferred cost amortised	-	4,086
	580,641	528,125
	1,104,610	865,026
(Increase) / decrease in operating assets		
Due from financial institutions	(367,814)	(2,045,802)
Financings	1,395,155	1,030,354
Others assets (excluding advance taxation and deferred cost)	(2,391,777)	(3,195,774)
	(1,364,436)	(4,211,222)
Increase / (decrease) in operating liabilities		
Bills payable	191,217	(65,210)
Due to financial institutions	(385,970)	447,000
Deposits and other accounts	6,137,455	6,424,177
Other liabilities (excluding current taxation)	187,385	251,408
	6,130,087	7,057,375
	5,870,261	3,711,179
Income tax paid	(38,485)	(43,648)
Net cash generated from operating activities	5,831,776	3,667,531
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available for sale securities	(6,874,016)	(3,950,025)
Investments in operating fixed assets - net	(191,628)	(77,110)
Proceeds realised on disposal of operating fixed assets	4,749	28,390
Net cash used in investing activities	(7,060,895)	(3,998,745)
Increase / (decrease) in cash and cash equivalents	(1,229,119)	(331,214)
Cash and cash equivalents at beginning of the period	5,234,103	3,604,770
Cash and cash equivalents at end of the period	4,004,984	3,273,556

The annexed notes 1 to 24 form an integral part of this condensed interim financial information.

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2012

	Share Capital	Statutory Reserve	Unappropriated Profit	Total
	----- Rupees in `000 -----			
Balance as at January 01, 2011	5,279,679	9,310	(554,985)	4,734,004
Profit after taxation for the period ended September 30, 2011	-	-	229,738	229,738
Balance as at September 30, 2011	<u>5,279,679</u>	<u>9,310</u>	<u>(325,247)</u>	<u>4,963,742</u>
Profit after taxation for the period ended December 31, 2011	-	-	179,818	179,818
Transferred to statutory reserve	-	81,911	(81,911)	-
Balance as at December 31, 2011	<u>5,279,679</u>	<u>91,221</u>	<u>(227,340)</u>	<u>5,143,560</u>
Profit after taxation for the period ended September 30, 2012	-	-	372,897	372,897
Balance as at September 30, 2012	<u>5,279,679</u>	<u>91,221</u>	<u>145,557</u>	<u>5,516,457</u>

The annexed notes 1 to 24 form an integral part of this condensed interim financial information.

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director

1 STATUS AND NATURE OF BUSINESS

- 1.1 BankIslami Pakistan Limited (the Bank) was incorporated in Pakistan as a public limited company on October 18, 2004 under the Companies Ordinance, 1984 to carry out business of an Islamic Commercial Bank in accordance with the principles of Islamic Shariah.

The State Bank of Pakistan granted a 'Scheduled Islamic Commercial Bank' license on March 18, 2005. The Bank commenced its operations as a Scheduled Islamic Commercial Bank with effect from April 07, 2006, on receiving Certificate of Commencement of Business from the State Bank of Pakistan (SBP) under section 37 of the State Bank of Pakistan Act, 1956. The Bank is principally engaged in corporate, commercial, consumer, retail banking activities and investment activities.

The registered office of the Bank is situated at 11th Floor, Dolmen City, Marine Drive, Block-4, Clifton, Karachi. The shares of the Bank are quoted on the Karachi Stock Exchange (Guarantee) Limited. The Bank is operating with 112 branches including 36 sub-branches (December 31, 2011: 102 branches including 32 sub-branches) as at September 30, 2012. The Pakistan Credit Rating Agency (Private) Limited (PACRA) has assigned the long term credit rating of the Bank as A ("Single A") and the short term rating as A1 ("A One").

- 1.2 The State Bank of Pakistan (SBP) vide circular no.7 dated April 15, 2009 has set the Minimum Capital Requirement (MCR) for banks upto Rs. 10 billion to be achieved in a phased manner by December 31, 2013. As per this circular, MCR (free of losses) and Capital Adequacy Ratio (CAR) requirements as of December 31, 2011 was Rs 8 billion and 10% respectively. However, the paid-up capital of the Bank (free of losses) as of Sept 30, 2012 amounts to Rs 5.280 billion.

Last year the Board of Directors (BOD) of the Bank in their meeting held on February 07, 2011 had in principle agreed to issue right shares to increase its Capital (free of losses) to Rs. 6 billion. The SBP vide its letter no. BSD/CSD/546/2012 dated January 13, 2012 had advised the Bank to complete the right issue as principally agreed by the BOD in its meeting held on February 7, 2011 by June 30, 2012 to achieve the paid up capital (free of losses) of at least Rs 6 billion. Any further extension in timeline for meeting MCR would be considered once paid up capital (free of losses) of Rs 6 billion is achieved.

During the current period, the Bank has applied to the State Bank of Pakistan (SBP) for further increasing the timeline for a suitable period as the request for approval of right shares (submitted by the Bank with SBP) is currently pending with the SBP. The SBP vide its letter no. BSD/CSD/9905/12/2012 dated August 17, 2012 has extended the timeline till December 31, 2012 for meeting paid up capital (free of losses) of Rs 6 billion.

2 BASIS OF PRESENTATION

The Bank provides financing through Shariah compliant financial products. The transactions of purchases, sales and leases executed arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of rental / profit thereon. However, Murabaha transactions are accounted for under the Islamic Financial Accounting Standard – 1. Income, if any, received which does not comply with the principles of Shariah is segregated and recognised as charity payable if so directed by the Sharia Advisory / Sharia Supervisory Board.

3 STATEMENT OF COMPLIANCE

- 3.1 This condensed interim financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan and notified by the Securities and Exchange Commission of Pakistan (SECP), the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by the SECP and the State Bank of Pakistan (SBP). Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962, Islamic Financial Accounting Standards (IFAS) or the directives issued by the SECP and SBP differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, Islamic Financial Accounting Standards (IFAS) or the requirements of the said directives issued by the SECP and SBP prevail.
- 3.2 The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' through its notification S.R.O. 411(I)/2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of this condensed interim financial information. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.
- 3.3 The disclosures made in the condensed interim financial information have been limited based on the format prescribed by the State Bank of Pakistan through BSD Circular Letter No. 2 dated May 12, 2004 and the requirements of International Accounting Standard 34, "Interim Financial Reporting". They do not include all of the information required for the full annual financial statements and this condensed interim financial information should be read in conjunction with the annual financial statements of the Bank for the year ended December 31, 2011.
- 3.4 SBP vide its BSD Circular No. 07 dated April 20, 2010 has clarified that for the purpose of preparation of financial statements in accordance with International Accounting Standard - 1 (Revised), 'Presentation of Financial Statements', two statement approach shall be adopted i.e. separate 'Profit and Loss Account' and 'Statement of Comprehensive Income' shall be presented and Balance Sheet shall be renamed as 'Statement of Financial Position'. Furthermore, the Surplus / (Deficit) on Revaluation of Available for sale (AFS) Securities only, may be included in the 'Statement of Comprehensive Income'. However, it should continue to be shown separately in the statement of financial position below equity. Accordingly, the above requirements have been adopted in the preparation of this condensed interim financial information.

4 BASIS OF MEASUREMENT

This condensed interim financial information has been prepared under the historical cost convention, except that certain investments, foreign currency balances and commitments in respect of foreign exchange contracts have been marked to market and are carried at fair value.

5 FUNCTIONAL AND PRESENTATION CURRENCY

Items included in this condensed interim financial information are measured using the currency of the primary economic environment in which the Bank operates. This condensed interim financial information is presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2011.

7 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis and the methods used for critical accounting estimates and judgments adopted in this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2011.

	(Un-audited) September 30, 2012	(Audited) December 31, 2011
Note	----- Rupees in `000 -----	
8 BALANCES WITH OTHER BANKS		
In Pakistan		
- Current accounts	25,921	15,206
- Deposit accounts	117	113
	26,038	15,319
Outside Pakistan		
- Current accounts	722,127	533,958
- Deposit accounts	-	-
	748,165	549,277
9 DUE FROM FINANCIAL INSTITUTIONS		
Sukuk Murahaba	6,418	6,418
Commodity Murahaba - local currency	9.1 4,804,078	3,911,264
	4,810,496	3,917,682
Musharaka Placement	-	525,000
Provision against Sukuk Murahaba	(6,418)	(6,418)
	4,804,078	4,436,264

9.1 The Bank has entered into Commodity Murahaba agreements under which the Bank purchases an underlying commodity from open market through an agent and sells it to a financial institution on credit with profit. The profit rate on the agreement ranges between 10.03% to 10.04% (December 31, 2011: 10.75% to 12.5%) per annum and the agreement have a maturity of 1 day (December 31, 2011: 2 days to 16 days).

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2012

10 INVESTMENTS
10.1 Investments by type

	(Un-audited) September 30, 2012			(Audited) December 31, 2011		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
	Rupees in `000					
Available for sale securities						
- Sukuk Certificates	27,254,942	-	27,254,942	20,630,926	-	20,630,926
- Mutual Funds						
Open end mutual funds	250,015	-	250,015	15	-	15
Closed end mutual fund	6	-	6	6	-	6
	27,504,963	-	27,504,963	20,630,947	-	20,630,947
Subsidiary						
- Bankislami modaraba - unlisted company	191,015	-	191,015	191,015	-	191,015
	27,695,978	-	27,695,978	20,821,962	-	20,821,962
Investments at cost						
Less : Provision for diminution In value of investments	(15,000)	-	(15,000)	(15,000)	-	(15,000)
Investments (Net of Provisions)	27,680,978	-	27,680,978	20,806,962	-	20,806,962
Surplus on revaluation of available for sale securities	95,761	-	95,761	260,120	-	260,120
Total investments at market value	27,776,739	-	27,776,739	21,067,082	-	21,067,082

10.2 Particulars of provision for diminution in the value of investments	Note	(Un-audited)	(Audited)
		September 30, 2012	December 31, 2011
		Rupees in `000	
Opening balance		15,000	15,000
Charge for the period		-	-
Reversals during the period		-	-
Closing balance		15,000	15,000

11 FINANCINGS

Financings- In Pakistan			
- Murabaha	11.1	5,617,425	6,343,955
- Istisn'a	11.2	2,196,432	2,630,000
- Diminishing Musharka-Housing		1,541,311	1,562,950
- Diminishing Musharka-Others		5,693,610	6,280,778
- Payment Against Document		85,013	65,452
- Post Due Acceptance		23,133	53,397
- Musawama Financings		1,425,000	1,427,500
- Financings to employees		592,482	511,687
		17,174,406	18,875,719
Housing finance portfolio		154,577	156,111
Net investment in Ijara financing In Pakistan		211,367	371,701
Net book value of assets / investment in ijarah under IFAS 2		1,243,299	1,057,265
Financing - gross		18,783,649	20,460,796
Provision for non-performing Financings			
- Specific		(386,633)	(321,423)
- General		(31,203)	(28,972)
Financing - net of provision		18,365,813	20,110,401

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2012

- 11.1** Murabaha includes financings amounting to Rs 99.999 million (December 31, 2011: Rs 99.999 million) against Murabaha under Islamic Export Refinance Scheme.
- 11.2** Istisn'a includes financing amounting to Rs 16.830 million (December 31, 2011: Rs 350 million) against istisn'a under Islamic Export Refinance Scheme.
- 11.3** Financing includes Rs 1,022.589 million (December 31, 2011: Rs 799.001 million) which have been placed under non-performing status as follows:

Category of Classification	September 30, 2012 (Un-audited)				
	Domestic	Overseas	Total	Provision required	Provision held
	Rupees in '000				
Substandard	268,505	-	268,505	44,718	44,718
Doubtful	58,176	-	58,176	742	742
Loss	695,908	-	695,908	341,173	341,173
	<u>1,022,589</u>	<u>-</u>	<u>1,022,589</u>	<u>386,633</u>	<u>386,633</u>

Category of Classification	December 31, 2011 (Audited)				
	Domestic	Overseas	Total	Provision required	Provision held
	Rupees in '000				
Substandard	71,810	-	71,810	1,816	1,816
Doubtful	67,648	-	67,648	848	848
Loss	659,543	-	659,543	318,759	318,759
	<u>799,001</u>	<u>-</u>	<u>799,001</u>	<u>321,423</u>	<u>321,423</u>

- 11.4** Particulars of provision against non-performing financings:

	September 30, 2012 (Un-audited)		
	Specific	General	Total
	Rupees in '000		
Opening balance	321,423	28,972	350,395
Charge for the period	85,976	2,231	88,207
Reversals	(20,766)	-	(20,766)
	65,210	2,231	67,441
Closing balance	<u>386,633</u>	<u>31,203</u>	<u>417,836</u>

	December 31, 2011 (Audited)		
	Specific	General	Total
	Rupees in '000		
Opening balance	296,681	32,291	328,972
Charge for the year	101,528	-	101,528
Reversals	(76,786)	(3,319)	(80,105)
	24,742	(3,319)	21,423
Closing balance	<u>321,423</u>	<u>28,972</u>	<u>350,395</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2012

11.4.1 The Bank has maintained a general reserve (provision) in accordance with the applicable requirements of the Prudential Regulations for Consumer Financing issued by the SBP and for potential losses on financings.

(Un-audited)
Nine months ended
September 30, September 30,
2012 2011
----- Rupees in `000 -----

12 OPERATING FIXED ASSETS

12.1 Additions/ Transfer out to operating fixed assets

Furniture and fixture	57,138	4,424
Electrical, office and computer equipments	121,384	52,687
Vehicles	140	-
Capital work-in-progress	10,158	(119)

12.2 Intangibles

Computer Software	2,808	20,118
-------------------	-------	--------

12.3 Disposals of operating fixed assets

Furniture and fixture	55	257
Electrical, office and computer equipments	4,133	234
Vehicles	3,267	37,365

13 DEFERRED TAX ASSET - NET

As at September 30, 2012 the Bank has recognized deferred tax asset amounting to Rs.119.086 Million (December 31,2011: Rs 188.130 million) based on financial projections for future years as the management expects to generate sufficient taxable profits to utilize the deferred tax asset.

(Un-audited) (Audited)
September 30, December 31,
2012 2011
----- Rupees in `000 -----

14 DUE TO FINANCIAL INSTITUTIONS

In Pakistan	414,030	800,000
Outside Pakistan	-	-
	<u>414,030</u>	<u>800,000</u>

	(Un-audited) September 30, 2012	(Audited) December 31, 2011
	----- Rupees in `000 -----	
15 DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	28,010,962	24,541,027
Savings deposits	18,130,787	14,257,250
Current accounts - Non-remunerative	9,786,802	10,101,628
Margin accounts-Non-remunerative	78,570	97,270
	<u>56,007,121</u>	<u>48,997,175</u>
Financial institutions		
Remunerative deposits	579,948	1,524,716
Non-remunerative deposits	119,171	46,894
	<u>699,119</u>	<u>1,571,610</u>
	<u>56,706,240</u>	<u>50,568,785</u>
16 SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX		
Surplus on revaluation of available for sale securities		
Sukuk Certificates	93,691	260,113
Mutual Fund	2,070	7
	<u>95,761</u>	<u>260,120</u>
Less: Related deferred tax liability	(32,792)	(91,042)
	<u>62,969</u>	<u>169,078</u>
17 CONTINGENCIES AND COMMITMENTS		
17.1 Transaction-related Contingent Liabilities		
Guarantees favouring		
Government	929,778	689,949
Others	666,696	631,196
	<u>1,596,474</u>	<u>1,321,145</u>
17.2 Trade-related contingent liabilities		
Import letters of Credit	3,164,304	1,725,823
Acceptances	776,784	235,229
	<u>3,941,088</u>	<u>1,961,052</u>
17.3 Claims not acknowledged as debt	<u>842,707</u>	<u>842,707</u>
17.4 Commitments in respect of promises		
Purchase	896,971	93,574
Sale	1,046,282	127,607
	<u>1,943,253</u>	<u>221,181</u>
17.5 Commitments for the acquisition of operating fixed assets	<u>40,950</u>	<u>4,779</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2012

17.6 Commitments in respect of financing facilities

The Bank makes commitments to extend financings in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

(Un-audited) (Audited)
September 30, December 31,
2012 2011
----- Rupees in `000 -----

17.7 Other commitments

Bills for collection 334,427 244,596

(Un-audited)
Nine months ended
September 30, September 30,
2012 2011
----- Rupees in `000 -----

**18 PROFIT / RETURN ON FINANCINGS,
INVESTMENTS AND PLACEMENTS EARNED**

On Financings to:
Customers 2,045,761 1,848,899
Financial Institutions 542,111 548,347
2,587,872 2,397,246
On Investments - available for sale securities 1,918,099 1,603,923
On deposits / placements with financial institutions 11,579 8,900
Others 18,285 13,441
4,535,835 4,023,510

	Quarter ended		Nine months ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
19 EARNINGS PER SHARE - Basic and Diluted	----- Rupees in `000 -----			
Profit after taxation for the period	<u>143,501</u>	102,413	<u>372,897</u>	229,738
	----- Number of shares -----			
Weighted average number of ordinary shares	<u>527,967,898</u>	527,967,898	<u>527,967,898</u>	527,967,898
	----- Rupees -----			
Basic and diluted earnings per share	<u>0.272</u>	0.194	<u>0.706</u>	0.435

19.1 There were no convertible / dilutive potential ordinary shares outstanding as at September 30, 2012 and September 30, 2011.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2012

	Note	(Un-audited) Nine months ended	
		September 30, 2012	September 30, 2011
----- Rupees in `000 -----			
20 CASH AND CASH EQUIVALENTS			
Cash and balances with treasury bank		3,256,819	2,864,388
Balances with other banks	8	748,165	409,168
		4,004,984	3,273,556

21 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Trading & Sales	Retail Banking	Commercial Banking	Support Center	Total
----- Rupees in '000 -----					
For the nine month ended September 30, 2012 (Un-audited)					
Total income	595,690	2,779,489	1,441,631	90,207	4,907,017
Total expenses	57,354	2,491,657	1,182,251	651,786	4,383,048
Net income/(loss) before tax	538,336	287,832	259,380	(561,579)	523,969
As at September 30, 2012 (Un-audited)					
Segment Assets (Gross)	38,808,936	7,767,391	17,024,494	2,131,857	65,732,678
Segment Non Performing Assets	74,790	404,981	679,468	3	1,159,242
Segment Provision Required	34,790	178,651	301,045	3	514,489
Segment Liabilities	18,695	39,664,295	19,804,927	150,846	59,638,763
Segment Return on Assets (ROA) (%)	1.85%	4.95%	2.03%	-	-
Segment Cost of funds (%)	10.15%	6.76%	8.60%	-	-
For the nine month ended September 30, 2011 (Un-audited)					
Total Income	320,757	2,599,231	1,235,142	2,923	4,158,053
Total Expenses	25,606	2,135,332	1,004,351	655,863	3,821,152
Net income/(loss) before tax	295,151	463,899	230,791	(652,940)	336,901
As at December 31, 2011 (Audited)					
Segment Assets (Gross)	31,232,461	7,122,755	18,773,042	2,139,706	59,267,964
Segment Non Performing Financing	74,790	324,240	536,214	12	935,256
Segment Provision Required	34,790	183,848	228,000	12	446,650
Segment Liabilities	618,920	34,973,402	17,859,572	56,782	53,508,676
Segment Return on Assets (ROA) (%)	1.68%	6.95%	2.28%	-	-
Segment Cost of funds (%)	12.76%	6.81%	8.33%	-	-

22 RELATED PARTY TRANSACTIONS

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 or operational decisions and include a subsidiary company, associated companies with or without common directors, retirement benefit funds, directors and key management personnel.

The Bank has related party relationship with its shareholders, directors, associated undertakings, employee benefit plans, and its key management personnel (including their associates).

A number of banking transactions are entered into with related parties in the normal course of business. These include financing and deposit transactions. These transactions are executed substantially on the same terms including profit rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than normal risk.

Contributions to staff retirement benefit plans are made in accordance with the terms of the contribution plan. Remuneration to the executives are determined in accordance with the terms of their appointment.

22.1 The details of transactions with related parties and balances with them are given below:

	(Un-audited) September 30, 2012	(Audited) December 31, 2011
	----- Rupees in ` 000 -----	
<u>SUBSIDIARY</u>		
<u>Deposits:</u>		
Opening balance	99,434	88,555
Deposit during the period	2,322,547	1,433,972
Withdrawal during the period	(2,317,854)	(1,423,093)
Closing balance	<u>104,127</u>	<u>99,434</u>
	(Un-audited) Nine Months ended September 30, September 30, 2012 2011	
	----- Rupees in ` 000 -----	
<u>Transactions, income and expenses:</u>		
Return on deposits expensed	8,316	6,327

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2012

	(Un-audited) September 30, 2012	(Audited) December 31, 2011
	----- Rupees in `000 -----	
ASSOCIATES		
Financings:		
Opening balance *	56,716	167,663
Disbursed during the period	27,400	66,122
Repaid during the period	(17,274)	(11,943)
Closing balance	66,842	221,842

*Adjustment has been made in respect of an entity which is no longer an associate.

Deposits:		
Opening balance	118,676	123,065
Deposit during the period	321,755	598,059
Withdrawal during the period	(380,095)	(602,448)
Closing balance	60,336	118,676

	(Un-audited) September 30, 2012	(Un-audited) September 30, 2011
	----- Rupees in `000 -----	
Transactions, income and expenses:		
Profit earned on financing	22,952	23,451
Return on deposits expensed	3,342	5,408
Repair and maintenance	26,846	42,564

	(Un-audited) September 30, 2012	(Audited) December 31, 2011
	----- Rupees in `000 -----	
KEY MANAGEMENT PERSONNEL		
Financings:		
Opening balance	78,084	61,167
Disbursed during the period	29,770	21,149
Repaid during the period	(4,708)	(4,232)
Closing balance	103,146	78,084

Deposits:		
Opening balance	4,565	16,563
Deposit during the period	64,979	94,531
Withdrawal during the period	(63,367)	(106,529)
Closing balance	6,177	4,565

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2012

	(Un-audited)	
	Nine Months Ended	
	September 30, 2012	September 30, 2011
	----- Rupees in ` 000 -----	
<u>Transactions, income and expenses:</u>		
Profit earned on financing	2,405	1,996
Return on deposits expensed	235	334
<u>Employee Benefit plans</u>		
Contribution to Employees Gratuity Fund	18,477	19,301
Contribution to Employees Provident Fund	21,309	19,569

23 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on October 12, 2012 by the Board of Directors of the Bank.

24 GENERAL

- 24.1 Corresponding information has been re-classified, re-arranged or additionally incorporated in this condensed interim financial information, wherever necessary, to facilitate comparison and to conform with changes in presentation in the current period. There were no significant reclassifications during the current period.
- 24.2 Figures have been rounded off to the nearest thousand rupees unless otherwise stated.

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director

Consolidated Financial Statements
of
BankIslami Pakistan Limited
for the Period Ended
September 30, 2012



DIRECTORS' REPORT (CONSOLIDATED)

On behalf of the Board, I am pleased to present the financial results of the group for the period ended September 30, 2012. Following are the highlights:

	Sept 30, 2012	Sept 30, 2011	Growth (%)
.....Rupees in 'millions'.....			
Total Deposits	56,602	44,523	27.13
Total Assets	65,113	52,281	24.54
Total Financing-net	18,366	15,360	19.57
Total Investments	27,599	17,603	56.79
Shareholder's Equity	5,577	5,053	10.37
Branches	112	102	9.80
Basic Earnings per share - rupees	0.713	0.430	65.81

Our group performance remained satisfactory. The group has been able to post growth in its deposit by 27.13%, Investment by 56.79% and Assets by 24.54%.

Finally, we would like to place on record our appreciation to State Bank of Pakistan for continued support, guidance as well as understanding.

On behalf of the Board,

Hasan A. Bilgrami
Chief Executive Officer

October 12, 2012

CONDENSED INTERIM STATEMENT OF CONSOLIDATED FINANCIAL POSITION

AS AT SEPTEMBER 30, 2012

(Un-audited) (Audited)
September 30, December 31,
2012 2011
----- Rupees in `000 -----

ASSETS

Cash and balances with treasury banks	3,256,824	4,684,831
Balances with other banks	748,309	549,411
Due from financial institutions	4,804,078	4,436,264
Investments	27,599,690	20,891,908
Financings-net	18,365,813	20,110,401
Operating fixed assets	1,773,811	1,816,863
Deferred tax assets	119,435	188,442
Other assets	8,445,610	6,038,413
	65,113,570	58,716,533

LIABILITIES

Bills payable	990,070	798,853
Due to financial institutions	414,030	800,000
Deposits and other accounts	56,602,113	50,468,674
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	1,530,121	1,342,233
	59,536,334	53,409,760
NET ASSETS	5,577,236	5,306,773

REPRESENTED BY

Share capital	5,279,679	5,279,679
Reserves	91,221	91,221
Unappropriated profit /(Accumulated losses)	143,367	(233,205)
	5,514,267	5,137,695
Surplus on revaluation of assets-net of tax	62,969	169,078
	5,577,236	5,306,773

CONTINGENCIES AND COMMITMENTS

The annexed notes 1 to 7 form an integral part of this condensed interim consolidated financial information.

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director

CONDENSED INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2012

	Quarter ended		Nine months ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
	----- Rupees in `000 -----			
Profit / return on financings, investments and placements earned	1,563,850	1,451,417	4,537,038	4,025,563
Return on deposits and other dues expensed	950,672	756,311	2,628,881	2,091,135
Net spread earned	613,178	695,106	1,908,157	1,934,428
Provision against non-performing financings	50,347	33,660	67,441	104,440
Provision against investments and lending	-	-	-	1,195
Provision for diminution in the value of investments	-	-	-	-
Bad debts written off directly	-	-	-	-
	50,347	33,660	67,441	105,635
Net spread after provisions	562,831	661,446	1,840,716	1,828,793
Other income				
Fee, commission and brokerage Income	44,652	18,183	126,926	59,191
Dividend income	-	-	-	-
Income from dealing in foreign currencies	22,922	6,044	66,773	41,858
Gain on sale of securities	146,146	-	149,704	-
Other income	9,491	10,159	27,804	33,430
Total other income	223,211	34,386	371,207	134,479
	786,042	695,832	2,211,923	1,963,272
Other expenses				
Administrative expenses	598,613	539,240	1,681,429	1,620,514
Other provisions	-	-	397	250
Other charges	164	(3,469)	1,143	(1,016)
Total other expenses	598,777	535,771	1,682,969	1,619,748
	187,265	160,061	528,954	343,524
Extra ordinary / unusual items	-	-	-	-
Profit before taxation	187,265	160,061	528,954	343,524
Taxation				
-Current	8,724	16,186	25,133	45,560
-Prior years	-	-	-	-
-Deferred	33,672	39,663	127,249	70,731
	42,396	55,849	152,382	116,291
Profit after taxation	144,869	104,212	376,572	227,233
Accumulated losses brought forward	(1,502)	(433,109)	(233,205)	(556,130)
Transferred to statutory reserve	-	-	-	-
Unappropriated profit /(Accumulated losses) carried forward	143,367	(328,897)	143,367	(328,897)
Basic / diluted earnings per share - (Rupee)	0.274	0.197	0.713	0.430

The annexed notes 1 to 7 form an integral part of this condensed interim consolidated financial information.

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2012

	Quarter ended		Nine months ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
	----- Rupees in `000 -----			
Profit after taxation	144,869	104,212	376,572	227,233
Components of comprehensive income not reflected in equity				
Surplus /(deficit) on revaluation of available for sale securities - net of tax	55,088	77,583	(106,109)	61,906
Total comprehensive income for the period	<u>199,957</u>	<u>181,795</u>	<u>270,463</u>	<u>289,139</u>

The annexed notes 1 to 7 form an integral part of this condensed interim consolidated financial information.

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2012

	September 30, 2012	September 30, 2011
	----- Rupees in `000 -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	528,954	343,524
Adjustments for:		
Depreciation - Own assets	215,972	230,991
Amortisation of intangible asset	17,185	21,931
Depreciation - Operating Ijara assets	281,992	175,770
Provision against non-performing financings	67,441	104,440
Provision against investment and lending	-	1,195
Provision against other assets	397	250
Gain on sale of fixed assets	(3,217)	(10,794)
Deferred cost amortised	-	4,086
	<u>579,770</u>	<u>527,869</u>
	1,108,724	871,393
(Increase) / decrease in operating assets		
Due from financial institutions	(367,814)	(2,045,802)
Financings	1,395,155	1,030,353
Others (excluding advance taxation and deferred cost)	(2,392,130)	(3,194,423)
	<u>(1,364,789)</u>	<u>(4,209,872)</u>
Increase / (decrease) in operating liabilities		
Bills payable	191,217	(65,210)
Repayments / borrowings from financial institutions	(385,970)	447,000
Deposits and other accounts	6,133,439	6,413,011
Other liabilities (excluding current taxation)	187,888	250,503
	<u>6,126,574</u>	<u>7,045,304</u>
	5,870,509	3,706,825
Income tax paid	(40,589)	(44,927)
Net cash generated from / (used in) operating activities	<u>5,829,920</u>	<u>3,661,898</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available for sale securities	(6,872,141)	(3,943,851)
Investments in operating fixed assets - net	(191,662)	(78,701)
Proceeds realised on disposal of operating fixed assets	4,774	28,392
Net cash (used in) / generated from investing activities	<u>(7,059,029)</u>	<u>(3,994,160)</u>
Increase / (decrease) in cash and cash equivalents	(1,229,109)	(332,262)
Cash and cash equivalents at beginning of the period	<u>5,234,242</u>	<u>3,606,011</u>
Cash and cash equivalents at end of the period	<u>4,005,133</u>	<u>3,273,749</u>

The annexed notes 1 to 7 form an integral part of this condensed interim consolidated financial information.

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2012

	Share Capital	Statutory Reserve	Unappropriated Profit	Total
	----- Rupees in ` 000 -----			
Balance as at January 01, 2011	5,279,679	8,232	(556,130)	4,731,781
Profit after taxation for the period ended September 30, 2011	-	-	227,233	227,233
Transferred to statutory reserve	-	-	-	-
Balance as at September 30, 2011	5,279,679	8,232	(328,897)	4,959,014
Transferred to statutory reserve	-	82,989	(82,989)	-
Profit after tax for the period ended December 31, 2011	-	-	178,681	178,681
Balance as at December 31, 2011	5,279,679	91,221	(233,205)	5,137,695
Profit after tax for the nine months ended September 30, 2012	-	-	376,572	376,572
Balance as at September 30, 2012	5,279,679	91,221	143,367	5,514,267

The annexed notes 1 to 7 form an integral part of this condensed interim consolidated financial information.

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director

1. STATUS AND NATURE OF BUSINESS

- 1.1 BankIslami Pakistan Limited was incorporated in Pakistan as a public limited company on October 18, 2004 under the Companies Ordinance, 1984 to carry out business of an Islamic Commercial Bank in accordance with the principles of Islamic Shariah. The registered office of the Bank is situated at 11th Floor, Dolmen City, Marine Drive, Block-4, Clifton, Karachi. The Bank commenced its operations from April 07, 2006. The shares of the Bank are quoted on the Karachi Stock Exchange. The Bank is operating with one hundred and twelve branches including thirty six sub-branches (December 31, 2011: 102 branches) as at September 30, 2012.
- 1.2 The State Bank of Pakistan (SBP) vide circular no.7 dated April 15, 2009 has set the Minimum Capital Requirement (MCR) for banks upto Rs. 10 billion to be achieved in a phased manner by December 31, 2013. As per this circular, MCR (free of losses) and Capital Adequacy Ratio (CAR) requirements as of December 31, 2011 was Rs 8 billion and 10% respectively. However, the paid-up capital of the Bank (free of losses) as of September 30, 2012 amounts to Rs 5.280 billion.

Last year the Board of Directors (BOD) of the Bank in their meeting held on February 07, 2011 had in principle agreed to issue right shares to increase its Capital (free of losses) to Rs. 6 billion. The SBP vide its letter no. BSD/CSD/546/2012 dated January 13, 2012 had advised the Bank to complete the right issue as principally agreed by the BOD in its meeting held on February 7, 2011 by June 30, 2012 to achieve the paid up capital (free of losses) of at least Rs 6 billion. Any further extension in timeline for meeting MCR would be considered once paid up capital (free of losses) of Rs 6 billion is achieved.

During the current period, the Bank has applied to the State Bank of Pakistan (SBP) for further increasing the timeline for a suitable period as the request for approval of right shares (submitted by the Bank with SBP) is currently pending with the SBP. The SBP vide its letter no. BSD/CSD/9905/12/2012 dated August 17, 2012 has extended the timeline till December 31, 2012 for meeting paid up capital (free of losses) of Rs 6 billion.

- 1.3 The Bank has acquired 100 percent shares of BankIslami Modaraba Investment Limited (an unquoted public company) on August 31, 2007. The principal activity of the company is to act as modaraba management company. BankIslami Modaraba Investment Limited was incorporated in Pakistan on January 22, 1986 as a public unquoted company under the Companies Ordinance, 1984. Later on it was registered as a Modaraba Company with the Registrar of Modaraba Companies and Modarabas, under the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980. The registered office of the company is situated at 10th Floor, Progressive Square, Shahrah-e-Faisal, Karachi.

2. BASIS OF PRESENTATION

- 2.1 These condensed interim consolidated financial statements are unaudited and have been prepared in accordance with the requirements of State Bank of Pakistan.
- 2.2 The Group provides financing mainly through shariah compliant financial products. Except for Murabaha and Ijarah transactions (which are accounted for under the Islamic Financial Accounting Standard – 1 and – 2), the purchases, sales and rentals arising under these arrangements are not reflected in these interim financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of rental / profit thereon. Income, if any, received which does not comply with the principles of Islamic Shariah is recognized as charity payable.

3. STATEMENT OF COMPLIANCE

- 3.1 These condensed interim consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and regulations / directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or regulations / directives issued by the SECP and the SBP differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirements of the said regulations / directives shall prevail.
- 3.2 The SBP vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard (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, IFRS-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 financial statements. However, investments have been classified, accounted for and valued in accordance with the requirement of various circulars issued by SBP.
- 3.3 The disclosures made in these condensed interim consolidated financial statements have been limited based on the format prescribed by the SBP vide BSD Circular letter No. 2 dated May 12, 2004 and International Accounting Standard 34, "Interim Financial Reporting" and do not include all of the information required in the annual financial statements. Accordingly, these interim condensed financial statements should be read in conjunction with the annual financial statements of the Group for the year ended December 31, 2011.

4. SIGNIFICANT ACCOUNTING POLICIES

- 4.1 The accounting policies adopted in preparation of these condensed interim consolidated financial statements and the significant judgments made are consistent with those applied in the preparation of the financial statements of the Group for the year ended December 31, 2011.

5. BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Bank and Bankislami Modaraba Investment Limited. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

5.1 Business combinations

Acquisition of subsidiary is accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognized at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

5.2 Goodwill

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash – generating units expected to benefit from the synergies of the combination. Cash – generating units to which goodwill has been allocated will be tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash – generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

6- DATE OF AUTHORISATION FOR ISSUE

These condensed interim consolidated financial statements were authorised for issue on October 12, 2012 by the Board of Directors of the Group.

7- GENERAL

Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

-Sd-
Chairman

-Sd-
Chief Executive Officer

-Sd-
Director

-Sd-
Director

BankIslami Pakistan Limited

11th Floor, Executive Tower, Dolmen City, Marine Drive, Clifton Block-4, Karachi-Pakistan.
Tel: (92-21) 111-247-111 (111-BIP-111) Fax: (92-21) 35378373
www.bankislami.com.pk

CORPORATE